IPTI Xtracts
Property Tax and Assessment News from Around the World

AUSTRALIA – January 2022

CONTENTS

HOUSE PRICES IN EVERY SYDNEY SUBURB HAVE RISEN, ONE BY MORE THAN 50 PER CENT

Houses ruled supreme in Sydney last year as prices in every single suburb recorded annual growth, shooting up by as much as $745,409, new figures reveal.

The housing boom was so strong that even the bottom 20 suburbs in the city posted growth in the 12 months to December 2021, Domain's Quarterly House Price report reveals.

In pole position was the northern beaches suburb of Warriewood, where the median house price climbed 51.6 per cent — or $745,409 — to $2.19 million over the year.

The second highest house price growth was in the Central Coast suburb of Wamberal, rising 47.1 per cent to $1,545,000, followed by the northern beaches suburb of Palm Beach, rising 45.2 per cent to $1,545,000.

Postcodes in lifestyle regions dominated the top 20 suburbs for house price increases, driven by Sydneysiders' insatiable demand for more space and better lifestyle due to lockdowns and working from home.

Domain's head of research, Nicola Powell, said lifestyle locations led the property boom last year, with the majority of that growth occurring in the first six months.

"The upper end of the market is leading the price cycle," she said. "It's seen a stellar performance, the majority of the growth in these suburbs, the big jumps, would have happened in the first six months of the year, when we saw prices roar. The key thing tying all of these suburbs together is that they are lifestyle suburbs."

The broad uplift in house prices in Sydney, where not a single suburb recorded a decline in house values, meant that more affordable areas would begin to move up in the ranks, Dr Powell added.

But with an influx of homes added to the market by the end of 2021, and listings on the rise since, there was a clear sign of a "slowdown" as prices have begun to peak, particularly in premium regions where the rate of quarterly rate of growth has started to ease, she said.

The eastern suburbs median was down 0.6 per cent over the quarter to $3.6 million, while the northern beaches had the second-lowest quarterly growth at 2.6 per cent.

“Buyers are now much more contained about what they want to spend on a home,” Dr Powell said.

“They’re more aware of what a property is worth, and they know there is more stock than what was once. That pendulum has swung towards buyers.”

Low interest rates was the other major factor for such phenomenal house price growth in these suburbs, according to Peter Tulip, chief economist for the Centre For Independent Studies.

While he believed house prices in most suburbs would maintain their values as space for working from home would remain a priority in 2022, an interest rate rise would dampen price growth.

“An increase in interest rates will dampen prices, it’ll throw the process we’ve seen in the past year into reverse,” Mr Tulip said.

“Rising property prices were largely driven by low interest rates, in particular the national average, and when interest rates rise that will go into reverse.”

Despite runaway house price growth last year and fresh talks of early rate rises, there was no sign of abatement in demand for some of these housing markets, according to agents.

“We were not expecting the renewed surge in demand, even in this past fortnight that we’ve been back,” said Michael Clarke, of Clarke and Hummel in Manly.

He said the Northern Beaches soared in popularity because buyers swapped proximity to work with proximity to the beach, as result of the original five-kilometre radius rule during lockdowns.

Rentvestor Ray Corcoran and his family have finally decided to buy a family home in Sydney’s northern beaches or lower north shore, as they can work from home most of the year.

But even with three investment properties under his belt, a strategy they adopted in a bid to get onto the property ladder because they were priced out in Sydney in the first place, Mr Corcoran said their budget of $2.6 million will get their family very little in suburbs like Warriewood, where they are looking.

“Our budget started off at $1.7 to $1.8 million, and we planned to buy a crap place in an OK area and polish it up. But then those $1.8 million houses are now worth $2.2 million,” he said.

When they were observing the market a year ago, a three-bedroom red brick house in Lane Cove was guided at about $1.8 million but sold for roughly $2.5 million.

After realising the market had moved dramatically since then, they increased their budget to $2.6 million in the hope of finding something move-in ready rather than needing renovation.

“I don’t feel like I’ve been priced out. We’ve got a good enough budget in most parts of Sydney. It’s ridiculous that would have to be a budget to have a decent house,” he said.

Meanwhile, the city’s unit price growth of 8.2 per cent last year paled in comparison with house price growth of 33.1 per cent – the steepest annual increase since Domain records began in 1993.

Sydney's median unit price of $802,255 is now half that of Sydney's median house price of $1,601,467 – both record highs.

But the top 20 suburbs where median unit prices increased were beneficiaries of the hot housing market, as buyers who couldn't stretch to a house in highly sought after suburbs turned to units there instead.

The northern beaches suburb of Queenscliff posted the largest unit median increase, rising 37.6 per cent over the year to $1,437,500.

It was followed by Darling Point, which saw the median unit price rise 31.9 per cent to $2,242,500, then Collaroy, which jumped 20.0 per cent to $1,195,000.

Figures quoted are based on Domain data from its Quarterly House Price report, released this week.

VALUE OF NSW FARMLAND SURGES 26 PER CENT TO $200B

Strong demand for quality farmland, hobby farms and lifestyle estates sent rural land values soaring 26 per cent during the height of pandemic, the latest annual report from the NSW Valuer General shows.

Led by a 43 per cent rise in values in the Murray agricultural region centred around Albury and 31 per cent gains in the Hunter wine region, the total value of rural property in NSW rose above $200 billion for the first time over the 12 months to the end of June 2021.

In percentage terms, these gains surpassed a 25 per cent rise recorded in the $1.8 trillion residential sector, and another booming real estate sector, industrial, which gained 23 per cent over the same period.

"[Rural land values increases were driven by] strong commodity prices, limited supply and sustained demand for good quality farming, mixed cultivation and grazing lands," said NSW Valuer General David Parker.

Dr Parker said it was the third year of gains for the rural property sector, after 5 per cent rises in the drought-affected 2020 and 2019 financial years.

In the Murray region in south-western NSW, an area dominated by agricultural activity, especially livestock grazing, the Valuer General said demand for farmland was driven in part by increased long-term confidence in the rural sector, "with a significant number of purchasers being existing landholders looking to expand their farming operations".

In many rural regions, increase in value was driven by a combination of demand for farmland for grazing or cultivation, and city folk buying hobby farms or lifestyle estates.

In the commutable Hunter region, where rural land values increased by 31 per cent, the Valuer General noted there was "strong demand from city-based purchasers looking to relocate to rural properties that are lifestyle in nature".

"Some of the strongest increases were experienced by smaller rural holdings in Pokolbin, which encompasses rural lifestyle properties, vineyards, wineries, and short-term accommodation," Dr Parker said.

Rural property values in the Blue Mountains rose 31 per cent, and 20 per cent in the Hawkesbury.

These increases, the Valuer General said, were mainly due to “strong demand for rural/lifestyle properties, combined with increased demand from purchasers transitioning to remote working, which also had a positive influence on rural land values”.

Dr Parker said a 25 per cent rise in Orange was “underpinned by growth in regional residential markets and a continued trend of metropolitan purchasers seeking affordable lifestyle options in regional areas”.

In the Riverina farming region around Wagga Wagga and Griffith, demand for irrigation and cultivation land drove a 57 per cent rise in land values in places such as Berriquin.