



# 2025 Valuation Insights Report

## Commercial Property |

# Contents

Chairman’s message	4	<b>CHAPTER THREE</b>	
CEO’s message	7	<b>Industrial</b>	<b>167</b>
Key economic indicators	12	Sydney	171
Methodology	14	Melbourne	176
Executive Summary	18	Brisbane	180
		Perth	184
		Adelaide	187
<b>CHAPTER ONE</b>		<b>CHAPTER FOUR</b>	
<b>Residential Property</b>	<b>49</b>	<b>Agriculture</b>	<b>195</b>
New South Wales	52	New South Wales	200
– Sydney	57	Victoria	206
– Regional New South Wales	62	Queensland	210
Victoria	79	Western Australia	214
– Melbourne	80	South Australia	217
– Regional Victoria	83	Tasmania	220
Queensland	92	<b>CHAPTER FIVE</b>	
– Brisbane	93	<b>Carbon Farming</b>	<b>223</b>
– Regional Queensland	95	<b>CHAPTER SIX</b>	
Western Australia	108	<b>Renewables</b>	<b>229</b>
– Perth	109	<b>CHAPTER SEVEN</b>	
– Regional Western Australia	111	<b>Data Centres</b>	<b>239</b>
South Australia	116	<b>Glossary</b>	<b>244</b>
– Adelaide	117	<b>References</b>	<b>246</b>
– Regional South Australia	119		
Tasmania	123		
– Hobart	124		
– Regional Tasmania	126		
Australian Capital Territory	130		
Northern Territory	133		
– Darwin	134		
<b>CHAPTER TWO</b>			
<b>Commercial Property</b>	<b>139</b>		
Sydney	154		
Melbourne	156		
Brisbane	158		
Perth	160		
Adelaide	162		
Canberra	164		



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May 2025  
Version 1

#### Areas not covered due to limitations in data

While capital city residential data covers 20 years, regional residential data in this report covers 10 years due to limitations in data availability.

Commercial CBD office values are not included for Hobart or Darwin due to a lack of data.

Industrial warehouse values are not included for Canberra, Hobart or Darwin due to lack of available data.

Agricultural land values for the Northern Territory in this report have not been discussed due to a lack of transaction volumes.

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Photography by Brett  
Boardman (Source:  
<https://www.archdaily.com/966342/lume-residential-building-sjb>)

# Foreword

**There can be little doubt that Australians have a passion for property. Whether it is a place to call home, somewhere to build a business, or an investment to provide security for later years, Australians are excited by property like nothing else.**

But while that passion remains strong, there can be little doubt that the Australian property story is very much at an inflection point following the Covid-induced lull. We now have one of the fastest growing populations in the OECD, yet the construction sector is in the doldrums. For younger Australians in particular the dream of owning their own homes, let alone the fabled quarter-acre block, seems out of reach.

What is also clear is that the rise of the digital economy is transforming the property sector. Traditional retail strips are under threat, mega-malls are suffering declining foot fall and bricks and mortar retailers are going out of business almost weekly. Our obsession with online retailing accelerated during the pandemic and shows no sign of slowing down. Logistics hubs and transport nodes are the new anchor retail investments.

The structural shift from fossil fuels to renewables continues to gain momentum, which in some areas threatens the ongoing viability of agricultural land, to be replaced by vast new solar energy farms. Indeed, the

whole energy debate and the uncertainty it creates has become the “hot topic” around dining room tables.

Constrained by the three-year election cycle of our political system that promotes short termism and populism in the minds of our elected representatives, where this goes remains to be seen. How for example does Australia plan to power its sprawling cities and industries and meet the energy demands of the rise of mega datacentres that require huge amounts of power? In the United States, large organisations such as Google and Microsoft have signed deals with nuclear power operators to provide this energy. Will Australia follow suit? Is green energy the solution? What is viable and what is not?

Like most industrialised countries, Australia is becoming more urban.

By some estimates, Australia’s two major cities, Sydney and Melbourne, will have combined populations exceeding 11 million by the end of this year. Infill development to meet housing needs has become the mantra. However has our transport infrastructure investment kept pace with demand to make this viable? Will the work from home trend continue to reduce load and improve quality of life? Will we see new property investment classes gain popularity – such as build to rent – to meet rising demand? Will the flight to our cities draw the best and brightest talent away from rural and regional areas, hollowing out the demographic viability of our rural towns and the economic structures that underpin them as we have seen in Italy and elsewhere?

This is why the Australian Property Institute (API) has launched its inaugural Valuation Insights Report, that reveals for the first time the financial performance of residential, commercial, industrial and rural property in each state over the past two decades. In the case of residential property, the data extends back over the past 50 years.

This is the first time that any organisation has compared the record of these four key property sectors and as Machiavelli suggests, “Whoever wishes to foresee the future must consult the past; for human events ever resemble those of preceding times.” The experience of the past may well help investors understand where the smart money has been committed over the last generation and perhaps help them understand where opportunities may lie in the years’ ahead.

Our motivation for doing so is clear. The API is the independent, professional industry body representing residential, commercial and plant and machinery valuers, analysts, fund managers and property lawyers and being future focussed is a core strategic pillar.

We are independent of sectional property interests like banks, property developers, landlords and tenants. That puts us in a unique position to provide honest, data-driven analysis for Australian policymakers, investors and consumers alike.

We anticipate the 2025 Valuation Insights Report will be the first in a series of thought leadership initiatives over coming years that are designed to contribute to the national



**Paul Billingham,**  
Chair of API Board

debate, that may help policymakers develop frameworks that bring about fairness and prosperity for all Australians.

We commend it to you.

**Paul Billingham,**  
Chair of API Board



# Introduction

The API is delighted to present its inaugural *Australian Property Institute - Valuation Insights Report 2025*, the first comprehensive snapshot of the financial performance over 20 years of the nation's four key property sectors – residential, commercial, industrial and rural.



Amelia Hodge,  
API Chief Executive  
Officer

Property is central to the national economy in every asset class, essential for food production as well as generating taxation revenue that pays for our hospitals, schools, roads and national defence.

Indeed, Australia's residential property market is now worth more than \$11 trillion, about five times the value of the entire national economy<sup>1</sup>.

While most Australians aspire to own their own home, they are also indirect owners of critical industrial, commercial and farming infrastructure.

That is because Australia's \$4 trillion superannuation industry is a major investor in these sectors, reinforcing the critical factor property investment plays in not only our working lives but also in our retirements.

We hope this report helps Australian policymakers make better decisions on where to zone homes, offices, town centres, industrial precincts and farms to create an ordered, fair and efficient society.

This report reveals for the first time which Australian states have fared better than others and the performance of key property classes.

What factors led to their success and why did other regions perform relatively poorly?

In some cases, unavoidable global factors have been at play.

For example, the Covid pandemic caused a spike in valuations on Queensland's Gold Coast and Sunshine Coast as metropolitan residents fled restrictions and the closure of the international borders created a domestic tourism boom.

Residential valuations in other sea and tree change locations were also impacted.

Yet, commercial CBD office valuations in most cities have declined as Work from Home mandates reduced the need to attend the office. Will these mandates be permanent?

In contrast, industrial property valuations

have risen as companies increased their warehouse inventories in response to short-term disruption to global supply chains, along with longer-term consumer shifts to e-commerce sales over face-to-face retail transactions.

Finally, agricultural property has enjoyed a once-in-a-century boom as a commodity price spike has coincided with favourable seasons and low interest rates.

But what does the future hold?

Emissions reduction initiatives have thrust the valuation profession onto the front lines of new policy frontiers. As they seek to meet net zero targets, Corporate Australia's increasing appetite for energy efficient low emissions office buildings is changing the dynamics of commercial property valuation.

The renewable energy rollout and carbon farming initiatives are fundamentally changing the economics of farming. Compensation parameters are changing to cope with the impacts of thousands of kilometres of transmission lines being erected across the nation to link wind and solar projects with the electricity grid.

Carbon sequestration agreements are requiring the valuation profession to understand increasingly complex relationships between landholders and third parties.

There is much to ponder and many options available to politicians, banks, superannuation funds, regulators, property owners and potential buyers alike.

I hope this report sparks meaningful conversations about both the challenges and opportunities facing the property sector and the solutions required to secure the nation's economic future in the decades to come.

**Amelia Hodge**  
**API Chief Executive Officer**

*We acknowledge  
the traditional  
custodians of country  
throughout Australia  
and their continuing  
and unbroken  
connection to land,  
sea and community.*

*We pay our respects  
to Elders past, present  
and emerging and  
extend that respect  
to all Aboriginal and  
Torres Strait islander  
people today.*



# Acknowledgements

The API acknowledges the various API members and stakeholders, listed below, who invested a considerable amount of time to inform it.

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The API also acknowledges Sid Maher, the writer and Kent Lardner, the data analyst for producing this report.

**446,000**  
net overseas  
migration  
(2023-24)<sup>2</sup>



**QLD**  
regional  
housing  
winners



**171,394**  
**HOUSING**  
**APPROVED**  
**IN 2024**<sup>7</sup>



**154%**  
**HOUSING**  
**PRICE**  
**INCREASE**  
**SINCE 2005**

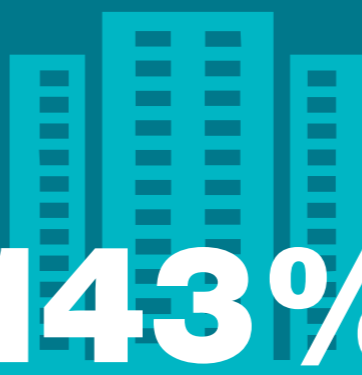


**3.2%**  
annual  
wage  
growth<sup>3</sup>



**ADELAIDE**  
best performing  
housing market  
in past  
20 years

**143%**  
**AVERAGE**  
**COMMERCIAL**  
**PROPERTY**  
**PRICE RISE**  
**SINCE 2005**



**256%**  
**AVERAGE FARM PRICE RISE**  
**IN TWO DECADES**



**\$11 trillion**  
value of Australian housing<sup>4</sup>

**2.4%**  
**ANNUAL**  
**INFLATION**  
**INCREASE**<sup>5</sup>

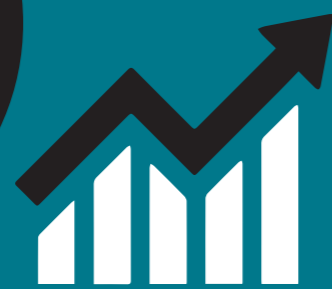


**SYDNEY**  
best performing  
housing market  
since 1974



**164%**  
**industrial**  
**property**  
**price rise**  
since 2005

**BRISBANE**  
could shortly  
be Australia's best  
performing  
housing  
market



**1.3%**  
**economic**  
**growth**<sup>6</sup>

**4%**  
unemployment rate<sup>9</sup>



# Methodology

The report analyses the long-term financial performance by comparing the % change in values of:

- Industrial property over 20 years (2005-2024)
- Rural property over 20 years (2004-2023)
- Commercial property over 20 years (2005-2024)
- Residential property over 20 years (2005-2024)



This report uses a combination of Australian Bureau of Statistics Residential Property Price Indexes, historical values and agent-advised sales in 2022, 2023 and 2024.

The Australian Bureau of Statistics (ABS) discontinued the Residential Property Price Indexes: Eight Capital Cities publication after the December 2021 release. This decision was part of a broader update to the ABS work program, aiming to streamline statistical outputs and focus on essential economic indicators. Consequently, the ABS no longer compiles the House Price Index (HPI) and the Attached Dwellings Price Index (ADPI). Suburbtrends filled this gap by compiling Greater Capital City Area medians based on published agent-advised sales using Suburbtrends data for 2022, 2023 and 2024 to complete the residential data analysis. Values quoted in this report are nominal face values and have not been adjusted for inflation. Averages are unweighted. Consumer Price Index figures quoted in this report are based on the percentage change in the CPI over the period specified.



Commercial property values in this report were compiled from Colliers Edge Q3 2024 CBD office market indicators, derived from a representative basket of prime and secondary grade properties in each precinct based on leasing and transaction activity and input from valuers.

Capital values are derived from a combination of average mean rents and yields and input from valuers in each precinct. Nominal values have been used to reflect actual market conditions at the time of measurement. CBD Office Capital Value changes were based on a comparison of average valuations in the September quarter result for each class of asset in the year measured.

Values quoted in this report have not been adjusted for inflation. Averages are unweighted. Consumer Price Index figures quoted in this report are derived from the percentage change in the CPI over the period specified.



Industrial values identified in this report were obtained from Colliers Edge Q3 2024 Industrial Master series. Market indicators were derived from a representative basket of prime and secondary grade properties in suburbs in each precinct based on leasing and transaction activity and input from valuers. Capital values are derived from a combination of average rents and yields and input from valuers. Nominal values have been used to reflect actual market conditions at the time of measurement. Fluctuations were compared based on the value of prime and secondary warehouses of 5000sqm or more. Results were compared based on the fluctuation in the September quarter average result for each precinct in the year examined. Values quoted in this report have not been adjusted for inflation. Values are unweighted. Consumer Price Index figures quoted in this report are derived from the percentage change in the CPI over the period specified.



Agricultural land values identified in this report used the Australian Bureau of Agricultural and Resource Economics Farmland Price Indicator. In line with ABARES methodologies values quoted in this report are nominal values and have not been adjusted for inflation. Averages are unweighted. Consumer Price Index figures quoted in this report are derived from the percentage change in the CPI over the period specified. ABARES uses raw data

from CoreLogic which is cleaned, processed, spatially linked and stratified, to generate a series of farmland price transactions. The data excludes family transactions. The sum of transactions in state figures may not equal the national average as some transactions cannot be spatially linked to states, zones or regions. More information on the methodology behind the ABARES Farmland Price Indicator is available at: <https://www.agriculture.gov.au/abares/research-topics/working-papers/abares-farmland-price-indicator-measurement-framework>

Given the ABARES data had only been published to 2023 at the time of writing, this report uses commentary from the Rural Bank Australian Farmland Values report to provide indicative commentary on projected price movements in 2024, however it has not been incorporated into the data sets in the report.

The ABARES data and the Rural Bank data use different geographical boundaries and different methodologies and should not be directly compared. The Australian Farmland Values report is based on farm sales information accessed through PriceFinder trading as Domain Insight (DI). This information is published and compiled by DI and in developing it DI also relies on the information supplied by a number of external sources.

## Data Limitations

The data presented in this report has been compiled from a range of different sources and different formats, for example, indexes, transaction information, asking prices and

generated values. This data has not been adjusted for Inflation (Consumer Price Index - CPI).

In order to enable comparison across the different sectors over time the authors have endeavoured to ensure a structured process to allow the value percentage change differentials to be compared across the sectors for the purposes of this report. This approach does have its limitations in how this information should be engaged with and what can be construed by the outcomes of the results of the research. This report may contain potential data discrepancies or issues related to data interpretation.

In the case of residential data, where two or more different data sources were used, due to the initial data source being discontinued, other public domain median sales data was used to create a sufficient sample size to provide confidence of approximate normal statistical distribution across SA3 or Greater Capital City Area statistical regions. The authors have used their best endeavours to align datasets where more than one dataset is used. Median prices were used in the residential section of this report rather than mean prices as the median is not as readily distorted by unusually high or low prices. However, it should only be read as a guide to market activity.



# Executive Summary

## ASSET CLASSES COMPARED

### Farm values produce best 20-year property returns while commercial offices lag

Australia may no longer ride on the sheep's back, but the nation's agricultural land has emerged as the best performing property sector over the past two decades. All Australian property sectors delivered robust growth with only commercial property failing

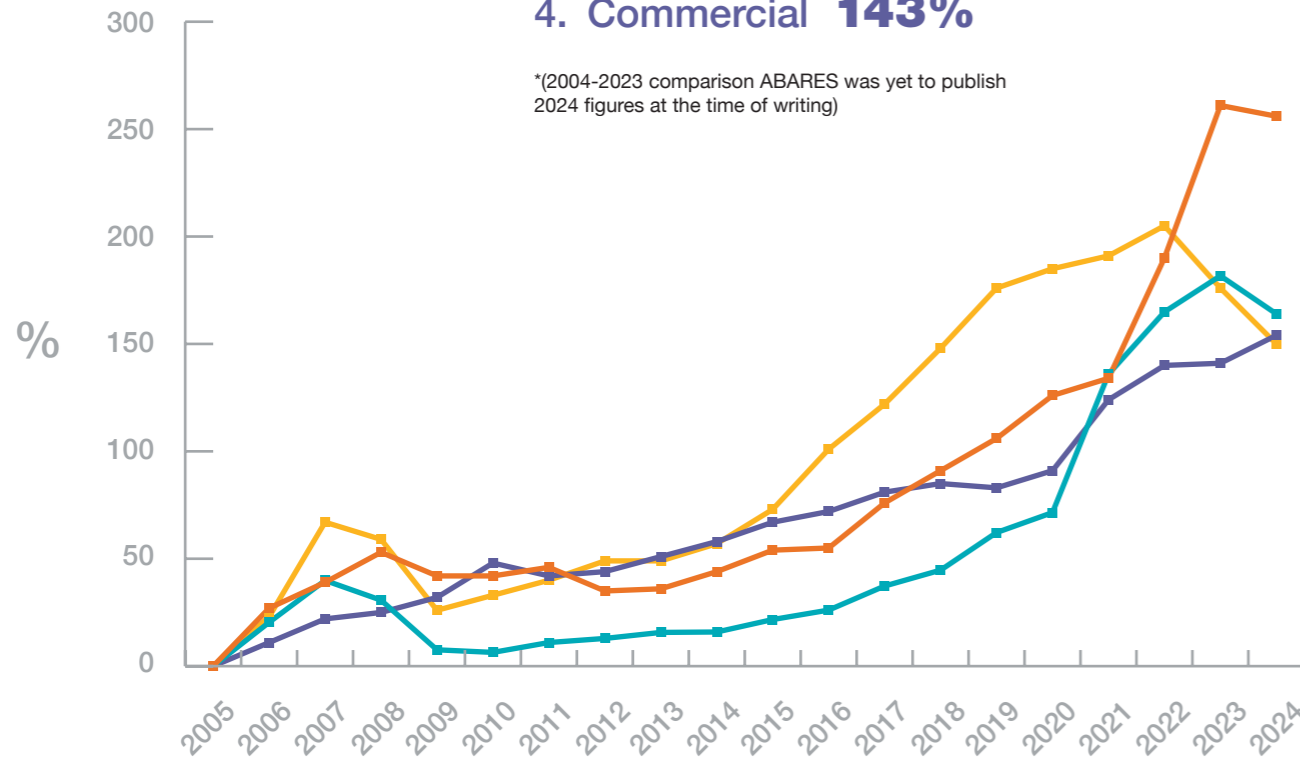
to produce a return that doubled the rate of inflation after suffering a fall in valuations due to work from home trends reducing office attendances.

