Research
Australia | Q4 2024

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Australian Apartment Market Overview

Contents:

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Summary

Apartment market conditions remain divergent across the country. Nevertheless, new supply remains moderate in all markets irrelevant of broader demand conditions. This means supply is not keeping pace with underlying demand and levels of under-supply continue to grow.

Broader housing market conditions and prices have continued to slow under the weight of higher interest rates and other cost of living pressures. Melbourne, Sydney and Canberra have been more impacted by these pressures and by affordability. In contrast the smaller capitals have stayed strong and continued to see price growth, albeit also moderating over recent months.

This lull in housing market conditions is likely to continue over the first half of 2025. However, with inflation falling back into the RBA's target range it appears interest rate cuts are likely to commence soon. This will boost household confidence, and the growing national housing under-supply could see conditions turn relatively quickly in the second half of the year.

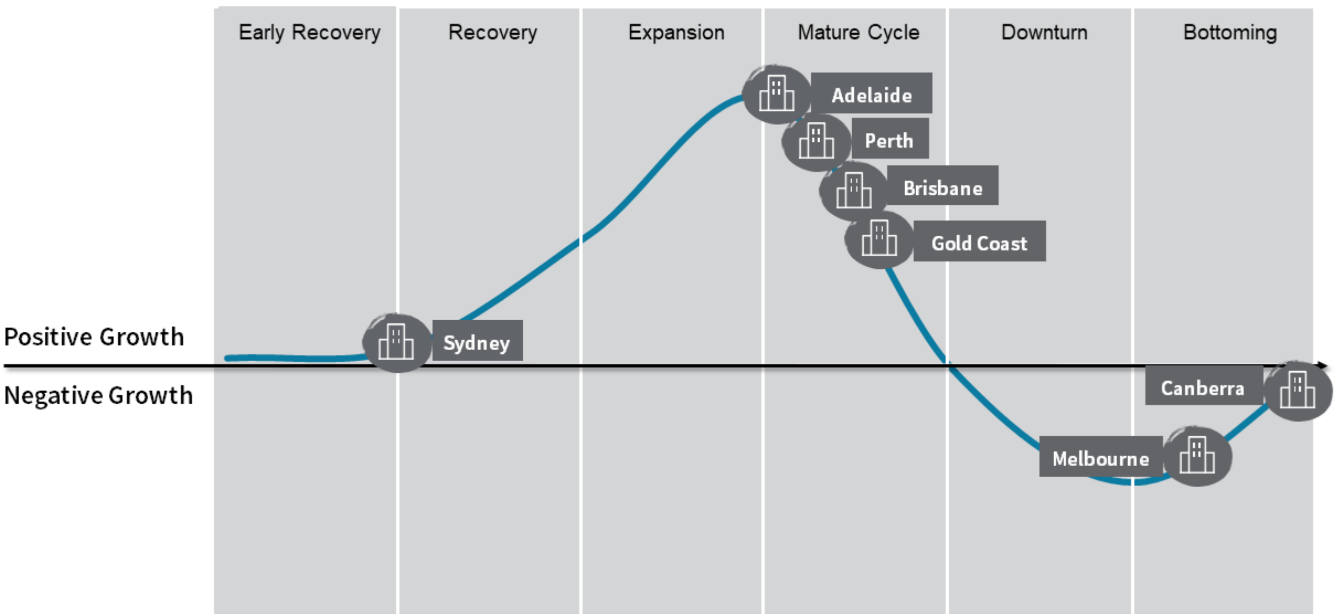
For new apartments, demand remains solid from owner occupiers and particularly downsizers across the country that have enjoyed strong equity growth in their existing properties. Investor demand has been more muted but is rising, encouraged by both strong rental growth and existing price growth. Off-the-plan stamp duty incentives should also help boost the subdued Melbourne market.

Despite rising demand and a broad recognition among developers that we need more supply, development feasibilities for mass-market apartment stock remain challenged and still few large-scale projects are commencing construction. So as early project activity increases, it will take at least several years to see any substantive rise in completions and supply is likely to continue to fall short of underlying demand.

There has been some recent BTR completions and more to come in 2025, particularly in Melbourne. However, these were all projects commenced two or three years ago and more recently a slower flow of capital into the sector has seen less construction commencements. This should slowly ease over 2025 and capital is expected to steadily return to the sector with investors attracted to the strong underlying market fundamentals.

With little supply relief, rental markets are expected to remain tight across all of Australia's major cities over at least the next few years. Nevertheless, despite ongoing low vacancy rates, affordability is increasingly becoming a constraint and slowing rental growth to be more in line with income growth levels.

Australian Apartment Market Cycle



Source: JLL Research, as at Q4 2024

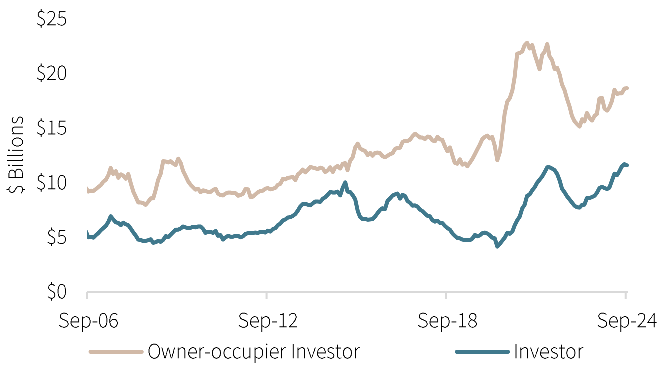
* The assessment is based on existing apartment price growth. It does not reflect the strength of demand, nor the supply cycle in each market. It also does not necessarily reflect the pricing of new pre-sale apartments, which can diverge significantly from growth in overall apartment pricing due to many factors including supply competition and construction cost pressures.

Economic and Regulatory

Middle of the road global outlook, with downside risks

- Global growth in 2025 is forecast to stay at a similar moderate level as 2024, with upward revisions to the US outlook offsetting deterioration in other major economies. However, with inflation falling, interest rates should continue to fall globally and support confidence. Nevertheless, downside risks continue to seemingly out-weigh upside risks.
- Australia's economy has slowed notably. However, it has likely passed the worst and the labour market remains strong which will support housing demand.
- CPI has fallen considerably, including previously sticky services inflation. This has given slightly more confidence that the RBA will commence cutting interest rates in next few months. Cuts are expected to boost household confidence and support housing market activity by the second half of 2025.

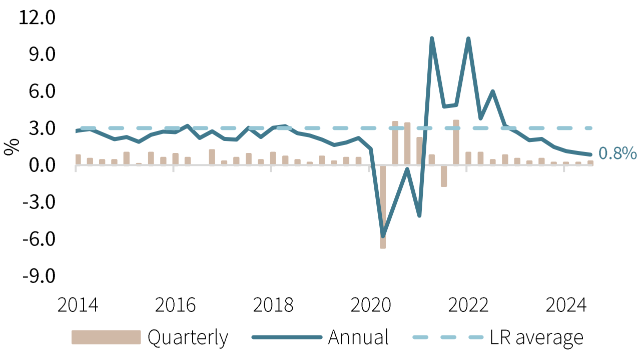
Household Savings Rate (% of HH Income)



Source: ABS, JLL Research as at Q3 2024

Higher interest rates have seen a large run-down in household savings from a peak of 24% during COVID-19. However, after reaching a trough of 1.8% of in Sep-23, it has risen slightly to 3.2% of income in Sep-24.

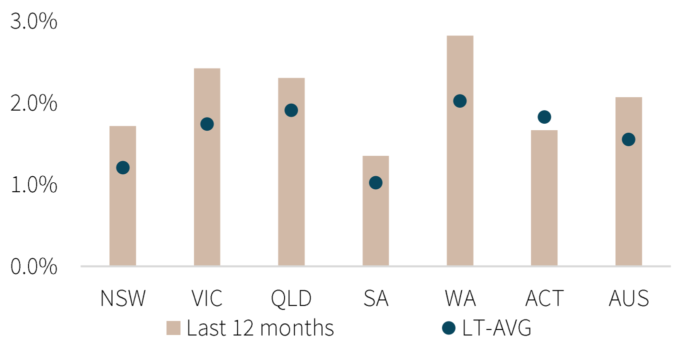
Australian GDP Growth



Source: ABS, JLL Research as at Q3 2024

Australian GDP grew by a moderate 0.3% qoq in Q3 2024 and 0.8% yoy. Household consumption was flat in the quarter but was offset by robust Government spending. Growth is likely to be at around a trough.

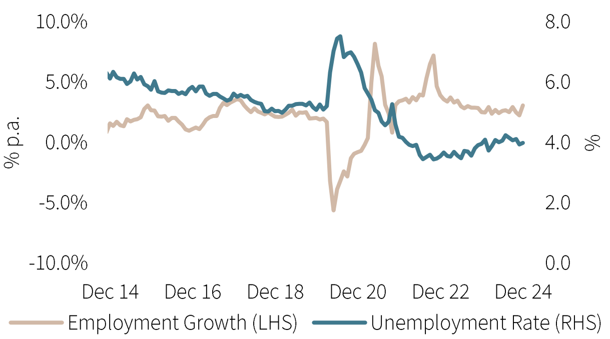
Population Growth by State (% p.a.)



Source: ABS, JLL Research as at Jun-24

The pace of national population growth peaked in Q3 2023 at 2.6% but remained very strong at mid-2024 at 2.1%. All major states are enjoying strong growth, particularly WA, Victoria and Queensland.

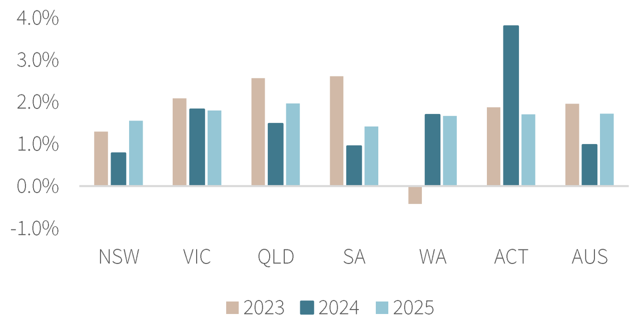
Employment Growth and Unemployment



Source: ABS, JLL Research as at Dec-24

The labour market proved more resilient than expected. Unemployment remained a very low 4.0% in Dec-24 and has fallen slightly again over recent months, while annual employment growth has increased slightly to 3.1%.

Economic Growth (GSP)



Source: DAE, JLL Research as at Dec-24

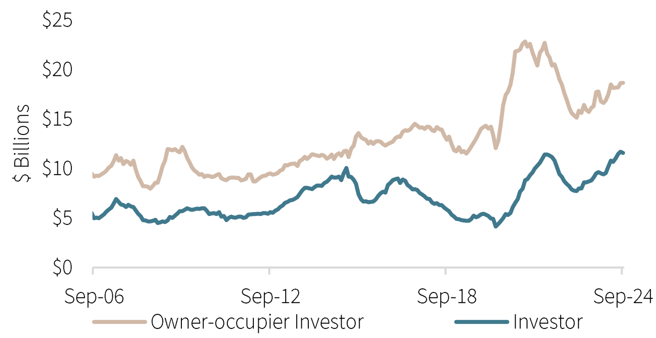
Like nationally, economic growth is expected to increase in 2025 in NSW, QLD and SA. Growth will likely be steady in Vic and WA, while ease in the ACT. Growth estimates range from 1.4% (SA) to 2.0% (QLD).

Demand

Short-term headwinds, but strong underlying demand

- Strong population growth has supported underlying housing demand since the RBA started raising interest rates in May-22. But as population growth slows it is revealing a highly credit-constrained household sector and general housing demand is slowing.
- Nevertheless, affordability is pushing demand towards apartments and away from detached houses in the existing market. Loan data also suggests investors are also increasingly returning to the market, but at least initially much of this has been going into existing stock.
- Apartment pre-sale levels remain moderate in aggregate, albeit a lack of competition has started to see some projects sell quickly on release. Demand remains focused towards smaller high-end projects, largely driven by downsizers that have benefited from equity growth in existing properties.

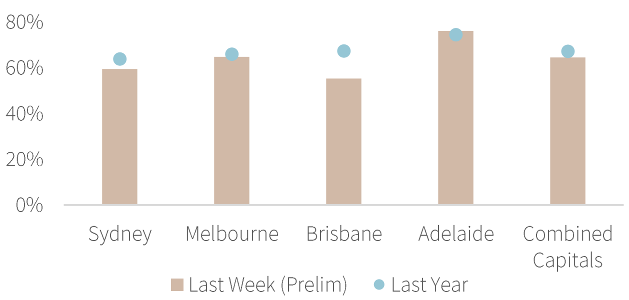
Housing Finance Commitments (ex Refin)



Source: ABS, JLL Research as at Sep-24

The value of housing finance commitments grew 13.1% over the year to Sep-24 for owner occupiers and 29.5% for investors. However, it is likely to have peaked with volumes slowing and dwelling prices falling in late-2024.

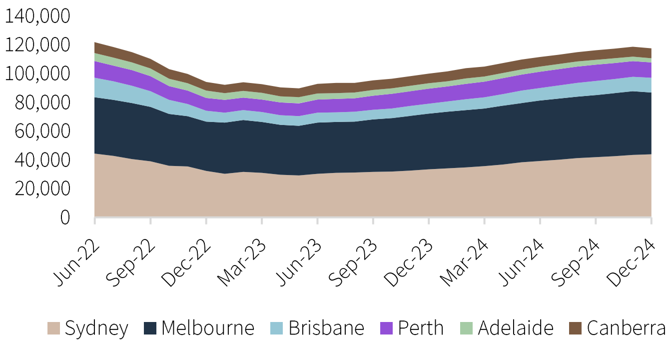
Auction Clearance Rates



Source: CoreLogic, JLL Research as at week ending 28th Jan

Auction clearance rates fell in late-2024 but rose in recent weeks. Across all capitals the clearance rate was just under 65% in late-Jan, which is slightly down on a year ago and close to its decade average.

