



## **Australand Property Group**

### Factors Influencing the Residential Property Market



# Demography

- Population growth rate for Australia –1.4%
- Melbourne S D – 1.5% - Balance of Victoria – 1%
- Fastest LGA Growth – Melb City 5.5%, Melton 8.5%  
Casey 4.5%
- Sydney SD 1.25% - Balance of NSW – 1%
- Fastest LGA Growth – Still Blacktown & Liverpool
- National immigration increased to 140,000 person pa
- Most immigrants come to Sydney and Melbourne and buy sooner, because of government selection criteria
- Avge age of in growth LGAs is 31 and 40 in Kuringai

# Statistical Snapshot – Movements in Labour Force in last 27 months

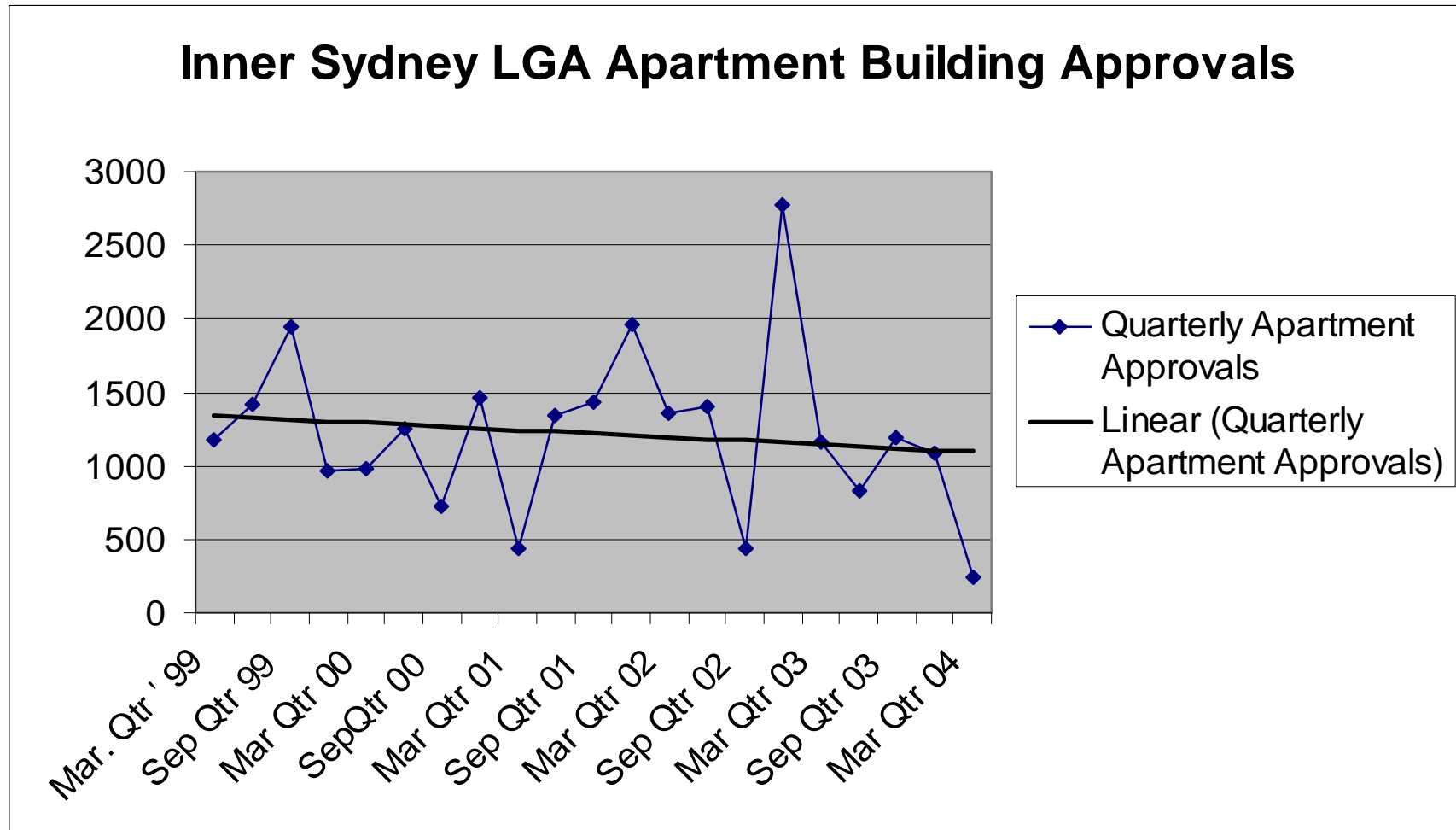
	Cap City Full Time in 000's	Move-ments	Cap City Part Time	Move-ment	Bal. of State Full Time	Move-ment	Bal. of State Part Time	Move-ment
<b>NSW</b>	1577	+23 vs 44 in prev. 2 yrs.	522	+48	752	+42	345	+47
<b>VIC</b>	1277	+39 vs 33 in prev. 2 yrs.	496	+56	422	+3	206	+31
<b>QLD</b>	632	+50 vs 28 in prev. 2 yrs.	233	+21	695	+50	279	+27

