



myhousingmarket

CURRENT STATE AND FUTURE PROSPECTS OF YOUR HOUSING MARKET

Dr Andrew J. Wilson – Australia's Leading Independent Property Economist



Qualifications

- **Doctor of Philosophy**
Housing Market Economics – RMIT University
- **Master of Science by Research**
Housing Market Economics – RMIT University
- **Graduate Diploma in Economics**
Econometrics – Monash University
- **Bachelor of Construction Economics (Distinction)**
RMIT University
- **Member of the Royal Institute of Chartered Surveyors**
Quantity Surveying and Construction

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Employment

- **Chief Economist**, My Housing Market 2018
- **Chief Economist**, Domain Group 2015-17
- **Senior Economist**, Australian Property Monitors 2010-15
- **Senior Economist**, Davis Langdon AECOM Group 2010
- **Senior Economist and Head of Research**, RLB Group 2006-10
- **Senior Research Fellow**, RMIT University 2000-06
- **Academic Researcher and Lecturer**, RMIT University 1994-06

Dr Andrew J. Wilson – Australia's Leading Independent Property Economist

Extensive and Long-term Trusted Public Profile



Channel 9 News April 22 2018



Channel 9 News April 20 2018



Channel 7 Sunrise April 11 2018



Channel 9 Today Show March 7 2018

Everybody's coming to Melbourne

But where will they live?



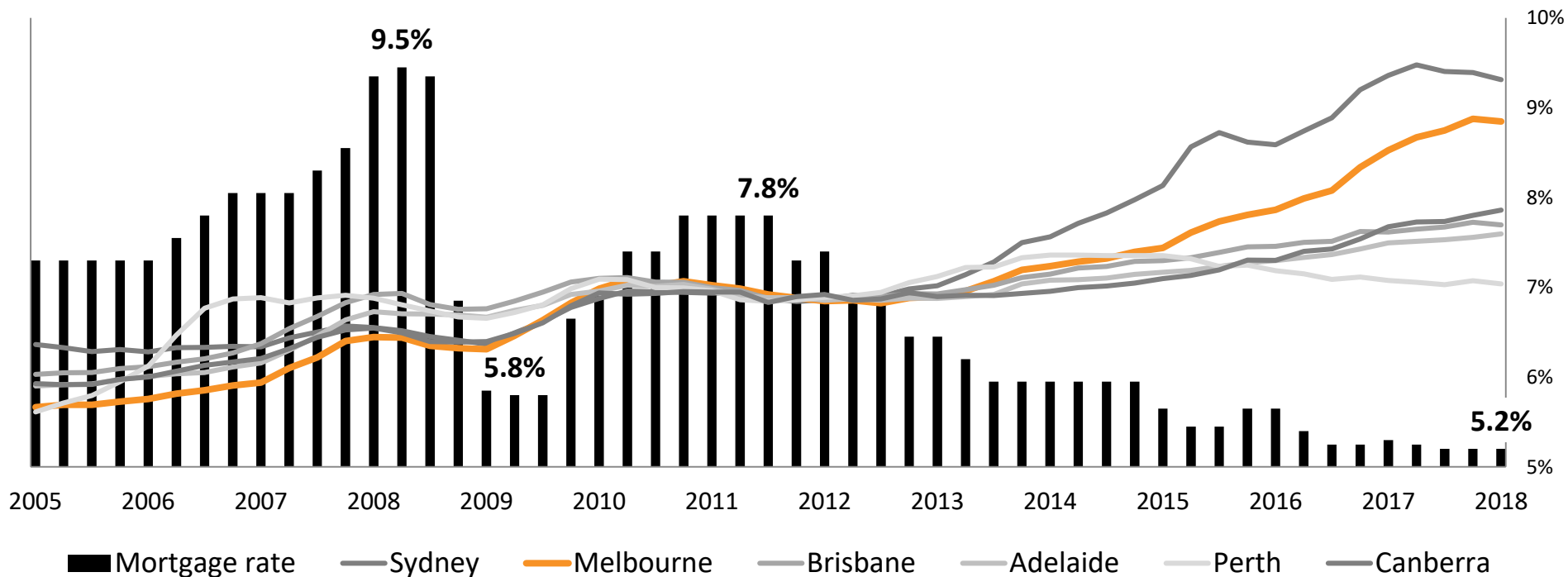
The BIG Picture

Interest Rate Movements Generate Capitals Price Cycle

Interest Rates generate house price growth

LOCAL FACTORS determine rate of growth

Interest Rate Movements Generate Capitals Price Cycle

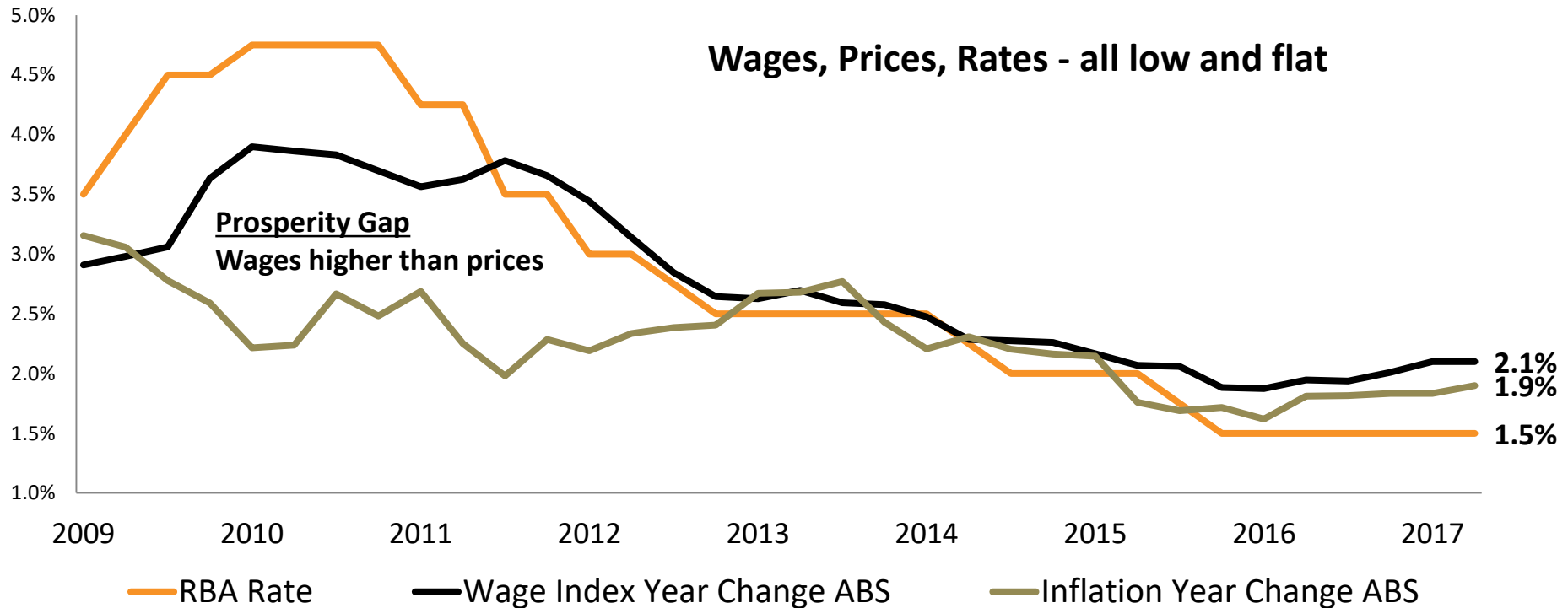


Interest Rate Movements Generate Capitals Price Cycle

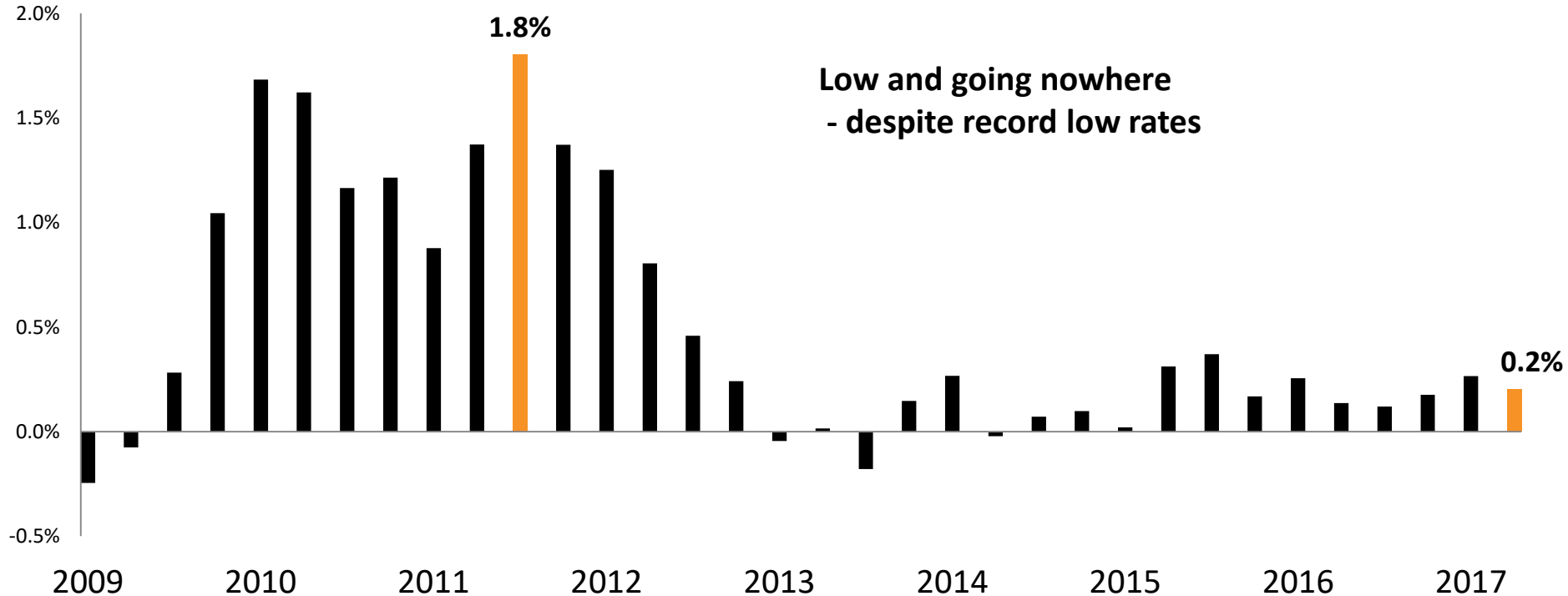
Interest Rates to remain lower for longer – more CUTS to come?

