October 2024

Monthly Market Focus

A monthly snapshot of how we see the property markets across the country together with relevant research and economic news. We also highlight recent transactions, product innovation and industry insights.

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Ratings and Trends

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We continue to reflect the improvement of Residential in almost all areas except Melbourne and we maintain our view that interest rates are likely to remain on hold and will fall early next year. Retail is picking up a bit as reflected in the August ABS data. Industrial continues to be strong across the country but coming off their highs and while Office continues to do better in some Capitals, a real recovery remains some time into the future.

Herron Todd White (HTW) in their September Commercial Insights covered the industrial sector across the country and continued to be positive for most capitals in line with our own Ratings and Trends. Oversupply was noted for most and only Perth reported a positive local economic situation. Melbourne was shown as having a large oversupply and suffering negative economic conditions.

Overall Ratings are unchanged this month; 6 ratings are Good, 10 are Fair, 6 are Strong and just 3 are Weak, with two in Retail and one in Office. Trends are also unchanged with 9 Improving of which 6 are in smaller Capital Cities Residential sectors and just 2 Deteriorating in Melbourne and Adelaide Retail sectors.

▶ Stable ▲ Improving ▼ Deteriorating ● Steady	Sydney	Melbourne	Adelaide	Brisbane	Perth
Residential Homes	Fair ▶	Fair ▶	Good ▲	Good ▲	Strong ▲
Residential Units	Fair ▶	Fair ▶	Good ▲	Good ▲	Strong ▲
Office	Fair ▶	Weak ▶	Fair ▶	Fair ▶	Good ▲
Retail	Fair ▶	Weak ▼	Weak ▼	Fair ▲	Fair ▶
Industrial	Strong ▶	Good ▶	Strong ▶	Strong ▶	Strong ▲

Core Logic Data

CoreLogic dwelling prices for September continued their National recovery but again with the exception of Melbourne and at a slightly slower pace. National Housing values posted a 0.4% gain for the month and up 1.0% for the quarter but with Melbourne being down -1.1% for the quarter and down -0.1% for the month.

Melbourne has fallen to fifth place in median home value amongst the Capital Cities. For the month houses in Sydney were up 0.1% and Melbourne houses were down 0.2%. Unit prices were up 0.6% for the month in Sydney but down 0.1% in Melbourne.

Adelaide, Perth and Brisbane all did very well once again this month leading the Capitals with all three up strongly in Houses and Units for both the month and the quarter with Perth out in front up 4.7%. Momentum continues to be with the smaller Capital Cities but with some uncertainty about overall National Housing values after 18 months of increases.

Index results as at 30 September 2024

	Change in dwelling values				
	Month	Quarter	Annual	Total return	Median value
Sydney	0.2%	0.5%	4.5%	7.8%	$1,188,912
Melbourne	-0.1%	-1.1%	-1.4%	2.4%	$777,390
Brisbane	0.9%	2.7%	14.5%	19.0%	$881,091
Adelaide	1.3%	4.0%	14.8%	19.1%	$802,075
Perth	1.6%	4.7%	24.1%	29.8%	$797,184
Hobart	-0.4%	-0.8%	-1.1%	2.9%	$654,302
Darwin	0.1%	-0.7%	2.0%	8.7%	$492,332
Canberra	-0.3%	-0.9%	0.7%	4.9%	$844,882
Combined capitals	**0.5%**	**1.1%**	**6.7%**	**10.7%**	**$891,639**
Combined regional	**0.4%**	**1.0%**	**6.7%**	**11.5%**	**$640,243**
National	**0.4%**	**1.0%**	**6.7%**	**10.9%**	**$807,110**

Private Lending Product Innovation

Thinktank has unveiled two innovative short term loan products, underscoring its commitment to the mortgage broker channel and responding to evolving market needs.

Two new short term loan products, Private Loan and Residual Stock Loan, are designed to provide brokers with the flexibility to support their clients' varying business needs.

