



State of the Market  
25 August 2011

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What are the current market conditions?

**AUCTION**

Historical Victorian Residence  
1911 Set On A Substantial G  
Allotment Measuring 15.6x3

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## A year ago

- Overall lower prices
- Lower interest rates
- Less time on market
- Higher clearance rate

# This year

- Stable prices
- Higher interest rates
- Lower clearance rates
- Longer time on market

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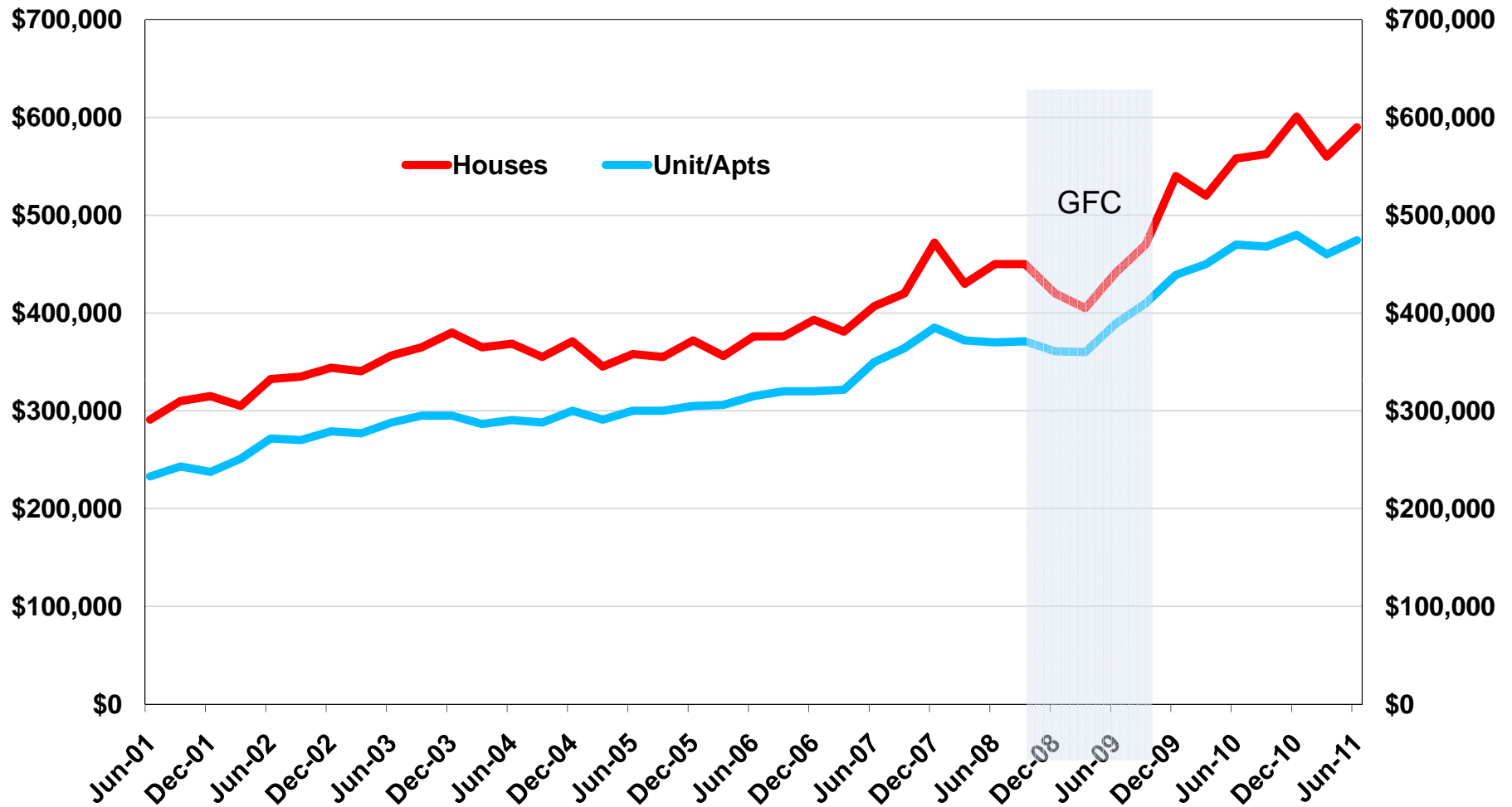
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The Melbourne residential median house price was \$590,000 in the June Q 2011.

