

April 2022

Housing market update



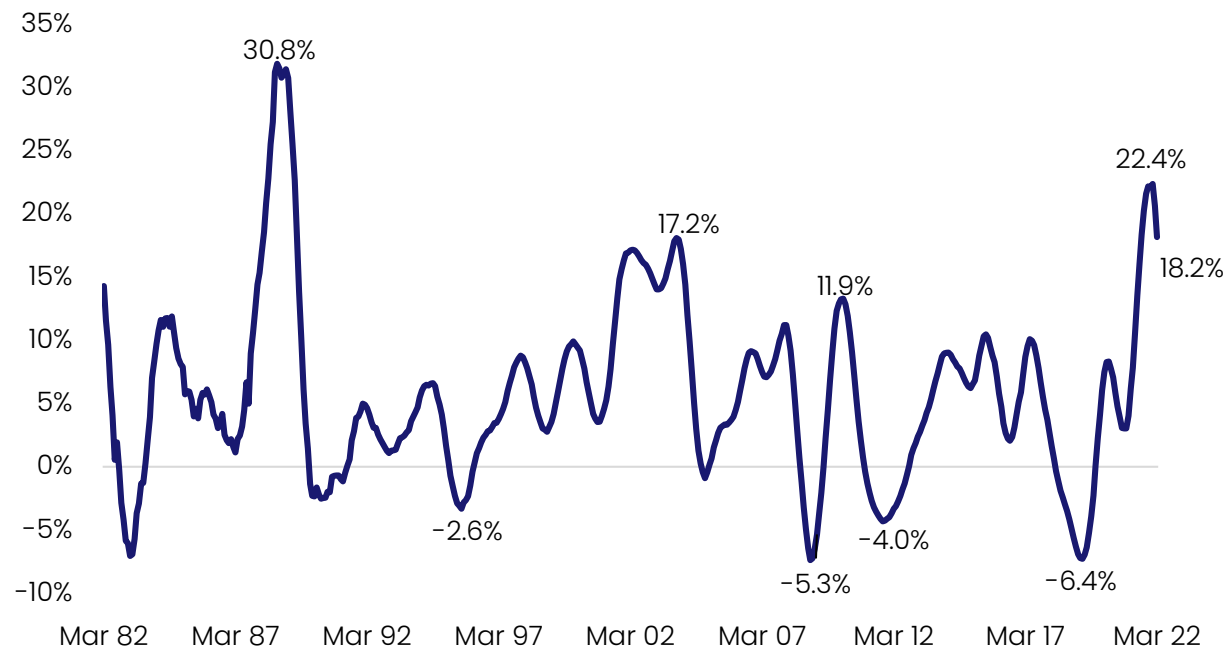
After the strongest run of growth in more than 30 years, housing conditions are cooling across most capital cities and regional markets.



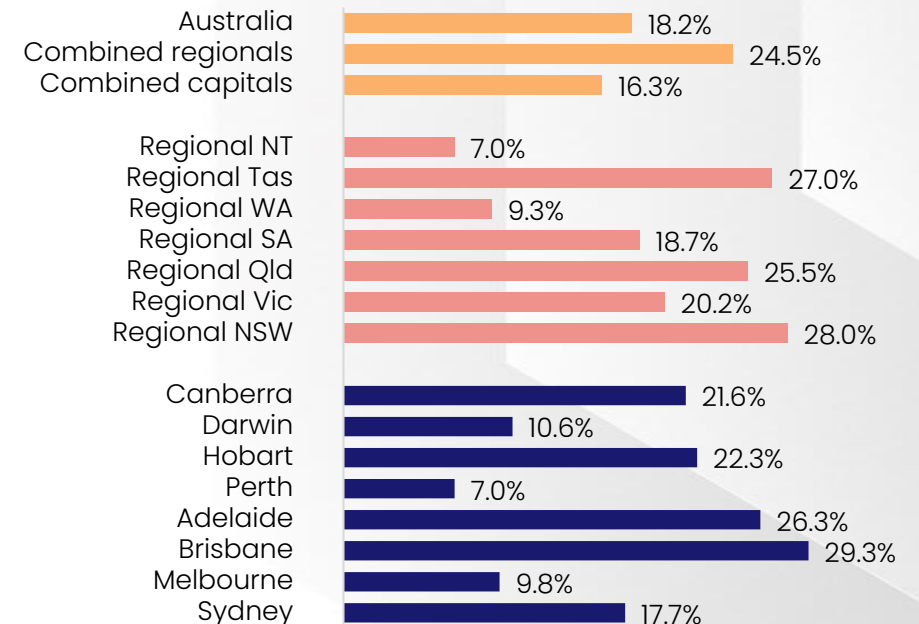
Annual growth in Australian housing values peaked in January '22 at 22.4%

With the monthly pace of growth easing since April last year, the annual growth rate is set to continue softening through 2022

Rolling annual change in national dwelling values



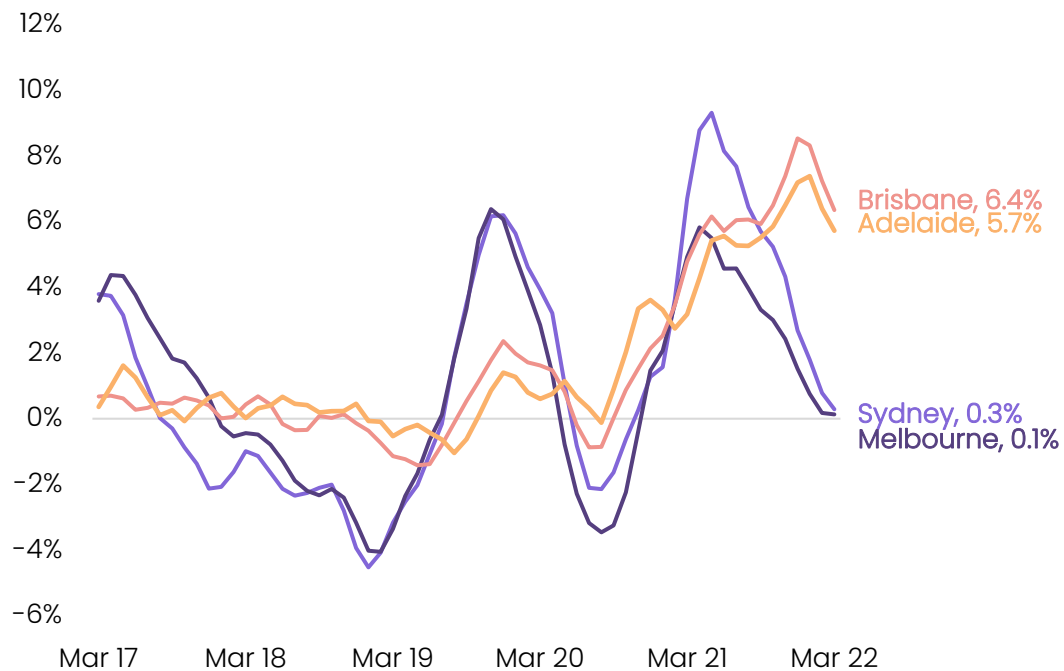
Annual change in dwelling values



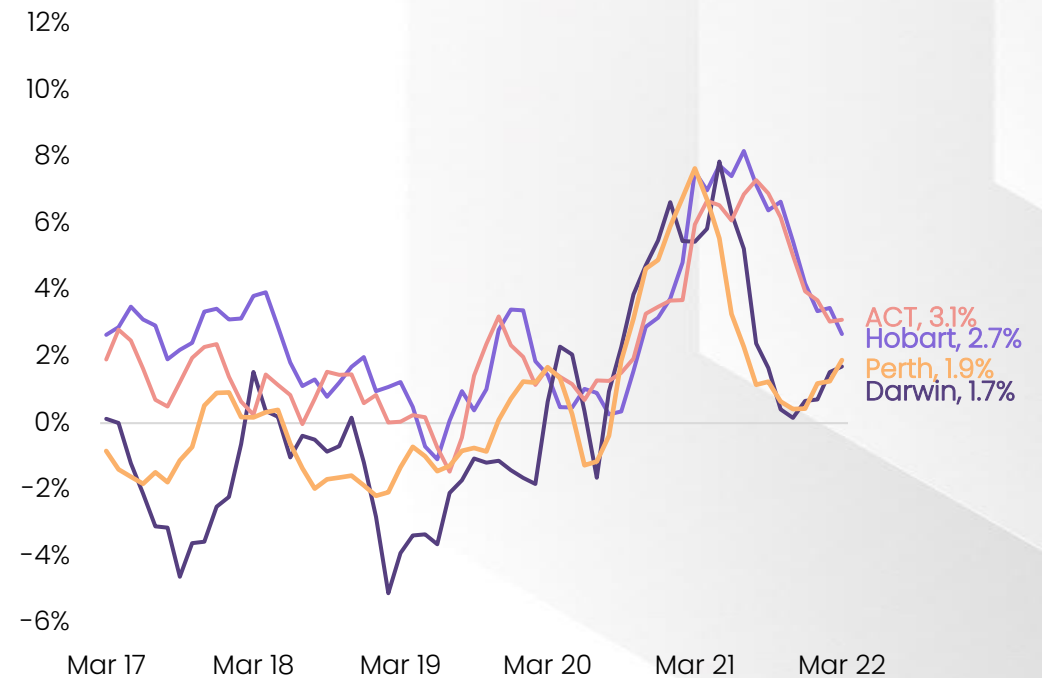
Most capital cities are seeing a slowdown in growth rates

Conditions have diversified with a sharper decline in growth across Melbourne and Sydney, while Perth and Darwin markets have recently re-accelerated in their growth rates.

