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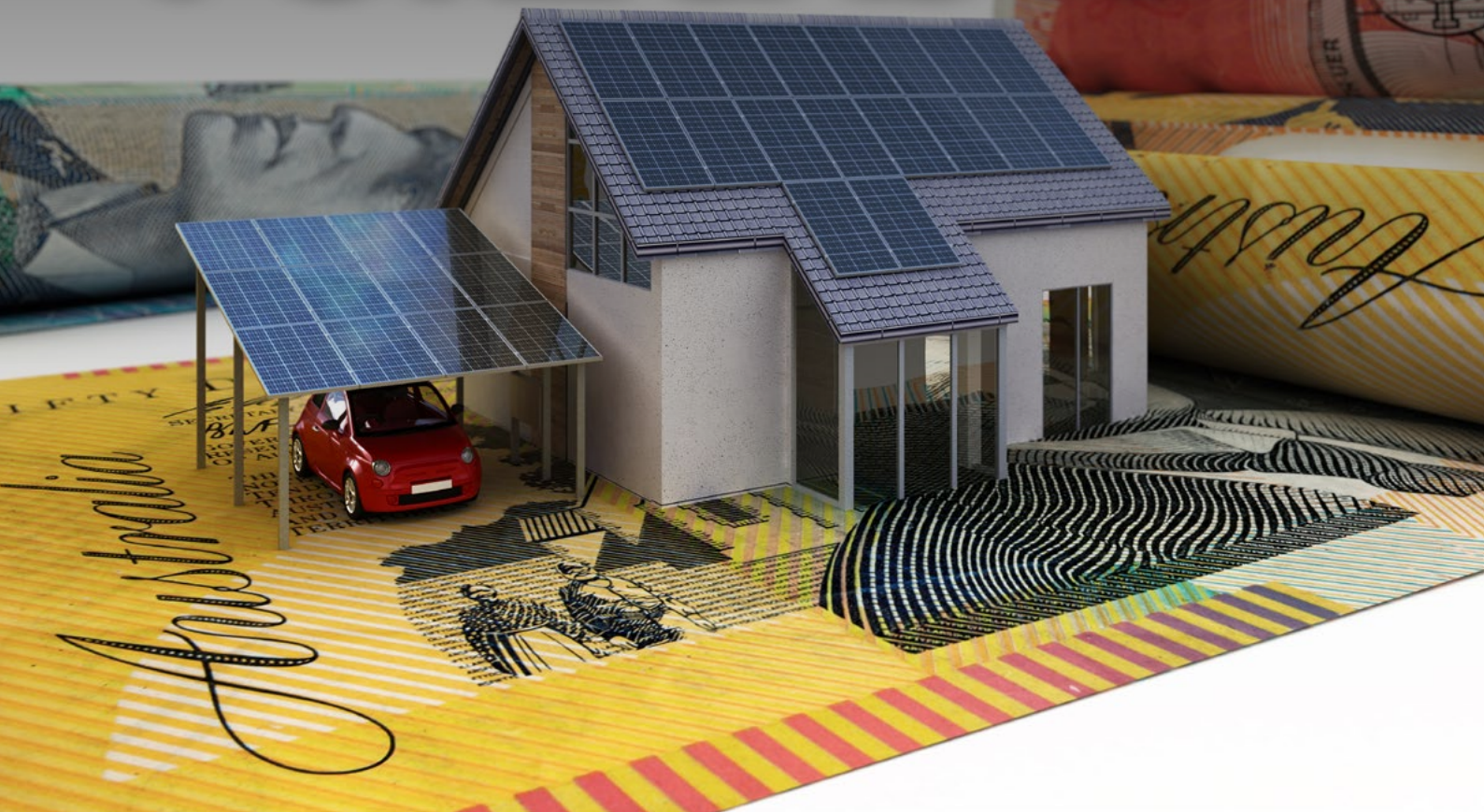
Bricks & Mortar Media

2022 BMM

PROPERTY MARKET FORECASTS



Welcome to the 2022 Bricks & Mortar Media Property Forecast Report.

Well, at the end of last year, who could have predicted that property prices would go super-sonic across the country?

That said, our clients did suggest in last year's report that very good times were just around the corner because of a variety of economic fundamentals that were in play – and they sure were right!

The genesis of this report is always to say thank you to our small volume of clients who continue to remain loyal to us, even when they've been run off their feet this year by new clients. We are eternally grateful to you all for your steadfast support.

Again, we also want to express our utmost gratitude to our many media contacts and networks, who have supported our small business and our clients over the past four years.

We choose to only work with a small number of clients, who we also consider to be some of the most professional and ethical operators in the property investment and real estate sectors.

We always aim to only provide newsworthy and high-level content to the media, which is a strategy that we are happy to report seems to be working rather well. Thank you, again, for your support!

In this report, you will find seven different national market forecasts, four for New South Wales and four for Queensland – each addressing four key questions:

- *What is your overall view about how markets will perform in 2022?*
- *What are the key drivers we should watch for that will influence your market's direction?*
- *What are some important sectors we should watch out for 2022?*
- *What are some surprising elements that will have a lasting impact on your market?*

As always, further comments and analysis are available, so please just reach out to us if you would like more information.

We very much look forward to working with you all next year and beyond – and thank you once again for your continued support.

Roll on 2022!

