

Price performance showing some divergence, while rental markets remain in undersupply

▲ +5.6%

Median house price (December Qtr)

▲ +5.8%

Median unit price (December Qtr)

▼ -12.6%

Owner-occupier lending
(rolling annual to January)

▼ -8.1%

Investor lending
(rolling annual to January)

▼ -10.5%

House approvals
(rolling annual to February)

▼ -14.9%

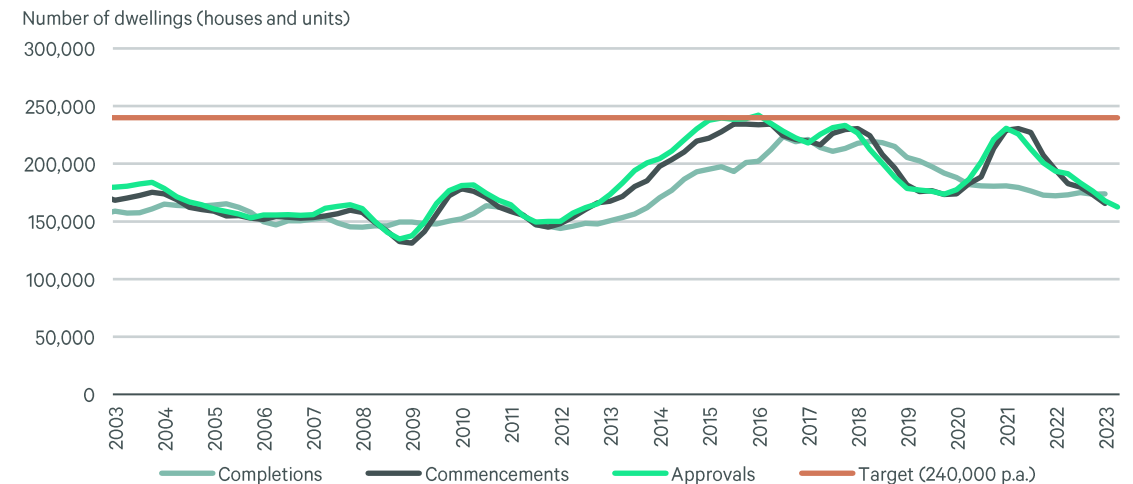
'Other' approvals
(rolling annual to February)

Note: Arrows indicate annual change.

Key Points

- Pricing indicators across most major markets continued to show resilience over the final quarter of 2023 and into 2024, although some divergence in the pace of growth is now apparent. After leading growth in 2023, the pace of increase in Sydney has slowed, while momentum has been maintained, or even increased, in the smaller capitals. Melbourne is the exception, with flat to negative performance, largely a result of state-based taxation and regulation changes.
- Interest rates have likely peaked, with prospects of one or two OCR cuts by the end of 2024. Any cuts flowing through to mortgage markets will boost confidence and spur further price gains, particularly with demand conditions remaining strong.
- Rental markets continue to sit in undersupply, with national vacancy settled at around 1.0%. Supply pipelines remain constrained by elevated construction costs, although appearing to be stabilising, labour bottlenecks and squeezed profit margins impacting project feasibilities.
- Despite best intentions, the target of 1.2 million new well-located homes over the next five years has little prospect of being achieved. This equates to 240,000 completions p.a., contrasting with the 174,000 completions over the year to September 2023 and declining approvals and commencements. There is unlikely to be any significant correction in the supply/demand imbalance for some years, with further rental growth of circa 6% p.a. to 2028 expected.

FIGURE 1: Dwelling completions, commencement and approvals (rolling annual), Australia



Source: Australian Bureau of Statistics; CBRE Research

Strong demand conditions expected to continue with prices to grow further

CBRE's Quarterly Residential Valuations Property Market survey provides a unique perspective of market conditions across Australia's major residential markets derived from up-to-the-minute, on-the-ground evidence.

The survey confirmed strong demand conditions, with six times as many valuers seeing 'strong' to 'very strong' demand compared to 'soft' or 'very limited' demand.

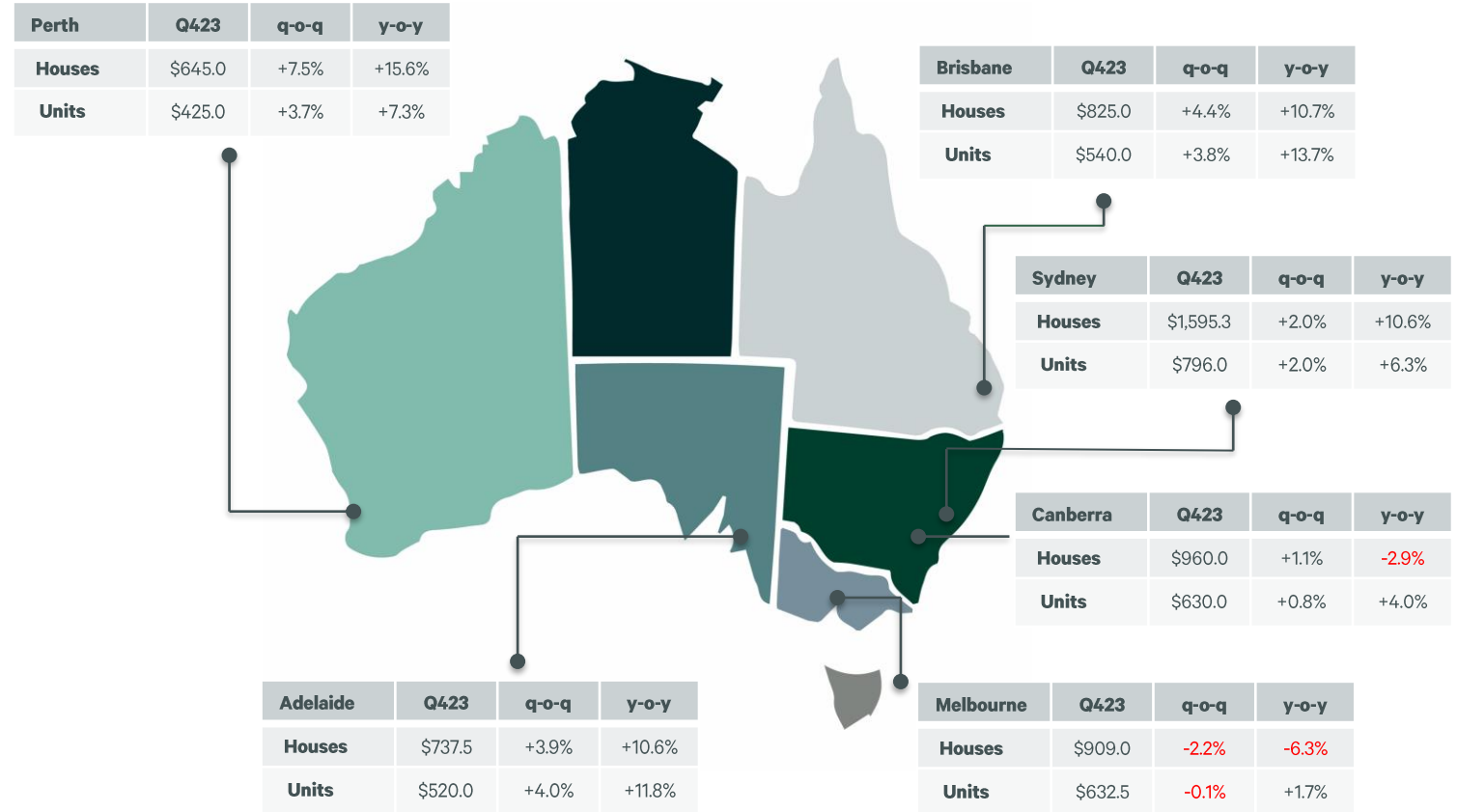
Demand to purchase is particularly strong in Perth, Adelaide, and Brisbane metro. In contrast, softer demand is evident in ACT, outer Melbourne and Melbourne metro. Fifty-seven percent expect demand to grow in the next 12 months, with 38% expecting stable conditions.

The strongest demand has been for houses and recently renovated properties. Softer conditions prevail for unrenovated properties and vacant land. Two-thirds of valuers reported demand from first home buyers and upgraders. Local and inter-state investors are also active, alongside down-sizers.

