

NAB Residential Property Survey: Q1 2015

by NAB Group Economics

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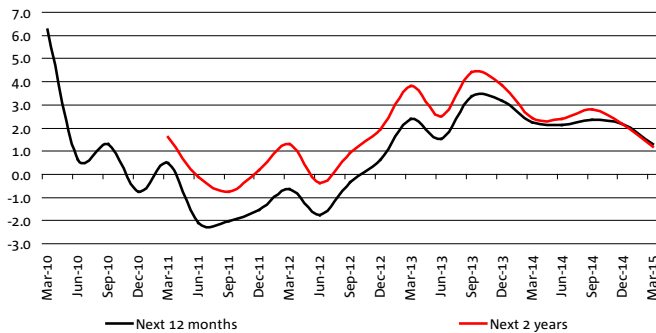
State Report: Victoria

Prices & Rents

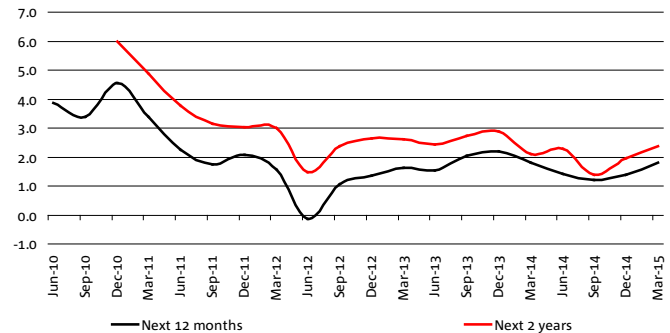
House price expectations weakened to 1.3% next year and 1.2% in next 2 years (2.2% respectively in last survey).

Outlook for rents more optimistic, rising by 1.8% next year (1.4% in Q4) and 2.4% in the year after (2% in Q4).

House Price Expectations: VIC (%)



Rental Expectations: VIC (%)

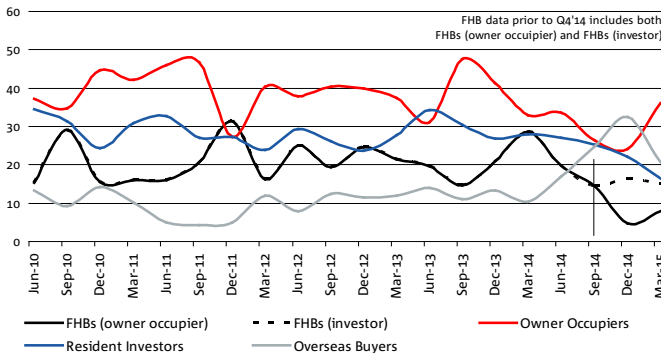


New Property Market

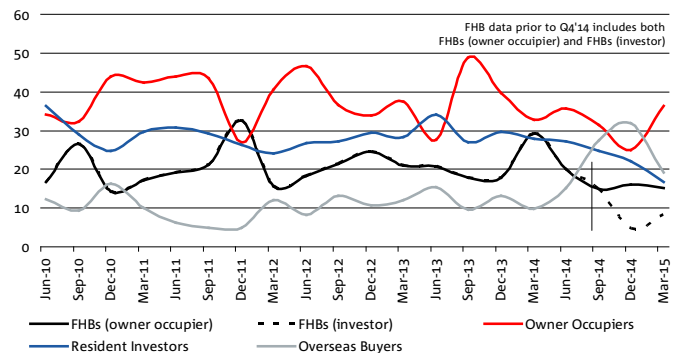
Overseas investors fall to 20.7% as owner occupiers emerge as biggest players (36.1%). Investor share falls to 16.6%. FHBs (investors) also down slightly (15.2%).

Foreign investors to continue falling next year (19.2%), with owner occupiers retaining position as biggest buyers (36.3%).

