Research
Australia | Q1 2024

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Australian Apartment Market Overview

Contents:

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Summary

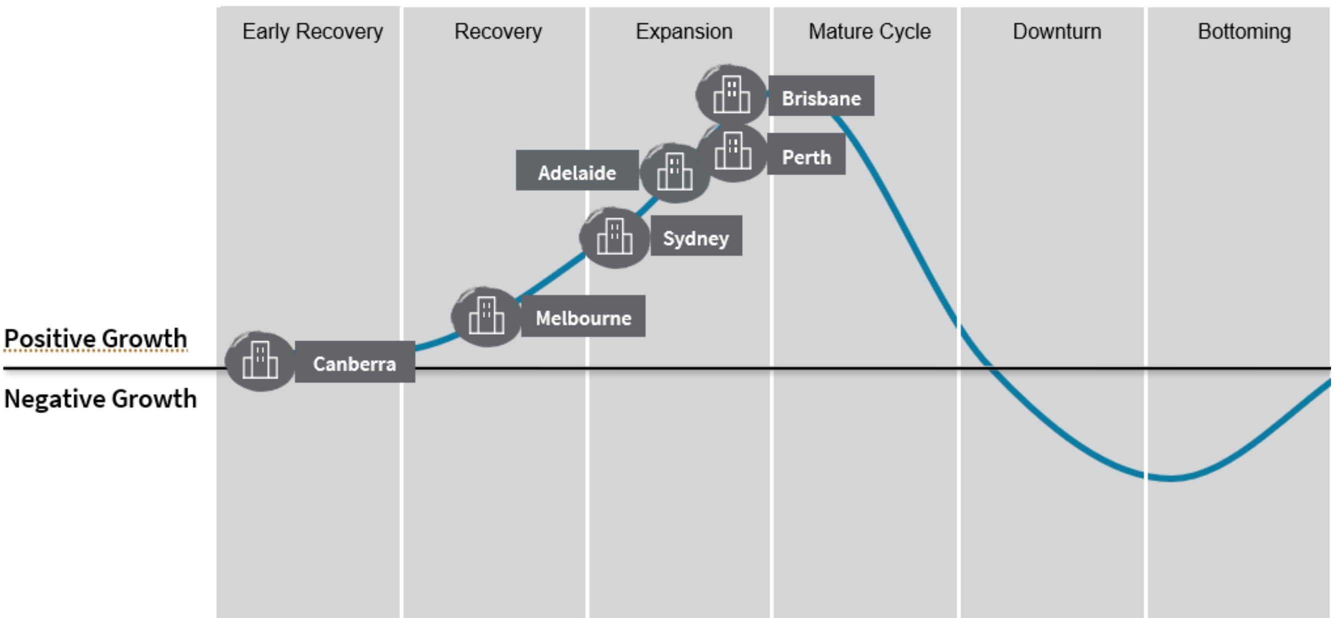
Households have been buoyed by six months of no interest rate increases and the prospect that the RBA is done raising rates for this cycle. Nevertheless, strong recent data on CPI, the labour market and house prices have brought this into question and suggested that at a minimum households might have to wait until 2025 before rates are cut. While higher rates have curtailed individual home buyers' borrowing capacity and demand, strong population growth combined with a lack of existing stock on the market have kept housing markets tight and prices growing.

Conditions in the new apartment market remain divergent. Demand remains focused towards owner occupiers and particularly downsizers that are enjoying strong equity growth in their existing dwellings and are less interest rate sensitive. This means sales within smaller high-end developments remain robust and these developments are seeing pricing uplift to compensate for rising development costs. Investor demand (foreign and domestic) is slowly rising but remains subdued and this is keeping pre-sales rates for mass-market projects low and prices growth minimal. This means project feasibilities for developers are challenged and few large-scale high-rise projects are starting construction at present.

An apartment under-supply remains a major medium-term concern. Levels of completions are already low and with few major projects commencing, it is clear supply is not keeping pace with underlying demand growth from a very strong rebound in migration. Developers want to build, but high costs, financing uncertainties, and ongoing shortages of construction labour in some markets all continue to make development very challenging at present.

Build to Rent (BTR) projects have an advantage of no selling period and the pipeline of BTR projects has grown over recent years. However, higher bond yields have made investors a little more cautious towards backing new BTR projects since mid-2023, but hopefully this will settle and more BTR projects will commence once new foreign investor tax legislation comes into effect on 1 July. Nevertheless, the BTR pipeline in Australia is still small and will provide little relief for ongoing tight rental conditions. It appears affordability will be the only real constraint on rents over the next few years in a supply-starved environment.

Australian Apartment Market Cycle



Source: JLL Research, as at Q1 2024

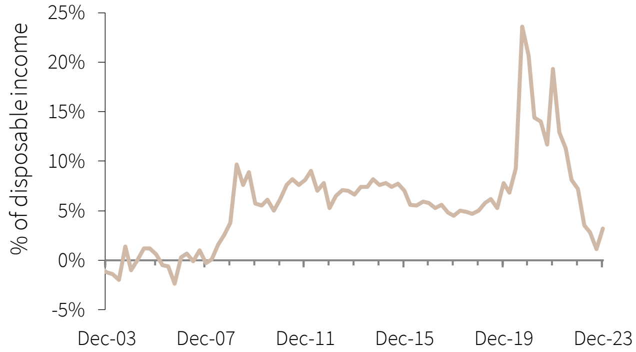
* The assessment is based on existing apartment price growth. It does not reflect the strength of demand, nor the supply cycle in each market. It also does not necessarily reflect the pricing of new pre-sale apartments, which can diverge significantly from growth in overall apartment pricing due to many factors including supply competition and construction cost pressures.

Economic and Regulatory

Interest rate cuts may take longer to eventuate

- While geopolitical risks still abound, most major economies (particularly the US) continue surprise in their resilience. This is maintaining some inflation risks and prolonging expected interest rate cuts.
- Australia's economy has slowed in recent quarters but has also showed strong resilience. Consumption has fallen on a per capita basis but been held up by very strong population growth, while strength in service (tourism, students) and commodity exports has also supported growth.
- Australia's labour market remains incredibly strong and is keeping wage inflation risks elevated.
- As well as controlling inflation, the RBA will now be cautious about cutting rates too soon and further stoking recent strong house price growth. As such, rate cuts now appear not likely until 2025.

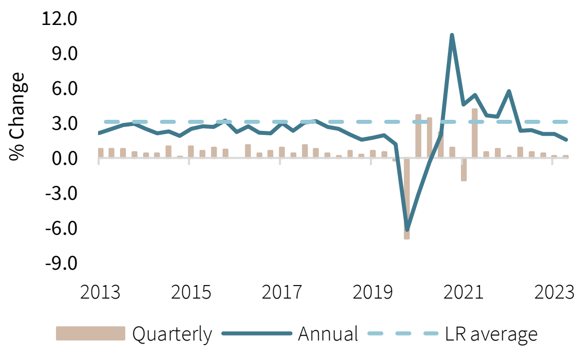
Household Savings Rate (% of HH Income)



Source: ABS, JLL Research as at Dec-23

Higher interest rates have seen a large run down in household savings from a peak of 24% during COVID-19. But savings rose from 1.9% of household income to 3.2% in Q4 2023 due large to changes in tax return timing.

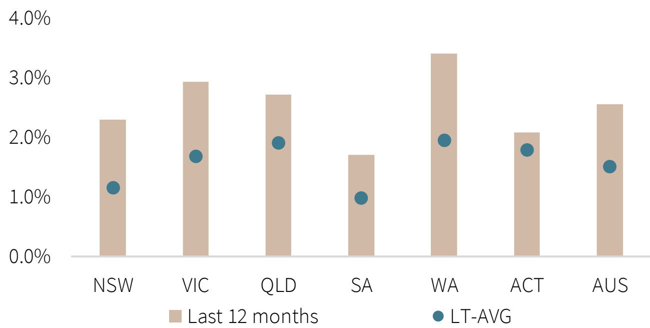
Australian GDP Growth



Source: ABS, JLL Research as at Dec 2023

Australian GDP growth slowed to just 0.2% qoq in Q4 2023 and 1.5% yoy. Consumption growth in the quarter was mildly positive but fell per capita as did overall GDP. Growth is likely to now be at around a trough.

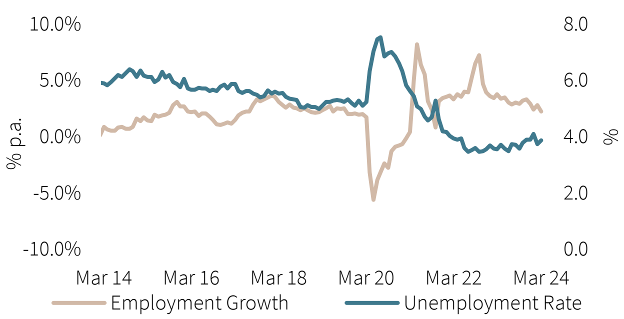
Population Growth by State (% p.a.)



Source: ABS, JLL Research as at Sept-23

Overseas migration has continued to reach new record highs nationally and all states are now running at levels of population growth that are above their long-term average level.

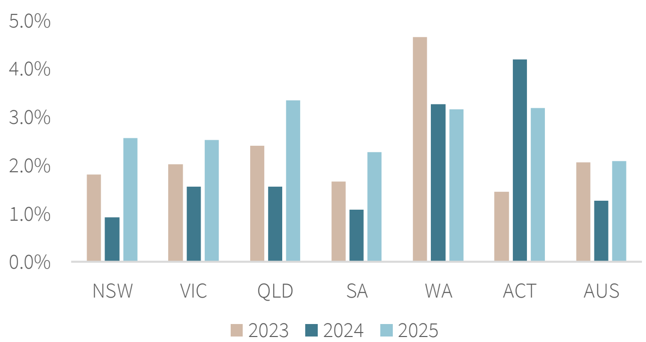
Employment Growth and Unemployment



Source: ABS, JLL Research as at Mar-24

Unemployment remained a very low 3.8% in Mar 2024, while employment grew a robust 2.2% over the past year, continuing the extraordinary resilience of the labour market and prolonging wage inflation fears.

Economic Growth (GSP)



Source: DAE, JLL Research as at Mar-24

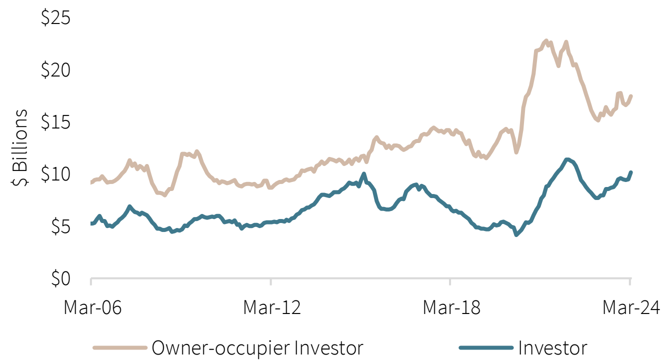
After a strong post-COVID bounce back in 2022, growth in most states (with the exception of WA) slowed sharply in 2023 and will remain moderate in 2024 as the impact of higher interest rates and cost of living pressures play out.

Demand

Owner occupiers remain focus of apartment demand

- General housing demand continues to be dampened by higher interest rates and lower buyer borrowing capacity. However, strong population growth is driving underlying housing demand and greater affordability is increasingly pushing demand towards apartments and away from detached houses.
- New apartment pre-sales remain strongest for smaller high-end projects, largely driven by downsizers. These buyers have benefited from strong price growth in their existing properties, making them less interest rate sensitive and more willing to pay for higher build costs.
- In contrast, mass market projects are experiencing much more subdued, albeit improving, demand. Investor activity remains muted, albeit foreign investors continue to steadily return.

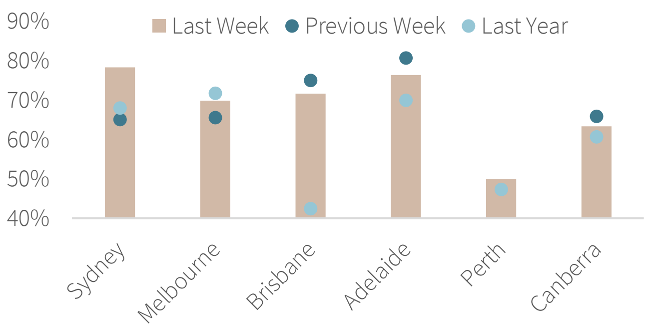
Housing Finance Commitments (ex Refin)



Source: ABS, JLL Research as at Mar-24

Housing finance commitments have continued to rise in early-2024, but largely reflecting rising dwelling values. The rebound in investor demand has been strong, growing nearly 24% over the year to Mar-24.

