



THIS MONTH IN REVIEW

This month the media certainly made their mark with the dramatic price falls prevalent amongst inner city Melbourne units. Indeed, it's been a sustained commentary in this report that inner city Melbourne and Brisbane units have been, and will continue to be a burgeoning problem on their respective markets as development stock slowly gets released over the coming two years.

Deloitte Access Economics weighed in on the Perth and Darwin markets with views that it's going to get worse before it gets better as the decline in business investment has really only just started

AUCTION CLEARANCE RATE Source: APM PriceFinder

Table with 4 columns: City, FEB/MAR, APR, and a trend indicator (arrow). Rows include Sydney, Melbourne, Brisbane, and Adelaide.

MONTHLY UNEMPLOYMENT - FEBRUARY % Source: ABS

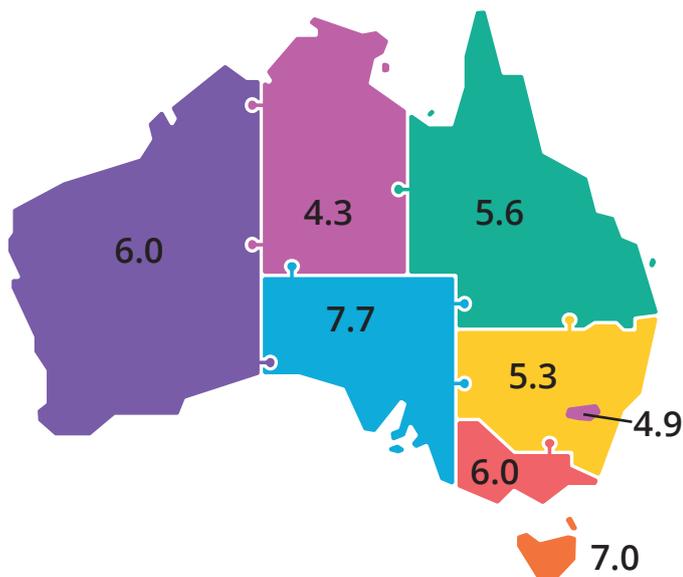


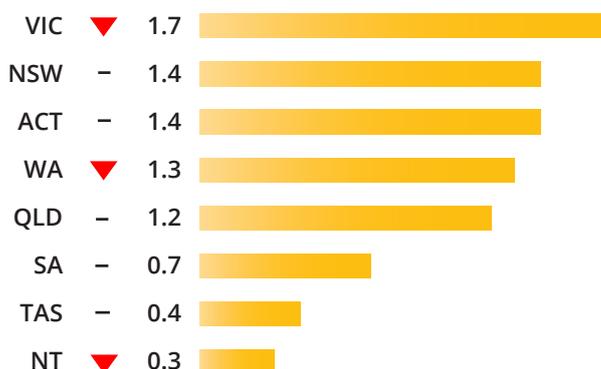
Table with 4 columns: City, YRLY GRWTH, YIELD, and MEDIAN. Rows include Melbourne, Sydney, Brisbane, Hobart, Adelaide, Canberra, Darwin, and Perth.

Source: RP Data

to take hold. Indeed, if the US presidential elections are anything to go by, they may very well be right as the idea of Trump being elected now ranks among the Top 10 global risks as determined by The Economist.

On a positive front, we still see opportunity in the more affordable markets where owner-occupiers are prevalent and have benefited from the last few years of equity growth in the market. As the mortgage refinance market now makes up 22% of the overall loans being written, quality properties that tick all the boxes will continue to be snapped up.

POPULATION GROWTH % (Yr ended 30 Sep 2015) Source: ABS



VACANCY RATE % (March 2016) Source: SQM Research

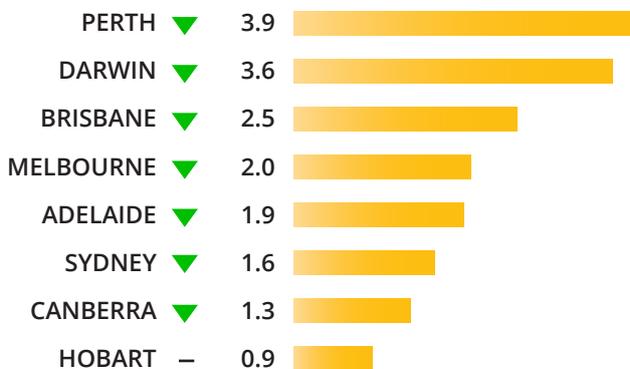


Table with 4 columns: City, YRLY GRWTH, YIELD, and MEDIAN. Rows include Hobart, Sydney, Melbourne, Adelaide, Brisbane, Canberra, Perth, and Darwin.

