

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 first quarter RLB Crane Index.

The Westpac-MI Consumer Sentiment Index was up 9.4% in April at 85.8 after reversing its unexpected January gain in February. This however was after the April RBA “pause” in interest rate increases and before this month’s increase. The AiG Australian Industry Index was launched in a different format in February and in April lost 14.0 points to -20.1 as new orders continued to fall. The index has now been in contraction for twelve months. The sub-indicators also fell with the PMI down 25.8 to – 20.2 and the PCI also down 6.5 to -12.4.

At its May meeting, the RBA Board surprised most commentators and raised the Cash Rate by 0.25% to 3.85% after having paused at its April meeting. While the pause had not been forecast by all commentators it was seen as a welcome relief and a signal adopted by many even though further increases had suggested by quite a few market economists and the Governor himself in both the release accompanying the Rate announcement and in a speech the following day. While even further increases may be expected by some, the slowing of the pace of increase over the past few months is viewed positively and a terminal rate for this cycle of the current OCR of 3.85% has now been adopted by most. The May Statement on Monetary Policy (SoMP) released by the RBA later that same week had amended forecasts; importantly CPI for the 1st half of 2023 was reduced by ¼% to 6.25% and to 4.5% for the year. The unemployment rate of 3.5% in March was steady and forecast to be little changed during 2023 rising slightly by the end of the year to 4%. 10 year US Treasury Yields are trading at 3.46% and AUS 10 year Gov’t bonds were at 3.42% with the US yield still inverted from the 2 year at 3.94% by 48 bps. All of these rates are up slightly recently. The AUD is largely up a bit above USD 0.67.

CoreLogic dwelling prices for April continued their modest recovery but across a broader spread of Capitals. National Housing values posted a 0.5% gain for the month following a 0.6% rise in March. They are now up 1.0% for the past quarter. The improvement was based on gains in Sydney and Melbourne of 1.3% and 0.1% respectively for the month with Brisbane and Perth also posting gains. We see this as a continuation of last month’s initial recovery and don’t believe it will be overly impacted by this month’s RBA decision on interest rates. For the quarter, nationally Housing was up by 1.0% from -0.6% last month. The quarterly rise of 3.0% in Sydney was on top of a gain of 0.4% last month and a gain of 0.3% in Melbourne. In Sydney, House prices were up 1.3% for the month with units up 1.2% and the results for Melbourne were also improved with houses up for the month 0.2% and units also up 0.1%. Adelaide, Perth and Brisbane all did better this month with Adelaide dwellings up 0.2% and Brisbane up 0.3%. Perth was up 0.6% for the month and 1.0% for the quarter.

We continue to reflect the improvement of Residential in almost all areas and have maintained our Ratings and Trends across all Capitals with none showing a negative CoreLogic Housing result for the month. We will wait optimistically for further positive results. Retail continues to be showing some recovery especially secondary, as sales continue their modest improvement as noted above. Industrial remains very strong and we are maintaining our Ratings and Trends which are either Strong or Good with an Improving or Stable Trend in each of the Capitals. Office continues its slow recovery from the pandemic lockdowns but is just Fair with changes reflected in the comments in our recent Quarterly Market Update noting weakness in Secondary CBD properties and the very different levels of vacancies and rentals depending upon which Capital you are in.

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

- The Chart below shows the crane activity across the major capital cities as reported by Rider Levett Bucknall (RLB) in their quarterly Crane Index report. The tables opposite show the detail of crane activity in all larger cities and by sector as commented on below. The major capitals show a decrease over the past six months in the RLB Crane Index except for Adelaide but as can be seen in Table 1 opposite some other smaller cities have also experienced some growth, notably the Gold Coast which was up 4 to 56. Perth remained steady at 51.
- This was however the second largest number of cranes reported since the start of the index in 2012. RLB had this to say in its report. “Crane numbers across the country continued to be strong, posting the second highest number of cranes seen since the inception of the RLB Crane Index in 2012. The past six months has seen 293 new cranes added to new development sites, and 325 were removed from projects nearing completion. With 32 less cranes, the number of cranes across the major regions of Australia now number 836, a fall of 3.7% from the record 868 cranes seen in the last edition. All sectors recorded lower crane numbers except civic, civil and education.
- Table 2 opposite shows the breakdown of the 836 cranes in use by sector with the following comments for residential and non-residential: “The residential index recorded an index level of 171, fractionally below the peak of 172 recorded in Q3 22 and Q1 19. Residential cranes across the country now number 532, slightly below the numbers recorded in our last count. One hundred and ninety-six cranes were added on development sites with 199 removed. Perth saw an additional nine cranes added within the sector whereas Sydney saw numbers reduce by 13.” And “The non-residential index has fallen from the record highs of the last edition to now record an index value of 264, the second highest on record, representing a loss of 5.7% or 29 cranes. Included within the non-residential sectors are Aged Care and Data centre / Industrial which were introduced in the last edition. There are currently 11 cranes on aged care developments across the country and 15 Data Centre / Industrial cranes.” As can be seen in the table, residential makes up nearly two thirds of all cranes in use with Melbourne down slightly to 101 and Sydney still the most active capital at 246 but down from 259.
- The ongoing strength of the crane numbers may be somewhat surprising but RLB made the following comments in that regard: “The continuing strong number of cranes observed correlates with the strong national activity numbers. Construction work done for the calendar year 2022 was up by 0.7%, or \$1.4B, across Australia compared to 2021, according to the latest ABS preliminary construction activity data. Total residential work done was down 3.5%, or \$2.7B, non-residential activity was up by 2.9% or \$1.4B. Engineering activity was up by 2.9% or \$2.5B. Growth in building approval values continued in the calendar year 2022 where total building approvals rose by 1.0% or \$1.3B in real terms. Residential approvals fell 2.2% and non-residential rose 5.3%.

