



Australian Real Estate Market Focus

The following represents a monthly snapshot of how we see the property markets across the country along with the near term outlook. For a more detailed commentary, please visit our website thinktank.net.au for our Quarterly Market Update.

The Westpac-MI Consumer Sentiment Index rose in April by 1.9% to 100.7 just moving back into optimistic territory above 100. The AiG PMI for April also moved up by a 3.8 points to 54.8 and further into positive territory above 50. While the Westpac-MI Leading Index was up in March to -0.09 from -0.54 in February it still marked four months in negative territory indicating slower future growth. The other index to fall was the "Illion" Expectations Index which reversed last month's preliminary rise to fall 13.2% to 20.48.

At its May meeting all eyes were on the RBA Board following the very low CPI result reported by the ABS for the first quarter of 2019. In the end rates were left unchanged at 1.50% but appeared to be moving to an easing bias after having shifted to neutral last month and fuelling speculation of cuts later in the year. The expectation is that the May quarterly Statement of Monetary Policy will reflect a number of adjustments to forecasts. Inflation appears set to remain well below 2% until the end of the year and the longstanding 2-3% target is set to be adjusted. The US Fed made no change to rates at their April/May meeting but Chairman Powell's remarks appeared to signal no imminent cuts despite low inflation numbers. AUD/USD fell again temporarily just below \$0.70 with markets pricing in cuts to rates by the RBA but US rates remaining stable.

CoreLogic housing price statistics for April again showed further modest falls in Sydney and Melbourne Houses by 0.8% and 0.7% respectively. The annual figures for Houses were down 11.8% and 12.6%.. Units were down 9.1% for the year in Sydney but only 4.1% in Melbourne. A rather more interesting figure was reported in this month's release which was the drop in dwelling values since peaking which were 14.5% in Sydney and 10.9% in Melbourne. Our News and Views this month looks at construction activity via the RLB Crane Index report and focuses particularly on multi-unit construction in Sydney and Melbourne as well as JLL's Apartment Market Reports for the first quarter of 2019.

There have been no changes in our market ratings and trends since our April Quarterly Update. Melbourne and Sydney Residential had moved to Weak for Houses but Units stayed Fair but both with ongoing Deteriorating trends. Four markets are rated as Strong or Good and all are in Sydney and Melbourne. Adelaide and Perth have six Weak ratings. Adelaide has three Improving trends and Brisbane has two. Retail is Fair and Stable except Adelaide which is Weak. Retailers continue to struggle in most locations and there has been a softening of yields for sub-regionals. JLL's recent Retail Centre Managers' Insights showed 57% of respondents had negative comments compared to 25% positive.



	SYDNEY		MELBOURNE		ADELAIDE		BRISBANE (SEQ)		PERTH	
RESI - HOUSES	Weak	Deteriorating	Weak	Deteriorating	Fair	Improving	Fair	Stable	Weak	Stable
RESI - UNITS	Fair	Deteriorating	Fair	Deteriorating	Fair	Improving	Fair	Stable	Weak	Deteriorating
OFFICE	Strong	Improving	Strong	Improving	Fair	Improving	Fair	Improving	Weak	Stable
RETAIL	Fair	Stable	Fair	Stable	Weak	Stable	Fair	Stable	Fair	Stable
INDUSTRIAL	Good	Improving	Good	Improving	Weak	Stable	Fair	Improving	Weak	Stable

Sources: ABS, ACCI, AiG, ABS, ANZ Research, ATO, CBA, CBRE, Colliers International, CoreLogic RP Data, Cushman & Wakefield, HTW, IMF, MSCI/IPD, JLL, Knight Frank, Melbourne Institute, OECD, PCA, RBA, RLB, Savills Research, Westpac Economics, World Bank



