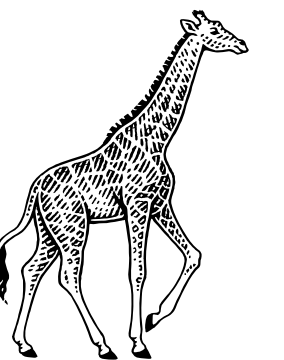


# 2025 Market Update

Vanderbilt



Where is the market currently positioned?

What is going to drive house price growth in 2025?

Where is the growth most likely to outperform?

# Executive summary

Australia's housing market has undergone a dramatic transformation, driven by record-breaking migration and historically low interest rates.

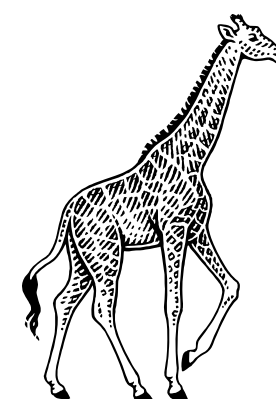
With the nation already facing a 200,000-home shortfall, housing supply is unable to accelerate due to a severe undersupply of workers, significantly reduced productivity, industry insolvencies, and rising material costs.

Intensifying competition from record government infrastructure investment is further straining labour and materials, making it even harder for the residential sector to respond.

As a result, we believe that systemic supply shortages will continue to place upward pressure on both house prices and rents, shaping the next phase of Australia's housing boom.

Within this next phase of the cycle we anticipate that regional markets will outperform capital cities, driven by the demand for affordable property. The forecast record levels of Australians opting for 'rent-vesting' – investing in regional properties while renting in cities – is expected to further accelerate this growth.

# Where is the market currently positioned?



MIGRATION

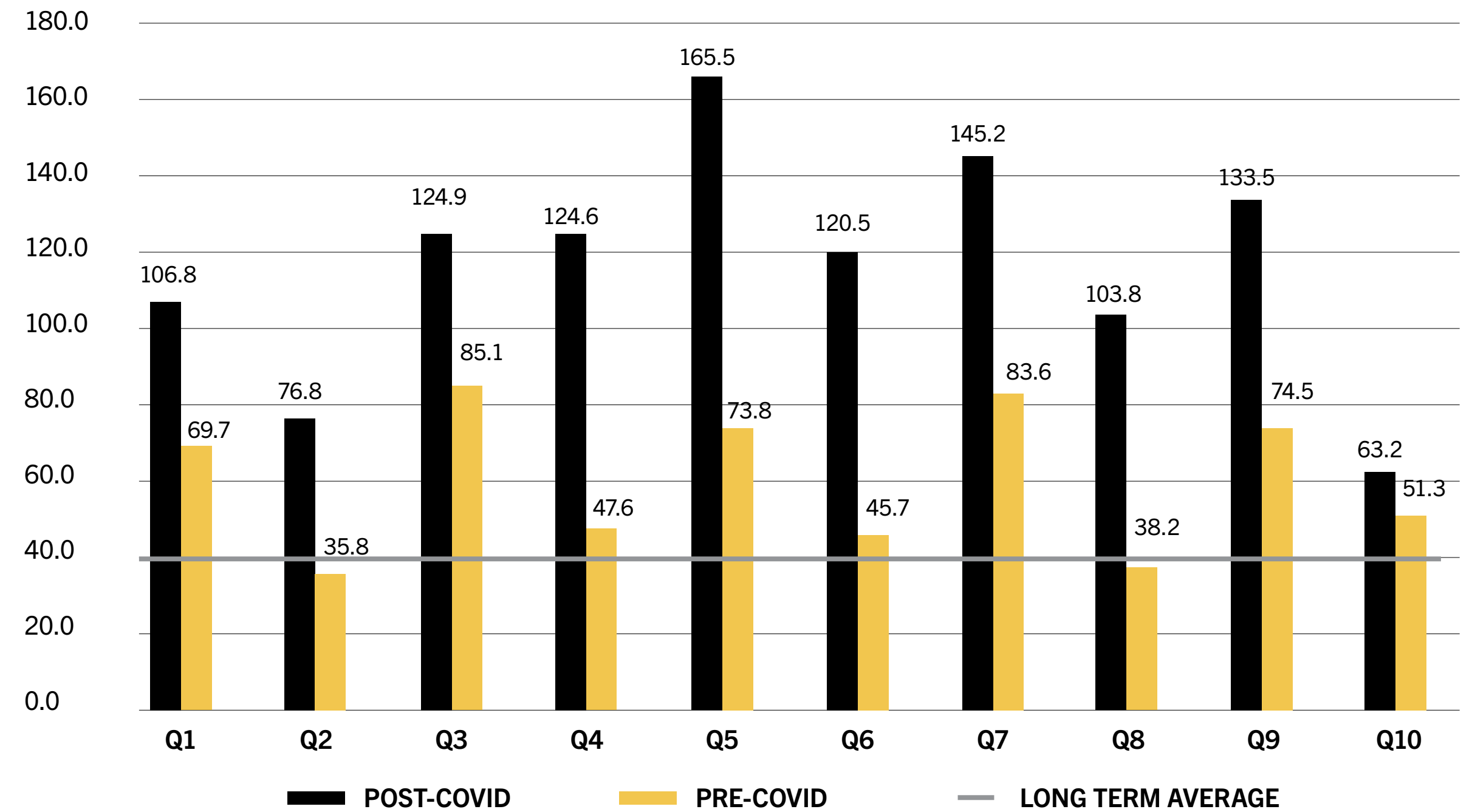
A level of migration & population growth has occurred that is difficult to comprehend.

Comparing for the same length of time pre & post COVID reveals that Net Overseas Migration post-COVID has been:

- 197% higher per quarter than the long-term average.
- 92% higher per quarter than the 10 quarters preceding COVID.

This resulted in the Australian population increasing by 1,294,900 post-COVID, a 56% increase on the same period pre-COVID.

NET OVERSEAS MIGRATION | PRE & POST-COVID



	PRE-COVID	POST-COVID	TOTAL INCREASE	% INCREASE
TOTAL NOM	605,300	1,164,800	559,500	92%
TOTAL POP GROWTH	830,400	1,294,900	464,500	56%

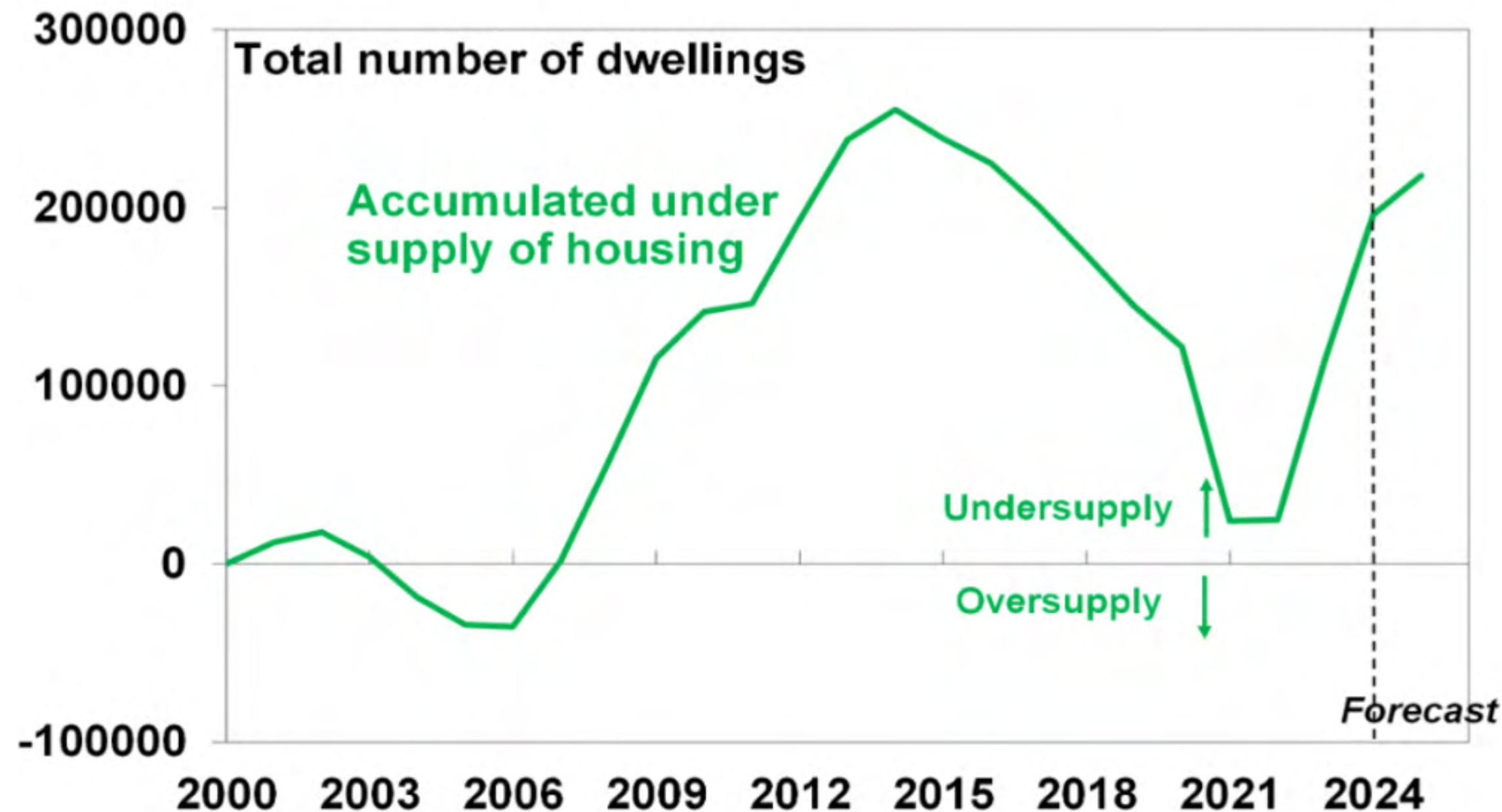
PRE-COVID IS CONSIDERED SEP-17 QTR – DEC-19 QTR AND POST-COVID IS MAR-22 QTR – JUN-24 QTR.  
SOURCE: ABS

HOUSING SUPPLY

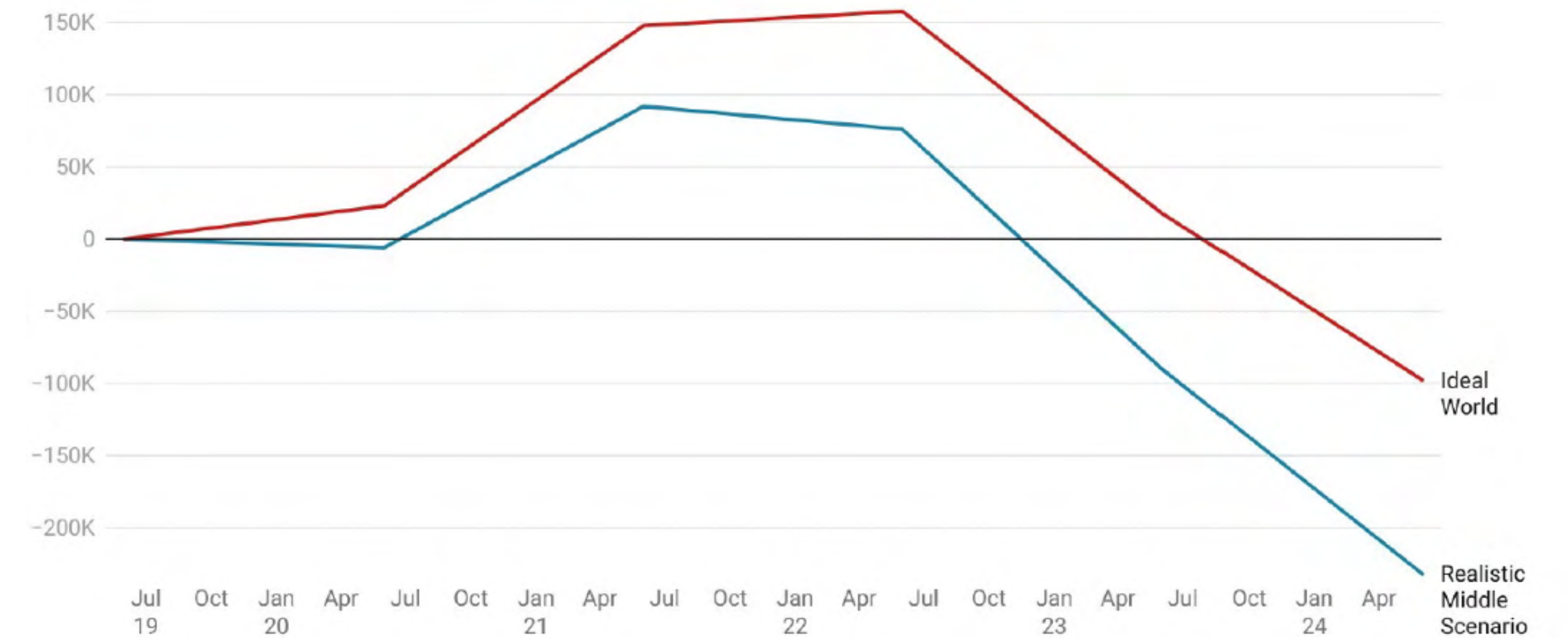
This record population growth has driven an extreme undersupply of residential housing.

Adding 1 million+ to the population combined with a historically low-rate environment and government demand-focussed incentives, created a surge in housing demand that has resulted in a current shortfall of 200,000+ homes.

