McGRATH REPORT
2022

NEW BEGINNINGS

A MESSAGE FROM JOHN McGRATH

Where do I start in trying to unpack a year that has literally been like no other in our history?

The first question we must ask: Despite being in the midst of one of the greatest social and economic challenges in recorded history, why is the real estate market in Australia performing so strongly?

As counter-intuitive as that reality seems, there's little doubt that most markets around Australia are experiencing very positive conditions, which have lifted most values to record highs. So, what are the drivers behind this surge?

I think the elements that are buoying this market are several layers deep and include economic factors as well as strong human elements.

Let's look at what I believe are the top four drivers:

1. Record low interest rates. We have never seen money so cheap to borrow in this country and it's looking like the current low rates are here to stay for years to come. Globally, interest rates are locking-in at these levels for at least five years, so first home buyers, upgraders and investors are taking advantage of them.

2. Whether it's upgrading their current home or buying an investment property, most Australians seek the comfort and safety of bricks and mortar in difficult times. So, the sleep-at-night factor that property delivers combined with the aforementioned cheap money has driven millions of Australians to invest or invest further in residential property.

3. Low stock levels mean demand is far outstripping available supply. Until we see a return to a more normalised level of properties for sale, we will continue to see overweight demand pushing prices higher. Even with record high prices, many sellers are fearful of getting out of the market before their next destination is found. So, with everyone waiting for their dream home to come along before they go to market, we find ourselves in an unusually low listing environment. Again, somewhat counter-intuitive.

4. When a share market or property market runs like this, we usually see a large amount of FOMO (Fear Of Missing Out) engulfing society, meaning, "if everyone else is buying or upgrading their home then I should too" – fearing they may miss out on the gold rush.

NSW derived just under $10 billion from stamp duty last financial year, making it the state's largest taxation revenue source. Put simply, stamp duty revenue has been a saviour for most governments around Australia and they will do whatever they can to keep the property ball rolling. So, we will continue to see governments do whatever they can to keep the property market open.

In 2022, when things (hopefully) restore to a more normal state and borders reopen, I believe we will see significant investment into Australian property from expatriates as well as overseas immigrants and investors. COVID-19 has only reinforced the good fortune that we all have living in such a huge and somewhat remote country. Historically, most of these funds find their way into the Sydney and Melbourne markets, however with the recent Brisbane Olympics announcement, I suspect South East Queensland will also be a strong recipient of this overseas investment.

Whilst the inner suburbs of metropolitan markets (especially the bigger cities) will remain entrenched at the top end of the market, proximity to the city is becoming less valuable for many over lifestyle. This is because many people have now found that their daily trek in and out of the city is no longer necessary, courtesy of telecommuting, and many have decided to move to their dream location now rather than waiting until they retire.

Fringe areas are already huge beneficiaries, as many inner city dwellers eye off the enviable lifestyle available 20-30km further afield in areas where value for money compares favourably with the trendy inner urban environment for young families and empty nesters alike. The same can be said for lifestyle locations (read treechange and seachange) within two hours of major hubs.

The human race is an amazing collective of talent and inspiration. I know that together, we will help each other move through the tail end of this challenge and on to new and exciting beginnings. Stay safe.

JOHN McGRATH

FOUNDER AND EXECUTIVE DIRECTOR

01

THE VALUE BUY:

INNER RING APARTMENTS

AUSTRALIA'S CITIES AS WE KNOW THEM ARE RADICALLY CHANGING. DUE TO THE EASE AND POPULARITY OF WORKING FROM HOME, OUR CITY CENTRES ARE SLOWLY LOSING STATUS AS CENTRAL BUSINESS DISTRICTS.

Although this is a temporary phenomenon, many people are making permanent changes.

One of the greatest impacts of COVID-19 is the decentralisation of inner city tenants and apartment owners in Sydney, Melbourne and Brisbane, creating high vacancy rates and lower rents in the inner city apartment market over the past 12 to 18 months.

Urban apartment dwellers are moving to middle or outer ring areas where they can buy or rent relatively cheaply. Many young couples are achieving the dream of buying a house that they can live in long term without a long work commute.

Apartment living was a rising trend before COVID-19 and it will continue to be popular after the pandemic is long gone. However, there's a structural change occurring in the market today. When you work from home, as so many people now do, you no longer need to live in the historically expensive inner city areas close to the CBD.

This is leading to a sizeable share of tenant and buyer demand leaving inner city markets at a time of negative population growth due to the closed international border and a weakened CBD economy with many offices and retail businesses closed.

COVID-19 and its effects are weakening the inner city apartment sector but only in the short term. That creates opportunity for owner buyers and investors with a long term view.

The inner city decentralisation trend put a drag on apartment price growth in FY21. Capital city apartment prices rose by 5.5% compared to houses at 14.8%[1], according to CoreLogic.

Insatiable demand from first home buyers, already at a record high nationwide before COVID-19, was strengthened by further interest rate cuts and enhanced government incentives. This kept young people engaged in the market and provided good support to apartment values across the broader metropolitan areas.

However, for the vast apartment precincts of inner city Sydney, Melbourne and Brisbane, nothing could counter the loss of demand from immigrants, overseas students and young hospitality and tourism workers who returned to their parents' homes after losing their jobs.

The impact of the virus first hit the property market in March 2020, with inner city rental values affected first. There was an immediate impact as overseas students departed, with vacancy rates soaring to 14.8% in Sydney CBD, 8.9% in Brisbane CBD and 6.7% in Melbourne CBD by May 2020, according to data from SQM Research[2].

The rental moratoriums meant landlords were expected to negotiate with tenants whose incomes were impacted by COVID-19, and accept lower weekly rents for a period of time. Landlords who lost their tenants had to advertise at reduced prices to attract new tenants in an oversupplied market.

Whilst rental values tumbled, investor buyers deserted the inner city market and many people worried about a collapse in apartment values, which deterred other buyers.

However, this did not eventuate. Low mortgage rates, loan deferrals and income support such as JobKeeper allowed many existing inner city investors to hold their assets, preventing a rush of sales. Solid demand from first home buyers also helped to keep prices in place.

As a result, CBD apartment prices over the 12 months of 2020 were soft, with zero growth in Melbourne CBD at a median of $520,500, 0.9% growth in Sydney CBD to $875,000 and a fall of -5.1% in Brisbane CBD to $470,000[3].

By May 2021, CBD apartment values had grown slightly in all three cities to $527,000 in Melbourne, $900,000 in Sydney and $490,000 in Brisbane[4].

The recovery is underway.

Vacancy rates are improving and weekly rents are also on the up. In Sydney, the vacancy rate is 6.1% and the average weekly rent is $674 per week. In Brisbane, it is 4.5% and $498 per week. In Melbourne, it is 5.7% and $396 per week[5].

In the grand scheme of long term property ownership, COVID-19 and its associated effects are short term. This makes inner city apartments a once-in-a-lifetime value buy.

Traditionally, inner city markets are considered blue chip and are usually in high demand. Today, local buyers have little competition from overseas buyers and new immigrants, with Australia's international border currently expected to remain shut until 2022[6], so, savvy first movers are seizing the opportunity to snap up inner city apartments.

First home buyer activity is still above average but starting to decline due to affordability constraints and the end of extra government stimulus. In their place are returning investors, who are looking past the short term issues of higher vacancies and lower yields to the future when the international border is reopened and massive tenant demand will return.

Whilst the value available to CBD apartment buyers is clear, many people don't realise that the pandemic's impact has extended beyond the CBDs to inner ring suburbs within a 10km radius. In Sydney especially, there is even better value available here. Prices have either fallen or stayed much the same whilst values across the rest of the city have gone up.

The median apartment price in Lane Cove LGA on Sydney's Lower North Shore is $785,000, down -8.6% on a year ago. In Botany Bay LGA, in Sydney's southeast, the median is $805,000, down -4.2%. In the Inner West LGA, the median is $792,750, an increase of only 0.2%[4].

In Melbourne, the median apartment price in Boroondara LGA, in Melbourne's eastern suburbs, is $760,000, down -1.9% over the year. In Stonnington LGA, in Melbourne's inner southeast, the median is up slightly by 1.5% to $660,000. In Port Phillip LGA, in Melbourne's south, the median is unchanged at $605,000.

In Brisbane, the median apartment price in the suburb of Gaythorne in Brisbane's northwest is $375,000, down -8.2%. In Salisbury, in Brisbane's southeast, the median is $369,000, down -6.9%. Whilst in Annerley, the median is $413,750, down -2.6%.

Today's investors have a rare chance to buy positively geared or cash flow investments – when the amount earned from a property exceeds the expenses. It is typically achieved after years of paying down the loan to bring the ownership costs below the rental returns.

