GENERAL MARKET OVERVIEW

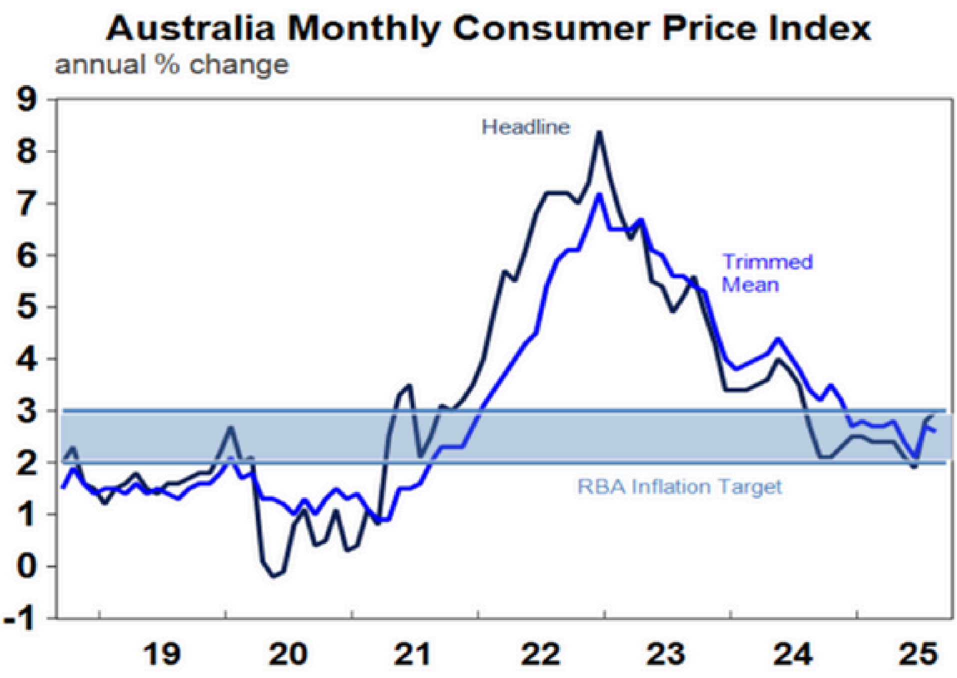
SEPTEMBER 2025

Interest Rate

The RBA held the cash rate steady at 3.60% in its September 2025 meeting. The Board turned slightly more hawkish, with Governor Michele Bullock stating that while the Board has made progress on bringing inflation down, the decline in underlying inflation had slowed, and that September quarter inflation might be higher than expected.

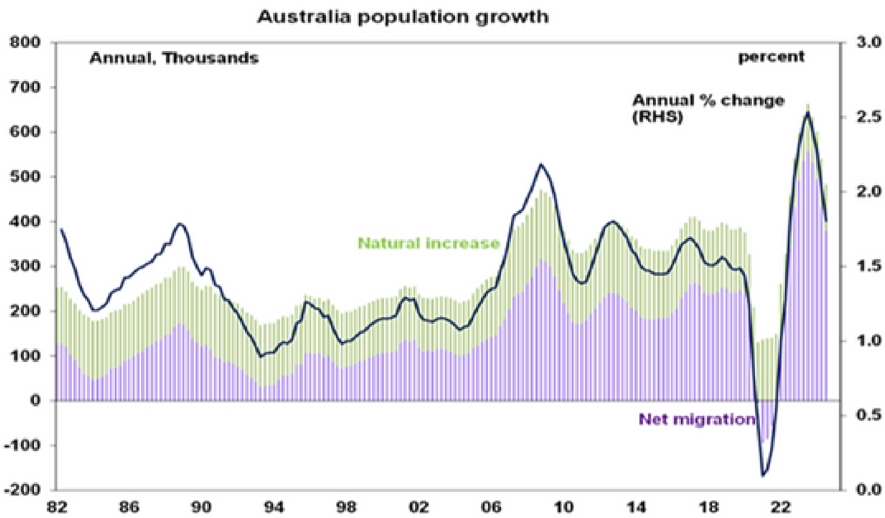
Inflation

The August monthly CPI surprised again on the upside taking inflation to 3% Year-on-Year (YoY), its highest since July last year. This was largely due to a 24.6% YoY rise in electricity costs as various state rebates from a year ago dropped out. Notably, various services and upwards pressure in new dwelling prices and rents raise the prospect that trimmed mean or underlying inflation for this quarter will be above the RBA's forecast for around 2.5% YoY. With inflation showing signs of stickiness above target this has led to concerns that the RBA may be limited in their scope for further rate cuts.



