

THIS MONTH IN REVIEW

Australia's house prices continue to fall, driven by reduced lending capacity and rising interest rates, which currently linger between 4% and 5%. According to Capital Economics Marcel Thieliant, this trend is set to continue as central bank looks to cool inflation.

This month the Reserve Bank raised interest rates by another 25 basis points to bring the cash rate to 2.6%, contributing to a further drop in confidence amongst buyers.

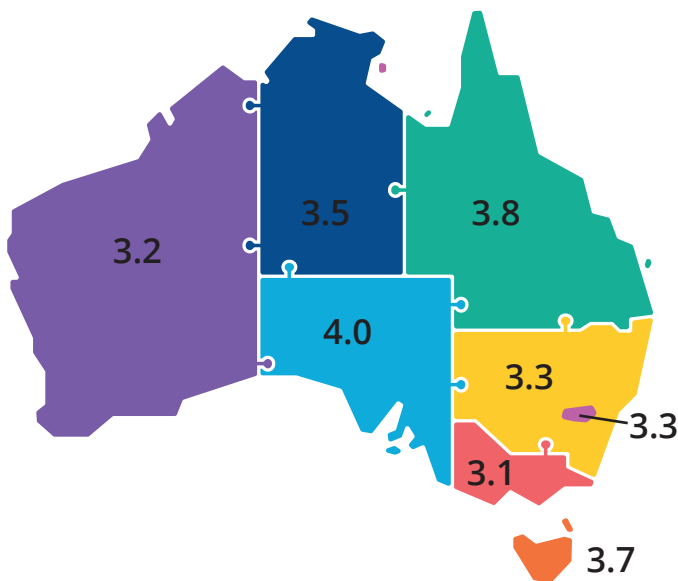
Despite the interest rate hikes, mortgage arrears in the second quarter of 2022 are down to 0.82% – the lowest ever recorded by the Dinkum RMBS Index. According to Fitch Ratings, Australian households are in solid shape due to low unemployment rates

AUCTION CLEARANCE RATE Source: APM PriceFinder

	SEP 03		OCT 01
SYDNEY	55%	▼	57%
MELBOURNE	60%	▲	64%
BRISBANE	63%	▼	62%
ADELAIDE	66%	▲	84%

MONTHLY UNEMPLOYMENT - JUNE 2022

Source: ABS (most recent figure at time of publication)



HOUSES

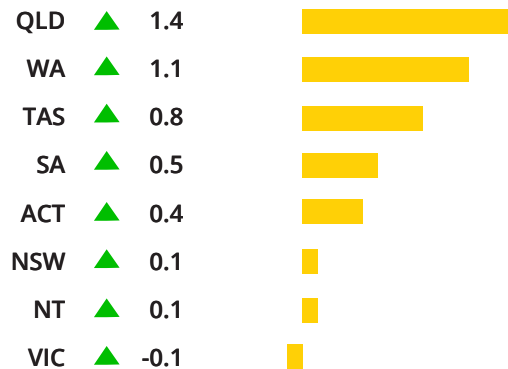
	YRLY GRWTH	YIELD	MEDIAN
ADELAIDE	22.6	3.8%	\$663K
BRISBANE	18.1	3.5%	\$775K
CANBERRA	6.2	3.6%	\$1,009M
HOBART	6.2	3.6%	\$765K
DARWIN	5.6	5.4%	\$605K
PERTH	5.1	4.6%	\$555K
SYDNEY	-2.5	2.4%	\$1.350M
MELBOURNE	-2.7	2.5%	\$930K

and high levels of savings that occurred during the pandemic.

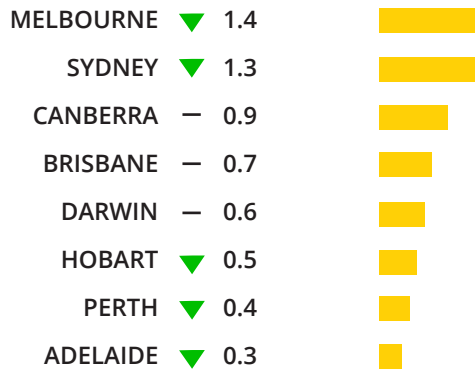
According to the Housing Industry Association, there is an evident slowdown in demand for new homes. The ABS echoes this, saying values of work commenced have fallen by 31.2%. This trend is primarily caused by rising construction costs and falling established home prices.

Rapidly rising rents across all major cities, caused by interest rate rises – passed on by the landlords – and record-low vacancy rates, are pushing tenants to a breaking point. This has caused a reaction from peak housing bodies calling for nationally consistent fixed-price lease policies and bans against rent bidding.

