EMBARGOED UNTIL: 11:30AM AEDT 4 FEBRUARY 2022

NAB RESIDENTIAL PROPERTY SURVEY Q4-2021

HOUSING MARKET SENTIMENT AND CONFIDENCE CONTINUES TO MODERATE AS PACE OF MONTHLY HOUSE PRICE GROWTH SLOWS. CREDIT ACCESS AND INTEREST RATES EMERGING AS BIGGER IMPEDIMENTS FOR HOMEBUYERS, AND CONSTRUCTION COSTS MORE PROBLEMATIC FOR NEW DEVELOPMENTS. NAB HAS REVISED DOWN DWELLING PRICE FORECASTS - WITH EXPECTED RATE HIKES NOW COMING SOONER A TURNING POINT IN PRICES IS EXPECTED TO BEGIN IN LATE-2022.

NAB Behavioural & Industry Economics

Survey highlights…

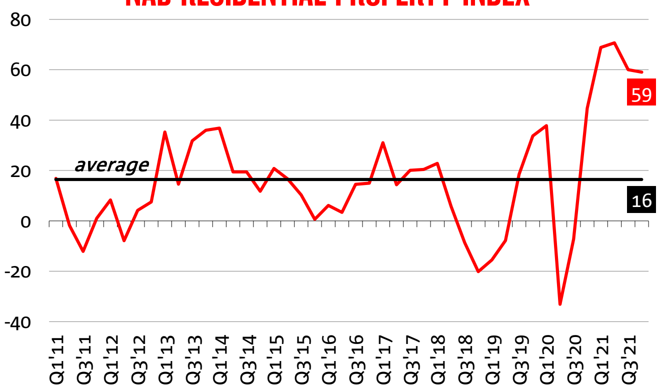
The NAB Residential Property Index eased further to +59 pts in Q4 but continues trending well above average (+16 pts). Sentiment was highest in the NT and lowest in VIC despite a small uplift. Market confidence also inched down with the short and long-term measures falling for the third straight quarter to +56 pts and +47 pts respectively. Confidence levels are now highest in the NT and ACT, and lowest in TAS, VIC, NSW and QLD. With recent data pointing to further softening in the monthly rate of dwelling appreciation, the average survey expectation for national house prices in the next 12 months was revised down, with expectations highest in the ACT, NT and WA and lowest in NSW and VIC. The outlook for rents however improved, and lifted in all states except QLD and TAS. Property professionals again singled out construction costs as the biggest constraint on new housing development in the country in Q4 (and more disruptive than in Q3). Lack of stock and price levels were identified as the biggest impediments for buyers of established housing, with credit access and rising interest rates also becoming more problematic for homebuyers, particularly in NSW and VIC.

The view from NAB…

With our view on rate hikes coming forward, we now expect the turning point in property prices to occur in the second half of 2022. That sees a flatter outcome in 2022 and a slightly larger fall in 2023. Overall, we see dwelling prices rising around 3% in 2022 before a decline of around 10% in 2023. We see this as a relatively orderly decline, and it is important to remember this correction comes after a very sharp run up in prices over the last year. More broadly we expect the economy to continue seeing healthy outcomes. With above trend growth this year, we see unemployment drifting lower, boosting wage growth and driving more sustainable inflation. This would see the RBA begin normalising rates from November 2022 with a steady series of hikes to come through 2023 and 2024.

VIEW FROM PROPERTY EXPERTS

NAB RESIDENTIAL PROPERTY INDEX



RESIDENTIAL PROPERTY INDEX BY STATE

	Q3'21	Q4'21	Nxt 1yr	Nxt 2yrs
VIC	44	48	52	48
NSW	57	58	55	44
QLD	75	63	54	39
SA	71	68	61	46
WA	72	67	67	59
ACT	88	75	75	75
NT	67	83	92	92
TAS	50	50	44	44
AUST	60	59	56	47

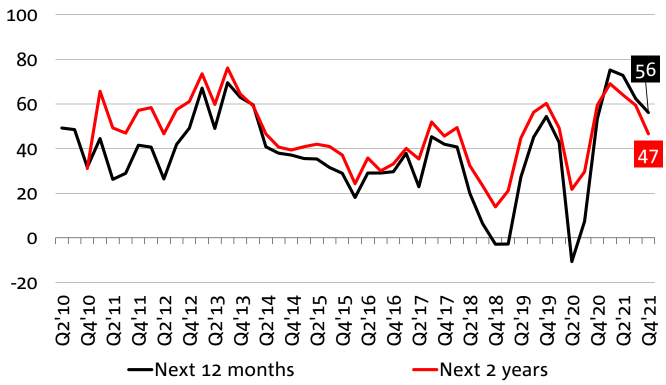
VIEW FROM NAB ECONOMICS

NAB HEDONIC DWELLING PRICE FORECASTS (%)*

	2020	2021	2022f	2023f
Sydney	2.7	25.3	1.9	-11.4
Melbourne	-1.3	15.1	1.2	-11.4
Brisbane	3.6	27.4	4.2	-6.4
Adelaide	5.9	23.2	3.5	-5.8
Perth	7.3	13.1	1.2	-8.1
Hobart	6.1	28.1	4.5	-4.1
Cap City Avg	2.0	21.0	2.7	-9.3

*% change represent through the year growth to Q4 SOURCE: CoreLogic, NAB Economics

