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National

February property news

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HIA: Housing recovery will spread its wings in 2014

Report source: Housing Industry Association media release: 28 February 2013 www.hia.com.au

The Housing Industry Association, the voice of Australia's residential building industry, today released the Summer 2014 edition of its National Outlook, Australia's most comprehensive housing report card.

The HIA's National Outlook report is the most comprehensive review of latest developments in housing construction, and provides forecasts of both new dwelling commencements and renovations activity across the national market as well as each state market.

"Today's report outlines the continuing, albeit gradual broad based recovery in residential construction and the challenges that are likely to hold it back," commented HIA Senior Economist, Shane Garrett.

"Residential construction investment will account for a growing share of the economy in 2014, and should fill some of the gap left by the decline of mining investment," Shane Garrett predicted.

"Our latest set of forecasts suggests that the housing industry will be one of Australia's good news stories over the

next twelve months," added Shane Garrett.

"New dwelling commencements are forecast to break the 165,000 threshold for only the second time in a decade," explained Shane Garrett.

"This will be driven by much stronger activity in markets like NSW, Queensland and Western Australia. However, challenges will remain in other states, more notably Victoria and Tasmania," Shane Garrett said.

"We believe the RBA will leave its interest rate unchanged for the remainder of this year at least.

This will underpin strengthening activity in housing, and arrest the deterioration in housing undersupply experienced over the past decade," Shane Garrett added.

"Renovations activity has struggled over the past five years, but we see light at the end of the tunnel here also," Shane Garrett explained.

"Stronger prices will speed the accumulation of home equity, facilitating more home renovation loans," Shane Garrett predicted.

"In advance of the federal Budget in May, we intend to emphasise the role a stronger housing industry can play in supporting economic growth at this time.

"Reforms targeting planning, infrastructure charging and taxation of the sector will enable housing to make a larger contribution to boosting the economic outlook," concluded Shane Garrett.

Housing starts increased by 11.7% to 161,970 during 2012/13, following two consecutive years of decline.

Activity is forecast to rise again in 2013/14 by 2.8%, going on to reach over 170,000 by 2016/17.

On the renovations side of the market, the volume of activity fell by 8.9% in 2012/13 to \$28.3 billion.

This represents a low point for the sector, with activity expected to expand by 1.9% in 2013/14.

Further increases will occur each year to 2017/18, bringing the value of renovations to \$32.6 billion.

ABS: Property prices finish 2013 on a high

Report source: Australian Bureau of Statistics media release: 11 February 2013 www.hia.com.au

New figures released today by the Australian Bureau of Statistics (ABS) show that residential property prices have risen in every capital city in the December quarter 2013.

Today's publication of Residential Property Price Indexes: Eight Capital Cities (cat. no. 6416.0) contains an expanded range of statistics on residential properties.

The figures show that the Residential Property Price Index (RPPI), a measure including houses and attached dwellings, for the weighted average of the eight capital cities rose 3.4% this quarter, for a total rise of 9.3% over the last year. Established house prices rose 3.5% and attached dwelling prices rose 3.0% in the quarter.

RPPI Director, Robin Ashburn said, "Sydney continues to grow at the fastest rate across the country, with house prices rising 4.9% in the December quarter 2013, the third consecutive quarter for which Sydney has had the largest rise in house prices of any capital city."

The rises in house prices in the other capital cities are Melbourne (+2.8%), Perth (+3.5%), Brisbane (+3.0%), Adelaide (+2.8%), Hobart (+2.3%), Darwin (+2.7%) and Canberra (+0.4%).

Prices for attached dwellings (which includes flats and apartments) rose in all capital cities except Darwin (-0.4%). Prices went up in Sydney (+4.4%), Melbourne (+1.9%), Perth (+2.6%),

Brisbane (+2.2%), Adelaide (+1.5%), Hobart (+0.7%) & Canberra (+0.1%).

The new statistics are being published as part of the ABS program to enhance macroeconomic statistics in Australia.

These new figures also include a measure of the total value of residential properties in Australia, which has risen to \$5.02 trillion in the December quarter 2013, up from \$4.83 trillion in the September quarter.

They also show that the average price of Australia's 9.3 million residential properties is now \$539,400 (up from \$496,800 in the December quarter 2012).



New Home lending steady as prices strengthen further

Report source: Housing Industry Association media release: 11 February 2013 www.hia.com.au

Figures from the Australian Bureau of Statistics (ABS) show that new home lending remains steady while price growth has strengthened across Australia's cities, said the Housing Industry Association, the voice of Australia's residential building industry.

"During December 2013, the number of owner occupier loans for new dwelling construction increased by 0.4%, while loans to owner occupiers for the purchase of new dwellings declined by 1.9% during the month," said HIA Senior Economist, Shane Garrett.

"However, in the final quarter of 2013, total new home lending to owner occupiers rose by 2.1% and was 14.6% higher than a year earlier.

