Thinktank

Monthly Market Focus

October 2023

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 delve into the Rider Levett Bucknall (RLB) Crane Index Q3 2023 publication and look at their approach to assessing the status of development activity in various property sectors across the country.

The Westpac-MI Consumer Sentiment Index slipped again by 1.5% to 79.7 points in September. Sentiment has languished at deeply pessimistic levels for more than a year now. The Westpac Leading Index however was up slightly at -0.50 in August from -0.56 in July continuing its string of negative reads since August '22 and Westpac expects it to continue for another year. The AiG Australian Industry Index rose in September by 8.2 points although remaining in slightly contractionary condition for the 17th month in a row at -3.5. The two sub-indicators also rose with the manufacturing PMI up 7.0 points to -12.8 and the construction PCI up a strong 17.0 points to move into expansion at 7.1.

At its October meeting, the first for Michele Bullock as the new Governor, the RBA Board surprised hardly anyone by again pausing on raising the Cash Rate and keeping it at 4.10% for a fourth month in a row. This latest pause had been forecast by just about all commentators and was seen as continued welcome relief for consumers and the economy in general even though further increases are still considered possible by many market economists and was reflected in the minutes of the meeting which contained numerous updates. The RBA's six-monthly Financial Stability Review also had comments about the possibility of further rate increases but was broadly positive. The 2nd quarter GDP result of a disappointing 0.4% for the 3 months to June and 2.1% year over year was released by the ABS last month and once again raised the expectation of prolonged slow growth. The unemployment rate of 3.7% in August was unchanged from July and is forecast to be little changed during 2023 but monthly CPI was up slightly to 5.2% from 4.9% on higher fuel and energy costs.

The International Monetary Fund meets next week and delivers their World Economic Outlook on the 10th of October. The Bank of Canada held rates steady at 5.00% in September and meets again later this month. The US FOMC also held rates steady when it met in September and meets again for 2 days at the end of this month and the 1st of November. 10 year US Treasury Yields are trading at 4.80% and AUS 10 year Gov't bonds were at 4.54% with the US yield still inverted from the 2 year at 5.08% but only by 28 bps with AUD 2 year Gov't bonds at 4.01%. The AUD is remains below USD 0.64 having fallen from USD 0.67 in three months.

CoreLogic dwelling prices for September continued their recovery across almost all Capitals but again at different paces. National Housing values posted a 0.8% gain for the month following a 1.1% rise in August. They are now up 2.2% for the past quarter. The improvement was based on gains in Adelaide of 1.7% and 1.3% in both Brisbane and Perth. For the month Sydney was up 1.0% and Melbourne 0.4%. In Sydney, House prices were up 1.0% for the month with units up 0.9% and the results for Melbourne were also up but rather less with houses up for the month 0.3% and units up by 0.6%. Adelaide, Perth and Brisbane all did very well this month leading the Capitals with all three up in both Houses and Units for both the month and the quarter. Rental growth rose again in September up 0.7% with National gross rental yield at 3.7%. Rents nationally are now up 8.4% over the past year.

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 maintain our cautious optimism. Retail continues to be showing some recovery although volatile, especially secondary although sales are flat. Industrial remains very strong across the country and while Office is doing better in some Capitals, a real recovery remains some time into the future. We discuss each sector in much more detail in our Quarterly Market Update.

	Sydney	Melbourne	Adelaide	Brisbane	Perth
Resi – Homes	Fair ●	Fair ●	Fair ●	Fair ●	Good ●
Resi – Units	Fair ●	Fair ●	Fair ●	Fair ●	Good ●
Office	Fair ●	Fair ●	Good ●	Good ●	Good ●
Retail	Weak ●	Weak ●	Good ●	Good ●	Fair ●
Industrial	Strong ●	Strong ●	Good ●	Good ●	Good ●

● Stable ● Improving

Thinktank

Thinktank..

News & Views

Quantity Surveying firm Rider Levett Bucknall (RLB) recently released their Q3 Crane Index which shows the actual number of cranes in use across the country and for what type of construction activity they are being utilised. The “crane count” provides a very accurate measurement of development activity in each of the major cities and in which sector activity is focussed and whether it is rising or falling.

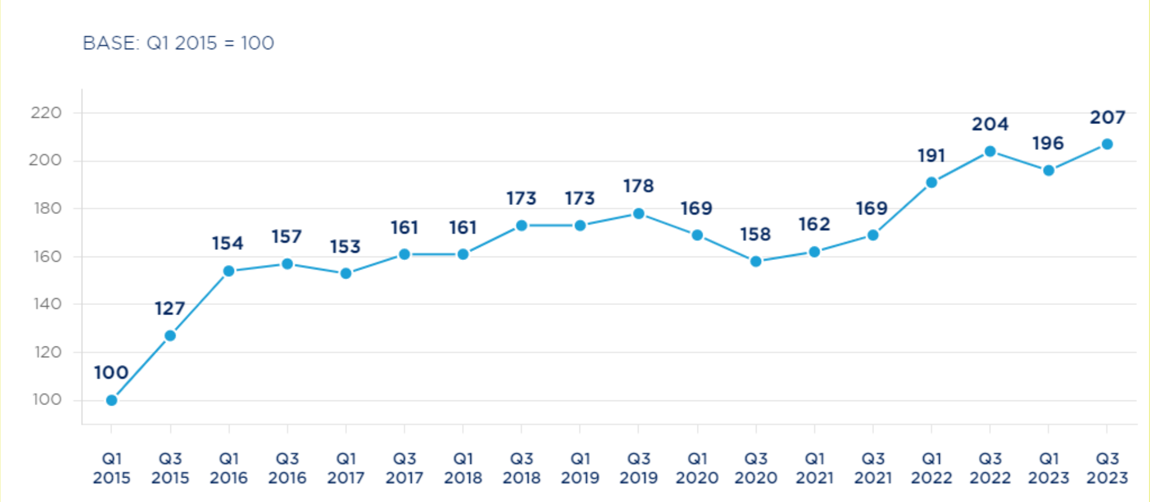
This quarter the Crane Count increased by 5.5% to a record 882 cranes in operation with Sydney leading all cities with 401 (up 36) or 45.5%. Melbourne was a distant second at 178 (down 11) or 20.2%. The index itself as shown below is now at its highest level since inception being measured at 100 at Q1 2015 and now standing at 207.