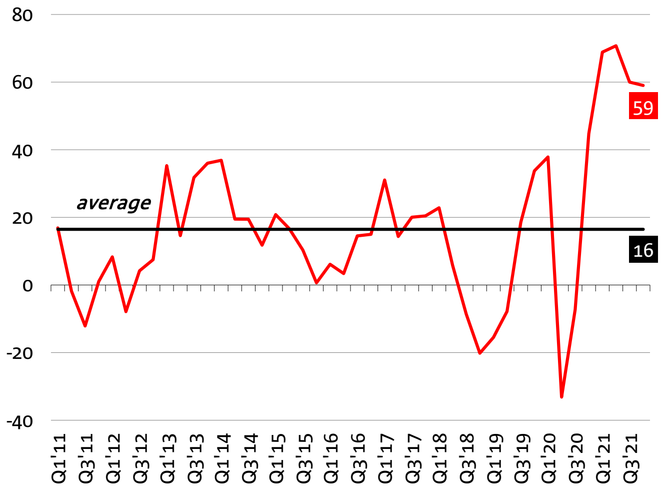
NAB RESIDENTIAL PROPERTY INDEX: NEXT 1-2 YRS



NAB RESIDENTIAL PROPERTY INDEX

National housing market sentiment (measured by NAB's Residential Property Index) was broadly unchanged in Q4. Overall, the Index (based on property professionals' view of housing prices and rents) dipped slightly to +59 pts in the final quarter of 2021 (+60 pts in the previous quarter). But with house price growth waning in recent months (albeit still very strong), sentiment was down from a survey high +71 pts in Q2 and is still well above the survey average (+16 pts).

NAB RESIDENTIAL PROPERTY INDEX



While the overall index was basically unchanged, sentiment lifted sharply in the NT (+83 pts) and was highest in the country (though from a smaller sample size). Sentiment also lifted modestly in VIC (+48 pts) but was lowest overall. It was broadly unchanged in NSW (+58 pts) and TAS (+50 pts). Sentiment however moderated in the ACT (+75 pts), SA (+68 pts), WA (+67 pts) and QLD (+63 pts), though all are outperforming the national average.

RESIDENTIAL PROPERTY INDEX BY STATE

	Q3'21	Q4'21	Nxt 1yr	Nxt 2yrs
VIC	44	48	52	48
NSW	57	58	55	44
QLD	75	63	54	39
SA	71	68	61	46
WA	72	67	67	59
ACT	88	75	75	75
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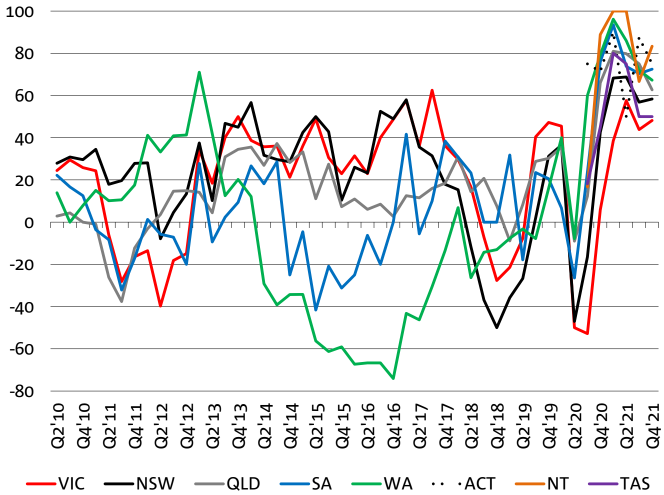
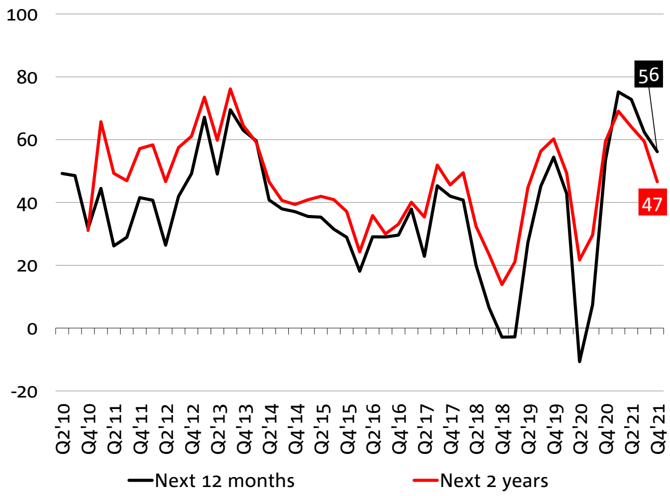
NAB RESIDENTIAL PROPERTY INDEX BY STATE



Market confidence levels among surveyed property professionals also moderated. In Q4, the 12 month confidence measure fell for the third consecutive quarter to +56 pts (+62 pts in Q3), but remained well above average (+38 pts). The 24-month measure also fell for the third straight quarter to +47 pts (+59 pts in Q3) and has fallen back in line with the survey average (+46 pts).

NAB RESIDENTIAL PROPERTY INDEX: NEXT 1-2 YRS

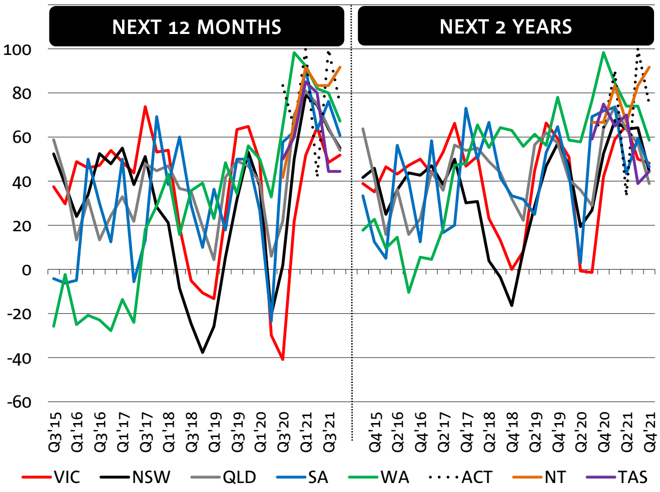


Housing market confidence levels in the next 12 months remain highest in the NT (up 9 to +92 pts) and the ACT (down 25 +75 pts), though from smaller sample sizes.

