McGRATH REPORT 2021

HAS COVID-19 CHANGED REAL ESTATE FOREVER?

McGrath

A MESSAGE FROM JOHN McGRATH

In this year's report, we focus on the question: "Has COVID-19 changed real estate forever?". The answer is of course, yes and of course, no.

There's zero doubt that the pandemic will cause sectors of the population to adjust their way of thinking and behaviour forever. This virus has prompted many to reassess their lives and make new choices for the future.

We explore this in more detail in the McGrath Report 2021, but before you dive into it, here are some of my initial thoughts and observations.

COVID-19 has changed the way many people work and live. Some of these changes will be temporary, some will be permanent. Here are a few of the specifics.

Let's start with the home. Traditionally, millions of people have chosen to live in areas that didn't necessarily deliver their ideal lifestyle but did provide convenience.

If you had to work in the CBD or a commercial hub and didn't want to spend hours a day commuting, you had to find a place that was a reasonable drive or on a good public transport route. Then, you'd hope to save enough money to one day buy a getaway; or wait years until retirement to eventually live where you really wanted to.

Somewhat crazy upon reflection, but it didn't seem like we had any other option until now.

Moving forward, many people will cease their daily commute and jump on the cyber highway (after a morning swim at the beach) instead. We can now live in our ideal lifestyle location and enjoy an effective work routine without the stress-inducing travel.

Put simply, many people will never return to a full-time centralised work environment again. At least, not five days a week. From a lifestyle perspective, this creates a host of benefits and new opportunities.

Why live above your financial means in a crowded urban environment if you can work remotely and meet online from the Mornington Peninsula, Central Coast or Sunshine Coast?

Technology has taken large leaps of late to enable this; and just as importantly, employers have realised there is now an alternative to housing their entire workforce under one roof. Not only does it work well, it can save everyone (company and staff) loads of money... and lead to a happier workforce!

It also means new remote workers can look beyond city limits for their perfect home. Adding to this is the extraordinarily large segment of Baby Boomers and Empty Nesters who have been contemplating a seachange or treechange and have now brought their search forward in earnest.

Our company has already seen a huge jump in enquiries and transactions in almost all of our lifestyle locations from these groups of buyers.

What about commercial property – will it become a relic of the past? A series of empty floors where excited team members once raced around the open plan spaces, going about their daily activities?

Well, I don't think we'll see commercial ghost towns but there will be significant changes.

Prime CBD locations will always attract good quality tenants, so there will be more than enough people to fill those sought-after floors. Plus, with COVID-19 likely to increase the acceptable space per team member from 8-10 square metres to possibly 12-15 square metres, there will be a balancing effect.

Some commercial rents will be heavily impacted and perhaps their bruised owners will seek an alternative use for their spaces, including recycling to residential.

Retail space was already undergoing a huge shift courtesy of online retailing growing so rapidly and lockdown exacerbated it. I think prime retail precincts, villages and shopping centres will remain in demand for the foreseeable future but B-grade spaces will have to be reinvented.

Back to the home and the changes we expect to see.

The new world order will have an impact on the design and finishes inside homes, as well as the amenities within strata developments.

As one or two occupants start working from home, they will feel the need for additional space quickly. Dining room tables are fine for a few hours a week but permanent change will demand better solutions, such as designated home offices.

The old-fashioned granny flat will become an object of desire, ideal as a work studio or separate accommodation for multigenerational families. The demand for home gyms will increase, as will yoga; and maybe even Zoom rooms! Naturally, fast internet speed will become a more important asset than ever before.

Finally, what about the market?

Surely a global pandemic is cause for a material re-adjustment in home values and the highly publicised "major correction to Australian prices" that the doomsayers have been erroneously predicting for 40 years?

Well, my prediction is in the opposite direction.

I think there's every chance that a small, short term correction might land for six to 12 months – something in the order of 5%. But the most in-demand markets that offer people what they want are about to take off again.

With interest rates approaching zero and many owners having deleveraged in the past few years, I envisage increases in well-located prime residential real estate in major cities and regional lifestyle areas - that is, anywhere near surf, waterways or lots of trees within 90 minutes of the big East Coast cities.

Enjoy the report.

JOHN McGRATH

FOUNDER AND EXECUTIVE DIRECTOR

PHOTOGRAPHY: JAKE CHARLES

01
COVID-19 CATALYST FOR CHANGE

THE PANDEMIC HAS BEEN A SEARING EXPERIENCE FOR MANY AUSTRALIANS BUT THERE IS A SILVER LINING – WE'VE HAD THE CHANCE TO PAUSE AND PONDER HOW WE'RE LIVING OUR LIVES

PHOTOGRAPHY: LIANA MIKAH

The most important part of that review has been how and where we're living in our homes and many people have made new choices as a result. The virus has become a catalyst for change that is seeing us refashioning our homes and rethinking where we want to live.

Demographer, Bernard Salt said COVID-19 has triggered a 'risorgimento of the Australian way of life'. From here, Australians will demand more space, safer apartments and we'll build and renovate homes to make them fit for purpose in the work from home era.

Above all else, we'll follow in the footsteps of our 1950s forebearers and revert to the great suburban dream, with a family home on a quarter acre appealing once again.

In 1900, after the outbreak of the bubonic plague, Australians changed the way they lived. Many moved out of crowded inner city areas to sprawling garden suburbs offering a countryside-like experience but with easy access to the city and employment[1].

This desire influenced the creation of Haberfield, Australia's original 'Model Garden Suburb' in Sydney's inner west. It aimed to provide a 'healthful environment'[1] away from the inner city and industrial precincts but connected by efficient transport links for workers.

Elements of design included minimum lot sizes to ensure ample separation between houses, one street tree in front of every property, nature strips, wide streets and an 'integrated aesthetic' of unique cottages surrounded by greenery and visible by virtue of low fences. Similar areas today include Hunters Hill in Sydney[2], Albion in Melbourne[3] and Paddington in Brisbane.

In the wake of the virus, Australians are once again likely to make a post-pandemic pivot.

"THE NEXT DECADE AND BEYOND REALLY WILL BE SUBURBIA'S TIME IN THE SUN"

BERNARD SALT – DEMOGRAPHER

Despite our country's wide open spaces, we have been crowding closer together in high density housing in our major cities[4]. Australia's population density has increased from 2.9 persons per square kilometre in 2010 to 3.3 in 2020[5].

Due to the virus, Australians are valuing the safety of space more than ever before, with a Westpac survey[6] showing 77% would now prefer to live in a house. By mid-2020, one in five Aussies were already looking for a new home in suburbs with larger properties. Backyards, outdoor entertainment areas and studies were particularly highly valued features.

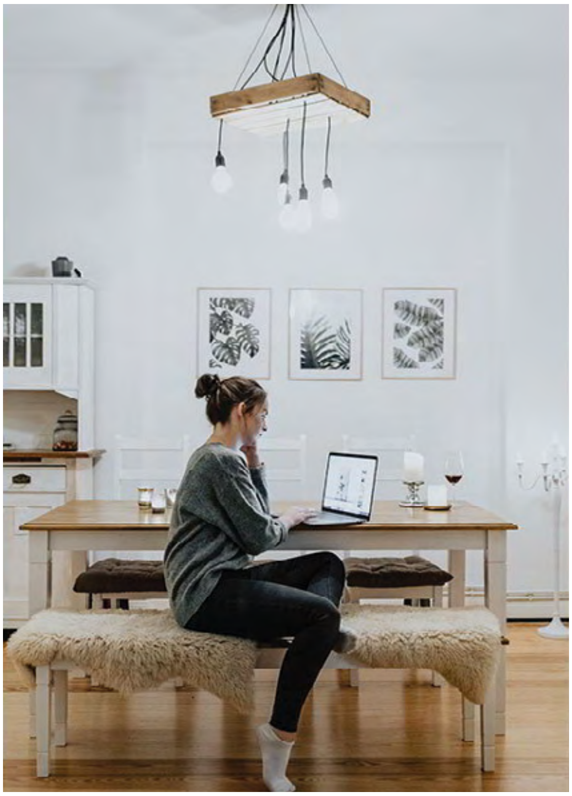
Apartment living won't entirely lose its appeal due to affordability and location for some buyers, however developers are already recognising the need to de-risk buildings.

Using biometric scanners that recognise handprints, Dexus has created the first touchless-entry building in Australia with the Gateway office tower in Sydney's Circular Quay.

Australians will also demand more apartments outside urban inner city locations. A likely future trend is the repurposing of some commercial CBD buildings as well as small retail and office plazas in the main streets of desirable suburban villages into low rise apartments.

Some Australians who can now work from home are swapping high density apartments and small parcels of inner city land for bigger blocks in middle and outer ring areas that offer good transport links to the city but also have leafy landscapes and substantial space.

The outer suburbs, once seen as unfashionable, are likely to become desirable due to their peace and privacy relative to inner city areas. Work-from-homers (WFHers) no longer need to live close to the office, so they are free to relocate to more affordable suburbs within our major cities with good local amenities and transport links. The long commute to the CBD will no longer be a problem for workers based at home because they won't have to do it as often.



PHOTOGRAPHY: ESTHER DRIEHAUS

DURING LOCKDOWN, 41% OF AUSTRALIANS WERE DOING MORE AROUND THE HOUSE, SUCH AS GARDENING, PROJECTS AND RENOVATIONS

To pandemic-proof homes, some developers are incorporating wet rooms, mud rooms or spray rooms where people can remove outerwear and sanitise before entering the house. For example, this is a feature of the new Hampton Homes range by premium home builder, McCarthy Homes[7].

