



THIS MONTH IN REVIEW

The biggest surprise to the early May rate cut was the majority of banks have passed this on in full! This, coupled with a budget that left negative gearing alone, and increased taxes on super contributions, it seems the property planets have aligned!

Earlier last 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.

AUCTION CLEARANCE RATE Source: APM PriceFinder

Table with 4 columns: City, APR 2, Change, APR 30. Rows include Sydney, Melbourne, Brisbane, and Adelaide.

MONTHLY UNEMPLOYMENT - MARCH % Source: ABS

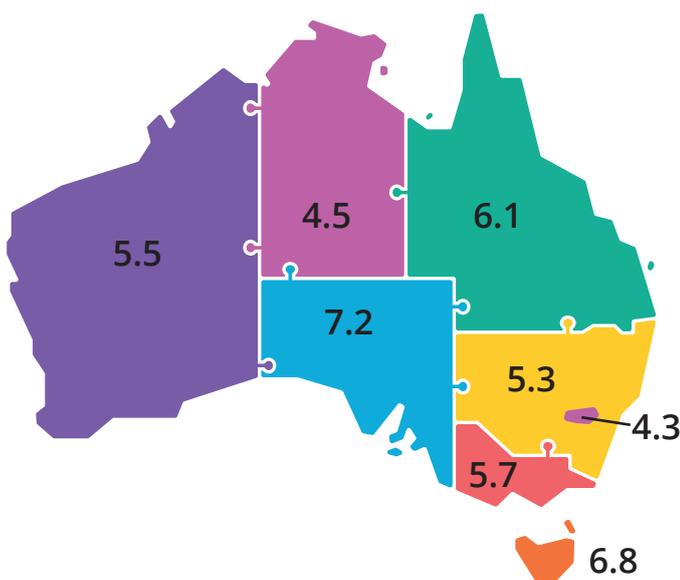


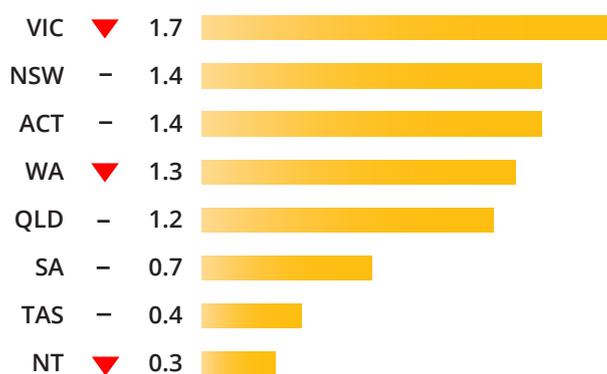
Table with 4 columns: City, YRLY GRWTH, YIELD, MEDIAN. Rows include Melbourne, Sydney, Canberra, Adelaide, Brisbane, Darwin, Perth, and Hobart.

Source: RP Data

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 to take hold.

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 % (Apr 2016) Source: SQM Research

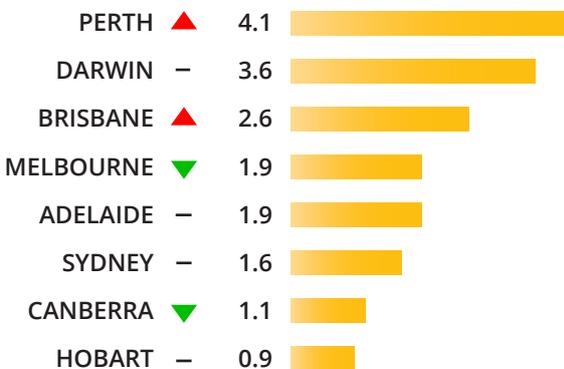


Table with 4 columns: City, YRLY GRWTH, YIELD, MEDIAN. Rows include Sydney, Adelaide, Melbourne, Darwin, Canberra, Brisbane, Perth, and Hobart.

Source: RP Data

CAPITAL CITY UPDATES

SYDNEY NSW

- With Sydney's hefty price growth over the last 3 years, rental returns are now some of the lowest in the country at 3.1% for houses and 3.9% for units.
- While the 12 month figures still show growth for Sydney, these are being progressively pulled back as we move into 2016, with minor growth levels occurring now that the 3 year surge has subsided.
- No oversupply issues rearing their heads yet in Sydney, with strong infrastructure spending and migration propping up employment figures and retail spending.

MELBOURNE VIC

- Melbourne houses continue to maintain their growth levels at just under 10% according to Core Logic's latest data.
- Units have shifted little in the last month, with the yearly average sitting at 4.68%.
- Migration still remains a positive for Victoria although foreign investment has dropped in Q4 to a 3 year low from 8.6% to 7.1% according to NAB.
- Victoria has risen the foreign property buyer tax from 3% to 7% which may further dampen demand in new developments.

BRISBANE QLD

- Brisbane housing stock continues to gain ground at 6.69% for the last 12 months according to Core Logic, indicating that the Brisbane housing market still has a way to go before it hits its peak.
- The supply of units still weighs on the capital growth figures, with a meagre 1.17% in gains over the last 12 months.
- Activity within the 10km zone is certainly starting to pick up for owner occupiers, attracted by the affordable level of prices and the continued low interest rates.
- The Gold Coast is showing signs of tighter vacancy rates on the lead up to the Commonwealth Games with levels at 1.1%, indicating that price gains may well be on the cards where infrastructure is prominent.

PERTH WA

- Vacancy rates still remain some of the highest in the country at 4%
- The WA government was downgraded by Moodys in February due to its near-\$30bn debt levels and high reliance on the resource sector, a factor investors should take note of in this current market.
- Perth remains in the correction phase with Herron Todd White highlighting the sub-\$500K market to be the most vulnerable to continued price falls due to its exposure to oversupply.

CANBERRA ACT

- While the housing market in Canberra has made only modest gains, things still remain in positive territory at 4.8%.
- Townhouses are in short supply according to the REIACT however units still remain a problematic part of the market due to oversupply issues with another 10,000 units expected to hit the market before 2020.

ADELAIDE SA

- Adelaide continues to tread water with modest growth in housing and units while unemployment still remains the highest in the country.
- The state's affordability is the positive for this sector, with the median house price at \$425,000 and the median unit price at \$344,000.

DARWIN NT

- REINT's recorded 8.2% and 9.2% vacancy rates for houses and units respectively, the highest in the country.
- Core Logic figures are supporting the continued decline in the resources sector with houses falling 4.9% for the year.
- Port Darwin has recently been leased to the Chinese company Landbridge which may strengthen the areas profile.
- The only positive stories for Darwin seem to be coming from those in Darwin who would prefer to see the market moving upwards.



AUD
75^c US

Down from 76c in Apr
Source: RBA



RBA Rate
1.75%

down in May
Source: RBA



Inflation
-0.2%

for Mar qtr
Source: RBA



GDP
3.0%

year to Dec qtr
Source: ABS



Wage Growth
2.2%

year to Dec qtr
Source: ABS



Consumer
Confidence

-4.0%

down for April

Source: Westpac-Melbourne Institute



House Price
Expectations

7.3 pts

up for April

Source: Westpac-Melbourne Institute



Disposable
Income

-1.1%

year to Dec qtr

Source: ABS

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