House prices are expected to grow further, with 78% of valuers expecting growth over next 12 months, particularly across Perth, Sydney metro and Adelaide. Unit price growth was expected from 44% of valuers, with highest conviction in Brisbane metro, Gold Coast/Sunshine Coast and Sydney metro. Vacant land values were expected to increase by 51% of valuers, with Adelaide, Sydney, and Perth having the highest expectations.

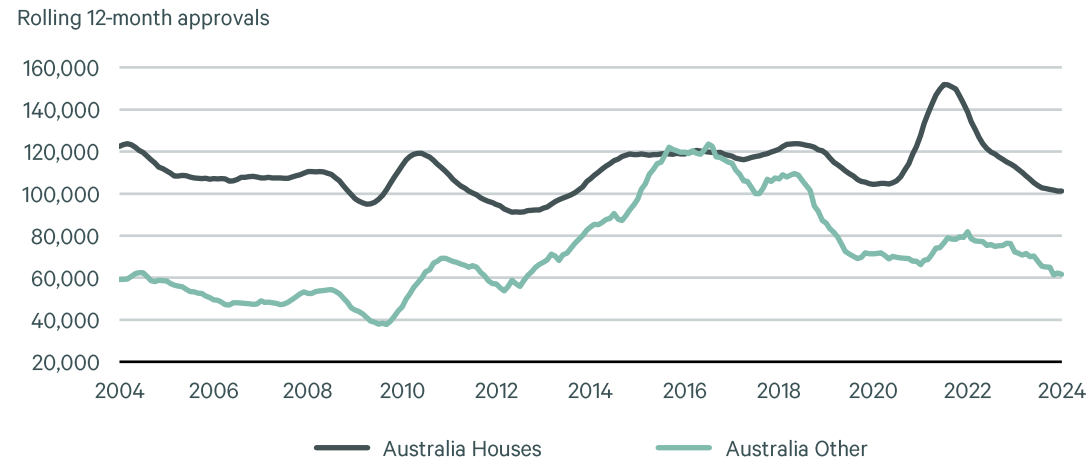
Scope for increased supply (listings) over the next 12 months was identified, with 58% expecting an increase.

FIGURE 2: Australian Residential Key Metrics (December Quarter 2023)



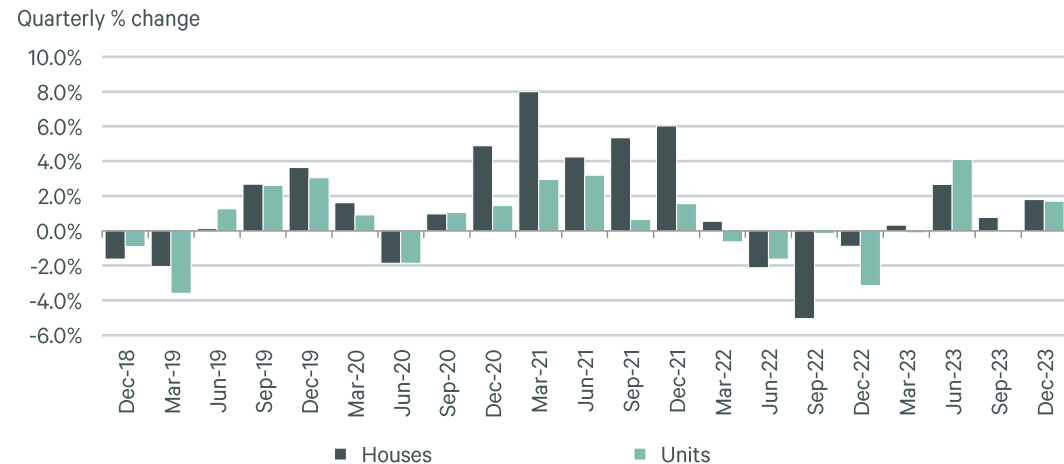
Source: Real Estate Institute of Australia

FIGURE 3: Residential Building Approvals, Australia (rolling annual)



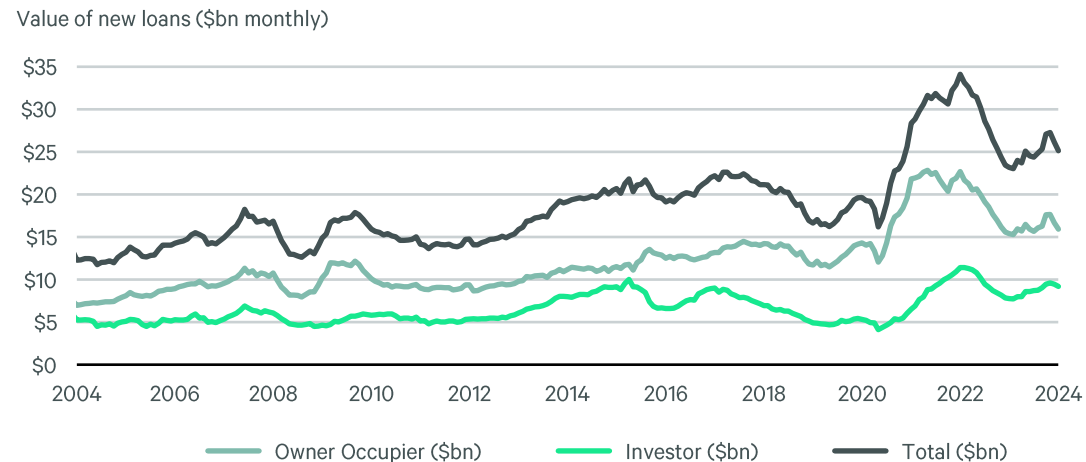
Source: Australian Bureau of Statistics

FIGURE 5: Australian Residential Prices (quarterly % change)



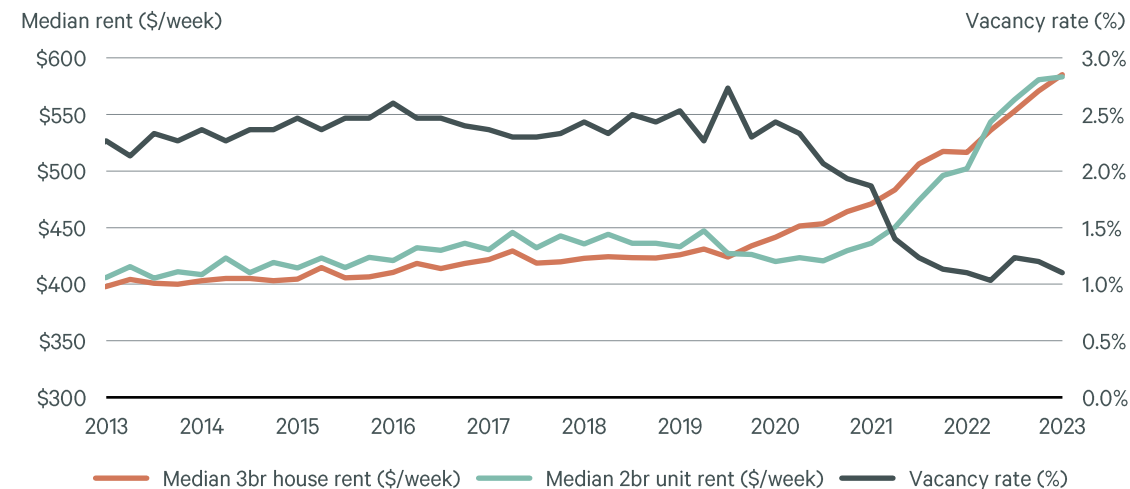
Source: Real Estate Institute of Australia

FIGURE 4: Residential Lending (excluding refinancing), Australia



Source: Australian Bureau of Statistics

FIGURE 6: Australian Median Rent and Vacancy Rate



Source: Real Estate Institute of Australia; SQM Research; CBRE Research

SYDNEY

Sydney prices continued to rise in the December quarter, with house and unit prices experiencing solid growth of 2%. Sydney’s median house price is at a record high, surpassing levels recorded in early-2022. The median unit price has almost reached its late-2021 peak. December quarter REIA data was showing:

- the median house price at \$1.595 million, up 2.0% q-o-q and 10.6% higher y-o-y; and
- the median unit price at \$796,000, up 2.0% in the quarter and 6.3% higher y-o-y.

