What investors can learn from 20 years of property dat

“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,” says John Winter. **Louie Douvis**

Michelle Bowes *Wealth reporter*

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Farms were the surprise top performer of the Australian property market over the past 20 years, powered by high commodity prices, favourable weather conditions and – until recently – low interest rates, a new report has found.

Agricultural property values rose by 256 per cent over the past 20 years, compared to 164 per cent for industrial property (such as warehouses), 154 per cent for residential property, and 143 per cent for office property, according to analysis from the Australian Property Institute valuation report.

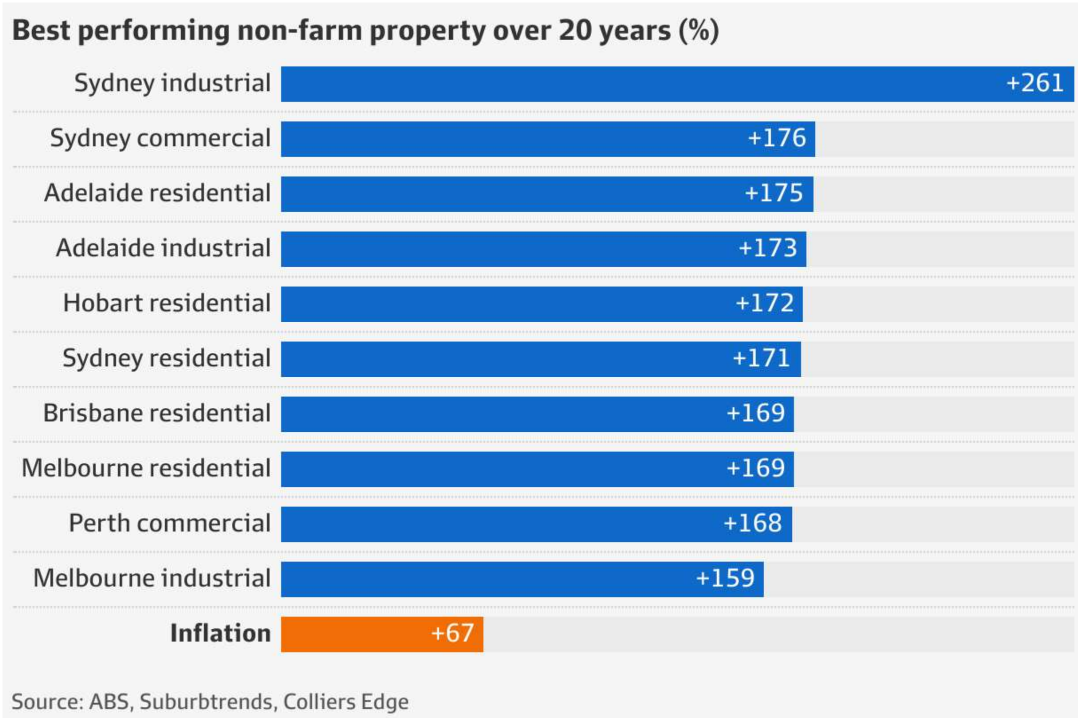
"The old saying that you should invest in land because they're not making any more of it rings true," says John Winter, chief executive of the Australian Property Institute.

On an annualised basis, that equates to growth of 13 per cent a year for agricultural property, 8 per cent for industrial property, 8 per cent for residential property and 7 per cent for office property.

But regardless of which part of the property market you were invested in, if you've been invested for the long term, it's fair to say you've done pretty well.

"Inflation was 67 per cent over that same period, so even poor performing regions or asset classes have still done much better than CPI," Winter says.

When looking at the top 10 property assets, farmland takes out the six top spots. Excluding these, Sydney industrial property was the best performer, following by Sydney offices and Adelaide houses.



The growth of Australian residential property prices over 20 years

While Sydney may boast the highest median house price, it didn't take the crown for the capital with the biggest growth in house values over the past 20 years.