NO RISES for foreseeable future

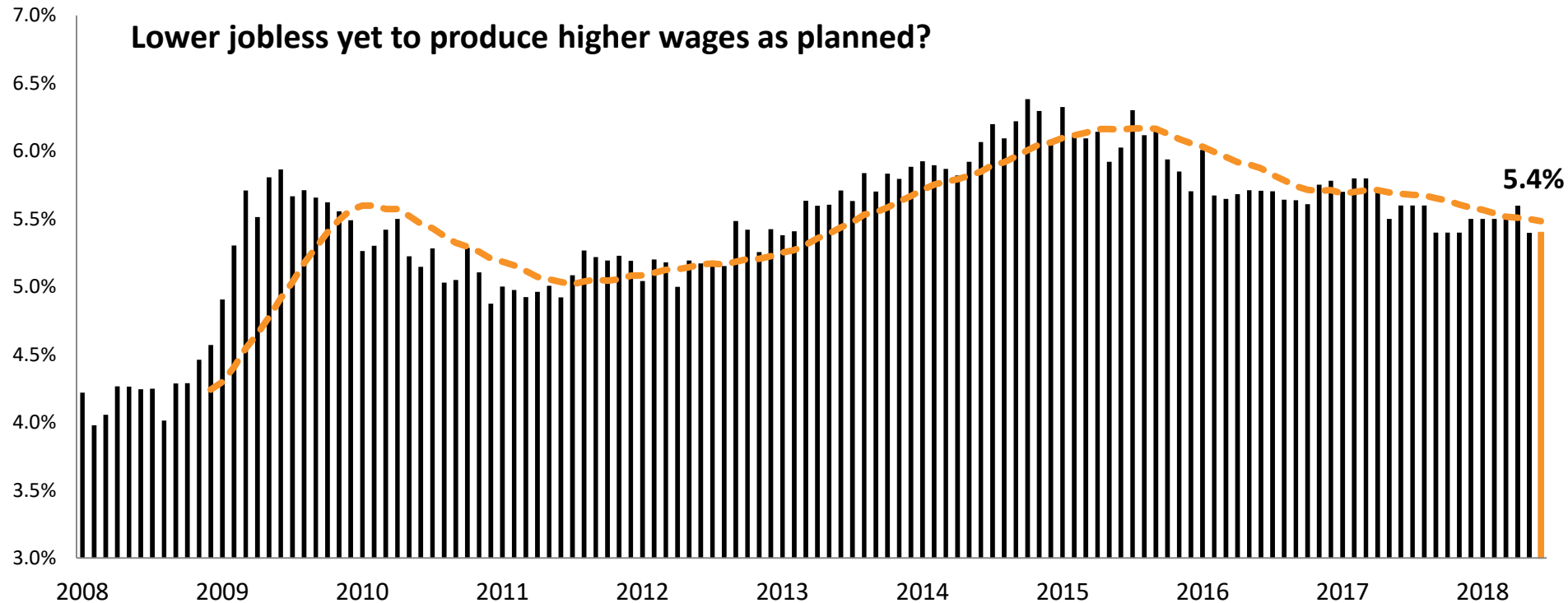
Rates to Remain Lower for Longer – Macroeconomic Conundrum



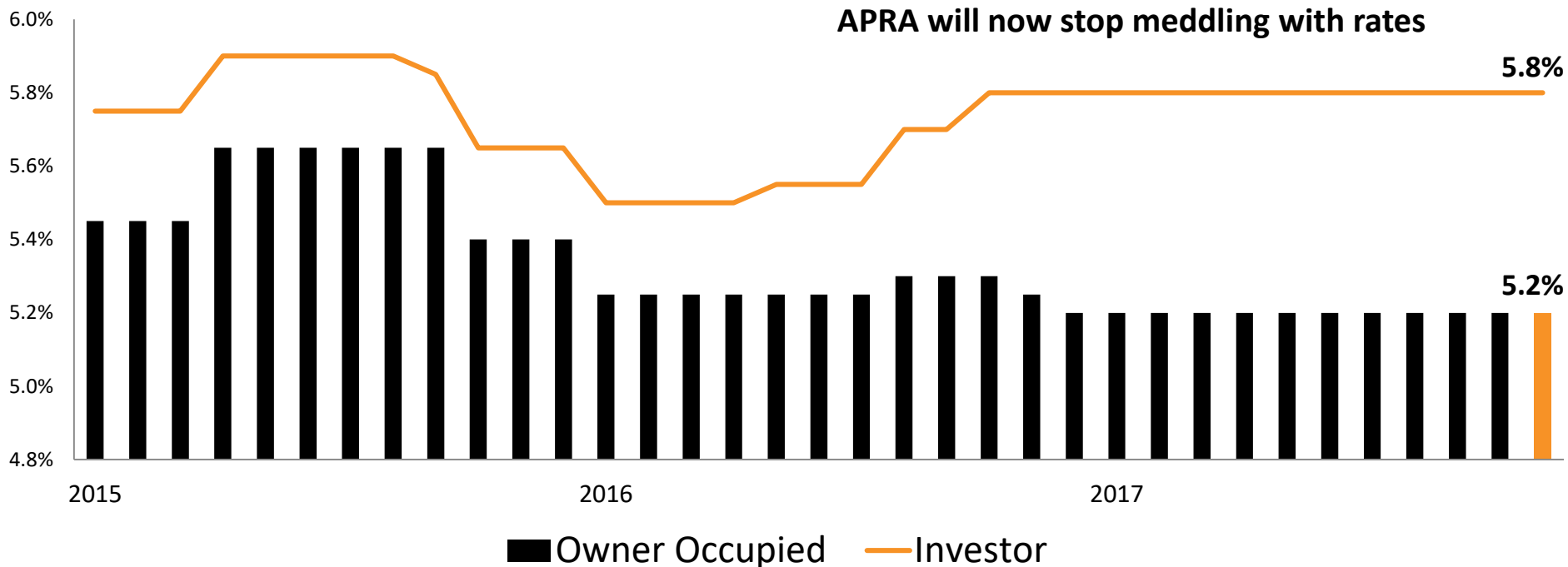
Prosperity = Real Wages Growth (Wages Less Prices)



National Jobless Rate Better But.....



Official Rates On Hold But Mortgage Rates Change?



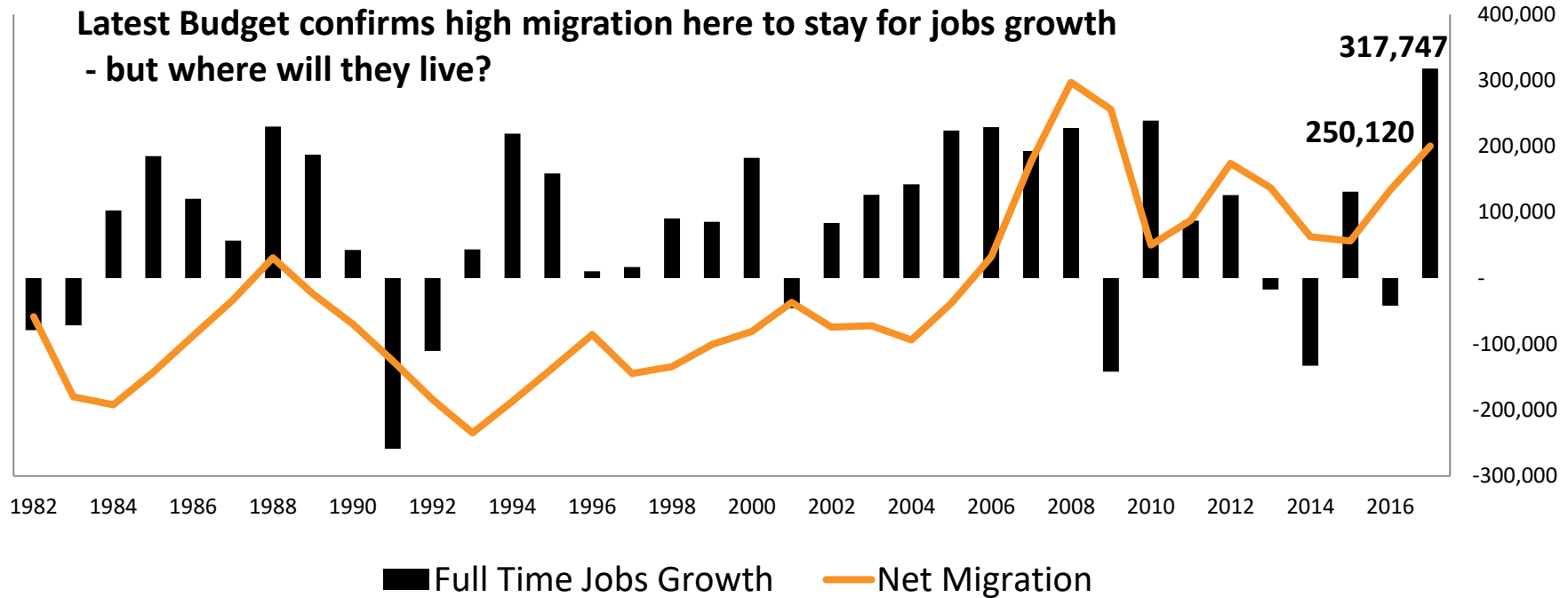
Migration Naturally A Fundamental Driver of Housing Markets