Developers are also incorporating home exercise options, including pools and gyms, as well as small moveable buildings called pods that sit in backyards and serve as home offices, studios, quiet zones and play areas[8].

Master-planned communities are now including co-working spaces for residents. There is also greater demand for multi-function living rooms with sliding or folding walls to open up and close the space. Health is another big focus. Greater ventilation, easy-to-clean surfaces, facial recognition and voice-controlled technology that is reducing the use of buttons.

Some Australians are renovating their current homes to change the shape, rather than the address, of their residence. The first national lockdown gave them new time to do it, with weekly surveys taken by the Australian Bureau of Statistics showing 41% of Australians were doing more around the house, such as gardening, projects and renovations[9].

Scan here for more insights.

As we face the first recession in three decades, affordability will be particularly front of mind for property buyers.

RESEARCH SHOWS 5% OF AUSTRALIANS WERE CONSIDERING BUYING A SMALLER HOME BEFORE THE PANDEMIC AND NOW, 9% HOPE TO DO SO WITHIN THE NEXT 12 MONTHS[10]

The final pandemic home pivot will be more multigenerational living, with many young people leaving the private rental market and returning to the family nest to save money.

Multigenerational families need bigger houses, which could further fuel a move to the more affordable outer suburbs or delay parents' plans to downsize. It might also inspire renovations and extensions such as separate wings, granny flats and self-contained areas.

This once-in-a-century event has inspired a recalibration of personal values and lifestyle.

From this, a new way of living is emerging, one that reminds us that the value of our homes does not begin with monetary worth but rather the crucial security and comfort they provide.

PHOTOGRAPHY: HOLGER LINK

02
THE GREAT REGIONAL RELOCATION AHEAD

WHILST OUR NATIONAL IDENTITY IS BOUND UP WITH THE BUSH, AUSTRALIA IS ONE OF THE MOST URBANISED COUNTRIES IN THE WORLD[1] WITH 67% OF RESIDENTS LIVING IN JUST EIGHT CAPITAL CITIES[2]

This is largely because close to seven in 10 jobs are based in these greater metropolitan areas[3] and infrastructure and digital connectivity have been concentrated here for decades.

But COVID-19 and advanced technology, which has liberated Australians from the geographic shackles of their city workplaces, is set to embolden a great regional relocation ahead as people seek the fresh air and space of regional areas – the beaches of Byron, Wamberal, Cairns, the Illawarra and Shoalhaven, the high country of Victoria and the NSW Hunter Valley.

Since the pandemic began, major regional centres have outperformed their capital city counterparts[4], with local home values well-insulated due to distance from the afflicted capital cities and rising demand from a growing group of newly-freed remote workers.

During lockdown in April 2020, 46% of working Australians were based at home, with women more able to do so than men (56% compared to 38%)[5]. We set up shop at our kitchen tables or in our study nooks, with the kids and the pets at our feet.

Some 82% of Australians said they saved time, with less commuting and preparation; and 65% said their work/life balance was enhanced[6]. About 45% think the shift to working from home will be an enduring trend[7] and many companies agree after seeing productivity rise.

The likes of Twitter, Atlassian and ASX-listed Nitro Software have embraced remote work as the ‘new normal’[8/9]. Many large organisations, such as Worley and Westpac, are reassessing their need for big city offices and some have already reduced their footprints in CBDs.

But the biggest realisation is that working from home means we can work from anywhere.

COVID-19 proved staff can work autonomously for months at a time. All we need is a fast internet connection, with seven million homes and businesses already on the NBN and 11.2 million ready to go[10].

The Federal Government is also giving NBN Co $700 million under the Regional Broadband Scheme, commencing January 1, 2021, to upgrade and recover the costs of providing broadband in regional and remote Australia[11].

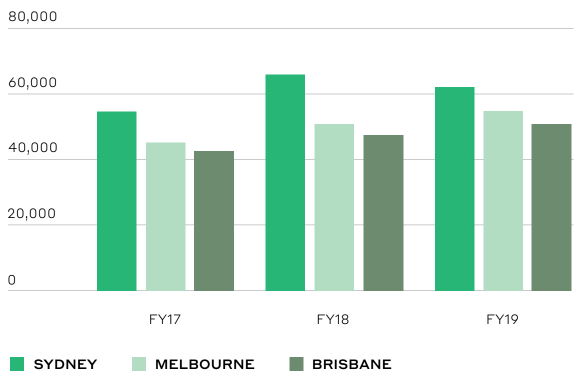
Before the pandemic, Australians were already shifting to regional areas, primarily due to cheaper housing. The median dwelling value for the combined regional areas was $397,791 in September 2020, 37.4% lower than the combined capital city median of $635,196[12].

Internal migration records dating back to FY07[13] show an increasing trend in city dwellers relocating to 'country' areas. In recent years, there has been record outflows of residents from Sydney, Melbourne and Brisbane to regional areas of NSW, Victoria and Queensland.

In FY18, a record 66,193 people left Sydney to resettle in regional areas of NSW, Victoria or Queensland. Another 62,495 left in FY19. This was substantially higher than FY17 and FY16, when about 55,000 people left per year; and FY15 and FY14, when 48,000 left per year.

There was a similar trend in Melbourne, with a record 55,878 people departing in FY19, 54,055 in FY18 and 44,219 in FY17. In Brisbane, 51,420 left in FY19 – the highest number in a decade; 47,832 left in FY18 and 41,606 left in FY17, according to the Australian Bureau of Statistics.

PEOPLE DEPARTING CAPITALS FOR REGIONALS (EASTERN STATES)



As this trend has continued, regional areas have grown and developed. Many have become more attractive, offering greater lifestyle amenities and more employment than previously.

Today, a barista-made cappuccino is no longer an urban luxury. The number of coffee shops in regional locations increased 16.4% in FY18 alone[14]. Orange, 250km west of Sydney, now boasts 42 cafes and a number of fine dining establishments including several hatted restaurants[15].

There are also more jobs. Latest figures[3] show a 4.81% rise in the number of jobs in regional NSW compared to 5.15% growth in Sydney in FY17. Jobs in regional Victoria increased by 4.11% compared to 5.08% in Melbourne. There was faster jobs growth in regional Queensland at 3.82% compared to 3.76% in Brisbane. In the previous two years, jobs growth was mostly negligible or negative, so this is quite a turnaround.

Many regions are becoming economic powerhouses. A 2020 report[16] by economics consultancy, Polis Partners found many large and small regional cities were outperforming their capital city counterparts on economic growth measures including population change, business and jobs growth and investment in residential and commercial construction.

The best performers included Ballarat, Geelong and Warragul-Drouin in Victoria's West Gippsland region; Newcastle-Maitland, Goulburn and Bowral-Mittagong in NSW; and Gympie and Cairns in Queensland. The report found that the associated economic benefits of more city departees moving to these regions had contributed to their economic health.

Significant government investment is also turbocharging development in regional areas.

Snowy 2.0, the largest committed renewable energy project in Australia, is expected to create up to 4,000 jobs, with 100 local businesses involved and $35 million already spent in the Snowy Mountains region[17]. The project will benefit towns including Cooma and Jindabyne. They boomed during construction of the original Snowy Mountains Hydro-Electric scheme, which commenced in 1949[18].

State governments are also chipping in. The Victorian Regional Infrastructure Fund provides funding for local projects, such as the $25.5 million Ballarat Station Precinct Redevelopment[19]. The Regional Jobs Fund gives financial help to expanding businesses.

The NSW Government is spending $400 million on new data hubs in areas such as Dubbo and Wagga Wagga to provide better mobile phone, internet and data services[20].

Government will even cover the cost of you moving to the regions. For example, there is a $6,000 grant available under the national Relocation Assistance to Take Up a Job (RATTUAJ) program, as well as up to $10,000 with the NSW Regional Skills Relocation Grant.

In the COVID-19 era, regional areas have taken on a special appeal – the desire for a simpler life. About 65% of Australians feel the pandemic has been the reset we needed to re-evaluate how we were living and 58% want a simpler life when it's all over[21].

65% OF AUSTRALIANS FEEL THE PANDEMIC HAS BEEN THE RESET THEY NEEDED TO RE-EVALUATE HOW THEY WERE LIVING

Regional relocators are likely to seek larger, yet more affordable houses with more rooms to ensure a harmonious 24/7-at-home lifestyle. Customisations might include separate offices for mum and dad, a study area for the kids and a COVID-free home gym.

In times gone by, city escapees typically moved to satellite towns that provided a tolerable daily commute. But today's work-from-homers have the freedom to go further afield; and getting in and out of the cities has never been easier due to new freeways and expanded air services.

One of the East Coast's favourite holiday playgrounds, Byron Bay, is already seeing huge demand from relocators. House prices in the Byron Shire, which incorporates Byron Bay, Bangalow and Brunswick Heads, rose by 6.6% over the 12 months to August 31, 2020, according to CoreLogic data[22]. The median value is now higher than Sydney at $1,090,605. Since 2015, Byron Shire has outperformed Sydney with 31.6% growth compared to 9.7%.

There is more affordability but similarly impressive growth in the adjoining Tweed Shire, which had 5.7% annual growth to a median price of $665,531 and 27.9% over five years.