ACCUMULATED SHORTFALL OF HOUSING IN AUSTRALIA



AUSTRALIA HOUSING SUPPLY VS DEFICIT  
ASSUMES FULLY BALANCED MARKET IN JUNE 2019

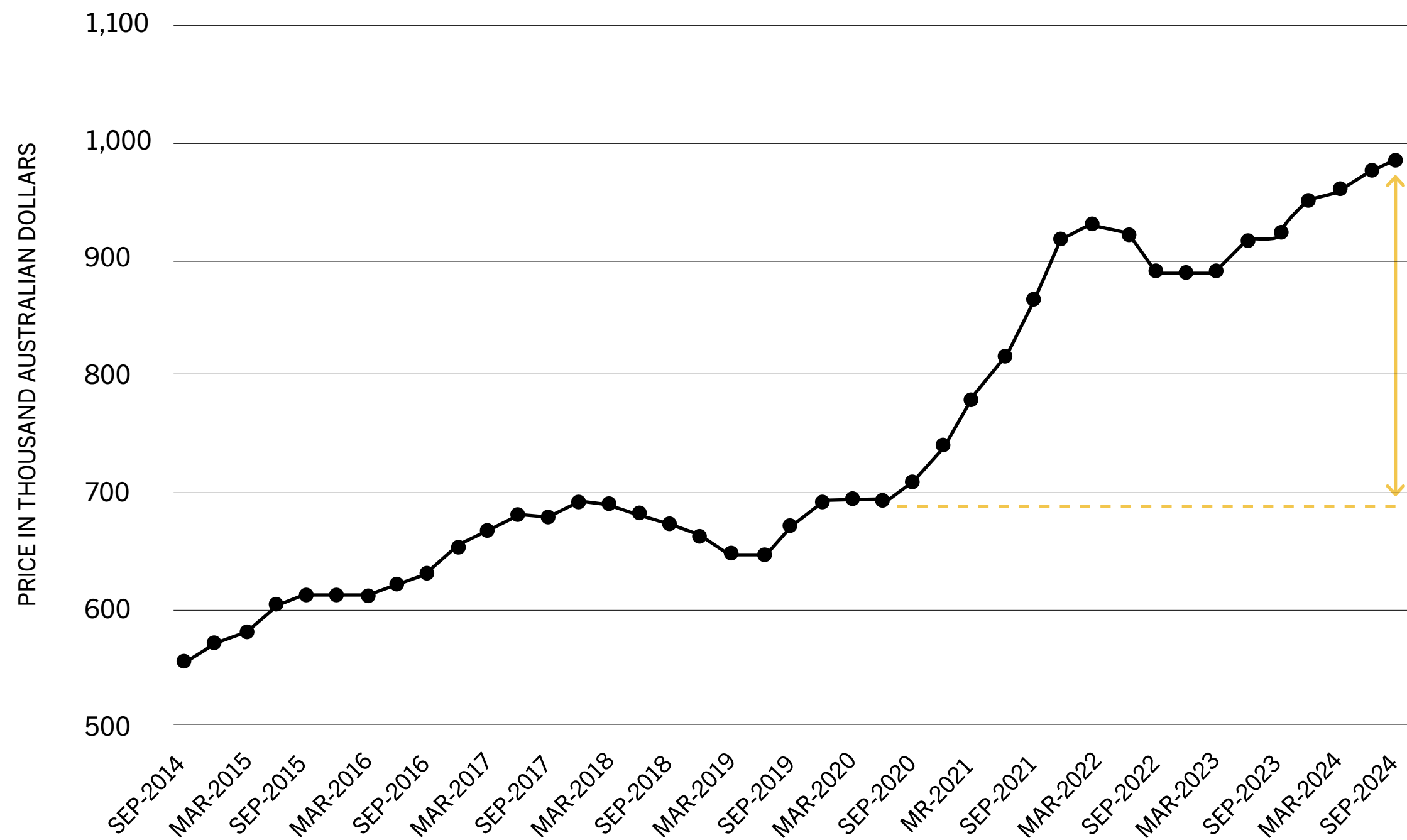


SOURCE: AMP VIA MACROBUSINESS

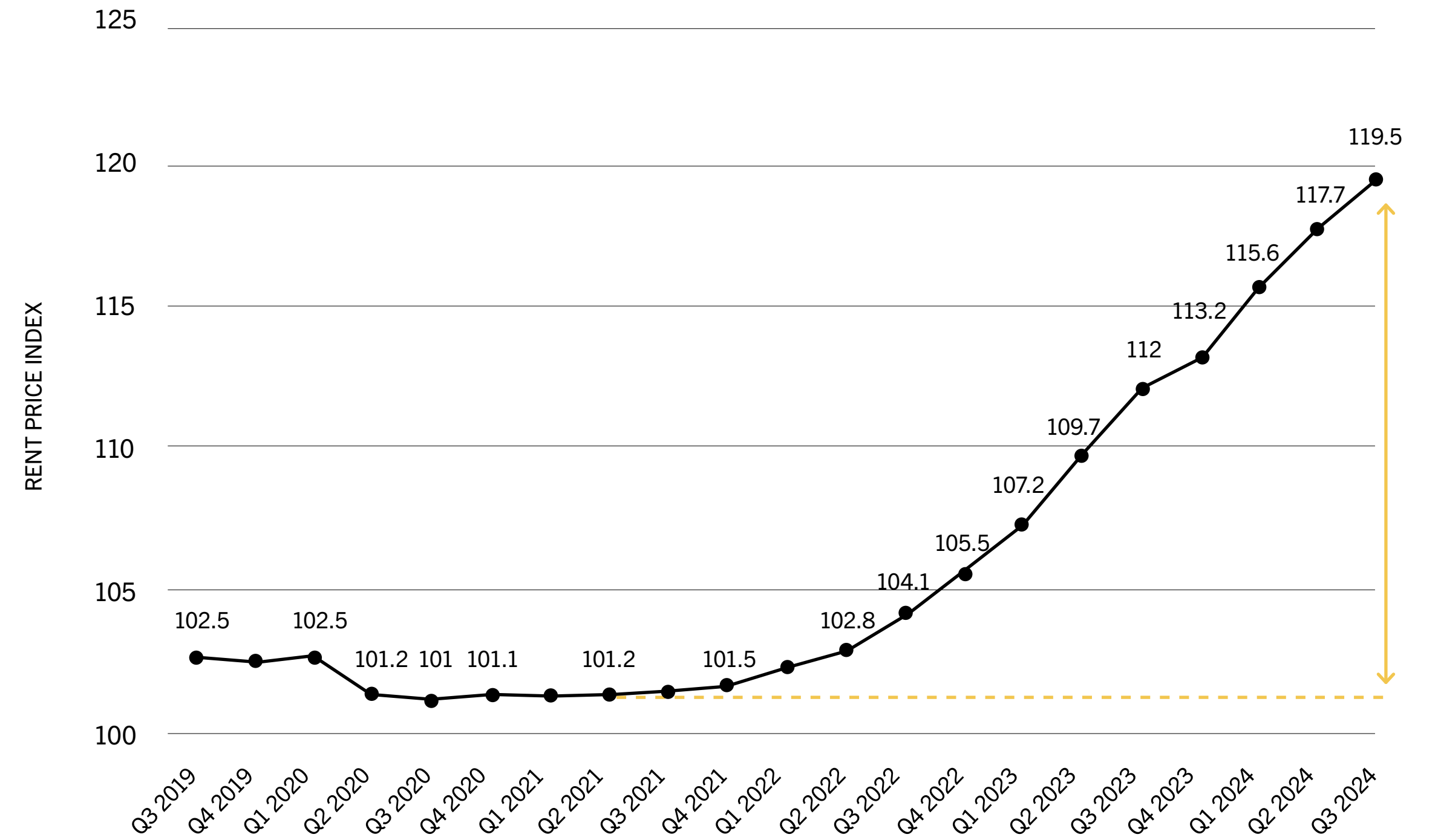
SOURCE: ABS VIA TARRIC BOOKER @AVIDCOMMENTATOR

HOUSE AND RENTAL PRICES

This has created an affordability crisis, driving significant growth in house prices and weekly asking rents.



SOURCE: STATISTA & CORELOGIC



SOURCE: STATISTA & CORELOGIC

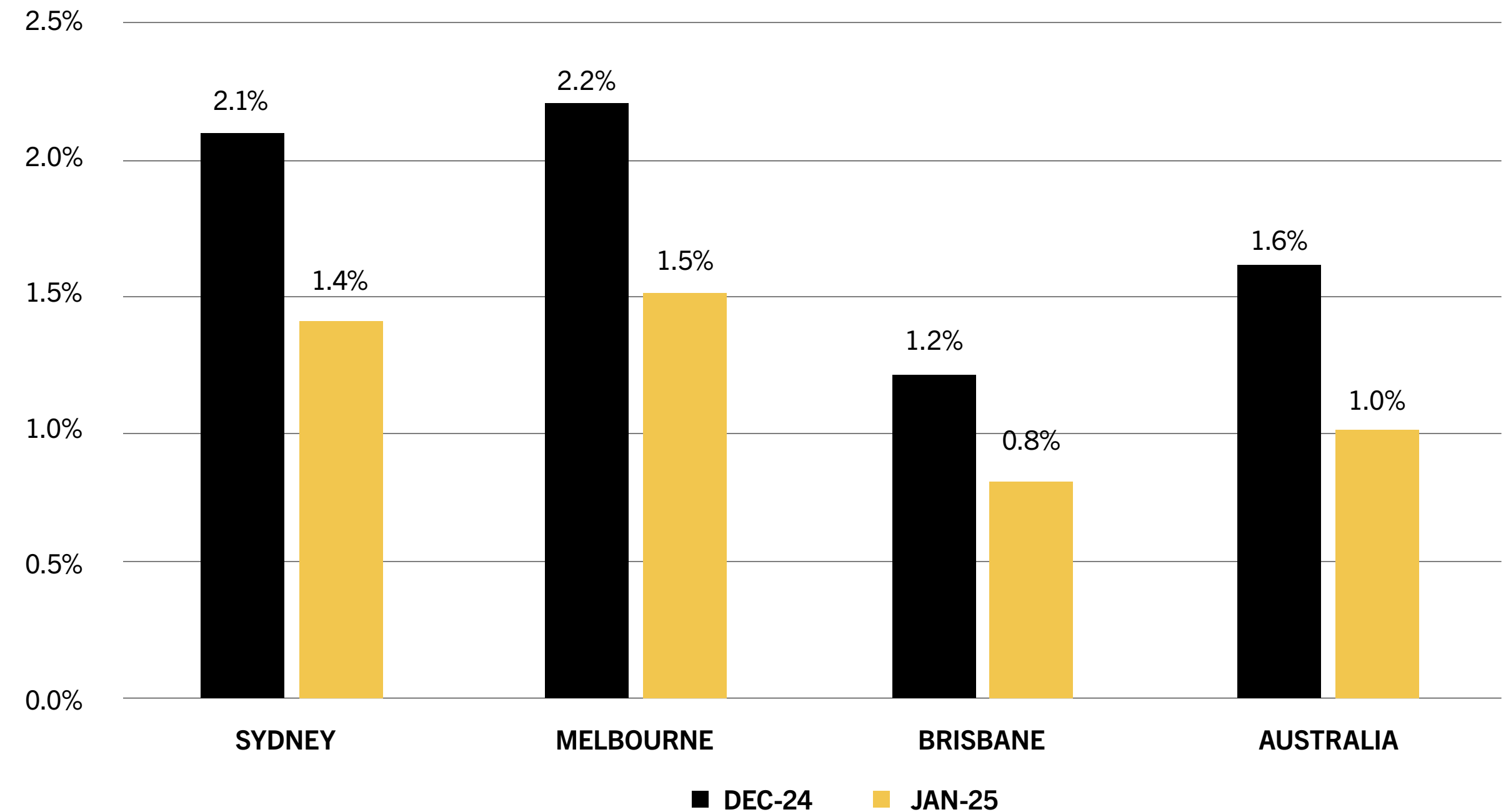
## RENTAL MARKET

After a brief rebound in 2024, rental market availability is once again showing signs of sharp decline.

*“The sharp decrease in rental vacancies strongly indicates Australia’s rental market crisis is not over and has potentially deteriorated at the start of 2025. Is this a one-off abnormality? Unfortunately, I don’t think it is, as our records of February listings to date are lower than what was recorded in January.”*

LOUIS CHRISTOPHER, MANAGING DIRECTOR  
SQM RESEARCH

## RESIDENTIAL VACANCY RATES - DEC '24 VS. JAN '25

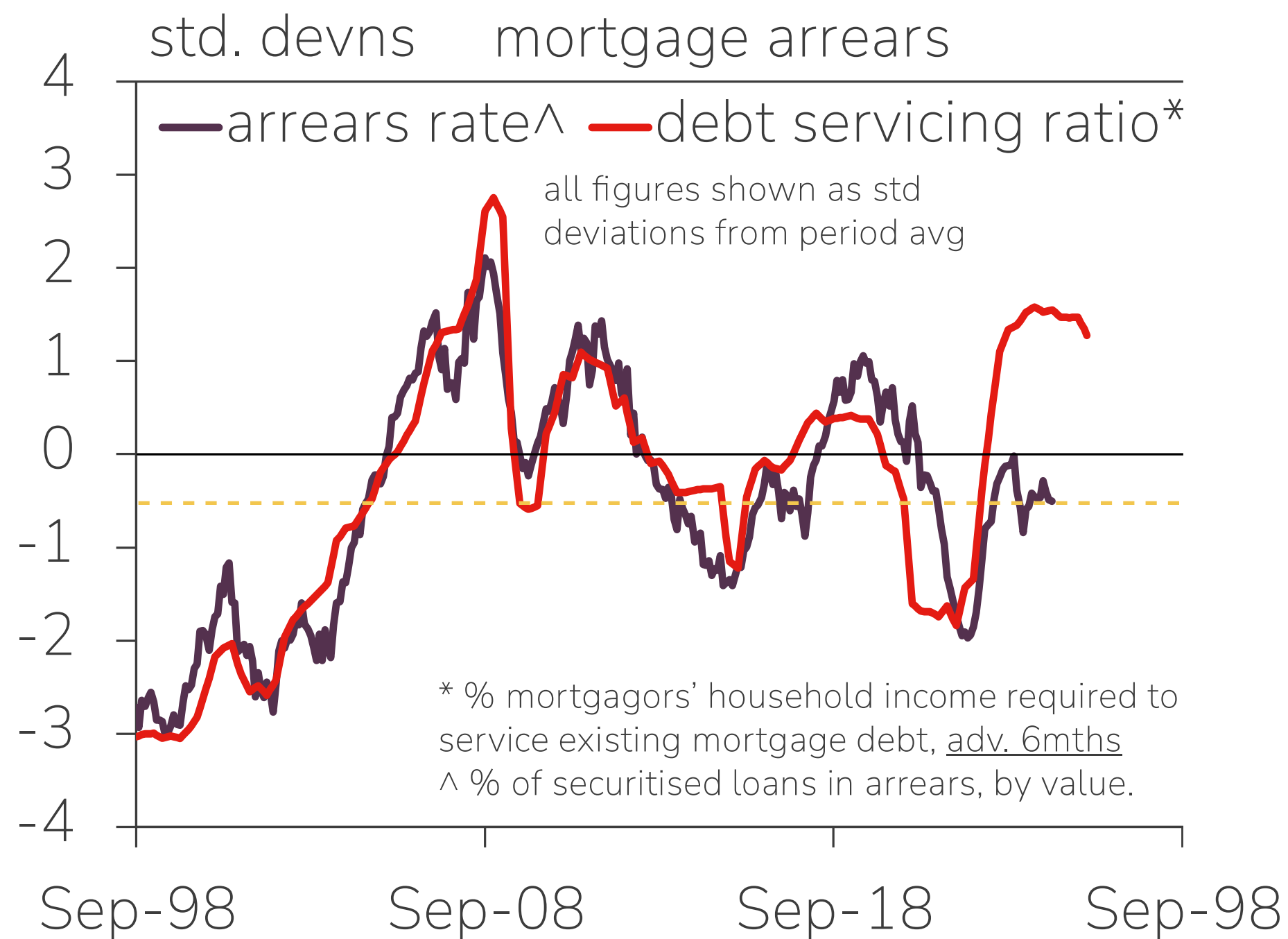


SOURCE: SQM

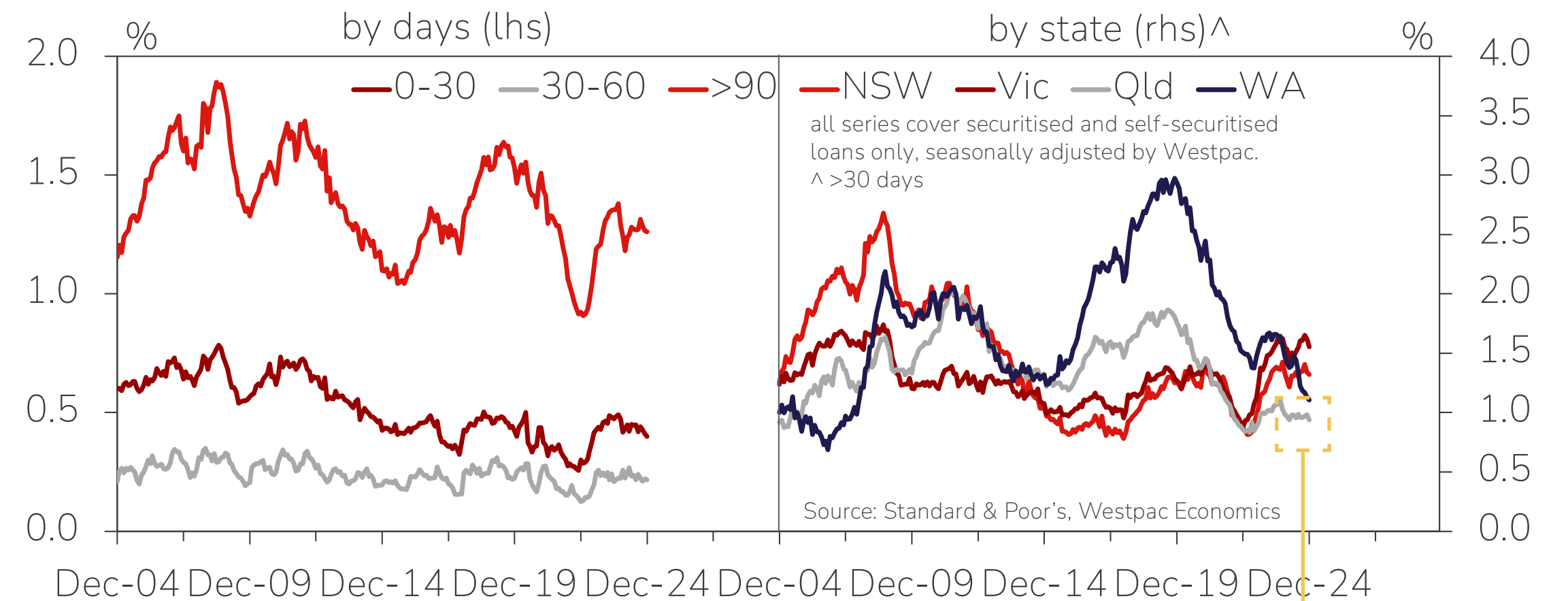
HOUSEHOLD FINANCES

Mortgage arrears are low and in-line with long term averages – indicating the continued financial strength of Australian households.

FINANCIAL STRESS INDICATORS



ARREARS BY DAYS AND STATE



QLD HAS THE LOWEST LEVELS OF MORTGAGE ARREARS IN AUSTRALIA

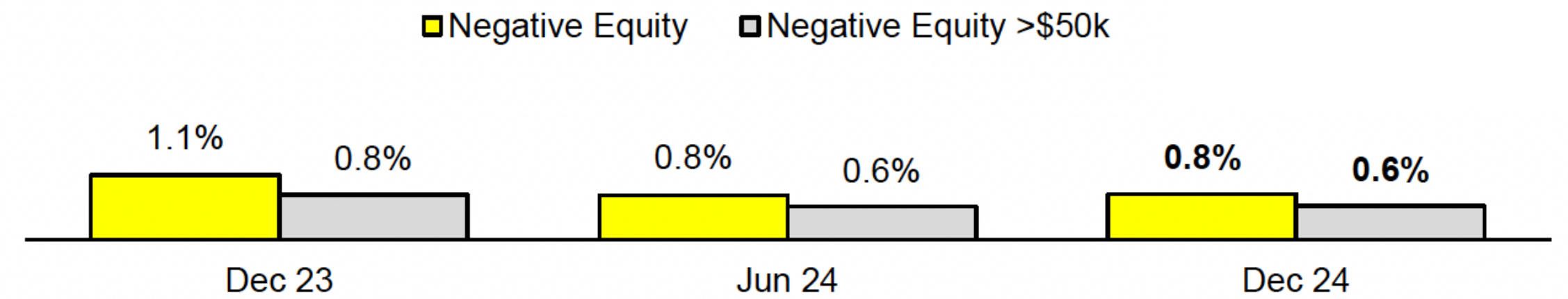
HOUSEHOLD FINANCES

This is further reflected in the CBA's latest consumer data, with 65% of customers ahead on repayments.