Migration A Key to Housing Demand

HIGH Migration Here To Stay

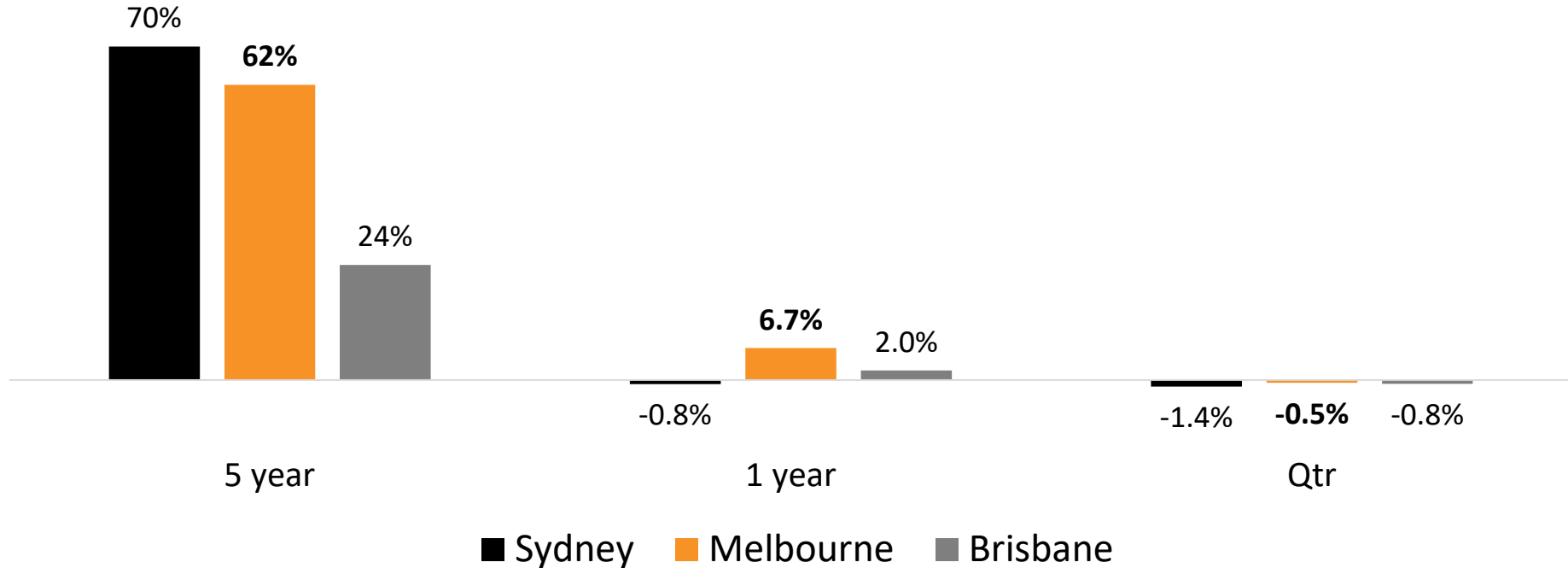
Record Level Migration Fuelling Economy

**Latest Budget confirms high migration here to stay for jobs growth
- but where will they live?**

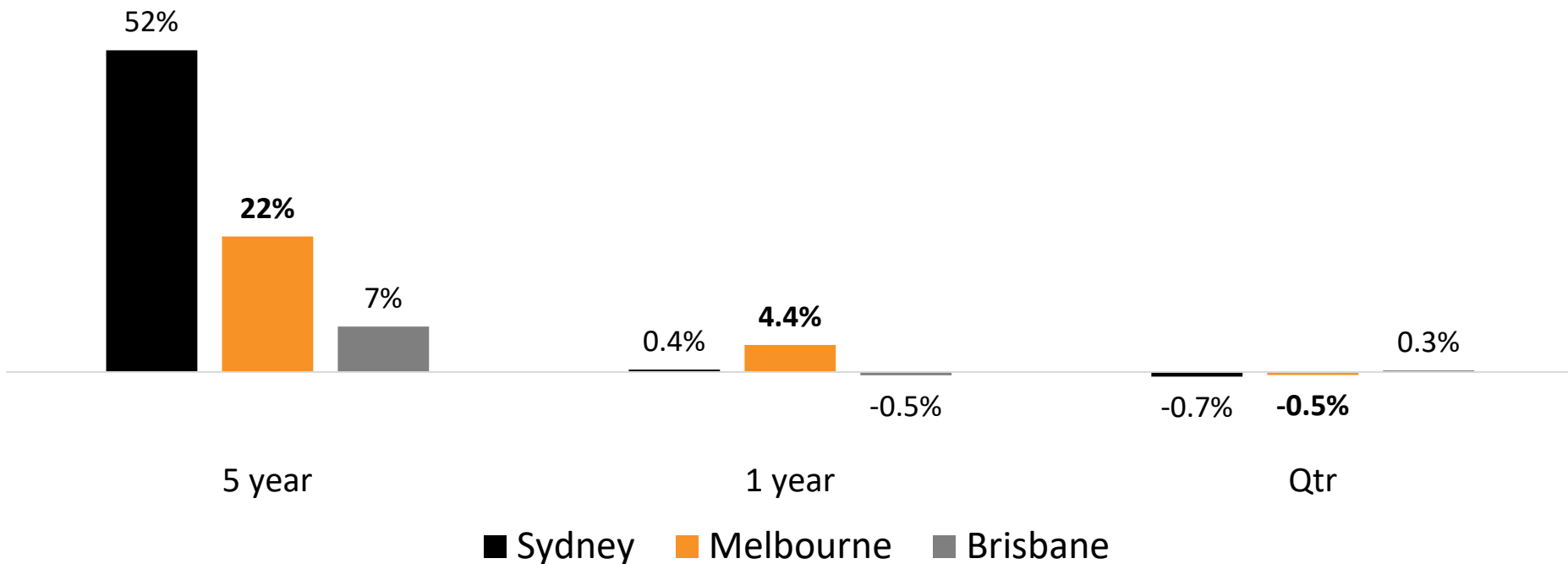


Home Prices

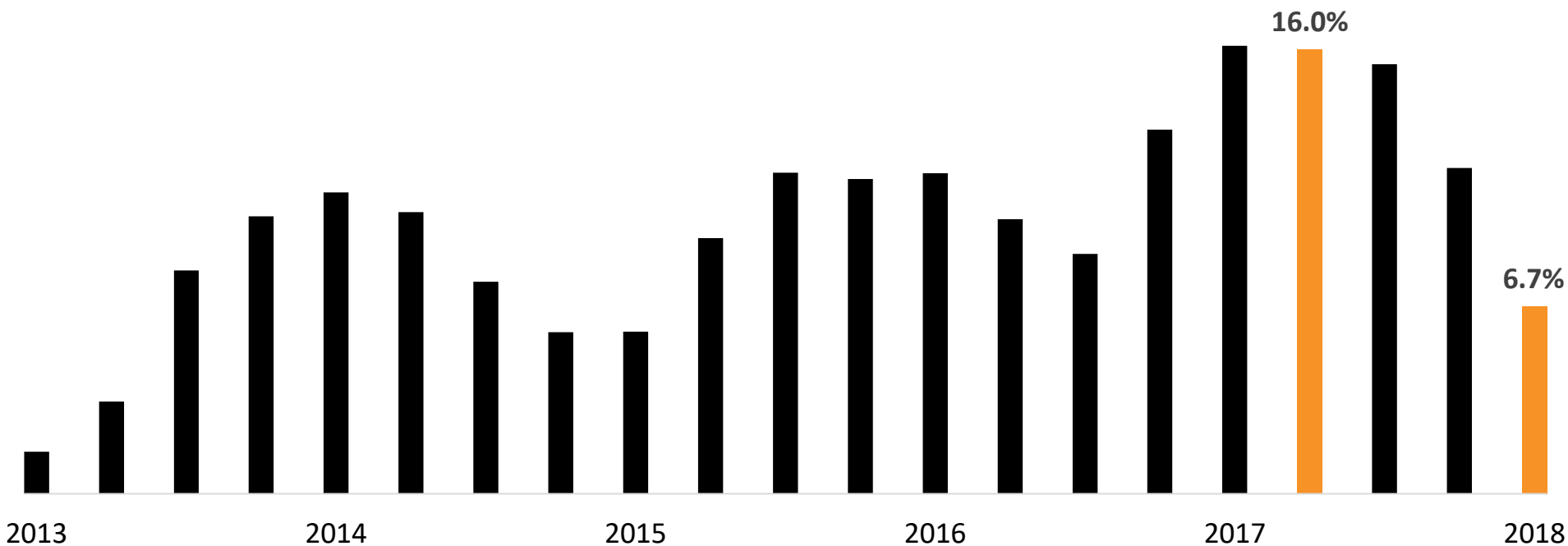
House Price Growth Now Settling



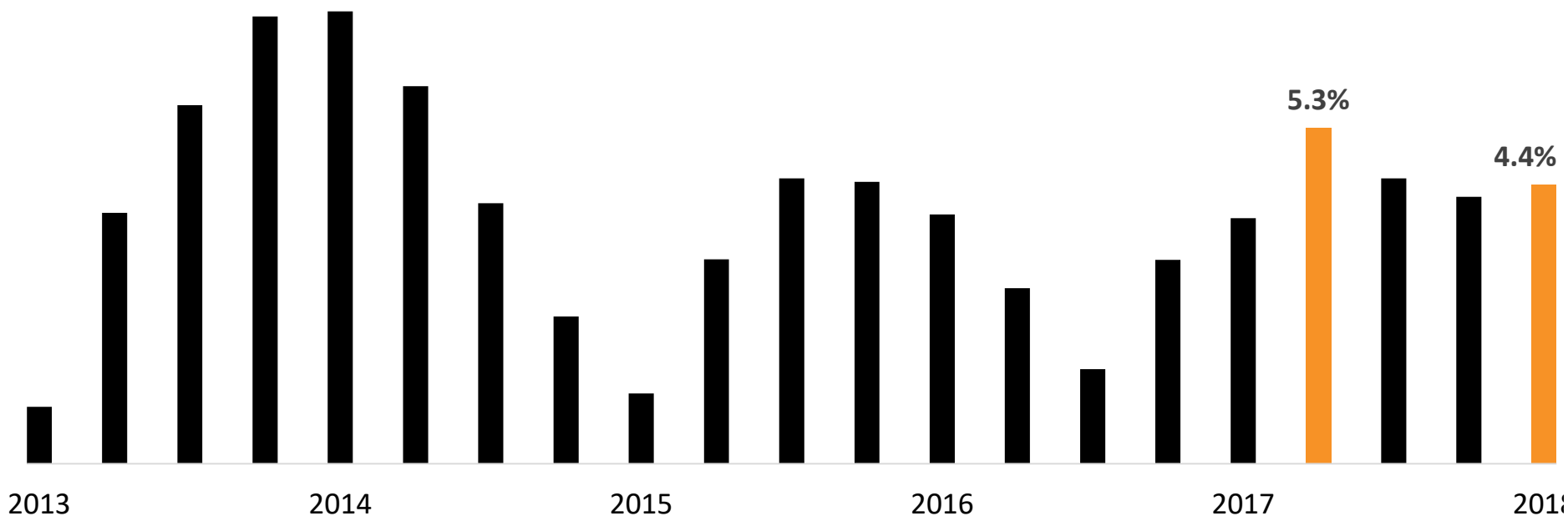
Unit Price Growth Steady Despite Record Supply and Fewer Investors



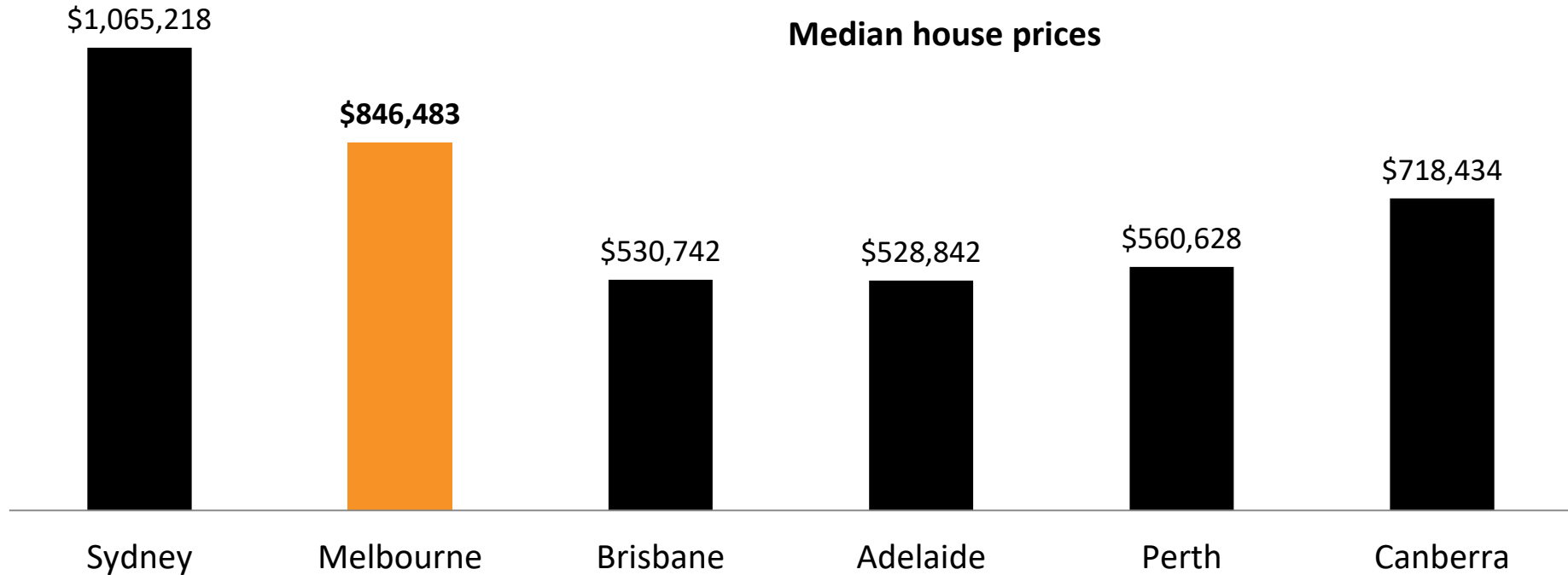
Melbourne House Price Cycle Easing – Annual Quarterly Growth



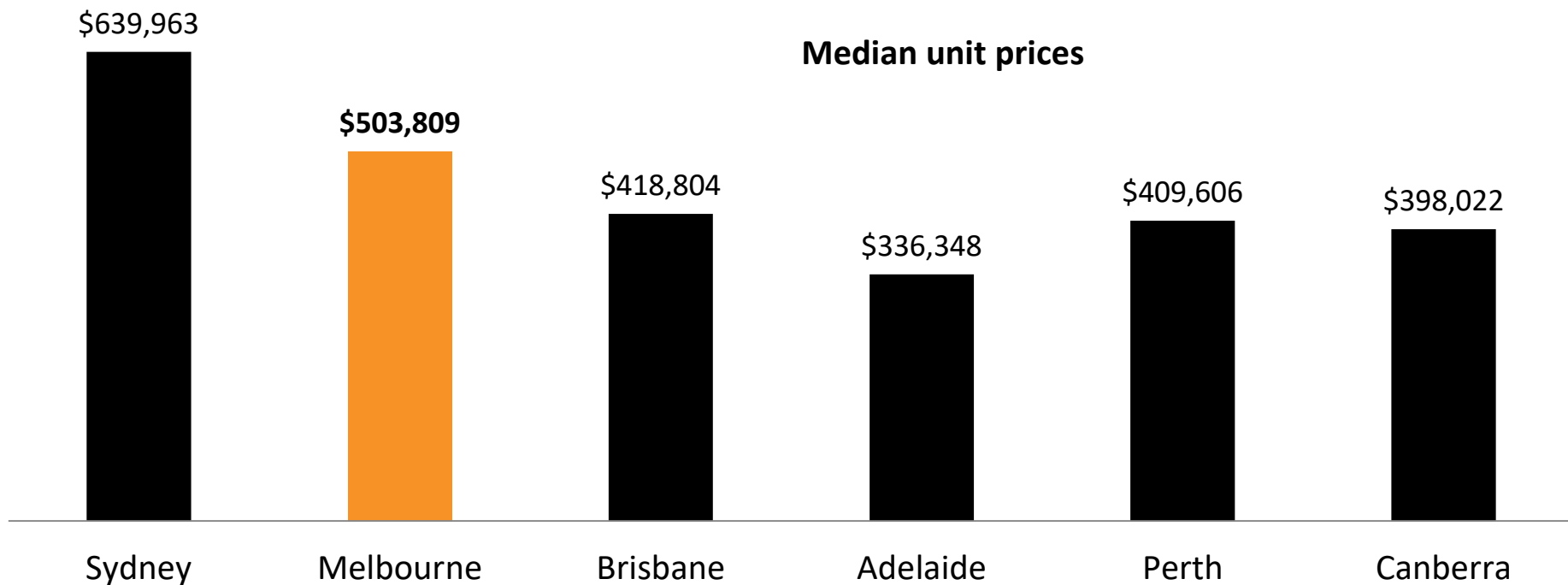
Melbourne Unit Price Cycle Easing ? – Annual Quarterly Growth



