NATIONAL PROPERTY PULSE CHECK – what's happening in your market?

If Dorothea Mackellar was here today she might replace her famous poetry line about "ragged mountain ranges" with one about the country's home price ranges. Just like our natural geography, the nation's property landscape is one of contrasts.

Predicting which markets are on the up and which are heading south is never an exact science and nobody can claim to have a crystal ball. But there are plenty of economic indicators painting a picture of market movements.

Haven casts its eye around the country to check out property performance in our states, territories and capital cities.

NEW SOUTH WALES

Sydney

After sitting at the top of the charts in recent years (an 85 per cent surge since 2013!), the Sydney market is finally off the boil and predicted by BIS Oxford Economic to have the slowest growth among capital cities in the next three years (3 per cent)[1]. But it's not all doom and gloom with a strong jobs market, population growth and a robust economy expected to keep things buoyant.

Elsewhere

Not surprisingly, the hottest Sydney barbie topic is the escape plan, as those feeling the property pinch look for greener regional or interstate pastures. The exodus has been helped along by the $750,000 stamp duty concession ceiling, which seems generous but not in a market with a median price of $1.1 million[2].

A couple of hours up the Pacific Highway, Newcastle – once dependent on mining and steel production – is a growing and diverse, self-sufficient economy, now luring Sydney-siders[3]. Similarly, Wollongong to the south offers mortgage relief, plus job, study and vibrant social prospects.[4] The good news for homesick Sydney-siders is that both these hubs are within two hours of the capital.

QUEENSLAND

Brisbane

After crawling along in recent years, Brisbane is once again having its moment in the sun – 238 days of sunshine each year, to be precise[5]. The Queensland capital is forecast to have the country's biggest surge (13 per cent) over the next three years[6].

Despite a much-publicised oversupply of inner-city apartments[7], Brisbane property prospects are bright. Game-changing investment in tourism and transport infrastructure,

1 http://mobile.abc.net.au/news/2018-06-25/bis-oxford-economics-australian-property-market-slowdown/9899774

2 www.abc.net.au/news/2017-10-06/soaring-sydney-house-prices-to-spark-mass-migration-north/9022126

3 www.openagent.com.au/blog/best-areas-in-new-south-wales-for-property-investment-in-2018

4 www.openagent.com.au/blog/best-areas-in-new-south-wales-for-property-investment-in-2018

5 www.choosebrisbane.com.au/invest/why-brisbane/lifestyle?sc_lang=en-au

6 http://mobile.abc.net.au/news/2018-06-25/bis-oxford-economics-australian-property-market-slowdown/9899774

7 www.news.com.au/finance/real-estate/brisbane-qld/nearly-20pc-of-brisbanes-apartments-empty-amid-oversupply-bis-oxford-economics/news-story/5cd9130dd8d3b95eb4a7bab45921470a

a precinct plan to disperse jobs beyond the CBD and interstate migration are just some of the factors contributing to Brisbane's appeal[8].

Elsewhere

The Gold Coast is expected to maintain a post-Games glow as it continues to position itself as more than a holiday destination, while the Sunshine Coast is also predicted to experience long-term capital growth on the back of increased infrastructure. Further north, Townsville's $2 billion investment in mining, military and port projects is boosting its local economy and property market[9].

VICTORIA

Melbourne

While not quite as phenomenal as Sydney's surge, Victoria's capital has gone gang-busters in the last five years (65 per cent growth). And while the market has slowed considerably with investors cooling their heels (especially over apartments), strong overseas and interstate migration is predicted to fuel the owner-occupier market and drive moderate 6 per cent growth over the next three years.[10]

Elsewhere

Satellite hubs Ballarat and Geelong are not just within striking distance of Melbourne but growing increasingly self-sufficient[11] as they transform their industrial roots into new jobs and capitalise on more relaxed lifestyles[12] [13]. Geelong is one of the fastest growing regional property markets in Australia (10 per cent)[14], while pundits have described Ballarat's revival as its second gold rush[15].

NORTHERN TERRITORY

Darwin

The Top End hasn't quite lived up to its name, slumping 19 per cent over the past four years after rising and falling on the back of the resources sector[16]. The Territory's capital has been left with a housing glut, which may not be corrected until closer to 2021. Interestingly though, while capital gains have gone south, Darwin rental yields are defying the oversupply, remaining among the country's strongest at 5.8 per cent[17].

Elsewhere

The most sparsely populated of our states and territories, the Northern Territory doesn't have many hubs outside of its capital. Darwin's secondary city Palmerston relies on Darwin's economy for its success so has suffered the same resources slide[18].

Alice Springs, on the other hand, could be the Territory's best-kept secret, thanks to a housing policy change for employees at the nearby US Pine Gap spy base. Employees, who used to have housing supplied, are now required to rent or buy themselves, driving sales up and rental vacancies down[19].

WESTERN AUSTRALIA

Perth

Patience might be the key to Perth's market, which looks like it is finally bottoming out after sliding with the resources sector. There are mixed predictions for the next few years. Some market gazers tip further, minor dips[20], while others claim the economy is rebounding with strong jobs growth and increasing export demands[21].

