

Property Digest: Edition 26

Domestic Economics

Sentiment

The **CommBank Household Spending Insights Index** for December 2023 declined by 3.9 percent. The December decline offset the gain of 1.6 percent in November and continued the pattern of recent years where strength in consumer spending in November is followed by very weak results in December.

The **Westpac Melbourne Institute Consumer Sentiment Index** declined 1.3 percent to 81.0 in January from 82.1 in December 2023, while the ‘time to buy a dwelling’ index continues to fall, down by 3.1 percent to 72.0 (versus the ten year average of 109.1).

TABLE 1 - TIME TO BUY A DWELLING

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024*
<i>Time to Buy a Dwelling, Annual Average</i>	119.8	103.6	124.3	113.8	108.8	112.3	100.6	79.0	73.5	72.0

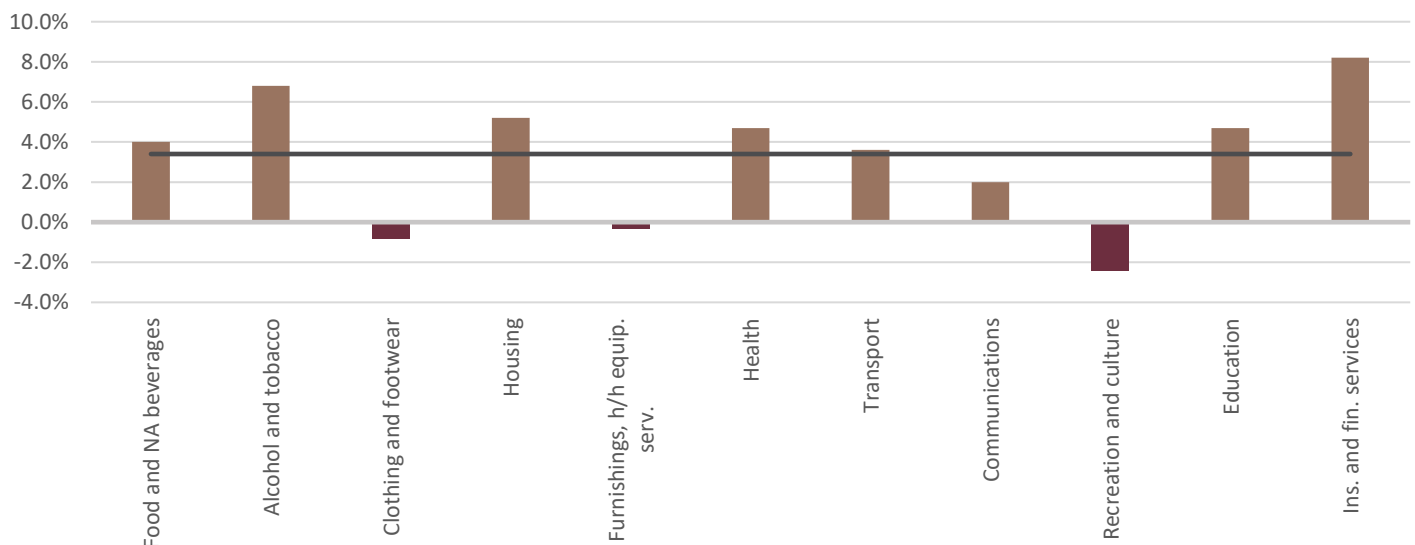
100 = Neutral

Source: Westpac-MI, Wingate Research

Consumer Price Index

The latest monthly consumer price reading from the **Australian Bureau of Statistics** indicates that inflation continues to fall to 3.4 percent. Attention remains focused on **housing**, food and non-alcoholic beverages, alcohol and tobacco, and insurance and financial services. [Read more](#)

CHART 1 - WEIGHTED AVERAGE OF EIGHT CAPITAL CITIES, ANNUAL CPI MOVEMENT



Source: ABS, Wingate Research

Population

Forecasts suggest Australia's population could reach 30.8 million by 2032. Australia's population was approximately 26.6 million at 30 June 2023, a record annual growth rate of 2.4 percent or around 624,100 people.

