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The Week In Real Estate

Chinese Students Push Rental Crisis

With the Chinese government no longer prepared to accept university qualifications through at-home learning, tens of thousands of students are expected to arrive back in Australia for the start of school year.

The massive influx is tipped to push Australia further into rental crisis once an estimated 40,000 Chinese students arriving looking for accommodation.

NAB Markets Research head of economics Tapas Strickland says their arrival will have an immediate upward impact on rents, particularly in inner-city locations.

Property Council of Australia's Torie Brown says student accommodation is already extremely tight.

"There are zero vacancies in some cities such as Brisbane, while other centres are filling up fast," Brown says.

She says a lack of local investment in student accommodation has exacerbated the problem.

"We can't get local investors into student accommodation," she says. "The big super funds do not go near it, though they are willing to enter this area in other markets such as the UK and Canada."

Fed Budget Could Push Up Rates

Upcoming Federal Budget measures, to help taxpayers with energy bill relief and potentially higher unemployment benefits, could actually have a detrimental effect on home buyers, according to independent economist Chris Richardson.

Richardson says the RBA has been trying desperately to get inflation under control with nine consecutive rate rises, but if the Federal Government pours money into the economy to help with cost-of-living measures it will not help stem rising inflation.

"If you are looking at the Federal Budget looming in May, you would say the RBA is sending up a distress signal saying: help me more," Richardson says.

"We fight with interest rates, we fight it with falling real wages, we fight it with higher unemployment, and we could fight it with fiscal constraint."

He says that the "rough rule of thumb" in the economy is that for every $6 billion saved by either reducing spending or implementing higher taxes, means one less interest rate increase.

Quote of the Week

"The ability to work from home has allowed metro workers to continue to seek regional housing, changing the demographic and outlook of house prices in these areas."

Domain Chief of Research and Economics, Dr Nicola Powell

Big Banks Fight For Refinancers

Cash-back offers and financial incentives for new customers have resulted in the "big four" banks taking over top spot in the mortgage refinancing market.

Analysis from online conveyancing service, PEXA, shows the big banks are making it harder for smaller lenders to compete.

Head of research Mike Gill says traditionally it is the smaller lenders who handle the lion's share of refinancing.

"But what we've seen is the competitive landscape changed quite dramatically in the tail end of last year," he says.

According to RateCity analysis, there are at least 12 banks are offering a $4,000 cashback on a $500,000 loan.

Gill says the volume of new loans has come down, so the big banks are now actively pursuing a share of the refinancing market.

Australian Bureau of Statistics figures show refinancing is big business, despite a small decline recently. The total value of housing loan refinancing among all lenders fell 1.5% to $19.1 billion in December.

Lifestyle Property Prices Still Rising

Sea and tree changers are still driving regional property prices up.

The desire for a lifestyle property has not been quenched according to Domain, with its latest figures showing 92% of regional areas recorded a property price rise in the past quarter.

Chief of Research and Economics, Dr Nicola Powell says many regional house prices are still outperforming their city counterparts, in a trend which has been evident for several years.

"The ability to work from home has allowed metro workers to continue to seek regional housing, changing the demographic and outlook of house prices in these areas" she says.

Powell says Regional South Australia had the biggest growth, with values 5.4% higher than the previous quarter.

She says most regional markets have hit their peak and she expects a slowdown in the annual figures.

"But many of these regions are unlikely to head back to pre-Covid prices given that the areas are still more affordable than houses in the capitals," Powell says.

Cashflow Opportunities On The Rise

The opportunity to secure positively-geared residential investments is on the increase as rents rise and prices soften, according to analysis by PropTrack.

PropTrack's Angus Moore says the huge demand for rental properties has driven up rents substantially which means there are plenty of locations where investors can start earning good weekly returns almost immediately.

Vacancy rates remain at 1% or less in many locations, advertised asking rents have gone up by 7% in the past year, while national home values have dropped 4.5% from their peak in March 2022, according to Moore.

This, he says, is a good opportunity for landlords, particularly in regional areas.

"Regional areas often carry higher gross rental yields," Moore says.

Although he warns some regional markets carry a higher risk of vacancy, but this is not a major concern at the moment with pressures in the market likely to make vacancies tighter this year.

He says investors should choose locations with diverse economies based on multiple major industries.

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