WINGATE

Property Research Digest:
Edition 31

Domestic Economics

Cash Rate Target

At its last meeting for 2024, the Board of the **Reserve Bank of Australia** unsurprisingly decided to leave the cash rate unchanged at 4.35%. The Board reaffirmed that its highest priority remains the sustainable return of inflation to target within a reasonable timeframe, in alignment with its mandate for price stability and full employment.

The cash rate has stayed unchanged at its cyclical peak for over a year. All things being equal, the cash rate is expected to start its path to normalisation in the first quarter of next year. Given the tone of the Reserve Bank Board's statement, financial markets are pricing in a 60% chance of a rate reduction in February. The Board meets again in February next year.

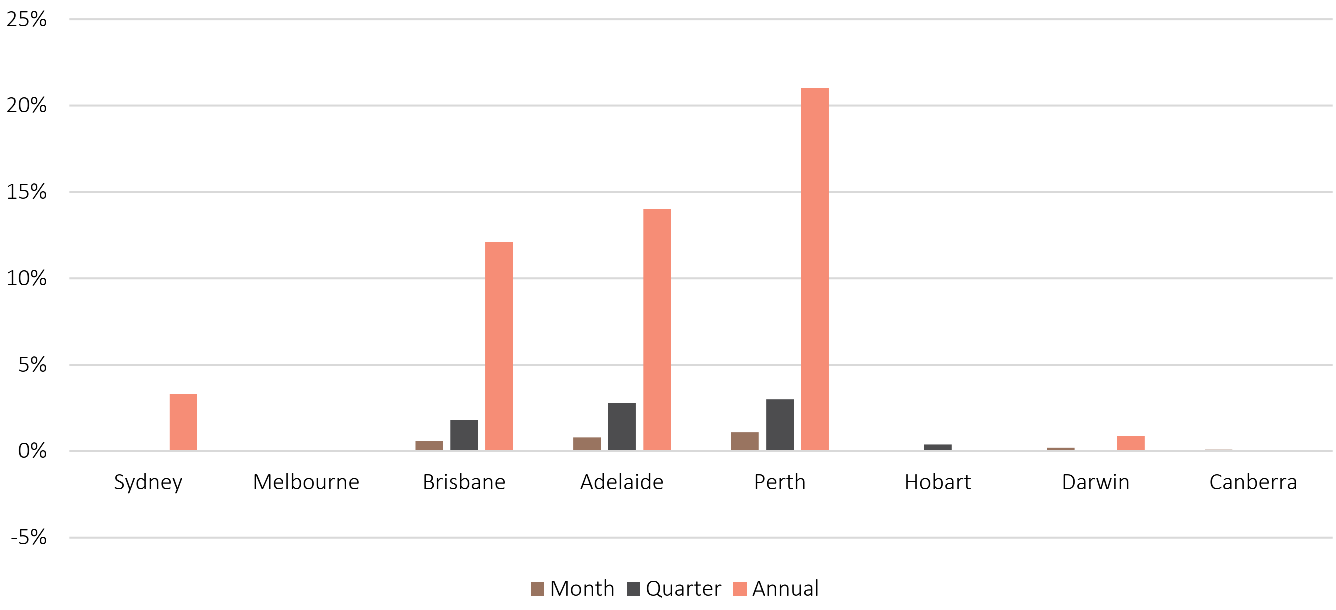
Read the statement here.

Home Prices

According to **CoreLogic**, home prices across the eight capital cities rose by just 0.1% in November, while the combined regions performed better, rising by 0.3% in the month. This marks the smallest price increase since prices fell in January 2023.

Prices are moderating in all capital cities but fell in Melbourne (-0.4%), Sydney (-0.2%), and Hobart (-0.1%). Prices have fallen for eight consecutive months in Melbourne and three for Sydney. Price rises are occurring in Perth (+1.1%), Adelaide (+0.8%), and Brisbane (+0.6%) but slowing.