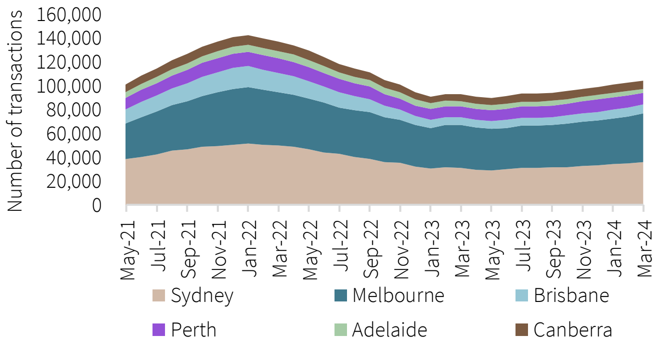
Auction Clearance Rates



Source: CoreLogic, JLL Research as at Apr-23

After falling in late-2023, auction clearance rates rose in early-2024 on back of lower auction sale volumes. Despite auction volumes rising, clearance rates are around or above long-term average levels in most cities.

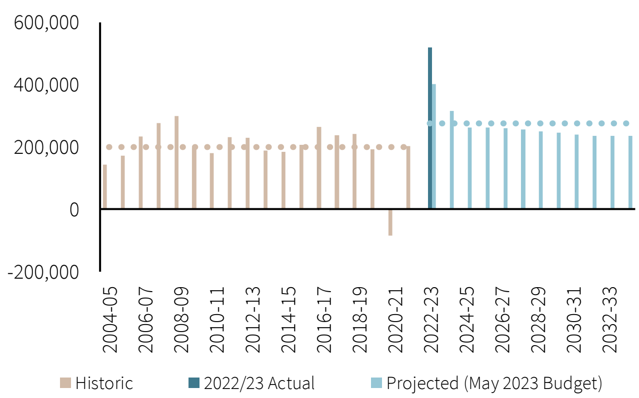
Annual Apartment Sale Volumes (New and Existing)



Source: JLL Valorem as at Mar-2024

Annual apartment sales across the six capitals have continued to increase steadily in 2024 to be 12% higher over the year to Mar-24. Nevertheless, sales are still around 26% below early-2022 peaks.

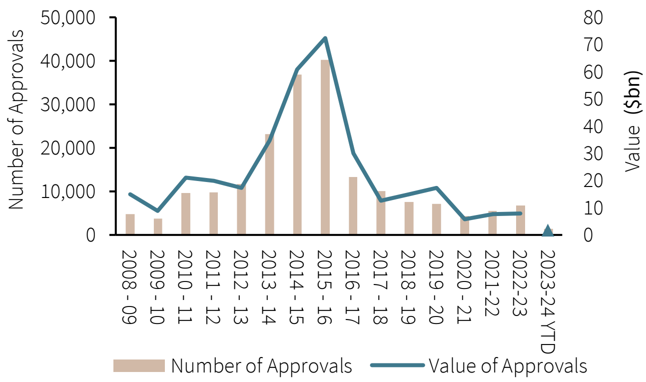
Net Overseas Migration



Source: Australian Centre for Population

Net overseas migration was 548,800 over the year to Q3 2023, which is a record level and more than double pre-COVID levels. It also far exceeded all previous forecasts.

Residential FIRB Approvals



Source: Department of Treasury, As at Sept 2023

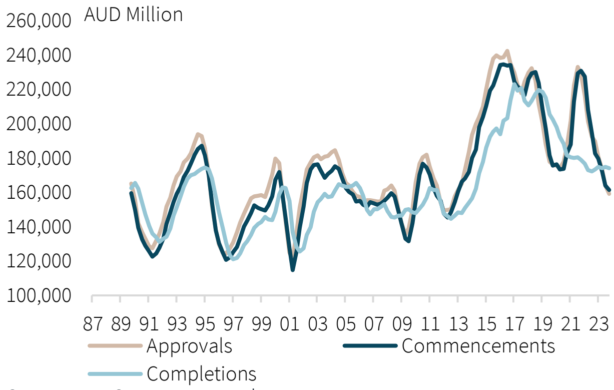
Residential Foreign Investment Review Board (FIRB) approvals rose 21% in 2022-23 but at AUD 6.5 billion are still low compared to AUD 72.4 billion in 2015/16.

Supply

Apartment supply remains limited

- Housing supply of all dwelling types nationally has tipped into under-supply relative to strong underlying demand growth from unprecedented levels of overseas migration into Australia.
- However, this under-supply is particularly acute for apartments. The supply pipeline of apartments nationally has fallen sharply over recent years due to various market challenges. Despite burgeoning underlying demand for apartments, few high-density projects have commenced recently due to escalations in construction and project finance costs.
- Strong cost growth has eased, albeit more in some states than others and costs have not fallen anywhere. However, simply securing construction labour remains difficult in some cities, with major infrastructure projects soaking up much of the pool. Failing to secure a builder continues to see projects abandoned, particularly in Southeast Queensland.
- With population growth rebounding to above long-term average levels, the stalling of the apartment supply pipeline means all major capitals face some level of under-supply over the next few years, it is only the severity that differs.
- For the build-to-sell market, developer focus remains largely on smaller boutique projects aimed at owner-occupiers. These have less pre-sale risk and buyers are more willing to pay the higher construction costs necessary to make projects feasible.
- The BTR project pipeline continues to grow, buoyed by the advantage of no pre-sales period. But BTR commencements have also largely stalled in recent quarters and the BTR pipeline is still small and not large enough to offset the decline in BTS supply.

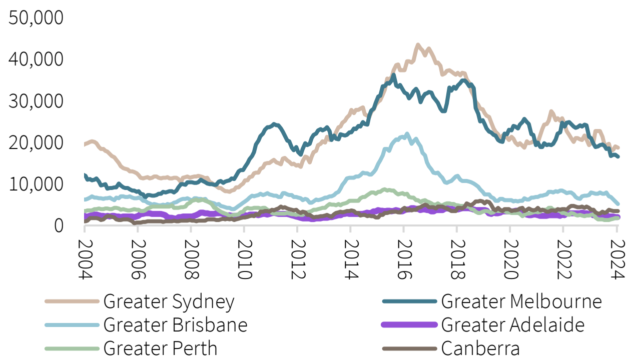
National Dwelling Supply Pipeline



Source: ABS, JLL Research as at Dec-23

Approvals and commencements declined substantially over 2023. The HomeBuilder program (that largely boosted detached housing) has concluded and cost pressures are squeezing building activity everywhere.

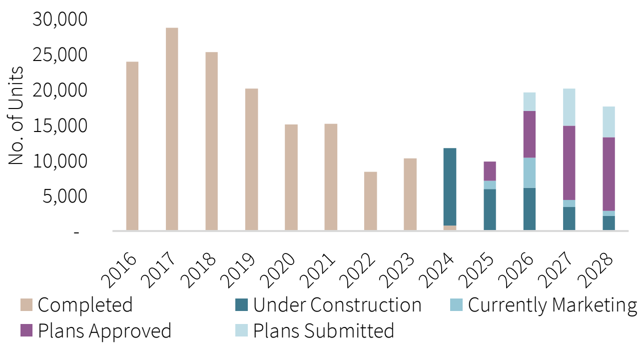
Approvals excl Houses (Rolling Annual)



Source: ABS, JLL Research as at Mar-24

While the number of approvals for apartments and townhouses has continued to trend down in the major markets in 2024 and approvals are at low levels compared to the average of the last decade.

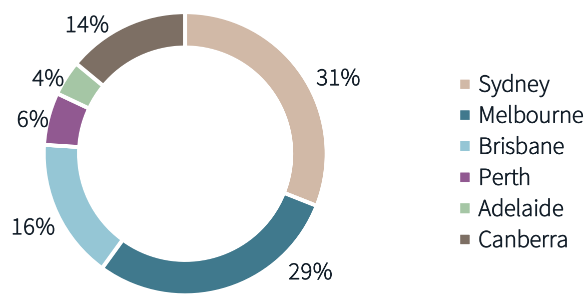
National Inner City Supply Pipeline*



Source: JLL Research as at Q1 2024

The trough in apartment supply was in 2022, but completions remained moderate through 2023 and Q1 2024. Just over 12,000 apartments are likely to complete in 2024, which is well below average.

Under Construction By City*



Source: ABS, JLL Research as at Mar-23

*Includes Inner Sydney, Inner Melbourne, Inner Adelaide, Inner Perth and Canberra

More than three quarters of supply under construction is in the largest three capitals, but Melbourne is a lower share of construction that it has been over the past decade.

National Inner City Supply Pipeline*

Stage	Sydney	Melbourne	Brisbane	Perth	Adelaide	Canberra	National
Completed (2023)	543	115	150	0	0	0	808
Under Construction	8,894	8,243	4,504	1,834	1,089	4,051	28,615
Currently Marketing	1,265	1,404	1,772	880	495	1248	7064
Plans Approved	6,896	9,444	7,400	2,774	1,848	1808	30170
Plans Submitted	1174	2,016	5,277	616	491	2733	12307
Total	18,772	21,222	19,103	6,104	3,923	9,840	78,964

Source: JLL Research as at Q1 2024

*Includes Inner Sydney, Inner Melbourne, Inner Adelaide, Inner Perth and Canberra

Recent Completions

Project Name : Norwood Green – Stephenson

Density : 43 Units

Developer : Catcorp Projects / Buildtec Services / Aldi

Project Name : Hillyard House

Density : 150 Units

Developer : Pellicano

Project Name : The Frederick – Building A & B

Density : 271 Units

Developer : Mirvac Projects Pty Ltd/Landcom

Project Name : Encompass

Density : 115 Units

Developer : Fraser Property/Citta Property Group

Project Name : Northbourne Village

Density : 176 Units

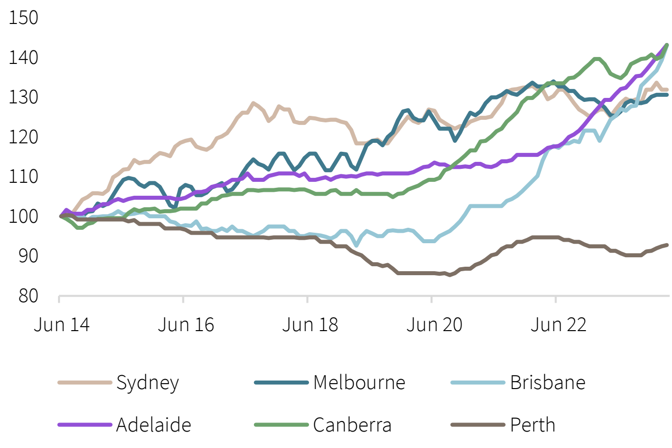
Developer : JW Land

Prices

Dwelling prices continue to rise despite headwinds

- Momentum in existing dwelling price growth has continued to swing back and forth over recent years but has generally been strong again in early-2024.
- Late last year prices were losing momentum in some markets as the level of listings rose, particularly in Sydney and Melbourne. Nevertheless, 2024 started strongly on the back of low listings again. Data suggest that listings have risen again in March and April, but there has not yet been strong evidence of price growth losing steam.
- Some of the smaller capitals continue to experience the strongest growth and are catching up quickly to Sydney and Melbourne. Dwelling prices in Brisbane and Adelaide have been strong for some time and grew 16% and 14% over the past year, but Perth has been the strongest in 2024 and prices have grown over 21% over the year to Apr 2024.
- For apartments specifically, price growth has kept pace with detached houses in 2024. This strength reflects robust demand due to the affordability of attached dwellings in a credit constrained environment where many buyers have been priced out of detached dwellings.
- There are also other factors supporting apartment prices. The strong underlying demand and limited new supply is clearly supporting price growth, while cost-push inflation from higher construction costs is increasingly a factor. Prices for new high-end product already reflect this cost-push pressure, but it should start trickling down to the mass market as well.

