RAY WHITE **NOW**

INVESTOR EDITION

PROUDLY PRESENTING PROPERTY MARKET INSIGHTS IN REAL TIME

A MESSAGE FROM OUR **MANAGING DIRECTOR**

While our Australian sales results for September 2022 confirmed that the market didn't enjoy a typical spring bounce and came in well shy of our September 2021 results, they showed that overall market activity has not declined in recent months despite continued negative speculation. Our data also confirmed that the Queensland market continues to significantly outperform New South Wales and Victoria, as it has done since the start of COVID-19 in 2020.

We recorded $5.1 billion in sales in Australia in September, up 3.5 per cent on August. This lack of a significant spring bounce resulted in a 16 per cent decline in sales value compared with September 2021. When comparing sales results to September last year, New South Wales had the largest decline at 36 per cent, while Queensland had the smallest at 11 per cent. For the first time in many years, both South Australia and Western Australia experienced a decline in sales year on year. Victoria only had a two per cent decline, however this is likely because Melbourne was in lockdown for most of September 2021.

The value of residential stock listed for sale during the month was $5.5 billion, which was approximately nine per cent less than last year. It was also down from $6.1 billion in August, which again goes against the usual trend for this time of year. New South Wales saw the sharpest reduction in new listings across all markets, reflecting anecdotal stories from our members that potential sellers are more hesitant to go to market.

This increased caution from potential sellers comes at a time when other key metrics stabilised during September and pointed towards a more balanced market between buyer and seller.

One of the metrics that's stabilised in recent months is market liquidity, being the speed, or the efficiency, of sales. This is best determined by analysing the median number of days it takes to sell a property. We've seen days on market steadily increase from 27 days since the last quarter of 2021, reflecting an increasing disconnect between the expectations of sellers and buyers.

Our median days on market in September steadied at 35 days. For properties listed as auctions, the median days was 29, and for properties listed as private treaty

sales it was 41. While these numbers are higher than the average of the past two years (32), the trend we've seen since the start of the year of increasing days did not continue in September.

This steadying of the market has also been reflected in another important metric - clearance rates. A clearance rate shows the percentage of properties that are sold by a certain number of days since they came onto the market. We think the 45 days clearance rate is most relevant. For August, the 45 day auction clearance rate averaged 62 per cent. For context, at the height of the boom in November last year, it was 76 per cent and it was 70 per cent in March of this year. The 45 day private treaty clearance rate averaged 38 per cent (59 per cent in November 2021 and 55 per cent in March 2022). Again, these clearance rates have stopped falling in recent months.

Another sign of a more consistent market was our auction bidder statistics. We recorded an average of 2.5 active bidders per auction in September. While this is only a marginal increase on August, it's the first increase in bidder numbers we've seen this year.

One might assume that given these statistics, there must be many more properties being sold via auction. However, this isn't the case. The percentage of total new listings being marketed via auction has remained flat at around 34 per cent, well down from the near 40 per cent mark earlier this year.

So in summary, our September figures illustrate:

- a consistent level of sales being made as per recent months, but missing the traditional spring lift in activity;

- a steadying of the median days on market, clearance rates, and auction bidder numbers for the first time since earlier this year, showing a narrowing of the gap between seller and buyer; and

- early signs of a reduction in new listings and auctions, which again is unusual for this time of year, and also unusual given the improvement in the key metrics we monitor.

It seems the extensive and consistent negative media headlines we've seen in recent months are taking a toll on the confidence of potential sellers to come to market. There was no shortage of media stories that might put doubt in the minds of potential sellers, and give them reason to delay any plans to sell.

However, there's still 2.5 months until Christmas and we may still see more stock come to market, especially if October activity continues to follow the trends of September. And potential vendors that are contemplating whether to wait until 2023 will begin to recognise the risks of doing so, given the range of domestic and international issues that may come into play the longer they wait.

On another matter, it's not surprising, based on the information above, that our own internal median price indices show that after a period of price decline since early 2022, they've flattened out over the past few months. These indices also show the outperformance of the Queensland market, especially in comparison to New South Wales and Victoria. The growth of Brisbane's median house price over the past three years has been twice that of Sydney and more than three times that of Melbourne.

There are no doubt many factors contributing to the growth of Queensland's median prices, but high on the list must be its population growth which has been by far the strongest of all states in recent years. Its significantly lower capital city median house price is another.

Finally, a look at our customer experience numbers. Have our customers rated their experience of selling and buying differently since the start of the new interest rate cycle and changes in the market? Our results show us that our scores (we use the Net Promoter Score (NPS) regime have remained very steady over the past 12 months, despite a more challenging result for sellers. Our overall NPS scores sit within a +79 to +82 range on a monthly basis over the past 12 months. This reminds us that the experience we provide our members, and the service we deliver, is determined by our creativity, effort and ability to create competition and not on the state of the market itself.

Dan White
Managing Director
Ray White Group

RAY WHITE NOW
THIS MONTH

When will price declines stop? Right now, it's still very uncertain although, based on our best measure of demand, the absolute worst of the downturn is behind us. Average active bidders at auction hit a low of 2.3 bidders per auction in July 2022 but this level has started to creep upwards. We're nowhere near where we were last year - not surprising given how strong the market was in 2021 - but buyers are returning which looks like it will prevent the sharp falls in pricing.

The wildcard however continues to be inflation and its impact on interest rates. While fuel prices and supply chains are improving, we still have a lot of problems with construction costs and rents. This month the Reserve Bank of Australia (RBA) increased interest rates less than expected (0.25 per cent instead of 0.5 per cent) which was good news for mortgage holders. More negatively, inflation continues to spiral upwards overseas with some economies, most notably the United Kingdom, expected to go into recession as a result. Ideally, Australia will be able to dodge what's happening overseas in the same way we did following the Global Financial Crisis. Right now, it looks like we will.

This month in Ray White Now, we provide a focus on investing in property. More particularly, we take a look at whether a down market is a good time to invest in property. We then provide a state by state look at each capital city to provide an overview of their outlook for investors. In our commercial piece, we look at who's been buying and selling. While private investors have been net sellers of commercial property during the last two years, this may be reversed given changed conditions so far this financial year. Finally, we take a look at some of the reasons why it may be worth selling now, even though conditions are more subdued.

We hope you enjoy reading this month's Ray White Now.

Nerida Conisbee
Chief Economist
Ray White Group

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Christine Rudolph | Ray White New Farm


PENGUINS

WHY SELL **NOW?**

On 26 March this year, a prominent Sydney newspaper ran a screaming headline: "CITY HOME BOOM OVER". What followed was the eventual decline in clearance rates, buyer activity and property prices. Interest rates began their journey back to normality from their historical lows and the market shifted back to a balanced state.

Two major factors that have influenced property prices:

1. Banks tightened buyer's borrowing capacities with each rate rise

2. Consumer confidence waned with a fear of 'overpaying'

These are the facts, but now enters the question for both buyers and sellers.

When will the market find the bottom? When the market starts to go back up!

Australia's love affair with real estate as an asset class remains strong. With regards to house prices - when in doubt, it's best to zoom out. Residential real estate historically remains one of the most stable asset classes in all history. With instability in equities, cryptocurrencies market and global markets - putting your hard earned cash into real estate remains a safe investment.

When considering the question of 'Why Sell Now', the major factor in a seller's favour currently is driven by the lack of stock coming to market.

The difference ultimately between a balanced market and a buyers market comes down to the basics of supply and demand. Looking through our data, the volume of listing authorities (new stock coming to market) is down almost 14 per cent across Australia year on year; even heading into the traditional spring listing peak.

With lack of choice, buyers are still finding themselves in a competitive position for those agents skilled at the art of competition creation.

Over the month of September, 1,488 auctions conducted across the country by Ray White saw an average number of bidder registrations back up to 4.1 after bottoming out back in July. We saw over 94,000 buyers inspect our properties over the same period - 17 per cent up over the same time last year.

Yes, there's pressure on prices. Sellers that are holding onto last year's prices are being disappointed. However, engagement with buyers is swiftly turning up heading into summer. Sellers looking to sell are finding no shortage of opportunities.

This isn't a market to take short cuts. Process, presentation and the people you chose to represent you on your selling journey matters.

Competition remains the critical ingredient to achieving a great outcome in the current conditions.

Tim Snell
Head of Performance
Ray White Group

STATE OF THE STATES
INVESTOR EDITION

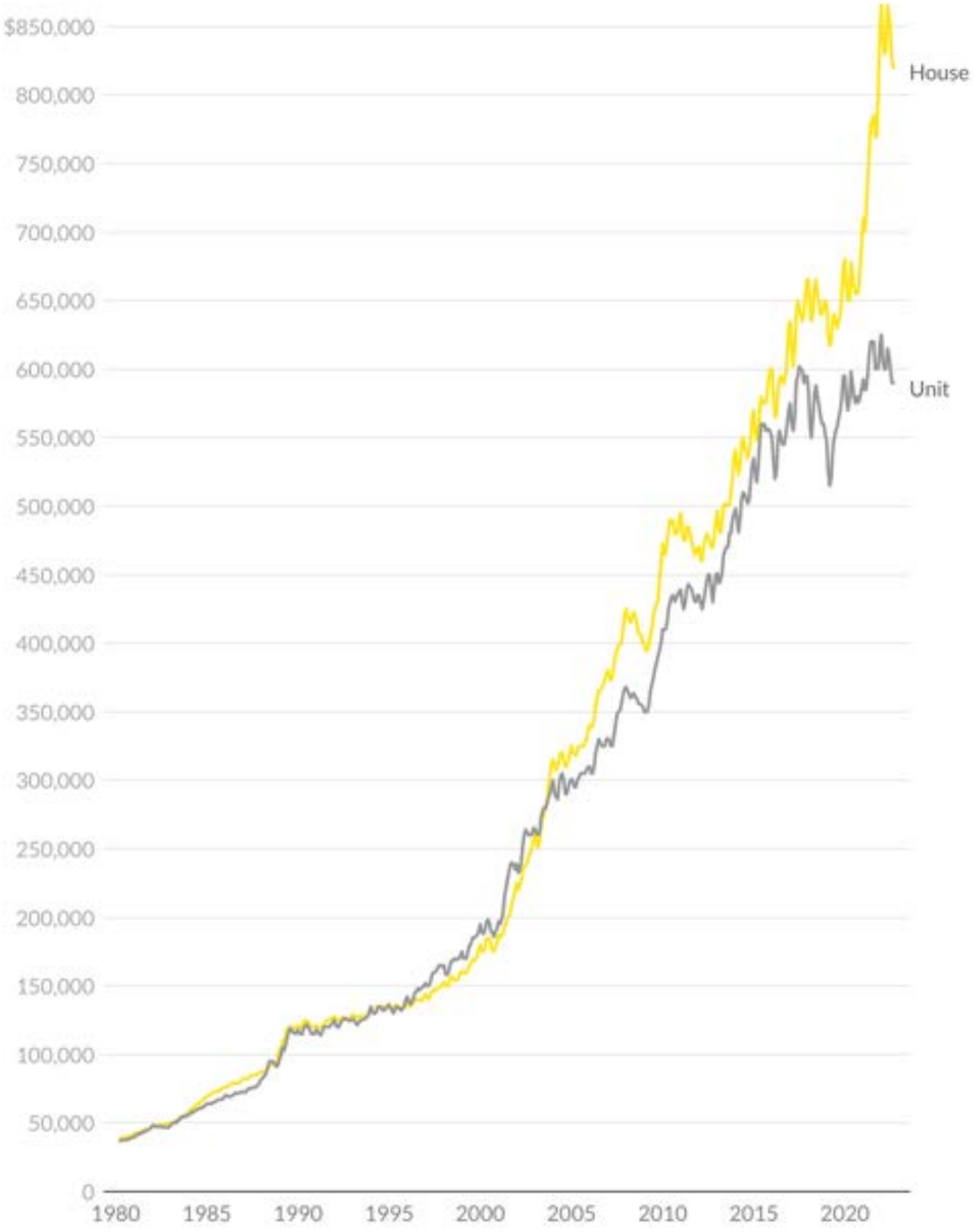
Did you invest in property during the pandemic? If so, the value of your asset may not be shooting up like it was last year. But it's unlikely the property is vacant and depending on where you are, you're likely to be experiencing strong rental growth.

Strong rental growth is set to continue. International migration has started up again and the federal government has recently announced an increase to the permanent resident intake to 195,000 this year to help with labour shortages. While more people are moving to Australia, housing supply will be constrained due to construction costs. While this supply/demand imbalance is likely to mean that house prices don't fall as much as they otherwise would in an increasing interest rate environment, it also means that rents will rise for a while longer.

Last year was all about price growth but it certainly wasn't about rental return. Residential rental yields hit their lowest level ever recorded at the start of this year but are now steadily increasing. Depending on where you buy, you may be able to balance out lower price growth with an increase in your rental return.

