

Property Research Digest: Edition 28

Domestic Economics

Population

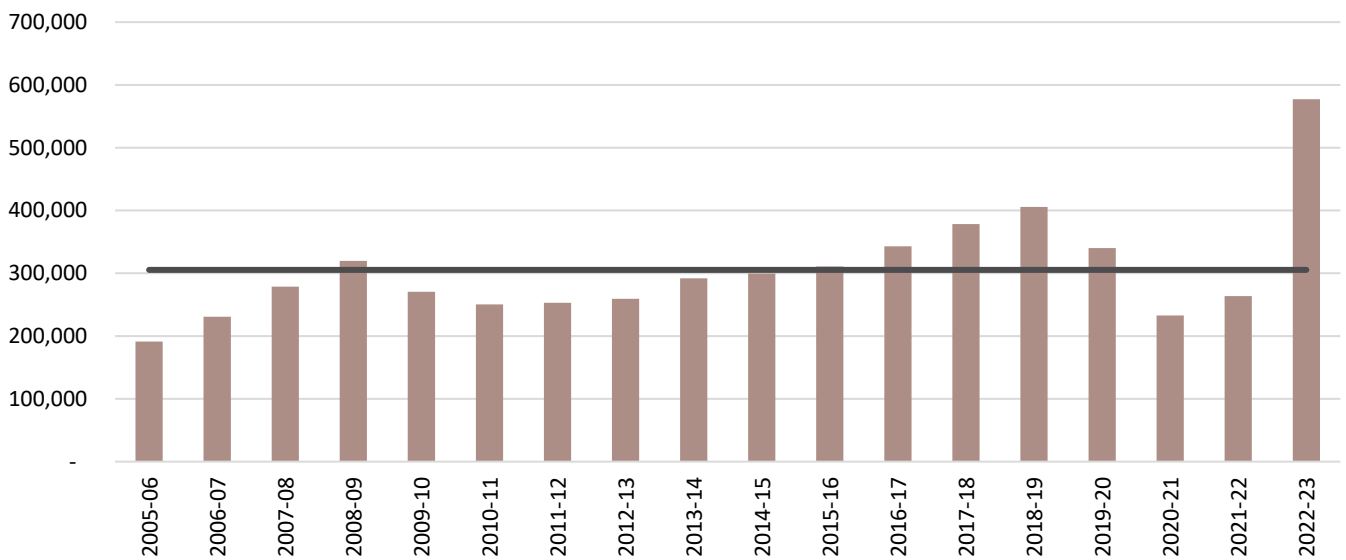
The **Federal Government** has limited the number of international students by capping enrolments at universities and colleges to ‘temper’ noise around population growth and the imbalance between the demand and supply of housing.

In 2022-23, around 580,000 student visas were granted, which is almost double the long-run average of around 300,000. Around 53 percent of visas were to male students, and approximately 80 percent were for east coast states. China and India continue to drive visa numbers.

New measures will allow university institutions to negotiate a higher cap if they build new student accommodation for domestic and international students.

Read the **Property Council of Australia’s** insights on international students and the rental crisis [here](#).

Chart 1 – Student Visas Granted



Source: www.quantifysi.com.au, Department of Home Affairs, Wingate Research

Cash Rate

There is a growing consensus that global interest rates will remain 'high' for longer than anticipated, with inflation remaining sticky despite significant global monetary tightening.

Many economists believe that in Australia, the cash rate easing cycle may not start until this November or possibly early 2025. This will depend on future inflation data, as the **Reserve Bank of Australia (RBA)** continues to rely on data-driven decisions.

Returning inflation to target within a reasonable timeframe remains the Board’s highest priority. The Reserve Bank board needs to be confident that inflation is moving sustainably towards the target range of between 2 and 3 per cent. (Source: RBA).

Watch the recent Monetary Policy Decision media conference [here](#).

Table 1 – Consensus Cash Rate Forecast

	Q2. '24	Q3. '24	Q4. '24	Q1.'25	Q2. '25	Q3. '25	Q4. '25
Effective Date	30-Jun-24	30-Sep-24	31-Dec-24	31-Mar-25	30-Jun-25	30-Sep-25	31-Dec-2025
Median	4.35%	4.35%	3.85%	3.60%	3.60%	3.35%	3.35%
Min	4.10%	3.85%	3.60%	3.10%	2.85%	2.85%	2.85%
Max	4.35%	4.35%	4.35%	4.10%	4.00%	4.10%	4.10%

