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# NAB Residential Property Survey Q3 2024



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Amid slowing house prices and rents, the **NAB Residential Property Index** fell for the second straight quarter in September. Outcomes however were mixed across the country, with SA still leading the way and TAS trailing. The market share of First Home Buyers (FHBs) fell further in both new and established home markets. A growing number of property professionals highlighted construction costs as the main constraint for new housing developments in Australia, with interest rates still the main barrier for buyers in established home markets, despite growing market expectations for rate cuts to be brought forward.

**NAB's outlook for property prices is broadly unchanged. We see the 8-capital city dwelling price index ending the year around 6% higher and for growth to slow slightly to 4% over 2025. On rates, we see the RBA on hold until February 2025, before cutting by around 125bps to 3.1% by early-2026. We see some risk that cuts could come later in H1 2025, though that will depend on whether the labour market remains resilient and how quickly inflation moderates.**

## Survey highlights: The View from Property Experts

With capital city house prices and rents growth continuing to slow in annual terms across both the CoreLogic and PropTrack measures, the NAB Residential Property Index fell in the September quarter. Overall, the Index fell for the second straight quarter to +34 index points from +46 in Q2. It was also lower than at the same time last year (+40) but continued to trend above the survey average (+20).

Outcomes were mixed across the country but was positive in all states and territories except TAS (-28). Market sentiment remained highest in SA (down 6 to +90) and fell most in VIC (down 26 to +10). Sentiment eased in NSW (down 13 to +18), QLD (down 5 to +61) and WA (down 8 to +64) but was higher in the ACT (up 14 to +14) and NT (up 7 to +67).

Confidence levels among surveyed property professionals also slipped further in the September quarter with the one-year measure easing to +47 index pts (+62 in Q2) and the 2 year measure to +55 (+60 in Q2). Both measures however are still well above long-term averages (+35 in 12 months and +46 in 2 years' time) suggesting market activity will remain relatively robust. Confidence levels printed positive across the country, ranging from +85 in SA to +22 in TAS over the next 12 months, and from +86 in the ACT to +33 in the NT in 2 years' time.

Average survey expectations for house price growth were scaled back further to 1.8% for the next 12 months and 2.7% in 2 years' time. Expectations for the next 12 months were scaled back across most of the country except WA (5.8%) where they are highest overall, and in TAS (1.6%). Property professionals on average expect house prices to grow across most of the country in the next 12 months except VIC (-0.5%) and the NT (-0.4%). The outlook in 2 years' time is positive in all states and territories ranging from 4.9% in WA to 1.4% in VIC and the NT.

Rents growth has slowed sharply over the past 3 months despite only a modest uptick in rental vacancy rates. And in the September quarter, far fewer survey respondents overall (-68% in net terms) assessed rental markets in their area as undersupplied, particularly in NSW (-47%) and VIC (-67%). Against this, average survey forecasts for national rents in the next 12 months and 2 years' time were pared back to 2.3% and 2.6% respectively. Expectations for the next year are mixed - ranging from 3.9% in the NT to just 0.4% in TAS. They lifted noticeably in the ACT (3.1%) but were scaled back significantly in VIC (2.8%), QLD (2.0%), WA

(2.7%) and NSW (1.8%). Rents are forecast to grow in all states in 2 years' time, ranging from 4.4% in the ACT to 1.5% in WA.

The market share of FHBs in new housing markets fell to a well below average 29.9% in Q3, with both FHB owner occupiers (21.0%) and investors (8.9%) less prominent in this market. Sales to owner occupiers (net of FHBs) climbed to a 13-year high 44.3%, with sales to owner occupiers higher than FHBs in all main states. The market share of local investors edged down to a below average 17.0%, with the share of sales to foreign buyers also dipping to a near 2-year low 6.8%.

A higher 83% of all property professionals said construction costs were a key barrier to starting new housing projects in Q3, and was most problematic in QLD (90%), NSW (87%) and VIC (83%). The next biggest hurdles were delays in obtaining planning permits (though lower at 46%) and labour availability (basically unchanged at 41%). Delays in obtaining planning permits were highlighted as a key issue by noticeably more property professionals in NSW (67%) and labour availability in QLD (60%). A lack of development sites was a concern for twice as many property professionals in WA (50%) than in other states.

In established home markets, buying activity continued to be dominated by owner occupiers (net of FHBs) in Q3 with an overall market share of 43.6% - with these buyers also accounting for the lion's share of established home sales in all states. Just over 1 in 3 (34.3%) buyers were FHBs (both owner occupiers and investors), though it was somewhat higher in VIC (40.5%). Local investors were less prominent in established housing markets in Q3 (17.0%), but property professionals reported an incremental increase in the share of foreign buyers in this market (3.9%).

Despite rising market expectations for rate cuts to be brought forward, interest rates are still considered the biggest barrier for buyers of established homes, followed by house price levels, access to credit and lack of stock. Interest rates are the biggest impediment to buying established homes in VIC and NSW, but lack of stock in WA and QLD.

