

PRIVATE RENTAL THE HOUSING LIFE BUOY

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OVERVIEW

The Rental Sector in Context

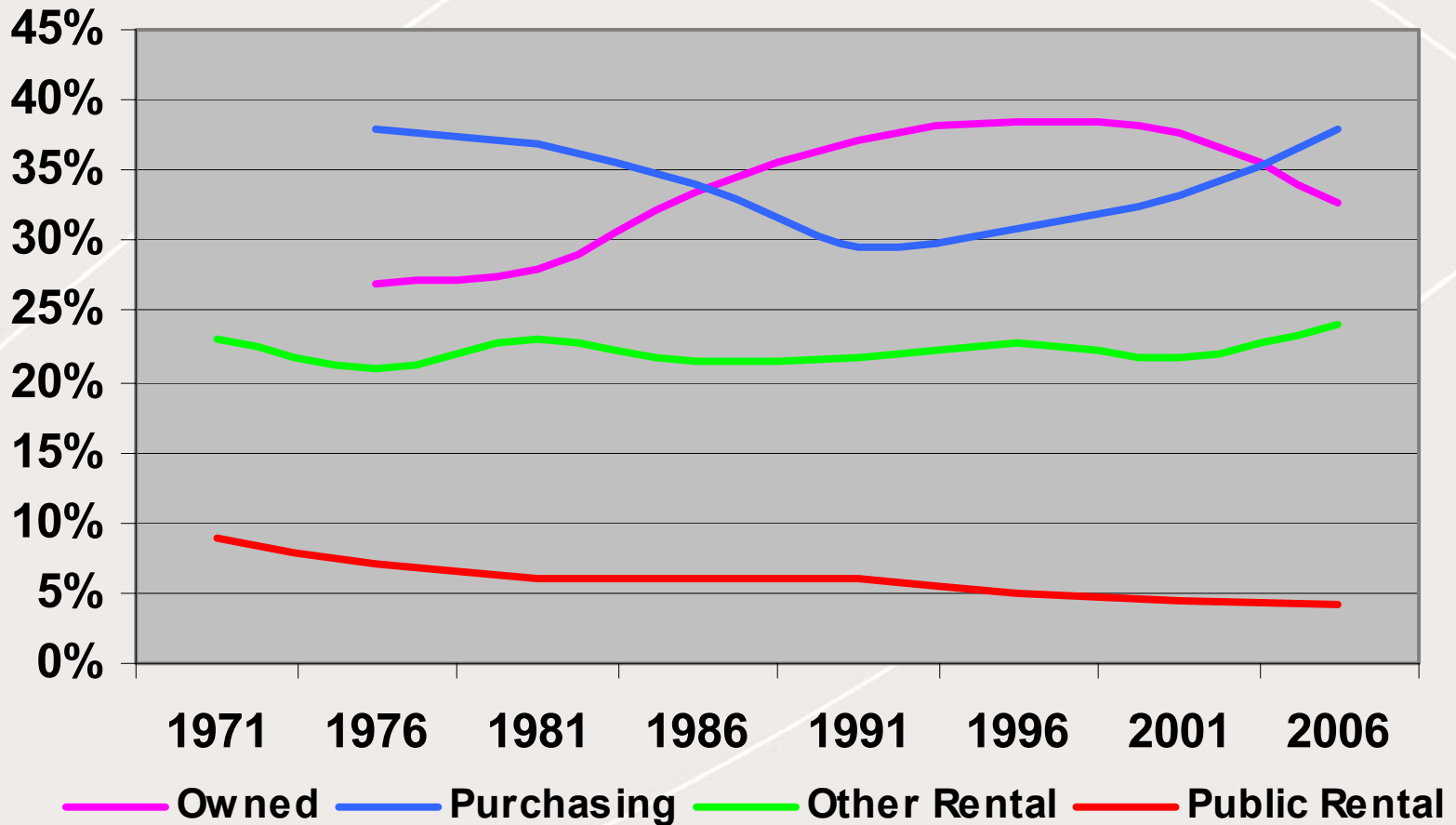
- Rental - The Balancing Tenure
- What the 2006 Census Tells Us
- Rental Stress - Where does the truth lie?

Who Will Be The Future Landlords

- Is Property Losing Its Gloss
- Accidental vs Institutional Investors
- The State can do more!

