



PMI residential property overview

Quarterly Update

SEPTEMBER 2006

Summary

Housing

House price data on the whole for June quarter 2006 improved over previous quarters, with particular note to Sydney and Melbourne, which had experienced negative or flat quarterly growth in the March quarter. This coincided with an improvement in new home loan activity to owner occupiers, particularly first home buyers, since the beginning of the year, albeit from a low base. While this trend points to higher activity, the impact of the May and August 2006 interest rate rises are not yet reflected in the June quarter medians. These may have a dampening effect on the market, and further interest rate rises totalling 0.5 percentage points forecast for 2006/07 may also have an impact.

Price growth continued to remain strong in the capitals of Perth and Darwin, supported by strong economic growth due to a booming resources sector. Assuming the continuation of positive conditions, price increases in these cities are expected to remain solid for the



remainder of 2006 and into early 2007. Similarly, after a pause during 2005, some slight improvement in the Brisbane market is evident, underpinned by buoyant economic conditions and improved confidence. Despite the magnitude of price rises in recent years, further increases are likely to be limited by constraints on affordability.

Little change in prices is expected in Sydney, Melbourne, Adelaide, Canberra and Hobart. The lower price growth of the past two years (or declines in the case of Melbourne and Canberra in 2004/05 and Sydney in 2004/05 and 2005/06) indicates that affordability has reached its upper limit, with little potential for future substantial gains in the short term. Further interest rate rises will continue to offset any benefits gained from wage rises.



New ways of thinking

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Economic Outlook, Inflation and Interest Rates

Economic growth averaged 2.7% in 2005/06, slightly higher than the 2.5% recorded for 2004/05. Domestic demand growth was solid at 4.2%, but the trade deficit remains a limitation of overall GDP growth as excess demand is met by rising imports. While the residential property market is not delivering a significant cash injection to households, both employment and credit growth remains solid. Overall investment is rising strongly, and business investment (up 15.7% in 2005/06) is compensating for the downturn in residential building.

With domestic demand continuing to increase, the Reserve Bank of Australia (RBA) has two dominant concerns – a rise in underlying inflation to 2.7%, which reflects a headline rate of 4.1%, and a tight labour market with unemployment at 4.9% creating upward wage pressure. An additional interest rate rise in August 2006 was intended to inhibit expansion in domestic demand, but it is expected that even higher rates will be needed to temper employment growth. However, the fundamentals for business investment – commercial building, engineering construction, and equipment spending – remain quite positive. The impact of further rate rises will likely be felt most in terms of household spending and the housing market, which should unfold gradually over the course of 2006/07 and 2007/08.

Two further interest rate rises of 0.25% are forecast to occur in the December quarter 2006 and June quarter 2007,



which would push up the cash rate to 6.50%, as strong wage growth captures the attention of the RBA. While these changes may slow domestic demand, a rise in mining production capacity could boost exports and drive up GDP growth to around 3.8% over 2006/07. Interest rates are expected to be on hold through the remainder of 2007/08. Slower growth in business investment is expected, paving the way for lower interest rates in the second half of 2008.

Home Loan Activity

Table 1 highlights the fact that the number of loans to owner occupiers (excluding refinancing) bottomed out nationally in 2004/05 and is now generally showing a recovery across the board. After declining in the three

years to 2004/05, total loans to owner occupiers increased by 11.1% in 2005/06, with a more significant pick up in loan activity for established dwellings (+11.6%) than for new dwellings (+8.9%). This upward trend was evident across all states.

Lending activity for established dwellings in New South Wales declined after peaking in 2001/02 and was 24% lower in 2004/05. A 13% increase occurred in 2005/06, although this is coming from a low base.

The states that show the strongest growth in total loan activity in 2005/06 were the Northern Territory (+22.6%) and Western Australia (+15.6%), continuing an upward trend of consistent solid growth since 2003. Lending activity has improved in varying degrees across the other states.