Growth looks to have continued in the March quarter, albeit at a slightly slower pace of around 1.0%. An easing in growth is not surprising, given the scale of price increase over the past year and with borrowing capacity reduced and economic conditions softening. Any interest rate cuts later in 2024, however, will likely see stronger price gains re-emerge with demand still strong. This reflects sentiment from the CBRE Residential Valuers Insight survey for Q1, with 81% of NSW-based valuers expecting house values to increase further over the next year and 40% expecting unit values to continue increasing.

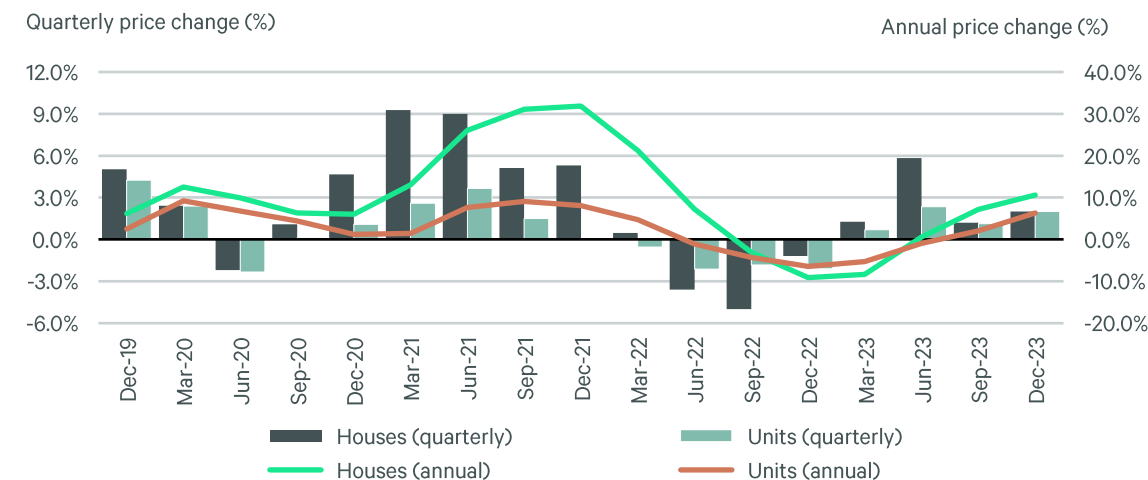
The spread between median house price and median unit price remains at record levels. This presents opportunity for buyers seeking locations where they have been priced out of houses but is also evidenced by strong activity from downsizers at the prestige end of the market moving from houses to units.

Vacancy has tightened further, sitting at 1.4%, highlighting the continuing shortage of rental stock available. Net overseas migration is running at record high levels, with housing demand generated easily outpacing new supply levels. Median rents at December were sitting at:

- \$680/week for houses, unchanged from last quarter but 13.3% higher y-o-y; and
- \$700/week for units, also unchanged from last quarter but 16.7% higher y-o-y.

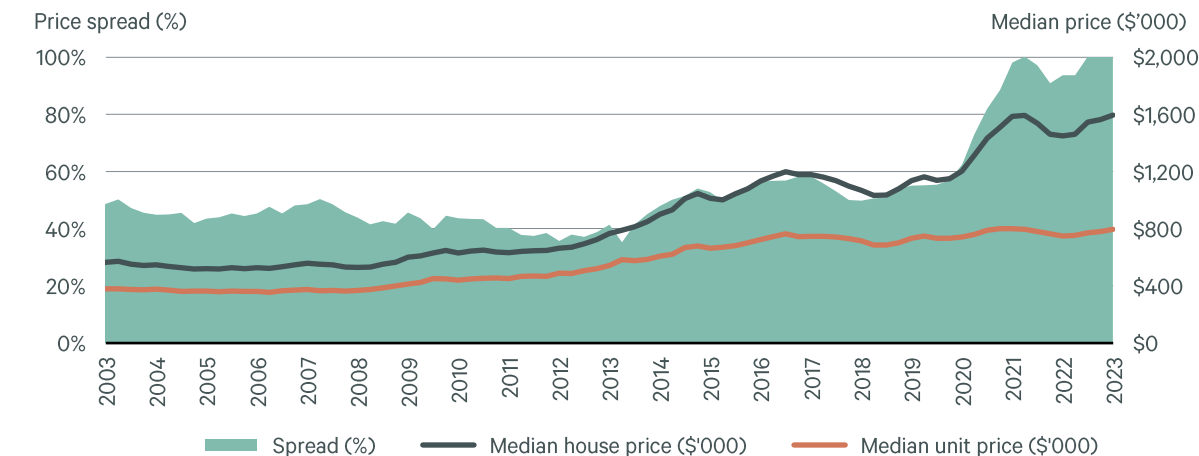
New dwelling commencements in New South Wales are running at their lowest level in a decade. CBRE estimates Sydney’s apartment delivery will average 14,500 p.a. over 2024-28, well below the forecast 30,000 p.a. demand for housing stock. Gradual stabilisation of material costs may encourage development, although high labour costs and drawn-out approvals processes may continue to hinder supply. Rents are forecast to continue increasing, with growth averaging 5% p.a. to 2028. Affordability pressures will see the pace of growth gradually ease from recent surges.

FIGURE 7: Sydney House and Unit Median Price Change



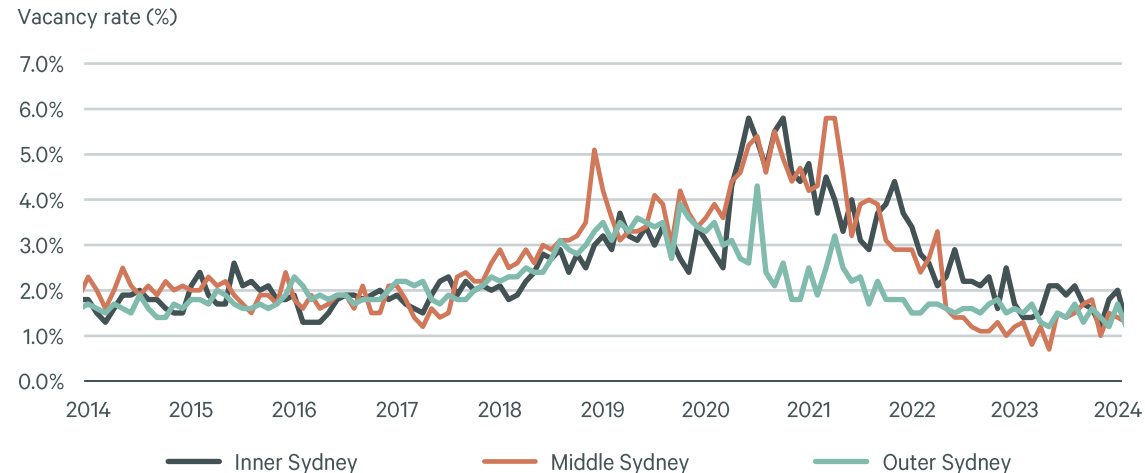
Source: Real Estate Institute of Australia; CBRE Research

FIGURE 8: Sydney Median House and Median Unit Price Spread



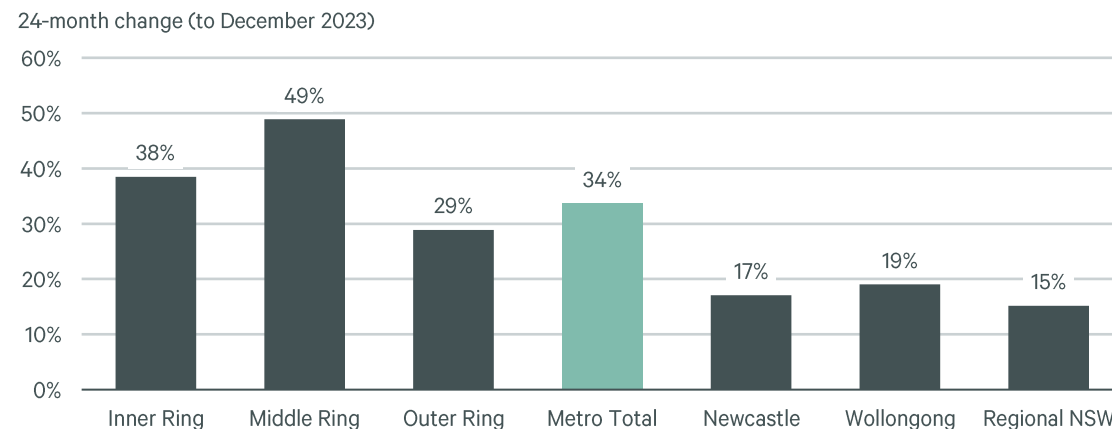
Source: Real Estate Institute of Australia; CBRE Research