NEGATIVE EQUITY

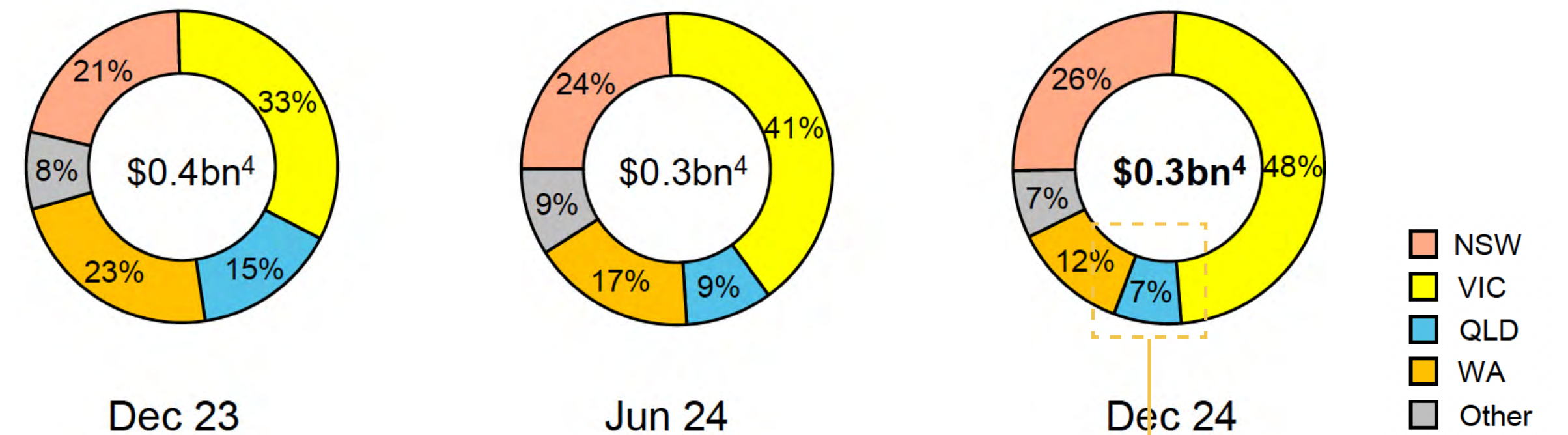
Proportion of balances in negative equity

- 65% of customers ahead of repayments
- 15% of home loans in negative equity have Lenders Mortgage Insurance



ONLY 0.8% OF CBA'S 1.6 MILLION HOME LOANS HAVE A NEGATIVE EQUITY POSITION AND ONLY 0.6% ABOVE \$50,000.

AUSTRALIAN NON-PERFORMING, NOT WELL-SECURED HOME LOANS, % BY STATE



QLD OFFERS CBA'S SAFEST HOUSING MARKET FROM A LENDING PERSPECTIVE, REPRESENTING ONLY 7% OF THEIR NON-PERFORMING LOANS, COMPARED TO 12% FOR WA, 26% FOR NSW & 48% FOR VIC.

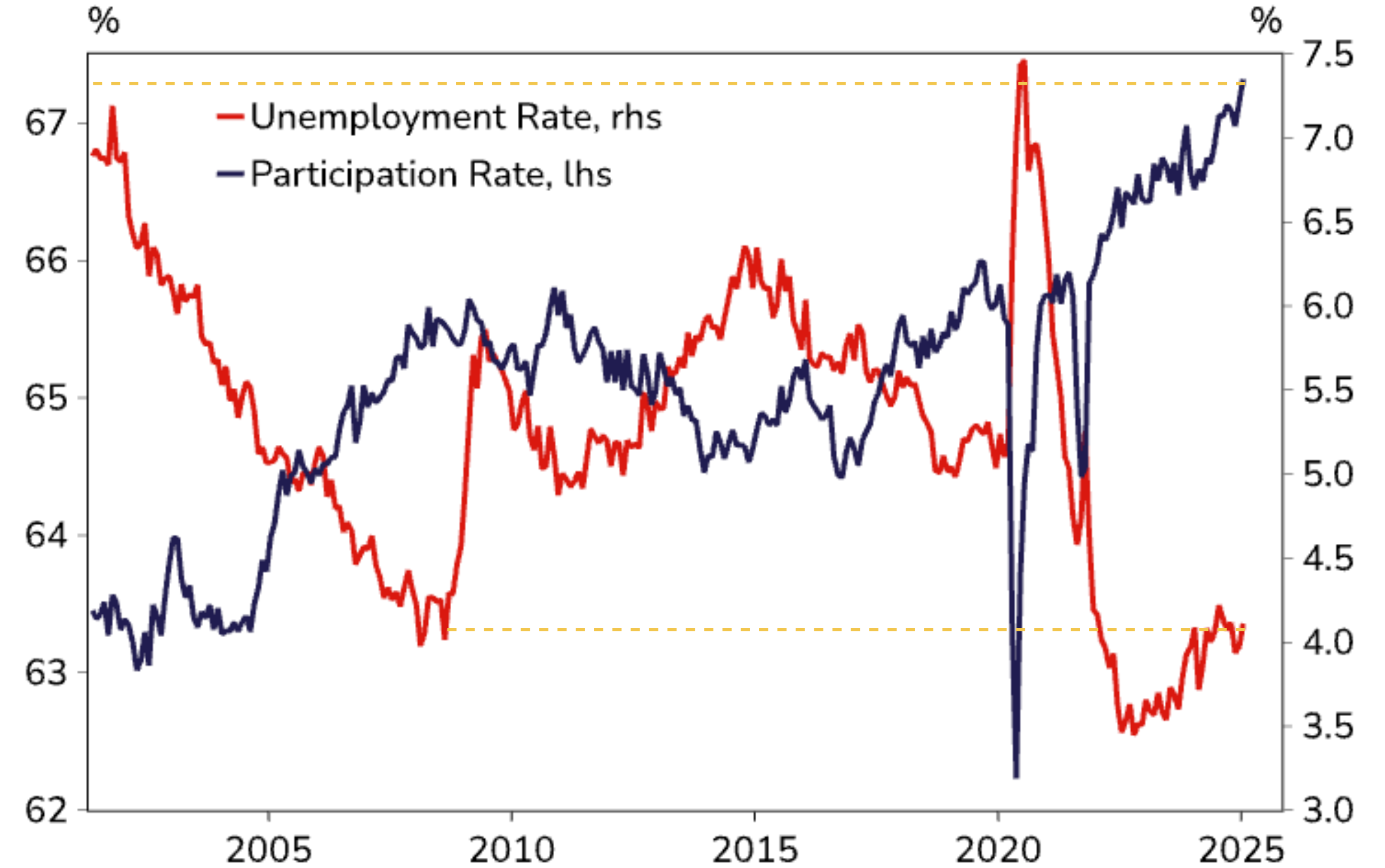
SOURCE: CBA

EMPLOYMENT

Which is being driven by record workforce participation and low unemployment.

RECORD PARTICIPATION, UNEMPLOYMENT RATE SAME AS JAN '24

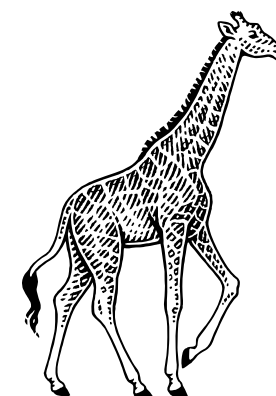
### Record participation, unemployment rate same as Jan-24



Source: ABS, Macrobond, Westpac Economics

SOURCE: ABS, MACROBOND, WESTPAC ECONOMICS

# What is going to drive house price growth in 2025?



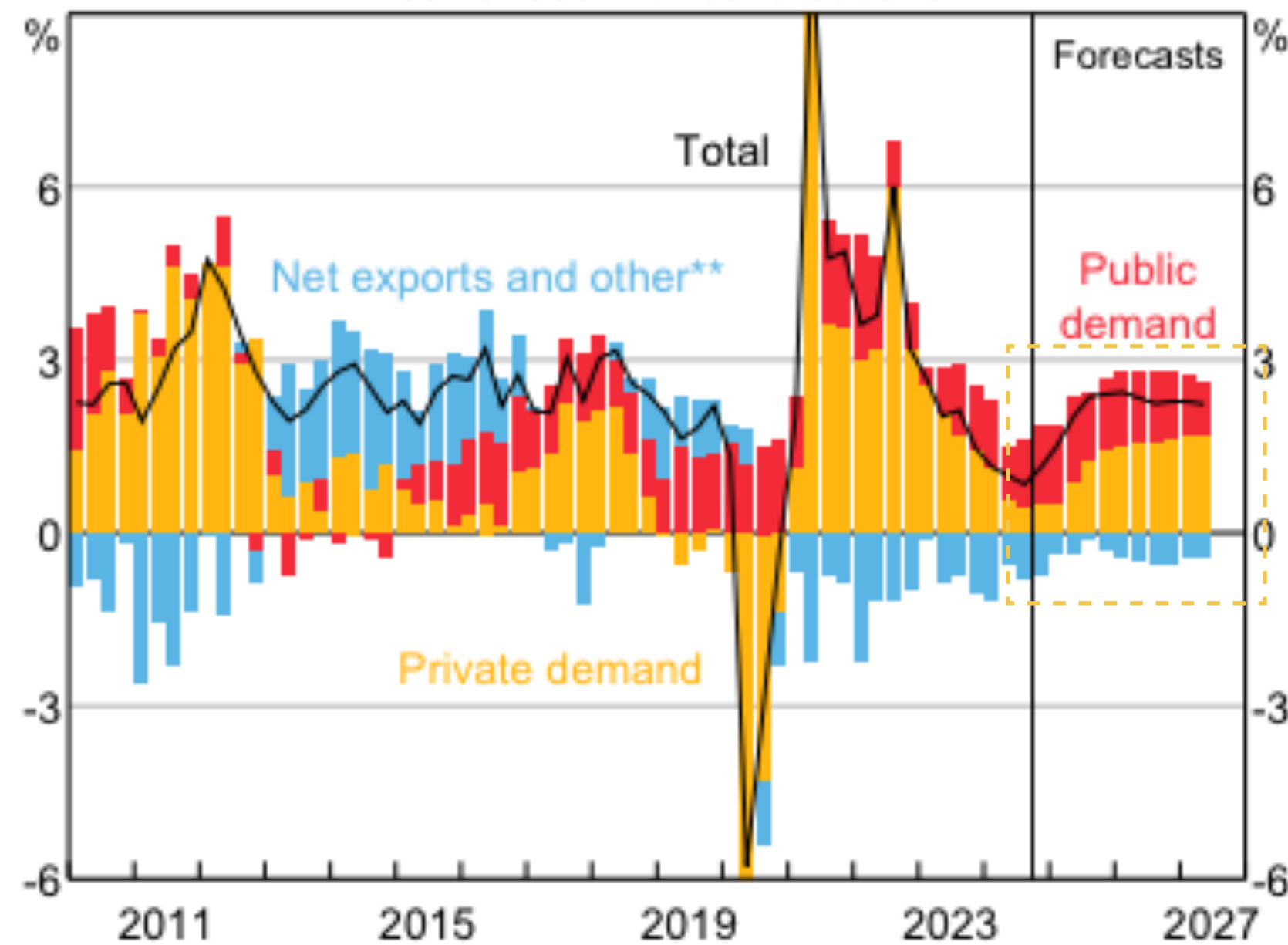
THE ECONOMY

The RBA forecasts that GDP growth will begin to accelerate throughout 2025, primarily driven by uplift in private demand.

THE RBA FORECASTS THAT GDP GROWTH WILL BEGIN TO ACCELERATE THROUGHOUT 2025, PRIMARILY DRIVEN BY UPLIFT IN PRIVATE DEMAND.

**Graph 3.3**  
**GDP Growth\***

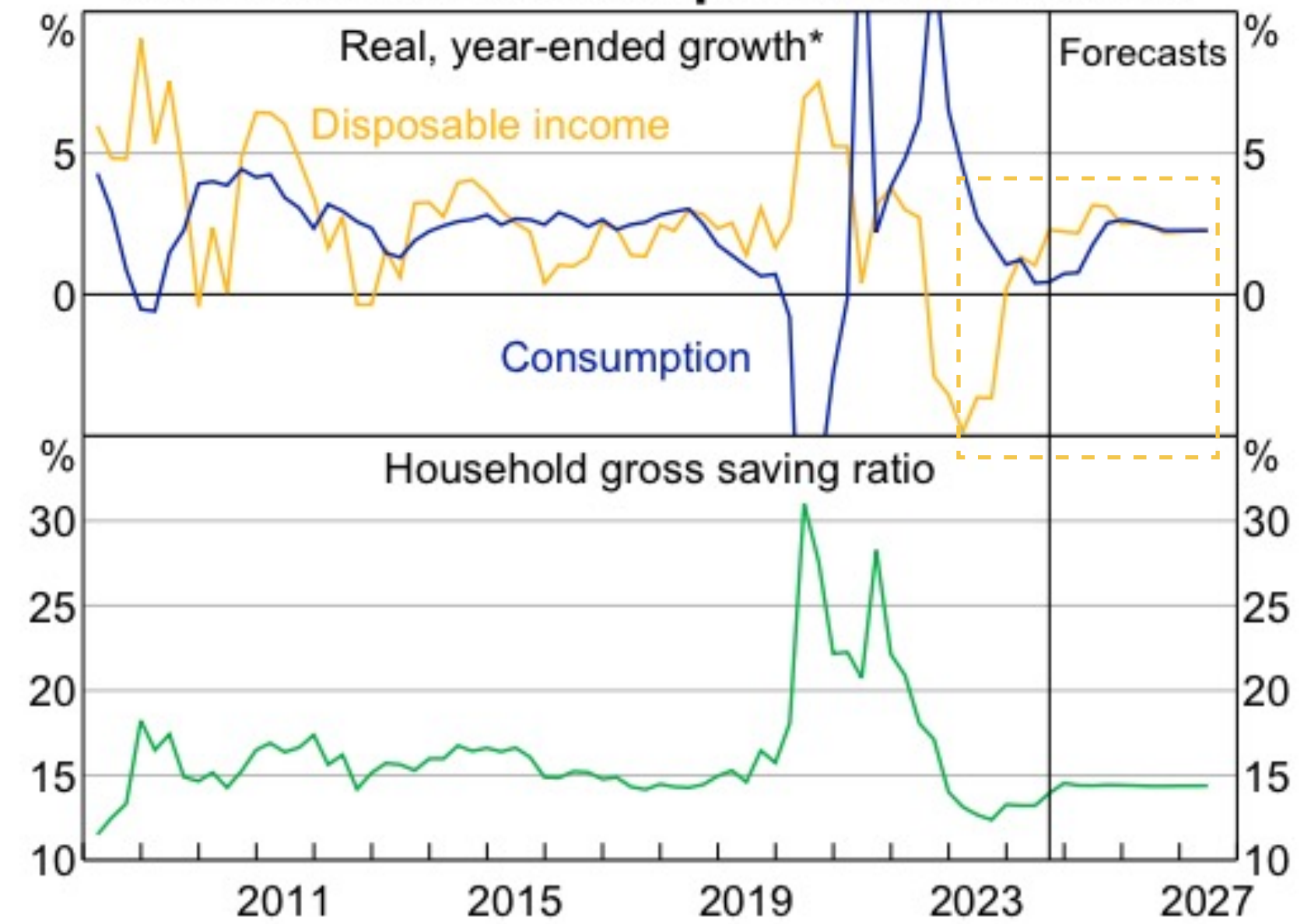
Year-ended with contributions



SOURCE: CBA

THIS PICK-UP IS EXPECTED TO BE DRIVEN BY AN INCREASE IN HOUSEHOLD CONSUMPTION GROWTH FOLLOWING THE RECOVERY IN DISPOSABLE INCOMES.

**Graph 3.2**  
**Household Consumption and Income**



SOURCE: CBA

INTEREST RATES

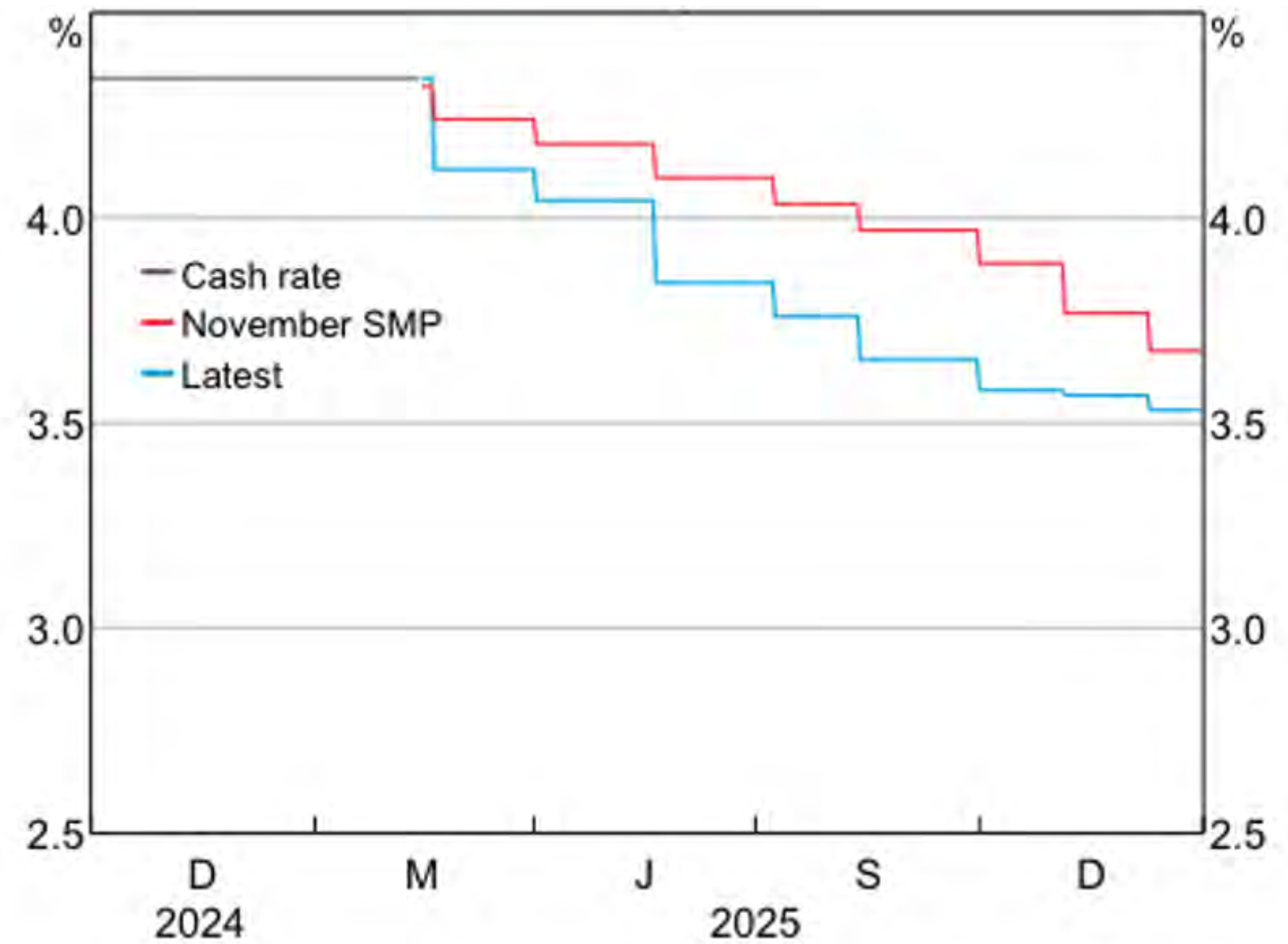
The initial 25bps rate cut in February was the first in a forecast 2–5-part cash rate easing cycle.