Table 1: Number of home loans approved for owner occupation excluding refinancing – % change on previous year

| State | Year ended June | | | | | | | | |
|--------------------|-----------------|-------|------|-----------------------|-------|------|-----------------|-------|------|
| | New Dwellings | | | Established Dwellings | | | Total Dwellings | | |
| | 2004 | 2005 | 2006 | 2004 | 2005 | 2006 | 2004 | 2005 | 2006 |
| New South Wales | 5.1 | -10.8 | 8.6 | -6.2 | -9.9 | 13.4 | -4.8 | -10.0 | 12.8 |
| Victoria | 5.8 | 0.2 | 6.4 | -5.7 | -6.3 | 6.7 | -3.4 | 5.0 | 6.7 |
| Queensland | 9.3 | -10.9 | 9.8 | -0.2 | -6.1 | 13.2 | 1.4 | -6.9 | 12.6 |
| South Australia | 4.9 | -5.5 | 7.7 | 3.9 | 5.5 | 5.2 | 4.1 | 3.7 | 5.6 |
| Western Australia | 22.8 | 6.8 | 13.6 | 1.4 | 13.4 | 16.1 | 5.7 | 11.9 | 15.6 |
| Tasmania | 9.4 | 12.5 | -4.8 | -7.7 | -10.5 | 9.1 | -5.6 | -7.3 | 6.7 |
| Northern Territory | 28.3 | 46.2 | 14.3 | 20.7 | 38.3 | 23.9 | 21.6 | 39.3 | 22.6 |
| A.C.T. | -8.7 | -14.0 | 7.9 | -18.3 | -18.7 | 13.1 | -17.1 | -18.1 | 12.3 |
| Australia | 8.9 | -3.8 | 8.9 | -3.2 | -1.4 | 11.6 | -1.2 | -1.8 | 11.1 |

Source: Australian Bureau of Statistics

Table 2: Number of home loans approved for owner occupation excluding refinancing, new dwellings – % change on previous year

| State | Year ended June | | | | | | | |
|--------------------|--------------------------|-------|-------|------|------------------------|-------|------|------|
| | Construction of dwelling | | | | Newly erected dwelling | | | |
| | 2003 | 2004 | 2005 | 2006 | 2003 | 2004 | 2005 | 2006 |
| New South Wales | -18.3 | -5.9 | -16.7 | -6.5 | -24.2 | 29.6 | -1.2 | 29.4 |
| Victoria | -20.9 | -1.4 | -6.5 | 2.4 | -12.9 | 28.5 | 16.6 | 14.3 |
| Queensland | -19.4 | 5.8 | -16.0 | 2.7 | -0.1 | 20.8 | 3.6 | 26.1 |
| South Australia | -13.1 | 1.9 | -11.9 | -4.2 | 3.6 | 14.6 | 13.2 | 34.8 |
| Western Australia | -10.4 | 19.6 | 1.8 | 2.7 | -16.9 | 44.9 | 35.8 | 60.8 |
| Tasmania | -1.5 | 23.9 | 6.5 | -6.1 | 29.5 | -33.2 | 45.5 | 0.3 |
| Northern Territory | -0.8 | 53.3 | 48.6 | 5.3 | 33.0 | -14.2 | 38.8 | 43.5 |
| A.C.T. | 19.8 | -16.7 | -25.0 | 8.7 | -1.3 | 2.5 | -1.3 | 7.2 |
| Australia | -17.2 | 3.7 | -9.0 | 0.3 | -13.0 | 25.3 | 9.9 | 27.6 |

Source: Australian Bureau of Statistics

The increase in loan activity for new dwellings in 2005/06, identified in Table 2, masks a divergence across dwelling types. Growth in loan activity for the construction of new dwellings remains weak, having increased by 0.3% in 2005/06. However, loans for newly erected dwellings (i.e. already completed new dwellings) increased by 27.6%.

