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ECONOMICS
AUSTRALIA

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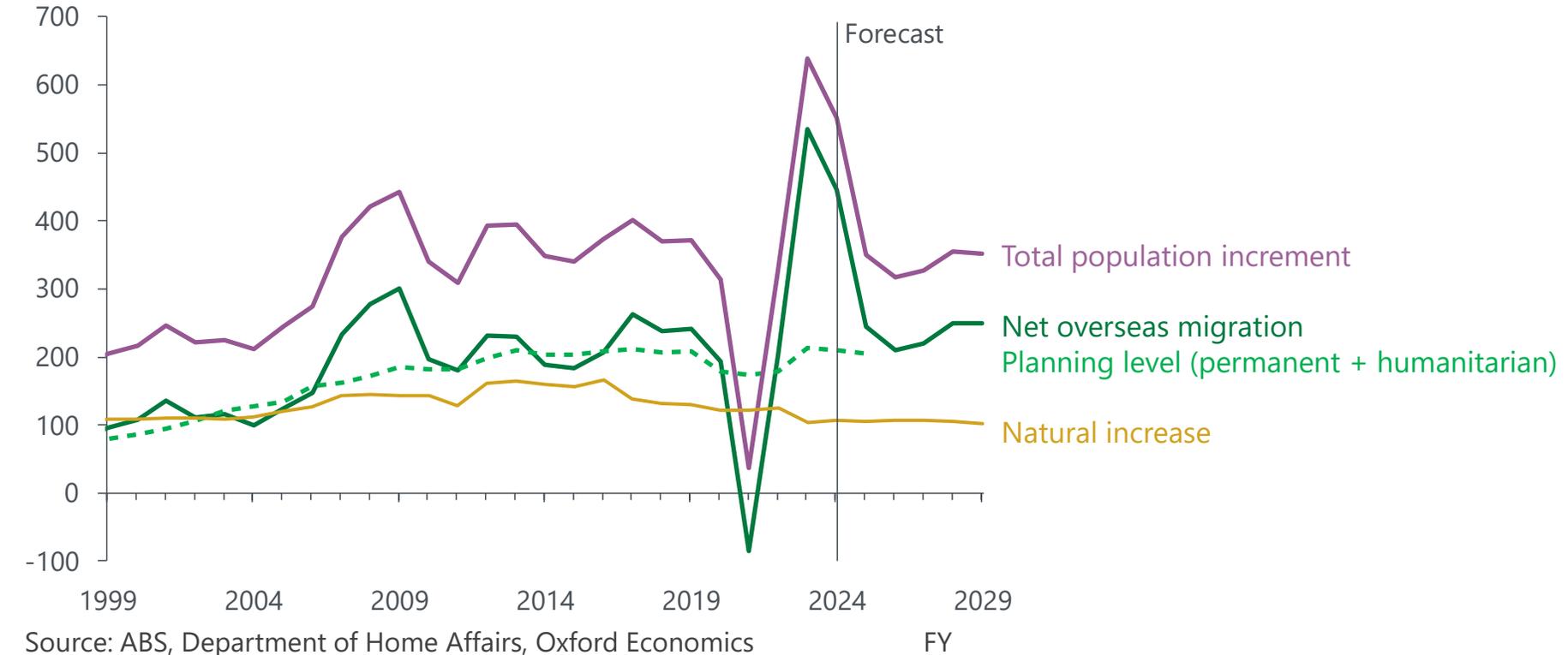


A changing of the guard for building construction growth drivers

Australia's population boom has passed

Net overseas migration, Australia

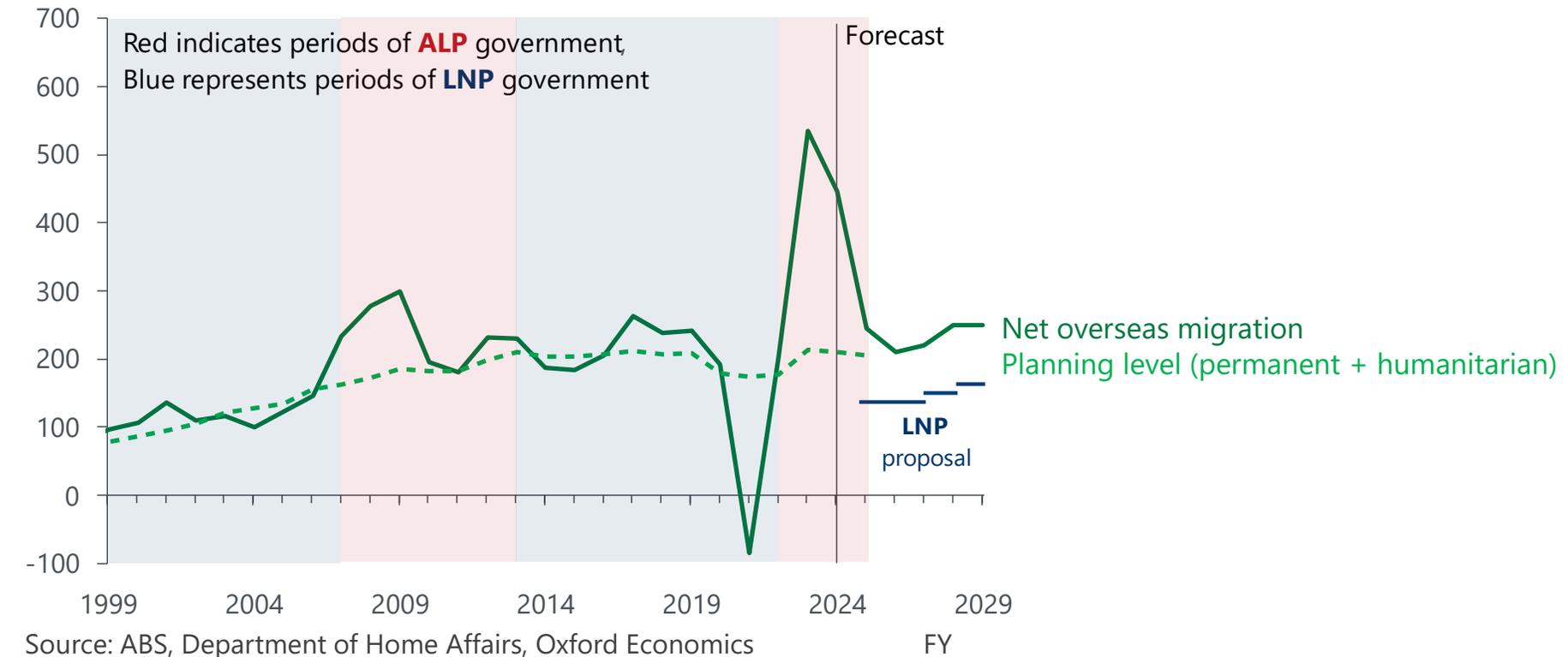
Number '000



A change in government does not shift the outlook for NOM

Net overseas migration, Australia

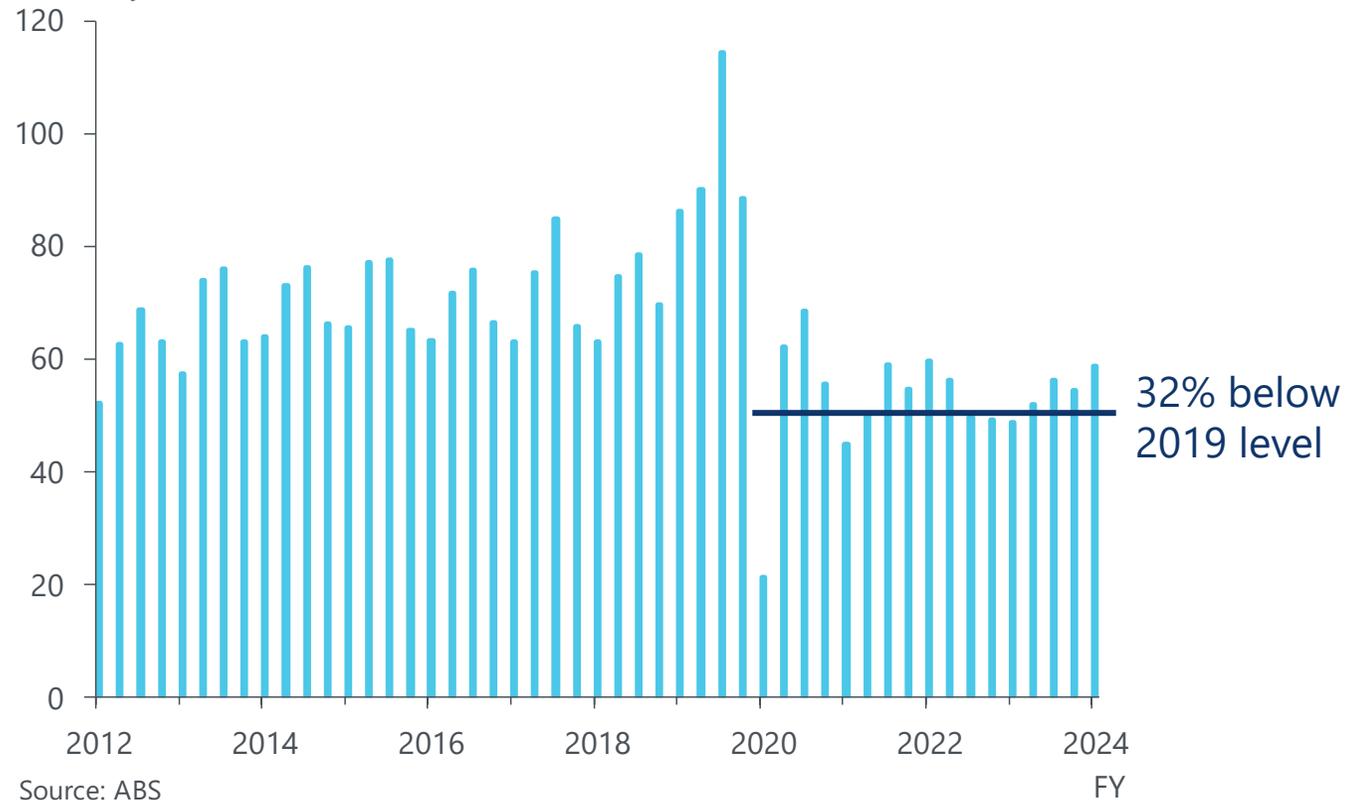
Number '000



Overseas departures below trend...but not for long

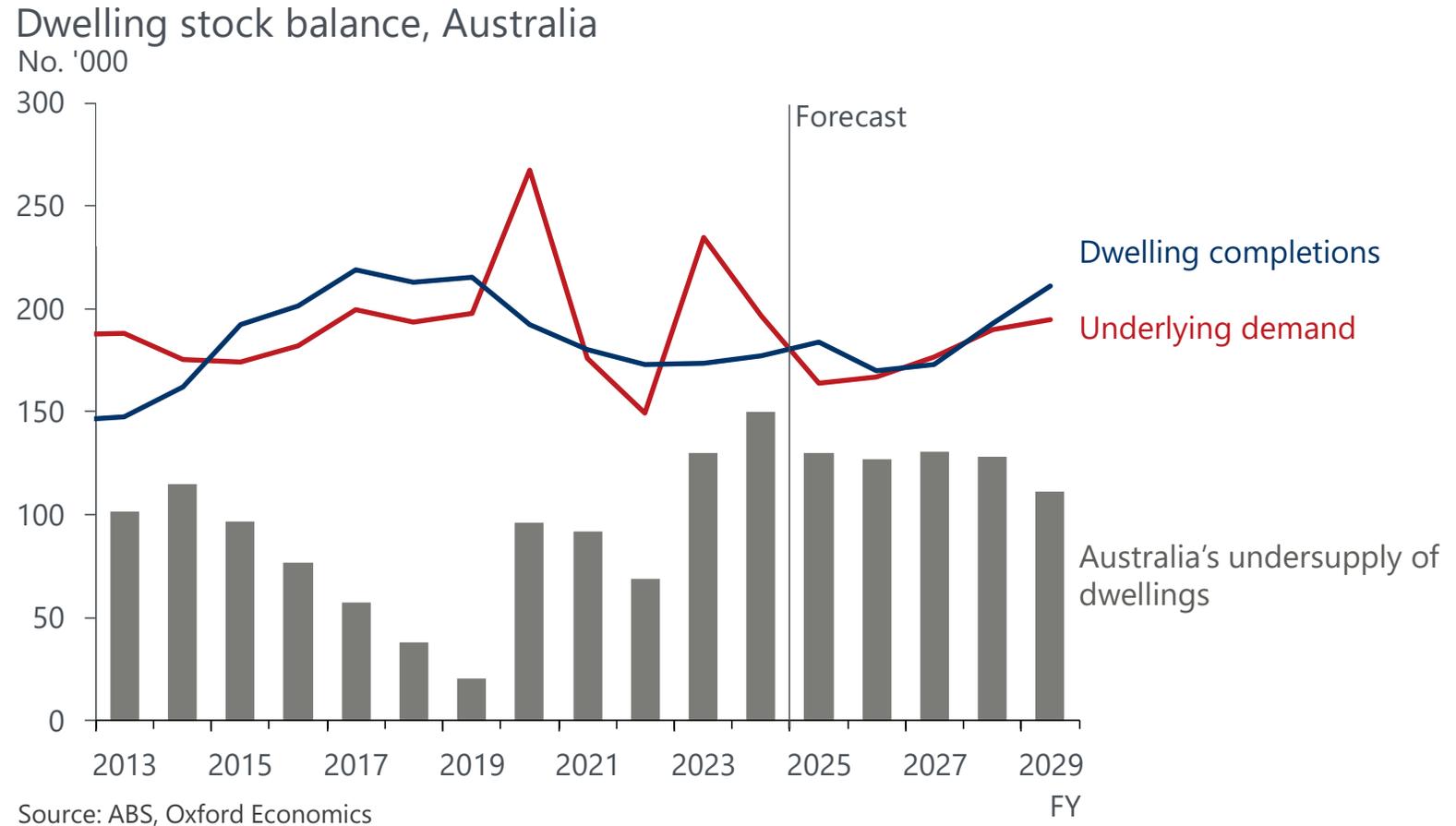
Overseas departures, Australia

Quarterly number '000



Source: ABS

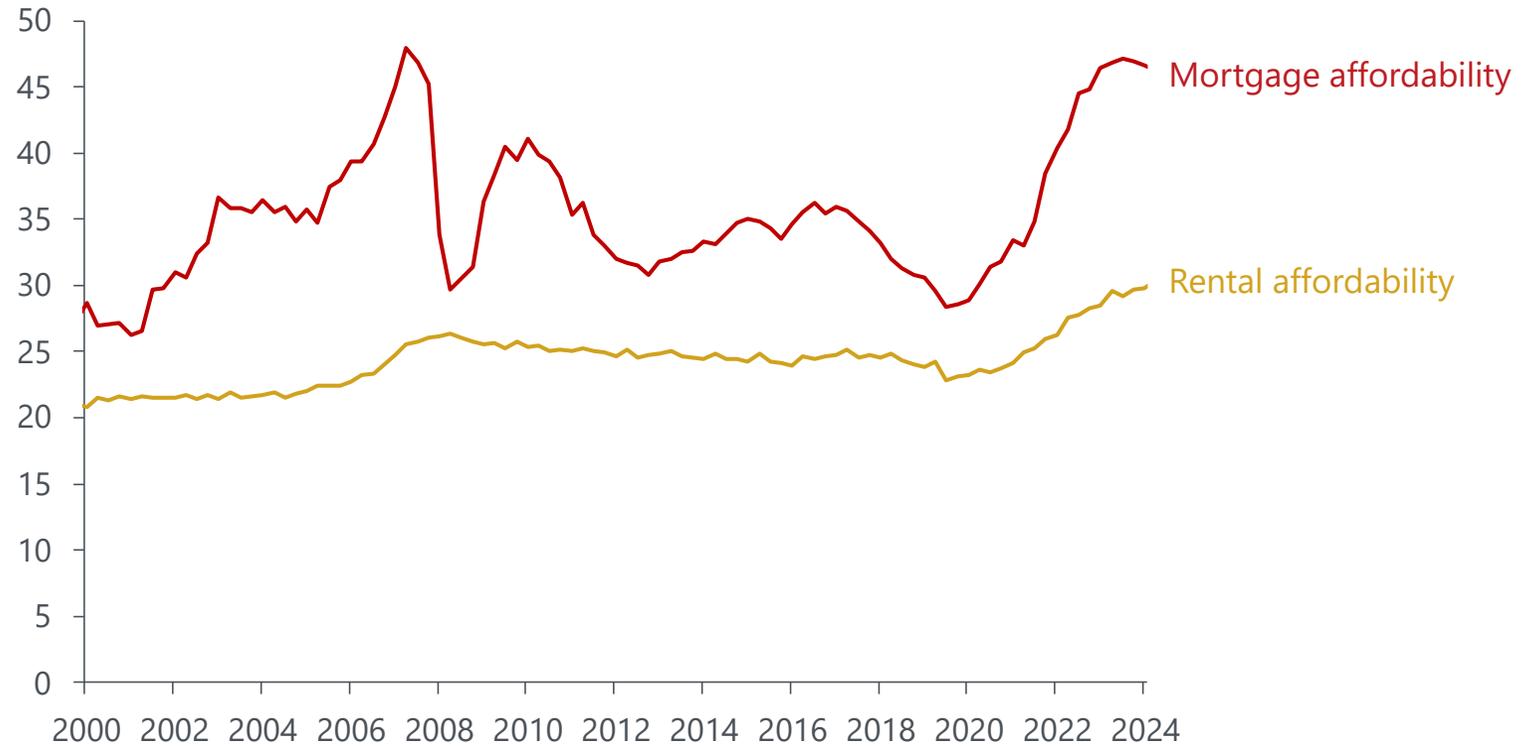
Australia's housing sector is set to remain undersupplied