Between 2005 and 2024, inflation pushed prices up by an accumulated 66.8%<sup>10</sup>. The average annual return for agriculture over two decades was 12.8%, while industrial land returned 8.2%, residential 7.7%, and commercial 7.2%.

Over 20 years, the returns on the four property classes were:

- 1. Agriculture **256%\***
- 2. Industrial **164%**
- 3. Residential **154%**
- 4. Commercial **143%**

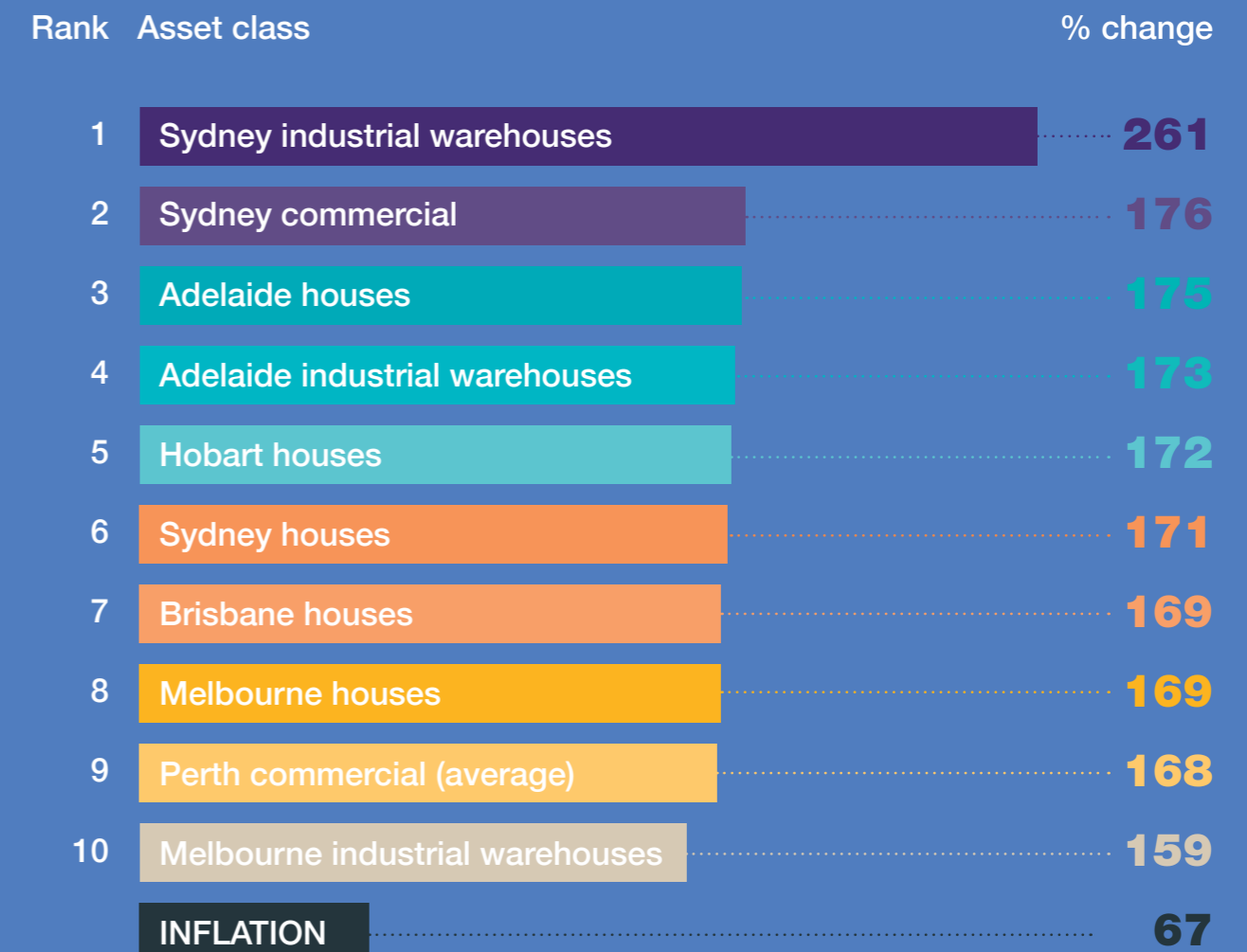
\*(2004-2023 comparison ABARES was yet to publish 2024 figures at the time of writing)



Graph 1 Source: ABS, Suburbtrends, Colliers Edge, ABARES Farmland Price Indicator

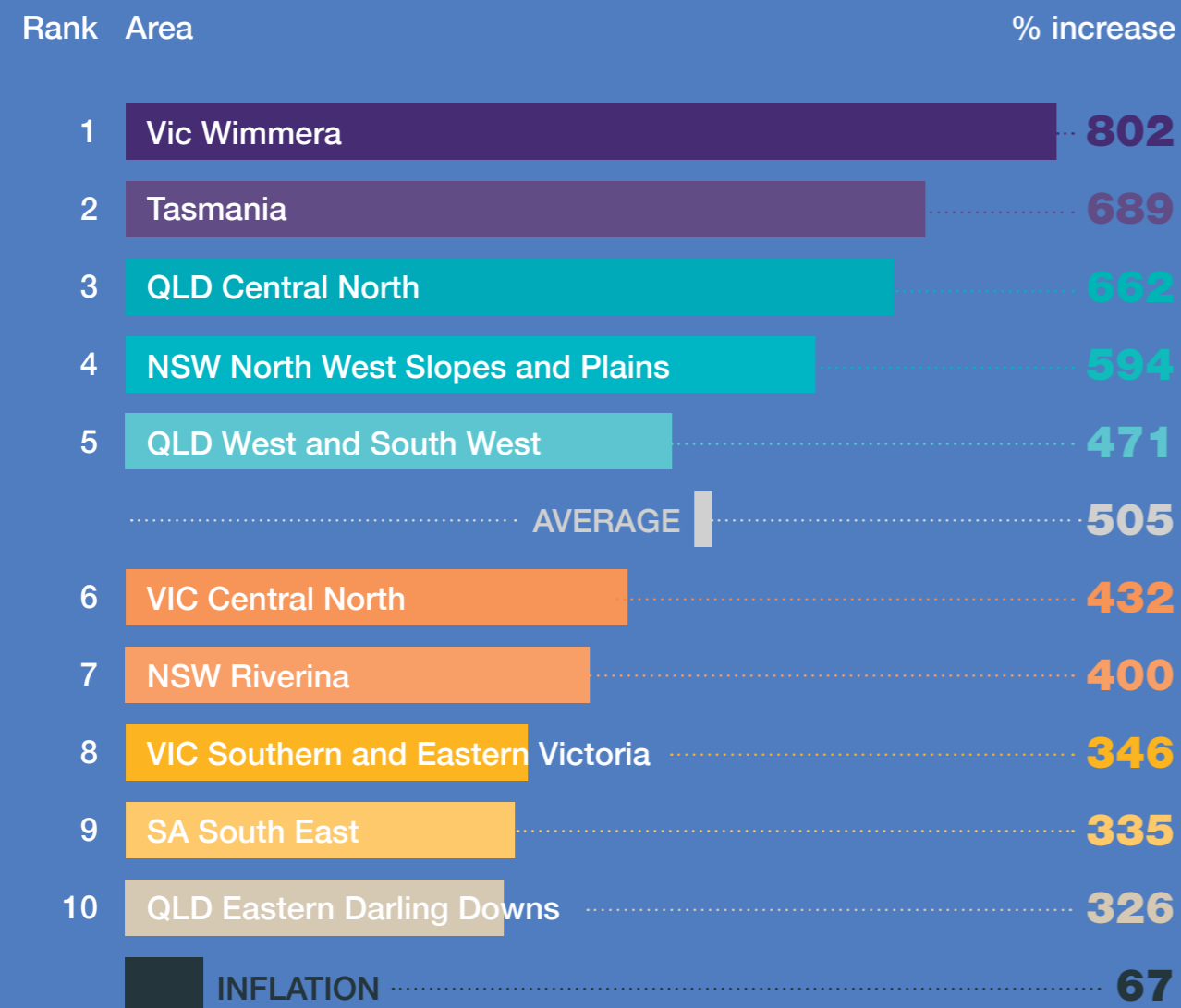
## Comparative performance of asset classes over 20 years

### Top non-farm performance over 20 years



Graph 2 Source: ABS, Suburbtrends, Colliers Edge

### Top 10 farmland highest price increases over 20 years (2004-2023)



Graph 3 Source: ABARES Farmland Price Indicator

Agricultural valuations surged between 2020 and 2022 as record commodity prices, exceptionally good seasons and low interest rates elevated farm profits. In some areas, including Victoria’s Wimmera region, which was the highest returning region at 802%, renewable energy projects increased farm valuations as developers sought land to host projects.

The Covid pandemic elevated valuations in the industrial sector across all markets as companies sought more warehouse space to address global supply chains and the rise of e-commerce.

**Sydney industrial warehouses emerged as the highest performing non-farm property sector over the past two decades with a return of 261%.**

Despite significant reductions in valuations post Covid, Sydney prime commercial property produced the second-best return of the past 20 years of 176%. While Covid has cut valuations by more than 20% since the market peak in September 2022, the commercial property market experienced a strong decade of gains in the 2010s.

Record immigration levels, a failure of new house supply to meet demand, labour shortages and planning delays, pushed up residential property prices and reduced housing affordability. Mike Rowe, a Perth-

based valuer with Realmark and a former Australian Property Institute chairman said: “Delays are forcing up prices because developments are taking longer to get through.”

Adelaide emerged as the strongest residential property market of the past two decades, rising 175% ahead of Hobart (172%) and Sydney (171%).

All property sectors returned outstanding investments over the past two decades with only commercial failing to produce a return double the rate of inflation.

## Top 100 assets by rise in value over 20 years

Rank	Asset	Category	Change %
1	Vic Wimmera farmland	Agriculture*	802
2	Tasmania farmland	Agriculture*	689
3	Qld Central North farmland	Agriculture*	662
4	NSW North West Slopes and Plains farmland	Agriculture*	594
5	Qld West and South West farmland	Agriculture*	471
6	NSW Riverina farmland	Agriculture*	400
7	Sydney secondary warehouse Central West precinct	Industrial	370
8	Sydney secondary warehouse Outer West precinct	Industrial	364
9	Vic Central North	Industrial	432
10	Vic Southern and Eastern Victoria farmland	Agriculture*	346
11	Sydney secondary warehouse North West precinct	Industrial	343
12	Sydney secondary warehouse West precinct	Industrial	343
13	SA South East farmland	Agriculture*	335
14	Qld Eastern Darling Downs farmland	Agriculture*	326
15	NSW Central West farmland	Agriculture*	324
16	Sydney prime warehouse South precinct	Industrial	323
17	Qld North Queensland Coastal farmland	Agriculture*	313
18	Qld Darling Downs and Central Highlands farmland	Agriculture*	312
19	Sydney secondary warehouse South precinct	Industrial	310
20	Sydney prime warehouse Outer West precinct	Industrial	301
21	Sydney secondary warehouse South West precinct	Industrial	294
22	SA Eyre Peninsula farmland	Agriculture*	291
23	Vic Mallee farmland	Agriculture*	289
24	SA Murray Lands and Yorke Peninsula farmland	Agriculture*	286
25	Sydney prime warehouse Central West	Industrial	282
26	Qld South Queensland Coastal farmland	Agriculture*	282
27	Sydney prime warehouse West	Industrial	271
28	Sydney CBD office B-Grade Core precinct	Commercial	271
29	Sydney prime warehouse South West precinct	Industrial	261
30	SA North Pastoral farmland	Agriculture*	257
31	Sydney prime warehouse North West precinct	Industrial	244
32	Sydney CBD office Premium Midtown precinct	Commercial	235
33	NSW Coastal farmland	Agriculture*	228
34	Sydney CBD office A-Grade Southern precinct	Commercial	216
	<b>AVERAGE</b>		<b>215</b>
35	Qld Charleville farmland	Agriculture*	215
36	Perth CBD B-Grade office	Commercial	212
37	Melbourne secondary warehouse North precinct	Industrial	206

Rank	Asset	Category	Change %
38	NSW Tablelands farmland	Agriculture*	205
39	Sydney CBD office B-Grade Southern precinct	Commercial	198
40	Melbourne prime warehouse City Fringe precinct	Industrial	196
41	Brisbane CBD Premium office	Commercial	195
42	WA North and East Wheat Belt farmland	Agriculture*	188
43	Melbourne secondary warehouse West precinct	Industrial	187
44	Perth CBD A-Grade office	Commercial	186
45	Melbourne CBD B-Grade office	Commercial	183
46	Melbourne Prime warehouse Outer East precinct	Industrial	182
47	Melbourne prime warehouse South East precinct	Industrial	182
48	Northern Territory farmland	Agriculture*	177
49	Adelaide houses - average annual median	Residential	175
50	Melbourne prime warehouse West precinct	Industrial	173
51	Hobart houses - average annual median	Residential	172
52	WA South West Coastal farmland	Agriculture*	171
53	Sydney CBD office A-Grade Core precinct	Commercial	171
54	Sydney houses - average annual median	Residential	171
55	Brisbane houses - average annual median	Residential	169
56	Melbourne houses - average annual median	Residential	169
57	Sydney CBD office Premium Core precinct	Commercial	169
58	Melbourne secondary warehouse Outer East precinct	Industrial	167
59	Sydney CBD office A-Grade Midtown precinct	Commercial	165
60	Adelaide secondary warehouse West precinct	Industrial	162
61	Sydney prime warehouse North precinct	Industrial	160
62	Melbourne secondary warehouse City Fringe precinct	Industrial	160
63	Sydney CBD office B-Grade Western precinct	Commercial	157
64	Adelaide secondary warehouse Outer North precinct	Industrial	154
65	Melbourne CBD A-Grade office	Commercial	153
66	Sydney CBD office A-Grade Western precinct	Commercial	152
67	Sydney secondary warehouse North precinct	Industrial	151
68	Canberra houses - average annual median	Residential	148
69	Perth CBD Premium office	Commercial	143
70	Sydney CBD office B-Grade Midtown precinct	Commercial	135
71	Melbourne CBD Premium office	Commercial	134
72	Hobart units - average annual median	Residential	133
73	Perth prime warehouses East precinct	Industrial	131
74	Adelaide units average annual median	Residential	129
75	Adelaide prime warehouses Outer South precinct	Industrial	129

Rank	Asset	Category	Change %
76	Brisbane CBD B-Grade office	Commercial	127
77	Sydney CBD office Premium Western precinct	Commercial	127
78	Perth houses - average annual median	Residential	123
79	Adelaide secondary warehouse Outer South precinct	Industrial	122
80	Perth secondary warehouse East	Industrial	120
81	Perth prime warehouses South precinct	Industrial	118
82	Melbourne units - average annual median	Residential	109
83	Melbourne prime warehouse North precinct	Industrial	109
84	Brisbane prime warehouses South West precinct	Industrial	108
85	Perth prime warehouses North precinct	Industrial	106
86	WA Central and South Wheat Belt farmland	Agriculture*	106
87	Brisbane units - average annual median	Residential	105
88	Darwin houses - average annual median	Residential	102
89	Adelaide prime warehouses Outer North precinct	Industrial	102
90	Perth secondary warehouse North precinct	Industrial	101
91	Adelaide CBD office A-Grade	Commercial	98
92	Sydney units - average annual median	Residential	98
93	Perth secondary warehouse South precinct	Industrial	98
94	Perth units average annual median	Residential	96
95	Brisbane prime warehouses South precinct	Industrial	95
96	Adelaide prime warehous West precinct	Industrial	94
97	Brisbane secondary warehouse Yatala precinct	Industrial	94
98	Brisbane prime warehouses Yatala	Industrial	92
99	Brisbane CBD office A-Grade	Commercial	91
100	Brisbane secondary warehouse South precinct	Industrial	90
INFLATION			67

Table 1 Source: ABS, Suburbtrends, Colliers Edge and ABARES Farmland Price Indicator

\*Agricultural farmland values are from 2004 to 2023  
 \*Residential, industrial and commercial values are from 2005 to 2024



## RESIDENTIAL PROPERTY

### Smaller cities shine as best destinations for investment returns

The great untold story of Australian housing over the past two decades has been the resurgence of the nation's smaller cities over the larger ones, in the quest for investment returns on the family home.

Adelaide experienced the fastest growth in average annual median house prices over the 20 years between 2005 and 2024 with a return of 175.09% which narrowly eclipsed Hobart's return over the same period of 171.86%. Sydney (170.92%), Brisbane (169.44%) and Melbourne (169.16%) returned above average growth over the period.

Hobart produced the strongest returns in average annual median unit prices of

133.47%, followed by Adelaide (128.87%) and Melbourne (109.06%). Average annual median unit price rises in Brisbane (105.35%) and Sydney (97.85%) were below the national average over the period.

Despite the vast bulk of immigrants surging into Sydney and Melbourne over this period, they trailed Adelaide and Hobart in returns.

This suggests the impact of migration on Australian domestic property prices may not be as pronounced as other unseen factors. Whether this continues is one of the great demographic and investment questions of our time.

A shortage of housing is expected to continue for the foreseeable future as a national housing supply problem continues. Labour shortages and increases in costs due to supply chain disruptions, have impacted the viability of new projects and caused the

financial collapse of several major building groups. The National Housing Supply and Affordability Council forecasts the average net new supply of housing of 173,000 over the next six years will fail to meet estimated average household formation of 174,000 over the same period.

Supply is also being held back by planning delays such as the lengthy time taken in obtaining project approvals etc.

The NHSAC's 2024 annual report<sup>11</sup> said the average time from approval to completion for a new house is around 12 months, up from 9 months in 2019-20.

Productivity has also declined in the building industry making it more difficult to increase production. A 2025 report by the Productivity Commission found the number of dwellings completed per hour worked by housing construction workers has declined by 53% over the past 30 years.

