

Intelligent Investment

Residential Valuer Insights Q3 2024

REPORT

CBRE RESEARCH
AUGUST 2024



Executive Summary

CBRE's Q3 2024 Residential Valuations Property Market survey received ~180 responses from CBRE Valuers around Australia. With insights from expert Valuers on local market trends, we gain a comprehensive understanding of Australia's dynamic residential real estate landscape with the below findings highlighted:

Demand has moderated slightly

51% of CBRE Valuers reported 'moderate' demand in their local markets, with 42% reporting 'strong' to 'very strong' demand. Demand to purchase is strong in Perth, Adelaide, and Brisbane Metro, while softer demand is evident in Melbourne and Canberra.

First home buyers/local investors

Mirroring the Q2 survey, the most active buyer types were reported as first home buyers and local investors. Upgraders and down-sizers are also active, while developers and interstate migrants are less active.

Houses and renovated properties

Continuing the trend from Q1 and Q2, Valuers see demand as being the strongest for houses and recently renovated properties. Softer conditions prevail for unrenovated properties and vacant land.

Future demand

Demand expectations are similar to Q2, with a significantly larger percentage of Valuers expecting demand to increase in the next 12 months than decrease. The strongest demand is expected in Sydney Metro and Brisbane Outer Metro.

House values next 12 months

59% of Valuers expect house value growth in the next year, with 34% of Valuers predicting modest price growth of up to 5%. The highest growth is expected in Perth and Adelaide. 42% of Sydney Metro Valuers expect up to 5% growth.

Apartment values next 12 months

44% of Valuers predict an increase in apartment values, 41% anticipate prices will remain stable, and 15% expect a decrease. The highest growth is anticipated in Perth, Brisbane Metro and Brisbane Outer Metro.

Vacant land values next 12 months

47% of Valuers anticipate an increase in vacant land values with 21% expecting an increase of more than 5%. Most growth is expected in Perth, Brisbane Outer Metro, and the Gold and Sunshine Coasts.

Future supply (listings)

In the Q3 survey, more Valuers expect an increase in supply in the next 12 months compared to the Q2 survey. 54% of Valuers expect an increase, compared to 40% remain stable and 6% decrease. Sydney is where the largest supply increase is anticipated.



Recent demand

Demand has moderated, with 51% of CBRE Valuers indicating a balanced market in recent months, a rise from 42% and 44% in Q2 and Q1, respectively. 42% of Valuers reported demand as ‘strong’ or ‘very strong’ in the last 3 months, a decline from 54% in Q2. Perth and Adelaide had the highest demand for the last two quarters, with Brisbane Metro following in Q3.

“Although the market remains generally stable, there are still many uncertainties due to inflation, rising living costs, builder insolvencies and mortgage rates.” – West Melbourne, VIC.

“There are signs that the market has slowed in the past 3 months, with fewer buyers at open homes and some properties seeing price reductions.” – Illawarra, NSW.

“There is strong demand for existing dwellings in the \$500,000 to \$700,000 price range.” – Bunbury, WA.

“Particularly high demand for lower priced properties suitable for the first home buyer market.” – Gold Coast, QLD.

“Western Sydney’s property market is showing resilience with steady price growth, especially in more affordable suburbs.” – Parramatta, NSW.

FIGURE 1: Demand in local markets in the last 3 months, Australia wide.

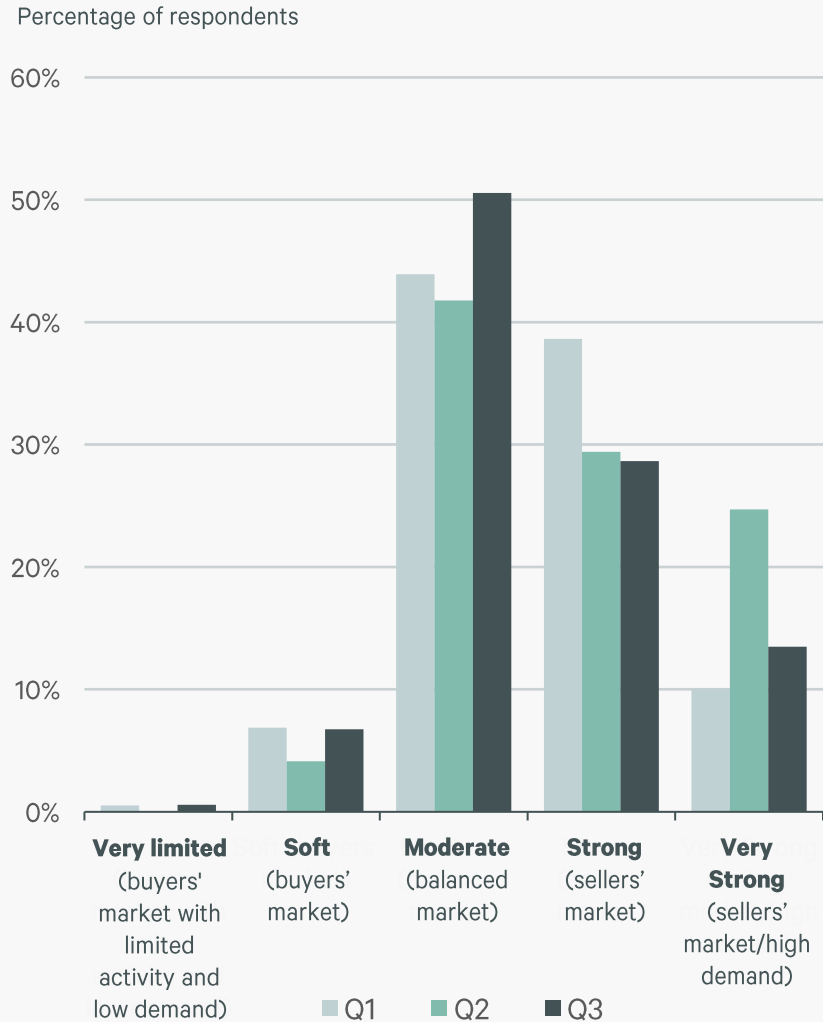
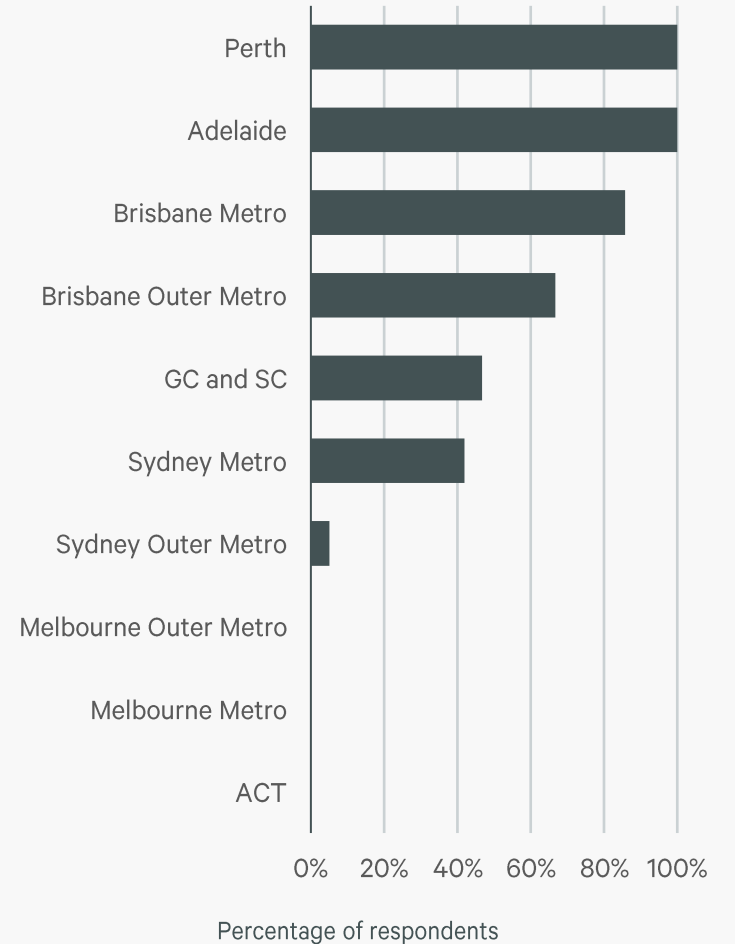