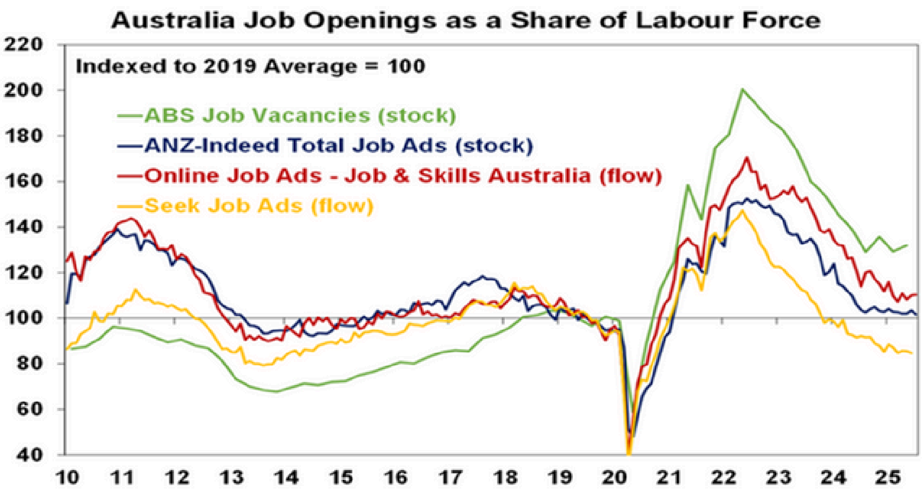
Population & Employment

Population growth in the March 2025 quarter came in at 0.5% resulting in a further slowing in the annual growth rate to 1.6% YoY. This is well down from the peak of 2.5% YoY in the September quarter 2023 and reflects a slowdown in annual net migration from a peak of 556,000 to 316,000. The result means new immigration is not adding to the underlying housing shortfall, but the accumulated housing shortage still remains around 200,000 to 300,000 dwellings.



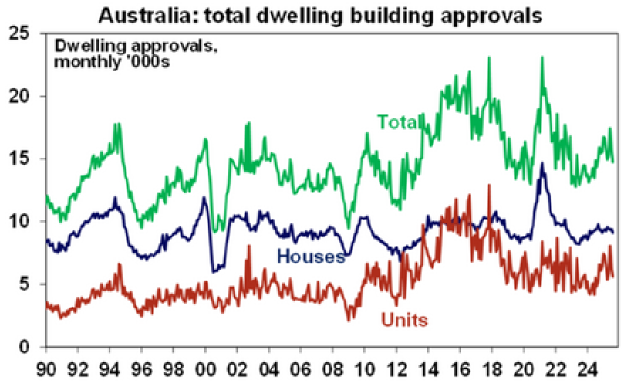
Source: ABS, AMP

Australia's unemployment rate rose to 4.5 per cent in September, up from 4.3 per cent in August, in seasonally adjusted terms. It is the highest seasonally adjusted unemployment rate recorded since November 2021. The Westpac–Melbourne Institute Unemployment Expectations Index rose 4.6% in September, returning to be in line with its long-running average and consistent with stable rather than improving labour market conditions. ABS job vacancies fell 2.7% over the three months to August 2025, with a 3.4% fall in private sector vacancies offsetting a 2.2% rise in public vacancies. Vacancies were down in 11 out of 18 industries and the number of unemployed people per vacancy rose from 1.9 to 2. While the level of job vacancies as measured by the ABS remains high compared to the pre-Covid norms, they are continuing to trend down suggesting a cooling jobs market with the ongoing decline in private sector vacancies a concern.



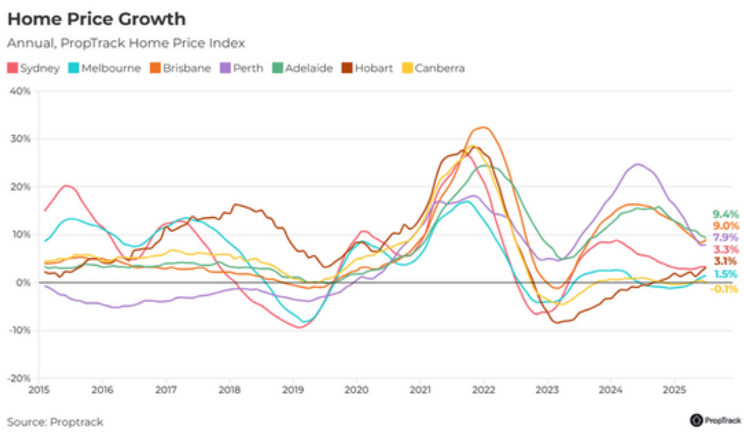
Dwelling approvals

Home building approvals are continuing to run well below target. They fell another 6% in August after a 10% fall in July, driven by volatility in unit approvals. Approvals are trending around 190,000 a year pace which is up from 2023 lows and roughly in line with population driven housing demand. That will not reduce the 200,000 to 300,000 housing shortfall and is well below the 240,000 Housing Accord target.



Median Dwelling Price

Home prices have rebounded strongly in response to lower interest rates and the recent expansion of the First Home Buyer (Home Guarantee) scheme. National home prices rose 0.5% month on month in September 2025, pushing home values to a record high. Prices are now 6.2% higher than a year ago. Both capital city and regional areas markets drove the gains, with prices up 6.0% YoY and 7.1% YoY respectively. Strong month-on-month performance were across all capital cities including Sydney (+0.7%), Melbourne (+0.5%), Brisbane (+0.5%) and Perth (+0.5%).



Vacancy Rates

Nationally in August 2025, average rents experienced a modest 0.2% monthly increase and a 4.1% annual increase. This has been partially driven by Australia's continued tight conditions in the rental market during August 2025, with the national vacancy rate remaining at 1.2% since July 2025. The total number of vacant residential properties nationwide marginally dropped to 37,742 rental vacancies nationwide, compared to 37,863 last month and 39,665 a year ago. Over a month-to-month basis, Sydney's vacancy rate dropped to 1.4% and Melbourne remained steady 1.8%. Canberra's vacancy rate increased to 1.6% from 1.5% month on month, while Perth and Adelaide vacancy rates remaining steady at 0.7% and 0.8%, respectively.

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