


demand
without supply



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- The background of the slide is a photograph of a grassy field with a large white outline of a house drawn on it. A person is standing in the bottom right corner of the field, looking towards the house outline. The overall scene is dimly lit, suggesting dusk or dawn.
1. last 12 months - **what's really going on**
 2. **fundamentals** - back to basics
 3. hot spotting - **observations**
 4. **3 years from now** – outlook until 2010
 5. wrap up – **positives outweigh negatives**

Salt Village

end notes


- ❖ queensland's fundamentals are strong
- ❖ no housing crash
- ❖ gold coast/tweed fastest growing region
- ❖ salt water & infrastructure drive prices up
- ❖ northern nsw now has a population cap
- ❖ waterside land at southbeach at salt is currently undervalued

- ❖ **common theme:** prices falling; auction clearances down; new home lending falling; sales activity is low as is both business & consumer confidence.
- ❖ **culprits:** higher interest rates; rising petrol & food prices; more listings for sale & low housing/rental affordability.
- ❖ **likely outcome:** price growth weak in coming months as will be buyer activity & especially the sale of new stock.

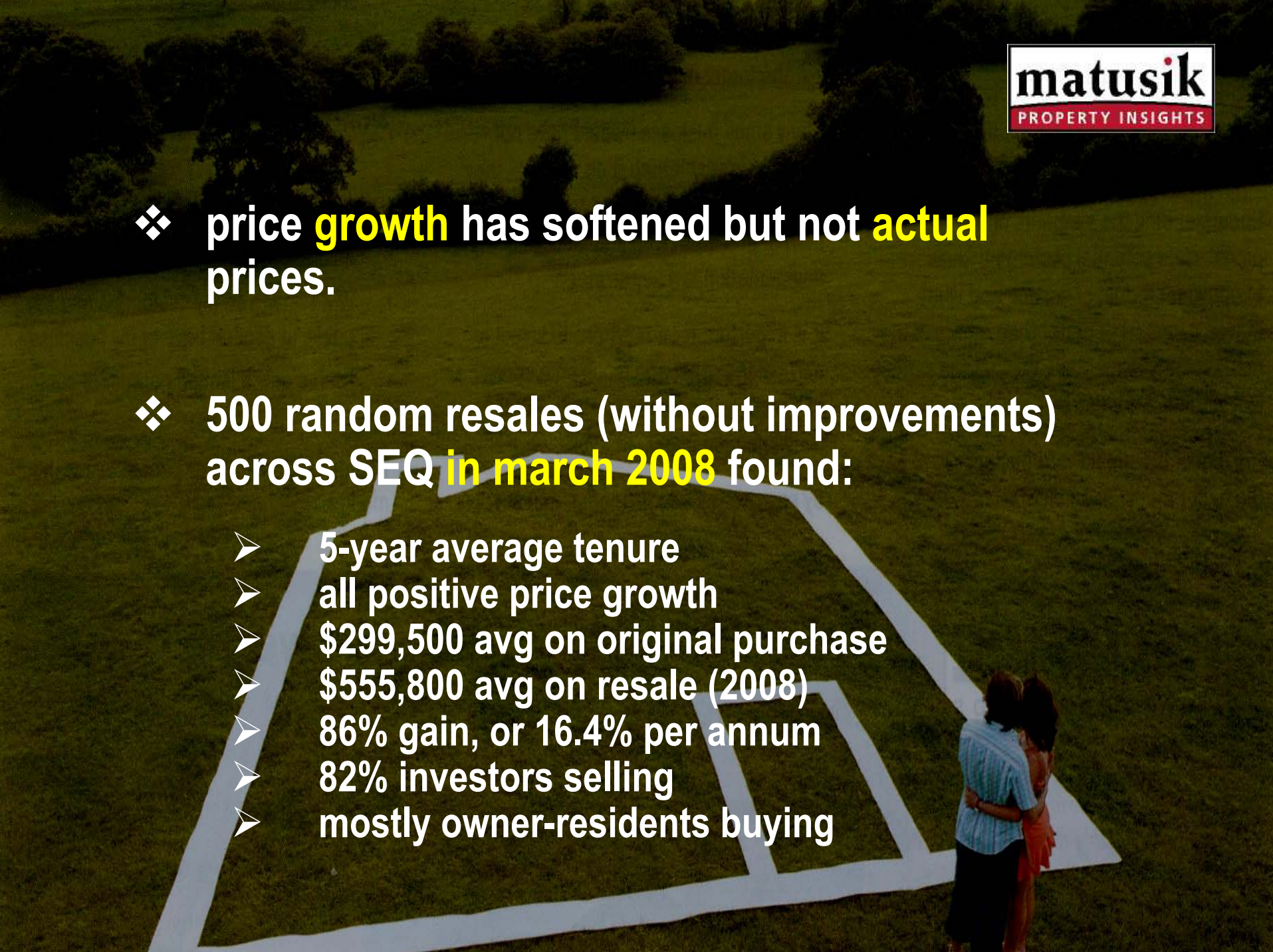
- ❖ australia's population growth (317,000 pa) **fastest** on record, **queensland** fastest growing state/territory.
 - ❖ **residential prices** rose by 14% last 12 months, across **SEQ** by over 20%.
 - ❖ **vacancy rate** is under 2%, **rental growth** in double digits. **new market** is also undersupplied.
 - ❖ **listings** have increased – up 25% on last year – but well priced property still sells within a month or so.
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❖ affordability **incorrectly** measured