Other regions with airports will also be favoured by relocators, including Albury, Orange and Port Macquarie in NSW; Bendigo and Mildura in Victoria; and the Gold Coast, Sunshine Coast, Toowoomba, Rockhampton, Cairns and Townsville in Queensland.

House prices in the City of Orange rose 5.4% to $421,721 in the year to August 31, 2020. Nearby, house prices in the Cabonne Shire increased by 6.4% to a median of just $288,488. Over the past five years, Orange and Cabonne both experienced about 20% growth.

Satellite towns close to the capitals, with easy road and train access, will also benefit from more regional relocators. Revitalised infrastructure and new amenities and jobs are continuing to support price growth in the traditionally popular satellites of Newcastle, the Illawarra, Blue Mountains and Central Coast in NSW; and Geelong and Ballarat in Victoria.

Several regions throughout the Illawarra recorded impressive capital gains in the year to August 31, 2020, including the local council areas of Wollongong 12.7%, Kiama 10.3% and Shellharbour 7.9%. Growth over five years was 23.9%, 21.3% and 17.3% respectively.

Further south in the Eurobodalla Shire, which incorporates Batemans Bay and Narooma, house prices increased by 5.8% over the year and 30.4% over five years.

On the mid north coast, house prices rose by 9% in Newcastle, 7.7% in Lake Macquarie and 6.2% in Maitland over the year. Longer term growth over five years was 24.4%, 29.1% and 28.6% respectively.

According to QBE[23], Newcastle's recent growth is more closely correlated with an improving local economy rather than flow-on effects from Sydney, with good jobs growth since 2015 and major projects such as the light rail and university expansion adding value to the area.

In Victoria, Geelong, the Surf Coast and Ballarat have been on an outstanding growth trajectory since 2015, with median house prices rising 33.6%, 32.6% and 24% respectively[22]. Amongst Australia's largest 25 regional markets, property is selling fastest in Ballarat with an average days on market of just 30 and the lowest vendor discounting at -2.4%[24].

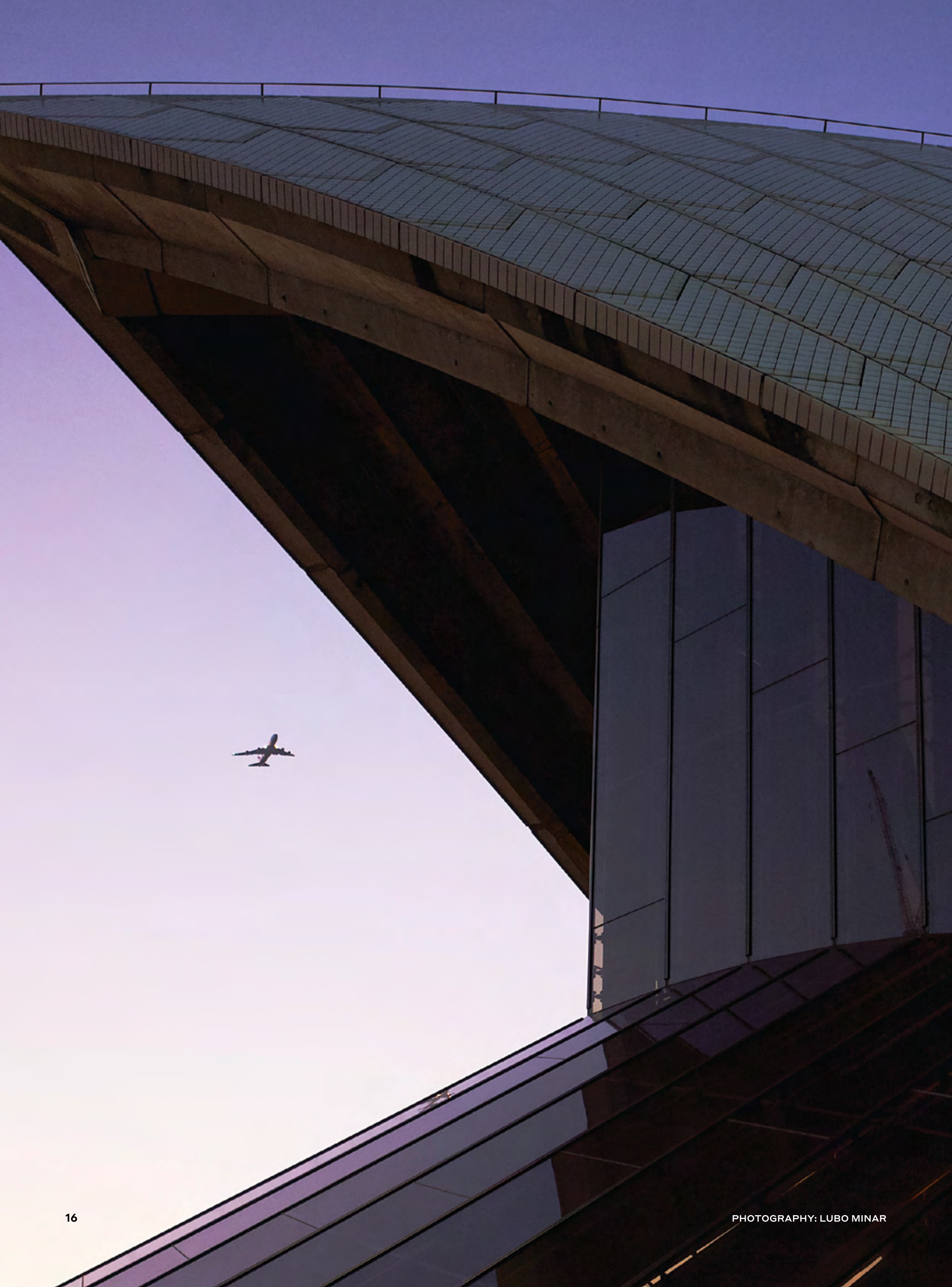
On the Central Coast, good quality homes are selling for 10% more than in 2019 due to a dramatic increase in demand from Sydney over the September 2020 quarter. Acreages and renovated beach homes in Wamberal, Terrigal, Avoca and Killcare are especially in demand.

Whilst it is unusual for long term price growth in regional areas to outpace capital cities, that's exactly what is happening in some of South East Queensland's best lifestyle centres. Since 2015, Brisbane house values have risen 10.1% compared to 21.8% on the Gold Coast; 28.6% in Noosa Shire; and 19.5% in the Sunshine Coast council area[22].

This is largely due to high interstate migration and particularly the impact of cashed-up retirees and entrepreneurs. These buyers have reaped significant capital gains in Sydney and Melbourne and are competing strongly for the best waterfront homes on the coast.

For many people, living in regional Australia and enjoying its space, tranquillity, affordability and lifestyle has long been a fantasy that was impractical and out of reach. But now that we are empowered to work from anywhere, we can finally live this dream.

Scan here for more insights.



PHOTOGRAPHY: LUBO MINAR

03 INTERNATIONAL APPEAL

THROUGHOUT HISTORY, AFTER MAJOR GLOBAL CATASTROPHES INCLUDING THE SPANISH FLU, WORLD WAR II AND THE GLOBAL FINANCIAL CRISIS (GFC), AUSTRALIA WAS SEEN AS A SAFE HAVEN

Millions of migrants flocked to the 'lucky country' for our scenic, wide open spaces, energetic economic growth, stable democracy, world class educational opportunities, clean air and laid-back lifestyle.

THE VIRUS CRISIS HAS ONCE AGAIN HIGHLIGHTED AUSTRALIA'S STATUS INTERNATIONALLY. WHILST MOST OF US ARE LIVING THE AUSTRALIAN DREAM, MANY MIGRANTS ARE DREAMING OF LIVING IN AUSTRALIA

Expats are already returning home and migrants are expected to follow once the international border reopens. The quality of Australian health care has always been appealing but our superior management of the pandemic and our small population compared to other developed nations, like the U.S. and U.K., means there is also less risk of acquiring COVID-19 here.

The re-emergence of our safe haven standing could have an immense impact on the market, particularly prime property in the major cities.

Some expats are taking up new opportunities to work remotely from Australia, whilst others are leaving their international jobs because they perceive greater health and safety benefits back home, forgoing the glamour of living overseas.

Although Australia was rocked by the second wave in Victoria, our country has been an undeniable coronavirus success story. According to a report published in July 2020, Australia recorded just 29 confirmed cases per 100,000 people in the first few months of the virus to May 31, 2020, which was one of the lowest infection rates alongside New Zealand (24), South Korea (22) and Japan (13). Our death rate at 0.41 per 100,000 has also been one of the world's lowest[1].

Despite the devastation of lockdowns and rising unemployment, our economy has shown remarkable resilience.

IN THE INTERNATIONAL MONETARY FUND'S JUNE 2020 WORLD ECONOMIC OUTLOOK UPDATE, AUSTRALIA WAS THE ONLY ADVANCED ECONOMY TO BE UPGRADED

The IMF forecasted that Australia's economy would contract -4.5% in 2020[2] (the previous forecast had been -6.7%) before rebounding with 4% growth in 2021. That was significantly better than the -8% average fall forecasted for advanced economies in 2020.

In September 2020, the OECD also upgraded its forecast for Australia to a -4.1% contraction in 2020, an improvement of 0.9% on its previous projection in June[14].