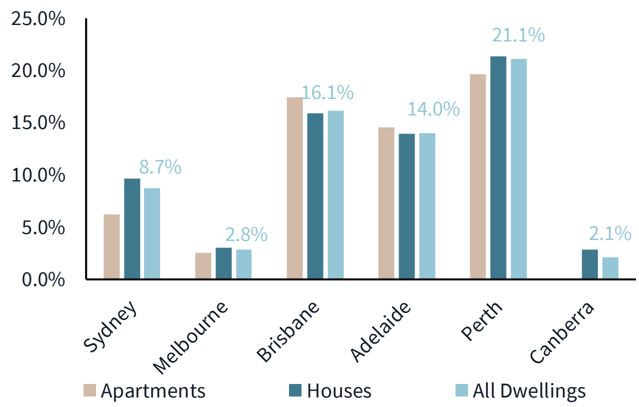
Apartment Sale Prices (Indexed, Jun-14 = 100)



Source: JLL Valorem, as at Mar-24

Recent strong growth in Brisbane and Adelaide has seen them surpass Sydney and Melbourne in terms of growth over the past decade, but Perth is still a clear laggard.

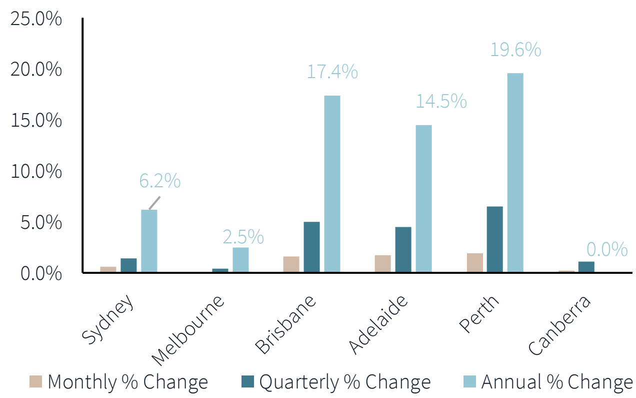
Dwelling Price Growth (Annual % change)



Source: CoreLogic, JLL Research as at Jan-24

Dwelling prices have grown across all major cities over the past year, but at varied speeds. Houses have still slightly exceeded units, except in Brisbane and Adelaide.

Median Unit Price Growth



Source: CoreLogic, JLL Research as at Apr-24

Unit price growth has been strongest in Perth, Brisbane and Adelaide over the past year. After some moderate declines, Canberra prices are now flat over the year.

Apartment Price Growth by City

Stage	Sydney	Melbourne	Brisbane	Adelaide	Perth	Canberra
Monthly % Change	0.6%	0.1%	1.6%	1.7%	1.9%	0.2%
Quarterly % Change	1.4%	0.4%	5.0%	4.5%	6.5%	1.1%
Annual % Change	6.2%	2.5%	17.4%	14.5%	19.6%	0.0%
Median Price ($)	844,659	613,023	600,215	514,369	508,988	592,879

Source: CoreLogic & JLL Research as at Apr-24

Momentum in unit price growth has been strong over the three months to Apr-24, particularly in Perth, Brisbane and Adelaide. Melbourne has been the laggard, albeit prices have still grown slightly over the past three months. Canberra prices have also returned to growth in recent months, after falling over much of 2023 as the market absorbed some supply completions. Canberra prices are now flat over the past year. While there are still some headwinds for housing generally as households continue to deal with higher interest rates, there are numerous factors that are strongly supporting apartment prices over the medium-term, including affordability while buyers' borrowing capacity is restricted and strong underlying apartment demand due to strong migration and foreign students returning. Limited supply of new apartments and rising construction costs to deliver new stock are also providing price support for existing apartment prices.

Notable Site Sales

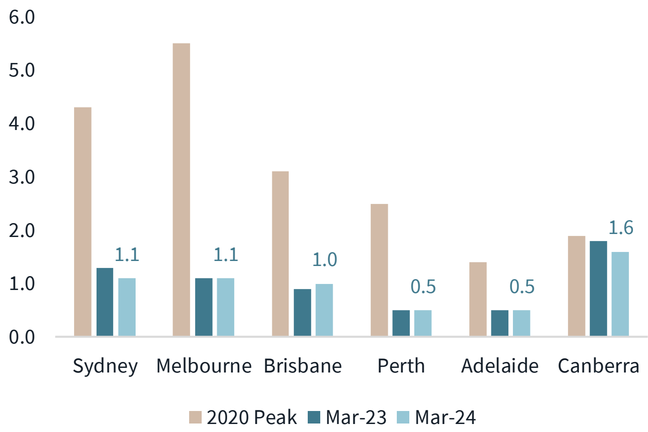
Date	Address	City	Purchaser	Vendor	Price ($, million)	Size (sqm)	DA (# of units)	Comments
Apr-24	Mercator Terrace, Subiaco	Perth	Cedar Woods	City of Subiaco	15.5	97,800	200	Plans for 3 buildings with designs to suit range of buyer profiles, including downsizers and young professionals
Feb-24	383 La Trobe Street	Melbourne			92.0	2,858		Capital City Zone(CCZ) approved
Apr-24	100 Leichhardt Street & 20 Little Edward Street	Brisbane	Dibcorp	Multiple Privates	6.5	1,578		Mixed Use Zoning with potential up to 10 storeys of assessable development
Feb-24	45B Wickham Street, Fortitude Valley	Brisbane	Point Capital Partners	Willemsen Investments	15.0	1,275		Mixed Use Zoning with interest to develop co-living residences

Rental market

Low vacancy continues to drive rental growth

- Rental vacancy remains very low across all the major capital cities, ranging from 0.5% in Perth and Adelaide to 1.6% in Canberra.
- The rebound in migration and foreign students to record levels is boosting rental demand, as is low housing affordability and reduced borrow capacity to purchase dwellings. The lack of new investor-grade supply completions is also worsening shortages.
- Asking rents have grown very strongly over the past three years, particularly in some of the smaller capitals like Brisbane, Perth and Adelaide that did not see falls in rents early in COVID-19 like Sydney and Melbourne did.
- Rents continue to grow strongly, albeit affordability is starting to restrict the pace of growth in some markets and there continues to be growing displacement of lower-income earners at the lower end of the market.
- With little supply relief on the horizon, wage growth appears the only limit on rental growth medium-term.

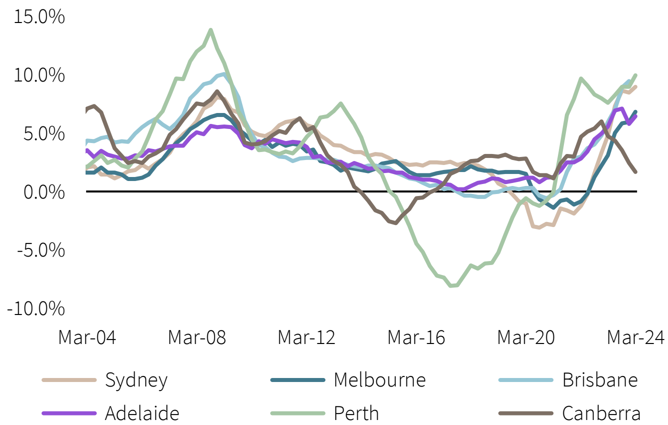
Rental Vacancy (%)



Source: SQM Research as at Mar-24

Vacancy in Perth and Adelaide has now been around 0.5% for an extended period, while the major east coast capitals are all currently just over 1%. Canberra has been slightly higher but has peaked and has fallen recently.

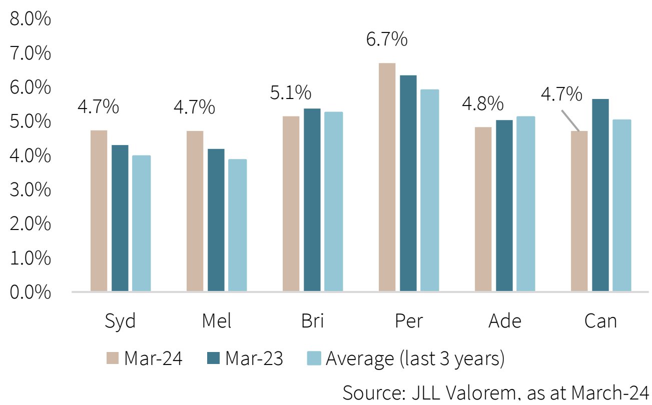
CPI Rental Growth (Annual % change)



Source: ABS, JLL Research as at Mar-24

CPI rental data represents 'passing rents' and is still very strong in most markets as existing leases expire and tenants are reset to rents closer to recent asking rents. Nationally rents grew 7.8% over the year to Mar 2024.

Gross Rental Yields (%)



Source: JLL Valorem, as at March- 24

While apartment prices have returned to strong growth recently in some markets, continued strong rental growth has kept gross yields remain higher than 3-year average levels in most markets.

2-Bedroom Apartment Asking Rents (% change)

City	1-Month	3-Months	Annual	3-years
Sydney	2.9%	-2.8%	12.9%	40.0%
Melbourne	0.0%	1.9%	14.6%	31.0%
Brisbane	5.5%	5.5%	16.0%	43.2%
Perth	3.4%	3.4%	20.0%	50.0%
Adelaide	2.2%	2.2%	9.5%	31.4%
Canberra	-2.5%	-2.5%	-2.0%	14.7%

Source: JLL Valorem, as at March-24

Outlook and Key Risks

Apartment under-supply to build

The medium-term demand/supply balance for apartments is tipping further into under-supply over the next few years. However, in the short-term there remains headwinds on consumers that will keep the market somewhat more subdued. A likely delay in interest rate cuts until 2025 will keep financial pressure on households and a further rise in listings in the existing sale market will dampen price pressures somewhat.

However, construction will remain muted and growing supply shortages will assert themselves on market dynamics over the medium-term. This likely means further robust price growth for existing apartment prices and a rise in pricing of new mass-market development stock to compensate for higher project costs.

There will also be little supply relief for tight rental markets across the country. Nevertheless, affordability will increasingly slow the rate of further rental growth back to more in line with wage growth.

National Apartment Market Outlook

Short-Term (Next 12 months)		Medium-Term (2-4 years)
↗	**Demand**	↑
→	**Supply**	→
→	**Prices**	↗
↗	**Rent**	↗

Key Risks

Demand risks are moderate, but persist

A number of financial headwinds remain for Australian households, while global macroeconomic and financial market downside risks remain, particularly in relation to ongoing geopolitical risks that still have the possibility of escalating into wider global conflicts. This could potentially put upward pressure on oil prices and stifle the fall in global inflation, keeping interest rates higher and households under pressure.

While these demand risks have been present for some time and have not materialised, they remain relevant. Nevertheless, their impact would only be moderate since the relatively low level of current apartment market demand means there is only limited further downside risk.

Policy mistake risks are still high

It has long been a very fine balance for central banks globally between cutting rates too early and risking over-stimulating the economy and housing markets or cutting too late and risking dampening domestic economies too far and pushing them into recession. In Australia (and the US) it appears the risks have swung back towards cutting early, with strong recent employment, inflation and house price data all seemingly supporting waiting longer.

Aside from monetary policy risks, Australia's housing supply shortages now raises risks that reactionary governments of all levels introduce poorly planned further demand-side policies, or rental caps that could have unintended consequences on supply long-term and indeed worsen the shortages by discouraging investment.

Development delivery risks remain extreme

For developers, financiers and investors the most pressing risk in projects at present is ensuring construction is delivered on time, on budget or at all. Cost growth is moderating but has not gone and there remains significant risks around securing construction capacity in many cities in a tight market and risk of more builder collapses.

The worst of these risks has likely passed in the major capitals (Sydney and Melbourne) as more capacity comes back into the construction sector. However, risks remain higher in smaller cites where capacity is still more constrained, particularly in Southeast Queensland where infrastructure projects are 'crowding out' apartment construction.

Hot Topic

Quantifying Southeast Queensland's supply shortages

Over recent quarters we have frequently noted that Southeast Queensland (SEQ) is facing particularly acute apartment supply shortages due to a combination of very strong population growth and extreme constraints on construction labour as major infrastructure projects 'crowd out' apartment construction projects. JLL's Leigh Warner recently spoke at the Urban Developer's SEQ Developer Forum and attempted to quantify this level of under-supply. The results are very concerning, the region is falling well behind implicit attached dwelling targets set out in the Southeast Queensland Regional Plan 2023, particularly in the Brisbane City Council and Gold Coast areas that are currently building only around half the target levels. There is also some doubt the targets are even high enough given recent record population growth.

