

# Australia's Economic and Real Estate Edge

Assessing opportunities in Australia's core commercial and alternative real estate sectors



Research

Australia

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## Australia's economic edge

Australia leads advanced economies in GDP growth, with low economic risk and strong equity and real estate returns. The nation maintains a favourable working-age population ratio, positioning it for future economic expansion. Economic strength is underscored by AAA/Aaa sovereign credit ratings from S&P and Moody's, ranking Australia among the strongest globally.

## Emerging trends

The potential impact of AI on office demand presents new opportunities, while data centre capacity is also expected to grow significantly. Australia is poised to become a green superpower in renewable energy, particularly in hydrogen production. As a leading global lithium producer, Australia is well-positioned for the electrification trend, while increased expenditure in advanced manufacturing further bolster economic prospects.







## Investor value proposition

Australia's core CBD markets offer higher returns and strong value upside, complemented by high transparency in real estate markets. The nation's strong sovereign credit ratings and high household disposable income relative to other advanced economies further enhance its appeal, creating a robust environment for investment growth, among both domestic and offshore investors.

## Sector diversification

Australia's economy benefits from multi-sectoral growth drivers, with significant global rankings in commodity production. The nation has forged free trade agreements with 15 major countries, facilitating diverse export opportunities. Notably, the education sector is emerging as a key contributor to export diversification, broadening Australia's economic base beyond traditional resources.

# How are we assessing Australia's commercial real estate sector?

			
<h2>Office</h2>	<h2>Retail</h2>	<h2>Industrial</h2>	<h2>Alternatives</h2>
<p>Our assessment comparing core Australian CBD markets to other global core markets suggests we remain significantly underpriced relative to the global core pricing average. Within the occupier landscape, tenants continue to show a preference for high-quality assets.</p>	<p>The retail sector continues to remain undersupplied, requiring between 2.06 million and 2.58 million sqm of additional floorspace to match population growth over the next five years. This gap presents opportunities for strategic retail development and investment.</p>	<p>Industry diversification is expected to become a dominant theme within the logistics and industrial sector. The federal government's initiative to bolster Australia's manufacturing sector as well as the push towards renewable energy is expected to propel logistics and warehouse demand over the next 10 years.</p>	<p>Australia's purpose-built student accommodation sector is seeing rising investor interest, with strong international student commencements driving demand. Healthcare real estate is poised for growth due to demographic shifts, while data centres are expected to experience sustained growth with lower volatility, signalling a maturing market.</p>

# 01

## Economic fundamentals



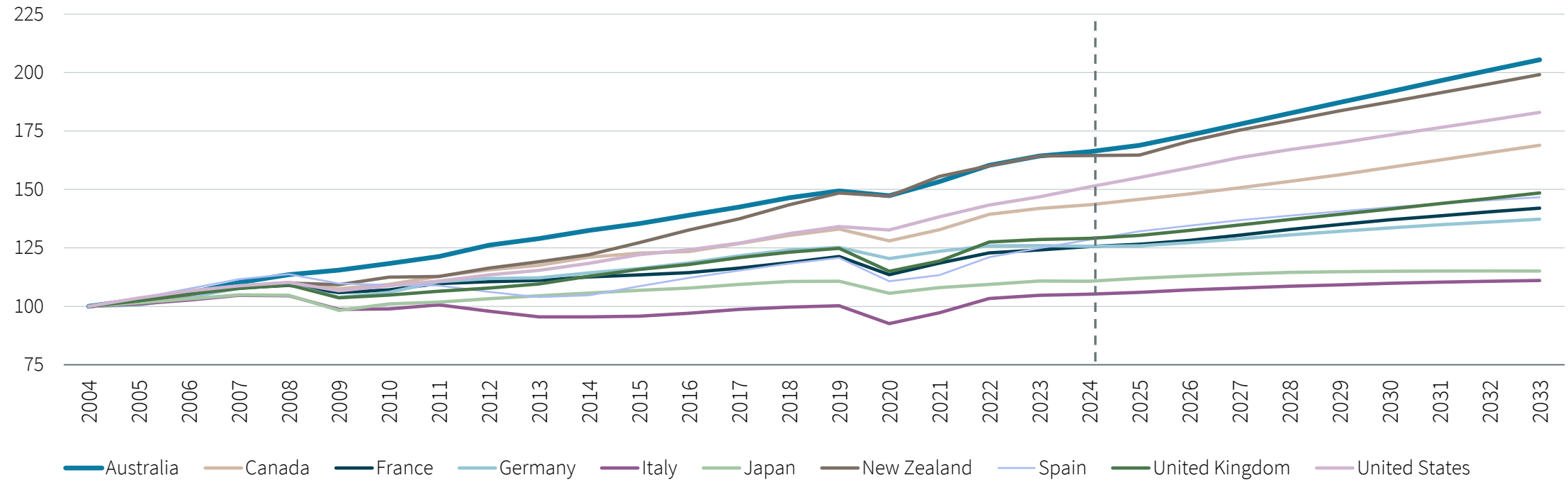


# Leading the way across advanced economies

The medium to long-term view on economic growth is positive

## Real GDP comparison – select advanced economies

Index = 100 (2004)

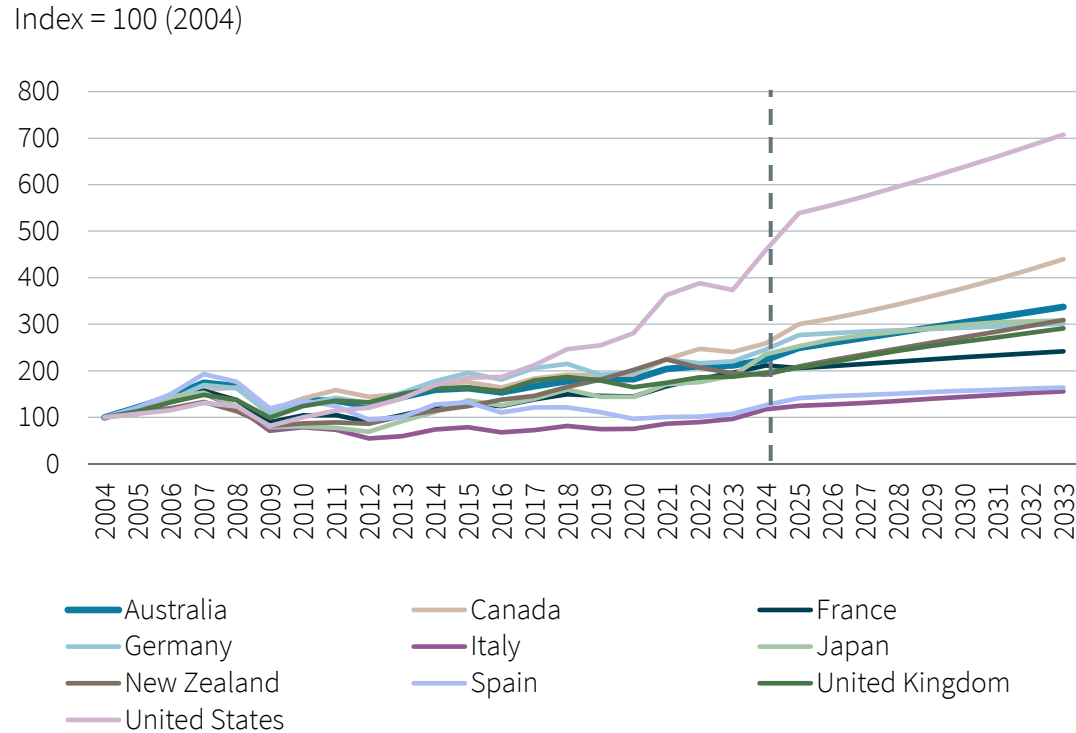


Source: JLL Research, Oxford Economics

# Equity market returns have been robust

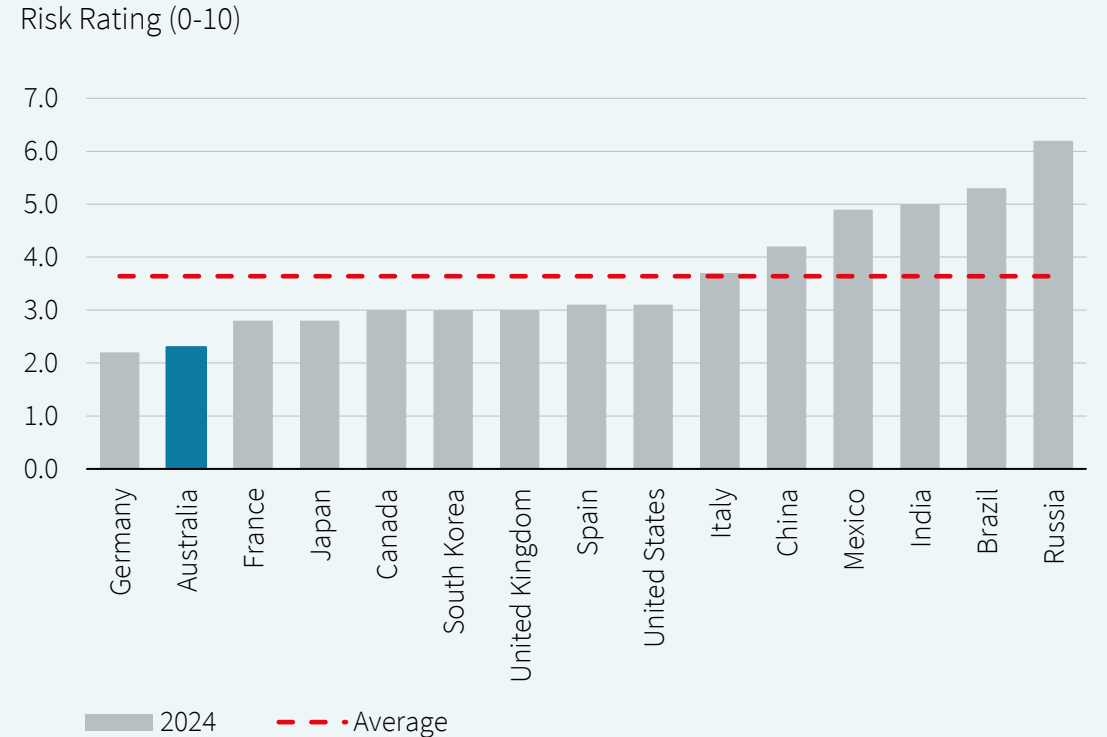
While Australia has one of the lowest economic and political risk profile globally

## Stock market returns\* – select advanced economies



\* Returns exclude dividend income  
Source: JLL Research, Oxford Economics

## Major economies risk ratings



# Stamp of approval from global ratings agencies

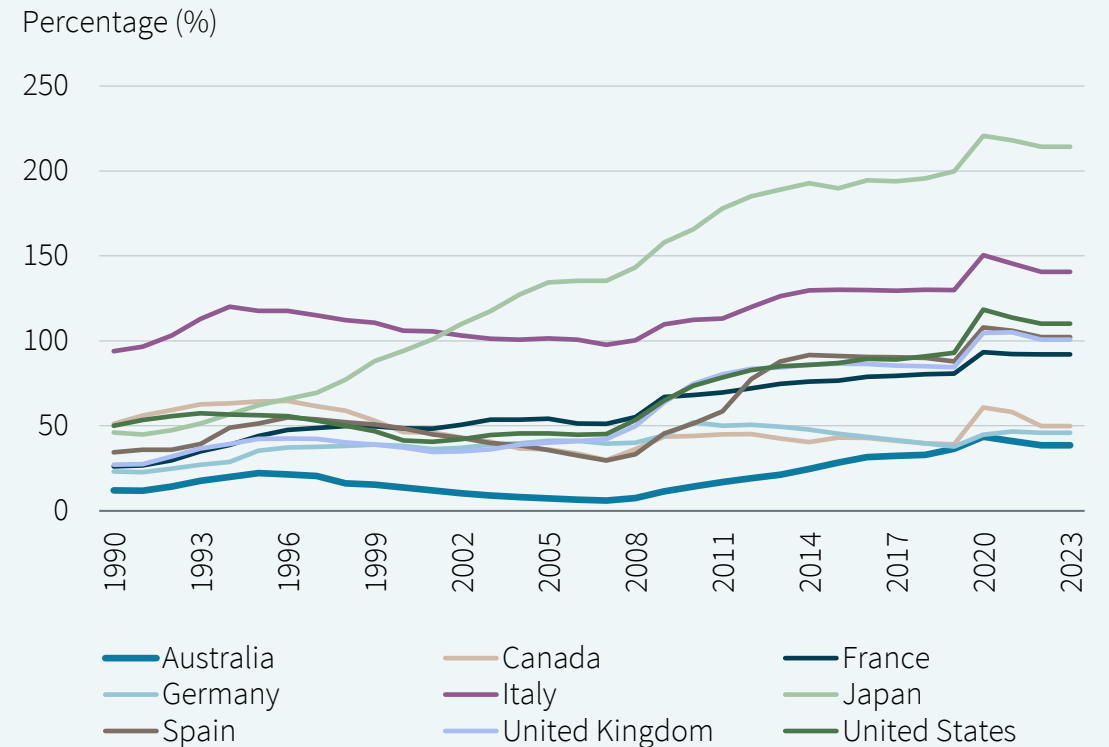
Australia has one of the strongest sovereign ratings

