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money



NAB Residential Property Survey Q2 2024



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The **NAB Residential Property Index** fell in the June quarter but remained at above average levels. The market share of foreign buyers in new Australian housing markets continued to moderate and has now slipped below the survey average. Construction costs and planning permit delays remain the biggest constraints for new housing developments, and interest rates for buyers in established housing markets.

We have revised up our expectations for dwelling prices across the capitals over 2024, with growth slightly stronger than expected over recent months but still expect price growth to slow in 2025. We now see property prices rising by around 7% over 2024, before slowing to 4.1% over 2025. On rates, we see the RBA on hold until May 2025, before cutting by around 100bps over the subsequent year. We see some risk that cuts could come earlier in H1 2025, though that will depend on how quickly inflation continues to moderate as well as the health of the labour market.

Survey highlights: The View from Property Experts

After seeing upwards movement for several quarters the NAB Residential Property Index fell in Q2 2024. The Index slipped to +46 in Q2, from +57 in Q1. However, the index is still trending well above average (+20).

The headline result however masks mixed outcomes across states and territories.

The state index fell everywhere except in SA (+96 from +67 in Q1) and the NT (+60 from 0). The ACT saw no change (0). Though it fell in all other states and territories, it remained in positive territory and above average levels, except in TAS where the index moved deeper negative (-43 from -20).

Confidence levels among surveyed property professionals also slipped slightly in the quarter but is still at elevated levels. NAB's 1-year confidence measure eased to +62 (+68 in Q1), and the 2-year measure to +60 (+67 in Q1). Housing market confidence levels are however still well above long-term survey averages (+38 & +46 respectively) despite persistent challenges facing the market from relatively high interest rates, cost of living pressures and elevated levels of consumer stress.

Average forecasts for national house prices, as measured in the Q2 survey, were revised down slightly to 2.5% for the next 12 months and 3.2% in 2 years' time.

House price growth is expected to be strongest in WA (5.6%), SA (4.8%) and the NT (2.8%) in the next 12 months. They are however also expected to grow in other parts of the country, though more slowly than previously expected, with TAS (0.9%), VIC (1.1%) and the ACT (1.3%) expected to under-perform. Property professionals see house prices growing across the country in 2 years' time, led by WA (5.5%) and SA/NT (5.1%), with VIC lagging (2.3%).

The majority of property professionals still believe rental markets in their local areas are undersupplied. Consequently, average survey forecasts for rent growth for the next 1-2 years remain solid at 3.5% and 3.8% respectively. Rents in the next 12 months are forecast to grow in all states, with growth accelerating in VIC, SA, and the ACT, but slowing elsewhere.

The overall market share of all First Home Buyers (FHBs) in new property markets increased to 33.5% in Q2, but remains below the survey average (38%). The share of sales to owner occupiers (net of FHBs) slipped slightly to 38.5% from an 11-year high 42.2% in Q1, with share of sales to resident domestic investors relatively

unchanged at 17.7%, but ranging from 22.5% in SA to 13.3% in VIC in Q2.

Around 3 in 4 property professionals (76%) across the country identified construction costs as a significant barrier to starting new housing projects in Q2, and was particularly prominent in NSW (82%) and VIC (79%). Delays in obtaining planning permits was next, followed by labour availability. With no further rate rises in Q2, and policy rates still in restrictive territory a basically unchanged number of property professionals said interest rates were a key barrier (40% up from 39%).

In established housing markets, buying activity continued to be dominated by owner occupiers (net of FHBs) in Q2, with their overall market share largely unchanged at 44.2%, and still slightly above average (43.5%). The share of local investors in this market picked up slightly to 17.5% but remained below average. An unchanged 1 in 3 buyers in this market segment were FHBs (33.2%), with most buying for owner occupation (25.8%).

Rising interest rates were again identified as the biggest constraint for buyers in established housing markets nationally. Though it was considered the biggest constraint for home buyers in NSW and VIC, lack of stock was the biggest barrier for buyers in WA, QLD and SA. Price levels were also playing a bigger role, particularly in NSW and SA, with access to credit more problematic for established home buyers in NSW and VIC.

The market share of foreign buyers in new Australian housing markets continued to moderate in Q2 to 8.9% (10.0% in Q1). It has now also slipped below the survey average (9.1%), and is currently around half the levels seen during the peak of the foreign housing investment boom seen in late-2014/early-2015.

The decline was driven by falls in all key states except NSW, which remained the preferred choice for foreign buyers with a 15.0% market share (12.0% in Q1) and trending well above average (8.7%). Foreign buyer market share fell in all other states and was lowest in QLD (4.8% down from 7.6%), followed by VIC (7.4% down from 10.0%), and WA (7.5% down from 11.0%).