Key features of the products include flexible terms from 3 months up to 3 years, a loan limit of $7m and flexible servicing parameters including no minimum Interest Coverage Ratio (ICR) requirement, no Lenders Mortgage Insurance (LMI), and no title insurance.

Private Loan: Offers two servicing and income verification options, and can be secured against residential, commercial, or specialised properties. Suitable for business or property investment, business equipment purchase, working capital, line of credit, or refinance and debt consolidation.

See a couple of recently settled deals on the next page.

Residual Stock Loan: Also offers two servicing and income verification options, tailored for property developers wishing to borrow against a recently completed development of 5 to 35 units with less than 50% retained by the developer.

We work exclusively with mortgage brokers, so we're committed to continuing to innovate with new products and offerings to help them deliver the best journey and outcomes for their clients.

Many brokers want to be able to offer a range of solutions to their clients, as this typically leads to stronger and deeper relationships, new advocates, and potential new revenue streams.

We take pride in listening to broker feedback and providing straightforward solutions to the requests and suggestions we receive. This approach has driven numerous recent changes to our product offerings, and we remain dedicated to adapting to the evolving market to meet the diverse needs of brokers and borrowers.

Our team of dedicated commercial and residential Relationship Managers is available to support brokers and their clients at every step, from initial workshop through to settlement.

For further information on these new products or to discuss specific scenarios, please reach out to a member of the Thinktank team. They are ready to help brokers, and their clients navigate and capitalise on these exciting new financial solutions.

Contact the team

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Into people. Not just transactions.

Recent Transactions

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Private Loan – Residential

Security property in Maroubra, NSW
$5,525,000 | 65% LVR | 3 yrs IO

- We were able to assist with the refinance of a loan from a major bank, secured against a residential property in Maroubra.
- The purpose was to purchase a second residential property for the family to transition into pending the sale of the Maroubra home.
- The borrower has been a self employed professional investor since 2003, with shareholdings in public and private companies.

Private Loan – Commercial

Security property in Austral, NSW
$5,060,000 | 55% LVR | 3 yrs IO

- Business partners sought a short term loan to assist with the purchase of 1.2 hectares of residential land in Austral.
- A DA had been granted for the house to be demolished and subdivided into 31 lots.
- In the next two years, the borrowers plan on taking out a construction loan to repay the existing Private loan.

Commercial Max – Mid Doc

Greenacre, NSW
$6,000,000 | 32% LVR | 5 years IO | 20 year loan term

- Commercial investors from Sydney were seeking to refinance an existing director’s loan.
- The borrowers are both over 65 and self employed, they required greater flexibility than the majors could provide.
- We were able to assist with a refinance and an equity release, enabling the borrower to repay a director’s loan and free up funds for renovation purposes.

Commercial – Mid Doc

Sunshine, VIC
$3,960,000 (10% top up) | 80% LVR | P&I 30 yrs

- Business owners from Sunshine sought funding to assist with the purchase of a commercial warehouse for their business
- They were also seeking debt consolidation and additional funds for business expansion.
- We were able to offer a tailored solution involving three separate loans: (1) refinance a residential loan (2) equity release (3) 10% top up facility.

Larger Residential Loan Sizes

Thinktank

We have increased the maximum loan amounts on our Residential Full Doc, Mid Doc, and Residential SMSF loans to an impressive $5 million.

With our straightforward, no-surprises approach, we're making it easier than ever for brokers to support their clients with their purchase, refinance or equity release needs.

Residential Full Doc & Mid Doc

Loan size: up to $5M*
LVR: up to 80%*
Term: 15 to 30 yrs P&I - up to 5 yrs IO for OO and INV.
Borrowers: Individual, partnership, trust and company borrowers.

Residential SMSF

Loan size: up to $5M
LVR: Up to 80%* LVR (houses) and 75%* LVR (apartments)
Term: 15 to 30 yrs - up to 5 yrs IO + 25yrs P&I.
Fund Requirements: No liquidity or net asset requirement.

Partner with us to offer your clients the flexibility and support they need to succeed. Let's work together to make their property dreams a reality.

