

# Property Research Digest: Edition 27

## Domestic Economics

### Population

The imbalance between the supply and demand for housing will continue over the near term, with Australia's population lifting by 2.5 percent or 659,800 people over the 12 months from September 2023 according to the **Australian Bureau of Statistics (ABS)**. Natural increase was only 111,000 people, while net overseas migration totalled 548,800 people or around 83 percent of total growth. Almost 81 percent of growth was in east coast states and territories versus an estimated 160,000 dwellings commencements in 2023/24.

*The March and September quarters typically have a larger increase in net overseas migrants due to the start of the university semester.*

**TABLE 1**

### POPULATION GROWTH

	Year-on-Year Change ('000)	Year-on-Year Change
New South Wales	186.1 (28.2% of total)	2.3%
Victoria	<b>192.7 (29.2%)</b>	2.9%
Queensland	143.6 (21.8%)	2.7%
South Australia	30.7 (4.7%)	1.7%
Western Australia	93.6 (14.2%)	<b>3.3%</b>
Tasmania	1.6 (0.2%)	0.3%
Northern Territory	1.8 (0.3%)	0.7%
Australian Capital Territory	9.6 (1.5%)	2.1%
<b>Australia</b>	<b>659.8</b>	<b>2.5%</b>

Source: ABS, Wingate Research

### Capital Expenditure (CapEx)

The pipeline of confirmed and potential major projects remains at a near-record \$948 billion, significantly underpinned by east coast transportation infrastructure. Despite the challenging economic outlook, public and private investment remains solid. Business CapEx intentions for FY24 and FY25 point towards a near 10 percent year-on-year growth in non-mining business investment, according to investment bank **Jarden**.

## Australian Residential Property

### Dwelling Prices

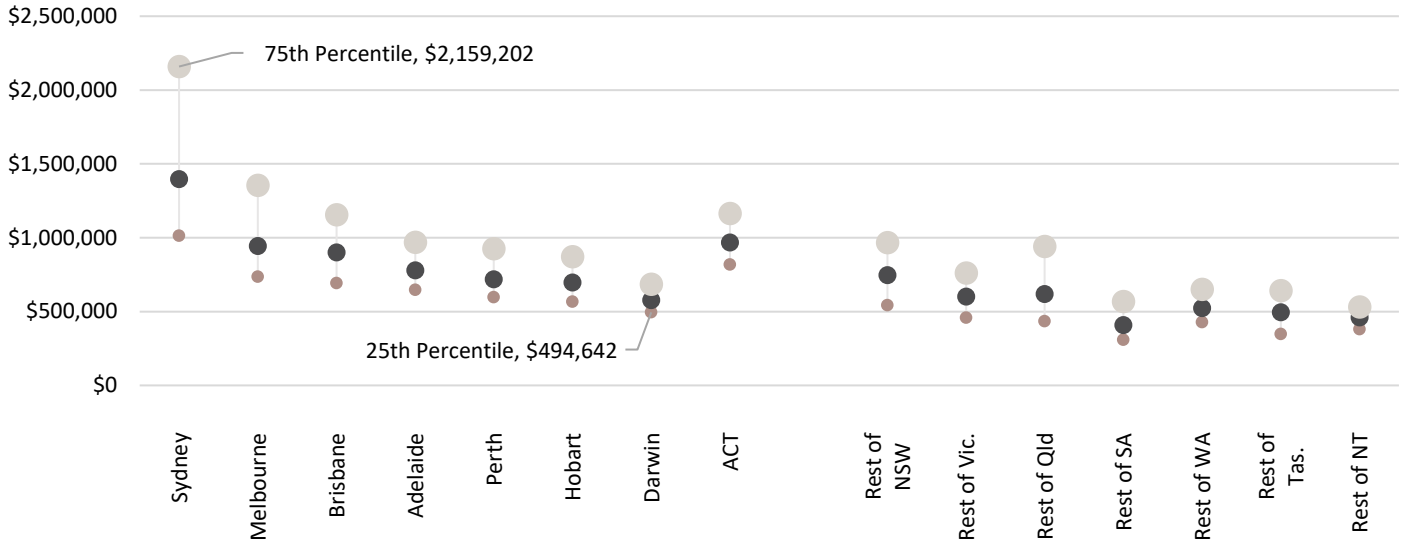
National house prices continued to lift in February, up 0.6 percent - now up 9.4 percent from their January 2023 low. Across the capitals, Perth was strongest, up 1.8 percent month-on-month; Adelaide and Brisbane also continued their robust performance (up 1.1 and 0.9 percent, respectively).