Cheers

Kieran & Nicola

Bricks & Mortar Media

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Property prices to moderate but work from home is a potential real estate game-changer

CHAIRMAN
Property Investment Professionals of Australia (PIPA)

What is your overall view about how markets will perform in 2022?

2022 promises to be another good year but not as good as 2021. There is currently a frenzy in the market, and this can't be sustained for another 12 months. Property prices will still increase in the vast majority of areas, but most won't see dwelling price rises of more than 10 per cent.

What are the key drivers we should watch for that will influence your market's direction?

The rate of acceleration in property prices will slow for a number of reasons.

The supply of houses for sale will increase, as lockdowns have been lifted and restrictions on interstate travel have been eased.

Banks will lift their lending rates and/or assessment rates, which means less people will be able to borrow money to buy property. This is in addition to the RBA lifting or threatening to lift the cash rate in 2022.

On the other hand, property prices and rents will continue to increase, mainly due to the shift in population. At the local level, we have seen people move from large capital cities to smaller capital cities and many have migrated to lifestyle areas, within commuting distance of a capital city.

This migration will continue as employers realise that working from home (WFH) is not just a short-term reaction to COVID-19. WFH is here to stay, with many employees in this tight job market demanding the flexibility to work from home, for at least part of the working week.

> **The rate of acceleration in property prices will slow.**

At a global level, hundreds of thousands of migrants per year will come to Australia, just as they have done in the past.

Property prices, and more so rents, have increased significantly without any overseas migrants and international students.

What do you think will happen when our international borders open up? Demand for property will increase significantly, initially putting pressure on rents but this will flow onto property prices.

> **Hundreds of thousands of migrants will come to Australia.**

What are some important sectors we should watch out for 2022?

The residential property market will continue to do well. I am concerned about the CBD office and retail markets. WFH and online shopping will continue to have a negative impact on these two sectors. Landlords of office and retail property will have to be prepared to refit and repurpose space if they want to collect reasonable rents and stop vacancy rates increasing significantly

What are some surprising elements that will have a lasting impact on your market?

The WFH phenomenon surprises me the most, especially when home is in a different state to work. It probably shouldn't come as too much of a surprise because for years, organisations have been using employees who live overseas, in locations such as Nepal and the Philippines.

Zoom, Microsoft Teams and other technology has not only changed the way we do business, it has also changed where we can live and work.

Mike Mortlock

Market peak passed in Sydney and Melbourne but Brisbane only warming up

MANAGING DIRECTOR
MCG Quantity Surveyors

What is your overall view about how markets will perform in 2022?

I believe we'll continue to trend lower on the monthly growth rate across most of the country.

Whilst I think 2022 will still see growth in positive territory, come December 2022, it won't be the fever pitch stuff we saw across the whole country in 2021.

A lot depends on macroprudential policies, but with affordability constraints and listings increasing, a slowdown seems obvious.

Certain pockets of the country will fair differently, Brisbane seems to be one example where it looks to be having a second wind.

I'd expect demand to stay quite high for most of 2022 in Brisbane with SEQ likely looking the pick of areas across the country.

What are the key drivers we should watch for that will influence your market's direction?

Listing volumes are the key metric for me. We saw listing numbers very low due to early-stage pandemic fear, then they stayed low as vendors faced the issue of finding another home within such a hot market.

As the market calms down, more listings should come on, tipping the buyers versus sellers balance a little closer to centre.

What are some important sectors we should watch out for 2022?

Houses are likely to outperform units by a fair margin, both in growth in rents and capital growth rates.

The commercial property sector will also be one to watch with high demand for solid yielding assets given interest rates at present.

> **Brisbane seems to be one example where it looks to be having a second wind.**

Towards the back end of 2021 we saw a lot of properties transacting that would tend to languish on the market, such as units in Melbourne and Sydney.

Typically, these properties have been less attractive of late but either speculators have jumped in trying to time an upswing, or these properties were just snapped up by people that have missed out so many times they're just desperate to get into the market.

Many of these properties could result in losses due to the competitive market and what industry people like to call FOMO (personally, I can't stand the bloody acronym).

What are some surprising elements that will have a lasting impact on your market?

One of the interesting things to watch will be the return of international travellers and students.

Inner city apartments have suffered from extreme vacancies, especially in Melbourne within close proximity to universities.

The mass exodus to the regions will also be interesting to watch as we discover whether the CBD office complexes buzz with activity or languish while employees favour working from home with more room to move.

Kate Hill

Property markets set to return to different market cycles at the same time

BUYER'S AGENT
Adviseable

What is your overall view about how markets will perform in your specialty area in 2022?

There are signs that the increase in property prices is set to slow a little.

That said, I'm not into making big predictions, because it's a mug's game, but it's also a "watch and wait" to see how the economy will perform and recover next year

It'll come down to general mood and "consumer sentiment" out there, and what is actually happening on the ground.

With Omicron on the horizon and among us, people will still be nervous about travelling for the next few months until we know what we're dealing with.

People will still have money to spend, and property seems to be a favourite place to put it.

Until listing numbers go up, prices will continue to go up. Listings numbers do appear to be on the increase in many areas.

Next year, APRA could also play a role for property buyers, but the financial regulator does seem to be all bark and no bite this time around. If they intervene more strongly, then that will have an impact on market conditions.

The general consensus is that, even when things do slow down, property prices won't crash to catastrophic lows as there will still be competition between buyers to buy quality homes in sought-after areas.