Housing affordability has deteriorated for renters and buyers

Combined capital city mortgage vs. rental affordability

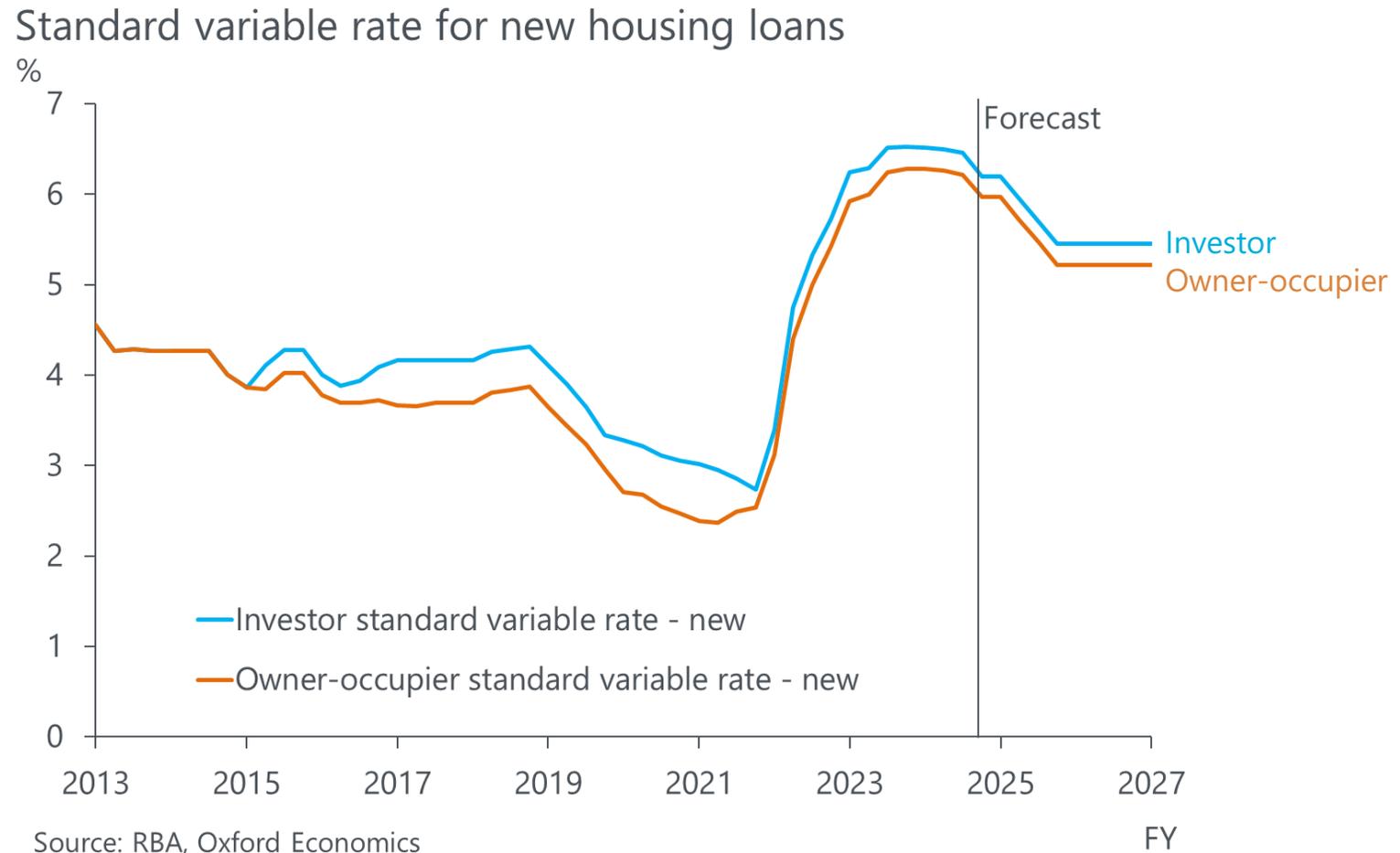
Housing costs as % of income/earnings



Source: ABS, PriceFinder, State govt. tenancy agencies, REIA, Oxford Economics

CY

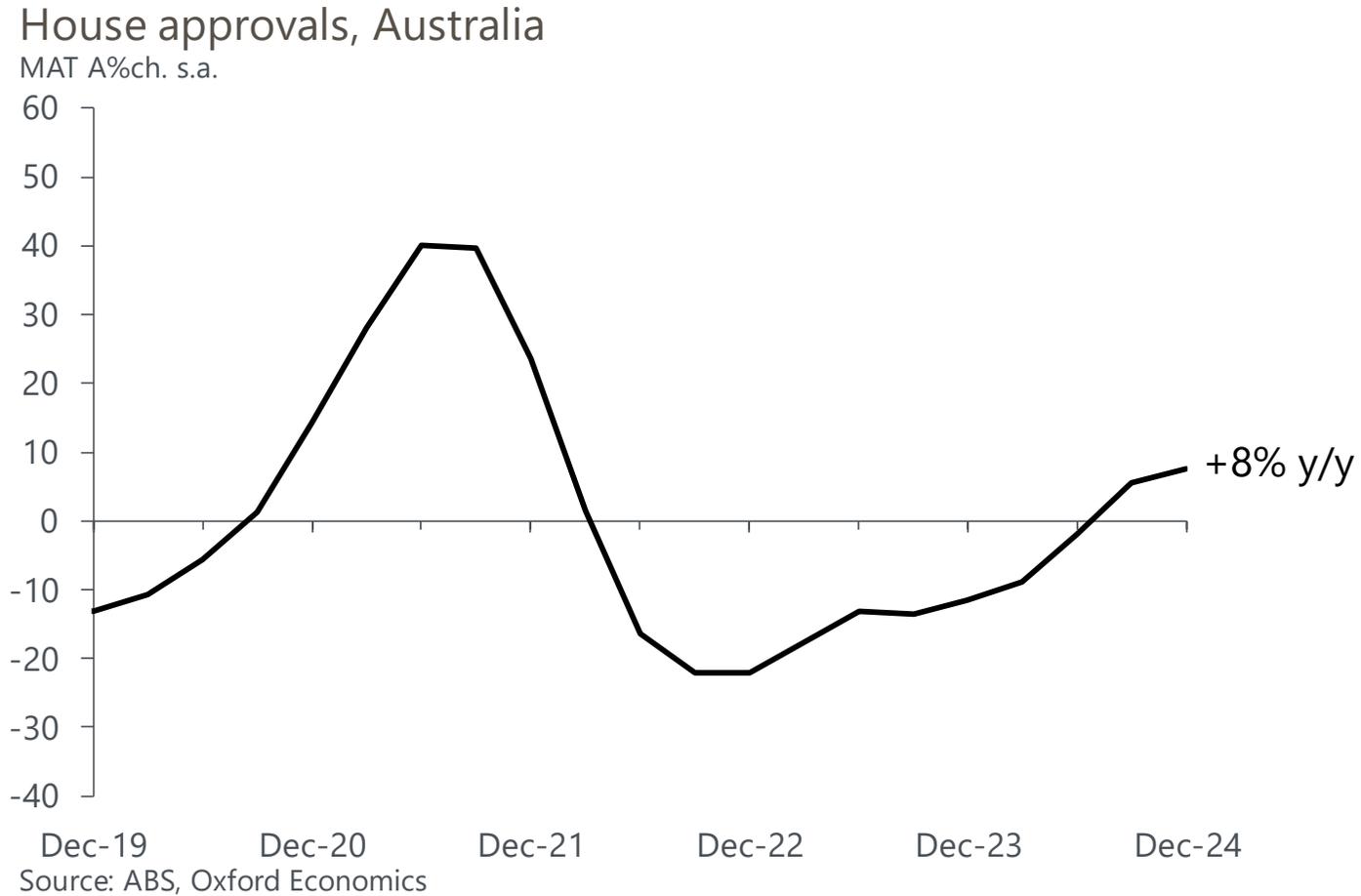
Elevated borrowing costs also dragged on affordability



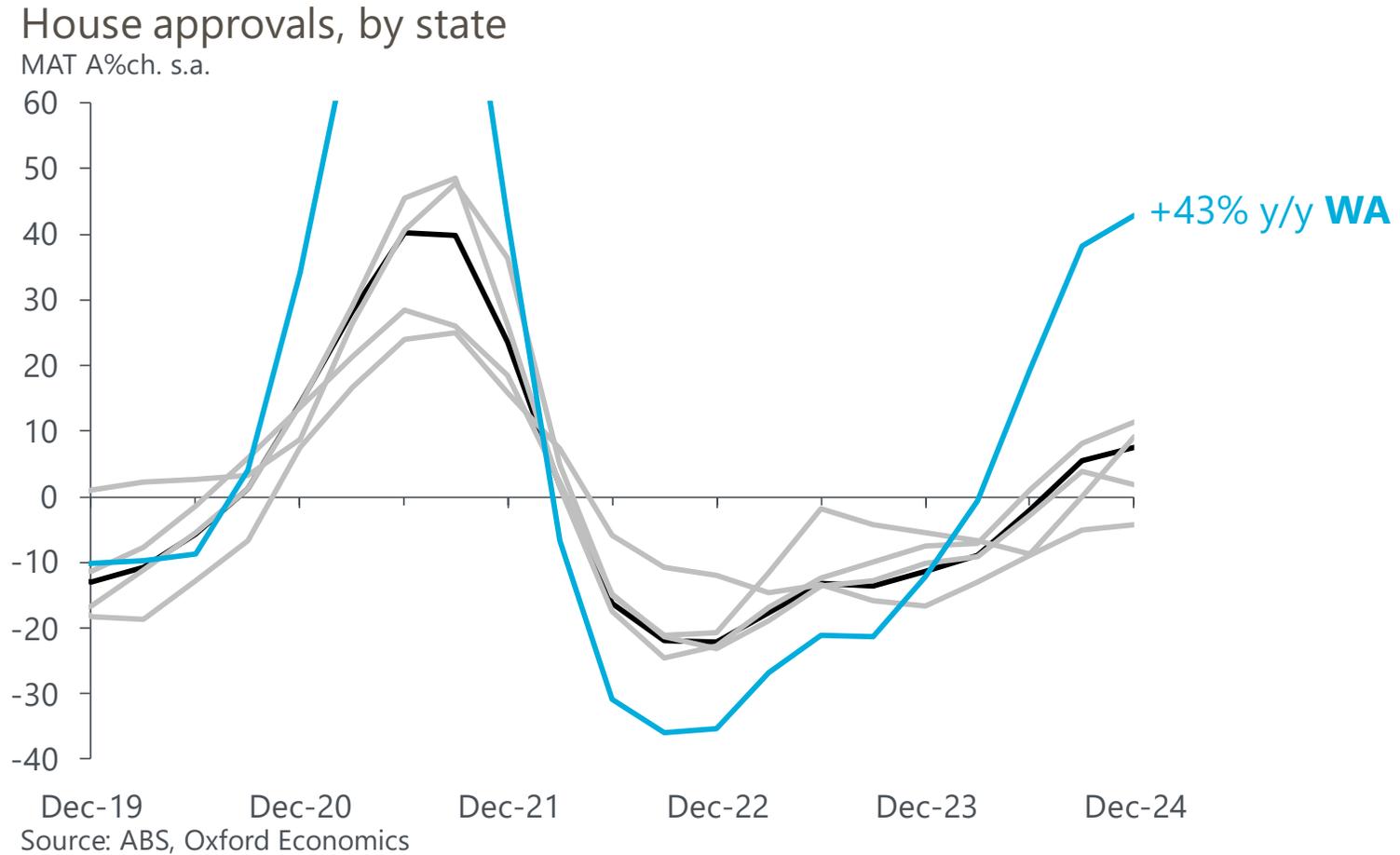
Key themes

- **Who is driving the improvement in new house construction?**
- Where do apartments fit in the mix?
- Can non-core offset a soft outlook for traditional assets?

Signs of recovery for new house demand



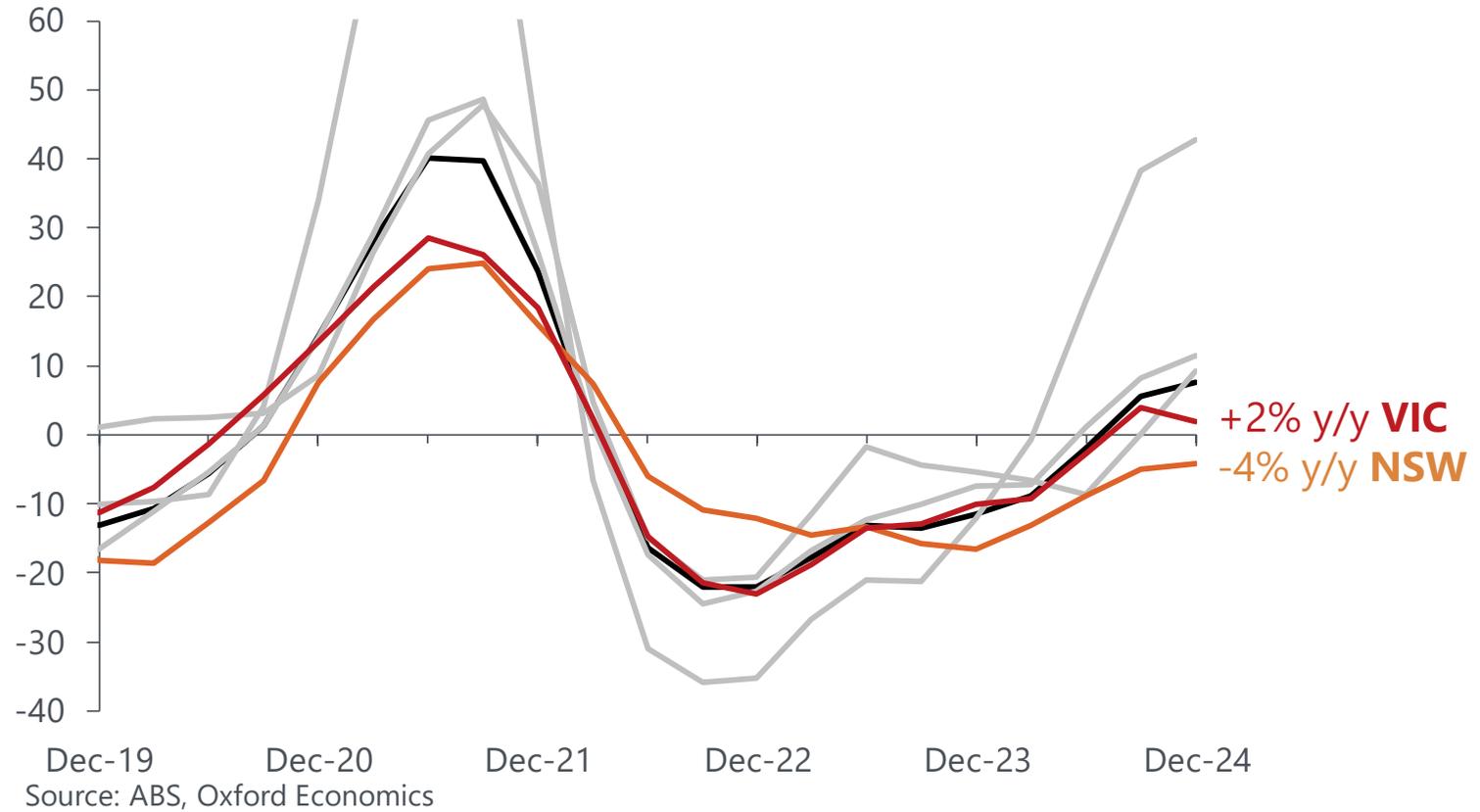
Western Australia has led the return to growth in house approvals



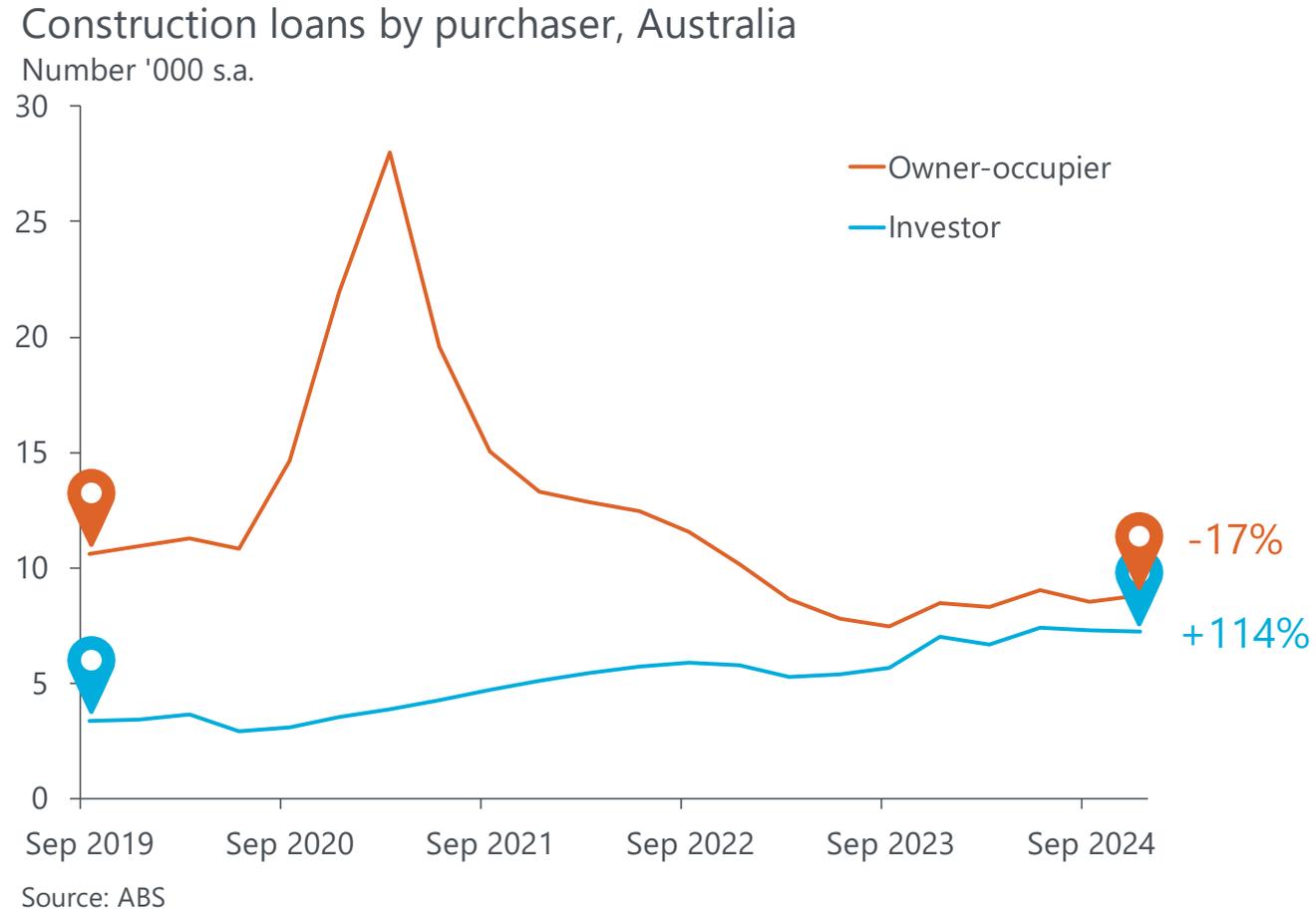
NSW and VIC have lagged behind

House approvals, by state

MAT A%ch. s.a.

