BLACKSHAW

MARKET ESSENTIALS | MAY 2023

THIS MONTH IN REVIEW

After a recent review, the RBA is set to undergo the biggest reform in decades, effective 1 July 2024, with the current board losing its powers to set the cash rate. According to Treasurer Jim Chalmers, the most significant change involves the creation of two boards, one for governance and one for monetary policy, with the latter having dual objectives: monetary stability and employment.

The latest quarter ABS figures show inflation has peaked and is on its way down, justifying the RBA's decision to halt rate hikes last month. Despite the rate hikes to date, CoreLogic's data shows clear signs of property prices recovery, with most capitals showing a positive percentage increase this month.

This month has also seen a record-high collapse of builders, according to AFR Economics Editor John Kehoe. Among them, prominent names such as Porter Davis and Lloyd Group, with Maher Corp's Urban Edge and Eight Homes going into administration and halting the construction of more than 730 homes.

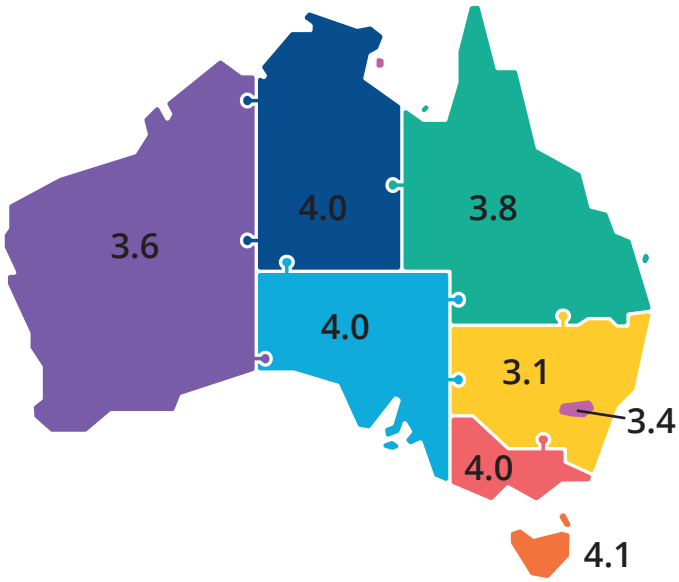
New apartment construction has fallen by 47% since the introduction of increased stamp duty for foreign investors in 2016, further fuelling the housing shortage, according to recent ABC News report citing industry groups. Shadow Home Ownership Minister Jess Wilson says housing shortage is a 'systemic problem' and is calling on government to step in with regulatory reforms.

AUCTION CLEARANCE RATE *Source: APM PriceFinder*

	APR 01		APR 29
SYDNEY	71%	▼	69%
MELBOURNE	69%	▲	77%
BRISBANE	67%	▼	53%
ADELAIDE	72%	▼	81%

MONTHLY UNEMPLOYMENT - JANUARY 2023

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



POPULATION GROWTH % (Yr ended SEP 2022) *Source: ABS*

QLD	▼	2.2
WA	▲	1.8
VIC	▲	1.7
SA	▲	1.4
ACT	▲	1.4
NSW	▲	1.3
TAS	▲	0.7
NT	▼	0.4

VACANCY RATE % MAR 2023) *Source: SQM Research*

CANBERRA	–	1.8
SYDNEY	▲	1.3
DARWIN	▼	1.2
MELBOURNE	–	1.1
HOBART	▲	1.1
BRISBANE	▲	0.9
ADELAIDE	▲	0.5
PERTH	▲	0.5

HOUSES	YRLY GRWTH	YIELD	MEDIAN
DARWIN	2.0	5.4%	$590K
ADELAIDE	2.1	3.9%	$672K
PERTH	2.1	4.9%	$570K
CANBERRA	-9.8	3.7%	$950K
BRISBANE	-10.4	3.7%	$745K
MELBOURNE	-10.5	2.7%	$875K
SYDNEY	-13.3	2.6%	$1.250M
HOBART	-13.4	3.8%	$727K

UNITS	YRLY GRWTH	YIELD	MEDIAN
ADELAIDE	9.7	5.1%	$430K
BRISBANE	2.0	5.1%	$475K
DARWIN	1.0	6.6%	$385K
PERTH	0.2	5.8%	$400K
CANBERRA	-1.9	4.9%	$585K
MELBOURNE	-5.5	3.6%	$597K
SYDNEY	-8.7	3.8%	$735K
HOBART	-10.5	4.3%	$569K

Source: CoreLogic Hedonic Home Value Index and Market Trends Report

CAPITAL CITY UPDATES

SYDNEY NSW

- NSW Premier Chris Minns will appoint a rental commissioner to rebalance 'the marketplace, particularly as it relates to renters', he said. However, Minns has ruled out a cap on rent rises, instead focusing on increasing housing supply.
- Sydney's housing market has been ranked the world's second least affordable city for the second year running in a recent 2023 Demographia International Housing Affordability report.
- For the third month in a row, Sydney has outpaced other capitals with the nation's highest rise in dwelling values of 1.4%, according to CoreLogic data – a clear indicator the market is on a rebound.
- PropTrack Rental Report shows the largest year-on-year drop of 18.2% in Sydney rental listings. This is unwelcome news in the face of rising demand, which has increased by 16.7% per listing.

