



The Week In Real Estate



Rental Listings Slump To Record Low

The number of properties for rent dropped 4.5% to a record low in the past four weeks, according to new data from SQM Research.

Nationally there are now only 55,124 properties available for rent.

Sydney recorded the biggest drop in listings of 5.7% to 16,142 – the lowest level in five years, while Melbourne listings fell by 3.6% to 14,666 which is a three-year low. SQM Managing director Louis Christopher says the shrinking pool of available properties coupled with increasing demand from returning international students has led to a sharp drop in vacancy rates in CBD markets.

CBD vacancy rates soared during Covid, but Sydney's is now 3.4%, Melbourne 2% and Brisbane 2.2%.

"With the falls in CBD rental vacancy rates to well below average, we have evidence that the rise in overseas arrivals is starting to put some additional demand pressure in certain pockets of the rental market," Christopher says.

"We will wait to see if the increased immigration demand creates pressure elsewhere."

Quote of the Week

"Interest rates are on the move and prices are slowing but at a suburb level we are yet to see much evidence of widespread declines in prices."

Real estate economist Nerida Conisbee

Overseas Workers Put Pressure On Rents

While the return of overseas workers and international students has put pressure on capital city rental markets, some regional markets are easing.

SQM Research data shows vacancies increased in areas such as Wollongong and the Central Coast in July.

Despite the easing in those locations, the national vacancy rate remained steady at 1% in July.

Managing director Louis Christopher says rents in capital cities are also on the rise, up by 1.2% over the 30 days to August 12, resulting in a 17.4% increase in the past 12 months.

Rents for houses in capital cities increased 15.1% over the same period while unit rents were up by 16.2%.

But average rents decreased slightly in Hobart, Darwin and Canberra in the past month, he says.

"The rental market by and large remains very tight," Christopher says. "We have evidence that the rise in overseas arrivals is starting to put some additional demand pressure in certain pockets of the rental market."





Few Suburbs Experience Price Decline

Analysts may be predicting property price drops but new data shows only 1.5% of Australian capital city suburbs have recorded a price decline in the past 12 months.

The analysis by real estate economist Nerida Conisbee shows Melbourne and Sydney have the most suburbs with price drops.

“Interest rates are on the move, prices are slowing but at a suburb level we are yet to see much evidence of widespread declines in prices,” she says.

Her analysis shows it is the wealthiest suburbs that have been affected most by declining property prices.

In Sydney a higher proportion of very expensive suburbs (\$3 million plus median) and more affordable (less than \$1 million median) experienced price drops.

In Melbourne and Adelaide, a higher proportion of expensive suburbs recorded drops in prices.

“Elsewhere around Australia, it is the cheaper suburbs (those under \$1 million), perhaps reflecting the first home buyer pull back, as well as fewer investors. Higher price point suburbs are either holding steady, or alternatively still recording increases.”

Australia Leads On Waterfront Value

Australian waterfront properties sell at a huge premium, with five cities making it into the top ten of the International Waterfront Index.

The index which measures the potential value uplift for prime homes on the water compared with similar homes not on the water, ranked Sydney number one.

The Gold Coast ranked third, followed by Perth in fourth place, Brisbane sixth and Melbourne tenth.

The index found a Sydney waterfront property with views of the Harbour attracts an average premium of 121% on an equivalent home away from the water.

Across the ditch, Auckland in New Zealand is second on the international list with a premium of 76% while the Gold Coast has a premium of 71% and Perth 69%.

The report says the average international premium for a waterfront property compared with a non-waterfront home was 40% in the second quarter of 2022.

Michelle Ciesielski of Knight Frank Australia says beachfront property is the most sought-after location.

Auctions Stabilise -Clearances Improve

While auction clearance rates remain below the lofty levels achieved in 2021, they have increased for the third week in a row despite a rise in listings.

CoreLogic figures show the national preliminary clearance rate last week was 62% based on 1,603 properties listed for auction.

That is 2 percentage points higher than the previous week and the first time since June that the preliminary rate has been higher than 60%.

Listings in Sydney increased by almost 30% compared with the previous week, while its auction clearance rate was 60%.

According to CoreLogic, Melbourne achieved 66% last weekend, its highest preliminary clearance rate since May.

A group auction of 21 properties occurred on the Gold Coast last week, with 60% sold under the hammer including a five-bedroom home which sold on the day for \$6.68 million.

Auctioneer Mitch Palmer believes there is still enough depth in the prestige market to warrant taking homes to auction.