Chart 1 - Change in Dwelling Values



Source: CoreLogic, Wingate Research

Capex

Capex for the September quarter was mixed. The **Australian Bureau of Statistics** reported that the volume of work done in the quarter rose by 1.1%. For the second consecutive quarter nominal investment intentions for FY25 have been downgraded

The slow economic backdrop, uncertainty over the consumption outlook, and restrictive interest rates look to have slowed appetite to invest by non-mining firms in the current financial year. **Read more here.**

International Economic

Gross Domestic Product

Unlike Australia, the global interest rate cut cycle has commenced - with more interest rate cuts ahead across most major economies. All things being equal, this should enhance the global economic outlook, particularly in 2025 and 2026. Interest rates should help the world economy expand by 3.1% in both 2025 and 2026. Across key markets, China is expected to grow on average by 4.87% to 2026, well above the USA (2.50%) and Canada (1.73%).[1]

Table 1 - Gross Domestic Product Growth

	USA	Canada	China	Japan	Eurozone	UK	Average
2024	2.50%	1.10%	4.80%	0.70%	0.70%	1.00%	**1.80%**
2025	2.70%	1.80%	5.10%	1.30%	1.10%	1.40%	**2.23**
2026	2.30%	2.03%	4.70%	n/a	n/a	n/a	**3.10**
Average	**2.50%**	**1.73%**	**4.87%**	**1.00%**	**0.9%**	**1.20%**	-

Source: Commonwealth Bank, Wingate Research

Residential

Buyer Profiles

Ray White buyer data analysis shows that **Queensland's** property market remains the strongest in Australia for people buying from other states. This year 18.4% of **Gold Coast** and 8.5% of **Brisbane** buyers were from interstate, down from around 27.4% and 9.8% respectively in 2023. At the margin, **Melbourne** percentage rose from 3.1% to 5.8% – the strongest growth rate of all regions.

Read more about investors as a percentage of buyers here.

Table 2 - Interstate Buyers as a Proportion of Total Buyers

	Gold Coast	Brisbane	Adelaide	Sydney	Melbourne
2024	18.40%	8.50%	4.90%	2.00%	5.80%
2023	27.40%	9.80%	4.20%	2.30%	3.10%
+ / -	-9.00%	-1.30%	0.70%	-0.30%	2.70%

Source: Ray White, Wingate Research

[1] Australia's per capita GDP per capita GDP has been shrinking for six consecutive quarters, which is the longest per capita recession on record. Excluding the pandemic period, the annual rate of economic growth is now the slowest since 1991-92, the year that included the gradual recovery from the 1991 recession. **See the RBA chart pack here.**

Student Accommodation

According to **Oxford Economics**, Australia's purpose-built student accommodation sector is amid a recovery from pandemic low, and new investment is rising. A fundamental undersupply of beds is supporting developer confidence, driving a 35% lift in commencements in FY2024 to 4,270 beds.

Recently, projects have suggested a widening geographical spread of development. The underdeveloped **Perth** market is set to capture a larger share of upcoming work, while opportunities will likely arise further out from big university shifts, including mergers.

Policy - Federal

Build-to-Rent (BTR)

The Federal Government has passed legislation to enact tax concessions for eligible BTR developments. The legislation has three key elements:

1. Increases the capital works deduction rate from 2.5% to 4% where construction has commenced on or after 9 May 2023
2. Reduces the final withholding tax rate on eligible fund payments from managed investment trust investments from 30% to 15%, where such payments are made on or after 1 July 2024
3. Introduces a potential clawback mechanism via a so-called 'misuse tax'

Read the Urbis summary here.

Policy - New South Wales

The Government have announced that masterplans have been completed for its 'TOD Accelerated Precincts'. The precincts will deliver around 60,000 new homes, including:

- Homebush: 18,000 new homes (c.3,000 jobs)
- Bankstown: 14,000 new homes (c.14,300 jobs)
- Macquarie Park: 9,600 new homes (c.100,000 jobs)

The master plans establish a 3% base rate for in-perpetuity affordable housing rate across all sites, with higher affordable housing rates of up to 18%.

