The QBE Australian Housing Outlook 2019-2022


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Welcome to

The QBE Australian Housing Outlook 2019-2022

First home buyers, accounting for almost 20% of mortgage lending, are continuing to lead the charge to buy residential property as more onerous lending conditions forced many potential investors out.

More than 110,000 first-time home buyers entered the market last year. Although tighter lending standards, declining property prices and uncertainty related to the economy have deterred some, we still expect a similar number of first home buyers to be getting the keys to their very own property this year.

I'm pleased to welcome you to the 18th edition of the QBE Australian Housing Outlook, authored by our partners at BIS Oxford Economics. You'll find the latest property market forecasts and analysis, which we hope will give you some fresh perspectives as the market continues to evolve.

It's certainly been an interesting year for Australian property.

Regulatory intervention in financial markets has had a profound impact on the residential property market. While record low interest rates and low unemployment would typically have continued to fuel property prices, the limited availability of credit has more than offset demand resulting in significant property price declines across many of our capital cities.

The future looks a lot brighter for our capital cities. In our largest markets of Sydney and Melbourne we expect property prices to stabilise as owner occupiers are enticed back.

Strong population growth continues to underpin demand and the residential property market endures as one of the core contributors to our domestic economy.

I'm particularly pleased that this year's report shines a spotlight on the current composition of residential property construction in the Australian market. In our feature "High-density missing the mark?" we dissect a vital residential property challenge currently facing many of our capital cities.

With the Australian dream of home ownership as strong as it has ever been, the residential property market must continue to evolve.

I hope you enjoy this year's QBE Australian Housing Outlook.

Phil White
CEO, QBE LENDERS' MORTGAGE INSURANCE

Table of contents

New South Wales

A positive prospect

Recovery underway as new serviceability threshold encourages owner occupiers back into the market

Victoria

New heights

Migration set to benefit economy, but a surge in unit supply may dampen price growth

Spotlight

High-density missing the mark?

The share of new medium and high-density dwellings (units) has increased across Australia's capital cities to meet the demand for affordable homes. But is this a positive outcome for the residential property market and housing affordability?

Queensland

Opportunity abounds

Tourism is boosting economy and affordability remains advantageous

Western Australia

Baby steps

Minimal growth forecast following continued challenges after mining investment boom

Tasmania

In demand

Price surge is slowing, but employment opportunity and migration beckons demand

See page 41 for references, disclaimer and acknowledgements.

Australian housing snapshot

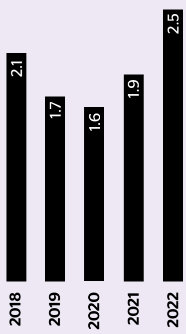
Economic indicators 2022 forecast

Cash rate
1.5%
July 2019 **1.0%**

Employment growth
1.7%
2019 **2.6%**

Unemployment rate
4.8%
2019 **5.1%**

Consumer Price Index (CPI) growth
2.5%
2019 **1.7%**



Gross Domestic Product (GDP) growth
2.9%
2019 **2.1%**

Overseas migration
248,446
year to December 2018

2.8%
from December 2017

Housing affordability*
26%
at June 2019

Population
25,180,234
from December 2018

1.6%
from December 2017 (est)

* Housing affordability is shown as, mortgage repayments at the prevailing standard variable rate (based on 75% of the median house price), as a percentage of household disposable income

Change in home loan activity Year to June 2019

First home buyer
-6.8%

Non first home buyer
-14.0%

Investors*
-25.5%

*based on value of investor loans

House commencements

'000s pa
109.1
10 years to 2019

'000s pa
116.3
five years to 2019

Vacancy rates
at Mar 2019

Sydney
3.6%
2018 **2.5%**

Brisbane
2.2%
2018 **2.2%**

Melbourne
2.1%
2018 **1.9%**

Perth
2.4%
2018 **4.8%**

Unit commencements

'000s pa
83.8
10 years to 2019

'000s pa
103.7
five years to 2019

Unit dwellings
as a proportion of total dwelling commencements

43%
10 years to 2019

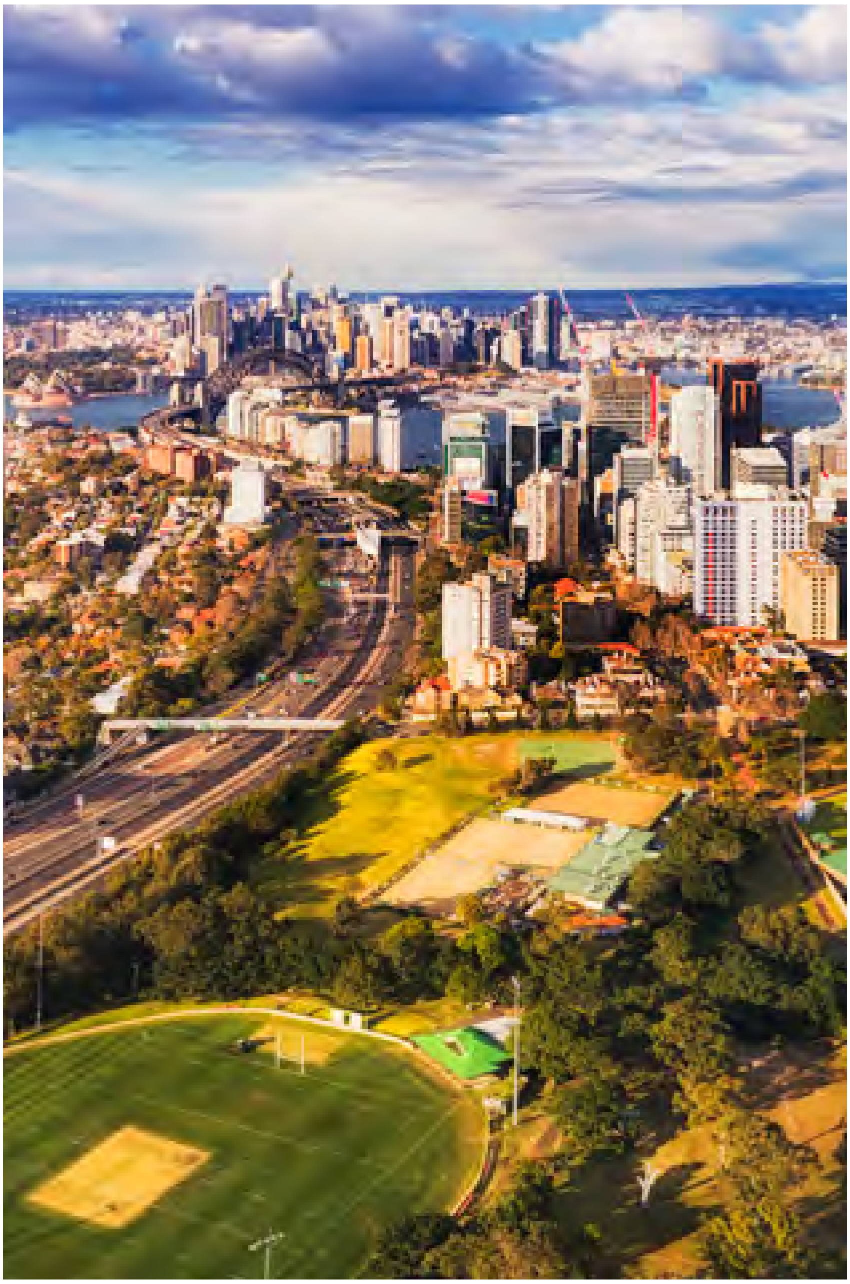
47%
five years to 2019

Total dwelling commencements

192.9 '000s pa
10 years to 2019

220.0 '000s pa
five years to 2019

High-density missing the mark?



The share of new medium and high-density dwellings (units) has increased across Australia's capital cities to meet the demand for affordable homes. But is this a positive outcome for the residential property market and housing affordability?

Units and particularly new apartment developments are largely catered for and built with investors in mind. Developers are reliant on pre-sales (who are usually investors) to obtain the finance to commence construction. In contrast, owner occupiers, who actually account for the majority of buyers, have typically favoured properties that they can readily move into.

However, units have a significantly longer gestation period than houses. The Australian Bureau of Statistics reports that an apartment building on average takes 84 weeks to build, which is almost three times longer than a house. A typical high-rise apartment building can take well over two years to complete, with the total development period being even longer when the pre-selling period is accounted for.

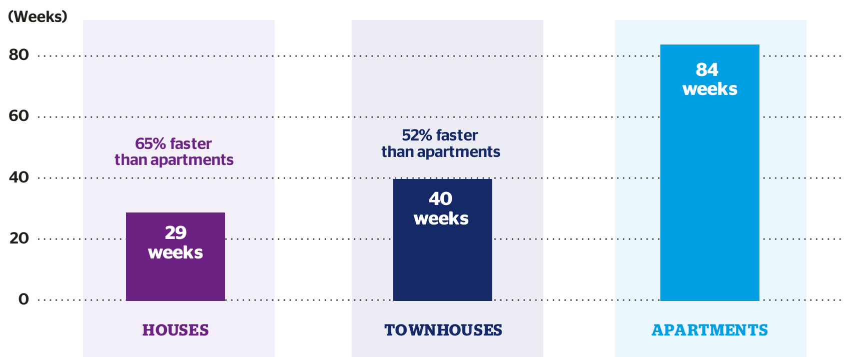
Consequently, units are less able than houses to meet rapid changes in demand, particularly owner occupier demand, due to the longer gap between the rise in demand and the new supply coming onto the market. The lag can drive up prices as an undersupply will persist longer. This price volatility also attracts speculative investments for capital gains rather than for long term occupation of housing. In turn, this speculative demand fuels new supply to hit the market simultaneously as the market peaks, ultimately resulting in excess stock and downward price pressures.