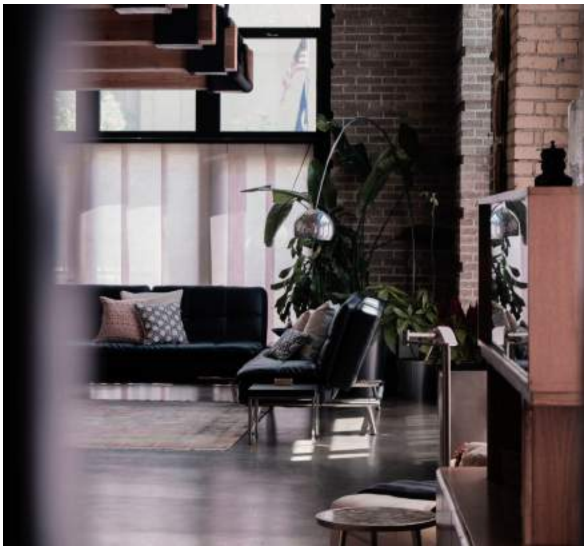
Negative gearing is the norm, with 59% of Australia's 2.2 million property investors declaring a loss in FY19[7]. However, historically low interest rates have changed the game.

Sydney's gross apartment yield is 3.1%, Melbourne 3.5% and Brisbane 5.1%[8] whilst the average interest rate on a variable investment loan is 3.02% or 2.38% fixed for three years[9].

The East Coast capital cities will inevitably rise again. Sydney and Melbourne are established international cities and Brisbane will receive global attention as host of the 2032 Olympics.

With the Federal Government's four-phase plan, Australia is working towards an 80% vaccination rate, an end to lockdowns and a reopened international border[10].

Business will come back to the CBD, nightlife will resume and people will once again want to live in the inner city, just as they are now in the reopened U.S., U.K. and Europe.



Local owner occupiers and investors have a unique, time-limited opportunity to use the advantage that a closed border brings to buy well in FY22, before life returns to normal and we see an anticipated uplift in both rental and capital values across our inner cities.

02

MILLENNIALS IMPACT

ON THE PROPERTY MARKET

MILLENNIALS ARE THE FIRST TRULY MOBILE GENERATION – THEY SHOP ONLINE, WORK ONLINE AND SOCIALISE ONLINE. DIGITAL PLATFORMS INCLUDING SOCIAL MEDIA ARE GIVING THEM THE ABILITY TO CONNECT WITH INFORMATION, PEOPLE AND IDEAS AT A PACE GENERATIONS BEFORE THEM NEVER COULD.

Born between 1980 and 1994, millennials are aged between 27 and 41 years. Also known as Generation Y, they make up the largest proportion of Australia's population at 22% and account for 35% of the workforce today[1].

Their mastery of technologies means millennials are increasingly using digital tools to assess the property market. They rely on apps and social media to find everything from properties for sale to financing options.

U.S. research shows that 92% of millennials frequently use the internet to search for homes[2]. Although no similar data is available on Australian users, there is evidence that Australian Gen Ys are equally reliant on technology to meet their real estate needs.

Tellingly, there is more focus than ever on 'proptech' or property technology in the local real estate sector today. There are now 381 proptech companies in Australia, with the majority entering the market in the past five years[3].

A survey of 216 Australian property companies by the Property Council of Australia shows the COVID-19 crisis has accelerated proptech adoption[4]. Amongst Australia's 200 top grossing apps is domain.com.au ranked at 119 and realestate.com.au ranked at 132[5].

Although millennials are often maligned as 'entitled' and 'lazy'[6], they are actually hard workers and savers. Many entered the workforce during the GFC and many were in the middle of their careers when COVID-19 struck.

It's no surprise that millennials do things differently to their parents. They delay marriage and children, they spend more years studying and they do more part-time work. It is also common for both parents within millennial families to work to help service their mortgage.

Goals around property ownership have shifted, too. House prices have increased at a much faster pace during the lives of Gen Ys, but they are also earning more than their parents did.

Australians aspiring to buy their first home take an average 8.6 years to save a 20% deposit, and this marathon savings hurdle represents the highest barrier to home ownership[7].

Affordability has made the Great Australian Dream a challenge for millennials. In May 2020, the Australian Housing and Urban Research Institute published research showing that home ownership was expected to drop to just above 50% by 2040 – down from 60% in 1981 – for households in the 25-55 age bracket[8].

But true to form, millennials are finding ways to adapt.

Many are increasingly turning to the Bank of Mum and Dad for help. They are also 'rentvesting' – buying an investment property instead of a home first, usually in an affordable outer ring suburb, whilst they continue to live in an inner city or beachside rental apartment close to their CBD jobs and the best cafes, restaurants, shops, nightlife and entertainment that our big cities have to offer.

In recent years, millennials' ability to fund their first home has been assisted by generous government grants and stamp duty concessions in NSW, Victoria, Queensland and the Australian Capital Territory.

This has powered high levels of activity. In FY21, enhanced government incentives coupled with three interest rate cuts in 2020 due to the pandemic kept first home buying going throughout the entire first year of COVID-19.

Lending to first home buyers as a proportion of total lending to owner occupiers rose from the decade average of 24% in March 2019 to 30.4% in March 2021[7], before tapering to 27.7% by June 2021 due to affordability constraints[9].

The prevalence of working from home is also allowing millennials to reset the boundaries of their property search away from pricey inner city districts to metro or regional suburbia.

Social demographer, Bernard Salt says the virus has brought forward the demographic shift of hipster millennials, who gravitated to inner city apartments in their 20s to pursue their careers, and are now leaving these areas ahead of their time[10].

Known for being a nimble generation, young family millennials, in particular, are joining the VESPA movement (Virus Escapees Seeking Provincial Australia) and moving away from the city centres. Some are leaving the capital cities altogether for regional areas that not only offer affordable housing but also an escape from traffic and a time-poor, big city lifestyle.

Today's white-collar workers can live anywhere with reliable broadband and the NBN is expanding their options. Millennials are relishing the chance to genuinely design their own lives, which includes buying a 'grown-up' house where they can put down roots long term.

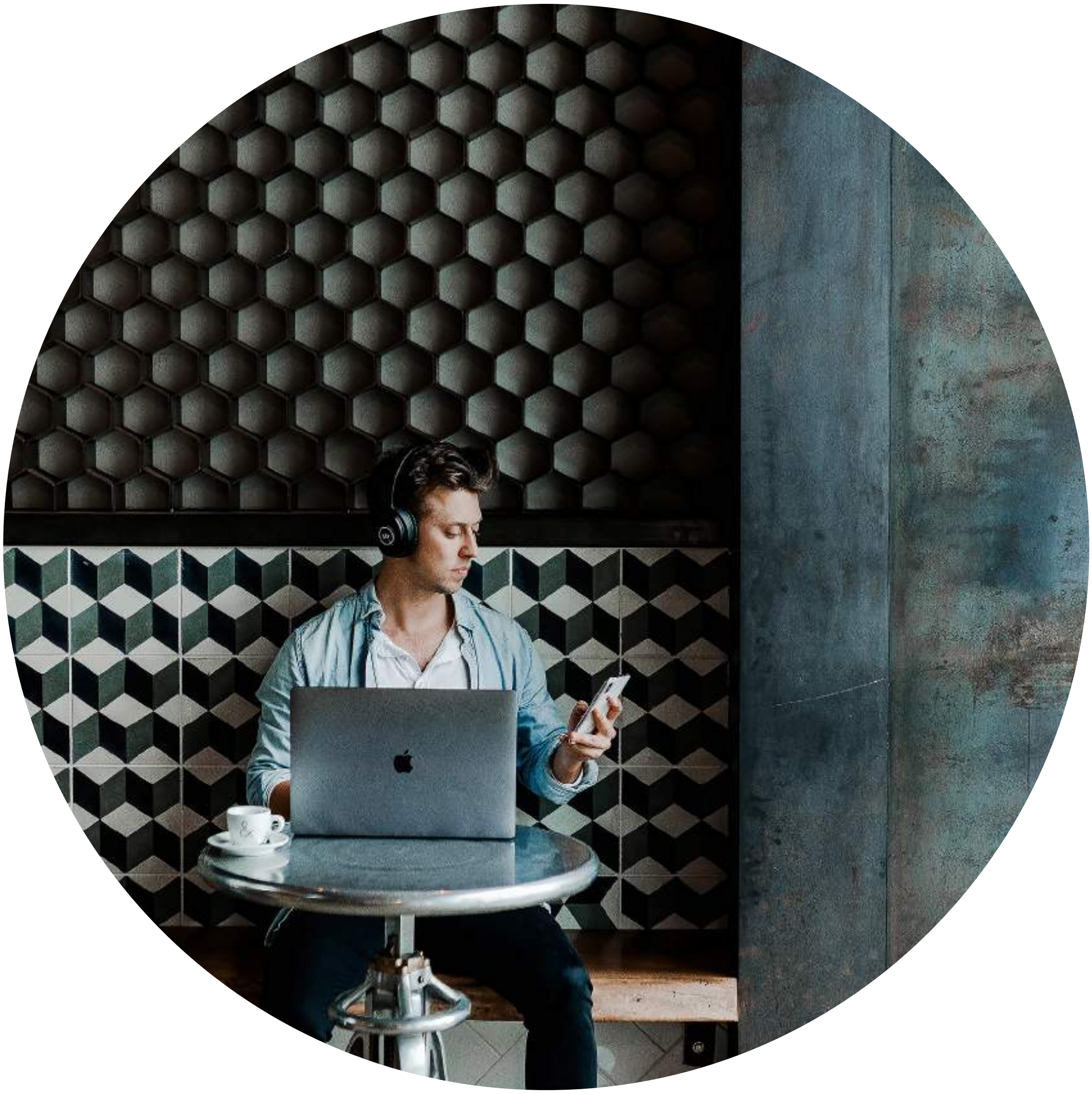
This is giving young millennial families the chance to provide their kids with the same 'luxuries' they enjoyed as children, such as big backyards and their own bedrooms.

