



Australian Property Update

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April 2024



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Sales Trends Hint At Price Growth

One of the key metrics tracked by Hotspotting to understand property markets is sales volumes because they provide a forward indicator of what might happen with prices in individual markets.

Experience shows that sales activity changes first and prices react later, sometimes several months after the market has turned (whether it be up or down). New data from PropTrack compares sales activity in the eight capital cities in the first 12 weeks of 2024, with the same period in 2023. It shows a 24% increase in sales volumes nationwide, with particularly notable rises in Melbourne and Sydney – and Brisbane, Adelaide, Canberra and Darwin also recording significant uplift in buyer demand.

Melbourne's emphatic 38% increase may be a precursor to better price performance, with the Victorian capital having lagged other cities on price growth last year.

Perhaps the most notable statistic is the one for Perth, which has recorded no meaningful rise in sales activity compared to last year. I see this as another indicator that the Perth market has peaked, suggesting it's a dangerous time to be speculating in this market.

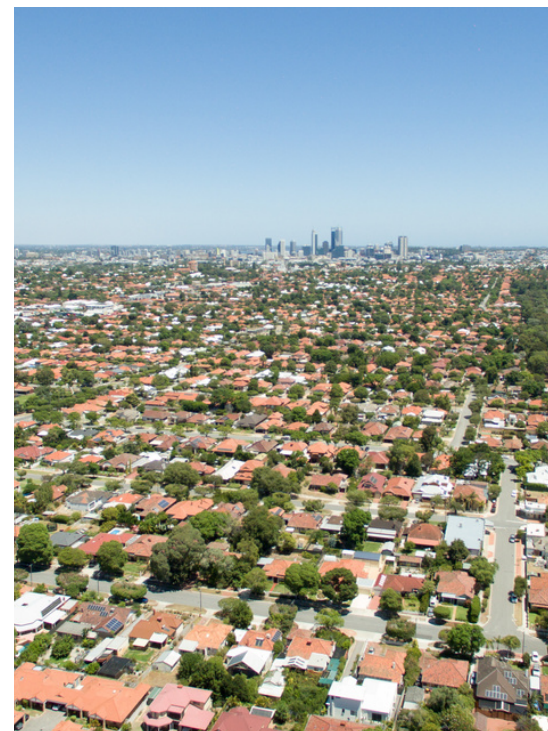
Denser Suburbs Improve Affordability

While the NIMBYs may not appreciate it, suburbs with increasing housing density, are actually making properties more affordable. Domain research says without urban densification over the past two decades, house prices in some locations would have soared. Its analysis of house prices and dwelling size says the shift toward smaller blocks has been effective at containing price growth.

Domain says if blocks had stayed the same size over the past 20 years, buyers would be paying 45% more for a home in Perth, 16% more in Adelaide, 14% more in Melbourne and 7% more in Brisbane.

In Hobart and Sydney, prices would be 6% higher, Darwin and Canberra, 3%. Domain chief of research and economics, Nicola Powell, says despite increases in density Australian cities are still among the least dense in the world. But she says the need to accommodate growing populations is leading to greater densification and a decline in average land size. She says Perth in particular has experienced a rapid decline in land lot size, which is now 480sq m on average, about 10% lower than Melbourne.

"Declining land sizes had contained the house price in the city but without the shrinkage, house prices would have been \$300,000 higher today," Dr Powell said. "Land is finite, and we need to ensure it is provided at low cost and utilised efficiently," Powell says. She says estimates suggest a 10% increase in housing stock lowers prices between 15% and 30%.





Investors Back in the Market

Investors are making a comeback according to Australian Bureau of Statistics figures which show lending to investors has increased by almost a fifth in the past year. The latest data shows that in January 2024 investors borrowed \$9.21 billion while owner-occupiers accounted for \$15.91 billion of loans. This was an increase of 18.5% in the value of investors' loans in the past year, while owner-occupier loans only went up by 3.4% during the same period. Professor of economics at Curtin University, Rachel ViforJ says rising rental demand and a lack of supply is making investment attractive once again. "If we've got huge demand relative to supply that would normally push up rents. And that would be an incentive for investors to invest in rental housing," she says. CoreLogic figures show that Australian property prices have recorded 14 months of consistent price growth, at a time when the national vacancy rate sits at just 1% and rates continue to rise. CoreLogic research director Tim Lawless says increasing investor numbers could actually be good for the current housing crisis. "Arguably more investment in the marketplace is a positive thing. Hopefully, that is introducing more rental stock to the marketplace," he says.

Where Owners Won't Sell

With listings down and supply low, it's not surprising many owners are holding onto their properties for longer than ever before. Analysis by PropTrack reveals the suburbs where buyers will need to move quickly when something is listed for sale, as owners generally tend to stay put for a long time. Nearly all the suburbs in the top ten list of the longest-held properties are in New South Wales or Victoria. Killarney Heights in northern Sydney is Australia's most tightly held suburb with an average hold period of 20.1 years. Clarinda in Greater Melbourne is not far behind with properties held for an average of 19.2 years. Many suburbs have experienced an increase in hold periods as owners worried if they sold they will not be able to secure another property due to a lack of listings in the past 18 months. The number of new listings is finally starting to pick up according to PropTrack with 16.6% more new listings year-on-year as of February. Capital cities had a stronger-than-typical February for new listings. In Sydney, Melbourne, Canberra, and Hobart the total number of properties listed for sale is now above the prior-decade average although in Brisbane, Perth, and Adelaide, it remains about 40% below.



Cheap and Cheerful

There are still plenty of options for buyers seeking something cheap and cheerful, according to analysis of markets with properties priced below \$500,000.

Analysis by APIM shows buyers can still secure something for less than \$500,000 in outer metropolitan suburbs and regional areas for houses, while there are many more units or apartments closer to the CBD for less than that. For house markets, it highlights Gawler in Adelaide (\$402,022), Forest Hill in the Lockyer Valley outside Brisbane (\$411,797), Bridgewater in Hobart (\$417,572) Medina in Perth (\$422,402), Woodroffe in Darwin (\$424,700) and Melton in Greater Melbourne (\$468,766).

Domain's First-Home Buyer Report 2024 says Greater Brisbane locations in the Cleveland and Stradbroke and Ipswich areas are affordable. It says these areas in particular appeal to first-home buyers as it does not take as long to save a 20% deposit to purchase there. Real Estate Institute of Queensland CEO Antonia Mercorella says while there are some affordable pockets in the southeast there is still a critical gap in the affordable end of the market.

And she says this is spreading to the regional markets as well. REA Group figures show there are 56 suburbs in Perth that have a median unit price below \$500,000. While in Tasmania, Launceston still has some very affordable suburbs including East Launceston, \$475,000, South Launceston, \$380,000, West Launceston, \$440,000, and Launceston CBD, \$406,500.