

# Market update

July 2011

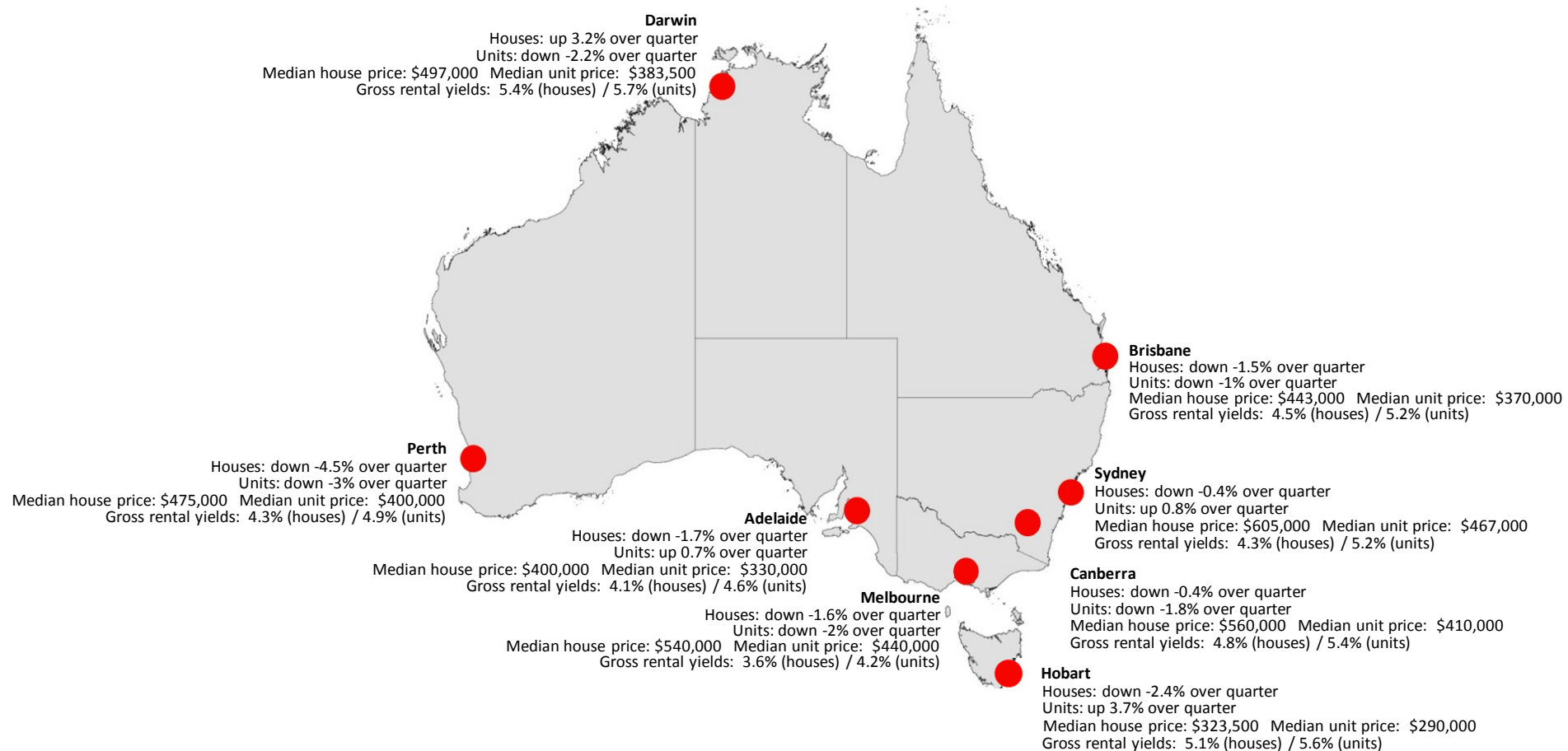


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# Market snapshot

## Australian capital cities, May '11

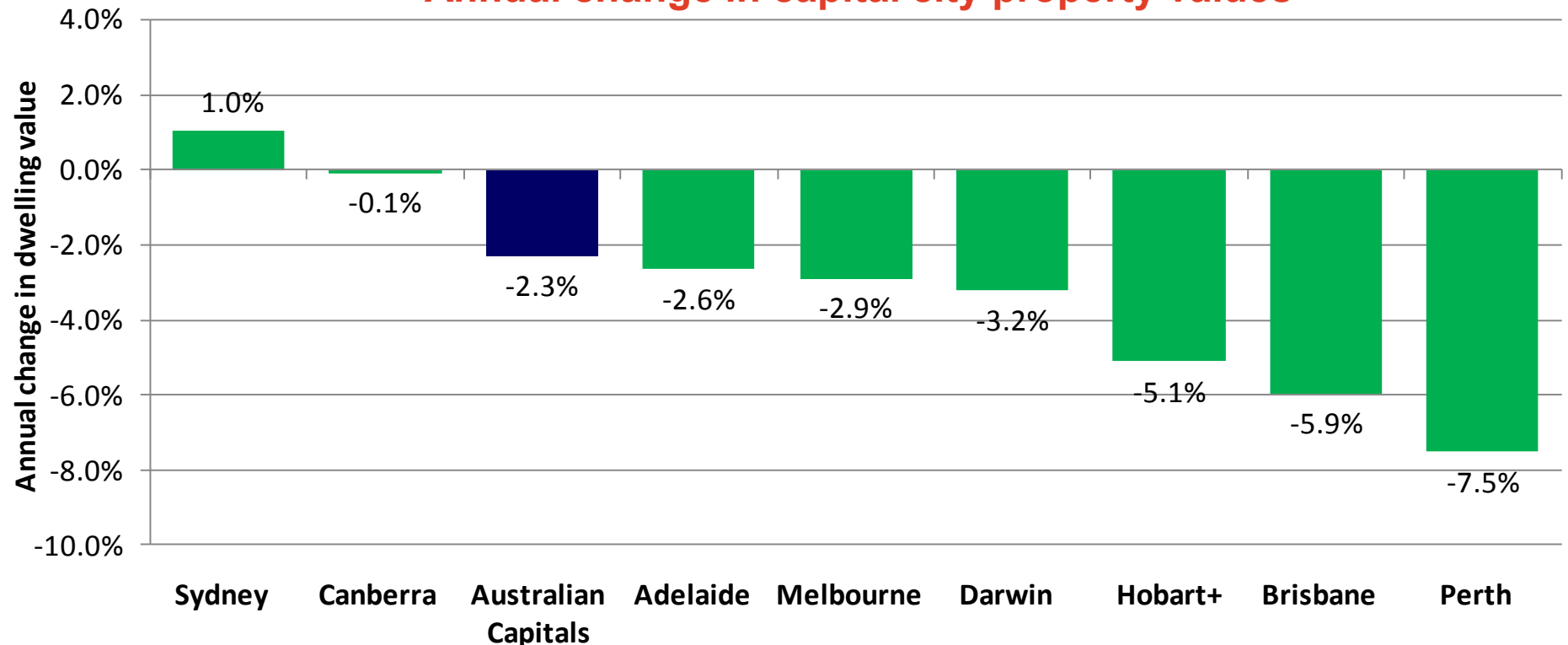


\* Hobart data is based on April '11 results

# Values have now fallen during the year in most capital cities

- Across the capitals, property values have fallen by -2.3% over the past year.
- Sydney has been the only city in which values have risen over the last year while Brisbane, Perth and Hobart have been the laggards.

## Annual change in capital city property values

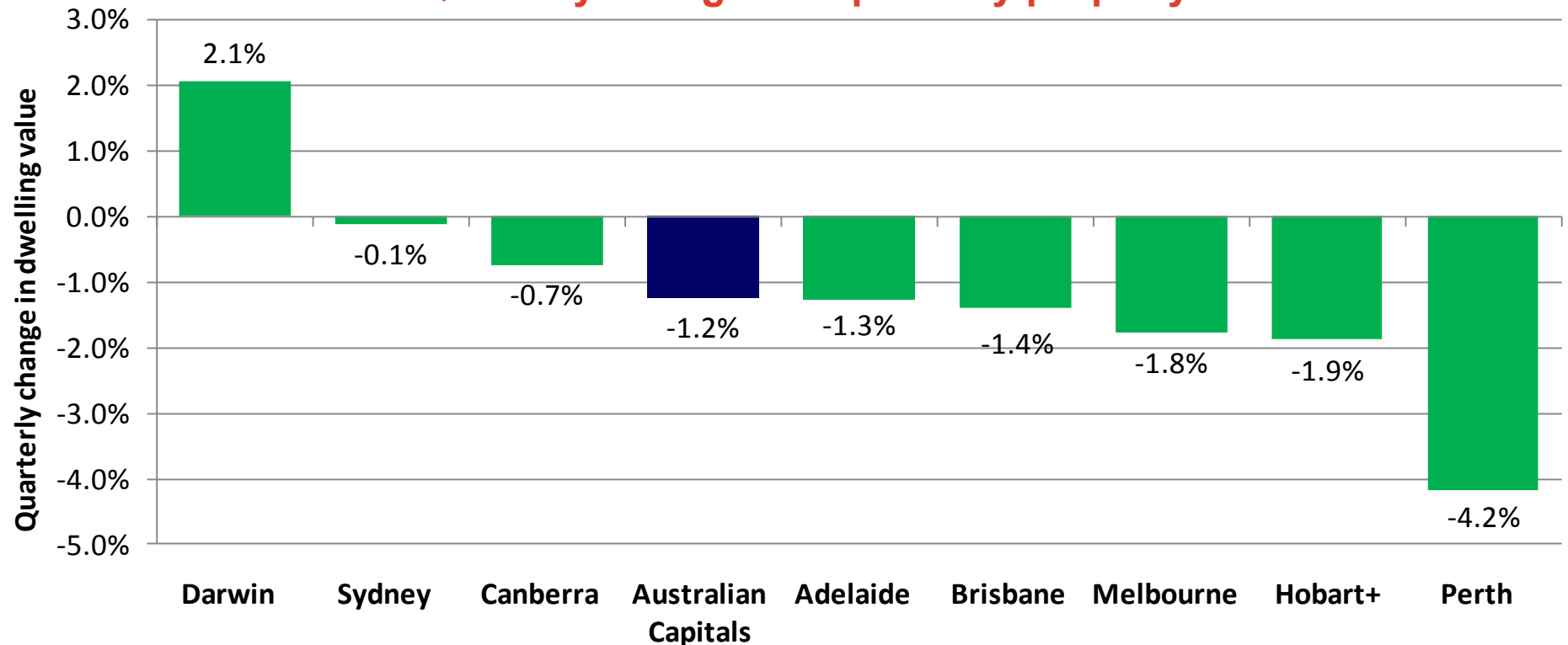


\* Note Hobart figures are based on April 2011 data

# Darwin was the only capital city to record positive value growth over the quarter

- During the three months to May 2011, capital city home values were down -1.2% compared to a -2.3% fall over the year.
- Perth is significantly underperforming all other markets.

## Quarterly change in capital city property values



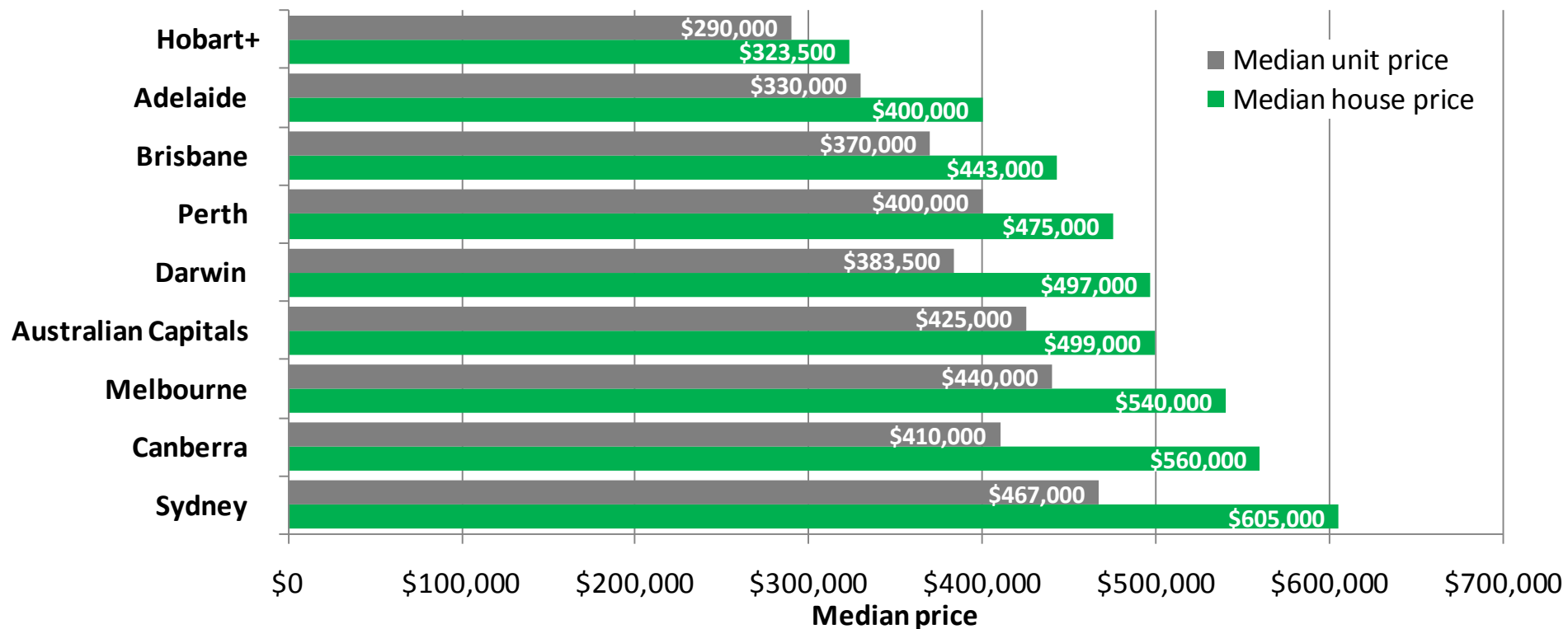
\* Note Hobart figures are based on April 2011 data

Source: rpdata.com - Rismark

# Sydney house prices the most expensive of any city

- Sydney remains the most expensive city for housing, while Hobart is the most affordable.
- Across the combined capitals, median house prices are \$499,000 and units \$425,000.

## Median house and unit prices – May 11



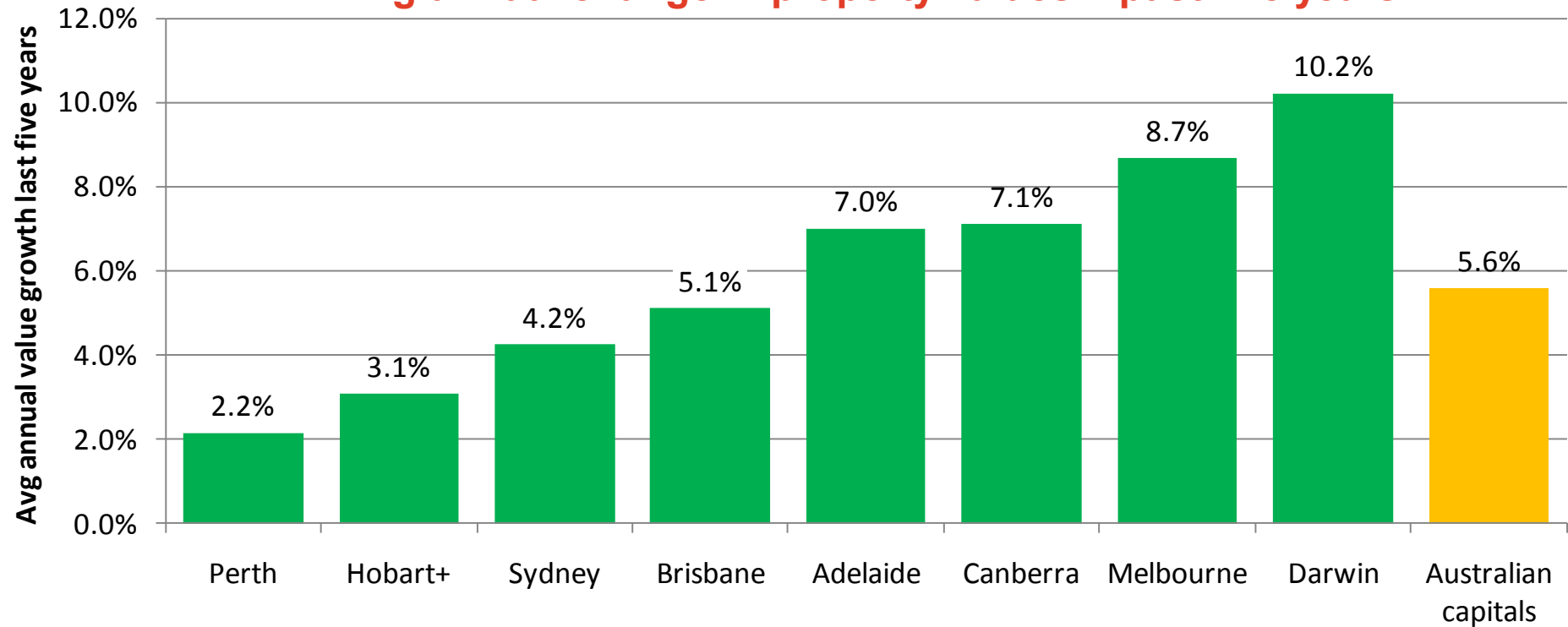
\* Note Hobart figures are based on April 2011 data

Source: rpdata.com - Rismark

# Darwin has been the standout performer during the past five years

- Capital city property values have increased at an average annual rate of 5.6% during the five years to May 2011.
- Over the past 10 years capital city property values have increased at an average annual rate of 7.4%, indicating more subdued growth conditions recently.

**Avg annual change in property values – past five years**

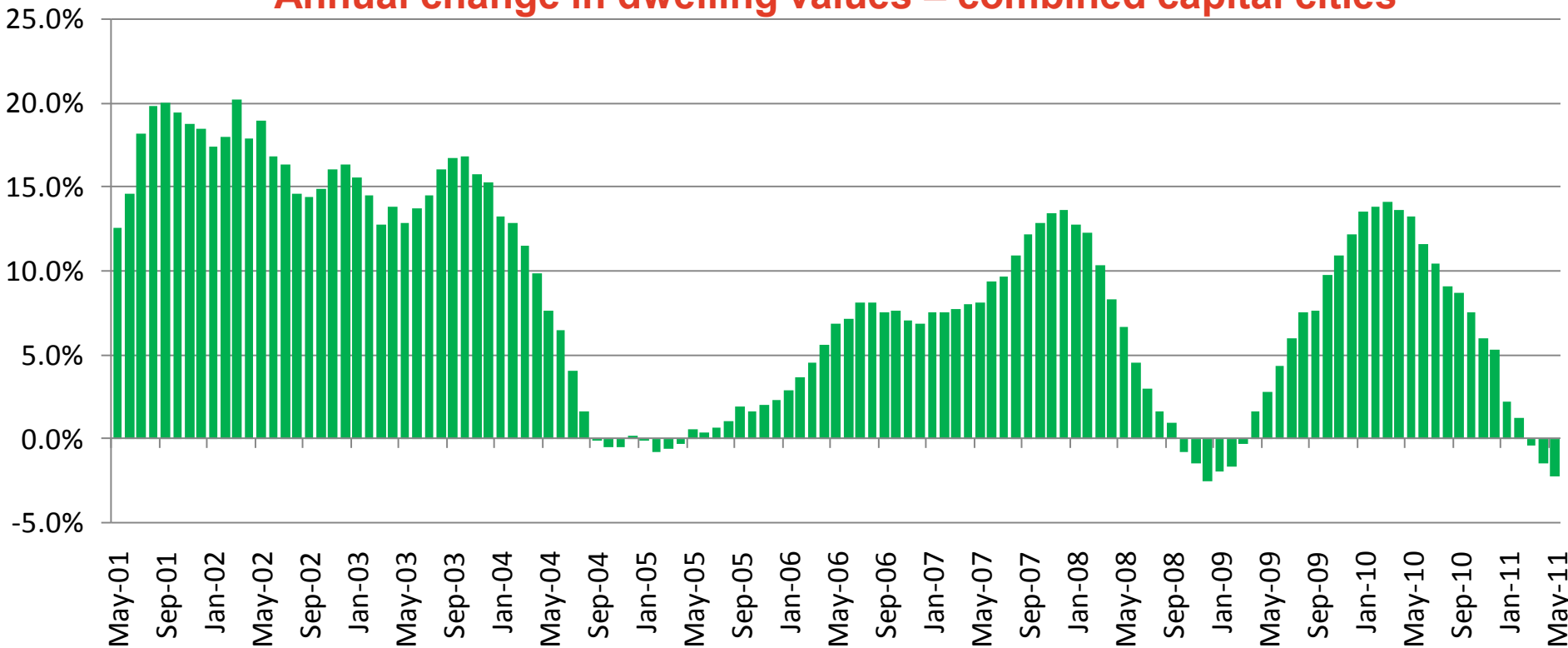


\* Note Hobart figures are based on April 2011 data

# Property values now falling on an annual basis across the combined capital cities

- Annual growth in capital city dwelling values most recently peaked at 14.2% in March 2010.
- Since that time, annual capital growth has fallen to -2.3% in May 2011.
- Since the start of 2009, capital city property values have increased by 14.9%.