In other states, property professionals were more bullish about the short-term outlook in VIC (up 4 to +52 pts), with confidence levels in TAS (+44 pts) unchanged and lowest in the country. Confidence levels eased in all other states, with the biggest declines noted in SA (down 15 to +61 pts), WA (down 13 to +67 pts), QLD (down 10 to +54 pts) and NSW (down 9 to +55 pts).

The 2-year confidence measure was also highest in the NT (+92 pts) and ACT (+75 pts). Longer-term confidence levels were lowest in QLD (down 18 to +39 pts), TAS (up 5 to +44 pts) and NSW (down 20 to +44 pts). Confidence levels also waned in SA (down 14 to +46 pts), VIC (down 2 to +48 pts) and WA (down 15 to +59 pts).

NAB RESIDENTIAL PROPERTY INDEX: NEXT 1-2 YRS



SURVEY HOUSE PRICE EXPECTATIONS

With recent data from CoreLogic pointing to a continuing softening in the monthly rate of dwelling appreciation, the average survey expectation for house price growth over the next year has also been revised down.

On average, survey respondents now expect national house prices to rise 3.0% over the next 12 months (down from 4.3% forecast in Q3), and by 1.7% in 2 years' time (previously 3.8%) as market conditions become more challenging (see below for NAB's View on Dwelling Prices).

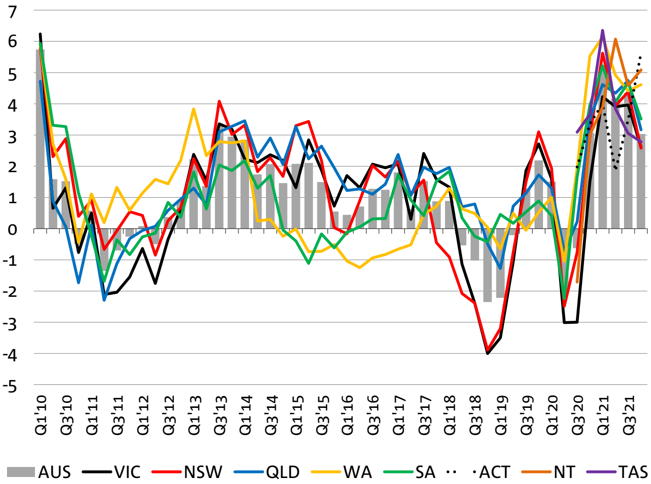
AVG SURVEY EXPECTATIONS: HOUSE PRICES (%)

	Next 1 year	Next 2 years
VIC	2.6% (4.0%)	1.3% (3.1%)
NSW	2.6% (4.4%)	1.1% (4.0%)
QLD	3.2% (4.7%)	1.9% (4.2%)
SA	3.5% (4.7%)	1.8% (4.2%)
WA	4.6% (4.4%)	3.6% (4.3%)
ACT	5.6% (3.5%)	3.8% (4.2%)
NT	5.1% (4.6%)	5.1% (5.0%)
TAS	2.8% (3.1%)	2.3% (3.0%)
AUS	3.0% (4.3%)	1.7% (3.8%)

**figures in parentheses refer to forecasts in the previous survey*

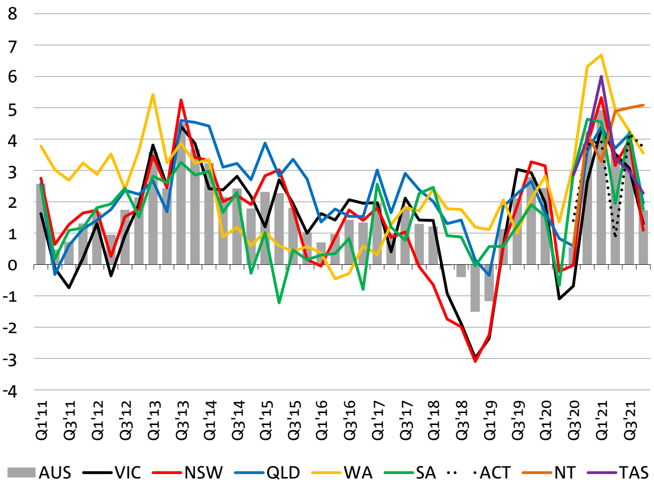
Expectations however vary quite widely across the country. In the next 12 months, expectations improved and were highest in the ACT at 5.6% (3.5% forecast in Q3), followed by the NT at 5.1% (4.6% in Q3) and WA at 4.6% (4.4% in Q3). Expectations were pared back in the rest of the country and are lowest in NSW and VIC at 2.6% (from 4.4% and 4.0% respectively in Q3). In TAS, the outlook was cut to 2.8% (3.1% in Q3), and also reduced in QLD (now 3.2% down from 4.7% in Q3) and SA (now 3.5% down from 4.7% in Q3).

HOUSE PRICE EXPECTATIONS: NEXT 1 YEAR (%)



Property professionals in the NT are still the most positive for price growth in the next 2 years at 5.1% (5.0% in Q3). The ACT (3.8%) and WA (3.6%) were next, although pared back from 4.2% and 4.3% respectively in Q3. Average house price expectations were however cut more sharply in NSW (to 1.1% from 4.0%), VIC (to 1.3% from 3.1%), SA (to 1.8% from 4.2%) and QLD (to 1.9% from 4.2%), with a more modest slowdown predicted in TAS (to 2.3% from 3.0% forecast in Q3).

HOUSE PRICE EXPECTATIONS: IN 2 YEARS (%)



SURVEY RENTAL EXPECTATIONS

Over the next 12 months, the survey average is for national housing rents to grow 3.5% (3.1% forecast in Q3) and 3.3% in 2 years' time (3.8% forecast in Q3). With average growth in rents in the next 1-2 years set to outpace house price growth, the survey suggests gross yields may rise over the outlook horizon.

