Intelligent Investment

Apartment vacancy and rent outlook

REPORT —————

Demand, supply, vacancy and rents for Australian apartment

CBRE

Apartment Outlook

Rent outlook

CBRE expect median rents to grow by 24% between 2025-2030, across 53 precincts in Australian capital cities.

By 2030, 92% of 2-bed apartments are forecast to have rents exceeding $700/week (33% exceeding $1000/week).

We expect capital city vacancy will fall further to 1.1% by 2030 from 1.8% in 2025. These tight conditions will endure as vacancy stays at around half of the previous decade average of 2.5%.

Construction and capital value

Historically, capital values have grown at 3x construction cost growth. This unlocks land and encourages supply. But in the past 4 years, construction costs (+33%) have out-stripped value growth.

In our view, capital value for residential projects will accelerate significantly higher to ensure a healthy ecosystem for developers.

Our analysis indicates newly built apartments trade at a premium to older vintages. For example, newly built two-bedroom apartments are at 30% price premium to older vintages.

Newly built apartments also have a rent premium. In Sydney, newer build apartments exhibit ~20%-35% rent premium to older vintages in same suburb. In Melbourne, the rent premium varies between 0%-20%.

Demand to rent

We see c$960bn of additional income in the system to support mortgage, rents and other living expenses.

Over the next 10 years, demand for housing is expected to benefit from the triple boost of rising population (+4.1m), rising jobs (+2.8m) and rising income (+$39k).

Monthly rents are 30-40% cheaper than alternate buy options at current prices.

Supply

CBRE forecast the future supply of apartments is likely to hover around 60,000 pa over 2025-30. Australia's forecast population growth requires apartment supply of ~75,000 pa to avoid further falls in vacancy.

Sydney: Apartment delivery to average 11,700 pa over 2025-30, well below 30,000 pa demand for total housing stock. Vacancy rate is set to fall from 2.0% to 1.2%.

Melbourne: Apartment delivery to average 9,000 pa over 2025-30, nearly 25% below Sydney. Demand for housing stock (apartments and communities) is likely to average 38,000 pa over the next 5 years. This should continue to drive down city-wide vacancy from 2.1% to 1.4%.

Brisbane: Apartment delivery to average 4,600 pa over 2025-30. Demand for housing stock (apartments and communities) is likely to average 16,000 pa which will drive down city-wide vacancy from 1.1% to 0.7%.

Rent Outlook

CBRE expect median rents to grow by +24% between 2025-2030, across 53 precincts in Australian capital cities. This follows the 51% growth over the previous decade. After modest growth in 2025 & 2026, rents are likely to surge higher in 2027 & 2028 from tightening vacancy and higher outgoings.
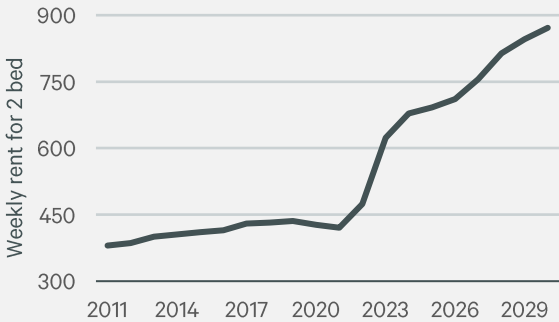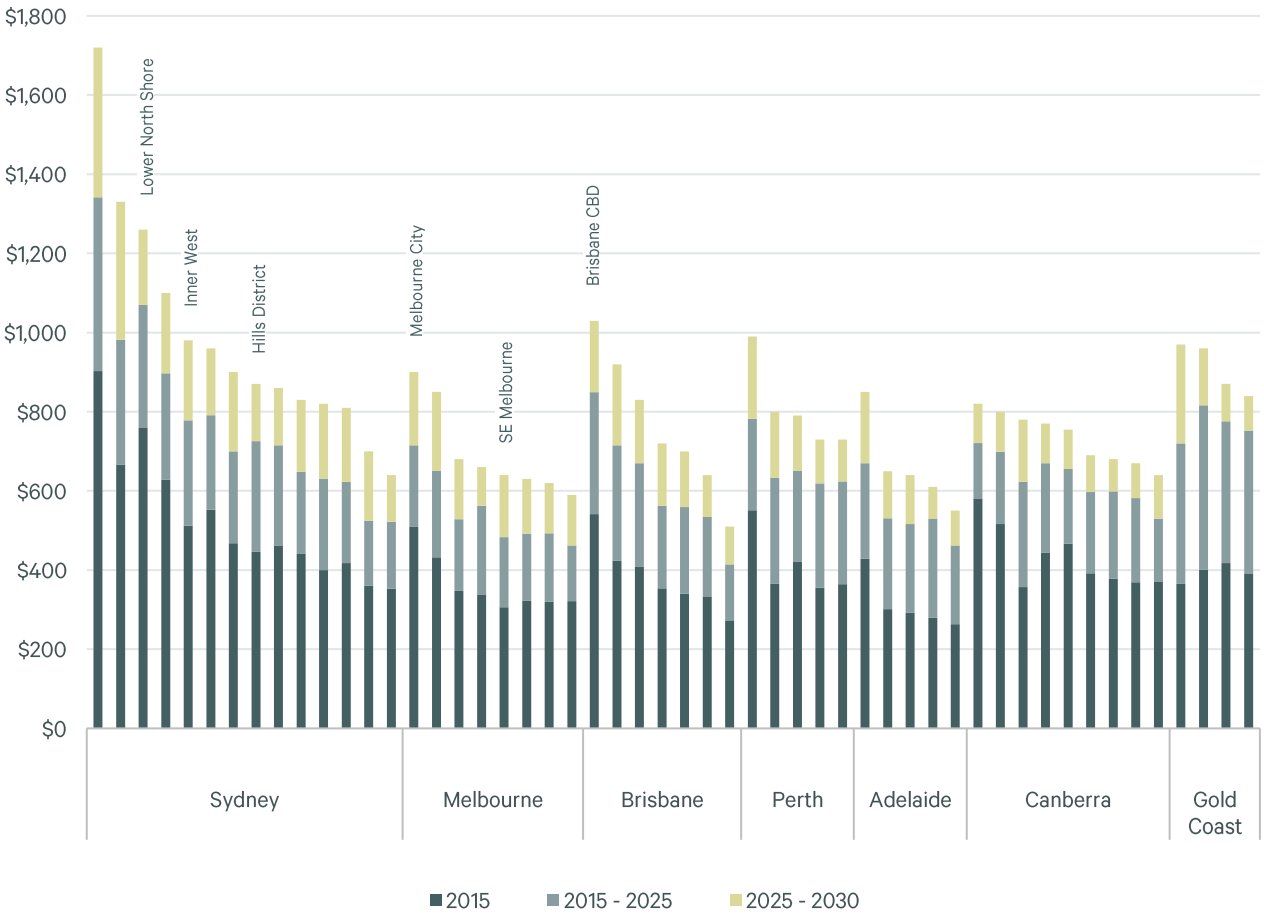
Figure 1: Apartment rents over time.

Figure 2: Apartment rents (2 bed) across Australian city precincts

CBRE Research

Vacancy Outlook

CBRE forecast that Capital City vacancy will fall to 1.1% by 2030 from 1.8% in 2025. By the late 2020s, we forecast apartment vacancy will be at half of the previous decade average of 2.5%.

A balanced market for apartment rentals would typically see vacancy around 4-5%. For most markets, vacancy has remained below 4% during the previous decade, except for the 2020/21 lock-down periods.

We forecast the annual absorption rate of house and apartments is c170k-200k pa.

Some of the markets where we expect to see the sharpest falls in vacancy include suburbs in:

| Eastern Suburbs, Lower North Shore, Northern Beaches and Parramatta in Sydney	Brisbane's CBD and South East	Melbourne's Inner East and South East suburbs, including Bayside	Perth CBD and South West

The vacancy situation is already extremely tight (sub 1%) in large parts of Adelaide and the more affordable suburbs in Melbourne and Sydney.

Figure 3: Vacancy outlook across Australian city precincts

CBRE Research, SQM

Jun-28   Jun-25
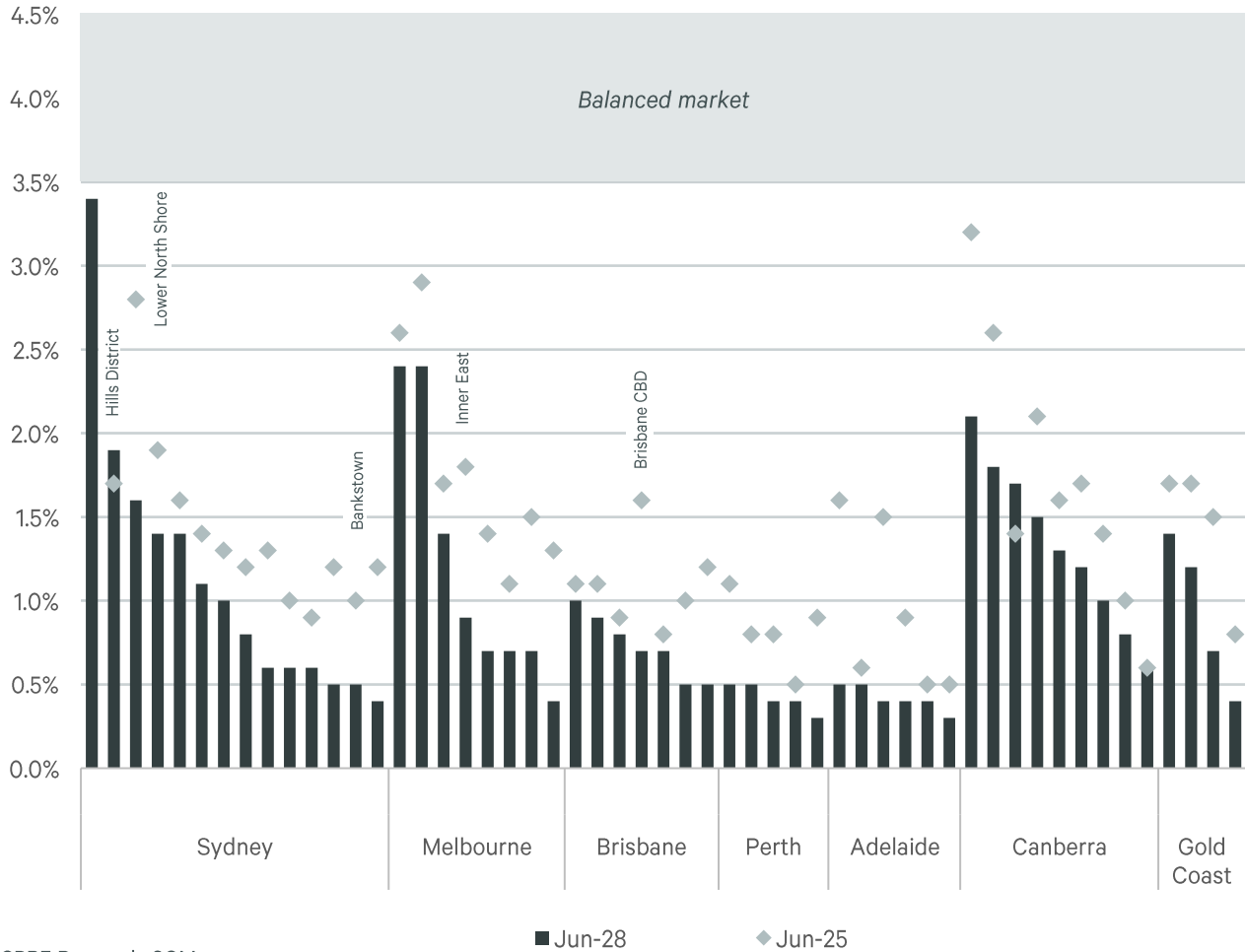
Demand "triple boost"

The demand for housing is expected to benefit from the triple boost of rising population, rising jobs and rising income. Collectively, this wealth effect will add ~$960bn of income over the next decade (vs $620bn in previous decade). A significant portion is likely to be directed towards housing & living. The average Australian spends 13%-20% of income on either rent or mortgage servicing.