Perth – Full time (497k) up by 16k and P/T up by 15k new jobs

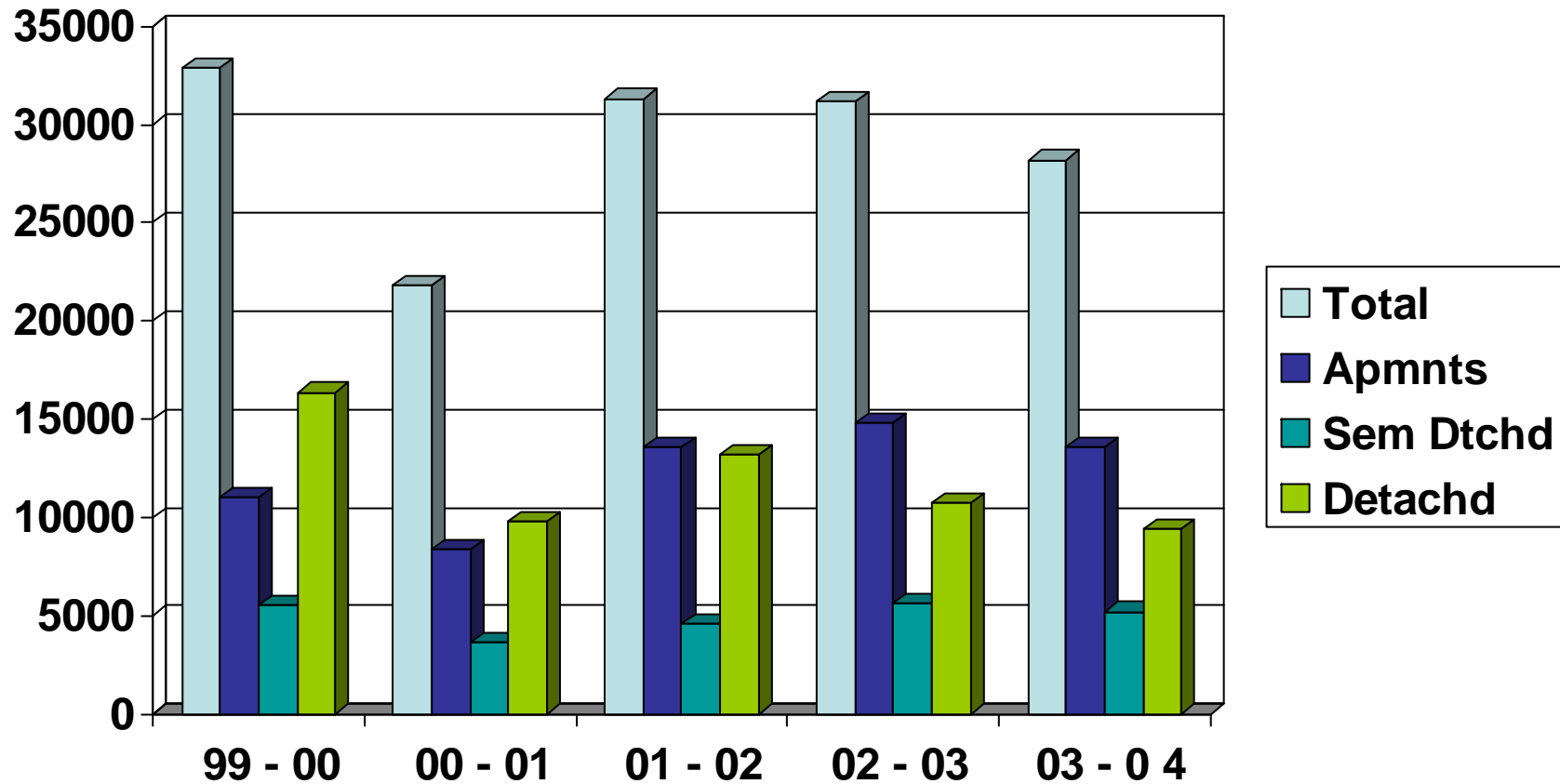
# Capital City Scorecard

City & Population @ 8/2001 & 6/2003	No.of Houses	No. of Flats / Units	No. of T'hses/ Semi-Dtchd.	Other Dwell - ings	No. of Persons per Dwelling	Median Price of Housing
Brisbane 1.627 & 1.733 million	481,300 80.1%	69,900 11.6%	39,700 6.6%	6450 1.1%	2.72	315,000