AVG SURVEY EXPECTATIONS: RENTS (%)

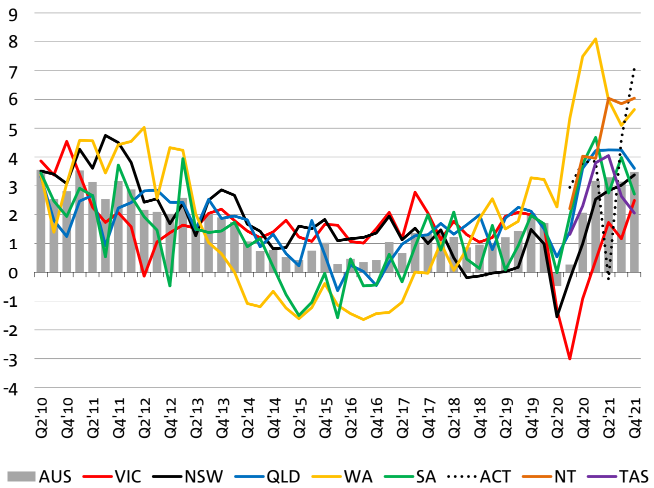
	Next 1 year	Next 2 years
VIC	2.5% (1.2%)	3.4% (2.6%)
NSW	3.4% (3.0%)	3.3% (4.3%)
QLD	3.6% (4.2%)	2.6% (4.0%)
SA	2.7% (4.0%)	1.9% (3.2%)
WA	5.6% (5.1%)	5.0% (4.9%)
ACT	7.1% (4.6%)	4.6% (4.6%)
NT	6.0% (5.9%)	6.0% (5.0%)
TAS	2.1% (2.6%)	2.1% (2.4%)
AUS	3.5% (3.1%)	3.3% (3.8%)

**figures in parentheses refer to forecasts in the previous survey*

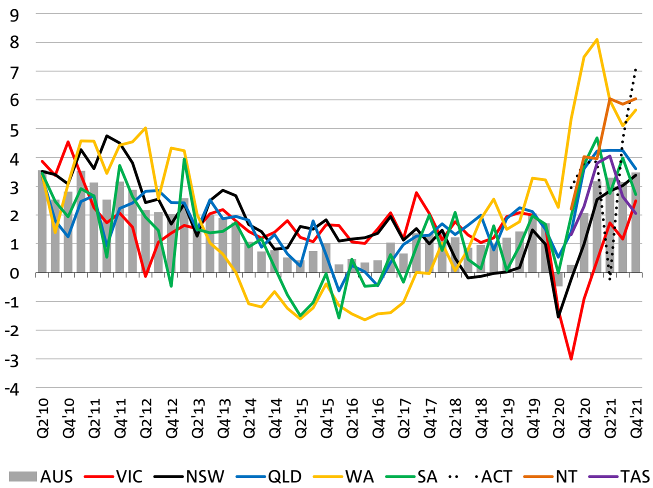
Noticeable disparities around the outlook for rents remain evident across states, though the outlook was revised up in all states except QLD and TAS. In the next 12 months, property professionals have indicated rents will grow fastest in the ACT (7.1%), NT (6.0%) and WA (5.6%), with more modest gains predicted for TAS (2.1%), VIC (2.5%), SA (2.7%), NSW (3.4%) and QLD (3.6%).

Survey expectations for house prices and rents may also suggest gross rental yields could fall in SA and TAS, increase in the ACT, NT, WA, NSW and QLD, and hold steady in VIC.

RENTAL EXPECTATIONS: NEXT 1 YEAR (%)

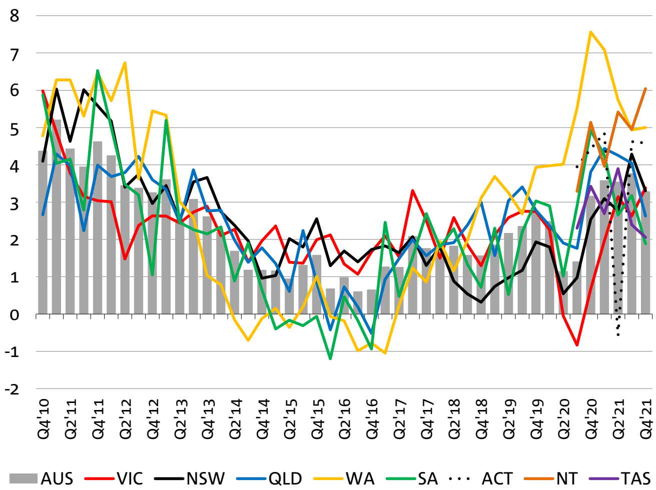


RENTAL EXPECTATIONS: NEXT 1 YEAR (%)



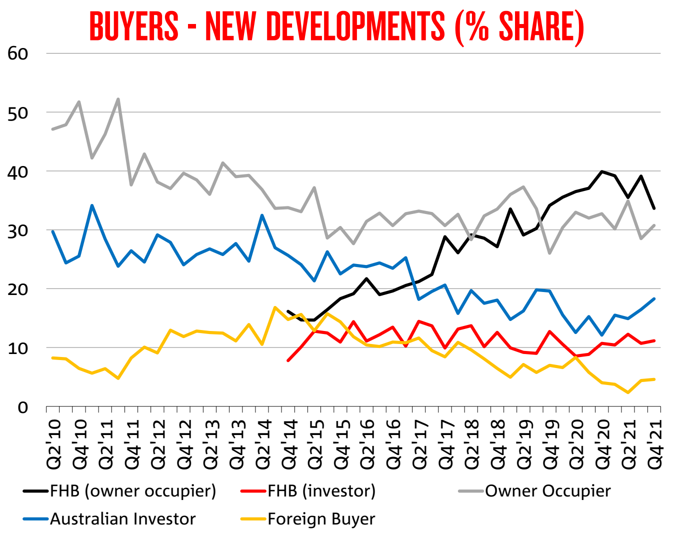
Rental growth is expected to remain highest in the NT (6.0%) and WA (5.0%) in 2 years' time, with the ACT (4.6%) also out-performing the national average. Rental growth is expected to be slowest in SA (1.9%) and TAS (2.1%), with expectations revised down from 3.2% and 2.4% in each state respectively in Q3. Expectations were also scaled back in QLD to 2.6% (4.0% in Q3) and NSW to 3.3% (4.3% in Q3), but lifted to 3.4% in VIC (2.6% forecast in Q3).

