



URBAN IQ

# Property Market Snapshot

Q4 2021

RPM<sup>2</sup>

Urban IQ

# UDIA RESEARCH AND MARKET INSIGHTS

## Q4 2021

URBAN IQ is a quarterly research report for the Victorian urban development industry.

[www.udiavic.com.au](http://www.udiavic.com.au)

Thank you to UDIA partner

**RPM Group**

for providing the information contained within this report.

**Disclaimer**

Although reasonable care has been taken in the preparation of this document, RPM Group take no responsibility for the accuracy of the information contained herein. It is recommended that all the information be verified if it is to be used for commercial purposes.

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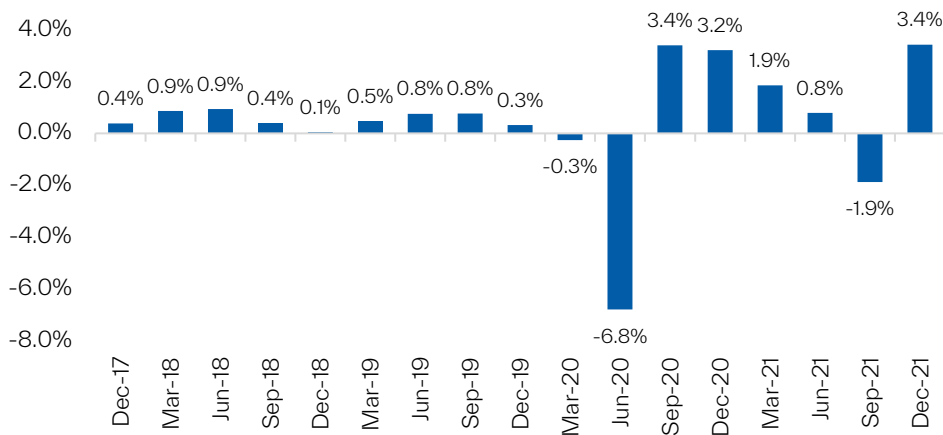
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# Overview

Australia's economy experienced a strong rebound in activity over Q4 2021, with national Gross Domestic Product (GDP) escalating by 3.43%, its strongest quarterly rise since the mid-1970s.

## GROSS DOMESTIC PRODUCT

% Change

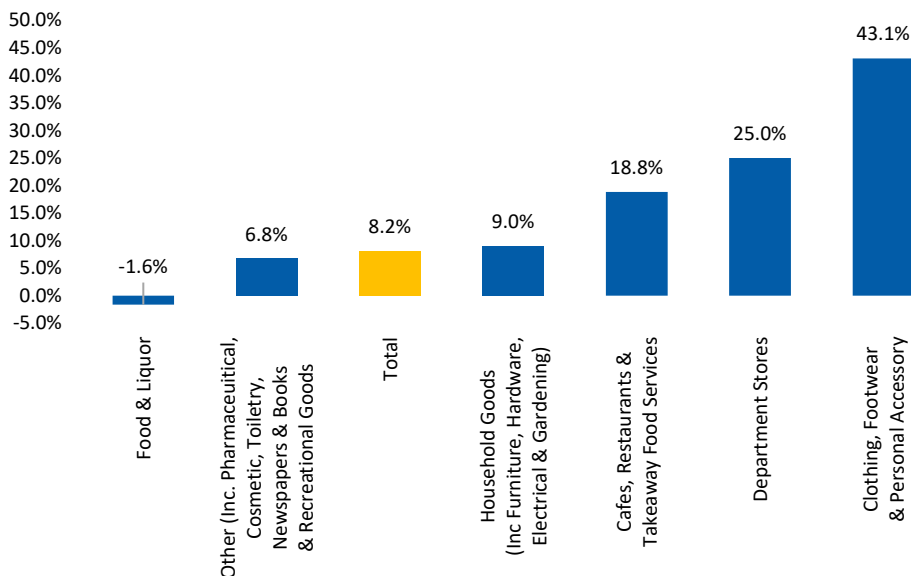


Private consumption, the largest segment of GDP, drove expansion in economic activity over Q4 2021, with consumer spending escalating by 6.27%.