Median monthly house prices

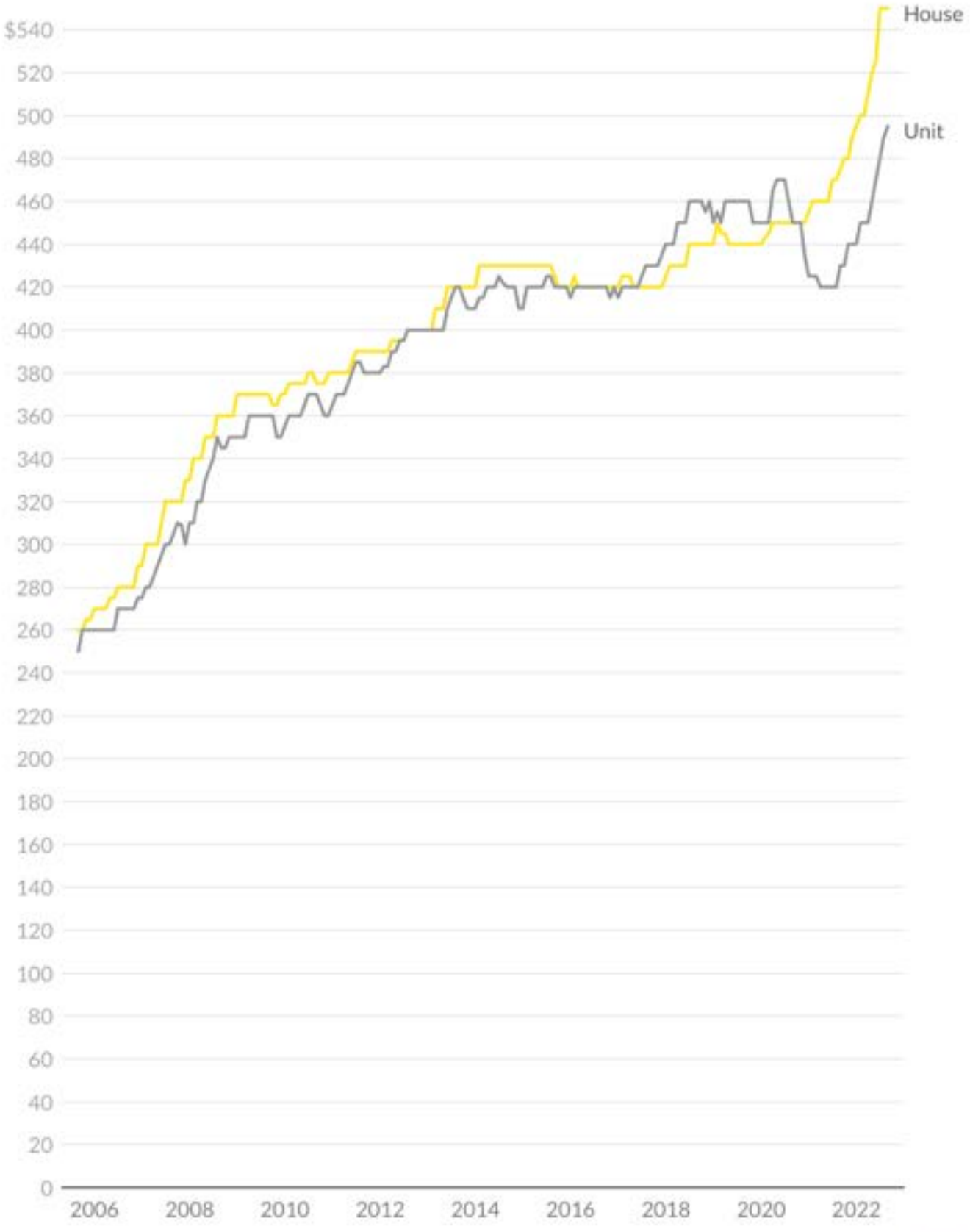
Eight capital cities combined ($)



Source: Ray White, CoreLogic

Median weekly asking rent

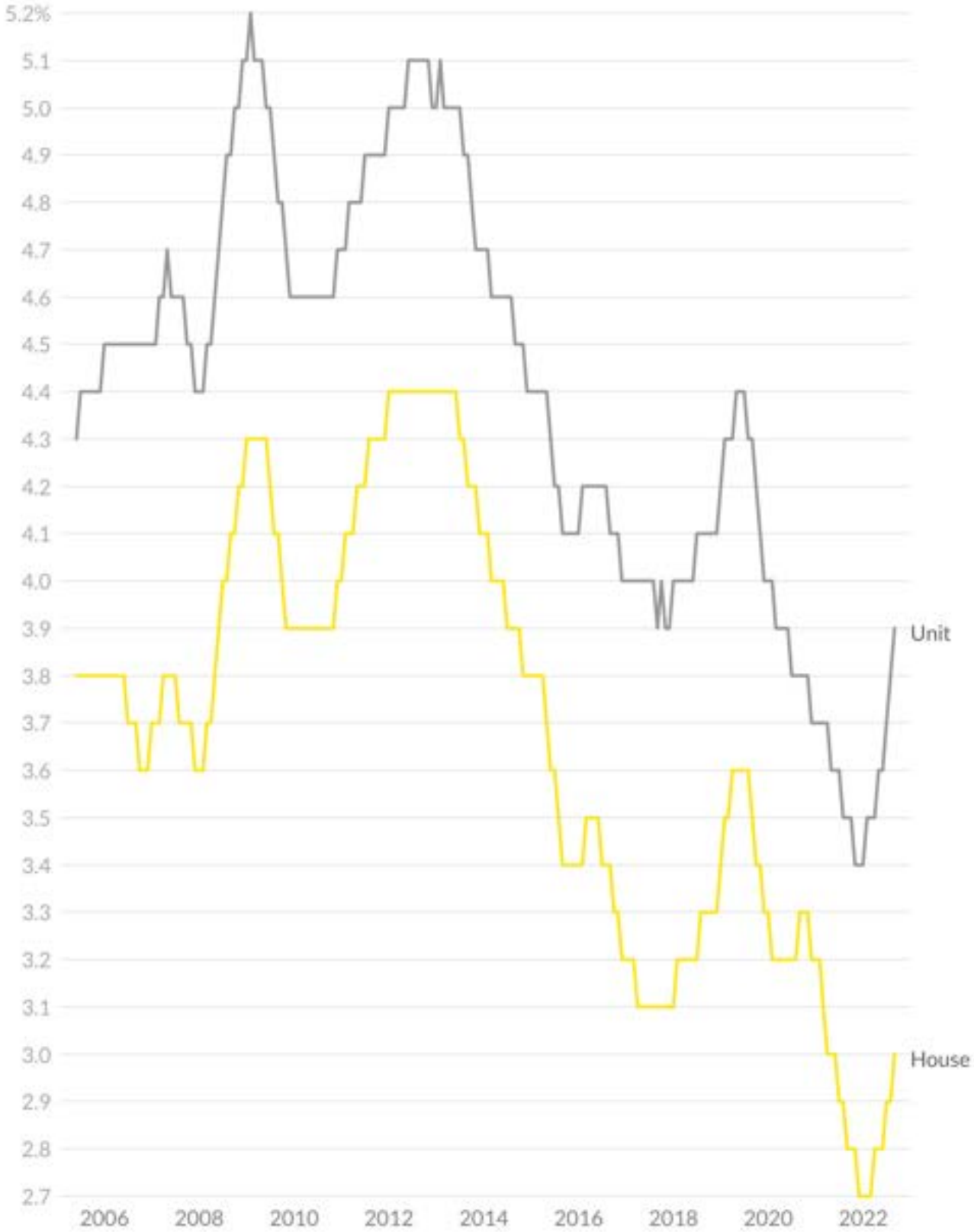
Eight capital cities combined ($)



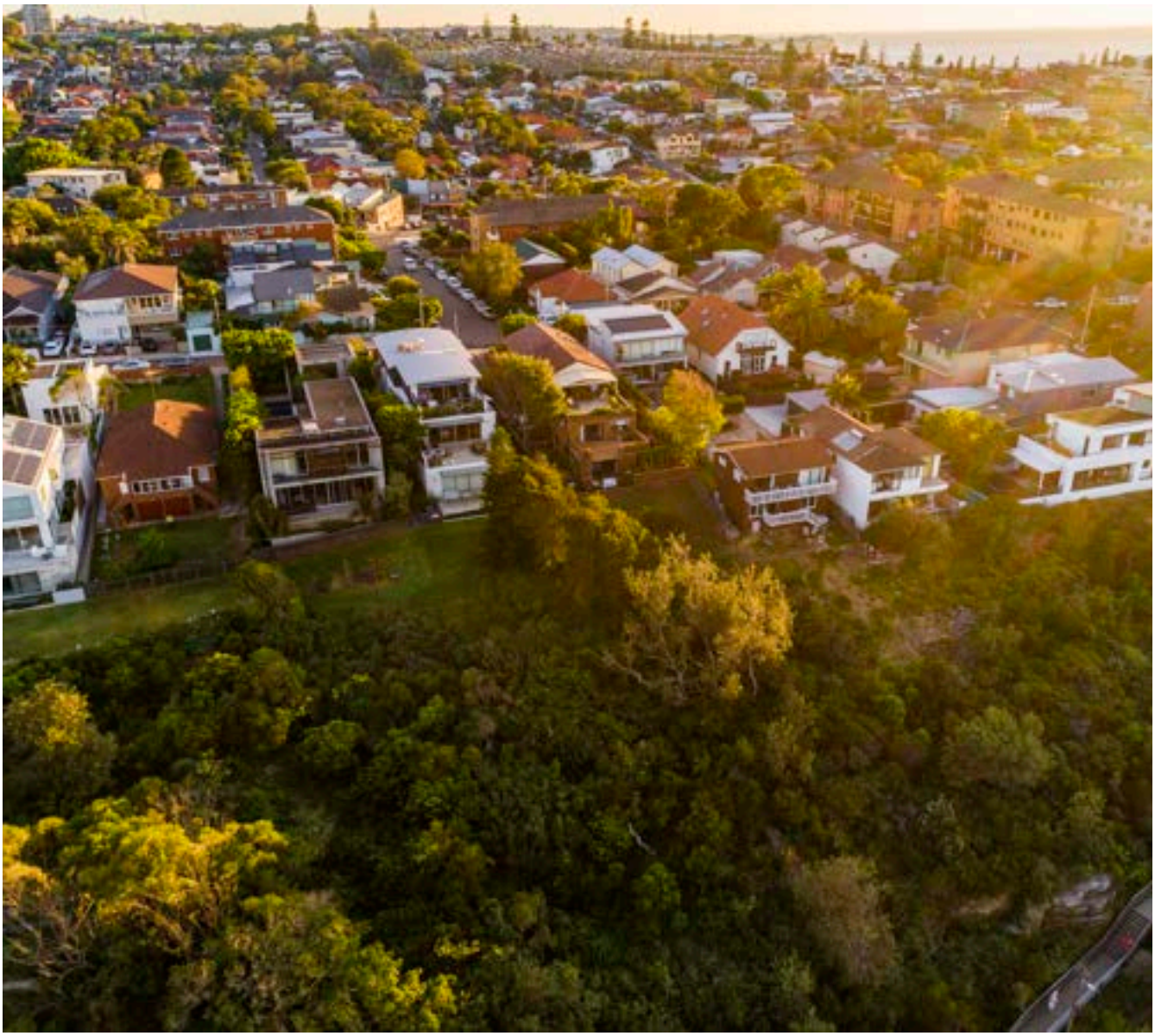
Source: Ray White, CoreLogic

Median annual rental yields

Eight capital cities combined



Source: Ray White, CoreLogic



Sydney - rents now at their highest level ever recorded

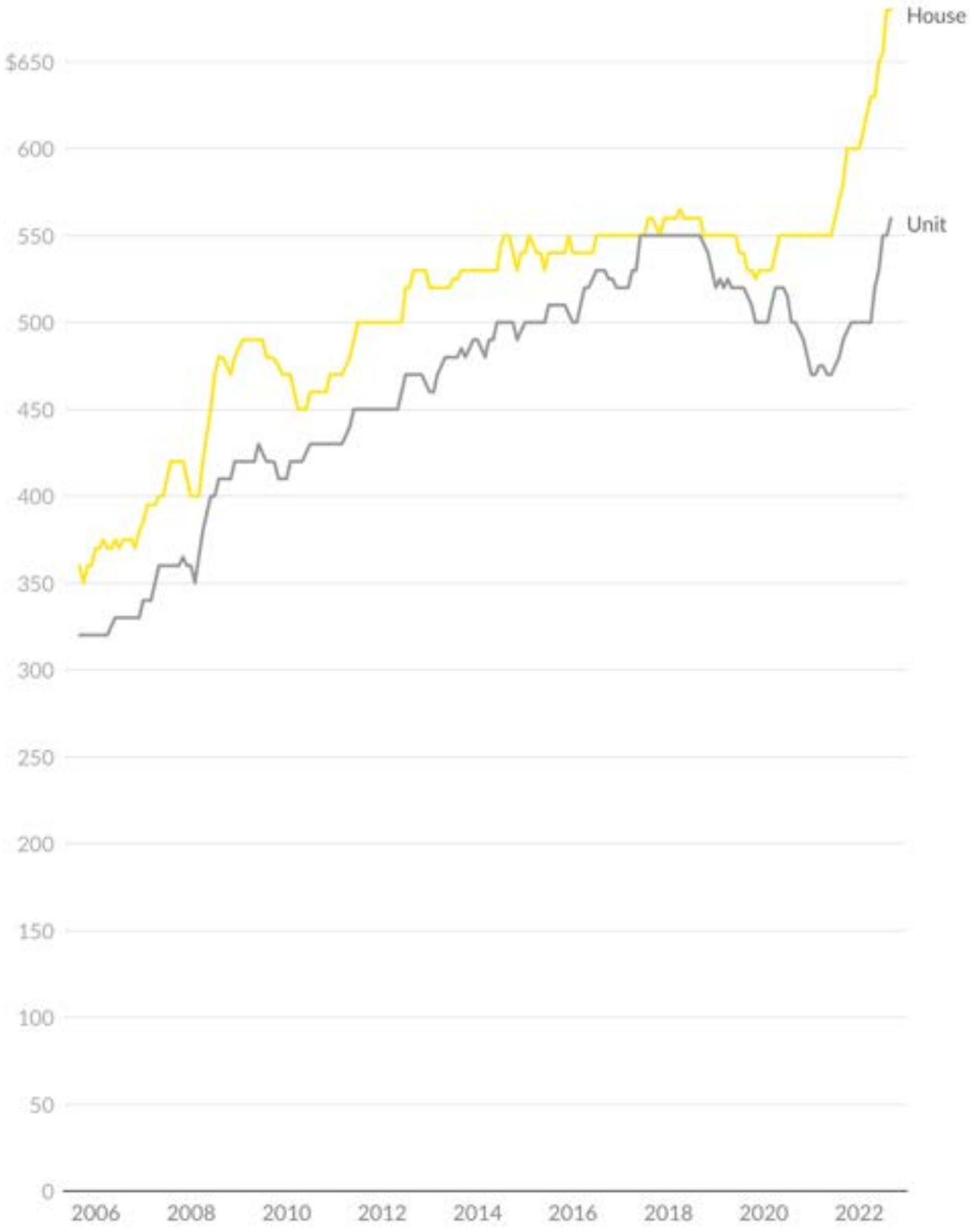
While Sydney's house price growth dominated headlines during the pandemic, strong rental growth was also occurring. This was surprising given that the city lost a lot of people to Queensland over this time, but was likely driven by wealth effects (people able to upgrade to better homes), as well as higher levels of household formation (people moving out of share households, out of family homes etc).

