PRD. REAL ESTATE

Australian Economic and Property Report 2022

Different markets, different speeds: Where to from here?

"Although we find ourselves in a changing property market with new challenges, it isn't all bad news as there are a number of market drivers that should ultimately 'cushion the blow'"

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FOREWORD

Following a year of spectacular growth in 2021, the major markets of Sydney and Melbourne have begun to recede in value off the back of rising mortgage interest rates and higher costs of living, creating a drop in buyer confidence. The reduction in median house prices in these markets this year has been modest, whereas median values in Queensland, Western Australia and South Australia have risen which has created wide variances in the market conditions throughout Australia.

The war in Ukraine and its impact across global economies has contributed to the significant rise in inflation, which hasn't yet peaked, and talk of possible economic recessions.

Although we find ourselves in a changing property market with new challenges, it isn't all bad news as there are a number of market drivers that should ultimately 'cushion the blow':

- Most regional markets continue to flourish.
- Overall, Australian median house prices have only experienced very modest reductions to date.
- Employment figures are exceptionally strong.
- Wage growth is beginning in many sectors to compensate for the higher costs of living.
- There is positive news for investors with critical shortages of rental accommodation in most locations.

- Increasing rental prices will make it more attractive for tenants to buy a home.
- There will be a sharp increase in international tourism, 486 visa holders, immigration inflows and international students over the next 12-18 months.
- There has been a reduction in new housing construction and no significant oversupply of housing in most markets.
- The Government has introduced incentives for new home buyers.

Over the next 6-12 months we will see additional increases in interest rates, higher inflation, and house prices continuing to taper off.

However, due to the factors above which will create increased demand, a downturn is unlikely to be as severe or as lengthy as several commentators are predicting.

This is the 15th edition of our Australian Economic and Property Report. We trust it gives you a good outlook on the current economic environment, its impact on the property market and your future investment strategies.

Todd Hadley
PRD Managing Director

Tony Brasier
PRD Chairman

"In the past 12 months to July 2022, we have seen this imbalance deepen, with demand out-weighing supply; both in the sales and rental markets. How deep this imbalance is will determine price growth in an area."

Dr Diaswati Mardiasmo
PRD Chief Economist

WELCOME

What do I do? What is the best strategy for me? Should I buy, sell, stay? What will the market do?

For the past 6 months I have been asked these four questions repeatedly, perhaps more so than the previous 2 or so years, and from a larger variety of people and organisations.

2022 was touted as the year many things would go back to normal, and in many senses, it has. Our borders have re-opened, international migration has tripled (compared to 2020), masks and capacity numbers seem to be a thing of the past, and QR check-in apps are more redundant each day.

That said, we cannot deny the past 12 months (since mid-July 2021) have also been unsettling; a spike in COVID-19 cases (Omicron variant), numerous natural disasters nation-wide (severe floods, cyclones and bushfires), the Russo-Ukrainian War, a more volatile stock market and very high inflation.

Right now, we are all battling with the skyrocketing cost of living. Personally, I have swapped lettuce for bok choy, or a mixed salad bag. I have also invested in an Oodie to minimise heater/electricity costs.

In the property world, the question of demand and supply imbalance is prominent, as it is the crux of any price movements. In the past 12 months (to July 2022), we have seen this imbalance deepen, with demand out-weighing supply, both in the sales and rental markets. How deep this imbalance is will determine price growth. With the Australian property market consisting of markets within markets, it has created different speeds, to the extent of localised area and property type.

The Reserve Bank of Australia (RBA) has increased the cash rate three times over three consecutive months: 25 basis points in May, 50 basis points in June, and 50 basis point in July. We are now at a 1.35% cash rate, which is equivalent to around June/July 2019 (pre-COVID-19). Back then, we promoted this cash rate as 'historically low' as well.

We have taxation changes, for example New South Wales' stamp duty decision, and the new Albanese Government's programs related to housing, energy and migration. The construction industry continues to face challenges, majorly due to China's Zero COVID-19 policy.

There is now more interest in regional markets than in previous years. This is not surprising, considering the relative higher affordability and resilience of regional markets compared to capital city markets. Many more first-time investors or buyers (i.e rent-vest strategy) are looking at regional markets as an entry point to their dream property.

With various markets at different speeds, how I have answered the four questions above have become very personalised. With different forces at hand, such as: personal finance, access to grants (if any), taxation changes, stock availability, individual preferences, and others, a blanket answer is difficult.

So, where to from here?

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The key guidance point throughout this report is the traffic light. The traffic light colour indicates the health of market conditions and highlights what each economic and/or property graph could mean for you.

Health of the Market Indicator:

Red: Cautious
Need to pay increased attention.

Yellow: Somewhat stable
Needs to be carefully monitored.

Green: Go!
Healthy market conditions.

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OVERVIEW

Once again, Australia's economic and property conditions are facing uncertain times. The phrase "these are interesting and uncertain times" was common in 2020, as COVID-19 impacted every aspect of the economy and day-to-day living. Although the challenges are different, 2022 is strangely similar, with the same sentence repeated by many. Our consumer confidence shows this, taking a 180-degree spin in the past 12 months. The first 6 months of 2021 saw consumer confidence above the 100 index point positive benchmark. Conversely, the first six months in 2022 saw consumer confidence declining to below the 100 index point positive benchmark, reaching 88.4 index points in June 2022. This is akin to confidence in June/July 2020, as we battled with COVID-19.

The RBA changed its monetary policy stance compared to the 12 months prior, from expansionary (decreasing the cash rate) to contractionary (increasing the cash rate). With the resilience of the Australian economy and higher inflation, the RBA believes the extraordinary support that was provided during COVID-19 is no longer needed. The RBA noted that in the past 24 months the Australian household balance sheet, in aggregate, is the strongest it has ever been.

The theme for this year's Australian Economic and Property Report is 'Different markets, different speeds: Where to from here?'. The property market has proven to be quite unpredictable in the past 24 months. 'Doom and gloom' were predicted throughout COVID-19, yet the market flourished. Now in 2022, we have markets within markets moving in different directions and speeds, depending on the balance of supply and demand in the specific area.

As an aggregate, capital city markets have seen a slower pace of median house price growth in the 12 months to the 1st half of 2022, rising by an average of 6.3%. This pales in comparison to the 15.5% average median house price growth experienced in the 12 months to the 2nd half of 2021. That said, different capital cities behaved differently. Sydney and Melbourne saw a turn in their markets, with a decline in median house price growth. Brisbane, Perth, Hobart and Darwin did not. In fact, both Brisbane and Darwin recorded double digit median house price growth.

Metropolitan markets behaved similarly. At an aggregate level, they grew at a slower pace in the 12 months to the 1st half of 2022, compared to the 12 months to the 2nd half of 2021. However, some metropolitan markets only grew by single digit percentages, such as New South Wales (NSW), Victoria (VIC), Western Australia (WA), Northern Territory (NT) and the Australian Capital Territory (ACT). Others grew by double digits, for example: Queensland (QLD), Tasmania (TAS) and South Australia (SA).

There is more uniformity in regional markets. Almost all regional markets grew at a slower speed in the 12 months to the 1st half of 2022, compared to the 12 months to the 2nd half of 2021. Further, all still grew at double digit percentage speed. The exception is SA, who recorded a higher speed of growth.

The rental market continues to be a prominent focus as per 2020, but the concern has changed. Back then, due to COVID-19, the ability of renters continuing to service their tenancy agreement and landlords having a secure cashflow was the focus. Now the focus has shifted to renters not being able to find suitable tenancies, both in stock-type and at an affordable price. This year sees rental yields move at different speeds, depending on the balance between the property sale price and rental price growth. Investors are making decisions on a case-by-case basis, which creates more uncertainty.

The residential construction industry continues to face challenges in 2022, leftover from 2021 and exacerbated by the Russo-Ukrainian War and China's zero-COVID policy. Material costs have more than doubled, and the number of tradespeople has almost halved. In the past 6 months (to the March quarter of 2022), QLD, TAS and NT saw double-decline in the value of residential construction spent, by -15.8%, -10% and -31.4% respectively. VIC has also seen a decline of -7.5%.

Australia's home loan affordability index has declined by -7.0% in the 12 months to the March quarter of 2022, at 26.8 index points. This contrasts with the stable movement recorded in the 12 months to the March quarter of 2021. The number of first home buyer loans approved in Australia has retracted by -33.9% in the 12 months to the March quarter of 2022, with only 29,093 loans approved. This is in extreme contrast to the 12 months to the March quarter of 2021, which saw the number of first home buyer loans increase exponentially, by 62.6% to 44,007 loans.

Housing finance commitment was $32.4 billion in May 2022, almost on par with 12 months prior ($32.6 billion in May 2022). However, there is a change in dynamic, with the proportion of owner-occupiers declining from 72% to 65%, and investors increasing from 28% to 35%. We saw this change in late 2009-2010, the last time the RBA applied successive cash rate hikes.

A higher cash rate and the potential of more successive hikes has created uncertainty and angst in most households. The share of disposable income that has flown to scheduled principal payment and mortgage offset accounts has spiked since mid-2020. Technically, a cash rate hike can be absorbed through a higher mortgage offset account (as a buffer), and the share in which income flows to either principal payment, interest, or mortgage offset changes. However, we are currently facing increasing costs in various aspects of life, which makes it more difficult.

Policy rate (cash rate) expectations across different countries suggest a similar approach to ours. The USA, UK, Canada and New Zealand all have an aggressive cash rate hike expectation for 2022-2023, levelling out in 2024 and 2025. Australia's cash rate hike journey is arguably late, with New Zealand increasing their cash rate since October 2021, but consistent with their stance of no cash rate hikes until late 2023/early 2024. Along with the increase in living costs, the frantic pace in which this decision was brought forward has had a significant psychological impact on consumers.

The Time to Buy a Dwelling index suggests a divergence in property purchasing decisions. On an annual basis, in the 12 months to the June quarter of 2022, the Time to Buy a Dwelling index decreased for all states. It was more severe in QLD and TAS, which declined by -41.2% and -36.9%, respectively. It is not as severe in VIC and SA, which only declined by single digits of -1.2% and -9.3%, respectively.

A key component in 2022 is our demographics. COVID-19 saw international students and long-term overseas visitors missing from Australia's population. Long-term overseas visitors increased from 2,330 people in April 2021 to 29,380 people in April 2022. Similarly, the number of international students arriving in Australia increased from 260 in April 2021 to 21,130 in April 2022. This translates to a higher level of demand for housing stock, both to own or to rent.

Many more events and disruptions will colour the rest of 2022 and early 2023, creating a seemingly never-ending seesaw of demand and supply balance in the Australian property market.