The market share of foreign buyers in new Australian housing markets fell for the third straight quarter to a well below average 6.8% (8.9% in Q2). It fell in all states except QLD (5.0%), with NSW the only state still reporting above average levels of foreign buyer activity (9.4%). In established housing markets, the market share of foreign buyers inched up to 3.9% (3.7% in Q2) but is still well below average survey levels (5.1%). Market share grew in NSW (4.5%) and QLD (3.5%) but was lower in VIC (4.6%) and WA (3.2%), with activity below average in all states bar NSW.

## The view from NAB

We have slightly revised down our forecasts for property prices over 2024 with recent monthly prints coming in slightly softer than expected. We expect broadly similar growth over 2025 to what we forecast in the Q2 Residential Property Survey - namely a softer but still positive rate of growth following the strong growth in prices over recent years. Though price growth has slowed somewhat, underlying demand for property remains strong with the population expected to remain elevated in the near-term. On the supply side, despite the rise in completions in Q2 and a stabilisation in new approvals it is unlikely we will see a significant rebalancing in the property market in the near-term.

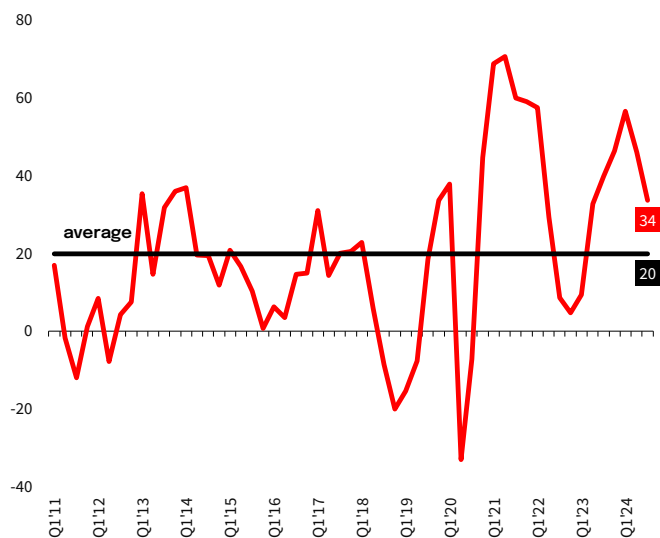
More broadly, we continue to see a relatively soft landing for the economy. While growth has slowed, driven by softness in the private sector, we expect H2 2024 to be the low point, with growth returning to around trend over 2025. The labour market has been resilient and while we expect the unemployment rate to rise gradually to around 4.5%, it is expected to remain below pre-COVID levels. For the RBA, both the pace of the ongoing moderation in inflation and resilience in the labour market remain important.

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## View from property experts

### NAB Residential Property Index



### Residential Property Index: states

	Q2'24	Q3'24	Next 1yr	Next 2yrs
VIC	36	10	28	58
NSW	31	18	45	52
QLD	66	61	53	52
SA	96	90	85	70
WA	72	64	71	59
ACT	0	14	71	86
NT	60	67	67	33
TAS	-43	-28	22	56
<b>AUST</b>	<b>46</b>	<b>34</b>	<b>47</b>	<b>55</b>

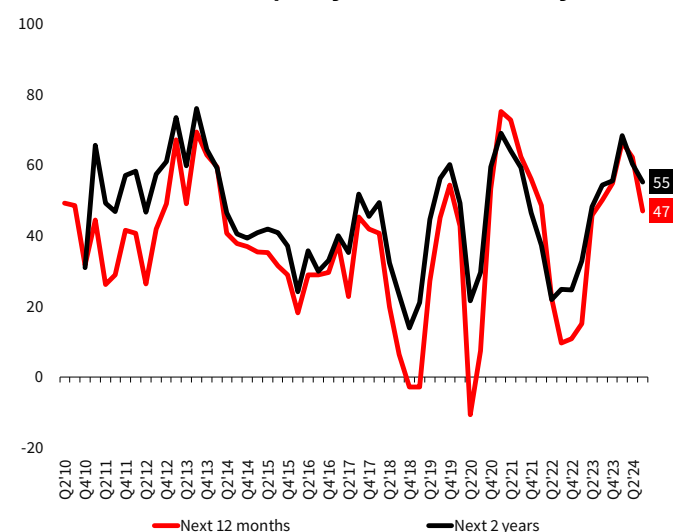
## View from NAB Economics

### NAB hedonic dwelling price forecasts (%)\*

	2022	2023	2024f	2025f
Sydney	-11.4	11.0	4.1	3.7
Melbourne	-7.1	3.9	-1.7	3.3
Brisbane	-1.9	13.5	12.3	5.0
Adelaide	9.3	8.9	14.5	7.9
Perth	4.2	15.8	21.6	8.3
Hobart	-6.8	-1.4	0.2	2.4
<b>Cap City Avg</b>	<b>-6.4</b>	<b>9.4</b>	<b>5.9</b>	<b>4.2</b>

