

How has the pandemic changed demand for property?



A PEXA — URBIS RESEARCH COLLABORATION



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COVID-19 and the potential impact on data information

The data and information that informs and supports our opinions, estimates, surveys, forecasts, projections, conclusion, judgments, assumptions and recommendations contained in this report (Report Content) are predominantly generated over long periods, and is reflective of the circumstances applying in the past. Significant economic, health and other local and world events can, however, take a period of time for the market to absorb and to be reflected in such data and information. In many instances a change in market thinking and actual market conditions as at the date of this report may not be reflected in the data and information used to support the Report Content.

The recent international outbreak of the Novel Coronavirus (COVID-19), which the World Health Organisation declared a global health emergency in January 2020 and pandemic on 11 March 2020, has and continues to cause considerable business uncertainty which in turn materially impacts market conditions and the Australian and world economies more broadly.

The uncertainty has and is continuing to impact the Australian real estate market and business operations. The full extent of the impact on the real estate market and more broadly on the Australian economy and how long that impact will last is not known and it is not possible to accurately and definitively predict. Some business sectors, such as the retail, hotel and tourism sectors, have reported material impacts on trading performance. For example, Shopping Centre operators are reporting material reductions in foot traffic numbers, particularly in centres that ordinarily experience a high proportion of international visitors.

The data and information that informs and supports the Report Content is current as at the date of this report and (unless otherwise specifically stated in the Report) does not necessarily reflect the full impact of the COVID-19 Outbreak on the Australian economy, the asset(s) and any associated

business operations to which the report relates. It is not possible to ascertain with certainty at this time how the market and the Australian economy more broadly will respond to this unprecedented event and the various programs and initiatives governments have adopted in attempting to address its impact. It is possible that the market conditions applying to the asset(s) and any associated business operations to which the report relates and the business sector to which they belong has been, and may be further, materially impacted by the COVID-19 Outbreak within a short space of time and that it will have a longer lasting impact than we have assumed. Clearly, the COVID-19 Outbreak is an important risk factor you must carefully consider when relying on the report and the Report Content.

Where we have sought to address the impact of the COVID-19 Outbreak in the Report, we have had to make estimates, assumptions, conclusions and judgements that (unless otherwise specifically stated in the Report) are not directly supported by available and reliable data and information. Any Report Content addressing the impact of the COVID-19 Outbreak on the asset(s) and any associated business operations to which the report relates or the Australian economy more broadly is (unless otherwise specifically stated in the Report) unsupported by specific and reliable data and information and must not be relied on.

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Introduction

Welcome to the first exploratory report from PEXA & Urbis.

This report is an exciting step forward in uncovering new insights across Australia's important property landscape. PEXA and Urbis are each recognised as leaders in the property industry, both bringing unique data and research capability to the collaboration. This provides the opportunity to develop insights that may not otherwise be possible.

This report explores how demand for property in Australian cities has changed over the course of the COVID-19 pandemic and beyond, for buyers and tenants. We have analysed data from before, during and after the pandemic, to determine how resilient our cities have been over this period. The goal was to understand long-lasting structural changes in demand for property versus more transitory trends.

We have sought to explore 5 key questions in our analysis:

- 1) *Is new housing supply being evenly distributed across our cities?*
- 2) *Where are the development hotspots in our cities?*
- 3) *Which areas have been most popular with buyers and tenants?*
- 4) *How has pricing and rents changed in our cities?*
- 5) *Which areas have seen the most / least activity?*

We have focused our analysis on the eastern seaboard cities of Sydney, Melbourne and Brisbane, to gauge the impact of the pandemic on our major urban centres and better understand the resurgence of our cities since restrictions were lifted (for this reason, regional areas have not been included). We have also highlighted the metropolitan regions that have benefitted most from these pandemic-induced changes. Importantly, we do not attempt to look at all of the drivers of housing demand (including for different housing types), instead we have called out the locations that have experienced the greatest change.

The report centres on residential property (we have excluded commercial property) and includes a longitudinal analysis, incorporating data from 2016 with a specific focus the 2020, 2021 and 2022 financial years, so as to highlight the impact of the pandemic (and limit the effect of interest rate rises which began to increase in May-22). We have used data from a number of sources, including PEXA and Urbis, to quantify changes in the property market over that period.

We trust you find the insights in this report valuable and that it provides a different perspective on the evolution of our cities, and how property markets have shifted and adapted post-pandemic.

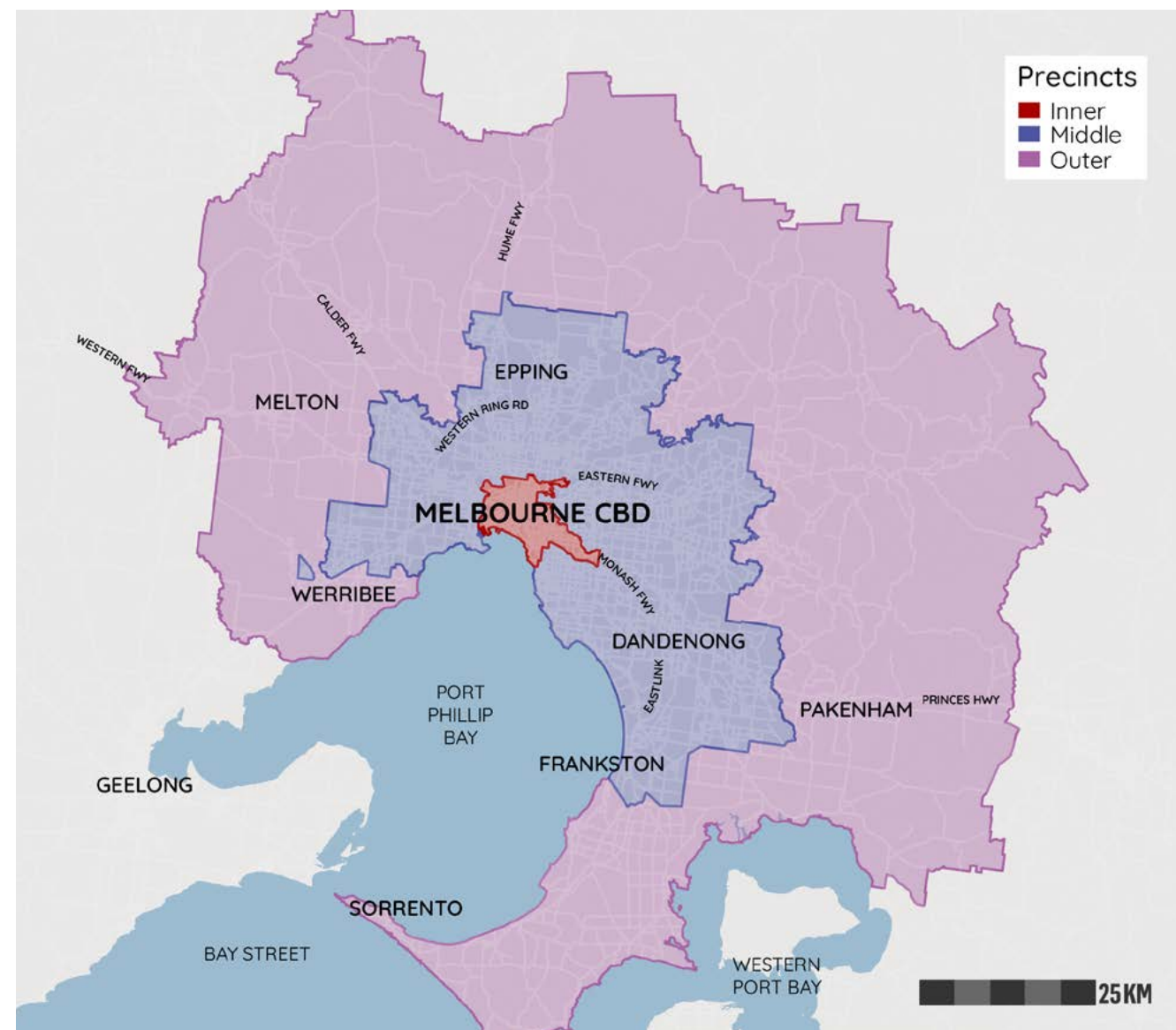


Our approach

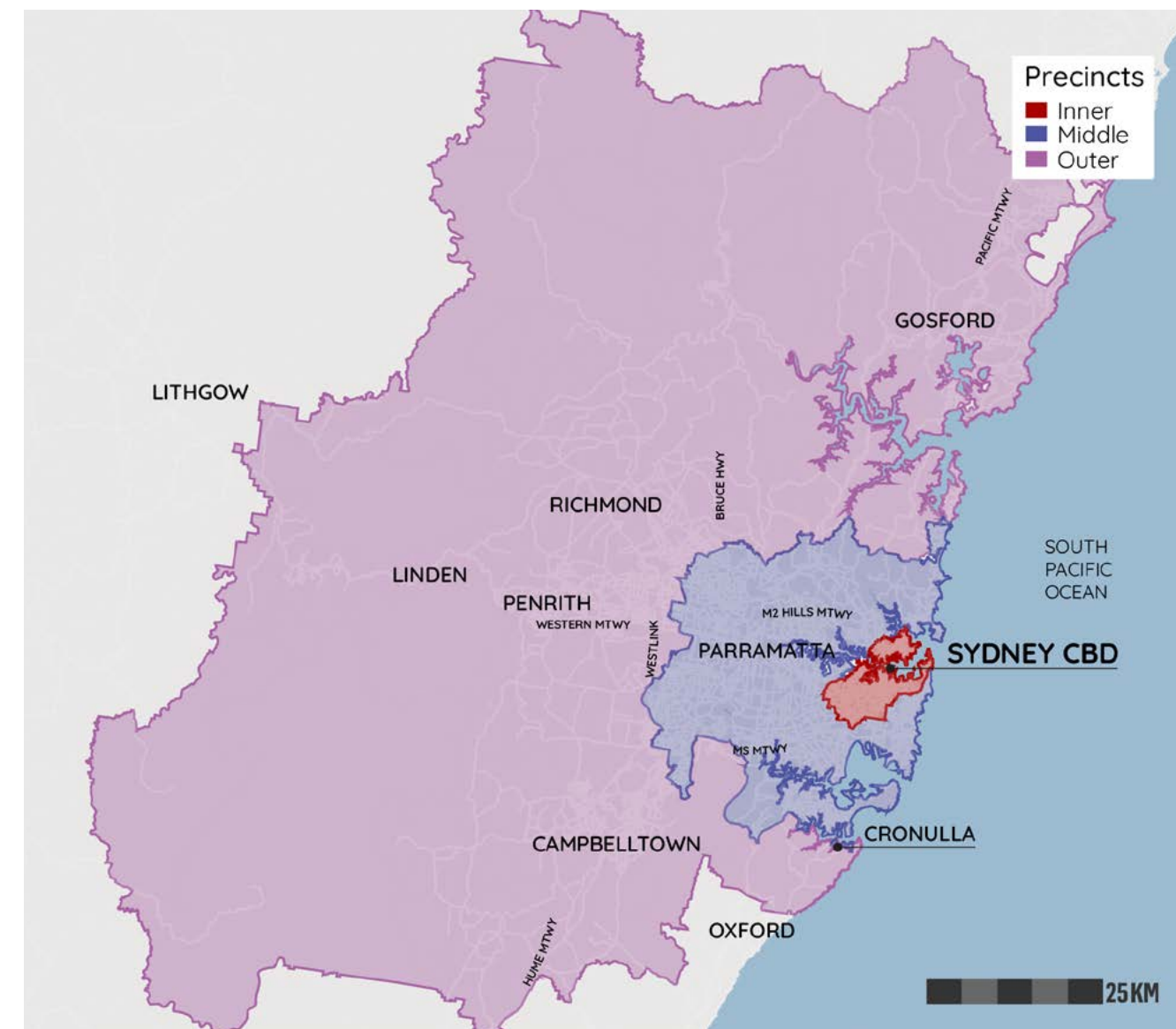
Our analysis includes the following Greater Capital City Statistical Areas (GCCSA) as defined by the ABS¹.

- Greater Melbourne
- Greater Sydney
- Greater Brisbane

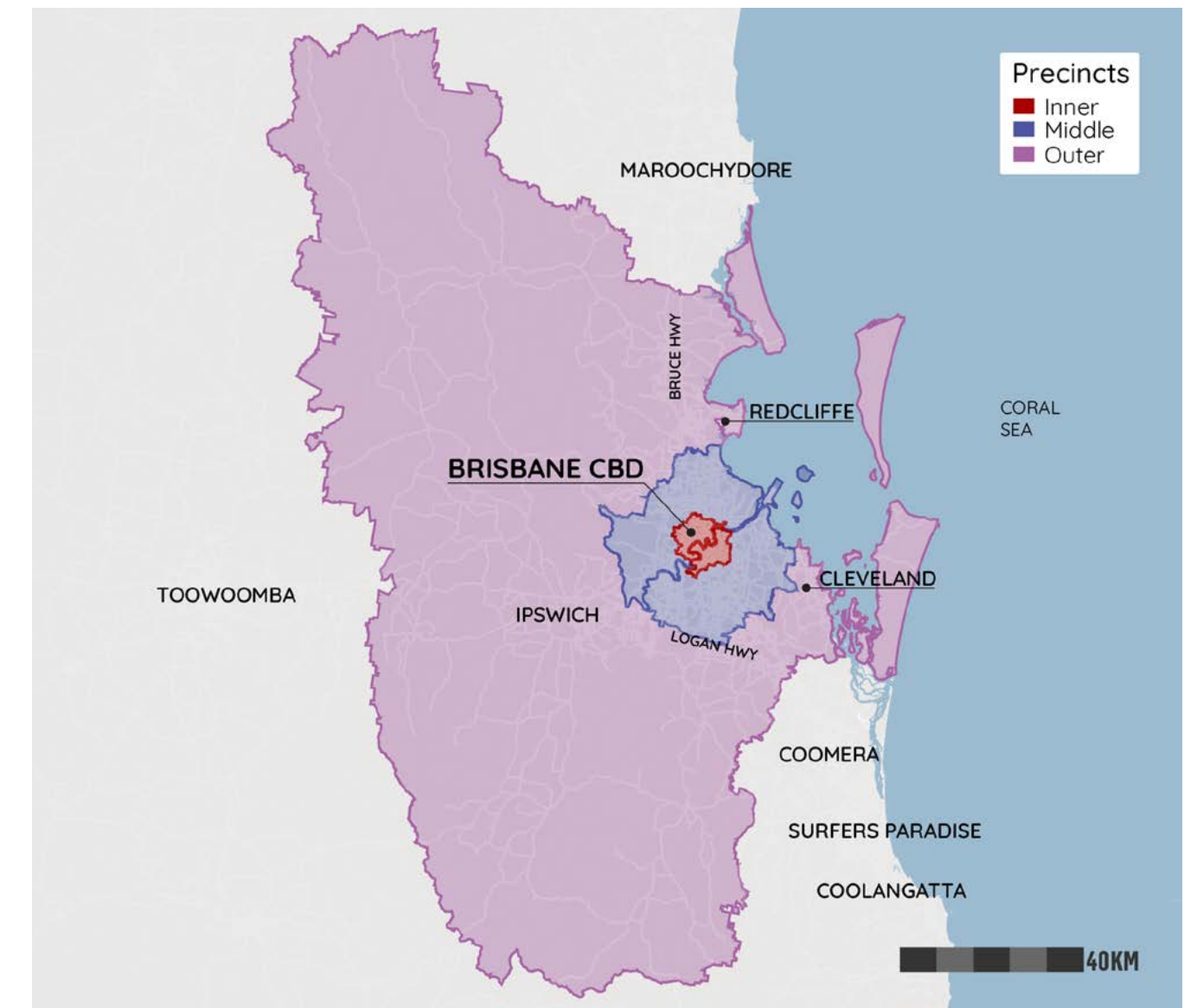
In order to understand and report property demand at a more localised level, we have split each city into three regions; Inner, Middle and Outer. These regions are built from 2021 Australian Statistical Geography Standard (ASGS) Statistical Area 2 (SA2) boundaries.



Greater Melbourne



Greater Sydney



Greater Brisbane

¹ <https://www.abs.gov.au/census/guide-census-data/geography/census-geography-glossary#greater-capital-city-statistical-area-gccsa->

Highlights

Is new housing supply being evenly distributed across our cities?

New housing supply was not evenly distributed across regions in our major cities. New supply was concentrated in inner and outer regions and less evident in middle regions of Sydney, Melbourne and Brisbane.

Whilst the middle ring lagged behind in all cities, Sydney was more successful than other cities in developing the middle. The middle ring of Sydney recorded double digit growth in new residential dwellings over the 5-year period from 2016 to 2021, referencing its “20-minute city” ambition.

Both the purchase and rental research in this report makes evident the clear relationship between available property and price. For those seeking homes to purchase, the outer rings of Sydney, Melbourne and Brisbane are the ‘go to’ markets, offering higher turnover at lower price points. At the other end of the scale, middle ring areas offered lower levels of turnover, lower volume of new development and higher prices.

For those seeking rental accommodation, the inner rings have been doing more of the heavy lifting, although there has been a notable shift to more rented property in middle rings over time. The volume of rental listings overall is trending down across all three cities.

Which areas have been most popular with buyers and tenants?

Greater Melbourne:

Residential property transactions in the middle and outer rings of Melbourne grew strongly during the pandemic as buyers searched for larger properties better suited to spending more time at home. At the same time, the inner ring of Melbourne suffered a significant drop in transactions from which it is only just starting to recover.

In the Melbourne rental market, the inner ring of Melbourne saw the greatest spike in listings and subsequent fall in rents over the pandemic. The rebound has now gathered pace rapidly, with listings trending at half the volume of January 2021. Rents in the outer and middle rings of Melbourne have continued to grow throughout this period, so much so that rents in the outer area have been playing catch up to rents in the middle ring.



Greater Sydney:

The outer ring of Sydney experienced a large increase in transactions in FY21 as buyers looked to escape the city during the early phase of the COVID-19 pandemic. This growth stalled in FY22 as restrictions were lifted and the inner and middle rings of Sydney proved more popular with buyers in FY22.

Sydney experienced a shorter and shallower impact on rent compared to Melbourne. These impacts occurred in the inner and middle rings of Sydney, and had largely recovered by the end of 2021. Rental growth has since accelerated further beyond pre-pandemic levels. Landlords in the outer ring of Sydney avoided negative impacts on rents during the peak pandemic impact in 2020, with rents continuing to climb into 2022. Listing volume has fallen substantially across Sydney adding the prospect of further rental price growth.



Greater Brisbane:

All regions experienced explosive growth in residential transactions in FY21, as Queensland was able to control the spread of COVID-19 and benefited from increased interstate migration. The middle ring of Brisbane was up a huge 80.3% year-on-year as the market boomed. This growth slowed in FY22 as the market softened, with the inner ring of Brisbane becoming more popular with buyers.

In contrast to Sydney and Melbourne, Brisbane did not experience the same prolonged spike in rental listings associated with COVID-19 lockdowns. As a result, rental impact was limited in extent and duration in 2020 and rents have since accelerated across the inner, middle and outer rings of Brisbane in line with declining listing volume.



Highlights

How have pricing and rents changed in our cities?

BUYERS

Not surprisingly property prices and rents declined in all three cities over the period FY20-22 as real estate prices climbed to record highs. Sydney saw the most significant declines, with the outer ring experiencing a large drop in the proportion of sale settlements under \$1M, dropping from 87.4% in FY20 to 68.8% in FY22.

The price of properties in Brisbane, particularly the middle and outer rings, saw noticeable declines in the percentage of properties sold for less than \$1M.

TENANTS

The inner rings of Sydney and Melbourne had less than 5% and 10% of listings below \$500 per week respectively, although it should be noted that this is higher than the share achieved 3 years ago (3.5% and 7.6% in FY20).

The inner rings of Sydney and Melbourne offered a far greater proportion of listings below \$500 per week at 58.9% and 74.3% respectively. The outer rings of both cities offered relatively fewer listings below \$500 per week, likely a function of reduced stock in these markets.

Greater Brisbane: In contrast to Sydney and Melbourne, Brisbane did not experience the same prolonged spike in rental listings associated with COVID-19 lockdowns. As a result, rental impact was limited in extent and duration in 2020 and rents have since accelerated across the inner, middle and outer rings of Brisbane, in line with declining listing volume.

Which areas have seen the most / least activity?

BUYERS

Across all three cities, the areas with the highest dwelling turnover¹ were located in the outer rings. This suggests that more properties were listed for sale in these areas, and combined with more affordable prices, has resulted in higher volumes of residential transactions.

In contrast, many of the areas with the lowest dwelling turnover were located in the middle rings of Sydney, Melbourne and Brisbane. This is due to the relatively low levels of properties listed for sale in these areas, rather than lack of demand from buyers. This in turn has seen upward pressure on property prices, with house prices in the middle rings of these cities rising faster than other areas during the pandemic.

TENANTS

In the rental market the relationship between listing volume and rents has been crystalised throughout the pandemic. The spike in listings in the inner rings of Sydney, Melbourne and Brisbane in 2020 drove down rents, which has since bottomed out and continued to trend in the opposite direction over the last 12 months. Low listing volume is now driving rapid rental price growth across Sydney, Melbourne and Brisbane.

Across the three cities, the inner rings had the most active rental markets (denoted by higher listings), with some noteworthy mentions in the middle rings.

Middle ring areas with active rental markets often straddle the border of the inner rings, with high levels of amenities and connectivity.

The least active rental markets, in outer or middle-outer rings, had lower levels of amenities and connectivity compared to the more active inner and middle rings.



¹ Dwelling turnover is the number of residential properties settled in the period relative to the total number of properties in the area, expressed as a percentage. Higher turnover is associated with areas that are popular with buyers and that are easier to buy into as more properties are listed for sale. Lower turnover is associated with less popular areas or tightly held areas where few properties are listed for sale.

Key Findings - How have our cities changed?

Reviewing the three eastern states cities selected for this research, we observe that each has their strengths and challenges in offering housing supply. Taking a collective view of the cities, they are a powerful mix, with:

The inner ring of Brisbane offering relatively more rental listings below \$500 per week (17.0%, compared to 9.0% in the inner ring of Melbourne and 4.7% in the inner ring of Sydney).

Greater delivery of new housing in the middle ring in Sydney – growing the volume of dwellings by 11.1% between 2016-2021, compared to 8.8% and 8.6% in the middle rings of Melbourne and Brisbane.

The volume of housing in the outer ring of Melbourne increasing, with dwellings up by 18.7%, and 83.7% of transactions below \$1m.

The challenge remains, however, to achieve a more even distribution of housing opportunities across areas in each of these cities.