POPULATION GROWTH % (Yr ended DEC 2021) Source: ABS



VACANCY RATE % AUG 2022) Source: SQM Research



UNITS

	YRLY GRWTH	YIELD	MEDIAN
ADELAIDE	16.6	5.0%	\$415K
CANBERRA	13.9	5.0%	\$588K
BRISBANE	13.9	4.9%	\$465K
DARWIN	7.9	6.3%	\$410K
HOBART	4.1	4.2%	\$551K
PERTH	2.7	5.3%	\$407K
MELBOURNE	-0.6	3.3%	\$632K
SYDNEY	-2.5	3.3%	\$760K

Source: CoreLogic Hedonic Home Value Index and Market Trends Report

CAPITAL CITY UPDATES

SYDNEY NSW

- Sydney reported the nation's second-largest dip of 1.8% in housing values last month. However, they are still 13.3% higher than at the onset of Covid in March 2020.
- With median 3-bed house rent now at \$804 - almost \$200 more than at the same time last year - tenants who refuse to pay rent increases (in some cases, up to 50%) are being issued lease termination notices across Sydney. The demand for rental properties is so high that landlords don't think twice about parting ways with their tenants, knowing they can easily get the premium prices they're demanding.
- According to Demographia's 2022 international housing report, Sydney is now the world's second (after Hong Kong) least affordable city.

MELBOURNE VIC

- Melbourne has overtaken Adelaide as the most affordable capital to rent, with an average 3-bed house renting for \$513 per week. However, vacancies have fallen sharply from 3.2% in December last year to 1.4% in September, which may see rental prices rise over the next few months.
- According to CoreLogic, Melbourne's dwelling values fell for the sixth consecutive month, with September recording a drop of 1.1% in overall dwelling values.
- Acciona Geotech has received the green light from the City of Melbourne Council to construct a five-tower mini-city at Port Melbourne. The project will deliver retail and office space as well as more than 1,500 apartments, with about 6% designated as affordable housing.

BRISBANE QLD

- Brisbane townhouses and units' prices fell by 0.3% for the first time since October 2020. It shared the nation's highest drop in house values with Sydney, with a decline of 2.1% last month for both cities.
- Queensland government has decided to repeal its new land tax law that would tax Queensland investors on all national land holdings rather than just those within the state. 1 in 5 landlords were planning to divest at least one of their rental properties in Queensland due to the new land tax law changes taking that were taking effect from 1 January 2023. According to Property Investment Professionals of Australia (PIPA), over 160,000 investment properties had already been sold, putting additional pressure on Brisbane's already depleted rental market. Rents have risen by 22% in the last 12 months and vacancy rates are as low as 0.7%.
- The Queensland government has approved private granny flats rentals under new 'emergency planning changes' in a bid to navigate the state's housing crisis. Up until now, secondary dwellings have only been able to be rented out to immediate family members in most council areas.

PERTH WA

- Despite the 0.04% drop in housing values over the last month, Perth is the only property market in Australia predicted to increase due to a chronic housing shortage, according to a recent ANZ-Property Council report.
- In response to the demand for more properties, the government has released more than 160,000 new blocks of land across Perth; however, planning minister Rita Saffioti says it may take another four to five years before the blocks are market ready.
- The last six months have seen an unprecedented demand for properties valued under \$600K. Most of these purchases consist of 'Parent assist' loans, where parents use the equity in their homes to purchase homes for their adult children to safeguard them against the escalating and tightening rental market.

CANBERRA ACT

- The nation's capital has recorded its second month-on-month decline in medium to high-density housing values, down by 1.2% from the June peak.
- The total advertised property supply has improved to 6.0% below average last month, up from the last 5-year average of 23.3% below average.

ADELAIDE SA

- Even though Adelaide has joined other Australian capitals in the housing values downturn - declining by 0.2% last month - dwelling values in regional South Australian cities are still rising.
- With the nation's lowest rental vacancy rates, Adelaide was one of only two cities in Australia showing a monthly increase in supply, rising from 0.2% in July to 0.6%, which is still drastically below the 2.1% peak in late 2016.
- Adelaide's tallest skyscraper has been approved. The 55-level mixed-use building will be constructed by Sydney developers JWDT Land Unit Trust but has no provisions for affordable housing.

DARWIN NT

- Despite the steady growth of property prices in the previous months, Darwin is still one of the most affordable cities in Australia, with a median dwelling price of just over \$512K, attracting strong interest from investors.
- However, the market is starting to show signs that it might join the national downturn; even though the overall housing values showed no change over September, unit and townhouses' values declined by 0.3%.



AUD
64.7^c
US

down from 68.0c in Sep
Source: RBA



RBA Cash Rate
2.6%

up for Oct
Source: RBA



Cash Rate Forecast
3.35%

12 mths to Sep '23
Source: Westpac



Inflation
6.1%

year to Jun
Source: RBA



GDP
0.9%

year to Jun qtr
Source: ABS



Wage Growth
1.9%

year to May qtr
Source: ABS



Consumer Confidence
3.9%

up for Sep
Source: Westpac-Melbourne Institute



Disposable Income
-3.8%

year to Sep qtr
Source: ABS

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