



# RAY WHITE NOW

AUGUST 2022

Proudly presenting property market insights in real-time.



## A MESSAGE FROM OUR **MANAGING DIRECTOR**

It might be surprising that there were as many similarities as there were differences in our Australian July 2022 results compared to those 12 months earlier.

Some of the important numbers were remarkably similar. Our total value of sales in Australia in July was \$4.6 billion, down three per cent on the prior year. We also listed a very similar number of properties, with 5,800 new listings for July compared to 5,600 in July last year. And there were 2,607 auctions scheduled in July, a slight drop from 2,681.

The differences in the market compared to last year was best evidenced in bidder numbers and total stock on market. A year ago we averaged 3.7 active bidders per auction, whereas this July we averaged 2.3 active bidders. While new stock to market is similar to last year, total stock on market has increased by over 30 per cent. However, both bidder numbers and stock levels are in line with longer term averages.

It's become more dangerous to make generalised comments about the Australian market. There's clearly more momentum in South Australia, Western Australia and most of Queensland, than there is in New South Wales and Victoria. However, we're broadly seeing that buyer urgency has tempered, more strongly in some areas. Increasing stock on market gives them more choice and confidence to be patient. And as most economic commentary points to risks in the economy, what's absent is the fear of missing out.

History teaches us that when market changes like this, vendors and many agents will be reluctant to invest in marketing and commit to auctions. This is a natural defensive reaction, as marketing and auctions requires full investment in the sale process at a time when many are saying the market is more challenging.

But we know that this is precisely the time when both of these things are so critical to get the best result. They are the best way for us to create competition between buyers, and with no competition there will be no urgency from buyers.

Our sales results show us that there are still many buyers in the market and they're happy to pay market price. But they're paranoid about overpaying - and nothing gives them more confidence to buy than seeing other bidders in action. And we're seeing this in our data - those vendors that use the auction method of sale have about a 60 per cent chance of selling their property in 45 days, yet only have a 40 per cent chance if they sell by private treaty.

What July showed us once again was that there's plenty of activity in the market provided that buyer competition is created, and they're given the confidence to bid in an open and transparent manner.

### **Dan White**

Managing Director  
Ray White Group



## RAY WHITE NOW **THIS MONTH**

After experiencing the most rapid rise in house prices ever recorded, interest rates have now calmed the market. Nationally, the median house price in Australia peaked in April at \$732,500 and has come back to \$729,000, a decline of 0.5 per cent. Not exactly a crashing market but clearly one in a different cycle, where most markets are now seeing declines in prices.

While prices are slowing, we're not seeing similar conditions in rental markets. Australian advertised rents for houses are up 27 per cent since the start of the pandemic and aren't expected to slow any time soon. As yet, these higher advertised rents aren't showing up among existing tenants and as a result it's not a component of higher inflation. This, however, is expected to show up later this year and will be another driver of high inflation. High rental growth is a problem for renters but once it feeds into inflation and hence interest rates, it will also be problematic for mortgage holders. Ideally, the peak of inflation will come in by the end of the year at which time we'll start to see a slow down in those rate rises.

This month in Ray White Now, we take a look at the state of each capital cities' housing markets. While Sydney is leading the way for price falls with the median down 6.7 per cent since the peak in December, Adelaide's momentum continues for now and the city is yet to hit its post pandemic peak. Meanwhile, a construction crisis is coming in at a difficult time for the rental market. Rents are rising rapidly but the supply of new housing will be constrained by rising construction costs and a flow on impact to the viability of new projects.

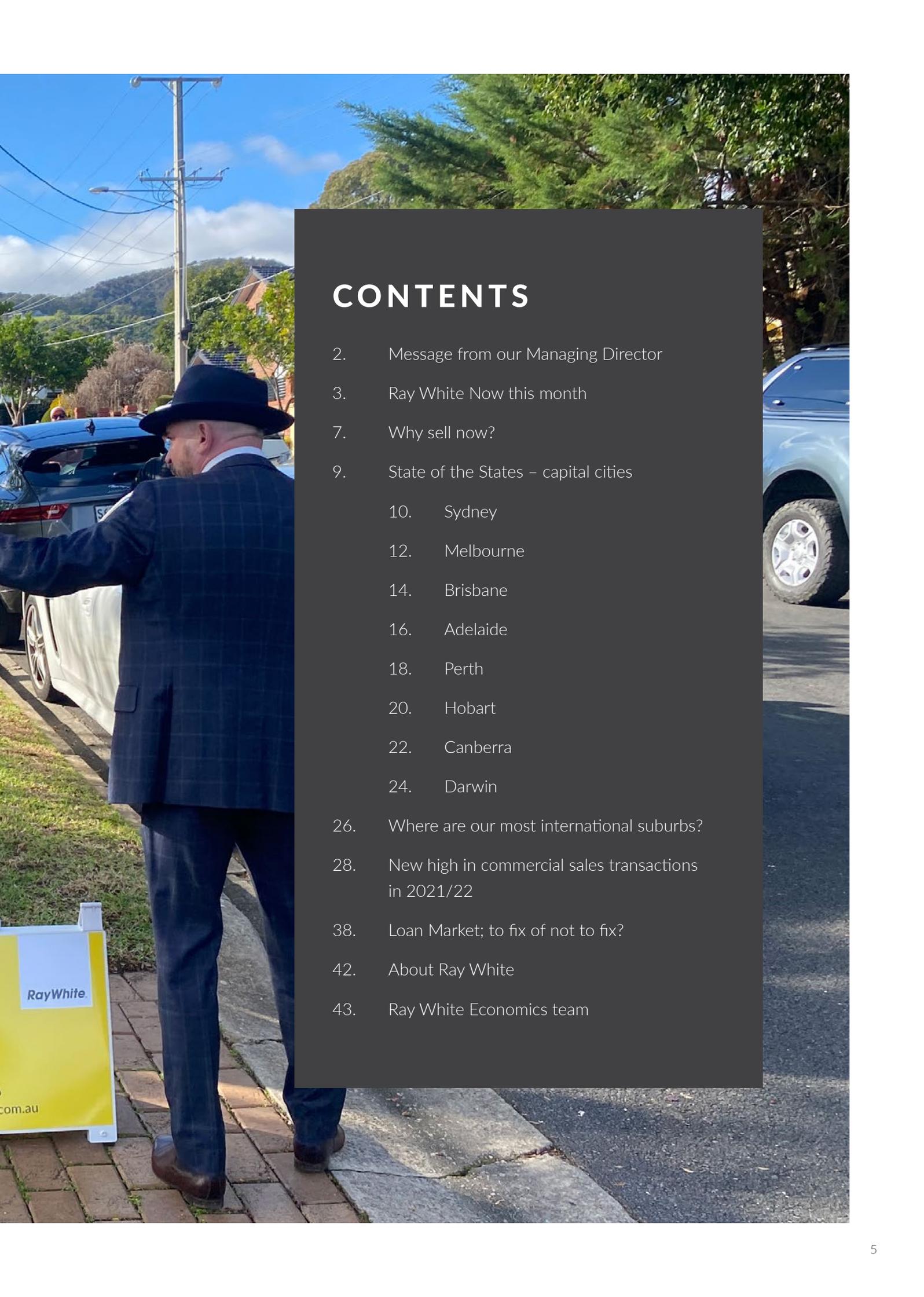
With the 2021 Census of Population and Housing now out, we investigate our most international suburbs. While North Americans and Europeans show a fondness for our beaches, the suburbs that have the highest proportion of overseas born by country are far more mixed. Finally, with commercial property transactions hitting a record high in the 2021/22 financial year, we provide a state by state wrap for this sector.

We hope you enjoy reading our latest Ray White Now.

**Nerida Conisbee**  
Chief Economist  
Ray White Group



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# WHY SELL NOW?

If anyone was to ask you if now was the best time to sell your property, it would be difficult to know exactly. August saw the third recurring 0.5 per cent increase in the official cash rate, moving it up to 1.85 per cent. With the RBA still indicating the target cash rate at 2.5 per cent, the market can still expect a few more months of uncertainty ahead.

Interest rates have had an impact on property prices and change tends to lead to inactivity for many market sectors. However, with any marketplace comes opportunities for both buyers and sellers and there are many benefits to transacting in the current market. Selling at the peak of the market is always the goal, as is buying at the bottom. But the only guarantee to timing the market is in hindsight. Many people who sold in August 2021, would have made more money if they'd sold in October 2021. Equally those selling in July 2022 might have made more six months earlier in January 2022. When a market is on the rise, time is your ally. Alternatively, when prices are falling, time is quite literally costing you money.

Looking back historically, market dips are always faster than the rise. Price drops typically only last for around a six to 12 month period before they start to stabilise. The question then becomes: how long does it take to recover and then improve? There's still a very active marketplace, but buyers simply have less money to spend. Waiting for interest rates to hit their peak will continue to reduce the level of money available in the marketplace and will no doubt continue to challenge prices available. When talking with prospective sellers, their primary consideration comes down to what is more important when making their decision: time or money? When deciding 'why sell now?' there must be an acceptance that the peak of the market has passed. But what's the underlying motivation for coming to market and what's the cost of 'waiting'?

In a market that's reduced, buying and selling in the same market (cross-selling) has seen property prices equally impacted. You may sell for less, but you can also buy for less. In cases of upsizing, the impact of a 10 per cent decline on a \$600,000 property is only \$60,000; but on a \$1 million property it's \$100,000 - a \$40,000 saving. The alternate question also becomes for those families looking to move forward to the next stage of their lives, whatever that may be, what's the real impact on 'waiting' for the peak again, in which case the risk of selling 'too early' then again becomes equally as real. Timing the market has always been an impossible task but time in the market is absolutely crucial. The old adage, "it's not about timing the market, but about time in the market," has been proven true over the years for property as well as many other asset classes.

## **Tim Snell**

Group Head of Performance  
Ray White Group





# STATE OF THE STATES – CAPITAL CITIES

After experiencing the strongest period of price growth ever recorded, the Australian market is now starting to slow. Year on year, capital city house prices are still up 6.4 per cent, however they've declined by 3.5 per cent since the start of the year.

While the market is cooling, for now there are no signs of a price crash. The biggest declines for now are in Melbourne and Sydney. In Adelaide, prices are still increasing.

Why are prices not falling rapidly despite sharp increases in interest rates? Part of it is likely momentum in the market. Price growth doesn't generally stop as soon as sentiment shifts and this is likely a driver of growth in some cities for now.

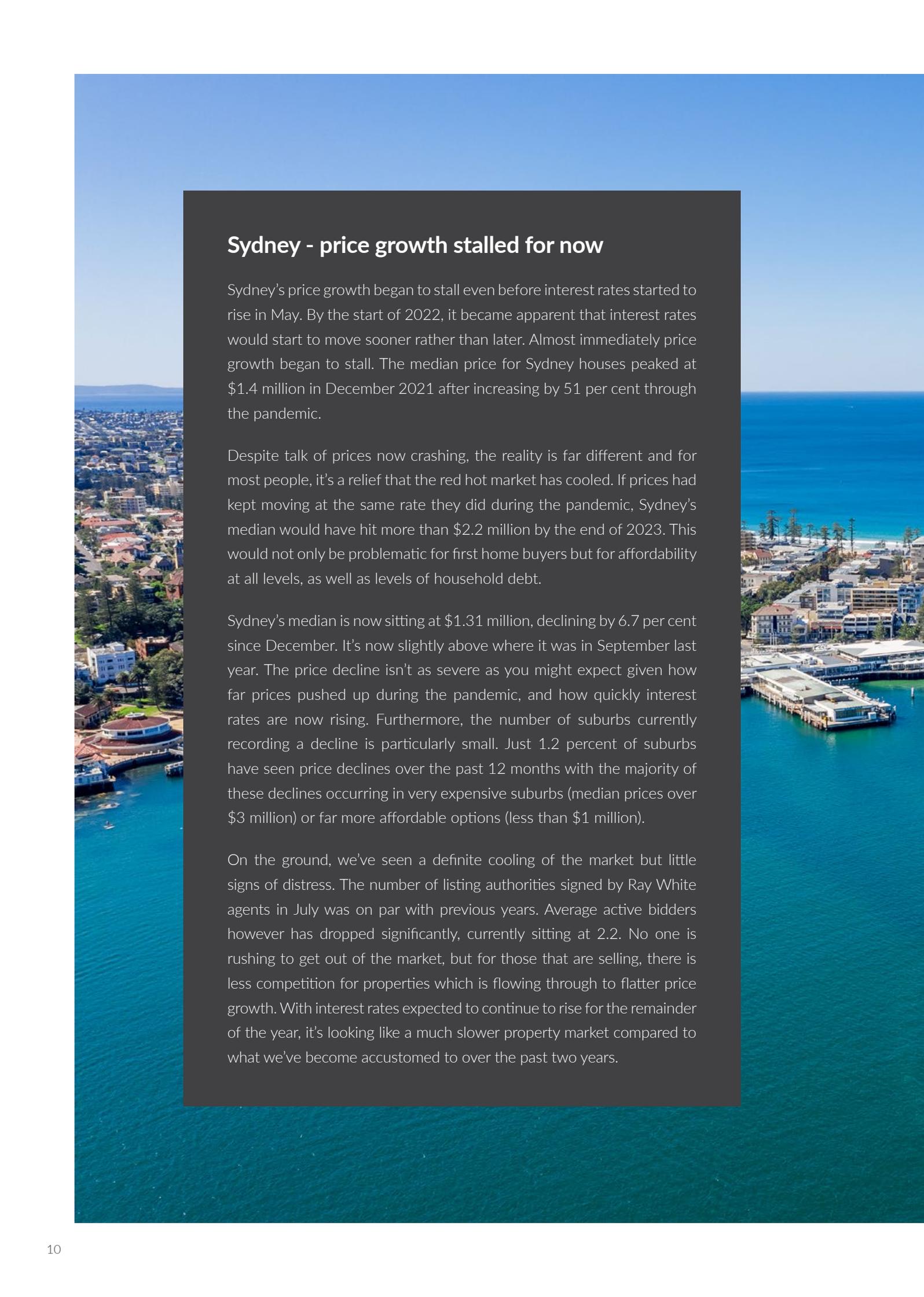
The second is debt levels. Sydney home owners, the most indebted in Australia, are far more sensitive to interest rates compared to a market like Adelaide where housing is far more affordable. The median for Adelaide is up over 10 per cent since the start of the year, moving in the opposite direction to Sydney.