Evidence of the price volatility created by an increased reliance on units can be seen in a comparison of the Sydney and Adelaide residential property markets performance over the past 20 years. Average house rent and price growth (relative to incomes) in Sydney, where over 60% of new supply comprises of units, has been greater than in Adelaide, where units have accounted for only 27% of new supply. Volatility in Sydney has also been higher, with price growth varying 9.4% around the average compared to 7.3% for Adelaide.

Consequently, the trend of increasing medium and high-density development is at odds with providing more affordable housing for owner occupiers. Unless more houses are provided to the market, or timely delivery models for medium and high-density dwellings are developed, then the mismatch in the timing of demand versus supply is expected to persist.

Continued price volatility could become even more evident in the next few years as more onerous lending conditions have forced many potential investors out of the market. The outcome will likely be a delay in the supply of new units, potentially causing accelerated price growth and reduced housing affordability.

Average construction period for different dwelling types



Level of unit development versus long term* house price and house rental growth Sydney and Adelaide

	SYDNEY	ADELAIDE
Units as % of completions	61%	27%
Average increase in house prices above income growth (p.a.)	2.7%	2.2%
Average increase in house rents above income growth (p.a.)	0.2%	-0.5%
Volatility in house price growth (standard deviation)	9.4%	7.3%

**20 years to June 2019*

States at a glance

	NSW	VIC	QLD	WA
Population at December 2018	8,046,070	6,526,413	5,052,827	2,606,338
Five-year growth	7.9%	11.9%	7.8%	4.2%
ANNUAL MOVEMENT YEAR TO JUNE 2019				
FHB loans	-2.3%	-7.5%	-13.2%	-9.8%
Non-FHB loans	-18.1%	-14.8%	-13.2%	-10.5%
Investor loans (value)	-28.7%	-24.2%	-19.6%	-26.9%

	Sydney	Melbourne	Brisbane	Perth
Median house price at June 2019	$983,000	$770,900	$548,600	$519,000
Annual movement (year to June)	-12.8%	-11.4%	-2.8%	-3.4%
Forecast median house price growth 2019-2022	5.8%	5.1%	20.3%	6.0%
Median unit price at June 2019	$722,000	$549,000	$421,400	$360,900
Annual movement (year to June)	-8.0%	-0.2%	-5.8%	-8.9%
Forecast median unit price growth 2019-2022	-0.3%	3.8%	3.2%	5.3%
Vacancy rates (at Mar 2019)	3.6%	2.1%	2.2%	2.4%
Annual rental movement (to June 2019)	0.3%	1.7%	0.3%	-3.7%
Affordability[1]	30.9%	30.2%	20.3%	16.8%

1 Housing affordability is shown as, mortgage repayments at the prevailing standard variable rate (based on 75% of the median house price), as a percentage of household disposable income

SA	TAS	ACT	NT	
1,742,744	531,529	423,811	245,854	Population at December 2018
3.9%	3.6%	9.7%	1.5%	Five-year growth
				ANNUAL MOVEMENT YEAR TO JUNE 2019
8.1%	13.4%	-23.8%	23.0%	FHB loans
-6.0%	0.1%	-10.9%	-29.5%	Non-FHB loans
-13.4%	-6.1%	-19.4%	-30.0%	Investor loans (value)

Adelaide	Hobart	Canberra	Darwin	
$488,200	$499,300	$705,000	$500,000	Median house price at June 2019
-0.8%	2.5%	4.4%	0.0%	Annual movement (year to June)
12.7%	4.1%	6.4%	7.0%	Forecast median house price growth 2019-2022
$382,100	$408,500	$450,000	$325,000	Median unit price at June 2019
1.4%	3.2%	2.3%	-14.9%	Annual movement (year to June)
4.7%	2.8%	6.7%	9.2%	Forecast median unit price growth 2019-2022
1.9%	1.5%	0.6%	7.1%	Vacancy rates (at Mar 2019)
0.8%	5.9%	3.2%	-4.5%	Annual rental movement (to June 2019)
18.7%	22.3%	13.7%	11.0%	Affordability[1]

State of play

Interest rate cuts and reduced supply a positive impetus for prices

House prices across all capital cities are expected to stabilise in 2019/20 after experiencing slowing growth or declines in the past two years. The combination of an easing of lending serviceability buffers and lower interest rates is expected to assist borrowers. Strong population growth and a sharp downturn in new dwelling completions should result in the dwelling balance across most markets tightening from 2020/21. This will provide some positive impetus to prices.

New dwelling completions have averaged a record 209,000 per annum in the five years to 2018/19 with each of these years being higher than any year prior. The increased supply has helped alleviate some of the demand pressures coming from strong population growth across most capital city markets. Property prices are expected to continue to be supported by further employment growth and a low unemployment rate, as well as cuts to interest rates in 2019. This is expected to support borrowers and put a floor on prices before assisting price growth as new supply starts to fall away.

Demand and Supply

Strong population growth will be key to the market navigating the downturn in property prices. Net overseas migration is forecast to average a net inflow of 243,000 per annum in the three years to 2021/22 and this is expected to translate to underlying demand for an additional 204,000 dwellings per annum. At the same time, new dwelling building approvals fell by 19% in 2018/19 and dwelling completions are subsequently forecast to fall to 163,500 dwellings by 2020/21, which is well below underlying demand. This could mean some oversupplied markets will tip back into undersupply by 2021/22 creating the potential for a recovery in prices. However, the pace of recovery may be limited. While the interest rate serviceability threshold for most borrowers has been reduced, lenders are expected to maintain their more conservative approach towards assessing borrower income and expenses. There is also the possibility of interest rate rises by 2021/22 as the economy begins to gather momentum.

City outlook

The strongest outlook for property prices is forecast for **Brisbane**, where a decade of modest price increases has left the market relatively affordable. An oversupply in the market is negatively impacting prices, but it is predicted that a combination of rising population growth and rapidly falling supply will see this situation turn. With the Queensland economy also forecast to strengthen, residential price growth is forecast to steadily accelerate through to 2021/22. In both **Canberra** and **Adelaide,** with conditions predicted to remain steady, the recent moderate price growth is forecast to continue, although the Canberra median house price is expected to be influenced in the short term by the timing of the introduction of the first home buyer stamp duty exemption from 1 July 2019.

The worst appears to have passed for the **Sydney** and **Melbourne** markets, but upside over the next three years remains limited. Despite some easing in the assessment of mortgage serviceability by lenders, more rigorous assessments of income and expenses in loan applications are predicted to continue to impact growth in credit and therefore the rate of property price growth. After strong rises over the past four years, price growth in **Hobart** is now slowing due to affordability constraints. The **Perth** and **Darwin** residential markets are forecast to remain weak in the short term, but by 2021/22, an upturn in property prices is projected to emerge as their dwelling oversupplies are absorbed and the improved affordability provides a trigger for price growth as economic conditions begin to strengthen.

Median prices by capital city quarter ended June 2019

Houses

	Sydney		Melbourne		Brisbane		Perth		Adelaide		Hobart		Canberra		Darwin	
	$'000	% Var	$'000	% Var	$'000	% Var	$'000	% Var	$'000	% Var	$'000	% Var	$'000	% Var	$'000	% Var
Forecast growth (%)																
2019-2022		5.8		5.1		20.3		6.0		12.7		4.1		6.4		7.0
Forecast																
2022	1,040.0	2.5	810.0	3.2	660.0	9.1	550.0	4.8	550.0	4.8	520.0	1.0	750.0	2.7	535.0	3.9
2021	1,015.0	2.0	785.0	1.7	605.0	6.1	525.0	1.9	525.0	4.0	515.0	1.0	730.0	2.8	515.0	2.0
2020	995.0	1.2	772.0	0.1	570.0	3.9	515.0	-0.8	505.0	3.4	510.0	2.1	710.0	0.7	505.0	1.0
Prior years																
2019	983.0	-12.8	770.9	-11.4	548.6	-2.8	519.0	-3.4	488.2	-0.8	499.3	2.5	705.0	4.4	500.0	0.0
2018	1,126.6	-5.7	870.3	0.3	564.3	1.8	537.3	-0.1	492.1	2.6	487.0	11.0	675.0	0.6	500.0	-7.4
2017	1,194.9	14.1	867.6	15.9	554.3	2.7	537.9	-3.8	479.6	3.6	438.5	9.7	671.0	8.2	540.0	-6.3
2016	1,047.3	2.5	748.8	7.3	539.7	5.2	559.4	-3.9	462.8	3.8	399.6	11.0	620.0	8.2	576.0	-5.6
2015	1,022.2	24.1	697.7	15.6	512.8	4.3	582.2	-2.6	446.0	2.5	360.0	0.2	572.8	4.1	610.0	-1.7
2014	824.0	17.3	603.6	10.5	491.6	6.3	597.8	4.9	435.1	6.2	359.1	6.4	550.0	1.9	620.8	1.4
2013	702.4	8.2	546.3	3.4	462.5	4.0	569.8	10.7	409.8	0.5	337.4	-1.8	540.0	5.9	612.0	7.4
2012	649.1	-0.4	528.4	-5.3	444.6	-2.9	514.7	-1.6	407.6	-3.0	343.6	-2.0	510.0	-1.9	570.0	10.7
2011	651.6	-0.4	558.2	-3.5	457.7	-5.7	522.9	-3.9	420.2	-2.0	350.5	-2.1	520.0	3.9	515.0	-7.3
2010	654.5	15.1	578.4	24.8	485.3	9.1	544.3	9.3	428.7	11.5	358.0	9.2	500.5	11.0	555.3	18.2
2009	568.6	1.2	463.5	0.1	444.8	-3.2	498.0	-1.9	384.6	-2.6	327.9	3.0	451.0	-3.9	469.9	11.0
2008	561.8	1.0	463.1	11.1	459.3	13.1	507.8	-1.8	394.8	18.3	318.3	4.6	469.5	6.1	423.3	7.2
2007	556.4	2.7	416.9	11.2	406.1	16.0	517.0	9.8	333.7	9.6	304.2	6.1	442.5	13.5	395.0	12.9
2006	541.7	-0.9	374.7	7.5	350.2	7.0	470.8	48.7	304.6	7.6	286.8	13.2	390.0	6.0	350.0	25.1
2005	546.6	0.9	348.6	4.0	327.2	2.1	316.6	13.8	283.0	6.3	253.4	6.6	368.0	-1.9	279.8	9.7
2004	541.9	6.7	335.0	7.0	320.5	29.1	278.2	15.6	266.2	17.3	237.8	59.9	375.0	13.7	255.0	23.8
2003	507.8	15.7	313.0	9.8	248.3	27.4	240.7	16.3	226.9	24.5	148.7	25.7	330.0	29.4	206.0	3.0
2002	438.7	20.8	285.1	18.7	194.9	17.9	207.0	12.1	182.3	17.2	118.3	4.8	255.1	21.5	200.0	7.0