A key finding in this exploratory research is the concept of the ‘missing middle’. As our cities have grown, new housing supply has been disproportionately directed to the inner and outer rings, whilst the middle rings have failed to keep pace. This contrasts with the growth in the volume of property sales in the middle rings, illustrating high demand for property in these areas. A case can be made for new supply not always being delivered in the right areas, and for a more balanced approach towards development being adopted. A consequence

of this imbalance is rising unaffordability, as more buyers compete for limited properties in the middle rings, putting upwards pressures on prices which then permeates throughout the whole of Sydney, Melbourne and Brisbane.

Our research found that a more transitory trend arising from the pandemic was the exodus to the outer rings of our capital cities. This was particularly the case for Sydney and Melbourne, where the longest lockdown periods were experienced. In FY21, significant growth in property transactions in the outer rings was recorded as buyers sought to escape lockdown restrictions and benefit from lifestyle changes. This was not repeated in FY22 as restrictions were lifted and the middle and even inner rings once again found favour with buyers.

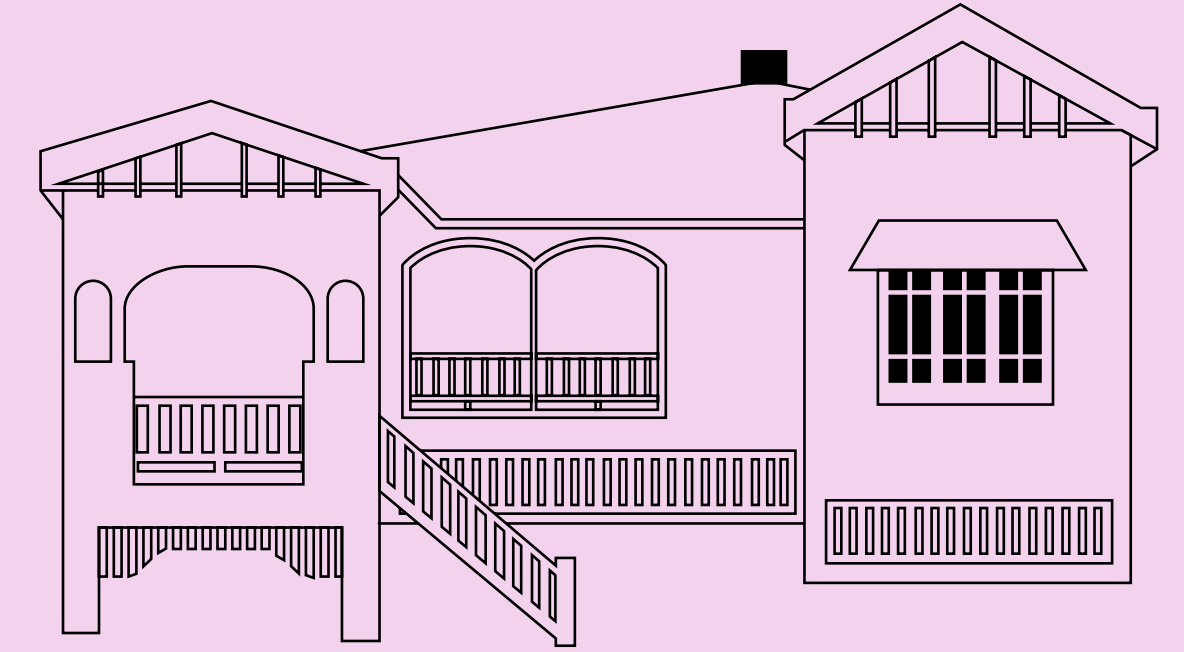
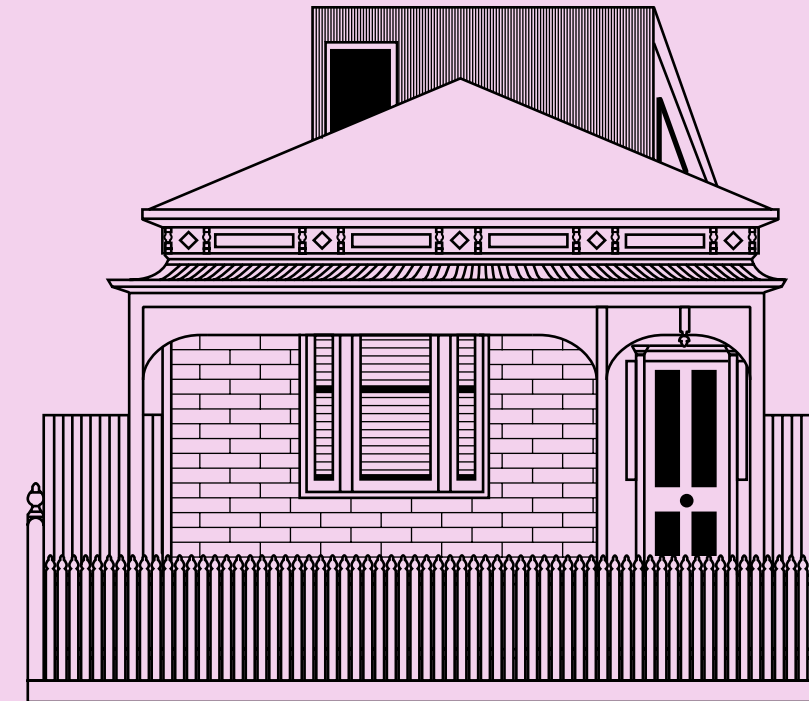
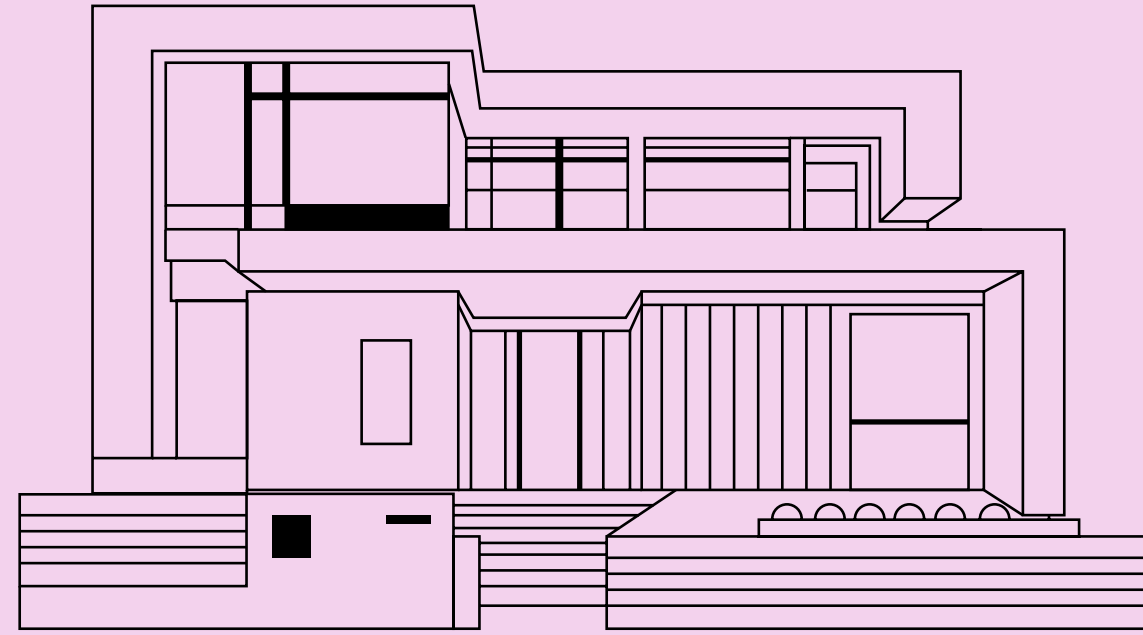
The emerging policy context at a federal level has called out the need to deliver greater housing supply. Residents of Sydney, Melbourne and Brisbane will be watching which areas offer the greatest access, affordability and value. Much of this will come down to where and how future housing growth can be unlocked to provide a healthy volume of choice in areas that are attractive.

This collaborative piece has allowed us to explore how housing markets work, which changes are structural, and which are transitory. It has also added more dimensions to the property pricing trends across Sydney, Melbourne and Brisbane.

Having established a baseline to inform and monitor, now it is time to track our progress and watch how our housing markets evolve to meet Australia’s next phase of growth.



City Comparison - Residential Dwellings

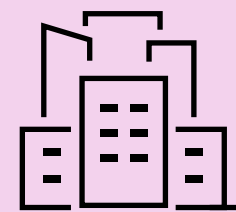


Total Residential dwellings (2021)

Greater Sydney

Greater Melbourne

Greater Brisbane



Inner

271,360

+13.5%

Residential dwelling growth (2016-2021)

256,510

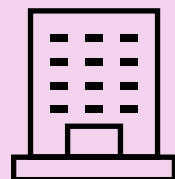
+24.5%

Residential dwelling growth (2016-2021)

166,220

+24.2%

Residential dwelling growth (2016-2021)



Middle

1,168,000

+11.1%

Residential dwelling growth (2016-2021)

1,396,020

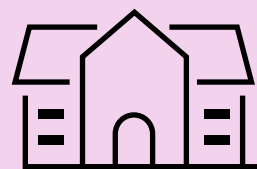
+8.8%

Residential dwelling growth (2016-2021)

383,100

+8.6%

Residential dwelling growth (2016-2021)



Outer

554,130

+14.6%

Residential dwelling growth (2016-2021)

316,900

+18.7%

Residential dwelling growth (2016-2021)

428,800

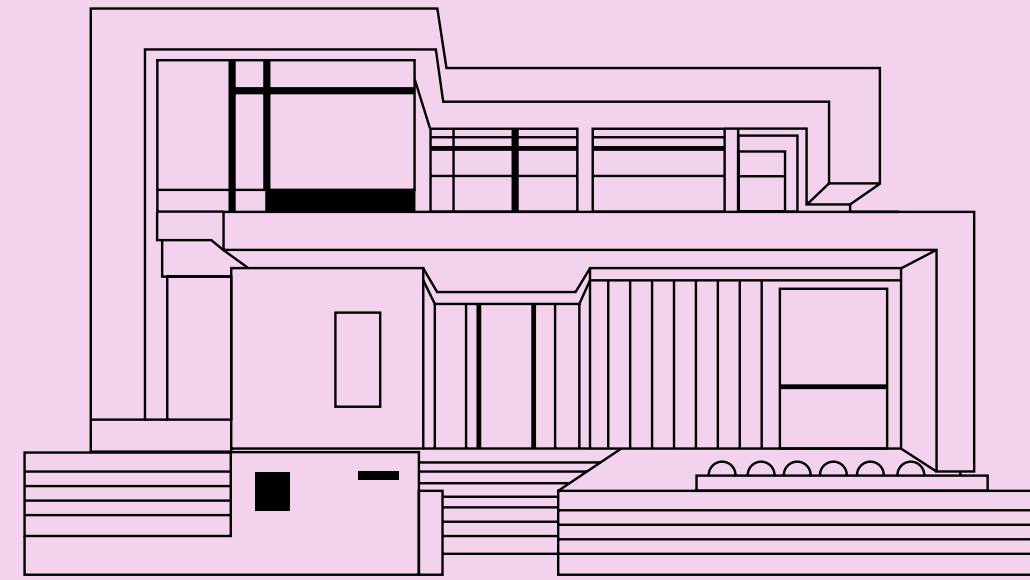
+15.5%

Residential dwelling growth (2016-2021)

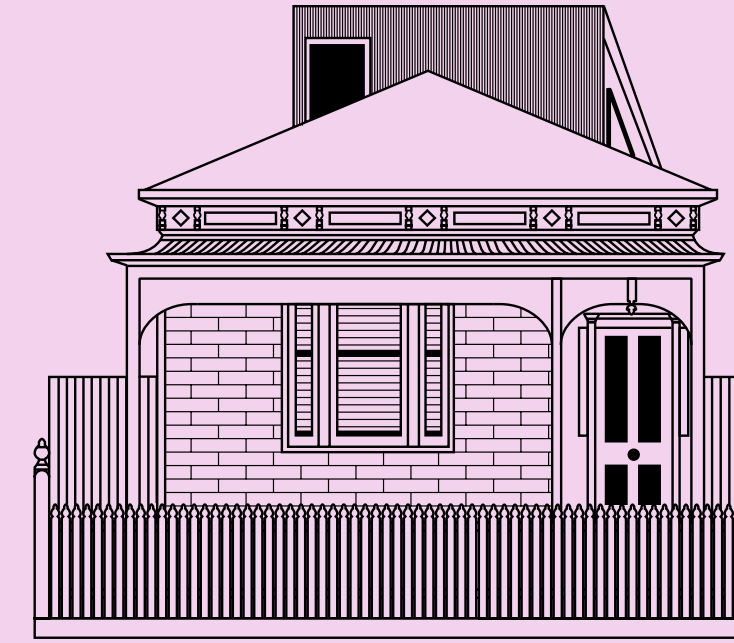
Source: ABS

Note: ABS census data from SA2 tables used in our analysis. Due to ABS data suppression, published totals may differ by small amounts from those published by ABS at a GCCSA level.

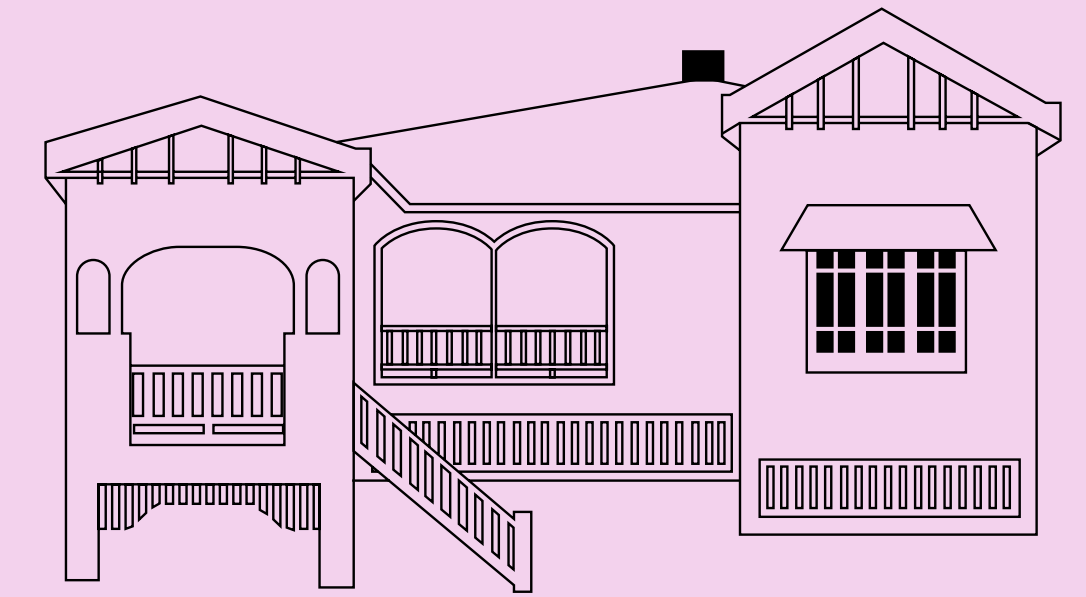
City Comparison - Residential Sale Settlements



Greater Sydney



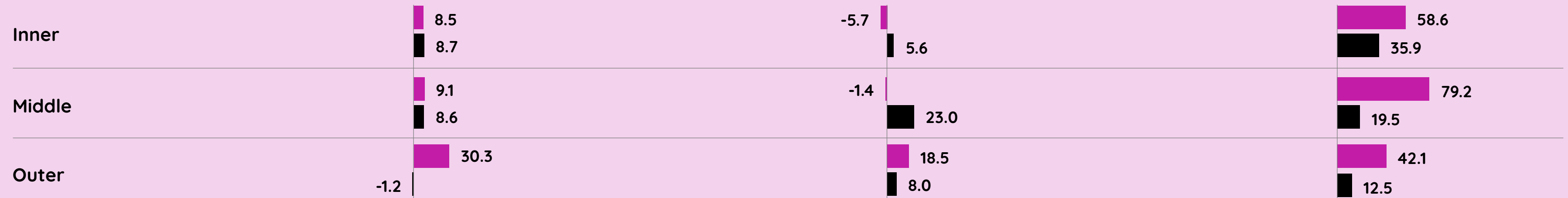
Greater Melbourne



Greater Brisbane

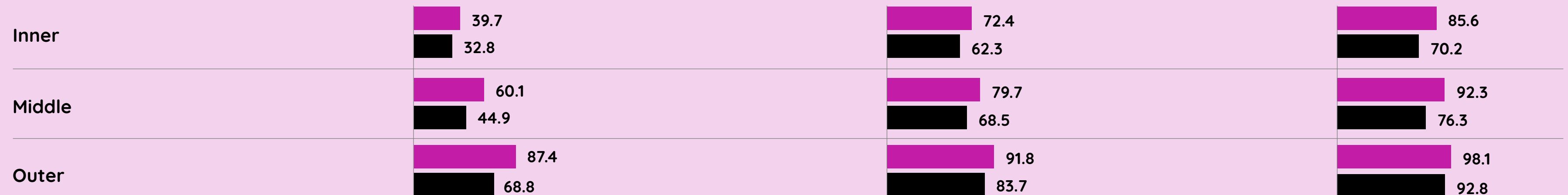
Residential sale settlement volume growth (%)

■ FY20-21
■ FY21-22



Residential sale settlements <\$1M (%)

■ FY20
■ FY22



Source: PEXA

City comparison - Rental



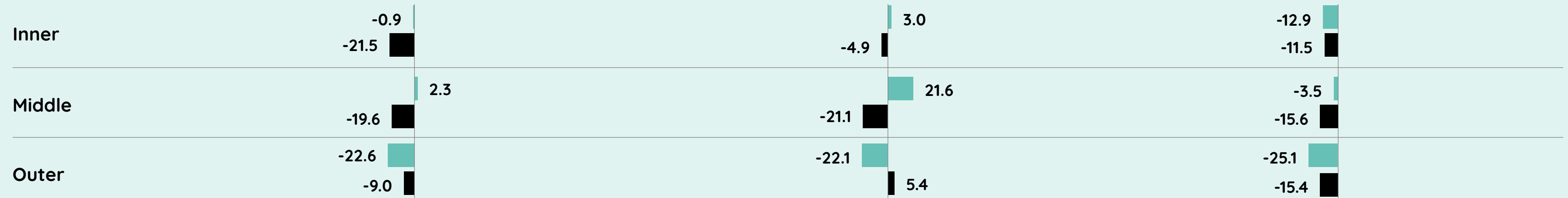
Greater Sydney

Greater Melbourne

Greater Brisbane

Rental Listing Growth (%)

FY20-21
FY21-22



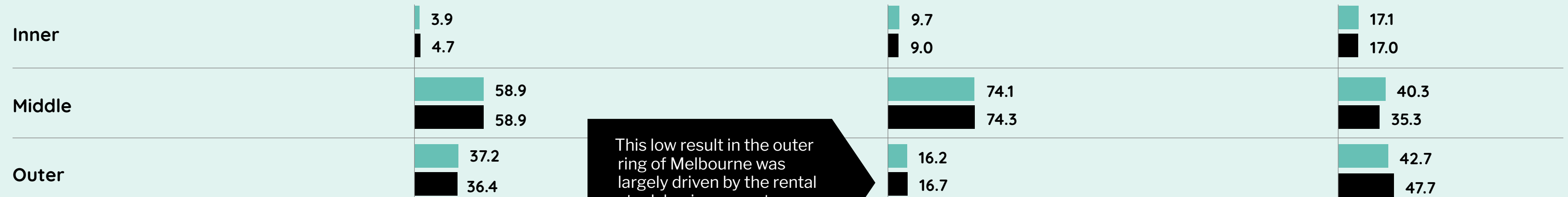
Rented Dwelling Growth (%)

2016-21



Rents under \$500 per week (%)

FY20-21
FY21-22



This low result in the outer ring of Melbourne was largely driven by the rental stock having a greater proportion of larger homes.

Source: Pricfinder, Urbis

Is new housing supply
being evenly distributed
across our cities?



In 2021, there were nearly 2M residential dwellings in Greater Melbourne

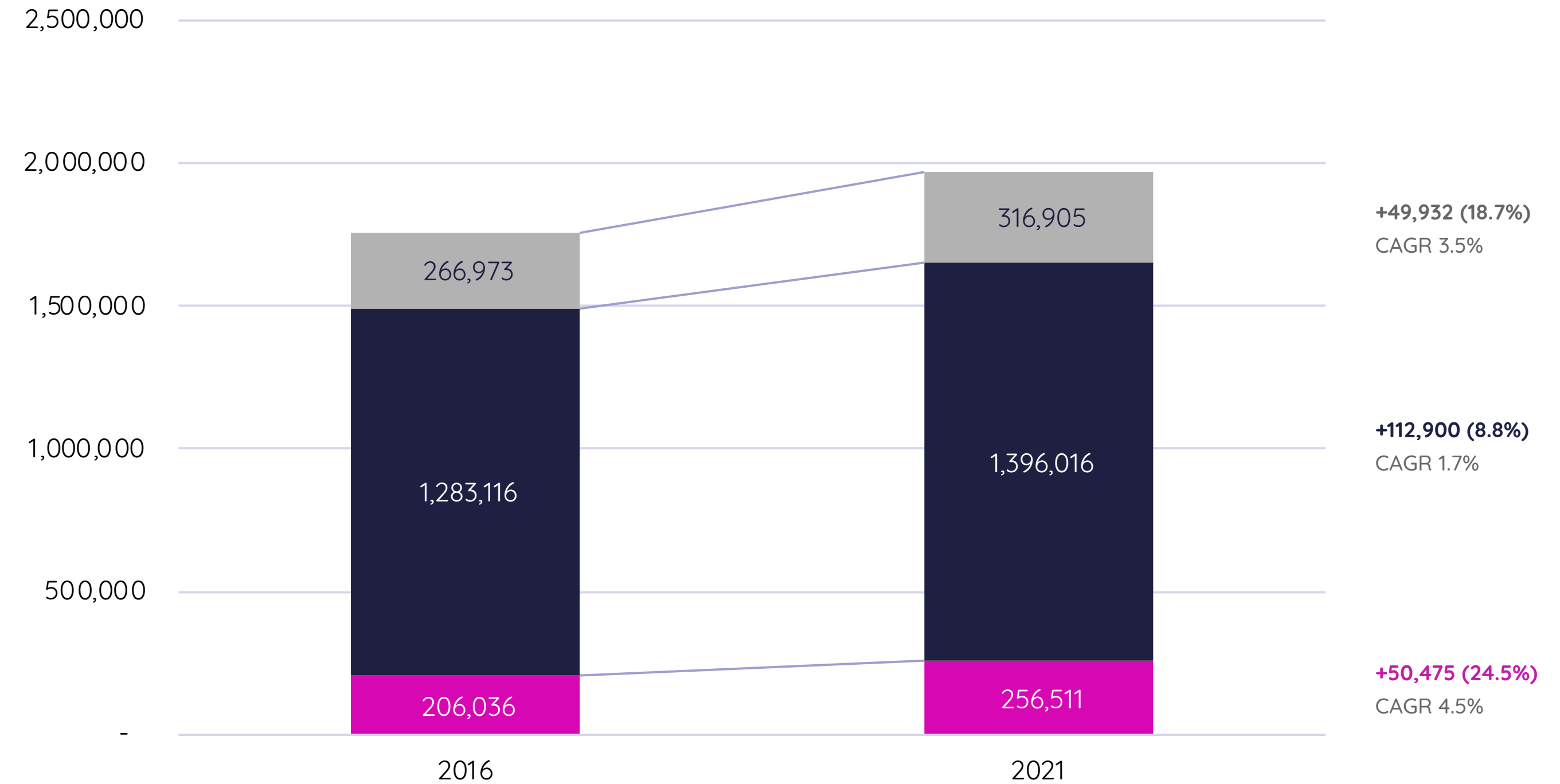
This was up from 1,756,125 dwellings in 2016, equating to 12.1% growth over the 5 year period between censuses.