After a small correction, house prices rose to record heights despite higher interest rates. What happens now that we are likely to move into a rate easing cycle?

*“One of the key things for home prices this year is what happens to interest rates throughout the year. Our expectation, which is broadly aligned with what the market is thinking, is that we’ll probably see a few cuts this year, which is part of why we’re expecting to see house prices grow this year.”*

ANGUS MOORE  
ECONOMIST, REA GROUP

CASH RATE EXPECTATIONS, IMPLIED BY OIS



SOURCE: ABS, LSEG

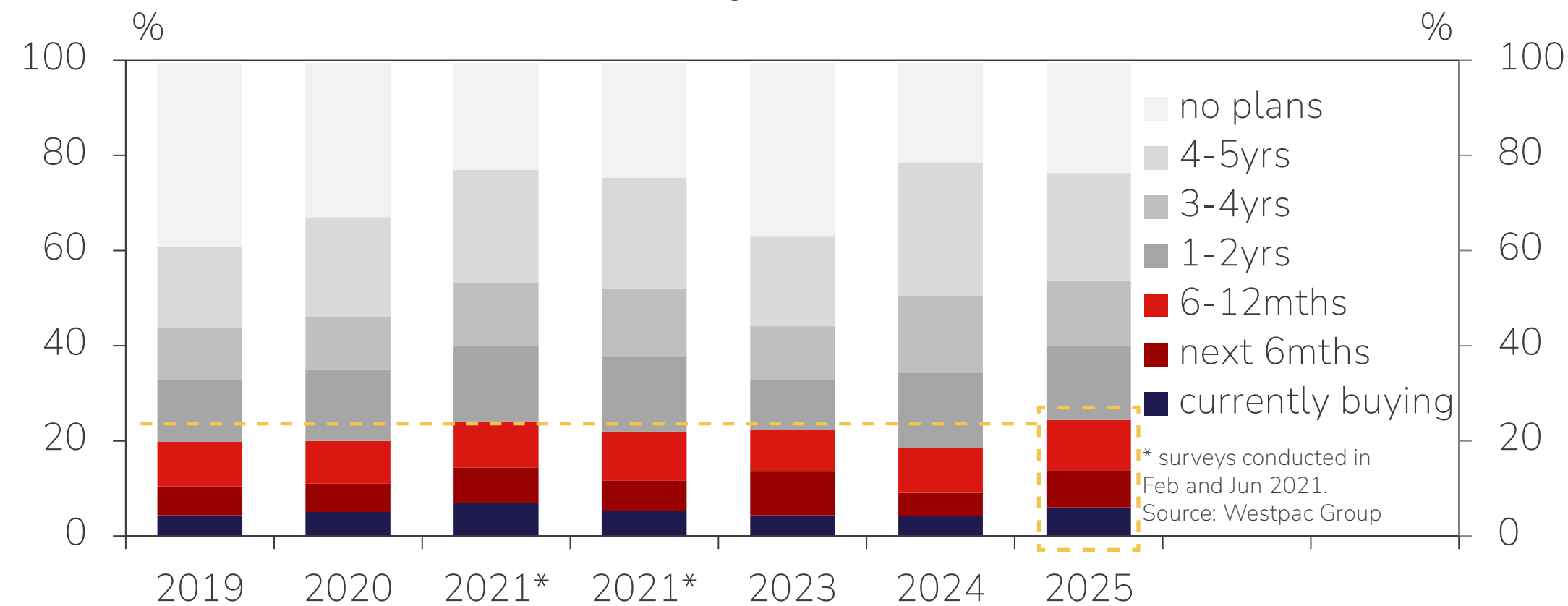
MAJOR BANKS RATE FORECASTS

CBA	WESTPAC	NAB	ANZ
4 CUTS TO 3.35 PER CENT	4 CUTS TO 3.35 PER CENT	5 CUTS TO 3.10 PER CENT	2 CUTS TO 3.85 PER CENT

DEMAND

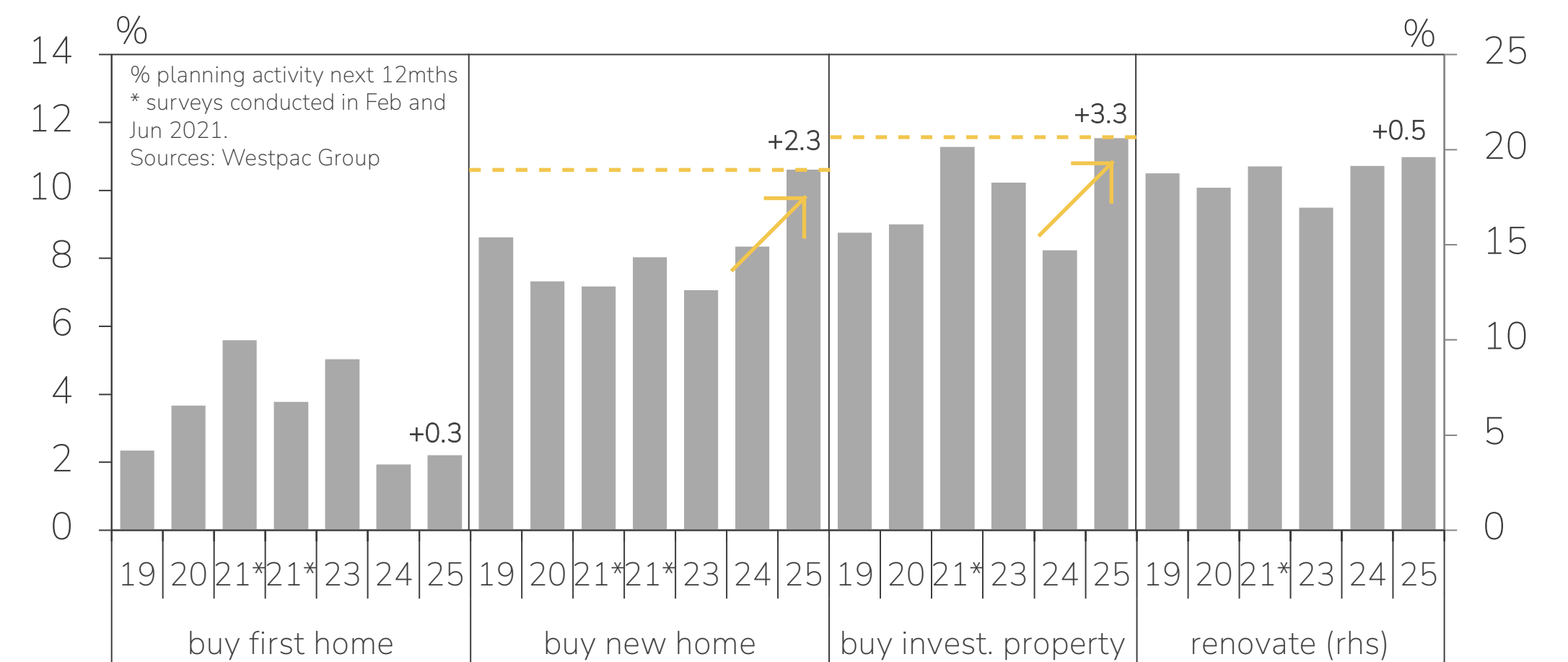
Latest Westpac survey indicates as many as 6.5 million Australians have active property plans for 2025.

### 6. Home ownership: buying intentions



29% of Australians are intending to purchase a property within the next 12 months. This is at the same level as the peaks recorded during the 2021 FOMO boom. This equates to potentially 6.5 million Australians with active property plans in 2025 – an increase of 1 million compared to 2024.

### 7. Home ownership: buying intentions by segment



More second homeowners and property investors are planning to purchase a property within the next 12 months than ever before according to the latest Westpac data – even higher than the COVID FOMO boom of 2021.

MIGRATION DEMAND

Migration will surpass government forecasts by 80,000 in 2024-25, marking the fourth consecutive year of significant underestimation.

This now marks the fourth year in a row that the Australian Government has significantly underestimated net migration. This has resulted in 800,000+ migrants above & beyond the original forecasts from the 2022/23 budget.



Migration balloons by 80,000 above expectations, adding to housing pressures

By political reporter Jake Evans

Immigration

Wed 18 Dec



NET OVERSEAS MIGRATION

SOURCE: MYEFO BUDGET UPDATE

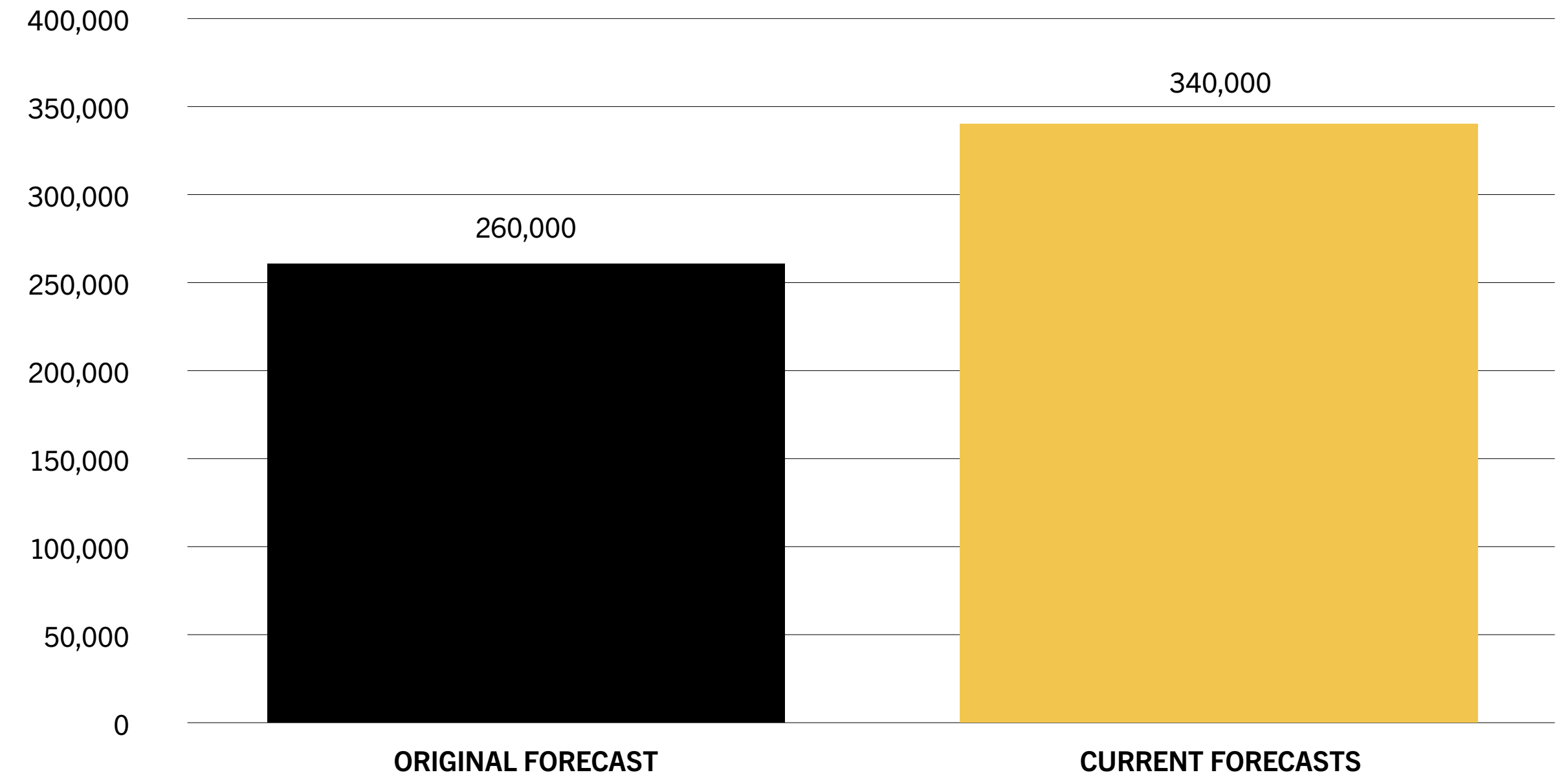


Table 2.2: Domestic economy – detailed forecasts<sup>(a)</sup>

	Outcomes <sup>(b)</sup>		Forecasts			
	2023–24		2024–25		2025–26	
			Budget	MYEFO	Budget	MYEFO
Net overseas migration <sup>(i)</sup>	446,000	260,000	340,000	255,000	255,000	

Table A.5: Net overseas migration, for years ending 30 June

	2020-21(a)	2021-22	2022-23	2023-24	2024-25	2025-26
Net overseas migration, Australia	-89,900	41,000	180,000	213,000	235,000	235,000

(a) Outcome for 2020-21 from ABS National, state and territory population September 2021.

ACTUAL MIGRATION FIGURES

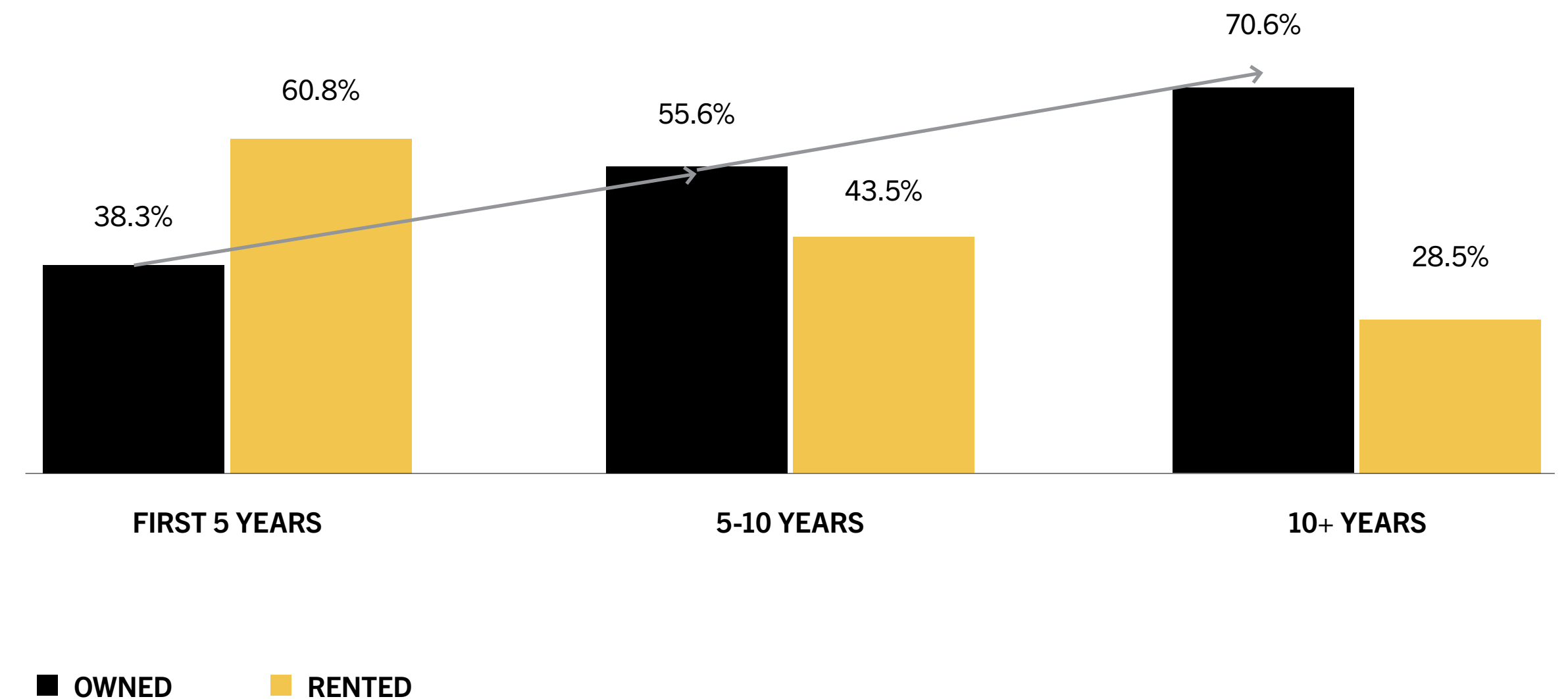
	2021–22	2022–23	2023–24
	203,590	535,518	445,638

## MIGRATION DEMAND

The majority of demand driven by the post-COVID migration surge has been in the rental market. Migrant home ownership demand is expected to accelerate from 2025.