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

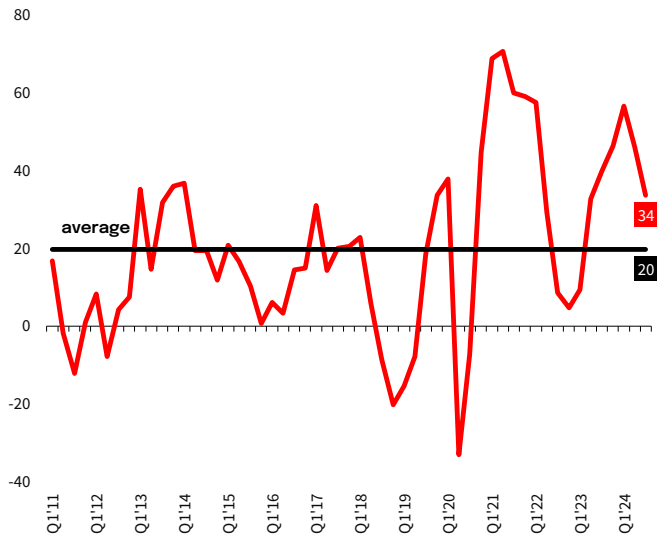
### NAB Residential Property Index: Next 1-2 years



## NAB Residential Property Index

With momentum in the national housing market slowing in Q3, the **NAB Residential Property Index** continued to fall. Overall, the Index moved lower for the second straight quarter to +34 from +46 in Q2. It was also lower than at the same time last year (+40) but remained well above the survey average (+20).

### NAB Residential Property Index

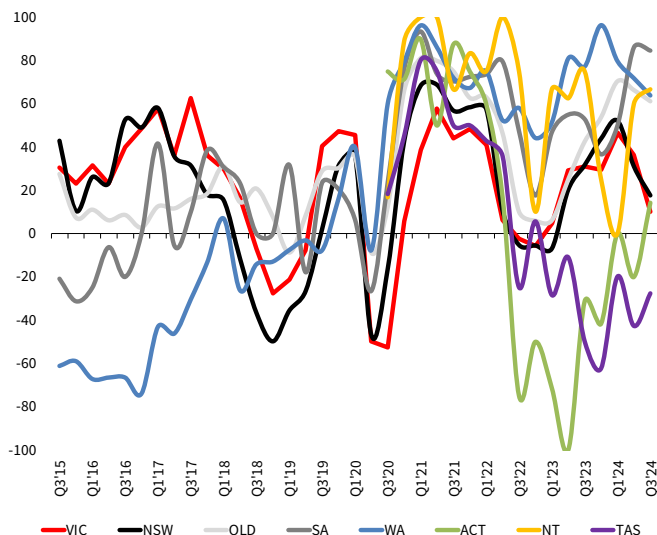


Outcomes were mixed but positive in most states. It fell across the country except the ACT and NT. The index for TAS gained some ground but remained negative.

### NAB Residential Property Index: States

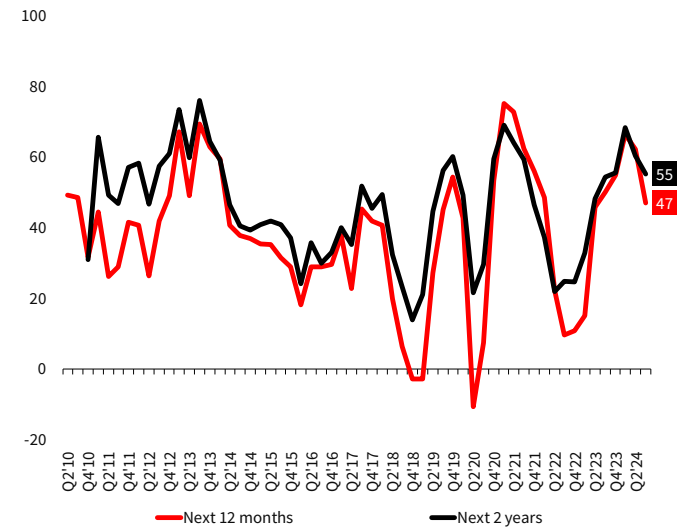
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### NAB Residential Property Index: States



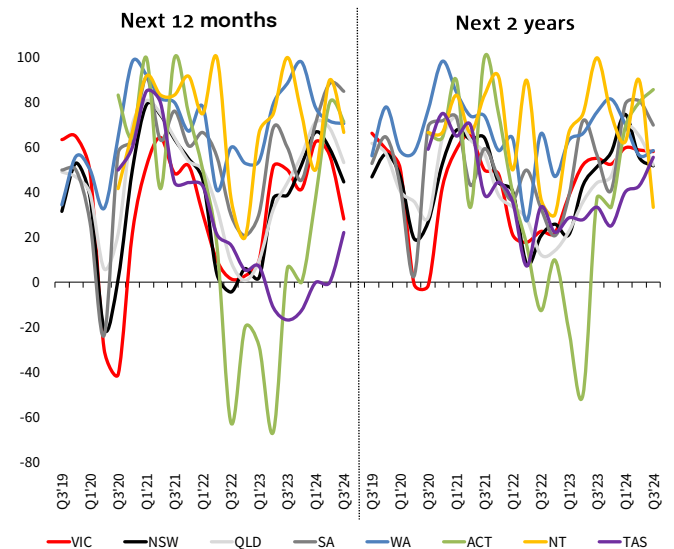
Confidence levels slipped further in Q3 but remain above long-term averages (+35 in 12 months and +46 in 2 years' time).

### NAB Residential Property index: Next 1-2 years



Confidence in the next 12 months is highest in the SA (+85) and lowest in TAS (+22). The 2-year measure was positive across the country, led by the ACT (+86) with the NT trailing (+33).