Latest data reveals that people aged 25-44 years are the second largest age cohort leaving capital cities, behind the 45-64 year olds[11]. There was a net loss of 11,845 people from the capital cities in the March 2021 quarter, the largest quarterly net loss through internal migration on record.

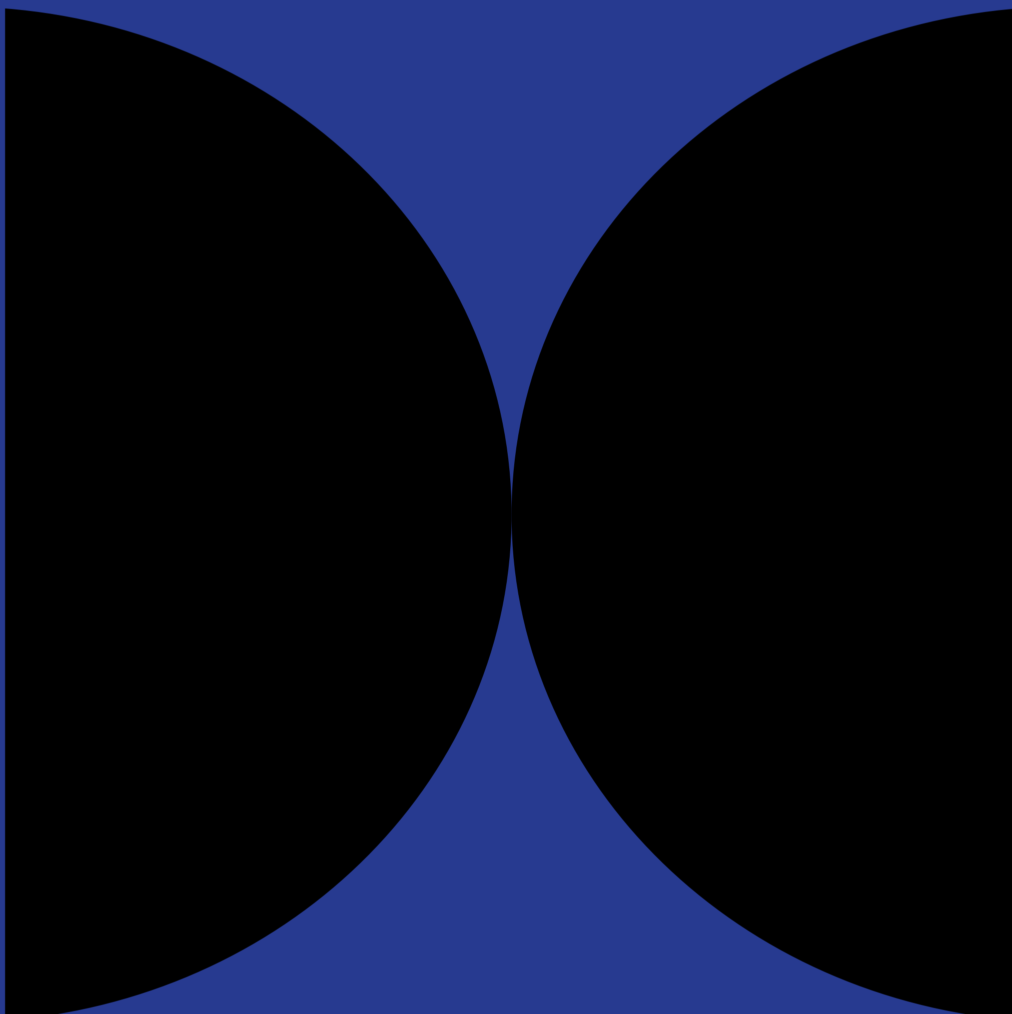
Sydney and Melbourne led the trend and lost a net 4,520 millennials during the quarter. Regional NSW and regional Victoria experienced the largest net gain in millennials.

Millennials love for travel is well-documented. For many, it's a rite of passage to study or work overseas before settling down back home. Such is their desire for travel that Gen Ys took more overseas trips in 2019 than all Australians took in 1997[12].

For now, their wings have been clipped by COVID-19, and in a survey of more than 1,000 Australians, McCrindle researchers found 63% of millennials are prioritising saving[13]. This is resulting in many taking aim at home ownership sooner than they anticipated. An ING survey of 2,000 Australians found 59% of millennials were are redirecting their travel savings into a home deposit and one in three (32%) are planning to buy a property within the next two years[14].



Home ownership is still an important goal for tech-savvy millennials. Whilst many face uphill battles during the pandemic, especially those still studying or just starting out in their careers, it will doubtlessly make them even more resilient.



03

RETURN OF THE NEIGHBOURHOOD

THERE HAVE BEEN FEW SILVER LININGS IN THE WAKE OF COVID-IMPOSED LOCKDOWNS, BORDER CLOSURES AND SOCIAL DISTANCING RULES.

But a rare upside has been a shift back to a more localised way of living for many Australians.

We have returned to a way of life enjoyed by generations past, where we know our neighbours' names, our children play together in the streets, and local businesses have an important role in our community.

Research by sociologists has found that wellbeing is positively influenced by community belonging and togetherness during disaster. They expect relationships to be strengthened due to community identification and feelings of unity in response to the pandemic[1].

Working from home is now an entrenched way of life, giving more of us the opportunity to spend quality time in our communities, getting to know our fellow locals better.

Researchers expect many workplaces to adopt a hybrid model allowing staff to work from the office and from home once we have a pathway forward to living with COVID-19[2].

Global consulting firm, Deloitte, has announced a new workplace model prioritising outcomes, not hours. They have told their 10,000 staff that they can choose when and where they work, as long as tasks are completed[3].

Westpac and Telstra are considering selling off floor space no longer needed in their Sydney city offices because many staff will be working from home on a permanent basis[4].

This change in the way we work is expanding the horizon for Australian city residents. As social demographer Bernard Salt puts it, "The city centre is no longer the pivot around which urban life revolves."[5].

COVID-19 is inspiring a shift to middle and outer ring suburban living as more people search for greater open space, more connected communities and housing affordability. The desire to live close to the city to reduce the work commute is no longer relevant, so lifestyle has moved up as the No. 1 priority.

Mr Salt describes these relocators as 'VESPAs' or Virus Escapees Seeking Provincial Australia.

These inner city residents are buying larger, more affordable homes with backyards away from the CBD, while others are leaving the big cities for a regional seachange or treechange and a closer connection to nature[6]. Both trends have a common denominator – a lifestyle shift away from the urban hustle and bustle to local village living and a slower pace of life.

Social connections form part of an area's appeal. One in two Australians say they feel lonelier due to COVID-19 and the isolation created by restrictions is making life difficult[7].

Research shows people feel more connected to their neighbourhoods when they are living away from the urban density of capital cities.

An ABC survey of 60,000 Australians found 55% of inner metropolitan residents know many of their neighbours, compared to about 70% in rural and regional areas[8].

People are increasingly shopping locally, driven by a strong desire to support local business owners and producers, even if it means spending more than they would at large retailers[9].

Going forward, this trend is likely to remain, with a survey of more than 1,650 shoppers and businesses finding 73% of Australians want to see brands demonstrate they are connected to local communities[10].

The growing focus on staying local is highlighting the benefits of the 20-minute neighbourhood standard of urban planning. This ideal scenario gives residents access to shops, services, schools, public transport and employment within a 20-minute walk.

Residents of such neighbourhoods not only enjoy convenience but also better health because they are walking more often and generally spending more time outdoors[11].

"Residents of these neighbourhoods often have a strong sense of community and connection to place," said Professor Linda Corkery of the University of NSW.

"People are out and about on the street socialising, supporting local businesses, being involved with local schools, enjoying local parks."

