

Property Research Digest: Edition 19

International

Canada has introduced a law that essentially prohibits foreigners from buying residential investment property for two years. The law was passed to temper Canadian home prices since the start of the pandemic. However, average home prices in Canada peaked at around \$800,000 in February 2022 and have fallen steadily since then, dropping about 13 percent from that peak, according to the **Canadian Real Estate Association**.

New Zealand introduced a similar law in October 2018 (the impact was at the margin at best, given foreign buyers accounted for only 2.9 percent of all sales prior to the announcement).

The average home price in the **United Kingdom** has declined by 1.5 percent over the last month to around £281,300, with annual growth slowing to two percent, according to the **Halifax House Price Index**. The impact of cost-of-living pressures, coupled with a rising rates environment, has taken effect on household finances and demand. It is expected that the **European Central Bank (ECB)** will lift the cash rate by 50 basis points in February and March and by 25 basis points in May for a terminal rate of 3.25 percent.

Since 1983, when the Bank Base Rate was 11 percent, United Kingdom house prices have risen by 974 per cent.

The National Association of Realtors has flagged that the median existing home sales price in the United States swelled to USD \$370,700 in November 2022, a 3.5 percent increase over the last 12 months. Sales volumes were down around 35 percent over the same timeframe. Analysts are forecasting a correction of only five percent, with a key difference compared to the last housing downturn being many homeowners have had a sizeable increase to their home values in recent years.

According to **Goldman Sachs**, **China's** population has peaked and is now shrinking, with India's population to overtake China's in 2023. China's decline in population will accelerate, bringing significant challenges, including pressure on the property market. For the time being, the immediate risk of a hard landing has been averted with the long-anticipated central government package to address the downturn in residential property. [Read more here.](#)

Since 1950 India and China have provided 35 percent of the world's population growth.

Japan is moving out of deflation. The **Bank of Japan** recently raised its inflation forecast to 2.9 percent, the highest annual rate since 1989. The government has also added to inflationary pressures, announcing a ¥29tn stimulus, making it likely that Japan is exiting a deflationary era.

The population of Japan, the world's third-biggest economy, recorded a fall of 644,000 people in 2020-21. It is expected that its population will tumble from 125 million to an estimated 88 million in 2065 (30 percent).

Economic

New data from the **Australian Bureau of Statistic (ABS)** shows approvals fell by 9 percent in November 2022, with the level now around 15 percent lower than 12 months ago (its lowest since June 2020, excluding January, which was artificially lowered by the impact of the initial Omicron wave). By state, approvals in New South Wales fell by the most (-18.4 percent), followed by Western Australia (-17.5 percent), Victorian (-12.7 percent) and Queensland (-5.6 percent). [Read more here.](#)

APPROVALS, NOVEMBER 2022

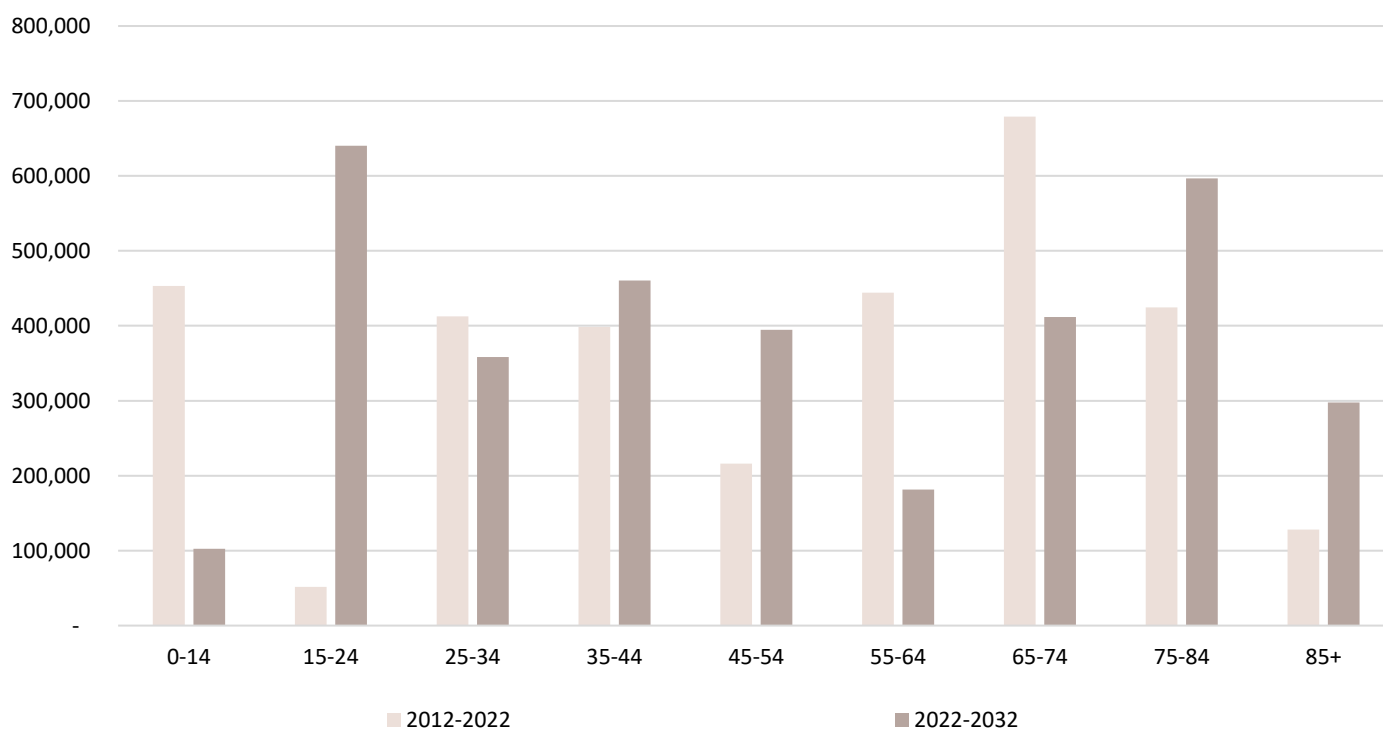
	November 2022	Monthly Change (%)	Yearly Change (%)
Seasonally Adjusted			
Total Dwellings	13,898	-9.0	-15.1
Private Sector Houses	9,142	-2.5	-13.4
Private sector Dwellings excluding Houses	4,423	-22.7	-21.0