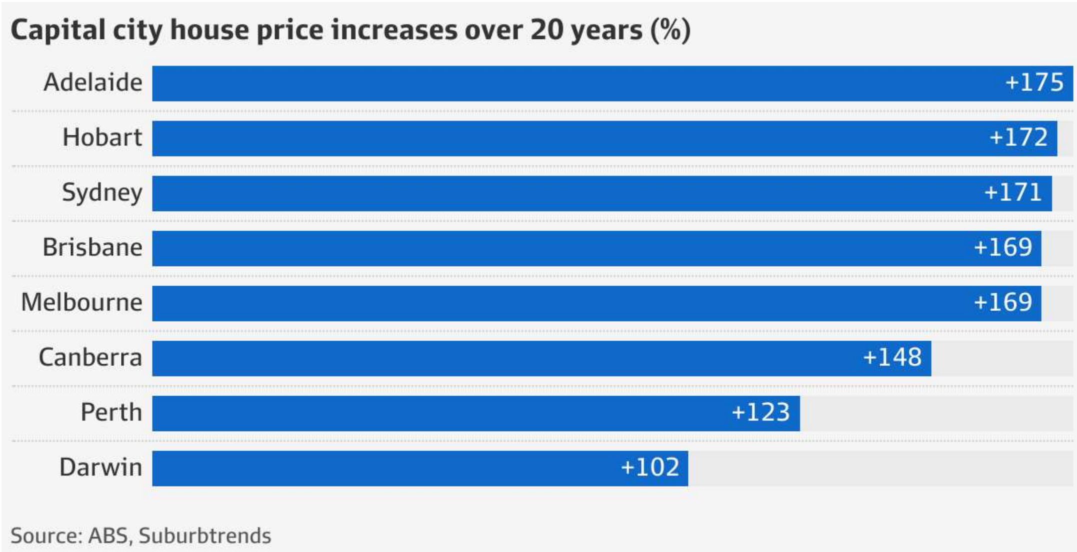
That honour fell to Adelaide houses, recording average growth of 175 per cent between 2005 and 2024. And looking ahead, there's another contender on track to take that crown in the future.

"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," Winter says.

Hobart houses ranked second with growth of 172 per cent, pipping Sydney, Brisbane and Melbourne, with Canberra, Perth and Darwin lagging behind.

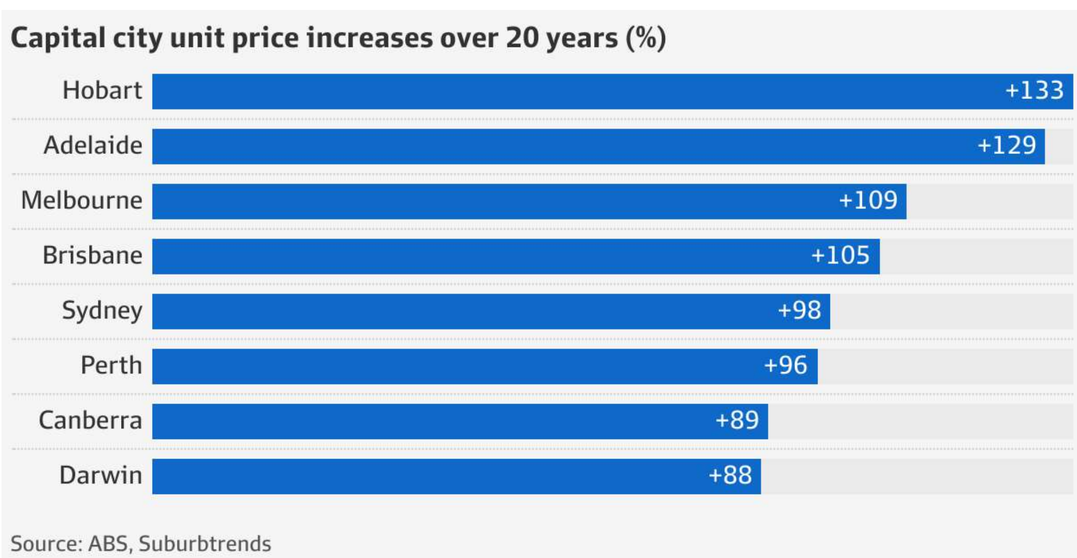
Winter says population growth from international migration – and internal migration trends – coupled with a lack of supply will continue to push house prices up.

“Seeing growth outside of the behemoth centres of Sydney and Melbourne really is a reminder that as those two cities are getting bigger, people are going to start looking for other opportunities, and it’s going to drive prices up in other areas.”



Looking at unit prices, it was Hobart that produced the strongest 20 year return at 133 per cent, followed by Adelaide (129 per cent) and Melbourne (109 per cent).

Unit prices rose 105 per cent in Brisbane, trailed by Sydney, Perth, Canberra and Darwin, which all recorded high double-figure increases.