Across the states, loan activity for the construction of new dwellings in 2005/06 ranged from a decline of 6.5% in New South Wales, to an increase of 8.7% in the Australian Capital Territory. However, for newly erected dwellings, all states saw increases, ranging from 0.3% in Tasmania to 60.8% in Western Australia. In New South Wales, loans for newly erected dwellings increased by just under 30%.

This divergent trend is most evident in the eastern states, and suggests that while growth in new construction remains weak, buyers are purchasing excess inventories of completed dwellings, such as apartments. The increase in loans to first home buyers indicates that those who are coming back into the market are choosing apartments rather than house/land packages, most likely for affordability reasons.

Table 3 highlights the recovery in first home buyer activity over the past couple of years. After declining in 2002/03 and 2003/04, the number of loans to first home buyers has increased in all states. Nationally, loans to first home buyers increased by 24% in 2005/06, ranging from 9% in Western Australia (from already high levels) to 34% in Queensland.

With the exception of the Australian Capital Territory, the number of loans to first home buyers is higher than the long-

Table 3: Number of home loans approved to first homebuyers – % change on previous year

| State | Number of loans to first home buyers | | | | | | |
|--------------------|--------------------------------------|---------|---------|---------|---------|---------|-----|
| | Average 1996/97 | | | | | 2005/06 | |
| | 2000/01 | 2001/02 | 2002/03 | 2003/04 | 2004/05 | No. | %ch |
| New South Wales | 31,623 | 43,869 | 28,791 | 24,785 | 27,337 | 36,040 | 32 |
| Victoria | 29,547 | 34,307 | 23,984 | 21,303 | 28,178 | 32,905 | 17 |
| Queensland | 20,223 | 33,259 | 24,389 | 20,193 | 19,894 | 26,700 | 34 |
| South Australia | 7,172 | 9,285 | 6,822 | 6,150 | 6,419 | 7,701 | 20 |
| Western Australia | 15,908 | 17,704 | 12,775 | 12,393 | 16,060 | 17,485 | 9 |
| Tasmania | 1,872 | 2,899 | 2,273 | 1,611 | 1,635 | 2,159 | 32 |
| Northern Territory | 1,074 | 886 | 763 | 964 | 1,481 | 1,902 | 28 |
| A.C.T. | 2,079 | 1,676 | 1,509 | 1,001 | 1,140 | 1,485 | 30 |
| Australia | 109,497 | 143,885 | 101,306 | 88,400 | 102,144 | 126,377 | 24 |

Source: Australian Bureau of Statistics

term average prior to the introduction of the Federal Government First Home Owner's Grant in 2000. This recovery likely reflects first home buyers' return to the market now that the rapid price growth of previous years has tapered off, as well as the introduction of additional state government incentives to first home buyers from 2004/05. Further growth in first home buyer activity in 2006/07 is likely to be more modest across all states.

After peaking in 2003/04 nationally, the total value of loans to investor purchasers declined by 15.1% in 2004/05, as highlighted in Table 4. The value of loans to investors increased by 3.8% in 2005/06, supported by a massive rise in loans to investors in Western Australia (+55%), and to a lesser extent in Northern Territory (+27.1%) and Queensland (+5%).

A further weakening in investment activity continued across the other states. The decline in investor activity reflects the continued impact of low residential yields and strained affordability on capital growth prospects and subsequent investor demand in the eastern states. It is also likely that investment activity in Western Australia and Northern Territory was boosted by purchasers from other states who are seeking higher capital growth evident in these regions.