The inner ring of Melbourne recorded the highest growth in dwellings from 2016-2021, up 24.5%.

The outer ring of Melbourne also experienced high growth over the period, with almost 50K dwellings added, up 18.7%.

The middle ring of Melbourne was unable to keep pace with the other regions, experiencing the lowest dwelling growth at 8.8%. However, the region did add an additional 113K dwellings over the 5 years.

Total Residential Dwellings - Greater Melbourne



Inner Middle Outer

Source: ABS. Note: ABS census data from SA2 tables used in our analysis. Due to ABS data suppression, published totals may differ by small amounts from those published by ABS at a GCCSA level.

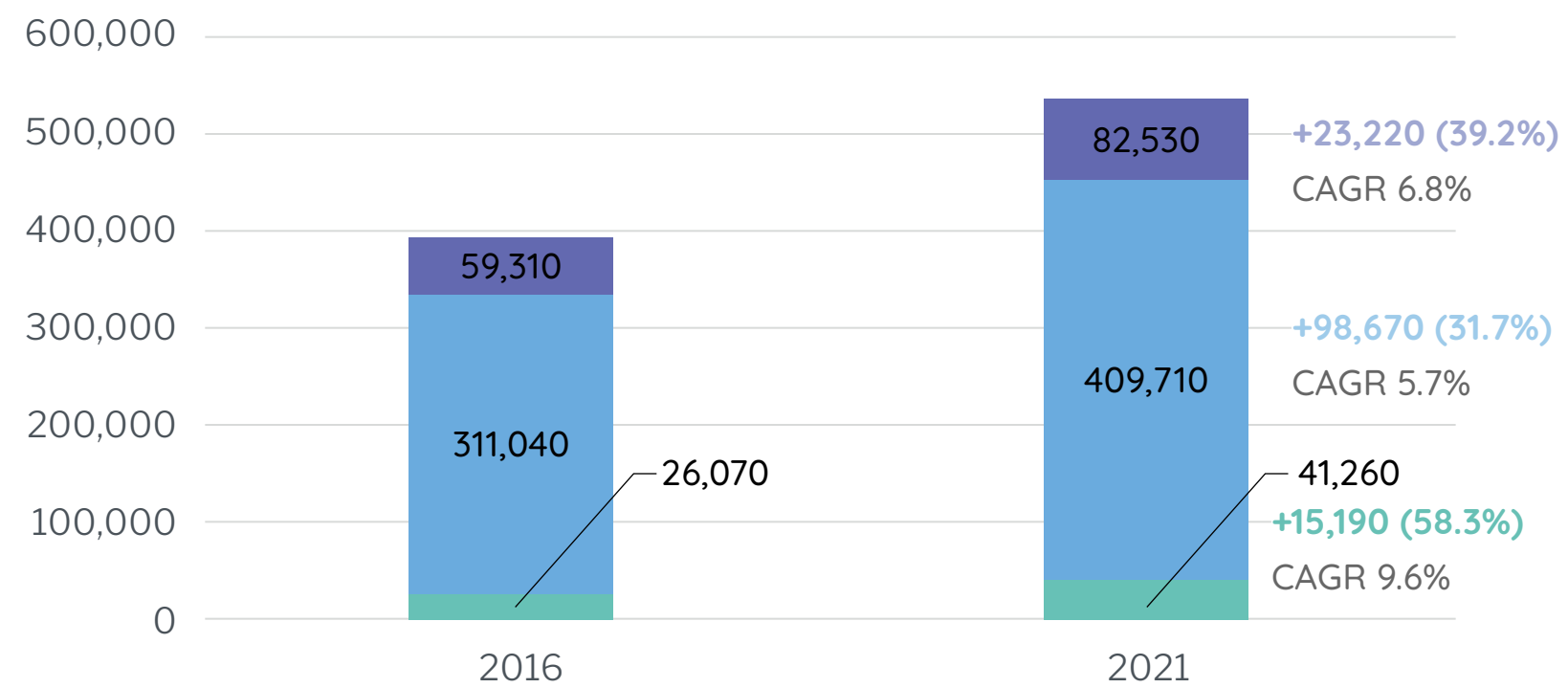
* CAGR – Compound annual growth rate

Residential Dwellings By Tenure Type - Greater Melbourne

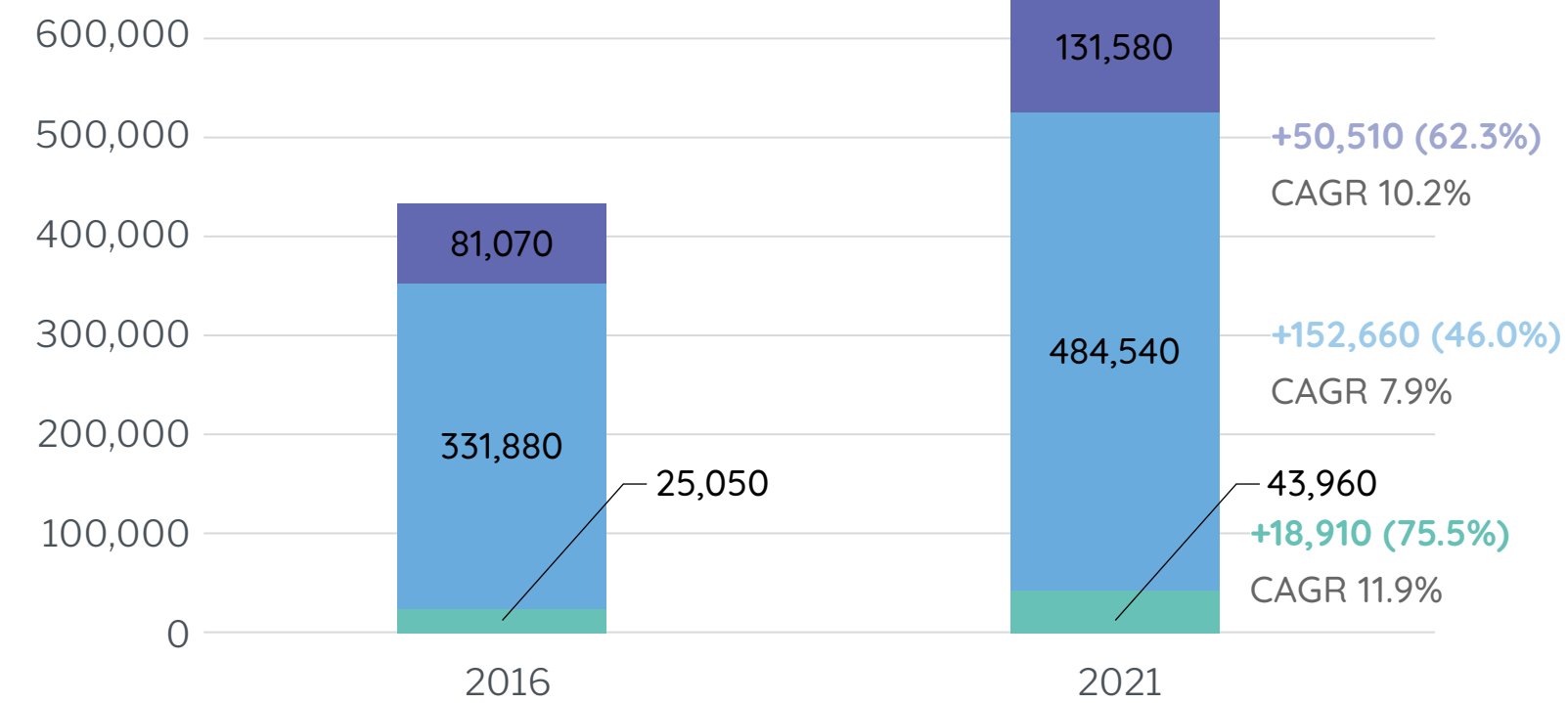
Changes in dwelling occupation by tenure illustrate how **rental housing and purchasing with a mortgage are more prevalent in the inner and outer rings**, which supports the role of these areas accommodating new housing growth, while the middle ring has been experiencing relatively lower dwelling growth overall.

Change in Dwellings

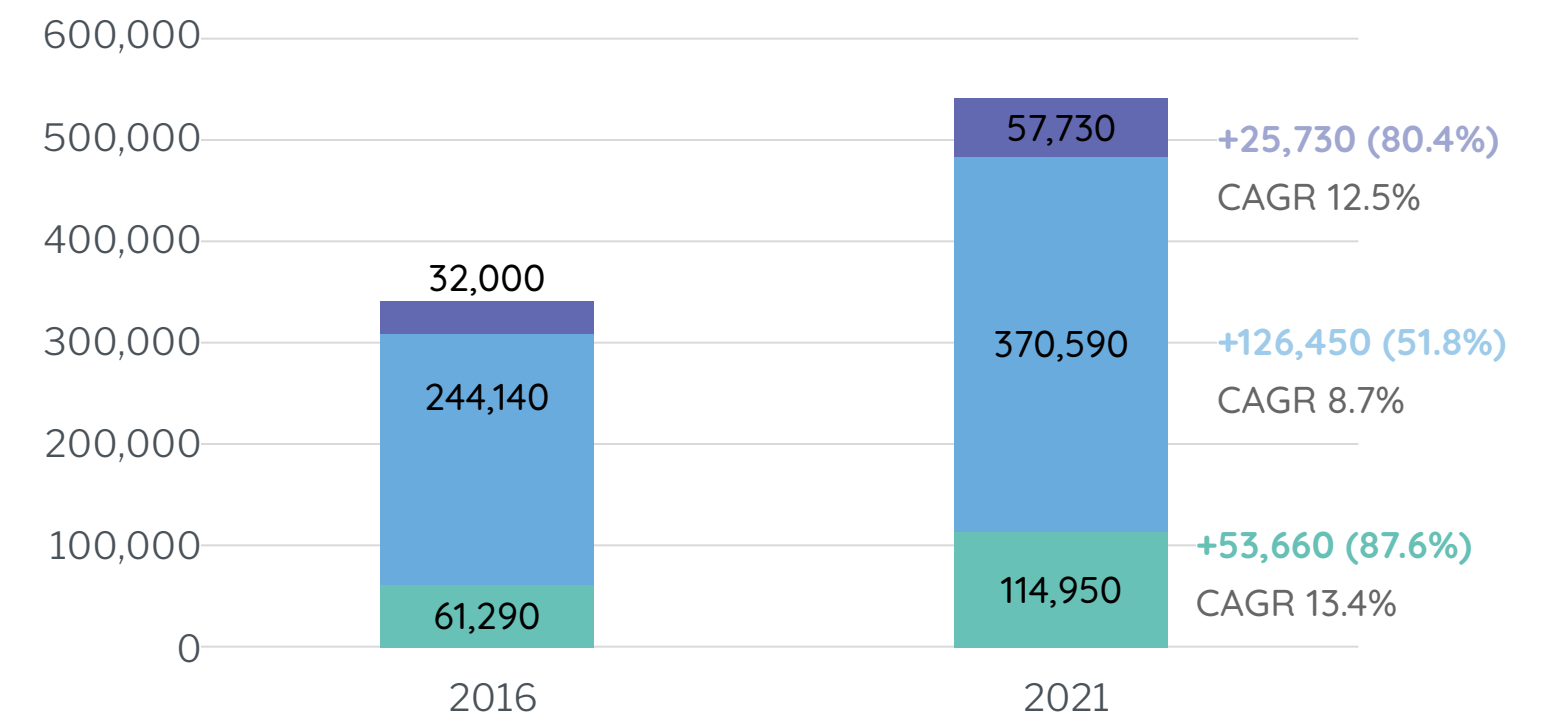
Owned Outright



Owned with a Mortgage



Rented



Inner Middle Outer

Source: ABS, Urbis

Note: ABS census data from SA2 tables used in our analysis. Due to privacy related exclusions by the ABS, these GCCSA totals may differ by small amounts from what is published by ABS at a GCCSA level.

* CAGR - Compound annual growth rate

Greater Sydney had a similar number of residential dwellings to Melbourne

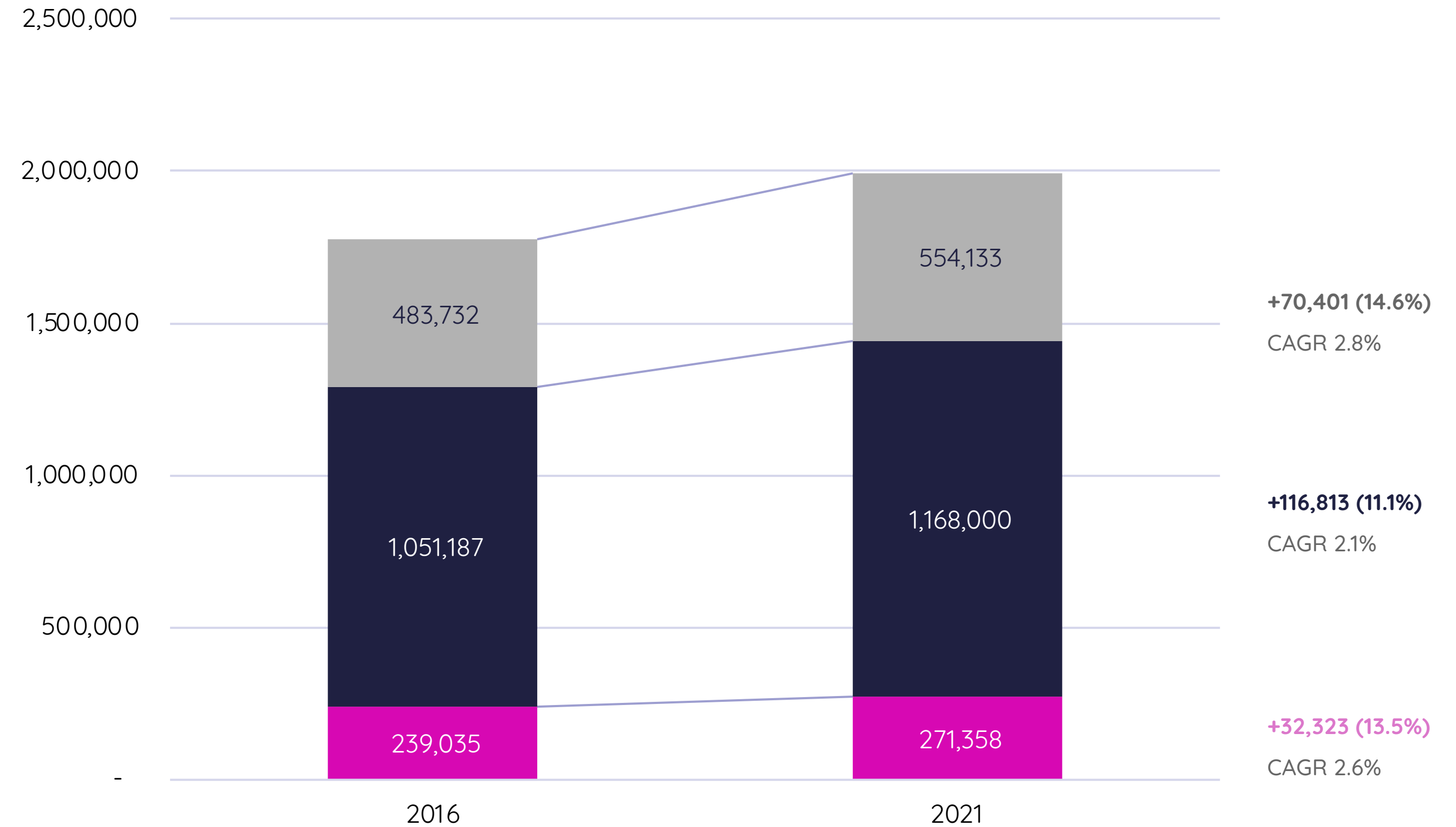
Sydney also recorded nearly 2M residential dwellings in 2021

The outer ring of Sydney recorded the highest growth in residential dwelling from 2016-2021 at 14.6%, closely followed by the inner ring on 13.5%

Although trailing, the middle ring of Sydney recorded dwelling growth of 11.1%, suggesting Sydney had been more successful than Melbourne in bringing new supply to market in the middle ring. This references Sydney's aspirations of the '20-minute city' and the creation of a second CBD in Parramatta.

Although Greater Sydney supported a larger population than Melbourne (5.2M compared to 4.9M in 2021), the total number of residential dwellings in the two cities were comparable. This increased demand, with an additional 300K Sydney residents competing for similar levels of stock, has put upward pressure on prices.

Total Residential Dwellings - Greater Sydney



Inner Middle Outer

Source: ABS. Note: ABS census data from SA2 tables used in our analysis. Due to ABS data suppression, published totals may differ by small amounts from those published by ABS at a GCCSA level.

* CAGR - Compound annual growth rate

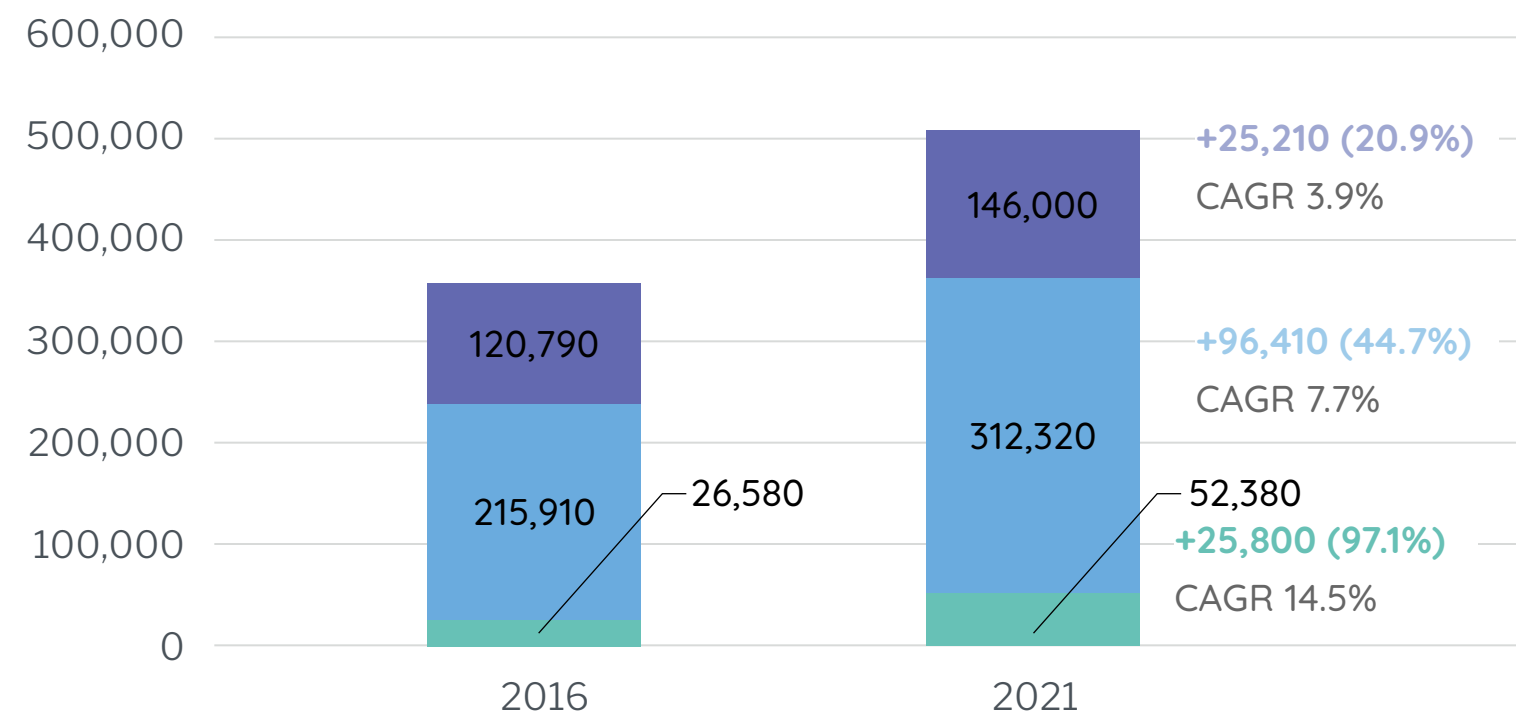
Residential Dwellings By Tenure Type - Greater Sydney

Comparing Sydney and Melbourne, the middle ring of Sydney is, relatively speaking, absorbing more households, while the outer ring is absorbing fewer households.