In established housing markets, the share of foreign buyers inched down to 3.7% in Q2 (3.8% in Q1), and was well below the survey average (5.1%). Market share increased in VIC (5.1% from 3.8%) and WA (3.9% up from 2.2%), and fell in QLD (2.0% down from 4.0%) and NSW (3.3% down from 4.5%). The market share of foreign buyers in this market however remains below the survey average in all states.

The view from NAB

We have revised up our expectations for property prices in 2024, now expecting capital city dwelling prices to end the year around 7% higher. We still expect price growth to slow somewhat in 2025 to around 4%. We continue to see very strong demand for housing continuing to outpace new supply, with completions likely to continue trending lower in the near term as the pipeline of new construction is worked through. In the near-term we expect the current regional pattern of growth to continue, with the Perth, Brisbane and Adelaide continuing to grow more strongly than Sydney and Melbourne. The rental market will also continue to be pressured by the demand/supply imbalance with vacancy rates still low – and therefore rents growth, while having slowed slightly, will remain strong in the near term.

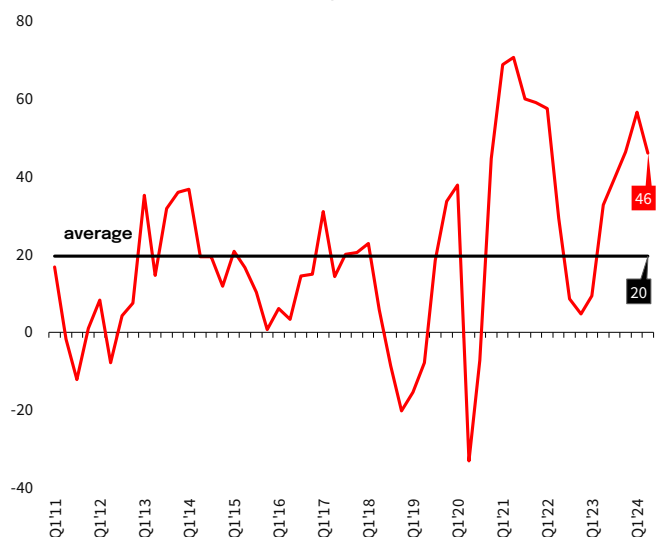
More broadly, we continue to see a relatively soft landing for the economy. While growth is expected to remain below trend over 2024, it is expected to rise to around 2.3% over 2025. That will see the unemployment rate continue to edge up, reaching around 4.5% by end 2024 – a notable increase from its 3.5% low, but ultimately it is expected to stay below pre-COVID levels. Inflation will also continue to ease, though more gradually – falling to around 3.5% by end 2024 in underlying terms and into the top half of the RBA’s target band by end 2025. For rates, we continue to see the RBA on hold until May 2025 (though see the risk skewed to an earlier cut) before the RBA eases back to around 3.0% over the subsequent year.

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View from property experts

NAB Residential Property Index



Residential Property Index: states

	Q2'23	Q2'24	Next 1yr	Next 2yrs
VIC	46	36	56	59
NSW	52	31	60	56
QLD	70	66	69	65
SA	67	96	88	81
WA	80	72	72	57
ACT	0	0	80	80
NT	0	60	90	90
TAS	-20	-43	0	43
AUST	57	46	62	60

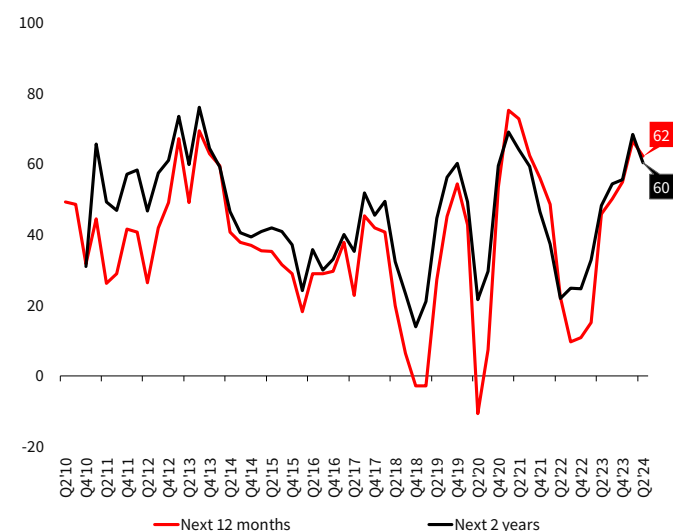
View from NAB Economics

NAB hedonic dwelling price forecasts (%)*

	2022	2023	2024f	2025f
Sydney	-11.4	11.0	5.1	3.7
Melbourne	-7.1	3.9	-0.7	3.7
Brisbane	-1.9	13.5	12.7	5.0
Adelaide	9.3	8.9	16.8	8.3
Perth	4.2	15.8	23.1	8.3
Hobart	-6.8	-1.4	-0.1	2.4
Cap City Avg	-6.4	9.4	6.7	4.3