Figure 4: Triple boost of population, jobs and income
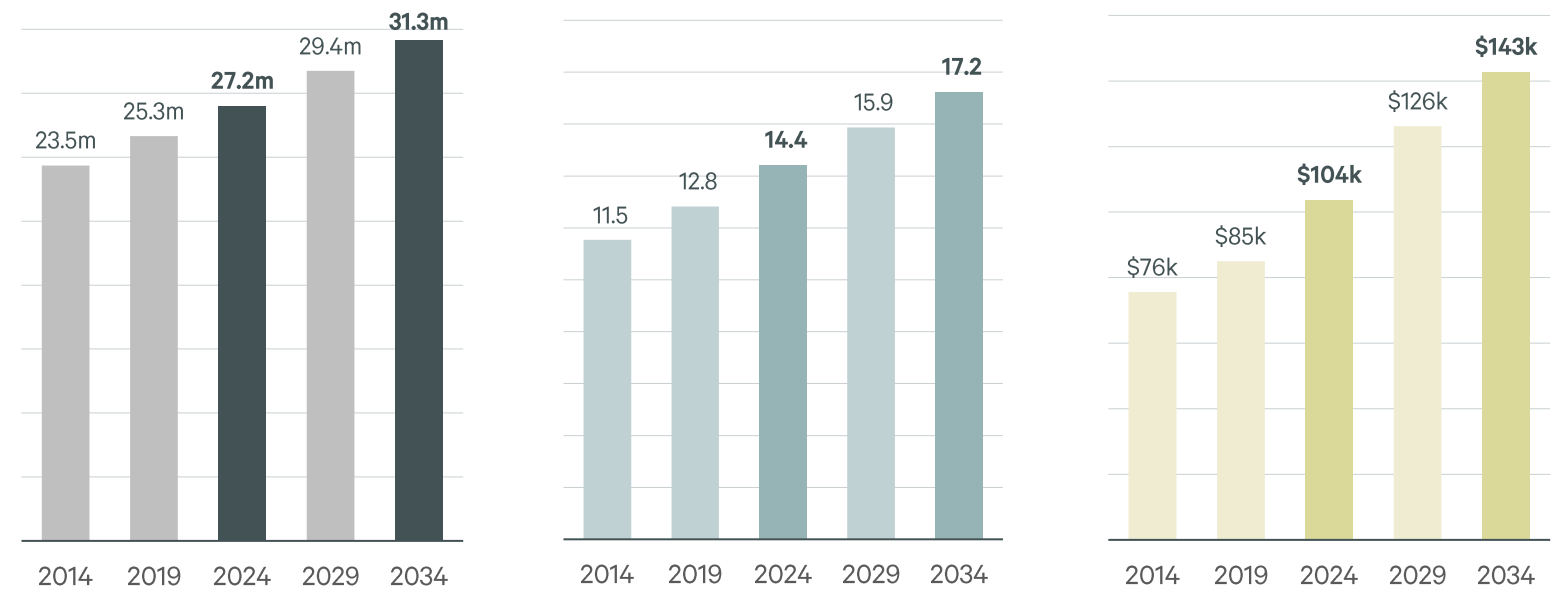
Population growth

Immigration is likely to contribute to two thirds of Australia's population growth, from 27.2m in 2024 to 31.3m by 2034.

Jobs, jobs, jobs

The employment market has been particularly robust, adding 1.5m workers between Mar 2020 to Jul 2024. We see employment growing from 14.4m in 2024 to 17.2m in 2034.
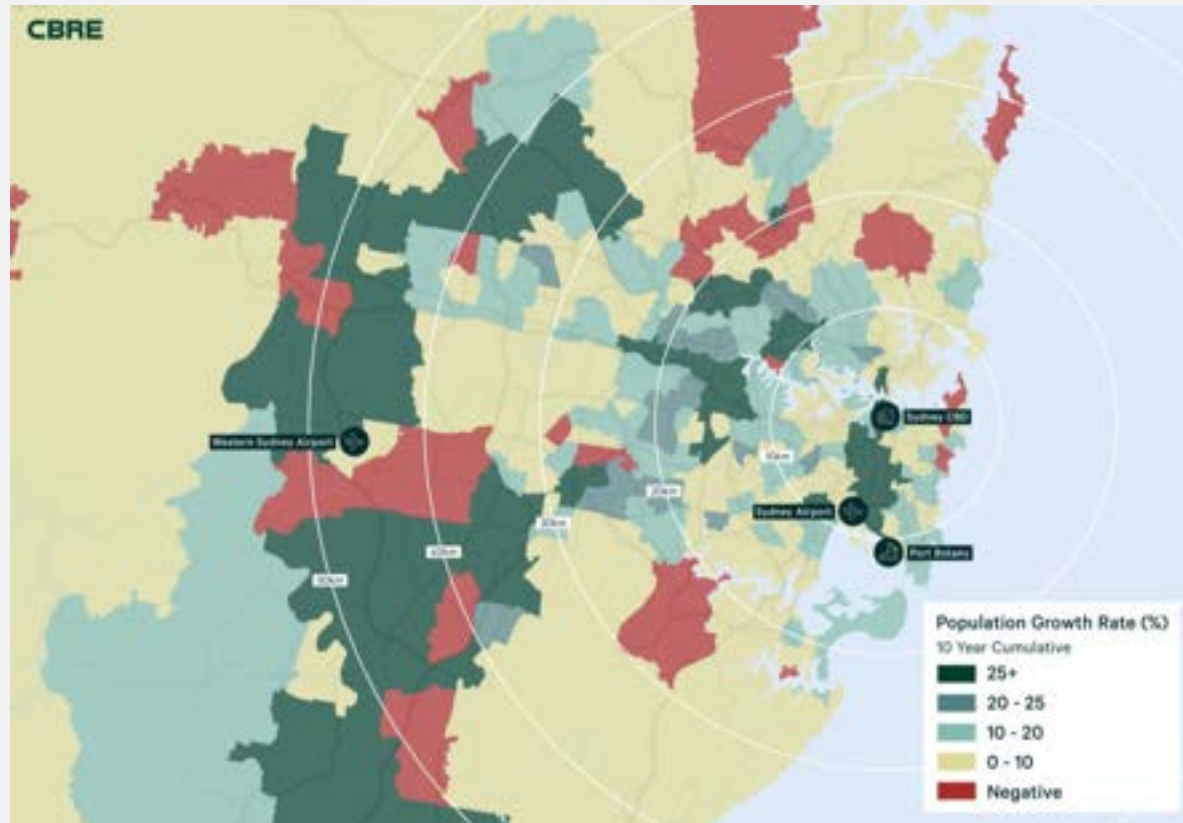
Rising income & wealth

We see average annual income increasing from $104,000 currently to $143,000 pa by 2034.
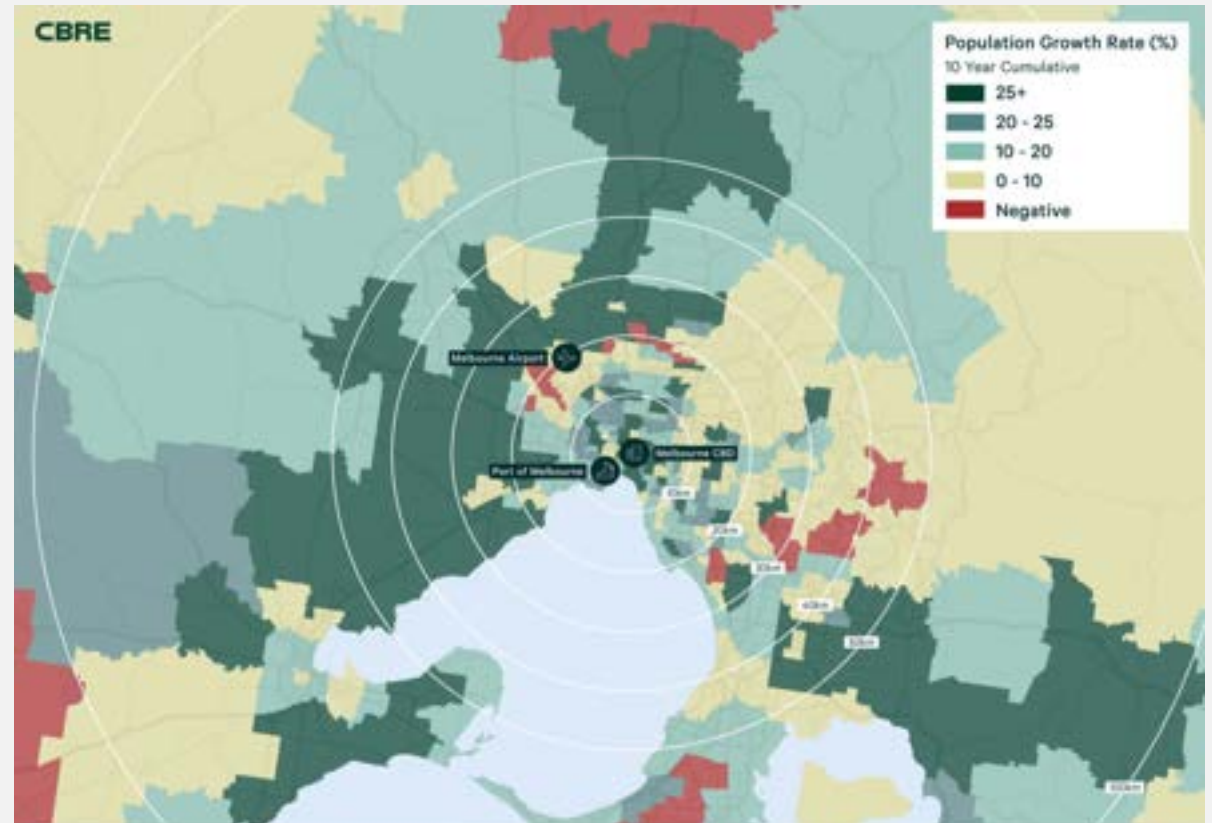
ABS, 2023 Intergenerational report, CBRE Research