Australia's strong financial position has allowed our Federal Government to support the economy in a big way, with $314 billion in economic support committed by September 1, 2020, including the six month tapered extension of JobKeeper and JobSeeker[3]. As a percentage of GDP, this is at the high end of comparable advanced economies but our net public debt remains far lower[4].

Around one million Australians live overseas[5] and it's no surprise that the bright lights of London, Paris and New York have dimmed in their eyes in 2020. According to a Knight Frank survey, 64% of expats around the world said the pandemic lockdown had influenced their decision to buy a property in their home country[6].

PHOTOGRAPHY: SIMON RAE

Australian agents have been inundated with enquiries from expats living in China, Hong Kong, Singapore, the U.S. and the U.K[6].

Search activity from overseas buyers on realestate.com.au surged by 42% between March and July 2020[7]. According to REA Group's Audience Data Analyst Karen Dellow, this appeared to reflect a growing appetite amongst expats to return home, with the greatest search spikes coming from Australian expat hot spots, the U.K. and Singapore.

U.K.-based expats are favouring beach locations and suburbs with large expat communities, specifically Manly and Byron Bay in NSW; Noosa Heads in Queensland; and Fremantle and Secret Harbour in Western Australia.

Singapore-based buyers are preferring Melbourne, with their top five suburbs being Toorak, Glen Waverley, Hawthorn and South Yarra; and Mosman in Sydney.

Whilst most expat budgets globally sit below US$3 million, many Australian expats are cashed up and willing to stretch their budgets to get more space and a waterfront location[6].

It's not just expats who are looking to Australia for sanctuary. Wealthy foreign nationals are, too.

Scan here for more insights.

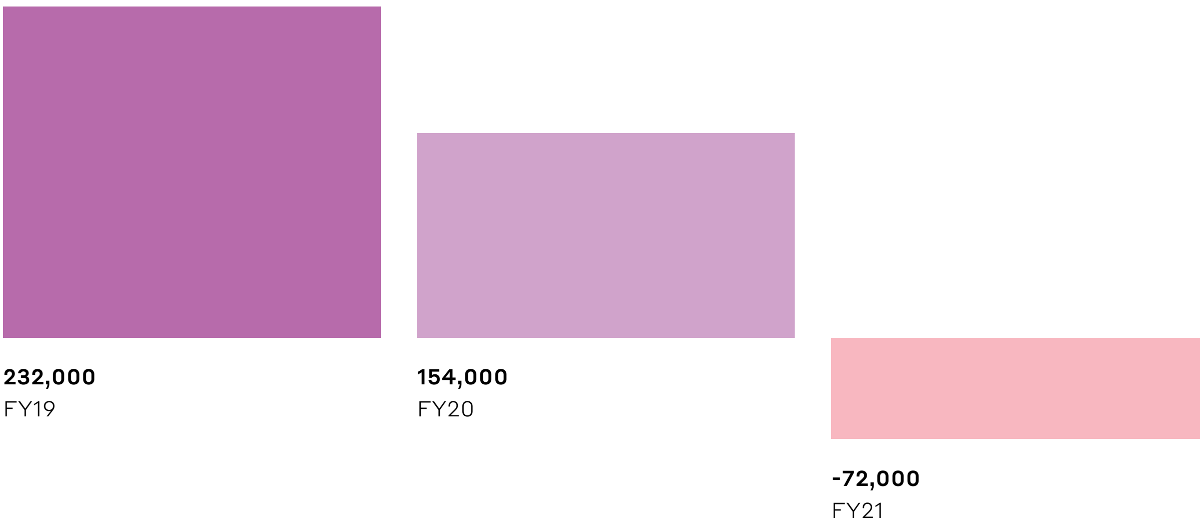
SEARCH ACTIVITY FROM OVERSEAS BUYERS ON REALESTATE.COM.AU SURGED BY 42% BETWEEN MARCH AND JULY 2020

Prior to the virus, Australia was already a magnet for wealthy migrants due to our high standard of living. In 2019, Australia had the world's biggest net inflow of high net worth individuals (HNWIs), with 12,000 arriving. They primarily settled in Melbourne, Sydney, the Gold Coast, Sunshine Coast, Perth and Brisbane[8]. Post-pandemic, this demand is likely to continue.

Australia is a proud multicultural society with one of the world's highest immigration intakes over the past decade. This has had a meaningful impact on property price growth, especially in Melbourne and Sydney where 75% of all migrants settle[9]. The Prime Minister, Scott Morrison has indicated he favours a return to a 'Big Australia' when the pandemic is over[10].

Until then, net overseas migration is expected to slump from 232,000 persons in FY19 to 154,000 in FY20 before going negative for the first time since 1946 at -72,000 in FY21 and -22,000 in FY22[11]. This will see annual population growth slow to 1.2% in FY20, 0.2% in FY21 and 0.4% in FY22 — the lowest rate of growth since 1917 during WWI.

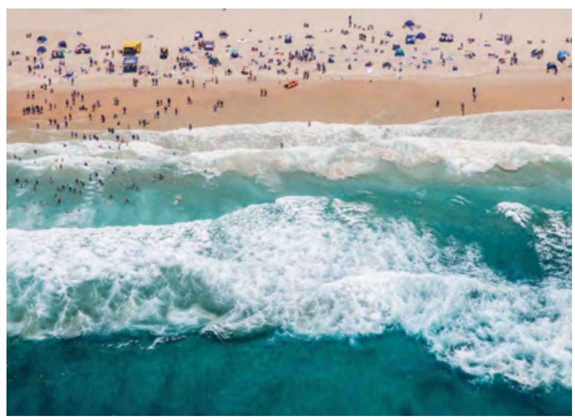
NET OVERSEAS MIGRATION



In FY19, China was Australia's No. 1 source country for family migrants and No. 2 for skilled workers[12]. Data from realestate.com.au shows prospective buyers from China tend to search for homes in areas with large Chinese populations, particularly Glen Waverley, Box Hill, Doncaster and Mount Waverley in Melbourne; and Chatswood in Sydney.

Demand from Hong Kong is expected to be especially strong in the wake of China's new national security law. The Australian Government is offering new extended visa options[13] to students and skilled workers from Hong Kong, with a pathway to permanent residency.

Throughout the pandemic, we have maintained our 'lucky country' status and the allure of the Great Australian Dream of home ownership here has arguably never been greater.



PHOTOGRAPHY: CITY OF GOLD COAST

PHOTOGRAPHY: CHUCK COLHT

04
GOLD MINES TO SAFE HOUSES

OVER THREE DECADES OF UNPRECEDENTED CONTINUOUS ECONOMIC GROWTH, RESIDENTIAL REAL ESTATE HAS TYPICALLY BEEN A GOLD MINE FOR ORDINARY AUSTRALIAN HOMEOWNERS AND INVESTORS

The simple, age-old method of buying and holding long term has netted extraordinary wealth for many people.

But in 2020, our economy weakened and our homes and investments took on new meaning, converting temporarily from gold mines to safe houses, providing flexibility to help owners navigate a tough economy ahead.

Since the onset of the virus, some owners such as Generation X have been refinancing to withdraw equity, taking advantage of the lowest interest rates in history to renovate their homes and upgrade their lifestyles. The first national lockdown inspired a surge in home improvements.

Research shows some 9% of owners are considering downsizing to a smaller home[1] on less debt. Younger owners might consider 'rentvesting', where they move out of their first home and lease it to create rental income and reduce outgoings, whilst moving somewhere cheaper themselves.

Others, such as Baby Boomers, are selling up in metropolitan areas and relocating to lifestyle locations, enjoying the same style of home with residual cash to save.

Some have realised the opportunity that low interest rates present and have sold well during the virus to upsize their homes.

The magnificent resilience of our national market has meant prices have softened only slightly, despite the impact of a once-in-a-century pandemic and the recession it has caused.

This has enabled homeowners and investors to sell, if they like, often without too much compromise on price and sometimes for well above reserve at auction, depending on the type and location of the home.

PHOTOGRAPHY: SUPPLIED BY MCGRATH ESTATE AGENTS

65% RISE IN AVERAGE EARNINGS

NOV 2004 - NOV 2019

Young first home buyers have retained their enthusiasm for property and are still buying in droves, possibly with a new appreciation for the security of bricks and mortar as an essential cornerstone asset.

Owning property remains the Great Australian Dream. Two out of three residences are owned or mortgaged[2] and 2.2 million Australians own one or more investment properties[3].

Over the past decade, we have made more from our properties than our jobs, with house price growth outstripping wages growth. Data from the Australian Bureau of Statistics (ABS) and CoreLogic shows home prices rose by 90% between January 2005 and March 2020 whilst average weekly earnings rose 65% between November 2004 and November 2019[4].

90% RISE IN HOME PRICES

JAN 2005 - MAR 2020

The virus-induced change in our economic climate has many people worried. One in four are concerned about their ability to pay bills, 84% are worried about the local economy, 85% are fretting about the global economy; and 29% are concerned about job security[5].

Looking ahead, when stimulus is pulled back and mortgage deferrals end, what will happen next?

331,339 YOUNG AUSTRALIANS HAD JOINED 'GENERATION BOOMERANG' AND MOVED BACK HOME WITH THEIR PARENTS BY MAY 2020 BECAUSE OF THE PANDEMIC

PHOTOGRAPHY: SUPPLIED BY McGRATH ESTATE AGENTS

Our homes are our castles and Australians will instinctively want to hold on to their assets. In the first few months of recession, our main counteractive move was to rein in spending and pay off debt. We also found different ways to use our cornerstone asset to support any change in circumstances or lifestyle.

