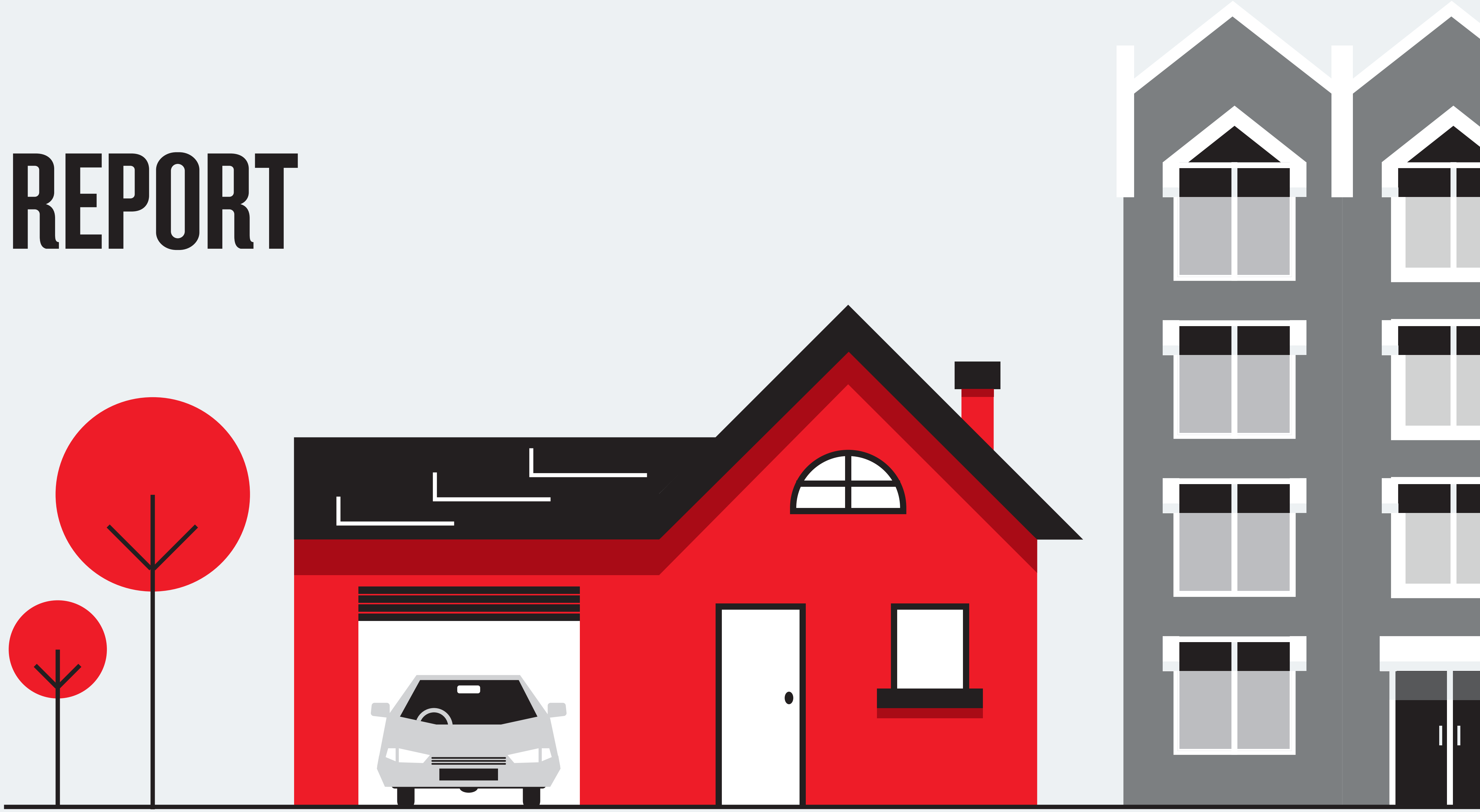
HOUSING MARKET REPORT

Winter 2016 Edition



Prepared by RPData Pty Ltd ("trading as CoreLogic Asia Pacific"). ABN 67 087 759 171 and National Australia Bank Ltd ABN 12 004 044 937
Published August 2016 including data sourced up to June 2016

WELCOME TO OUR WINTER 2016 EDITION

The Housing Market Report is your guide to the current home value trends in Australia.

You'll find information about what's happened over the last 12 months, as well as NAB's expectations of where prices are headed in the near future.

We've used information from a few different sources to put this report together.

Here's how it works:

The information on the white background (headed **CoreLogic's view**) is about the housing market in the 12-month period to June 2016 for information about capital cities and to May 2016 for information about regional areas.

It was provided by RP Data Pty Ltd, who trade as CoreLogic Asia Pacific, but are referred to in this report as CoreLogic.

The information on the grey background (headed **NAB's view**) is provided by NAB Group Economics, taking into account data sourced until June 2016. It's our economists' view about the national capital city house and unit price growth over the next 18 months to December 2017.

NAB's view takes into consideration the June 2016 NAB Residential Property Survey of property market professionals. The survey asked participants to give their views on where they think house prices are expected to move.

Important information

You can find more detail about the sources we've used for this report in the 'Important Information' section at the end of this document.

References to 'NAB' in this report are to National Australia Bank Limited ABN 12 004 044 937.

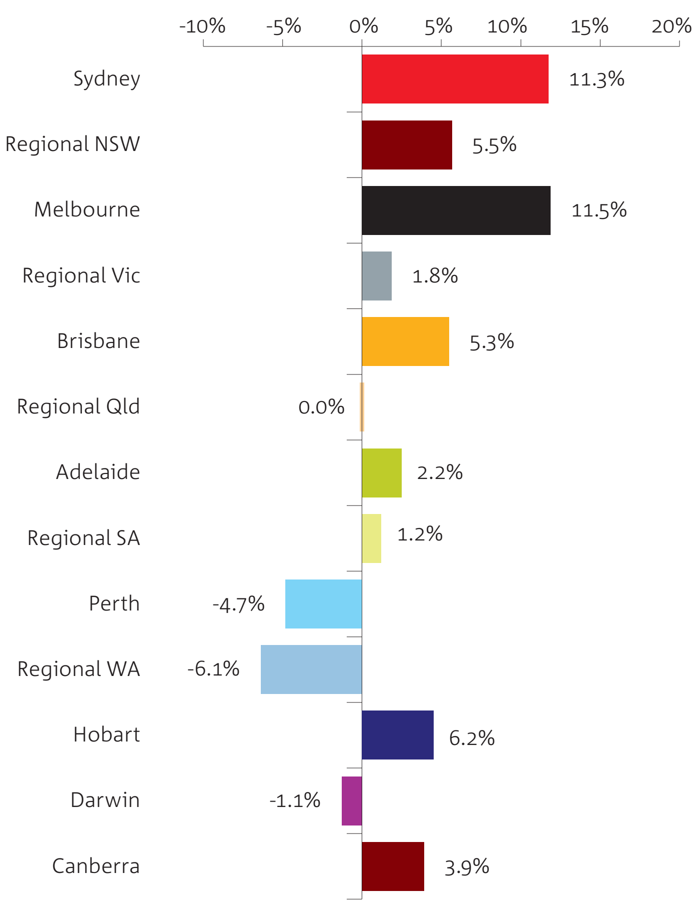
NATIONAL OVERVIEW

CoreLogic's view:

Australia's housing market is continuing to show diverse performance from region to region, however, from a macro perspective, home values have been in a growth trend since June 2012. Over that four year period, capital city home values have risen by 37 per cent and regional house values are up by 12 per cent.