Source: Australia Bureau of Statistics

## RETAIL TURNOVER BY INDUSTRY

% Change

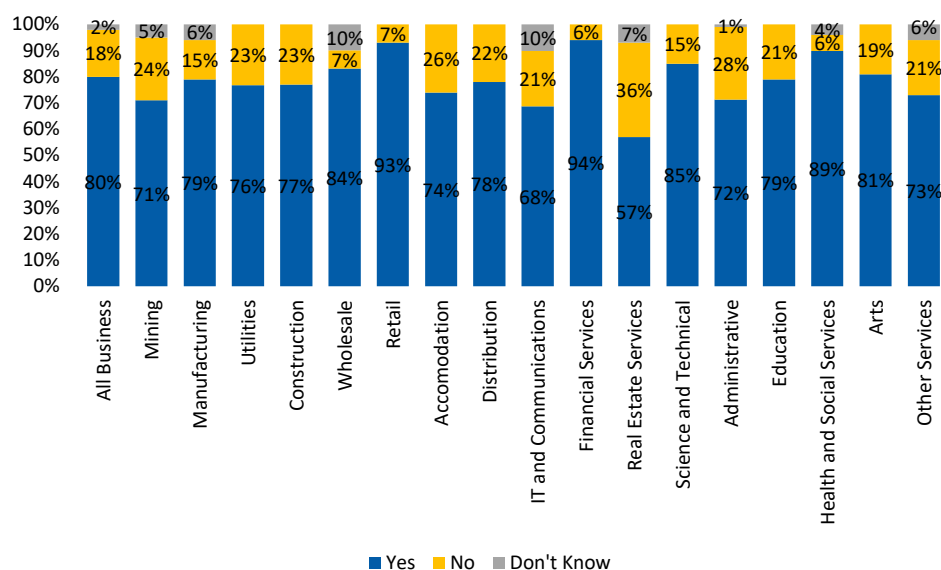


Retail spending on clothing, footwear and personal accessories, in department stores, and at cafes/ restaurants/takeaway food services all escalated significantly in Q4 2021.

Source: Australia Bureau of Statistics

### ABS SURVEY OF BUSINESS CONDITIONS - ACCESS TO LABOUR

% With Sufficient Employees

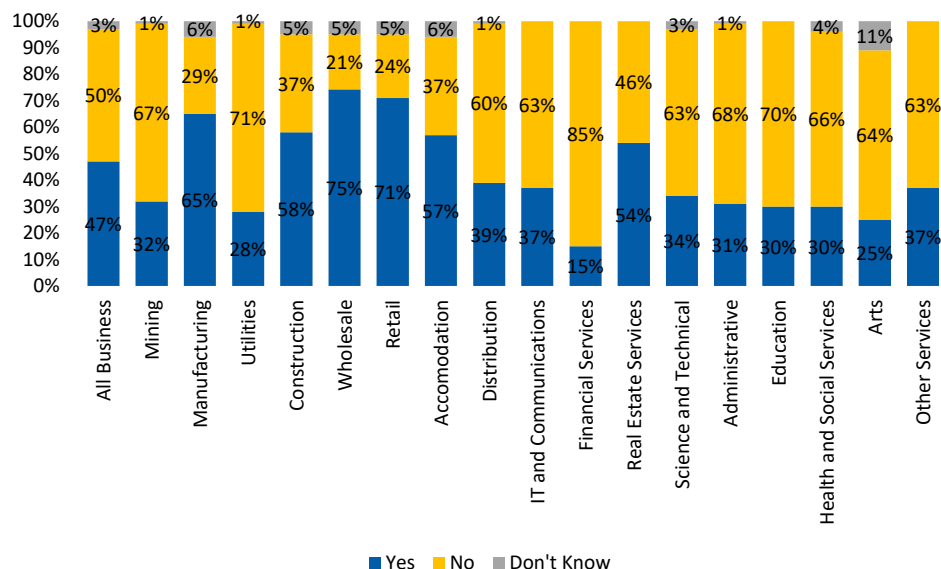


Approximately 18% of all businesses stated they didn't have sufficient employees for current operations. This was highest in rental, hiring and real estate services.

Source: Australia Bureau of Statistics

### ABS SURVEY OF BUSINESS CONDITIONS - SUPPLY CHAIN DISRUPTIONS

% Experiencing Supply Chain Disruptions



47% of businesses surveyed had stated they have experienced supply chain disruptions.

Source: Australia Bureau of Statistics

## INTEREST RATES

**0.10%** Cash Rate

**4.52%** Standard Variable Rate for Owner Occupiers

**3.45%** Discounted Variable Rate

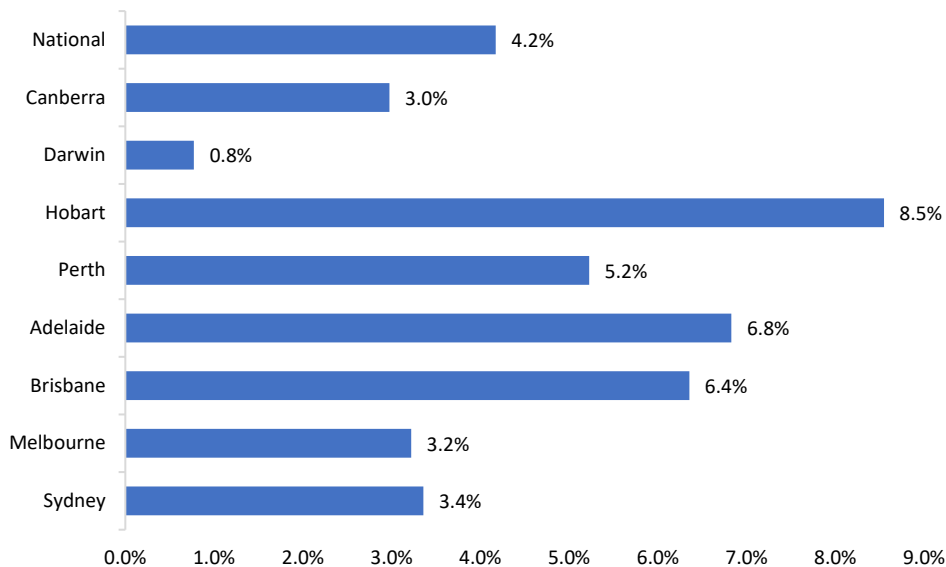
**3.23%** 3 Year Fixed Rate

In anticipation of rising interest rates, banks have already started increasing fixed rates, while decreasing variable rates to make them more attractive to borrowers. Since September, the 3 year fixed rate has risen by 104 basis points to 3.23%. Conversely, the discounted standard variable rate has reduced by 15 basis points to 3.45%.