In contrast labour productivity in the broader economy increased by 49% over the same period.<sup>12</sup>

## Over 50 years

### The story is different when we look at intergenerational returns

Sydney residential real estate has been the best performing property asset class in Australia over the last 50 years, achieving a staggering 3,800% return on investment.

### Capital city house price increases 2005-2024

Rank	Area	% increase
1	Adelaide	175
2	Hobart	172
3	Sydney	171
4	Brisbane	169
5	Melbourne	169
	<b>AVERAGE</b>	<b>154</b>
6	Canberra	148
7	Perth	123
8	Darwin	102
	<b>INFLATION</b>	<b>67</b>

Table 2 Source: Australian Bureau of Statistics (ABS) | Suburbtrends

Average including Darwin and is on a non-weighted population basis

### Capital cities unit price 2005-2024

Rank	Area	% increase
1	Hobart	133
2	Adelaide	129
3	Melbourne	109
	<b>AVERAGE</b>	<b>106</b>
4	Brisbane	105
5	Sydney	98
6	Perth	96
7	Canberra	89
8	Darwin	88
	<b>INFLATION</b>	<b>67</b>

Table 3 Source: ABS | Suburbtrends

Average including Darwin and is on a non-weighted population basis

But in a surprise to many, Brisbane is not far behind with an almost 3500% return over the same period, underscoring its growing reputation as the quiet achiever of Australian property investment.

In the seven years between now and the 2032 Olympics, further growth could see Brisbane overtake Sydney as the best performing property market in Australia since the mid 1970s.

However, the exceptional rise in value has come at the expense of housing affordability which has deteriorated dramatically over the past 50 years.

The number of years of average ordinary time earnings required to pay off a capital city median house rose from 3.4 in 1975 to 8.1 in 2024.

Sydney has suffered the worst decline in affordability with the median house price rising from 4.2 years of average annual ordinary time earnings to 13 in 2024.

The result has been a decline in the proportion of Australians who own a home.

Research by the Reserve Bank of Australia cites low interest rates and state government taxes such as stamp duties for the decline in home ownership from 60% to 45% from 1995 to 2019.

Lower rates pushed up the price of housing and this pushed up the amount buyers were paying in stamp duties, the research said.<sup>13</sup>

Valuers cite improvements in infrastructure both within cities and to regional areas as one solution to the housing affordability issue. Alan Hives, a Certified Practising Valuer with Preston Rowe Paterson said road and rail linkages to regional communities fuelled growth in those communities as city dwellers priced out of the metropolitan market sought more affordable options.

### Average house price growth over 50 years (from 1975)

Rank	Area	% increase
1	Sydney	3802
2	Brisbane	3478
3	Melbourne	2905
4	Adelaide	2782
5	Perth	2732
6	Canberra	2663
7	Hobart	2496
	<b>INFLATION</b>	<b>775</b>
8	Darwin	576 (1986-2024)

Table 4 Source: ABS, Suburbtrends

Average including Darwin and is on a non-weighted population basis

Sydney and Brisbane's return over 50 years has also outpaced both Australian shares (excluding dividends) which returned 3120% based on the increase in the All-Ordinaries Index<sup>14</sup> and gold which returned 2737% between 1975 and 2004.<sup>15</sup>

## Regional property prices over the last 10 years

Queensland property owners have been major beneficiaries of ‘sea changers’ and ‘tree changers’ over the last 10 years. Indeed, Queensland has taken out seven of the top 10 best performing residential property regions across Australia in the 2014-2024 period.

### Top 10 increases in annual average regional median house prices over 10 years

Rank	Area	% increase
1	Coolangatta (QLD)	154.4
2	Broadbeach – Burleigh (QLD)	154.1
3	Gascoyne (WA)	144.2
4	Maroochy (QLD)	141.1
	<b>AVERAGE</b>	<b>136.8</b>
5	Noosa Hinterland (QLD)	134.3
6	Tweed Valley (NSW)	133.5
7	Mudgeeraba – Tallebudgera (QLD)	131.6
8	Moira (VIC)	126.4
9	Robina (QLD)	125.9
10	Noosa (QLD)	125.0
	<b>INFLATION</b>	<b>28.8</b>

Table 5 Source: Suburbtrends, ABS. Years: 2015-2024

Western Australia, NSW and Victoria had one region each in the best performing markets.

Queensland’s Gold Coast was the top performing region over the past decade. Coolangatta and Broadbeach experienced property price rises of 154%, followed by Gascoyne in Western Australia (144%), with Maroochy (141%) and the Noosa Hinterland (134%) rounding out the top 5.

While property markets on both coasts surged, inland areas continue to struggle in an ongoing challenge for Australian policy makers.

## CONCLUSIONS

- Red tape and planning delays are contributing to the housing supply shortage and increasing costs. Faster approvals would lower costs and increase supply.
- State Governments need to address property taxation issues, including the impact of stamp duties on property transactions, to address the decline in home ownership.
- The immigration program needs to address skills shortages in the building industry. Valuers should be included as a Visa Priority Occupation to help address the industry’s labour shortages.
- Increases in building industry productivity would improve project completion times and lower costs for new developments.
- Infrastructure improvements that improve links with regional areas can unlock new housing options for Australian families and help revitalise regional communities.



## COMMERCIAL PROPERTY (OFFICES)



### Covid hangover clips valuations

Commercial property prices have barely kept pace with inflation since 2015.

Over that time, Australia’s cumulative inflation rate (based upon the Consumer Price Index) was 28.8%<sup>16</sup>. By comparison, commercial property prices have risen by an average 35.5%.

Sydney (71.5%), Canberra (46.1%) and Brisbane (32.8%) all outperformed, while Perth (5.4%) and Adelaide (15.2%) both underperformed.

Canberra’s result is an interesting one, given that city’s historical reliance on the white-collar public sector to underpin its economic viability. Strong growth in commercial property prices suggests Canberra’s economy may be sufficiently

diversifying away from a reliance on public sector ownership to reach a critical size that supports a more sustainable private sector ownership structure.

### Office Capital Values September 2015 to September 2024 – A-Grade

Rank	Area	% increase
1	Sydney	71.5
2	Canberra	46.1
	<b>AVERAGE</b>	<b>33.9</b>
3	Brisbane	32.8
4	Melbourne	32.4
	<b>INFLATION</b>	<b>28.8</b>
5	Adelaide	15.2
6	Perth	5.5

Table 6 Source: Colliers Edge

The commercial property sector has been left reeling in the wake of the Covid

pandemic with CBD office capital values, with the exception of Brisbane, significantly below their 2022 peaks.

Higher interest rates and lower occupancy rates as a result of the work from home phenomenon have put landlords under pressure. Low occupancy rates have seen valuations slashed by more than 20% on average in Melbourne and Sydney since the market peak of 2022.

Melbourne is the biggest loser with more than 1 million sqm of vacant space and valuations under pressure. Victoria’s commercial property sector is also dealing with the imposition of a new land tax regime. The commercial and Industrial Property Tax (CIPT) took effect from 1 July 2024 and will impose a levy of 1% of the unimproved property valuation of a commercial or industrial asset and is payable in addition to land tax. The CIPT replaces transfer duties over a 10-year transition period.

Greg Preston, the Chair and Managing Director of Preston Rowe Paterson, said the new taxes were weighing on the market. “Melbourne is not the flavour of the month globally,” he said. Many leases did not allow for the new costs to be recovered from tenants which had an impact on landlords’ bottom lines and ultimately the valuation of the building.

Meanwhile optimism is growing that Sydney’s commercial office market has bottomed and will turn a corner in 2025. Brisbane has emerged as the most robust market with the city’s premium grade office valuations reaching a new peak in Q3 2024 as vacancy rates fell to 10.6%, their lowest

level since Q1 2023.<sup>17</sup>

Despite the Covid disruption, Sydney has emerged as the market with the strongest returns over the past decade. A-Grade office values rose 61.6%, followed by Canberra on 46.1% and Brisbane on 32.8%

### Looking ahead the commercial property sector faces a new round of disruption as major corporates seek to meet net zero commitments.

This will make 5.5-star NABERS buildings with ESG-aligned features — such as electrified hot water, HVAC (heating, ventilation, and air conditioning) systems, renewable energy, and fast-charging stations — more sought after over the second half of the decade..

This opens a potential early mover advantage for landlords that embrace ESG credentials through measures such as electrifying their buildings, powering them with renewable energy and providing electric car fast-charging stations in their car park. However, skills shortages and low productivity in the construction industry will remain impediments to new projects.

Valuers will be at the forefront of measuring the changes with ESG and Sustainability and will be a key source of advice and guidance.

ESG considerations have been included in

the International Valuation Standards Council (IVSC) standards for 2025 which took effect in January and adopted by the Australian Property Institute.

Valuers will also maintain their role as arbiters in rental disputes between landlords and tenants through the Australian Property Institute's Chair Nomination Service, which provides a valuer to conduct an independent assessment of the disputed property.

## Recent doldrums failed to wipe away long-term gains

While the impact of Covid has impaired returns over 10 years, it has not wiped away gains accumulated in the past two decades where commercial property's longer-term performance is stronger.

Valuations rose steadily after 2011 when the Reserve Bank of Australia began a prolonged period of monetary policy easing

### Commercial Office Values 2005-2024

Rank	Area	% increase
1	Sydney	176.0
2	Perth	168.5
3	Melbourne	150.0
NATIONAL AVERAGE		143.0
4	Brisbane	133.8
5	Adelaide	99.6
6	Canberra	67.2
INFLATION		66.8

Table 7 Source: Colliers Edge Industrial Market 2024

which saw the official cash rate reach a low of 1.5% in August 2016. Growth in Sydney's commercial property market outperformed other cities during this period. Its return of 176% over two decades topped Perth's 168.5% return and Melbourne's 150% return over the same period. Only Canberra's commercial office market has failed to substantially outperform inflation over the period.

## CONCLUSIONS

- Valuers will be at the forefront of measuring the ESG-driven changes to commercial office buildings such as electrification of hot water and air conditioning and will be a key source of advice and guidance.
- Governments need to address skills shortages in the construction industry ahead of a major round of commercial building renovations that will be driven by ESG considerations.
- New property taxes, particularly in Victoria, are deterring investors and undermining valuations of commercial properties with leases that do not allow for cost recovery of the new imposts from tenants.
- Valuers are called on to provide expert determinations in rental disputes through the Australian Property Institute (API) Chair Nomination Service.



## INDUSTRIAL

### Cinderella property sector finds favour in digital world

Often considered the Cinderella sector of the property industry, industrial property (such as warehousing and factories), has boomed as supply chain disruptions forced Australian companies to hold higher inventory levels and e-commerce increased its share of the Australian retail market.

Vacancy rates fell to zero at times during the Covid pandemic as businesses scrambling to deal with global supply constraints sought additional warehouse space, pushing rents higher and yields lower.

Average gross effective rents for warehouses 5000sqm or above surged 57.4% in Sydney between December 2021 and December 2023 as yields fell below 4%. This was the first time industrial yields fell below commercial office yields.

Sydney's industrial market recorded the highest gains in values for warehouses of 500sqm or above in the 10 years to September 2024, followed by Melbourne on 126.4%.

Research by Colliers suggests that supply constraints could emerge within four years as demand reaches 3.3 million sqm of space each year to service a growing population and increased e-commerce.

"With a demand requirement of 3.3 million sqm per annum, the persistent land supply constraints are poised to increasingly restrict land take-up capacity, likely precipitating a revived supply-demand imbalance by 2029," Colliers Managing Director Industrial & Logistics Gavin Bishop wrote in a 2024 report, *The Essential Core of I&L Demand*.<sup>18</sup> This creates a planning imperative to increase the supply of industrial land close to good transport links.

Tom Rowe, a partner with McGees Property in Adelaide, said a chronic undersupply of appropriately zoned land, close to existing infrastructure and transport was a challenge being faced in all cities.

Industrial precincts were being located further out on the edges of a major cities which would require governments to spend more on transport corridors for road and rail to make these precincts viable.

“For the next five, ten or even 20 years, it is going to be a supply-side story in industrial which will largely be determined by what governments are willing to do or not willing to do,” he said.

## Population growth fuels new demand

Demand for industrial and logistics warehouse space is directly linked to population growth, economic activity and changes in e-commerce and health expenditure.

### Colliers estimates:

- For every increase in Twenty Foot Equivalent Units (TEUs) an estimated 8000 to 13,000sqm of I&L space will be required.
- Every \$1 billion increase in online retail sales translates to additional demand for 300,000 to 350,000sqm of specialised industrial facilities.

- Every \$1 billion increase in health expenditure generates demand for 5500 to 6000sqm of temperature-controlled facilities.

The shift towards online retailing and a requirement for higher inventory levels as a result of global supply chain disruptions has changed the fundamental relationship between population and demand for I&L facilities.

Significant growth in the demand for data centres driven by the take-up of Artificial Intelligence is also intensifying competition for industrial land.

## Recent surge lifts values

Covid gains in the past five years make up the majority of the increase in industrial land over the past two decades in many markets.

Sydney industrial valuations recorded the biggest increase in valuations over 20 years rising 260.7% with most of this rise occurring in the Covid period. Melbourne recorded an increase of 159.2% over 20 years compared with an increase of 126.4% over the past decade.

With commercial property recording strong gains in valuations after 2011, it attracted strong investment interest at the expense of industrial land. That was reversed when Covid hit commercial occupancy rates and demand for industrial land was soaring.

Adelaide recorded the second highest increase over 20 years of 172.7%.

Prime Warehouse Values over 20 years (2005-2024)

Rank	Area	% increase
1	Sydney	260.70
2	Adelaide	172.70
3	Melbourne	159.20
	<b>AVERAGE</b>	<b>158.00</b>
4	Perth	118.50
5	Brisbane	76.23
	<b>INFLATION</b>	<b>66.80</b>

Table 8 Source: Colliers Edge

Prime Warehouse Values (Sept 2015 to Sept 2024)

Rank	Area	% increase
1	Sydney	167.80
2	Melbourne	126.40
	<b>AVERAGE</b>	<b>101.00</b>
3	Brisbane	91.50
4	Adelaide	63.00
5	Perth	56.40
	<b>INFLATION</b>	<b>28.80</b>

Table 9 Source: Colliers Edge

## Concerns Victorian foreign owner tax will deter international investors

Property industry leaders in Victoria have expressed concern about the impact of the Victorian Government’s decision to double the Absentee Owner Surcharge, which impacts foreign owners, to 4% for the 2024 land tax year.

In an opinion article published by The Property Council of Australia, Stefanie Frawley of TMX Transform said the tax disproportionately affected industrial land. This was because industrial properties usually required significant land holdings and were occupied by a single tenant who had to meet the full burden of the tax rather than being able to share it with other tenants.

## CONCLUSIONS

- Planning regimes need to accommodate likely increased demand for industrial land as e-commerce and last mile logistics grow to meet a modern economy.
- Supply constraints on industrial land threaten to push up prices and rents within four years which will add to costs and inflation.
- Increased industrial warehouse space will be needed to meet predicted population growth and technological developments such as the growth in e-commerce and demand for data storage produced by the uptake of Artificial Intelligence.
- Tax imposts, such as Victoria’s Absentee Owner Surcharge, which was doubled to 4% threaten to deter foreign investor interest in the sector.



## AGRICULTURE



### Tasmania tops farm growth over two decades

The average increase in agricultural property values across Australia between 2004 and 2023 was 256%.

Tasmania was again the strongest performer with a return of 689% in capital growth, followed by Victoria with 362.

### State by state increase in farmland price (2004-2023)

Rank	Area	% increase
1	Tasmania	689
2	Victoria	362
3	Queensland	332
<b>STATE AVERAGE</b>		<b>324</b>
4	South Australia	282
5	New South Wales	276
<b>NATIONAL AVERAGE</b>		<b>256</b>
6	Northern Territory	195
7	Western Australia	133
<b>INFLATION</b>		<b>67</b>

Table 10 Source: ABARES Farmland Price Indicator

\*National and state averages differ because some transaction cannot be linked spatially to states, zones or regions

### Top 10 farmland highest price increases over 20 years (2004-2023)

Rank	Area	% increase
1	Vic Wimmera	802
2	Tasmania	689
3	QLD Central North	662
4	NSW North West Slopes and Plains	594
5	QLD West and South West	471
<b>AVERAGE</b>		<b>505</b>
6	VIC Central North	432
7	NSW Riverina	400
8	VIC Southern and Eastern Victoria	346
9	SA South East	335
10	QLD Eastern Darling Downs	326
<b>INFLATION</b>		<b>67</b>

Table 11 Source: ABARES Farmland Price Indicator

### Rain and record commodity prices lift farm values

A significant proportion of the gains for agricultural land occurred over the past decade, in large part due to favourable climatic and growing conditions. The average increase in agricultural property values across Australia between 2014 and 2023 was 136.84%.

On a state-by-state basis, Tasmania performed best, returning 195.3% in capital growth, followed by Victoria with 189.9% and NSW with 163.5%.

The NSW Central West region experienced the highest growth in farm values over the decade to 2023 of 527.8%, according to figures released by the Australian Bureau of Agriculture Resource and Economics.

A combination of record commodity prices, plentiful rainfall, relatively low input prices and low interest rates saw farm prices surge.

Alan Hives, a Certified Practising Valuer with Preston Rowe Paterson in Victoria, said the boom represented a “generational, maybe once in a century” confluence of events.

While ABARES data for 2024 had not been released at the time of writing, Mr Hives said the return of more normal seasonal conditions, higher interest rates and lower commodity prices, saw land values retreat in Victoria in 2024. The market had experienced significant volatility and some values were down 20 to 25%, he said.

Transactions fell significantly. Many landholders had significant buffers after the run of good years and could afford to hold properties rather than meeting the market.

“But the buyers know... the market will adjust. It might take two or three years, it might be a little longer this time,” Mr Hives said.