FIGURE 2: A closer look at responses for Q3 2024 indicating ‘strong’ or ‘very strong’ demand over the past 3 months.



Active buyers

First home buyers were the most active buyer type in Q3 2024, continuing the trend from Q1 and Q2, and were most prevalent in Melbourne Metro and the Gold and Sunshine Coasts. Local investors and upgraders were also active, while interstate migrants and developers were the least active. It appears that the market is experiencing a rise in investor activity, with more Valuers reporting local and interstate investors as active buyers this quarter compared to the previous quarters. Interstate investors were most active in Perth, Adelaide, and ACT, while local investors were most active in Brisbane Metro and Sydney Metro.

“The Toowoomba market is currently mainly driven by buyer’s agents acting on behalf of non-local investors.” – Toowoomba, QLD.

“Interest from downsizers for new units is still reasonably strong, with premiums being paid for newly completed and recently renovated properties.” – Eastern Suburbs, NSW.

“Demand is still strong, however local first home buyers are still being outbid by interstate investors.” – South East Perth, WA.

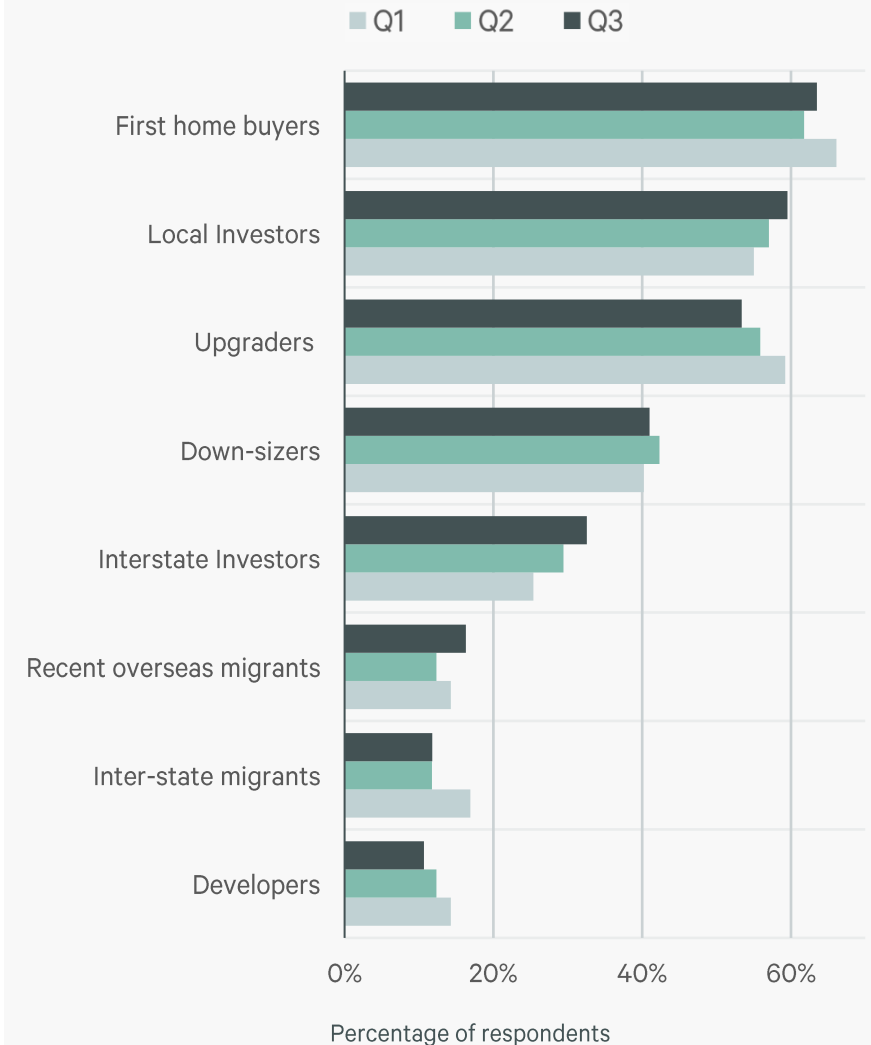
“First home buyers are still active for price levels under \$950,000 due to Victorian Homebuyers Fund.” – Outer East Melbourne, VIC.

“New tax obligations for investors has seen a significant amount of stock come to market however this has been met with first home buyers or upsizers for some houses.” – Inner East Melbourne, VIC.

“The majority of purchasers under \$1 million are first home buyers, owner occupiers and downsizers.” – Illawarra, NSW.