Units

	Sydney		Melbourne		Brisbane		Perth		Adelaide		Hobart		Canberra		Darwin	
	$'000	% Var	$'000	% Var	$'000	% Var	$'000	% Var	$'000	% Var	$'000	% Var	$'000	% Var	$'000	% Var
Forecast growth (%)																
2019-2022		-0.3		3.8		3.2		5.3		4.7		2.8		6.7		9.2
Forecast																
2022	720.0	2.9	570.0	3.6	435.0	3.6	380.0	4.1	400.0	2.6	420.0	1.2	480.0	2.1	355.0	4.4
2021	700.0	0.0	550.0	0.9	420.0	1.2	365.0	1.4	390.0	1.3	415.0	1.2	470.0	2.2	340.0	3.0
2020	700.0	-3.0	545.0	-0.7	415.0	-1.5	360.0	-0.3	385.0	0.8	410.0	0.4	460.0	2.2	330.0	1.5
Prior years																
2019	722.0	-8.0	549.0	-0.2	421.4	-5.8	360.9	-8.9	382.1	1.4	408.5	3.2	450.0	2.3	325.0	-14.9
2018	784.9	-4.3	550.2	-1.0	447.3	2.6	396.1	-1.0	376.9	3.6	396.0	19.0	439.9	-2.2	382.0	-18.7
2017	820.4	10.5	555.9	6.1	435.8	1.5	399.9	-3.1	363.8	7.0	332.8	-0.9	450.0	3.1	470.0	-6.0
2016	742.4	2.8	524.0	3.2	429.1	-0.6	412.6	-4.7	340.0	2.1	335.7	11.5	436.5	2.7	500.2	4.2
2015	722.1	15.5	508.0	4.9	431.8	4.3	432.9	-3.5	332.9	-2.1	301.1	-6.0	425.0	4.2	480.0	-1.0
2014	624.9	13.2	484.1	6.1	413.9	4.9	448.6	3.1	340.0	4.2	320.2	3.4	408.0	-0.5	485.0	4.5
2013	552.2	6.6	456.3	2.5	394.6	1.0	435.3	6.4	326.5	2.4	309.6	4.6	410.0	-2.4	464.0	6.7
2012	517.9	4.3	445.3	-3.2	390.7	-0.3	409.1	1.8	318.9	-4.4	295.8	1.3	420.0	0.0	435.0	2.4
2011	496.4	2.2	460.1	0.0	391.9	-2.6	401.8	-3.0	333.5	-0.8	291.9	-0.4	420.0	1.2	425.0	-2.9
2010	485.6	15.7	460.3	18.3	402.2	6.8	414.3	7.7	336.3	12.1	293.1	7.1	415.0	10.7	437.6	15.1
2009	419.9	3.0	388.9	4.4	376.5	-2.9	384.5	-0.9	300.0	2.3	273.7	4.9	375.0	7.1	380.1	15.5
2008	407.5	-0.1	372.6	7.7	387.8	11.4	388.0	0.9	293.2	15.7	261.0	7.6	350.0	-1.4	329.0	17.8
2007	408.2	1.6	345.9	12.7	348.2	13.2	384.5	11.3	253.5	10.2	242.6	-3.0	355.0	9.2	279.3	4.4
2006	401.7	0.8	307.0	6.2	307.7	10.2	345.6	34.2	229.9	5.5	250.3	14.0	325.0	4.2	267.5	32.1
2005	398.3	1.2	289.2	1.6	279.3	9.1	257.5	15.6	217.8	6.6	219.5	6.2	312.0	4.0	202.5	6.6
2004	393.7	3.4	284.5	1.3	256.0	20.6	222.8	6.0	204.3	11.9	206.7	45.0	300.0	15.4	190.0	20.9
2003	380.7	3.8	280.8	6.0	212.2	10.1	210.1	19.9	182.5	30.0	142.6	26.5	260.0	20.4	157.1	2.8
2002	366.9	14.2	264.9	19.0	192.7	4.0	175.2	16.4	140.4	10.9	112.7	10.4	216.0	39.4	152.8	7.8

A positive prospect

Recovery underway as new serviceability threshold encourages owner occupiers back into the market

Sydney house market

Sydney's median house price fell for a second consecutive year in 2018/19, with the median house price at $983,000 at June quarter 2019. This is 13% below the same quarter from 2018 and 18% below the peak of $1,194,900 at June quarter 2017.

A combination of factors has driven the downturn in Sydney residential prices, including the record number of new dwelling completions which are eroding the dwelling deficiency in Sydney. Consequently, the vacancy rate has increased, reducing the upward pressure on rent and property prices. Tightened bank lending policy, particularly toward investors who were a key driver of the Sydney upturn to the 2017 market peak, has also reduced the borrowing capacity of purchasers.

The decline in Sydney house prices in 2018/19 has mostly impacted Sydney's inner and middle ring suburbs. In these areas the median house price has fallen by 16.5% and 14.0% respectively. The outer ring suburbs median price fell by 8.5%. The tightening of lending criteria, particularly when assessing income and expenses to determine the ability to service a loan, appears to have had a significant impact on the more expensive end of the housing market (i.e. the inner and middle ring suburbs) than the more affordable outer ring suburbs of Sydney.

The influx of new dwellings in the market are contributing to a rise in vacancy rate, which has increased from 2.2% in March quarter 2018 to 3.6% in March quarter 2019. This is the highest level of vacancy rates seen since December quarter 2004. Vacancy rates were highest in inner Sydney (3.7%) and outer Sydney (3.5%) with the lowest being in middle Sydney (3.1%); where vacancy rates have trended downwards despite high supply volumes. Rental growth in Sydney has slowed to 0.3% in 2018/19 after having increased by 2.2% the year prior.

Investors

Investors led the downturn in the Sydney residential market, being most impacted by APRA guidelines to adopt more conservative lending practices. Higher interest rates and greater scrutiny of loan applications has reduced investors' borrowing capacity compared to owner occupiers, causing the value of loans to investors to fall by 41% between 2016/17 and 2018/19. Low yields and limited price growth forecast in 2019/20 means investors will remain discouraged.

Owner occupiers

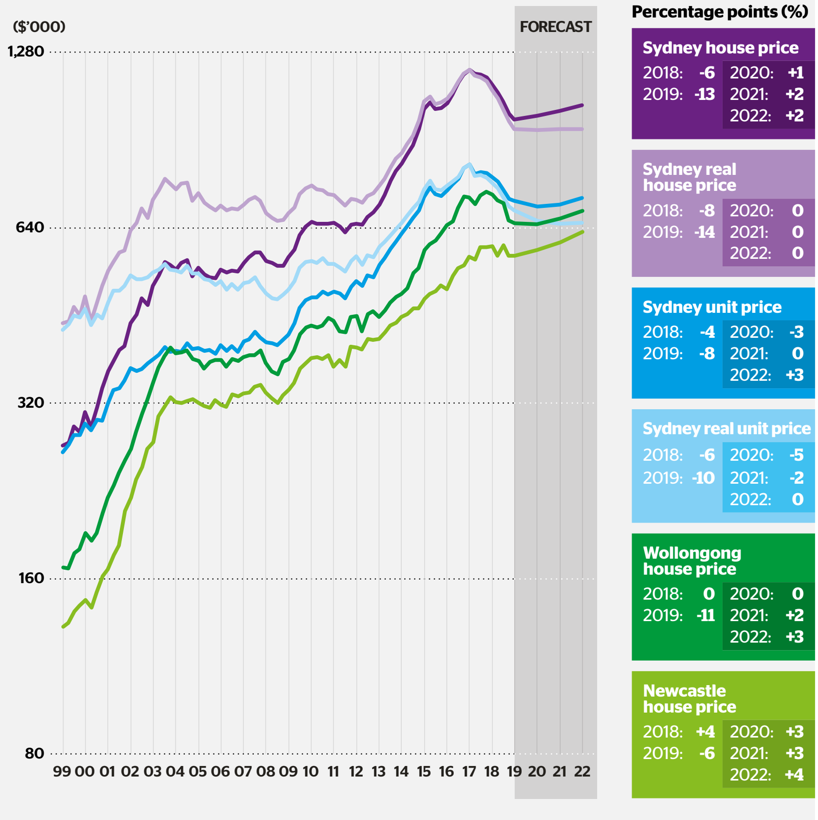
Total owner occupier loans in New South Wales fell by 15% in 2018/19 after a small positive result in 2017/18. First home buyer loans surged by 74% in 2017/18 as this buyer group took advantage of the introduction of stamp duty concessions, but activity flattened out in 2018/19, declining by 2%. Loans to upgraders and downsizers in New South Wales fell by 4% in 2017/18 and 18% in 2018/19 with many potential upgraders expected to delay their transaction until the environment for selling their existing home improves.