FIGURE 9: Sydney Residential Vacancy Rate by Precinct



Source: REINSW; CBRE Research

FIGURE 10: Change in Median Rent by Precinct, New South Wales, 2- Bedroom Units



Source: New South Wales Government, Communities and Justice; CBRE Research

TABLE 1: Greater Sydney Key Residential Indicators

Indicator	Value	Q-o-Q Change	Y-o-Y Change	Indicator	Value	Y-o-Y Change
Median house price (December qtr.)	\$1,595,300	+2.0%	+10.6%	House transfers (year to December)	49,365	+7.9%
Median house rent (December qtr.)	\$680/week	0.0%	+13.3%	House approvals (year to February)	12,650	-15.6%
House yield (year to December)	1.8%	0.0%	0.0%			
Median unit price (December qtr.)	\$796,000	+2.0%	+6.3%	Unit transfers (year to December)	49,723	+20.1%
Median unit rent (December qtr.)	\$700/week	0.0%	+16.7%	Unit approvals (year to February)	18,532	-3.5%
Unit yield (year to December)	3.7%	0.0%	+0.4%			
				Owner occupier finance (NSW, year to January)	\$61.3bn	-12.3%
Total vacancy (December)	1.4%	-0.2%	-0.3%	Investor finance (NSW, year to January)	\$40.3bn	-4.9%

Source: Real Estate Institute of Australia, Australian Bureau of Statistics

MELBOURNE

Melbourne house prices declined further in the December quarter and at a slightly faster rate than the previous two quarters. Unit prices also drifted slightly lower after two quarters of growth. At December, REIA data was showing:

- the median house price at \$909,000, down 2.2% q-o-q and 6.3% lower y-o-y; and
- the median unit price at \$632,500, down 0.1% q-o-q but up 1.7% y-o-y.

Melbourne was the only major market to see both house and unit values decline in the quarter, and tepid performance has continued in the first months of 2024. The trend has been exacerbated by an increased number of investors attempting to offload properties, a reaction to recent policy changes and increased taxes. Conflicting with this is soft demand. CBRE’s Residential Valuers Insight survey for Q1 found that only 8% of CBRE valuers in Victoria identified recent demand as ‘strong’ or ‘very strong’, contrasting with, for example, 37% in New South Wales and 96% in Western Australia. Melbourne valuers, however, do have a positive outlook for house values, with 74% expecting values to increase over the next 12 months. By comparison, only 10% expect unit values to rise.

Victoria’s population growth recovered to 2.9% over the year to September 2023, attracting a significant share (29% of the national total) of net overseas migrants at 162,000. Greater Melbourne saw even higher population growth, increasing by 3.3% over FY 2022-23. This surge in population has sustained demand in an already tight rental market, with vacancy measuring at 2.3% in the December quarter (REIA), lower by some other measures.

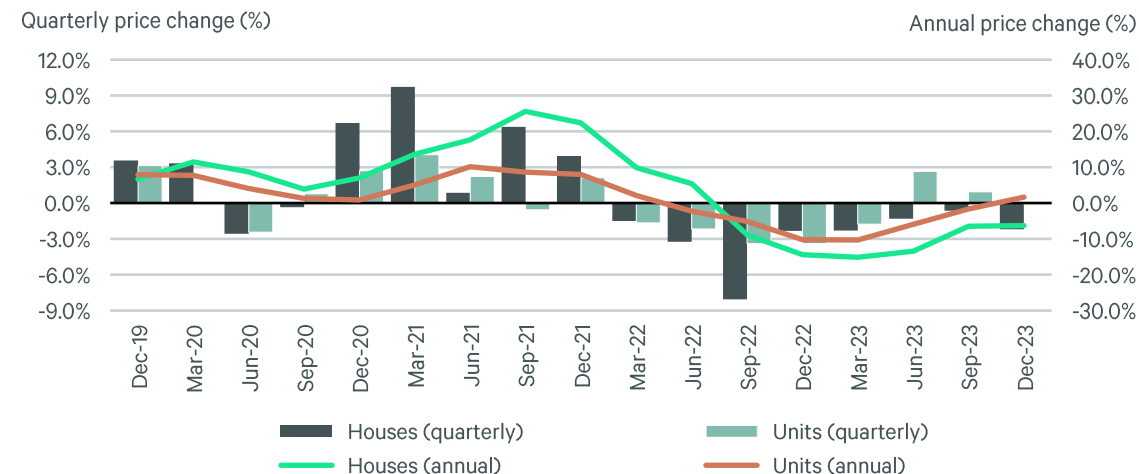
House rents increased again in the quarter, although unit rents remained stable. Y-o-y growth, however, has been substantial. At December, REIA data was showing:

- a median house rent of \$520/week, up 4.0% q-o-q and 15.6% higher y-o-y; whilst
- the median unit rent was at \$550/week, 19.6% higher y-o-y.

Inner Melbourne experienced the highest increase in unit rents followed by Inner Eastern Melbourne, at 55% and 30% respectively in the 2-years to December 2023.

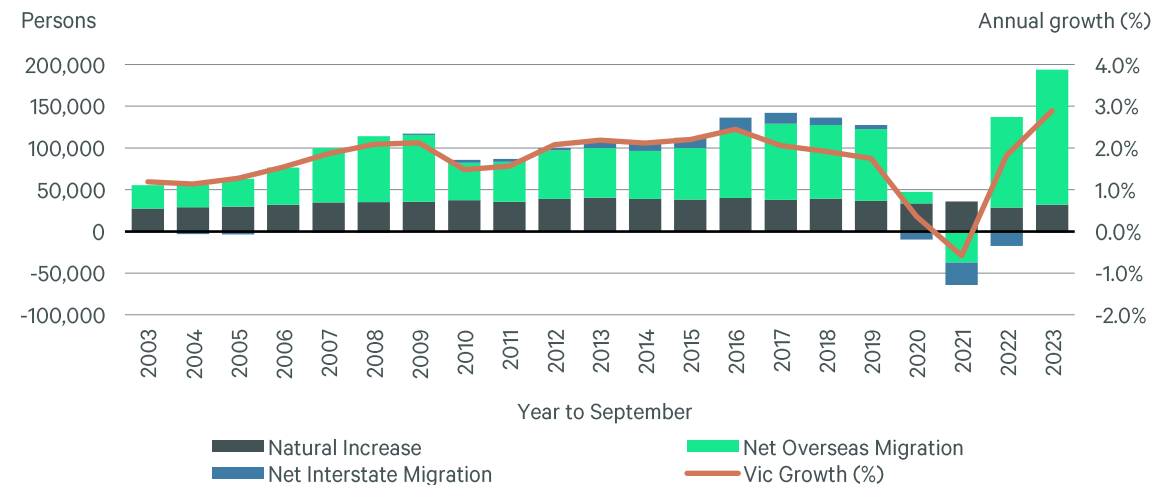
CBRE estimates Melbourne’s apartment delivery will average 10,000 p.a. over 2024-28, nearly 40% below Sydney, maintaining tight vacancy and leading to continued rent growth, although the pace of growth will likely slow due to affordability constraints. Average growth of circa 6% p.a. to 2028 is forecast.

