



APAA Seminar

The New Normal:

*Victoria's Real Estate Market Post Federal Election
and State Budget*

Thursday **29th May 2025**, (5:30pm - 8:30pm)

Level 27 / 120 Collins Street, Melbourne VIC 3000 (**RSM Australia**)

Event Sponsor



Annual Sponsors



Panel Speakers



Simon Aitken

Partner, Director - Tax



Milijana Bojic

Executive, Head of Property
Finance VIC



PRIME
EDITION

Eric Loi

Founder &
Managing Director

Workshop Facilitator



Tze Chiang Goh

Associate Director at Charker Keck Cramer
Executive Committee of APAA



Our Panelist

Simon Aitken

Partner, Director – Tax at RSM

Economic Outlook
Housing Supply & Demand
Federal Government Initiatives & Tax Changes
Victorian Tax Changes

APAA Seminar:
The New Normal: Victoria's Real Estate Market Post Federal
Election and State Budget

PRIVATE AND CONFIDENTIAL



APAA Presentation May 2025

By Simon Aitken

simon.aitken@rsm.com.au



Today's discussion

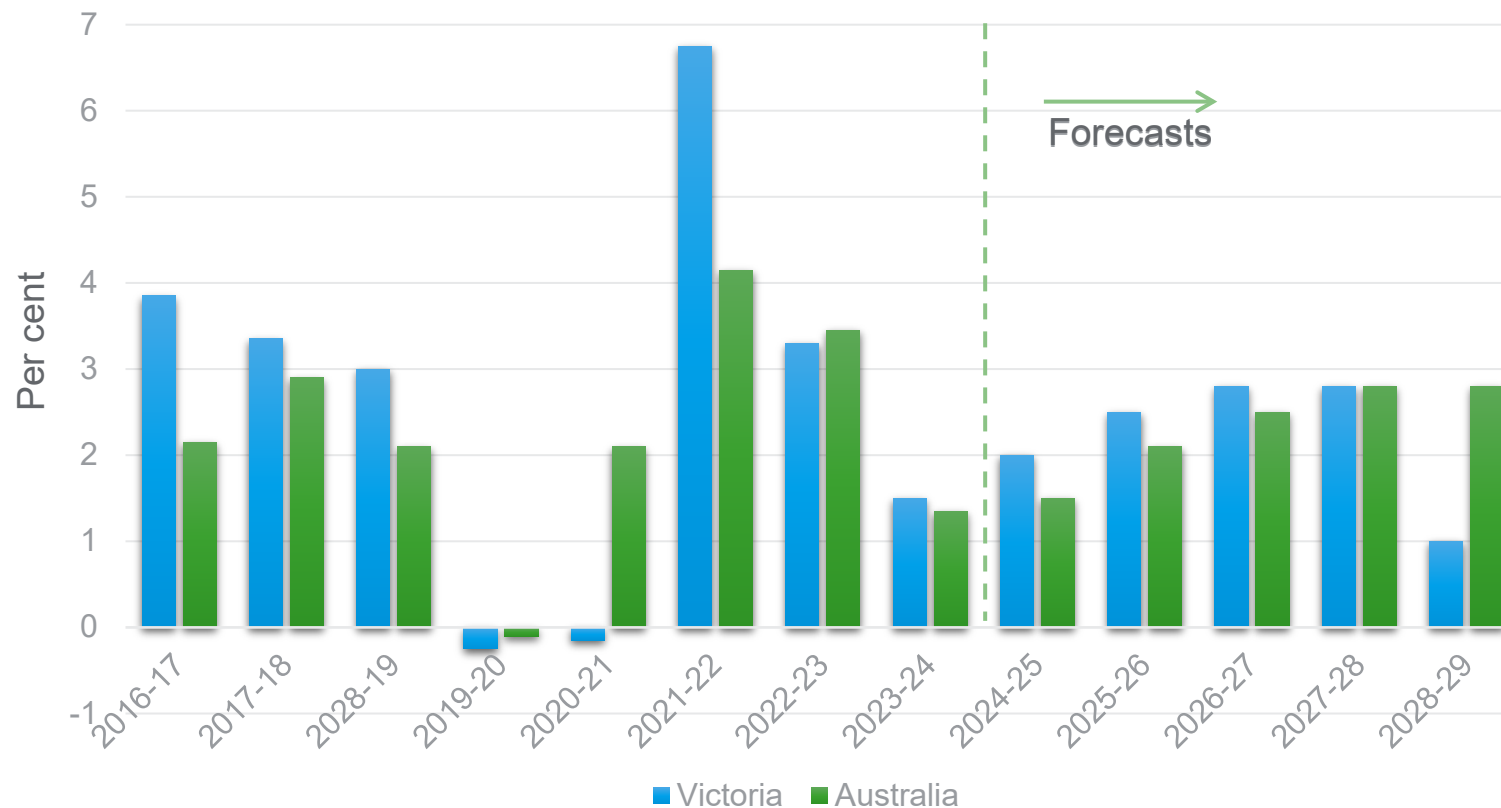
- Economic Outlook.
- Housing Supply & Demand.
- Federal Government Initiatives and Tax Changes.
- Victorian Tax Changes.



Economic Outlook

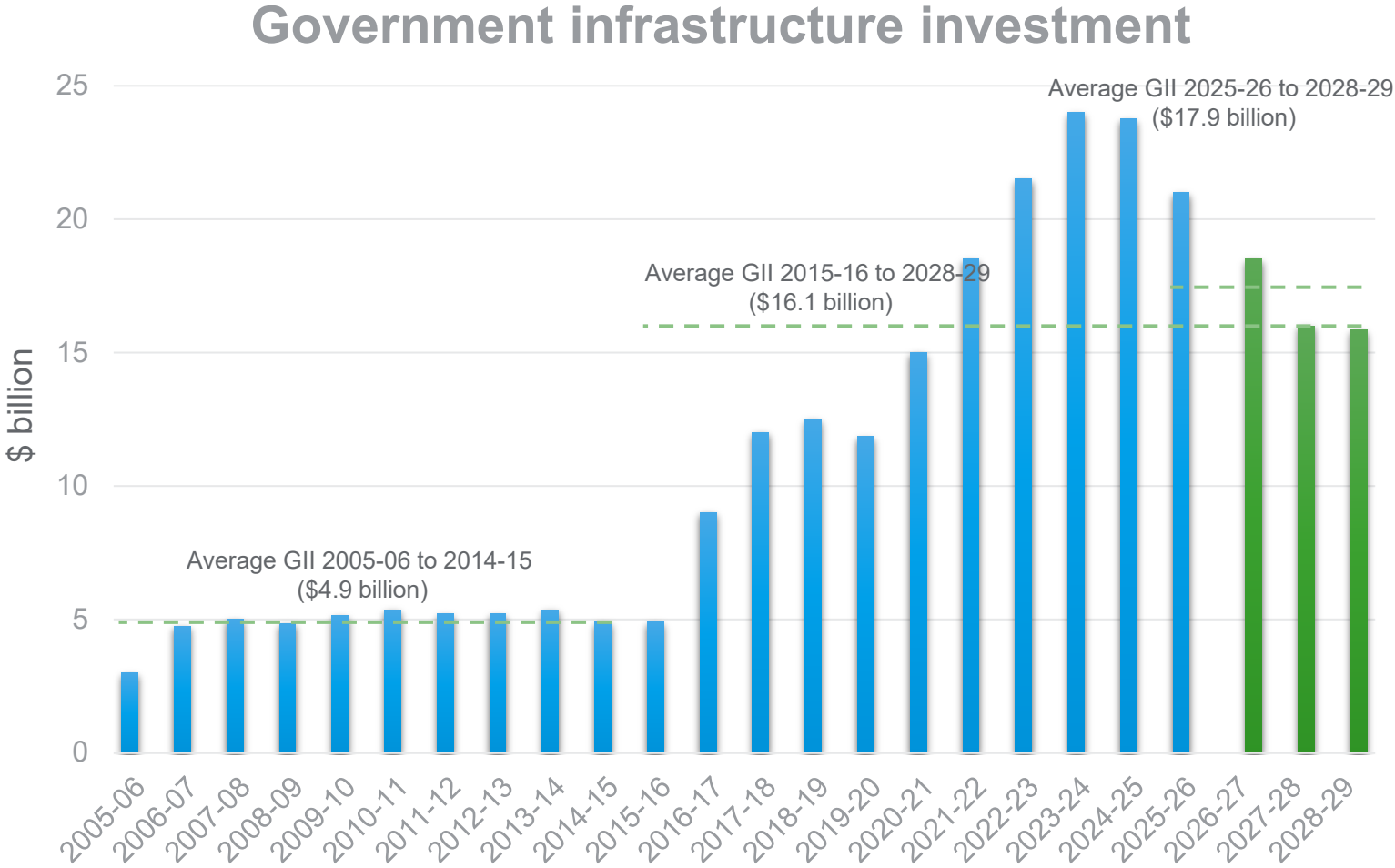
Victorian v Australia – Economic Growth

Real Economic growth, actual and forecast,
Victoria and Australia



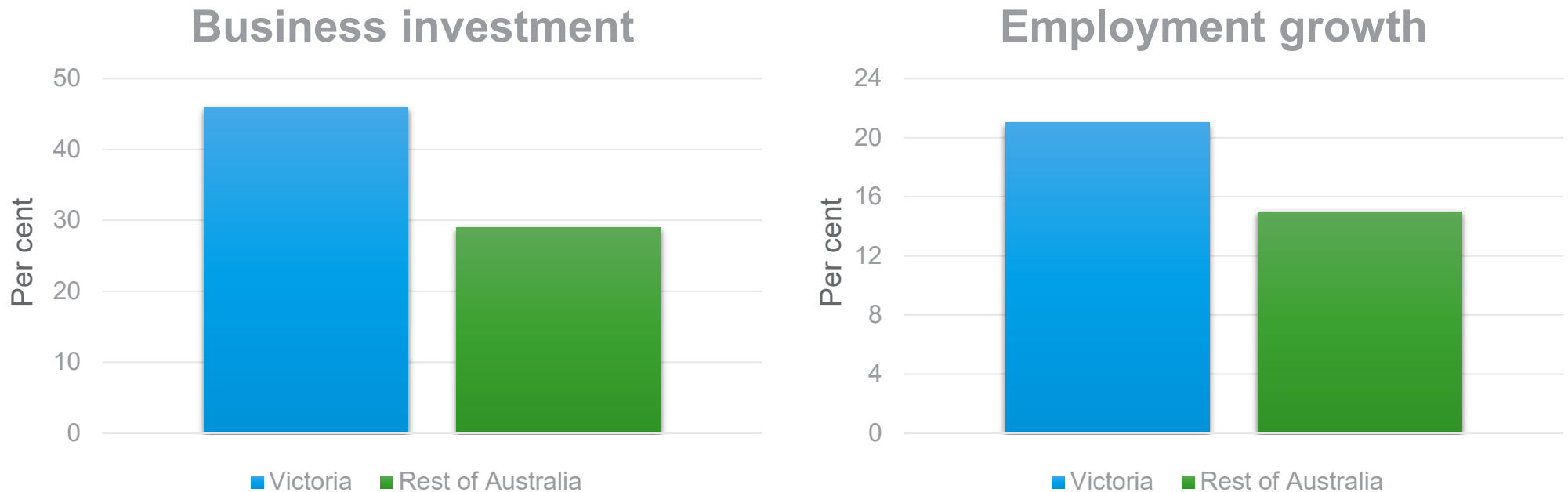
Sources: Australian Bureau of Statistics; Commonwealth Treasury (2025-26 Budget); Department of Treasury and Finance.