● CBD Crane Numbers, Major Capital Cities 1st Quarter – 2023, RLB Crane Index

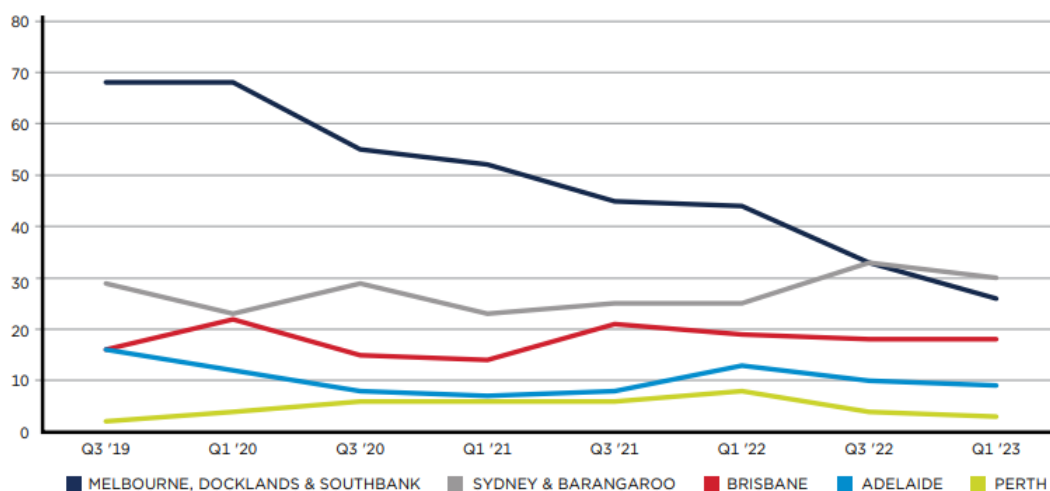


Table 1: Crane Activity – Australia by Major Cities, First Quarter 2023

	OPENING COUNT		MOVEMENT			CLOSING COUNT	
	Q3 2022	%	+	-	NET	Q1 2023	%
ADELAIDE	17	2.0%	8	-7	1	18	2.2%
BRISBANE	82	9.4%	35	-40	-5	77	9.2%
CANBERRA	23	2.6%	9	-15	-6	17	2.0%
CENTRAL COAST	10	1.2%	4	-1	3	13	1.6%
DARWIN	2	0.2%	2	0	2	4	0.5%
GOLD COAST	52	6.0%	19	-15	4	56	6.7%
HOBART	2	0.2%	0	-1	-1	1	0.1%
MELBOURNE	206	23.7%	84	-101	-17	189	22.6%
NEWCASTLE	12	1.4%	3	-6	-3	9	1.1%
PERTH	51	5.9%	16	-16	0	51	6.1%
SUNSHINE COAST	16	1.8%	10	-6	4	20	2.4%
SYDNEY	380	43.8%	99	-114	-15	365	43.7%
WOLLONGONG	15	1.7%	4	-3	1	16	1.9%
TOTAL	868	100.0%	293	-325	-32	836	100.0%

Table 2: Crane Activity – Australia by Sector, First Quarter 2023

	OPENING COUNT		MOVEMENT			CLOSING COUNT	
	Q3 2022	%	+	-	NET	Q1 2023	%
AGED CARE	14	1.6%	1	-4	-3	11	1.3%
CIVIC	22	2.5%	6	-5	1	23	2.8%
CIVIL	41	4.7%	17	-11	6	47	5.6%
COMMERCIAL	76	8.8%	27	-40	-13	63	7.5%
DATA CENTRES	21	2.4%	3	-9	-6	15	1.8%
EDUCATION	24	2.8%	14	-12	2	26	3.1%
HEALTH	34	3.9%	8	-12	-4	30	3.6%
HOTEL	16	1.8%	4	-9	-5	11	1.3%
MIXED USE	72	8.3%	16	-18	-2	70	8.4%
RECREATION	4	0.5%	0	0	0	4	0.5%
RESIDENTIAL	535	61.6%	196	-199	-3	532	63.6%
RETAIL	9	1.0%	1	-6	-5	4	0.5%
TOTAL	868	100.0%	293	-325	-32	836	100.0%

Source: Rider Levett Bucknall, Crane Index Q1 2023

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