Outlook

New dwelling completions are expected to have peaked in 2018/19 and rental growth is likely to remain weak while vacancy rates are elevated. However, the easing of a selection of restrictions placed by APRA on lending practices could somewhat offset these negative factors and this is likely to encourage more purchasers back into the market. Consequently, house prices are estimated to be at, or close to, bottom in 2019 with the median house price forecast to rise to $995,000 (+1.2%) in the year to June 2020.

New supply is due to fall away sharply from 2020 due to current projects being completed and new dwelling building approvals falling. With population growth in Sydney to remain strong, vacancy rates are likely to tighten rapidly in 2020/21 and 2021/22. This will place upward pressure on rent and ultimately property prices. However, the legacy of conservative lending practices by institutions, coupled with a tightening in interest rate policy toward the end of this forecast period, will restrict growth in borrowing capacity and therefore the rate of property price growth. Sydney's median house price is forecast to rise a cumulative 6% in the next three years, taking the median to $1,040,000 by June 2022. Despite the rise, the median house price at June 2022 is forecast to still be below the June 2017 peak.

New South Wales: dwelling prices



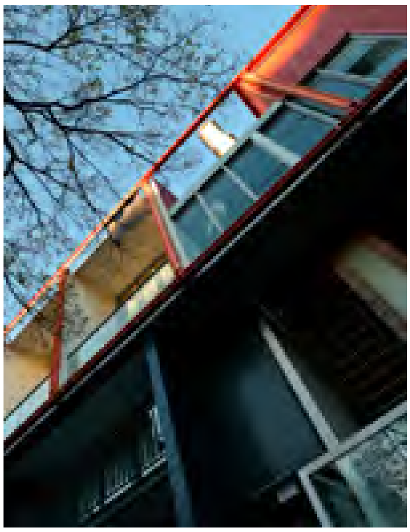
** Real house/unit prices in 2017 dollars*

Sydney unit market

In recent years, the pipeline of dwelling completions in Sydney has been weighted toward apartments and it is expected that the recent rise in vacancy rates has been mainly in this sector. Price declines for units in Sydney have been slightly lower than for houses, with a 12% fall in the median price from its June 2017 peak to $722,000 at June 2019. While the unit market has been impacted by weaker investor demand, the more affordable cost of apartments has meant that the stamp duty exemption for first home buyers (on purchases up to $650,000) has provided some support to the unit sector.

Outlook

The relaxing of the serviceability threshold for borrowers by APRA is expected to have a positive impact on lending for owner occupiers more than investors; who currently pay an interest rate premium. With the unit market more exposed to investor purchasers, a further 3% median unit price decline is forecast for 2019/20 before unit prices show signs of recovering from 2020/21. This recovery is predicted as vacancy rates begin to tighten and attract investors back into the market. Sydney's median unit price is expected to reach $720,000 by June 2022 – roughly on par with the June 2019 level.



New South Wales and Sydney regions

Sydney median house price annual % change

Inner	Middle	Outer	Median
-16.5%	-14.0%	-8.5%	-12.8%

Regional New South Wales

Property prices in Wollongong and Newcastle are likely being supported by first home buyer demand with the median house price in these regions at, or under, the $650,000 first home buyer stamp duty concession threshold.

Regional New South Wales centres

❶ Wollongong region

Wollongong has strong economic links to Sydney, with the 2016 Census identifying more than 26% of full-time working residents of the Wollongong LGA commute to Sydney for work. Nonetheless, Wollongong maintains its own diversified economy. The city has seen strong and consistent population growth since 2012.

A large driver of this population growth has been residents seeking more affordable properties than are available in Sydney. This includes both first home buyers and upgraders seeking a more affordable larger home. Wollongong also attracts retiree downsizers.

The downturn in median house price in Wollongong has followed that of Sydney, with weaker Sydney property prices making it more difficult to trade up/down to a Wollongong house. Wollongong's median house price peaked in March quarter 2018. House prices began to turn down in June quarter 2018, which has accelerated to a decline of 11% in 2018/19.

Outlook

Wollongong's affordability advantage over Sydney should help to support property prices and ensure it has a more moderate downturn than Sydney. As with Sydney, the improved lending environment should see prices stabilise in 2019/20. However, vacancy rates in Wollongong have edged upward to 2.8% at March 2019 as new supply has increased. The unemployment rate was above that of Sydney at 4.7% in May 2019, although this is still low and reflects a healthy local economy. The region is expected to continue to experience robust population growth as population from Sydney continues to move south. Modest price growth is forecast over 2020/21 and 2021/22, with the median house price in Wollongong rising by 6% over the next three years to $685,000 at June 2022.

❷ Newcastle and the Hunter region

Newcastle is slightly more discrete from the Sydney market, compared to Wollongong. Situated further from Sydney means Newcastle is less connected to Sydney's employment market and therefore residential prices in the region are more indicative of local economic conditions.

Local economic conditions have continued improving, following a prolonged period of stagnation as a result of declining investment in the coal industry of the region. The unemployment rate has fallen to 4.7% at May 2019, which is its lowest level in more than five years and down from a peak of 8.0% in May 2015. There has also been an uptick in population growth over this period.

The softer economic conditions coupled with an uptick in supply meant Newcastle saw more modest price growth than Sydney over the upturn in the five years to June 2018, averaging 8.1% per annum. Affordability is comparatively better and consequently Newcastle's median house price has fallen by a more modest 6% in 2018/19, compared to a reduction of 13% in Sydney.

Price growth ▼ **-6.2%**

Vacancy rates ▲ **2.1%**

Forecast house price ▲ **10.7%**

Unemploy-ment ▼ **4.7%**

Outlook

The local economy in Newcastle is likely to continue to strengthen as the city cements itself as a logistics hub in the region. Major projects such as the Newcastle light rail and expansion of Newcastle University at Honeysuckle will provide a boost which will feed through to population growth and housing demand. New dwelling supply in Newcastle looks to have peaked, although vacancy rates appear to remain relatively tight at 2.1% in March 2019.

Over the forecast period to June 2022, Newcastle is expected to see annual average price growth of 3% with price growth accelerating through the later end of the period. This will represent a cumulative increase of 11% with the median house price expected to reach a new high of $630,000 by June 2022.

New heights

Migration set to benefit economy, but a surge in unit supply may dampen price growth

Melbourne house market

The median house price in Melbourne eased to $770,900 in June 2019. This represents the sixth consecutive quarter of price declines and a 14.1% decline from the peak in December quarter 2017. This decline follows a cumulative 70% rise over the five-and-a-half years to December 2017. The median unit price on the other hand is estimated to be down just 3% in the same period, reflecting the lower unit price growth in the lead up to the peak, and therefore lower subsequent decline. The downturn in the market has come as rising supply has eased the upward pressure on property prices and a tightening in lending serviceability assessments has reduced the borrowing capacity of investors and owner occupiers, causing many to retreat from the market.

Buyer activity

Investor activity underpinned the upswing in the Melbourne market to 2017, as price growth and low vacancy rates coupled with a low interest rate environment attracted investors. However, investor lending has since dropped strongly. The value of investor loans in 2018/19 was down by 33% from its peak 12-month period in 2017. Higher interest rates for investors and tighter criteria in assessing loans have reduced the borrowing capacity of investors while the recent falls in residential prices have also caused investors to retreat.

The number of loans to upgraders and downsizers has also fallen, down 15% in 2018/19. The decline in house prices in Melbourne has made it less attractive to sell an existing dwelling and trade up or down. First home buyers have shown stronger willingness to enter the market with the introduction of Victorian Government stamp duty concessions. First home buyer activity increased by 36% in 2017/18 and has remained relatively high, being only 7% lower in 2018/19.

The downturn in house prices in 2018/19 has been relatively even across metropolitan Melbourne. The total Melbourne median house price fell by 11.4% in 2018/19, ranging from a 9.6% decline in outer ring suburbs, to a 12.8% decline in middle ring suburbs. However, price declines from their peak have been largest in inner (-20.3%) and middle (-17.2%) suburbs, relative to outer Melbourne (-9.7%).

Demand and supply

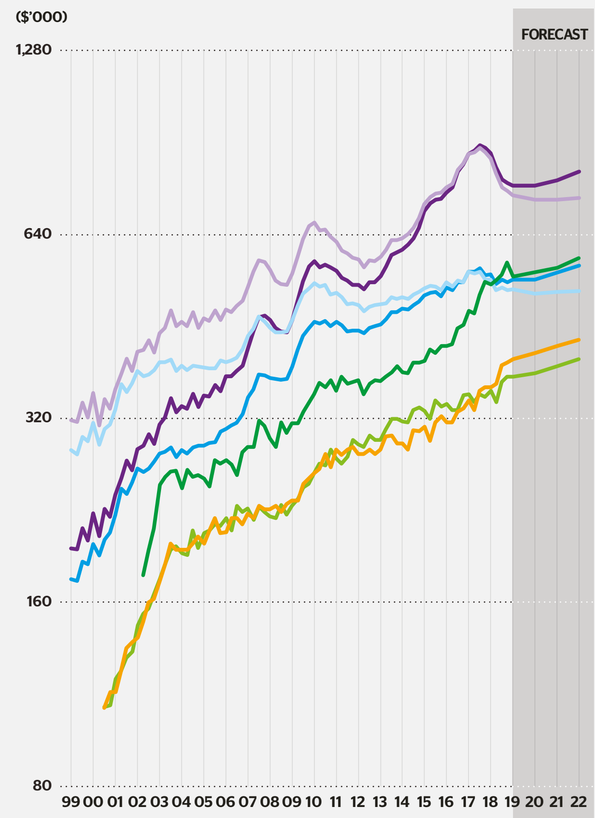
Victoria has seen burgeoning population growth in recent years. Despite accounting for only 26% of the nation's population at June 2019, Victoria has accounted for 34% of national population growth over the prior five years. This translates to growth of 141,300 persons per annum, or average annual growth of 2.3%, and compares with 1.6% per annum growth nationally. Rises in both net interstate and overseas migration inflows have driven this increase.