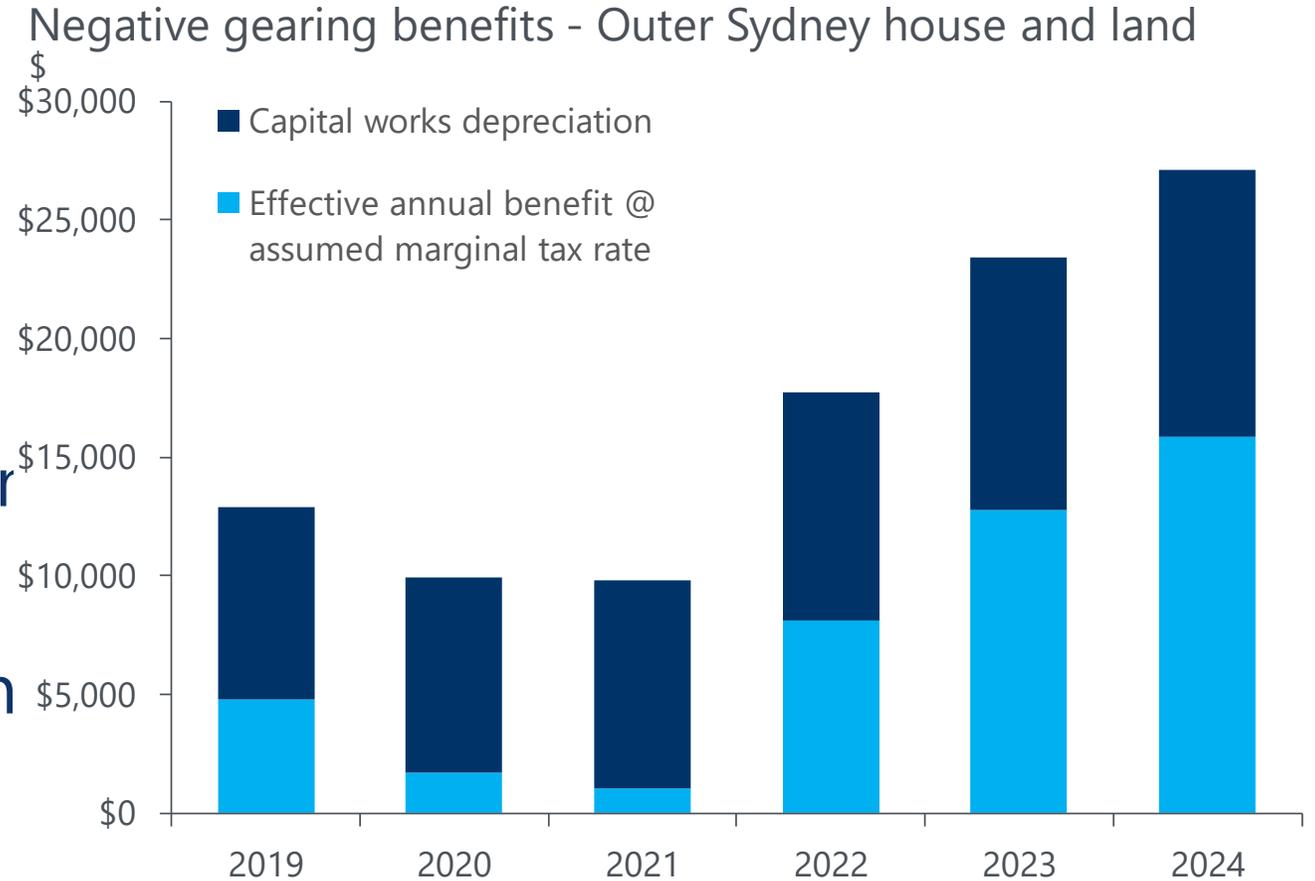


But which demand segment is driving this growth... Investors!



So, what is driving investor demand?

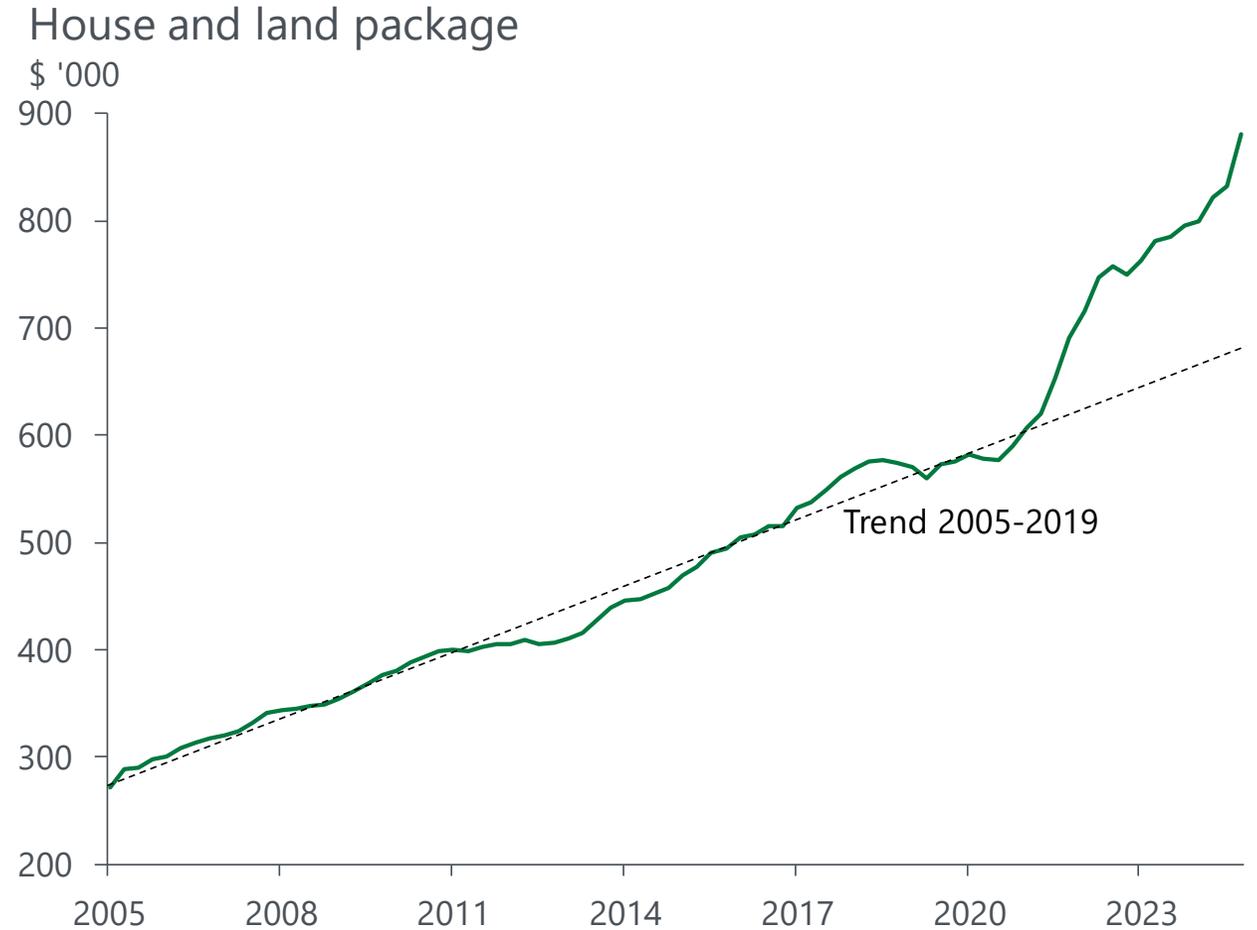
- Negative gearing appeal
- Rental growth and tightness in r
- Interest rate premium has shrun
- Shift away from new apartments



Source: PriceFinder, State govt. tenancy agencies, ABS, RBA, Oxford Economics

The costs associated with new builds have blown out

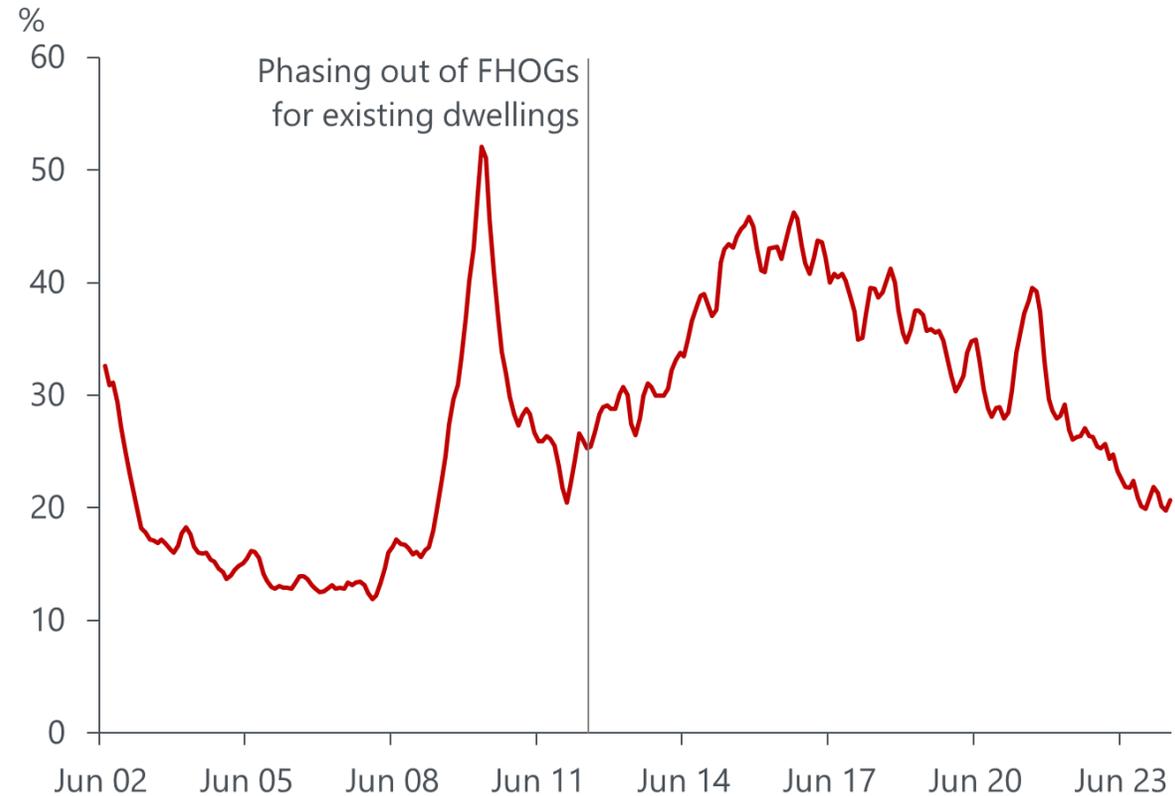
	Dec-19	Dec-24	Variation
House & land package	\$635,000	\$909,000	+43%
Mortgage repayment	\$2,264	\$4,520	+100%
20% deposit	\$127,000	\$181,606	+\$54,606
Delivery time	15-24 months	21-36 months	+40% to 140%



Source: PriceFinder, ABS, Oxford Economics

FHB demand for new dwellings hit hard by cost escalation

Est. share of owner-occupier FHBs buying new dwellings*



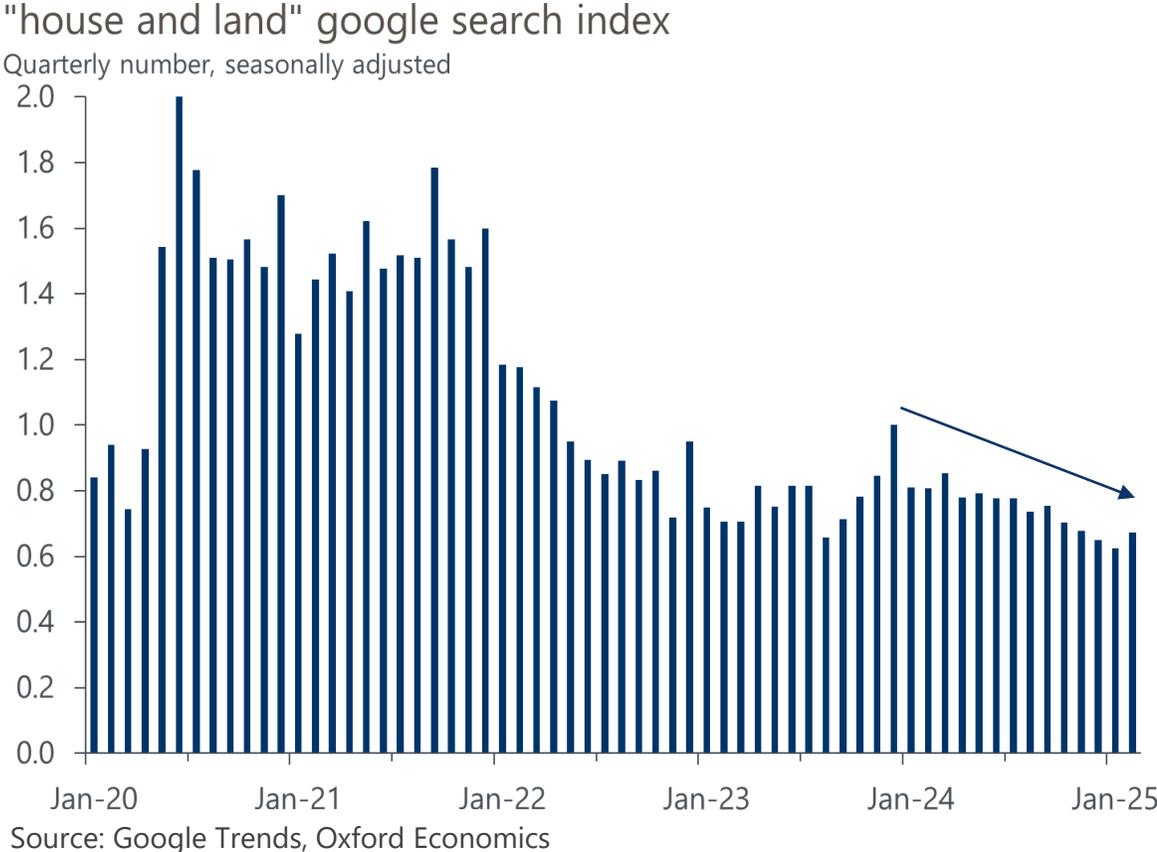
*Assuming 8% of FHBs own without a mortgage & adjusted for purchases beyond FHOG criteria

Source: Various State Revenue Offices, ABS, Oxford Economics

Whilst up on a year ago the latest months have lost steam

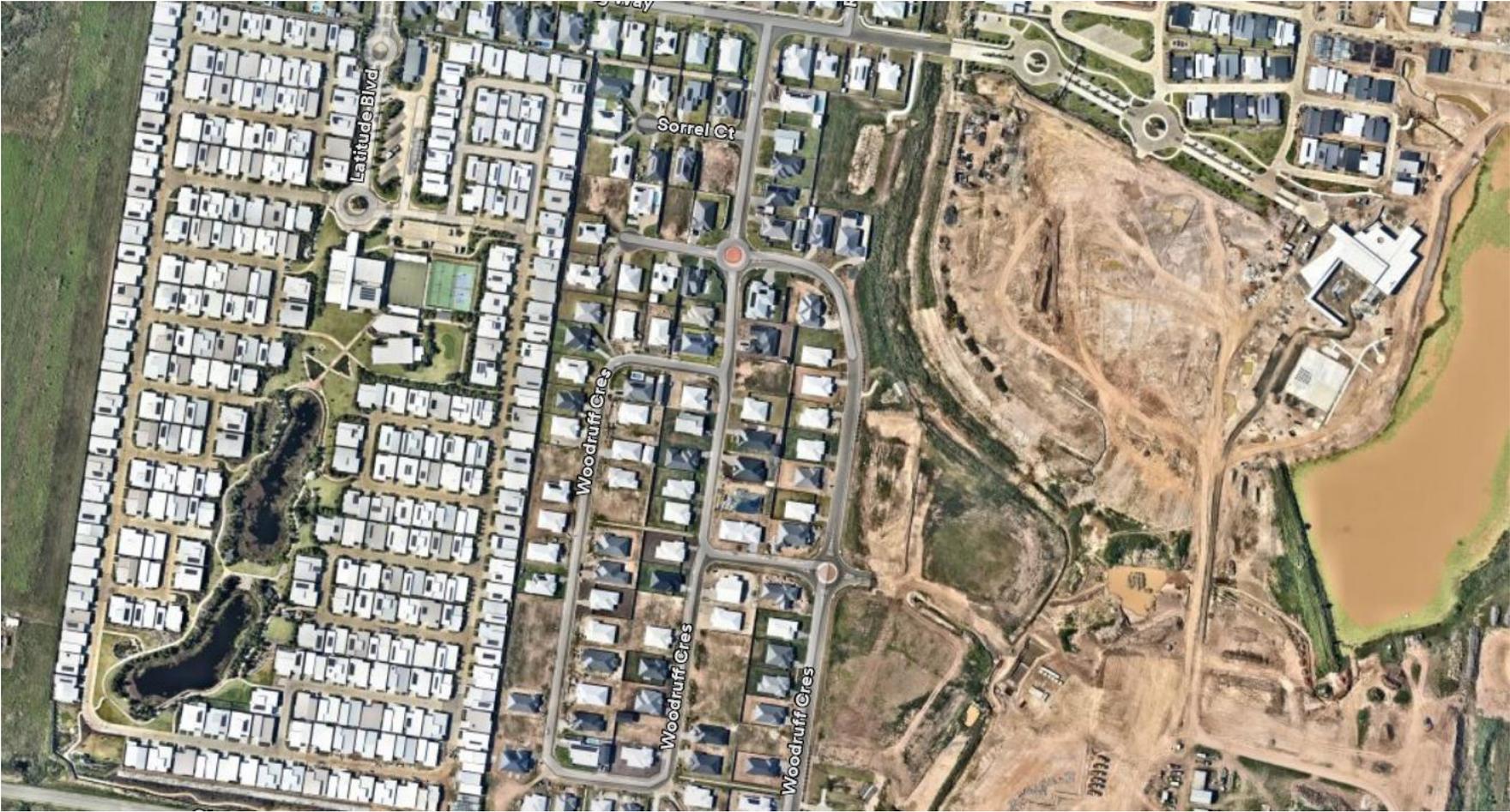


Searches for house and land packages suggest a slower FY2026



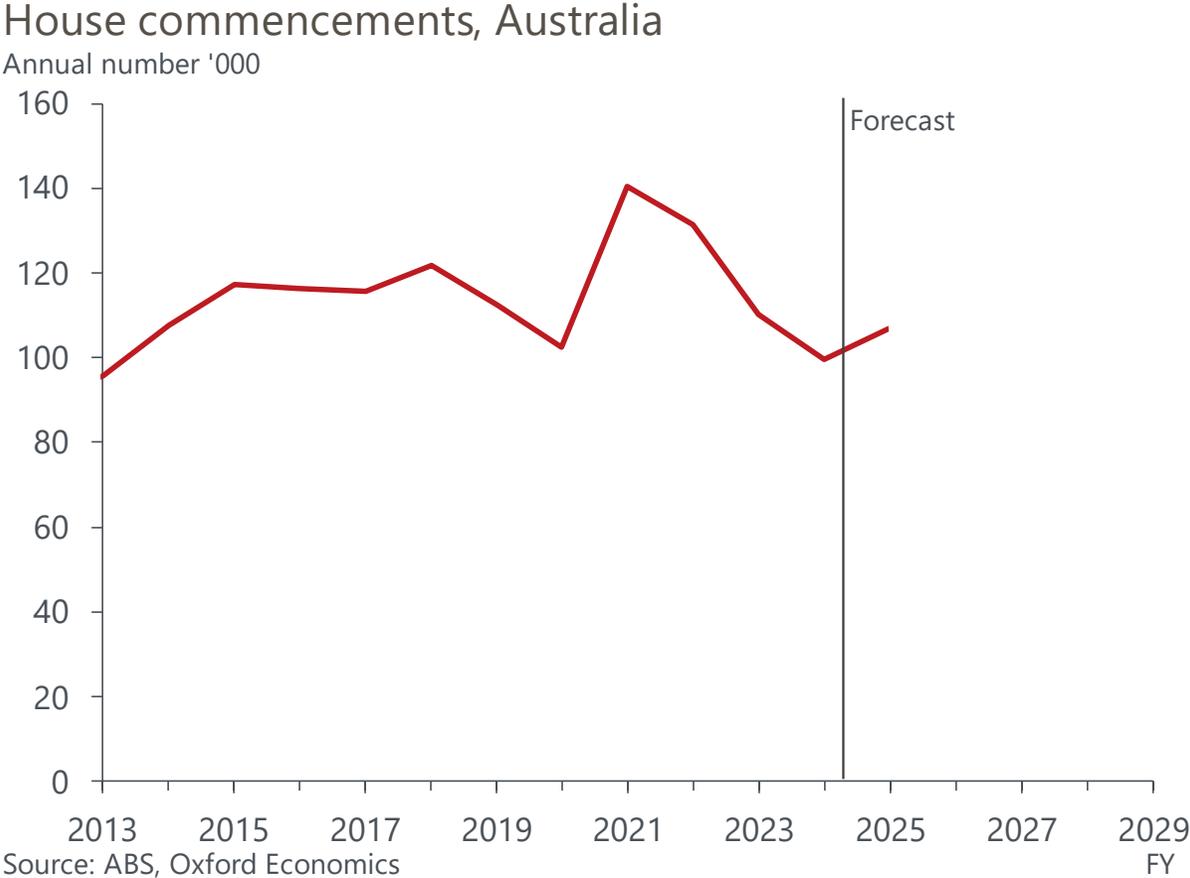
While land lease communities are helping to fill a gap in the market

