

THIS MONTH IN REVIEW

With recent lending restrictions put in place by APRA to curb eager-beaver investors, you'd be mistaken for thinking that the dizzying heights of the Sydney market was representative of the whole country. No one wants to see Sydney prices tumble, but its questionable whether these restrictions are yet to have the desired effect while interest rates remain at their current levels.

No doubt tighter lending practices have had a luke-warm reception in states like Western Australia, the Territory and Queensland, where the declining resources sector has sucked the life out the

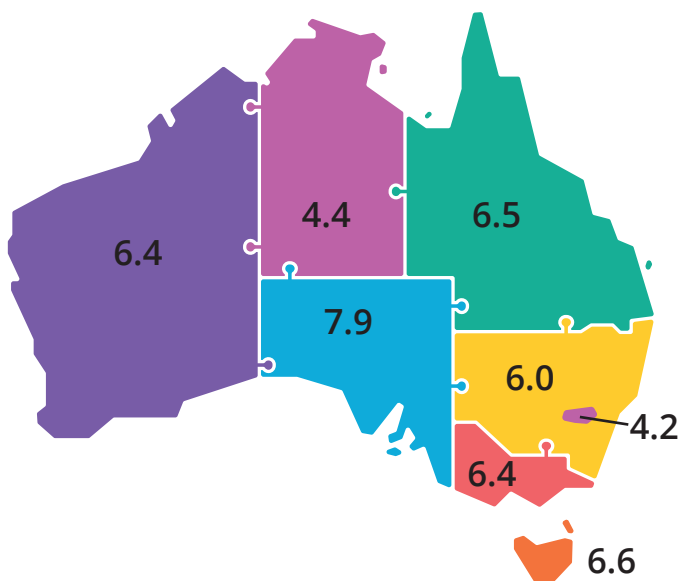
market, or South Australia, who is still suffering from a hangover from the auto-industry's leaving party.

The newly "appointed" government will surely be focused on ways to boost jobs growth and investment activity across the country in an effort to lift wages and spending. Eyes will also be on the falling dollar and the effect that it will be having on terms of trade, and whether China is just pausing to catch its breath or whether further slowing is imminent.

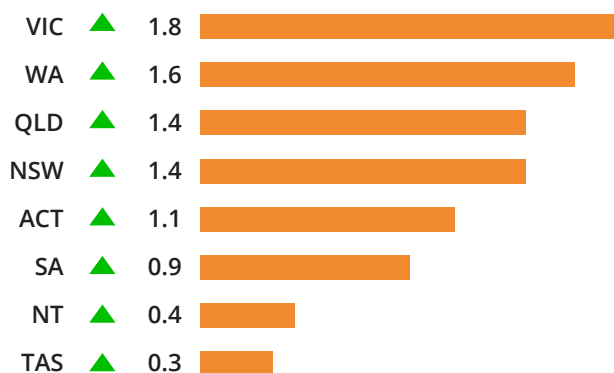
AUCTION CLEARANCE RATE Source: APM PriceFinder

	AUG	SEPT
SYDNEY	72%	▼ 71%
MELBOURNE	71%	▲ 75%
BRISBANE	47%	- 47%
ADELAIDE	64%	▲ 80%

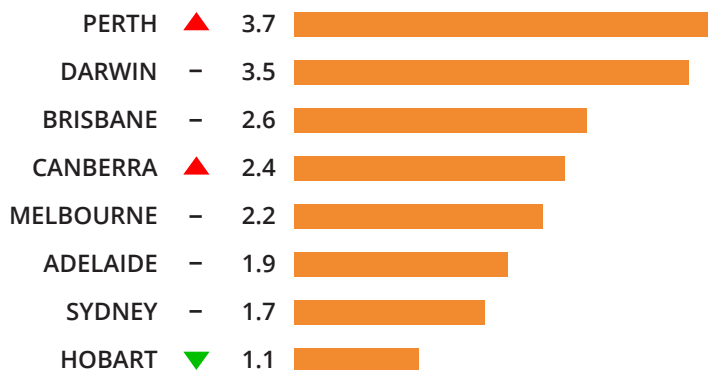
MONTHLY UNEMPLOYMENT - JULY % Source: ABS



POPULATION GROWTH % (12MTH) Source: ABS



VACANCY RATE % Source: SQM Research



HOUSES

	YRLY GRWTH	YIELD	MEDIAN
SYDNEY	18.6	3.3%	\$810K
MELBOURNE	11.5	3.7%	\$555K
BRISBANE	4.2	4.4%	\$485K
ADELAIDE	1.8	4.3%	\$420K
HOBART	1.7	5.0%	\$355K
CANBERRA	-1.0	4.3%	\$573K
PERTH	-1.5	4.3%	\$550K
DARWIN	-4.7	5.7%	\$578K