It is likely to be more of an evening-out rather than a freefall, which will be the case across the country.

What are the key drivers we should watch for that will influence your market's direction?

Across the country, we will start to see different market cycles at the same time, which is the usual way of things.

> **Until listing numbers go up, prices will continue to go up.**

This past year has been unusual with most markets – metro and regional – experiencing booming conditions.

Next year, the divergence in market conditions will depend on a number of factors, including the listing numbers of available properties for sales; the level of interstate migration to and from other parts of the country; plus the level of overseas migration into Australia, with new residents seeking housing and jobs.

What are some important sectors we should watch out for 2022?

Anywhere that has good jobs, strong economy, lifestyle options and affordable housing is set to experience robust market conditions next year.

Within cities, it will also be the middle- to outer-ring suburbs that will continue to perform, due to affordability reasons.

Diversity of industry is imperative, even more so now when industries that we may have thought were untouchable were severely impacted by COVID. People need to be able to work or they'll leave.

From an investor perspective, there will be rising yields as we move from shortage into a real rental crisis.

And if APRA curtail lending even more, then it will get worse, and worse still when migrants are allowed back in.

What are some surprising elements that will have a lasting impact on your market?

The consistent moving to strong regional markets, which was happening before COVID, but was accelerated by the pandemic.

The herd anxiety, and fear around COVID, plus the reluctance of people to sell their properties because no one knows what's going to happen.

At the end of the day no one knows what's going to happen, but property investment fundamentals remain as important as ever.

Lachlan Vidler

Affordable capital city markets set to shine with supply still constrained

DIRECTOR
Atlas Property Group

What is your overall view about how markets will perform in 2022?

There is no doubt that 2021 has been an outstanding year for almost all property markets around the country.

Nationally, I expect to see the more "affordable" capital city markets continue to perform in a resilient fashion.

The Melbourne housing market will be interesting to watch given its softer performance relative to Sydney over 2021, especially if Melbourne can avoid the lockdowns that plagued most of this year.

Regional markets, particularly those within a few hours of capital cities, are also looking to continue their strong performance.

With affordability and remote work big considerations in 2022, these markets have set themselves up for further success.

What are the key drivers we should watch for that will influence your market's direction?

Moving into 2022, the supply and demand situation is likely to remain very similar to 2021, if not fractionally easing.

The overall lack of supply relative to demand should ensure that price growth continues to occur over 2022 but it is unlikely that it will be at the levels we have seen in 2021.

The risk of rising interest rates, as well as potential regulatory changes, will impact people's ability to access credit, which we would expect to have a dampening effect on demand.

Overall, I expect we will still see strong property performance over 2022, particularly as international borders open and we see more expats returning home, as well as overseas migration reinvigorated.

What are some important sectors we should watch out for 2022?

The three sectors I think will be important to watch in 2022 are the new housing sector, "affordable" capital city markets, and well-located regional markets.

It's no secret that Australia has a critical housing shortage, and the supply chain impacts of COVID-19 have further exacerbated this situation.

Some building supplies have risen by as much as 50 per cent and completion timeframes continue to blow out – further reducing supply in high demand locations.

The more affordable capital city markets should continue to prove as strong performers in 2022.

While the median price in Sydney is now well over $1 million, markets such as Brisbane and Adelaide have median prices hovering around the high $600,000s to low $700,000s and continue to present themselves as attractive opportunities.

Finally, regional markets have been the strongest performers over 2021. This is expected to continue, particularly for those markets within a few hours of a capital city.

These spots allow people to purchase more affordable properties, while working remotely, but retaining the ability to travel to the city as required.

This is also possible from regional cities that have airports and allow similar connective ability as being within a few hours driving distance.

What are some surprising elements that will have a lasting impact on your market?

The hybrid working model has continued to perform strongly and is allowing people to explore new housing markets. I don't see any reason why this won't continue and is perfect for those people seeking a greater work/life balance.

Rising interest rates will be an interesting dynamic over the next 12 months and beyond. While we don't expect large increases, every basis point increase translates to lower borrowing capacity and impacts overall demand in the market.

> **It's no secret that Australia has a critical housing shortage.**

Richard Crabb

Investors set to return with increased equity at their disposal

FOUNDER & MANAGING DIRECTOR
ASPIRE Advisor Network

2021 has been the year for migration. Interstate, intrastate, across town, round the corner. It seems everyone is on the move.

- **Interstate**, lots of people have packed their lives up in search of greener pastures. SEQ and Northern NSW has seen the bulk of the new settlements.
- **Intrastate**, many people are making resident decisions based on working from home, lifestyle and cost of living, moving from the cities to the regional centres to achieve that "work-life" balance where a workplace commute is not necessarily a daily occurrence or expectation.
- **Across town**, people are "up-sizing" and moving toward to suburbs that support that desire, wanting more personal and yard space for themselves instead of communal facilities in higher density living in case of further lockdowns.
- **Round the corner**, property owners are upsizing, renovating and demolishing to start from scratch.

How will this affect 2022?

A lot of property owners have seen the massive growth curve and are looking to cash in, which will increase the supply next year.

As prices stabilize and supply increases, we will see the return of the investor as many rental markets will remain tight, producing good yield and low vacancy.

> **We will see the return of the investor as many rental markets will remain tight.**

I think the Christmas/New Year break will see a lot of "relocation tourism" where people will be checking out what could be their new neighbourhood. I think we will see the major destinations of this migration will be Ballina through to Noosa along the NSW/Queensland coastline.