Most notable is the forecast ageing of Australia's population and future housing preference:

- The number of children aged 0-14 years is projected to decrease from 18 percent in 2022 to between 13 and 16 percent;
- The working age population aged 15-64 years is projected to decrease from 65 percent to around 60 percent;
- The number of people aged 65 years and over will increase from 17 percent to around 25 and 27 percent.

Assumptions have been made about Australia's future levels of net overseas migration; 275,000 people per year (higher), 225,000 people per year (medium); and 175,000 people per year (lower). [Read more](#)¹

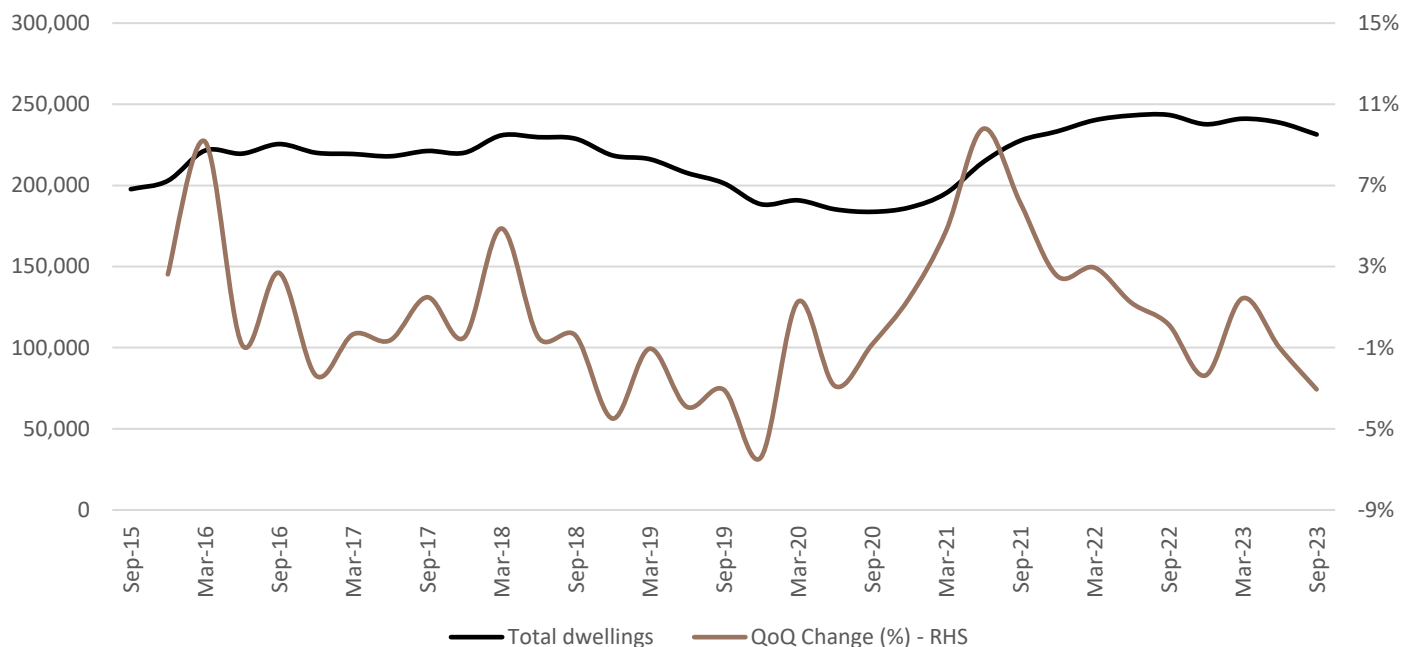
Residential

Building Activity

According to the **ABS**, dwellings under construction fell for the second consecutive quarter, decreasing by 3.1 percent to 231,387 dwellings (September quarter). New houses accounted for 97,120 of the dwellings under construction, representing 42 percent. [Read more](#)

Forecasts suggest there will be a shortfall of around 180,000 dwellings over the next five years, based on the Federal Government's aspirational target to increase the number of dwellings by 240,000 per annum.