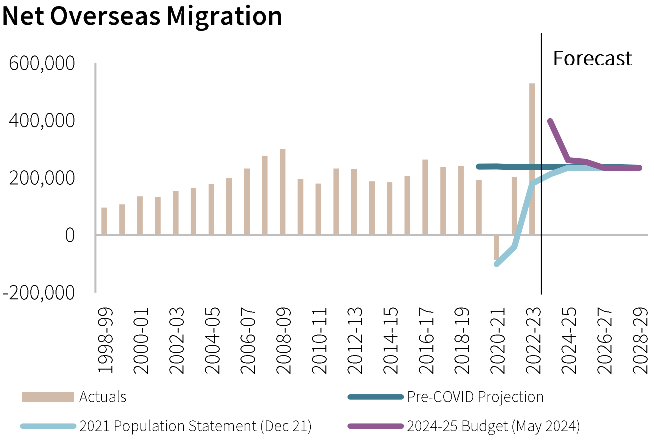
Annual Apartment Sale Volumes (New and Existing)



Source: JLL Valorem as at Dec -2024

Apartment sales across the six capitals slowed slightly in late-2024 but still grew 17.7% over the year. Nevertheless, the volume of sales are still around 17% below the peak levels reached in 2021 and early-2022.

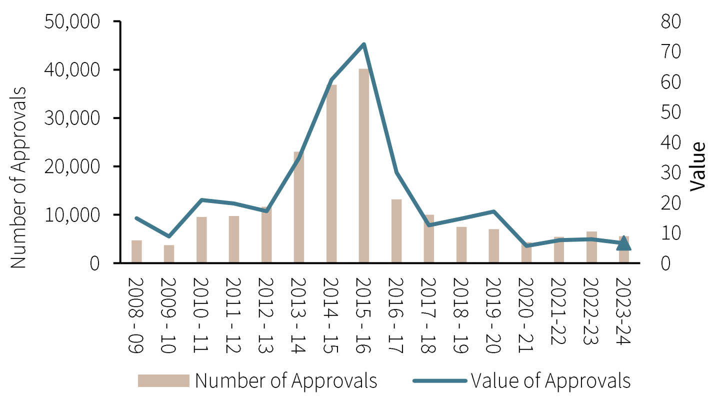
Net Overseas Migration



Source: Australian Centre for Population

Migration reached a record 528,400 over 2022-23. For 2019-20 to 2027-28, current forecasts are around 90,000 more than strong pre-COVID estimates.

Residential FIRB Approvals



Source: Department of Treasury, As at Q2 2024

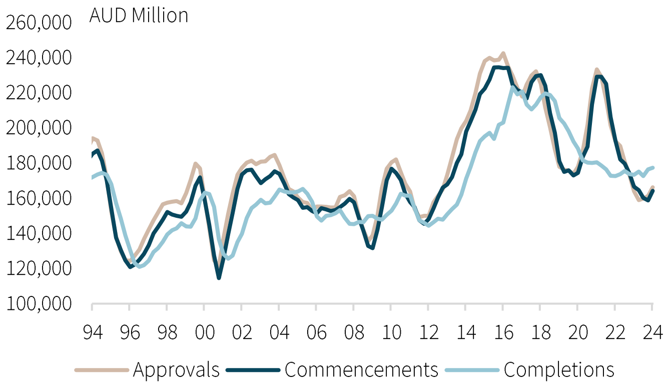
Residential Foreign Investment Review Board (FIRB) approvals fell by 15% in 2023/24. The level of approvals remains ~86% below peak levels of 2015/16.

Supply

Apartment development remains challenging

- Housing supply across all dwelling types nationally has tipped into under-supply relative to strong underlying demand growth from unprecedented levels of migration into Australia.
- However, this under-supply is particularly acute for apartments. Developers recognise this and there has been evidence of more early-stage project activity. However, feasibilities for mass-market apartment projects remain stretched across much of the country and few large-scale projects are commencing.
- Strong cost growth has eased, albeit more in some states than others and costs have not fallen anywhere. However, simply securing construction labour remains difficult in some cities, with major infrastructure projects soaking up much of the pool. Failing to secure a builder continues to see projects abandoned, particularly in Southeast Queensland.
- Regulators are responding to these supply shortages and trying to stimulate construction. Victoria have recently announced a range of housing initiatives including stamp duty concessions on off-the-plan apartments and increased densities while Adelaide also has increased density along major arterial roads.
- For the build-to-sell market, developer focus remains largely on smaller boutique projects aimed at owner-occupiers. These have less pre-sale risk and buyers are more willing to pay the higher construction costs necessary to make projects feasible.
- The BTR project pipeline continues to grow, buoyed by the advantage of no pre-sales period. But BTR commencements have also largely stalled in recent quarters. The BTR pipeline is also still small and not large enough to offset the decline in BTS supply.

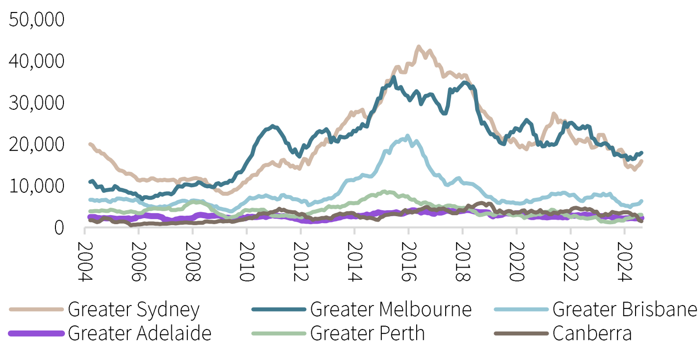
National Dwelling Supply Pipeline



Source: ABS, JLL Research as at Sep-24

Dwelling approvals and commencements have seemingly passed a trough after a COVID-stimulus boom and bust. Completions have stayed much steadier at between 170,000-180,000 per annum the last few years.

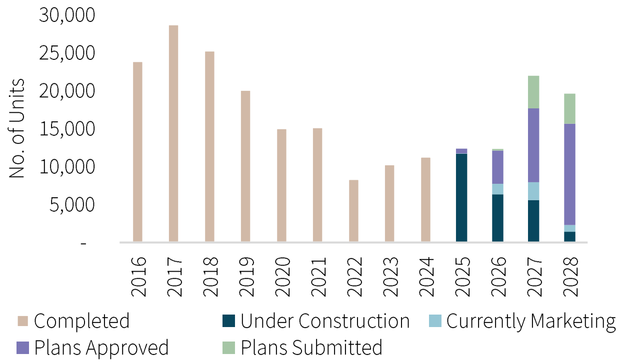
Approvals excl Houses (Rolling Annual)



Source: ABS, JLL Research as at Dec-24

Approvals for apartments and townhouses have started to rise nationally over recent months but still fell 4.1% over 2024. Approvals have risen over the past three months in all major capitals except Canberra.

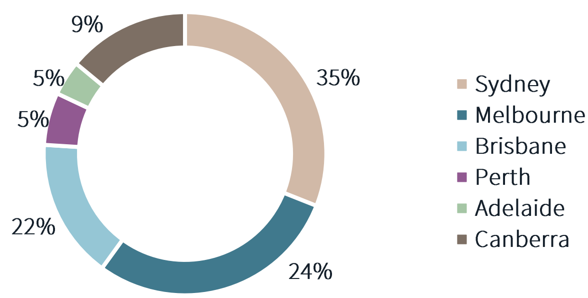
National Inner City Supply Pipeline*



Source: JLL Research as at Q4 2024

There were 11,285 apartments completed in 2024 across the major capitals. This compares to 10,302 completed over 2023 and an average of 21,370 per annum over the previous six years.

Under Construction By City*



Source: ABS, JLL Research as at Dec-24

*Includes Inner Sydney, Inner Melbourne, Inner Adelaide, Inner Perth and Canberra

Approximately 81% of construction is concentrated in the three largest capitals, although Melbourne's share of construction is lower than it has been over the past decade and Sydney is not the largest share.

National Inner City Supply Pipeline*

Stage	Sydney	Melbourne	Brisbane	Perth	Adelaide	Canberra	National
Completed (2024)	2,210	4,246	838	1,189	421	2,381	11,285
Under Construction	8,713	6,038	5,471	1,274	1,247	2,298	25,041
Currently Marketing	724	1,011	917	374	676	945	4,647
Plans Approved	7,374	8,909	6,827	2,398	1,652	927	28,087
Plans Submitted	1,622	1,506	1,925	237	807	2,374	8,471
Total	20,643	21,710	15,978	5,472	4,803	8,925	77,531

Source: JLL Research as at Q4 2024

*Includes Inner Sydney, Inner Melbourne, Inner Adelaide, Inner Perth and Canberra

Recent Completions

Project Name : Perth Hub
Density : 314 Units
Developer : Far East Consortium

Project Name : Portside Wharf -Rivello
Density : 150 Units
Developer : Brookfield

Project Name : Local Kensington
Density : 467 Units
Developer : Macquarie Group/Local

Project Name : One Sydney Harbour Tower 1
Density : 327 Units
Developer : Lendlease

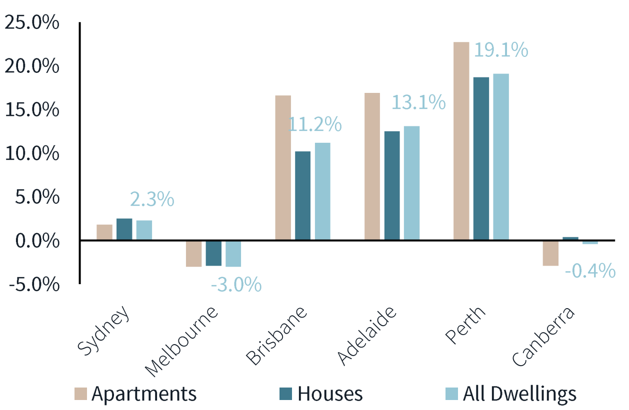
Project Name : Melrose Bldg. 2 – Stage 1
Density : 184 Units
Developer : Doma

Prices

Price growth stalls, but varies widely across cities

- Dwelling prices across Australia grew by a robust 4.9% over 2024, but price growth stalled late in the year as the headwinds of higher interest rates and tighter credit conditions finally took hold.
- While the pace of growth slowed in all markets in late-2024, growth varies greatly across the major cities. This ranged from dwelling price growth of 19.1% in Perth to a decline of 3.0% in Melbourne. Adelaide and Brisbane price grew strongly, while prices fell in Canberra. Sydney price grew moderately.
- Strong recent growth has seen Brisbane, Perth and Adelaide median dwelling prices all overtake Melbourne. Canberra is also ahead of Melbourne, making Melbourne now the sixth most expensive capital city in Australia. Sydney prices remain the most expensive and about 46% above national prices.
- Apartment price growth has also slowed and prices grew 3.6% nationally over 2024, with similar wide discrepancies in growth across cities. Unit prices in Perth, Brisbane and Adelaide were strong and grew more than house prices did.
- While there are still clear headwinds on unit prices, relative affordability compared to houses is likely to support demand and prices for units moving forward.
- Limited new apartment supply will also support apartment price growth, while cost-push inflation from higher construction costs is increasingly a factor. Prices for new high-end product already reflect this cost-push pressure, but it should start trickling down to the mass market as well.

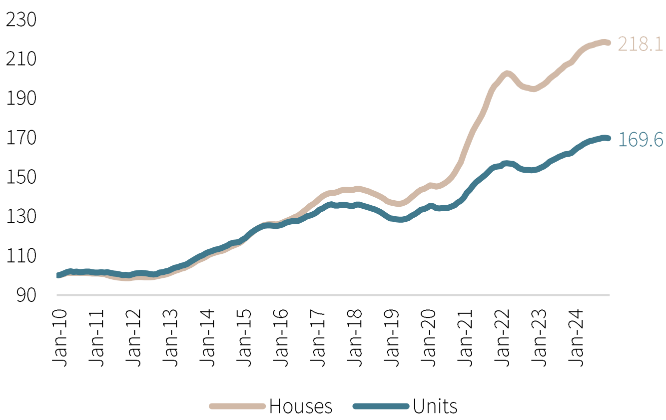
Dwelling Price Growth (Annual % change)



Source: CoreLogic, JLL Research as at Dec-24

Dwelling prices have increased in all major cities over 2024, except Melbourne and Canberra. In the strongest three markets of Perth, Adelaide and Brisbane it has been unit growth that has led detached house growth the past year.

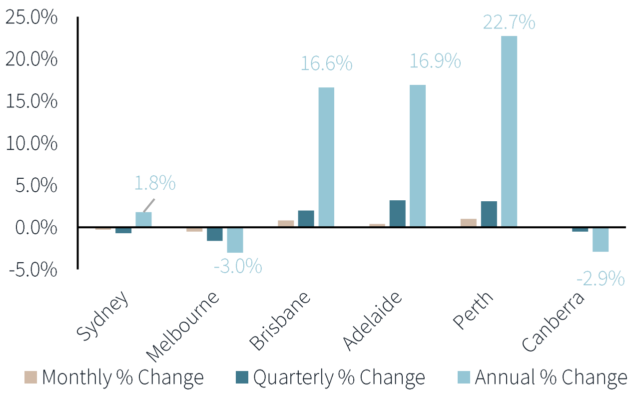
Australian Dwelling Price Indexes (Jan 10 = 100)



Source: PropTrack, as at Dec-24

From 2010 to 2016 growth in unit and house prices was very similar, but since 2016 house prices have grown by around 73 % compared to 35% in units. This has seen the gap in prices be as wide as it has been and this relative affordability is now supporting unit demand.

Median Unit Price Growth



Source: CoreLogic, JLL Research as at Dec-24

Unit price growth has slowed in recent months, even where it remains very strong in the smaller capitals. Sydney has joined Melbourne and Canberra in prices over the quarter, but its prices still grew over 2024.