Strong population growth saw demand for new dwellings surge, creating a significant supply response. Dwelling completions averaged 65,800 per annum in the three years to June 2019, compared to just 43,200 dwellings per annum in the preceding two decades. A significant portion of this growth has been in the multi-unit dwelling sector and any downward pressure coming from the high level of supply is expected to be more prevalent for units than for houses.

Outlook

Despite some easing in lending serviceability assessment thresholds in 2019, price growth in 2019/20 is still expected to be hampered by the rise in dwelling completions and an uptick in vacancy rates. However, population growth in Melbourne is expected to remain strong and new dwelling completions are expected to drop off sharply from 2020/21, reflecting the current fall in building approvals. Vacancy rates in Melbourne are expected to rapidly tighten as the modest undersupply of dwellings begins to swell again. This is forecast to drive the recovery of price growth in the next cycle, although the continued reduced availability of credit will result in a much more subdued rate of growth than was seen in the previous upturn. In aggregate, Melbourne's median house price is projected to rise by a total of 5% over three years to $810,000 as at June 2022.

Victoria: dwelling prices



Percentage points (%)

	2018	2019	2020	2021	2022
Melbourne house price	0	-11	0	+2	+3
Melbourne real house price	-2	-13	-1	0	+1
Melbourne unit price	-1	0	-1	+1	+4
Melbourne real unit price	-3	-2	-2	-1	+1
Geelong house price	+13	-4	0	+1	+3
Bendigo house price	+3	+2	+2	+3	+3
Ballarat house price	+7	+8	+3	+2	+2

** Real house/unit prices in 2017 dollars*

Melbourne unit market

The median unit price in Melbourne of $549,000 at June 2019 is down just 3% on its peak in December 2017. This comes as the median unit price saw a moderate price growth of 26.5% through the five-and-a-half-year period preceding the peak, compared to that of houses.

Supply

The rise in dwelling supply in Melbourne has been underpinned by a surge in unit construction. For the first time on record (in 2015/16), commencements for attached dwellings were greater than for detached houses. While unit commencements in Melbourne have fallen since peaking in 2016/17, supply is anticipated to remain elevated. The decline in investor demand has hit the new unit market, which is more favoured by investors, harder than the house market. This is likely to curtail the next pick up in unit supply and will constrain new unit commencements in the next cycle.

Outlook

The median unit price is expected to remain relatively flat over 2019/20 (-1%) before the supply of recently completed unit stock is absorbed. Unit prices are forecast to show modest growth in 2020/21 and 2021/22 as rental growth returns, yields begin to pick up and investors return to the market. Over the forecast period it is projected the median unit price growth will increase by an aggregate 4% to reach $570,000 by June 2022.

Victoria and Melbourne regions

Melbourne median house price annual % change

Inner	Middle	Outer	Median
-10.6%	-12.8%	-9.6%	-11.4%

Regional Victoria

Prices have held up better in Geelong and Ballarat over the past two years while Melbourne's median house price has declined. Demand appears to be fuelled by a combination of population escaping Melbourne's higher property prices, and first home buyer incentives attracting population into these more affordable centres.

Regional Victoria centres

❶ Ballarat

Price growth
7.6%

Vacancy rates
1.1%

Forecast house price
7.6%

Unemploy-ment
4.6%

Ballarat has enjoyed solid median house price growth over the past three years, averaging around 7.8% per annum. Ballarat benefits from its proximity to Melbourne with the city offering a viable commuting option to Melbourne via road and rail. Growing demand is likely to have come from first home buyers from Melbourne taking advantage of the stamp duty concessions on offer. The local economy is also reasonably strong as evidenced by a relatively low unemployment rate (4.6% at March quarter 2019) while tight vacancy rates (1.1% at May 2019) are also likely to have supported investor demand and property prices.

Outlook: Ballarat will benefit from a number of employment-generating projects in the short term. This includes significant new projects such as the $60 million Ballarat GovHub office development and the $25 million Ballarat Sports and Events Centre. Commuters are expected to continue to be attracted to this affordable market, although the downturn in Melbourne house prices is projected to influence Ballarat prices, with its median house price forecast to rise a cumulative 8% to reach $425,000 at June 2022.

❷ Geelong

Geelong has met the challenge of rising unemployment due to the loss of car manufacturing in the area in late 2016 thanks to solid local employment growth in the service sector. Nevertheless, after rising by 12.5% in 2017/18, the median house price in Geelong fell by 4% in 2018/19 with the market slowing down in line with the downturn in the Greater Melbourne market.

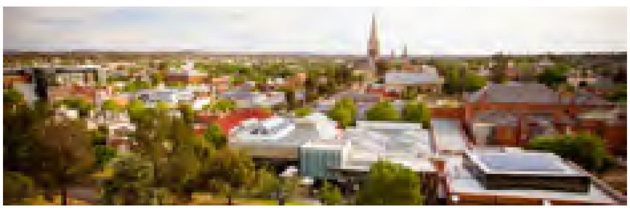
In comparison with the decline in Melbourne house and unit prices, Geelong's housing demand has been buoyed by population flows from Melbourne, which in turn has supported prices and mitigated the magnitude of decline in the median house price.

Outlook: Employment conditions in Geelong are likely to stay relatively buoyant with a number of new projects underway including the commencement of a $65 million office tower in the CBD, a number of educational sector projects and the commencement of the $650 million New Lara Maximum Security Prison expected in 2019/20. Geelong's affordability advantage over Melbourne is expected to continue to draw population from Melbourne, particularly with first home buyers taking advantage of the stamp duty concessions for dwellings under the $600,000 threshold. However, with Melbourne house prices becoming more affordable, the impetus to Geelong property prices is likely to be reduced, and total growth in Geelong's median house price to June 2022 is projected to be like that of Melbourne at 4%, taking its median house price to $540,000 at June 2022.

❸ Bendigo

Median house price growth in Bendigo in the three years to June 2019 was below that of Geelong and Ballarat at 2.9% per annum. This reflects Bendigo's greater distance from Melbourne making it less viable for commuters, although local employment growth appears to be relatively solid and reflected in an unemployment rate of 4.3% at March quarter 2019. Median house price growth in Bendigo in 2018/19 was similar to the average of the prior three years, at 2.4%.

Outlook: In the absence of any major infrastructure projects to help drive the economy, median house price growth is likely to remain relatively modest over the forecast period. By June 2022, the median house price is projected to increase by 7% to reach $395,000. At 2.3% per annum, this is similar to the average rate of growth seen over the prior three years.



Opportunity abounds

Tourism is boosting economy and affordability remains advantageous

Brisbane house market

Brisbane's residential market did not see the same magnitude of residential price growth over the last cycle compared to Sydney and Melbourne. With affordability less strained, the market for detached dwellings has seen a more moderate downturn than the other two east coast capital cities.

Median house prices

The median house price in Brisbane declined by 2.8% over the 12 months to June 2019 after an extended period of mild growth that averaged 4.1% per annum in the five years leading up to June 2018. Rising new dwelling supply, particularly apartments, as well as a tighter lending environment, have been the chief contributors to this softer price growth.

The Brisbane market is estimated to be in oversupply although this is likely to predominantly be in the unit sector given the high level of recent unit supply. The detached housing market is estimated to be in relative balance with the unit oversupply reflected in the higher vacancy rate in the inner suburbs where there is a higher concentration of apartments, compared with middle and outer Brisbane suburbs. House prices have also fallen much more sharply in inner Brisbane (down 9.6% in 2018/19) than in the middle (-1.3%) and outer (-3.8%) ring suburbs of the city. Greater scrutiny over household income and expenses in assessing loan applications has likely to have had more impact on larger loan applications, which in turn has influenced house prices in more expensive suburbs.

Demand and supply

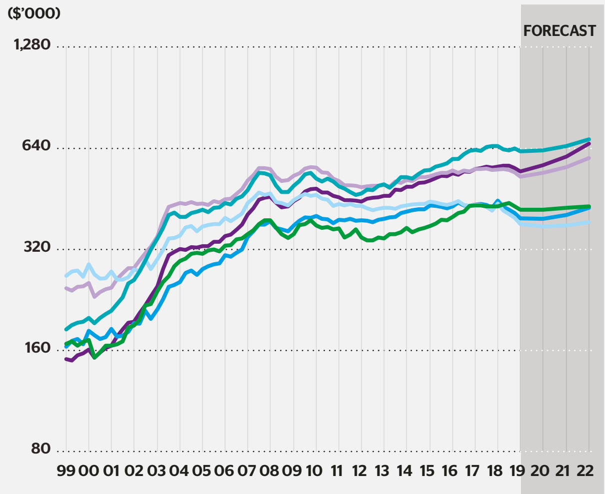
Brisbane (and South East Queensland in general) has led the economic recovery in Queensland as the state emerges from the downturn in mining investment, being driven by growth in non-mining sectors. Improved employment growth has buoyed population growth since 2015, with Queensland attracting stronger net inflows from other states and territories.

Dwelling supply in Brisbane peaked over 2016/17. This was underpinned by a surge in supply of units, mainly in the inner city. Supply eased slightly in 2017/18 with the decline in new dwelling completions now accelerating. With underlying demand expected to remain strong and new supply falling away rapidly, the Brisbane market is forecast to move back towards an undersupply.