## Sovereign credit ratings – major economies

Country	S&P	Moodys	Trend
Australia	AAA	Aaa	↔
Canada	AAA	Aaa	↔
Germany	AAA	Aaa	↔
EU	AA	Aaa	↓
United States	AA+	Aaa	↓
New Zealand	AA-	Aaa	↔
France	AA-	Aa3	↔
UK	AA	Aa3	↓
South Korea	AA	Aa2	↔
Japan	A+	A1	↔
Spain	A-	Baa1	↑

Source: JLL Research, IMF

## Government debt as a % of GDP – advanced economies

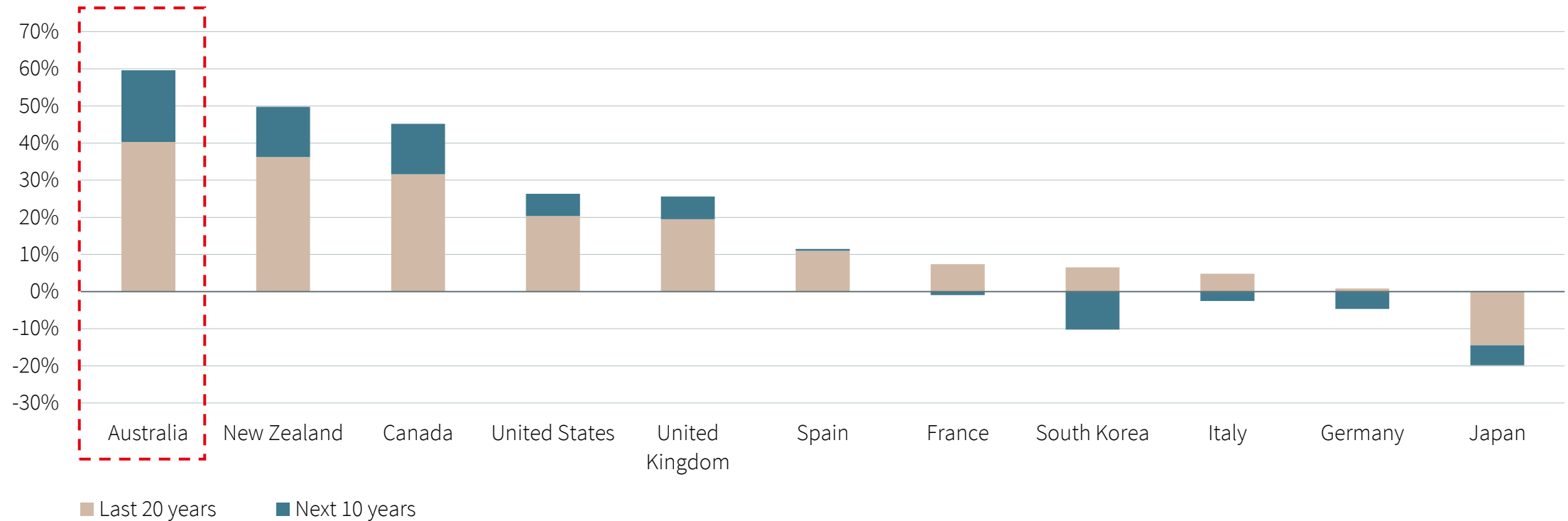




# Australia maintains a demographic advantage globally

Projections suggest Australia will maintain a favourable working age population ratio

## Change in working age population – select advanced economies



Source: JLL Research, Oxford Economics

# Australian incomes are among the highest globally

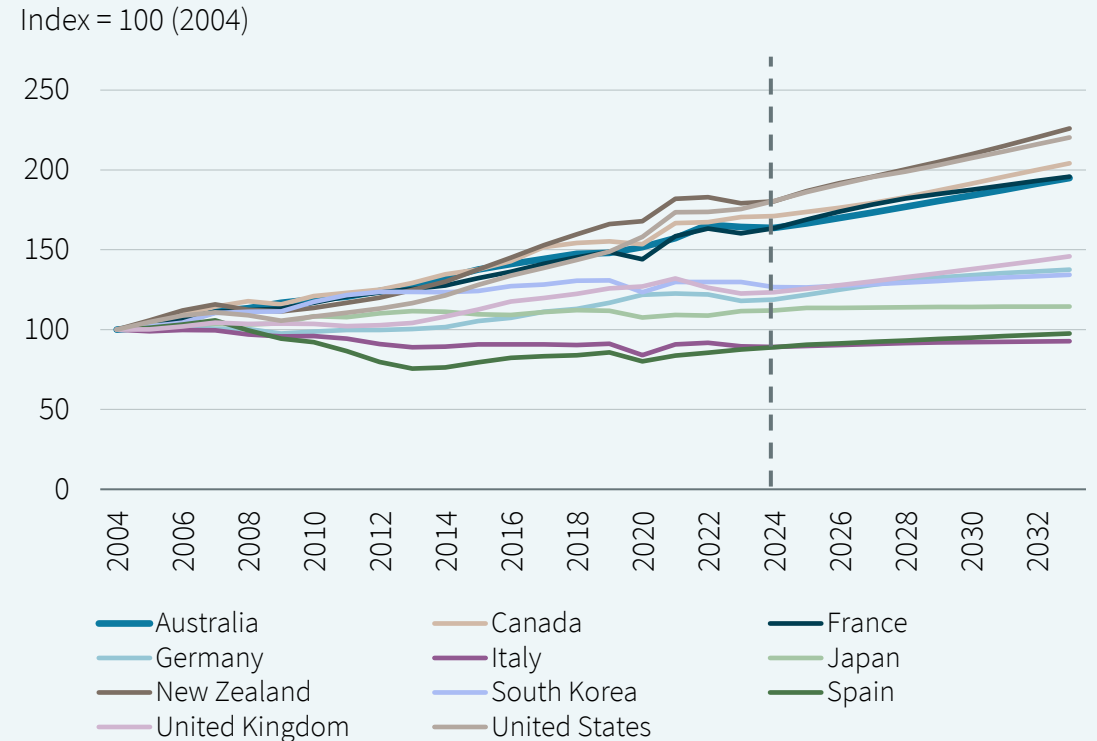
Stronger working age demographic profile and higher income levels indicate a greater propensity to spend

## Household disposable income – top 10 countries

Rank	Country	Household Disposable Income (USD)
1	Qatar	\$272,800.00
2	UAE	\$194,700.00
3	United States	\$162,500.00
4	Hong Kong	\$162,100.00
5	Switzerland	\$132,300.00
6	Singapore	\$127,300.00
7	Iceland	\$119,800.00
8	Israel	\$117,300.00
9	Luxembourg	\$114,900.00
<b>10</b>	<b>Australia</b>	<b>\$104,000.00</b>

Source: JLL Research, Oxford Economics

## Retail spending growth\* – select advanced economies



\* Constant values accounting for Purchasing Power Parity (PPP)

# 02

## Investor value proposition



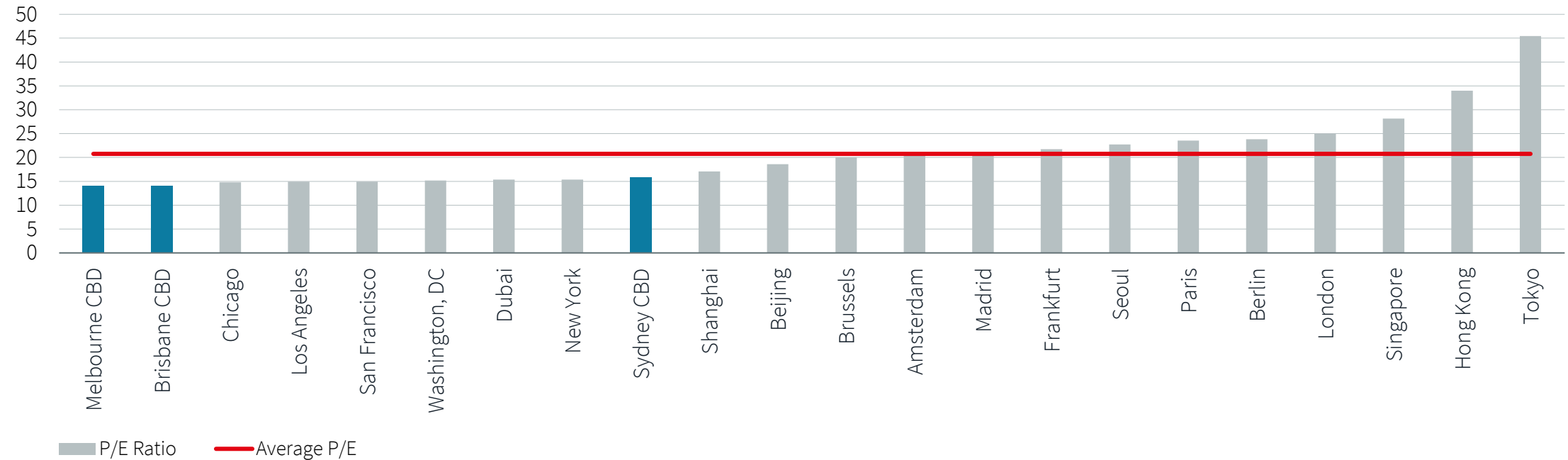


# Higher returns and strong value upside

Appealing entry point for Australia's core CBD markets with a proven track record

