

The following represents a monthly snapshot of how we see the property markets across the country along with the near-term outlook. For more in depth commentary, please visit our website thinktank.net.au for our latest Quarterly Market Update. This month in News and Views we take a look at the latest RLB Crane Index produced by Rider Levett Bucknall reporting a record number of cranes in use across the country.

The Westpac-MI Consumer Sentiment Index fell sharply in May by 5.6% from 95.8 to 90.4 remaining well below the 100 level impacted by the interest rate increases. The ACCI - Westpac Quarterly Index however rose to 56.7 in March from December's level of 50.8 and the Westpac Melbourne Institute Leading Index lifted to 1.71% in March from 1.02% in February. April's result for the AiG Manufacturing Index was again positive for a third month up by 2.8 points to 58.5 remaining well into positive territory above 50 at its highest level since July 2021. The PCI construction index fell slightly in April by 0.6 points to 55.9 but the PSI was up by 1.6 points to 57.8.

At its much anticipated May meeting the RBA Board raised the Cash Rate by 0.25% from the record low of 0.10% to 0.35%, the first increase since November 2010. Further increases are expected this year as early as next month. Governor Lowe's remarks after the Board meeting mentioned the many positive economic indicators including suggestions that wage growth has been picking up. This confirmed 4th quarter GDP results at 3.4% for the quarter and 4.2% yoy; which were viewed as good. Retail sales for March were also positive being up 1.6% for the month and 9.4% yoy. The unemployment rate of 4.0% in March for a second month was also said to evidence the resilience of the Australian economy. The clear signal is that any firm sign of wage growth will lead to further rate increases over the next few months as stated in Governor Lowe's remarks. The Ukraine crisis which he first described as "a major new source of uncertainty" yielded only very brief comment. However rates are rising even more in the US with the first of two forecast 50 bps increases by the FOMC following the 25bps increase in March. 10 year US Treasury Yields traded up at 2.98% at the start of the month while AUS 10 year Gov't bonds were nearly up to 3.5%. The AUD is now well down at just below USD 0.71.

CoreLogic dwelling prices for April continued the flattening trend of the past few months with national Housing values posting a 0.6% gain for the month and 1.9% for the quarter. In Sydney, House prices were down 0.1% for the month with units down 0.4% resulting in a 0.2% decline in overall dwelling prices, the same as last month. The results were similar in Melbourne for houses being down for the month 0.2% but flat for dwellings while units were up by 0.4%. Brisbane and Adelaide continued to perform well again this month with dwellings up 1.7% and 1.9% respectively while Regional outperformed Capitals by 1.4% to 0.3% for March and 4.7% to 1.0% for the quarter. Our ratings are unchanged while keeping a close watch on trends as interest rate increases hit the market and are bound to impact housing values. Inner City areas in Melbourne and Sydney and Northern Sydney now have 173 cranes working on residential projects according to the RLB Crane Index overleaf.

We reflected the flattening of Residential in some capitals and slightly modified our ratings and trends at the beginning of the quarter but with the majority remain good and stable while Sydney and Melbourne houses were re-rated as Fair at the time and remain so. Retail continues to be showing the expected signs of volatility as sales improve as noted above. Office continues its slow but steady recovery from the pandemic lockdowns while Industrial remains very strong and we are maintaining our Ratings and Trends which are either Strong or Good with an Improving Trend in each of the capitals. It remains to be seen how interest rate increases will impact on commercial capitalisation rates but a relatively flat yield curve looks to be encouraging.

| | SYDNEY | | MELBOURNE | | ADELAIDE | | BRISBANE (SEQ) | | PERTH | |
|-------------|--------|-----------|-----------|-----------|----------|-----------|----------------|-----------|-------|-----------|
| Resi- Homes | Fair | Stable | Fair | Stable | Good | Stable | Good | Stable | Good | Stable |
| Resi- Units | Fair | Stable | Fair | Stable | Good | Stable | Good | Stable | Good | Stable |
| Office | Fair | Stable | Fair | Stable | Strong | Stable | Fair | Stable | Fair | Stable |
| Retail | Weak | Stable | Weak | Stable | Good | Stable | Good | Stable | Good | Stable |
| Industrial | Strong | Improving | Strong | Improving | Strong | Improving | Good | Improving | Good | Improving |