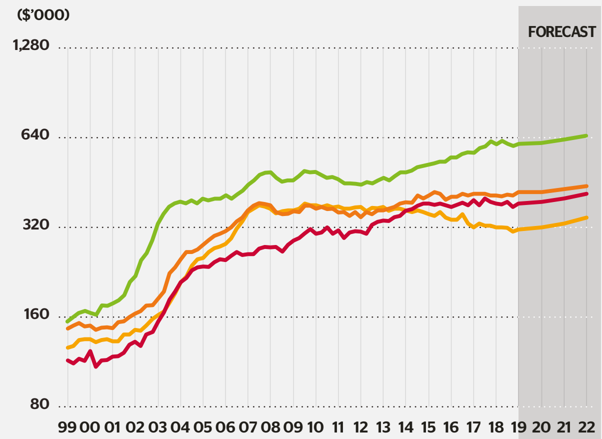
Outlook

The Queensland and Brisbane economies are forecast to continue to improve. The lower Australian dollar is boosting the local tourism and education sectors and a number of large building and infrastructure projects, including the Queens Wharf precinct and Cross River Rail, are underway. Brisbane continues to maintain a significant affordability advantage over other east coast capital cities, and as employment prospects improve, demand from home buyers who are priced out of these cities is expected to increase. After a modest rise in 2019/20, median house price growth is forecast to accelerate from 2020/21 as the dwelling undersupply is absorbed. Median house price growth is forecast to average 6.4% per annum over the next three years, taking the median house price to $660,000 in June 2022.

Brisbane and Gold Coast: dwelling prices



Regional Queensland: dwelling prices



Percentage points (%)

	2018	2019	2020	2021	2022
Brisbane house price	+2	-3	+4	+6	+9
Brisbane real house price	0	-4	+2	+4	+6
Brisbane unit price	+3	-6	-2	+1	+4
Brisbane real unit price	+1	-7	-3	-1	+1
Gold Coast house price	+2	-4	+1	+3	+5
Gold Coast unit price	-1	-1	0	+1	+1
Sunshine Coast house price	+7	-2	0	+3	+4
Townsville house price	0	-2	+2	+3	+5
Cairns house price	-1	0	+3	+2	+2
Toowoomba house price	-3	0	+1	+3	+4

** Real house/unit prices in 2017 dollars*

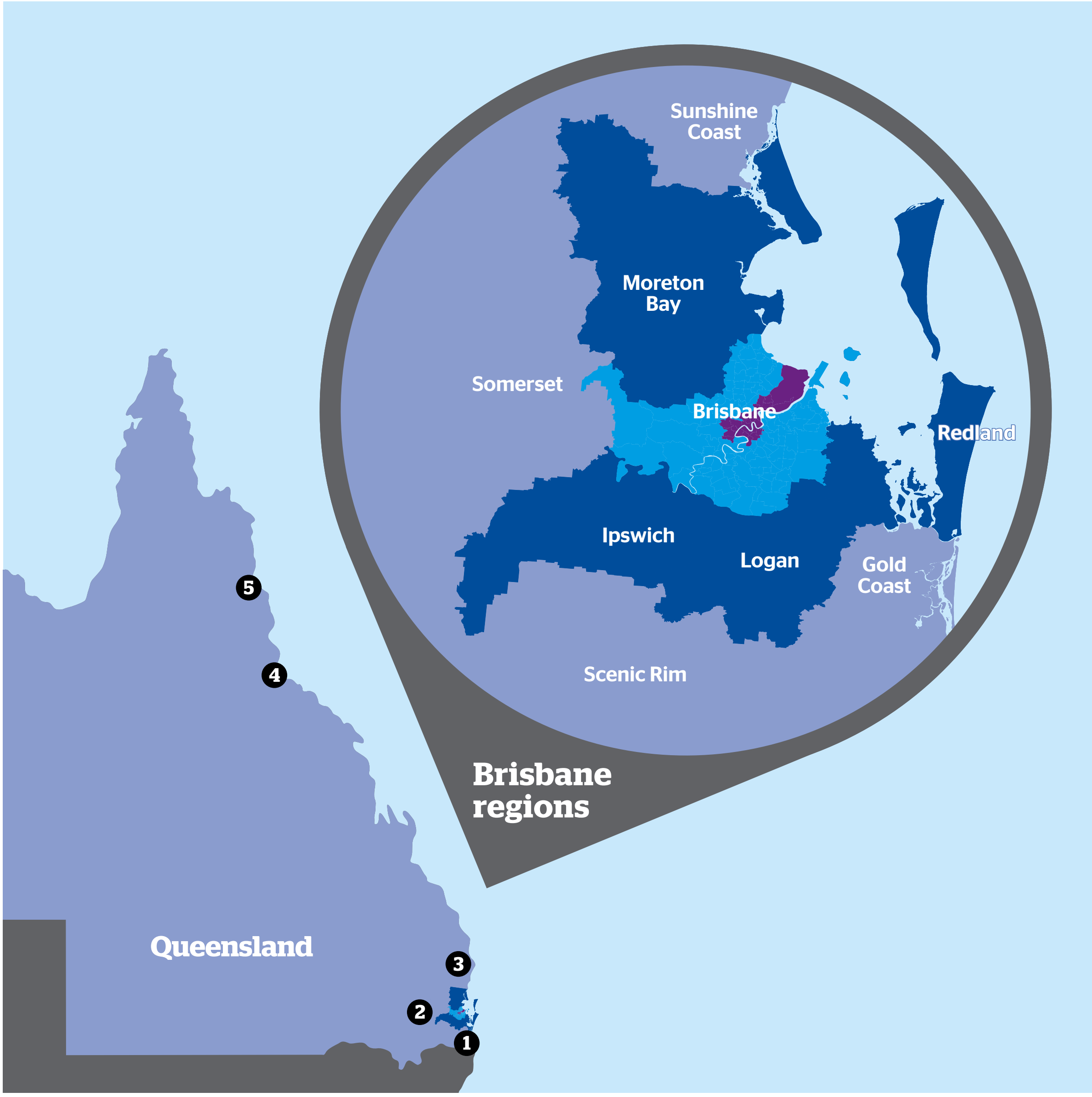
Brisbane unit market

The Brisbane unit market has undergone a surge in supply over the five years to June 2018. Annual high-density dwelling completions over this period were nearly 500% higher than the average of the preceding two decades. Such a sharp increase in supply pushed this market into oversupply which has crimped rents in Inner Brisbane (where the bulk of unit supply has occurred). In turn, Brisbane's median unit price fell by 6% in 2018/19. It's likely that attractive rents in the unit market are also leading to those who would be willing to enter the market as first home buyers prolonging the period they remain as tenants, and delay purchasing their own unit.

Outlook

Challenges will remain for the Brisbane unit market given the weakened lending environment for investors and the excess supply of units. A further decline in the median unit price of 2% is forecast in 2019/20. Modest price growth is expected to return through 2020/21 and 2021/22 as unit completions slump and the oversupply of unit stock dissipates. Nonetheless, any recovery is likely to remain modest until investors return to the market in larger numbers, with Brisbane's median unit price forecast to be up by a total of 3% in the next three years to $435,000 by June 2022.

Queensland and Brisbane regions



Brisbane median house price annual % change

Inner	Middle	Outer	Median
-9.6%	-1.3%	-3.8%	-2.8%

Regional Queensland

Gold Coast and Sunshine Coast, and to some extent Toowoomba, are influenced by Brisbane's residential market, although house price growth in Gold Coast and Sunshine Coast has outpaced Brisbane in the past five years.

The northern Queensland centres of Townsville and Cairns have seen different residential market outcomes in recent years.

Regional Queensland centres

❶ Gold Coast

Despite the end of the Commonwealth Games and the related boom in infrastructure projects, the local economy on the Gold Coast has been buoyed by growth in the tourism sector and new building projects including the Gold Coast Airport expansion and a new Star Casino Hotel. This has driven robust employment growth across the city and the local unemployment rate of 4.8% at April 2019 was well below the state average.

The median house price on the Gold Coast saw solid growth, averaging 5.5% per annum over the six years to June 2018, although house prices fell by 3.7% in 2018/19. The median unit price on the Gold Coast also tracked lower, down by 1.2% in 2018/19.

Price growth
-3.7%

Vacancy rates
1.8%

Forecast house price
8.8%

Unemploy-ment
4.8%

Outlook: The supply of dwellings on the Gold Coast has spiked in recent years and although supply has eased slightly through 2018/19, completions remain at an elevated level. The Gold Coast attracts significant population from other parts of Australia and continued sizeable population growth will ensure underlying demand remains strong. Rental vacancy rates were tight at 1.8% in March quarter 2019, though have shown recent signs of drifting upwards.

The region has a steady supply of infrastructure projects and the local tourism industry will continue to remain a cost competitive holiday destination, so these economic drivers will maintain the momentum in growth. House price growth to 2022 is expected to remain positive, albeit at a slower rate than the previous upturn at an average rate of 2.9% per annum. This will take the median house price to $680,000 by June 2022. Given the greater rise in the supply of units, unit prices are projected to show slower growth, averaging 0.8% per annum to take the median unit price to $435,000 over the same period.

❷ Toowoomba

Toowoomba is a key logistics hub for the agricultural centres in the Darling Downs. It also benefits from its location on the Melbourne to Brisbane freight route. The local economy is solid with the local unemployment rate sitting at a healthy 4.8%. The median house price has seen sporadic growth in recent years, after an earlier spurt of growth where the median house price rose 24% in the three years to June 2015. In the year to June 2019, house prices grew by just 0.2%, taking the median to $385,000.

Outlook: In the medium-term the Inland Rail project will cement Toowoomba's position as a key logistics hub in the region, while in the short-term the completion of the Second Range Crossing project will make Toowoomba more accessible. Outside of this, there are few key infrastructure projects to drive the growth outlook for Toowoomba and the median house price is forecast to average 2.5% growth per annum in the three years to June 2022.

Regional Queensland centres continued

❸ Sunshine Coast

Population growth on the Sunshine Coast has continued to be strong as it benefits from Australia's ageing population. While also attracting a younger family demographic, the region also sees population moving from Brisbane and the southern states in retirement. The tourism industry on the Sunshine Coast is less developed than on the Gold Coast and hasn't seen the same level of growth as the Gold Coast. However, the region has benefited economically from strong residential construction activity and several large infrastructure projects. Slowing markets elsewhere have reduced the trade down potential to the Sunshine Coast and this has weighed on price growth, with the median house price falling by 2.2% in the year to June 2019.