**Annual change in dwelling values – combined capital cities**

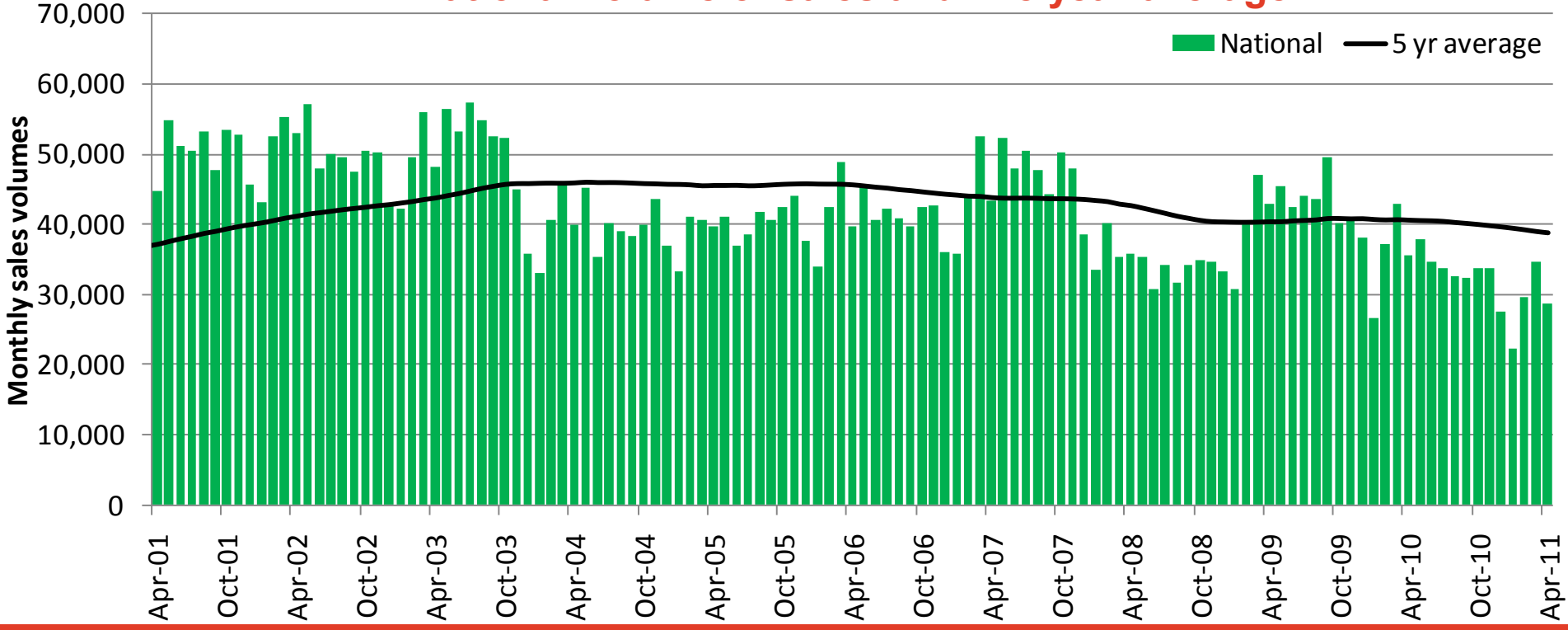


Source: rpdata.com - Rismark

# Sales volumes remain well below average but have lifted since January and February

- Estimated sales volumes were -27% below the five year average in April 2011.
- Although December and January typically see a slowdown in transaction volumes it was significantly greater this year than in recent years.
- Sales volumes remain below pre Christmas / New Year levels and have fallen in April.

**National volume of sales and five year average**

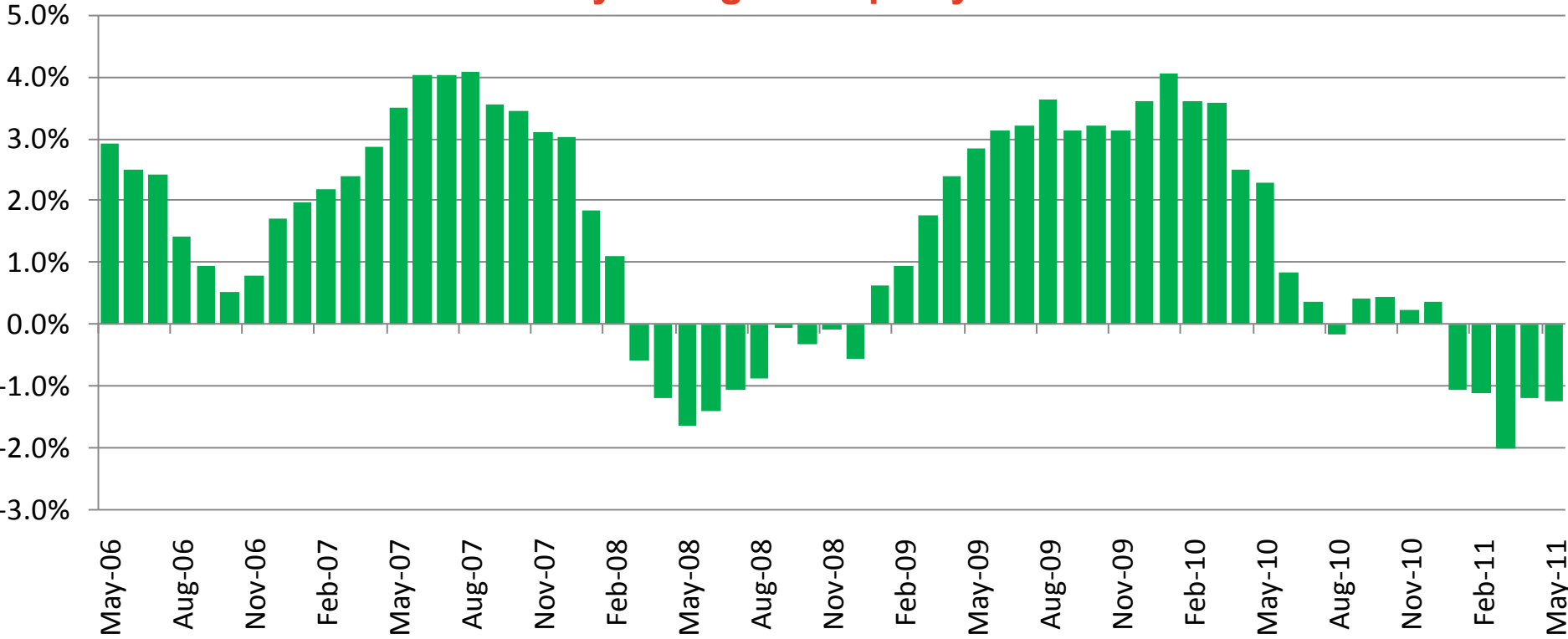


Note: the last five months of sales volumes are modelled based on historic levels of revision

# Market weakens in recent months as sales activity slows

- During the last quarter property values across the combined capital cities have fallen by -1.2%.
- Over the last month, capital city home values are down by -0.3%.

### Quarterly change in cap city home values

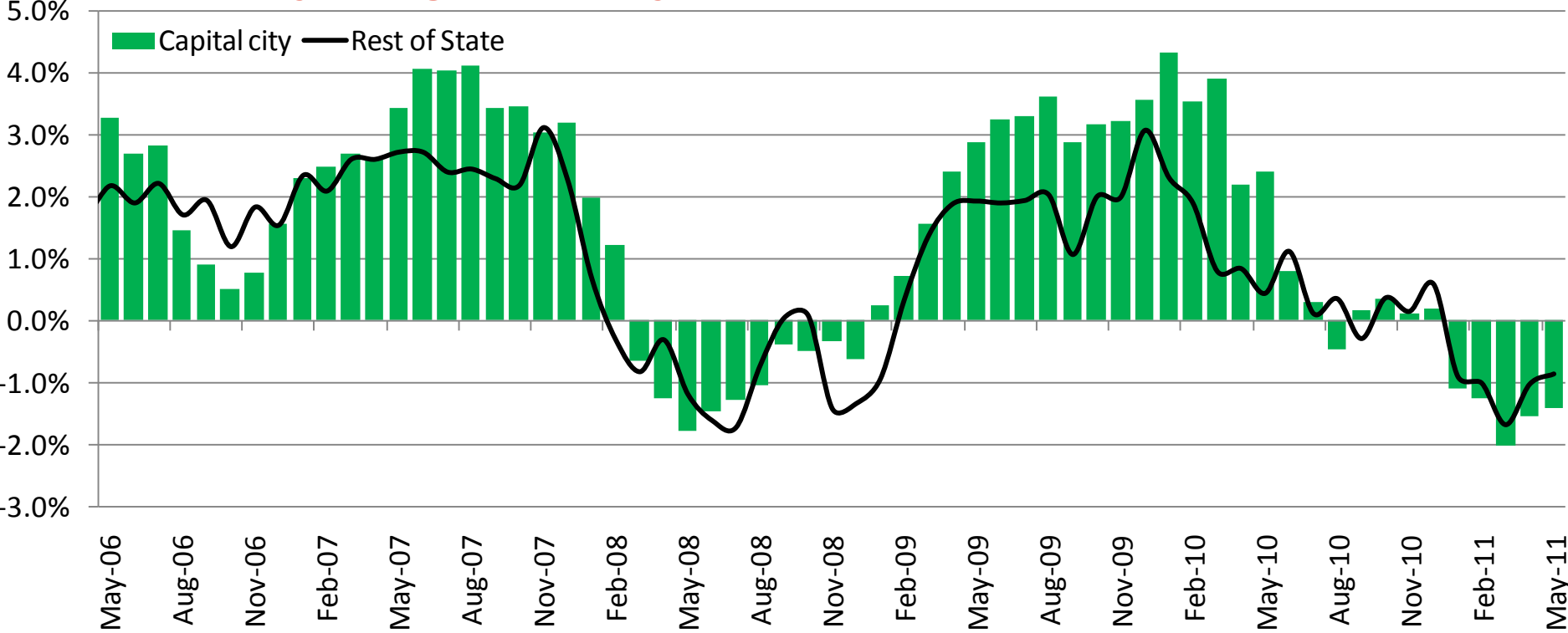


Source: rpdata.com - Rismark

# Market weakens in recent months as sales activity slows

- During the last quarter house values across the combined capital cities have fallen by -1.4%.
- Outside of the capital cities, house values have fallen by -0.9% during the quarter.

### Quarterly change in cap city house values vs. Rest of state house values

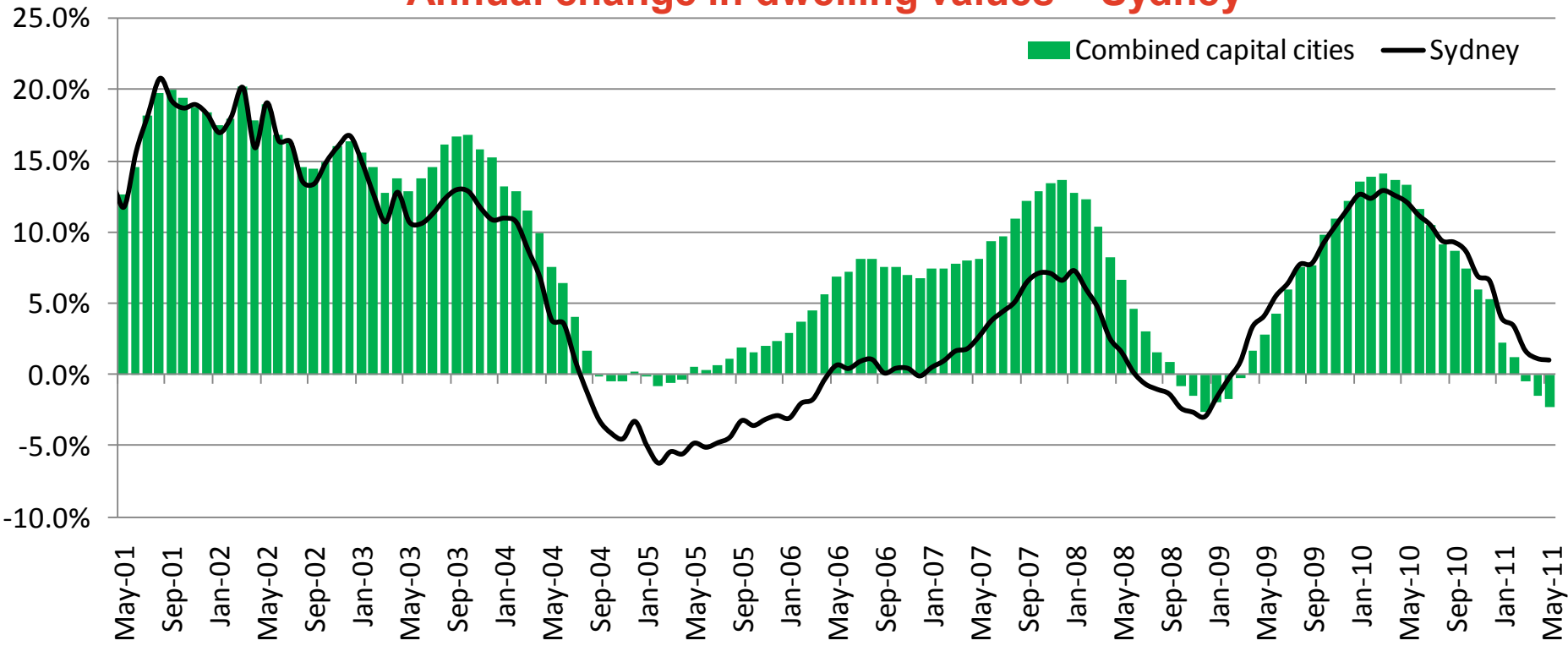


Source: rpdata.com - Rismark

# Sydney is the only city showing capital gains during the past year

- Between December 2002 and January 2009, annual capital growth in Sydney was lower than that recorded across the combined capitals.
- Property values have increased by a total of 17.8% since the start of 2009.
- Over the past year, Sydney property values have increased by 1.1%.

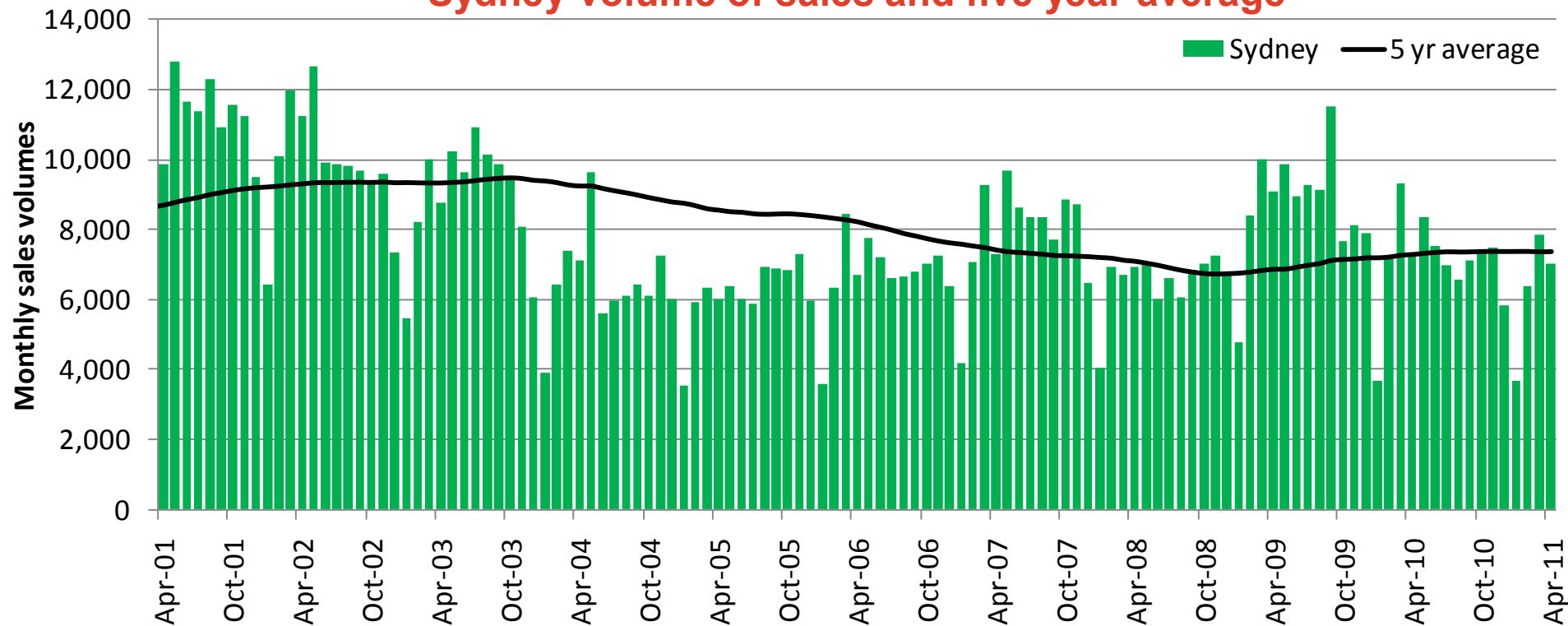
Annual change in dwelling values – Sydney



# Sydney volumes are now around five year average levels

- Current sales volumes are -5% below five year average levels.
- During January 2011 sales volumes were lower than they typically are however, they have rebounded strongly in recent months.