*According to **CoreLogic**, lower quartile home values have seen a stronger rate of appreciation through the second half of 2023 and into 2024, i.e. lower value homes are increasing in value at a higher rate than more expensive homes.*



## CHART 1

### MEDIAN, LOWER AND UPPER QUARTILE VALUES



Source: CoreLogic, Wingate Research

According to the most recent **Reuters** Global Housing Market poll, the median forecast indicates a projected price growth of 5 percent in Australia between 2024 and 2026. Australia holds the top position for anticipated growth, surpassing all other countries except India.

### Apartments

**Charter Keck Cramer (CKC)** has released their latest suite of capital city apartment reports. Per annum 'build to sell' apartment completions between 2024-26 will be around 50 percent below 2023 completions. There were 22,400 completions in 2023, with Sydney and Melbourne experiencing around 37 and 34 percent market share. The biggest impact will be on completions in the east coast states and territories. [Read more](#)

TABLE 2

### CAPITAL CITY APARTMENT COMPLETIONS

	2023	2024-26 per Annum	2024-26 (% of Total)	2023 v. 2024-26 per Annum	2023 vs.2024-26 per Annum
Sydney	8,300	3,800	37.4%	-4,500	-54.2%
Melbourne	7,600	3,167	31.2%	-4,433	-58.3%
Brisbane	2,200	867	8.5%	-1,333	-60.6%
Gold Coast	1,500	800	7.9%	-700	-46.7%
Perth	700	700	6.9%	-	0.0%
Adelaide	400	217	2.1%	-183	-45.8%
Canberra	1,700	600	5.9%	-1,100	-64.7%
<b>Total</b>	<b>22,400</b>	<b>10,150</b>		<b>-2,250</b>	

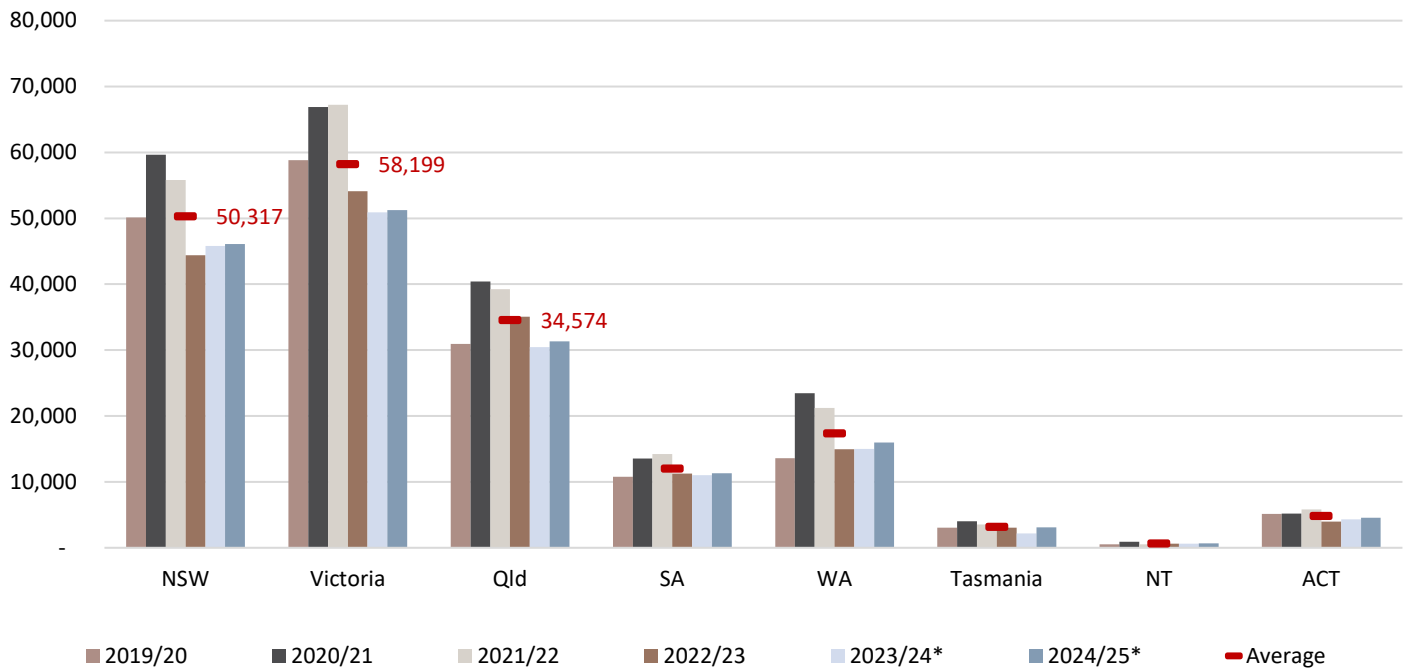
Source: CKC, Wingate Research

## Dwelling Forecasts

**HDD Consulting** says just over 160,000 dwellings will commence in 2023/24. Based on the lagged impact of thirteen interest rate rises, a shortage of skilled labour and building materials, combined with a range of constraints the industry has faced for decades, including a lack of serviceable, affordable land and planning laws, they forecast an increase of only 2.6 percent in 2024/25. [Read more](#)

### CHART 2

#### DWELLING FORECASTS



Source: HDD Consulting, Wingate Research

## Student Accommodation

International students are one of the key drivers of migration and according to recent data from the **ABS**, there were 618,350 international student arrivals to Australia in the nine months to September 2023, an 88 percent increase compared with the corresponding period of the previous year. Australia is the fourth largest student market in the world.