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

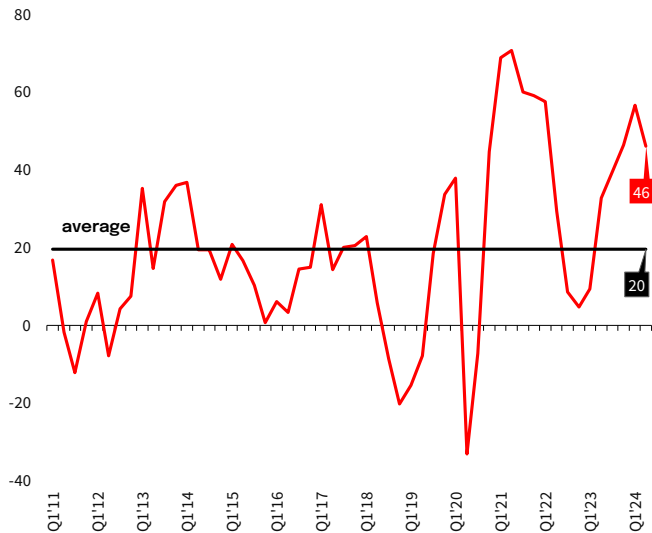
NAB Residential Property Index: Next 1-2 years



NAB Residential Property Index

The recent upward trajectory in the NAB Residential Property Index reversed in Q2. Overall, the Index fell to a still solid +46, from +57 in Q1 but higher than at the same time last year (+33). The Index is still trending well above the survey average (+20).

NAB Residential Property Index

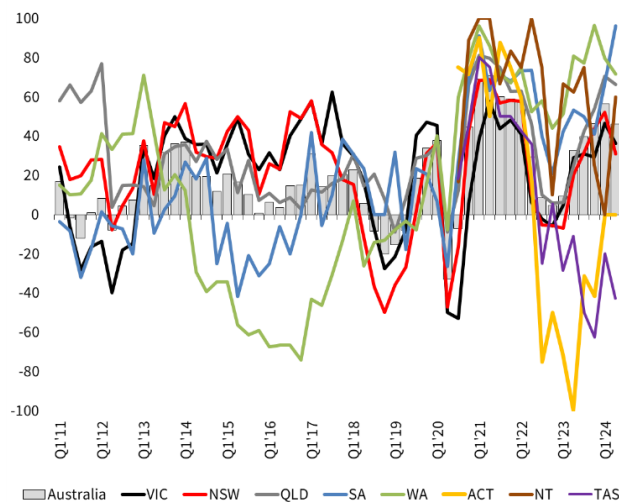


Outcomes mixed but positive in most states. It fell in all states except SA, the NT and ACT. The index for TAS remains negative.

NAB Residential Property Index: States

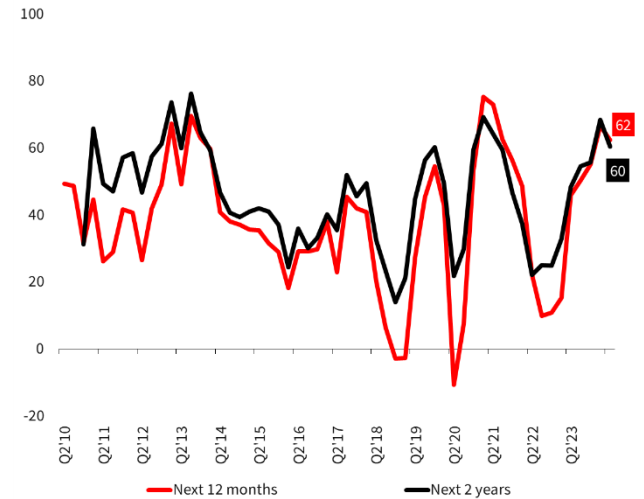
	Q1'24	Q2'24	Next 1yr	Next 2yrs
VIC	46	36	56	59
NSW	52	31	60	56
QLD	70	66	69	65
SA	67	96	88	81
WA	80	72	72	57
ACT	0	0	80	80
NT	0	60	90	90
TAS	-20	-43	0	43
AUST	57	46	62	60