Zeroing in on demand

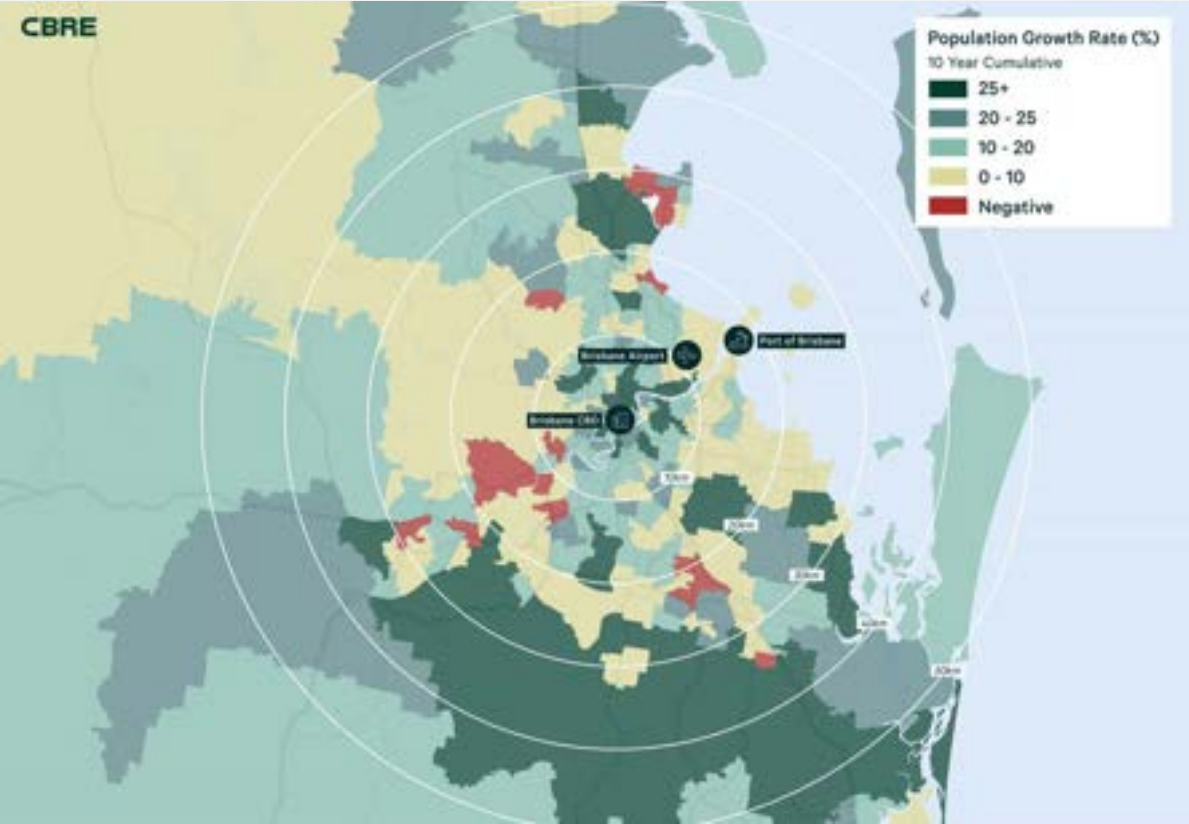**Sydney heatmap. Population growth 2021-2031**
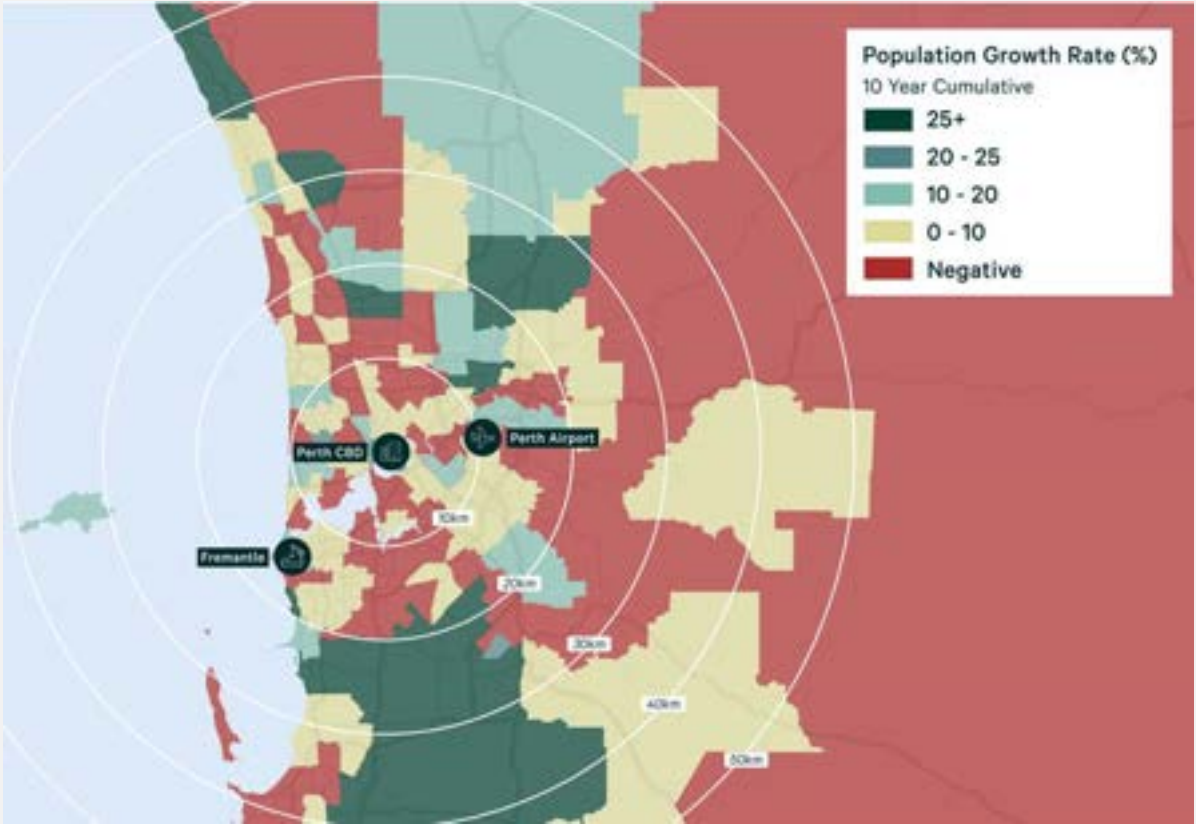
Melbourne heatmap. Population growth 2021-2031

Zeroing in on demand
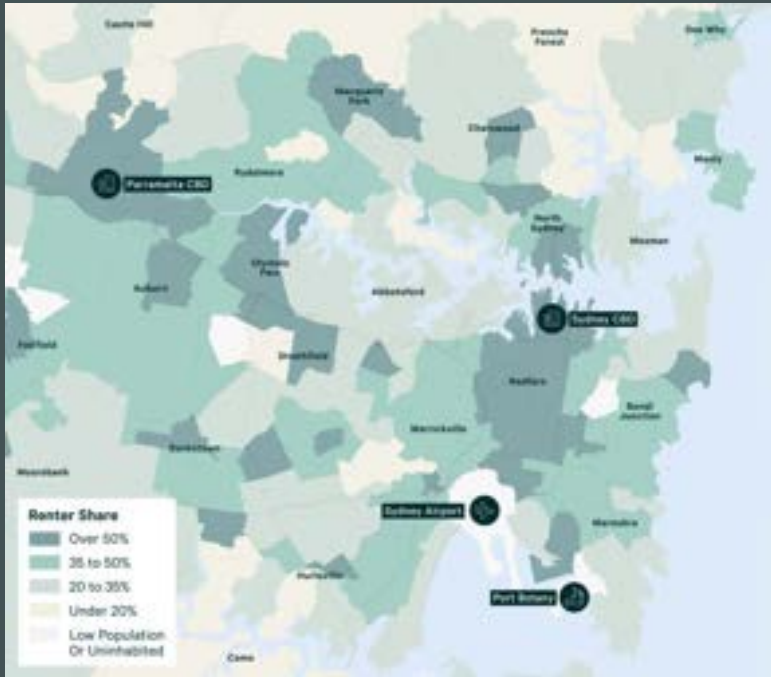
Brisbane heatmap. Population growth 2021-2031

Perth heatmap. Population growth 2021-2031
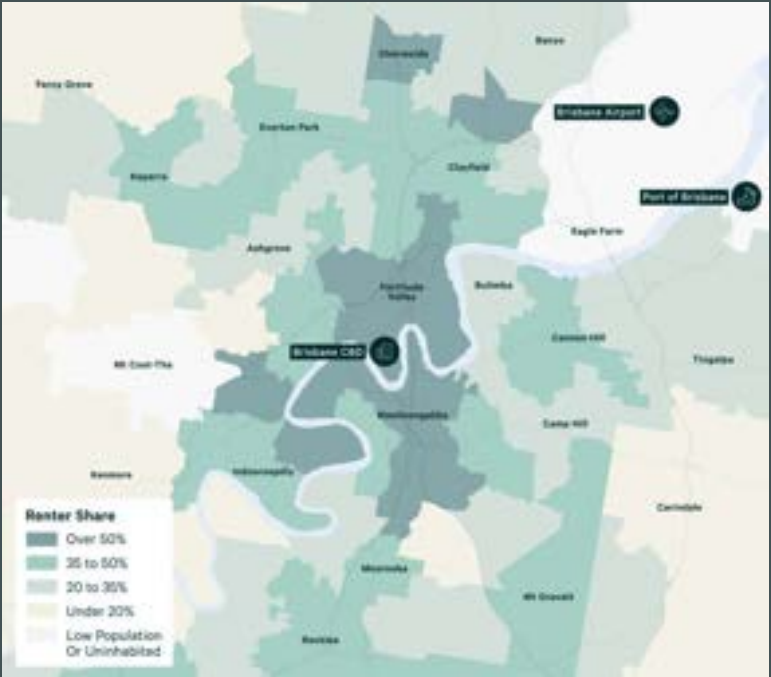
Zeroing in on demand

Sydney renter share heatmap.

Melbourne renter share heatmap.

Brisbane renter share heatmap.

Demand: Rent vs Own

At present, monthly rent payments are 30-40% cheaper than alternate Buy options across half of precincts in Australian capital cities. After accounting for on-costs such as municipal rates and strata fees, it is cheaper to rent in all precincts across Australia.

We looked at weekly average rent for apartments and compared it with mortgage repayments, assuming current capital values and 10% deposit.

Is this just because of the spike in mortgage rates? We don't think so. Looking back at 2020, monthly rental costs were 35% lower than monthly mortgage repayments. The RBA's cash rate in July 2020 was 0.25% compared to 3.85% in July 2025.