Our dedicated commercial and residential Relationship Manager team will provide valuable support at every step of the way, from workshop all the way through to settlement.

* Use our Residential Rate sheet or our online postcode calculator to determine loan sizes and LVR in the security location

Contact the team

Into people. Not just transactions.

Economic Outlook

The Reserve Bank of Australia (RBA) met on 23 and 24 September and the Cash Rate was left unchanged as it has been since November 2023 when it was increased by 0.25% to 4.35%. The RBA Board will not meet again until 2 and 3 November with their decision on interest Rates to be made on Melbourne Cup Day.

Comments by Governor Bullock indicate no change to rates is expected but more positive data releases may change that, and while most economists agree markets continue to price in some chance of a reduction in interest rates before the end of the year. CPI data for the September quarter will be released on 30 October the week before the RBA meetings and the result may influence the Board's decision.

The ABS recently released the August Retail figures which were unchanged from the previous month and up 3.1% on a year earlier and the best in 12 months. Unemployment released on 19 September for August 2024 seasonally adjusted was steady 4.2%.

Internationally similar issues continue to be confronted by Central Banks with many starting to cut rates. The Federal Reserve Bank in the United States continues to be most watched, and Chairman Jerome Powell and other FOMC Board members cut US rates at their September meeting by 50 basis points.

The Bank of Canada and the Bank of England have already cut their rates, but Canada is just slightly lower than ours while England remains higher than here in Australia. Current US 10 year Government Bond yields are up very slightly at 3.73% and un-inverted from 2 year bonds at 3.60 for the second month since mid-2022.

In Australia 10 year bonds are up at 3.96%. The AUD has traded up against the USD since the Fed's rate cut and is now at 0.69.

The Westpac-MI Consumer Sentiment Index was down slightly by 0.5% in September to 84.6% and continued an over two year slump in sentiment below 100. In the latest survey, consumers appear to be less concerned about further interest rate increases but still troubled by the overall economic outlook. The Westpac Melbourne Institute Leading Index also declined slightly from+0.04 in July to -0.27 in August. The concerns also relate to economic growth.

A return to a positive trend was evident in two of the three AiG Performance Indices for September but with all three remaining negative territory. The AiG Australian Industry Index was up 4.9 points to -18.6 but the PMI (manufacturing) was down slightly by 2.8 points to -33.6 . The PCI (construction) recovered the most, rising by 18.3 points to -19.8. Notably the AiG Industry Index has indicated contraction for the past 29 months.

News and Views

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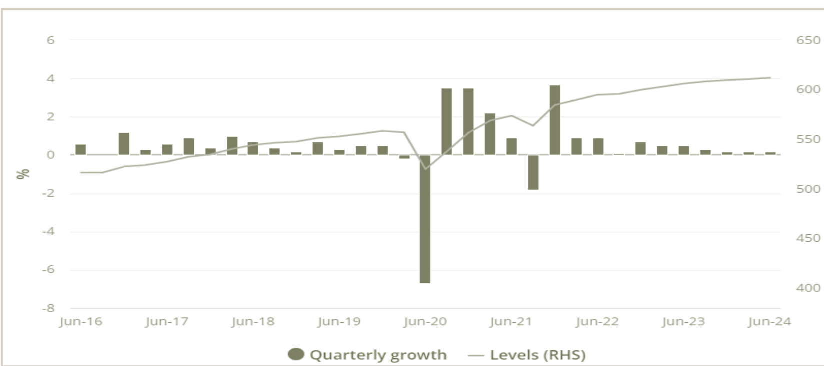
The impact of Gross Domestic Product (GDP) on both the economy in general and the performance of commercial property sectors cannot be overestimated. Australia's GDP for the June 2024 quarter was reported on 3 September by the ABS and showed just 0.2% growth for the third quarter in a row and only 1.0% for the year.

