RAY WHITE **NOW**

NOVEMBER 2021

PROUDLY PRESENTING PROPERTY MARKET INSIGHTS IN REAL-TIME

A MESSAGE FROM OUR **MANAGING DIRECTOR**

Great news as both the Sydney and Melbourne economies open up again and with that, an increase in the number of properties for sale. Scheduled auctions across our group are currently double where they were 12 months ago, while the number of listing authorities is up almost 12 per cent from last year. With so much stock on the market, it looks like we're heading to a particularly strong late spring, and likely a bumper summer. This is great news for anyone looking to buy, and as we know, most sellers are subsequent buyers; it's good news for many sellers as well.

We're proud that Ray White continues to be the preferred agency for more sellers than any other agency. In Australia, we hit a record market share in September, maintaining this position across all price categories. We also had a record revenue month for October, hitting more than $8 billion in unconditional sales.

Our commitment to getting the best outcomes for our clients and a focus on auction as the best method of sale has resulted in strong levels of competition. Average active bidders at auction across Australia continue to hit record levels and the gap between highest prior offer and auction sale price remains well above average. Although it's tempting to sell off market in such strong conditions, our research shows that this doesn't lead to the best outcome if you're looking to get the best price possible.

With widespread lockdowns hopefully a thing of the past, our international borders starting to open up and life starting to get back to how it was prior to the pandemic, we're all looking forward to spending time with our family and friends as we edge a bit closer to the holiday season.

Dan White
Managing Director
Ray White

THIS MONTH IN
RAY WHITE NOW

This month we take a look at what you should consider if you're looking to sell. Price growth continues to accelerate but we're starting to see days on market increase, a sign that there's a growing gap between buyer and seller expectations. In addition, the first set of finance restrictions came into effect at the start of November - at present, they are light touch but may be ramped up at the start of 2022.

In our state by state analysis, we hone into luxury markets around Australia. Luxury homes did far better during the pandemic than they otherwise would, driven by cheap finance, high savings rates and of course, some business types that did far better because of the pandemic. Every decade, the median of our most expensive suburbs have increased by $1 million however over the past decade, they have catapulted $2 million ahead.

Every time there's price acceleration, commentary around house price bubbles ramps up. This month we take a look at when Australia has experienced house price bubbles, and what has driven them. More importantly, we discuss whether we're currently in a house price bubble.

Finally, our commercial property story this month looks at what to look out for when investing in this type of property. From zoning to lease terms, it is generally more complicated than residential purchases.

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

Nerida Conisbee
Chief Economist
Ray White

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WHY SELL NOW?

Property prices continue to rise and, at this stage, are showing no signs of slowing down. As we head into late spring, should you sell now? Or are you better to wait for more price growth?

Most sellers are subsequent buyers. While the red hot property market has been great news for pricing, it has been a difficult market to buy in. Positively, listings are slowly recovering from the late start to what has traditionally been the strongest selling season. If you're a seller that wants to buy back into the market, there will be more available over the coming months.

In determining whether you should sell in this market, these are some considerations.

Finance is starting to be restricted but at this stage a light touch only

The big announcement impacting the property market in October was the Australian Prudential Regulation Authority's (APRA) move to restrict lending through increasing the interest rate buffer. The buffer, which acts as a stress test for borrowers, has increased from 2.5 per cent to three per cent. This means that when assessing capacity to pay, banks must now look at whether that borrower can pay a loan at three per cent more than the current mortgage rate. It estimates that this will lead to a five per cent reduction in the amount borrowed by the typical borrower.

At this stage, the restrictions that are being put in place are relatively minor and are unlikely to make a major impact on pricing overall. Macroprudential regulations tend to impact first home buyers and lower income earners most and as such, any impact is most likely to be felt in lower priced suburbs.

While the restrictions are unlikely to lead to much of a hit on pricing, it is likely that further restrictions will be put in place if prices continue to rise at a rapid rate. As such, it's almost impossible for prices to rise at anywhere near the same rate they have risen over the past 12 months in 2022. In New Zealand, the market which has introduced some of the most strict restrictions this year, the level of restrictions has continued to rise as lending growth has continued.

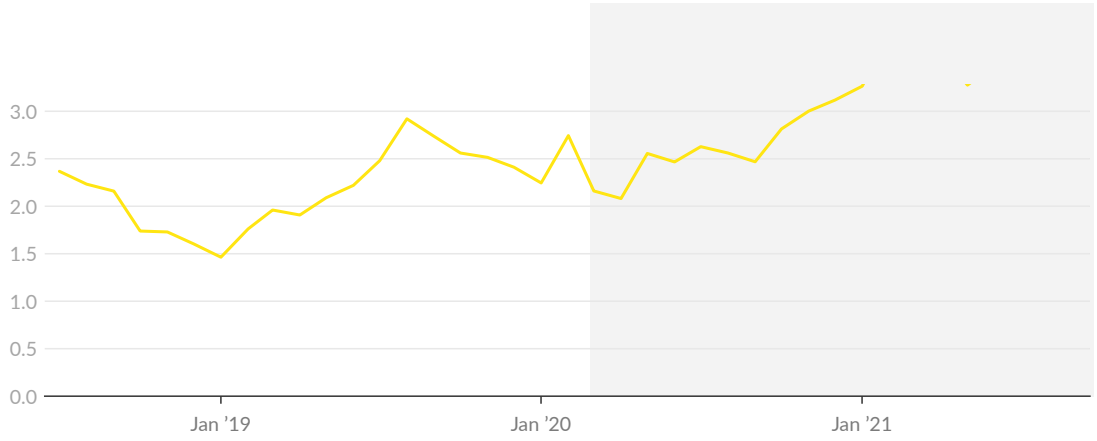
Competition for property remains strong

For now, there's no slow down in competition for property, despite the number of properties for sale beginning to increase. This will continue to flow through to price growth.

Two measures that we use to determine the level of competition are the number of people actively bidding at auction. The second is the gap between the highest prior offer and the price that the property sold for at auction. Active bidding hit record highs in September. While there's been talk that the market is slowing, we're yet to see much evidence of this.