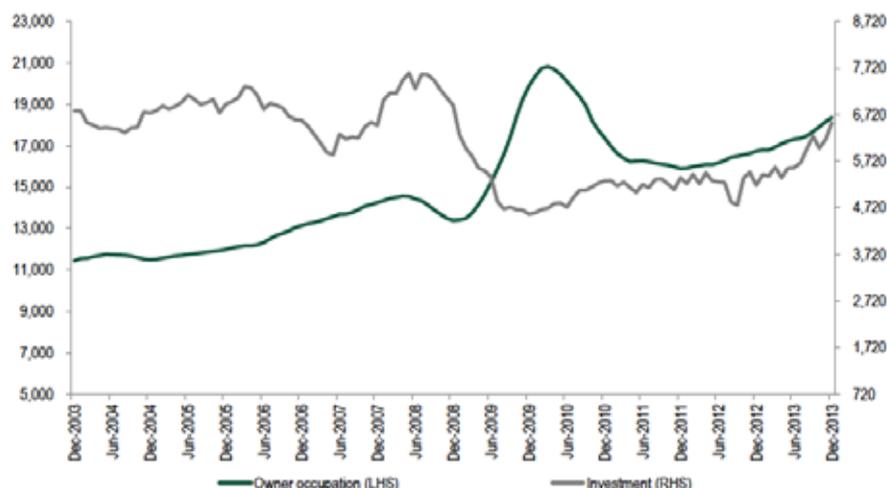
"This is a pretty strong result," explained Shane Garrett.

"Today's data cap off a strong year for new home lending and signal that activity on the ground will be strong during the early months of 2014," predicted Shane Garrett.

"During December, the share of the owner occupier market accounted for by First Home Buyers reached

Housing Construction Finance - Australia, moving annual value, \$ million

Source: ABS 5609.0



its highest in four months and this is something to be welcomed," commented Shane Garrett.

"Today's data also show that capital city dwelling prices increased by 3.4% in the final quarter of 2013 and were 9.3% higher than a year earlier," Shane Garrett said.

"Steady and sustainable price growth reinforces confidence in the market and healthy lending activity must be seen in this context," added Shane Garrett.

"In order to maintain a healthy level of activity in the market, more will have to be done to deal with constraints around planning, land supply and infrastructure funding," urged Shane Garrett.

"Addressing these issues will do much to improve longer term housing affordability and will ensure that Australia achieves its full economic potential over coming years and decades," concluded Shane Garrett.

ABS: Continued strength in building approvals for December

Report source: Australian Bureau of Statistics media release: 03 February 2013 www.abs.gov.au

ABS Building Approvals show that the number of dwellings approved rose 1.5% in December 2013, in trend terms, and has risen for 24 months.

Dwelling approvals increased in trend terms in December in Queensland (3.8%), South Australia (3.5%), Victoria (2.9%) and Western Australia (0.1%).

Dwelling approvals remained essentially unchanged in New South Wales and decreased in Northern

Territory (15.8%), Tasmania (3.9%) and the Australian Capital Territory (2.5%) in trend terms.

Approvals for private sector houses in trend terms rose 1.1% in December, rising for the thirteenth consecutive month.

Private sector house approvals rose in South Australia (3.3%), Victoria (2.6%) and New South Wales (1.5%) but fell in Queensland (0.8%) and Western Australia (0.2%) in trend terms.

The value of total building approved rose 3.1% in December, in trend terms, after rising for 23 months.

The value of non-residential building rose 4.3% while residential building rose 2.2% in trend terms.

Further information is available in Building Approvals, Australia (cat no. 8731.0) on the ABS website at www.abs.gov.au



Reserve Bank: Statement on official Cash Rate

Report source: Reserve Bank of Australia media release: 09 February 2013 www.rba.gov.au

At its meeting today, the Board decided to leave the cash rate unchanged at 2.5%.

Since the Board's previous meeting, information on the global economy has been consistent with growth having been a bit below trend in 2013, but with reasonable prospects of a pick-up this year.

The United States economy continues its expansion and the euro area has begun a recovery from recession, albeit a fragile one. Japan has recorded a significant pick-up in growth, while China's growth remains in line with policymakers' objectives.

Commodity prices have declined from their peaks but in historical terms remain high.

The Federal Reserve has begun the process of curtailing stimulus measures but financial conditions overall remain very accommodative.

Long-term interest rates and most risk spreads remain low.

Equity and credit markets remain able to provide adequate funding, but for some emerging market countries conditions are considerably more challenging than they were a year ago.

In Australia, information becoming available over the summer suggests slightly firmer consumer demand and foreshadows a solid expansion in housing construction.

Some indicators of business conditions and confidence have shown improvement.

At the same time, with resources sector investment spending set to decline significantly, considerable structural change occurring and lingering uncertainty in some areas of the business community, near-term prospects for business investment remain subdued.

The demand for labour has remained weak and, as a result, the rate of unemployment has continued to edge higher. Growth in wages has declined noticeably.