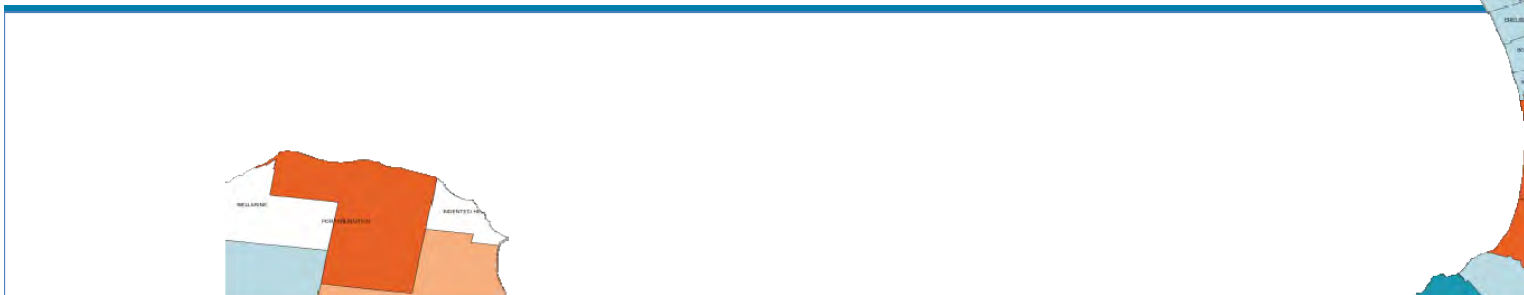
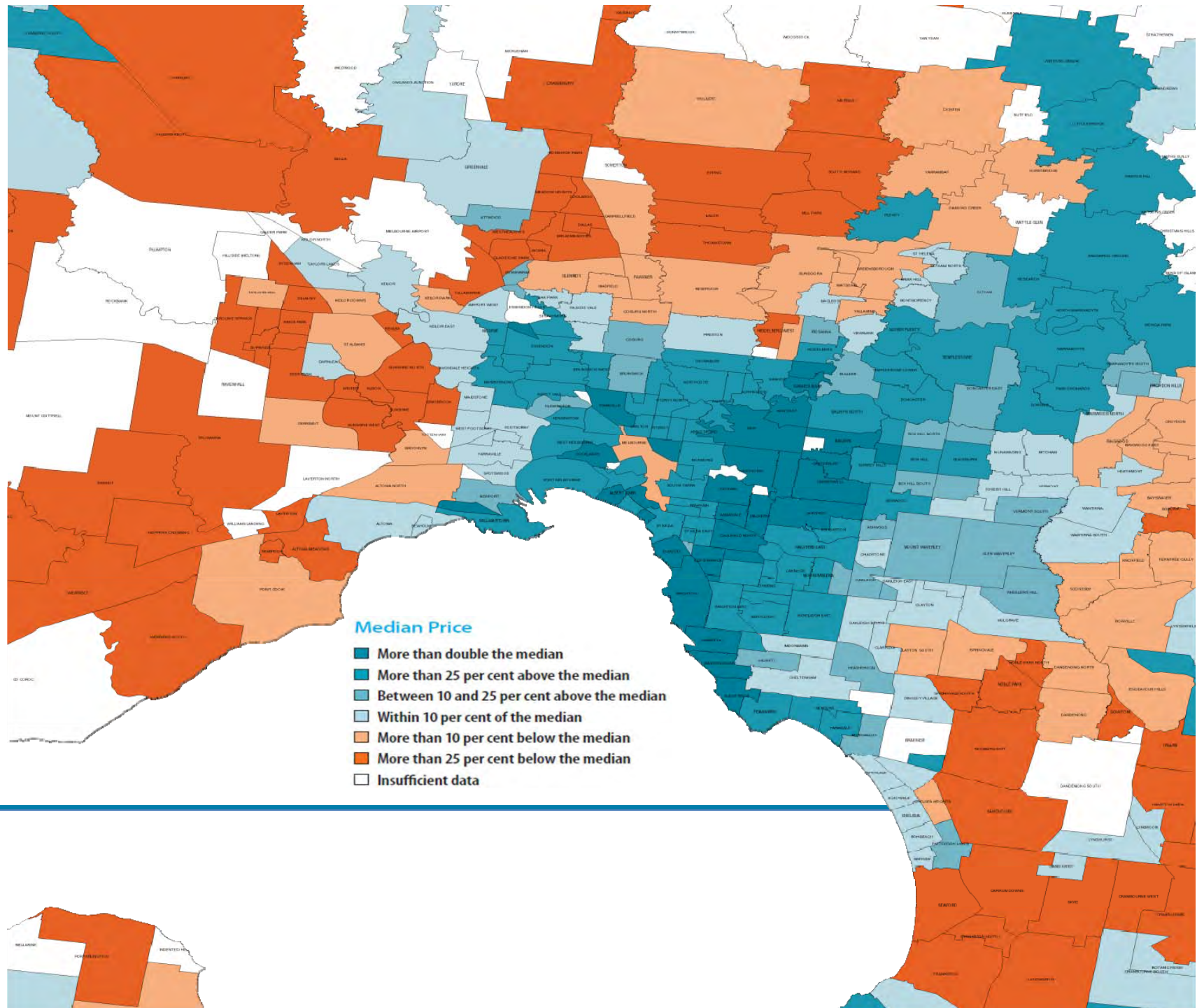
This represented an increase of 5.4 per cent since the March Q 2011 and an 5.7 per cent increase since the June Q 2010.

