2025 Valuation Insights Report

Renewables

Australian Property Institute

api.org.au

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.

Legal disclaimer

Front and Back Cover Photography by Brett Boardman (Source: https://www.archdaily.com/966342/lume-residential-building-sjb)

Contents

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

Paul Billingham,
Chair of API Board

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[1].

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.

The full list of contributors is set out below:

Name	Title and Organisation
Angus Howell AAPI	Associate Director, Herron Todd White
Nathan Camac AAPI	State Director, Residential Valuations, CBRE
Robert Hecek LFAPI	Managing Director, Valuecorp
Joanne Henderson	National Director Research, Colliers
Jamahl Waddington	Head of Infrastructure, Infrastructure Advisory, JLL
Luana Kenny AAPI	Managing Director, M3 Property
James Ruben FAPI	National Director Specialised Assets, Hotels & Leisure, M3 Property
Gregory Preston AM LFAPI	Managing Director, Preston Rowe Paterson
Alan Hives FAPI	Certified Practising Valuer and Consultant, Preston Rowe Paterson
Darren Austin FAPI	Director, Walsh & Monaghan and API Board Director
Tom Everitt MAPI	Director of TDC Services
Mike Rowe FAPI	Commercial Sales & Leasing Consultant, Realmark Commercial
Victoria Gracie AAPI	Director of Development & Growth, Opteon
Tyrone Hodge LFAPI	Global Head of Risk Advisory, JLL
Andrew Loughnan FAPI	Senior Director Agribusiness Division, CBRE
Donald Johnson AAPI	Property Leaders, Valuations (WA), Marsh Pty Ltd
Adrian Haks AAPI	Regional Manager (Residential) - Regional Qld, Herron Todd White
Tom Rowe FAPI	Partner, McGees Property
Martin Elliott FAPI	Partner, Knight Frank
Kim Quick AAPI	Director, Learning & Development, Herron Todd White
James Khabbaz AAPI	Certified Practising Valuer, Herron Todd White
Nick Smerdon AAPI	Certified Practising Valuer, Herron Todd White
Travis Turnbull AAPI	Director, Residential Division Manager, Herron Todd White
James Shepherd AAPI	Property Valuer, Herron Todd White
Georgia Warren-Myers FAPI	Head of ESG and Risk – APAC, JLL Value Risk Advisory and API Board Director
Mark Kay LFAPI	Valuer General Northern Territory, and API Board Director
John Ewing AAPI	Director of Valuation, Donoghue Property Valuations
Katrina Lukac FAPI	Valuer Care and Development, Associate Director, CBRE
Cam Olson FAPI	National Head of Residential Development & Advisory
Joshua Perry AAPI	Property Valuer & Senior Commercial Leasing Officer, Tasmanian Ports Corporation
Ben Sully AAPI	Property Portfolio Manager, Tasmanian Ports Corporation
Nicole Yip AAPI	Associate Director, Charter Keck Cramer
Patrick Lilburne AAPI	Managing Director, Lilburne Property Consulting
Nick Bell FAPI	Partner, Valuation & Advisory, SA Commercial, Knight Frank
Jason Oster FAPI	Partner, Knight Frank Valuations
Annette Smith AAPI	State Director Regional Operations (North), Acumentis
Kevin Brogan FAPI	National Director, Group Risk and Compliance, Herron Todd White
Monica Bradley	Chair, Advisory Board, MI Global Partners & Sustainability Consultant
Matt Egerton-Warburton	Partner, Mills Oakley

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446,000
net overseas migration (2023-24)[2]

QLD regional housing winners

3.2% annual wage growth[3]

ADELAIDE
best performing housing market in past 20 years

$11 trillion
value of Australian housing[4]

2.4% ANNUAL INFLATION INCREASE[5]

BRISBANE
could shortly be Australia's best performing housing market

1.3% economic growth[6]

171,394 HOUSING APPROVED IN 2024[7]

154% HOUSING PRICE INCREASE SINCE 2005

484,000
annual population increase[8]

143%
AVERAGE COMMERCIAL PROPERTY PRICE RISE SINCE 2005

256%
AVERAGE FARM PRICE RISE IN TWO DECADES

SYDNEY
best performing housing market since 1974

4%
unemployment rate[9]

164% industrial property price rise since 2005

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)**

Residential

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.