## Sydney volume of sales and five year average



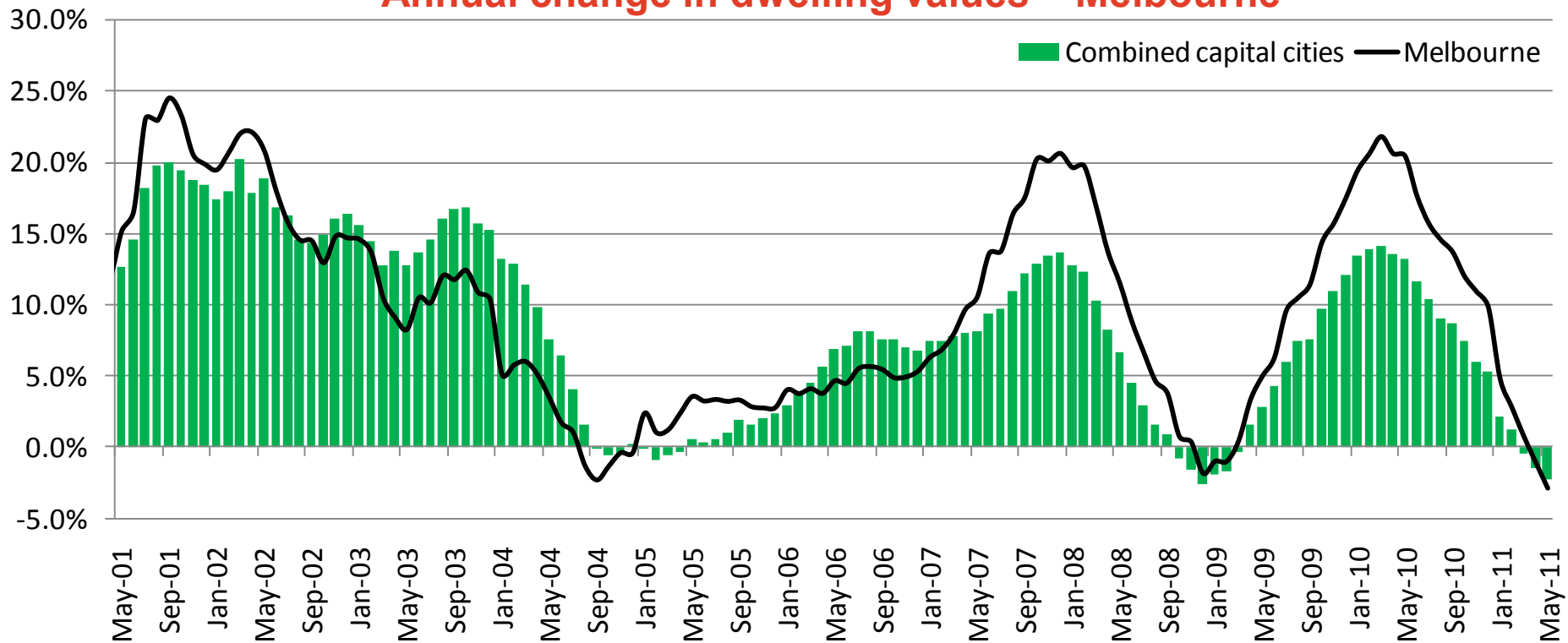
Note: the last five months of sales volumes are modelled based on historic levels of revision

Source: rpdata.com

# Melbourne has been the standout capital growth performer in recent years

- Since the beginning of 2007, property values in Melbourne have increased by a total of 47.4%.
- Over the last 12 months, Melbourne values have fallen by -2.9%, suggesting that the slowdown is now on.

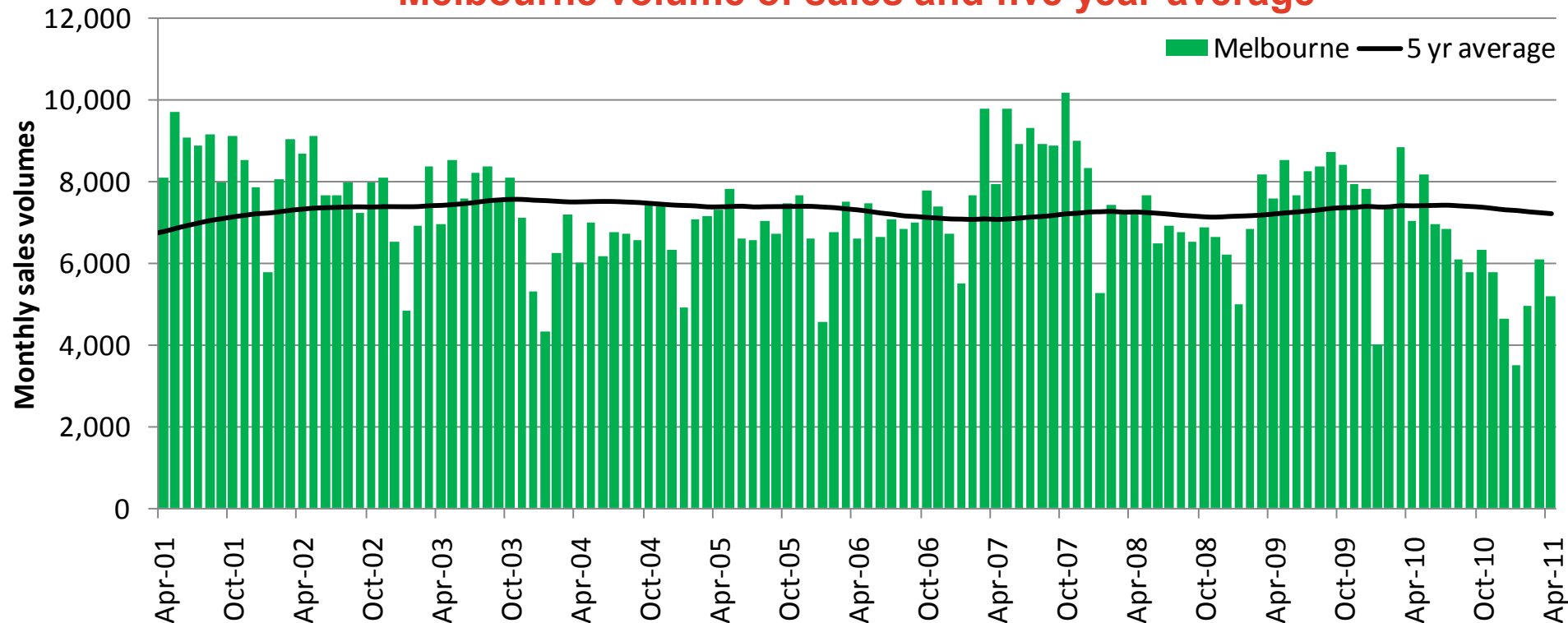
## Annual change in dwelling values – Melbourne



# Melbourne's transaction volumes are starting to fall as value growth slows

- Melbourne estimated sales volumes are currently -29% below the five year average.
- Although there has been a rebound in volumes in recent months, the trend is very much showing lower sales volumes, which is commensurate with the slowdown in capital gains.

## Melbourne volume of sales and five year average



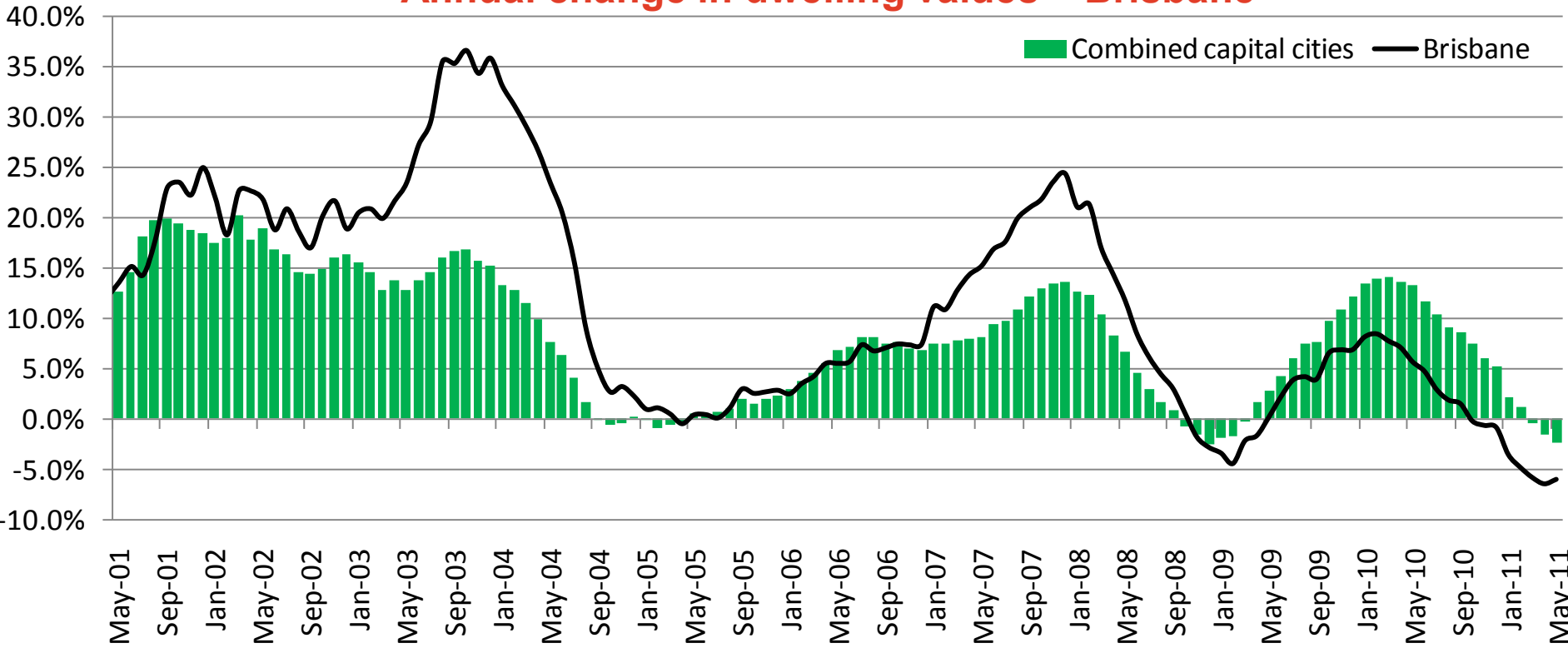
Note: the last five months of sales volumes are modelled based on historic levels of revision

Source: rpdata.com

# Brisbane has been the second weakest market over the past year

- Since the start of 2008 Brisbane property values have fallen by -0.9%.
- Brisbane home values have fallen by -5.9% over the year to May 2011.
- Brisbane has been underperforming the national market since the end of 2008.

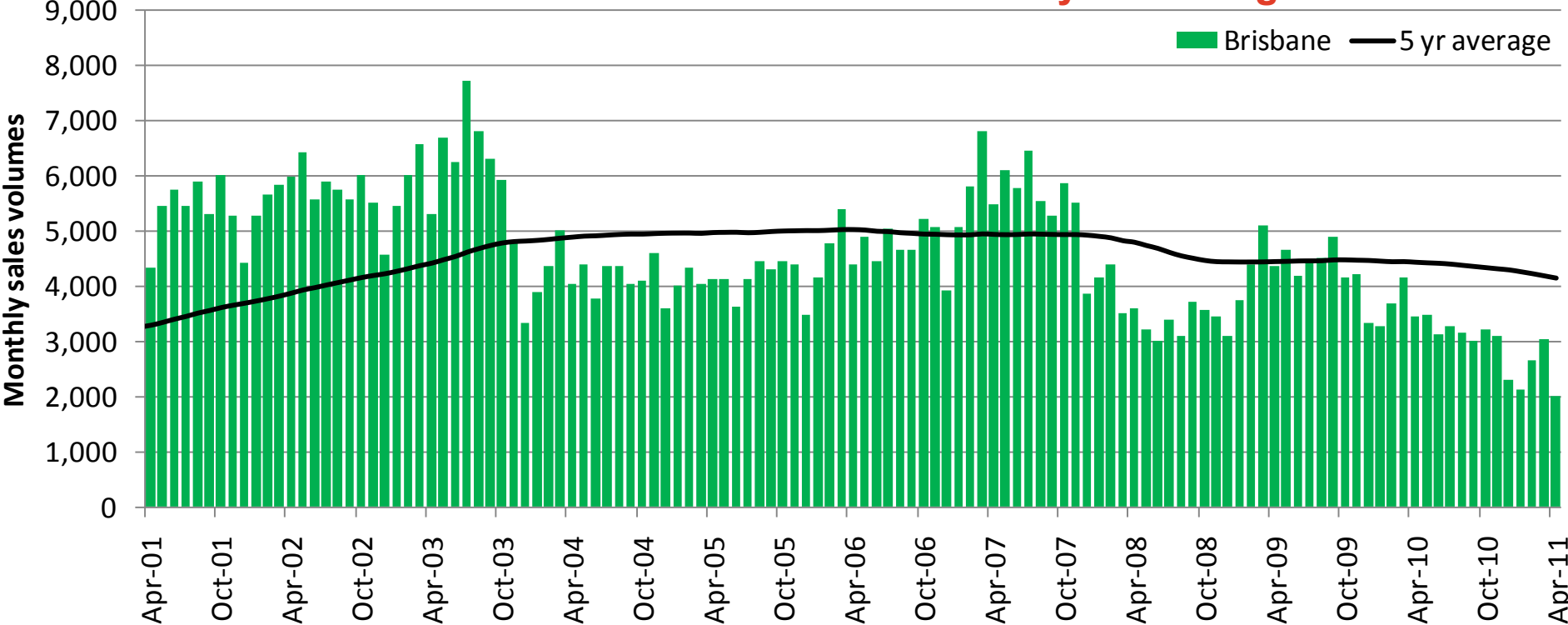
Annual change in dwelling values – Brisbane



# Sales volumes at 10 year lows across Brisbane

- Brisbane estimated sales volumes are -52% below the five year average and at their lowest level in more than 10 years.
- Volumes have been below five year average levels since mid 2009.
- The low volume of sales does not bode well for a recovery in capital gains.

**Brisbane volume of sales and five year average**

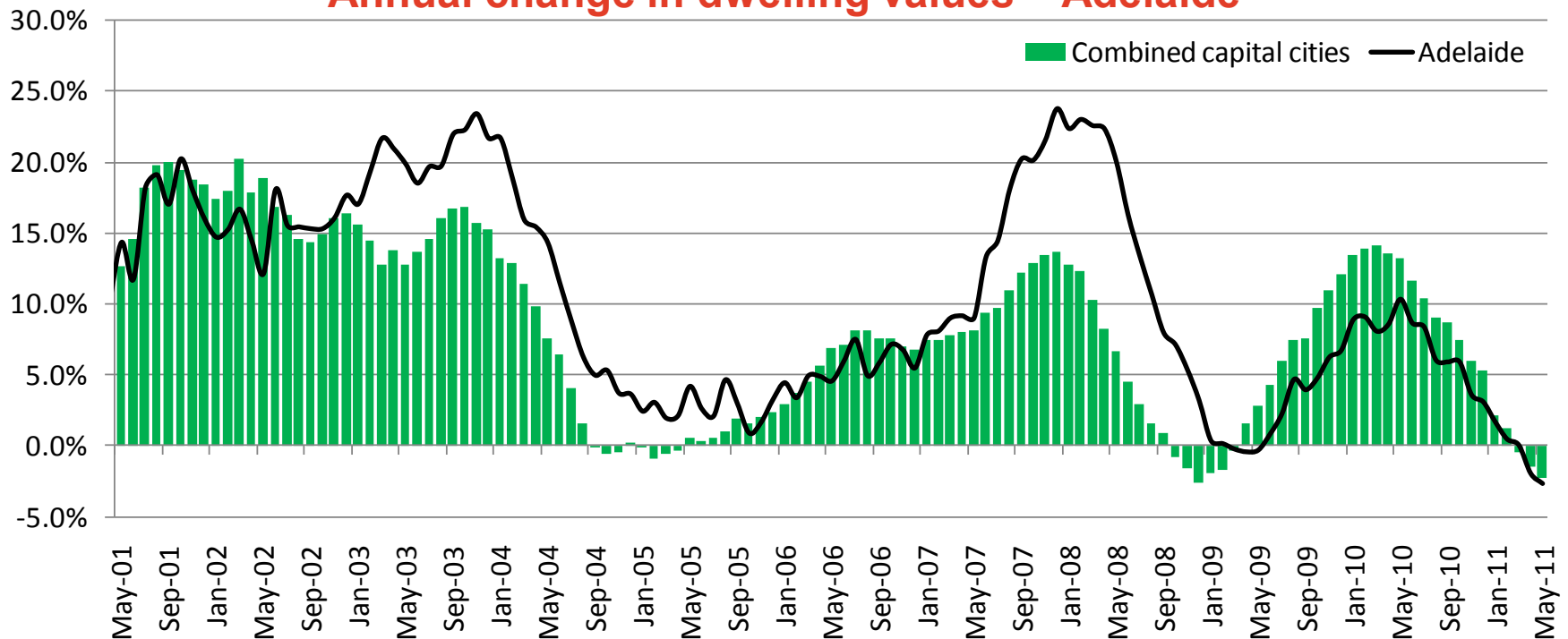


Note: the last five months of sales volumes are modelled based on historic levels of revision

# Adelaide, a city starting to underperform as value growth subsides

- Adelaide consistently recorded a superior rate of capital gains from late 2002 until late 2008 and since that time, Adelaide's property market has underperformed the capital city benchmark.
- Since the start of 2008, Adelaide property values have increased by 7.7%
- Over the past year, property values have fallen by -2.6%.

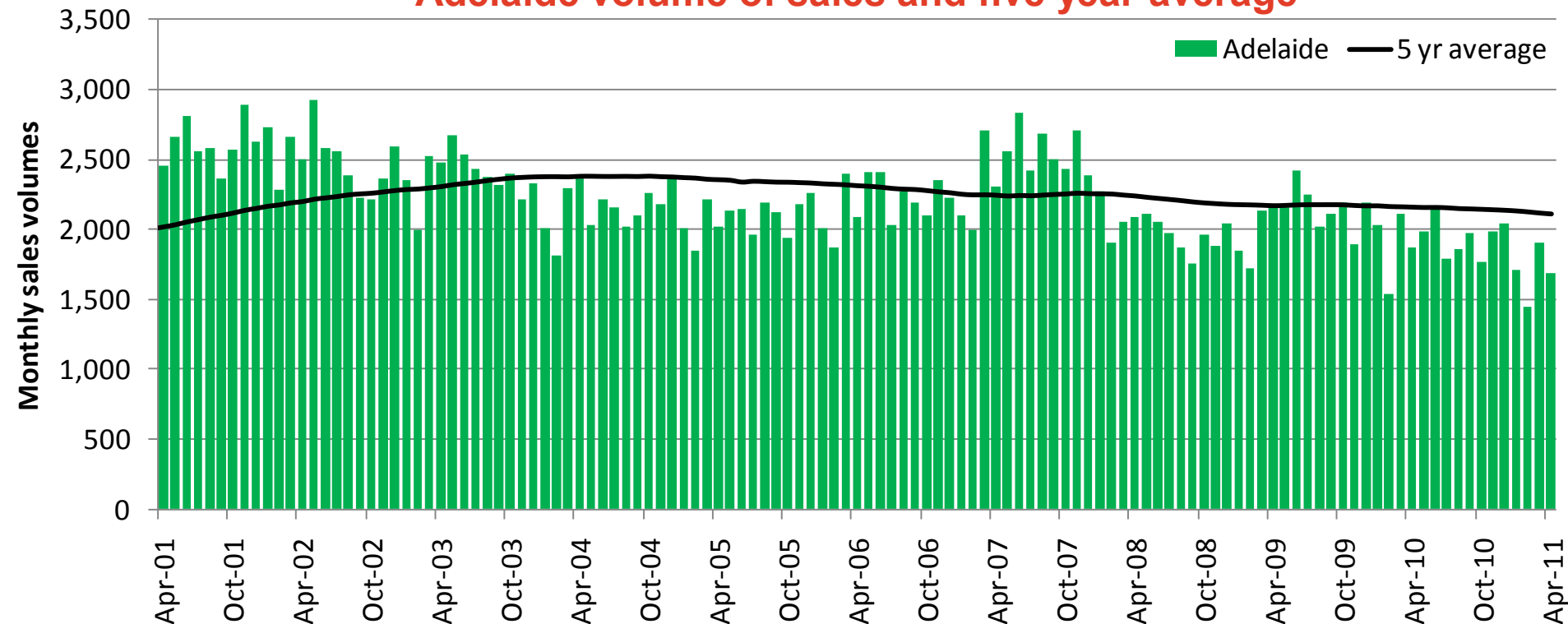
**Annual change in dwelling values – Adelaide**



# Adelaide volumes remain below levels of last year and below the five year average

- Adelaide's estimated sales volumes are currently -21% below the five year average.
- As capital gains have transitioned out of the market, sales volumes have also fallen.

