HUNTER RESEARCH FOUNDATION

Hunter's housing market reflects economic downturn

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The housing market in the Hunter Region in recent years has been impacted by the once-in-a-century resources investment boom – and by the rapid downturn in that investment cycle as global coal prices slumped.

From the late 2000s, there was significant investment in new mining activities in the Upper Hunter Valley, and adjunct infrastructure investment by government and private enterprise in road, rail and port facilities. These activities exhausted the local Upper Hunter labour market, resulting in extraordinarily low levels of unemployment, and drew new people and skills to the Region.

The region's housing market responded to this population influx, and the associated lack of short- and long-term accommodation. Construction of new dwellings, which had been sluggish, started to surge at a time when numbers were still declining in the rest of NSW. The Global Financial Crisis resulted in only a brief 'blip', which was offset by Federal Government investment in affordable housing, particularly medium and high density.
At the same time, the Region's real estate market started to heat up, particularly in the Upper Hunter areas close to coal mining activity, with house price growth surging ahead of that in Sydney – until the resource investment downturn.

During the Hunter's mini-housing boom, new greenfield developments on the urban fringes were predominant, taking advantage of proximity to the newly constructed Hunter Expressway. These developments were characterised by inclusion of community facilities in the design to offset a lack of public transport in these areas. The largest, Huntlee near Branxton, is expected to provide housing for 20,000 residents over the next 10 years.
Since the downturn, housing approvals in the Hunter Region have sagged, particularly in the Upper Hunter, while the rest of the State (primarily Sydney) has been experiencing a residential building boom in response to record low interest rates.

Hunter Research Foundation's June surveys recorded a rise in buying intentions for Hunter properties in the first half of 2015, after they had been falling throughout 2013 and 2014. Buyer confidence was boosted by an improving labour market and falling interest rates. This has seen a small growth in dwelling approvals, the leading indicator of residential investment, after steady falls since 2014.

The weaker construction sector in the Hunter Region overall has been partially offset in the Lower Hunter (Newcastle and the contiguous areas of northern Lake Macquarie) by the efforts of local and State authorities to 'Renew Newcastle'. The CBD is undergoing a transformation, with much of the recent medium to high density construction activity concentrated in this area.

Newcastle's revitalisation has prompted a demand for residential apartment buildings, with those under construction reportedly quickly selling off the plan. Sydney investors and self-managed superannuation funds are reported to be the main buyers.
And while house prices in Sydney have soared over the last two years, with the median price reportedly tipping $1million recently, they have declined in much of the Hunter Region outside the Newcastle/Lake Macquarie metropolitan areas. In the latter, house price growth has been moderate, resulting in the affordability of housing in Newcastle increasing relative to Sydney (median house prices in mid-2015 were 50% of Sydney's, compared with 60% in mid-2013). Rental properties are commensurately more affordable – and available – in the Hunter Region.

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