Melbourne Affordability Advantages Over Expensive Sydney



Unit Market Similarly More Affordable Than Sydney

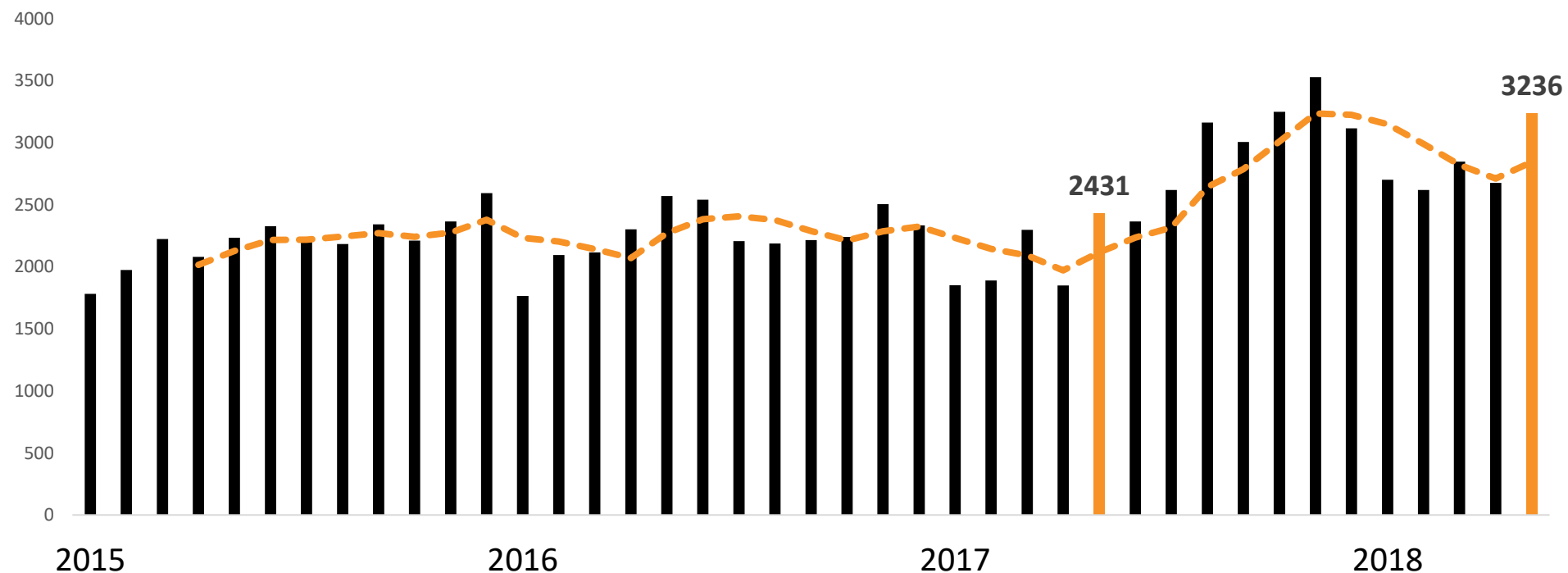


July Auction Data Positive For Unit Market

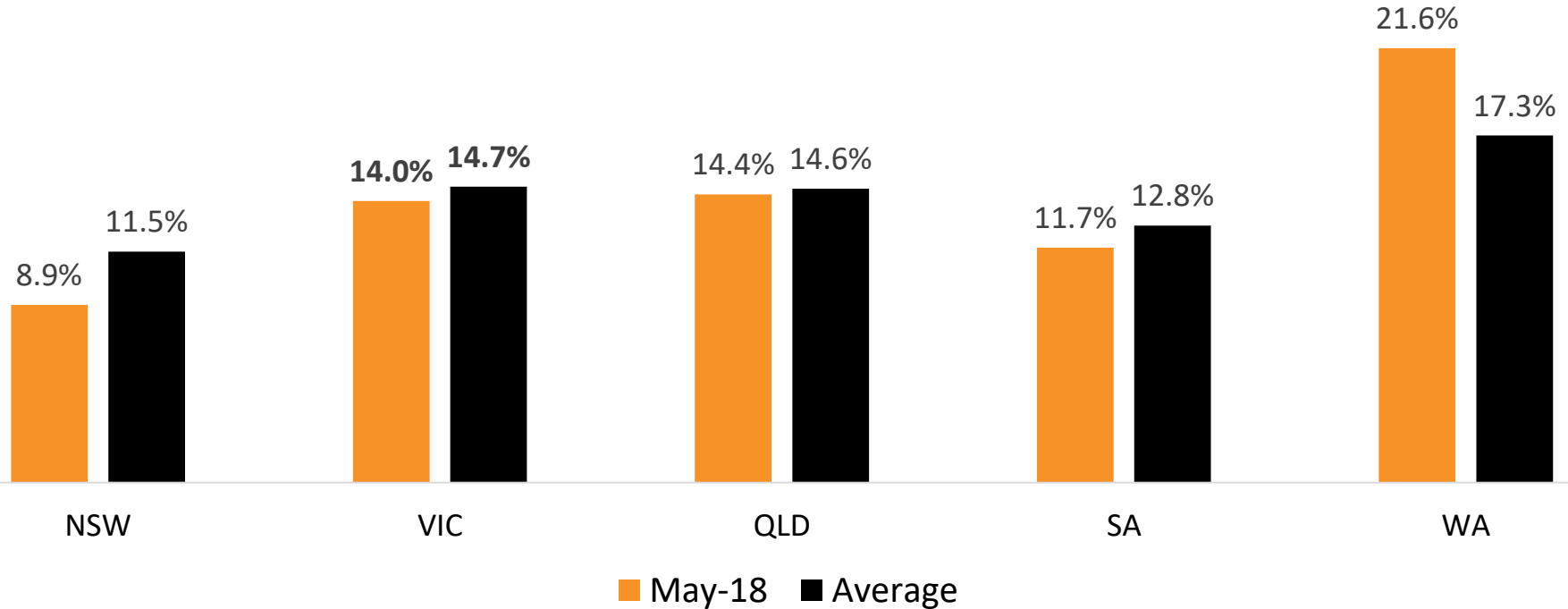
| Melbourne | Houses | Units | Total |
|------------------------|-----------|-----------|-----------|
| <u>Auction Prices</u> | \$830,000 | \$595,000 | \$755,000 |
| July 2017 | \$830,000 | \$550,000 | \$743,500 |
| Annual Change | 0.0% | 8.2% | 1.5% |
| <u>Clearance Rates</u> | 59.0% | 64.4% | 60.3% |
| July 2017 | 77.8% | 72.8% | 76.6% |

Buyer Types

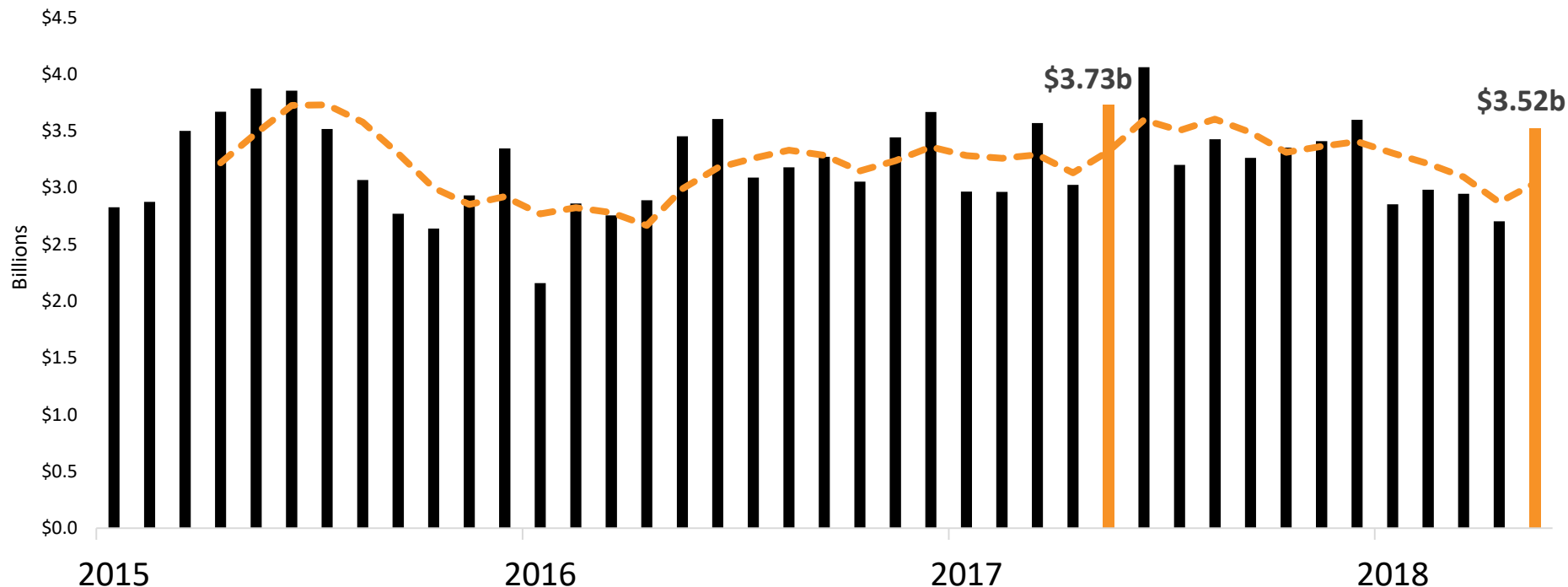
First Home Buyers Surging Since Stamp Duty Changes, +8,753 - ABS



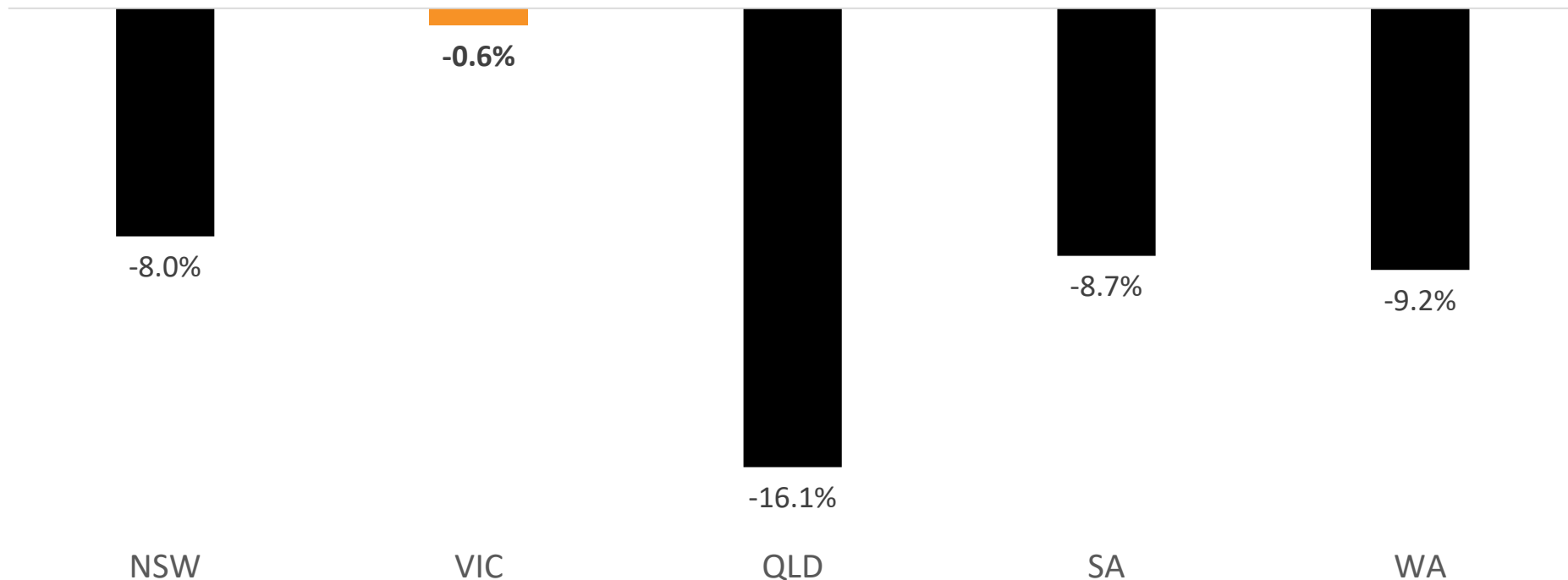
First Home Buyers Activity Now Normalising - ABS