Figures from the ABS[6] show external refinancing (refinancing with another lender) surged from $5.7 billion worth of new refinanced loans in May 2019 to $10 billion in May 2020 – the highest value ever logged since records began in July 2002. Before the pandemic, it was $6.3 billion in February 2020.

In a strategy dubbed 'Houses as ATMs', U.S. research shows refinancing tends to spike before recessions as people become concerned about their incomes and jobs[7].

However, these borrowers aren't always just seeking lower rates. That opportunity is merely a by-product of today's policy settings. Instead, borrowers typically refinance by replacing their mortgage with a larger loan to access equity. They get liquid to ride out the downturn.

The ABS calls this 'internal refinancing' and it steadily rose over the first few months of the pandemic from $4.3 billion in February 2020 to $5.3 billion in May 2020[6].

Some borrowers might use this equity to cover loan repayments whilst their incomes are compromised. Others might renovate or buy more property whilst prices are softer.

Some 9% of Australians were already considering buying an investment before the virus. By August 2020, 14% were thinking about doing so within the next 12 months[1].

Young Australians are bearing the brunt of the recession, so far. In April 2020 alone, 213,000 people aged 15-24 years lost their jobs as unemployment for that age group rose from 11.5% to 13.8%[8]. Youth unemployment stood at 14.3% by August 2020[9].

This is likely to exacerbate the rapidly growing cultural trend of young adults turning to their parents for help with a home, either by living with them longer; moving back to the family nest after renting; or tapping into the Bank of Mum and Dad to help them buy.

Rising affordability challenges and the influences of multiculturalism have created this trend and the pandemic has propelled it. By May 2020, 331,339 young Australians had joined 'Generation Boomerang' and moved back home with their parents because of the pandemic[10].

First home buyer activity across Australia was at a 10-year high at the end of 2019 and this trend continued in early 2020, encouraged by the Federal Government's First Home Loan Deposit Scheme, stamp duty concessions and First Home Owner Grants.

Scan here for more insights.

213,000 PEOPLE AGED 15-24 YEARS LOST THEIR JOBS IN APRIL 2020 ALONE

The Bank of Mum and Dad is now the nation's fifth biggest home lender[11]. Australian parents have been lending an average of $73,522 to help their kids get a foothold on the property ladder. That totals a huge $92 billion and represents growth of 41% since 2017[11].

Now that we are in recession, parents are concerned about the impact on their super and others are grappling with reduced dividends and virtually no interest on deposits. Young people might have to find another way to fund their home ownership dreams for a while.

The last resort for property owners will be to sell their properties – either their primary residence or an investment property, which could increase supply in the market for a period.

Despite the perennial doomsday predictions, history paints a glowing picture of property price resilience in Australia. Based on this, house price falls are unlikely to be sustained for a prolonged period. House prices have rebounded after every recession or downturn in the past 50 years, including the early 1990s recession and the Global Financial Crisis[12].

The importance and safety of bricks and mortar is set to become further entrenched into the Australian psyche. As we navigate the worst economic downturn since the 1930s, property owners will discover the true value of their assets when times get tough.

PHOTOGRAPHY: SILAS BAISCH

CITY SPOTLIGHTS

MEDIAN HOUSE PRICE
$983,262

MEDIAN APARTMENT PRICE
$743,288

CORELOGIC, SEPTEMBER 2020

SYDNEY

& SURROUNDS

COVID-19 clipped the wings of Sydney's property market recovery, interrupting a solid rebound since the federal election in May 2019 and creating uncertainty throughout 2020.

Sydney home values were protected during the early phase of the virus by the two interest rate cuts, massive government stimulus and loan deferral options. This kept genuine buyers engaged in the market whilst listings fell, creating a positive supply/demand balance that resulted in healthy auction clearance rates of 60-65%[1] from mid-May through to October.

There was a remarkably small fall in median home values of just -0.8% over the June 2020 quarter[2] and -1.6% in the September quarter[3].

Buyers are discerning but excited by their reversal of fortune. The economic impact of the virus is slowly tipping the scales back in their favour, especially in the apartment market where weakness is more likely in FY21 as the recession plays out and some investors sell.

However, vendors had no reason to panic in 2020, with low stock putting a floor under values and historically cheap money enabling buyers to vie for the higher quality homes in the best streets. Above reserve auction sales were common throughout Autumn and Winter and suburb records set before and after the national lockdown showed ongoing confidence.

Examples include Gladesville ($10.25 million) and Curl Curl ($6.15 million) in March; Artarmon ($4.725 million) and Surry Hills ($11.5 million) in April; Pagewood ($3.15 million) in May; and Little Bay ($6.4 million) in August, according to CoreLogic.

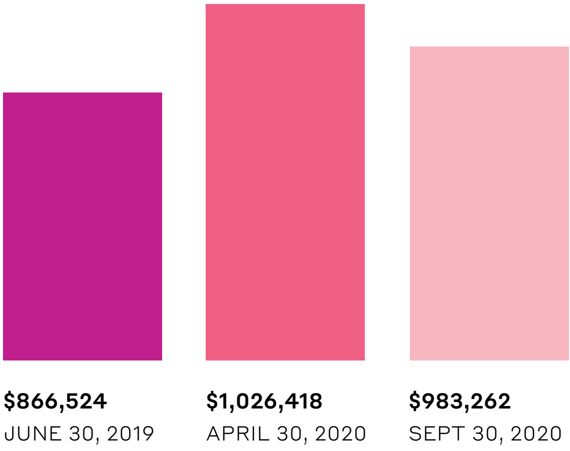
The business elite continued to invest in prestige property in 2020. In September, a harbourfront property in Point Piper sold off-market for $95 million – Australia's second highest sale on record. Other sales included $24.5 million in Newport in August (suburb record); $17.9 million in Bronte in July (record); $16.6 million in Rose Bay in March; and $15.125 million in The Rocks in May (record).

The low dollar and Australia's safe haven status prompted many expats and internationals to buy, despite in many cases only being able to view properties for sale by video inspection.

Wild fluctuations in equities reminded Sydneysiders of the volatility of shares versus the reliability and safety of property. The virus also forced many time-poor workers to slow down and contemplate their lives, which led to some unusual new trends in the market.

Demand in the holiday playground of Palm Beach has been sky high due to wealthy buyers seeking permanent homes instead of weekenders, after many of them discovered ways to work successfully from home. By the start of the busy Spring season in 2020, 42 sales had already taken place in Palm Beach and there were 10 more in September[4]. The five-year average is 68 sales per annum.

MEDIAN HOUSE PRICES



First home buying remains strong, accounting for 29% of new owner occupier loans in NSW in July 2020[5]. More than 3,100[6] of the first 10,000 loan guarantees under the First Home Loan Deposit Scheme went to NSW buyers.

New infrastructure will play a central role in the NSW economic recovery, with 87 projects worth more than $25 billion and creating at least 50,000 jobs fast-tracked and approved by early September 2020[7].

They include the new Sydney Gateway road connecting WestConnex with Sydney Airport and the 850ha Mamre Precinct, which will become a major industrial and recreational hub. It will have 50ha of parklands, cycling tracks and walkways for locals and will be operational by mid-2021.

Schools will be built in Schofields, Catherine Field, Leppington and Marsden Park.

Town centres at Villawood, Bankstown, Wentworthville and Fairfield Heights will be revitalised. In the Greater Macarthur Growth Area, redevelopment plans for Macquarie Fields, Ingleburn, Minto, Leumeah, Campbelltown and Macarthur precincts have also been finalised.

Planning is also being expedited on the $31 billion Parramatta Road Corridor revitalisation, which will deliver 27,000 new homes and 50,000 jobs along Sydney's 'economic spine'; the St Leonards Crows Nest 2036 Plan, which includes the new Metro Station at Crows Nest; a new mixed-use precinct and sporting hub at Glenfield; and the overhaul of the Marsden Park North and West Schofields precincts, including 18 new playing fields and road upgrades.

7,500 HOMEBUILDER REGISTRATIONS IN NSW WITHIN THE FIRST MONTH OF THE PROGRAM

Meantime, construction has begun on the final stage of Parramatta Square. The $2.7 billion makeover of Sydney's second CBD includes Australia's biggest office tower by gross floor area[8].

Stamp duty has been scrapped for first home buyers of new homes up to $800,000, saving them up to $31,335[9]. There is also a sliding scale of concessions up to $1 million. This stimulus initiative will be in place until July 31, 2021. The $25,000 HomeBuilder grant has also been popular, with 7,500 registrations in NSW within the first month of the program[10].

In FY20, Sydney's house price median rose 14.5% to $1,010,426 and the apartment median went up 10.6% to $761,792[2]. Most of this growth occurred in 2019 following the federal election and three cash rate cuts that year. The virus began pulling prices down in May 2020. By September 30, the median house price was $983,262 and the median apartment price was $743,288[3].

Exceptional pandemic management in NSW has shielded the Sydney property market, whilst the rise of remote work has boosted demand in regional NSW. If outbreaks are consistently contained, Sydney will be poised for take-off again as soon as a vaccine is confirmed.

