

THIS MONTH IN REVIEW

In news this month, one point of focus was the release of the Royal Commission's final report. On a positive note, it seems no further tightening of lending policies will be needed, according to AMP Capital chief economist Shane Oliver. Instead, attention will be on maintaining the new standards already implemented by lenders in the lead-up to this report.

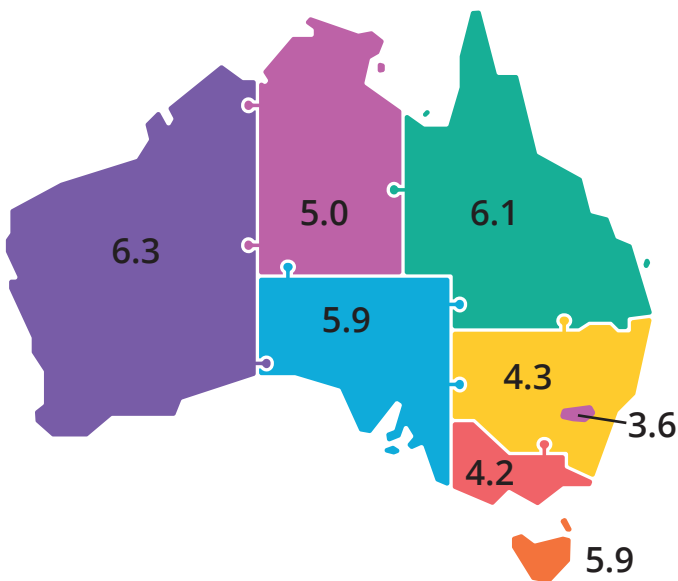
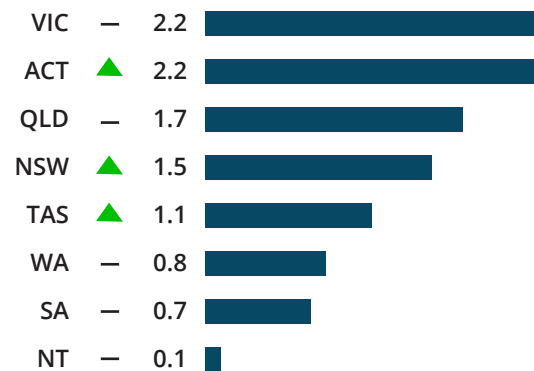
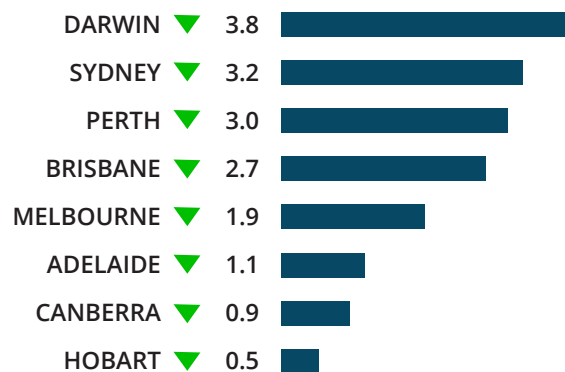
Executive chairman of Loan Market Group Sam White believes a more consistent loan approval process should help build confidence in seeking finance approval. It's too early to see this though, with CoreLogic reporting that weakening demand for mortgages continues.

Cameron Kusher of CoreLogic says if housing price relief is needed in light of the declining housing market, we could be seeing the RBA cut rates and the APRA actually relax lending conditions somewhat. Westpac's Chief Economist Bill Evans has now priced in a further 2 rate cuts before the year is out.

CoreLogic's Cameron Kusher commented on the minutes of the RBA Monetary Policy Meeting for February 2019, suggesting that concerns over falling housing values are having a knock-on effect to household consumption and therefore, we may also see this impacting our nation's economic growth.

AUCTION CLEARANCE RATE Source: APM PriceFinder

| | FEB 02 | | MAR 02 |
|-----------|--------|---|--------|
| SYDNEY | 49% | ▲ | 65% |
| MELBOURNE | 45% | ▲ | 53% |
| BRISBANE | 30% | ▼ | 25% |
| ADELAIDE | 48% | ▼ | 37% |

MONTHLY UNEMPLOYMENT - DEC 18 %
Source: ABS (most recent figure at time of publication)

POPULATION GROWTH % (Yr ended JUNE 2018) Source: ABS

VACANCY RATE % (JAN 2019) Source: SQM Research


| HOUSES | YRLY GRWTH | YIELD | MEDIAN |
|-----------|------------|-------|--------|
| HOBART | 7.0 | 5.0% | \$450K |
| CANBERRA | 4.3 | 4.4% | \$656K |
| DARWIN | 2.2 | 5.4% | \$480K |
| ADELAIDE | 0.8 | 4.1% | \$479K |
| BRISBANE | 0.1 | 4.0% | \$550K |
| PERTH | -5.3 | 3.8% | \$525K |
| MELBOURNE | -10.5 | 2.9% | \$779K |
| SYDNEY | -10.8 | 3.0% | \$950K |