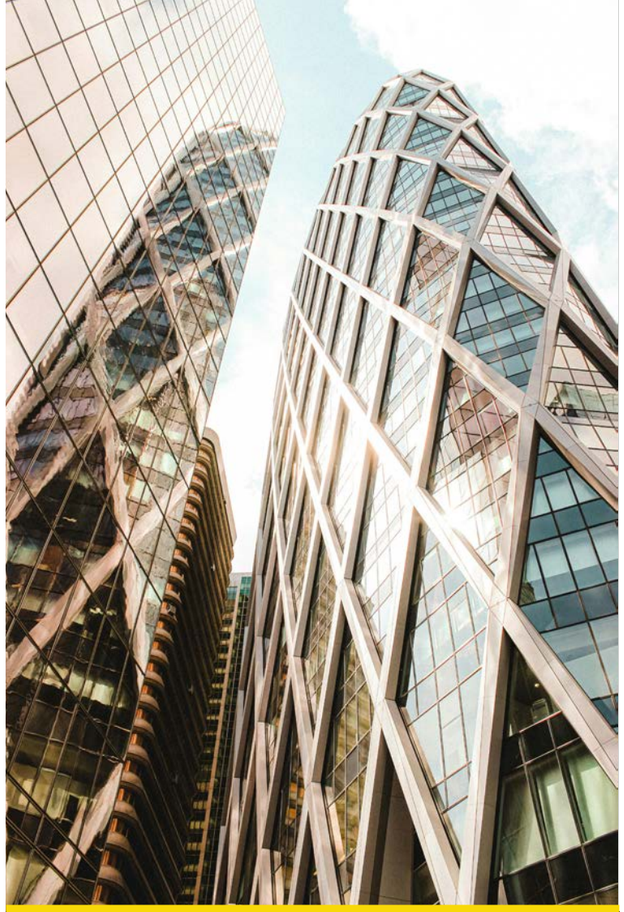
The Australian Bureau of Statistics (ABS) discontinued the Residential Property Price Indexes: Eight Capital Cities publication after the December 2021 release. This decision was part of a broader update to the ABS work program, aiming to streamline statistical outputs and focus on essential economic 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

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

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

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 that 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

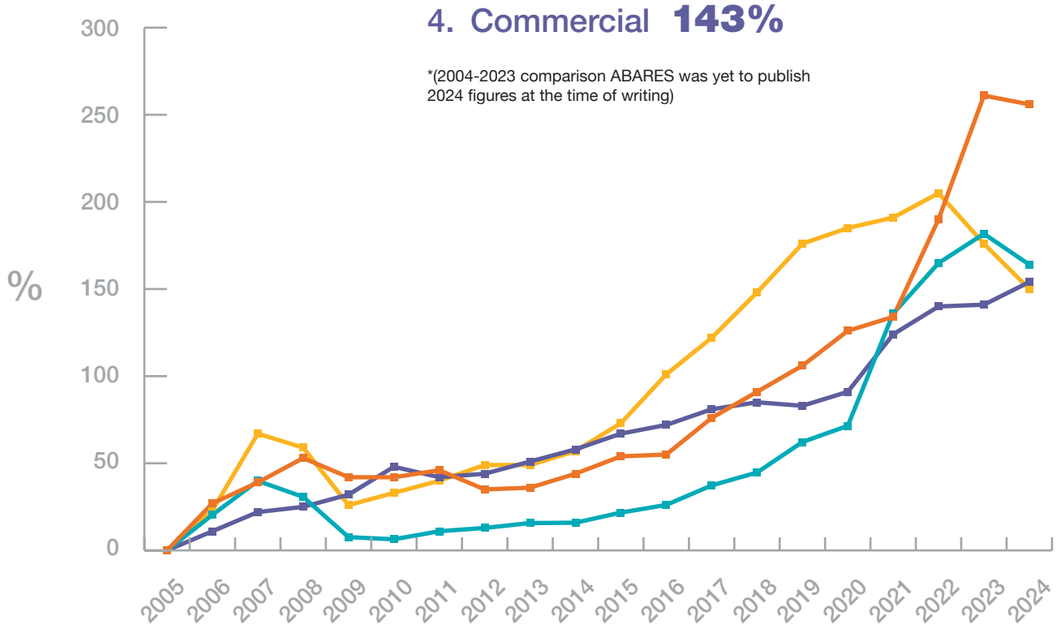
Australia may no longer ride on the sheep's back, but the nation's agricultural land has emerged as the best performing property sector over the past two decades. All Australian property sectors delivered robust growth with only commercial property failing to produce a return that doubled the rate of 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%[10]. 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**