### State by state increase in farmland prices (2014-2023)

Rank	Area	% increase
1	Tasmania	195.3
2	Victoria	189.9
3	South Australia	178.3
4	New South Wales	163.6
5	Queensland	148.9
<b>STATE AVERAGE</b>		<b>122.0</b>
6	Western Australia	66.3
<b>INFLATION</b>		<b>27.1</b>
7	Northern Territory	15.7

Table 12 Source: ABARES Farmland Price Indicator

### Top 10 farmland highest price increases over 10 years (2014-2023)

Rank	Area	% increase
1	West and South West (VIC)	729.2
2	Central West (NSW)	527.8
3	Wimmera (VIC)	504.6
<b>Average</b>		<b>357.4</b>
4	Wimmera (VIC)	352.2
5	Eyre Peninsula (SA)	281.4
6	Darling Downs and Central Highlands (QLD)	256.6
7	South East (SA)	237.0
8	Mallee (VIC)	234.4
9	Charleville (QLD)	233.4
10	Central North (VIC)	216.9
<b>INFLATION</b>		<b>27.1</b>

Table 13 Source: ABARES Farmland Price Indicator

### Looking ahead

Andrew Loughnan, Director Agribusiness at CBRE in Brisbane, said agriculture faces several challenges including a continued shortage of farm labour, low farm gate prices which were impacting cash flow and taxation imposts, particularly Queensland's Foreign-owned Land Tax which was deterring international buyers investing in the state. Continued access to global markets will be vital to the financial fortunes of the industry.

However, landholders had a number of significant opportunities to diversify their income streams from renewable energy projects, carbon farming or biodiversity which could provide weather resistant income in addition to agricultural earnings.

A long run of value increases has also intensified succession planning issues for many landholders who now face significant capital gains issues. Mr Loughnan said valuers, accountants and lawyers were becoming increasingly important for families as they navigated these issues.

"Financial structure has never been more important," he said.

### CONCLUSIONS

- Continued open access to global commodity markets is essential for the ongoing wellbeing of the Australian agricultural industry
- Taxation imposts, such as Queensland's Foreign-owned Land Tax, are deterring international buyers, such as international pension funds, from investing in agriculture.
- Labour shortages continue to impact the agricultural sector.
- Valuers will play a key role in assessing the highest best use for agricultural land which is increasingly coexisting with renewables, carbon farming and biodiversity projects.



Source: <https://agri-futures.com.au/news/increase-in-capital-investment-needed-australian-agriculture/>

## Other asset classes



### Valuers play key role in renewable energy rollout

Australia's valuers have been thrust into the frontlines of the renewable energy rollout which has become one of the nation's most contentious rural battlelines. The Australian Energy Market Operator (AEMO) has described the renewables rollout as a "once in a century change in the way electricity is generated and consumed in Australia"<sup>19</sup>.

With 90% of the National Electricity Market's coal-fired generation expected to have largely retired from the system by 2034-35, AEMO estimates 5000km of new transmission lines will need to be built in the next decade including 4000km in new transmission corridors and upgrades to 1000km of existing lines.

Five projects are already delivering 2500km of new and upgraded transmission lines and are projected to be at full capacity before the end of 2029.

### Impact on farm valuations

Renewables projects have boosted farmland prices through their payments to landholders to host wind turbines, solar farms and transmission lines, and Australia's valuers have been tasked with assessing

compensation for affected landholders.

Tom Everitt, Director of TDC Services has worked in the landholder engagement space for various energy projects in Victoria. "On one hand, we see some landholders seeking the best deal for themselves, whereas others are more conflicted and have broader issues with these types of projects; there is absolutely no one-size-fits-all approach. Therefore, it's critical that projects work closely with landholders to identify work to resolve these matters."

What further complicates this is the inconsistent frameworks and legislation in each state. Compensation and engagement approaches also differ substantially between generation infrastructure (think turbines and solar farms), versus transmission infrastructure (overhead/underground high voltage electricity transmission lines).

Valuers tasked with devising and evaluating compensation to landholders for the rollout are being forced to deal with this dichotomy head on, sometimes not knowing what they will face when they visit properties.

"A significant part of my work in the past couple of years has been focused on compensation for building transmission lines," said Alan Hives, a Certified Practising Valuer with Preston Rowe Paterson in Ballarat.

"Life has changed for me a bit in the sense that when I'm doing powerline work, I'm going out to inspect the properties and I'm compelled to take a carload of security with me,"

## New paradigm for valuers

Head of Infrastructure Advisory at JLL, Jamahl Waddington, said the renewables rollout had significantly impacted the traditional approach taken in assessing compensation. In the current environment, compensation assessed in accordance with the heads of compensation enshrined in legislation forms a baseline for compensation with incentivisation, voluntary hosting benefits, more attractive disturbance calculations and strategic benefits payments all becoming common place.

Traditionally acquiring authorities were government bodies that exercised land acquisition powers more freely when developing transmission line projects. However with the privatisation of power assets, voluntary agreement making has become the focus as the use of compulsory acquisition powers is less desirable and more difficult to access

We have seen a paradigm shift when acquiring easements for transmission lines from a more transactional approach in the past to now more of an engagement led and incentivised based voluntary agreement making environment. Whereas in the past, the focus was leaving a dispossessed landholder in a similar position insofar money can do once the scheme was completed, this is no longer the case. It is incumbent on acquiring authorities to leave landholders and communities in a better position than they were before the scheme existed to achieve social licence to develop successful projects.

## CONCLUSIONS:

- Valuers have a vital role to play in determining the 'highest best use' for agricultural properties engaging with the renewable energy rollout, carbon farming, or biodiversity initiatives.
- Valuers are at the forefront of the renewables rollout through their involvement in compensation assessments for impacted landholders.
- Effective public engagement with landholders affected by the renewables rollout is essential to maintaining a 'social licence' for the renewables program.
- State Governments must clarify any impact on 'primary producer status' for landholders engaging with renewables projects as negative taxation impacts will have a potential negative impact on future sale prices and undermine support for the rollout.



## CARBON FARMING

### Carbon farming gives landholders new options

Carbon farming is emerging as a potentially lucrative source of income for farmers.

The Clean Energy Regulator (CER) in March 2024 reported that 80 million tonnes of emissions had been reduced under the Emissions Reduction Fund (ERF) which was established in 2014 and incorporates the previous Carbon Farming Initiative<sup>20</sup>.

Under the Australian scheme farmers can generate Australian Carbon Credit Units (ACCUs) under accredited emissions reduction methods in projects registered with the Clean Energy Regulator.

One ACCU is issued for every tonne of emissions stored or avoided by an accredited carbon project.

There are now more than 800 ERF projects operating throughout Australia<sup>21</sup> aimed at reducing or removing greenhouse gas emissions from the atmosphere.

Since its inception the ERF has contracted more than 190 million tonnes of abatement at an average price of \$12 a tonne<sup>22</sup>.

**More than \$2 billion expected to flow to regional and rural areas participating in the schemes.**

Matt Egerton-Warburton, a partner with Mills Oakley, believes carbon farming initiatives will be lucrative sources of income for participating landholders.

“Big polluters are going to have to buy a lot of ACCUs in the next few years to reach their emissions reduction targets.

That provides a lot of demand for ACCUs which should make these projects profitable for farmers,” he said.

However, Mr Egerton-Warburton believes farmers will face a tension between selling their ACCUs or keeping them to prove they are carbon neutral to suppliers.

The Australian Government passed legislation Treasury Laws Amendment (Financial Markets Infrastructure and Other Measures Bill 2024) in late 2024 which will require all large “covered entities” to report Scope 3 emissions which are incurred in their supply chain as part of their formal reporting process.

Mr Egerton-Warburton believes the new regime will become an issue for the agricultural sector.

“If not Coles and Woolworths, then European buyers are likely to go to the 88,000 farmers in Australia and ask how much carbon did you use to produce that kilogram of beef?,” he said.

“There will be a situation in the next couple of years where they will say unless you provide that data, we can’t buy your produce.”

“The smart farmers will need to get in front of this.”

## Carbon farming changes valuation paradigm

Mr Egerton-Warburton said the advent of carbon farming was also changing the paradigm for valuers who are being required to assess complex legal commercial relationships which may require them to seek the assistance of qualified third party.

Mr Egerton-Warburton said there was a lack of comparative sales data for many properties that were engaging in carbon farming and the ultimate value of the property could be determined by the quality of the contract they had signed for their carbon project.

“You may have a landholder who signed a really good carbon project where they get all of the Australian Carbon Credit Units (ACCU), they are paying a very small service fee to a company to run it and that will be very value positive for their land.”

“But next door, you might have a landholder who signed a bad contract with a carbon developer that is taking a lot of the landholders share of the profit.”

“My point is unless a property valuer dives into the complex legal commercial relationship between the landholder and the developer, they can’t compare two properties.”

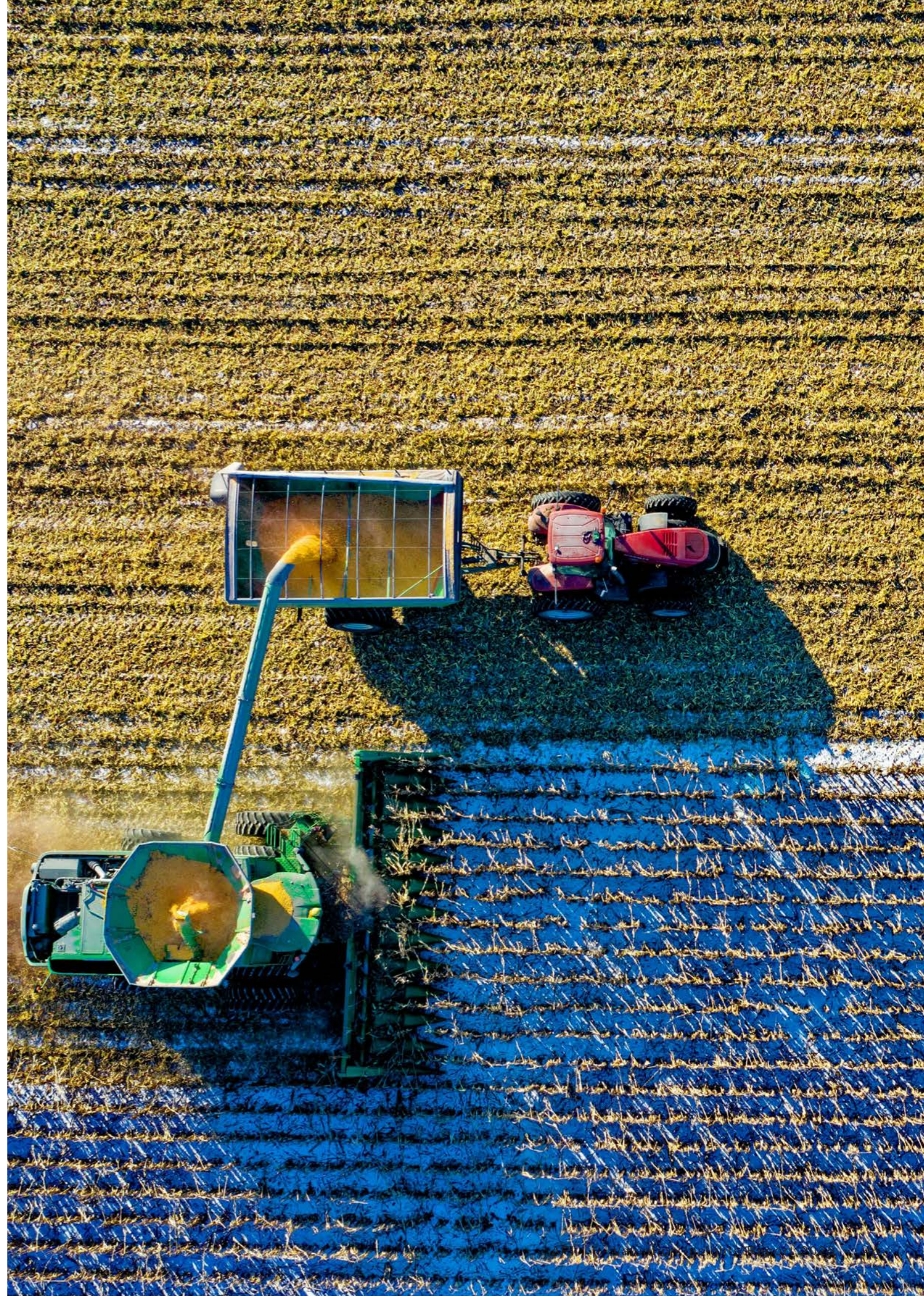
“These contracts are 50 to 100 pages long

and they are very technical, so my advice is you really need a third-party legal adviser to advise on the commercial aspects and realities of those agreements to work out whether they are value positive or value negative on the piece on land.”

Mr Egerton-Warburton said carbon farming was a good opportunity for farmers because landholders are receiving financial rewards for being good stewards of their land.

## CONCLUSIONS

- Emissions abatement schemes on agricultural land involve often complex legal agreements which must be understood when determining the value of a property.
- Carbon farming, biodiversity programs and the renewable energy rollout are creating new income streams for the agriculture sector which will impact farm values.
- Legislation requiring major corporates to report Scope 3 emissions in their supply chains will increase pressure on the agriculture sector to measure emissions from their farming operations.





## AI revolution powers Data Centre expansion

James Ruben, National Director of Specialised Assets at M3 Property, said the data centre sector is at the beginning of a major growth cycle of a magnitude that few appreciate.

This was being driven by the insatiable demand for data of new technologies such as Artificial Intelligence.

Mr Ruben cites IBM estimates that 90% of the world's data has been generated in the last two years, and that data generation is expected to increase exponentially every two years, as evidence of the growth to come. In line with this, the size of data centres is growing rapidly.

"Four or five years ago, a big data centre was storing four or five megawatts of power. Now you are not even in the game unless you are at 20MW plus," he said.

"A reasonable-sized data centre is 100-150MW."

## Data Centre growth to stretch nation's electricity sector

The realisation of the growth potential in the sector will in part depend on the capacity in Australia's national electricity grid to support it.

Mr Ruben said a major constraint on the placement of data centres was finding access to an area of the electricity grid that could accommodate such large power use.

But another constraint may be whether there is enough generation capacity to sustain it.

The National Energy Market is under pressure as the renewables rollout races to put new capacity in place ahead of the retirement of 90% of the NEM's 21GW in coal capacity power by 2034-35.

In its 2024 Integrated System Plan AEMO warned: "The possibility that replacement generation is not available when coal fired power stations retire is real and growing and a risk that must be avoided."

AEMO predicts 6GW of capacity will need to be added to the network every year to reach the 2034-35 replacement targets compared to the current rate of 3-4GW.

M3 Property research estimates growth in data centres is forecast to add at least 1.7Gigawatts of power demand to the national grid by 2029.

AEMO's 2024 Electricity Statement of Opportunities<sup>23</sup> also foreshadows an explosion in demand from data centres but predicts this will be more than offset by lower than previously forecast Electric Vehicle demand and lower business consumption.

## Competition for industrial land

M3 Property identifies a shortage of available land and high construction costs as key challenges for the development of the data centre sector.

"The primary challenge is finding suitable land for new developments with adequate access to power.

"There is a limited supply of appropriately zoned land within the major centres, with limited greenfield land being released by State Governments.

"The available land is also sought by developers looking to develop new logistics and distribution warehouses as well as new data centres.

**"The competition among developers for available land drives up land prices."**

M3 Property said one solution that was being examined was building data centres in regional areas with cheaper land close to renewable energy supplies.

It would have a further benefit of decentralising the network lowering the risk of exposure to natural disasters.

## CONCLUSIONS

- The Artificial Intelligence Revolution and the growth of e-commerce is driving an exponential expansion in demand for data centres.
- The renewable energy rollout will need to increase in pace to AEMO's target rate of 6GW of new capacity a year to ensure reliable electricity supply and underpin the expansion of the data centre industry in Australia.
- State and Local Government planning policies must ensure a reliable supply of industrial land to enable the expansion of the data centre industry.
- Government must address construction industry skills shortages to address labour supply.
- New technologies such as liquid cooled data centres could provide electricity consumption savings to reduce pressure on the NEM.
- Data Centres could provide a valuable source of new industry for regional areas.



CHAPTER TWO

# Commercial Property

## Net Zero looms as next challenge for the commercial office sector smashed by Covid

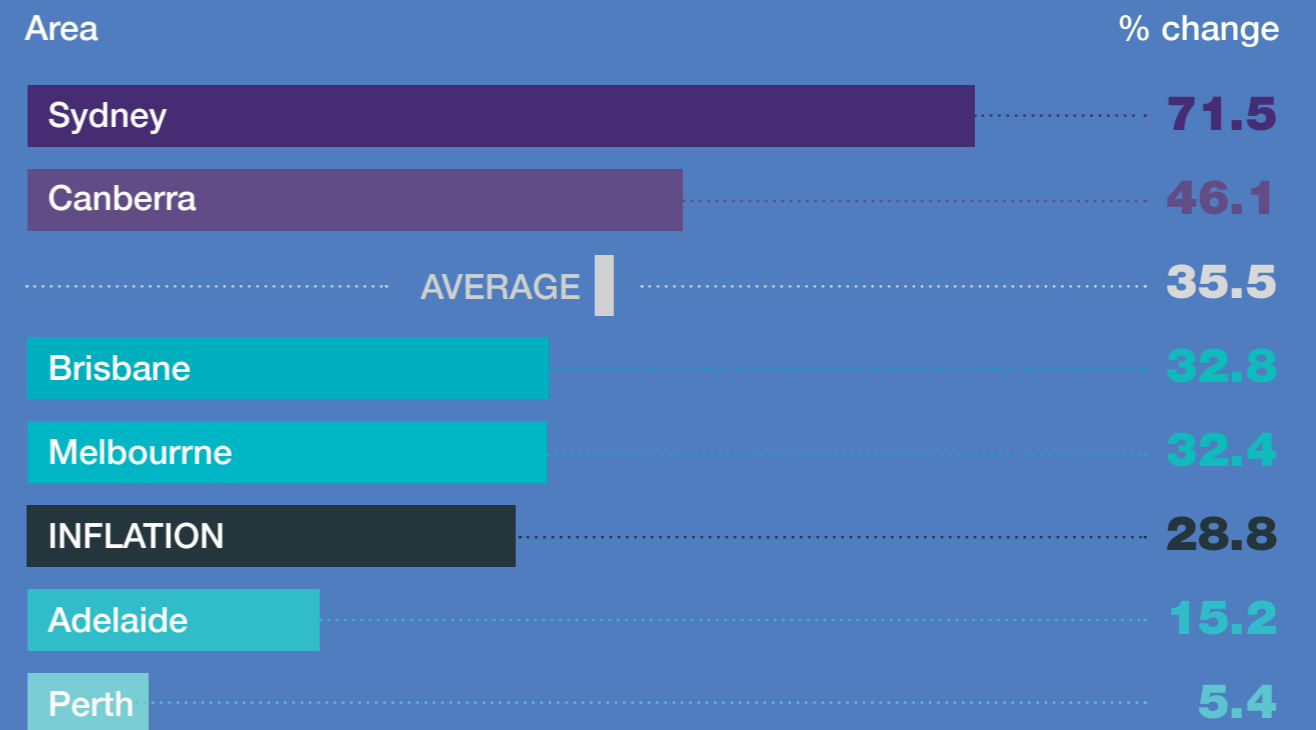
Australia’s commercial property owners face another challenging period of change as they seek to recover losses from the impact of Covid which slashed valuations in Sydney and Melbourne by more than 20%.

