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MEDIA RELEASE

- **Australian housing market sentiment ends the year on a very weak note falling to new Survey lows, according to property professionals. Confidence levels (expectations) also drop to below average levels suggesting market momentum will probably fall further.**
- **NAB's own view is that house prices are likely to decline further over the next year or so - seeing peak-to-trough declines of around 15% in Melbourne and Sydney. Perth is likely to see some further small declines, while the remaining states will remain largely flat.**

The NAB Residential Property Index fell to a new survey low in the final quarter of the year as house prices continued to fall across most of the country.

Overall, the index was down 11 points to -20 in Q4 2018 (-9 in Q3) and now sits well below its long-term average level (+12).

NAB Chief Economist Alan Oster said "This very poor result was not unexpected given what's been happening on house prices."

While market sentiment was quite weak across the country, the overall index was dragged down mainly by Victoria (down 21 to -28) and NSW (down 13 to -50) where downward pressure on prices intensified in Melbourne and Sydney.

Sentiment waned in Queensland (down 13 to +8), but it was the only state to report a positive reading. In SA/NT (0) and WA (up 1 to -13) sentiment was largely unchanged at very weak levels.

Confidence also fell well below average levels, suggesting market momentum will probably fall further.

Among other key Survey findings:

- Property professionals now anticipate much sharper house price falls in NSW and Victoria over the next 1-2 years, but prices are also expected to fall or remain flat across the rest of the country.
- The outlook for rents is positive in all states (bar NSW) suggesting yields should trend higher. Victoria and NSW (where house prices are falling fastest) are likely to see the biggest yield improvements.
- First home buyers (FHBs) and owner occupiers took up the slack in new and established housing markets in Q4 as investors - both foreign and domestic - continued to retreat from the market.
- The crackdown on credit and tighter lending restrictions also continued playing out in new and established housing markets, with property professionals in all states citing credit as the biggest constraint on new housing development and the biggest impediment for buyers of established housing.

NAB's forecasts on residential prices

NAB's view is that house prices are likely to decline further over the next year or so - seeing peak-to-trough declines of around 15% in Melbourne and Sydney (although falls in the latter may be marginally higher).

Perth is likely to see some further small declines, while the remaining states will remain largely flat.

We expect the declines to remain orderly and see price movements on the East coast to date as a healthy correction to the prior large run-up in prices.

The adjustment to date has occurred against a relatively healthy macroeconomic back drop and this is likely to continue to be the case.

"That said further tightening in credit conditions and weaker price expectations in the investor market could likely further weigh on prices' cautioned Mr Oster.

Over 300 property professionals participated in the Q4 2018 survey.

NAB HEDONIC HOUSE PRICE FORECASTS (%)*

	2017	2018f	2019f	2020f
Sydney	3.4	-10.0	-5.6	-0.4
Melbourne	11.3	-9.1	-7.0	-2.2
Brisbane	2.5	0.4	0.0	0.0
Adelaide	3.2	1.3	1.7	1.7
Perth	-1.2	-4.3	-0.2	0.0
Hobart	11.4	8.3	1.8	1.8
Cap City Avg	4.8	-6.7	-3.8	-0.6

*percentage changes represent through the year growth to Q4
SOURCE: CoreLogic, NAB Economics

NAB HEDONIC UNIT PRICE FORECASTS (%)*

	2017	2018f	2019f	2020f
Sydney	2.6	-6.3	-5.5	-0.9
Melbourne	7.6	-2.3	-3.4	-1.0
Brisbane	-1.0	-0.7	-4.5	-2.2
Adelaide	-1.2	1.7	0.5	0.5
Perth	-3.5	-6.5	-2.4	-1.8
Hobart	13.7	10.2	1.2	1.2
Cap City Avg	3.2	-4.3	-4.4	-1.0

*percentage changes represent through the year growth to Q4
SOURCE: CoreLogic, NAB Economics

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