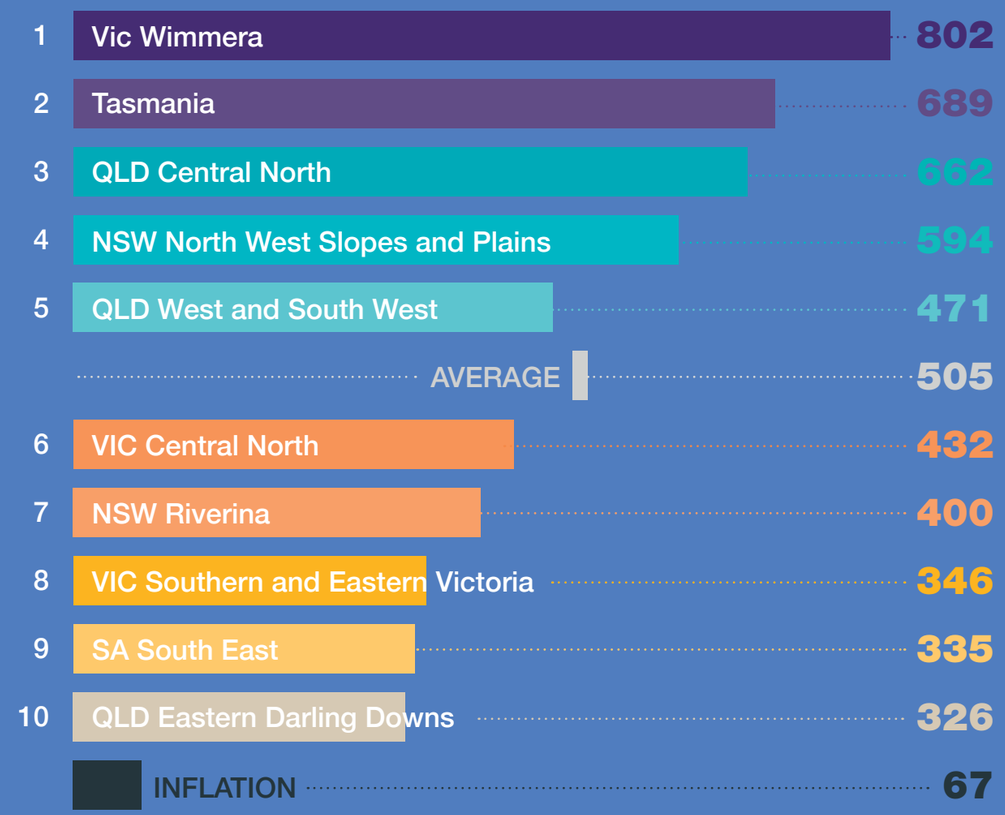
Comparative performance of asset classes over 20 years

Top non-farm performance over 20 years

Rank	Asset class	% change
1	Sydney industrial warehouses	261
2	Sydney commercial	176
3	Adelaide houses	175
4	Adelaide industrial warehouses	173
5	Hobart houses	172
6	Sydney houses	171
7	Brisbane houses	169
8	Melbourne houses	169
9	Perth commercial (average)	168
10	Melbourne industrial warehouses	159
	INFLATION	67

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
	AVERAGE		215
35	Qld Charleville farmland	Agriculture*	215
36	Perth CBD B-Grade office	Commercial	212
37	Melbourne secondary warehouse North precinct	Industrial	206
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 warehouss 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[11] 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.[12]