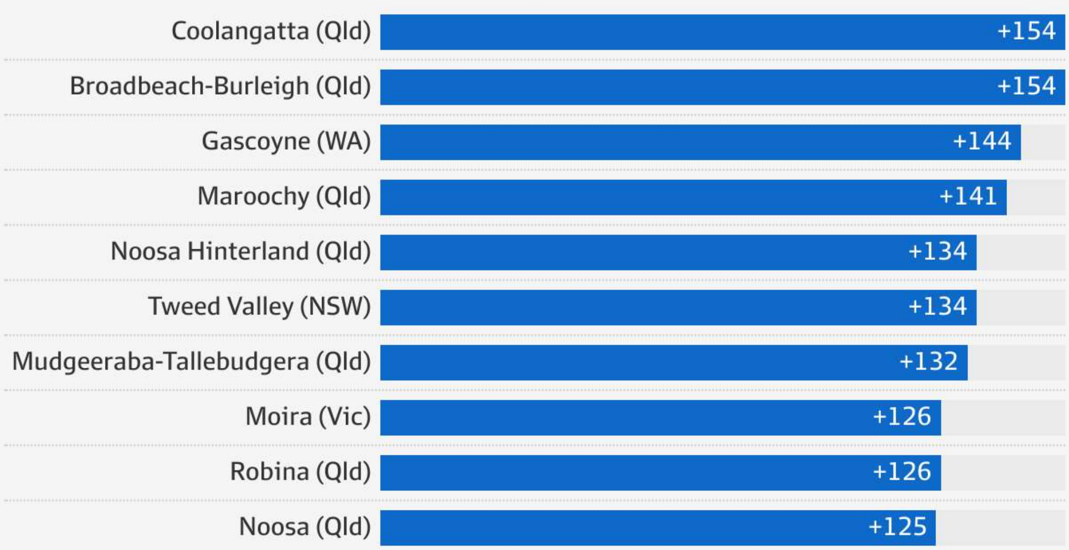


Due to data limitations, regional house prices are only tracked back 10 years, from 2015-24, but during that time, Queensland locations were the chief beneficiaries of sea change and tree change interest, taking out seven of the top 10 best performing locations.

In Queensland, the top-performing regional markets for houses were Coolangatta, Broadbeach-Burleigh, Maroochy and the Noosa hinterland.

Gascoyne, in WA's north (which encompasses towns such as Carnarvon and Exmouth) Moira, in Victoria's north (which borders NSW and takes in Yarrawonga) and the Tweed Valley in the far north of NSW (bordering Queensland) were the only locations outside of Queensland to make the list.

Regional house price increases over 10 years (%)



Source: Suburbtrends, ABS

Residential property outperforms equities

Going back 50 years to 1974, Sydney was the best performing market for houses, with a staggering 3800 per cent increase in prices.

But Brisbane wasn't too far behind, with growth of almost 3500 per cent, and the report predicts that 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".

Place Estate Agents chief executive Damian Hackett says suburbs like Herston, Kelvin Grove, Spring Hill, Bowen Hills, Fortitude Valley, Woolloongabba, East Brisbane and Kangaroo Point are among those likely to experience strong price growth due to the development of Olympic infrastructure.

The return on Sydney and Brisbane houses over 50 years has also outpaced Australian shares (excluding dividends). The All-Ordinaries Index returned 3120 per cent over the same time frame.

"You generally think that equities are going to outperform in the long term, but actually, they haven't," Winter says.

Nerida Conisbee, chief economist at Ray White, says that the 50 years since 1974 saw property investing evolve from the domain of the wealthy to become the preserve of ordinary "mum and dad" investors, which fuelled prices.

And based on strong population growth and the inability for housing supply to keep pace, she says it is entirely possible residential property – and in particular houses – may continue to perform in line with or outperform the equity market over the coming 50 years.

"If you have a look at established areas around Australia, the only way we can keep building houses is to keep going out on the fringe. You can't build more houses in Point Piper, for example."

Unit prices rose more modestly over the same 50-year period, but there are signs of a reversal of this trend as houses become increasingly unaffordable. For example, in the past year, Brisbane house prices grew by 13 per cent, while units prices in the city grew by 17 per cent.

Conisbee says apartment prices are currently growing faster than house prices, a phenomenon that doesn't occur often. "There hasn't been much apartment building taking place for quite some time so that's really created a lot of pressure on unit prices," she says, especially in Brisbane and south-east Queensland, Perth and Adelaide.

As houses become increasingly unaffordable, she says its more likely people will settle for apartments, increasing their demand.

Farm property booms on renewables and carbon

On a state-by-state basis, Tasmania recorded the biggest surge in the value of farmland over 20 years, followed by Victoria, Queensland and South Australia, with growth from 2020 to 2022 particularly strong.

Alan Hives, a certified practising valuer with Preston Rowe Paterson, says the boom represented a "generational, maybe once-in-a-century" confluence of events that included favourable climatic and growing conditions, low input costs and high commodity prices.