Only 38.3% of migrants will enter the housing market as owners within the first 5 years and for the majority (55.6%) homeownership is typically delayed by at least 5-10 years. We anticipate owner occupied real estate demand from net overseas migration (NOM) to begin accelerating later this year (5 years post-COVID) as the post-COVID migrants gain permanent residency and become settled in their new environments.

## PORTION OF PERMANENT MIGRANTS RENTING OR OWNING



SOURCE: ABS &amp; CORELOGIC

2025 ELECTION YEAR

Neither party can resist a short-term fix to appease voters – expect policies that make it easier for buyers, thus driving demand.

The Guardian website screenshot shows a headline: "Coalition plan to give first home buyers access to super would benefit those who already own housing". Below the headline, it says "Saul Eslake report finds plan would cause Australian property prices to rise at a faster rate". There are also links to follow their Australia news live blog, get their breaking news email, free app, or daily news podcast. A "Most viewed" section lists other articles like "Trump calls Zelenskyy a 'dictator' who should 'move fast' or lose country as row with Ukraine leader worsens - Europe live".

Macrobusiness website screenshot shows a headline: "A Coalition government would rocket house prices" by Leith van Onselen, dated Monday 17 February 2025. The article discusses how Australia's financial regulators would be required to loosen home lending rules for millions of Australians with student loans. It notes that under the changes, a borrower's education debt will be removed from mortgage serviceability assessments if the bank believes the borrower will pay it off in the "near term". A comparison table shows that a tertiary-educated single professional earning \$125,000 would be eligible to borrow an additional \$95,900 under the new policy, while someone earning \$100,000 has an extra borrowing capability of \$56,000, and someone earning \$75,000 can borrow an additional \$26,800.

The Australian website screenshot shows a headline: "Jim Chalmers' easy home lending to win younger voters" by Geoff Chambers and Jack Quail. The article is dated 10:30pm February 11, 2025, and updated at 6:58am February 12, 2025. It has 474 comments. A partial image of Jim Chalmers is visible at the bottom.

**Increase In Mortgage Borrowing Power Due To Albanese Government Lending Standards Change**

Pre-Tax Income	Borrowing Power Boost	Annual Additional Repayment Cost	Additional Repayment Cost As % Of Gross Income
75,000	26,800	2,004	2.7%
100,000	56,000	4,176	4.2%
125,000	95,000	7,080	5.7%

Source: Compare The Market • Created with Datawrapper

news.com.au website screenshot shows a headline: "The deposit hurdle is too high': Coalition's huge \$50k housing move". The article is dated 3:30pm Friday, February 21st, 2025. It discusses a major change to first home deposits.

The Australian website screenshot shows a headline: "Labor passes shared equity Help To Buy housing scheme in senate after Greens break deadlock" by Jessica Wang. The article is dated 3:30pm Friday, February 21st, 2025.

## CONSTRUCTION INDUSTRY

We are set to enter a construction-led house price growth cycle

Costs were already forecast to increase

↑ PRICES

+ Behind on housing targets (and getting further behind)

↑ PRICES

+ Productivity has fallen off a cliff

↑ PRICES

+ Industry insolvencies at record highs & worsening

↑ PRICES

+ Current shortfall of up to 240,000 workers

↑ PRICES

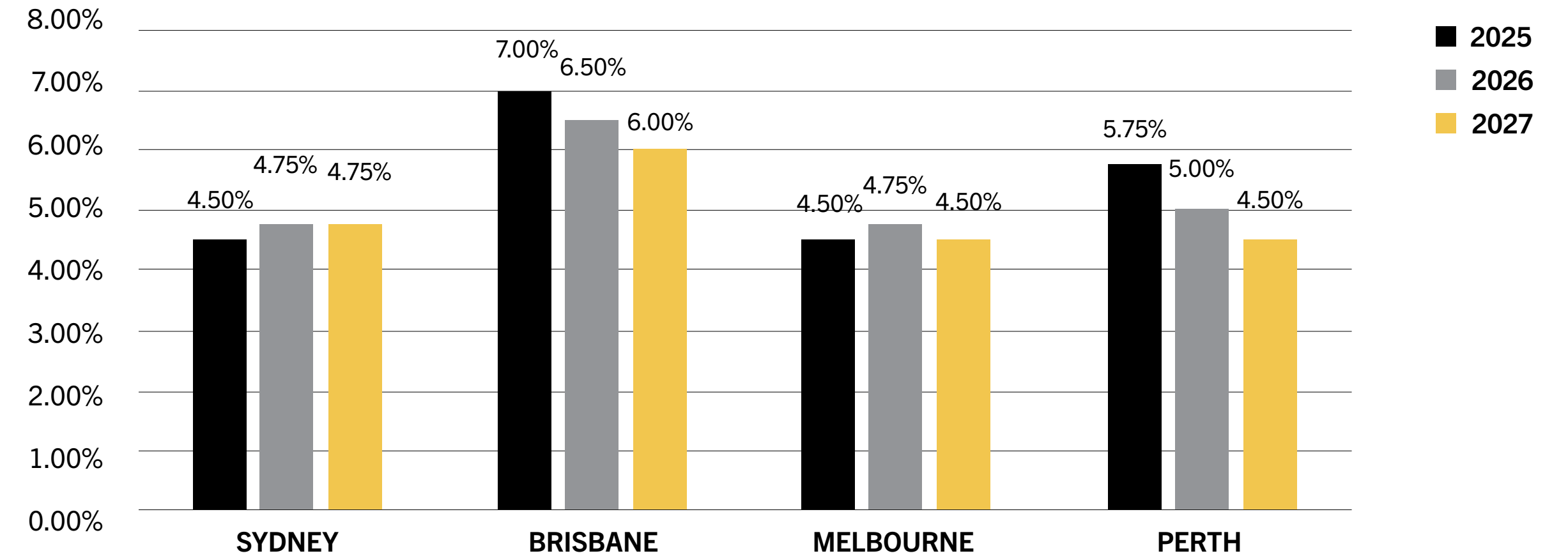
+ Record Government infrastructure spend driving demand

↑ PRICES

CONSTRUCTION COSTS

Construction costs have rapidly accelerated & are already forecast to continue – especially in Brisbane.

FORECAST CONSTRUCTION COST INCREASES

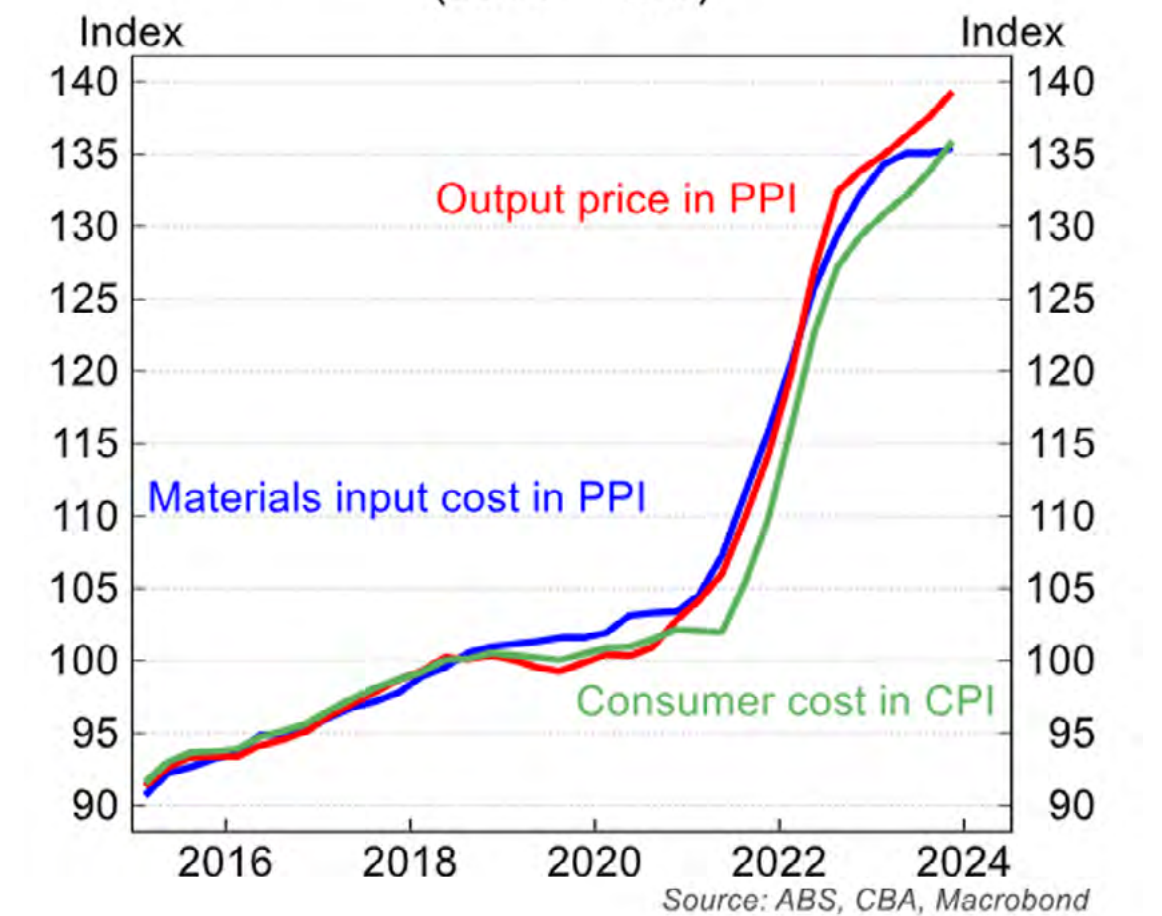


SOURCE: ALTUS GROUP OUTLOOK ON COST ESCALATION.

Based on the above forecasts, to build a home in Brisbane that cost \$400,000 in 2024, will cost \$483,169 in 2027 – an \$83,169 increase.

RESI CONSTRUCTION COSTS

(2018 = 100)



Source: ABS, CBA, Macrobond

THE GOVERNMENT PLAN

The Australian Government are aiming to build 1.2M homes by 2030, or 240,000 homes per year.

# THE AUSTRALIAN

**LIVE** **PoliticsNow: National cabinet commits to building 1.2m new homes from 2024**



## The Guardian

**National cabinet agrees to build 1.2m new homes in bid to tackle housing crisis**

**Albanese announces 'new home bonus' of up to \$3bn for states and territories but continues to reject Greens calls for rent freeze**

- **Follow our [Australia news live blog](#) for latest updates**
- **Get our [morning and afternoon news emails](#), [free app](#) or [daily news podcast](#)**

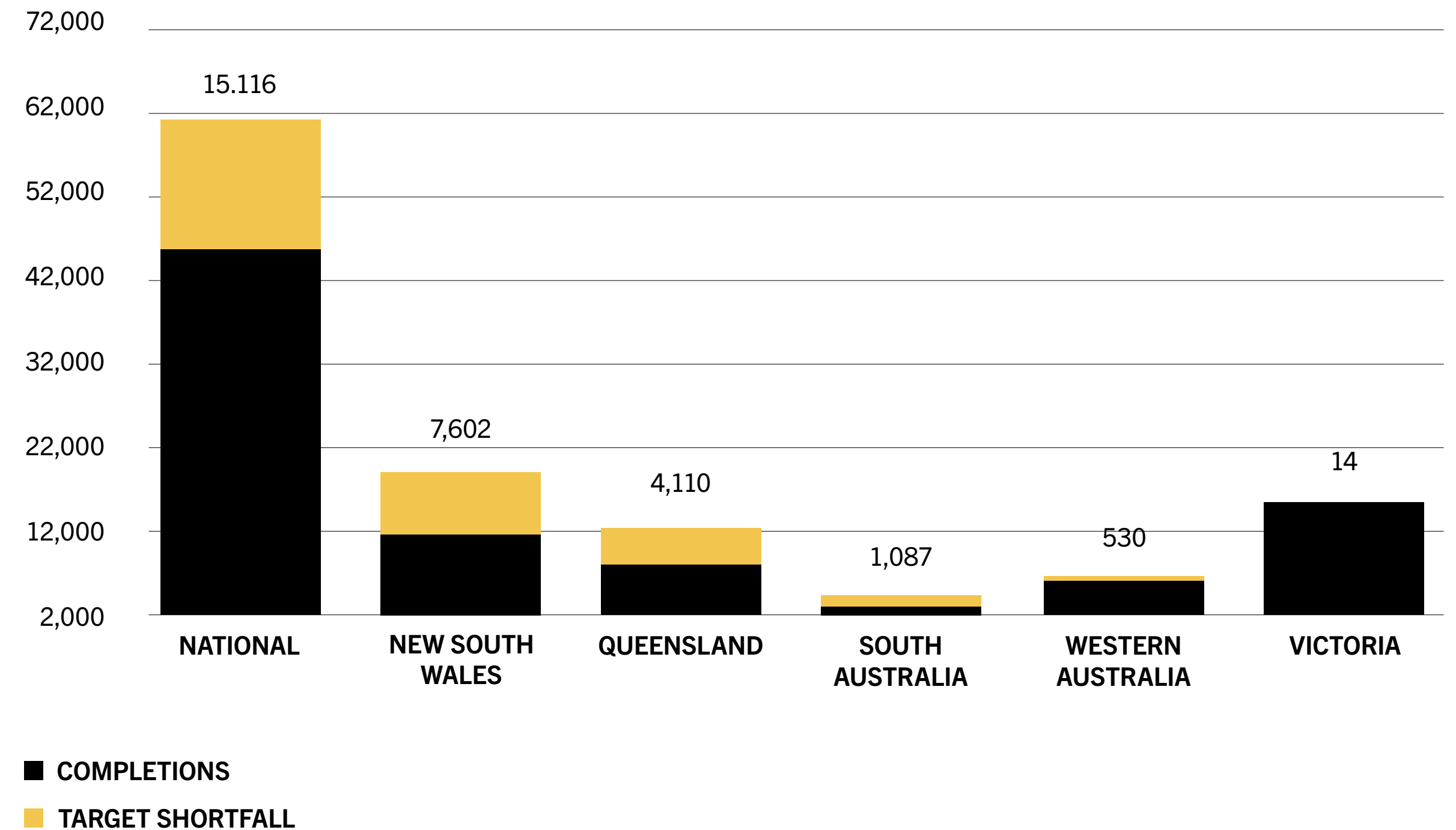


HOW IS THE PLAN GOING?

In the September Quarter alone, Australia fell a further 15,116 homes short of its housing targets.

QLD & NSW account for 77% of the current shortfall against the housing targets.

QUARTERLY BUILD TARGETS VS. COMPLETIONS ( SEPT QTR 2024)

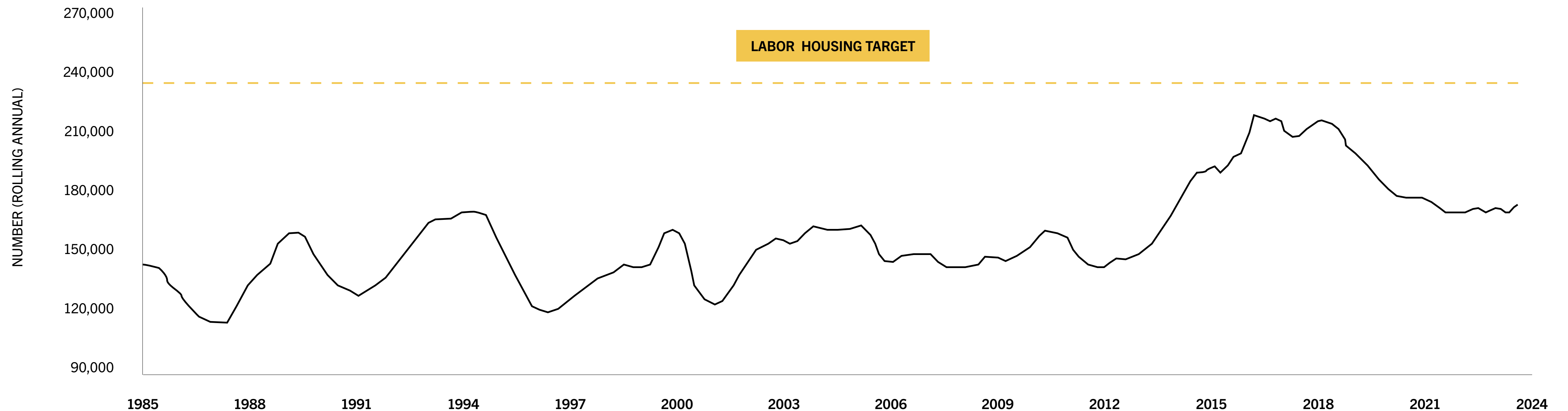


SOURCE: HIA

## DWELLING COMPLETIONS

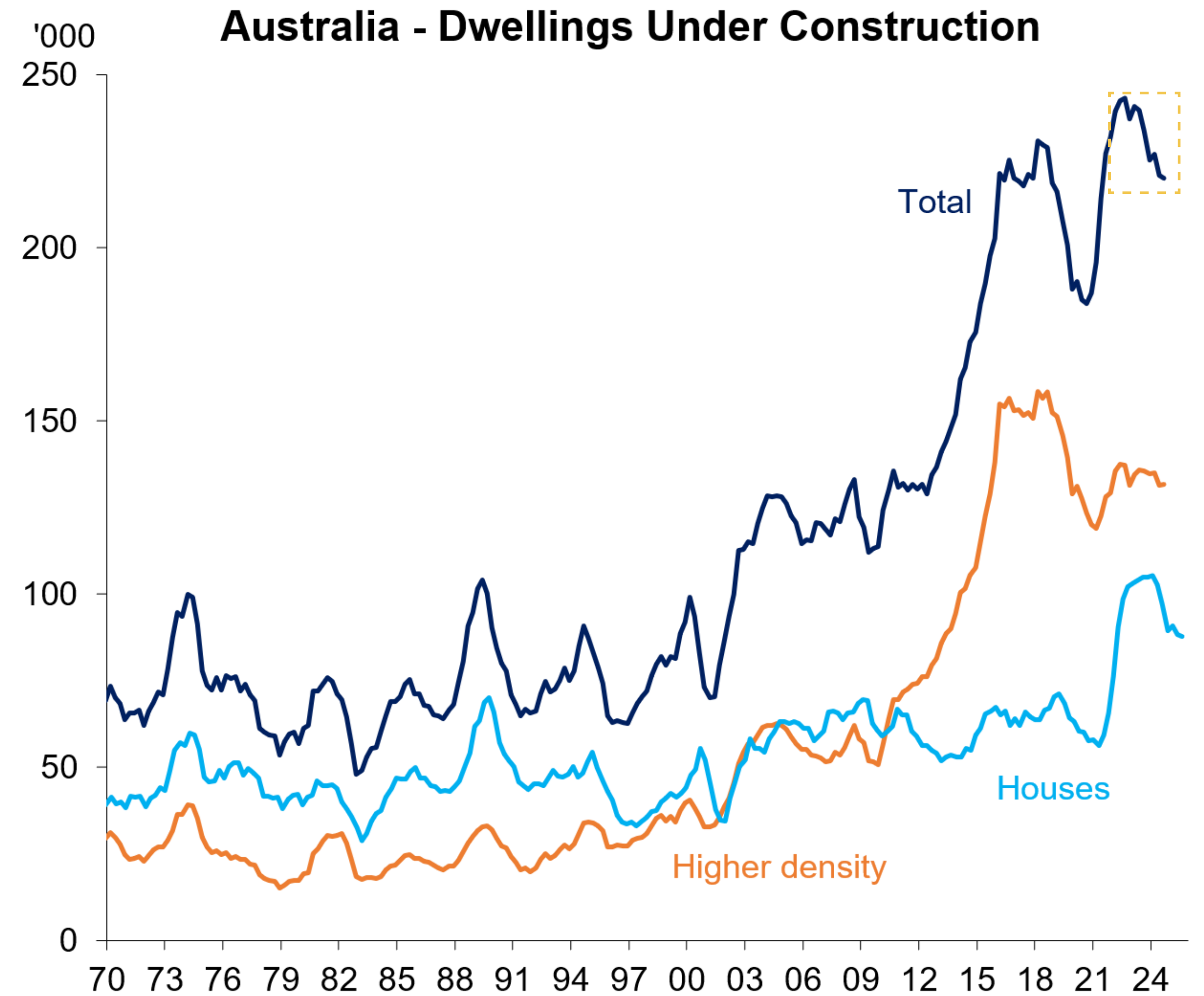
Australia has never built, or come close to building, the number of homes required to hit the Government's targets.

