



Real Estate Institute of Australia

**PROFILE:**

**AUSTRALIAN REAL ESTATE  
INDUSTRY**

**Review 2003-04**

**Real Estate Institute of Australia**

**September 2004**

# PROFILE AUSTRALIAN REAL ESTATE INDUSTRY

## Review 2003-2004

### INDEX

	Page		Page
Economic Overview	3	Table 9	10
Gross domestic Product	3	Table 10	10
Chart 1	4	Table 11	10
Consumer Price Index	4	Table 12	10
Chart 2	4	Table 13	11
Interest Rates	5	Table 14	11
Chart 3	5	Table 15	11
Labour Market	5	Residential Property Prices	11
Balance of Payments	6	Table 16	12
Key Features of the Real Estate Industry	6	Residential House Rents	12
Property Market Indicators	7	Table 17	12
Australian Housing Stock	7	Flats/Units/Townhouses Sales	13
Table 1	7	Table 18	12
Additions to Stocks	7	Chart 5	13
Residential Building Approvals	7	Flats/Units/Townhouses Rents	13
Table 2	7	Table 19	14
Dwelling Unit Commencements	8	Vacancy Rates	14
Table 3	8	Table 20	14
Table 4	8	Home Loan Affordability	14
Table 5	9	Chart 6	15
Table 6	9	Non-Residential Markets	15
Home Ownership	9	Table 21	15
Table 7	9	Foreign Investment	16
Residential Property Sales - Australia	9		
Table 8	10	References	17

## ECONOMIC OVERVIEW

### Introduction

The Australian economy<sup>1</sup> recorded good growth through 2003-04 and is expected to continue to expand at an acceptable pace. Since the early part of the year, the broadly based upward swing in the global economy maintained its momentum and this is expected to improve prospects for Australian exporters. Business and consumer confidence remains high. At the same time, the worrying high rate of escalation in domestic housing prices over the two years to December 2003 eased in the first six months of 2004.

Market interest rates have remained low and steady with only two rate rises in the official cash rate, each of 25 basis points, in November and December 2003. Consumer spending received a boost from additional benefit payments and tax cuts provided through the Federal Budget and surveys of businesses have indicated strong levels of profitability that will lead to increased business investment as world economic conditions continue to improve. Consistent with the strength of the economy, the unemployment rate reached its lowest level recorded in the last twenty years.

The annual inflation rate measured by the Consumer Price Index (CPI), fluctuated around 2% through 2003-04 and the Reserve Bank of Australia (RBA) expects underlying inflation to remain close to 2% into the near future before rising to around 2.5% by the end of 2005.

Overall, the Australian economy is expected to continue growing at a good pace with relatively low inflation. The overheated housing market is cooling with rates of prices growth declining significantly over the last six months and continuing improvements in global economies will enhance Australian exports. Any increase in inflation from its current low level is expected to be gradual. The RBA will monitor future developments and adjust the official cash interest rate as necessary to ensure that the conditions for sustainable economic growth with low inflation continue.

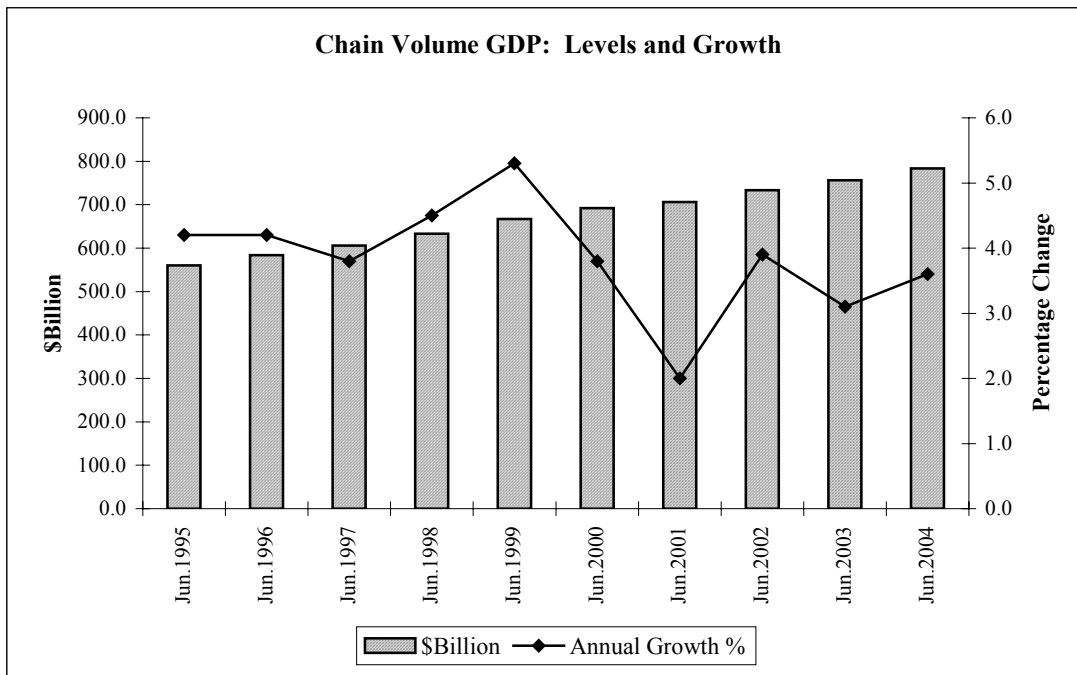
### Gross Domestic Product

- Gross Domestic Product (GDP) is the total annual value of all legal goods and services produced domestically.
- The annual value of GDP to June 2004 was \$783.6 billion, a growth of 3.6% over the year.
- The 2003-04 growth of 3.6% compared with growth of 3.1% in 2002-03 and 3.9% in 2001-02.
- In seasonally adjusted terms, expenditure on:
  - new and used dwellings of \$403.1 billion was 7.9% higher than in the previous year;
  - alterations and additions of \$427.6 billion was 7.2% higher than in 2002-03, and
  - total non-dwelling construction of \$421.2 billion was 6.3% higher than in 2002-03.
- In seasonally adjusted terms, the percentage of property sector industries value added to GDP in 2003-04 were:
  - 8.7% by ownership of dwellings
  - 10.5% by property and business services (excluding ownership of dwellings), and
  - 6.2% by construction