Finding joy in green spaces is a popular pastime these days. With gyms shut and local sporting activities postponed, people are turning to parks, bike trails and walking paths to exercise their bodies and minds. This is pushing usage of natural spaces up, with a dramatic increase of 112% in Melbourne, 36% in Sydney and 17% in Brisbane during the first few months of the pandemic in 2020[12].

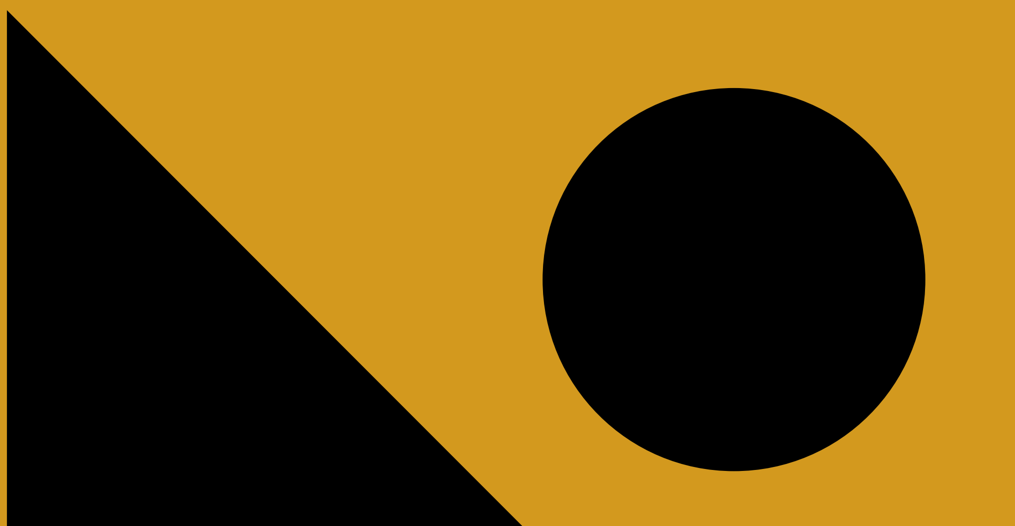
What's more, green spaces have a positive influence on housing prices. This is particularly the case in higher density areas, where proximity to parks and reserves is more important. CoreLogic Research Director, Tim Lawless describes a "statistically significant positive relationship between unit prices and proximity to green areas"[13].

CoreLogic research shows the top five Sydney areas with the highest percentage of public green space are Heathcote-Waterfall, Berowra-Brooklyn-Cowan, Terrey Hills-Duffys Forest, Asquith-Mount Colah and Menai-Lucas Heights-Woronora[13].

During lockdowns, many homeowners are renovating to refresh their living environments, thereby raising the value of their properties whilst also lifting the look of local streets.

The Housing Industry Association expects restrictions to continue driving an increasing number of medium-sized renovation projects, such as new kitchens and bathrooms[14].

The pandemic is shining a spotlight on the importance of building connections within local communities, changing the way Australians live, play and work. That focus is unlikely to shift once COVID-19 lockdowns end, giving many a work/life balance they could only dream of before.



04

WILL HOLIDAY HOMES

REPLACE THE HOLIDAY?

AUSTRALIANS PRIDE THEMSELVES ON BEING A NATION OF TRAVELLERS. OUR ISLAND STATUS AND POSITION AT THE BOTTOM OF THE WORLD COUPLED WITH INCREASINGLY AFFORDABLE AIRFARES HAS DRIVEN A DESIRE TO TRAVEL OVERSEAS ON A REGULAR BASIS.

It was a rising trend before COVID-19, with Australians enjoying a record 11.2 million short term overseas trips in FY19, with our top destinations being New Zealand, Indonesia and the U.S.[1].

However, when the international border closed in March 2020, our overseas holiday plans were shattered and our movement within cities has been continually restricted during outbreaks.

During this time, holiday homes have increasingly replaced our overseas and interstate holidays.

Holiday homes have become an irresistible refuge for many owners. They are regularly retreating to their second homes, most of them in premium fringe areas such as Sydney's northern beaches, the NSW Blue Mountains[2] and Victoria's Mornington Peninsula, where they can work remotely in comfortable and familiar surroundings.

Seeking the same escape, other city dwellers have leveraged Australia's burgeoning home sharing market to rent a holiday home for the duration of COVID-19.

Airbnb and Stayz are doing a roaring trade servicing this new type of holiday home renter, who is often looking for longer term accommodation in fringe metro and regional lifestyle areas.

Budgets vary, with wealthy city dwellers redirecting funds usually spent on overseas holidays to long leases of luxury holiday homes[2]. Others are enjoying shorter stays, trying various holiday home rentals in a different location each time, with each trip providing an invigorating new experience and a break from the monotony of a socially restricted life.

The notion of a working holiday is taking hold, with 23% of people working from home becoming 'digital nomads' within the first six months of the pandemic, according to Airbnb[3].

With a laptop in their luggage, these white-collar executives are 'working from anywhere' whilst exploring Australia in a more meaningful way.

Dubbed the 'workcation', they're living in holiday rentals a few months at a time and immersing themselves in the communities of coastal, mountain or rural regions.

Back in the cities, where recurrent lockdowns are creating cabin fever, people are looking to the regions for short breaks and are spending more to make the most of them.

In May 2021, Australians took 5.3 million overnight trips for business or leisure to regional Australia and spent $3.5 billion on them[4]. Compared to May 2019, this was a 6% decline in the number of trips but a 23% increase in expenditure. The biggest spending increases were in regional South Australia (up 83%), regional Queensland (up 31%) and regional NSW (up 24%).

According to Airbnb, regional vacationers are seeking uniquely experiential holidays in lieu of overseas experiences. Treehouses, cabins, yurts, tiny houses and farm stays are popular, as holidaymakers prioritise seclusion and safety, preferably within driving distance of home.

Holidaymakers are also seeking out lesser known regional areas, leading local landlords to list their investment properties on homestay platforms for the first time to achieve better returns. This has significantly increased short term accommodation options in some areas, such as Mount Gambier in South Australia[5].

People aren't just leasing holiday homes, they're buying them, too[6]. Their motivation is two-pronged – secure a safe holiday destination for their families to enjoy during school breaks; and leverage ultra-low interest rates to invest in booming regional markets.

Demand for regional property is surging, with thousands of seachangers and treechangers leaving the cities for a permanent new lifestyle of working from home.

This is resulting in exceptional property price growth, with the regions outpacing the capital cities by a significant margin in FY21. Regional NSW home values rose 21.1% vs Sydney 15%, regional Victoria 15.9% vs Melbourne 7.7% and regional Queensland 17.1% vs Brisbane 13.2%, according to CoreLogic[7].

This is making regional holiday homes even more appealing. Investors can buy a comparatively affordable property, with a reliable rental stream created by popular home sharing platforms, and ride the wave of capital growth occurring in scores of seachange and treechange hot spots.

A survey commissioned by ING shows 32% of today's investors are considering buying property in holiday towns compared to 30% targeting the inner city and 37% preferring outer city areas[8].

The key motivators for investing in holiday towns include value for money (50%), the ability to use the property as a personal holiday home (28%) and taking advantage of the burgeoning holiday home rental market (25%)[8].

Second home ownership was on the rise even before the pandemic. The 2016 Census revealed there were 16% more dwellings than there were households in Australia, up from 9% in 2001[9].

The introduction of the 50% capital gains tax discount in 1999 likely contributed to this trend[10], along with the launch of Stayz in 2001 and Airbnb in 2012. These platforms enable a much steadier flow of rental income, which makes holiday home ownership a more viable investment.

Australians in city and regional areas are increasingly embracing these platforms, with listings on Airbnb more than doubling from 2016 to 2017[11] and steadily increasing ever since.

The history of Australian holiday homes can be traced back to the late 1800s[12], when many wealthy families owned substantial holiday houses in popular beachside areas. In the 1920s and 1930s, the 'weekender' gained popularity as mass car ownership allowed the middle class to discover less crowded vacation spots, where they typically bought basic fishing cabins.

Between the 1960s and 1980s, the appeal of holiday houses declined as working women demanded a proper vacation instead of merely "a change of kitchen sink"[12]. The emergence of resort hotels in Australia, Fiji and Bali encouraged shorter but more luxurious holidays built around services and activities, according to Sydney University Associate Professor and tourism historian, Richard White.

Today, air travel is restricted and people are hesitant to cross a border in case of lockdowns. Buying a holiday home using unspent holiday funds appears to be making sense, as it provides assured hygiene, a regular escape (when restrictions allow) and a financial investment as well.

Today, a humble fishing cabin is less likely to satisfy middle class buyers. Many are seeking higher quality properties in prime coastal locations, and this demand is changing local markets, not only through raised competition and higher home prices but also through gentrification.