JOHN McGRATH'S TOP PICKS

HOMEBUSH

Many Sydneysiders might remember when this suburb was best known for its abattoir – hardly an iconic landmark, yet since its closure in 1988 this area has been quietly reinventing itself into a prized address in the significantly gentrified inner west. Walk through the village and sample some of the best eateries in Sydney or stroll across the road to Sydney Olympic Park for any number of sporting or cultural events. Oh, did I mention that the WestConnex tunnel has just shifted Homebush residents about 15 minutes closer to town?

COLLAROY

Once upon a time, you had to choose between a movie star lifestyle on the Northern Beaches or easy access into the CBD. Well, now that the game has changed with remote work, you no longer have to wrestle with the Spit Bridge every day. So, why not choose the movie star lifestyle and enjoy a dip before work in Sydney's next beachside suburb to boom? Think of me as you sip your cappuccino and breathe in the fresh salt air of the Pacific before you head home for your first Zoom meeting.

HABERFIELD

This gracious garden suburb has long been one of my favourite locations and an area I've steered many of my friends into in the past few years. Where else can you be a stone's throw from the CBD, on a large allotment in a period home with some of the best coffee and delicatessens in the land on your doorstep!

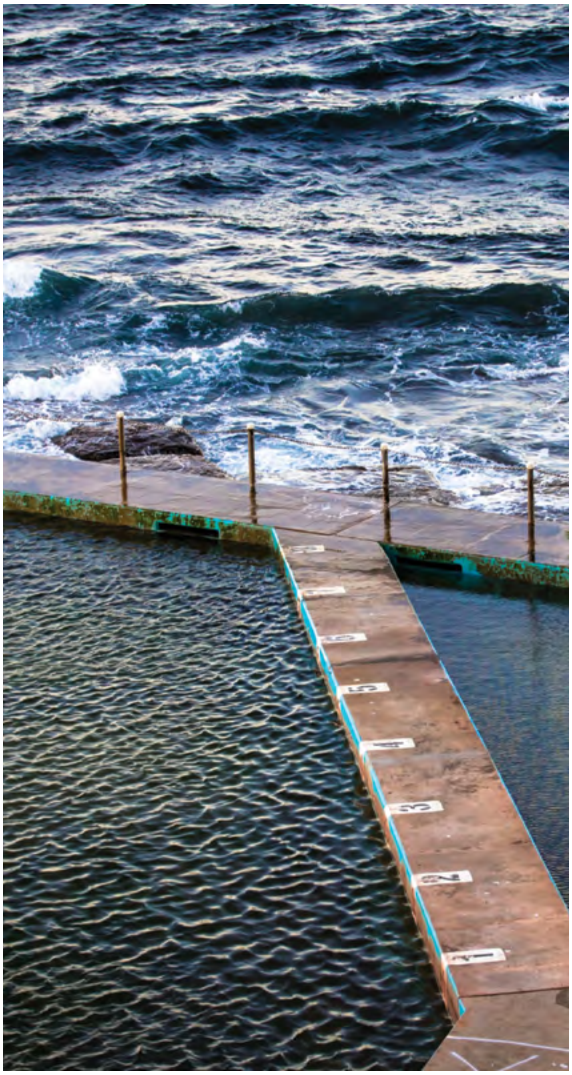
ROUSE HILL

In the heart of the burgeoning north west corridor, Rouse Hill and its town centre retail village have presented a compelling lifestyle for young families looking for clean air, more land, better value for money and a (now) easy commute to the CBD via the Sydney Metro Northwest (for those who still work in an office!).

Scan here
for more
insights.

EDMONDSON PARK

The “Rouse Hill of the south west”. Read all the things I said about Rouse Hill and you can apply them to Edmondson Park and get some change left over. The newly minted M8 is bringing its residents 15 minutes closer to the CBD if you choose to drive.



PHOTOGRAPHY: PHOTOLOGIC

THIRROUL – REGIONAL NSW

With COVID-19 changing many people’s minds about working remotely, you’ll see little lifestyle gems like Thirroul in the Illawarra region take off over the next few years. Sitting on the seaside, only a few kilometres from Wollongong and a very easy commute to the big smoke, this lifestyle will become more in demand from savvy locals, Sydney executives and nearby Empty Nesters in search of the ultimate seachange.

NORAVILLE – REGIONAL NSW

Where, I hear you say? Well, go to Google and check out this quiet little village just north of Sydney on the booming Central Coast. With the pandemic showing everyone how easy it is to work from home and the new NorthConnex lopping 20 minutes off your trip to town, you’ll make great money over time securing a cottage in this charming seaside suburb for the price of a one bedroom apartment in Sydney.

PHOTOGRAPHY: MITCHELL LUO

MEDIAN HOUSE PRICE
$780,836

MEDIAN APARTMENT PRICE
$558,952

CORELOGIC, SEPTEMBER 2020

MELBOURNE
& SURROUNDS

The property market in Australia's fastest growing city[1] has been more deeply affected by COVID-19, particularly during Stage 4 restrictions when in-person inspections of homes for sale were banned and all real estate offices had to close from early August for an extended period.

However, as Australia's most liveable city[2] and No. 1 growth economy in FY19[3], Melbourne is well-equipped to manage the coronavirus storm and based on historical trends, it is likely to bounce back strongly. CoreLogic described a 'substantial over-performance from Melbourne during the post-GFC stimulus-fuelled growth phase'[4].

The pandemic interrupted an exceptional run in Melbourne, with home values recovering rapidly from their floor in May 2019 to just shy of their record 2017 high by Christmas 2019[5]. Despite COVID-19's dampening effect, the city still recorded impressive results for FY20, with median prices up 10.6% for houses to $802,551 and 9.3% for apartments to $575,009[6].

The gentrifying beachside suburb of St Kilda was Australia's best performer for capital growth in houses in 2019, with the median price up 19.6% to $1,584,805 on the back of surging demand for premium homes[7].

This was reflected in one of Australia's most popular reality TV shows, 'The Block', which was set in St Kilda for two consecutive seasons.

In 2018, five couples renovated the former Gatwick Hotel into boutique luxury apartments that sold at auction for between $2.77 million and $3.02 million[8].

In 2019, former backpacker hotel, The Oslo was transformed into five three-storey luxury homes that sold under the hammer for between $3.374 million and $3.62 million[9].

Amongst Australia's top five performing areas for long term consistent capital growth[10] were the low profile, family friendly suburbs of Bonbeach, Carnegie and Templestowe Lower, which have all recorded median house price increases of about 30-40% since 2015.

Bonbeach is a fast-growing lifestyle area benefitting from the Peninsula Link and Mornington Peninsula Freeway, which gets commuters into the city in 40-60 minutes[11].

In 2018, the new elevated rail line that replaced nine level crossings between Caulfield and Dandenong meant a new train station for Carnegie with 20-minute express city services.

Templestowe Lower has attracted families priced out of nearby Doncaster. They can still easily access Doncaster Shopping Town, quality schools and Yarra Valley Parklands and drive into the CBD within 20-25 minutes but the typical house is $90,000 cheaper[15].

MEDIAN HOUSE PRICES FY20

$555,000
GEELONG

$415,000
BALLARAT

$802,551
MELBOURNE

For city dwellers, Melbourne's streetscape has undergone significant change in the past decade with 12,630 new dwellings added to the CBD – the equivalent of Adelaide CBD's entire housing stock[12]. The popularity of inner city apartments has been fuelled by surging city-based employment opportunities and population growth, whilst residents have valued the convenience, comparative affordability to houses and reduced travel time to work.

Melbourne initially experienced a small but more rapid decline in home values due to the virus, with a -3.2% dip over the three months to July 31, 2020 compared to -2.1% in Sydney and -0.9% in Brisbane[14]. CoreLogic research shows it is normal for Melbourne to experience bigger price gains and falls than Sydney[4], so this was an unsurprising trend.

However, Victoria also had the largest job losses[13] and was more affected by the international border closure and the fall in overseas migration. In FY19, almost four in 10 migrants or 77,369 people chose to settle in Melbourne[4], so the temporary pause on immigration had an immediate impact, particularly on rental values.

Further losses in home values of -1.2% in August and -0.9% in September reflected the impact of the second wave and lockdown[14].

Regional Victoria has shown more resilience with just an -0.8% fall in home values in the three months to July 31, 2020. There was a further fall of -0.5% in August and prices were stable in September[14].

Amongst the strongest regional markets are Geelong and Ballarat, where median house prices have risen about 25%[15] since 2017 to $555,000 and $415,000 respectively, remaining well below Melbourne at $802,551[6] as at June 30, 2020.

In recent years, jobs growth, business investment, new infrastructure and housing affordability have made these two satellite cities highly attractive to Melbourne families willing to commute back to the CBD each day for work.

Now, the ability to work remotely from further afield has put many more affordable lifestyle destinations in the spotlight. The Victorian high country is proving to be an early beneficiary of this trend, with growing buyer interest in areas such as Mansfield Shire in the state's north east.

About 2.5 hours from Melbourne and one hour from the regional centres of Shepparton, Wangaratta and Benalla, Mansfield Shire is attracting more treechangers due to its many recreational options including snow skiing, water skiing on Lake Eildon, horse riding and fishing.

In response to COVID-19, the Victorian Government has launched a $2.7 billion job-creating infrastructure blitz[16] that includes 10 new schools in areas such as Greenvale, Melton South, Deanside and Clyde[17] and upgrades to 57 others, as well as the re-building of Clifton Creek Primary School in East Gippsland, which was destroyed in the 2020 bushfires.