Victorian Growth sustained by infrastructure



Victorian v Australia – Employment Growth

Growth in business investment and employment since September 2020, Victoria and the rest of Australia ^(a)



Source: Australian Bureau of Statistics.

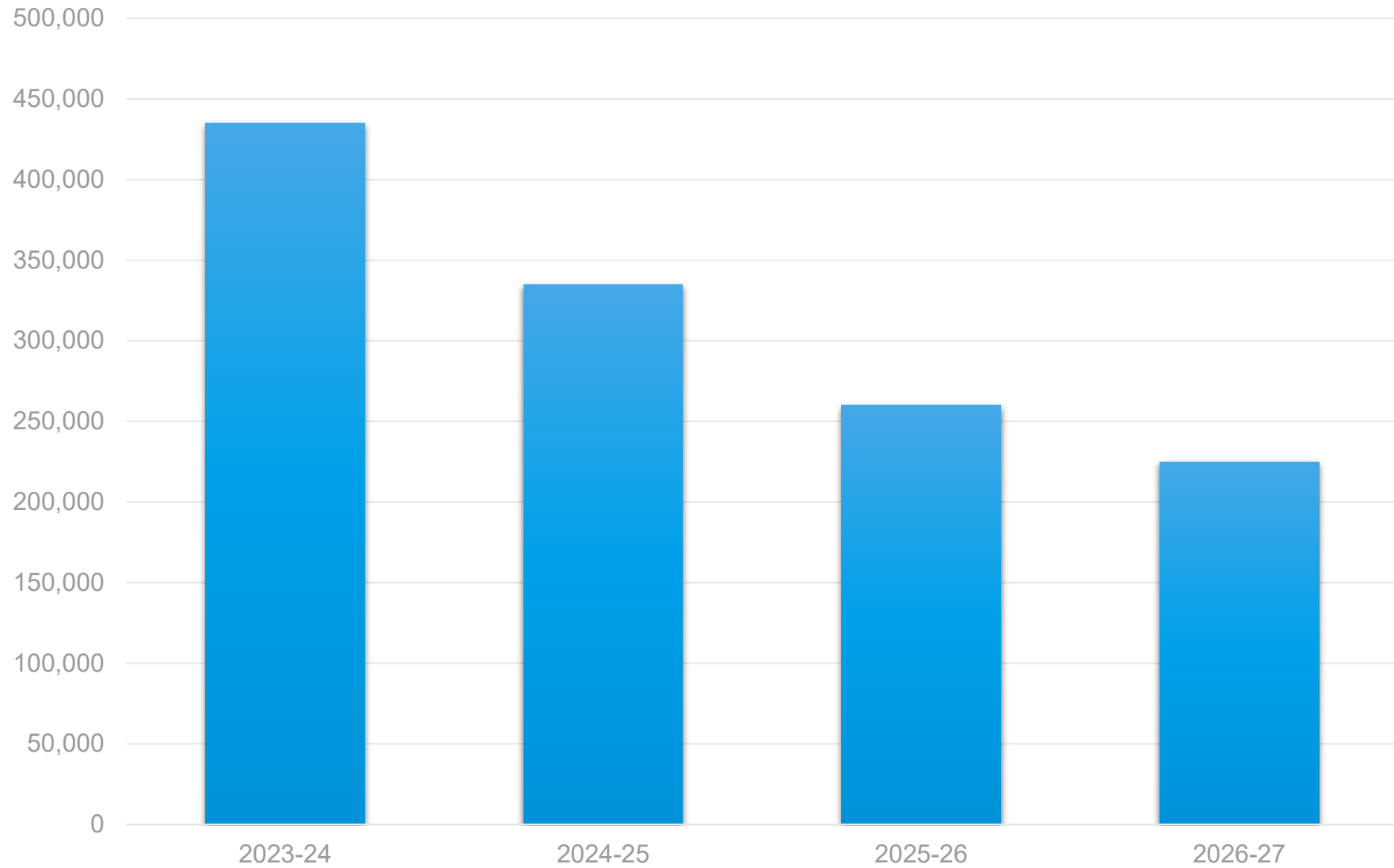
Note: ^(a) Growth in employment is from September 2020 to March 2025; growth in business investments if from the September quarter 2020 to the December quarter 2024 (the latest data available)

Victorian and Australian – Economic indicators

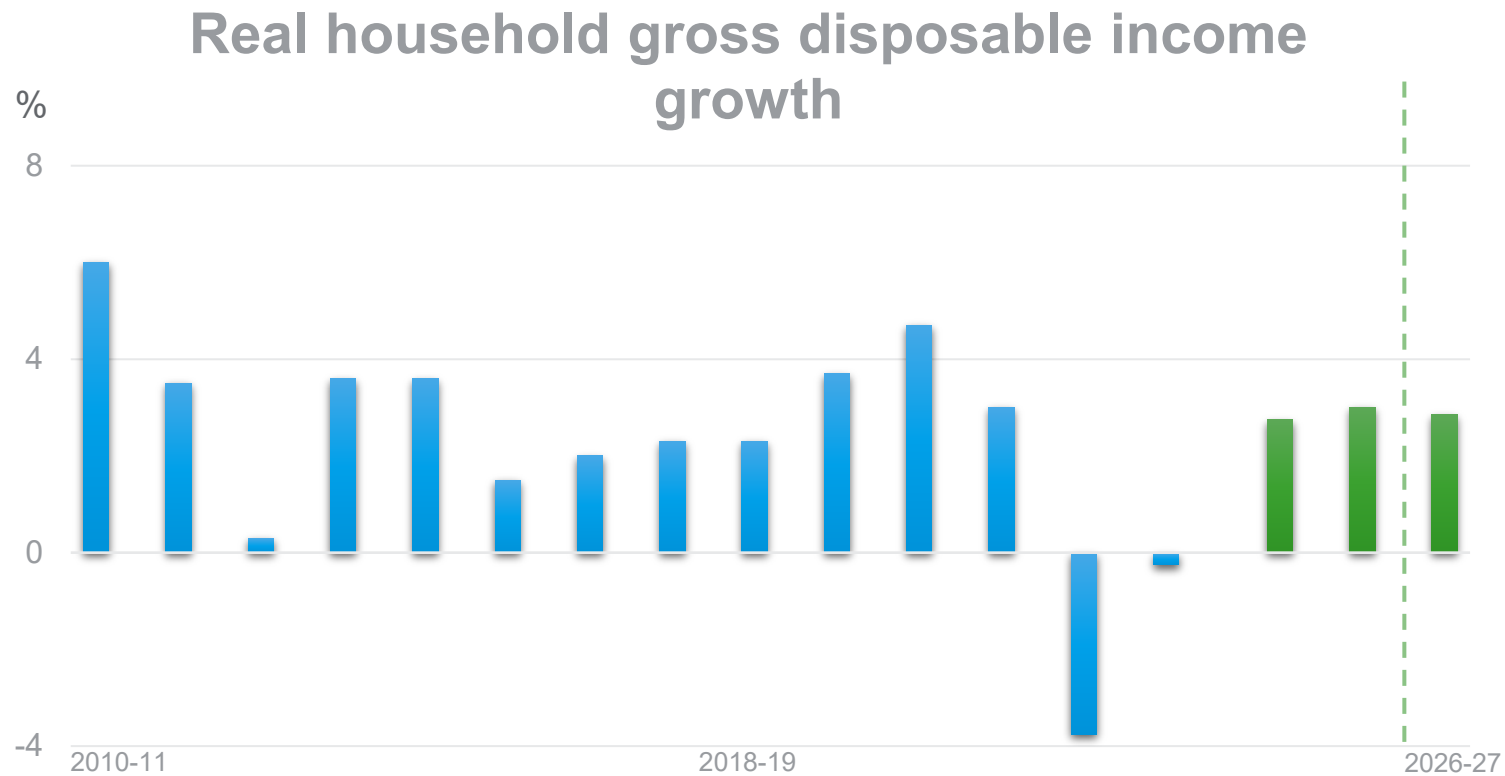
	Victoria		Federal		Trend
	2024-25	2025-26	2024-25	2025-26	
Wage Price Index	3.25%	3.25%	3.25%	3.25%	↔
CPI	2.5%	2.75%	2.5%	3.0%	↓
Net operating balance (\$m) / (\$b)	312	1,657	(27.6)	(42.1)	
Net debt (\$ b)	182	199	556	620	↑
Land transfer duty (\$ m)	9,200	9,562			↑
Land tax (\$ m)	6,058	6,377			↑
COVID Debt Levy – land (\$ m)	1,138	1,177			↑
Metropolitan Infrastructure Levy	214	221			↑
Windfall Gains Tax (\$ m)	90	135			↑

