

# Canberra to push apartment living

Michael Bleby

The federal government is likely to intervene to boost an apartment sector that did not enjoy the benefits of HomeBuilder but which is likely to suffer a hit from the loss of foreign migrants and international students, Housing Minister Michael Sukkar said.

The government's \$2.5 billion program – which contributed \$25,000, and then \$15,000 in its pared-back form, to complying new home builds and renovations – focused on detached housing because of the need to inject stimulus quickly into the economy, but this did not mean the apartment sector had been overlooked, Mr Sukkar said yesterday.

"We're keeping a really close eye on it," he told the Urban Development Institute of Australia's national summit.

"It's very exposed to factors such as international students and migration. There is no doubt we will have to respond with apartments."

The HomeBuilder incentive released in June gave a clear boost to detached housing, which in September chalked up its first year-on-year increase in new dwelling approvals after 20 months of



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Michael Sukkar, left, Housing Minister

decline. In February approvals were up 23 per cent on their total a year earlier.

Apartments, semi-detached dwellings and townhouses, already suffering the hangover of the last housing-construction boom as local investors and foreign buyers dried up, now face further decline as a preference for space and land driven by the pandemic is compounded by a loss of migrants.

New approvals for attached dwellings have declined for the past 29 months and although the pace of decline was slowing until October – possibly reflecting the end of the natural unwinding – it subsequently accelerated again, official figures show.

Some sectors of the higher-density housing market were growing but

many were not and were in for a rough time, Mr Sukkar said.

"When you look at migration patterns and decision points for many people, often eight months to two years after you come to Australia, it's after that you make the call to put down roots and buy something," he said.

"We're probably living off that tail of migration – of people who settled in Australia two years ago who are reaching that maturity of decision point. Obviously the hole that we've seen in migration is going to hit and it's going to hit sooner rather than later."

He declined to give any detail, but Treasurer Josh Frydenberg this week paved the way for next month's federal budget to be a big-spending affair when

he said the government wanted to get unemployment down to a figure with a "4 in front of it" from 5.6 per cent in March.

"We're examining a range of potential responses, but we're keeping a really close eye on it," Mr Sukkar said.

"There's no supply strategy that we can embark upon that doesn't include at its centre support for apartment and high-density projects."

Melbourne-based developer, UDIA Victoria president and former Financial Review Rich Lister Ashley Williams said the help most needed was an incentive to clear completed stock and give developers confidence to start new projects.

"We'd welcome anything the federal government can do to help apartments," Mr Williams told *The Australian Financial Review*.

"There is a stock overhang, there is a large number of unsold apartments on the market or owned by developers and they're not moving as quickly as we would like which means everyone – and I'm one of them – is looking at future projects saying I'm not going to progress future projects until I can see some level of activity on existing projects," Mr Williams said.

## Cedar Woods outlook improves

Residential developer Cedar Woods upgraded its full-year net profit after tax forecast to \$32 million from \$29 million after achieving record lot sales over the first nine months of the 2021 financial year. The value of presale contracts hit \$426 million, up 17 per cent on the prior corresponding period. Cedar Woods also bolstered its 8400 dwelling and lot pipeline after acquiring a 40.7 hectare site in southwest Brisbane. LARRY SCHLESINGER

## REIT lifts guidance

Growthpoint Properties Australia has upgraded its funds from operations guidance from between 25.2¢ and 25.5¢ per security to between 25.4¢ and 25.7¢ after increasing occupancy across its portfolio of office towers and industrial real estate to 96 per cent. Distribution guidance of 20¢ is reaffirmed, with Growthpoint adopting a more conservative payout ratio.