Price growth in each area will depend on this balance, even more so than in previous years. As different markets travel at different speeds, localised, granular market analysis is needed to assist many Australians as they ask, "where to from here?" in their property journey.

"The property market as we know it has changed dramatically. Doom and gloom were predicted throughout COVID-19, yet the market flourished. Now in 2022, we have markets within markets, moving in different directions and speeds."

KEY FACTS

Consumer Price Index:	**6.1%**
Standard Variable Home Loan Rate:	**4.77%**
Unemployment Rate:	**3.5%**
Annual Gross Domestic Product:	**0.8%**
Average Weekly Earnings:	**$1,748.40**

PROPERTY GROWTH

Property markets are turning, and growing at a slower pace

AVERAGE GROWTH IN MEDIAN HOUSE PRICE

(12 MONTHS TO THE 1ST HALF OF 2022)

	Capital City					Metro					Regional				
	1st Half 2020	2nd Half 2020	1st Half 2021	2nd Half 2021	1st Half 2022	1st Half 2020	2nd Half 2020	1st Half 2021	2nd Half 2021	1st Half 2022	1st Half 2020	2nd Half 2020	1st Half 2021	2nd Half 2021	1st Half 2022
NSW	2.2%	3.3%	10.3%	14.7%	-1.3%	1.1%	7.2%	18.4%	32.0%	2.7%	2.3%	12.7%	19.6%	25.9%	18.2%
QLD	0.7%	5.6%	11.7%	16.3%	25.3%	2.4%	5.2%	14.5%	24.6%	23.5%	-1.1%	7.2%	15.8%	15.6%	10.0%
VIC	-7.8%	10.1%	3.0%	-0.6%	-2.2%	-3.9%	5.2%	12.7%	18.9%	1.5%	7.8%	19.1%	24.9%	23.1%	15.5%
WA	10.3%	10.4%	2.9%	16.2%	9.3%	-6.0%	5.2%	16.4%	5.7%	0.5%	0.9%	16.7%	20.7%	20.4%	11.2%
TAS	7.8%	3.9%	10.2%	20.6%	6.0%	15.5%	17.4%	16.8%	33.0%	11.4%	15.0%	21.5%	19.7%	30.5%	16.2%
NT	-0.2%	2.1%	18.8%	42.1%	12.3%	-6.0%	4.5%	19.9%	18.9%	6.9%	3.8%	-8.6%	32.4%	54.0%	-22.5%
SA	-8.3%	9.9%	0.4%	-0.6%	-5.0%	-2.7%	-1.4%	10.8%	20.9%	24.5%	3.1%	0.7%	6.0%	10.5%	18.6%
ACT						2.8%	8.7%	31.1%	41.6%	0.4%					

2021 was without a doubt the year of property. After proving every 'doom and gloom' and 'market crash' prediction wrong in the 2nd half of 2020, Australia navigated the COVID-19 property market through a continued a heightened growth trajectory in 2021. With a higher than ever level of demand due to multiple factors (a historically low cash rate, Federal and State Government grants, and re-directed household spending, paired with lagging housing supply due to construction industry challenges), Australia's property market grew by double digits for the 1st and 2nd halves of 2021 in all capital city, metropolitan and regional areas. However, the 1st half of 2022 told a new story, as inflation ballooned, economic uncertainty seeped in, and cash rate hikes became a reality.

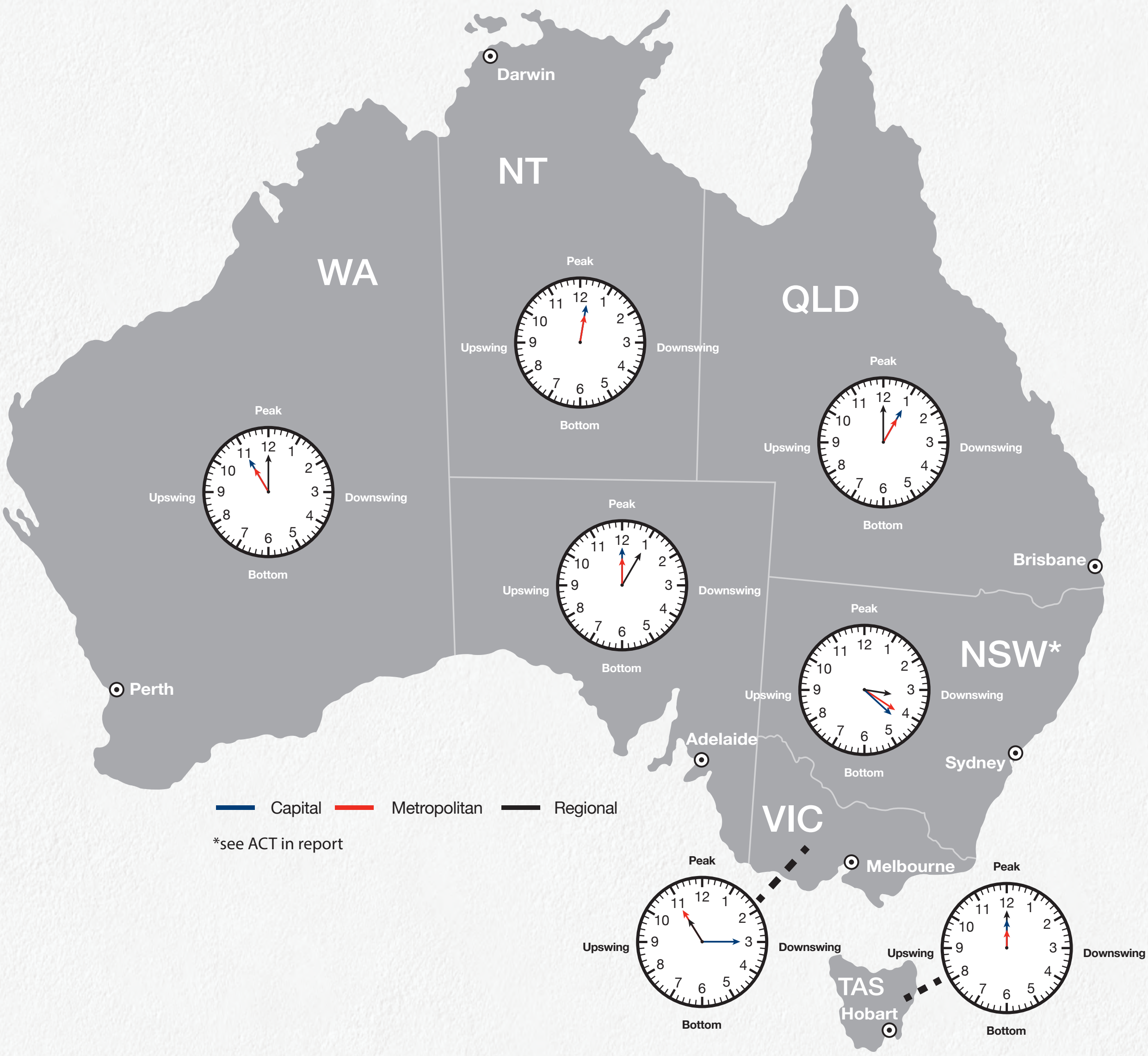
Capital city markets, on average, recorded double digit growth in the 12 months to the 2nd half of 2021, of 15.5%. This was even higher than the 12 months to the 1st half of 2021, at an average of 8.2%. As median house prices continued to climb in 2021, affordability became a rarity, forcing many buyers to look beyond the capital cities for their property purchase. The RBA's first cash rate hike in May 2022 of 25 basis points was translated in capital city prices in the form of slower growth. In the 12 months to the 1st half of 2022, capital cities recorded an average median house price growth of 6.3%. Sydney, Melbourne and Adelaide saw a turn in their market, with declining growth during this time.

Metropolitan markets fared better than capital cities, recording double digit growth of 15.6% and 22.0% in the 12 months to the 1st and 2nd halves of 2021. Metropolitan markets saw a surge in demand in the 2nd half 2021, as capital city markets become increasingly unaffordable. It has been this extra demand that has sustained the metropolitan market's resilience as the cash rate increased, continuing to record double digit growth of 10.2% in the 12 months to the 1st half of 2022. QLD, TAS and SA have carried the bulk of the metropolitan market, recording 23.5%, 11.4% and 24.5% growth, respectively, in the 12 months to the 1st half of 2022. NSW, VIC and ACT have seen the least growth compared to 12 months prior.

Regional markets roared in the 12 months to 1st and 2nd half of 2021, recording average median house price growth of 19.9% and 25.7%, respectively. This was higher than capital city and metropolitan markets. First time investors choosing regional markets became more common in the 2nd half of 2021 due to higher affordability, higher rental yields and a lower vacancy rate. The impact of a higher cash rate has been felt in the regional market, recording slower than average growth of 9.6% in the 12 months to the 1st half of 2022. With a smaller population compared to metropolitan markets, a buyer's exit, due to less borrowing power is felt. That said, this is the same level of growth compared to 12 months to the 2nd half of 2020, which suggests the regional market is returning to its regular strong market.

AUSTRALIAN PROPERTY GROWTH MAP

As more buyers can only borrow less and owners are faced with higher mortgage repayments, sellers are forced to either accept a lower price or withdraw their listing. As a result, the balance of supply and demand has shifted. Overall, capital city, metropolitan and regional markets saw a lower average median house price growth in the 12 months to the 1st half of 2022. Different areas are seeing different speeds of growth depending on how their demand and supply balance has tipped. As the scales turn so will Australia's property prices.