Outlook: The Sunshine Coast has and will continue to benefit from internal migration which will ensure a steady source of demand. House prices are forecast to grow by a total of 7% over the three years to June 2022, taking the median house price to $635,000.

❹ Townsville

The Townsville residential market has experienced an extended period of weakness as a result of anaemic economic activity in the region. The decline in mining investment coupled with cuts to defence and public administration jobs and the lack of an economic driver saw the unemployment rate in the region balloon to peak at 9.4% at May 2018. The median house price of $313,800 as at June 2019 is 19% lower than its peak in December 2009.

However, Townsville appears to be slowly turning a corner after a significant period of depressed economic activity. Townsville's vacancy rate tightened from a peak of 7.1% in 2016 to around 4% over 2018. Subsequent cyclone activity caused flood damaged rental properties to be temporarily removed from the market, causing the vacancy rate to fall to 1.5% at March 2019, but this is likely to increase again as these dwellings return to the market. The unemployment rate has also improved markedly, falling to 7.1% in May 2019. However, much of the improvement has been the result of a decline in work force participation and the rate remains significantly higher than the state and national average.

Outlook: It is expected the worst is now over for the Townsville residential market with residential prices having troughed. Without a huge amount of economic stimulus, price growth is projected to be fairly modest until momentum in the economy builds up. The Townsville Stadium project will contribute to the economy, while the city may benefit from recent rises in commodity prices. and consequent increases in exploration and investment. The significant residential price decline also means that house prices in Townsville are already at a low base. The median house price is forecast to climb to $345,000 by June 2022, with a cumulative rise of 10% over the three years.

❺ Cairns

Cairns hasn't experienced the same level of economic weakness compared to Townsville. Without as much exposure to the resource sector, the city didn't experience the same type of boom and therefore not the same type of bust. Meanwhile tourism in the region has been strong in recent years, benefiting from a lower Australian dollar. This has helped to insulate the region from the downturn in the resources sector. Population growth has also been solid, and the Cairns vacancy rate has been low at 1.3% in March quarter 2019. The median house price was flat in 2018/19, with the median house price largely unchanged since 2015.

Outlook: While Cairns' local industries will continue to benefit from a weak dollar, there appears to be little else outside tourism driving the economy. Residential price growth is forecast to be limited in the next three years with a cumulative rise of 8% taking the median house price to $440,000 by June 2022.

Queensland regional mining centres

The median house price in Gladstone and Mackay increased by 32% and 17% respectively during the mining investment boom. The median house price in both regions is now below its level prior to this growth period, being down by 46% in Gladstone and 22% in Mackay in June 2019 from its previous peak.

In contrast the Isaac region, which comprises the smaller towns of Dysart and Moranbah, saw a much greater upturn with a 97% rise in its median house price between December 2007 and March 2012. This surge was then followed by a large decline, where the median house price fell by 82% by September 2017.

Gladstone has experienced a large increase in the local unemployment rate to 7.3% at March 2019. Mackay also saw a large uptick in the unemployment rate, peaking at 8.4% in December 2015 before tightening markedly to 4.4% in March 2019. This rate is also significantly lower than the state average. The Isaac Region, having a much higher proportion of residents as transient workers, saw only a 1% increase in the unemployment rate to 2%. The mild rise in the unemployment rate does not reflect a strong employment market, but rather the transient workers leaving as jobs dry up. In comparison, Gladstone and Mackay have a greater percentage of permanent residents who are less able to leave when employment prospects decline, causing the unemployment rate to rise.

Outlook

It's worth noting that with the limited sales volumes in Isaac in recent quarters, residential price growth has been patchy, and it's difficult to gauge any marked recovery. Nonetheless, it's anticipated that the Isaac region has bottomed out. The median house price climbed to $181,000 in June quarter 2019; more than 51% higher than the bottom of the market, but less than a third of its peak price. Residential price growth has also improved in Mackay in line with a strengthening local economy.

In these two regions it appears that firstly an over-correction in house prices has taken place as owners looked to get out of the market at any price, and secondly that some speculative investors are now entering this market. In contrast, with a sluggish local economy it appears the market in Gladstone is yet to bottom out with the median house price having fallen to $258,000 as at June 2019.

Median house prices and unemployment rates

		MEDIAN HOUSE PRICE ($) SALES IN PRIOR YEAR				% CHANGE		UNEMPLOYMENT RATE (%)	
REGION		START OF UPTURN	PEAK	TROUGH	JUNE 2019 QTR	START TO PEAK	PEAK TO JUNE 2019	MAR 2013	MAR 2019
Isaac Region (MORANBAH, DYSART)	Median house price ($)	335k	660k	120k	**181k**				
	Sales in prior year	440	659	329	**189**	97%	**-73%**	1.1	**1.6**
	Date	Dec-07	Mar-12	Sep-17	**Jun-19**				
Gladstone Region	Median house price ($)	365k	480k	258k	**258k**				
	Sales in prior year	906	1,531	829	**829**	32%	**-46%**	4.3	**7.3**
	Date	Mar-09	Dec-11	Jun-19	**Jun-19**				
Mackay Region	Median house price ($)	381k	446k	318k	**349k**				
	Sales in prior year	3,832	3,251	1,721	**2,152**	17%	**-22%**	3.1	**4.4**
	Date	Sep-07	Sep-12	Sep-17	**Jun-19**				
Greater Brisbane	Median house price ($)	427k	568k	549k	**549k**	33%	**-3%**	5.7	**6.2**
	Date	Dec-08	Sep-18	Jun-19	**Jun-19**				

Baby steps

Minimal growth forecast following continued challenges after mining investment boom

Perth house market

Median house prices

After appearing to stabilise in 2017/18, the downturn in Perth house prices continued in 2018/19, with a further 3% decline in the median house price coming through. The most recent annual reduction in Perth's median house price represents the fifth successive year of house price falls, which have totalled 13% between June 2014 and June 2019.

Demand and supply

The downturn in the Perth market has largely been the effect of a collapse in resource sector investment since 2013. The resultant downturn in the economy caused the unemployment rate to rise (to a peak of 7.5% in March 2017), which in turn saw population growth slow dramatically as workers attracted by the earlier boom time economic conditions returned to their state or country of origin.

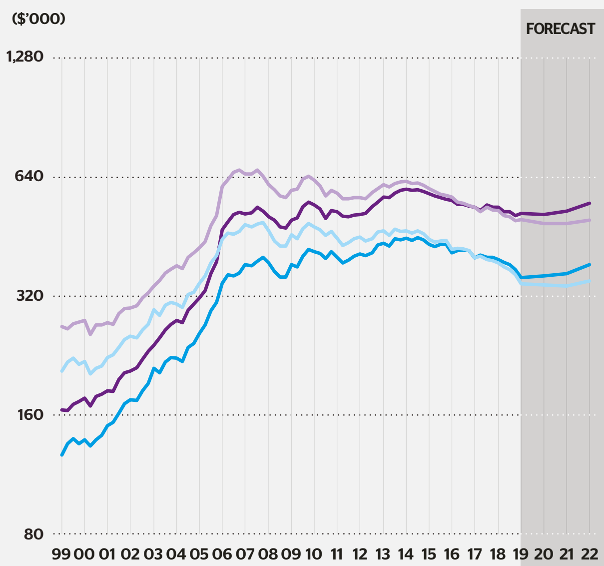
New dwelling construction was also peaking as population growth fell away, causing an oversupply to develop in 2016. Both overseas and interstate migration are now improving but not yet by enough to make major inroads into the oversupply. In addition to the decline in residential prices, rents at June 2019 are also down by 22% on their June 2014 peak.

Outlook

There are signs now that the worst is over for the Perth market. After peaking at 7.3% at June 2017, Perth's vacancy rate improved to 2.4% in March 2019. Tenants are perhaps being attracted by significantly more affordable rents after major rent declines since 2014.

The outlook for the state economy is also more positive. Rises in commodity prices are encouraging mining investment, which should improve employment growth. Lower interest rates and the lower mortgage serviceability rate should also have a positive effect, although the weaker fundamentals of the Perth market, particularly Perth's significant dwelling surplus, may dampen the upside. After a marginal decline in 2019/20, house price growth is forecast to emerge from 2020/21 as the excess dwelling stock is reduced and positive impetus returns to price growth. By June 2022, the median house price is expected to reach $550,000 (6% higher than June 2019 levels).

Perth: dwelling prices



Percentage points (%)