Housing Supply & Demand

Net Overseas Migration

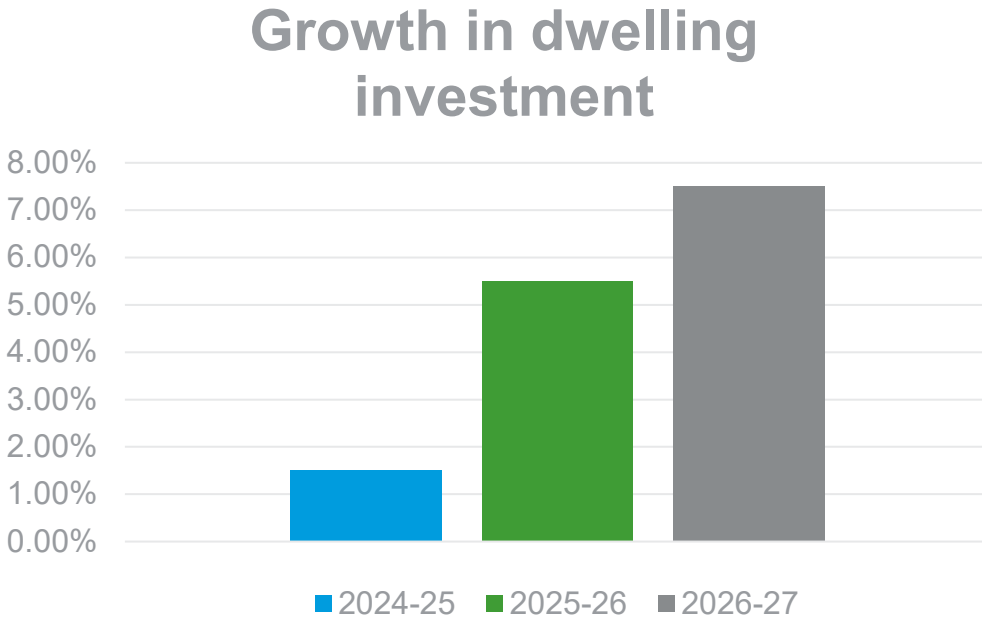
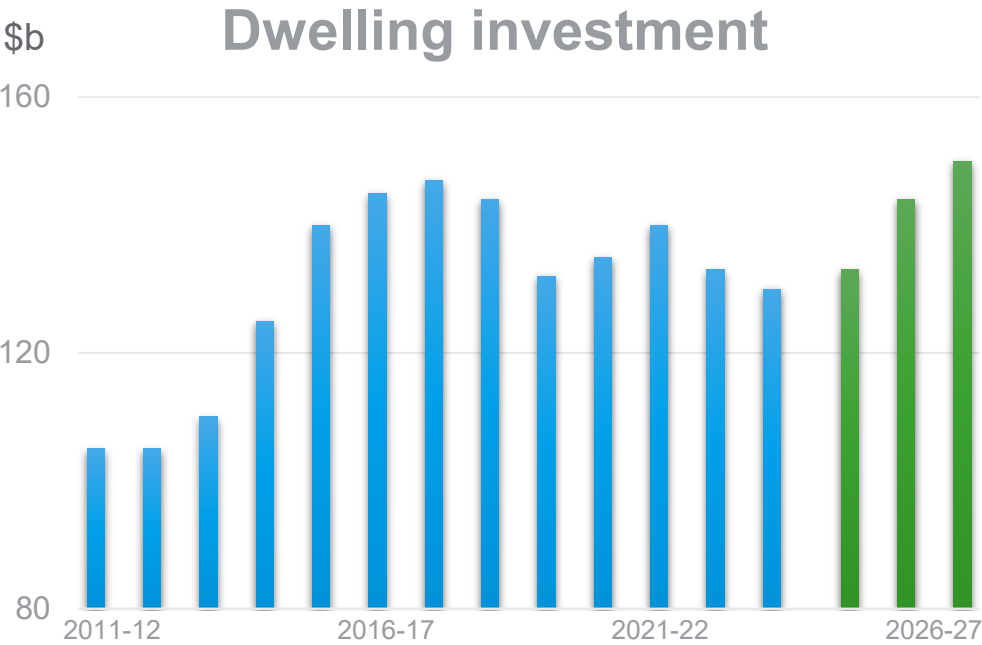


Household disposal income forecast to increase



Source: ABS Australian National Accounts: National Income, Expenditure and Product and Treasury.

Dwelling investment is forecast to increase



Source: ABS Australian National Accounts: National Income, Expenditure and Product and Treasury.

Federal Government Initiatives and Tax Changes

Federal Government Initiatives and Tax Changes



Foreign purchasers banned from buying established houses for 2 years from 1 April 2025.

Help to Buy Scheme \$5b over 5 years:

- Increase in State based property price caps (\$950k Melbourne);
- 2% deposit;
- Federal Government equity contribution of up to 40%



\$54m to accelerate uptake of modern construction methods.

\$120m to incentivise States to remove red tape to prevent uptake of modern construction methods.



Housing construction apprentice incentive increases to \$10,000 from 1 July 2025.

National Housing Accord (announced in 2024-25 budget)



National Planning
Reform Blueprint for
planning,
zoning and land
release.

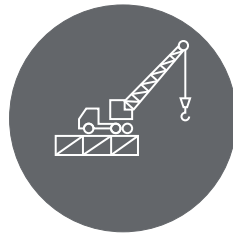
Aims to build 1.2
million homes over 5
years.



55,000 new social and
affordable homes.

**\$1.5b – Housing Support
Program:**
Incentive payment to States
to fund improved planning,
deliver infrastructure and build
social housing

\$3b – New Homes Bonus:
State incentive payment.



Victorian Tax Changes

Victoria – Commercial and Industrial Property Tax (CIPT)

1% (in addition to land tax)

Land enters the CIPT system if:

- **Commercial or industrial** [AVP Classification of 200-499 or 600-699] - Land coded by Valuer General; and
- **Not excluded** residential or primary production; and
- Contract and settlement is **after 1 July 2024**; and
- Change in beneficial ownership **>50%** in landholder; and
 - **Subject to duty.**

3,700 properties now in CIPT system.

\$457m less land transfer duty over next 4 years.



Victoria – Statements from the Victorian Budget Papers

Residential land values used to assess land taxes for 2025-26 are expected to **decrease**.

Revenue growth from residential properties is expected to **increase in 2026-27** before returning to trend by 2027-28.

Commercial land values are also expected to **decrease** driven by high but stabilizing vacancy rates in office spaces.

Industrial land value growth is expected to **ease** in the near term, as supply has caught up with demand, but remain elevated due to ongoing demand for logistics services.

Growth in industrial land values is expected to ease but remain positive, and commercial land values are forecast to grow modestly over the same period as interest rates decline.

Victoria – Extension of Land Transfer Duty Concession

- Off the Plan residential strata subdivision with common property.
- Apartments, townhouses and units.
- Contracts signed after 21 October 2024 and before 21 October 2026.
- No cap.
- No boundary.
- All investors eligible.
- No PPR requirement.
- Construction costs are deducted from the dutiable value of the property.

Example



Michelle signs a contract to acquire a to be constructed townhouse at a cost of \$3m.

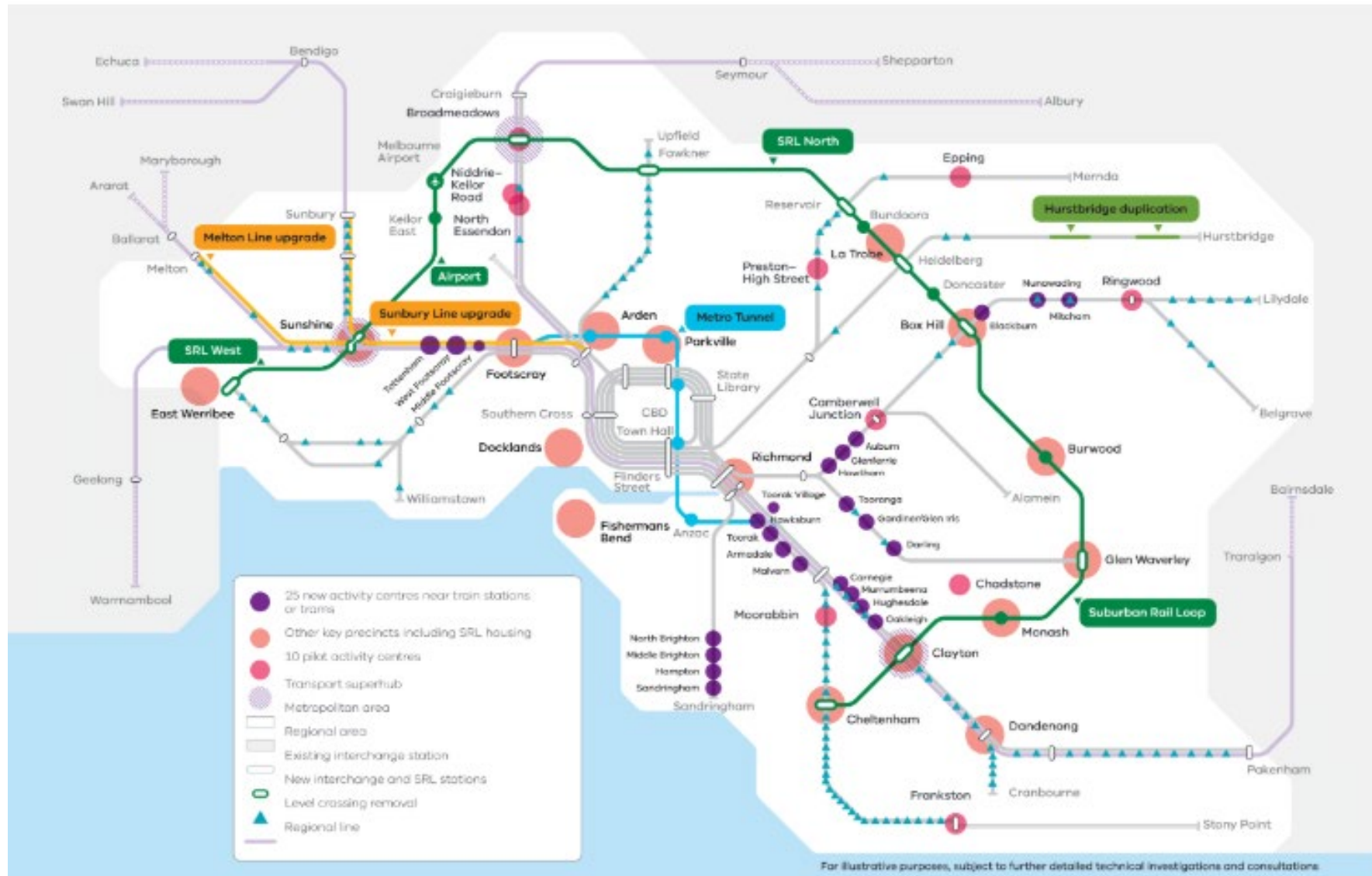


The construction costs of the townhouse are \$1.8m.