# Metro Melbourne 10 yr Median Prices



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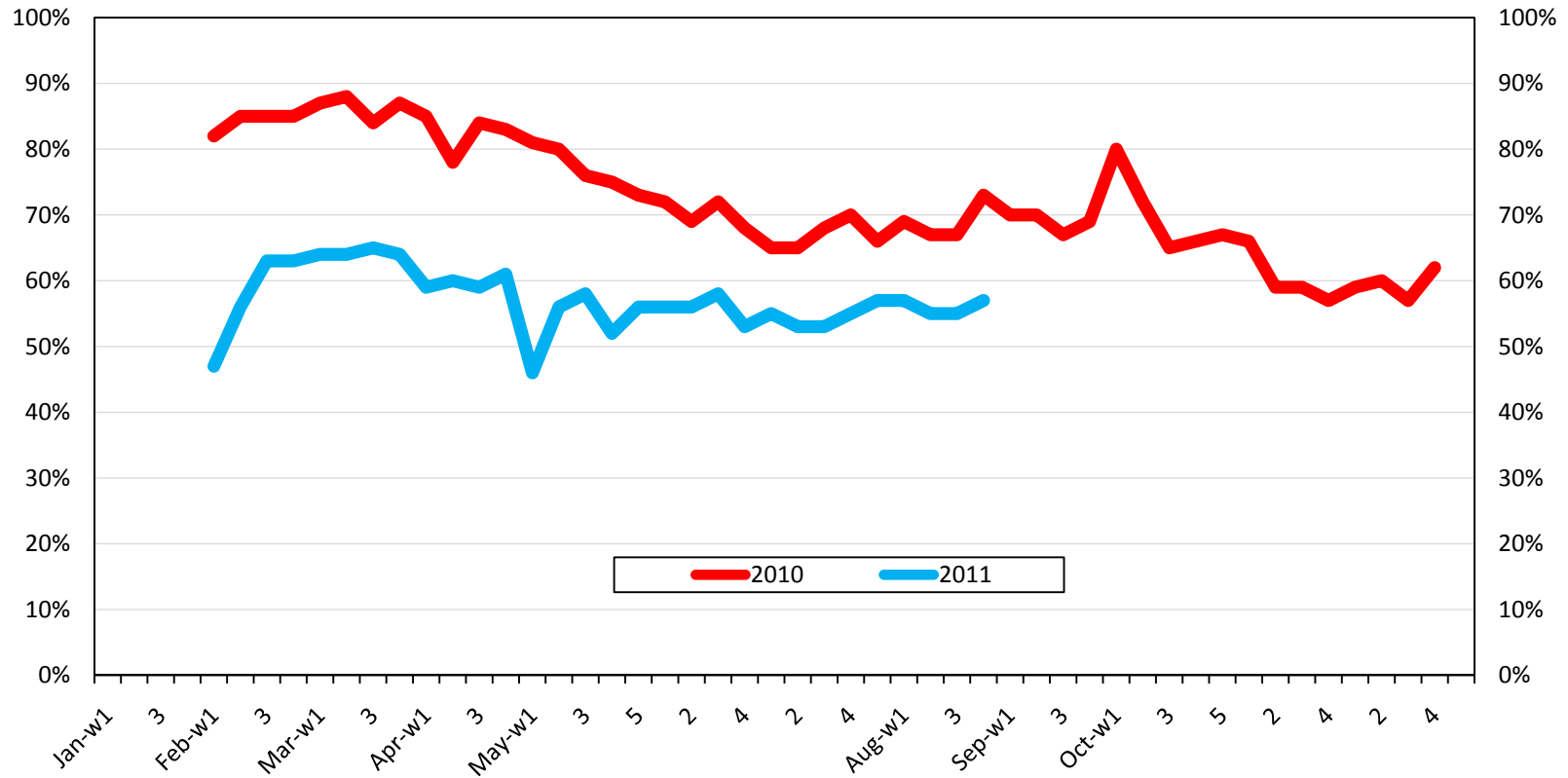
# Melbourne's current hotspots – prices

<u>Suburb</u>	<u>Jun-11 Median</u>	<u>Mar-11 Median</u>	<u>Quarterly Change</u>
Mount Eliza	\$795,000	\$660,000	20.5%
Brighton	\$1,790,000	\$1,508,500	18.7%
Essendon	\$1,050,000	\$900,000	16.7%
Melton	\$312,500	\$273,000	14.5%
St Albans	\$440,000	\$387,500	13.5%
Northcote	\$916,500	\$817,500	12.1%
Mitcham	\$615,000	\$577,500	6.5%
Preston	\$630,000	\$592,250	6.4%
Berwick	\$505,000	\$476,625	6.0%
Wheelers Hill	\$700,500	\$663,000	5.7%

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# Clearance rates v 2010



Source: REIV

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# Outlook



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# Why its not a bubble

	Dec Q 2000 - Dec Q 2005	Dec Q 2005 - Dec Q 2010
Number of dwelling units Commenced (Vic)	225,859	221,535
Net Migration (Vic)	328,844	480,473
Change in median house price	38%	62%