“There is still a large number of interstate investors, buying both established homes and land for future rental. Also, there is a large numbers of inter-state migrants and owner occupiers from Perth metro who are looking for a more rural way of life.” – Augusta, WA.

FIGURE 3: Most active buyers in the market in the last 3 months.



Note: respondents were able to select multiple options (up to 4)

Change in demand

In Q3, 47% of Valuers saw a rise in demand for houses, although this is a slight drop from 58% in Q2 and 60% in Q1. Increased demand was reported for recently renovated properties (44%) and new houses (38%). By contrast, 44% of Valuers reported a decline in demand for unrenovated properties, a significant increase from 24% in Q2. More Valuers reported a decline in demand for properties in secondary locations (35%) and vacant land (31%) compared to Q2.

“New or recently renovated homes in prime beach or river front areas are achieving premium prices. Homes in need of renovation are on the market for longer.” – Gold Coast, QLD.

“Relatively strong demand for renovated prestige properties over \$5 million in premium locations.” - Northern Beaches, NSW.

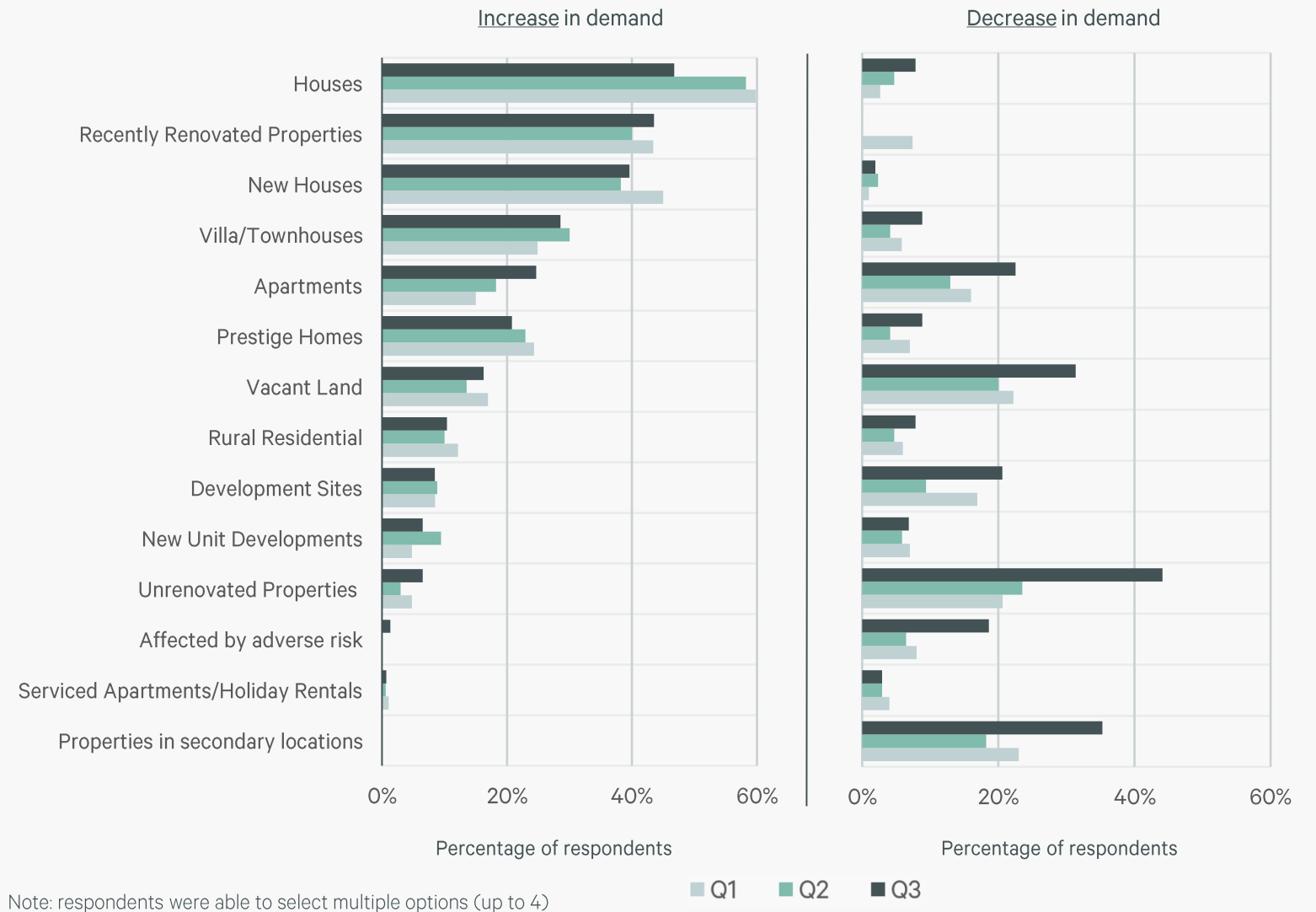
“New builds, renovated character homes, and rural lifestyle is still in high demand.” – North Adelaide, SA.

“Properties with historic flood overlays are experiencing longer selling periods.” - Logan, QLD.

“More affordable properties are receiving the strongest demand including apartments and villas.” – Inner Perth, WA.

“There is demand for new and modern homes. For this reason, demand for development sites is steady.” – Liverpool, NSW.

FIGURE 4: Properties that have experienced the biggest increase/decrease in market demand in the last 3 months.



House values

59% of Valuers expect house value growth in the next year, down from 70% last quarter, and 78% in Q1. Although, a third of Valuers predict modest price growth of up to 5%. 35% of Valuers expect values to remain stable, and 6% expect a decrease. Most of this growth is predicted to be in Perth, Adelaide, and Brisbane Outer Metro.

“High demand and increase in value for well renovated or new family homes in good locations as well as high quality townhouses.” - South East Melbourne, VIC.

“The house market up to \$1,000,000 remains strong.” - Gold Coast, QLD.

“The house and secondary dwellings market has become most interesting. We are seeing a large number of sales. Gross yields are now from 4.7% to mid-5.0%.” - Central Coast, NSW.

“Houses below \$700K remain strong, while vacant land growth is slower than existing houses.” - North Adelaide, SA.

“Established house demand remains stable with fair buying demand.” - Canberra, ACT.

“Strong levels of demand for family homes but limited supply. We are seeing growth in the townhouse market due to greater affordability.” - Ipswich, QLD.

FIGURE 5: Expectations of house value movement in the next 12 months, Australia wide.