Sydney 3.997 & 4.201 million	907,200 63.1%	343,500 23.9%	162,300 11.3%	11,900 0.8%	2.81	470,000
Melbourne 3.367 & 3.559 million	919,700 74%	177,600 14.3%	127,800 10.3%	9,100 0.7%	2.73	368,000
Perth 1.340 & 1.433 million	396,000 77.5%	42,700 8.3%	63,100 13.6%	2,850 0.6%	2.64	242,800

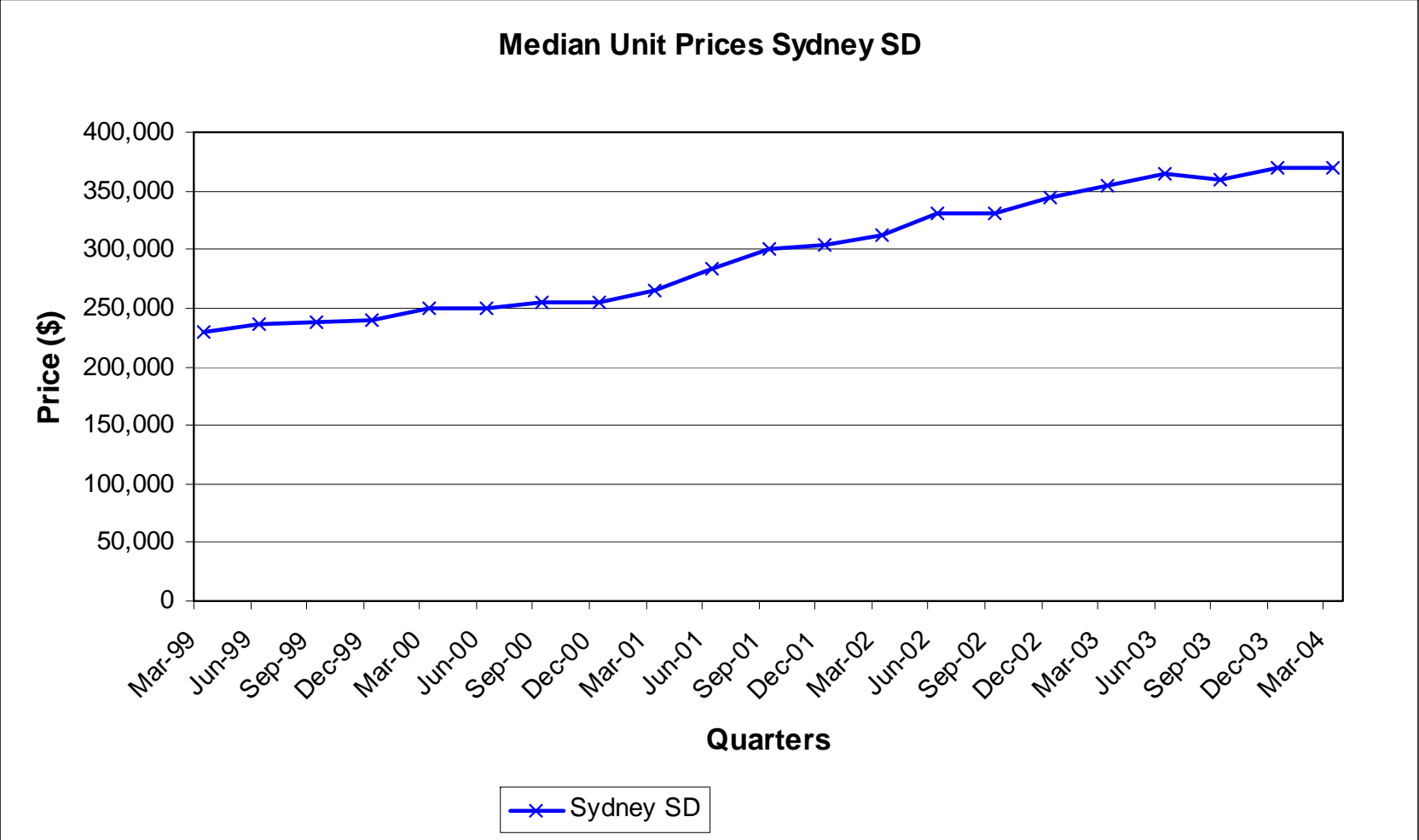
# Inner Sydney LGA Apartment Approvals for the Last 5 years.