Buyers of New Property VIC: Current (% share)



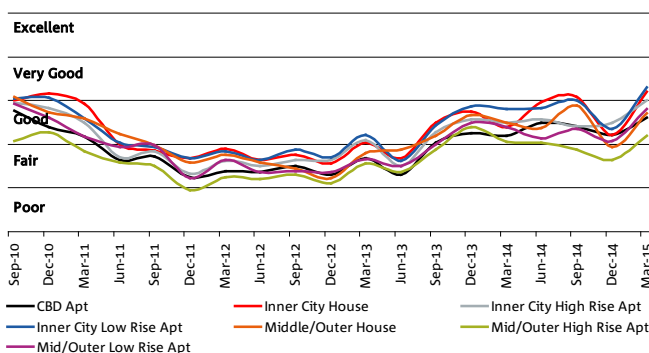
Buyers of New Property VIC: Nxt 12 mths (% share)



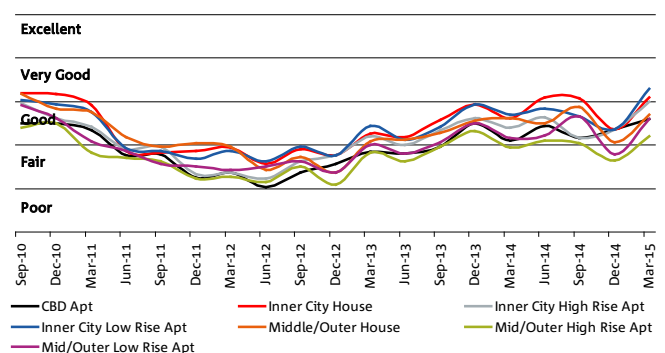
Demand for new property improves across all categories, led by inner city low rise and houses.

Demand outlook for all types of new property also stronger across the board.

Demand for New Property VIC by Type: Current



Demand for New Property VIC by Type: Next 12 mths

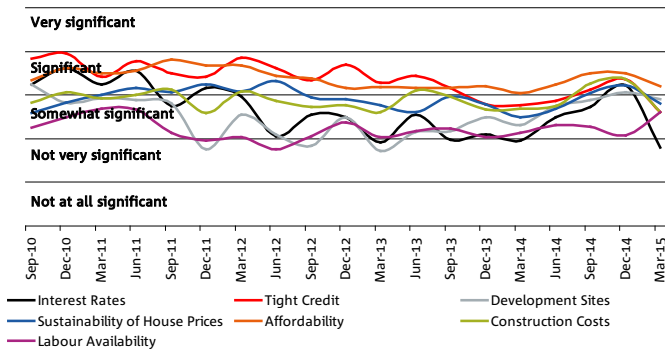


New Property Market (cont...)

Housing affordability is identified as the biggest constraint to buying new property in Victoria, but slightly less so than in Q4. Concerns over labour availability have however moved higher, while constraints imposed by interest rates fall heavily following another round of rate cuts in early-2015.



