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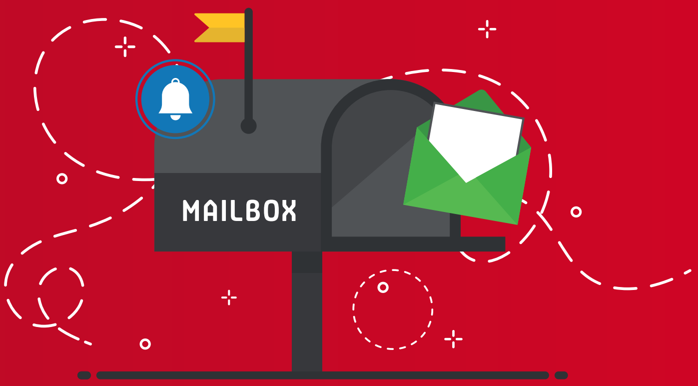

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JULY PROPERTY UPDATE FOR AUSTRALIA

Australia's property market continued its slow and steady upward trajectory in the second quarter of 2024, experiencing 1.8 per cent overall growth.

As shared by CoreLogic, this is down from 1.9% in the March quarter of this year, and down from 3.3% in the June quarter of 2023. Meanwhile, the annual pace of growth has slowed to 8.0%, down from a high of 9.6% that was experienced in the 12 months to February.

Capital city property results

Perth, Adelaide and Brisbane experienced the highest growth in home values over the last quarter. The only two capital cities to experience a decline in prices during this time period were Hobart and Melbourne, although Melbourne's year on year figures show that there has been growth.

As the numbers show, average prices in many capital cities have never been higher:

Sydney: 1.1 per cent growth for the June quarter

6.3 per cent annual growth

Sydney dwelling values are currently at a record high.

Brisbane: 3.7 per cent growth for the June quarter

15.8 per cent annual growth

Brisbane dwelling values are also currently at a record high.

Melbourne: -0.6 per cent growth for the June quarter

1.3 per cent annual growth

Melbourne dwelling values are now -3.9% below the all-time high, which was recorded in March 2022.

Adelaide: 4.7 per cent growth for the June quarter

15.4 per cent annual growt

Adelaide dwelling values are currently at a record high.

Perth: 6.4 per cent growth for the June quarter

23.6 per cent annual growth

Perth dwelling values are currently at a record high.

Hobart: -0.3 per cent growth for the June quarter

-0.1 per cent annual growth

Hobart dwelling values are now -11.7% below the record high, which was in March 2022

Darwin: 1.0 per cent growth for the June quarter

2.4 per cent annual growth

Darwin dwelling values are now -5.7% below the record high, which was in May 2014.

Canberra: 0.8 per cent growth for the June quarter

2.2 per cent annual growth

Canberra dwelling values are now -5.4% below the record high, which was in May 2022.

Meanwhile, property sales volumes are 8.6 per cent higher than this time last year. CoreLogic reports that the six-month moving average sales volume is roughly in line with the monthly average for the past five years.

Around the country, homes are taking slightly longer to sell in all capital cities except for Perth, Adelaide and Brisbane. Reports show that the current selling time in Perth is down to just 10 days on average.

For auctions, clearance rates softened from an average of 65.1 per cent to 64.2 per cent in June, but this is still above the average of 63 per cent.

Regional property values

Reports say dwelling values across regional Australia increased by 1.9 per cent in the three months to June 2024. Year on year, prices have risen by 7 per cent for the combined regions.

Regional NSW: 0.9 per cent quarterly growth, 4.1 per cent annual growth

Regional QLD: 3.3 per cent quarterly growth, 12.2 per cent annual growth

Regional VIC: -0.7 per cent quarterly growth, -0.5 per cent annual growth

Regional WA: 5.0 per cent quarterly growth, 16.6 per cent annual growth

Regional SA: 3.8 per cent quarterly growth, 11.3 per cent annual growth

Regional TAS: 1.4 per cent quarterly growth, 0.7 per cent annual growth

Rental statistics for Australia

Latest figures show that the growth rate in capital city unit rents has fallen from 15.1% to 7.6% over the last twelve months, with the biggest slowdowns being experienced in Sydney, Melbourne, and Brisbane. Across the regions and capitals, growth rates have fallen to 8.6% from a high of 10.6% in April.

As shared by CoreLogic, this comes “amid early signs of easing net overseas migration, which according to ABS data peaked in the March quarter of 2023”. However, while rental prices now show indications of slowing down, they are still far greater than the 2.7% and 2.6% growth rates experienced during the 2010s.

Dwelling approvals

Finally, dwelling approvals rose by 5.5% in May, with the jump being influenced by a 14.2% lift in unit approvals.

Property market forecasts

KPMG recently released its latest property market forecast, saying it expects annual rent growth to be around 4–5% over the next two years, based on projections for new dwelling completions and the Treasury’s population forecasts.