Figure 5: Weekly payments for rent vs buy options across Australian precincts
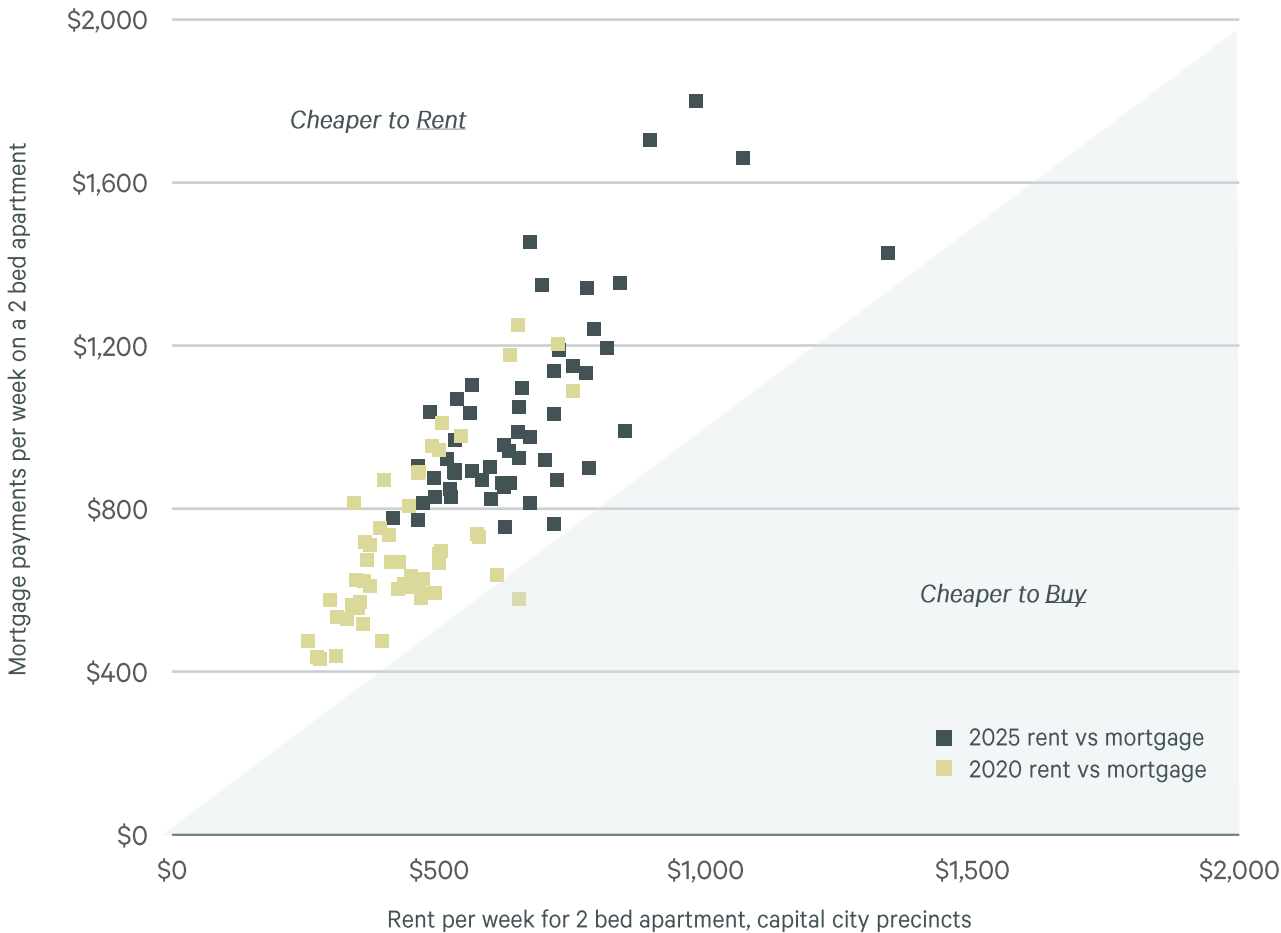
Notes: We have assumed Owner pays $9,000 per annum in on-costs, including Municipal rates, Strata fees, Water rates and Insurance.
CoreLogic, SQM, CBRE Research

National Apartment Supply *Cuts?*

CBRE's bottom-up supply forecast for 2026-2030 has been updated. Apartment supply (completions) in 2026 likely to dip from 2025 levels and then recover in 2027. Supply is likely to hover at 55,000-65,000 pa over 2026-2030, well below 75k-85k per annum demand.

Since 2023, we have cut ~50,000 apartments from our supply forecast. Feasibility challenges due to price cost mismatch, soft pre-sales market and delays have been the main drivers.

Figure 6: Apartment supply. Changes to our forecast over the past two years

Actual   Forecast in 2023   Forecast in 2025
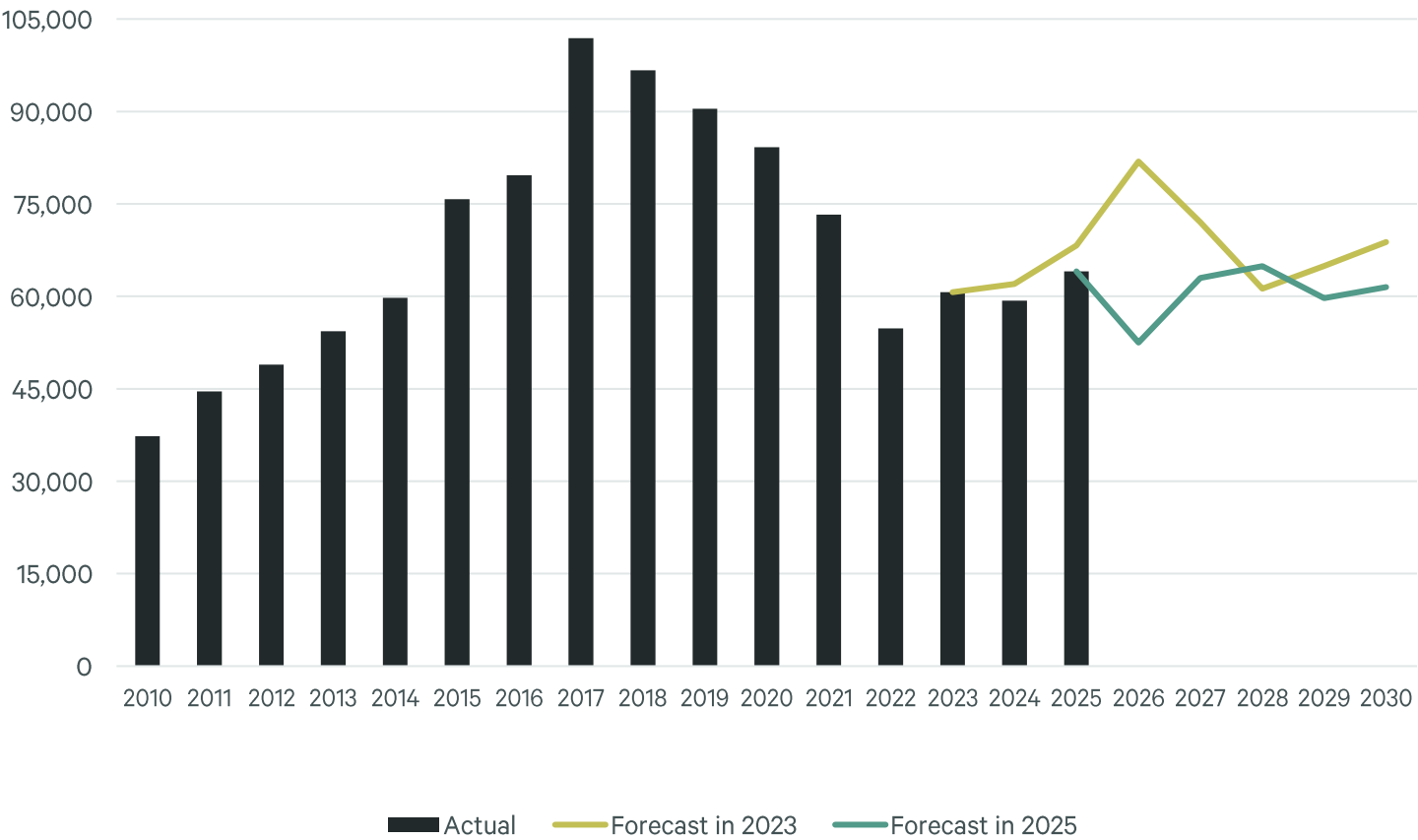
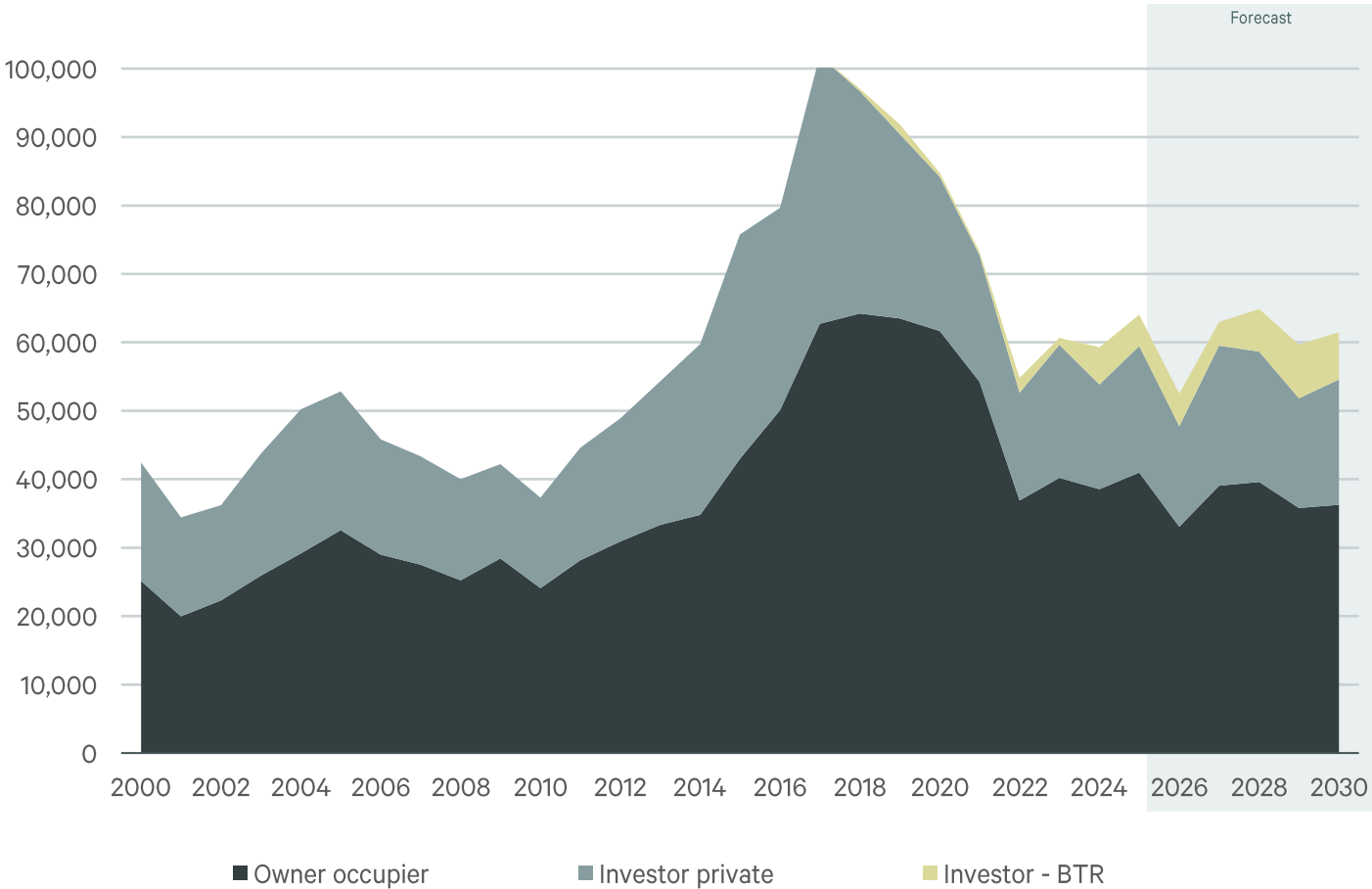ABS, CBRE Research

National Apartment Supply
Who?