CHART 2 - DWELLINGS UNDER CONSTRUCTION



Source: ABS, Wingate Research

¹. CBRE suggest that one million additional people deliver a requirement for 400,000 new homes, one million square metres of shopping centre, 4.5 million square metres of industrial, 1.8 metres square metres of office and 12,000 hotel rooms.

Master Builders of Australia forecasts suggest that around 170,100 new dwellings will be constructed in 2023-24. Commencements are expected to rebound modestly in 2024-25 to approximately 185,000, a figure well below the 2016 peak of around 250,000 dwellings.

Vacancy Rates

National vacancy rates in Australia increased by 0.2 percent to 1.3 percent in December. The total number of vacant residential properties nationwide are now at around 39,800, up from around 33,500 the previous month, according to **SQM Research**. **Sydney, Melbourne, and Brisbane** saw marginal increases. Over the last month, asking rents in capital cities increased by 1.3 percent, contributing to a 12-month increase of 14.2 percent. [Read more](#)

Government Policy

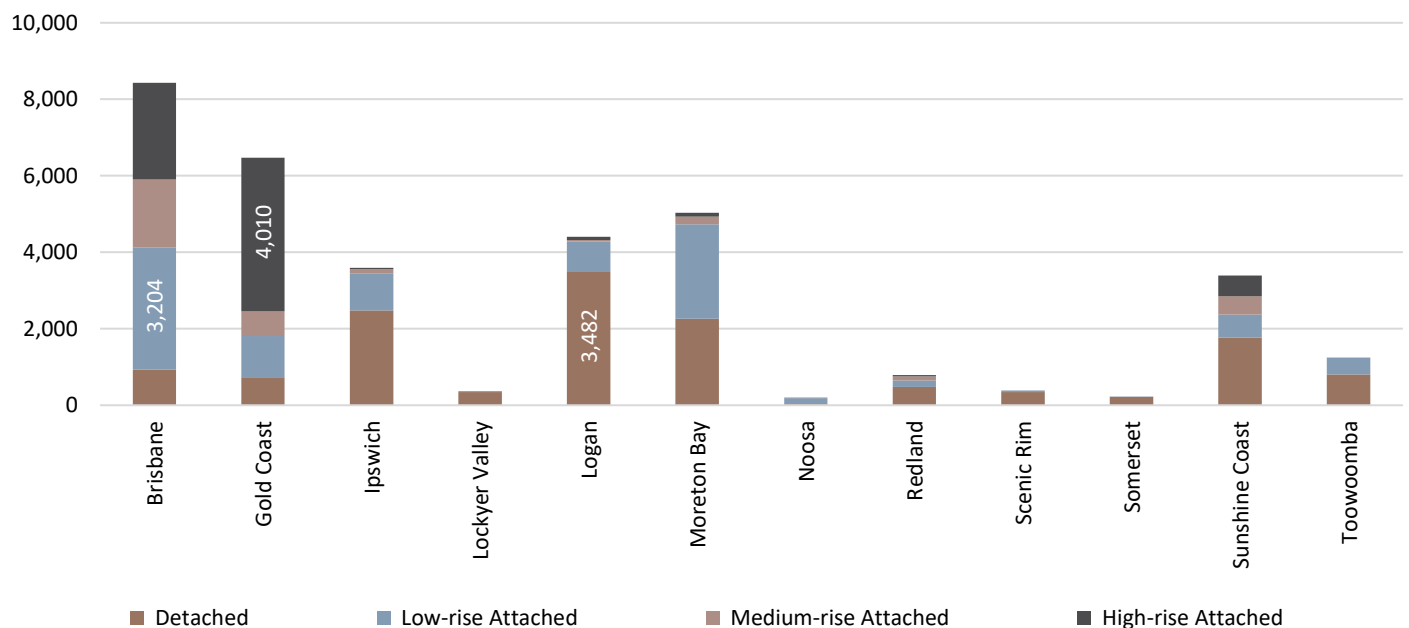
Queensland has finalised its '**Shaping SEQ Regional Plan Update**' to accommodate its forecasted population growth of around 86,500 people per annum. This equates to around 34,500 dwellings per annum to 2046. By municipality, a quarter of dwellings are in **Brisbane, Gold Coast** (18.7 percent), **Moreton Bay** (14.6 percent) and **Logan** (12.8 percent).