Rolling quarterly change in dwelling values

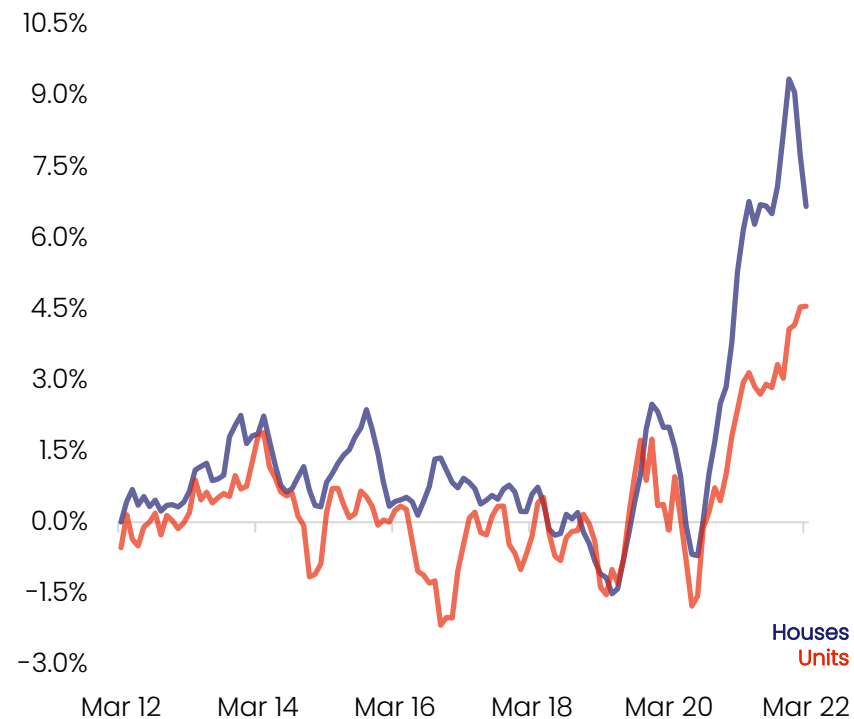


Rolling quarterly change in dwelling values

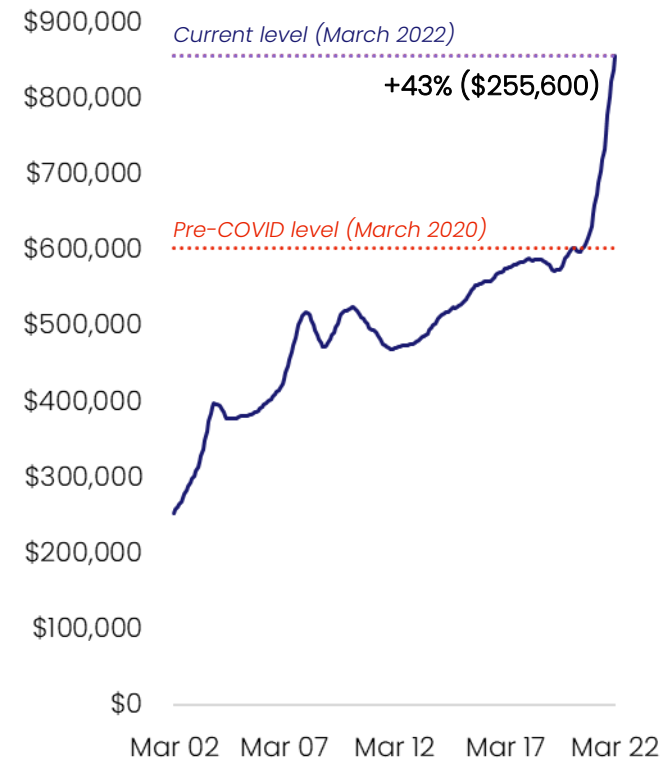


House values have risen at a substantially faster pace than unit values before and during the pandemic

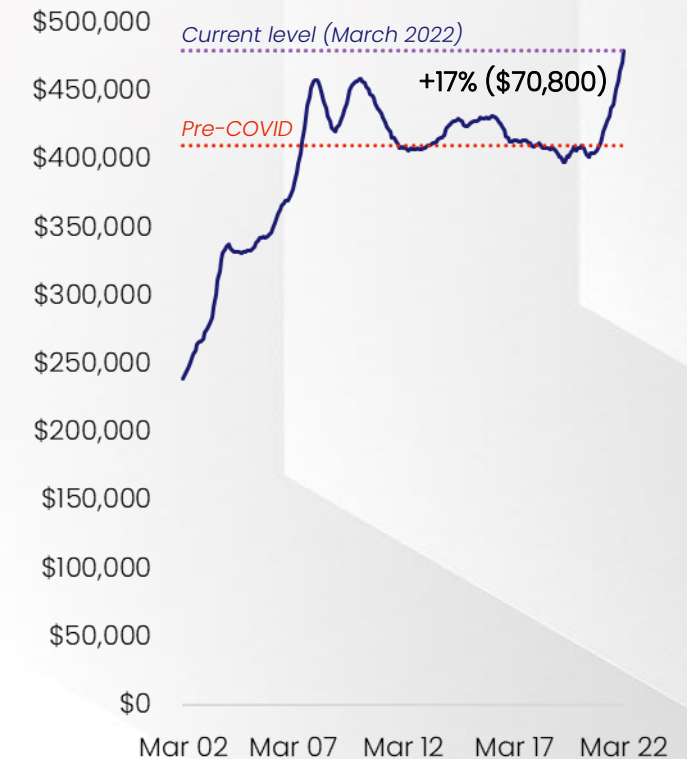
Rolling 3 month change in values, Brisbane



