

Australia's Rental Market is in Crisis

Rental Market: Record-Low Vacancy, Slim Stock, Soaring Rents

The current housing market is comprised of 67% homeowners and 33% renters. However, there is a significantly disproportionate amount of stock to renters with not enough supply to meet the demand.



Unraveling the Rental Crisis: How Did We Get Here?

There has been a trend for property investors of selling up their investment properties. This can be attributed to the soaring prices of properties, enticing retirees to cash in on their properties; government intervention deterring property investors from entering the market; and investors renting their properties through apps like Airbnb. These factors have all significantly contributed to the increase in rental shortages.

The growth in population within Australia is unprecedented. Currently 1 in 10 people living in Australia are temporary visa holders, creating a significant strain within the rental market. Additionally, there has also been an increase in student visa holders. The combination of vacancy rates being at an all time low and the demand for rental properties skyrocketing, there is a substantial amount of pressure on asking prices for rentals.

The drastic and rapid rise in inflation has created a major burden for current investors. The current price of rent has not remained consistent with inflation and thus promotes investors to play catch up. Landlords are in a position where they have no choice but to increase rent given that the holding costs for properties has significantly increased.



Duration of the Rental Crisis: How Much Longer Will It Persist?

There is no immediate solution to the lack of supply within the property market. The rental crisis will continue to worsen. However, this provides a great opportunity for investors to break into the market.

Over the next 12 months we are likely to see interest rates fall in the 3rd and 4th quarters. Unemployment rates will be low and inflation is expected to fall further.



The Next Step: Do Not End the Year Saying 'What If?'

Ensure you have a strategic property plan

1. Play the long game. Property is not a short term obligation or investment.
2. Trust that the fundamentals do not change.
3. Demographics will drive the market.
4. Buy quality assets.
5. Manufacture capital growth. I.e Ensure the property remains in good condition.
6. Do not try and time the market.

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10 Tips for Young Property Investors



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Educate Yourself

Develop an understanding of how the market functions. Utilise your weekends by viewing open inspections and absorbing relevant information, even if you are not buying.

Seek Advice

Leverage the expertise of your accountants, mortgage brokers, certified property advisors, and even your trusted family members. They all have valuable insights and advice to offer.



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Save Early

Initiate your savings plan as soon as you can. This will enable you to commence your investments sooner, granting you a valuable head start in the market.

Consider a Family Guarantee

Consider the possibility of having your parents act as guarantors, especially if you're a young investor looking to borrow with a high LVR. Particularly if saving a 20% deposit proves challenging.



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Seek Competitive Loans

The competitive nature of the investment loan market means that there may be mortgage packages with differentiating features. Have a discussion with a mortgage broker to find a suitable product for you.

Pre-Approval

Obtain a pre-approval report to provide an indication of your borrowing power and potential price ranges for an investment property. This can reduce future processing times once you have found a property.



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Plan Ahead

Create effective budgets to allow for contingencies associated with your asset. An example may be that your tenant has become unemployed and cannot pay their rental obligations. Plan ahead to ensure you can cover any interim expenses.

Location & Property Variables

When buying property, keep these three factors in mind:

1. Your lender-determined budget.
2. Location - make this non-negotiable.
3. Property type - consider suitability; an apartment in a prime location might outweigh a house in a less desirable one.



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Are you wondering if it is the right time to invest? Contact John & Maria for a no obligation consultation.