Over the previous 25 years, owner occupiers have comprised 64% of purchasers of new apartment stock. Owner occupiers have been more prevalent purchasers post APRA's (financial regulator) intervention in the home lending market during 2017.

Our long-term forecasts assume that owner occupiers will comprise 60% of new supply purchase. Of the investor market, we see a growing share moving across to institutional build-to-rent (BTR) sector.

For next five years, we see institutional BTR comprising ~10% of new apartment supply, equating to about 6,000 apartments per annum.

Figure 7: Owner occupier range between 58%-74% of buyers. BTR supply meaningful in late 2020s

Forecast

Legend: ■ Owner occupier ■ Investor private ■ Investor - BTR
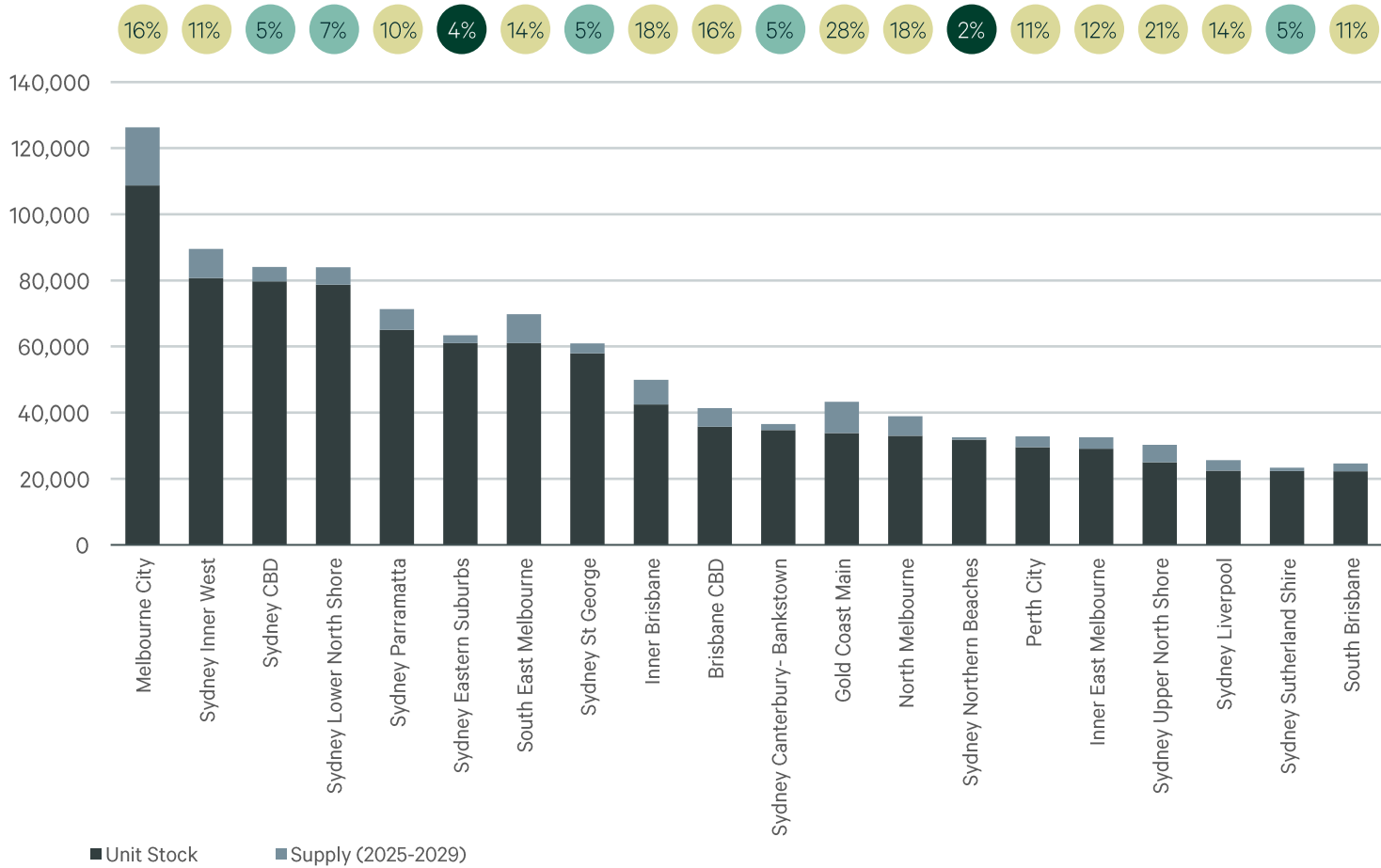
ABS, CBRE Research

National Apartment Supply
Where?

In Brisbane, Melbourne and Perth, apartment supply is focused on CBD and inner-city locations. For Sydney, apartment supply is more evenly distributed.

Figure 8: Apartment supply as share of existing stock, 20 largest markets

| 16% | 11% | 5% | 7% | 10% | 4% | 14% | 5% | 18% | 16% | 5% | 28% | 18% | 2% | 11% | 12% | 21% | 14% | 5% | 11% |

(Chart: stacked bar chart with y-axis from 0 to 140,000)

- Melbourne City
- Sydney Inner West
- Sydney CBD
- Sydney Lower North Shore
- Sydney Parramatta
- Sydney Eastern Suburbs
- South East Melbourne
- Sydney St George
- Inner Brisbane
- Brisbane CBD
- Sydney Canterbury- Bankstown
- Gold Coast Main
- North Melbourne
- Sydney Northern Beaches
- Perth City
- Inner East Melbourne
- Sydney Upper North Shore
- Sydney Liverpool
- Sydney Sutherland Shire
- South Brisbane

■ Unit Stock   ■ Supply (2025-2029)
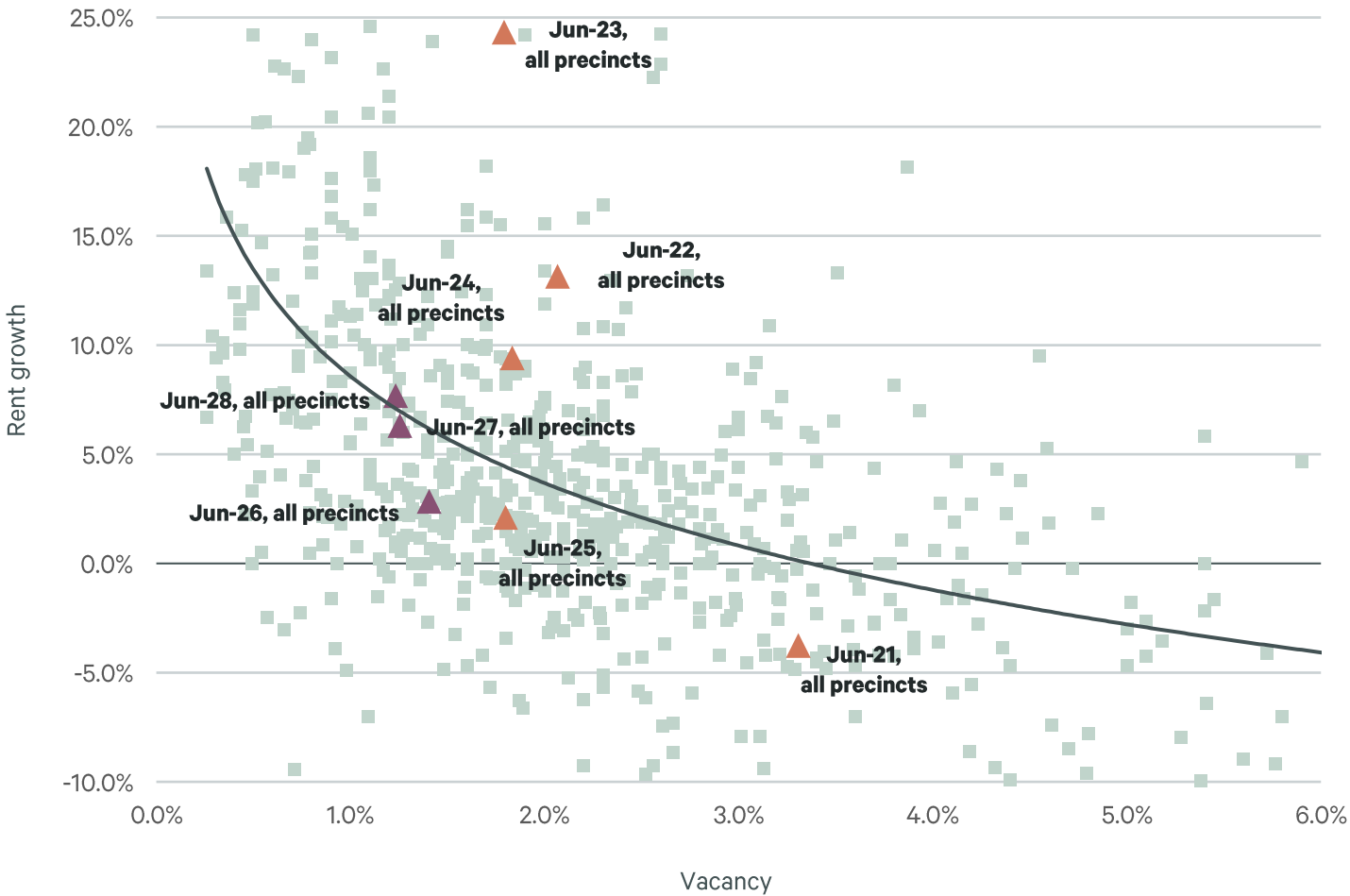
CBRE Research

Rents & Vacancy
Logarithmic

Apartment rents and vacancy move in tandem, with lower vacancy spurring rent growth and vice versa. The relationship can be considered linear when vacancy ranges 3%-5%. However, when vacancy falls below 1.5%, rents start to exhibit more pronounced logarithmic growth.

60% of capital city precincts currently have a vacancy rate below 1.5%. By 2027, nearly 90% of precincts will have a vacancy rate below 1.5%, in our forecasts. This should provide a backdrop for robust rent growth.

Figure 9: Current rent growth is below implied run-rate

SQM, CBRE Research

Construction Costs Rising

Over the past 25 years, median apartment values in Australia have grown by a cumulative 300%, compared to inflation 108% and construction cost growth of 127%. In turn, this has provided an encouraging environment for developers.

Land values have accelerated at an even faster pace of +610%, with limitations on stock in desirable locations - inner-city regions and access to amenities/transport infrastructure.

Construction costs for residential have increased by 38% over June 2020-June 2025, well in excess of growth in inflation. Tight labour markets, particularly in Brisbane, may keep upward pressure on the cost to build new supply.

The stricter energy requirements and liveable housing standards will also impact the cost of new builds over the year to come.

The relationship between construction costs and apartment capital values has broken-down. This has hampered supply.

