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MARKET ESSENTIALS | AUG 2018

THIS MONTH IN REVIEW

Although Sydney and Melbourne's market slowdowns have been dominating headlines, the news isn't all bad, with considerable divergence across the country. Hobart, Canberra and Brisbane are seeing positive momentum.

CoreLogic's Tim Lawless warns negative equity could be a risk for recent home buyers with data showing national property prices sitting 32.4 per cent above those five years ago. Those flipping properties are at risk of feeling the biggest impact across the country. According to Sally Tindal of RateCity, "people who bought at the peak of the market could be in a financial noose."

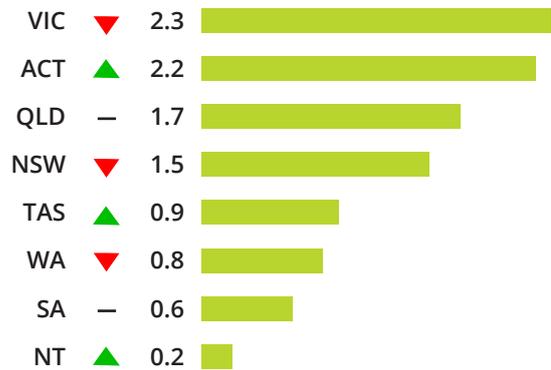
Economists predict the Reserve Bank to hold out until at least 2020 before increasing rates. Despite this, international funding costs are causing smaller lenders to raise their rates, and the big four banks are feeling the pressure to follow suit. Pressure on lenders is also forcing them to be more prudent, seeing some requiring 20-30% deposits. This is bringing difficulty for those refinancing who purchased initially with a small deposit.

Concerns are rising that price drops resulting in a weaker housing sector will see the economic impact passed on to the construction industry and others associated with housing turnover.

AUCTION CLEARANCE RATE Source: APM PriceFinder

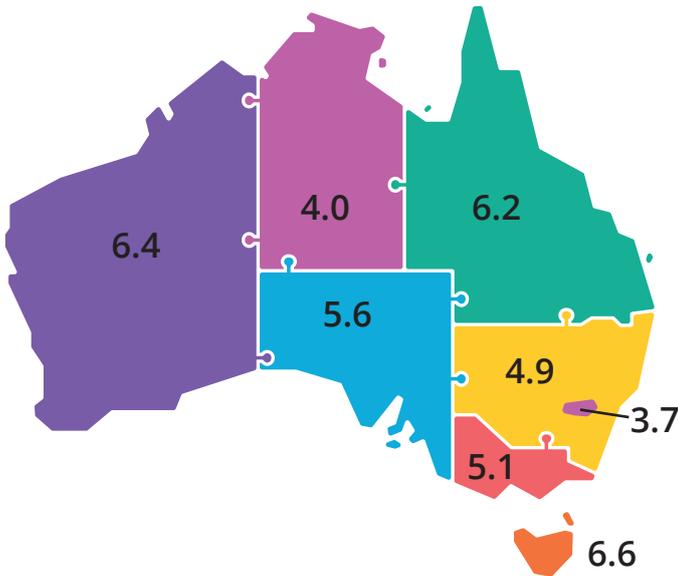
	JUL 01		AUG 01
SYDNEY	55%	▼	51%
MELBOURNE	60%	▼	58%
BRISBANE	24%	▲	38%
ADELAIDE	61%	▼	55%

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

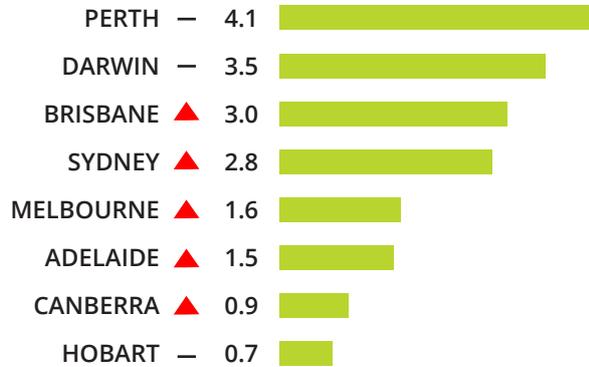


MONTHLY UNEMPLOYMENT - MAY 18 %

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



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



HOUSES	YRLY GRWTH	YIELD	MEDIAN
HOBART	13.8	5.0%	\$418K
CANBERRA	3.3	4.2%	\$681K
BRISBANE	1.1	4.0%	\$535K
ADELAIDE	1.1	4.2%	\$454K
MELBOURNE	0.1	3.0%	\$742K
PERTH	- 1.6	3.6%	\$510K
DARWIN	- 4.8	5.4%	\$500K
SYDNEY	- 6.1	2.9%	\$990K



UNITS	YRLY GRWTH	YIELD	MEDIAN
HOBART	7.2	5.6%	\$315K
MELBOURNE	3.6	3.9%	\$535K
BRISBANE	0.6	4.8%	\$410K
ADELAIDE	0.3	4.3%	\$380K
SYDNEY	-0.7	3.8%	\$720K
CANBERRA	-0.8	5.0%	\$444K
PERTH	- 3.7	4.2%	\$395K
DARWIN	- 13.3	5.4%	\$375K

