

NAB SPECIAL INSIGHT REPORT 2019

AUSTRALIAN HOUSING MARKET - HOW DO CONSUMERS VIEW THE MARKET NOW & IN THE FUTURE?



NAB Behavioural & Industry Economics

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With Australian house prices continuing to moderate after 5 years of solid growth (particularly in Sydney & Melbourne), home owners, investors, buyers and sellers are facing a very different property market today. In this report we explore how Australians are weighing up the new opportunities and challenges this market presents. Over 2,000 consumers were asked whether they thought it was a good time to buy, sell, renovate or take out a mortgage, now and in 12 months' time. We also asked if they're actually intending to buy, sell, renovate or get a mortgage over the next 12 months and whether they believe house prices in their local area would rise or fall.

Most consumers think now is a good time to renovate their home or buy to live in. But, with prices falling across most of the country, they don't think it's a good time to sell their home or investment property. Over the next 12 months Australians are still most positive about renovating their home and buying a property to live in, but there is a lot of uncertainty. So what do consumers actually intend to do over the next 12 months? Overwhelmingly, the majority of Australians plan to sit tight and do nothing. On average, price falls of -2.1% are expected over the next 12 months (against -2.4% forecast by property professionals in NAB's latest Residential Property Survey). TAS is by far the most positive state, with almost 1 in 2 people expecting a positive price outcome, followed by QLD (1 in 3). Only 1 in 5 consumers in NSW & VIC expect house prices to grow next year. Much larger falls are expected in capital cities than regional and rural areas, with modest growth expected in the bush.

HIGHLIGHTS

Is it a good time to buy, sell, renovate or take out a mortgage on property?

- Overall, most Australians (around 1 in 2), said it was a good time to renovate their home or buy a home to live in. Over 1 in 2 also said it wasn't a good time to sell their home or investment property.
- These themes were broadly consistent across states, with one exception - a much higher number in WA said it wasn't a good time to sell their home (we suspect this result may be influenced by the fact that some home owners in WA may also be sitting on capital losses with dwelling prices some 17% lower than their mid-2014 peak).

Will it be a good time to buy, sell, renovate or take out a mortgage in 12 months' time?

- Consumers were still most positive about renovating their homes and buying a property to live in, although fewer than now. They were also noticeably less positive about buying or renovating an investment property or getting a mortgage for a home to live in or for investment.
- It's also clear consumers are far more uncertain about the future - around 4 in 10 said they didn't know if it will be a good time to buy, sell, renovate or take out a mortgage.
- Interestingly, significantly fewer people in all states were positive about renovating their home. WA was the exception, where far fewer thought it would be a good time to buy a home to live in.

Do consumers actually intend to buy, sell, renovate or get a mortgage in next 12 months?

- Over 8 in 10 people don't intend to buy or sell property, get a mortgage or renovate an investment property. But 1 in 5 people do intend to renovate their home over the next 12 months.

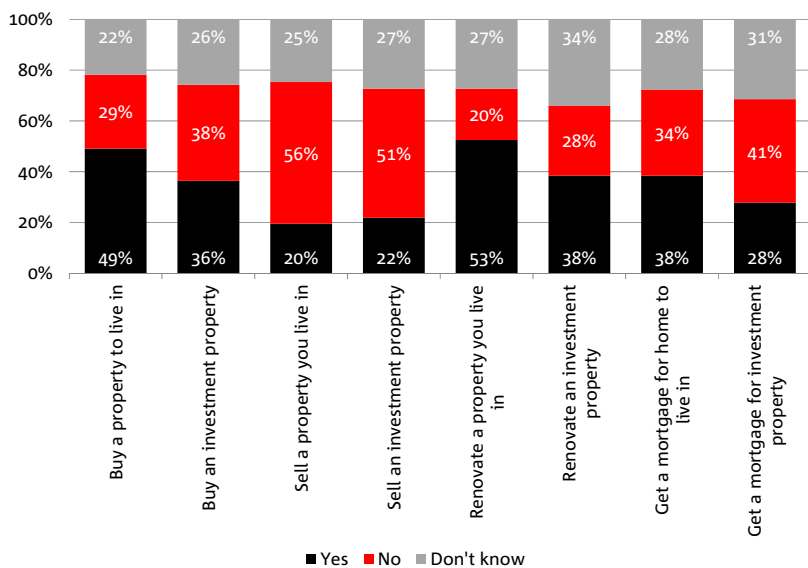
What will happen to house prices in the next 12 months?