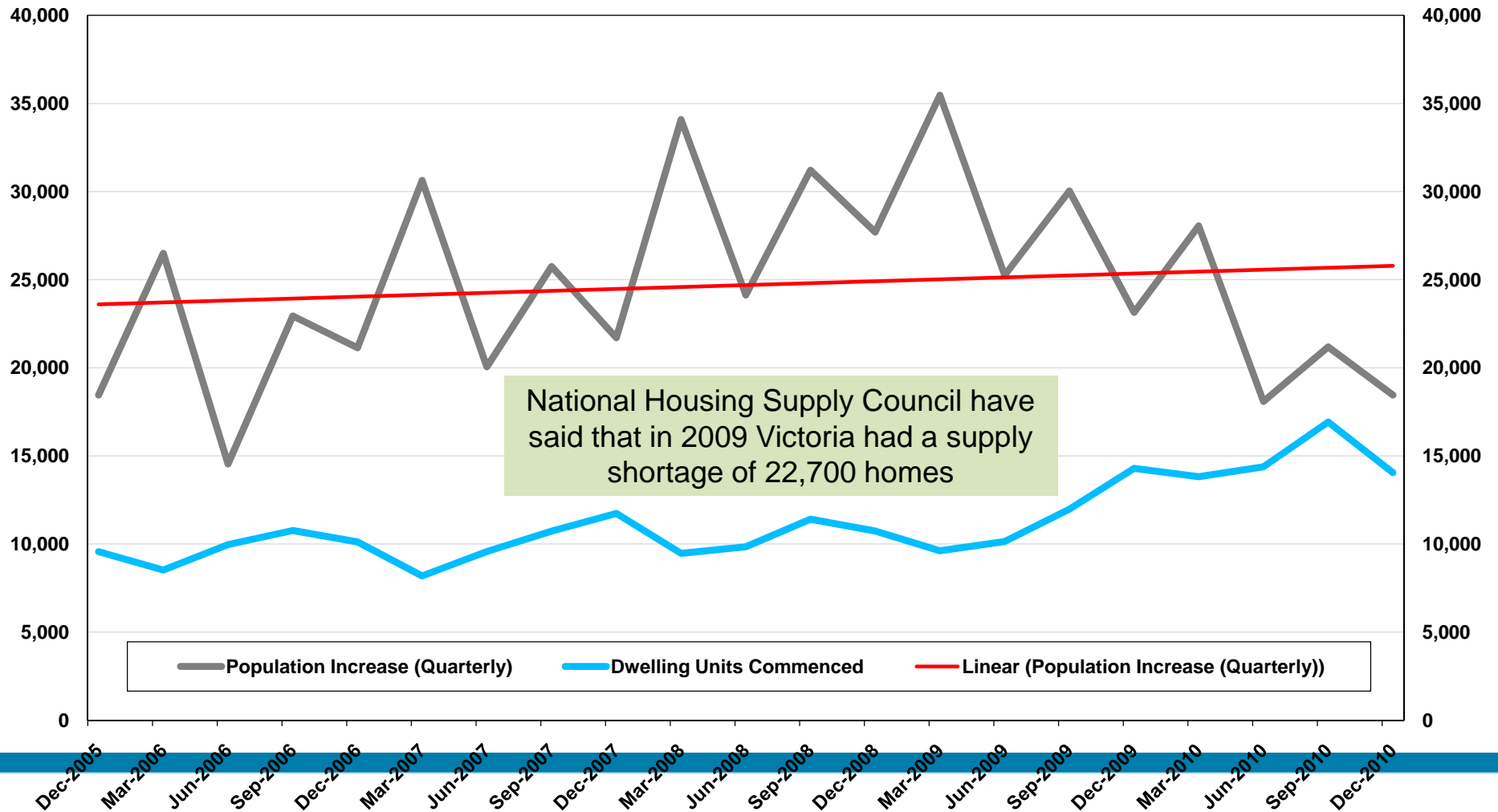
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# Supply shortage in Victoria

Population Increase vs. Dwelling Commencements (Victoria)