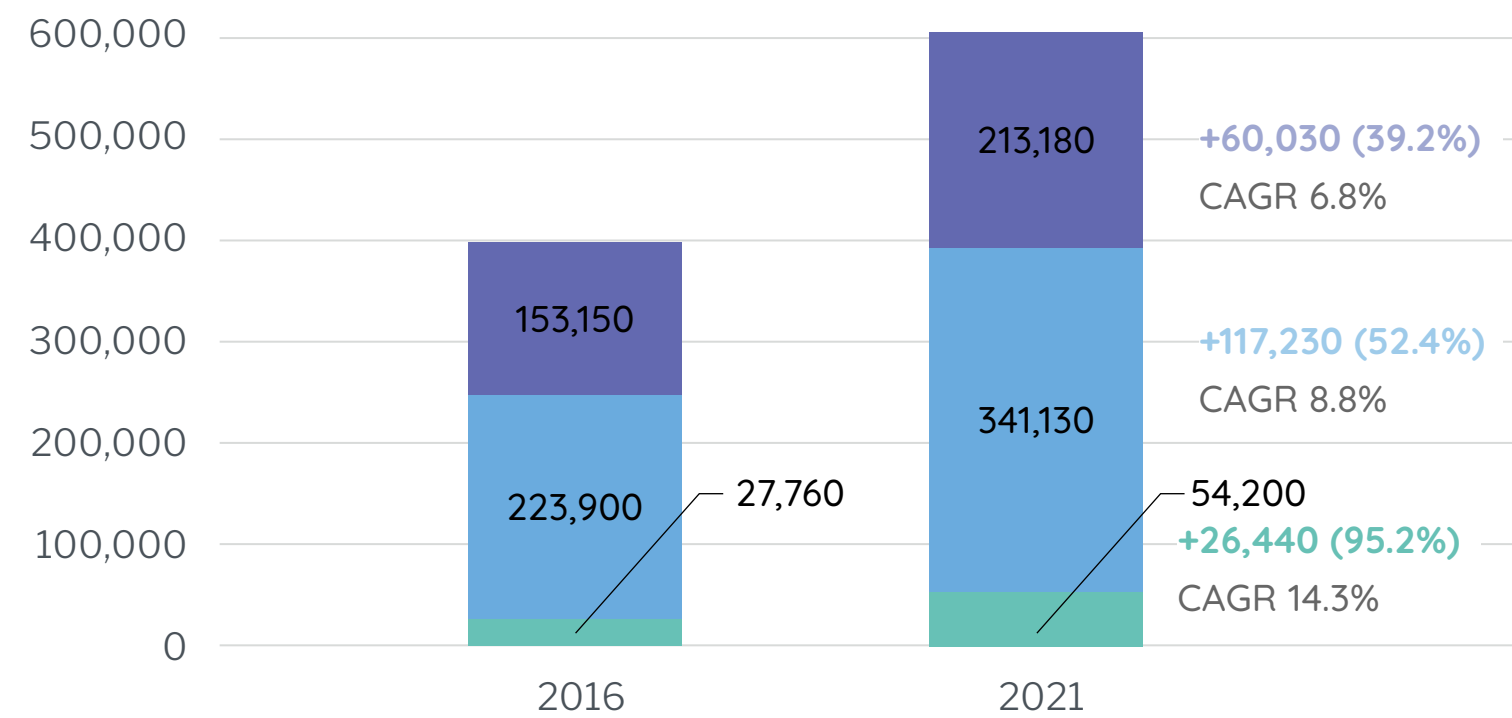
The inner ring has experienced substantial growth in rental households, more than doubling over a five-year period.

Change in Dwellings

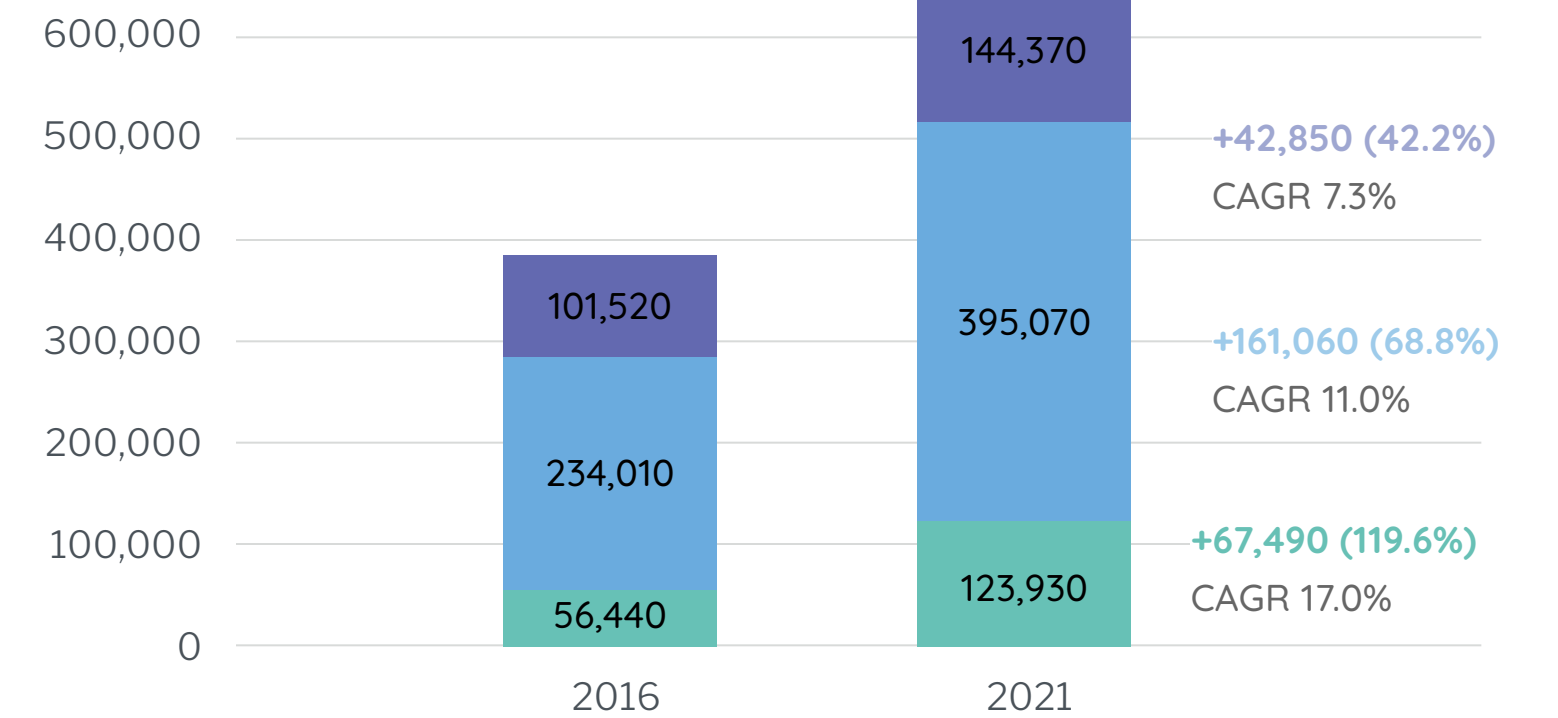
Owned Outright



Owned with a Mortgage



Rented



Inner Middle Outer

Source: ABS, Urbis

Note: ABS census data from SA2 tables used in our analysis. Due to privacy related exclusions by the ABS, these GCCSA totals may differ by small amounts from what is published by ABS at a GCCSA level.

* CAGR - Compound annual growth rate

Greater Brisbane's total residential dwellings approached 1M in 2021

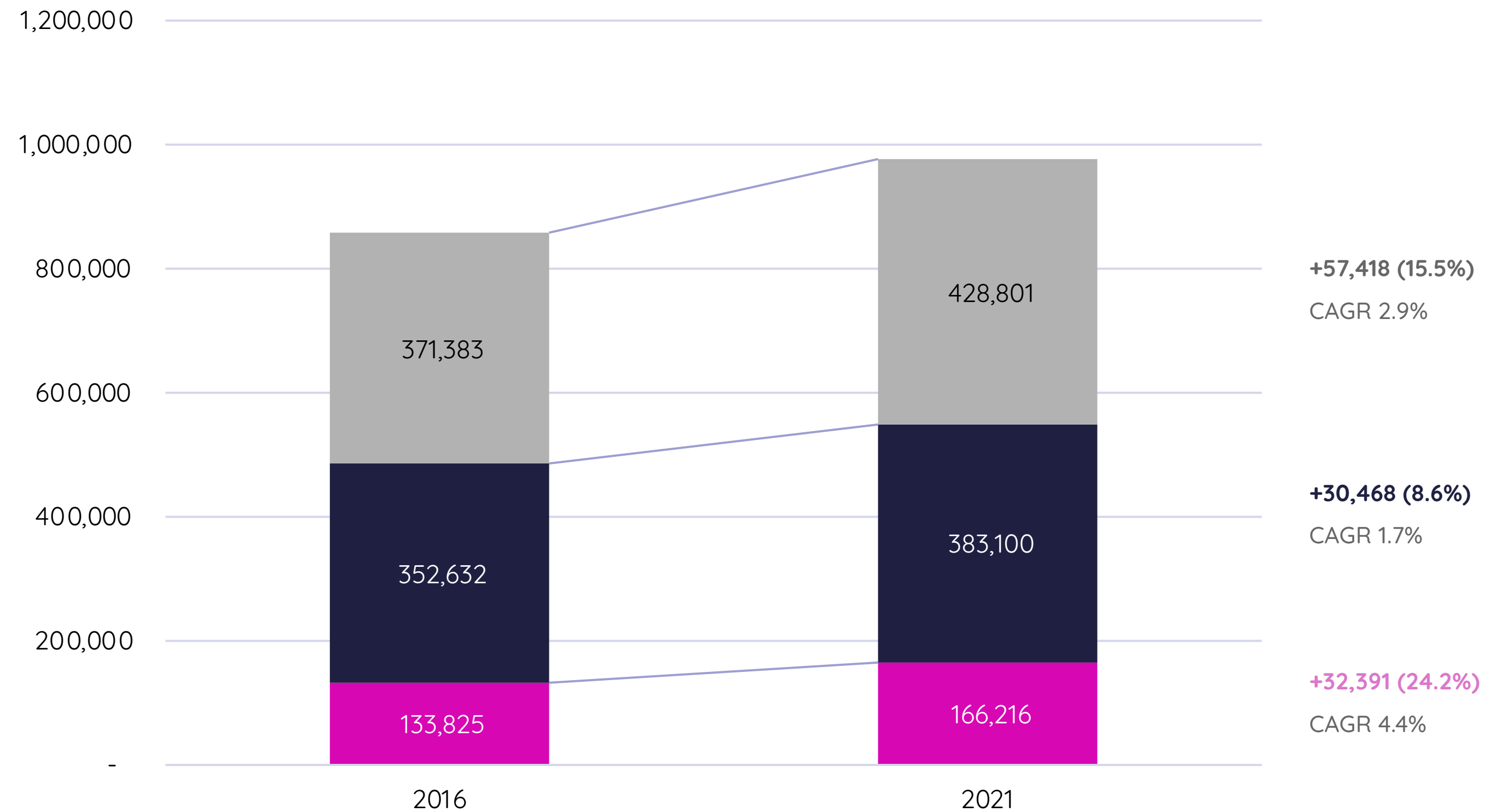
This was up 14.0% on 2016, when there was 857,840 residential properties

The highest dwelling growth was experienced the inner ring of Brisbane (+24.2%), followed by the outer ring (+15.5%).

Similar to Melbourne, the lowest dwelling growth was experienced in the middle ring (up 8.6%). New supply in Brisbane was more concentrated in the inner and outer rings.

Whilst Greater Brisbane had significantly less residential properties compared to Sydney and Melbourne, it should be noted that the Greater Brisbane area excludes many highly populated areas of South-East Queensland, like the Gold Coast.

Total Residential Dwellings - Greater Brisbane



Inner Middle Outer

Source: ABS. Note: ABS census data from SA2 tables used in our analysis. Due to ABS data suppression, published totals may differ by small amounts from those published by ABS at a GCCSA level.

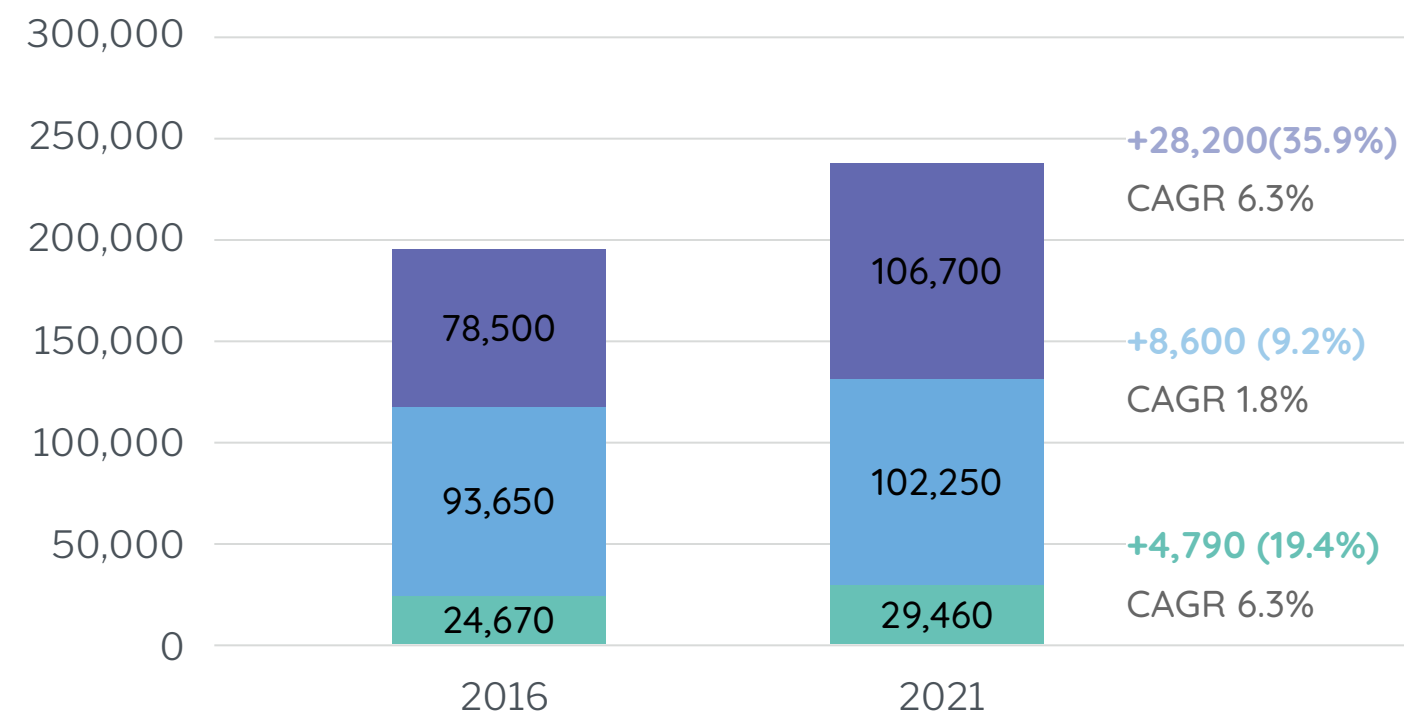
* CAGR - Compound annual growth rate

Residential Dwellings By Tenure Type - Greater Brisbane

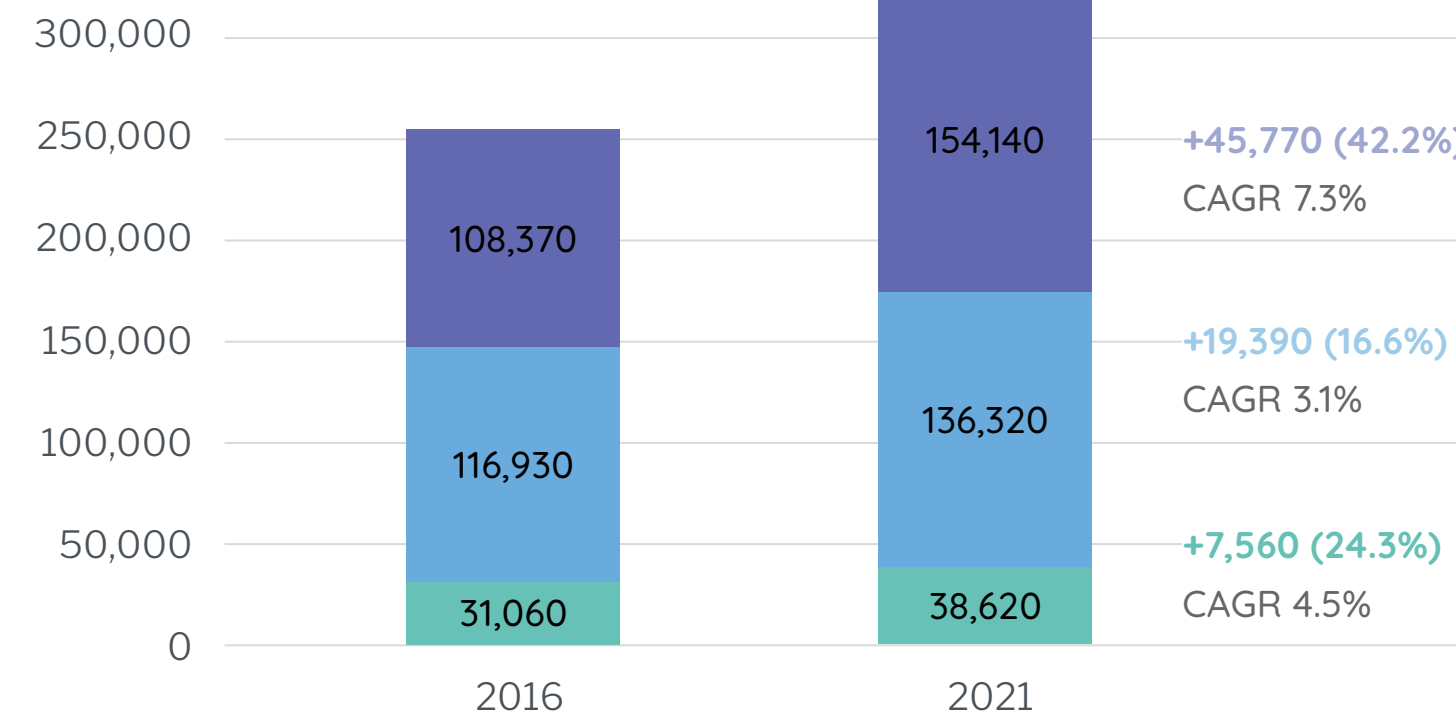
Reviewing trends in Brisbane, it is interesting that **the outer ring is seeing a relatively faster rate of growth in the share of dwellings that are rented.**

Change in Dwellings

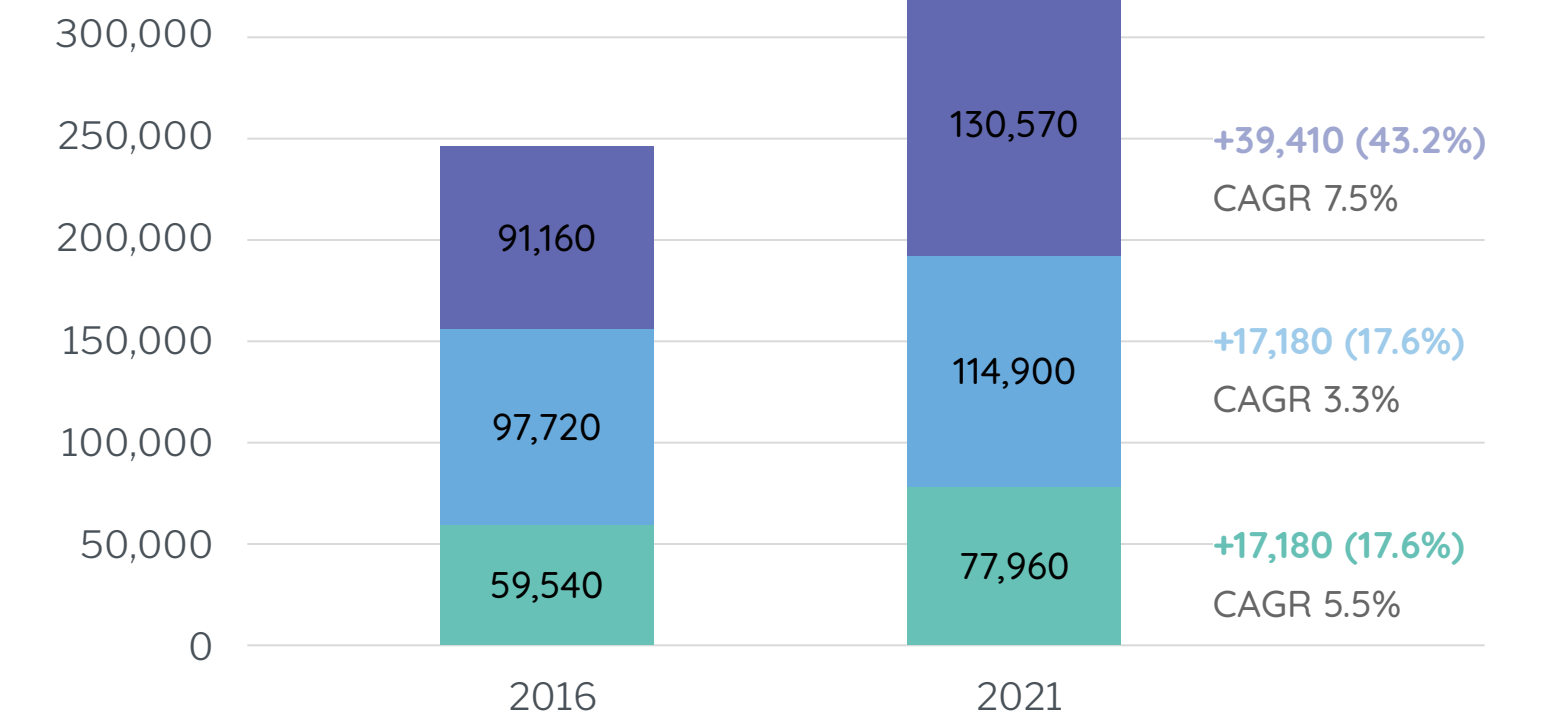
Owned Outright



Owned with a Mortgage



Rented



Inner Middle Outer

Source: ABS, Urbis

Note: ABS census data from SA2 tables used in our analysis. Due to privacy related exclusions by the ABS, these GCCSA totals may differ by small amounts from what is published by ABS at a GCCSA level.

* CAGR - Compound annual growth rate

Where are the
development hotspots
in our cities?



Residential dwelling growth by SA2 - Greater Melbourne (2016 to 2021)

The following maps demonstrate the change from 2016 to 2021 in the proportion of dwellings that are rented and owned. The light to dark **turquoise** denotes the levels of change in the proportion of rented dwellings. Similarly, the light to dark **pink** denotes the levels of change in the proportion of owned dwellings. The light to dark **purple** ranges denote a change in both these tenure types.

For the three capital cities (Sydney, Melbourne and Brisbane), we note:

Considerable growth in both the proportion of rented and owned dwellings occurred across the fringe areas between the outer and middle rings. These include the growth areas of Mickleham and Truganina for Greater Melbourne, Box Hill and Riverstone for Greater Sydney and Flagstone West and Ripley for Greater Brisbane.

