



Residential Property Monitor

July 2006

Supply

On a seasonally adjusted basis:

- Housing approvals rose 2.8% in May, driven by an increase of 20% in Victoria. Nationally approvals now sit 15% below the peak of 2003, and are 0.6% below long term average.
- Approvals for 'other dwellings' rose 10% in May, following a 13.9% fall in April. In May all states except South Australia were higher over the month. Approvals are now approximately 36% below their 2003 peak, and around 5.8% above long term average.

Demand

- Despite the expectation that the May cash rate rise would dampen demand, finance data surprised on the upside in May. Westpac Property do not expect this will be sustainable especially given WBC Economics now expect the RBA to lift rates again to 6% in August.

On a seasonally adjusted basis in April:

- Nationally, the number of finance commitments to construct or buy a new owner occupied dwelling rose 2.9% in May. Levels are now 4% above long term average and right on the previous October 2003 high.
- The number of commitments for existing owner occupied dwellings (excluding re-financing) rose 5.2% in May, the largest monthly increase since September 2005. Numbers are currently 35% above long term average, and 5.6% above peak levels.
- The value of price adjusted investor finance rose 7% in May, with all states recording an increase. Levels now sit 34% below the October 2003 peak.
- Price adjusted investor finance figures currently sit 7% below the 5 year average (2001 to 2006) and 17.3% above the 10 year average (1996 to 2006).

Value

- Vacancy fell in all major cities in quarter 1 2006 with the exception of Adelaide according to the REIA. The change in vacancy ranged from flat in Adelaide to -60 basis points in Sydney and Brisbane over the quarter. Vacancy now ranges between 1.4% in Perth and 2% in Sydney, with all major cities below long term average vacancy.
- Rents for '2 bedroom other dwellings' increased in all major cities over the quarter, except Sydney where they remained flat. Growth ranged from 4.5% in Melbourne to 10% in Perth over the quarter.
- As a result of relatively little change in median prices for 'other dwellings' over the quarter and significant rental growth in '2 bedroom other dwellings' in the major cities, yields have risen in all major cities except Sydney over the quarter. This increase in yields ranged from 10 basis points in Melbourne to 50 basis points in Brisbane in the March quarter. Gross yields for 'other dwellings' now range from 3.9% in Melbourne to 4.9% in Brisbane.



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Larger State data

Supply Data (growth)	Time Period	NSW	VIC	QLD	SA	WA	General Trend
Approvals (original) Houses: Private	May 2006	1,484	2,859	2,408	689	2,231	Rising
Average monthly approval Longer term	1985 to date	2,180	2,330	2,101	620	1,299	
Approvals (original) Other dwelling: Private	May 2006	1,584	856	924	176	422	Rising
Average monthly approval Longer term	1997 to date	1,731	896	940	142	248	
Approval growth (sa) Houses: private	Apr-May 06	0.7%	20.3%	-0.7%	-8.0%	-9.3%	
Approval growth (sa) Other dwell: Private	Apr-May 06	13.3%	31.3%	46.7%	-68.3%	21.2%	

Demand Data (growth)	Time Period	NSW	VIC	QLD	SA	WA	General Trend
Owner occupier finance - existing (No.)	May 2006	12,946	8,196	8,521	3,630	5,948	Rising
Longer term monthly average (No.)	1985 to date	8,118	5,892	4,507	2,104	3,041	
Owner occupier finance new (No.)	May 2006	1,854	2,300	1,689	723	1,639	Rising
Longer term monthly average (No.)	1985 to date	1,864	1,788	1,546	568	1,071	
Price adjusted Investor Finance	May 2006	\$874 M	\$405 M	\$400 M	\$118 M	\$308 M	Rising
Longer term monthly average	1991 to date	\$482 M	\$216 M	\$211 M	\$57 M	\$97 M	