Latitude25 Hervey Bay

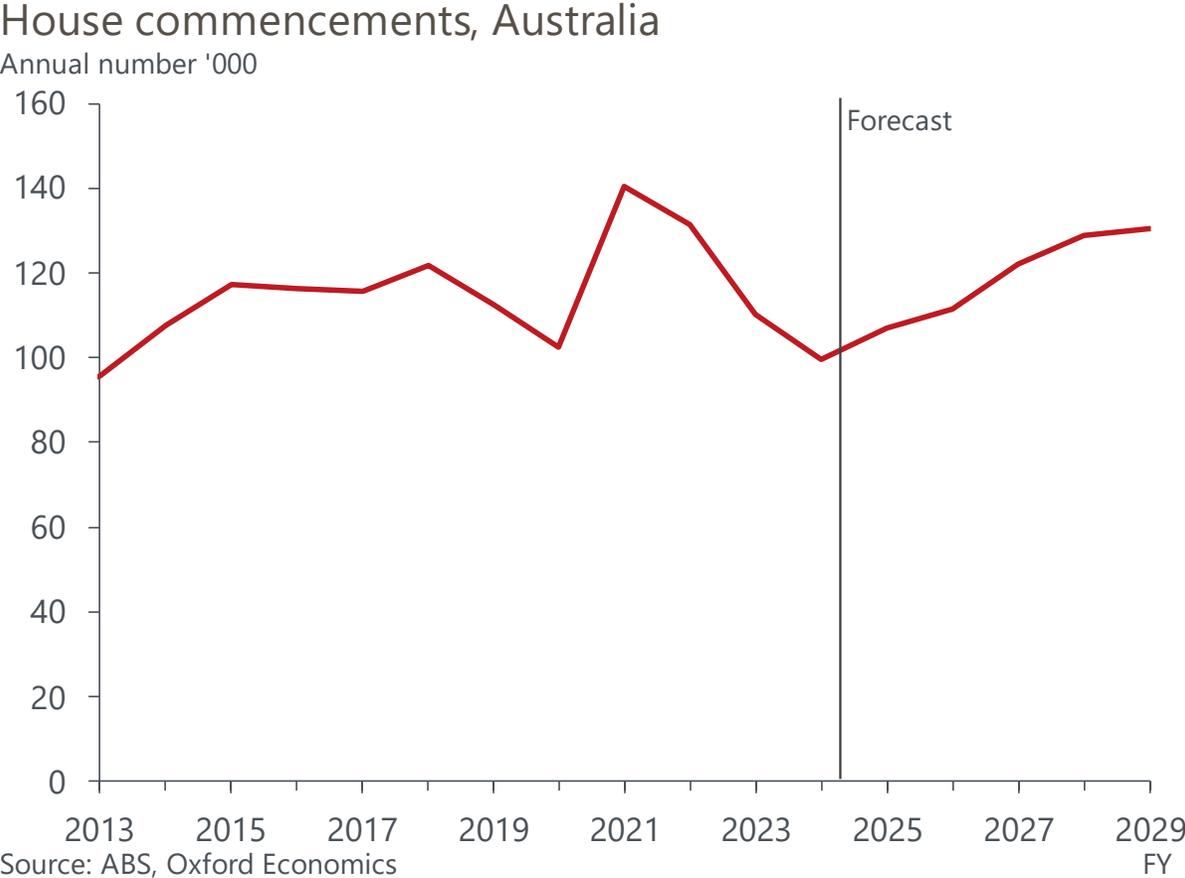


Source: Nearmap

Prior quarters strength in approvals will deliver 7% growth this year



The outlook for house commencements will firm from 2026 onwards



Interest rate cuts

Pent up demand

Land lease

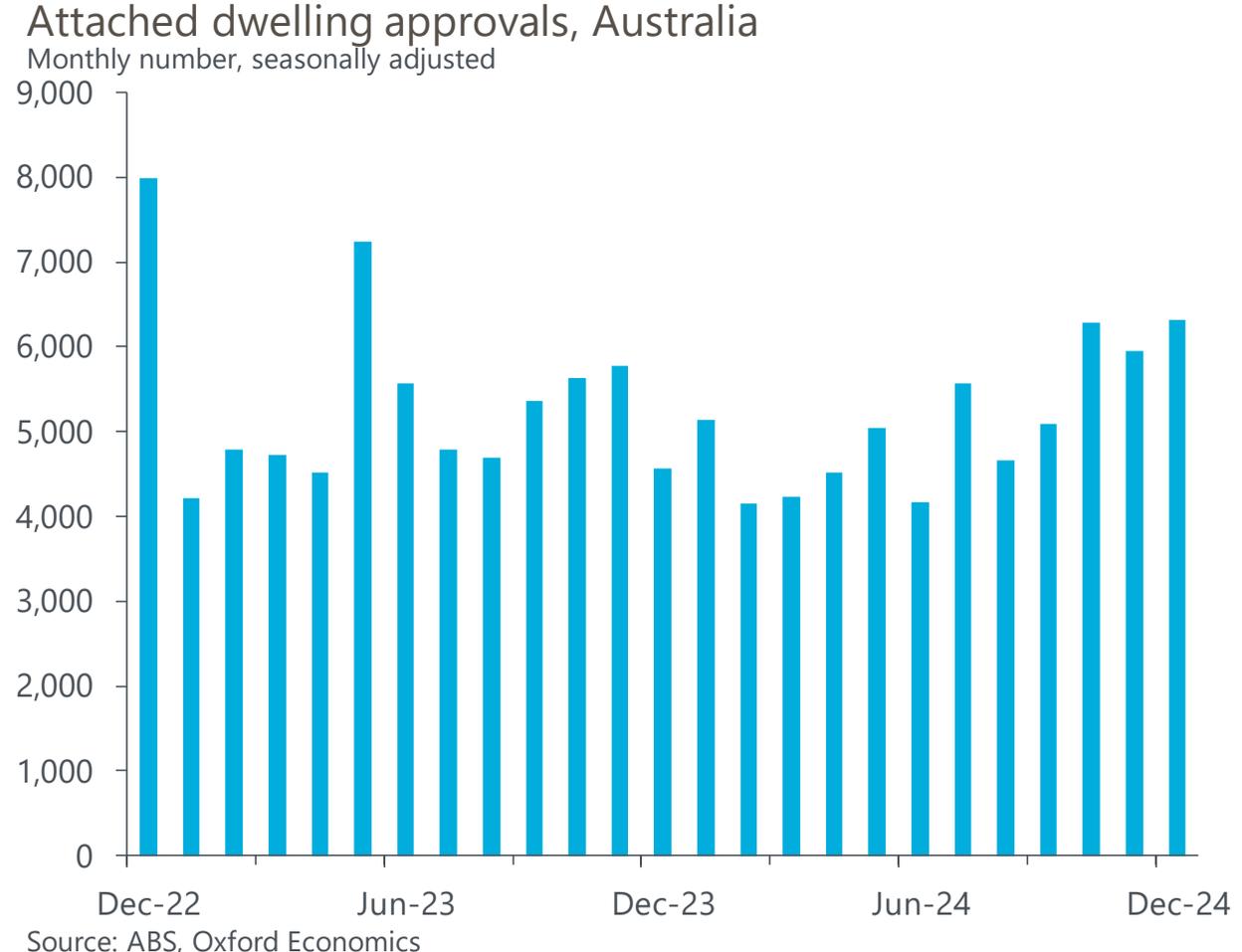
Granny flats

Coalition \$5 Billion infrastructure fund?

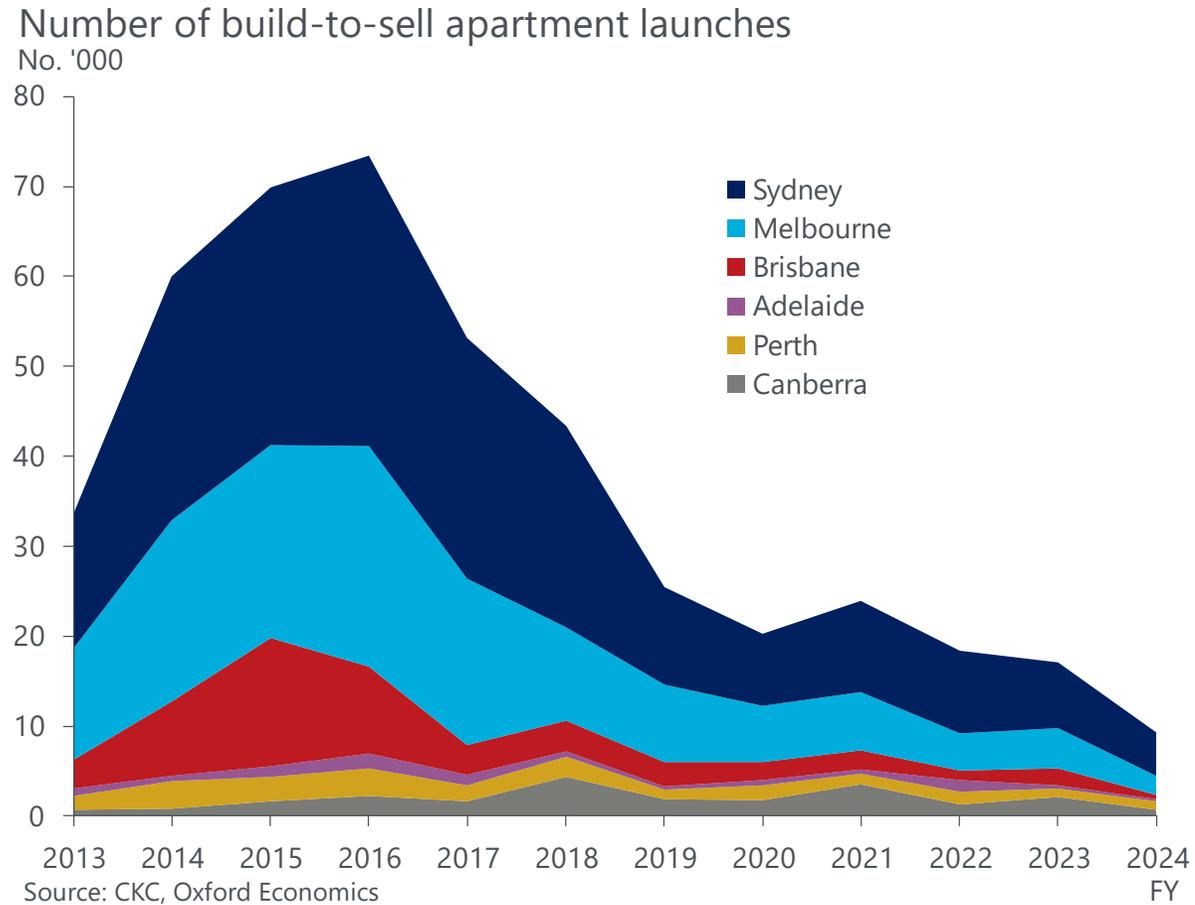
Key themes

- Who is driving the improvement in new house construction?
- **Where do apartments fit in the mix?**
- Can non-core offset a soft outlook for traditional assets?

A strong end to the year for attached dwellings..



But apartment launches continue to be subdued



Project wobbles

STH BNK by Beulah

“Despite our best efforts and those of our partners and creditors, we failed to achieve a target by early 2024 that would have seen us activate construction finance at that time. We have now made the difficult decision to place the project management entity into voluntary administration to have additional time to secure finance and allow progress on the project.”

Source: AFR

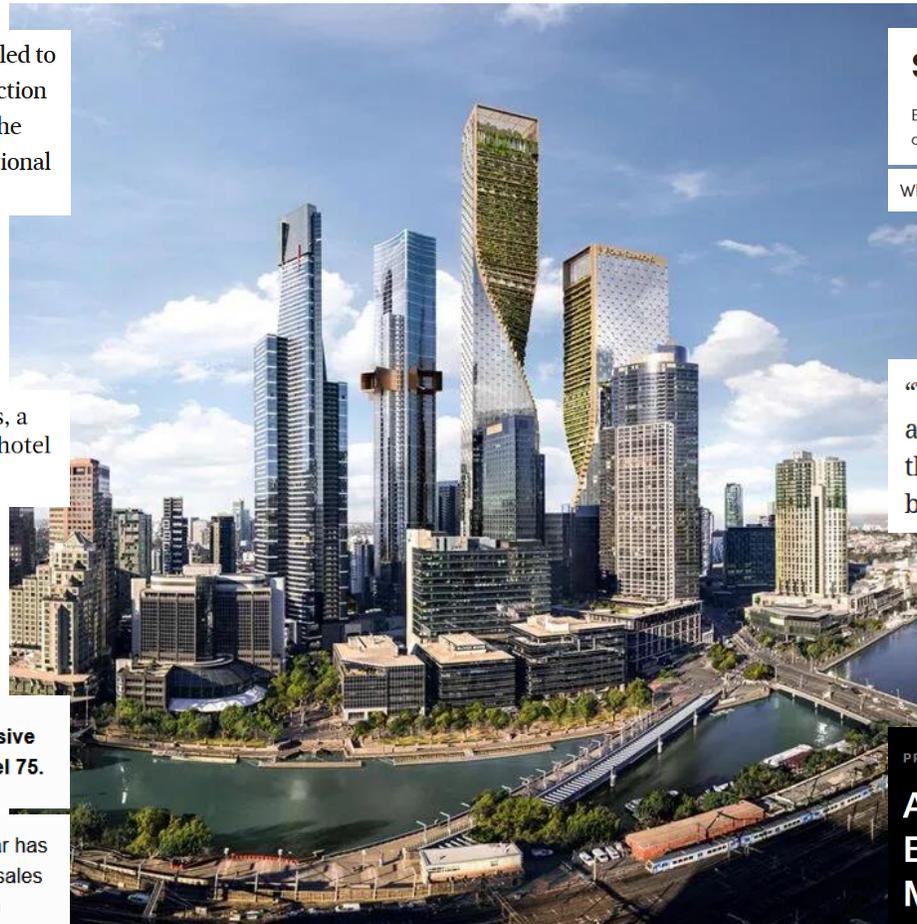
We are delighted to announce that Four Seasons Hotels and Resorts, a global leader in luxury hospitality, has been chosen to manage the hotel at STH BNK By Beulah, taking luxury to new heights.

Source: Beulah

STH BNK By Beulah has broken the record for Melbourne’s most expensive apartment ever sold at \$38 million – a sub-penthouse located above level 75.

Beulah took out the title of most expensive apartment at \$35m earlier this year has become one of Australia’s fastest selling projects to date with over \$600m in sales achieved in four months. Other notable sales include two apartments worth in excess of \$30m, a sub penthouse fetching \$15m, and a slew of apartments worth more than \$10m – all sold off the plan.

Source: Build Australia



Source: Beulah

STH BNK by Beulah apartments now 80% sold

Beulah Executive Director, Adelene Teh, said the strong sales performance is reflective of the growing demand for luxury apartments that offer something distinctly different

When the project launched in April 2022, it achieved [over \\$400 million in sales on the first weekend](#).

Source: Urban.com.au

“The costs spike is a challenge for everyone, and all our projects are going through the same challenge. For example Sth Bnk over the past few months we’ve been working very hard with the building team to optimise the design,” Teh says.

