December 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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Economic Outlook

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The Reserve Bank of Australia (RBA) held its last meeting of the year on 9 & 10 December and the Cash Rate was left unchanged as it has been for the last year when it was increased by 0.25% to 4.35%.

The RBA Board will not meet again until February 2025. Comments by the Governor continue to indicate no change to rates is expected until positive data releases occur, most economists agree, and markets continue to price in only a slim chance of a reduction in interest rates at the February meeting.

GDP figures for the September quarter were released on 4 December and showed a low 0.3% gain for the quarter and an annual increase of only 0.8% for the year. The CPI data for the September quarter was released on 30 October the week before the November RBA meetings and the result while positive at +0.2% for the quarter and +2.8% for the year was not enough to sway the RBA.

Internationally similar issues continue to be confronted by Central Banks with many now having started 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 November meeting as expected by 25 basis points after a 50 basis point cut in September with a further 25 basis point cut expected in December.

The Bank of Canada also cut its rates by a further 50 basis points in October down to 3.75%. Current US 10 year Government Bond yields are down at 4.17% and now just about flat with 2 year bonds at 4.14.

In Australia 10 year bonds are down at 4.23% and 3 year bonds at 3.81%. The AUD has continued its steady fall from just under 0.69 to 0.6450

The Westpac-MI Consumer Sentiment Index rose by 5.3% in November to 94.6% a second two and a half year high but with sentiment still below 100. Job loss fears hit a 19 month low. The Westpac Melbourne Institute Leading Index rose again in October by 0.46 points to +0.26 recording its first positive “above trend” results since November 2023. The AiG Performance Indices for November saw all three improving but also remaining in negative territory.

The AiG Australian Industry Index was up 17.9 points to -10.8 and the PMI (manufacturing) was up by 1.8 points but also still negative at -17.9. The PCI (construction) rebounded well from last month, climbing by 21.9 points to -19.0. The AiG Industry Index remains in contraction for what has now been 31 months.

Into people. Not just transactions.

Ratings and Trends

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We continue to reflect stable Residential markets in almost all areas except Melbourne and more recently Sydney and we maintain our optimistic view that interest rates are likely to fall early next year having a positive impact.

Retail continues to struggle while Industrial remains strong across the country even though continuing to come off their highs.

Office continues to do better in some capitals, but a real recovery has yet to occur. Herron Todd White (HTW) in their November Commercial Insights covered the Office sector in each capital and continued to be somewhat negative for most capitals in line with our own Ratings and Trends. Oversupply was noted for most and only Perth reported local economic conditions of steady growth. Melbourne was shown as having a large oversupply and suffering negative economic conditions but Perth showing steady growth.

Overall ratings are largely unchanged this month with the exception of Melbourne residential which we have downgraded to weak – deteriorating for both Houses and Units. 6 ratings are good, 8 are fair, 6 are strong and 5 are weak, with two in retail and one in office.

Trends also changed with 9 now Improving of which 6 are in smaller capital cities residential sectors and 4 deteriorating including both Melbourne residential sectors.

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

Core Logic Data

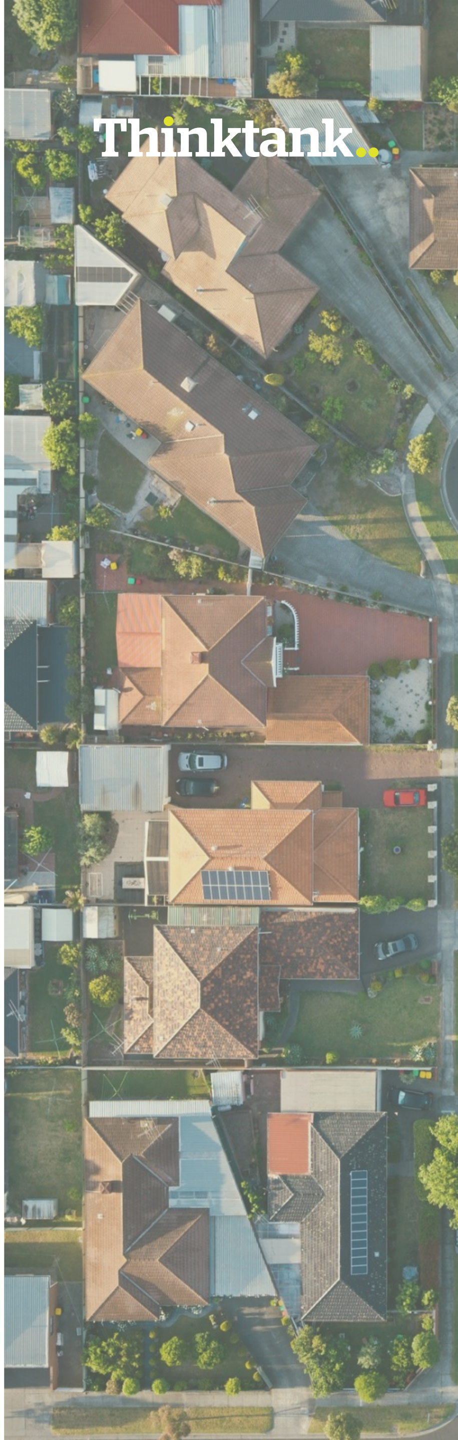
CoreLogic dwelling prices for November continued a small National positive result but with Sydney and Melbourne both showing monthly and quarterly declines.

