

NAB RESIDENTIAL PROPERTY INSIGHT REPORT

HOW HAS COVID-19 CHANGED THE PERCEPTIONS OF WHAT IS IMPORTANT TO AUSTRALIAN HOME BUYERS?



NAB Behavioural & Industry Economics

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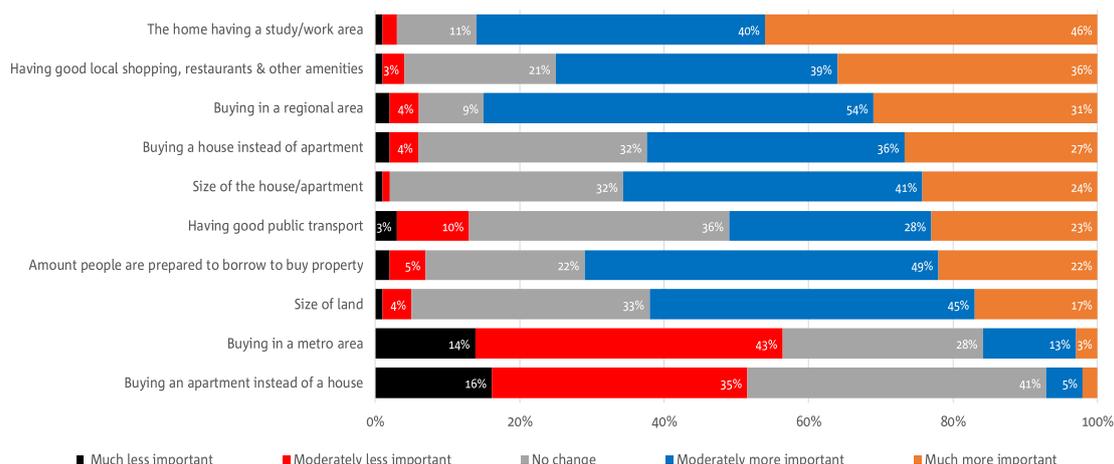
The Australian housing market has fared significantly better than expected over the past year, despite significant headwinds, including slower population growth and a weaker labour market. Lower interest rates and household income support from the Federal Government have provided key supports. Lifestyle, population and work-related changes since COVID have also impacted overall property demand and requirements. In this special report, NAB asked around 330 property professionals across the country (including real estate agents, property developers & investors), to rate the extent COVID has changed the importance of a range of key factors for home buyers. These include: the relative appeal of a house instead of an apartment; buying in metro versus regional areas; the size of the property or land; the amount buyers are prepared to borrow; the importance of a dedicated study or work area; good local shopping, restaurants & other amenities; and the quality of public transport.

With many employees and businesses now viewing the post-COVID work environment as a hybrid of remote and in-person working, the most important factor for home buyers - according to almost 9 in 10 property experts - is having a study or designated work area, particularly for those in NSW & VIC (and interestingly to a lesser extent also in WA). Access to good local shopping, restaurants and other amenities was the next most important property consideration (according to 3 in 4 or 75% of property professionals), particularly for those in VIC (no doubt influenced by living through the longest period of lockdown and strictest travel restrictions). COVID-related work flexibility has also precipitated a change in perceptions around buying in regional areas with around 85% of property professionals identifying this as a key consideration for homebuyers - with the share of property experts indicating it as “much more important” ranging from 43% in NSW to as low as 12% in WA and 19% in SA. This has been reflected in pricing data where some regional locations (particularly popular coastal areas), have outperformed the broader market.

Buying a house rather than apartment has also become more important (63% of all property professionals), likely reflecting out-performance of detached house prices relative to units and apartments, along with changing living preferences. Property professionals in WA were in strongest agreement of the importance of this factor for homebuyers. COVID has also seen a re-evaluation of the size of homes, apartments and land for homebuyers, with bigger increasingly viewed as better. This factor was identified by more than 4 in 10 property professionals, with house/apartment size most important in NSW & VIC, and land size a key consideration in VIC & SA.