Now that the pandemic is behind us and price growth is slowing, greater opportunities are likely to show up for many investors, provided they're not looking for a quick capital return. Rental yields are improving and although price growth is unlikely to be strong for the time being, Sydney's population is starting to increase again which will underpin demand for property. At the same time, construction costs are rising which will limit housing supply.

Looking in more detail at the suburbs that've seen the biggest increases and declines in rents shows the variability in rental growth at the top end of the market. Darling Point and Vaucluse, two of Sydney's more expensive suburbs, saw the biggest increase in advertised rents per week. At the other end of the spectrum, Willoughby East and Clontarf saw the biggest declines.

Median weekly asking rent

Sydney ($)



Source: Ray White, CoreLogic

Median annual rental yields

Sydney (%)

Source: Ray White, CoreLogic

Top rental growth suburbs in the last 12 months

Sydney - Median weekly asking rent ($)

Suburb	Property type	2021	2022	($) Difference
Darling Point	House	$1,698	$4,000	$2,303
Vaucluse	House	$2,000	$2,900	$900
Burraneer	House	$875	$1,600	$725
Dover Heights	House	$1,500	$2,200	$700
Longueville	House	$1,548	$2,100	$553
Fairlight	House	$1,030	$1,500	$470
Double Bay	House	$1,495	$1,900	$405
Balgowlah Heights	House	$1,350	$1,750	$400
Malabar	House	$950	$1,350	$400
Mcmahons Point	House	$1,025	$1,400	$375

Source: Ray White, CoreLogic

Top rental decline suburbs in the last 12 months

Sydney - Median weekly asking rent ($)

Suburb	Property type	2021	2022	($) Difference
Willoughby East	House	$1,300	$850	-$450
Clontarf	House	$1,693	$1,400	-$293
Denistone East	Unit	$800	$590	-$210
Dawes Point	Unit	$1,475	$1,275	-$200
Riverview	House	$1,300	$1,125	-$175
Tamarama	House	$2,000	$1,825	-$175
Beverley Park	Unit	$500	$330	-$170
South Granville	Unit	$435	$280	-$155
Abbotsford	House	$900	$750	-$150
North Balgowlah	House	$1,250	$1,100	-$150

Source: Ray White, CoreLogic

Melbourne - outer suburban areas remain the most desirable for renters

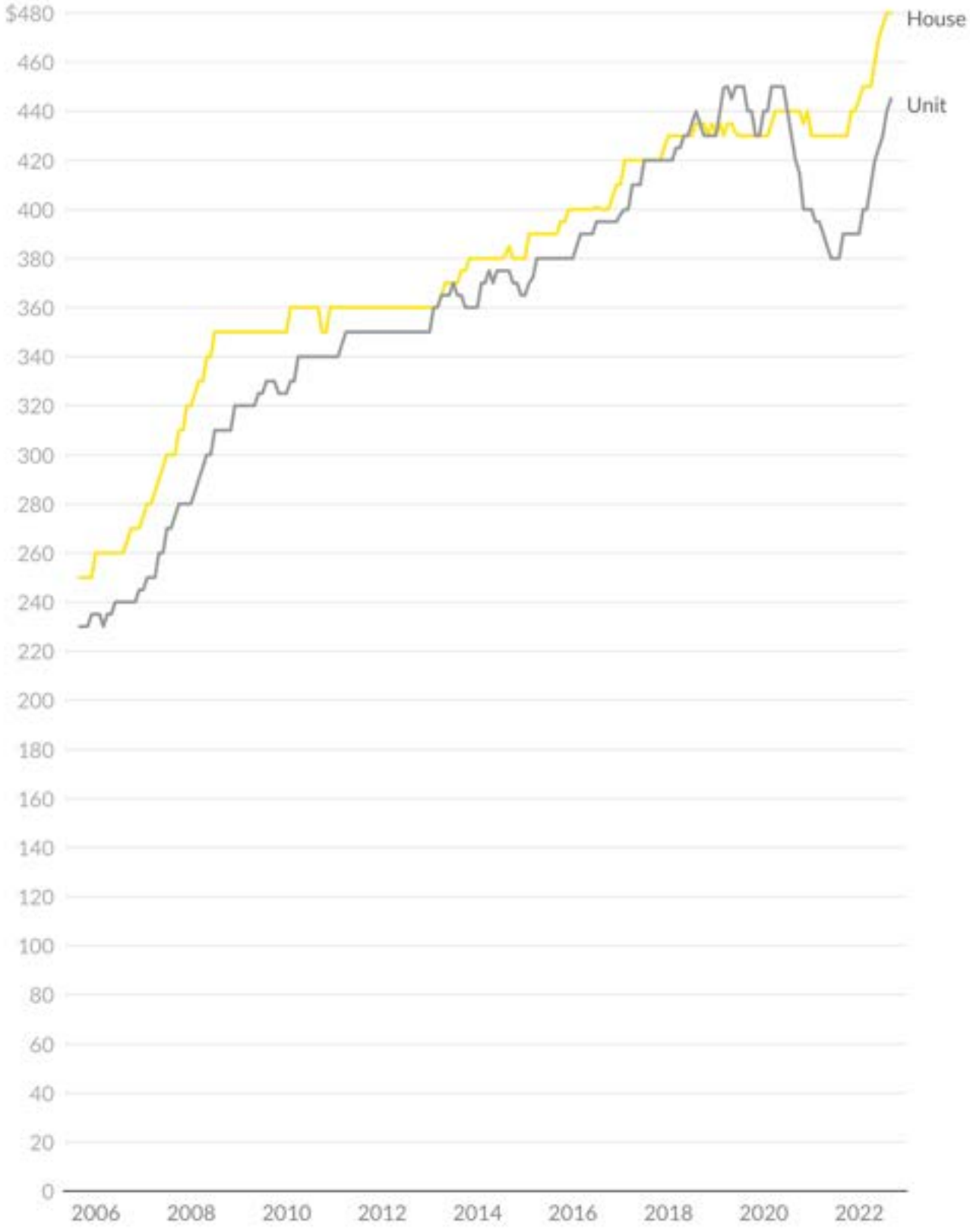
It's never been more expensive to rent a house in Melbourne with rents rising by 11 per cent over the past 12 months. Unit rents have also risen but are still on average cheaper than where they were at the end of 2019. Unlike house prices, it's unlikely that we'll see a slowdown anytime soon for the Melbourne rental market. The city lost people during the pandemic which meant rents didn't rise as much as they otherwise would. Now that international migration is back, and the flow of people to South East Queensland is likely to have stalled, this will create additional pressure on housing demand.

With rents back to growth, this is good news for rental yields. After hitting an all time low of 2.4 per cent at the start of the year, yields on houses are now creeping up and now sit at 2.6 per cent. Unit rental yields are now at 3.9 per cent. If you're an investor, you may not get the high capital return experienced in 2021 over the next 12 months, but rental returns are looking a lot better.

At a suburb level, the desirability of outer suburban areas continues to be a trend in Melbourne. Portsea and Sorrento on the Mornington Peninsula top the list for rental increases. The areas seeing the biggest declines in rents are no longer dominated by inner city apartment markets. With foreign students back and the CBD coming back to life, it appears that people are wanting to live there again. The suburbs seeing the biggest declines in rents are now in the middle suburbs, with Glen Huntly houses seeing a drop of $133 per week in advertised rents.

Median weekly asking rent

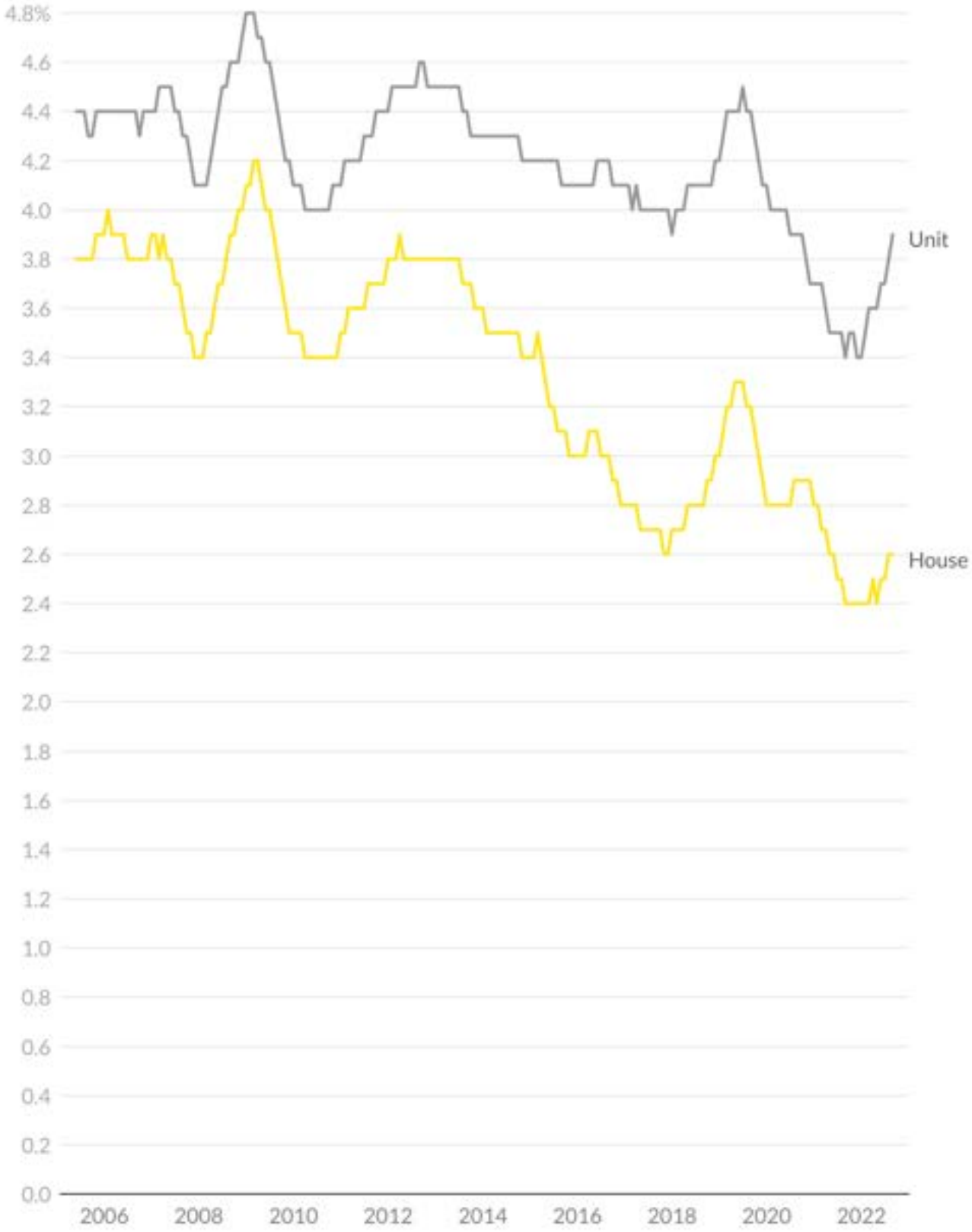
Melbourne ($)



Source: Ray White, CoreLogic

Median annual rental yields

Melbourne (%)



Source: Ray White, CoreLogic

Top rental growth suburbs in the last 12 months

Melbourne - Median weekly asking rent ($)

Suburb	Property type	2021	2022	($) Difference
Portsea	House	$975	$1,325	$350
Sorrento	House	$613	$885	$273
Warranwood	House	$530	$690	$160
Canterbury	House	$860	$1,013	$153
Brighton	House	$1,050	$1,190	$140
Healesville	House	$430	$550	$120
Mount Evelyn	House	$360	$478	$118
Crib Point	House	$395	$510	$115
Werribee South	House	$375	$480	$105
Blairgowrie	House	$495	$600	$105

Source: Ray White, CoreLogic

Top rental decline suburbs in the last 12 months

Melbourne - Median weekly asking rent ($)

Suburb	Property type	2021	2022	($) Difference
Glen Huntly	House	$650	$518	-$133
Deepdene	House	$1,050	$925	-$125
Seaholme	Unit	$490	$380	-$110
Caulfield South	House	$690	$600	-$90
Spotswood	Unit	$480	$400	-$80
Middle Park	House	$835	$763	-$73
Ashwood	Unit	$520	$450	-$70
Strathmore	Unit	$480	$420	-$60
Bulleen	Unit	$490	$438	-$52
Heatherton	House	$650	$600	-$50

Source: Ray White, CoreLogic

Brisbane - fastest rental growth in the country

Over the past 12 months, Brisbane has had some of the strongest population growth in the country and this has most clearly shown up in rental growth. Right now, Brisbane doesn't have enough homes for those that want to live there. This is making it tough for renters but does make it a good place to invest. While red hot house price growth is unlikely to start up again in the near future, yields are increasing as rents rise.