Source: CoreLogic Hedonic Home Value Index and Market Trends Report


| UNITS | YRLY GRWTH | YIELD | MEDIAN |
|-----------|------------|-------|--------|
| HOBART | 9.0 | 5.3% | \$347K |
| CANBERRA | 1.9 | 5.4% | \$439K |
| ADELAIDE | 1.3 | 4.9% | \$329K |
| BRISBANE | -0.5 | 5.1% | \$385K |
| MELBOURNE | -3.0 | 3.9% | \$552K |
| PERTH | -6.8 | 4.6% | \$385K |
| SYDNEY | -6.9 | 3.9% | \$715K |
| DARWIN | -13.1 | 5.9% | \$335K |

Source: CoreLogic Hedonic Home Value Index and Market Trends Report

CAPITAL CITY UPDATES

SYDNEY NSW

- Sydney values have returned to July 2016 levels, evidenced by a drop of 11.5 per cent over 12 months, according to CoreLogic Data.
- But there are still pockets of growth to be found in Sydney. Queenscliff ranked 7th in realestate.com.au's top 10 Australian suburbs by percentage growth. Demand outstrips supply in Queenscliff which saw 37.9 per cent growth and a median house price of \$3,545,000 in the 12 months to Jan 2019.
- A 0.5 per cent increase in Sydney rental vacancies was reported in the 22 February 2019 REINSW Residential Vacancy Rate Report, with real estate agents pointing to a market surplus of apartment developments as responsible for the vacancies in Sydney's middle ring.

MELBOURNE VIC

- Melbourne values have regressed to November 2016 levels, a drop of 11.5 per cent over 12 months, according to CoreLogic Data.
- CoreLogic reports Melbourne dwelling values have dipped 4.0 per cent lower in the last three months to Jan 2019, marking the largest decline in any 3-month period since CoreLogic's index began in 1980. Falls are heavily concentrated over the most expensive quarter of the Melbourne market.
- Buyers won't be complaining, with more leverage to negotiate on price, more time to make purchase decisions and view a larger pool of choices, according to yourinvestmentproperty.com.au.
- CoreLogic reports there is 34 per cent more stock of advertised listings than 12 months ago, due to re-listed properties mounting up.

BRISBANE QLD

- Brisbane remains a much more affordable housing market than Sydney and Melbourne, with Brisbane housing values lower than the other two capitals by \$360,000 and \$200,000 respectively, according to CoreLogic data.
- CoreLogic's Tim Lawless predicts it is possible for Brisbane to remain in positive territory for 2019. And ANZ economist Jack Chambers says it will continue to outperform Sydney and Melbourne markets, in line with BIS Oxford Economics' predictions for the period up to 2021 also.
- As of end of January, Brisbane had new listings almost 10 per cent less than 12 months ago, although a slower rate of absorption means total advertised listings are actually sitting 5.7 per cent higher than a year ago, according to CoreLogic data.

PERTH WA

- Perth's rental market is performing well, with increasing competition showing potential for rent rises in 2019. According to the REIWA Perth Market Snapshot, as at 24 Feb, there are 26 per cent fewer properties for rent than 12 months ago. The vacancy rate has strengthened to 3.0 per cent which is a dramatic change from the 7.3 per cent peak observed in July 2017.
- Perth's economic prospects are improving, with a flow-on effect on population growth. There was an increase in 21,000 residents in the 2017-2018 period as reported by CBRE.
- The REIWA Perth Market Snapshot for w/e 24 Feb reveals that in the 3 months leading to Jan 2019, sellers discounted properties 7.5 per cent on average, with 52.7 per cent of properties sold below list price.

CANBERRA ACT

- Canberra's vacancy rate of just 0.9% is now looking very appealing for investors.
- CoreLogic's Hedonic Home Value Index for December 2018 revealed Canberra is one of Australia's two tightest rental markets (the other being Hobart). Tenants are paying an average of 4.7 per cent more than a year ago, and rental demand outstrips available supply.
- As one of the few Australian capital cities that experienced positive growth for 2018, REA Group chief economist Nerida Conisbee agrees that Canberra is worth a look, although to be mindful of land tax.

ADELAIDE SA

- Adelaide is looking attractive to investors and those starting new businesses thanks to a steady market, affordability and the rising economy, according to REA Group chief economist Nerida Conisbee.
- As well as providing benefits to the economy, defence projects are also helping drive rental demand.
- Salisbury East is a suburb to watch for affordable houses and units. It's also experiencing good growth in unit rental yield which now match those of houses (up 16.2 per cent and with a rental return of 4.2 per cent), according to yourinvestmentproperty.com.au.

DARWIN NT

- Darwin was the weakest-performing of Australia's capital cities in the past three months, showing a decline in housing values by 5.1 per cent, according to CoreLogic data.
- Muirhead has seen outstanding growth, at second place in realestate.com.au's list of top 10 growth suburbs in Jan 2019. The suburb saw 49.7 per cent year-on-year growth, achieving a median price of \$617,500.



AUD
70.9c
US

down from 72.4c in Feb
Source: RBA



RBA Cash Rate

1.5%

steady for Jan

Source: RBA



Cash Rate
Forecast

1.0%

12 mths to Mar '20

Source: Westpac



Inflation

1.8%

year to Jan qtr

Source: RBA



GDP

2.8%

up to Sep qtr

Source: ABS



Wage Growth

2.3%

year to Dec qtr

Source: ABS



Consumer
Confidence

4.3%

positive for Mar

Source: Westpac-Melbourne Institute



Disposable
Income

2.9%

year to Sep qtr

Source: ABS

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