## Adelaide volume of sales and five year average



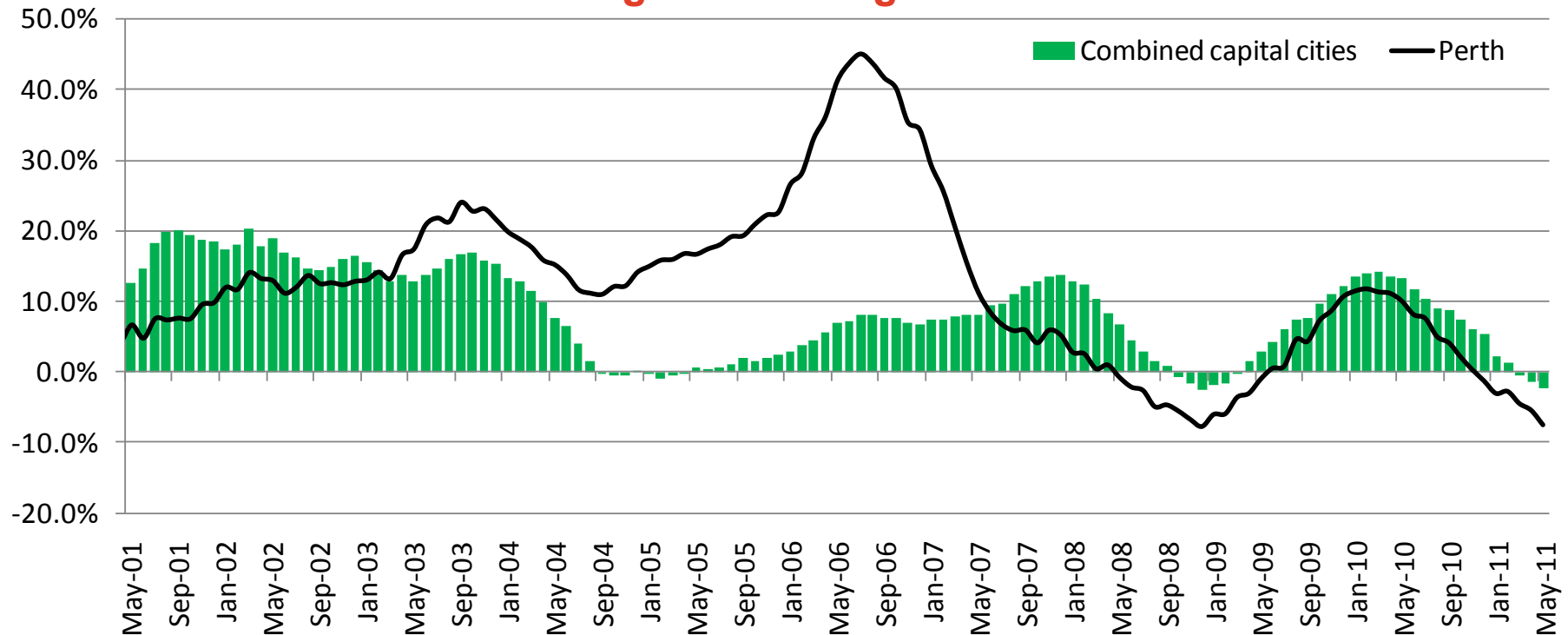
Note: the last five months of sales volumes are modelled based on historic levels of revision

Source: rpdata.com

# Perth's property values continue to slide as the market corrects

- Perth has been the weakest performing capital city market over the last year with values falling by -7.5%.
- On an annual basis, Perth property value growth peaked at 45.1% during July 2006.
- Capital growth in Perth has consistently underperformed the capital cities since May 2007.

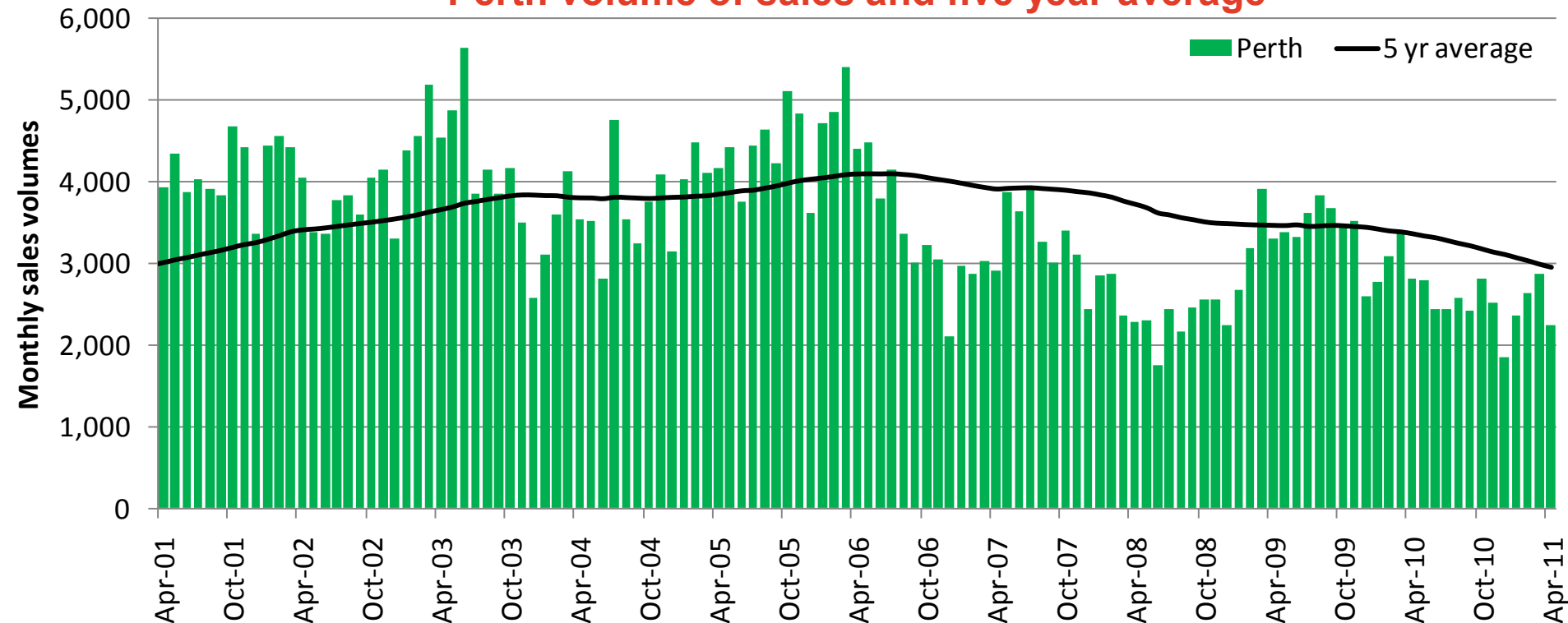
## Annual change in dwelling values – Perth



# Perth sales volumes remain at below average levels as poor capital gains restrict buyers

- Estimated sales volumes in Perth are currently -26% below the five year average.
- The five year average volume of sales is trending much lower because of the ongoing weak performance of the Perth property market.

## Perth volume of sales and five year average



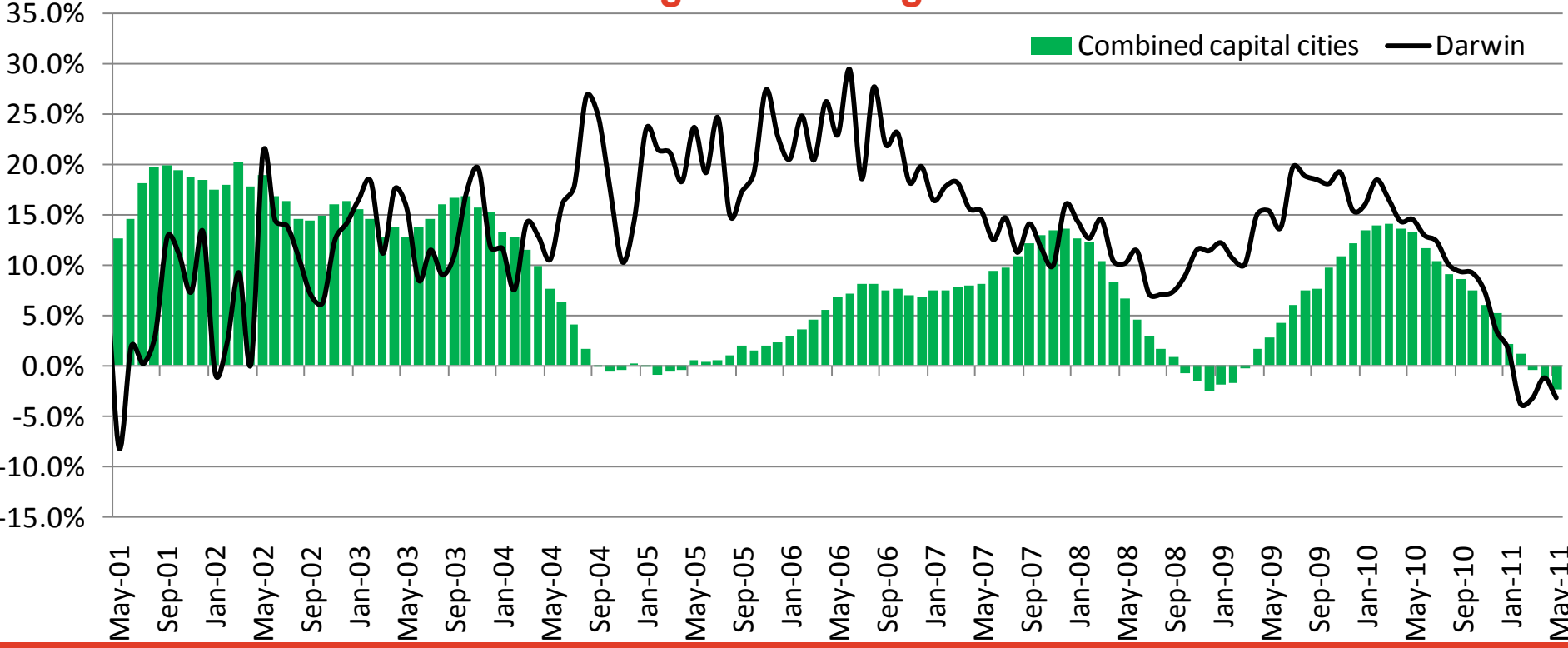
Note: the last five months of sales volumes are modelled based on historic levels of revision

Source: rpdata.com

# Darwin home values now falling after 10 years of virtually unabated capital gains

- Darwin has consistently outperformed the national market since mid 2004.
- Property values have recorded a strong run-up in recent years.
- Over the last 12 months property values have fallen by -3.2%.

Annual change in dwelling values – Darwin

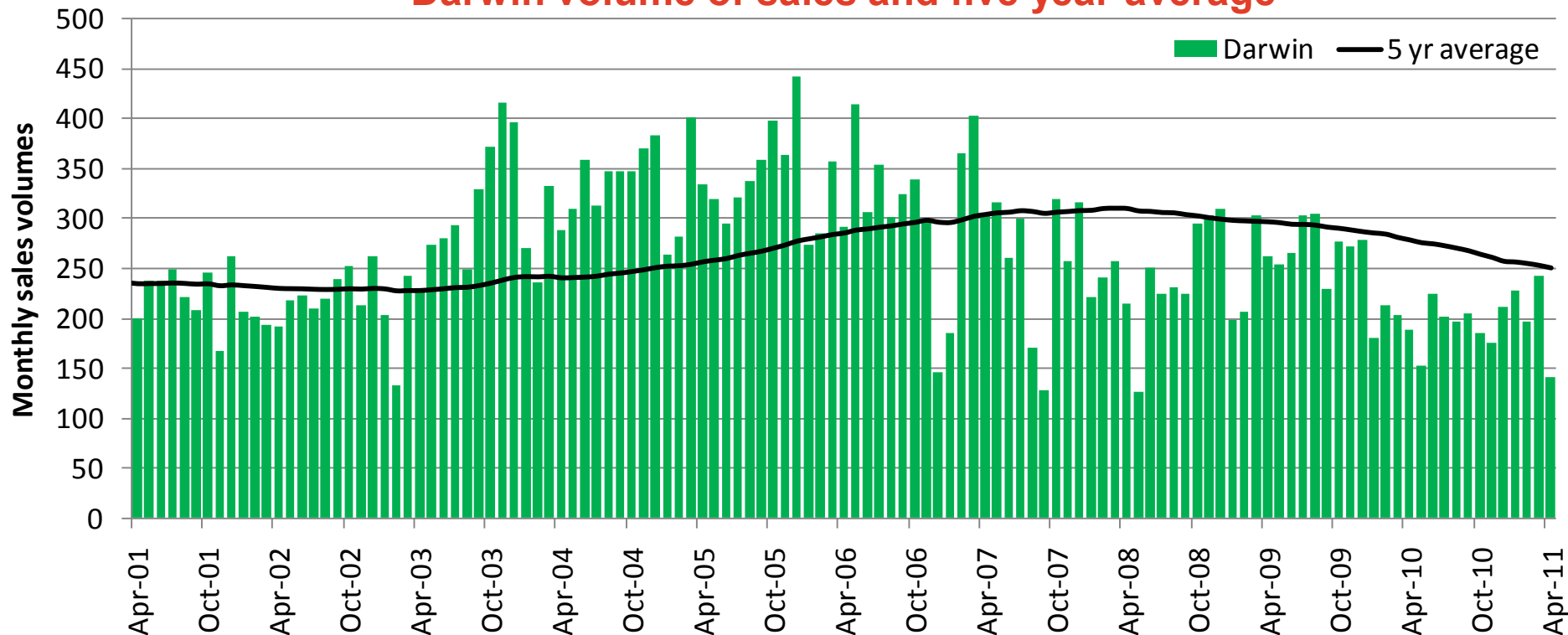


Source: rpdata.com - Rismark

# As capital gains dissipate, sales volumes continue to trend lower

- Current Darwin sales volumes are -45% below the five year average.
- With values declining in Darwin for the first time in a long time we may see a further fall in transaction volumes.

## Darwin volume of sales and five year average



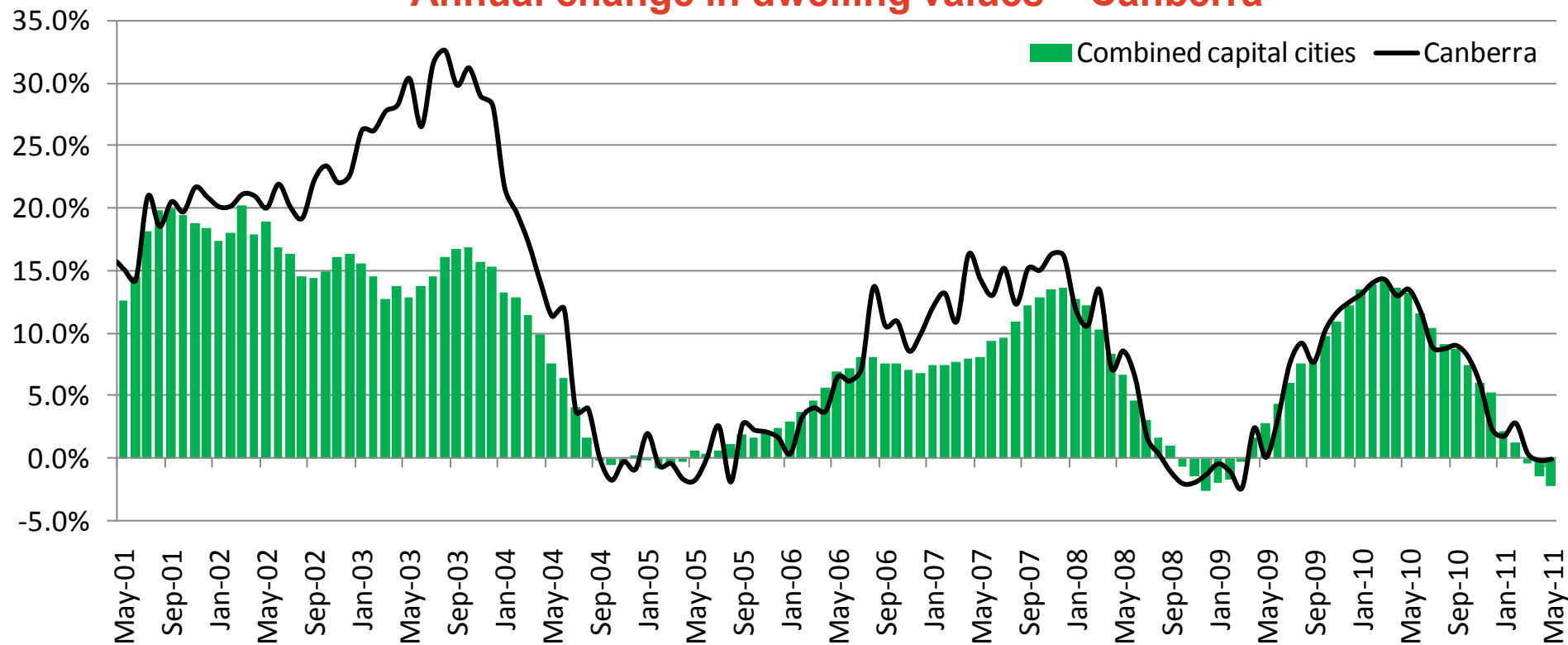
Note: the last five months of sales volumes are modelled based on historic levels of revision

Source: rpdata.com

# Canberra has consistently outperformed or tracked the capital city performance

- Apart from a period of exceptional growth between 2002 and 2004, the Canberra market performance has closely mirrored the combined capital city performance.
- During the 12 months to May 2011, Canberra property values have shown no change (0.0%).