Since the start of the pandemic, rents have risen almost as much as house prices. Brisbane's median house price increased by 39 per cent between March 2020 and September 2022. In comparison, rents increased by 34 per cent. While population growth and wealth impacts tell part of the story, flooding was also a factor pulling properties out of the rental market.

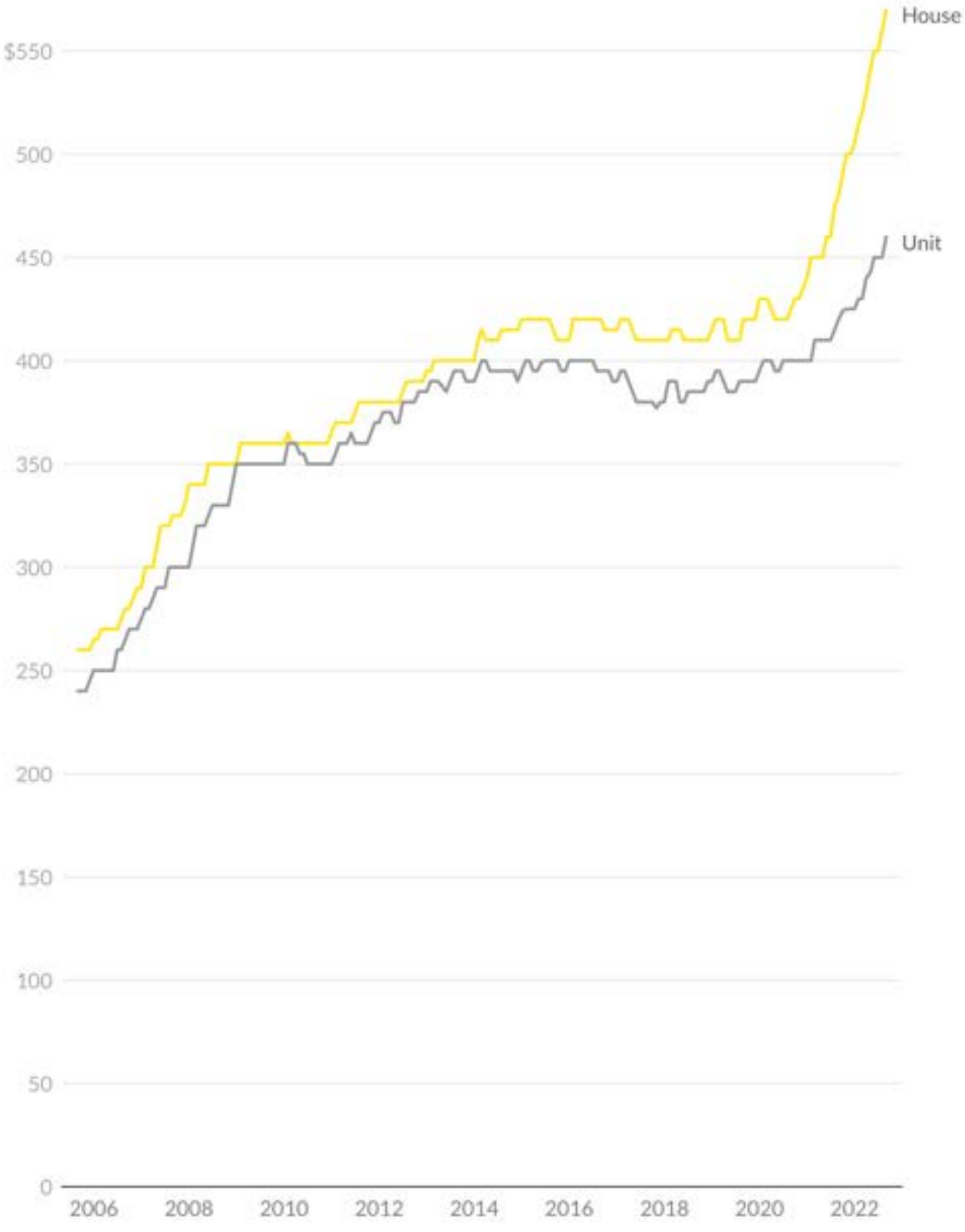
With rents rising so quickly, Brisbane needs more property investors. It's therefore a relief that the state government pulled back on proposed changes to land tax which would've discouraged interstate investors. While buyer affordability gets the headlines, rental affordability is far more problematic and will worsen if investors lose confidence in the Brisbane housing market.

The suburbs that have seen the strongest rental growth are a mix of inner and outer suburban areas, reflecting two trends that have also been apparent in buyer markets - a search for space and a search for luxury. Topping the list for rental growth has been houses in Samford Valley, with Point Lookout units coming in second. Rental declines have been seen in units in Chermside West and houses in Newstead, although the declines have been relatively minor.

The outlook for the Brisbane market remains strong. House prices have come back a little bit but aren't as sensitive as southern states due to lower debt levels. Meanwhile rental growth will continue. Interstate migration may start to slow but international migration is starting up again. Housing supply is being constrained by record high construction costs. Ideally we won't see any additional taxes on investors or flooding to further challenge the situation.

Median weekly asking rent

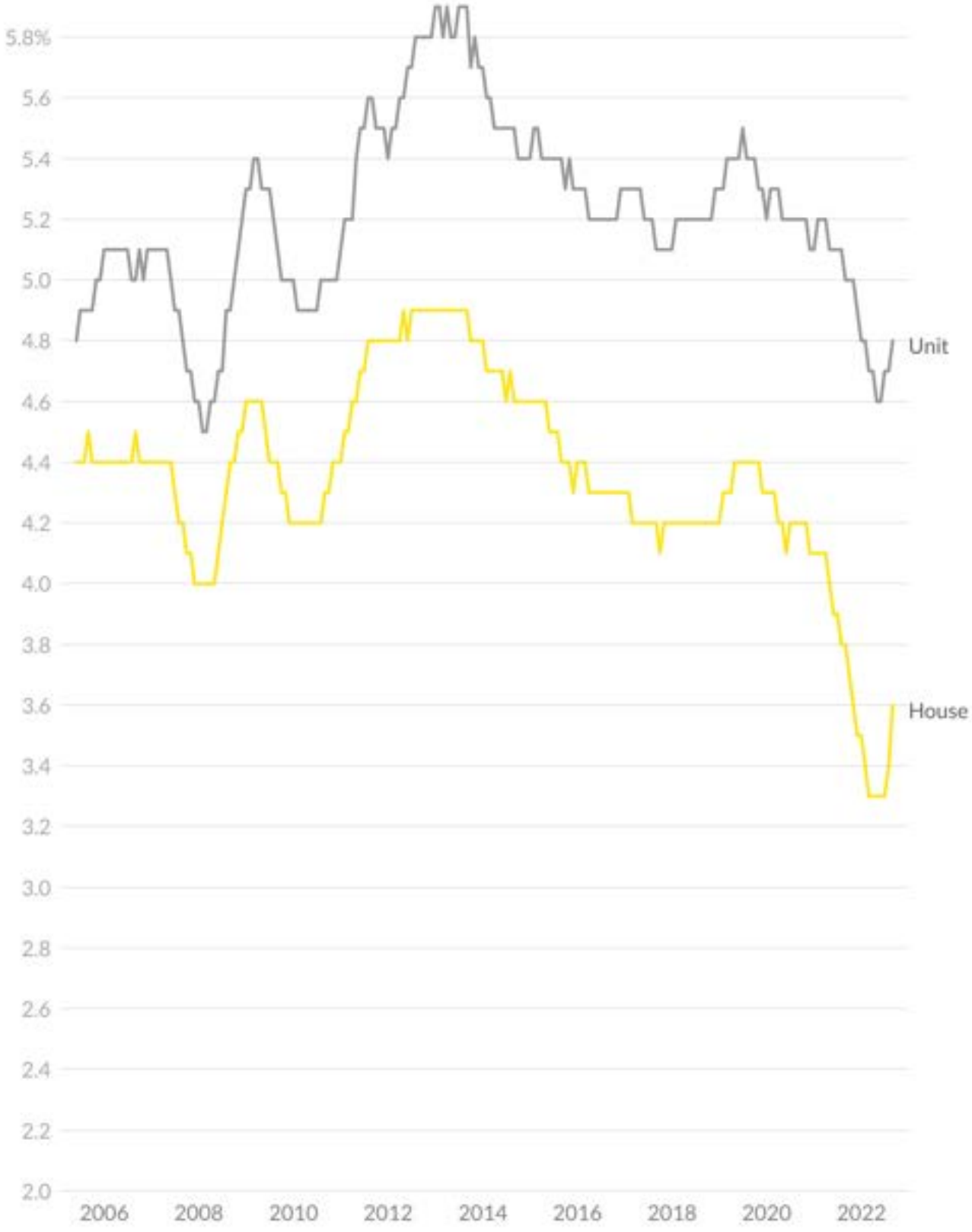
Brisbane ($)



Source: Ray White, CoreLogic

Median annual rental yields

Brisbane (%)



Source: Ray White, CoreLogic

Top rental growth suburbs in the last 12 months

Brisbane - Median weekly asking rent ($)

Suburb	Property type	2021	2022	($) Difference
Samford Valley	House	$800	$1,100	$300
Point Lookout	Unit	$1,950	$2,200	$250
Ascot	House	$800	$998	$198
Chelmer	House	$550	$745	$195
Hawthorne	House	$700	$860	$160
Pullenvale	House	$993	$1,150	$158
Shorncliffe	House	$605	$760	$155
Graceville	House	$550	$700	$150
Chambers Flat	House	$550	$700	$150
Park Ridge South	House	$570	$720	$150

Source: Ray White, CoreLogic

Top rental decline suburbs in the last 12 months

Brisbane - Median weekly asking rent ($)

Suburb	Property type	2021	2022	($) Difference
Chermside West	Unit	$492	$413	-$79
Newstead	House	$525	$465	-$60
Robertson	Unit	$420	$370	-$50
Tarragindi	Unit	$325	$295	-$30
Collingwood Park	Unit	$305	$275	-$30
Underwood	Unit	$403	$375	-$28
New Farm	House	$725	$710	-$15
Fig Tree Pocket	House	$715	$700	-$15
Petrie Terrace	Unit	$335	$320	-$15
Brendale	Unit	$350	$340	-$10

Source: Ray White, CoreLogic

Adelaide - house and unit rents moving in tandem

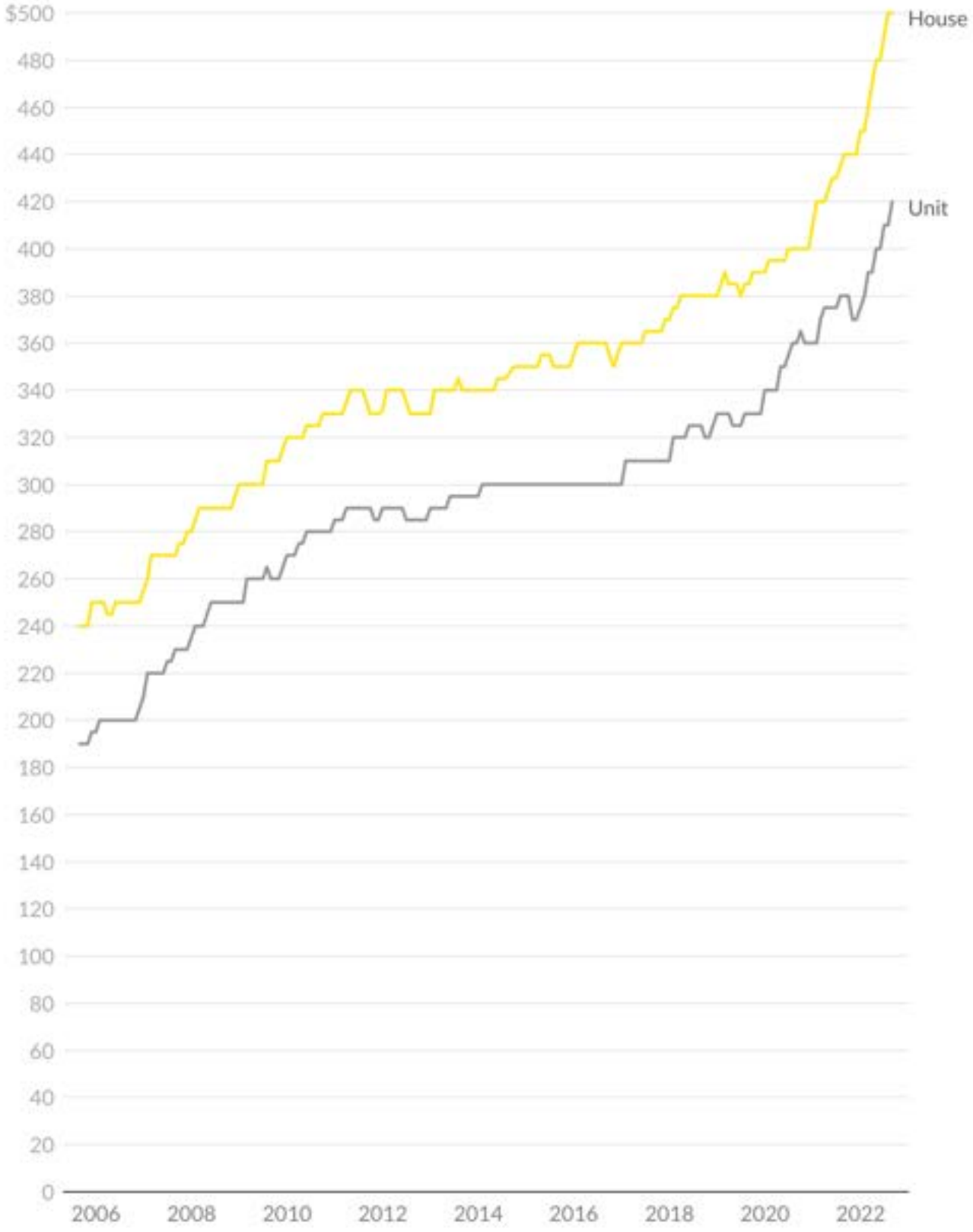
Adelaide's median house price increased by $200,000 through the pandemic and last month saw its first fall for quite some time, declining by $7,000. Although price growth is starting to slow, rents aren't. The median advertised rental rate for houses is now sitting at $500 per week while units are at $420 per week. Over the past 12 months they've risen by 14 per cent and 10 per cent respectively. Compared with other capital cities, rents for houses and units are moving relatively close together.