The third is the inflation-proof nature of property and how this is impacting investor behaviour. Right now, we're seeing very

little evidence of investors trying to get out and lending to investors remaining high, despite the cost of financing increasing. While capital growth has stalled, rental rates are increasing which may balance out returns for many investors. Alternative investments to property are also being negatively impacted by high inflation and rising rates.

The fourth driver is simple supply and demand. Population growth is starting up again at the same time that new development is stalling as a result of problems in the construction industry. While this has a more creeping impact on pricing, it's set to become problematic over the next 12 months and is already showing up in rental growth.

While the market takes a breather it's important to reflect on historical trends in house price growth. House prices don't zig zag in a regular fashion, pulling forward and backwards in equal measure, but rather operate in a more stepped pattern with strong surges in growth, followed by periods of either smaller declines in pricing or stability. This greater stability we're seeing now is in many ways an easier market to transact in, whether you're a buyer or a seller.



## Sydney - price growth stalled for now

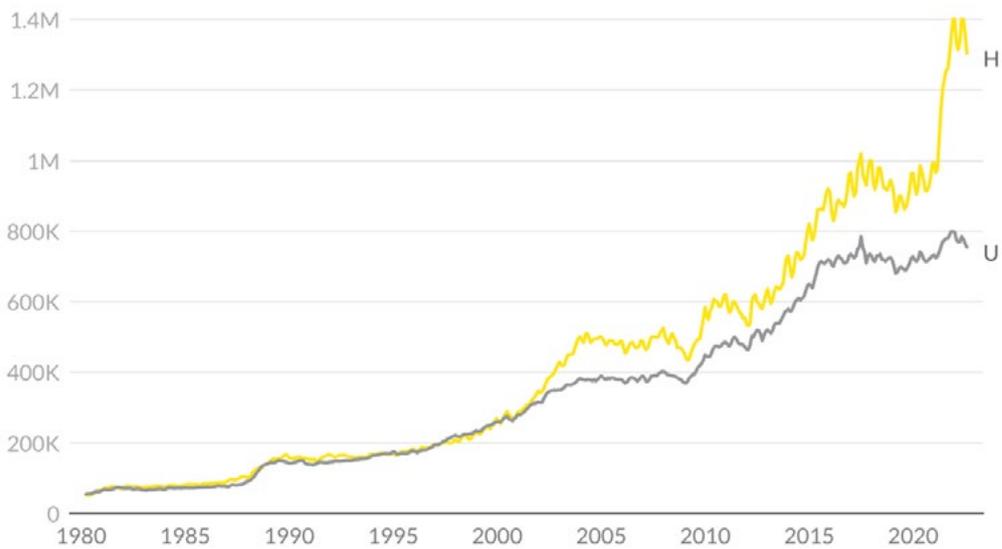
Sydney's price growth began to stall even before interest rates started to rise in May. By the start of 2022, it became apparent that interest rates would start to move sooner rather than later. Almost immediately price growth began to stall. The median price for Sydney houses peaked at \$1.4 million in December 2021 after increasing by 51 per cent through the pandemic.

Despite talk of prices now crashing, the reality is far different and for most people, it's a relief that the red hot market has cooled. If prices had kept moving at the same rate they did during the pandemic, Sydney's median would have hit more than \$2.2 million by the end of 2023. This would not only be problematic for first home buyers but for affordability at all levels, as well as levels of household debt.

Sydney's median is now sitting at \$1.31 million, declining by 6.7 per cent since December. It's now slightly above where it was in September last year. The price decline isn't as severe as you might expect given how far prices pushed up during the pandemic, and how quickly interest rates are now rising. Furthermore, the number of suburbs currently recording a decline is particularly small. Just 1.2 percent of suburbs have seen price declines over the past 12 months with the majority of these declines occurring in very expensive suburbs (median prices over \$3 million) or far more affordable options (less than \$1 million).

On the ground, we've seen a definite cooling of the market but little signs of distress. The number of listing authorities signed by Ray White agents in July was on par with previous years. Average active bidders however has dropped significantly, currently sitting at 2.2. No one is rushing to get out of the market, but for those that are selling, there is less competition for properties which is flowing through to flatter price growth. With interest rates expected to continue to rise for the remainder of the year, it's looking like a much slower property market compared to what we've become accustomed to over the past two years.

## Sydney's house prices have had mixed results so far in 2022



Source: Ray White, CoreLogic

## Price fall suburbs - Sydney

12 months to June 2022

	Number	% of total	Suburbs
Less than \$1 million	3	1.5%	Claymore, Spencer, Lower Macdonald
Between \$1 million and \$2 million	1	0.4%	Zetland
Between \$2 million and \$3 million	1	0.8%	Homebush
Over \$3 million	3	2.8%	Point Piper, Clareville, Willoughby East
<b>Total</b>	<b>8</b>	<b>1.2%</b>	

Source: Corelogic, Ray White

## Melbourne - price growth stalls while a rental crisis emerges

Median house prices in Melbourne peaked in December 2021 at \$960,000 and have now come back 5.2 per cent since that date. They're now where they were in mid November 2021, highlighting how quickly the market was moving at the end of last year.

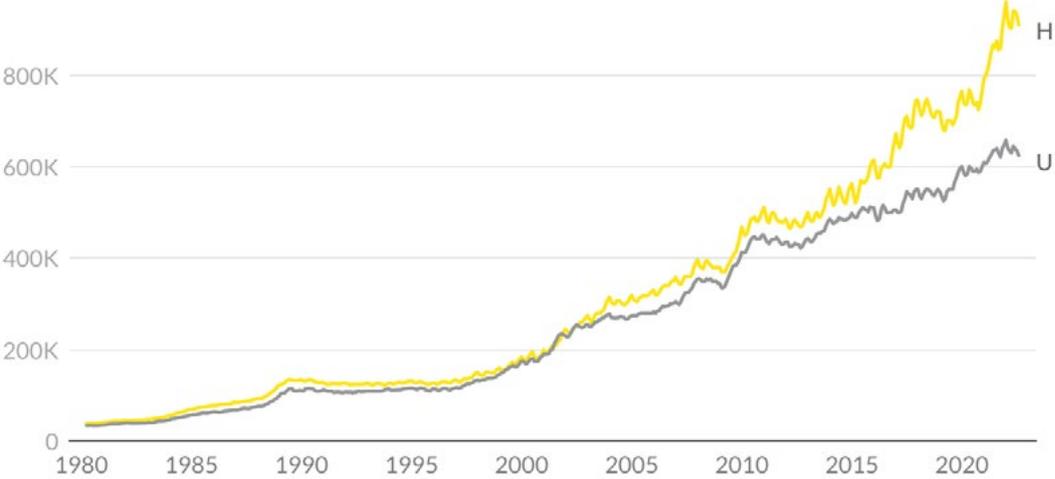
The market slowdown is no doubt a relief for many people. First home buyer activity hit a peak in Victoria in 2020 but pulled back significantly last year as the market surged ahead. Most sellers are subsequent buyers and the hot market was a stressful one to sell and then buy in. From March 2020 when the first lockdown was announced to the end of December, Melbourne house prices increased by 30 per cent. Melbourne residents may have been locked down for most of this period, and overall population declined, but demand for houses surged ahead.

The slowdown at this point is unbalanced with the city's most expensive suburbs seeing declines in pricing, perhaps driven by high mortgage rates. Interestingly, cheaper suburbs are, in the main, still recording year on year increases. It's possible that continued high levels of investor interest is keeping activity higher at these price points, driven by sharp rises in rents. Investors may not get the same level of capital growth this year as occurred last year, but rental growth is currently very strong.

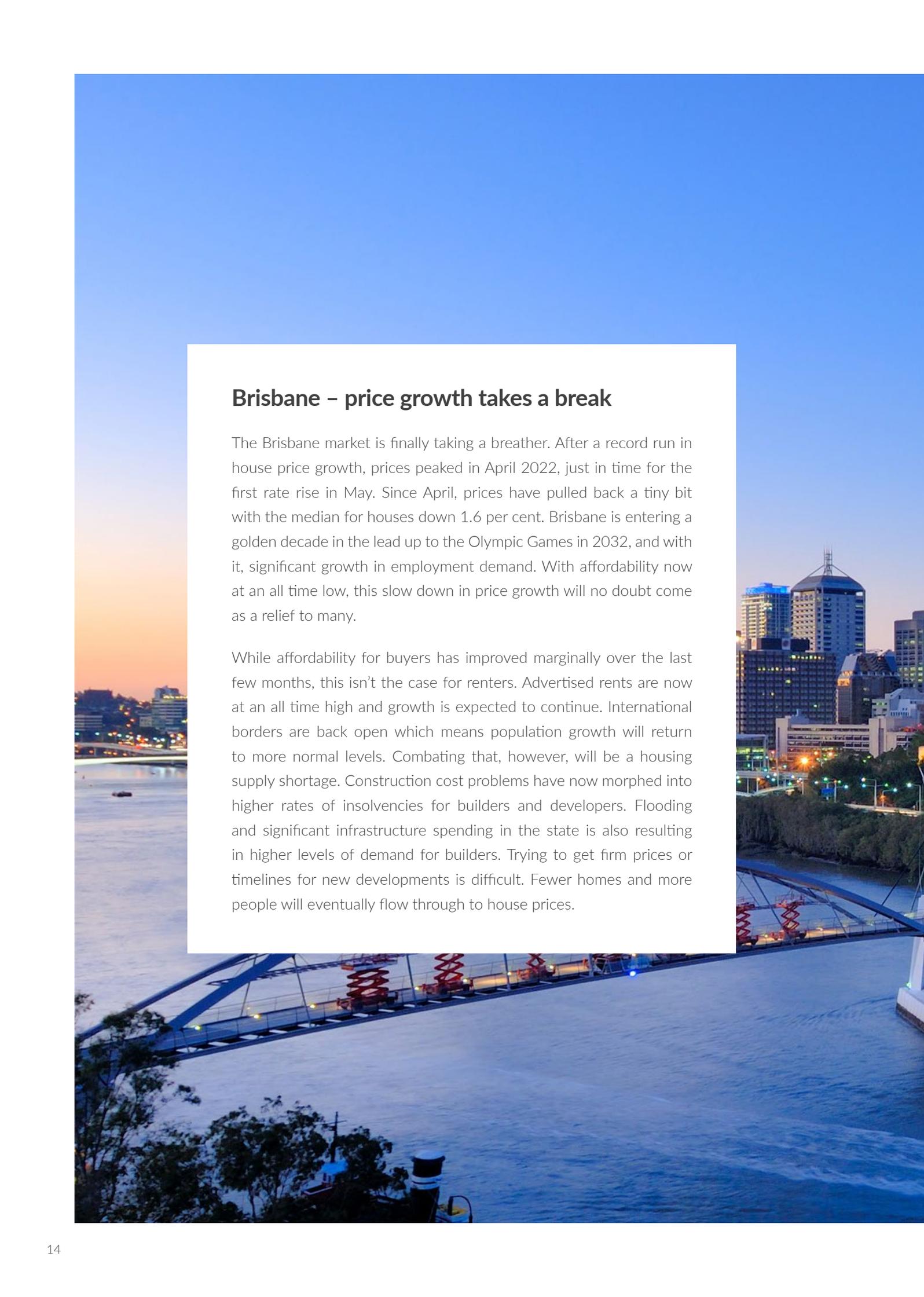
While prices jumped 30 per cent through the pandemic, rents pretty much remained stable. But while prices have come back this year, rents have risen eight per cent for houses and 13 per cent for units. This sharp rise is set to continue as international migration starts up again. We're also heading to a housing shortage - Melbourne is always good at supplying housing but the current construction crisis will force down the supply of new homes.