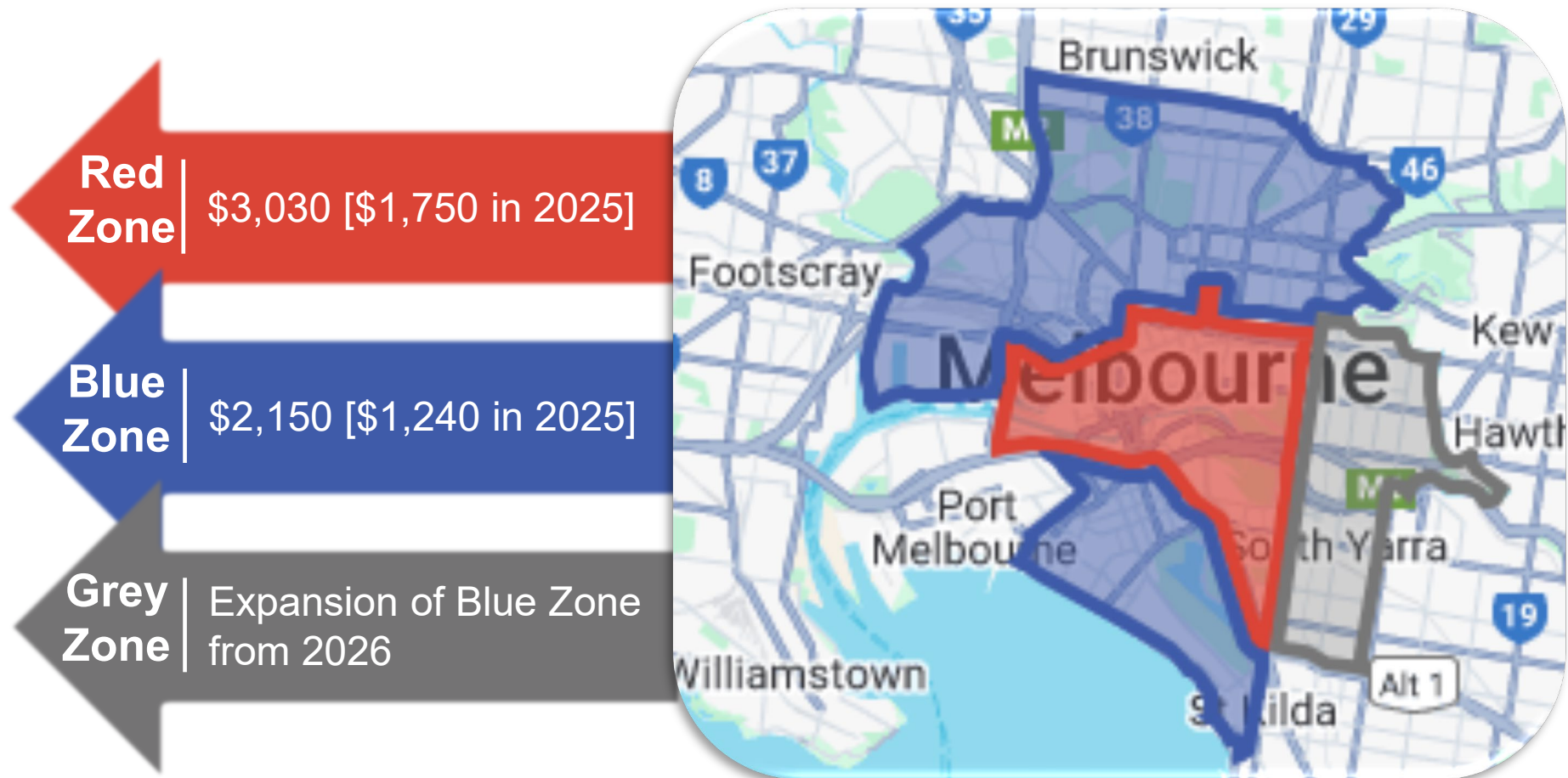
The dutiable value of the property is \$1.2m.

Victorian Activity Centers



Congestion Car Parking Levy

New Rates and Areas from 1 January 2026



RSM Australia Pty Ltd

Level 27, 120 Collins Street
Melbourne
VIC 3000
Australia
T +61 (03) 9286 8000
F +61 (03) 9286 8199
rsm.com.au

RSM Australia Pty Ltd is a member of the RSM network and trades as RSM. RSM is the trading name used by the members of the RSM network.

Each member of the RSM network is an independent accounting and consulting firm each of which practices in its own right. The RSM network is not itself a separate legal entity of any description in any jurisdiction.

The RSM network is administered by RSM International Limited, a company registered in England and Wales (company number 4040598) whose registered office is at 50 Cannon Street, 2nd Floor, London EC4N 6JJ.

The brand and trademark RSM and other intellectual property rights used by members of the network are owned by RSM International Association, an association governed by article 60 et seq of the Civil Code of Switzerland whose seat is in Zug.

Liability limited by a scheme approved under professional standards legislation

© RSM International Association, 2024

rsm.com.au

Our Panelist

Milijana Bojic

Executive, Head of Property Finance VIC at NAB

Property Market / State Budget Update

APAA Seminar:
The New Normal: Victoria's Real Estate Market Post Federal
Election and State Budget



PROPERTY MARKET/STATE BUDGET UPDATE

MAY 2025

INTEREST RATES

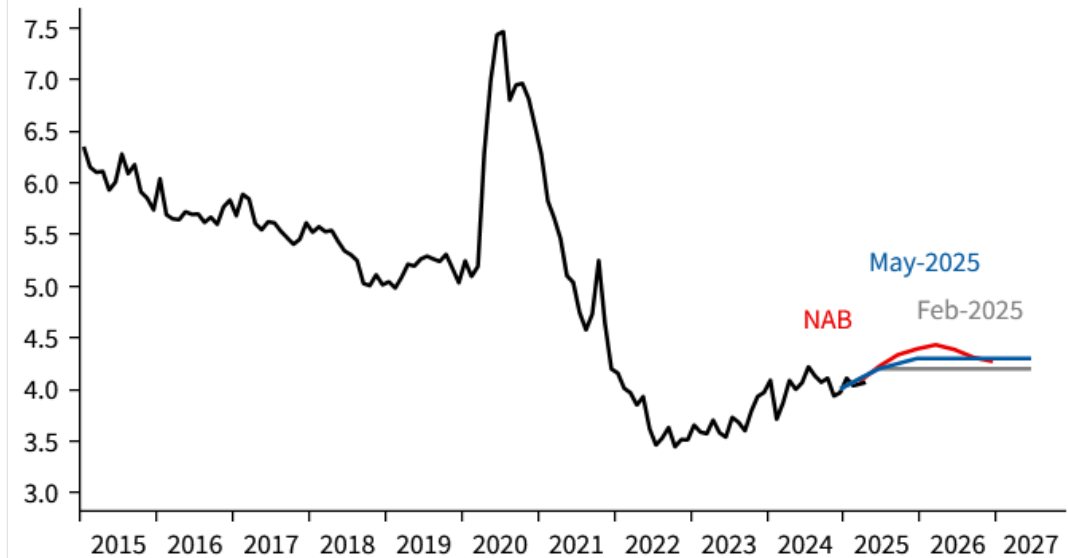
- The RBA cut the cash rate by 25bp last week, to 3.85%. This was in line with market pricing and the consensus view of economists, but a smaller cut than the NAB forecast (50bps cut). Nonetheless, the Governor did acknowledge that a 50bp cut was discussed by the Board today.
- The Statement has evolved in a dovish direction since April, with the final sentence now acknowledging both sides of the RBA's dual mandate: *"The Board is focused on its mandate to deliver price stability and full employment and will do what it considers necessary to achieve that outcome."*
- Overall, the Board assesses monetary policy after today's move to be *"...somewhat less restrictive"*. This opens the door to further easing given 1) the modal forecast for below trend growth in 2025; 2) risks around a re-escalation of trade tensions; and 3) evidence of a growing acceptance that the outlook for the labour market is consistent with inflation near target.
- **NAB now expects the Bank to cut by 25bp in July, August and November, taking the cash rate to 3.1% by year end.**

• Since 2000, cash rate on average **80bps higher** than trimmed mean inflation

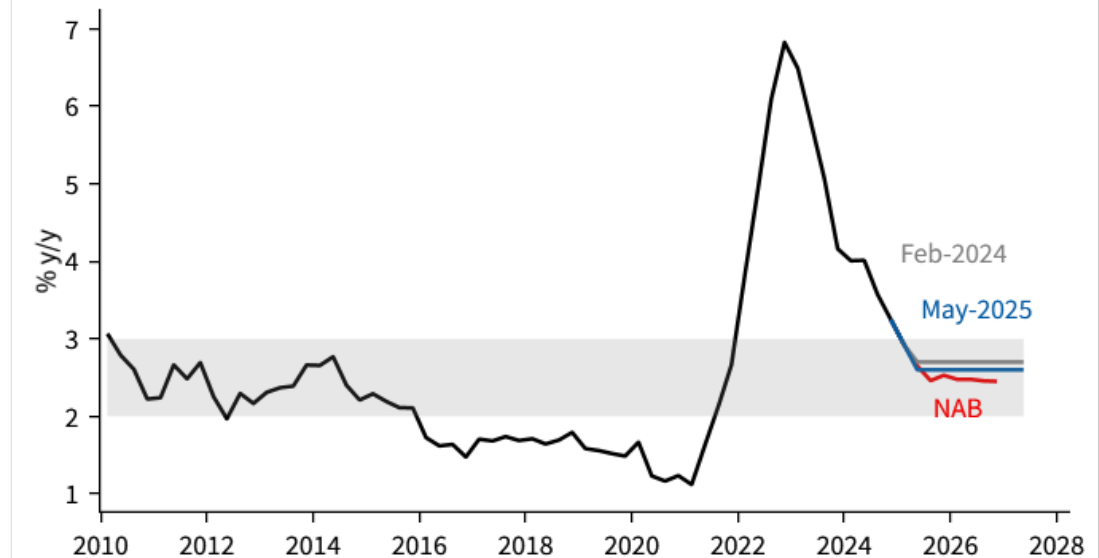
GDP/INFLATION/UNEMPLOYMENT

- GDP growth has been revised lower to 2.1% over 2025 (from 2.4%). The downward revision is due to both weaker global growth and higher policy uncertainty.
- The RBA now expects the unemployment rate to stabilise at 4.3% (from 4.2%). That is 'closer to balance' and the RBA notes 'considerable uncertainty around estimates of full employment'. The SoMP also noted that *"the observed decline in the rate of job-switching in the market sector might indicate less upwards pressure on wages growth and inflation than implied by the unemployment rate."*
- The trimmed mean inflation forecast now settles at 2.6% (from 2.7%). That small downward revision reflects the downward revision to GDP growth and a small downward revision to import prices. Importantly though, that is now assessed as 'around the midpoint' of the target range. The February outlook was characterised as 'a bit above.'