Bidding at auction is the most competitive it has ever been

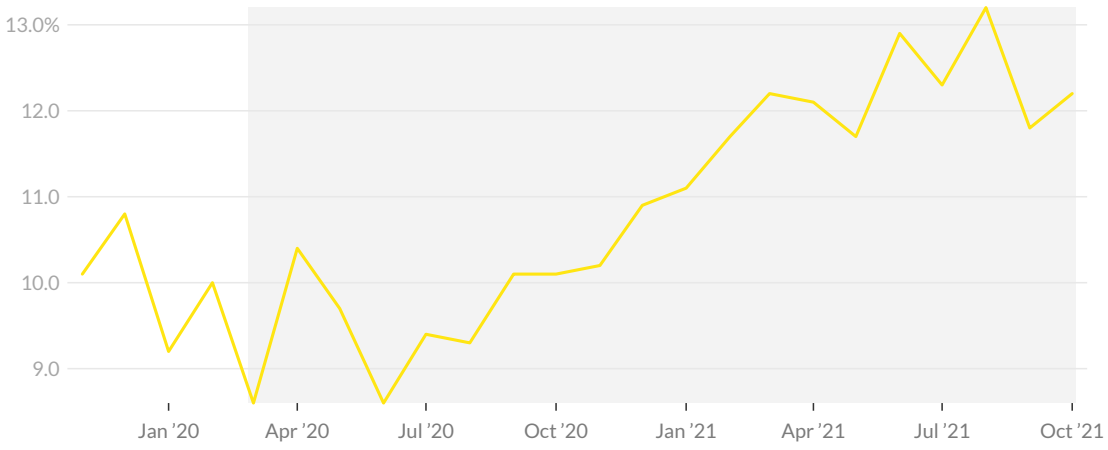
Average active bidders, 2018 to 2021



A total of 75,900 auctions were undertaken over this time period

Source: Ray White

Gap between highest prior offer and auction sale price remains above average



A total of 17,000 auctions reported over this time period

Source: Ray White

Selling seasons have now changed

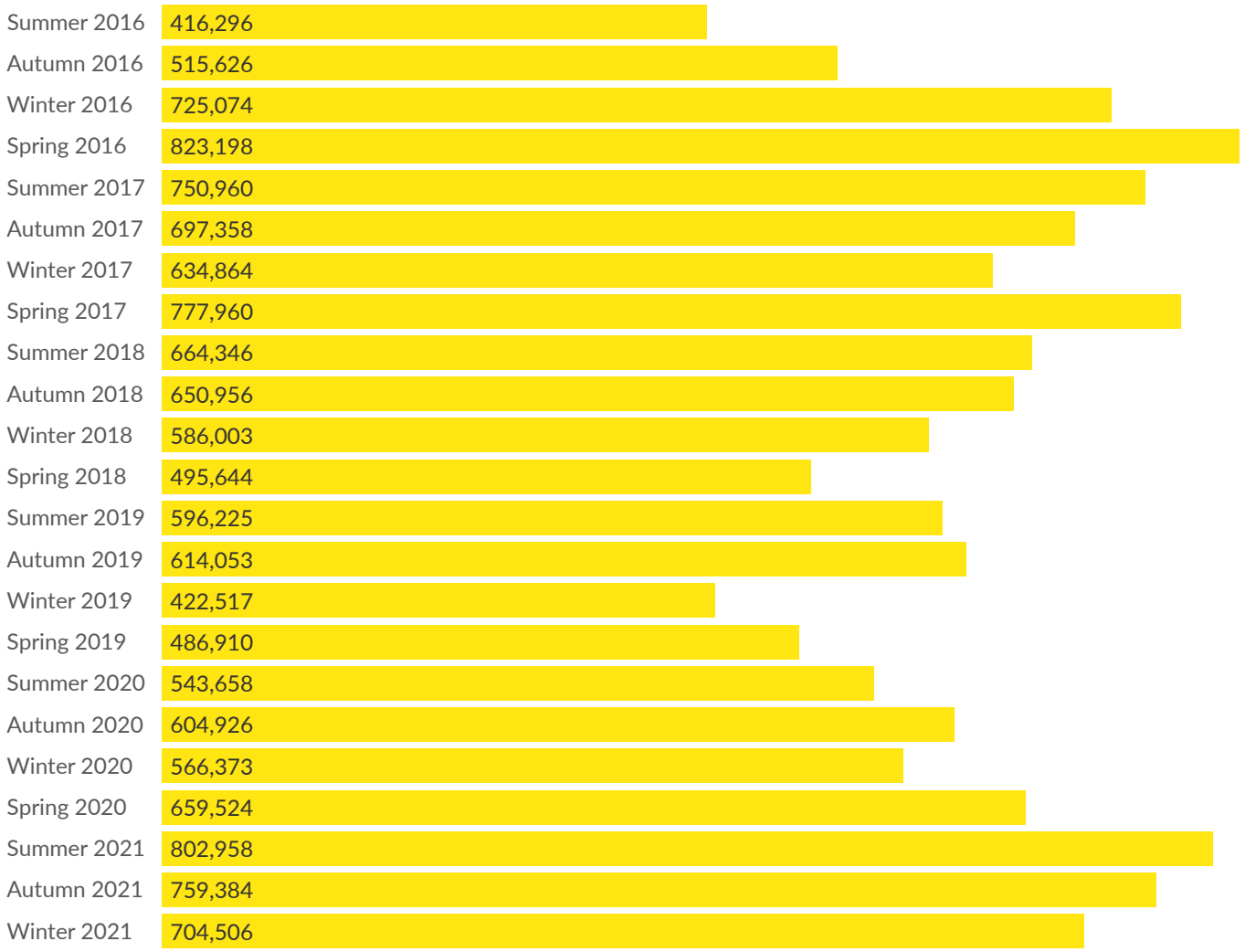
Traditionally, spring has been the strongest month to sell property. This however has now changed and we are seeing higher levels of listings at times that have traditionally been relatively slow. So much so that summer 2020 saw the second highest listings volumes recorded over the past five years. It was only beaten by spring of 2016.

The changes to selling seasons has of course been driven by lockdowns and the difficulties in selling in these periods. Winter this year was gearing up to be a very strong season however lockdowns in Melbourne and Sydney changed this. The start of Spring has also been slow because of this.

Late spring and summer 2022 are looking to be good months for selling property, primarily because of large numbers of people holding off selling since June 2021.

Will summer 2022 be the strongest summer on record?

