Property 2017: Gold Coast set to boom, but still no end in sight for Sydney

IT HAS been a hell of a year for the Australian property market.

House prices have soared in Sydney and Melbourne, while remaining flat in Darwin and even retreating in a post-mining boom Perth.

The Reserve Bank of Australia cut the cash rate not once, but twice — in May and August — giving us some of the lowest mortgage rates Australia has ever seen.

Negative gearing has been debated relentlessly after Labor revealed its plan to limit the controversial tax concession to newly constructed homes if it were elected.

Joe Hockey outraged an entire generation when he said that people looking to buy their first home should just “get a good job”.

And Bernard Salt made the same mistake when he started the great ‘Avogate’ controversy of 2016. In a column in The Australian, the KPMG demographer declared that Gen Y could save for a deposit if they spent less on smashed avocado on toast at hipster cafes.

But as 2016 winds down it is time to prepare for what 2017 has in store when it comes to Australia’s unique housing market.

SYDNEY’S FALL FROM GRACE?
Sydney has been the nation’s standout performer for some time, with prices rising by a whopping 67 per cent over the current growth cycle which commenced in June 2012, according to CoreLogic figures.

Leaving some people to speculate if Sydney’s time is over.

But the harbour city isn’t done yet, with Nathan Birch, property expert and co-founder of Binvested, predicting double-digit growth to continue in 2017.
“Sydney has had a lot of [new residential] building happen recently, but it is playing catch up,” Mr Birch told news.com.au.

“From 2004 to 2012, there wasn’t much building happening and that’s where the pent up demand is.”

According to building approval figures from the Australian Bureau of Statistics, the number of total dwelling units — houses, townhouses and apartments — approved in the Greater Sydney region from January 2016 to October 2016 (the most recent monthly figures released) was 47,747. In the same corresponding period in 2004, this was less than half with just 22,418 new homes approved for construction.

Mr Birch said the Greater Sydney Commission’s ambitious 40-year plan for Sydney, detailed in the Towards our Greater Sydney 2056 vision, will also boost growth for some time in Sydney as it opens up new “corridors”. “All that infrastructure going in will open up new corridors — for example Penrith and Camden,” he told news.com.au.

“There will be lots of opportunities for developers to build in fringe areas.” Australia’s First Lady and Chief Commissioner of the Greater Sydney Commission, Lucy Turnbull, announced the plans in November to reimagine Sydney as three cities as a part of this vision. This will mean creating two more major CBDs — one based around Parramatta and another based around the new airport to be built at Badgerys Creek.

The plan also included creating 817,000 jobs and 792,000 homes within the next 20 years, and a vision that would see people working within 30 minutes of where they live.

So it appears Sydney won’t be slowing down anytime soon.

However, the future of the nation’s other top performer, Melbourne, isn’t looking so good. Mr Birch said house prices in the capital of Victoria will slow significantly to about 5 per cent growth in 2017.

“There is an oversupply,” he said. “There is a lot of building happening down there and not enough people to support that.”
Earlier this year BIS Shrapnel released a report that predicted Melbourne would have an oversupply of more than 20,000 homes by 2017. A more recent HSBC analysis echoed this forecast, with HSBC Chief Economist Paul Bloxham saying he expects “the oversupply in the apartment market, particularly in the inner city, is likely to start showing through in price falls”.

Melbourne is prepped to battle oversupply pains. Source: News Corp Australia

GOLD COAST TO COME OUT ON TOP
The best performing property market in 2017 will be the Gold Coast, with Mr Birch predicting 10 to 20 per cent growth in the sunshine city.

“I am seeing the same thing which was happening in Sydney in 2012 happening in the Gold Coast and the fringe suburbs of Brisbane right now. The buyer activity there is very strong.” He said the Gold Coast is set to play a huge amount of catch-up after the market dropped off post GFC.

“Between 2009 to 2013 the market went backwards and the reason was because many developers went broke during the GFC. From 2013 to 2015 the market found its feet, like Sydney back in 2009 to 2012, and from last year to this year I have seen very good growth,” Mr Birch told news.com.au.

According to CoreLogic’s latest regional market update, Gold Coast home values continue to trend upwards, having increased on an annual basis consistently since mid-2013. The median value for a Gold Coast house, as at the end of September, was $579,753, up 6.6 per cent from last year while unit values have risen 4.7 per cent, to $379,634.

Real estate mogul John Mcgrath has tipped the Gold Coast suburb of Mermaid Waters to be the top growth suburb nationally in 2017, according to The Australian, as renovations lift values in the area close to exclusive Mermaid Beach.

He said southeast Queensland, which has lagged the southern markets, would move to double-digit price growth next year, with its price gap between Sydney at its widest point.

“You can buy a unit on the Gold Coast, a walk from the beach, for $250,000. The same unit in Sydney will cost $750,000,” The Australian reported Mr McGrath saying.

NAB’s latest Residential Property Survey (Q3 2016) also tipped the Gold Coast as a standout performer, naming it as one of the suburbs likely to achieve above average growth in the next 12 months.
The Gold Coast is expected to outperform everyone in 2017 with house price growth well into the double digits. Source: News Corp Australia

The city, which is set to host the Commonwealth Games in 2018, has had a surge in property prices on the back of a boost in tourism and new infrastructure — a trend which will likely continue in 2017, the Gold Coast Bulletin reported.

“We’re going to have a low-interest rate environment and there will be opportunities leading into the Commonwealth Games,” Real Estate Institute of Queensland (REIQ) Gold Coast zone chairman, John Newlands told The Gold Coast Bulletin in November.

“We will see similar migration to this year next year, coming through from interstate buyers.”

WHAT ABOUT MORTGAGE RATES?
Homebuyers can expect their mortgages to become more expensive next year, with the Reserve Bank tipped to raise the cash rate for the first time since November 2010.

Mortgage Choice chief executive John Flavell said the possibility for a rate hike became far more likely after the US Central Bank announced it would increase its benchmark short-term interest rate in December. “The [US] Central Bank said the recent progress of the economy gave them the impetus they needed to increase the Federal Funds rate by 25 basis points to 0.75%,” he said.

“The Bank also indicated that the Federal Funds rate could rise by a further 75 basis points throughout 2017 — through three separate rate increases. “This announcement, combined with the fact that many of Australia’s lenders have started to raise rates across their suite of home loan products, would suggest a cash rate increase by the Reserve Bank of Australia is now more of a possibility than not in 2017.

“The Reserve Bank of Australia had previously stated that the easing bias has passed and the latest changes by the US Central Bank would support this.” However, he said any rate rises are “likely to be small”, so the cost of borrowing will still remain “incredibly affordable”.

“As a result, I would expect certain parts of the property market to remain strong,” Mr Flavell said.