February 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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# 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 will fall early this year having a positive impact on real estate values with recovery to be seen in those two Capitals.

Overall Ratings are little changed again this month after the recent downgrading of both Sydney and Melbourne Residential sectors. 7 ratings are Good, 6 are Fair, 5 are Strong and 7 are Weak, with two in Retail and one in Office and the remaining four being Melbourne and Sydney Residential. Trends are 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 ▲ |

# Core Logic Data

CoreLogic dwelling prices for January once again recorded a small National negative result for the quarter down -0.3% but flat for the month. Sydney and Melbourne once again both showed monthly and quarterly declines.

Melbourne was down -2.0% for the quarter and down -0.6% for the month and joined by Sydney which was down -0.4% for the month and -1.4% for the quarter. Melbourne remains in fifth place in median home value amongst the other major Capital Cities and was down 3.3% for the year.

For the month houses in Sydney were down -0.4% and Melbourne houses were down -0.5%. Unit prices were down -0.2% for the month in Sydney and down -0.8% 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 8.3% for the past 12 months.

Index results as at 31 January 2025

| | Change in dwelling values | | | | |
|---|---|---|---|---|---|
| | Month | Quarter | Annual | Total return | Median value |
| **Sydney** | -0.4% | -1.4% | 1.7% | 4.8% | $1,193,228 |
| **Melbourne** | -0.6% | -2.0% | -3.3% | 0.4% | $772,317 |
| **Brisbane** | 0.3% | 1.2% | 10.4% | 14.7% | $893,592 |
| **Adelaide** | 0.7% | 1.8% | 12.7% | 16.9% | $819,363 |
| **Perth** | 0.4% | 1.0% | 17.1% | 22.3% | $809,870 |
| **Hobart** | 0.0% | -0.8% | -0.4% | 3.9% | $658,180 |
| **Darwin** | 0.6% | 1.7% | 0.9% | 7.5% | $502,632 |
| **Canberra** | -0.5% | -0.5% | -0.5% | 3.8% | $850,534 |
| **Combined capitals** | **-0.2%** | **-0.7%** | **3.8%** | **7.6%** | **$897,632** |
| **Combined regional** | **0.4%** | **1.0%** | **5.8%** | **10.5%** | **$656,445** |
| **National** | **0.0%** | **-0.3%** | **4.3%** | **8.3%** | **$814,293** |

# Recent Transactions

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## SMSF – Commercial

Security property in Silverwater, NSW
$2,600,000 | 65% LVR | 30 years P&I

- The 3 borrowers are business partners, all self employed project managers of different construction companies.
- The purpose on the loan was to purchase an industrial property for their individual SMSFs.
- We were able to help the borrowers achieve their investment goals through our tenants in common structure. This enabled the 3 individual borrowers to purchase the property in 3 individual SMSFs.

## Private Loan – Residential

Security property in Arncliffe, NSW
$2,600,000 | 70% LVR | 3 years IO

- The borrowers were self employed custom software developers that have been in operation for 7 years.
- The purpose of the loan was to provide the client with cash out to proceed with the DA approval for a development of 2 residential townhouses before refinancing to a construction funder.
- Through the Mid Doc private option an accountant's declaration was accepted as income verification, removing the need for additional financial documentation.

## Commercial Full Doc

Security property in Strathpine QLD
$1,200,000 | 80% LVR | 30 years with 5 years IO

- The borrower has been running a commercial construction business with 2 trading entities for the past 9 years. To simplify to loan process, the client did not provide a guarantee for the secondary trading entity.
- The purchase was for a 4 residential units. As it is only on 1 title we were able to process the loan under a commercial classification.
- Given the borrower was able to provide full financials up front, they could take advantage of our lower rates.

## Residential Refinance + Equity release

Security property in Riverstone, NSW
$3,500,000 | 43% LVR | 30 years with 5 years IO

- The borrowers were brothers, both directors and shareholders of the borrowing and trading entitles on the loan
- The purpose of the loan was to refinance an existing private loan with equity release. We were able to provide cash out up to the max LVR limit based upon stated purpose alone (no evidence required).
- Unliked many other lenders, we allow for company/trust borrowers, including Unit Trusts, under our standard residential product and provide residential rates

# Supporting Broker Development

We recognise that helping to educate, inform and upskill mortgage brokers is crucial in equal parts to their business, our business, and the industry generally, and this is why direct support for broker education is woven into the fabric of how we do business.

We believe there is an increasing rationale for brokers to expand their knowledge of alternative funding solutions. Understanding why and when to turn to different lenders is paramount, as we offer a distinct edge through a broad product offering, flexibility and a streamlined approach to assessing deals.