Listing volumes by season



Source: Ray White

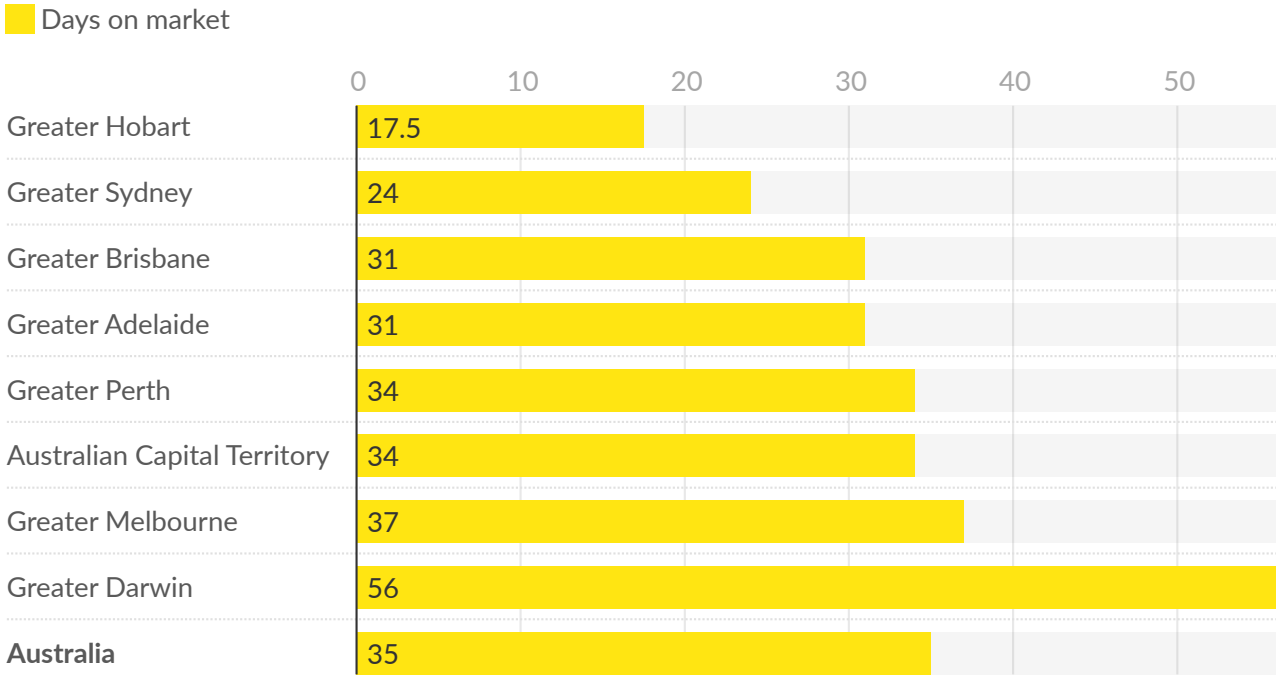
Days on market are starting to rise

A consideration to make when selling is that days on market are starting to increase. The number of days a property stayed on market hit a record low in March 2021 with homes selling on average in 21 days. In September, this rose to 35 days.

As to what is driving the slow down, it could be a number of factors. The first is that buyers are becoming more discerning, perhaps driven by very fast price growth and a subsequent hesitancy. The second could be lockdowns. It's difficult to sell homes in lockdown. Not only do listings drop but so too does buyer activity - as a result homes take longer to sell, without necessarily impacting pricing. For now, price growth is continuing at a rapid rate but this is one indicator that suggests that it may start to slow as we head to the end of the year.

Hobart houses are selling the quickest in Australia

Days on market by capital city



Source: Corelogic, Ray White

STATE OF THE **LUXURY MARKET**

COVID-19 has had a number of undeniable impacts on property markets - strong price growth, strong demand for big homes, a desire to move to regional areas, relatively weak rental markets and greater interest in holiday homes. Luxury property has also been far more highly in demand because of the pandemic.

What has driven the luxury property market? Similar conditions to the rest of the market - low interest rates, high savings rates, more time spent at home and a desire for space. Added to this has been some particularly strong p erformance of some parts of the economy because of the pandemic. The sectors that saw the biggest uplift in 2020 according to the ABS business survey include mining, health and retail trade. Anyone employed in very senior positions or with businesses in iron ore, pathology, large format retailing or supermarkets would have had a bumper year. Many of them have bought very nice homes as a result.

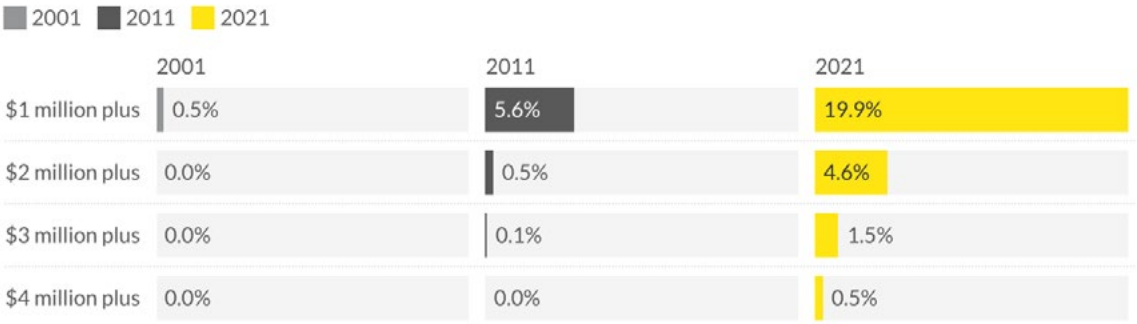
There is no official definition for luxury however for our analysis, we have assumed that any suburb with a median over $3 million for houses is considered a luxury suburb. We have also taken a look at units however have reduced the median to $1.5 million for this analysis. Ultra luxury we have defined overall at $10 million plus for houses and for over $3 million for units.

$4 MILLION IS THE NEW $1 MILLION

Every decade, the most expensive suburbs of Australia go up around $1 million. In 2001, $1 million was the benchmark with 0.5 per cent of suburbs priced over this median. By 2011, it had increased to $2 million. This year, it should have been $3 million however particularly strong price growth through the pandemic has led to $4 million setting the benchmark.

$4 million is the new $1 million for houses

Proportion of all Australian suburbs by price point, 2001|2011|2021

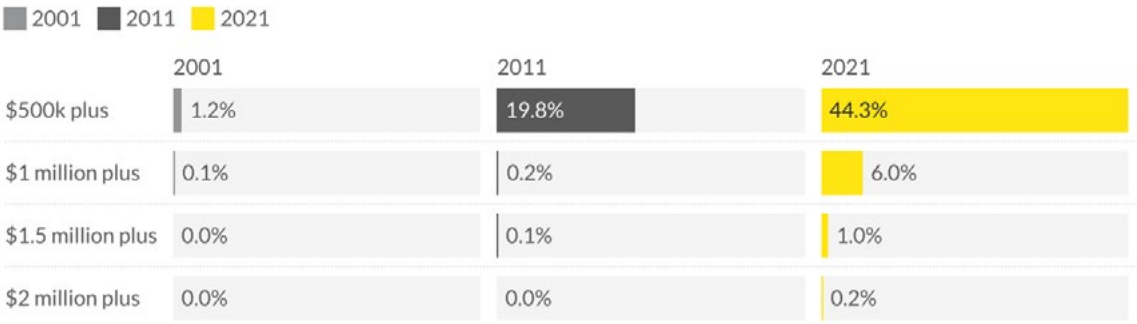


Source: Ray White

For units, the price jumps for luxury have been lower. In 2001, $500,000 was the starting point for unit in a high end suburb. That has now increased to $1.5 million.