Unit Price Growth by City

Stage	Sydney	Melbourne	Brisbane	Adelaide	Perth	Canberra
Monthly % Change	-0.3%	-0.5%	0.8%	0.4%	1.0%	0.0%
Quarterly % Change	-0.7%	-1.6%	2.0%	3.2%	3.1%	-0.5%
Annual % Change	1.8%	-3.0%	16.6%	16.9%	22.7%	-2.9%
Median Price ($)	859,963	607,414	680,893	587,852	589,293	587,478

Source: CoreLogic & JLL Research as at Dec-24

Apartment price growth is slowing in nearly all markets, but rates of growth vary enormously across the capitals. Momentum remains particularly strong in Perth, Adelaide and Brisbane, where prices are now up by between 16% and 23% over the past year. At the other end of the spectrum, prices have fallen moderately the past three months and over the past year in Melbourne, Sydney and Canberra. However, Sydney prices are still higher over the 2024, while Melbourne and Canberra prices were lower. While there are still some headwinds for housing generally as households continue to deal with higher interest rates, there are numerous factors that are strongly supporting apartment prices over the medium-term, including affordability while buyers' borrowing capacity is restricted and strong underlying apartment demand due to strong migration and foreign students returning. Limited supply of new apartments and rising construction costs to deliver new stock are also providing price support for existing apartment prices.

Notable Site Sales

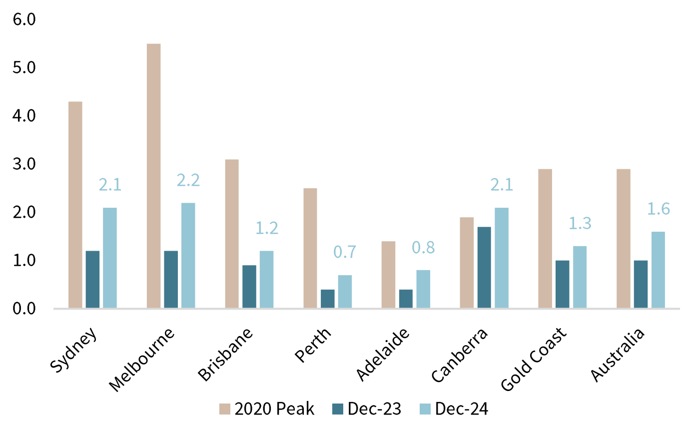
Date	Address	City	Purchaser	Vendor	Price ($, m)	Size (sqm)	DA (# of units)	Comments
Oct-24	142-154 Macquarie Street, Parramatta	Sydney	JQZ Eighteen Pty Ltd	Landmark East Pty Ltd	80	12,500	1,092	Mixed Use Zone(MU1) with no approval yet
May-24	27 – 39 Garfield Terrace, Surfers Paradise	Gold Coast	Confidential	Various	89	3,180	244	No DA lodged over the whole site, but within High Density Residential Zone, and unlimited height restrictions
Nov-24	380 Queen Street	Melbourne	Sime Darby	Confidential	115	3,218	N/A	Benefits from flexible Capital City Zoning, supporting residential/student housing, hotels
Dec-24	25 Ferry Street, Kangaroo Point	Brisbane	Mosaic Property Group	Fabcot (Woolworths)	210	3,069	130	A premier approved mixed use development with proximity to Kangaroo Point Green Bridge

Rental market

Affordability begins to slow rental growth

- Rental vacancy rates rose in December, but most of the rise likely reflects normal seasonal patterns. Vacancy range from 0.7% in Perth and Adelaide to 2.2% in Melbourne.
- Over the past two years the surge in migration and foreign students, plus limited new apartment supply has kept the market tight. However, loan data suggests investor activity is increasing which is likely boosting available rental stock, while higher rents have caused some increase in people per dwelling.
- Asking rents have grown very strongly over the past 3-4 years in all markets, but particularly the smaller capitals. However, rental growth clearly slowed over the latter half of 2024 and has stalled in many markets. Affordability after recent rapid increases is the key driver of the slowing.
- With little supply relief on the horizon, the rental market will likely remain relatively tight and wage growth appears the key limit on rents medium-term.

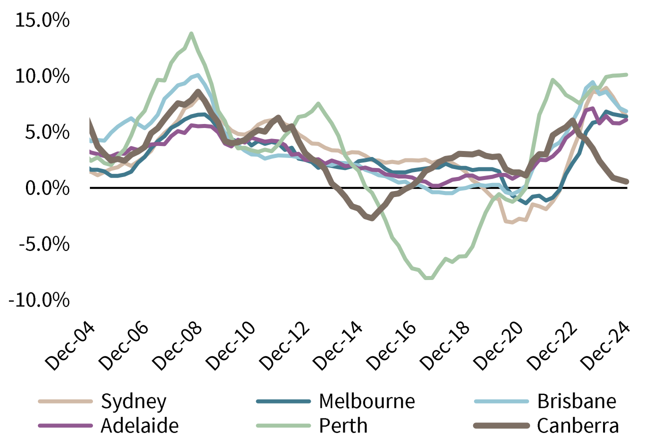
Rental Vacancy Rates (%)



Source: SQM Research as at Dec-24

Rental vacancy rates rose in Dec-24, which was partly seasonal. However, vacancy is higher than a year ago (albeit still moderate) in all markets. Adelaide and Perth remain particularly tight with sub-1% vacancy.

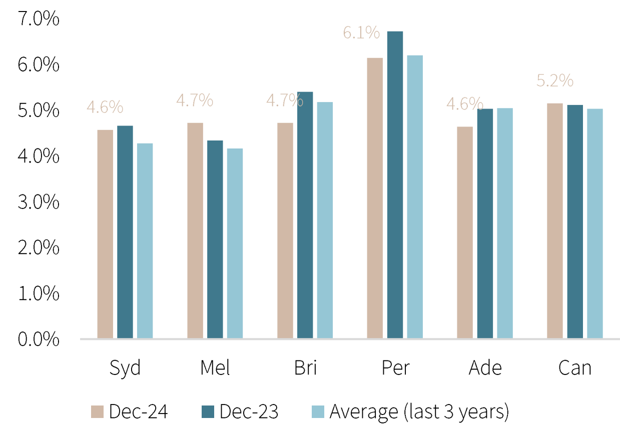
CPI Rental Growth (Annual % change)



Source: ABS, JLL Research as at Dec-24

CPI rental data represents 'passing rents' and growth is strong (albeit slowing) in most markets as existing leases expire and tenants are reset closer to recent asking rents. Nationally rents grew 6.4% over 2024.

Gross Rental Yields (%)



Source: JLL Valorem, as at Dec- 24

Rental growth and softer price growth in Sydney and Melbourne have seen yields continue to sit slightly above 3-year average levels. In contrast, strong price growth in the smaller market has seen yields decline over 2024.

2-Bedroom Apartment Asking Rents (% change)

City	1-Month	3-Months	Annual	3-years
Sydney	-2.8%	-6.7%	-2.8%	34.6%
Melbourne	0.0%	0.0%	5.8%	37.5%
Brisbane	1.7%	5.2%	10.9%	43.5%
Perth	0.0%	0.0%	6.9%	47.6%
Adelaide	-3.8%	-3.8%	6.4%	35.1%
Canberra	0.0%	0.0%	-1.7%	2.6%

Source: JLL Valorem, as at Dec-24

Outlook and Key Risks

Headwinds to fade as 2025 progresses

The headwinds that have slowed the general housing market in late-2024 will continue to restrain the market in early-2025. However, interest rate cuts will likely boost household confidence when they come and as the year progresses the underlying supply shortage will become more and more prevalent again and the lull in market conditions could prove short-lived. There is also likely to remain a wide variation of conditions across the country.

Demand for apartments will also be supported by their affordability relative to houses, while the combination of limited new supply and high build costs will support pricing levels. Indeed, a return to growth could be swift and medium-term growth prospects are strong on the back of ongoing supply shortages.

There will also be little supply relief for tight rental markets across the country. Nevertheless, affordability will increasingly slow the rate of further rental growth back to more in line with wage growth.

National Apartment Market Outlook

Short-Term (Next 12 months)		Medium-Term (2-4 years)
↗	**Demand**	↑
→	**Supply**	↗
→	**Prices**	↗
↗	**Rent**	↗

Key Risks

Development delivery risks remain extreme

For developers, financiers and investors the most pressing risk in projects at present is ensuring construction is delivered on time, on budget or at all. Cost growth is moderating but has not gone and there remains significant risks around securing construction capacity in many cities in a tight market and with the risk of more builder collapses.

The worst of these risks has likely passed in the major capitals (Sydney and Melbourne) as more capacity comes back into the construction sector. However, risks remain higher in smaller cites where capacity is still more constrained, particularly in Southeast Queensland where infrastructure projects are ‘crowding out’ apartment construction.

Policy mistake risks are still high

It has long been a very fine balance for central banks globally between cutting rates too early and risking over-stimulating the economy and housing markets or cutting too late and risking dampening domestic economies too far and pushing them into recession. With many major central banks now cutting, for Australia it appears the risk has swung towards cutting too late and dampening the economy more than intended.

Aside from monetary policy risks, Australia’s housing supply shortages now raises risks that reactionary governments of all levels introduce poorly planned further demand-side policies, or rental caps that could have unintended consequences on supply long-term and indeed worsen the shortages by discouraging investment.

Demand risks are moderate, but persist

A number of financial headwinds remain for Australian households, while global macroeconomic and financial market downside risks remain, particularly in relation to ongoing geopolitical risks that still have the possibility of escalating. This could potentially put upward pressure on oil prices and stifle the fall in global inflation, keeping interest rates higher and households under pressure.

While these demand risks have been present for some time and have not materialised, they remain relevant. Nevertheless, their impact would only be moderate since the relatively low level of current apartment market demand means there is only limited further downside risk.

Hot Topic

Will capital return to BTR in 2025?

Coming into 2025 BTR was in a stage of project delivery where a number of construction projects are completing that were committed to two to three years ago (or more) when capital was flowing more freely into BTR. Nevertheless, new capital raising for BTR projects over the past 18 months or so has been tough and the flow of project starts has slowed. There has been some recent developments to boost optimism that capital will begin to return in 2025, so we have looked at some of the factors that are going to be important in determining investor appetite for Australian BTR.

Market fundamentals still strongly support investment

Investors are still strongly attracted to the market fundamentals of underpinning Australian BTR. Rental vacancy is still low (1.6% nationally in Dec-24, SQM Research) and while rental growth has slowed the clear shortage of new supply over the next few years will keep the rental market tight.

Faith in the need for more rental stock across Australia has not really waivered over the past few years, so really it was other factors that caused the stalling of fresh capital (and it was the fundamentals that kept interest in the market high despite less actual commitments).

Tax changes will be a major boost

Most of the investor interest in Australian BTR to date has come from offshore investors that are more comfortable with residential as an investment class. As such, one of the main factors holding back investment in 2024 was a delay in introducing a reduced withholding tax for foreign investors (from 30% to 15%) to be in line with other property sectors.

This change has been discussed for several years but was committed to in the May-24 Federal budget along with other accelerated depreciation tax benefits for eligible BTR projects and was meant to start on 1 July 2024. Nevertheless, the changes were held up in the senate and were finally agreed in very late-November in the last parliamentary session of the year.

Another uncertainty was the requirement that eligible BTR projects have 10% affordable stock. In Dec-24 the government clarified initial standards that the 10% affordable component must be rented at 74.9% or less of market rent and income thresholds were set for eligible tenants. Further iterations of the standards will follow, but it gives more certainty about what is and what is not ‘affordable’. All of these changes will remove a major roadblock to investment and should strongly support investment volumes in 2025.

Project costs are also becoming more certain

Rapid rises in construction and project finance costs was also causing concern for investors in 2023 and 2024. However, both have now largely stabilised and the risk of unexpected project costs blow-outs has now fallen substantially and can generally be adequately covered now by standard project contingencies.

Renewed global upward yield pressure is a risk

The other major factor in the slowing of capital into Australian BTR was the wider global capital market adjustment that has occurred the past two years where higher bond rates have pushed up cap rates for most sectors. Many other developed countries saw more significant yield softening than in Australia and BTR yields specifically only had very limited scope to rise.

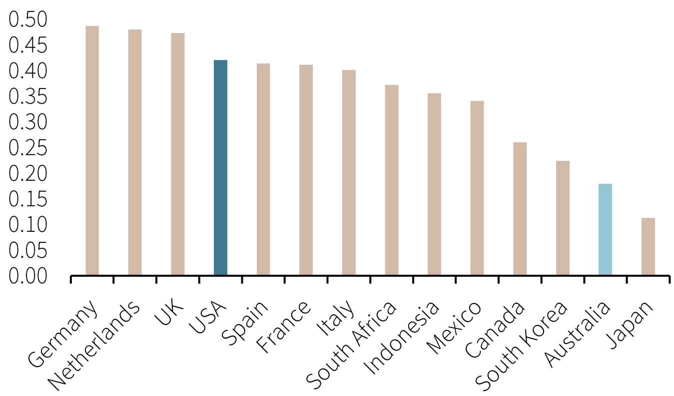
As a result, returns in all sectors in other countries became much more attractive. However, bond rates had settled which was giving hope that the relative attractiveness of Australian BTR would improve again in 2025. Nevertheless, bond rates globally have risen since the start of Dec 2024 partly on the back of fears the policies of the new US administration will be inflationary, meaning fewer interest rate cuts.

While far from certain, if this trend continues there is a risk of renewed upward pressure on cap rates globally. If this did occur, it would not be favourable for the relative attractiveness of Australian BTR and perhaps curtail an expected recovery in investment in 2025.

Conclusions

On balance we believe the amount of capital committing to Australian BTR will increase in 2025. Nevertheless, it might take a little time to regain momentum and the second half could prove much stronger than the first half. Regardless, this will be a boost to Australia’s still emerging BTR sector and help fund more project starts in 2025 than we saw in 2024.