### Chart 1.

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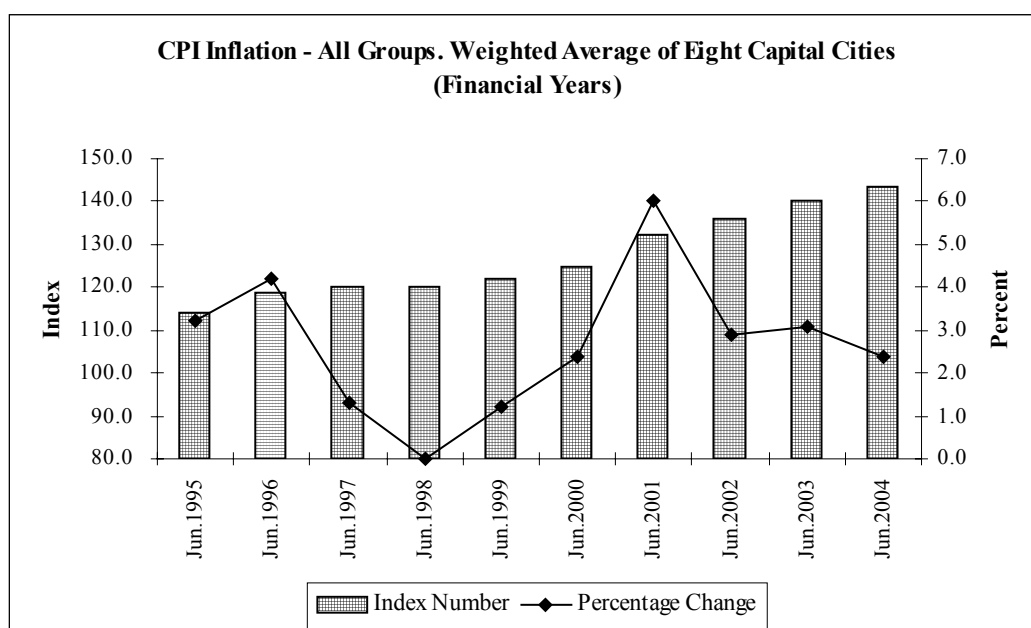
<sup>1</sup> Source: Statement on Monetary Policy, August 2004 and Bulletin, various issues, Reserve Bank of Australia.



### Consumer Price Index (CPI)

- CPI measures changes in the price of a ‘basket’ of goods and services that accounts for a high proportion of expenditure by consumers. The Australian ‘basket’ comprises eight groups of goods and services. CPI measures inflation.
- Apart from 2000-01 when inflation reached 6.0% following the introduction of GST, the annual inflation rate has been kept to low levels since 1996-97 as shown in Chart 2.
- In the last three years, annual inflation as at June, was 2.9% in 2002, 3.1% in 2003 and 2.4% in 2004. These rates are within the range considered appropriate by the RBA in the context of sound monetary policy.

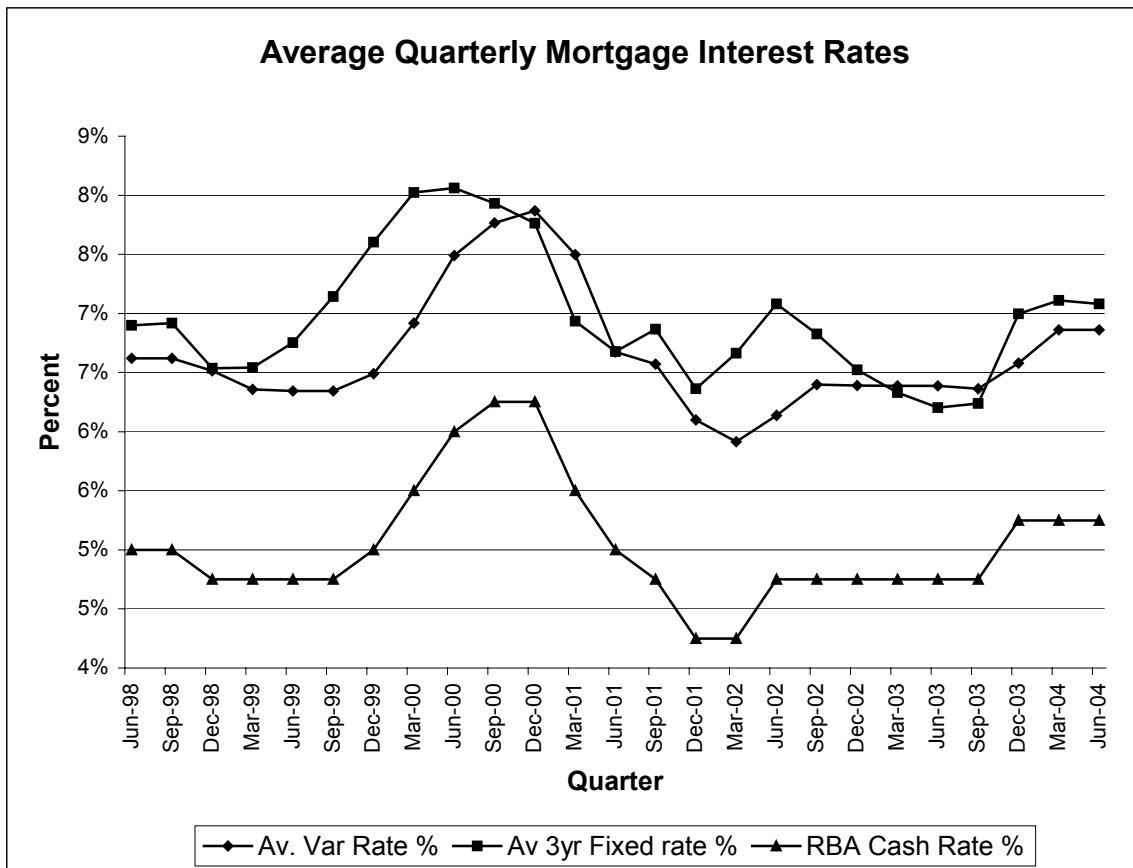
**Chart 2.**



### Interest Rates

- The official cash interest rate in Australia was reduced by the RBA on six consecutive occasions to lower the rate from a recent high of 6.25% in August 2000 to 4.25% in December 2001. Since that time, the rate was increased by 25 basis points on each of four occasions to its current level of 5.25%. Also since December 2001, the cash rate remained unchanged for two extended periods between June 2002 and November 2003, and since December 2003.
- Mortgage interest rates move with the cash rate as shown in Chart 3.
- In September 2000, when the cash rate was at its recent highest level of 6.25%, the average standard variable interest rate for the quarter was 7.77% and the average 3-year fixed rate was 7.93%. In December 2001, when the official cash rate was at its lowest level of 4.25%, the quarterly average standard variable rate dropped to 6.10% and the quarterly average 3-year fixed rate fell to 6.36%.
- In the June quarter 2004, the average standard variable interest rate across all mortgage lender groups was 6.86% and the average three year fixed rate was 7.08%.