### Residential Property Index: States next 1-2 years



## Survey house price expectations

National home values expected to grow 1.8% in the next 12 months and 2.7% in 2 years' time. This was scaled back from survey expectations in the last quarter (2.5% & 3.2% respectively).

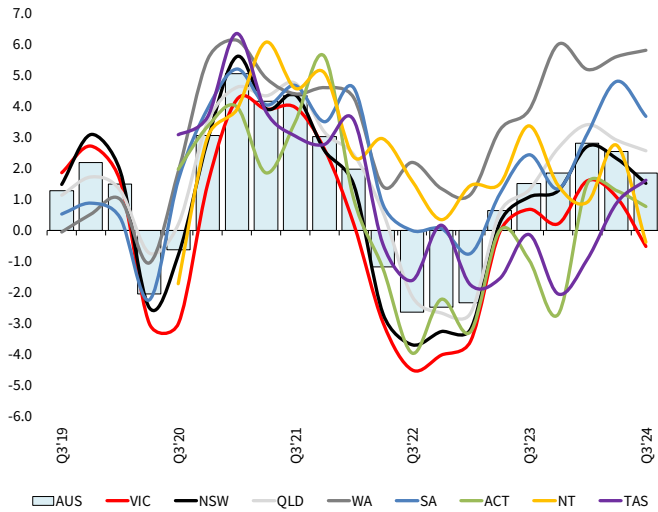
### Avg survey house price forecasts (%)

	Next 1 year	Next 2 years
VIC	-0.5% (1.1%)	1.4% (2.3%)
NSW	1.5% (2.3%)	2.7% (3.3%)
QLD	2.6% (2.9%)	3.0% (2.9%)
SA	3.7% (4.8%)	2.7% (5.1%)
WA	5.8% (5.6%)	4.9% (5.5%)
ACT	0.8% (1.3%)	2.0% (3.3%)
NT	-0.4% (2.8%)	1.4% (3.9%)
TAS	1.6% (0.9%)	3.4% (2.6%)
<b>AUS</b>	<b>1.8% (2.5%)</b>	<b>2.7% (3.2%)</b>

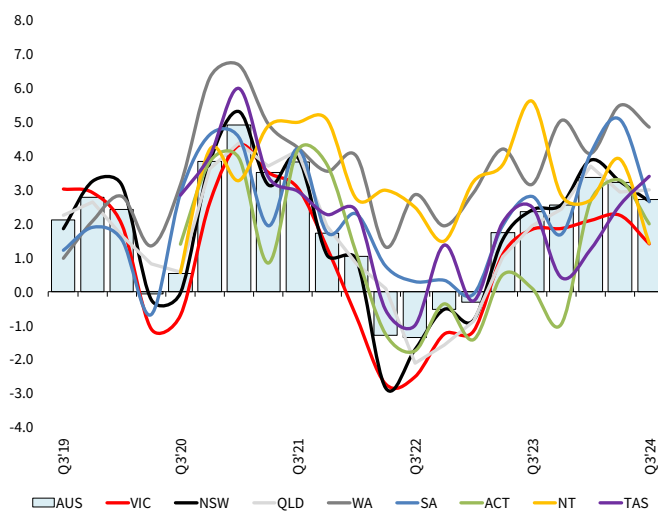
\*figures in parentheses refer to forecasts in the previous survey

Survey respondents see prices growing in all states and territories in the next 12 months, except VIC (-0.5%) and NT (-0.4%), with WA (5.8%) and SA (3.7%) leading the way. Longer-term outlook was scaled back in all states QLD (3.0%) and TAS (3.4%). Expectations are highest in WA (4.9%) and lowest in VIC & NT (1.4%).

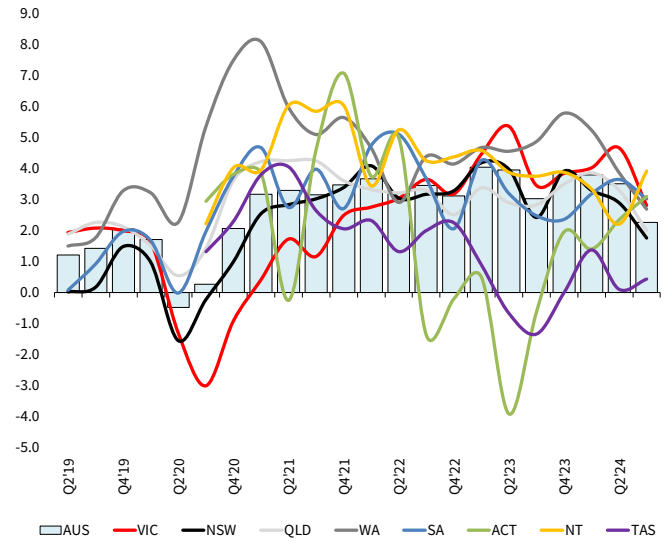
**Avg survey house price forecast: Next 1 year (%)**



