



MITCHELLS
REALTY

5th November 2022

The Week In Real Estate



Prices More Positive In October

There are early signs emerging that the downward trend in values has started to ease, according to PropTrack.

Its latest Home Price Index shows many capital cities have values which are still above pre-pandemic levels, helped by several which recorded growth in October. Senior economist Eleanor Creagh says Adelaide is 14% higher than this time last year, followed by Brisbane (7.5%), Perth (5.7%), Hobart (3%), Darwin (3%) and ACT (1%). Sydney's index is down 6.3% on this time last year, while Melbourne is down 3.4%.

PropTrack says many capital cities recorded positive growth during the month of October including Melbourne, Adelaide, Perth and Darwin.

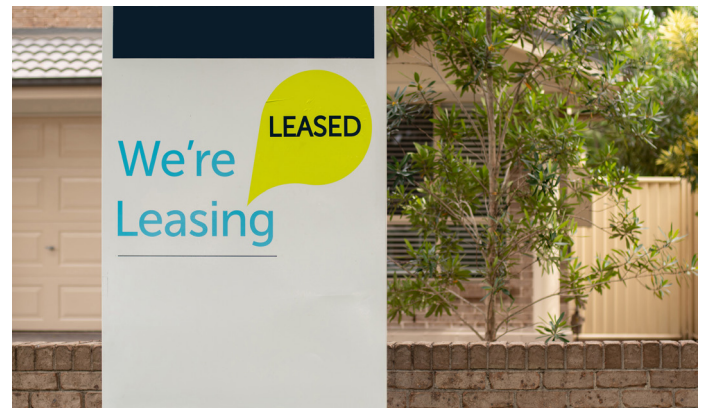
Regional areas continue to perform well, according to the report, recording annual growth of between 3.6% in regional Northern Territory and 18% in South Australia.

"Sellers are adapting to market conditions after several months of price falls, while buyers are taking advantage of the less competitive conditions and sentiment is finding a floor," Creagh says.

Quote of the Week

"Many buyers are weighing up rising rents with rising mortgage payments and deciding it is still a better option to buy."

Oliver Hume CEO project marketing Julian Coppini



Vacant Rentals Last Only 19 Days

The average time a rental property is on the market is sitting at an average of just 19 days.

A PropTrack report shows rental prices grew at the fastest pace on record in the September quarter, rising 4.3%.

The national median rent is now \$480 per week and rental stock is at its lowest level in almost two decades.

The report found the return of foreign workers and international students after the easing of pandemic restrictions is placing even more pressure on the rental market.

It says the number of days a rental property remains listed has been sitting around 19 or 20 days for the past eight months, which is lower than the 22 days it took at this time last year.

In Sydney and Melbourne rental properties are being snapped up within 20 days.

Cameron Kusher of PropTrack says the growth and tightness of the rental market appears to be shifting from regional areas back to the capital cities.





Dwelling Stock Rises To 10.9 million

Construction of new houses and apartments may have slowed because of materials cost blowouts and labour shortages, but new figures show there are now about 10.9 million dwellings in Australia.

The latest Australian Bureau of Statistics (ABS) figures show dwelling stock grew 1.4% during the past financial year, with 174,147 properties added and 27,216 removed.

ABS Construction Statistics Director Daniel Rossi says NSW has the largest number of dwellings with 3.4 million properties as of June 2022.

Victoria recorded the largest increase in dwelling stock in the past financial year with a net growth of 50,310 dwellings.

The area to record the largest increase in dwelling stock is Rockbank-Mount Cottrell which is in the Melton LGA in Melbourne's outer west. It had net growth of 2,138 dwellings while Strathnairn in Canberra's north-west had the highest growth rate in dwellings, up 63%.

The net quarterly growth of houses, townhouses and apartments was 23,456 (0.3%), 6,713 (0.5%) and 8,361 (0.5%) respectively.

Annual Tax Less Than Stamp Duty

A first-home buyer who opts to pay ongoing property tax rather than one-off stamp duty could be better off financially, according to modelling by NSW Treasury.

It shows it will take a first-home buyer, who opts to pay an annual property fee on a \$1.5 million apartment, 63 years before they end up paying the same amount they would have to pay for stamp duty upfront.

For a house which costs \$1 million it will 23 years.

The modelling was done ahead of a proposal by the NSW government to introduce an optional property tax instead of stamp duty in January.

The policy is intended to help first-home buyers get into the property market sooner, without the costly upfront stamp duty payment.

NSW Treasurer Matt Kean says it makes sense for many first-home buyers to choose a smaller annual fee for a limited period while they own the property, rather than stamp duty paid upfront in a lump sum.

Yields Rise In Tight Rental Market

Rising rents mean that real estate investors are achieving gross yields of up to 7% in some locations. Chris Foster-Ramsay, principal of Foster Ramsay Finance, says high rents and low vacancies are boosting gross yields and net returns for investors.

The situation is expected to continue with no relief in the rental market in sight.

SQM Research figures put national vacancy rates at a record low of 0.9% and listings across combined capital cities about 35% below the previous five-year average.

According to SQM, the total number of rental vacancies Australia-wide is about 33,813 residential properties.

It says over the 30 days to 12 October, capital city asking rents rose by 1.4%.

Strong overseas migration expected within the next year is expected to put further pressure on the rental market.

With the permanent migration cap lifted from 160,000 to 195,000 for the next 12 months, more than 2 million applications have already been processed for prospective immigrants since June.

