

19 March 2009

Weekly Property Pulse Professional Edition

This week's edition covers

- ▶ [Industry Market Wrap](#)
- ▶ [Article: Rents are going up and up and up...](#)

Industry Market Wrap

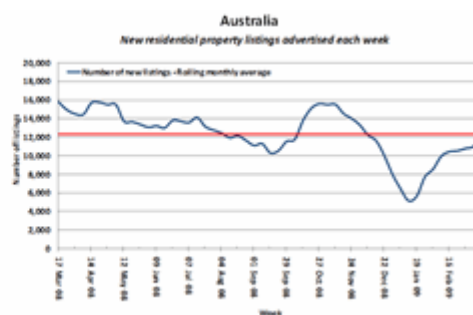
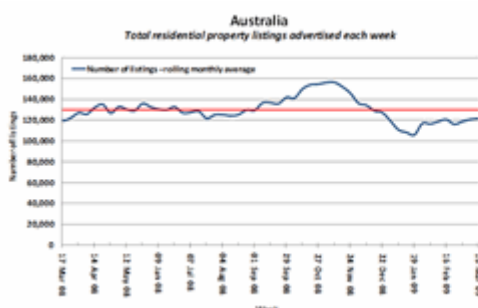
Demographic data released this week showed that Australia's population continued to grow through the September 2008 quarter. Across the 12 month period Australia's population increased by more than 354,000 persons with a very impressive net overseas migration figure of more than 208,000 persons. These results may have been tempered somewhat by the announcement earlier in the week of cuts to skilled migration numbers in order to try and shore up Australian jobs. Whilst this may result in net migration numbers declining somewhat, much of the impact will be offset by the fact that it is likely fewer Australian's will be leaving our shores for jobs in the US and Europe as prospects are stronger in Australia than they are within these markets.

Much of the property media this week has also surrounded the looming deadline for the end to the increase of the First Home Buyers Grant. The Government only ever stated the grant would be available until June 30 2009, the short time frame of the incentive has had the desired effect and seen First Home Buyer finance commitments increase to their highest ever level. Given that first home buyers have enjoyed this stimulus, the Government may now look at ways to stimulate other sectors of the housing market post June 30. Stimulus for investors or for second and third home buyers would be very welcome.

In their recently released March 2009 Property Outlook, ANZ highlighted that underlying dwelling demand for Australia sits at 180,000 new dwellings annually, whilst dwelling commencements sit at around 150,000 pa. With building approvals falling recently, commencements may be next. As fewer dwellings continue to be built, further pressure is created on prices of existing properties, whilst rental market shortages are also exacerbated and owners take advantage by lifting their asking rents. Perhaps the Government should look at cutting the charges associated with new development as a way to stimulate housing market activity and to truly deliver more affordable housing product.

Auction clearance rates – week ending March 15th

City	Clearance Rate	Total Auctions	RP Data Auction Results	Sold Prior To Auction	Sold At Auction	Sold After Auction	Passed in	W/drawn
Adelaide	42.9%	45	35	1	13	1	19	1
Brisbane	34.5%	115	84	16	10	3	46	9
Canberra	64.3%	23	14	0	9	0	5	0
Melbourne	73.4%	509	384	63	210	9	99	3
Perth	25.0%	28	16	1	3	0	11	1
Sydney	66.7%	404	303	60	138	4	75	26
Hobart	33.3%	5	3	0	1	0	2	0



APPROXIMATE COMMISSION:

Based on the median dwelling value of \$449,993, we estimate the total amount of available commission to be \$1.48 billion available across the Australian mainland.

Rents are going up and up and up...

With median values falling in many areas of Australia during 2009, one strong aspect of the property market has been the exceptional growth in weekly rental rates across houses and units.

Across the mainland capital cities all property types across each city recorded growth in weekly rental rates through 2008. On average, rents increased by \$41/week for houses and \$35/week for units, indicating very strong rental growth.

Darwin has been the standout performer in terms of rental growth during 2008 and surprisingly it was also the best performer in terms of property value growth over that period. Weekly rents for Darwin houses climbed by \$70/week (18%) and unit rents climbed by \$60/week (19%). Although Darwin's property values recorded the greatest increase through 2009, it is interesting to note that Darwin maintains the country's best rental yields at 6.25% for houses and 6.44% for units.

Just behind Darwin was Sydney where median house rents increased by 18% over the year and unit rents climbed by 14%. Following close behind Sydney was Melbourne where rental rates for houses increased by 17% and units increased by 14%.

Adelaide and Canberra were the two cities which underperformed. Adelaide house rents climbed 5% during 2008 and unit rents increased by 4%. Canberra's median weekly rental for houses increased by 4% and units by 6%. It is important to note that along with Darwin, Adelaide was the only other capital city market to record positive value growth during 2008. As this growth is likely to slow during 2009, we would anticipate further rental growth for Adelaide during the year.