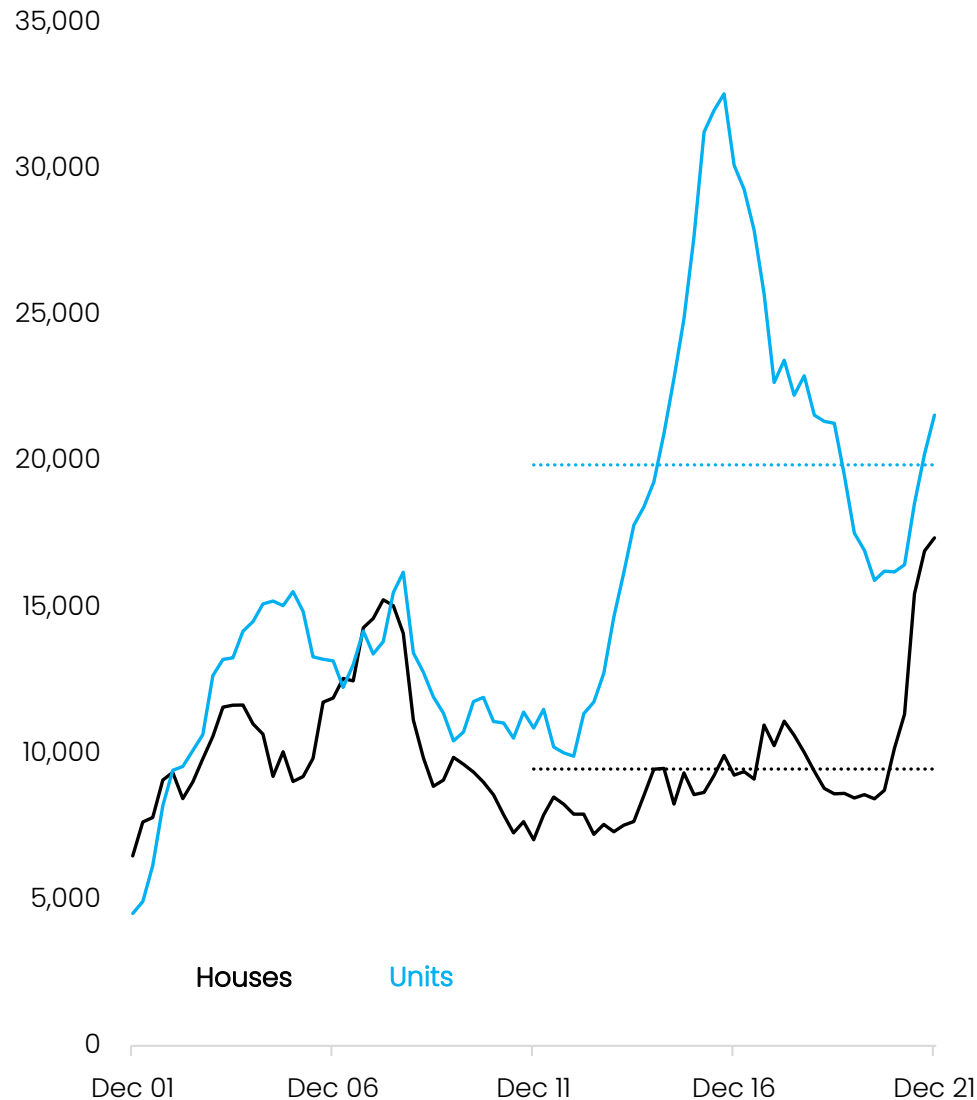
Brisbane house values



Brisbane unit values



Qld dwellings under construction

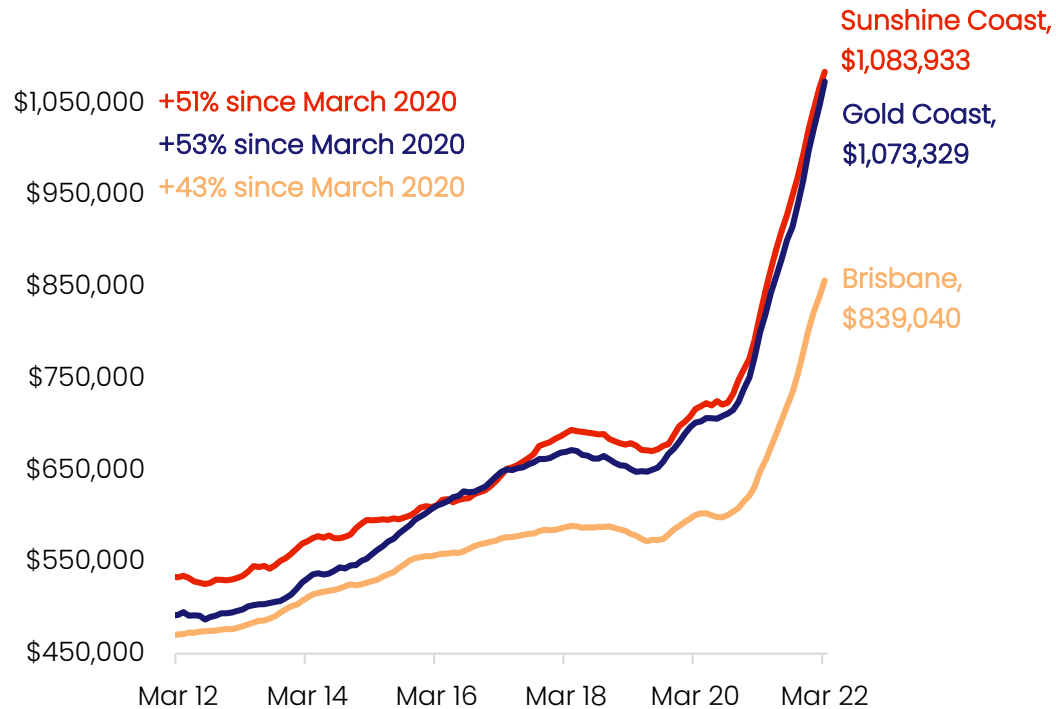


**Weaker conditions
across the unit sector
historically is mostly
due to an over-supply...**

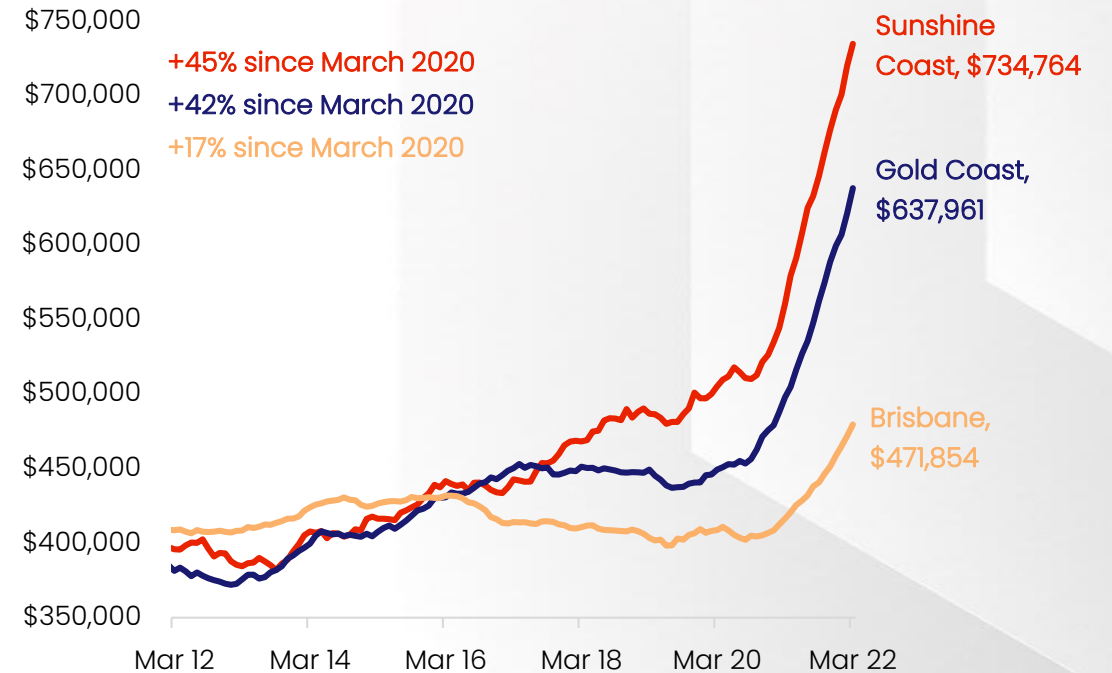
**however this is no
longer the case.**

The coastal regions of SEQ have seen stronger conditions, and less imbalance between house and unit markets

House values over time, major region of SEQ



Unit values over time, major regions of SEQ



Growth drivers

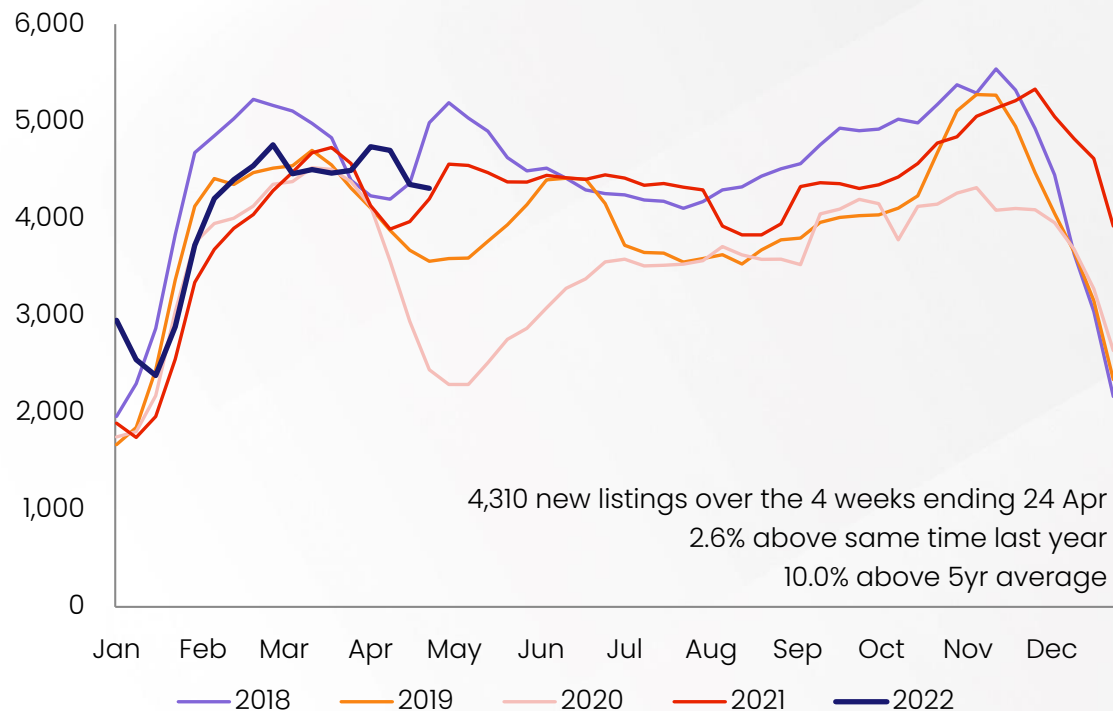
Low supply relative to demand
Strong migration trends
Relative affordability



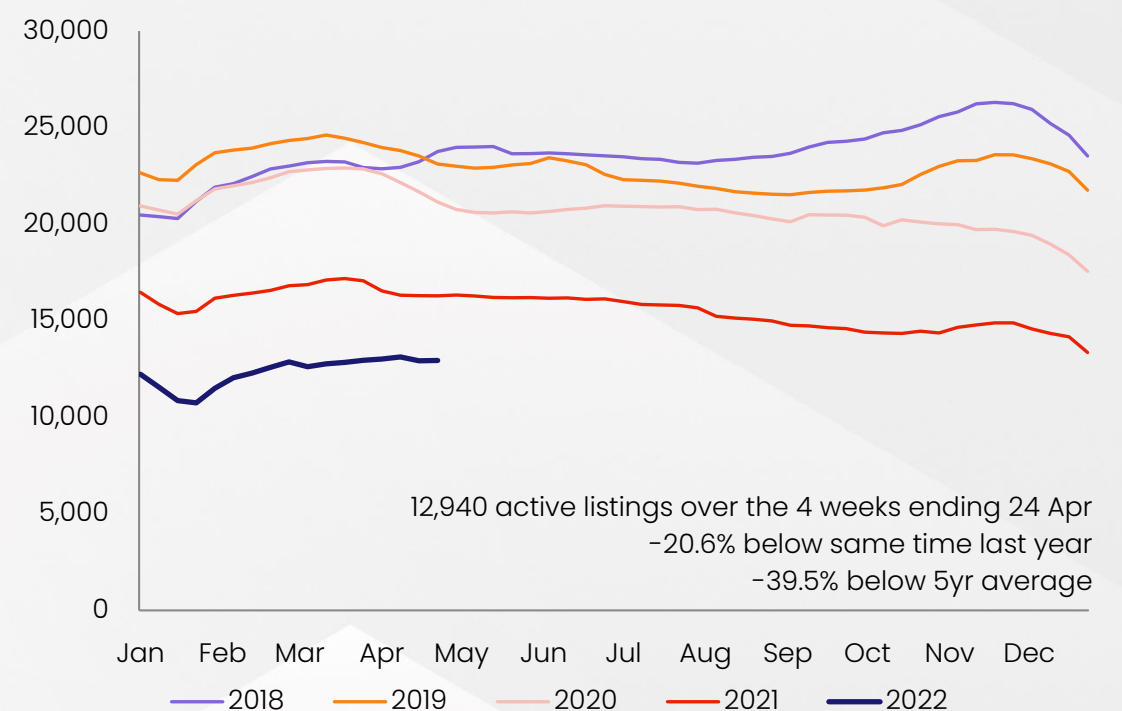
Persistently low levels of advertised supply have been a feature of the growth cycle

Although the flow of new listings is above average, a rapid rate of absorption is keeping total advertised stock levels extremely low

Number of new listings, Brisbane Dwellings



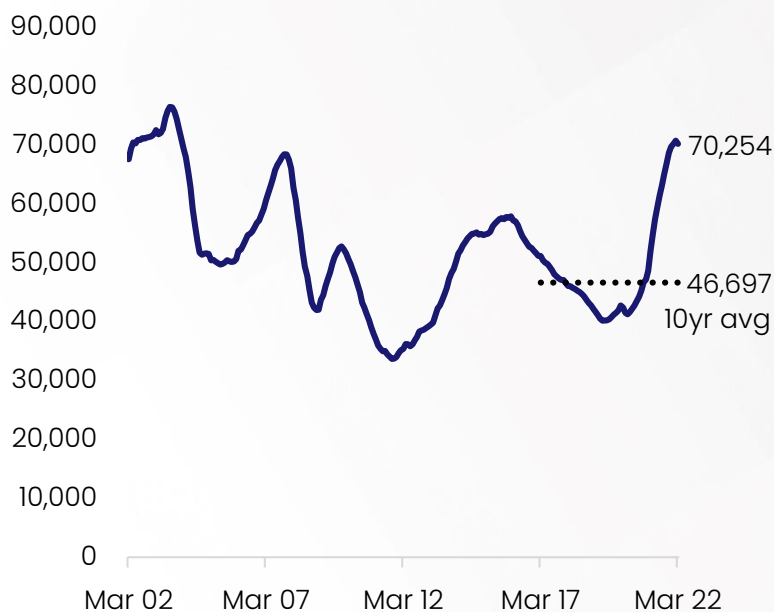
Number of total listings, Brisbane Dwellings



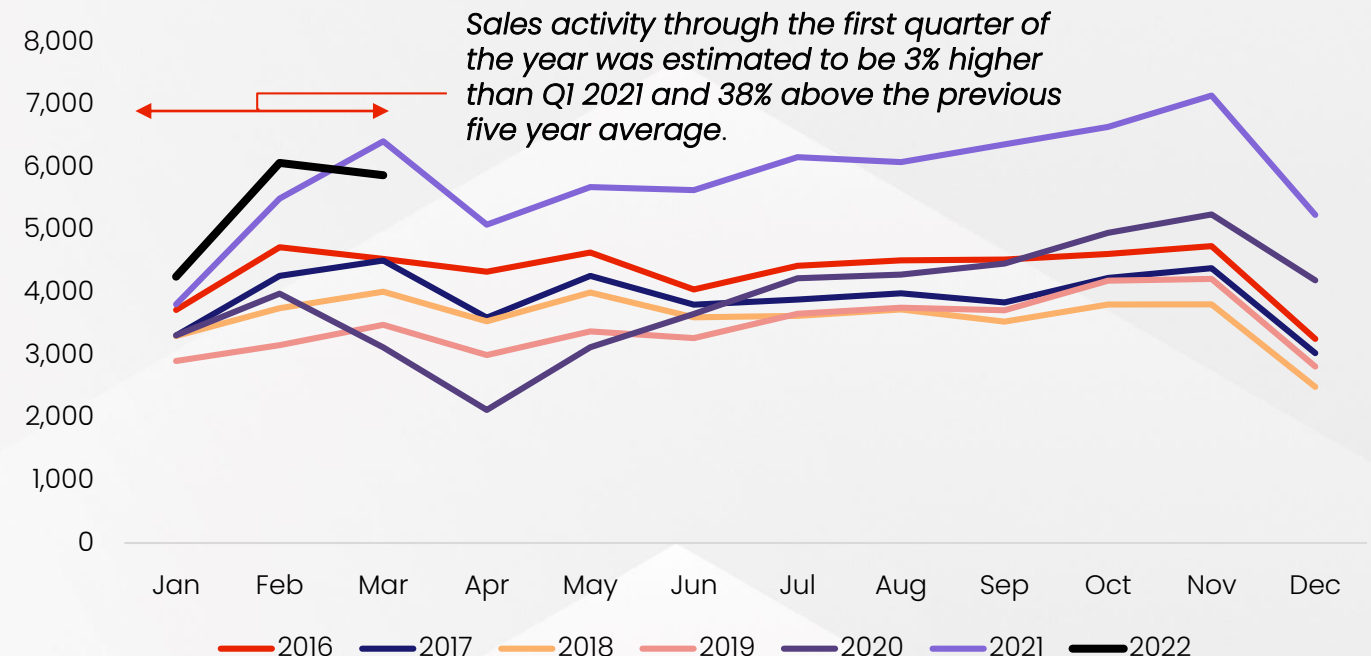
Sales activity is holding well above average levels

Recent floods appear to have caused volumes to ease through March, but activity remains well above 'normal' despite the low level of advertised supply.

