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The Week in Real Estate

Sydney Rents Overtake Darwin

Sydney has overtaken Darwin and is now the most expensive place to rent a unit in Australia, with the average tenant paying $510 a week. According to data compiled by Domain Group, Melbourne is relatively cheap at $370 a week.

"With rental prices significantly below that of Sydney, Melbourne is definitely a more rental friendly city," Domain senior economist Andrew Wilson says.

While Sydney was the most expensive place to rent a unit in the September Quarter, it was easier to find a place there compared to Melbourne. Vacancy rates in Melbourne were 1.6%, while Sydney had a 2.3% vacancy rate, according to Domain.

With house rents, Sydney was the second most expensive city, behind Darwin where landlords charge an average $590 a week, despite a 10.6% decline over 12 months.

House rents rose 3.9% to $530 in Sydney over the past 12 months, with Melbourne rents up 2.6% rise to $390. The biggest rent rises were recorded by Hobart, with house rents up 6.5% and units 7.7%.

National Top 10 Best Buys

Rates Steady For 5 Months Running

The Reserve Bank of Australia decided at this week's board meeting to leave the official cash rate on hold at 2% for the fifth consecutive month. Mortgage Choice chief executive officer John Flavell said the decision was "unsurprising", as economic data did not warrant another cash rate cut.

"The lower Australian dollar has provided some support for the country's growth and inflation," he said. "Furthermore, new data shows business conditions remain relatively stable and property price growth continues to track upwards – albeit at a slower pace than the beginning of the year."

Flavell said that, while Sydney's property price growth was lacklustre lately, the capital city had performed "incredibly well" over the last 12 months.

"The Australian economy is tracking along fairly well at the moment, providing the Reserve Bank with no urgent reason to change the current monetary policy setting," he said. "That is not to say we have seen the last of the rate cuts altogether. What happens both locally and abroad over the next few months will determine the future actions of the Reserve Bank."

Top 5 Sydney Hotspots

New House Sales Rise

Sales of detached houses drove new dwelling sales higher in August. The Housing Industry Association's August survey showed a seasonally-adjusted 2.3% increase in new home sales during the month, thanks to a 3.5% increase in house sales, while sales of multi-units fell 1.7%.

Official ABS data showed the number of buildings approved during August fell a seasonally-adjusted 6.9% in the month, after a drop in apartment approvals.

"It is becoming increasingly apparent that total sales activity has already peaked this year, but today's update shows that sales are remaining elevated," HIA economist Diwa Hopkins said. "For multi-units, May 2015 is shaping up as the peak in monthly sales, with declines occurring in each of the subsequent months."

Multi-unit sales in August were down from their May level by 8.5%. While detached home sales were up 3.5% in August, they are 5.1% below their peak in April last year.

Property Makes Rich Families Richer

Australia's richest families are making even more money thanks to the booming Sydney market. Led by the Smorgons, many of the families have moved into property to boost their already considerable wealth, BRW Rich List editor John Stensholt says.

Twenty of the 50 wealthiest families made their initial fortunes in industries ranging from steel to retail to manufacturing and hosiery, but have made even more by pouring the wealth into property.

Stensholt says the Baiadas, the family behind the Steggles and Lilydale poultry brands, are on the cusp of making a lot more money from property through their development business Celestino.

"Most of the wealthy families are undertaking big residential property projects originally designed to be drip-fed on to the market over several years and thus ensure steady income and returns," Stensholt said. "But even that strategy has accelerated with the housing boom."

The Smorgons remain the nation's wealthiest family with a steady $2.7 billion fortune in the BRW Rich Families list, released on Wednesday.

Differential Loan Pricing to Stay

The slowing in investor borrowing is set to continue in coming months, with more lenders offering different home loan rates, according to financial comparison website RateCity. It says almost half of all lenders now offer different rates for investors and owner-occupiers, with a difference of up to 0.85 percentage points.

"Initially, it was the major banks adopting different rates, but as the weeks go by we're seeing more and more lenders introduce this two-tiered pricing system," said RateCity Money Editor Sally Tindall.

"Over time, we expect the majority of lenders will use differential pricing, at least while the housing market continues to push the envelope."

This week's RBA figures showed that the 12-month growth figures in investor housing credit had slowed to 10.7%. This result follows the introduction of different home loan rates for investors and owner-occupiers after the national regulator called for growth in investment lending to be capped at 10%.

The RBA noted that a large number of loans have reportedly changed from investment to owner-occupier in August.

Quote of the Week

"For the last 10 years, owner-occupiers and investors have generally had the same deal on rates. Now, all of a sudden, owning and living in your own home can work in your favour. Not only have lenders increased their investor rates, we've also seen a drop in owner-occupier rates."

RateCity Money Editor Sally Tindall.