# Melbourne has also seen a slight retreat in sales prices in 2022

House and unit monthly median sales price (\$)



Source: Ray White, CoreLogic



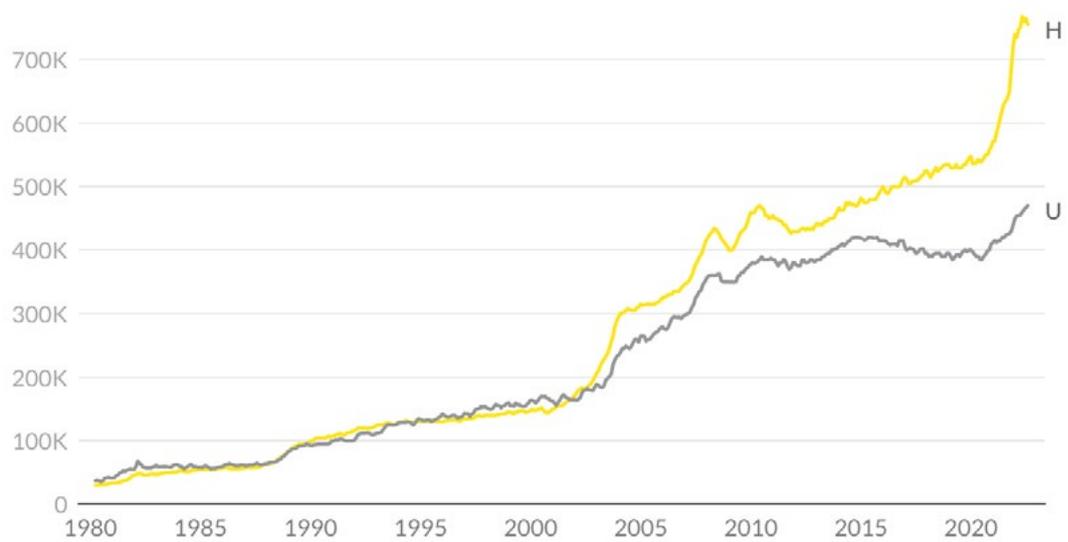
## Brisbane – price growth takes a break

The Brisbane market is finally taking a breather. After a record run in house price growth, prices peaked in April 2022, just in time for the first rate rise in May. Since April, prices have pulled back a tiny bit with the median for houses down 1.6 per cent. Brisbane is entering a golden decade in the lead up to the Olympic Games in 2032, and with it, significant growth in employment demand. With affordability now at an all time low, this slow down in price growth will no doubt come as a relief to many.

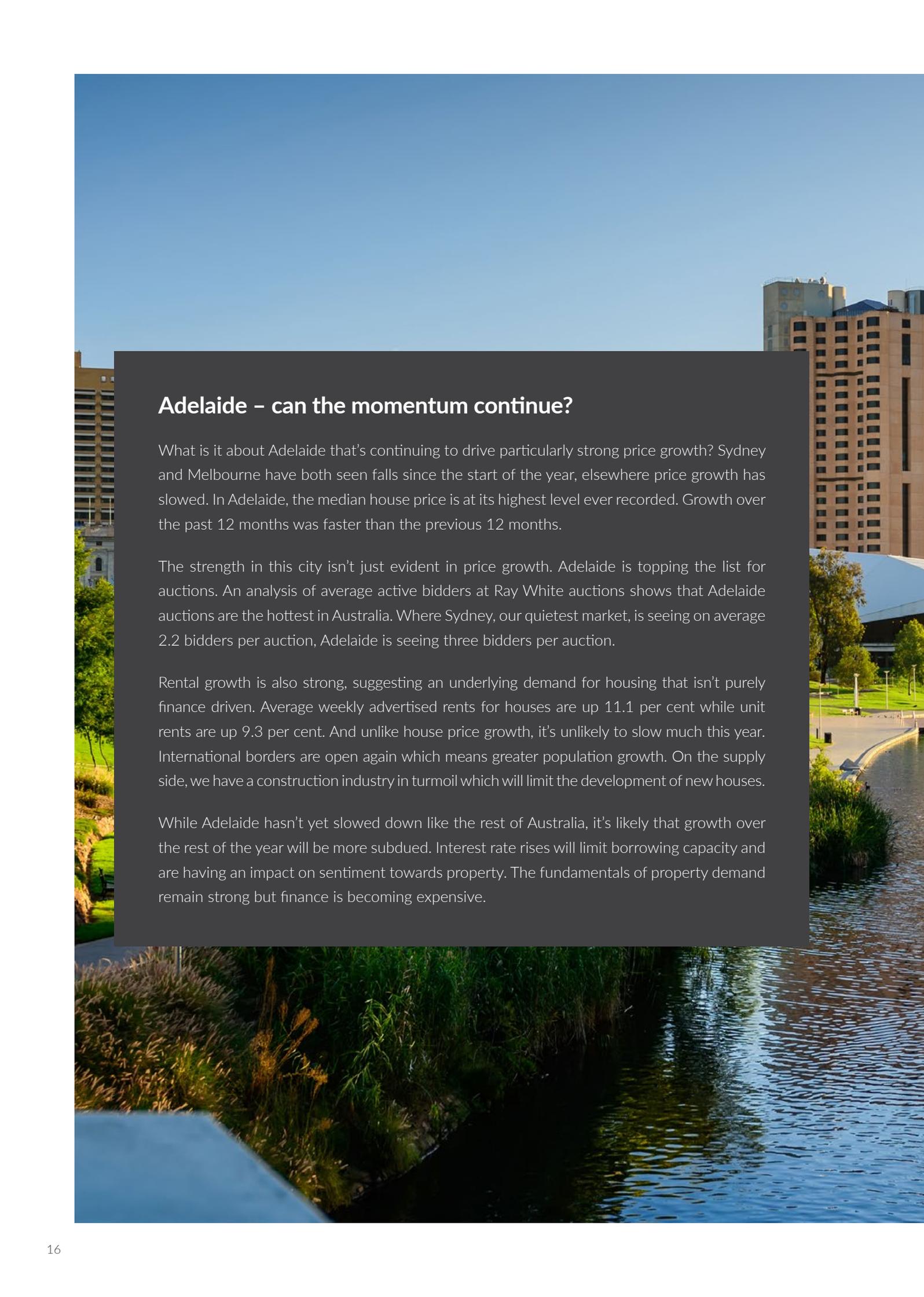
While affordability for buyers has improved marginally over the last few months, this isn't the case for renters. Advertised rents are now at an all time high and growth is expected to continue. International borders are back open which means population growth will return to more normal levels. Combating that, however, will be a housing supply shortage. Construction cost problems have now morphed into higher rates of insolvencies for builders and developers. Flooding and significant infrastructure spending in the state is also resulting in higher levels of demand for builders. Trying to get firm prices or timelines for new developments is difficult. Fewer homes and more people will eventually flow through to house prices.

## Brisbane's house prices have now peaked

House and unit monthly median sales price (\$)



Source: Ray White, CoreLogic

A scenic view of a city, likely Adelaide, featuring a river in the foreground with reeds and a modern building in the background under a clear blue sky.

## Adelaide – can the momentum continue?

What is it about Adelaide that's continuing to drive particularly strong price growth? Sydney and Melbourne have both seen falls since the start of the year, elsewhere price growth has slowed. In Adelaide, the median house price is at its highest level ever recorded. Growth over the past 12 months was faster than the previous 12 months.

The strength in this city isn't just evident in price growth. Adelaide is topping the list for auctions. An analysis of average active bidders at Ray White auctions shows that Adelaide auctions are the hottest in Australia. Where Sydney, our quietest market, is seeing on average 2.2 bidders per auction, Adelaide is seeing three bidders per auction.

Rental growth is also strong, suggesting an underlying demand for housing that isn't purely finance driven. Average weekly advertised rents for houses are up 11.1 per cent while unit rents are up 9.3 per cent. And unlike house price growth, it's unlikely to slow much this year. International borders are open again which means greater population growth. On the supply side, we have a construction industry in turmoil which will limit the development of new houses.

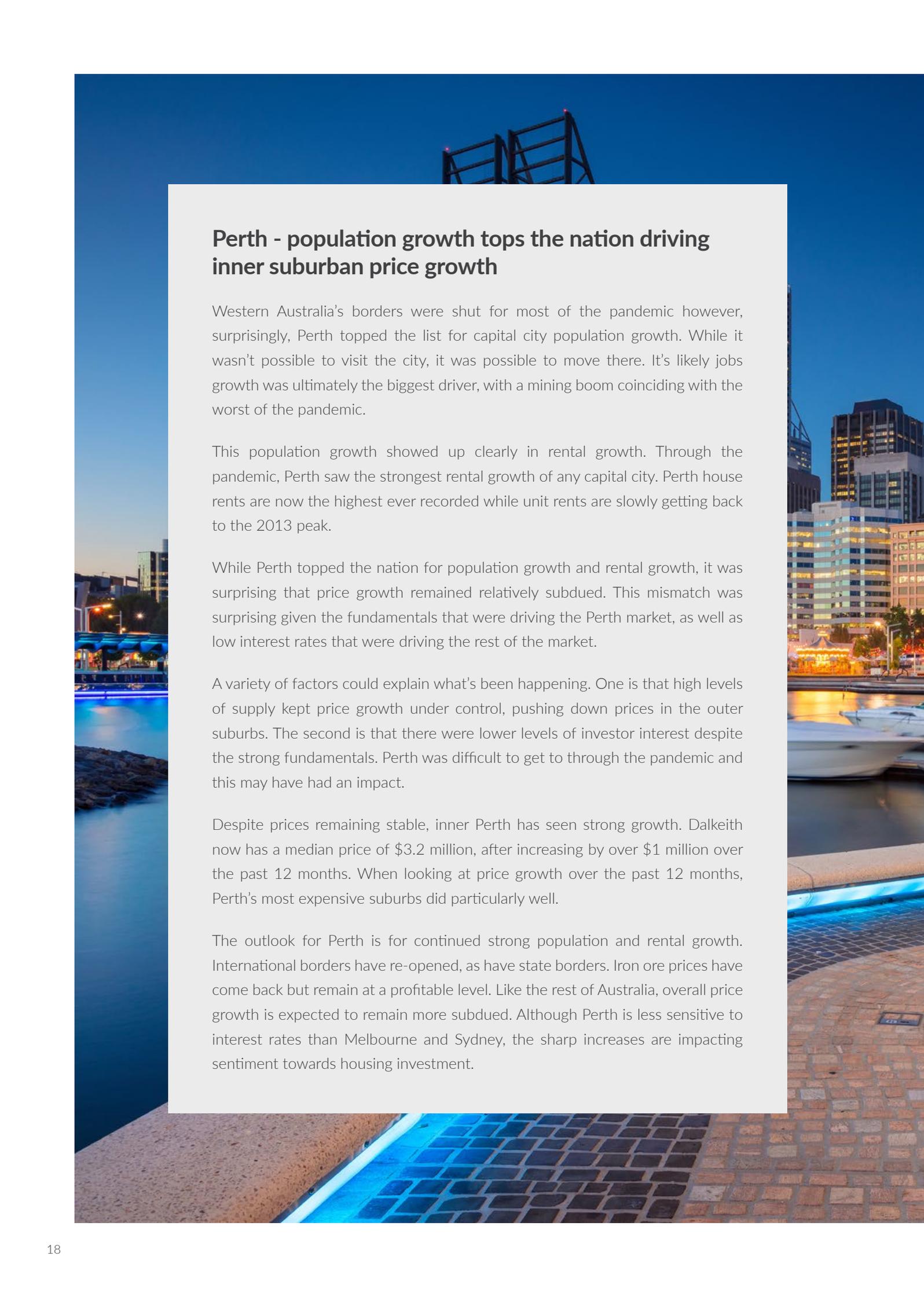
While Adelaide hasn't yet slowed down like the rest of Australia, it's likely that growth over the rest of the year will be more subdued. Interest rate rises will limit borrowing capacity and are having an impact on sentiment towards property. The fundamentals of property demand remain strong but finance is becoming expensive.