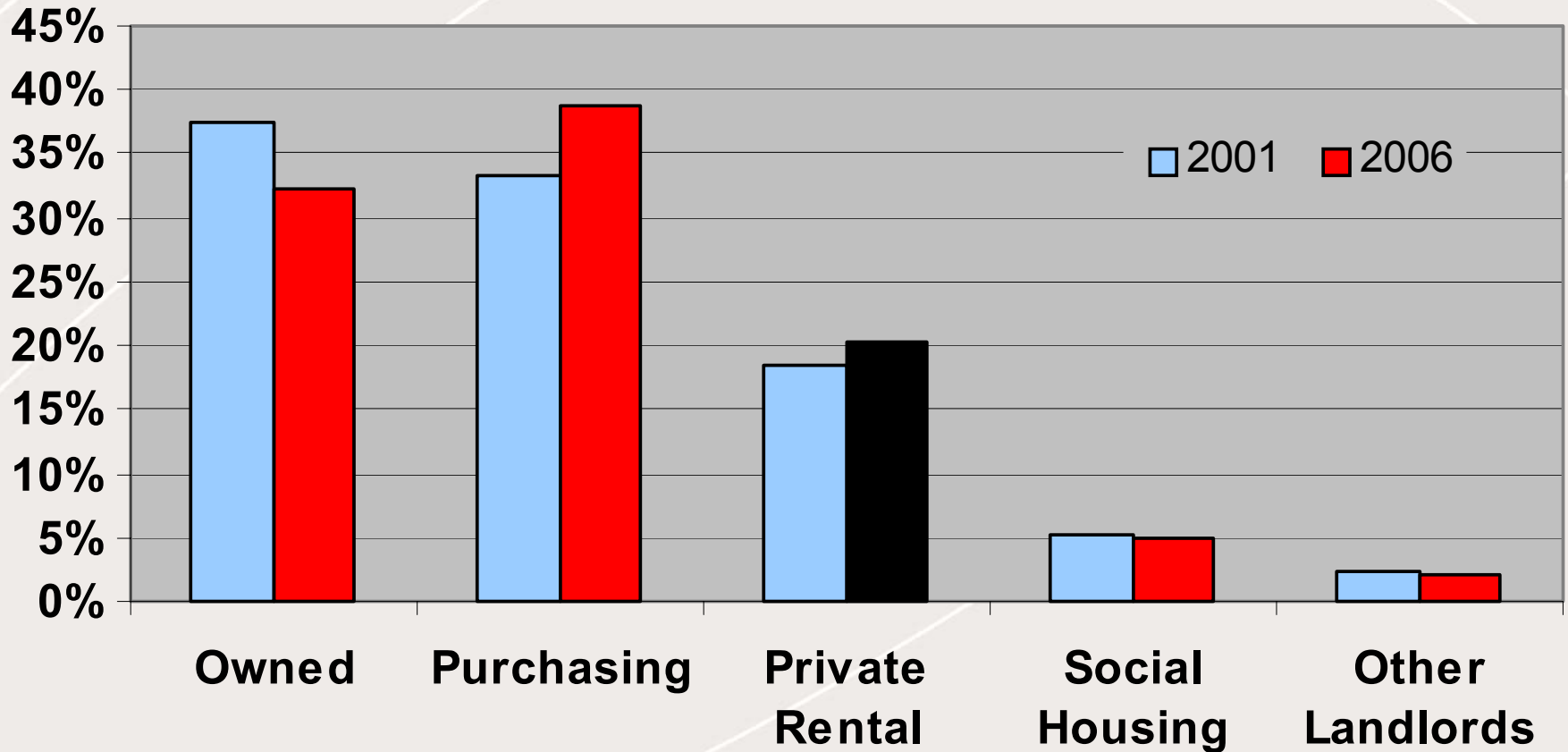
RENTAL - THE BALANCING TENURE

Source: ABS Census (Various)



PRIVATE RENTAL - THE 3RD FORCE

Source: ABS Census 2001 & 2006



WHAT 2006 CENSUS IS TELLING US

Private Rental

- Managed by private landlords or by real estate agents
- 20% of occupied stock - up from 18% in 2001
- 72% of rental stock - up from 70.5% in 2006
- R/E Agents managing 57% - up from 52%

Source: ABS C2006 (Quickstats & I18) & C2001 (BCP18 & XCP44)

WHAT 2006 CENSUS IS TELLING US

Source: ABS 2006 Census (B28, I23 & I24)

Computations in italics by REIWA

	WA	Perth
Median HH Income	\$1,066	\$1,086
<i>2nd Quintile</i>	<i>\$846</i>	<i>\$877</i>
<i>1st Quintile</i>	<i>\$496</i>	<i>\$511</i>
<i>Median HH Income</i>		
<i>Private Renters</i>	<i>\$921</i>	<i>\$924</i>
Median Rent	\$170	\$180
<i>Private Rental</i>	<i>\$195</i>	<i>\$199</i>

WHAT 2006 CENSUS IS TELLING US

Source: ABS Census (I18)

Occupied Dwelling Stock	Perth	% Rental	% Rental Stock	Regional WA	% Rented	% Rental Stock
Houses	79%	20%	60%	86%	29%	77%
Medium Density	12%	45%	20%	6%	59%	11%
High Density	9%	63%	20%	4%	72%	9%