FIGURE 11: Melbourne House and Unit Median Price Change



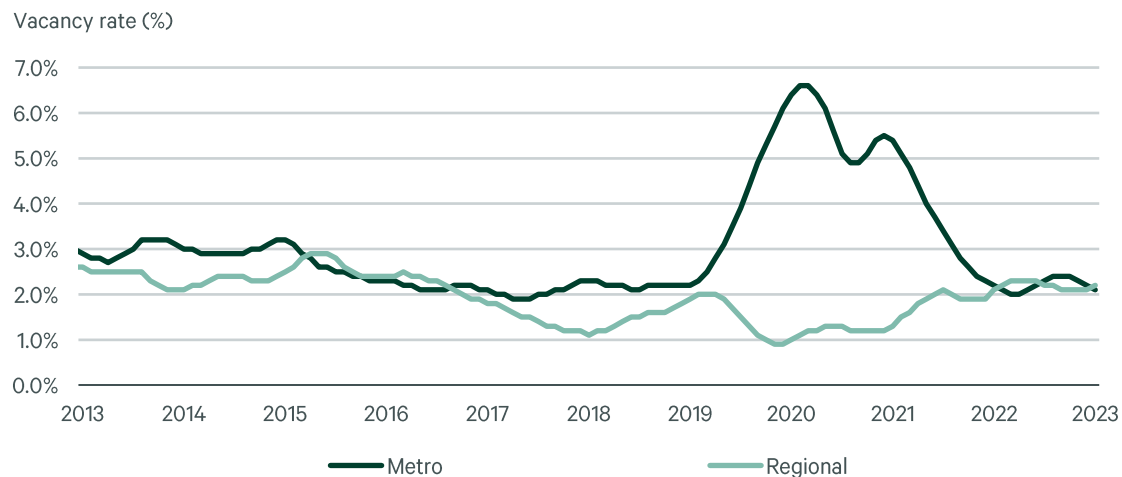
Source: Real Estate Institute of Australia

FIGURE 12: Victoria Population Growth (annual)



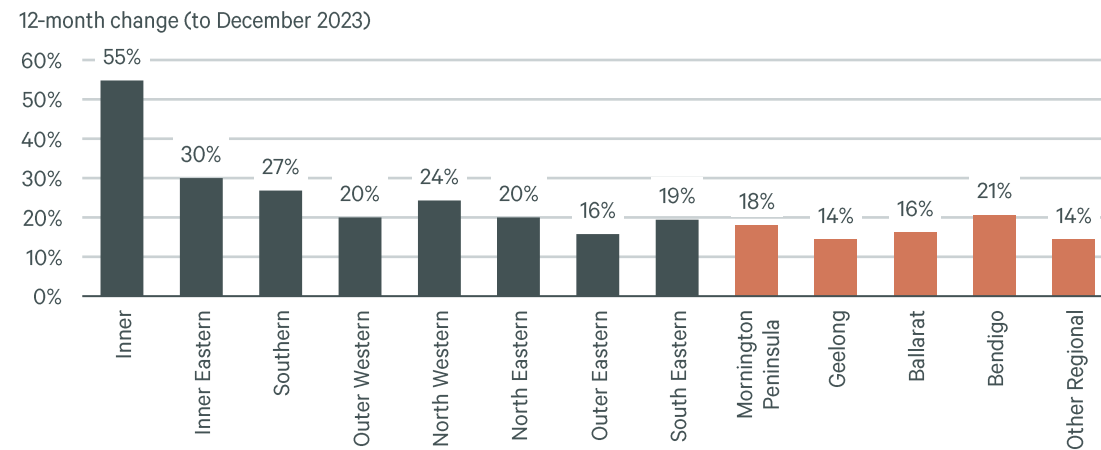
Source: Australian Bureau of Statistics

FIGURE 13: Victorian Residential Vacancy Rate (trend)



Source: Victorian Department of Families, Fairness & Housing; CBRE Research

FIGURE 14: Annual Change in Median Rent by Precinct, Victoria, 2-Bedroom Units



Source: Victorian Department of Families, Fairness & Housing; CBRE Research

TABLE 2: Greater Melbourne Key Residential Indicators

Indicator	Value	Q-o-Q Change	Y-o-Y Change	Indicator	Value	Y-o-Y Change
Median house price (December qtr.)	\$909,000	-2.2%	-6.3%	House transfers (year to December)	48,013	-10.3%
Median house rent (December qtr.)	\$520/week	+4.0%	+15.6%	House approvals (year to February)	23,387	-4.5%
House yield (year to December)	2.4%	+0.2%	+0.5%			
Median unit price (December qtr.)	\$632,500	-0.1%	+1.7%	Unit transfers (year to December)	42,496	-2.5%
Median unit rent (December qtr.)	\$550/week	0.0%	+19.6%	Unit approvals (year to February)	17,680	-17.7%
Unit yield (year to December)	3.6%	0.0%	+0.6%			
				Owner occupier finance (Vic, year to January)	\$55.6bn	-16.0%
Total vacancy (December)	2.3%	0.0%	-0.5%	Investor finance (Vic, year to January)	\$25.4bn	-17.4%

Source: Real Estate Institute of Australia, Australian Bureau of Statistics

BRISBANE

Population growth continues as the prime tailwind driving Brisbane’s residential market. Queensland’s population increased by 2.7% over the year to September 2023, fuelled not only by strong overseas migration, but also strong interstate migration. The gross interstate move to Queensland over the past three years has tallied almost 370,000, mostly from New South Wales (48%) and Victoria (27%). Greater Brisbane’s population rose by 3.1% over FY23, with Gold Coast population up 2.9% and Sunshine Coast population up 2.8%.

It is clear that affordability and lifestyle remain key attractors. Strong price growth has continued, with median pricing reaching record highs. While the price spread to Sydney remains wide, however, the spread to Melbourne is narrowing.

For the December quarter 2023, REIA data was showing:

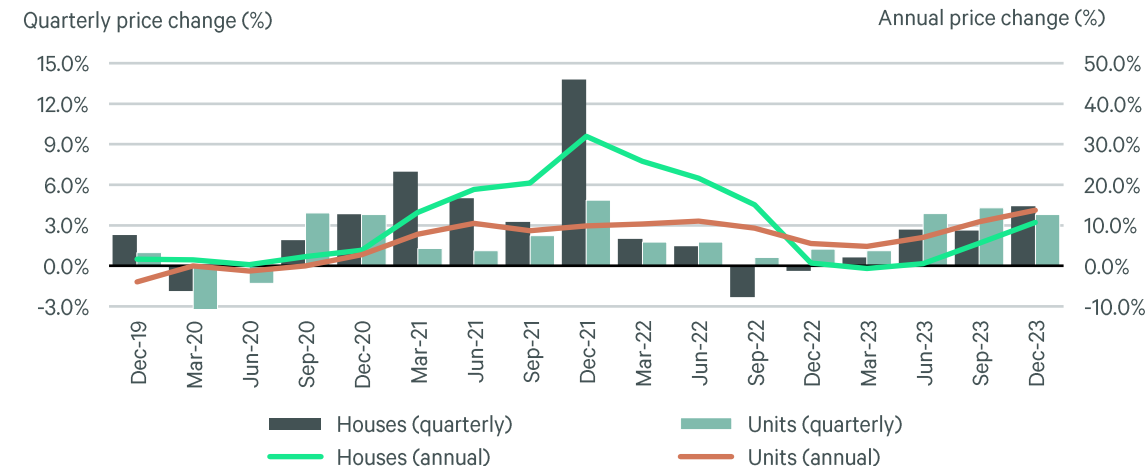
- the median house price at \$825,000, up 4.4% q-o-q and 10.7% higher y-o-y; whilst
- the median unit price was at \$540,000, up 3.8% q-o-q and 13.7% higher y-o-y.

The pace of growth in Brisbane does not seem to be easing into 2024, with further gains to come, driven by a shortage of supply and continued strong population growth. Three quarters of CBRE valuers in Queensland reported demand had been ‘strong’ or ‘very strong’ in the past three months, according to CBRE’s Residential Valuers Insight survey for Q1. Three quarters also expect an increase in house values over the year ahead while 70% expect unit values to grow. Thirty percent were expecting growth to be above 5%.

Vacancy held steady at 1.0% in December, now the eighth consecutive quarter with vacancy at or below 1.0%, continuing to push rents upwards. December quarter data from the REIA showed rents once again reaching record highs, with the median house rent at \$525/week and the median unit rent at \$510/week. Both have jumped by around a quarter over the past two years. Inner city rents (2-bedroom) have reached \$650/week on average, up by 35% over the past two years.

