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Key Australian property market trends of 2024

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Three experts share property forecasts

The Australian property market braces for a complex year in 2024, facing a confluence of rising interest rates, economic uncertainty, and the unwavering desire for homeownership.

While experts offer diverse forecasts, a common thread emerges: a year of adaptation, change, and potentially, unforeseen developments.

To navigate this intricate landscape, *Australian Broker* sought insights from three industry leaders:

- Rich Harvey (pictured left), CEO and founder of buyers' agency propertybuyer.com.au
- Louisa Sanghera (pictured centre), director of mortgage brokerage Zippy Financial
- Mike Mortlock (pictured right), managing director of MCG Quantity Surveyors

Property market outlook: Subdued growth, but pockets of strength

Buzzwords: COVID out, cost of living in

Most experts agreed that the days of double-digit property price hikes are over.

Harvey said higher borrowing costs after 13 interest rate rises would result in “subdued price growth”, tracking between 3%-5% nationally.

“The phrase ‘cost of living’ has replaced COVID as the buzzword impacting the economy and property market,” Harvey said.

However, despite the possibility of more interest rate rises to contain inflation, Harvey said the “significant undersupply of property” would result in upward price pressure in 2024.

Distressed selling activity on the rise

Sanghera painted a bleaker picture, predicting "distressed selling activity" due to financial stress among mortgage holders.

“A staggering 30% of mortgage holders, or some 1.5 million mortgage-holders, are at risk of financial stress and a further 75,000 are joining them,” Sanghera said.

Government’s housing plan ‘nigh on impossible’

“The pace of construction cost growth will slow since supply chain pressures we saw during COVID have returned to normal,” Mortlock said. “However, there is still a significant shortage of construction labour, exacerbated by the pipeline of government infrastructure projects.”

“Whilst construction supply is consistently overstated as the panacea for the rental crisis, the fact that the pipeline of higher density residential projects is a third of the normal figures will likely provide no respite for tenants,” Mortlock said.

“Major economists are predicting the national property market to grow between 1.5% to 8%. My view is that it’s likely to test or break the upper limit of that range.”

Key property trends to watch in 2024

Migration

With over 450,000 newcomers in 2023, the rental crunch is expected to persist.

Harvey expected this to last or up to five years, which benefits renters but puts a significant squeeze on renters.

Building approvals and construction

Another key driver to watch is building approvals, with changes to planning laws and zonings, vacancy rates, and new infrastructure announcements becoming increasingly crucial, according to Harvey.

“With building approvals at decade lows and higher building costs, getting new stock out of the ground will be slow and arduous — so the headlines about the housing crisis will continue,” Harvey said.

Sanghera agreed, saying that the lack of stock was a 2023 that’s likely to continue.

“It’s not only in advertised listings but also via new constructions,” Sanghera said. “This undersupply of properties for sale will keep property prices high next year in many locations around the nation.”

With the cash rate lifting from 0.1% to 4.35% in under two years, Mortlock said interest rates would continue to be “the elephant in the room”.

However, he noted that it’s important to consider that property prices had risen despite the unprecedented pace of interest rate rises.

“The gap between consumer sentiment around property prices and the time to buy a dwelling figure, points to the fact that many believe the market will continue to grow but are not able to take advantage,” Mortlock said.

“Any reduction in rates will certainly supercharge sentiment but more importantly unlock extra borrowing capacity, which will put pressure on prices.”

What property market segments will grow in 2024?

Upsizers, downsizers, and luxury buyers

With borrowing capacity severely crimped, buyers will likely look further afield to find areas to fit their budget.

Harvey said upgraders and downsizers were two key segments of the market to watch this year.

“Those upgraders with strong borrowing capacity will be seeking properties with larger home offices, extra living space, and lifestyle features for growing families,” said Harvey.

Mortlock agreed with this analysis, saying larger properties in boutique developments will be in demand for downsizers.

Harvey also said to watch out for luxury buyers in 2024, who are “seeking fully renovated houses, new builds or knock down opportunities in Sydney’s prime suburbs”.

“Good numbers of expats and higher net worth locals will be chasing highly limited listings.”

Regional areas and Perth

Looking at geographical segments, Sanghera said Perth would be the city most likely to continue to rise and “do really well” in 2024.

“There is a lot of continued interest in Perth, especially from investors,” Sanghera said. “In fact, according to CoreLogic, Perth was the best capital city performer this year in terms of dwelling price growth with prices increasing by an impressive 13.5% in the year to November 2023. However, its average dwelling value remains the most affordable of every capital city apart from Darwin.”

Mortlock expected regional areas to also perform strongly, especially where there is a diverse range of employers and major infrastructure projects in the works such as along the inland rail corridor.

“Diversified locations with median price points under $600,000 will perform strongly given our data on average investor purchase prices and the distance people are prepared to invest from where they live,” he said.

2024's most surprising property trend predictions

Housing market resilience

When asked what were some surprising elements that will have a lasting impact on the market, Harvey said the "incredible resilience of the housing market" will continue to surprise in 2024.

"Despite the economic shocks, bricks and mortar remains a steadfast strategy," Harvey said.

"Intergenerational wealth will also play a more important role in helping first home buyers get into the market via the bank of mum and dad supporting with equity loans or cash."

Interest rate declines as inflation moderates

For Sanghera, the most surprising trend of 2024 will be that the cash rate will drop back down to the "late-3% range" by the end of the year.

"A number of astute forecasters are predicting inflation to continue to moderate more quickly than previously expected," Sanghera said.

"Investors have really been struggling to purchase in a higher interest rate environment, and plenty more have been battling their property loans switching from interest-only to principal and interest repayments."

How the government will overcome the rental crisis

Mortlock's prediction was that continued increases in rents would likely influence housing formation rates and "certainly" state political intervention.

"Changes to interest rates, interest rate buffers and any innovation around unlocking existing supply via stamp duty changes or downsizing incentives will have lasting impacts," Mortlock said.

"Migration numbers will be interesting to watch, in concert with unemployment rates and RBA decisions as they attempt a soft landing back into the target inflation band by 2025."