National housing values posted just a 0.1% gain for the month and up 0.5% for the quarter but with Melbourne being down -1.0% for the quarter and down -0.4% for the month and joined by Sydney which was down -0.2% for the month and -0.5% for the quarter.

Melbourne remains in sixth place in median home value amongst the other major capital cities. For the month houses in Sydney were down -0.4% and Melbourne houses were down -0.5%. Unit prices were up 0.2% 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 1.1%. 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 November 2024

	Change in dwelling values				
	Month	Quarter	Annual	Total return	Median value
Sydney	-0.2%	-0.5%	3.3%	6.5%	$1,196,809
Melbourne	-0.4%	-1.0%	-2.3%	1.4%	$776,949
Brisbane	0.6%	1.8%	12.1%	16.6%	$886,540
Adelaide	0.8%	2.8%	14.0%	18.4%	$813,716
Perth	1.1%	3.0%	21.0%	26.4%	$808,090
Hobart	-0.1%	0.4%	-1.0%	3.3%	$654,339
Darwin	0.2%	-0.7%	0.9%	7.7%	$496,860
Canberra	0.1%	-0.3%	-0.1%	4.0%	$851,731
Combined capitals	**0.1%**	**0.3%**	**5.4%**	**9.3%**	**$897,580**
Combined regional	**0.3%**	**1.1%**	**6.0%**	**10.7%**	**$649,899**
National	**0.1%**	**0.5%**	**5.5%**	**9.6%**	**$812,933**



News and Views
RBA Board Restructuring

The changes to the RBA Board structure have finally been passed by the Senate with Democrat and Cross-bench support. While the meeting schedule was adjusted earlier this year, the adoption of a two Board structure was delayed for political reasons with opposition by the Coalition.

The approval will now be implemented next year and will see a separate Monetary Policy Board and one for Governance. Membership on the two Boards has been controversial and is yet to be announced by the Treasurer. Separate directors would be appointed to each Board but the Governor and other senior RBA officers would sit on both with the first meetings scheduled for 31 March & 1 April.

	Year-ended					
	June 2024	Dec 2024	June 2025	Dec 2025	June 2026	Dec 2026
GDP growth	1.0	1.5	2.3	2.3	2.3	2.2
(previous)	(0.9)	(1.7)	(2.6)	(2.5)	(2.5)	(2.4)
Unemployment rate[b]	4.1	4.3	4.4	4.5	4.5	4.5
(previous)	(4.0)	(4.3)	(4.4)	(4.4)	(4.4)	(4.4)
CPI inflation	3.8	2.6	2.5	3.7	3.1	2.5
(previous)	(3.8)	(3.0)	(2.8)	(3.7)	(3.2)	(2.6)
Trimmed mean inflation	4.0	3.4	3.0	2.8	2.7	2.5
(previous)	(3.9)	(3.5)	(3.1)	(2.9)	(2.7)	(2.6)

With the pushing out of expected Cash Rate reductions during 2024, markets are now at the point where only one major Bank, CBA, is forecasting a cut at the February meeting which is the first of 2025. Others are forecasting the rate reductions to occur later in the year and as noted in our comments on the property markets these rate cuts will trigger market recoveries in 2025 and 2026.

Given other comments on the most recent September GDP results released by the ABS, a rate cut will be needed to avoid negative growth and early in the New Year would certainly be welcome.

An indication of how these latest statistics will impact RBA decisions is to take a look at the November Statement of Monetary Policy (SoMP). The table (above) shows the SoMP forecasts and changes from their previous position. The most recent GDP data for the September quarter which was released after the SoMP was published, shows growth falling further than earlier adjustments had indicated and the last statistics are the weakest in many years. This is at the same time inflation is gradually falling to within the RBA's target range and yet most forecasts are for further delays in interest rate cuts.

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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