It's taken a while for the Adelaide market to show a movement downwards in pricing given that interest rate rises have been happening for six months now. This is due to a number of reasons. Debt levels are lower in Adelaide and the city's been benefiting from interstate migration. In addition, very strong increases in construction costs have been limiting the supply of new homes. If you're looking for strong capital growth in the short term, it will be difficult to find anywhere in Australia. However, if you're looking for rental growth, Adelaide is definitely a market to have on your radar.

The suburbs that dominate the list of strongest rental markets are in Adelaide's inner areas. Topping the list is Malvern where advertised rents have risen almost $200 per week over the past 12 months. Surprisingly, however, not all inner suburbs are seeing strong growth. The inner south suburb of Netherby has seen the biggest decline in rental rates of all suburbs in Adelaide.

Median weekly asking rent

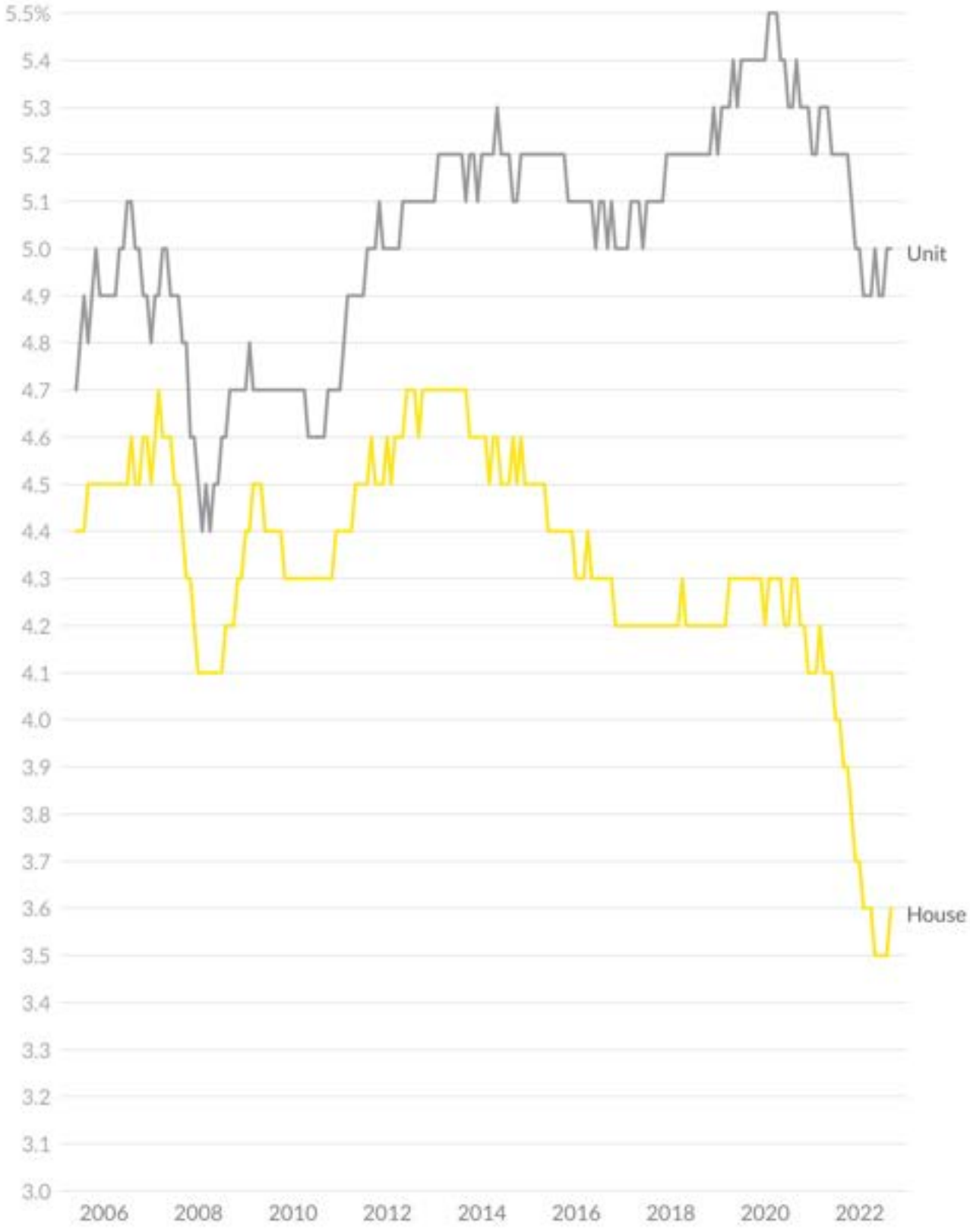
Adelaide ($)



Source: Ray White, CoreLogic

Median annual rental yields

Adelaide (%)



Source: Ray White, CoreLogic

Top rental growth suburbs in the last 12 months

Adelaide - Median weekly asking rent ($)

Suburb	Property type	2021	2022	($) Difference
Malvern	House	$560	$758	$198
West Lakes Shore	Unit	$344	$540	$197
Mitcham	House	$530	$720	$190
Fulham	House	$453	$620	$168
Hyde Park	House	$490	$645	$155
Henley Beach South	House	$635	$788	$153
Fullarton	House	$530	$675	$145
Myrtle Bank	House	$530	$670	$140
Woodville Gardens	House	$310	$446	$136
Frewville	House	$430	$565	$135

Source: Ray White, CoreLogic

Top rental decline suburbs in the last 12 months

Adelaide - Median weekly asking rent ($)

Suburb	Property type	2021	2022	($) Difference
Netherby	House	$705	$490	-$215
Glenside	House	$605	$520	-$85
Torrens Park	House	$670	$593	-$78
Walkerville	House	$653	$584	-$69
Semaphore South	Unit	$375	$315	-$60
Trinity Gardens	House	$555	$500	-$55
Toorak Gardens	House	$750	$700	-$50
Collinswood	House	$510	$460	-$50
Craigburn Farm	House	$758	$710	-$48
Dulwich	House	$770	$725	-$45

Source: Ray White, CoreLogic

Perth - rents now exceeding last mining boom peak

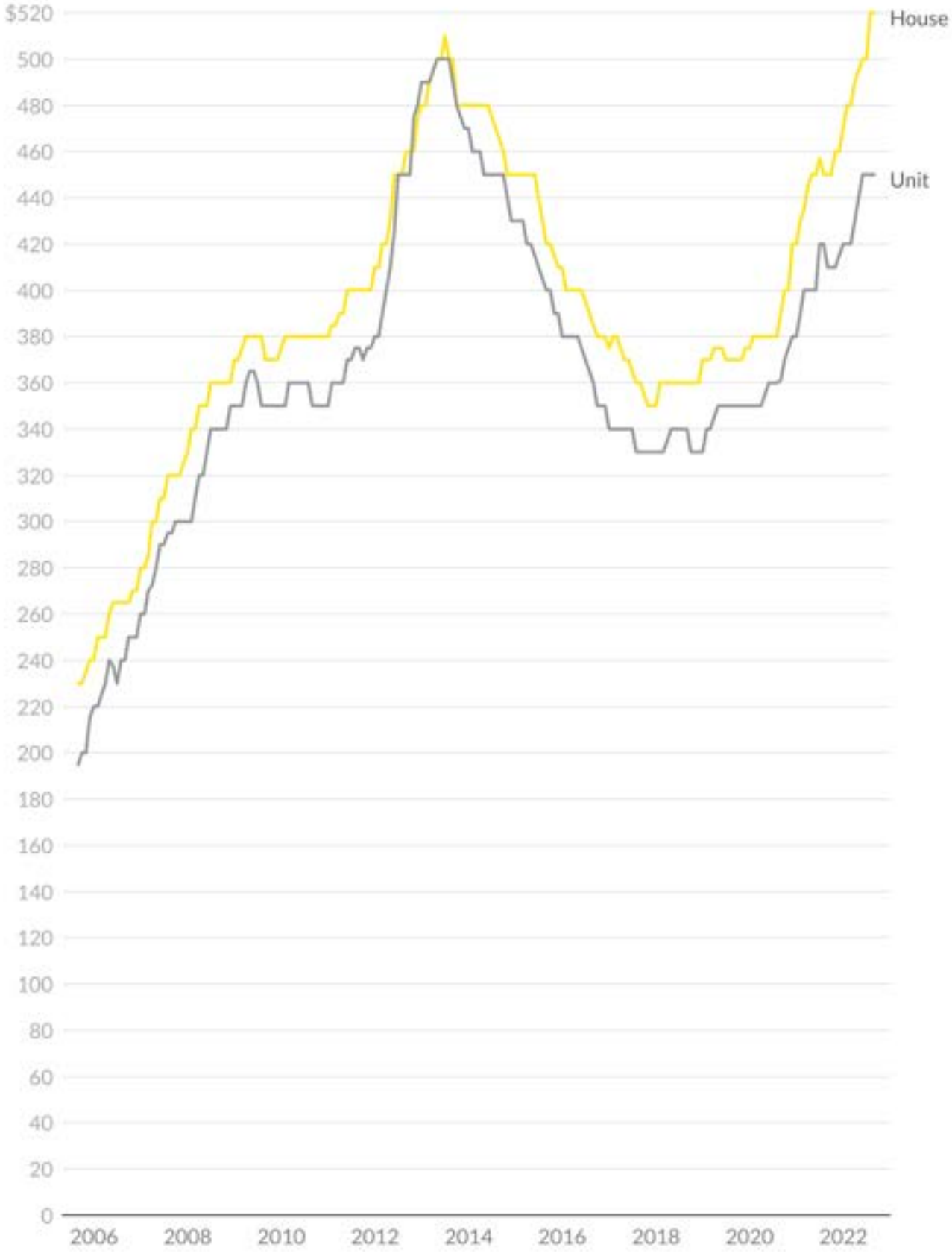
Perth is now dominating the country for population growth and with that comes increasing demand for housing. This has resulted in strong rental growth. So much so that advertised rents per week for houses now exceed the last mining boom peak reached in June 2013, having increased by almost 16 per cent over the past 12 months. Unlike price growth which appears to have stalled, rental growth is expected to continue with population growth continuing and supply of housing being constrained. International and interstate borders reopening and increased construction costs is good news for property investors but conversely tough for renters.

With rental growth comes better yields on property. Yields for houses in Perth are now the second highest in the country, sitting at 4.37 per cent. This compares to Melbourne at 2.7 per cent and Sydney at 2.6 per cent. Mortgage rates may be creeping up but it's still possible to get a higher rental yield on a property than the best mortgage rates. This is certainly not the case in most of the country.

The suburbs that have seen the biggest increases and decreases in rents show an interesting mix. Peppermint Grove and Claremont, two of the city's most expensive suburbs, have seen the biggest decline in rents. Nearby Dalkeith has seen one of the biggest increases. More broadly, beachside remains popular with renters, with City Beach and Swanbourne seeing big jumps in rents over the past 12 months.

Median weekly asking rent

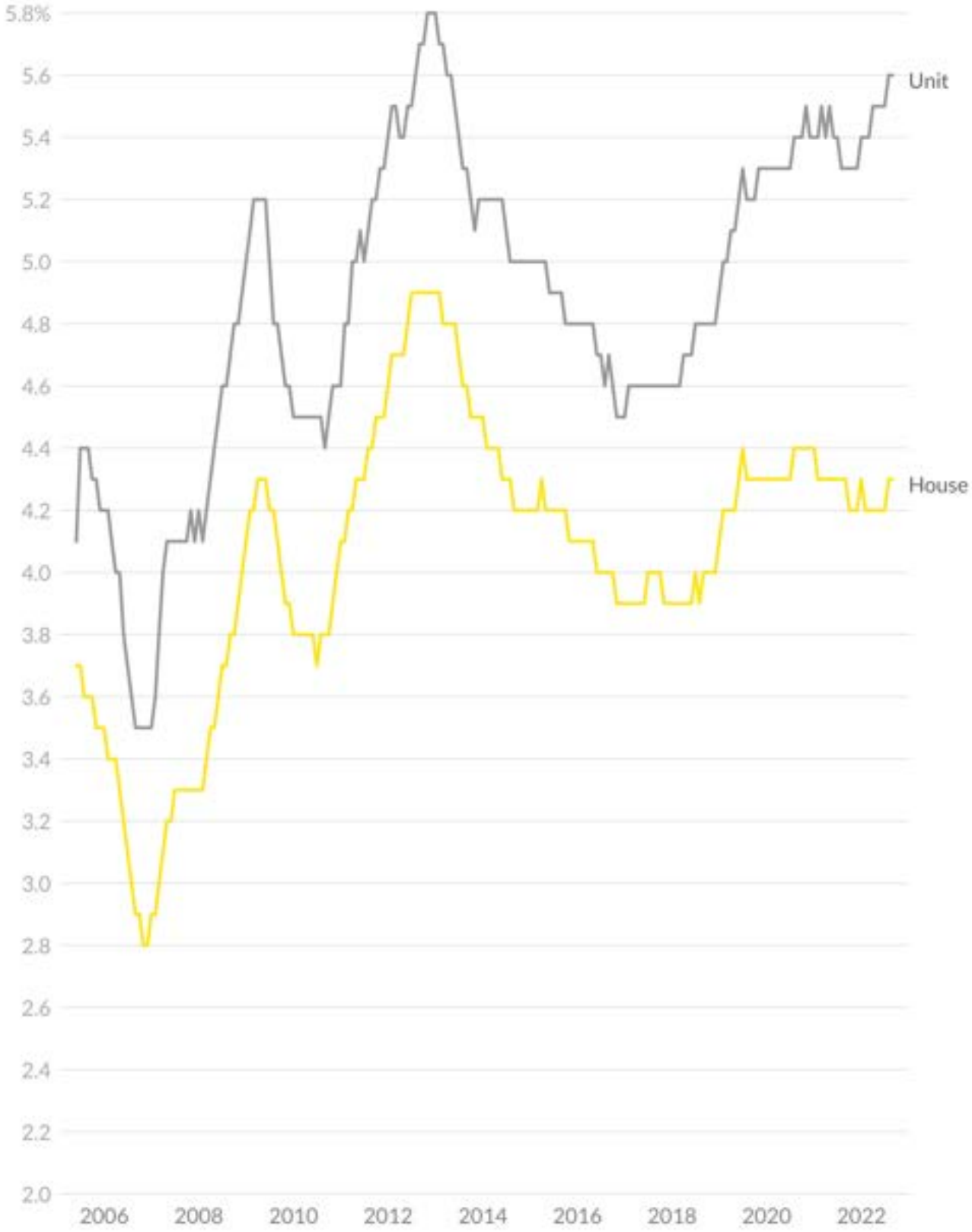
Perth ($)



