

THIS MONTH IN REVIEW

In this month's edition, the real estate slowdown across the country continues, with Domain Group data showing national property prices slumping 1.2% in the 3 months to March. Over the year however, prices were up 6.3% on CoreLogic data, with Tasmania taking out top spot for six of the 10 most sought-after suburbs in the country.

Meanwhile, AMP Capital chief economist Shane Oliver's analysis of Australian Bureau of Statistics figures shows a significant slowdown in investor activity and apartment developments, indicating tighter lending standards are starting to bite. The Reserve Bank has warned off further tightening, particularly on interest only loans for households, saying borrowers would face

paying thousands of dollars a year extra and could be pushed into mortgage stress.

Inclusionary zoning had been a major topic of the month, with the Australian Housing and Urban Research Institute describing the lack of state government mandated minimums for affordable housing developments as "extraordinary".

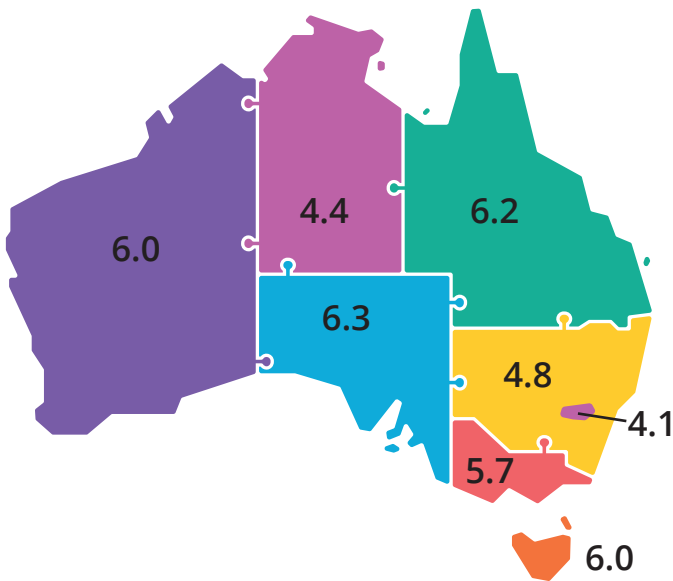
Speaking of development, there's a new acronym in town - PHIMBY. This latest import from Los Angeles is a play on the Not In My Backyard (NIMBY) population and takes them to a new level, instead arguing for public housing rather than private development.

AUCTION CLEARANCE RATE Source: APM PriceFinder

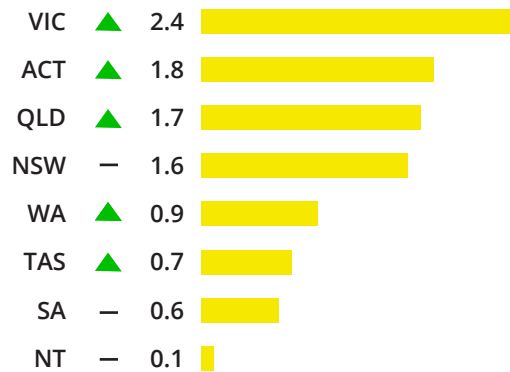
| | MAR 31 | | APR 28 |
|-----------|--------|---|--------|
| SYDNEY | 46% | ▲ | 58% |
| MELBOURNE | 61% | ▲ | 65% |
| BRISBANE | — | — | 53% |
| ADELAIDE | — | — | 62% |

MONTHLY UNEMPLOYMENT - FEB18 %

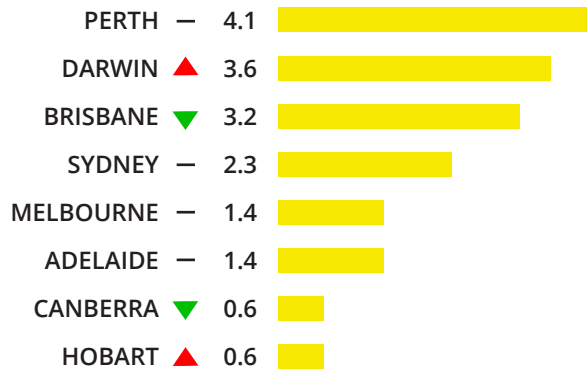
Source: ABS (most recent figure at time of publication)



POPULATION GROWTH % (Yr ended SEP 2017) Source: ABS



VACANCY RATE % (18 MAR 2018) Source: SQM Research



| HOUSES | YRLY GRWTH | YIELD | MEDIAN |
|-----------|------------|-------|--------|
| HOBART | 13.4 | 5.0% | \$425K |
| MELBOURNE | 4.9 | 3.0% | \$735K |
| CANBERRA | 3.7 | 4.1% | \$690K |
| ADELAIDE | 1.9 | 4.2% | \$470K |
| BRISBANE | 1.8 | 4.1% | \$538K |
| PERTH | -2.2 | 3.7% | \$509K |
| SYDNEY | -3.7 | 2.8% | \$945K |
| DARWIN | -6.0 | 5.4% | \$501K |

