Westpac
Australia's First Bank

Residential Property Monitor

February 2009

Supply

On a seasonally adjusted basis:

- National housing approvals have continued to be weak in December, falling by 2.3%. Approvals continue to be significantly below the monthly long term average of 8,886 by 23%. On a 3-month rolling basis, approvals continue to sit around levels seen in mid-2001. On a State by State basis all recorded negative growth on a 3-month rolling basis with falls ranging from 2.2% in Western Australia to 5.3% in Queensland.
- Approvals for 'other dwellings' have also continued to be weak nationally, although the rate of negative growth has improved somewhat on a monthly basis, falling by 2.8% in December. 'Other dwelling' approvals are sitting 40% below the long term monthly average of 4,073 and are also around levels seen in the last national downturn, on a 3-month rolling basis. On a State by State level New South Wales was the only State to record positive growth on a 3-month rolling basis, at 9.3%. Other States saw growth level falls of 0.8% in Victoria to 34.8% in Queensland.

Demand

On a seasonally adjusted basis:

- Nationally, the number of finance commitments by owner occupiers to construct or buy a new dwelling has been improving since September. The number of finance commitments to construct or buy a new dwelling improved by 11.7% in December although numbers still sit below the long term average by 8.2%.
- The number of commitments by owner occupiers for existing dwellings (excluding re-financing) has increased by 2.8% in December. This is not as significant as new dwelling finance but is a vast improvement to the remainder of 2008 which saw eight months of negative growth. On a monthly basis, finance commitments for existing dwellings are still significantly below the long term average by 38.6% but just 5.5% below the ten-year average.
- The significant improvement in December is considered to be strongly underpinned by first home buyers (FHB's). This is discussed in further detail overleaf.

Value

- Median gross unit yields increased in all capital cities over the third quarter of 2008, with the exception of Darwin and Canberra. Value declines coupled with stable rents were behind the increases, with the exception of Sydney which saw rents increase as well as prices decline.
- On an annual basis, only Sydney (+10bp) and Hobart (+40bp) gross yields have increased over the year to September 2008 while yields fell in Brisbane (-10bp), Adelaide (-20bp) and Darwin (-10bp). The remainder, being Melbourne, Perth and Canberra saw no movement over the year.

Residential Property Monitor

February 2009

First Home Buyers Grant Update

- First home buyers (FHB's) have emerged in higher numbers in the last quarter of the year as a result of the boost to the first home owners grant in October. The FHB's grant was boosted by $7,000 to be $14,000 for existing homes and FHB's who purchase a new dwelling will receive an extra $14,000 on top of the existing grant to be $21,000. State governments have also included their own incentives such as additional grants and/or stamp duty exemptions on top of the Federal government boosts. All contracts must be entered into by June 30th 2009 to be eligible with new homes to be completed within 18 months of the contract date.
- FHB numbers increased by 28.% in the fourth quarter of 2008 which is quite significant in comparison to the first three quarters which saw growth rates ranging from -17.5% in Q1 to -0.9% in Q3.
- Although there was a slight increase in non first home buyer numbers, it is the increase in FHB numbers in the last quarter that is considered to be underpinning demand, with finance commitments in December improving significantly. Finance commitments to construct or purchase a new dwelling has benefited the most, increasing by 11.7% over the month and 6.8% over the quarter whereas commitments to buy and existing home (excluding refinancing) increased 2.8% in the month although declined 2.6% over the quarter. The FHB boosts are yet to flow through to approvals.
- An increase level of FHB activity could help to underpin the lower end of the market in some capital cities. The influx of FHB's may even provide some small relief to vacancy levels as they move from renting into ownership.

Westpac
Australia's First Bank

Residential Property Monitor

February 2009
Larger State Data

Supply Data	Time Period	NSW	VIC	QLD	SA	WA	General Trend
Approvals (original) Houses: Private	Dec 2008	912	1,849	1,317	645	1,072	Falling
Average monthly approval Longer term	1985 to date	2,088	2,347	2,124	636	1,320	–
Approvals (original) Other dwelling: Private	Dec 2008	860	886	409	181	208	Falling
Average monthly approval Longer term	1997 to date	1,632	2,664	965	157	287	–
Approval growth (sa) Houses: private	Nov 08- Dec 08	-2.5%	-4.6%	-5.3%	-4.2%	-2.2%	–
Approval growth (sa) Other dwell: Private	Nov 08- Dec 08	9.3%	-0.8%	-34.8%	-34.7%	-9.6%	–