Despite a significant increase in the number of people working remotely because of COVID, just over 1 in 2 (51%) property experts still believed having good public transport was important for homebuyers - 23% saying it was “much more important” and 28% “moderately more important”. Public transport is most important for homebuyers in SA (81% overall) and least important in VIC (45%).

EXTENT COVID HAS CHANGED THE IMPORTANCE OF THE FOLLOWING FACTORS TO HOMEBUYERS



The COVID pandemic normalised remote work across the country, particularly in major cities, and many employees and businesses now see the post-COVID work environment as a mix of remote and in-person working. Consequently, it is not surprising that almost 9 in 10 (86%) surveyed property professionals believe home buyers want their homes to be a feature of the future office, with the home having a study or designated work area now a more important consideration.

Moreover, almost 1 in 2 (46%) property professionals said this has become “much more important”, and 40% “moderately more important”. In total, most property professionals in all key states said this feature was now more important because of COVID - ranging from 88% in SA and WA to 78% in QLD. But in relative terms, it was “much more important” in NSW (53%) and VIC (50%) than in QLD (24%) - [see state charts in Appendix 1](#).

Having good local shopping, restaurants and other amenities was more important according to 3 in 4 (75%) property professionals across the country. But 36% said it was now “much more important”. Perhaps having lived longest through lockdown and strict travel restrictions that forced many to be contained in their local areas for extended periods, the number of property professionals who said this was “much more important” was highest in VIC (40%).

It appears that COVID-induced work flexibility has also precipitated a change in perceptions around buying in a regional area. Around 85% of property professionals said this is now an important consideration for homebuyers, with 54% indicating it is now “moderately more important” and 31% “much more important”. But whereas the number who indicated it was “much more important” reached 43% in NSW and 34% in VIC, it was as low as 12% in WA and 19% in SA.

With employment hubs in capital cities (particularly Melbourne and Sydney) effectively shut down or operating well below normal capacity since COVID, almost 6 in 10 (57%) property professionals overall also said buying in a metro area was less important for homebuyers - with 43% saying it was “much less important”. The allure for homebuyers of buying in metro areas was “much less important” according to almost 1 in 5 property professionals in VIC (18%) and NSW (17%).

Buying a house rather than apartment has become a more important according to 63% of all property professionals, with 27% indicating it is now “much more important”. This is likely reflecting out-performance of detached house prices relative to units and apartments amid record low levels of investor participation and changing living preferences. Around 36% of property professionals in WA believe this is a “much more important” issue for homebuyers, compared to only 7% in SA. In total however, this was an important issue for most property professionals in VIC (69%) where unit prices and rentals are also among the weakest in the country.

While buying a house rather than apartment has become more important for home buyers, buying an apartment rather than a house has become less important according to over 1 in 2 (51%) property professionals overall (16% indicating it was “much less important” and 35% “much more important”). Only 5% said it was “moderately more important” and just 2% “much more important”. Overall, it was less important according to 62% in VIC but only 21% in SA, with the highest number of property professionals who said it was “much less important” in QLD (23%).

COVID also seems to have led to a re-evaluation of the importance of the size of homes/apartments and land for homebuyers, with the preference towards bigger is better. NAB’s survey results show the importance of house/apartment and land size for homebuyers is now more important for homebuyers according to 65% and 62% of all property professionals, with the house/apartment size “much more important” for 24% and land size for 17% of respondents.

These trends are consistent across the country, with the importance of house/apartment size ranging from 68% in VIC to 58% in QLD, and land size from 75% in SA to 50% in QLD. NSW (30%) had the highest number of property professionals indicating that house/apartment size was “much more important” and VIC (21%) land size.

Despite a significant increase in the number of people working remotely because of COVID, just over 1 in 2 (51%) property professionals overall still said having good public transport was more important for homebuyers - 23% “much more important” and 28% “moderately more important”. Having good public transport has become more important for homebuyers according to most property professionals in SA (81% overall) and least in VIC (45%). It was “much more important” according to most property professionals in NSW (28%).