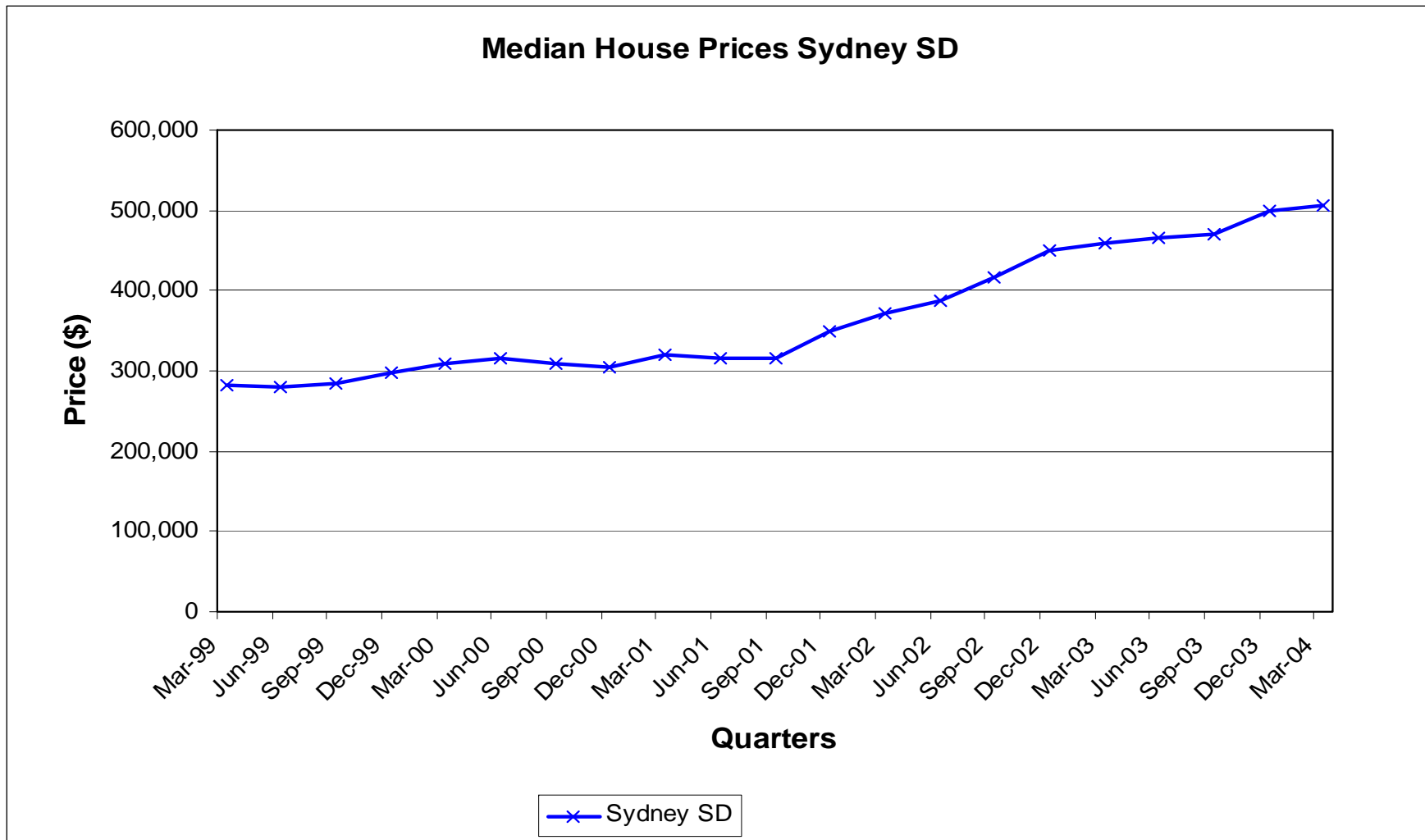
Houses (9450) as % of total supply fall from 45% to 34% & apartments (13,500) now provide 48% of total supply.