## DWELLING COMPLETIONS - AUSTRALIA



ACTIVE CONSTRUCTION

And we're now actually going backwards in terms of actual homes under construction...



SOURCE: ABS & ANTIPODEAN MACRO

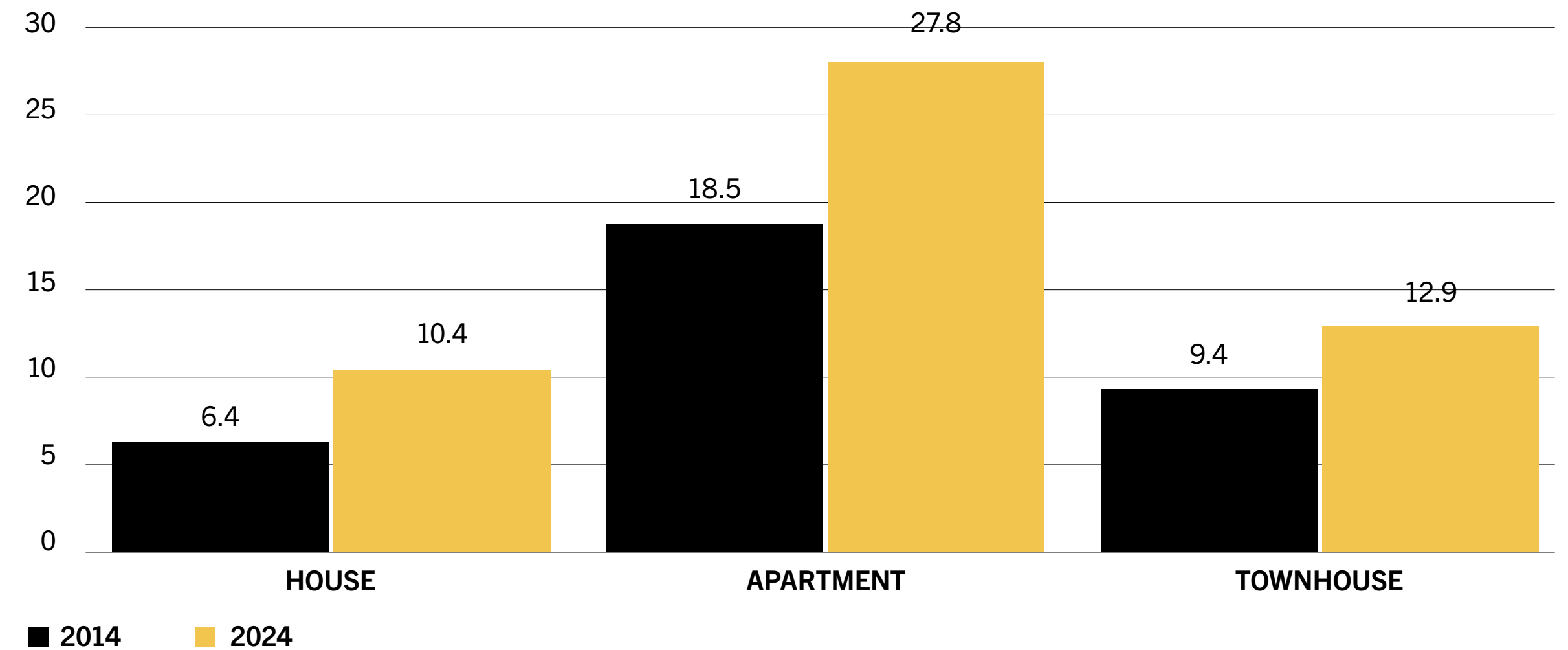
CONSTRUCTION PRODUCTIVITY CRISIS

It now takes 4 months longer to build a home than it did in 2014.

53% fewer homes are being built per hour worked compared to 30 years ago. Labour productivity in the broader economy increased by 49% over the same period.

SOURCE: AUSTRALIAN GOVERNMENT PRODUCTIVITY COMMISSION

AVERAGE TIME TO BUILD (MONTHS) - 2014 VS. 2024



SOURCE: PROPTRACK

Australia's home-building headache: Why it's taking longer and costing more



Loan approval surges, rising costs of materials, and construction companies going bust. Here are some reasons why its taking longer, and costing more, for Australians to build homes.



INSOLVENCIES

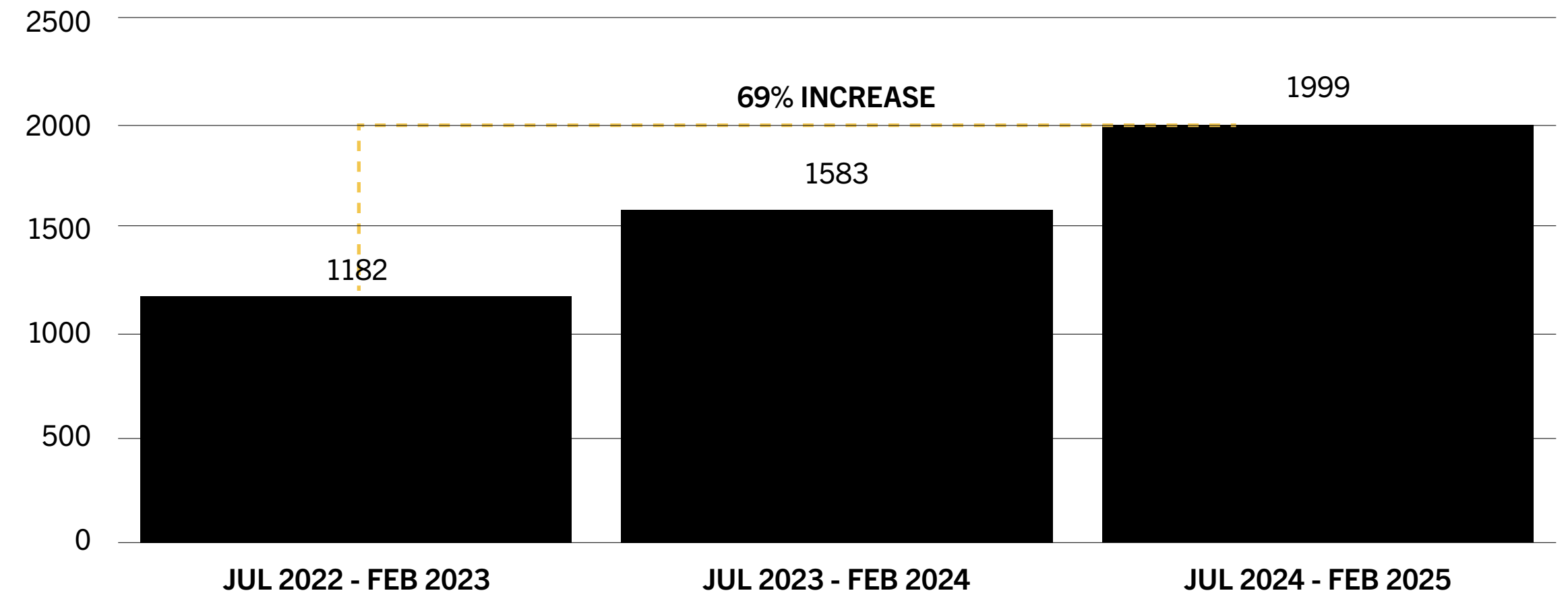
Growing construction insolvencies are expected to add further pressure to the industry & supply chains.

In the 2023-24 financial year, a record 3,000 construction firms in Australia were declared insolvent.

The latest data from ASIC indicates that construction insolvencies have worsened in 2024-25 with 1,999 to date, compared to 1,583 from the same period in 2023-24.

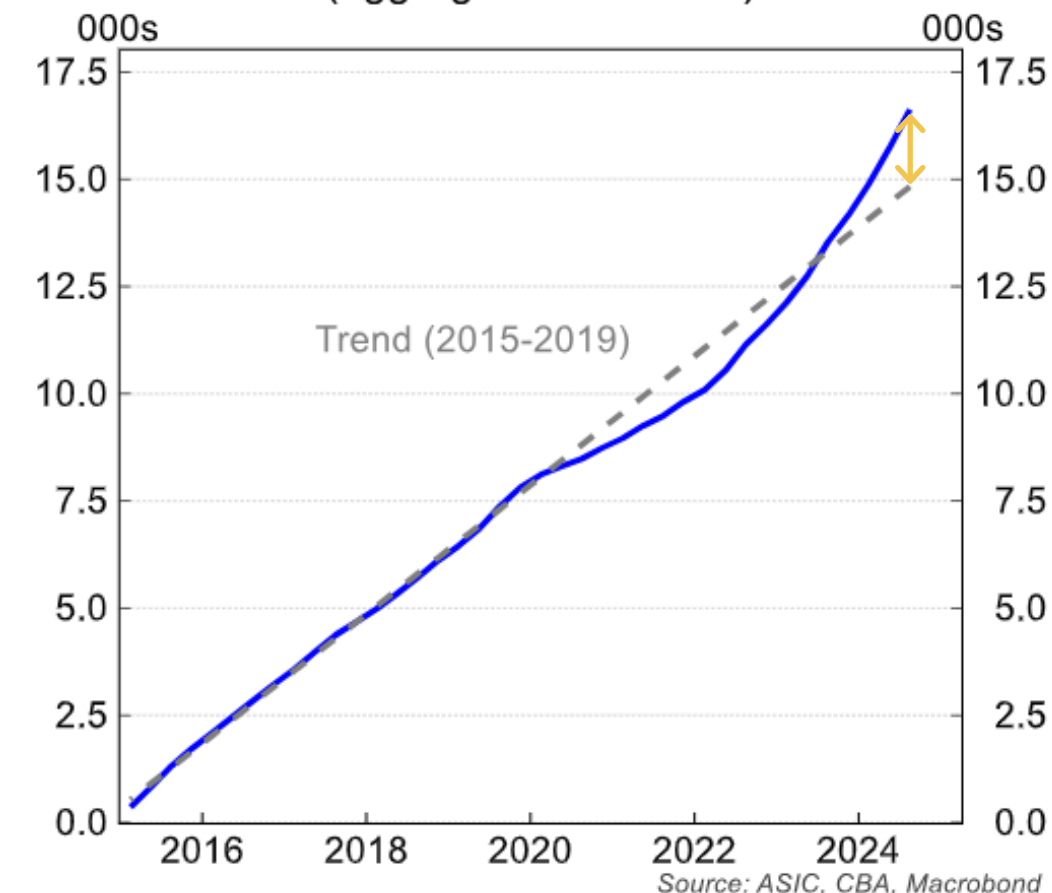
The outlook gets worse when compared to two years ago, with insolvencies now up 69% in 2024-25 compared to 2022-23.

CONSTRUCTION INSOLVENCIES - FIRST 7 MONTHS OF FINANCIAL YEAR



SOURCE: INSOLVENCY STATISTICS, AUSTRALIAN SECURITIES & INVESTMENTS COMMISSION

CONSTRUCTION INSOLVENCIES (aggregate from 2015)



Source: ASIC, CBA, Macrobond

LABOUR SUPPLY

Currently there is a shortfall of 202,400 workers to meet the demand for infrastructure construction alone, without accounting for residential demand.

The supply of workers is not expected to reach balance until late 2028. Master Builders Australia also estimate that an additional 240,000 workers are needed to meet demand.

*“The industry is plagued by chronic & critical workforce shortages across almost all occupations.”*

MASTER BUILDERS AUSTRALIA



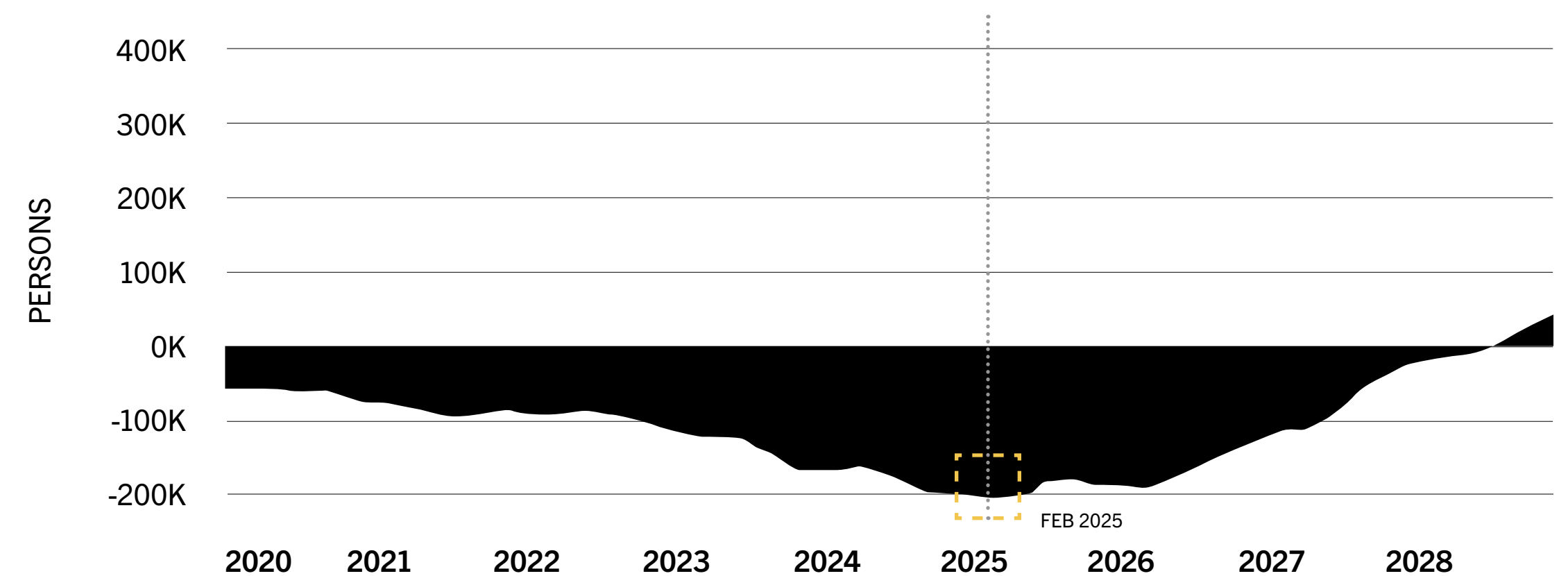
Construction workforce issues contributing to national housing target shortfall

