



SHOULD YOU RENT OR BUY AUSTRALIAN HOUSING?



Agenda

- Housing market valuation
- Latest Stats
- Macro outlook
- Rent or Buy Calculator
- Investment Implications

Housing drivers - short term

	Effect on Sydney / Melbourne House Prices			
	The Boom 2012-2017	The Bust 2018	Pre-COVID 2019-2020	Post-COVID 2020+
Demand Factors				
Credit Availability	▲▲▲	▼▼▼	▲▼	▲▲▲
Price of Credit	▲▲	-	-	▲▲▲
Employment	▲	▲	▲	-
Population Growth	▲▲	▲	▲	▼▼▼
Foreign Buyers	▲▲	▼	▼	▼▼
Tax Incentives	▲	-	-	▲▲
Money Laundering	▲▲	▲	▲	▲
Supply Factors				
Restrictive Planning	▲	▲	▲	▲
Under/over supply	▲	▼	▼	▲▼

Source: Nucleus Wealth

Housing market valuation - long term

- Mortgage Payments to Rent
- Mortgage Payments to Wages
- Property Prices to Wages
- Rental Yield

Property Valuation Ratios

Sydney + Melbourne houses look expensive, even after accounting for higher rents + wages.

		Affordability			Investment Returns	
		Mortgage Payment / Rent	Mortgage Payment / Full Time Wage	Property Price / Full Time Wage	Gross Rental Yield	Net Rental Yield Less Interest Rate
Houses	Sydney	150%	65%	15.6	2.8%	-0.3%
	Melbourne	137%	46%	11.0	3.0%	-0.1%
	Brisbane	92%	31%	7.4	4.5%	0.9%
	Adelaide	97%	32%	7.7	4.3%	0.8%
	Perth	81%	25%	6.0	5.2%	1.3%
Units	Sydney	119%	34%	8.1	3.5%	0.2%
	Melbourne	106%	25%	6.1	3.9%	0.5%
	Brisbane	82%	19%	4.6	5.1%	1.3%
	Adelaide	79%	18%	4.4	5.3%	1.4%
	Perth	71%	16%	3.8	5.9%	1.8%

Source: Nucleus Wealth, RBA, ABS, Domain, Rismark, SQM

3 month Change in Valuation Ratios

Green = becoming cheaper, Red = more expensive

Affordability worsened across almost all categories.

		Affordability			Investment Returns	
		Mortgage Payment / Rent	Mortgage Payment / Full Time Wage	Property Price / Full Time Wage	Gross Rental Yield	Net Rental Yield Less Interest Rate
Houses	Sydney	13.0%	7.6%	1.8	-0.2%	-0.2%
	Melbourne	4.6%	1.9%	0.4	-0.1%	-0.1%
	Brisbane	1.7%	0.7%	0.1	-0.1%	-0.1%
	Adelaide	4.1%	2.1%	0.5	-0.2%	-0.2%
	Perth	-0.3%	0.8%	0.2	0.0%	0.0%
Units	Sydney	2.1%	0.6%	0.1	0.0%	-0.1%
	Melbourne	1.4%	-0.4%	-0.1	0.0%	-0.1%
	Brisbane	2.5%	0.3%	0.0	-0.1%	-0.1%
	Adelaide	3.6%	0.9%	0.2	-0.2%	-0.2%
	Perth	-1.3%	0.2%	0.0	0.1%	0.0%

Source: Nucleus Wealth, RBA, ABS, Domain, Rismark, SQM

Latest Stats

Cheap or Expensive: Current vs Historical Values

Current Value as a Percentile. 1% = Cheap, 100% = Expensive

House affordability expensive in Syd/Melb, average elsewhere.

		Affordability			Investment Returns	
		Mortgage Payment / Rent	Mortgage Payment / Full Time Wage	Property Price / Full Time Wage	Gross Rental Yield	Net Rental Yield Less Interest Rate
Houses	Sydney	69%	90%	100%	100%	2%
	Melbourne	59%	74%	99%	100%	1%
	Brisbane	49%	28%	99%	98%	4%
	Adelaide	46%	46%	100%	100%	1%
	Perth	31%	41%	87%	61%	4%
Units	Sydney	46%	3%	90%	100%	1%
	Melbourne	53%	8%	80%	100%	2%
	Brisbane	6%	2%	62%	65%	1%
	Adelaide	20%	15%	82%	73%	1%
	Perth	11%	5%	64%	56%	2%