# Sydney Apartment Median Price Movement – 60% increase over 5 years.



# Sydney Detached Housing Price Movement – 80% increase over 5 years.





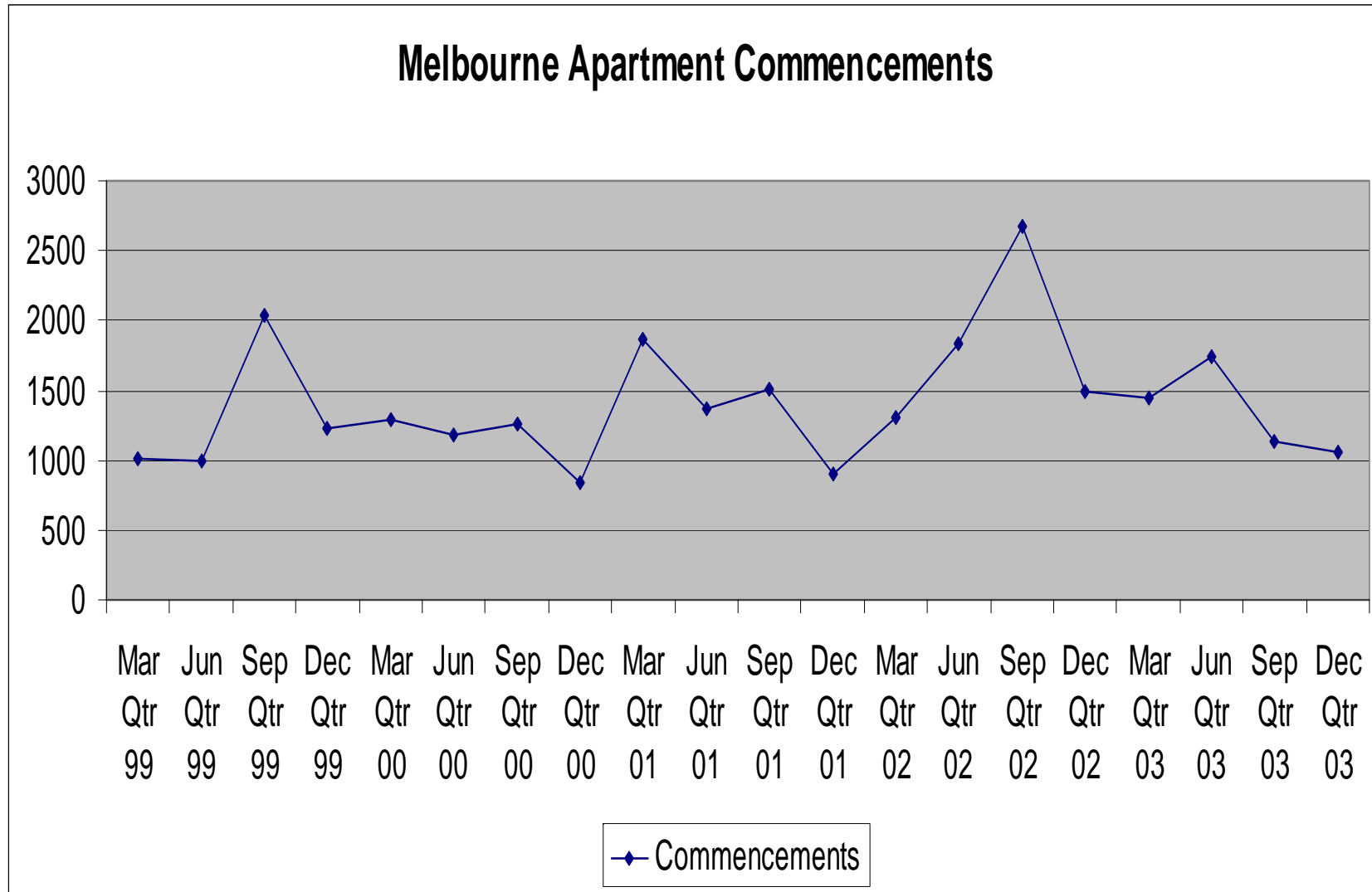
# Sydney Vacancy Rates, Rents & Yields

	Inner City Vacancy	Sydney Region Vacancy	Median Inner City Rents	Median Syd Regn. Rents	Median Yields Syd Region
May 99	2.1%	2%	300	230	3.9%
May 00	2.1%	2.7%	330	250	4.0%
May 01	4.5%	3.3%	350	260	3.7%
May 02	3.9%	4.4%	345	265	3.2%
May 03	4.0%	4.0%	350	270	3.0%
May 04	3.1%	3.4%	350	280	3.0%

