The Week In Real Estate

Mitchells Realty
07 4125 2950
40 Miller St Urangan Qld 4655
www.mitchellsrealty.com.au

July 20, 2024

Build To Rent To Grow

The build-to-rent market is tipped to continue growing.

Oxford Economics Australia economist, Michael Dyer, says by 2026 he expects that build-to-rent projects will make up a "notable component" of high-density projects. As we near 2030 he predicts it will account for about a fifth of apartment development projects.

Build-to-rent projects are those in which newly constructed apartment buildings are owned entirely by one entity with all residences offered to the rental market instead of being sold individually.

"Build-to-rent is a bit better placed to accelerate than the traditional build-to-sell," Dyer says.

Oxford Economics' Australia's latest research briefing on build-to-rent says the pipeline of developments continues to swell with about 45,000 units unannounced.

"Around 5,900 units have broken ground in FY2023, with a further 15,000 geared to commence across FY2024 and FY2025," it says.

Construction Costs Easing

After years of skyrocketing increases, growth in residential construction costs has finally eased.

CoreLogic's Cordell Construction Cost Index (CCCI) says the rate of growth is at its slowest annual pace in 22 years. The Q2, 2024 CCCI, which tracks the cost to build a typical new dwelling, recorded a 0.5% rise, over the quarter, down from a 0.8% increase in the first quarter of the year.

The report says in the past financial year construction costs rose by 2.6% which was the lowest annual growth rate since March 2002.

CoreLogic Research Director Tim Lawless says the growth in costs has finally returned to be within normal margins.

"However, the price of construction is not falling and building or renovating remains almost 30% more expensive now than pre-COVID after an extended period of escalating costs," he says.

The report says the easing is likely a result of reduced pricing volatility for materials, including timbers and metal products.

Quote Of The Week

"Demand from buyers is expected to remain high in the coming months, particularly in Perth and Adelaide where supply is short and homes are more affordable."

REA Group economic analyst, Megan Lieu

Financial Year Ends On High

Homebuyers are increasingly looking for alternative ways to buy a home without waiting to save up a 20% deposit, according to a new survey.

Finance provider Helia says more than 75% of all prospective home buyers have saved less than a 20% deposit as the costs of living make the traditional 20% deposit no longer realistic. Its survey found that first-time home buyers are considering taking out Lender's Mortgage Insurance (90%), asking their parents for help (45%), or using government borrowing schemes (48%). Chief commercial officer of Helia, Greg McAweeney, says the number of first-time buyers considering paying Lender's Mortgage Insurance has risen dramatically from when the survey was done last year and only 20% were considering it.

He says most prospective buyers are showing resilience in the face of the current market challenges and researching alternative ways to achieve their home ownership dreams.

Data released by the Australian Finance Group this week shows that brokers ended the financial year at a new high, with it recording $23.3 billion in mortgage finance in the last quarter.

How High Will It Go?

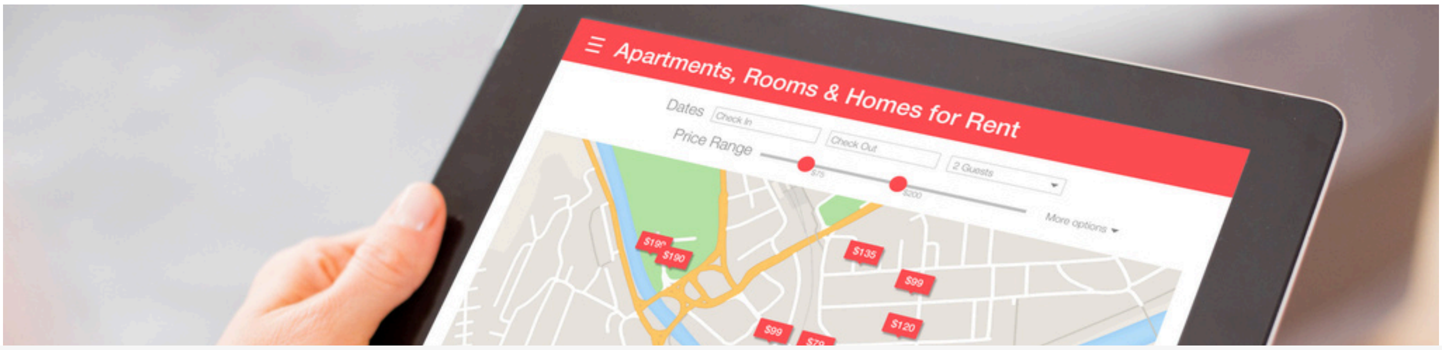
Property prices are predicted to keep rising throughout the new financial year, although at a slower pace than in FY2024.

Analysis by PropTrack shows the smaller capital cities are most likely to record the strongest growth. It says home prices are expected to increase by between 8% and 11% in Perth and 5% and 8% in Adelaide.

"The relative affordability of these cities, coupled with the decline in homes for sale, as seen by their respective 23% and 9% year-on-year decrease in total listings, have been drivers of their significant growth in the past year," it says.

Sydney, Melbourne, and Brisbane home prices are forecasted to rise 3% and 6% in the next 12 months. REA Group economic analyst, Megan Lieu says a tight rental market has contributed to robust increases in the past financial year with many renters deciding to buy instead of facing an expensive and tight rental market.

"Demand from buyers is expected to remain high in the coming months, particularly in Perth and Adelaide where supply is short and homes are more affordable," Lieu says.



Listings Remain Low

Listings continue to be an issue with new SQM Research analysis showing that residential listings dropped by 8.3% between May and June.

The drop equates to almost 21,000 fewer properties on the market. According to SQM Research, with the deficit was felt across all major capital cities.

Adelaide experienced the biggest drop of 15.3% in the month, followed by Melbourne and Perth which were both down by 11.9%. Listings were down by 9.6% in Canberra, 8% in Hobart, 7.7% in Sydney, 7.5% in Brisbane and 1.3% in Darwin. SQM Research managing director Louis Christopher says the drop in listings is a result of the "standard winter lull effect".

With listings down, demand is continuing to push prices higher according to Christopher with asking prices in the combined capital cities up by 0.5% in June.

He says the price growth is being driven by Brisbane, Perth and Canberra markets.

"While the housing market may be slowing in Sydney and Melbourne, the same cannot be said for these three cities," he says.