SEQ Regional Plan targets are far from being met

The Queensland State Government released an update of SEQ's regional growth plan in 2023. The plan acknowledges the extreme population pressures the region faces, noting current ABS population projections are for an additional 2.2 million people over the 25 years from the 2021 Census, taking the region to above 6 million people by 2046. This translates to a need for around 900,000 new homes.

The regional plan pushes for a lot this growth (around 29% of it) to be accommodated by 'gentle density' which is essentially house block subdivision for low-rise attached dwellings (duplexes or townhouses). Another 31% of growth is expected to be in medium and high-rise attached dwelling, leaving just 40% of growth in new detached houses.

However, naturally these targets are not consistent across the region. LGA's like the Brisbane City Council and Gold Coast that have much less greenfield development opportunity left for detached house construction are expected to be much more focused towards infill growth via attached dwellings.

The chart below across all of larger LGAs in the region, attached dwelling construction both over 2023 and the last five years was well below target levels. Brisbane and the Gold Coast were less than half their target, while some of the smaller further out LGA's (Ipswich, Logan and Moreton Bay) were even further below targets. This reflects project economics – it cost similar to build an apartment in Ipswich as it does in Inner Brisbane (because construction costs dominate land costs) and end prices in locations further out can simply not justify projects.

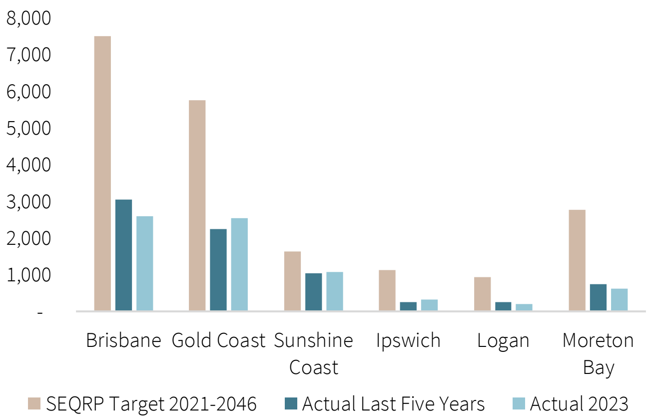
Is the shortfall even worse than it looks?

There are two factors that lead us to believe the attached dwelling targets could in fact already be too low and the shortfall of attached dwellings worse than it first appears.

Firstly, even though the regional plan was only released in 2023, recent population growth has far exceeded even 'high' ABS population growth figures (see chart below). While this current overseas migration boom may well just be borrowing from future growth and mean lower out-year growth rates, it still means that SEQ is starting from an even worse position of under-supply and it will take a long-time to catch up.

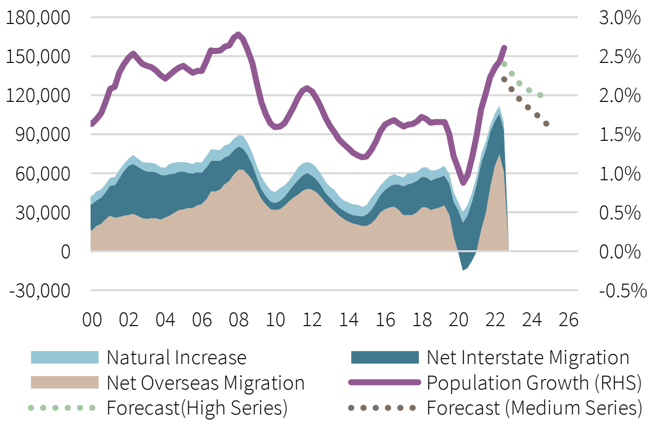
Secondly, planners are acknowledging that attached dwellings need to be a larger share of dwellings moving forward, but they could still be under-estimating by how much. Affordability has pushed new detached dwellings beyond the reach of most first homebuyers recently, which may ultimately mean more start in an apartment or townhouse and stay in that dwelling type longer.

Attached Dwelling Construction by LGA (per annum)



Sources: ABS, JLL Research

Qld Population Growth (Annual, people)



Sources: ABS, JLL Research

Build-to-Rent (BTR)

Summary

While the fundamental drivers of BTR in Australia remain unquestionably strong, tax uncertainties and higher bond rates the past year have stalled the flow of capital into the sector and significantly constrained construction commencements. Nevertheless, the pipeline of projects has grown strongly the past few years as the market looks to capitalise on strong drivers such as an already tight rental market, lower levels of new build-to-sell investor stock entering the market, strong population growth and ongoing housing affordability issues causing continued growth in rental demand. Public sector support has also grown in the face of housing supply crisis, albeit the final format crucial managed investment trust (MIT) tax arrangements due to start on 1 July have created some uncertainty. The resolving of these issues and more stability in financial markets should hopefully see activity steadily resume in coming quarters. Operational BTR assets continue to perform strongly against the backdrop a tight rental market.

Key Statistics (As at Q1 2024)

5,183

Operational BTR Stock
150 apartments completed in Q1

10,506

Under construction
Of which, 1,824 are due to complete in 2024

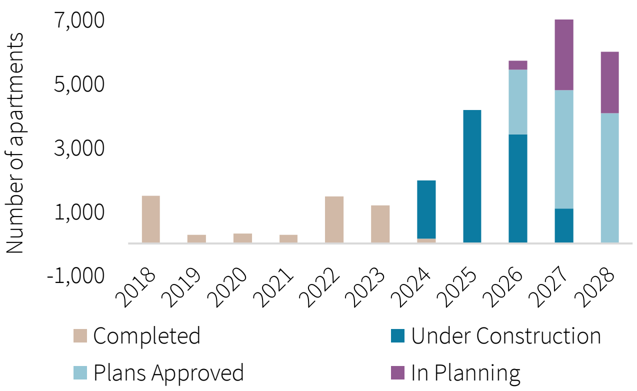
13,317

Plans Approved
Plans approved has increased 124% since Dec-22

9,488

In Planning
Plans approved has increased 4% since Dec-22

Australian Institutional BTR Supply Pipeline



Source: CoreLogic, JLL Research as at Apr-24

Market Fundamentals

The backdrop for BTR at present remains strong. Rental vacancy is estimated to be 1.0% nationally in March 2024 (SQM Research) and very strong growth in asking rents has been achieved over the past 18 months in all capital cities (see Rental Market section).

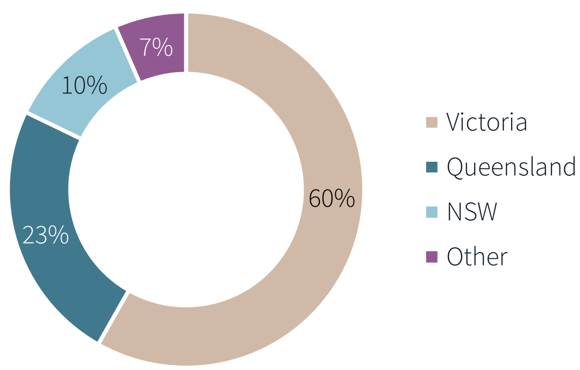
This tight rental market is attributable to a range of factors including the rebound in migration and foreign students to record levels and the limited level of new investor-grade build to sell (BTS) apartment stock currently completing.

The pressure on governments of all levels to address housing market pressures has resulted in a number of policy support measures for BTR. Most significantly, the May-23 Federal Budget reduced the withholding tax rates for foreign investors in Managed Investment Trusts (MIT's) from 30% to 15% and accelerated depreciation tax allowances for eligible BTR projects. However, this is not enacted until 1 July 2024 and uncertainty about the finer details, plus issues in relation to cross-border 'thin capitalisation' tax arrangements and GST input credits are creating some investor uncertainty at present.

State government support has also increased with most major states now reducing land tax on eligible BTR projects and a range of other measures introduced. Many initiates have been tied to affordable housing objectives, which has caused further conjecture on definitions and what actually has to be delivered.

Despite these uncertainties, the pipeline of BTR supply has still grown significantly the past year. The recent completion of Pellicano's Hillard House in Brisbane follows several completions in late-2023 and takes operational stock past 5,000 apartments. This stock should more than double by the end of 2025 and supply should pick up further in 2026-2028. In total, JLL is now tracking 38,494 apartments at various stages of development, up 56% since Dec-2022.

Australian BTR Pipeline by State



Source: CoreLogic, JLL Research as at Apr-24

Build-to-Rent (BTR)

At development approval level, the number of new BTR projects remains strong which in part reflects the current difficulties in delivering large BTS projects. Having no selling period remains a distinct advantage for BTR.

Despite a large increase in the pipeline of BTR projects, it is important to recognise that this pipeline is still moderate in the context of broader apartment development in Australia. That is, Australia has typically been building in excess of 50,000 apartments per annum over recent decades. As such, even if every proposed BTR apartment in the pipeline between 2023 and 2029 is built, it still only translates to around 10% of typical apartment supply over this period. This is against an environment where build-to-sell apartment development is around 40-50% lower than recent peak levels, so BTR is not at a scale yet where it is making much difference to Australia's broader housing supply shortages.

There remains very limited data on operational assets at this early stage. Most of the projects completed to date were initially leasing up very quickly (at ~25-40 apartments per month). Anecdotally, this slowed in late-2023 but there has been a seasonal increase again in 2024 aided by the tight market conditions. Those projects completed over the past two quarters also reportedly have experienced strong initial leasing interest. The few projects that have reached a stabilised occupancy level (UBS's Smith Collective on the Gold Coast, Sentinel's Element 27 in Perth, Mirvac's Liv Anora in Sydney, Blackstone's Realm Kangaroo Point and Arklife's Robertson Lane in Brisbane), have all enjoyed strong rental uplift over the past 18 months. Overall, it remains fair to say that most operational BTR stock has been very strongly received by the market to date and that performance has met or exceeded initial underwriting.

Investment Market

With BTR in its early development stage, there is not yet an actively traded investment market for stabilised assets in Australia. Nevertheless, there has been a considerable amount of capital raised over recent years for Australian BTR. The majority of this capital has been for programmatic partnerships focused on develop- to-core strategies with some one-off project transactions.

Transaction activity in 2023 included the Lendlease and QuadReal joint venture partnership in Brisbane (advised by JLL), the fund-through partnership between Lendlease and Daiwa House for A$650m (advised by JLL) and the Mirvac BTR Venture.

Higher and volatile bond rates globally have made capital market conditions challenging for all real estate sectors recently and BTR was not immune from these pressures, nor from construction cost pressures. As such, new capital raising has been challenging since mid-2023, particularly with tax uncertainties adding to investors' caution towards the sector.

Nevertheless, bond yields have retreated slightly recently and the strength of market fundamentals has kept investor interest strong relative to most commercial property sectors. This is born out in numerous global investor surveys that still have BTR/Multifamily at the top of investors' priority lists. As such, as regulatory arrangements become clear in coming months, we expect more activity to re-emerge over the second half of 2024. As occurred in other emerging BTR markets, we also expect development fund-through transactions to become more prevalent the next few years.

> "There has been a pause in the flow of capital recently, but the fundamentals of BTR in Australia are not in doubt and investors will come back once current uncertainties are resolved"
>
> **Jack Bergin,** Head of Living **Capital Markets - Australia**

Transaction: Melbourne Quarter

In June-2023, Lendlease entered into a Joint Venture partnership with Daiwa House to fund the development of Melbourne Quarter West, a 797 apartment BTR project located in the Melbourne Quarter precinct. It will be Australia's largest purpose built BTR project upon completion.

The transaction was structured on a fund-through basis with Daiwa House acquiring a 75% interest for AUD 650 million and Lendlease retaining a 25% interest. Lendlease will act as the development manager, investment manager and operator.

Sydney

Summary

Conditions in Sydney's apartment market vary significantly. Premium suburbs closer to CBD are experiencing strong demand for luxury boutique projects, driven by downsizers who are taking advantage of their substantial equity and are willing to pay higher prices. As a result, these markets are achieving record prices and strong sales rates. On the other hand, larger developments, particularly in Western Sydney, are struggling to attract buyers and construction has slowed down. The high land values in Sydney make it challenging for build-to-rent (BTR) projects compared to other cities, despite an increase in planning submissions the past year. Overall, the supply of apartments in Sydney is expected to remain moderate and not increase significantly in the coming years. Rental vacancy rates are low, but the growth in asking rents has slowed due to affordability constraints.