The strongest capital gain conditions are emanating from Sydney and Melbourne, where home values have risen by approximately 11 per cent further over the past twelve months, while capital gains in Hobart (+6.2%), Brisbane (+5.3%), Canberra (+3.9%) and Adelaide (+2.2%) have also posted a more modest rise in values over the past twelve months.

Annual change in home values over past year*



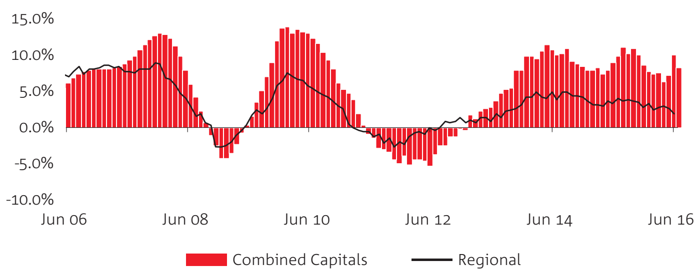
*Data for homes in capital cities, houses in regional areas. Data to Jun-16 for capital cities, May-16 for regional areas

Source: CoreLogic

Conditions are less positive in Perth and Darwin, where home values have been trending lower since 2014. Both cities have seen home values fall by approximately 7 per cent since their respective market peaks due to a downturn in migration rates and weaker economic conditions.

The broad regional areas of Australia are also recording a growth trend, however the rate of capital gains is slowing. Mining related regions continue to experience weak housing market conditions while markets that are more associated with tourism and lifestyle factors have strengthened over recent years.

Annual change in home values, Combined capitals and Regional Aust.



Key definitions

Home value is the value of homes which is the combination of both house and unit values

Median value utilises CoreLogic's automated valuation model (AVM) to determine the middle value of all properties in a suburb. The change in median value is measured by the percentage difference between the current median value and the median value over a stated time period (12 months/3 years/5 years)

NAB's view:

Indicators painting a mixed picture of market conditions. Any near term strength likely to be temporary, with a more subdued market expected for 2017

Property prices have continued to prove more resilient than expected in 2016 (to date) which are likely supported by better than expected population growth and the recent RBA cut to interest rates, although different price measures are providing conflicting signals. An example of this can be seen in the Sydney market where quality adjusted house prices have increased significantly in the past 6 months.

There are also a number of other (non-price) indicators that point to more mixed conditions in the housing market, including turnover, time on market and vendor discounts. Consequently, we still expect that overall market fundamentals will become less favourable going forward.

Indeed, the **NAB Residential Property Survey** has softened with moderation seen in each of the major eastern markets. Consistent with the more difficult environment facing property investors, the Survey showed a fall in the share of foreign buyers of new property as well, although observations on this vary considerably by State – Victoria and NSW saw a surprise lift in demand despite a further deterioration in rental yields and relatively poor affordability.

Investor housing credit growth has remained relatively subdued in Q2, with annual growth dipping well below APRA's imposed 'speed limit' of 10% (currently 6%) – although this could suggest some upside potential going forward. In contrast, growth in owner-occupied credit has remained fairly robust.

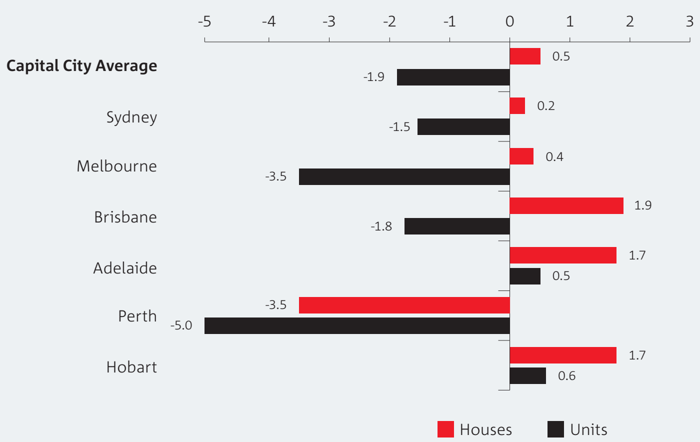
We still expect that overall market fundamentals will become less favourable going forward

Our (quality adjusted) price forecasts have been revised higher this month in recognition of the strength seen in prices to date. Nevertheless, we are not convinced that the fundamentals have changed significantly since last quarter, although the near-term risks may have shifted more to the upside. Rather, we expect that once the recent resurgence in prices runs out of steam, we are likely to be left with a market that remains soft for a little longer than previously expected.

Our average national house price forecast in 2016 has been increased significantly to 5.1%, from 1.5%, although this is still a slower pace of growth than in 2015 (7.8%). Our unit price forecasts are also higher, at 3.6%, up from -1% previously – but less than half the rate of growth seen in 2015.

The weakness previously expected for 2016 has now been shifted to 2017, with house prices forecast growth to be relatively subdued at 0.5%, while large additions to supply are expected to contribute to a decline in unit prices of 1.9%. The **NAB Residential Property Survey** showed that respondents actually upgraded their price expectations for the next 2 years – especially in NSW – despite deterioration in market sentiment.

Expectations until December 2017



Source: NAB Group Economics

NEW SOUTH WALES OVERVIEW

CoreLogic's view:

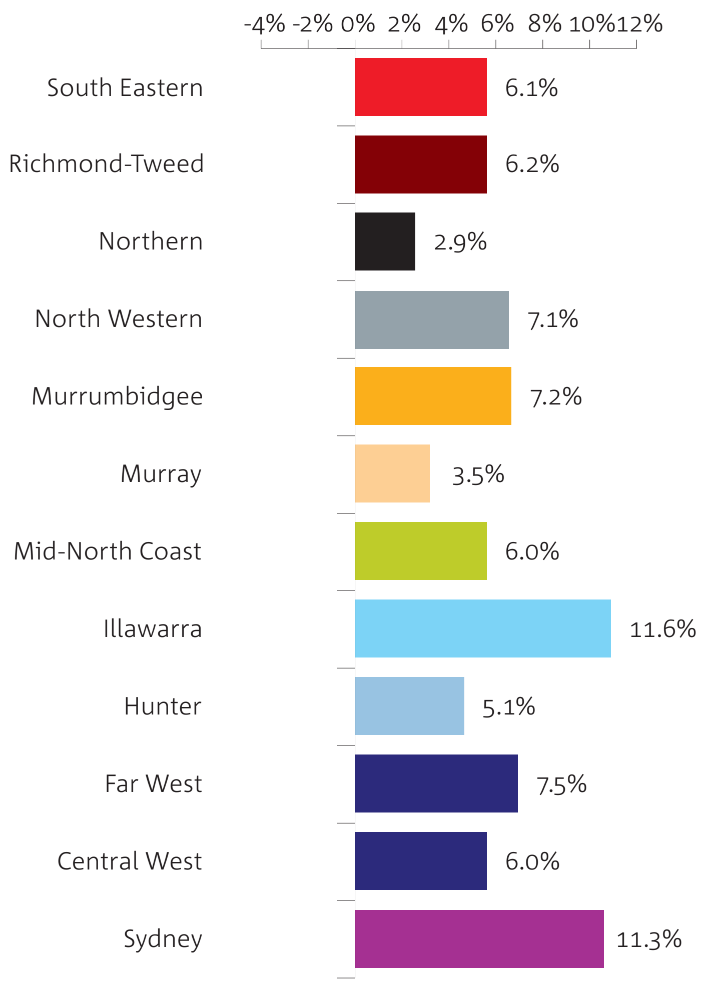
The New South Wales housing market has continued to benefit from strong buyer demand which has fuelled the high rate of capital gain that has been evident since June 2012. A high rate of jobs growth, low unemployment and historically high rates of migration, as well as a high level of investment activity are all factors that have helped to push home values substantially higher over the cycle to date.