Change in 10-year government bond yield since the start of Dec-24 (bps)



Sources: Refinitiv Workspace. Data to 16.01.2025

Build-to-Rent (BTR)

Summary

Q4 was another strong quarter of BTR completions with 5 projects adding 2,188 apartments (84% of this in Melbourne) and taking total completions for 2024 to 4,147 units. This new stock has seen a little more leasing competition in the Melbourne market and some operators are now offering leasing incentives to help expediate lease-up times. Project delivery will remain a strong focus in 2025, with another 11 projects set to add a further 4,635 apartments and take operational stock beyond 13,800 units. Long awaited Federal Government reductions in the withholding tax levels for foreign investors in a Managed Investment Trust (MIT) structure and accelerated depreciation incentives finally passed through the Senate in late-24 and will provide more investment certainty in 2025. Nevertheless, part of the benefit may be partly negated by a recent rise in bond rates globally (see Hot Topic). However, on balance capital inflow into BTR should still increase in 2025 and help kick start more new construction.

Key Statistics (As at Q4 2024)

9,180

Operational BTR Stock
4,147 apartments completed in 2024

8,199

Under construction
Of which, 4,635 are due to complete in 2025

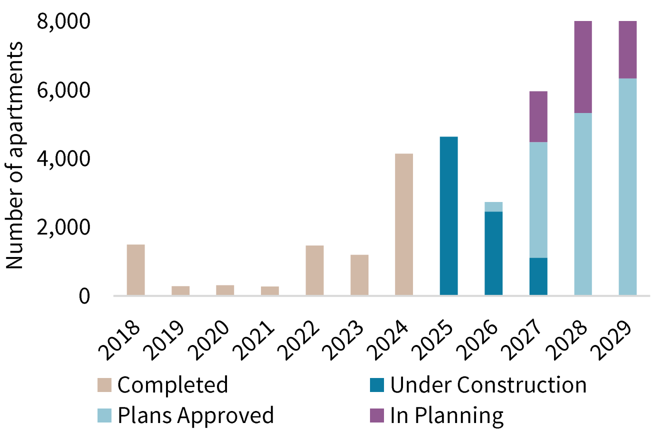
17,043

Plans Approved
Plans approved has increased 32% in 2024 YTD

8,390

In Planning
Down 41% in 2024 in line with rising approvals

Australian Institutional BTR Supply Pipeline



Source: CoreLogic, JLL Research as at Q4 2024

Market Fundamentals

Australia's rental market has been strong the past few years, with very low vacancy and strong rental growth. Vacancy rose slightly in late-2024 but was still low at 1.6% nationally in Dec 2024 (SQM Research). Rental growth has also largely stalled but this was somewhat inevitable after three years of double-digit growth (see Rental Market section).

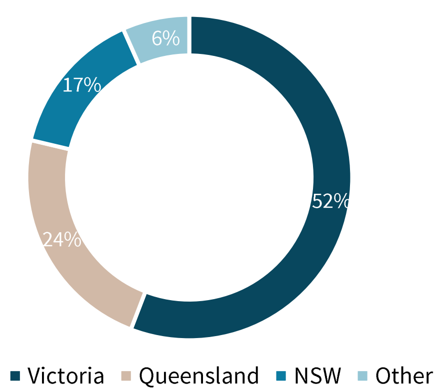
Despite this recent slowing, the medium-term rental market outlook remains robust. Strong demand is underpinned by still high (albeit slowing) flows of migration and foreign students, while apartment supply remains moderate and particularly for investor-grade BTS stock that typically comes into the rental stock.

This widely-recognised supply shortage is also putting pressure on governments of all levels to support the growth of BTR. Most significantly, the May-23 Federal Budget announced reductions in the withholding tax rates for foreign investors in Managed Investment Trusts (MIT's) from 30% to 15% and accelerated depreciation tax allowances for eligible BTR projects. These measures finally passed through the senate in late-2024 and will provide a lot more certainty to underpin more investment in BTR projects in 2025 (see Hot Topic).

Most state governments have now also reduced land tax on eligible BTR projects plus introduced a range of other measures. Many initiates have been tied to affordable housing objectives. The Federal Government also clarified in Dec-24 what qualifies as 'affordable' and these standards should reduce some previous uncertainty.

Recent completions include Greystar opening both the 700-unit Gladstone project in South Melbourne and the 617 South Yarra project, while Novus opened the 170-unit Novus on Sturt in Southbank and Local completed their 467-unit development in Kensington. The 234-unit Indi Sydney City above the new Pitt Street Metro station in Sydney was the only project to open outside Melbourne.

Australian BTR Pipeline by State



Source: CoreLogic, JLL Research as at Q4 2024

Build-to-Rent (BTR)

In total, JLL is now tracking 42,812 apartments at various stages of development. This continued to grow in Q4 and rose by around 10.5% compared to 2023. This shows that there is still a lot of optimism about prospects for BTR in Australia longer-term despite more short-term headwinds to getting projects started in 2024. Some of these headwinds should fade in 2025 and we expect more projects to start construction.

Despite the increase, the total BTR pipeline is still small (~10%) relative to Australia's historical apartment construction levels and it is not large enough to offset the large decline in BTS construction nationally. As such, the supply is still badly needed over the medium-term.

Data on operational assets is still thin but should improve now more facilities are opening. Anecdotally, most new BTR projects continue to target initial lease-up rates of around 25 to 40 apartments per month, but in Melbourne where completions have been concentrated leasing rates have slowed to around the lower end of this range. Some incentives (of 1-3 months on leases over 12 months) have also emerged in Melbourne to support take-up. Projects that have reached a stabilised occupancy level have all enjoyed strong rental uplift over the past 18 months to 2 years. Overall, it remains fair to say that most operational BTR stock has been strongly received by the market.

Investment Market

BTR in Australia is still in an early development-led stage and, as such, there is still little transactional evidence for stabilised assets. Nevertheless, by the end of 2025 there should be around 43 operational assets totalling over 13,815 apartments. As such, we should begin to see more assets transact as well as more operational and valuation data to better inform investors and aid both investment and development underwriting.

The current wave of development completions reflects much of the capital raised over recent years for Australian BTR being deployed. Capital raised to date has ranged from programmatic partnerships focused on develop-to-core strategies and some one-off project transactions. This includes Nippon Steel Kowa Real Estate taking a 40% stake in Lendlease's 899 Collins Street development in Docklands Melbourne in Oct-24 that values the project at around $500 million.

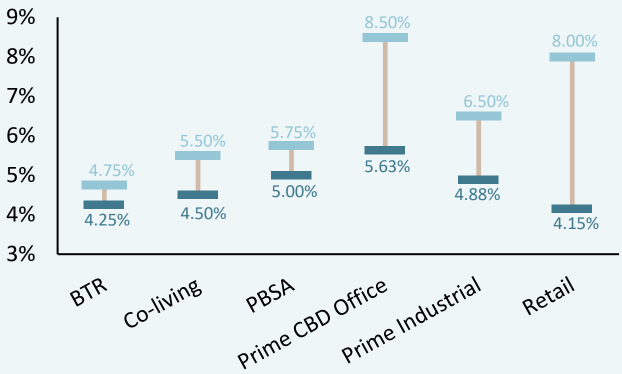
In January, student accommodation provider Scape announced a $700 million equity commitment from South Korea's National Pension Service (NPS) to execute a living sectors strategy that will include further student accommodation development (NPS already had an earlier $300 million commitment to PBSA with Scape) as well as BTR development including the 1,000-unit Timberyards project in Marrickville Sydney. Scape's move into BTR is indicative of a broader trend of PBSA operators looking to leverage their existing platforms and create broader living sector businesses.

Nevertheless, new capital raising has generally been challenging since mid-2023. BTR tax rate uncertainty and a broader capital market adjustment to higher bond rates have contributed heavily to this, but the conditions should start to improve in 2025 (see Hot Topic).

In Q4 last year Hines and Ontario Teachers' Pension Plan finalised a deal to buy two BTR towers (an 89-unit completed and fully stabilised asset and a 265-unit development due in early-2025) in Brisbane from Arklife for a reported $350 million. Union Square in Melbourne also remains in negotiation and could also help sure up asset pricing benchmarks if finalised in early-2025.

Most prime BTR assets across the major east coast cities are currently being valued at core cap rates of between 4.25% to 4.75% (although some may still be carried at lower legacy levels based on the lack of hard evidence). This remains 25 to 50 bps lower than co-living and 75 to 100 bps lower than PBSA. It is also low relative to the range of core property sectors but is somewhat skewed because there is no existing older BTR assets.

Living Sector Vs Core-Sector Cap Rate Ranges*



Source: JLL Research, as at Q4 2024

All sectors based on prime Sydney, Melbourne and Brisbane assets. Retail based on regional and sub-regional sub-sectors

Australian BTR Outlook (Next 12 months)

Yields →

Investment Volumes ↗

"The senate passing changes to MIT withholding tax for foreign investors will give investors more confidence in 2025 and we expect the flow of capital to steadily increase through 2025"

Jack Bergin, Head of Living
Capital Markets - Australia

Sydney

Summary

The broader housing market in Sydney has stalled in recent months and the apartment market has not been immune despite some factors such as affordability and strong population growth that are supporting underlying demand. For the new apartment market, demand remains solid for smaller high-end projects closer to the CBD, driven by downsizers that are willing and able to pay prices that justify higher build costs. Conversely, larger mass-market projects, particularly in Western Sydney, are struggling to attract buyers at the sales rates required to justify project costs and construction has slowed to a trickle. New apartment supply is expected to remain moderate the next few years and deepening structural supply shortages are likely to keep the rental market tight, albeit affordability is already tempering rental growth. Interest in BTR development remains but Sydney's high land values make it challenging and activity is still greater in co-living and PBSA.

> "A federal election could add to the indecision and stalling of activity in the housing market in early-2025. But ultimately Sydney is an interest-rate sensitive market and likely cuts could get the market going again in the second half"

Bill Fatouros, Senior Director
Valuation and Risk Advisory

8,713
Apartments Under Construction (Inner Sydney)
As at Q4 2024, JLL Research

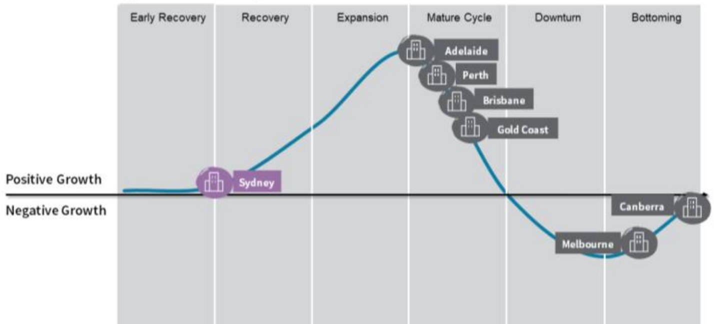
43,803
Sydney Unit Sales (New and Existing)
Annually to Dec 2024, JLL Valorem

$859,963
Median Unit Price (Greater Sydney)
1.8% yoy over 2024, CoreLogic

2.1%
Rental Vacancy (Greater Sydney)
As at Dec 2024, SQM Research

4.57%
Gross Apartment Yield (Greater Sydney)
As at Dec 2024, JLL Valorem

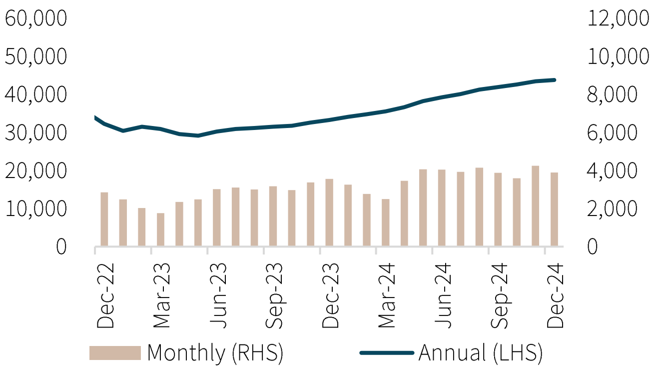
Sydney Apartment Market Cycle



Source: JLL Research, as at Q4 2024

Sydney apartment market has largely stalled in recent months but has not categorically slipped into a downturn like Melbourne and Canberra. It is likely the market will get going again later in 2025 following interest rate cuts.

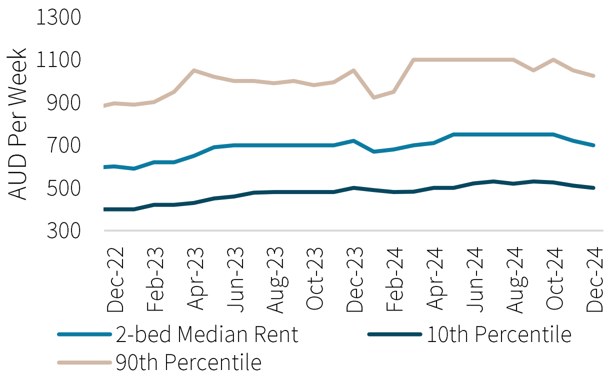
Greater Sydney Unit Sales (New and Existing)



Source: JLL Research, as at Q4 2024

Apartment sales volumes have been steadily increasing for a while and monthly sales have averaged just under 4,000 per month since May-24. Annual sales are 32% higher over 2024.

Greater Sydney 2-Bed Unit Rents



Source: JLL Research, as at Q4 2024

Sydney rental growth has moderated. Median 2-bed unit rents have fallen the past 3 months and were 2.8% lower in Dec-24 than a year ago. Nevertheless, rents are still 34.6% higher over the past three years.