NAB Residential Property Index: States



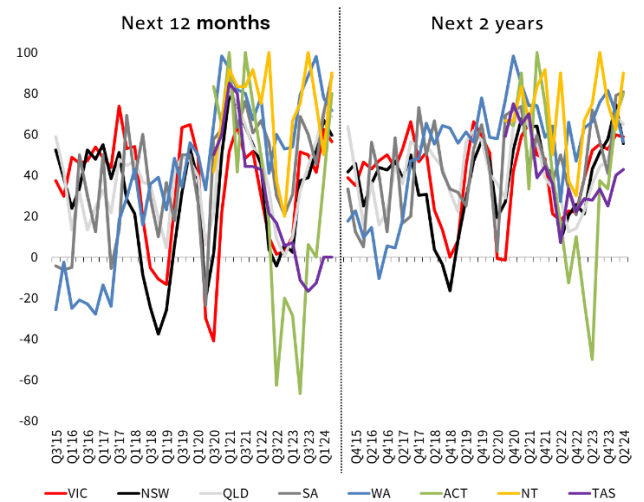
Confidence levels slipped in the quarter but remain above long-term averages (+38 in 12 months and +46 in 2 years' time).

NAB Residential Property index: Next 1-2 years



Confidence in the next 12 months highest in the NT (+90) and lowest in TAS (unchanged at 0). The 2-year measure positive in all states and territories.

Residential Property Index: States next 1-2 years



Survey house price expectations

National home values expected to gain 2.5% in the next 12 months and 3.2% in 2 years' time. This is slightly below survey expectations in the previous quarter.

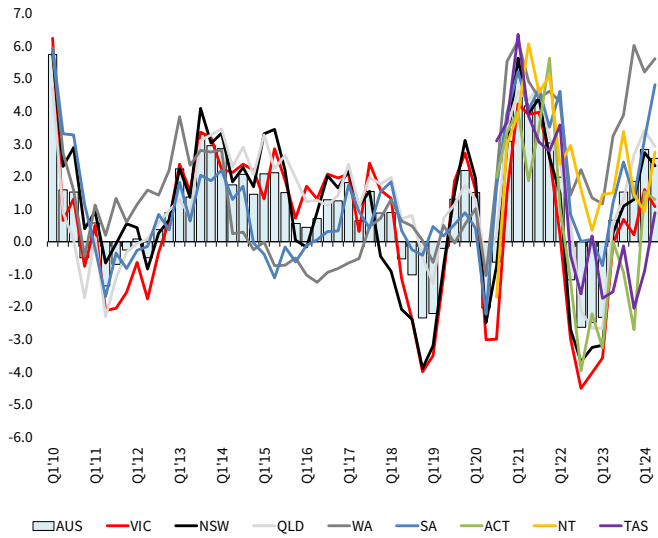
Avg survey house price forecasts (%)

	Next 1 year	Next 2 years
VIC	1.1% (1.6%)	2.3% (2.1%)
NSW	2.3% (2.7%)	3.3% (3.9%)
QLD	2.9% (3.4%)	2.9% (3.7%)
SA	4.8% (3.1%)	5.1% (4.1%)
WA	5.6% (5.2%)	5.5% (4.1%)
ACT	1.3% (1.5%)	3.3% (2.7%)
NT	2.8% (0.9%)	3.9% (2.7%)
TAS	0.9% (-0.9%)	2.6% (1.3%)
AUS	2.5% (2.8%)	3.2% (3.4%)

*figures in parentheses refer to forecasts in the previous survey

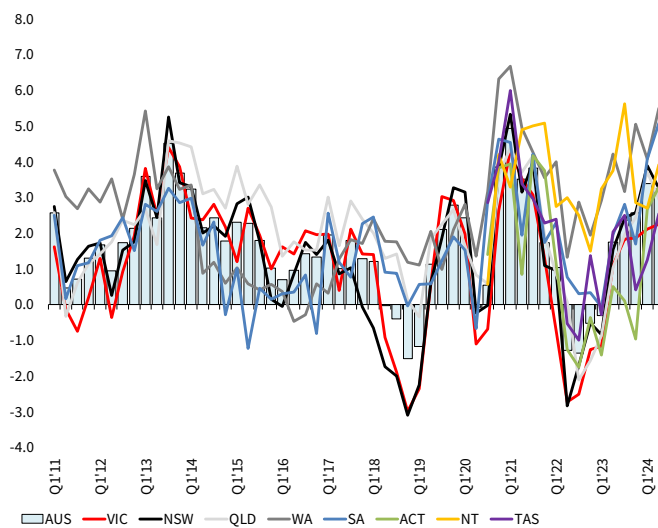
Survey respondents see prices rising in all states and territories in next 12 months. WA (5.6%) and SA (4.8%) expected to enjoy the biggest gains, with growth slowest in TAS (0.9%) and VIC (1.1%).

Avg survey house price forecast: Next 1 year (%)



Longer-term outlook for house prices positive in all states, led by WA. Expectations over the next two years stronger than in Q1 for TAS, VIC and the ACT, but moderated for NSW and QLD.