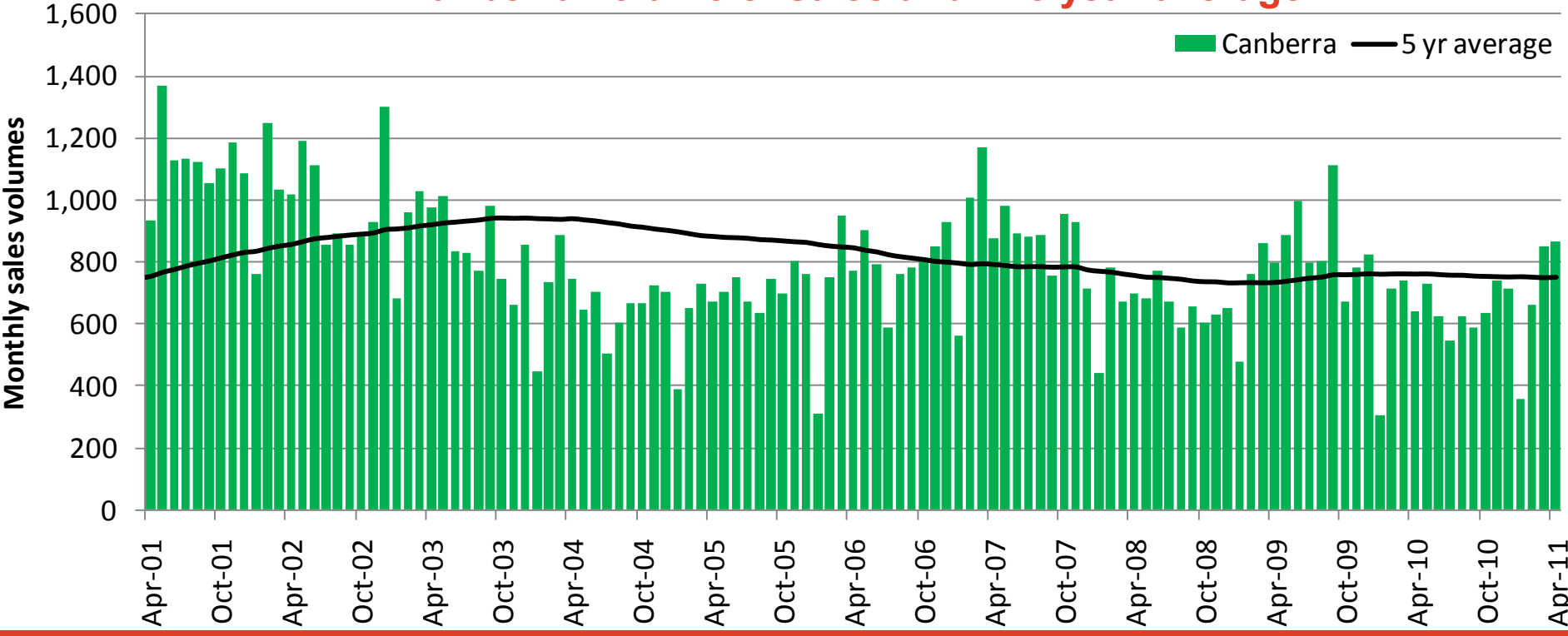
## Annual change in dwelling values – Canberra



# Modeled volumes suggest that sales remain above five year average levels

- Sales volumes in Canberra are currently 15% above the five year average.
- With capital gains continuing to slow we may also see a dip in sales transactions during the coming months.

### Canberra volume of sales and five year average

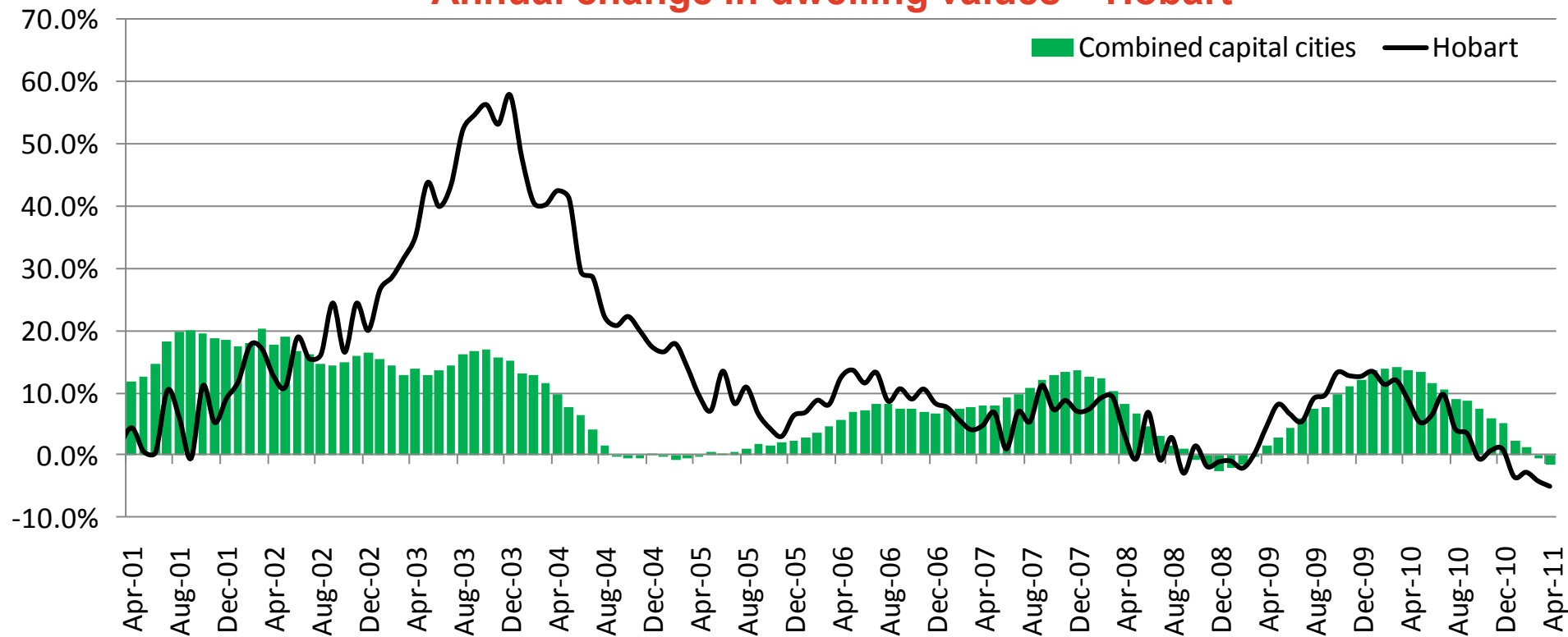


Note: the last five months of sales volumes are modelled based on historic levels of revision

# Hobart values now falling after a strong growth run prior to 2007

- Hobart is well and truly the country's most affordable capital city housing market.
- Annualised capital growth in Hobart peaked at 57.8% during December 2003.
- Over the most recent year, property values in Hobart have fallen by -5.2%.

## Annual change in dwelling values – Hobart



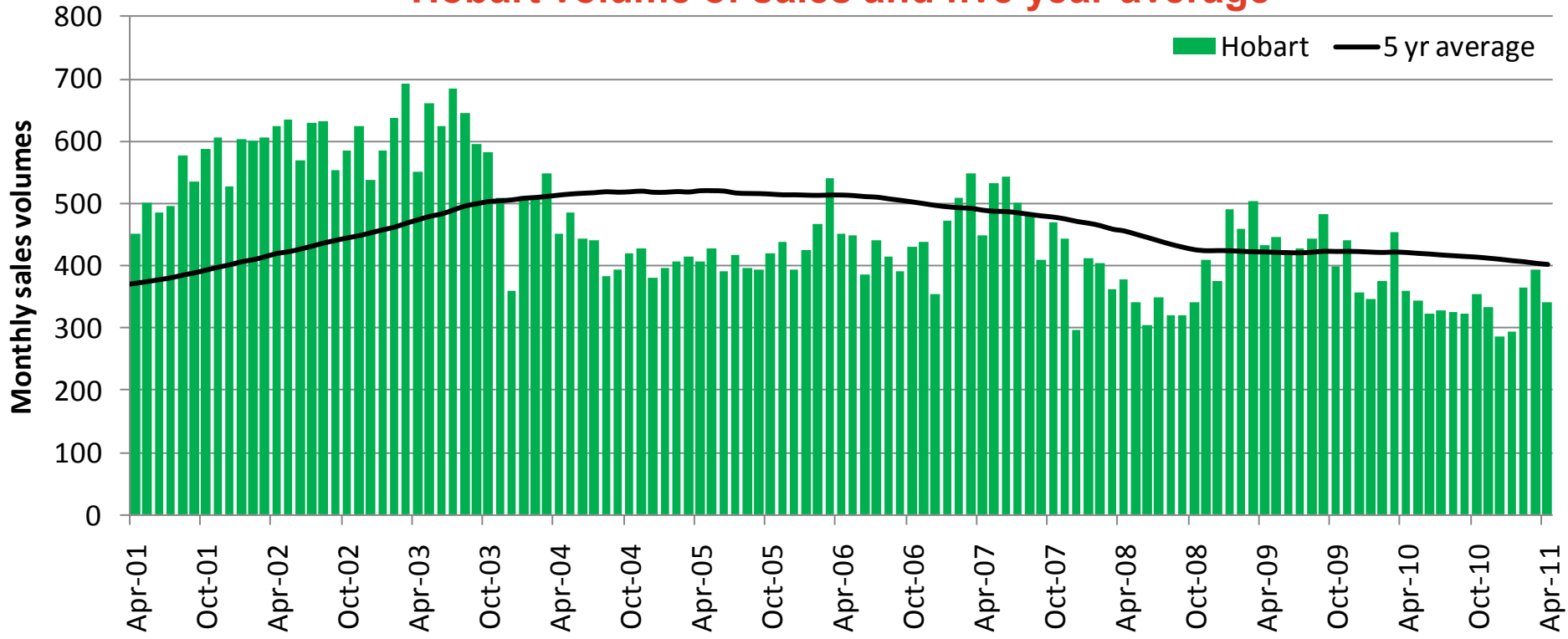
\* Note Hobart figures are based on April 2011 data

Source: rpdata.com - Rismark

# Sales volumes have rebounded in recent months

- The estimated volume of sales across the city is -16% below the five year average.
- Volumes have been trending lower since early 2009.
- The poor capital growth performance is likely impacting sales volumes.

### Hobart volume of sales and five year average

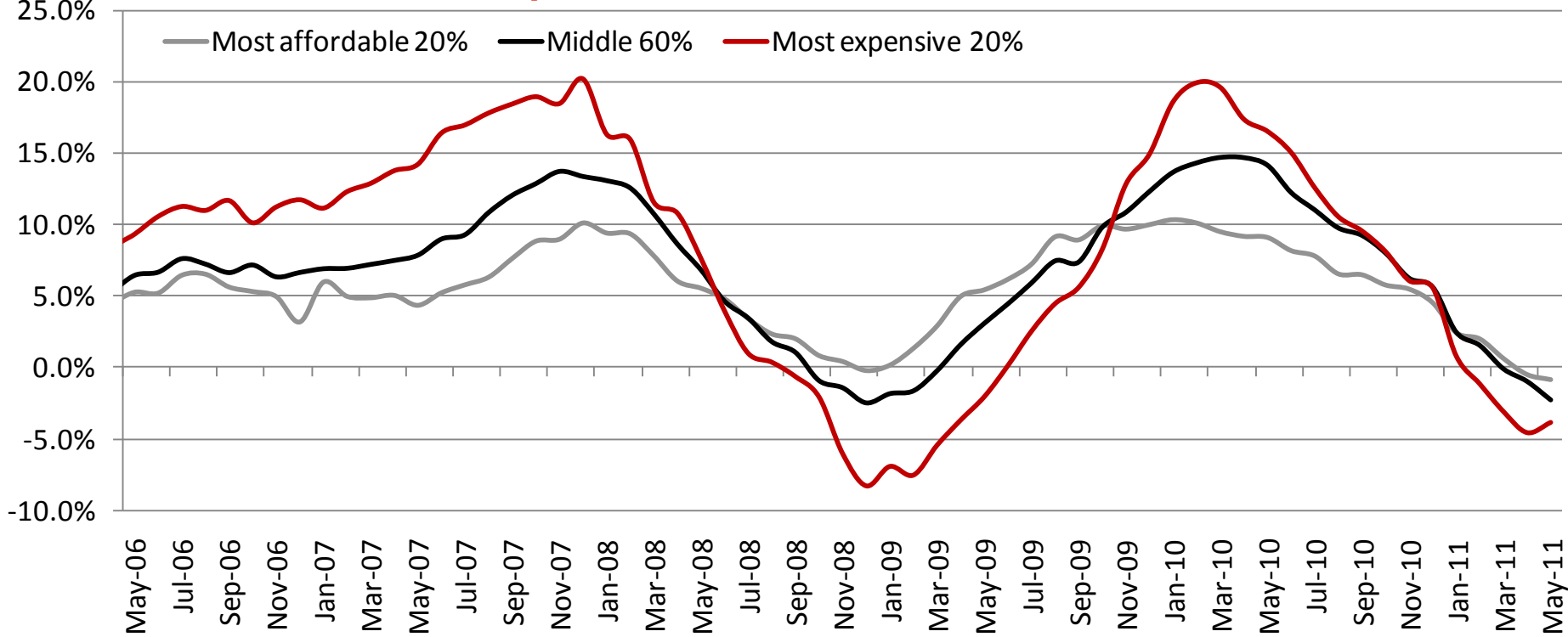


Note: the last five months of sales volumes are modelled based on historic levels of revision

# Premium sector of the market the weakest performer in recent times

- Across the past year, the most affordable suburbs have been the best performed (-0.9%) followed by the 'middle' market (-2.3%) and the premium sector has been the weakest (-3.9%).

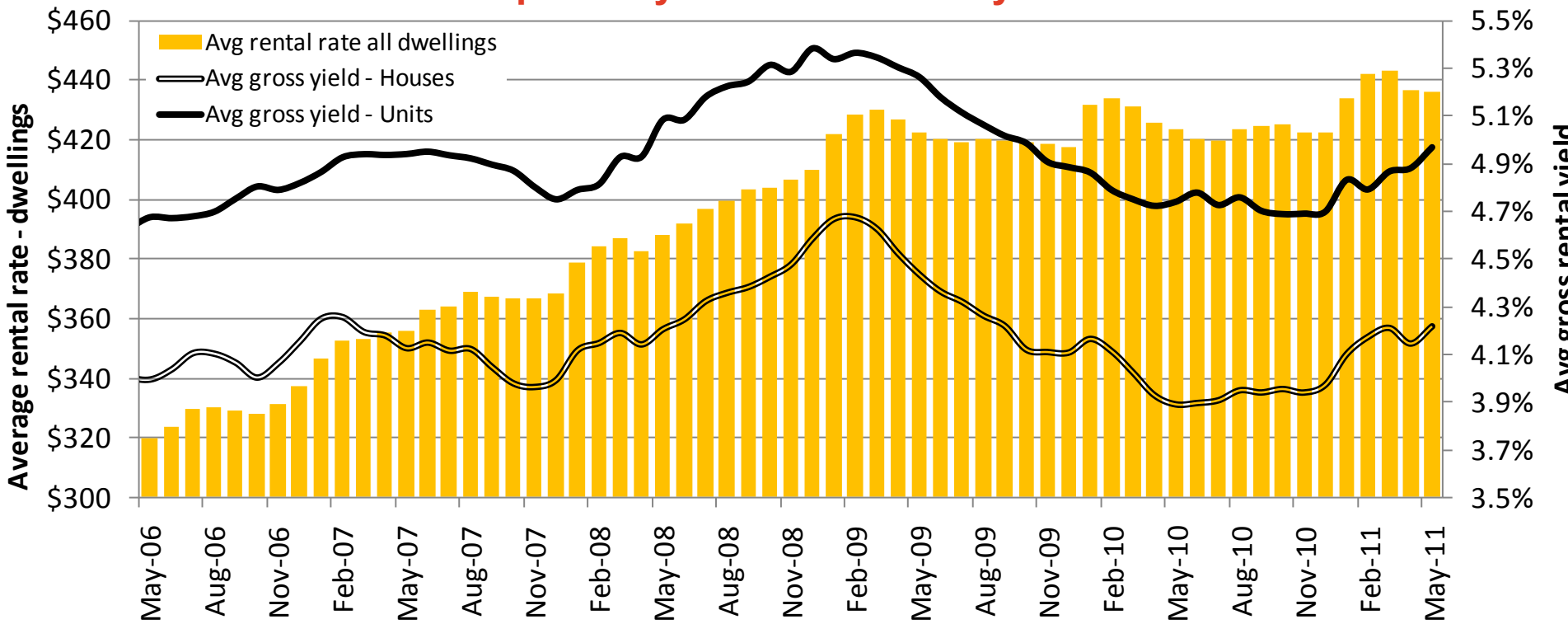
**Performance of top 20% of suburbs vs. middle 60% vs. bottom 20%**



# Rents and yields showing some signs of improvement

- Across the combined capital cities rents sit at \$439/week for houses and \$427/week for units.
- Over the last year capital city rents have increased by 3.3% for houses and 2.4% for units.

**Capital city rental rates and yields**



Source: rpdata.com - Rismark

# Rents and yields showing some signs of improvement

		Annual Change		Five year change	
		%	\$	%	\$
Sydney	Houses	7.2%	\$37	5.8%	\$135
	Units	3.1%	\$15	6.8%	\$143
Melbourne	Houses	-1.1%	-\$4	6.4%	\$102
	Houses	-0.8%	-\$3	7.3%	\$107
Brisbane	Houses	2.9%	\$11	5.7%	\$96
	Units	2.1%	\$7	6.4%	\$93
Adelaide	Houses	1.7%	\$6	5.4%	\$82
	Units	5.2%	\$16	6.8%	\$91
Perth	Houses	4.0%	\$16	7.9%	\$130
	Units	6.1%	\$25	8.1%	\$139
Darwin	Houses	-4.2%	-\$24	10.4%	\$216
	Units	-1.0%	-\$5	11.5%	\$191
Canberra	Houses	2.6%	\$13	4.8%	\$110
	Units	1.2%	\$5	6.8%	\$116
Hobart	Houses	-0.3%	-\$1	n.a.	n.a.
	Units	1.1%	\$3	n.a.	n.a.
National	Houses	3.3%	\$14	6.1%	\$113
	Units	2.4%	\$10	7.0%	\$123

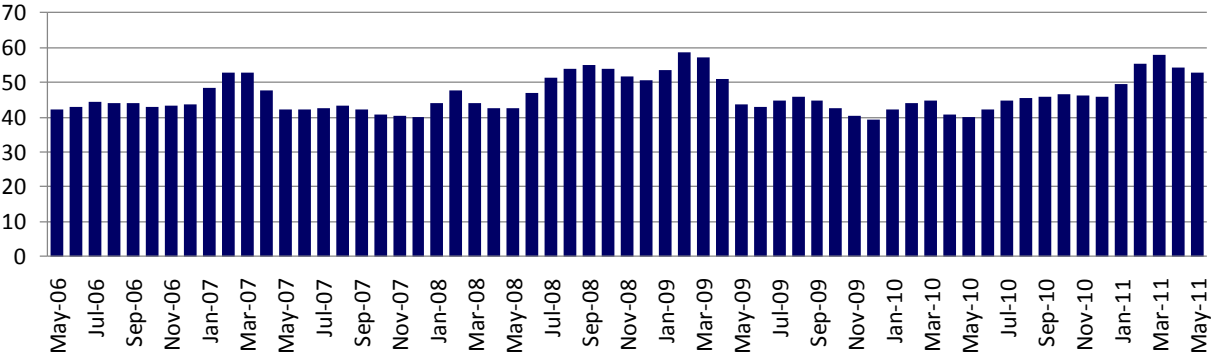
- Across the combined capital cities rents sit at \$439/week for houses and \$427/week for units.
- Over the last year capital city rents have increased by 3.3% for houses and 2.4% for units.
- Over the past five years, house rents have increased at an average annual rate of 6.1% and unit rents at 7.0%p.a.
- As a result, rents for both houses and units have increased at a faster pace than property value growth over the last five years.