Sydney

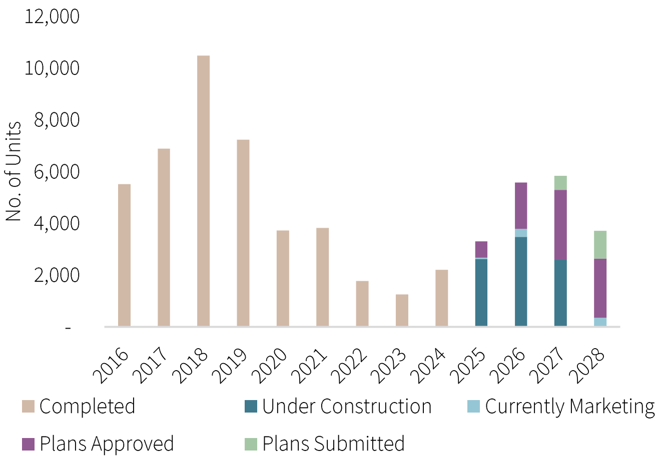
Inner Sydney Supply Summary

Project completions in Inner Sydney was a modest 2,210 apartments in 2024. While this is an increase on the previous two years, it is still a low level of construction and compares to 6,280 apartments p.a. over the period from 2016 to 2021. Supply levels should continue to steadily rise the next few years, but not to previous peak levels as development conditions remain challenging. Larger mass-market apartment projects still have not seen end price increases match higher projects costs and few larger projects are still progressing to construction.

Developers continue to focus on smaller premium boutique developments, where demand and pricing has been stronger making projects more feasible. Downsizers who have benefited greatly from equity growth in existing properties remain the primary driver of this market with the focus on premium Eastern and North Shore suburbs.

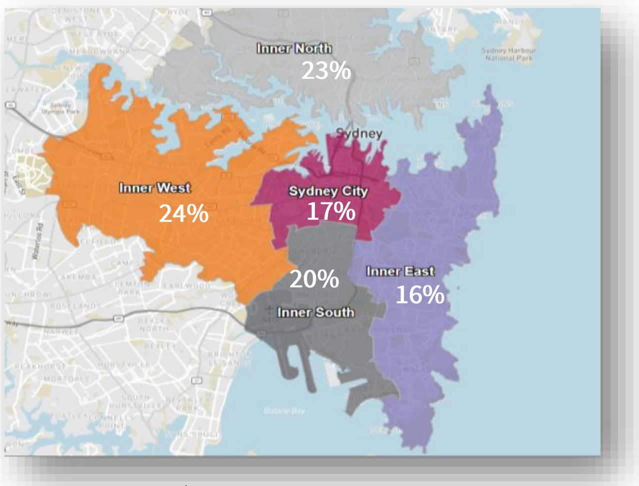
In contrast, Western Sydney faces particularly difficult conditions in terms of passing on cost increases and finding financially feasible land for construction. More projects are being abandoned and forced site sales are increasing.

Inner Sydney Apartment Supply



Source: JLL Research, as at Q4 2024

Under Construction (By Precinct)



Source: JLL Research, as at Q4 2024

Inner Sydney Apartment Supply (By Stage and Precinct)

Stage	Sydney City	Inner North	Inner South	Inner East	Inner West	Grand Total
Completed (2024)	715	179	434	139	743	2,210
Under Construction	1,465	2,011	1,720	1,386	2,131	8,713
Currently Marketing	0	132	535	0	57	724
Plans Approved	1,296	986	2,673	582	1,837	7,374
Plans Submitted	0	1,490	0	0	132	1,622
Total	3,476	4,798	5,362	2,107	4,900	20,643

Source: JLL Research, as at Q4 2024

Sydney Apartment Market Outlook

Sydney's housing market is likely to remain largely stalled in early-2025, with higher interest rates and a Federal election dampening activity levels. However, interest rate cuts could be the stimulus for improved confidence and a building recovery as 2025 progresses. At a fundamental level, supply levels remain moderate relative to still strong population growth and growing supply shortages should assert themselves on the market and see robust price growth return over the medium-term. The rental market is also taking a breather, but limited new supply should keep the market relatively tight over the medium-term and see rental growth return to be more in line with income growth.

Outlook Summary

Short-Term (Next 12 months)		Medium-Term (2-4 years)
↗	**Demand**	↗
↗	**Supply**	→
→	**Prices**	↗
→	**Rent**	↗

Melbourne

Summary

Confidence is currently low across all Melbourne property sectors and the housing market has softened more than other major cities since mid-24 . New apartment sales have been soft, particularly for large mass-market projects but smaller high-end projects in premium inner-city suburbs remain solid. However, recent moves to temporarily cut stamp duty on off-the-plan sales should help boost sales over and interest rate cuts should boost confidence as 2025 progresses. Further, underlying housing demand in Victoria is still being supported by very strong (albeit slowing) migration and foreign student flows. Supply of apartments is also much lower that it has been over the past decade and is likely to stay moderate for at least several more years. The rental market has softened slightly over recent months, which is partly seasonal and partly due to the market absorbing strong recent BTR completions. Nevertheless, moderate supply the next few years should keep the rental market relatively well balanced.

> “The subdued level of confidence we have seen in Victoria recently should improve once interest rate cuts materialise, supported by underlying market fundamentals that remain sound”
>
> **David Torrens,** Senior Director
> **Valuation Advisory**

6,038

Apartments Under Construction (Inner Melbourne)
As at Q4 2024, JLL Research

43,027

Melbourne Unit Sales (New and Existing)
Annually to Dec 2024, JLL Valorem

$607,414

Median Unit Price (Greater Melbourne)
-3.0% yoy over 2024, CoreLogic

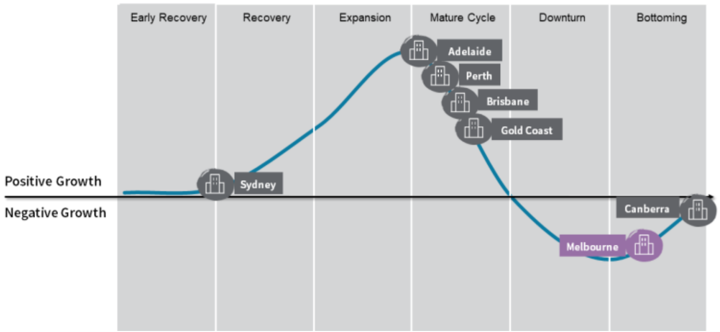
2.2%

Rental Vacancy (Greater Melbourne)
As at Dec 2024, SQM Research

4.68%

Gross Apartment Yield (Greater Melbourne)
As at Dec 2024, JLL Valorem

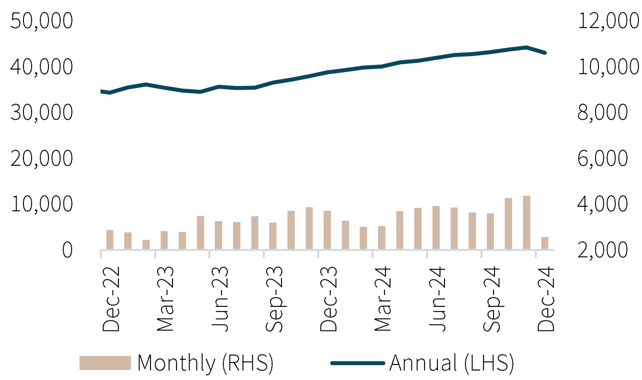
Melbourne Apartment Market Cycle



Source: JLL Research, as at Q4 2024

Melbourne’s apartment market has been much softer than most other markets the past two quarters, but the worst of downturn may already be over and the market should improve as 2025 progresses

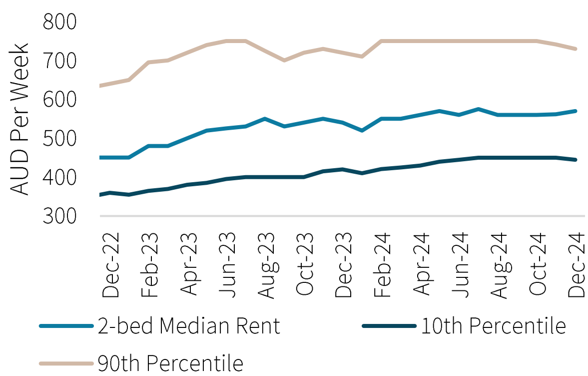
Greater Melbourne Unit Sales (New and Existing)



Source: JLL Research, as at Q4 2024

Apartment sales volumes seemingly slowed sharply in Dec-24 but the monthly figure could still be revised up and sales have still gown by a healthy 11.1% over 2024.

Greater Melbourne 2-Bed Unit Rents



Source: JLL Research, as at Q4 2024

Melbourne median 2-bed rents have stabilised over the three months, but are still 5.8% higher over the past year and 37.5% higher over the past three years.

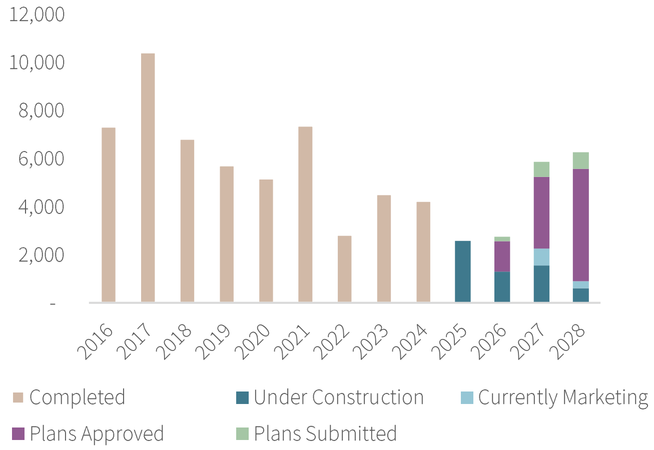
Melbourne

Inner Melbourne Supply Summary

Inner Melbourne saw 4,246 new apartments complete over 2024. This is slightly below 2023, but above the cyclical trough of 2022 (2,828 units). Nevertheless, supply is low relative to the 7,142 apartments p.a. delivered from 2016 to 2021 and relative to strong population growth.

The big change in the pipeline has been that BTR was around 85% of supply completed in 2024. BTR will again dominate in 2025, but supply will likely fall back to around 2022 trough levels and stay there in 2026. Few large-scale BTS projects are progressing at present.

Inner Melbourne Apartment Supply

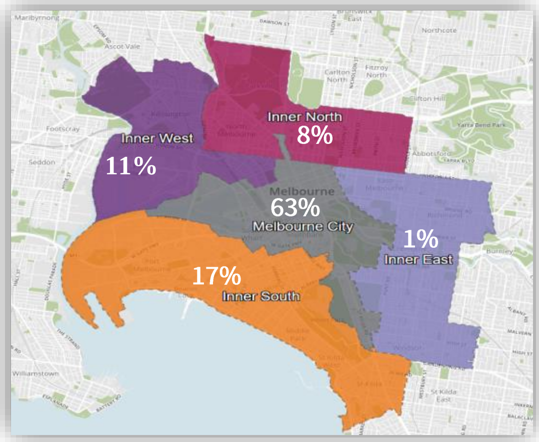


Source: JLL Research, as at Q4 2024

The Melbourne City precinct accounts for about 63% supply under construction and again this dominated by BTR projects with the feasibility of larger BTS projects still stretched. However, recently announced temporary cut to stamp duty on off-the-plan sales should help boost pre-sales demand somewhat in 2025.

Other than BTR, developers are still focused on smaller high-end projects that are still able to attract the active downsizer market and achieve sales rates that make projects still profitable.

Under Construction (By Precinct)



Source: JLL Research, as at Q4 2024

Inner Melbourne Apartment Supply (By Stage and Precinct)

Stage	Inner North	Inner South	Melbourne City	Inner East	Inner West	Total
Completed (2024)	270	1231	1,318	617	810	4,246
Under Construction	475	1,022	3,808	56	677	6,038
Currently Marketing	0	0	1011	0	0	1,011
Plans Approved	2,368	1,095	4,046	1113	287	8,909
Plans Submitted	452	336	422	176	120	1,506
Total	3,565	3,684	10,605	1,962	1,894	21,710

Source: JLL Research, as at Q4 2024

Melbourne Apartment Market Outlook

The current softness in Melbourne's housing market appears to be largely confidence-based and the market demand/supply balance still points to medium term recovery. Recent stamp duty concessions should boost off-the-plan sales the next year, although it is more likely to entice owner occupiers and the impact on investors is likely to be muted. At the same time new supply levels will be limited in aggregate, albeit some recent and upcoming BTR completions will likely keep the rental market relatively flat while this stock is absorbed. Over the medium-term though demand should continue to out-strip supply and this should re-assert itself in a return to solid price and rental growth.

Outlook Summary

Short-Term (Next 12 months)		Medium-Term (2-4 years)
↗	**Demand**	↗
↘	**Supply**	→
→	**Prices**	↗
→	**Rent**	↗

Brisbane

Summary

Brisbane remains a stock-starved apartment market. New supply levels have already been low for several years now and ongoing construction constraints mean few projects are getting started in spite of a clear need for more supply to keep pace with strong population growth. Securing a builder for apartment projects (BTS or BTR) remains extremely difficult while there is an abundance of government-backed infrastructure and Olympic projects on the horizon that are far lower risk and more attractive for building contractors. Not only are these projects keeping labour scarce, but their generous EBA conditions also continue to push up labour costs for competing apartment projects. Small boutique projects aimed at downsizers remain the exception and where developers are focused because buyers are willing to pay prices high enough to compensate for higher build costs. The rental market remain very tight and rents continue to grow, albeit affordability is starting to temper growth.