Avg survey house price forecast: In 2 years (%)



Survey rent expectations

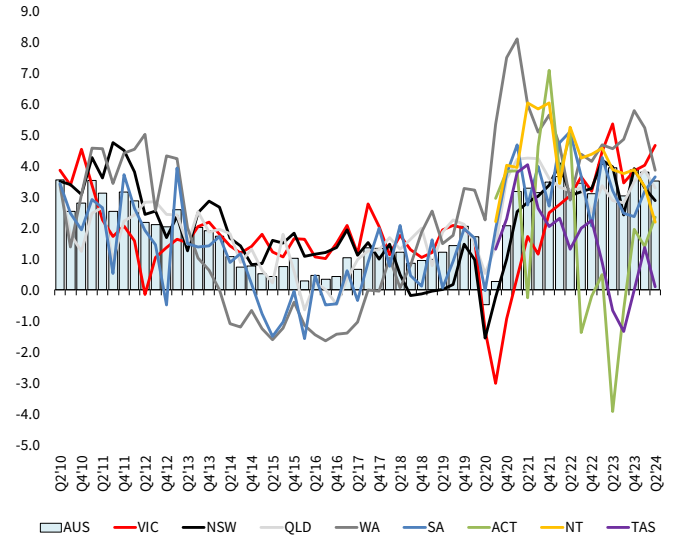
Average survey forecast for national rents in next 12 months and in 2 years' time slightly lower but relatively strong. Rents expected to grow in all states over next 1-2 years. In Q2, the majority of survey respondents (81% in net terms) assessed rental housing markets in their area as undersupplied.

Avg survey rent forecasts (%)

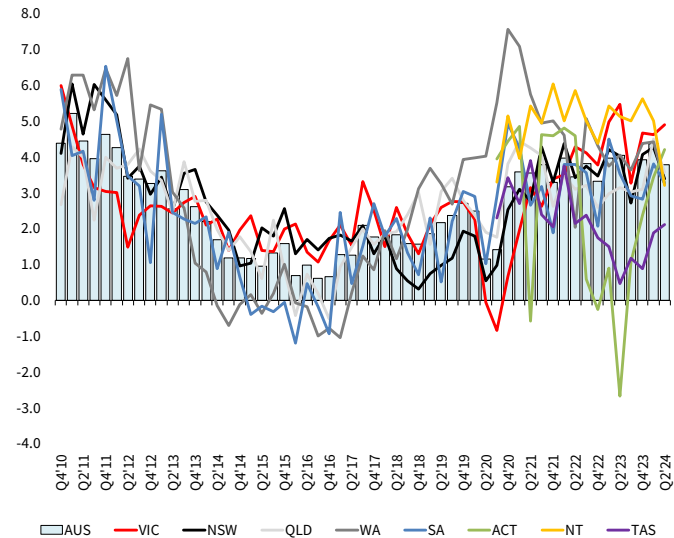
	Next 1 year	Next 2 years
VIC	4.7% (4.0%)	4.9% (4.6%)
NSW	2.9% (3.3%)	3.4% (4.3%)
QLD	3.3% (3.9%)	3.6% (4.5%)
SA	3.7% (3.2%)	3.3% (3.8%)
WA	3.9% (5.2%)	3.3% (4.4%)
ACT	2.4% (1.4%)	4.2% (3.4%)
NT	2.2% (3.3%)	3.2% (5.0%)
TAS	0.1% (1.4%)	2.1% (1.9%)
AUS	3.5% (3.8%)	3.8% (4.4%)

*figures in parentheses refer to forecasts in the previous survey

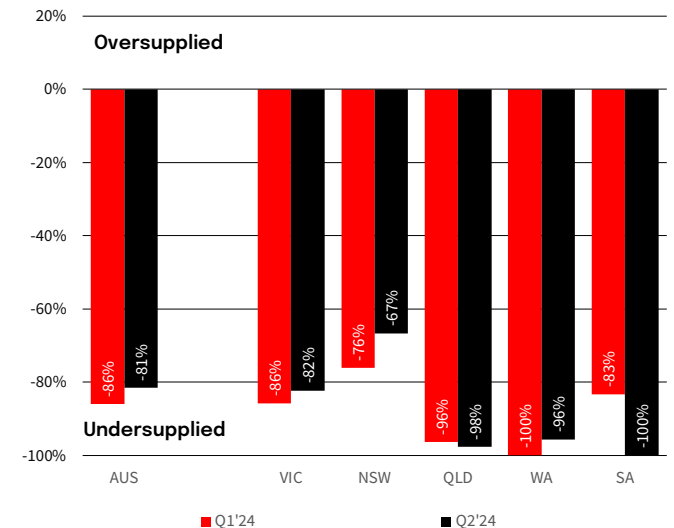
Avg survey rent forecast: Next 1 year (%)