Source: RP Data

CAPITAL CITY UPDATES

SYDNEY NSW

- Sydney's growth rate has now halved at just over 9% compared to its roaring performance of 18.4% back in July.
- After a 3-year period of rampant growth, expectations from NAB have been brought back from 11.5% in the next 12 months to a negligible rate of 0.6%, with CoreLogic's expectations sitting at 2%.
- While Sydney has recorded higher stock levels, vacancy rates remain some of the tightest in the country at 1.6% and for the coming few years undersupply still appears to be a major factor.

MELBOURNE VIC

- While Sydney has gained a modest 0.6% between July and January, Melbourne has outperformed with a 3% growth level, leaving it one of the strongest in the country for houses in the last 12 months at 11.6%.
- While the interest rate environment remains low we don't expect to see Melbourne surging much further forward, with affordability being a major barrier much the same as Sydney.
- Inner city apartments continue to weigh on the market with media stories of 30% falls in value. More realistically, 10% price reductions from off-the-plan properties now at completion are a more common occurrence, with more supply set to exacerbate the problem in the coming years.

BRISBANE QLD

- While modest, Brisbane's housing stock showed the third largest gain for the last 12 months at 4.9% and activity on the ground is certainly a lot more active than previous months.
- While vacancy rates have pulled back to 2.5%, the outlook doesn't bode well for the unit market as more stock continues to be released to market in the coming 12 months, particularly in the inner city and inner south.
- While rental yields may suffer over time, Brisbane has weathered much of the economic downturn already and is starting from a high point above 5% which should still attract investors looking for yield.

PERTH WA

- Perth houses and units have both recorded near 2% falls in value over the year to date, with very little to show in terms of potential upside.
- Perth rentals have fallen by 8.4% and vacancies remain high at nearly 4%, the highest in the country.
- For the positive, little development stock remains in the pipeline with only 3,500 units due for completion on the coming year.
- Deloitte Access Economics has pointed out that as larger mining projects finish and unemployment creeps higher, the State looks set to weather worse conditions, particularly in the rental market as affordability and employment becomes more of an issue.

CANBERRA ACT

- With one of the lowest unemployment and vacancies in the country, Canberra houses are providing a consistent performance in the market.
- Canberra stock has dropped 3.1% in the last year indicating that price pressure could be building.
- The unit market continues to hold the market back, falling by 0.9% over the year due to supply issues.

ADELAIDE SA

- Adelaide's growth has been modest at around 3% to 4% for houses and units over the year, however the closure of the Holden plant last year will once again tarnish the employment levels of the State, already the highest at 7.7% and climbing.
- On the lighter side, Adelaide's rental market remains buoyant with the vacancy rate sitting just below 2%.
- Adelaide may continue to attract as prices remain some of the cheapest of mainland property.

DARWIN NT

- While the territory was starting from a high point, rental prices have now fallen up to 13.7% for houses and 12.1% for units.
- Deloitte Access Economics has shown that Darwin's economy will shrink further on the back of declining population growth, retail spending, car sales and housing finance.
- Higher stock levels in the property market will no doubt contribute further to an already negative state of growth.



AUD
76^c US

Up from 72c in Feb
Source: RBA



RBA Rate
2.0%

on hold for April
Source: RBA



Inflation
1.9%

year to Dec qtr
Source: RBA



GDP
3.0%

year to Dec qtr
Source: ABS



Wage Growth
2.2%

year to Dec qtr
Source: ABS



Consumer Confidence
-2.2%

down for March

Source: Westpac-Melbourne Institute



House Price Expectations

9.8 pts

up for March

Source: Westpac-Melbourne Institute



Disposable Income

-1.1%

year to Dec 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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