Source: RBA - January 2022

## CPI AND THE NEW DWELLING INDEX

### CPI Index for New Dwellings



**1.34%**

Australian CPI Q4 2021

**4.17%**

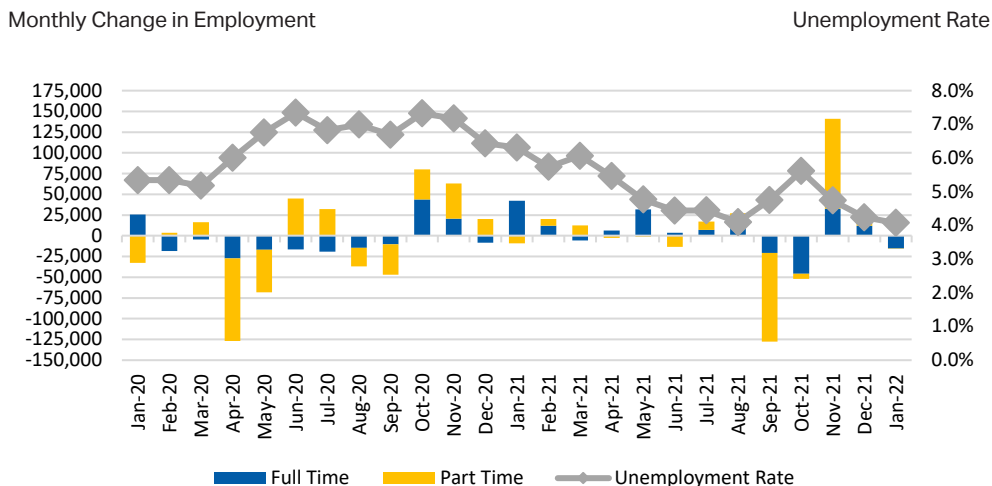
CPI Index for New Dwellings Q4 2021

**0.1%**

CPI Index for Rents Q4 2021

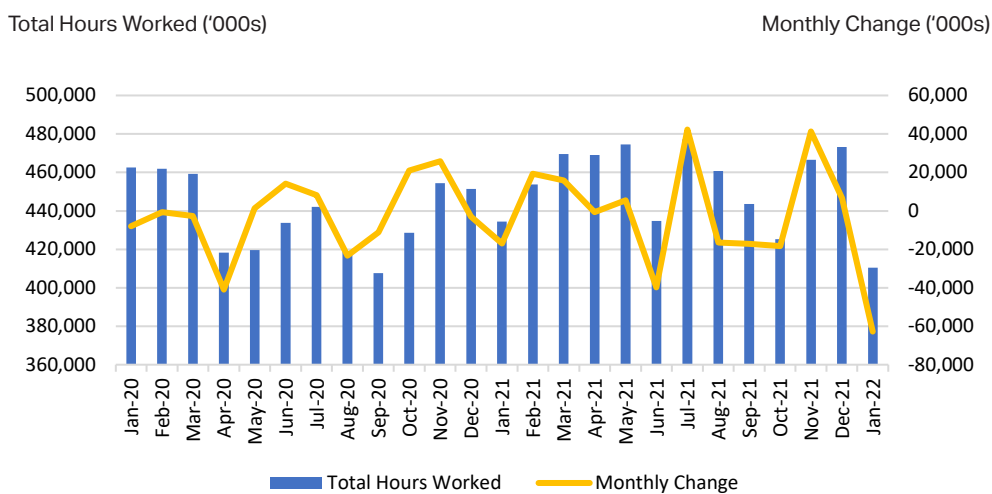
Source: Australian Bureau of Statistics

## LABOUR MARKETS



Over the last two months of 2021, Victoria gained 165,734 jobs, including 27% full time positions. Unemployment also improved to 4.2%.