**Chart 3.**



**Labour Market**

- In August 2004, Australia’s total labour force was estimated at 10.240 million people of which 9.663 million (94.4%) were employed.
- Of those employed, 44.6% were females and 55.4% were males.
- Almost 72% of employed people were in full-time work whilst 28% had part-time work.
- The unemployment rate of 5.6% was the lowest since 1981 and has not changed from this level for the last five consecutive months.
- The participation rate of 63.5% has remained steady at close to this level for three years.

## Balance of Payments

- In the last year, Australia's terms of trade increased by more than 10%.
- Key contributors to this marked upward trend were rising world commodity prices for Australia's exports, particularly for many commodities and services, and subdued growth in import prices.
- The terms of trade at more than 10% higher than a year ago, are at their highest level in 28 years.
- The deficit on trade in goods and services narrowed from a peak of 3.5% of GDP in mid 2003, to around 3.0% of GDP in June 2004.
- In line with the improvement in the terms of trade, the current account deficit (CAD) is forecast to narrow from around 6.5% in June 2003 to near 5.75% in June 2004
- These two declines were less than expected in the light of easing drought conditions and rising world commodity prices, and reflected a relatively modest recovery in export volumes and continued strong growth in import volumes.

## KEY FEATURES OF THE REAL ESTATE INDUSTRY

- A survey of Australian Real Estate Services in 2002-03 was conducted by the ABS and the results are summarised below. The last time the ABS survey was carried out was in 1998-99.
- The Real Estate Services industry covered in the survey included valuing, purchasing, selling by auction and private treaty, and managing or renting real estate for others.
- The total number of businesses in the industry was 10,000, up 7.1% compared with 1998-99.
- The total number of people employed in the industry in 2002-03 was 76,599, up 10.1% compared with the previous survey period.
- Approximately 75% of real estate industry businesses are members of the Real Estate Institute.
- In 2002-03 the industry generated total income of \$7,524.7 million and industry value added of \$4,784.1 million.
- The number of persons employed as real estate agents at 30 June 2003 was 67,934, of which 35,988 (53%) were franchised real estate agents and 31,946 (47%) were non-franchised real estate agents.
- The number of real estate agents employed in June 2003 was 47% higher than the number employed (46,202) in June 1999.
- Permanent employees (excluding proprietors and working business partners) comprised 86.7% and casual employees comprised 8.0% of real estate agents.
- Females comprised 45%, and males comprised 55% of employed real estate agents in June 2003.
- The relative proportions of categories of the total number (67,934) of real estate agents were:

○ Real estate agency managers	13.4%
○ Real estate sales persons – residential properties	33.2%
○ Real estate sales persons – commercial properties	4.9%
○ Property managers – residential properties	14.9%
○ Property managers – commercial properties	4.7%
○ Valuers/land economists	0.5%
○ Other staff	<u>28.4%</u>
	100.0%
- The relative proportions of size of real estate agency were:

- 0 - 4 persons 39.0%
  - 5 - 9 persons 34.1%
  - 10 - 19 persons 20.6%
  - 20 - 49 persons 5.8%
  - 50 – 99 persons 0.3%
  - 100 or more persons 0.2%
- 100.0%

- Total income from all sources to real estate agents in the year to June 2003 was \$6,818.7 million and the average operating profit margin was 11.1%.

## PROPERTY MARKET INDICATORS

### Australian Housing Stock

- The estimates of Australia's housing stock in Table 1 were obtained from information on occupied and unoccupied dwellings in Census years 1991, 1996 and 2001. The Census is the responsibility of the Australian Bureau of Statistics (ABS).

**Table 1. Australian Housing Stock**

Dwelling Type	1991 Census		1996 Census		2001 Census	
	No.	% of Total <sup>1</sup>	No.	% of Total <sup>1</sup>	No.	% of Total <sup>1</sup>
<b>Occupied dwellings:</b>						
Separate Houses	4,533,946	71.3	4,911,909	68.5	5,327,309	68.4
Semi-detached, terrace and townhouses	452,827	7.1	517,181	7.2	632,176	8.1
Flats/Units/Apartments	680,803	10.7	816,704	11.4	923,139	11.9
Other dwellings	55,439		134,024		134,274	
Not Stated	42,561		116,254		55,304	
<b>Unoccupied dwellings</b>	597,667	9.4	679,165	9.5	717,877	9.2
<b>Total Dwellings (Stock)</b>	6,363,243		7,175,237		7,790,079	

Source: Census data

1. Total dwellings comprise occupied dwellings plus unoccupied dwellings. The percentages are calculated as the number of occupied dwellings in each category as a percentage of the total dwellings. Unoccupied dwellings in each category are not shown in Table 1 and have been excluded from the percentage calculations. Unoccupied dwellings data are available in the original ABS tables produced from the Census data.

- Australia's housing stock increased by 1.4 million dwelling units or 22.4% in the ten-year period from 1991 to 2001.
- Changes in the relative proportions of categories of occupied dwellings from 1991 to 2001 reflected changing life-styles, including emerging preferences by many Australians for living in flats, units, apartments, or townhouses.
- The proportion of total dwellings occupied as separate houses declined from 71.3% in 1991 to 68.4% in 2001 whilst occupied flats, units, apartments and townhouses increased from 17.8% of total dwellings in 1991 to 20.0% ten years later.

### Additions to Stocks

- **Residential Building Approvals.** The number and value of residential building approvals in each of the last three years are shown in Table 2.