On average, 57 percent will be detached (around 13,800 dwellings per annum), 27 percent will be low-rise attached (around 10,000 dwellings per annum), 6 percent will be medium- In terms of diversity targets and municipalities:

- **Detached – Logan: Key detached municipality** with an estimated 3,500 dwellings per annum;
- **Low-rise attached – Brisbane:** Approximately 3,200 dwellings per annum;
- **Medium rise attached – Brisbane:** Around 1,770 dwellings per annum;
- **High rise – Gold Coast:** Approximately 4,000 dwellings per annum.

Over the last 12 months, Queensland expanded by almost 140,000 people or 2.7 percent (in months prior to the pandemic Queensland grew by around 80,000 people).

CHART 3 - SEQ 2046 - DWELLING TARGETS BY PRODUCT



Source: Shaping SEQ Regional Plan, Wingate Research

Brisbane’s median dwelling price has risen by more than 50 percent since March 2020 according to CoreLogic. Its median dwelling price is now the third highest behind Sydney (\$1,128,322) and Canberra (\$787,217). In December,

Brisbane’s median dwelling value was \$787,000, surpassing Melbourne’s median value for the first time since July 2009 by around \$7,000.

An online survey of key property stakeholders suggested more than a third of respondents expect **Greater Brisbane** to be the strongest performer in 2024. [Read more](#)

*Property market experts and economists polled by **Weekend AFR** flagged national dwelling price movement in 2024, with most tipping gains of somewhere between 1 and 5 percent.*

Across Melbourne, buyers paid an average deposit of \$94,000 in the 2023 financial year according to the **PEXA Buyer Deposits Report**. In Melbourne’s seven greenfield municipalities, the average house deposit was \$113,300 or 17.5 percent of the average house price.

TABLE 2 - DEPOSIT BY MELBOURNE GREENFIELD MUNICIPALITY

	Cardinia	Casey	Melton	Wyndham	Hume	Mitchell	Whittlesea	Average
Median House Price	\$661,000	\$700,000	\$605,000	\$650,000	\$650,000	\$590,000	\$675,000	\$647,286
Deposit (%)	17.7%	17.2%	17.6%	16.8%	17.1%	N/A	18.3%	17.5%
Deposit (\$)	\$116,997	\$120,400	\$106,480	\$109,200	\$111,150	N/A	\$123,525	\$113,275

Source: PEXA, Wingate Research

The Victorian Minister for Planning has finally approved the **2023/24 Victorian Planning Authority Business Plan** which outlines the projects and activities it will undertake to deliver on the Victorian Government’s commitments and the priorities in **Victoria’s Housing Statement**.

One of the key takeaways is that over the last 12 months the authority’s base appropriation/budget has fallen from \$37.1 million in 2022-23 (VPA Business Plan) to \$24.2 million in 2023-24. It will halve by 2026/27 to just \$18 million.

Over the last 20 years, on average, around 75 percent of all new dwellings were in Greater Melbourne with:

- Around 11 percent of Greater Melbourne's dwellings in inner Melbourne municipalities;
- 50 percent in middle and outer municipalities; and
- Approximately 40 percent in the seven growth areas.

