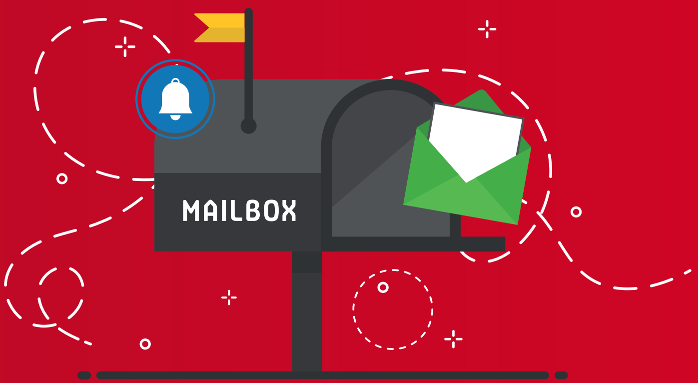
PRO-News

ISSUE 140
February 2025



In this issue:

WILL THE MARKET DIP IN 2025?

News headlines always present the most eye-catching information. If you have seen recent articles about a property downturn, you are probably wondering what this means for your home.

There's no doubt the market has slowed, but take a look at what is really happening:

What is happening to Australian property prices?

Property values surged significantly during and after the pandemic in Australia, with gains being driven by high demand, limited supply and rising construction costs. Prices seemed to be on an interminable upwards trajectory, ignoring any suggestions about a 'fixed rate cliff' or price correction.

After several years of growth, recent data finally suggests that the housing market is slowing down as we enter 2025. However, this is far from a 'crash'.

Looking beyond the headlines, statistics say national home values across Australia dropped by 0.1% in December 2024. CoreLogic explained that Sydney and Melbourne (the largest housing markets) led the decline, with Sydney seeing a 0.6% drop in December (and a 1.4% drop in the last quarter of the year), while Melbourne dropped by 0.7% in December (and a 1.8% decline over the same quarter).

These numbers are relatively minimal when you consider that national prices still rose by 4.9% in 2024, adding an average of $38,000 to the median home value. There are also cities and regional areas that are still experiencing relatively strong growth.

Will property prices keep dropping in 2025?

From all the available data, it doesn't look like property prices will fall significantly in 2025, with experts saying a drop will be "shallow and short-lived".

The current slowdown has been created by a gap in prices and affordability. With interest rates high and the cost of living putting a squeeze on people's budgets, buyers can't afford to bid high. This is what has led to a slower market.

While prices might soften through 2025, property experts are not forecasting an extended downturn or massive drop because demand is still outstripping supply. What's more, any slowdown is likely to be reversed when interest rates are finally reduced and people find they have more spending power.

Should you sell in early 2025?

If you're thinking about selling your home early this year, don't panic about a slower market. For one thing, there are still buyers out there, especially if you have a quality home in a good area.

Keep in mind as well that as soon as you sell you become a buyer. In this case, a slower market will be to your advantage.

The other factor is location; if you're in a sought-after area it's likely you can still sell for a premium. For example, Perth, Adelaide and Brisbane saw values surge by between 11.2 and 19.1% over the last twelve months.

Thinking of selling? Speak to an expert

The key to making smart real estate decisions is professional advice. Whether you're selling, buying or exploring your options, an experienced agent can provide insights that are specific to your property, your location and your personal goals.

Need a guide to navigate a fluctuating market? Reach out to your local Professionals office today.

Professionals

SHOULD YOU INVEST IN A HOLIDAY HOUSE?

As the summer holidays come to an end, it's easy to think wistfully of your downtime by the beach or the bush and wonder if it's the right move to buy a place in the paradise you love.

Holiday houses are a rite of passage in Australia and owning one of your own is a pretty special experience. With remote work now the norm, it's also a lot easier to extend a weekend mini-break by an extra day or two.

Before you ring the local agent and start scrolling through property listings in a distant postcode, here are a few things to think about:

1. **Holiday house location (and reality vs expectations)**

   Holiday destinations feel special when you're visiting, but can you really see yourself coming back time and time again? Will you be happy to make the trip on a Friday night after work and home again on Sundays throughout the year?

   The ideal holiday house is within three to four hours of where you live. This makes a short weekend getaway more manageable and you'll be able to visit more often.

   Look at the local amenities and think about the getaways you want to enjoy. If you're miles from shops and cafes the novelty may wear off (unless that's exactly what you are looking for).

   Think about who will visit the home with you—is it child friendly or will you have room for guests if you plan to invite them?