Sources: ABS, ACCI, AiG, ABS, AFR, ANZ Research, ATO, CBA, CBRE, Colliers International, CoreLogic, Cushman & Wakefield, HTW, IMF, MSCI, JLL, Knight Frank, OECD, PCA, Preston Rowe Patterson, RBA, RLB, Savills Research, Westpac Economics, World Bank

News and Views

Rider Levett Bucknall recently published their Crane Index for the 1st Quarter of 2022. In Q1, 2022, crane numbers across Australia increased by 95, a 13% rise on the last quarter. This is the highest number of cranes seen across Australia since the inaugural count, twenty editions ago. Strong crane growth was seen in all sectors with the non-residential sector recording another strong result recording its fourth record high over the past four editions of the Index. With record levels of residential approvals across the country, the residential index rose for the first time in six editions. As shown in the graph at the bottom of this page, at 191, the RLB Crane Index has recorded its highest value to date. The tables opposite show that since the last edition, 353 cranes were added to our skylines and 258 were removed. Sydney's crane numbers increased by 53 (56% of the total increase recorded) to total 348 cranes. This represents 43% of all cranes across the country. Perth and Melbourne recorded double figure lifts in crane numbers of 18 and 12 respectively. On a percentage basis, both Adelaide and Perth recorded crane rises of more than 40% when compared to Q3 2021 results.

Sydney's RLB Crane Index® recorded its highest ever result in Q1 2022. The index rose from 182 to 215, representing an 18% increase. With a total of 348 cranes (compared to 295 previously) this is the highest number of cranes seen in Sydney since the peak of 341 cranes in Q3 2017. The residential sector has jumped this count to record 100 additions and the removal of 59, bringing the total count to 242 cranes across Sydney. Residential cranes make up almost 70% of all cranes across Sydney, still lower than the high of 87% (282 residential cranes) in Q1 2017. Across Sydney's five main regions, increases were seen in all regions except for the West. For the first time since Q1 2019, Sydney North has the most cranes of all Sydney's regions, with 101 or 29% of all cranes in Sydney.

Melbourne recorded a rise of 7% in Q1 2022, offsetting the 7% fall in the last edition. The index now stands at 166, up from 155 in Q3 2021. Across Melbourne, 87 cranes were added to projects and 75 were removed, bringing current crane numbers to 192, up from 180 cranes recorded in Q3 2021. Melbourne's inner-city remains the most prevalent region for cranes, with 47% of all Melbourne's cranes located there. While this number remains steady for now, larger scale projects are moving out to Melbourne's suburbs. Traditionally, 60% of all Melbourne's cranes are centred around the CBD and surrounding inner city suburbs (compared to the 47% cited above). The residential sector is still the dominant sector in the Melbourne region with 50%.

Adelaide's index rose sharply for the first time in 5 editions to reach 267, up from 187 in Q3 2021. The commercial sector has the greatest number of cranes within Adelaide at seven, up from four in our last index. Brisbane's Crane Index fell from 114 to 108 in this edition. Residential cranes remain the largest sector in Brisbane, accounting for almost 42% or 33 of the cranes. Perth has seen a 129% increase since the lows of Q1 2017. This edition has recorded a surge of 48% since the last publication. There are currently 55 cranes in Perth, the highest number since the inception of the index. Perth's residential sector saw the largest increase in cranes and accounts for 60%.