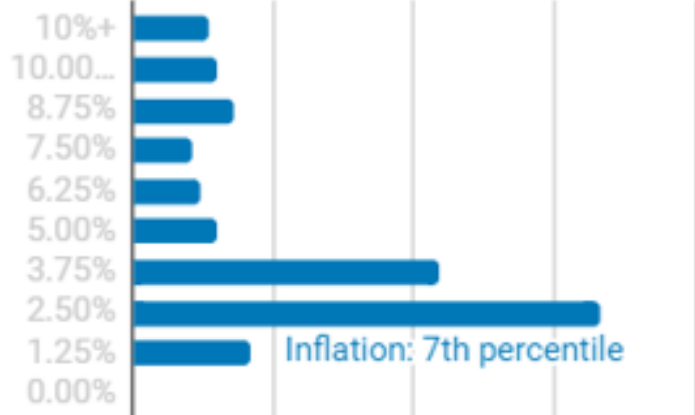
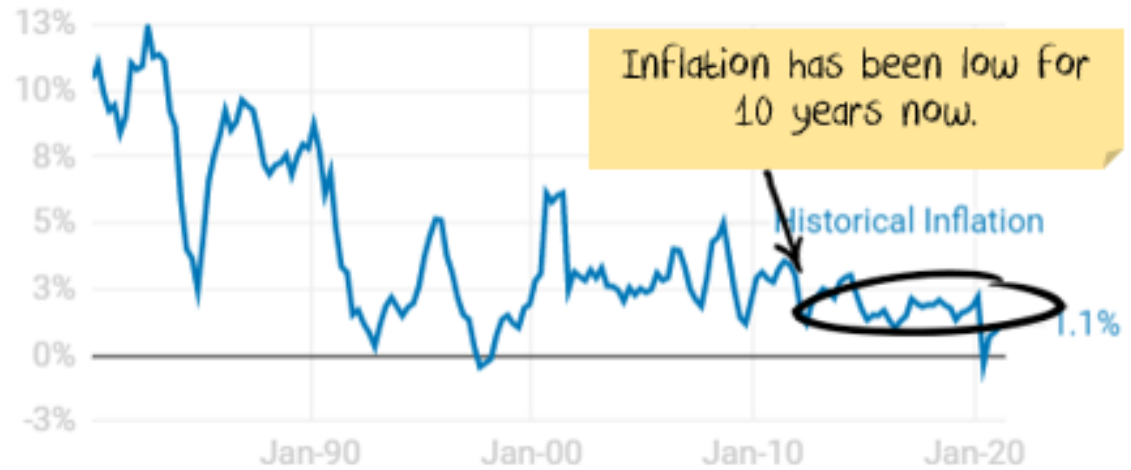
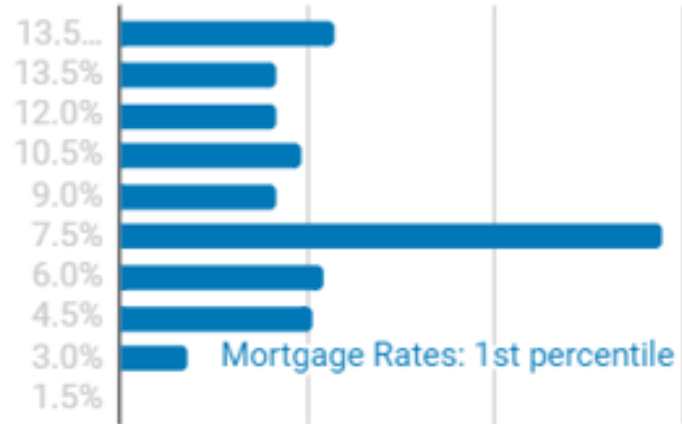
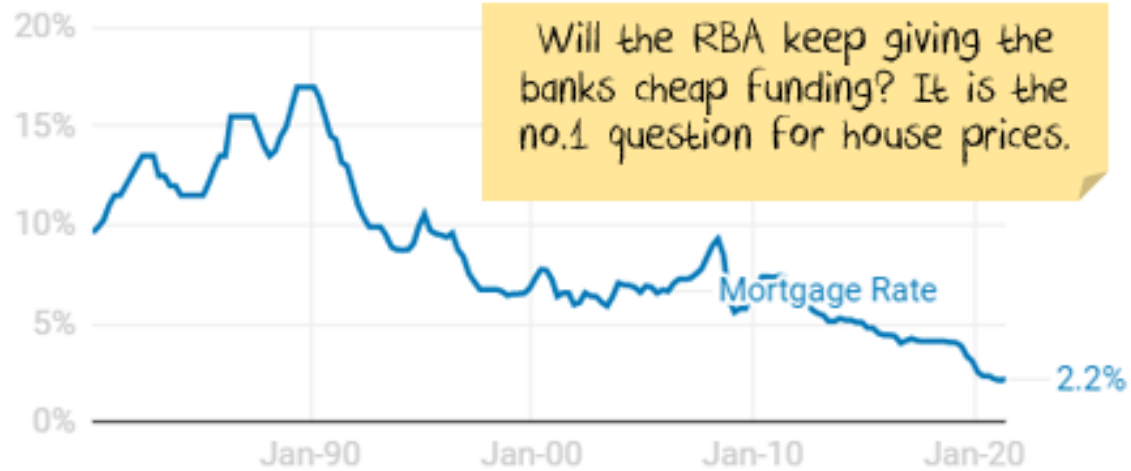
Source: Nucleus Wealth, RBA, ABS, Domain, Rismark, SQM