2. **Affordability**

   Holiday homes are an investment, and you need to look at your numbers before you commit. Maintenance costs, the price of furnishing the place and things like cleaning and gardening all add up.

   Speak to your broker and accountant, and do your due diligence so you know you can comfortably meet the repayments for your new place.

3. **Leasing options**

   You probably won't be travelling to your holiday home every single weekend, so leasing it to other travellers can balance your cash flow. However, the home will probably need a different setup if you do this, with storage for the things you don't want your guest to access and more durable furniture and carpet (red wine has a way of getting spilled, especially by visitors).

   You can list your place on platforms like Stayz or Airbnb but before you buy, have a look at the competition in the area. You don't want your place to be the last choice for holidaymakers as it will end up being empty and not delivering the cash you need to cover ongoing expenses.

4. **Quality of the home**

   It's easy to fall for a charming cottage or a beachfront shack, but don't let the romance appeal distract you from potential issues. Is the house in good condition, or will it drain your wallet with endless repairs? Will it be warm enough in winter and cool enough to enjoy a relaxing retreat in summer? Unless you love roughing it, you'll need to make sure the home is comfortable for you and your family.

5. **Investment Potential and Long-Term Plans**

   Your holiday house is an investment that should grow in value over time and give you positive financial returns. Do some research about incoming infrastructure and demand in the area. A new tourist attraction like a mountain bike park or festival may improve the value, or a change in zoning may make it less desirable for holidaymakers and future buyers.

   Think about your long-term goals as well. If you plan to retire to your favourite holiday location, make sure there are hospitals and reputable doctors close by. If you think you will sell the place once the children have grown up, factor in capital gains tax as it will impact your overall returns.

Looking for a holiday house? Talk to the Professionals

Avoid the pitfalls of buying a holiday house by connecting with an experienced local real estate agent. Reach out to explain what you're looking for, and let your local Professionals operative be your guide.

Professionals

WHERE TO INVEST IN 2025

The beginning of 2025 is an excellent time to invest because prices have softened but experts say this temporary dip will end once interest rates start to drop. If you have the means to buy a home or apartment as an investment, these are the areas property experts say are worth checking out:

1. **New South Wales**

   Sydney prices have settled somewhat, but there are still good investing opportunities to explore in 2025.

   - At the upper end of the market, Mosman and Freshwater get the thumbs up from experts because of their proximity to Sydney and lifestyle appeal.
   - Meanwhile, Dulwich Hill is being described as a hidden gem in the inner west because of its wider streets and larger houses than neighbouring suburbs.
   - Other experts are telling investors to look to Parramatta or suburbs near the new Western Sydney International Airport.

   Regionally speaking, Warrawong in the Illawarra is being tipped to have its moment in the sun in 2025. Investors are also being directed to Orange in the state's west.

2. **Queensland**

   Queensland is alive with activity thanks to the upcoming Olympics. Here are some top spots in Queensland to consider:

   - **Coorparoo:** Great schools, and quick access to Brisbane's Central business district (CBD).
   - **Toowoomba:** Affordable regional hub with steady growth.
   - **Townsville:** Median house prices of $400,000–$500,000, with experts predicting significant growth.
   - **Ipswich:** Rental yields up to 5%, plus schools and excellent transport.

3. **Northern Territory**

   The Northern Territory still has good investment potential. Many property analysts agree that some spots here offer great affordability, strong rental yields and growth opportunities. Some of these suburbs and towns are:

   - **Parap:** with its tropical charm.
   - **Rapid Creek** is close to central Darwin and tipped as a new hotspot
   - **Braitling (Alice Springs)**: Experts say affordable housing with high rental demand for tourism and government workers makes this a good investment choice.

4. **Western Australia**

   Perth grew by over 19 per cent in 2024, catching up with the rest of the country.

   - **Innaloo:** The suburb with a funny name, Innaloo has shopping hubs and family-friendly amenities, making it a solid investment choice.
   - **Victoria Park:** Minutes from Perth's CBD, Victoria Park has gentrified and has strong rental demand.
   - **Redcliffe:** Suburbs around Perth Airport are growing fast with transport upgrades and redevelopment projects.
   - **Geraldton:** While other buyers are inflating prices in Rockingham and Mandurah, this northern town has affordable housing and solid local infrastructure.

5. **South Australia**

   Adelaide's investment potential continues, with savvy buyers understanding what a liveable city it is and seeing potential in 'out of town' locations that are still well within an hour's drive of the CBD.