RLB CRANE INDEX®

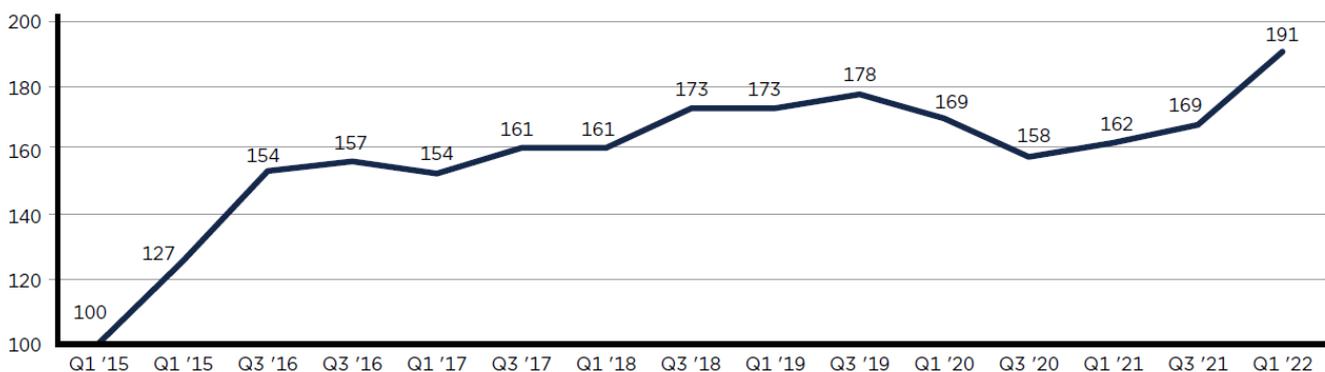


TABLE 1 - CRANE ACTIVITY – AUSTRALIA BY KEY CITIES

| | OPENING COUNT | | MOVEMENT | | | CLOSING COUNT | |
|----------------|---------------|---------------|------------|-------------|-----------|---------------|---------------|
| | Q3 2021 | % | + | - | NET | Q1 2022 | % |
| ADELAIDE | 11 | 1.5% | 8 | -3 | 5 | 16 | 2.0% |
| BRISBANE | 83 | 11.6% | 26 | -30 | -4 | 79 | 9.7% |
| CANBERRA | 33 | 4.6% | 15 | -17 | -2 | 31 | 3.8% |
| CENTRAL COAST | 10 | 1.4% | 3 | -3 | 0 | 10 | 1.2% |
| DARWIN | 0 | 0.0% | 2 | 0 | 2 | 2 | 0.2% |
| GOLD COAST | 35 | 4.9% | 16 | -11 | 5 | 40 | 4.9% |
| HOBART | 0 | 0.0% | 0 | 0 | 0 | 0 | 0.0% |
| MELBOURNE | 180 | 25.1% | 87 | -75 | 12 | 192 | 23.6% |
| NEWCASTLE | 9 | 1.3% | 7 | -4 | 3 | 12 | 1.5% |
| PERTH | 37 | 5.2% | 27 | -9 | 18 | 55 | 6.8% |
| SUNSHINE COAST | 13 | 1.8% | 9 | -6 | 3 | 16 | 2.0% |
| SYDNEY | 295 | 41.1% | 149 | -96 | 53 | 348 | 42.8% |
| WOLLONGONG | 12 | 1.7% | 4 | -4 | 0 | 12 | 1.5% |
| TOTAL | 718 | 100.0% | 353 | -258 | 95 | 813 | 100.0% |

TABLE 2 - CRANE ACTIVITY – AUSTRALIA BY SECTOR

| | OPENING COUNT | | MOVEMENT | | | CLOSING COUNT | |
|--------------|---------------|---------------|------------|-------------|-----------|---------------|---------------|
| | Q3 2021 | % | + | - | NET | Q1 2022 | % |
| CIVIC | 20 | 2.8% | 7 | -11 | -4 | 16 | 2.0% |
| CIVIL | 41 | 5.7% | 9 | -13 | -4 | 37 | 4.6% |
| COMMERCIAL | 70 | 9.7% | 34 | -24 | 10 | 80 | 9.8% |
| EDUCATION | 22 | 3.1% | 10 | -9 | 1 | 23 | 2.8% |
| HEALTH | 34 | 4.7% | 23 | -15 | 8 | 42 | 5.2% |
| HOTEL | 11 | 1.5% | 6 | -5 | 1 | 12 | 1.5% |
| MIXED USE | 68 | 9.5% | 35 | -17 | 18 | 86 | 10.6% |
| RECREATION | 8 | 1.1% | 4 | -6 | -2 | 6 | 0.7% |
| RESIDENTIAL | 443 | 61.7% | 220 | -157 | 63 | 506 | 62.2% |
| RETAIL | 1 | 0.1% | 5 | -1 | 4 | 5 | 0.6% |
| TOTAL | 718 | 100.0% | 353 | -258 | 95 | 813 | 100.0% |

Source: Rider Levett Bucknall, Crane Index Q1 2022

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