Investors Now Recovering After Higher Rates - ABS

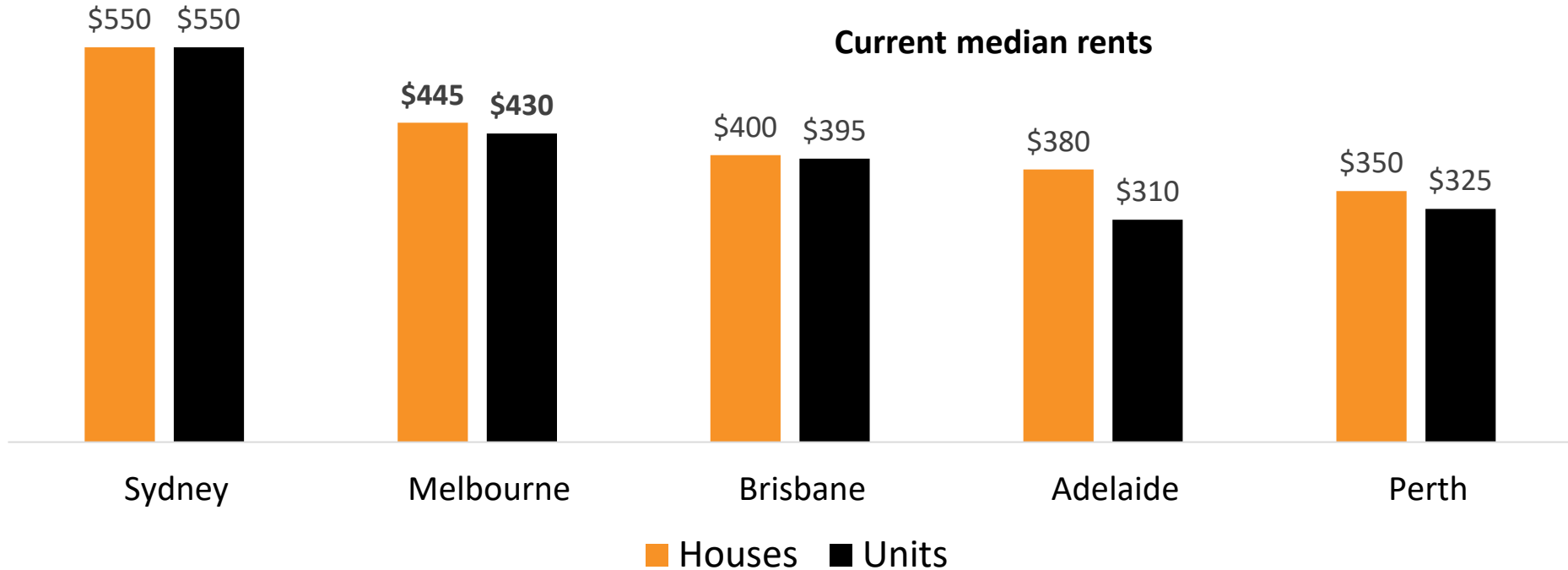


Vic Investors Steady Over Past Year Despite Tighter Lending - ABS

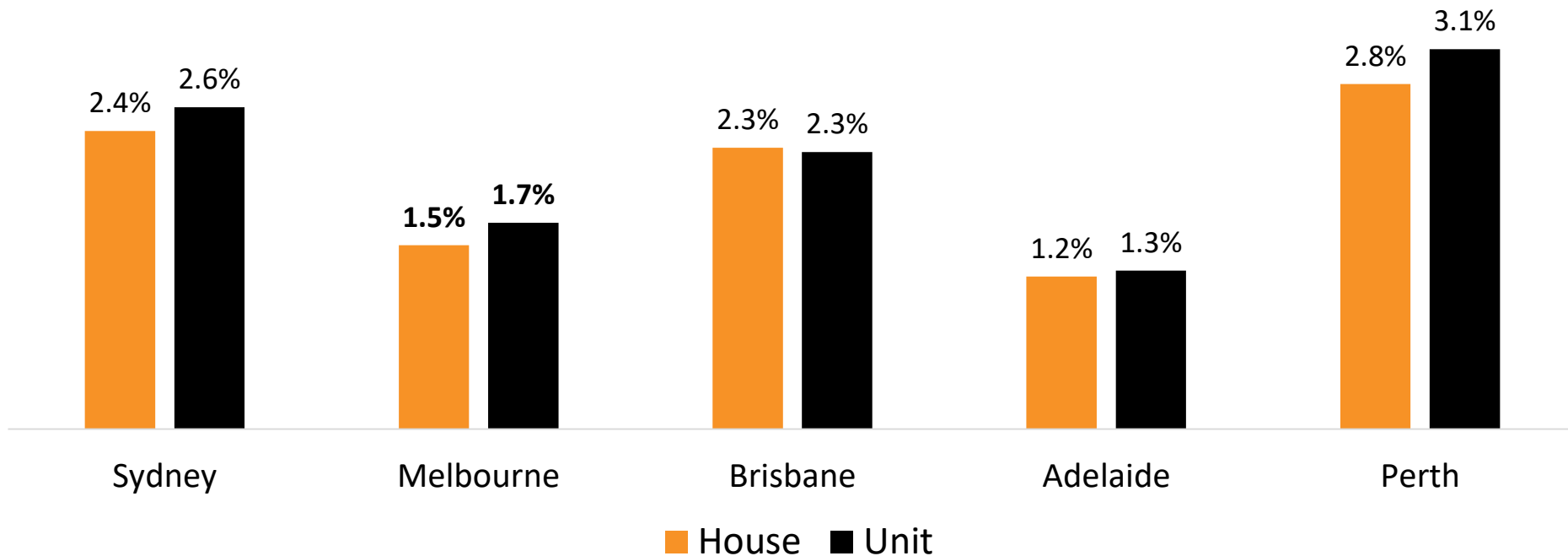


Rental Market

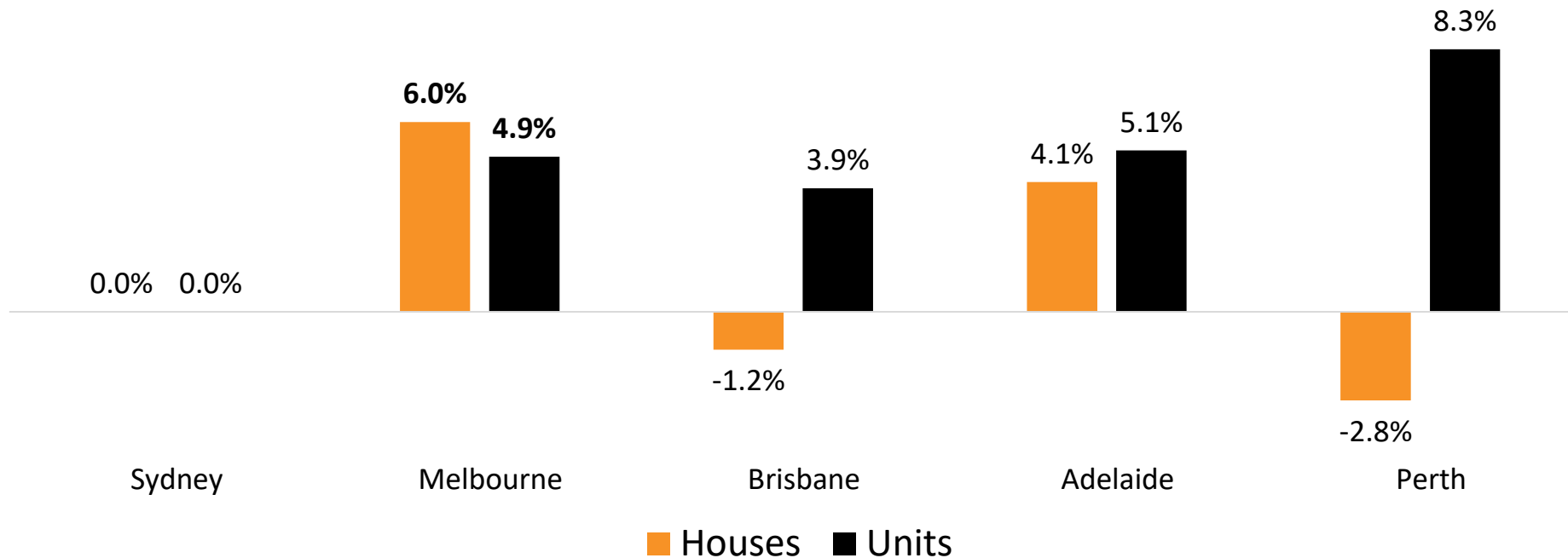
Sydney Most Expensive – Melbourne and Brisbane More Affordable