> "Project feasibility pressures in Western Sydney are likely to result in more forced site sales as the year progresses, but so far there hasn't been many transactions due to very different buyer and vendor price expectations"

Bill Fatourous, Senior Director
Valuation and Risk Advisory

8,894

Apartments Under Construction (Inner Sydney)
As at Q1 2024, JLL Research

35,875

Sydney Unit Sales (New and Existing)
Annually to March 2024, JLL Valorem

$844,659

Median Unit Price (Greater Sydney)
6.2% yoy, as at Apr 2024, CoreLogic

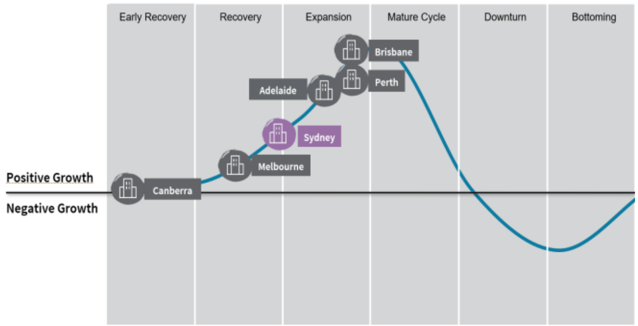
1.1%

Rental Vacancy (Greater Sydney)
As at Mar 2024, SQM Research

4.7%

Gross Apartment Yield (Greater Sydney)
As at Mar 2024, JLL Valorem

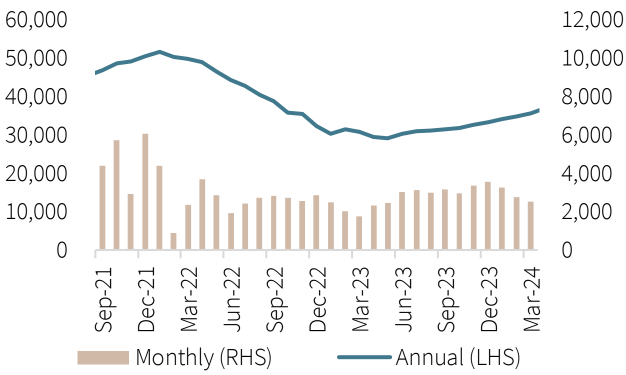
Sydney Apartment Market Cycle



Source: JLL Research, as at Q1 2024

Sydney's apartment market recovery seemed to be losing some steam in late-2023 but has started 2024 strongly as the lack of available existing and new stock has boosted price growth.

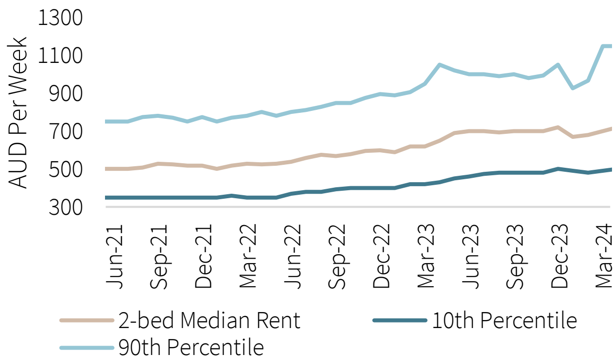
Greater Sydney Unit Sales (New and Existing)



Source: JLL Research, as at Q1 2024

Apartment sales volumes have been rising steadily for some time and this has continued in 2024. However, sale volumes remain low relative to 2021 peaks.

Greater Sydney 2-Bed Unit Rents



Source: JLL Research, as at Q1 2024

Sydney rents continue to rise, but growth is slowing. 2-bed unit rents are still 12.9% higher over the past year and around 40% higher over the past three years.

Sydney

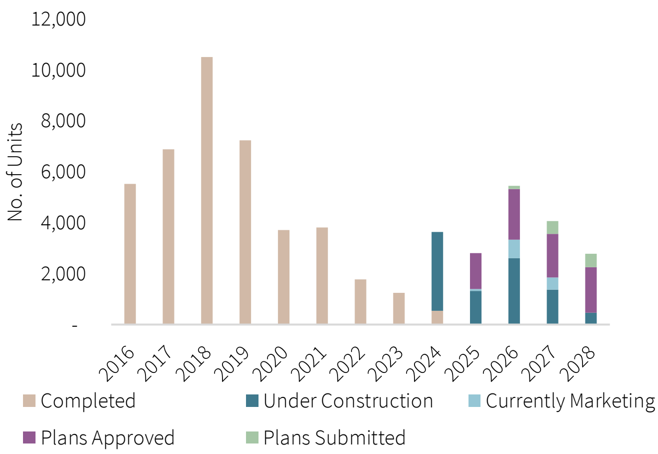
Inner Sydney Supply Summary

Project completions in Inner Sydney were limited in Q1 2024, with just three in the quarter totalling 543 apartments.

Completions appear to have reached a trough in 2023 and will rise in 2024. Nevertheless, supply levels are likely to stay at moderate levels for an extended period, reflecting the handbrake that higher construction and financing costs have put on larger BTS project commencements.

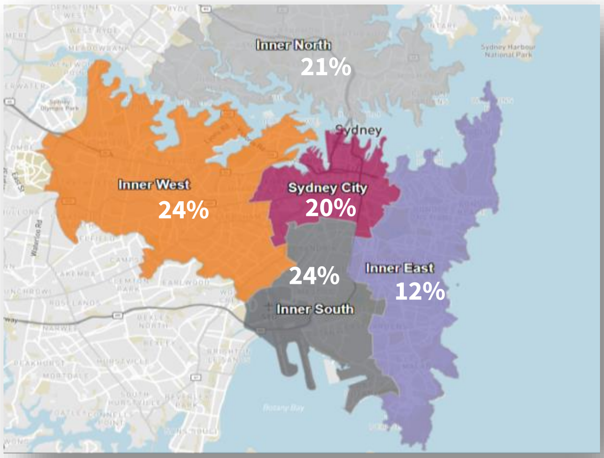
The development environment in Sydney remains challenging due to high construction, finance, and land costs all testing project feasibilities. However, smaller boutique developments have fared better, especially in desirable locations for downsizers who remain the key buyers driving pre-sales. As such, this demand for premium boutique stock is concentrated in the Inner City. In contrast, Western Sydney faces additional challenges in terms of passing on cost increases and finding financially feasible land for construction.

Inner Sydney Apartment Supply



Source: JLL Research, as at Q1 2024

Under Construction (By Precinct)



Source: JLL Research, as at Q1 2024

Inner Sydney Apartment Supply (By Stage and Precinct)

Stage	Sydney City	Inner North	Inner South	Inner East	Inner West	Grand Total
Completed (2024)	0	0	271	0	272	543
Under Construction	1747	1,850	2124	1,080	2093	8,894
Currently Marketing	168	232	666	142	57	1,265
Plans Approved	968	223	2825	827	2053	6,896
Plans Submitted	237	780	100	57	0	1,174
Total	3,120	3,085	5,986	2,106	4,475	18,772

Source: JLL Research, as at Q1 2024

Sydney Apartment Market Outlook

High Sydney dwelling prices and debt levels will continue to constrain many households from making housing decisions with high interest rates and limited credit availability. However, demand for apartments is expected to recovery earlier than houses due to affordability. The return of strong migration and foreign student levels, along with increasing foreign investor activity, will further boost the underlying demand for Sydney apartments. The rental market is likely to remain tight, but growth in rents will be tempered by affordability. In the medium-term, apartment prices are expected to experience solid growth as supply shortages become more pronounced.

Outlook Summary

Short-Term (Next 12 months)		Medium-Term (2-4 years)
↗	**Demand**	↗
↗	**Supply**	→
→	**Prices**	↗
→	**Rent**	↗

Melbourne

Summary

Melbourne's apartment market remains subdued. However, market fundamentals are improving as demand is boosted by a rebound in migration and foreign students to record levels and as new supply additions dry up. This is evident in the rental market, where vacancy is low and rents continue to grow. Increased underlying demand has also helped soak up remaining residual sale stock from the last construction cycle. With this residual stock now largely gone, apartment pre-sales demand should rise, particularly with foreign investor activity also steadily increasing. Where demand is still stronger is for high-end owner occupier stock aimed at downsizers and this remains a large focus of developers. BTR activity also remains strong in Melbourne, but it won't be enough to offset the broader drop in supply levels over the next few years and the rental market will remain tight.

> "We continue to see significant depth of bidding for quality residential sites in Melbourne, but sites that can't substantiate a higher sales rate to offset construction costs are under more strain"

Jesse Radisich, Director
Development Site Services

8,243
Apartments Under Construction (Inner Melbourne)
As at Q1 2024, JLL Research

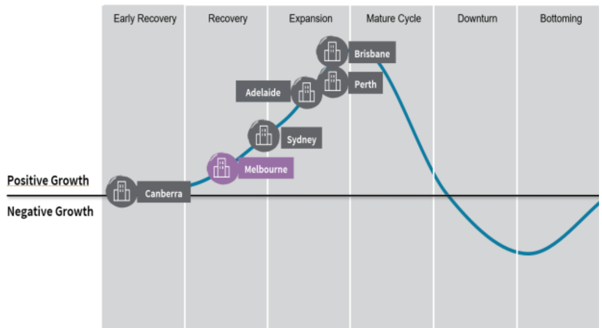
40,742
Melbourne Unit Sales (New and Existing)
Annually to Mar 2024, JLL Valorem

$613,023
Median Unit Price (Greater Melbourne)
2.5% yoy, as at April 2024, CoreLogic

1.1%
Rental Vacancy (Greater Melbourne)
As at Mar 2024, SQM Research

4.7%
Gross Apartment Yield (Greater Melbourne)
As at Mar 2024, JLL Valorem

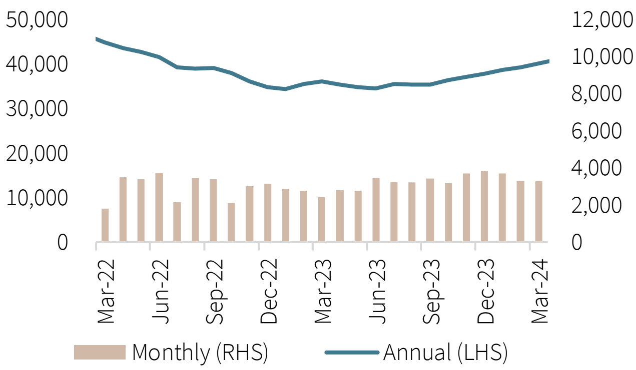
Melbourne Apartment Market Cycle



Source: JLL Research, as at Q1 2024

Melbourne's recovery has lagged many other markets, but supply from past cycles is largely gone and market balance is swinging toward under-supply.

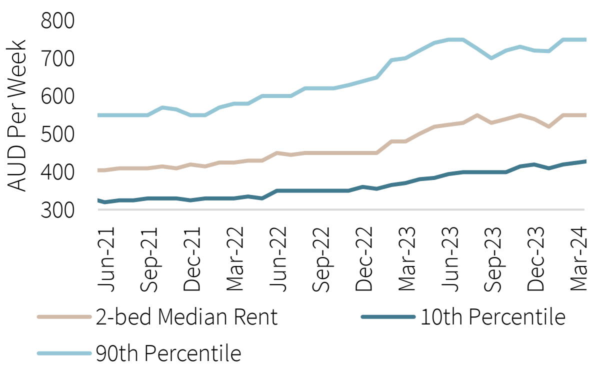
Greater Melbourne Unit Sales (New and Existing)



Source: JLL Research, as at Q1 2024

Apartment sales volumes have been rising steadily for some time are around 13% higher over the year to Mar 2024 but still around 14% below late-2021 peaks.

Greater Melbourne 2-Bed Unit Rents



Source: JLL Research, as at Q1 2024

After falling early in COVID-19, Melbourne rents have not grown as much as other markets the past 3 years but have gained momentum in 2024 while other cities slow.

