



The Week In Real Estate

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RBA Rate Cuts Under Pressure

Australian house prices are continuing to rise, and lower inflation could put pressure on the Reserve Bank of Australia (RBA) to cut interest rates soon.

Recent data suggests inflation may drop significantly, driven by government cost-of-living subsidies, potentially pushing the rate from 3.8% in June to 2.1% in September.

PropTrack data shows national home values climbed 8% over the past year, with significant variations across regions.

Perth and Brisbane saw surges of 25% and 16%, respectively, while Melbourne values declined slightly by 0.5%.

As inflation temporarily dips into the RBA's target range, markets are betting on a possible rate cut by November. RBA Governor Michele Bullock, however, remains cautious, stating that "a rate cut was 'not on the agenda in the near term,'" despite market expectations.

The ongoing debate highlights concerns that prematurely lowering rates could lead to a repeat of the 1970s' inflationary surge, driven by unchecked government spending.

Auction Rates Steady Before Spring

Auction clearance rates in Sydney and Melbourne remain steady as the spring selling season approaches, with experts predicting that an influx of listings could challenge the ongoing housing recovery.

Nationally, 71.4% of homes listed for auction found buyers last week, with Sydney's clearance rate at 74.9% and Melbourne's at 68.7%, according to CoreLogic.

The traditional spring selling season is kicking off with over 2,000 auctions held each week recently and 2,300 scheduled for the coming week.

"With the flow of fresh listings trending higher, the depth of market demand will be tested over the coming weeks and months," said Tim Lawless, CoreLogic's research director.

Louis Christopher, founder of SQM Research, added, "It's likely auction clearance rates are going to fall from here in Sydney and Melbourne.

That's going to then equate to price falls in both cities for the remainder of the year."

Despite these predictions, some sellers still exceed reserves, reflecting strong interest in top-tier properties, while other market segments remain cooler.



Quote Of The Week

"These results show that homeowners are walking away with large profits, cementing property as a reliable means of building financial wealth"

Nicola Powell, Domain's Chief of Research and Economics



Record Gains for Sellers Nationwide

According to Domain's Profit and Loss report, House sellers across Australia made record profits in the past financial year, with the average gross profit reaching \$326,000. A remarkable 96% of house sales were profitable, the highest level in 16 years, while 90.7% of units also sold for a profit, the highest in 13 years.

Nicola Powell, Domain's chief of research and economics, expects even bigger profits next year as home values continue to rise. "We could see further increases in profitable sales in most capital cities as prices rise, although at a slower pace," she said.

Sydney dominated the market, with every seller in 32 of 43 suburbs pocketing over \$1 million in gross profits. In suburbs like Davidson and Mona Vale, sellers made between \$1.2 million and \$1.3 million.

Outside Sydney, sellers in Melbourne's Malvern, Adelaide's Westbourne Park, and Perth's Rossmoyne also saw over \$1 million in gains. "These results show that homeowners are walking away with large profits, cementing property as a reliable means of building financial wealth," Powell added.



Renovations Boost Home Values

Home values in some of Australia's most exclusive suburbs are set to rise further as billions of dollars worth of renovations are planned. In June alone, renovation approvals hit a record \$1.17 billion, with \$12.8 billion approved over the past financial year.

Wealthy homeowners, particularly in Sydney and Melbourne, are driving this building boom. "More expensive suburbs reflect desirability, large land sizes, and prime locations, which all make large investments in homes worthwhile," said PropTrack senior economist Paul Ryan. High stamp duty costs also encourage homeowners to renovate rather than move.

Top renovation hotspots include Point Nepean in Victoria, where \$97.5 million worth of renovations were approved, and Sydney's Manly and Fairlight, which saw \$88.5 million in renovations. Real estate agents note that many homeowners are investing heavily in making their current homes their "forever" residences.

The renovation boom is expected to continue, supported by easing construction costs and recent strong home price growth, which is giving homeowners the equity needed to fund these projects.



Luxury Market Defies Global Trends

Australia's luxury property market has outperformed international peers, with prices holding steady despite global slowdowns triggered by rising interest rates.

Knight Frank's Prime Global Cities Index shows all four Australian cities analyzed saw price increases in the luxury segment. Perth led with a 3.7% rise over the past year to June, followed by Sydney at 3.1%, Brisbane at 2.4%, and Melbourne at 0.6%.

Globally, price growth for the top 5% of property markets slowed from 4.1% in Q1 2024 to 2.6% in Q2, with a quarter of the 44 cities tracked experiencing negative growth.

"Prices in Australian markets are still benefitting from the recommencement of migration after COVID," said Knight Frank's Liam Bailey.

Sydney's luxury market remains robust, driven by strong international interest, particularly from Europe, Asia, and returning expats. Meanwhile, Melbourne's market is slightly more price-sensitive, with demand still high but dependent on properties meeting buyer expectations. Perth continues to see strong growth, fueled by interstate migration.