



## **Palladium property Insights**

**Spring 2021**

Welcome to our current insights on the rising valuation of the property markets in Australia and its performance against the ASX 200.

### **Residential Market in Australia**

The Australian residential market continues to grow amidst the recent lockdowns in major cities in Australia. The median house price in Australia has risen by 4.4 percent and unit price by 2.9 percent in Q3 2021 (Source: CBRE, October 2021).

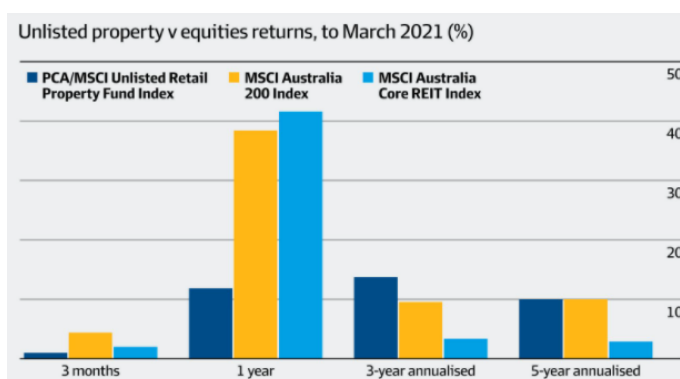
The prices are expected to rise well into 2022 for both houses and units. The valuation of residential real estate sector in Australia hit a record high value of \$9.1tn which is currently 28.2 percent higher than the estimated value of superannuation, ASX 200 and commercial real estate combined (Source: CoreLogic, October 2021). Consistent capital gains across the country boosted the overall value of the housing market. The dwelling market in Australia has increased by 20.3 percent in the year to September. This is the highest rate of appreciation since June 1989. All major Australian cities showed great rise in house and unit prices as per the report by CBRE. Residential house prices have reached record high in Australian cities except for Perth and Darwin. Similar pattern is observed for units in most cities of Australia. The number of government approvals for detached dwellings approached 155,000 over year to August. However, higher density residential approvals are still 40 percent below 2016 on an annual basis.

### **Industrial Market in Australia**

Investors who traditionally relied on residential property and the share market to bolster the returns of their investment portfolios are turning to the potential of higher yield from industrial real estate with industrial vacancy rate at a historic low of 1.4 percent in Sydney and 1.54 percent in Melbourne. The value of industrial property sector is estimated to hit \$120 billion by 2025 with new trends seen in automated facilities to satisfy the online retailers and e-commerce businesses post the pandemic. Industrial and logistics have been the most booming properties since the beginning of COVID-19 with strong foreign property investment inflows. Capitalisation rate for industrial buildings is rising towards 4.5 percent (AFR, September 2021).

## A-REITS outperforms ASX 200

The real estate investment trusts (REITS) have outperformed ASX 200 with a total return of 41.9 percent since March 2020 share market collapse compared to an impressive 38.6 percent for the top 200 stocks in the year to March 2021. The returns have slowed down since March with 2 percent less than half generated by ASX 200 (AFR, June 2021).



Source: Property Fund Association

## In Essence

The turnaround for the property market has been significant and unexpected even with the market volatility experienced since the beginning of the pandemic. The rising price of property and low vacancy rates shows a rising market confidence in property sector for investors. Despite the predictions of a correction in the local share market, the weight of money in the market has continued to support an outstanding return. As with the residential property market, the spectre of rising inflation and interest rates will limit the growth. The question is when...

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