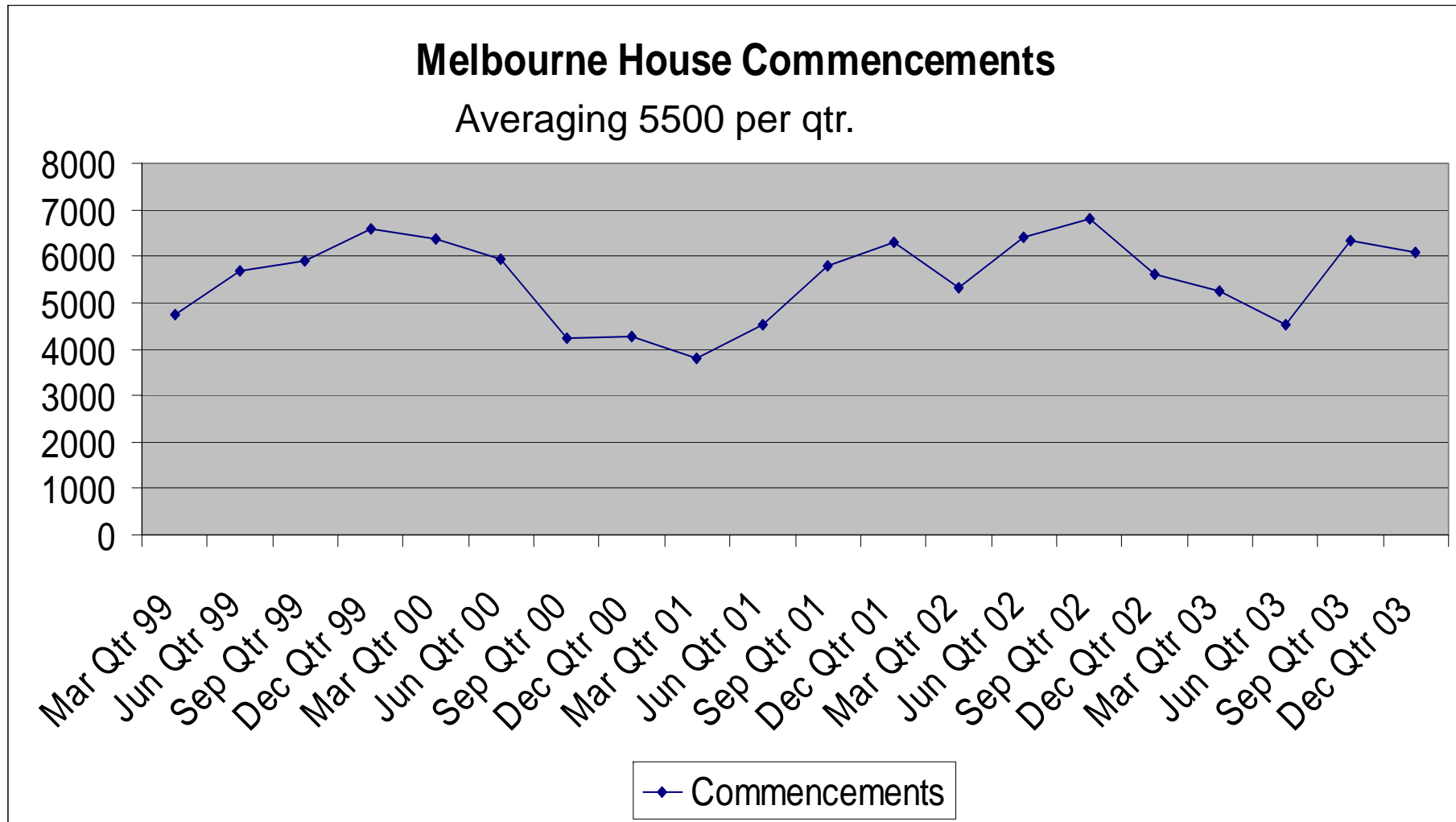
# Sydney – General Conclusions

- Strong population (+204,000) and jobs growth (+23,000 f/t & 48,000 p/t) during last 2 years.
- Significant slowdown in lot production and a 12 month hiatus in apartment construction.
- Falling vacancy rates – probably 2.5% by mid 2005.
- Inner city apartments for sale –536 in Nov.'02, 640 in Nov '03, 735 in April 04 – 260 in May '04.
- Price increases driven by mis-match between supply and demand, not excessive investor activity in the apartment sector.
- Slowing dwelling production in inner suburbs.
- Demand likely to exceed supply unless there are major changes to the approval process in middle ring suburbs

Melbourne Apartment Activity – ( 9 year average inner city demand – 475 / qtr. – Middle ring suburbs demand – about 1000 / qtr.)



# Melbourne Detached Housing Activity



# Melbourne Apartment Median Price Movements

	Inner \$000's	Middle \$000's	Outer \$000's	Metro \$000's
Mar '99	175	158	125	162
Mar '00	205	139	142	182
Mar '01	227	208	150	215
Mar '02	265	238	183	245
Mar '03	308	272	227	281
Mar '04	298 <small>70% above Mar 99</small>	295 <small>87% above Mar 99</small>	233 <small>86% above Mar 99</small>	283

Source - REIV

# Melbourne House Price Movements

	Inner \$000's	Middle \$000's	Outer \$000's	Metro. \$000's
Mar '99	271	188	155	210
Mar '00	315	228	165	241
Mar '01	331	255	180	267
Mar '02	408	290	230	317
Mar '03	505	321	268	347
Mar '04	<b>550</b> 103% above Mar 99	<b>367</b> 95% above Mar 99	<b>270</b> 74% above Mar 99	<b>368</b>