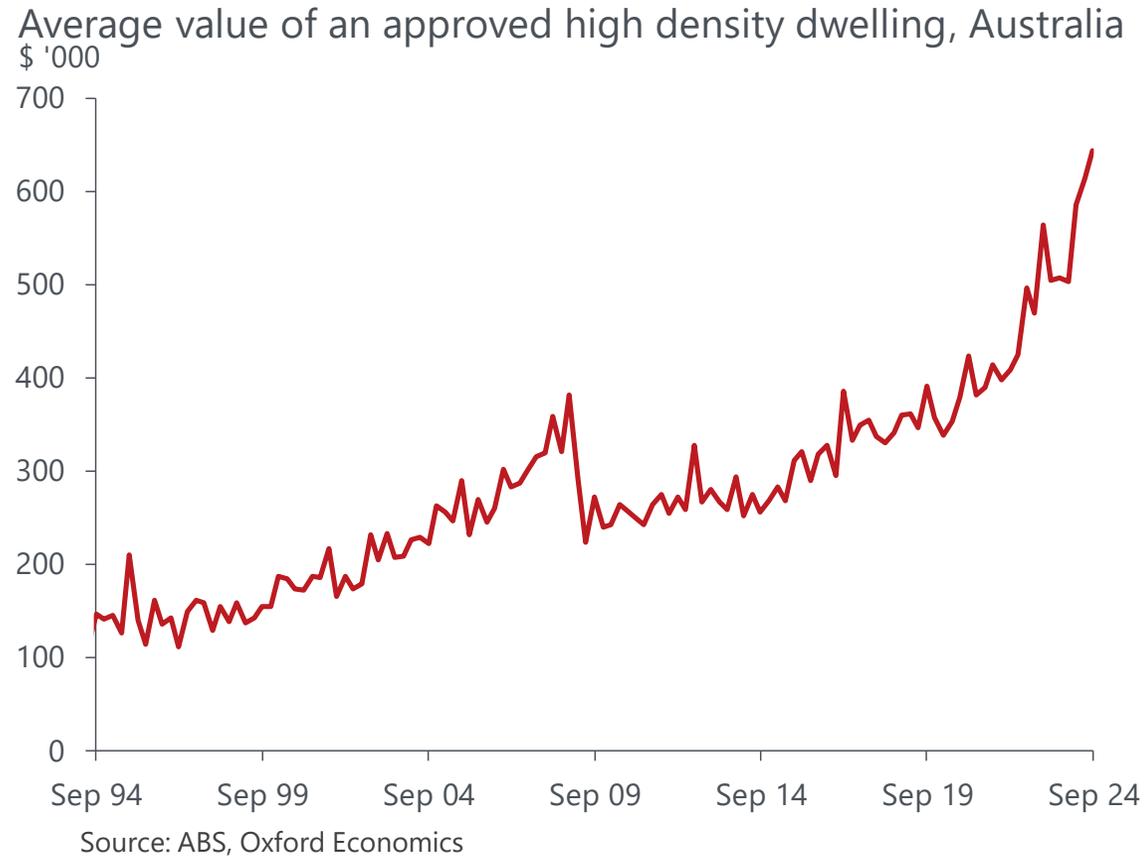
Source: Urban Developer

PROJECT NEWS

Australia’s most iconic project, STH BNK By Beulah, partners with renowned builder, Multiplex

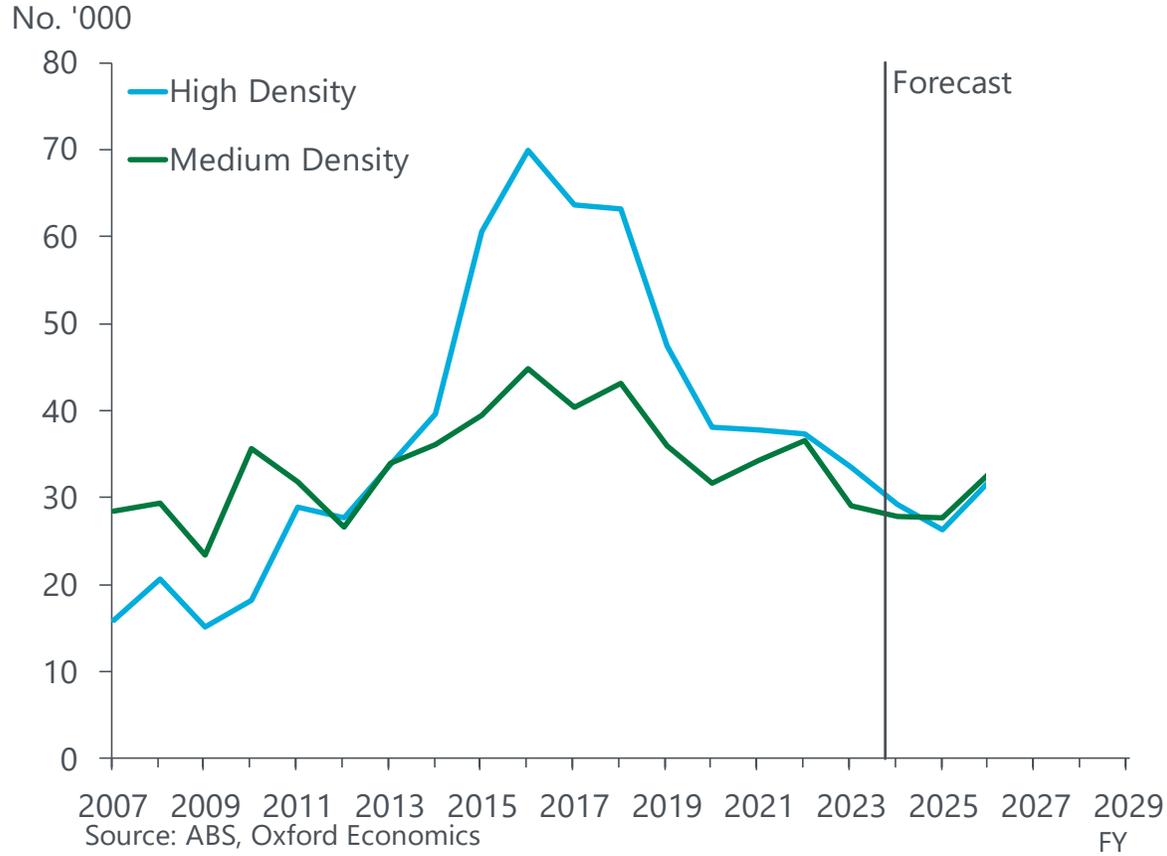
Source: Multiplex

Build costs have ballooned



Little movement expected near-term

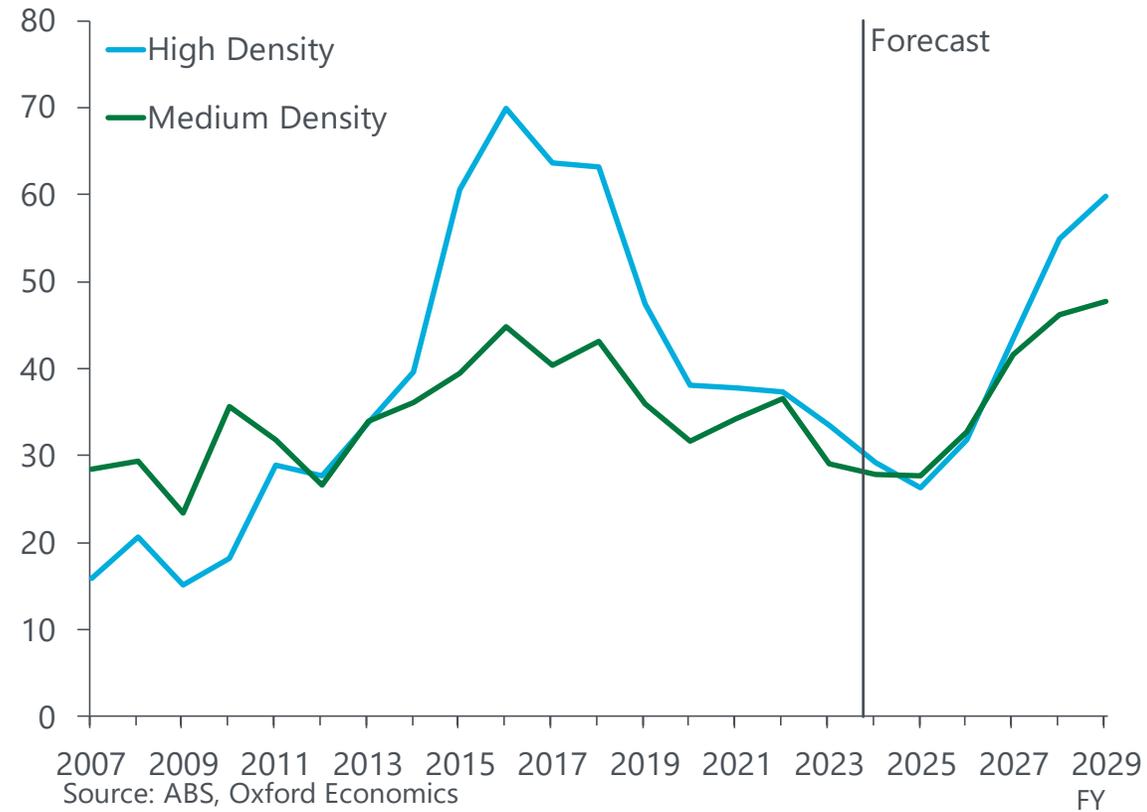
Attached dwelling commencements, by type



Scene is set for a recovery late decade

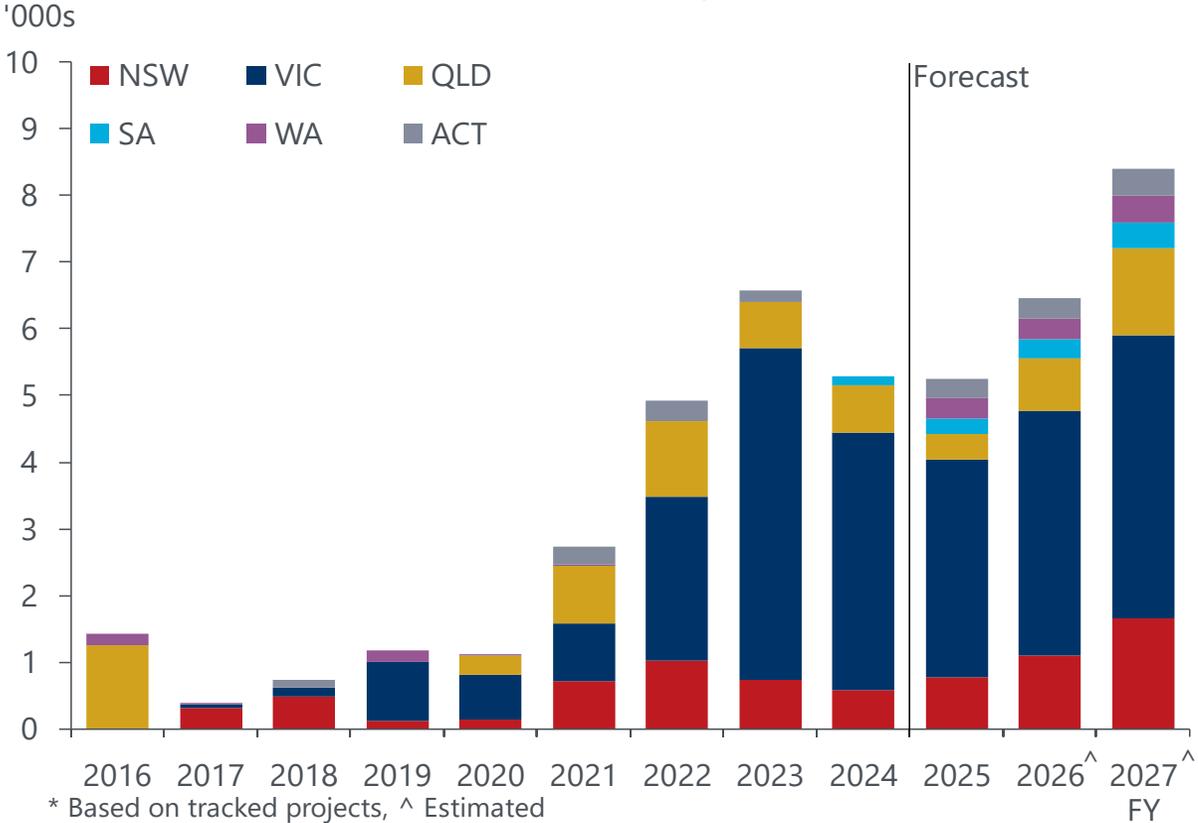
Attached dwelling commencements, by type

No. '000



Certainty has increased for the BTR sector

Build-to-rent unit commencements by state*



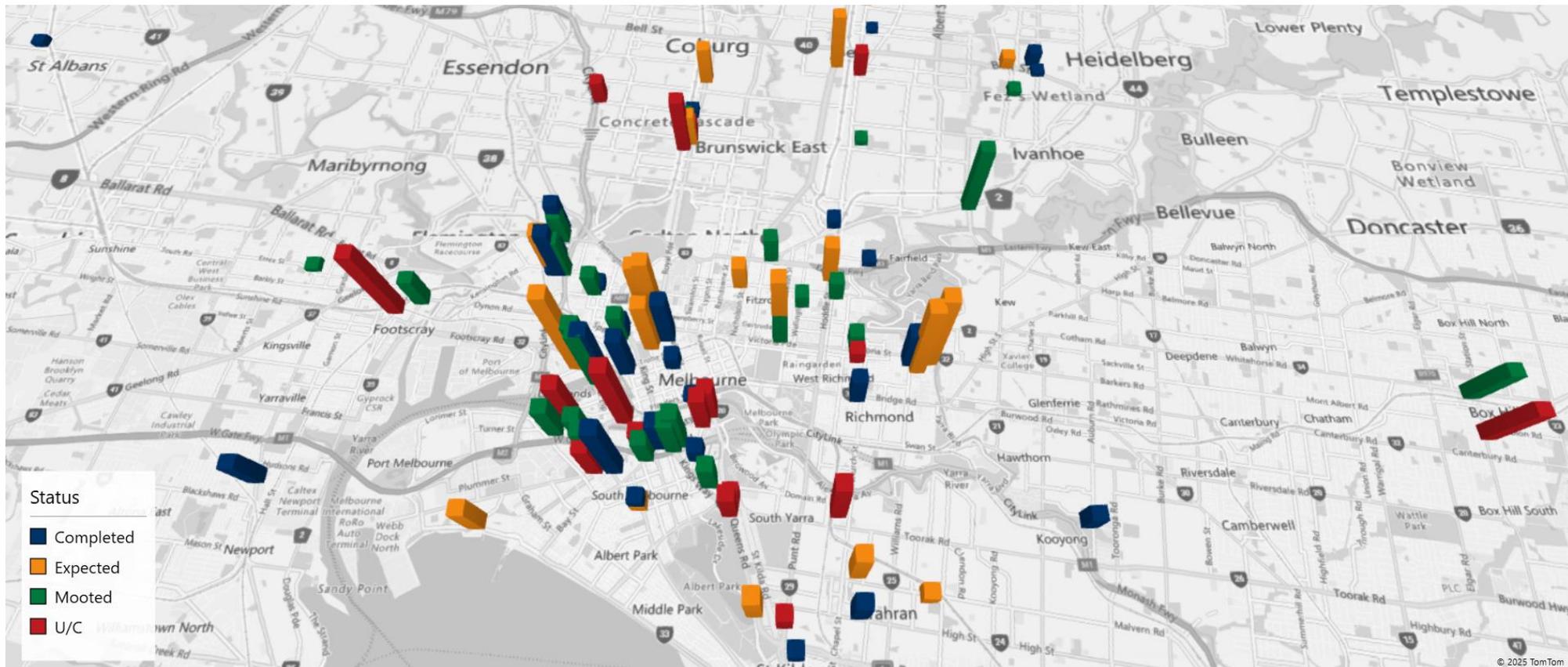
Source: Oxford Economics

A beneficiary of policy tweaks:

- MIT withholding tax reduction
- Capital works deduction rate increase
- Land tax concessions
- Land releases & PPP projects
- Government investment funds

Melbourne is the epicentre of BTR

39% of Units* 35% of Projects*



Source: Bing, TomTom, Oxford Economics

* Includes active stock, based on tracked projects, unit/project count for Victoria as a whole