Quarterly investment loan data suggests that investor activity may have bottomed out in those states that had seen declines, with some quarter-on-quarter growth now evident. Without significant capital growth, and with rental yields remaining low in the face of rising interest rates, it is unlikely that any significant growth in

Table 4: Value of loans approved to investors – % change on previous year

| State | Investor Finance | | | | | | |
|--------------------|------------------|-------|------|-----------------|-----------------|-----------------|-----------------|
| | Year ended June | | | Sep qtr 2005 | Dec qtr 2005 | Mar qtr 2006 | Jun qtr 2006 |
| | 2004 | 2005 | 2006 | | | | |
| New South Wales | 21.2 | -22.8 | -4.3 | -5.7 | -7.0 | -7.7 | 2.7 |
| Victoria | 18.2 | -10.5 | -2.3 | -7.3 | 0.7 | -8.1 | 5.1 |
| Queensland | 33.4 | -16.0 | 5.0 | -10.5 | 3.6 | 8.5 | 19.2 |
| South Australia | 29.2 | 1.0 | -4.1 | -3.7 | -11.2 | -2.5 | 1.4 |
| Western Australia | 22.4 | 11.1 | 55.0 | 37.9 | 46.4 | 56.9 | 72.6 |
| Tasmania | 51.7 | -4.7 | -3.1 | 0.0 | -14.4 | 13.3 | -9.5 |
| Northern Territory | 46.1 | 0.5 | 27.1 | 38.4 | 19.0 | 14.1 | 39.6 |
| A.C.T. | 4.1 | -17.7 | 0.1 | -17.4 | 3.8 | 0.2 | 13.7 |
| Australia | 23.2 | -15.1 | 3.8 | -3.1 | 1.2 | 2.6 | 14.1 |

Source: Australian Bureau of Statistics

investor activity will re-emerge in the short term in the eastern states.

Meanwhile, the total value of loans to investors in New South Wales showed an increase for the June 2006 quarter, suggesting that there might be some recovery after a decline of nearly 30% from peak levels.

Underlying Demand

Net overseas migration

Since the June property report, the Australian Bureau of Statistics has produced revised estimates of net overseas migration for 2004/05 and the first three quarters of 2005/06. The national net overseas migration inflow for 2005/06 was upgraded from 110,000 to 123,800, while the year to March quarter 2006 data was revised to 134,500 from around 120,000. With the exception of New South Wales in 2005/06, net overseas migration has been revised upward across all states (particularly in Queensland), which is likely to have a further positive impact on demand.

The March quarter 2006 data indicated that the national net overseas migration inflow fell to 45,700 compared to 47,100 in March quarter 2005. Only Victoria, South Australia and Western Australia recorded a significant increase in March quarter 2006 net overseas migration over March 2005, with other states showing a decline or remaining steady. This suggests that net overseas migration may be peaking, although further data is required to confirm this. Given current solid economic conditions and continued skills shortages in particular industries, it is likely that net overseas migration will continue at these levels over the next year.

Table 5: Net overseas migration ('000)

| Year ended June | NSW | VIC | QLD | SA | WA | TAS | NT | ACT | AUST |
|-----------------|------|------|------|-----|------|------|-----|------|-------|
| 1998 | 31.8 | 19.3 | 12.5 | 3.2 | 12.0 | 0.0 | 0.6 | -0.2 | 79.2 |
| 1999 | 41.1 | 24.7 | 13.7 | 2.7 | 13.4 | 0.2 | 1.0 | -0.2 | 96.5 |
| 2000 | 43.7 | 27.0 | 17.5 | 3.8 | 14.0 | 0.4 | 0.9 | -0.1 | 107.3 |
| 2001 | 58.6 | 35.3 | 21.0 | 2.8 | 16.3 | 0.1 | 0.9 | 0.7 | 135.7 |
| 2002 | 44.4 | 20.3 | 26.5 | 2.8 | 15.0 | 0.3 | 0.7 | 0.7 | 110.6 |
| 2003 | 40.9 | 26.8 | 27.1 | 3.9 | 15.6 | 1.0 | 0.3 | 0.9 | 116.5 |
| 2004 | 29.8 | 25.0 | 25.4 | 4.3 | 13.6 | 0.7 | 0.6 | 0.5 | 100.0 |
| 2005 | 35.2 | 32.3 | 29.6 | 7.0 | 17.2 | 1.0 | 1.0 | 0.5 | 123.8 |
| 2006* | 41.6 | 37.1 | 24.5 | 8.8 | 21.0 | 0.6 | 0.8 | 0.1 | 134.5 |
| Quarterly | | | | | | | | | |
| Mar 05 | 13.8 | 13.5 | 9.3 | 3.1 | 6.1 | 0.4 | 0.3 | 0.6 | 47.1 |
| Jun 05 | 4.4 | 3.5 | 6.2 | 0.9 | 2.7 | -0.1 | 0.2 | -0.1 | 17.8 |
| Sep 05 | 11.3 | 10.0 | 5.4 | 2.3 | 4.9 | 0.2 | 0.1 | 0.0 | 34.2 |
| Dec 05 | 13.1 | 8.8 | 5.8 | 2.2 | 6.5 | 0.3 | 0.2 | 0.0 | 36.9 |
| Mar 06 | 12.9 | 14.8 | 7.1 | 3.4 | 6.9 | 0.2 | 0.3 | 0.1 | 45.7 |