PROPERTY GROWTH | SALES

MEDIAN HOUSE PRICE | CAPITAL CITY

	Capital City				
	1st Half 2020	2nd Half 2020	1st Half 2021	2nd Half 2021	1st Half 2022
NSW	$1,645,000	$1,700,000	$1,875,000	$2,150,000	$1,850,000
QLD	$710,000	$750,000	$838,000	$975,000	$1,050,000
VIC	$1,200,000	$1,321,000	$1,360,000	$1,352,000	$1,330,000
WA	$1,200,000	$1,324,500	$1,235,000	$1,435,000	$1,350,000
TAS	$777,500	$807,600	$890,000	$1,073,000	$943,500
NT	$470,000	$480,000	$570,000	$682,000	$640,000
SA	$935,000	$1,027,250	$1,031,500	$1,025,000	$980,000

MEDIAN HOUSE PRICE | METRO

	Metro				
	1st Half 2020	2nd Half 2020	1st Half 2021	2nd Half 2021	1st Half 2022
NSW	$1,300,200	$1,327,900	$1,539,700	$1,752,300	$1,582,000
QLD	$561,200	$591,800	$642,400	$737,600	$793,400
VIC	$859,300	$911,800	$968,600	$1,083,900	$983,600
WA	$527,200	$582,600	$613,400	$616,000	$616,700
TAS	$556,400	$575,600	$650,000	$765,300	$723,900
NT	$472,500	$515,600	$566,700	$613,100	$606,000
SA	$517,700	$527,000	$573,400	$637,300	$713,900
ACT	$1,000,500	$1,055,900	$1,311,400	$1,495,600	$1,317,000

MEDIAN HOUSE PRICE | REGIONAL

	Regional				
	1st Half 2020	2nd Half 2020	1st Half 2021	2nd Half 2021	1st Half 2022
NSW	$520,600	$561,600	$622,500	$707,300	$736,000
QLD	$441,300	$471,200	$511,100	$544,700	$562,400
VIC	$416,600	$471,500	$520,400	$580,200	$601,000
WA	$327,300	$375,700	$395,100	$452,200	$439,200
TAS	$338,000	$361,000	$404,500	$471,100	$470,000
NT	$423,800	$383,800	$561,200	$591,100	$434,700
SA	$302,900	$302,800	$321,100	$334,700	$380,800

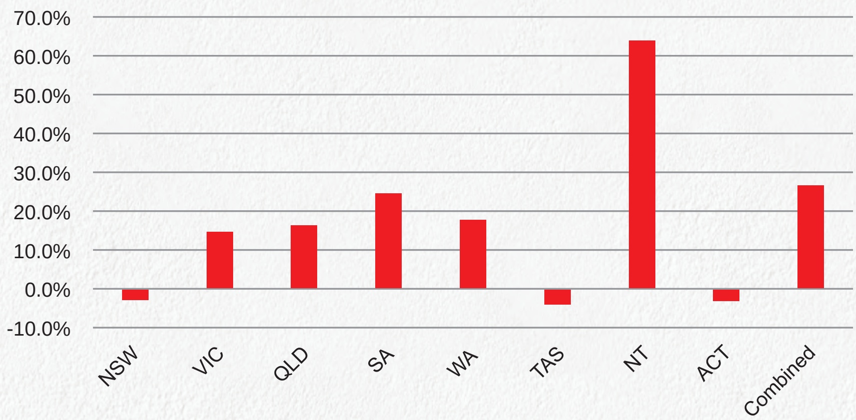
Stop Press: Median house price growth for the 1st half of 2022 reflects sales up to and inclusive of 30th June 2022. ACT median house price growth only reflects the metropolitan area, due to an absence in what is classified as 'regional area' in the territory.

MEDIAN TIME ON MARKET AND VENDOR DISCOUNT

	Median Days on Market		Median Vendor Discount	
	May-21	May-22	May-21	May-22
Sydney	21	29	-2.6%	-3.7%
Melbourne	24	29	-2.9%	-3.5%
Brisbane	16	20	-2.9%	-2.9%
Adelaide	34	28	-2.9%	-3.1%
Perth	15	18	-2.8%	-2.9%
Hobart	8	25	-3.2%	-4.4%
Darwin	41	45	-2.8%	-3.9%
Canberra	36	34	-2.0%	-2.9%
Combined Capital	21	27	-2.8%	-3.3%

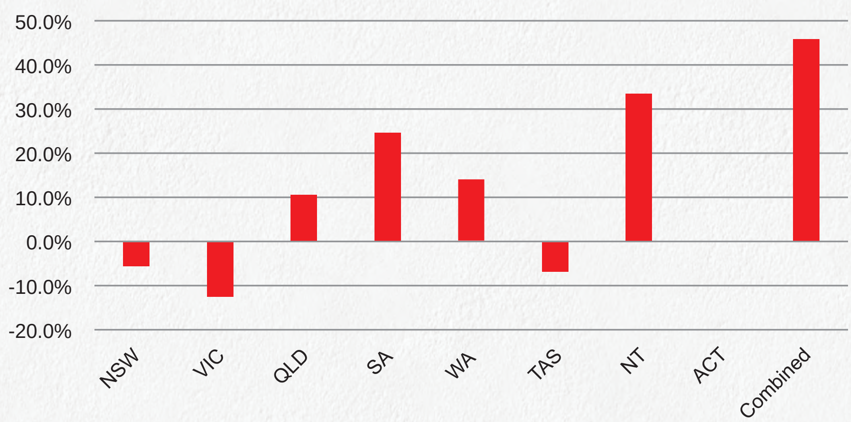
Source: Corelogic Property Market Chart Park June 2022

METRO ANNUAL CHANGE IN SETTLED SALES MAY 2022



Source: Corelogic Property Market Chart Park June 2022

REGIONAL ANNUAL CHANGE IN SETTLED SALES MAY 2022



Source: Corelogic Property Market Chart Park June 2022

WHAT DOES THIS MEAN FOR YOU?

- ✓ On average, Australian markets continue to record positive median house price growth in the 12 months to the 1st half of 2022, but at a lower rate compared to the 1st and 2nd halves of 2021. This is not unexpected due to cash rate hikes that impact a buyer's borrowing power. The 2nd half of 2021 was the peak of the market, with an average 12-month growth of 15.5%, 22.0% and 25.7% for capital city, metropolitan and regional markets, respectively.
- ✓ Regional settled sales increased by 45.8% in the 12 months to May 2022, consistent to data recorded in the 12 months to May 2021 (also 45.8%), thus stability in market activity. NSW, VIC and TAS saw settled sales decline by -5.6%, -12.5% and -7.0% in the 12 months to May 2022. Regional areas tend to have less population compared to metro areas. Thus, a small change in borrowing power due to a cash rate hike can have a bigger impact on demand.
- ✓ Combined metro settled sales increased by 26.6% in the 12 months to May 2022, which was at a slightly higher rate compared to the 12 months to May 2021 (25.8%). Property transactions in metro areas continue to hold despite an increase in cash rate. That said, NSW, TAS and ACT metro markets saw a slight decline in sales volume, by -3.1%, -4.2% and -3.3%, respectively, indicative of different market speeds.
- ✓ In May 2022, properties were selling the fastest in Perth (18 days) and slowest in Darwin (45 days), a consistent pattern for the past 12 months. Combined capital city median days on market was 27 days in May 2022, higher than 21 days recorded in May 2021. Only Adelaide and Canberra showed a decline in median days on the market in the past 12 months.
- ✓ In contrast to May 2021, wherein sellers were the winners in the market, May 2022 suggests the opposite. Median vendor discount for combined capital cities has widened from -2.8% to -3.3%, thus buyers can benefit from a higher discount to the first list price. Brisbane was the only capital city that saw consistent median vendor discount, of 2.9%.
- ✓ Brisbane and Darwin have proven their market resilience, with a median house price growth of 25.3% and 12.3% in the 12 months to the 1st half of 2022. This is in contrast to Melbourne, Sydney and Adelaide, which recorded declining growth in the same timeframe.

PROPERTY GROWTH | RENTAL MARKET

MARKET CONDITIONS

An increasingly deep rental crisis needs drastic solutions

The imbalance in rental supply and demand is more imminent in the March quarter 2022, even more so compared to the 12 months prior (March quarter of 2021). Australia's vacancy rates were 1.2% in the March quarter 2022, almost a third of the 3.3% vacancy rate in the March quarter of 2021.

Most capital cities recorded a vacancy rate lower than 1.0% in the March quarter of 2022, with only Sydney and Melbourne being the exception (1.9% and 2.3%, respectively). This is a stark contrast to the March quarter of 2020 (the height of COVID-19), where the national vacancy rate was 2.4%. The March quarter of 2022 vacancy rates were significantly below the Real Estate Institute of Australia's (REIA) healthy benchmark of 3.0%, indicating a nationwide rental supply crisis. Even Melbourne and Sydney, which traditionally trend above the REIA healthy benchmark, are now trending under it. This is quite significant, as in the March quarter of 2021, their vacancy rates were at 3.6% and 6.1% respectively, due to their experience with multiple (and longer) COVID-19 lockdown periods.

Canberra continues to be the most expensive capital city for renters, with a three-bedroom house commanding $630 per week and a two-bedroom unit commanding $560 per week in the March quarter of 2022. Melbourne and Brisbane are the most affordable capital cities to rent a three-bedroom house, at $430 per week. This is significant as Melbourne and Brisbane have traditionally been categorised at different ends of the affordability spectrum. Adelaide is the most affordable capital city to rent a two-bedroom unit, at $370 per week.

The rental supply crisis is fully translated in annual median rental percentage change, with almost all capital cities recording double digit growth in the past 12 months to the March quarter 2022. Renters for a three-bedroom house in Perth are the least lucky, with median rents increasing by 12.5%.

Implied rental yields for houses for the March quarter of 2022 were the strongest in Darwin, at 4.9%, then in Perth, at 4.1%. Implied rental yields for units for the March quarter of 2022 are headed by Darwin (6.6%), followed by Canberra (5.6%) and then jointly Adelaide and Perth at 5.5%. Sydney and Melbourne continue to have the lowest implied rental yield for both houses and units.

2022 sees rental yields move at different speeds, depending on the balance between property price and rental price growth. Despite the rental crisis, which has pushed median rents to a higher level, a deep imbalance in the demand and supply of properties for sale has also pushed property price growth to extraordinary levels. Thus, parts of Australia are experiencing a higher property price growth compared to median rent growth, which results in lower rental yields, and vice versa.

ANNUAL MEDIAN RENTAL PRICES

	Sydney	Melbourne	Brisbane	Adelaide	Perth	Hobart	Darwin	Canberra
3 b/r House	$575	$430	$430	$440	$450	$520	$547	$630
2 b/r Unit	$512	$420	$420	$370	$420	$440	$424	$560

ANNUAL MEDIAN RENTAL PRICE % CHANGE

	Sydney	Melbourne	Brisbane	Adelaide	Perth	Hobart	Darwin	Canberra
3 b/r House	8.5%	4.9%	6.2%	10.0%	12.5%	10.6%	1.5%	10.5%
2 b/r Unit	6.7%	5.0%	2.4%	10.4%	7.7%	10.0%	16.5%	7.7%

Source: Real Estate Market Facts Report March Quarter 2022, Real Estate Institute of Australia

WHAT DOES THIS MEAN FOR YOU?

- ✓ Australian vacancy rates have plunged to historical lows and are in urgent need for housing supply more than ever. There is a slight difference in the speed of the rental market. However, it remains a national issue.
- ✓ The differing balances between property price growth compared to median rent growth has created different rental yield speeds across Australia. This is key information for investors.
- ✓ Regional markets continue to have the correct ingredients for a highly conducive investment market, with a lower entry price, lower vacancy rates and higher rental yields. First time investors have an even wider investment scope, requiring a more individualised approach.