Rolling twelve month volume of sales, Brisbane



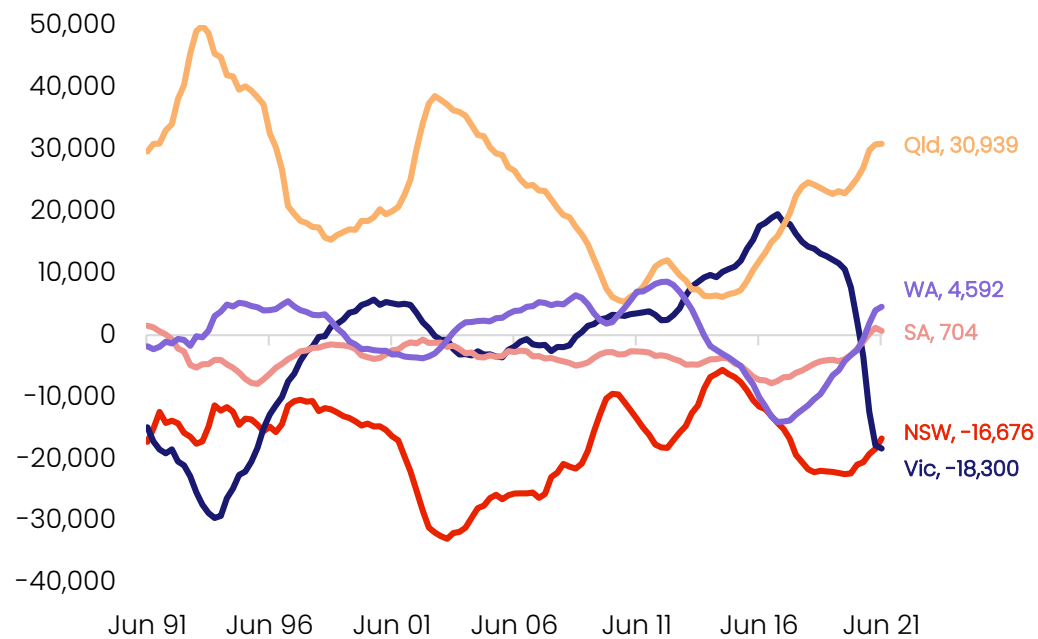
Monthly dwelling sales relative to previous years, Brisbane



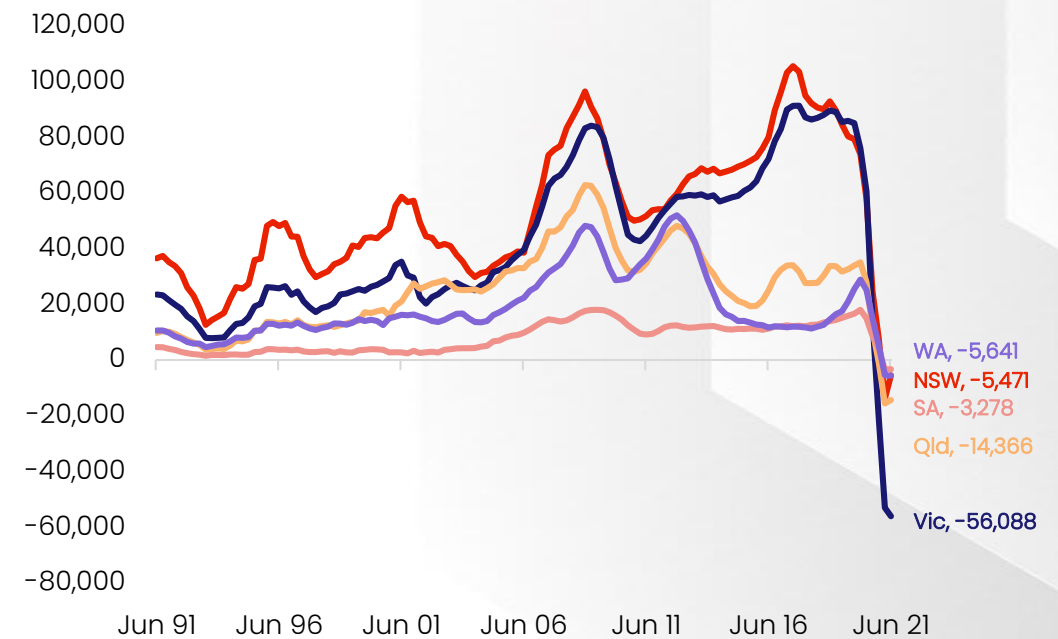
Demographic trends by state

Interstate and intrastate migration trends will be one of the primary driver of purchasing demand over the medium term... Qld, SA and WA are set to be the main beneficiaries of higher interstate migration rates.

Annual interstate migration

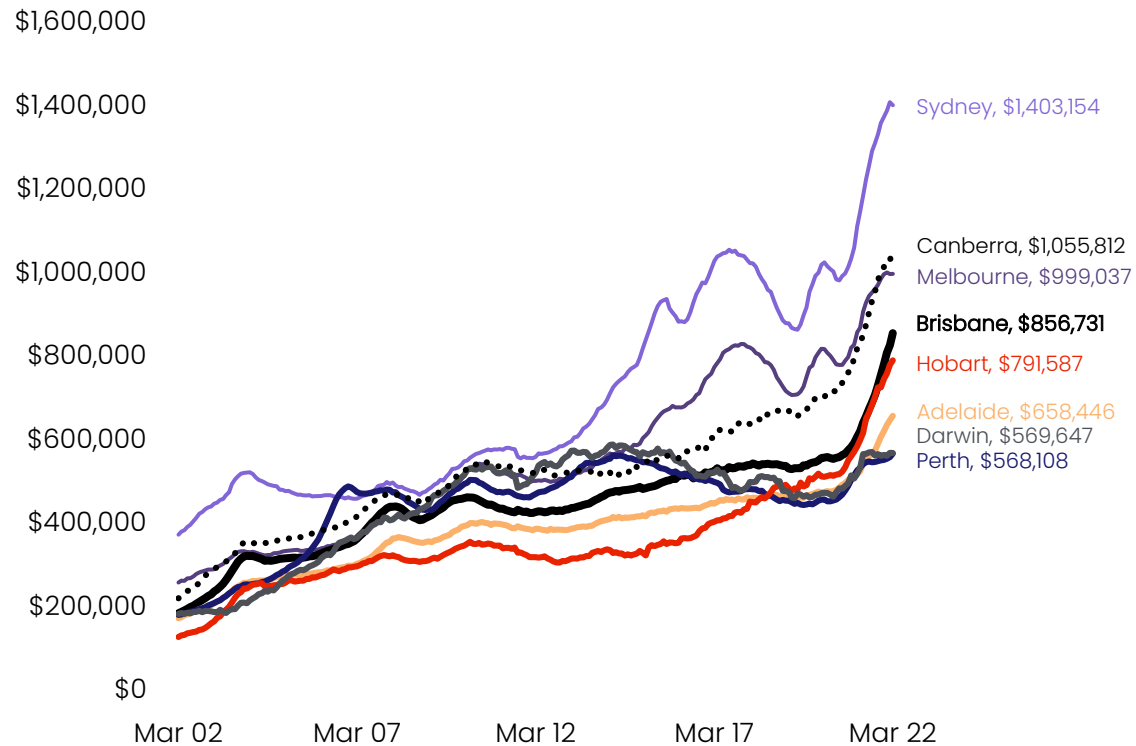


Annual overseas migration

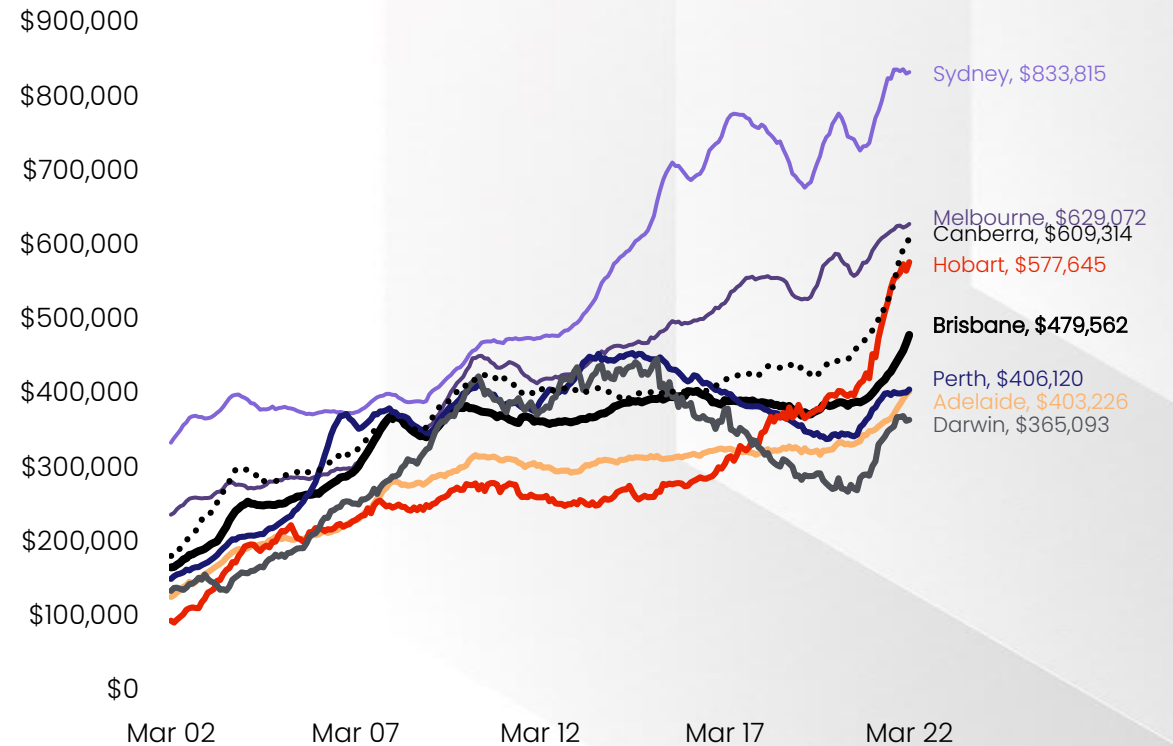


Stretched housing affordability is one of the factors contributing to a slowdown in some cities