Constraints on New Housing Developments: VIC

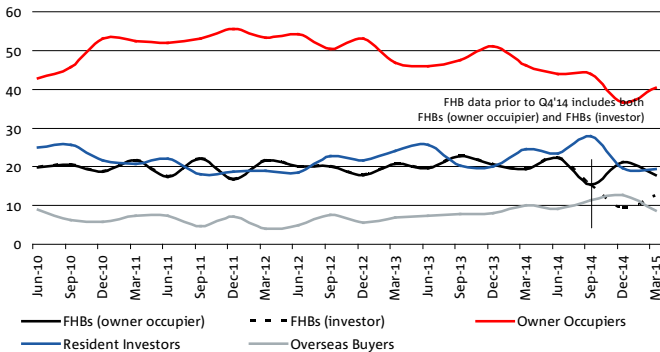


Existing Property Market

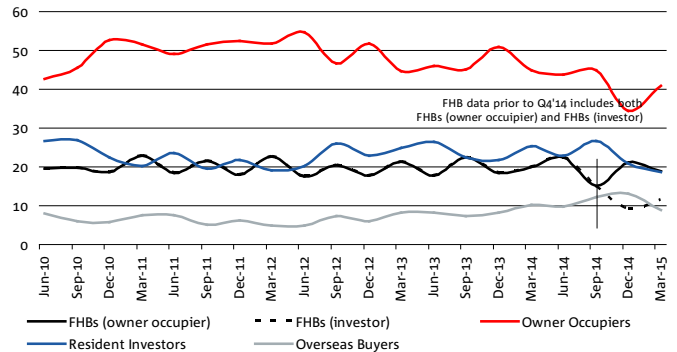
Owner occupiers (40.4%) more active in established markets. Investors unchanged (19.4%), but FHBs investors up (12.5%). Overseas buyers pull back (8.6%).

Owner occupiers (41%) to be more aggressive in existing property markets next year. Resident investors (18.8%) and FHBs owner occupiers (18.8%) less active.

Buyers of Existing Property VIC: Current (% share)



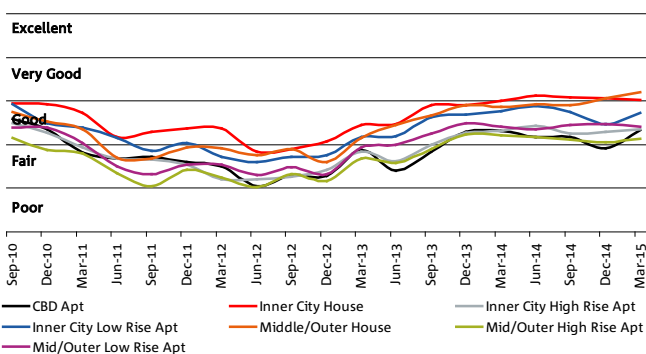
Buyers of Existing Property VIC: Nxt 12mths (% share)



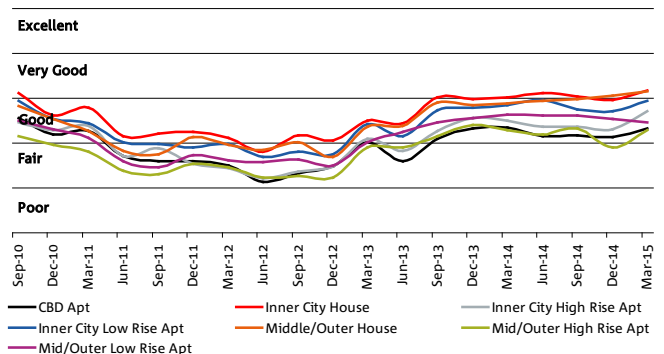
Demand outlook for existing property in Victoria strongest for middle/outer ring houses but also “very good” for inner city houses. Biggest improvement in demand in established CBD apartments, with demand considered to be “good”.

Biggest improvement in demand over the next 12 months expected in the inner city high and low rise apartment markets. Demand also expected to improve in all other market segments, except middle/outer ring houses (slightly weaker).

Demand for Existing Property VIC by Type: Current



Demand for Existing Property VIC by Type: Next 12 mths

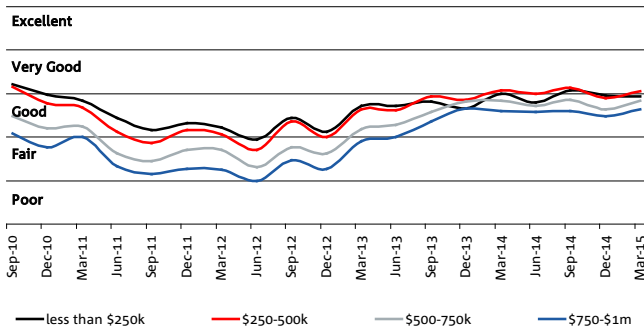


Existing Property Market (cont...)