## Average active bidders - July 2022

Based on 1,248 auctions conducted



Source: Ray White

The background of the page is a night-time photograph of a city waterfront. In the foreground, there is a paved area with a grid of dark, square tiles. To the left, a body of water is illuminated with blue light. In the background, several modern buildings are lit up, and a white boat is docked at a pier. The sky is a deep blue.

## Perth - population growth tops the nation driving inner suburban price growth

Western Australia's borders were shut for most of the pandemic however, surprisingly, Perth topped the list for capital city population growth. While it wasn't possible to visit the city, it was possible to move there. It's likely jobs growth was ultimately the biggest driver, with a mining boom coinciding with the worst of the pandemic.

This population growth showed up clearly in rental growth. Through the pandemic, Perth saw the strongest rental growth of any capital city. Perth house rents are now the highest ever recorded while unit rents are slowly getting back to the 2013 peak.

While Perth topped the nation for population growth and rental growth, it was surprising that price growth remained relatively subdued. This mismatch was surprising given the fundamentals that were driving the Perth market, as well as low interest rates that were driving the rest of the market.

A variety of factors could explain what's been happening. One is that high levels of supply kept price growth under control, pushing down prices in the outer suburbs. The second is that there were lower levels of investor interest despite the strong fundamentals. Perth was difficult to get to through the pandemic and this may have had an impact.

Despite prices remaining stable, inner Perth has seen strong growth. Dalkeith now has a median price of \$3.2 million, after increasing by over \$1 million over the past 12 months. When looking at price growth over the past 12 months, Perth's most expensive suburbs did particularly well.

The outlook for Perth is for continued strong population and rental growth. International borders have re-opened, as have state borders. Iron ore prices have come back but remain at a profitable level. Like the rest of Australia, overall price growth is expected to remain more subdued. Although Perth is less sensitive to interest rates than Melbourne and Sydney, the sharp increases are impacting sentiment towards housing investment.

## Perth topped the country for population growth through the pandemic

Population change - 24 months to June 2021

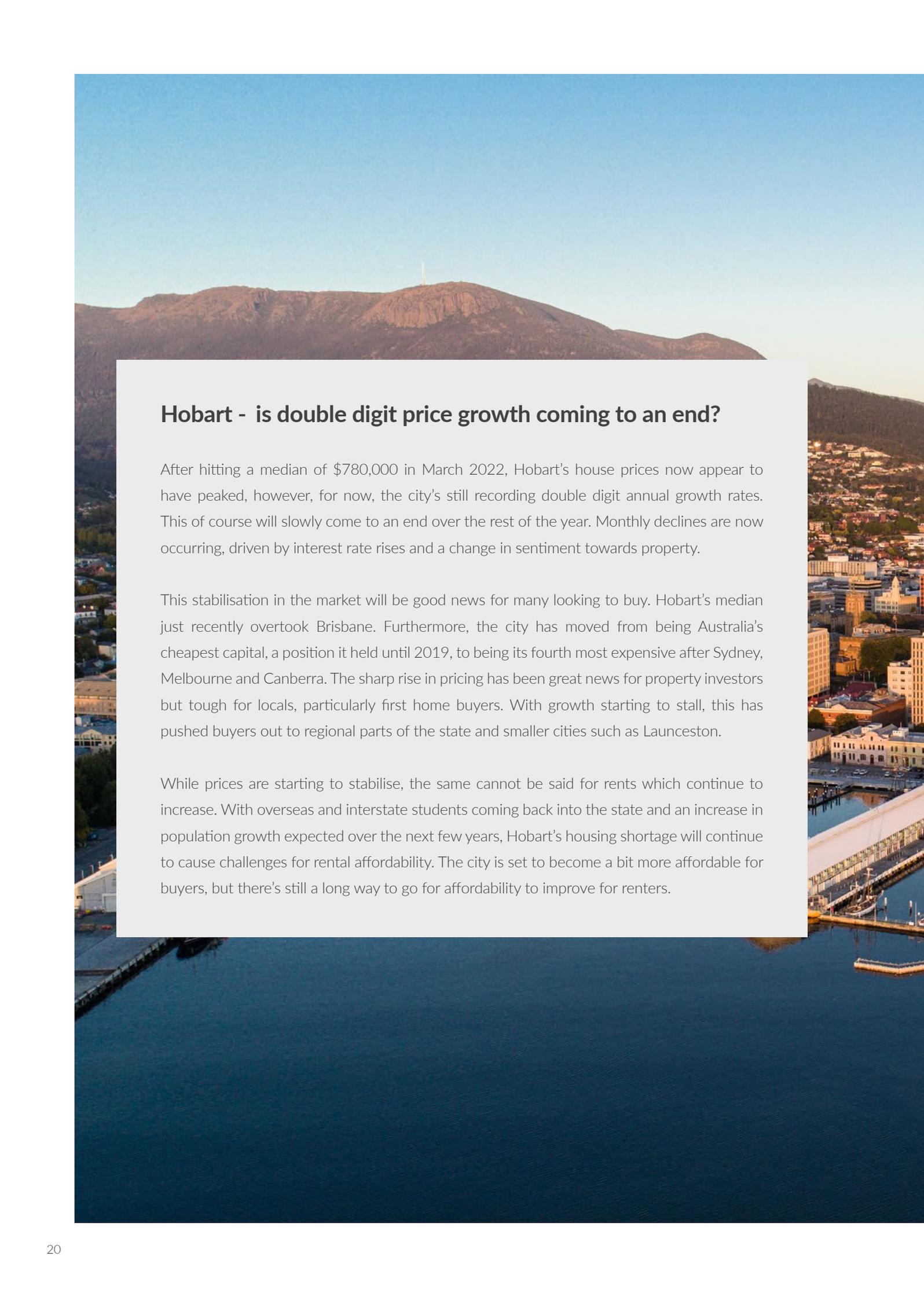
Capital City	Change
Greater Perth	74,732
Greater Brisbane	62,780
Greater Adelaide	27,880
Australian Capital Territory	12,281
Greater Sydney	11,060
Greater Hobart	6,549
Greater Darwin	255
Greater Melbourne	-25,760

## Top 10 growth suburbs in the last 12 months

Perth - Median sales price 2021 to 2022

Suburb	Distance to GPO (KMs)	2021	2022	(\$) Difference
Dalkeith	7.4	\$2,150,000	\$3,200,000	\$1,050,000
Cottesloe	10.3	\$1,840,000	\$2,650,000	\$810,000
City Beach	9.4	\$1,630,000	\$2,350,000	\$720,000
Nedlands	5.9	\$1,455,000	\$2,101,500	\$646,500
Salter Point	7.8	\$1,045,000	\$1,662,500	\$617,500
Daglish	4.6	\$965,000	\$1,547,500	\$582,500
Herne Hill	21.3	\$415,000	\$977,500	\$562,500
Floreat	6.6	\$802,500	\$1,295,000	\$492,500
Applecross	7.2	\$1,280,000	\$1,770,000	\$490,000
Coolbinia	4.3	\$1,052,500	\$1,525,000	\$472,500

Source: Ray White, CoreLogic



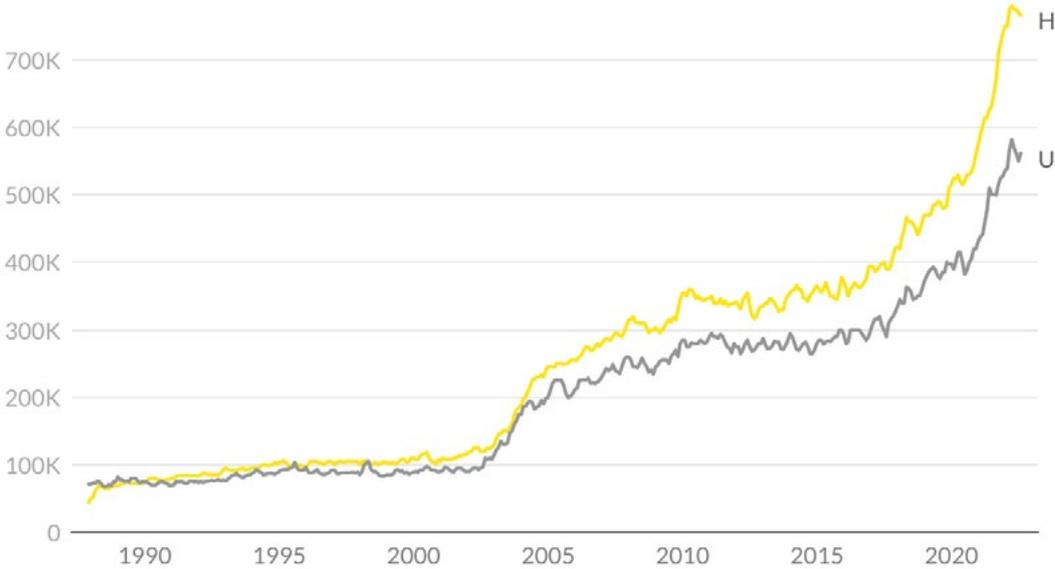
## Hobart - is double digit price growth coming to an end?

After hitting a median of \$780,000 in March 2022, Hobart's house prices now appear to have peaked, however, for now, the city's still recording double digit annual growth rates. This of course will slowly come to an end over the rest of the year. Monthly declines are now occurring, driven by interest rate rises and a change in sentiment towards property.

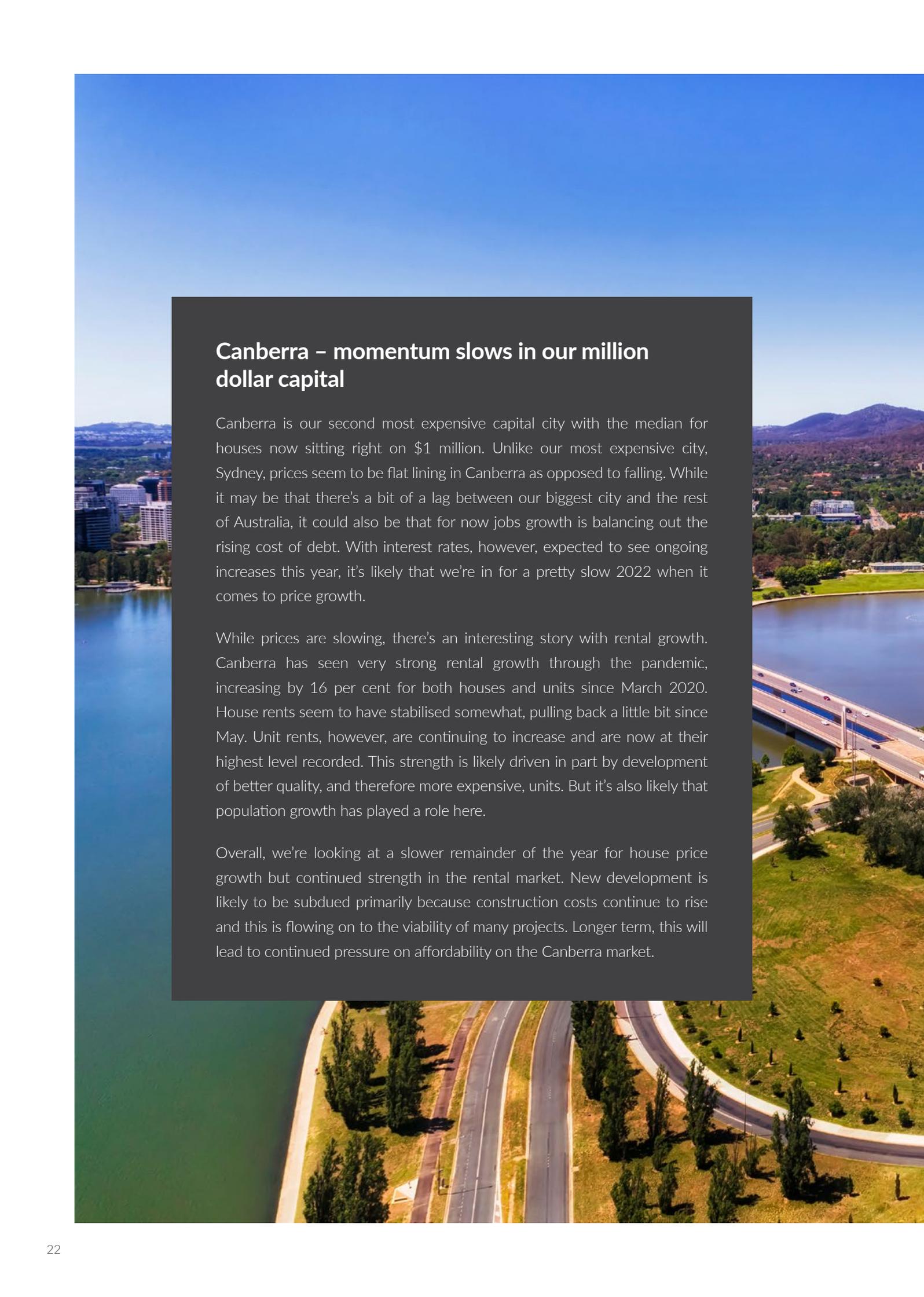
This stabilisation in the market will be good news for many looking to buy. Hobart's median just recently overtook Brisbane. Furthermore, the city has moved from being Australia's cheapest capital, a position it held until 2019, to being its fourth most expensive after Sydney, Melbourne and Canberra. The sharp rise in pricing has been great news for property investors but tough for locals, particularly first home buyers. With growth starting to stall, this has pushed buyers out to regional parts of the state and smaller cities such as Launceston.