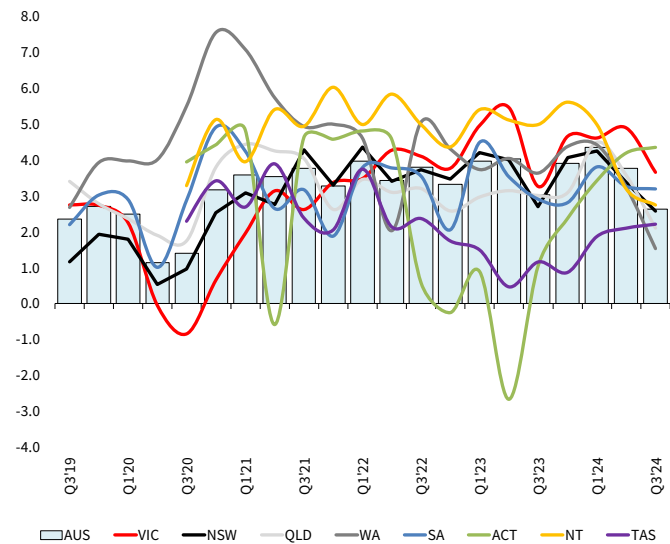
**Avg survey house price forecast: In 2 years (%)**



**Avg survey rent forecast: Next 1 year (%)**



**Avg survey rent forecasts: In 2 years (%)**



**Survey rent expectations**

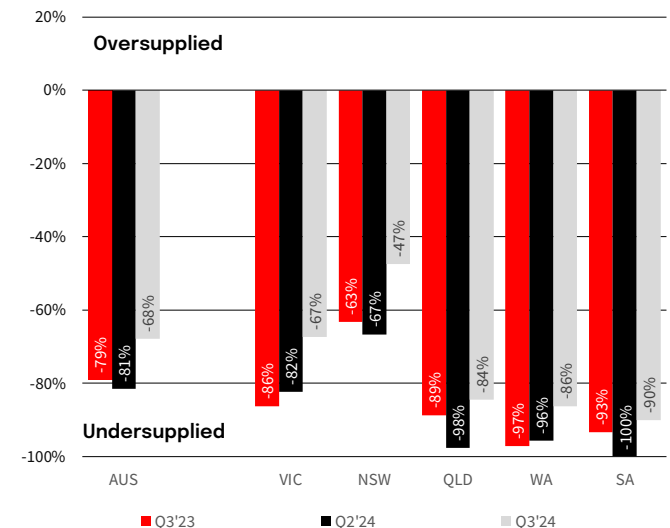
Average survey forecast for national rents in the next 12 months (2.3%) and in 2 years' (2.6%) was pared back somewhat. Rents expected to grow in all states in the next 1-2 years. In Q3, far fewer respondents (-68% in net terms) overall said rental markets were undersupplied - particularly in NSW (-47%) and VIC (-67%).

**Avg survey rent forecasts (%)**

	Next 1 year	Next 2 years
VIC	2.8% (4.7%)	3.7% (4.9%)
NSW	1.8% (2.9%)	2.6% (3.4%)
QLD	2.0% (3.3%)	2.1% (3.6%)
SA	3.0% (3.7%)	3.2% (3.3%)
WA	2.7% (3.9%)	1.5% (3.3%)
ACT	3.1% (2.4%)	4.4% (4.2%)
NT	3.9% (2.2%)	2.8% (3.2%)
TAS	0.4% (0.1%)	2.2% (2.1%)
<b>AUS</b>	<b>2.3% (3.5%)</b>	<b>2.6% (3.8%)</b>

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

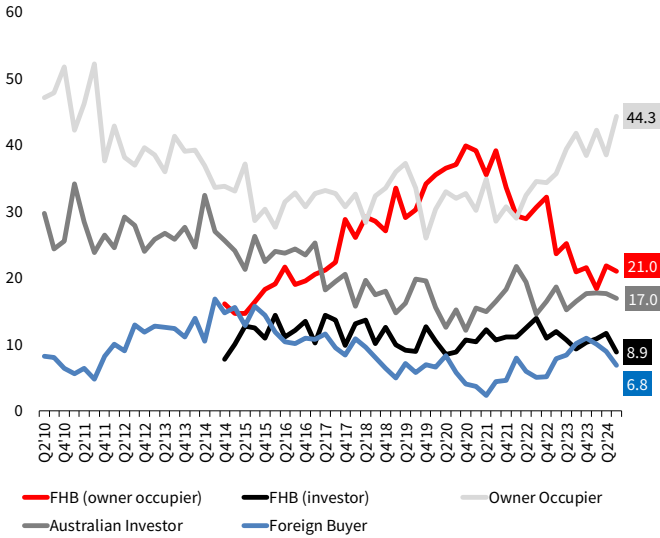
**Housing demand/supply balance for rental properties (net balance)**