Source: ABS, Wingate

Quantify Strategic Insights have released population forecasts for the next ten years by age cohort, focusing on the impact on the next evolution of the housing market. The rate of population growth will fluctuate over the next decade and be driven by three cohorts, baby boomers (born 1946-1964: aged 58 - 76 years old), millennials (born 1981-1996: 26 - 41 years old) and baby bonus generation (lagged Gen Z: born 2006 - 2021). [Visit information here.](#)

Australia's population growth is projected to return to around 355,000 by 2024/25, before easing to around 330,000 per annum by 2032 in line with the reduction in the natural increase.

CHANGE IN POPULATION BY AGE, AUSTRALIA



Source: Quantify Strategic Insights, Wingate

Residential

Apartment development pipelines have slowed across Australia in the last three months, according to global real estate services firm **JLL**, with key reasons for the downturn including construction costs, rising borrowing costs and the push to 'build-to-rent'.

The firm reported 23,150 apartments under construction in September 2022, marginally up on the 21,000 troughs through the pandemic. It believes the worst undersupply is forming in Brisbane, which is being exacerbated by strong interstate migration and infrastructure projects leading up to the 2032 Olympics. [Read more here.](#)



INNER CITY APARTMENT SUPPLY

Stage	Sydney	Melbourne	Brisbane	Perth	Adelaide	Canberra	National
Completed (YTD)	1,422	1,551	1,015	46	28	1,574	5,636
Under Construction	5,715	7,022	4,394	1,970	673	3,3379	23,153
Marketing	2,063	2,481	1,497	1,002	1,124	2,551	10,718
Plans Approved	4,502	7,206	4,731	1,429	461	990	19,319
Plans Submitted	1,720	3,154	2,060	242	775	882	8,833
Total	15,422	21,414	13,697	4,689	3,061	9,376	67,659

Source: JLL, Wingate

CoreLogic's home value results for December show that prices nationally have fallen eight percent from their peak, with the combined capital cities down 8.6 percent and the combined regions down 6.6 percent. Melbourne's dwelling values have only fallen 8.3 percent from their peak. It is the one capital city market where values are about to fall below their pre-pandemic level.

The data suggests that Australia is currently subject to the steepest house price decline on record. However, at the aggregate prices are still above pre-pandemic levels.

CHANGE IN DWELLING PRICES

	Pandemic Trough to Peak (%)	Decline from Peak (%)	Month of Peak
Sydney	27.7	-11.4 ⁽¹⁾	JAN. '22
Melbourne	17.3	-7.1	FEB. '22
Brisbane	42.7 ⁽¹⁾	-8.1 ⁽²⁾	JUN. '22
Adelaide	45.1 ⁽²⁾	-0.9	JUL. '22
Perth	25.9	-0.7	JUL. '22
Hobart	37.7	-7.6 ⁽³⁾	MAY '22
Darwin	33.7	-0.6	AUG. '22
Canberra	39.2 ⁽³⁾	-6.5	JUN. '22
Regional	42.4	-5.7	JUN. '22
Eight Capital Cities	25.5	-7.5	APR. '22

Source: Corelogic, Wingate

The **New South Wales** government will accelerate residential rezoning to reach it's target of 70,000 new homes by 2024. The land will be rezoned over the next two years, with areas including Camellia, Eveleigh, Macquarie Park, Parramatta North and University, Riverstone, Orchard Hills, and Broadmeadow (Newcastle).

According to the 2022 NSW Population Projections, the State will need to house an additional 85,000 people yearly for the next 20 years (around 28,500 homes per annum in Greater Sydney). [Read more here.](#)

The opposition Labor Party has pledged to extend the stamp duty extension to first-home buyers if it wins the state election in March (from A\$650,000 to A\$800,000).