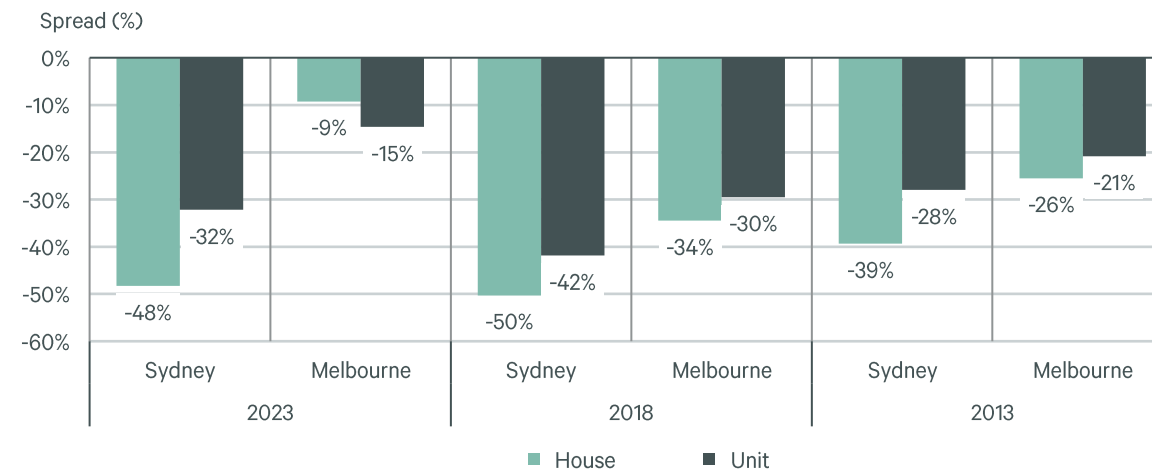
Contrasting with demand, the supply pipeline remains subdued. CBRE forecasts Brisbane’s apartment delivery will average 5,200 per annum over 2024-28, keeping vacancy at around 1.0% and supporting rental growth of circa 6% p.a..

FIGURE 15: Brisbane House and Unit Median Price Change



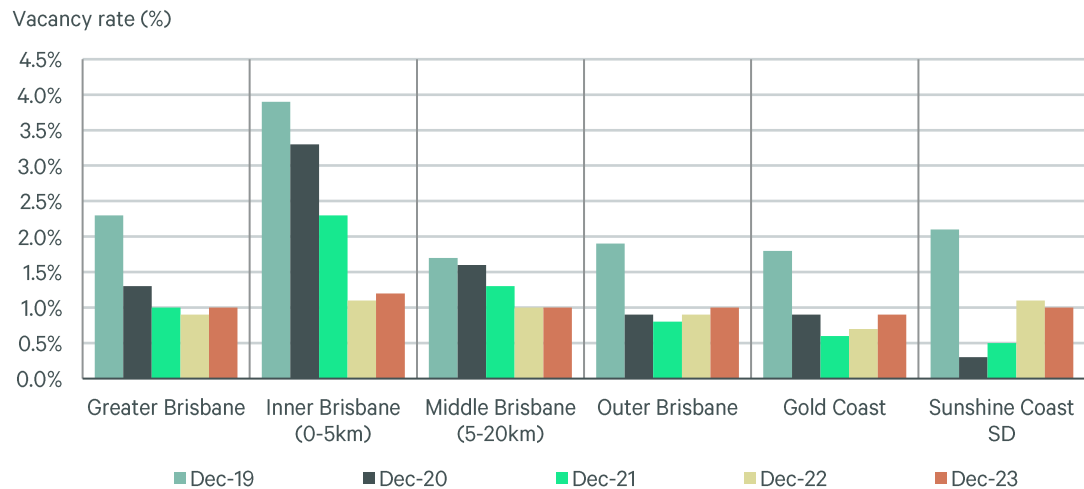
Source: Real Estate Institute of Australia

FIGURE 16: Sydney and Melbourne Price Spreads to Brisbane



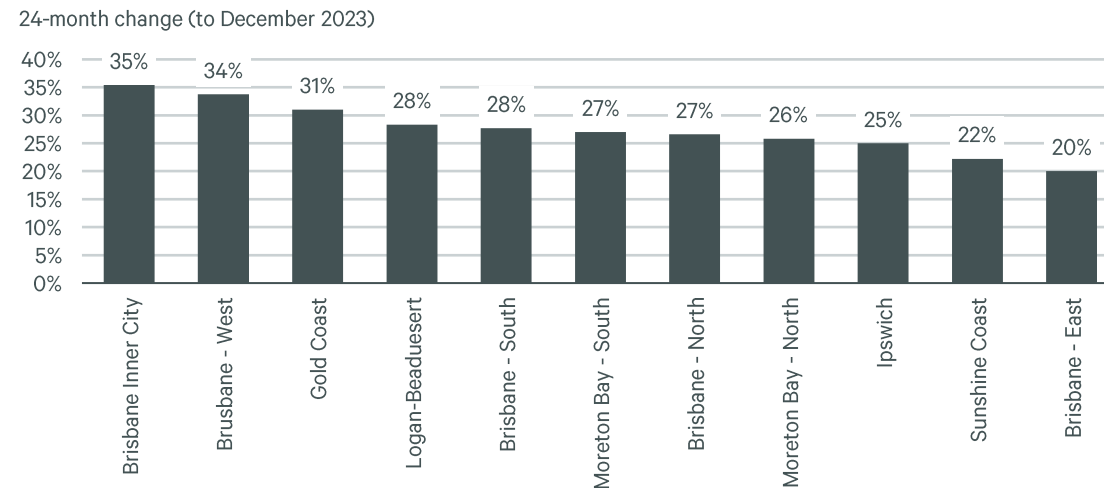
Source: Real Estate Institute of Australia; CBRE Research

FIGURE 17: South East Queensland Residential Vacancy Rate by Precinct



Source: Real Estate Institute of Queensland; CBRE Research

FIGURE 18: Change in Median Rent by Precinct, South East Queensland, 2-Bedroom Units



Source: Queensland State Government; CRE Research

TABLE 3: Greater Brisbane Key Residential Indicators

Indicator	Value	Q-o-Q Change	Y-o-Y Change	Indicator	Value	Y-o-Y Change
Median house price (December qtr.)	\$825,000	+4.4%	+10.7%	House transfers (year to December)	34,757	-6.7%
Median house rent (December qtr.)	\$525/week	+5.0%	+14.1%	House approvals (year to February)	11,814	-3.5%
House yield (year to December)	2.6%	0.0%	-0.3%			
Median unit price (December qtr.)	\$540,000	+3.8%	+13.7%	Unit transfers (year to December)	20,216	+0.5%
Median unit rent (December qtr.)	\$510/week	+2.0%	+13.3%	Unit approvals (year to February)	5,926	-18.5%
Unit yield (year to December)	3.9%	-0.1%	-0.5%			
				Owner occupier finance (Qld, year to January)	\$38.2bn	-9.7%
Total vacancy (December)	1.0%	0.0%	+0.1%	Investor finance (Qld, year to January)	\$20.7bn	-8.8%

Source: Real Estate Institute of Australia, Australian Bureau of Statistics

PERTH

Perth prices are on a significant growth trajectory. REIA data for the December quarter was showing:

- a median house price of \$645,000, up 7.5% q-o-q and 15.6% higher over the year; and
- a median unit price of \$425,000, 3.7% q-o-q and 7.3% higher over the year.

The median house price has pushed to a record high, although unit prices are yet to recover to their 2016 peak (of \$460,000). Further strong growth of around 6% looks to have occurred in the first quarter of 2024, driven by strong demand conditions. Western Australia’s population growth rate is the highest in the nation, at 3.3%, driven by the combination of strong net overseas and interstate migration.

Results of the CBRE Residential Valuers Insight survey for Q1 showed 96% of valuers in Western Australia reported demand had been ‘strong’ or ‘very strong’ in recent months. This strong demand is expected to continue, with 92% of valuers expecting further house price growth, and 68% expecting further apartment value growth over the next 12-months. House prices are expected to rise by at least 5% to 10% with unit prices rising by up to 5%.

