

NAB Residential Property Survey: Q1 2015

by NAB Group Economics

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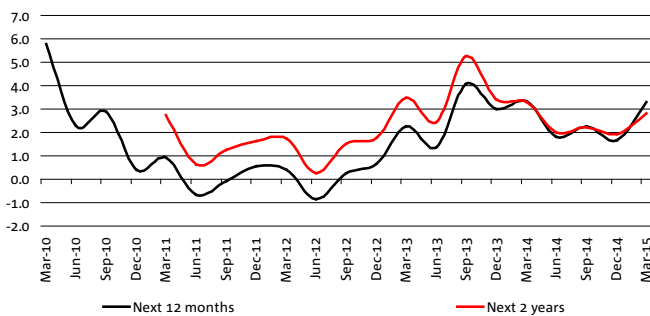
State Report: New South Wales

Prices & Rents

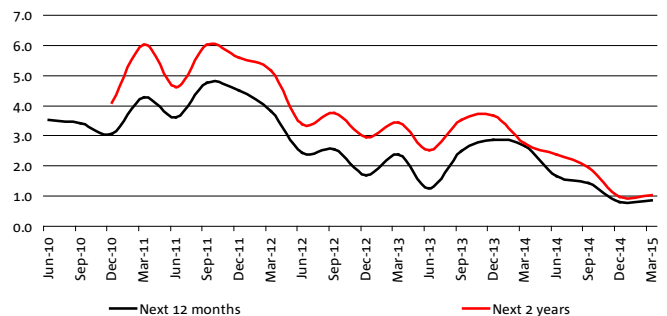
House price expectations improve. Prices to rise 3.3% (1.7% in Q4) next year and 2.8% in 2 years (1.9% in Q4).

Rental expectations broadly unchanged; 0.9% tipped next year (0.8% in Q4) and 1% in 2 yrs (unchanged).

House Price Expectations: NSW (%)



Rental Expectations: NSW (%)

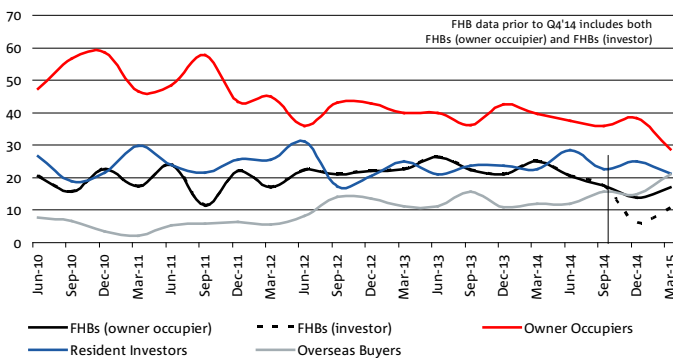


New Property Market

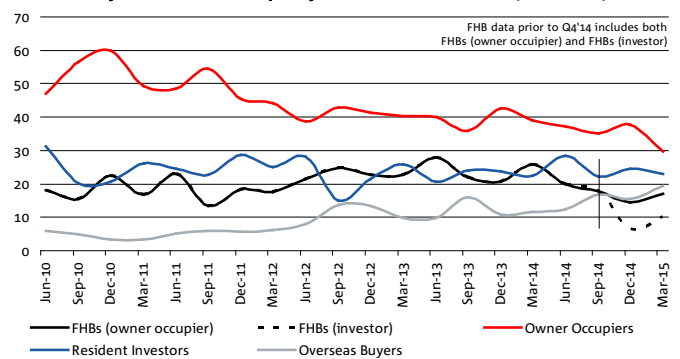
Owner occupiers (28.9%) and local investors (21.4%) less active in new property markets as foreign investors reach new high (21%). All FHBs around 27% of market.

Owner occupiers (29.6%) to maintain biggest market share in next 12 months. Foreign buyers down slightly, but still accounting for 19.5% of sales.