Net zero commitments by governments and

the nation’s largest companies will reshape how office buildings are constructed, powered, renovated, and leased at the same time as the sector is adjusting to the post-Covid work from home phenomenon which slashed office attendances and forced a re-rating of valuations.

Valuations initially held up as Covid lockdowns began and the RBA cut the cash rate to a historic low of 0.10% in November 2020. However, the RBA’s

Office Capital Values – A-Grade 2015-2024



Graph 52 Source: Colliers Edge



decision to increase interest rates in May 2022 precipitated a negative change in sentiment which began to manifest in the second half of 2022. Since the market peak in September 2022, Sydney premium office valuations have declined 22%.

Melbourne is the biggest loser with more than 1 million sqm of vacant space and valuations under pressure.

Meanwhile optimism is growing that Sydney's commercial office market has bottomed and will turn a corner in 2025.

Brisbane has emerged as the most robust market with the city's premium grade office valuations reaching a new peak in Q3 2024 as vacancy rates fell to 10.6%, their lowest level since Q1 2023<sup>73</sup>.

Despite the Covid disruption, Sydney has emerged as the market with the strongest returns over the past decade. A-Grade office values rose 71.5%, followed by Canberra on 46.1% and Brisbane on 32.8%.

Values in all cities except Brisbane remain significantly below their 2022 peaks as higher interest rates and lower occupancy rates driven by the Work from Home phenomenon have put landlords under pressure.

Work from home trends could continue to impact Australia's productivity which had fallen due to

skilled labour shortages. These constraints had led to more flexibility in employment conditions in favour of workers.

Robert Hecek, Managing Director, Valuecorp said office building sales froze in the wake of the widespread adoption of flexible and remote working during the pandemic and liquidity is only just beginning to return.

Mr Hecek also notes a changing of the guard as current owners sell out and new investors make a counter cyclical play and enter the market. For example, global investment manager DWS sold 120 Edward St Brisbane to Clarences for \$24 million less than they paid in 2017.

Swiss fund AFIAA sold 628 Bourke Street Melbourne for \$115.8 million to Bayley Stuart. The sale price was well below the \$185 million AFIAA paid for the building. The fund had also spent \$35 million refurbishing the building during its ownership.

### Long-term gains remain despite Covid losses

While the impact of Covid has impaired returns over 10 years, it has not wiped away gains accumulated in the past two decades where commercial property's longer-term performance is stronger.

Valuations rose steadily after 2011 when

the Reserve Bank of Australia began a prolonged period of monetary policy easing which saw the official cash rate reach a low

### Commercial Office Values 2005-2024

Rank	Area	% increase
1	Sydney	176.0
2	Perth	168.5
3	Melbourne	150.0
STATE AVERAGE		143.0
4	Brisbane	133.8
5	Adelaide	99.6
6	Canberra	67.2
INFLATION		66.8

Table 18 Source: Colliers Edge

of 1.5% in August 2016.

Growth in Sydney's property market outperformed other cities during this period. Its return of 176%, over two decades, was the second strongest of all property asset classes and topped Perth's 168.5% return and Melbourne's 150% return over the same period.

Only Canberra's commercial office market has failed to substantially outperform inflation over the period.

### Most recent correction is less severe than 90s bust

The most recent decline in commercial office valuations is less than one third of the size of the 1990s bust which saw valuations drop 60% from their peak in June 1989 to their

low in the cycle in June 1995.

The bust followed the 1980s boom which was driven by a speculative bubble sparked in part by the deregulation of the Australian banking system around the middle of the decade. This enabled the entry of foreign banks and created a surplus of capital.

The Reserve Bank of Australia and the Hawke-Keating Government moved to address the speculative rise in asset prices through interest rate rises and tighter fiscal policy through 1989 and 1990 resulting in the cash rate reaching a record 17.50% in January 1990.

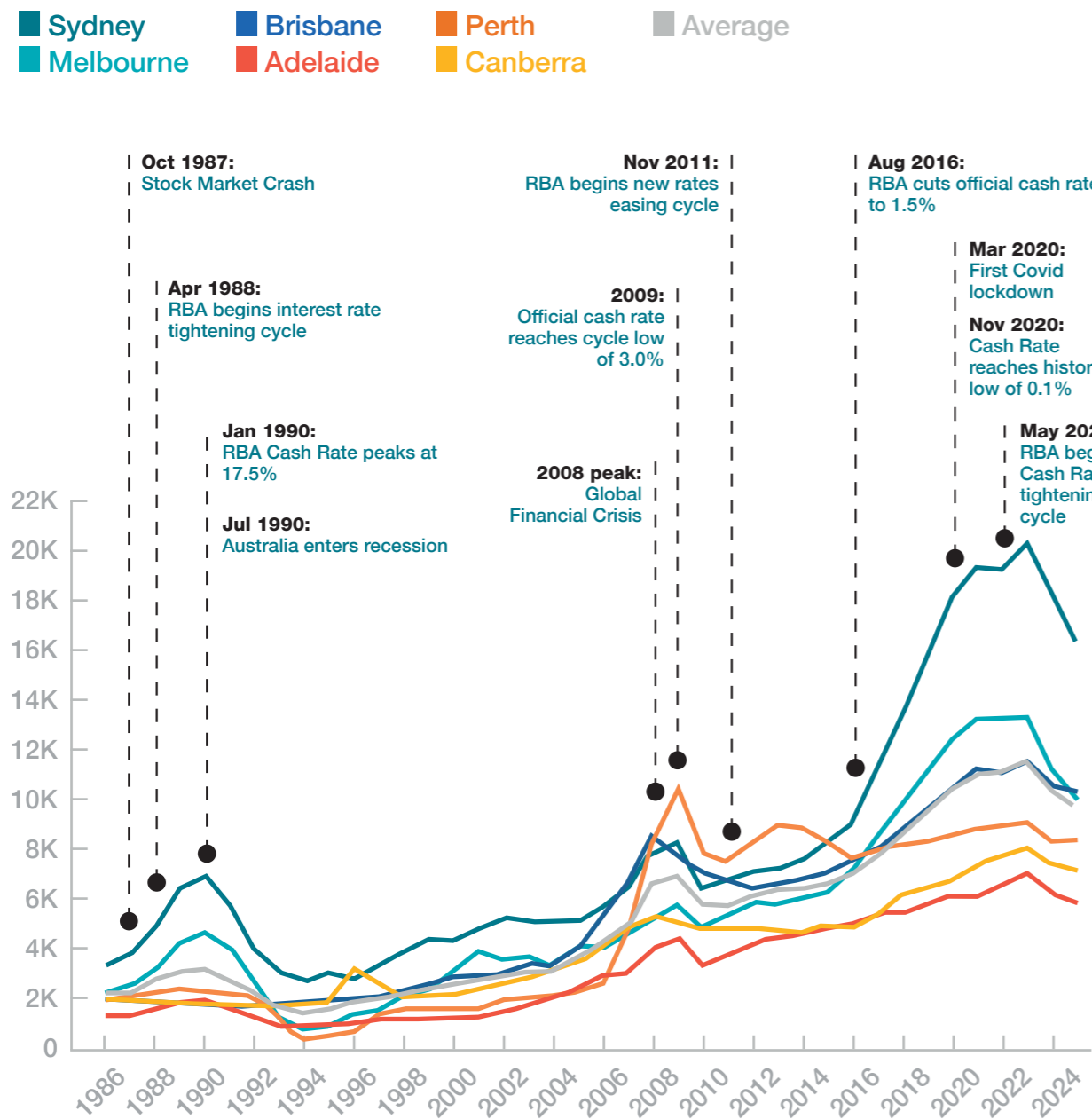
"The recession we had to have" followed in July 1990 and commercial property entered a slump which more than halved valuations.

Valuations reached their lows in Sydney and Melbourne in 1992 but took more than a decade to recover than most cities before rising strongly again as the nation rode the commodities boom in the mid-2000s, driven by the industrialisation of China.

Valuations again fell in 2008 as the Global Financial Crisis impacted the Australian economy before beginning a recovery in 2011 which lasted until the Covid correction.

## CBD Office Capital Values - A-Grade

Capital city averages (\$) per SQM



Graph 53 Source: Colliers Edge CBD Office Market Indicators

## Cause for optimism

Optimism is growing that Australia’s commercial property sector, with the exception of Melbourne, is entering an upswing.

The end of the sharpest interest rate rise cycle since the late 1980s and the commencement of a global interest rate cutting cycle should lower the cost of capital. Increased office attendance by employees and a shortage of new developments which will limit the addition of new space are also fuelling optimism.

David Harrison, Chief Executive of Charter Hall forecasts a recovery in valuations and growing demand in 2025, telling The Australian’s CEO survey that commercial property hit the trough in asset pricing in December:<sup>74</sup>

“New building supply is a significant challenge and will limit space creation versus population growth, which will be a tailwind for existing asset rent growth and values.”

The Chief Executive of Lendlease, Tony Lombardo, told the same survey that capital investor confidence was returning as other global markets commence their rate-cutting cycles:

“Our global office portfolio is currently 95% leased, evidence that high-quality and well-connected workplaces are in demand.

And now that the Victoria Cross Station is open in North Sydney, we’re seeing increased leasing momentum at our new

workplace precinct there.”

Internationally the interest rate cycle has turned with major central banks including the US Federal Reserve easing monetary policy. The RBA eased official interest rates by 0.25% in February.

Recent major sales in Sydney indicate that CBD property valuations may have bottomed, while the Brisbane and Canberra markets have shown renewed strength over the past 12 months.

Greg Preston OAM, Chair and Managing Director of Preston Rowe Paterson, in Sydney said transaction volumes in 2024 were “subdued” compared to previous years and institutions such as superannuation funds were awaiting lower interest rates, an easing of geopolitical tensions and the resetting of prices in the commercial market.

“There is so much money fence sitting at the moment, when it breaks out it is going to break out big time,” he said.

## Alternative uses

Mr Hecek said one of the development strategies that was being considered in cities around the world to address the

decline in commercial office occupancy was repurposing vacant buildings into housing spaces or liquid cooling data centres.

Liquid Cooling (LIC) allows for a small footprint than those used for traditional air-cooled data centres, that are often developed on green and brownfield sites. This means 100sqm of an office floorplate could potentially house up to 1.5 megawatts of capacity whereas a traditional 1.5-megawatt data centre would require approximately 1000sqm of space.

However, plans to convert office buildings into housing space have been more problematic. A plan to convert Melbourne CBD offices into residential apartments to unlock up to 12,000 homes was found not to be feasible for some buildings.

In September 2024 Housing Minister Harriet Shing said retrofitting some buildings was not possible. “We know it would cost billions of dollars to upgrade and retrofit those tower sites,” she said.

Mr Hecek has said office buildings close to the Sydney foreshore, for example, which have water views, might be suitable for conversion to homes: “The cost will be high, but it will still be possible to get a good return on those units.

“But if you get away from the harbour and the views and you locate them in the city fringes and all you have got is buildings around you, obviously your return on those units may not be sufficient or profitable.”

“Some office buildings are structurally very

difficult to convert and some of them do not have enough flair, location or appeal and they just won't work.”

## Post Covid workplace reshapes office

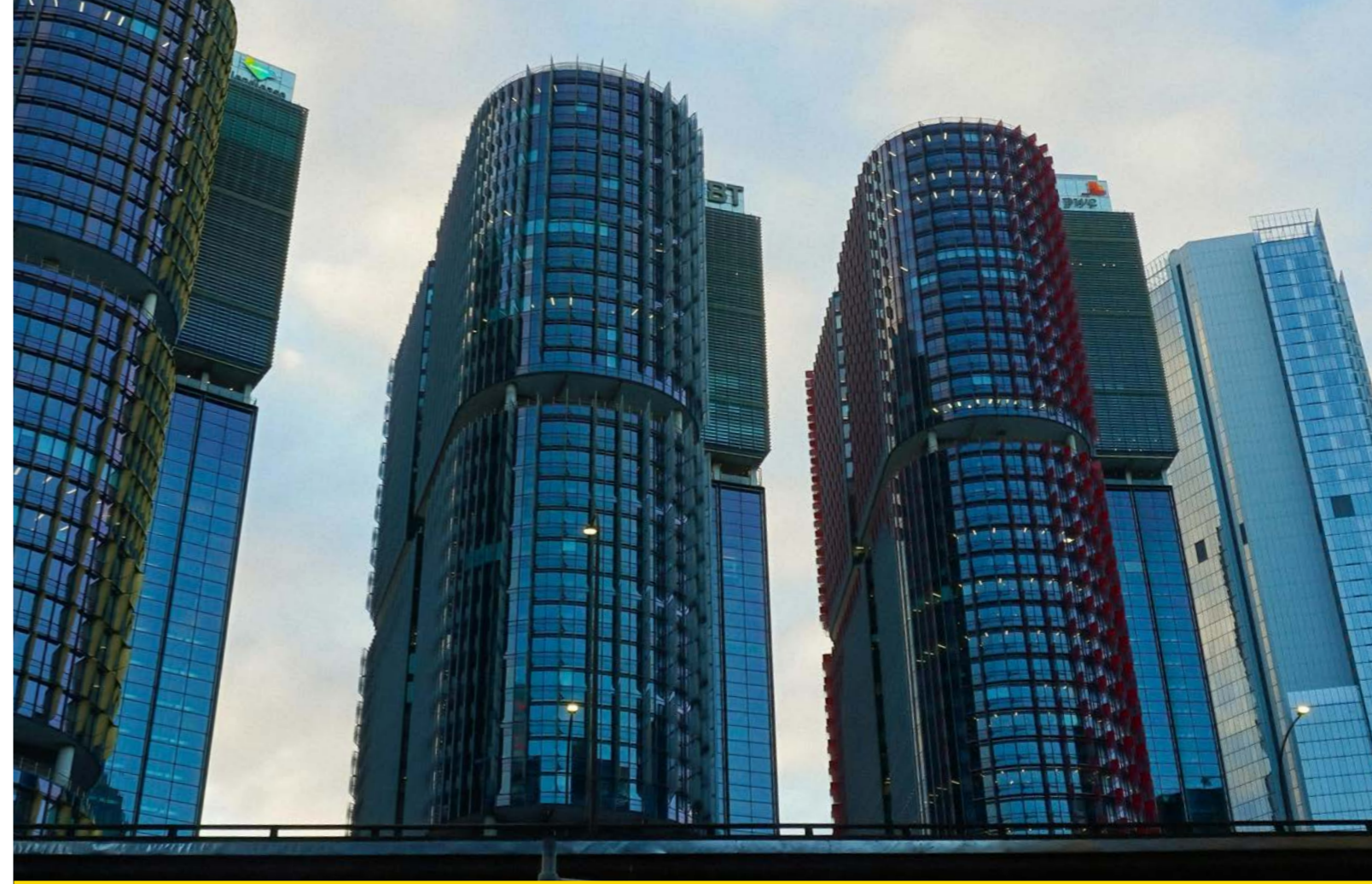
Work from home rates remain elevated in the wake of the Covid lockdowns but workers are returning to the office in Sydney, while Melbourne remains more challenging.

In August 2024, the Australian Bureau of Statistics reported 36.3% of workers usually worked from home in jobs or business. This was a decline from 37.4% in August 2023 and August 2021 when 40.5% were working from home.

Mr Hecek, who is also Executive President of the World Association of Valuation Organisations, said Covid and the work from home phenomenon would have lasting repercussions for the commercial property sector:

“The workplace has changed forever. It is never going to be the same.”

However, both government and corporate leaders have attempted to increase office attendances to revive major city CBDs. In August 2024 the NSW Premier's Department ordered public servants to work primarily from the office. Flight Centre and Dell have ordered their staff back to the office and in September 2024 Amazon announced staff



would be required to work from the office five days a week from January 2025.

In the meantime, investors and landlords are coming to terms with a new normal post-Covid as hybrid work reshapes the modern office.

Joanne Henderson, Colliers National Director, Research said the pandemic period had shifted the relationship between workforce growth and net absorption rates. Prior to the Global Financial Crisis in 2008, net absorption to changes in employment was 90%. After the GFC this figure had fallen to about 80% and Covid had further reduced it to 70%.

Ms Henderson believes that the big question for commercial office space is how the office meets the needs of a flexible workforce: “How does the office cater for occupier trends, and what are the occupier trends moving forward?”

She said flexibility is essential in the post-

Covid office: “Being able to move furniture, being able to shift things around because their workforce could change. Because a team that works two days a week may suddenly need to be in the office five days a week.”

## Flexible working

Landlords, grappling with high vacancy rates, are increasingly embracing flexible working operators as they move to soak up space on empty floors.

Late in 2024, Lendlease signed up Asia-Pacific flexible workspace provider The Great Room for over 2356sqm at One O'Connell Street, Sydney<sup>75</sup>.

In Melbourne, CreativeCubes and Waterman Workspaces have launched expansion programs this year and US real estate giant Pembroke will launch a flexible office hub, of approximately 3000sqm, in Melbourne's

historic T&G building on Collins Street. CreativeCubes, one of Melbourne’s largest co-working operators, opened a hub in East Melbourne in August 2024 and has achieved 60% occupancy.

It last year acquired five Victorian sites from Workspace365 and plans to open four more hubs this year including its first in Sydney and two in Adelaide.

Waterman Workspaces is on track to grow to 30,000sqm of leased space. It has several hubs within major shopping centre precincts, including at Chadstone, the country’s largest mall.