Developers are gearing up for improving conditions

Quarterly dwelling approvals, New South Wales

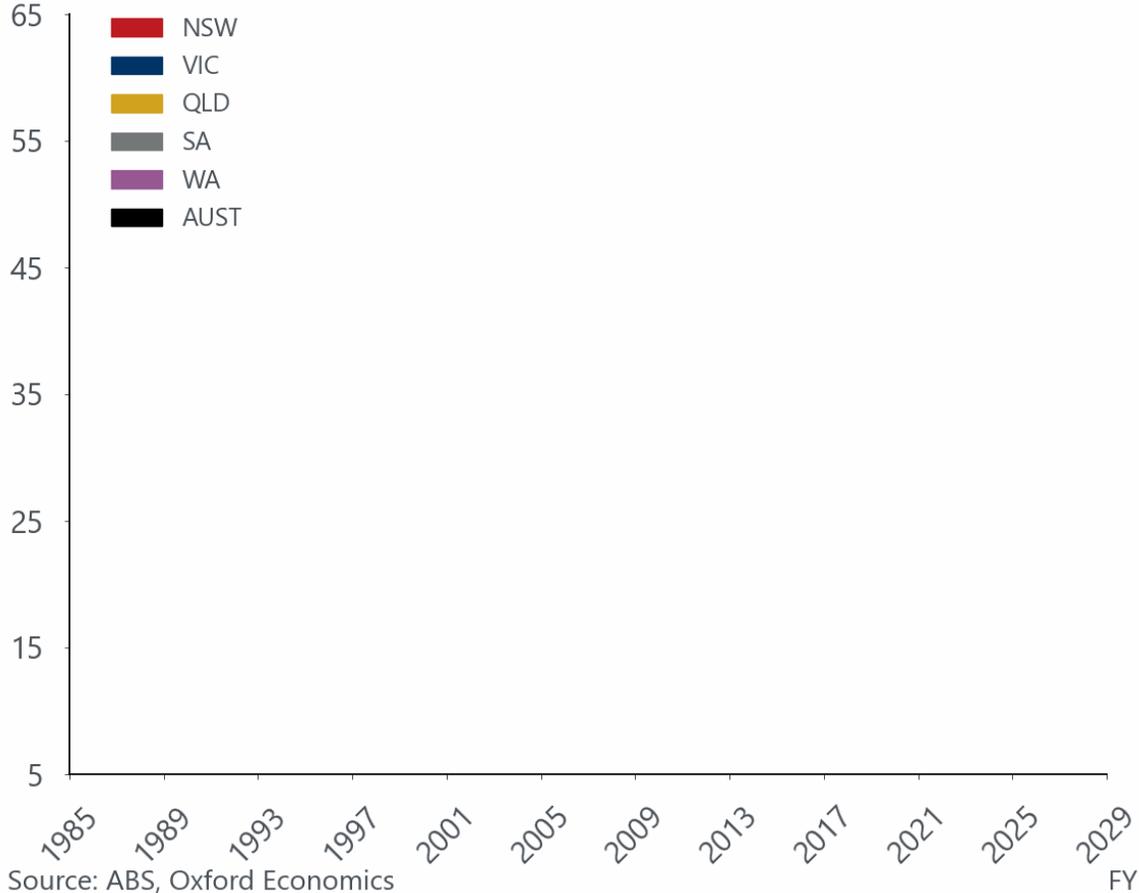
No. dwellings, '000



Source: NSW Dept. of Planning, Housing and Infrastructure, ABS, Oxford Economics

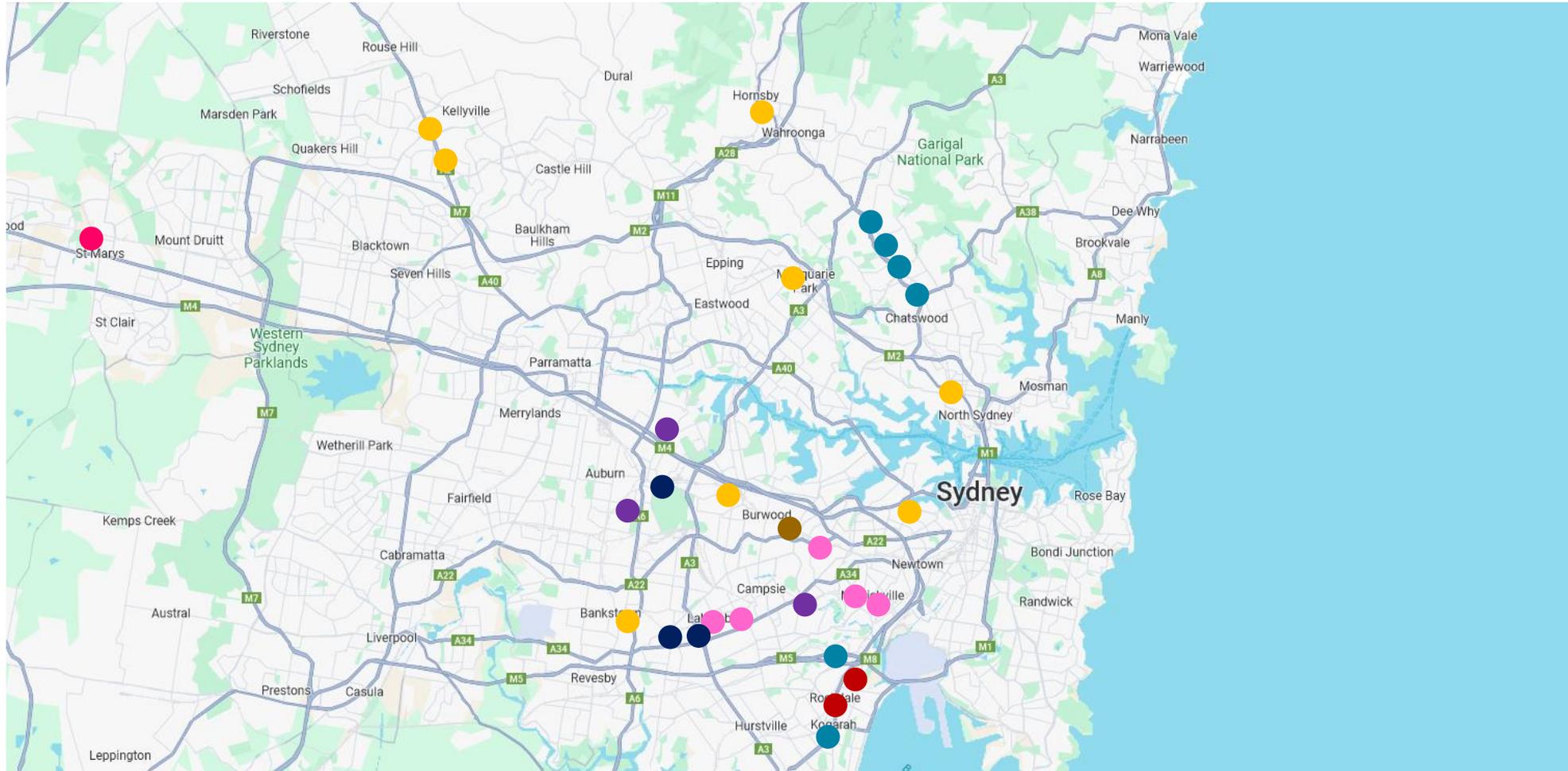
Shifting dwelling mix

Attached dwelling commencements, Australia
% of total dwelling commencements



Source: ABS, Oxford Economics

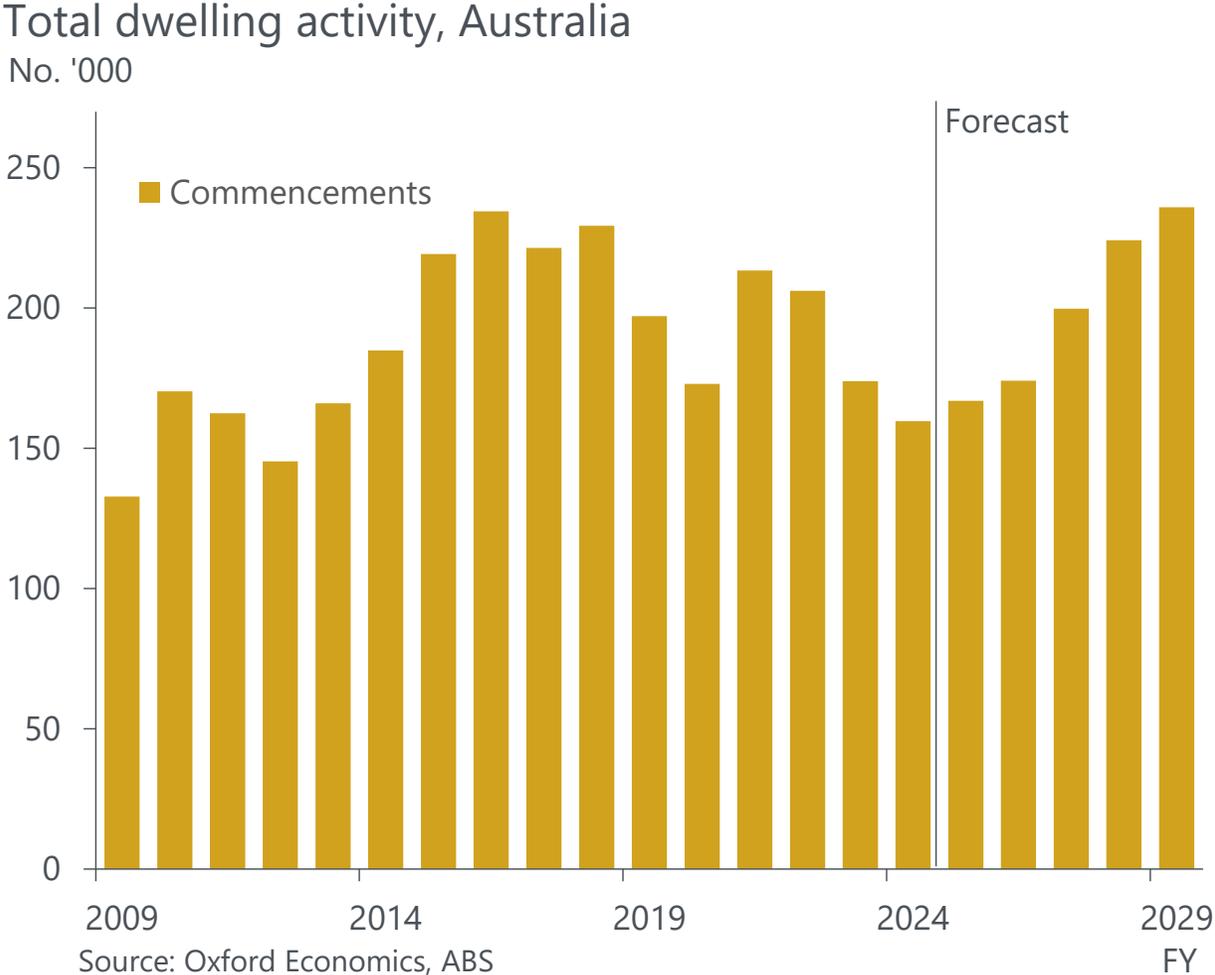
Densification - Transport Oriented Development Precincts, Sydney



Source: Oxford Economics, NSW Government, Google Maps

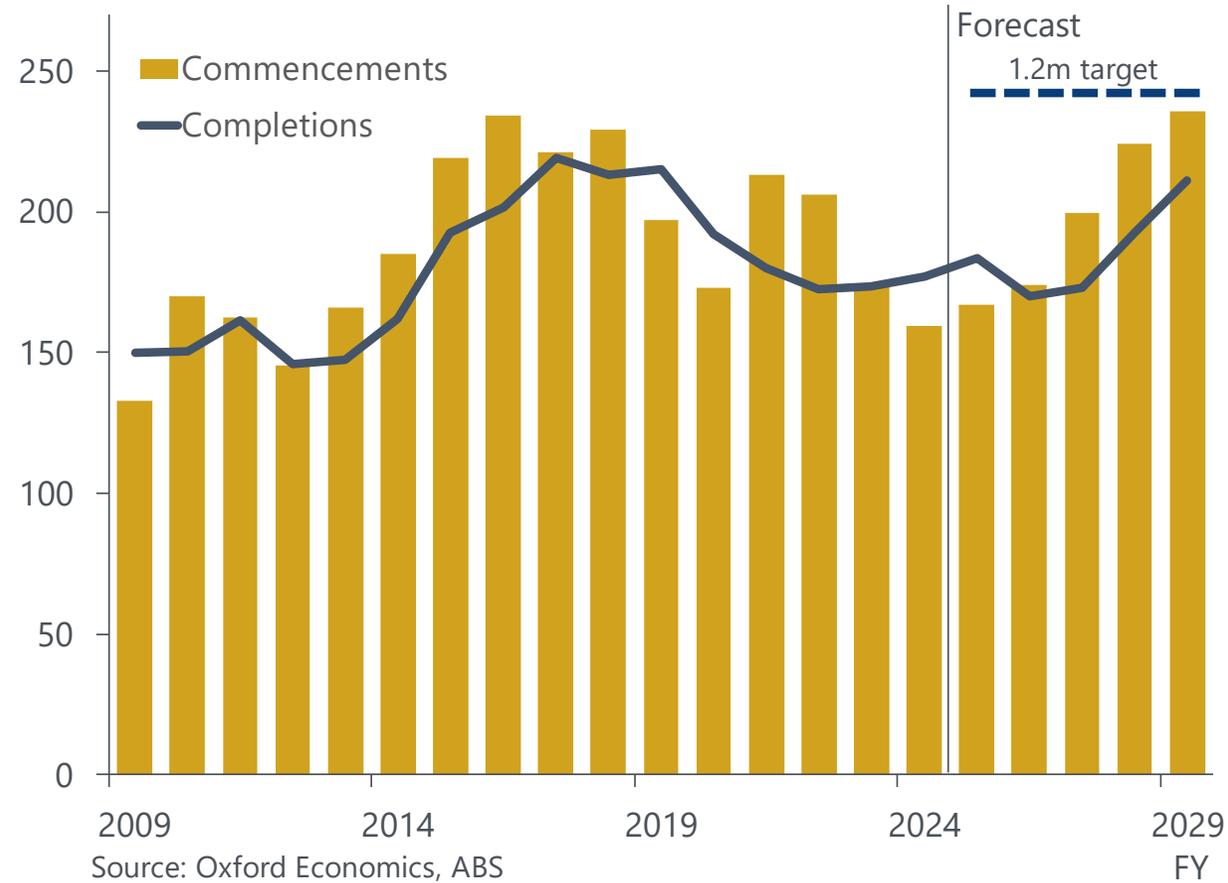


It will take time for the residential upturn to get moving



1.2 million target well out of reach

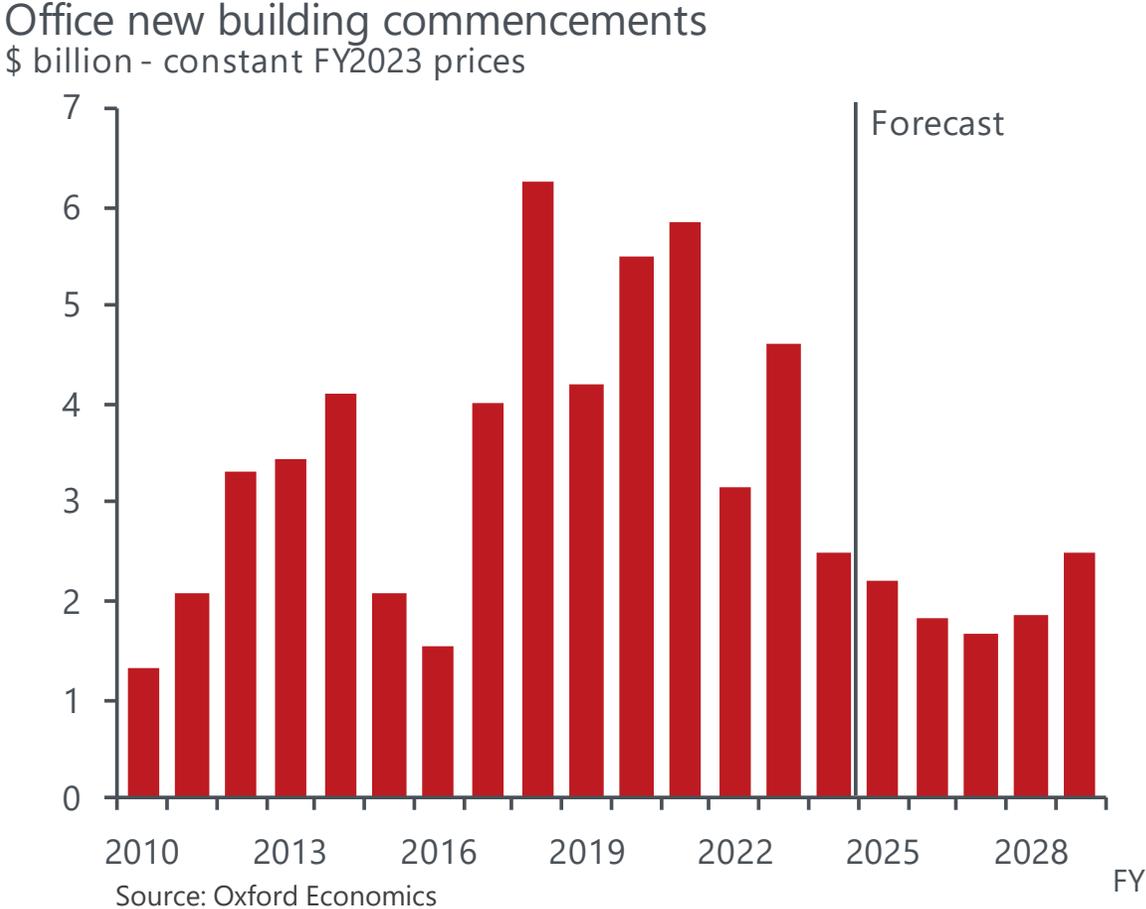
Total dwelling activity, Australia
No. '000



Key themes

- Who is driving the improvement in new house construction?
- Where do apartments fit in the mix?
- **Can non-core offset a soft outlook for traditional assets?**

Office tower pipeline has thinned considerably



Slack will trigger repurposing

Combined metropolitan office vacancy rate



20 Berry Street
Source: Studio SC, Holdmark



146 Arthur Street, North Sydney
Source: Aqualand

Some projects will find a way to press forward



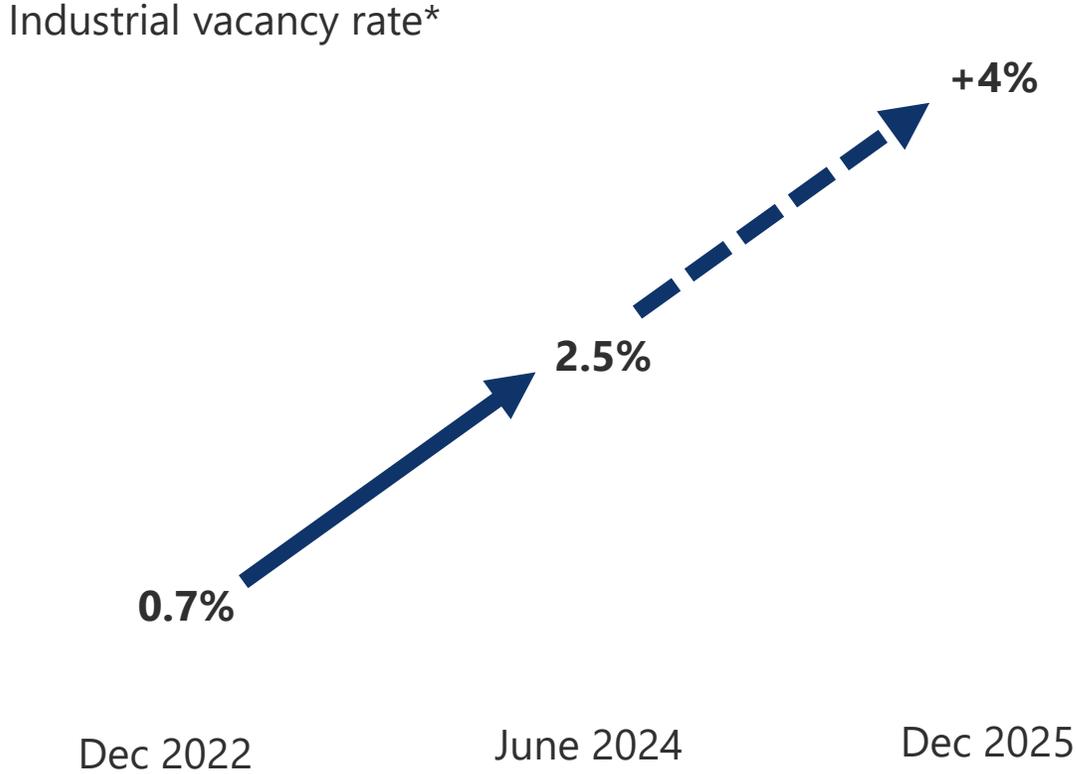
23 Hunter Street
 55 storeys
 50,500 m²
 Largest hybrid
 timber

- Key:
- - Mooted
 - - Expected
 - - U/C
 - - Completed since FY22

Industrial supply response too strong?