Buyers of New Property NSW: Current (% share)



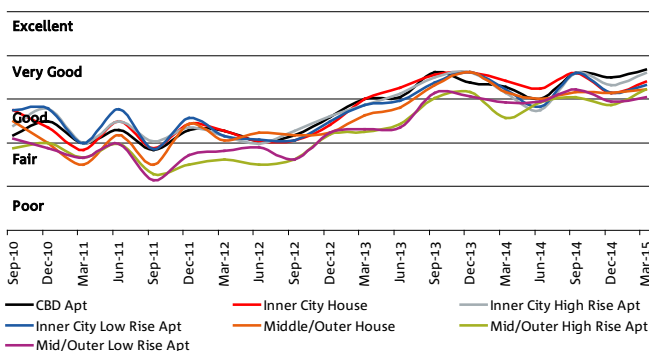
Buyers of New Property NSW: Nxt 12 mths (% share)



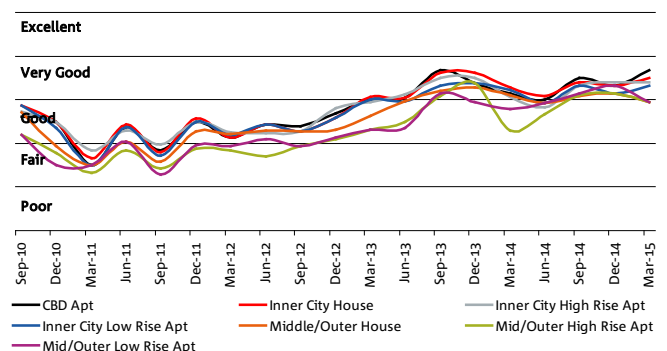
Demand for all types of new property improves in Q1 and remains "very good" across the board.

Demand expected to soften notably for middle/outer ring low and high rise apartments.

Demand for New Property NSW by Type: Current



Demand for New Property NSW by Type: Next 12mths

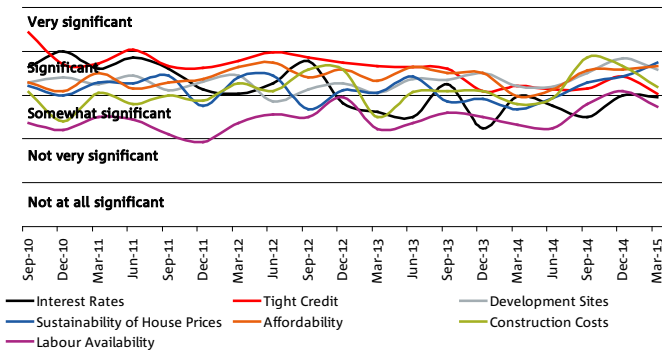


New Property Market (cont...)

The sustainability of house price gains and housing affordability have now overtaken a lack of development sites as the biggest constraint to new housing developments in NSW, while concerns over construction costs continue to ease.