The record number of cranes on the skyline is in part the result of an uptick in activity on civil infrastructure projects in Sydney, Melbourne and Brisbane. Growing government demand led to a 0.9% increase in that sector’s share of construction activity. It now accounts for 6.3% of cranes totalling 328, up by 22 during the quarter.

Residential cranes still account for the majority of the nation’s crane activity. There were 24 more of them in action nationally, although the residential crane proportion of total crane activity decreased slightly by 0.6% to 62.8% but still represents by far the largest sector with 554 cranes in use.

The breakdown by city emphasises the concentration in Sydney which as mentioned above only increased this past quarter.

The second table shows the sector in which the cranes are employed and the change in the number of cranes during the past quarter.



	OPENING COUNT Q3 2023	%	MOVEMENT ▲	▼	NET	CLOSING COUNT Q1 2024	%
ADELAIDE	18	2.2%	5	-6	-1	17	1.9%
BRISBANE	77	9.2%	36	-28	8	85	9.6%
CANBERRA	17	2.0%	11	-7	4	21	2.4%
CENTRAL COAST	13	1.6%	4	-2	2	15	1.7%
DARWIN	4	0.5%	0	-1	-1	3	0.3%
GOLD COAST	56	6.7%	15	-10	5	61	6.9%
HOBART	1	0.1%	0	0	0	1	0.1%
MELBOURNE	189	22.6%	77	-88	-11	178	20.2%
NEWCASTLE	9	1.1%	8	-2	6	15	1.7%
PERTH	51	6.1%	15	-16	-1	50	5.7%
SUNSHINE COAST	20	2.4%	8	-6	2	22	2.5%
SYDNEY	365	43.7%	123	-87	36	401	45.5%
WOLLONGONG	16	1.9%	1	-4	-3	13	1.5%
TOTAL	836	100.0%	303	-257	46	882	100.0%

As you can see, between Sydney and Melbourne nearly two thirds of all cranes employed across the country are employed and while the number in Sydney is growing it has decreased slightly in Melbourne. Brisbane and the Gold Coast also rose and maintained their positions as third and fourth most active cities.

The sectors in which the cranes are employed is even more concentrated than their location with residential over 60% and no other sector over 10%. The residential index reached a record high of 178, up two index points from the previous high of 177 in Q3 2017. The index represents 554 cranes, up from 530 in the last count. 176 cranes were added to residential projects, with 152 removed from sites.

Sydney recorded 261 or 65.1% of its cranes as being on residential sites so slightly more than the average across the country while Melbourne was quite a bit less at 94 cranes or 52.8%.

Other cities recording high residential activity are not surprisingly Brisbane and the Gold Coast. Brisbane had 33 cranes on residential sites or 38.8% and the Gold Coast had 55 cranes in use for residential developments or a very high 90.2%. Combined these total 88 cranes or 60% of the total for those two cities and not too far off Melbourne's figures.

The number of cranes in Sydney and South-East Queensland (SEQ) has grown more significantly since Q1 2022 than all other cities. Sydney and SEQ crane numbers rose 34% and 65%, respectively. In comparison, Melbourne crane numbers fell by 7 to now total 178.

	OPENING COUNT Q3 2023	%	MOVEMENT ▲	▼	NET	CLOSING COUNT Q1 2024	%
AGED CARE	13	1.6%	4	-4	0	13	1.5%
CIVIC	21	2.5%	9	-3	6	27	3.1%
CIVIL	45	5.4%	23	-12	11	56	6.3%
COMMERCIAL	65	7.8%	22	-23	-1	64	7.3%
DATA CENTRES	15	1.8%	5	-7	-2	13	1.5%
EDUCATION	28	3.3%	18	-18	0	28	3.2%
HEALTH	30	3.6%	13	-12	1	31	3.5%
HOTEL	11	1.3%	0	-2	-2	9	1.0%
MIXED USE	70	8.4%	29	-22	7	77	8.7%
RECREATION	4	0.5%	0	-1	-1	3	0.3%
RESIDENTIAL	530	63.4%	176	-152	24	554	62.8%
RETAIL	4	0.5%	4	-1	3	7	0.8%
TOTAL	836	100.0%	303	-257	46	882	100.0%

Leadership Team

Relationship Manager Team

Sources

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, RLB Crane Index Q3 2023

Think Tank Group Pty Ltd | 1300 781 043 | thinktank.net.au | deal@thinktank.net.au | PO Box 6125 North Sydney NSW 2059
ABN 75 117 819 084 | Authorised under AFSL and Australian credit licence 333163

Thinktank