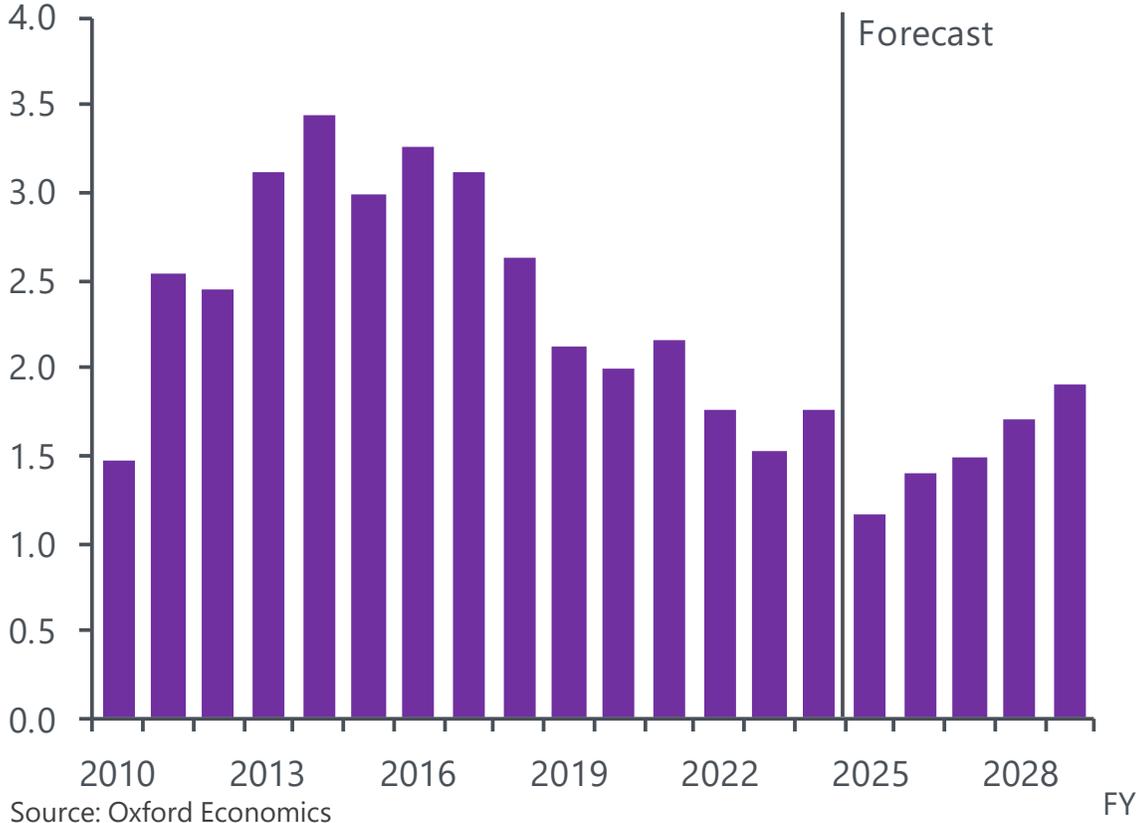
Source: Oxford Economics *Warehouses & factories FY



*Sydney, Melbourne and Brisbane combined

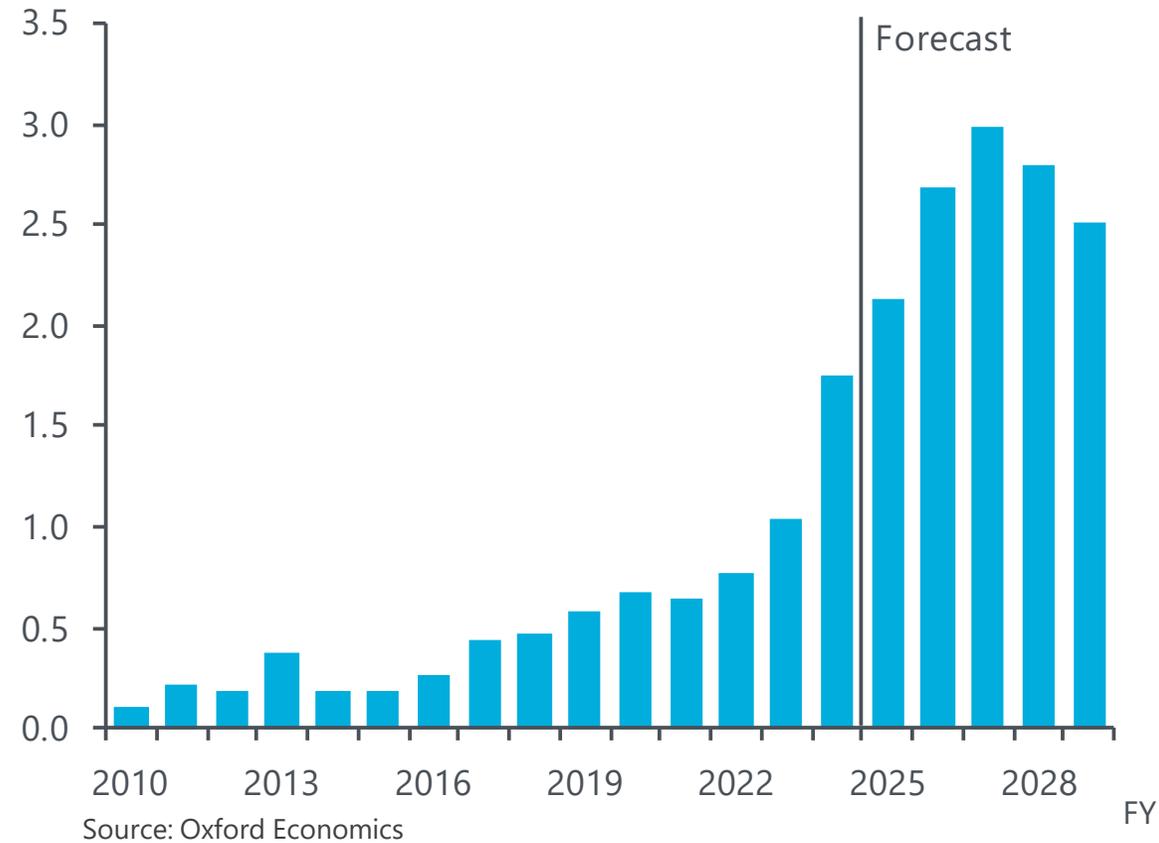
Major shopping centre expansion outlook still grim

Shopping centre building commencements
\$ billion - constant FY2023 prices



Data centres leading the way for non-core assets

Date centre building commencements
\$ billion - constant FY2023 prices



Western Sydney to become a leading global hub

10,465

Total value \$m

70

Total projects

15

Mooted

17

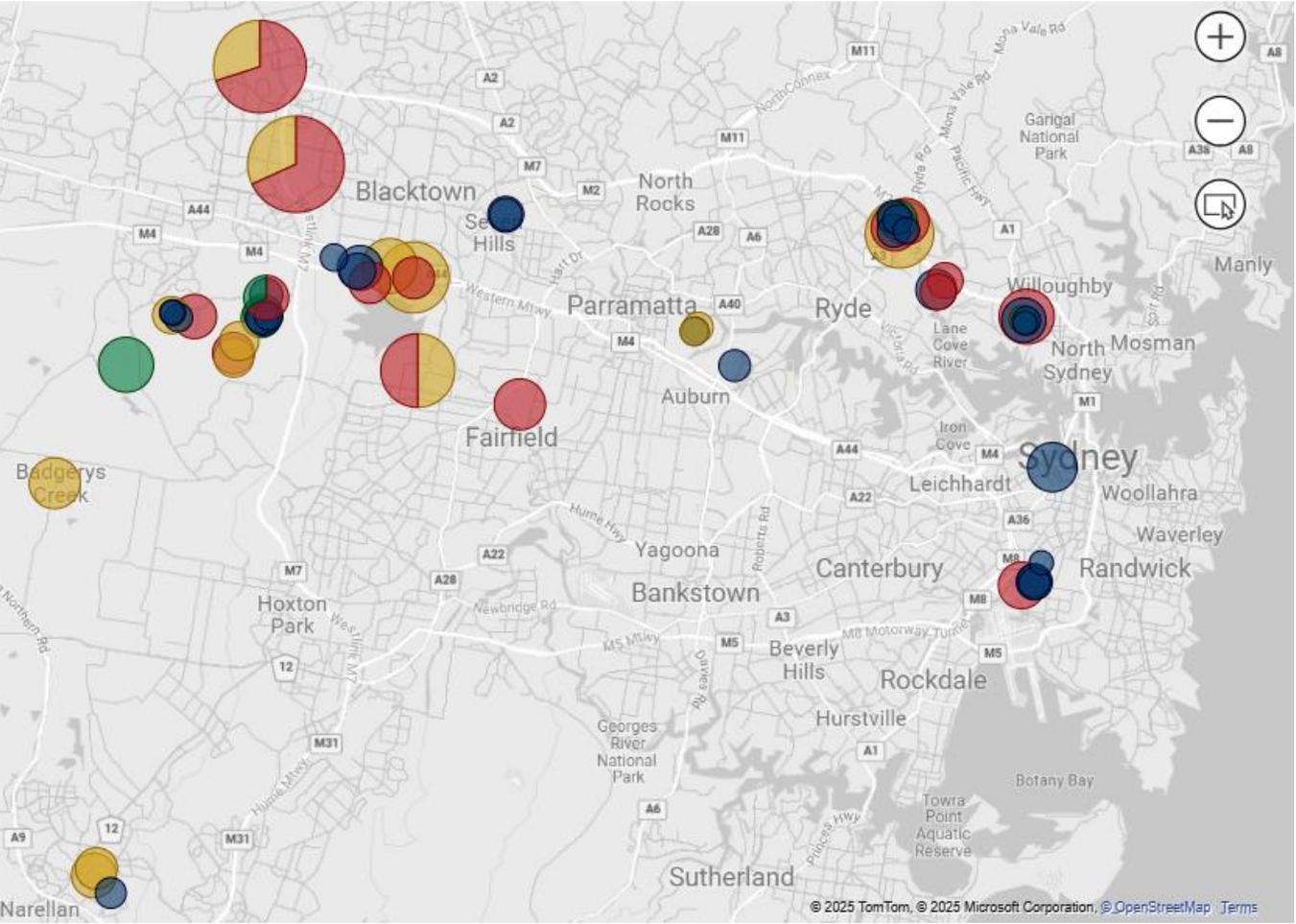
Expected

6

U/C

32

Completed



MARSDEN PARK DATA CENTRE ESTIMATED DEVELOPMENT COST (EDC) REPORT STATE SIGNIFICANT DEVELOPMENT

As requested, we have prepared an Estimated Development Co
Our EDC amounts to **\$3,113,226,273 Excluding GST** and \$3,42.
The proposed development comprises the following general sco
Commercial-in-Confidence report.

- Minor site preparation works and the installation of services campus
- **Construction of six (6), four (4) storey data centre buildings, rooms, 40 generators** (20 double stacked), loading docks, a mechanical, electrical and water infrastructure resulting in the development:
- **Approx. 255,108sqm of gross floor area** for data centre
- **Approx 8,250sqm of gross floor area** for ancillary office space
- **Provision for a dedicated 720MVA substation** at the northern
- **Associated roads, hardstand, circulation areas, security fence**

What's happening in Adelaide?



 Australian Broadcasting Corporation

[Australian Government to build \\$2 Billion top Secret data centre](#)

The Federal Government will work with US technology giant Amazon will build three secret data centres to host Australian military and intelligence information.

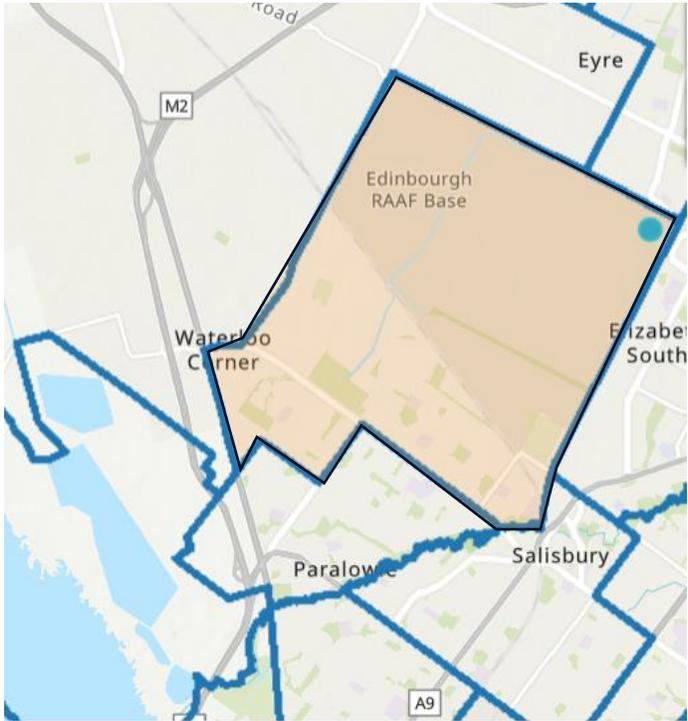


 AFR

[Aussie spies to get \\$2b top-secret Amazon data centre](#)

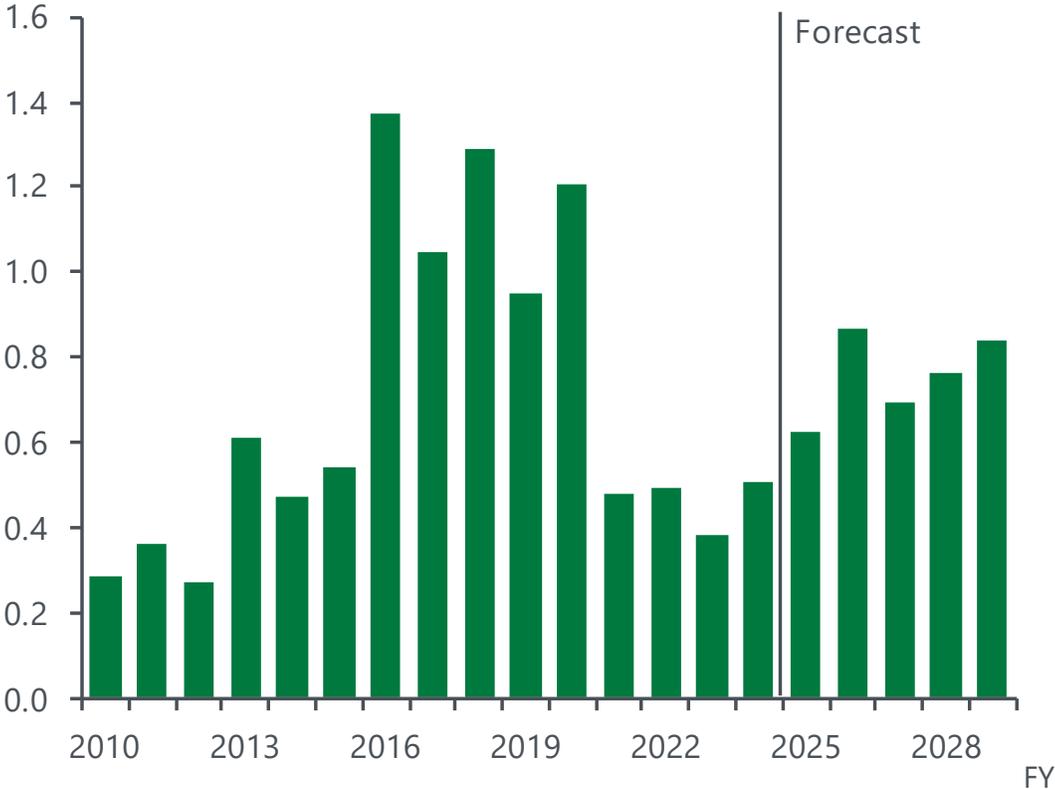
The Albanese government will spend more than \$2 billion with technology giant Amazon to build and run top-secret data centres for the...

4 July 2024



Student accommodation to climb despite policy concerns

Student accommodation building commencements
\$ billion - constant FY2023 prices



Key PBSA portfolio transactions & investments				
Year	Portfolio	Buyer/Investor	Value (\$m)	Beds
2020	Urbanest	Scape	2,200	6,872
2020	Journal Student Living	Allianz	500	1,391
2021	UTS PBSA	Scape	85	428
2022	Wee Hur PBSA Trust (49.9%)	GIC	275	5,662
2022	University of Adelaide Village	Cedar Pacific	450	405
2023	Student One	Blackstone	500	2,300
2024	Scape Development Fund	APG, Ivanhoe	600	3,000
2024	GIC PBSA Trust	Greystar*	1,600	5,662
2024	Campus Living Villages Portfolio	Dexus^	~2,000^	5,700

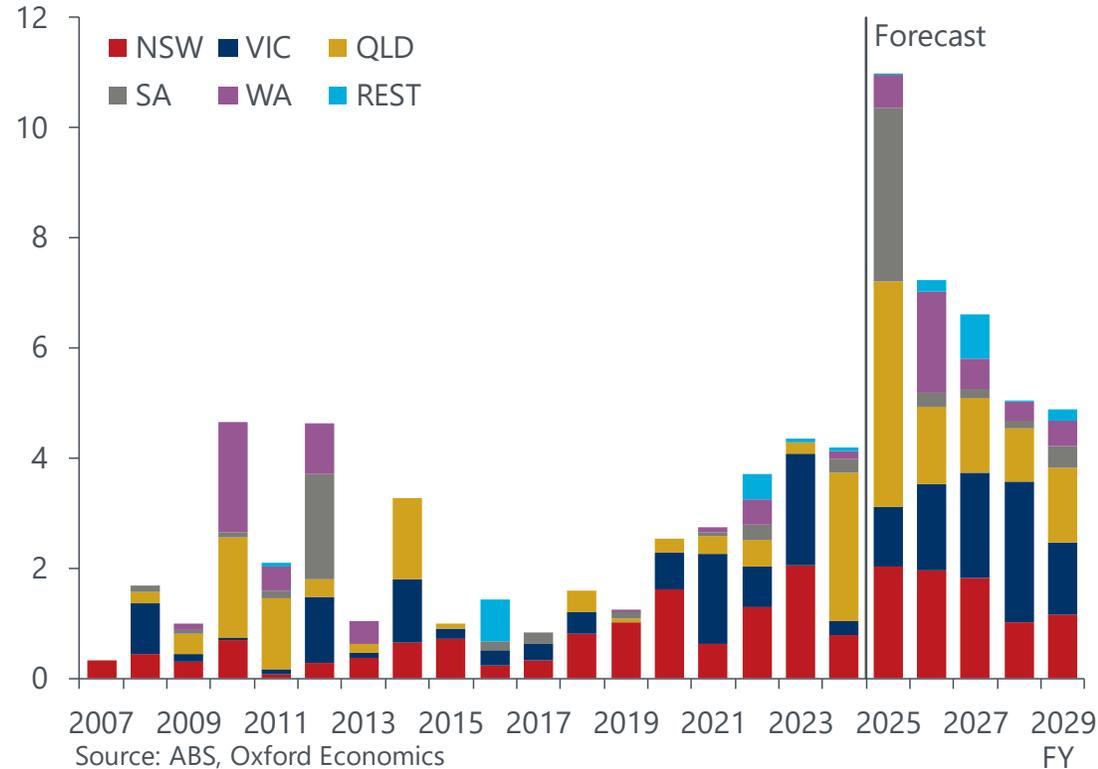
Source: Oxford Economics, Various newspapers