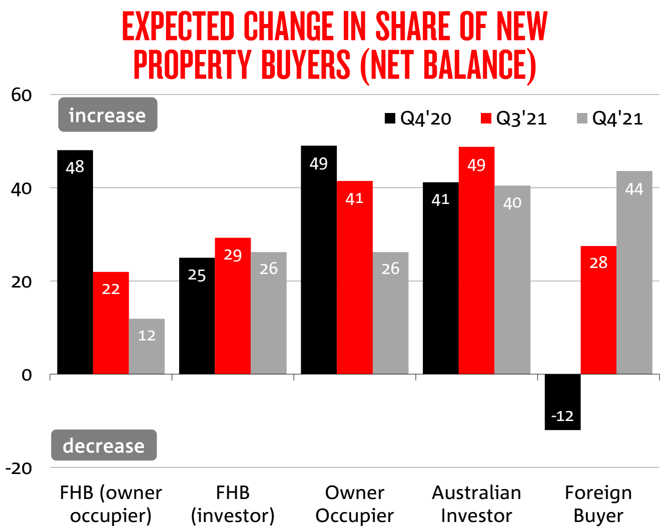
RENTAL EXPECTATIONS: IN 2 YEARS (%)



NEW DEVELOPMENTS

First Home Buyers (FHBs) remained the most active participants in new housing markets in Q4 with 44.8% of all sales. However, this was down from 49.8% in Q3 and the lowest read since Q3 2019 - though still trending above the survey average (38.4%). The decline was driven by a fall in the market share of FHB owner occupiers to a 2-year low 33.7%, which offset a small increase in the market share of FHB investors to 11.2% (10.7% in Q3).





Overall, the market share of FHBs remained highest in WA at 51.3%, followed by VIC (47.4%) and lowest in QLD (36.0%). FHB owner occupiers accounted for the highest share of sales in WA (42.5%) and lowest in SA (20.0%). FHB investors were most active in SA (20.0%) and least active in WA (8.8%).

On average, property professionals also estimated that sales to owner occupiers (net of FHBs) increased to 30.8% (28.5% in Q3), but still well below the survey average (35.6%). Buyers in this segment were most active in NSW (36.0%) and QLD (36.0%) and least active in SA (24.0%) and VIC (27.0%).

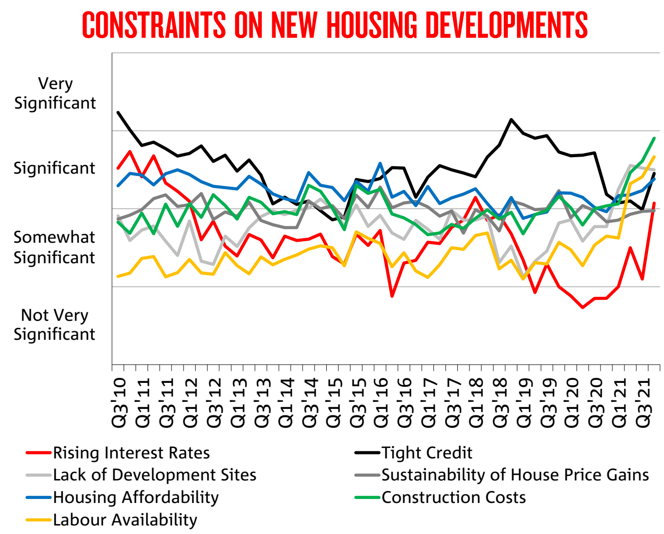
The share of resident investors in this market also rose for the second straight quarter to 18.3% (16.5% in Q3), but was still well below average (22.3%). Domestic investors were most active in SA (35.0%), NSW (21.0%) and QLD (20.0%) and least active in WA (15.0%) and VIC (15.5%).

The market share of foreign buyers in new property markets also ticked up to 4.6% (4.4% in Q3) to reach its highest level since Q3 20 (5.8%). Foreign buying activity rose in most key states led by VIC (to 7.1% from 5.6% in Q3) and QLD (to 6.0% from 5.0% in Q3), with buyer activity in this segment falling to just 3.0% in NSW (3.9% in Q3).

Property professionals were also asked whether the share of new buyers in this market would rise or fall in the next 12 months in each buyer segment. In net terms, the number who said it would increase out-weighed those who said it would fall for all buyer groups. The biggest positive response was in the foreign buyer segment (+44%) - also the only segment where expectations were more positive than in the previous quarter (+28%). Fewer property professionals on balance however expect the market share of buyers to increase relative to the previous quarter, particularly resident owner occupiers (+26% down from +41% in Q3) and FHB owner occupiers (+12% now down from +22% in Q3).