* year to March

Source: ABS, BIS Shrapnel

Net interstate migration

The dominant interstate migration flow remains one of movement from New South Wales to Queensland. However this has eased since the peak in 2002/03 as Brisbane's relative housing affordability advantage has diminished. This was also evident in the March quarter 2006 data.

Net interstate migration into Western Australia and Northern Territory has improved in the last two years, benefiting from the increased employment prospects generated by strong economic growth, greater housing affordability, and, to a lesser extent, the lifestyle attractions such as less congestion. However, Northern Territory reverted back to a net interstate migration outflow in March quarter 2006.

The net interstate migration outflow from Victoria is likely to continue at similar levels to those experienced in 2005/06, despite a net inflow recorded for March quarter 2006. With house price growth having halted, the housing affordability equation remains static, although continued strong employment growth in Queensland, Western Australia and the Northern Territory will have a positive effect.

The recent net interstate migration inflow into Tasmania began to reverse in 2004/05, and a net outflow is expected to re-emerge over the next couple of years, as employment prospects in Tasmania remain more limited compared to the mainland states.

Table 6: Net interstate migration ('000)

| Year ended June | NSW | VIC | QLD | SA | WA | TAS | NT | ACT |
|-----------------|-------|------|------|------|------|------|------|------|
| 1998 | -12.2 | -0.3 | 17.4 | -2.0 | 3.2 | -3.6 | -0.5 | -2.0 |
| 1999 | -13.1 | 2.5 | 16.7 | -1.6 | 0.3 | -3.3 | -1.0 | -0.5 |
| 2000 | -14.3 | 5.2 | 18.5 | -3.5 | -2.2 | -2.6 | -0.9 | -0.1 |
| 2001 | -16.3 | 5.2 | 20.0 | -2.4 | -3.1 | -2.1 | -1.6 | 0.4 |
| 2002 | -24.4 | 4.4 | 31.2 | -1.6 | -4.4 | -1.5 | -2.6 | -1.0 |
| 2003 | -31.8 | 0.0 | 39.2 | -1.5 | -2.8 | 1.9 | -3.4 | -1.6 |
| 2004 | -30.4 | -2.3 | 36.7 | -3.2 | 1.3 | 2.5 | -2.1 | -2.4 |
| 2005 | -25.7 | -2.4 | 31.5 | -3.5 | 1.5 | 0.2 | 0.0 | -1.6 |
| 2006* | -24.5 | -2.3 | 26.8 | -2.7 | 2.6 | 0.3 | 0.1 | -0.3 |
| Quarterly | | | | | | | | |
| Mar 05 | -6.7 | -0.7 | 7.7 | -1.1 | 0.5 | 0.1 | 0.2 | -0.1 |
| Jun 05 | -6.2 | -0.8 | 7.4 | -0.7 | 0.3 | 0.1 | 0.2 | -0.3 |
| Sep 05 | -5.2 | -1.1 | 6.1 | -0.8 | 0.8 | 0.0 | 0.1 | 0.0 |
| Dec 05 | -7.3 | -0.7 | 8.0 | -1.0 | 0.3 | 0.2 | 0.0 | 0.5 |
| Mar 06 | -5.8 | 0.3 | 5.3 | -0.2 | 1.1 | 0.0 | -0.3 | -0.5 |