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
	AVERAGE	154
6	Canberra	148
7	Perth	123
8	Darwin	102
	INFLATION	67

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
	AVERAGE	106
4	Brisbane	105
5	Sydney	98
6	Perth	96
7	Canberra	89
8	Darwin	88
	INFLATION	67

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.[13]

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
	INFLATION	775
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[14] and gold which returned 2737% between 1975 and 2004.[15]

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
	AVERAGE	136.8
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
	INFLATION	28.8

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%[16]. 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
	AVERAGE	33.9
3	Brisbane	32.8
4	Melbourne	32.4
	INFLATION	28.8
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.[17]

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 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.

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

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***.[18] 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 cites 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
	AVERAGE	158.00
4	Perth	118.50
5	Brisbane	76.23
	INFLATION	66.80

Table 8 Source: Colliers Edge

Prime Warehouse Values (Sept 2015 to Sept 2024)

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

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 disproportionally 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
	STATE AVERAGE	324
4	South Australia	282
5	New South Wales	276
	NATIONAL AVERAGE	256
6	Northern Territory	195
7	Western Australia	133
	INFLATION	67

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
	AVERAGE	505
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
	INFLATION	67

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
	STATE AVERAGE	122.0
6	Western Australia	66.3
	INFLATION	27.1
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
	Average	357.4
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
	INFLATION	27.1

Table 13 Source: ABARES Farmland Price Indicator

Looking ahead

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

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.

Other asset classes

RENEWABLE ENERGY

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"[19].

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 Practicing 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[20].

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[21] 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[22].

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 (ACCUs), 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.**

DATA CENTRES

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[23] 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 SIX

Renewable Energy

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"[110].

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 transition corridors and upgrades to 1000km of existing lines. To 2025, 10,000km of new transmission lines will need to be built under its most likely "Step Change" scenario.

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. These are the CopperString and Far North Queensland REZ Transmission Link, The Western Renewables Link in Victoria, The Central West Orana REZ Network Infrastructure Project in NSW and Project Energy Connect linking NSW and South Australia.

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.

However, opinions are divided.

The Victoria to NSW Interconnector (VNI West), a proposed new high capacity 500kV double circuit overhead transmission line which crosses the Murray River north of Kerang and connects with the Western Renewables Link at a new terminal station at Bulgana, has sparked a backlash from farming groups and protests in rural communities.

The Western Renewables Link which connects 500kV transmission lines 190km between Bulgana in Victoria's west to Sydenham in Melbourne has also sparked controversy and plans for a proposed access terminal at Hepburn Lagoon near Ballarat were scrapped.

The Victorian Farmers Federation has called for the VNI West to be halted.

"The VFF is continuing to call on the Victorian Government to pause the VNI West Project immediately until they get the community and landholder engagement right," VFF President Brett Hosking said in a statement in February[111].

"We can't stand idle and watch as prime agricultural land is irreversibly destroyed without consideration to the agriculture industry and farming livelihoods at stake. Once destroyed the landscapes can never be restored."

Valuers liaising between renewables projects and landholders on compensation payments are being confronted with this dichotomy head on, sometimes not knowing what they will face when they visit properties.

According to Alan Hives from Preston Rowe Paterson in Ballarat: “A significant part of my work in the past couple of years has been compensation for building transmission lines,”:

“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.”

Mr Vine said the rollout is dividing communities because different landholders get different outcomes from the renewables projects:

“Wind turbines provide quite a solid income which is drought proof and community price proof. The banks love them because they’ve got a guaranteed cash flow.

“Those people are doing alright. But their neighbour over the fence isn’t because it takes some of the value away from their property and it isn’t helping them.”

Highest best use dilemma

Payments from renewables projects to landholders have come under scrutiny from Revenue NSW. It is reviewing the primary producer status, which exempts agricultural land from land tax, for landholders with large renewables projects on their land.

If Revenue NSW ultimately decides to revoke primary producer status, this could have a negative impact on farm valuations for properties hosting renewables infrastructure.

If these properties lose primary producer status and become liable for land tax, they may be worth less in the event of a sale because of the loss of a substantial tax advantage. This will likely reduce landholder acceptance of renewables and increase demands in relation to the quantum of compensation settlements.