# Melbourne – General Conclusions

- Strong population (+192,000) and job growth (39,000 f/t, 56,000 p/t) in last 2 years.
- No oversupply of housing or land, and potential apartment over-supply ( 1500) is only equivalent to 3 months production.
- Inner city apartments for sale – 123 in Nov '02, 101 in Nov 03, 170 in Jan 04 and 102 in May '04.
- 12-18 month hiatus in multi storey apartment construction due to cost increases.
- Falling vacancy rates – 3.5% overall, 4% city fringe.
- No medium term risk of price correction as impact of higher construction costs and tighter town planning approval regime flow through.

# Brisbane

- Brisbane full time job growth – 50,000 in last 2 years – 2 x Sydney's employment growth.
- Strong population growth has produced highest house price increases in Aust, (median price \$220,000 in 2003, now \$315,000) but potential for falls.
- Very active construction market – sharp escalations in cost.
- No prospect of oversupply generally, though CBD unit market is hard to comprehend.



# Perth

- Population growth up by 93,000, but job growth only moderate (16,000 f/t & 15,000 p/t), during the last 2 years.
- House price growth strong, but still affordable.
- Demand is strong for land & housing and steady for new apartments.
- No prospect of over-supply.

# Summary

- Only price risk is in Brisbane.
- Sydney fundamentals are very strong and there is a prospect of under-supply.
- Short term negative sentiment is having an effect on Melbourne inner city market, but production hiatus could lead to a shortage within 18 months.
- Perth fundamentals are excellent
- Journalists and RBA should do some more research.