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REALTY

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The Week In Real Estate



Spring Clearance Rates Bloom

Auction clearance rates are once again on the rise with the latest figures showing 65.9% of properties sold under the hammer in the past week.

Melbourne had the highest clearance rate of 75% followed by Adelaide, 69.7% and Sydney 61.9%, Canberra, 56.1%, Brisbane, 49% and Perth 46.2%.

CoreLogic predicts auction activity will hold steady this coming week with 1810 homes set to go to under the hammer.

Volumes are down on the same time last year (2940) with only 1815 scheduled auctions this coming week.

Sydney is expecting the busiest week with 718 homes scheduled for auction across the city, up 5.4% on last week.

At this stage Melbourne, which has been significantly impacted by flooding, has 695 homes set to go under the hammer, down 6.5% on last week and about half what was offered at the same time last year.

Brisbane will be the busiest smaller capital city with 162 auctions scheduled to occur this week.

Quote of the Week

"There is a growing number of younger and older Queenslanders who are having to change their living arrangements because of the housing crisis."

Demographer Dr Elin Charles-Edwards

Affordable Rentals Disappear

The number of rental properties available for under \$400 per week has plunged to a record low.

PropTrack's Market Insight Report says 19.3% of rental listings nationally are for less than \$400 per week compared with 41.8% in March 2020.

Economic research director Cameron Kusher, says the rental market is likely to get worse before it gets better, because there is no likelihood of a significant increase in rental stock in the near future.

"We basically need more supply, which means we need more investors buying properties. But servicing debt on an additional property at the moment is pretty difficult given how much interest rates have risen," he says.

The number of properties to rent for under \$400 per week in capital cities dropped from 36.1% in March 2020 to 16.4%.

Regional areas also had a significant drop from 57% of the market in March 2020 to 28.2%.

Kusher says it will only improve if government steps in and makes changes to policy.





Houses And Units Bridge Divide

Houses may have accounted for the lion's share of property price growth in 2021, but a softening market and more demand for units is narrowing the property price divide.

In 2021 house prices increased 25.5% compared with 7.7% for units. CoreLogic data shows now that gap between house and unit prices is narrowing in most capital cities.

The premium for Sydney houses over units dropped by 2.2% in July, in Brisbane it dropped by 2.4% and Adelaide 2.2%.

Canberra recorded the most significant change of 5% while Melbourne had the smallest drop of just 0.6%.

CoreLogic economist Kaytlin Ezzy says as the property market moves toward a downward phase of the cycle, the gap between houses and units continues to narrow.

"While houses typically outperform units during the upswing of the cycle, they have also historically recorded larger declines through the downswing," she says.

Low supply of new unit stock means unit values may continue to rise and the gap tighten further.

Investors Are Back

Improving rental yields and an easing of the frantic demand means property investors are back in the market.

Arjun Paliwal of buyer's agency InvestorKit says he is experiencing an increase in inquiries from investors in the recent months.

"Many of them feel like they might be missing out on opportunities to pick up properties with improving rents. They also want to get in before the rest of the pack catch on," he says.

"The smaller rate increase this month also gave them some confidence that interest rates will soon stabilise and even trend lower, which will again kick-start the market, so they want to get in before that happens."

According to Domain figures investors who secure a property with a 4.34% gross rental yield should be able to cover their mortgage repayments on an average standard variable rate loan.

Domain's chief of research and economics, Nicola Powell says yields will continue to improve because property prices are likely to suffer further.

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Where Property Is Still Affordable

Property prices may have surged during the COVID pandemic but there are still plenty of suburbs where buyers can secure a home for less than \$500,000.

Analysis by Suburbanite shows three of five major Australian cities, Brisbane, Adelaide and Perth, still have properties available below that value.

Within 35 minutes of the Brisbane CBD Petrie in the Moreton Bay region has a median unit price of \$405,000.

In Perth, Clarkson, has a median house price of \$469,000, while in South Australia, Hackham has a median house price of \$446,000 and both suburbs are within 30 minutes of the CBD.

Suburbanite principal Anna Porter says cities such as Adelaide generally had property prices lower than the larger capital cities, even though prices have grown significantly in the last two years, pricing some first-home buyers out of the market.

She says Sydney and Melbourne have few affordable options close to the city with many suburbs recording median house prices above \$1million.



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