## New housing markets

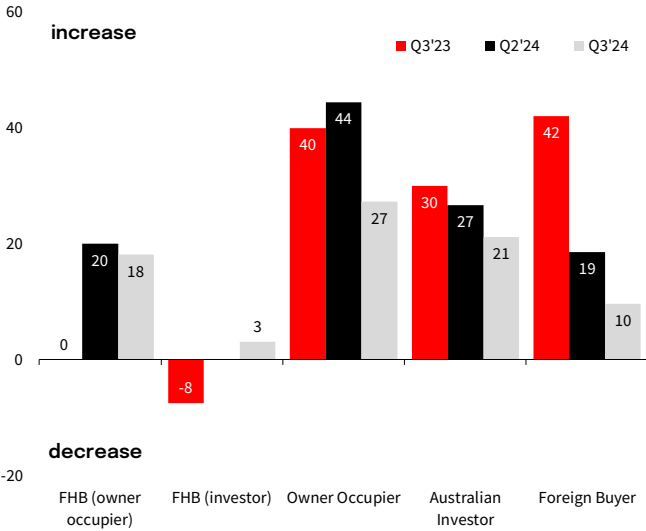
The market share of FHBs in new housing markets fell to 29.9% and was lower for FHB owner occupiers (21.0%) and investors (8.9%). Sales to owner occupiers (net of FHBs) rose to 13-year high 44.3% in Q3, but the share of sales to domestic investors (17.0%) and foreign buyers (6.8%) fell and remain below average levels.

### 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 owner occupiers.

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

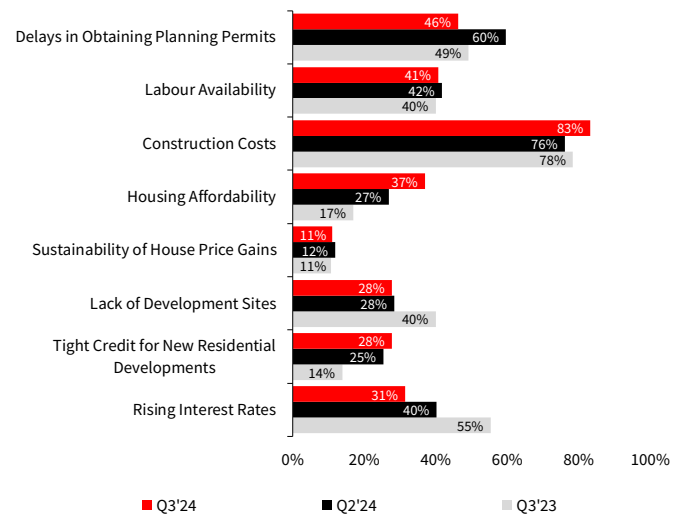


## Barriers to starting new housing projects

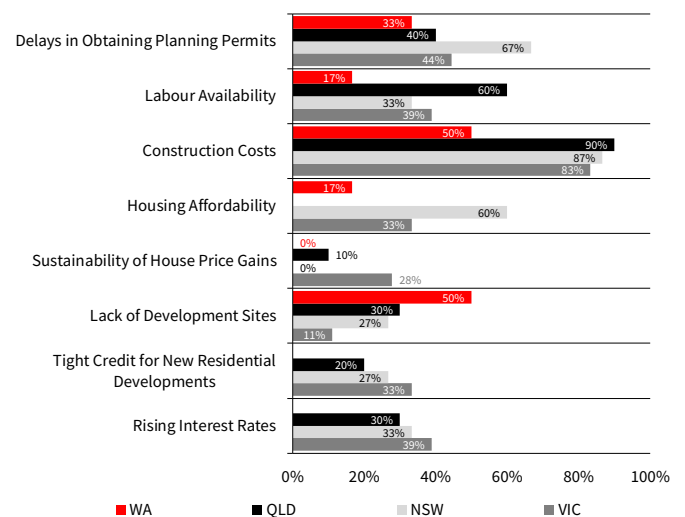
A higher 83% of surveyed property professionals see construction costs as the main hurdle to starting new housing developments, followed by obtaining planning permits (but down to 46%) and labour availability (unchanged at 41%). Housing affordability was more problematic (37%), but with expectations for rate cuts growing, a lower 31% identified rising interest rates as a barrier.

By state, most property professionals in QLD, NSW and VIC highlighted construction costs as a key barrier, but an equal number in WA labour availability and lack of development sites.

## Main barriers to starting new housing developments (%)



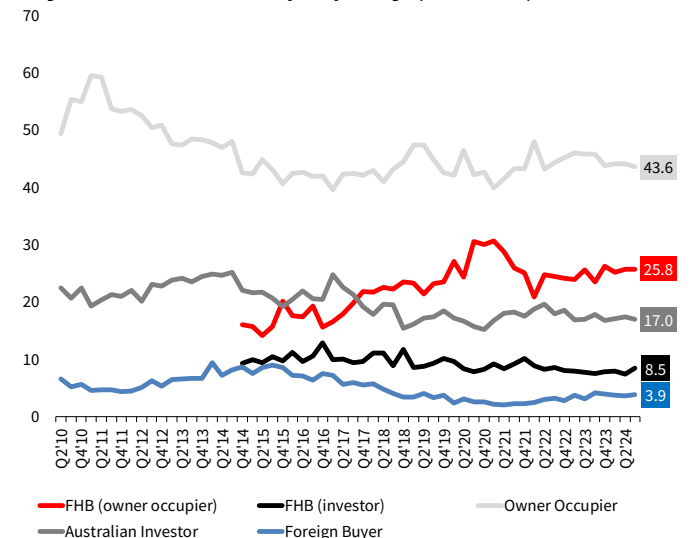
## Main barriers to starting new housing developments: states