DEMOGRAPHICS

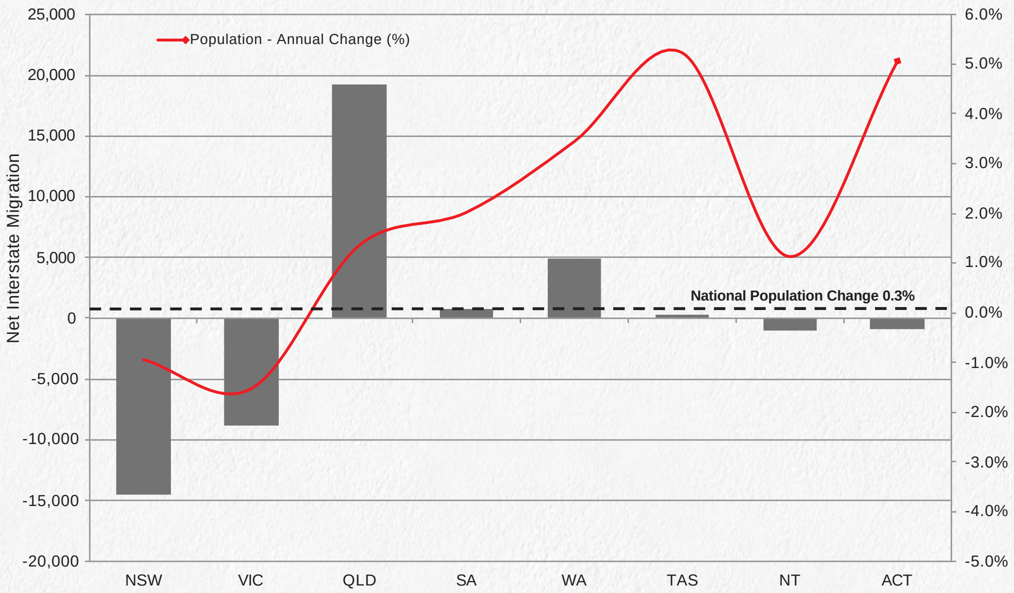
International migration is back, creating more demand for housing stock

Population change was led by TAS and the ACT in the 12 months to the December quarter of 2021, growing by 5.2% and 5.1%, respectively. This is a first for both states, taking over QLD's title from last year. That said, QLD still takes the lead for interstate migration, with an extra 19,247 people calling the Sunshine State home. This is even higher than the December quarter of 2021, which quoted 9,763 people who migrated to QLD. NSW and VIC continue to record declining interstate migration, potentially due to people seeking more affordable places to live. Interestingly, WA had the second highest interstate migration levels, likely due to more service industry employment becoming available.

COVID-19 contributed to international students and long-term overseas visitors being absent from Australia's demographic and population make up. Since borders re-opened, there has been a spike in both categories. Long-term overseas visitors have increased from 2,330 people in April 2021, to 29,380 people in April 2022. Similarly, the number of international students arriving in Australia increased from 260 in April 2021, to 21,130 in April 2022. Suffice to say, international migration has come back and will continue to do so given Australia's comparative resilience to COVID-19.

Higher population changes demand more goods and services, thus creating a more vibrant economy. It does also translate to higher demand for housing stock, whether to own or to rent. The balance of supply and demand is in peril, as demand from international migration may replace buyers exiting the market due to less purchasing power from the higher cash rate.

POPULATION GROWTH & NET INTERSTATE MIGRATION



Prepared by PRD Research
Source: ABS Statistics, Catalogue 3101.0 Table 4, last updated July 2022

WHAT DOES THIS MEAN FOR YOU?

- ✓ QLD continues to lead the nation in interstate migration, whereas NSW and VIC still see a decline. This creates a differing demand and supply imbalance between states, thus different market speeds.
- ✓ International migration has returned, with a significant increase in international students and long-term overseas visitors. This adds to the demand side of the scale, whether to rent or buy. New international demand can replace local buyers, especially in capital cities.

MACROECONOMIC CLIMATE

MARKET CONDITIONS

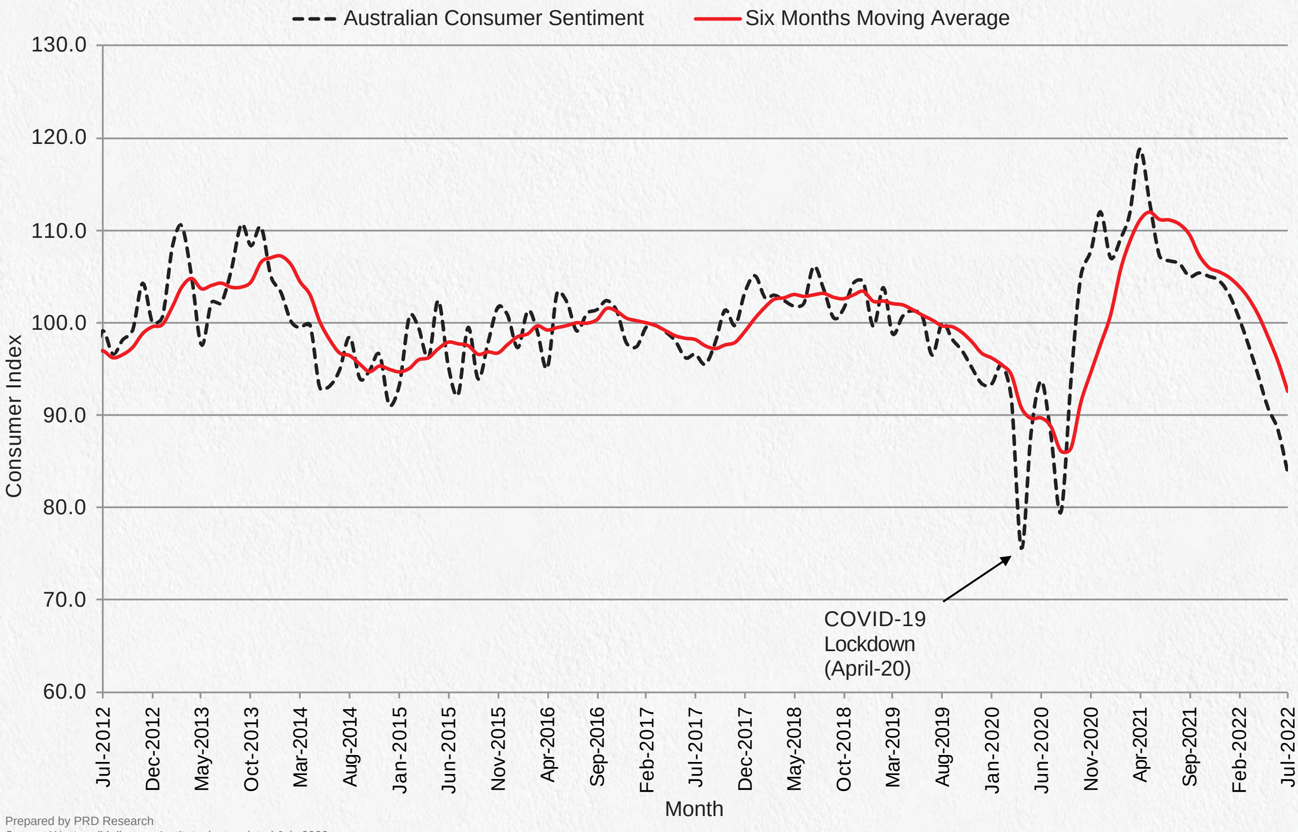
Confidence is lower than pre-COVID-19

Consumer confidence in 2022 has taken a 180-degree spin compared to 12 months prior. The first six months of 2021 saw consumer confidence entirely above the 100 index point positive benchmark, peaking in April 2021 at 118.8 index points. Conversely, the first half of 2022 saw consumer confidence declining to a level below the 100 index point positive benchmark, reaching 83.8 index points in July 2022. The only other period in which consumer confidence was at a similar low point was in 1990-1992. In June 2019 (pre-COVID-19), consumer confidence was higher, at 100.7 index points.

A lower consumer confidence level is not surprising, due to many factors: Omicron in late 2021/ early 2022, multiple natural disasters in early 2022, the Federal Election in May 2022, a higher inflation level, and increasing cash rates. Economic uncertainty underpins our low confidence levels, and although a declining pattern is understandable, being at a historical low is concerning.

At present, Australians have a higher propensity to save as opposed to spend, which creates less demand for all goods and services across numerous industries. The real estate industry has proven to be more resilient than others, with different parts of Australia still seeing record-breaking sales. However, this is mainly due to stimulated demand, a combination of demographic changes and State and Federal Government schemes, against lagging supply and low stock availability.

CONSUMER SENTIMENT



Prepared by PRD Research
Source: Westpac/Melbourne Institute, last updated July 2022

WHAT DOES THIS MEAN FOR YOU?

✓ Consumer confidence is at its lowest point compared to 12 months prior. Thus, there is a tendency to save than spend. This can translate to less demand in the real estate industry. However, depending on the demand and supply imbalance, it will have a differing impact in different areas, thus creating markets at different speeds.

MACROECONOMIC CLIMATE

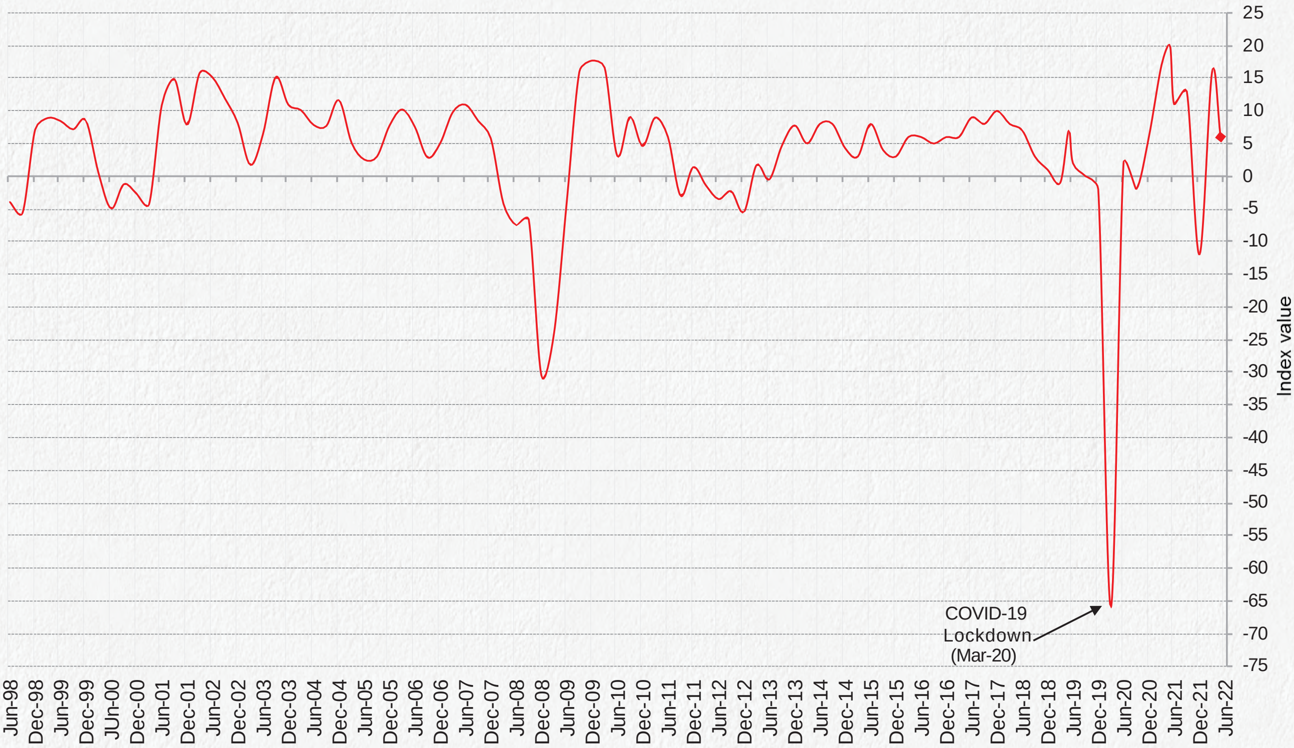
Disruptions to businesses sees confidence plunge