## Prime office P/E ratio comparison – core CBD locations

P/E Ratio



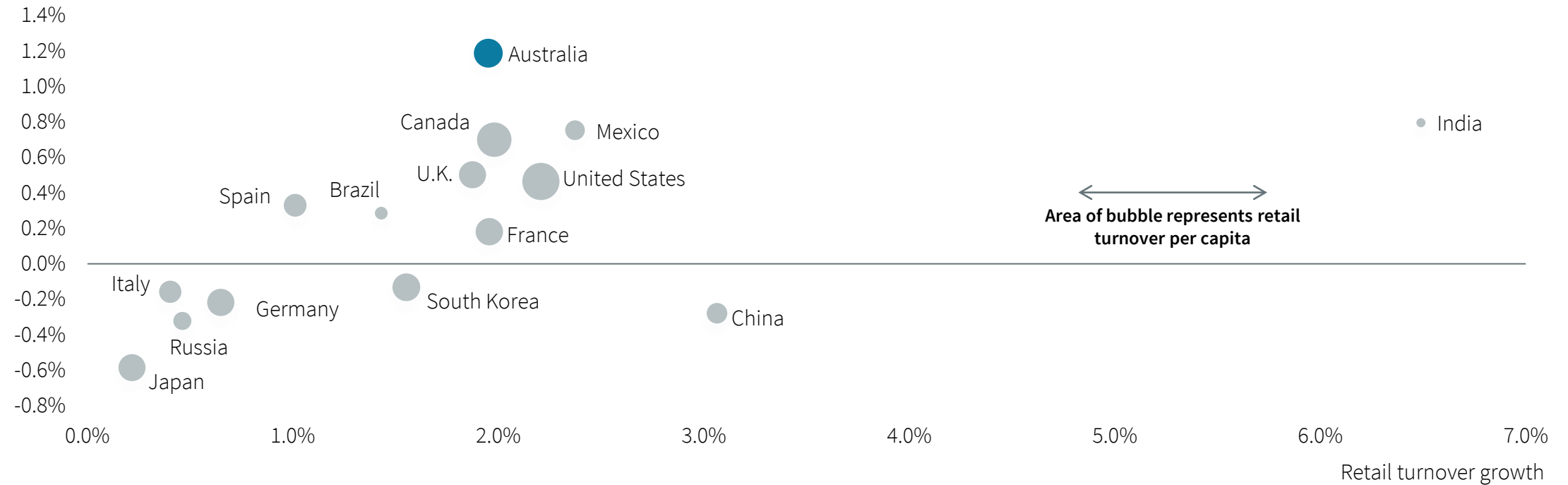
Source: JLL Research

# Retail demand supported by population growth tailwind

**Australian retail turnover growth and per capita spend is forecast to outperform over the medium to long term**

## Major global economies retail turnover growth and population growth forecast – annualised growth rate (2025 to 2034)

Population growth



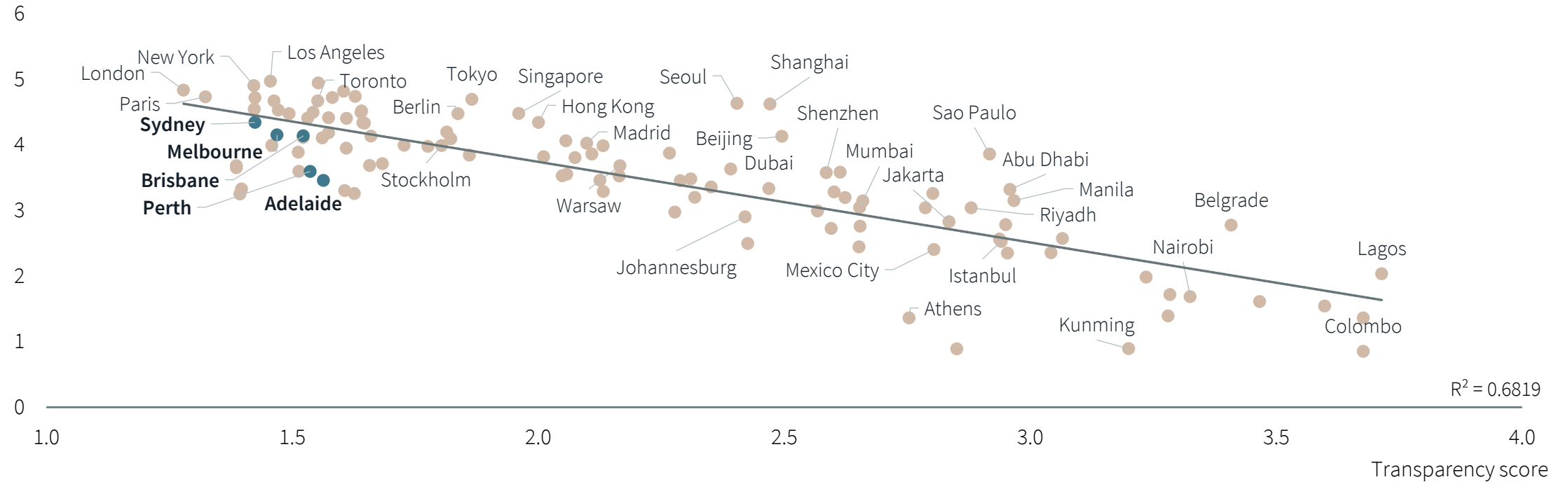
Source: JLL Research, Oxford Economics

# Australian cities are among the most transparent globally

Higher transparency encourages greater investment

## Real estate transparency vs. direct CRE investment

Transaction volumes (Log Scale)



Source: JLL Research, LaSalle

# AUD appreciation possibly on the cards

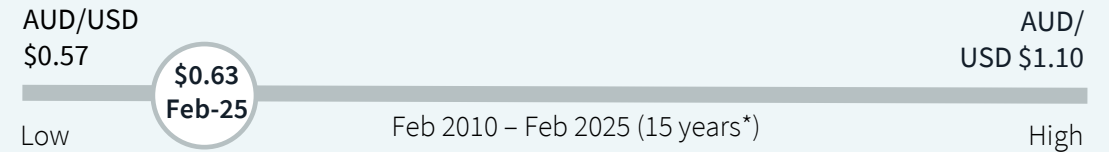
**A low Australian dollar will attract offshore investor interest into Australian assets**

## Assessing currency fair value – AUD/USD analysis

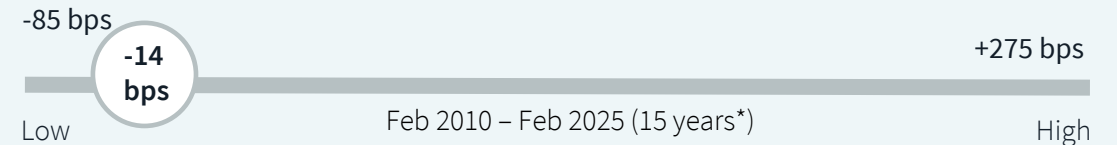
\$	The Australian Dollar is currently placed at the 10 percentile relative to the USD over the last 15 years
%	Historically, a strong correlation (0.87) exists between the 10-year bond yield and currency
AUD/ USD	For currency to reflect the current spread, AUD would need to revert to <b>\$0.68</b> (to reach fair value)

Source: JLL Research, Yahoo Finance, RBA

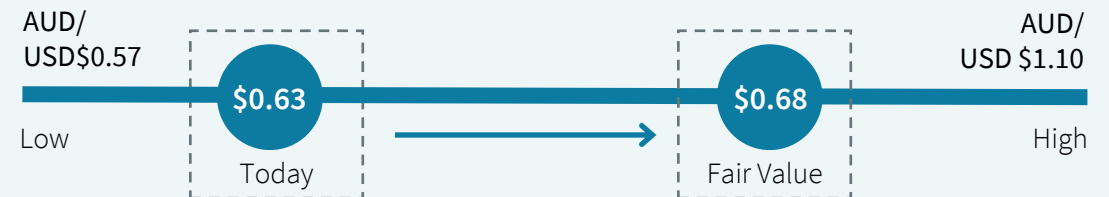
## AUD currency relative to historical series\*



## Current Australia - United States 10-year bond yield spread

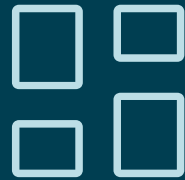


## Fair value assessment



# 03

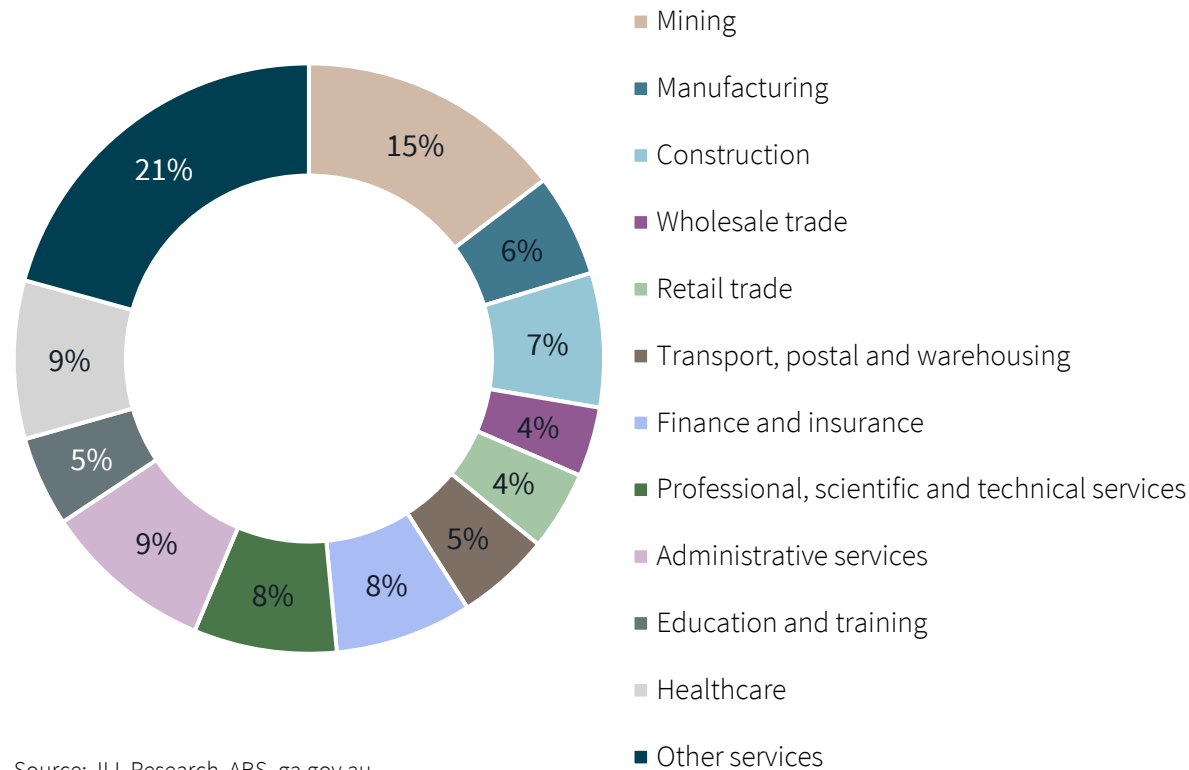
## Sector diversification



# Multi-sectoral growth drivers

Diverse growth drivers, enhanced further by the clean energy transition will ensure economic expansion

GDP contributions by sector – Australia (year to September 2024)



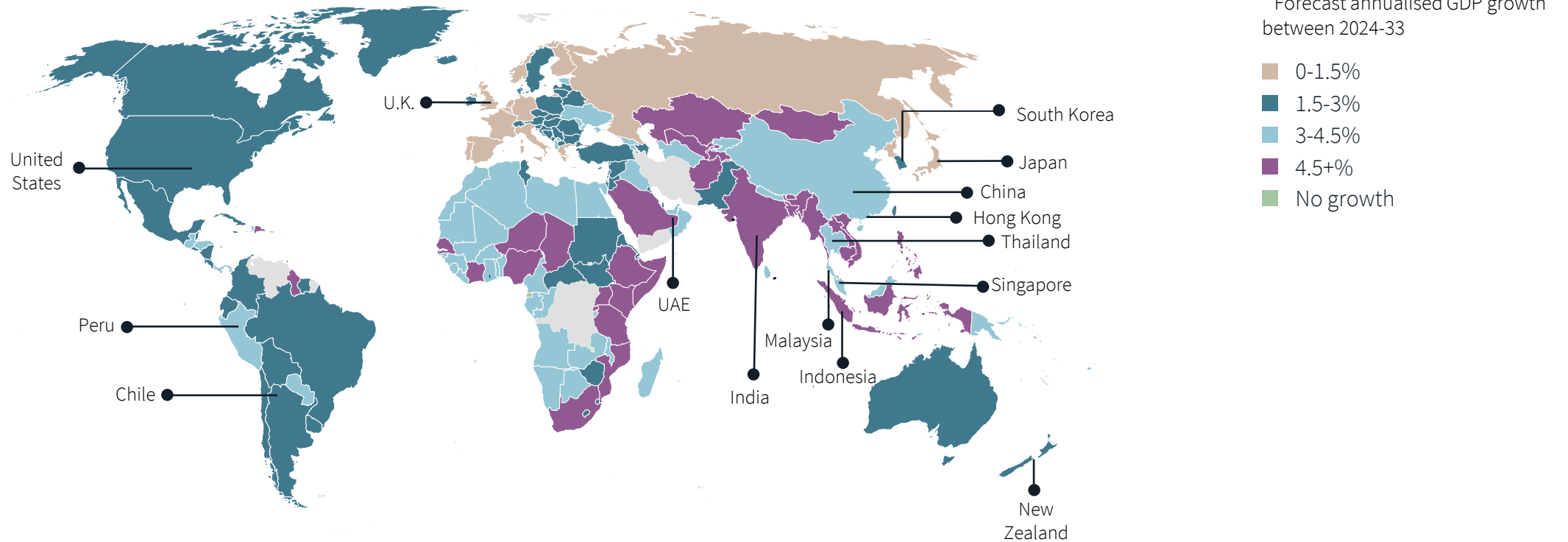
Source: JLL Research, ABS, ga.gov.au

Australia's global commodity production rankings - 2023

Commodity	World Ranking for Economic Resources	Share of World Economic Resources	World Ranking for Production	Share of World Production
Bauxite	3	12%	1	27%
Iron Ore	1	31%	1	35%
Lithium	2	26%	1	52%
Rutile	1	65%	1	27%
Lead	1	42%	2	10%
Zircon	1	74%	2	25%
Gold	1	22%	3	10%
Manganese Ore	4	16%	3	10%
Rare Earths	6	4%	3	5%
Zinc	1	31%	3	10%
Cobalt	2	19%	4	3%
Uranium	1	32%	4	9%
Black Coal	4	10%	5	6%
Nickel	1	23%	5	5%
Copper	2	11%	8	4%
Silver	2	17%	8	5%
Tin	4	13%	8	3%
Magnesite	4	4%	9	2%