Sydney has stood out from the other capitals, with home values increasing by 8.9% over the first half of 2016 and 11.3% higher over the past 12 months.

The annual rate of home value growth has slowed significantly from its peak growth of 18.4% in July of last year but has accelerated from a recent low of 7.4% in March 2016.

All of the broad regional markets across New South Wales have seen house values rise over the twelve months, with the strongest capital gains recorded in the Illawarra region, which has even outperformed Sydney for capital gains, however still remains a much more affordable housing market.

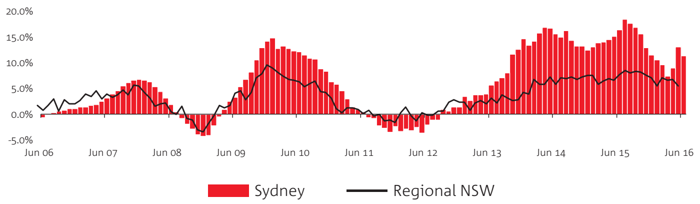
Annual change in home values over past year*



*Data for homes in capital cities, houses in regional areas. Data to Jun-16 for capital cities, May-16 for regional areas

Source: CoreLogic

Annual change in home values, Sydney and Regional NSW



NAB's view:

Sydney price forecasts revised higher for 2016, but less supportive fundamentals suggest a subdued market in 2017

The Sydney property market appears to have shaken off the soft patch that emerged late last year, with prices seemingly accelerating again in recent months.

The recent RBA interest rate cut has also fuelled some of the resurgence. That said much of the strength appears to stem from price adjustments that take account of changes in the quality of properties sold in the market. In contrast, simple median price measures, which are more reflective of the prices being paid by buyers, suggest that Sydney prices were actually flat-to-falling over this period. These conflicting results as well as the possibility that recent policy changes may have brought forward demand from investors (particularly foreign investors ahead of the 4% stamp duty surcharge from June 21) makes it difficult to gauge the true condition of the housing market at present.

Rental yields have fallen to their lowest level in recent history, indicating a well-supplied market and impacting incentives for investors. Sales volumes also appear to be dropping, which coincides with a recent rise in the average time a property spends on market before sale and greater vendor discounting.

Affordability has been a major issue in the Sydney housing market and does not appear to be getting much better. With household income growth expected to remain subdued, price gains will need to be more modest for quite some time to see affordability improve.

While this is a better outcome than we had expected, it is certainly consistent with solid economic performance in NSW, and relatively elevated rates of population growth – supported by a reversal of interstate migration post mining boom

Interest rates are low, and are expected to stay that way for quite some time, while foreign demand remains significant and pent up demand remains large (following years of housing undersupply). The supply situation is starting to change however, given the record amount of residential construction projects in the pipeline for NSW (especially for medium-density housing).

Consistent with this view on market fundamentals, the **NAB Property Survey** showed that market sentiment eased a little in NSW during Q2 2016, with the index well down on last year's high, while foreign demand remained subdued compared to previous periods.

NAB has revised up the near-term forecasts of quality adjusted prices growth to reflect the strength seen to date. House price growth forecasts were increased to 8.6% (from just 1.5%) in 2016, while unit/apartment price growth was raised to 7.2% (from -0.6%). The market however, is expected to lose momentum in 2017, keeping growth in house prices relatively subdued at 0.2%, while the additional headwinds to the unit/apartment market will likely take hold over coming months, prompting an expected price decline of 1.5% in 2017.

HOUSES 0.2%

UNITS 1.5%

VICTORIA OVERVIEW

CoreLogic's view:

Melbourne's housing market has recorded the highest level of growth in home values over the past twelve months, increasing by 11.5 per cent.

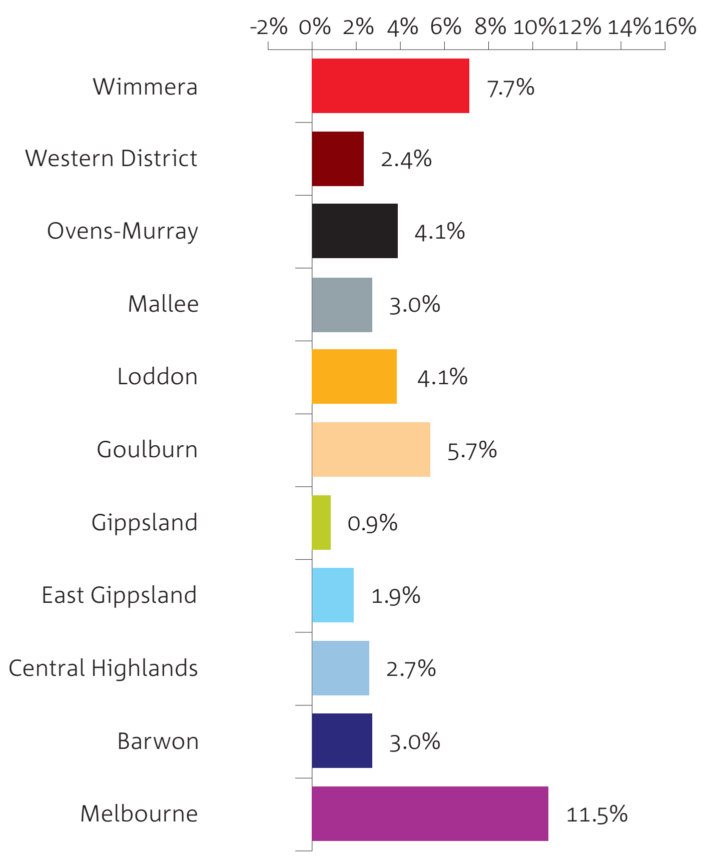
Unit values increased by 6.1 per cent over the last financial year compared with a 12.2 percent gain in Melbourne house values. The lower growth rate in the unit sector can most likely be attributed to higher supply levels of high rise apartments that is particularly evident in the CBD as well as other inner city markets.

Despite the high rate of capital gains, Melbourne housing remains remarkably more affordable compared to Sydney. House prices in Melbourne are approximately 25 per cent lower than Sydney's.

The regional areas of Victoria have all shown some level of capital gain over the past 12 months, however none of the regional markets have seen value growth as strong as the capital city.

Most regional areas of Victoria are recording annual growth of around 2 to 5 per cent.

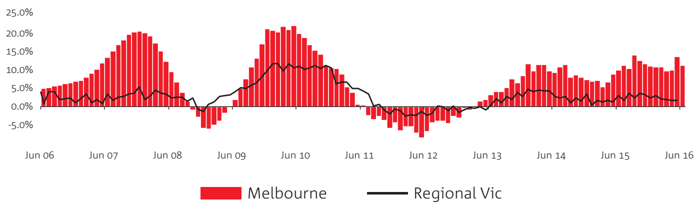
Annual change in home values over past year*



*Data for homes in capital cities, houses in regional areas. Data to Jun-16 for capital cities, May-16 for regional areas

Source: CoreLogic

Annual change in home values, Melbourne and Regional Vic



NAB's view:

Forecasts for 2016 revised up, but momentum expected to slow. Uncertain foreign demand and supply risks in the CBD apartment market remain major concerns

Melbourne property prices have continued to perform well amid ongoing support from solid population growth, better economic performance, and the RBA's most recent cut to the cash rate.

