



# The Week In Real Estate



## Prices Rise As Listings Drop

Sellers are feeling more confident about asking prices, as listings remain low, leading to more competition for properties.

New figures from SQM Research show that in May, asking prices increased by 2.1%, the second consecutive monthly rise.

SQM managing director Louis Christopher says at the same time residential property listings were down by 0.3% on the previous month.

“Overall, listings activity for the month of May was a positive for vendors with evidence of higher absorption rates and slightly less competition from other property sellers,” he says.

The biggest drop in listings during the month was in Perth, which was down 3.2%, followed by Brisbane -1%, Hobart -0.7%, Melbourne -0.6% and Adelaide -0.5%.

Listings rose 3.6% in Darwin, 3% in Canberra and 0.4% in Sydney.

Christopher is predicting further drops in listings in June.

“Typically, new listings fall between 10% to 20% over the month of June due to the seasonal winter conditions,” he says.

## Quote Of The Week

*“I had thought that we would not see the bounce that we have seen. I think what that shows is the other factors that influence short-term prices in housing, such as population growth, wages growth, stock increases, are all overpowering the increases in interest rates that we have seen.”*

Brendan Rynne, KPMG Economist

## Investors Diversifying More

Investors have started to diversify where they buy, with new data showing they are purchasing further from home.

Analysis by MCG Quantity Surveyors shows the average distance between where landlords live and where they invest is 857km, up from 559km in the year to November 2021.

Real estate expert John McGrath says the ability of people to work from home has caused a massive migration from capital cities such as Sydney and Melbourne to regional Australia.

These increased prices and rents, making these locations more appealing to investors.

As a result of that increasing demand, capital growth in regional areas is now higher than in many capital cities.

McGrath says values in regional areas are growing from a much lower price base, so investors may feel there is more room for further growth in the regions over the long term.

He says recent rate rises which reduced borrowing capacities may have also lured investors to look to more affordable regional markets.





## Prices Tipped To Hit New Highs

Australian house prices are predicted to reach new highs by the start of 2024.

PropTrack figures show house prices steadily increased during the first five months of 2023, and are now only 2.6% below their peak during the pandemic boom.

PropTrack senior economist Eleanor Creagh says with limited stock coming to market, buyer interest is being concentrated which is underpinning price rises and offsetting the affects of continual rate rises.

“If the pace of price growth recorded over the past quarter continues, national property prices will surpass their prior peak by January 2024,” she says.

KPMG Economist Brendan Rynne says most economists thought the market would be cooler than it currently is.

“I had thought that we would not see the bounce that we have seen,” he says.

“I think what that shows is the other factors that influence short-term prices in housing, such as population growth, wages growth, stock increases, are all overpowering the increases in interest rates that we have seen.”

## Turn Offices Into Homes

With so many Australians still working from home, some voices in the property industry are suggesting office towers be converted into apartments.

Residential properties are hard to come by to rent or buy, but with so many people not going into a physical office anymore, there is plenty of unused office space in our capital cities.

Chief executive of architect firm, Place Studio, James Alexander-Hatziplis, expects an increase in the number of CBD offices being converted into residential dwellings over the next few years.

“Several of the country’s CBDs have recently witnessed an increase in office vacancies and thus falling property yields, this is despite the end of COVID-19 and employees returning to the office, at least part of the week,” he says.

Property Council of Australia figures show to the end of January, Melbourne CBD’s office vacancy was 13.8% and Sydney’s was 11.3%.

Alexander-Hatziplis says office buildings typically have very high ceilings, so conversions could offer a “superior product”.

## Home Guarantee Helps 100,000

The federal government’s Home Guarantee Scheme has helped 100,000 buy their first home.

The scheme was introduced in January 2020 to help low and middle-income earners buy with a deposit as low as 5%.

Initially three different intakes offered 10,000 places, but it soon expanded with allocations offered to also help those who are building a new home, living regionally or for single parents.

Nathan Dal Bon, chief executive of the National Housing Finance and Invest Corporation, which administers the scheme, says the next intake will begin on July 1.

It will no longer be restricted to singles and couples. Friends, siblings, and other family members will be allowed to make joint applications.

It will also allow those who are not strictly First Home Buyers to apply if they have not owned a home for more than a decade.

About 20% of applicants have been key workers, including more than 6,700 teachers, 5,000 nurses and almost 3,500 social workers.