Change in capital city median rents Dec-07 vs Dec-08

Cap City	Prop Type	2007	2008	Change
Sydney	Houses	\$380	\$450	\$70
	Units	\$350	\$400	\$50
Melbourne	Houses	\$300	\$350	\$50
	Units	\$280	\$320	\$40
Brisbane	Houses	\$320	\$350	\$30
	Units	\$300	\$335	\$35
Adelaide	Houses	\$275	\$290	\$15
	Units	\$240	\$250	\$10
Perth	Houses	\$320	\$360	\$40
	Units	\$280	\$310	\$30
Darwin	Houses	\$400	\$470	\$70
	Units	\$320	\$380	\$60
Canberra	Houses	\$420	\$435	\$15
	Units	\$350	\$370	\$20

Source: RP Data

Throughout Australia's Local Government Areas (LGA's) some regions performed particularly strongly during 2008 in terms of rental growth.

Across houses the top three positions are held by mining and resource areas with Belyando and Broadsound LGA's in the Central Qld mining areas and Port Hedland located in Pilbara Region of WA. Belyando and Port Hedland in particular, have seen astronomical growth in rents through 2008, largely driven by a shortage of supply of housing within these regions.

Outside of the mining and resource areas it has been the more affluent areas of inner Sydney and inner Perth which have witnessed strong increases in weekly rental rates. This has occurred despite the fact that many of these areas have recorded value falls and have been hampered by a slow rate of sales coupled with significant increases in property listings during the latter part of 2008. The results show that quality inner city property will continue to witness strong long-term demand for both owner occupation and rental occupation.

Top rental growth LGA's - houses

LGA	State	2007	2008	Change
Belyando	Qld	\$600	\$1,100	\$500
Port Hedland	WA	\$800	\$1,150	\$350
Broadsound	Qld	\$600	\$790	\$190
Mosman	NSW	\$920	\$1,100	\$180
Duaringa	Qld	\$350	\$500	\$150
Woollahra	NSW	\$750	\$893	\$143
Cambridge	WA	\$520	\$650	\$130
Ku-Ring-Gai	NSW	\$700	\$800	\$100
North Sydney	NSW	\$550	\$650	\$100
Waverley	NSW	\$600	\$700	\$100
Exmouth	WA	\$320	\$420	\$100
Mosman Park	WA	\$600	\$700	\$100

Source: RP Data

Across the unit markets, the list is almost exclusively populated by inner city areas and high quality waterfront precinct close to CBD's. The two exceptions are Kalgoorlie-Boulder which is a mining area in WA which has seen strong housing demand result in a significant increase in weekly rents and Bassendean located to the east of the Perth CBD. The other interesting point to note is that the list is dominated by suburbs within Sydney and Perth, with Kalgoorlie-Boulder and Darwin the only LGA's located outside of these areas.

Top rental growth LGA's - units

LGA	State	2007	2008	Change
Nedlands	WA	\$290	\$420	\$130
Bassendean	WA	\$240	\$340	\$100
Darwin	NT	\$330	\$400	\$70
East Fremantle	WA	\$255	\$325	\$70
Kalgoorlie-Boulder	WA	\$255	\$325	\$70
Botany	NSW	\$290	\$355	\$65
Manly	NSW	\$490	\$550	\$60
City Of Sydney	NSW	\$400	\$460	\$60
Randwick	NSW	\$400	\$460	\$60
Cottesloe	WA	\$390	\$450	\$60
Subiaco	WA	\$320	\$380	\$60

Source: RP Data

Throughout 2009 it is anticipated that rental growth will *continue* to be strong, although it may not be as strong as that witnessed during the last 12 months. Rental vacancy rates throughout the country remain tight and although the Government is offering up attractive incentives for first home buyers currently, many are still not in a financial position to purchase.

The tightness of the rental market is highlighted within recent data from the Real Estate Institute of Australia (REIA) which shows that vacancy rates throughout all Australian

capital cities except Perth (2.4%) and Canberra (2.3%) sit at levels below 2%.

Recent estimates from ANZ bank suggest that nationally underlying demand for housing sits at 180,000 new dwellings annually, in the year to Sep-08 approximately 150,000 new dwelling commencements occurred (an under supply of 30,000). This ongoing under supply, with commencements likely to start trending downwards as have approvals, is likely to result in tighter rental markets and additional upwards pressure on rental rates. This will be particularly felt in capital city markets and in particular, desirable inner city locations.

Please note:

RP Data has only recently started capturing Tasmanian rental data and the data set is not yet complete. Tasmanian rental data will be available in the coming months; and Qld LGA's are based on boundaries prior to the recent council amalgamations.

How you can use the RP Data Property Pulse

As a participating RP Data subscriber, you are authorised by RP Data Limited to, at your choosing, forward this content to your customers or publish as editorial content on your website and newsletters in an unedited fashion provided that RP Data is appropriately quoted.

Conditions of Syndication

You should not rely upon the opinions expressed in this report for any investment decision. RP Data will not be held responsible for any loss or damage suffered as a result of relying upon the opinions and information contained in this report. You should always take specific advice from a professional advisor so that your particular circumstances can be assessed and an investment decision appropriate to your circumstances can be determined.

You may not under any circumstances take a whole or part of the content and forward to any media outlet at any time.

You may not re-publish this content as your own without our express written permission. All Intellectual property used in the creation of the RP Property Pulse remains with RP Data Limited. The research and opinions expressed remain those of RP Data Limited. If you have any questions about syndication obligations, please firstly speak with the RP Data Research Division on: 07 3114 9999.



www.rpdata.com