- 30% income = housing stress is wrong. 1992 housing study relating to low-income households only
- 35% income used this time last year (today 38%) but prices rose 14% last 12 months. how?
- RBA found that 47% income can be used for debt servicing whilst maintaining current lifestyle
- income measurement wrong too – ABS (12%) v ATO 21% higher, age-related not family group
- 33% first home buyers in 2007 could buy, 40% in Qld – but they choose not to!
- current measures do not factor in equity, investment income or superannuation

- ❖ usa has 16 months in new supply, australia is **undersupplied** by 32%.
 - ❖ in oz we mortgage our house as security but in the usa mortgages are **non-recourse** and banks can only rely house security.
 - ❖ **0.3%** oz mortgages are three months in arrears and just **1.45%** are one month behind – mostly in western sydney.
 - ❖ residential building costs rising now by **1% per month**
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- ❖ price **growth** has softened but not **actual** prices.

 - ❖ 500 random resales (without improvements) across SEQ **in march 2008** found:
 - 5-year average tenure
 - all positive price growth
 - \$299,500 avg on original purchase
 - \$555,800 avg on resale (2008)
 - 86% gain, or 16.4% per annum
 - 82% investors selling
 - mostly owner-residents buying
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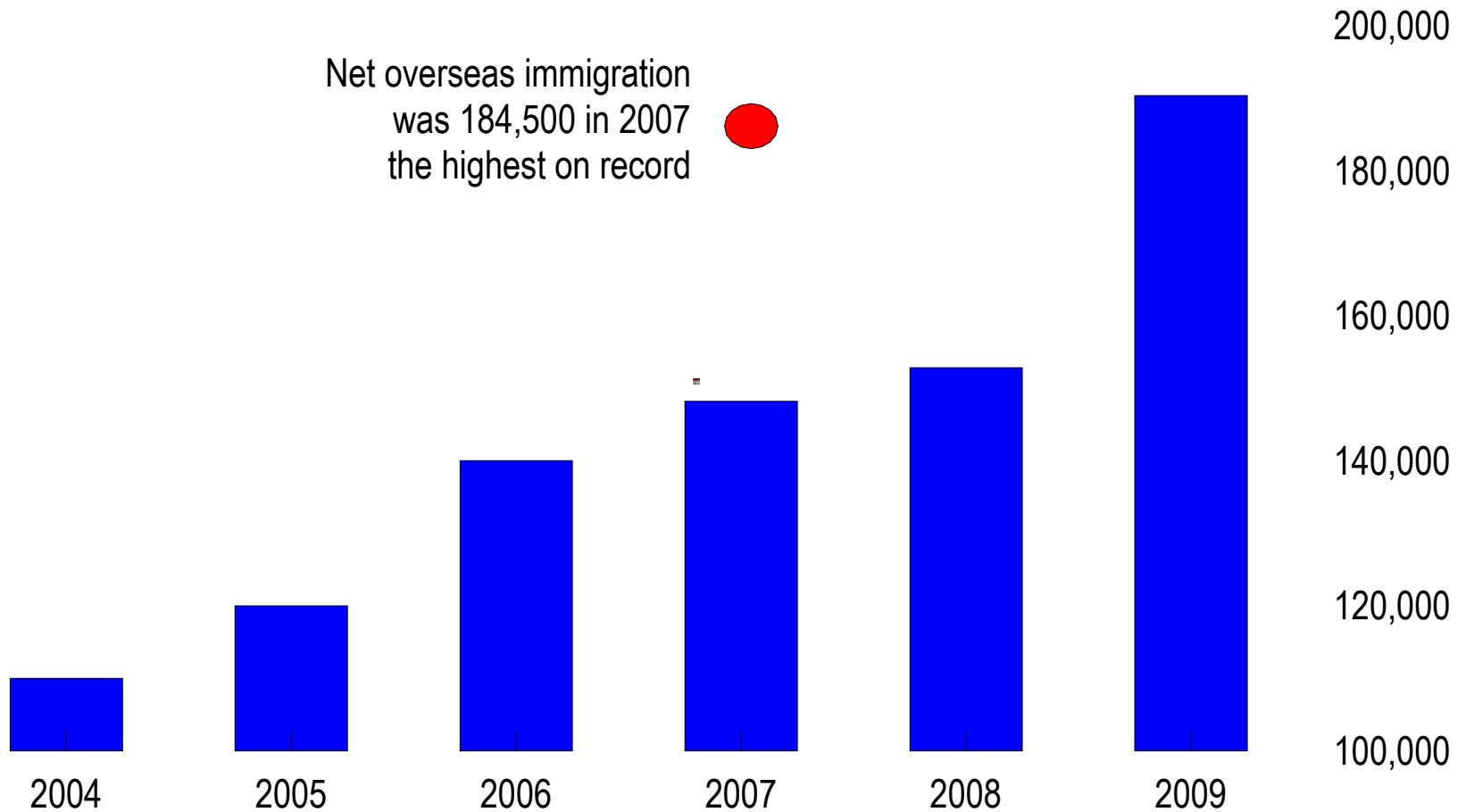
last 12 “very strong”