As Australia's worst affected city, coronavirus has ravaged Melbourne but when it is over, this southern star will easily resume its place as one of the world's most desirable and aspirational lifestyle centres, with a bright future and great liveability once again.

JOHN McGRATH'S TOP PICKS

THORNBURY

Earmarked as an up-and-coming suburb for many years, Thornbury is a cultural melting pot popular with hipsters, professionals, young families and older migrants who moved in decades ago. On average it's $200,000-$350,000 cheaper than neighbouring Northcote and Fitzroy North[1] but still offers the same great city access via the No. 11 tram that runs every 10 minutes for a 25-minute journey to Spring/Collins Street. It has its own parochial buzz with pubs, boutique shops and cafes on High Street and its local schools, including Thornbury High and Northcote High, have a great reputation.

SUNSHINE

All eyes are on Sunshine as the Victorian Government completes a business case study on its suitability as the preferred route for Melbourne's $13 billion 27km Airport Rail to the CBD. If it proceeds, Sunshine will become a super transport hub the size of Southern Cross Station, offering accommodation, food, retail and commercial spaces. The Sunshine Super Hub will also become a gateway to regional Victoria under the broader Western Rail Plan, which includes the fast rail to Geelong and Ballarat. Identified as a State Government priority precinct, Sunshine will receive a significant boost to infrastructure, health services and education facilities over the next seven years, which will generate thousands of jobs and service the region's growing population[2]. Brimbank Council is aiming to make Sunshine the capital of Melbourne's west by 2050.

Scan here for more insights.

HAWTHORN

The median house price broke the $2 million mark[3] in the June 2020 quarter but apartments are affordable at a median $677,000, despite 15.2% growth over the same period. Only 6km from Melbourne's CBD and 13 minutes by train from Glenferrie Station to Flinders Street Station, Hawthorn is surrounded by some of the city's most expensive and prestigious suburbs including Toorak, Camberwell, Kew and Hawthorn East. Apartment owners benefit from the same lifestyle perks and amenities of these illustrious neighbours but without the price tag.

PHOTOGRAPHY: SUPPLIED BY McGRATH ESTATE AGENTS

COBURG NORTH

Coburg North is benefitting from the ripple effect of rising house prices in neighbouring Coburg and Brunswick. Transformation is underway in this hidden hub, 11km north of the city and 20 minutes' drive to Melbourne Airport. It is popular amongst 30-somethings with a large Italian and Greek community[4] creating a wonderful cultural combination. The median house price is $170,000 cheaper than Coburg[1]. The No. 19 tram to Flinders Street Station takes 30 minutes and the 15km bike ride along the scenic Merri Creek river trail is a popular option for the heart and hip pocket.

KILMORE – REGIONAL VICTORIA

Young families seeking a country lifestyle within commuting distance of Melbourne are being drawn to Kilmore. The median house price is $443,750, about 45% cheaper than Melbourne[1] and the trip from Kilmore East Station to Southern Cross Station takes just an hour. Services and amenities include a golf course, hospital, council-owned gym and pool, cafes and shops. A Kilmore Structure Plan to cater for the region's growth includes street widening, new footpaths and a bypass off the Northern Highway for improved accessibility and safety[5].

PHOTOGRAPHY: BRISBANE LOCAL MARKETING

MEDIAN HOUSE PRICE
$559,646

MEDIAN APARTMENT PRICE
$388,505

CORELOGIC, SEPTEMBER 2020

BRISBANE

& SURROUNDS

Poised for strong economic and property price gains in 2020 before the coronavirus struck, Brisbane has shown more price resilience than its southern counterparts. Tighter border controls and fewer virus cases protected home values, with the median dwelling price virtually unchanged by October 2020 compared to falls of -5.5% in Melbourne and -2.9% in Sydney.

Prior to COVID-19, Brisbane's property market had been expected to deliver 20.3% growth in house prices in 2019-2022, driven by strong underlying demand and a return to undersupply, according to the QBE Australian Housing Outlook[1].

A DECADE OF MODEST PRICE GROWTH HAD LEFT THE MARKET RELATIVELY AFFORDABLE, HOWEVER AN OVERSUPPLY OF NEW HOUSING ESTATES AND APARTMENTS HAD TEMPERED ANY UPWARD MOMENTUM

Supply peaked in FY17 and continuously improving economic conditions have generated new jobs and powered strong population growth, led by a wave of seachanging that has made Queensland the No. 1 destination for interstate migration. In 2019, 106,628 people moved here, producing a net gain of nearly 23,000 – 70% of whom settled in Brisbane[2].

Brisbane's home values moderated rather than faltered[3] due to the virus, with median house prices up 4.9% to $557,265 in FY20. Apartment values rose 1.8% to $387,420[4] – the strongest growth in three years, according to CoreLogic figures.

By September 2020, first home buyer activity had almost returned to pre-pandemic levels. Lending[5] had trended up since April due to grants of $15,000 for new homes purchased for up to $750,000, stamp duty concessions on property up to $550,000, the HomeBuilder grant of $25,000 and the Regional Home Building Boost of $5,000 for new home purchases by December 31, 2020.

Brisbane City Council has expanded its First Home Owner Rebate scheme, which was introduced in October 2019 and gives a 50% rebate on council rates, of up to $1,000, for buyers of new or existing homes under $750,000. From October 1, 2020, a 100% rebate of up to $2,000 is available to first home buyers who buy or build a new property[6].

Queensland's luxury market has been fuelled by low interest rates, lack of stock and market confidence[7]. Prestige sales continued strongly during Winter 2020 for luxury inner city apartments, bayside mansions and premium residences in tightly-held blue ribbon suburbs such as Paddington, New Farm and Hamilton. Over the first weekend of Spring, Brisbane's 10 highest sales totalled more than $34 million[8].

Agents across Brisbane are reporting more cash sales[9] to buyers who are purchasing premium homes to enjoy now in lieu of overseas travel.

This trend is across all price brackets and includes an $8.5 million beachfront sale in Raby Bay that attracted seven cash offers and a $4.4 million riverfront apartment sale in Kangaroo Point, both in August 2020.

Fear of missing out (FOMO) is driving locals who are realising that the border closure gives them a significant short term advantage over southern city buyers.

However, some Sydneysiders and Melburnians who can now work from home haven't let this impede their newfound freedom, with sales off high quality video inspections not uncommon.

The Sunshine Coast, in particular, is benefitting from this trend with the lowest number of listings in a decade[10] resulting in exceptional prices for prestige homes in Sunshine Beach and waterfront apartments in Noosa Heads sold to interstate buyers.

The Queen's Wharf, a $3.6 billion integrated resort development, is forging ahead and is expected to create 8,000 jobs and add $4 billion to the state's economy[11] on completion in 2022. In May 2020, tunnelling began for the 5.9km twin tunnel Cross River Rail, which will create 7,500 jobs over the life of the project[12].

The Queensland Government lent a helping hand to the tourism industry by enticing sporting teams to relocate during the pandemic, including the Melbourne Storm NRL team, several interstate AFL teams and the entire Super Netball series[13], with games being played in Brisbane, Cairns, Townsville, the Gold Coast and Sunshine Coast.

THE GOLD COAST HAS BECOME A HUB FOR AUSTRALIA'S TECH ENTREPRENEURS, WITH DOZENS OF START-UPS FINDING THEIR FEET SINCE THE GOLD COAST INNOVATION HUB LAUNCHED IN 2017, WITH $60 MILLION IN FUNDING TO HELP DRIVE A NEW DIGITAL ECONOMY[14]

Three universities – Griffith, Bond and Southern Cross, have cemented the region's growing reputation for research and innovation[15]. Suburbs surrounding the campuses, such as Molendinar and Southport, have become highly sought-after for their proximity to improved infrastructure and amenities.

Stage 3 construction of the highly successful Gold Coast Light Rail is expected to commence in 2021. The 6.7km link will connect Broadbeach South and Burleigh Heads via eight new stations at locations including Miami, Nobby Beach and Mermaid Beach. Completion is expected in late 2023 or early 2024.

On the Sunshine Coast, the new airport runway opened in June 2020, enabling direct flights on larger planes to more destinations across Australia, Asia and the Western Pacific. The new runway also opens greater export opportunities for local producers in the future.

As the East Coast's favourite seachange destination, Queensland is likely to benefit most from the increasingly permanent work from home trend. The irresistible combination of new work flexibility, the best lifestyle in Australia and affordable housing makes Queensland more enticing than ever as a prime interstate migration destination.

JOHN McGRATH'S TOP PICKS

REDLAND BAY

First class fish and chips with a water view is part of Redland Bay's charm. Located in Brisbane's bayside area, about 45km by car from the CBD, it has a country town vibe with city amenities. It is 10 minutes to Victoria Point Shopping Centre; the kids can ride their bikes to Redland Bay State School; and the cherished waterfront and jetty is within walking distance for many. Typical bayside houses sell for about $550,000[2]. New infrastructure improvements have begun following approval of Lendlease's multi-billion dollar Shoreline residential community. A new marina is also being considered as part of the redevelopment of Redland Bay's Weinam Creek.

ROCHEDALE SOUTH

This quiet, family friendly suburb appeals for its generous blocks of 600 sqm to 1,000 sqm and median house price of $527,500[2]. It has modern playgrounds, open green spaces and enjoys close proximity to Redeemer Lutheran College and Rochedale State School. There is easy access to Springwood, Sunnybank, Garden City, Carindale and Brisbane CBD via the Gateway, Pacific and Logan Motorways. The Queensland Government has identified it as a Koala Conservation area to protect the native wildlife's habitat from overdevelopment[1].