RBA Unemployment Rate Forecasts



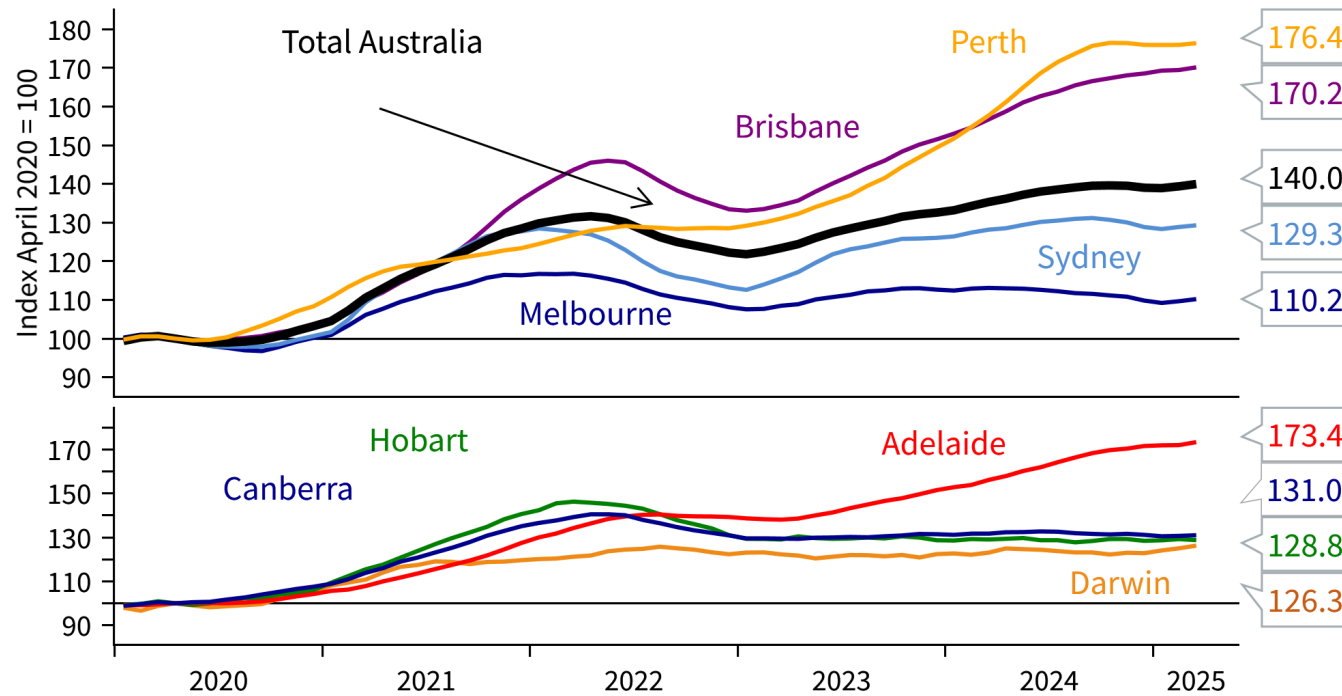
Trimmed Mean Inflation Forecasts



Source: National Australia Bank, ABS, RBA

HOUSE PRICES

Australian Dwelling Prices Since April 2020 (Indexed)



Source: National Australia Bank, Macrobond

- Dwelling prices have risen 0.4% m/m, sustaining the 0.3% rise in February after having fallen by small increments over the prior few months
- Housing sentiment is improving on the back of the highly anticipated RBA rate cut back on February 18.
- We noted last month that the most significant development was the lift in Melbourne dwelling prices where there has been a large gulf in performance to other capital cities since the pandemic. That tentative rebound was sustained in March with Melbourne.

PROPERTY OUTLOOK

1. Market Sentiment:

- 2024 was subdued, but a recent interest rate cut and off-the-plan stamp duty savings are expected to improve sentiment in 2025.
- Growth in the Victorian housing market is anticipated for the second half of 2025.

2. Key Market Indicators:

- Vacancy rates decreased from 4.7% in December 2020 to 1.5% in January 2025.

3. Market Forecasts:

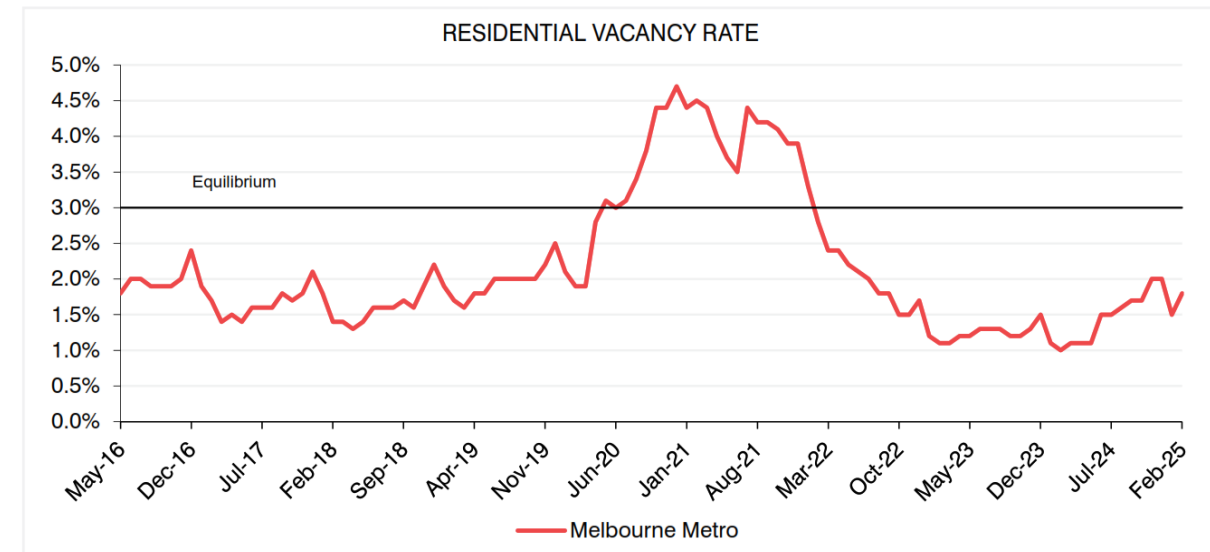
- House prices were initially expected to decline by 4% in 2025 but the recent interest rate cut may lead to nominal growth.
- Unit prices are expected to remain stable in the first half of 2025, with potential growth in the latter half.

4. Supply and Approvals:

- 52,739 dwelling approvals in the 12 months to December 2024, up 1.96% from the previous period.
- Housing Australia forecasts 30,600 net dwelling completions for 2025, down from 33,700 in 2024.

5. Outlook:

- Population growth is rebounding, which will assist with market recovery in the longer term.
- Oxford Economics forecasts stronger growth for both houses and units in 2026-27.
- Increasing migration rates are expected to support price increases and demand for CBD and inner-city apartment developments.



Source: SQM, M3 Property.

*Note: The market equilibrium vacancy rate is considered to be 3%. Vacancy rates higher than this typically represent an oversupplied rental market whilst lower vacancy rates typically represent an undersupplied market.

WHY MELBOURNE?

Population Growth:

- Australia is projected to have 14% urban population growth over the next 10 years, the second highest among the "Living 15" countries after Ireland. Melbourne is forecasted to have the highest population growth among Australian capital cities, with an expected increase of 100,000 people per year from FY24 to FY29.

2. Liveability and Global Rankings:

- Australia ranks 6th overall in JLL's global living markets ranking while Melbourne ranks 4th in the Global Liveability Index for 2024.
- The city is in the top 10 globally for safety, including digital, health, infrastructure, and personal security.
- Two Melbourne universities rank in the global top 50, with the University of Melbourne at 13th and Monash University at 37th.

3. Apartment Market Maturity:

- Less than 8% of Melbourne's dwelling stock is in apartments, indicating significant room for growth.
- It's projected that by 2050, about 20% of Melbourne's dwelling stock will be apartments.

4. Build-to-Sell (BTS) and Build-to-Rent (BTR) Markets:

- The BTS market is facing structural issues with slow sales rates and difficulty achieving pre-sales targets.
- In the BTR sector, over 3,100 apartments across 8 projects were completed in 2024, with 5,960 apartments across 15 projects under construction

5. Supply vs. Demand Imbalance:

- Forecasts predict a significant apartment shortfall of 23,500 units annually between 2025-2028.
- The minimum apartments required per year is 13,000, but the forecast supply is only 7,400 per year.