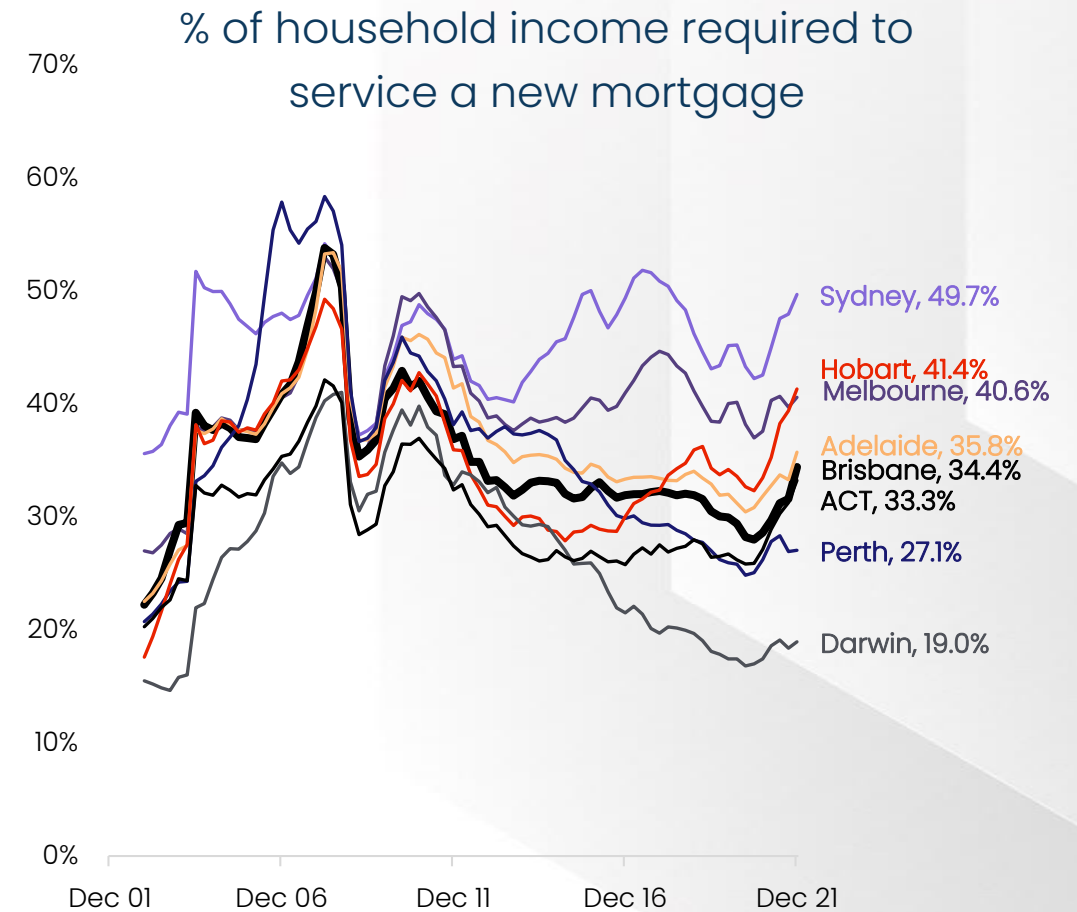
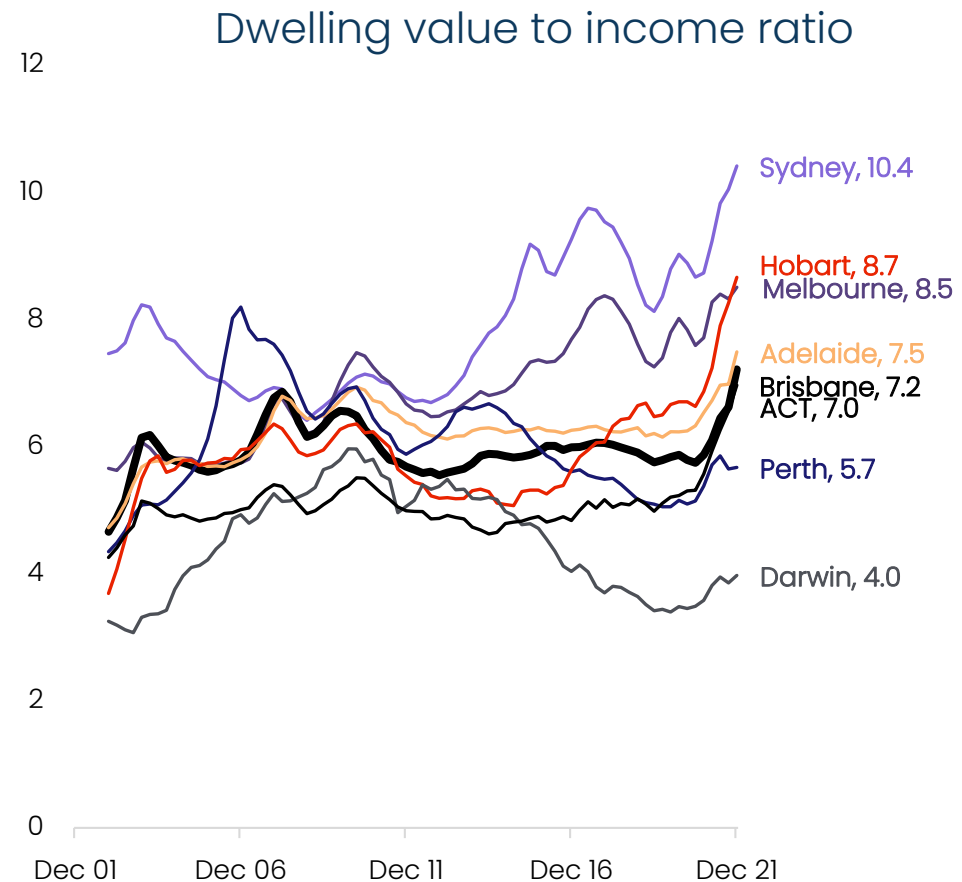
Median house values



Median unit values

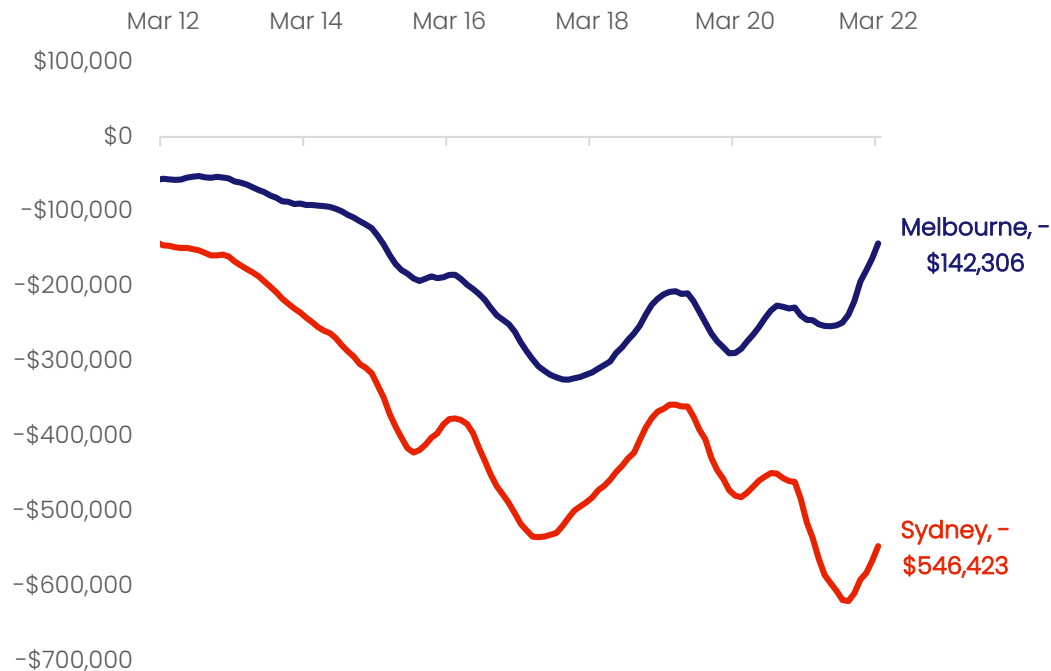


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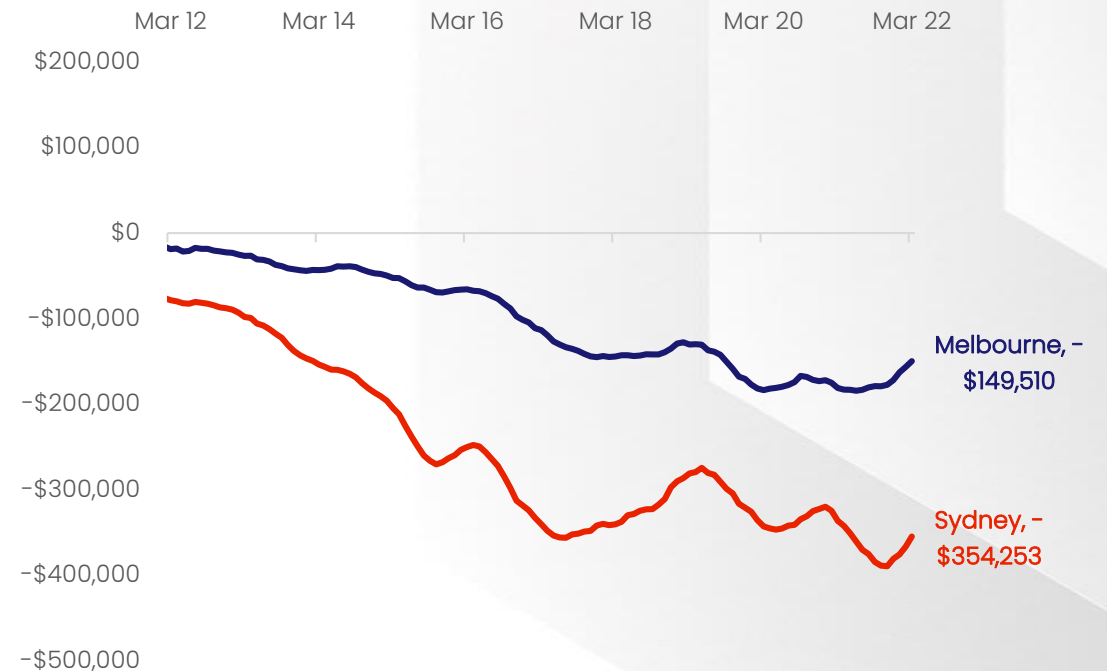