Source: CoreLogic Hedonic Home Value Index and Market Trends Report



| UNITS | YRLY GRWTH | YIELD | MEDIAN |
|-----------|------------|-------|--------|
| HOBART | 10.7 | 5.6% | \$340K |
| MELBOURNE | 6.5 | 3.9% | \$535K |
| SYDNEY | 1.8 | 3.8% | \$700K |
| CANBERRA | 0.3 | 5.0% | \$445K |
| ADELAIDE | 0.04 | 4.3% | \$389K |
| BRISBANE | -1.4 | 4.8% | \$409K |
| PERTH | -3.05 | 4.2% | \$390K |
| DARWIN | -10.4 | 5.2% | \$370K |

Source: CoreLogic Hedonic Home Value Index and Market Trends Report

CAPITAL CITY UPDATES

SYDNEY NSW

- Auction clearance rates have remained sluggish from February onwards, sticking below 65% on APM figures, with significant drop offs in apartment filled suburbs.
- Affordable housing providers aiming to give tenants reduced rent are tipped to provide an additional 1200 homes by 2020 on NSW Federation of Housing Associations figures.
- The Real Estate Institute of NSW president Leanne Pilkington is fuming about stamp duty brackets, calling the lack of change since the 1980s in the face of soaring property prices as a "huge injustice" in need of government review.
- In every 100 rental properties in Sydney, less than one is suitable for a tenant on welfare or a single person on minimum wage, according to Anglicare's annual survey of 17,000 rental properties.

MELBOURNE VIC

- Melbourne is top of the food chain in Australia for foreign investment in the Asia Pacific, after Sydney fell from first to eighth spot on the CBRE Investor Intentions Survey 2018. Tokyo won out globally.
- The city's growth slowed to the most lacklustre since the boom began five years ago, with Domain Group data for the March quarter showing a 0.1% house price increase.
- Tram services across Melbourne are being called the difference between the next "have" and "have not" suburbs with local agents saying suburbs like Glen Iris and Malvern will benefit.
- The frontrunner to replace City of Melbourne former lord mayor Robert Doyle is Sally Capp, the head of the Property Council, though she says this won't affect how council treats development.

BRISBANE QLD

- According to BIS Oxford Economics, around 10,000 apartments in Brisbane, in scores of developments, will never be built due to the property market's decline until 2025.
- CoreLogic's Cordell Construction Monthly has found apartments plummeting in planning phase, with 52 apartment developments to the tune of \$450 million in "new project phase" compared to 76 a year before with a \$1.5 billion value.
- Brisbane has emerged as the most affordable option for first time buyers in the Australian Residential Development Review 2018, with values falling for apartments to \$386,000 and houses at \$549,000.
- On the Gold Coast, there's \$30 billion of development in private and public to be rolled out to meet ongoing growth and to assist with the post-Commonwealth Games transition.

PERTH WA

- Perth has claimed the dubious title of the country's most unprofitable CBD, with CoreLogic data showing property values dropped 25% in the last 10 years and 28.5% since a market high in 2006.
- The Real Estate Institute of Western Australia data has found house and apartment sales in Perth numbered just over 26,000 last year, even lower than 27,000 in the recession of 1990.
- A new East Perth precinct from Australian Development Capital is on the cards for Bronte street after a land sale from the government for a mixed-use residential, retail and office site.
- Doubling the first-home owner's grant from \$5000 to \$10,000 is on the Master Builders WA wish list, as it pressures the government to help revive the local economy.

CANBERRA ACT

- The property industry in Canberra is showing continued signs of strong confidence, with results from the ANZ/Property Council Survey showing a strong result on the index, particularly in terms of employment.
- Weekly asking rent prices have increased across the ACT, with an 11.1% increase in Woden Valley, potentially due to large homes in the region, AllHomes' Nicola Powell said.
- For the year to the end of February, mid- to high-rise development made up 76.1% of Canberra's construction overall.

ADELAIDE SA

- ANZ Research has reduced its property price growth expectation from 1.9% to 0.4% for the June quarter, after seeing slower results than anticipated for the three months to March.
- Property Council executive director Daniel Gannon is pushing for more population growth, warning that without it the state and property sector "are at risk of losing investors and gaining more octogenarians".
- CoreLogic head of research Tim Lawless described the city's price performance as "flat rather than falling" but said it didn't have the demographic growth to push values up or secure investors.

DARWIN NT

- The NT capital had the worst quarter of any major city for the March quarter, with price decrease of 7.5%
- The Real Estate Institute of NT is pinning their hopes on the government's green light for fracking to grow the population in Darwin, with thoughts it will boost the property market as a result.
- The territory budget for 2018 pours funds into upgrading and providing more affordable housing including 75 public housing homes.



AUD
75.4c
US

down from 76.6c in April
Source: RBA



RBA Cash Rate

1.5%

steady for May
Source: RBA



Cash Rate Forecast

1.5%

12 mths to May '19
Source: Westpac



Inflation

1.9%

year to May qtr
Source: RBA



GDP

2.4%

up to Dec qtr
Source: ABS



Wage Growth

2.1%

year to Dec qtr
Source: ABS



Consumer Confidence

-0.6%

negative for April
Source: Westpac-Melbourne Institute



Disposable Income

1.5%

year to Dec qtr
Source: ABS