BIG CHANGES ON THE WAY

Employment outlook

12th April 2016

The average Australian worker earns $59,600 per year. That's only $1,146 per week. Wages did increase by $17 over the last 12 months; but that is very low when compared to past wage increases. See **chart 1**. Our wage increases have now fallen well behind the cost of living.

The statisticians break our workforce into 19 distinct employment sectors. We won't bore you further with this – but one can tell how much each sector earns; how that has changed in the past and how much (or not) each employment sector is projected to grow over the next five years.

Chart 2 outlines the change in jobs by wage level over the last decade and what is projected over the next five years. Over the last ten years - 29% of the new jobs created were in higher paid positions (mining, finance and professional services); 52% were in medium paid jobs (construction; manufacturing, health and education) and just 19% were in lower paid jobs (administration, retail, tourism and accommodation). Looking forward, these percentages change and somewhat substantially – just 12% new higher paying jobs, 59% new medium paying jobs and a high 29% new lower paying jobs.

On the macro scale, dwelling prices rise/fall due to cheaper/easier finance and the level of wage growth. As there is little room for housing finance to become cheaper or easier ,and now with wage growth looking set to falter, Australia's housing outlook looks set to darken further. Many households, we believe, will be forced to compromise on the quality and style of housing.

Chart 1

Annual change in weekly wages

Australia

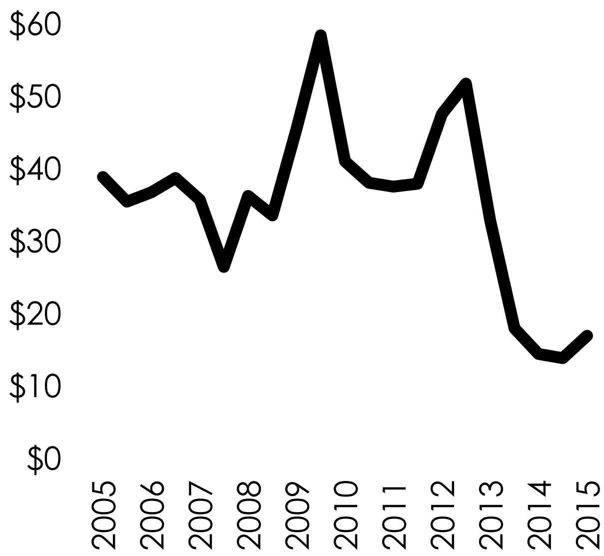
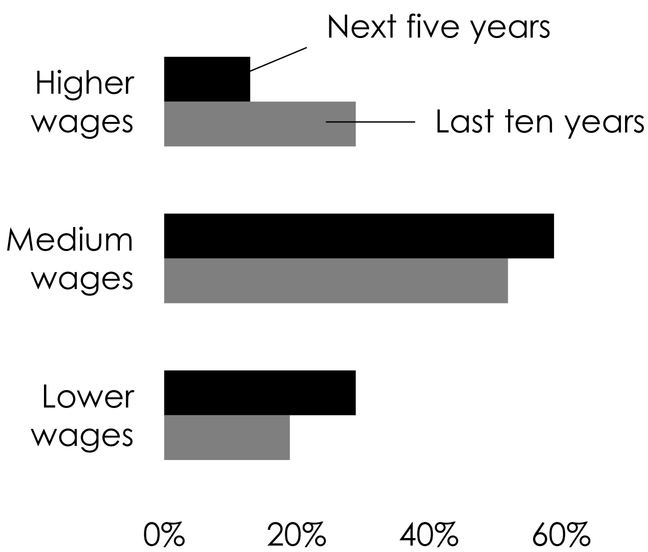


Chart 2

Change in type of paid jobs

Australia



IMPORTANT NOTES

RISKS OF INVESTING IN PROPERTY

Direct investment in residential property, like all investments, involves a number of risks. If these eventuate, your income might be lower than expected. There may even be none. In addition, the capital value of your investment could fall.

The key risks of investing in property are outlined below:

- The property purchased may not provide the income or capital gains the asset was expected to produce.
- There is a risk that your property may, for periods of time, lie vacant and hence not generate income. Maintenance and repair costs are the investor's responsibility and can vary, and at times be significant. Such costs are sometimes recoverable from rental bonds or under insurance policies.
- There are a number of factors that affect the general property market including increases in supply and falls in demand; the cyclical nature of property values; increases in taxes and operating expenses; overall economic conditions; demographic changes; changes in town planning laws; casualty and condemnation losses; environmental risks; regulation on rents; detrimental new developments in the area; increases in interest rates; similarly, inflation and changes to bank funding policies.
- Gearing increases the volatility in the value of your investment. In the early stages of residential investment, a significant fall in the property's value may see balances fall to less than the total amount of borrowings.
- Increases in interest rates often increase the cost of borrowings.
- Changes in laws or their interpretations including taxation, superannuation and corporate regulatory laws, practice and policy could have an impact on your investment. You should seek professional tax advice before investing in residential property.

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TYPICAL DATA SOURCES

MPI; Qld Government; Qld RTA; REIA; REIQ; SQM Research; BCI Australia: ABS; realestate.com and RPData.