$1.5 million is the new $500,000 for units

Proportion of all Australian suburbs by unit price point, 2001|2011|2021



Source: Ray White

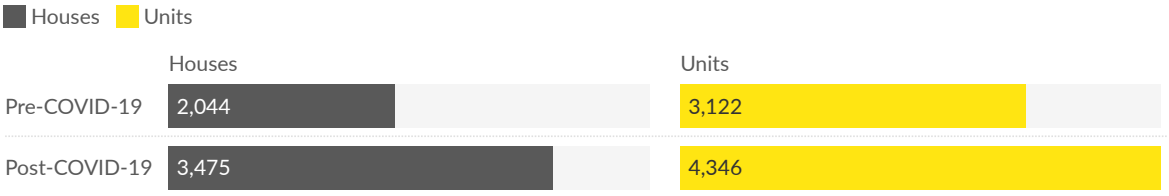
THE RISE IN ULTRA LUXURY

While $4 million will get you a house in the most expensive suburbs of Australia, and $1.5 million will get a unit, it won't get you the best houses in these suburbs. For this, you need to go a lot higher. While the cut off is arbitrary, we have considered that $10 million plus for a house and $3 million plus for a unit would get you one of the best homes in Australia.

The number of homes sold at these price points increased substantially during the pandemic, partly because price growth pushed more properties to this level. But also because very strong demand prompted more people to sell. Across Australia, the number of luxury houses increased by 70 per cent post pandemic. Luxury apartment sales increased by 40 per cent.

COVID-19 has led to an uplift in luxury home sales

Sales volumes in the 18 months pre-COVID-19 and 18 months post-COVID-19



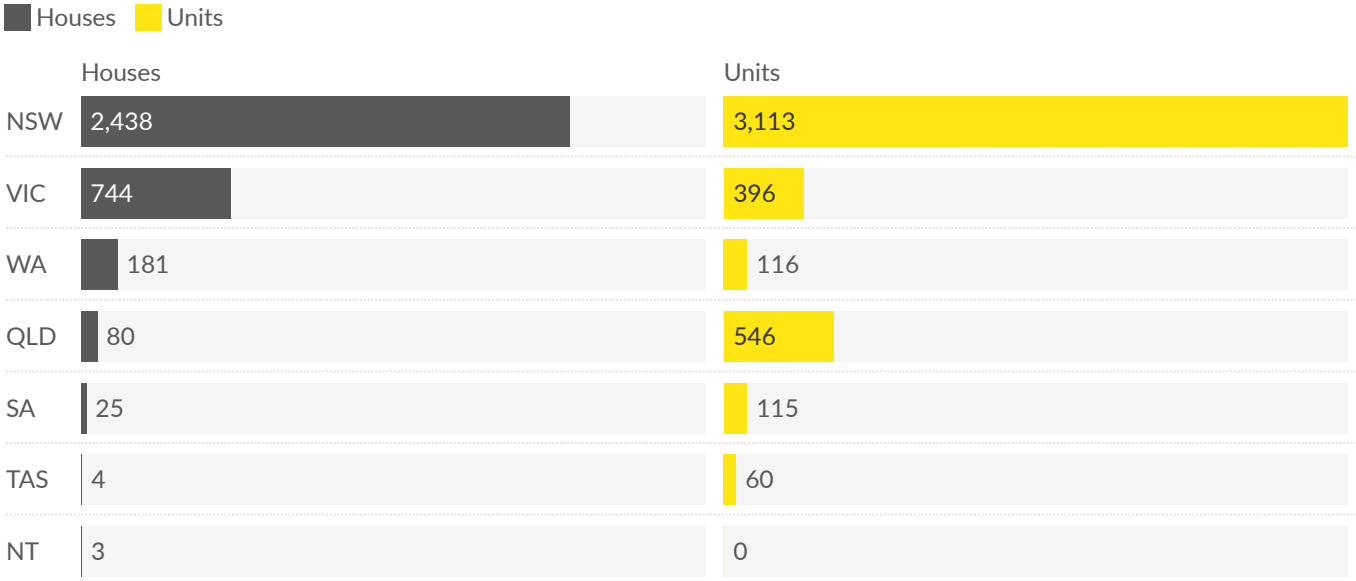
Not surprisingly, the most luxury homes and apartments are in New South Wales, specifically Sydney. This city dominates both the most expensive suburbs and the luxury homes market. Almost all suburbs with a median over $4 million are in Sydney, with the exception of Toorak in Melbourne and Newrybar in northern New South Wales. Mosman tops the list nationally for the most $10 million house sales since the start of the pandemic.

For apartments, the data looks a little different. Sydney is the only city with suburbs that have a median unit price over $1.5 million and the Sydney CBD has had the most apartment sales over $3 million. However Kangaroo Point in inner Brisbane comes in second. Adelaide CBD also features on the top 10 list.

Regional areas have also seen a number of luxury sales. Byron Bay tops the list. It has seen more than a doubling of $10 million plus house sales through the pandemic. Dominating the list however are regional Queensland locations, specifically Sunshine Coast and Gold Coast. While Melbourne has the second highest number of luxury house sales, it comes in third for luxury apartment sales. Queensland comes in second primarily because of the large number of luxury apartments on the Gold Coast and Sunshine Coast.

New South Wales, and specifically Sydney, dominate luxury sales

Luxury sales volumes in the 18 months post-COVID-19



Luxury homes are defined as being priced over $10 million while luxury apartments are priced over $3 million

Source: Ray White

What is the outlook for the market for luxury property? Finance restrictions came into place on 1 November, however research has shown that these primarily impact first home buyers and lower priced areas. If you were hoping to get a bargain mansion or luxury apartment on the Sunshine Coast, Bronte or Toorak, you may be out of luck.

SYDNEY DOMINATES THE LUXURY (AND ULTRA-LUXURY) MARKET

If you want to buy the most expensive luxury in Australia, Sydney is of course the place to find it. Not only does the city have the most expensive suburbs, but the most expensive houses and units are also sold there. The most expensive suburb in Australia is Point Piper where the median house price is currently at $15 million. The suburb has increased in median house price by $5 million every decade over the past 20 years.