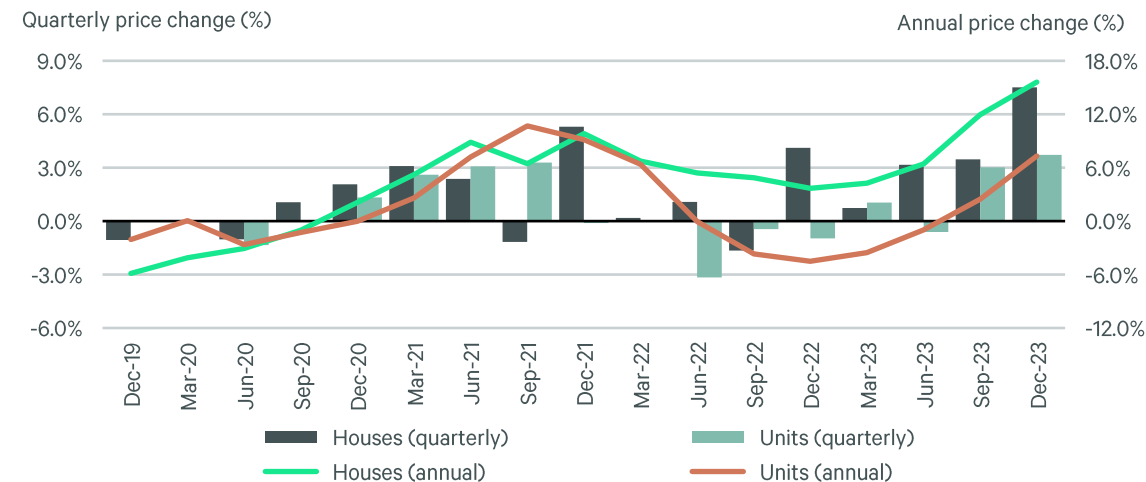
Although reaching record highs, Perth’s house price remains well below the east coast capitals, sitting, for example, 30% below Melbourne and 60% below Sydney. Perth’s 5-year downturn to 2020 has allowed room for a sustained period of growth while maintaining an affordability advantage over the east coast markets.

CBRE valuers also noted that interstate investors were very active in Perth, likely due to affordability advantages and employment opportunities. Rising rents have spurred first-time buyers, but a stock shortage is driving up entry-level prices. Many tenants are attempting to exit rental market and purchase any property they can afford to avoid further rental increases.

Strong rental growth is further fuelled by Perth’s low vacancy rate of 0.7% in December, the second lowest behind Adelaide and a slowing supply pipeline. At December, REIA data was showing:

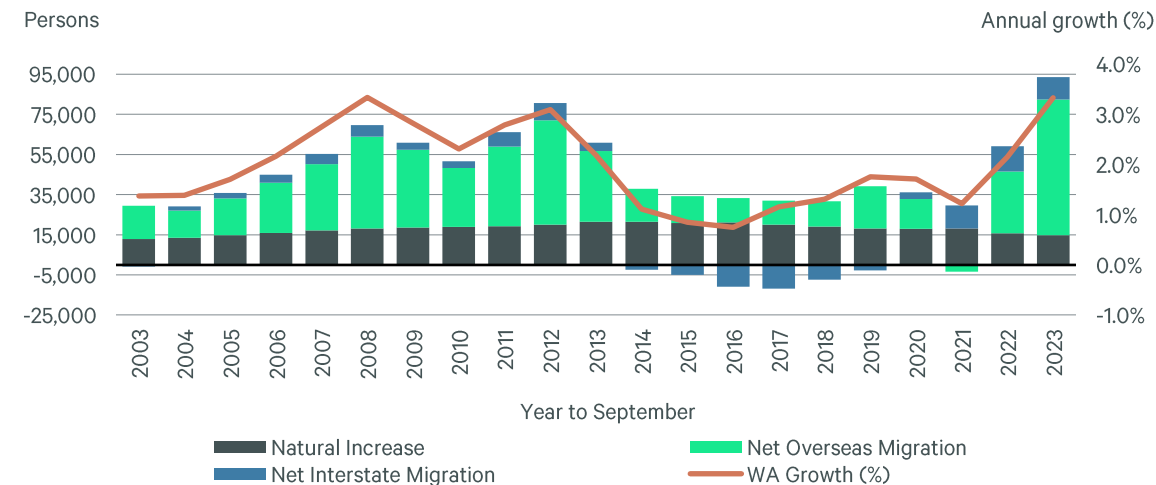
- a median house rent of \$580/week, up 5.5% q-o-q and 17.2% higher y-o-y, whilst
- the median unit rent was at \$550/week, unchanged q-o-q but 22.2% higher y-o-y.

FIGURE 19: Perth House and Unit Median Price Change



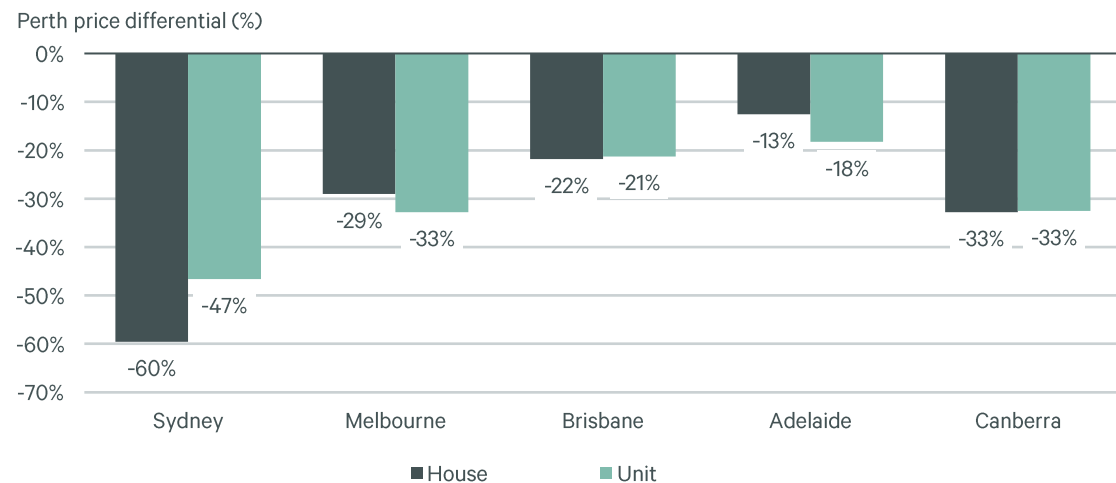
Source: Real Estate Institute of Australia

FIGURE 20: Western Australian Population Growth (annual)



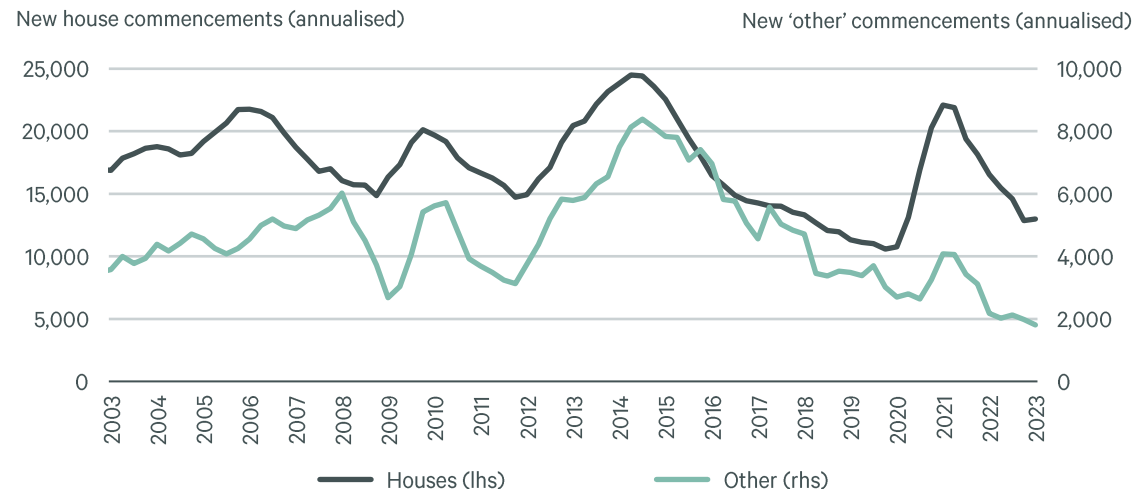
Source: Australian Bureau of Statistics

FIGURE 21: Major Capitals Price Spread to Perth. December 2023



Source: Real Estate Institute of Australia; CBRE Research

FIGURE 22: Western Australia Dwelling Commencements (rolling annual)



Source: Australian Bureau of Statistics

TABLE 4: Greater Perth Key Residential Indicators

Indicator	Value	Q-o-Q Change	Y-o-Y Change	Indicator	Value	Y-o-Y Change
Median house price (December qtr.)	\$645,000	+7.5%	+15.6%	House transfers (year to December)	28,013	-1.7%
Median house rent (December qtr.)	\$580/week	+5.5%	+17.2%	House approvals (year to February)	10,758	-3.4%
House yield (year to December)	3.7%	-0.1%	0.0%			
Median unit price (December qtr.)	\$425,000	+3.7%	+7.3%	Unit transfers (year to December)	14,752	+16.1%
Median unit rent (December qtr.)	\$550/week	+0.0%	+22.2%	Unit approvals (year to February)	1,688	-26.6%
Unit yield (year to December)	5.4%	-0.2%	+0.6%			
				Owner occupier finance (WA, year to January)	\$20.5bn	-7.6%
Total vacancy (December)	0.7%	0.0%	+0.1%	Investor finance (WA, year to January)	\$9.5bn	+18.3%

Source: Real Estate Institute of Australia, Australian Bureau of Statistics

ADELAIDE

Adelaide prices continued to grow strongly during the December quarter, with:

- the median house price reaching \$737,500, up 3.9% q-o-q and 10.6% higher y-o-y; with
- the median unit price at \$520,000 up 4.0% q-o-q and 11.8% higher than year earlier.