## Flight to Green buildings looms

Looking ahead, the flight of tenants to 5.5 Star NABERS rated buildings with Environmental, Social and Governance (ESG)-aligned features such as electrified heating, renewable energy and fast charging stations, will be increasingly influential.

This opens a potential early mover advantage for landlords that embrace ESG credentials through measures such as electrifying their buildings’ air-conditioning and hot water systems, powering them with renewable energy and providing electric car fast-charging stations in their car park.

## Valuers will help quantify ESG changes

Valuers will play a key role in quantifying

the impact of the changing preferences and will be a key source of advice and guidance in identifying new trends alongside the directions in the International Valuation Standards directing valuers to more explicitly examine ESG considerations in the valuation process.

ESG considerations have been included in the International Valuation Standards Council (IVSC) standards for 2025 which took effect in January and adopted by the Australian Property Institute.

Donald Johnson of Marsh Valuations observes that ESG considerations are becoming an increasingly material component of valuation:

“Two buildings may be identical in terms of storeys, age, floor area, and parking, yet the one with enhanced ESG credentials—such as integrated recycling systems, EV charging stations, and electrified heating—is likely to command a valuation premium.”

“ESG factors will influence rates, yields, and rents, and valuers will be required to reflect and substantiate these impacts within their valuations.”



## Government mandates green leasing

The Net Zero in Government Operations Strategy<sup>76</sup> requires that all new leases and renewals over 1000sqm by the Commonwealth must be in a building with a minimum NABERS Energy rating of 5.5 Stars from July 2025. For example, The Australian Taxation Office, which is seeking 22,000sqm of space in the Melbourne CBD has specified a 5.5 Star NABERS rating for an existing building and a 6 Star rating for a new development.

New Commonwealth laws requiring companies to disclose their greenhouse gas emissions came into effect from 1 January 2025. Large Australian businesses will be required to annually report their Scope 1 emissions, which are directly caused by the company, and Scope 2 emissions which are indirectly caused by using electricity. From 2026 companies will be required to report on Scope 3 emissions, those associated with their supply chains or their financing and investment spending. This will enhance the transparency and increase the importance of emissions in property and demand for electrification and renewables. A secondary part of this same standard is the reporting on climate-related risks and opportunities, which will highlight future climate risk exposure and the financial implications this may have on business operations.

Martin Elliott, Partner Knight Frank Australia, said the market had yet to contemplate the amount of change required to achieve electrification across the built environment which will present a major change to existing buildings.



Source: <https://thepolicymaker.jmi.org.au/net-zero-cities-what-australia-can-learn-from-international-success-stories/>

## Strong net zero momentum

Irrespective of the outcome of the Federal Election and moves by President Donald Trump to wind back United States climate laws, many Australian Valuers believe the momentum of the net zero movement will remain compelling for property owners.

It is estimated that the property sector overall contributes 40% of energy emissions globally with

70% of emissions coming from building operations and 30% coming from the construction process<sup>77</sup>.

Ms Henderson said this means ESG and climate considerations will become increasingly influential given most large Australian corporates have their own net zero targets and obligations to publicly disclose their progress.

Just as changing demands from tenants in the post-Covid environment are already

reshaping the office's role in corporate life, net zero demands are driving fundamental changes in how office buildings are constructed and will influence major fit outs over the rest of the decade.

## The Net Zero opportunity

Demand for zero emissions Office spaces could reach a crescendo in the second half of this decade with the number of lease expiries peaking in Sydney and Melbourne in 2028. Almost three quarters of businesses that occupy more than 5000sqm of space in the Sydney CBD have net zero targets while in Melbourne that figure is two thirds<sup>78</sup>.

Tenants that have net zero carbon targets occupy 1.086 million sqm, 20% of the total CBD market in Sydney, while 863,300sqm, or 16% of the total CBD market is occupied by tenants with net zero targets in Melbourne.

Tyrone Hodge, Global Head of Risk Advisory at JLL expects that tenants with net zero commitments will use lease renewals to push landlords to upgrade the green credentials of their buildings or look to move to new premises that have the highest green ratings.

He said companies would be further incentivised by new International Valuation Standards (IVS) that came into effect from 31 January 2025 which are also likely to prompt many Australian companies to increase their sustainability and risk reporting.

In a paper, *The Early Mover Advantage*, JLL Research indicates that tenants with

science-based targets will have the greatest need to act due to the inclusion of scope 3 in their emission target/reporting<sup>79</sup>.

Tenants with net zero commitments occupy 490,600sqm in Sydney and 294,600sqm in Melbourne in buildings that are less than NABERS 5.5 star rated or unrated. These tenants would be the most likely to relocate.

## Supply shortages

However, there is a shortage of net zero supply. Nationally, only 28.4% of buildings have a NABERS rating of 5.5 stars or more – the standard set by the federal government for new leases<sup>80</sup>.

JLL said there were very few highly energy efficient and fully electric buildings either under construction or in the pipeline in either Sydney or Melbourne.

In Sydney, these include the Bay Centre at Pyrmont (Mirvac), Victoria Cross, North Sydney (Lendlease), which was completed last year, and the Atlassian Centre (Atlassian and Dexu) which is under construction.

In March 2024, Cromwell Property Group completed a 'Sydney first' electrification of the 24-storey 25,000sqm McKell Building in Haymarket, replacing the outdated gas-fired heating system with an electric heat-

recovery, reverse-cycle, heating, ventilation and air conditioning (HVAC) system.

In Melbourne only 10 of the high-quality buildings in the CBD that can accommodate a 5000sqm tenant requirement have a top-tier Green Star sustainability rating of 5.5 or 6 stars.

In 2024, the iconic 78,600sqm 101 Collins Street became one of Melbourne's first legacy buildings of its size to transition to 100% electric power which increases the building's sustainability and reduces its carbon footprint.

The building also boosted tenant welfare with recent upgrades including an end of trip facility, a wellness centre and wellbeing support initiatives for tenants. In 2023, 101 Collins St introduced a redesigned ground floor plane featuring sanctuary gardens and strategically placed art, sculpture and installations.

**Brisbane also has two net zero projects, 80 Ann Street (Mirvac), completed in FY22 and Brisbane Waterfront (Dexus) which is under construction.**

Donald Johnson of Marsh notes that demand for ESG credentials is rising among Perth tenants, with many properties being retrofitted to align with ESG performance expectations.

“Tenants increasingly expect buildings they occupy to demonstrate ESG credentials—whether through the use of sustainable materials in fitouts, on-site solar energy generation, or the availability of fast-charging infrastructure for electric vehicles.”

Mr Hodge also said that the demand for net zero credentials in CBD offices presented a major opportunity for early moving landlords.

### First mover advantage

JLL's *The Early Mover Advantage* argued that the lack of existing stock able to meet net zero requirements offered a first or early mover advantage to landlords.

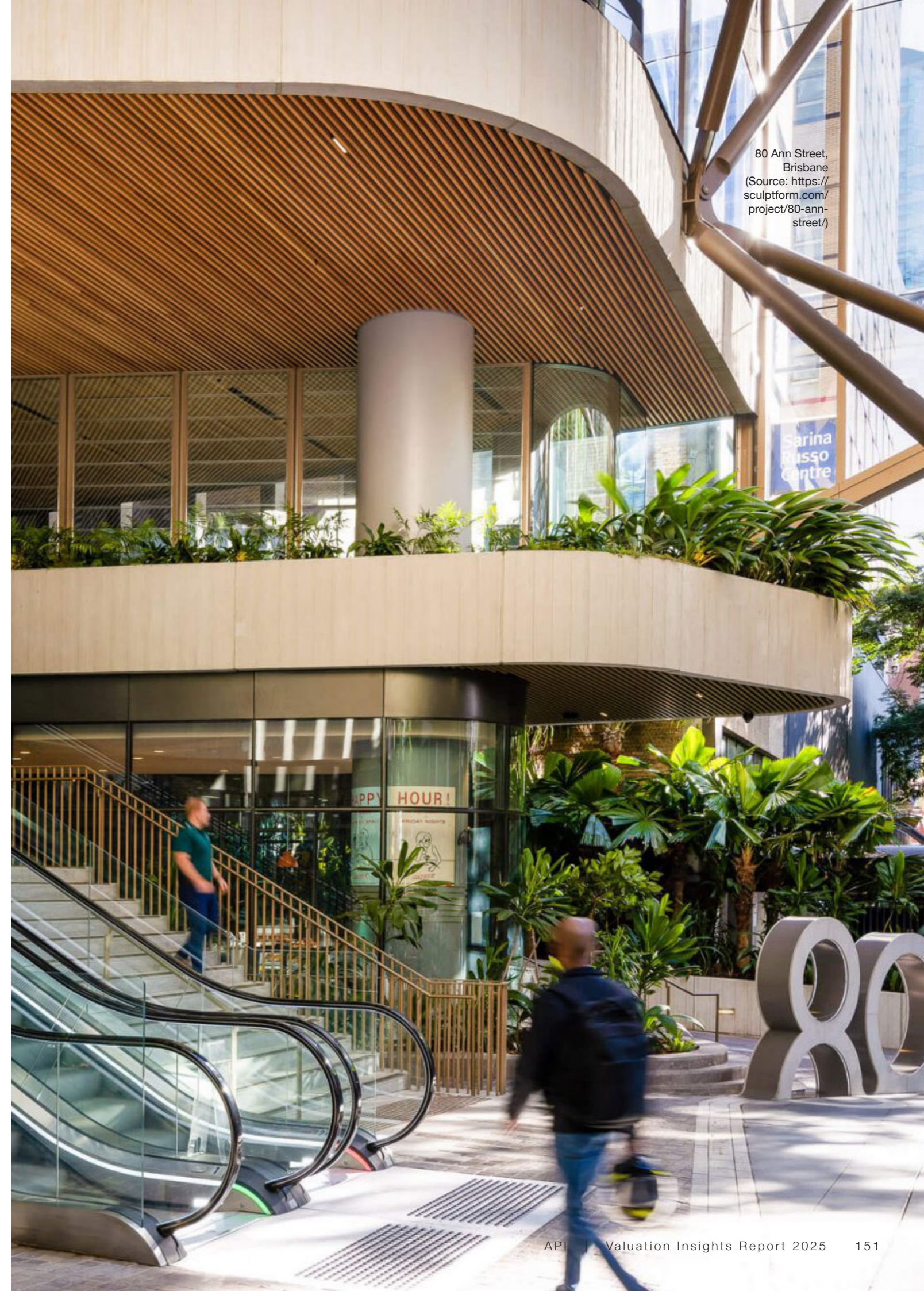
CBD assets with NABERS 5.5 star ratings or above were already enjoying 10% higher net face rents, 39 basis point sharper yields and had a 2.7% lower vacancy rate compared with the rest of the market.

Mr Hodge cites evidence in Europe that buildings that were on a path to net zero were commanding a premium over those that were not:

“If you have a building that is not on the pathway to a net zero position in Europe at the moment, versus a building that is, that has been upgraded, then the market will look to pay more for the building that is green as opposed to the building that is brown.”

Mr Hodge said there was significant downside risk for the brown building which would become more pronounced over time.

80 Ann Street,  
Brisbane  
(Source: <https://sculptform.com/project/80-ann-street/>)



“As a building becomes more redundant, the market will discount them harder because of the risk of finding it harder to get tenants, not understanding what the cost to upgrade the building is, and interest rate variances.”

Mr Hodge also refers to an analysis of lease expiry periods by JLL research which finds that 2028 and 2030 will be peak periods of occupier churn:

“These years correspond to significant demand for zero carbon ready premises, indicating that sustainability considerations will be a top priority for tenants when making leasing decisions.”

Ms Henderson said companies that have

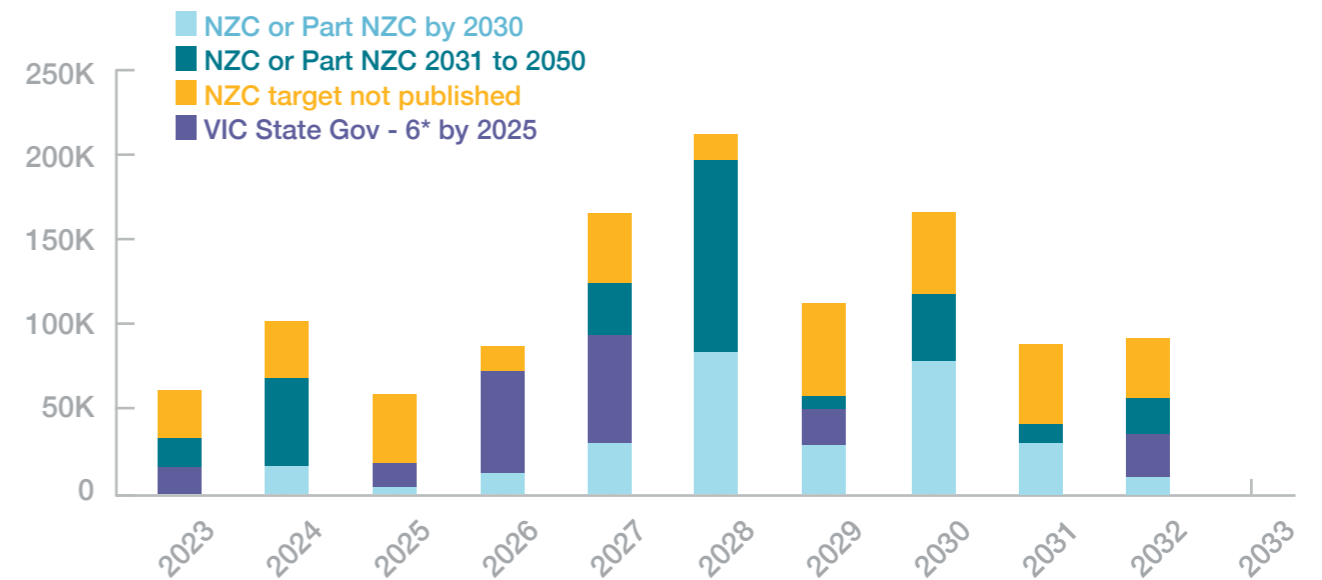
their own net zero targets are pushing owners to have targets on their buildings.

### Emissions reductions drive new ways of building

With almost one third of emissions coming from building construction some developers are opting to adapt existing offices rather than embark on new builds to retain embedded carbon. Others are adopting initiatives to avoid construction being sent to landfill.

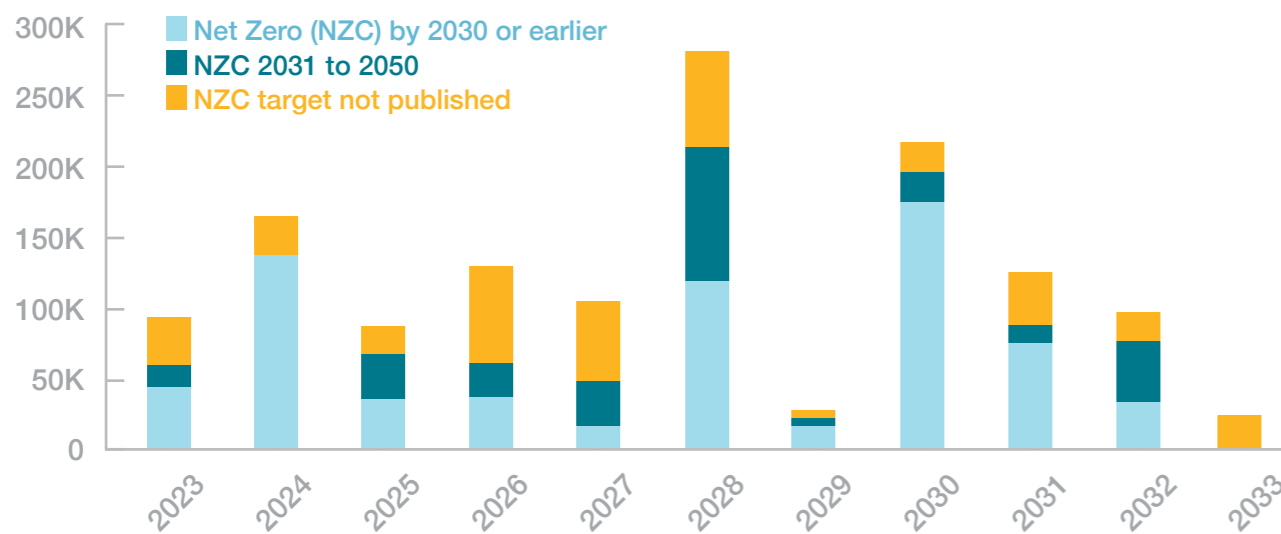
JLL’s The Early Mover Advantage report said owners of assets from the 1980s and 1990s and 2000s with aging building systems

Melbourne CBD office tenants (>5,000 sqm) by lease expiry year



Graph 55 Source: JLL Research and Leasing

Sydney CBD office tenants (>5,000 sqm) by lease expiry year



Graph 54 Source: JLL Research and Leasing

offer the greatest opportunity for upgrade and should be encouraged to adopt a fully electric strategy. For example, at the DWPF-owned Quay Quarter Tower in Sydney, 65% of the original structure (beams, columns, and slabs) and 95% of the original core were retained, resulting in an embodied carbon saving of 12,000 tonnes.