# High growth regions remain at Australia's doorstep

**Bi-lateral free trade agreements with 15 major nations, most of which are projected to have strong GDP growth**

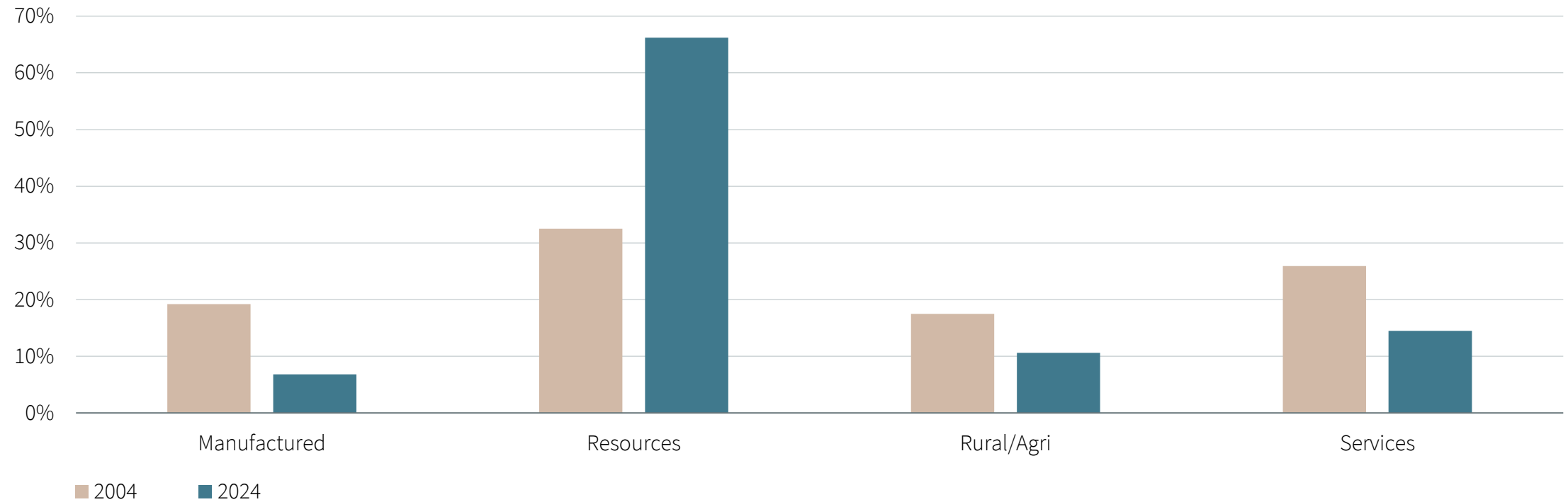


Source: JLL Research, Oxford Economics, Department of Trade and Investment

# Resources base is diversifying

Exports diversification is likely to come from within the resources sector

Goods and services exports – by product type



Source: JLL Research, RBA

# Beyond China

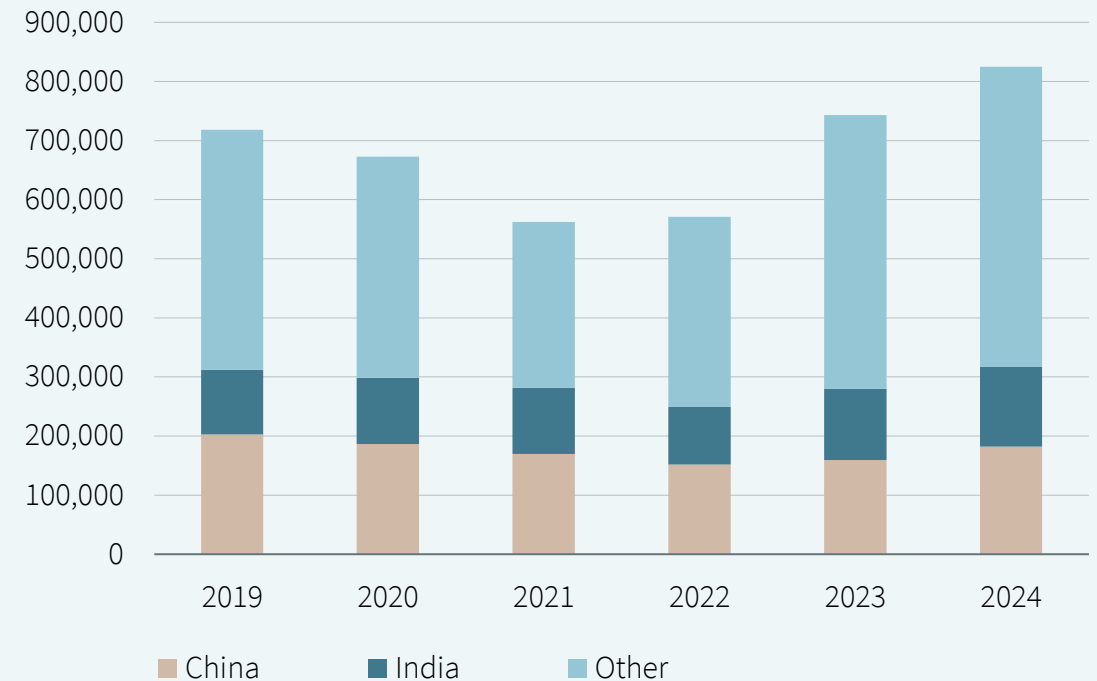
India is a growing nation with both goods and services exports on the rise

## Merchandise exports – country of destination

Country	2014	2024	Rank change
China	31%	35%	1--->1
Japan	18%	14%	2--->2
South Korea	7%	7%	3-->3
India	3%	5%	6-->4
United States	4%	4%	4-->5
Singapore	3%	4%	7-->6
Taiwan	3%	4%	9-->7
Hong Kong	4%	2%	5-->8
Indonesia	2%	2%	13-->9
New Zealand	3%	2%	8-->10

Source: JLL Research, ABS, Department of Education

## Top 10 international student nationalities – higher education enrolments



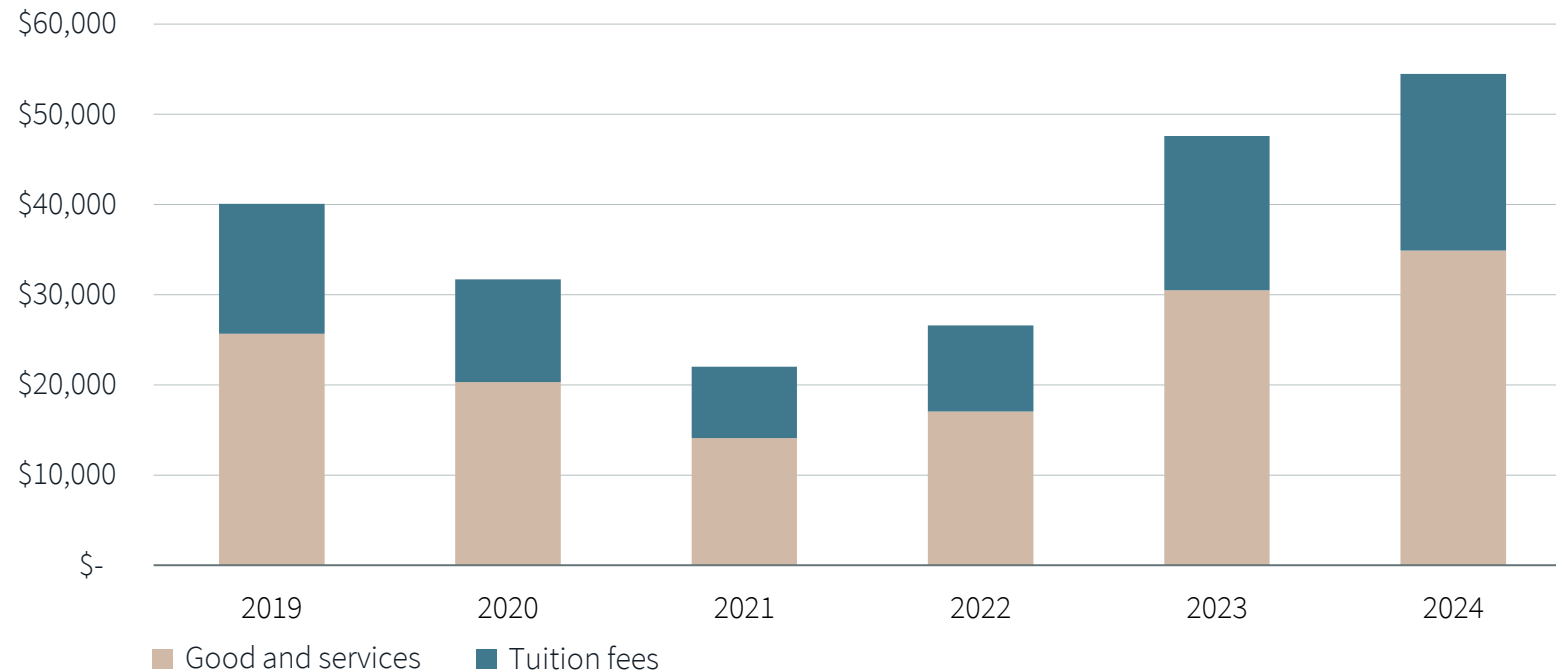
\* 2024 figures based on year to September data

# International education

## International students have a higher propensity to spend

### International student spending – goods and services and tuition fees

AUD Millions



Source: JLL Research, ABS, Department of Education



JLL Research analysis shows that the average international student spent **AUD 42k** in across goods and services over 2024, versus Australian per capita spend of **AUD 33k**

# International education

## Australia's tertiary institutions: Highly ranked and globally recognised

### Higher education university facts – Australia, U.K. and United States

	Number of top 100 universities	Students attending a top 100 university	Total students	% of students attending a top 100 university
<b>AUS</b>	<b>9</b>	<b>345,762</b>	<b>1,551,411</b>	<b>22.3%</b>
UK	17	457,070	2,182,560	20.9%
United States	27	740,766	19,036,612	3.9%