- Consumers on average expect prices to fall -2.1% (versus -2.4% forecast by property professionals in NAB's Q4 Residential Property Survey). NSW (-3.1%) and VIC (-2.9%) are expected to lead the way down, but consumers are less pessimistic than property professionals. TAS is the only state with positive expectations (2.2%).
- But this masks key differences in perceptions. Australia wide, 45% of people expect prices to fall, but this ranges from 53% in NSW and 51% in VIC to just 14% in TAS. And significantly more consumers in VIC (39%) and NSW (37%) anticipate drops of 5% or more (with 16% and 17% respectively predicting falls of over 10%).
- TAS is by far the most positive for price growth with almost 1 in 2 people expecting a positive outcome in the next 12 months. Only 20% of consumers in NSW and 23% in VIC expect price growth to turn positive next year.
- By region the downturn is being driven by expectations for larger falls in capital city house prices (-2.8%), with smaller falls in rural towns (-1.0%) and major regional cities (-0.9%). Consumers living more than 5km from the nearest town (or the 'bush') are on average predicting modest growth of 0.6%.

MAIN REPORT

Australian home owners, investors, buyers and sellers now face a new set of circumstances as local housing market prices continue to edge lower. Some consumers may be weighing up new opportunities or threats that this downturn presents. In order to better understand how they would respond to this new reality, we asked over 2,000 consumers to tell us whether they think now is a good time to buy, sell, renovate or take out a mortgage, and whether this will change over the next 12 months. We also ask them if they're actually intending to do any of these things over the next 12 months and what they think house prices in their local area will do over this timeframe.

IS IT A GOOD TIME TO... AUSTRALIA



Australian consumers were asked whether they thought now was a good time to buy, sell or renovate property or to take out a property mortgage.

Overall, the greatest number of people - around 1 in 2 - said it was a good time to renovate the home they were living in (53%) or buy a property to live in (49%).

In contrast, most Australians said it now wasn't a good time to sell a property they were living in (56%) or sell an investment property (51%).

A large number - over 4 in 10 or 41% - also said that it wasn't a good time to take out a mortgage for investment property.

These themes were broadly consistent across states.

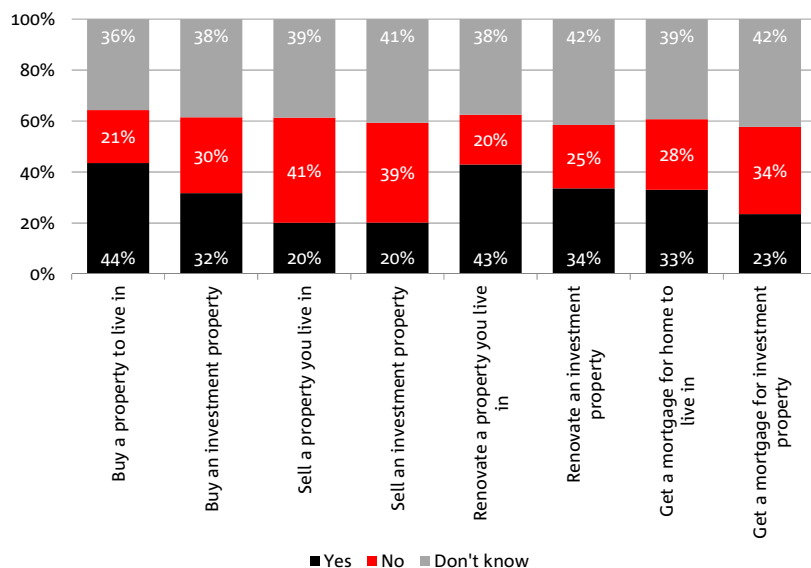
That said, while the number of people who said it was a good time to renovate their home ranged from just 54% in NSW to 51% in SA/NT and TAS, the number who said it was a good time to buy a home to live in ranged from 61% in WA (where dwelling prices are around 17% lower than the last peak in mid-2014) to just 46% in NSW and QLD. In VIC, the number who said it was a good time to buy was also relatively high despite having (along with NSW) the most negative expectations for house prices over the next 12 months (see below).

When it came to selling a property to live in, the number of consumers who said it wasn't a good time to sell was highest in WA (69%) perhaps also suggesting some home owners may be currently sitting on capital losses. It was lowest in TAS (36%) which has also been fastest growing state for house prices since late-2017 and also the only state where consumers believe house prices will continue growing over the next 12 months.