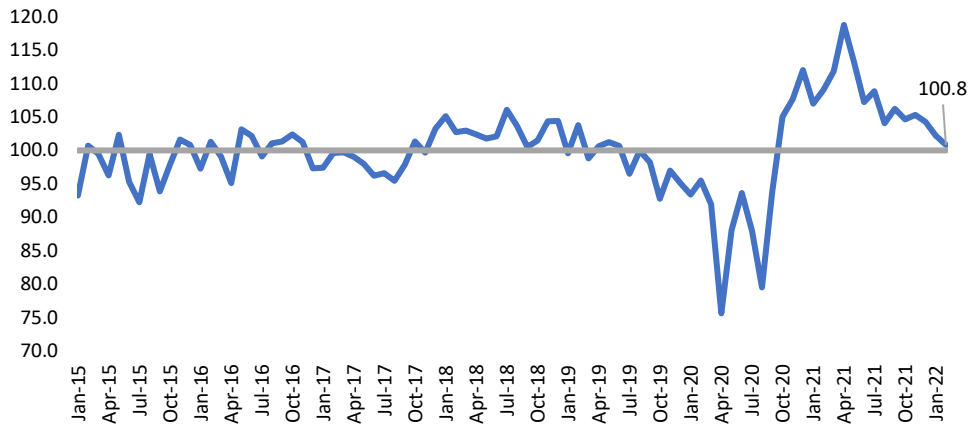
Source: Australian Bureau of Statistics



Source: Australian Bureau of Statistics

## SENTIMENT

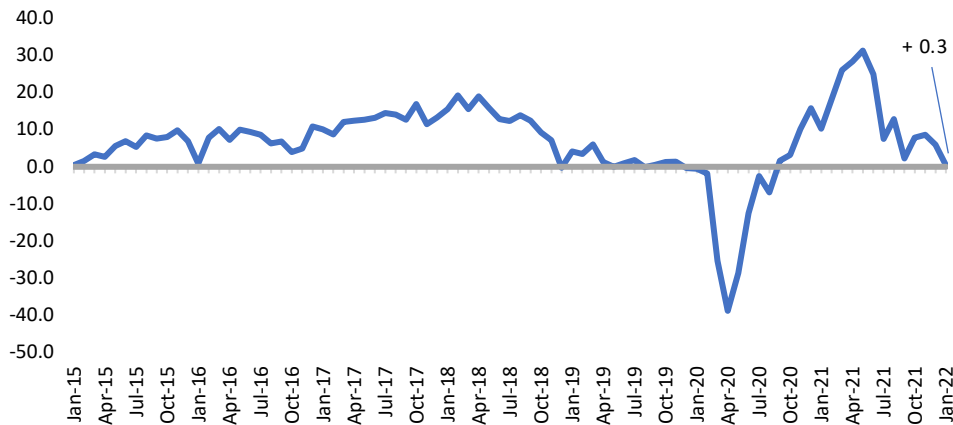
Consumer Sentiment - Index = 100



Source: Westpac-Melbourne Institute Consumer Sentiment Index

The economic outlook for the next twelve months improved in February as many states has surpassed their peak in Omicron infections, and disruptions in industries and the workforce started to diminish.

NAB Business Conditions Index



Source: National Australia Bank Business Survey

Business conditions barely remained in optimistic territory in January, with a reading of just +0.3 points.



VICTORIAN POPULATION

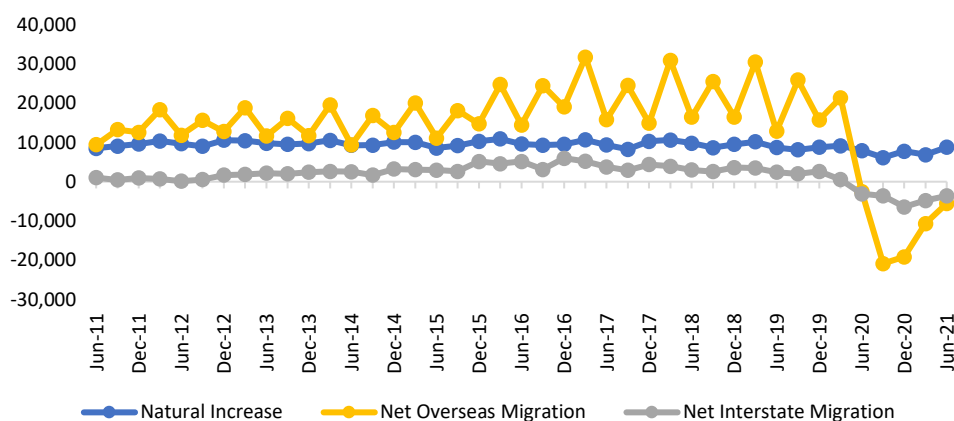
Victoria's population decreased 44,699 over the 12 months to Q2 2021, compared to the long term average over the last 9 years of +128,449 per annum.

The latest Australia Government population projections for Victoria released in December 2021 show that overseas migration will continue to remain negative over 2021-22, however it is anticipated to quickly rebound in 2022-23 with a net inflow of 63,800 forecasted.