MELBOURNE VIC

- After many months of market downturn, Melbourne's dwelling values have finally joined other capitals on the rebound, with overall dwelling prices rising by 0.6% this month, according to CoreLogic's charts.
- Three separate projects – funded by NHFIC, Housing First, CoPP and the Victorian Government – will add 200-plus affordable homes to Melbourne's housing stock, according to the Urban Developer.
- Melbourne Council will implement higher penalties for construction offences, saying that current fines are insufficient 'to be a meaningful deterrent for larger projects'.
- Harli, a new 181-lot development in Cranbourne West, will be released to the market in October. The development has the added advantage of being nestled among established amenities, such as schools, shopping centres and transport links.

BRISBANE QLD

- Property Investors Council of Australia (PICA) has rejected the government's proposed rental-cap policy, saying it will disincentivise property investors from adding to an already fading Queensland's rental property stock, which has declined by 160,000 properties in the last 2 years alone.
- Despite the housing shortage, the sector is experiencing a decline in the construction of new homes, with December recording a 28% drop in Queensland, compared to the same quarter last year, according to latest ABS statistics.

PERTH WA

- Despite being the most affordable capital in Australia, it seems investor sentiment is low, with the pool of rental properties continuing to decline: 5,000 fewer properties than same time last year.
- This is in addition to Perth having the nation's lowest vacancy rate of 0.5%. The Real Estate of Western Australia (REIWA) says WA desperately needs around 20,000 new homes to rebalance the market.
- Having said that, the most affordable properties, particularly in the capital's fringes, are being sold in record times and at record prices, with a median 5 to 7 days on the market. The most popular suburbs being Mandurah, Greenfields and Cooloongup.

CANBERRA ACT

- The ACT is leading the nation with the highest median weekly rent of $560, according to latest ABS rental market report.
- As opposed to most of nation's capitals, Canberra showed a 0.5% drop in dwelling values, according to CoreLogic data. It's the only capital not showing any signs of month-on-month recovery.
- It is also the 'furthest from its own price peak than any other city', says Dr Nicola Powell, Domain's chief of research and economics. She says this is due, in part, to decreased borrowing capacity as well as a change in population, with negative migration numbers.

ADELAIDE SA

- U.S. developer Sentinel will deliver Adelaide's first build-to-rent project. The 250-apartment development in the inner suburb of Bowden will 'address housing shortages', says South Australian Housing and Urban Development Minister Nick Champion.
- According to latest ABS data, SA has the nation's lowest median weekly rent, currently at $380. However, it shares the lowest vacancy rate (0.5%) in the nation with Perth, as opposed to the national average of 1.1%, according to SQM data.
- Adelaide has, once again, outpaced other capitals in properties sold at auction, with an average clearance rate of 70.7% last month, according to CoreLogic's data.

DARWIN NT

- CoreLogic's indices show that while other capitals are on a rebound, Darwin's dwelling values have dropped by 0.5% this month. This seems to be good news for investors as the ratio of interstate investors is on the rise, drawn by Darwin's high rental yields. Overall, investors represent 2 in every 3 real estate purchase transactions. However, most of that is focused on existing stock, according to realestate.com.
- According to latest PropTrack data, NT has experienced the nation's biggest month-on-month rental vacancy rate drop, showing a 0.6% decline. However, it still fares better than other states, with the current rate holding at 1.94%.

AUD 66.3c US
down from 67.6c in Apr
Source: RBA

RBA Cash Rate
3.85%
up for May
Source: RBA

Cash Rate Forecast
3.1%
12 mths to Jun'24
Source: Westpac

Inflation
7.0%
year to Mar
Source: RBA

GDP
0.5%
year to Dec qtr
Source: ABS

Wage Growth
3.4%
year to Nov qtr
Source: ABS

Consumer Confidence
9.4%
up for April
Source: Westpac-Melbourne Institute

Disposable Income
1.6%
year to Dec qtr
Source: ABS

All data shown is the latest available for the issued month. Any information contained within this document should not be considered investment or financial advice. Before acting on any information please speak with a qualified investment adviser, accountant and solicitor. The information contained in this document has been obtained from various sources and other third parties and is indicative and to be used as a guide only. To the extent permitted by law, BuySide Pty Ltd and its associates will not be liable for any costs, loss or damage arising in any way from the information contained within this document, including file attachments.

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