Big difference for units between mortgage to wages (cheap) and mortgage to (falling) rents in Syd/Melb but not elsewhere.

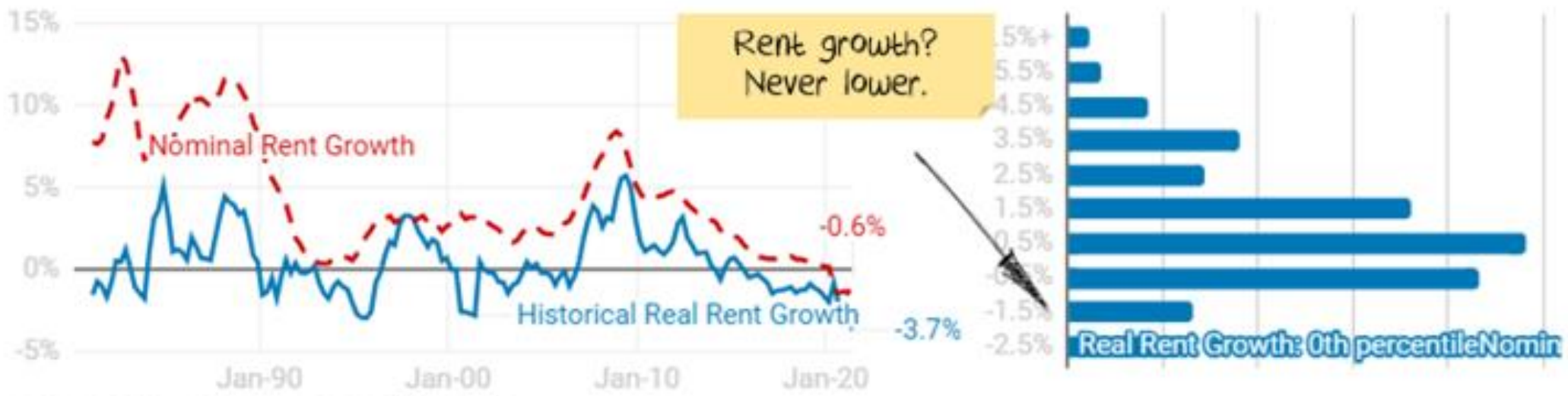
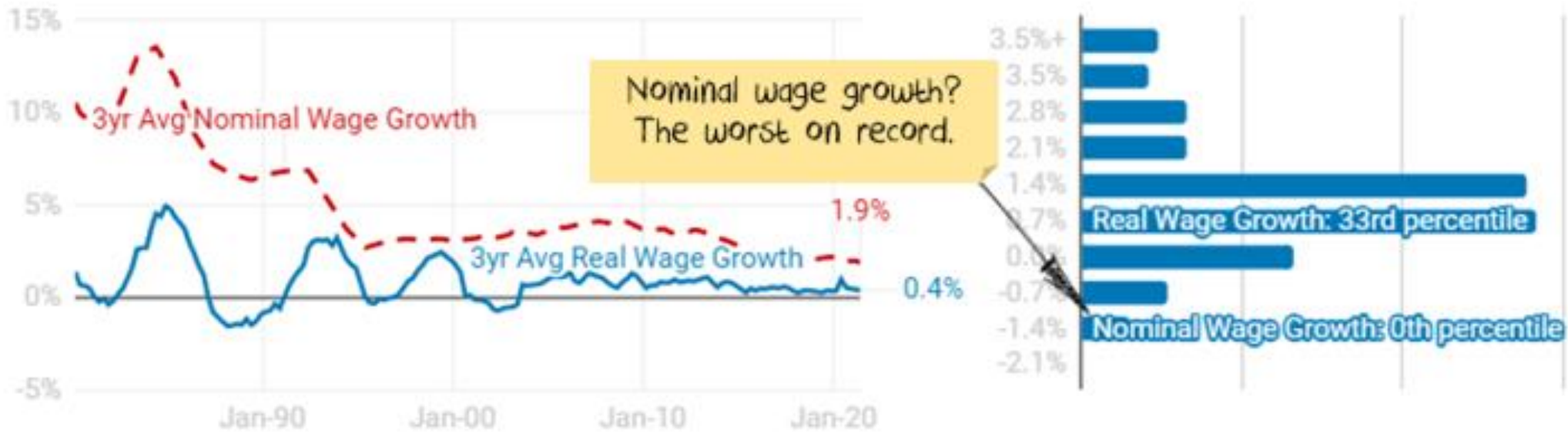
Hope of saving a deposit, or paying off the loan, has rarely been lower.