Source: Bloomberg, Wingate Research

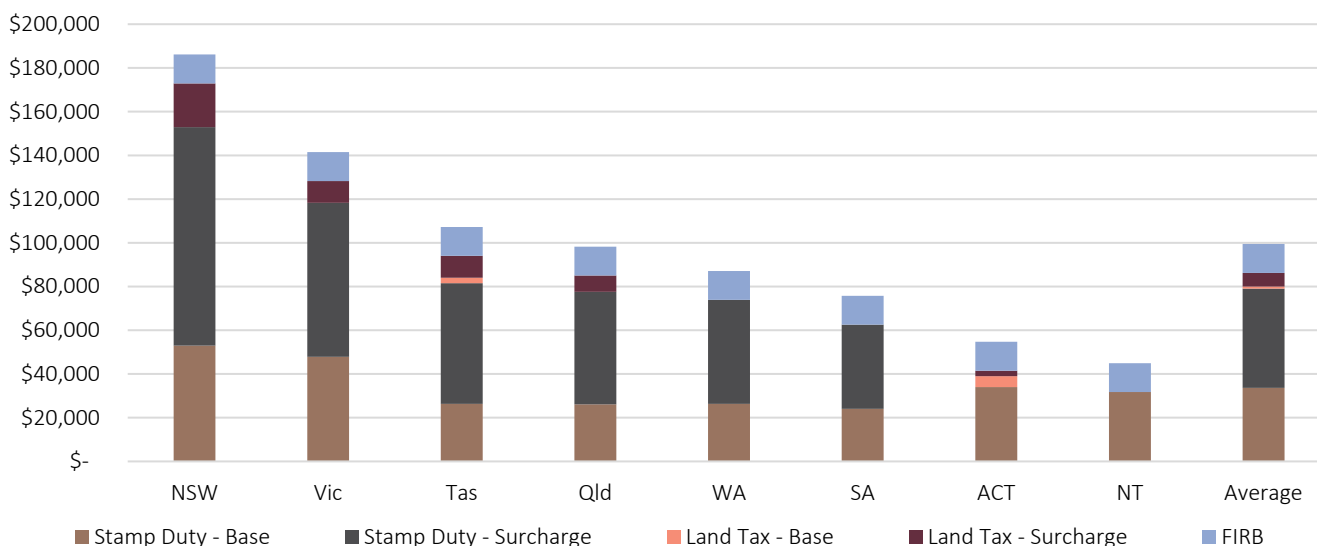
Foreign Tax

According to the **Housing Industry of Australia**, foreign housing investors are taxed more than \$100,000 on average.

In New South Wales, investors are taxed around \$185,000. In Victoria and Tasmania, investors are taxed around \$140,000 and \$107,000 respectively. The most recent data published by the Federal government shows that only 1,339 dwellings were approved to be purchased by a foreigner (a market of c.583,000 transactions or just 0.23 percent of homes).

Read more [here](#).

Chart 2 – Estimated Taxes On Foreign Housing Investors



Source: CoreLogic, HIA, Australian Government, Wingate Research

Australian Residential

Vacancy Rates

According to **SQM Research**, the national residential property rental vacancy rate rose marginally to 1.1 percent in April 2024 (up from 1 percent in March). National combined dwelling rents rose by 0.5 percent to \$625 a week.

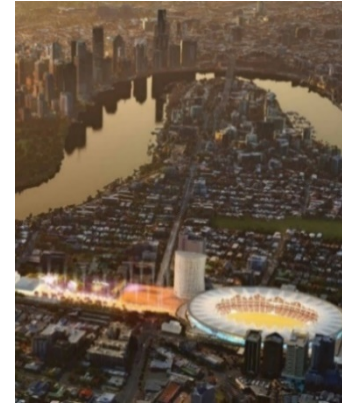
Perth and Adelaide are the tightest markets with vacancy rates of 0.6 percent. Sydney recorded a rental vacancy rate of 1.2 percent, up from 1.1% recorded in the previous month. Melbourne held steady at 1.1 percent.

For other states, visit [SQM Research](#).

Apartment (Build-to-Sell)

The **Queensland Government** has announced the commencement of community consultation for the proposed development plan for the Woolloongabba Priority Development Area (WPDA).