> "There is undoubtedly an ever-growing appetite among developers in Brisbane to build apartments, but the reality is that delivering projects remains very difficult in the current construction environment"

Ross Murray, Senior Director
Valuation and Risk Advisory

5,471

Apartments Under Construction (Inner Brisbane)
As at Q4 2024, JLL Research

10,287

Brisbane Unit Sales (New and Existing)
Annually to Dec 2024, JLL Valorem

$680,893

Median Unit Price (Greater Brisbane)
16.6% yoy over 2024, CoreLogic

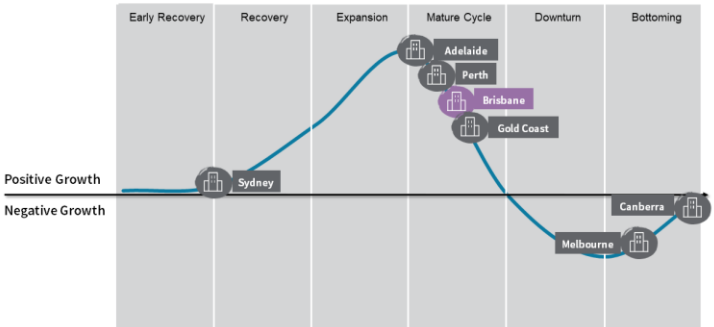
1.2%

Rental Vacancy (Greater Brisbane)
As at Dec 2024, SQM Research

4.72%

Gross Apartment Yield (Greater Brisbane)
As at Dec 2024, JLL Valorem

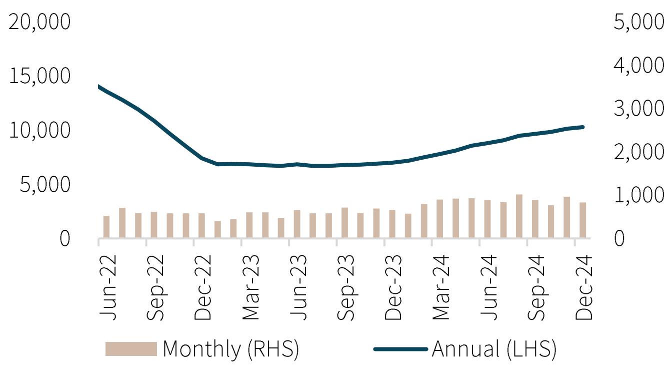
Brisbane Apartment Market Cycle



Source: JLL Research, as at Q4 2024

Brisbane apartment prices have been growing strongly over recent quarters reflecting the growing supply shortages, but momentum is slowing.

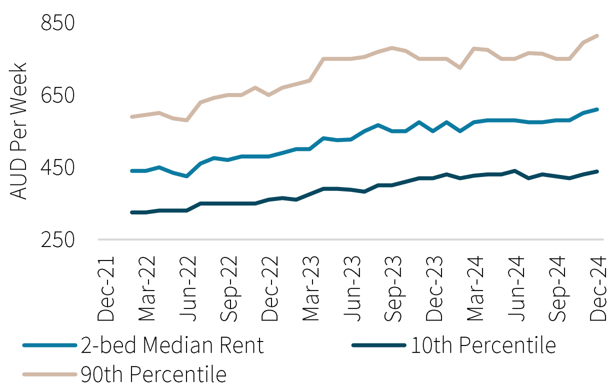
Greater Brisbane Unit Sales (New and Existing)



Source: JLL Research, as at Q4 2024

Apartment sales volumes increased by a strong 6.5% over the three months to Dec and are now up 47.3% over 2024. However, sales volumes are still low compared to peaks in 2021.

Greater Brisbane 2-Bed Unit Rents



Source: JLL Research, as at Q4 2024

Brisbane rental growth appeared be tempering but median 2-bed unit rents grew 5.2% over the three months to Dec and 10.9% over 2024. Rents are 43.5% higher over the past three years.

Brisbane

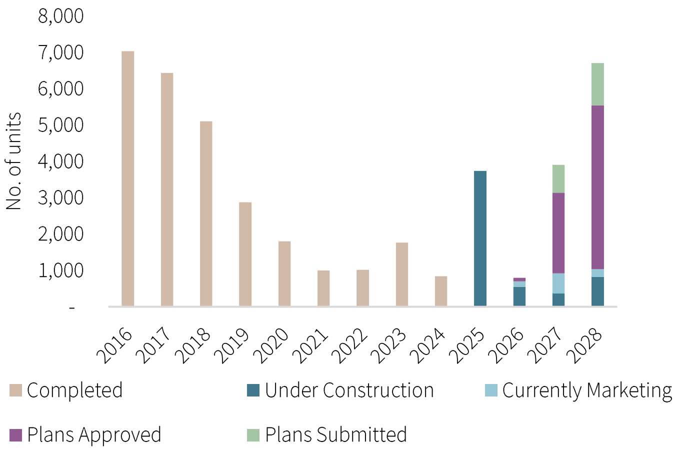
Inner Brisbane Supply Summary

Brisbane's apartment market is under-supplied and is likely to remain so over the medium-term. Completions in Inner Brisbane was a low 838 over 2024. Supply has now averaged less than 1,300 apartments p.a. the last five years compared to nearly 5,300 p.a. the four years prior to that. However, several project delays including the 819-unit Queens Wharf Tower have affected 2024 completions and will boost 2025 completions to around 3,700. 2026 is shaping as another low year of supply and most supply beyond that is still largely un-committed.

While the intention to build has increased, intending to build and actually executing remain two very different things and we have continued to see projects abandoned or postponed due to difficulties securing a builder at reasonable costs. Major infrastructure projects continue to be the focus of first and second tier head contractors.

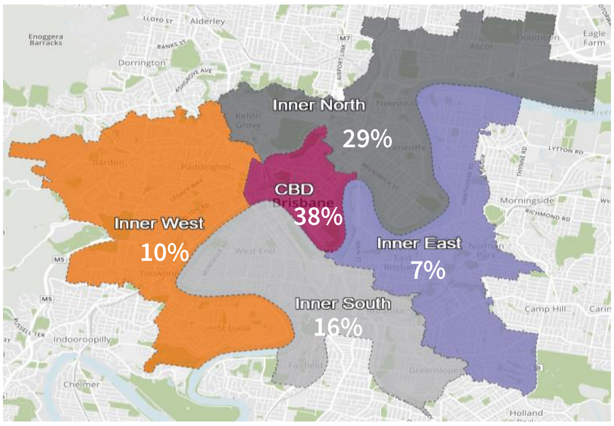
Interest in BTR in Brisbane has been strong the past few years reflecting the tight market conditions. However, BTR developers have not been immune from cost increases and difficulties securing a builder. As such, construction levels have largely stalled in 2024.

Inner Brisbane Apartment Supply



Source: JLL Research, as at Q4 2024

Under Construction (By Precinct)



Source: JLL Research, as at Q4 2024

Inner Brisbane Apartment Supply (By Stage and Precinct)

Stage	Brisbane CBD	Inner East	Inner North	Inner South	Inner West	Total
Completed (2024)	0	86	260	492	0	838
Under Construction	2,086	389	1,595	873	528	5,471
Currently Marketing	0	342	381	49	145	917
Plans Approved	126	927	2,085	3,014	675	6,827
Plans Submitted	179	120	735	891	0	1,925
Total	2,391	1,864	5,056	5,319	1,348	15,978

Source: JLL Research, as at Q4 2024

Brisbane Apartment Market Outlook

The supply deficit in Brisbane's apartment market is only likely to get worse over the next few years as the demand recovery continues to build momentum and new supply remains moderate. Despite the will to develop, the practical challenges of delivering major apartment projects will remain for some time to come. Tight rental market conditions are also unlikely to change, but rental growth will be somewhat constrained by wage growth as affordability is tested. Price growth is likely to remain strong, not only supported by market balance but by cost-push pressures on build costs for new apartments.

Outlook Summary

Short-Term (Next 12 months)		Medium-Term (2-4 years)
↗	**Demand**	↑
↗	**Supply**	→
↗	**Prices**	↑
↗	**Rent**	↗

Perth

Summary

Perth's housing market has experienced its strongest upswing in over a decade, but momentum is starting to slow slightly after a period of extreme growth. Off-the-plan sales have lifted with the broader market and a lack of existing stock, albeit from a very low level over recent years. It also remains largely owner occupier demand and investor demand remains thin. Completions of new supply also rose significantly in 2024 after four years of very low completions in the market. The appetite to build is increasing, but it remains a challenging construction environment and supply should remain largely demand-led. As such, supply levels are likely to stay moderate over the next few years which will keep market balance relative tight and support apartment prices over the next few years. Perth's rental market remains extremely tight and rental pressures are strong, although affordability is starting to temper rental growth somewhat.

> "Apartments remain a relatively small part of Perth's housing mix, but the recent rapid escalation in prices will mean their affordability relative to houses will support growth in apartment demand the next few years"

Callen Deverell, Senior Director
Residential Valuations - WA

1,274
Apartments Under Construction (Inner Perth)
As at Q4 2024, JLL Research

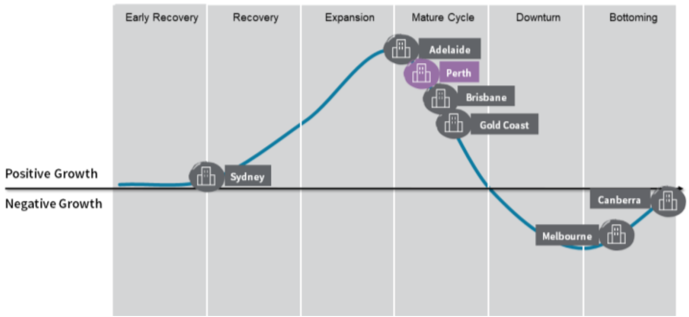
10,508
Perth Unit Sales (New and Existing)
Annually to Dec 2024, JLL Valorem

$589,293
Median Unit Price (Greater Perth)
22.7% yoy over 2024, CoreLogic

0.7%
Rental Vacancy (Greater Perth)
As at Dec 2024, SQM Research

6.14%
Gross Apartment Yield (Greater Perth)
As at Dec 2024, JLL Valorem

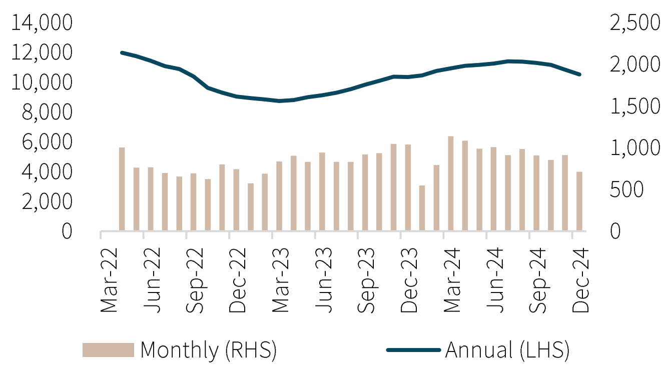
Perth Apartment Market Cycle



Source: JLL Research, as at Q4 2024

Perth was the fastest-growing apartment market in 2024, but this follows a prolonged period of underperformance. While growth is still strong, it is now clearly starting to slow.

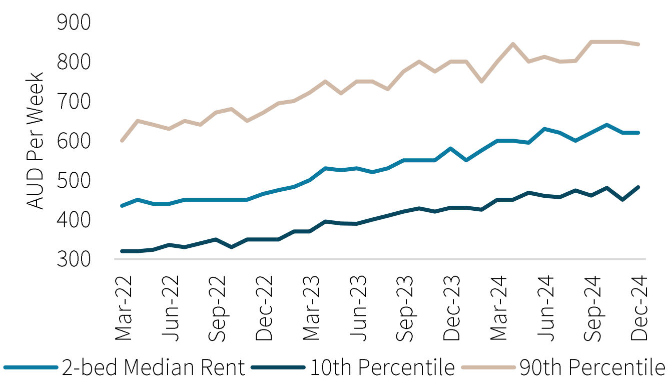
Greater Perth Unit Sales (New and Existing)



Source: JLL Research, as at Q4 2024

Apartment sales volumes have seemingly softened the past few months but still finished 1.6% higher over 2024. The limited availability of both existing and new stock is likely impacting sales volumes to some degree.

Greater Perth 2-Bed Unit Rents



Source: JLL Research, as at Q4 2024

Affordability now appears to be tempering Perth rents and median 2-bed rents were flat over the three months to Dec. However, they still rose 6.9% over the year and are 47.6% higher over the past three years.

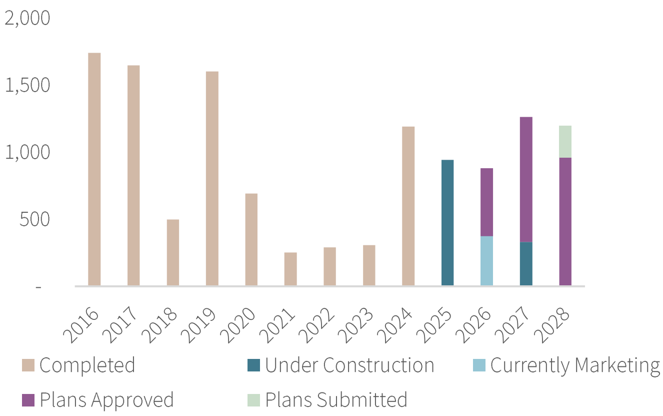
Perth

Inner Perth Supply Summary

2024 saw 1,189 apartments complete in Inner Perth, making it the highest level since 2019 in what has been a stock starved market. Construction delays pushed a number of projects from 2024 into 2025, which should keep completions at a similar level in 2025. There is the potential for supply to stay around 1,000 apartments per annum from 2026 to 2028, but at present only around 10% of this supply is under construction and many projects could still be further delayed in what is a still challenging development environment.

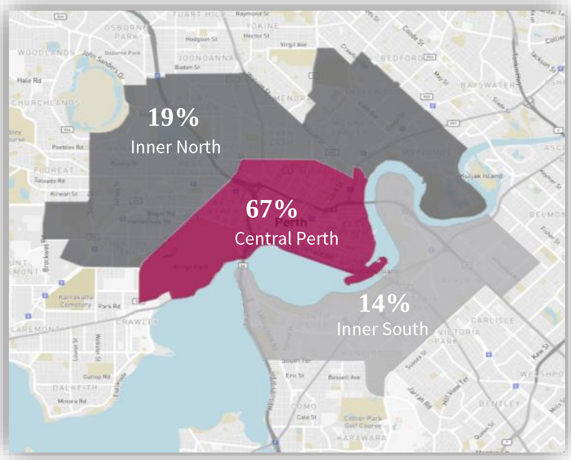
Developers are starting to gain a little more cost certainty and construction resources are starting to free up from other competing sectors such as resources and infrastructure. However, it is still not easy to progress larger projects that require pre-sales in an environment where investor demand is limited. Developers are still focused on smaller high-end boutique projects aimed at owner occupiers and this is often still outside the Inner Perth region in premium ocean front areas (such as Scarborough to Freemantle) or riverside locations such as Applecross.