Melbourne

Inner Melbourne Supply Summary

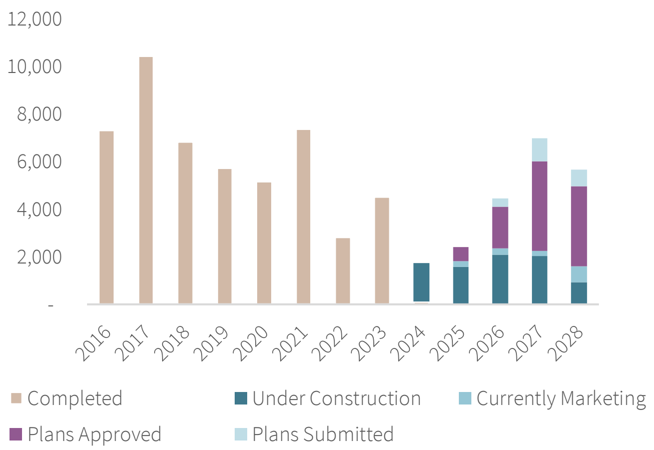
Just one project completed in Inner Melbourne in Q1, adding 115 apartments in Carlton. Further, only 1,725 apartments are expected to complete in 2024, which compares to 4,521 last year and an average 6,275 the last 8 years. 2024 should prove the trough of the cycle, but completions are only likely to rise moderately in 2025.

The pipeline suggests a lift in supply from 2026 to 2028. However, despite developer confidence toward the market outlook, large BTS projects remain very difficult to progress in the current environment.

The Melbourne City precinct remains around half the supply under construction and large share of the overall pipeline to 2028. Much of this in recent years has been BTR projects, but BTR project commencements have also dried up in recent quarters as the flow of capital into the sector has paused.

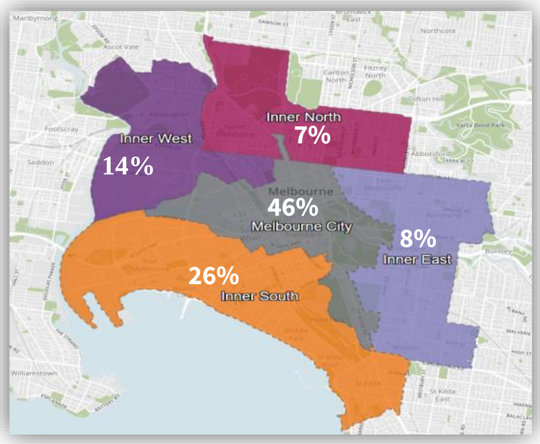
While conditions remain challenging for larger projects, optimism is still high for smaller boutique projects in premium locations, driven by still strong owner occupier demand.

Inner Melbourne Apartment Supply



Source: JLL Research, as at Q1 2024

Under Construction (By Precinct)



Source: JLL Research, as at Q1 2024

Inner Melbourne Apartment Supply (By Stage and Precinct)

Stage	Inner North	Inner South	Melbourne City	Inner East	Inner West	Total
Completed (2023)	115	0	0	0	0	115
Under Construction	538	2,153	3802	625	1125	8,243
Currently Marketing	226	75	1103	0	0	1,404
Plans Approved	1,517	2,778	4128	372	649	9,444
Plans Submitted	1011	328	278	399	0	2,016
Total	3,407	5,334	9,311	1,396	1,774	21,222

Source: JLL Research, as at Q41 2024

Melbourne Apartment Market Outlook

Financial pressures on households and borrowing capacity will likely keep the recovery of apartment demand muted in the short-term. But over the medium-term the strength of underlying demand growth from strong population inflow and continued low levels of new supply will see market balance continue to swing towards an under-supply. With little supply relief for the already tight rental market, upward pressure on rents are likely to continue for some time yet. Existing apartment price growth should also gain momentum over the medium term as market balance swings and as build-costs push pricing of new stock.

Outlook Summary

Short-Term (Next 12 months)		Medium-Term (2-4 years)
↗	**Demand**	↗
↘	**Supply**	→
→	**Prices**	↗
↗	**Rent**	↗

Brisbane

Summary

Brisbane's apartment market remains bereft of new supply after several years of very low levels of completions. While the intention to build has lifted, still few large-scale apartment projects are progressing to construction due to construction resources being more focused towards infrastructure and Olympic projects. BTR project starts have also largely stalled due to high bond rates and impending tax changes largely halting the flow of capital for the time being. However, there remains strong demand for small boutique projects, particularly from downsizers. The rental market remain very tight and rents continue to grow, albeit affordability is starting to temper the rate of growth. Existing apartment prices have grown rapidly over the past year and upward pressures are likely to remain as affordability pushes demand toward apartments and due to cost-push pressures on build costs.

> "Despite strong population growth and low rental vacancy, Brisbane remains a market where built form projects are extremely difficult to progress to the construction stage due to labour shortages"

Ross Murray, Director
Valuation Advisory

4,504

Apartments Under Construction (Inner Brisbane)
As at Q1 2024, JLL Research

7,858

Brisbane Unit Sales (New and Existing)
Annually to Mar 2024, JLL Valorem

$600,215

Median Unit Price (Greater Brisbane)
17.4% yoy, as at Apr 2024, CoreLogic

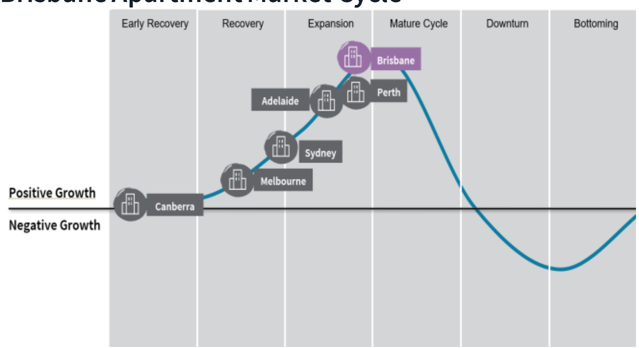
1.0%

Rental Vacancy (Greater Brisbane)
As at Mar 2024, SQM Research

5.4%

Gross Apartment Yield (Greater Brisbane)
As at Mar 2024, JLL Valorem

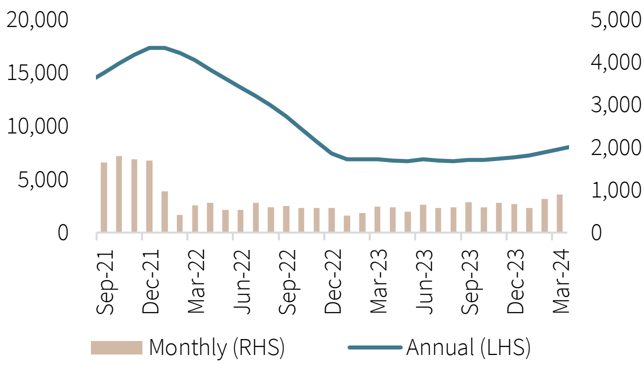
Brisbane Apartment Market Cycle



Source: JLL Research, as at Q1 2024

Brisbane apartment prices have been growing strongly over recent quarters reflecting the growing supply shortages and cost-push pressures on new product.

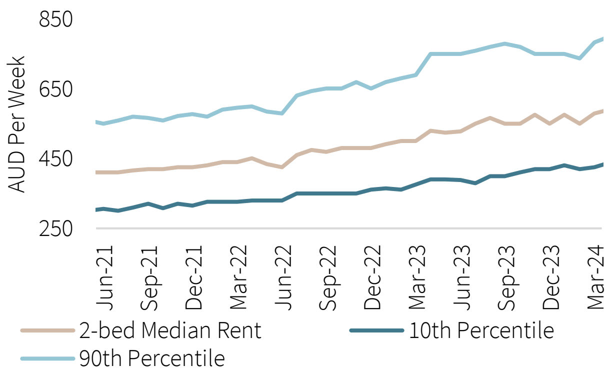
Greater Brisbane Unit Sales (New and Existing)



Source: JLL Research, as at Q1 2024

Apartment sales volumes have been rising steadily for some time and this has continued in 2004. However, sale volumes remain low relative to 2021 peaks.

Greater Brisbane 2-Bed Unit Rents



Source: JLL Research, as at Q1 2024

Brisbane rents continue to rise strongly. 2-bed unit rents grew 16% higher over the year to Mar-24 and around 43% higher over the past three years.

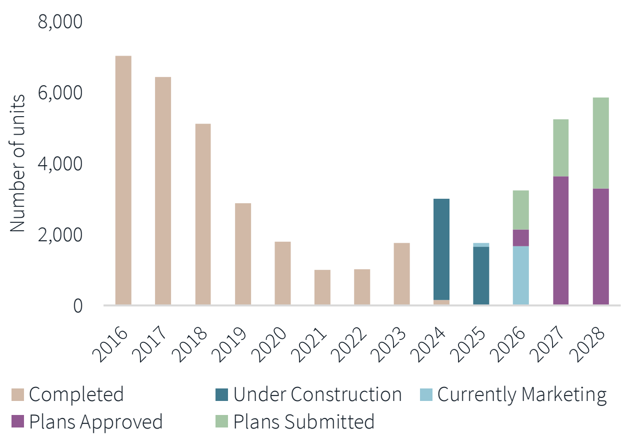
Brisbane

Inner Brisbane Supply Summary

Brisbane apartment supply rose slightly in 2023 and will likely rise again in 2024, but the level of completions remains moderate and is likely to stay moderate for some time yet due to still very challenging development conditions. While the intention to build has increased, intending to build and actually executing remain two very different things and we have continued to see projects abandoned or postponed due to difficulties securing a builder at reasonable costs. Major infrastructure projects continue to be the focus of major head contractors.

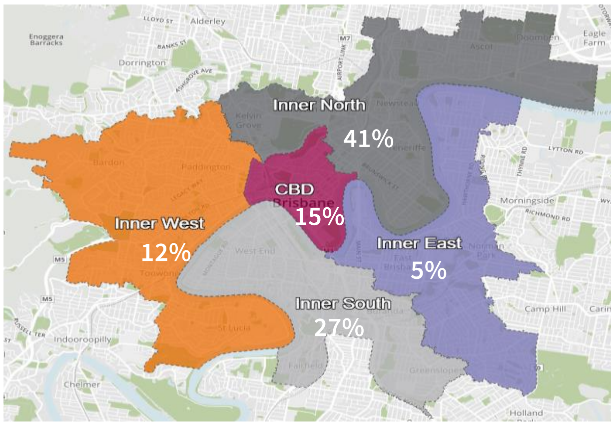
One project completed in Q1, Pellicano's 150 unit Hillard House BTR project. Completions in 2024 are expected to be around 3,000, which is a vast improvement on recent years but still well short of the level of supply justified by strong population growth. Indeed, attached dwelling completions right across Southeast Queensland are currently running at less than half target levels in regional plan. With large BTS projects still challenging to progress and the BTR pipeline also largely stalled for now, it is likely under-supply levels will only grow from here.

Inner Brisbane Apartment Supply



Source: JLL Research, as at Q1 2024

Under Construction (By Precinct)



Source: JLL Research, as at Q1 2024

Inner Brisbane Apartment Supply 2024-2028 (By Stage and Precinct)

Stage	Brisbane CBD	Inner North	Inner East	Inner South	Inner West	Total
Completed (YTD)	-	-	-	150	-	150
Under Construction	667	1,855	235	1,219	528	4,504
Currently Marketing	819	-	345	463	145	1,772
Plans Approved	1,241	2,629	100	3,104	326	7,400
Plans Submitted	305	1,216	1,127	1,580	1,049	5,277
Total	**3,032**	**5,700**	**1,807**	**6,516**	**2,048**	**19,103**

Source: JLL Research, as at Q1 2024

Brisbane Apartment Market Outlook

The supply shortage in Brisbane's apartment market will only get worse as the demand recovery continues to build momentum and supply completions remain moderate for at least several more years. Despite the will to develop, the practical challenges of delivering major apartment projects will remain for some time to come. Tight rental market conditions are also unlikely to change, but rental growth will be somewhat constrained by wage growth as affordability is tested. Price growth is likely to remain strong, not only supported by market balance but by cost-push pressures on build costs for new apartments.

Outlook Summary

Short-Term (Next 12 months)		Medium-Term (2-4 years)
↗	**Demand**	↑
↗	**Supply**	→
↗	**Prices**	↑
↗	**Rent**	↗

Perth

Summary

Perth's apartment market is experiencing its strongest upswing since the end of the last mining boom almost a decade ago. Demand for new apartments is still only rising steadily, but market balance is tight after an extended period of limited supply additions. Perth median unit prices have surged strongly due to the limited availability of existing stock and its affordability relative to houses and other markets. Developers marketing new stock (which is not many) have also reported a lift in off-the-plan sales, but largely dominated by owner occupiers in a still thin investor market. Developers have been buoyed by more construction cost certainty and rising construction capacity, which should steadily lift construction levels. Perth's rental market remains extremely tight and rental pressures are strong, although affordability is starting to temper rental growth a little.