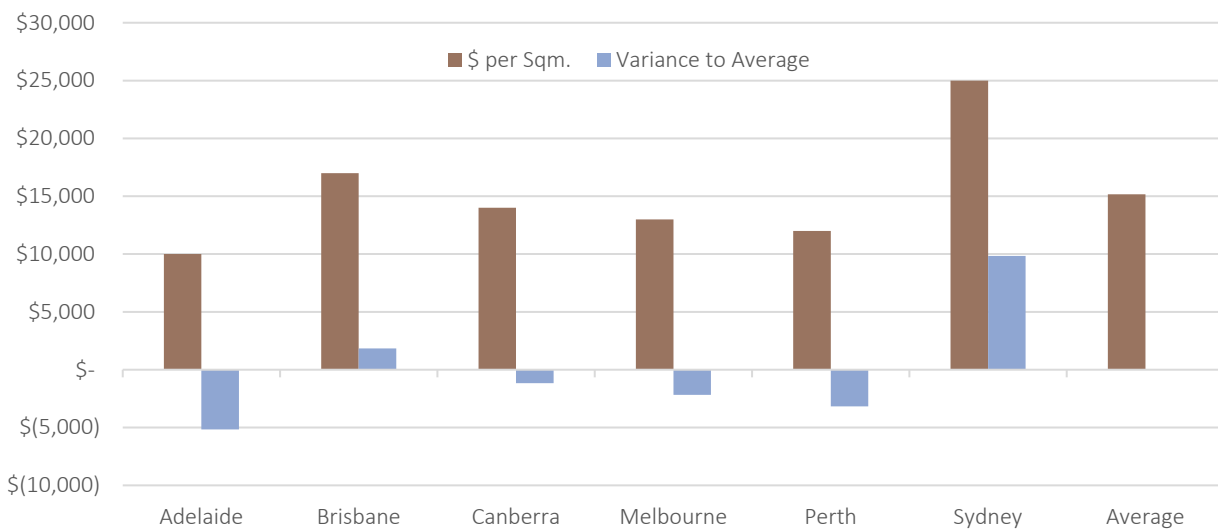
The WPDA aims to support a range of housing options, noting in terms of total residential gross floor area, with specific requirements that at least 10 percent of the total residential gross floor area be allocated to dwellings with three or more bedrooms and at least 20 percent be designated as social or affordable housing. The proposed plan will deliver c.14,000 new dwellings, accommodating an estimated 24,000 people.



Read the document [here](#).

Retail rates per square metre at presale stage continue to escalate across capital city markets according to **Colliers**. The capital city average rate per square metre is now just over \$15,000 per square metre, with Sydney at around \$25,000 per square metre, followed by Brisbane and Canberra at \$17,000 and \$14,000 per square metre respectively. The rates do not include a car space.

Chart 3 – Retail Apartment Rates per Square Metre.



Source: Colliers, Wingate Research

Apartment (Build-to-Rent)

The **Federal Government** will increase the rate for the capital works tax deduction from 2.5 to 4 percent per year for eligible new build-to-rent projects, provided construction commences after 9 May 2023

Additionally, the final withholding tax rate on eligible fund payments from managed investment trust investments will be reduced from 30 percent to 15 percent. The government has committed to consulting on implementation details, including whether a minimum proportion of dwellings should be offered as affordable tenancies and the length of time dwellings must be retained under single ownership before being able to be sold, with the announcement indicated a 10-year period.

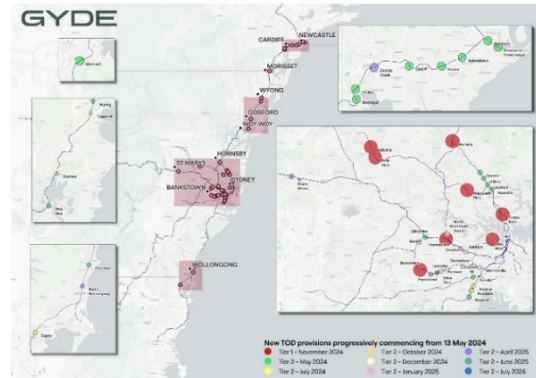
Read more [here](#).

State Government

The **Queensland Government** has introduced referral legislation to parliament to support the federal government’s ‘Help to Buy’ shared equity scheme. The ‘Help to Buy’ scheme offers support to home buyers with up to 40 percent equity contribution for new homes and up to 30 percent for existing homes.

Read the media release [here](#).

The New South Wales Transport Orientated Development (TOD) planning reforms are projected to deliver over 170,000 dwellings throughout Sydney, the Illawarra, Hunter, and Central Coast.



Late last year, the government announced the Transport Orientated Development State Environmental Planning Policy (TOD SEPP), which identified 31 stations across 13 local government areas where new housing will be located within 400 metres. The greatest impact will be in areas with low-density controls, such as Booragui, Corrimal, Wiley Park, and North Strathfield, each of which could add up to 8,000 new dwellings.