### QS world university rankings (as at 2024)

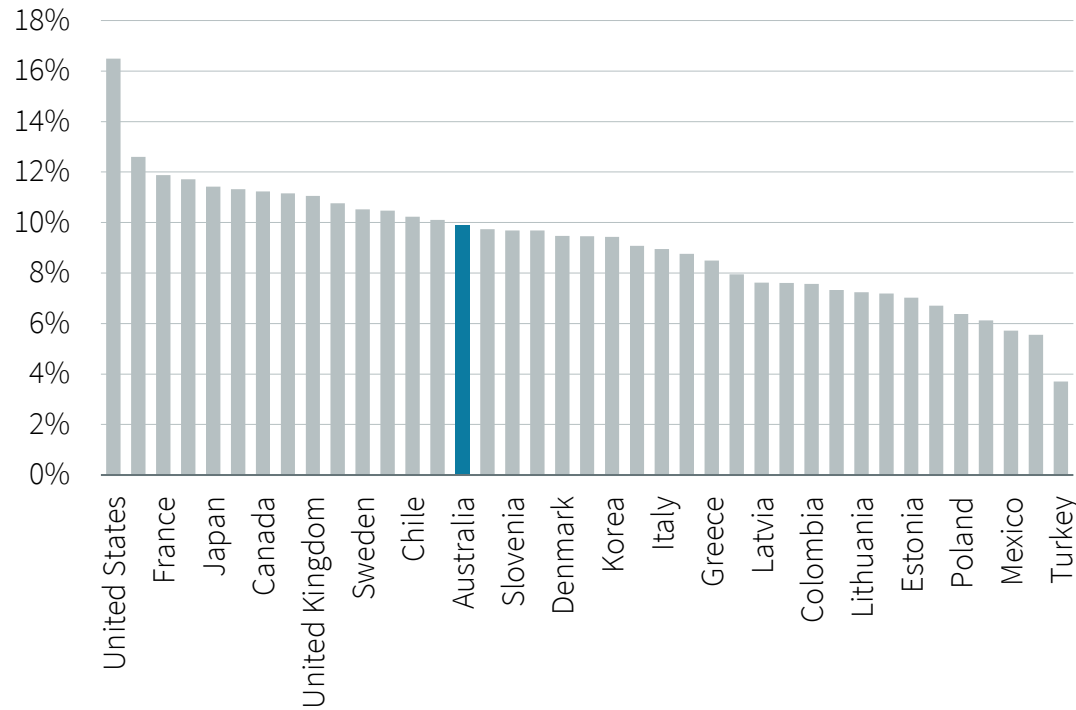
QS world university rankings – 2024 (Australian universities)	
The University of Melbourne	14
The University of New South Wales	=19
The University of Sydney	=19
Australian National University	=34
Monash University	42
The University of Queensland	43
The University of Western Australia	72
The University of Adelaide	89
The University of Technology Sydney	90

Source: JLL Research, ABS, Department of Education, QS World University Rankings

# Healthcare

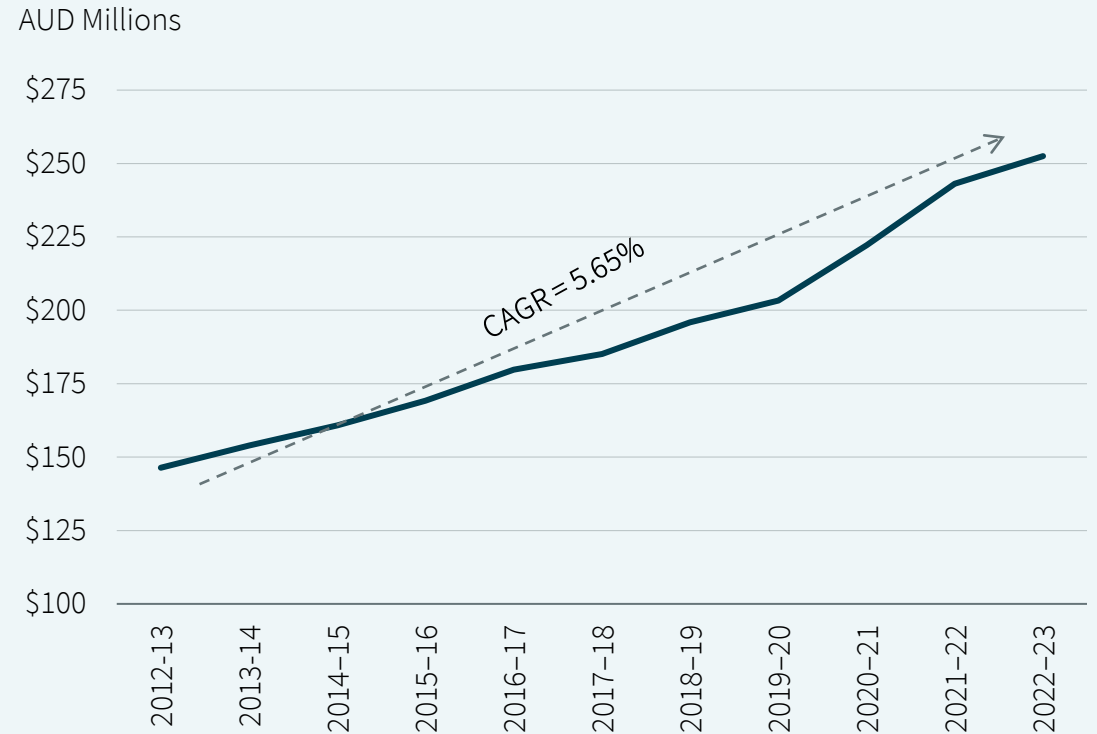
Healthcare spending is on the rise, however Australia still spends lower relative to some global economies

Healthcare spending to GDP ratios – OECD countries as at 2022-23



Source: JLL Research, Australian Institute of Health and Welfare

Healthcare expenditure – Australia (2012-13 to 2022-23)



\* Healthcare expenditure numbers are in nominal terms

# 04

## Emerging trends



# AI: Potential game changer for economic growth

## Gross Value Added – Year to September 2024 (Australia)

Mining	Health Care and Social Assistance	Professional, Scientific and Technical Services	Financial and Insurance Services	Construction	Manufacturing	Transport, Postal and Warehousing	Retail Trade	Administrative and Support Services	Agriculture, Forestry and Fishing	Information Media and Telecommunications
					Public Administration and Safety	Education and Training	Wholesale Trade		Rental, Hiring and Real Estate Services	Accommodation and Food Services
									AI	Arts and Recreation Services

## Gross Value Added – 2030 forecast scenario (Australia)

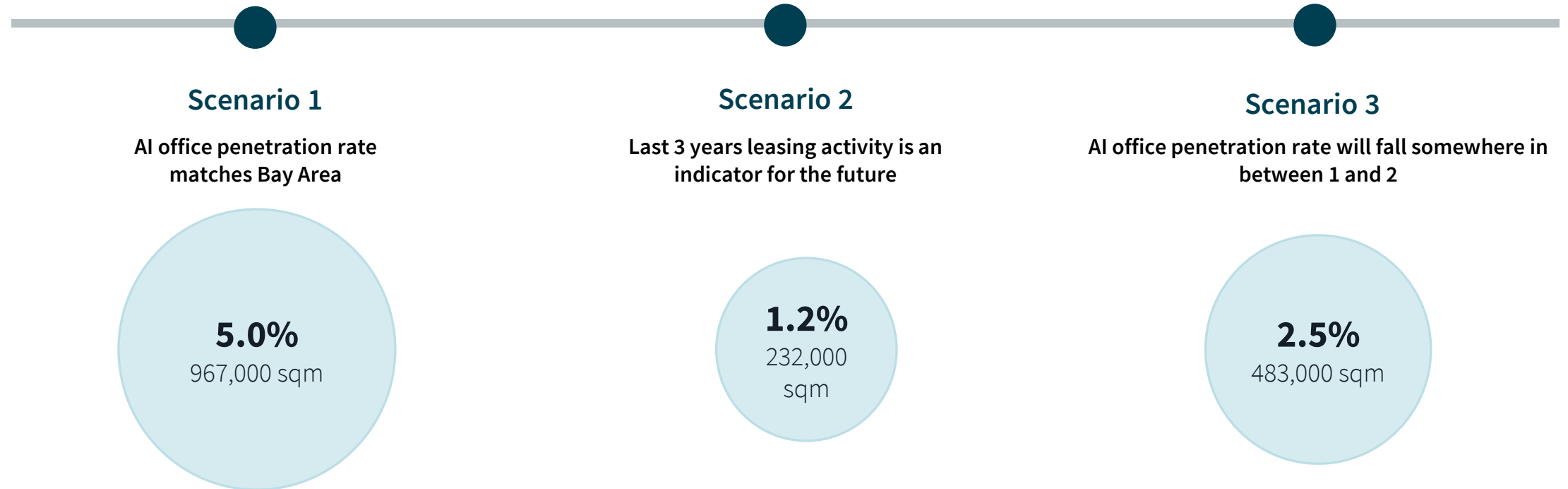
Mining	AI	Health Care and Social Assistance	Professional, Scientific and Technical Services	Construction	Financial and Insurance Services	Public Administration and Safety	Manufacturing	Retail Trade	Wholesale Trade	Information Media and Telecommunications	Agriculture, Forestry and Fishing
						Transport, Postal and Warehousing	Education and Training	Administrative and Support Services		Rental, Hiring and Real Estate Services	Accommodation and Food Services
										Arts and recreation services	

Source: JLL Research, ABS, DAE

# The Future is AI

## United States AI office demand trends signal opportunities for Australia

### AI's impact on Australian office demand by 2030 – scenario analysis

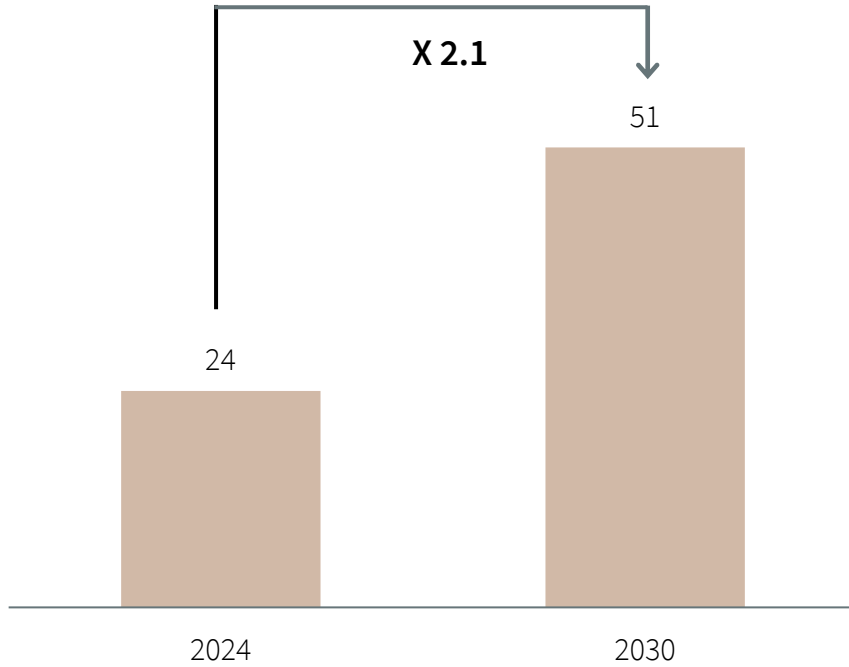


Source: JLL Research

# AI growth to drive data centres demand

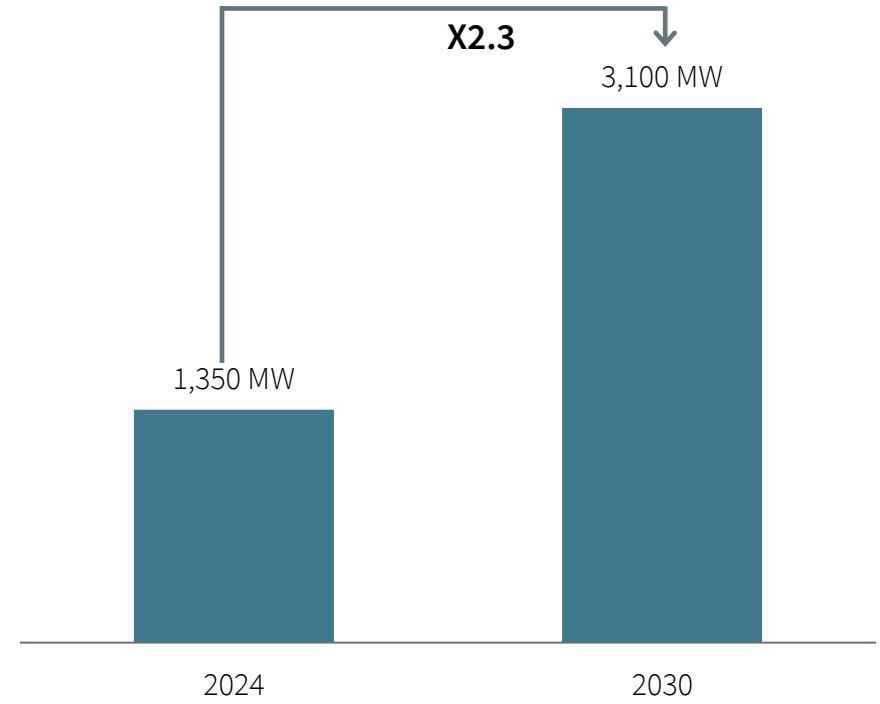
Demand for digital services will increase capacity requirements of Australian data centres

