

Short-Term Rental Takeover

The number of properties being offered for short-term rental instead of permanent tenancy is continuing to rise across Australia.

New research shows that Australia's short-term rental sector grew by more than 10% over two years, putting further pressure on housing affordability, particularly in tourist hotspots and major cities.

The research by the University of Sydney for the Australian Housing and Urban Research Institute shows there were 174,558 short-term rental listings across Australia by the end of 2024. It says the sector is increasingly being dominated by professional operators with almost 100,000 listings controlled by fewer than 20,000 entities.

The study says high concentrations of short-term rentals drive up rents and house prices and that governments have been slow to respond to the growth of the sector and how it affects permanent rental supply. In the past two weeks, the Brisbane City Council dropped its plans to regulate the short-term letting industry.

While other states are working to beef up regulations including South Australia, where a parliamentary inquiry recommends a registration scheme, and the City of Sydney which is investigating a potential individual suburb ban.



Quote Of The Week

“This extra cost acts as a handbrake on new housing. State and local governments should remove parking requirements for new housing developments.”

Grattan
Institute chief
executive
Aruna
Sathanapally



Borrowers Take A Breath

It's not just investors taking a breath in the property market at the moment, with new Australian Bureau of Statistics data showing lending activity fell across the board in the past quarter.

The number of new loans fell 6.2% in the March quarter, with owner-occupier loans down by 6.9% and investor loans down 5.3%.

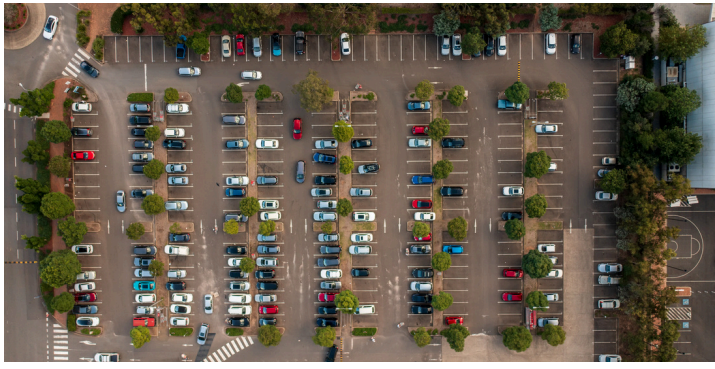
ABS head of finance statistics, Dr Mish Tan, says despite the quarterly fall, lending activity remains at high levels over the past 12 months.

“Total new home loans (are) 8.6% higher than a year ago,” she says.

The value of new loans is also up across the past 12 months, by 18.5%.

“The average home loan size is now 9% per cent higher than a year ago at \$724,415. This is consistent with rising property prices, with the strongest growth in Western Australia, Queensland and South Australia,” Tan says.

The data shows that First Home Buyer lending also eased during the quarter with 1,519 loans compared to 1,945 in the previous quarter.



Fewer Car Parks = Cheaper Housing

Reducing the number of car parks required in new developments could dramatically slash the price of new apartments.

Analysis by the Grattan Institute says more than \$1 billion is wasted on building off-street car parks that go unused.

It says current rules require new housing developments to include off-street parking but about 40% of households in studio or one-bedroom apartments and 19% of households in two-bedroom apartments don't own a car.

Off-street car parking accounts for 13% of the built floor space of apartments and as many as 40% of the car spaces are not being used regularly.

The analysis says parking spaces add \$70,000 to the cost of building a typical two-bedroom apartment in Sydney, \$62,000 in Melbourne, \$113,000 in Brisbane, \$137,000 in Perth, and \$95,000 in Adelaide.

Grattan Institute chief executive Aruna Sathanapally says that although many people who live in apartments don't want or need car parking, they are forced to pay for it anyway.

"This extra cost acts as a handbrake on new housing. State and local governments should remove parking requirements for new housing developments," it says.



Commercial Property Unexpected Winner

The commercial property market could be the unexpected winner out of the Federal Government's changes to capital gains tax and negative gearing.

The changes mean investors will begin looking at assets with higher yields, which commercial properties generally have.

JLL sales and investments director Jack O'Leary says the changes to negative gearing and capital gains tax could trigger a rethink for investors who typically favoured residential real estate.

Australia's largest commercial real estate funds manager, Charter Hall, is also predicting an investor move toward commercial property.

Chief executive David Harrison says that with investing in existing homes now less attractive, some investors will move toward higher-yielding commercial assets. "This is due to lower income returns in residential property and reduced tax benefits from negative gearing," he says.

Harrison expects growing demand for higher-yielding retail, industrial, social infrastructure and office assets, particularly when secured on long lease contracts.

Commercial property assets remain exempt from negative gearing changes but not changes to capital gains tax.



Auction Market Cools

The auction market is continuing to cool as Australia heads into its winter months. Last week across the combined capital cities, the preliminary auction clearance rate rose slightly from the previous week to 58.2% but remains well below results from earlier in the year.

Cotality data shows national clearance rates have been below 60% for the past six weeks. Melbourne is just above that at 60.2%, Sydney is 56.9%, Canberra is 54.3% and Brisbane had its lowest clearance rate since April 2023 at 45.7%. Adelaide continues to record the highest clearance rate in Australia at 72%, although it has far fewer properties going under the hammer than the eastern capital cities.

There are more than 2,750 properties currently scheduled nationally for auction for the last weekend in May. Cotality head of research Tim Lawless says the current softening of the market is being driven by a combination of rising borrowing costs and waning consumer confidence.