Australia's business confidence has fared similarly to consumer confidence, declining significantly from 20.0 index points in May 2021, to 6.0 index points in May 2022. December 2020 was the last time in which business confidence reached 6.0 index points, as the economy embarked on its recovery. May 2019 (pre-COVID-19) saw a slightly higher reading at 7.0 index points.

Like consumer confidence, declining business confidence is no surprise. Businesses have faced multiple issues in the first 6 months of 2022, with availability of goods and a tight labour market the two main issues. The RBA has noticed firms are increasingly having to manage disruptions, with the number of reduced hours worked spiking. This has been due to either natural disasters, and illness, injury or sick leave. These disruptions have become increasingly difficult to plan for, and the associated costs too much for many. The number of businesses closing their doors has increased in the past 12 months, from 73,234 in the March quarter of 2021, to 76,581 in the March quarter of 2022.

In the March quarter of 2022, construction services, property operators and real estate services, and professional, scientific and technical services are the three subdivisions with the largest net quarterly increase in businesses.

BUSINESS CONFIDENCE



Prepared by PRD Research
Source: National Australia Bank (NAB), last updated July 2022

WHAT DOES THIS MEAN FOR YOU?

- ✓ Business confidence has declined to an even lower level compared to pre-COVID-19 times. Disruptions to businesses, in particular availability of goods and a very tight labour market, have resulted in associated costs increasing. This resulted in a greater number of businesses closing their doors in the March quarter of 2022.
- ✓ The combination of lower consumer and business confidence levels is a concern, as it has a multiplier effect on the economy. State Governments, through their State Budgets, are tackling this in different ways depending on the state's individual needs. The next 12 months remain uncertain as we navigate newly proposed schemes and tax changes.

MACROECONOMIC CLIMATE continued

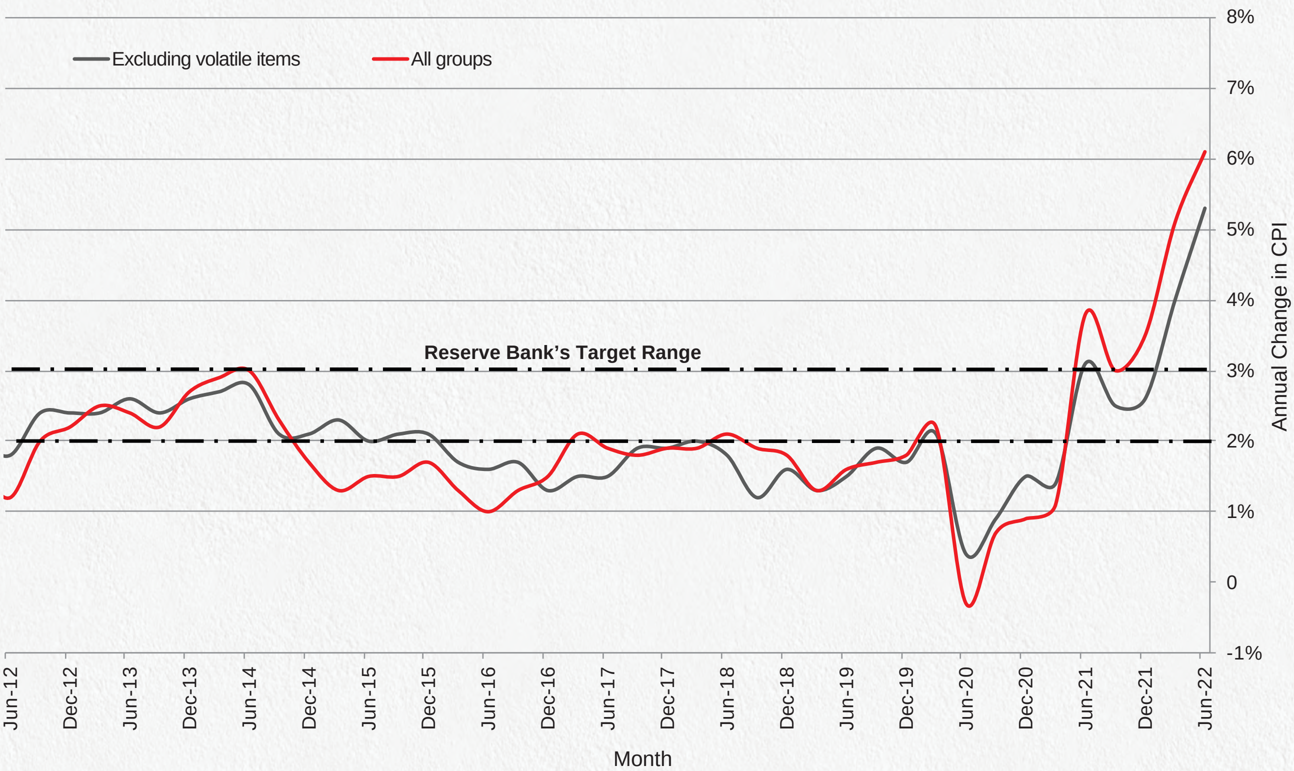
Higher than expected inflation rates are a worldwide phenomenon

Inflation (consumer price index) for all groups rose significantly to 6.1% by the June quarter of 2022, from 3.8% in the June quarter of 2021. Comparatively, inflation was at a low 1.1% in the June quarter of 2019 (prior to COVID-19). A similar level of inflation occurred in the September quarter of 2008 prior to the Global Financial Crisis 2009, although this was at a lower rate of 5.0%. Australia's high inflation is not a singular event, but rather a worldwide occurrence, experienced by some countries at an earlier timeframe.

The RBA held its steady cash rate policy in early 2022 to ensure the increase in inflation was not a singular event. Signs of higher inflation are now broadening in Australia, impacting the everyday cost of living. This prompted the RBA to increase its cash rate to slow borrowing pace and thus, purchasing power.

The goal is to reduce spending and thus demand for products and services in the short term, which in the medium term will force the market price to decline. Inflation forecasts by the RBA show a trajectory of higher levels of inflation in the short term, with a return to the targeted healthy band of 2.0-3.0% in 2024.

INFLATION



Prepared by PRD Research
Source: RBA Table G1 Consumer Price Index, last updated July 2022

WHAT DOES THIS MEAN FOR YOU?

✓ Inflation (for all groups) was recorded at 6.1% as of the June quarter of 2022. This is the highest level of inflation Australia has experienced since the June quarter of 2001.

✓ The RBA has forecasted further increases in the cash rate, due to the forecasted growth in inflation travelling beyond 6.0%. A higher cash rate can impact borrowing power to a lesser amount. This may translate to lesser purchasing power for significant purchases such as new property.

MACROECONOMIC CLIMATE

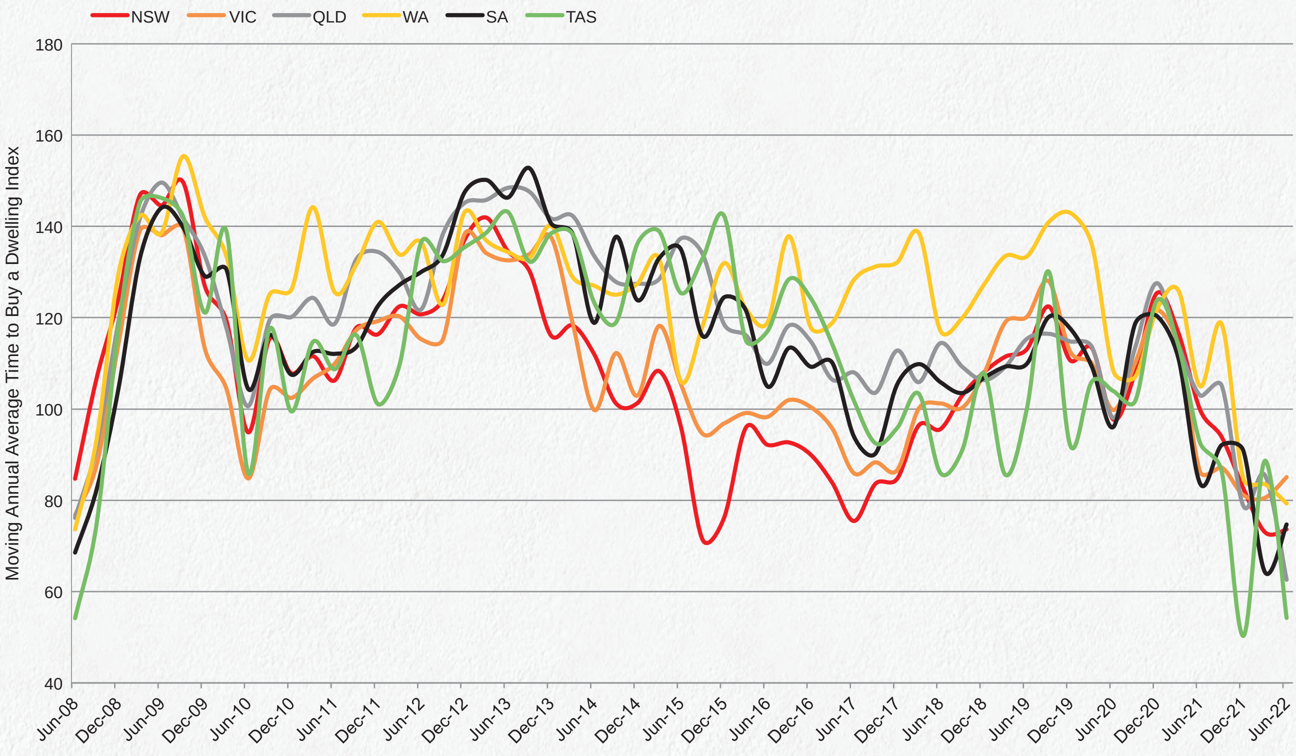
Different markets, different speeds

The Time to Buy a Dwelling index across Australia proved to be quite divergent, embodying the theme of 'different markets, different speeds'. The decision on whether to purchase property has become a very localised case-by-case basis in the past quarter, due to the 'market-within-market' concept that is the current Australian property market.