I think we are going to see some steam come out of the current (local buyer based) market momentum about mid-year.

Growth will continue but at a more manageable rate. This will be from a combination of factors, all with the same result: more land parcels released to build on, the Homebuilder grant builds coming to completion and the migration from old property (be it rented, borrowed or owned) creating a vacancy that is now for sale or rent, adding to the housing stock.

As supply increases, buyers will have more choice and less time pressure. Demand will still be present for quality and well-priced property, but this will be more mature and manageable than the frenzied action of 2021.

I think we will see some investors cash out of property they have made a motza on, they will look to reset their portfolios and have some cash up the sleeve for a new lifestyle purchase and maybe get back into the market with a new strategy or direction.

Will property prices drop?

Not likely in my opinion, but as investors cash out and look to rebuy, the prices people will pay will be lower due to the difference in the stock available, dragging down the oft reported median house price.

When we see the international borders open again and immigration allowed to resume, we will see populations surge in the areas where they have established social and family networks.

By sheer weight of numbers, Melbourne, Sydney and Perth will be the largest recipients. The government needs more workers to create tax revenue to pay off their COVID-19 debts, so they will attract as many six-figure salary, tertiary-educated workers as possible.

Zoom rooms, sea change, tree change, regional economic growth from residents working from home will be long term trends, with WFH workers no longer requiring one or two local jobs per new household in the regions.

Kevin Brogan

Economy recovery will firm next year, with "VESPAs" making their property mark, too

DIRECTOR OF VALUATION POLICY AND COMPLIANCE
Herron Todd White

What is your overall view about how markets will perform in 2022?

Rising vaccination rates, declining COVID hospitalisations, reduced lockdowns and an increase in travel freedom are all likely to drive global economic activity.

Household saving ratios are high and consumers have buying power.

Households that have not participated by transacting in the residential property market have increased equity in their homes.

There are still risks to recovery with the potential emergence of new virus variants, inflationary pressures, supply chain issues, and increases to interest rates.

However, overall, it seems likely that the first half of 2022 will be one of economic recovery and a continuation of a strong residential property market.

What are the key drivers we should watch for that will influence your market's direction?

The performance of the residential property market in 2022 will depend on the interplay of a number of key influences.

Historically low interest rates have been one of the main drivers for the very strong market conditions that we are currently experiencing. If interest rates remain low in 2022, this will continue to maintain strong demand.

The first half of 2022 will be one of economic recovery.

Demand has exceeded supply in many geographical markets, and this has caused rapid increases in prices. There has been a recent increase in supply of properties on the market, which will act to moderate the rate of price increases in 2022.

Rapid price increases have caused a decline in housing affordability (the ratio of housing cost to household income), as well as the length of time it takes to save a deposit.

Combined with APRA's increase in the serviceability assessment buffer (to three per cent above the mortgage product rate) this will impact first time buyers and lower- to mid-range income households.

What are some important sectors we should watch out for 2022?

Residential construction is a sector to keep under review. Construction costs have been escalating significantly due to a combination of supply chain issues, skilled labour shortages and the high level of demand for new residential property.

Builders who have entered into fixed price building contracts are now seeing margins squeezed or even extinguished and it is inevitable that some will not survive. The rapid increase in property values in many markets is maintaining the viability of new home construction, but if construction costs rise faster than residential property values this may change.

Homeowners should ensure that their building insurance is adequate to cover the cost of rebuilding their homes as their existing level of cover may not have kept pace with construction costs.

What are some surprising elements that will have a lasting impact on your market?

At the beginning of 2020, when the magnitude and form of the impact of COVID was unknown, very few were predicting that we would see widespread strength in the residential property market.

The strength of the market is largely due to our reaction to COVID. That reaction included reducing interest rates, government stimulus, and lifestyle changes that impacted the demand for residential property.

Many regional markets have shown outstanding strength with rapidly increasing property prices. Bernard Salt coined the acronym VESPAs (Virus Escapees Seeking Provincial Australia) to explain the phenomenon. Regional markets may no longer be quite so seasonal with VESPAs seeking to live away from the city all year.

Ben Kingsley

Unified growth has run its course, with some markets to outperform and A-class assets likely to hold firm

CHAIRMAN
Property Investors Council of Australia (PICA)

How did property perform against your predicted view in 2021?

Overall, the residential property market was hot across all markets – the rising tide did lift all ships in 2021.

What was interesting, because it's unusual to see this happen right across Australia at the same time, is that growth rates in many major regional centres matched or beat some of the capital city markets. On the back of COVID-19 regional markets remained very strong right throughout 2021.

The growing value differential between houses and units to their highest levels on record, supported my thesis that this market would be the most challenged.

Growth levels of this nature year on year are very rare.

What is your overall view about how markets will perform in 2022?

Generally speaking, growth levels of this nature year on year are very rare and hard to sustain right across Australia, so I believe we are going to move away from a unified growth story, where all markets are firing, and move back to the markets within markets story, with some markets representing better value than others.

Hobart is one particular market that raises the highest concern for me, in terms of current prices and the fundamentals that support these values over the next 12 to 24 months, as supply side increases and affordability starts to bite.

This may not play out quickly, but I struggle to reconcile that Hobart has the fourth highest median capital city house price currently.