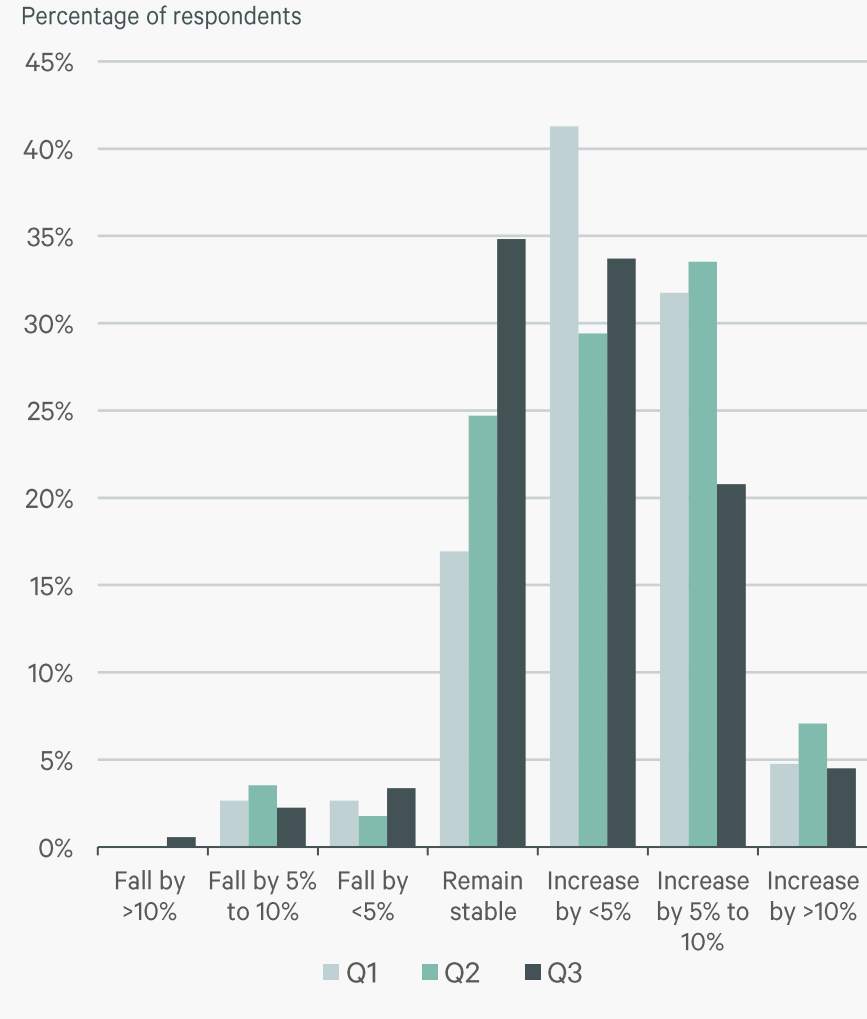
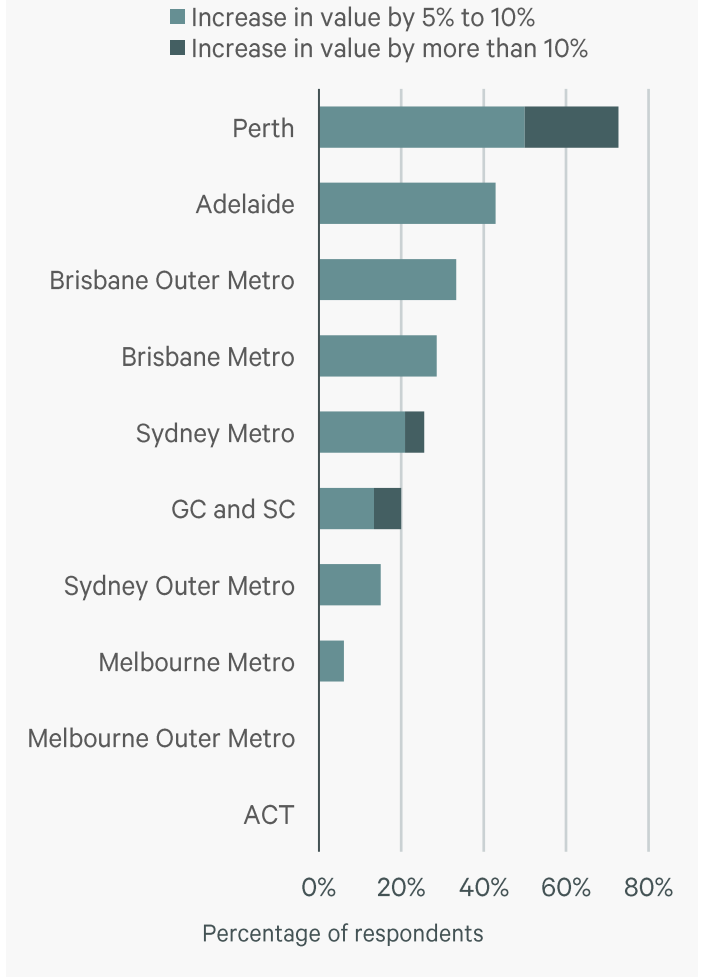


FIGURE 6: A closer look at responses for Q3 2024 indicating that house values are expected to increase by 5% or more.



Apartment values

In Q3, 44% of Valuers predict an increase in apartment values, down from 52% in Q2. 41% anticipate stable prices, and 15% expect a decrease. Most growth is expected in Perth, Brisbane Metro, and Brisbane Outer Metro. In Q2, 29% of Valuers in Adelaide expected values to increase by over 5% in the next year. However, this quarter (Q3), they do not expect price growth above 5% for apartments in the next 12 months.

“High demand for lower priced properties suitable for the first home buyer market is resulting in increased prices in the unit and townhouse market” – Gold Coast, QLD.

“The media has created a stigma with new unit complexes, but prices have only been affected on those given rectification orders.” – Illawarra, NSW.

“A-grade stock is transacting reasonably well. B- and C-grade units are remaining on the market for extended periods.” - Inner Perth, WA.

“An influx of new unit stock continues to result in an oversupply for the unit market. Evidence of vendor discounting is becoming more apparent.” - Canberra, ACT.

“Unit prices remain steady with a slight increase in value, due to the increase in the rental prices appealing to investors.” – Liverpool, NSW.

FIGURE 7: Expectations of apartment value movement in the next 12 months, Australia wide.