* year to March
Source: ABS, BIS Shrapnel

South Australia has experienced a consistent net interstate migration outflow for the past five quarters. Outflow from the Australian Capital Territory improved in 2005 but dropped again in the most recent quarter.

Prices

The June quarter 2006 median house price for Sydney, as shown in Table 7, suggests the market may have finally bottomed out after consistent quarterly declines since March 2004. Despite the interest rate rise in May 2006, the median house price of \$523,000 in the June quarter 2006 represents a 1.2% rise for the quarter. However, any potential recovery could be dampened by the August 2006 interest rate rise and further anticipated rises over the next year, which could result in another relapse in prices.

Melbourne's median house price of \$375,000 in the June quarter 2006 reflected a 5.0% increase for the quarter and a 4.2% increase for the year, although there has been some fluctuation

in the quarter-to-quarter data. Given the rising home loan activity over 2005/06 and improved overseas migration, the underlying trend is likely to be positive. Activity is expected to continue increasing, although rising interest rates may prevent price growth.

The June quarter 2006 median house price for Brisbane suggests that there was a minimal increase of less than 1% in the quarter, reflecting annual growth of 3.5%. Further growth of around 4–5% is expected over 2006/07, driven by out-performing economic growth, high net overseas and interstate migration inflows

and increased lending activity.

Adelaide's median house price has been relatively static since 2005/06. The June quarter 2006 median of \$286,500 represented a rise of just under 3% for the year. Price growth in 2006/07 is expected to remain limited as rising interest rates have a dampening effect on demand.

Perth's median house price in June 2006 of \$395,000 represents an increase of 8.2% for the quarter and 33.9% for the year, making it the second most expensive capital city in the country. While a "boom" sensibility, together with strong underlying demand is expected to underpin further (albeit more moderate) price growth in 2006/07, there is a risk that further rises in interest rates could trigger a change in sentiment by home buyers.



