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# MARKET ESSENTIALS | MAY 2022

## THIS MONTH IN REVIEW

As this edition goes to press, the Australian Bureau of Statistics announced the quarterly Consumer Price Index, aka inflation, has jumped to 5.1 per cent this quarter. Michelle Marquardt, ABS Head of Prices Statistics, said this was "the largest quarterly increase since the introduction of the goods and services tax in 2000".

The hike in inflation now leaves the door open for the RBA to increase the interest cash rate from its record low of 0.1 per cent, something that the RBA said wouldn't occur until 2024.

As of Tuesday May 3, the RBA has lifted the official cash rate to 0.35%, the first rate rise in more than a decade, with more rises expected in the coming months.

In addition to the increased inflation rate and cash rate, pressure is building in the economy due to extensive lockdowns in China, resulting in supply chain issues and record-high oil prices.

Highly indebted households and those buyers who jumped into a record-high market are already beginning to feel the strain of the increased cost of living.

With cash rate increases expected every month well into 2023, the big question for investors and prospective home buyers alike is how high can interest rates go, and what impact will this have on the broader real estate market?

## AUCTION CLEARANCE RATE *Source: APM PriceFinder*

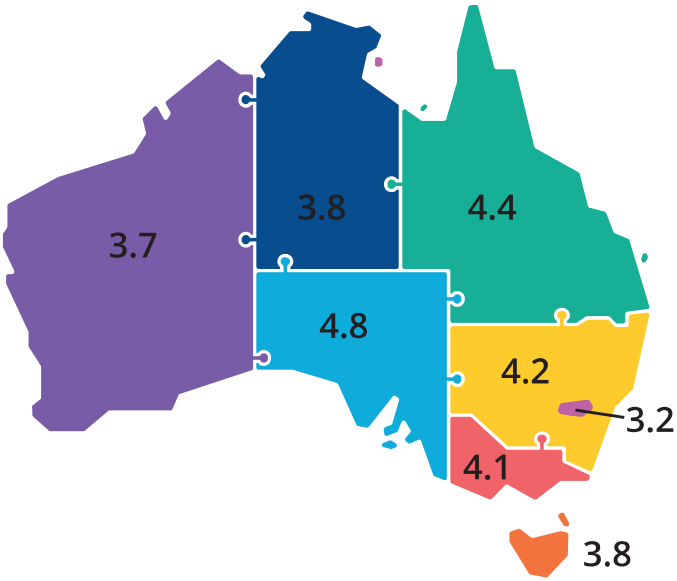
| | APR 02 | | APR 30 |
|---|---|---|---|
| SYDNEY | 76% | ▼ | 63% |
| MELBOURNE | 67% | ▲ | 69% |
| BRISBANE | 67% | ▲ | 68% |
| ADELAIDE | 75% | ▲ | 85% |

## POPULATION GROWTH % (Yr ended SEP 2021) *Source: ABS*

| | | |
|---|---|---|
| QLD | ▼ | 1.1 |
| WA | — | 0.7 |
| NSW | — | 0.3 |
| SA | ▼ | 0.1 |
| TAS | ▼ | 0.0 |
| ACT | ▼ | -0.1 |
| NT | ▼ | -0.2 |
| VIC | ▲ | -0.5 |

## MONTHLY UNEMPLOYMENT - JAN 2022

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




## VACANCY RATE % MAR 2022 ) *Source: SQM Research*

| | | |
|---|---|---|
| MELBOURNE | ▼ | 1.9 |
| SYDNEY | ▼ | 1.6 |
| BRISBANE | ▼ | 0.7 |
| DARWIN | ▼ | 0.5 |
| PERTH | ▼ | 0.5 |
| CANBERRA | — | 0.5 |
| ADELAIDE | ▼ | 0.3 |
| HOBART | — | 0.3 |

| HOUSES | YRLY GRWTH | YIELD | MEDIAN |
|---|---|---|---|
| BRISBANE | 32.1 | 3.6% | $750K |
| ADELAIDE | 28.7 | 3.9% | $632K |
| CANBERRA | 22.4 | 3.8% | $1.038M |
| HOBART | 21.9 | 3.8% | $755K |
| SYDNEY | 20.6 | 2.4% | $1.321M |
| MELBOURNE | 11.9 | 2.6% | $935K |
| PERTH | 7.2 | 4.3% | $550K |
| DARWIN | 7.0 | 5.2% | $571K |

| UNITS | YRLY GRWTH | YIELD | MEDIAN |
|---|---|---|---|
| HOBART | 23.5 | 4.3% | $556K |
| CANBERRA | 18.4 | 5.1% | $581K |
| DARWIN | 18.0 | 6.1% | $400K |
| BRISBANE | 15.1 | 4.8% | $455K |
| ADELAIDE | 11.2 | 5.1% | $390K |
| SYDNEY | 10.8 | 3.3% | $770K |
| PERTH | 5.6 | 5.1% | $405K |
| MELBOURNE | 5.3 | 3.2% | $642K |