Revenue NSW says where land is used for primary production and is also used for other activities, the comparative level of capital investment, as well as the actual and expected level of income largely determines whether the land is exempt from land tax.

“If the non-primary production uses require a higher level of capital investment and generate a higher level of income than the primary production uses, it is unlikely that the land will qualify for exemption.

This will be particularly important where primary production land is also used for a purpose that requires a significantly higher capital investment, such as wind farming or mining operations,” Revenue NSW says[112].

New paradigm for valuers

Jamahl Waddington, Head of Infrastructure Advisory at JLL, reports that the renewables rollout had changed compensation approaches completely in the past five years.

In the past governments rolling out transmission lines had used land acquisition acts to compulsorily acquire land, but they were now using private companies to roll out infrastructure.

There was a stronger emphasis on engagement with affected landholders rather than a take it or leave it approach:

“The heads of compensation in the Land Acquisition Act really just sets the base these days.

“When I was trained as a valuer, you always worked on a premise that you left a landowner in an equal position to that which they occupied before you came along.

“Now that is not the case. You must leave landholders and communities in a better position.”

Mr Waddington said valuers were increasingly becoming engagement professionals.

He said the new regime had also seen approval times increase.

“Now from the time you want to start a project, to the time you can get your approvals, is probably on average four years around the country. In the past, you could probably knock it over in 12 months.”

Andrew Loughnan, Senior Director Agribusiness at CBRE in Brisbane said a key role for valuers was finding the highest and best use for land given the range of options now available for agricultural land.

Mr Loughnan and his colleague John Harrison have been appointed to canvass expressions of interest to lease an 1850-hectare portion of the 6275-hectare Lyndley Station on the Darling Downs which sits within the Darling Downs Renewable Energy Zone and has frontage to a 275kV high-voltage transmission line[113].

“It’s all about the highest and best use. It’s Principles of Real Estate 101. This is running a transparent process to work out who they would like to occupy their land as tenant, Mr Loughnan told The Australian Financial Review[114].

“There is an agricultural value and agricultural lease rate. That’s not what we’re talking about here. We’re talking about a unique site on a high-voltage power line, of size and scale. It could be developed into a solar farm, a battery.”

Mr Loughnan said the renewables rollout was creating both opportunities and challenges for landholders.

Payments for landholders

Analysis by the Clean Energy Council in its ***Billions for the Bush*** report[115] found annual payments to farmers for wind turbines typically ranged from $5500-$6500 per megawatt with modern turbines typically having a capacity of seven MW.

Payments for solar panels typically ranged from $1500-$2500 per MW.

“For comparison a beef farm in a high rainfall country might produce $1500 per hectare in an excellent year,” the Clean Energy Council’s Billions for the Bush report said.

The report estimated that under AEMO’s Optimal Development Pathway’s preferred Step Change scenario, direct payments to landholders would increase from between $900 million to $1.1 billion in 2024, to $4-5 billion by 2030 and $7.7-9.7 billion by 2050.

Race against time

Progress over the next decade, and possibly even the next five years, will be decisive in terms of the NEM’s ability to meet its energy security requirements and emissions reduction obligations.

The NEM links NSW (including the ACT), Victoria, Queensland, South Australia, and Tasmania. Western Australia and the Northern Territory are not connected to the NEM.

As coal-fired power retreats, the NEM will face growing capacity demands from the electrification of buildings to meet green energy targets, expected dramatic growth in energy-hungry data centres, and the predicted take-up of electric vehicles (EVs).

This will in part be alleviated by a continued increase in household rooftop solar.

AEMO’s 2024 Integrated System Plan warns planned developments will have to be delivered on time to maintain security in the NEM.