$$1 + 2 = 3$$

Net overseas migration intake targets

Australia



Annual population growth

Australian states and territories

	Last ten years 1996 to 2006	Last year 2007	Next ten years* 2008 to 2018
New South Wales	61,250	72,900	75,600
Victoria	47,750	76,900	51,400
Queensland	75,250	90,500	99,000
South Australia	9,500	16,300	14,400
Western Australia	29,500	46,750	40,500
Tasmania	1,550	3,410	3,500
Northern Territory	2,900	4,300	5,000
Australian Capital Territory	2,600	5,640	4,700
Australia	230,000	317,000	294,000

Matusik Property Insights, ABS.

* Based on medium series projections.

Annual population growth

Australian capitals

	Last ten years 1996 to 2006	Last year 2007	Next ten years* 2008 to 2018
Sydney	40,300	52,000	45,900
Melbourne	46,100	61,700	47,000
Brisbane	32,000	37,200	52,200
Adelaide	6,800	12,100	4,700
Perth	22,450	35,300	32,500
Hobart	1,000	1,920	2,000
Darwin	1,850	3,030	3,600
Canberra	2,600	5,640	4,700
All capital cities	153,000	211,000	193,000

Matusik Property Insights, ABS.

* Based on medium series projections.

Select economic indicators

Australian states and territories

	State final demand growth	Employment growth	Unemployment rate
New South Wales	4.0%	66,500	4.7%
Victoria	4.2%	50,300	4.3%
Queensland	6.7%	51,600	3.8%
South Australia	3.7%	16,000	5.0%
Western Australia	7.0%	25,600	3.7%
Tasmania	8.1%	8,900	4.4%
Northern Territory	5.4%	5,100	3.6%
Australian Capital Territory	0.4%	4,600	2.7%
Australia		228,600	4.3%

Matusik Property Insights, ABS.

Year ending March 2008 for demand. Year ending May 2008 for seasonally adjusted employment-related statistics.

