

# Property Research Digest: Edition 20

## Economic

The **Reserve Bank of Australia (RBA)** considered two options for its policy decision at its last board meeting, a 50 basis point increase and a 25 basis point increase:

- The arguments for a **50 basis point increase** stemmed from the concern that there had been a pattern of incoming prices and wages data exceeding expectations, and a risk that high inflation would be persistent;
- The arguments for a **25 basis point increase** also recognised the need to bring demand and supply in the economy more into balance, but noted that inflation was expected to have reached its peak, that the outlook was for a softening in consumption growth and that there were many uncertainties around the outlook.

The bank opted to lift the cash rate by 0.25 percent to 3.35 percent, with markets now factoring in a 3.9 percent terminal cash rate.

The Board remains resolute in its determination to return inflation to target and will do what is necessary to achieve that outcome. Source: **Minutes of the Monetary Policy Meeting of the Reserve Bank Board, February 2023**

**Macquarie Securities** points to 45 percent of fixed-rate mortgages due to reset between April and the end of 2023. Less than one-quarter will reset in 2024 and the remaining one-sixth are due to reset thereafter. **RateCity** states that if the cash rate exceeds 3.9 percent, all things being equal, homeowners will be paying an additional \$1,700 per month on a \$750,000 loan (compared to April 2022).

The Selected Cost of Living Indexes from the **Australian Bureau of Statistics** which measures the change of goods and services and its effect on living expenses of selected household types shows that employee households recorded the largest quarterly rise across the five household types of 3.2 percent, and the largest rise for this household type since the September 2000 quarter.

Mortgage interest was the largest contributor to the Index over the December quarter at 26.6 percent, followed by recreation, culture and housing at 5.5 and 2.2 percent, respectively. [Read more here.](#)

## Residential

The cost of building a new home rose by 1.9 percent in the December quarter, according to the **Cordell Construction Cost Index** - the slowest pace in a year, down from 5 percent in the September quarter. The cost of many inputs is still well above pre-pandemic levels, such as timber which is still 20 percent higher (down from 45 percent at peak) and steel (20 percent, down from 55 percent). While a number of input costs have tempered, there is a strong watch on concrete which is expected to lift significantly by mid-year to around \$250 per cubic metre.

In mid-2000s, I developed an indicative 'House and Land' index, aggregating the cost of a land lot and the cost of building a new home. In the mid-2000s, the build component was, on average, around 63 percent. How does this compare to now? [Read my recent LinkedIn post.](#)

The gap between the median house and the unit price has increased by more than 230 percent since March 2020 from \$50,000 to \$170,000 nationally, based on Corelogic data.



The most significant increase was in Sydney which rose by \$237,000 over the three years. The median house price in Sydney is now 1.57 times greater than the unit price. Melbourne increased by around \$174,000 with a median house price that is 1.54 times greater than the unit price.

Over the ten years to 2021, the number of apartments in Australia increased by around 26 percent (from 835,000 to 1.13 mil) according to the ABS. ACT, Sydney and Melbourne experienced the strongest increases of around 51, 43 and 36 percent, respectively. In aggregate terms, around 30 percent of all dwellings in Greater Sydney are units (well ahead of its east coast neighbours at around 15 percent).