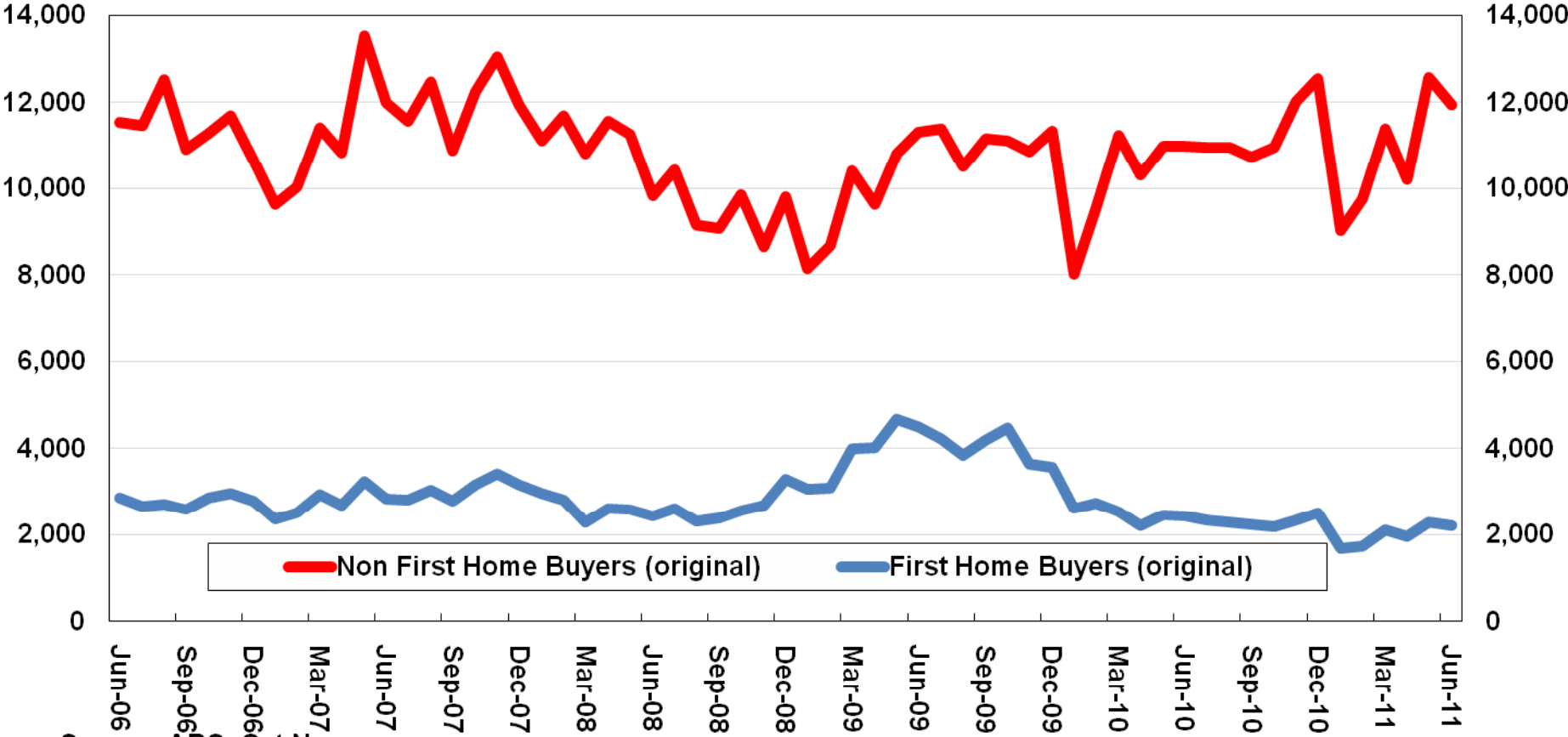
Source: ABS Cat No. 3101.0 and 8752.0

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# But affordability is keeping first home buyers out of the market