Connected devices/household in Australia – 2024 to 2023 forecast



**AUD 26 billion investment to reach required capacity by 2030**

Data centre deployable capacity in Australia – 2024 to 2030 forecast



Source: JLL Research, Statista, IBISWorld, Mandala Partners

# Australia's potential to be a green super-power

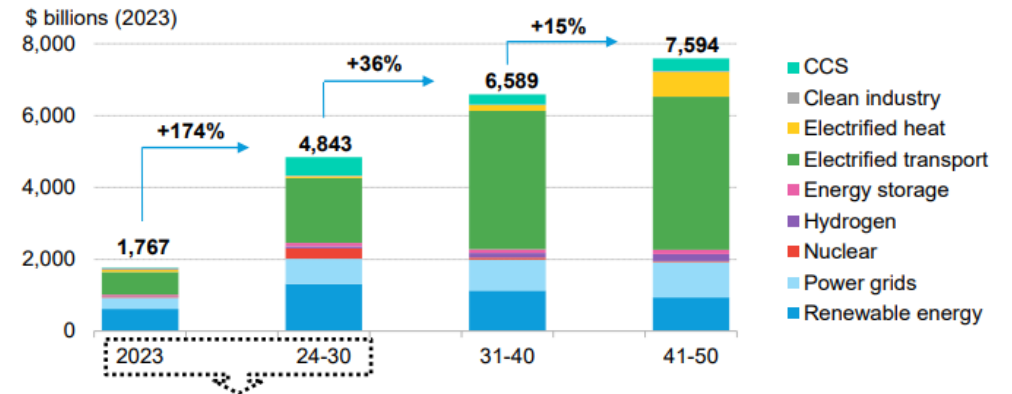
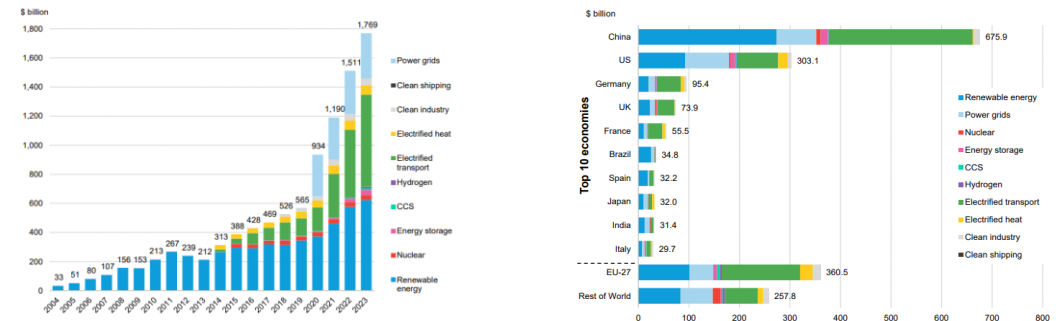
Clean energy requirements will ultimately play into Australia's hands

## Hydrogen exports ranking – as of December 2023

Country	No. of green hydrogen facilities	Hydrogen exports ranking
Australia	96	33
Germany	50	6
Spain	50	17
Netherlands	48	3
UK	46	20
United States	37	4
Russia	36	-
Portugal	28	22
China	26	26
Chile	22	55

Source: JLL Research, Statista, Bloomberg, WITS

## Global clean energy infrastructure spend





# Australia forms almost half the lithium supply puzzle

Clean energy requirements will ultimately play into Australia's hands

## World's largest lithium producers - 2023

Country	Lithium production in 2023	% of global production
Australia	86,000	47%
Chile	44,000	24%
China	33,000	18%
Argentina	9,600	5%
Brazil	4,900	3%
Canada	3,400	2%
Zimbabwe	3,400	2%
Portugal	380	0%
<b>World Total</b>	<b>184,680</b>	<b>100%</b>

Source: JLL Research, U.S. Geological Survey, lithium.org

## World's largest lithium mine – Greenbushes (Western Australia)



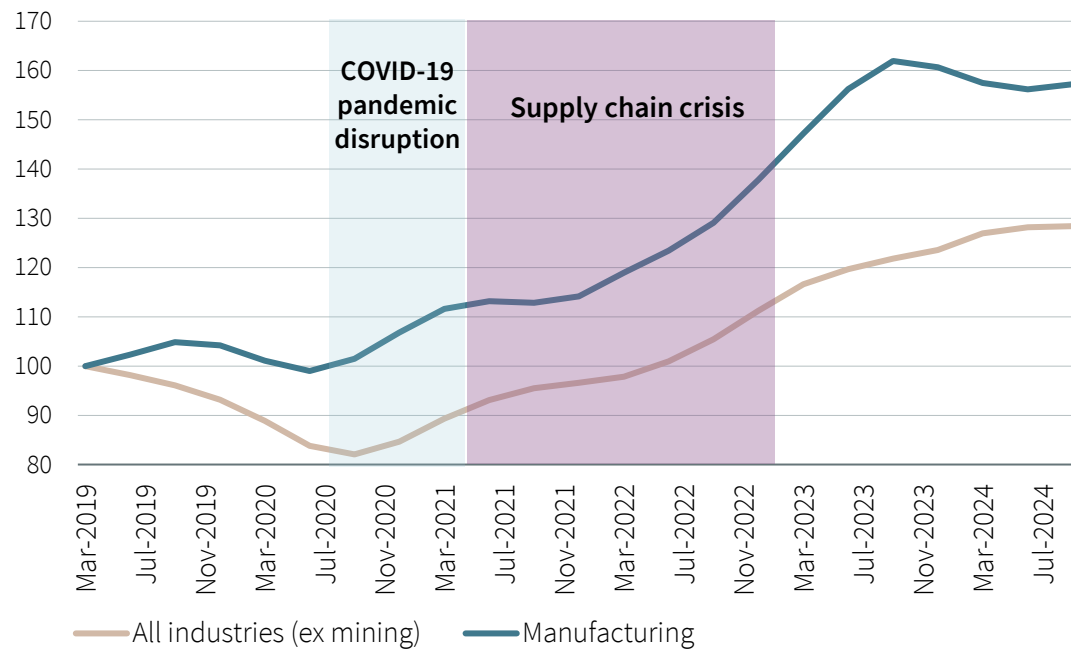


# Manufacturing CAPEX to drive occupier activity

Including the Federal Government's AUD 22.7 billion funding to drive advanced manufacturing in Australia

## Capital expenditure – Australian manufacturing and other industries

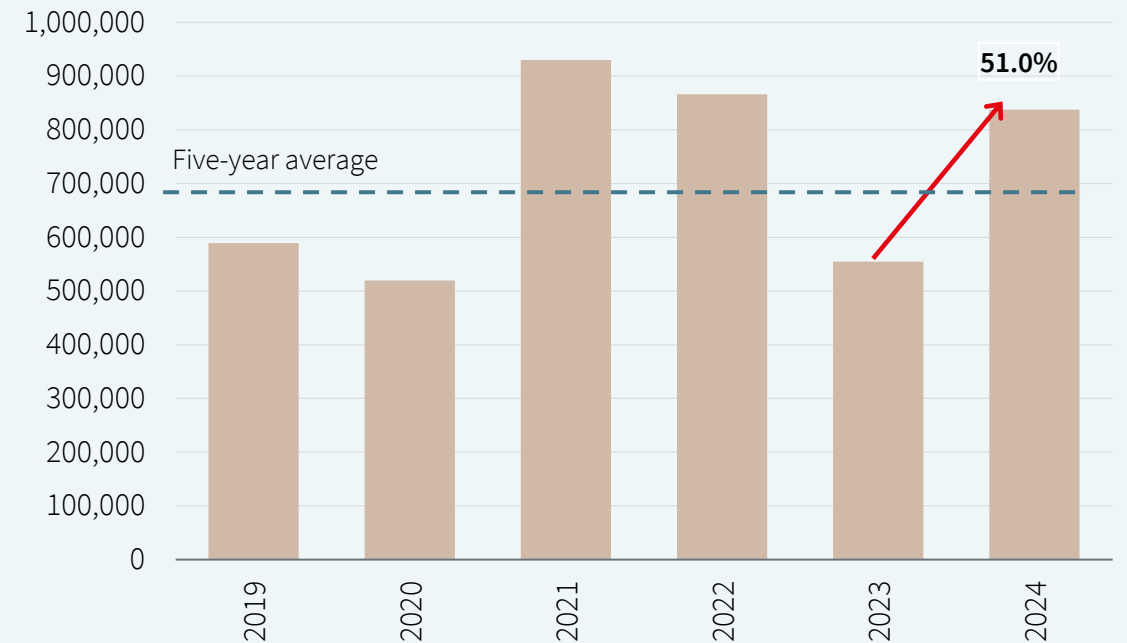
CAPEX index (Mar-19 = 100)



Source: JLL Research, ABS

## National industrial and logistics gross take-up – manufacturing sector

sqm



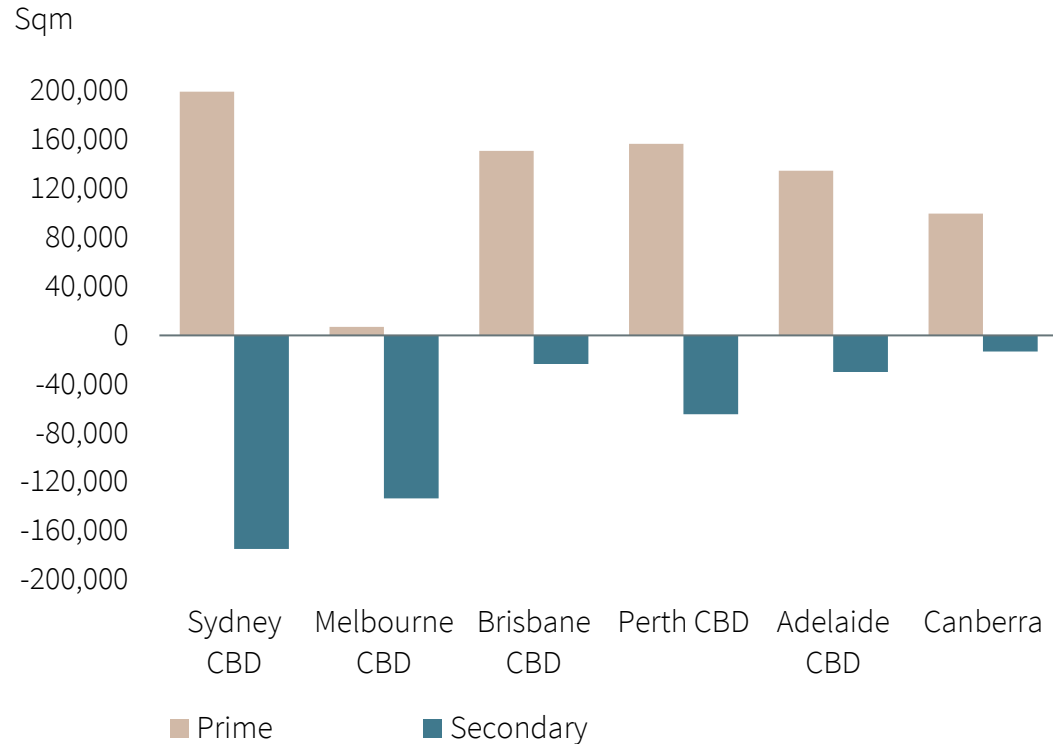
# How are we assessing Australia's CRE sectors in 2025?