Figure 10: Apartment values vs construction costs. Last 25 years

Legend: Construction costs (Aus) — Apartment values (Aus) — Inflation — Land value (Resi SYD)
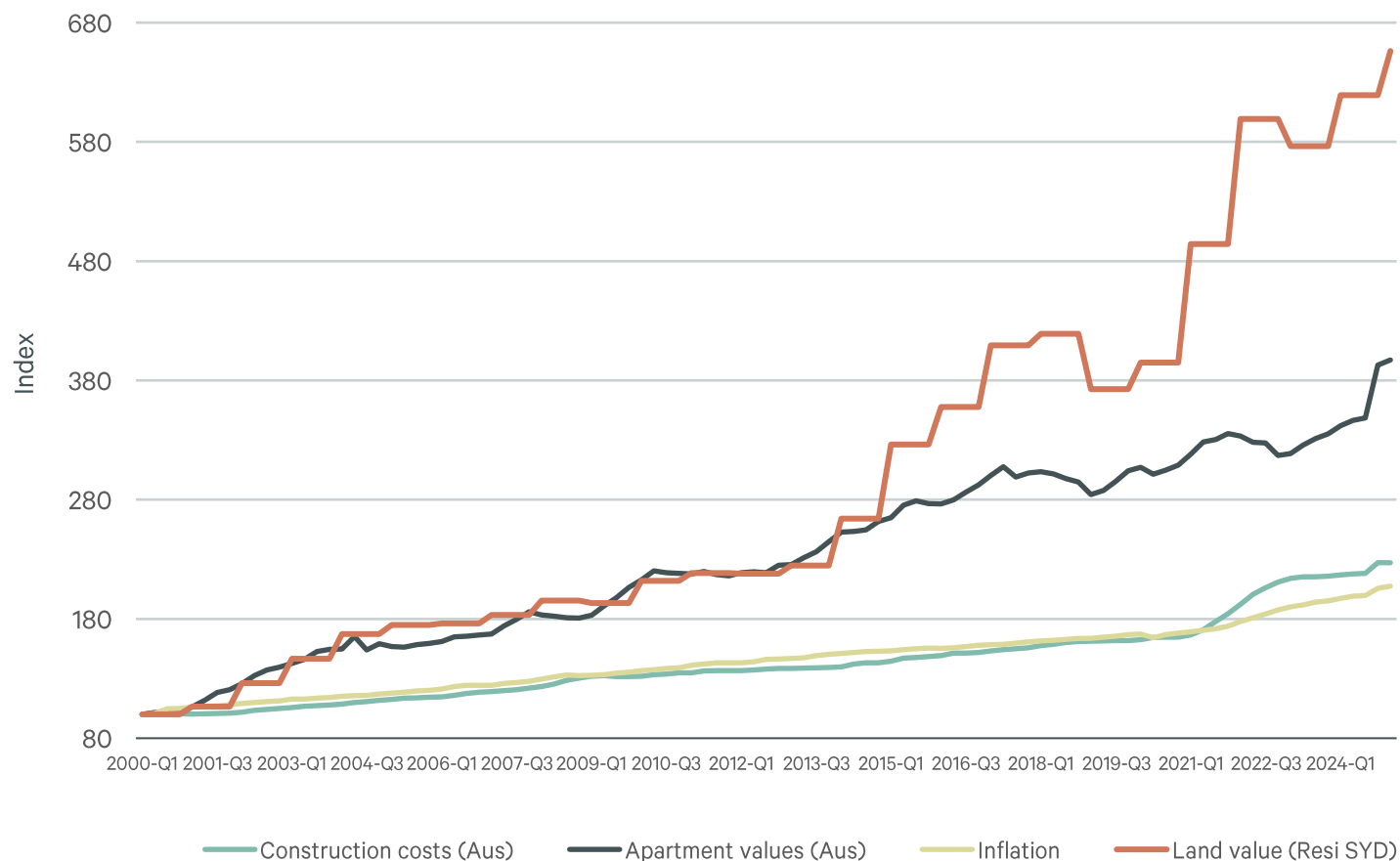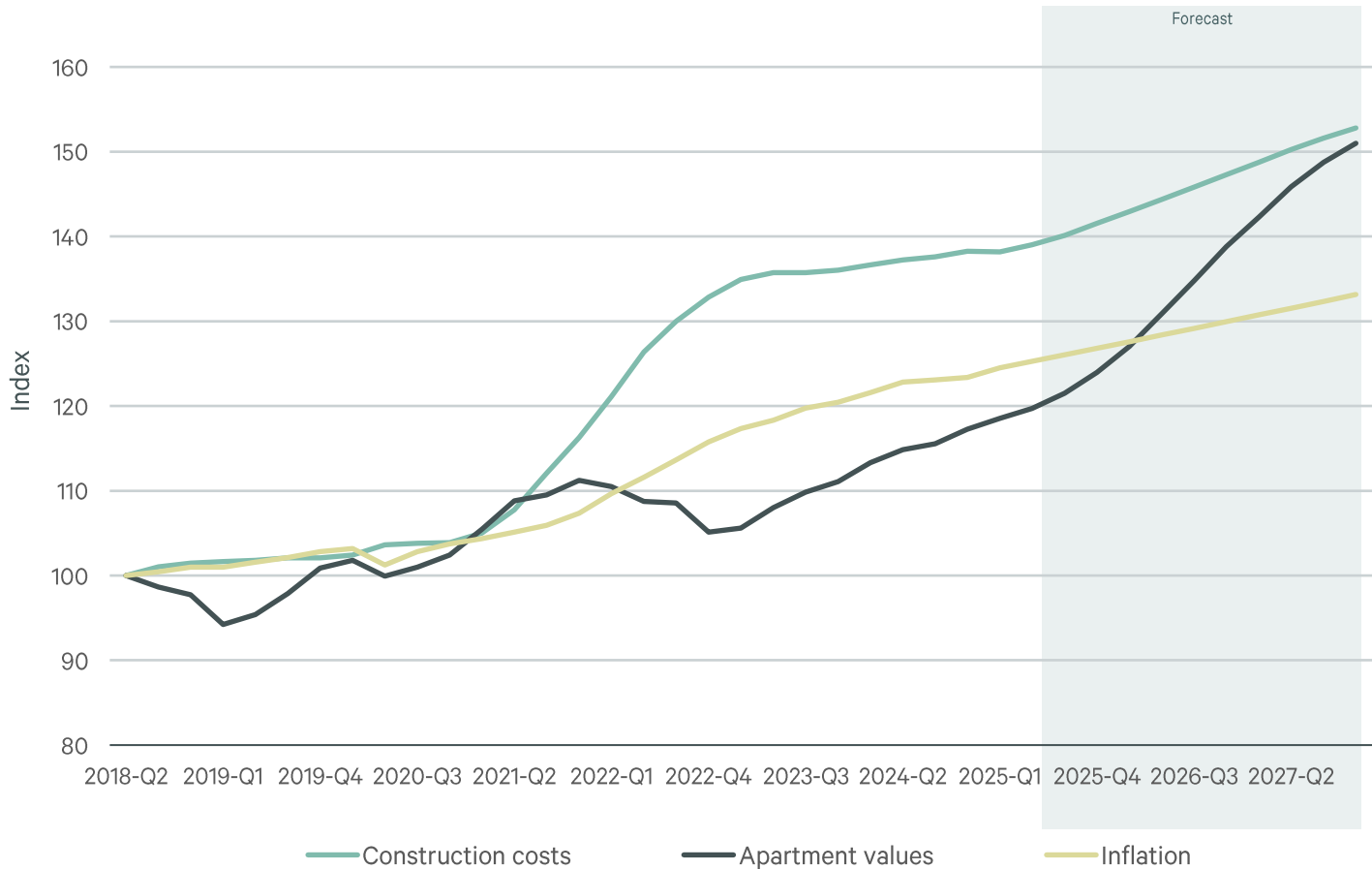
ABS, REIA, CBRE Research

Values to Reflect Replacement Cost

In the last 5 years, values have not kept pace with construction costs. This disparity is currently at 20%. It makes the existing stock of apartments an attractive market for investors, particularly during a period of tight vacancy and strong employment levels. We would expect this disparity to close-out and revert to a premium.

We expect apartment values to accelerate from 2025 as consumers adapt to higher income, low supply and scope for falling interest rates.

Figure 11: Apartment values vs construction costs. Last 5 years and forecast

ABS, REIA, CBRE Research

Demand Supportive of Higher Values

CBRE's Q3 2025 Residential Valuer Insights revealed that 56% of Valuers expect apartment value growth over the next 12 months, with highest conviction in Brisbane Metro and Perth. Nationally, almost 10x as many valuers expect price growth vs price fall.

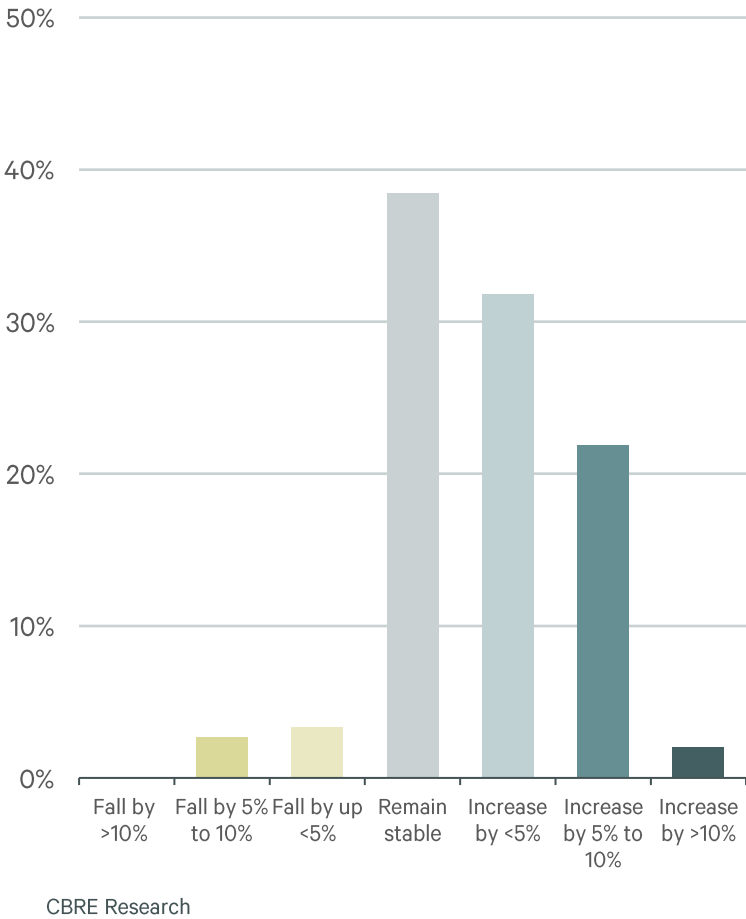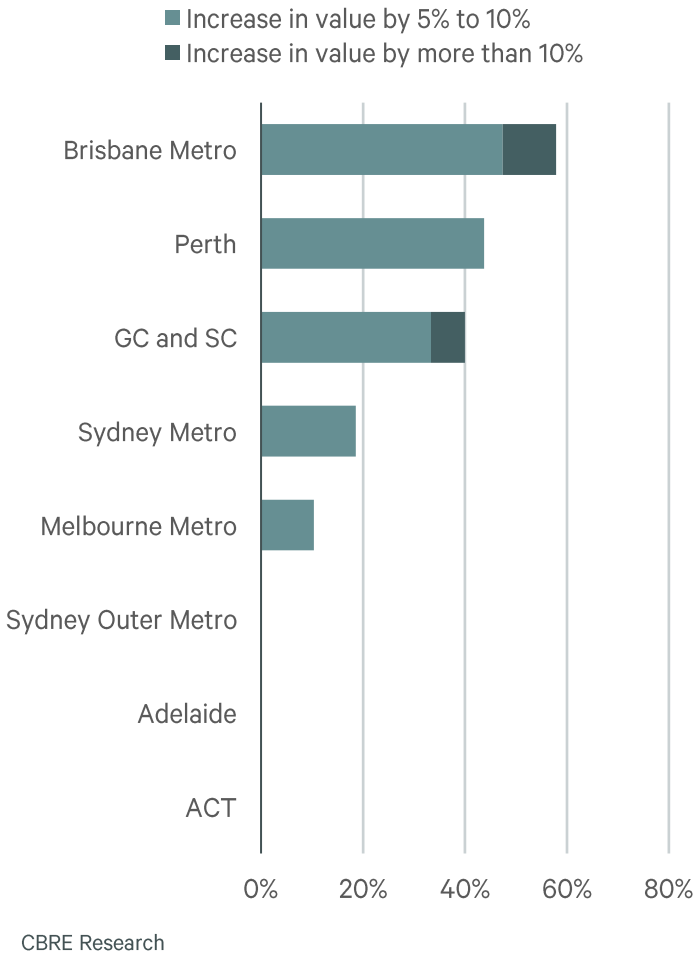Figure 12: Expectations of apartment value movement in the next 12 months, Australia wide.