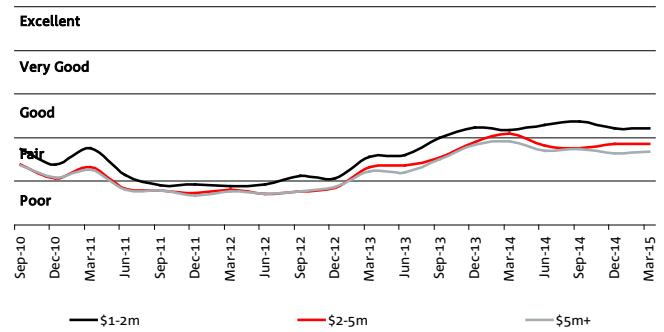
Capital growth prospects for houses below \$1mn edged up at all price points (except <\$250k). Houses valued at \$250-\$500k now enjoying “very good” capital growth prospects next year.

Expectations for capital growth for houses valued at between \$1-2mn and above \$5mn were broadly unchanged, with in the \$1-2mn range “good” and “still only “fair” above \$2mn.

Capital Growth Prospects VIC: Houses <\$1m



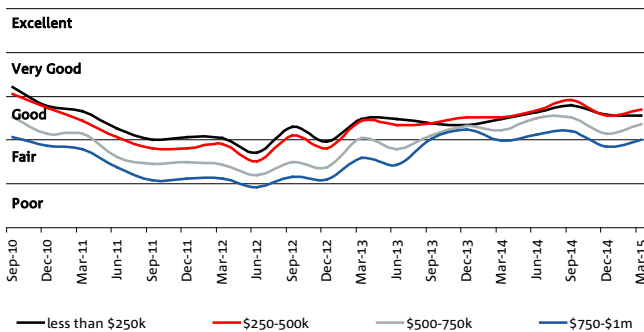
Capital Growth Prospects VIC: Houses >\$1m



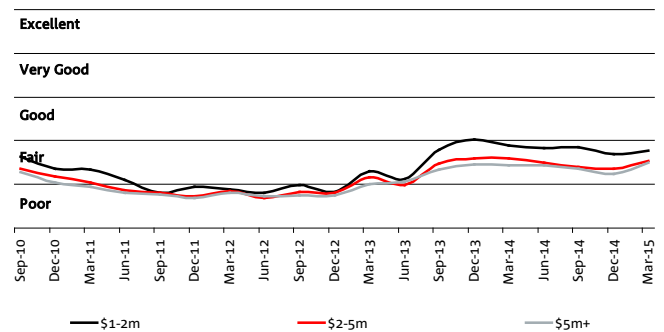
Capital growth prospects for apartments <\$1mn improved at all price points, except sub-\$250k (unchanged). Prospects now rated “good”.

Capital growth prospects have also improved across all price ranges in the premium apartment market but are still rated as only “fair” across all price points.

Capital Growth Prospects VIC: Apartments <\$1m

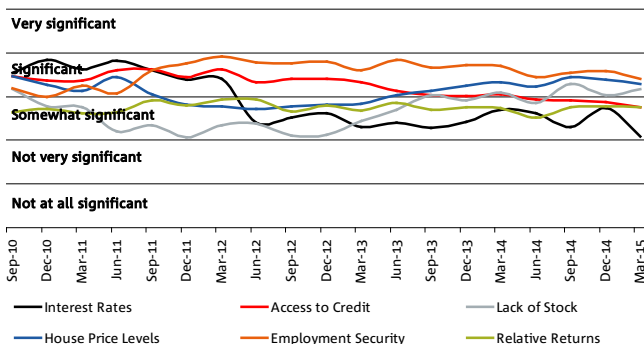


Capital Growth Prospects VIC: Apartments >\$1m



When asked to identify the major constraints on buying existing property, market professionals in Victoria continue to cite employment security as the most “significant” factor, followed by house price levels and a lack of stock. There has been a notable decline in concern over interest rates.

Major Constraints on Existing Property: VIC



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