Although Brisbane housing values are substantially lower relative to Sydney and Melbourne, the gap is now narrowing

Brisbane house values relative to Sydney and Melbourne

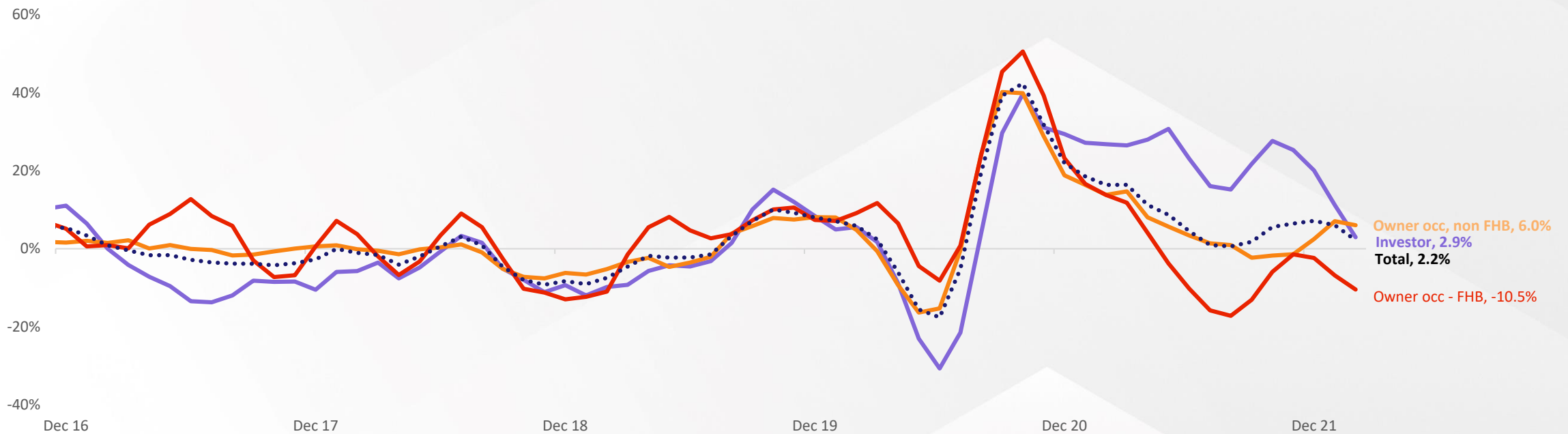


Brisbane unit values relative to Sydney and Melbourne



Mortgage demand from first home buyers led the early stages of the pandemic growth cycle, but is now in decline.

Rolling three month change in finance value by borrower, Qld

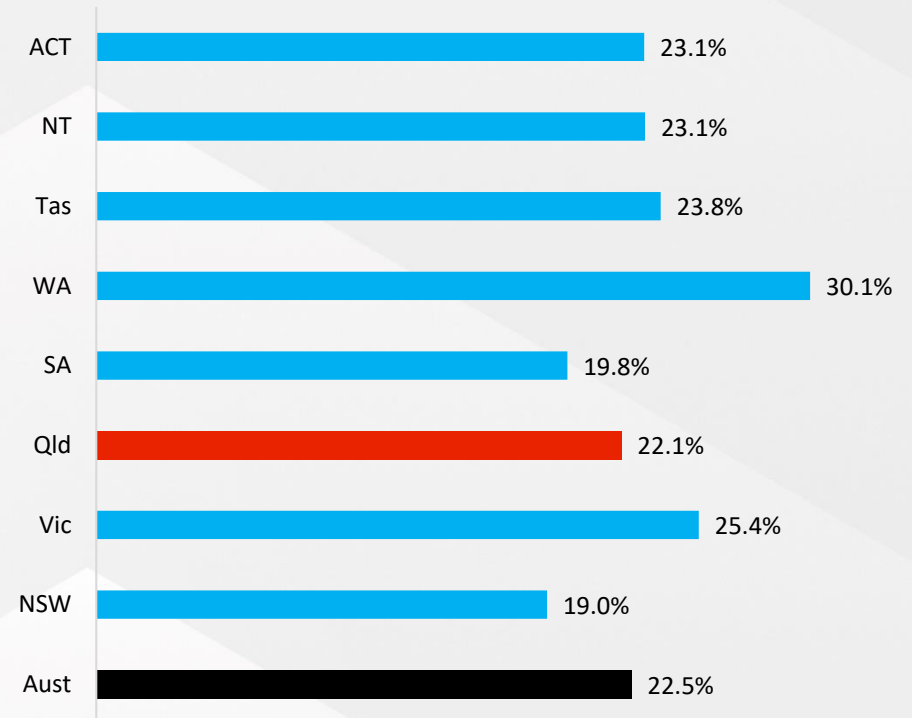


First home buyers have been comprising a smaller portion of mortgage demand since moving through a recent high in Dec 2020

First home buyer housing finance commitments as a % of total owner occupier commitments (based on value exc- refi), Qld

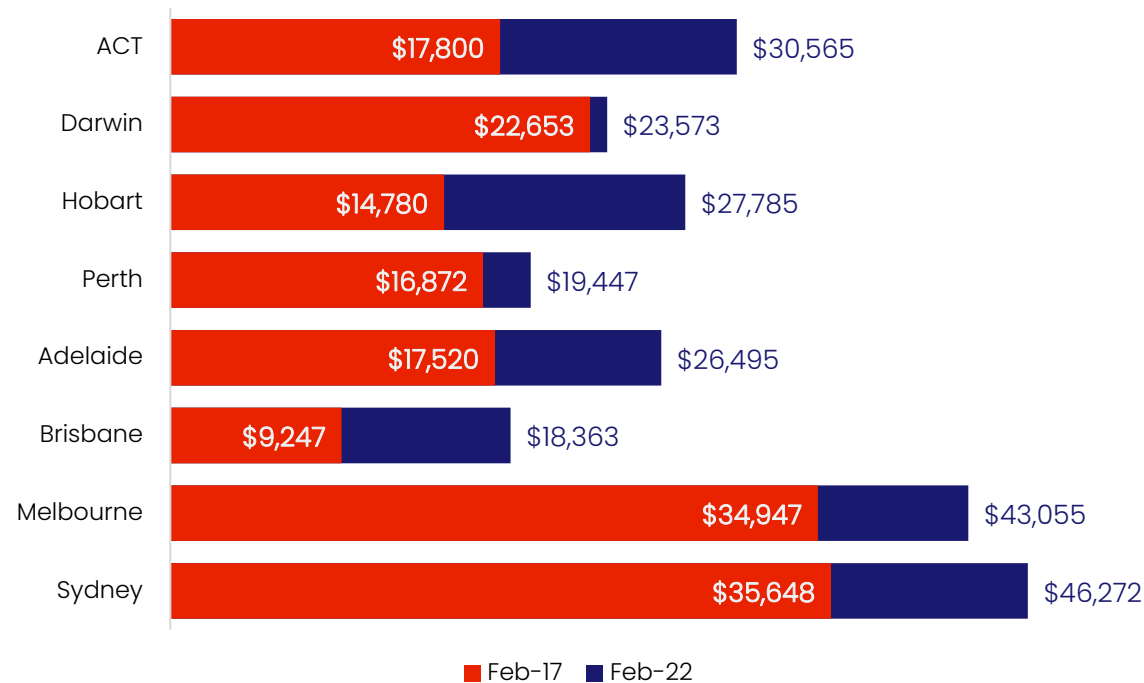


First home buyers as a % of owner occupier housing finance commitments

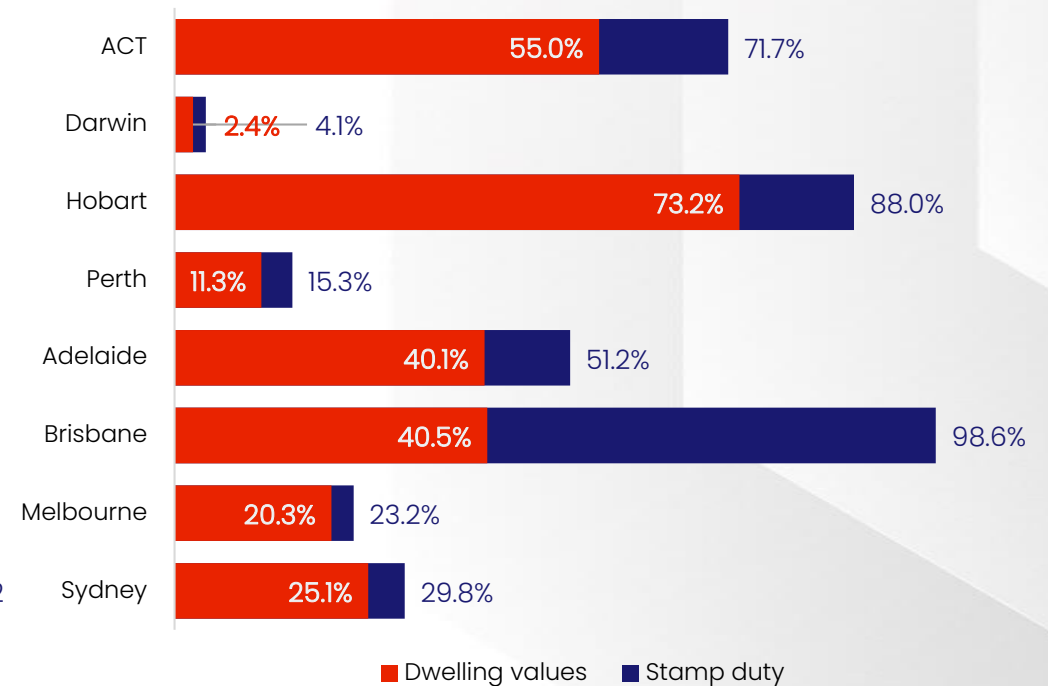


Stamp duty remains a key disincentive for buyers and a significant hurdle for first home buyers... but Qld rates are lower.