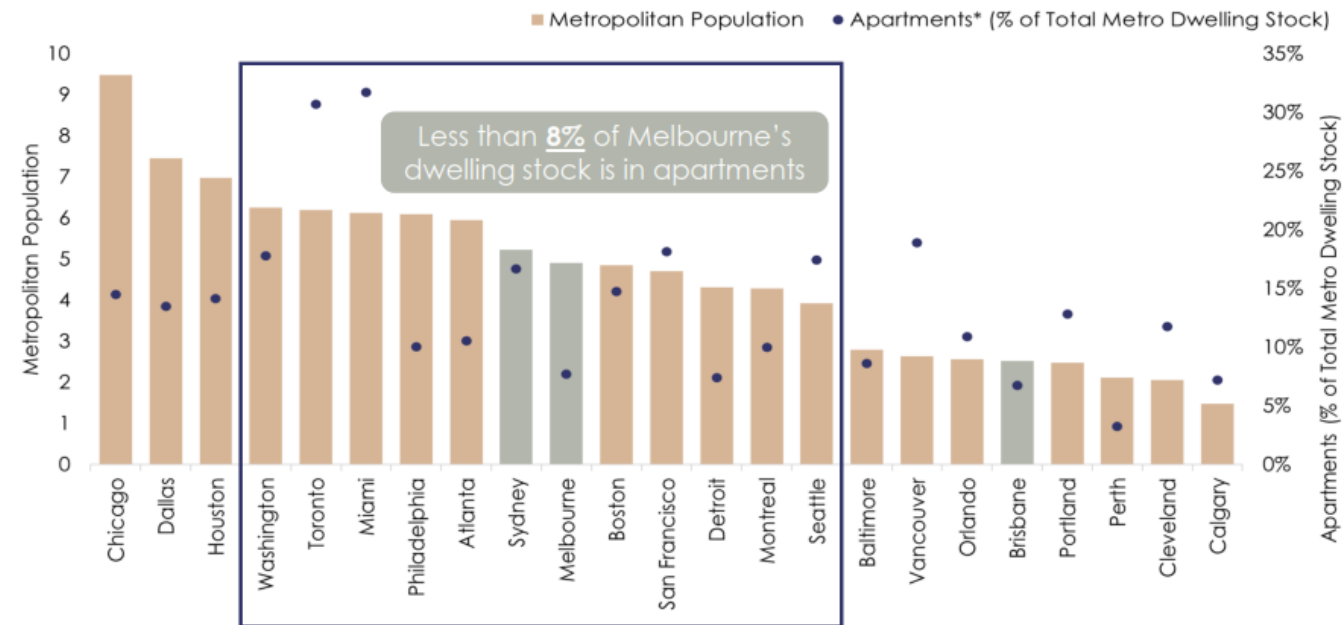
Apartment Market Maturity

Strategic policy to support greater density across metropolitan Melbourne.

Key Take Outs:

- Melbourne's apartment market is small compared to comparable cities across the world.
- Melbourne will indicatively have 20% of the dwelling stock in the form of apartments by 2050.
- This is a huge structural shift and provides a strong narrative for BTS and BTR apartments.

Apartment Market Maturity



Source – ABS, Statistics Canada, US Census Bureau, Office for National Statistics (UK), Charter Keck Cramer

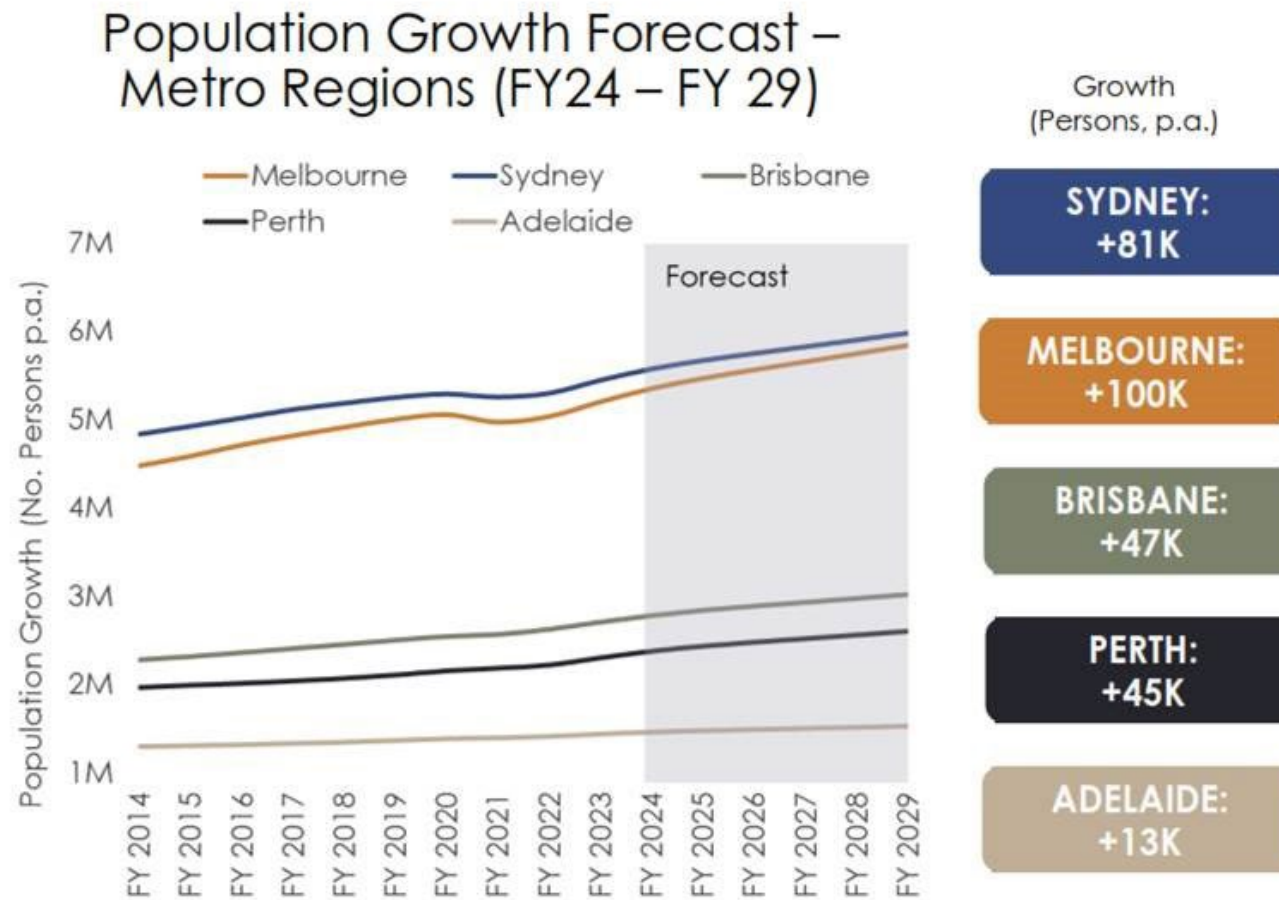
*Within buildings of 4+ levels

Population Growth

Melbourne's population growth will outpace all other State Capitals.

Key Take Outs:

- Population growth drives demand for additional and diverse forms of dwellings.
- Growth has been very strong and is forecast to continue to be strong.
- Melbourne will be the fastest growing city over this period of time.



Source – ABS, CFP, Charter Keck Cramer

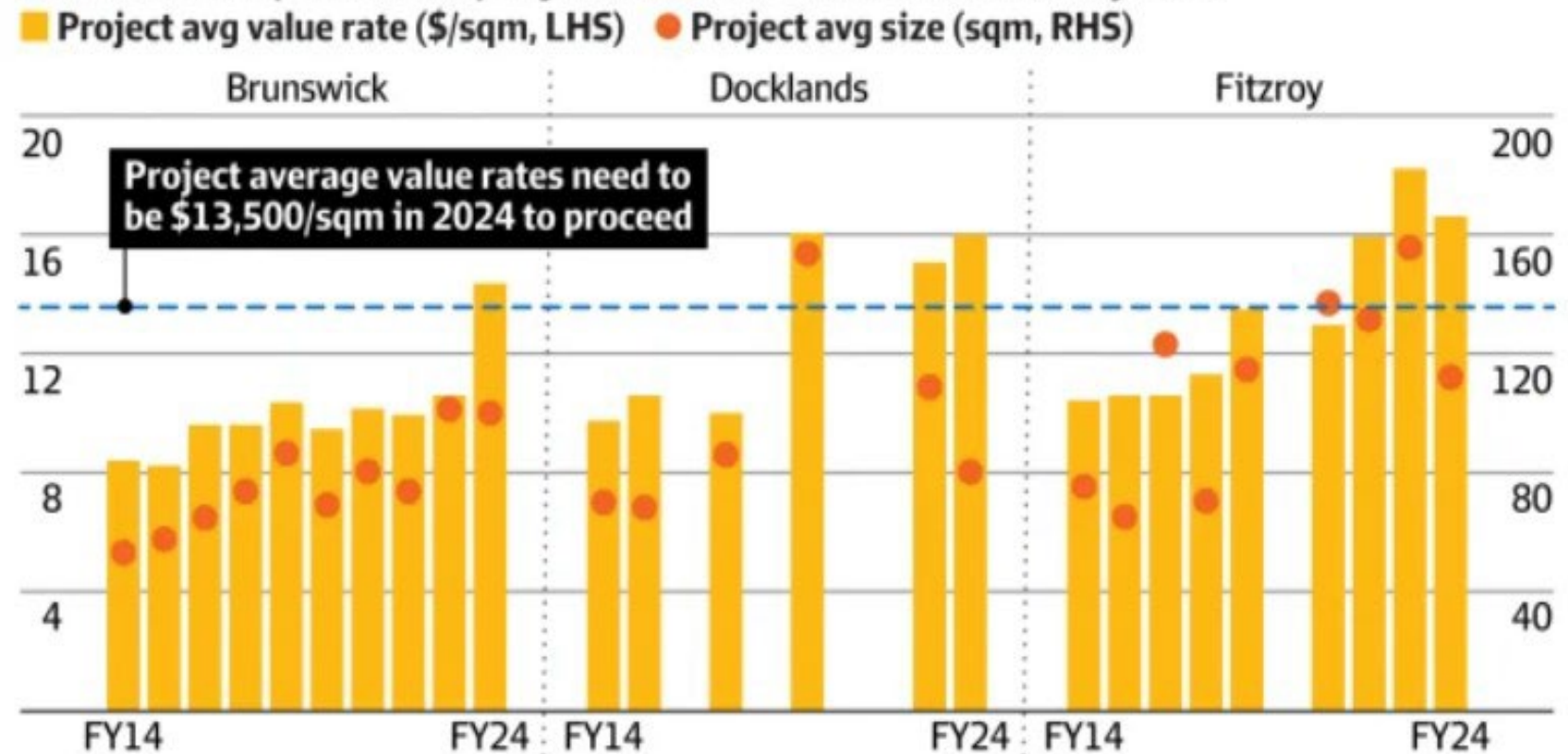
APARTMENT VALUES

Apartment sales Melbourne - The AFR reported that new apartments in Melbourne now need to sell for \$11,000–\$11,500 per sqm, up 20% from previous prices, while established units require a 15% price rise to make new projects viable.

