



The Week In Real Estate

Edwards Windsor
(03) 6234 5500
Level 2, 89 Brisbane Street
Hobart TAS 7000
reception@ewre.com.au
www.ewre.com.au

August 24, 2024



Regional Migration Hits New High

Australia has entered a new phase of internal migration, with more people choosing regional living over city life, according to the latest Regional Movers Index (RMI).

The June 2024 quarter saw 27% more people moving from cities to regions than the reverse, continuing a trend that has outpaced pre-Covid migration patterns.

Liz Ritchie, CEO of the Regional Australia Institute (RAI), highlighted that this sustained shift underscores the growing importance of regional areas for the nation's future. "Regional Australia is now the new frontier, vital for our net zero transition and long-term prosperity," she said.

Despite a seasonal dip in movement, city-to-regional relocations are 16% above pre-Covid levels, while regional-to-regional moves are up 10%. The RMI report, a partnership between the Commonwealth Bank and RAI, also identifies emerging regional hotspots like Lake Macquarie and NSW's South Coast.

CBA's Paul Fowler noted that regions like Lake Macquarie offer an attractive lifestyle with access to essential services and job opportunities. As regional growth continues, collaboration between governments, industry, and communities is crucial.

Affordability Drives Apartment Demand

In the past three months, apartments have outpaced houses in price growth across almost every Australian capital city, with Darwin and Canberra being the exceptions due to higher supply levels.

This trend also extends to regional NSW and Victoria, where apartments outperformed houses, while in regional Queensland, the price growth difference was minimal.

This shift is unusual, as houses typically appreciate faster due to land value. However, current market dynamics, including strained affordability from rising interest rates, are pushing more buyers toward apartments. With lenders applying a 3% buffer to home loan rates, many buyers find it difficult to finance a house in high-value markets like Sydney, leading them to opt for apartments or townhouses instead.

In addition, strong demand from investors and first-home buyers is driving apartment prices higher. New home loan data shows a surge in loans to investors, while first-home buyers, often supported by family, are also a significant market force. A shortage of new apartment supply further fuels this trend.

For those considering apartments, benefits include less financial pressure, better locations, and the potential for strong capital growth.



Quote Of The Week

"It's probably the easiest (capital city) market to buy in at the moment," - referring to Melbourne.

PropTrack's Director of Research, Cameron Kusher



More Buyers Embrace Rentvesting

With soaring property prices and high interest rates, "rentvesting" is becoming an increasingly popular strategy for first-time buyers. Sydney resident Hayley McCoy, after struggling to save for a home deposit, turned to rentvesting—buying an investment property in Brisbane while continuing to rent in Sydney. Although it felt unconventional, McCoy's decision allowed her to build equity in a more affordable market.

Rentvesting is growing, especially among younger Australians seeking creative ways to enter the property market. Analysis by Mozo shows that 6.8% of first-home buyers in 2024 are also investors, up from 4.2% in 2020. Financial experts like Helen Baker emphasize the importance of careful planning, as balancing mortgage payments with rent and navigating potential rate increases can be challenging. Rentvesting offers a foot in the property market, but it comes with risks, including higher interest rates on investment loans and the possibility of negative cash flow.

McCoy's experience underscores the need for thorough financial planning, as rental income may not always cover mortgage repayments.



Market Confidence Rises with Listings

Buyer confidence in Australia is on the rise, despite high property prices and interest rates forcing many to make significant compromises.

The latest Mortgage Choice Home Loan Report reveals that 83% of prospective buyers feel positive about purchasing a property, up from 70% last quarter. The increase in confidence comes as more homes hit the market, giving buyers greater choice. However, challenging conditions—such as record-high prices and interest rates—are leading many to adjust their expectations. Three out of five buyers are looking to regional areas or further from city centres, with many opting for smaller homes, apartments, or duplexes. The search process is taking longer, with 62% of buyers facing delays and a third needing multiple pre-approvals.

Despite economic uncertainty, buyers are focusing on when the timing is right for them, rather than trying to predict interest rate movements.

Recent data from PropTrack also shows a surge in new property listings, helping slow the pace of price growth while providing buyers with more options across the country.



Property Listings Surge in July

Frustrated home seekers have been given a boost as property listings across Australia surged in July, providing more housing options and easing competition.

PropTrack data shows that new listings in capital cities increased by 10% over the month, with total listings now 14.4% higher than a year ago. More listings are expected in the coming months as the spring selling season begins.

PropTrack's Director of Research, Cameron Kusher, noted that Sydney and Melbourne are becoming "buyer's markets" after a prolonged period favouring sellers. "It's probably the easiest (capital city) market to buy in at the moment," Kusher said, particularly referring to Melbourne.

In smaller capitals like Brisbane, Perth, and Adelaide, sellers still have the upper hand, but the rise in listings is expected to reduce market pressure. Kusher explained that this increase in listings is partly due to the Reserve Bank's decision to delay an interest rate cut, which "forced the hand" of struggling homeowners to sell.

This shift in market dynamics is making sellers more negotiable, creating opportunities for buyers.