NEW HOUSING MARKET CONSTRAINTS

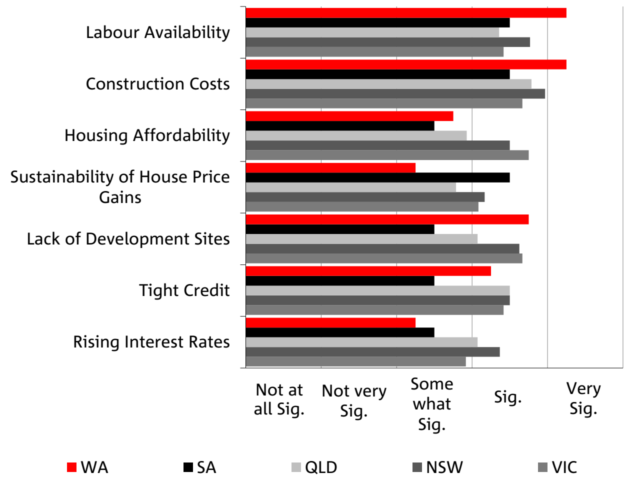
With strong building demand and materials shortages still reportedly causing building costs to increase, construction costs continued to be identified as the single biggest impediment for new housing development in the country during Q4, with its impact more disruptive than in Q3. Building costs were seen as a "significant" impediment in all states and "very significant" in WA.



Labour availability was highlighted as the next biggest hurdle overall, with its impact on the market also climbing sharply during the quarter. Its impact was seen as being most disruptive in WA and NSW.

Lack of development sites was the next biggest constraint nationally, but rated much bigger in WA, VIC and NSW. Tight credit and rising interest rates were also much more problematic in Q4, with tight credit most problematic in NSW, QLD and VIC, and rising interest rates in NSW.

CONSTRAINTS ON NEW HOUSING DEVELOPMENTS - STATES

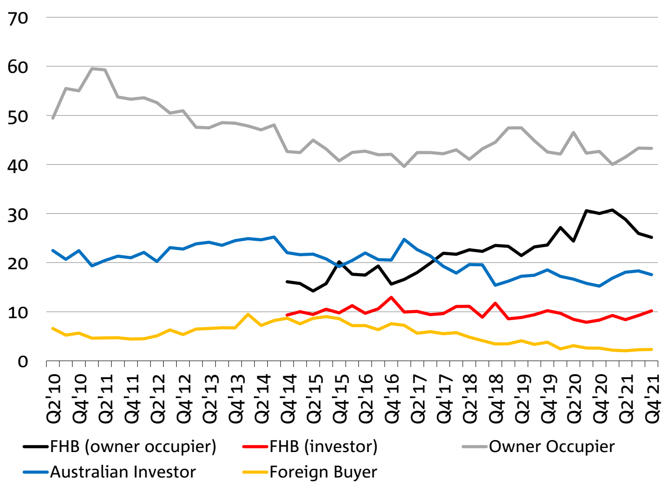


With house prices rising, the negative impact of housing affordability on new housing development climbed for the fourth straight quarter, with property professionals in VIC and NSW highlighting this issue as a bigger impediment than other states.

ESTABLISHED PROPERTY

In established housing markets, buying activity was dominated by resident owner-occupiers (net of FHBs). In Q4, their overall market share was unchanged at 43.3%, but below the survey average (46.3%). Owner occupiers accounted for the biggest share of sales in all states, but ranged from 57.1% in WA and 52.5% in SA to 38.5% in NSW and 40.2% in VIC.

BUYERS - ESTABLISHED PROPERTY (% SHARE)

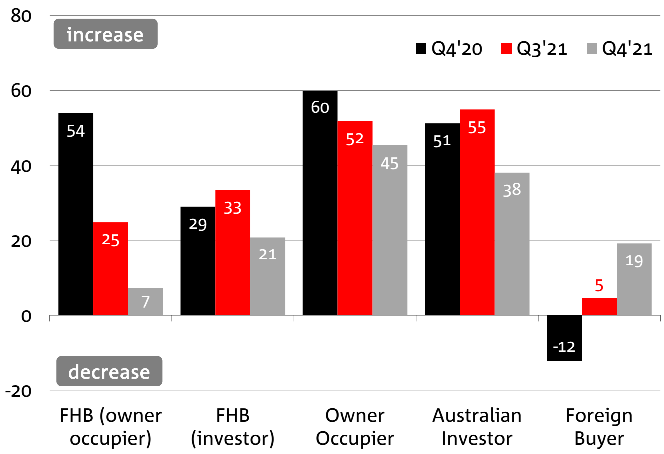


The overall share of FHBs in this market was also unchanged at 35.3% (35.2% in Q3), but continued to trend above the survey average (31.5%). Overall, FHBs were most active in NSW (39.5%) and VIC (38.3%) and least active in WA (25.7%) and SA (27.0%). When broken down by FHB buyer type however, the overall share of FHB owner occupiers fell further to 25.1% in Q4 (25.9% in Q3), while FHB investors increased their market share to a 2-year high 10.2% (9.2% in Q3). FHBs owner occupiers were most active in VIC (28.9%) and NSW (27.0%), and FHB investors in NSW (12.5%) and QLD (9.7%).

The total share of local investors in established housing markets fell to 17.6% in Q4 (18.3% in Q3), to remain well below the survey average (20.4%). Resident investors were most prolific in QLD (19.4%) and SA (18.4%) and least active in WA (14.5%).

The share of foreign buyers in overall established housing markets was steady at 2.3% (2.2% in Q3), or less than half the average survey level (5.4%). A small increase in foreign buyer numbers was reported in VIC to 3.1% (2.8% in Q3) and NSW to 2.7% (2.3% in Q3). Numbers were lower in QLD at 1.9% (2.2% in Q3) and WA at 1.8% (2.6% in Q3).