The Government has released six residential development designs to fast-track projects across the State – three terraces and three midrise apartments. If adopted, the development applications will be automatically approved, potentially reducing the planning process by 6 - 12 months. **Read more here.**

The **Department of Planning, Housing and Infrastructure** has released the Draft Orchard Hills Stage 1 Rezoning and Structure Plan in anticipation of the future Orchard Hills Metro Station. The Stage 1 Rezoning will deliver around 11,600 new homes. Zones will specifically cater for the delivery of mixed-use, medium-density, and high-density with maximum permissible heights between 9 and 73 metres. **Watch the Orchard Hills rezoning proposal here.**

Early next year, the Government will open a fast-track housing process, giving a new entity, the **Housing Delivery Authority**, the power to rezone land and approve large development proposals without deferring to local councils. The reforms will apply to new developments with an estimated cost of $60 million (100 or more homes on average) in Greater Sydney and $30 million (40 or more homes) in regional NSW.

Policy - Victoria

The Minister for Planning has announced changes to the **Small Lot Housing Code**, making it easier to get different types of homes off the ground in Melbourne's growth areas. Updates to the code introduce a new type of home that can be built on lots less than 100 square metres without a permit. This includes building townhouses on skinnier longer blocks, which was not covered in the original code.

The Code applies to residential and mixed-use precinct structure plans in Melbourne's Urban Growth Zone, as well as special purpose zones in Cardinia, Casey, Hume, Melton, Mitchell, Whittlesea, Wyndham, Geelong, Ballarat, Baw Baw, Cardinia and Knox.

According to Quantify Strategic Insights, approvals for new dwellings in established Melbourne, particularly townhouses (and apartments), have fallen to their lowest levels in over a decade.

The Government has released the long-awaited **Ten-Year Greenfield Plan** and the **Victorian Planning Authority Business Plan,** which covers 27 growth area plans. The plans will be developed over a series of horizons. The horizons provide a program of work to deliver the 'so-called' new precinct structure plans over the timeframe, balancing the delivery of residential and employment areas as well as infrastructure capacity.

Ten plans are targeted for completion by the end of 2028, six residential and four employment. **Read more here.**

Greenfields

Greenfield land prices have continued to increase over the last five years in all capital city markets; with an average growth rate of 12% per annum. Adelaide has experienced growth of 16% per annum to a record median land price of $319,000. Sydney and Perth both recorded price growth of 14% per annum to $660,000 and $355,000, respectively.

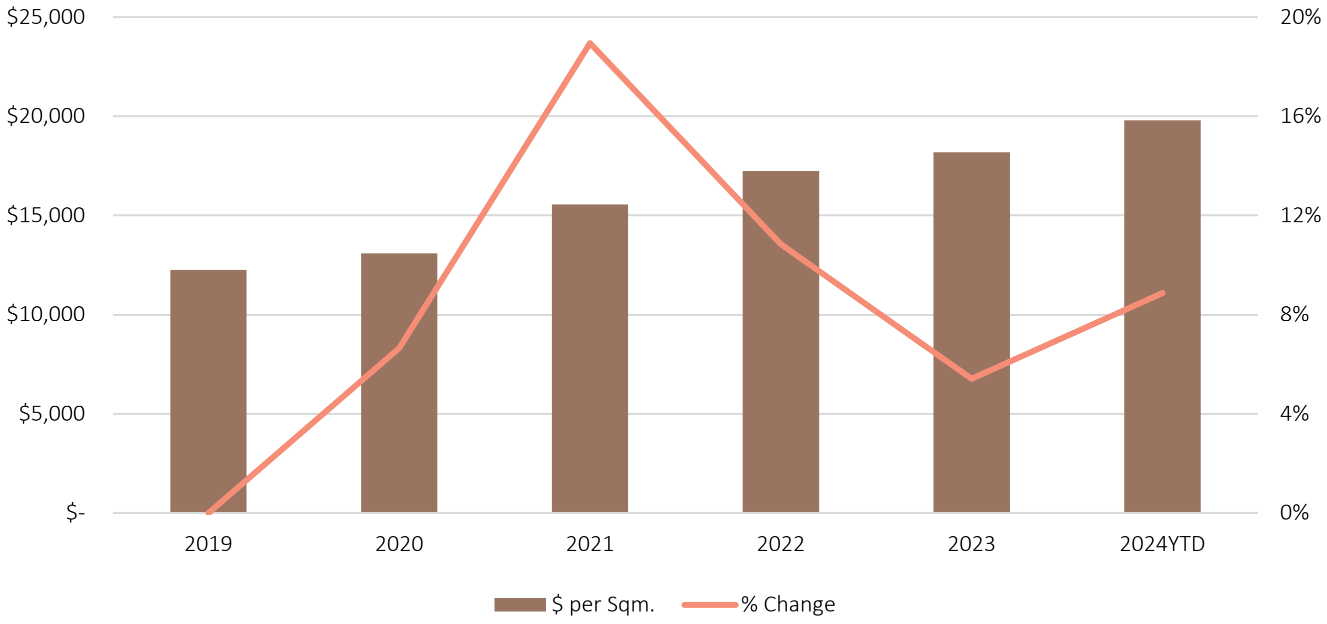
Melbourne, with a median land price of $405,000, experienced growth of only 5%- the lowest of all capital city greenfield markets. All prices are gross, **not** nett.

