



# Residential Property Monitor

## October 2010

### Supply

On a seasonally adjusted basis:

- Nationally, the number of houses approved in August declined by 4.3%, the third consecutive monthly fall. While annual approvals are some 18% higher than in the previous 12 months, growth has continued to slow. On a quarterly basis, the number of houses approved to August 2010 was 7% below levels of three months earlier. All States recorded falls in house approvals over the three months to August, with the exception of Western Australia, which benefitted from a 12% lift in August.
- Other dwelling approvals appear to be stabilising nationally at around 13,000 per month. However, analysis by State reveals continued volatility in this sector. : Large falls in NSW (-20%) and WA (-53%), were largely balanced out by rises in other States.

### Demand

On a seasonally adjusted basis:

- The decline in finance commitments to construct or buy a new dwelling continued into August, although at low rates of decline. Commitments were some 2.5% lower than a month earlier, but strong declines in early 2010 has left them 32% below the late 2009 peak. Commitments are above average nationally, driven by continued, well above average demand in Victoria and to a lesser extent ACT, SA and WA.
- As considered in our last publication, finance commitment numbers to purchase existing dwellings appear to be stabilising, with growth of 1.7% in August. The growth was driven by the smaller States, with only WA of the majors, increasing. While the three months to August 2010 recorded the 14<sup>th</sup> consecutive fall, at -0.2%, it has slowed from -7.6% in January.
- Investor finance fell for the third consecutive month in August, by some 7.5%. Falls were recorded in all States, with NSW at -13% the highest. While some of the decline can be attributed to seasonal factors, investment figures are unchanged for the year and 10% below the 2007/8 levels.

### Value

- Recent data on prices is confusing. Both the REIA and ABS recorded surprisingly strong price growth in Q2, with the ABS house price index rising by 3.1%, while REIA data recorded a 3.2% lift in houses and 3.1% rise on other dwellings. Similarly, APM suggested a 2.4% rise in house prices over the quarter. However, data from Residex and RP data suggest that Q2 recorded virtually flat prices, which is more in line with our expectations, given the low level of affordability.
- Affordability is measured on new loans taken out during the quarter, rather than price. Therefore, the above confusion about prices should not matter. Affordability weakened further in Q2 accounting for 34.6% of household income. This was similar to levels last seen in March 2007 and also the late 1980s. However, it remains below the peak of June 2008 when it reached 39.8%. Future price gains through increased debt should be muted as interest rates rise further into 2011.



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Larger State data

Supply Data	Time Period	NSW	VIC	QLD	SA	WA	General Trend
Approvals (original) Houses: Private	Aug 2010	1,321	3,203	1,606	723	1,647	Falling
Average monthly approval Longer term	1985 to date	2,037	2,239	2,098	642	1,330	-
Approvals (original) Other dwelling: Private	Aug 2010	858	1,971	589	479	124	Mixed
Average monthly approval Longer term	1997 to date	1,533	935	926	163	283	-
Approval growth (sa) Houses: Private	Jul 10- Aug 10	-7.4%	-7.7%	-6.9%	-3.5%	12.3%	-
Approval growth (sa) Other dwell: Private	Jul 10 - Aug 10	-1.9%	21.6%	-9.6%	142.0%	-52.6%	-

Demand Data	Time Period	NSW	VIC	QLD	SA	WA	General Trend
Owner occupier finance - existing (No.)	Aug 2010	8,862	6,425	4,936	2,154	2,581	Stable
Longer term monthly average (No.)	1985 to date	8,595	6,129	4,970	2,236	3,168	-
Owner occupier finance - new (No.)	Aug 2010	1,461	2,570	1,335	515	1,128	Falling
Longer term monthly average (No.)	1985 to date	1,811	1,856	1,569	574	1,096	-
Price adjusted investor finance	Aug 2010	\$574 M	\$378 M	\$225 M	\$87 M	\$95 M	Falling
Longer term monthly average	1991 to date	\$523 M	\$256 M	\$246 M	\$68 M	\$106 M	-