The NSW Central Coast provides a case in point. The traditional go-to destination for Sydney families seeking an inexpensive break, the area saw surging buyer demand in 2020 for old stock to be 'flipped' into profitable Airbnb holiday homes in waterfront locations such as Avoca, Forresters Beach and Killcare[13].

The desire to spend more time away from the city is creating demand for grander, architect-designed properties with greater ammenities. Some older buyers plan to convert their holiday houses into their primary homes upon retirement, so they are especially motivated to buy higher quality.

Data from CoreLogic shows house prices in Australia's most loved tourism hotspots are soaring.

In the year to May 31, 2021, the top five regional council areas in NSW for house price growth were Byron (39.3%), Kiama (31.1%), Snowy Monaro Regional (30.3%), Ballina (26.9%) and Shoalhaven (20%)[14].

In Queensland, the top five were Noosa (21%), Sunshine Coast (15.2%), Fraser Coast (14.8%), Gold Coast (13.5%) and Cairns (7.1%).

In Victoria, Mansfield had the highest house price growth at 26.9%, followed by the Surf Coast (24.6%), Macedon Ranges (23.5%), Bass Coast (22.4%) and Mornington Peninsula (21.3%).

In years gone by, holiday homes were never about a prospective return on investment. For many, lifestyle factors have always outweighed any possible monetary gains.

Whilst this attitude is changing somewhat, as property is increasingly seen as the best way to grow wealth, the big takeaway from 2020 was the importance of a good work/life balance.

Tim McKibbin, the CEO of the Real Estate Institute of NSW, says buying a holiday home to enhance lifestyle is making "emotional and commercial sense" to many buyers today[15].

This is largely thanks to better digital connectivity spurring a growing awareness worldwide that working from an office is no longer central to productivity[16].

This, in turn, means that demand for homes in regional and coastal areas looks set to become more consistent, rather than traditionally relying on peak demand during school holidays.

As employers entice – or insist – that employees return to the office for at least a couple of days a week, second homes in commutable regional locations will see the highest demand.

The holiday home is here to stay.

SYDNEY

& SURROUNDS

MEDIAN HOUSE PRICE
$1,293,450

MEDIAN APARTMENT PRICE
$825,514

CORELOGIC, SEPTEMBER 2021

Resurgent market confidence in 2021 pushed Sydney house prices up an impressive 23.3% over the first eight months of the year to a new record median of $1,293,450[1]. This is the fastest growth rate in Australia and equates to a value uplift of $280,000 since January 1, 2021 – equivalent to more than double Australia's average household income over an entire year[2].

COVID-19's long term lifestyle impact and record low interest rates are motivating thousands of Sydneysiders to upgrade their homes. Two strong trends have emerged – a decentralisation from the expensive inner ring to the affordable city outskirts and a strengthening of the regional relocation trend underway since mid-2020.

THESE TRENDS ARE ENABLING AFFORDABLE UPGRADES TO LARGER PROPERTIES, ACCOMMODATING ONE OR TWO HOME OFFICES, ON LARGER BLOCKS THAT PROVIDE SPACE AND PRIVACY FROM THE NEIGHBOURS.

The inner city decentralisation is evident in Sydney's top 50 suburbs for house price growth for the year to May 31, 2021, with 62% in the middle or outer ring areas such as the northern beaches, western suburbs, outer southwest and south[3].

The top growth areas are Sylvania Waters (Sutherland Shire) up 64.8% to a median $2,720,000; Bardia (Campbelltown LGA) up 62.5% to $703,900; Catherine Field (Camden LGA) up 53.2% to $678,000; and Glenorie (Hills Shire) up 48.3% to $1,930,000.

Sydney VESPAs (Virus Escapees Seeking Provincial Australia) bringing their big city budgets to coastal and country areas pushed regional NSW house prices up by 21.9% over FY21 – the fastest annual growth rate of all the regions and capital cities (equal with regional Tasmania)[4].

This is on the back of the biggest population shift into regional NSW in two decades, with a net gain of 13,850 people moving to coastal and country communities – mostly from Sydney – over the year to March 31, 2021[5].

The Central Coast has been a key beneficiary and features heavily in the top 50 regional growth suburbs for the year to May 31, 2021[3]. House prices have soared in Copacabana, up 72.3% to a median $1,507,500; North Avoca, up 65.8% to $1,540,000; and Chittaway Point, up 45.3% to $967,500.

Sydney's prestige market is buoyant, with thousands of expats returning home and wealthy locals using unspent travel dollars to upgrade. They are buying grand resort-style houses with amenities that provide a lifestyle at home, such as a cinema, boating facilities, a pool and tennis court.

Prestige property turnover is significantly higher as a result, up 58% year-on-year with 2,298 sales over the 12 months to March 31, 2021, according to research from independent global property consultancy, Knight Frank[6].

In late June 2021, the Delta COVID-19 outbreak interrupted buzzing market activity, forcing a long lockdown. New sellers delayed their campaigns, which exacerbated already low levels of stock. This kept auction clearance rates high and Sydney home values still grew by 2% in July[7] and 1.8% in August[1].

Price growth in Sydney's apartment market was weighed down by softening inner city values. As a stimulus measure, first home buyers were given additional incentives and their activity kept the city's median price growing, up a modest 5.1% to a median $794,193 in FY21[4].

Young buyers in NSW, who borrowed a record $2 billion in May 2021[8], are favouring affordable suburbs in Sydney's west and southwest such as Box Hill, Schofields, Austral, Oran Park, Campbelltown, Wentworthville and Liverpool[9]. Favourite regional suburbs include Hamlyn Terrace and Gosford on the Central Coast and Wollongong on the south coast.

To stimulate the economy, 101 infrastructure projects worth $25 billion are now approved[10]. Amongst them is a 180-metre tower comprising 430 apartments in Parramatta, to be built at the old Ford dealer site as part of the redevelopment of the city's famous 'Auto Alley'.

The pandemic property boom generated $9.748 billion in stamp duty in NSW in FY21[11]. A proposal to replace stamp duty with a yearly land tax would raise NSW home ownership by about 6% and reduce home values by 3-4%[12], according to the NSW Government.

Growth appears unstoppable in Sydney, however challenges may lie ahead with affordability, negative population growth and an eventual increase in the number of homes for sale, as more owners seek to leverage the fastest growth seen in the Australian marketplace since 2004[7].

JOHN McGRATH'S TOP PICKS

AVALON BEACH

COVID-19 has sent Sydneysiders running for the best coastal lifestyle options. Plus the surf, sand and coffee of Avalon Beach makes it front and centre up there with the best. Locals enjoy its charming retail village. Prices are up and they won't stop any time soon as seachanger telecommuters vie for the best addresses.

HOMEBUSH

When WestConnex is complete, the 14km between Homebush and the CBD will shrink to just a few minutes' drive. The vast sporting and leisure facilities at Sydney Olympic Park provide a fantastic recreational playground for locals. What was once frowned upon as a residential address is fast becoming a fashionable place to live.

CAMDEN

Fits beautifully into the treechange category as empty nesters and young families alike reprioritise their needs and discover this rural lifestyle with easy access to Sydney's fastest growth corridors. There are large parcels of residential land and grand contemporary family homes being built alongside modest cottages yet to be turned over. It's a 25-minute drive to the new Western Sydney International Airport (due to open in 2026) and the Aerotropolis business park, which will bring 200,000 jobs to the region.

BOOKER BAY – CENTRAL COAST

This charming, secluded pocket on the Central Coast sits quietly next to her better known neighbour, Ettalong. It's a 75-minute drive for most Sydneysiders. Prices are still relatively affordable for a gorgeous backwater. With mesmerising views of Brisbane Water, there is an exclusivity to this tiny 0.5 sq km peninsula suburb. And with great pizza and its own village cinema, what's not to love!

MALABAR

As the eastern beaches from Maroubra to Bondi become unaffordable for most mere mortals, there's only a few city beach suburbs left that represent relatively affordable value for most Sydneysiders. The peninsula from Malabar to Little Bay is about to become one of the most in-demand locations in the country. Malabar also offers plenty of wide open, green spaces that buyers are appreciating much more in today's world, including the heritage-listed Malabar Headland nature reserve and plenty of golf courses within a stone's throw.

MELBOURNE

& SURROUNDS

MEDIAN HOUSE PRICE
$954,496

MEDIAN APARTMENT PRICE
$615,909

CORELOGIC, SEPTEMBER 2021

If there was ever any doubt about the resilience of Australian property, Melbourne provides a case study of strength in adversity.

Although it's not the shiniest star amongst the capital city recoveries, Melbourne's comeback in 2021 has been nothing short of incredible.

After COVID-19 struck in March 2020, Melbourne was the first East Coast capital to see a fall in home values. As Australia's favourite destination for overseas immigrants, the city was immediately impacted by the departure of international students and ceased immigration.