As the industry and borrower needs continue to evolve, one emerging area for savvy brokers to be ahead of the game on is short term private lending.

We recently launched two new products, the Private Loan and Residual Stock Loan, which are designed to provide brokers with the flexibility to support their clients' varying business and investment needs.

It's hugely valuable for brokers to gain confidence in private lending and understand the specific requirements and profiles of borrowers in this segment. Private lending often appeals to developers, property investors, and high net worth clients who prioritise speed, simplicity and execution.

Despite the shifting economic conditions we have experienced over the past 12 months, we've observed a notable increase in SMSF applications, both in residential and commercial for purchases and refinances. Consequently, brokers would be well placed to stay up to date with the opportunities in this sector of the market if they are not already active in the space.

Additionally, brokers who aren't as comfortable with self employed clients would be well served to focus on this segment. Approximately 20% of Australia's workforce is self employed, presenting a significant opportunity for brokers to tailor their services to meet these clients' unique needs. Self employed borrowers often bring various professional advisers to the table, including accountants, financial planners, and buyer's agents, making it essential for brokers to engage in well informed, collaborative conversations

Partnering with knowledgeable and experienced Relationship Managers can make a world of difference. At Thinktank, we provide brokers with personalised support, ranging from hands on assistance with deals to expert guidance on navigating complex scenarios.

Our Relationship Managers work collaboratively with brokers to assess the potential of lending opportunities and convert them into successful settlements, offering full upfront and trail commissions.

Contact the team

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# Economic Outlook

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The Reserve Bank of Australia (RBA) will meet again on 17 and 18 February after having left the Cash Rate unchanged for all of 2024.

The December Quarterly and Monthly CPI statistics released on 29 January were favourable at 2.8% for the quarter so there is a real chance of a reduction in interest rates at the February meeting and indeed now all four the major Banks are predicting a cut of 0.25%.

Retail sales were up 1.0% for the fourth quarter continuing a slow rise. 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 held rates unchanged in January but the Bank of Canada cut its rates in January but only by 25 basis points down to 3.00% after cutting by 50 basis points in December. Current US 10 year Government Bond yields are down at 4.42% with 2 year bonds also down slightly at 4.18%. In Australia 10 year bonds are down at 4.36% and 3 year bonds down at 3.75%.

The AUD continued its steady fall from near 0.69 early last year recently dropping below 0.62 on unsettling global news on tariffs but has since recovered to just below 0.63.

The Westpac–MI Consumer Sentiment Index fell by -0.72 points in January to 92.1 remaining on the pessimistic side on the current economic outlook but less so than a year ago.

The Westpac Melbourne Institute Leading Index also slipped back slightly by 0.07 points to +0.25 but still remained slightly positive which is a clear improvement on the persistently negative below trend reads recorded over the previous two years

The Australian Industry Group (AiG) has issued a 2025 Australian Industry Outlook based on a survey of 220 businesses. The results for 2025 were quite similar to 2024 with a slightly negative sentiment recorded but with the outlook for demand shifting from slightly negative to slightly positive. The AiG December – January Industry Index was also released and recorded a small improvement of 1.4 points but remained in negative territory (where it has been for the past 31 months) at -17.4. The PMI (manufacturing) fell by 2.0 to -22.7 while the PCI (construction) rose 3.2 points but also remained in negative territory at -20.0.

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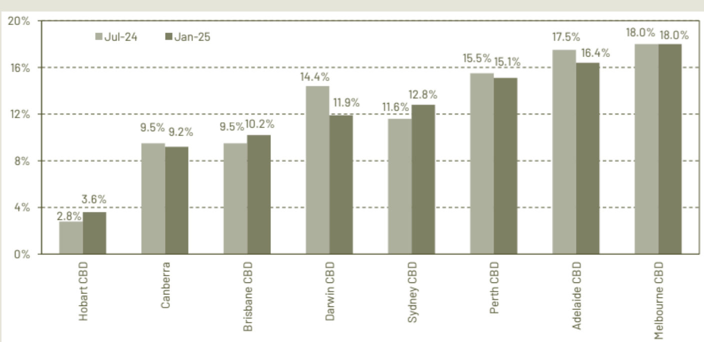
# News and Views

## 2025 Economic and Property Outlook

Ray White recently released a good summary of the 2025 outlook for Commercial Property with the various markets showing positive signs of recovery but with mixed market conditions across the different sectors and locations. Retail continues to struggle with only Sydney and Perth recording monthly increases in turnover. Industrial remains strong across the country but continuing to come off their highs.