## Established property

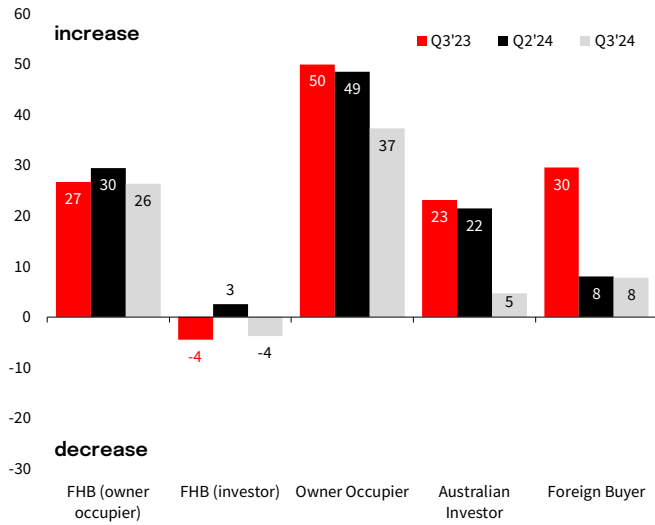
Buying activity in Q3 was dominated by owner occupiers (net of FHBs) with an overall market share of 43.6%. These buyers also account for the lion's share of established home sales in all states.

### Buyers: established property (% share)



More property professionals on balance expect market share in each buyer group to increase than fall in the next 12 months, except for FHB investors.

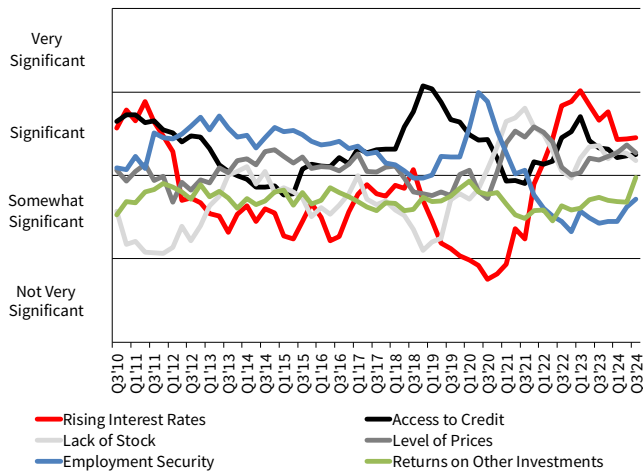
### Expected change in share of established property buyers in next 12m (net balance)



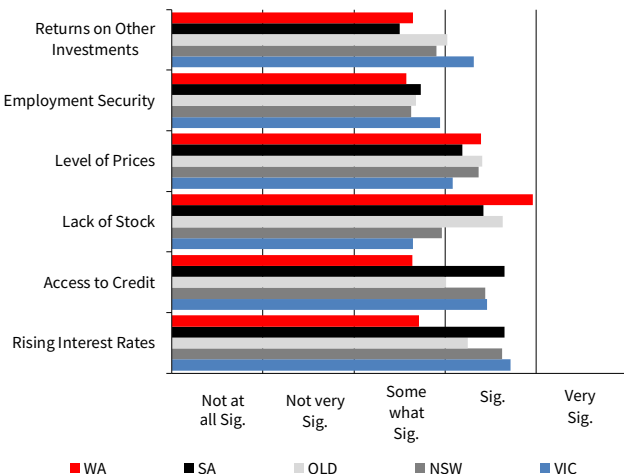
### Established housing constraints

Interest rates were again highlighted as the biggest barrier for established home buyers, followed by house price levels, access to credit and lack of stock. Interest rates were the biggest constraint in VIC and NSW, but lack of stock in WA and QLD.