On an annual basis, in the 12 months to the June quarter of 2022, the Time to Buy a Dwelling index decreased for all states. It was more severe in QLD and TAS, which declined by -41.2% and -36.9%, respectively. It was not as severe in VIC and SA, which only declined by single digits, of -1.2% and -9.3%, respectively.

However, on a quarterly basis, in the 3 months to the June quarter of 2022, the Time to Buy a Dwelling only decreased for QLD, TAS and WA, by -26.8%, -38.8%, and -5.1%, respectively. This increase has meant more buyers are contemplating to purchase in NSW, VIC and SA (recording indexes of 0.9%, 5.6% and 16.3%, respectively). This was quite a significant result, as NSW and VIC have historically been known to be the more expensive states compared to QLD and TAS.

TIME-TO-BUY DWELLING INDEX



Prepared by PRD Research
Source: Westpac/Melbourne Institute, last updated July 2022

WHAT DOES THIS MEAN FOR YOU?

✓ The Time to Buy a Dwelling index suggests a divergence in property purchasing decisions, with Australians evaluating the market at a more local level. The 'different speeds in different markets' theme underpins this, and will continue to do so due to a varying level of available stock.

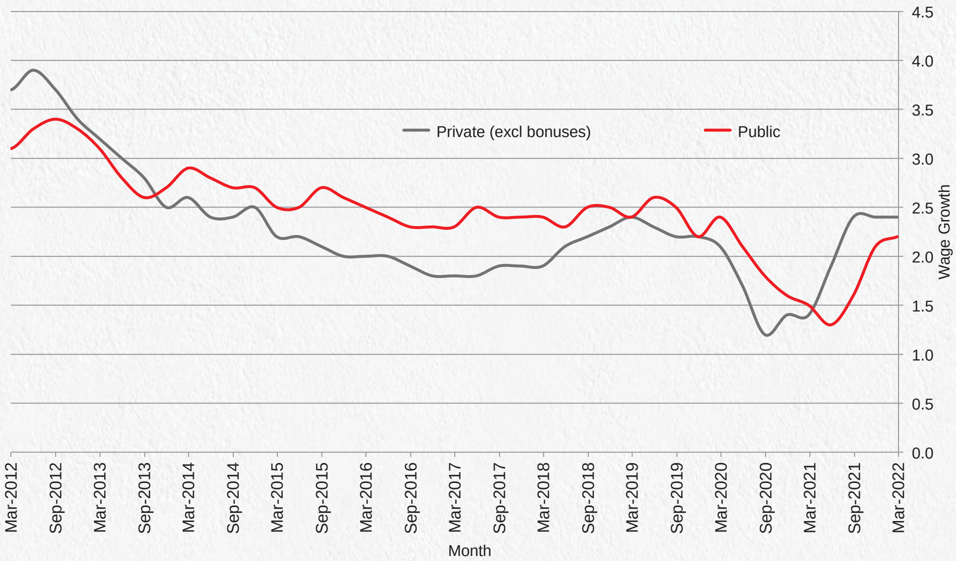
✓ In the past 3 months, to the June quarter of 2022, QLD and TAS residents have shown reluctance to purchase a property the most, whereas VIC and SA have shown eagerness. This is potentially due to SA's relative affordability and a turning market in Melbourne.

LABOUR MARKET

Wage growth is on a recovery trend due to the tight labour market

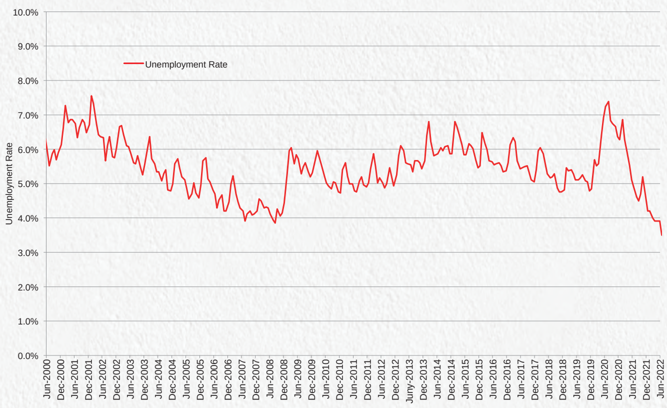
In June 2022, the unemployment rate read 3.5%, the lowest unemployment recorded since August 1974 (at 3.5%). Australia's unemployment rate has been on a declining trend since COVID-19 restrictions were eased, to even lower levels than pre-COVID-19 times. Overseas migration or lack thereof is the main source of this, resulting in a very tight labour market domestically.

WAGE GROWTH



Prepared by PRD Research
Source: ABS Wage Price Index, last updated July 2022

UNEMPLOYMENT RATE



Prepared by PRD Research
Source: ABS Cat 6202.0. Last updated July 2022

Wage growth is on a recovery trend following a high level of inflation. Private sector wage growth was 2.4% as of March 2022, much higher than 12 months prior (1.4% in March 2021). Public sector wage growth has significantly improved, from a historical low of 1.5% in March 2021, to 2.2% in March 2022. Thus, overall, very few people are receiving less than a 2.0% increase in wage growth, and more sectors are contemplating increasing wages due to the tight labour market. That said, wage growth continues to be slow in certain sectors and rising at a slower rate compared to inflation.

WHAT DOES THIS MEAN FOR YOU?

- ✓ The number of total jobs in the March quarter of 2022 was 15,023,200, which was much higher compared to the March quarter of 2021 (13,200,200 jobs). Filled jobs have increased by 2.8% in the past 12 months.
- ✓ Australia's 14-year historically low unemployment rate suggests a recovering economy, with many more people in jobs. However, it also signals a labour shortage, which has created issues for industries needing employees with specific skills.
- ✓ Inflation and wage growth continue to underpin the RBA's monetary policy decision. With a forecast of higher wage growth between now and 2024, it is possible we will see more cash rate hikes – a key component to property-related decision making.

CONSTRUCTION MARKET

The housing market is still severely undersupplied

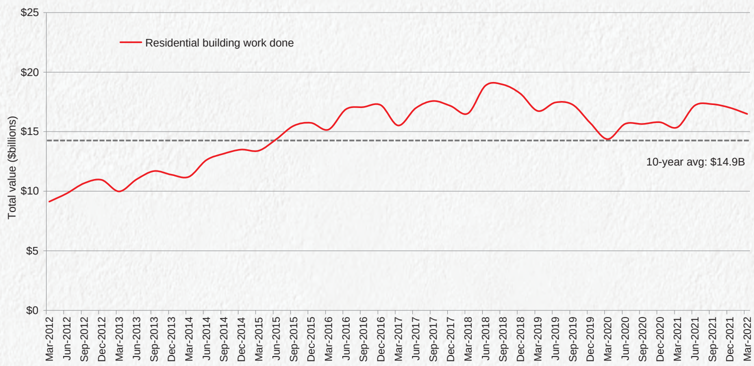
Residential construction across Australia amounted to $16.5 billion in the March quarter of 2022, which represents an annual growth of 7.3%. This was even higher than the $15.3 billion spent in the March quarter of 2021, and the $14.3 billion in the March quarter of 2022. This may sound promising, as the March quarter of 2022 figures were above the $14.9 billion 10-year average. However, the amount spent on residential construction has declined since the June quarter of 2021 ($17.2 billion), and the March quarter of 2022 figures have represented a -4.7% decline in the past 6 months.

In the past 6 months to the March quarter of 2022, QLD, TAS and NT have seen a double digit decline in the value of residential construction spent, by -15.8%, -10.% and -31.4%, respectively. VIC has also seen a decline of -7.5%. This is not a surprise considering the labour and material challenges that the construction industry has faced. The increasing number of residential projects either delayed, deferred or abandoned has resulted in a supply issue for ready-to-sell stock, and even more so for detached dwellings (houses). Interestingly, NSW, WA and ACT have reported growth in their residential construction spending, by 1.4%, 8.9% and 1.4%, respectively, in the past 6 months to March 2022.

Australia's dwelling approvals have fluctuated over the past 12 months, with periods of decline and upticks. As of May 2022, there were 17,228 dwellings approved, which is a -17.8% decline compared to May 2021 (20,950 dwellings), but a 0.8% increase compared to November 2021 (6 months). This is quite the contrast compared to the May 2020-2021 figures, which showed a 55.6% in dwelling approvals. Between May 2021-2022, dwelling approvals fell in most states, except for QLD and ACT, which increased by 11.7% and 249.8%, respectively.

The residential construction industry continues to face challenges in 2022, leftover from 2021 and exacerbated by the Russo-Ukrainian War and China's Zero COVID-19 policy. Material costs have more than doubled, the number of tradespeople has almost halved, and we have seen major builders forced into administration. Innovative approaches in both building and project management are now key, as 'back to normal' conditions are far from the horizon.

RESIDENTIAL CONSTRUCTION MARKET



Prepared by PRD Research
Source: ABS Cat 8755. Last updated July 2022

WHAT DOES THIS MEAN FOR YOU?

- ✓ Residential construction declined by -15.8%, -10% and -31.4%, respectively, in QLD, TAS and NT in the past 6 months to the March quarter of 2022. However, it grew in NSW, WA and ACT. Differing supply levels is a key contributor to different market speeds across Australia.
- ✓ Dwelling approvals declined by -17.8% in the 12 months to May 2022, which was experienced in most states. QLD and ACT were the only exceptions, recording an increase in dwelling approvals. Combined with ongoing construction challenges, this suggest the housing market is still largely undersupplied.