While Melbourne prices continue to be well below those in Sydney, annualised growth rates have actually been faster this year, although not by enough to help close the gap. The relatively lower price of property may be making Melbourne property more attractive to foreign buyers (consistent with signs of renewed foreign buyer interest in the NAB Residential Property Survey) although rental yields remain very weak as adequate supply, low interest rates and subdued wages growth all work to constrain rental growth.

Solid demand fundamentals could potentially support the market in the near-term, particularly should the RBA follow through with further rate cuts – a possibility, though not expected by NAB Group Economics at the time of writing.

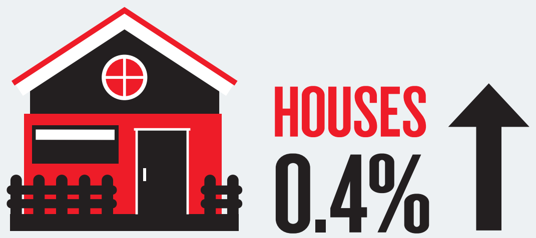
Improved prospects for the Victorian economy are a welcome development for the market, and will help to cushion it from a severe correction (assuming no unforeseen shocks to the broader economy). Vacancy rates of around 3% in Melbourne suggest the market is on the cusp of being oversupplied, while a record level of housing construction (especially apartments) in the pipeline suggests supply risks are casting a long shadow over the outlook.

Solid demand fundamentals could potentially support the market in the near-term, particularly should the RBA follow through with further rate cuts

Despite a lift in foreign demand, which could partly reflect a bringing forward of demand ahead of recent policy changes (above), the **NAB Residential Property Survey** reported a notable deterioration in market sentiment for Victoria in the June quarter, unwinding the large gains from the previous month. Nonetheless, the State is still experiencing the strongest levels of sentiment overall (along with NSW), albeit well down on the levels seen in recent years.

Consistent with the drop in sentiment, Survey respondents modestly downgraded their house price expectations for the next 12 months and 2 years. Even so, the unexpected strength in prices growth so far this year has prompted NAB to revise up forecasts for 2016. House prices in Melbourne are now forecast to rise 6.1% in 2016 (up from 2.3%), while unit/apartment forecasts have been lifted to 0.6% (from -3%). NAB's previous expectation for a more subdued housing market has been pushed back into 2017, although the precise timing of when the market will shift is difficult to predict – particularly given policy uncertainty.

House price growth is expected to be a modest 0.4% in 2017, while the anticipated ramp up in supply of units/apartments, and uncertainties over foreign and investor demand will likely see prices for this type of housing fall 3.5% in 2016.



QUEENSLAND OVERVIEW

CoreLogic's view:

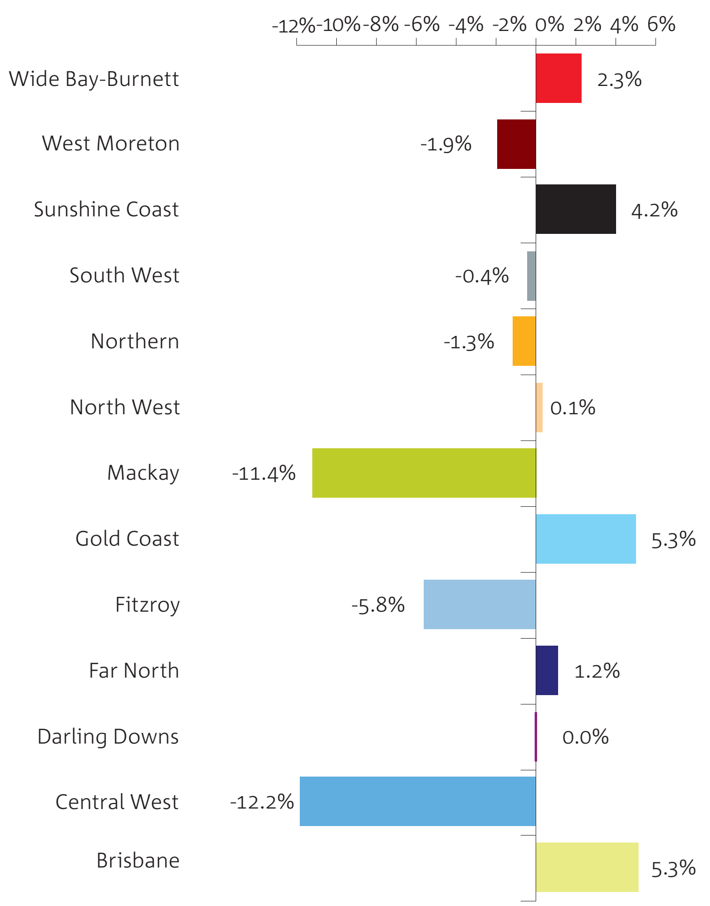
Brisbane's housing market has shown a relatively consistent and sustainable pace of growth, with home values moving 5.3 per cent higher over the past twelve months.

The trend in capital gains across Brisbane has seen some improvement over recent months however most of the gains are being driven by detached housing, where values have increased by 5.6 per cent over the 2015/16 financial year, compared with a 2.4 per cent rise in unit values.

With Brisbane home values consistently under-performing the larger capital cities, affordability remains much less of a concern and rental yields remain reasonably high, which is likely to be attractive to investors, further driven by the record low yields being observed currently in segments of the Sydney and Melbourne housing market.

The lifestyle markets, particularly Gold Coast and Sunshine Coast, are showing much healthier conditions thanks to rising tourism numbers and higher demand from lifestyle buyers.

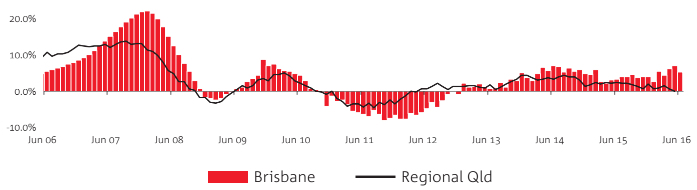
Annual change in home values over past year*



*Data for homes in capital cities, houses in regional areas. Data to Jun-16 for capital cities, May-16 for regional areas

Source: CoreLogic

Annual change in home values, Brisbane and Regional Qld



NAB's view:

Brisbane housing market seeing steady growth, but is expected to lose momentum – driven by lower apartment prices

Brisbane's housing market has seen relatively steady price growth, but has again underperformed relative to the other major eastern capital cities. This might be a reflection of the ongoing drag that the mining sector is having on the State's economy, although prominent non-mining sectors in Queensland's south-east have shown hints of improvement, with the support of lower interest rates and previous AUD depreciation.

Rental yields are significantly higher than in Sydney and Melbourne, which should attract investor demand, although the Q2 NAB Residential Property Survey suggested a drop in foreign buyer interest, while changes to stamp duty for foreign investors may also slow foreign demand (a 3% transfer surcharge for foreign investors is to be implemented from October 1).