The September quarter data will be released by the ABS on 4 December, the week before the RBA's last meeting of 2024 with the next meeting not until February 2025. The International Monetary Fund (IMF) issued a brief commentary on the Australian Economy early this month on 3 October which was not particularly positive with respect to the potential for negative impacts from differing Fiscal and Monetary policies. Commentators are hoping for some positive data to end the year and encourage the RBA in their deliberations.



Colliers Real Estate Research has produced a Q2 Industrial Snapshot covering both Prime and Secondary properties across the five major Capital Cities with six measurement criteria. All contain detailed data on performance on each major capital city across the country and we have chosen to focus on four of the data groups provided in the summary tables.

The table below comes from this research and the same data is provided for each of the other sub-sectors. While yields across the capitals do not vary that much, they differ somewhat between the larger cities of Sydney and Melbourne and the smaller ones. This is also so as between Prime and Secondary Grades. Incentives are almost identical as between Prime and Secondary Grades but quite different as between Sydney and Melbourne compared to the other Capital Cities. Rents in Sydney are nearly double those in Perth and Adelaide as is the case in other sectors.

See a larger version of this table HERE

Submarket	Net Face ($/sqm p.a.)		Incentive		Average Yield		Average Capital Values ($/sqm)	
Prime Grade	Low	High	Low	High	Low	High	Low	High
Sydney	$226 ◀▶	$264 ◀▶	10.2% ▲	15.2% ▲	5.25% ▲	5.63% ◀▶	$4,011 ◀▶	$5,032 ▼
Melbourne	$140 ▲	$150 ▲	13.3% ▲	18.3% ▲	5.31% ◀▶	5.69% ▼	$2,460 ▲	$2,822 ▲
Brisbane	$139 ◀▶	$175 ▲	5.5% ◀▶	11.3% ▲	5.85% ▲	6.55% ▼	$2,122 ▲	$2991 ▼
Adelaide	$128 ▲	$155 ▲	5.0% ◀▶	12.5% ◀▶	6.50% ▲	7.00% ▲	$1,821 ▲	$2,385 ▼
Perth	$122 ◀▶	$142 ◀▶	3.3% ▲	13.3% ▲	6.50% ▲	7.00% ▲	$1,738 ▼	$2,179 ▼
Prime National Average	**$155 ▲**	**$183 ▲**	**6.8% ▲**	**13.9% ▲**	**5.88% ▲**	**6.37% ▼**	**$2,430 ▲**	**$3,082 ▼**
Secondary Grade	Low	High	Low	High	Low	High	Low	High
Sydney	$200 ◀▶	$224 ◀▶	10.0% ▲	15.0% ▲	6.00% ▲	6.50% ◀▶	$3,071 ◀▶	$3,741 ▼
Melbourne	$114 ▼	$123 ▼	8.6% ▲	13.3% ◀▶	6.00% ▲	6.50% ▼	$1,748 ▼	$2,056 ▼
Brisbane	$122 ◀▶	$147 ▲	5.5% ◀▶	11.9% ▲	6.75% ▲	7.25% ▲	$1,683 ▼	$2,178 ▲
Adelaide	$89 ▲	$105 ▲	7.5% ◀▶	15.0% ◀▶	7.50% ▲	7.75% ◀▶	$1,145 ▲	$1,400 ▼
Perth	$97 ◀▶	$118 ◀▶	5.0% ▲	14.2% ▲	7.50% ▲	7.75% ▲	$1,247 ▼	$1,578 ▼
Secondary National Average	**$127 ▲**	**$148 ▲**	**6.7% ▲**	**13.6% ▲**	**6.74% ▲**	**7.14% ▲**	**$1,825 ▲**	**$2,277 ▲**

Sources

Sources: ABS, ACCI, AiG, ABS, AFR, ANZ Research, ATO, CBA, CBRE, Colliers International, CoreLogic, Cushman & Wakefield, HTW, IMF, MSCI, JLL, Knight Frank, OECD, PCA, Preston Rowe Patterson, RBA, RLB, Savills Research, Westpac Economics, World Bank, RLB Crane Index

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Leadership Team

Relationships Team