January 2025

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) will not meet again until mid February after having left the Cash Rate unchanged for all of 2024. No change to rates has been expected until positive data releases occur and the first of this year is the November Monthly CPI which has come in at a favourable 2.3%. The December quarterly and monthly statistics are not released until 29 January so any chance of a reduction in interest rates at the February RBA meeting is still up in the air.

As previously reported, 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.

Internationally many other Central Banks have been cutting 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 December meeting by 25 basis points to 4.25% after a 50 basis point cut in September. The Bank of Canada also cut its rates in December by a further 50 basis points down to 3.25%.

Current US 10 year Government Bond yields are up at 4.69% with 2 year bonds also up slightly at 4.27 . In Australia 10 year bonds are down at 4.51% and 2 year bonds up at 3.95%. The AUD has continued its steady fall from just under 0.69 earlier in 2024 to just above 0.62 currently.

The Westpac–MI Consumer Sentiment Index fell by 1.8 points or 2% to 92.8 despite solid improvements in current economic conditions as consumers turned pessimistic again on the current economic outlook. The Westpac Melbourne Institute Leading Index however rose again slightly in November by 0.06 points to +0.32 recording its first positive back-to-back “above trend” results in nearly two and a half years.

The AiG Performance Indices are not published this month for December but last month saw all three improving although also remaining in negative territory. The AiG Australian Industry Index was up in November but had remained in contraction for the last 31 months.

Into people. Not just transactions.

Core Logic Data

CoreLogic dwelling prices for December recorded a small national negative result down -0.1% for the month and for the quarter. Sydney and Melbourne both showed monthly and quarterly declines for the second month in a row.

Melbourne was down -1.8% for the quarter and down -0.7% for the month, joined by Sydney which was down -0.6% for the month and -1.4% for the quarter. Melbourne remains in sixth place in median home value amongst the other major Capital Cities but was down 3.0% for the year.

For the month houses in Sydney were down -0.7% and Melbourne houses were down -0.8%. Unit prices were down -0.3% for the month in Sydney and down -0.5% 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 the month, the quarter and for the year with all showing double digit annual growth while Nationally growth was 8.9% for the past 12 months.

Index results as at 31 December 2024

	Change in dwelling values				
	Month	**Quarter**	**Annual**	**Total return**	**Median value**
Sydney	-0.6%	-1.4%	2.3%	5.5%	$1,191,955
Melbourne	-0.7%	-1.8%	-3.0%	0.7%	$774,093
Brisbane	0.5%	1.3%	11.2%	15.6%	$890,746
Adelaide	0.6%	2.1%	13.1%	17.3%	$814,430
Perth	0.7%	1.9%	19.1%	24.5%	$813,016
Hobart	-0.5%	0.0%	-0.6%	3.7%	$651,043
Darwin	0.4%	0.6%	0.8%	7.4%	$496,871
Canberra	-0.5%	-0.3%	-0.4%	3.8%	$844,277
Combined capitals	**-0.2%**	**-0.5%**	**4.5%**	**8.3%**	**$896,372**
Combined regional	**0.2%**	**1.0%**	**6.0%**	**10.6%**	**$657,652**
National	**-0.1%**	**-0.1%**	**4.9%**	**8.9%**	**$814,837**

Ratings and Trends

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We continue to reflect mostly stable residential markets in almost all areas except Melbourne and Sydney and we maintain our optimistic view that interest rates are likely to fall this year having a positive impact on real estate values with recovery to be seen in those two capitals.

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 also awaits a fall in interest rates.

Herron Todd White (HTW) in their December Commercial Insights covered the industrial sector in each capital and continued to be mostly positive in line with our own Ratings and Trends but showing signs of stabilization.. Shortages of available property was noted for most capitals but only Perth reported local economic conditions of steady growth. Others were experiencing flat economic conditions with markets starting to decline. Vacancy rates while up were still historically low. Sydney has gone from strong to good in our ratings.

Overall ratings are changed again this month after last month's downgrading of Melbourne's residential sectors but with Sydney now joining them. 7 ratings are good, 6 are fair, 5 are strong and 7 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 6 deteriorating including both Melbourne and Sydney residential sectors.

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

News and Views

Economic and Property Outlook

With the pushing out of expected Cash Rate reductions during the course of 2024, markets are now at the point where only one major bank, the 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.

The November Monthly CPI result while positive will need to await confirmation from the quarterly result due in late January. An indication of how these latest statistics will impact RBA decisions is to once again take a look at the November Statement of Monetary Policy (SoMP) and the forecasts shown in them. At the same time, it is worthwhile to look at international research and the December 2024 Economic Outlook from the Organisation of Economic Cooperation and Development (OECD). The table right shows the SoMP forecasts each six months from June 2024 to December 2026.