While prices are starting to stabilise, the same cannot be said for rents which continue to increase. With overseas and interstate students coming back into the state and an increase in population growth expected over the next few years, Hobart's housing shortage will continue to cause challenges for rental affordability. The city is set to become a bit more affordable for buyers, but there's still a long way to go for affordability to improve for renters.

### Hobart's house prices remain close to their recent peak



Source: Ray White, CoreLogic



## Canberra – momentum slows in our million dollar capital

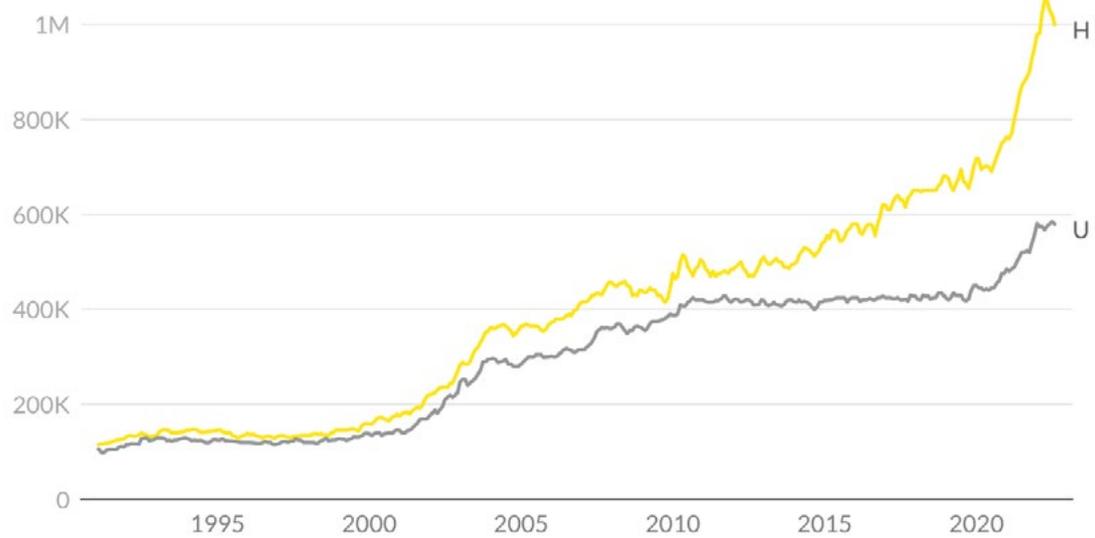
Canberra is our second most expensive capital city with the median for houses now sitting right on \$1 million. Unlike our most expensive city, Sydney, prices seem to be flat lining in Canberra as opposed to falling. While it may be that there's a bit of a lag between our biggest city and the rest of Australia, it could also be that for now jobs growth is balancing out the rising cost of debt. With interest rates, however, expected to see ongoing increases this year, it's likely that we're in for a pretty slow 2022 when it comes to price growth.

While prices are slowing, there's an interesting story with rental growth. Canberra has seen very strong rental growth through the pandemic, increasing by 16 per cent for both houses and units since March 2020. House rents seem to have stabilised somewhat, pulling back a little bit since May. Unit rents, however, are continuing to increase and are now at their highest level recorded. This strength is likely driven in part by development of better quality, and therefore more expensive, units. But it's also likely that population growth has played a role here.

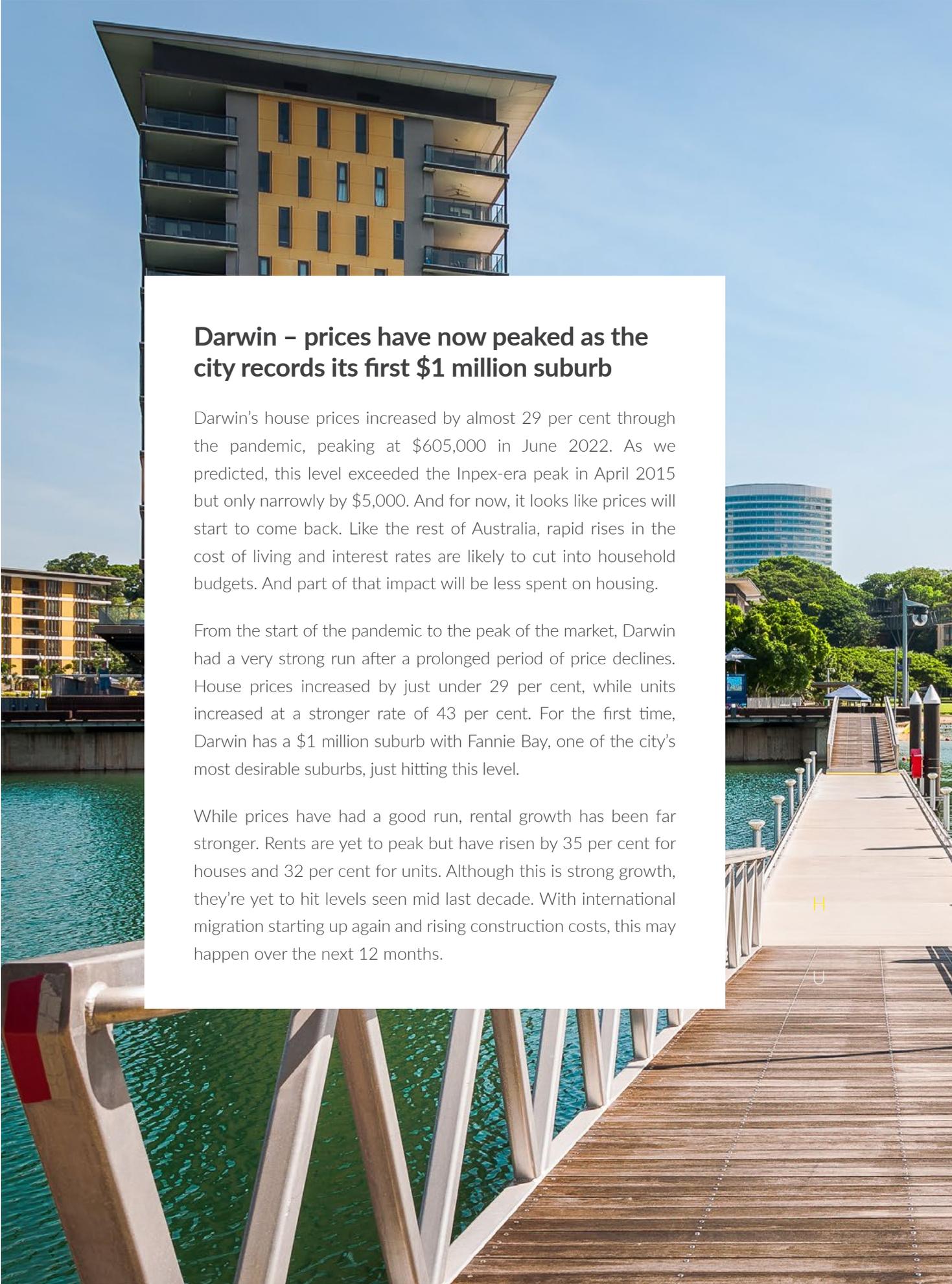
Overall, we're looking at a slower remainder of the year for house price growth but continued strength in the rental market. New development is likely to be subdued primarily because construction costs continue to rise and this is flowing on to the viability of many projects. Longer term, this will lead to continued pressure on affordability on the Canberra market.

## Canberra's median is now sitting at \$1 million

House and unit monthly median sales price (\$)



Source: Ray White, CoreLogic



## Darwin – prices have now peaked as the city records its first \$1 million suburb

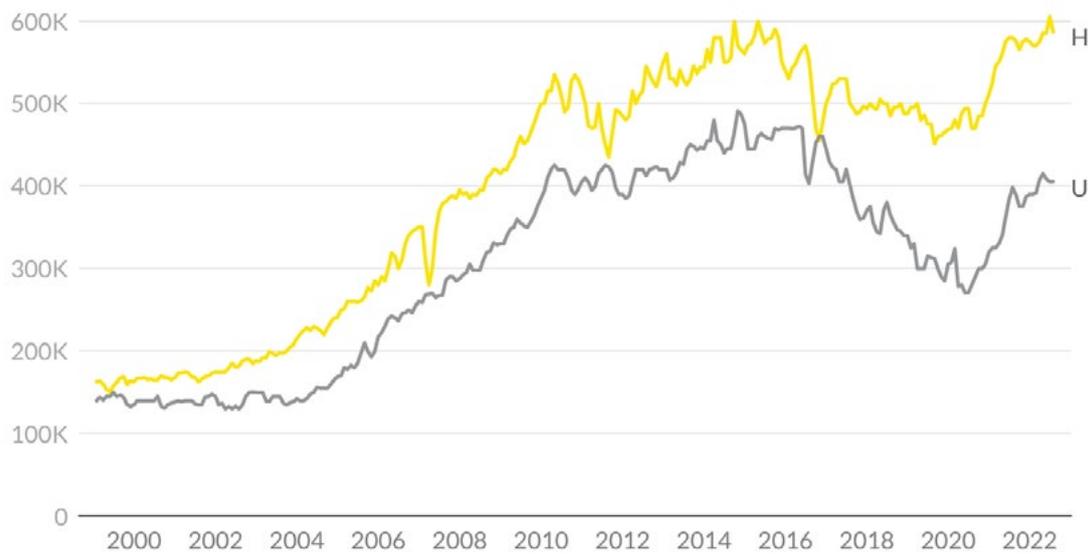
Darwin's house prices increased by almost 29 per cent through the pandemic, peaking at \$605,000 in June 2022. As we predicted, this level exceeded the Inpex-era peak in April 2015 but only narrowly by \$5,000. And for now, it looks like prices will start to come back. Like the rest of Australia, rapid rises in the cost of living and interest rates are likely to cut into household budgets. And part of that impact will be less spent on housing.

From the start of the pandemic to the peak of the market, Darwin had a very strong run after a prolonged period of price declines. House prices increased by just under 29 per cent, while units increased at a stronger rate of 43 per cent. For the first time, Darwin has a \$1 million suburb with Fannie Bay, one of the city's most desirable suburbs, just hitting this level.

While prices have had a good run, rental growth has been far stronger. Rents are yet to peak but have risen by 35 per cent for houses and 32 per cent for units. Although this is strong growth, they're yet to hit levels seen mid last decade. With international migration starting up again and rising construction costs, this may happen over the next 12 months.

## Darwin's house prices touched new highs in April 2022

House and unit monthly median sales price (\$)



Source: Ray White, CoreLogic

## WHERE ARE OUR MOST INTERNATIONAL SUBURBS?

The results of the 2021 Census have now been released and with it, a fascinating look at the diverse demographics of Australia.