In positive news for the development sector, yesterday, the Victorian Government announced it will invest \$61m in next week's Victorian Budget to slash stamp duty for off-the-plan apartments, units and townhouses for another 12 months. The concession allows a 100 per cent deduction of outstanding construction and refurbishment costs when determining how much stamp duty is owed.

The government first introduced the concession in October 2024, allowing anyone purchasing an eligible off-the-plan apartment, unit or townhouse to claim the benefit. The concession was due to expire in October 2025 and has been extended until October 2026.

Melbourne apartment project sizes and sales rates, 10 years



SOURCE: CHARTER KECK CRAMER

CONSTRUCTION COSTS

PCA have provided an update on construction cost escalations with a focus on Victoria, which experienced the lowest quarterly increase in residential construction costs at 0.3%, reflecting a national trend of slowing growth.

A summary of this article is provided below:

- 1. Residential construction costs grew just 0.4 per cent nationally over the March quarter, the lowest quarterly increase since March 2010, according to CoreLogic’s latest Cordell Construction Cost Index (CCCI).
- 2. The slowdown follows two consecutive quarters of 1.0 per cent increases, bringing the annual rise in construction costs to 2.9 per cent over the 12 months to March 2025 – lower than the 3.4 per cent annual growth seen in December 2024.

The annual change in home building costs has been tracking at or below the pre-COVID decade average of 4.0 per cent since the September quarter of 2023.

“The 31.3 per cent jump in construction costs since the onset of COVID-19 five years ago has created ongoing liquidity and feasibility challenges for builders. Similarly, competition with the booming infrastructure sector for skilled trades is likely to persist for several years at least.”

VIC ESCALATION FORECAST		
SECTOR	JAN - JUL 2025	JUL - DEC 2025
INDUSTRIAL	1.0%	2.0%
COMMERCIAL (MULTI-RES & OFFICE)	3.0%	3.0%
SMALL SCALE (TOWNHOUSE & OTHER)	2.0%	3.0%
CIVIL	2.0%	3.0%

CONSTRUCTION INEFFICIENCY

Productivity Commission report - Construction productivity falls - Furthermore, The Australian reported that dwelling construction productivity fell 39% over 20 years, with a 25% drop for standalone houses and 14% overall in the past decade, while the broader economy's labour productivity rose 24%. New home completions need to rise 40% to hit the 1.2m target, requiring 60,000 homes per quarter – a rate never sustainably achieved. High costs, workforce shortages, and lagging innovation have made housing one of the least productive sectors, with 64% of firms citing a lack of skilled workers as the main barrier. (*Home builders' productivity in free fall, putting at risk one of Albanese's top election promises*, Simon Benson, 19/05/25)

COMMERCIAL ASSETS

Melbourne CBD office vacancy is still at 18%.

The AFR reported that office attendance across Australia's CBDs plateaued at around 76.6% of pre-COVID levels in Q1 2025, with Sydney leading at 81.7%, Melbourne lagging at 63%, and Brisbane at 79%. Despite employer efforts to boost return-to-office rates, public sector resistance and sector-specific work-from-home trends limited recovery, contributing to weak investor demand and a “buyer’s strike” in Melbourne’s office market. (Return to office momentum may have peaked: Barrenjoey, Campbell Kwan, 21/05/25)

MELBOURNE: CBD office quarterly performance (% QoQ)

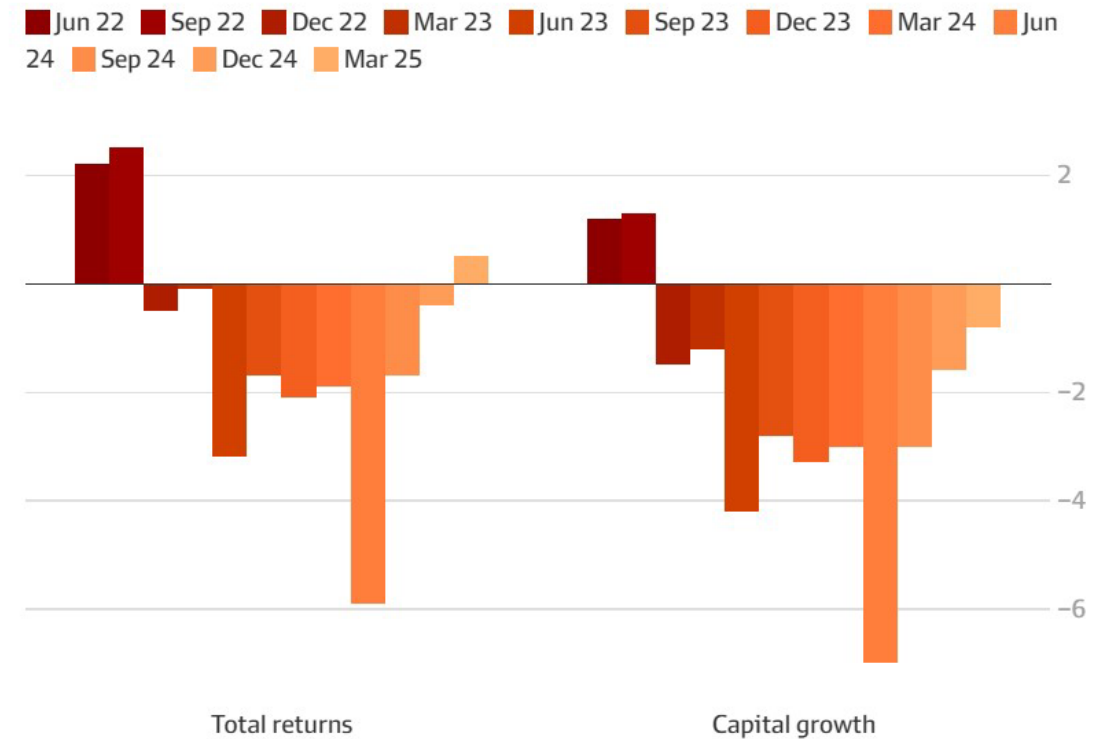


Chart: Financial Review • Source: MSCI

WHERE ARE WE WINNING?



Victoria has seen strong activity in houses and townhouse developments along with the ongoing demand for low-rise home units. Ironically, Victoria has also experienced the highest residential project abandonment rate in Australia in recent months.



A steady flow of small to medium commercial construction projects continues, even in the face of economic challenges, with the industry having adapted to higher interest rates, rising construction costs, and lower profit margins.

WHERE ARE WE WINNING?



Competition among builders has intensified more than for other industry players, creating price pressures that are affecting project completions. As a result, builders are prioritising projects they work on by maintaining their medium-term pipelines, reflecting a sense of cautious optimism.



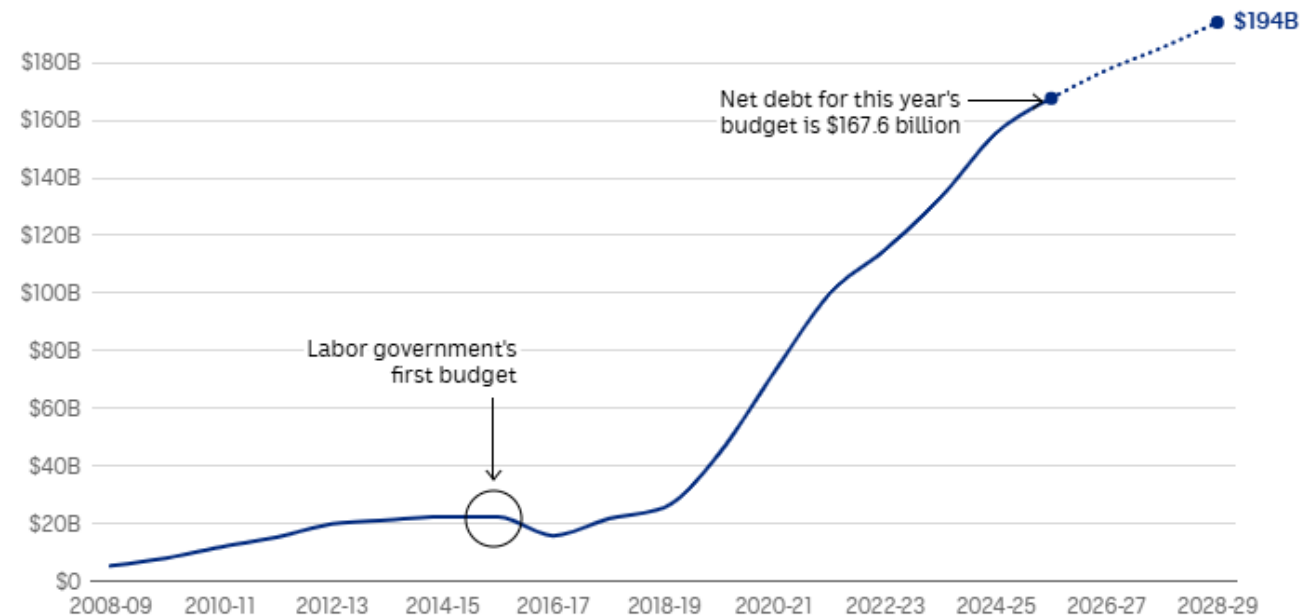
There is a growing emphasis on sustainability, with developers increasingly using energy-efficient materials and carbon-neutral building materials and techniques. Infrastructure projects focused on renewable energy are on the rise, contributing to a broader shift towards eco-friendly construction practices.

VIC STATE BUDGET

Optimistic growth assumptions help keep debt profile steady

- Victoria's 2025-26 budget, released last week, showed only modest changes in the State's bottom line deficits relative to the mid-year update in December. Borrowings are projected to be nearly unchanged through 2027-28 (relative to mid-year), and the goal of keeping net debt to Gross State Product (GSP) flat or declining over the forward estimates has been achieved.
- Years of spending have seen Victoria's net debt balloon to more than \$167b and this is expected to rise even further to about \$194b in years time. The govt has linked the rise to increased spending on infrastructure projects and the COVID relief programs in the past

Net debt in billions of dollars (\$AUD).