Source: Ray White, CoreLogic

Median annual rental yields

Perth (%)



Source: Ray White, CoreLogic

Top rental growth suburbs in the last 12 months

Perth - Median weekly asking rent ($)

Suburb	Property type	2021	2022	($) Difference
Salter Point	House	$600	$865	$265
Dalkeith	House	$995	$1,225	$230
Waterford	House	$580	$790	$210
Swanbourne	House	$950	$1,150	$200
City Beach	House	$900	$1,080	$180
East Fremantle	House	$598	$773	$175
Bicton	House	$525	$700	$175
Palmyra	House	$478	$650	$173
North Coogee	House	$850	$1,000	$150
Mount Claremont	House	$850	$1,000	$150

Source: Ray White, CoreLogic

Top rental decline suburbs in the last 12 months

Perth - Median weekly asking rent ($)

Suburb	Property type	2021	2022	($) Difference
Peppermint Grove	House	$1,650	$1,350	-$300
Glendalough	House	$450	$390	-$60
Claremont	House	$900	$850	-$50
Alfred Cove	Unit	$498	$450	-$48
Peppermint Grove	Unit	$405	$365	-$40
Carine	Unit	$478	$450	-$28
Burswood	House	$650	$625	-$25
Daglish	House	$720	$700	-$20
White Gum Valley	Unit	$343	$325	-$18
East Perth	House	$563	$550	-$13

Source: Ray White, CoreLogic

Hobart - the best long-term investment in Australia over the past decade

Over the past decade, Hobart has seen both the highest level of capital growth and rental growth. House prices have more than doubled (increasing by 125 per cent) and rents have increased by 69 per cent. It's hard to imagine how affordable Hobart was given how significantly its housing market and economy has changed over this time.

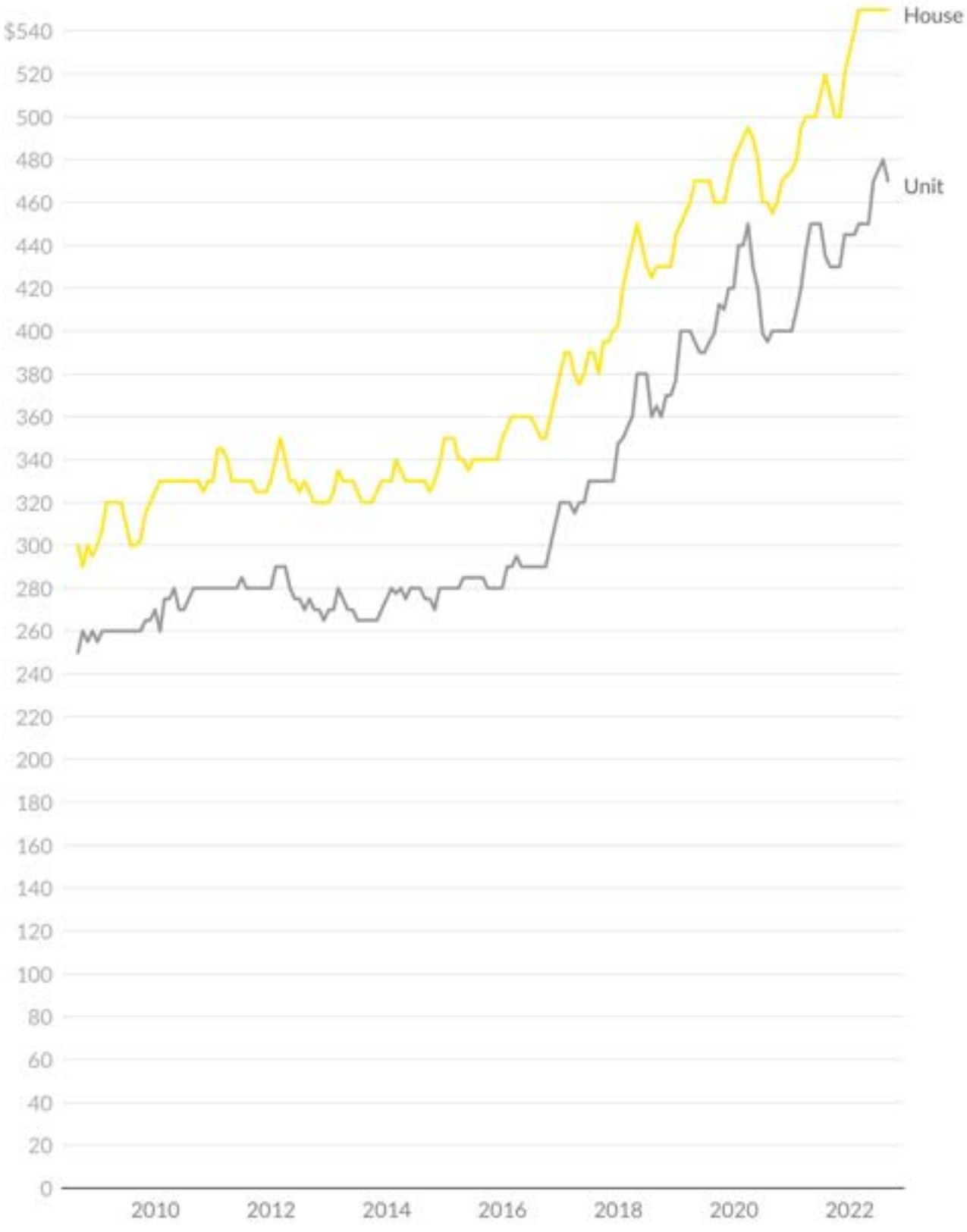
Like the rest of Australia, price growth has now stalled as interest rates rise. This will be only temporary but at this point, we still don't know exactly how high interest rates will go. Until there's a clearer outlook, it's unlikely that we'll see strong growth. Nevertheless, rental growth is more certain, particularly given that borders have reopened and we have a construction crisis limiting the level of new development.

The strength of the rental market is particularly apparent at a suburb level. There are only three suburbs in Hobart that are currently seeing declines in rents and this is only for units, not houses. These suburbs are Rokeby, Dynnyrne and South Hobart.

Although Hobart has been one of the top performers over the past decade, unfortunately past performance is no guarantee of future performance. While household incomes have increased over the past decade, it's been eclipsed by cost of living increases and affordability issues will impact the level of growth longer term. In addition, low levels of building activity, particularly for suitable housing such as apartments for students and downsizers, is expected to be turned around. The Hobart economy remains a vibrant one but the seismic shift that occurred over the past decade is almost certain not to occur again over the next decade. Hobart remains a great investment, however, with yields at one of the highest levels in Australia and it also remains a popular place to live.

Median weekly asking rent

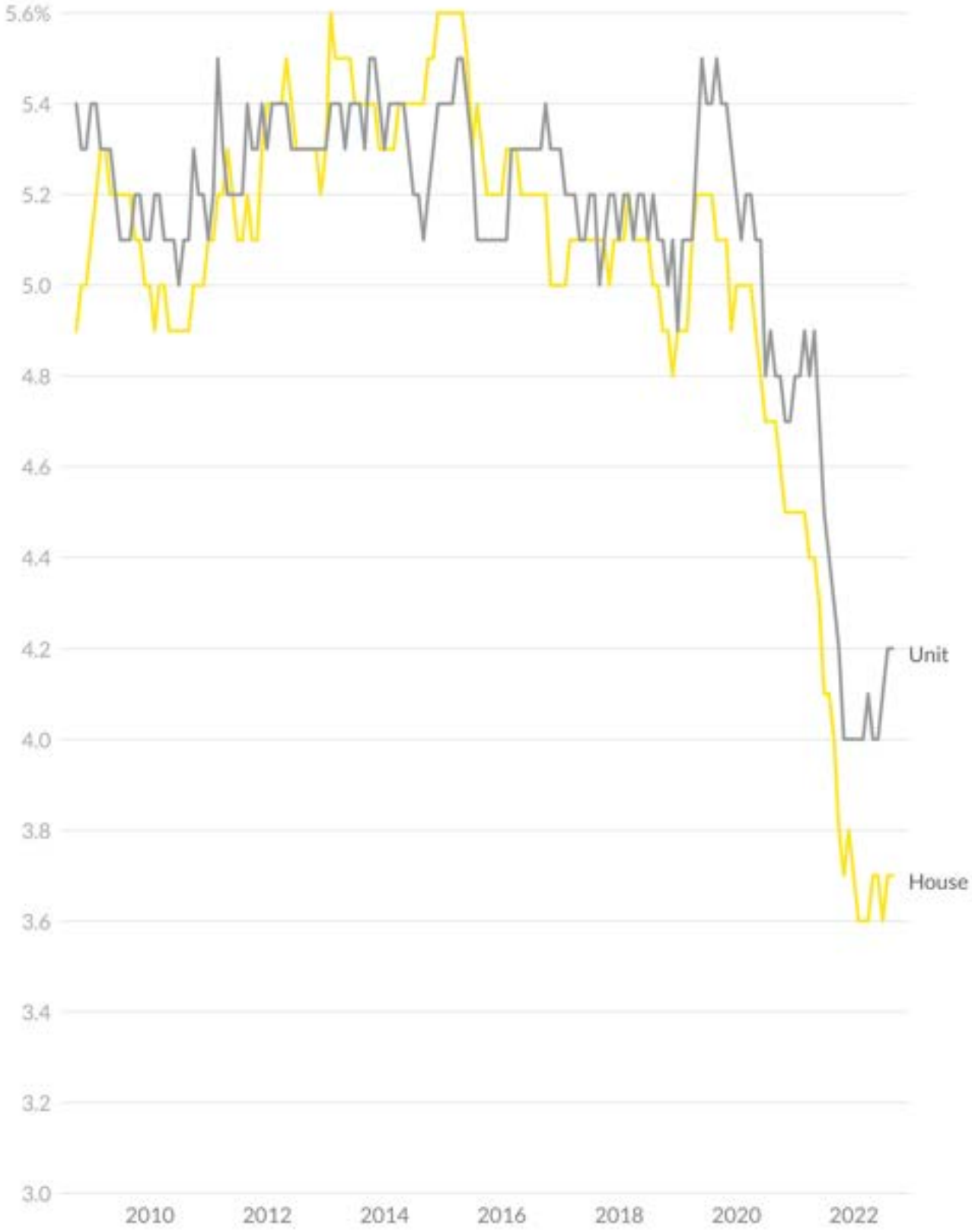
Hobart ($)



Source: Ray White, CoreLogic

Median annual rental yields

Hobart (%)



Source: Ray White, CoreLogic

Top rental growth suburbs in the last 12 months

Hobart - Median weekly asking rent ($)

Suburb	Property type	2021	2022	($) Difference
Mount Nelson	House	$505	$645	$140
Taroona	House	$495	$625	$130
New Norfolk	Unit	$288	$373	$85
Warrane	House	$420	$498	$78
Midway Point	House	$445	$520	$75
West Moonah	Unit	$348	$423	$75
West Hobart	House	$550	$625	$75
Oakdowns	House	$478	$550	$72
Lutana	House	$450	$520	$70
Kingston Beach	House	$500	$565	$65

Source: Ray White, CoreLogic

Top rental decline suburbs in the last 12 months

Hobart - Median weekly asking rent ($)

Suburb	Property type	2021	2022	($) Difference
Rokeby	Unit	$400	$320	-$80
Dynnyrne	Unit	$465	$450	-$15
South Hobart	Unit	$415	$410	-$5
South Hobart	House	$510	$510	$0
Battery Point	House	$635	$640	$5
Rosetta	Unit	$350	$360	$10
Lutana	Unit	$390	$400	$10
New Town	House	$540	$553	$13
Tranmere	House	$650	$663	$13
Hobart	Unit	$510	$525	$15