IN 2020, MELBOURNE EXPERIENCED TWO CONSECUTIVE QUARTERS OF HOUSING VALUE DECLINES[1] AND A SECOND MAJOR LOCKDOWN LASTING 111 DAYS, DURING WHICH TIME OPEN INSPECTIONS AND ON-SITE AUCTIONS WERE BANNED.

Tens of thousands of people abandoned Melbourne, with a net loss of 32,203 residents through internal migration in the 12 months to March 31, 2021 – the largest loss on record, according to the Australian Bureau of Statistics[2].

Signs of a market revival became clear as restrictions started to ease. Pent-up demand resulted in a surge of new listings from 1,606 to 6,974 over the four weeks ending October 18, 2020[3].

This had nothing to do with panic selling. It was mainly driven by ultra-low interest rates enabling vendors to upgrade their properties; and city-based residents moving to the regions because working from home became an accepted practice and obliterated long daily commutes.

Remarkably, the Melbourne median house price fell only -2% in 2020[4], with the apartment median unchanged. The market had a strong Spring 2020 season following the second lockdown, and the ongoing rebound since has pushed dwelling values to a new record high in 2021[5].

The pessimism that prevailed at the start of COVID-19 has evaporated, and Melbourne has joined in a synchronised upswing in home values across every capital city of Australia.

The Melbourne median house price rose 14.9% to $954,496 and apartments rose 6.6% to $615,909 over the first eight months of 2021, just a little under the national average of 17.5% and 10.2% respectively[6].

The second biggest influx of city migrants to regional areas occurred in Victoria[2]. The regions welcomed a net 14,012 new residents in the year to March 31, 2021, which pushed rental and home values up, primarily in commuter towns and lifestyle areas.

For example, house prices increased by 18.5% in Bendigo, 12.2% in Ballarat and 11.3% in Geelong during this period[7].

Melbourne's struggling apartment market, hit by issues of oversupply, the loss of international students and an aversion to living in small spaces due to lockdowns, is showing signs of a slow recovery. CoreLogic data shows median apartment prices increased in 55% of Melbourne's 33 inner suburbs over the three months to May 31, 2021[8].

One of Victoria's standout apartment markets today is Sunshine, in Melbourne's west. Apartment values increased by 49% to a median $585,000 over the year[8].

Sunshine will be a key beneficiary of the Melbourne Airport Rail, with construction due to begin in 2022. The Sunshine Station Superhub will deliver passengers to the airport within 11 minutes and provide rail connections to regional Victoria as well[9].

Victoria's 2021 State Budget introduced stimulus measures to support the construction industry as well as directly reinvigorate Melbourne's inner city apartment market.

Firstly, across Victoria, the eligibility threshold for the existing off-the-plan stamp duty concession for all owner occupiers has been temporarily increased from $550,000 (non-first home buyers) and $750,000 (first home buyers) to $1 million[10].

The concession reduces the stamp duty payable by deducting the cost of construction incurred after the contract date from the purchase price to determine a reduced 'dutiable value' upon which stamp duty is charged.

The dutiable value can now be as high as $1 million, which means buyers of higher value apartments, such as downsizers, will be eligible for the discount, which is available until June 30, 2023.

Secondly, in the 14 suburbs within the City of Melbourne LGA, additional stamp duty concessions are available on new properties with a dutiable value of up to $1 million for all buyers, including investors. Until June 30, 2022, buyers will pay no stamp duty on properties that have been on the market for a year or more since completion, and just 50% stamp duty on newer listings.

This is an extra inducement to purchase new apartments in the CBD and surrounding areas such as Docklands, Southbank, Carlton, Kensington and Parkville, as buyers can take advantage of both the off-the-plan concession as well as the 50% or full exemption.

For prospective buyers, these new incentives will no doubt focus their attention on particular price brackets and suburbs. It is hoped that investors and downsizers will return to the inner city apartment market while prices are comparatively soft.

Before COVID-19, there was a strong trend in empty nesters selling their family homes in the suburbs and downsizing to new, low maintenance city apartments with easy access to world class restaurants, entertainment, nightlife and arts events.

A raft of other incentives remain in place for first home buyers across Victoria. Popular suburbs amongst first home buyers include Richmond, Mount Waverley, Croydon and Shepparton[11] as well as Tullamarine-Broadmeadows, Melton-Bacchus Marsh, Casey-South, Cardinia, Wyndham, Whittlesea-Wallan and Geelong[12].

The shift to working remotely and the quest for space, wellbeing and community connection will no doubt see the regional relocation trend continue. But, Melbourne will rise again as one of the world's most liveable cities as it has the most to gain when Australia reopens.

JOHN McGRATH'S TOP PICKS

FOOTSCRAY

Just 6km west of Melbourne's CBD, you'll find the new 'it' suburb of Footscray. Its multicultural community enjoys many must-have lifestyle benefits, including a train station, vibrant shopping precinct, schools and a university campus. Construction has started on the new $1.5 billion Footscray Hospital, the state's largest ever health infrastructure project. Surrounded by million-dollar suburbs, Footscray is a pocket of value ranging from Victorian cottages to mid-century brick veneers and new apartments.

PASCOE VALE

Wide tree-lined streets filled with classic mid-century homes with generous backyards dominate this family suburb. Its median house value has stayed just below the million-dollar line at $990,000[1], compared to neighbouring suburbs Coburg and Pascoe Vale South, which sit above. Just 10km north of the CBD, the suburb is well-serviced by public transport (bus, train and nearby tram), shops and schools. Being in the catchment for the highly-regarded Strathmore Secondary College is an additional attraction for many buyers.

ASPENDALE

Follow the esplanade around the bay, past the prestigious bayside suburbs of Brighton and Sandringham, and you'll discover Aspendale, a beautiful quiet achiever offering affordability and a great outdoor lifestyle. Its median house price is $1,150,000 compared to nearby Beaumaris at $1,813,000 and neighbouring Mordialloc at $1,257,500[1]. Aspendale has a beach within walking distance of most streets, cycling tracks, a nature reserve and the Rossdale Golf Course. It is 27km southeast of Melbourne's CBD and has a train station.

BULLEEN

Just 13km northeast of Melbourne's CBD, residents enjoy the picturesque Yarra River and vast parklands on their doorstep. Bike paths, picnic and sporting areas abound. When completed, the North East Link will cut travel times between Melbourne's north and southeast by up to 35 minutes[2]. In 2022, the 'park and ride' bus station will open with undercover parking for 370 cars, a 5,000 sqm community park and cycling paths to the Koonung Creek Trail[3].

BALLARAT – REGIONAL VICTORIA

Victoria's third largest city, Ballarat has become known as a great regional escape. There are some key reasons for its desirability: it is an easy 90-minute commute to Melbourne; it has a range of housing choices from prestige homes around Lake Wendouree to affordable new family estates; and a variety of employment opportunities. Given the local property market's affordability, high buyer demand and tight supply, values are likely to keep rising.

BRISBANE

& SURROUNDS

MEDIAN HOUSE PRICE
$691,214

MEDIAN APARTMENT PRICE
$425,777

CORELOGIC, SEPTEMBER 2021

It's a saying synonymous with Queensland: 'Beautiful one day, perfect the next.'

The popular 1980s tourism catchphrase seems to be resonating with a new wave of interstate home buyers, with latest data from the Australian Bureau of Statistics revealing a significant increase in internal migration into the Sunshine State during the pandemic.

With COVID-19 outbreaks and lockdowns bringing lifestyle aspirations sharply into focus, South East Queensland's warm climate, amenities and relatively affordable housing has lured thousands of seachangers and treechangers from Sydney, Melbourne and other cities.

QUEENSLAND GAINED 30,785 NEW RESIDENTS FROM OTHER AUSTRALIAN STATES OVER THE YEAR, WHICH IS THE LARGEST ANNUAL NET POPULATION GAIN FROM INTERNAL MIGRATION IN 16 YEARS[1].

Amongst them, 53% resettled outside Brisbane, with the Gold Coast and Sunshine Coast the most popular locations[2].

This wave of demand from Virus Escapees Seeking Provincial Australia (VESPAs), coupled with strong activity amongst locals seeking to upgrade whilst interest rates are low, sent home values soaring to new record highs in Brisbane and across many regional markets.

The market will continue to benefit from this ongoing population shift, as more Australians are inspired to make major changes in their lives now that they can work from home.

On top of this, the 2032 Brisbane Olympics is expected to bring enormous broad-based benefits to South East Queensland over the next decade. It will give the capital new energy and put a city we once referred to as 'a big country town' on the international stage[3].

A unique tri-zone arrangement means Olympic events will take place across Brisbane, the Gold Coast and Sunshine Coast. This means a multitude of suburban property markets will benefit from many infrastructure projects and improvements to public transport planned across the tri-zone, and also in regional areas including Cairns, Townsville and Toowoomba.