Elsewhere

Nowhere has the mining slump been felt more keenly than regional Western Australia. The brunt has also been borne by non-mining towns, including Bunbury and Broome, but green shoots are peeking through. Bunbury is looking to shed its image as just an industrial port with investment in waterfront, lifestyle precincts and a digital economy. Broome, once dependent on its pearl industry, is looking to capitalise on food production[22]. How Western Australia diversifies and sheds its reliance on mining will have a big impact on its regional economies and property markets.

SOUTH AUSTRALIA

Adelaide

Holden shutting shop in the city's north last year cast an economic shadow over the city of churches. But it's set to be something of a quiet achiever, with shipbuilding set to fill the Commodore-shaped hole[23]. BIS Oxford Economics predicts 9 per cent property price growth for Adelaide over the next three years[24].

Investors, however, might be less enamoured. Weekly rental returns are among the nation's lowest for a capital city – and going backwards, while rents in the rest of the country are on the rise[25].

Elsewhere

Despite struggling with an energy crisis and the ripple effects of the auto industry shutdown, South Australia's economy is growing at its fastest rate in a decade[26].

Ironically, the electricity fiasco sparked investment in new energy infrastructure and exploration, while its mining sector has defied the downturn of other states, thanks to uranium prospects and hydrocarbons[27].

The benefits seem yet to flow through to property prices in regional centres but rents in South Australia's outback have been on the rise, with returns sitting at about 7 per cent[28].

8 www.choosebrisbane.com.au/~/media/choose/pdf/brisbane2022planpdf.ashx

9 www.openagent.com.au/blog/where-to-invest-in-property-in-queensland-in-2018

10 http://mobile.abc.net.au/news/2018-06-25/bis-oxford-economics-australian-property-market-slowdown/9899774

11 www.openagent.com.au/blog/best-regions-in-victoria-for-property-investment-in-2018

12 www.premier.vic.gov.au/helping-ballarat-manufacturers-grow-and-create-jobs

13 www.economyprofile.com.au/geelong

14 www.news.com.au/finance/real-estate/melbourne-vic/geelong-property-market-is-fastest-growing-in-regional-australia/news-story/1f045ec4178fc6548786ead12c56bb74

15 www.domain.com.au/news/ballarat-property-market-running-hot-as-melbourne-buyers-rush-the-gold-town-20180329-h0xgk5/

16 http://mobile.abc.net.au/news/2018-06-25/bis-oxford-economics-australian-property-market-slowdown/9899774

17 www.realestate.com.au/news/darwins-high-rental-yields-attract-more-investors

18 www.openagent.com.au/blog/best-areas-buy-property-northern-territory-2017

19 www.openagent.com.au/blog/best-areas-buy-property-northern-territory-2017

20 https://thewest.com.au/business/housing-market/perth-house-prices-to-keep-falling-for-two-more-years-warns-anz-ng-b88870522z

21 www2.deloitte.com/au/en/pages/economics/articles/wa-business-outlook.html

22 www.regionalaustralia.org.au/wp-content/uploads/2015/01/Cities-Beyond-Perth_PROFILES-REPORT.pdf

23 www.adelaidenow.com.au/news/south-australia/turning-a-new-page-in-shipbuilding/news-story/ce560750b2d230734430fc24312b13f5

24 http://mobile.abc.net.au/news/2018-06-25/bis-oxford-economics-australian-property-market-slowdown/9899774

25 www.yourinvestmentpropertymag.com.au/market-report/sa/sa-excerpt-from-the-2018-july-market-report-251790.aspx

26 www.abc.net.au/news/2018-01-29/economic-report-card-says-sa-doing-much-better/9370786

27 www.saresourcesconf.com

28 www.yourinvestmentpropertymag.com.au/market-report/sa/sa-excerpt-from-the-2018-july-market-report-251790.aspx

HAVEN MONEY

TASMANIA

Hobart

Hobart, long-overlooked as a property play, is now turning heads. The Apple Isle's capital is currently the country's strongest market, with 35 per cent growth in the past three years[29]. Affordability has no doubt been a factor – at $485,000, Hobart's median house price is a fraction of Sydney's and about half of Melbourne's[30]. But so too has its hipster, foodie and culture cred, fuelled by its much-lauded Museum of New and Old Art (MONA) and increased tourism[31]. Traditionally an owner-occupier market because it was so cheap, Hobart now has a shortage of rentals[32].

Elsewhere

In a state as small as Tasmania, it's not surprising the capital's surge has overflowed to regional centres. Sentiment is particularly optimistic in the north, with Launceston hitting record numbers of house sales early this year[33]. Despite talk of the Tassie market peaking, there are still bargains to be had. The West Coast remained the most affordable region with a median house price of just $80,000[34].

