

Australian Residential Market Update

April 2022

Five trends currently shaping the Australian residential property market

Severe weather events cause destruction and coerce more time spent indoors

Taking place within weeks following the intense summer heatwaves, two major flood events resulting from the La Niña weather pattern on Australia's east coast, and bushfires in Western Australia, has resulted in over a thousand homes lost and extensive damage to many thousands more.

For those not directly impacted, these severe weather events have coerced more Australians to spend increasingly more time indoors at home entertaining, working, and studying — reminiscent of time spent throughout pandemic lockdowns.

It is perhaps not surprising, in the Knight Frank Attitudes Survey within The Wealth Report 2022, over half of Australian respondents chose the home's broadband speed as becoming an increasingly more important factor considered when buying a home.

The risks associated with protecting homes from these weather events were the next two most important considerations. This included 38% of Australian homebuyers concerned with the risks associated with bushfires (or wildfires) to the home and 31% considering the flood risk — overtaking the global benchmarks of 15% and 23%, respectively.

A looming federal election

Australians will be heading to polling booths for the upcoming federal election sometime in late May.

Historically, leadership uncertainty throughout the election campaign results in many retreating on making significant investment decisions throughout this time.

There are a modest number of homes currently listed for sale across the country with still a healthy level of active buyers in the market. However, the price expectation for many vendors

has started to readjust, following double-digit annual price growth.

Federal Budget skirts housing affordability

The Federal Budget has been released for 2022-23. Within this pre-election budget, the short-term maintenance of economic growth has been prioritised above reducing the national debt.

Over \$30 billion of funding was allocated to road, rail and defence infrastructure projects around Australia, but the Budget fell short on providing further stimulus by encouraging more new homes to be built across the country.

Increasing the housing supply is imperative to combat the current rental crisis with most Australian cities and regional areas trending well below market equilibrium of 3% vacancy, and this situation is only going to intensify as much needed skilled migration is expected to pick up across Australia.

Addressing the demand side, the Budget extended the *First Home Guarantee Scheme* to 35,000 places per year for eligible first home buyers to purchase a new or existing home with a 5% deposit and no lenders mortgage insurance (LMI), from 1 July 2022.

Outside the capital cities, a new *Regional Home Guarantee Scheme* of 10,000 places a year for both first and non-first home buyers, to build or purchase a newly built home in regional Australia. Under this scheme, the deposit will be 5% and has the LMI removed, but won't be available until 1 October 2022 to 30 June 2025, if slated.

There was also the extension of the *Family Home Guarantee* with 5,000 places annually from 1 July 2022 to 30 June 2025. This scheme is specifically targeted at single parent families seeking to buy their first home or re-enter the housing market with a 2% deposit and no LMI payable.

Mounting pressure on the household budget

With rising inflation, there is mounting pressure from the cost of living for households across the country.

One-off increases to the tax offset for low and middle-income earners, a \$250 payment for 6 million welfare recipients, veterans and concession cardholders in April 2022 and a 22¢ a litre cut to the fuel excise for six months until 28 September 2022 (as announced in the Federal Budget) is intended to alleviate the burden of these elevated costs.

For those living in established homes, there are still ongoing challenges in securing tradespeople to carry out basic home maintenance and repairs, including those dwellings being held back for renovation rather than listed on the market.

This is exacerbated in areas impacted by recent weather events and in growth corridors where most of the

recent home loan guarantee schemes are being dispersed.

Escalating costs and the extended time taken to build a new home is intensifying given that materials are also being delayed within the local and international supply chain.

Muted population growth

Many employers were likely taken aback that migration levels were not increased in the Federal Budget to support the economic recovery and ease skill shortages.

The closure of Australia's international border has resulted in net migration losses for the sixth straight quarter and muted population growth to 0.3% in the year to September 2021.

According to the ABS, the population growth was entirely contributed to natural increase (adding 136,200 people), while net overseas migration was negative (a loss of 67,300 people) over this time.

AUSTRALIAN DWELLINGS as at 31 MARCH 2022

CAPITAL VALUES MoM	0.7%	NEW LISTINGS Rolling 28 day count YoY	3.4%
CAPITAL VALUES QoQ	2.4%	TOTAL LISTINGS Rolling 28 day count YoY	-12.0%
CAPITAL VALUES YoY	18.2%	AUCTION CLEARANCE RATE [Total Auctions]	66.8% [3,377]

Source: Knight Frank Research, CoreLogic, Hedonic Home Value Index

Please get in touch with us

If you are looking to buy, sell or would just like some property advice, we would love to hear from you.



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