Given the surge in farmland values it's little surprise that farmers are among the most stridently opposed to the government's plan to increase the tax on the earnings of super balances above $3 million. Many farmers own their farm property in a self-managed super fund and around 3500 are likely to be affected by the new tax.

But not all farms in all states are created equal, and on a regional basis those in the Wimmera – in western Victoria – were the top performers, recording average price growth of 802 per cent, underpinned by renewable energy projects.

Conisbee says that 2021 and 2022 delivered annual growth rates for farmland of around 25 per cent, but the farmland price boom "has hit the brakes" since with growth of just 2 per cent in 2024.

While the boom was widespread across Australia, Consibee says local factors are once again having a greater impact on values.

“We tend to find land values do increase during better weather conditions, particularly for cropping,” she says, and with parts of Victoria and South Australian in drought, farm values there are being affected.

While growth in farmland values may no longer be as large or as widespread going forward, there are still opportunities, Winter says. The shift to renewable energy presents an opportunity for farmland to host renewable projects, such as solar or wind farms, and carbon farming is also driving growth, something that is likely to provide long-term tailwind for prices.

“Forestry emerged as 2024’s standout performer with 48.6 per cent growth, reflecting increasing investor interest in carbon farming,” Conisbee says.

CBD office property investments continue to struggle

While they’ve recorded reasonable growth over the past 20 years, offices – and especially those in CBDs – were hit hard by COVID-19, and the continued shift to working from home.

As a result, the growth of commercial office property has barely kept pace with inflation since 2015, the report found, with the cumulative rate of inflation since that time at 29 per cent, while office property prices have risen by an average 36 per cent.

Offices in Sydney, Canberra, Brisbane and Melbourne outperformed that figure, while Perth and Adelaide underperformed it.

But while the impact of COVID-19 may have affected returns over the past 10 years, it did not wipe out gains made in the previous 10 years, with the most recent decline in valuations less than a third of the size of the 1990s bust, the report found.

Optimism is growing that Australia's office sector, with the exception of Melbourne, is entering an upswing, the report found, with Melbourne offices declared the "biggest loser with more than 1 million square meters of vacant space and valuations under pressure".

In addition, owners there are grappling with the new state-based commercial and industrial property tax which began on July 1, 2024, with many leases not allowing this tax to be passed on to tenants.

"Melbourne is not the flavour of the month," says Greg Preston, chair and managing director of capital city valuers Preston Rowe Paterson.

Industrial property growth worth the investment

In stark contrast to office valuations, which suffered due to the pandemic, the value of industrial properties such as warehouses surged during COVID-19 as supply chain disruptions forced companies to hold higher inventory levels and online shopping boomed.

These trends drove Sydney industrial warehouses to emerge as the highest performing non-farm property sector over the past 20 years with a return of

261 per cent.

The report found that warehouse vacancy rates fell to zero at times during the pandemic, pushing rents higher.

Conisbee says values for urban fringe warehouses and those in inner-city areas which service "last-mile" logistics will continue to grow as our population grows.

"The bigger we get, the more warehousing plays a role."

She adds that rising construction costs are also hitting warehouse construction, meaning that existing warehouses will be increasingly attractive.

Research by Colliers suggests that supply constraints could emerge in the next four years as the dual tailwinds of a growing population and the ongoing growth in online shopping provide prolonged momentum for logistics and warehouse industrial properties.

Tom Rowe, a partner at McGees Property, says a chronic undersupply of appropriately zoned land close to existing infrastructure and transport for warehouse facilities is a challenge being faced in all Australian cities.

"For the next five, 10 or even 20 years, it is going to be a supply-side story in industrial," he says.

Demand for data centres is another trend likely to drive further growth in values of industrial property, Winter says, but they can’t be put just anywhere, with high demands on electricity and water.

“Data centres are quite a unique beast in their specific requirements, and the areas that are going to have approved development opportunities and the necessary infrastructure to support what is a very high-demand service aren’t that frequently found.”

The majority of Australia’s data centres are currently found in Sydney or Melbourne.

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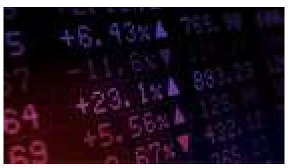

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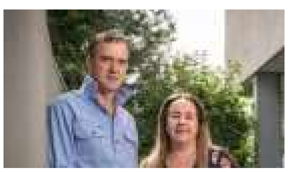

Property prices

10 suburbs for property investors to target in 2025

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