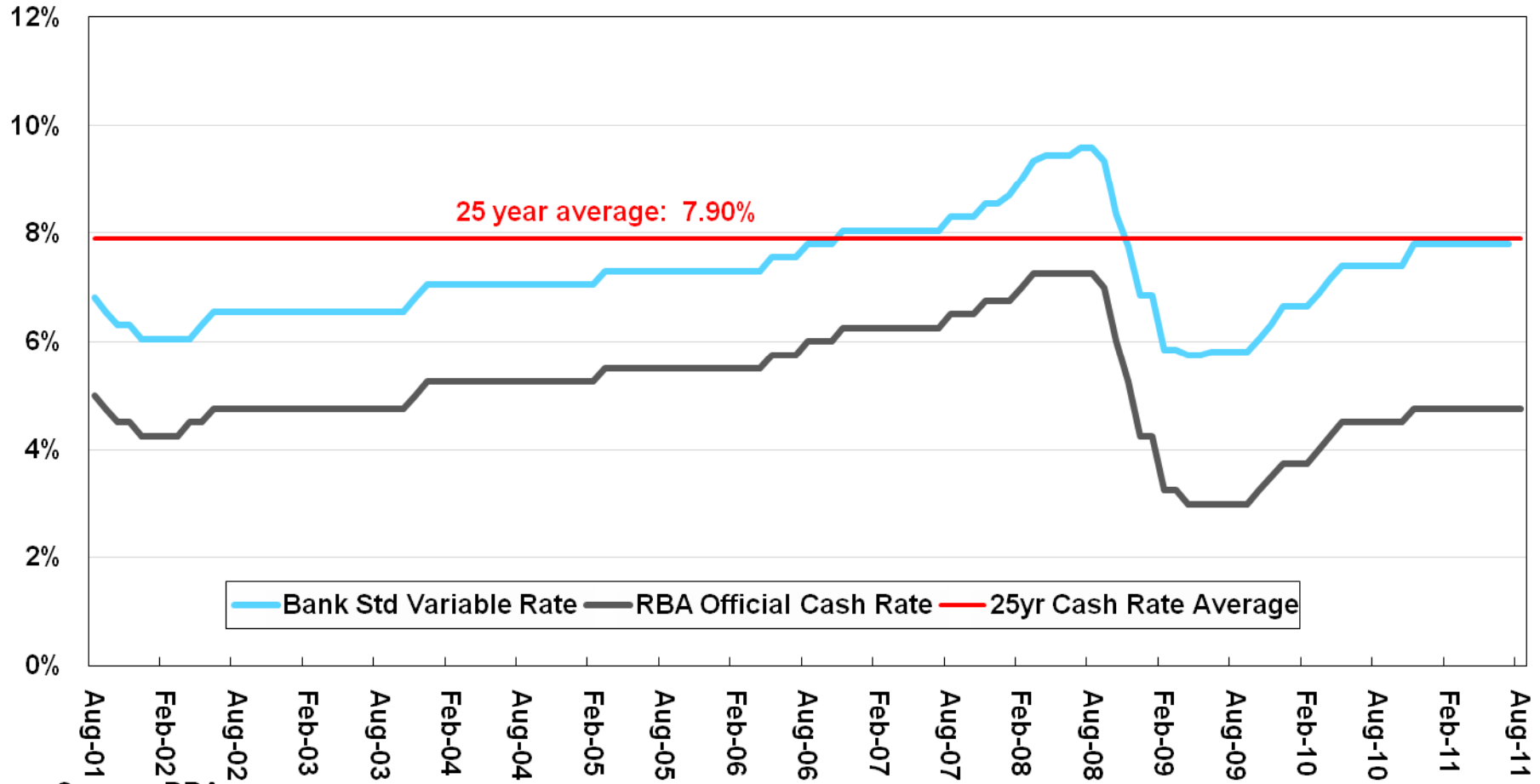
Number of Housing Finance Commitments by type of borrower (Victoria)



Source: ABS Cat No.

# Interest rates stable

RBA Cash Target Rate : Last Ten Years



Source: RBA

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# Summary

- Difficult market to characterise
- Minimal price growth expected this year
- Transaction levels below 2010 but still healthy
- Health of the economy to be the major determinant over the next 12-18 months



Monday's 8.30pm  
Ch31 (44 on digital)



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