While Point Piper dominates the list for most expensive houses, it has recently lost its title as having the most expensive apartments due to the development of Barangaroo. The median is currently almost $13 million, more than triple the Point Piper median for apartments, and almost at the same level as Point Piper houses.

While it isn't hard to find an expensive suburb in Sydney, it's harder to find a luxury house for sale, although the number of properties for sale has improved over the pandemic. While Mosman doesn't make the list for the most expensive suburbs, it has had the most $10 million plus house sales. Sydney CBD has had the most sales for units.

Sydney's most expensive suburbs for houses and units

	Most expensive suburbs for houses		Most expensive suburbs for units	
1	Point Piper	$15,000,000	Barangaroo	$12,795,000
2	Tamarama	$7,500,000	Point Piper	$4,060,000
3	Centennial Park	$7,380,000	Milsons Point	$2,125,000
4	Woolwich	$7,037,500	Millers Point	$2,000,000
5	Bellevue Hill	$6,700,000	Seaforth	$1,925,000
6	Whale Beach	$6,078,500	Dover Heights	$1,890,000
7	Cremorne Point	$6,050,000	Birchgrove	$1,890,000
8	Double Bay	$5,975,000	Darling Point	$1,850,000
9	Vaucluse	$5,900,000	Tamarama	$1,800,000
10	Darling Point	$5,750,000	Cremorne Point	$1,800,000

Source: Corelogic, Ray White

Sydney's top suburbs for luxury house and unit sales

Number of luxury house and unit sales since the start of the pandemic

	Luxury house sales		Luxury unit sales	
1	Mosman	356	Sydney	271
2	Vaucluse	209	Manly	141
3	Bellevue Hill	184	Rose Bay	126
4	Bronte	96	Darling Point	115
5	Killara	90	Barangaroo	63

Luxury houses are defined as priced over $10 million. Luxury units are priced over $3 million

Source: Ray White

What’s the outlook for luxury property in Sydney? Now that international borders are open again, this is good news for this market, particularly demand for brand new luxury apartments. The good times will continue for luxury as we head into 2022.

MELBOURNE IS BACK AND WITH IT THE DEMAND FOR LUXURY

Melbourne is well and truly back. The city is out of lockdown and international borders are back open. Luxury price growth has lagged other cities, particularly in inner urban areas. East Melbourne house prices have remained stable over the past 12 months while Deepdene and St Kilda West have declined. This is about to change. Like most things, activity surges in Melbourne following prolonged periods of dormancy and luxury property demand will be no exception.

Toorak continues to be Melbourne's most expensive suburb for houses and the list is dominated by traditional blue chip locations. The most surprising suburb on the list is Flinders on the Mornington Peninsula. Just five years ago, the median price in this suburb was just $1 million and was nowhere near the top. It now sits at $2.6 million.

For apartments, the list is more mixed. New apartment development in suburbs like Beaumaris and Glen Waverley have pushed pricing up in these suburbs so they sit in the top 10. This is despite both of these suburbs being nowhere near the top 10 most expensive for houses.

Since the start of the pandemic we have seen an increase in the number of luxury properties for sale in Melbourne, however the increase has been relatively low compared to other capital cities. It's likely that difficulties selling properties during extended lockdowns has made it more difficult, as has the comparatively slower price growth. Over the past 18 months, the most luxury sales of both houses and apartments have taken place in Toorak. However it's been Hawthorn that has seen the biggest increase in availability.

Melbourne's most expensive suburbs for houses and units

	Most expensive suburbs for houses		Most expensive suburbs for units	
1	Toorak	$5,475,000	Deepdene	$1,325,000
2	East Melbourne	$3,500,000	Toorak	$1,267,500
3	Brighton	$3,307,500	Kooyong	$1,200,000
4	Canterbury	$3,075,000	Brighton East	$1,139,500
5	Portsea	$2,900,000	Eaglemont	$1,134,000
6	Malvern	$2,884,000	Beaumaris	$1,125,000
7	Middle Park	$2,820,000	Mckinnon	$1,110,500
8	Deepdene	$2,815,000	Canterbury	$1,100,000
9	St Kilda West	$2,750,000	Brighton	$1,090,500
10	Flinders	$2,620,000	Mount Waverley	$1,060,500

Source: Corelogic, Ray White

Melbourne's top suburbs for luxury house and unit sales

Number of luxury house and unit sales since the start of the pandemic

	Luxury house sales		Luxury unit sales	
1	Toorak	154	Toorak	71
2	Brighton	111	South Yarra	44
3	Hawthorn	57	Melbourne	41
4	Kew	48	Brighton	40
5	Malvern	30	Port Melbourne	20

Luxury houses are defined as priced over $10 million. Luxury units are priced over $3 million

Source: Ray White

What's the outlook for Melbourne luxury? Open borders and a return to normalcy is great news for the city. If you were hoping to find a bargain in Toorak, Flinders or Malvern, you may be out of luck.

BRISBANE'S LUXURY MARKET POWERS AHEAD

Like the rest of Brisbane's property market, luxury homes have done particularly well through the pandemic. Buoyed by low interest rates, high savings rates and of course high levels of migration from Sydney and Melbourne. While Brisbane residents tend to look historically for pricing benchmarks, new residents to the city are comparing Brisbane pricing to Sydney and Melbourne. As such, new pricing benchmarks are now being set.

Brisbane now has two suburbs with house medians over $2 million - Teneriffe and New Farm. It's highly likely that Ascot and Hamilton will hit this level early next year. Meanwhile, Tennyson is the first suburb to exceed $1 million median for units.

An interesting difference between Brisbane and most other capital cities is that some of the most suburbs are quite far from the CBD. Burbank, Chandler and Pullenvale are three of the most expensive suburbs but are located more than 10 kms away from central Brisbane.

Brisbane's most expensive suburbs for houses and units

	Most expensive suburbs for houses		Most expensive suburbs for units	
1	Teneriffe	$2,250,000	Tennyson	$1,100,000
2	New Farm	$2,109,000	Bardon	$702,500
3	Ascot	$1,891,000	Kenmore	$681,500
4	Hamilton	$1,778,500	Teneriffe	$640,750
5	Burbank	$1,650,000	New Farm	$630,000
6	Chandler	$1,600,000	Bulimba	$622,500
7	Fortitude Valley	$1,535,000	Newstead	$618,000
8	St Lucia	$1,465,000	Grange	$605,000
9	Hawthorne	$1,435,000	The Gap	$585,000
10	Pullenvale	$1,402,500	Camp Hill	$583,750

Source: Corelogic, Ray White

Since the start of the pandemic, Brisbane has seen the biggest jump in $10 million plus sales with twice as many taking place in the 18 months post pandemic compared to the 18 months prior. This has in part been driven by strong price growth (more homes now being worth more than $10 million) but also because of very high demand. Anecdotally, downsizers have been particularly active, taking advantage of strong conditions.