Value Data	Time Period	SYD	MEL	BRIS	ADE	PER	General Trend
Gross Value (median unit yield)	Jun 10 Quarter	5.1%	3.8%	4.6%	4.2%	4.4%	Falling
Long term yield	1988 to date	5.3%	5.1%	5.8%	5.9%	5.7%	-
Vacancy Rate	Jun 10 Quarter	1.3%	1.5%	3.9%	1.1%	4.3%	Mixed
Long term vacancy rate	1980 to date	2.3%	2.5%	3.3%	2.6%	3.4%	-
Affordability Index	Jun 10 Quarter	26.3	29.3	29.8	29.1	34.7	Falling
Long term affordability rate	1980 to date	34.3	42.1	40.2	41.7	45.5	-
Change Median Other Dwelling Prices	Jun 10 Quarter	3.5%	4.7%	2.6%	3.1%	-1.2%	Mixed
Inflation adjusted growth (LT Avg pr qtr)	Jun 10 Quarter	3.1%	4.1%	1.8%	2.3%	-2.5%	Mixed
	1980 to date	0.7%	1.1%	0.9%	0.9%	1.1%	-
Change Median House Prices	Jun 10 Quarter	2.4%	8.5%	2.0%	0.5%	-2.5%	Mixed
Inflation adjusted growth (LT Avg per qtr)	Jun 10 Quarter	2.0%	7.9%	1.2%	-0.3%	-3.4%	Mixed
	1980 to date	0.7%	1.1%	1.1%	1.0%	1.0%	-

\* 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.

**ABS Sources:**

8731.0 Building Approvals Australia, October 2010  
5690.0 Housing Finance, October 2010  
5671.0 Lending Finance, October 2010

**Other Sources:**

REIA/Mortgage Choice, Market Facts, Sept 2010  
Deposit Power/REIA Home Loan Affordability Report, Sept 2010



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### Tasmania, Northern Territory and ACT

Supply Data	Time Period	TAS	NT	ACT	General Trend
Approvals (original) Houses: Private	Aug 2010	175	32	135	Falling
Average monthly approval Longer term	1985 to date	189	55	125	-
Approvals (original) Other dwelling: Private	Aug 2010	79	97	53	Falling
Average monthly approval Longer term	1997 to date	27	50	93	-
Approval growth (sa) Houses: private	Jul 10- Aug 10	n/a	n/a	n/a	-
Approval growth (sa) Other dwell: Private	Jul 10- Aug 10	n/a	n/a	n/a	-

Demand Data	Time Period	TAS	NT	ACT	General Trend
Owner occupier finance - existing (No.)	Aug 2010	535	205	555	Falling
Longer term monthly average (No.)	1985 to date	618	232	501	-
Owner occupier finance new (No.)	Aug 2010	112	45	153	Stable
Longer term monthly average (No.)	1985 to date	136	51	133	-
Price adjusted investor finance	Aug 2010	\$11 M	\$16 M	\$36 M	Mixed
Longer term monthly average	1991 to date	\$10 M	\$17 M	\$27 M	-

Value Data	Time Period	HOB	DAR	CAN	General Trend
Gross Value (median unit yield)	Jun 10 Quarter	4.9%	4.6%	5.0%	Mixed
Long term yield	1988 to date	6.8%	5.9%	6.2%	-
Vacancy Rate	Jun 10 Quarter	2.2%	1.3%	1.1%	Mixed
Long term vacancy rate	1980 to date	3.4%	6.0%	2.6%	-
Affordability Index	Jun 10 Quarter	33.4	42.2	55.5	Mixed
Long term affordability rate	1980 to date	48.1	57.7	58.7	-
Change Median Other Dwelling Prices	Jun 10 Quarter	4.2%	-0.6%	3.1%	Mixed
Inflation adjusted growth (LT Avg)	Jun 10 Quarter 1980 to date	3.7% 1.0%	-1.4% 1.9%	2.8% 1.0%	Mixed -
Change Median House Prices	Jun 10 Quarter	-3.7%	1.5%	0.1%	Mixed
Inflation adjusted growth (LT Avg)	Jun 10 Quarter 1980 to date	-4.1% 1.4%	0.6% 1.3%	-0.3% 1.1%	Mixed -

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