Both have reached new highs, and with demand remaining strong, further growth of 5% to 10% over the course of 2024 would not surprise. Population growth has risen to 1.7% (annualised), its highest rate on record, with the state reflecting national trends by recording record net overseas migration of almost 51,000 over the past two years. This is generating demand from both buyers and renters.

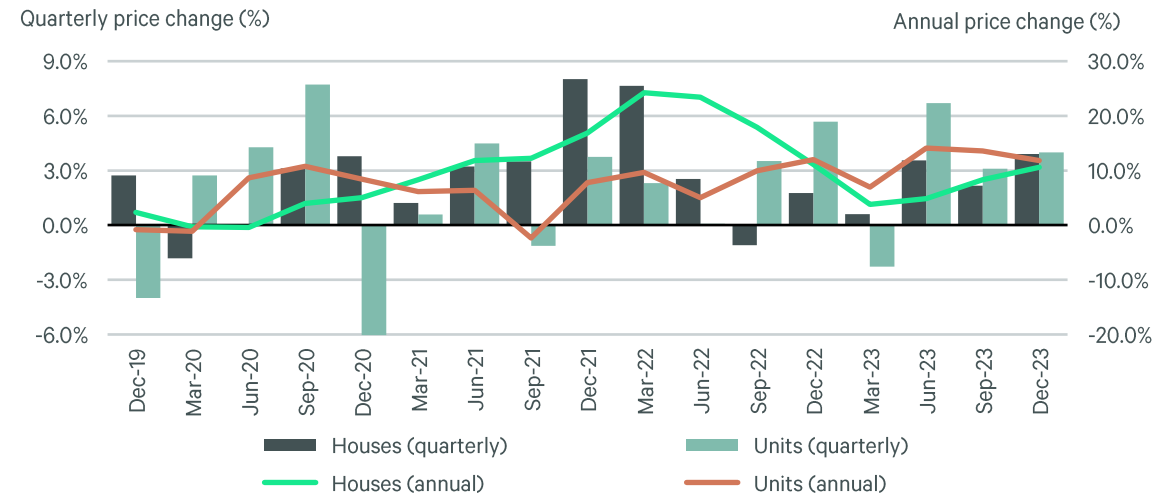
Rental markets remain in severe undersupply, with vacancy at 0.5% in December, having sat sub-1.0% since late-2020. Rents have risen by circa 13% y-o-y for houses and over 7% y-o-y for units, also reaching record highs. The supply pipeline remains constrained, however, suggesting little scope to relieve these pressures in the short-term.

TABLE 5: Greater Adelaide Key Residential Indicators

Indicator	Value	Q-o-Q Change	Y-o-Y Change	Indicator	Value	Y-o-Y Change
Median house price (December qtr.)	\$737,500	+3.9%	+10.6%	House transfers (year to December)	18,367	+4.9%
Median house rent (December qtr.)	\$535/week	+2.9%	+12.6%	House approvals (year to February)	7,238	-1.5%
House yield (year to December)	3.0%	0.0%	0.0%			
Median unit price (December qtr.)	\$520,000	+4.0%	+11.8%	Unit transfers (year to December)	8,170	-4.1%
Median unit rent (December qtr.)	\$430/week	0.0%	+7.5%	Unit approvals (year to February)	2,141	-26.0%
Unit yield (year to December)	3.4%	-0.2%	-0.2%			
				Owner occupier finance (SA year to January)	\$11.5bn	-8.1%
Total vacancy (December)	0.5%	-0.1%	0.0%	Investor finance (SA, year to January)	\$5.7bn	-2.3%

Source: Real Estate Institute of Australia, Australian Bureau of Statistics

FIGURE 23: Adelaide House and Unit Median Price Change



Source: Real Estate Institute of Australia

CANBERRA

Price performance in Canberra continues to be patchy. As at the December quarter, REIA data was showing:

- the median house price at \$960,000, up 1.1% q-o-q but 2.9% lower y-o-y; whilst the median unit price was at \$630,000, up 0.8% in the quarter and 4.0% higher than a year earlier.

This patchiness has been evident for much of the past 18-months, although the first quarter of 2024 looks to have seen slight gains for both house and units. Nonetheless, the outlook for the remainder of the year looks relatively benign.

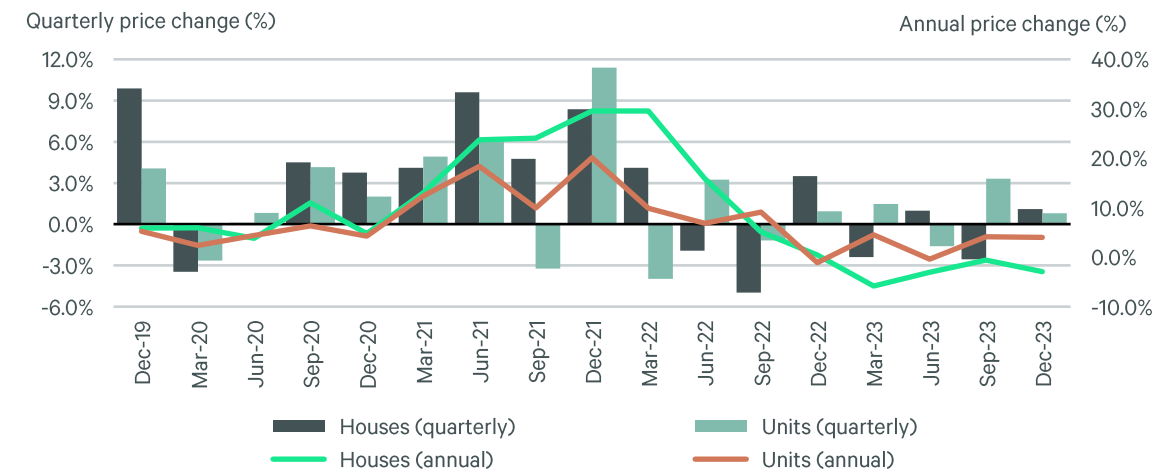
After dipping to 0.5% in March 2022, Canberra’s vacancy rate has settled around 2.0% since early 2023, a level last seen towards the end of 2016. This is largely a result of elevated new supply levels, although commencements and approvals have dipped, suggesting stock completing will start to follow. Median rents have lifted in the December quarter after consecutive quarters of decline and at December were sitting at \$630/week for houses, up 1.6% q-o-q but 2.8% lower y-o-y; and \$590/week for units, up 5.4% in the quarter and 1.7% higher y-o-y.

TABLE 6: Greater Canberra Key Residential Indicators

Indicator	Value	Q-o-Q Change	Y-o-Y Change	Indicator	Value	Y-o-Y Change
Median house price (December qtr.)	\$960,000	+1.1%	-2.9%	House transfers (year to December)	3,854	-7.3%
Median house rent (December qtr.)	\$630/week	+1.6%	-2.8%	House approvals (year to February)	907	-27.0%
House yield (year to December)	2.7%	-0.1%	-0.1%			
Median unit price (December qtr.)	\$630,000	+0.8%	+4.0%	Unit transfers (year to December)	3,922	-8.3%
Median unit rent (December qtr.)	\$590/week	+5.4%	+1.7%	Unit approvals (year to February)	3,350	-19.6%
Unit yield (year to December)	3.9%	0.0%	-0.1%			
				Owner occupier finance (ACT, year to January)	\$4.6bn	-20.6%
Total vacancy (December)	1.9%	0.0%	+0.4%	Investor finance (ACT, year to January)	\$2.2bn	-24.0%

Source: Real Estate Institute of Australia, Australian Bureau of Statistics

FIGURE 24: Canberra House and Unit Median Price Change



Source: Real Estate Institute of Australia

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