EXPECTED CHANGE IN SHARE OF ESTABLISHED PROPERTY BUYERS (NET BALANCE)

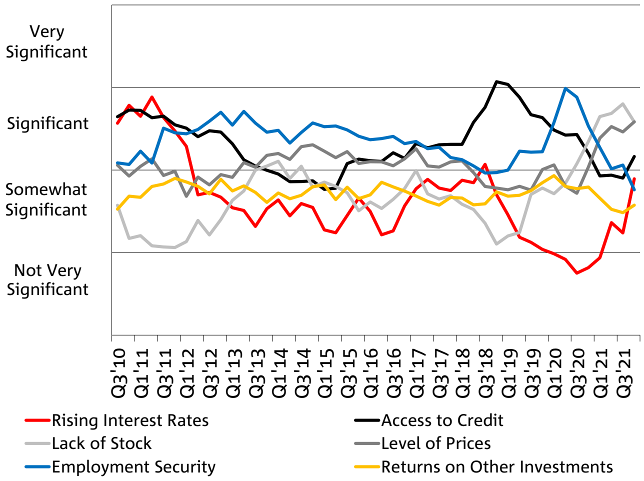


In net terms, fewer survey respondents expect market share to increase than fall in the next 12 months in all buyer groups bar foreign investors, where +19% expect it to grow (+5% in Q3). Most still think domestic resident owner occupiers (+45%) and investors (+38%) will account for a bigger share of sales in the next 12 months, followed by FHB investors (+21%). Only +7% see more FHB owner occupiers entering the market in the next year (+25% in Q3).

ESTABLISHED HOUSING MARKET CONSTRAINTS

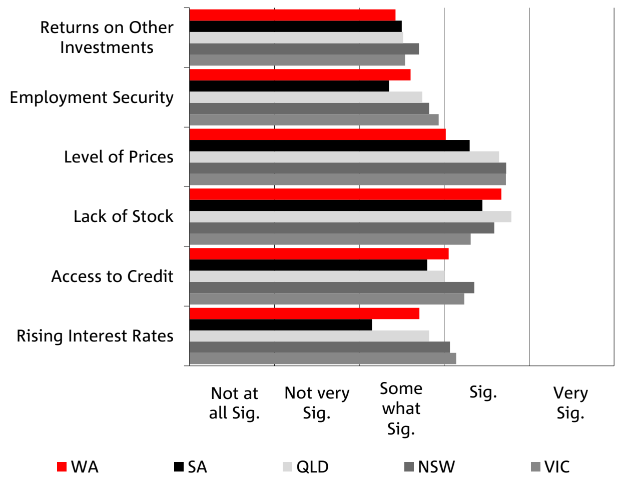
Property professionals continue to identify lack of stock and price levels as the biggest impediments for buyers of existing property nationally - and in all states. Lack of stock was however called out as a bigger issue in QLD and WA, while price levels were more problematic for buyers in VIC, NSW and QLD.

CONSTRAINTS ON ESTABLISHED PROPERTY



Concern over access to credit increased sharply in Q4 and had the biggest influence on buyers in NSW and VIC. Rising rates was impacting buyers of existing housing more than at any time over the past 3 years, though still only rated "somewhat" significant overall. The constraining role of rising interest rates was estimated to be biggest in VIC and NSW. The impact of employment security on home buyers however continued to moderate, and was highest in VIC and lowest in SA.

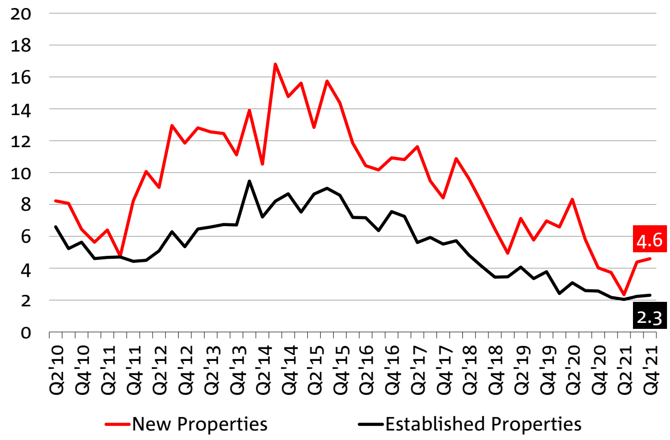
CONSTRAINTS ON ESTABLISHED PROPERTY - STATES



FOREIGN BUYERS

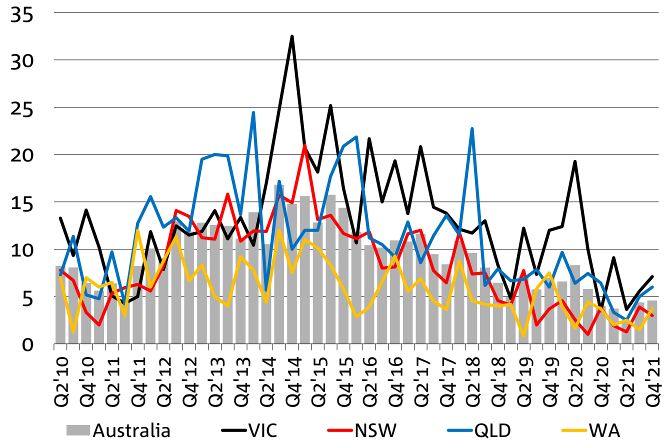
Foreign buyers in Australian housing markets remain subdued and well below average. In Q4, property professionals estimated the overall share of total sales to foreign buyers at 4.6% in new property markets (4.4% in Q3 and down from a survey average 9.3%), and 2.3% in established housing markets (2.2% in Q3 and down from a survey average 5.4%).

SHARE OF TOTAL DEMAND FOR NEW & ESTABLISHED PROPERTY - FOREIGN BUYERS (%)



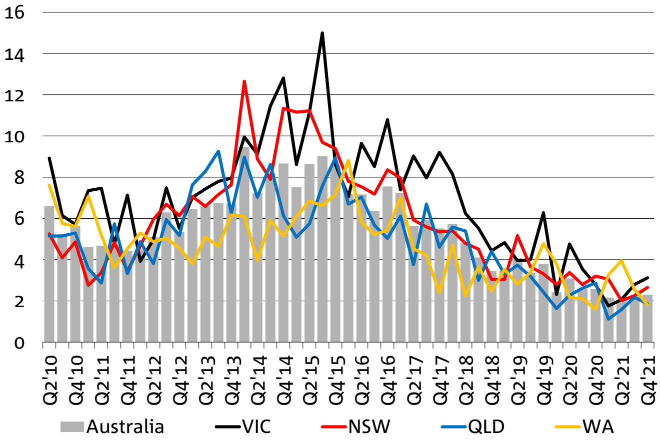
In new housing markets, the share of foreign buyers increased to 7.1% in VIC (5.6% in Q3) and to 6.0% in QLD (5.0% in Q3) - though both states continue to trend well below survey average levels of 12.8% and 11.1% respectively. Foreign buyers were also somewhat more active in WA at 3.8% (1.5% in Q3) but dropped to 3.0% in NSW (3.9% in Q3), or less than half the survey average (8.3%).