While most new arrivals to Australia come to Sydney first, it's not then possible to easily find out where they decide to settle. The Census provides us with a deeper understanding into settlement patterns around the country. And there are many suburbs which are far more popular with international arrivals than others. This month in Ray White Now, we take a look at our most international suburbs.

Australia's beaches feature prominently on our most international suburbs lists. Europeans and people from the Americas are particularly attracted to our beachside areas although it's interesting to see which beachside areas they prefer. People from the Americas (Canada, USA and Brazil) prefer the Northern Beaches of Sydney, while many Europeans (Irish and French) prefer Sydney's Eastern Suburbs. Germans have shunned Sydney's beaches and headed up north to the celebrity enclave of Byron Bay, while New Zealanders show a distinct preference for the Gold Coast.

The Brits' favourite beach is on our west coast with Mindarie, an outer suburban suburb of Perth, containing the highest proportion of English-born residents in Australia. The Scots meanwhile have decided to settle somewhere that sounds like home. Kinross, a burgh of Scotland, no doubt has a lot of Scottish people however Kinross in Perth also contains the highest proportion of Scottish born people in Australia.

Some suburbs attract very high proportions of people from certain countries. Topping the list is Harris Park with just over 45 per cent of the population of that suburb having been born in India. It's no surprise that the influence that this population has had on Indian cuisine and small business has resulted in this suburb being dubbed "Little India". Cabramatta's local restaurants and businesses have also had an enormous influence from having the highest proportion of Vietnamese-born residents in Australia.

Australia's top educational facilities are also attractive to many people looking to settle here. The north shore of Sydney is home to one of the highest concentrations of private schools in the country. It's likely that this is one factor attractive to people moving to Australia from Hong Kong with Chatswood containing the highest proportion of Hong Kong born residents in Australia. Inner suburban suburbs of Sydney such as the CBD and Haymarket contain high proportions of Thai and Indonesian-born residents, perhaps attracted to access to nearby universities.

Finally, there are some surprises in the list. Turkish-born residents show a strong preference for Dallas in Melbourne's outer north while high proportions of people born in Zimbabwe live in Wellard in outer Perth. North Macedonian-born have chosen one of the more isolated parts of Australia with the mining town of Port Kembla containing the highest proportion of people born in that country in Australia.



## Top suburbs by country of birth

Suburbs with the highest concentration (%) of Country of Birth

Country of birth	Suburb	Country of birth	Suburb
Australia	Maiden Gully	Malaysia	Parkwood (WA)
Bangladesh	Lakemba	Malta	Sunshine North
Bosnia-Herzegovina	Noble Park North	Mauritius	Hampton Park
Brazil	Dee Why	Myanmar	Logan Central
Cambodia	Springvale South	Nepal	Hurstville
Canada	Manly (NSW)	Netherlands	Montrose (Vic.)
Chile	Hillsdale	New Zealand	Upper Coomera
China	Box Hill (Vic.)	North Macedonia	Port Kembla
Croatia	Bell Park	Pakistan	Fawkner
Egypt	Wattle Grove (NSW)	PNG	Manoora (Qld)
England	Mindarie (WA)	Philippines	Woodcroft (NSW)
Fiji	Prestons	Poland	Marayong
France	Bondi Beach	Samoa	Goodna
Germany	Byron Bay	Scotland	Kinross
Greece	Earlwood	Singapore	Winthrop
Hong-Kong SAR	Chatswood	South Africa	Rose Bay (NSW)
India	Harris Park	Sri Lanka	Pendle Hill
Indonesia	Sydney	Taiwan	Sunnybank
Iran	Waitara	Thailand	Haymarket
Iraq	Fairfield Heights	Turkey	Dallas
Ireland	Coogee (NSW)	USA	Manly (NSW)
Italy	Haberfield	Vietnam	Cabramatta
Japan	St Leonards (NSW)	Wales	Killaroo
South Korea	Lidcombe	Zimbabwe	Wellard
Lebanon	Greenacre	Elsewhere	Fairfield (NSW)

Source: Ray White, ABS

## NEW HIGH IN COMMERCIAL SALES TRANSACTIONS IN 2021/22

The Australian commercial property market has had a busy 12 months, eclipsing sales volumes of prior years. During 2021/22, \$69.7 billion changed hands, represented by more than 9,300 major transactions (over \$2 million), up 49.35 per cent on the prior year. Strong increases can be attributed to the low interest rate environment and strong demand for quality, income producing assets by both local and offshore funds and institutions. Private buyers and investment syndicates also grew their holdings this year.

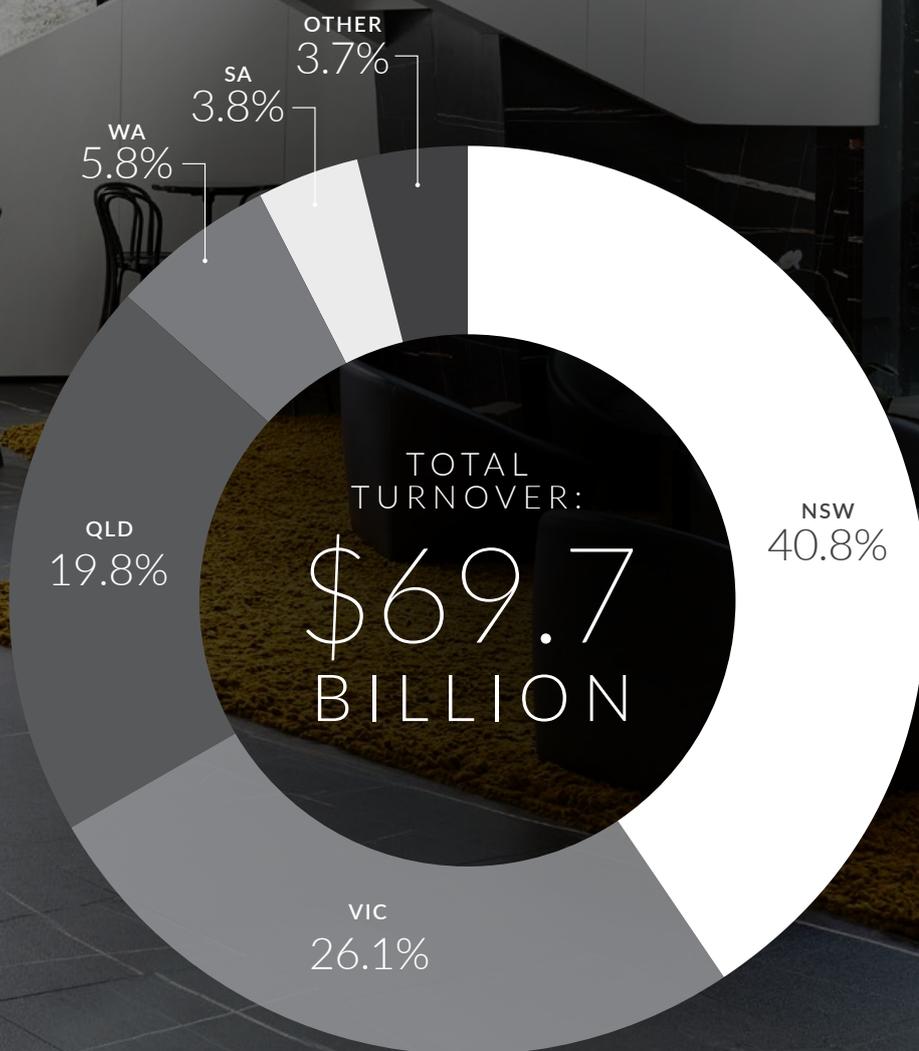
Despite low occupancy levels in our CBD office markets, this sector of the market accounted for the greatest transactions, with high foreign buyer interest in trophy assets at low yields resulting in office sales accounting for 32 per cent of total turnover. Industrial assets have been in strong demand over the past few years, with record low vacancies coming from the uptick in tenant requirements by logistics, transport and warehouse users. With this high occupancy and rising rents, this sector has been hotly contested and will serve as a quality inflation hedge in the current economic climate.

DURING 2021/22,  
\$69.7 BILLION  
CHANGED HANDS  
**UP 49.35 PER CENT**  
ON THE PRIOR YEAR.



# RECORD VOLUME OF COMMERCIAL TRANSACTIONS

2021/2022 FINANCIAL YEAR



\*sales over \$2 million  
Source: Ray White Commercial, RCA

An aerial photograph of the Sydney city skyline, featuring numerous skyscrapers and the Sydney Opera House in the foreground. The city is situated on a peninsula with greenery, and the water of the harbor is visible. The sky is overcast with soft light.

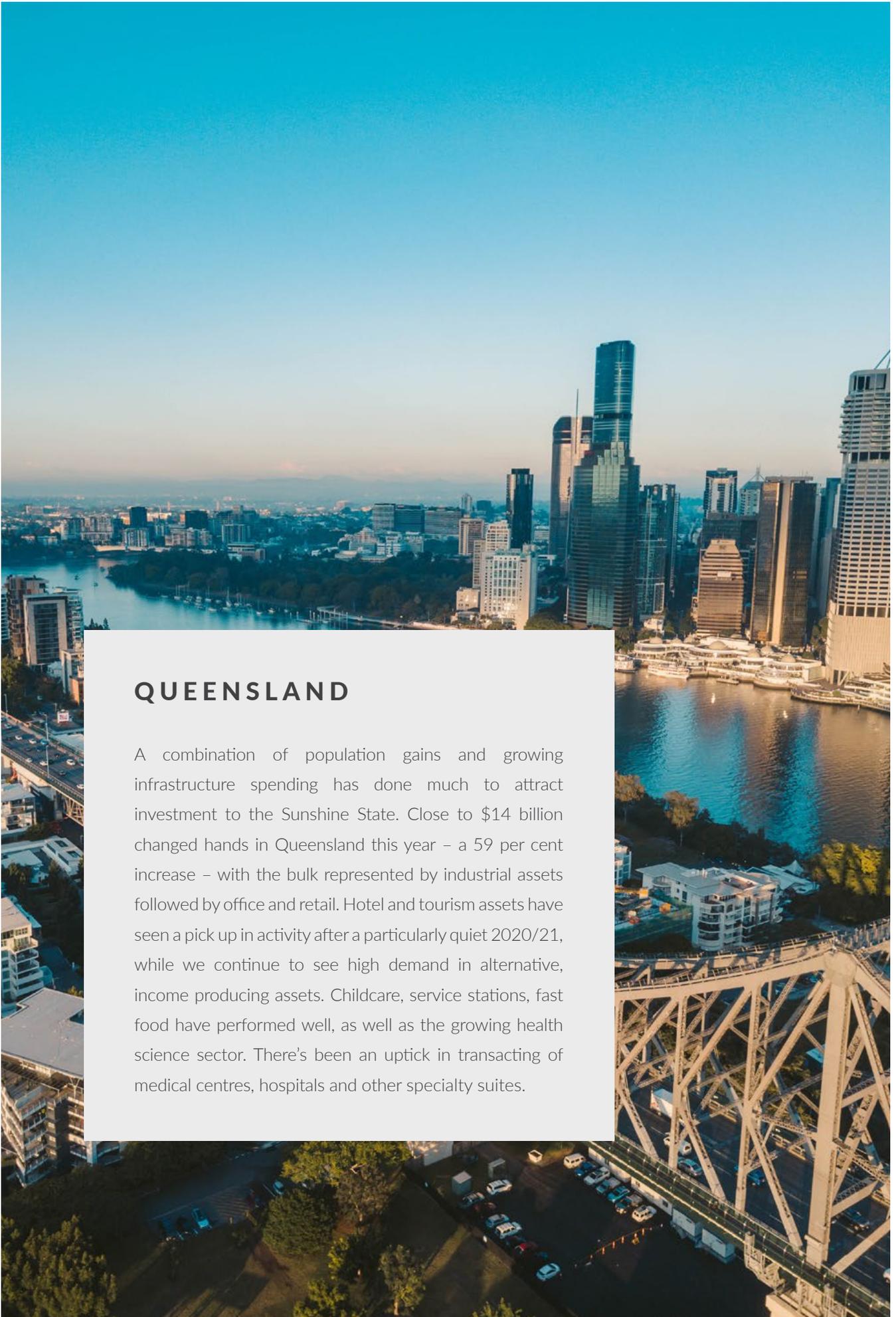
## NEW SOUTH WALES

New South Wales remains the state attracting the greatest volume sales, this year accounting for over 40 per cent of all transactions, or \$28.46 billion in turnover. This year, we saw an increase in CBD office sales - notably from offshore buyers, propping up sales volumes. Institutional demand continues to be strong in industrial and retail assets while private investors actively pursue income producing assets in the sub-\$20 million price range in both metropolitan and regional markets. Similarly, the pub sector has been particularly active eclipsing previous highs in turnover and value across the state.