\* Note Hobart figures are based on April 2011 data

Source: rpdata.com - Rismark

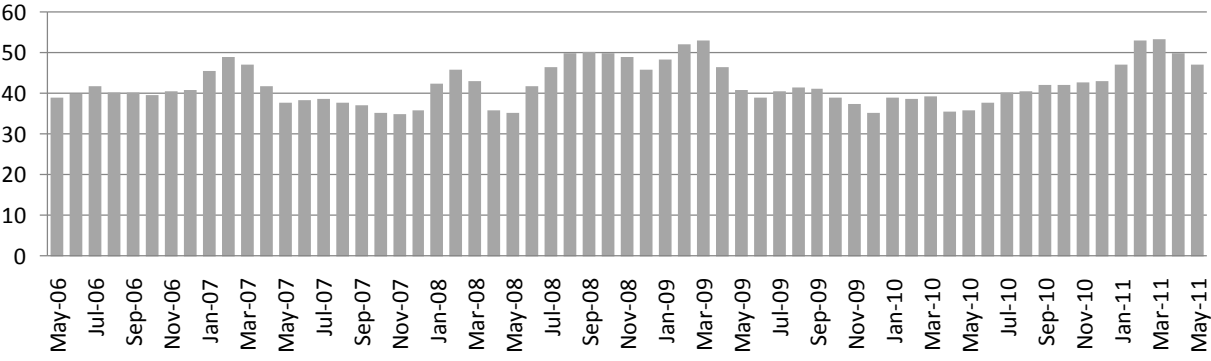
# Average time on market appears to have leveled

## Average days on market, houses



This yr: 53 days  
Last yr: 40 days

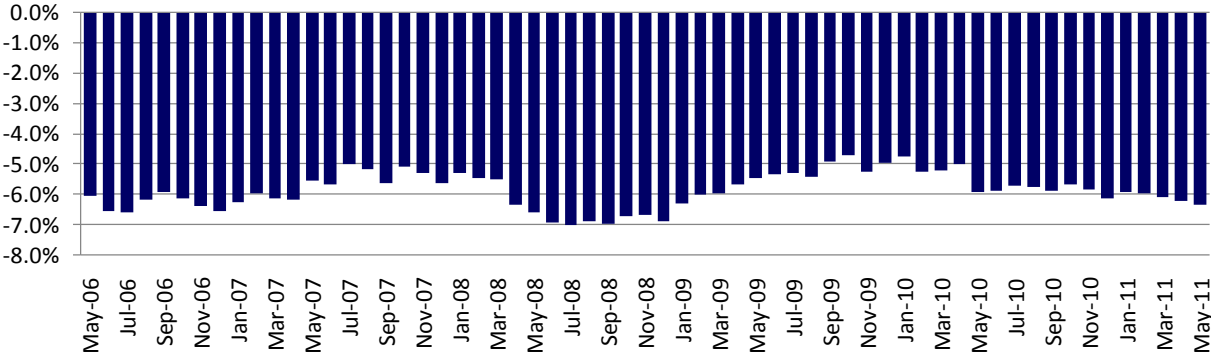
## Average days on market, units



This yr: 47 days  
Last yr: 36 days

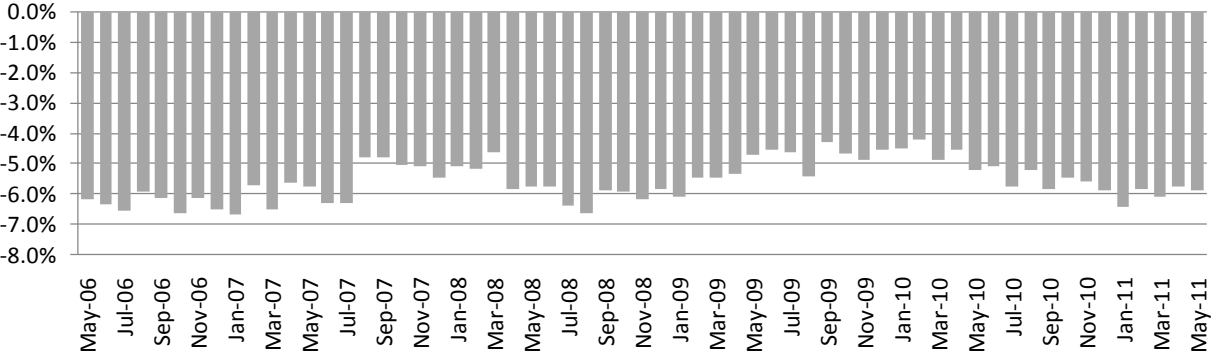
# Owners are having to offer greater discounts in order to achieve sales

## Average vendor discount, houses



This yr: -6.4%  
Last yr: -5.9%

## Average vendor discount, units

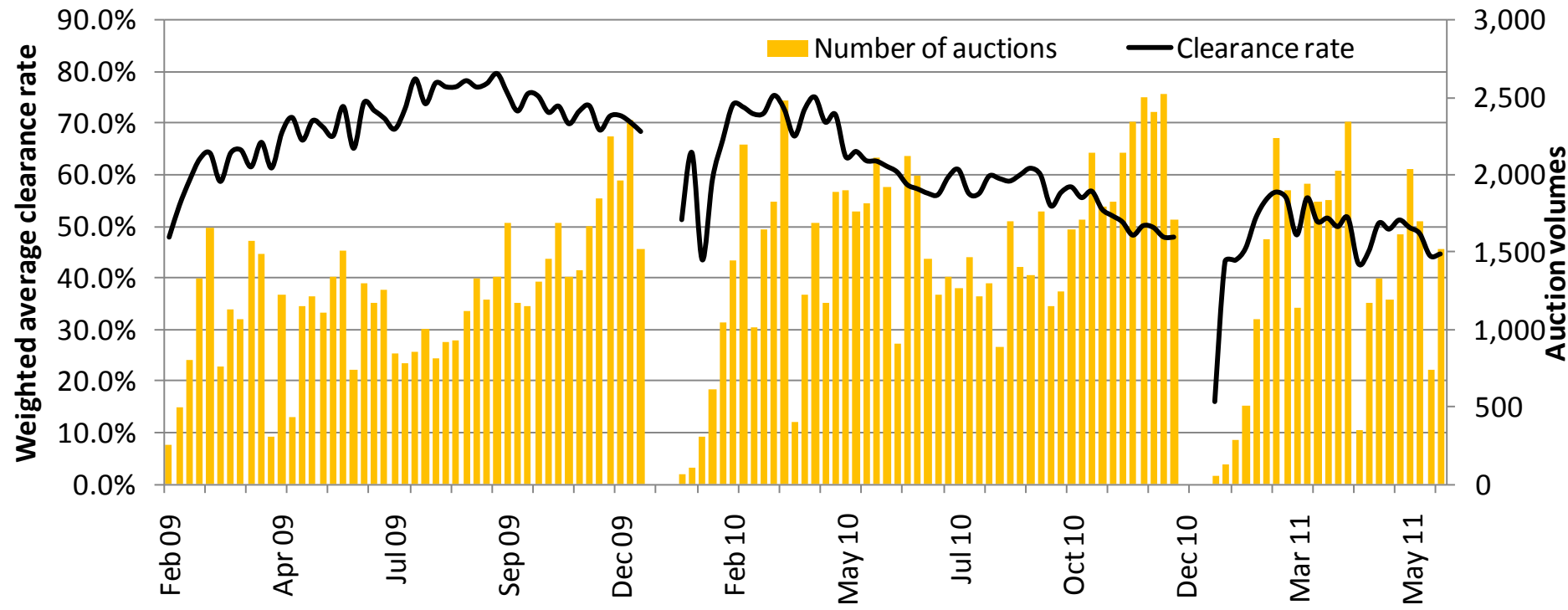


This yr: -5.9%  
Last yr: -5.2%

# Clearance rates consistently below 50% in recent weeks

- Auction clearance rates are well below levels recorded at the same time last year (60%).
- Although clearance rates have eased the volume of properties being taken to auction is still quite significant.

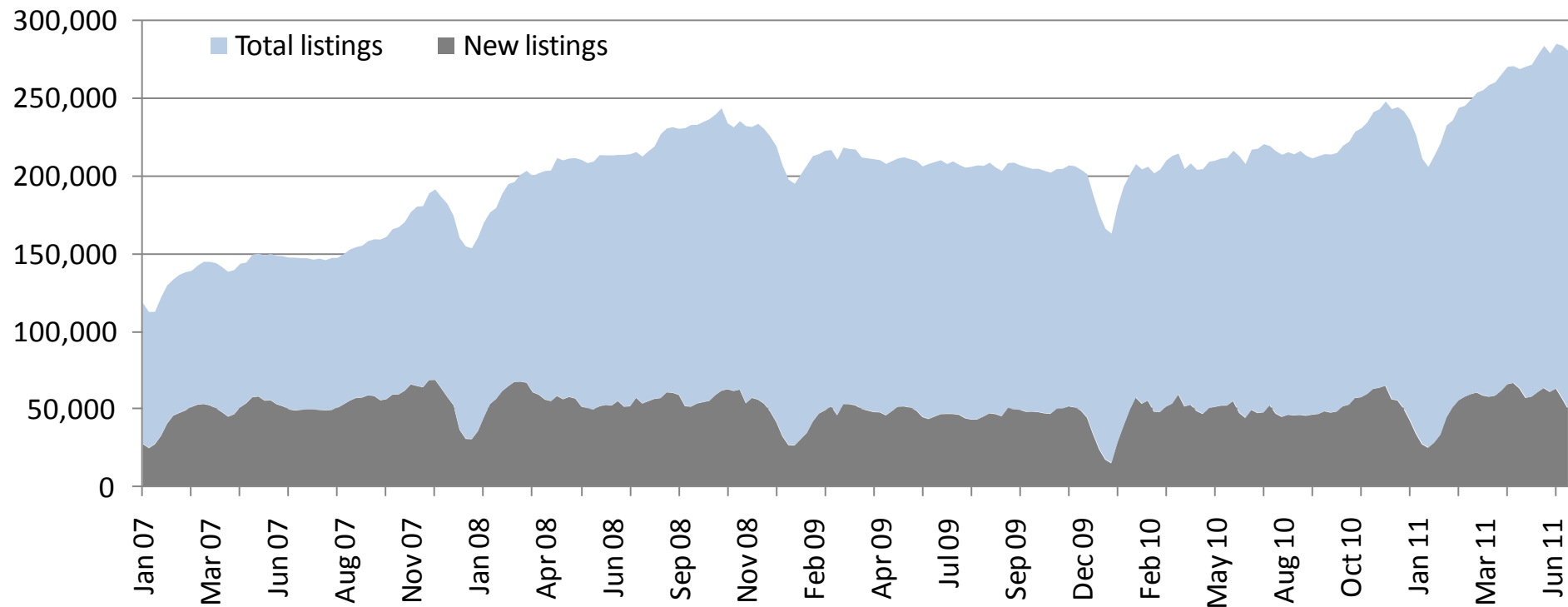
**Capital city clearance rates and auction volumes**



# The number of properties advertised for sale is at an historic high

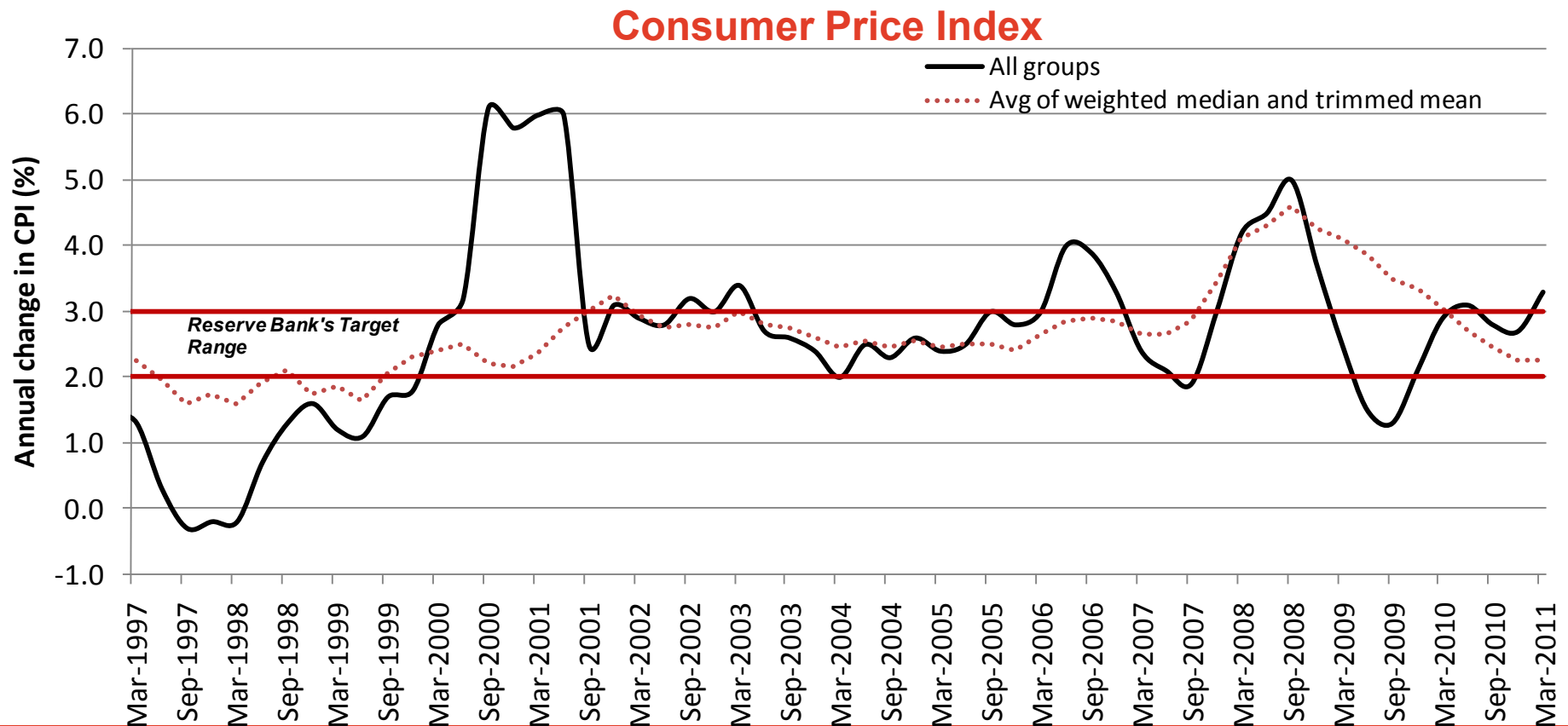
- More than 280,000 properties are currently advertised for sale across the country.
- Capital city new listings are now starting to fall and total capital city listings account for less than half (47.7%) of the total listings nationally, highlighting the severe weakness in many regional markets.

## Number of properties advertised for sale nationally



# Annual inflation rebounds strongly during Mar-11 quarter

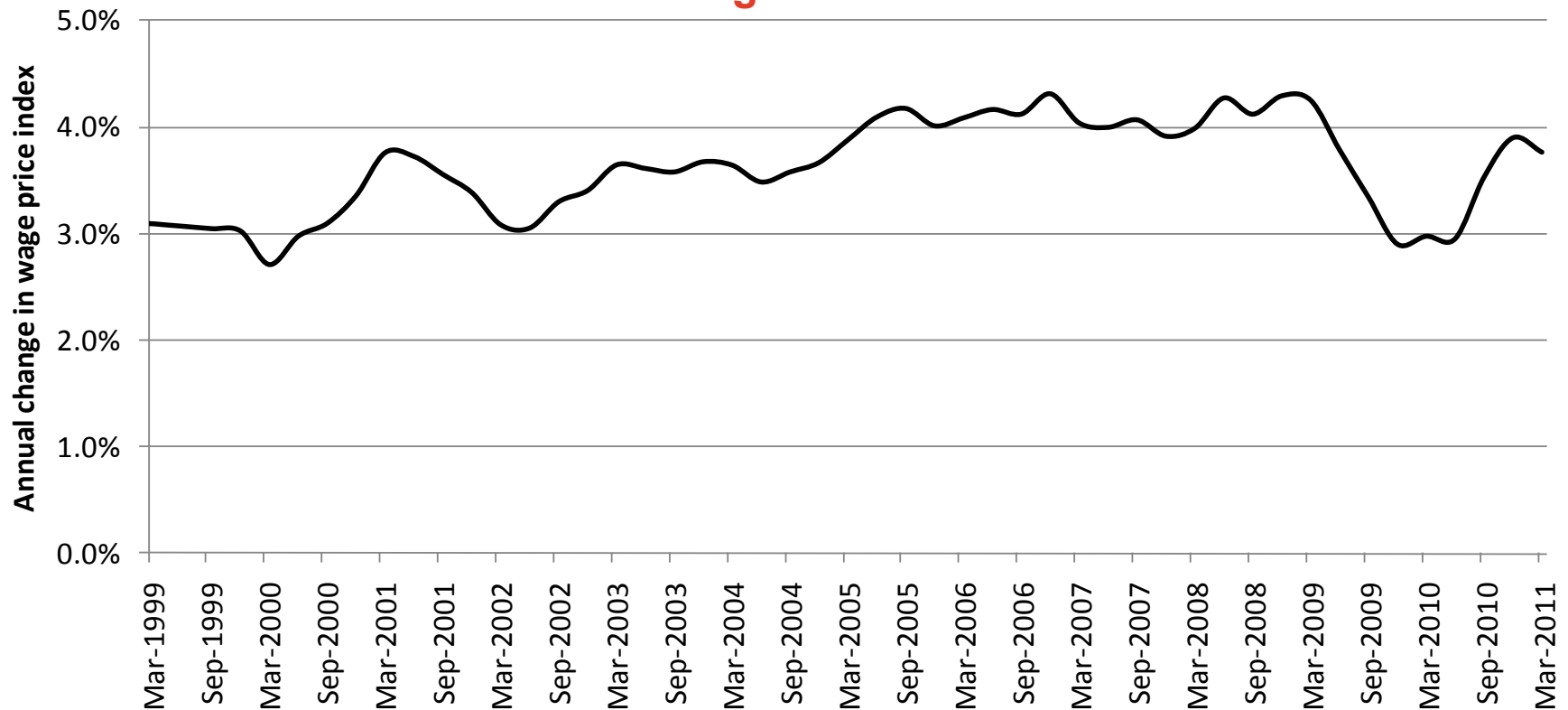
- All groups inflation is currently recorded at 3.3%.
- The RBA's preferred measure, the average of the weighted median and trimmed mean is recorded at 2.3% over the year.



# Wages are now growing at a faster pace than inflation

- During the 12 months to March 2011, wages increased by 3.8% compared to inflation of 3.3%.
- If wage growth accelerates it is likely to be inflationary, potentially leading to higher interest rates.

