



Australian Property Update

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The Downturn That Never Was

It can be hard to make sense of real estate markets when the standard of commentary in news media is so poor.

Knee-jerk responses to short-term data sets from economists, journalists and often the big-name research houses create a mass of confusing, conflicting and contradictory commentary. Commentary around price data is the worst example of this, with too much importance put on short-term results.

Real estate is a slow-moving and long-term business, so data showing one month's change in median house prices is meaningless. Yet, we have commentators declaring a downturn based on one or two months' worth of lukewarm figures. Most know it's wrong, but they just can't seem to resist generating outrageous headlines. The headline on a press release from one data house at the start of March declared: Housing Downturn Reverses in February!

Did we have a housing downturn? Apparently, two months of softer figures constitute a downturn these days and then a rise of 0.3% meant it was all over.

Quarterly figures are more meaningful and the key quarterly figures this month show: Perth house prices are no longer growing, its boom has well and truly passed its peak Adelaide, Darwin and Brisbane had the best growth among the capital cities and regional Queensland, South Australia and West Australia had the best quarterly growth. Sydney and Melbourne house prices are down about 1% over the quarter. Both had small increases in February but it's too soon to say whether this is a serious recovery.

Million-Dollar Suburbs

Australia could soon have its second million-dollar city with further price growth nudging capital city prices higher. PropTrack's latest home price data shows that Brisbane's median house price now sits at a record \$977,000 after 9.6% growth over the past 12 months. It is second to Sydney, which has a median house price of \$1.425 million after growth of 3% in the past 12 months.

The ACT is also not far behind with its median now \$956,000, despite a 2% drop in the past 12 months. REA Group senior economist Eleanor Creagh expects Brisbane will pass the \$1m median price level in the next few months. She says that already about half the suburbs in Southeast Queensland have medians above \$1 million. Propertybuyer CEO Rich Harvey says there are now 1,194 suburbs or towns nationally with medians of \$1 million or more, up from 1,144 locations in September 2024. He says Brisbane hitting a million-dollar median is "inevitable" given the strong growth since the pandemic and continued demand, especially from interstate migrants and investors. "The key driver for Brisbane is interstate migration figures, the attractiveness of the lifestyle and the relative affordability compared to other states," he says. Harvey says a decade ago, \$500,000 was what investors spent on average, but now it has crept up to between \$750,000 and \$1 million. "We're (Brisbane is) going to get there very soon this year. Brisbane has a growth rate of somewhere between 8% and 10% this year. I think it's got a great future ahead of it."





The Rise Of Apartments

Australia is charging headfirst into its era of apartment living, according to real estate fund managers, Qualitas. It says that while the proportion of apartments is not as high in Australia as in other cities of the world, it is steadily growing as pent-up demand and affordability issues attract even more people to apartment living. Qualitas managing director Andrew Schwartz says if demand for apartments continues at the same pace, it could triple the number of apartments being developed to about 75,000 a year. He says new-build apartment prices have increased by between 15% to 20% to make them financially viable for developers, and that is not deterring buyers. Schwartz says the biggest issue is the capacity of the Australian construction industry to build more apartments. In the 12 months to September 2024, housing starts of new apartments, townhouses and semi-detached homes totalled 59,728. In previous years it was almost double that. Schwartz says Sydney and Brisbane are the hardest cities to get apartment projects going as they are both experiencing labour shortages.

"We still need more players in the construction industry if we're going to achieve the volumes and competition the industry needs," he says. Data from the Strategic Property Group shows that about half of all homes in Sydney are apartments.



Rental Woes

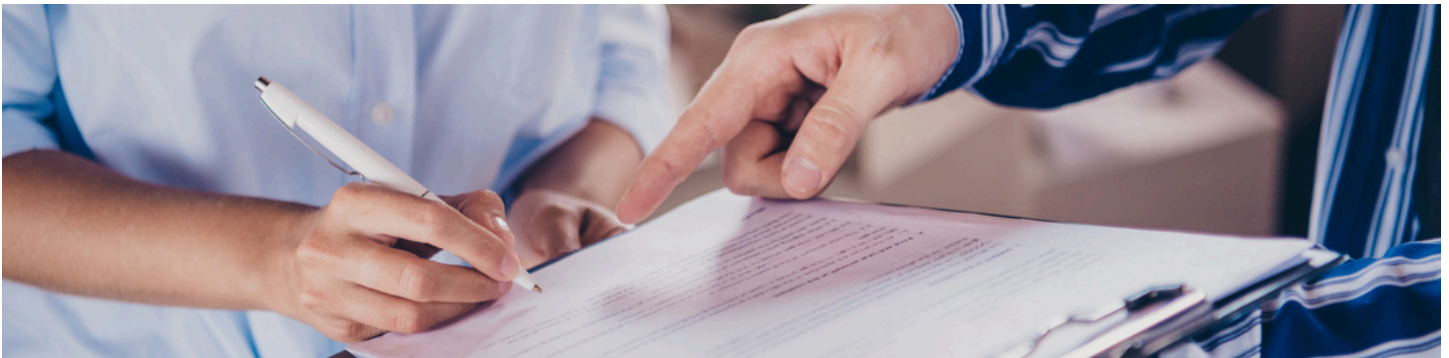
More than half of rental applicants feel pressured to offer above the asking price to secure a home. The Real Property Report 2025 shows that finding a rental property is still a stressful experience, with many going above and beyond to try and snare somewhere to live.

The report says 57% feel they have to offer a higher rent with some paying up to \$124 more per week, which equates to more than \$6,000 a year. Two-thirds of renters say they have gone to "extreme" lengths to secure rentals, with 26% applying for multiple properties at the same time, 20% paying an extra week or two of rent and 14% paying rent months in advance.

Once they secure a home, 13% of renters admit to actively lying about not having a pet so they can stay in the property.

According to SQM Research, the national vacancy rate fell to 1% in January, with the tightest markets in smaller capital cities: Brisbane (0.8%), Perth (0.4%) and Adelaide (0.5%).

It says nationally rents are up by 1.6% in January while CoreLogic says in the 12 months to February, rents rose by 4.1%.



Rentvesting Rising

Rentvesting is once again gaining momentum as first home buyers purchase where they can afford and rent where they actually want to live.

Westpac's latest Home Ownership Report shows more than 54% of first-home buyers are considering rentvesting for their first purchase. It shows investment is on the mind of many buyers with a 4% increase in Australians planning to purchase an investment property in 2025.

The report also shows that 82% of potential buyers are widening their property search and are open to purchasing in areas they hadn't considered previously just so they can get into the market sooner. Westpac senior economist, Matthew Hassan, says that more first-home buyers are considering rentvesting because of affordability issues and supply shortages.

"First-time buyers are at the pointy end of the affordability problems in Australia and becoming a first-time buyer is the hardest step of entering the market," he says. "I think rentvesting offers an alternative pathway that allows people to manage some of the financial risks that are involved with becoming a first-time buyer, while also sort of balancing lifestyle arrangements."

The research shows that apartments and units have increased as the preferred property purchase by 7% in the past year and the preference for a townhouse has also doubled.