**Table 2. Residential Building Approvals**

	2001-02		2002-03		2003-04	
	No.	\$ billion	No.	\$billion	No.	\$billion
Houses	121,667	17.674	116,703	18.659	120,503	21.387
Flats/units/townhouses	51,151	7.099	61,056	9.779	59,233	9.649
Total dwelling units	172,818	24.773	177,759	28.438	179,736	31.036

Source: ABS Catalogue 8731.0

- There was a low level of approvals in 2000-01 following the dramatic ‘pull-forward’ effect with the introduction of the GST in 1999-00.
- The Government re-stimulated the housing construction industry in 2001-02 via the First Home Owner Scheme (FHOS).
- The combination of the FHOS and low interest rates had the desired effect and building approvals in 2001-02 recovered to levels slightly below the records achieved in 1999-00.
- In 2002-03 there was a reduction in approvals for houses, partly as a result of an adjustment to the level of assistance under the FHOS, and partly as a result of rapidly rising house and land prices. At the same time, there was a sharp increase in the number of approvals for flats/unit/townhouses. This was a reflection of the high incidence of ‘off-the-plan’ sales for medium density housing by developers in order to meet the strong demand by investors for this type of property.
- In 2003-04, the number and value of approvals for new houses increased whilst the number and value of other dwellings were lower compared with the preceding year.
- **Dwelling Unit Commencements.** ABS estimates of dwelling unit commencements in the last three years are shown in Table 3.

**Table 3. Dwelling Unit Commencements**

	2001-02		2002-03		2003-04	
	Number	Change from previous period %	Number	Change from previous period %	Number	Change from previous period %
New Houses	113,626	51.2	112,228	-1.2	117,964	5.1
New Other Dwellings	47,919	29.7	54,827	14.4	52,045	-5.1
Total dwelling units	164,407	43.4	169,945	3.4	172,292	1.4

Source: ABS Catalogue 8750.0, Original estimates.

- Table 3 follows the pattern of approvals with a reduction of the commencement of new houses in 2002-03 accompanied by a rise in new other dwelling starts, followed a year later by lower new house commencements and increased commencements for other dwellings.
- Tables 4, 5 and 6 show the value of building work in Australia. They provide estimates of the value of building work commenced (Table 4), the value of building work completed (Table 5), and the value of building work done (Table 6) for new residential building, alterations and additions and non-residential building.
  - Value of building work commenced is the anticipated completion value when the first physical building activity has been performed on site.
  - Value of building completed is the actual completion value based on market/contract prices when building activity has reached the stage where the building can fulfil its intended function.
  - Value of building work done is the estimated value of building work carried out on jobs that commenced in the reference period.
- The value of building work done on residential buildings has averaged 66.5% of the total value of building work done over the last four years.

**Table 4. Value of Building Work Commenced**

	New Residential Building \$m	Alterations & Additions \$m	Total Residential Building \$m	Total Residential Building %	Non-Residential Building \$m	Non-Residential Building %	Total Building \$m
2000-01	16,357.6	3,285.3	19,642.9	61.8	12,126.0	38.2	31,768.9
2001-02	25,058.8	4,165.0	29,223.8	68.5	13,473.2	31.5	42,697.0
2002-03	28,676.5	4,705.0	33,381.6	67.7	15,937.6	32.3	49,319.2
Jul 03-Mar 04	23,332.7	4,025.3	27,358.0	68.2	12,738.3	31.8	40,096.2

**Table 5. Value of Building Work Completed**

	New Residential Building \$m	Alterations & Additions \$m	Total Residential Building \$m	Total Residential Building %	Non-Residential Building \$m	Non-Residential Building %	Total Building \$m
2000-01	19,113.3	3,409.0	22,522.3	62.7	13,395.3	37.3	35,917.6
2001-02	20,002.5	3,897.3	23,899.8	65.8	12,433.1	34.2	36,332.9
2002-03	24,921.1	4,469.8	29,390.9	68.5	13,510.9	31.5	42,901.8
Jul 03-Mar 04	20,013.7	3,871.6	23,885.3	67.6	11,451.3	32.4	35,336.7

**Table 6. Value of Building Work Done**

	New Residential Building \$m	Alterations & Additions \$m	Total Residential Building \$m	Total Residential Building %	Non-Residential Building \$m	Non-Residential Building %	Total Building \$m
2000-01	17,797.4	3,389.2	21,186.6	63.1	12,408.1	36.9	33,594.7
2001-02	22,285.6	4,122.1	26,407.7	66.8	13,135.1	33.2	39,542.9
2002-03	27,224.6	4,761.8	31,986.4	67.9	15,097.7	32.1	47,084.2
Jul 03-Mar 04	22,668.1	4,155.1	26,823.2	68.2	12,517.5	31.8	39,340.7

**Home Ownership**

- Table 7, derived from ABS Census data, shows the pattern of home ownership in Australia at five-year intervals from Census year 1971 to Census year 2001.
- From 1971 to 2001, the total number of dwellings in Australia increased 94.3% from 4.0 million to 7.8 million. From 1986 to 2001, the proportion of total occupied dwellings either owned or being purchased (ie in total, a measure of home ownership) declined from 69.1% to 66.7%.

**Table 7. Home Ownership: Australia**

Tenure	Census Year Households Per Cent						
	1971	1976	1981	1986	1991	1996	2001
Owned	na	31.6	33.2	38.2	40.3	41.4	40.2
Being Purchased	na	34.7	33.0	30.9	27.0	25.5	26.5
<b>Total Owners</b>	<b>67.3</b>	<b>66.3</b>	<b>66.2</b>	<b>69.1</b>	<b>67.3</b>	<b>66.9</b>	<b>66.7</b>
Renters: State Housing	5.5	4.9	4.9	5.4	5.7	5.1	4.5
Renters: Private Landlord	21.8	20.3	20.0	20.4	20.9	23.6	23.1
<b>Total Renters</b>	<b>27.3</b>	<b>25.2</b>	<b>24.9</b>	<b>25.8</b>	<b>26.6</b>	<b>28.7</b>	<b>27.6</b>
Other Tenure	5.4	8.5	8.8	5.1	6.1	4.4	5.8
<b>Total Occupied Dwellings ('000)</b>	<b>3,670</b>	<b>4,140</b>	<b>4,669</b>	<b>5,187</b>	<b>5,765</b>	<b>6,496</b>	<b>7,072</b>
Total Unoccupied Dwellings ('000)	339	431	469	543	597	679	718
<b>Total Dwellings ('000)</b>	<b>4,009</b>	<b>4,571</b>	<b>5,138</b>	<b>5,730</b>	<b>6,362</b>	<b>7,175</b>	<b>7,790</b>

Source: ABS Census data, various years.

Percentages calculated as percent of total occupied dwellings

- From 1986 to 2001, home ownership declined 2.4 percentage points whilst the proportion of occupied dwellings that were rented increased 1.8 percentage points.