Melbourne Rental Market Still Tight



Melbourne Rents Rising Faster Than Incomes Past Year



Key Underlying Drivers Remain Strong For Sydney Market

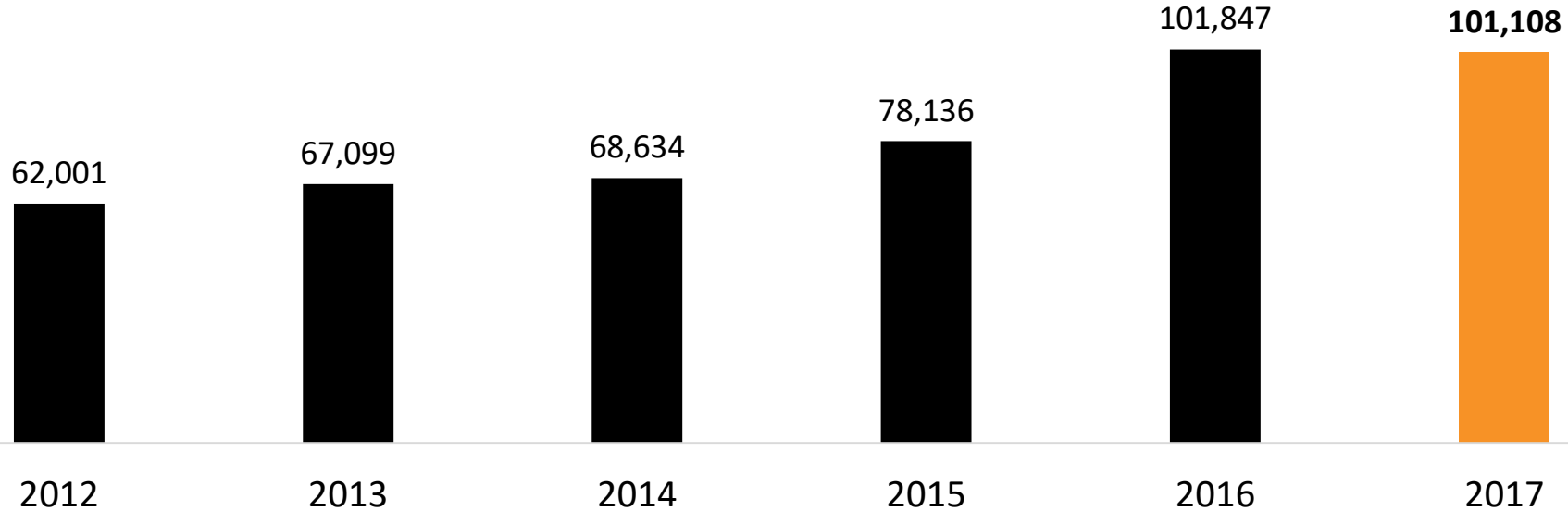
Key Economic Principle

Rising Demand and Falling Supply =

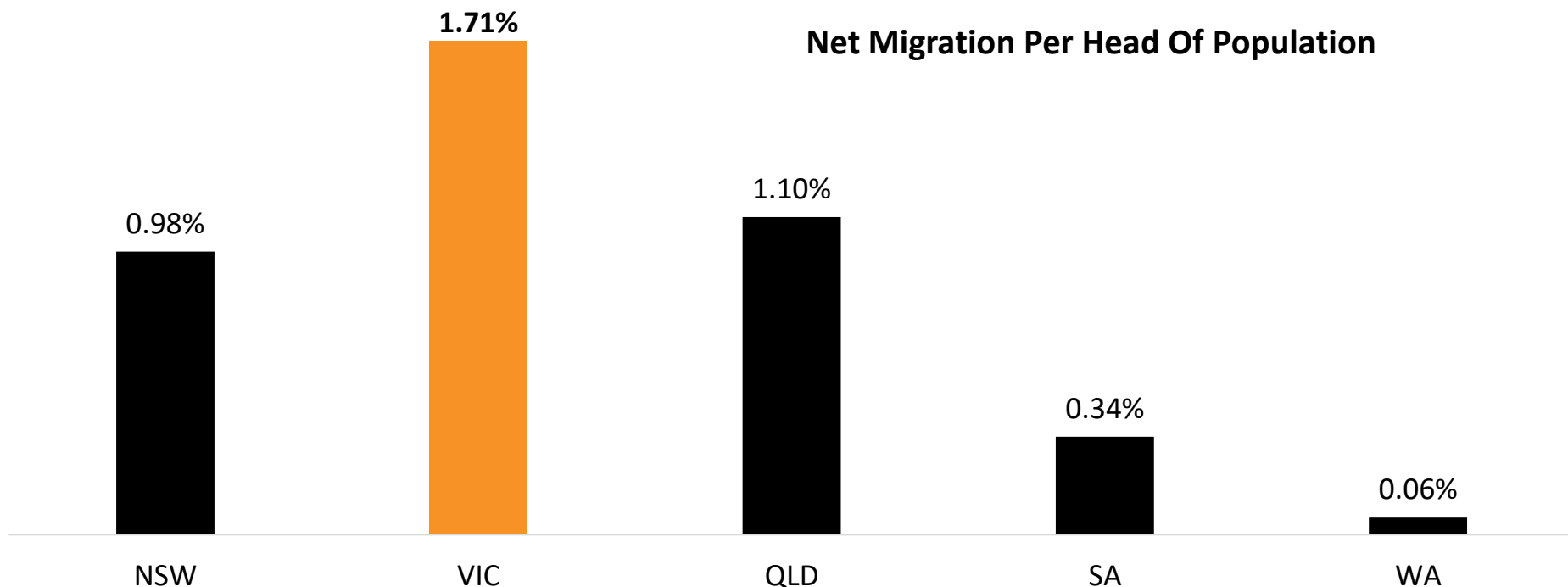
HIGHER PRICES AND RENTS

DEMAND

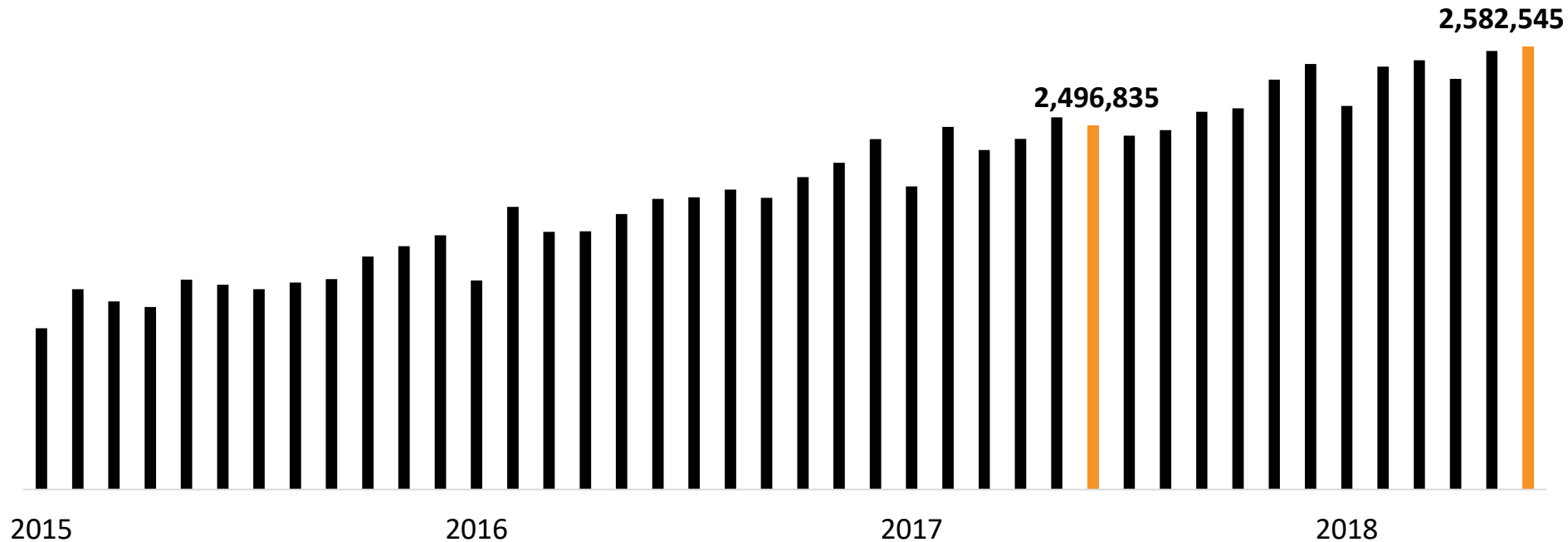
Strong Net VIC Migration – More Jobs and Households



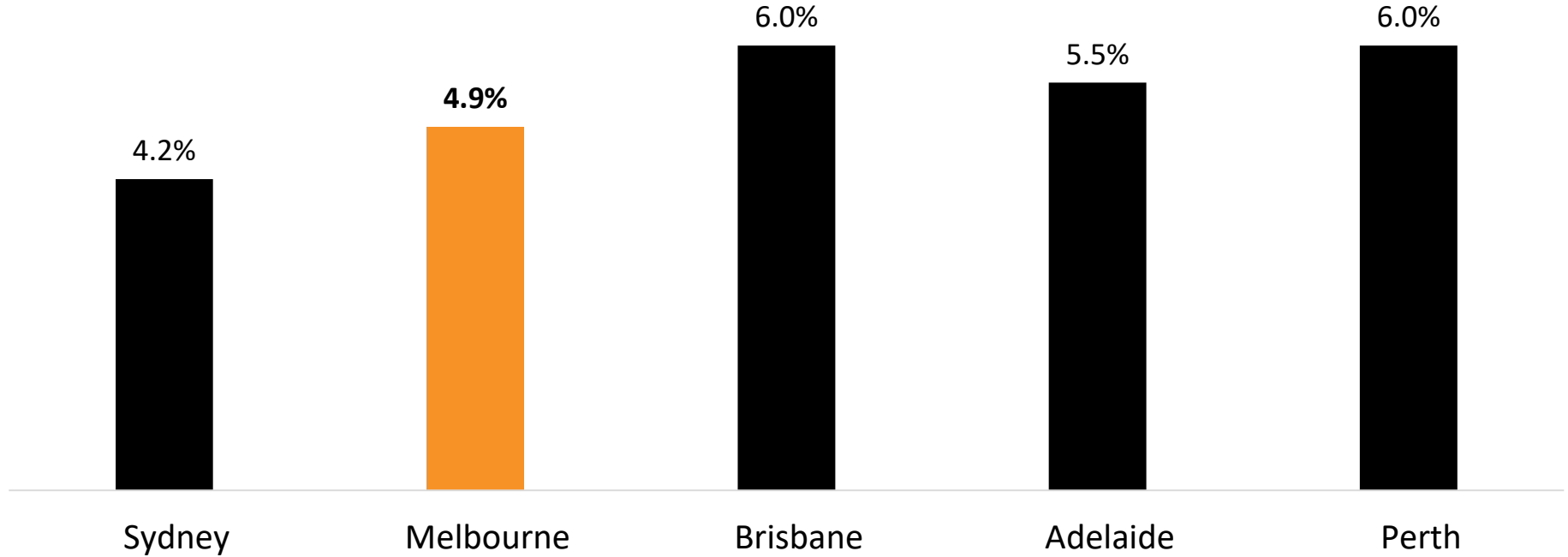
Top Migration Equals Top Housing Markets - ABS



