



Australian Property Update

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Terry's View: The Dream Is Alive

There are two opposing storylines circulating in news media about Australian real estate ownership.

One storyline, repeated regularly by media, is that the Great Australian Dream is dead and that young Australian adults can no longer afford to buy homes. The other one, revealed whenever the Australian Bureau of Statistics releases official data on real estate finance, tends to suggest that the dream is very much alive – and indeed thriving.

The latest stats from the ABS show we are currently seeing growing numbers of people buying homes as first-home buyers, other types of owner-occupier buyers and investors. Hotspotting analysis of sales volumes also show a significant rise in buying activity in the June Quarter.

Lending for the purchase of homes rose 19% in June, compared to a year earlier. Lending to owner-occupier buyers was up 13% compared to a year earlier, with an even larger increase in loans to investors. There was also a rise in lending to first-home buyers, though not as large an increase.

It should be fairly self-evident that lending levels and sales volumes would not be rising, including for first-home buyers, if it was true that no one could afford to buy any more. We have highly active property markets in most parts of Australia, and buyers of all kinds are active.

So, next time you see one of those shallow media headlines declaring that the dream is dead and that young Australians are priced out of the market, don't believe it.

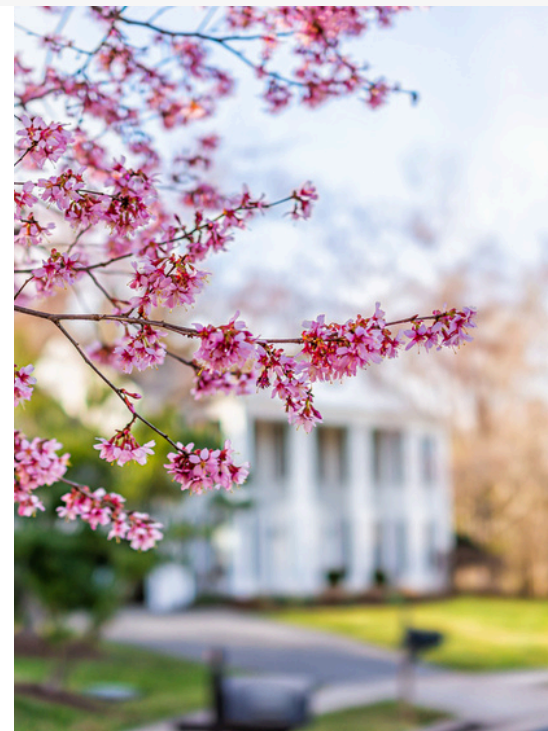
Spring Boost Expected

The Proptrack Home Price Index shows that while national home prices rose by 0.22% in August, marking a new peak, the growth pace has slowed during the winter months. Overall, prices are now 6.16% higher than a year ago, with the combined capital cities seeing a 6.49% increase over the past year.

In August, Perth (+0.79%), Hobart (+0.63%), and Adelaide (+0.45%) led the growth among capital cities, while Sydney saw slower growth at 0.32%. Melbourne, however, experienced its fifth consecutive month of price declines, down 0.18% in August and 1.98% over the last five months.

Perth, Adelaide, and Brisbane have been the fastest-growing markets over the past two years, with Perth prices surging 23.24% in the past year alone. Regional areas have seen slower growth compared to capital cities, with regional WA and Queensland leading in August.

As the spring selling season begins, strong population growth, tight rental markets, and home equity gains are expected to support further price increases, although affordability constraints may temper the pace of growth.





Rental Market Eases Slightly

The August 2024 Rent.com.au snapshot indicates that while the national rental market remains tight, there are signs of easing.

The median weekly rent has held steady at \$620 for the third consecutive month, with apartment rents slipping slightly by \$10 to \$600. House rents have remained stable at \$620 per week over the past four months.

Although rental availability is still limited, there has been a slight increase in the number of properties on the market, with listings spending a bit more time before being leased. This suggests that the intense competition for rentals may be easing as renters explore options like purchasing a property or considering shared accommodations.

Regional areas have seen relatively stable rents, with only minor fluctuations. Overall, the rental market shows early signs of stabilization, with vacancy rates improving slightly in several capital cities, hinting that the worst of the rent price hikes may be subsiding, offering some relief to renters across the country.



Public Spending Strains Economy

A surge in population and public spending is placing significant pressure on Australia's economy, contributing to inflation concerns that keep the Reserve Bank on high alert. While Treasurer Jim Chalmers criticized the Reserve Bank's restrictive monetary policy, it's the record growth in population and public spending that are currently driving the economy forward.

In the June quarter, Australia's population grew by 0.65%, largely due to an influx of international students and temporary visa holders, pushing annual growth to about 2.5%. This surge is fueling demand, particularly in service exports, despite weak consumer spending. Public spending also hit new highs, with increased outlays on social services, wages, and rebates. This expansionary fiscal policy, as noted by the Reserve Bank, is delaying the return of inflation to its target range.

New data shows public demand reaching 22.5% of GDP, raising concerns about sustainable growth. While the Reserve Bank maintains its stance on the need for tight monetary policy, a recent survey reveals that a significant portion of the public blames government spending for rising inflation, underscoring the complex economic challenges ahead.



Minimum Standards for Rentals

New minimum rental standards have come into effect in Queensland, aiming to provide clearer guidelines on what constitutes a habitable and well-maintained rental property. These standards were first applied to new tenancies from 1 September 2023 and will extend to all rental properties by 1 September 2024.

The new regulations require that all rentals be weatherproof, structurally sound, and equipped with secure locks, adequate plumbing, and functioning kitchen and laundry facilities. Additionally, properties must be free of vermin, dampness, and mould, with fixtures and fittings in good repair.

The Real Estate Institute of Queensland (REIQ), which played a key role in developing these regulations, has emphasised that these standards are crucial for ensuring tenant safety, security, and privacy. REIQ CEO Antonia Mercorella stated, "These minimum housing standards set a reasonable benchmark for rental property conditions, crucial for protecting tenants and avoiding liability risks for property owners."

The REIQ has been educating property managers throughout the transition period to ensure compliance, emphasising that these changes should not come as a surprise to property owners.