RENTAL MARKET FACTS

Source: ABS Census 2001 & 2006

- Private Rental Median Income

2001	\$649	
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2006	\$921	(+41.9%)
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- Private Rents

2001	\$147	
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2006	\$195	(+32.7%)
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- **And as you will see things were pretty good for private renters until 2004!**

PERTH RENTAL MARKET TRENDS

OVERALL RENTS

- Intercensal - June 01 to June 06 up by \$95 (66%)
- Modest rise - June 01 to June 04 up just \$19 (13%)
- Mega rise - June 04 to June 07 climbed \$126 (77%)

VACANCY RATE

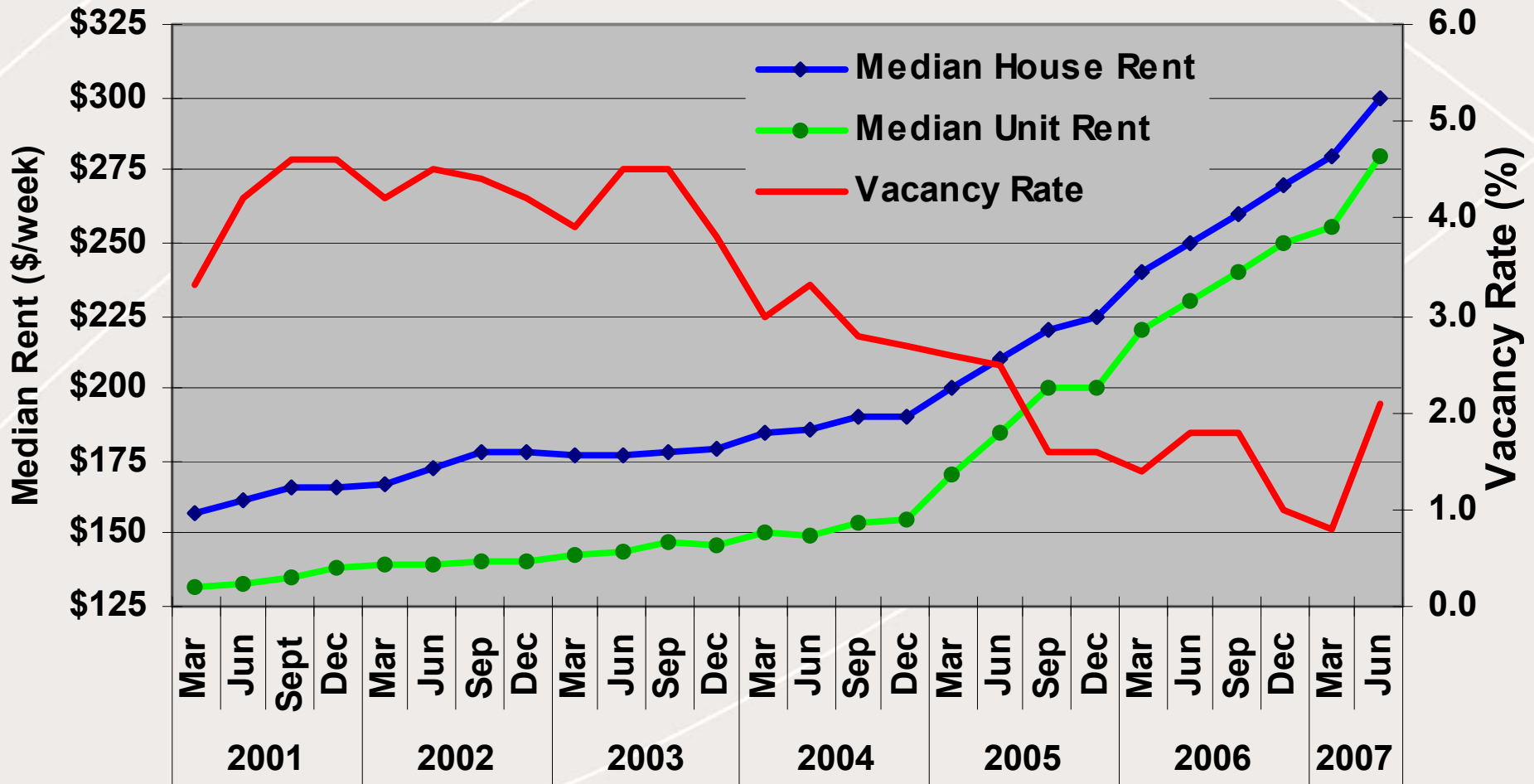
- Currently ~2.1% - sharp rebound from 0.8% but still tight

GROSS RENTAL YIELDS

- Houses - 5.0% June 01 to just 3.1% in March 07
- Units - Fell 4.9% to 3.7% over same period