CBRE Research

Figure 13: Expectations of apartment value movement in the next 12 months, Australia wide.

- Increase in value by 5% to 10%
- Increase in value by more than 10%

CBRE Research

New Build Premium – *Rent*

High construction costs and better amenities have put upward pressure on rents for new builds. These higher rents assist in meeting the return hurdles for apartment new builds.

We examined ~3,000 apartments across a selection of suburbs which have both recent and older vintage apartments.

- Sydney: Apartments of recent vintage (post 2015) have rents which are ~20%-35% higher than those of older vintage.

- Melbourne: Apartments of recent vintage have rents which are ~0%-20% higher than those of older vintage.

Sydney's higher average rents allow for greater spread between the vintages. The industry needs these spreads to keep increasing as high construction costs put pressure on IRR.

Figure 14: Rent premium for newer stock in same suburb

$/week (2-bedroom apartment)

CBRE Research

Legend: ■ Old (Built before 2015)   ■ New (Built 2015+)

New Build Premium - *Buy*

Newly built apartments are commanding a premium price to those of older vintage.

Our analysis indicates that a newly built one-bedroom apartment typically trades at 16% premium to older vintage cohort. Newly built two-bedroom apartments are at 30% price premium to older vintages. And the premium increases to 45% for newly built three-bedroom apartments.

In our view, the premiums are justified by changing consumer expectations around amenities that typically come with newer builds. These include features like building security, lift access, flooring to rooftop gardens, and gymnasiums.

Figure 15: Price for 2-bed apartments in Sydney, by vintage

Median price

■ Old (built prior to 2015)   ■ New (built 2015 and later)
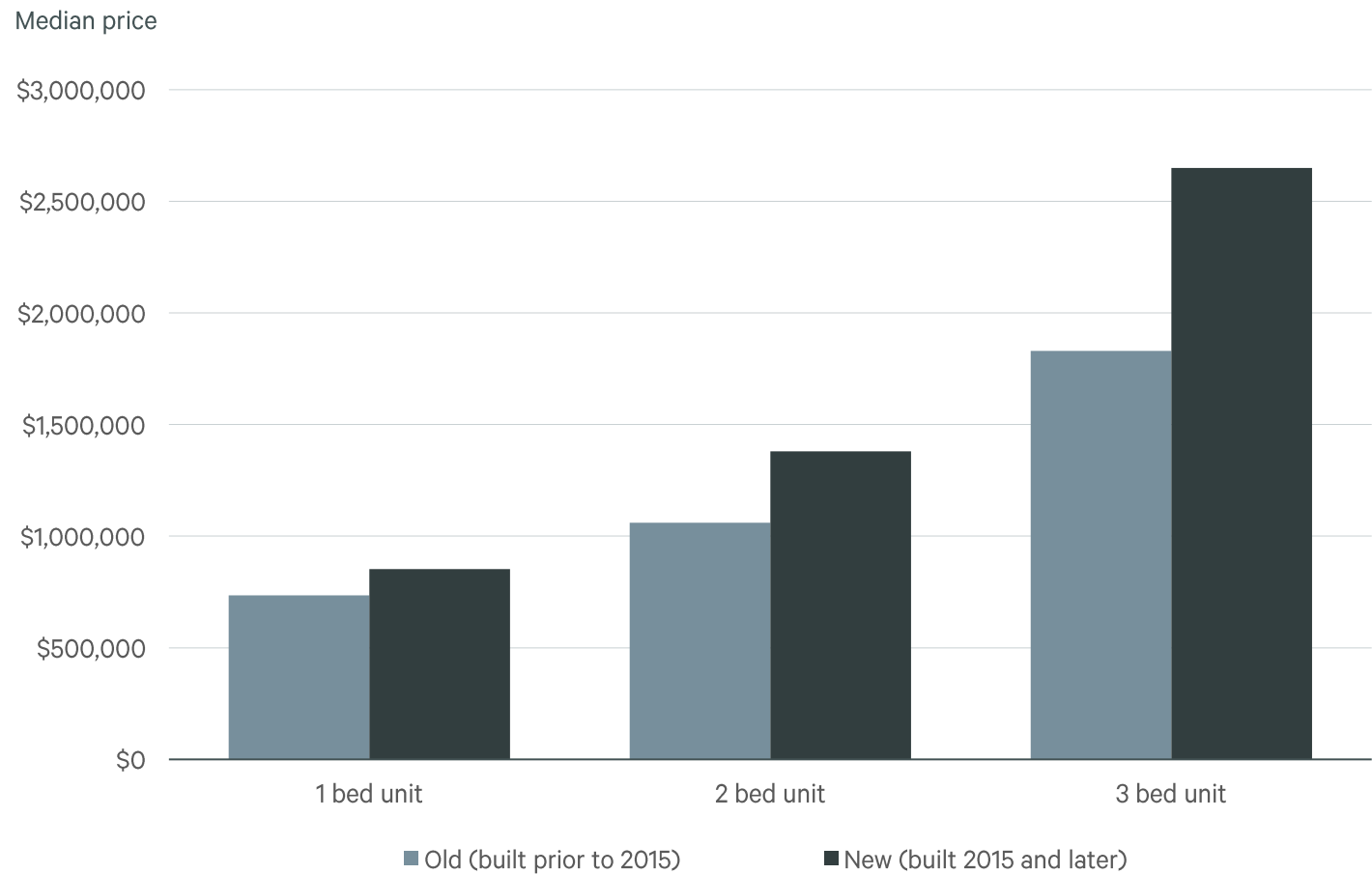
CBRE Research

Sydney

CBRE estimate Sydney's apartment delivery will average 11,700 pa over 2025-30. Demand for housing stock (apartments and communities) is likely to average 30,000 pa over the next 5 years. In the next three years, we see city-wide vacancy falling from 2.0% to 1.2%.