The **City of Greater Geelong** has released its precinct structure plan (PSP) program to meet the growing demand for residential land in the municipality. Consideration has been given to the Northern and Western Geelong Areas Framework Plan, land supply and infrastructure planning. Commencing three plans this year would take the City's land supply to approximately 13 years in 2025. [Read or listen here.](#)

*According to project marketer **RPM**, the median land price in Greater Geelong has risen by A\$92,000 over the last 12 months (29 percent).*

PSP PROGRAM

Year	Precinct Structure Plan		Commencement	Approved
2023/24	Batesford North, Elcho Road West and Heales Road West		Mid-2023	Mid-2026
2025/26	McCanns Lane (with ext.) and Merrawarp		Mid-2025	Mid-2028

Source: City of Greater Geelong, Wingate

Think Economics has reported that project activity and competition in the land lease community (LLC) sector continues to increase at a rapid rate, with over 32,500 dwellings in the pipeline, across 221 communities Australiawide. A total of 139 projects are being actively marketed.

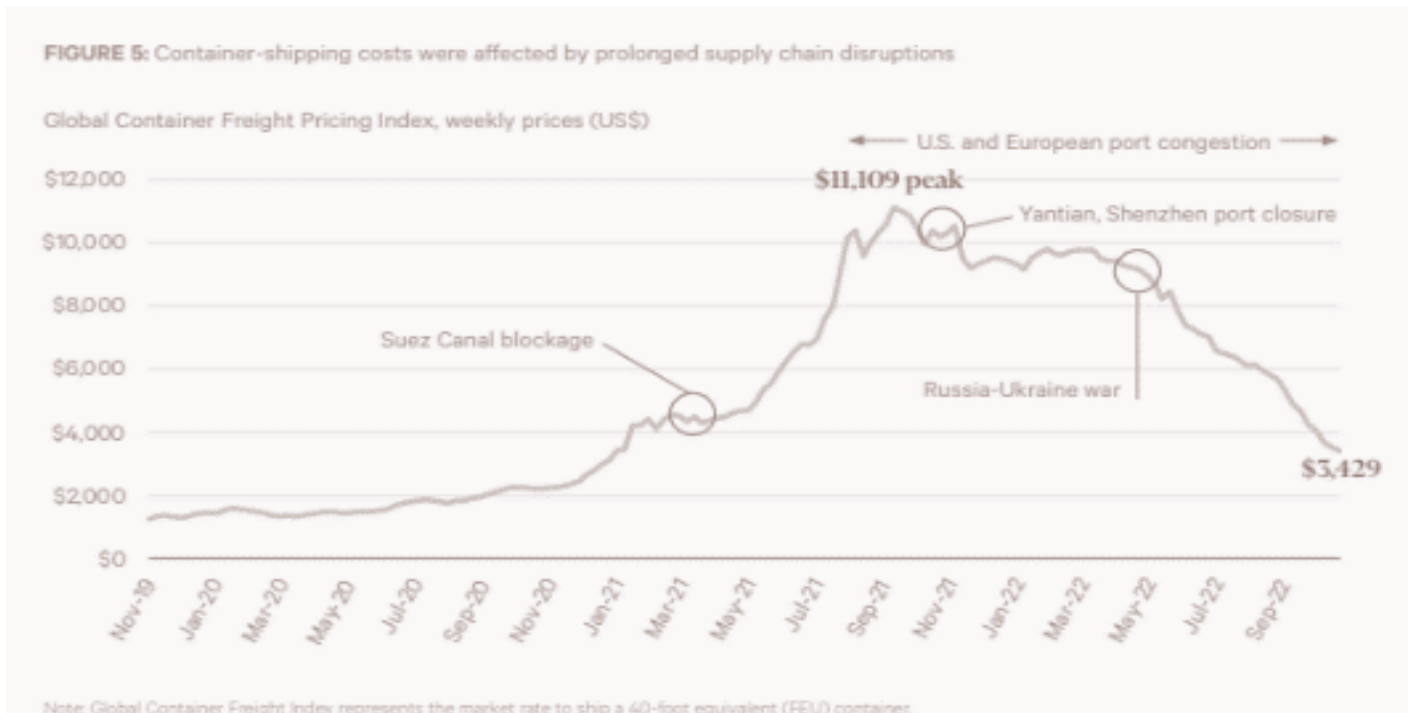
The LLC sector has been dominated by affordable quality product, however, analysis of new projects suggests a shift towards the high and premium segment of the market. The driving force of the premium market is in Queensland, where 73 percent of all currently selling projects are classified as premium and high-end developments. New South Wales, the second largest market nationally in terms of actively marketing projects, has a wider distribution of products with a strong representation of affordable and mid-market targeted projects. [Visit here for more information.](#)

Land lease penetration rates are well below international benchmarks in Australia at least than 3 percent.

Input Costs Normalising: Shipping

The rising cost of shipping has impacted companies engaged in global distribution. Though ocean shipping rates are falling, they remain higher than pre-pandemic levels.

According to the **Freightos Baltic Index / CBRE**, which represents a weighted average of spot shipping rates for a 40-foot container across 12 major global routes, rates steadily increased after COVID-19's onset. They climbed sharply following the Suez Canal blockage. [Read more here.](#)





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