*Source: CoreLogic Hedonic Home Value Index and Market Trends Report*

## CAPITAL CITY UPDATES

### SYDNEY NSW

- Unit and house sales had their weakest results since the early stages of the pandemic. Unit prices fell 1.2 per cent while house prices rose by 0.2 per cent. Stock levels increased during April, reaching their highest level since March 2014. However, buyers' demand appears to have slowed as affordability constraints, and potential interest rate hikes remain on the agenda.
- Sydney suburbs still performing well are in the southwest, North Sydney, Hornsby and Baulkham Hills. Further afield, the Central Coast and Hawkesbury regions also hold their own. However, prices have fallen during the last quarter in the Eastern Suburbs, Parramatta, Ryde and Sutherland.
- Tree changers keen to leave Sydney may have missed the boat, with NSW regional prices climbing faster than those in Sydney over the last twelve months. Median house prices have jumped over 20 per cent on average, with some coastal towns reporting increases of $500,000 plus. The Snowy Monaro, Kiama, and Byron have been the areas of choice.

### MELBOURNE VIC

- Domain reports that the March quarter saw Melbourne house prices record their first decline since June 2020, with a decrease of 0.7 per cent. Until prices also fell. Dr Powell from Domain says that buyers are now "back in control" across Melbourne, with total supply hitting 8 per cent above the March average and on the improve.
- HOOD.ai's annual budget report has listed seven suburbs within 100km of Melbourne's CBD in the top 10 suburbs for buyers. These include Sydenham, Truganina, Sunbury and Cranbourne North. Investors should consider Caulfield East, Gardenvale, Kingsville and Heatherton.
- Regional house prices continued to set records over the last month, with Loddon shire, just outside Bendigo showing a 64.2 per cent median house price increase. Experts predict that regional markets will slow as workers head back to the CBD. However, council areas, including Warrnambool, Mansfield and the Surf Coast, will continue to perform.

### BRISBANE QLD

- According to Domain's House Price Report, Brisbane is now Australia's fastest-growing capital city real estate market. The robust market is mainly due to strong population growth over the last twelve months. During the March quarter, house prices rose $553 per day to a record median of $831,346, the highest annual increase in eighteen years.
- The best performing suburbs in Brisbane are Logan and the inner city ring.

### PERTH WA

- Domain reports that the Perth property market reached a significant milestone during the March quarter, with median house prices reaching a record high of $622,030. The previous record was set in 2014. National economic conditions don't seem to have impacted the market, with buyer demand soaring and the volume of properties sold during the last quarter up 15 per cent on the five-year average.
- Perth now boasts 28 suburbs with a median house price of $1 million-plus. Areas include Gwelup, Kensington City Beach, North Fremantle and Mosman Park. For investors, the best suburbs in Perth are Yanchep, South Perth, Como, Wannanup and Rockingham.

### CANBERRA ACT

- House price growth in Canberra's property market stalled during the March quarter with a decline of 0.9 per cent. However, unit prices over the same period increased by 0.6 per cent. Despite the softening market, Canberra remains the second most expensive property market in Australia.
- Allhomes have listed the top ten suburbs to watch in Canberra this autumn; they include, Campbell, Forde, Bonython, Karabar, Downer, Watson, Deakin, and Ainslie.
- The industrial property sector continues to perform well in the ACT, as sale records tumbled during April. With high demand for industrial space and properties often leasing within seven days of hitting the market, commercial real estate continues to be a favourite for investors.

### ADELAIDE SA

- Adelaide continues to see property growth and new record prices despite market doom and gloom predictions. Houses in the city of churches are in hot demand as an influx of interstate buyers continue to buoy the market. The March quarter saw house prices increase across the board by 3 per cent and unit prices increase by 1.3 per cent.
- Maslin Beach and Surrey Downs have made HOOD.ai's list of the top 10 suburbs for buyers with median prices under the half-million-dollar mark. Investors should look to Plympton, Camden Park and Glenelg North, as these areas made the list of the top 10 suburbs for renters.

### DARWIN NT

- Despite producing the most robust annual growth rate in the last seventeen years, the property market in Darwin fell during the March quarter. House prices fell 1.8 per cent and units 0.5 per cent. Property supply increased by 21 per cent over the last quarter, giving buyers more options and creating more realistic seller price expectations.

**AUD 71.4c US**
down from 76.1c in April
*Source: RBA*

**RBA Cash Rate**
**0.35%**
steady for May
*Source: RBA*

**Cash Rate Forecast**
**2.0%**
12 mths to June '23
*Source: Westpac*

**Inflation**
**3.2%**
year to March
*Source: RBA*

**GDP**
**-1.9%**
year to Sep qtr
*Source: ABS*

**Wage Growth**
**2.1%**
year to Nov qtr
*Source: ABS*

**Consumer Confidence**
**-0.9%**
down for April
*Source: Westpac-Melbourne Institute*

**Disposable Income**
**-3.8%**
year to Sep 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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