What are the key drivers we should watch for that will influence your market's direction?

The economic recovery, interest rates, housing supply and immigration will be the big questions to be answered in 2022.

The media doesn't like a flat property market, they love boom or bust, and the housing affordability and cooling market might see the news sentiment move negative on prices as the year plays out.

What are some important sectors we should watch out for 2022?

If the economic recovery continues and we have no major health impacts which further restrict people movement, we should still see more markets across Australia in positive growth territory than negative growth territory in 2022.

With selling supply increasing in our major centres of Sydney and Melbourne, the story might be more about A, B and C class properties and buyer interest in these assets.

Usually, in a turning or softening market, A class assets sell well, but the vendor sale price expectations of B and C class asset might need to be adjusted.

Also I see vacancy rates tightening over 2022 putting upward pressure on rents, assuming international migration returns.

I see vacancy rates tightening over 2022.

What are some surprising elements that will have a lasting impact on your market?

What APRA and the banks do with investor loans. It's clear APRA's agenda on the risk in the investor lending space has a flow on impact to banks and ultimately the consumer in higher interest rates for investor loans.

This could have some lasting effects on property investor demand levels or at least keep them in check.

Grant Foley

Sydney A-Grade properties set to remain robust, with demand for boutique units also rising

BUYER'S AGENT
Grant Foley Property

What is your overall view about how markets will perform in your specialty area in 2022?

I expect demand will continue to exceed supply in most markets in 2022, leading to continued price growth. That said, markets will be more balanced than in 2021, leading to lower levels of capital growth than we've experienced in 2021.

Sydney growth levels will likely cool to around five per cent, while key regional NSW markets will run a little harder delivering 5 to 10 per cent growth.

As Sydney growth slows, A-Grade properties will continue to achieve strong numbers, while B- and C-Grade properties won't achieve the record prices they did in 2021. Buyers will simply have more choice in 2022, so will become more selective.

Greater Brisbane has enormous momentum and is experiencing a much-awaited cyclical price boom. With significant runway still existing for growth, I expect prices to rise by a further 10 to 15 per cent in 2022, fuelled by not only strong local sentiment, but also continued interstate migration and investor activity

What are the key drivers we should watch for that will influence your market's direction?

All eyes are on both the RBA and APRA to see if interest rates will indeed rise or stay low, and if any further lending restrictions will be put in place, thereby limiting borrowing, and purchasing power.

As the pandemic continues, the opening (or not) of State and International borders will impact property markets, not only in terms of buyer demand and capital growth, but also vacancy rates and rents – as an expected 200,000 skilled workers and students enter NSW.

Whilst 2022 is a Federal Election year, at this stage is does not appear housing policy will play as big a role in party policy as it did in 2019. However, it's still early so watch this space – either way it's likely we'll see the usual market interruption in the lead up to the election, with sales volumes likely to slow.

> **Sydney growth levels will likely cool to around five per cent.**

What are some important sectors we should watch out for 2022?

The Sydney unit to house price ratio is currently heavily distorted, with the value of units expressed at a percentage of houses in the same suburb sitting well below historical levels. We know this always normalises over time.

With freestanding Sydney inner-ring houses now out of reach to many buyers, I expect well-located, low-density boutique units and townhouses in areas such as the Sydney Eastern Suburbs, Inner West and Lower North Shore to experience strong demand from young professionals and family owner occupiers.

If international borders open as planned, vacancy rates will fall and rents will rise, making the Sydney unit market even more attractive to investors, with many high-income Sydney professionals and top tier corporates traditionally preferring to invest in their own "backyard".

A-Grade units in Eastern Suburbs pockets such as Bondi, Coogee, Randwick and Kensington and Kingsford have the ability to perform very well in the coming 12 months

What are some surprising elements that will have a lasting impact on your market?

The decentralisation away from our major cities such as Sydney and Melbourne will continue to impact markets.

COVID-19 has changed not only how and where we work but driven a reappraisal of lifestyle.

I don't believe we've reached peak relocation at this stage, so expect aspirational regional and lifestyle markets will continue to outperform for some time yet.

Nick Viner

Return of expats and students a positive for Sydney, with virtual buying here to stay, too

PRINCIPAL
Buyer's Domain

What is your overall view about how markets will perform in your specialty area in 2022?

I think that the first part of the year will be reasonably strong. The lack of supply that has plagued the Sydney market throughout most of 2021 is likely to return at the start of 2022.

In the closing weeks of 2021, overall listing numbers have jumped considerably, and this has equated to weaker auction clearance rates and softer prices in some areas in November and leading into December 2021.

I believe that vendors watching the market will be noticing this trend and therefore may be less reluctant to bring their homes on to the market at the beginning of 2022.

I predict that buyers will return in strong numbers at the start of 2022, only to discover that there is less stock than they hoped for, and this will lead to strengthening prices once again.

Moving throughout 2022, the impending Federal Election – likely in May 2022 – and the threat of rising interest rates may weaken buyer demand after the first quarter.

What are the key drivers we should watch for that will influence your market's direction?

As alluded to above, the 2022 Federal Election; the possibility of rising interest rates; this year's APRA announcement in addition to any further announcements in 2022; COVID-19, of course, and whether there are any new outbreaks leading to further lockdowns.