### HOUSE AND UNIT PRICES ('000'S)

	2023				2020				Change
	Houses	Units	Variation	Multiple	Houses	Units	Variation	Multiple	
<b>Sydney</b>	\$1,205.7	\$769.0	-\$436.7	<b>1.57</b>	\$900.0	\$700.0	-\$200.0	<b>1.29</b>	<b>0.28</b>
<b>Melbourne</b>	\$900.1	\$584.0	-\$316.1	<b>1.54</b>	\$725.0	\$583.0	-\$142.0	<b>1.24</b>	<b>0.30</b>
<b>Brisbane</b>	\$773.5	\$489.8	-\$283.7	<b>1.58</b>	\$525.0	\$380.0	-\$145.0	<b>1.38</b>	<b>0.20</b>
<b>Adelaide</b>	\$696.7	\$438.0	-\$258.7	<b>1.59</b>	\$475.0	\$320.5	-\$154.5	<b>1.48</b>	<b>0.11</b>
<b>Perth</b>	\$585.3	\$406.3	-\$179.0	<b>1.44</b>	\$465.0	\$374.0	-\$91.0	<b>1.24</b>	<b>0.20</b>
<b>Hobart</b>	\$713.0	\$521.0	-\$192.0	<b>1.37</b>	\$540.0	\$391.0	-\$149.0	<b>1.38</b>	<b>-0.01</b>
<b>Darwin</b>	\$588.6	\$377.0	-\$211.6	<b>1.56</b>	\$480.0	\$325.0	-\$155.0	<b>1.48</b>	<b>0.08</b>
<b>ACT</b>	\$951.0	\$600.1	-\$350.9	<b>1.58</b>	\$700.0	\$438.5	-\$261.5	<b>1.60</b>	<b>-0.01</b>
<b>Australia</b>	<b>\$755.0</b>	<b>\$587.4</b>	<b>-\$167.6</b>	<b>1.29</b>	<b>\$550.0</b>	<b>\$500.0</b>	<b>-\$50.0</b>	<b>1.10</b>	<b>0.19</b>
<b>Average</b>			<b>-\$278.6</b>				<b>-\$162.3</b>		<b>0.14</b>

Source: Corelogic, Wingate Research

The **Queensland Government** will review the 'South East Queensland Regional Plan' with the goal of unlocking the most new homes in Queensland's history. It has also outlined plans to activate 12,700 hectares of underutilised urban land in South-East Queensland - sound familiar?

In 2017, the **Queensland Government** estimated around one-quarter of the 800,000 new homes in South-East Queensland would be in the Brisbane municipality, followed by Gold Coast with around 21 percent, Ipswich (circa 14 percent) and Logan (around 11 percent). The Sunshine Coast is now tipped to grow by an extra 200,000 people, Redlands by 50,000 and Moreton Bay Regional Council by an additional 206,000 residents by 2041, placing increased demand for housing in these municipalities.

Available land supply is a mounting concern for all stakeholders in South-East Queensland. As shown in the following table, over the last ten years:

- Annual net lot sales increased by around 320 percent;
- The number of projects remained steady;
- Lots sizes fell by 35 percent; and



- The dollar per square metre rate increased by 70 percent (prices escalated significantly in 2022, by up to 40 percent in some municipalities).

### SOUTH-EAST QUEENSLAND GREENFIELD MUNICIPALITIES, INDEXED TEN YEAR GROWTH HOUSE AND UNIT PRICES ('000'S)

	2011	2016	2021	Movement
Annual Net Lots Sales	100	287	418	+318%
Average No of Active Projects	100	111	98	-2%
Median Lot Size	100	76	65	-35%
Median Lot Price	100	106	111	+11%
Median \$ per Sqm	100	139	170	+70%

Source: UDIA, Wingate Research

According to east coast project marketer **RPM**, the median Melbourne greenfield lot prices have fallen by three percent to \$375,000 in January. The median land price remains seven percent up year-on-year.

A sign of a tempering land market, with stock overhang up around 60 percent year-on-year to around 3,250 lots (over five months trading stock and its highest level since March 2020). Settlement risk remains evidenced by Stockland, which recently made allowances for around \$25 million in rebates that may be paid to buyers with settlements due in the June quarter in case financing becomes an issue.