# 6,649,159

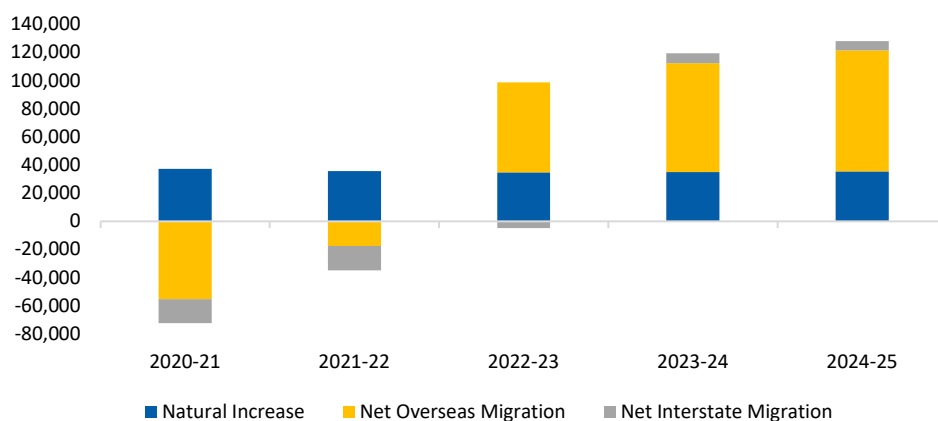
Victorian Population

Population Components



Source: Australian Bureau of Statistics

Population Projections



Source: Australian Government Centre for Population

## MELBOURNE RESIDENTIAL MARKET



# \$1,125,000

Median House Price

+4.2% change from Q3 2021  
+21.9% from Q4 2020



# \$692,000

Median Unit Price

+2.4% change from Q3 2021  
+7.8% from Q4 2020



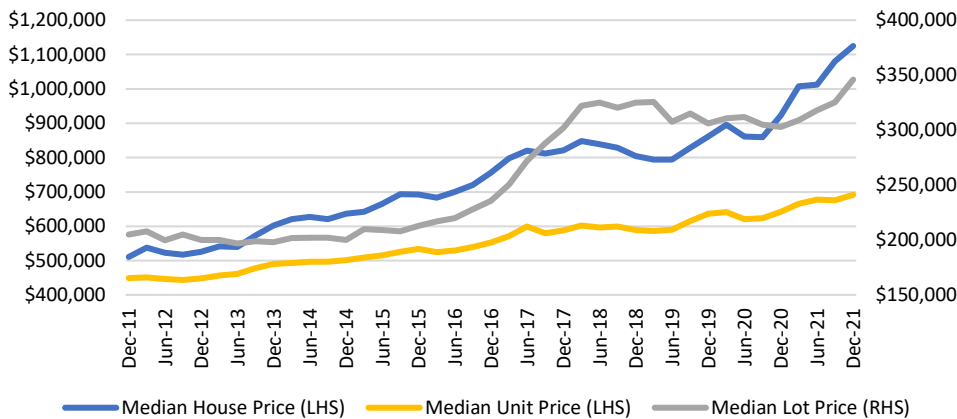
# \$345,900

Lot Price

+6.4% change from Q3 2021  
+14.2% from Q4 2020

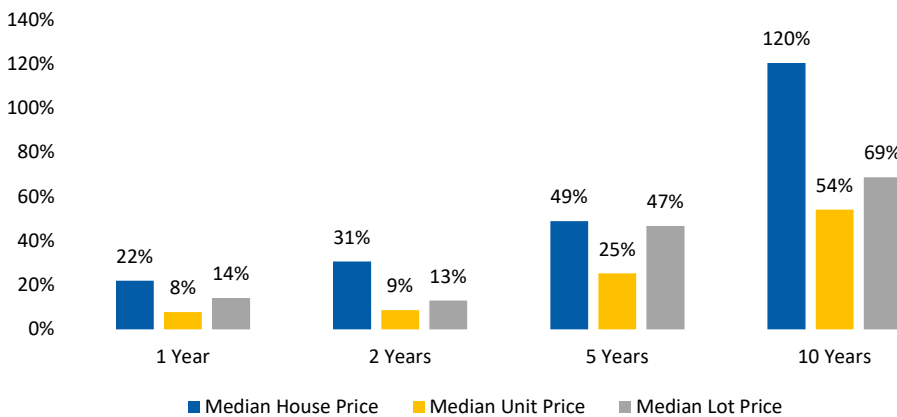
Median House and Unit Price

Median Lot Price



Source: Real Estate Institute of Victoria & RPM Group

Price Change



Source: Real Estate Institute of Victoria & RPM Group

There was a surge of activity following the end of Melbourne's 6th lockdown, illustrated by a long term high of 16,097 auctions through the quarter.

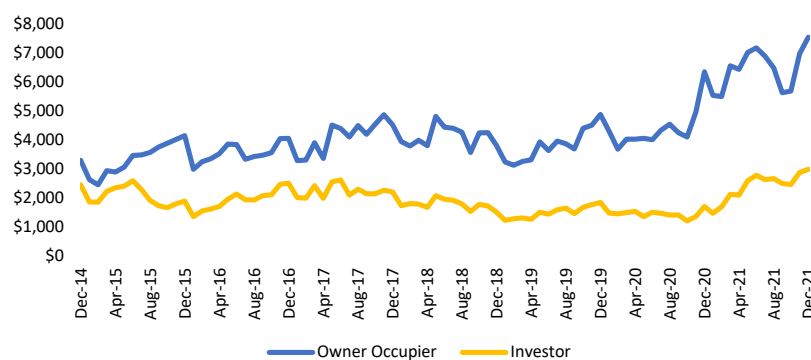
VICTORIAN FINANCE ACTIVITY



33,326

Total Owner Occupier  
Loan Approvals  
+3.1%

Value of Loans (\$m)



Source: Australian Bureau of Statistics



+8.7%

Loan Approvals  
for Established  
Dwellings

Underpinned by the expansion of auction activity following the easing of lockdown restrictions.

The total value of new owner occupier loans rebounded in Q4 2021, increasing by 6.2% from the previous quarter.

Investors seeing green

Investor demand has shifted outward to the greenfields in response to preferences of tenants for dwellings with more internal space.