Affordability is also much more favourable in Brisbane, which means there is scope for a rise in owner-occupier demand, although that has been the case for some time and has yet to trigger a significant (and sustained) acceleration in prices.

Consequently, years of previously pent-up demand for housing is likely to be less supportive going forward, particularly with supply now set to ramp up rapidly (especially apartments). The combined effect of the supply response, weak labour market conditions (resulting in subdued income and slowing population), and an uncertain outlook for (mainly foreign) demand suggest the risks to the outlook have shifted to the downside.

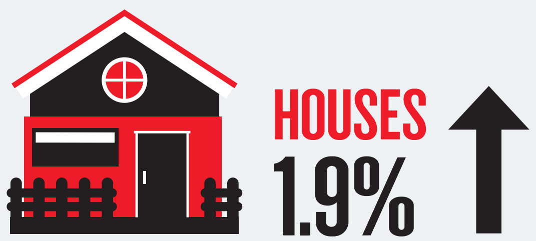
The combined effect of the supply response, weak labour market conditions and an uncertain outlook for demand suggest the risks to the outlook have shifted to the downside

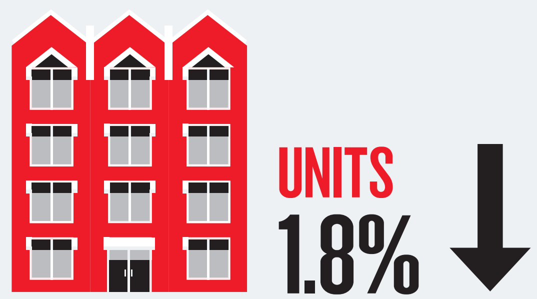
Consistent with the relatively subdued market conditions, the **NAB Residential Property Survey** showed deterioration in market sentiment for Queensland in Q2 2016, although forward expectations (up to 2 years ahead) were revised higher.

While sentiment is not as weak as in WA and SA, the index is well below NSW and Victoria, and is also down on the levels seen in recent years. Consistent with the surprise lift in longer-term sentiment, respondents upgraded their house price expectations for the next 1-2 years, as well as their rental expectations despite the mounting risk of oversupply over that period. As a result, Queensland has regained its place as the State with the strongest house price expectations in the Survey.

While there are signs that momentum could be slowing, NAB have revised 2016 forecast for Brisbane house price growth modestly higher, to reflect a better than expected result earlier in the year – up to 4%, from 2.6%. This is also the case for units/apartments, which are expected to rise 1.7%, revised up from -0.6%.

For now, we have pushed back our expectation for a more pronounced slowing in prices growth to 2017, with house prices expected to rise by a more modest 1.9%. Supply additions are expected to have a disproportionately large effect on units/ apartments, where prices are forecast to fall 1.8%.





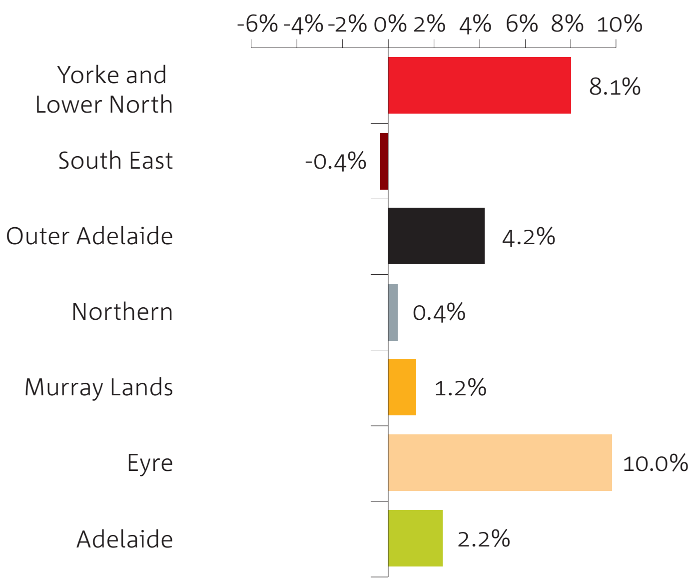
SOUTH AUSTRALIA OVERVIEW

CoreLogic's view:

Adelaide home values have continued to trend higher during 2016, increasing by 2.2 per cent over the past twelve months. The annual value growth for houses and units has been quite similar, recorded at 2.2 per cent and 1.7 per cent respectively. While home values are rising, rental rates have fallen over the year, down 0.4 per cent for houses and 0.8 per cent for units.

The regional markets of South Australia have mostly returned a positive result, with values rising across each of the regional division apart from the South East, where home values have fallen by 0.4 per cent over the past twelve months.

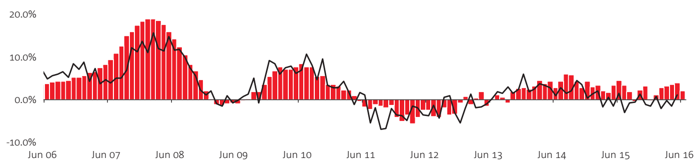
Annual change in home values over past year*



*Data for homes in capital cities, houses in regional areas. Data to Jun-16 for capital cities, May-16 for regional areas

Source: CoreLogic

Annual change in home values, Adelaide and Regional SA



NAB's view:

The challenging economic environment is expected to keep property price growth contained in South Australia

Subdued economic conditions in South Australia continue to be the main constraint on the State's housing market. Unfavourable demographic factors, weak commodity prices, as well as the long-term structural decline of its manufacturing base remain key challenges to growth.

South Australia also lacks the industry mix and job opportunities to draw workers back to the State as the National economy rebalances towards non-mining activity. That said, the lower AUD is starting to show some support to areas such as tourism, while improvements in business conditions and confidence are a welcome sign that the economic situation is beginning to turn.

Recent policy announcements at both the State and Federal level, aimed at promoting job and economic growth, are also encouraging.

Below-average population growth, combined with high – albeit improving – unemployment, is in turn creating very limited demand and price incentive for residential property.

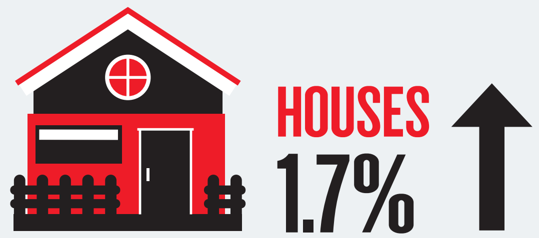
House price growth has been relatively mixed of late, up just 2.2% over the year, while unit prices appear to be turning down again. NAB's expectation for lackluster economic performance to continue in SA over 2016 and 2017 will severely limit employment and wage growth, with flow on effects for the local housing market.

NAB's expectation for lacklustre economic performance to continue in SA over 2016 and 2017 will severely limit employment and wage growth, with flow on effects for the local housing market

According to the **NAB Residential Property Survey**, sentiment towards residential property in SA/NT improved in Q2 2016 despite mixed economic conditions and unconvincing trends in the housing market. However, even with this improvement, sentiment overall remains extremely weak.

Nevertheless, respondents are no longer expecting declines in prices going forward, but rather a flat market in the near-term, with modest rises after 2 years. Rental expectations have also improved a little, although are still expected to fall in the near-term.

Given NAB's expectation for the State's economic, population and household income growth to remain subdued, both house and apartment prices are forecast to grow at a fairly modest 1.7% and 0.5% respectively in 2017.