The flip side includes the weakening of restrictions and border controls, leading to a return of ex-pats and an increase in immigration, which will be a positive for property prices; further infrastructure changes and the continued development around Sydney airport, for example, will continue to have an impact upon the availability and affordability of properties in certain parts of the city.

What are some important sectors we should watch out for 2022?

2022 should see the return of student and skilled labour to our cities with greater demand for apartments, both from a sales and leasing perspective in the inner-city.

Vacant apartments that have not been used as a result of the pandemic will become sought-after once again, particularly in university areas.

Investors will be returning to the market to take advantage of these new trends.

First home buyers will struggle with the market already being out of reach for many and even apartments may be too competitive for them with renewed interest from investors.

> **Virtual buying will continue to be a trend.**

Expats returning home will continue to buy good sized family homes in lifestyle areas and this segment will continue to be solid.

What are some surprising elements that will have a lasting impact on your market?

Virtual buying will continue to be a trend with the use of online auctions, for example, prevailing beyond lockdowns.

Virtual buying is not a new concept but is one that has been accelerated by the pandemic and with the ease of communication and other tech systems such as Zoom, Whatsapp, Microsoft Teams, DocuSign and others, buyers will continue to gravitate towards the convenience of "online buying", even if they are currently living in the same suburb!

More predictable is the appeal of working from home. The long-term impacts of this are greater requirements from buyers for additional space, along with technological improvements to houses that will continue to be the most in demand. Some areas with limited access to amenities and poor network coverage will fare badly as a result.

Ben Plohl

Sydney market set to moderate, partly due to "buyer fatigue", but opportunities will still exist

FOUNDER AND PRINCIPAL
BFP Property Buyers

What is your overall view about how markets will perform in your specialty area in 2022?

My view is the Sydney market will have moderate to no growth in 2022.

During the back end of 2021, in my target market of The Hills District, we have seen an increase in stock and a decrease in demand.

I sense there is a lot of buyer fatigue in the market and vendors expectations on price is also being challenged.

Next year will see demand taper off amidst the macro-topics of increasing interest rates and increasing household spending due to inflationary pressures.

What are the key drivers we should watch for that will influence your market's direction?

The big unknown is when will the overseas migrant tap be turned on and what will happen with interest rates.

I feel these two factors are going to have an impact on the direction of the market in 2022.

However, it is still too early to tell which way either of these important fundamentals will go at this stage.

There is a lot of buyer fatigue in the market.

What are some important sectors we should watch out for 2022?

Downsizing baby boomers will play a big part in the 2022 market.

We've seen a significant increase in demand from buyers looking to downsize to a smaller home and this trend is set to continue, which is anecdotal insights based on the trend of enquiry for our services.

The return of the "bank of mum and dad" in a big way.

What are some surprising elements that will have a lasting impact on your market?

This year has seen the return of the "bank of mum and dad" in a big way.

With fast-moving property prices, many first home buyers were quickly priced out of the market and looking to their parents for support.

We have been involved in a number of purchases this year where clients sought financial support from parents, and this allowed them to get into the market.

I sense this trend will continue and likely increase in years to come.

Rich Harvey

Upward price pressure expected to continue with the flight to lifestyle a long-lasting impact from the pandemic

CEO & FOUNDER
Propertybuyer.com.au

What is your overall view about how markets will perform in your specialty area in 2022?

We operate in Sydney, Melbourne and Brisbane and expect to see positive growth until interest rates actually start to rise.

Looking ahead in 2022, I see the property market continuing to grow but at a much slower rate. Peak growth is now behind us and the frenetic intensity of 2021 will dissipate.

But remember there is not one property market – there are over 15,000 suburbs in Australia and each suburb, city and region is driven by many important local factors.

Rich's Market Predictions:	
Sydney	6%
Melbourne	7%
Brisbane	10%
Canberra	7%
Adelaide	7%
Perth	3%
Darwin	6%
Hobart	7%

CBA is predicting a 10 per cent decline in 2023 in anticipation of interest rate rises. However, I believe this is overstated.

House prices are "sticky downwards" (or in economic terms "less inelastic") because homeowners would rather hang on to their home during a downturn than sell and realise a loss. It has been proven in economic theory and practice that people value losses more than gains!

What are the key drivers we should watch for that will influence your market's direction?

Three key factors that will strongly influence the market in 2022 are simply:

1. **The price of credit (interest rates) and**
2. **Availability of credit**
3. **Consumer sentiment**

If APRA step in and crimp investor lending too harshly, then we could see a dramatic pull back in property demand. An exodus of investors from the market would see rental prices skyrocket as we are simply not building enough properties to satisfy future demand.

The other major factor to watch is migration numbers. We are likely to see a resumption of full international border re-openings, which will bring a flood of 200,000 migrants to fill the gap in job vacancies. Higher migration levels will then place strong pressure on property prices and rental demand in our markets, which are still undersupplied in most areas.

What are some important sectors we should watch out for 2022?

High quality premium (A-grade) property will continue to be in strong demand and prices will remain resilient – particularly in the prestige sector where there is always an ongoing lack of supply.

In the middle price segments ($1 million to $3 million) we should see a significant rise in the volume of listings, which will give upgraders and homebuyers much greater choice for transitioning into their next home. Lower grade properties on busy roads, next to industrial parks or located in inferior areas will struggle to achieve meaningful price growth in 2022.

Investors will continue to seek positive cash flow assets and areas with strong future uplift.

What are some surprising elements that will have a lasting impact on your market?