*The guidance given to education providers in 2023 to resume in person delivery of courses by mid-year, alongside the Chinese government edict for students to return to their destination university, led to a strong bounce back in demand for higher education in Australia.*

## State of the Land Report

The latest **Urban Development Institute Australia (UDIA)** 'State of the Land Report' provides no surprises as land sales fell to their lowest level since 2019 to 30,444 sales. Notably, project sales per month dropped to 4.1 (or around 50 sales per annum, on average). The gross median land price rose by 1.9 percent to \$432,000, with an average dollar per square metre rate of \$882. Canberra is now the most expensive capital city land market. [Read more](#)

**TABLE 3**

**STATE OF THE LAND - NATIONAL**

	Net Lot Sales	Sales per Project per Month	Median Lot Size (Sqm.)	Gross Median Lot Price	\$ per Sqm.	Market Cap
2014	49,140	6.6	482	\$239,000	\$416	\$11,736,270
2015	51,397	7.0	460	\$250,000	\$454	\$12,840,684
2016	55,586	7.4	436	\$280,000	\$546	15,564,080
2017	56,103	7.3	436	\$301,000	\$588	\$16,877,653
2018	41,686	5.1	428	\$315,000	\$625	\$13,117,195
2019	30,443	3.5	433	\$303,000	\$593	\$9,209,008
2020	57,489	6.1	427	\$302,000	\$601	\$17,332,934
2021	<b>79,641</b>	<b>10.2</b>	414	\$330,000	\$683	<b>\$26,281,530</b>
2022	39,402	6.0	407	\$424,000	\$908	\$16,693,314
2023	30,444	4.1	414	\$432,000	\$882	\$13,151,808

Source: UDIA, Wingate Research

**Land Supply**

The Australian Capital Territory (ACT) continues its push for the border to be shifted. If successful, the Ginninderry proposal will deliver around 11,500 homes. The shift would require approval from ACT, New South Wales (NSW) and Federal parliaments. Land supply and housing affordability are a growing concern even in the nation's capital. Over the last 12 months, ACT's population has grown by 2.1 percent, mostly from overseas migration. [Read more](#)

*According to the UDIA, Greater Canberra is Australia's second most expensive market, with a median land price of around \$620,000.*

In NSW, the Bradfield City Centre Master Plan has been released for comment. Comprising around 114 hectares in the centre of the Western Sydney Aerotropolis, it will deliver around 20,000 new jobs and up to 10,000 new homes. Councils of Western Parkland City collectively approved builds for only 7,100 dwellings in the 12 months to January 2024, 34 percent lower year-on-year (and 49 percent below the region's peak of over 14,000 in January 2018). The decline has been driven by deteriorating apartment approvals (down 89 percent to less than 300 approvals). Detached approvals fell by 25 percent over the same period. [Read more](#)

**Infrastructure**

The Queensland State government has committed \$2.75 billion towards roads and transport infrastructure on the Sunshine Coast, including a rail line from Beerwah to Maroochydore. The project's first stage is 19 kilometres from Beerwah to Caloundra, but construction would not commence until 2026 and was contingent on the federal government matching the state's funding.

*The Sunshine Coast is one of the fastest-growing regions in Queensland and forecast to accommodate 600,000 people by 2046.*





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## International

### Japan

Japanese investors more than doubled their overseas real estate acquisitions in Asia Pacific in 2023, spending \$2.24 billion. Investors from Asia's second-largest economy surpassed the three-year expenditure of \$2.16 billion from 2020 through 2022 in just 12 months. They focused on acquiring offices and residential projects in Australia, as well as other cost-effective assets in the region. [Read more](#)

*The top target for Japan's 2023 spending was Australia, where investors acquired \$1.85 billion in income-earning assets - up nine-fold from the \$200 million annual average over the past decade, data from MSCI Real Assets.*

### China

The China real estate downturn remains a concern, with further falls in the average home price in the 70 big cities in mainland China, which is a proxy for the national market. New home prices fell 0.9 and 1.2 percent, respectively, in December 2023 and January 2024, according to the Wall Street Journal, based on data released by China's **National Bureau of Statistics**. Home prices are down around 10 percent from their 2021 peak.