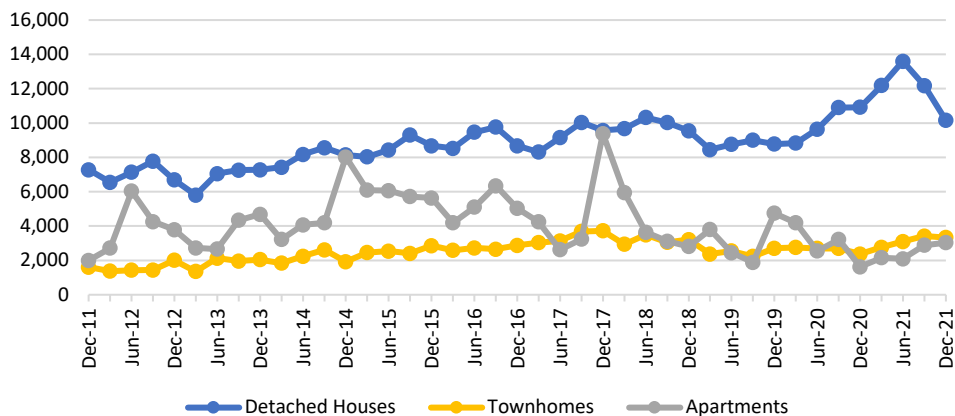
-7.0%

Residential Land  
Loan Approvals

While sales activity remained high, lots with longer title time-frames are constituting an increasing portion of lots sold.

## APPROVALS AND COMMENCEMENTS

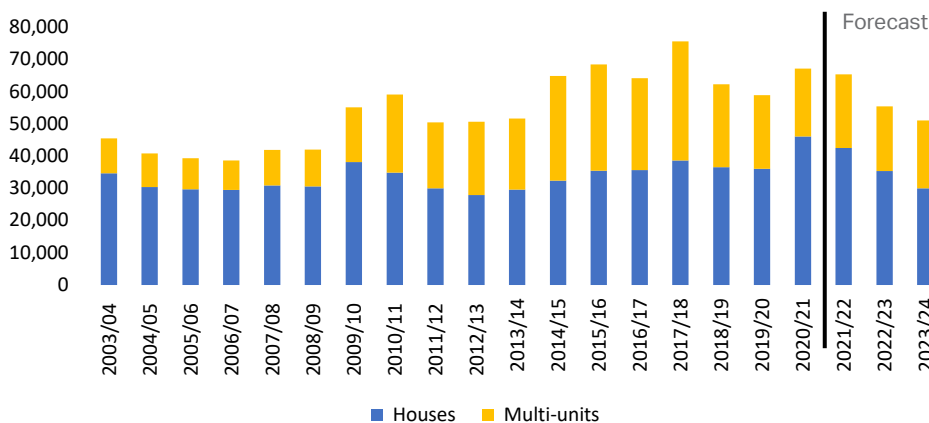
### Approvals



Victoria recorded 2,820 approvals of flats/units/apartments in buildings of 4 storeys of higher in Q4 2021, which was a rise of 5.4% from the previous quarter