HOUSE FINANCE

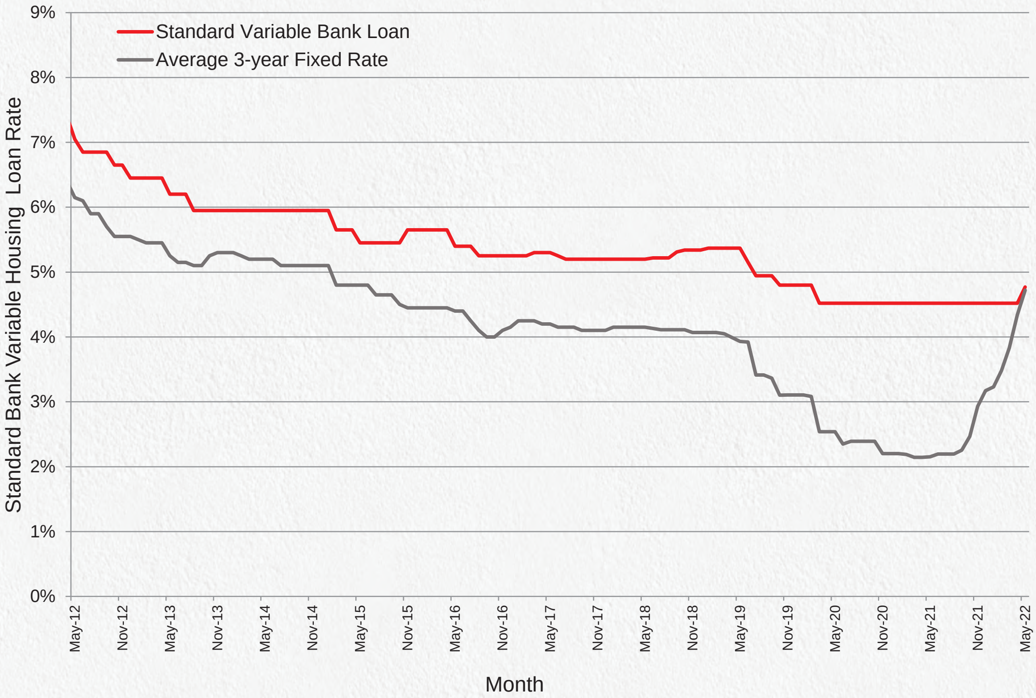
Owner-occupier finance has declined, but mortgage offset accounts are healthy

Australians experienced a historically low average 3-year fixed interest rate of 2.14% in March and April 2021, which has steadily increased. The biggest increase occurred in November 2021 to 2.93%, almost like pre-COVID-19 February 2020 rates. In May 2022, the average 3-year fixed rate was 4.72%, akin to June-July 2015 rates. The standard variable loan increased to 4.77% in May 2022, after being at 4.52% since March 2020. It is almost at pre-COVID-19 levels of 4.80% in late 2019 to early 2020.

Policy rate (cash rate) expectations across different countries suggest a similar approach to ours. The USA, UK, Canada and New Zealand all have an aggressive cash rate hike expectation for 2022-2023, levelling out in 2024 and 2025. The European Union and Japan have come out of their negative cash rate environment, also increasing their cash rate, although travelling at a lower level and speed.

A higher cash rate and the potential of successive hikes have created uncertainty and angst in most households. That said, the share of disposable income that has flown to scheduled principal payment and mortgage offset accounts has spiked since mid-2020. The past 6-7 quarters show the highest mortgage offset buffer in the past 10 years, allowing any cash rate changes to be absorbed.

HOUSING LOAN INTEREST RATE



Prepared by PRD Research
Source: RBA Table F5 Indicator Lending Rates, last updated July 2022

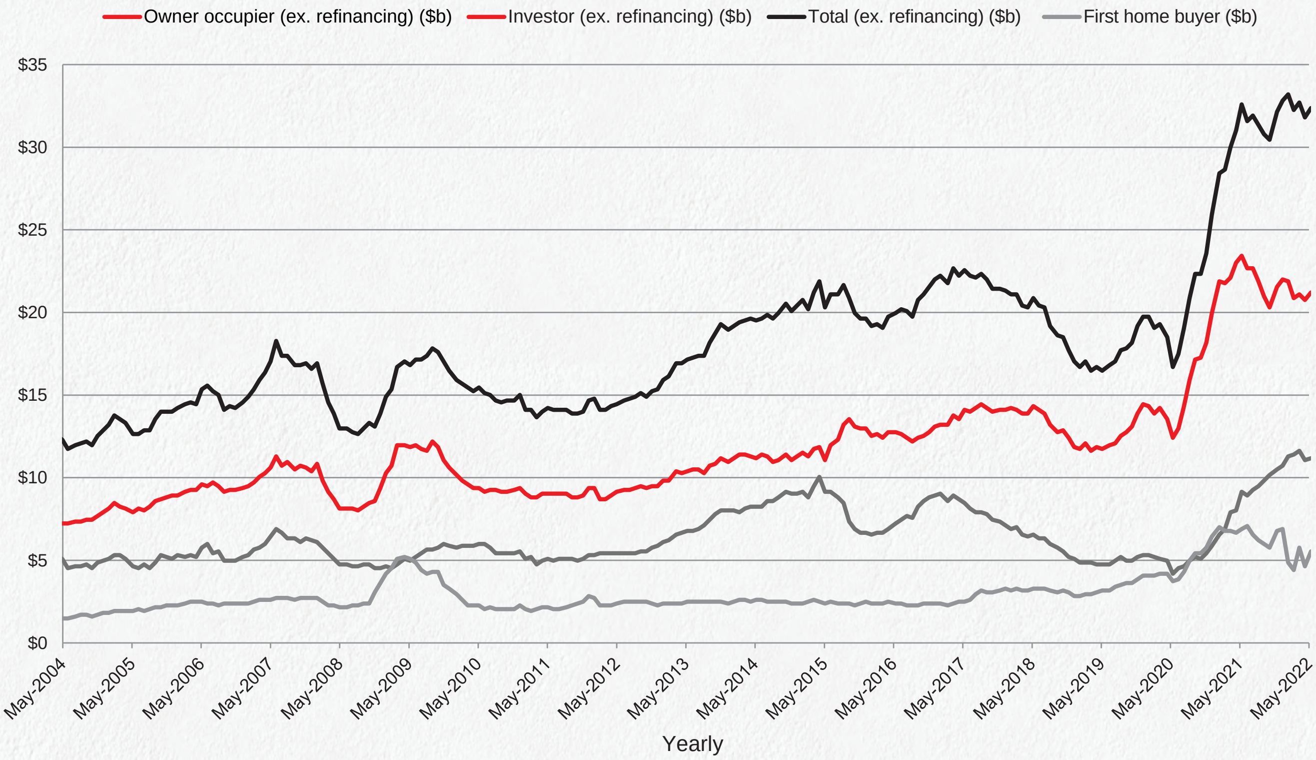
WHAT DOES THIS MEAN FOR YOU?

- ✓ The RBA's cash rate hike movements are consistent with other economies around the world and this is expected to continue until 2023. The average 3-year fixed rate increased to 4.72%, akin to June-July 2015. May 2022's standard variable rate of 4.77% has returned to pre-COVID-19 levels. This lessens a buyer's borrowing power and the amount they offer sellers.
- ✓ Owner-occupiers continue to have a higher proportion of total housing loan commitments, but the number of loans dedicated to first home buyers have fluctuated. Investor loans have continued to grow at a higher level compared to 12 months prior. This is promising as we face a higher demand for rental property.

Housing finance commitment was $32.4 billion in May 2022, almost on par with 12 months prior ($32.6 billion in May 2022). Owner-occupier finance commitment declined by -9.6% during this time, whereas investor finance commitment increased by 22.5%. This changes the market dynamic, with the proportion of owner-occupiers declining from 72% to 65%, and investors increasing from 28% to 35%. This provides us with hope as we continue to face rental shortages.

First home buyer finance commitment has fluctuated, dipping in early 2022. The announcement of new and/ or continuing Federal and State Government schemes and grants directed at first home buyers has resulted in an uplift in May 2022, although this still represents a -19.3% decline compared to 12 months prior. May 2022 was the RBA's first cash rate hike of 25 basis points, which signals less borrowing power for buyers. The last successive cash rate hikes were in late 2009-2010, which saw owner-occupier finance commitment decline and investor loans increase. We are already on this path, thus an indication of the months to come.

HOUSING FINANCE COMMITMENTS



Prepared by PRD Research
Source: ABS Cat. No. 5601, last updated July 2022

WHAT DOES THIS MEAN FOR YOU?

✓ First home buyers retracted in early 2022, with first home buyer finance commitment back to 2020 levels. Reinstated and new Federal and State Government schemes attempts to stimulate first home buyers back into the market, offsetting increased costs and/or lower borrowing power due to current and future cash rate increases

✓ Owner occupiers still make up the bulk of the house finance market, however its proportion have lessened. This is not unexpected in a higher cash rate environment. Investors have increased its presence, to 35% of housing finance commitments. This brings hope, as investors has been less present from the market for the past 12 months and there is a need for more rental properties.

HOME AFFORDABILITY

First home buyers retract

The number of first home buyer loans approved in Australia retracted by -33.9% in the 12 months to the March quarter of 2022, with only 29,093 loans approved. This is in extreme contrast to the 12 months to the March quarter of 2021, which saw the number of first home buyer loans increase exponentially, by 62.6% to 44,007 loans. In some ways this is a surprise, considering the level of assistance (grants and schemes) targeted to first home buyers. That said, first home buyers have been increasingly priced out of the market, due to high median property price growth as an overall. Many first home buyers opted to wait and see if there would be changes to specific first home buyer related policies prior to the Federal Election.

The decline in first home buyer loans was evident in each state, which is quite unusual to Australia. Previous data over the past 5-10 years has shown the historically more affordable states such as QLD, TAS and SA maintaining growth in the number of first home buyers entering the market. This time, in the 12 months to the March quarter of 2022, these states have seen a -40.5%, -41.1% and -41.0% decline, respectively. Interestingly, the historically more expensive states of NSW, VIC and ACT still had the most first home buyers, only seeing a decline of -31.4%, -29.0% and -19.3%, respectively.

Australia's average home loan for the March quarter of 2022 was $603,395, and the average loan for first home buyers was $475,544. This represents a 19.2% and 11.7% growth in the 12 months to the March quarter of 2022. Comparatively, in the 12 months to the March quarter of 2021, the average home loan grew by 2.6% and average loan for first home buyers grew by 1.1%. Thus, to purchase a property, Australians are more in debt now than ever.

There is a counteract to this, as the proportion of family income devoted to meeting average loan repayments grew significantly by 12.7% in the 12 months to the March quarter of 2022. This gives us hope, especially for NSW and VIC residents, who recorded the largest increases of 15.7% and 12.1%, respectively. Despite a known rental crisis, there is also hope in this sector. The proportion of family income devoted to meeting rents increased by 2.2% in the 12 months to the March quarter of 2022 across Australia, lower than the 3.8% increase in the 12 months to the March quarter of 2021. NT and VIC residents are the largest beneficiaries, with a decline of -2.0% and -1.0%, respectively.