#### Constraints: established home buyers



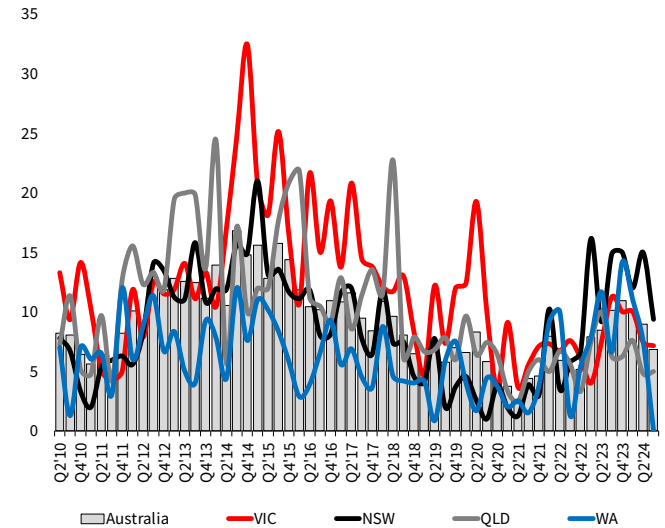
#### Constraints: states



### Foreign buyers

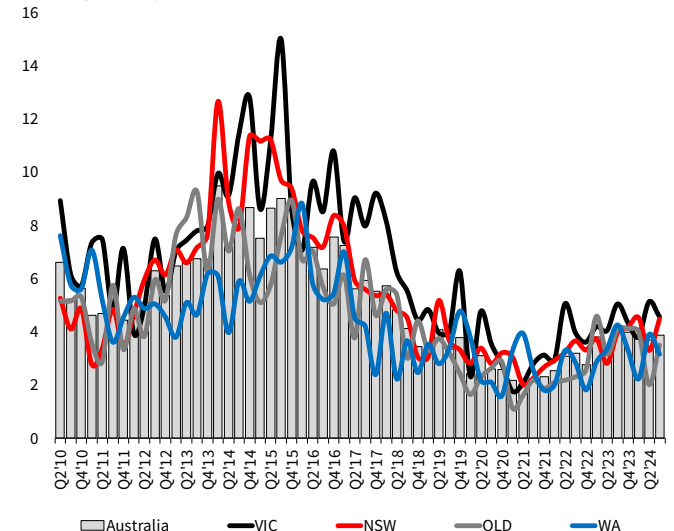
The market share of foreign buyers in new Australian housing markets fell for the third straight quarter to a below average 6.8% in Q3. Market share fell in all states except QLD (5.0%), with NSW the only state to report above average levels of foreign buyer activity during the quarter (9.4%).

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



In established home markets, the share of foreign buyers inched up slightly to 3.9% in Q3 (3.7% in Q2) but was still well below the survey average (5.1%). Market share grew in NSW (4.5%) and QLD (3.5%) but was lower in VIC (4.6%) and WA (3.2%), with activity below average in all states bar NSW.

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



# 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 Q3 2024 survey.

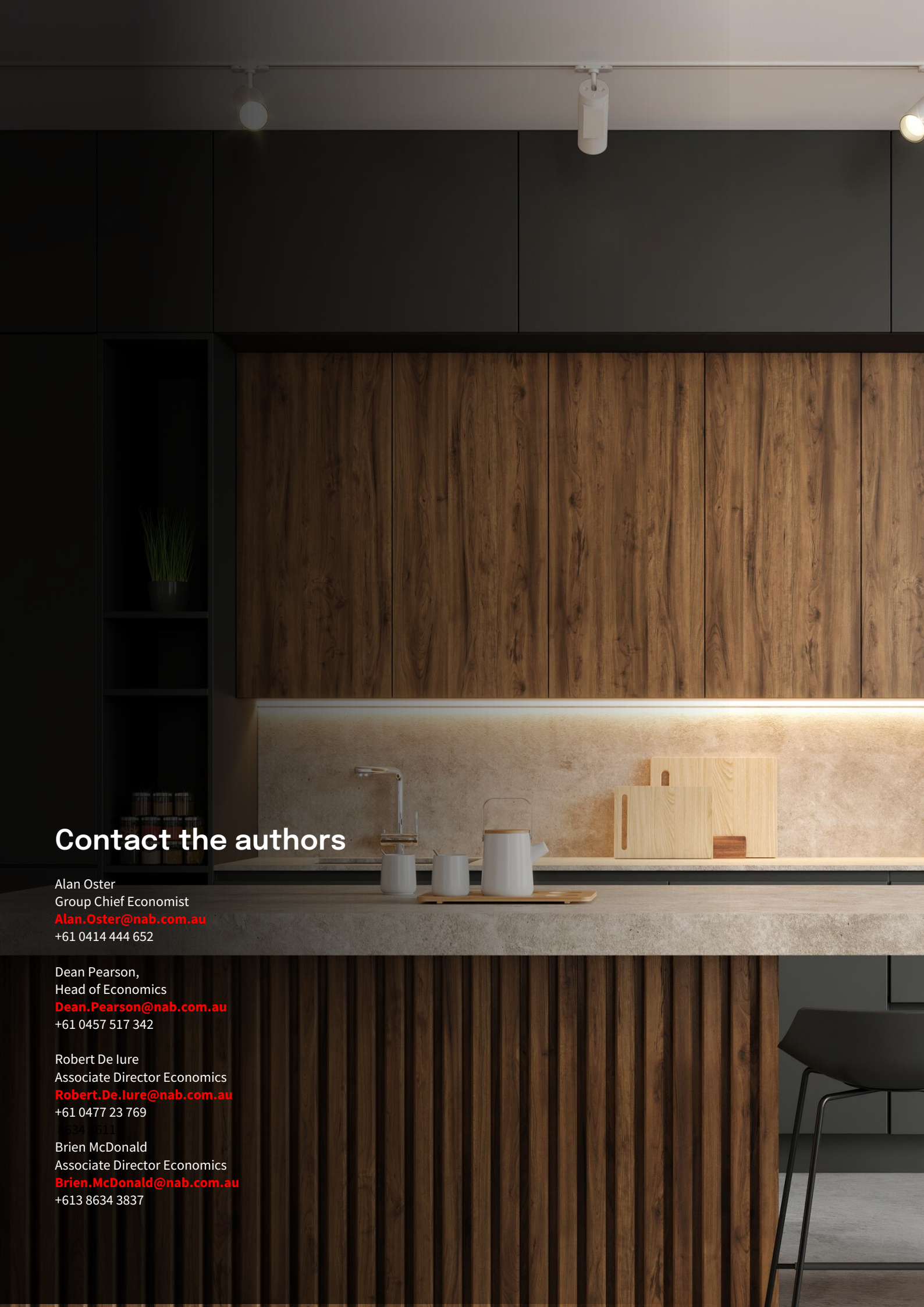
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