The COVID-19 pandemic has so far had "an immaterial impact" on its financial results, with no significant tenant defaults in the third quarter of 2021, it said. NICK LENAGHAN

## GPT tenants pay up

GPT Group has collected 105 per cent of net billings from tenants across its diversified portfolio, as the retail sector in particular improves. Collection levels for GPT's office and logistics portfolios were 101 per cent and 100 per cent of net billings respectively. Retail rent collections of 110 per cent of net billings reflect the ongoing payment of outstanding debtors from the prior year. GPT has given guidance for its full-year 2021 for funds from operations per security growth of 8 per cent and distribution per security growth of 12 per cent on 2020. GPT also noted it has fully leased its two latest speculative logistics developments. NICK LENAGHAN

## Closures hurt Unibail

Shopping centre giant Unibail-Rodamco-Westfield said its centres were effectively closed for 42 days over the March quarter and had "zero" days of "normal" unrestricted operations compared with 70 days in the first quarter of last year.

Noting the extended duration of the COVID-19 lockdowns and other restrictions, "which are longer and tougher than originally envisaged with effects beyond Q1", Unibail said the impact on its full-year 2021 performance would be "significant". NICK LENAGHAN

# Buying beats renting in six out of 10 suburbs

Nila Sweeney

Despite the record-breaking run in house prices, buying a three-bedroom house in nearly six out of 10 suburbs across the country will be cheaper than renting over the next 10 years, as low mortgage rates are likely to offset the additional costs of owning a home.

This figure jumps to more than eight in 10 suburbs for buyers looking for apartments, analysis by REA shows.

The Northern Territory, where it is cheaper to buy than rent in 98 per cent of the suburbs, offers the best opportunity for house buyers, followed by Queensland with 85 per cent.

Buyers are better off than renters in more than eight in 10 houses and almost all units outside NSW and Victoria, based on a modest 3 per cent price growth each year over the next 10 years.

Paul Ryan, REA group economist and author of the report, said falling

mortgage rates have made a huge difference to housing affordability.

"It's really about low borrowing costs, which are expected to stay low for an extended period of time," he said.

"Interest rates can be fixed below 2 per cent per annum and the RBA has committed to maintaining low interest rates until at least 2024. At the same time, rents haven't fallen as much as borrowing costs, and this creates favourable buying conditions across the country."

The report assumes a 20 per cent deposit, as well as all the associated costs of buying, holding a mortgage and the overall costs of renting.

In Sydney, apartments in middle- and outer-ring suburbs are more affordable to buy than rent, while families looking for more space will find it only marginally more expensive to buy a house outside of inner-city regions, Mr Ryan said.

## Buying in

Number of suburbs where it is cheaper to buy than rent

State	All dwellings (%)	3-bedroom houses		2-bedroom units	
		(No of suburbs)*	(% share)	(No of suburbs)*	(% share)
Vic	34.7	728	42.2	384	67.6
NSW	39.3	966	41.3	695	69.1
<b>Australia</b>	<b>56.8</b>	<b>4561</b>	<b>59.1</b>	<b>2666</b>	<b>83.8</b>
ACT	78.8	76	65.7	91	100.0
SA	79.8	495	73.6	363	98.4
WA	81.0	434	69.7	314	98.4
Tas	85.0	363	73.2	137	100.0
Qld	89.2	1427	85.4	627	98.4
NT	99.1	81	97.6	55	100.0

\*Ex suburbs with insufficient sale or rent valuation data

SOURCE: REA

In Sydney and Melbourne overall, 70 per cent of houses and 40 per cent of units are cheaper to rent than buy over the next 10 years.

"In general, it gets cheaper to buy than rent the further you go from the CBD, particularly for houses, so it becomes a bit of a lifestyle decision for potential homebuyers," he said.

In Melbourne, most apartments in the CBD are cheaper to buy than rent, as well as those across Brisbane.

"Investors who are driven by the same comparison between prices and

rents may find that there may be profitable investments currently available, so we expect investor activity in the housing market to increase through 2021," Mr Ryan said.

But people who are looking to live in a location for less than 10 years are better off renting than buying, the report found.

"It becomes increasingly cheaper to rent if it's a shorter tenure because the fixed costs of buying are spread over that long holding period," Mr Ryan said.