SHARE OF DEMAND FOR NEW PROPERTY: FOREIGN BUYERS (%)



In established housing markets, the share of foreign buyers was highest in VIC and increased moderately to 3.1% (2.8% in Q3) but was well below the survey average (6.9%). Foreign buyers were also a little more prevalent in NSW at 2.7% (2.3% in Q3), but also well below average (5.8%). In contrast, the share of foreign buyers in established housing markets fell to 1.9% in QLD (2.2% in Q3) and to 1.8% in WA (2.6% in Q3), with the share of foreign buyers also well below survey average levels of 5.0% and 4.7% in each state respectively.

SHARE OF DEMAND FOR ESTABLISHED PROPERTY: FOREIGN BUYERS (%)



NAB'S VIEW ON DWELLING PRICES

The housing market has remained strong despite the ongoing virus-related disruptions to activity through 2021 and into 2022. While population growth has been heavily impacted, construction has only seen relatively brief periods of disruption (and seen significant support from HomeBuilder in addition to low rates). While the labour market has held up relatively well, sharply lower interest rates have been a key support.

Overall, dwelling prices have risen strongly according to the CoreLogic 8-capital city dwelling price index, ending 2021 around 21% higher than they started. Regional dwelling price growth was even a little stronger. Despite slowing in late-2021, prices rose robustly in January 2022. Since the major easing in interest rates in early-2020 prices have now risen by 21%. The strength in prices has been broad-based, with even the capitals experiencing the slowest growth seeing price rises well-above 10% for the year. Hobart and Brisbane have led the gains, though Sydney and Adelaide have not been far behind at well over 20% through the year. Perth, Darwin and Melbourne have lagged the increases in the other capitals but all achieved price growth well above 10%.

In terms of forecasts, we have brought forward the timing of the correction we expect in house prices to late-2022 as affordability constraints begin to bite and rising mortgage rates place downward pressure on prices. This would offset gains seen in early-2022, so that overall, prices end the year roughly flat. We see this trend continuing through 2023, ending the year around 10% lower.

We expect this pattern to be evident across the capital cities, though for larger declines to occur in Sydney and Melbourne, while Brisbane and Adelaide see less significant declines.

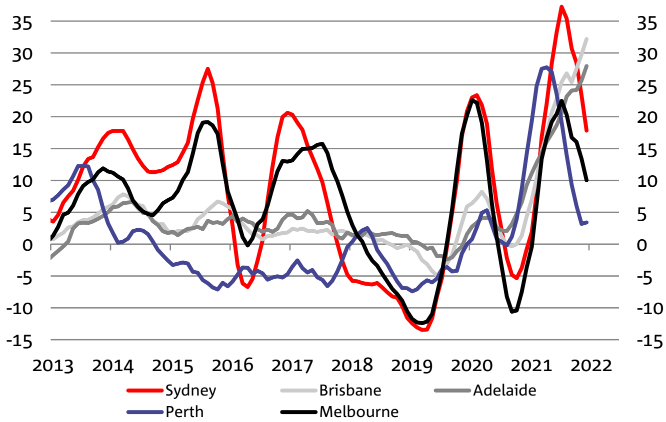
However, we do not see these declines as disorderly, with the labour market remaining strong, wages growth picking up and rates still relatively low - though steadily increasing.

More broadly, the economy has been remarkably resilient despite ongoing disruptions due to the virus. Q4 2021 is now expected to see a full recovery as the Delta lockdowns eased, and while Omicron is expected to weigh on activity in early-2022, the impact is expected to be short-lived.

With the economy expected to grow by around 3.6% this year, and at around trend (2.5%) next year, we see the unemployment rate declining further from here. Wages growth will pick-up as unemployment declines but is likely to strengthen only gradually. That said, as wage pressure builds the RBA will be more comfortable with inflation remaining sustainably within the target band.

NAB continues to see the RBA beginning to normalise rates from November with the cash rate target lifted by 65 bps from 0.1% by February 2023. From there we see a steady series of increases over 2023 and 2024.

DWELLING PRICE GROWTH (6-MONTH ENDED ANNUALISED, %)



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NAB HEDONIC DWELLING PRICE FORECASTS (%)*

	2020	2021	2022f	2023f
Sydney	2.7	25.3	1.9	-11.4
Melbourne	-1.3	15.1	1.2	-11.4
Brisbane	3.6	27.4	4.2	-6.4
Adelaide	5.9	23.2	3.5	-5.8
Perth	7.3	13.1	1.2	-8.1
Hobart	6.1	28.1	4.5	-4.1
Cap City Avg	**2.0**	**21.0**	**2.7**	**-9.3**

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

ABOUT THE SURVEY

The NAB Quarterly Australian Residential Property survey was first launched in Q1 2011.

The survey was expanded from NAB's Quarterly Australian Commercial Property Survey, which was launched in April 2010.

Given the large number of respondents who are also directly exposed to the residential market, NAB expanded the survey questionnaire to focus more extensively on the Australian residential market.

The large external panel of respondents consists of Real Estate Agents/Managers, Property Developers, Asset/Fund Managers and Owners/Investors.

Over 370 panellists participated in the Q4 2021 survey.

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