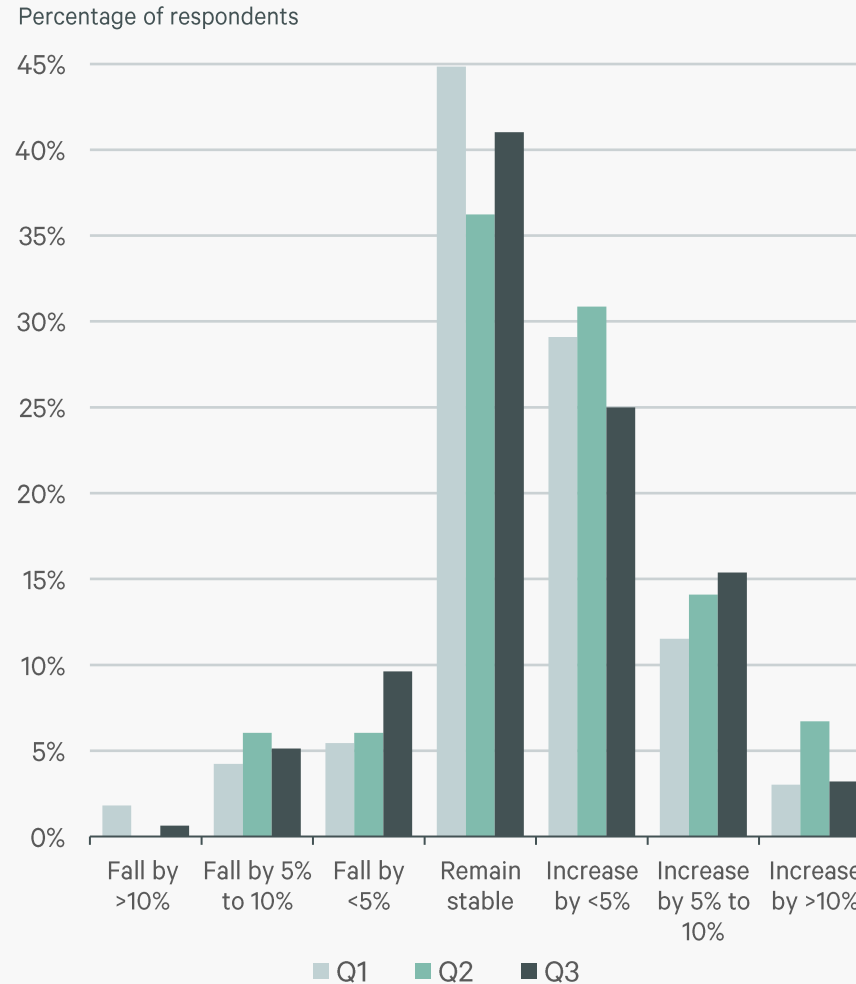
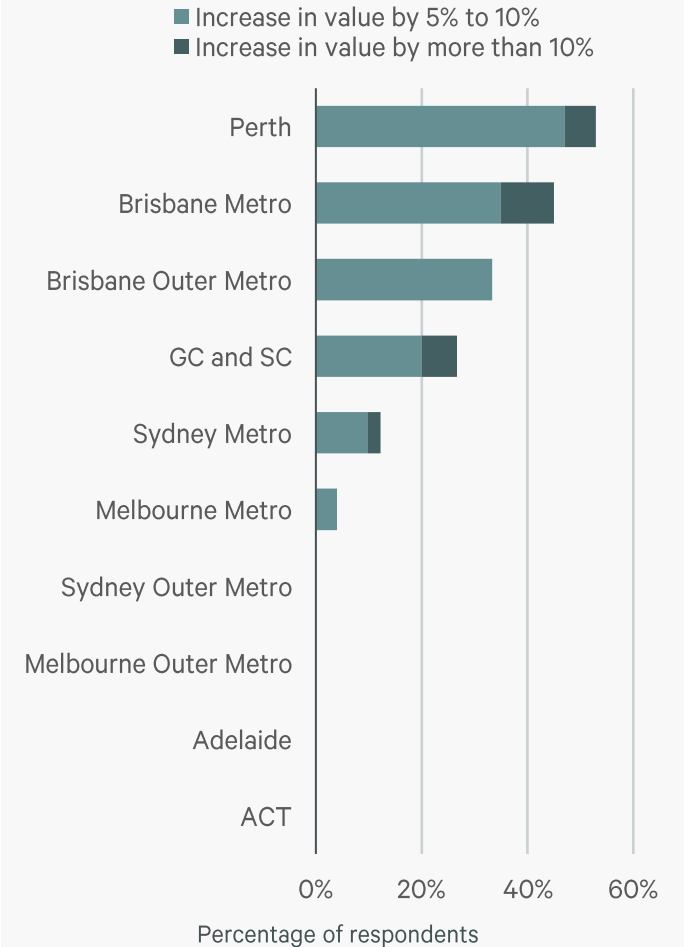


FIGURE 8: A closer look at responses for Q3 2024 indicating that apartment values are expected to increase by 5% or more.



Vacant land values

This quarter, more Valuers expect vacant land values to remain stable over the next 12 months compared to Q1 and Q2. 47% of Valuers anticipate an increase, with 21% expecting an increase of more than 5%. The greatest growth is expected in Perth, Brisbane Outer Metro, and the Gold and Sunshine Coasts. In Perth, 70% of Valuers expect price growth of more than 5%. In ACT and Melbourne Outer Metro, no Valuers expect growth of more than 5% for vacant land in the next 12 months.

“Vacant land sale prices have displayed signs of weakening due to rising construction costs, increased supply, and caution around new build projects given the recent issues with builders.” – West Melbourne, VIC.

“Vacant land is continuing to see static prices, with re-sales of vacant land struggling as a result of stronger construction costs.” – Sunshine Coast, QLD.

“Vacant land is selling off the plan, with a majority of new releases sold out.” – Mandurah, WA.

“The abundance of vacant land within the ACT region continues to result in softening land values.” – Canberra, ACT.

“Increase in vacant land sales and higher selling prices achieved for developer sales of vacant land in new estates” – Sunshine Coast, QLD.

FIGURE 9: Expectations of vacant land value movement in the next 12 months, Australia wide.