By Jack Hislop Housing Construction Industry

Tue 18 Feb



SUPPLY OF WORKERS OVER TIME



SOURCE: PUBLIC INFRASTRUCTURE WORKFORCE SUPPLY DASHBOARD, INFRASTRUCTURE AUSTRALIA

GOVERNMENT INFRASTRUCTURE

# Record levels of Government infrastructure investment is placing further pressure on the residential sector.

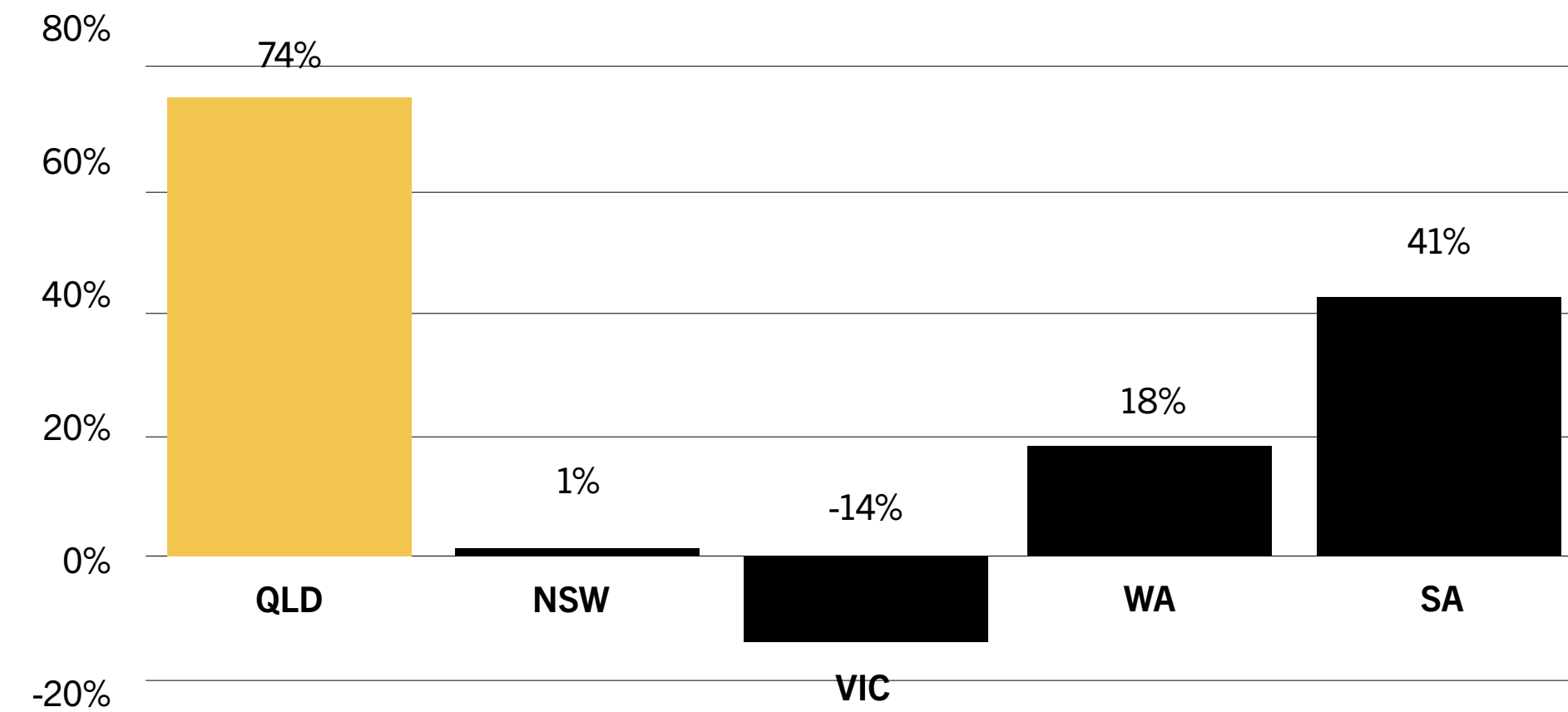
TOTAL GOVERNMENT INFRASTRUCTURE INVESTMENT



Government infrastructure investment in Australia has increased 46% (\$85B) in five years, averaging 10% annual growth. This record spending is straining the construction industry, driving competition for labour and materials, and pushing costs higher.

SOURCE: AUSTRALIAN INFRASTRUCTURE BUDGET MONITOR 2020-21, 2021-22, 2022-23, 2023-24 & 2024-25.

CHANGE IN INFRASTRUCTURE INVESTMENT BY STATE (2021/22 TO 2024/25)

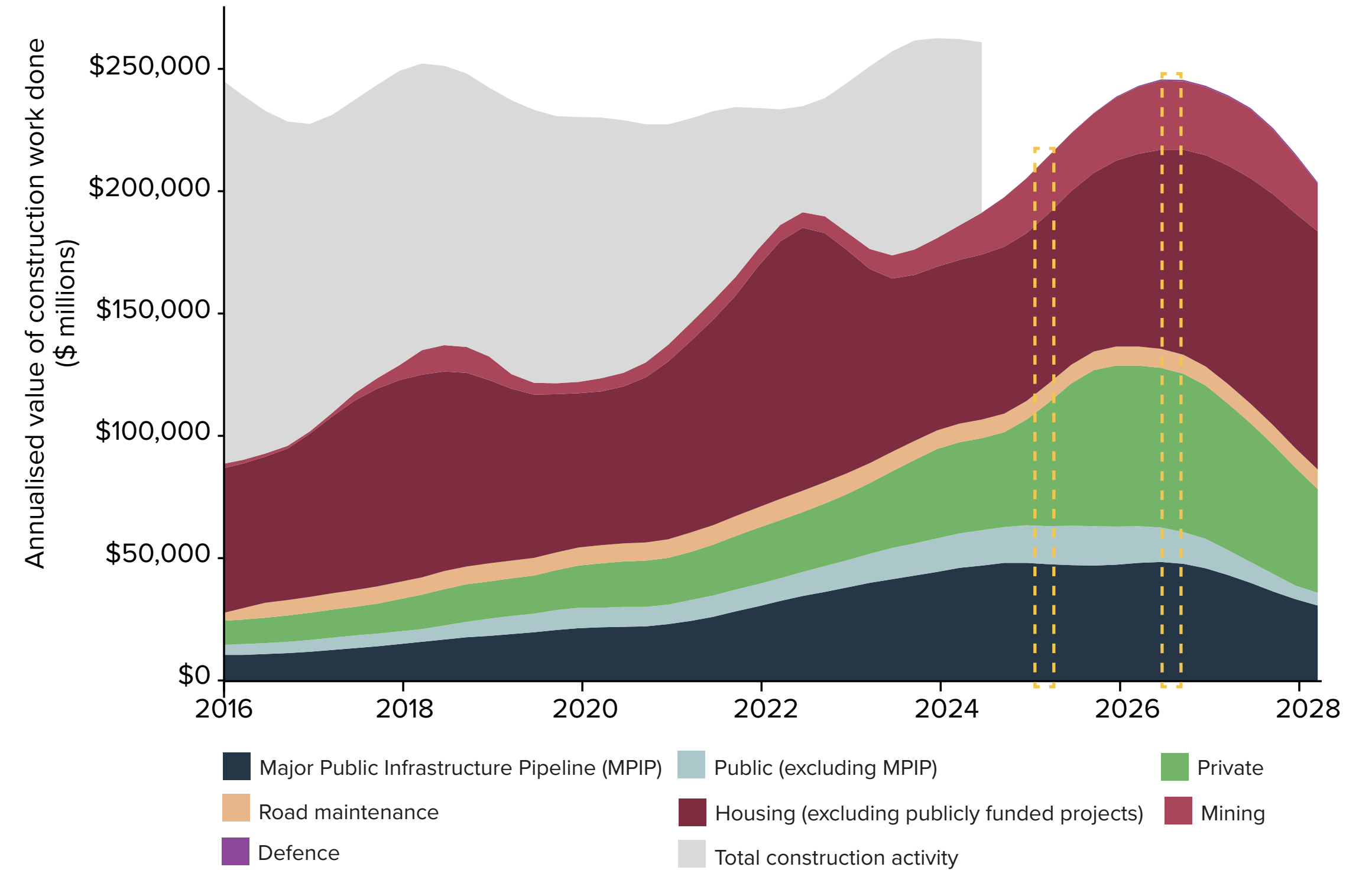


Queensland has increased infrastructure investment by 74% in just three years, outpacing all other states. This rapid surge is intensifying pressure on labour and material costs and could potentially drive disproportionate increases in new home prices.

SOURCE: AUSTRALIAN INFRASTRUCTURE BUDGET MONITOR 2020-21 & 2024-25.

INDUSTRY SPEND

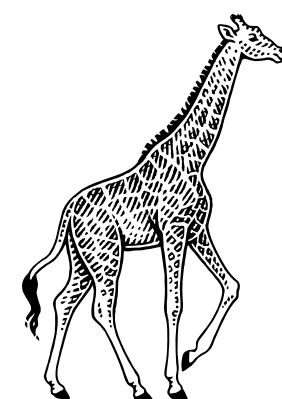
It doesn't appear like the construction boom will be easing any time soon, with total construction industry expenditure not forecast to peak until at least mid-2026.



Note: Infrastructure Australia no longer displays a projection for future total construction activity as exists in previous editions of the Infrastructure Market Capacity Report.

Source (for total construction activity): Australian Bureau of Statistics (2024)<sup>4</sup>

# Where is the growth most likely to outperform?



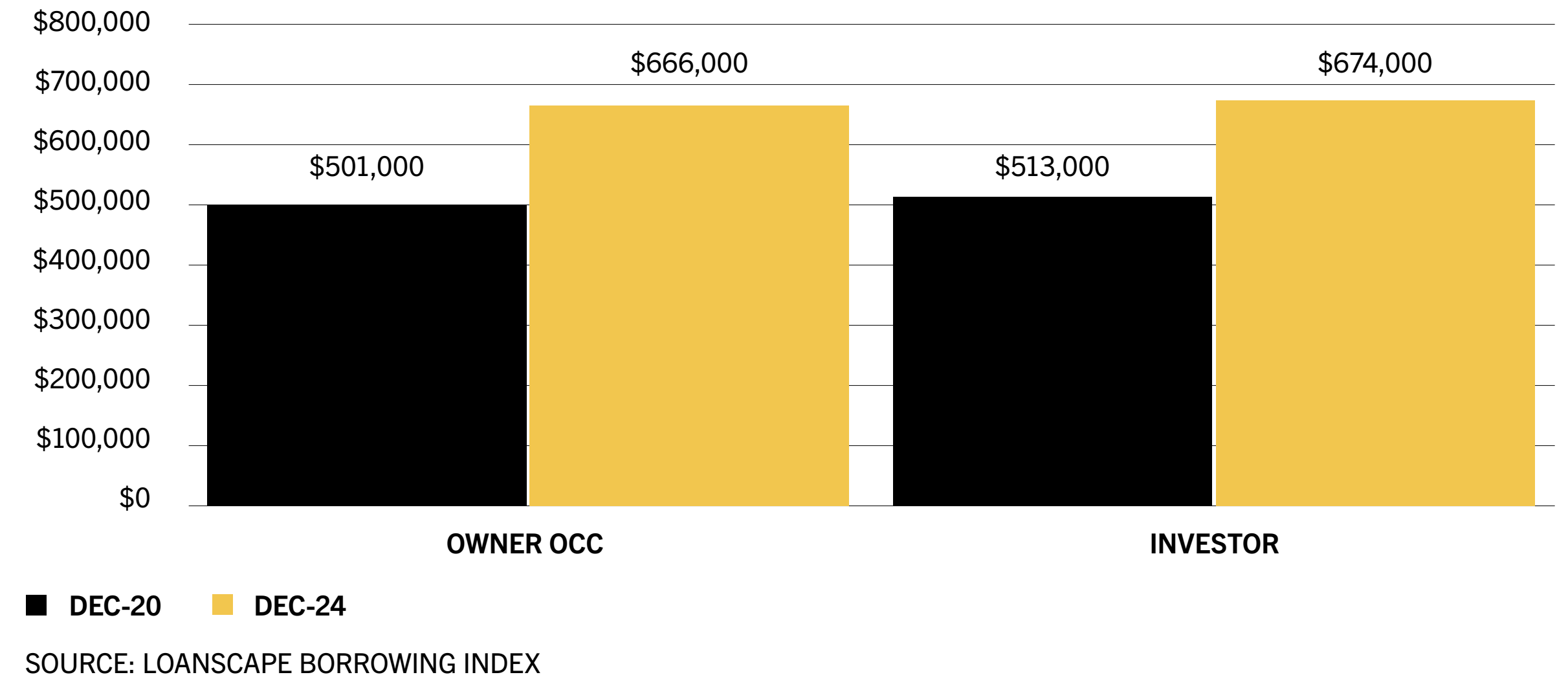
AFFORDABILITY IS KING

Borrowing power has declined by 24% & loan sizes have increased 33% since 2021.

Borrowing power has declined, with maximum capacities 24% lower than the October 2021 peak. The income required for an average home loan has increased 33% - from \$106,500 in 2022 to \$142,000 in 2024. Owner-occupier loan sizes have grown 33% since 2020, increasing financial strain on buyer.

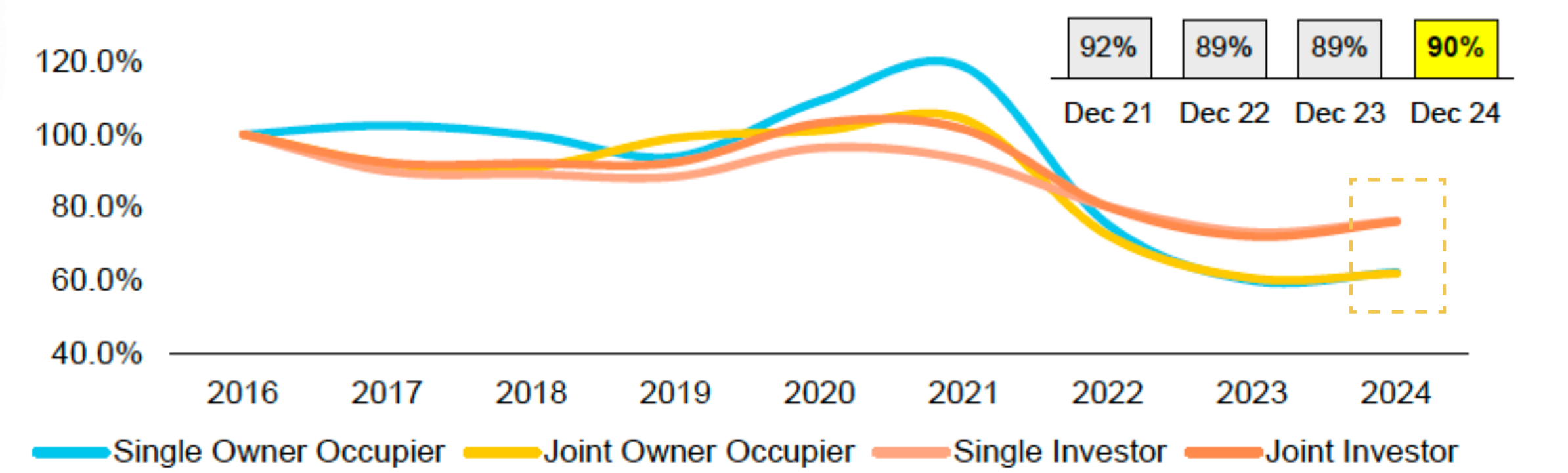
This is also reflected in the latest data from CBA, which shows that borrowing capacity for all market segments, whilst improving slightly, is at near-record lows.

GROWTH OF AVG. LOAN SIZES



Borrowing capacity<sup>3</sup>

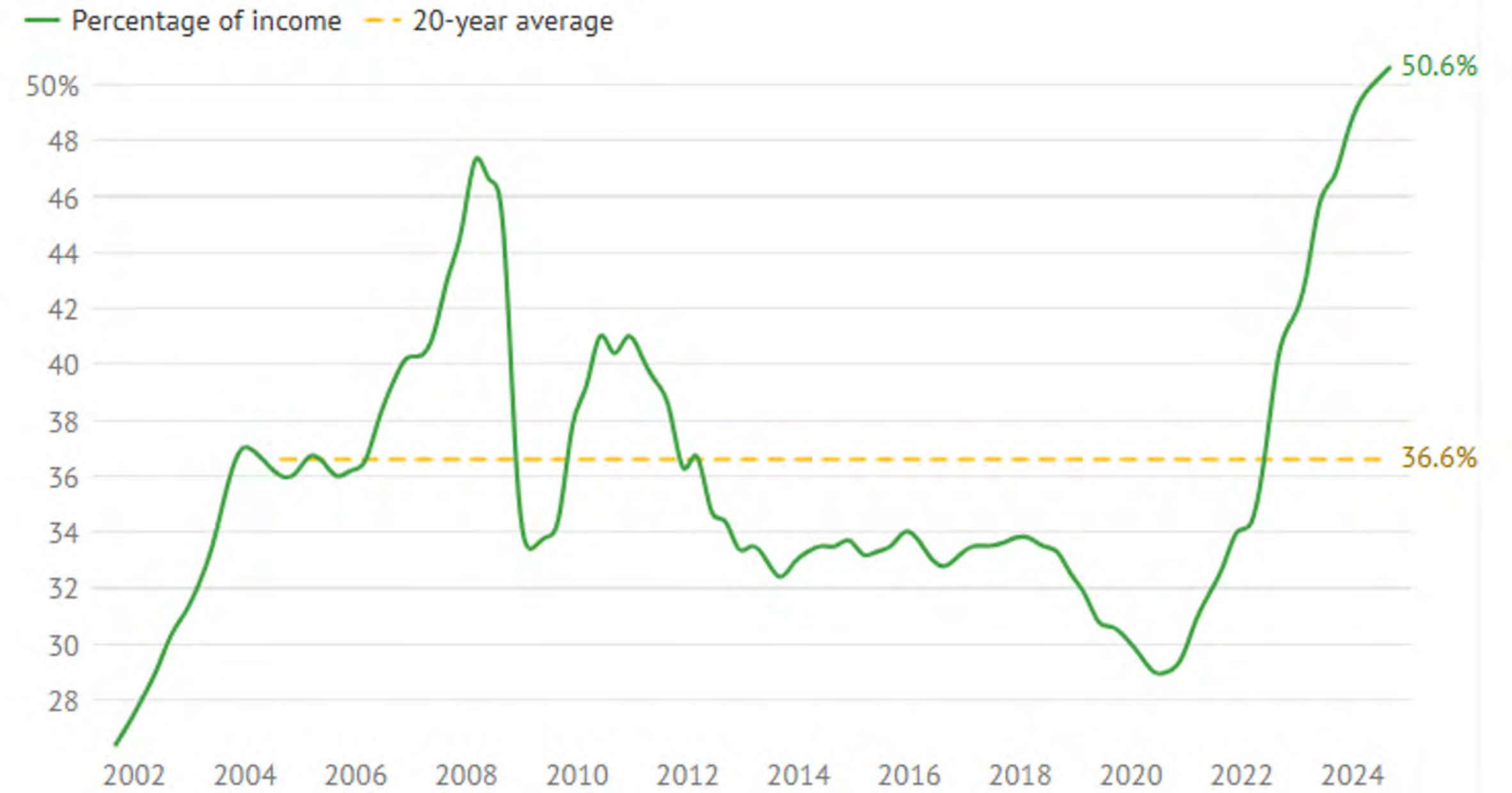
Change in maximum borrowing capacity<sup>3</sup> – indexed Dec 16



AFFORDABILITY IS KING

Share of income to service mortgage repayments hits all-time high & well above 20-year average.