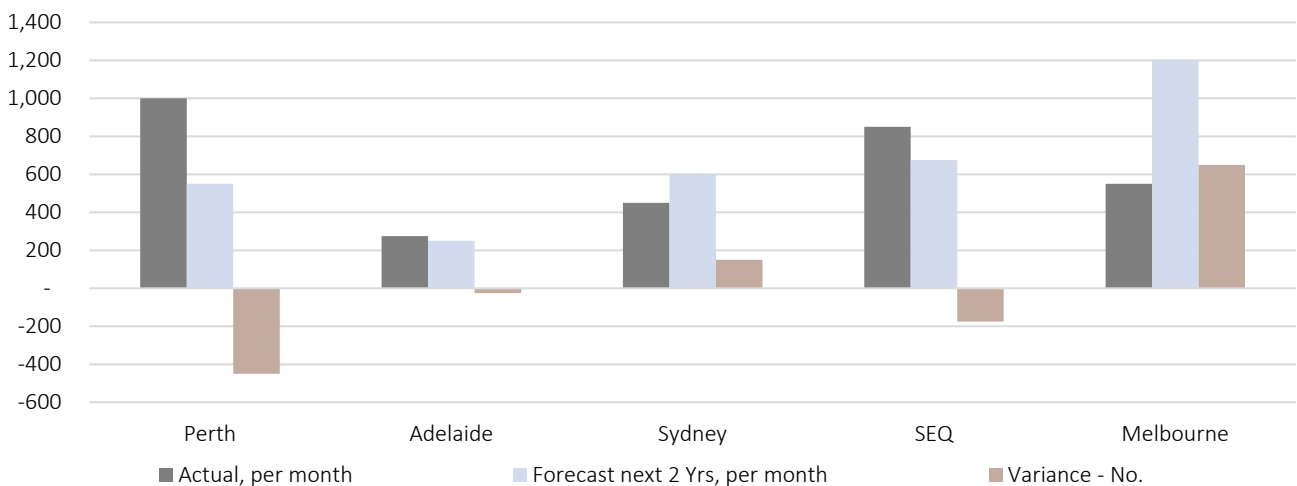
Read more [here](#).

In **South Australia**, the government has announced a reshuffled Cabinet, with a significant focus on housing. A key pillar of this announcement is the creation of a new 'super housing' portfolio. The current planning minister will take on an expanded role within this portfolio, overseeing all aspects of housing, infrastructure, and planning. Over the last 12 months, South Australia’s population has increased by around 200 people per day. Greater Adelaide greenfield land prices have lifted by 5 percent, while dwelling values (both houses and units) have increased by around 12 percent, reaching approximately \$727,000.

Greenfields

The **Urban Development Institute of Australia (Victoria)** recently hosted a research breakfast that confirmed the two-tier state of the national greenfield land market (Perth and SEQ outperforming in sales, with Melbourne, Adelaide, and Sydney underperforming). At the aggregate, greenfield markets are tracking at c.3,125 project land sales per month, which is forecast to increase at the margin to around 3,275 over the near term (an increase of around 5 percent). Annualised, the sector is tracking at around 37,500 sales, compared to the long run average of around 44,000 sales.

Chart 4 – Greenfield Land Sales



Source: UDI/AV, Research4, Wingate Research

In Victoria, the part-release of the next round of Urban Development Program (UDP) reports is approaching, as the zoned supply in Melbourne’s greenfields edges below a ten years supply.

According to the 2022 report, if no additional precinct structure plans are approved this year, the zoned supply is expected to fall below a ten-year supply by the end of 2024. As of 2022, there were an estimated 180,000 zoned lots and 320,000 unzoned lots across the seven greenfield municipalities. Since 2018, zoned supply has fallen by around 920,000 lots, which is around 6 years of supply based on long run absorption.

Table 2 – Englobo Supply Breakdown, Zoned

	2018	2019	2020	2021	2022	2023 (f)	2024 (f)
Zoned	249,606	234,993	226,991	198,069	180,781	157,898	141,880
YoY Change, Lots		14,613	8,002	28,922	17,288	22,883	16,018
YoY Change, %		-5.9%	-3.4%	-12.7%	-8.7%	-12.7%	-10.1%

Source: UDP, Research4, Wingate Research

International

China

Policy makers announced that local governments and State-Owned Enterprises will buy unsold homes and unused land from property developers. This initiative will be funded by the People's Bank of China (PBoC) and local government special bonds. Additionally, commercial banks, supported by 300 billion yuan (AUD\$62.2 billion) in relending funds from the PBoC, can invest up to 500 billion yuan.

Despite China’s economy expanding faster than expected at the start of this year, growth is being weighed down by the real estate sector, which once accounted for as much as 30 percent of economic activity. The new suite of policies is intended to give China’s property sector a 'bounce' on both the demand and supply sides.

Read more [here](#).

New Zealand

Residential property values have largely plateaued across New Zealand in recent months according to the QV House Price Index. The national average house price increased by 0.1 percent in the three months to the end of April 2024 to \$926,772. The national average home value is now 2.7 percent higher than at the same time last year, but still 12.9 percent (\$136,993) below the market’s peak in late 2021.

United States of America

The average house price dropped at the end of 2023 according to the Federal Reserve Bank of St. Louis. The median home sales price is \$420,800 for Q1 2024 - a fall of \$2,400 from the previous quarter and \$8,200 lower than the previous year.

Between 1980 and 2020, the median home sales price increased by 416 percent. From 1980 to the first quarter of 2024, the rise was 560 percent. Economists are anticipating higher-for-longer inflation and interest rates, which will depress demand.

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