> "There are some signs that Perth construction capacity is starting to increase as some mining and infrastructure projects wind down, which will be welcomed by apartment developers who have struggled to secure resources recently"
>
> **Craig Carroll,** Director
> **Valuation Advisory**

1,834

Apartments Under Construction (Inner Perth)
As at Q1 2024, JLL Research

9,431

Perth Unit Sales (New and Existing)
Annually to Mar 2024, JLL Valorem

$508,988

Median Unit Price (Greater Perth)
19.6% yoy, as at Apr 2024, CoreLogic

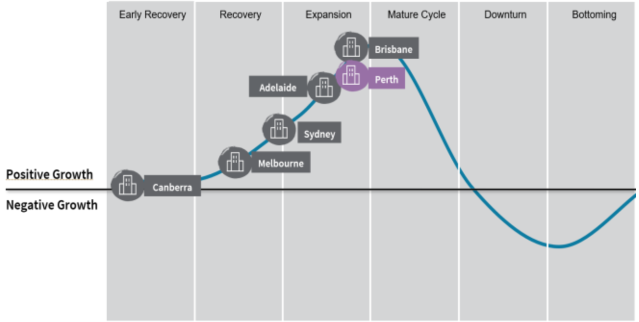
0.5%

Rental Vacancy (Greater Perth)
As at Mar 2024, SQM Research

6.8%

Gross Apartment Yield (Greater Perth)
As at Mar 2024, JLL Valorem

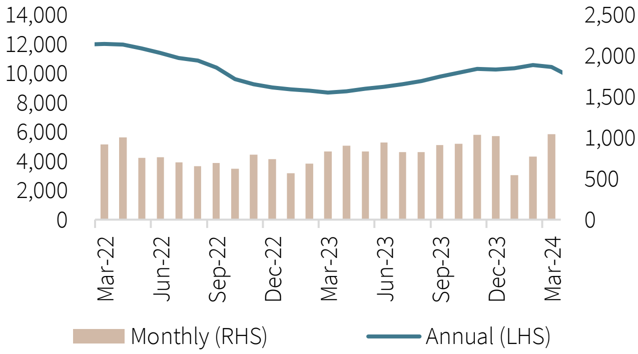
Perth Apartment Market Cycle



Source: JLL Research, as at Q1 2024

After an extended period of under-performance, Perth has been the fastest growing market recently as prices start to 'catch-up' to the east coast markets.

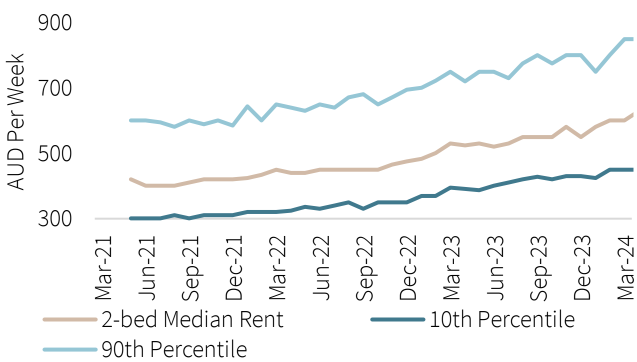
Greater Perth Unit Sales (New and Existing)



Source: JLL Research, as at Q1 2024

Apartment sales volumes have been notably slower in the first few months of 2024 after rising through 2023. Nevertheless, the lack of existing and new stock availability is likely affecting volumes

Greater Perth 2-Bed Unit Rents



Source: JLL Research, as at Q1 2024

Perth rents continue to surge in a tight rental market. 2-bed unit rents grew 20% over the year to Mar-24 and are around 50% higher over the past three years, albeit off a low base.

Perth

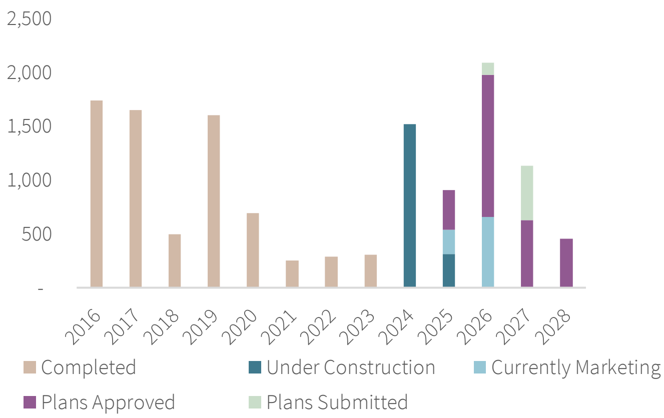
Inner Perth Supply Summary

No projects completed in Inner Perth in Q1 2024 and this follows four years where completions have averaged a very low 385 apartments per year. Nevertheless, completions are expected to lift to just over 1,500 over the remainder of 2024.

While the rise is welcomed in a supply-starved market, it is still only a moderate level of construction for the city. Further, supply appears it will stay moderate over the 2025 to 2028 period in a still challenging development environment.

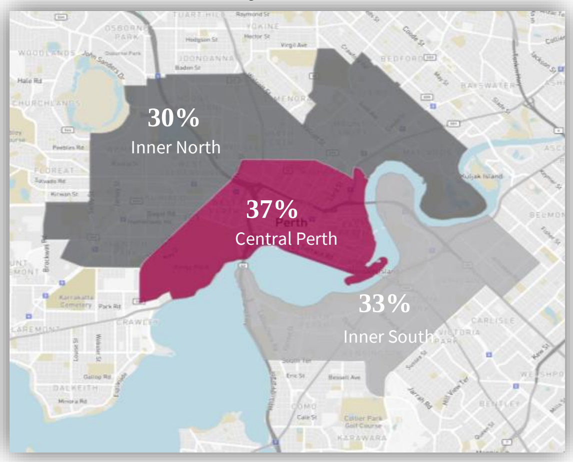
Developers are starting to gain a little more cost certainty and construction resources are starting to free up from other competing sectors. However, it is still not easy to progress larger projects that require pre-sales in an environment where investor demand is limited. Developers are still focused on smaller high-end boutique projects aimed at owner occupiers and this is often still outside the Inner Perth region in premium ocean front areas (such as Scarborough to Freemantle) or riverside locations such as Applecross.

Inner Perth Apartment Supply



Source: JLL Research, as at Q1 2024

Under Construction (By Precinct)



Source: JLL Research, as at Q1 2024

Inner Perth Apartment Supply (By Stage and Precinct)

Stage	Perth Central	Inner North	Inner South	Total
Completed (2023)	0	0	0	0
Under Construction	677	556	601	1,834
Currently Marketing	384	83	413	880
Plans Approved	1,221	657	896	2,774
Plans Submitted	240	170	206	616
Total	2,522	1,466	2,116	6,104

Source: JLL Research, as at Q1 2024

Perth Apartment Market Outlook

Market balance across Perth's apartment market is likely to stay tight. Underlying demand for apartments will continue to rise driven by population growth and a strong local economy. Investor interest in Perth should also lift somewhat due to lower prices and higher returns. While supply will be higher in 2024 and 2025 than it has been the past three years, completion levels will remain moderate. Little supply relief will keep the rental market tight and affordability will likely be the only constraint on rental growth over the medium-term. Strong further 'catch-up' in Perth existing unit prices is expected, supported by a tight market balance and pushed by the increased cost of delivering new stock.

Outlook Summary

Short-Term (Next 12 months)		Medium-Term (2-4 years)
↗	**Demand**	↑
↗	**Supply**	→
↗	**Prices**	↑
↗	**Rent**	↗

Adelaide

Summary

While demand levels remain steady in what is still a shallow apartment market, Adelaide has limited new stock available at present and this is supporting a healthy market balance. Demand is still robust in the owner occupier market, particularly downsizers, and this is supporting a developer focus on quality inner suburban boutique projects. Supply is likely to remain moderate over the next few years with development conditions still challenging and project feasibilities stretched by higher project costs. BTR activity has been very limited in Adelaide, but State Government support is starting to see some projects emerge. Adelaide's rental market remains tight and rents continue to grow, albeit at a slowing pace. Apartment prices in Adelaide largely missed the downturn other markets experienced from 2022 onwards and now it is among the strongest markets leading the current cycle.

> “Long gone are the supply fears of a few years ago and more interstate investors have become interested in Adelaide residential opportunities – both BTS and BTR - over the past year”
>
> **Rick Warner,** Director **Research**

1,089

Apartments Under Construction (Inner Adelaide)
As at Q1 2024, JLL Research

3,554

Adelaide Unit Sales (New and Existing)
Annually to Mar 2024, JLL Valorem

$514,369

Median Unit Price (Greater Adelaide)
14.5% yoy, as at Apr 2024, CoreLogic

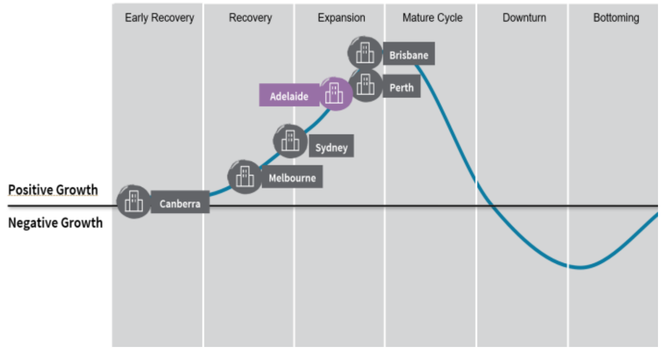
0.5%

Rental Vacancy (Greater Adelaide)
As at Mar 2024, SQM Research

4.9%

Gross Apartment Yield (Greater Adelaide)
As at Mar 2024, JLL Valorem

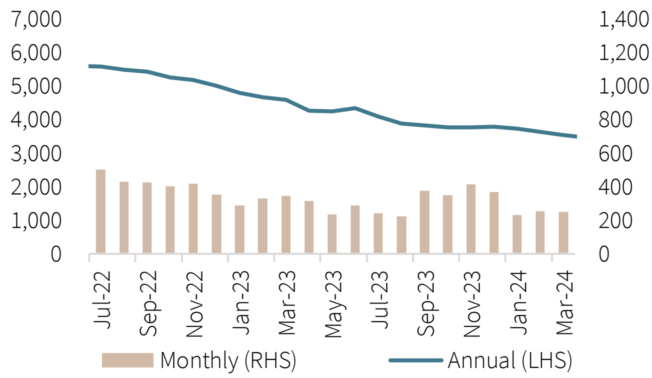
Adelaide Apartment Market Cycle



Source: JLL Research, as at Q1 2024

Existing unit prices in Adelaide have grown very strongly (off a low base), pushed by a tight market balance and increased build costs for new stock.

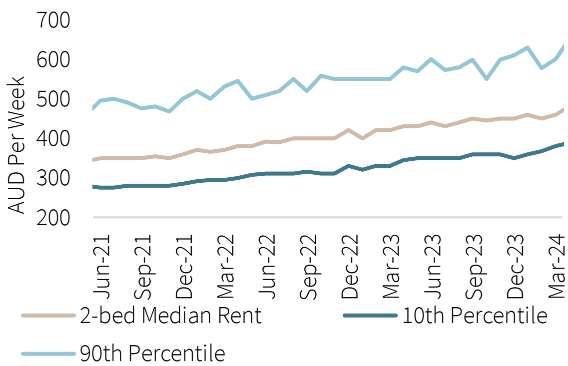
Greater Adelaide Unit Sales (New and Existing)



Source: JLL Research, as at Q1 2024

After picking up over the last four months of 2023, Adelaide apartment sales volumes have been moderate over the first three months of 2024. A lack of availability may at least partially explain lower sales volumes.

Greater Adelaide 2-Bed Unit Rents



Source: JLL Research, as at Q1 2024

Rental growth has slowed in Adelaide in 2024. Nevertheless, 2-bed unit rents are still 9.5% higher over the year to Mar-24 and around 31% higher over the past three years.

