# New Decade Brings New Outlooks For Capitals

There are many competing economic influences globally and nationally that will determine whether we embark upon property's version of the Roaring '20s or the Tepid '20s.

To welcome the new decade, *API Magazine* has spoken to property experts around the country to look back at the market trends of 2019 and how they could evolve in 2020.

Whether a first-home buyer, renter or investor, the following insights may help shape your financial strategies for the 2020s.

**SYDNEY**

Population: 4.6 million

Median property value: $840,072

Annual dwelling value change: 5.3%

**James Nihill, Managing Director of Patrick Leo**

Last year ended on a high note for Sydney property, with the Harbour city's property prices showing a 1.7 per cent monthly increase in December.

Sydney outperformed all states for December in the quarterly and annual statistics. Sydney is unbeatable, it remains one of Australia's strongest and most resilient markets.

The median house price now sits at $973,664 as of December 2019, with the median apartment price at $746,017. Sydney has bounced back quicker than expected and if this pace continues the median house price will soon be above $1 million again, although we are still 6.4 per cent below Sydney property peak prices.

**FOMO fuels market**

With wage growth remaining stagnant, we will start to face affordability issues and the fast recovery of Sydney property prices will make it challenging for some to get a foothold in the market. The good news is finance has become more accessible, with criteria far less strict than it was a year ago. Young people should consider all available options and not rule out the 'Bank of Mum and Dad' and financial help from family, if possible.

We are seeing a lot of FOMO in the Sydney market – a lot of people missed out in the last cycle and are keen to buy before it gets out of reach again. There was a strong end to 2019, with the last major weekend in December 2019 reflecting an auction clearance rate of 76 per cent – almost double that of December 2018.

**Andrew Woodward, Founder and Director of The Investor's Way**

December was another strong result for Sydney residential property prices, growing by 1.7% for the month and bringing the quarterly growth to 6.2% and the annual growth for 2019 to 5.3%, according to CoreLogic data.

When reviewing this data with recent stock levels, it is clear December was a softer month, most likely due to the financial pressures of the festive season, the higher advertised stock levels and a propensity for buyers to wait for the new year.

In classic sporting terminology, the Sydney market was a game of two halves. The first six months saw property prices fall and through the second six months, as lending restrictions were loosened, prices rebounded. The outlook for 2020 is a likelihood of steady growth as affordability continues to be the biggest factor affecting the market.

**MELBOURNE**

Population: 4.3 million

Median property value: $666,883

Annual dwelling value change: 5.3%

**Cate Bakos, President of the Real Estate Buyers Agents Association of Australia (REBAA)**

December may have hinted at better opportunities for buyers, with higher stock levels, later auction dates and easing lending conditions. The reality, however, is that increased buyer activity and a strong sense of FOMO continued to push prices up for houses and units, particularly in the inner and middle ring markets. Scheduled auctions didn't stop on 21

December, with some agents and vendors scheduling mid-week twilight auctions to make the most of buyer enthusiasm for a pre-Christmas purchase.

The rush to the finish line was palpable, with bidder numbers remaining solid despite Christmas shopping beckoning. Unlike past years, the fortnight before Christmas felt like a busy spring weekend, with auction numbers heightened, strong buyer attendance, and most auctions featuring multiple active bidders. Every auction we attended in the final two weeks sold under the hammer and exceeded agents' and vendors' expectations by a strong margin.

**No slowing down**

While auction numbers were up, buyer numbers were significantly higher than usual when, traditionally, buyers ease away from the property market and pursue festive season activities.

Capital growth seemingly continued strongly in December. Time will tell when the end of year market metrics are released in late January, but for the inner and middle ring markets, things don't appear to be slowing down. I predict that more prospective vendors will opt to sell in the first half of 2020 as they see encouraging data being released. For the past 18 months (since the downturn commenced), only the committed sellers have come to market but it is likely we will see some opportunistic sellers emerging as they weigh up conditions and capitalise on attractive buyer sentiment.

**James Nihill, Managing Director of Patrick Leo**

According to CoreLogic's Home Value Index, Melbourne continues to lead Australia's market recovery, along with Sydney.

The year ended with Melbourne's median house price at $778,649, with the median unit price at $576,475. This puts us at just 2.3 per cent below Melbourne's peak and the outlook for 2020 is strong. It is not a time for buyers to sit on their hands, as we will be back at peak before we know it.

Melbourne's population story is particularly compelling. It remains one of the world's fastest growing cities and is predicted to surpass Sydney as Australia's largest city by 2031.

Just like in Sydney, FOMO is driving transactions in Melbourne, with buyers keen to act before prices rise even further. Melbourne property had a strong end to 2019, with the last major weekend in December reflecting an auction clearance rate of 72 per cent – almost double that of December 2018.

**<u>HOBART</u>**

Population: 217,000

Median property value: $840,072

Annual dwelling value change: 3.9%

**Tony Collidge, Director of PRDnationwide Hobart**

With the release of several key research group 2019 market summaries, it is evident there is consensus that there is no end in sight for rent and price growth in Hobart. Population and jobs growth, Australia's best performing state economy and booming tourism has and will continue to see a growing demand for rental and residential living far outstrip dwindling supply.