Source: RP Data



UNITS

	YRLY GRWTH	YIELD	MEDIAN
SYDNEY	12.7	4.2%	\$615K
MELBOURNE	2.9	4.1%	\$464K
ADELAIDE	1.2	4.6%	\$339K
CANBERRA	0.8	4.8%	\$419K
BRISBANE	0.5	5.1%	\$395K
HOBART	-0.5	5.5%	\$267K
DARWIN	-3.7	5.7%	\$455K
PERTH	-5.1	5.0%	\$435K

Source: RP Data

CAPITAL CITY UPDATES

SYDNEY NSW

- Sydney continues to rise on the back of an 18.6% price increase as demand outstrips supply.
- Vacancy rates still low at 1.7% however increasing prices have seen yields fall to under 4% in many areas.
- Low-interest rate environment has made affordability less of an issue and demand for owner-occupier stock remains strong.
- Tighter lending policies has investor market patchy although well-located properties still selling well.

MELBOURNE VIC

- Growing concerns of oversupply still hang on this market, with an estimated 48,000 units to be constructed in the next 3 years and many existing and new unit stock struggling to maintain their current values.
- Off-the-plan purchasers are predominantly South-East Asian and Chinese buyers.
- Strong demand still exists for detached dwellings and boutique townhouse living, with Melbourne achieving 11.5% growth in the last 12 months and looking very attractive relative to the Sydney market.
- Downturn in manufacturing and construction and declining overseas migration is likely to slow the economy at large coming into 2016.

BRISBANE QLD

- With the decline in mining, a change in government and the resulting halt of a number of infrastructure projects, Brisbane has yet to experience the surge in growth that Melbourne and Sydney have had.
- BIS Shrapnel have indicated that while market is patchy, there should be some growth to come as confidence improves into 2015/16 with an 18% increase in house prices forecast over the next 3 years.
- Still one of the most affordable of the major cities, investors are snapping up boutique stock in the 5 – 10km ring.
- Inner CBD and inner north unit stock still one to avoid, with potential oversupply and rising vacancy rates an increasing concern and little if any growth occurring in the unit market at present.

PERTH WA

- Supply outweighs demand at the moment and BIS Shrapnel forecasts continued falls while the mining sector continues to contract.
- Unit market has fallen 5% in the last 12 months on the back of the mining decline, rising unemployment and falling overseas migration and vacancy rates are on the rise, hitting 3.7%
- Beware of increasing oversupply in the unit market. Multi-dwelling developments in areas where there is limited infrastructure or amenities should be avoided.
- Despite high stock levels, well-priced, well located property is still selling promptly.

CANBERRA ACT

- The changeover in Liberal leadership should bring some stability to the government and may result in an early election. A stable leadership moving forward should help bring confidence to the market at large.
- Oversupply still exists in the unit market, with many new apartments still sitting idle which may effect growth into next year. Vacancy rates are on the increase at 2.4% for the month.
- While house and unit markets have flattened in the last 12 months, stronger employment prospects and low interest rates have kept the market buoyant and auction clearance rates rival that of Sydney.

ADELAIDE SA

- Decline in the car industry still looms on the economy with SA now holding the highest unemployment rate of all states at 7.9%.
- Unit and house prices have remained relatively resilient with 4% to 5% growth over the last 12 months.
- While vacancy rates remain steady in the capital, increasing oversupply issues have been raised due to the surge in building from first home-buyer grants which may effect long-term prospects.
- Next to Hobart, Adelaide remains one of the most affordable areas for housing stock and a focus on areas with solid fundamentals and long term growth may do well in the future as employment recovers.

DARWIN NT

- The declining resource sector has hit Darwin hardest with a fall in detached houses in the last 12 months by 4.7%. Darwin still maintains the second highest median house price behind Sydney.
- High levels of construction have taken place in the CBD with over 1000 new apartments being built – vacancy rates are still high at 3.5% indicating a possible oversupply.
- Demand for new stock has been stronger on the back of government incentives – up to 5% of purchase price, creating a two-tier market where demand for older stock has subsequently fallen out of favour.
- Possible re-instatement of the FHOG for older stock is currently being considered to boost the market.



AUD
72.5c
US
down from 71.3 in Sept.
Source: RBA



RBA Rate
2.0%
on hold for October
Source: RBA



Inflation
1.5%
down for September
Source: RBA



GDP
2.0%
year to date
Source: ABS



Wage Growth
2.3%
year to June Qtr
Source: ABS



Consumer
Confidence
-5.6%
for month of Sept.
Source: Westpac-Melbourne Institute



House Price
Expectations
-3.9%
for month of Sept.
Source: Westpac-Melbourne Institute



Disposable
Income
-1.1%
down for June qtr
Source: ABS