Avg survey rent forecasts: In 2 years (%)



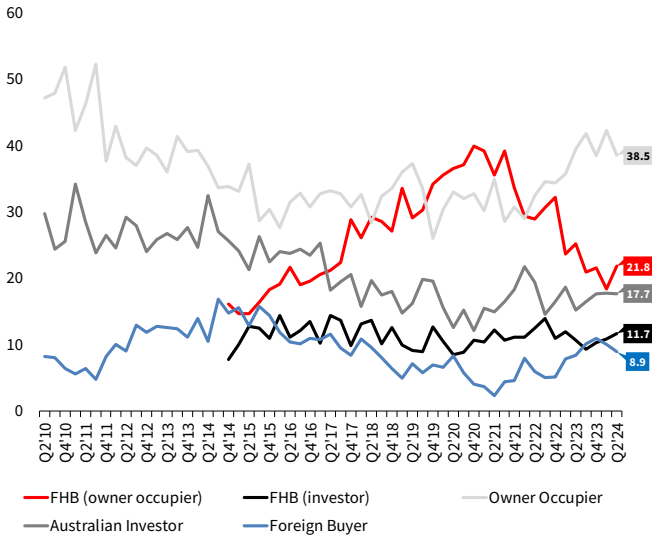
Housing demand/supply balance for rental properties (net balance)



New housing markets

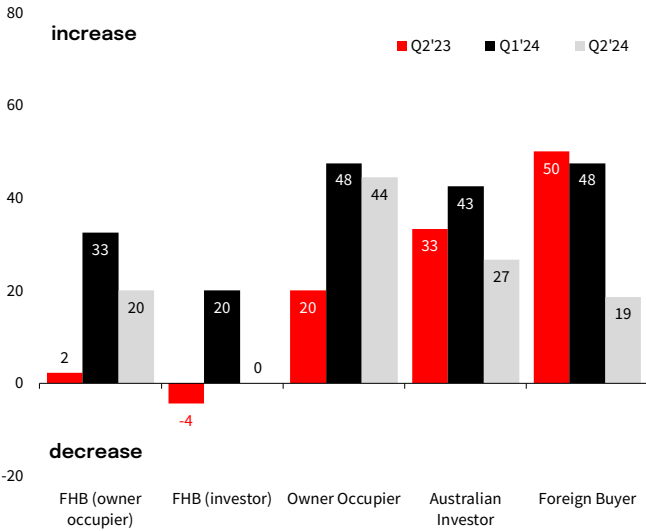
Market share of FHBs in new housing markets rose to 33.5% and lifted for FHB owner occupiers and investors. Sales to owner occupiers (net of FHBs) slipped to 38.5% from an 11-year high 42.2% in Q1. It was unchanged for resident or domestic investors at 17.7%. Share of foreign buyers fell to a below average 8.9%.

Buyers: new developments (% share)



On balance, more property experts still expect to see buyer share in new home markets rise than fall in all groups in the next 12 months, except for FHB investors.

Expected change in share of new property buyers in next 12m (net balance)



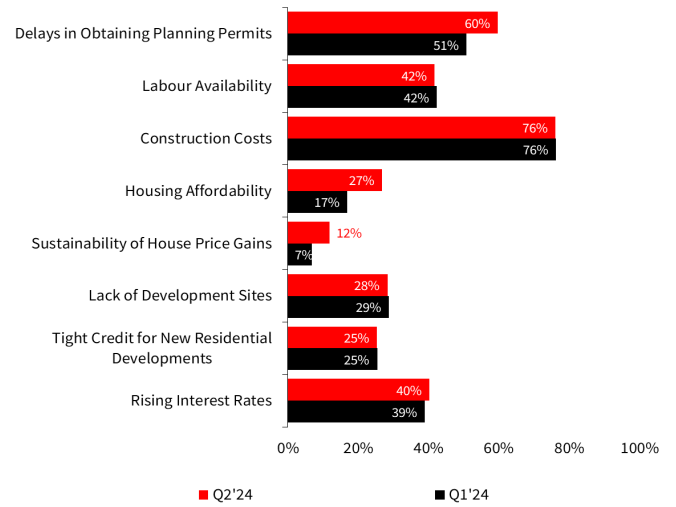
Barriers to starting new housing projects

An unchanged 3 in 4 (76%) still see construction costs as the main hurdle, followed by delays in obtaining planning permits (60%) and labour availability (56%).