Adelaide

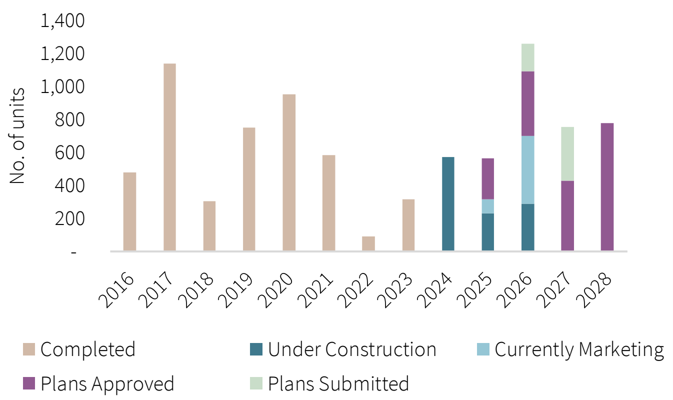
Inner Adelaide Supply Summary

Completions of apartments in Inner Adelaide reached a trough in 2022 when just 91 apartments where completed. This rose to 315 in 2023 and despite no completions in Q1 2024 is expected to reach 571 in 2024 and stay a similar level in 2025. While there is already some potential for supply to pick up further in 2026, the reality is that many of these projects are still not yet committed and will most likely be delayed further in what is still a challenging development environment to meet pre-sales hurdles and commence.

While major BTR operators have largely focused on the east coast to date, some SA State Government driven renewal projects have encouraged some recent activity in the sector in Adelaide. This includes a 250 unit project by Sentinel in Bowden.

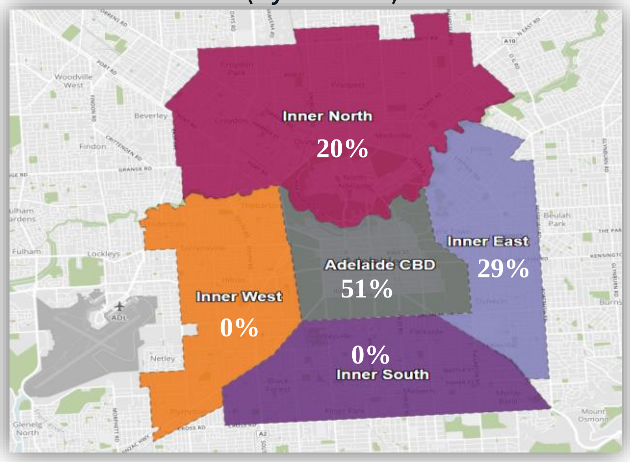
The Adelaide CBD and Inner North remain a large focus of construction and have a lot of development opportunity, but the big increase in interest recently has been in the Inner East that is popular with owner occupiers who are still dominating demand at present.

Inner Adelaide Apartment Supply



Source: JLL Research, as at Q1 2024

Under Construction (By Precinct)



Source: JLL Research, as at Q1 2024

Inner Adelaide Apartment Supply (By Stage and Precinct)

Stage	CBD	Inner East	Inner North	Inner South	Inner West	Total
Completed (2023)	0	0	0	0	0	0
Under Construction	559	315	215	0	0	1,089
Currently Marketing	411	0	0	39	45	495
Plans Approved	975	72	273	366	162	1,848
Plans Submitted	0	32	313	146	0	491
Total	1,945	419	801	551	207	3,923

Source: JLL Research, as at Q1 2024

Adelaide Apartment Market Outlook

We expect apartment living to continue to steadily gain traction in Adelaide, driven by relatively strong population inflow compared to the past and the embracing of apartments by downsizers. This steady demand growth will be met with moderate new supply. While supply will likely increase somewhat over the medium-term, challenging development conditions will ensure new project starts remain limited. Improving market balance and still low level of median prices give good scope for sold apartment price growth over the medium-term. Rental vacancy is also likely to stay low and keep upward pressure on rents, but affordability is likely to temper growth somewhat from recent strength.

Outlook Summary

Short-Term (Next 12 months)		Medium-Term (2-4 years)
↗	**Demand**	↗
↗	**Supply**	→
↗	**Prices**	↗
↗	**Rent**	↗

Canberra

Summary

Canberra's apartment market softened over 2023 but is now stabilising. Apartment supply and demand levels in Canberra have been strong the past decade as apartment living took hold in the city. Unlike other cities, supply remain strong through 2023 in a slower demand environment, and it was absorbing the tail end of this large supply pipeline that slowed the market last year. Nevertheless, the worst appears over. After initially more than doubling, rental vacancy has fallen over recent months and rents have largely stabilised. Similarly existing unit prices appear to be largely stabilising after some moderate declines. Looking forward, more moderate supply levels over the medium-term will help market balance, while apartment demand will continue to be supported by affordability relative to detached houses and by new infrastructure supporting brownfield redevelopment.

> "Canberra's short-lived apartment slowdown already appears largely over and the strong drivers of demand toward apartments in the city longer-term look set to re-assert themselves again as supply levels drop"

Marcus Hon, Senior Director
Valuation Advisory

4,051

Apartments Under Construction (Canberra)
As at Q1 2024, JLL Research

6,998

Canberra Unit Sales (New and Existing)
Annually to Mar 2024, JLL Valorem

$592,879

Median Unit Price (Canberra)
0.0% yoy, as at Apr 2024, CoreLogic

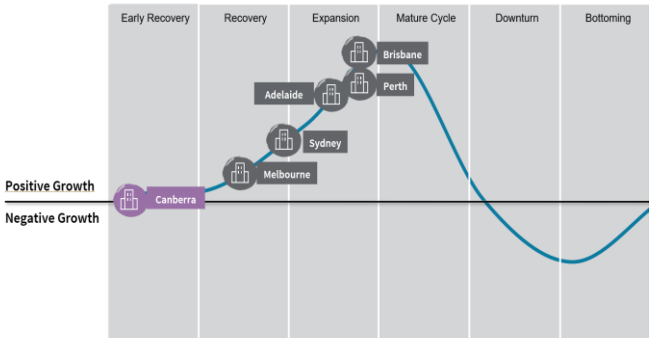
1.6%

Rental Vacancy (Canberra)
As at Mar 2024, SQM Research

4.8%

Gross Apartment Yield (Canberra)
As at Mar 2024, JLL Valorem

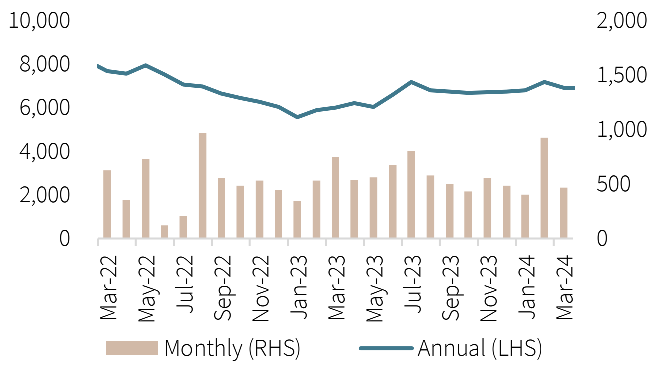
Canberra Apartment Market Cycle



Source: JLL Research, as at Q1 2024

Canberra's apartment market has lagged in this cycle as it absorbs recent supply, but it appears to be stabilising and moving closer toward the start of a recovery.

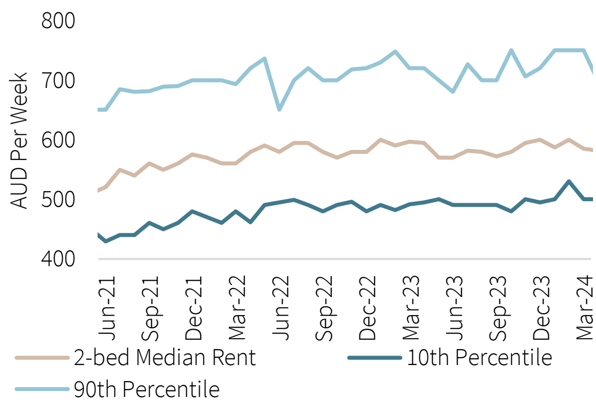
Greater Canberra Unit Sales (New and Existing)



Source: JLL Research, as at Q1 2024

Apartment sales volumes in Canberra have improved slightly in early-2024 and this has lifted annual sales rates to robust levels, albeit still below 2022 peak levels.

Canberra 2-Bed Unit Rents



Source: JLL Research, as at Q1 2024

Canberra apartment rents have been under some downward pressure the past year as the market absorbs some recent completions, but the worst appears over.

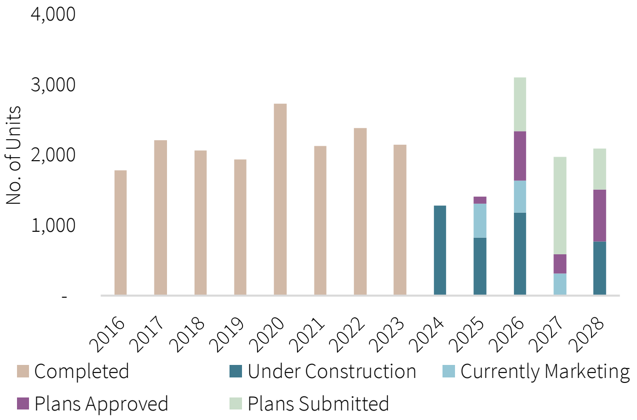
Canberra

Canberra Supply Summary

Apartment supply levels in Canberra held up through 2023 more than other markets, with 2,142 apartments completed which was very close to the average level of completions since 2016. However, no completions were recorded in Q1 2024 and completions are expected to fall to around 1,279 over the year and stay a similar level in 2025. This is somewhat a welcome breather for Canberra after a sustained period of strong supply. The pipeline from 2026 to 2028 suggests some increase, but many of these projects are not yet committed.

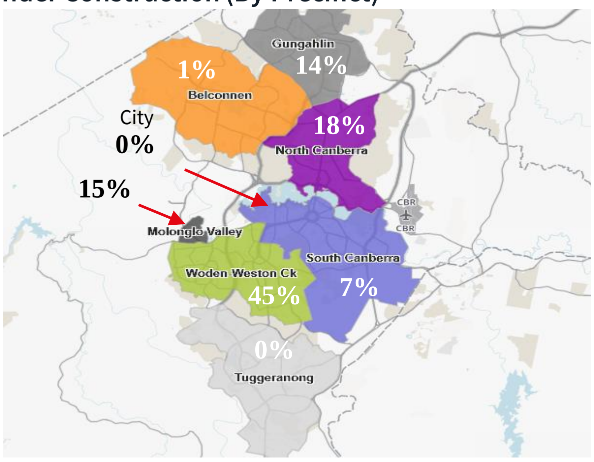
While development and securing pre-commitments remains a little harder at present, developers remain confident about the prospects for apartments longer-term in Canberra. As well as some strong redevelopment opportunities to align to new infrastructure, the price point is likely to support underlying demand for apartments in Canberra due to particularly unaffordable detached housing. Interest in BTR in Canberra has also increased the past year, with several new projects by national operators emerging in recent quarters.

Canberra Apartment Supply



Source: JLL Research, as at Q1 2024

Under Construction (By Precinct)



Source: JLL Research, as at Q1 2024

Canberra Apartment Supply (By Stage and Precinct)

Stage	City	Inner North	Inner South	Gungahlin	Belconnen	Molonglo	Woden Valley	Tuggeranong	Total
Completed (2023)	0	0	0	0	0	0	0	0	0
Under Construction	0	713	282	559	50	611	1836	0	4,051
Currently Marketing	332	186	67	0	456	0	207	0	1,248
Plans Approved	120	783	0	314	345	57	189	0	1,808
Plans Submitted	155	225	188	835	539	492	0	299	2,733
Total	607	1,907	537	1,708	1,390	1,160	2,232	299	9,840

Source: JLL Research, as at Q1 2024

Canberra Apartment Market Outlook

Market balance should continue to improve in Canberra over the medium-term. Underlying demand will be supported by particularly high detached house prices in Canberra and strong inner city apartment redevelopment opportunities that should push demand towards apartment. New supply will also be much lower over at least 2024 and 2025 (and most likely longer). As such, the rental market is likely to continue to tighten and see solid rental growth resume over the medium-term. Similarly, short-term momentum in existing unit prices is likely minimal but momentum should build over the medium-term as the market balance tightens.

Outlook Summary

Short-Term (Next 12 months)		Medium-Term (2-4 years)
↗	**Demand**	↗
↘	**Supply**	→
→	**Prices**	↗
→	**Rent**	↗

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Research at JLL

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