TOOWONG

A blend of convenience and neighbourhood friendliness defines the lifestyle on offer in Toowong, an inner west suburb less than 5km from Brisbane's CBD. Popular amongst those who want less commuting in their lives, its diverse range of housing means it appeals to both young and mature buyers. A new $64 million school planned in the area will alleviate overcrowding at Toowong Primary School. Plans for a new $450 million town centre modelled on The Grove in Los Angeles have been lodged and will modernise the suburb whilst generating new jobs and services.

SUNRISE BEACH – SUNSHINE COAST

The lesser known sibling to Sunshine Beach, it doesn't attract the headlines or celebrity buyers that its famous neighbour does. It also hasn't had the same rate of growth that Sunshine Beach has experienced in the past three years, with the median house price about 45% cheaper at $975,000[2]. However, things are changing with original beach houses being renovated and new listings becoming scarce due to its relative affordability and the appeal of its comfortable beach lifestyle, surf scene and proximity to Noosa National Park.

BURLEIGH HEADS – GOLD COAST

I think the authenticity of Burleigh Heads is a thing of beauty. But change is inevitable and as the modernisation of the Gold Coast beachfront naturally creeps further south, this laid-back coastal hub is next in line for a growth spurt. Major developments have already been earmarked and the appetite for beautifully-designed luxury residences has seen off-the-plan launches snapped up by eager buyers. A 33-apartment luxury residential tower released in March 2020 was 80% sold on its first day, with prices starting from $1.85 million.

PHOTOGRAPHY: VISUAL COLLECTIVE

Scan here for more insights.

PHOTOGRAPHY: HARRY BURK

MEDIAN HOUSE PRICE
$723,634

MEDIAN APARTMENT PRICE
$458,498

CORELOGIC, SEPTEMBER 2020

CANBERRA

Canberra's robust economy and unique job security placed it in a better position than other capital cities to ride out the initial impact of COVID-19.

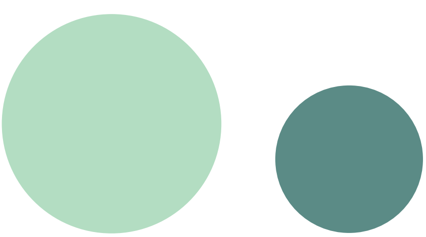
When home values fell in Sydney, Melbourne and Brisbane, Canberra bucked the trend with continued growth[1], largely due to an incredibly low rate of infection – just 0.42% of the nation's cases by October 2020[2].

CANBERRA REMAINS BETTER PLACED ECONOMICALLY TO WEATHER THE VIRUS, WITH FEWER JOB LOSSES PER CAPITA DUE TO 32% OF LOCALS WORKING IN GOVERNMENT OR HOSPITALS

The median house price increased 7.4% to $716,150 in FY20 and leapt to a record high in September, whilst the median apartment value gained 2.1% to $444,181[1], according to CoreLogic.

Canberra remains better placed economically to weather the virus, with fewer job losses per capita due to 32% of locals working in government or hospitals[3]. Also, the booming construction sector's 'essential service' qualification kept thousands of workers on job sites whilst social distancing restrictions were in place.

STAMP DUTY ON $700,000 PURCHASE



$32,000
2012

$20,040
2020

By August 2020, the ACT's unemployment rate had increased only slightly to 4.2% and was the lowest in the country alongside the Northern Territory, compared to Queensland 7.5%, Victoria 7.1% and NSW 6.7%[4].

Ranked third behind Tasmania and Victoria in CommSec's latest economic performance report, there is strong demand from owner occupiers in the ACT, with the value of home loans up 31.2% on long term averages[5].

In May 2020, when Australia recorded the biggest monthly fall in new home loans since records began in July 2002 at -10.2%, the ACT was the only state or territory to experience an increase at 1.1% seasonally adjusted[6]. This was due to ongoing strong demand from first home buyers and upgraders.

House prices rose at three times the speed of apartments in FY20[7] because of fewer land releases for new houses, thereby raising demand for existing homes; as well as boosted competition from first home buyers, whose budgets could stretch beyond apartments in FY20 due to record low interest rates.

Stamp duty exemptions were also expanded in July 2019 to include established homes as well as new homes, with price caps removed altogether. This meant first home buyers could purchase freestanding houses and still receive massive stamp duty savings.

Record low interest rates and progressively reduced stamp duty for all other buyers has also encouraged people to upgrade more freely as their lifestyle needs change, thereby raising demand specifically for houses.

In 2012, the ACT Government began a 20-year plan to phase out stamp duty in favour of higher rates and land taxes. Gradual reductions in stamp duty rates have lowered the cost considerably. On a $700,000 purchase, stamp duty today is $20,040[8] compared to $32,000[9] in 2012.

This has been of great benefit to homeowners, however some investors have left the apartment market because the rates increase of about 10% per year have raised their holding costs and the oversupply of new apartments has dampened prospects for short term capital growth. This has led to more choice for first home buyers.

Currently, the government is preferring to green light new apartment developments over more land releases for houses. This policy is in line with its 2018 ACT Planning Strategy to convert Australia's original 'garden city', dominated by leafy streets and single houses, into a more 'compact and efficient city' with greater housing diversity to cater for future population growth.

Latest figures show there was an 86.3% increase in building commencements over the year to March 31, 2020 totalling 5,196 new homes – mostly apartments[10], compared with a -1.6% decline nationally.

+75% IN ONLINE RENTAL PROPERTY SEARCHES

AUG 2020 vs AUG 2019

Canberra's rental market has also shown more resilience than other capital cities, with online rental property searches up 75% in August 2020 compared to a year ago[11] and weekly rents for houses increasing 1.8% in the 12 months to October 2020[12], making it the country's most expensive city to rent in. It's also hard to find what you want, with the vacancy rate in August less than half the national level at 0.8%[13].

The ACT Government has outlined 50 measures worth $369 million[14] in a multi-staged virus recovery plan to support local businesses, jobs and the economy.

Scores of projects in a $14 billion public works program[15] announced in 2019 will be fast-tracked, including $35 million for public school repairs, new cycling and walking paths and upgrades to health facilities, sports grounds and parks across the city, Gungahlin, Belconnen, Woden and Tuggeranong[16].

New temporary stamp duty concessions for FY21 are expected to boost the construction sector and create jobs. All owner occupiers who purchase land at any price; or an off-the-plan apartment or townhouse valued up to $500,000 will pay no stamp duty. Off-the-plan purchases between $500,000 and $750,000 will receive an $11,400 duty discount[17].

Careful virus management will continue to support Canberra's property market in FY21.

JOHN McGRATH'S TOP PICKS

AINSLIE

Within five minutes in any direction you can be in the city; at a museum, theatre or cinema; taking a swim at the Canberra Olympic Pool; traversing the upgraded walking tracks of Mount Ainslie; or strolling down Braddon's bustling Lonsdale Street to join the queue outside Gelato Messina. Filled with beautifully preserved original post-war housing, Ainslie is a highly desirable inner city suburb known for its lifestyle and community values. There's also a vibrant local arts, music and cultural scene.

BONNER

Part of Canberra's northern suburbs, Bonner has been popular amongst families since it was first settled in 2010. The master-planned suburb is 4km from Gungahlin Town Centre, adjacent to Mulligans Flat Nature Reserve and is lauded for its wide roads, sports facilities, state-of-the-art Neville Bonner Primary School and the Amaroo Village Shopping Centre, which has a Coles supermarket and several speciality shops. The completion of the $288 million Majura Parkway four lane upgrade in 2016[1] has boosted connectivity to the city 16km to the south.

CHIFLEY

Located in Canberra's Woden Valley, Chifley is the epitome of convenience. It is 2km to the sprawling Westfield Woden, restaurants and bus transit station and seven minutes to Canberra Hospital. Located between two main arterial roads, the Tuggeranong Parkway and Melrose Drive, accessibility is attracting a new generation of buyers. Original 1960s brick homes are being replaced with modern architectural properties. The small cluster of local shops at Chifley Place includes A Bite to Eat, which does a roaring brunch trade.

YARRALUMLA

Change is happening in Yarralumla, an embassy suburb 3km from Parliament House and Government House. Immaculately maintained bicycle and walking paths traverse the northern boundary along Lake Burley Griffin in one continuous 19km loop. Parks, the Royal Canberra Golf Club, health services and a particularly good casual Turkish restaurant combine to create a lively village atmosphere. An increase in original houses listed for sale in the first three quarters of 2020 suggests the existing demographic (35% aged 60-plus[2]) is being replaced by a new generation.

Scan here
for more
insights.

NARRABUNDAH

Much-needed upgrades to footpaths and pedestrian crossings in Narrabundah have been prioritised as part of the ACT Government's fast-tracked COVID-19 construction recovery program and will do wonders for the streetscape. The highly regarded Narrabundah College has educated students since 1974 and caters for almost 1,000 Year 11 and 12 students. In 2019, three of the ACT's top five results were achieved by Narrabundah students. Pretty impressive! The school is undergoing a multi-stage modernisation worth $25.75 million over four years, mirroring the broader gentrification of this 1970s suburb. It is also sought-after for its larger residential blocks, preserved green spaces, parks and gardens.

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