### MELBOURNE GREENFIELDS, JANUARY 2023

<b>182</b> ESTATES	<b>315</b> LOTS	<b>158</b> LOTS	<b>3,242</b> LOTS
NUMBER OF ACTIVE ESTATES	NEW LOT RELEASES	STOCK RETURNED TO MARKET	UNSOLD LOTS ON MARKET
Change from Previous Month	-3 estates (-2%)	+78 lots (+33%)	+65 lots (+70%)
Change from Jan 2022	+5 estates (+3%)	-997 lots (-76%)	+1,191 lots (+58%)
<b>491</b> LOTS	<b>\$375,000</b>	<b>350</b> SQM	<b>\$1,071</b> PER SQM
LAND SALES (GROSS)	MEDIAN LAND PRICE	MEDIAN LAND SIZE	SQUARE METRE RATE
Change from Previous Month	+43 lots (+10%)	-\$10,500 (-3%)	-2sqm (-5.5%)
Change from Jan 2022	-742 lots (-60%)	+\$24,050 (+7%)	+16sqm (-4.4%)

Source: RPM, Wingate Research

National homeownership is declining and was lower at the 2021 Census than at any time since 1954 - the primary reason being the cost of housing and the consequent size of deposits required to purchase a home.

Homeownership was at the forefront of discussions at the recent UDIA NSW Signature Luncheon, where the planning minister and opposition spokesman for planning outlined plans for addressing this key issue as the New South Wales state election fast approaches in late March.

The UDIA NSW's 'Let's Tackle the Housing Shortage in NSW' outlines more than ten solutions for a realistic approach to tempering the housing shortage. [Read more here.](#)

*Little has changed since this 1963 article in the **Sunday Telegraph**, with the line "most of the husbands have good, steady jobs and could afford to repay a housing loan".*

The **WA State Government** has announced new reforms designed to supercharge apartment and medium-density development. The three key announcements included a new Infrastructure Development Fund, a permanent pathway for significant state projects and Development Assessment Panels.

The new Infrastructure Development Fund will provide access to \$80 million in funding to offset water, sewerage and electricity connection costs. Half will be allocated to developments within the metropolitan area, with the other \$40 million allocated to regional areas. [Read more here.](#)



## International Residential

Like Australia, **New Zealand's** population continues to rebound, largely due to strong net overseas **migration**. Over the last 12 months, New Zealand's population grew by 0.7 percent (or 35,200 people). The estimated net migration totalled 15,800 people.

*It is expected that the official cash rate in New Zealand will peak at 5.50 percent (an increase of 0.75 percent), with easing to commence in early 2024. Around 90 percent of housing loans in New Zealand are fixed.*

**United States** existing home sales dropped to the lowest level in more than 12 years in January 2023. Home sales fell 0.7 per cent to a seasonally adjusted annual rate of 4 million last month, the lowest level since October 2010 (when the United States was grappling with the foreclosure crisis). That marked the 12<sup>th</sup> consecutive monthly decline, the longest stretch since 1999, according to **Forbes**. The median existing-home sales price in the United States is \$366,900, down from its peak of \$413,800 in June last year (around 11 percent lower).

According to Citibank, **Hong Kong's** home prices will drop around five percent in the first quarter of 2023 before gaining 5 percent towards the end of the year. Property transactions in the city slumped to a 32-year low of around 60,000 in 2022, 38 percent lower than a year earlier. Hong Kong recently introduced tax cuts for first-time buyers on purchases of up to \$1.1 million for first-time permanent resident buyers of residential and non-residential properties.

**China** has ended online study for Chinese international students. A recent announcement by the Chinese Service Centre for Scholarly Exchange said academic degrees and diplomas would no longer be recognised if the study was undertaken online. There were about 135,000 student visa applications from all countries in Australia in the second half of last year, compared to 97,000 in the corresponding period of 2019. Department of Home Affairs data showed 38,700 student visa applications from China, about 5,000 fewer than at the pre-pandemic peak of 2019.

Prior to the pandemic, Australia's education exports had been rising since 2013 according to the **Commonwealth Bank of Australia (CBA)**. An expansion in the sector and a sharp lift higher in Chinese foreign students were the main drivers. Education exports accounted for around 40 percent of service exports in 2019, or circa \$A40 Billion (8 percent of total exports) but fell 35 percent and 3½ percent respectively for the 12 months to September 2022 (\$A22 billion).



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