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REALTY

May 2022

## AUSTRALIAN PROPERTY UPDATE

### Terry's View

The most alarming factor in the Federal Election campaign is the absence of policies to deal with the housing market's biggest issue, the shortage of rental properties. Indeed, none of the major parties have any policies that suggest they understand housing market problems and how to deal with them.

Both Labor and the Liberals have policies to make it easier for first-home buyers to get a loan but they have not presented ideas to deal with the high cost of creating new homes. Neither show any sign of even being aware that Australia has the greatest ever shortage of rental properties, so there are no policies to increase the supply of homes for tenants.

The Greens' real estate policies indicate that they see property investment as a criminal activity which should be stamped out. Their ideas, if they ever became law, would make the rental shortage immeasurably worse.

It's counter-intuitive for politicians, especially left-leaning ones, but the only way to address the rental shortage crisis is to introduce measures that encourage investors to buy homes and make them available for rental.

### Strategy Needed To Solve Housing Woes

A Sydney-based think tank has called for whoever wins government at the Federal Election to roll out a "real long-term strategy" to make housing more plentiful and affordable.

Committee for Sydney has published a paper on the issue, with deputy chief executive Ehssan Veiszadeh calling for federal and state governments to make changes around housing policy.

Housing costs are the largest economic problem facing Australian cities, with property prices rising more than 20% nationally in the past 12 months.

"Without a major change to housing price dynamics, Australia is sleepwalking into a permanent class divide, where only those who inherit wealth are able to obtain the security of home ownership," the paper says.

It blames policy settings at a national level, while state governments and development approval processes have also been implicated for a chronic undersupply of housing.

The paper notes that only 30% of houses in NSW are approved via a complying development pathway, a planning and approval process involving a fast-tracked assessment by a council or an accredited certifier, compared to 70% in Queensland.

The CEOs of developer Mirvac and materials supplier Boral have called planning the top issue in housing, commenting the government's main priority should be improving supply and planning approvals.

The National Housing Finance and Investment Corporation has warned lagging approvals were contributing to a surge in house prices and that the supply pipeline may fall behind demand as Australia's international borders reopen.



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## Bunnings To Address Supply Shortages

Amid national shortages, Bunnings will double its processing plants that manufacture wooden frames and trusses used in home construction.

Over the next 18 months it will double the number of processing plants that manufacture frames and trusses, substantially growing its market share in a high-growth category that has struggled with shortages through the pandemic period.

A stronger and more national footprint of Bunnings manufacturing hubs will also bind it more closely to home builders who typically have a long shopping list of items they need to buy and could help lift sales across the group.

Currently hardware giant Bunnings operates three frame and truss sites in Australia – at Warnervale and Unanderra in NSW and Hallam in Victoria.

Building industry insiders say Bunnings is searching for a site for a new frame and truss facility in Melbourne, another in Brisbane and potentially more in NSW.

Frames and trusses have been in short supply as rocketing timber prices and supply chain disruptions strangled the pipeline of the core building materials that form the internal structure of new homes.

Bunnings aims to set itself up as a major, growing supplier of frames and trusses to home builders, binding more closely to home constructors.

## Level Of “Liar Loans” Reduces

The number of homebuyers overstating their financial position when applying for a home loan has decreased thanks to stricter lending standards, UBS’s latest “liar loans” survey has revealed.

UBS banking analyst John Storey says the overall trend showed the number of factual mis-statements had declined somewhat to 37% in 2021, from a record 41% in 2020.

ANZ has bucked the trend, however. The survey shows more people lied on applications for ANZ loans than other banks. “All major banks except ANZ saw a decline in factual mis-statements,” he says.

Around 55% who had taken out a mortgage with ANZ in the second half of 2021 indicated they had lied in their application. “ANZ’s continued deterioration is at odds with the broader improvement in loan factual accuracy,” Storey says.

The survey shows the next highest percentage of customers mis-stating facts on applications was 40% at Westpac, 30% at Commonwealth Bank and just 19% at NAB.

Storey says some pockets of the market would be more susceptible to rising interest rates leading to customer troubles, but banks have several defences: most customers are well ahead on mortgage payments, many have savings buffers and emergency funds to cover 7-12 months’ repayments, and 39% of respondents say their household income is well above spending.

## Rental Vacancies Filled In Record Time

The number of days a rental property sits on realestate.com.au before being leased has fallen to a historic low.

The listing platform’s data arm, PropTrack, has released its residential rental figures from the first quarter of 2022, revealing that properties are being advertised for fewer than three weeks before being rented, with the average falling from 24 days in January to 19 in March.

Out of all of the capital cities and state regions, Sydney (22 days) and Melbourne (23 days) are the only areas where listings spend longer than three weeks before being let.

Houses are still proving popular, with many people in search of greater space. National house rents were 4.3% higher over the quarter, while unit rental growth was 2.4%.

Rental yields, however, have tightened more for houses than multi-home complexes. The median rental yield for houses has fallen over the year from 4.1% to 3.6%, while unit yields experienced far less of a drop, now sitting at 4.1%, down from 4.3% a year ago.

The lowest yields of March 2022 were in Sydney (3.2%), Melbourne (3.5%) and Regional Victoria (4.1%). The highest yields were in Regional WA, regional SA and Darwin, all above 6%.