Source: Ray White, CoreLogic

Canberra - prices are off historical highs but rents continue to climb

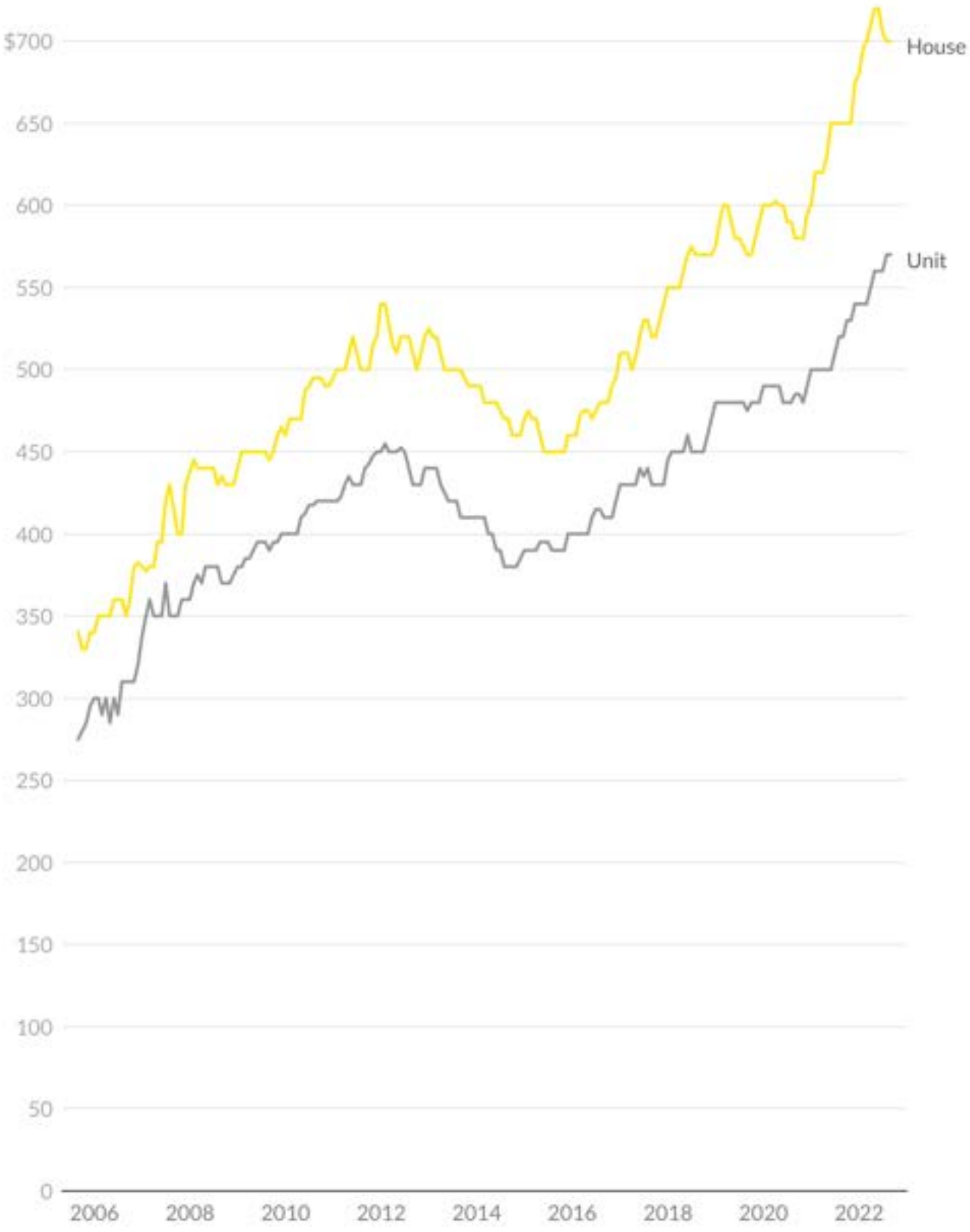
Despite being one of the strongest markets in Australia over the past two years, Canberra has not been immune to rapid rises in interest rates and a change in sentiment towards property. After hitting a $1 million median, it's now sitting just under $985,000. It did however pick up over the past two months, increasing from $980,000. The Canberra market keenly reflects what's happening in the Australian property market at the moment - interest rates may be rising but population growth is picking up again and we have a construction crisis impacting the level of new development.

While price growth will likely stall until we have more certainty as to when interest rates will peak, rents are likely to continue to increase. Right now, house rents have come back a little bit but unit rents are increasing. Despite high levels of new development through the pandemic, it's never been more expensive to rent an apartment. This is great news for investors, but is more challenging for renters.

At a suburb level, O'Malley houses top the list for rental growth, followed by houses in Forrest and units in Yarralumla. There are only eight suburbs in Canberra where rents are falling and topping the list is Deakin, where it's a bit more affordable to rent a home compared with last year.

Median weekly asking rent

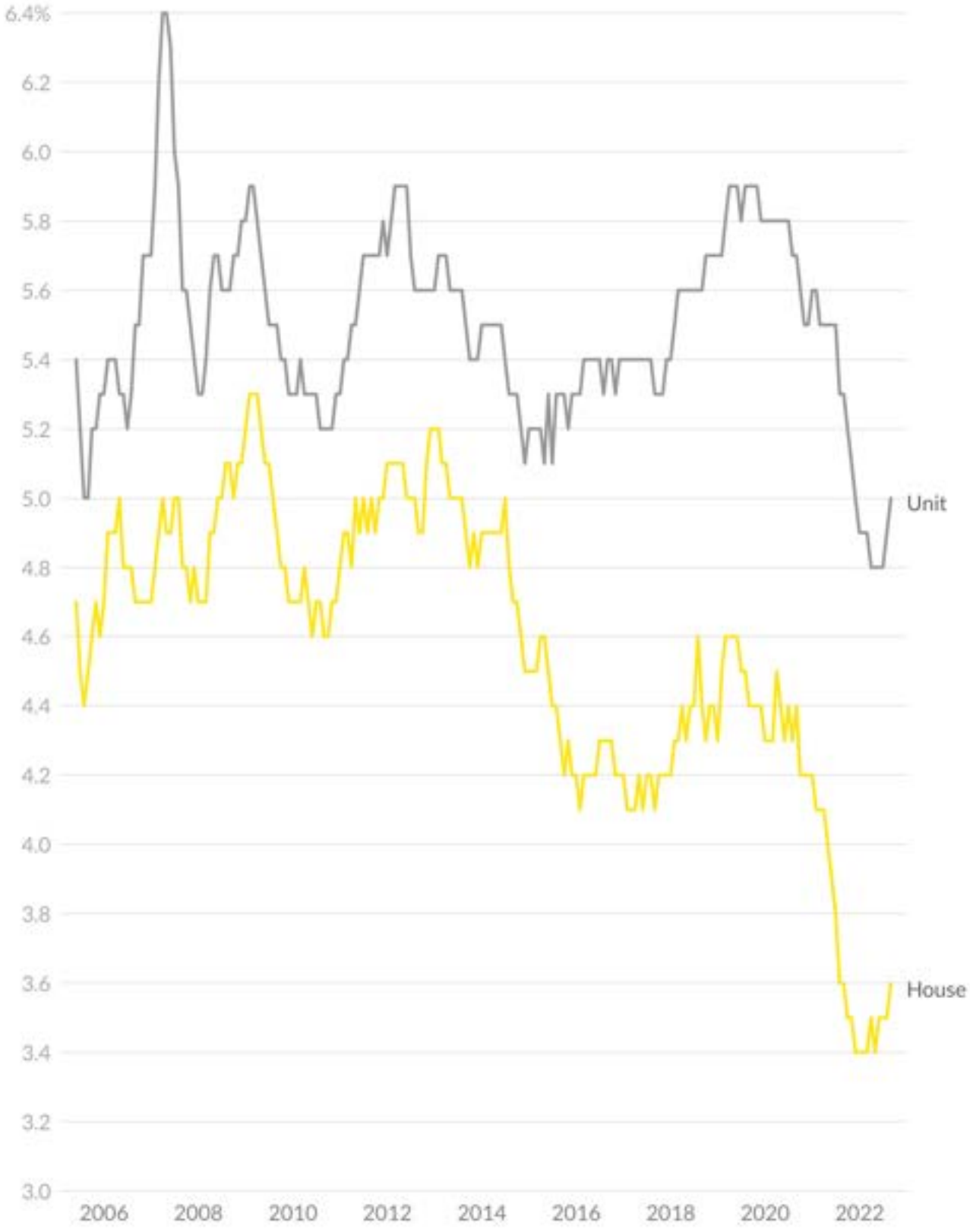
Canberra ($)



Source: Ray White, CoreLogic

Median annual rental yields

Canberra (%)



Source: Ray White, CoreLogic

Top rental growth suburbs in the last 12 months

Canberra - Median weekly asking rent ($)

Suburb	Property type	2021	2022	($) Difference
O'Malley	House	$1,550	$2,000	$450
Forrest	House	$900	$1,325	$425
Yarralumla	Unit	$500	$710	$210
Wright	House	$775	$975	$200
Mawson	Unit	$398	$580	$183
Isaacs	House	$700	$875	$175
Red Hill	House	$895	$1,070	$175
Aranda	House	$620	$790	$170
Coombs	House	$613	$775	$163
Franklin	House	$620	$780	$160

Source: Ray White, CoreLogic

Top rental decline suburbs in the last 12 months

Canberra - Median weekly asking rent ($)

Suburb	Property type	2021	2022	($) Difference
Deakin	House	$945	$850	-$95
Oxley	House	$645	$600	-$45
Amaroo	Unit	$503	$460	-$42
Hughes	Unit	$395	$365	-$30
Isaacs	Unit	$600	$580	-$20
Chapman	House	$815	$800	-$15
Scullin	Unit	$440	$425	-$15
Phillip	House	$500	$490	-$10
Pearce	Unit	$520	$520	$0
O'Connor	Unit	$480	$480	$0

Source: Ray White, CoreLogic

Darwin - best place in Australia for rental yield

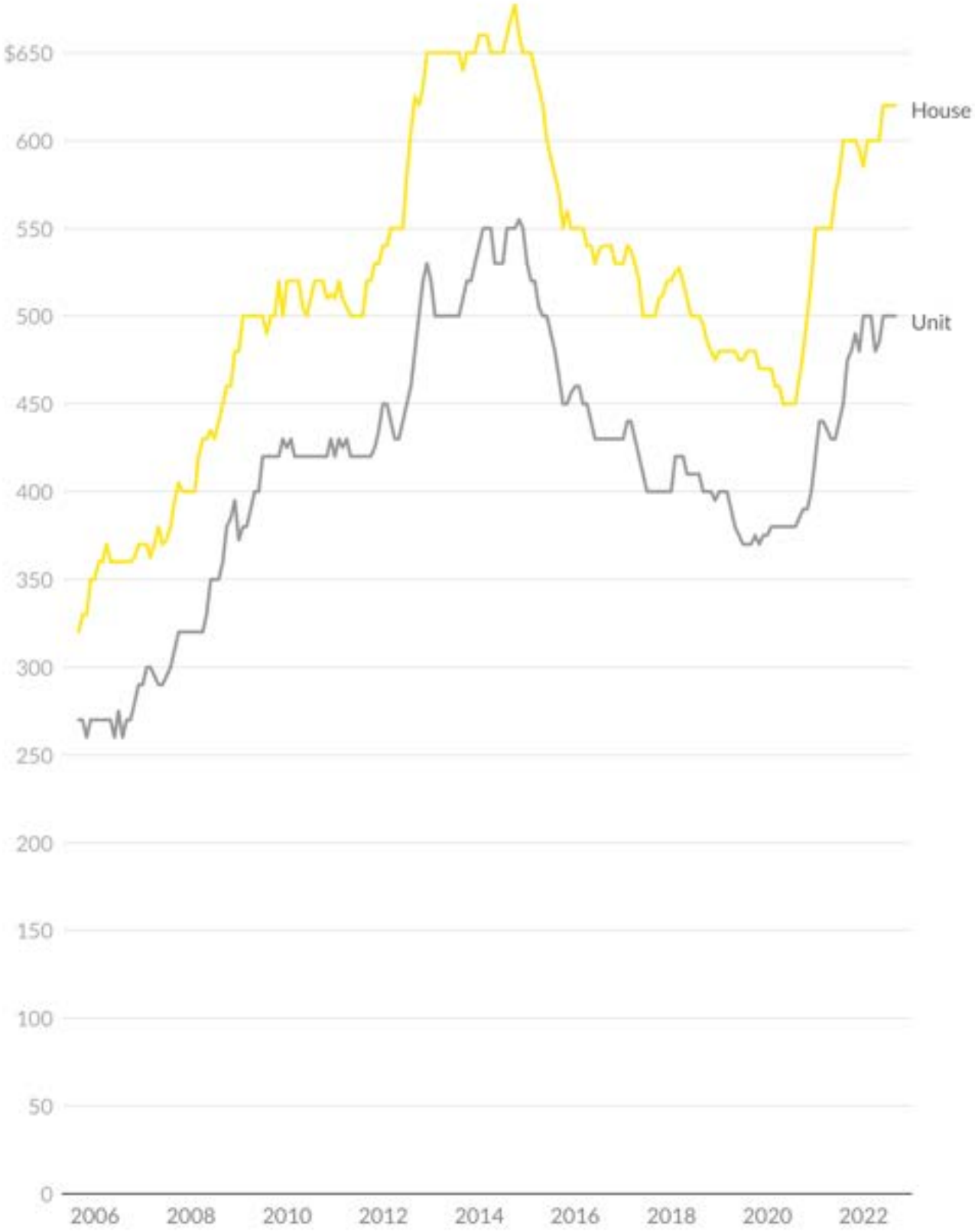
House price changes have been choppy in Darwin and overall, prices now remain the same as where they were in March 2022 after peaking in June. Despite this, rental growth continues. Rents for houses are now at their highest level ever recorded, whereas unit rents are slowly heading back to their October 2014 peak. This is good news for rental yields.

Darwin is now one of the few places in Australia where rental yields are still well up on most mortgage rates, even with rising interest rates. For houses, the yield is currently 5.73 per cent and for units, it's 7.07 per cent. You may struggle to get strong capital growth short-term in much of Australia right now, but in Darwin you'll get enough to pay off your mortgage plus a bit leftover. If rental growth continues, this yield is likely to continue to improve over the next 12 months.