Inflation in the December quarter was higher than expected. This may be explained in part by faster than anticipated pass-through of the lower exchange rate, though domestic prices also continued to rise at a solid pace, despite slower growth in labour costs.

If domestic costs remain contained, some moderation in the growth of prices for non-traded goods could be expected over time.

Monetary policy remains accommodative. Interest rates are very low and savers continue to look for higher returns in response to low rates on safe instruments.

Credit growth remains low overall but is picking up gradually for households. Dwelling prices have increased further over the past several months. The exchange rate has declined further, which, if sustained, will assist in achieving balanced growth in the economy.

Looking ahead, the Bank expects growth to remain below trend for a time yet and unemployment to rise further before it peaks.

Beyond the short term, growth is expected to strengthen, helped by continued low interest rates and the lower exchange rate. Inflation is expected to be somewhat higher than forecast three months ago, but still consistent with the 2–3% target over the next two years.

In the Board's judgement, monetary policy is appropriately configured to foster sustainable growth in demand and inflation outcomes consistent with the target.

On present indications, the most prudent course is likely to be a period of stability in interest rates.

ABS: Unemployment rate increased to 6% in January

Report source: Australian Bureau of Statistics media release: 13 February 2013 www.abs.gov.au

Australia's seasonally adjusted unemployment rate increased by 0.1 percentage points to 6.0% in January, as announced by the Australian Bureau of Statistics (ABS) today.

The ABS reported the number of people employed decreased by 3,700 to 11,459,500 in January.

The decrease in employment was due to decreased full-time employment, down

7,100 people to 7,953,000, offset by increased part-time employment, up 3,400 to 3,506,500.

The decrease in total employment was driven by decreases in male and female full-time employment and female part-time employment.

The number of people unemployed increased by 16,600 people to 728,600 in January, the ABS reported.

The ABS monthly seasonally adjusted aggregate hours worked series increased in January, up 20.5 million hours to 1,635.8 million hours.

The ABS reported the seasonally adjusted labour force participation rate was unchanged at 64.5% in January.



Increasing capital city values good for real estate industry

Report source: Real Estate Institute of South Australia media release: 05 February 2014 www.reisa.com.au

The latest RP Data-Rismark Home Value Index report found an overall increase in the value of capital city properties over the last 12 months, which could be great news for those with real estate careers or anyone undertaking real estate training.

According to the report, there has been an overall value increase of 2.7% over the last three months ending in January and overall growth of 13.2% since the beginning of the current growth cycle, which started in June 2012.

Furthermore, capital city prices are now 4.8% higher than their previous peak in October 2010, indicating a return to a strong real estate market across the nation.

RP Data Research Director Tim Lawless said this growth is likely to dampen any thoughts towards the Reserve Bank of Australia's (RBA) decision to raise the official cash rate.

"Together with the higher than expected inflation reading and a lower Aussie dollar, the sustained growth in dwelling values is another factor the RBA is likely to consider when deliberating on any movement in the cash rate," said Mr Lawless in a February 3 statement.

Furthermore, Rismark's Chief Executive Officer Ben Skilbeck said that an increase in positive consumer sentiment was leading to this growth across the nation.

"Growth in outstanding housing borrowings has increased meaningfully from its lows.

Most noticeable is investor borrowing which for the calendar year 2013 grew by 7% compared to 3% in 2011," said Mr Skilbeck in a February 3 statement.

Government must boost first home buyers & affordability

Report source: Real Estate Institute of South Australia media release: 03 February 2014 www.reisa.com.au

In its pre-budget submission, the Real Estate Institute of Australia (REIA) has urged the Government to act on housing affordability and to stem the rapid decline in the number of first home buyers.

REIA President, Peter Bushby says, "We want to see a marked improvement in the standards of delivery of vocational education and adequate data on the supply/demand imbalance of housing for informed decision-making by policy makers and stakeholders."

"REIA's 10 proposals are aimed at contributing to Australia's continuing economic development and productivity."

In preparing 2014/15 Budget, REIA seeks the Commonwealth Government's consideration of the following:

- Ensure the availability of reliable data on housing demand and supply to formulate appropriate policies and to monitor their effectiveness
- All states and territories uphold the initial intent of the Intergovernmental Agreement in Federal Financial Relations Schedule A, that assistance to first home buyers will be "uniform" and that "an eligible home will be new or established"
- Review the amount of the First Home Owner Grant annually to maintain relativity with house price movements
- Allow first home buyers access to their superannuation for the purchase of a home
- Retention of current arrangements for negative gearing of property investments
- No increase in Capital Gains Tax on property investments
- Abolish stamp duty on property transactions in favour of an efficient source of revenue for states and territories
- Improve the supply of housing for social housing tenants transitioning to private rental by utilising private investment
- Monitor HAF and NRAS to observe its effects on housing supply and to conduct a review which considers additional measures to bridge the demand/supply imbalance
- Ensure the Australian Skills Quality Authority (ASQA) funding is adequate to ensure nationally approved quality standards are met for vocational education and training.



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