Stamp duty payable on median value
Feb 2017 v Feb 2022



% change in dwelling values and stamp duty payable, Feb 2017 v Feb 2022



Source: CoreLogic, state government stamp duty calculators. Stamp duty calculations are based on the median dwelling value as at Feb 2017 and Feb 2022

Rental market conditions have been diverse, with strong growth conditions across regional areas and the smaller capitals

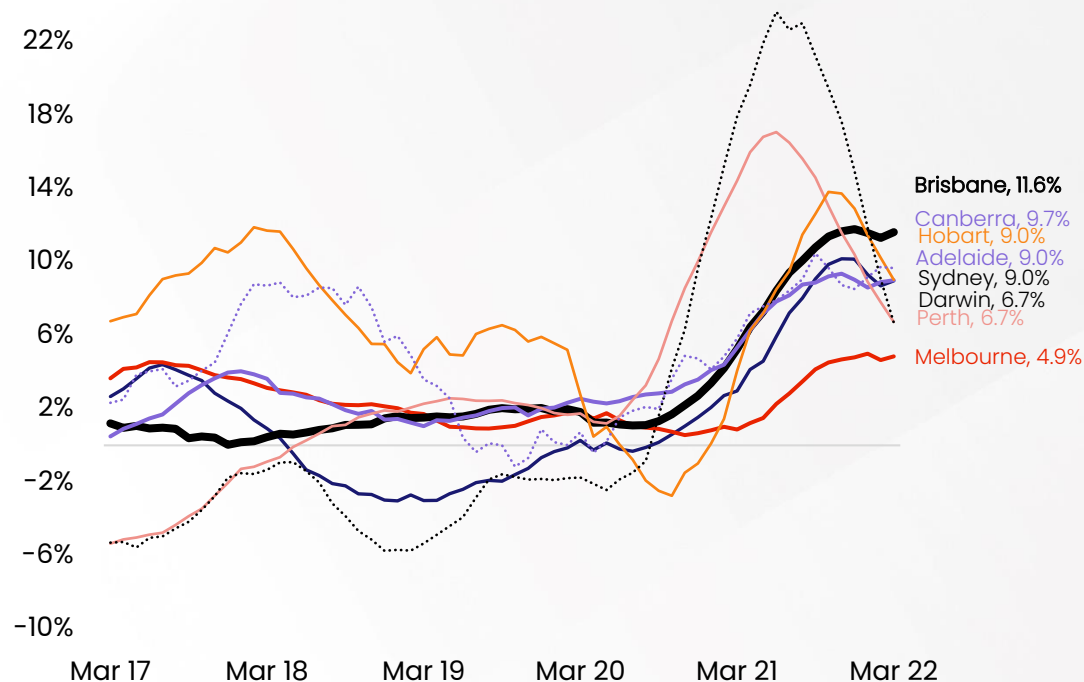
More recently the trend rate of growth has slowed, but unit rents are picking up in Melbourne and Sydney.



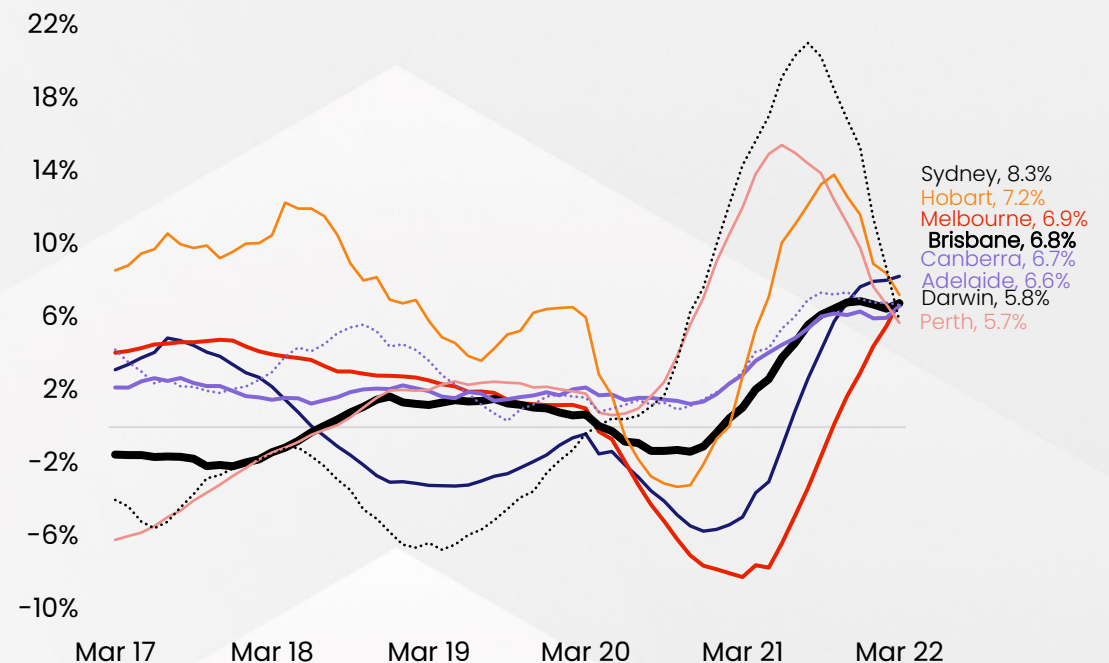
Rental conditions remain diverse across the capital cities

Rental growth is generally softening across most of the capitals and housing types, except the unit markets of Melbourne and Sydney where rents are in strong recovery trend.

Annual change in house rents



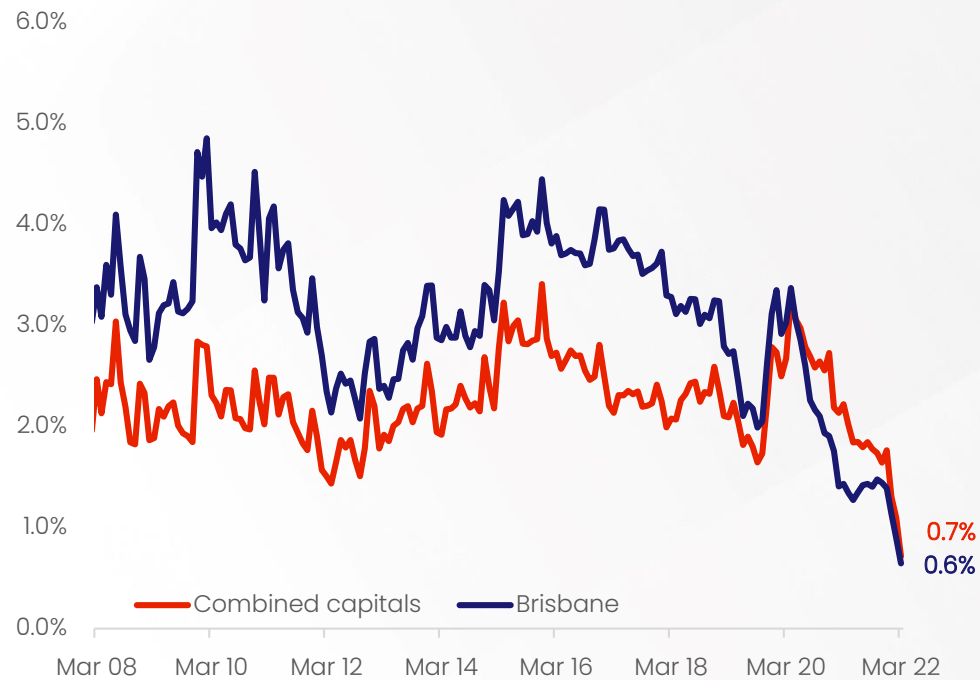
Annual change in unit rents



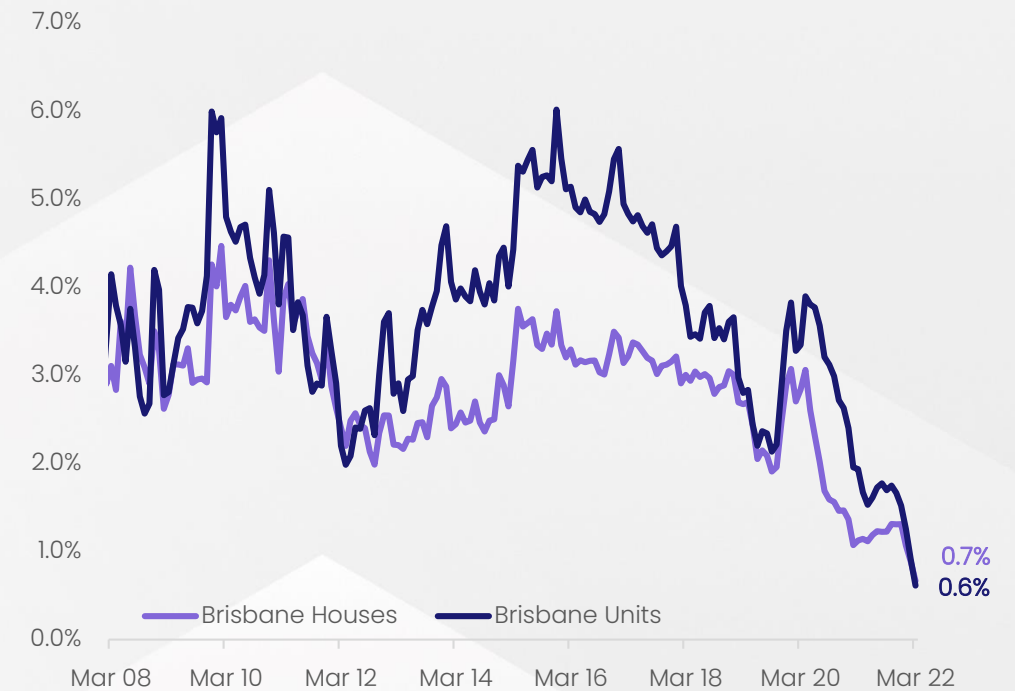
Vacancy rates have plunged to record lows

Brisbane is now showing a vacancy rate of just 0.6%, with the vacancy rate for units dropping slightly below the rate for houses over recent months.