**Residential Property Sales – Australia.**

- Most residential statistics in Australia are presented for 'houses' and 'other residential dwellings'. 'Houses' as defined by ABS, are self-contained dwellings separated from other dwellings by at least 0.5 metres. A self-contained dwelling contains at least, cooking, bathing and toilet facilities. 'Other residential dwellings' is an aggregation of flats, units (apartments) and townhouses. In Australia, 'apartments' are synonymous with units. Generally, separate data on apartments in Australia are either not available or are not compiled for analytical purposes.
- The most reliable records of total annual residential sales are obtained from the appropriate government department in each State and Territory.

- The data series presented in Tables 8 to 15 commenced with the year 1999-00. The impact of the introduction of the GST in July 2000 is evident from the sharp decline in house sales in 2000-01, mainly as a result of the reduction in new house sales that occurred in the last six months of 2000.
- Annual sales information for 2003-04 was not available in time for the preparation of this report, but will be available in the 2003-04 edition of Australian Property Market Indicators (APMI) that will be released in early December 2004. APMI can be viewed on the REIA web site at [www.reia.com.au](http://www.reia.com.au).

**Table 8. Total Number of House Sales – By State**

Year	NSW	Vic	Qld	SA	WA	Tas	NT	ACT	Aus.
1999-00	101,210	91,151	108,489	27,285	42,792	7,637	2,124	6,253	386,941
2000-01	81,635	74,052	77,768	21,297	33,505	9,378	1,750	6,244	305,629
2001-02	107,394	68,283	93,077	32,347	45,200	12,795	2,130	9,148	370,374
2002-03	107,765	93,170	97,843	33,071	45,490	15,509	2,050	6,018	400,916

Source: Various State Departments and Residex Pty Ltd

**Table 9. Total Value of House Sales, (\$ million) – By State**

Year	NSW	Vic	Qld	SA	WA	Tas	NT	ACT	Aus.
1999-00	30,819	18,435	19,575	3,625	8,009	779	407	1,285	82,934
2000-01	25,604	15,020	13,554	3,291	5,390	915	332	1,393	65,499
2001-02	37,946	16,394	19,168	5,208	8,200	1,391	426	1,895	90,628
2002-03	45,666	25,872	24,115	6,724	8,983	1,988	442	1,877	115,667

Source: Various State Departments and Residex Pty Ltd

**Table 10. Total Number of Flats/Units/Townhouses Sales – By State**

Year	NSW	Vic	Qld	SA	WA	Tas	NT	ACT	Aus.
1999-00	45,045	24,138	19,503	6,167	7,295	1,475	1,218	3,463	108,304
2000-01	39,765	21,366	22,355	6,259	7,617	1,867	1,020	3,411	103,660
2001-02	56,374	19,692	29,237	7,603	9,100	2,135	1,216	4,388	129,745
2002-03	57,198	27,825	33,358	7,285	10,260	2,934	1,265	3,322	143,447

Source: Various State Departments and Residex Pty Ltd

**Table 11. Total Value of Flats/Units/Townhouses Sales, (\$ million) – By State**

Year	NSW	Vic	Qld	SA	WA	Tas	NT	ACT	Aus.
1999-00	12,387	4,522	3,536	668	1,099	684	214	554	23,664
2000-01	12,597	4,258	4,440	762	898	204	160	706	24,025
2001-02	19,215	4,606	5,961	1,022	1,316	238	190	871	33,419
2002-03	21,538	7,389	7,044	1,517	1,563	408	202	817	40,478

Source: Various State Departments and Residex Pty Ltd

**Table 12. Total Number of Dwelling Sales – By State**

Year	NSW	Vic	Qld	SA	WA	Tas	NT	ACT	Aus.
1999-00	146,255	115,289	127,992	33,452	50,087	9,112	3,342	9,716	495,245
2000-01	121,400	95,418	100,123	27,559	41,122	11,245	2,770	9,655	409,292
2001-02	163,768	87,975	122,314	39,950	54,300	14,930	3,346	13,536	500,119
2002-03	164,963	120,995	131,201	40,356	55,750	18,443	3,315	9,340	544,363

Source: Various State Departments and Residex Pty Ltd

**Table 13. Total Value of Dwelling Sales, (\$ million) – By State**

Year	NSW	Vic	Qld	SA	WA	Tas	NT	ACT	Aus.
1999-00	43,206	22,957	23,111	4,293	9,108	1,463	621	1,839	106,598
2000-01	38,201	19,278	17,994	4,053	6,288	1,119	492	2,099	89,524
2001-02	57,161	21,000	25,129	6,230	9,516	1,629	616	2,766	124,047
2002-03	67,204	33,261	31,159	8,241	10,546	2,396	644	2,694	156,145

Source: Various State Departments and Residex Pty Ltd

**Table 14. Total Number of Residential Land Sales – By State**

Year	NSW	Vic	Qld	SA	WA	Tas	NT	ACT	Aus.
1999-00	14,557	28,023	20,807	5,903	8,687	2,490	574	1,248	82,289
2000-01	9,241	17,216	11,110	3,202	6,769	2,106	398	782	50,824
2001-02	16,910	19,854	15,055	10,368	9,052	2,784	453	1,180	75,656
2002-03	9,858	28,980	14,015	10,026	15,380	5,172	370	1,274	85,075

Source: Various State Departments and Residex Pty Ltd

**Table 15. Total Value of Residential Land Sales, (\$ million) – By State**

Year	NSW	Vic	Qld	SA	WA	Tas	NT	ACT	Aus.
1999-00	2,062	2,059	3,398	310	672	116	50	94	8,761
2000-01	1,732	1,224	1,657	220	566	88	31	112	5,630
2001-02	3,556	1,459	2,049	630	746	140	41	140	8,761
2002-03	2,107	3,343	1,904	1,010	1,173	237	47	152	9,973

Source: Various State Departments and Residex Pty Ltd

- In 2002-03, total dwelling sales of 544,363 represented a turnover of 7.0% of the Australian housing stock of 7.790 million dwellings.
- A little more than 75% of all residential sales per year occur in three States, namely New South Wales, Victoria and Queensland.