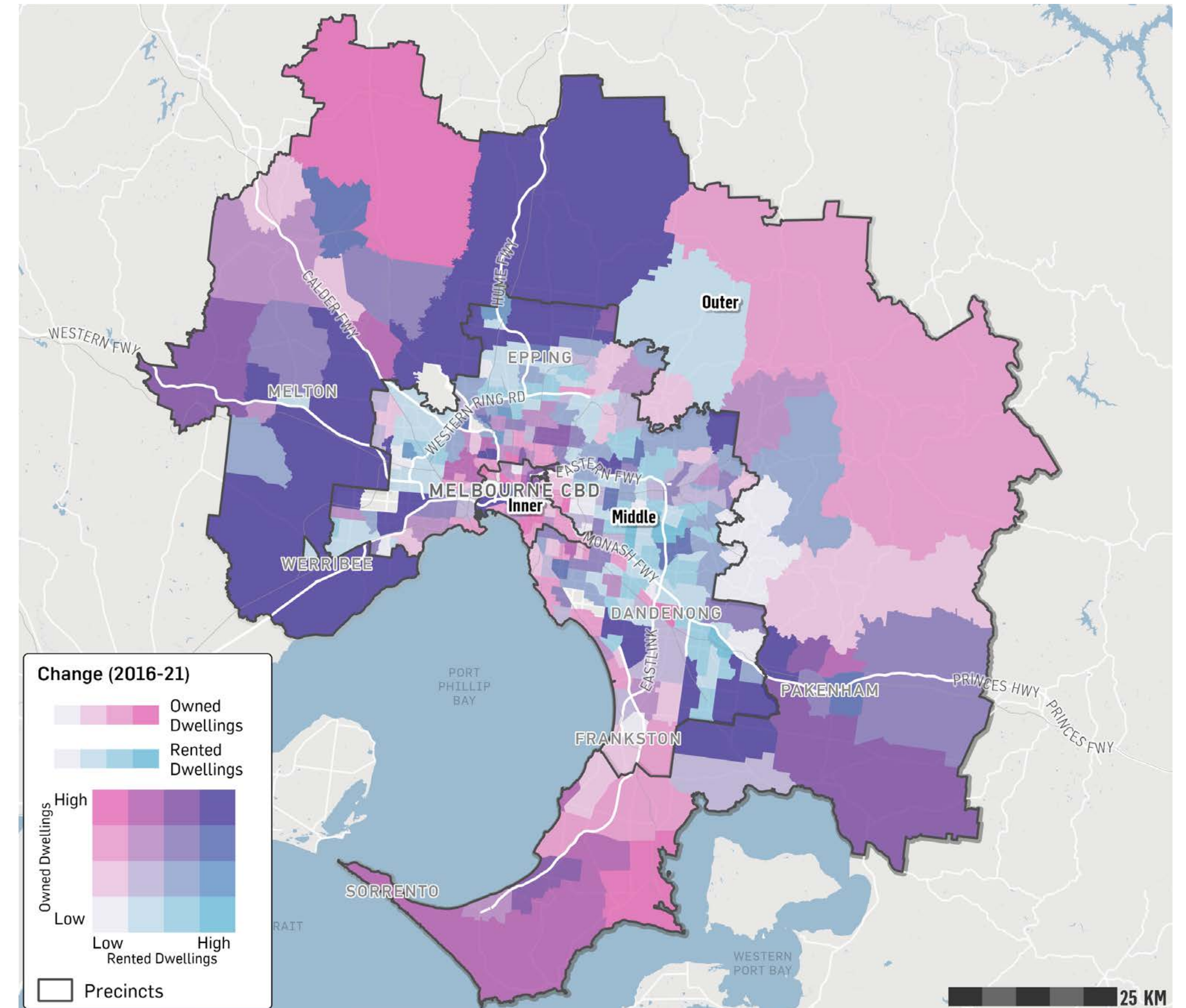
The majority of the areas which experienced growth in the proportion of rented dwellings alone resided within in the middle rings, highlighting the prominence of an emerging rental market across the three cities.

The inner rings of the cities experienced a shift in higher ownership rates in the five years to 2021. This could be transitory in nature linked to the impact of the pandemic where the dwelling stock under the “rented” tenure tended to be underrepresented.

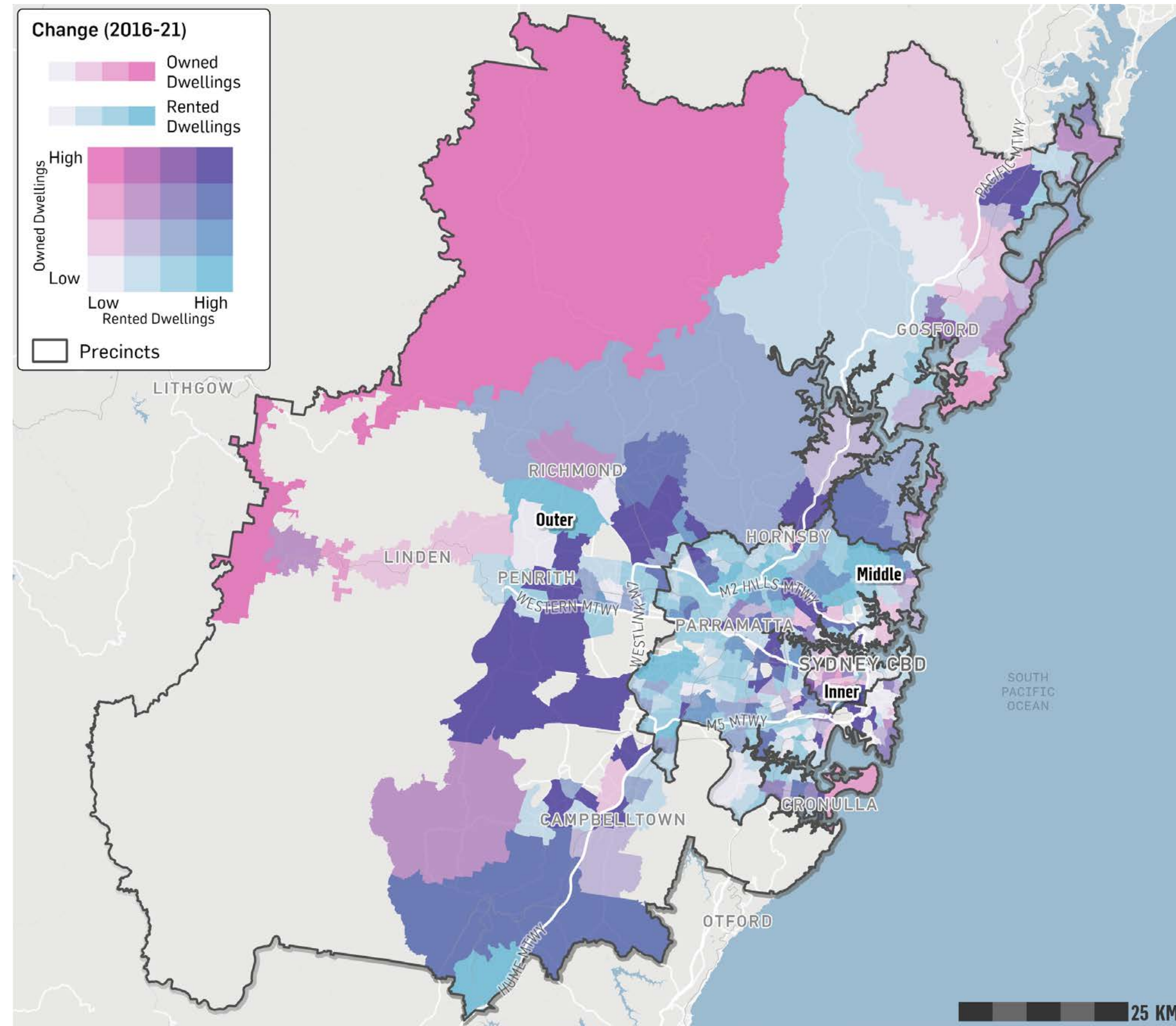
These findings reflect those of the Urbis Apartment Essentials surveys in recent years, which indicated there is a reduced reliance on investor sales following changes to property taxes in 2017, alongside tighter lending restrictions on off the plan property.

Source: ABS

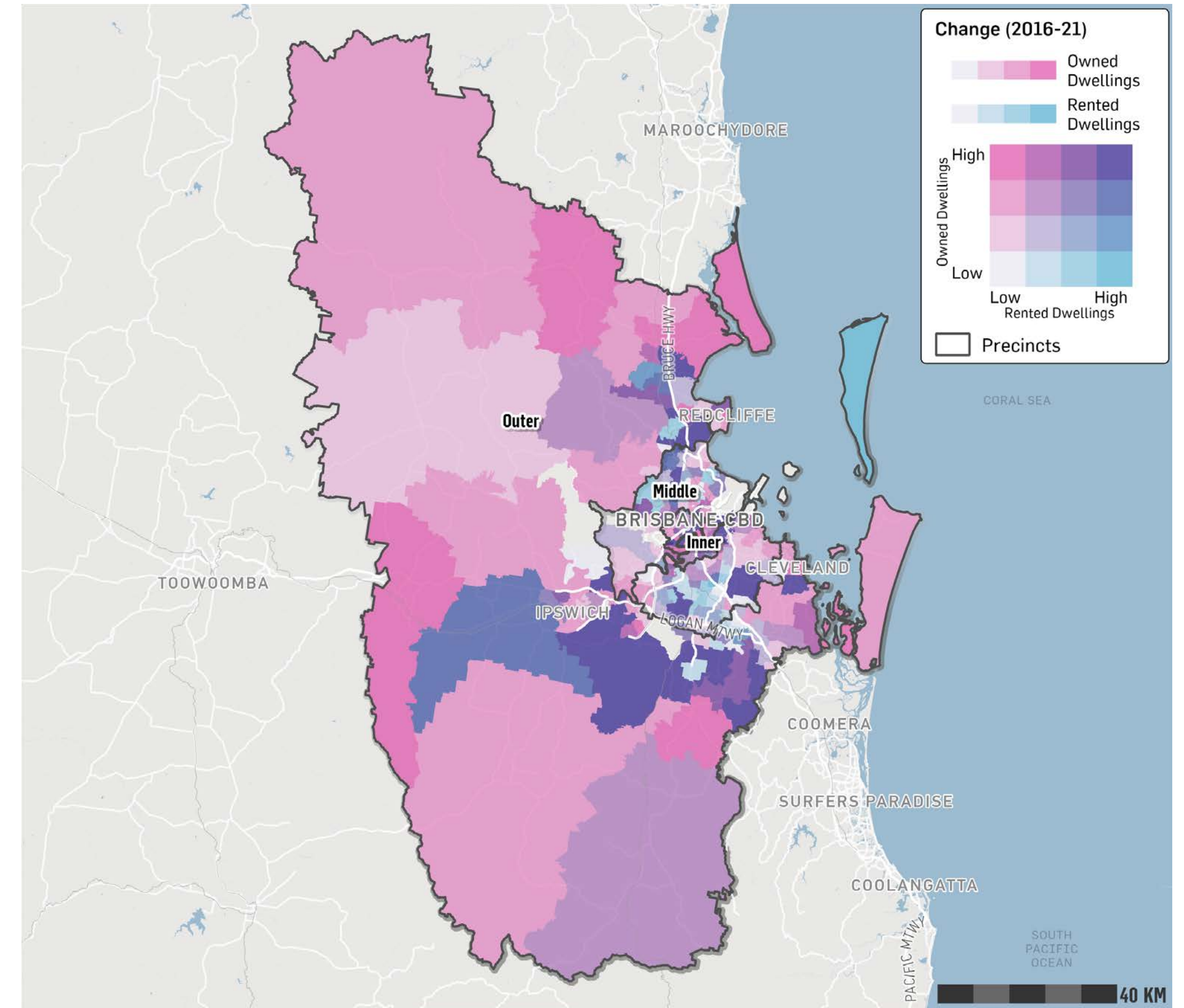
Note: Owned Dwellings take into account those that are owned outright and those owned with a mortgage. As these changes from low to high are segmented into quantiles, to distribute the percentage change in rented dwellings, the **low** range contains these percentage changes of 10% and below whereas **high** contains values above 30%. To distribute the percentage change in owned dwellings, the **low** range contains percentage changes of 5% and below whereas **high** contains values above 16%.



Owned and Rented Dwelling growth by SA2 - Greater Sydney (2016-21)



Owned and Rented Dwelling growth by SA2 - Greater Brisbane (2016-21)



Source: ABS

Note: Owned Dwellings take into account those that are owned outright and those owned with a mortgage. As these changes from low to high are segmented into quantiles, to distribute the percentage change in rented dwellings, the **low** range contains these percentage changes of 10% and below whereas **high** contains values above 30%. To distribute the percentage change in owned dwellings, the **low** range contains percentage changes of 5% and below whereas **high** contains values above 16%.

Which areas and dwelling types have been most popular?



The property boom following the 2nd lockdown in Melbourne was fuelled by transactions in Melbourne's Middle Ring

Residential sale settlement volumes the middle ring of Melbourne grew 23.0% in FY22 after declining -1.4% in FY21

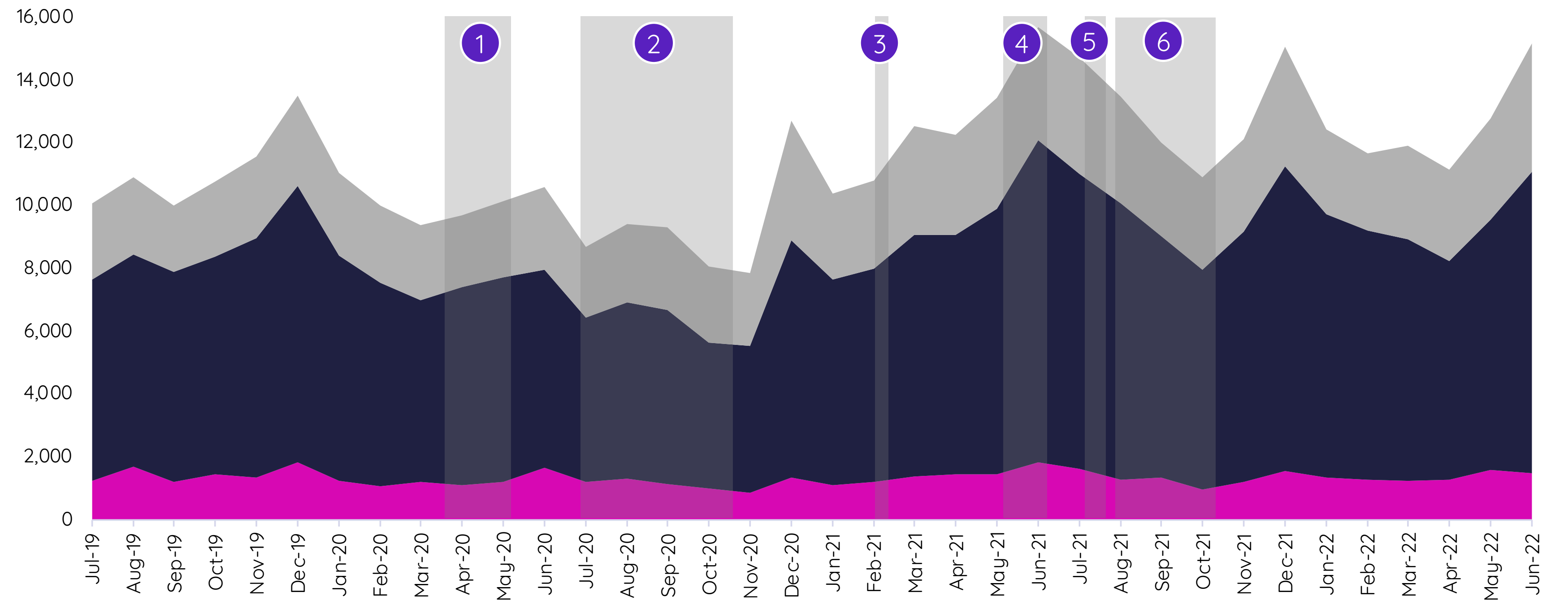
Monthly volumes in the inner ring of Melbourne remained largely unchanged over the period, with FY22 (+5.6%) making up lost ground from FY21 (-5.7%).

The outer ring of Melbourne was less impacted by the initial lockdowns, posting 18.5% volume growth in FY21 and a further 8.0% in FY22.

Residential sale settlement volumes

| Greater Melbourne | FY20-FY21 growth | FY21-FY22 growth |
|-------------------|------------------|------------------|
| Outer | 18.5% | 8.0% |
| Middle | -1.4% | 23.0% |
| Inner | -5.7% | 5.6% |

Total Volume of Residential Sale Settlements - Greater Melbourne



Inner Middle Outer

Source: PEXA

Note: COVID-19 lockdown periods are shown in grey and numbered.

The FY20 trend of rental demand flowing from inner to outer areas had largely been reversed by the end of FY22

Melbourne’s middle ring is the most active market for rental listings. Much of this activity occurs in established areas bordering the inner suburbs, where high levels of amenities drive this demand.

A spike in listings in Melbourne’s inner ring is evident in 2020-2021, driven by the supply and demand dynamics observed during the COVID-19 pandemic. During 2020-2021, international students were unable to enter the market, many workplaces closed and short-stay accommodation was released into the longer-term rental market.

As the level of activity in the inner ring of Melbourne has increased and there is more education, entertainment and workplace confidence, it is clear that listing volumes are falling back across the board in 2022.

The volume of listings in the inner ring of Melbourne is now approaching half what it was in Jan 2021.

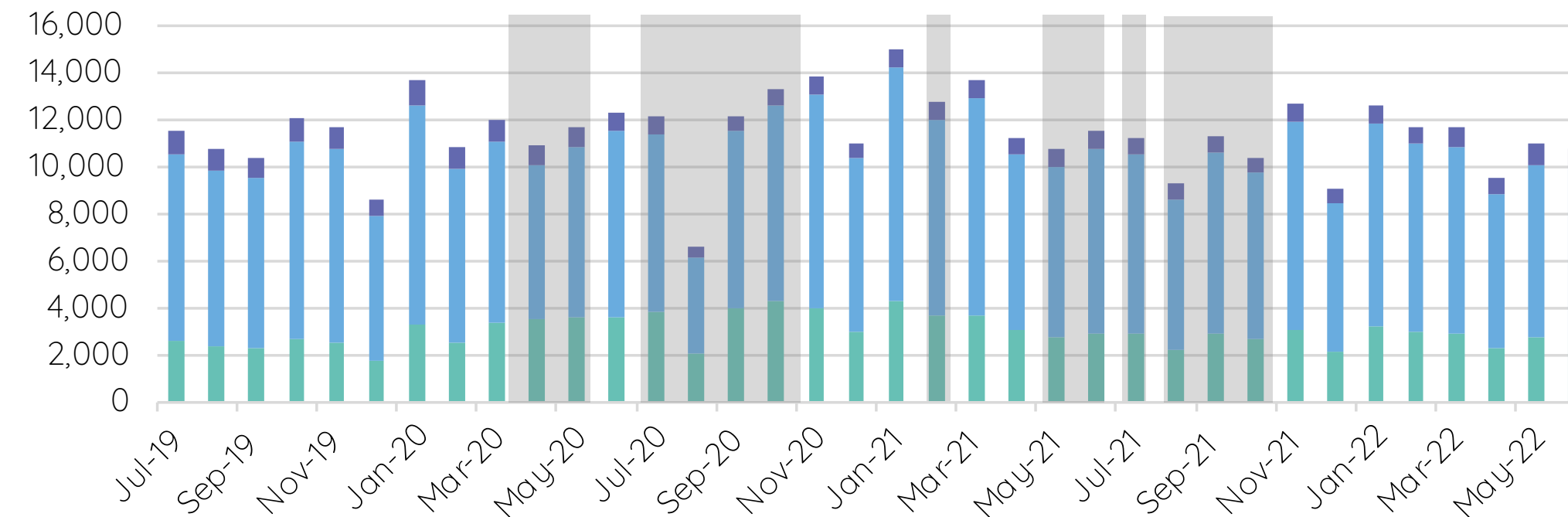
It is clear that the restrictions and preferences during peak COVID-19 periods took their toll on inner-city rental rates:

- **Between Q4 2019 and Q4 2020 rents in the inner ring dropped from \$500 per week to \$400 per week.**
- **The recovery in inner ring rents has really gathered pace since Q4 2021.**

Middle ring rents were also impacted but were far **more stable** and broadly recovered by Q3 2021.

Rents in the outer ring of Melbourne climbed from Q3 2020 all the way to Q2 2022, **narrowing the gap between outer rents and those in the middle ring.**

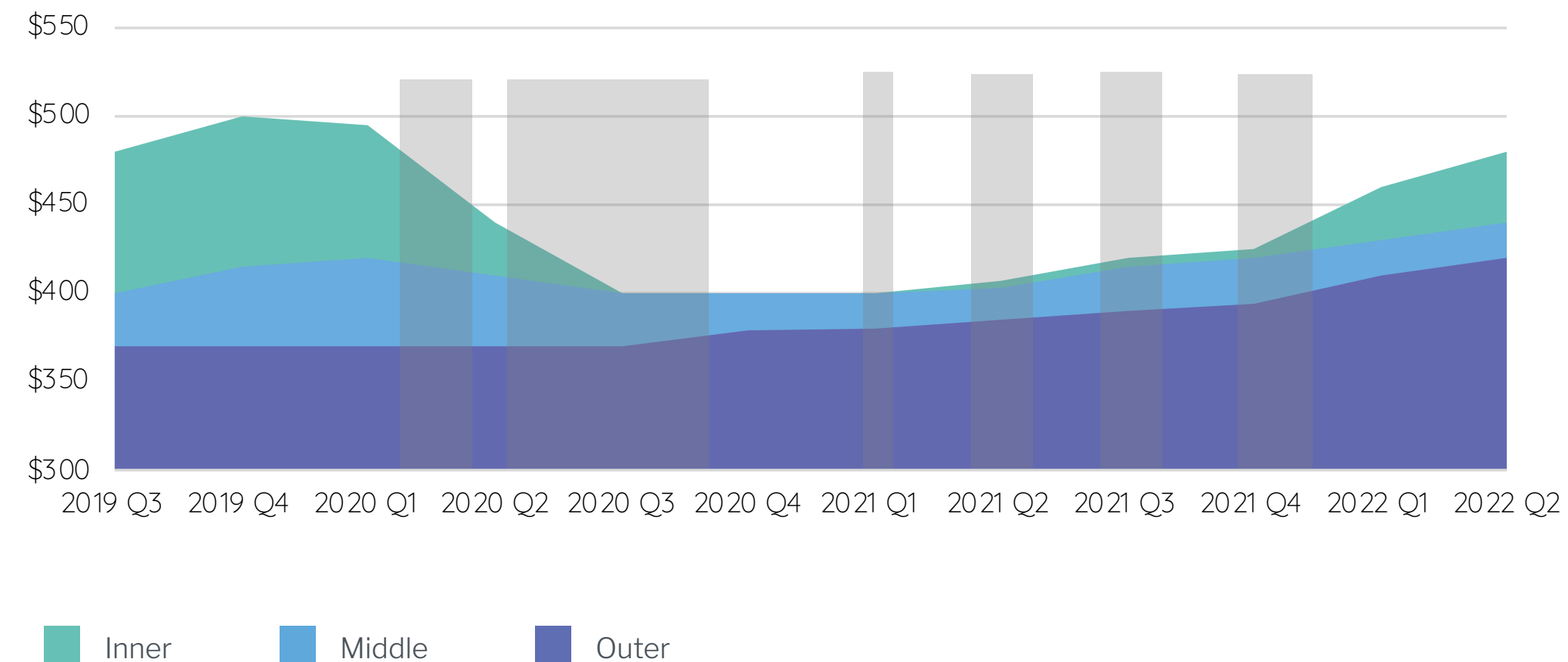
Rental Listings Over Time



Rental Listings Total 1 Year Change

| | FY20 % | FY21 % |
|--------|--------|--------|
| Outer | -22.1% | 5.4% |
| Middle | 3.0% | -4.9% |
| Inner | 21.6% | -21.1% |

Median Weekly Rents Over Time



Rents Overtime Total 1 Year Change

| | FY20-FY21 | FY21-FY22 |
|--------|-----------|-----------|
| Outer | 4.1% | 7.7% |
| Middle | 0.8% | 6.0% |
| Inner | 1.8% | 14.3% |

Source: Pricerfinder, Urbis

Note: COVID-19 lockdown periods highlighted in grey

The outer ring of Sydney saw the greatest growth in FY21, with settlement volumes up 30.3%

The growth in Sydney's outer ring was driven in part by buyers looking to escape the city in response to COVID-19, with volume growth stalling in FY22 as restrictions were lifted.

