

GENERAL MARKET OVERVIEW

MARCH 2025



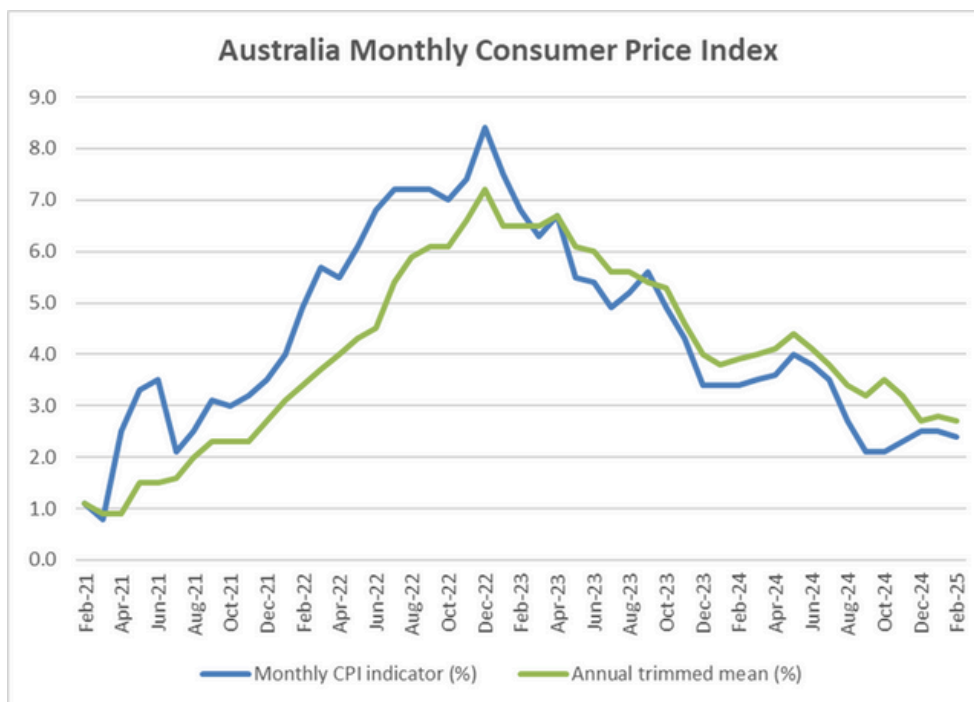
Interest Rate

In February 2025, the Reserve Bank of Australia (RBA) delivered its first rates cut since 2020 moving the cash rate from **4.35% to 4.10%**. The RBA reiterated that future rates cuts will be data driven as they are prioritising a sustained returned to inflation within their 2-3% target range. As expected, the Reserve Bank of Australia (RBA), held interest rates steady at 4.1% in the April 1 meeting.



Inflation

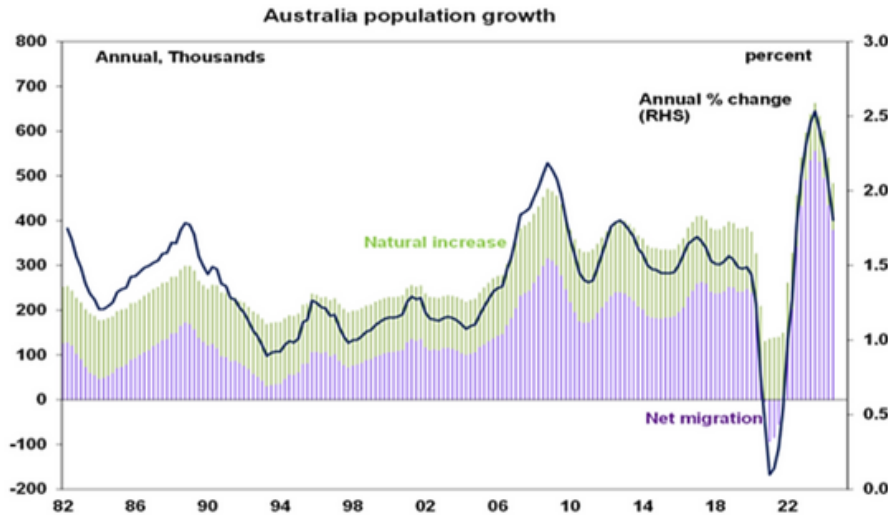
The February monthly Consumer Price Index rose by 2.4% over the year (lower than consensus estimates of a 2.5% increase). The monthly trimmed mean rose by 2.7% over the year, from 2.8% last month. Food inflation eased (although is still elevated at 3.1% year on year), alcohol and tobacco are very high from the tobacco excise, clothing and footwear inflation has eased to 1.8% over the year, housing related prices have also moderated (up by 1.8% Year on Year (YoY)) from slower rents, lower construction costs and a big decline in electricity prices from the government rebate, education inflation is elevated at 5.6% over the year and insurance and financial services prices have eased to +4.5% over the year. Overall, it was a good set of figures that indicates a further moderation in consumer price inflation.