### Residential Property Prices

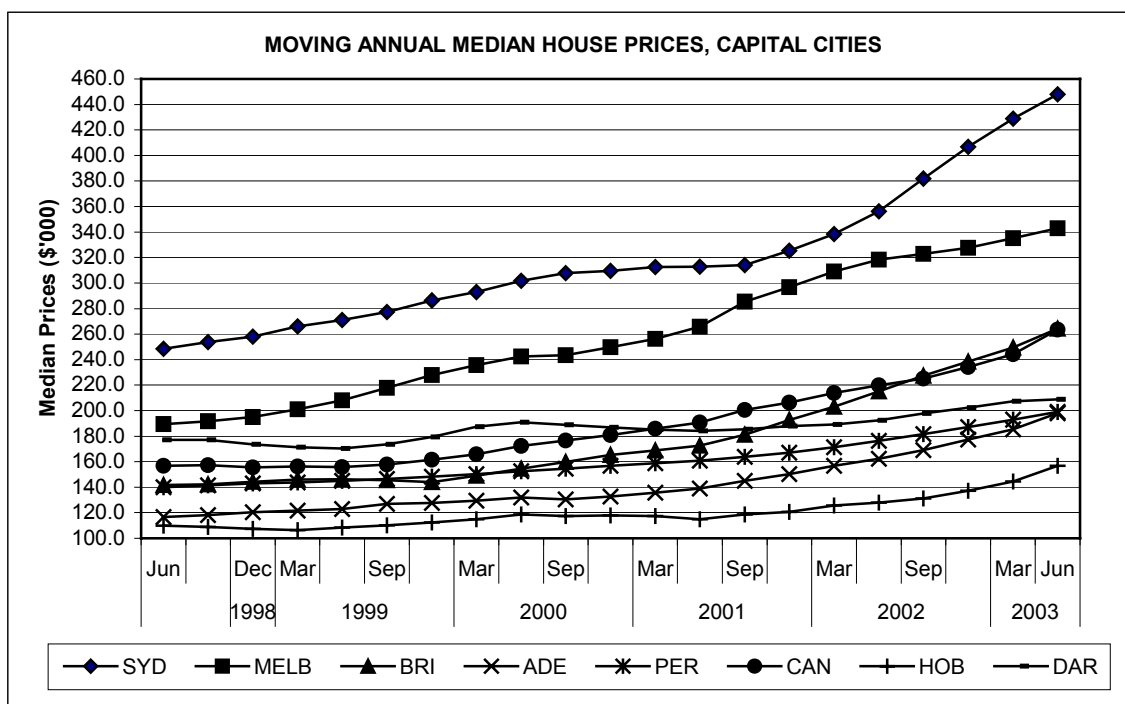
- Each State and Territory collects residential sales price data. Most of the State and Territory Real Estate Institutes (REIs) produce quarterly publications that include median prices separately for houses (usually new and established combined), flats/units/townhouses, and land.
- The REIA also has a quarterly publication, called *Market Facts*. *Market Facts* contains *inter alia*, median prices for ‘houses’ and ‘flats/units/townhouses’ for each capital city and for up to three major regional centres in each of the States/Territories. The data used by the REIA is mainly provided by State and Territory Government Departments, or by the REIs. Importantly, the REIA and each of its eight member REIs use the same sales databases.
- The purpose of *Market Facts* is to provide an overview of major residential property markets in Australia. Individual copies or annual subscriptions to *Market Facts* may be purchased on-line from the REIA web site at [www.reia.com.au](http://www.reia.com.au).
- Table 16 shows the latest median house prices for each of the capital cities for the June quarter 2004. Currently, REIA does not calculate a weighted average median house price for Australia.
- Chart 4 shows moving annual median (trend) house prices for each capital city in Australia for the five years from June 1999 to June 2004. The moving annual median house prices are calculated from quarterly median house price data sourced from the States and Territories via the REIs.

**Table 16. Median House Prices, June Quarter, 2004**

	Syd	Melb	Bris	Adel	Perth	Canb	Hob	Dar
<b>Jun. quarter 2004: (\$'000)</b> Median Price	520.0	357.9	350.0	250.0	240.4	361.5	252.0	255.0
<b>Mar. quarter 2004: (\$'000)</b> Median Price	520.0	368.0	356.0	243.0	242.8	370.8	235.0	251.5
<b>% Change: Mar '04-Jun '04</b>	0.0	-2.7	-1.7	2.9	-1.0	-2.5	7.2	1.4
<b>Jun '03-Jun '04</b>	11.8	-0.3	21.1	13.6	14.4	18.5	40.0	23.8

Source: REIA Market Facts, June quarter 2004

**Chart 4.**



Source: Real Estate Institute of Australia.

**Residential House Rents**

- The latest estimates of median weekly house rents for the June quarter 2004 in Australian capital cities are shown in Table 17. For most cities, the median rents are derived from all rental bonds that were lodged in the relevant quarter with the State Rental Bond Authorities.

**Table 17. Median Weekly House Rents, June Quarter, 2004**

City	3 Bedroom Houses	
	Quarterly median \$/week	Annual percent change
Sydney	250	0.0
Melbourne	220	4.8
Brisbane	225	0.0
Adelaide	200	5.3
Perth	186	5.1
Canberra	280	3.6
Hobart	210	13.5
Darwin	250	1.0

Source: REIA Market Facts, June quarter 2004

## Flats/Units/Townhouses Sales

- The sources of sales prices for flats/units/townhouses (and apartments) for most States are Government Departments and in others, the primary sources are the REIs.
- Table 18 shows the median prices for flats/units/townhouses for each of the capital cities for the June quarter 2004.