Brisbane's top suburbs for luxury house and unit sales

Number of luxury house and unit sales since the start of the pandemic

	Luxury house sales		Luxury unit sales	
1	Ascot	19	Kangaroo Point	220
2	Hamilton	14	New Farm	45
3	Kangaroo Point	8	Fortitude Valley	30
4	Teneriffe	6	Teneriffe	17
5	Clayfield	3	Newstead	14

Luxury houses are defined as priced over $10 million. Luxury units are priced over $3 million

Source: Ray White

What's the outlook for Brisbane's luxury market? With high levels of migration expected to continue, combined with Brisbane's olympic shine, strong demand is set to continue. This will lead to more $2 million suburbs, more homes selling for over $10 million and more luxury apartment development.

PERTH'S MINING BOOM DRIVING THE LUXURY MARKET

Boom times in Perth have led to prices taking off in the city's most expensive suburbs, and a rush of luxury homes hitting the market. While the number of $10 million home sales increased by 70 per cent nationally, Perth saw a 150 per cent uplift. The best luxury housing market conditions in over seven years for the city has resulted in a rush of buyers and sellers.

While there are a lot of similarities of this house price boom to the last one, the mix of most expensive suburbs has changed. Dalkeith is now as expensive as Peppermint Grove while Floreat and Mosman Park make the top 10, having achieved faster growth than Jolimont and Subiaco. Perth also has its first suburb to exceed a $1 million median for apartments - Floreat only recently exceeded this price point.

Perth's most expensive suburbs for houses and units

	Most expensive suburbs for houses		Most expensive suburbs for units	
1	Peppermint Grove	$2,800,000	Floreat	$1,365,000
2	Dalkeith	$2,800,000	Cottesloe	$785,000
3	Cottesloe	$2,420,000	North Fremantle	$767,500
4	City Beach	$2,200,000	Waterford	$750,000
5	Nedlands	$1,900,000	Swanbourne	$749,999
6	Swanbourne	$1,712,500	Mount Pleasant	$742,500
7	Claremont	$1,710,000	Applecross	$685,750
8	Applecross	$1,600,000	Claremont	$652,500
9	Floreat	$1,600,000	Burswood	$638,000
10	Mosman Park	$1,550,000	South Fremantle	$575,000

Source: Corelogic, Ray White

While Dalkeith has the same median as Peppermint Grove, more $10 million plus sales have taken place in Peppermint Grove since the start of the pandemic. The number of luxury sales in this suburb has increased four-fold since prior to the pandemic. Anecdotally, there has been a lot of downsizing activity occurring over the past 18 months, driven by some of the best conditions ever in the luxury home space.

Perth's top suburbs for luxury house and unit sales

Number of luxury house and unit sales since the start of the pandemic

	House sales		Unit sales	
1	Peppermint Grove	26	South Perth	25
2	Mosman Park	23	Perth	23
3	Dalkeith	22	Scarborough	11
4	Applecross	14	Maylands	5
5	Swanbourne	6	North Fremantle	5

Luxury houses are defined as priced over $10 million. Luxury units are priced over $3 million

Source: Ray White

What is the outlook for Perth luxury property? It's still too early to say what will happen to iron ore pricing next year however international and state borders are likely to come down in early 2022. This will drive both population growth and property demand.

ADELAIDE NOW HAS ITS FIRST $2 MILLION SUBURB

Conditions have been particularly strong in Adelaide and the performance of the luxury sector is no exception. Unley Park, Adelaide's most expensive suburb hit a $2 million median just recently while Rose Park is also getting closer. The drivers have been similar to what has buoyed the entire market - very low interest rates and high saving rates. Adelaide however has also been a net attractor of people from other states through the pandemic and it's likely a fair bit of Sydney and Melbourne money is pushing things along. Unley Park is getting expensive, but compared to these cities, remains far more affordable.

Adelaide's most expensive suburbs for houses and units

	Most expensive suburbs for houses		Most expensive suburbs for units	
1	Unley Park	$2,020,000	Glenelg	$683,000
2	Rose Park	$1,775,000	Marryatville	$621,750
3	Fitzroy	$1,675,000	Kensington	$590,750
4	Glenelg South	$1,675,000	Eastwood	$587,500
5	Toorak Gardens	$1,665,000	Norwood	$575,000
6	St Peters	$1,600,000	Tranmere	$574,900
7	Walkerville	$1,557,500	Highgate	$558,000
8	Medindie	$1,550,000	Parkside	$554,100
9	Leabrook	$1,495,000	Kent Town	$552,000
10	Tusmore	$1,432,000	North Brighton	$552,000

Source: Corelogic, Ray White

The composition of Adelaide's most expensive suburbs hasn't changed all that much over the past decade. Unley Park has consistently been the most expensive suburb, and at this time was the only suburb with a median over $1 million. The only changes have been Medindie and Leabrook making the top 10 most expensive, with their rate of price growth outpacing Malvern and Tennyson which were previously in the top 10.

The outlook for Adelaide luxury remains positive. International and state borders are set to open soon and this will lead to a pick up in migration to the state, as well as a boost to economic growth. If you were hoping to pick up a beachside bargain luxury home in Glenelg South in 2022 you're likely out of luck.

HOBART AND LAUNCESTON LUXURY MARKET ACCELERATES

From not a single $1 million suburb just a few years ago to now having two, the most expensive suburbs of Hobart and Launceston have seen some of the best conditions of all cities. Battery Point and Sandy Bay now have medians well in excess of $1 million while Sandford, Glebe and Acton Park are likely to get there in 2022.

Hobart's most expensive suburbs for houses and units

	Most expensive suburbs for houses		Most expensive suburbs for units	
1	Battery Point	$1,600,000	Battery Point	$920,000
2	Sandy Bay	$1,278,000	North Hobart	$840,000
3	Sandford	$940,000	Hobart	$735,000
4	Glebe	$935,000	West Hobart	$701,357
5	Acton Park	$900,000	Sandy Bay	$640,000

Source: Corelogic, Ray White

Meanwhile Launceston remains far more affordable. The most expensive suburb is East Launceston with a median of $710,000. Tasmania is getting expensive but the best properties in Hobart and Launceston remain far more affordable than many other capital cities.