* Exclusivity period granted, ^ Indicative, non-binding offer

Government investment will have a health focus

Health commencements valued over \$50m

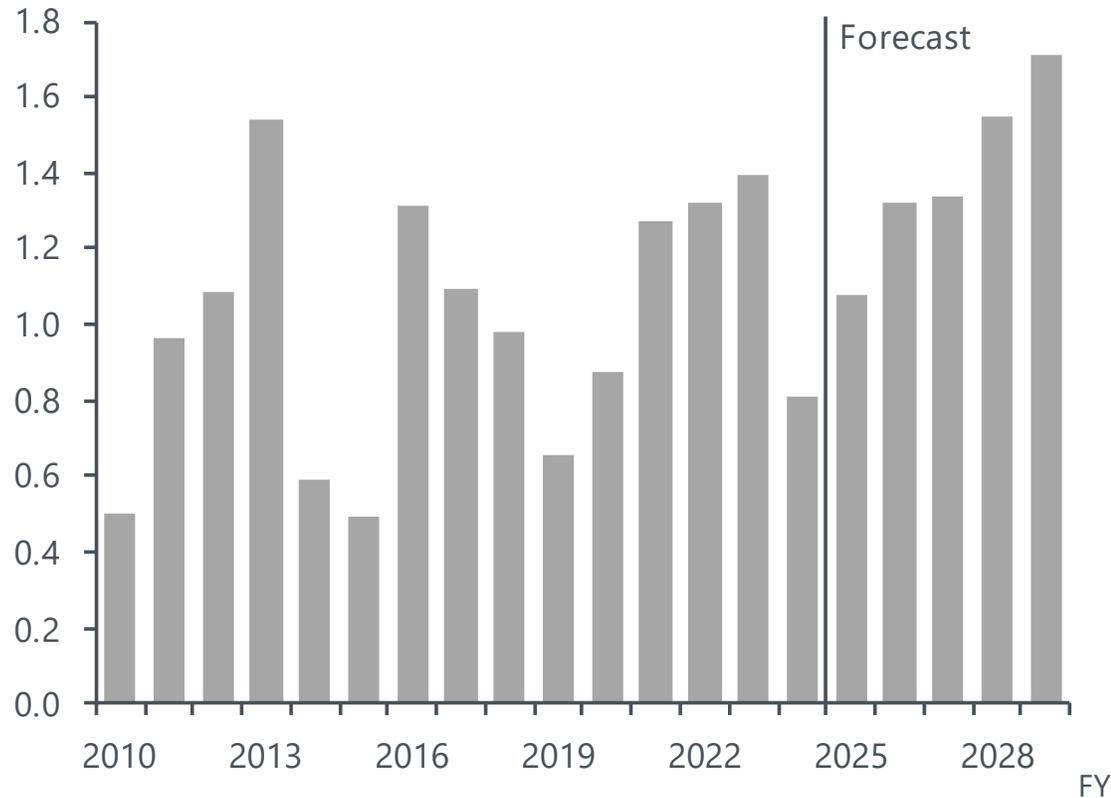
\$ billion - current prices



- **SA - New Women's & Children's Hospital**
500 beds – \$2 billion
- **Queensland Cancer Centre**
150 beds – \$750 million
- **New Melton Hospital**
274 beds – \$800 million
- **New Women and Babies Hospital**
414 beds – \$1.5 billion

Defence building to become more prominent late decade

Defence building commencements
\$ billion - constant FY2023 prices



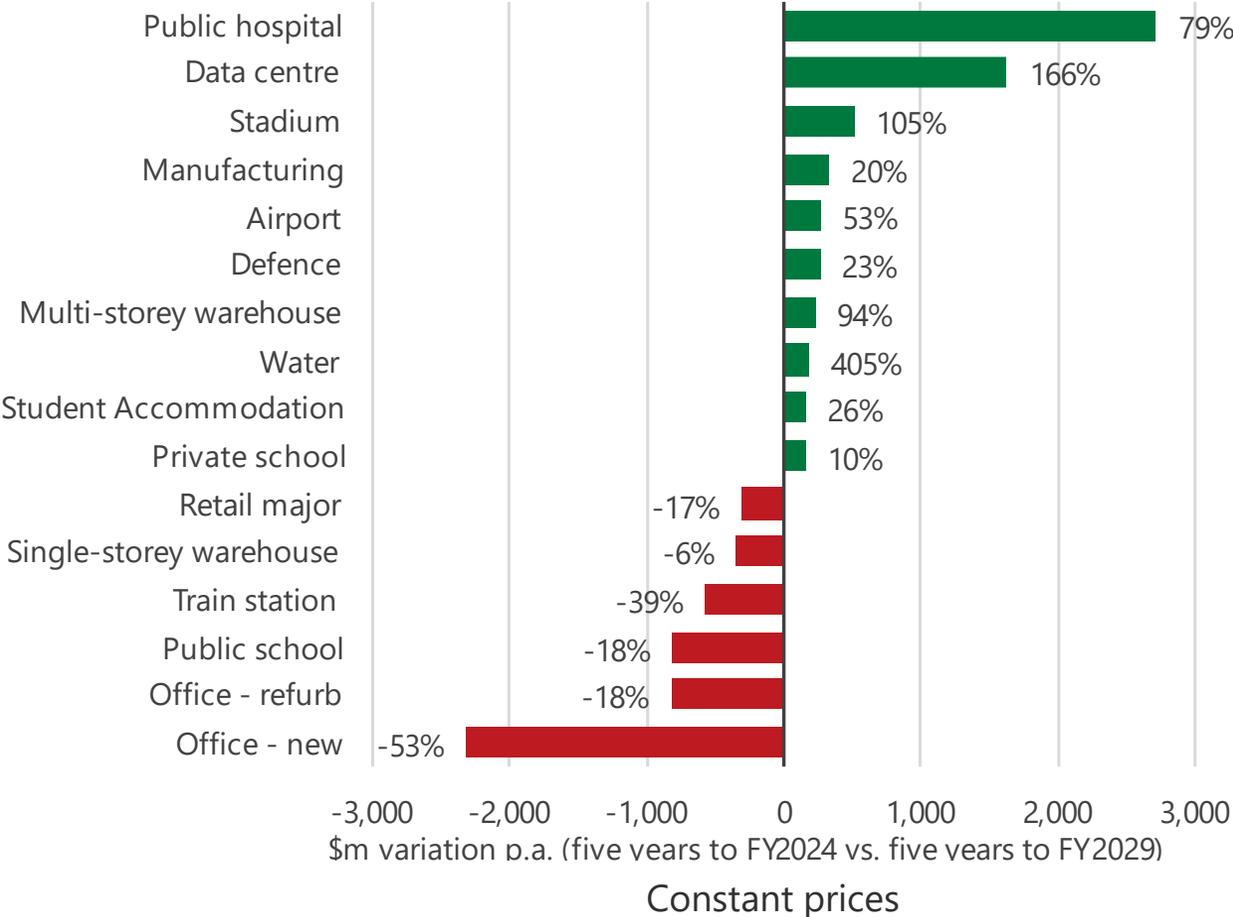
DEFENCE BUDGET CATEGORIES

Categories	2024-25 \$'b	2027-28 \$'b	2033-34 \$'b
Acquisition	17.6	23.5	42.1
Sustainment	17.8	21.1	29.1
Workforce	17.1	20.0	25.2
Operating and Operations	3.0	3.3	4.0
Total Funding¹	55.5	67.9	100.4
Percentage of GDP¹	2.1%	2.2%	2.4%

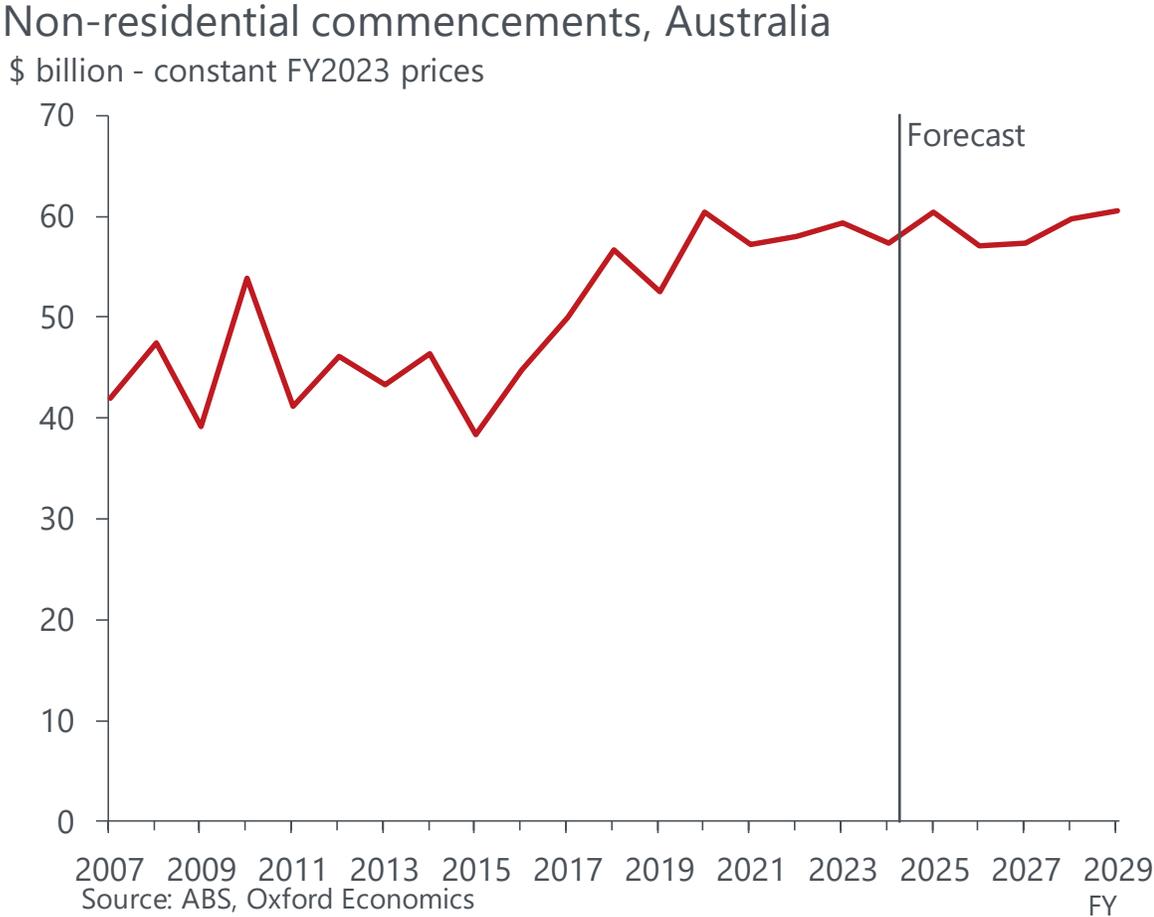
Source: Australian Government

There will be enough offset to weakness in traditional assets...

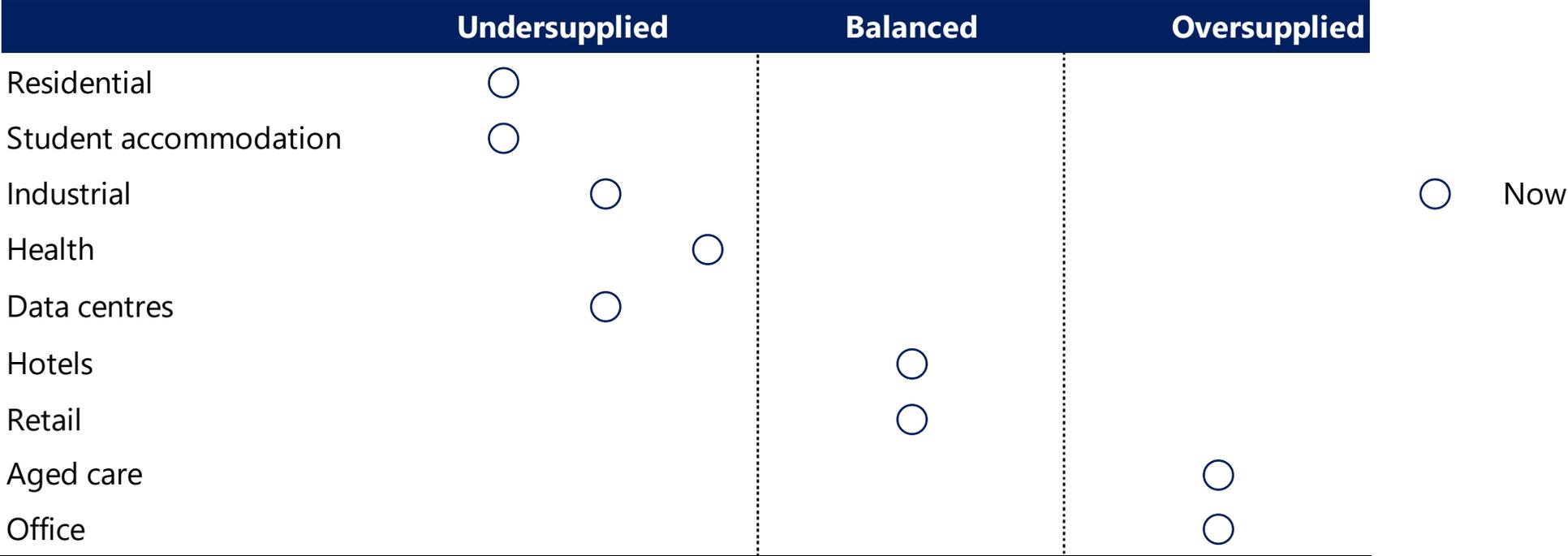
Winners & losers - past five years vs next five years, Australia



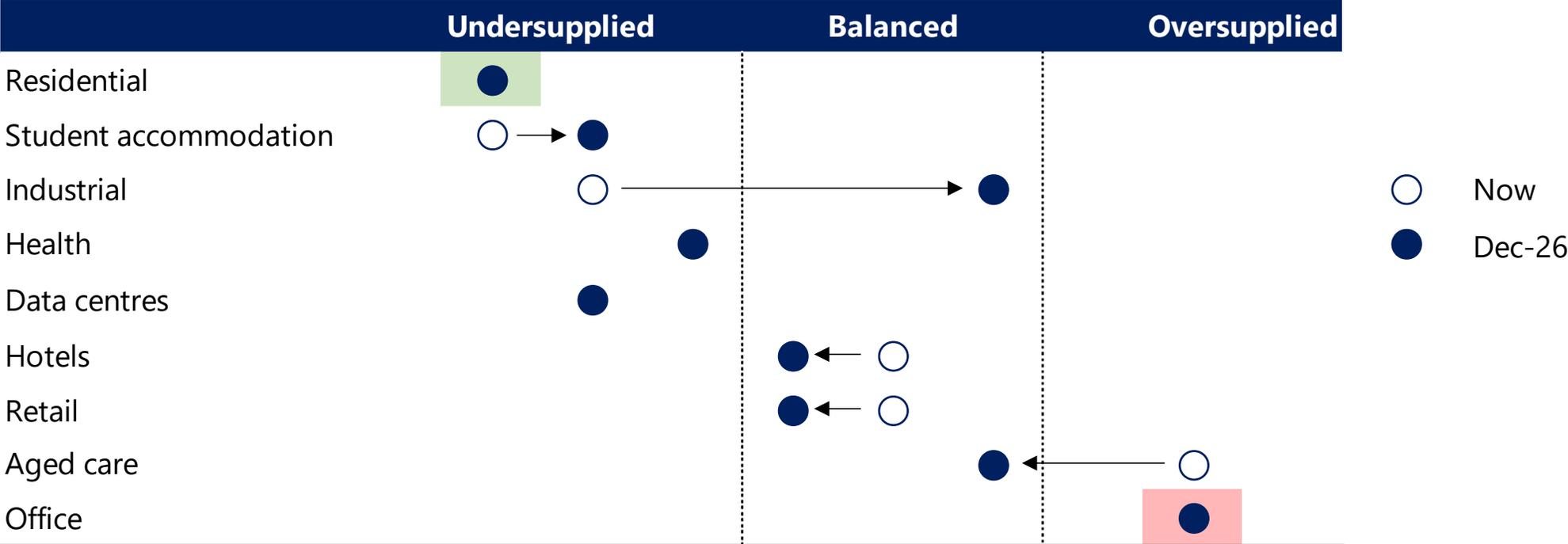
...but only enough to keep aggregate activity flat



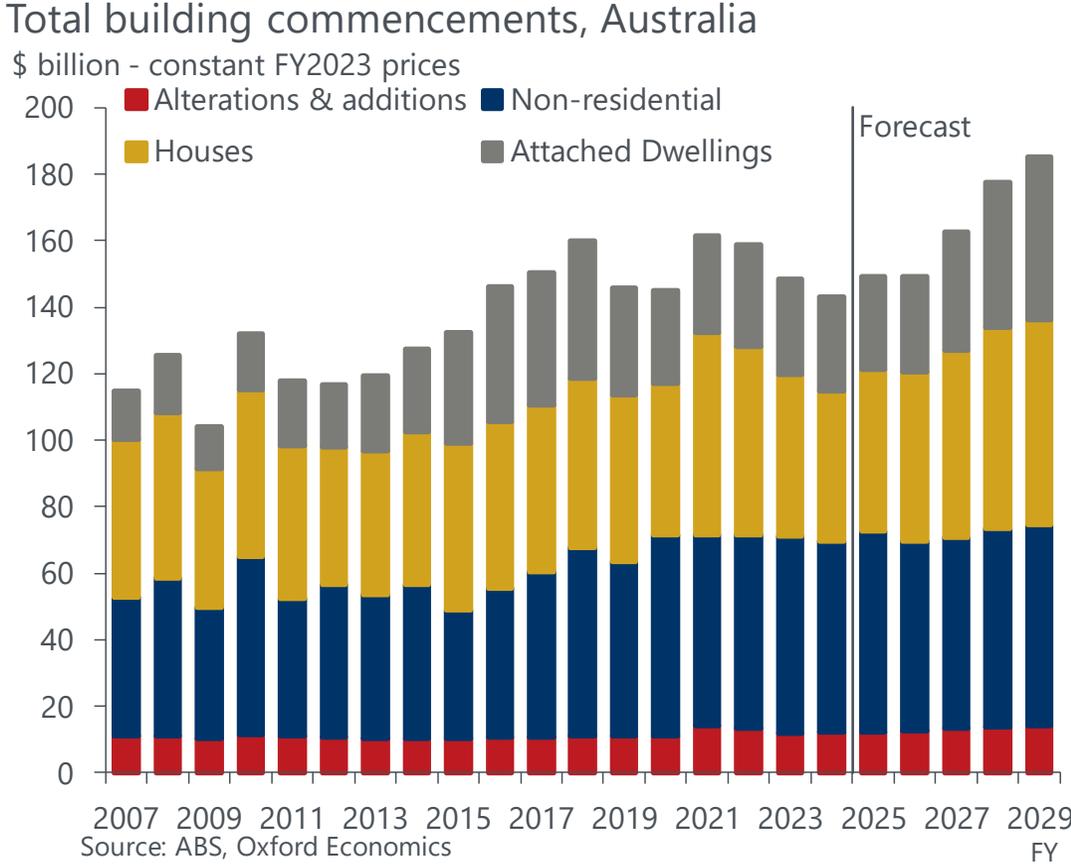
Which reflects mixed market positions



Housing is the standout pain point / opportunity...



...positioning residential to drive the total building upturn



FY2024 – FY2029

- Total
+5.3%
- Attached
+11.4%
- Houses
+6.4%
- Non-res
+1.1%
- A&A
+2.9%

Key themes

- Who is driving the improvement in new house construction?

Investors, but owner-occupiers to recover

- Where do apartments fit in the mix?

Densification and policy underpin a growing apartment share

- Can non-core offset a soft outlook for traditional assets?

Yes, but only delivering a flat profile for total non-residential

- What does this mean for total building?

Residential will be the primary growth driver late decade



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Thank You



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Feedback