WESTERN AUSTRALIA OVERVIEW

CoreLogic's view:

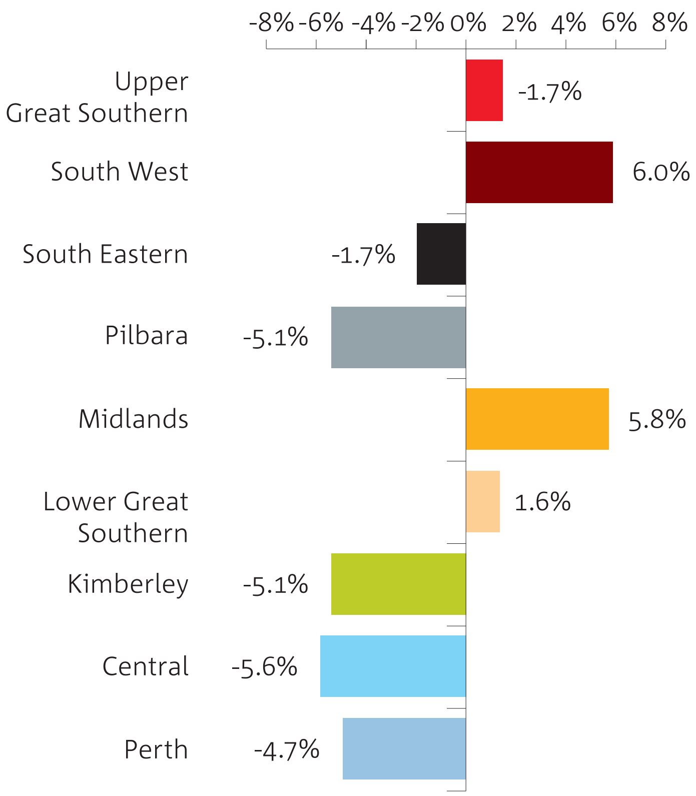
Perth is one of only two capital cities to have seen home values fall over the past year, moving 4.7 per cent lower. The soft housing market conditions have been evident since late 2014 when home values peaked. Since that time, Perth values have fallen by 7.4 per cent.

The negative results are being recorded across both house and unit stock, however unit values have fallen by a slightly larger margin over the past twelve months; down 5.5 per cent compared with a 4.6 per cent fall in house values.

With the pipeline of large infrastructure projects continuing to wind down and commodity prices remaining low compared with their 2011 peaks, housing demand in the mining related areas remains generally soft which is continuing to place downwards pressure on home values.

Current housing market conditions across the state favour buyers over sellers. Homes are taking approximately 70 days to sell and vendors having to discount their original listing price by an average of 7.8% in order to make a sale.

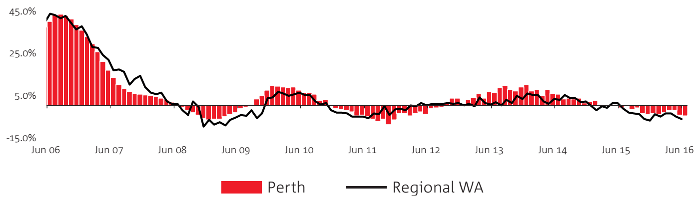
Annual change in home values over past year*



*Data for homes in capital cities, houses in regional areas. Data to June-16 for capital cities, May-16 for regional areas

Source: CoreLogic

Annual change in home values, Perth and Regional WA



NAB's view:

Perth housing market continues to feel the strain from weaker economic conditions in WA. Further price falls can be expected

The Perth property market remains in decline as the far reaching effects of the mining sector continue to play out. Property prices have fallen nearly 5% over the past year, but with further job losses still expected in mining and related sectors, the associated slowdowns in population and income growth are likely to see additional pressures placed on capital values going forward.

Housing supply is also set to increase, with the value of residential construction projects remaining fairly elevated, potentially adding to the already very high rental vacancy rate in Perth. Rental values have been in clear decline, stemming demand from investors, although rental yields remain higher than in Sydney and Melbourne (at least for now).

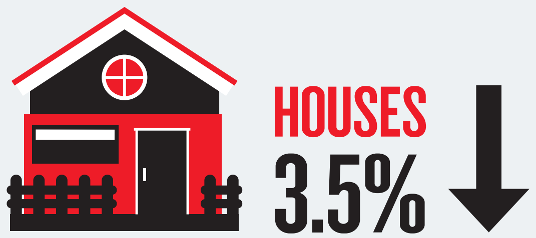
Certainly, the NAB Residential Property Survey has also shown that foreign demand, particularly for new properties, has been quite soft in recent quarters.

Given the combination of slowing population growth and solid additions to supply yet to come, the Perth housing market is expected to remain under fairly severe pressure

Sentiment towards the WA housing market has shown little to no improvement in the **NAB Residential Property Survey**. The State continued to see the worst level of sentiment of all the States in Q2 2016, and by a fairly significant margin. Additionally, WA and SA/NT are the only States where residential property market sentiment is currently negative, having been negative in WA since early 2014.

While property prices in most capital cities have exceeded expectations, prices in Perth have been even weaker than expected. Consequently, growth forecasts for 2016 have been revised down to -5.5% for houses (from -3%), while units were lowered to -7.2% (from 3%).

Given the soft survey outcomes and NAB's expectation for economic conditions to remain weak in WA, both house and apartment prices in Perth are expected to fall a further 3.5% and 5% respectively in 2017.



TASMANIA OVERVIEW

CoreLogic's view:

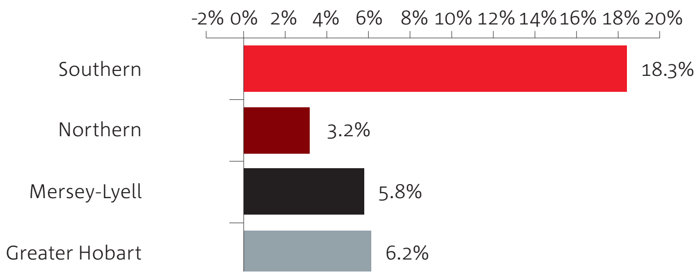
The Hobart housing market appears to have turned a corner, with home values rising 6.2 per cent over the past twelve months; the strongest growth rate since 2010.

The annual capital gain places Hobart as the third best performing capital city over the past twelve months which is a substantial turn around for Hobart which has previously been tracking as one of the softest capital city housing markets.

The regional areas of Tasmania area also showing an upwards trajectory in home values as buyer demand starts to lift.

Buyers are likely to be attracted to the sheer affordability of Tasmanian home prices as well as the high rental yields and lifestyle aspect of the Hobart market place.

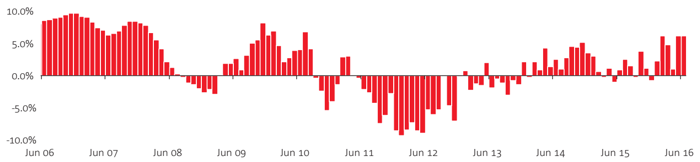
Annual change in home values over past year*



*Data for homes in capital cities, houses in regional areas.
Data to Jun-16 for capital cities, May-16 for regional areas

Source: CoreLogic

Annual change in home values, Hobart



NAB's view:

A tentative lift in economic conditions in Tasmania, coupled with moderate growth in housing supply, is driving prices higher. More gains expected, but at a slower pace

The outlook for the Tasmanian economy appears to have improved, although the surprising strength in property prices to date might still suggest at least some departure from fundamentals.