   - **Hillcrest:** An affordable suburb near Adelaide's CBD that is well-placed for steady growth.
   - **Seacliff:** A seaside suburb with train access to the city centre
   - **Christies Beach:** Only 30 minutes from town and considered by many to be undervalued.

6. **Victoria**

   Victoria offers a blend of metro sophistication, regional opportunity and affordability, which makes it a strong contender for investors in 2025. Consider researching the following:

   - **Werribee:** This spot is a go-to for first-home buyers and long-term investors.
   - **Frankston:** Combines coastal charm with excellent amenities. Frankston's reputation and appeal are evolving.
   - **Keilor East:** Near Melbourne's CBD, with a new train station coming, Keilor East is 'the new Essendon'.
   - **Deer Park:** Quality middle-ring suburb with 4.5% rental yields and strong transport links.

7. **Tasmania**

   Tasmania saw a surge during the pandemic but still has good investment potential:

   - **Kingston:** A Hobart suburb with a coastal vibe, modern amenities and appeal for families and lifestyle buyers.
   - **Devonport:** The entry point for many travellers thanks to the ferry port. This is a regional hotspot with infrastructure projects that are driving growth.
   - **Launceston:** Known for its historic charm and vibrant city centre, Launceston has a strong rental market

8. **Australian Capital Territory - Canberra**

   Canberra's property market is gaining momentum in 2025, offering diverse investment opportunities. Here are the key areas to focus on:

   - **Kambah/Wright/Amaroo:** These suburbs combine affordability, family-friendly amenities, and solid investment potential, making them ideal for first-time and seasoned investors.
   - **Macarthur (Tuggeranong Region):** A standout performer, with house prices up 8.5% in 2024. Limited supply, affordability, and resilience to rate changes make this suburb a top pick for 2025.

Where should you invest in 2025?

Due diligence is required when you're an investor and you need to look at rental demand, yield and capital gain potential.

if you're thinking of investing, speak to your local Professionals agent for advice about where to buy and how to maintain your investment property so it delivers better long term value.

WHAT IS 'STAY-VESTING'?

After a continued property price climb in 2024, many young Australians are wondering how to get their foot on the ladder.

A strategy in focus is 'stay-vesting'. Similar to 'rentvesting' this gives first home buyers the flexibility to purchase a home and stay on top of expenses.

What Is stay-vesting?

Simply put, stay-vesting means buying a property as an investment while still living at home with your parents. Someone who has grown up in a more expensive area may buy out of town but not have the goal to live in the property.

Some stay-vestors move into their property for a while but return to the family home when the time comes to welcome children so they have more space and support. This trend is also linked to the "boomerang generation," where young adults return to their parents' homes to save money or improve their finances.

Stay-vesting gives young buyers the chance to take advantage of government grants and get a foot on the ladder without taking on the full burden of a large mortgage.

Advantages of stay-vesting

Buying a place but leasing it out and living at home can work for the following reasons:

- **Cost-effective living:** Staying with your parents usually means paying little to no rent, which makes it easier to repay a mortgage.
- **Stay close to your network:** Buying out of area but living at home means you're still near friends and family.
- **Lower living expenses:** Home maintenance, council rates and utility bill costs can be shared with parents
- **Tax benefits:** Owning an investment property may qualify you for tax deductions for things like maintenance costs, depreciation and loan interest.
- **Building wealth:** Paying down your loan and investing well should result in capital gains that will give you more flexibility to upsize in the future.

Challenges of stay-vesting

Not everyone sees this strategy as a solution. Problems can arise with:

- **Family dynamics:** Living with your parents for a long time can sometimes create tension, especially if everyone has different routines or when in-laws are involved.
- **Property expenses:** Even though you're renting out your property, you still have to cover expenses like strata fees and upkeep. It's important to know your numbers and be confident you can cover the costs of an investment property that you're not living in.
- **Capital gains tax:** If you decide to sell the property and you've never lived in it, you might have to pay a hefty tax on the profits.
- **Grants:** Some grants may not be available if you don't plan to live in your property

Strategy is key

With property prices putting the Great Australian Dream of home ownership out of direct reach, young Australians are getting creative.

If stay-vesting is a strategy for you, make sure your family is on board with the idea and have a timeline in mind. You may decide to live in the place you buy for a while, move back to start a family and then sell it to upsize, or make the purchase but stay at home until interest rates make the repayments more affordable.

In time, stayvesting should open the door to other property opportunities. Before you dive in, take the time to talk to experts like a mortgage broker, an accountant, and a real estate professional about your long-term goals.

Professionals