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MEDIA RELEASE

- **Australian housing market sentiment improved a little in Q1 2019 as the monthly rate of house price decline eased in the first 3-months of the year, but it remains very weak. Longer-term confidence also picked-up suggesting housing market conditions may start improving moving into 2021.**
- **NAB revised down its expectations for residential dwelling prices. Following larger than expected falls over 2018 and early-2019, NAB is now predicting peak to trough falls of 20% in Sydney and 15% in Melbourne. We expect conditions in Perth to remain weak and the other capitals to hold up better. We also see the adjustment continuing in an orderly manner, with prices remaining well up on 5 years ago.**

Market sentiment among surveyed property professionals improved a little in Q1 2019 as the monthly rate of house price decline eased in the first 3-months of the year.

The NAB Residential Property Index rose 5 points to a still very weak -15 as house prices in much of the country continued falling.

Sentiment was negative in all states bar SA/NT (where annual dwelling prices in SA remain positive) and remained weakest in NSW and VIC where price falls were biggest.

Confidence (based on future house prices and rents) was unchanged at -3 for the next 12 months, suggesting that market momentum will remain weak into 2020.

But longer-term confidence has improved suggesting housing market conditions may start improving moving into 2021.

The average survey expectation for national house prices for the next 12-24 months is for further declines (but smaller than predicted in the last survey), with WA and SA/NT leading the way for price gains.

Rents are expected to continue growing signalling a further improvement in yields.

The Q1 2019 survey results also indicate buying activity in new and establishing housing markets is being supported by owner-occupiers ('upgraders' and first home buyers) as investors (domestic and foreign) continue retreating from the market.

Access to credit is still the key constraint on new housing development and for buyers of established property in all states, according to surveyed property professionals.

NAB's forecasts on residential prices

NAB's forecast is for dwelling prices to fall further over the next year or so - led by further declines in Sydney and Melbourne. We now expect Sydney to decline by around 20% from peak to trough, while Melbourne is expected to fall around 15%.

We also expect conditions in Perth to remain weak, and the other capitals to hold up better.

Overall, we see the adjustment in house prices continuing in an orderly manner, with prices remaining well up on 5 years ago.

That said the moderation in prices has spilled over to housing related activity with approvals for new building having fallen and dwelling investment showing a sharp decline in the December quarter.

While the slowing in construction and potential 'wealth effects' may weigh on economic activity, these adjustments are occurring at a time of low unemployment and low interest rates, while population growth remains relatively strong - factors that should work to support the property market.

Over 300 property professionals participated in the Q1 2019 survey.

NAB HEDONIC HOUSE PRICE FORECASTS (%)*

	2017	2018	2019f	2020f
Sydney	3.4	-10.0	-8.4	-1.9
Melbourne	11.3	-9.1	-8.8	-2.2
Brisbane	2.5	0.4	-1.8	0.0
Adelaide	3.2	1.3	0.5	1.7
Perth	-1.2	-4.3	-2.9	0.0
Hobart	11.4	8.3	2.7	1.8
Cap City Avg	4.8	-6.7	-6.1	-1.0

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

NAB HEDONIC UNIT PRICE FORECASTS (%)*

	2017	2018	2019f	2020f
Sydney	2.6	-6.3	-7.2	-2.5
Melbourne	7.6	-2.3	-4.3	-1.0
Brisbane	-1.0	-0.7	-4.2	-2.2
Adelaide	-1.2	1.7	0.9	0.5
Perth	-3.5	-6.5	-4.7	-0.8
Hobart	13.7	10.2	1.6	1.2
Cap City Avg	3.2	-4.3	-5.6	-1.8

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

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