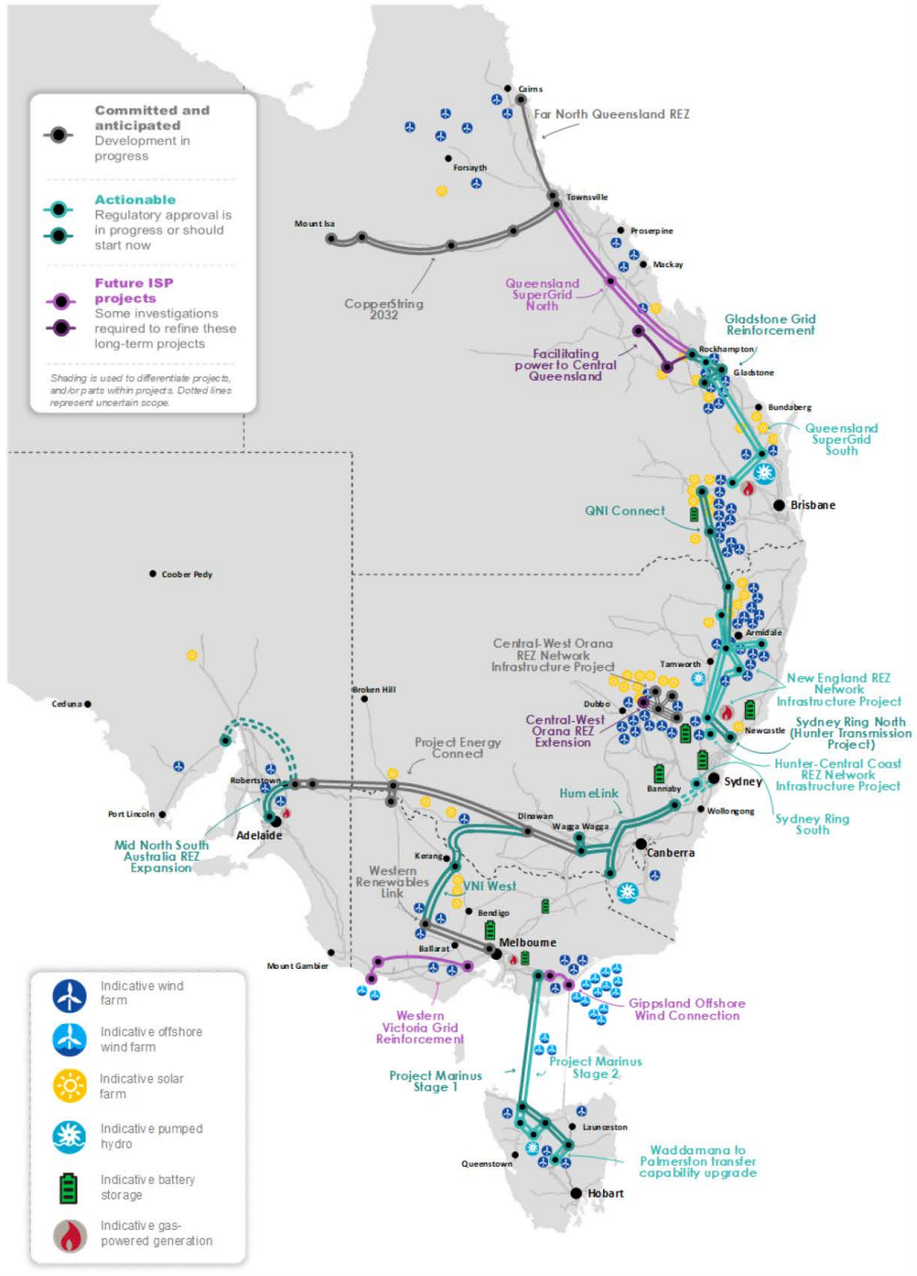
“The possibility that replacement generation is not available when coal fired power stations retire is real and growing and a risk that must be avoided,” AEMO said in its 2024 Integrated System Plan.

AEMO said 6GW of capacity would need to be added every year compared to the current rate of 3-4GW.

“By 2034-35 the NEM is forecast to need approximately 83GW of utility-scale wind and solar and 127GW by 2049-50. This would be six times the current NEM capacity of 21GW,” it said.

Forty-three Renewable Energy Zones have been proposed across the NEM to focus electricity production and transmission plans.

Figure 3 Transmission projects in the optimal development path



This map shows indicative new generation and storage in 2040, and transmission projects that include new transmission lines, increase capacity by 500 MW or more, and are required in all scenarios by 2050.