When it came to whether now was a good time to buy an investment property, WA was the most positive state and TAS (28%) the least positive followed by QLD (32%). But more consumers in TAS (34%) thought now was a good time to sell an investment property, by far the highest number of all states.



WILL IT BE A GOOD TIME IN 12M TO... AUSTRALIA



Australian consumers were also asked whether they thought it would be a good time to buy, sell or renovate a property or take out a mortgage in 12 months' time.

While they were still most positive about renovating a home they live in (43%) and buying one to live in (44%), fewer think it will be a good time to do these in the future than think so now.

Consumers were also noticeably less positive about buying investment property (32%), renovating investment property (34%) or getting a mortgage for a home to live in (33%) or for investment (23%).

A similar number think it will still be a good time to sell property (both their homes and investment property) in the future.

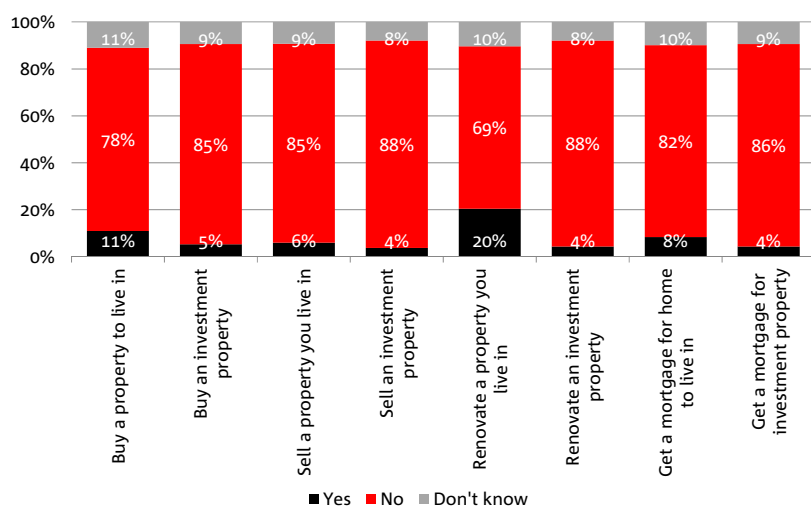
What is also very clear is consumers are far more uncertain about the future - around 4 in 10 said they didn't know if it will be a good time to buy, sell, renovate or get a mortgage.

Interestingly, while fewer consumers in all states believed it would be a good time to buy, sell, renovate or take out a mortgage in 12 months' time, consumers in all states were less positive about renovating the house they live in - and significantly more so in all states.

WA was the exception, with the biggest pullback seen in the number of consumers who thought it would be a good time to buy a property to live in.

It's also clear that consumers in all states are far less certain about whether it would be a good time to buy, sell, renovate or take out a mortgage in 12 months.

IN NEXT 12M DO YOU INTEND TO... AUSTRALIA



But do consumers actually intend to buy, sell, renovate or get a mortgage in next 12 months?

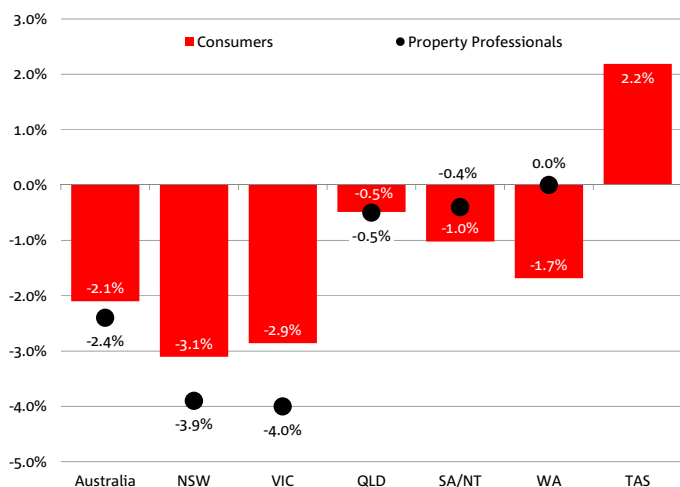
Overall most plan to do nothing. In fact, over 8 in 10 people don't intend to buy or sell property (home or investment), get a mortgage (home or investment) or renovate an investment property.

Despite falling house prices across most of the country however, 1 in 5 (or 20%) consumers overall do intend to renovate the home they live in over the next 12 months, perhaps hoping it may add to re-sale value when the housing market turns.

The number of people who intend to renovate their homes is broadly similar across all states. TAS is the exception with almost 1 in 3 consumers (32%) planning to renovate their homes in the next 12 months.