Inner Perth Apartment Supply



Source: JLL Research, as at Q4 2024

Under Construction (By Precinct)



Source: JLL Research, as at Q4 2024

Inner Perth Apartment Supply (By Stage and Precinct)

Stage	Perth Central	Inner North	Inner South	Total
Completed (2024 YTD)	314	344	531	1189
Under Construction	855	240	179	1,274
Currently Marketing	74	212	88	374
Plans Approved	503	1023	872	2,398
Plans Submitted	237	0	0	237
Total	1,983	1,819	1,670	5,472

Source: JLL Research, as at Q4 2024

Perth Apartment Market Outlook

The recent extreme strength of Perth's housing market cannot be sustained and will slow, but market balance remains tight and will support further growth. Underlying demand for apartments will continue to rise driven by population growth, a robust local economy and affordability relative to houses. New supply levels will also likely remain moderate over the next few years and demand-led. The rental market is likely to be constrained by affordability and stabilise in the near-term, but market balance is still supportive of growth medium-term. Similarly, price growth is likely to slow but continue medium-term, also supported by higher build costs for new product.

Outlook Summary

Short-Term (Next 12 months)		Medium-Term (2-4 years)
↗	**Demand**	↗
↘	**Supply**	→
↗	**Prices**	↗
→	**Rent**	↗

Adelaide

Summary

Existing apartment price growth in Adelaide has been very strong through 2024 off a low base, but it has likely passed a peak. The off-the-plan apartment sales market remains small and largely focused on owner occupiers rather than investors. Downsizer demand for quality smaller developments in premium locations remains robust and the main focus for developers. Mass-market and affordable development remains much harder for developers to progress in the current environment and limited stock is available. Supply levels will remain moderate in 2025 but could potentially rise over the next few years, although much is still not committed and we expect supply to stay demand-led. Adelaide's rental market remains tight but rental growth has stalled in recent months in part due to affordability. While some slowing in the market is inevitable, market balance should remain healthy and support the market over the medium-term.

> "Developer interest remains robust for smaller metropolitan sites suitable for boutique projects. While larger sites present more complex challenges, there is increasing activity highlighting developers' growing confidence in a market experiencing prolonged low residential vacancy"

Claudia Brace, Senior Associate
Capital Markets

1,247

Apartments Under Construction (Inner Adelaide)
As at Q4 2024, JLL Research

3,052

Adelaide Unit Sales (New and Existing)
Annually to Dec 2024, JLL Valorem

$587,852

Median Unit Price (Greater Adelaide)
16.9% yoy over 2024, CoreLogic

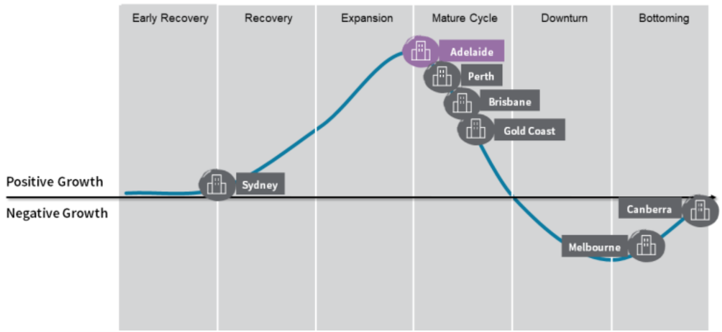
0.8%

Rental Vacancy (Greater Adelaide)
As at Dec 2024, SQM Research

4.64%

Gross Apartment Yield (Greater Adelaide)
As at Dec 2024, JLL Valorem

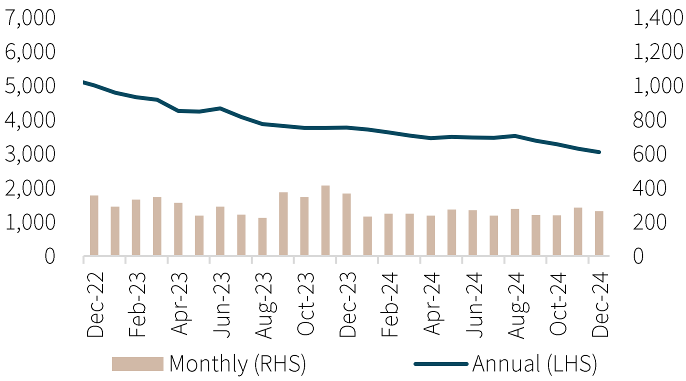
Adelaide Apartment Market Cycle



Source: JLL Research, as at Q4 2024

Adelaide apartment prices have been experiencing very strong growth in recent quarters, as limited supply helps drive some 'catch-up'. However, growth appears to be at around a peak and some slowing is inevitable.

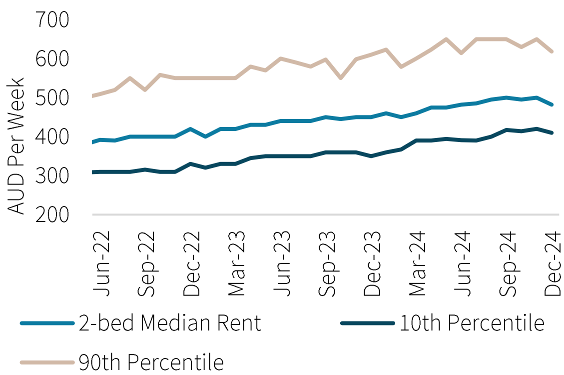
Greater Adelaide Unit Sales (New and Existing)



Source: JLL Research, as at Q4 2024

Following a surge in the last four months of 2023, apartment sales volumes in Adelaide remained moderate through 2024. The limited availability of stock may partially account for decline in sales volumes.

Greater Adelaide 2-Bed Unit Rents



Source: JLL Research, as at Q4 2024

Rental growth in Adelaide softened in late-2024, but median 2-bed units still grew 6.4% over 2024 and are 35.1% higher over the past three years.

Adelaide

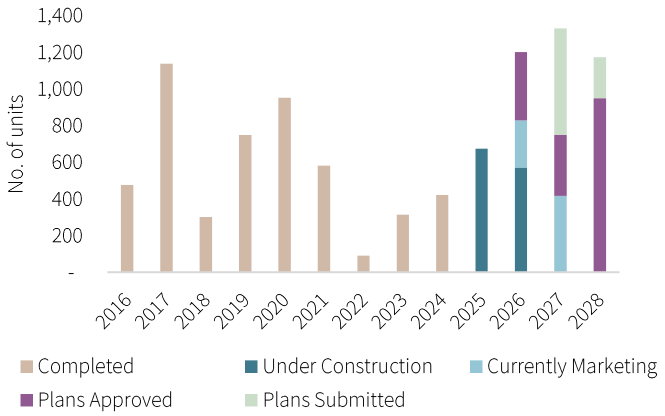
Inner Adelaide Supply Summary

A total of 421 new apartments were completed in Inner Adelaide over 2024. While this is still low, it is an increase on the previous two years when just 276 apartments p.a. were completed. The steady increase is expected to continue in 2025 and around 676 apartments are scheduled for completion. There is scope for this increase to continue from 2026 to 2028, but the reality is that many of these projects are still not yet committed and will most likely be delayed further in what is still a challenging development environment.

While major BTR operators have largely focused on the east coast to date, some SA State Government driven renewal projects have encouraged some recent activity in the sector in Adelaide.

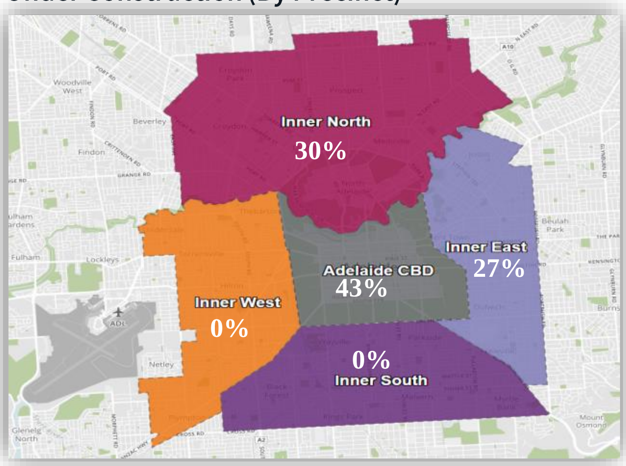
The Adelaide CBD and Inner East remain a large focus of construction and have a lot of development opportunity, but longer-term the recently updated Greater Adelaide Regional Plan encourages greater density along major arterial roads and should spread the reach of apartment development across the city.

Inner Adelaide Apartment Supply



Source: JLL Research, as at Q4 2024

Under Construction (By Precinct)



Source: JLL Research, as at Q4 2024

Inner Adelaide Apartment Supply (By Stage and Precinct)

Stage	CBD	Inner East	Inner North	Inner South	Inner West	Total
Completed (2024)	234	187	0	0	0	421
Under Construction	537	341	369	0	0	1,247
Currently Marketing	199	116	36	280	45	676
Plans Approved	1146	0	375	44	87	1,652
Plans Submitted	253	78	330	146	0	807
Total	2,369	722	1,110	470	132	4,803

Source: JLL Research, as at Q4 2024

Adelaide Apartment Market Outlook

Planning support in the recent Greater Adelaide Regional Plan for densification along major arterial roads will further support the shift towards apartment living in Adelaide that is already underway. New apartment supply has the potential to rise beyond 2025, but development conditions remain challenging and we expect supply to remain largely demand-led. As such, an ongoing healthy market balance gives good scope for further solid apartment price growth over the medium-term. Rental vacancy is also likely to stay low and keep upward pressure on rents, but affordability is likely to temper growth somewhat from recent strength.

Outlook Summary

Short-Term (Next 12 months)		Medium-Term (2-4 years)
↗	**Demand**	↗
↗	**Supply**	→
↗	**Prices**	↗
↗	**Rent**	↗

Canberra

Summary

Canberra's apartment market softened through late-2023 and 2024 but appears to be stabilising. Slowing jobs and population growth in the nation's capital has coincided with the absorption of the tail end of a long period of sustained strong apartment construction. This saw rental vacancy jump from less than 1% in 2022 to be 2.1% in Dec-24. This is a little higher than most other markets but is still a moderate level. Existing apartment prices fell moderately over 2024 but appeared close to stabilising in late-2024 and the worst should be over. More moderate supply levels over the medium-term will help market balance, while stronger government spending once the Federal election is over should also support local housing demand. Affordability relative to detached housing is likely to push much of this demand into the apartment market, while new infrastructure and brownfield redevelopment opportunities also will support higher density living in Canberra medium-term.

> "Inactivity around the Federal election may slightly delay Canberra's recovery, but the market fundamentals do suggest the worst should be over and that the market should rebound as 2025 progresses"

Marcus Hon, Senior Director
Valuation Advisory

2,298
Apartments Under Construction (Canberra)
As at Q4 2024, JLL Research

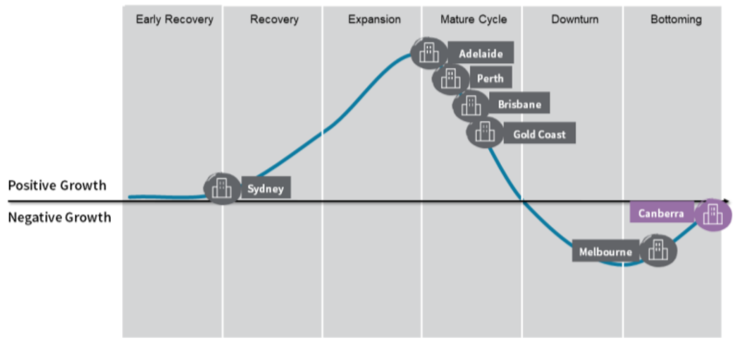
6,869
Canberra Unit Sales (New and Existing)
Annually to Dec 2024, JLL Valorem

$587,478
Median Unit Price (Canberra)
-2.9% yoy over 2024, CoreLogic

2.1%
Rental Vacancy (Canberra)
As at Dec 2024, SQM Research

5.15%
Gross Apartment Yield (Canberra)
As at Dec 2024, JLL Valorem

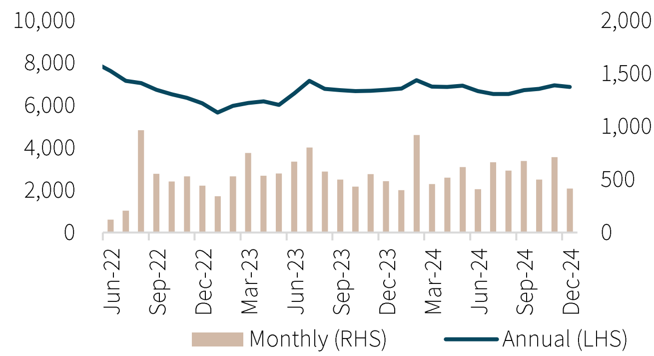
Canberra Apartment Market Cycle



Source: JLL Research, as at Q42024

Canberra's apartment market has experienced a moderate downturn over 2024 as it absorbed the end of large supply cycle, but the worst appears over and the market appears to be stabilising.

