



Residential Property Monitor

October 2008

Supply

On a seasonally adjusted basis:

- National housing approvals fell for the fourth consecutive month by 0.8% to sit 6.8% below the long term average. On a State by State basis the trend is mixed. Queensland and Tasmania were largely behind the national fall, with both states recording substantial decreases of 13.9% and 28.9% respectively. South Australia also recorded a decline of 2.3%. All other states saw positive growth in housing approvals ranging from 1.6% to 6.8%.
- Approvals for 'other dwellings' have on average been declining or showing little growth in 2008. National growth declined by 7.8% in August however an exceptionally large spike of 92.6% in Queensland's growth offset what could have been a more substantial national decline. On a State by State basis, moderate to significant falls for 'other dwelling' approvals were experienced in all states and territories with the exception of Queensland and Western Australia (+33%).

Demand

On a seasonally adjusted basis:

- Nationally, the number of finance commitments by owner occupiers to construct or buy a new dwelling has been declining since September 2007. On a monthly basis August also recorded a decline, with new dwelling commitments falling by 3.1%, bringing commitments some 45.8% lower than a year ago. Commitments for new dwellings are now 23.2% below the long term average (since 1985) and 19.5% below the 2003 high.
- The number of commitments by owner occupiers for existing dwellings (excluding re-financing) has declined by 1.5%, the sixth monthly fall this year. The number of owner occupier commitments remains below the long term average (by 4.7%) and 27.2% below the peak.
- Finance commitments should start to improve into 2009, despite the current economic conditions, as a result of the recent monetary and fiscal policies aiming to get buyers, particularly first home owners, back into the market.

Value

- As expected, housing affordability has continued to decline nationally during the June quarter. According to the June Quarter REIA Housing Affordability Report every State and Territory recorded a decline in affordability in the June 2008 quarter. South Australia experienced the worst decline over the year whereas Western Australia deteriorated the least out of all the states.
- Affordability should begin to improve as a result of the RBA's easing in monetary policy which began earlier this month and expected to continue into 2009; however we still hold the view that the positive flow-on-effects to residential prices won't be seen until at least the first half of 2009.



| Supply Data | Time Period | NSW | VIC | QLD | SA | WA | General Trend |
|--|----------------|--------|--------|--------|-------|-------|---------------|
| Approvals (original) Houses: Private | August 2008 | 1,279 | 2,738 | 1,864 | 800 | 1,452 | Mixed |
| Average monthly approval Longer term | 1985 to date | 2,111 | 2,348 | 1,044 | 635 | 1,319 | - |
| Approvals (original) Other dwelling: Private | August 2008 | 754 | 748 | 1,044 | 225 | 611 | Mixed |
| Average monthly approval Longer term | 1997 to date | 1,665 | 887 | 964 | 154 | 287 | - |
| Approval growth (sa) Houses: private | Jul 08- Aug 08 | 4.5% | 6.8% | -13.9% | -2.3% | 1.6% | - |
| Approval growth (sa) Other dwell: Private | Jul 08- Aug 08 | -24.1% | -35.3% | 92.6% | 8.9% | 33.3% | - |

| Demand Data | Time Period | NSW | VIC | QLD | SA | WA | General Trend |
|---|--------------|---------|---------|---------|---------|---------|---------------|
| Owner occupier finance - existing (No.) | August 2008 | 8,562 | 5,851 | 4,958 | 2,350 | 3,011 | Falling |
| Longer term monthly average (No.) | 1985 to date | 8,423 | 6,053 | 4,832 | 2,197 | 3,150 | - |
| Owner occupier finance new (No.) | August 2008 | 1,172 | 1,520 | 1,182 | 480 | 959 | Falling |
| Longer term monthly average (No.) | 1985 to date | 1,828 | 1,799 | 1,566 | 571 | 1,078 | - |
| Price adjusted investor finance | August 2008 | \$473 M | \$323 M | \$220 M | \$247 M | \$112 M | Falling |
| Longer term monthly average | 1991 to date | \$496 M | \$232 M | \$234 M | \$63 M | \$98 M | - |

| Value Data | Time Period | SYD | MEL | BRIS | ADE | PER | General Trend |
|---|--------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Gross Value (median unit yield) | Jun 08 Quarter | 5.4% | 4.1%** | 4.7% | 4.3% | 4.4% | Rising |
| Long term yield | 1988 to date | 5.3% | 5.2% | 5.9% | 6.0% | 5.8% | |
| Vacancy Rate | Jun 08 Quarter | 1.1% | 1.0% | 2.2% | 1.5% | 2.8% | Mixed |
| Long term vacancy rate | 1980 to date | 2.3% | 2.6% | 3.3% | 2.7% | 3.4% | |
| Affordability Index | Jun 08 Quarter | 23.5 | 26.2 | 24.4 | 26.1 | 28.7 | Falling |
| Long term affordability rate | 1980 to date | 34.5 | 42.6 | 40.6 | 42.1 | 45.9 | |
| Change Median Other Dwelling Prices | Jun 08 Quarter | -0.7% | 0.0% | 1.7% | 0.5% | 0.0% | Mixed |
| Inflation adjusted growth (LT Avg) | Jun 08 Quarter 1980 to date | -2.1% 0.6% | -1.1% 1.0% | 0.0% 0.9% | -0.7% 0.9% | -1.6% 1.0% | Falling |
| Change Median House Prices | Jun 08 Quarter | -2.1% | 4.3% | 0.9% | 1.1% | -3.7 | Mixed |
| Inflation adjusted growth (LT Avg) | Jun 08 Quarter 1980 to date | -3.5% 0.7% | 3.1% 1.0% | -0.8% 1.1% | -0.2% 0.9% | -5.2 1.0 | Falling |
| Expected Change in Construction Costs over next 12 months | Jun 2008 - Jun 2009 | 4.1% | 4.6% | 7.0% | 9.2% | 8.5% | Mixed |