Rising Net Migration Fuels Melbourne Jobs, +85,710 Past Year

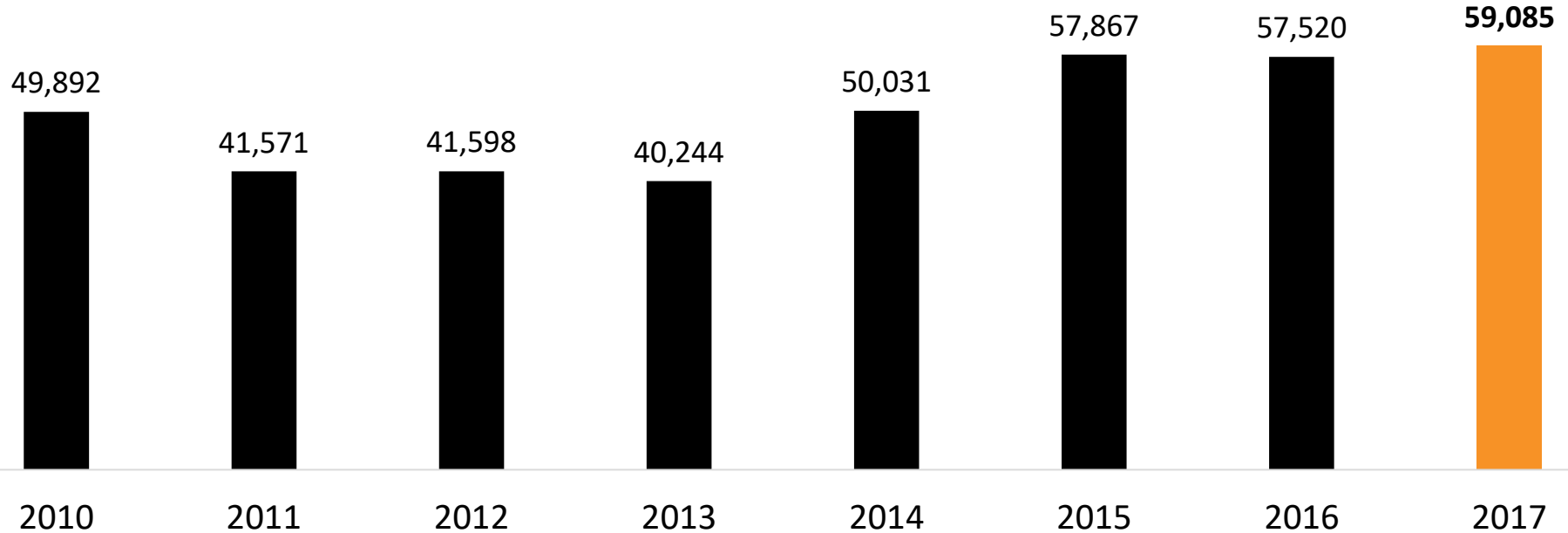


Jobless Rate Still Low Despite Strong Net Migration

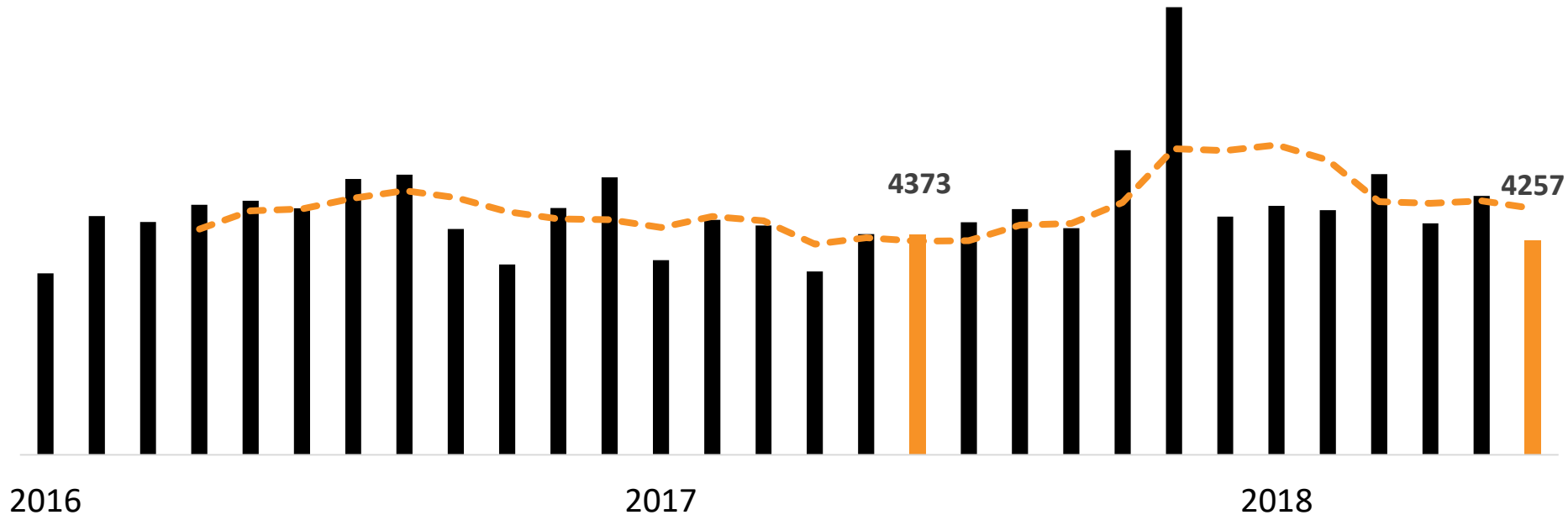


SUPPLY

Home Building Still Rising In Melbourne - ABS



Melbourne Unit Building Following Rising Demand - ABS



SUPPLY POSITION

Sydney Housing Demand vs Housing Supply

Oversupply – Prices and Rents Down?

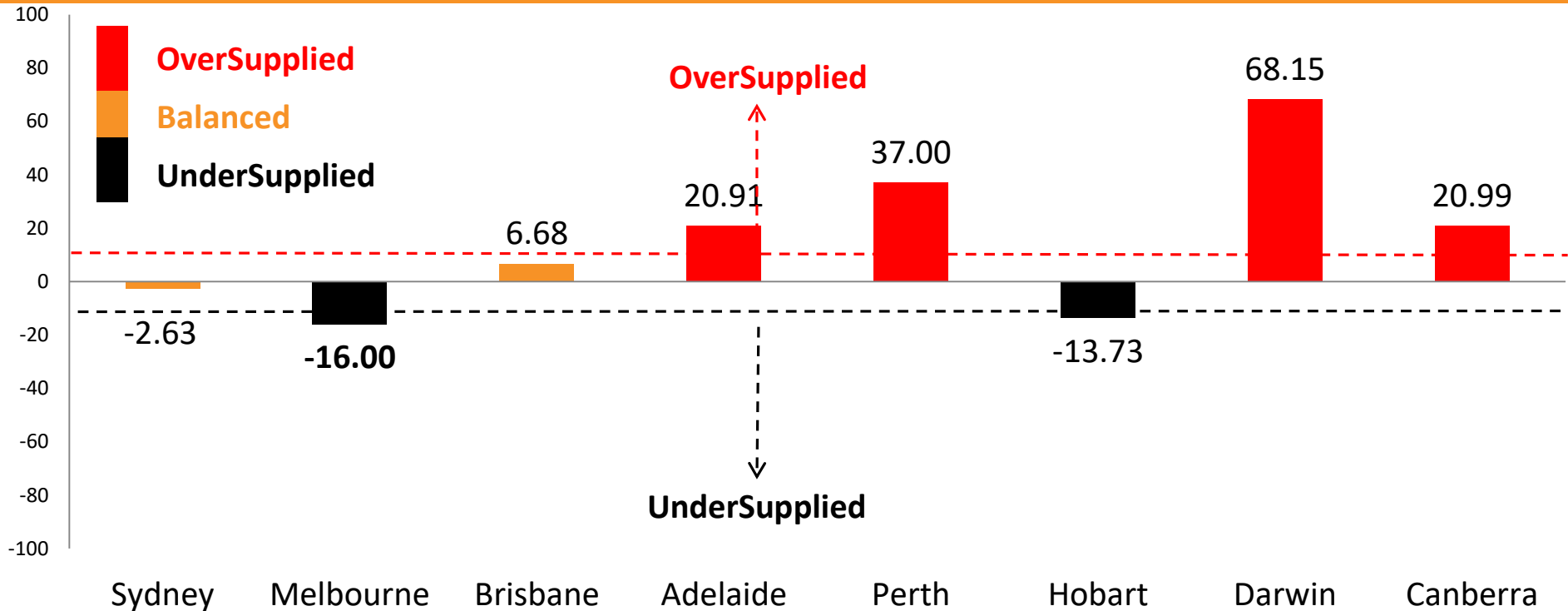
OR

Undersupply – Prices and Rents Up?

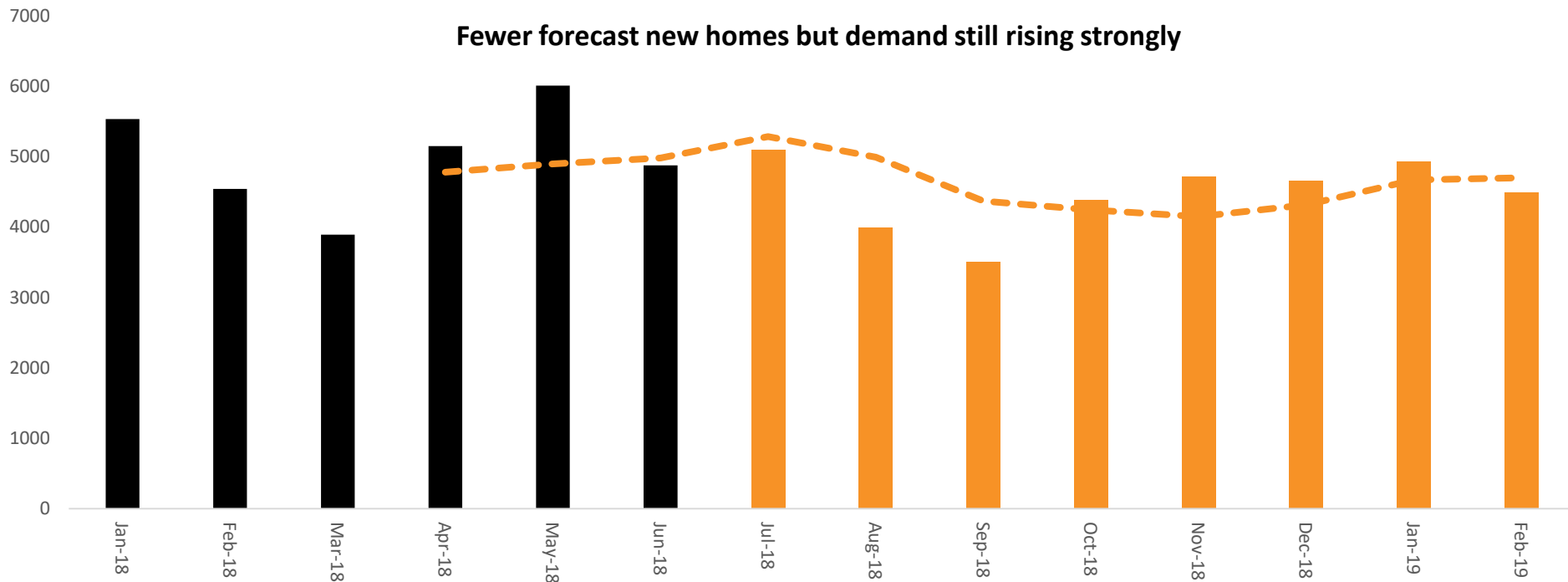
New Household Demand vs New Supply - Current Weekly Average

| | Sydney | Melbourne | Brisbane |
|--|----------|-----------|----------|
| New Household Demand | 1255 | 1471 | 482 |
| New Home Supply | 1205 | 1169 | 554 |
| New Household Supply Balance | 50 | -303 | 62 |
| Current Oversupply vs Total Households | 0.00263% | 0.01600% | 0.00668% |