Annual new dwelling demand

Australian states and territories

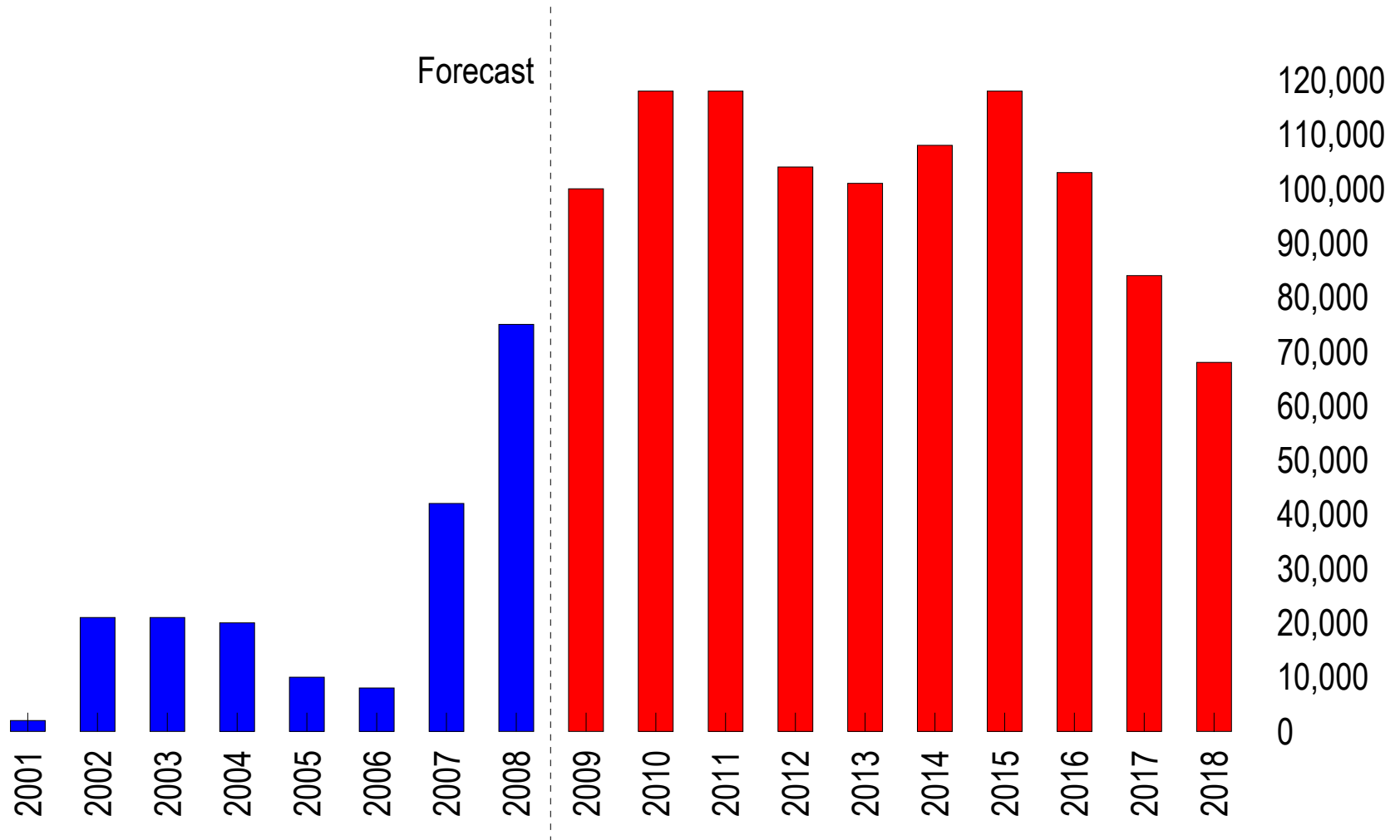
	Last year 2007*	Next ten years 2008 to 2018**	Current stock deficiency
New South Wales	29,300	49,000	45%
Victoria	39,900	46,000	29%
Queensland	43,100	45,000	46%
South Australia	11,400	11,000	5%
Western Australia	22,700	24,000	5%
Tasmania	2,900	2,500	0%
Northern Territory	1,500	2,000	13%
Australian Capital Territory	2,300	3,000	29%
Australia	153,100	182,500	32%

Matusik Property Insights, ABS and Matusik database.

* Seasonally adjusted dwelling commencements. ** Anticipated new dwelling approvals averaged over next ten years.

Anticipated shortage of dwelling stock

Australia



summary

- ❖ strong **economic growth**, especially commodity states like queensland.
 - ❖ **job creation**, unemployment around 4%.
 - ❖ highest **population growth** on record.
 - ❖ **undersupply** of new stock.
 - ❖ the **BIG FOUR** are all **positive** and big time!
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key ingredients for price/rental growth:

- ❖ **infrastructure**
 - ❖ **mixed-use (new urbanism)**
 - ❖ **blue sky – improvement/management**
 - ❖ **sea, tee and tree change**
 - ❖ **changing demographics & behaviour**
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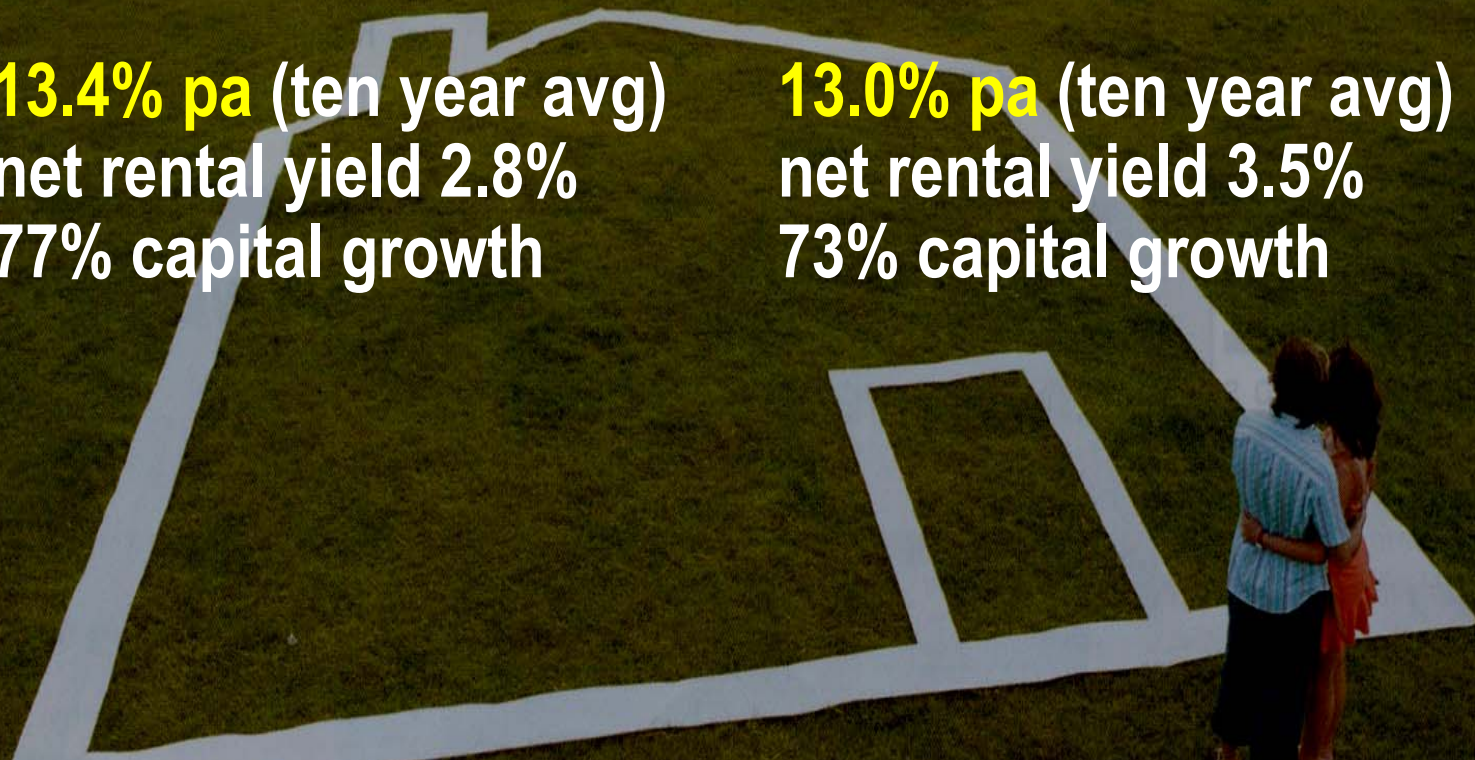
total residential return

3-bedroom houses

13.4% pa (ten year avg)
net rental yield 2.8%
77% capital growth

2-bedroom attached

13.0% pa (ten year avg)
net rental yield 3.5%
73% capital growth



capital growth

- ❖ smaller new product – apartments and houses
- ❖ second-hand houses on land over 800 sqm

rental returns

- ❖ ability to share – bathrooms
- ❖ off street parking
- ❖ secure property & storage
- ❖ pets

locations (qld)

- ❖ inner north to brisbane airport & inner south
- ❖ brisbane western corridor
- ❖ **southern gold coast/northern nsw**
- ❖ gladstone & bundaberg