In terms of pricing, the analysts at KPMG expect that overall growth will be slower in 2024 than in 2023 because of the cooling effect high interest rates are having on the market. It predicts an interest rate cut at the end of 2024, which is forecast to have a positive impact on house prices. National house prices are expected to continue to rise by 5.3% in 2024 and 5.6% in 2025, and unit prices will rise by 4.5% in 2024 and 5.6% in 2025.

What’s your move?

Strong prices and confidence about the future means now is a good time to sell or start preparing to sell in Australia, particularly if you are planning to downsize. Reach out to your local Professionals office to discuss a strategy for your home sale.

SHOULD YOU BUY AND SUBDIVIDE?

Owning property is a key way to grow your wealth in Australia. As a property investor or owner, if you want to maximise capital gains or turn a larger block into a source of income, it makes sense to explore your options to subdivide.

Find out more about this strategy and how this can help you fast-track your journey to build wealth through property.

What is subdividing?

Subdividing is when you take a block of land, often with a single structure on it, then 'split' it to create two or more separate residences and addresses. This can be done by building on available space or knocking the original premises down to create new housing.

Subdivision can also include building a small residence like a granny flat that can be connected to power, water and other amenities, and given its own separate address.

A subdivided property often has addresses such as 19 and 19A, which reflects the addition of a new home on an existing block. The practice is popular in older suburbs of Australia where the half or quarter-acre block was standard for property owners. As lifestyles change and the population grows, reducing the size of these properties to create new homes delivers a win on many levels.

Why subdivide?

Turning one property into two is an opportunity to sell for more. For example, you may buy one home on a block, upgrade it and make $80-100k as profit. By subdividing, you will have two brand new homes to sell and the potential for capital gains is greater. You even have the option for land subdivision, where you buy land, subdivide it, then sell the individual lots before any construction even takes place.

In other cases, property owners who have a large block subdivide and sell a portion of it. This creates an opportunity to realise capital while remaining in the home they love.

The final reason to subdivide is to accommodate an extended family. Adult children may offer to purchase part of their parents' land in order to build their own home.

How do you go about subdividing your property?

Subdividing a property will pay off in the long run, but it does take some planning. There are three major steps to subdividing your property:

1. **Work out whether your plot can be subdivided:** The size of the plot is of course a major factor; you can't subdivide if there is only room for one small home in the first place.

   Beyond this, different councils will have different requirements, so you need to ensure that your property fits the minimum size for a subdivision in your local area and that you will be able to get approval for the project. A local builder or development company should be able to help by conducting a feasibility study for you.

2. **Get the right advice:** Subdividing a block is a large undertaking, especially if you are demolishing a home and starting fresh. Talk to builders, architects, and real estate experts who specialise in this type of project to figure out the best and most cost-effective way to divide your property. You may also want to contact a surveyor or a town planner for further advice as you will have to take into account things like access to the property and utility connections.

3. **Apply for permission:** Before you start to build, you will need formal approval from your local council. It needs to see the designs and check that they adhere to local requirements.

Subdivide to reduce housing shortages

When you buy to subdivide, you're not only setting yourself up to profit, you're adding much-needed new homes to the local area. Before you make decisions, make sure you speak with a local real estate agent about the type of homes that will appeal to the buyers or tenants you will be looking for.

Looking for a property you can subdivide? Reach out to your local Professionals representative today.

IS AUCTION THE RIGHT SELLING STRATEGY FOR YOU?

When you sell your home in Australia, you have two main options: sell by private treaty or sell at auction.

Both strategies have pros and cons, so understanding how they work is key to determining which choice is right for you.

Selling your home at auction

An auction is a public sale in which potential buyers bid against each other, and the highest bid wins. As the vendor, you set a minimum price. You can 'pass in' if your price is not met, then negotiate with interested buyers to see if you can finalise the sale on the day.

Auctions are highly regulated in Australia to protect all parties from false bidders and time wasters.

Advantages of selling at auction

- **Competitive bidding:** The competitive nature of auctions can help raise the price above the amount you might receive with a private treaty sale.
- **Set timeline:** Auctions come with a set timeline, usually something like a few weeks. This can help to make the sale experience quicker and do away with prolonged waits for the right buyer. You will also be working towards a clear sell date and be spared the disruption of constant open homes.
- **No cooling-off period:** Auctions do not have a cooling-off period in most states. Once the hammer falls, the sale is final, and the seller has to hand over their deposit.
- **Market value:** Auctions can effectively determine a property's market value, as the price is set by what buyers are willing to pay on the day.
- **Competition:** The thought of bidding against others at auction may prompt a buyer to put in a high early offer above the reserve you have in mind. This can fast-track your sale.