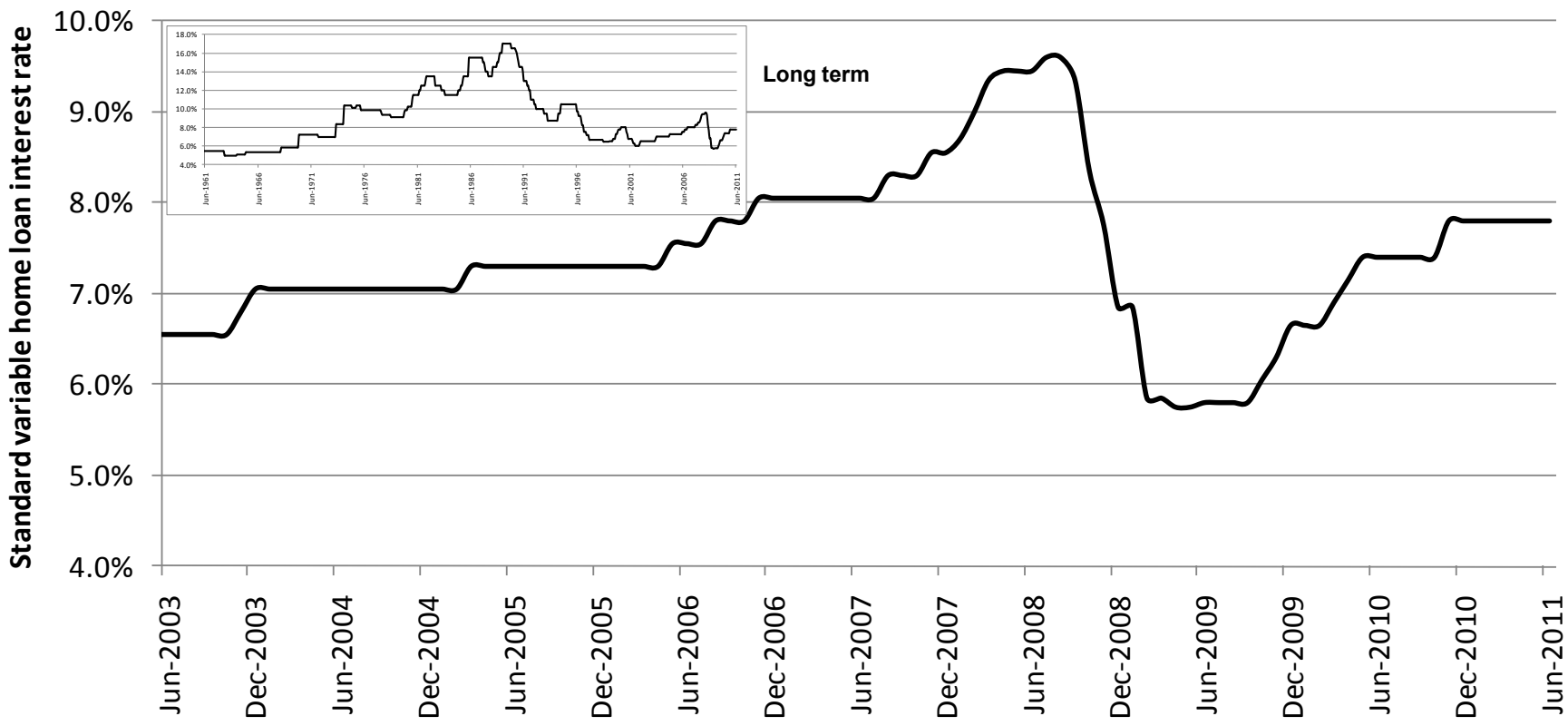
## Wage Price Index



# Standard variable mortgage rates remain at 7.8%

- Mortgage rates have remained on hold for eight months now.
- Mortgage rates are currently above the 10 year average level (7.24%) indicating that monetary policy is currently restrictive.

**Standard variable mortgage rates**

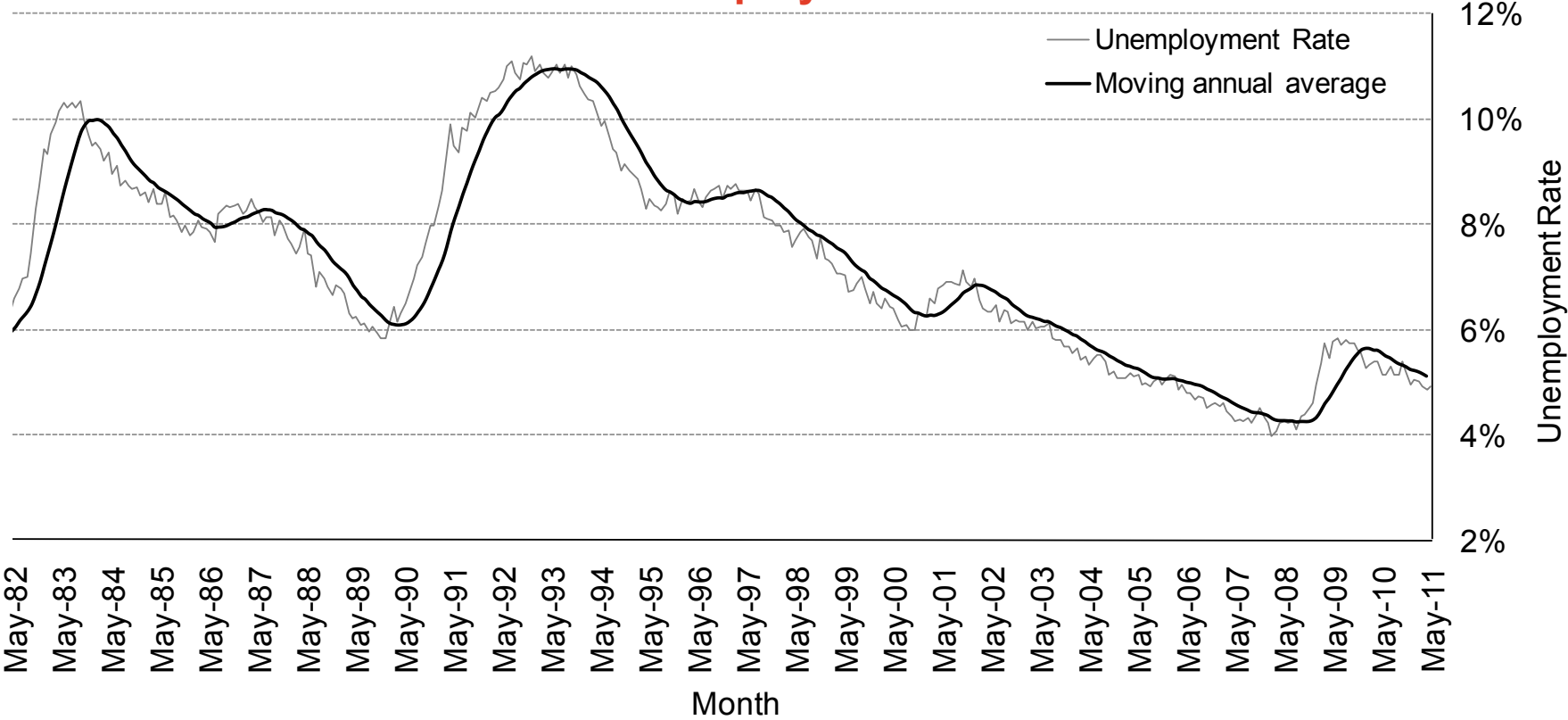


Source: RBA, rpdata.com

# Nationally unemployment rate is now below 5%

- The national unemployment rate is recorded at 4.9%.
- Employment participation rates sit at 65.6%.

### National unemployment rate

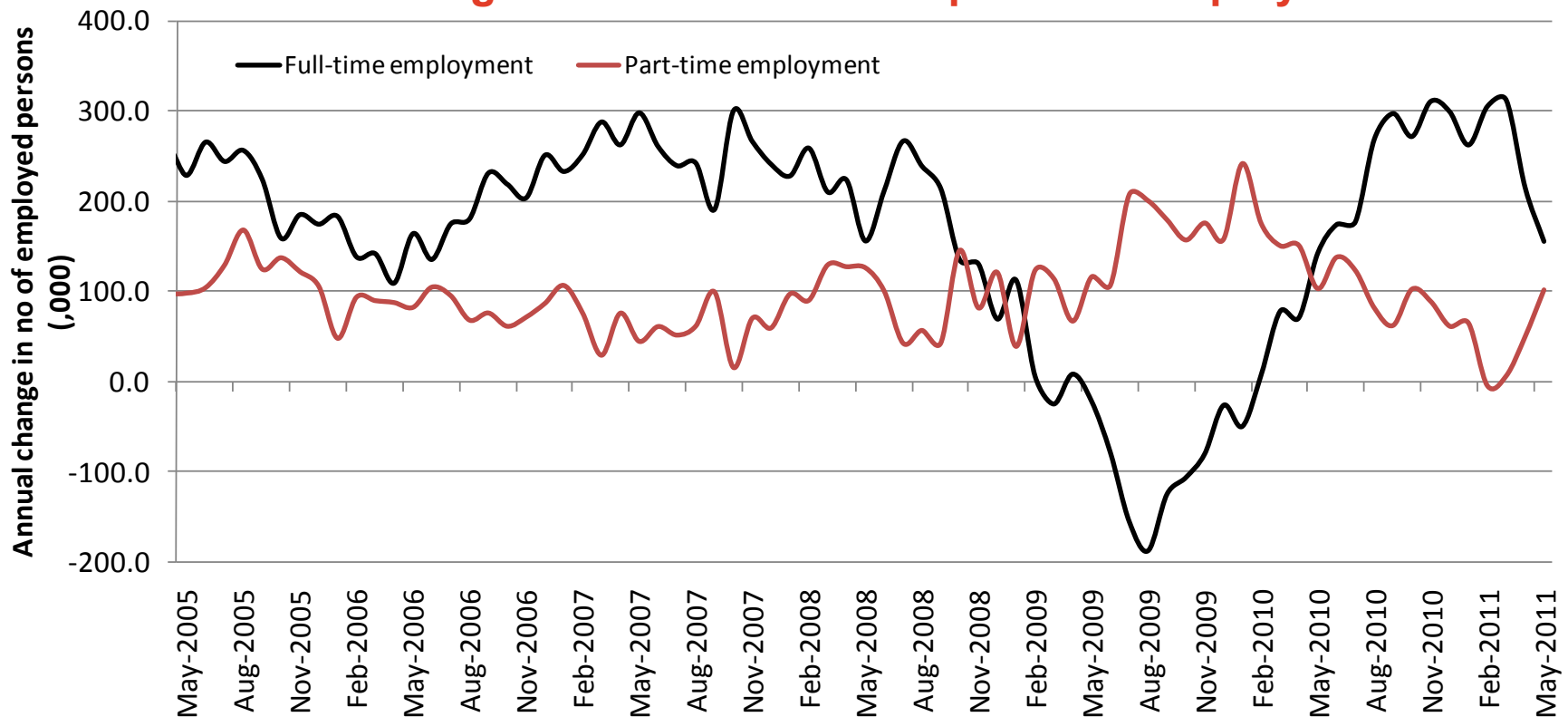


Source: ABS, rpdata.com

# Full-time employment growth outpaces part-time but is slowing markedly

- During the last year, full-time employment increased by 156,000 persons.
- Part-time employment increased by 102,000 persons over the last year.

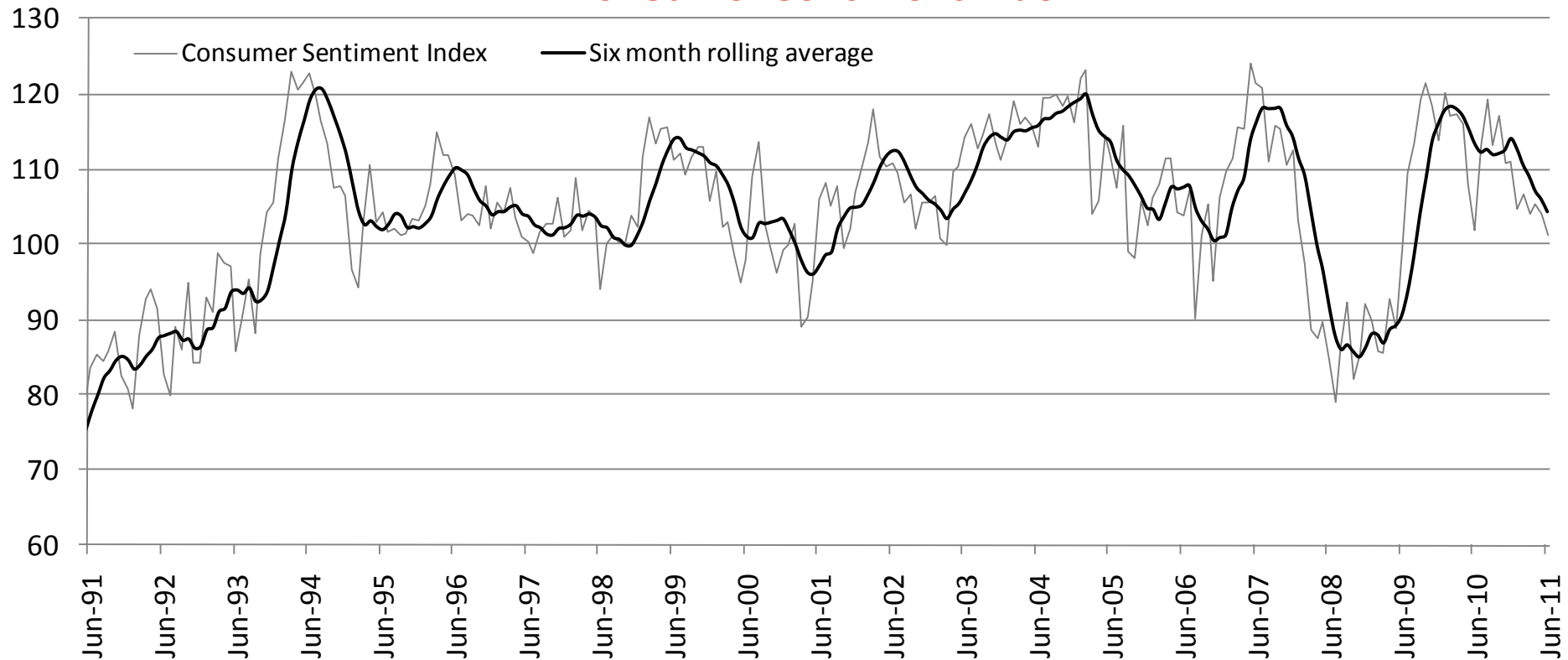
## Annual growth in full-time and part-time employment



# Consumer sentiment has been weakening as data flow has not been so positive

- The index of Consumer Sentiment was recorded at 101.2 during June 2011, its lowest reading since June 2009.
- The weak sentiment is reflective of economic conditions outside of the resources sector.

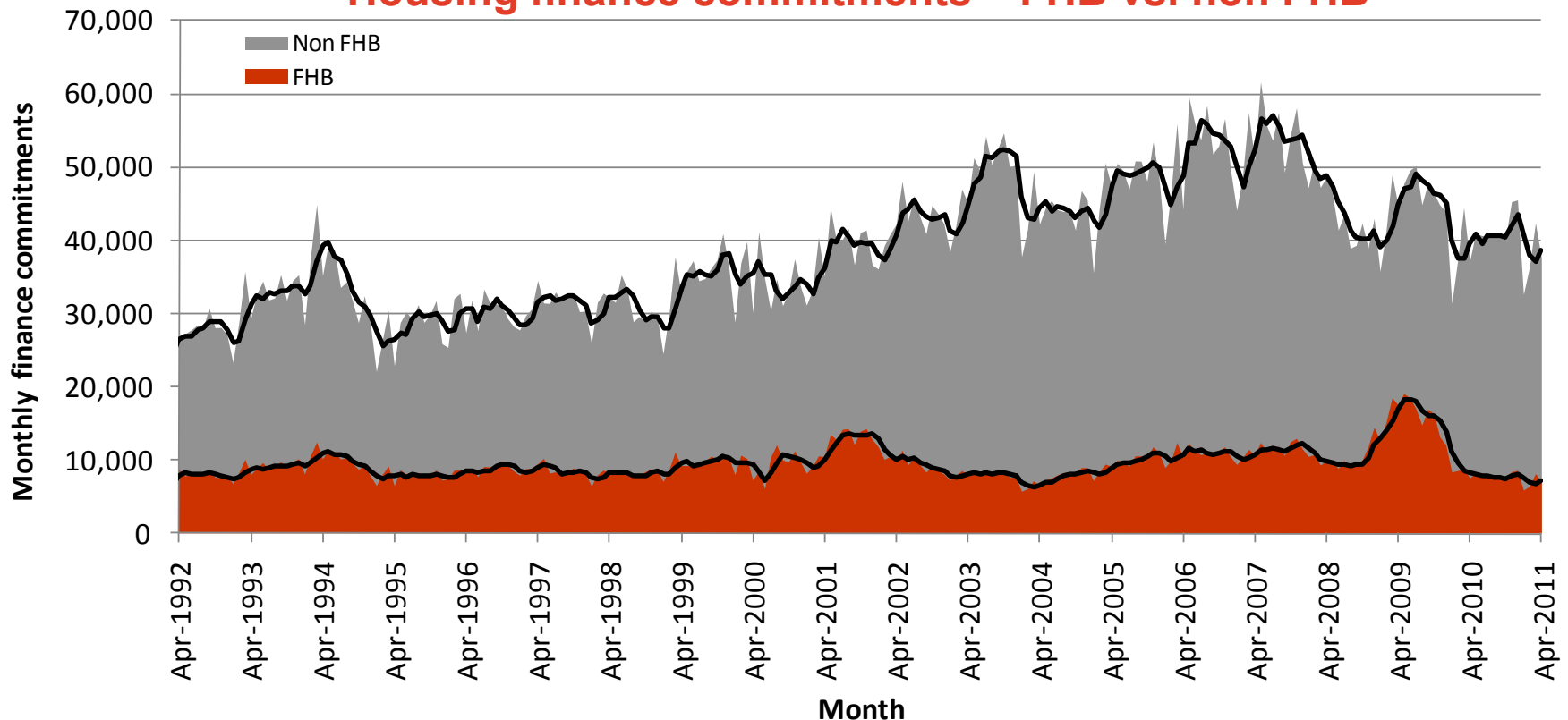
## Consumer sentiment index



# First home buyers and non-first home buyers relatively inactive at the moment

- During April 11, first home buyers accounted for just 15.8% of all owner occupier finance commitments.
- Non first home buyer activity also remains quite subdued.

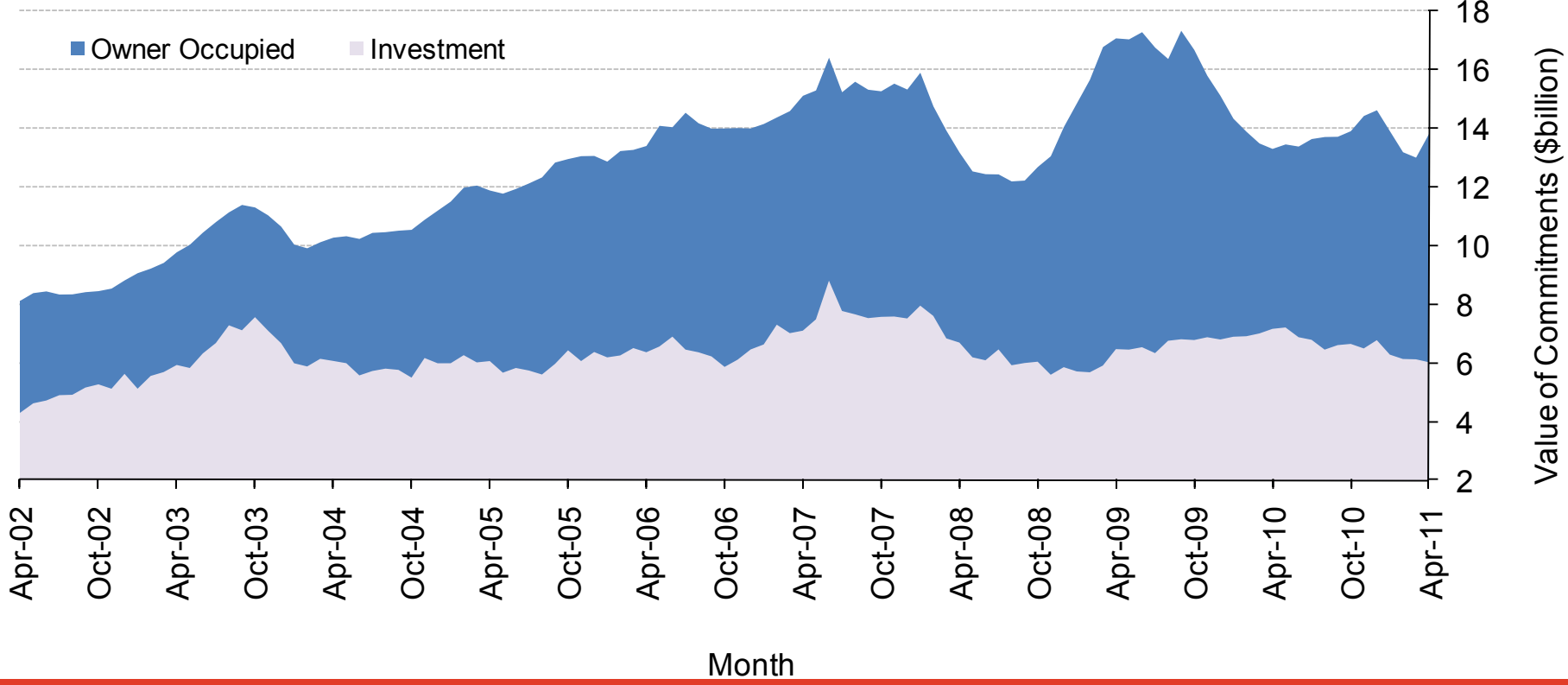
## Housing finance commitments – FHB vs. non FHB



# Investors are taking little part in the current market

- The total value of investor finance commitments during April 11 was \$6.0 billion, the lowest total value since March 2009.
- Over the year investor activity is down by -15.9%.