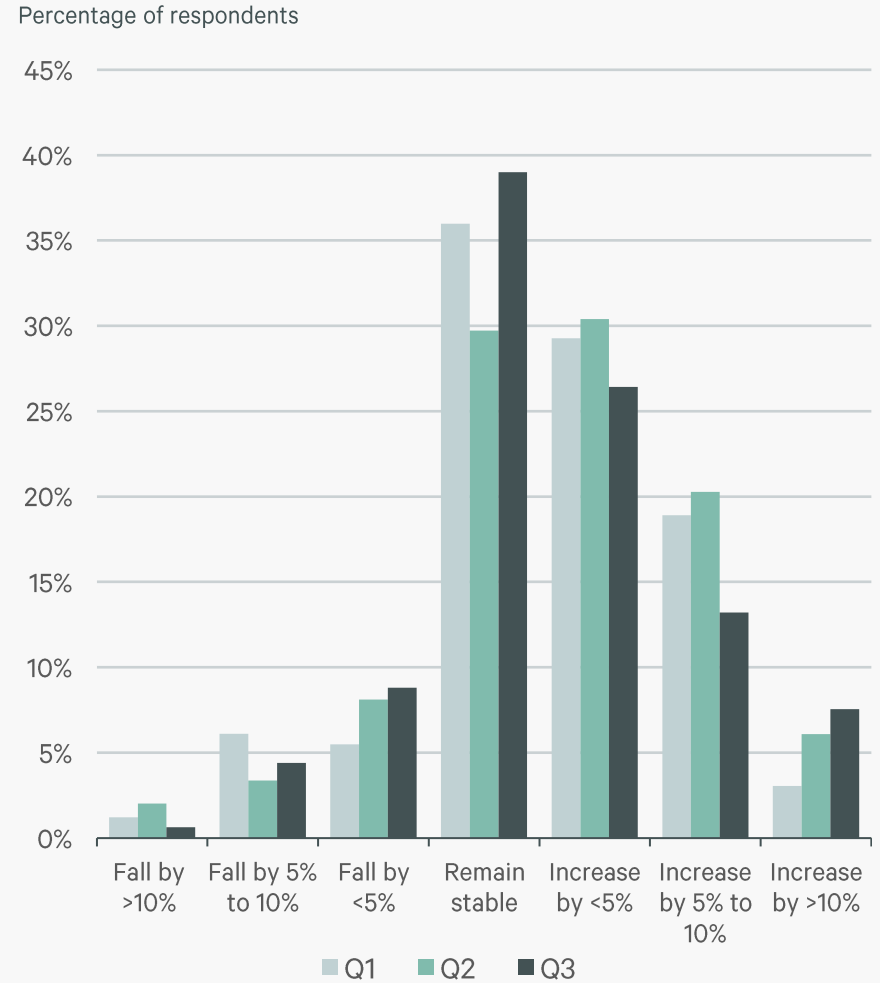
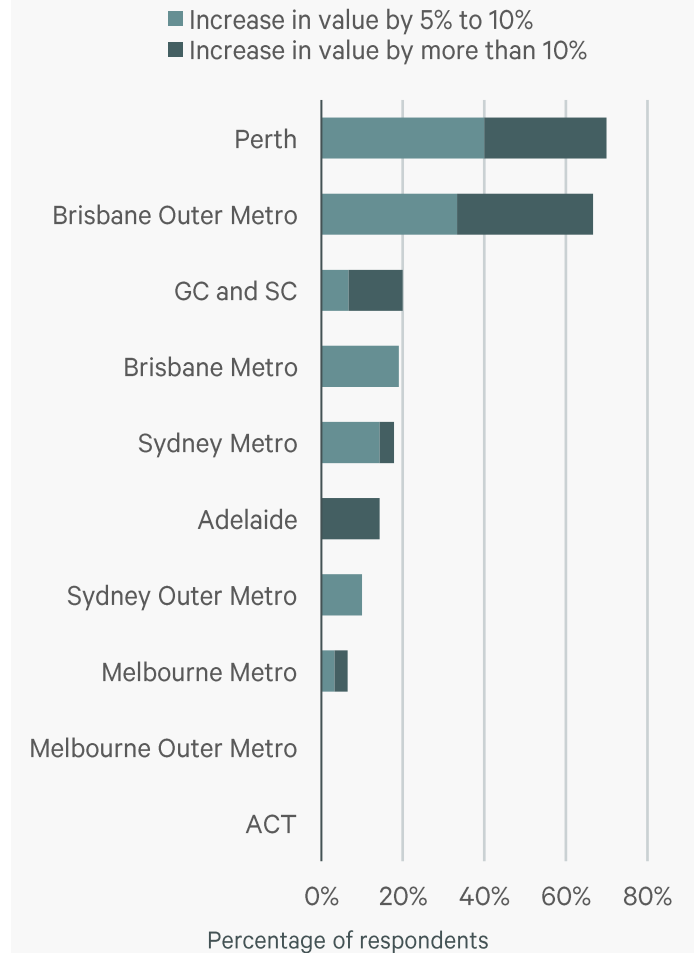


FIGURE 10: A closer look at responses for Q3 2024 indicating that vacant land values are expected to increase by 5% or more.



Future demand

Over the last three quarters, there has been a noticeable trend with fewer Valuers predicting a rise in demand and more forecasting a stable market. 53% of Valuers expect demand to remain the same in the next 12 months, while 40% of Valuers expect demand to increase, down from 44% in Q2 and 57% in Q1. Brisbane Outer Metro, Sydney Metro, and ACT are expected to see the most growth. 20% of Melbourne Outer Metro Valuers expect demand to increase, a drop from 100% of Valuers last quarter. Contrastingly, more Valuers in Brisbane Outer Metro expect demand growth compared to last quarter.