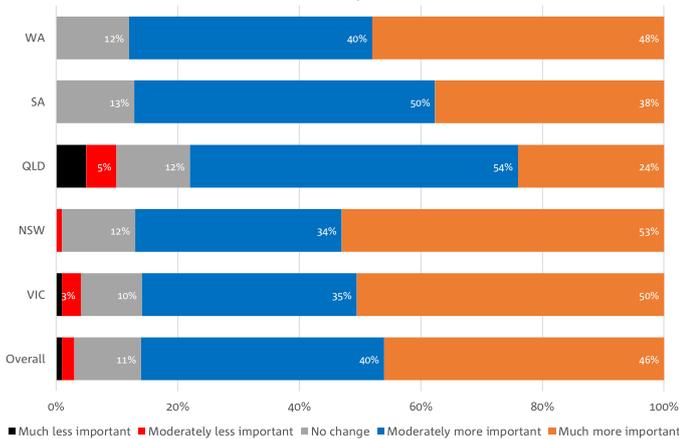
Amidst a very sharp deterioration in the unemployment rate (notwithstanding its recovery to date) and weaker expectations for income growth, but also lower interest rates which have been driven to record lows by the RBA’s exceptionally easy policy settings and income support to households via tax cuts and wage subsidies, the survey reveals COVID has had a significant impact on the importance of the amount people are prepared to borrow to buy property. Overall, 22% of property professionals said this was now “much more important” for homebuyers and 49% “moderately more important”.

By state, the number of property professionals overall who said the importance of the amount of borrowing had increased ranged from 80% in WA to 57% in QLD. It was however considered to be “much more important” by most property professionals in NSW (28%) and SA (25%).