Vacancy rates, Brisbane v Combined capitals



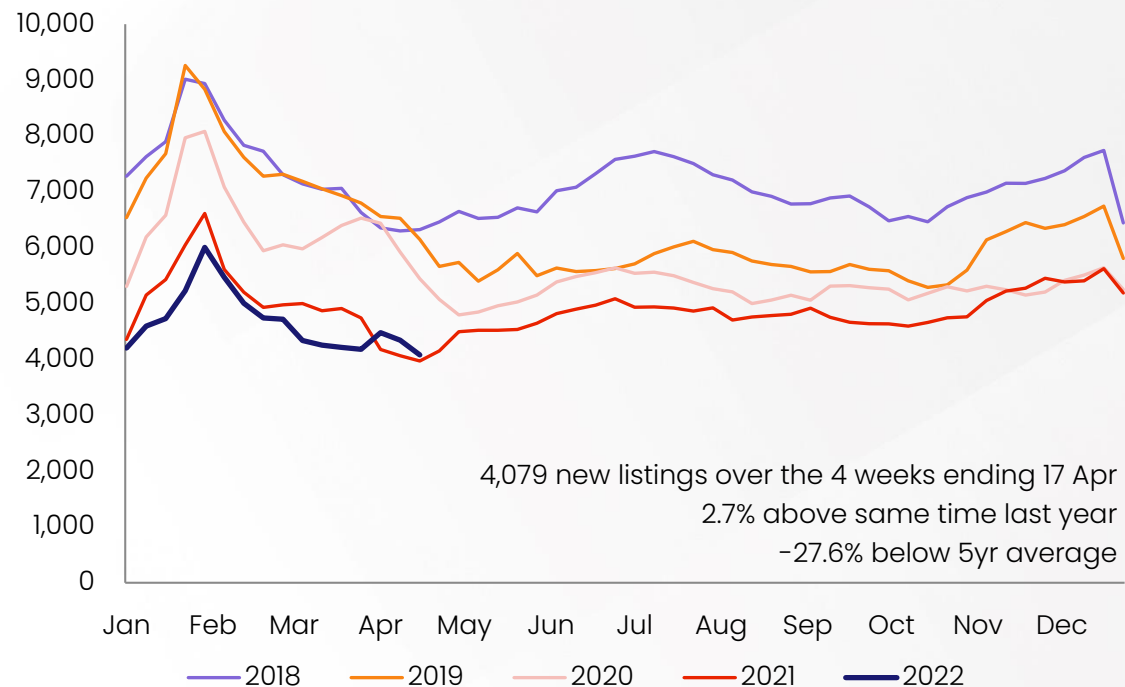
Vacancy rates, Brisbane houses v units



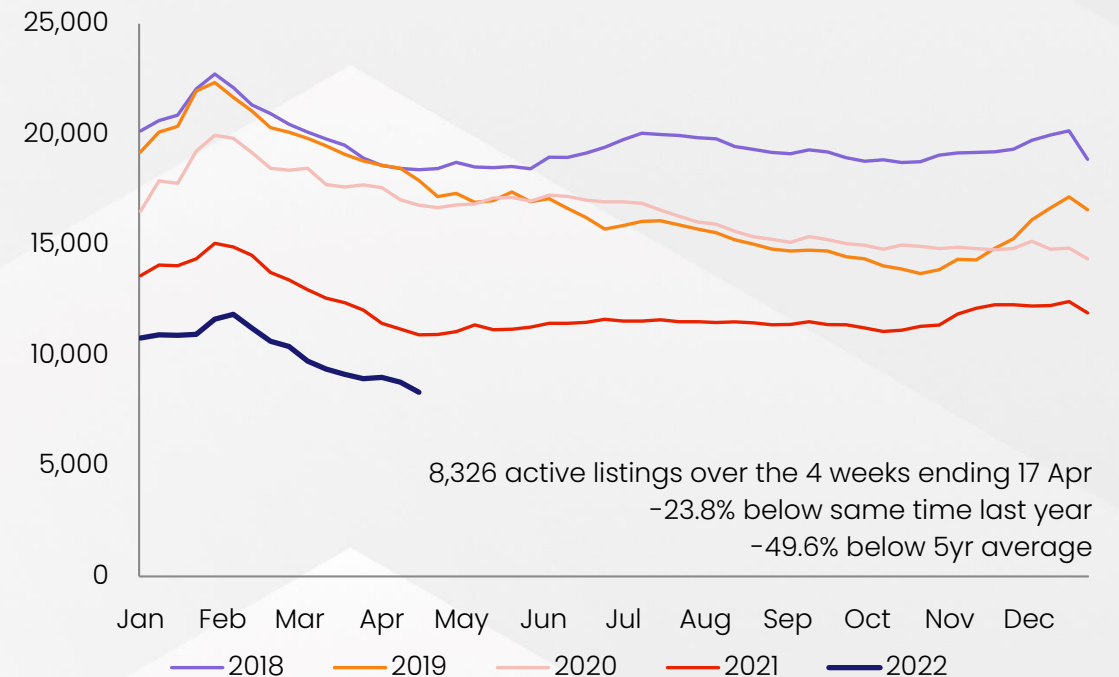
Rental ads are tracking at nearly half the five year average

Both the flow and overall stock of rental listings is substantially below average.

Number of new rental listings, Brisbane Dwellings

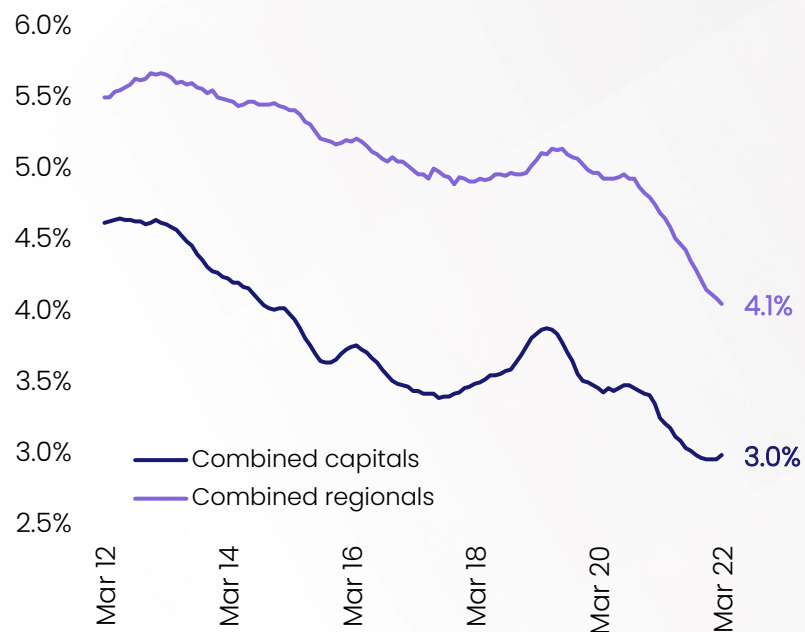


Number of total rental listings, Brisbane Dwellings

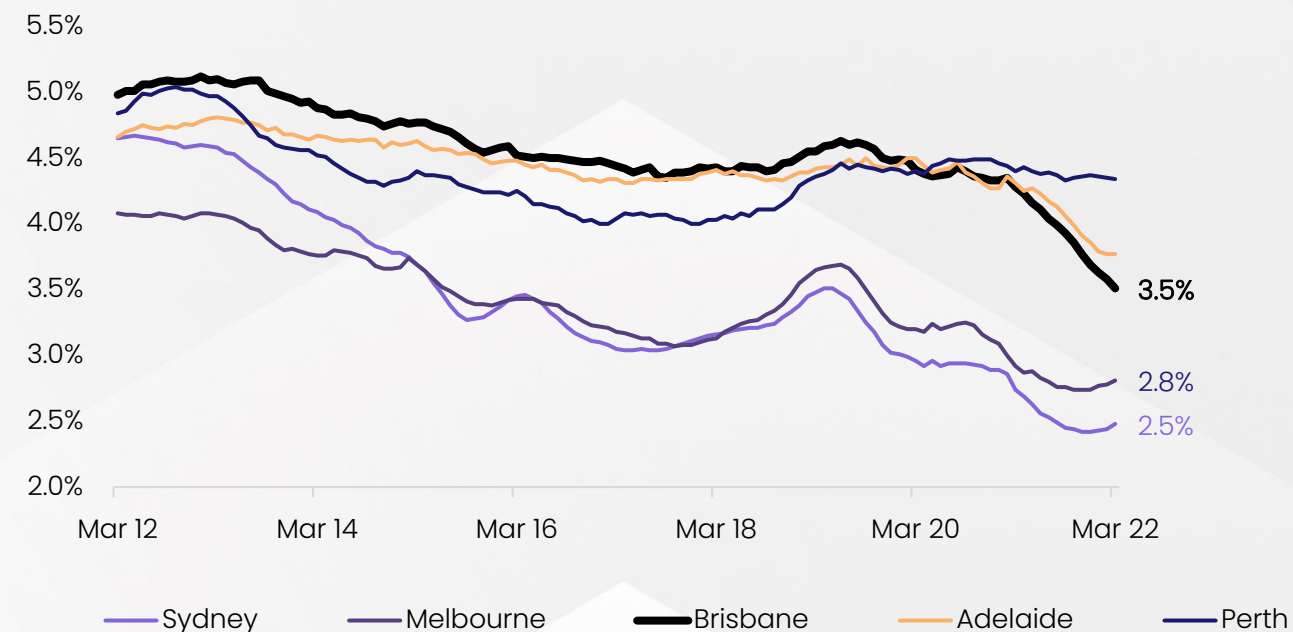


Gross rental yields are trending to new record lows each month, but remain higher than Sydney and Melbourne

Gross rental yields, combined capitals v combined regionals



Gross rental yields

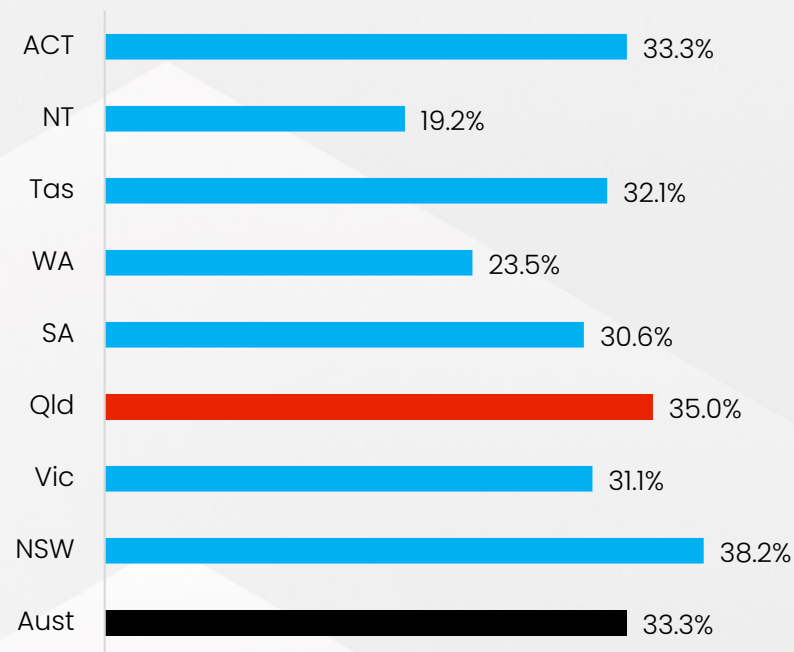


Investors are taking advantage of the higher yields and stronger growth prospects...

Investor housing finance commitments as a % of total housing finance commitments (based on value exc- refi), Qld



Investors as a % of housing finance commitments by state



Headwinds v Tailwinds

Worsening housing affordability

Rising interest rates

Rising costs of living/less savings

Potential for *further* credit tightening

Higher Supply

Weaker sentiment

COVID...

Relative affordability

Low interest rates/gradual normalisation

Tightening labour markets/higher wages

Economic recovery beating forecasts

Migration & open borders

Stimulus?

Vaccine

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