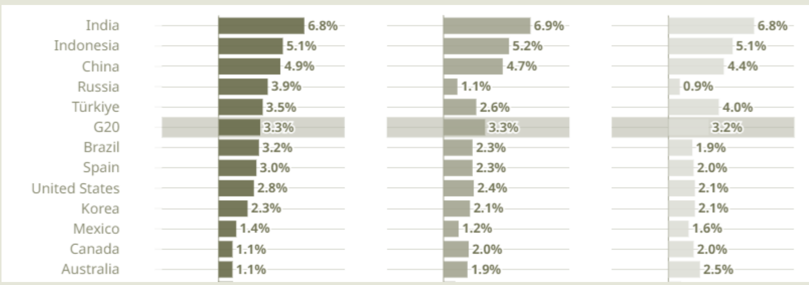
The most recent GDP data for the September quarter which was released after the SoMP was published, shows growth falling further than earlier adjustments had indicated and the last statistics are the weakest in many years. This is at the same time as inflation is gradually falling to within the RBA's target range and the latest monthly CPI at 2.3% compared to 2.6% and Trimmed Mean of 3.2% compared to 3.4%. These are November monthly figures and still need to be confirmed by December quarterly data to be released at the end of January.

	Jun 2024	Dec 2024	Jun 2025	Dec 2025	Jun 2026	Dec 2026
Activity						
Gross domestic product	1.0	1.5	2.3	2.3	2.3	2.2
Household consumption	0.5	1.0	2.0	2.9	2.6	2.3
Dwelling investment	−3.0	−0.7	−0.9	0.5	1.3	2.0
Business investment	2.2	0.0	0.8	1.7	2.6	3.1
Public demand	3.6	4.0	4.4	3.7	3.1	3.0
Gross national expenditure	2.2	2.0	2.5	3.0	2.7	2.6
Major trading partner (export-weighted) GDP	3.1	3.2	3.5	3.5	3.4	3.3
Trade						
Imports	5.2	7.2	3.9	5.1	4.0	2.9
Exports	0.1	3.2	2.7	2.3	2.4	1.2
Terms of trade	−3.9	−5.7	−2.2	−0.7	−1.2	−1.1
Labour market						
Employment	2.4	2.6	2.2	1.4	1.3	1.3
Unemployment rate (quarterly, %)	4.1	4.3	4.4	4.5	4.5	4.5
Hours-based underutilisation rate (quarterly, %)	5.3	5.6	5.7	5.9	5.9	5.9
Income						
Wage Price Index	4.1	3.4	3.4	3.2	3.2	3.1
Nominal average earnings per hour (non-farm)	5.9	3.1	4.2	3.9	4.0	3.5
Real household disposable income	0.4	3.2	3.9	2.4	2.7	2.4
Inflation						
Consumer Price Index	3.8	2.6	2.5	3.7	3.1	2.5
Trimmed mean inflation	4.0	3.4	3.0	2.8	2.7	2.5

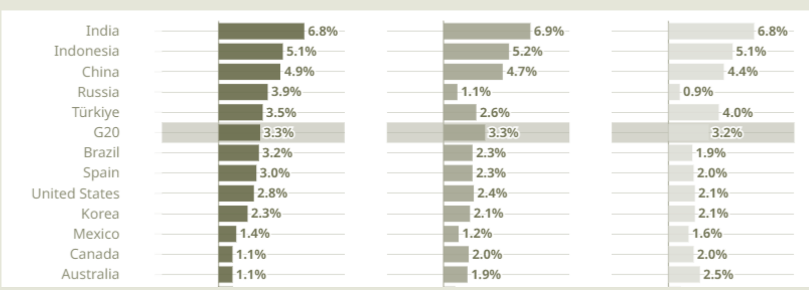
Organisation of Economic Cooperation and Development (OECD)

December 2024 Economic Outlook

Real GDP Grow Projections (% year on year 2024, 2025, 2026)



Headline Inflation Projections (% year on year 2024, 2025, 2026)



The set of projections (left) from the OECD show forecast GDP growth for 2024 in Australia of 1.1% compared to the RBA's 1.5% with a 0.4% difference in 2025 as well.

The second set shows the projected headline Inflation figures with the OECD numbers showing similarly improving situations for the next two years falling and staying within the RBA's 2-3% target.

Commenting on the Australian economy, the OECD stated:

"Having slowed this year amid tight monetary conditions and worsening terms of trade, GDP growth is projected to pick up to 1.9% in 2025 and 2.5% in 2026. While headline inflation has now fallen to within the 2-3% target range, core inflation remains somewhat higher. An easing of monetary policy is warranted over the next year given ongoing disinflation and below-potential growth."

There appear to be plenty of reasons why a cut in the RBA's Cash Rate should occur, but the question remains if it will happen as early as February 2025 at the next RBA Board meeting.

Whether then or at a later meeting it seems that all property sectors whether Residential or Commercial right across the country will benefit and overall this should make for a positive 2025.

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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