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The Week In Real Estate



Rents Rise As Vacancies Fall

Rents are rising across Australia as vacancy rates continue to fall to unprecedented lows. SQM Research reports that the national vacancy rate fell to 1.8% in May, compared with 2.5% a year ago.

SQM managing director Louis Christopher says: "Vacancy rates continue to fall Australia-wide, which is forcing up in rents, particularly in regional locations."

The report notes that vacancy rates have dropped in Sydney and Melbourne, with Sydney now at 2.9%, down from 4% a year ago. Melbourne is now the only capital city above 3%. The other six capitals are all below 1.5%.

"This trend of falling vacancies and higher rents is likely to remain through the second half of the year, given the fierce competition for rental accommodation in many areas," he says.

REIA president Adrian Kelly says the median rent for 3-bedroom houses increased in all capital cities over the March Quarter. Darwin had the highest annual growth at 17%.

Quote of the Week

"We are still seeing falling vacancies everywhere, from the Mornington Peninsula to the Gold Coast, right through to inland areas like the Murray Regions of NSW and South Australia to outback Northern Territory and Darwin, which is boosting rents as tenants compete for rental homes."

Louis Christopher of SQM Research



Homes Selling At Record Speeds

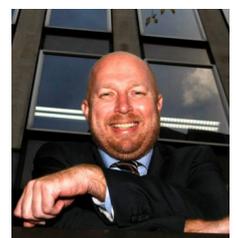
The property boom shows no signs of slowing down, with Aussies buying properties at record speeds.

Homes sold on average in just 32 days in May, down from 37 days in April, according to realestate.com.au. But eager house-hunters were even quicker in some states, with properties on the website selling in just 24 days in the ACT, 27 in NSW and 28 in Victoria.

Anne Flaherty, realestate.com.au economist, says the market continues to boom, with demand outpacing supply.

"We are seeing properties sell at record speed, so buyers are having to move quickly to compete in these market conditions," she says. "While demand may moderate over the coming winter months, views per listing increased in May and is now just shy of its historic high earlier this year."

The report also reveals that, for the first time, there were more than twice as many searches on realestate.com.au for properties over \$1 million than there were under \$500,000.





Boom Will Extend To 2022

Property prices will keep rising into further record territory next year, as the Australian economy's stronger-than-expected recovery continues.

And there is a good chance that they could continue to climb after 2022, market experts say, although the rate of growth will eventually start to moderate.

Louis Christopher of SQM Research says there are more buyers than sellers and the evidence suggests the market will continue to rise. He estimates Sydney house prices have risen almost 20% in the past year, with Melbourne up 14%.

Prices in regional areas have also climbed, driven by those working from home who are seeking a cheaper lifestyle change.

Charter Keck Cramer director Angie Zigomanis says prices in Sydney and Melbourne could rise another 10% over the next 12 months. He forecasts that prices will remain robust for at least another 12 months before moderating.

Crunch Time For Unit Supply

A new report finds that Australia is facing a severe apartment undersupply and by 2024 unit construction levels will be just 20% of 2018 levels.

Property Council has called for government intervention to boost investment after releasing analysis from Urbis which claims Australia's largest apartment markets are facing a structural shortage. It says the reduction in building activity will see the loss of 30,000 construction jobs in Sydney, Melbourne, Brisbane and Perth.

The report highlights that prior to the pandemic a range of new taxes and regulations across Australia had directly impacted on apartment supply. The Property Council is calling for state government efforts to reduce international investor surcharges, stimulate unit construction and improve planning.

Without government action to boost apartment supply, there will be significant apartment price and rent increases across the major cities, the council says.

Growth Highest In 10 Years

Capital city prices for both houses and units rose in the March Quarter at the highest rate in a decade, the REIA's latest Real Estate Market Facts report has found. REIA president Adrian Kelly says the weighted average capital city median price increased 6.8% for houses and 2.7% for units in the March Quarter.

Over the March Quarter, the median house price for the eight capital cities rose to \$874,000. At \$1,309,000, Sydney's house median remains the highest among the capital cities, 50% higher than the national average. At \$500,000, Perth has the lowest house median across the capital cities, 43% lower than the average.

"Over the 12 months to the 31 March, the weighted average capital city median house price increased by 11.1%," Kelly says.

"Over the quarter, the median price for other dwellings increased in Sydney, Melbourne, Perth, Hobart and Darwin, remained steady in Brisbane and Canberra, but decreased in Adelaide."