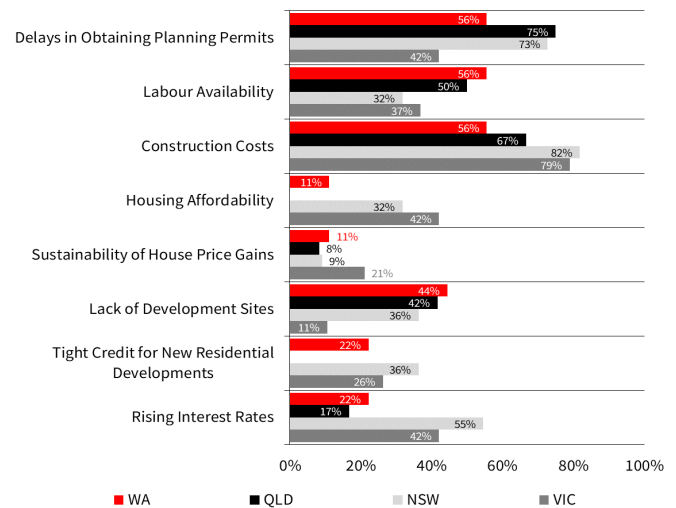
With interest rates on hold in Q2, a basically unchanged 40% pointed to rising interest rates as a barrier.

By state, construction costs, rising interest rates and housing affordability most problematic in NSW and VIC, labour availability in WA and QLD, and delays in getting planning permits in QLD and NSW.

Main barriers to starting new housing developments (%)



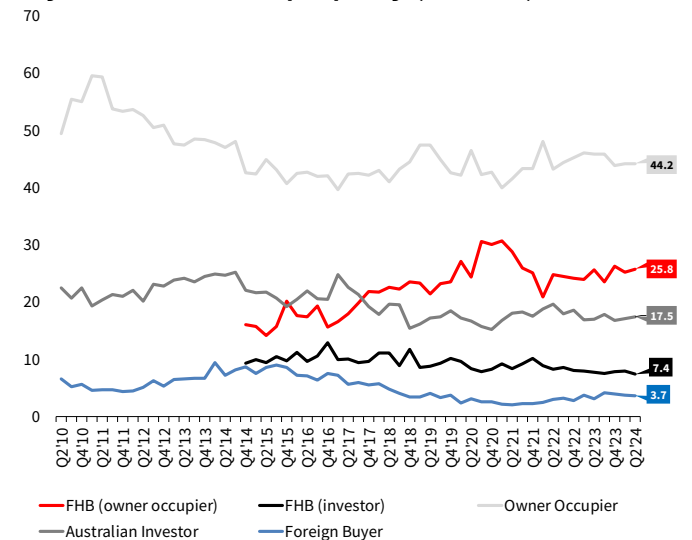
Main barriers to starting new housing developments: states



Established property

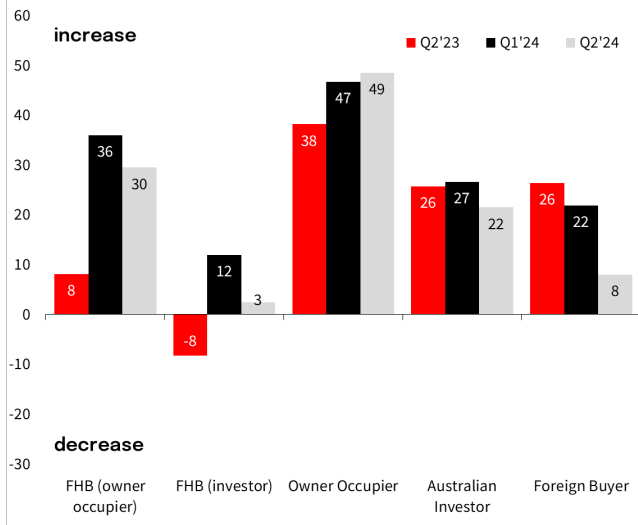
Buying activity dominated by owner occupiers (net of FHBs) in Q2 with overall market share relatively flat (44.2%) but above average. These buyers account for the lion's share of established home sales in all states.

Buyers: established property (% share)



While more property professionals on balance still expect market share in each buyer group to increase than fall in the next 12 months, it fell in all groups except owner occupiers.