An aerial photograph of Melbourne, Australia, showing the city skyline, the Yarra River, and various bridges. A white rectangular text box is overlaid on the right side of the image, containing the title 'VICTORIA' and a paragraph of text. The background shows a mix of modern skyscrapers and older buildings, with green spaces and a river winding through the city.

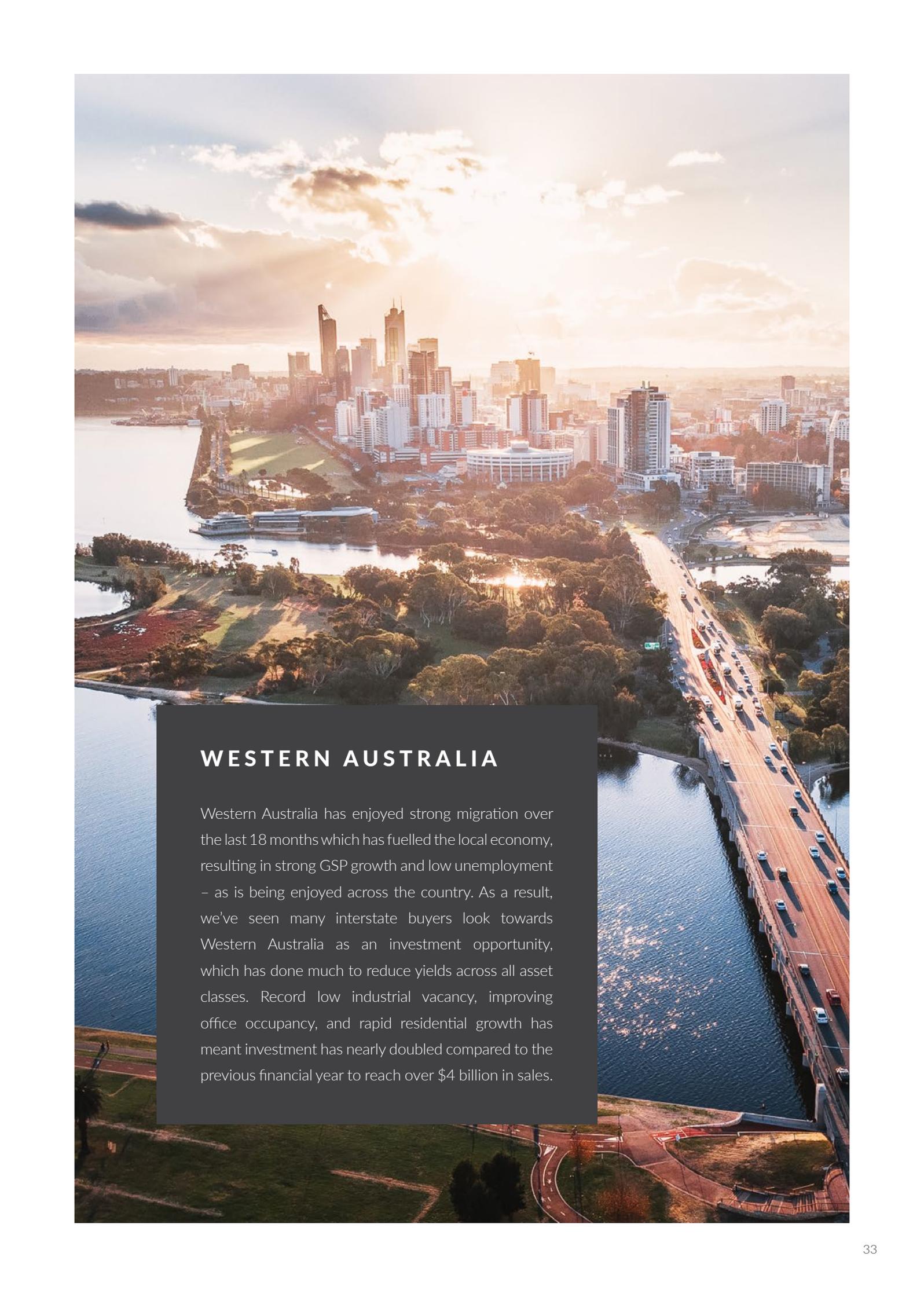
## VICTORIA

Home to the largest industrial market, we continue to see strong increases in take up of industrial stock and investment has been high across all price points, from the owner occupier market, through to funds and foreign buyers. The lockdowns of last year didn't stifle investment activity, with Victoria remaining the second most active state in the country, accounting for over \$18 billion in sales.



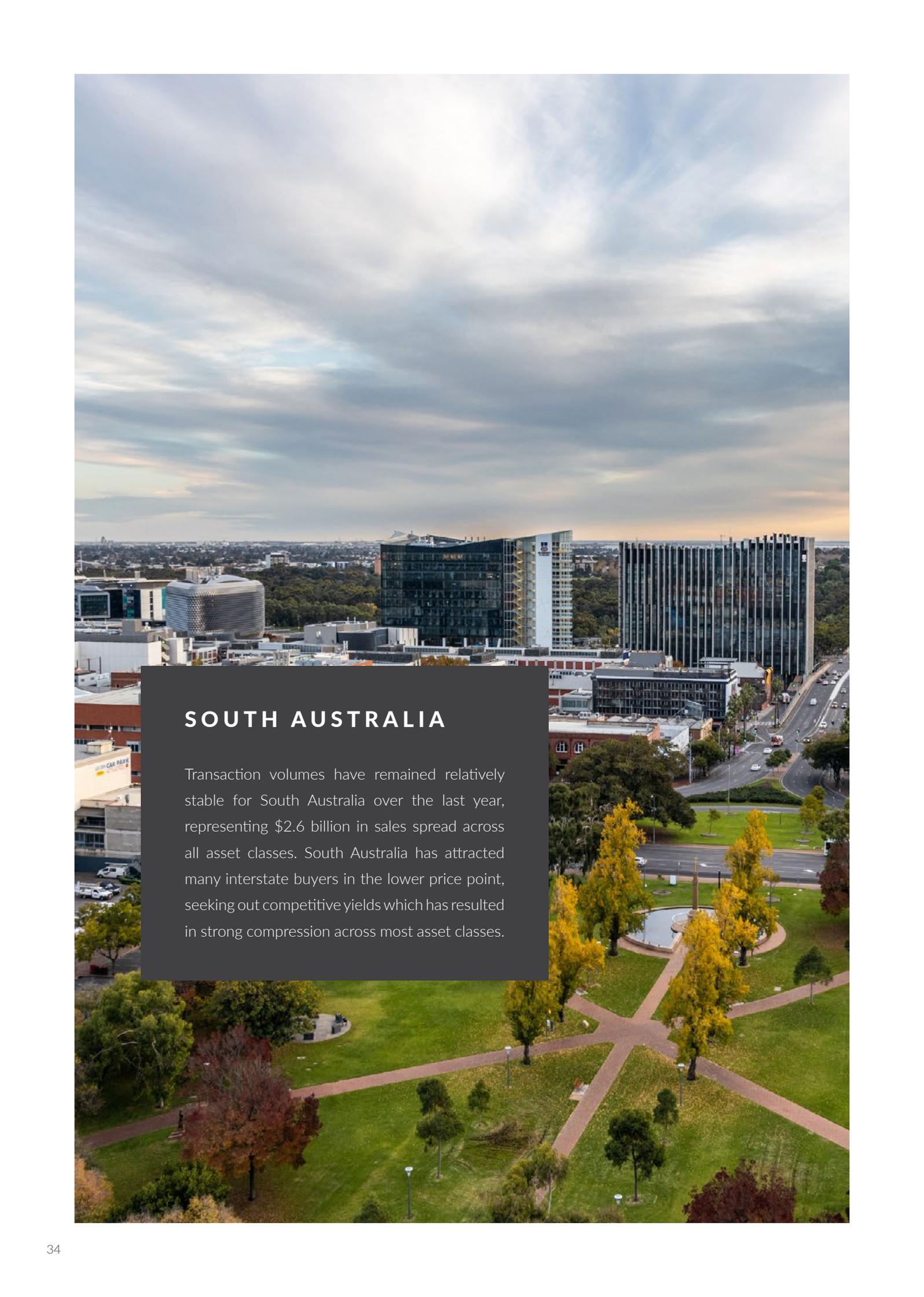
## QUEENSLAND

A combination of population gains and growing infrastructure spending has done much to attract investment to the Sunshine State. Close to \$14 billion changed hands in Queensland this year – a 59 per cent increase – with the bulk represented by industrial assets followed by office and retail. Hotel and tourism assets have seen a pick up in activity after a particularly quiet 2020/21, while we continue to see high demand in alternative, income producing assets. Childcare, service stations, fast food have performed well, as well as the growing health science sector. There's been an uptick in transacting of medical centres, hospitals and other specialty suites.



## WESTERN AUSTRALIA

Western Australia has enjoyed strong migration over the last 18 months which has fuelled the local economy, resulting in strong GSP growth and low unemployment – as is being enjoyed across the country. As a result, we've seen many interstate buyers look towards Western Australia as an investment opportunity, which has done much to reduce yields across all asset classes. Record low industrial vacancy, improving office occupancy, and rapid residential growth has meant investment has nearly doubled compared to the previous financial year to reach over \$4 billion in sales.



## SOUTH AUSTRALIA

Transaction volumes have remained relatively stable for South Australia over the last year, representing \$2.6 billion in sales spread across all asset classes. South Australia has attracted many interstate buyers in the lower price point, seeking out competitive yields which has resulted in strong compression across most asset classes.



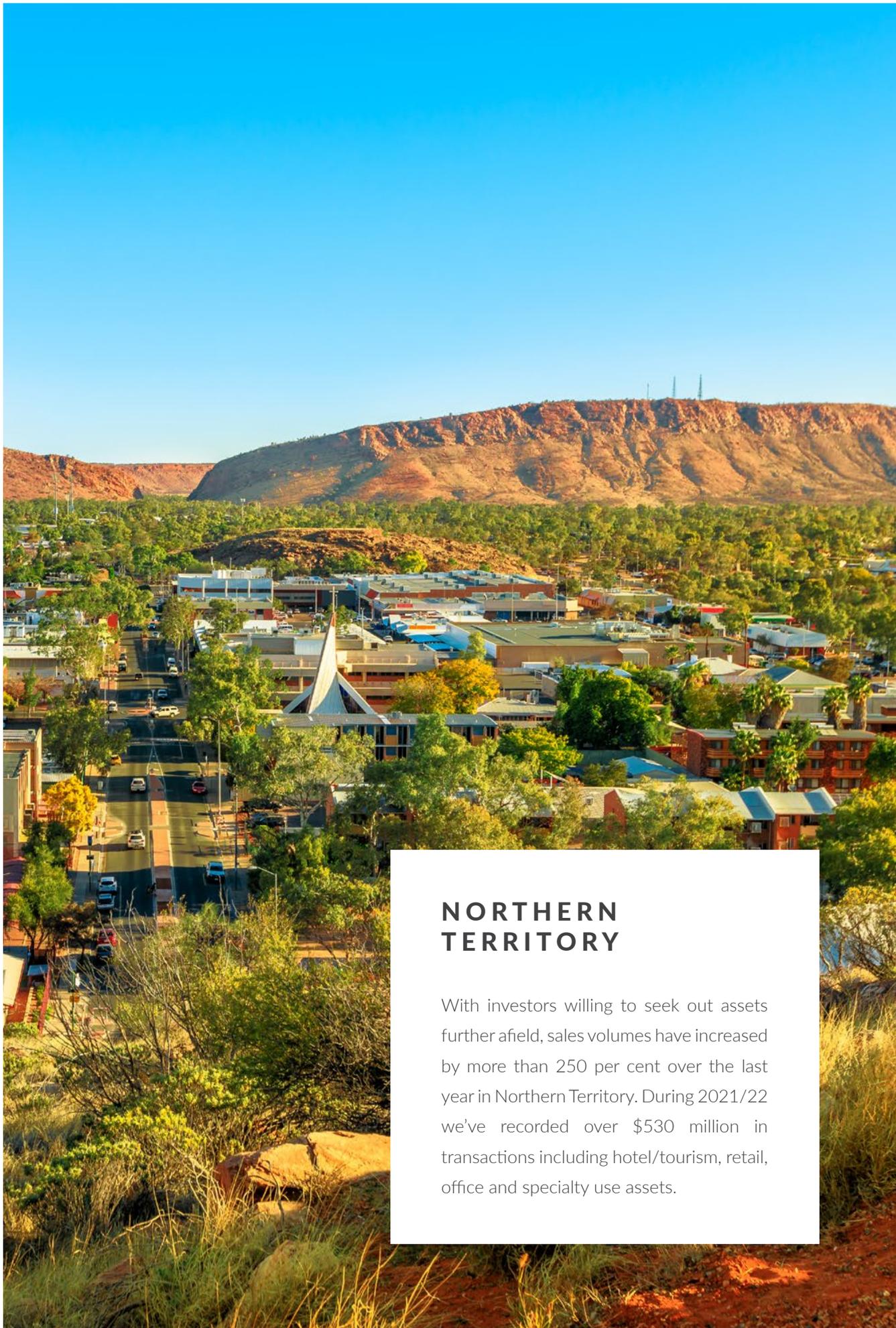
## AUSTRALIAN CAPITAL TERRITORY

It's been a busy 12 months for the capital, with volumes close to doubling to represent \$1.46 billion. There's a high proportion of local investment into Canberra given the leasehold structure, however we've seen some larger investment by funds also. Canberra's office market has held up best during COVID-19, with higher occupancy rates which hasn't gone unnoticed by investors. Similarly, low vacancy rates for industrial and the limited zoned, developable land has seen land values rise considerably.