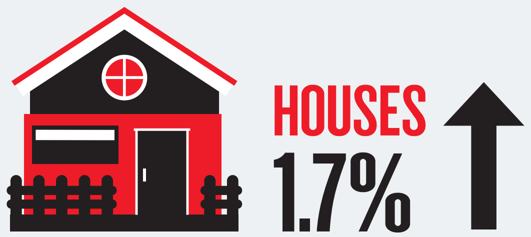
Hobart house prices have increased a solid 5.7% over the past year, while unit prices have risen an impressive 10.3%. This has occurred despite the fact that income growth has been modest (consistent with most other States) and the unemployment rate in Tasmania remains above 6%, although Hobart's unemployment rate has seen an improvement.

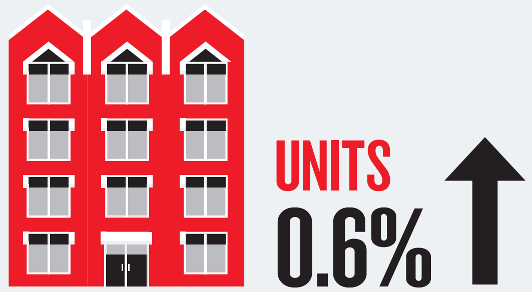
On balance, the demand environment for housing is expected to be steady, but far from outstanding, which is unlikely to maintain the trend set for prices so far in 2016

Vacancy rates remain very low relative to most other capital cities, while housing approvals and commencements have slowed.

Relative affordability is making Hobart a more attractive destination for buyers, especially given that Hobart still has higher rental yields than all other capital cities. On balance, the demand environment for housing is expected to be steady, but far from outstanding, which is unlikely to maintain the trend set for prices so far in 2016.

Given the stronger starting point, NAB is now forecasting Hobart house prices to rise by a solid 8.5% in 2016 (previously 6%) and unit prices to increase 9% (previously 7%). Momentum will slow somewhat into 2017, with house prices expected to rise 1.7% and units 0.6%.





NORTHERN TERRITORY OVERVIEW

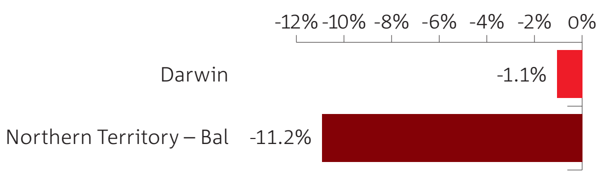
CoreLogic's view:

Darwin was the first capital city to move through its cyclical housing market peak, with home values starting to trend lower from June 2014. Since that peak, Darwin home values have fallen by a total of 6.9 per cent.

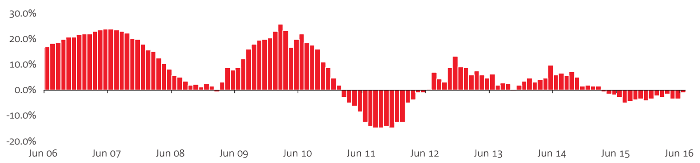
The past twelve months has seen some moderation in the rate of decline, potentially indicating that the Darwin housing market is finding a floor. While home values were down 1.1 per cent over the financial year, house values are showing some resilience, declining by only 0.1 per cent while unit values were down a more substantial 4.9 per cent over the year.

Buyers in the Darwin housing market are well positioned, with the typical Darwin home averaging 85 days to sell; the longest average selling time of any capital city.

Annual change in home values over past year*



Annual change in home values, Darwin



*Data for homes in capital cities, houses in regional areas.
Data to Jun-16 for capital cities, May-16 for regional areas

Source: CoreLogic

NAB's view:

Pressure on residential prices set to intensify as major LNG projects around the Northern Territory are completed

The Northern Territory has just under a quarter of a million residents and an economy highly dependent on mining and mining-related construction, as well as a large defence and public sector presence. This sets it apart from most other States and Territories, however, construction is nearing completion and much of the construction and civil engineering work is finished or close to finished.

Recent data show that the positive impact of the project has already tailed off and that employment, wages, business investment and home prices are beginning to struggle. This is likely to worsen upon project completion next year, and a large number of job losses can then be expected with insufficient offset coming from other important sectors such as public sector/defence, tourism and agriculture.

Large additions to the supply of apartments in recent years, has seen vacancy rates rising sharply and property prices down more than 1% annualised – despite a short lived revival earlier in the year

This is having a clear flow on effect on the housing market in Darwin, which along with large additions to the supply of apartments in recent years, has seen vacancy rates rising sharply and property prices down more than 1% annualised – despite a short lived revival earlier in the year.

These trends are likely to continue as mining investment winds down even further, putting added pressure on the housing market. On a more encouraging note for investors, rental values have not adjusted as quickly, seeing rental yields for houses hold up around 5%.

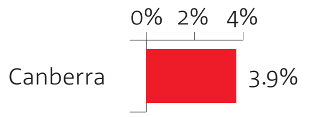
AUSTRALIAN CAPITAL TERRITORY OVERVIEW

CoreLogic's view:

The Canberra housing market has gathered some momentum over the 2015/16 financial year, with home values rising by 3.9 per cent. The improved growth position is being driven mostly by the detached housing sector, with house values rising 4.1 per cent over the past twelve months compared with a 1.7 per cent rise in unit values.

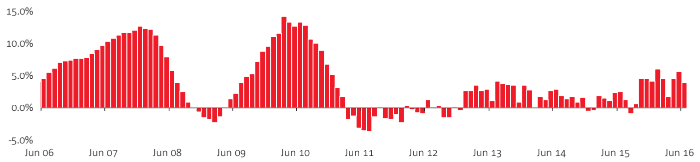
Transaction numbers across Canberra have held reasonably firm over the past year suggesting buyer demand remains consistent. Homes are selling, on average, in 49 days which is roughly on par with the capital average selling time.

Annual change in home values over past year*



*Data for homes in capital cities to Jun-16.
Source: CoreLogic

Annual change in home values, Canberra



NAB's view:

Undersupply and a stronger labour market are supporting the ACT housing market. However, the focus on Budget repair suggests some uncertainty for the outlook.

The relative size of the housing market and the overall significance of the public sector to the local economy make it difficult to reliably produce forecasts for property values in the ACT.

We have not fundamentally changed our expectation that the ACT economy will continue to gradually recover from the impact of previous fiscal tightening, but with Budget repair still very much on the radar, the outlook is still unclear.

Following the end of the Federal government hiring freeze on 1 July 2015, there has been more certainty in the labour market, and as a result broad based improvement in both public and private sector employment. Wages growth however is expected to remain subdued with spare capacity still remaining and inflation low. Nevertheless, property prices have increased by a reasonably solid 3.9% over the past year, led by house price growth (4.1%). Improved demand conditions have accompanied relatively tight supply, which has seen the vacancy rate drop sharply and has kept rental yields above the national average.

If the labour market and population growth improve as expected, that will provide further underlying support to the local property market and values going forward

If the labour market and population growth improve as expected, that will provide further underlying support to the local property market and values going forward. The supply situation however is also expected to ease going forward, especially for medium density housing, where construction is picking up – meaning prospects for apartment price growth are even more uncertain.

Additionally, the ACT government's land release program is expected to further underpin housing construction activity, with a total of 17,780 new housing sites released over four years to 2019-20.