Apartment – Off the Plan

According to **Colliers**, the average apartment rate per square metre has lifted by more than 60% from $12,266 to $19,796 since 2019. The strongest growth was between 2020 and 2022, where values lifted by $4,200 - around 55% of total growth. In 2024, around 18% were FIRB buyers, double the five-year average (9%).

As a comparison, the average apartment rate per square metre in **Melbourne** and **Brisbane** is around $17,000 - $18,000 per square metre, even higher on the Gold Coast.

Chart 2 - Year-on-Year Average Apartment Square Metre Growth



Source: Colliers, Wingate Research

Industrial

The **Victorian Government** has commenced a ten-year plan for industrial land aimed at unlocking well-located and accessible land that takes advantage of curfew-free air and seaports serviced by existing rail and road infrastructure. The Government is also taking immediate action, including reviewing the zoning of up to 3,300 hectares of industrial land at Altona North and Hastings. The plan will be released in 2025. **Read more** here**.**

New data from **Knight Frank** shows that the southeast of Melbourne remains the most expensive industrial precinct. Rental growth over the quarter was varied, up 2.8% in the southeast, 3.4% in the north and unchanged in the west. The north and southeast experienced significant declines in take-up, while the north recorded the highest vacancy rate of all industrial precincts at 5.2% (compared to Melbourne at 3.0%).

International Residential

China

The China property market downturn is now in its third year, largely related to its falling population and over-building (on average, China's workforce will fall by around 100 million people per decade from 2030 until the end of the century). While the long-term outlook is soft, the government's recently announced economic support package should support economic growth in 2025. **Read more** here**.**

United States of America

According to the S&P CoreLogic Case-Shiller Index home prices increased 5.4% over the 12 months to June. The 10-city composite rose 7.4% over the 12 months to June, slightly lower than the 7.8% over the 12 months to May. Prices rose in all the 20 major metro markets tracked by the index. The largest price gain took place in New York, which recorded a year-over-year increase of 9%. From Zillow, since 2000, the average household income has doubled while the average price for its listings has tripled to $360,000. Home price growth is projected to slow over the remainder of 2024 and into 2025.

US Housing Starts and Building Permits for November will be printed on Wednesday. The release, which is projected to remain relatively unchanged, will provide an update on new housing construction.

United Kingdom

Stamp duty in the **United Kingdom** will rise to 5% on second homes, adding on average around £7,000 (AUD$13,900). Chancellor Reeves announced the tax increase in the Autumn Budget, suggesting it would help first-time buyers and main homebuyers, as these buyers often compete with landlords for properties. The average house price in the United Kingdom is £371,958.[2]

Read more here.

About Wingate

Wingate is a leading alternative investment manager focused on property debt, mid-market corporate debt and direct property investment. 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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[2] According to the office of national Statistics in the United Kingdom, house prices are affordable only for richest 10% - the average annual disposable house income stood at around £34,569 in England (AUD$68,470).