When the government tightened finances in 2020, it sent the real estate sector into freefall. Builders ran out of money without easy access to government money, leaving apartment buildings half-finished and declining property values.

### Singapore

Private home prices in Singapore rose by 2.7 percent in the last quarter of 2023, up from 0.8 percent in the third quarter. According to preliminary figures from the Urban Redevelopment Authority, the uptick in growth is partly due to the 27 percent drop in transactions during the period.

Singapore's private residential rent fell 2.1 percent in the last quarter of 2023, dropping for the first time since 2020, as developers completed more homes. The result ended 12 consecutive quarters of increases and was the sharpest drop in more than 14 years.

## Australian Industrial Sector

**CBRE** has estimated the value of industrial assets across Australia's capital cities to be worth a combined \$293 billion, up from \$137 billion in September 2021. This puts industrial assets just below the value of office assets, which CBRE estimates worth \$295 billion, and retail assets estimated at \$267 billion.

Supply-demand dynamics remain favourable, with vacancy across major markets remaining low. Forecast new supply continues to be delayed. In some capital city markets, industrial land values exceed residential.

According to **JLL**, national prime net face rents increased 3.9 percent over the December quarter to around 186 per square metre, taking annual growth to 18.1 percent down from 24.9 percent in the prior year.

Inner markets within Melbourne's west and Sydney's south displayed outsized rent growth of 16.7 percent and 9 percent quarter-on-quarter due to the limited supply of assets despite a softening in occupier demand.

Some 89 percent of global property investors intend to deploy capital into Australian industrial properties in 2024, according to a survey by Cushman & Wakefield, totalling around A\$45 billion of institutional funds looking to be invested into Australian industrial assets.



**TABLE 4**

**EAST COAST INDUSTRIAL DASHBOARD**

	<b>Net Face Rent (\$ / Sqm.)</b>	<b>Market Yield</b>	<b>IRR</b>	<b>Capital Value (\$ / Sqm.)</b>	<b>Land Value (\$ / Sqm.)</b>
<b>Sydney</b>					
<i>South Sydney</i>	\$375	4.88%	6.63%	<b>\$8,000</b>	<b>\$3,500</b>
<i>West</i>	\$233	5.00%	6.88%	\$4,200	\$1,475
<i>Central West</i>	\$293	4.88%	6.63%	\$5,125	\$2,125
<i>North West</i>	4233	5.06%	6.88%	\$3,875	\$1,300
<i>South West</i>	\$228	5.06%	6.63%	\$4,125	\$1,580
<i>Outer South West</i>	\$195	5.25%	6.88%	\$3,950	\$1,260
<b>Melbourne</b>					
<i>City Fringe</i>	\$180	5.06%	6.38%	\$3,375	<b>\$2,625</b>
<i>West</i>	\$139	5.38%	6.63%	\$2,275	\$950
<i>North</i>	\$140	5.50%	6.50%	\$2,400	\$975
<i>East</i>	\$145	5.38%	6.38%	<b>\$2,500</b>	\$1,025
<i>South Eastern</i>	\$140	5.38%	6.50%	\$2,500	\$950
<b>Brisbane</b>					
<i>Southside</i>	\$153	5.75%	6.75%	\$3,100	\$525
<i>Northside</i>	\$175	5.75%	6.75%	\$3,125	\$675
<i>Trade Coast</i>	\$203	5.50%	6.38%	<b>\$3,575</b>	<b>\$750</b>
<i>M1 / Logan Corridor</i>	\$159	5.75%	6.75%	\$3,025	\$450
<i>West</i>	\$148	5.88%	7.00%	\$2,850	\$400
<b>Average</b>	<b>\$196</b>	<b>5.34%</b>	<b>6.66%</b>	<b>\$3,625</b>	<b>\$1,285</b>

Source: Savills, Wingate Research

Note: Land values reflect 'serviced and benched' sites, 3,000 - 5,000 sqm.



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Investment opportunities are driven by our specialist Property and Corporate Investments origination and credit teams.

In addition, we hold strategic investments in a select number of innovative, high growth financial services businesses where our experience and track record can add significant value for stakeholders.

Our platform comprises over 200 investment and fiduciary professionals dedicated to the Australian market.

We are driven by long-term, trusted relationships and delivering sustainable growth through the economic cycle.

We feel a deep sense of personal and collective responsibility to our people, co-investors, shareholders and business partners and we take pride in the strong performance of our investments over more than two decades.

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### Melbourne

Level 48, 101 Collins  
Street  
Melbourne, VIC, 3000  
Ph: +61 3 9913 0700

### Sydney

Governor Phillip Tower Level 37  
1 Farrer Place, Sydney, NSW, 2000  
Ph: +61 2 8039 0900

[wingate.com.au](http://wingate.com.au)