An extraordinary divergence. Never more expensive on an absolute rental return, never cheaper relative to mortgage rates

Macro background



Macro background



Source: Nucleus Wealth, RBA, ABS

Specific Markets

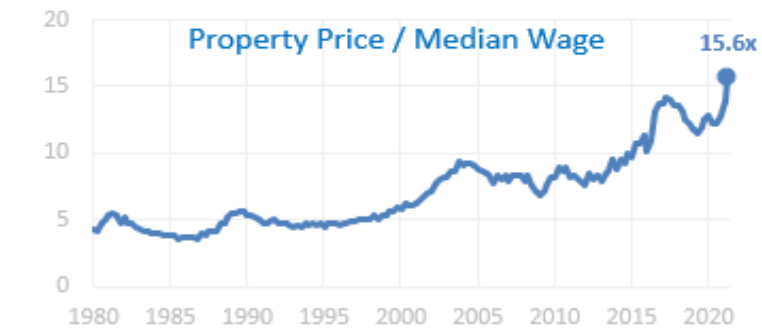
Sydney House: Affordability Measures



The cost of a mortgage vs the median wage is much higher than usual - even with record low interest rates.



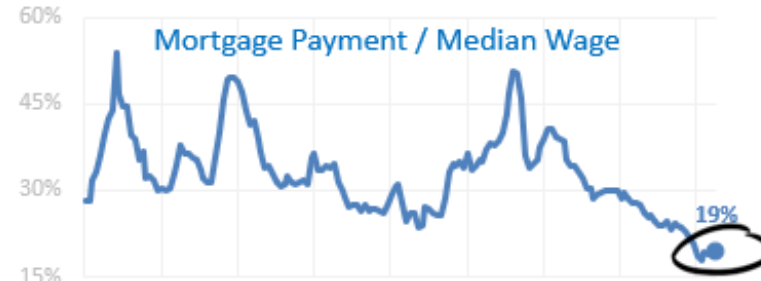
The cost of a mortgage vs rent is slightly more expensive than usual.



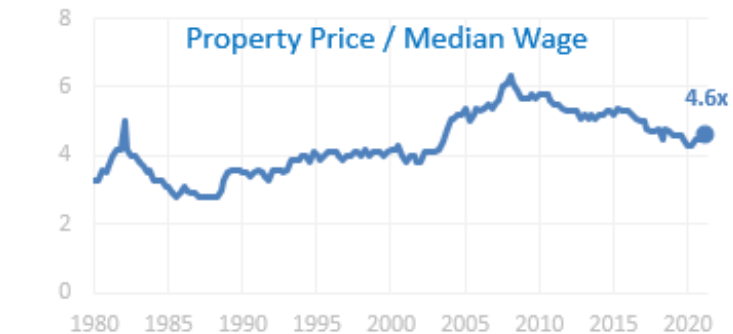
Saving for (or paying off) a property has never been harder.

Source: Nucleus Wealth, ABS, RBA, Domain, Rismark, SQM

Brisbane Units: Affordability Measures



Brisbane units look historically affordable vs both wages and rents.



Even the deposit/repayment equation is not that much worse than average.

Source: Nucleus Wealth, ABS, RBA, Domain, Rismark, SQM

Coming up: Gareth Aird

[YouTube.com/NucleusWealth](https://www.youtube.com/NucleusWealth)

next

Thursday, 22nd of July, 12:30
AEST



Viewer question of the week:

Are you currently planning on renting or buying? If so, where?

Drop your answers in the comments

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