Important information about this report

1. Important information about CoreLogic

The information in this report on a white background headed CoreLogic's View is provided by RP Data Pty Ltd trading as CoreLogic Asia Pacific (referred to in this report as '**CoreLogic**'). The following information relates to CoreLogic's information in the report. This information is referred to as '**CoreLogic Data**'.

Copyright Notice

All rights title and interest (including all intellectual property rights, creations or inventions) in or to the CoreLogic Data remain vested in CoreLogic and its licensors (including Local, State, and Commonwealth Governments).

Licence

CoreLogic grants to you a non-exclusive, non-transferable, non-subliceable, royalty-free, revocable, limited licence use the CoreLogic Data in Australia, limited to:

(a) downloading this CoreLogic Data from the website on a computer or mobile device via a web browser;

(b) copying and storing this CoreLogic Data for your own personal use; and

(c) printing pages from this CoreLogic Data for your own personal use.

CoreLogic does not grant you any other rights in relation to the CoreLogic Data or the material in this Report. For the avoidance of doubt, you must not adapt, edit, change, transform, publish, republish, distribute, redistribute, resell, broadcast, rebroadcast, or show or play in public the CoreLogic Data (in any form or media) without our prior written permission.

Permissions

You may request permission to use the CoreLogic Data by writing to the Company Secretary, Level 21, 2 Market Street, Sydney, NSW 2000.

Disclaimer

In providing the CoreLogic Data, CoreLogic has relied upon information supplied by a number of external sources. CoreLogic does not warrant its accuracy or completeness of the CoreLogic Data and to the full extent allowed by law excludes liability in contract, tort or otherwise, for any loss or damage sustained by you, or by any other person or body corporate arising from or in connection with the supply or use of the whole or any part of the CoreLogic Data in this Report through any cause whatsoever and limits any liability it may have to the amount paid to CoreLogic for the supply of such information.

Queensland Data

The following applies to the extent any CoreLogic Data contains data based on or contains data provided by the State of Queensland (Department of Natural Resources and Mines) 2016. In consideration of the State permitting use of this data you acknowledge and agree that the State gives no warranty in relation to the data (including accuracy, reliability, completeness, currency or suitability) and accepts no liability (including without limitation, liability in negligence) for any loss, damage or costs (including consequential damage) relating to any use of the data. Data must not be used for direct marketing or be used in breach of the privacy laws.

South Australian Data

The following applies to the extent any CoreLogic Data contains information is based on data supplied by the South Australian Government and is published by permission. The South Australian Government does not accept any responsibility for the accuracy or completeness of the published information or suitability for any purpose of the published information or the underlying data.

New South Wales Data

The following applies to the extent any CoreLogic Data contains property sales information provided under licence from the Land and Property Information ("**LPI**"). CoreLogic is authorised as a Property Sales Information provider by the LPI.

Victorian Data

The following applies to the extent any CoreLogic Data contains property sales data provided under licence by the State of Victoria. The State of Victoria owns the copyright in the Property Sales Data which constitutes the basis of this report and reproduction of that data in any way without the consent of the State of Victoria will constitute a breach of the Copyright Act 1968 (Cth). The State of Victoria does not warrant the accuracy or completeness of the information contained in this report and any person using or relying upon such information does so on the basis that the State of Victoria accepts no responsibility or liability whatsoever for any errors, faults, defects or omissions in the information supplied.

Western Australian Data

The following applies to the extent any CoreLogic Data contains data provided by Western Australia land Information Authority. Based on information provided by and with the permission of the Western Australian Land Information Authority (2016) trading as Landgate.

Australian Capital Territory Data

The following applies to the extent any CoreLogic Data contains data licenced by the Australian Capital Territory. The Territory Data is the property of the Australian Capital Territory. No part of it may in any form or by any means (electronic, mechanical, microcopying, photocopying, recording or otherwise) be reproduced, stored in a retrieval system or transmitted without prior written permission. Enquiries should be directed to: Director, Customer Services ACT Planning and Land Authority GPO Box 1908 Canberra ACT 2601.

Tasmanian Data

The following applies to the extent any CoreLogic Data in this report contain data licenced by the State of Tasmania. This report incorporates data that is copyright owned by the Crown in Right of Tasmania. The data has been used in the product with the permission of the Crown in Right of Tasmania. The Crown in Right of Tasmania and its employees and agents:

- give no warranty regarding the data's accuracy, completeness, currency or suitability for any particular purpose; and
- do not accept liability howsoever arising, including but not limited to negligence for any loss resulting from the use of or reliance upon the data. Base data from the LIST © State of Tasmania **http://www.thelist.tas.gov.au**

2. Important information about NAB

2.1 Use the report for general information only

The information in this report is provided for general information purposes only and is a summary based on selective information which may not be complete for your particular purposes. To the extent that any information in this report constitutes financial advice, it doesn't take into account any person's particular financial situation or goals. NAB recommends that you seek advice specific to your circumstances from your financial adviser. Before acting on any advice or information in the report, you should consider whether it is appropriate for your circumstances and independently check the suitability of the report, including by obtaining advice from appropriate professionals or experts.

NAB does not accept liability for any loss or damage whatsoever which may directly or indirectly result from any advice, opinion, information, representation or omission, whether negligent or otherwise, contained in this report.

2.2 Excluding liability for forward-looking statements in the report

Information provided by either CoreLogic or NAB in this report may contain certain forward-looking statements. The words "anticipate", "believe", "expect", "project", forecast", "estimate", "likely", "intend", "outlook", "should", "could", "may", "target", "plan" and other similar expressions are intended to identify forward-looking statements. These forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of either NAB or CoreLogic, that may cause actual results to differ materially from those expressed or implied in these statements. There can be no guarantee that actual outcomes will not differ materially from these statements. There are usually differences between forecast and actual results because events and actual circumstances frequently do not occur as forecast and their differences may be material.

Important

You should not place undue reliance on statements in this report. To the maximum extent permitted by law, NAB does not accept responsibility:

- **for the accuracy or completeness of any statements in this report whether as a result of new information, future events or results or otherwise; or**
- **to update or revise any statement to reflect any change in the events, conditions or circumstances on which the forecast is based.**

2.3 NAB is not responsible for CoreLogic's information in this report

The information on the white background headed 'CoreLogic' in this report has been provided by RP Data Pty Ltd about the housing market in Australia for a 12 month period up to June 2016. NAB commissioned CoreLogic to prepare CoreLogic's information in this report. This was for the purpose of providing the report to NAB customers. CoreLogic has also permitted NAB to share CoreLogic's information with brokers who work with NAB and for the brokers to share CoreLogic's information in this report with their clients, provided that the information is provided to these clients without charge. NAB has not been involved in the preparation of CoreLogic's information in this report. The views in CoreLogic's information do not necessarily reflect NAB's views and to the maximum extent permitted by law, NAB does not make any representation or any warranty in relation to, or accept responsibility for the accuracy, completeness, currency or appropriateness of CoreLogic's information in this report.

2.4 The NAB Residential Property Survey

The NAB Residential Property Survey referenced in this report consists of extracts from data obtained by NAB from a June 2016 survey of property professionals. This reflects the surveyed property professionals' views about what they think will happen to the housing market in Australia in a 24 month period up to June 2018. The views in the survey do not necessarily reflect NAB's views except where expressly called out in this report.