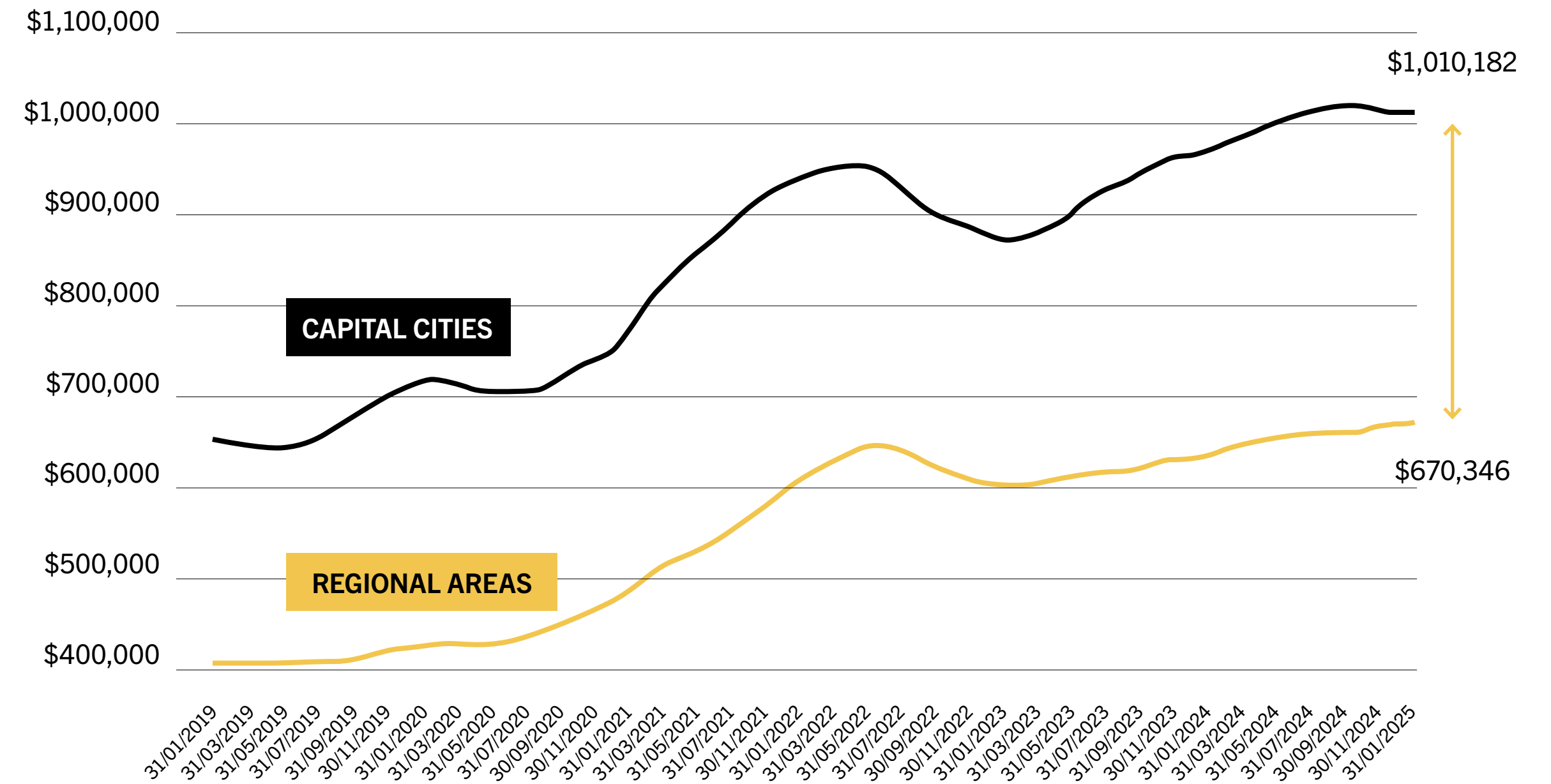
PROPORTION OF INCOME NEEDED TO MEET MORTGAGE PAYMENTS



The figure is derived from the national median income and the national median dwelling value.

HOUSE PRICES

Regional areas offer excellent value comparative to capital city markets.



SOURCE: CORELOGIC

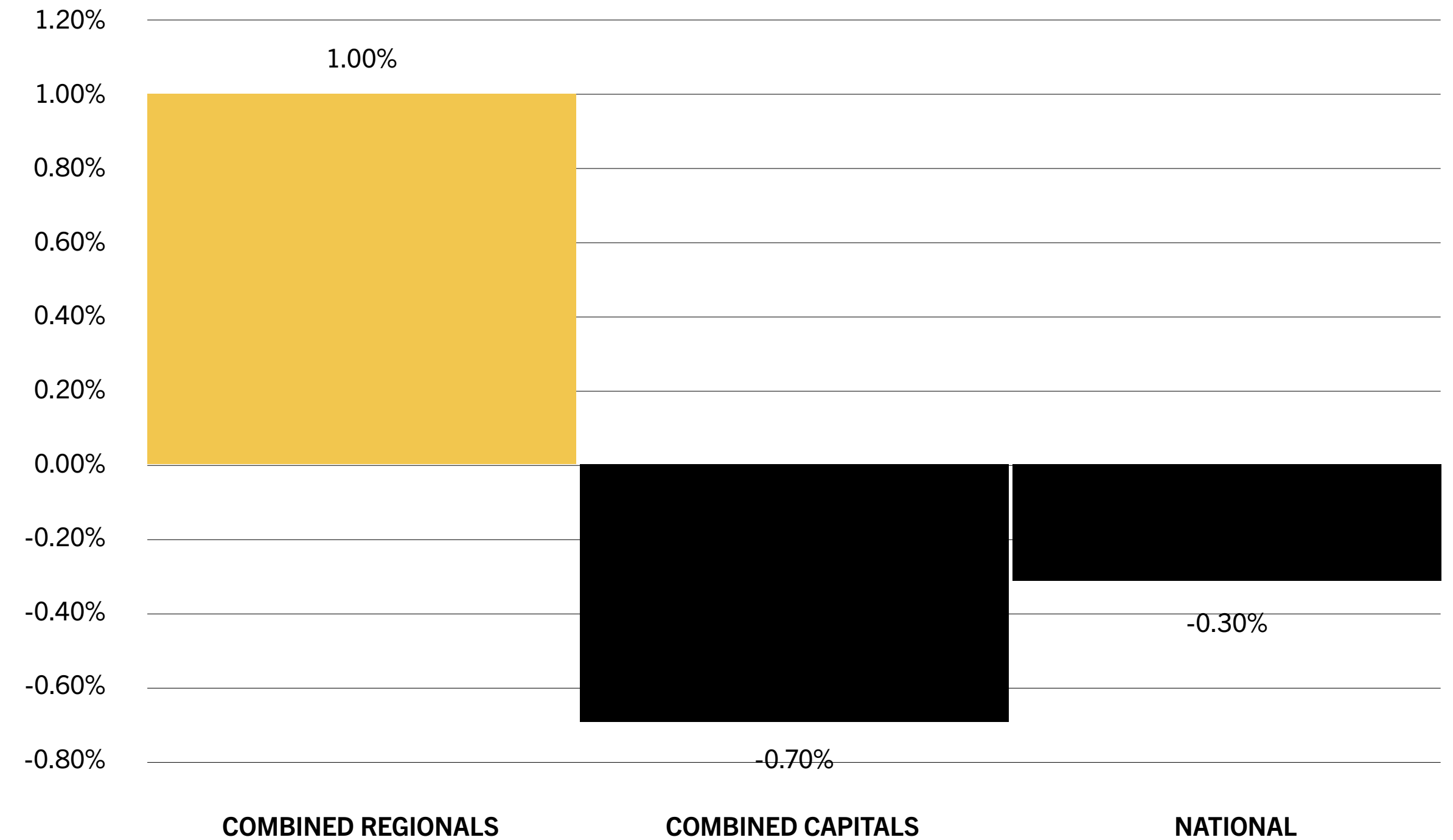
HOUSE PRICES

This has seen regional markets outperform the capitals, a trend that is continuing into 2025.

*“Regional markets seem to be benefitting from a second wind of internal migration, along with an affordability advantage in some markets, and what looks to be some permanency in hybrid working arrangements across some occupations and industries.”*

**TIM LAWLESS**  
RESEARCH DIRECTOR, CORELOGIC

HOME VALUE INDEX - LAST QUARTER (AS AT 31ST JAN 2025)

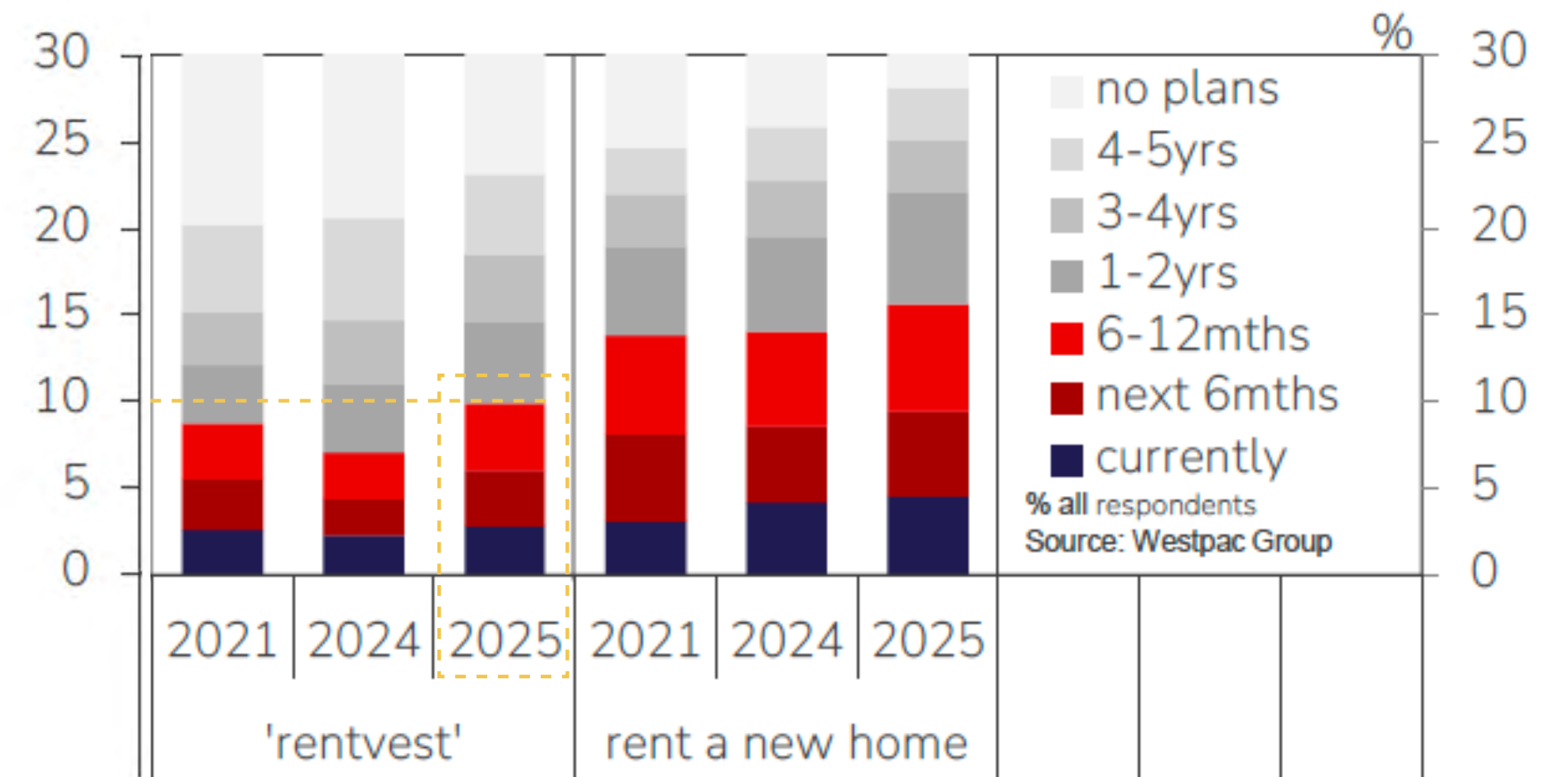


SOURCE: CORELOGIC

RENTVESTING

This move to affordability is being seen in Westpac’s latest data that shows 10% of Australians are planning on ‘rentvesting’ in the next 12 months – the highest number on record.

Regional markets will be the largest beneficiaries in this record-level of ‘rentvesting’ activity due to their affordability comparative to capital city markets.



SOURCE: WESTPAC

RENTAL MARKET

This is also being reflected in the rental market as families search for affordability, driving down regional vacancy rates & increasing rents.

MEDIAN RENT (HOUSES)



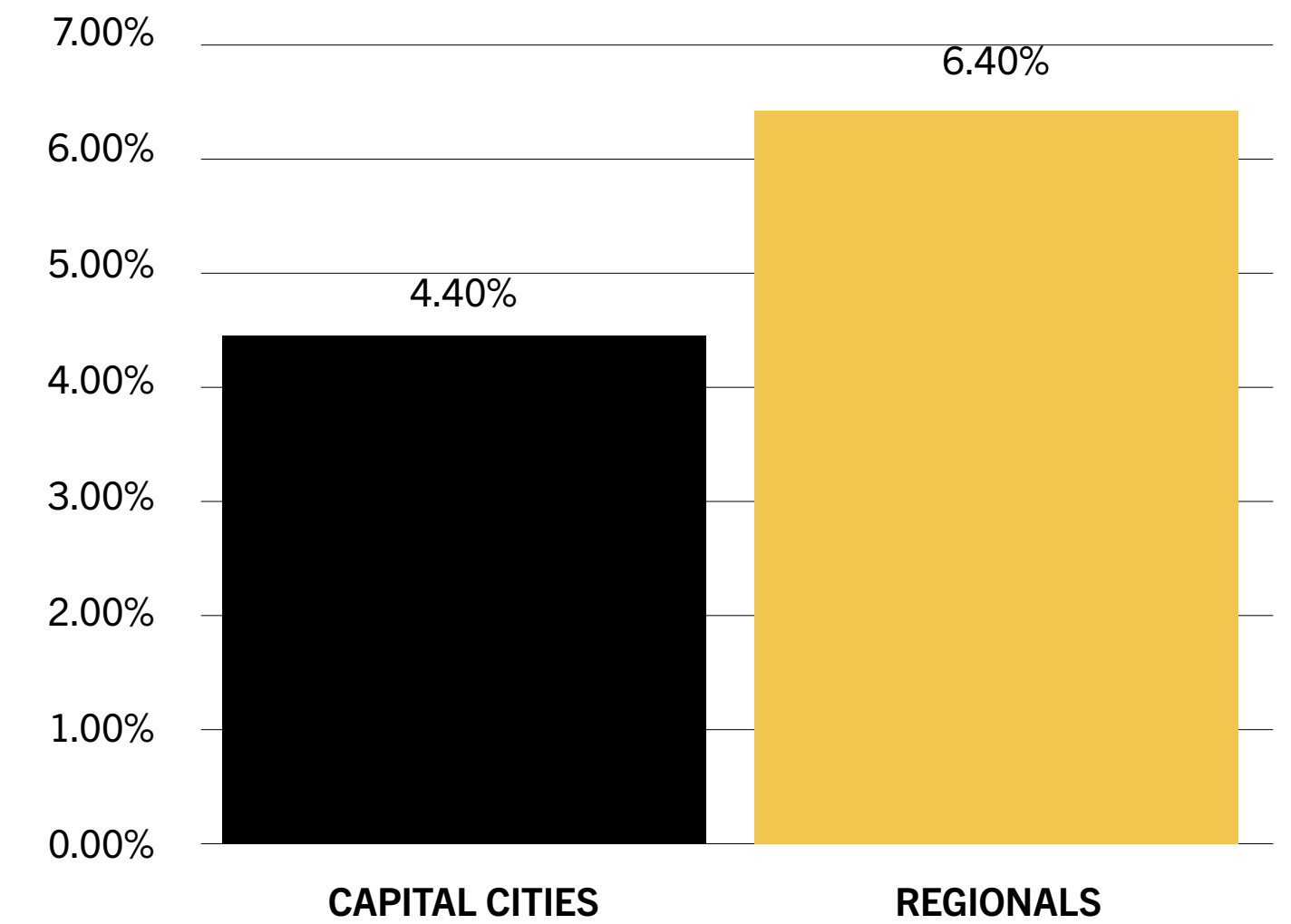
SOURCE: CORELOGIC

VACANCY RATE (HOUSES)



SOURCE: CORELOGIC

CHANGE IN ASKING RENTS (YTD)



SOURCE: CORELOGIC

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