Source: AEMO 2024 Integrated System Plan page 15
https://www.aemo.com.au/-/media/files/major-publications/isp/2024/2024-integrated-system-plan-isp.pdf?la=en

State by State renewables expansion plans

New South Wales

AEMO forecasts NSW will require 34GW of new utility-scale wind and solar by 2049-50.

Of this 15GW of new generation capacity will be met by the Central-West Orana REZ, 13GW in the New England REZ, 3.2GW in South West NSW, and 2.5GW in the Hunter-Central Coast REZ. No offshore wind is forecast for NSW.

Victoria

AEMO forecasts Victoria will require 23GW of new utility-scale wind and solar by 2049-50 including 9GW of offshore wind.

Increased network capacity from the Victoria – NSW Interconnector West (VNI West) and Western Renewables Link (WRL) will allow more wind in western Victoria and solar in the Murray River REZ.

Offshore wind would be able to access network capacity in the La Trobe Valley vacated by retiring coal generation.

Queensland

AEMO forecasts Queensland will require 43GW of new utility-scale wind and solar by 2049-50.

The CopperString 2032 and Queensland Super Grid upgrades will allow a forecast 6GW of new renewables in North Queensland, 9GW of mainly solar power in Isaac, 11GW of mainly solar in Fitzroy, 12GW of solar and wind on the Darling Downs.

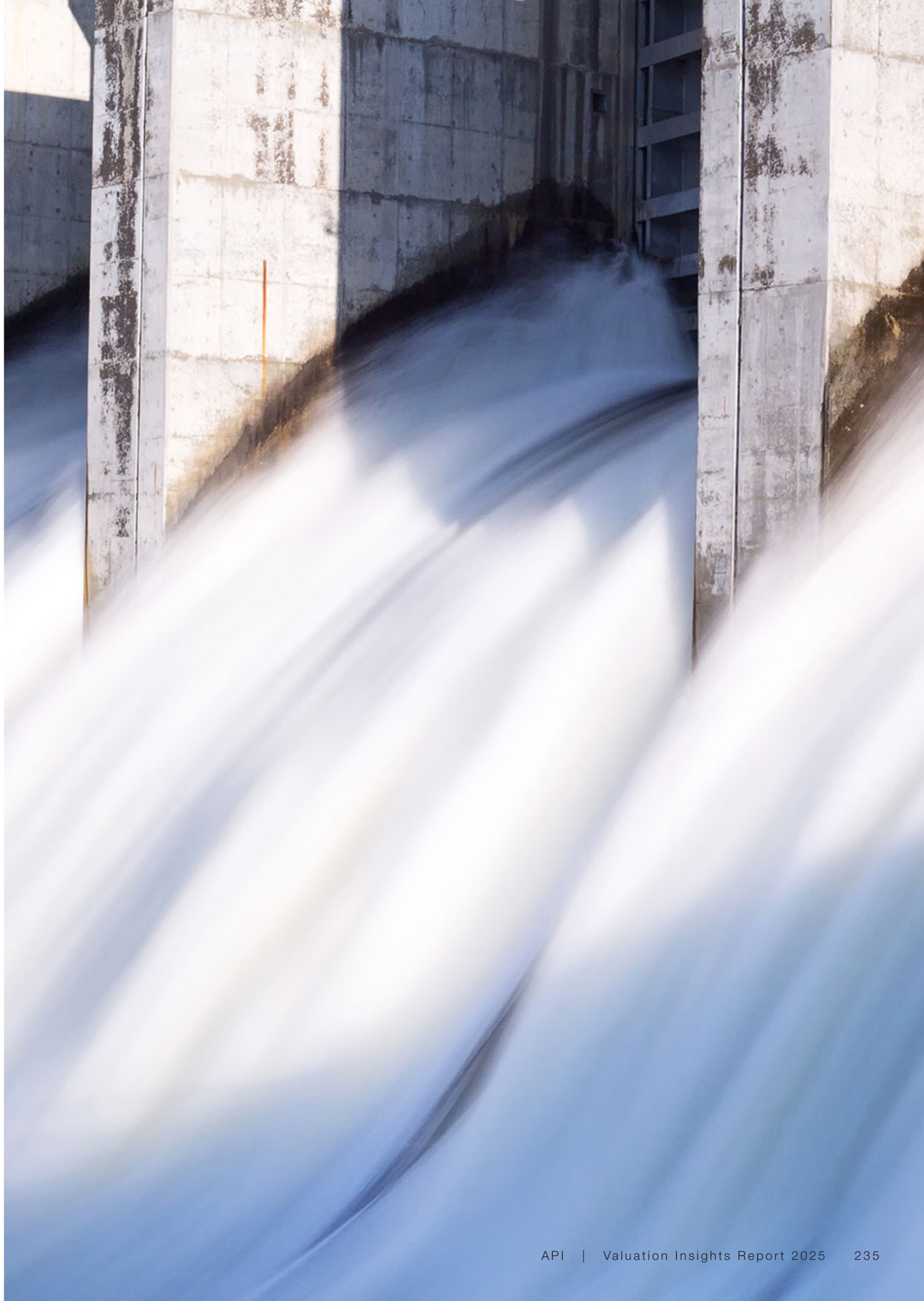
REZs in the south of the state are expected to make use of the existing network capacity as coal retires.