Source: Australian Bureau of Statistics

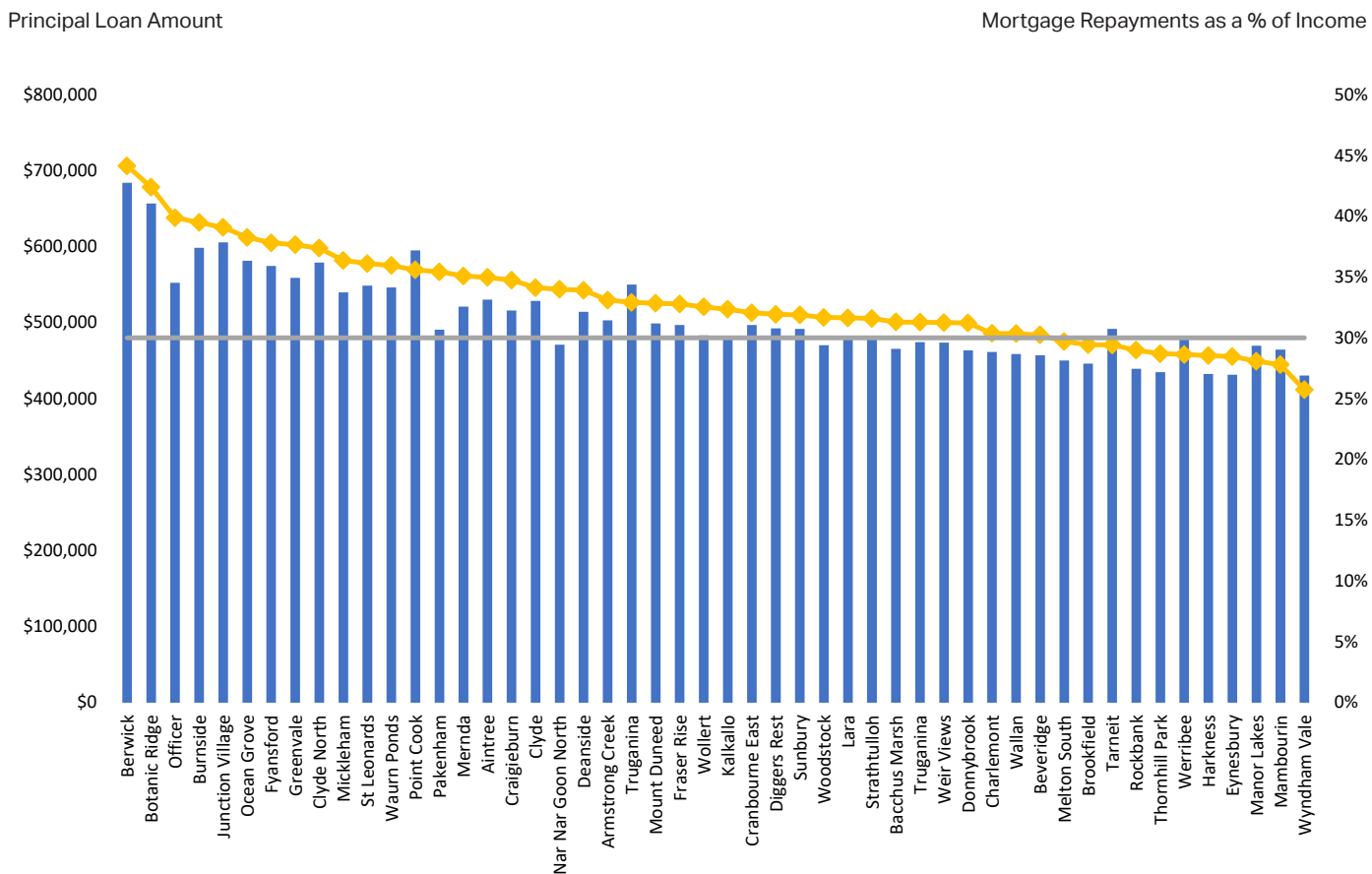
### Commencements



House approvals are surging to new peaks, detached house starts have escalated by 27.7% over 2020/21 to a record 46,060 commencements. Conversely, multi-unit dwelling starts have contracted 7.7% to 21,060.

Source: Housing Industry Association

## GROWTH AREA AFFORDABILITY



Source: RBA, ATO & RPM Group

The common benchmark for identifying housing stress in Australia has historically been identified as those households that allocate at least 30% of disposable household income to finance their mortgage. This ratio has been in place for decades and in recent times there is a growing view that the ratio should be closer to 35% to 40% to reflect the market of today.

Overall, 33 suburbs recorded a mortgage to household income ratio of below 35%.

A further 14 suburbs recorded a mortgage to household income ratio from 35% to 39%, with this level being synonymous with the emergence of constrained affordability.

Calculation assumptions: The chart depicts the median lot price in Q4 2021 by suburb, along with a median anticipated construction cost and net income by corridor. The median construction costs and incomes are taken from RPM's Internal Buyer Surveys. The construction cost ranges from \$253,100 (Mitchell) to \$312,100 (Casey) while income levels reflect net levels to provide a more accurate level of disposable income. In addition, the chart also assumes a 20% deposit has been paid and mortgage repayments are based on a 30 year loan at the discounted standard variable rate in December 2021 of 3.45%.

# Outlook

## Tailwinds

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### RE-OPENING OF STATE AND INTERNATIONAL BORDERS

Net overseas migration is a key driver of economic growth. Its return will boost economic activity and alleviate staff shortages currently experienced across industries.



### TIGHT LABOUR MARKET TO UNDERPIN WAGE GROWTH

Low unemployment (currently 4.2% Jan-22), is expected to persist, and will offset to some degree, any further inflation and interest rate rises.



### CONSIDERABLE PIPELINE OF RESIDENTIAL CONSTRUCTION PROJECTS

The success of homebuilder and the record breaking year that was 2021 will continue to feed public and private dwelling investment.



### AUSTRALIAN ENERGY TO BENEFIT

Australia is set to post larger energy revenues as a result of the conflict in Eastern Europe.

## Headwinds

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### CONFLICT IN EASTERN EUROPE

May exacerbate supply chain issues, resulting in further inflationary pressures, particularly on oil.



### RECENT FLOODING ACROSS NEW SOUTH WALES AND SOUTH EAST QUEENSLAND

Denting consumer confidence and creating local supply chain issues.



### PROBABLE INTEREST RATE RISES (PREDICTED BY AUGUST 2022)

To reduce buyer capacity and household expenditure.