Table 7: Median house prices by capital city

| Quarter ended June | Sydney | | Melbourne | | Brisbane | | Adelaide | | Perth | | Hobart | | Darwin | | Canberra | |
|-----------------------|--------|-------|-----------|-------|----------|-------|----------|-------|--------|-------|--------|-------|--------|-------|----------|-------|
| | \$'000 | % Var | \$'000 | % Var | \$'000 | % Var | \$'000 | % Var | \$'000 | % Var | \$'000 | % Var | \$'000 | % Var | \$'000 | % Var |
| 1996 | 220.0 | 3.3 | 155.0 | 3.3 | 130.0 | 0.0 | 111.5 | -1.1 | 127.0 | -0.8 | 112.0 | 6.7 | 168.0 | -6.7 | 158.0 | 3.9 |
| 1997 | 241.0 | 9.5 | 179.0 | 15.5 | 134.0 | 3.1 | 114.9 | 3.0 | 135.0 | 6.3 | 105.0 | -6.3 | 178.0 | 6.0 | 155.0 | -1.9 |
| 1998 | 272.0 | 12.9 | 208.0 | 16.2 | 139.0 | 3.7 | 120.3 | 4.7 | 143.3 | 6.1 | 107.0 | 1.9 | 180.0 | 1.1 | 160.0 | 3.2 |
| 1999 | 296.0 | 8.8 | 232.0 | 11.5 | 145.0 | 4.3 | 125.0 | 3.9 | 148.5 | 3.6 | 115.0 | 7.5 | 176.0 | -2.2 | 158.0 | -1.3 |
| 2000 | 337.0 | 13.9 | 264.0 | 13.8 | 155.0 | 6.9 | 135.0 | 8.0 | 157.8 | 6.3 | 130.0 | 13.0 | 190.4 | 8.2 | 184.0 | 16.5 |
| 2001 | 364.0 | 8.0 | 302.0 | 14.4 | 160.0 | 3.2 | 148.4 | 9.8 | 165.7 | 5.0 | 120.3 | -7.5 | 187.0 | -1.8 | 203.0 | 10.3 |
| 2002 | 452.0 | 24.2 | 330.5 | 9.4 | 185.0 | 15.6 | 170.0 | 14.6 | 185.7 | 12.1 | 130.0 | 8.1 | 200.0 | 7.0 | 227.6 | 12.1 |
| 2003 | 519.0 | 14.8 | 355.0 | 7.4 | 235.0 | 27.0 | 220.0 | 29.4 | 210.2 | 13.2 | 180.0 | 38.5 | 206.0 | 3.0 | 320.0 | 40.6 |
| 2004 | 552.0 | 6.4 | 365.0 | 2.8 | 307.3 | 30.7 | 250.0 | 13.6 | 255.0 | 21.3 | 252.0 | 40.0 | 255.0 | 23.8 | 372.4 | 16.4 |
| 2005 | 528.0 | -4.3 | 360.0 | -1.4 | 315.0 | 2.5 | 275.0 | 10.0 | 295.0 | 15.7 | 260.0 | 3.2 | 279.8 | 9.7 | 352.5 | -5.3 |
| 2006 | 523.0 | -0.9 | 375.0 | 4.2 | 326.0 | 3.5 | 286.5 | 4.2 | 395.0 | 33.9 | 277.0 | 6.5 | 350.0 | 25.1 | 380.0 | 7.8 |
| Quarterly | | | | | | | | | | | | | | | | |
| Sep-05 | 518.0 | -1.9 | 355.0 | -1.4 | 310.0 | -1.6 | 275.0 | 0.0 | 310.0 | 5.1 | 266.0 | 2.3 | 300.0 | 7.2 | 350.0 | -0.7 |
| Dec-05 | 517.0 | -0.2 | 371.0 | 4.5 | 322.0 | 3.9 | 278.0 | 1.1 | 336.0 | 8.4 | 276.5 | 3.9 | 328.0 | 9.3 | 368.0 | 5.1 |
| Mar-06 | 517.0 | 0.0 | 357.0 | -3.8 | 325.0 | 0.9 | 279.0 | 0.4 | 365.0 | 8.6 | 282.5 | 2.2 | 335.0 | 2.1 | 375.0 | 1.9 |
| Jun-06 | 523.0 | 1.2 | 375.0 | 5.0 | 326.0 | 0.3 | 286.5 | 2.7 | 395.0 | 8.2 | 277.0 | -1.9 | 350.0 | 4.5 | 380.0 | 1.3 |

Note: variance in quarterly data represents a quarterly increase

Source: R.E.I.A., BIS Shrapnel

Hobart's median house price for June quarter 2006 showed a 1.9% decline over the previous three months and a 6.5% increase for the year. Although new loan activity appears to have improved over the course of the year, this follows two years of declines and remains weak.

A booming resource sector has encouraged demand and price growth in Darwin. The median house price of \$350,000 in the June quarter 2006 is a 4.5% increase for the quarter and a 25.1% rise for the year. Price growth is expected to moderate in 2006/07 as affordability constraints begin to have an impact.

The median house price of \$380,000 in Canberra for the June quarter 2006 reflected a 1.3% rise for the quarter and a 7.8% rise for the year. The decline in median house prices in 2004/05 helped to make housing more affordable, possibly resulting in the return of a net interstate migration inflow and increased loan activity that pushed prices up in 2005/06. Further modest growth is expected in 2006/07, limited by rising interest rates.



New ways of thinking



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