New Household Supply Index - May 2018

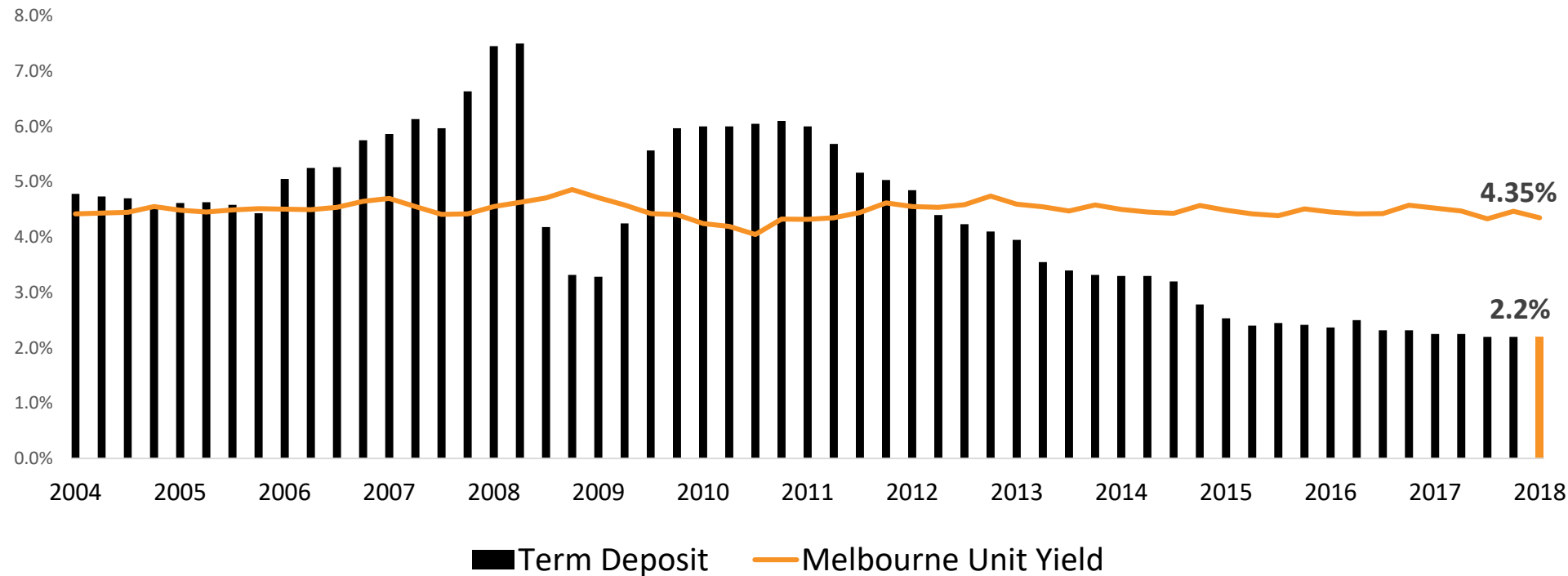


Melbourne Projected Home Completions Set To Fall - ABS

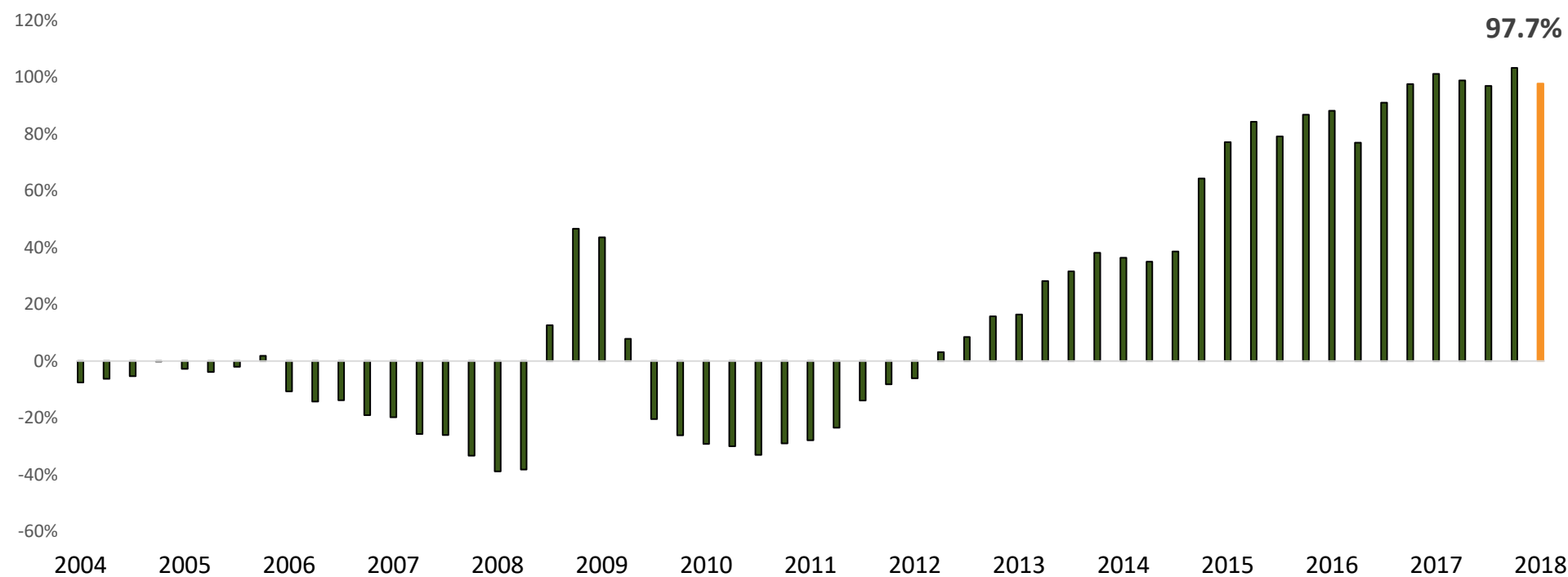


Return on Investment - Real Yields Higher

Yield More Important for Investors in a Low Yield Economy

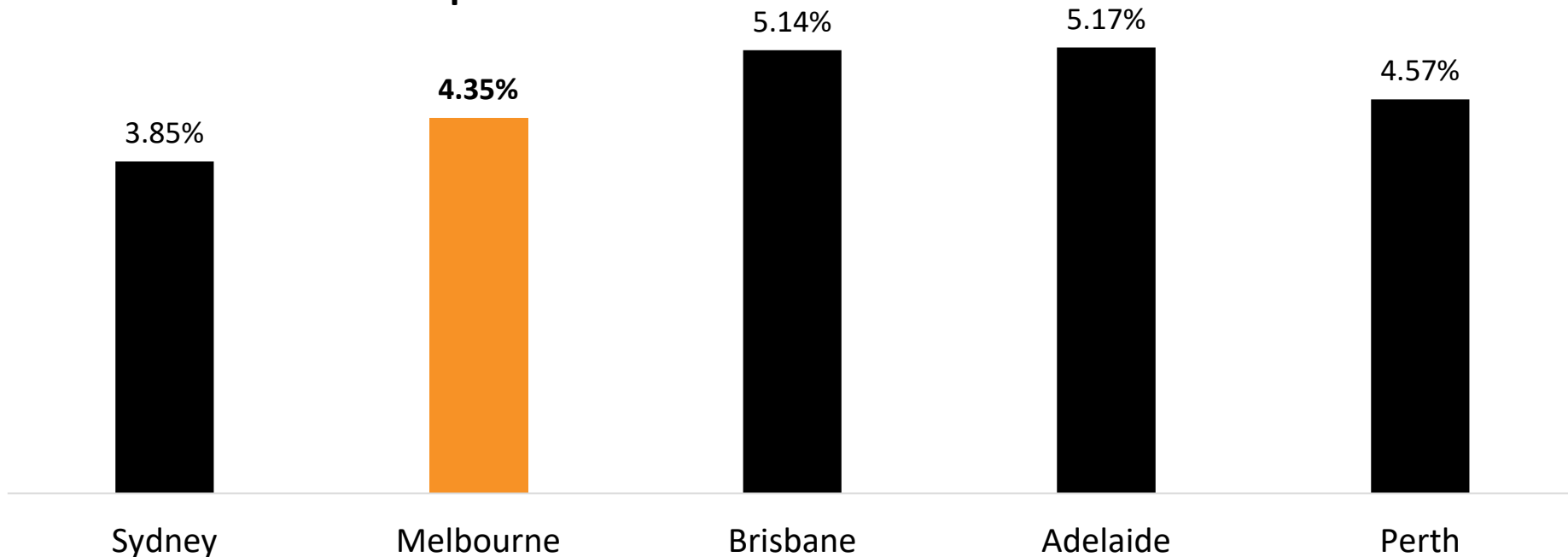


Record Level Underlying Real Yield For Investors



Higher Unit Yields Reflect Relative Undervalued Asset

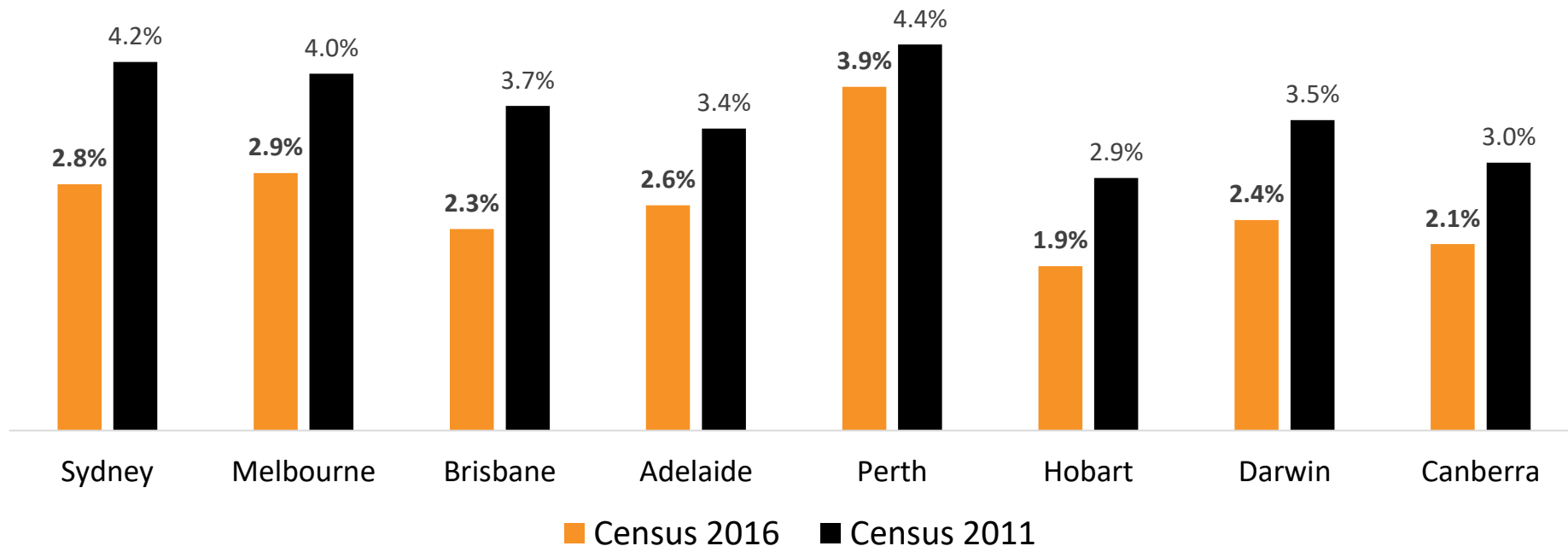
Relative Yield = Value Proposition



MYTH BUSTING

Debt Bomb Myth

Proportion Households Mortgage Repayments 30% Plus of Household Income ABS



SUMMARY

Local Market Outlook 2018-19

- Interest Rates on Hold For Rest of Year - And Beyond
- Economies Supported by Continued High Migration – But Challenges Remain
- Housing Demand Also Driven by Surge in First Home Buyers
- Housing Supply to Remain Behind Demand
- More Migrants and Airbnb To Keep Rental Market Tight Despite More First Home Buyers
- Investors Attracted by Relatively Higher Yields
- Increased Foreign Activity - Tourists, Migrants, Investors, Developers
- Unit living becoming more popular - affordability, lifestyle, convenience, value, security – rising demand from families and empty-nesters
- **Home prices will continue to rise although growth rates more subdued than recent results**
- **Flatter price cycle in prospect however a positive for certainty and predictability**
- **Welcome to a new economic reality**

LATEST DATA

Auction Results July 28 – My Housing Market

| Capital City | This Weekend | Last Weekend | Weekend Last Year |
|------------------|--------------|--------------|-------------------|
| Sydney | 55.6% | 62.8% | 69.7% |
| Melbourne | 60.3% | 61.3% | 76.2% |
| Brisbane | 42.9% | 47.2% | 54.6% |
| Adelaide | 54.1% | 74.4% | 69.6% |
| Canberra | 63.6% | 59.3% | 90.3% |

Auction Results July 28 – My Housing Market

| Capital City | This Weekend | Last Weekend | Weekend Last Year |
|------------------|--------------|--------------|-------------------|
| Sydney | 417 | 344 | 537 |
| Melbourne | 687 | 547 | 776 |
| Brisbane | 79 | 72 | 106 |
| Adelaide | 53 | 53 | 54 |
| Canberra | 42 | 34 | 37 |

Auction Results July 28 – My Housing Market

| Melbourne Region | Published | Clearance rate | Median |
|------------------|------------|----------------|------------------|
| Inner East | 60 | 61.7% | \$1,389,000 |
| Inner South | 59 | 67.8% | \$990,000 |
| Inner Urban | 59 | 64.4% | \$760,000 |
| North East | 108 | 59.3% | \$700,000 |
| Northern | 69 | 62.3% | \$626,000 |
| Outer East | 83 | 65.1% | \$858,500 |
| South East | 37 | 37.8% | \$620,000 |
| West | 112 | 57.1% | \$630,000 |
| Total | 587 | 60.3% | \$765,000 |

Melbourne Selected Unit Suburbs - Current Market

| Suburb | Sale Listings | Median Price | Rent Listings | Median Rent | Gross Yield |
|----------------|---------------|--------------|---------------|-------------|-------------|
| Brunswick West | 32 | \$415,000 | 49 | \$350 | 4.39% |
| Footscray | 63 | \$414,750 | 64 | \$330 | 4.14% |
| Heidelberg | 32 | \$550,000 | 15 | \$420 | 3.97% |
| Richmond | 77 | \$523,250 | 142 | \$460 | 4.57% |

Marvellous Melbourne

Great Place to Live – And Invest



Real-Time Home Prices





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CURRENT STATE AND FUTURE PROSPECTS OF YOUR HOUSING MARKET