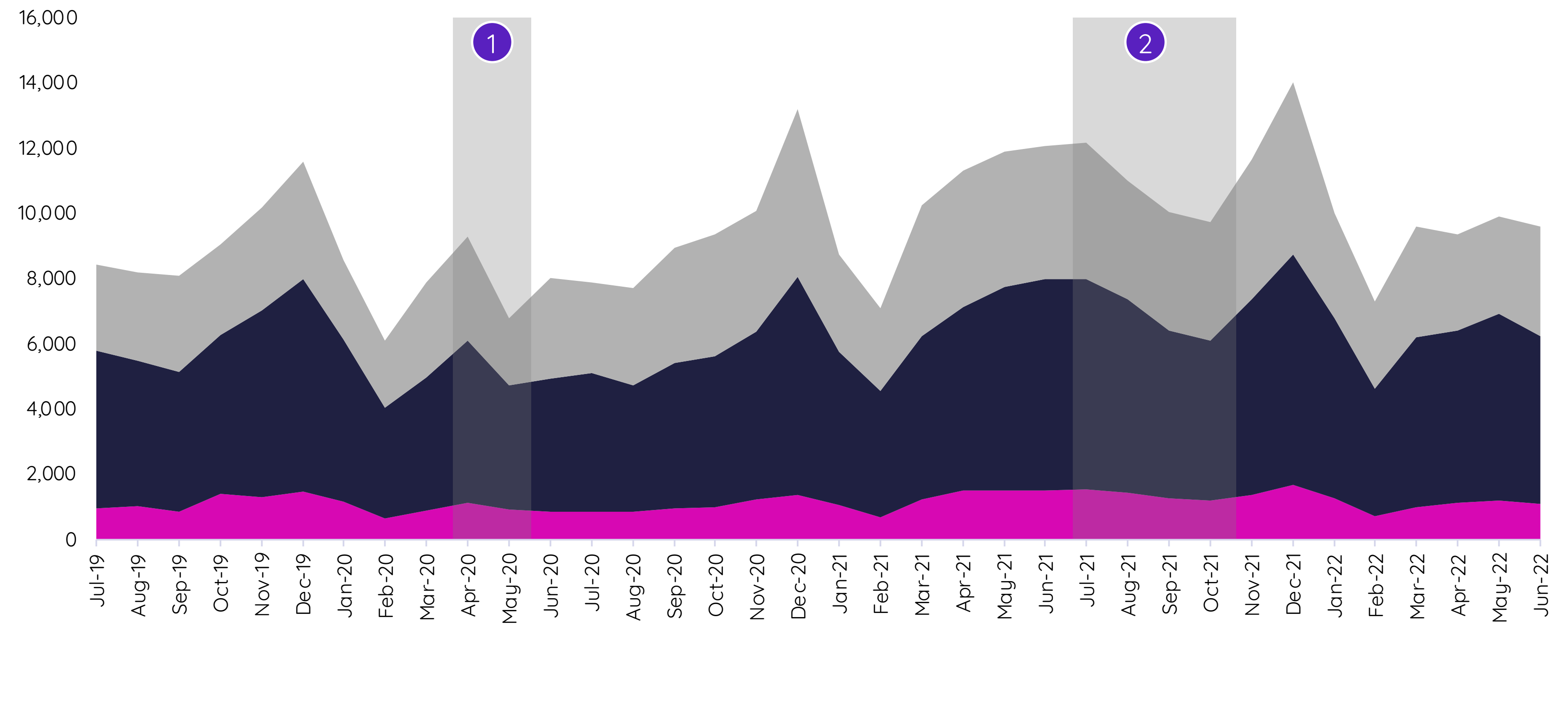
Sydney recorded consistently lower settlement volumes compared to Melbourne, referencing tighter supply putting upward pressure on prices.

The inner and middle rings of Sydney posted high single-digit volume growth over both years, indicating persistent demand.

Residential sale settlement volumes

| Greater Sydney | FY20-FY21 growth | FY21-FY22 growth |
|----------------|------------------|------------------|
| Outer | 30.3% | -1.2% |
| Middle | 9.1% | 8.6% |
| Inner | 8.5% | 8.7% |

Total Volume of Residential Sale Settlements - Greater Sydney



Source: PEXA

Note: COVID-19 lockdown periods are shown in grey and numbered.

Sydney rents picked up pace in FY22 as listing volume fell away

Sydney listing volume is down considerably in 2022 at well below 15,000 rental listings per month, compared to almost 20,000 over the course of 2020.

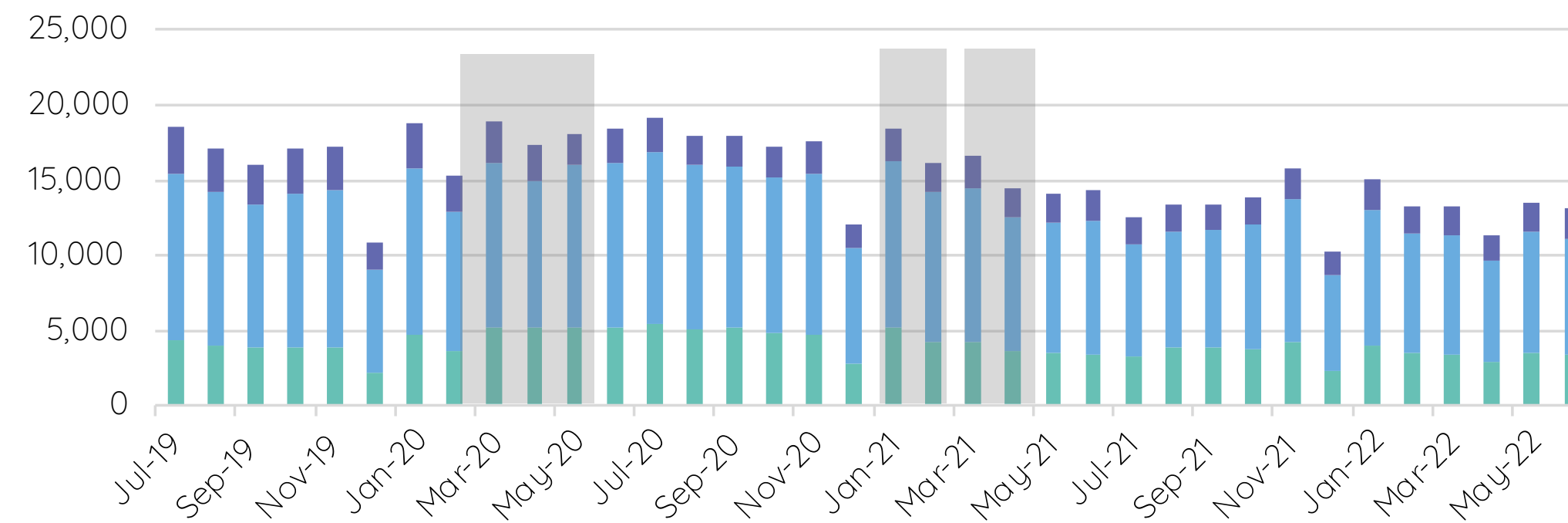
The volume of listings appears to be thinning in all areas of the city, across the inner, middle and outer rings.

The rental listings over time chart clearly highlights the impact of COVID-19 on Sydney's inner and middle ring markets, but looks far less severe than the declines observed in Melbourne.

In Sydney, the rental market bottomed out in Q4 2020 in the inner and middle rings, before rebounding and **passing the pre-COVID-19 levels by late 2021 in the middle ring, and early 2022 in the inner ring.**

The rental market in Sydney's **outer ring appears to have avoided any negative impact, with landlords potentially benefiting from tenants moving from other areas of Sydney.** The rents in the area climbed from Q2 2020 to Q2 2022, before leveling off towards the end of 2022.

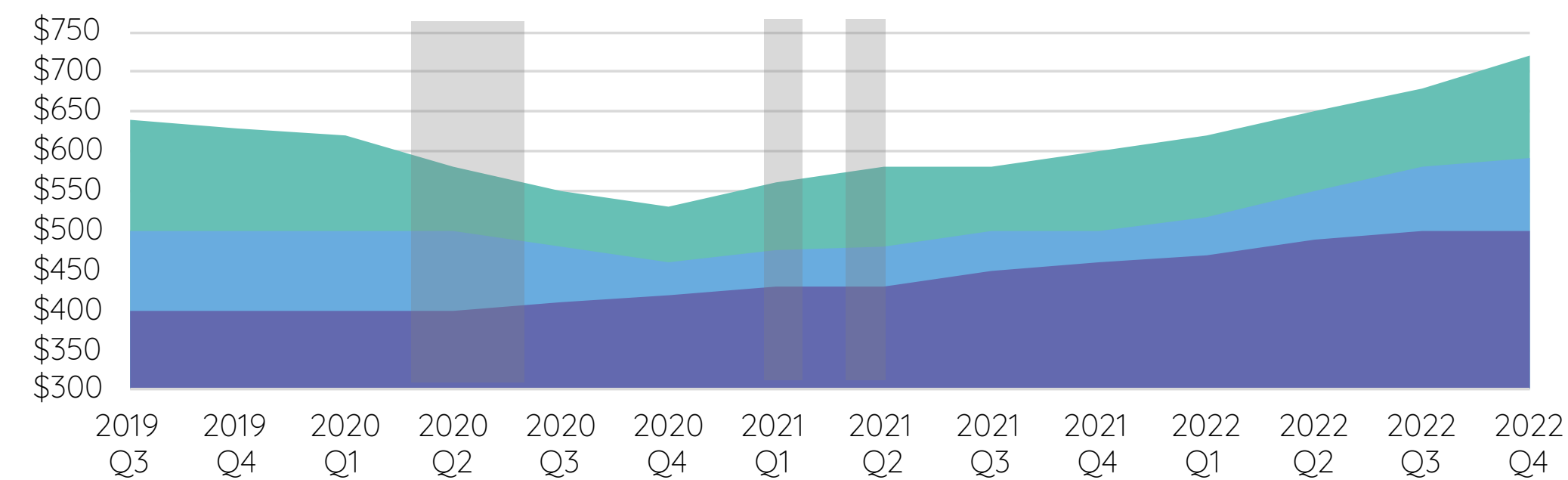
Rental Listings Over Time



Rental Listings Total 1 Year Change

| | FY20 % | FY21 % |
|--------|--------|--------|
| Outer | -22.6% | -9.0% |
| Middle | -0.9% | -21.5% |
| Inner | 2.3% | -19.6% |

Median Weekly Rents Over Time



Rents Overtime Total 1 Year Change

| | FY20-FY21 | FY21-FY22 |
|--------|-----------|-----------|
| Outer | 5.5% | 12.1% |
| Middle | 0.0% | 10.0% |
| Inner | 4.9% | 8.9% |

Inner Middle Outer

Source: Pricerfinder, Urbis

Note: COVID-19 lockdown periods highlighted in grey

Greater Brisbane experienced rapid growth in residential transactions in FY21

The volume growth was reigned in across all regions, as the property market started to soften in FY22.

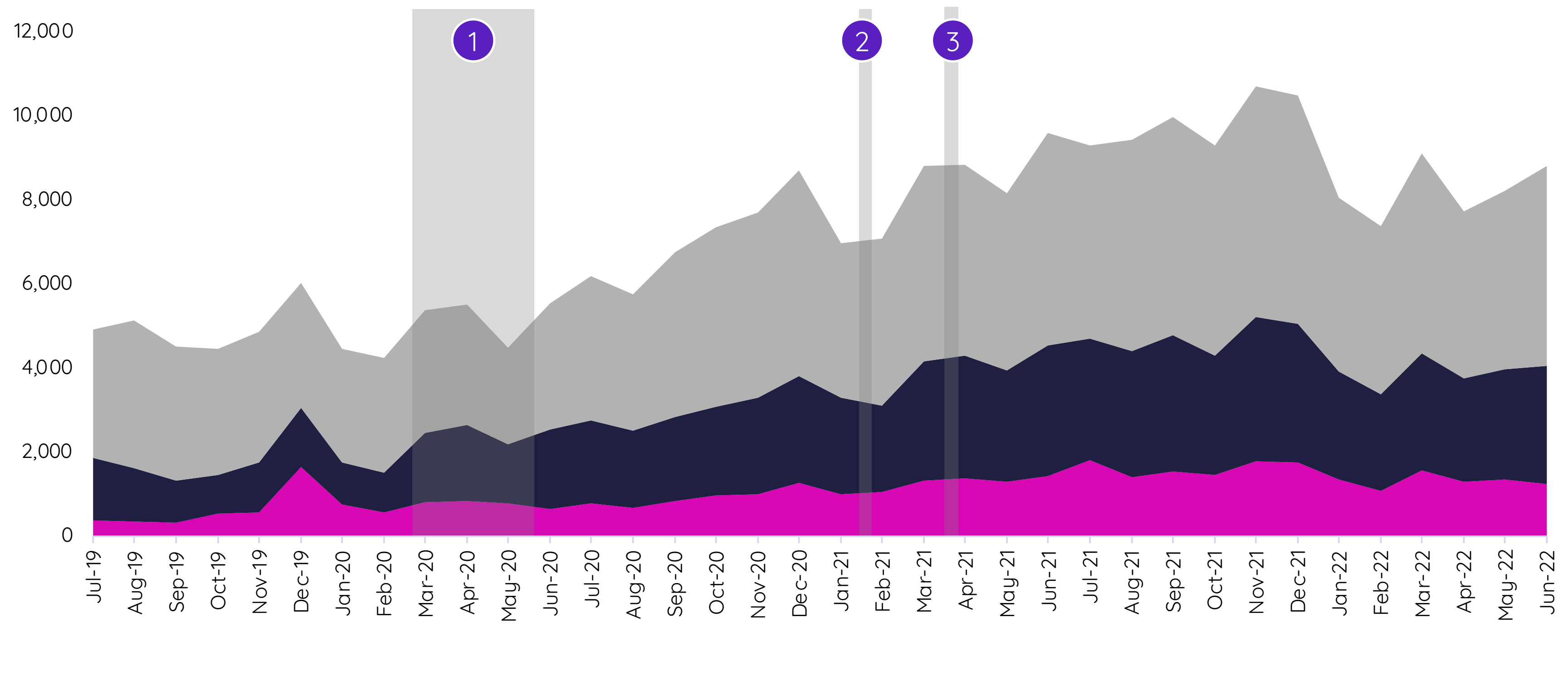
The inner, middle and outer rings of Brisbane saw a dramatic increase in settlement volume in FY21, the middle ring was the standout, growing 79.2% year-on-year.

The inner, middle and outer rings of Brisbane all saw continued growth in FY22, led by the inner ring, up 35.9%.

Residential sale settlement volumes

| Greater Brisbane | FY20-FY21 growth | FY21-FY22 growth |
|------------------|------------------|------------------|
| Outer | 42.1% | 12.5% |
| Middle | 79.2% | 19.5% |
| Inner | 58.6% | 35.9% |

Total Volume of Residential Sale Settlements - Greater Brisbane



Source: PEXA, total sale settlements shown. Inner, middle, outer region estimates based on PEXA market share of 85% in QLD as of Jun-22

Note: COVID-19 lockdown periods are shown in grey and numbered.

Brisbane's rental market barely missed a beat with volume sliding and rents climbing since FY20

Like Sydney and Melbourne, the listing volume in Brisbane continues to fall. **In April 2022 the volume fell below 4,000 listings for the first time in over three years.**

With a little over 1,000 listings in each of Brisbane's inner and outer rings, the remainder has been listed in the middle ring.

Analysis of rents over time in Brisbane reveals the **stark difference in the impact of COVID-19 compared to Sydney and Melbourne.**

A short and shallow dip in rents is visible in the middle ring of Brisbane in Q1 2020 which was **largely regained by Q3 2020.**

Similarly, Brisbane's inner ring experienced a swift drop between Q1 and Q2 2020, before **fully rebounding between Q3 and Q4 2020.**

The outer ring of Brisbane remained stable to Q2 2020 before accelerating continuously to Q4 2022.

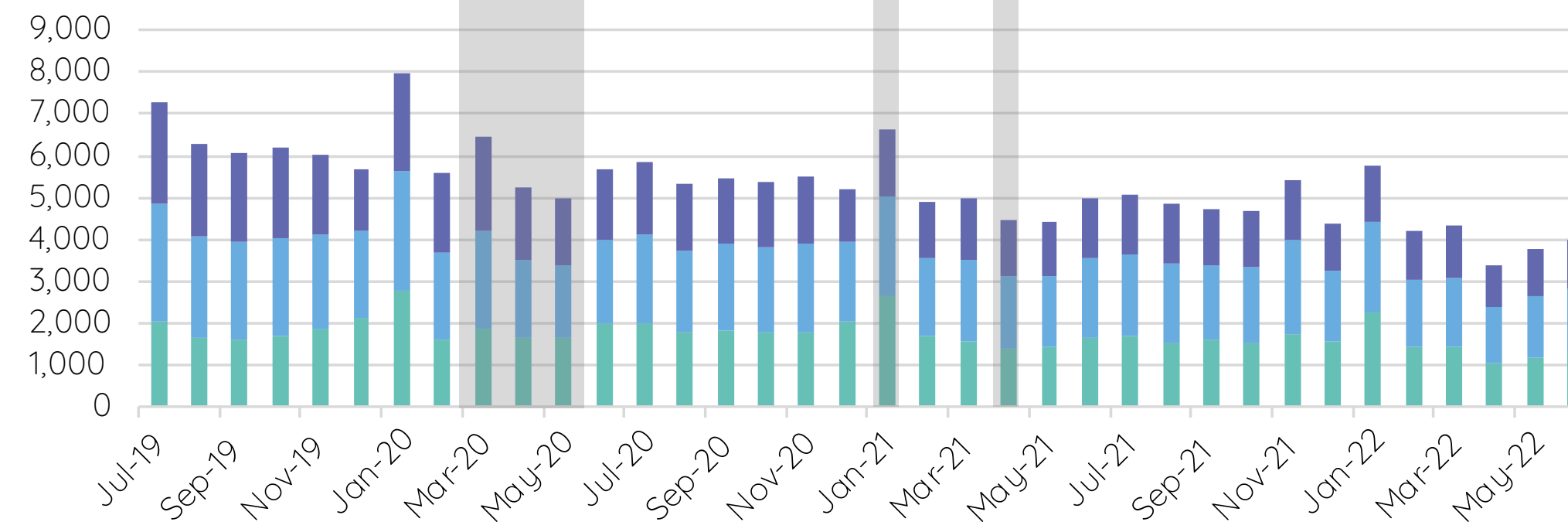
In fact, across **all areas of Brisbane, rents have accelerated from late 2020 or early 2021, adding over \$100 per week to the median rent in less than 2 years.**

Inner Middle Outer

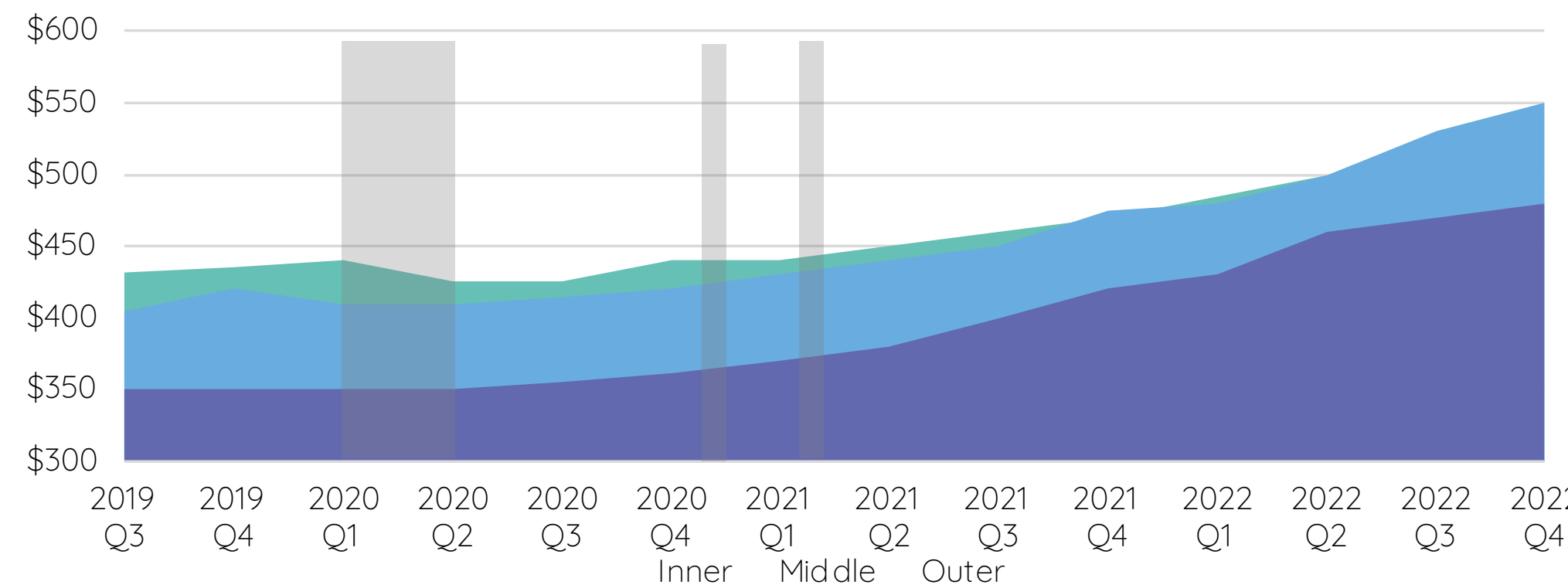
Source: Pricfinder, Urbis

Note: COVID-19 lockdown periods highlighted in grey

Rental Listings Over Time



Median Weekly Rents Over Time



Rental Listings Total 1 Year Change

| | FY20 % | FY21 % |
|--------|--------|--------|
| Outer | -25.1% | -15.4% |
| Middle | -12.9% | -11.5% |
| Inner | -3.5% | -15.6% |