Constraints on New Housing Developments: NSW

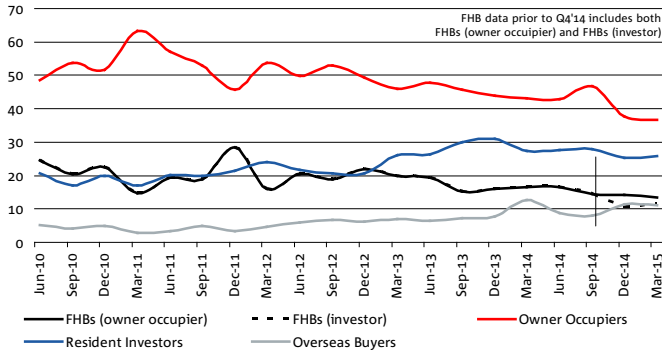


Existing Property Market

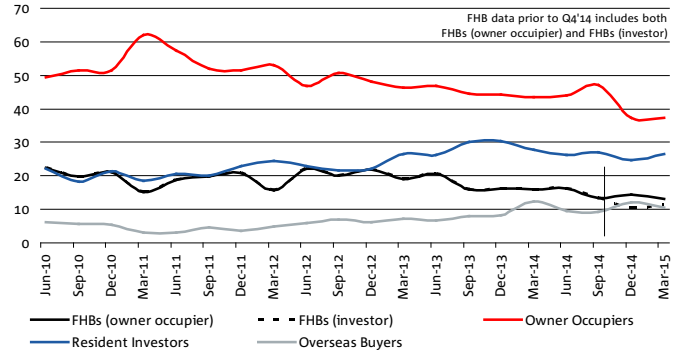
Market share of buyers of existing property broadly unchanged across all categories in Q1'15. Owner occupiers (36.6%) and investors (25.8%) dominate.

Owner occupiers (37.3%) and investors, both local (26.5%) and FHBs (11.4%), expected to play a bigger role in established property markets next year.

Buyers of Existing Property NSW: Current (% share)



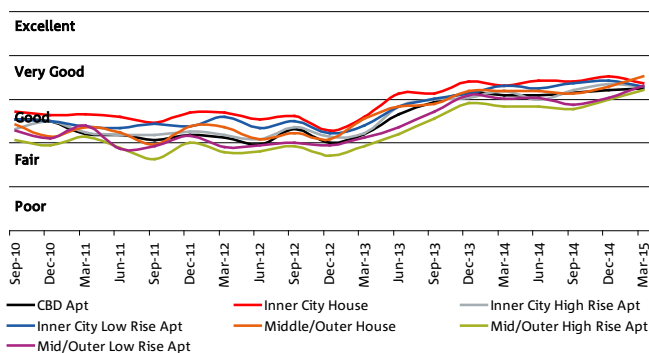
Buyers of Existing Property NSW: Nxt 12m (% share)



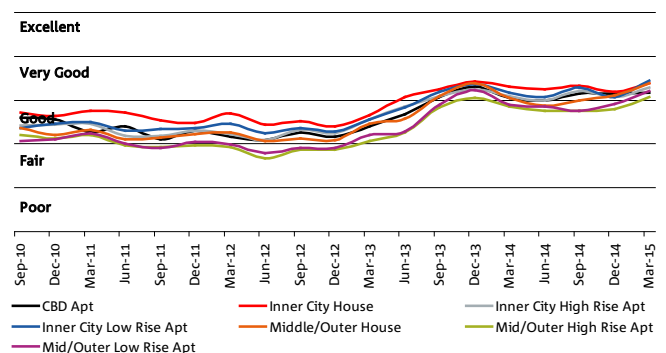
Demand for existing property improves most for all property located in the middle/outer ring, with a mild softening in demand for all types of inner city property, except CBD apartments.

Outlook for demand in next year to be led by inner city low rise, with demand next strongest for houses in the middle/outer ring. Demand for all established property to remain "very good".

Demand for Existing Property NSW by Type: Current



Demand for Existing Property NSW by Type: Next 12m

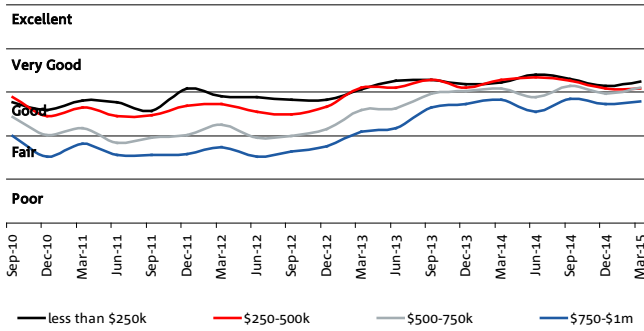


Existing Property Market (cont...)