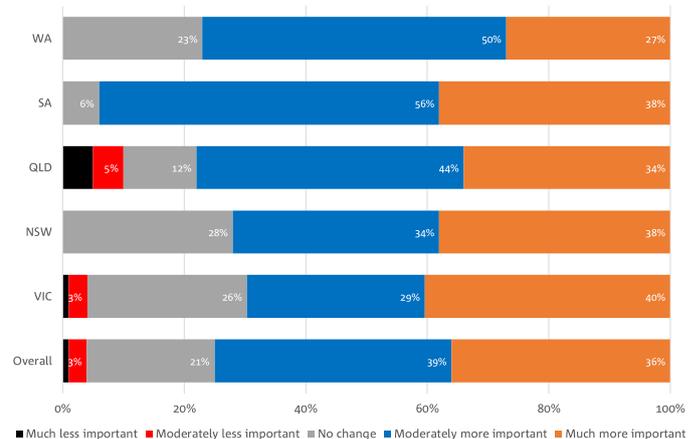
APPENDIX 1

HOW HAS COVID-19 CHANGED PERCEPTIONS OF WHAT IS IMPORTANT TO AUSTRALIAN HOMEBUYERS? MAIN STATES

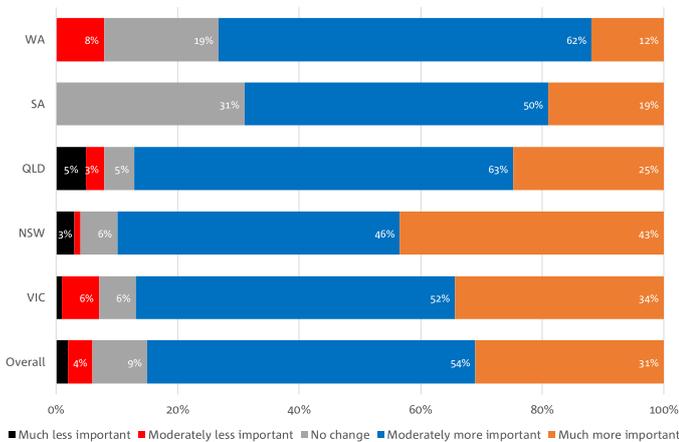
EXTENT COVID HAS CHANGED THE IMPORTANCE OF THE HOME HAVING A STUDY/WORK AREA



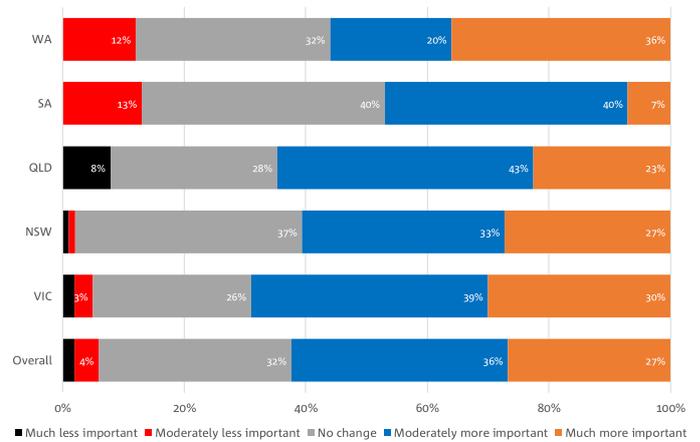
EXTENT COVID HAS CHANGED THE IMPORTANCE OF HAVING GOOD LOCAL SHOPPING, RESTAURANTS & OTHER AMENITIES



