



# The Week In Real Estate

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## Renting vs Buying

Buying is becoming a more viable option for many as new data shows rents are rising faster than mortgages.

The latest inflation data from the Australian Bureau of Statistics (ABS), shows the consumer price index (CPI) rose by 1% in the most recent quarter. That brings the total increase in the 12 months to March to 3.6%.

The data also shows that aggregate rental prices have risen 7.7% in the past 12 months – the strongest increase since 2009. At the same time, new mortgage inflation increased 5.1%.

According to the ABS data rental inflation has outpaced mortgage inflation since June 2023. It shows that inner city suburbs within 12.5km of the CBD now have the highest rental inflation in Australia.

According to an ABS spokesperson the rental inflation rate for areas further from the CBD has been moderating since mid-2023.

The CPI data also shows that inflation is moderating in other areas including food.

## Buyers Targeting Units

There has been a noticeable shift in buyer preferences toward apartments and townhouses, according to new analysis by valuation firm Herron Todd White.

HTW Brisbane Managing Director, Gavin Hulcombe, says as the value gap widens between houses and units, buyers reach a point where they see good value in attached housing. Hulcombe says it is a particular trend within major population centres where existing units are proving to be more affordable than new product.

“I see opportunities in unique, well-located units, whether CBD, city fringe or even a little further out, which offer an attractive space to live,” he says.

HTW’s latest Month in Review shows that demand for housing remains high, despite increasing cost-of-living pressures and higher interest rates. And it predicts that this will continue while the imbalance between supply and demand remains throughout most markets.

“Demand for housing is extremely strong, fuelled in large part by population growth. This is coming up against limited supply caused by a lag in building approvals, a shortage of materials, scarcity of labour, and even builders being impacted by torrid financial conditions,” Hulcombe says.



## Quote Of The Week

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HTW Brisbane Managing Director, Gavin Hulcombe



## Build to Rent Growing

The Australian build-to-rent (BTR) sector is growing according to new analysis of the trend.

The analysis by Savills Australia labels BTR as a “resilient asset class”. It says investment in the sector more than tripled in 2023 compared to the previous five-year average. There are 13,265 BTR apartments under construction throughout Australia, which will be completed within the next three years.

The report says there is also a pipeline of more than 32,000 BTR apartments, pending approvals and construction, which could possibly be delivered by the end of 2028, although only 42% of them are funded and likely to be completed. Savills Head of Operational Capital Markets, Conal Newland, says that the significant pipeline of BTR projects could help Australia reach its target of building 1.2 million new homes in the next five years. Newland says tax changes for foreign investment in development would encourage further projects.

“Policy changes at a federal level are fundamental to ensuring that the true growth potential of the BTR sector is fully realised,” he says.



## Regions Outpace the Cities

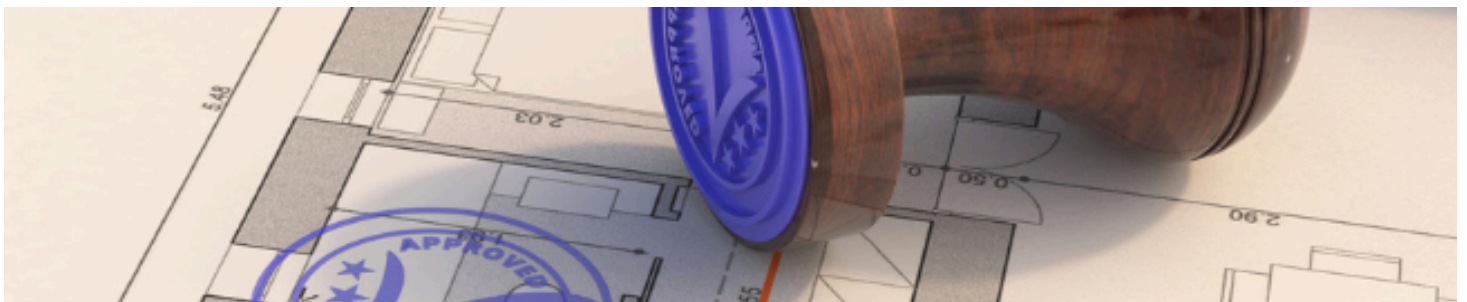
Regions are continuing to outpace capital cities in terms of property price growth.

New house price data shows that the combined regional property value rose to almost \$623,000 in the year to the end of April 2024.

This was up 0.8% on the previous month, while the combined capital cities only increased by 0.6% during the same period. CoreLogic figures show that since April 2023 the regions with the biggest price increases are: Bunbury (WA) up 19.9%, Barossa (SA) up 17.9%, York Peninsula (SA) up 17.3% and Southport (Qld) up 16.6%.

Regional areas have gained 2.6% so far in 2024, compared to 2.1% for the combined capital cities. So far in 2024, Western Australia (up 6.3%), South Australia (up 4.4%) and Queensland (up 4.1%) have been the strongest performing states.

CoreLogic research director Tim Lawless says April was the 15th month in a row that prices have increased with the national median up 11.1% (\$78,000) since January 2023.



## Housing Approvals Up

Building approvals are up for houses and units according to the latest data from the Australian Bureau of Statistics.

House approvals rose by 3.8% during the month of March, and the value of residential buildings increased by 8.7% to \$6.35 billion. Approvals for attached properties and units increased by 3.6% during the same period.

In total there were 12,947 new dwellings approved in March, an increase of 1.9% on the previous month. Victoria had the biggest increase in approvals for houses in March of 6%, followed by New South Wales (4%), Queensland (3.2%) and South Australia (1.1%). Western Australia was down by 1.8%.

In the attached dwelling market, Victoria had the biggest increase of 3.2% in March, followed by Western Australia, which was up by 1.5%. ABS head of construction statistics, Daniel Rossi, says the average approval value for a new house also rose to be \$468,800 per house.

He says the pace of growth in average approval values has slowed.

“Higher construction costs continue to weigh on dwelling approvals, with the average approval value for a new house rising in all states,” Rossi says.