Significant job creation will generate more demand for local homes and new world class sporting and recreational amenities will lift the appeal of many local areas. It is therefore likely that home values will see an Olympics-sized benefit well before the games begin.

Despite major price growth in FY21, Queensland continues to offer exceptional value to buyers. Brisbane's median house price rose by 14.8% to $657,551, whilst the median apartment price increased 5.7% to $415,536 in FY21[4]. Regional Queensland's median house price leapt 17.8% to $458,839, whilst the median apartment price lifted 14.5% to $425,528[4].

Such strong price growth is also the result of a significant imbalance between demand and supply, which contributed to widespread buyer FOMO, particularly in the first half of 2021 when listings fell steeply to a decade-low across Brisbane, the Gold Coast and Sunshine Coast, according to data from SQM Research[5].

These market dynamics led to an extraordinary increase in the number of suburbs where $1 million is the new norm for a typical house or apartment.

There are 22 suburbs in Brisbane and 25 in the regions that hit the million-dollar median over the year to May 31, 2021[6]. A large percentage of them are in Brisbane's inner city and south, including Morningside, Alderley, Kelvin Grove, Carindale, Robertson, Camp Hill and Yeronga. All of the regional suburbs are on the Gold Coast and Sunshine Coast, reflecting the popularity of these centres amongst southern city seachangers.

South East Queensland's burgeoning prestige market capped off FY21 with a new state sales record. A beachfront mansion in Sunshine Beach smashed the previous $25 million record when it exchanged for $34 million in June 2021. This is the first time a state record has been set outside the Gold Coast and Brisbane[7].

Southern city buyers with healthy budgets are bidding up prices on Queensland's best homes. Research from independent global property consultancy, Knight Frank reveals the biggest increase in Australian prestige sales volumes occurred on the Gold Coast, with a 91% increase in annual turnover, and a 54% increase in Brisbane over the year to March 31, 2021[8].

The influx of new residents has sparked a development boom in Queensland, including the planning of whole new townships such as 'SkyRidge' on the Gold Coast, which will have 3,500 new homes and is due for completion in 2036; and 'Shoreline' at Redland Bay, 43km southeast of Brisbane, which will have 3,000 new homes and is due for completion in 2041.

Queensland's magnetic force will only strengthen in FY22, as the new work-from-home era allows thousands of Australians to make their once favourite holiday spot their new home town. Queensland is the value buy of the East Coast and offers the quintessential Australian lifestyle in the sun. Home values have vast room for growth and a mass transfer of capital gains from Sydney and Melbourne over the next few years could have a profound impact, especially as it will coincide with a buzzing economic expansion as Brisbane, the Gold Coast and Sunshine Coast prepare for the biggest international event in the state's history.

It all bodes well for gold medal-winning price gains across Queensland's diverse property market.

JOHN McGRATH'S TOP PICKS

FAIRFIELD

With numerous streets in the catchment zone for the new Brisbane South State Secondary College in Dutton Park, many Brisbane families have their sights firmly set on Fairfield. The suburb has an eclectic mix of residences, including original Queenslanders restored to their former glory. The median house price is $842,500, providing excellent value compared to neighbouring Dutton Park at $1,062,500 and Yeronga at $1,100,000[1]. Bordered by the Brisbane River and featuring many parks, Fairfield is on the Beenleigh train line to the CBD and close to universities and hospitals.

CARBROOK

A surge in interstate migration coupled with low housing stock has seen many buyers and renters alike pushed out of the Greater Brisbane market. The flow-on effect has seen outer suburbs like Carbrook in the Logan district surge in popularity amongst home buyers, investors and tenants. Nestled alongside the Logan River and bordered by leafy reserves and Carbook Golf Course, the suburb has a quaint village feel. It is 38km from Brisbane's CBD and has easy access to the M3.

NUNDAH

Nundah is an Aboriginal word meaning 'water holes', which is fitting given the area's vibrant café culture, bars, restaurants and gelato shops. Located a stone's throw from the airport and on the train line to Brisbane CBD, Nundah is popular amongst city commuters. Whilst it didn't experience the price gains of its neighbours in FY21, its affordable entry point at $375,000 for apartments and $832,500[1] for houses makes it a good option for younger buyers on a budget.

BONOGIN – GOLD COAST

A newcomer to the Gold Coast's million-dollar median club[2], Bonogin was once the poor cousin to the exclusive acreage suburbs it borders. A haven for families who love the great outdoors, Bonogin has horse stables, dirt bike trails, bush walking tracks and an abundance of wildlife. It is now on the radar of cashed-up treechangers looking for a rural retreat in the Gold Coast hinterland. It's a close-knit community with a quaint local village and large parcels of residential land in quiet, leafy surrounds.

CURRIMUNDI – SUNSHINE COAST

This coastal hamlet's patrolled beach is popular amongst locals who prefer its laidback vibe, devoid of the glitz and holiday crowds of nearby Caloundra. The lake and conservation park, with an abundance of fishing spots and wildlife, add to the suburb's appeal. With a mix of housing options to suit all budgets, the area is perfect for families and is set to benefit from major upgrades to local infrastructure, including the nearby Sunshine Coast University Hospital.

CANBERRA

MEDIAN HOUSE PRICE
$933,960

MEDIAN APARTMENT PRICE
$525,971

CORELOGIC, SEPTEMBER 2021

Canberra's steady ride through the pandemic has placed the nation's capital in a solid starting position for 2022. All the ingredients that are keeping the city's economy stable, including unique job security, comparatively low infection rates, few restrictions and government stimulus, helped turbocharge house prices in FY21.

Canberra's median house price rose by 20.6% to a new record high of $933,960 in the year to September 1, 2021[1] – the second highest gain of the capital cities and just shy of the frontrunner, Sydney at 23.3%. This growth is on top of a respectable 7.4% gain in FY20.

DUBBED THE 'BUSH CAPITAL', CANBERRA HAS WIDE OPEN SPACES, A RELATIVELY SMALL POPULATION OF 431,500[2], LOW DENSITY LIVING AND WALKABILITY TO MANY COVETED LIFESTYLE AMENITIES.

These attributes, which have become even more desirable and vastly more appreciated during the pandemic, along with a celebrated cultural calendar, blossoming food scene and world class education options, have all contributed to Canberra's progressively rising home values.

The number of Canberra suburbs with a $1 million median tripled in the 12 months to May 31, 2021 from nine to 27, according to CoreLogic[3]. In reality, there are more suburbs at this price level but the report excluded suburbs with low sale numbers, including the tightly-held Forrest, Barton and O'Malley, where median values have long been above the $1 million mark.

Price growth in Canberra in FY21 was further propelled by a low supply of new land and strong demand from upgraders leveraging both ultra-low interest rates and reduced stamp duty.

There was also enthusiastic first home buyer activity, with June 2021 marking the highest take-up of new first home buyer loans in Canberra since the Australian Bureau of Statistics (ABS) began keeping records in 2002[4].

Thousands of young buyers have participated in the Home Buyer Concession Scheme, which for the past two years has waived stamp duty on both new and established homes at any price level.

This has created a lot of extra demand for houses over apartments. In FY22, the concession will be capped at properties up to $1 million.

Stamp duty for other owner occupiers has been further reduced again this year as part of the ACT Government's 20-year commitment to abolish stamp duty.

The COVID-19 Economic Survival Package[5] also introduced stamp duty waivers on residential blocks at any price and off-the-plan apartments and townhouses up to $500,000 for owner occupier buyers in FY21. There was also a substantial discount for off-the-plan purchases between $500,000 and $750,000.

Designed to stimulate jobs and construction, the package resulted in high demand for new properties and contributed to a 10.9% increase in Canberra's median apartment price to $525,971 over the 12 months to September 1, 2021[1], the highest apartment growth rate amongst the East Coast capitals.

In FY22, the stamp duty waiver on off-the-plan properties up to $500,000 is remaining in place.

Demand for all types of property has been further intensified by low listing volumes and returning investor activity on the back of extremely low vacancy rates and the highest rents in the country[6].

Latest ABS data reveals new investment loans worth $236 million were issued in Canberra in June 2021 compared to $84 million a year prior[4].

Canberra's economic resilience boils down to the successful suppression of the virus. As a result, the city now has Australia's best performing retail sector and it is ranked second for relative economic growth, according to CommSec's latest State of the States report[7].

Jobs growth and enduring economic strength will likely result in continuing high demand for housing over the coming years. If the city's growth trajectory continues, Canberra might soon join Sydney and Melbourne as a decoupled market with property values significantly higher than the smaller capitals.

With house prices up by almost $270,000 in just two years[8], property is creating exceptional wealth for local homeowners and investors in our nation's capital.