## Housing finance commitments – investors vs. owner occupiers

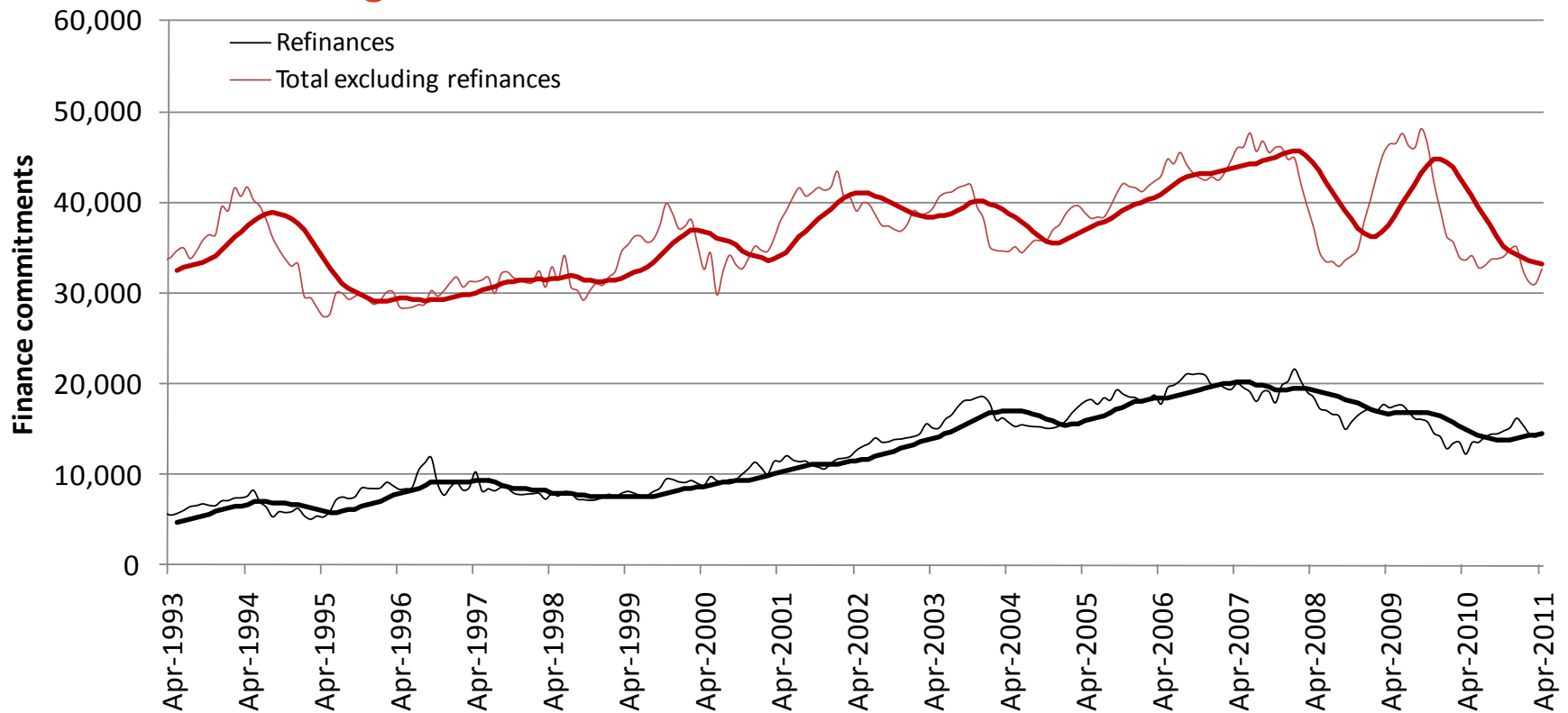


Source: ABS, rpdata.com

# When refinances are excluded, finance commitments are extremely subdued

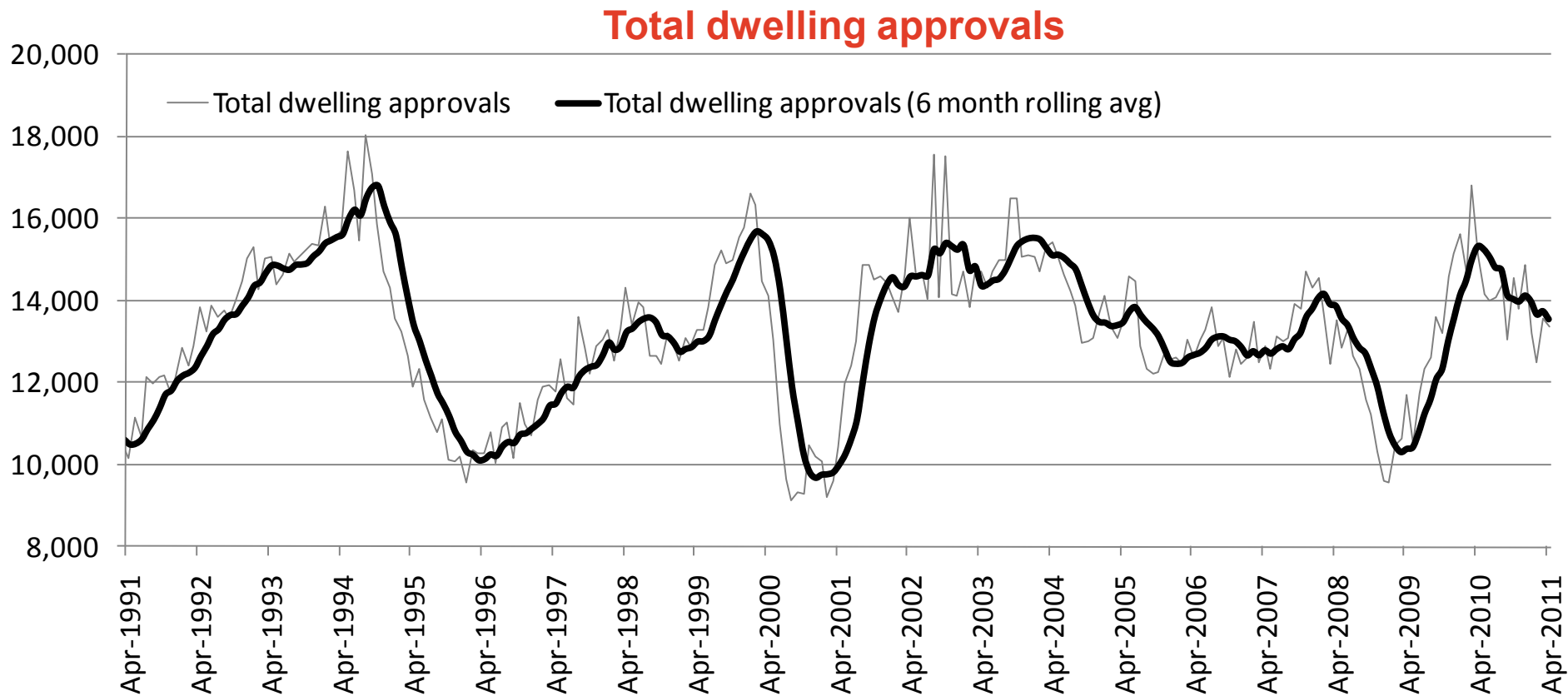
- Over the 12 months, refinance commitments have increased by 19.9% while all other owner occupier commitments have fallen by -2.9%

## Housing finance commitments – refinances vs. non-refinances



# Dwelling approvals were reasonably buoyant during 2010 but are now falling sharply

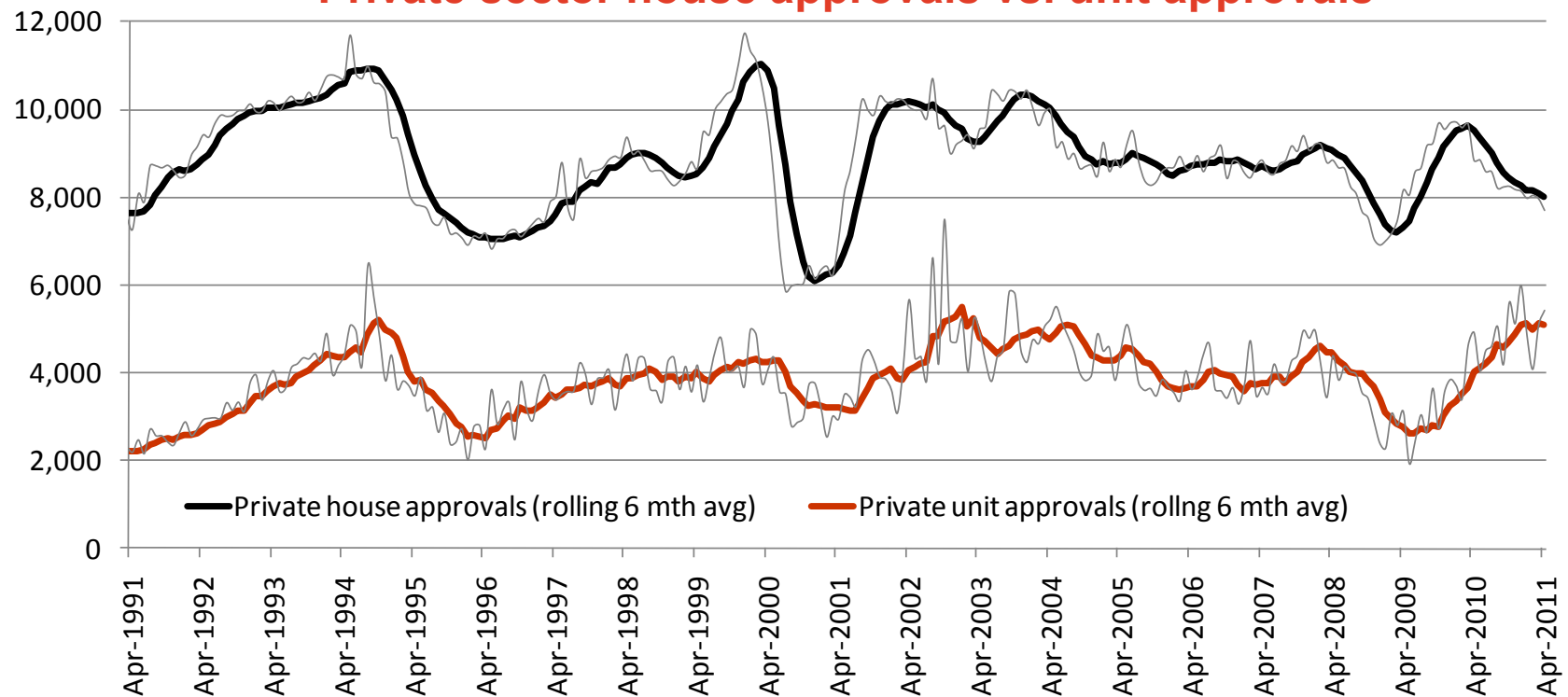
- Total dwelling approvals are -11.5% lower during April 2011 than they were during April 2010.



# Dwelling approvals were reasonably buoyant during 2010 but are now falling sharply

- Total dwelling approvals are -11.5% lower during April 2011 than they were during April 2010.
- Private sector house approvals are down -12.8% year on year.
- Private sector unit approvals are up 10.2% year on year.

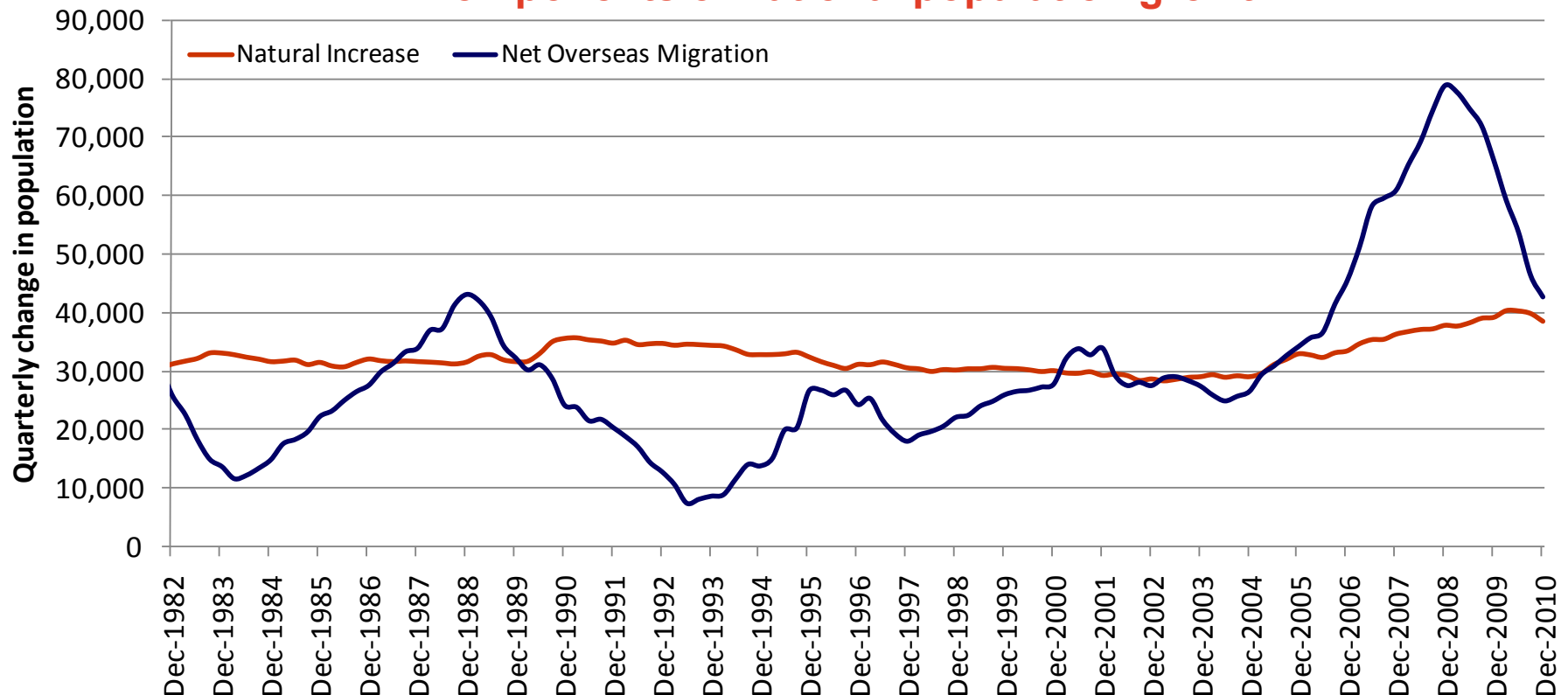
## Private sector house approvals vs. unit approvals



# Population growth is easing but remains well above long-term averages

- The slowdown in population growth is largely the result of a fall in net overseas migration.
- Natural increase remains at near record levels.

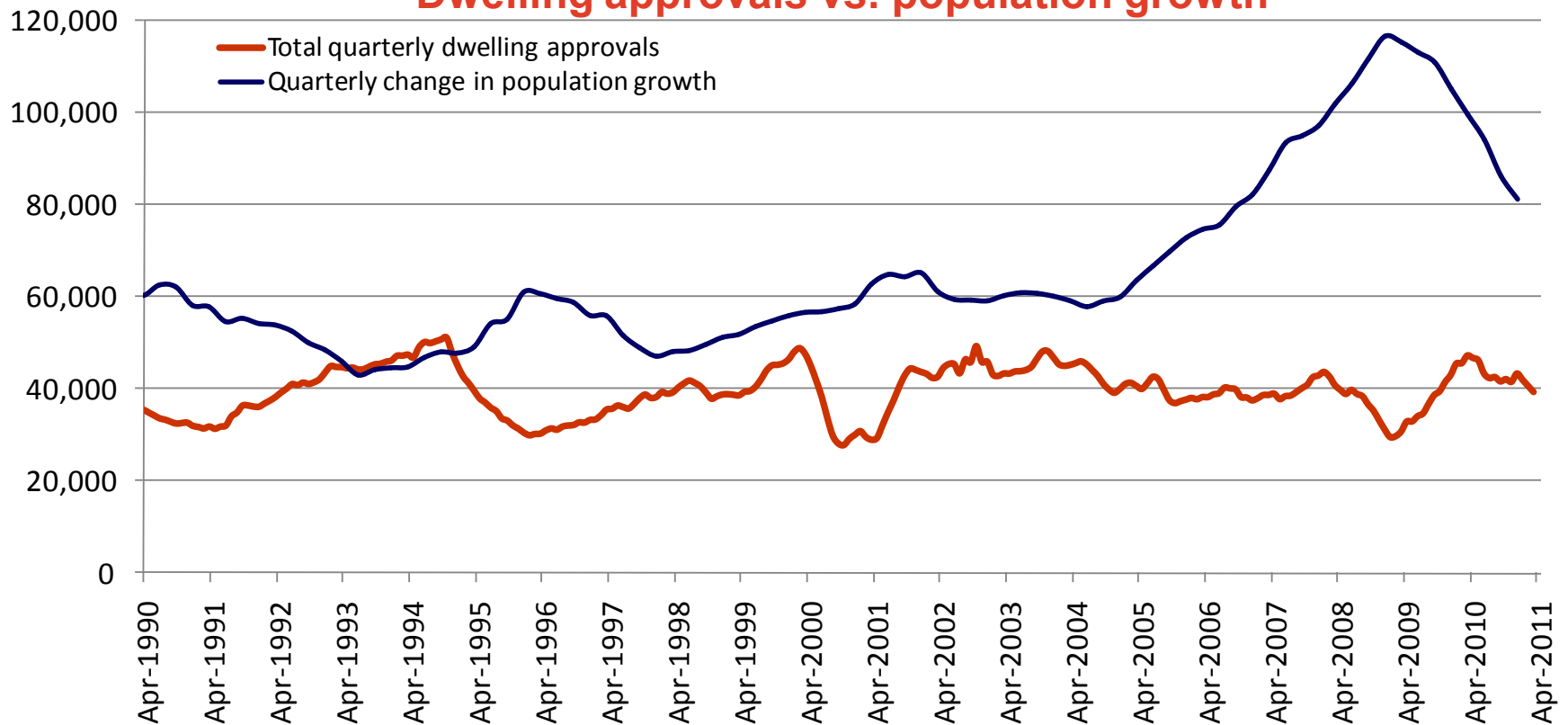
## Components of national population growth



# Although population growth is slowing, the supply of new dwellings has been insufficient

- As population growth took-off during 2005, there was not a sufficient increase in the supply of new building approvals.
- The result is a disconnect between supply and demand.

## Dwelling approvals vs. population growth



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