Disadvantages of auction

- **Costs:** Costs like auctioneer fees and marketing can add up if the property is passed in multiple times.
- **Uncertainty:** There's no guarantee your property will sell on auction day. If bidding does not reach your reserve price, you may need to negotiate with the highest bidder or relist the property.
- **Stressful process:** The auction process can be stressful for both sellers and buyers. With multiple people bidding, the stress can be quite intense. However, a great real estate agent + auctioneer team will manage the process and make it less difficult for you.

Selling by private treaty

A private treaty sale involves listing your property at a set price and negotiating directly with potential buyers. The process is slightly different; buyers submit offers when they are ready and you make the decision as the seller which offer to accept. There may be some back and forth about the settlement date, conditions of the sale and whether or not a cooling off period will be included in the contract.

This is the more common method of selling houses in Australia, but different areas have different trends. In higher-priced areas, for example, homes tend to sell more at auction.

Advantages of a private treaty sale

- **Timing:** You may receive an offer and sell on the first home open day or even as part of a preview campaign.
- **Control:** You have a different level of control over the selling process, including the ability to accept or reject offers without the pressure of a looming auction date.
- **Lower costs:** Private treaty sales tend to incur fewer costs than auctions.
- **Privacy:** Private treaty sales are less public than auctions, so they offer more privacy when you are selling.

Disadvantages of Private Treaty

- **Longer timeframe:** Private treaty sales can take longer to finalise. There is no set timeline, which can be a disadvantage if you need a quick sale.
- **Buyer caution:** Potential buyers may be more hesitant and take longer to decide, leading to extended negotiations and potentially lower offers.
- **Cooling-off period:** In most states, private treaty sales include a cooling-off period during which your buyer can withdraw from the contract, adding an element of uncertainty.

How will you sell your home?

There is no right or wrong answer when it comes to choosing between a private treaty and an auction. Often, your agent will recommend an auction if you're in a competitive market with high demand, while private treaty sales suit neighbourhoods where buyers may prefer negotiation and extended decision-making time. The decision is up to you, but listen to your agent's advice; they will know what is working well for home sellers in your market.

Need help to create a strategy for your home sale? Reach out to your local Professionals office today.

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TIPS FOR BUYING AN OUT OF TOWN INVESTMENT PROPERTY

The exciting thing about investing in property is you have the whole country to explore. As pricing in metropolitan areas shifts, there are opportunities for capital gains in other locations. It's an opportunity to be creative and can even be an excuse to travel!

However, if you decide to buy somewhere far from your home base, there are a few things to keep in mind.

Three steps to buy an out of town investment property

1. **Do your research**

   If you want to buy in an area you're unfamiliar with, it's important to do extra research. Look into why your potential tenants would want to live in your investment property, how much rent they will pay and whether this will cover your costs.

   Be practical: If you're likely to lease the home to a university student, figure out how they will get to campus from your property if they don't have a car. If it's a family home, is it close to the local school?

   As part of your due diligence, research capital growth potential and find out about future infrastructure in the town or suburb. A new hospital, for example, will attract healthcare workers who are looking for accommodation and if you're in a convenient location and offer the right style of home you'll be able to generate good rental returns.

   You may not be able to visit the home in person; in this case it may be wise to enlist the help of a local buyer's agent to check the place out, share their feedback and help you make a reasonable offer. Otherwise, ask the selling agent to take you on a virtual tour and send some extra photographs. The good thing is you don't have to buy a property you personally love; it's more about ensuring it ticks boxes in terms of tenant appeal, growth potential and financial viability.

   Don't forget to book a property inspection and examine the report in detail. Your conveyancer can help you to figure out if there are any potential problems which could add to the cost of ownership.

   A final thing to research is stamp duty and any relevant taxes you will pay as an investor in the state where you plan to buy. This will help you figure out your budget.

2. **Have a back up plan**

   Of course, as with any investment property, there is always the risk that you won't find somebody to rent it. One school of thought says you shouldn't invest somewhere you would never live yourself, so keep this in mind, but also have a plan for what you will do if the home is suddenly empty and you are a long way away.

   You may have an option to lease the home as an Airbnb rental if you buy in a popular holiday destination, or you might buy your out-of-town investment property with a plan to relocate yourself when the time is right.

3. **Get great help**

   If you're considering buying in a town or suburb you're not familiar with, reach out to a local real estate agent. This will be a point of contact who can share local reports and information to help you make a decision, and also let you know when a suitable home is about to come on the market.

   Once you have made a purchase, you need to know it is being looked after as you won't be able to quickly visit yourself if there is an issue. A local property manager will help you source reliable tenants and they will also conduct regular inspections and take care of maintenance so the place stays in good condition. They will have the right contacts for fire alarm inspectors, repair services, pest control etc, so you'll be saved from scouring the internet to find someone to help in an emergency.

   The right purchase, at the right time, in the right place can be a fantastic investment so don't be afraid to search for an investment property somewhere far from your home base.

Looking to buy out of town? Reach out to the local Professionals representative for support and information.

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