JOHN McGRATH'S TOP PICKS

GRIFFITH

Considered one of Canberra's most walkable suburbs, Griffith is a highly sought-after and tightly-held neighbourhood filled with period homes, prized streets personally designed by Walter Burley Griffin and a total of 20 parks within its 2.75 km² neighbourhood. As well as being close to Parliament House, Griffith is home to the popular Manuka shopping village, with its coveted dining precinct including hatted restaurants; along with cinemas, Manuka Oval and Manuka Pool.

HUGHES

A new arrival to Canberra's million-dollar median club in 2021[1], Hughes is located in the district of Woden Valley, southwest of the city centre. It attracts family buyers seeking detached houses with renovation potential or larger contemporary homes. Hughes is a tranquil suburb known for its leafy streets and easy access to amenities.

RED HILL

Red Hill is an in-demand suburb with a competitive auction market, despite its $1,650,000 median house price[2]. Buyers, including an influx of returning expats, are prepared to pay top dollar to live close to the highly-regarded Canberra Grammar School. Many of its historical properties date back to Canberra's infancy. A large proportion of the suburb is green space, including the Federal Golf Club and Red Hill Nature Reserve, where an abundant kangaroo population lives.

CAMPBELL

The inner north suburb of Campbell features a mix of houses and modern apartment developments offering buyers and investors a range of price points. Close to Canberra Central, it is home to the Australian War Memorial, the Australian Defence Force Academy and The Royal Military College, Duntroon. Campbell has plenty to offer nature lovers, as it sits at the base of the 637-hectare Mount Ainslie Nature Reserve and alongside Lake Burley Griffin's central loop for cyclists.

NICHOLLS

Located in the Gungahlin district, the quaint suburb of Nicholls is only 13km from Canberra's centre. Nicholls nestles around Gold Creek Village, featuring English-style pubs and galleries. Established in 1994, it has a great offering of schools and local facilities, including Gungahlin Lakes championship golf course. Prestige homes are located near Harcourt Hill to the west.

TASMANIA

HOBART

MEDIAN HOUSE PRICE
$917,000

MEDIAN APARTMENT PRICE
$650,000

LAUNCESTON

MEDIAN HOUSE PRICE
$445,000

MEDIAN APARTMENT PRICE
$650,000

CORELOGIC, SEPTEMBER 2021

Tasmania conjures a sense of romanticism; a combination of cultural, historical and natural elements that have come to represent the island's unique culture.

It's reputation as a cultural destination hasn't happened overnight. It took the opening of the privately funded Museum of Old and New Art (MONA) on the edge of the River Derwent in 2011 – with its subterranean design, black and sandstone walls, eclectic themed curation – for Tasmania to garner national and international attention.

Dubbed the 'MONA effect', the world-leading art museum not only generated jobs and tourist revenue, but highlighted the quality of Hobart's restaurants and cafes, prompting airlines to add flights and kickstarted a hotel building boom[1].

AFTER FLYING UNDER THE RADAR, THE PAST DECADE HAS SEEN TASMANIA BECOME A SOUGHT-AFTER CULTURAL AND LIFESTYLE DESTINATION, RIDING A WAVE OF ECONOMIC AND PROPERTY PROSPERITY[2].

Now, as it emerges from one of the toughest COVID restrictions in Australia[3] with more than 94% of its population double vaccinated and generous State Government fiscal and monetary support[4], it leads the country in construction, retail spending, relative unemployment and dwelling starts[5].

In property terms, 2021 was a record-breaking year for the Apple Isle. Tasmanian property values dominated the country's growth performance with dwelling values rising almost 30% in the 12 months to November 30[6].

In the past five years, the median dwelling value across Hobart has gone from the cheapest capital city ($359,088) to the fourth most expensive ($676,595)[7].

House price growth has been great for homeowners, however those not yet in the market face much greater challenges as median rent values have risen from $345 per week to $495[8].

In the state's north, affordability, lifestyle and the rise in remote working has supported Launceston's 22.8% jump in median house values to $445,000[9] to September 2021.

Adding to the future prospects of Tasmania's second largest city is The Launceston City Deal[10], a $536 million 10-year funding commitment[11] between all three levels of government, set to position Launceston as one of Australia's most liveable and innovative regional cities.

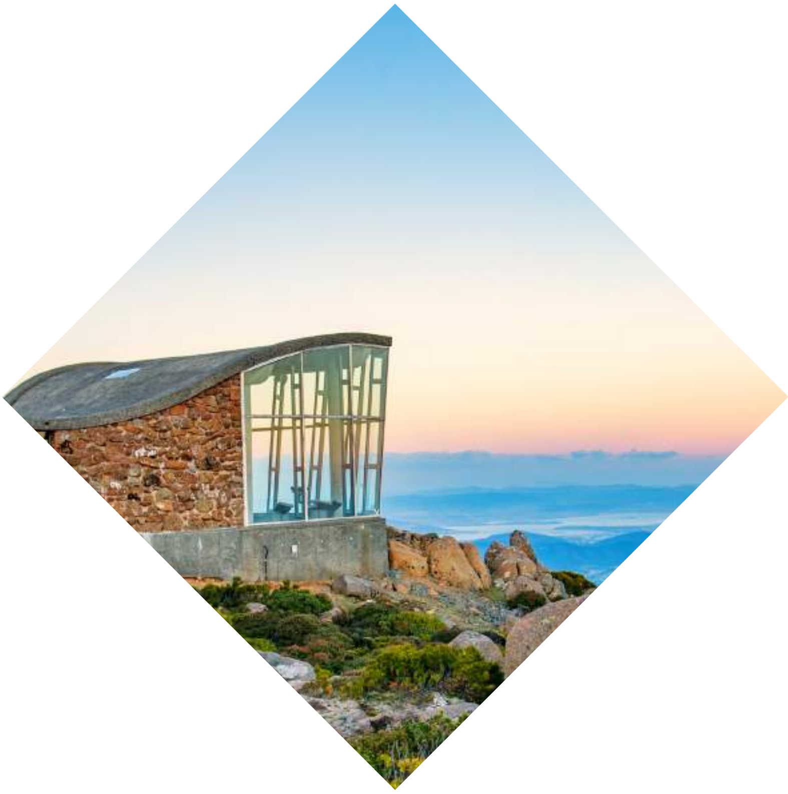
Across the state, the Government's COVID-19 response measures included a 35% boost to infrastructure spending[12] and incentives such as the $20,000 Tasmanian HomeBuilder Grant[13], which complemented the Australian Government's $25,000 HomeBuilder Grant[14] all of which has helped support jobs in the construction industry.

Getting into the market was also made easier for hundreds of Tasmanians who jumped at the chance of an increased First Home Owner Grant – which went from $20,000 to $30,000 for contracts entered on or after 1 April 2021[15].

The culmination of pre-pandemic momentum and stable fundamentals such as strong relative annual population growth[16], increasing wages[17] and low unemployment levels[18] has culturally prized Tasmania primed for 2022.

It's little wonder then economists are indicating Tasmania has the credentials to retain its poll position in the short-term[19].

JOHN McGRATH'S TOP PICKS



BLACKMANS BAY – HOBART

Blackmans Bay's horse-shoe shape means 90% of homes in this lovely quiet beachside community have sweeping views or easy access to the suburb's popular dog beach. The CBD is 15 minutes' drive up the Southern Outlet and the local Bayview Market has a Hill Street Grocer and all the essentials. Six-figure renovator's delights still exist among the million-dollar mansions, if you're quick.

LUTANA – HOBART

Lutana enjoys all day sun and views of the River Derwent. Just as attractive is its sub $550,000[1] median price point – a heavy discount on its more expensive neighbours New Town ($988,000)[2] and Moonah ($620,000)[3]. Hobart CBD is less than 10 minutes' drive and within 2km are New Town sports fields, a golf course, shops in Moonah, as well as waterfront recreational facilities and walking trails at Cornelian Bay.

SOUTH LAUNCESTON – LAUNCESTON

On the city fringe, South Launceston has recorded almost 25% growth in values in the past 12 months, yet median house values are $450,000[4], which buys a two or three-bedroom original cottage on 400sqm. Conveniently located, it has easy access to buses, local shops, the Launceston General Hospital and is home to the popular Charles Street café strip.

INVERMAY – LAUNCESTON

In walking distance of the popular AFL turf of UTAS Stadium and less than five minutes from Launceston's CBD, Invermay will be a future hive of cultural, educational and recreational activity. A $344 million[5] University of Tasmania Inveresk campus is under construction and due for completion in 2024[6] and the median house price is $457,000[7], suggesting there's room for growth for savvy investors.

GLEN HUON – SOUTH EAST TASMANIA

A well-kept Huon Valley secret with rolling hills and pastures, 45 minutes south of Hobart, the Glen Huon is a picture of Tasmanian tranquility. The Bruny Island Cheese Company has a new dairy and artisan shop, and the lifestyle blocks remain untouched by subdivisions and new housing, which might explain why there's only been eight sales in the past 12 months[8].

THE VALUE BUY: INNER RING APARTMENTS

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