Far fewer people in TAS also intend to buy a new home than in any other state.

OUTLOOK FOR HOUSE PRICES - NEXT 12 MONTHS



Finally, we asked consumers to tell us what they thought would happen to house prices in their area over the next 12 months.

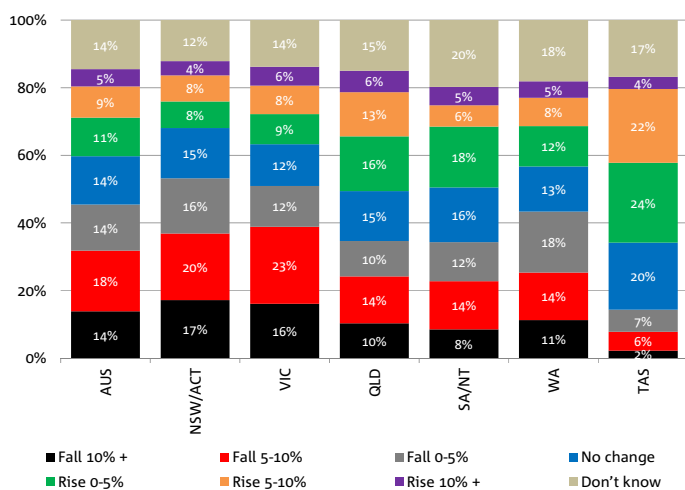
On average, they expect prices to fall -2.1% across the country, compared to -2.4% forecast by property professionals in NAB's Q4 Residential Property Survey.

By state, consumers saw the biggest house prices falls occurring in NSW (-3.1%) and VIC (-2.9%). But Consumers were less pessimistic than propriety professionals in NSW (-3.9%) and VIC (-4.0%).

Consumers in WA on average said they expect prices to fall -1.7% - a much weaker result than forecast in the NAB Residential Property Survey (0.0%).

The next biggest falls are expected in SA/NT (-1.0%), and also somewhat bigger than the forecast from property professionals. Prices in QLD are tipped to fall -0.5% (in line with expectations from property professionals). TAS is the only state with positive expectations (2.2%).

OUTLOOK FOR HOUSE PRICES - NEXT 12 MONTHS



But the average result also masks some key differences in perceptions.

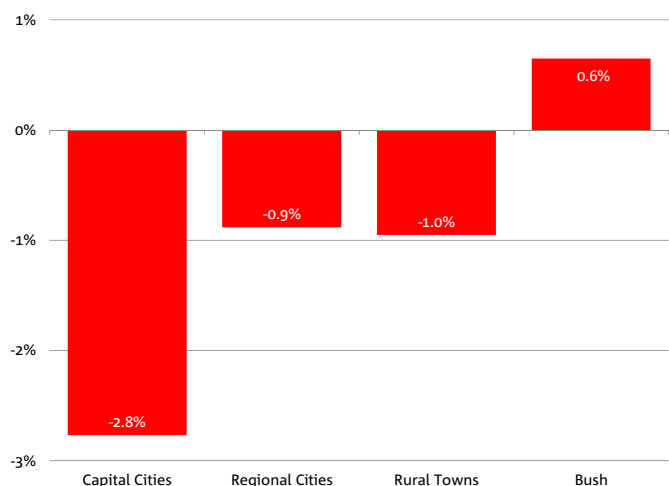
Australia wide, 45% of consumers expect house prices to fall in the next 12 months, but that number ranges from 53% in NSW and 51% in VIC to just 14% in TAS, 34% in SA/NT, 35% in QLD and 43% in WA.

Moreover, significantly more consumers in VIC (39%) and NSW (37%) anticipate price drops of 5% or more (with 16% and 17% respectively also predicting falls of more than 10%).

TAS is by far the most positive state for house price growth, with almost 1 in 2 people (49%) expecting a positive outcome over the next 12 months, followed by QLD (36%).

Only 20% of consumers in NSW and 23% in VIC expect house prices to grow over the next year.

OUTLOOK FOR HOUSE PRICES - NEXT 12 MONTHS



Not only are there widespread disparities by state, there are significant differences in house price expectations by region.

Clearly, the downturn in Australia housing markets is being driven by expectations for larger falls in capital city house prices (-2.8%).

A smaller fall of -1.0% is being predicted in rural towns and a -0.9% fall in major regional cities.

Consumers living more than 5km from the nearest town (or the 'bush') are on average predicting modest growth of 0.6%.

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