NUMBER OF FIRST HOME BUYER LOANS

Number of Loans to First Home Buyers			
State	Q1 2022	Q1 2021	Growth
NSW	6,306	9,197	-31.4%
VIC	9,328	13,134	-29.0%
QLD	5,690	9,563	-40.5%
SA	1,687	2,861	-41.0%
WA	4,780	7,269	-34.2%
TAS	457	776	-41.1%
NT	159	357	-55.5%
ACT	686	850	-19.3%
AUS	29,093	44,007	-33.9%

Source: Real Estate Institute of Australia, Housing Affordability Report, March Quarter 2022

STATE AVERAGE LOAN

Average Loan			
State	Q1 2022	Q1 2021	Growth
NSW	$772,837	$635,347	21.6%
VIC	$634,934	$534,711	18.7%
QLD	$518,082	$441,278	17.4%
SA	$456,366	$384,696	18.6%
WA	$457,899	$418,859	9.3%
TAS	$446,910	$381,671	17.1%
NT	$425,493	$408,880	4.1%
ACT	$604,780	$531,970	13.7%
AUS	$603,395	$506,340	19.2%

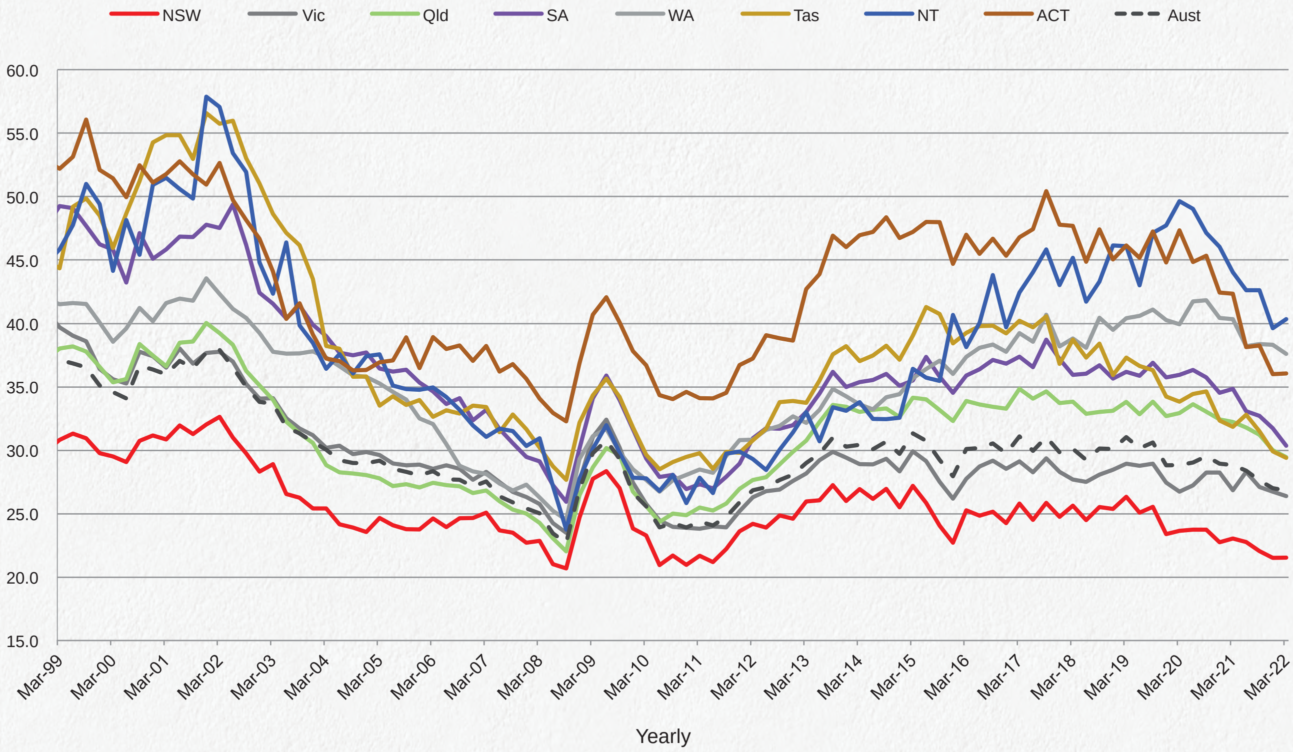
Source: Real Estate Institute of Australia, Housing Affordability Report, March Quarter 2022

STATE FIRST HOME BUYER AVERAGE LOAN

Average First Home Buyer Loan			
State	Q1 2022	Q1 2021	Growth
NSW	$585,538	$513,733	14.0%
VIC	$498,585	$447,982	11.3%
QLD	$424,499	$384,241	10.5%
SA	$384,292	$339,427	13.2%
WA	$381,360	$369,858	3.1%
TAS	$388,403	$333,634	16.4%
NT	$413,836	$392,717	5.4%
ACT	$527,551	$470,118	12.2%
AUS	$475,544	$425,785	11.7%

Source: Real Estate Institute of Australia, Housing Affordability Report, March Quarter 2022

HOME LOAN AFFORDABILITY INDEX



Last updated: July 2022

Prepared by PRD Research
Source: Real Estate Institute of Australia

PROPORTION OF FAMILY INCOME REQUIRED TO MEET HOME LOAN REPAYMENTS

Proportion of family income devoted to meeting average loan repayments			
State	Q1 2022	Q1 2021	Growth
NSW	46.5%	40.2%	15.7%
VIC	38.0%	33.9%	12.1%
QLD	34.0%	30.6%	11.1%
SA	33.0%	29.5%	11.9%
WA	26.6%	25.9%	2.7%
TAS	34.0%	30.9%	10.0%
NT	24.8%	24.7%	0.4%
ACT	27.8%	25.7%	8.2%
AUS	37.3%	33.1%	12.7%

Source: Real Estate Institute of Australia, Housing Affordability Report, March Quarter 2022

PROPORTION OF FAMILY INCOME REQUIRED TO MEET RENT PAYMENTS

Proportion of family income devoted to meeting median rents			
State	Q1 2022	Q1 2021	Growth
NSW	26.9%	26.1%	3.1%
VIC	20.0%	20.2%	-1.0%
QLD	21.9%	21.6%	1.4%
SA	24.7%	23.9%	3.3%
WA	20.4%	19.3%	5.7%
TAS	30.8%	29.6%	4.1%
NT	24.8%	25.3%	-2.0%
ACT	22.5%	21.4%	5.1%
AUS	23.5%	23.0%	2.2%

Source: Real Estate Institute of Australia, Housing Affordability Report, March Quarter 2022

WHAT DOES THIS MEAN FOR YOU?

✓ Australia's home loan affordability index has declined by -7.0% in the 12 months to the March quarter of 2022, at 26.8 index points. This contrasts with the stable movement recorded in the 12 months to the March quarter of 2021. It is reflective of the spike in property prices across Australia, both in capital city and regional areas.

✓ Home loan affordability has declined the least in VIC, at -1.7%, and the most in the ACT and SA, at -14.9% and -12.9%, respectively. This is significant, as VIC was traditionally known as the more expensive market compared to SA. Different markets are now moving at different speeds and creating an increasingly different property market for Australians.

✓ A decline in first home buyer loans is a concern. State and Federal Governments may introduce more grants and schemes directed to assist first home buyers further, to stimulate demand. With supply still lagging, this can deepen the current imbalance, thus stimulating higher property prices.

ABOUT PRD

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We have been in the business of selling and managing properties since 1976 and has for over 40 years developed a dedicated network of real estate specialists across Australia nationally and internationally.

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Our extensive research capability and specialised approach ensures our clients can make the most informed and financially sound decisions about residential and commercial properties.

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As the first and only truly knowledge-based property services company, PRD shares experience and knowledge to deliver innovative and effective solutions to our clients and stakeholders

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Our Services

PRD provides a full range of property research services across all sectors and markets within Australia.

We have the ability and systems to monitor market movements, demographic changes and property trends. We use our knowledge of market sizes, price structure and buyer profiles to identify opportunities for clients and provide market knowledge that is unbiased, thorough and reliable.

Our services include:

- Advisory and consultancy
- Market Analysis including profiling and trends
- Primary qualitative and quantitative research
- Demographic analysis
- Geographic information mapping
- Project Analysis including product and pricing recommendations
- Rental and investment return analysis
- Competitive project activity analysis
- Social science research, including empirical data collection methods

GLOSSARY

Metro Annual Change in Settled Sales Graph

A percentage figure capturing the change in settled sales between May 2021 and 2022, for all dwelling types across metro and capital city areas of Australia.

Regional Annual Change in Settled Sales Graph

A percentage figure capturing the change in settled sales between May 2021 and 2022, for all dwelling types across regional areas of Australia.

Population Growth and Net Interstate Migration Graph

Population growth tracks the change in population across the states and territories of Australia. Population growth is seen as the key driver of demand for housing.

Net interstate migration tracks the net population change in each state attributable to interstate migration.

Net interstate migration figures fluctuate with the seasons, so a moving yearly average is shown to filter out these changes.

Consumer Sentiment Graph

The Consumer Sentiment Index indicates short-run changes to consumer willingness to purchase goods in the forthcoming quarter. Based on a monthly survey of 1,200 Australian households conducted by the Melbourne Institute and Westpac, it represents current and future perspectives of the broad economic climate and household financial state.

Business Confidence Graph

The Business Confidence Index indicates expectations of business conditions for the upcoming quarter. The Index is based on a survey of approximately 900 small to large businesses in non-farm sectors and is conducted by the National Australia Bank (NAB).

Time to Buy a Dwelling Index Graph

The Time to Buy a Dwelling Index indicates short-run changes in consumer sentiment regarding whether it is a good time to buy a dwelling. It is a component of the Melbourne Institute's Consumer Sentiment Index, which is undertaken monthly.

Unemployment Rate Graph

Unemployment is calculated as the proportion of people in the labour force that were unemployed and actively seeking work during the survey period.

The labour force is defined as the number of people aged over 15 who were either employed or actively looking for work during the survey period.

This graph tracks the unemployment rate on a monthly and moving annual average basis over the last 30 years.

Residential Construction Market Graph

This data provides an early indication of trends in building and engineering construction activity. The data are estimates based on a response rate of approximately 85.0% of the value of both building and engineering work done during the quarter.

Housing Finance Commitments Graph

Housing finance commitments track the volume of finance commitments made by significant lenders to individuals for the purchase of housing.

This graph tracks the value of loans approved to owner occupiers (non first home buyers), first home buyers and investors.

Home Loan Affordability Index Graph

The Home Loan Affordability Index measures average loan repayments against median wages and tracks these values over time.

PRD is a Colliers company.