News and Views

- Recently two very interesting pieces of research were issued which covered different aspects of high-rise residential development. Rider Levett Bucknall (RLB) produced its Crane Index and JLL issued its Apartment Market Reports for 1Q 2019. According to the RLB Crane Index, across Australia, there has been a small increase of two in residential cranes. Offsetting this gain is an equally small drop in the non-residential sector leaving total cranes in use at 735 across Australia. These numbers are shown in the Tables 1 & 2 with various Charts and Graphs opposite. The report includes similar data for each city covered as well as “heat maps” showing the location of the cranes counted. This is particularly interesting in comparing Melbourne and Sydney where the vast majority of activity in the former is in the CBD while the latter has development spread throughout the suburbs particularly along transport lines.
- Although residential cranes fell in Sydney by 14 with 141 removals and 127 additions, the non-residential sector grew by three. The net loss of 11 cranes within Sydney is part of small declines seen in the past few reports. Over 72% of Australian cranes were located in Sydney and Melbourne. Currently Sydney has 42% of all cranes erected nationally, while Melbourne contributed 30% and Brisbane 8%. Cranes in Melbourne now number 222, a new high, up from 192 in the previous edition, a net gain of 30 cranes as shown in Graph 3. Across Melbourne, the CBD and surrounding suburbs have 123 (55%) cranes installed. The residential sector accounts for 75% of all cranes installed in Melbourne. Sydney can now see 310 cranes on the skyline down from 321 in the previous edition. Across Sydney, the CBD and surrounding suburbs have only 106 (34%) cranes installed. The residential sector accounted for 73% of all cranes installed in Sydney. Sydney’s residential crane count contributed 43% to total residential cranes erected within Australia compared to Melbourne’s 28%.
- JLL noted in their reports the number of apartments under construction for each of the five Capital Cities we cover which totalled 40,293 with Sydney at 12,205 second to Melbourne at 18,541. Sydney Middle Suburbs contribute the most new apartments there while in Melbourne development of higher density projects continue to concentrate on the Inner Suburbs/CBD. Brisbane has 5,681 apartments under construction and Adelaide 1,732 with Perth 2,134. The numbers for Melbourne which are 50% more than Sydney appear difficult to reconcile with the number of cranes reported by RLB with Sydney having 229 in use on residential projects compared to 148 in use in Melbourne almost the reverse ratio of the JLL numbers. It may simply be that the higher density of development in Melbourne means there are less sites than in the low-rise suburban developments of Sydney. Nonetheless it is clear despite a reported slow-down there is still a great deal of activity taking place.
- The AFR reported the number of apartments being marketed has nearly halved over the past 12 months as developers have retreated. The pipeline has been cut most in Sydney, where the number of new apartments has been slashed 77%. Brisbane has undergone a 59% decline and even Melbourne, the lone east coast capital where new apartment construction is up on last year, has seen a 51% decline in new units being marketed. In response to the market hit by credit curbs and a loss of the foreign buyers who previously accounted for much of the demand, developers have been taking projects off the market and re-selling sites and also getting extensions on previously permitted projects, the report says. In Melbourne, insufficient presales – including in some areas of strong new supply – have caused developers to cancel marketing campaigns.
- JLL has also cut its total expected apartment completions this calendar year to 5500 from the 6250 it was expecting three months ago in its last report. One national indicator is the Australian Industry Group Construction Index. For the recently released month of April the index was down 3.0 points to 42.6, well below the level of 50 that marks contraction. The sub-index of Apartment building activity was at 33.4 so well into contraction where it has been for over a year now.