Value Data (growth)	Time Period	SYD	MEL	BRIS	ADE	PER	General Trend
Gross Value (median unit yield)	Mar Quarter	4.4%	3.9%	4.9%	4.5%	4.2%	Rising
Long term yield	1988 to date	5.4%	5.2%	5.7%	6.2%	5.2%	
Vacancy Rate	Mar Quarter	2.0%	1.8%	1.5%	1.7%	1.4%	Falling
Long term vacancy rate	1980 to date	2.4%	2.7%	3.5%	2.8%	3.5%	
Affordability Index	Mar Quarter	28.3	32.5	29.9	34.9	35.2	Falling
Long term affordability rate	1980 to date	35.3	43.7	41.8	43.2	47.3	
Change Median Other Dwelling Prices	Mar Quarter	-1.4%	0.8%	-1.4%	0.6%	3.8%	Mixed
Inflation adjusted growth (LT Avg)	Mar Quarter 1980 to date	-2.2% 0.7%	-0.1% 1.0%	-2.3% 0.7%	-0.4% 0.7%	2.7% 0.7%	
Change Median House Prices	Mar Quarter	-1.0%	-3.1%	0.6%	-0.4%	5.1%	Mixed
Inflation adjusted growth (LT Avg)	Mar Quarter 1980 to date	-1.8% 0.7%	-3.9% 0.9%	-0.3% 1.1%	-1.3% 0.8%	4.0% 0.8%	
Expected Change in Construction Costs over next 12 months	Mar Qtr 2006 - Mar Qtr 2007	4.1%	4.3%	6.7%	5.9%	10.8%	Rising

* For Sydney only 'Houses' now include houses, cottages, terraces, semi detached dwellings, townhouses and villas. 'Units' includes units, studios and duplexes. These definitions are for Sydney only and are different from those used by the ABS and REIA.

Sources: Loan affordability: REIA Home Loan Affordability Report, other data REIA, Westpac/AIQS BRIX survey and ABS

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Tasmania, Northern Territory and ACT

Supply Data (growth)	Time Period	TAS	NT	ACT	General Trend
Approvals (original) Houses: Private	May 2006	224	51	109	Falling
Average monthly approval Longer term	1985 to date	185	56	125	
Approvals (original) Other dwelling: Private	May 2006	7	19	136	Rising
Average monthly approval Longer term	1997 to date	18	46	78	
Approval growth (sa) Houses: private	Apr-May 06	n/a	n/a	n/a	
Approval growth (sa) Other dwell: Private	Apr-May 06	n/a	n/a	n/a	

Demand Data (growth)	Time Period	TAS	NT	ACT	General Trend
Owner occupier finance - existing (No.)	May 2006	769	496	494	Rising
Longer term monthly average (No.)	1985 to date	597	216	486	
Owner occupier finance new (No.)	May 2006	126	74	89	Falling
Longer term monthly average (No.)	1985 to date	137	52	137	
Price adjusted Investor Finance	May 2006	\$14 M	\$20 M	\$33 M	Rising
Longer term monthly average	1991 to date	\$9 M	\$15 M	\$25 M	

Value Data (growth)	Time Period	HOB	DAR	CAN	General Trend
Gross Value (median unit yield)	Mar Quarter	4.7%	4.4%	5.2%	Falling
Long term yield	1988 to date	7.3%	6.2%	6.1%	
Vacancy Rate	Mar Quarter	2.2%	3.3%	1.8%	Falling
Long term vacancy rate	1980 to date	3.7%	6.9%	2.7%	
Affordability Index	Mar Quarter	31.7	52.3	53.3	Rising
Long term affordability rate	1980 to date	50.3	60.1	59.8	
Change Median Other Dwelling Prices	Mar Quarter	18.9%	7.4%	4.2%	Rising
Inflation adjusted growth (LT Avg)	Mar Quarter 1980 to date	18.0% 1.0%	6.5% 1.4%	3.3% 0.9%	
Change Median House Prices	Mar Quarter	2.2%	2.1%	1.9%	Rising
Inflation adjusted growth (LT Avg)	Mar Quarter 1980to date	1.4% 1.3%	1.2% 1.0%	1.0% 0.9%	
Expected Change in Construction Costs over next 12 months	Mar Qtr 2006 - Mar Qtr 2007	4.5%	10.0%	5.6%	Rising

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Sources: Loan affordability: REIA Home Loan Affordability Report, other data REIA, Westpac/AIQS BRIX survey and ABS

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