Building giant Dexus has deployed circular economy principles in its \$2.5 billion Waterfront Brisbane project which will divert up to 97% of construction and demolition waste from landfill and cut carbon emissions from construction. It is aiming to achieve a ‘6- star Green Star - Design & As Built’, 5.5 Star NABERS Energy, 4.5 Star NABERS Water, 4 Star NABERS Waste rating, WELL Platinum certification and Climate Active

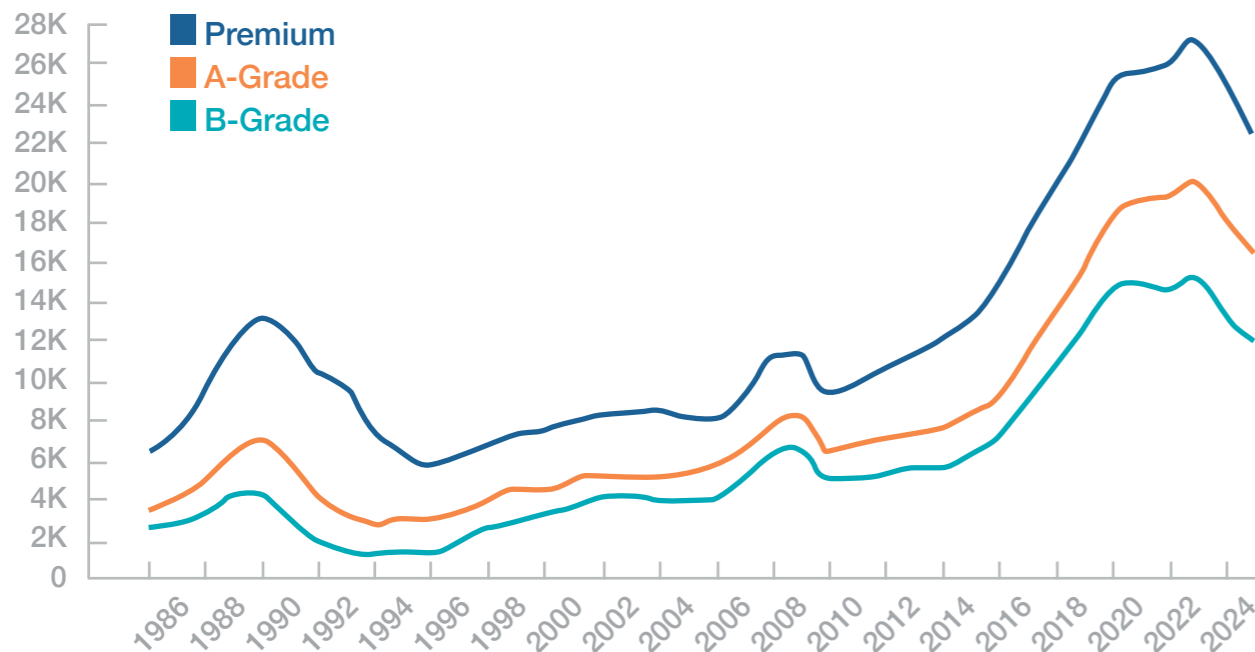
Neutral building. By the time construction is complete, 25,000 tonnes of material will be removed from site. This will equate to about 316 tonnes of carbon emissions being avoided or the equivalent of 15,987 trees being planted.

# Sydney

## Hopes rise that market may be set for rebound

### CBD Office Capital Values Sydney

Core - Midtown - Southern - Western Sydney combined averages (\$ per SQM)



Graph 56 Source: Colliers Edge

Double-digit valuation declines continued in the Sydney CBD in the 12 months to September 2024, yields continued to rise, and average net effective rents fell in the Premium Grade and A-Grade sectors.

The average valuation of Sydney CBD Premium Grade space has fallen 22% from its peak while the average for A-Grade is 23.2% and B-Grade is down 25% from its peak.

Valuations for Premium Grade are now back to their levels of June 2018.

Colliers Edge research indicates Premium Grade office space in the Sydney CBD core precinct declined 11.4% in the 12 months to September 2024 and are now 16.2% below the market peak in September 2022.

The CBD's western precinct suffered the

### Sydney CBD

Area	Valuation \$sqm	YoY change (Sept 24)	Change from 2022 market peak	YoY change in net effective rent	YoY bp change
<b>Premium Grade</b>					
Core	\$26,636	-11.4%	- 16.2%	1.8%	75
Midtown	\$21,493	-10.7%	- 22.4%	0.2%	91
Western	\$16,995	- 18.0%	- 29.2%	-10.7%	125
<b>AVERAGE</b>	<b>\$21,708</b>	<b>- 13.0%</b>	<b>- 22.0%</b>	<b>-2.0%</b>	<b>86</b>
<b>A-Grade</b>					
Core	\$19,336	- 9.7%	- 19.9%	3.2%	95
Midtown	\$16,114	- 14.3%	- 24.9%	-1.9%	113
Southern	\$12,332	- 14.5%	- 27.1%	-4.7%	113
Western	\$14,967	- 12.8%	- 23.7%	-1.4%	110
<b>AVERAGE</b>	<b>\$15,687</b>	<b>- 12.6%</b>	<b>- 23.2%</b>	<b>-3.6%</b>	<b>104</b>
<b>B-Grade</b>					
Core	\$14,467	-12.8%	- 22.4%	-0.6%	100
Midtown	\$9604	-11.3%	- 26.7%	6.0%	100
Southern	\$10,721	-10.7%	- 25.3%	0.6%	97
Western	\$11,353	-11.7%	- 28%	-0.4%	110
<b>AVERAGE</b>	<b>\$11,536</b>	<b>-11.7%</b>	<b>- 25%</b>	<b>1.0%</b>	<b>101</b>

Table 19 Source: Colliers Edge Database Q3 2024

biggest year-on-year fall of 18% in the Premium Grade segment. A-Grade office space in the Sydney CBD core precinct, down 9.7%, fell the least in the past 12 months.

### Signs of a rebound

Recent transactions suggest valuations are adjusting and aligning with market expectations and senior property executives such as Charter Hall Chief Executive David Harrison believe the market reached its nadir in December and will now begin its recovery. Recent transactions have revealed renewed

interest in the Sydney commercial property market as new investors seek value and existing investors seek to recycle capital into other assets.

US Investment giant BGO acquired 10-20 Bond Street for \$580 million, a 16.8% discount on the peak value of \$697.2 million recorded in June 2022.

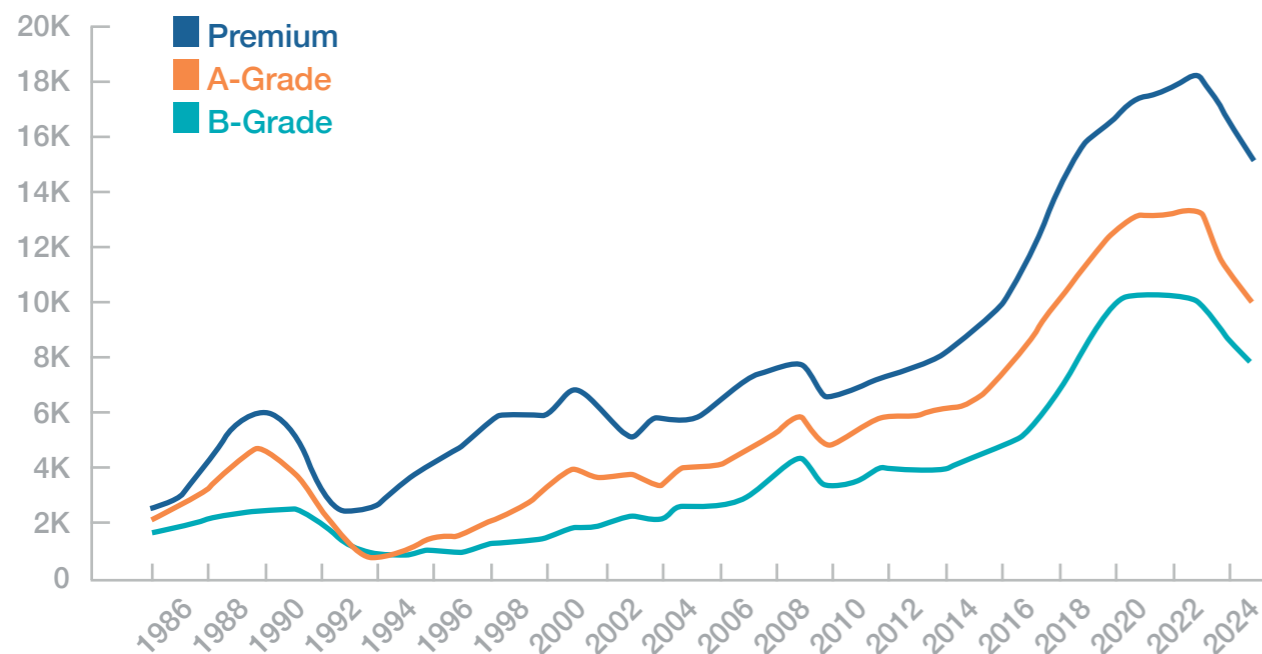
Dexus sold 100-130 Harris Street, Pyrmont for \$229.3 million, a 35% discount to the peak value of \$358 million two years ago, and below the \$327 million Dexus paid to acquire the property seven years ago.

# Melbourne

Doldrums continue as vacancy rates and taxes weigh on market

## CBD Office Capital Values Melbourne

Melbourne combined averages (\$) per SQM



Graph 57 Source: Colliers Edge

Low occupancy rates and the addition of half a million square metres of additional CBD office space pushed vacancy rates to 19.8% at the end of Q3, 2024.

Office market sales are testing two-decade lows in Melbourne. According to Colliers Edge data, there has been a year-on-year decline of 6.5% in average net effective rents, while average indicative yields rose

102 points to 9.77%.

Victoria's commercial property sector is also dealing with the imposition of a new land tax regime.

The CIPT will impose a levy of 1% of the unimproved property valuation of a commercial or industrial asset that is payable in addition to land tax. The CIPT

### Melbourne CBD

Area	Valuation \$sqm	YoY change (Sept 24)	Change from 2022 market peak	YoY change in net effective rent	Yield YoY change
Premium	\$14,958	- 11.3%	- 18.3%	- 2.5%	92
A-Grade	\$9,639	- 13.2%	- 28.3%	- 8.5%	106
B-Grade	\$7,493	- 12.7%	- 28.3%	- 10.9%	107
<b>AVERAGE</b>	<b>\$10,679</b>	<b>- 12.2%</b>	<b>- 23.6%</b>	<b>- 6.5%</b>	<b>102</b>

Table 20 Colliers Edge

replaces transfer duties over a 10-year transition period.

Greg Preston OAM said additional property taxes were weighing on the Victorian market. "Melbourne is not the flavour of the month globally," he said.

Many leases did not allow for the new costs to be recovered from tenants which had an impact on landlords' bottom lines and ultimately the valuation of the building.

All grades of Melbourne CBD commercial office space showed double digit declines in the 12 months to September 2024 and average valuations remain more than 23% below their March 2022 peak.

The Australian Unity Office Fund's (AOF) sale of 468 St Kilda Road in Melbourne in November was the latest indication the market had yet to recover.

The sale for \$41.75m was almost 50% below the peak valuation of \$83.2m in 2022 and only \$3.5m above its acquisition price of \$38.7 million 17 years ago.

### Green credentials shine through

JLL reported recently, six buildings in the CBD eastern core's Collins Street precinct have achieved effective rental growth driven by café and dining options, shared workspaces and top-tier sustainability<sup>81</sup>.

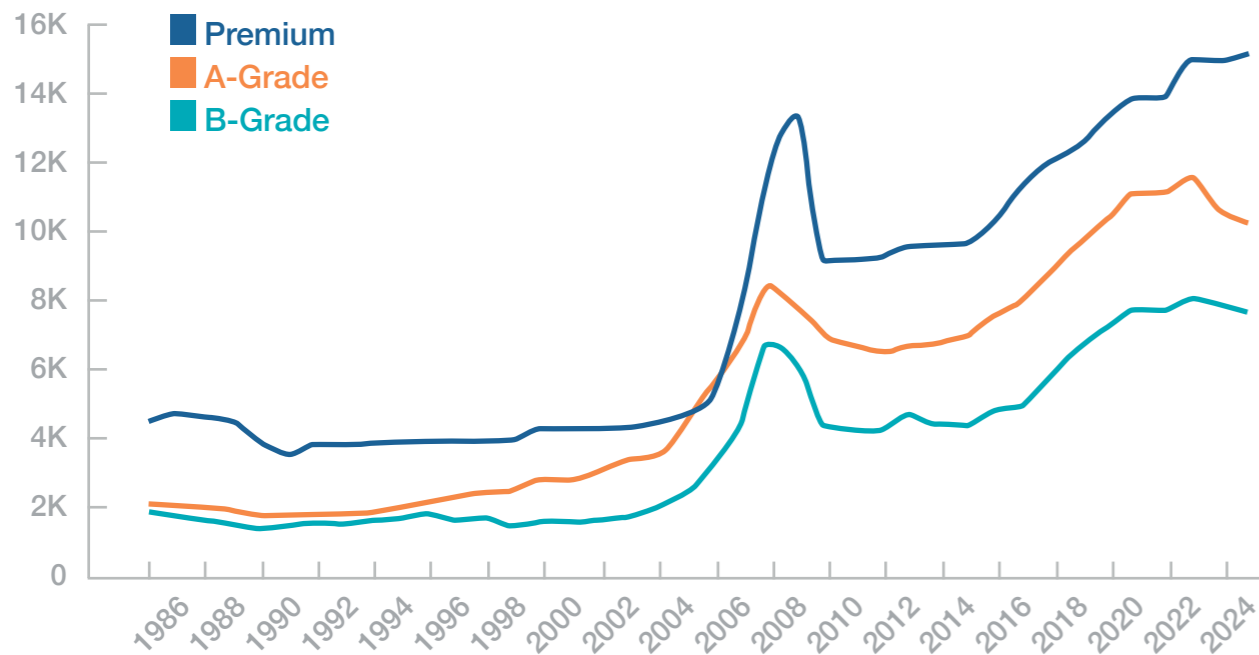
One is, 101 Collins Street, with a refurbished lobby, and full electrification with clients including Goldman Sachs, Lazard, and Rothchild. Another, 120 Collins Street has also been refurbished and has secured Corrs as a client while 55 Collins Street is also being upgraded and attracting leasing activity.

# Brisbane

## Brisbane reaches new peak on vacancy squeeze

### CBD Office Capital Values Brisbane

Brisbane combined averages (\$) per SQM



Graph 58 Source: Colliers Edge

Brisbane premium grade office valuations reached a new peak in Q3 2024 as vacancy rates fell to 10.6%, their lowest level since Q1 2023<sup>82</sup>.

Tenants continue to gravitate towards higher quality space with prime assets in both the CBD and near-city experiencing positive net absorption.

The low vacancy rates are putting upward pressure on rents with Premium Grade net effective rents rising 16.5% year on year in the September quarter.

### Brisbane CBD

Area	Valuation \$sqm	YoY change (Sept 24)	Change from 2022 market peak	YoY change in net effective rent	Yield YoY change
Premium	\$15,449	3.7%	At peak	16.5%	45
A-Grade	\$10,160	- 1.0%	- 12.1%	19.7%	70
B-Grade	\$7,526	- 2.3%	- 7.1%	17.6%	91
<b>AVERAGE</b>	<b>\$11,045</b>	<b>0.8%</b>	<b>- 5.5%</b>	<b>17.8%</b>	<b>68</b>

Table 21 Source: Colliers Edge

Looking ahead labour and capacity issues created by Queensland's extensive infrastructure pipeline will constrain future capacity to add additional volume.

However, investment in the 2032 Olympics will accelerate growth and underpin demand. This should lead to additional rent growth given the limited additional capacity being added to the market.

The sale came after Brookfield spent \$38 million in upgrades and regeneration works on the building and was 17% below peak valuation<sup>83</sup>.

Deutsche Asset Management also sold the 15,161sqm 120 Edward Street, Brisbane to Clarence Property Group for \$119 million at a yield of 8.1%. The sale price was \$27 million less than Deutsche Asset Management paid for the property in 2017.

Transaction volumes improved in 2024 vs 2023 but continue to be below the 10 year average and prices were at steep discounts to peak valuations.

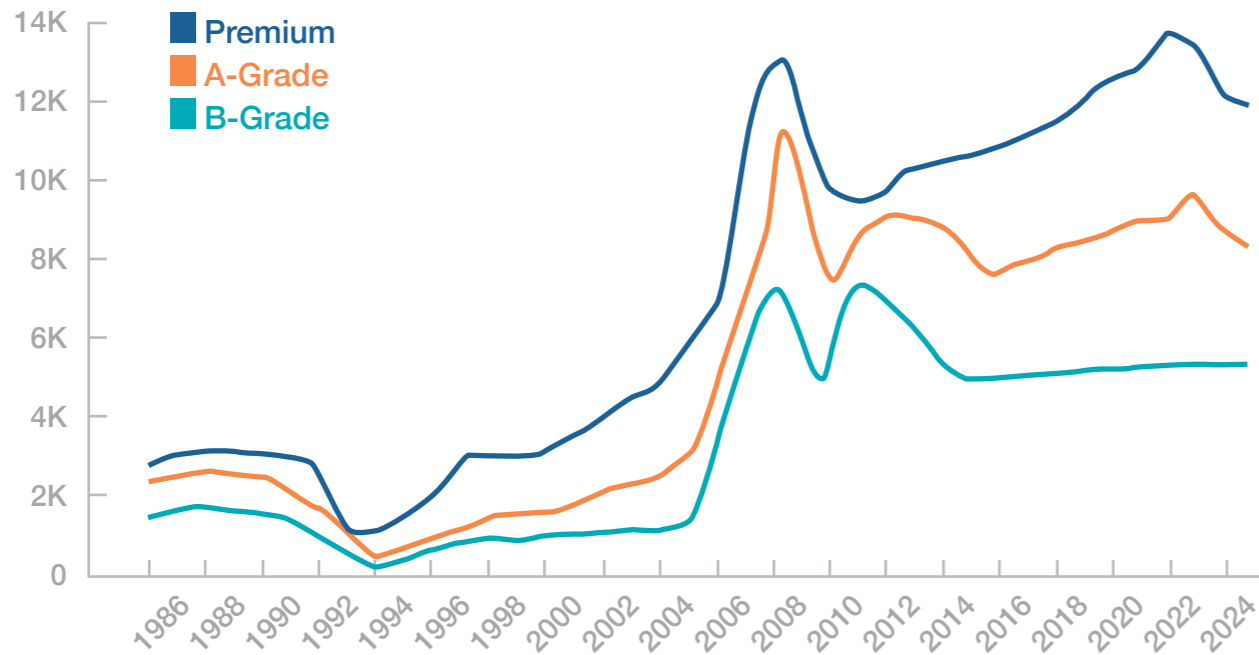
Recent transactions include the sale by Brookfield to Quintessential of the 27,633sqm 240 Queen Street, Brisbane for \$250 million at a yield of 7.5%.

# Perth

## Mining and population growth underpin market

### CBD Office Capital Values Perth

Perth combined averages (\$) per SQM



Graph 59 Source: Colliers Edge

Strength in the resources sector and strong population growth is supporting the Perth commercial property market with the combined vacancy rate sitting at 15.7% at the end of Q3 2024. There is a distinct flight to quality with the vacancy rate for Premium Grade assets at 9.8%, 14.9% for A-Grade and 20% for B-Grade assets<sup>84</sup>.