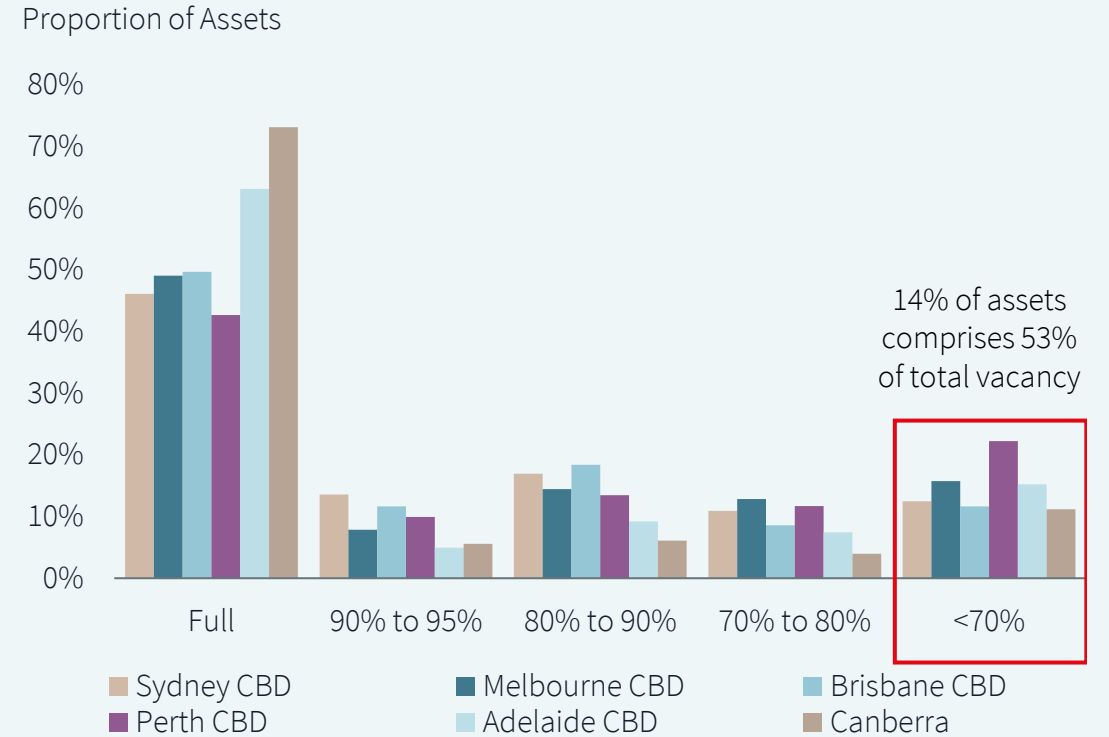
# Tenants express desire for highest quality assets

A large proportion of existing vacancy (53%) is across only a small (14%) proportion of CBD assets nationally

**CBD office net absorption – Q1 2021 to Q4 2024**



**Vacancy rate distribution - Australia CBD office markets**



Source: JLL Research



# Supply is well below population growth requirements

Australia will require between 2.06 million and 2.58 million sqm of retail floorspace to match population growth

## Australian retail sector underlying demand model - five-year forecast

	Population ratio				
Population growth	0.25 sqm	0.50 sqm	0.75 sqm	1.00 sqm	1.25 sqm
1.3% (+1.8 million)	445,000 sqm	890,000 sqm	1,336,000 sqm	1,781,000 sqm	2,226,000 sqm
1.4% (+1.9 million)	480,000 sqm	961,000 sqm	1,441,000 sqm	1,922,000 sqm	2,402,000 sqm
1.5% (+2.1 million)	516,000 sqm	1,031,000 sqm	1,547,000 sqm	2,063,000 sqm	2,579,000 sqm
1.6% (+2.2 million)	551,000 sqm	1,102,000 sqm	1,654,000 sqm	2,205,000 sqm	2,756,000 sqm
1.7% (+2.3 million)	587,000 sqm	1,174,000 sqm	1,761,000 sqm	2,347,000 sqm	2,934,000 sqm

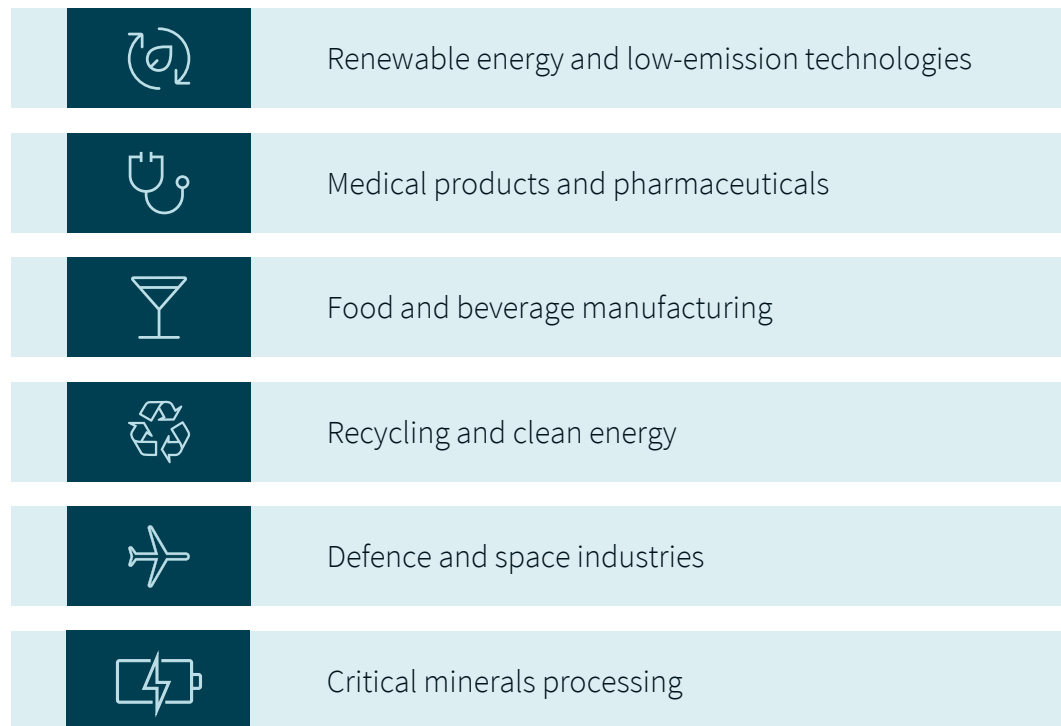
Source: JLL Research, DAE



# Manufacturing sector diversity

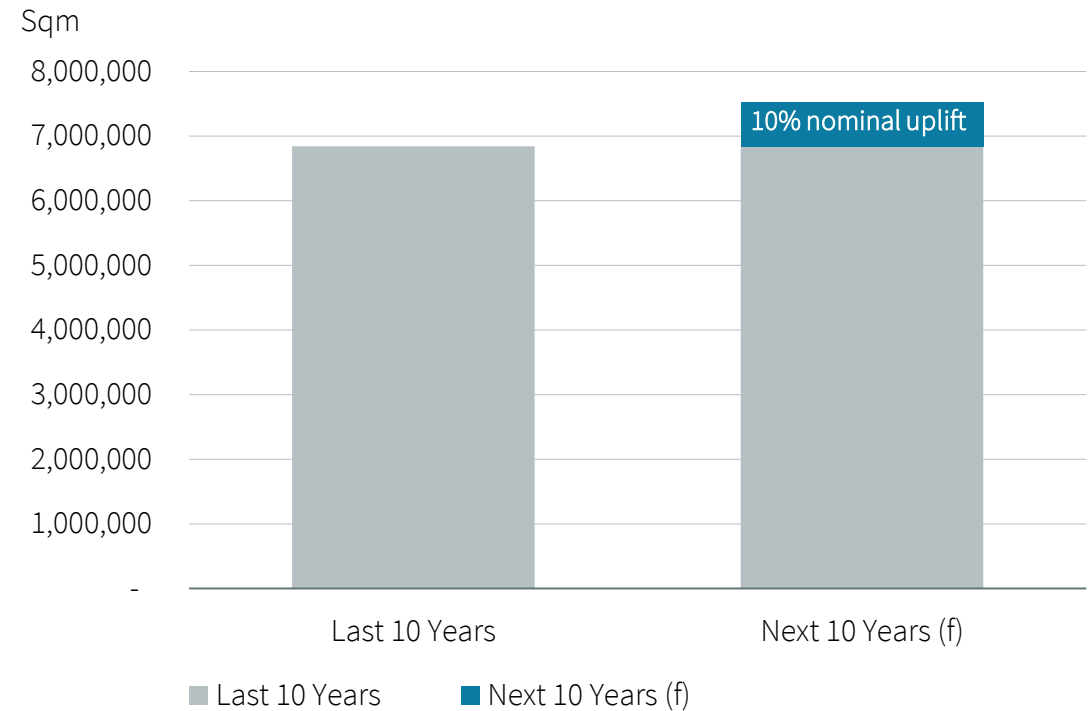
**Federal government funding to boost advanced manufacturing alone could increase sector take-up by 10%**

## Australian Federal Government manufacturing agenda – areas of focus



Source: JLL Research

## Manufacturing sector industrial and logistics gross take-up – 2015 to 2024 vs. 2025-2034 (forecast)



\* Last 10 years correlation coefficient between manufacturing sector industrial & logistics take-up and manufacturing GVA = 0.51

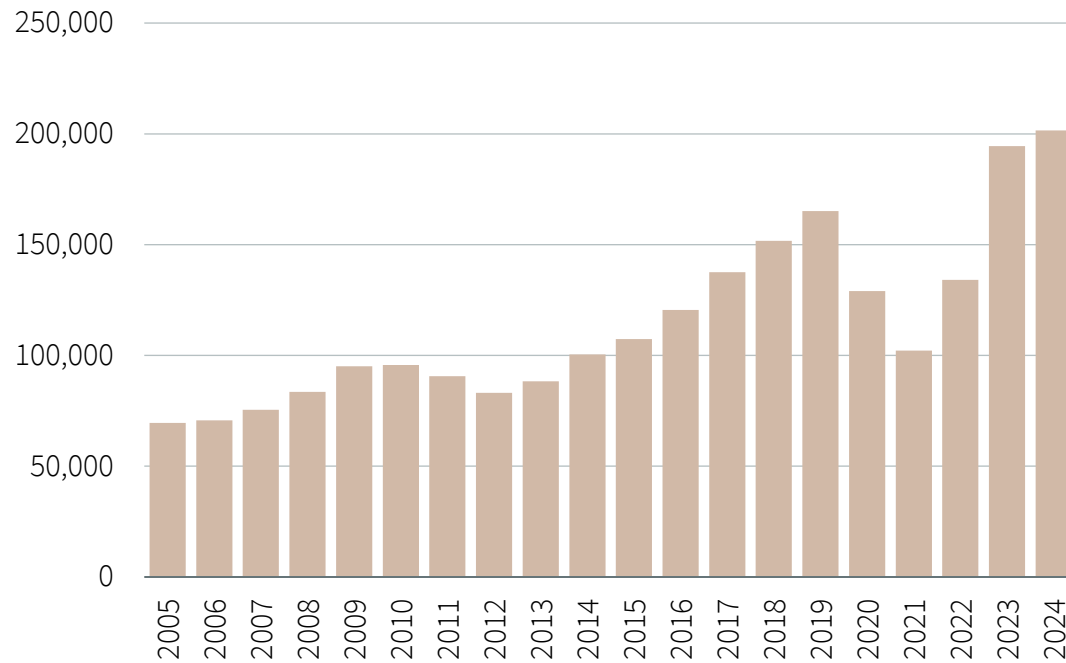


# Investor interest is rising

Investor interest in Australia's PBSA sector has surged along with record high commencement numbers