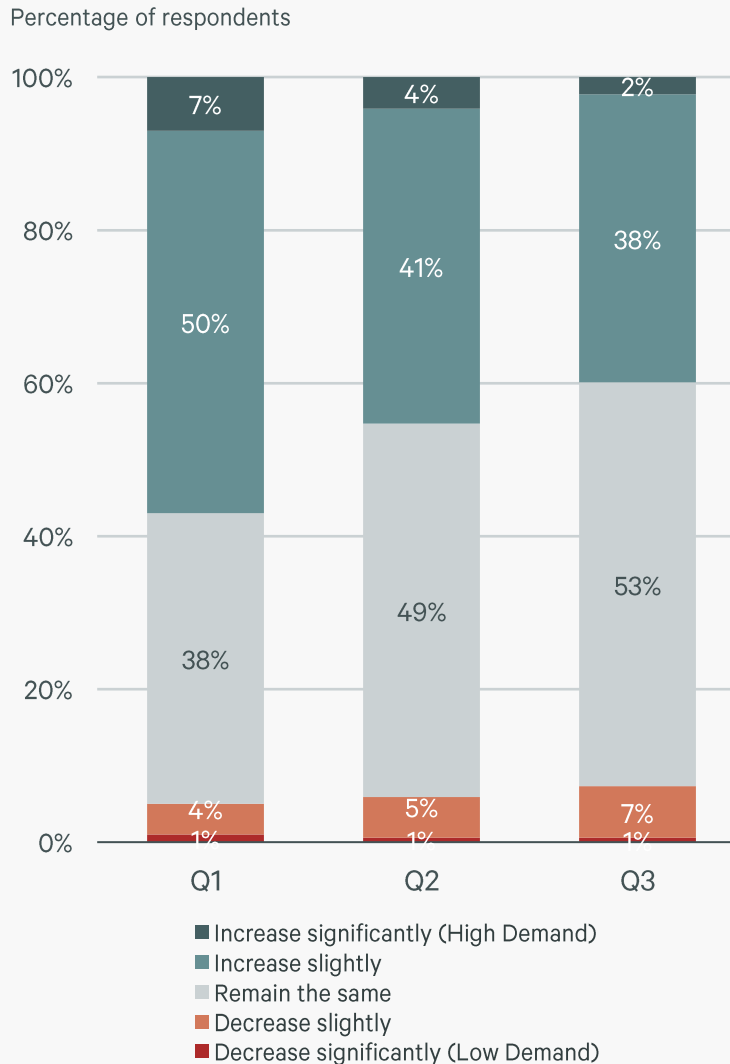
“There are early signs of an easing in demand and stock levels increasing to more balanced levels. It is difficult to confirm if this is a seasonal slowdown or the beginning of a short-term market shift.” – Gold Coast, QLD.

“When interest rates start to fall, we should see more interest in property and reduced selling periods.” – Maitland, NSW.

“There is a possibility that when interest rates drop, the market will keep rising slowly compared to the last 6 months.” – Canberra, ACT.

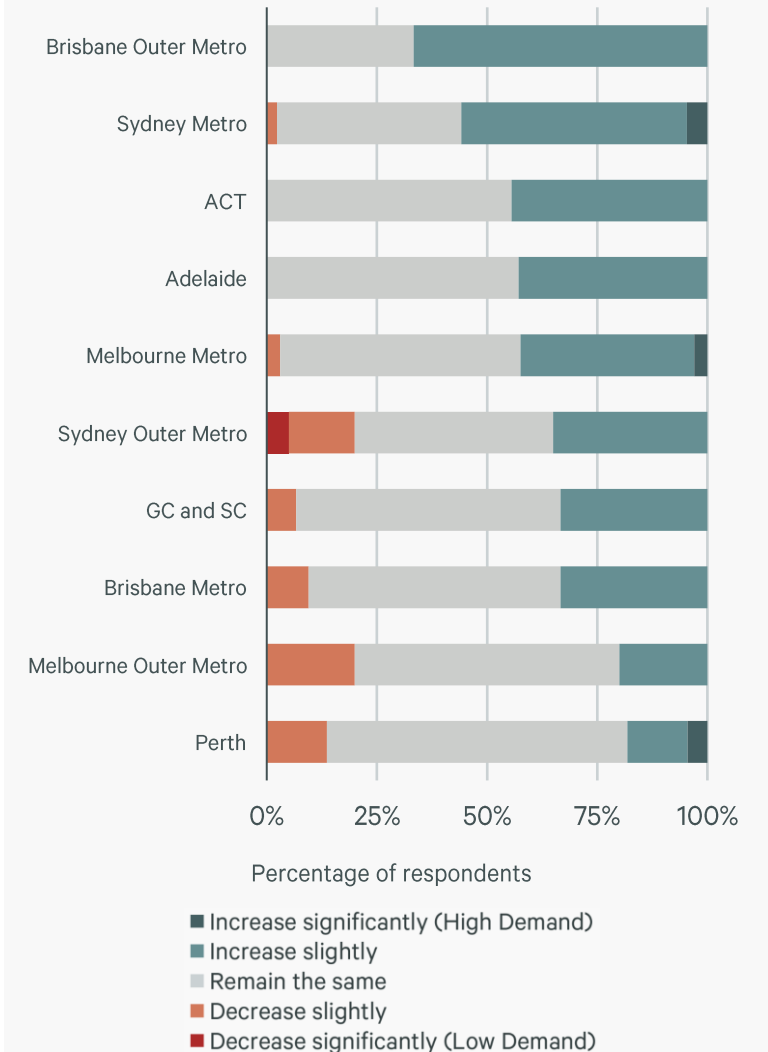
“Sales agents are beginning to report an easing in sales volumes and stock remaining slightly longer on the market.” – Logan, QLD.

FIGURE 11: Demand in local markets in the next 12 months, Australia wide.



Note: percentages may exceed 100% due to rounding.

FIGURE 12: A closer look at Q3 2024 expectations for demand in the different markets.



Future supply (listings)

In the Q3 survey, 54% of Valuers anticipate a slight or significant increase in local stock available, up from 46% in Q2. 40% predict stable supply and 6% expect listings to decline. Increased supply is expected in Sydney Outer Metro, ACT, and Sydney Metro. Consistent with previous quarters, the least growth is expected in Brisbane, Perth, and Adelaide. No Valuers expected supply to decrease significantly (Under Supply).