* 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.

** Melbourne June 2008 quarter rents are unavailable. March 2008 quarter rents have been used to calculate yield.

ABS Sources:

8731.0 Building Approvals Australia, August 2008
5690.0 Housing Finance, August 2008
5671.0 Lending Finance, August 2008

Other Sources:

REIA/Mortgage Choice, Market Facts, June 2008
Deposit Power/REIA Home Loan Affordability Report, June 2008
Westpac/AIQS BRIX survey June 2008



| Supply Data | Time Period | TAS | NT | ACT | General Trend |
|--|----------------|-----|-----|-----|---------------|
| Approvals (original) Houses: Private | August 2008 | 214 | 54 | 82 | Mixed |
| Average monthly approval Longer term | 1985 to date | 188 | 55 | 123 | - |
| Approvals (original) Other dwelling: Private | August 2008 | 15 | n/a | 73 | Falling |
| Average monthly approval Longer term | 1997 to date | 21 | 47 | 80 | - |
| Approval growth (sa) Houses: private | Jul 08- Aug 08 | n/a | n/a | n/a | - |
| Approval growth (sa) Other dwell: Private | Jul 08- Aug 08 | n/a | n/a | n/a | - |

| Demand Data | Time Period | TAS | NT | ACT | General Trend |
|---|--------------|--------|--------|--------|---------------|
| Owner occupier finance - existing (No.) | August 2008 | 531 | 221 | 458 | Falling |
| Longer term monthly average (No.) | 1985 to date | 614 | 227 | 493 | - |
| Owner occupier finance new (No.) | August 2008 | 101 | 33 | 77 | Mixed |
| Longer term monthly average (No.) | 1985 to date | 135 | 51 | 132 | - |
| Price adjusted investor finance | August 2008 | \$9 M | \$13 M | \$21 M | Mixed |
| Longer term monthly average | 1991 to date | \$10 M | \$16 M | \$25 M | - |

| Value Data | Time Period | HOB | DAR | CAN | General Trend |
|---|--------------------------------|---------------|---------------|---------------|---------------|
| Gross Value (median unit yield) | Jun 08 Quarter | 5.0% | 6.0% | 5.5% | Stable |
| Long term yield | 1988 to date | 7.0% | 6.0% | 6.3% | - |
| Vacancy Rate | Jun 08 Quarter | 2.4% | 0.3% | 2.0% | Stable |
| Long term vacancy rate | 1980 to date | 3.6% | 6.4% | 2.6% | - |
| Affordability Index | Jun 08 Quarter | 27.6 | 39.2 | 43.0 | Falling |
| Long term affordability rate | 1980 to date | 48.7 | 58.5 | 58.9 | - |
| Change Median Other Dwelling Prices | Jun 08 Quarter | 4.0% | 1.9% | -0.8% | Rising |
| Inflation adjusted growth (LT Avg) | Jun 08 Quarter 1980 to date | 3.0% 1.0% | 0.5% 1.5% | -2.0% 1.0% | Rising |
| Change Median House Prices | Jun 08 Quarter | -3.0% | 0.8% | 1.1% | Rising |
| Inflation adjusted growth (LT Avg) | Jun 08 Quarter 1980 to date | -3.9% 1.3% | -0.7% 1.1% | -0.1% 1.0% | Falling |
| Expected Change in Construction Costs over next 12 months | Mar 2008 - Mar 2009 | 8.0% | 8.0% | 5.8% | Rising |

Contact: Theresa Arnott

Email: tarnott@westpac.com.au

The information in this Update is general in nature and should not be relied upon as a substitute for professional advice. While every effort has been taken to ensure that the assumptions and information on which any forecasts are based are reasonable, the forecasts may be affected by incorrect assumptions or by risks and uncertainties. All opinions, statements and forecasts expressed in this bulletin are based on information from sources that Westpac believes to be authentic. Westpac does not warrant the completeness or accuracy of information it has used to prepare this Update. Westpac accepts no liability arising from the use of information contained in this Update. The information in this Update is current as at 21st October 2008. Westpac Banking Corporation ABN 33 007 457 141