Rents Overtime Total 1 Year Change

| | FY20-FY21 | FY21-FY22 |
|--------|-----------|-----------|
| Outer | 7.0% | 15.0% |
| Middle | 6.0% | 11.1% |
| Inner | 5.9% | 8.7% |

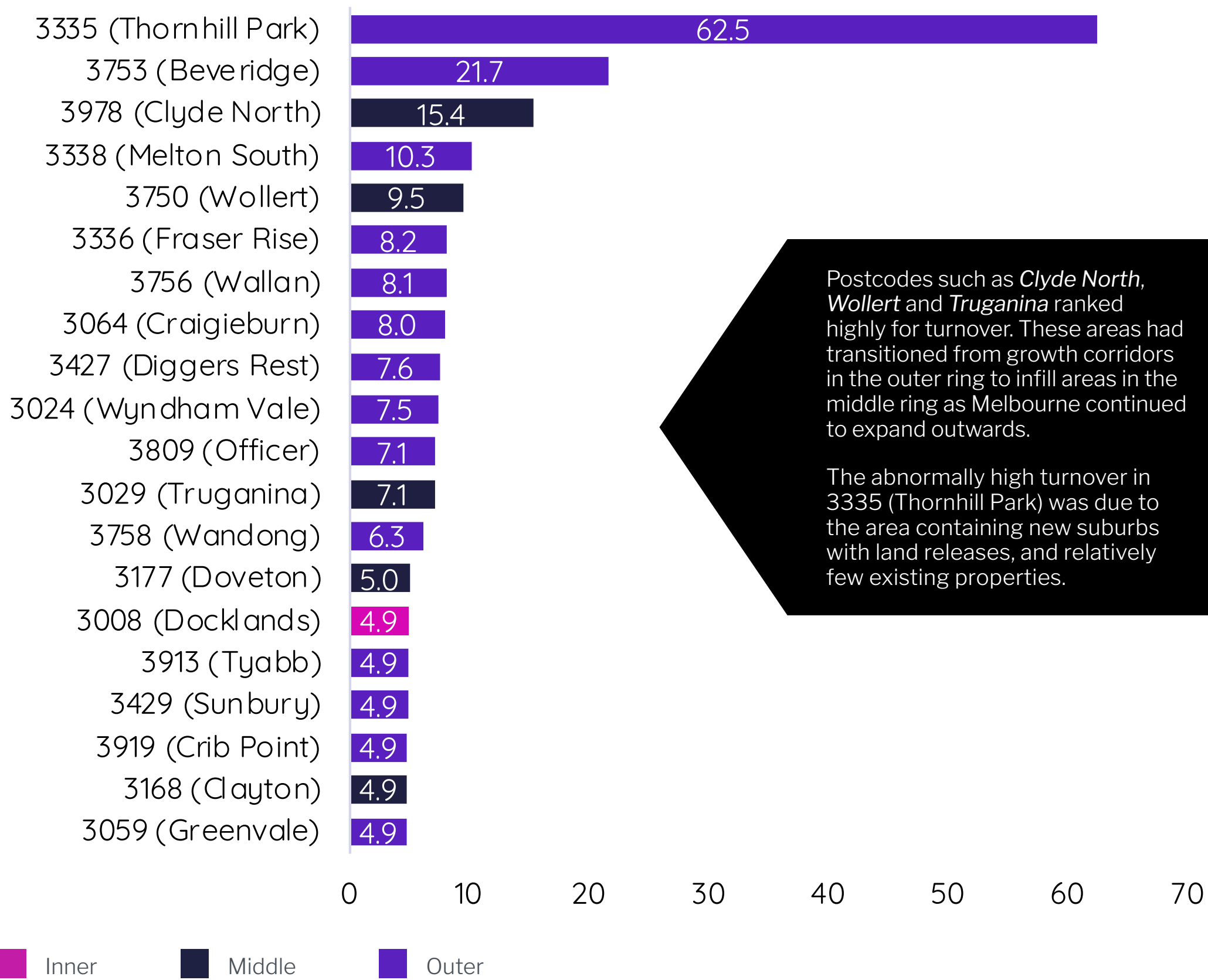
Which metro areas
have seen the most/
least activity?



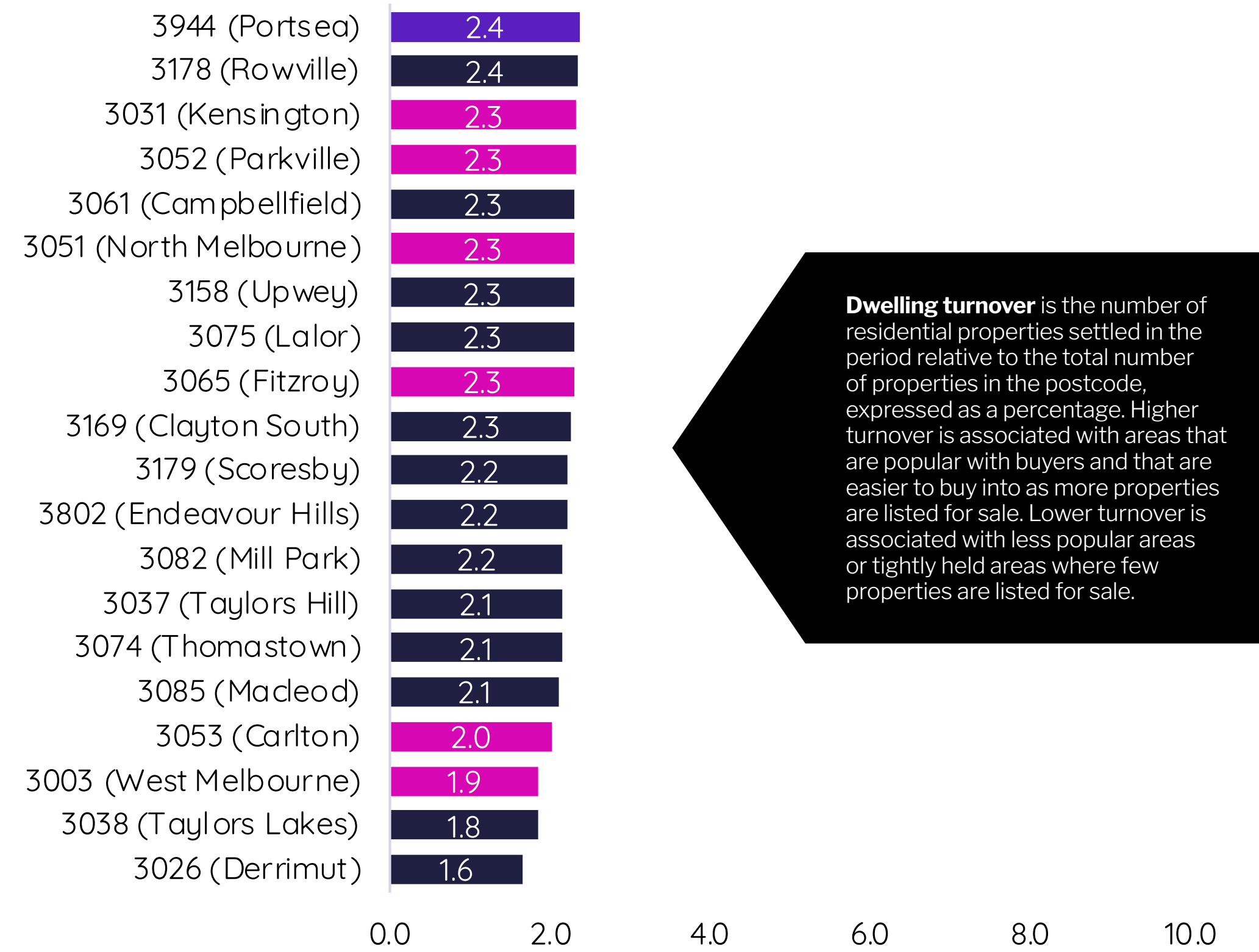
The top Melbourne postcodes for dwelling turnover were in the outer ring

This contrasted to the postcodes with lowest turnover, which were mainly located in the middle and inner rings of Melbourne

Top-20 Postcodes for Dwelling Turnover (%), Greater Melbourne, FY22



Bottom-20 Postcodes for Dwelling Turnover (%), Greater Melbourne, FY22



Source: PEXA

Top 20 - Greater Melbourne

In the year to 30 June 2022, markets in Melbourne's inner ring were the most active in listing volumes, including:

Melbourne CBD West, St Kilda East, Prahran-Windsor, Southbank East, South Yarra, Richmond and Cremorne.

Other active markets included areas on the inner fringe, such as Footscray, Preston East, Brunswick South, Thornbury, Caulfield North and middle ring locations such as Dandenong North.

What this shows is that **for rental housing Melbourne is relatively more reliant on inner city locations.**

By contrast it is no coincidence that **the least active rental markets were dominated by outer areas.**

In the year to 30 June 22 the markets in Melbourne's outer ring were the least active in terms of listing volumes, including:

Mickleham-Yuroke, Panton Hill-St Andrews, Kinglake and Wandin-Seville.

Other noteworthy markets included areas on the fringe of the middle ring, such as Narre Warren North, Hurstbridge, Warrandyte and Lysterfield. Some of these are developed areas but within the vicinity of the to be developed greenfield areas in the outer ring, while others offer more limited stock around smaller townships.

Source: Pricfinder, Urbis

Top 20 Rental Listings - Year to June 2022

| SA2 | Classification | No. Rental Listings |
|-----------------------------|----------------|---------------------|
| Melbourne CBD - West | Inner | 2,236 |
| Prahran - Windsor | Inner | 1,685 |
| Footscray | Middle | 1,564 |
| St Kilda East | Inner | 1,531 |
| Carlton | Inner | 1,484 |
| Southbank - East | Inner | 1,433 |
| Elwood | Inner | 1,361 |
| St Kilda - West | Inner | 1,360 |
| St Kilda - Central | Inner | 1,314 |
| Richmond (South) - Cremorne | Inner | 1,240 |
| South Yarra - North | Inner | 1,219 |
| Albert Park | Inner | 1,134 |
| South Melbourne | Inner | 1,072 |
| Caulfield - North | Middle | 1,056 |
| Thornbury | Middle | 1,033 |
| Carnegie | Middle | 1,005 |
| Preston - East | Middle | 980 |
| North Melbourne | Inner | 978 |
| South Yarra - South | Inner | 960 |
| Malvern - Glen Iris | Inner | 949 |

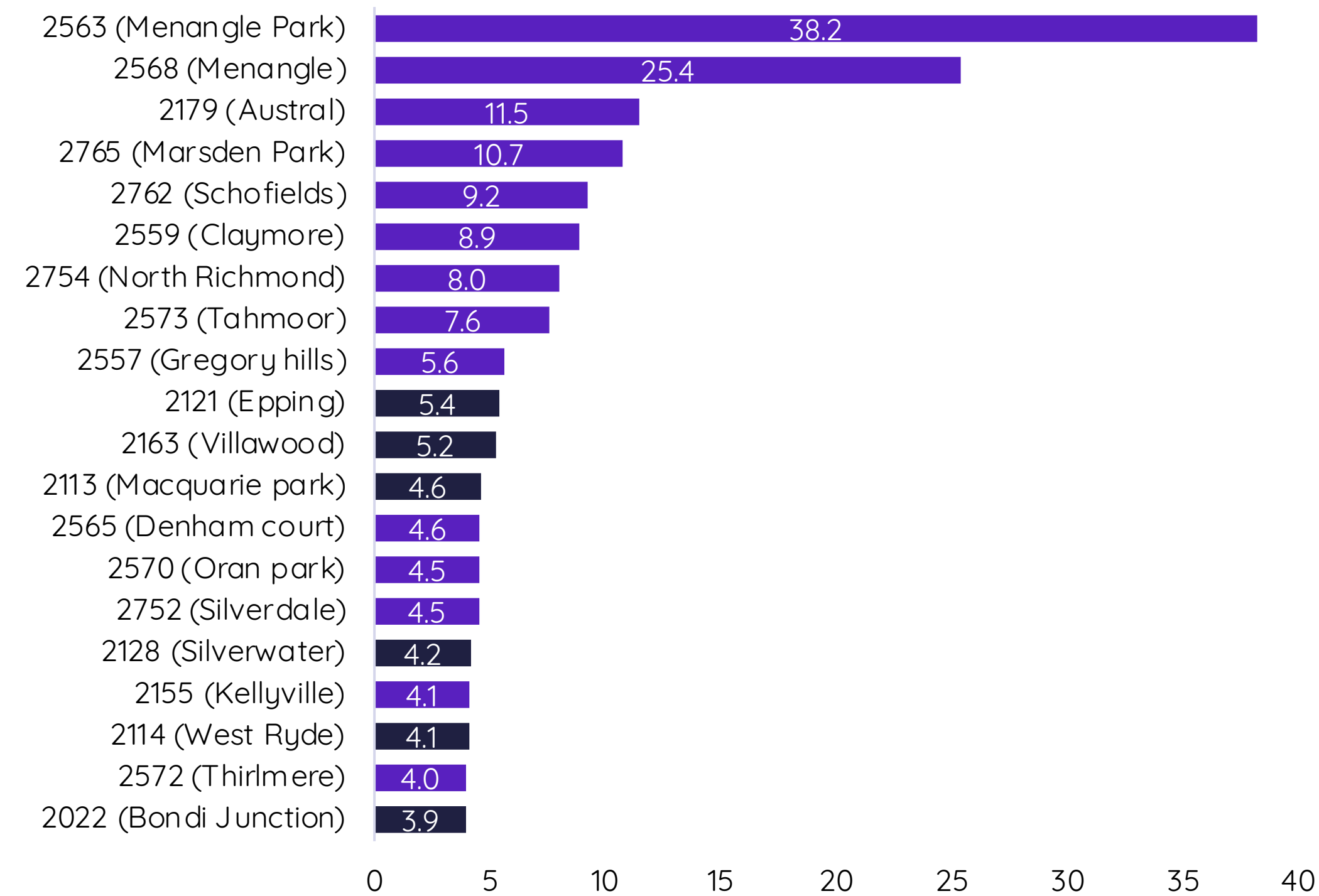
Bottom 20 Rental Listings - Year to June 2022

| SA2 | Classification | No. Rental Listings |
|-----------------------------|----------------|---------------------|
| Mickleham - Yuroke | Outer | 6 |
| Panton Hill - St Andrews | Outer | 9 |
| Narre Warren North | Middle | 10 |
| Kinglake | Outer | 11 |
| Wandin - Seville | Outer | 12 |
| Macedon | Outer | 16 |
| Monbulk - Silvan | Outer | 17 |
| Research - North Warrandyte | Outer | 17 |
| Cobblebank - Strathtulloh | Outer | 17 |
| Flemington Racecourse | Inner | 19 |
| Hurstbridge | Middle | 20 |
| Mount Evelyn | Outer | 21 |
| Warrandyte - Wonga Park | Middle | 22 |
| The Basin | Middle | 23 |
| Lysterfield | Middle | 26 |
| Montrose | Middle | 29 |
| Flinders | Outer | 31 |
| Clyde North - North | Middle | 32 |
| Cranbourne East - South | Middle | 33 |
| Burnside | Middle | 35 |

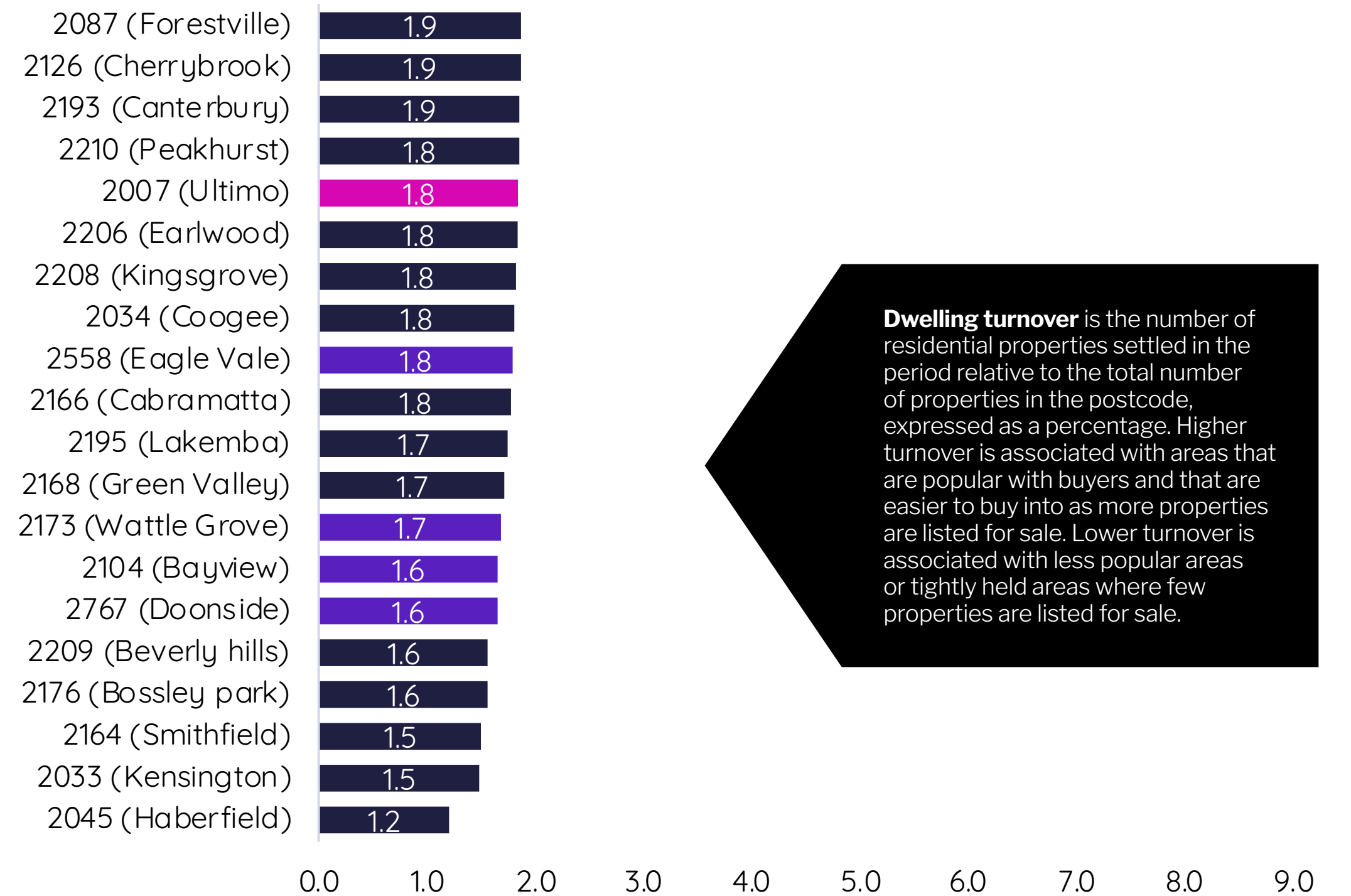
Similar to Melbourne the postcodes that ranked highest for turnover in Sydney were located in the outer ring

Postcodes in Sydney’s middle ring featured heavily for lowest turnover, indicating few properties were listed in these areas

Top-20 Postcodes for Dwelling Turnover (%), Greater Sydney, FY22



Bottom-20 Postcodes for Dwelling Turnover (%), Greater Sydney, FY22



Dwelling turnover is the number of residential properties settled in the period relative to the total number of properties in the postcode, expressed as a percentage. Higher turnover is associated with areas that are popular with buyers and that are easier to buy into as more properties are listed for sale. Lower turnover is associated with less popular areas or tightly held areas where few properties are listed for sale.

Inner Middle Outer

Source: PEXA

Top 20 - Greater Sydney

Beyond the central areas of Sydney, there are many active rental markets in the inner and middle rings of Sydney.

Perhaps unsurprisingly, well-known beach spots are among the most active, although it is clear newer growth fronts in Western Sydney are now also major rental markets, including Parramatta and surrounds.

Macquarie Park offers an active market, with a significant student population, the workforce expanding into the area, and new development opportunities arising.

Urban hotspots such as Surry Hills, Newtown and Erskineville are popular markets in the top 20.

Across Sydney's outer and middle rings, there are many rental markets that are less active.

Perhaps unsurprisingly, the outer areas characterise most of these rental listings with some noteworthy mentions in the middle.

Similar to Melbourne, lower levels of rental activity was generally observed in the outer ring market.