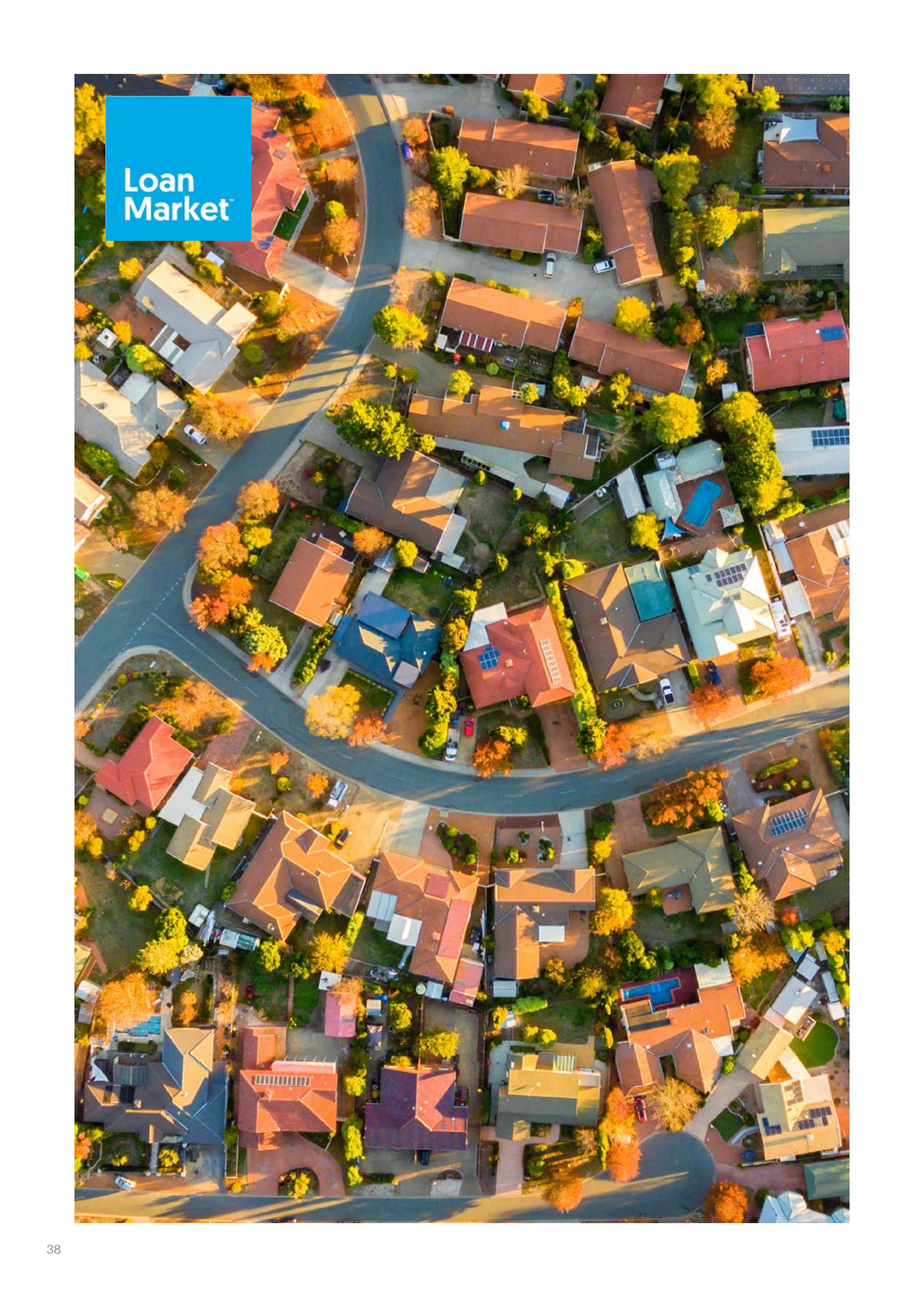
## TASMANIA

Demand for quality, income producing assets has seen private investors look interstate over this past year which has done much to grow activity across Tasmania. Volumes have reached over \$580 million which is more than an 130 per cent increase over the last year due to a number of larger office and hotel transactions.



## **NORTHERN TERRITORY**

With investors willing to seek out assets further afield, sales volumes have increased by more than 250 per cent over the last year in Northern Territory. During 2021/22 we've recorded over \$530 million in transactions including hotel/tourism, retail, office and specialty use assets.

An aerial photograph of a suburban neighborhood. The houses are mostly two-story structures with various roof colors including red, brown, and grey. The trees are in autumn, showing shades of yellow, orange, and green. A winding road cuts through the center of the neighborhood. The overall scene is bright and clear, suggesting a sunny day.

Loan  
Market™

## TO FIX OR NOT TO FIX?

Whether you're refinancing or looking to buy it's more important than ever to find a loan structure that best suits your personal circumstances and at the most competitive interest rate available to you. The rising rate environment, combined with sensational media headlines, can seem overwhelming, but with the right advice it doesn't have to be.

According to Loan Market data, the number of loans being lodged across Australia has remained stable over the last few months. But what we've seen is a swing towards variable loans along with a higher proportion of refinancing. More than half of all the loans lodged have been driven by people refinancing their current home loans and 85 per cent of those loans have been variable.

This month the Reserve Bank of Australia (RBA) initiated another 0.5 per cent rate rise, taking the cash rate to 1.85 per cent. The major lenders have passed this increase on in full, taking effect 12 August. The majority of the fixed-term home loan rates offered by the major banks start with a '5', but we're seeing some very competitive variable rates on the market sitting closer to 3 per cent.

Loan Market is home to one of the largest lending panels in Australia, working with 64 banks and lenders. Over the page we've outlined the top five most competitive variable rates on offer as at 5 August, looking at both major and non-major lenders. We've compared two owner-occupier loan values, \$615,000 and \$1 million, with a 20 per cent deposit and 30-year term. It's important to remember that by working with your broker, not only can they further negotiate rates on your behalf, but they can access lenders you would otherwise not be able to.

Across the Loan Market network we saw a slight decline in the average loan size over the May to June period, but in July we saw an uplift with the average loan size around

Australia sitting at:

- New South Wales - \$737,000
- Victoria/Tasmania - \$595,000
- Queensland - \$547,000
- Western Australia - \$468,000
- SA/NT - \$438,000

The average loan-to-value ratio (LVR) has also remained steady. Loan Market data reveals that 2021/22, the average LVR sat at above 71 per cent, while the last two months reflected an average LVR of just over 69 per cent. Generally speaking, when property prices fall, so do loan amounts and so the LVR is likely to remain fairly consistent on new purchases. Where this trend may differ is on refinancing, the LVR could rise if the value of the property has fallen.

According to the RBA's Deputy Governor, Michele Bullock, the rising house prices over the last few years have benefited homeowners, who have accumulated sizeable equity in their homes. This upward price trend, combined with tighter lending criteria, has meant the proportion of loan balances in negative equity has declined significantly. \*ABS, RBA and Corelogic data show the share of pre-pandemic loans with negative equity sat at 2.25 per cent but as of May 2022 this figure sits at a nominal 0.1 per cent.

For those in an existing loan, now's the time to talk to your broker to ensure you're on the most competitive interest rate available to you. For those looking to purchase, make sure you're buyer ready with your pre-approval up to date and in line with interest rate changes.

Andrea McNaughton  
Managing Director  
Loan Market





## \$615,000 over 30 years

	Product	MAX LVR	Rate	Comparison Rate*
	*SP* Flexi First Option Variable 70-95%	95%	3.24%p.a. variable	3.58% p.a
	Simplicity PLUS 80%-95% (OO PI)	95%	4.73%p.a. variable	4.74% p.a
	*SP* Base Variable 80%-95% (OO PI)	95%	4.74%p.a. variable	4.78% p.a
	Extra Variable 80-90% (OO PI)	90%	4.74%p.a. variable	4.75% p.a
	Offset Package Variable 80%-90% (OO PI)	90%	4.14%p.a. variable	4.39% p.a
	Basic Variable 80%-90% (OO PI)	90%	2.94% p.a. variable	2.94% p.a
	Basic Variable 80%-95% (OO PI)	95%	3.34% p.a. variable	3.36%p.a
	Mortgage Simplifier Variable 80%-90% (OO PI)	90%	3.99% p.a. variable	4.01% p.a
	NHG Basic Variable <95% (OOPI)	95%	3.99% p.a. variable	4.02% p.a
	Basic Variable 80%-85% (OO PI)	85%	3.99% p.a. variable	4.04% p.a

## \$1,000,000 over 30 years

	Product	MAX LVR	Rate	Comparison Rate <sup>1</sup>
	*SP* Flexi First Option Variable 70-95% (OO PI)	95%	3.24%p.a. variable	3.58% p.a
	Simplicity PLUS 80%-95% (OO PI)	95%	4.73%p.a. variable	4.74% p.a
	*SP* Base Variable 80%-95% (OO PI)	95%	4.74%p.a. variable	4.78% p.a
	Extra Variable 80%-90% (OO PI)	90%	4.74%p.a. variable	4.75% p.a
	Offset Package Variable 80%-90% (OO PI)	90%	4.14%p.a. variable	4.39% p.a
	Basic Variable 80%-90% (OO PI)	90%	2.94% p.a. variable	2.94% p.a
	Basic Variable <95% (OO PI)	95%	3.29% p.a. variable	3.31% p.a
	Basic Variable 80%-95% (OO PI)	95%	3.34% p.a. variable	3.36%p.a
	Mortgage Simplifier Variable 80%-90% (OO PI)	90%	3.99% p.a. variable	4.01% p.a
	Basic Variable 80%-95% (OO PI)	95%	3.34% p.a. variable	3.36% p.a

\*Comparison rates are based on a secured loan of \$615,000 over a term of 30 years. <sup>1</sup>Comparison rates are based on a secured loan of \$1,000,000 over a term of 30 years. Additional pricing may be on offer, along with cash back offers, please talk to your broker. This comparison rate is true only for the examples given and may not include all fees and charges. Different terms, fees or other loan amounts might result in a different comparison rate.

# ABOUT RAY WHITE

Ray White is a fourth generation family owned and led business. It was established in 1902 in the small Queensland country town of Crows Nest, and has grown into Australasia's most successful real estate business, with more than 930 franchised offices across Australia, New Zealand, Indonesia and Hong Kong.

Ray White today spans residential, commercial and rural property as well as marine and other specialist businesses. Now more than ever, the depth of experience and the breadth of Australasia's largest real estate group brings unrivalled value to our customers. A group that has thrived through many periods of volatility, and one that will provide the strongest level of support to enable its customers make the best real estate decisions.



Ray White's first auction house, 'The Shed' Crows Nest, Queensland.

# RAY WHITE ECONOMICS TEAM



NERIDA CONISBEE  
**CHIEF ECONOMIST**



VANESSA RADER  
**HEAD OF COMMERCIAL  
RESEARCH**



JORDAN TORMEY  
**DATA ANALYST**



WILLIAM CLARK  
**DATA ANALYST**



TIM SNELL  
**GROUP HEAD OF  
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