ABC News / Source: Department of Treasury / [Get the data](#)

VIC STATE BUDGET – PREDICTED REVENUE

Payroll taxes



Stamp duty and financial transaction taxes



Land taxes



Motor vehicle taxes



Gambling taxes



Insurance taxes



Other



ABC News / Source: Department of Treasury / [Get the data](#)

VIC STATE BUDGET – ESTIMATED EXPENDITURE

Function of government	2024-25	2025-26	Change ▼
Housing and community amenities	\$1.99B	\$2.73B	38%
Recreation, culture and religion	\$1.2B	\$1.5B	25%
Economic affairs	\$3.57B	\$4.15B	16%
Transport	\$8.89B	\$9.33B	5%
Education	\$24.39B	\$25.55B	5%
General public services	\$10.38B	\$10.8B	4%
Health	\$32.69B	\$32.98B	1%
Public order and safety	\$12.17B	\$11.74B	-4%
Social protection	\$9.7B	\$9.23B	-5%
Environmental protection	\$1.35B	\$1.09B	-19%

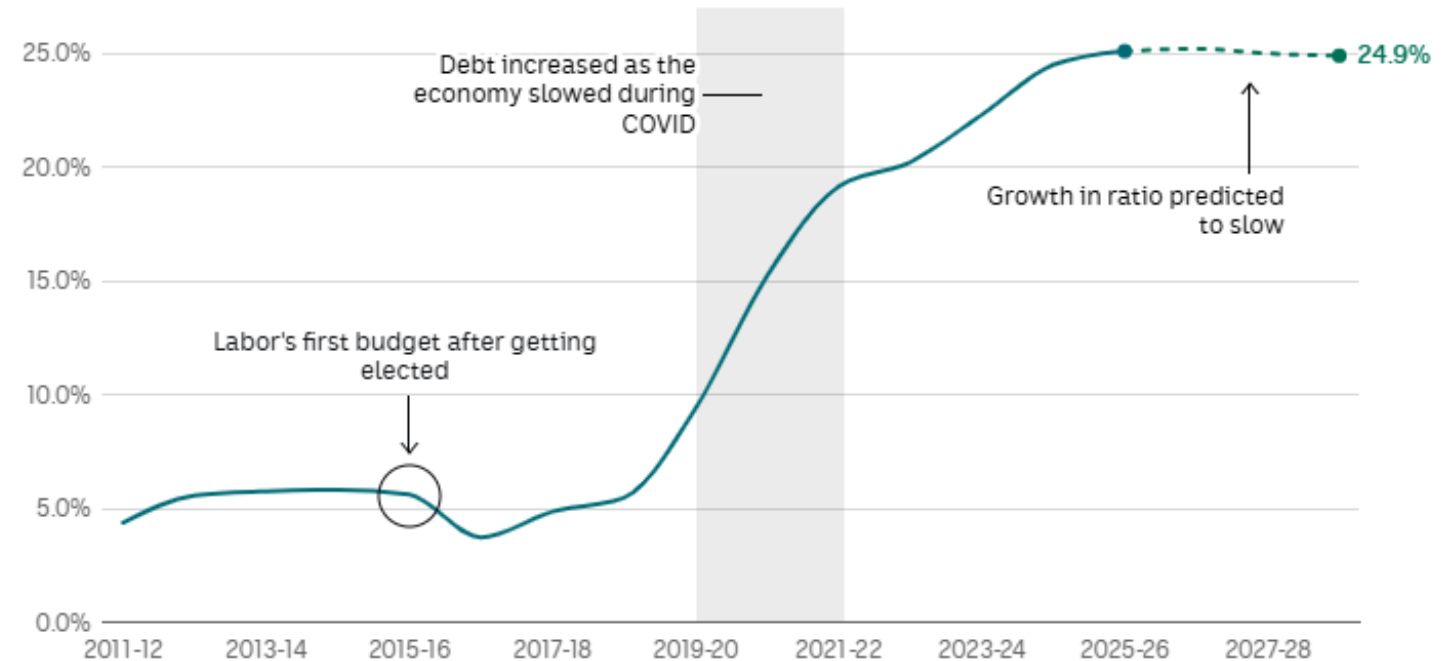
ABC News / [Get the data](#)

VIC STATE BUDGET

- But another way to look at debt is to compare it to the overall size of the state's economy.
- This figure is called Gross State Product (GSP), which is calculated by adding up all the goods and services a state produces.
- After years of growth, this budget expects debt to be about 25 per cent of the total economy this financial year.
- The number is predicted to barely move in the coming years. By 2028-29, it's expected to decrease slightly, to 24.9 per cent of the economy.

Victoria's debt measured as a percentage of its economy

Net debt as a proportion of Gross State Product (GSP), which calculates the value of goods and services produced by Victoria.



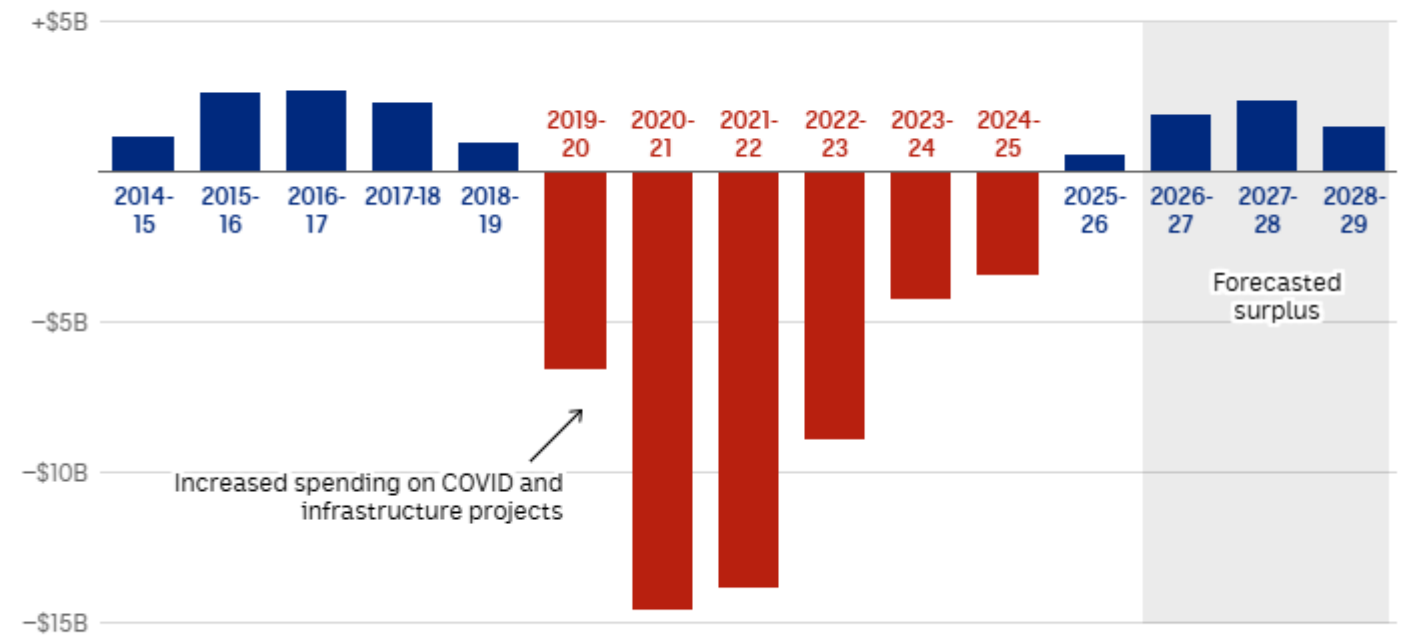
Source: Department of Treasury / [Get the data](#)

VIC STATE BUDGET

The Victorian government has also predicted the next financial year will deliver a surplus for the first time since the 2019-20 financial year and the surplus is expected to increase in the years after. Victorian treasurer Jaclyn Symes says stabilising the GSP ratio and achieving an operating surplus is a sign Victoria's economy is on the right track.

The Victorian budget is projecting a \$600 million surplus

Total government revenue minus total expenses in billions of dollars (\$AUD).



ABC News / Source: Department of Treasury / [Get the data](#)

BANK APPETITE

Noting the current chronic undersupply of new dwellings, NAB is actively working with developers on finding solutions that can work.

- Presale flexibility and ways to structure takeout debt on residual stock
- Appetite for all asset classes including residual, industrial, commercial and specialised including construction and investment to hold
 - Property market and property finance experts
 - Focus on the client and track record and delivery risk

Milijana Bojic

milijana.x.bojic@nab.com.au

0452091871

The New Normal: Victoria's Real Estate Market Post
Federal Election and State Budget



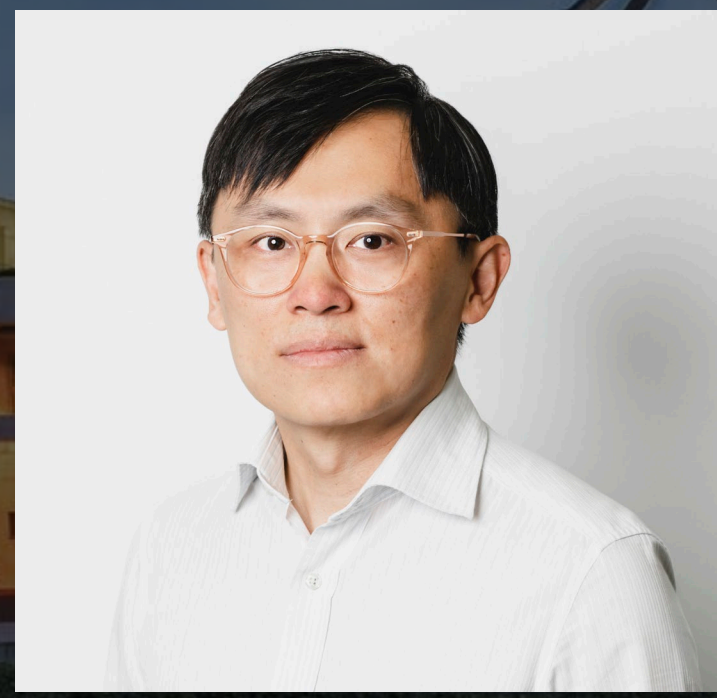
Simon Aitken

Partner, Director – Tax at
RSM



Milijana Bojic

Executive, Head of
Property Finance VIC
at NAB



Eric Loi

Founder and
Managing Director at
Prime Edition



Tze Chiang Goh

Associate Director at Charter Keck Cramer &
Executive Committee of APAA

Q&A With Sli.do



Scan QR Code or Search Sli.do



Appreciation

Our Event Partner



AUSTRALASIA
PROPERTY ADVISORY
ASSOCIATION



RSM

Annual Sponsors