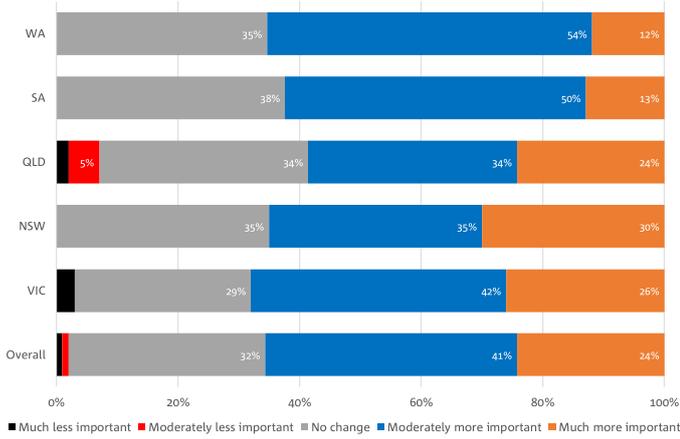
EXTENT COVID HAS CHANGED THE IMPORTANCE OF BUYING IN A REGIONAL AREA



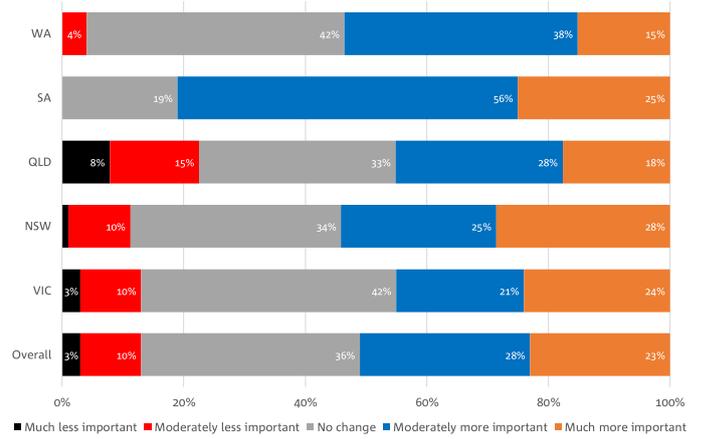
EXTENT COVID HAS CHANGED THE IMPORTANCE OF BUYING A HOUSE INSTEAD OF APARTMENT



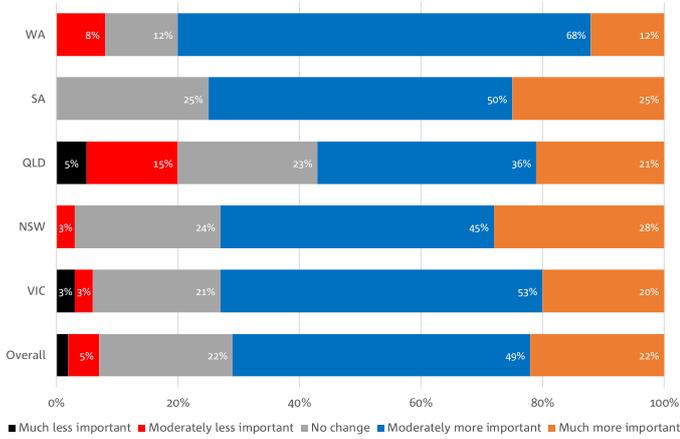
EXTENT COVID HAS CHANGED THE IMPORTANCE OF SIZE OF THE HOUSE/APARTMENT



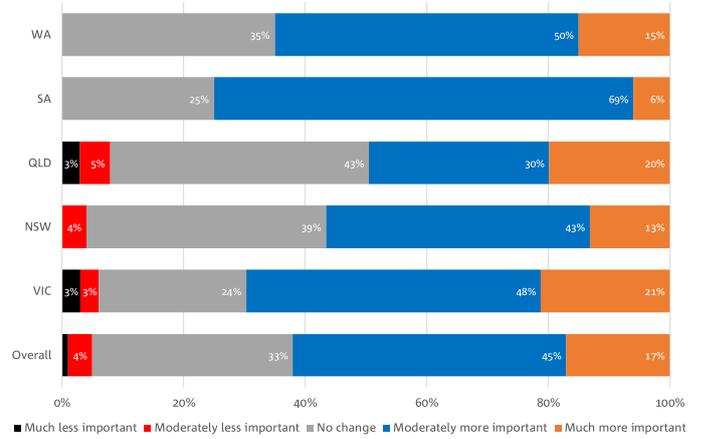
EXTENT COVID HAS CHANGED THE IMPORTANCE OF HAVING GOOD PUBLIC TRANSPORT



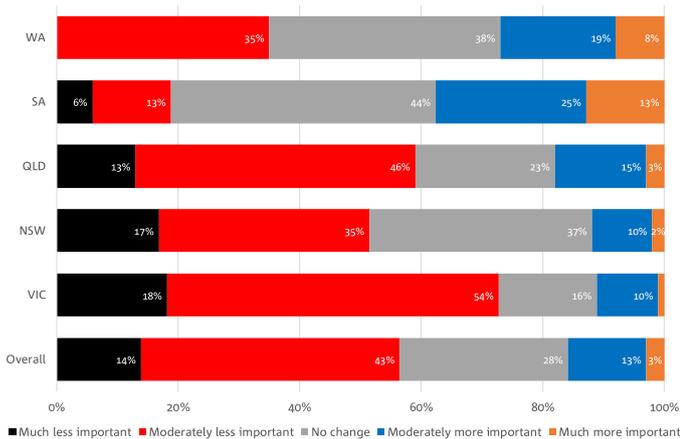
EXTENT COVID HAS CHANGED THE IMPORTANCE OF AMOUNT PEOPLE ARE PREPARED TO BORROW TO BUY PROPERTY



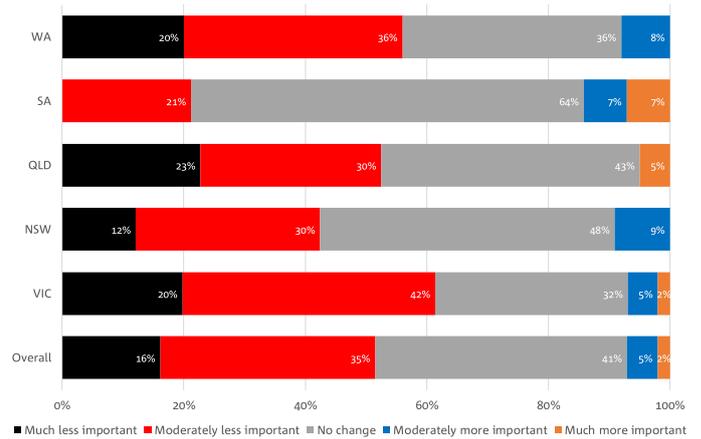
EXTENT COVID HAS CHANGED THE IMPORTANCE OF THE SIZE OF LAND



EXTENT COVID HAS CHANGED THE IMPORTANCE OF BUYING IN A METRO AREA



EXTENT COVID HAS CHANGED THE IMPORTANCE OF BUYING AN APARTMENT INSTEAD OF HOUSE



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