COVID-19 brought many lasting changes including the "flight to lifestyle" in regional areas and coastal suburbs.

We're seeing clients desire larger home offices and upgraded homes. Some are moving to Newcastle, Mornington Peninsula, Central Coast, or other lifestyle regions. We've seen others attracted to the Sutherland Shire and Northern Beaches as the commute is not as relevant with WFH.

Remember there is not one property market.

Adam Empringham

Intense buyer interest in the southeast still has some way to go, with the Sunshine Coast set to shine the brightest

DIRECTOR OF SALES
Image Property

What is your overall view about how markets will perform in your specialty area in 2022?

We're starting to see the markets soften a little bit, as far as the level of intensity that was there previously. For example, if you go back a couple of months ago, you'd put a listing live and it would just go nuts.

My prediction is, when borders open, we'll probably see another little spike in intensity, purely for those that probably weren't willing to commit as far as doing it virtually.

Now that they can physically check it out and get their holidays out of the way and those sorts of thing, we'll see some intensity there.

Coming into the first quarter and the balance of the year. I think Brisbane will still have growth, but it won't be as dramatic as it's been.

I do still feel that we will continue to see that dramatic growth on the Sunshine Coast, though. It's still got a lot of legs in that market due to a number of contributing factors. It's the standout from a growth perspective. The Gold Coast will perform similar to Brisbane.

What are the key drivers we should watch for that will influence your market's direction?

A key driver, first and foremost, is what happens with international migration. If they turn the tap back on for international migration, I think that would be a key moment.

Another key influencing factor is going to be the education industry as well. The number of places that we provide in our education system for people overseas is significant.

Those students coming back on campus is going to have a dramatic influence, particularly in rental yields and returns, which is going to drive the appetite for investors to continue to stay in the marketplace.

> **A key driver is what happens with international migration.**

Another element to watch out for is what happens in the construction space – with prices increasing. But also many builders are under a lot of pressure because they can't get on the land at the moment because stock has been sold two years in advance. They're holding the can a long way on fixed price contracts and things like that.

What are some important sectors we should watch out for 2022?

I think for Queensland, the one that'll come back in play is tourism – it's a huge part.

> **The one that'll come back in play is tourism.**

Tourism and hospitality for us has been obviously well off. It's just been localised. So, now that borders are opening back up, I think that will have a key influencing factor to start seeing that money come back in. And that'll be onshore, offshore as well.

What are some surprising elements that will have a lasting impact on your market?

I think the surprising one is still the one that is sadly such a topic of conversation, which is the COVID effect on the real estate market.

The fact that no one predicted the market to run the way that it did. In fact, everyone was saying the opposite.

So, the surprising factor is that the value that Australians now put in the space that they call home, they're putting so much more value in the type of property it is, the size of the property it is, because they've become accustomed now to spending more time there.

I think is still going to continue to be a factor. That's where we might see more renovations happening and we'll see probably some different styles of property come to market with a lot more emphasis on studies and home offices.

Melinda Jennison

Brisbane set to outperform next year with record low supply still in play

MANAGING DIRECTOR
Streamline Property Buyers

What is your overall view about how markets will perform in your specialty area in 2022?

With the planned state border openings in December, we do expect that the buyer depth will return quickly early in the New Year as those who are relocating become buyers who will compete with the already heightened demand here in Brisbane.

Of course, not all people who relocate will buy, so we also expect a further tightening in rental vacancies early in 2022. With Brisbane already experiencing a tight rental market, it is likely that tenants will find it even more difficult to secure a property as more people compete for limited stock.

At some stage we do expect that the rate of growth in Brisbane will start to slow, and this is likely to occur at some stage throughout 2022, perhaps once house prices increase to a level where affordability constraints become an issue.

Additionally, further tightening of credit policies and increases in fixed interest rates could slow some of the housing activity or even an increase in listings, which is a trend already observed in Sydney and Melbourne. That said, there are no signs of any of the above at this stage. Brisbane property growth is leading the nation and we expect this may continue in the months ahead.

> **Brisbane property growth is leading the nation.**

What are the key drivers we should watch for that will influence your market's direction?

A substantial increase in listing volumes in Brisbane is likely to slow the market growth in Brisbane.

With listings currently 33.9 per cent lower across Brisbane in the four-week period to November 28 compared to the five-year average there is clearly a shortage of properties for the heightened demand we have been experiencing throughout the city. At this stage we are seeing no signs of this, but it is an indicator to keep an eye on in the early months of 2022.

Once state borders re-open, we do expect an influx of new buyers which will further increase demand in a market where supply is already limited. Additionally, returning expats will potentially put further upward pressure on demand as international borders reopen and those who have been unable to come home decide to do so.

Other macro drivers that may impact on demand include shifts in interest rates and changes to credit policies. We expect this to have less of an impact on the Brisbane market due it being more affordable relative to the larger cities of Sydney and Melbourne.

What are some important sectors we should watch out for 2022?

The rise of the knock-down, re-build strategy in Brisbane has become very apparent throughout 2021 and we expect to see some of the older post-war properties in inner to middle ring suburbs being demolished and replaced with new high-end executive homes throughout 2022.

We have seen a heightened demand from buyers for well-located older homes throughout 2021, where the location supports this strategy. With the building industry close to capacity right now, there may be some delays for those who push ahead with these plans immediately, but it is a sector to watch within Brisbane going into 2022.