RISING RENTS "ITS ABOUT SUPPLY STUPID"

Source: REIWA.COM

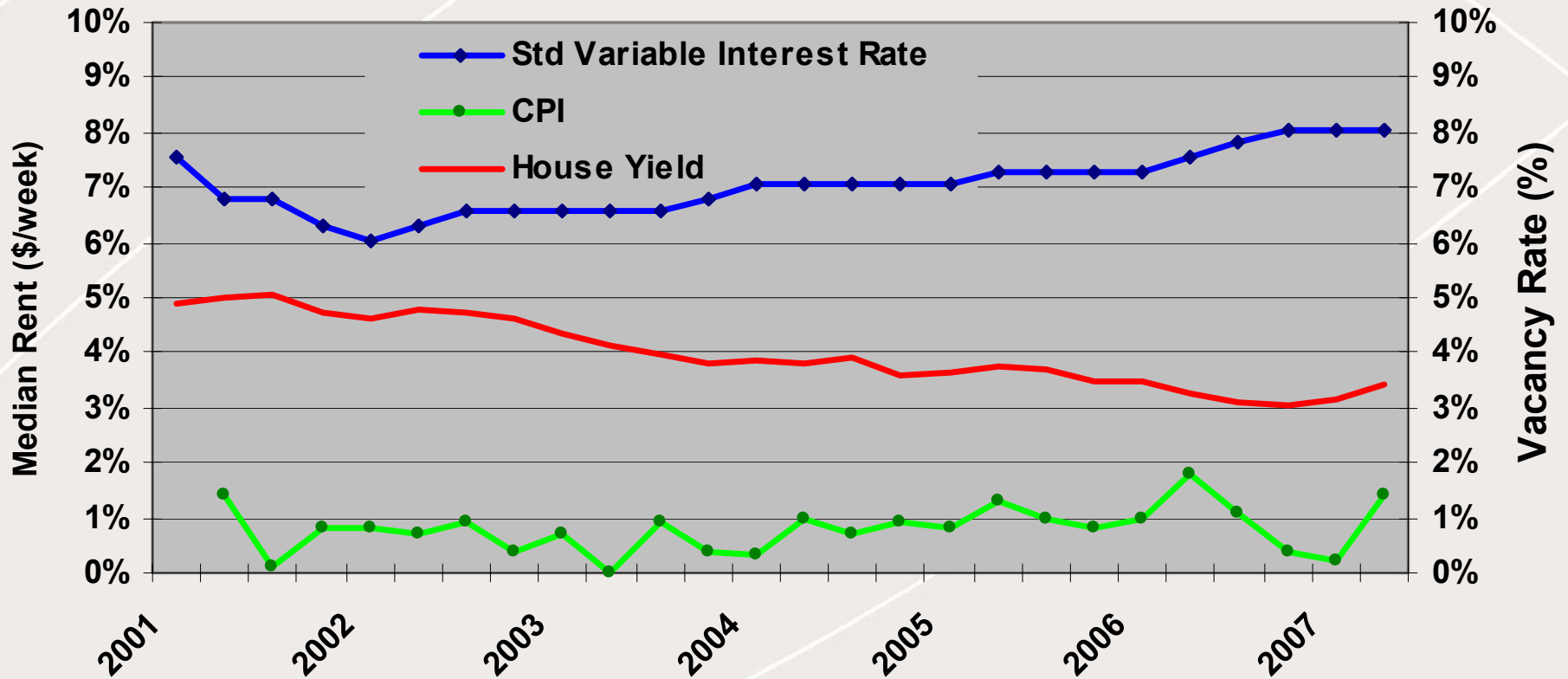


IS PROPERTY LOSING ITS GLOSS?

- Limited growth & poor yields after the boom
- Why would you invest in rental property?
 - illiquid asset with high entry/exit costs
 - ongoing costs - rates & taxes, maintenance and tenancy management
- Attractiveness of other investments
 - super - tax free & no CGT
 - stocks - liquid & no tenancy management!

FALLING YIELDS vs MONEY IN THE BANK

Source: RBA, ABS & REIWA



THE FUTURE LANDLORDS

- Mums & Dads - accidental investors
- Savvy multiple property landlords
- Institutional investor - the Rudd Model
 - much talked about but will it happen without regulatory & fiscal stimulus

THE STATE CAN DO MORE!

- Supply of social housing - a sorry tale
- Real land tax reform - not the 2007 budget smokes & mirrors
- A planning system that delivers real affordable housing diversity not unaffordable high density

CONCLUDING COMMENTS

- Private rental filling the housing void
- Investors risking capital are entitled to adequate returns
- Private rental requires continual support otherwise fallout will be greater than Keating's 1985-87 negative gearing debacle

THANK YOU

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