Source: Pricerfinder, Urbis

Top 20 Rental Listings - Year to June 2022

| SA2 | Classification | No. Rental Listings |
|--------------------------------|----------------|---------------------|
| Potts Point - Woolloomooloo | Inner | 2,825 |
| Sydney (South) - Haymarket | Inner | 1,918 |
| Bondi Beach - North Bondi | Middle | 1,876 |
| Surry Hills | Inner | 1,787 |
| Neutral Bay - Kirribilli | Inner | 1,729 |
| Sydney (North) - Millers Point | Inner | 1,722 |
| Manly - Fairlight | Middle | 1,690 |
| Glebe - Forest Lodge | Inner | 1,555 |
| Coogee - Clovelly | Middle | 1,554 |
| Darlinghurst | Inner | 1,543 |
| Crows Nest - Waverton | Inner | 1,537 |
| Petersham - Stanmore | Inner | 1,518 |
| Parramatta - North | Middle | 1,482 |
| Macquarie Park - Marsfield | Middle | 1,465 |
| Erskineville - Alexandria | Inner | 1,432 |
| Paddington - Moore Park | Inner | 1,400 |
| Newtown (NSW) | Inner | 1,391 |
| Northmead | Middle | 1,374 |
| Cronulla - Kurnell - Bundeena | Middle | 1,329 |
| Cremorne - Cammeray | Inner | 1,303 |

Bottom 20 Rental Listings - Year to June 2022

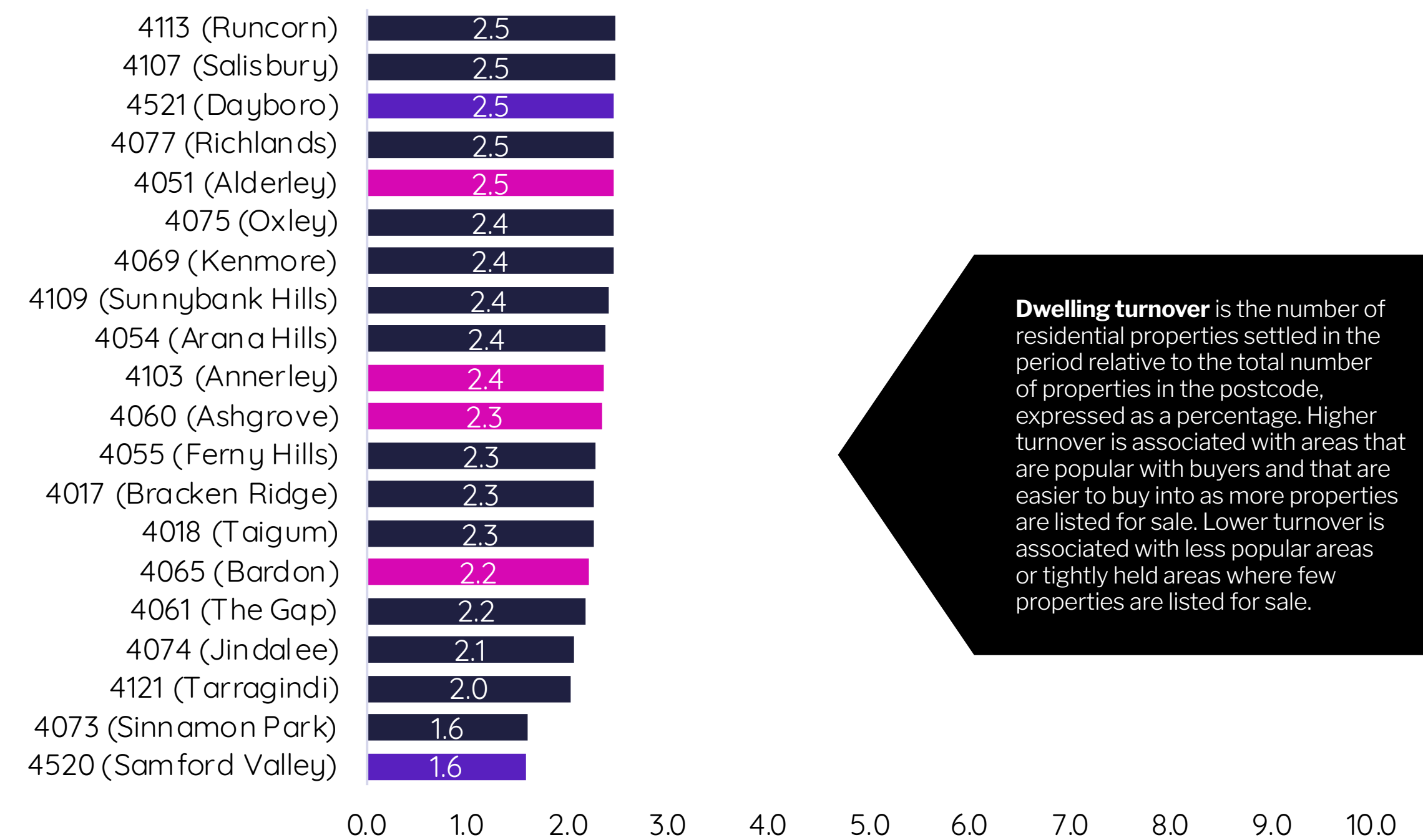
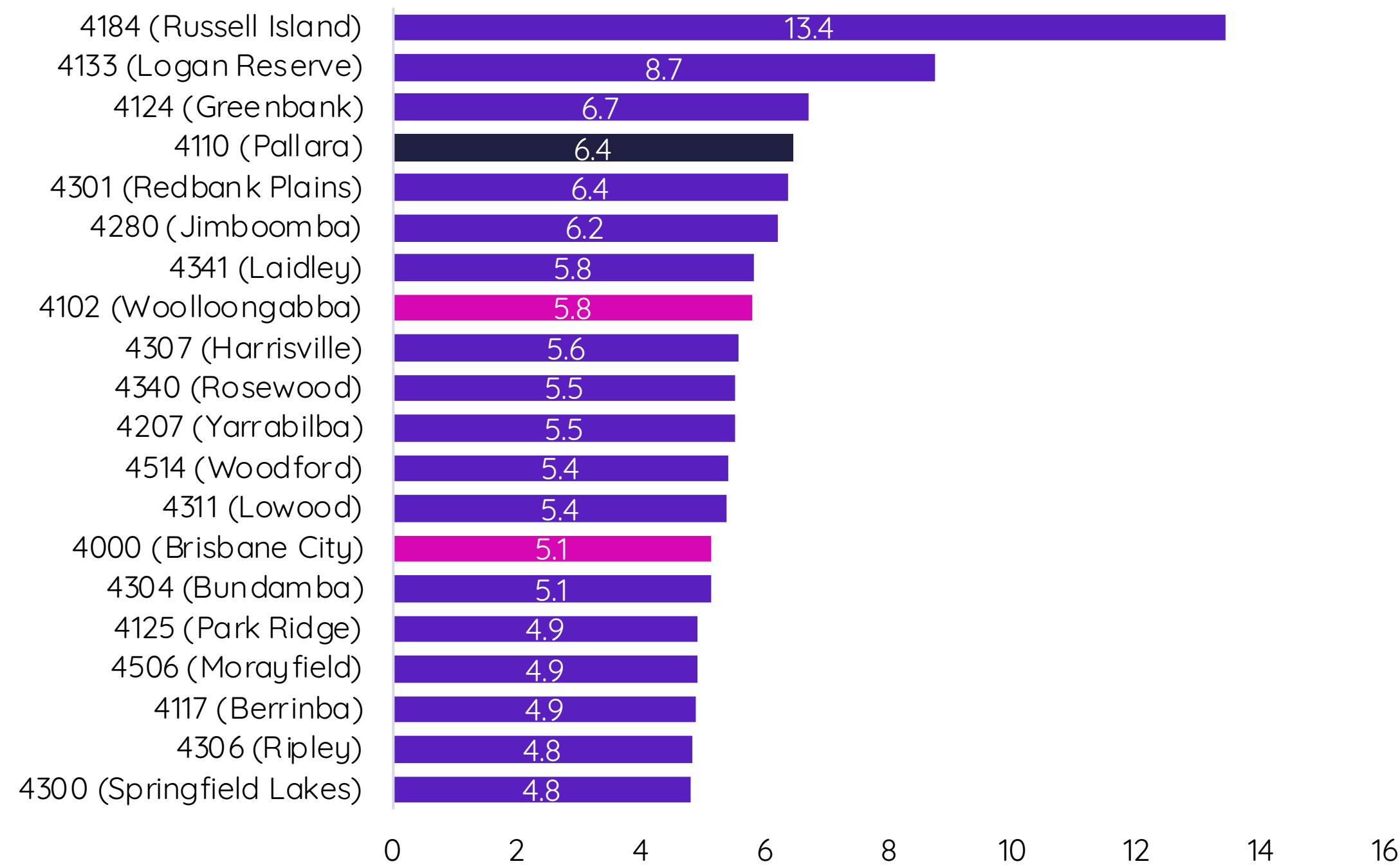
| SA2 | Classification | No. Rental Listings |
|---|----------------|---------------------|
| Marsden Park - Shanes Park | Outer | 2 |
| Jilliby - Yarramalong | Outer | 2 |
| Cobbitty - Bringelly | Outer | 4 |
| Bilpin - Colo - St Albans | Outer | 7 |
| Box Hill - Nelson | Outer | 7 |
| Horsley Park - Kemps Creek | Outer | 10 |
| Jordan Springs - Llandilo | Outer | 10 |
| Lilli Pilli - Port Hacking - Dolans Bay | Middle | 14 |
| Woronora Heights | Middle | 15 |
| Terrey Hills - Duffys Forest | Outer | 16 |
| Edmondson Park | Outer | 17 |
| Gledswood Hills - Gregory Hills | Outer | 18 |
| Glenhaven | Middle | 19 |
| Banksmeadow | Middle | 26 |
| Castle Hill - East | Middle | 29 |
| The Oaks - Oakdale | Outer | 30 |
| Galston - Laughtondale | Outer | 30 |
| Bargo | Outer | 31 |
| Denham Court - Bardia | Outer | 31 |
| Calga - Kulnura | Outer | 31 |

Postcodes in Brisbane's outer ring postcodes experienced the highest turnover in FY22

Postcode 4184 (Russell Island) topped the list with 13.4% turnover. Whilst a greater number of middle-ring postcodes featured in the bottom 20

Top-20 Postcodes for Dwelling Turnover (%), Greater Brisbane, FY22

Bottom-20 Postcodes for Dwelling Turnover (%), Greater Brisbane, FY22



Dwelling turnover is the number of residential properties settled in the period relative to the total number of properties in the postcode, expressed as a percentage. Higher turnover is associated with areas that are popular with buyers and that are easier to buy into as more properties are listed for sale. Lower turnover is associated with less popular areas or tightly held areas where few properties are listed for sale.

Inner Middle Outer

Source: PEXA

Top 20 - Greater Brisbane

In Brisbane, the rental markets (in volume) in the inner ring have been the most active.

Driven by supply levels and dominance of apartment living, the Brisbane City (CBD) has a number of large scale projects with significant quantum of dwellings.

The same can be said for the remainder of the Top 20 list – with each of the SA2's listed **dominated largely by apartments**.

Interestingly, a number of the SA2's have seen limited new product in the last 2-3 years, with listings likely focused on established and mature product.

As noted, **suburbs in the middle ring highlighted in the Top 20 are those with an active apartment market, and key centres or zoning enabling the delivery of this product typology**.

In Brisbane it is areas in the outer ring that offer the least active rental markets by listing volume.

Driven by lack of rental supply and more sales dominant market, areas such as North Stradbroke Island, Flagstone West and Upper Caboolture show lower listings.

The same can be said for the remainder of the list – with each of the SA2's listed largely dominated by a sales market.

Interestingly, **a number of the less active SA2's in the middle ring also fall within this list such as Pinjarra Hills, Wacol and Westlake. Unsurprisingly, these areas sit on the fringe of the middle and outer rings**.

Source: Pricfinder, Urbis

Top 20 Rental Listings - Year to June 2022

| SA2 | Classification | No. Rental Listings |
|---------------------------|----------------|---------------------|
| Brisbane City | Inner | 919 |
| Coorparoo | Inner | 853 |
| Newstead - Bowen Hills | Inner | 808 |
| Toowong | Inner | 797 |
| New Farm | Inner | 795 |
| South Brisbane | Inner | 794 |
| Paddington - Milton | Inner | 771 |
| West End | Inner | 706 |
| Morningside - Seven Hills | Inner | 697 |
| St Lucia | Inner | 695 |
| Spring Hill | Inner | 670 |
| Annerley | Inner | 637 |
| Nundah | Middle | 621 |
| Greenslopes | Inner | 619 |
| Kedron - Gordon Park | Middle | 610 |
| Kangaroo Point | Inner | 591 |
| Clayfield | Middle | 564 |
| Kelvin Grove - Herston | Inner | 558 |
| Taringa | Inner | 556 |
| Indooroopilly | Middle | 539 |

Bottom 20 Rental Listings - Year to June 2022

| SA2 | Classification | No. Rental Listings |
|------------------------------|----------------|---------------------|
| North Stradbroke Island | Outer | 1 |
| Flagstone (West) - New Beith | Outer | 7 |
| Upper Caboolture | Outer | 7 |
| Pinjarra Hills - Pullenvale | Middle | 12 |
| Wamuran | Outer | 12 |
| Elimbah | Outer | 13 |
| Munruben - Park Ridge South | Outer | 15 |
| Karana Downs | Outer | 15 |
| Logan Village | Outer | 16 |
| Burpengary - East | Outer | 18 |
| Flagstone (East) - Riverbend | Outer | 18 |
| Ipswich - North | Outer | 25 |
| Boonah | Outer | 26 |
| Wacol | Middle | 26 |
| Westlake | Middle | 26 |
| Ripley | Outer | 28 |
| Dayboro | Outer | 32 |
| Riverview | Outer | 33 |
| Woodford - D'Aguilar | Outer | 33 |
| Karalee - Barellan Point | Outer | 35 |

How have pricing
and rents changed
in our cities?



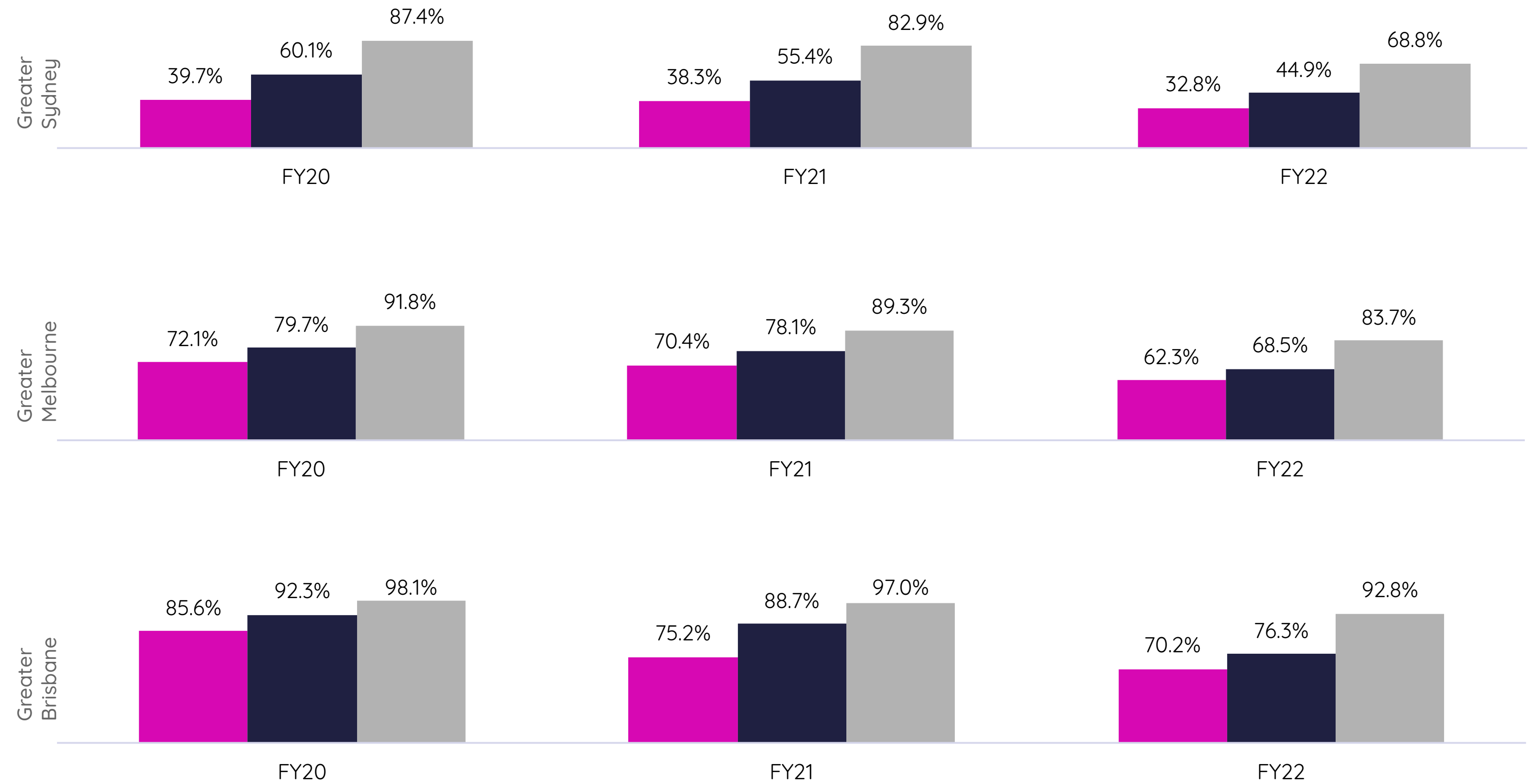
Property prices increased in all cities throughout the pandemic, with Sydney more advanced

All regions, in all cities, experienced reductions in the percentage of sale settlements under \$1M

The outer ring of Sydney saw a large drop in the proportion of sale settlements under \$1M, dropping nearly 20% from 87.4% to 68.8% in FY22.

The inner ring of Brisbane saw the percentage of settlements under \$1M drop over 15% over the 3 year period.

% Residential Sale Settlements Under \$1M



Inner Middle Outer

Source: PEXA

Rents under \$500 per week

When we consider the role of different markets, it is interesting that **in the inner rings, less than 10% of rental listings offered a rent below \$500**, while the middle rings offered three quarters of rental listings below \$500. Likely skewed by larger dwelling stock, around **17% of listings in the outer rings were below the \$500 threshold**.

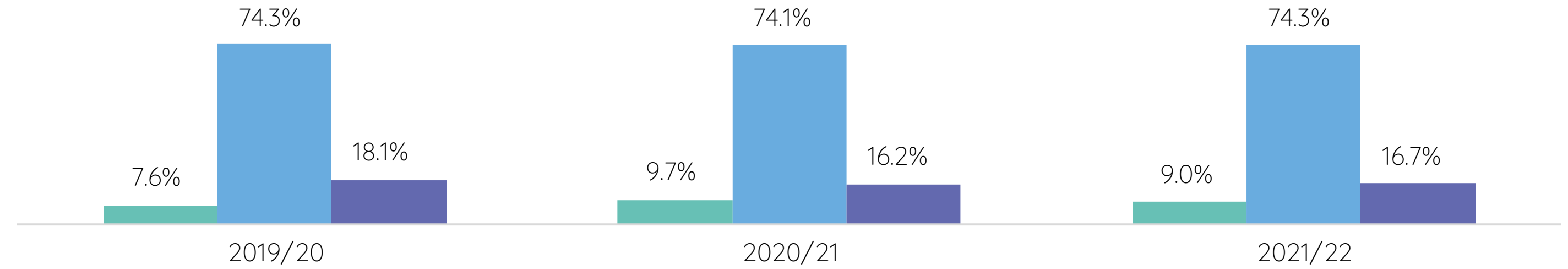
Less than 5% of listings in Sydney's inner ring were offered for under \$500 per week, while 60% of listings in the middle ring offered rents below that threshold. A little over one third of listings in the outer ring were available below \$500 per week. Since FY20, the following two years show the middle ring to have a higher proportion properties with asking rents under \$500 per week. This could be the result of more recent development trends introducing new stock targeting more apartments.

Although rents have accelerated in Brisbane, compared to Sydney and Melbourne a far greater share of listings in the inner rings are available below \$500 per week.

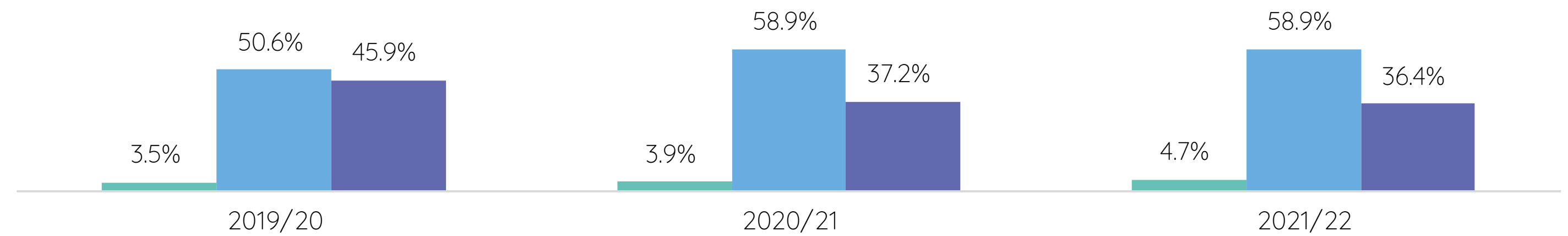
By contrast, the middle and outer rings are offering a lower proportion of listings below \$500 per week.

The structure of our cities, dwelling stock and the role these play in the housing market is different across Sydney, Melbourne and Brisbane. In the Brisbane region in the year to June 2022, we observe a higher proportion of rental properties in the outer regions relative to the previous year. Across the inner and middle rings however this proportion has continued to decline, albeit slightly, since FY20.

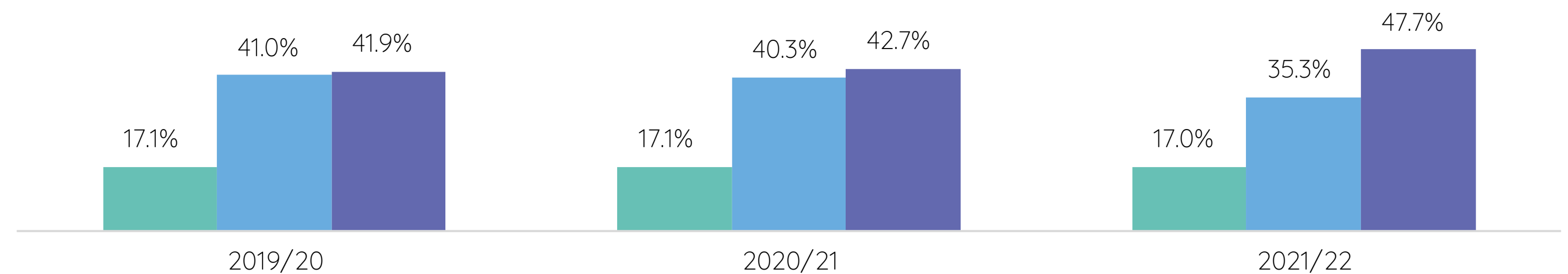
Greater Melbourne - Proportion of Rents Under \$500 p/w



Greater Sydney - Proportion of Rents Under \$500 p/w



Greater Brisbane - Proportion of Rents Under \$500 p/w



Inner Middle Outer

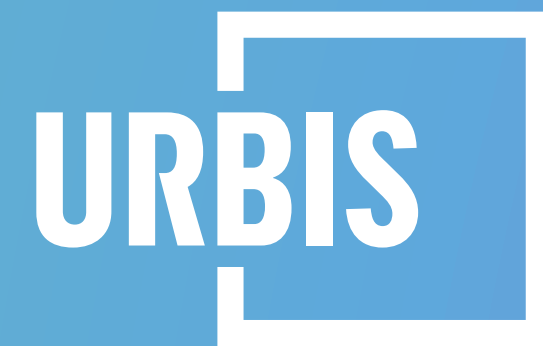
Source: Pricefinder, Urbis. Includes all residential property types

More information



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