What are some surprising elements that will have a lasting impact on your market?

The shift towards larger family homes with areas to work from home has become a trend in Brisbane with higher density living now seen as less favourable.

Demand for housing has been greater than units and also vacancy rates in areas dominated by houses, rather than units, has been much tighter. We expect this trend to continue into 2022 as more property buyers value space, lifestyle and lower density living.

Billy Mitchell

Buyer demand for lifestyle markets not slowing down anytime soon, with property price pressure to continue

PRINCIPAL
Century 21 Platinum Agents
Century 21 Lifestyle Caloundra

What is your overall view about how markets will perform in your specialty area in 2022?

I think the residential market in the Gympie and greater region will continue to grow.

If I was to take an educated guess, I'd say we'd see a 8 to 10 per cent growth in the next 12 months.

There is ongoing extensive infrastructure development happening in the region and the 2032 Olympics shining a postlight on South East Queensland which is an indication to future growth.

The Sunshine Coast property market has been one of the strongest in the nation over the past year and I believe it will continue to post excellent results next year as more and more people chase lifestyle locations now that they can work from home.

What are the key drivers we should watch for that will influence your market's direction?

I've always found rental vacancy rates are usually similar in both Gympie and the Sunshine Coast, which has been the situation this year.

If the Sunshine Coast rental market is going strong, then the Gympie rental market is as well.

Other key drivers next year will be interest rates, buyer and seller confidence and the Queensland border reopening, which will drive strong growth into the Sunshine Coast region, which will, in turn, boost growth in the Gympie area as well.

> **It's hard to see any of the sectors slowing down anytime soon.**

What are some important sectors we should watch out for 2022?

It's hard to see any of the sectors slowing down anytime soon. The region from Caloundra to Gympie is experiencing some of the best market conditions on record – including the commercial sector.

But it's not just because of the pandemic, the region was undergoing significant transformation long before COVID-19 darkened our doors, with billions of dollars of major infrastructure projects under way.

If I was going to pinpoint one sector that might outperform all the other strong performers, then I'd suggest that the farming and lifestyle sectors in the Gympie region, which have been firing on all cylinders and have plenty more gas in the tank, too.

What are some surprising elements that will have a lasting impact on your market?

This past year has been phenomenal across both the rental and sales side of the industry.

There has been a huge surge in rent prices and, when coupled with the high demand for rentals which has pushed vacancy rates to historic lows, it's hard to see rents doing anything but keep going up across the region.

Likewise, the property price growth that we have experienced has been unbelievable, but much of our stock still remains "affordable" for most people, which means there are more good times ahead if you ask me.

> **Much of our stock still remains "affordable" for most people.**

Justin Nickerson

Brisbane auction market in record territory, with in-rooms becoming more popular as well

DIRECTOR
Apollo Auctions

What is your overall view about how markets will perform in your specialty area in 2022?

The Brisbane property market is still performing well, with strong auction clearance rates, and I anticipate this to continue next year.

It's been an incredibly strong year, probably the best year in the Southeast Queensland auction market that we've ever seen in recent history.

The things that have fueled that have been a lack of listings to the market and then really strong buyer demand from all buyer groups – from interstate investors, to Aussie expats coming home, to people making lifestyle decisions, to interest rates being affordable and rental squeezes being on.

Everything has been pushing people into that buying market, and then getting met with a lack of available listings, which is creating a bottleneck that has fueled our auction clearance rates all year.

We haven't been below 70 per cent any week this year at all. In fact, the vast majority have been above an 80 per cent auction clearance rate.

It's just been an incredible run and who knows how long it's going to last, but it's been all of this year.

What are the key drivers we should watch for that will influence your market's direction?

Supply to the market. I think the number of available listings is obviously a big one. The thing that would stimulate the market softening a little bit would be huge amounts of volume of property coming to the market – but we haven't seen that this year.

And even though the market's been so good, and people have acknowledged that, we haven't seen floods of people come to the market to capitalise on it.

And again, the problem always is, where do you go if you sell? Which is the problem that faces most of these people.

Sellers' expectations is another one. The other potential blockage to the market is that sellers just continue to get carried away with what they expect for their property, which has been happening more and more at auctions of late.

What are some important sectors we should watch out for 2022?

Interstate migration will be a big one now that the borders have opened.

Two schools of thought are more people are going to come up and look at properties and buy them.

The other school of thought is that the migration was more popular when people were locked down, and to use their words "oppressed", and couldn't go to the coffee shop to even get a coffee. Which one of those two will play out will be a fascinating thing to watch.

We've had more phone bidders this year than we've had at any point in my life. It's unusual now to have an auction without a phone bidder and that has been largely fueled by interstate buyers.

But again, the notion that interstate buyers are always the premium buyer because they sell that property for an overpriced amount and come up and dump that money straight in up here, just doesn't happen.

They frequently get outbid by locals, because locals actually put more value on suburbs, schools, parks, all those kinds of things.

What are some surprising elements that will have a lasting impact on your market?

There has been a massive increase in the volume of auctions taking place in-room because it is a more controlled environment, but also because more people are bidding via phone or online than ever before.

I don't believe that will change, with in-room auctions becoming a more popular choice for sellers and agents, too.

There has also been a change around Saturday being "the auction day". Auctions are now a seven day a week exercise, and there has been no change to results based upon what day of the week the auction has been held.

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