



The Week In Real Estate

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First Home Buyer Markets

High interest rates and growing property prices are not deterring first-home buyers, with new analysis showing they are entering the market at a rate higher than the ten-year average.

And PropTrack senior economist Eleanor Creagh, says Victoria is the state they are most focused on.

Creagh says tighter rental market conditions are incentivising those with the means to purchase sooner and government support schemes, concessions and grants, and expanded eligibility criteria have also played a part in helping them to get into the market. Australian Bureau of Statistics August 2024 lending indicators data shows that in August 2024, there were 3089 loans to first-home buyers in Victoria, 2333 in New South Wales, and 2076 in Queensland. Western Australia had 1294, South Australia 612, and Tasmania 175.

Creagh says the growth in loans to first-home buyers in Victoria is being driven by subdued price growth and more choice in that state.

She says prices have not surged in Melbourne as they have in Brisbane, Adelaide and Perth.

Rates Don't Drive Up Rents

Rising interest rates have a minimal impact on rent increases, according to new research by the Reserve Bank of Australia.

The RBA says rents only increase by 1 cent for every \$1 increase in loan repayments. Instead, property investors and landlords bear the brunt of the increasing costs. The RBA analysed 13 years of investor tax returns to determine the impact. It says loan interest payments for investors increased by around \$850 between April 2022 and January 2024, which would have raised rents by less than \$10 per month, or just over \$2 per week.

The RBA says it is a case of "correlation rather than causation" that rents are rising at the same time as interest rates. It says both tend to move at the same time in the economic cycle, and while there is some link between interest rates and rent increases, it is very small. The RBA says other factors are driving rents up, including the level of demand relative to the stock on market.

"The RBA's assessment is that high rent growth in recent years reflects this fundamental force. "Housing demand has been strong, supported by high population growth and increased preference for more space, while supply has been hampered by ongoing capacity constraints and increases in construction costs."



Quote Of The Week

"Higher interest rates have reduced borrowing capacities for buyers, and that has pushed some homebuyers to look at more affordable locations."

PropTrack senior economist Angus Moore



Building Costs Soar

Building costs are continuing to rise, putting further pressure on the housing supply. The costs of building a home increased a further 1% in the third quarter of 2024, according to CoreLogic's Cordell Construction Cost Index (CCCI). That 1% increase can add thousands to the cost of building a home. CoreLogic economist Kaytlin Ezzy says the number of dwellings completed in the 12 months to June was not enough to meet Australia's housing targets. In the year to June, 176,000 dwellings were completed, 26.6% below the 240,000 annually needed to fulfil the target. "While 250,000 homes remain within the construction pipeline nationally, the sluggish flow of new dwelling approvals suggests a shortfall of projects once the backlog is worked through," Ezzy says. The Business Council is calling for a major overhaul of Australia's housing approval processes to boost supply. It is calling for state-wide council report cards so that the performance of Council approvals, particularly the time it takes for approvals to go through, can be monitored. It wants State governments to be able to remove the planning authority of councils which continually underperform in timely approvals, and it was to elevate housing projects of significance to state governments for approval.



Values Keep Rising

The majority of Australian suburbs have maintained the high prices of the past two years, despite a slowdown in some markets.

Analysis by PropTrack shows that 77% of suburbs still have median house prices higher than when interest rates started to rise two years ago. Unit prices also remain higher in 71% of suburbs. The list of suburbs to achieve the highest growth rates in the past two years is dominated by locations in South Australia, Western Australia and Queensland.

PropTrack senior economist Angus Moore says the common denominator is that the suburbs with the strongest price growth are relatively affordable. "Higher interest rates have reduced borrowing capacities for buyers, and that has pushed some homebuyers to look at more affordable locations," he says. For example, someone who could have borrowed \$1 million before interest rates started rising can now borrow between \$600,000 and \$700,000. Davoren Park, in Adelaide, had the highest median house price growth of 82% to \$465,000. Salisbury East also in Adelaide had the highest growth in the unit market, up 91% to \$464,000.



Auctions Powering Along

Australia's auction market continues to power along as thousands of sellers put their properties up for sale under the hammer.

CoreLogic data shows that 2525 auctions were held across the capital cities last week, the second highest number of auctions of the Spring Selling Season. And numbers are tipped to increase in coming weeks, with CoreLogic currently tracking around 2600 properties scheduled for auction this week and more than 3,000 auctions over the following week.

Clearance rates nationally rose slightly from 66.6% last week compared with 63.9% the previous week.

Although Melbourne had the highest number of auctions, it did not have the highest clearance rate. Its preliminary clearance rate was 64.8%, while the ACT was 71.2% - its highest rate since June.

Sydney's clearance rate was 69%, Brisbane 62.5% and Adelaide 67.5%.

According to CoreLogic, historically, the peak in auction activity is usually in late November or the first two weeks of December.