



# The Week In Real Estate

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## Unit Rents To Soar

Apartment rents are tipped to soar in Australia, with new analysis showing the five Australian markets poised for huge increases.

CBRE's Apartment Rent and Vacancy Outlook, suggests the most significant rental growth, will be in Sydney's Eastern Suburbs, Parramatta, Melbourne North, Perth City and virtually all precincts in Brisbane.

It says median rents for two-bedroom apartments in these precincts will surge by \$120 per week between 2023 and 2028.

"At the start of 2013 just four precincts in Australia had an average rent of over \$600 per week for two-bedroom apartments, being the Sydney and Perth CBDs, Sydney's Eastern Suburbs and Sydney's Lower North Shore," CBRE's Pacific Head of Research Sameer Chopra says.

"By June this had grown to 20 precincts and by 2028 we expect 38 precincts – or over 70% of Australia's two-bedroom apartments – to have a rent exceeding \$600 per week."

The report says 75,000 new apartments are needed each year to keep up with population growth.

## Building Approvals Down

The number of new house approvals is at its lowest level in a decade according to Australian Bureau of Statistics figures.

HIA Senior Economist, Tom Devitt, says the number of new houses approved in September fell by 4% per cent.

"Building approvals continue to be weighed down by the fastest increase in interest rates in a generation," he says.

He believes further declines are to be expected as the full impact of another rate rise is felt by households.

"This slowdown in the volume of approvals will make it increasingly difficult to reach the Australian government's target of building 1.2 million new homes in five years," he says.

Master Builders Australia says a blowout in construction delays means the time it takes to build a new home is now nearly 12 months.

Chief executive, Denita Wawn, says the state with the most significant delays is Western Australia, where it takes on average 16.5 months to build.



## Quote Of The Week

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HIA Senior Economist, Tom Devitt





## Housing Crisis Yet To Peak

Australia's housing crisis is nowhere near its peak, according to RMIT which predicts it will continue well into 2025.

Senior lecturer in the School of Property, Construction and Project Management, Dr Peng Yew Wong, says the lack of supply will not be resolved in the short term which means the housing crisis will continue to affect all Australians.

Wong says the market is doing something it has not done since the 2008 Global Financial Crisis, and that is prices will continue to grow, despite high costs of living and high mortgage repayments.

With predictions Australian house prices will hit a new record high in the final quarter of 2023, it will become more expensive for home buyers.

"This will present a difficult conundrum for homebuyers, and especially prospective first homebuyers," he says.

Wong predicts Australia will be short 106,300 new homes over the next five years and as a result, house prices will continue to go from strength to strength.



## Retiree Reverse Mortgage Boom

Retirees are jumping at the chance to use their home equity to enjoy a better quality of retirement with a 60% increase in participants in the government's reverse mortgage scheme.

In June 2022 there were 6041 participants in the Home Equity Access Scheme compared to 9750 participants in June 2023.

The total value of the money drawn under the scheme by participants was \$240 million in June 2023. The Scheme allows pensioners to receive an income stream or lump sum payment, with their home or investment property as collateral.

A ceiling is put on the amount which is able to be drawn, taking into account the value of the house. When the house is sold, the loan is repaid from the proceeds. Participants can receive up to 150% of the maximum age pension, minus any age pension received.

About 75% of participants to date were on a full-age pension, a fifth are on a part-age pension and the remainder are self-funded retirees.



## Student Bed Shortage

Student accommodation rents are tipped to continue to rise on the back of a shortage of rooms.

Oxford Economics Australia says more than 9000 student accommodation beds are expected to be delivered by 2028, but that still will not be enough to meet demand, as more international students return to Australia.

Student accommodation advertised asking rents have gone up by 27% since 2020. The report says the market will remain very tight in the near term, especially given extended waiting lists. This year, only about 1900 new beds were delivered.

"Construction costs have rebounded significantly higher out of the pandemic, compounded by increased borrowing costs," the report says.

"This is challenging project feasibility. Although the surge in rental revenue and increased institutional backing will provide support, some projects are likely to fall over at the early planning stage."

To help meet demand, Australian Unity, MaxCap Group and UniLodge plan to develop a \$1 billion portfolio of student accommodation facilities.