Office continues to do better in some capital cities, and this is also reflected in the Property Council of Australia's January 2025 Office Market Report as shown in the table below, but overall vacancy rates were up slightly from 14.6% to 14.7% in the past 6 months. Only two capitals were down, with Perth dropping to 15.1% from 15.5% and Adelaide down from 17.5% to 16.4%. Brisbane rose slightly to 10.2% and Sydney as well to 12.8%. Melbourne remains with the highest vacancy rate, unchanged at 18.0%.

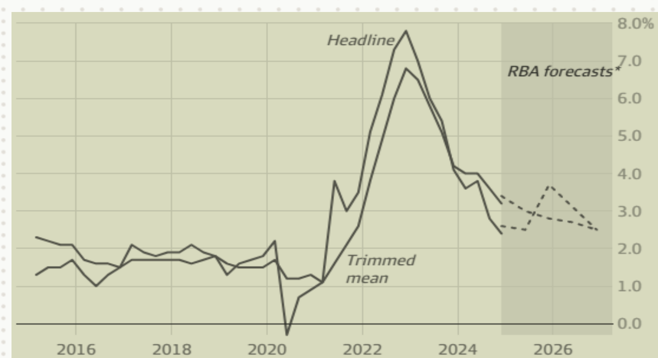



Since our last report, three other of the four Major Banks have joined the CBA in forecasting a cut at the February meeting of the RBA Board which is the first of 2025.

The December quarterly CPI as noted earlier has been the main driver as well as other ABS data. An indication of how these latest statistics will impact RBA decisions is to take another look at the November Statement of Monetary Policy (SoMP) as we did last month.

We'll also look at further international research and the January 2025 Global Economic Outlook from the International Monetary Fund (IMF). The graph below 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%. As recently reported by the ABS, over the twelve months to the December 2024 quarter, the CPI rose 2.4%.



# News and Views

## IMF Real GDP Growth Projections (% YoY)

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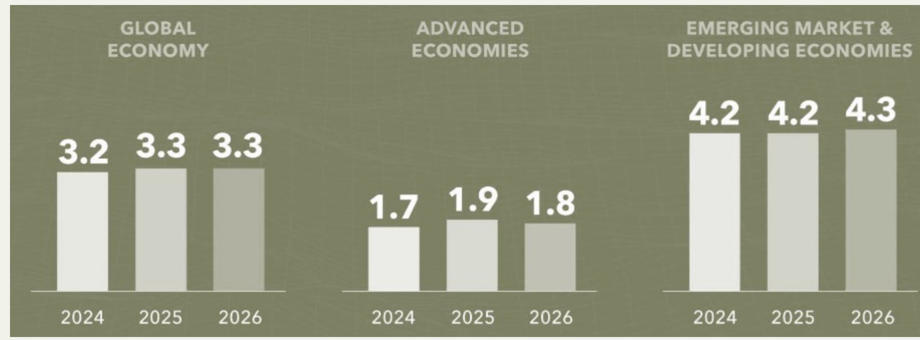
As for Australia's economy, the IMF estimates it expanded at a 1.2% pace in 2024 and forecasts it will rebound to 2.1% this year and 2.2% in 2026.

Those forecasts are unchanged from the IMF's October update. They are also overall, the OECD projections of 1.9% in 2025 and 2.5% in 2026 made in December.

There appear now to be even more reasons why a cut in the RBA's Cash Rate should occur in February 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 despite global and domestic political unease.

Both the OECD and the IMF in their outlooks for 2025 share concerns about the global economy but both also see GDP growth in 2025 and 2026 and a fall in inflation over both years.




| | ESTIMATE | PROJECTIONS | |
|---|---|---|---|
| (Real GDP, annual percent change) | 2024 | 2025 | 2026 |
| World Output | 3.2 | 3.3 | 3.3 |
| Advanced Economies | 1.7 | 1.9 | 1.8 |
| United States | 2.8 | 2.7 | 2.1 |
| Australia | 1.2 | 2.1 | 2.2 |

The figures above show global growth forecast over the next two years by the IMF. The second set of numbers shows Australia compared to the US and other advanced economies.

**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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Think Tank Group Pty Ltd | 1300 781 043 | thinktank.au | deal@thinktank.com.au | ABN 75 117 819 084 | Think Tank is an authorised representative (credit representative number 364 258) of Thinktank Nominees Pty Ltd ACN 133 763 452 AFSL 333163 and Australian Credit Licence 333163