Source: CBRE Research

Sydney apartment supply over 2025-29

Supply
- 15k +
- 10k - 15k
- 8k - 10k
- 6k - 8k
- 4k - 6k
- 2k - 4k
- 0 - 2k

METRO NETWORK
— EXISTING
— FUTURE
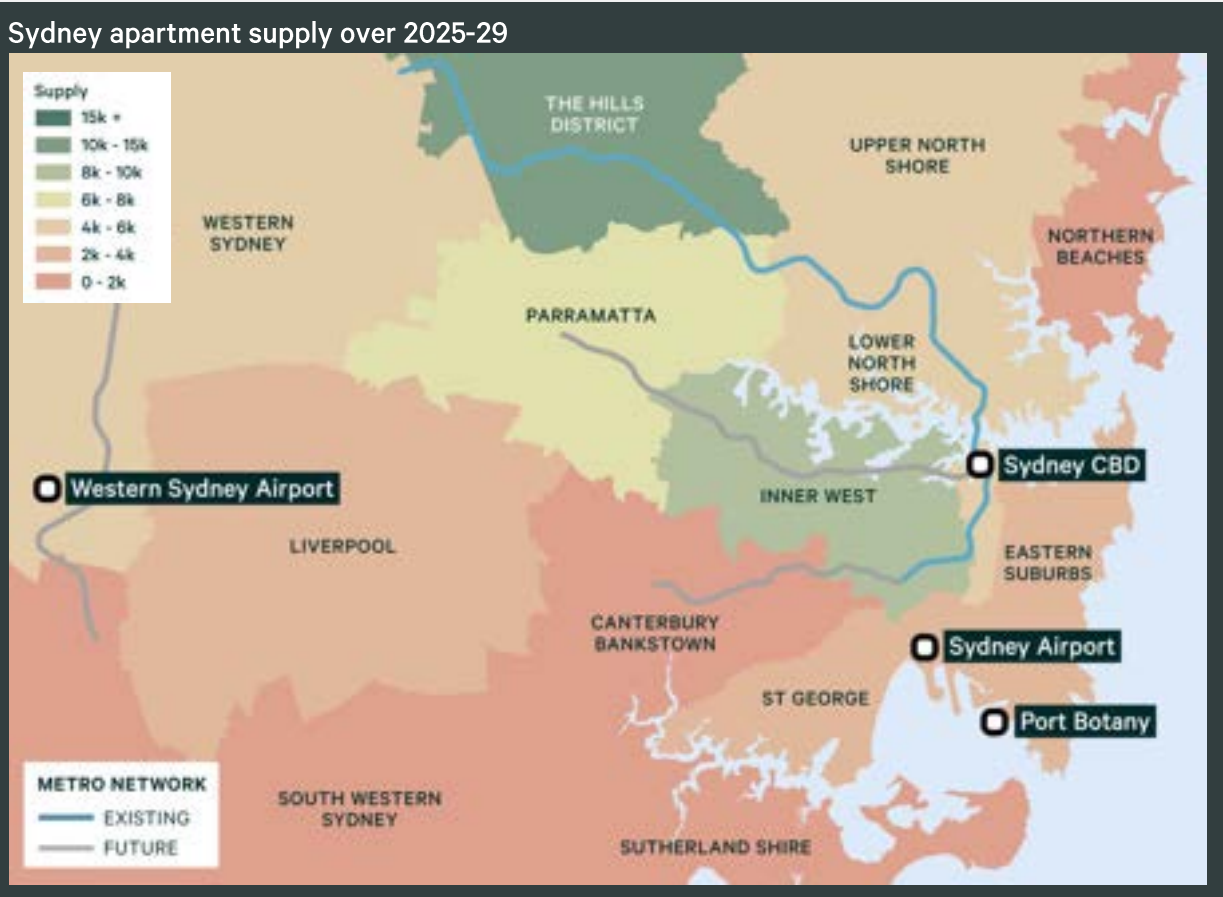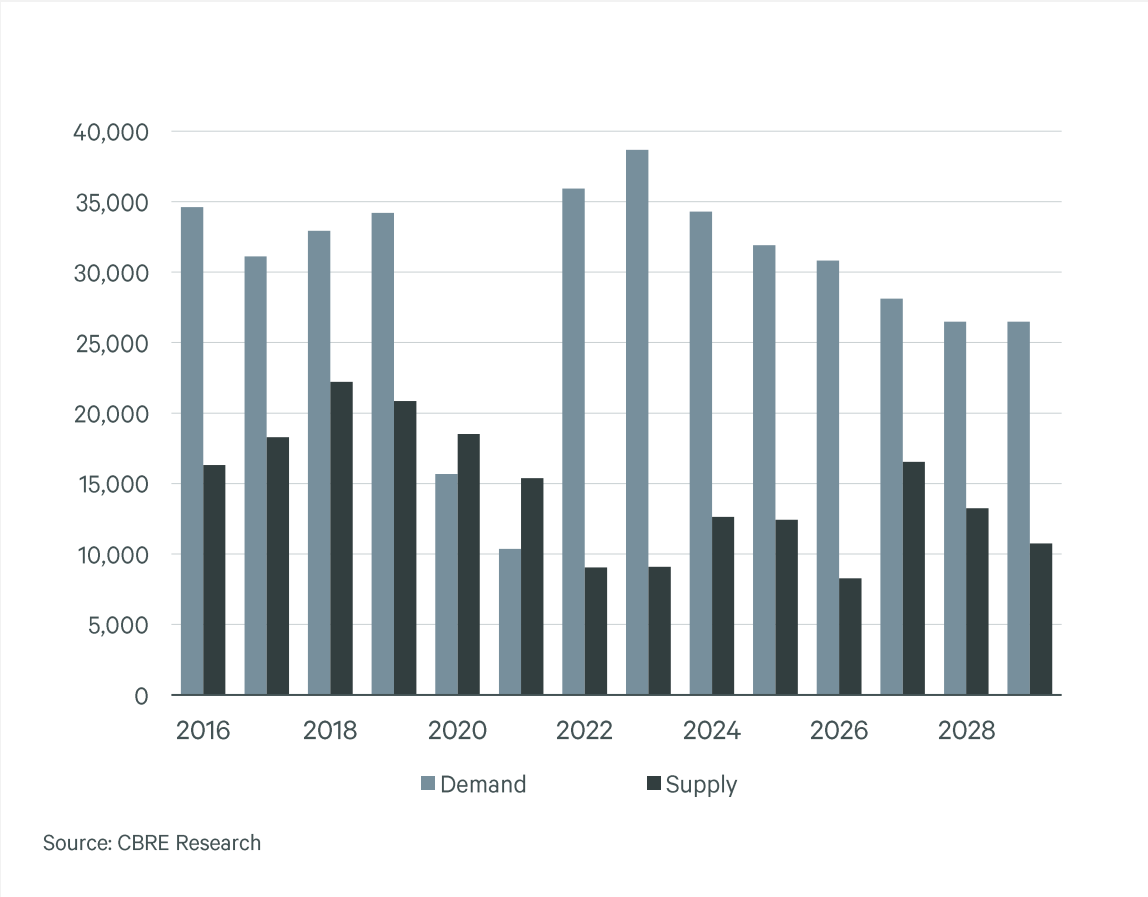
Melbourne

CBRE estimate Melbourne's apartment delivery will average 9,000 pa over 2025-29, nearly 25% below Sydney. Demand for housing stock (apartments and communities) is likely to average 38,000 pa over the next 5 years. In the next three years, we see city-wide vacancy falling from 2.1% to 1.4%.

Source: CBRE Research

Melbourne apartment supply over 2025-29
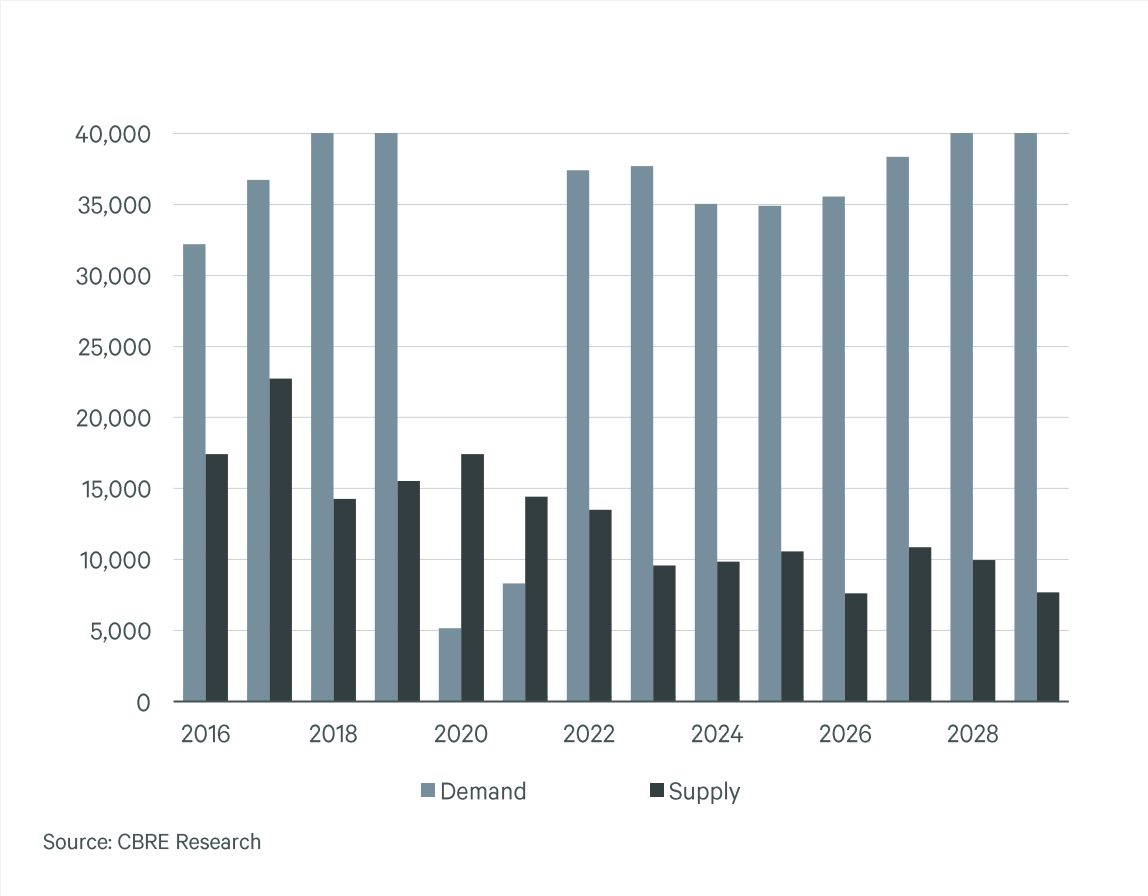
Brisbane

CBRE estimate Brisbane's apartment delivery will average 4,600 pa over 2025-30. Demand for housing stock (apartments and communities) is likely to average 16,000 pa over the next 5 years. In the next three years, we see city-wide vacancy falling from 1.1% to 0.7%.

Source: CBRE Research

Brisbane apartment supply over 2025-29
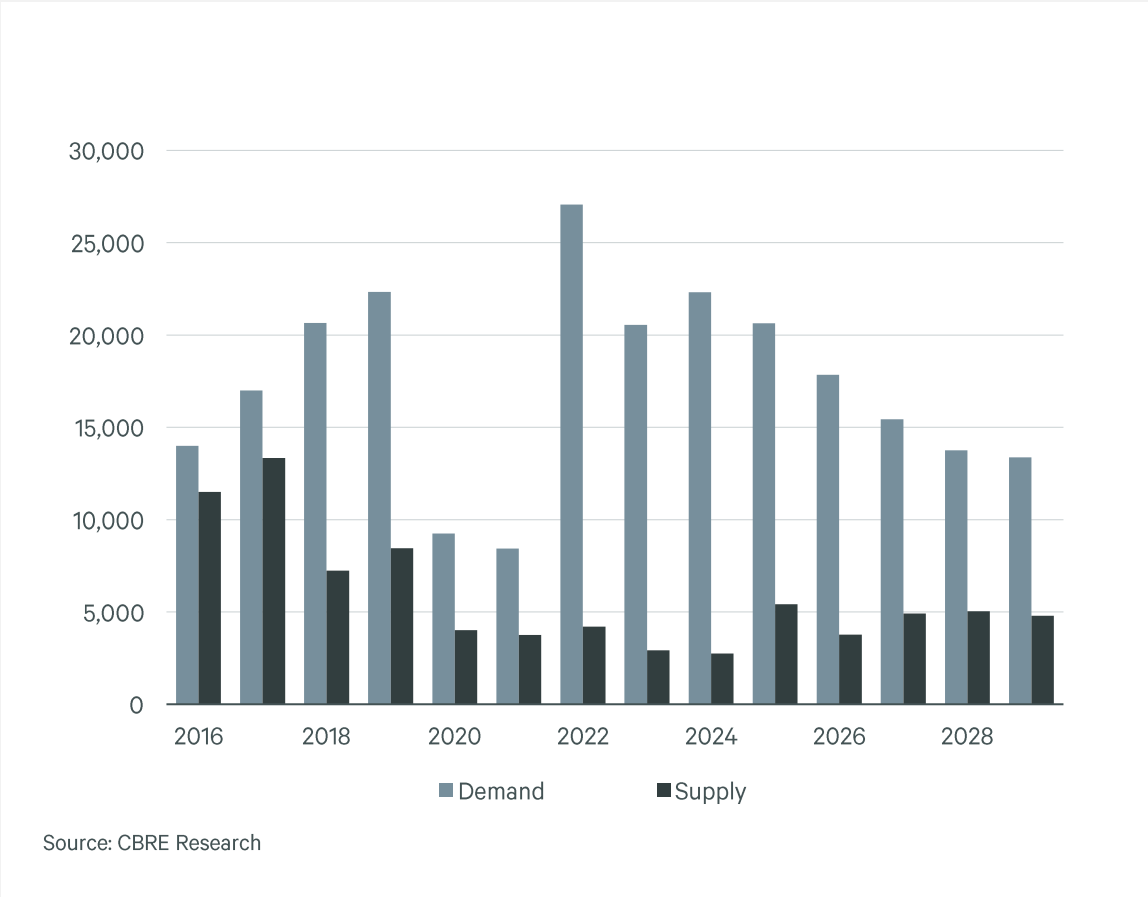
Contacts

RESEARCH

Sameer Chopra
Head of Pacific Research
Sameer.Chopra@cbre.com

Craig Godber
Head of Residential Research
Craig.Godber@cbre.com

Izzy O'Hara
Senior Analyst
Izzy.Ohara@cbre.com

David Aguilar
Mapping Analyst
David.Aguilar@cbre.com