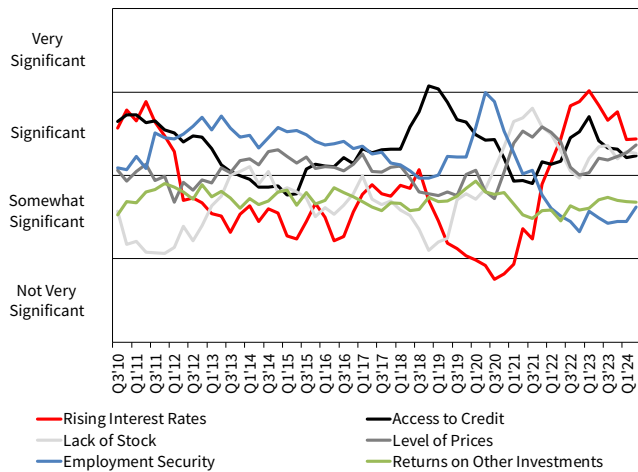
Expected change in share of established property buyers in next 12m (net balance)



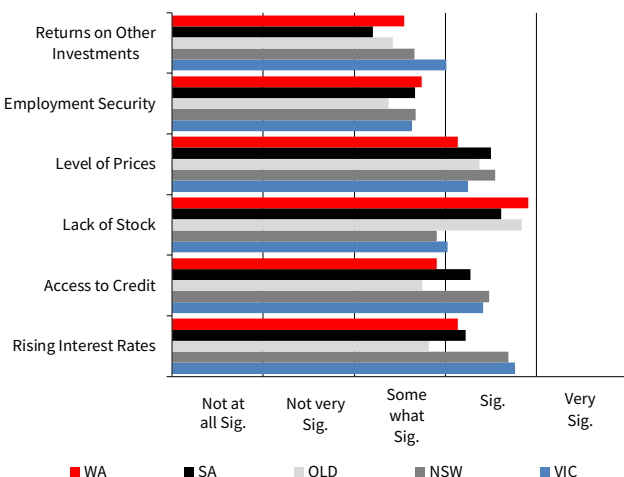
Established housing constraints

Interest rates still the biggest barrier for established home buyers - not surprising given that slow moderation in inflation in H1'24 has delayed rate cuts. Interest rates highlighted as biggest constraint in VIC and NSW, but lack of stock in WA, QLD and SA.

Constraints: established home buyers



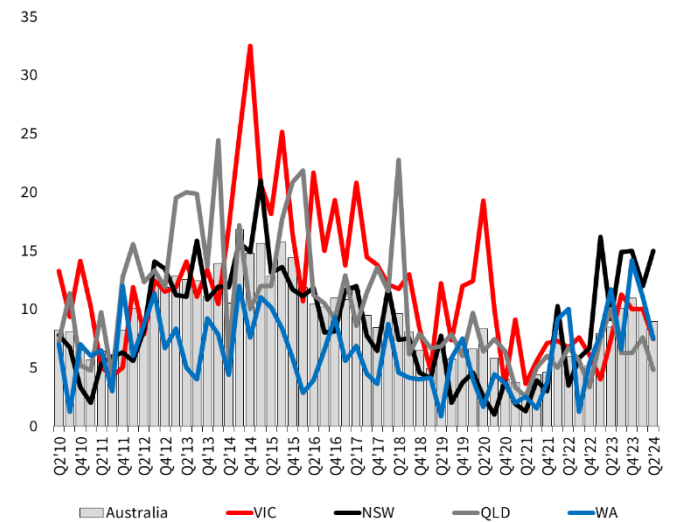
Constraints: states



Foreign buyers

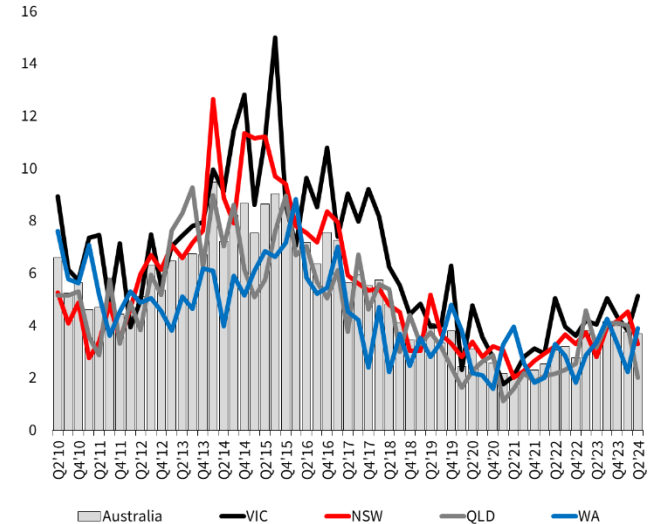
Market share of foreign buyers in new Australian housing continued to moderate in Q2 (8.9%) and slipped below the survey average (9.1%). Lower market share of foreign buyers driven by falls in all states except NSW.

Share of total demand for new property: foreign buyers (%)



In established home markets, the share of foreign buyers inched down to 3.7% in Q2 (3.8% in Q1) and remains well below the survey average (5.1%). Market share increased and was highest in VIC (5.1%) but fell in all other key states.

Share of total demand for established property: foreign buyers (%)



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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.

Around 300 property professionals participated in the Q2 2024 survey.

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