## International student commencements – higher education

New commencements

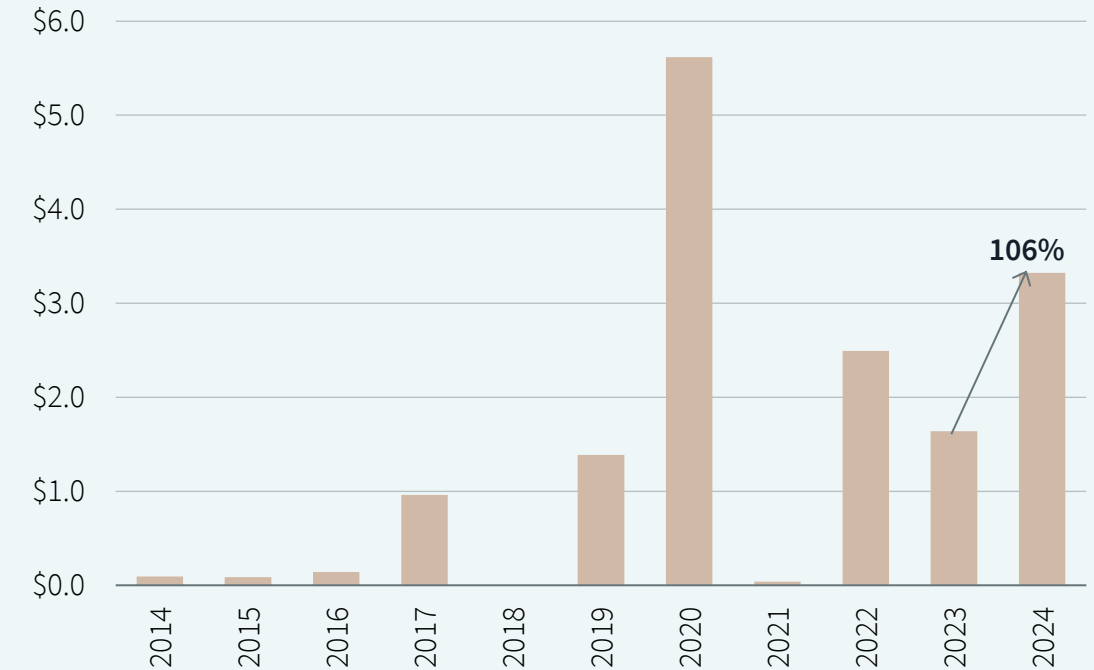


Source: JLL Research, Department of Education, Real Capital Analytics

\* 2024 figures based on year to November data

## Australian PBSA transaction volumes

AUD billion



106%

# Demographic shifts will support healthcare demand

**By 2066, older people in Australia will make up between 21-23% of total population, up from 16.8% in 2024**

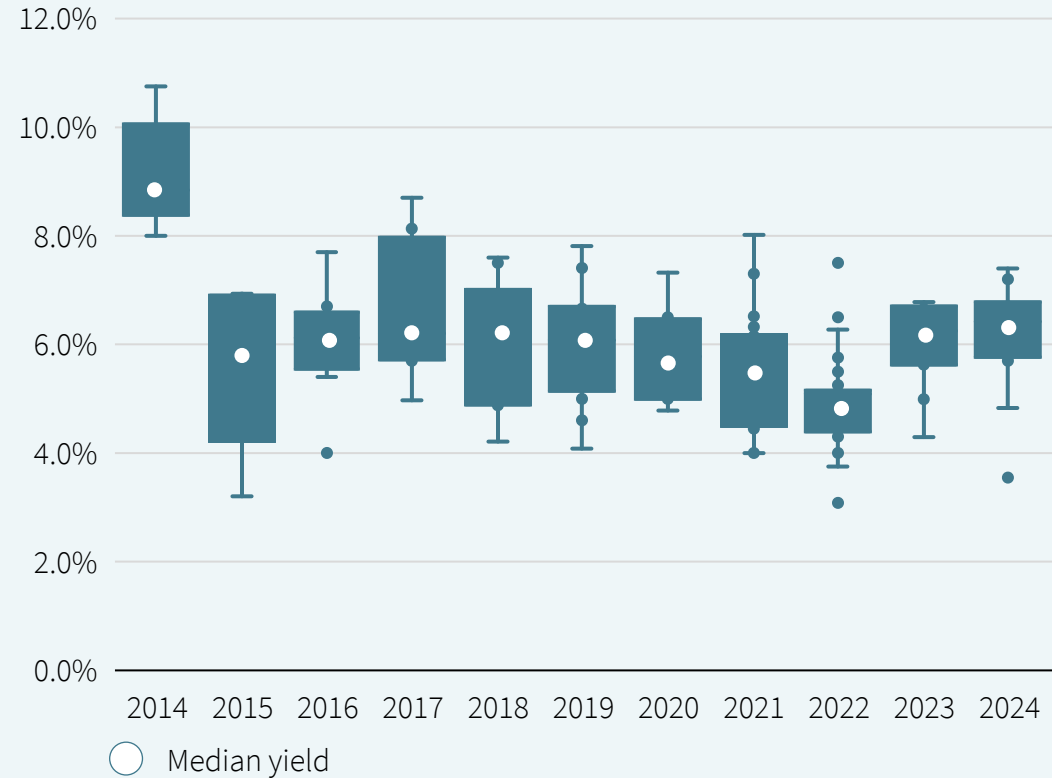
## % Of population > 65 (major Australian states)

State	Proportion of population > 65 in 2022	Proportion of population > 65 in 2071
NSW	17%	25%-27%
VIC	17%	25%-27%
QLD	17%	25%-28%
WA	16%	25%-29%
SA	20%	27%-30%
National	17%	25%-27%

The Australian Institute of Health and Welfare reported that **healthcare** spending is projected to grow from **10%** of GDP in 2022-23 to **13.1%** by 2060-61

Source: JLL Research, ABS, Australian Institute of Health and Welfare, Real Capital Analytics

## Australian healthcare yields

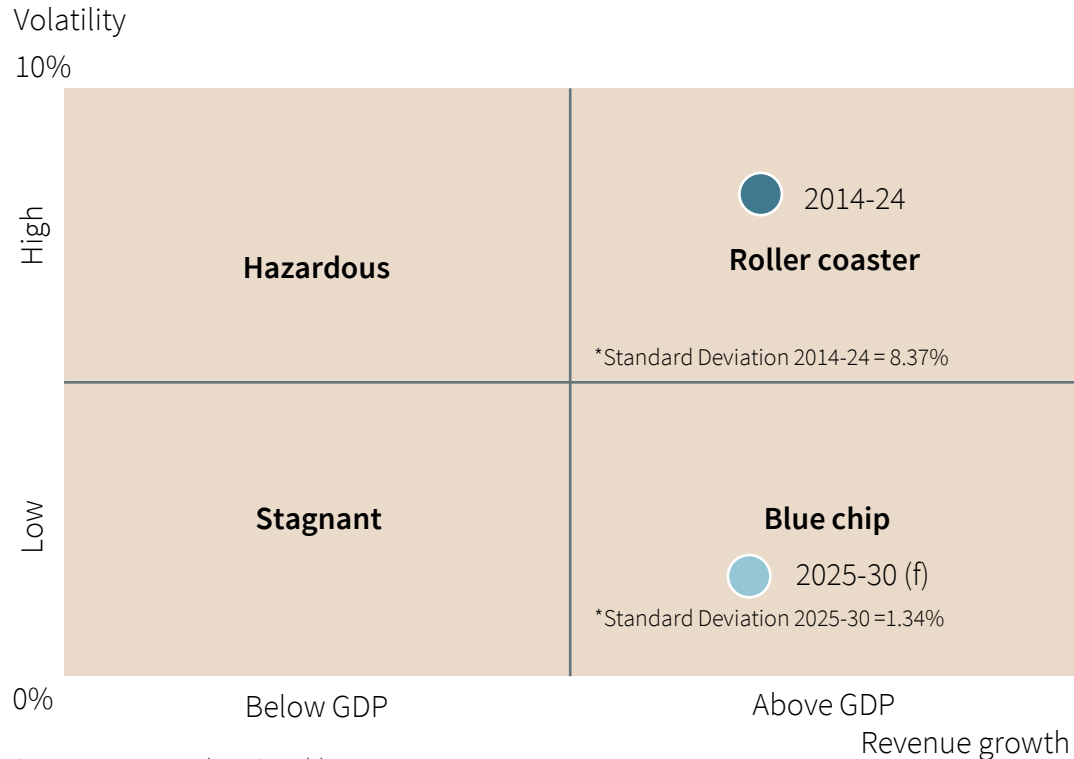


\*Data based on individual transaction market yields

# Expect sustained growth along with lower volatility

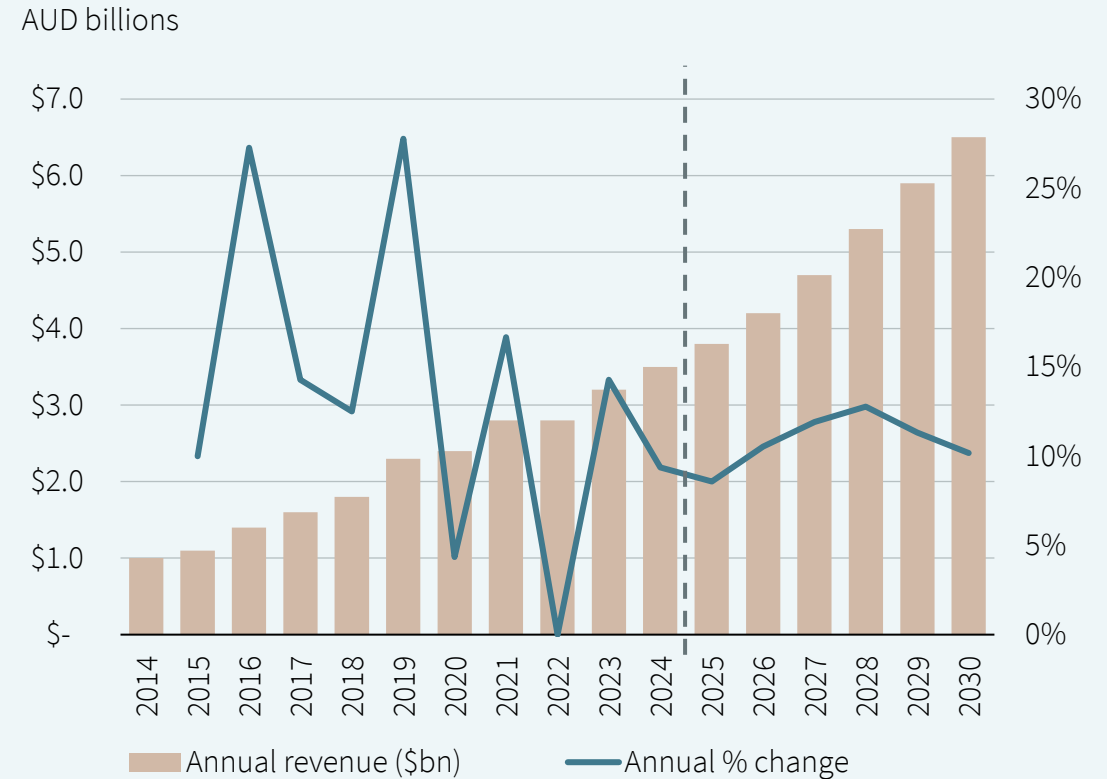
Revenue projections indicate robust expansion with reduced fluctuations, signalling a maturing market

**Data centre industry volatility vs. revenue growth (2018-2024 average and forecast – 2025-2030)**



Source: JLL Research, IBISWorld

**Aggregated data centre revenue – Australia**



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