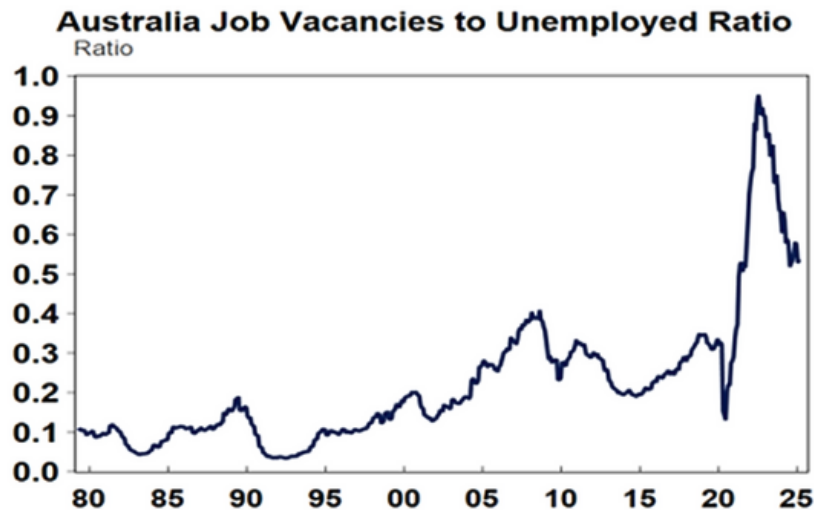
Population & Employment

Australia's population growth slowed to 1.8% YoY over the year to the September quarter last year, from a peak of 2.5% (YoY) a year earlier. This was due to a slowing in annual net migration to 380,000 from a record 560,000 a year earlier. But with the latest data showing population growth of 480,000, new housing supply (running at around 175,000 dwellings a year) is still below underlying demand of around 194,000 dwellings. Monthly data provides a mixed picture as to how much further net migration has slowed with indicators pointing to a sharp fall but arrivals data suggesting immigration is stalling around current levels.



Source: ABS, AMP

Australian jobs data for February provided a perplexing picture with employment down by 52,800, but participation rates also fell which saw the number of unemployed fall by 11,200 leaving unemployment flat at 4.1%. According to the ABS, there were "fewer older workers returning to work in February. Regardless, labour markets remain relatively tight, with unemployment and underemployment measures still low compared to pre-pandemic levels. On the negative side, job vacancies fell in the March quarter. They remain high but still point to some labour market cooling.



Source: CoreLogic, AMP



Dwelling approvals

Building approvals fell 0.3% in February but this followed a 6.9% rise in January and the trend is clearly up. Approvals are now running around 195,000 a year which is roughly in line with underlying housing demand from population growth, albeit after two years of a big shortfall.

It is taking almost twice as long to complete a dwelling than was the case a decade ago, making it harder to get the accumulated housing shortfall (of at least 200,000 dwellings) down. The main driver of this includes regulatory issues which need to be addressed.

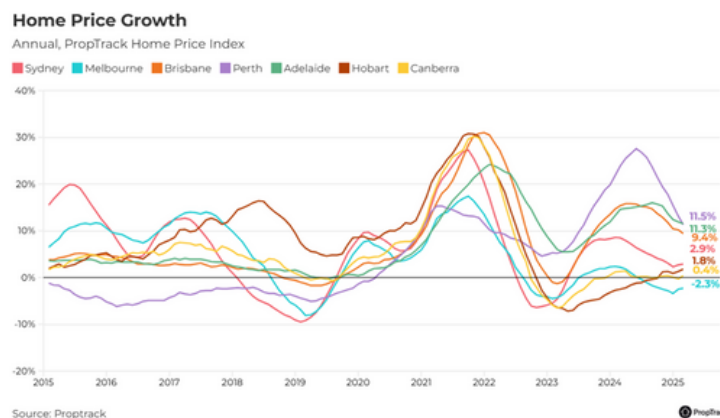
Private sector houses across Australia rose by 1.0%, 5.2% higher than February 2024. This followed a 1.4% rise in January. New South Wales was the main driver of the overall rise in detached house approvals, growing 5.1%.

Private sector dwellings excluding houses fell 1.5% (to 7,113 dwellings), after reaching a two-year high in January.

Median Dwelling Price

National average home prices continued their modest upswing in February, with further gains likely on the back of more rate cuts and the housing shortage but constrained by poor affordability.

Nationally, residential property price growth recovered, rising 0.3% monthly growth as measured by the CoreLogic five capital cities aggregate. Sydney prices climbed 0.5% over the month and 2.9% over 12 months. We are now seeing some modest growth in Melbourne 0.2% over the month, albeit it is down -2.3% over the last 12 months. Over the past 12 months, national residential property prices have increased 3.9%.



Vacancy Rates

In February, Australia's national rental vacancy rate rose to 1.3%, increasing from 1% in January, according to SQM Research. Across the country, there were 38,427 rental vacancies, an increase from 31,822 in January 2025 and it has risen over a 12-month period from 30,161 vacancies in February 2024.

Sydney's vacancy rate rose slightly to 1.5% and Melbourne also saw an increase to 1.8%. Canberra's vacancy rate also rose from 1.3% to 1.6%, while Perth and Adelaide increased slightly at 0.6% and 0.7%, respectively. Notably, national rental vacancy rates are slightly higher than this time in 2024.

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Sources – ABS, CoreLogic, Domain, SQM, RBA, Westpac, NAB, ANZ, CBA and AMP.