Assuming a similar metropolitan/regional allocation, this suggests around 61,000 of the 80,000 new homes will be in greater Melbourne. [Read more](#)

Greater Shepparton in Victoria has rezoned 271 hectares of land to the Urban Growth Zone. It is expected that the urban areas of **Shepparton, Mooroopna and Kialla** will accommodate the majority of new residential development.

In terms of greenfield, a requirement for:

- 60 percent as conventional living (450 - 800 square metre lots);
- 20 percent as medium density housing (less than 450 square metre lots);
- 15 percent as low density living (2,000 - 8,000 square metre lots); and
- 5 percent as rural living (2 - 8 hectare lots).



Over the last 20 years, the median house price has grown by 7.8 percent per annum on average in Greater Shepparton to just under \$600,000. The median land price has risen by 9.2 percent per annum to around \$310,000, which outperformed many metropolitan Melbourne greenfield markets in percentage terms.

In 2023, **New South Wales** recorded fewer dwelling completions than Victoria and Queensland, producing about 6 homes for every 1,000 people each year, compared to 8 in Victoria and 9 in Queensland. NSW completed just 48,000 new dwelling completions in 2022, well behind Victoria with 59,000 completions.

Like a number of State governments, NSW is proposing transport orientated solutions:

- **Tier 1** - eight transport hubs for accelerated rezoning for 47,800 mid and high-rise dwellings over the next 15 years;
- **Tier 2** - a snap rezone of 31 locations across the State for 138,000 new homes to be created within 400 metres of metro or rail stations and town centres.



The average time for high-density and medium-density planning approvals in NSW is 190 days (see graphic).

In the early 1980s, the average house in Sydney cost \$78,900, or about 5-times a full-time average wage. Now, the price of a typical Sydney house is 17-times more expensive and is 14-times the average income. [Read more](#)

The **City of Adelaide** has released its draft 2024/28 Strategic Plan, setting a growth target of 50,000 residents by 2036. The City of Adelaide's current population is just over 26,000. [Read more](#)

Over the last 12 months, **South Australia's** population has grown by 30,500 or 1.7 percent (largely driven by net overseas migration in excess of 27,000). South Australia's current population is approximately 1.85m.

International Residential

An update on the £4.2 billion Housing Infrastructure Fund which was created in 2017 to jump-start house building in the **United Kingdom** by providing local authorities with grant funding for key infrastructure. Costs have risen by as much as 40 percent since the pandemic and the programme was downgraded to 'red' in 2022/23, meaning there were 'major issues with project definition, schedule, budget, quality and/or benefits delivery'. Recently, the program has been re-rated to 'amber', suggesting delivery was now considered 'feasible', albeit with significant issues.

China's home prices continue to decline with the largest fall in nearly nine years as easing measures fail to lift buyer confidence. Prices of new homes in 70 medium and large cities fell 0.4 percent month on month in December, and dropped 0.9 percent year on year, according to calculations by the **National Bureau of Statistics**. It was the steepest monthly decline in new-home prices since February 2015. Second-hand home prices in tier-1 cities recorded a month-on-month slide of 0.1 per cent last month, with declines of 3.6 and 3 percent in **Shenzhen** and **Guangzhou**.²

Singapore's new private home sales in December declined 83 percent month-on-month, the lowest monthly sales recorded since the 2007/08 global financial crisis. Sentiment has deteriorated with higher interest rates, softer economic prospects and two more rounds of cooling measures. Private residential property prices rose 2.7 percent in the last quarter of 2023, to end the year up 6.7 percent (compared to 8.6 percent in 2022 and 10.6 percent in 2021).

² Over the longer term, Goldman Sach maintains a cautious view on China's growth outlook given deteriorating demographics, property and local government deleveraging, and global supply chain de-risking.



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