At a suburb level, there's nowhere in Darwin currently seeing declines in rents. Larrakeyah, Howard Springs and Marrara are seeing the biggest increases in rents. In Fannie Bay, however, rents have remained stable over the past 12 months.

Median weekly asking rent

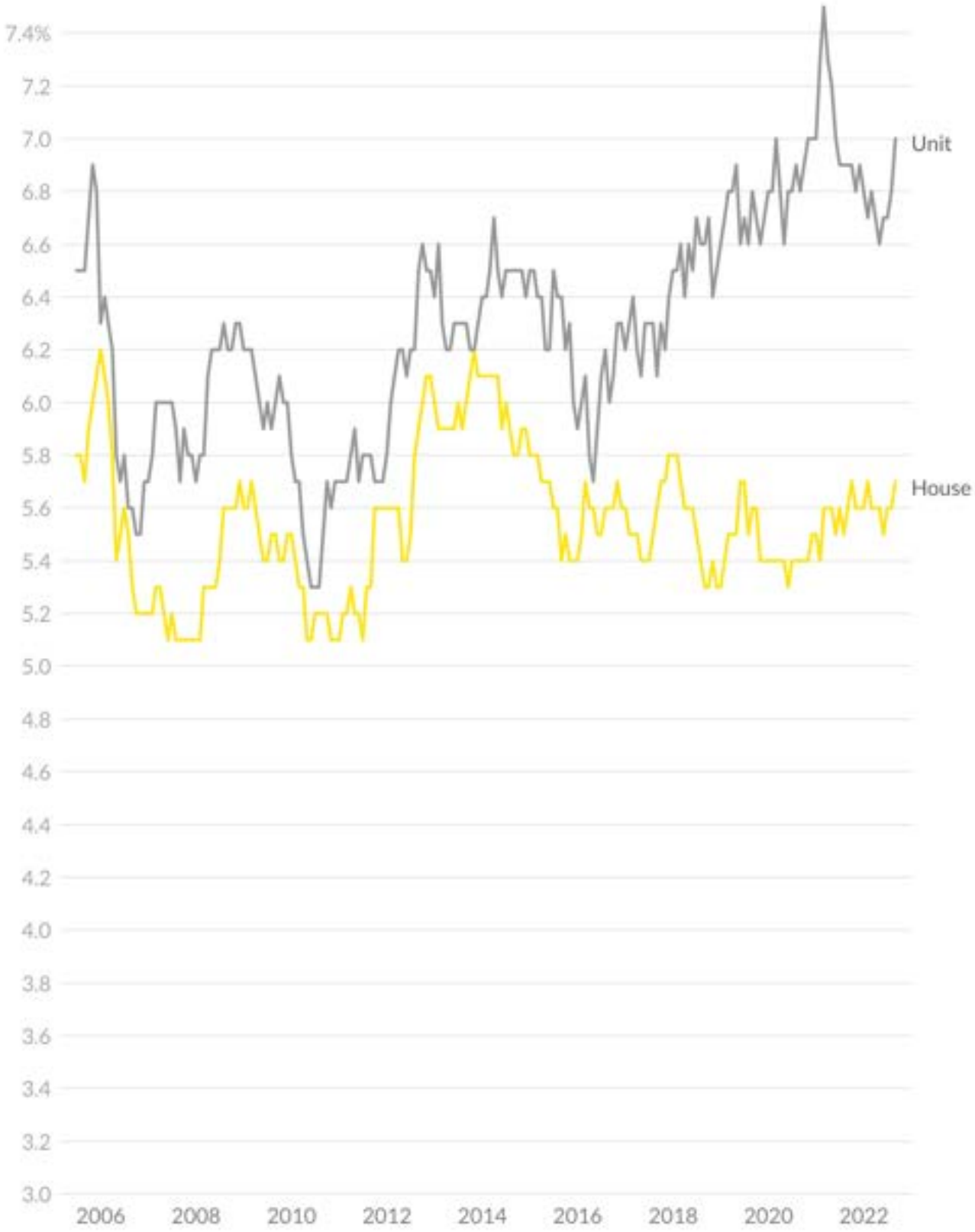
Darwin ($)



Source: Ray White, CoreLogic

Median annual rental yields

Darwin (%)



Source: Ray White, CoreLogic

Top rental growth suburbs in the last 12 months

Darwin - Median weekly asking rent ($)

Suburb	Property type	2021	2022	($) Difference
Larrakeyah	House	$525	$850	$325
Howard Springs	House	$455	$725	$270
Marrara	House	$600	$750	$150
Ludmilla	House	$590	$723	$133
Wulagi	House	$450	$580	$130
Farrar	House	$535	$650	$115
Woodroffe	House	$420	$530	$110
Driver	House	$440	$550	$110
the Gardens	Unit	$390	$500	$110
Farrar	Unit	$395	$500	$105

Source: Ray White, CoreLogic

Top rental decline suburbs in the last 12 months

Darwin - Median weekly asking rent ($)

Suburb	Property type	2021	2022	($) Difference
Fannie Bay	House	$850	$850	$0
Rapid Creek	House	$550	$565	$15
Wagaman	Unit	$330	$350	$20
Tiwi	Unit	$350	$375	$25
Nightcliff	Unit	$350	$380	$30
Moulden	Unit	$310	$350	$40
Johnston	House	$590	$638	$48
Nightcliff	House	$600	$650	$50
Muirhead	House	$650	$700	$50
Gray	Unit	$300	$350	$50

Source: Ray White, CoreLogic

SHOULD YOU INVEST IN PROPERTY IN A DOWN MARKET?

Investing in property has always been a popular way to build wealth in Australia but data on investor lending is now showing that investors are pulling back. After hitting a record high in March 2022 of $11.6 billion, investor lending has now declined by 20 per cent. With prices softening and rates rising, is now a good time to invest?

There are a number of considerations that need to be made whether it's a good time:

1. Can you afford rising interest rates?

Rates have been rising quickly and at this point, it's too early to say when they'll start to stabilise. Since last year, banks have been required to factor in your ability to pay a loan three per cent higher than the current rate. Regardless, it makes sense to budget in more rate rises when looking at buying an investment property.

2. Can you get a loan?

The largest fall in house prices in recent history was in Sydney following the start of the Global Financial Crisis. A large driver of the decline was that banks were restricted as to how much they could lend. This isn't the case now and with rising interest rates, providing mortgages is even more profitable for banks, making them keen to lend. Provided you can pay back the loan, you're likely to be able to get a loan relatively easily.

3. Where are you looking to buy?

Not everywhere is seeing declines in prices and even in areas where prices have declined, these declines will end at some point. Meanwhile rents are still rising pretty much everywhere. Where and what you buy right now can lead to dramatically different investment outcomes even in the short term.

4. Are you looking for capital growth or rental yield?

It's very rare to be able to get high capital growth and high rental yield. Suburbs that have high rental yields generally do not see much capital growth while high growth suburbs have low rental yields. Investors typically concentrate on capital growth however rental yield is equally as important, particularly if you're looking to hold long term. Right now, we're seeing low capital growth overall but strong growth in rents.

5. How long do you want to keep it?

Now is not a great time to house flip. During the pandemic, strong price growth meant it was profitable to buy and then sell quickly, even with transaction costs such as stamp duty factored in. With price increases slowing, and in some cases falling, it's far less likely you can make a profit in a short amount of time. Holding long-term means that it matters less what part of the cycle you buy in.

6. What are your alternative investment options?

Property is often called "inflation proof". This isn't entirely true given how much property investors rely on debt to finance a purchase. However, it's true that rental returns do provide a hedge against capital losses during a market downturn. Right now, investing in anything is risky. Shares are highly volatile, putting money in a term deposit yields very little return and alternative investments such as Bitcoin are seen as even higher risk than normal.

Where is the capital flowing in commercial transactions?

After a landmark year in 2021 of commercial transactions, 2022 has seen a distinct slowdown, given the rapid changes in interest rates and rising bond yields putting the brakes on many financiers and investor confidence. Australia, however, does continue its reputation as a safe haven for investment given its economic and political stability, making it an attractive market to invest in for all.

Australian commercial transactions were at their highest during quarters two to four in 2021, with these periods alone representing $83.7 billion in sales, bringing the calendar year sales volume up to $96.7 billion. The real estate investment trust (REIT) and listed spaces had the greatest accumulation of assets, with over $7.8 billion in net acquisitions, while institutional and offshore activity were also robust. Taking advantage of the rapid price rises and lowering investment yields, private buyers jumped out of the market, disposing of more than $40 billion worth of assets. However this segment also represented competitive investors. Buyers, particularly private syndicates and first time investors looked to diversify their investment portfolio. Despite this, the mismatch still saw more than $8 billion in investment leave the private sector.

Fast forward to 2022 and fundamentals are changing. Through to the end of August 2022, $48.6 billion has been invested in the commercial property sector. New South Wales was the location of choice to invest in, accounting for 43.3 per cent, and its share was up five per cent on last year's results. Victoria similarly has increased its holdings on 2021 results, now at 27.8 per cent, while markets such as Queensland and Western Australia, which were attractive last year due to their strong population gains, economic growth and future potential, have now slowed.

Looking at asset classes, the confidence in office assets has returned while industrial sales have now moderated after a standout 2021, while retail, hotels and medical/aged care have all seen uplift in activity this year too.

Importantly, the flows of capital are at a significant turning point. The big buyer of 2021, REITs, retreated rapidly this year, selling more than they're buying. While both institutions and offshore players continue to sell down assets, they continue to grow their commitment to Australian commercial property. Some international buyers in particular have growing confidence in our local market, with the USA and Germany being the regions representing growth in investment this year. Conversely, Singapore, China and Hong Kong have decreased their economic commitment to Australian property significantly.

Private buyers make up a sizeable proportion of our commercial property universe. The changing dynamics of this buyer and seller group is indicative of their understanding of the cyclical nature of our property market. Capitalising on strong yields and increases to capital returns, together with availability of finance, meant these investors were quick to sell in 2021. While this trend has continued again this year, the extent has been far less. As market conditions move, we're likely to see private investors become net purchasers, capitalising on emerging opportunities and stress of owners who may have purchased at peak rates last year. Similarly, as bond rates grow, the spreads will become increasingly unsustainable for some property owners which will benefit the private sector and their ability to move quickly when opportunities present themselves.

OCTOBER CASH RATE RISE: HOW IS YOUR BORROWING POWER IMPACTED?

The official cash rate has lifted again this month to 2.60 per cent for the sixth consecutive month. This is the highest the rate has been since July 2013 when it was 2.75 per cent.

The increase will impact any homeowner with a variable-rate or split home loan, or anyone considering taking out a new loan. But it isn't only repayments that will be impacted. The increasing cash rate also impacts borrowing power. But what is borrowing power and how much does an increase in cash rate and its flow-on effect to interest rates impact it?

What is borrowing power?

Borrowing power is the amount of money a lender is willing to let you borrow to purchase property. This is also sometimes referred to as your borrowing capacity. The way it's calculated varies depending on the lender, but in general it takes into consideration your income, assets, liabilities, credit health, debts, deposit amount and the value of the property.

Lenders are also expected to apply at least a three percentage points interest rate serviceability buffer (according to the Australian Prudential Regulation Authority's guidelines). This means the lender will add at least three percentage points to the current interest rate to calculate repayments and ensure you'll be able to meet them, hedging against future rate rises (for example a three per cent p.a. interest rate would be raised to 6 per cent p.a. with the serviceability buffer).

When you speak to your broker, we calculate your borrowing power across the criteria of a number of lenders to give you an idea of how much you could borrow and therefore the top value of properties you may want to consider in your search.

How do rising interest rates impact borrowing power?

When interest rates rise, your borrowing power is likely to decrease. This is because the repayments will increase and if your income isn't also increasing, your ability to service that loan will drop. Let's have a look at how borrowing capacity can be impacted as interest rates rise.

In this example, Nancy earns $110,000 per year pre-tax with no dependents, debts or credit card, and the average Australian annual expenses of $16,500.

For a loan term of 30 years, her borrowing capacity would change depending on the interest rate as follows:

3.0% p.a. - $830,000

3.5% p.a. - $784,000

4.0% p.a. - $741,000

4.5% p.a. - $702,000

5.0% p.a. - $666,000

5.5% p.a. - $632,000

6.0% p.a. - $602,000

As you can see, an increase of just half a percentage point makes a huge difference in Nancy's borrowing power. If the lender passed on the RBA's full increase in cash rate in its interest rates, which was by half a percentage point last month, and Nancy had been considering a loan at 4% p.a., the interest rate would have increased to 4.5% p.a. and her borrowing power would have dropped from $741,000 to $702,000 - decreasing her potential bid by $39,000.

What if I have pre-approval?

Pre-approval is when a lender indicates they're satisfied you meet their criteria to borrow a specified amount. This is very helpful in refining your property search and bidding with confidence. However, something to keep in mind is that pre-approvals are conditional. If your circumstances change or interest rates increase, it could impact your pre-approval. While one increase in the cash rate is unlikely to void your pre-approval, if the cash rate increased three times during the period of your pre-approval (which is usually up to around three months), you may find the amount the lender is willing to lend you has decreased.

Because of this, it's a good idea to get pre-approval when you're likely to start making offers rather than waiting until the end of the pre-approval period. If something has not become available until later in your pre-approval period, speak to your broker to find out if it could have been impacted.

The important thing to keep in mind is that increasing interest rates do not mean doom and gloom. We have a panel of over 60 lenders and can find the right one for your needs. There are still competitive deals available, and we can help optimise your borrowing power through a number of steps and matching you with the right lender.

Andrea McNaughton
Managing Director
Loan Market

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.

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