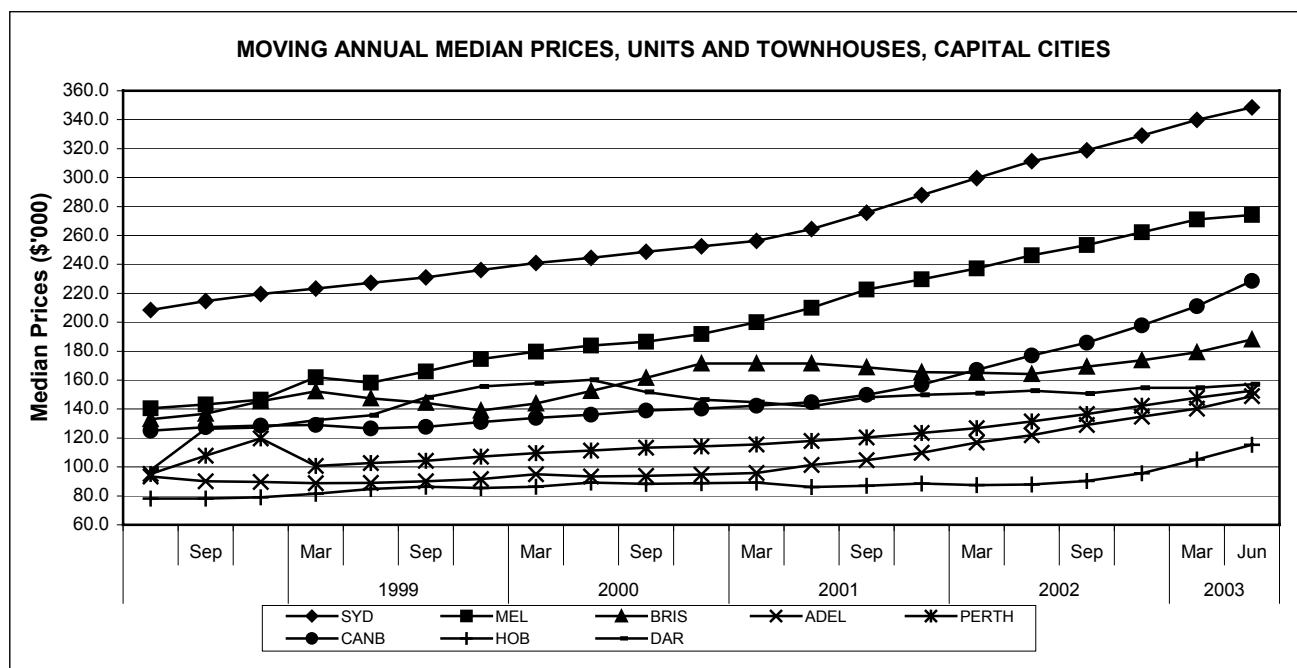
**Table 18. Median Flats/Units/Townhouses Prices, June Quarter, 2004**

	Syd	Melb	Bris	Adel	Perth	Canb	Hob	Dar
<b>Jun. quarter 2004: (\$'000) Median Price</b>	385.0	285.0	245.0	185.2	197.0	284.0	190.0	190.0
<b>Mar. quarter 2003: (\$'000) Median Price</b>	375.0	283.0	250.0	185.0	199.0	285.0	175.0	160.0
<b>% Change: Mar'04 – Jun'04</b>	2.7	0.7	-2.0	0.1	-1.0	-0.4	8.6	18.8
<b>% Change: Jun'03 – Jun'04</b>	5.6	2.2	14.0	12.2	11.9	11.4	49.0	15.5

Source: REIA *Market Facts*, June quarter 2004

- In addition, Chart 5 shows the moving annual median (trend) sales prices (calculated on quarterly median prices) for this broad group of residential properties over the five years from June 1999 to June 2004. The moving annual prices are shown for each capital city, namely Sydney, Melbourne, Brisbane, Adelaide, Perth Canberra, Hobart and Darwin.

**Chart 5**



Source: Real Estate Institute of Australia.

## Flats/Units/Townhouses Rents

- The June quarter 2004 median weekly rents for flats/units/townhouses in Australian capital cities are shown in Table 19. A national median rent for Australia is not calculated by REIA.

**Table 19. Median Weekly Flats/Units/Townhouses Rents, June Quarter, 2004**

City	2 Bedroom Flats/Units/Townhouses	
	Quarterly median \$/week	Annual percent change
Sydney	280	3.7
Melbourne	205	2.5
Brisbane	210	5.0
Adelaide	160	6.7
Perth	149	3.5
Canberra	270	3.8
Hobart	150	7.1
Darwin	190	8.6

Source: REIA *Market Facts*, June quarter 2004

### Vacancy Rates

- Vacancy Rates in Australia are obtained from surveys of member Real Estate Agents by the REIs and usually relate to rented properties in each capital city only. Vacancy rates are difficult to obtain and estimates are usually aggregated for all types of rented accommodation including houses, flats, units and townhouses. The rates are calculated from the number of vacant properties in the aggregate rent roll of rented properties in specified cities in the last month of each quarter.
- An industry 'rule of thumb' suggests that vacancy rates below about 3.0% indicate a high level of demand for rental accommodation.
- The most recent vacancy rates for rented dwellings in Australian capital cities are shown in Table 20.

**Table 20. Vacancy Rates: (All Rented Dwellings) June 2004**

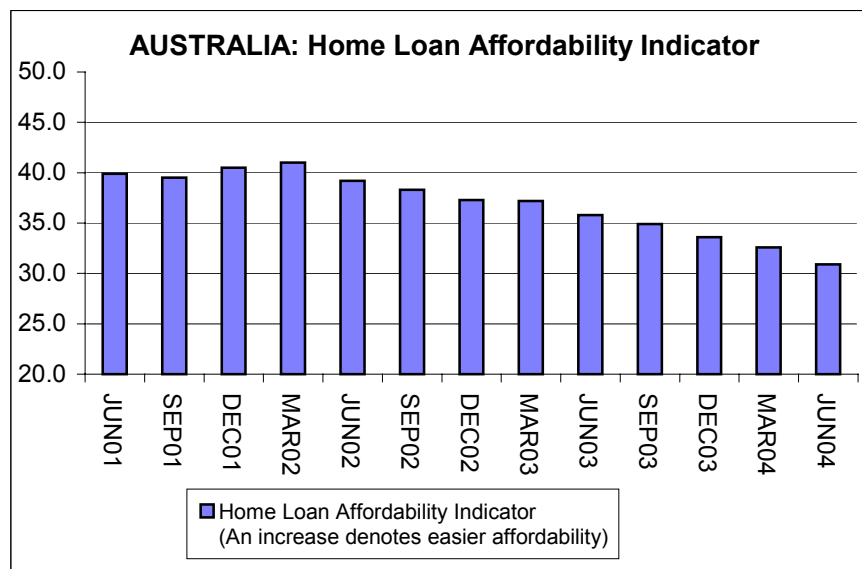
Location	Vacancy Rate %	Quarterly Change % pts	Annual Change % pts
Sydney	3.6	0.4	-0.8
Melbourne	3.6	0.1	-0.3
Brisbane	2.3	-0.6	0.0
Adelaide	1.9	0.5	-0.9
Perth	3.3	0.3	-1.2
Canberra	4.3	0.7	0.8
Hobart	2.2	0.6	-0.6
Darwin	5.5	-1.4	-1.6

Source: REI surveys of Real Estate Agent Property Managers.