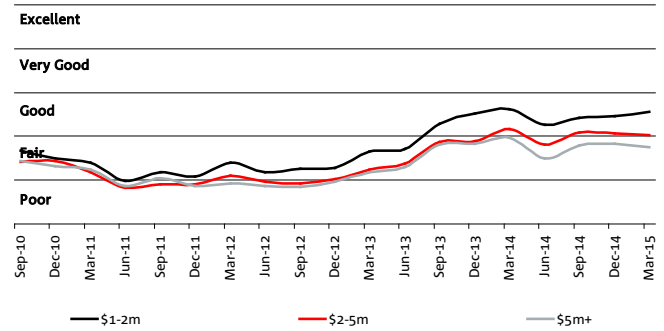
Capital growth prospects for houses <\$1m edged up at all price points. Prospects for houses up to \$750k rated “very good” and “good” in \$750k-\$1mn range.

Prospects for premium houses have improved in the \$1-2mn range, but are slightly weaker above \$2mn where prospects were considered “fair”.

Capital Growth Prospects NSW: Houses <\$1m



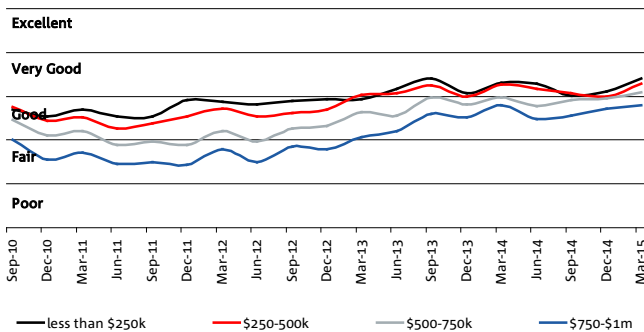
Capital Growth Prospects NSW: Houses >\$1m



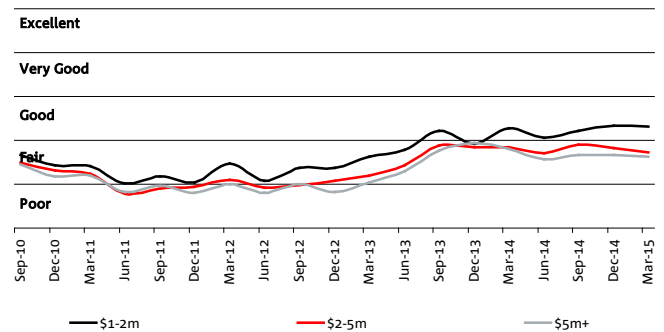
Capital growth prospects also improved for apartments under \$1mn, except in the \$750k-\$1mn range. Prospects for apartments <\$750k are now rated “very good”, and “good” above \$750k.

Capital growth prospects for all apartments above \$1mn were mildly weaker. Prospects for capital growth for apartments between \$1-2mn continue to be rated “good” but only “fair” above \$2mn.

Capital Growth Prospects NSW: Apartments <\$1m

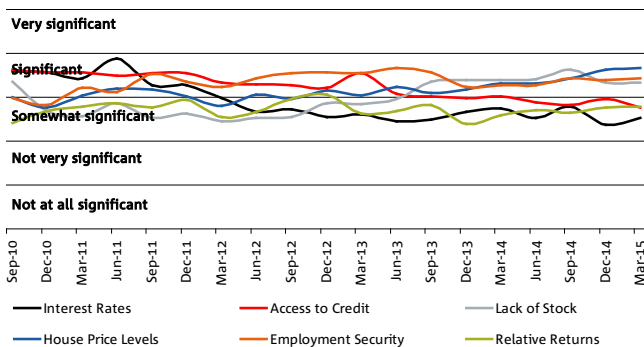


Capital Growth Prospects NSW: Apartments >\$1m



Property professionals in NSW continue to cite house price levels and employment security as the biggest impediments to buying existing property, with a lack of stock also a “significant” concern. Somewhat surprisingly, property professionals were more concerned about interest rates, despite the Q1 rate cut.

Major Constraints on Existing Property: NSW



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