29 http://mobile.abc.net.au/news/2018-06-25/bis-oxford-economics-australian-property-market-slowdown/9899774

30 http://mobile.abc.net.au/news/2018-06-25/bis-oxford-economics-australian-property-market-slowdown/9899774

31 www.smh.com.au/national/how-hobart-became-a-mainlander-s-dream-20180221-p4z13c.html

32 www.abc.net.au/news/2018-04-04/warning-on-tasmanian-real-estate-market/9614908

33 www.examiner.com.au/story/5205505/launceston-house-sales-soar-reit-quarterly-report/

34 www.theadvocate.com.au/story/5385715/house-prices-jump-in-nw-as-states-property-boom-continues/

AUSTRALIAN CAPITAL TERRITORY

Our nation's politicians would love to poll as optimistically as our country's capital. Second to only Brisbane in growth predictions, the Canberra housing market looks set to rise 10 per cent over the next three years[35].

The rental market also remains one of the country's steadiest and strongest (its average weekly rent of $528 sits just behind Sydney's $582)[36], thanks largely to its government-centric employment and higher-than-average wages[37].

35 https://propertyupdate.com.au/property-predictions-for-2021-revealed/

36 www.yourinvestmentpropertymag.com.au/market-report/act/act-excerpt-from-the-2018-july-market-report-251793.aspx

37 https://geocon.com.au/canberra-is-hot-property-for-investors/

FACTORS AFFECTING our property prices

While prices are a product of supply and demand, it's worth understanding the factors[38] that sit beneath both sides of the equation. In other words, what drives supply and what drives demand?

INCOMES

Higher household incomes, thanks largely to two-income couples, have seen Australians seek better quality housing, invest more in property and bid-up pricing. It has since become something of a vicious cycle, with property prices putting extra pressure on households to earn more to keep up with mortgage demands.

DEMOGRAPHICS

As our population clicks over 25 million, migration continues to be strong in Australia, with many new arrivals settling in major cities. This has led some experts to recommend curbing migration to manage growth. Even without migration, however, our housing stock has struggled to keep up with demand in some cities, especially because we have long made a practice of living around our continent's edges. Others believe we need migration to supply the trades and workers to build the houses we need.

Our households have also shifted from a typical nuclear family (mum, dad and 2.2 children) to more single households or couples with no kids, which has changed what we want in a home.

INTEREST RATES

Low inflation has helped keep interest rates in check for a long time. While low interest rates have been welcomed by borrowers, they have also given households more disposable income with which to bid up prices. So, what we gained on the ferris wheel, we may have lost on the affordability merry-go-round. There's speculation many borrowers may be caught out financially when interest rates inevitably head north, so make sure you have a buffer to manage any increases.

Investor lending has also tightened[39], with higher interest rates for investment loans and a more recent crackdown on interest-only loans having the desired cooling effect in heated markets, such as Sydney.

Talk to us to check your loan is still right for your situation. We have access to multiple loans across a range of lenders, giving you more options to save on interest and pay your mortgage off sooner.

SPECULATION

In a recent Parliamentary Inquiry into housing affordability, one witness said "houses are being valued as speculative assets" more than they are homes.

While Australians have long viewed bricks and mortar as a sound investment, financial speculation could be fuelling demand more than our desire for a roof over our head. Investors now account for about a third of new home loans, which is why the banking regulator stepped in with tighter lending requirements for investors.

38 www.aph.gov.au/Parliamentary_Business/Committees/Senate/Former_Committees/hsaf/report/c04

39 http://mobile.abc.net.au/news/2018-06-12/investor-retreat-from-property-market-continues-as-lending-falls/9859476

THINK LOCAL

While you're getting your head around the macro, don't lose sight of the micro. Median house prices can vary greatly from suburb to suburb. Here's the local data[40] house-hunters should have to help make an informed decision.

Price growth

While property is a long-term proposition, it's worth comparing the last five years of price growth from suburb to suburb. If one suburb has moved beyond your reach, check out the performance of neighbouring postcodes. You might time it right to catch a suburb on the rise.

Days on market

If most homes are selling in 30 days or fewer, the suburb is probably booming. Most homes in Australia take 30 to 120 days to sell[41], so if a suburb is moving most of its properties in 40 or fewer days, it's worth closer inspection.

Clearance rates

A clearance rate is the percentage of properties sold at auction over a week or a month. Interest rates, the time of year and competing events can all affect clearance rates. In major cities, a suburban clearance rate of 70 per cent or more is a positive indicator. A high auction rate can also be a sign that agents and sellers are confident demand in the suburb is strong.

Rental yields

Look for steady rental yields. Rental yield is the median rental income over a year as a proportion of the median property value. Rental yields can remain high even in stagnant property markets, especially if there is little rental stock, so it is one factor to be considered with a range of others.

Vacancy rates

The lower the vacancy rate, the higher the demand for rental properties, which is often a sign of market health. However, a glut of apartments might have no effect on house prices in the same suburb so be careful not to make assumptions on vacancy rates alone.

Other factors

No single metric can sum up a suburb's prospects. Beyond the data there are a range of other factors that can influence local property markets, including existing and planned transport and roads, the quality of local schools, restaurants and cafes and community spaces, such as parks.

Do your homework, and once you have homed in on a suburb, talk to me to help you find a loan that is right for you.

40 www.openagent.com.au/blog/how-data-indicators-can-help-you-identify-boom-suburbs

41 www.realestate.com.au/advice/long-does-it-take-to-sell-a-house/