- ❖ **tugun bypass** – only 20 to 25 minutes to robina
- ❖ robina is the **new gold coast cbd** – 100,000 sqm office space; 4,500 professional workforce; rail; town centre itself; hospital & everything titans! the **real centre** of the gold coast.
- ❖ **salt is still great value for money** – lots are 30% to 40% larger than on the southern gold coast and price (rate/sqm basis) is 4 to 5 times cheaper.
- ❖ **salt's resale performance is great too** – waterside land resold over last 12 months on average achieved gains of 17% pa.



assumptions

- ❖ **interest rates** steady, decline in 2009
 - ❖ **\$A** remains high – above 85 US cents
 - ❖ **migration** to oz remains high
 - ❖ **US economy** has a mild recession, **recovery** in 2009
 - ❖ demand for our **resources** continues
 - ❖ **share market** settles down
 - ❖ **unemployment** here remains below 5% and **wages growth** remains constrained
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Improved residential prices - annual price growth

Australian capitals

	Last ten years 1998 to 2008	Last year to Mar-08	Next three years 2008 to 2010*
Sydney	11%	6%	7%
Melbourne	12%	14%	12%
South East Queensland	17%	21%	9%
Adelaide	18%	19%	7%
Perth	22%	-1%	5%
Hobart	19%	14%	9%
Darwin	20%	8%	8%
Canberra	14%	6%	7%
All capital cities	14%	8%	8%

Matusik Property Insights, REIA and Matusik Database.

* Full calendar years and based on certain assumptions.

Residential rents - vacancy rate and annual growth

Australian capitals

	Current vacancy rate, Mar-08	Last year to Mar-08	Next three years 2008 to 2010*
Sydney	1.2%	14%	13%
Melbourne	1.5%	12%	17%
South East Queensland	2.0%	14%	10%
Adelaide	1.4%	8%	7%
Perth	1.9%	16%	5%
Hobart	2.3%	9%	8%
Darwin	1.1%	24%	5%
Canberra	2.3%	12%	7%
All capital cities	1.6%	13%	12%

Matusik Property Insights, REIA and Matusik Database.

* Full calendar years and based on certain assumptions.

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Matusik Property Insights

Matusik Property Insights are real estate strategists specialising in new residential development advice.

We help make new residential work. We cannot look at any project without seeing potential. We come from a market's point of view.

Our focus enables us to react quickly and proactively. We are very deadline orientated.

With few independent services available to the residential development industry, Michael Matusik founded Matusik Property Insights in the late 1990s. Matusik provides strategic residential property advice to development firms, financiers, the government, industry bodies - and in some cases, individuals.

At last count, Matusik has helped around 400 new residential developments come to fruition. Think: Sanctuary Cove; Brookwater; North Lakes or Cutters Landing, to name just a few. This is a highly focused boutique operation which is passionate about what it does.

Matusik is an active member of many industry organisations including the Urban Development Institute of Australia; the Property Council of Australia; the Brisbane Development Association and the Master Builders Association.

Michael is the director of Matusik Property Insights; he gives around 50 presentations a year; is a weekend commentator on 612ABC; is (sadly) the public face of Matusik and is author of the Matusik Snapshot newsletter, among other things. He also likes to play golf. He is married with two teenage daughters and lives on acreage in Brisbane's west. He divides his time.

Did you know?

Due to increasing demand, Matusik have released our top **2008 Hot Spots** for Queensland, but with a caveat - most commentary about property hot spots is, in our opinion, flawed. Too often areas are deemed 'hot' because they are relatively cheap and demand (at the time) exceeds supply. Whilst these two factors are important and should be a given when determining if an area could be 'hot', not enough consideration is given to what supports the location over the long haul. To that end, our selection draws on the ingredients which we have found are needed for long term price growth. See our full report in this month's **Snapshot No. 351 - Picking Winners**. Not a subscriber? [Click here to order](#).



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Think outside the box? So do we. Tell us in 300 words or less why you want to work at Matusik.

Latest Poll

Where would you buy for the best capital growth over the next five years?

- An apartment in a seachange location with a view of the ocean
- An inner city apartment in a mixed-use highrise development
- A small-lot detached house with golf course frontage
- A detached house on a large suburban allotment in an urban growth corridor
- A townhouse near new



- ❖ current “gloom” is **unwarranted**
 - ❖ market **consolidation**, with things to improve into 2009 once confidence returns
 - ❖ **fundamentals are strong**, especially the lack of new housing supply
 - ❖ undersupply to remain for the **next decade**
 - ❖ low affordability “**over sold**” at present
 - ❖ **salt** still represents **great value**
- 

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