Demand Data	Time Period	NSW	VIC	QLD	SA	WA	General Trend
Owner occupier finance - existing (No.)	Dec 2008	10,672	6,844	6,147	2,968	3,313	Rising
Longer term monthly average (No.)	1985 to date	8,439	6,057	4,842	2,202	3,149	–
Owner occupier finance new (No.)	Dec 2008	1,470	1,931	1,413	571	983	Rising
Longer term monthly average (No.)	1985 to date	3,853	1,798	1,563	570	1,076	–
Price adjusted investor finance	Dec 2008	$ 551M	$330 M	$208 M	$85 M	$97 M	Mixed
Longer term monthly average	1991 to date	$ 496M	$233 M	$233 M	$64 M	$98 M	–

Value Data	Time Period	SYD	MEL	BRIS	ADE	PER	General Trend
Gross Value (median unit yield)	Sep 08 Quarter	5.6%	4.2%	4.8%	4.4%	5.0%	Rising
Long term yield	1988 to date	5.3%	5.2%	5.9%	6.0%	5.8%	–
Vacancy Rate	Sep 08 Quarter	1.2%	1.1%	1.7%	1.3%	2.6%	Mixed
Long term vacancy rate	1980 to date	2.3%	2.6%	3.3%	2.7%	3.3%	–
Affordability Index	Sep 08 Quarter	24.0	26.5	25.1	26.0	29.3	Rising
Long term affordability rate	1980 to date	34.5	42.4	40.5	42.0	45.8	–
Change Median Other Dwelling Prices	Sep 08 Quarter	-1.1%	-0.3%	1.7%	-0.4%	-5.9%	Falling
Inflation adjusted growth	Sep 08 Quarter	-2.2%	-1.4%	-3.1%	-1.7%	-6.8%	Falling
(LT Avg)	1980 to date	0.6%	1.0%	0.8%	0.8%	1.0%	–
Change Median House Prices	Sep 08 Quarter	-2.4%	-3.5%	-2.5%	-0.8%	-1.8%	Falling
Inflation adjusted growth	Sep 08 Quarter	-3.5%	-4.7%	-3.8%	-2.1%	-2.7%	Falling
(LT Avg)	1980 to date	0.6%	1.0%	1.1%	0.9%	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, December 2008
5690.0 Housing Finance, December 2008
5671.0 Lending Finance, December 2008

Other Sources:
REIA/Mortgage Choice, Market Facts, September 2008
Deposit Power/REIA Home Loan Affordability Report, September 2008

Australia's First Bank

Residential Property Monitor

February 2009
Tasmania, Northern Territory and ACT

Supply Data	Time Period	TAS	NT	ACT	General Trend
Approvals (original) Houses: Private	Dec 2008	159	38	105	Falling
Average monthly approval Longer term	1985 to date	188	55	122	–
Approvals (original) Other dwelling: Private	Dec 2008	40	6	4	Falling
Average monthly approval Longer term	1997 to date	22	46	82	–
Approval growth (sa) Houses: private	Nov 08- Dec 08	n/a	n/a	n/a	–
Approval growth (sa) Other dwell: Private	Nov 08- Dec 08	n/a	n/a	n/a	–

Demand Data	Time Period	TAS	NT	ACT	General Trend
Owner occupier finance - existing (No.)	Dec 2008	724	323	583	Rising
Longer term monthly average (No.)	1985 to date	613	228	494	–
Owner occupier finance new (No.)	Dec 2008	110	60	136	Rising
Longer term monthly average (No.)	1985 to date	363	134	314	–
Price adjusted investor finance	Dec 2008	$10 M	$16 M	$26 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)	Sep 08 Quarter	5.3%	5.8%	5.4%	Mixed
Long term yield	1988 to date	7.0%	5.9%	6.3%	–
Vacancy Rate	Sep 08 Quarter	2.1%	0.3%	2.1%	Mixed
Long term vacancy rate	1980 to date	3.6%	6.3%	2.6%	–
Affordability Index	Sep 08 Quarter	27.4	35.5	45.6	Mixed
Long term affordability rate	1980 to date	48.5	58.3	58.8	–
Change Median Other Dwelling Prices	Sep 08 Quarter	-5.8%	5.5%	-0.3%	Mixed
Inflation adjusted growth (LT Avg)	Sep 08 Quarter 1980 to date	-6.8% 1.0%	3.7% 1.6%	-1.8% 0.9%	Mixed
Change Median House Prices	Sep 08 Quarter	-1.5%	0.6%	-3.3%	Mixed
Inflation adjusted growth (LT Avg)	Sep 08 Quarter 1980 to date	-2.6% 1.2%	-1.1% 1.1%	-4.8% 1.0%	Falling

Contact: Theresa Arnott

Email: tarnott@westpac.com.au