Launceston's most expensive suburbs for houses and units

	Most expensive suburbs for houses		Most expensive suburbs for units	
1	East Launceston	$710,000	Launceston	$420,000
2	Dilston	$700,000	Legana	$375,000
3	Grindelwald	$662,500	Youngtown	$352,500
4	Swan Bay	$652,500	Newstead	$345,000
5	Blackstone Heights	$650,000	Riverside	$335,000

Source: Corelogic, Ray White

For now, the outlook for the luxury market in Tasmania remains strong. Hobart's house prices have increased by $330,000 on average over the past year meanwhile, Battery Point has increased by over $700.000. It's highly likely that this suburb will hit a $2 million median sometime next year for houses. Unit prices are also accelerating and it's possible that this reaches a $1 million median by the end of the year in Battery Point.

CANBERRA

Canberra has been one of the strongest property markets in Australia since the start of the pandemic and its luxury market is no exception. Almost all of Canberra's most expensive suburbs have seen well in excess of 20 per cent price growth over the past 12 months. Forrest is set to hit a $3 million median within months while Reid, Yarralumla and Griffith are likely to get to $2 million in a similar time frame.

Meanwhile, Canberra's unit market remains far more affordable. While there are luxury apartments in Canberra, many of the city's best suburbs also have far more affordable options. As a result, the highest median recorded is in Deakin, sitting at $795,000.

Canberra's most expensive suburbs for houses and units

	Most expensive suburbs for houses		Most expensive suburbs for units	
1	Forrest	$2,950,000	Deakin	$795,000
2	O'Malley	$2,049,000	Yarralumla	$782,500
3	Reid	$1,887,500	Hughes	$775,000
4	Yarralumla	$1,850,000	Cook	$750,000
5	Griffith	$1,840,000	Weetangera	$733,000
6	Turner	$1,826,250	Nicholls	$687,000
7	Red Hill	$1,785,000	Campbell	$682,500
8	Deakin	$1,715,000	Isaacs	$680,000
9	Campbell	$1,560,000	Barton	$670,000
10	Garran	$1,451,000	Pearce	$650,000

Source: Corelogic, Ray White

The outlook for luxury homes in Canberra remains strong. The city is on track to hit a $1 million median within months and while price growth is starting to slow in some of our biggest cities, this is not the case in Canberra. If you were hoping to find a bargain mansion in Forrest or Reid, you're likely out of luck.

REGIONAL LUXURY

Regional areas are often thought of as more affordable than our capital cities. But when it comes to luxury, pricing can be far more excessive in regional Australia.

Our most expensive regional areas are the Illawarra, Richmond-Tweed, Gold Coast, Sunshine Coast and Southern Highlands and Shoalhaven with the median for the Illawarra edging close to $1 million. At a suburb level, pricing becomes far more expensive. While Byron Bay has seen the most price growth since the start of the pandemic, the nearby hinterland is far more expensive. Newrybar in northern New South Wales now has a median of $4.5 million while Coorabell is just over $3 million.

Newcastle is a regional city that is becoming very expensive. Bar Beach is almost at $3.5 million for houses while the Newcastle East unit median price is now at $1.25 million and Maryville is at $1.13 million.

Overwhelmingly, beachside areas, or hinterland locations, dominate the list of most expensive suburbs however one alpine area makes the list. Crackenback, next to Thredbo, has a median unit price of $1.075 million.

Regional Australia's most expensive suburbs for houses and units

	Most expensive for houses			Most expensive for apartments		
1	Newrybar	Richmond-Tweed	$4,500,000	Newcastle East	Hunter	$1,250,000
2	Bar Beach	Hunter	$3,462,500	Maryville	Hunter	$1,130,000
3	Coorabell	Richmond-Tweed	$3,005,000	Noosa Heads	Sunshine Coast	$1,100,000
4	Cooroy Mountain	Sunshine Coast	$2,875,000	Crackenback	South Eastern	$1,075,000
5	Byron Bay	Richmond-Tweed	$2,625,000	Suffolk Park	Richmond-Tweed	$1,073,250
6	Gerroa	Illawarra	$2,615,000	Sunshine Beach	Sunshine Coast	$1,025,000
7	Werri Beach	Illawarra	$2,437,500	Austinmer	Illawarra	$1,000,000
8	Myocum	Richmond-Tweed	$2,350,000	Hollywell	Gold Coast	$985,000
9	Burradoo	Illawarra	$2,325,000	Barwon Heads	Barwon	$970,000
10	Ewingsdale	Richmond-Tweed	$2,162,500	Brunswick Heads	Richmond-Tweed	$962,500

Source: Corelogic, Ray White

When it comes to ultra-luxury sales, defined as houses over $10 million and apartments over $3 million, it's Byron Bay, Gold Coast and Sunshine Coast that dominates. Since the start of the pandemic, Byron Bay has had the most luxury house sales, followed by Surfers Paradise and Noosa Heads. Noosa Heads tops the list for luxury apartment sales.

Regional Australia's top suburbs for luxury house and unit sales

Number of luxury house and unit sales since the start of the pandemic

	House sales		Unit sales	
1	Byron Bay	32	Noosa Heads	68
2	Surfers Paradise	30	Surfers Paradise	58
3	Noosa Heads	30	Main Beach	47
4	Paradise Point	22	Palm Beach	45
5	Sunshine Beach	20	Burleigh Heads	32
6	Noosaville	15	Broadbeach	28
7	Palm Beach	15	Byron Bay	23
8	Broadbeach Waters	15	Noosaville	22
9	Hope Island	14	Mermaid Beach	15
10	Mermaid Beach	14	Mooloolaba	14

Luxury houses are defined as priced over $10 million. Luxury units are priced over $3 million

Source: Ray White

What's the outlook for regional luxury? With international borders opening again and many people returning to the office, it's likely that the particularly strong growth that we have seen in beachside holiday destinations will start to slow. These calmer conditions will be great news for luxury buyers, many who have struggled in such red hot market conditions.

ARE WE IN A **HOUSING BUBBBLE?**

Have you been hearing the term "house price bubble" a lot more lately? Given how much prices have risen, there has been rising concern that what goes up, must come down. There's no doubt that pricing is particularly high at the moment but is it a bubble?