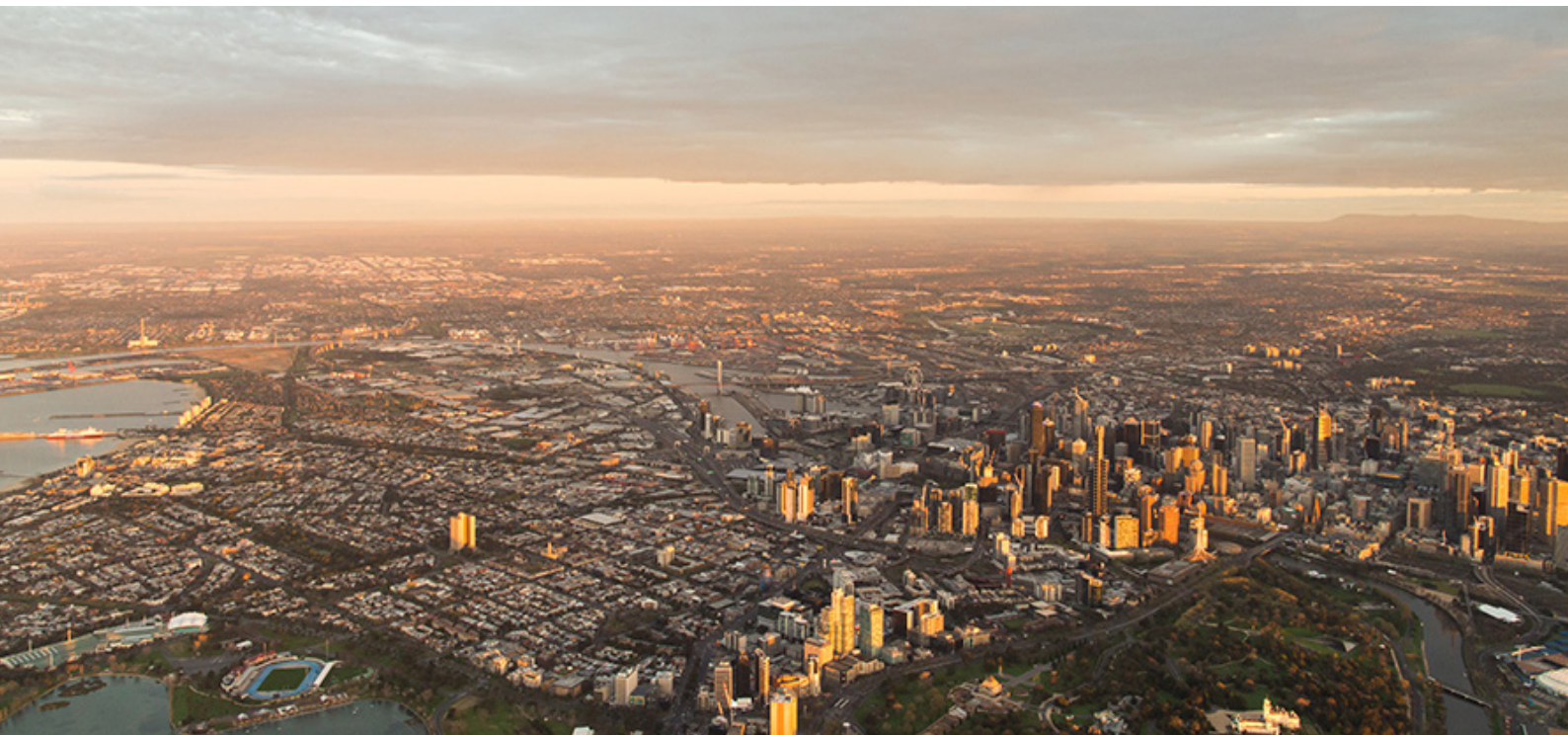
### ONGOING RISK OF FURTHER COVID-19 VARIANTS







# RPM Group



RPM Group is a true industry leader, pioneering new benchmarks in market intelligence, know-how and innovation. With a proven track record spanning almost 30 years, our unsurpassed market knowledge and data-driven insights have ensured our partners achieve excellent outcomes, and our clients, exceptional returns.

A full-service property business, we pride ourselves on customer service through every step of the process, from site diligence, acquisition and master-planning, through to launch, marketing and sales strategies. Our continued expansion and re-investment into our research services mean we offer unsurpassed market intelligence and data-driven insights to our clients, to help drive the continued growth of their projects and asset portfolio.

## AT A GLANCE

- Victoria's leading residential development sales and marketing agency
- Full-service sales and marketing, research and advisory capability
- Unsurpassed track record of delivering outstanding returns for clients
- Unparalleled breadth and depth of research to optimise client decision making
- \$3 billion englobo land transactions
- 3,000 property sales in the last 12 months
- 40+ active projects
- 40,000+ total yield of current projects



# UDIA

These values will guide UDIA as we continue on our journey of growth and as we further solidify our long term, sustainable position as the urban development industry's association of choice.



## TRUST

Trusted by governments, regulators, industry, media and the public.



## COLLABORATION

Engage in genuine collaboration to yield positive community outcomes.



## RESPECT

Ethical conduct, and respect for people and the environment.



## RECOGNITION

Celebrate the good, hard work of Victoria's urban development industry.



## IMPACT

Work that makes a meaningful impact.



## INNOVATION

Embrace innovation while maintaining respect for our history.

The Victorian division of the Urban Development Institute of Australia (UDIA Victoria) is a non-profit, peak industry body. We are supported by a membership of land use and residential property development organisations, across the private sector and Victoria's public service.

Since 1975, UDIA Victoria has given industry a voice in the policy-making process. We tackle the issues having the biggest impact on Victoria's liveability – spanning topics such as the planning system, housing affordability, infrastructure, sustainability, employment and the economy.

Our suite of research and education initiatives ensures the urban development industry is best-placed to meet Victoria's housing, employment, and social needs.

Our events and annual awards program connect and celebrate the people who breathe life into Victoria's urban heartbeat.



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