Donald Johnson of Marsh Valuations reports a strong and growing preference for ESG

credentials among prime tenants, prompting the proactive upgrading of building assets to meet evolving sustainability standards:

“Tenants are increasingly seeking ESG-aligned attributes in the buildings they lease—ranging from sustainable fit-out materials and solar energy integration to the presence of EV fast-charging stations in basement carparks.”

### Perth CBD

Area	Valuation \$sqm	YoY change (Sept 24)	Change from 2022 market peak	YoY change in net effective rent	Yield YoY change
Premium	\$11,964	- 7.7%	- 13.9%	2.7%	55
A-Grade	\$8,293	- 0.7%	- 13.7%	3.9%	18
B-Grade	\$5,550	- 2.4%	- 5%	1.6%	27
<b>AVERAGE</b>	<b>\$8,602</b>	<b>- 4.4%</b>	<b>- 11.2%</b>	<b>2.8%</b>	<b>33</b>

Table 22 Source: Colliers Edge

Meanwhile investment activity has been relatively subdued.

The \$75 million sale of 66 St Georges Terrace to Perth-based Oceania Group remains the biggest transaction of 2024.

The two other notable transactions in the Perth CBD in 2024 were the sale by Charter Hall of the 3590sqm 181 St Georges Terrace to Japanese company Yamamoto Realty for \$26.5 million and the sale by Stanley International College of the 4248sqm 10 William Street to a confidential buyer for \$21 million.



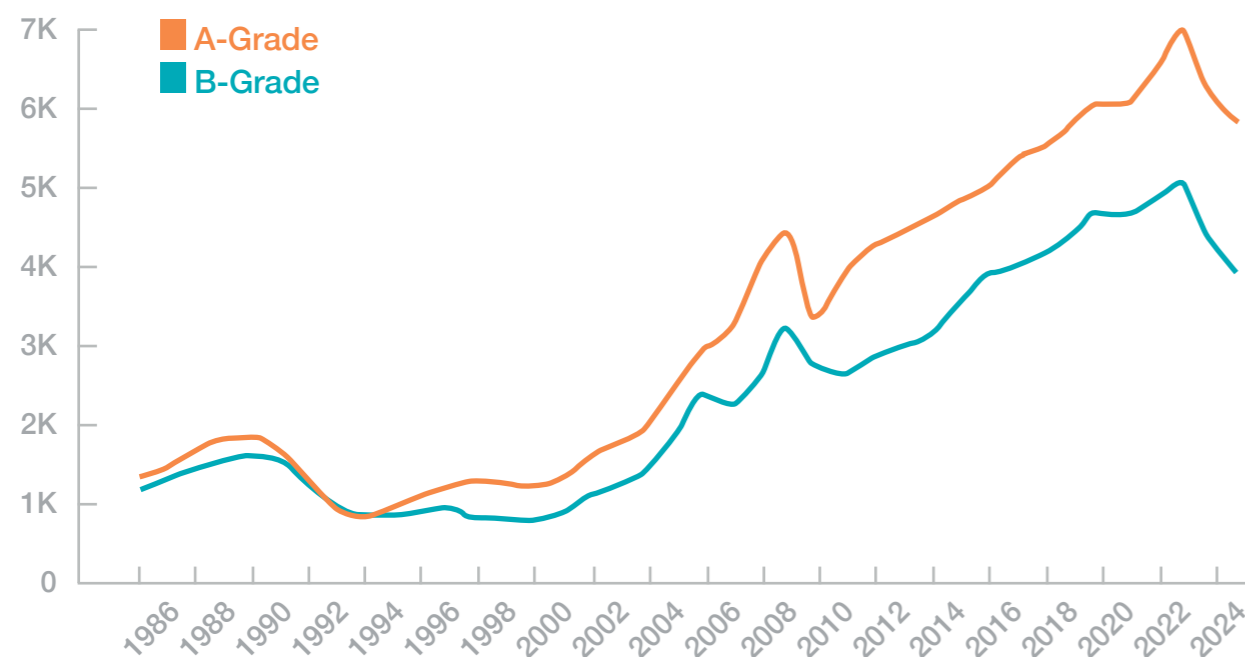
66 St Georges Terrace. Source: <https://www.realcommercial.com.au/>

# Adelaide

New supply continues to weigh on market

## CBD Office Capital Values Adelaide

Adelaide combined averages (\$) per SQM



Graph 60 Source: Colliers Edge

CBD vacancy rates fell 0.8 points in Q3 2024 to 18.8% with the prime vacancy rate falling 0.7 points to 16.3% and the secondary vacancy rate decreasing by 1 point to 15.3%<sup>85</sup>.

Occupier demand driven by centralisation and the expansion of public administration and financial services sectors are driving absorption, but the historic wave of new supply continues with 42,700sqm under construction and expected to be completed in Q3 2026.

Investment activity remains subdued with a gap remaining between vendor and buyer

## Adelaide CBD

Area	Valuation \$/sqm	YoY change (Sept 24)	Change from 2022 market peak	YoY change in net effective rent	Yield YoY change
A Geb 3*	\$9,145	1.0%	- 14.7%	2.5%	0
A-Grade	\$5,803	- 5.1%	- 19.0%	2.5%	68
B-Grade	\$3,895	- 8.0%	- 25.6%	- 2.3%	72
<b>AVERAGE</b>	<b>\$6,281</b>	<b>- 2.9%</b>	<b>- 14.7%</b>	<b>0.6%</b>	<b>58</b>

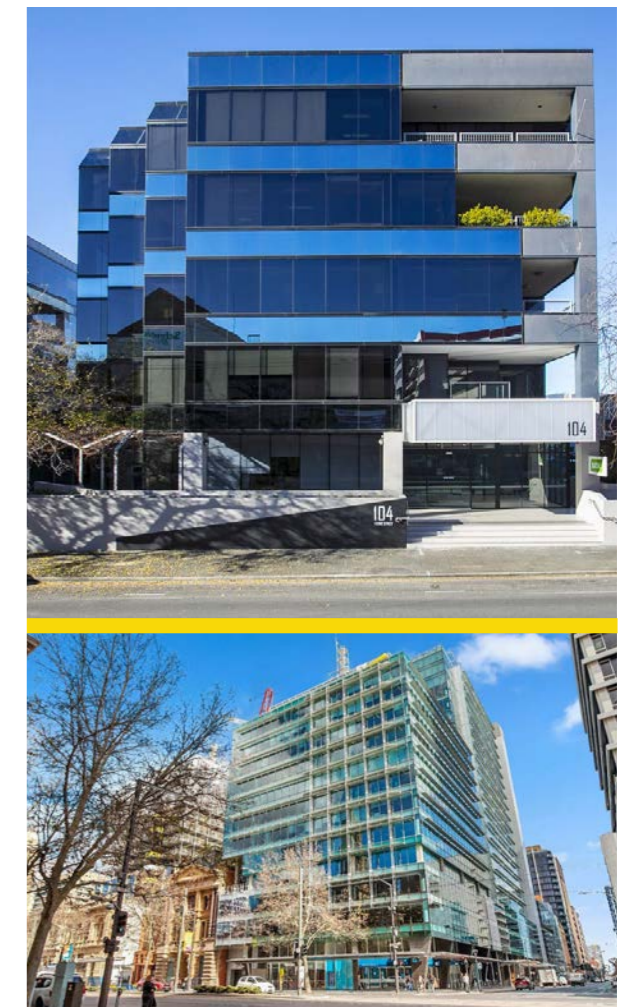
Table 23 Source: Colliers Edge

\*Category has only existed since Sep 2022

price expectations.

A local private syndicate acquired the 4387sqm 104 Frome St for \$14.2 million in May 2024, the biggest office transaction in Adelaide in more than 12 months.

Subsequently, Charter Hall sold 121 King William Street to a local private buyer for \$84.1 million, only \$1.85m more than it bought the building for in 2019.



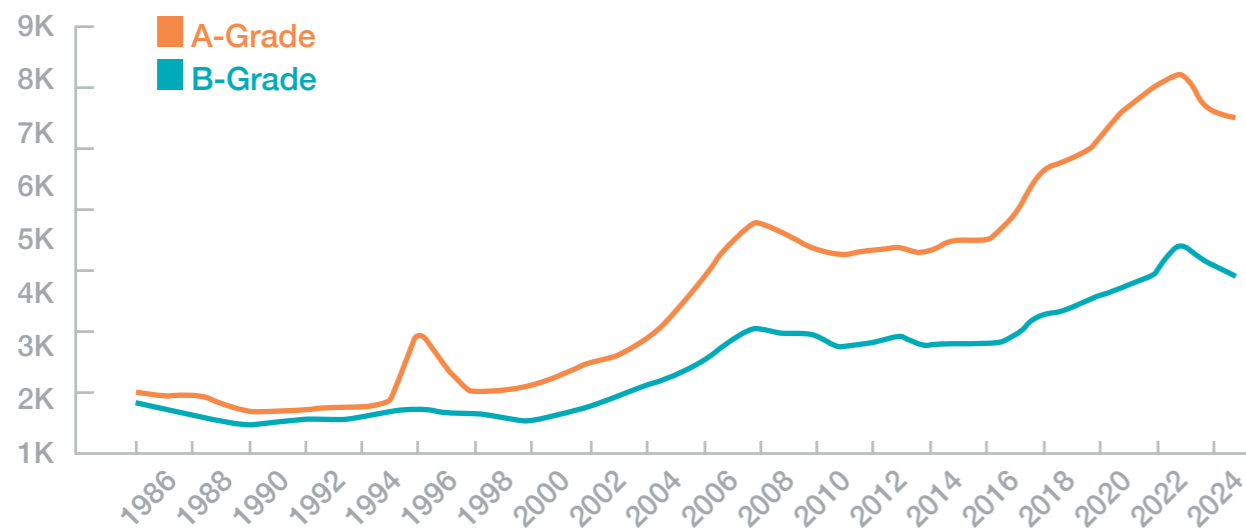
Top: 104 Frome Street Adelaide.  
Bottom: 121 King William Street Adelaide.  
Source: <https://www.realcommercial.com.au/>

# Canberra

## New supply to keep pressure on rents

### CBD Office Capital Values Canberra

Canberra combined averages (\$) per SQM



Graph 61 Source: Colliers Edge

Canberra has the nation's lowest vacancy rate and positive demand from larger tenants helped drive 24,900sqm of net absorption over Q3 2024 with both A-Grade and B-Grade net effective rents were up by more than 13%<sup>86</sup>.

However, seven projects are currently under construction with scheduled completion dates between 2024 and 2026 which will bring 126,025sqm of new space onto the market. Martin Elliott, Partner Knight Frank Australia, said the new projects had the potential to stem rental growth, however

incentive levels were expected to remain stable.

"The bigger issue will be the impact on older / secondary stock which is vacated as new supply is completed.

"High profile corporates and government appear willing to accept increased occupancy costs associated with higher quality accommodation, so new supply is probably at less risk than the dated accommodation which is being vacated and will require re-positioning in order to

### Canberra CBD

Area	Valuation \$sqm	YoY change (Sept 24)	Change from 2022 market peak	YoY change in net effective rent	Yield YoY change
A-Grade	\$7192	- 4.3%	- 13.2%	4.3%	53
B-Grade	\$4294	- 4.8%	- 13.5%	5.1%	62
<b>AVERAGE</b>	<b>\$5743</b>	<b>- 4.5%</b>	<b>- 12.9%</b>	<b>4.7%</b>	<b>N/A</b>

Table 24 Source: Colliers Edge

meet current market expectations," he said. Demand for office space will also be influenced by the *Net Zero in Government Operations Strategy* which requires that all new leases and renewals greater than 1000sqm by the Commonwealth Government must be in a building with a minimum NABERS energy rating of 5.5 stars from July 2025.

Major transactions in 2024 included the

6,592sqm 10 Moore Street sold by Centuria Property Funds for \$28.2 million to Strada Group at a yield of 8.2% and the 11,929sqm 12 Moore Street sold by Dexus to Marprop Real Estate investors for \$50 million at a yield of 8.7%.

The \$50 million sale price in February 2024 for 12 Moore Street came after the property was valued at \$61 million the previous June<sup>87</sup>.

## Commercial Property CONCLUSIONS

- Valuers will be at the forefront of measuring the ESG-driven changes to commercial office buildings such as electrification of hot water and air conditioning and will be a key source of advice and guidance.
- Governments need to address skills shortages in the construction industry ahead of a major round of commercial building renovations
- that will be driven by ESG considerations.
- New property taxes, particularly in Victoria, are deterring investors and undermining valuations of commercial properties with leases that do not allow for cost recovery of the new imposts from tenants.
- Plans to convert commercial office buildings into residential apartments will be limited by a lack of suitable buildings in desirable locations.

# Glossary

**Australian Bureau of Agricultural and Resource Economics (ABARES):**

A research branch of the Australian Government Department of Agriculture, Water and the Environment, located in Canberra, Australia.

**Australian Carbon Credit Units (ACCU):**

Tradable financial products that incentivise carbon abatement activities through projects ranging from reforestation to energy efficiency. One ACCU represents one tonne of carbon dioxide equivalent that would have otherwise been released into the atmosphere.

**Australian Energy Market Operator**

**(AEMO):** A national energy market operator and planner that manages Australia's electricity and gas systems and markets

**Clean Energy Council:** the peak industry body for the clean energy sector in Australia, representing and working with businesses across renewable energy, energy storage, and related technologies, with a focus on promoting the industry and advocating for policies that support a transition to a clean energy future.

**Clean Energy Regulator:** an independent statutory authority within the Australian Government, responsible for administering schemes that aim to reduce carbon emissions and increase the use of renewable energy.

**ESG:** Environmental, Social, and Governance, a framework used to assess a company's sustainability and ethical impact, encompassing environmental factors, social

impact, and corporate governance practices.

**Emissions Reduction Fund:** A voluntary scheme that incentivises businesses and individuals to reduce greenhouse gas emissions by providing incentives for projects that store or avoid emitting carbon dioxide, resulting in the creation of Australian Carbon Credit Units (ACCU) that can be sold.

**Industrial and Logistics (I&L):** The process of planning, implementing, and controlling the flow of resources and materials, from raw materials to finished goods, to meet customer needs, including transport, storage, and distribution.

**NABERS (National Australian Built Environment Rating System):** A

national rating system that measures the environmental performance of Australian buildings and tenancies.

**National Electricity Market (NEM):** An arrangement in Australia's electricity sector for the connection of the electricity transmission grids of the eastern and southern Australia states and territories to create a cross-state wholesale electricity market. Western Australia and the Northern Territory are not part of the NEM.

**Renewable Energy:** Includes solar, wind, biomass, hydro and hydrogen turbines.

**Renewable Energy Zones:** An area with high quality wind and solar resources where clusters of large-scale renewables projects can be developed using economies of scale.

**Reserve Bank of Australia (RBA):**

Australia's central bank, responsible for conducting monetary policy, ensuring financial stability, and managing the nation's banknotes and payments system.

**Safeguard Mechanism:** An Australian government policy that sets emissions limits (baselines) for the country's largest industrial facilities, aiming to reduce greenhouse gas emissions and contribute to Australia's climate targets.

**Scope 3 emissions:** Indirect greenhouse gas (GHG) emissions that occur in a company's value chain, encompassing activities outside of their direct control, such as those related to suppliers, transportation, and product use.

**Small Modular Reactor:** Small Modular Reactors are advanced nuclear reactors that have capacity of up to 300MW, about one third the size of a normal reactor. Given their smaller footprint they can be sited on locations not suitable for conventional nuclear reactors.

**Twenty Foot Equivalent Units:** A standard unit of measurement in the shipping industry, representing the capacity of a 20-foot-long shipping container, used to quantify the cargo-carrying capacity of container ships and ports.

**US Federal Reserve (the Fed):** The Central Bank of the United States conducts monetary policy and safeguards the stability of the US financial system.

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# The Home of Property Professionals

The Australian Property Institute is the peak body representing Australia's 5,000 property valuation professionals.

Operating for almost 100 years, the API has been the trusted source allowing lenders, regulators, owners and developers to buy and sell residential, commercial and rural property with confidence in a \$11 trillion market.



## What is property valuation and why is it so important

### Certainty

Accurate valuation is required to provide a fair, and independent, assessment of the value of any property asset, allowing banks to lend against them.

### Council Rates

Accurate valuation is required to inform our rating and taxation system by fairly distributing council rates to 11 million ratepayers.

### Economic Stability

Accurate valuations mean banks and lenders have greater confidence to lend to 670,000 buyers every year, which provides stability for the Australian economy.

### Expert Advice

Valuers are called upon to provide independent and expert advice to lenders, courts and insurers when asked "What is the value of my property?".

## The future of our profession

Accurate valuation will increasingly be needed for new asset classes like carbon farming, stronger ESG infrastructure and a diversified energy sector. API members will be needed to bring certainty to:

- government spending on major carbon and energy projects
- private sector investment decisions, and
- compensation terms for acquisition.

## What are the risks of a softer regulatory environment?

Whilst Australia is recognised as holding the gold standard internationally for professional property valuation, we have seen examples overseas of the impact of a weaker regulatory environment.

A key example of this was the 2007 Global Financial Crisis, which was largely precipitated by falling US house prices and a rising number of borrowers unable to repay their loans.

One of the key reasons for Australia's relatively strong performance through the crisis was the small share of high-risk lending in Australia as a direct result of our strong regulatory environment.

## By the Numbers Australia's Property Industry

Australia's 5,000 independent professional valuers are the trusted source that allows Australians to buy and sell residential, commercial and rural property with confidence, and for banks to lend money against these \$11 trillion worth of assets.

Independent valuers will increasingly be called upon to give certainty in future to emerging asset classes like carbon farming and sustainable energy sources.

Therefore, property valuers are a critical part of the Australian economy.



5,000 independent property valuers in Australia

\$11 Trillion

in Australia's residential property market.

\$230 Billion

spent on public infrastructure by Australian governments over five years.

10.9 Million

Australian homes, all requiring an annual valuation.

\$181 Billion

in Australian superannuation is tied up in property.

Each project requires development valuation, plant and machinery and compulsory acquisition.

11.5 Million

properties valued every year.

50-56%

of Australian household wealth is held in housing.

670,000

properties bought and sold in 2023.

2.3 Million

Australians with an investment property requiring an accurate annual valuation.