In Australia, the incidence of house price bubbles is extremely rare. While there's technically no definition as to the percentage decline a housing market has to achieve to be called a bubble, for this analysis, I've assumed that prices drop by more than 15 per cent from peak to trough. Since the 1980s, there have only been two instances where this has occurred. The most recent was in Darwin between 2015 and 2016 when prices dropped by 25 per cent, following the end of a mining boom. The other was in Sydney during the Global Financial Crisis (GFC) when prices dropped 17 per cent between 2007 and 2009.

Although falls of more than 15 per cent are exceptionally rare, the times at which capital cities have had their biggest declines have generally had quite unique triggers to their decline. The GFC was a trigger for a large price drop in Sydney house prices but also impacted Perth houses and units (iron ore also played a role) and Melbourne units.

In Melbourne, a very deep recession in the early 1990s led to a 7.4 per cent house price fall during that time. Given that unemployment reached 12.5 per cent in Victoria during that time period, it was a particularly mild house price downturn given the circumstances.

Largest house price decline periods by capital city

	City	Price decline	Date peak	Date trough
1	Darwin	−24.2%	2015, Apr	2016, Nov
2	Sydney	−17.1%	2007, Dec	2009, Feb
3	Perth	−11.5%	2008, Jan	2009, Jan
4	Hobart	−10.6%	2012, May	2012, Sep
5	Brisbane	−9.0%	2010, Jun	2011, Nov
6	Melbourne	−7.4%	1990, Apr	1991, Apr
7	Adelaide	−7.3%	2011, Feb	2012, Apr

Source: Corelogic, Ray White

Largest unit price decline periods by capital city

	City	Price decline	Date peak	Date trough
1	Perth	−15	2008, Jan	2009, Jan
2	Brisbane	−13	1982, Feb	1983, Feb
3	Adelaide	−11	1995, Feb	1996, Jul
4	Sydney	−9	2017, Jun	2017, Oct
5	Melbourne	−6	2008, Aug	2009, Feb

Source: Corelogic, Ray White

Also what's interesting is the time it takes for prices to get back to peak. Darwin's mining boom price growth was so extreme that prices still aren't back to where they were. Sydney got back to pre-GFC pricing by October 2009, just eight months following the trough. The driver of the decline is important, as is sentiment towards property following the trough. The size of the market also seems to be a consideration. Smaller markets that are far more dependent on a single economic driver (e.g, mining) are far more susceptible to sustained declines in pricing, larger more diverse economies are less so.

Are we in a house price bubble? As we have seen when looking at times at which prices have declined most in our capital cities, there needs to be a trigger. Potentially, these are some things that could lead to prices declining:

- Greater restrictions on finance
- Interest rate increases
- Iron ore price falls
- Rising unemployment
- Population decline

More sustained price declines are generally driven by factors that can't be controlled easily (e.g., iron ore price falls) or shouldn't necessarily be controlled because of house price falls (e.g., interest rate increases). Restricting finance can more easily be controlled and if it does lead to a drastic change in sentiment or pricing, can be more easily pulled back.

Of the above factors, interest rate increases are looking unlikely for some time. Similarly, with borders reopening and economic growth expected to accelerate again post lockdowns, both a rise in unemployment and population decline also seem unlikely to occur. Iron ore price falls could be problematic however the impacts are likely to be contained to Perth specifically.

Right now, it is looking like restrictions to finance will be the mechanism to slow down lending growth, and by extension strong price growth. The first set of restrictions came in on 1 November and is fundamentally a stress test for potential borrowers to ensure they can withstand a rise in interest rates. This controlled slowing of the housing market means that for now, a significant dip in house prices across Australia is highly unlikely. What we have to look forward to is a more stable market which is good news for both buyers and sellers.

WHAT TO LOOK FOR WHEN INVESTING IN **COMMERCIAL PROPERTY**

In 2021 we have seen a large increase in commercial sales transactions after a quiet 2020. Last year we saw both vendors and buyers adopt a “wait and see” attitude and were more cautious in coming to market and transacting in an uncertain economy. This year we have seen transaction levels soar as interest rates maintained their low rate with a combination of growing confidence and buyers' quest for increased returns.

As a result we have witnessed a greater volume of first time buyers in the marketplace as well as experienced investors moving up the risk curve. Turnover levels have seen improvement across all asset classes notably industrial assets which have been best poised to weather the COVID-19 storm as well as alternative assets such as childcare, service stations and medical facilities. More traditional assets like retail and office continue to be in hot pursuit by savvy buyers however there are a number of fundamentals you need to watch for when purchasing your next commercial asset.

Building approvals - Often we see assets which have been added to and amended over the years, be certain that the property you are purchasing has the adequate approval and its use is permissible under the current zoning. Check with the local council if you are unsure, this will limit future issues with building regulations and could save you from costly fines.

Hidden problems - While it's hard to see some problems with the asset, ask the questions and ensure you are making an informed decision. Assets like older industrial sheds; what are they made from, will you possibly have an asbestos issue in the future? Are there subterrain tanks on the site which may see you needing to spend money on remediating the land in the future?

Zoning - Just because a tenant is in place doesn't necessarily mean their business type is permissible under current zoning legislation. Doing your homework on the zoning of your asset is a good exercise not just to understand who and what can occupy your property but to better understand possible highest and best uses of your property in time. Are you able to redevelop your asset to a different use or subdivide which may yield you a better return?

Leases - Commercial leases are far more complex than residential leases so it may be worthwhile to have a professional review the clauses in place for your tenant. What are your rights and obligations as a landlord to the tenant, who pays for what and what reviews or options are in place for rental arrears, esculations, sub lease etc. A qualified property manager who can manage the asset, tenant and leasing process is often a big money saver in the long run.

Research - Before you get too excited on the specifics of the asset, it's prudent to do some investigation into the asset type and location you are looking to purchase in. There are a number of key fundamentals to consider for any asset class; importantly understanding the supply of future competing stock, current occupancy rates and also local statistics like business starts and population growth. There are a number of government sources to collect this information and the council you are investigating will likely have a future plan for their LGA regarding business and development which will provide an insight into demand for your asset in the future.

Auctions - We have seen a large increase in commercial assets selling under auction conditions this year. This method of sale allows vibrant competition between potential buyers and it's very easy to have a sense of FOMO and bid above your budget. Be cautious and set a limit in which you wish to purchase for, consider all the outgoings as well and the income and what yield you are willing to pay and stick to it!

Exit strategy - While you are only just buying the asset now, it's worth considering what your exit strategy may be and when you may be interested in disposing of the property. This may be driven by your finances, retirement plan, the length or time remaining on the lease or future potential redevelopment opportunities. While this plan can change, it is worth considering your options early and create a strategy around this asset, how it sits in your portfolio and what its future may look like.

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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