In its November Tasmania Property Market Report the REIT shows house prices increased 4.0% from November 2018 to November 2019 to a median price of $510,331. Units increased 8.7% to $390,508, while land prices eased 6.0% to $203,167.

On 3 January 2020, Greater Hobart had just 334 properties available for rent. Half of these properties have a weekly rental above $500, with only 72 offering rents below $400. My company manages 800 rental properties and we have just two vacancies. One of these is for rent at $400 per week and we have 128 people registered to inspect the property. This best sums up the state of our rental market. With strong rental demand and the peak rental time here, low vacancy rates (below 1%) will see rents pushed higher. Rental yields average 5.0%-5.5%.

**Perfect storm**

On the residential sales front stock levels are at critical levels, down more than 25% on the same time last year. More properties are being sold pre-marketing, with multiple offers in many instances. New builds are insufficient to cover demand and there isn't the industry capacity to fill the shortfall.

Essentially Hobart is experiencing a perfect storm where the demand for residential or rental accommodation can never be met by supply. The result is rents and property prices will continue to rise. From an investment perspective, Hobart has the best overall fundamentals of all Australian capital cities.

**BRISBANE**

Population: 2.2 million

Median property value: $497,491

Annual dwelling value change: 0.3%

**Melinda Jennison, Director of Streamline Property**

Brisbane has continued to perform well throughout December, especially in the middle ring market.  The latest CoreLogic results reported price growth of +0.7% in the middle section of the market, compared with price growth of just 0.1% in the lower quartile and steady conditions across the upper quartile.  Overall, the Greater Brisbane market is up 2.4% in the last quarter, with gross rental yields still strong at 4.5%.

Lower advertised stock levels have persisted throughout December, which has provided upward pressure on prices.  There are still significantly more buyers than sellers, with high volumes of people at open homes throughout Brisbane and many properties going to multiple offer scenarios. Conditions are improving in Brisbane, with comparatively lower housing prices, coupled with high migration rates and improving jobs growth, which should play out positively.

**ADELAIDE**

Population: 1.2 million

Median property value: $433,845

Annual dwelling value change: -0.2%

**Katherine Skinner, Director of National Property Buyers**

December saw desperation among home-buyers and investors wanting to secure something before the holiday period.

We saw what we thought were over-inflated results time and time again. But are these results over-inflated due to the time of year or is this the new benchmark for housing prices in the metropolitan area?

We believe it's the latter, given the activity we have seen in the new year.

**Road to success**

Major arterial road upgrades are nearing completion, which will provide streamlined travel to areas 15km or more from the CBD, shaving plenty of time off commutes. We expect to see this play a big part in growth for these outer suburbs.

Vacancy rates are low at 1%, ensuring landlords are easily able to achieve 4.5% - 5% rental yields from day of purchase. For many investors, this provides a positive cash-flow or cash-flow neutral investment that will also benefit from the ongoing capital growth we are seeing across the board.

2020 will be a strong performer within the Adelaide housing market, one that investors can take advantage of to grow their portfolio.

**Peter Koulizos, Master of Property, Adelaide University**

Although 2019 was not kind to Adelaide's property market, a median value uptick of 0.5% in December is probably indicative of the things to come. In the CBD and inner suburbs, rents are likely to push higher, making property more attractive to investors, as major investments continue to transform the city.

The old Royal Adelaide Hospital site is being converted into an innovation hub, with the number one ranked university in the world, Massachusetts Institute of Technology (MIT), opening a campus, the national space agency being headquartered there and high tech' companies moving in. This brings with it high paid employees who drive up property and rental prices. Rental vacancies are already low and 2020 is likely to see rent yields increase further.

**Planning ahead**

South Australia is ringing in some of the most significant changes to its planning system in decades, with the 72 council plans being subsumed by the singular state development plan. The renewed planning system takes effect on 1 July and will present many opportunities, and some risks, for developers as amendments to zones take effect. In some suburbs, minimum site areas and frontages will decrease to allow greater density developments where previously only single homes were permitted. Investors would be well advised to look at the SA Planning Portal as they seek to unlock this development potential.

Internationally, China is keen on South Australia's image as a clean and green environment and this is likely to drive continued investment in commercial property and education. The state's number one export last year was international education, and this will continue to grow. This means more students looking for rental accommodation and furthers fuels investors' positive sentiment towards Adelaide.

**PERTH**

Population: 1.9 million

Median property value: $437,080

Annual dwelling value change: -6.8%

**James Nihill, Managing Director of Patrick Leo**

After showing its first month-on-month rise in dwelling values for 12 months last November, Perth had a more lacklustre end to 2019 with flat results in December.

With such a hefty annual price decrease, it is fairly safe to say the only way is up for property prices in WA. The modest growth of 0.4 per cent shown in November is an indication that Perth has reached the bottom of its property cycle and is on its way to recovery, representing a good time for investors to get into the market.

With almost five years of falling house prices in Perth, it's evident the tide is finally turning, and Perth is presenting compelling growth opportunities in Australia for property investors. Lower house and unit prices have boosted affordability in Perth, while increasing population and record low interest rates have created the perfect storm for buyers.