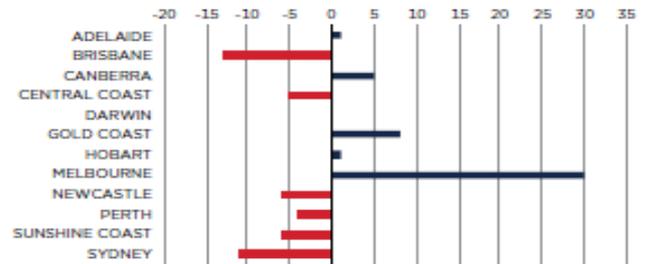
Tables 1 & 2

CRANE ACTIVITY - AUSTRALIA BY KEY CITIES

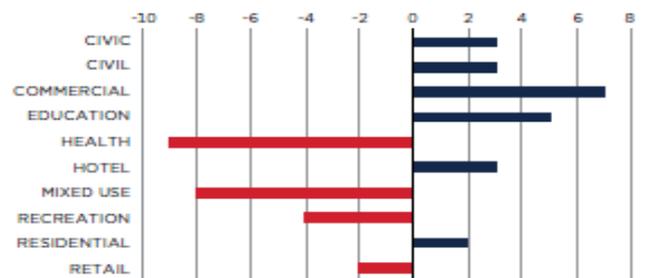
	OPENING COUNT		MOVEMENT			CLOSING COUNT	
	Q3 2018	%	+	-	NET	Q1 2019	%
ADELAIDE	16	2.2%	5	-4	1	17	2.3%
BRISBANE	72	9.8%	30	-43	-13	59	8.0%
CANBERRA	23	3.1%	16	-11	5	28	3.8%
CENTRAL COAST	18	2.4%	3	-8	-5	13	1.8%
DARWIN	0	0.0%	0	0	0	0	0.0%
GOLD COAST	24	3.3%	18	-10	8	32	4.4%
HOBART	4	0.5%	2	-1	1	5	0.7%
MELBOURNE	192	26.1%	105	-75	30	222	30.2%
NEWCASTLE	12	1.6%	3	-9	-6	6	0.8%
PERTH	37	5.0%	17	-21	-4	33	4.5%
SUNSHINE COAST	16	2.2%	3	-9	-6	10	1.4%
SYDNEY	321	43.7%	175	-186	-11	310	42.2%
TOTAL	735	100.0%	377	-377	0	735	100.0%

Charts 3 & 4

AUSTRALIA NET CRANE MOVEMENT BY CITY
NUMBER OF CRANES REMOVED / ADDED



AUSTRALIA NET CRANE MOVEMENT BY SECTOR
NUMBER OF CRANES REMOVED / ADDED



CRANE ACTIVITY - AUSTRALIA BY SECTOR

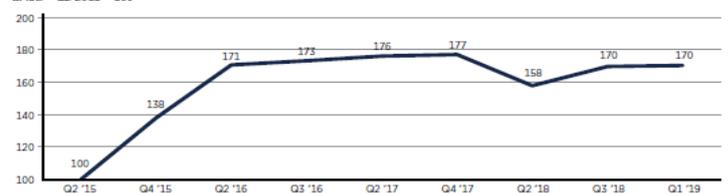
	OPENING COUNT		MOVEMENT			CLOSING COUNT	
	Q3 2018	%	+	-	NET	Q1 2019	%
CIVIC	4	0.5%	3	0	3	7	1.0%
CIVIL	26	3.5%	19	-16	3	29	3.9%
COMMERCIAL	60	8.2%	29	-22	7	67	9.1%
EDUCATION	12	1.6%	11	-6	5	17	2.3%
HEALTH	23	3.1%	7	-16	-9	14	1.9%
HOTEL	14	1.9%	12	-9	3	17	2.3%
MIXED USE	45	6.1%	17	-25	-8	37	5.0%
RECREATION	6	0.8%	0	-4	-4	2	0.3%
RESIDENTIAL	528	71.8%	272	-270	2	530	72.1%
RETAIL	17	2.3%	7	-9	-2	15	2.0%
TOTAL	735	100.0%	377	-377	0	735	100.0%

Graphs 5, 6 & 7

RLB CRANE INDEX*
BASE = Q2 2015 = 100



AUSTRALIA RESIDENTIAL CRANE INDEX
BASE = Q2 2015 = 100



AUSTRALIA NON-RESIDENTIAL CRANE INDEX
BASE = Q2 2015 = 100



Source: Rider Levett Bucknall Q1 - 2019 Crane Report



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