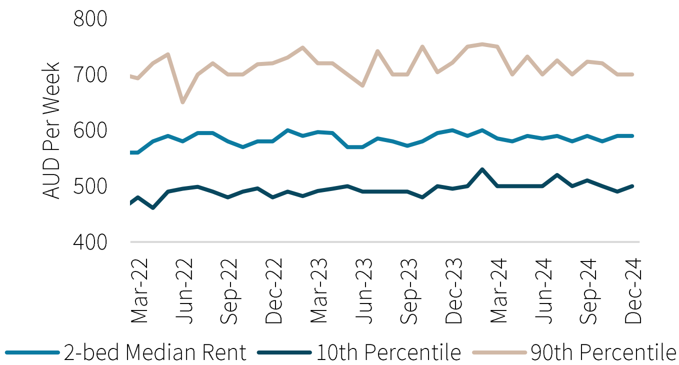
Greater Canberra Unit Sales (New and Existing)



Source: JLL Research, as at Q4 2024

Apartment sales volumes in Canberra have risen slightly over the three months to Dec-24 and by 2.1% over 2024. The level of sales remains well below the peak levels reached in early-2022.

Canberra 2-Bed Unit Rents



Source: JLL Research, as at Q4 2024

Canberra apartment rents have fallen over recent months. Median 2-bed rents fell 1.8% over the three months to Dec 2024. However, they are still higher over 2024 and 20% higher over 3 years.

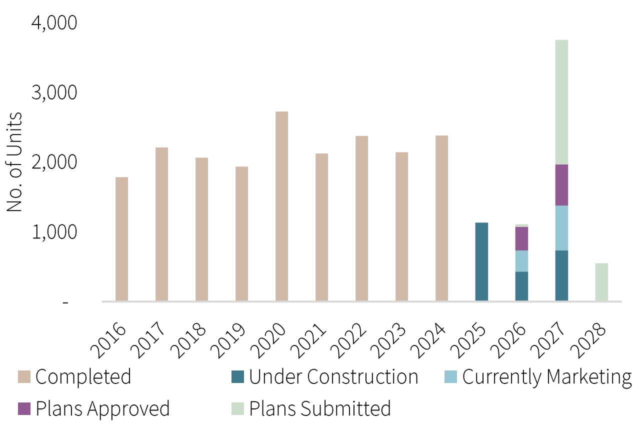
Canberra

Canberra Supply Summary

Apartment supply levels in Canberra have held up through 2023 and 2024 more than other markets. A total of 2,381 apartments completed in 2024 which is slightly above the average level over the past seven years. However, supply is expected to drop roughly half in 2025 and 2026, which will be a welcome breather for Canberra after a sustained period of strong supply. Most of the pipeline from 2026 onwards is also not yet committed and could be further delayed.

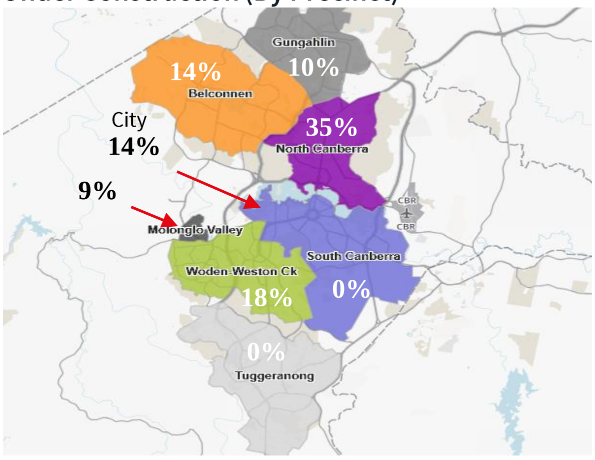
Although developing and securing pre-commitments is currently more challenging, developers in Canberra remain optimistic about the long-term prospects for apartments. There are significant redevelopment opportunities that align with new infrastructure projects, and the high cost of detached housing is likely to sustain demand for apartments. Additionally, interest in Build-to-Rent(BTR) projects in Canberra has grown over the past year, with several new projects from national operators emerging recently.

Canberra Apartment Supply



Source: JLL Research, as at Q4 2024

Under Construction (By Precinct)



Source: JLL Research, as at Q4 2024

Canberra Apartment Supply (By Stage and Precinct)

Stage	City	Inner North	Inner South	Gungahlin	Belconnen	Molonglo	Woden Valley	Tuggeranong	Total
Completed (2024)	0	0	282	316	50	409	1324	0	2,381
Under Construction	332	794	0	236	315	202	419	0	2,298
Currently Marketing	0	341	67	0	141	0	396	0	945
Plans Approved	0	169	0	192	0	566	0	0	927
Plans Submitted	155	125	179	898	300	0	717	0	2,374
Total	487	1,429	528	1,642	806	1,177	2,856	0	8,925

Source: JLL Research, as at Q4 2024

Canberra Apartment Market Outlook

The Federal election could slightly prolong Canberra's housing market recovery, but it should gain momentum as 2025 progresses. Underlying apartment demand will be supported by high detached house prices in Canberra and strong inner city redevelopment opportunities that should push demand towards apartments. New supply will also be much lower over the next few years. As such, the rental market is likely to steadily tighten and see solid rental growth resume over the medium-term. Short-term momentum in existing unit prices is likely to stay minimal but momentum should build over the medium-term as the market balance tightens.

Outlook Summary

Short-Term (Next 12 months)		Medium-Term (2-4 years)
↗	**Demand**	↗
↘	**Supply**	→
→	**Prices**	↗
→	**Rent**	↗

Gold Coast

Summary

The Gold Coast apartment market has undoubtedly cooled somewhat over recent months and some of the heat has come out of the previously strong price growth. Strong population growth and tourism is still supporting housing demand, but higher interest rates have certainly slowed a good portion of the market. There is still solid, albeit slowing, demand for smaller luxury developments, particularly along the more southern beaches. However, this part of the market has also become quite competitive with so many developers focused on it. Like Brisbane, building larger high-density apartment projects has become extremely difficult due to construction capacity issues and the inability to secure a builder at an appropriate price. This will see a lot of the future supply pipeline continue to be delayed or abandoned and will likely keep market balance healthy. The rental market remains tight, but the pace of rental growth has largely stalled.

> "The Gold Coast market appears to be catching its breath after a strong run, but construction capacity issues should keep supply in check and ensure market balance remains healthy over the medium-term"

John Muchall, Senior Director
Valuation Advisory

5,634
Apartments Under Construction (Gold Coast)
As at Q4 2024, JLL Research

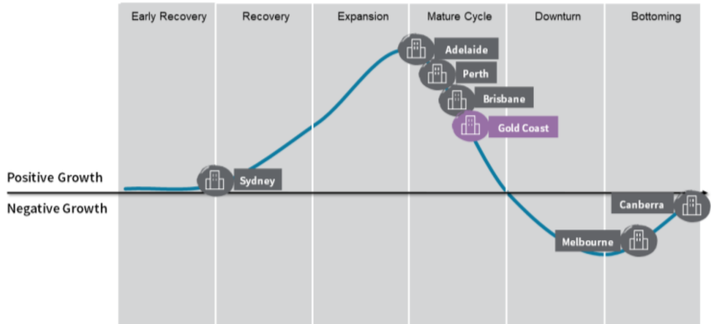
4,508
Gold Coast Unit Sales (New and Existing)
Annually to Dec 2024, JLL Valorem

$750,000
Median Unit Price (Gold Coast)
10.5% yoy, as at Dec 2024, Valorem

1.2%
Rental Vacancy (Gold Coast)
As at Dec 2024, SQM Research

5.08%
Gross Apartment Yield (Gold Coast)
As at Dec 2024, JLL Valorem

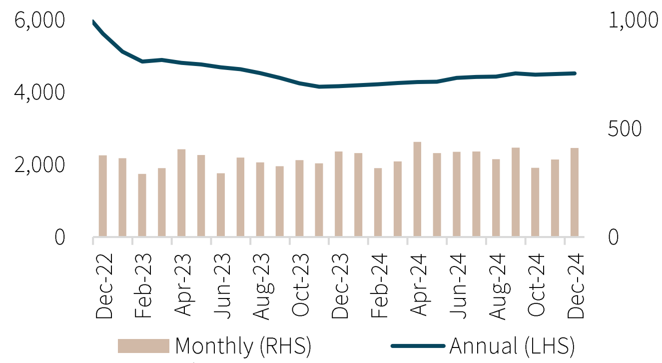
Gold Coast Apartment Market Cycle



Source: JLL Research, as at Q4 2024

The Gold Coast apartment market has been running hard for a while and some slowing was inevitable. However, the slowdown could prove short-lived once interest rate cuts start to boost market confidence.

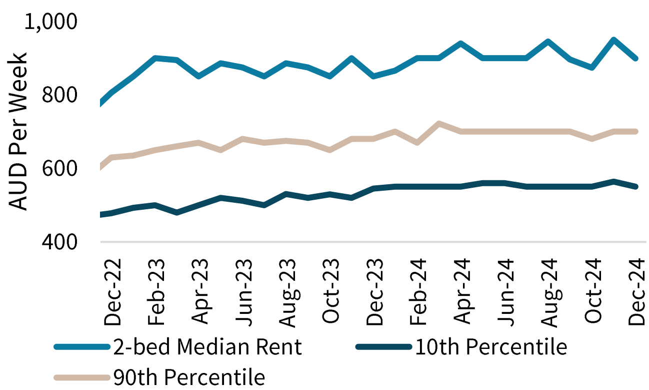
Gold Coast Unit Sales (New and Existing)



Source: JLL Research, as at Q2 2024

After a significant fall through 2022, Gold Coast apartment sales have remained relatively steady since early-2023. While higher interest rates have certainly been a major factor, lower supply has also meant much less off-the-plan settlements.

Gold Coast 2-Bed Unit Rents



Source: JLL Research, as at Q4 2024

Gold Coast rental growth has slowed as affordability has tempered growth. Median 2-bed rents were largely stable over 2024, but are still 34.6% higher over the past three years.

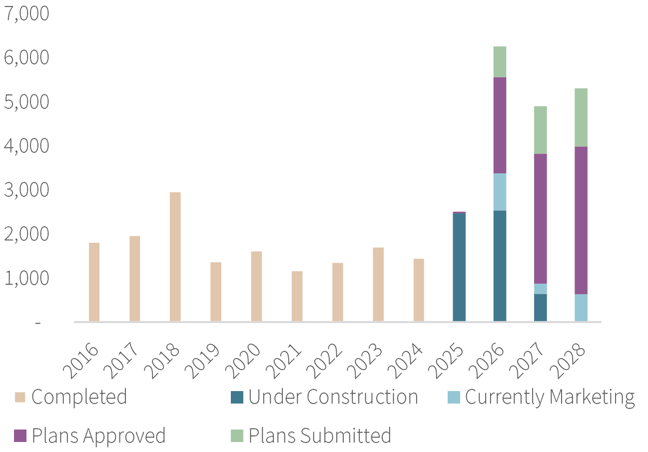
Gold Coast

Gold Coast Supply Summary

The Gold Coast saw 1,460 apartments completed in 2024, which was closely in line with the average over the preceding five years. This is a moderate level of supply when taken next to the Gold Coast's very strong post-COVID population growth. Supply will rise in 2025, in part because construction delays have been widespread and pushed out completion dates. But just under 2,500 apartments are due in 2025 and there is already a similar amount under construction and due in 2026. However, just six large projects account for half the total supply under construction, including two large Meriton projects that alone are 19% of the total. Otherwise, the majority of projects in the pipeline are smaller high-end projects, many by integrated developer builders and competition in this part of the market has become strong.

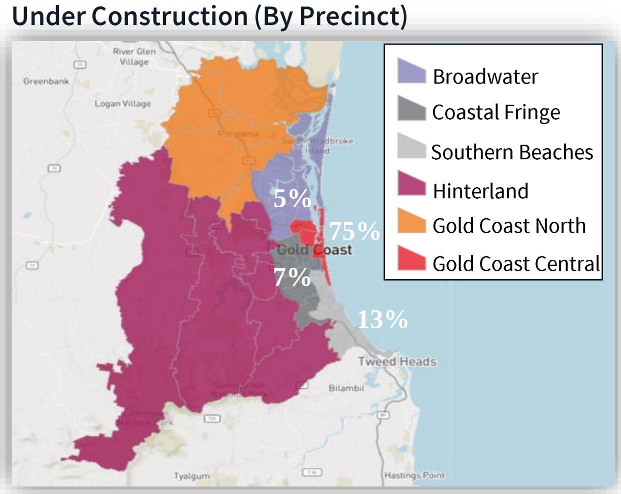
For large high-rise projects, securing third party builders remains very difficult on the Gold Coast and continues to stop many projects from progressing to construction. As such, many projects will remain stalled and the pipeline from 2026 to 2028 will likely thin out considerably.

Gold Coast Apartment Supply



Source: JLL Research, as at Q4 2024

Under Construction (By Precinct)



Source: JLL Research, as at Q4 2024

Gold Coast Apartment Supply 2024-2028 (By Stage and Precinct)

Stage	Broadwater	GC Central	Coastal Fringe	Southern Beaches	Total
Completed (2024)	277	605	88	490	1460
Under Construction	275	4,231	387	741	5,634
Currently Marketing	99	1,396	0	215	1,710
Plans Approved	1,169	4,607	1,398	1,337	8,511
Plans Submitted	518	1966	0	617	3,101
Total	2,338	12,805	1,873	3,400	20,416

Source: JLL Research, as at Q4 2024

Gold Coast Apartment Market Outlook

Underlying demand for new apartments should continue to rise as existing stock dwindles and supported by strong population growth and growing investor demand. This should gather pace as interest rates fall over 2025. At the same time, construction constraints should keep new supply levels moderate over the next few years as projects continue to be delayed or abandoned. This all means little relief for the tight rental market, but affordability is likely to temper rental growth somewhat. Prices of existing units are also likely to be boosted by tightening market balance over the medium-term, as well as by cost-push pressures from higher build costs.

Outlook Summary

Short-Term (Next 12 months)		Medium-Term (2-4 years)
↗	**Demand**	↗
→	**Supply**	→
→	**Prices**	↗
→	**Rent**	↗

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