### Home Loan Affordability

- The AMP Banking/REIA Home Loan Affordability Indicator (HLAI) is the ratio of median family income to average loan repayments, and a decreasing value reflects declining affordability of housing loans.
- At 30.9, the national indicator for the June quarter 2004 was at its lowest level since the December quarter 1990, and has now deteriorated for nine consecutive quarters.
- A range of factors influences the affordability of home loans, including:
  - The amount to be borrowed reflects the price of the property being purchased and the borrower's equity situation.
  - The size of loan, interest rates and the period of the loan determine the average loan repayment.
  - The ability to repay the mortgage depends upon the family income.
- Chart 6 shows how the AMP Banking/REIA Home Loan Affordability Indicator has moved each quarter since the June quarter 2001.

Chart 6.



### Non-Residential Markets.

- Statistics on the non-residential building sector in Australia are provided by the ABS for three main categories, namely Commercial, Industrial and Other non-residential buildings. Taken together, Commercial and Industrial comprise Hotels, Retail (Shops), Factories, Offices, Other Business Premises. Other non-residential buildings comprise Social and Institutional buildings including Educational, Health, Entertainment and Recreational, and Other Social and Institutional buildings.
- Table 21 shows the level of expenditure on construction work done and the percentage of the total annual amount spent in the three main categories of non-residential buildings since 2001-02. When this report was being prepared, ABS data for 2003-40 were only available up to and including the March quarter 2004.

Table 21. Value of Construction Work Done on Non-Residential Buildings

Activity	2001-02		2002-03		2003-04 <sup>1</sup>	
	\$ million	%	\$ million	%	\$ million	%
Total commercial Building	5,381	41.0	6,367	42.2		
Total Industrial Building	2,008	15.3	2,459	16.3		
<i>Total commercial plus Industrial</i>	<i>7,389</i>	<i>56.3</i>	<i>8,826</i>	<i>58.5</i>	<i>9,503</i>	<i>64.6</i>
Total Social and Institutional Building	5,746	43.7	6,271	41.5	5,206	35.4
<b>Total Non-residential Building</b>	<b>13,135</b>	<b>100.0</b>	<b>15,097</b>	<b>100.0</b>	<b>14,709</b>	<b>100.0</b>

Source: ABS Catalogue 8752.0, Table 34A

1. Estimate: BIS Shrapnel

- Non-residential building commencements increased 8% in 2001-02 and again by 11% in 2002-03. Growth in 2002-03 was broadly-based with Commercial and Industrial increasing 10% and Social and Institutional increasing 13%.
- For 2003-04, the value of non-residential building work done is estimated to fall by 2% from the previous year, mainly reflecting an 8% decline in activity in the Social and Institutional sector.
- The value of Office commencements, expected to be 13% higher than in 2002-03, will be the main influence on an estimated marginal 2% rise in the value of Commercial and Industrial buildings in 2003-04.
- The value of building work done on non-residential buildings in Australia has averaged 33.5% of the total value of building work done over the last four years (see Table 6).

## Foreign Investment

- All acquisitions of residential real estate in Australia by foreign interests require prior foreign investment approval.
- All contracts of sale to acquire residential real estate by foreign interests must be made conditional on foreign investment approval and must allow at least 30 days for a decision to be granted.
- Residential real estate means Australian real property (including vacant land), **other than** (i) developed commercial properties (i.e. offices, factories, warehouses, restaurants, shops, recreation facilities, but not accommodation facilities such as hotels) and (ii) land which is integral to a commercial farming business. Acquisitions of hobby farms and rural residential blocks by foreign interests are included in the residential real estate category.
- All proposed acquisitions of residential real estate should be submitted for examination regardless of value unless the purchaser is an Australian citizen, permanent resident or a foreign national entitled to "special category visa" (such as a New Zealand citizen) and purchasing in their own name.
- Other persons wishing to purchase residential real estate (including temporary residents, or companies with foreign shareholders or trusts with foreign management and/or beneficiaries) must apply in advance to the Government through the Foreign Investment Review Board for approval.
- Acquisitions by Australian citizens and their foreign spouses to purchase residential property as joint tenants do not require foreign investment approval.
- Developed residential real estate means houses, flats or units that have been occupied.
- Acquisitions of developed residential real estate by foreign interests are not normally approved except for:
  - foreign nationals temporarily resident in Australia for more than 12 months purchasing a residence for use as their principal place of residence while in Australia (and not for rental purposes), subject to the sale of the property when they cease to reside in Australia, their visa expires or they no longer reside in the property. This category includes long-stay retirees, and students 18 years of age and over studying courses of more than twelve months duration at recognized tertiary institutions. Normally a \$300,000 limit applies to acquisitions by students; and
  - foreign companies with an established substantial presence in Australia buying for their named senior executives resident in Australia for periods longer than 12 months.
- Acquisitions of **vacant land** are normally approved subject to a specific condition requiring ongoing construction to commence within 12 months of foreign investment approval and provided that the equivalent of at least 50 per cent of the acquisition price of the land is expended on development.
- Applications to acquire existing residences for **redevelopment** may be approved provided that the proposal provides for substantial redevelopment expenditure in relation to the acquisition cost of the property and an increase in the housing stock. Additionally, the existing house must remain unoccupied pending redevelopment.
- For both vacant land and redevelopment categories, once the development condition has been fulfilled, there is no restriction on the subsequent use of the property by the foreign investor, i.e. it may be rented out, sold or retained for the foreign investor's own use.
- Foreign interests may apply to acquire home units, town houses, house/land packages etc either off the plan, during the construction phase or when the dwelling is newly completed, provided that it has never been occupied or sold and provided no more than 50 per cent of the dwellings in any one development are sold to foreign interests. However, when the property is to be onsold, it is treated as developed residential real estate and its sale is subject to the restrictions applying to that category of residential real estate. Developers of

more than 10 unit/townhouse projects may apply in advance to sell up to 50 per cent of the residences to foreign investors. Where such approval has been granted, it is not necessary for individual foreign interests to apply for approval.

- Applications for approval to purchase residential real estate should be directed to: The Executive Member, Foreign Investment Review Board, Department of the Treasury, Langton Street, Canberra ACT 2600, Australia.
  - Facsimile: +61 2 6263 2940
  - Telephone inquiries: +61 2 6263 3795
  - Website at: [www.firb.gov.au](http://www.firb.gov.au)
  - Email: [firb@treasury.gov.au](mailto:firb@treasury.gov.au)
- The REIA is currently seeking a review of Australia's Foreign Investment Guidelines in order to:
  - up-date threshold values applying to the purchase of Australian property by foreigners to reflect current and foreseeable future market property values,
  - revise the conditions for redevelopment of residential real estate, and
  - liberalise the laws that place restrictions on the eligibility of foreigners who may purchase property in Australia.

Prepared by:

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