Source: CoreLogic Hedonic Home Value Index and Market Trends Report

CAPITAL CITY UPDATES

SYDNEY NSW

- Sydney vacancy rates continue to rise, with SQM research data for June showing another 0.3% increase.
- Sydney's inner west suburbs have borne the brunt of the steepest price drop since the Global Financial Crisis. These areas were among the most popular during the boom and the need for a price correction has seen them become more vulnerable in the market turnaround – declining at double the rate of other Sydney suburbs.
- Tamarama in Sydney's east was the strongest suburb of the past 12 months, achieving a median price increase of more than \$1 million.

MELBOURNE VIC

- Melbourne's median house prices dropped almost 2% (\$16,000) to \$882,000 in the June quarter, according to latest Domain Group report.
- Melbourne suburbs Warrandyte and Park Orchards hold the first two entries of the top ten spaces of most in-demand suburbs in Australia. Victoria is dominating with a total of five entries in the top ten.
- One key indicator of market growth – the number of prospective buyers viewing homes – is on the up, particularly for those buyers wanting to upsize.
- Hocking Stuart's Samantha McCarthy has noticed a handful of buyers in Sydney making a move to Melbourne because of affordability factors.

BRISBANE QLD

- Brisbane's improvement in jobs growth is ensuring desirability is on the rise.
- Offshore property buyers, particularly expats are driving a massive surge in demand, exceeding all other capital cities. In fact, Realestate.com.au's Property Outlook Report shows Brisbane housing demand increased 6.7% over the past year.
- Lifestyle factors and affordability are driving the trend for expats to settle in Brisbane, rather than the southern states.
- Louis Christopher of SQM Research says Brisbane's vacancy rates are travelling in the right direction, a sign equal to or perhaps more important than the rates themselves (currently 3.0%).
- Negative sentiment around inner-city apartments is not hindering demand, up 4.5% for Brisbane units.

PERTH WA

- Perth's increase in demand is the third highest after Hobart and Canberra, although price growth is yet to follow.
- The number of properties for rent in Perth is 24% lower than 12 months ago.
- Real Estate Institute of WA president, Hayden Groves encourages buyers to put aside their fears, claiming record low prices are making this an excellent time to buy.
- Homes in Perth suburb, Connolly, are hot property with an impressive 52% increase in the number sold in the past year.
- Bargains available in established housing are making grants to buy land and build new for first home buyers less attractive.

CANBERRA ACT

- Canberra retains its status as the capital city with lowest vacancy rates next to Hobart, despite a slight increase of 0.1%. High demands for rental properties point to potential increases in the already-high rents moving forward.
- An increasing trend among renters for share homes is a result of the exceedingly high rents.
- CoreLogic data reveals a 2.3% annual increase in Canberra dwelling values and a total return of 6.9%, outperforming all capital cities except Hobart.

ADELAIDE SA

- Adelaide sees the 5th consecutive year of increase to dwelling values as the end of financial year figures close.
- NAB Residential Property Survey reveals expectation for Adelaide house prices to present modest growth, but ultimately to have an equal highest forecast growth with Hobart in 2019.
- CoreLogic market data reveals substantial growth to the Adelaide million-dollar club, with 32 suburbs obtaining at least a \$1 million median house price.
- NAB South Australia General Manager, Greg Harris, points to renovations increasing in the eastern market, with homeowners not keen to lose their foothold.

DARWIN NT

- Darwin may be showing some early signs of recovery from the market's recent downward correction, as some of the more desirable suburbs see an uptick in buyer activity.
- New data from CoreLogic reveals Lyons as the top suburb for growth in housing over the past 12 months, both a hotspot for owner-occupiers and investors.
- Despite the weakest performance of all capital cities in annual price growth (-7.7%), Darwin's housing yield remains the at 5.4%.



AUD
73.8c
US

up from 73.6c in July
Source: RBA



RBA Cash Rate

1.5%

steady for Aug

Source: RBA



Cash Rate
Forecast

1.5%

12 mths to Aug '19

Source: Westpac



Inflation
2.1%

year to Aug qtr

Source: RBA



GDP
3.1%

up to Mar qtr

Source: ABS



Wage Growth
2.1%

year to Mar qtr

Source: ABS



Consumer
Confidence

-3.9%

negative for July

Source: Westpac-Melbourne Institute



Disposable
Income

2.5%

year to Mar qtr

Source: ABS

All data shown is the latest available for the issued month. Any information contained within this document should not be considered investment or financial advice. Before acting on any information please speak with a qualified investment adviser, accountant and solicitor. The information contained in this document has been obtained from various sources and other third parties and is indicative and to be used as a guide only. To the extent permitted by law, BuySide Pty Ltd and its associates will not be liable for any costs, loss or damage arising in any way from the information contained within this document, including file attachments.

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