South Australia

AEMO forecasts South Australia will require almost 10GW of new utility-scale wind and solar by 2049-50 facilitated by the expansion of the Mid-North South Australia REZ in the late 2020s to access mid-north wind and northern solar.

Tasmania

AEMO forecasts Tasmania will require 3.2GW of new onshore wind by 2049-50 facilitated through project Marinus and the Central Highlands REZ which will be established from 2029-30 onward.



Impact on farmland prices

While many factors can influence farm values, such as commodity prices, interest rates, and the cost of inputs, farmland prices near Renewable Energy Zones have increased in recent years in NSW and Victoria:

New South Wales

NSW Tablelands

The NSW Valuer General 2024 report attributed a 7.4% increase in land values in Uralla partly to increased demand due to the New England REZ, as well as increases in affordable lifestyle properties and more tightly held grazing land.

ABARES Farmland Price Indicator said broadacre prices in the NSW Tablelands region rose 114.2% between 2019 and 2023 from $5920/hectare to $12,677/hectare.

Central West

Broadacre farm prices in the Central West region, which incorporates the Central Orana REZ, rose 232.8% between 2019 and 2023 from $3493/hectare to $11,622/hectare.

Victoria

Wimmera

The Wimmera region, which incorporates the Western Victoria REZ and the proposed VNI West terminal station at Bulgana, has experienced strong growth in farmland prices in the past five years.

ABARES Farmland Price Indicator said broadacre farm prices rose 133.7% between 2019 and 2023 from $4567/hectare to $10,671/hectare.

Mallee

Broadacre farmland prices in the region, which is adjacent to the Kerang crossing for the VNI West and proposed terminal station at Tragowel, rose by 133.9% between 2019 and 2023 from $2364/hectare to $5530/hectare, according to ABARES Farmland Price Indicator.

Western Australia

While Western Australia is not part of the NEM, the Western Australian Government announced in November 2023 it had established Powering WA to drive the energy transition.

> The WA Government, which has committed to closing the state's two remaining coal fired power stations by 2020, committed $700 million to upgrade the state's electricity network to enable it to take advantage of renewable energy opportunities.[116]

The state needs a 10-fold increase in renewable generation to meet future low emissions electricity demand.

The initiatives included $575 million to increase the capacity of the network's northern section by installing a 330kV double circuit transmission line between Malaga and Pinjar to enable renewables projects in the state's north to connect to the grid.

A further $133 million was committed to upgrade transmission infrastructure around the industrial centres of Kwinana and Collie.

The transmission line between Geraldton and Perth will also be upgraded to support development at Oakajee.

Renewable Energy CONCLUSIONS

- **Valuers have a vital role to play in determining the 'highest and 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 evaluations 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.**

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 (ACCUs) 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 Australian Property Institute

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.

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

10.9 Million
Australian homes, all requiring an annual valuation.

$181 Billion
in Australian superannuation is tied up in property.

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.

API