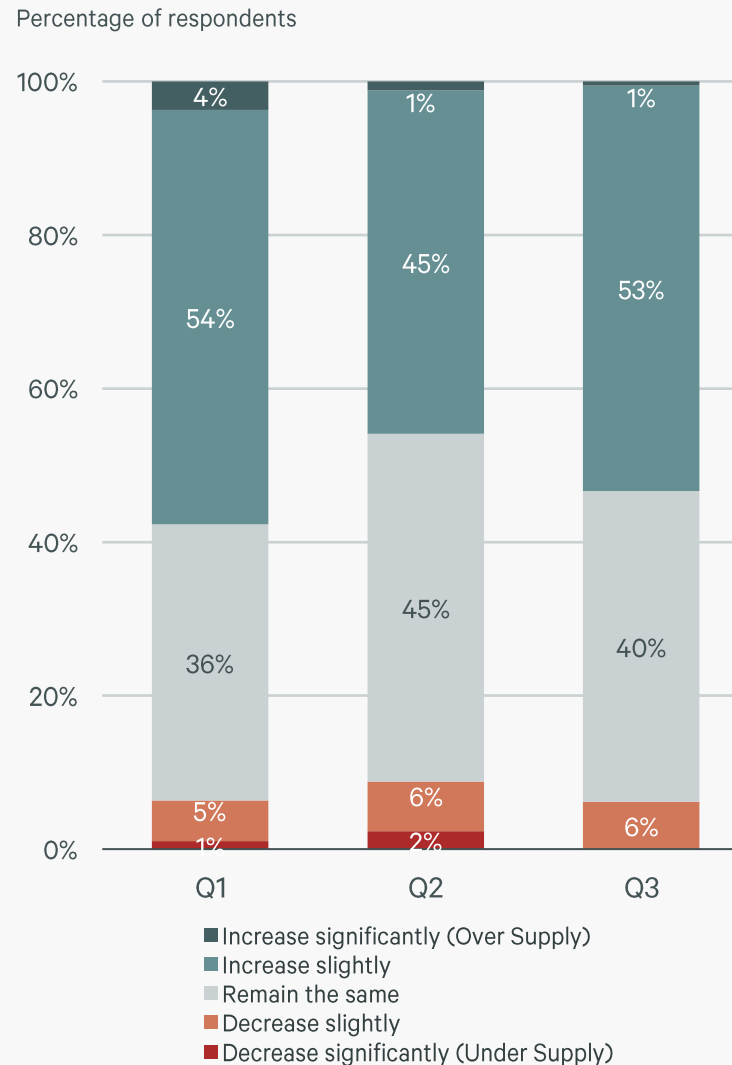
“Local agents indicate that listings are drying up as everyone is trying to time the market and not sell until they think it is improving. Once interest rates are lowered, the market and volume will likely pick up.” – Inner East Melbourne, VIC.

“Increasing stock levels and lengthening selling periods.” – Gold Coast, QLD.

“Several apartment blocks nearing completion will increase supply in the short-term. Others at earlier stages of construction are coming to market in the medium term, which are likely to put downward pressure on values before current balance is restored.” – Canberra, ACT.

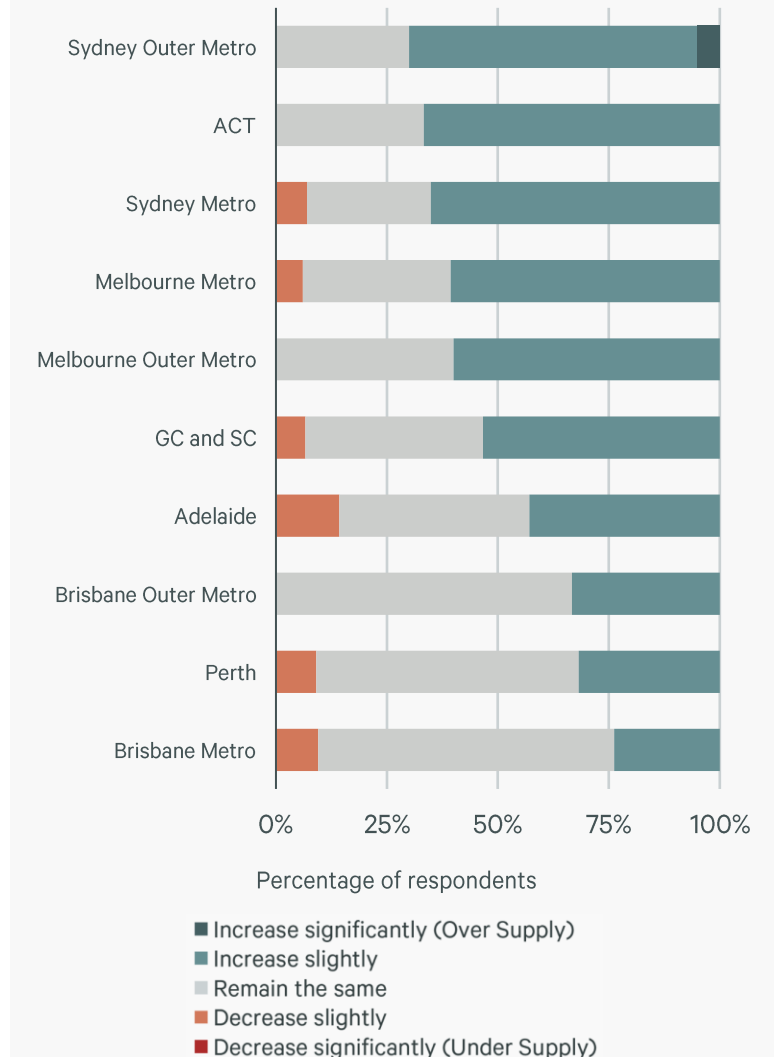
“Up to 60% of property coming on the market is from landlords selling rental stock.” – South East Melbourne, VIC.

FIGURE 13: Supply in local markets in the next 12 months, Australia wide.



Note: percentages may exceed 100% due to rounding.

FIGURE 14: A closer look at Q3 2024 expectations for supply in the different markets.



Survey Profile

The CBRE Research Q3 2024 Residential Valuations Property Market Survey was conducted in early–August of 2024. A total of 178 responses were received. Valuer locations:

NSW

Sydney Metro

- Sydney

Sydney Outer Metro

- Hawkesbury
- Wollondilly
- Newcastle
- Central Coast
- Illawarra
- Hunter
- South Coast
- Southern Highlands

ACT

- Canberra
- Queanbeyan NSW

VIC

Melbourne Metro

- Melbourne

Melbourne Outer Metro

- Mornington Peninsula
- Bellarine Peninsula

QLD

Brisbane Metro

- Brisbane

Brisbane Outer Metro

- Darling Downs

Gold Coast
 Sunshine Coast

WA

- Perth
- Margaret River
- South West

SA

- Adelaide



Contacts

Australia Research

Sameer Chopra

Head of Research, Pacific & ESG Asia Pacific
Sameer.Chopra@cbre.com

Craig Godber

Associate Director, Head of Residential and
BTR Research
Craig.Godber@cbre.com

Izzy O'Hara

Research Analyst
Izzy.Ohara@cbre.com

Valuations

Kat Hale

National Director, Australia
Kat.Hale@cbre.com.au

Tim Frazer

National Director, Quality & Risk Management
Tim.Frazer@cbre.com.au

Duncan Guthrie

Senior Managing Director, Pacific
Duncan.Guthrie@cbre.com.au

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