Perth house price
2018: 0 2019: -3 2020: -1 2021: +2 2022: +5

Perth real house price
2018: -2 2019: -5 2020: -2 2021: 0 2022: +2

Perth unit price
2018: -1 2019: -9 2020: 0 2021: +1 2022: +4

Perth real unit price
2018: -3 2019: -10 2020: -2 2021: -1 2022: +2

** Real house/unit prices in 2017 dollars*

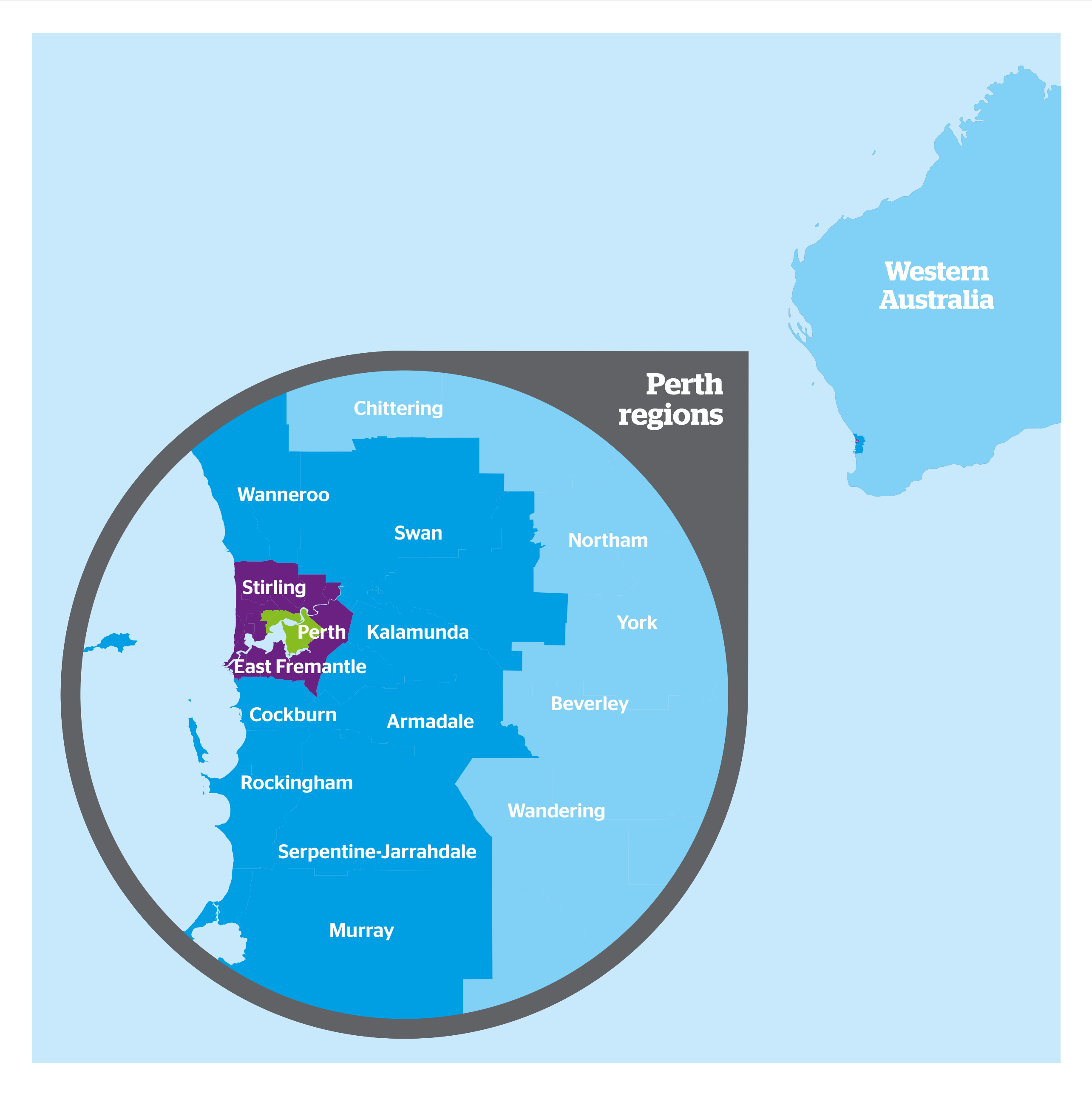
Perth unit market

The significant temporary population that made up much of the mining sector workforce in Perth helped to drive rental demand and growth in the unit market. As employment began to fall and workers began to return home, tenant demand dried up with vacancy rates rising and rents falling. The unit market was more affected in the downturn than the housing market due to the transient nature of this temporary population and demand from this segment being more likely to favour units. Perth's median unit price fell by 9% in 2018/19 and has experienced a total 20% decline since peaking in December 2014. More recently, the tougher lending environment for investors is also having a greater impact on unit prices than on houses.

Outlook

The weaker demand from investors will continue to be felt in the unit market. Meanwhile, unit dwelling completions are on track to remain elevated in the short term relative to historical averages. Consequently, median unit price growth is forecast to be marginally lower than that of detached houses. After a marginal decline in 2019/20, a limited rise is forecast for 2020/21 before unit price growth picks up to take the median unit price to $380,000 by June 2022, or a 5% increase on June 2019 levels.

Western Australia and Perth regions



Perth median house price annual % change

Inner	Middle	Outer	Median
-1.9%	-2.1%	-4.5%	-3.4%

Western Australia regional mining centres

The median house price in Port Hedland rose by 155% to a peak of $1.125 million in March 2013 from the start of the mining upturn in June 2007. The subsequent downturn saw the median house price fall by over 82% to bottom out at $200,000 in September 2018. The unemployment rate has picked up, although this also masks some outflow of transient workers in the resource sector. House prices in the region appear to be picking up, with the region seeing a small level of growth in the year to June 2019.

Karratha, which sits in the Pilbara region, saw median house price growth of 177% up to its peak of $873,000 in September 2010. The downturn saw the median house price fall to $270,000 at the bottom of the market in September 2016. Since then, there has been a modest recovery in prices, with the June 2019 median price rising to $315,000.

Mandurah, while not strictly a mining centre, saw its median house price rise by 98% between June 2004 and March 2007 over the first stage of the mining boom to peak at $455,000. However, unlike Perth where the median reached a new peak over 2008 to 2014, the median house price in Mandurah remained below its previous peak with the median house price of $355,000 at June 2019. This representing a new trough of 22% below the March 2007 peak.

Outlook

Over the past two years Port Hedland and Karratha have seen sales volumes significantly higher than when the house prices in these regions were peaking. This implied that the market was tightly held at the peak. However, although volumes are now higher, they have remained flat (along with prices), suggesting limited demand. Without any significant new investment in these centres, house prices are unlikely to get close to their previous peaks in the short to medium-term. Similarly, the median house price in both the Perth and Mandurah markets reached a new trough in 2019, suggesting challenges remain in both these markets, particularly in Mandurah where house prices are below where they were more than a decade earlier.

Median house prices and unemployment rates

REGION		MEDIAN HOUSE PRICE ($) SALES IN PRIOR YEAR				% CHANGE		UNEMPLOYMENT RATE (%)	
		START OF UPTURN	PEAK	TROUGH	JUNE 2019 QTR	START TO PEAK	PEAK TO JUNE 2019	MAR 2013	MAR 2019
Port Hedland	Median house price ($)	442k	1,125k	200k	**219k**	155%	**-81%**	3.3	**5.3**
	Sales in prior year	318	206	317	**275**				
	Date	Jun-07	Mar-13	Sep-18	**Jun-19**				
Karratha	Median house price ($)	315k	873k	270k	**315k**	177%	**-64%**	1.8	**3.3**
	Sales in prior year	440	289	265	**297**				
	Date	Jun-05	Sep-10	Sep-16	**Jun-19**				
Mandurah	Median house price ($)	230k	455k	355k	**355k**	98%	**-22%**	5.9	**6.7**
	Date	Jun-04	Mar-07	Jun-19	**Jun-19**				
Greater Perth	Median house price ($)	478k	598k	514k	**519k**	25%	**-13%**	4.0	**6.4**
	Date	Dec-08	Jun-14	Mar-19	**Jun-19**				

A promising future

Attractive affordability and improving population looks to lead house and unit price growth

Adelaide house market

Historically, Adelaide's residential market has exhibited significantly less volatility compared to other capital city markets. In the most recent upturn, Adelaide saw softer price growth compared to other east coast capital cities and, as a result, saw a minimal decline in its median house price of just 0.8% in the year to June 2019.

The economic environment in South Australia has begun to show signs of improvement after consistently lagging the rest of the nation for much of the last decade. The state's unemployment rate has fallen to 5.7% in 2019, which is the lowest rate in more than seven years. The state suffered from the high Australian dollar during the mining boom, which stifled its manufacturing industries. South Australia has also seen a much less pronounced boom in residential and government infrastructure, which further moderated economic growth. Population growth in the state has improved in recent years, coming largely due to a reduction in the net interstate migration outflow. However, the state still faces difficulties demographically, and population growth remains modest compared to other major states.

Total residential lending has tracked lower, largely as a result of a drop off in investor activity with the value of residential loans to investors in 2018/19 down by 38% on the level of 2014/15. Upgrader/downsizer lending in 2018/19 was only slightly down on the year prior (-6%), while first home buyer loan activity was up by 8%.

New dwelling supply

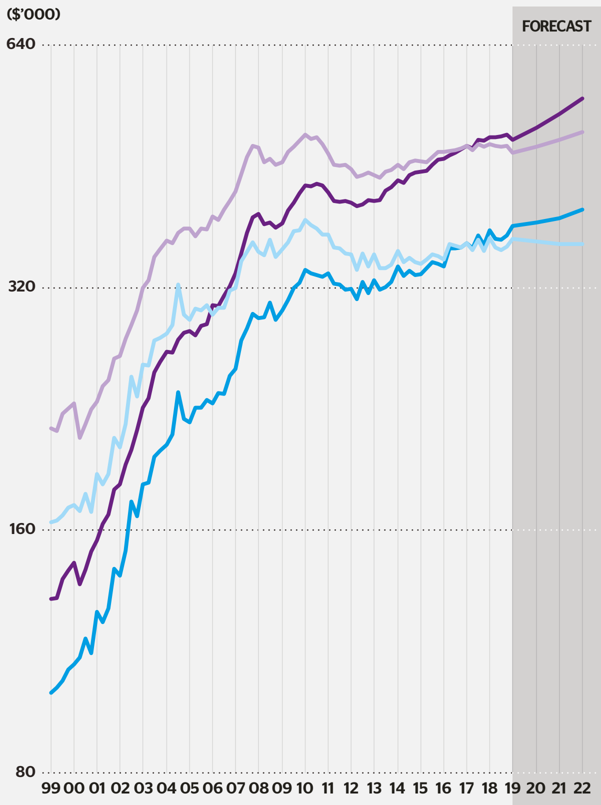
While not having seen the same boom in residential construction activity in Adelaide as other cities, dwelling completions have nevertheless tracked higher since 2014/15. The market is estimated to generally be in balance, with a marginal oversupply estimated at June 2019 which is projected to turn into a marginal undersupply through to 2021/22. Rental vacancy rates, at an estimated 1.9% at March 2019, remain below the balanced market rate of 3%.

Outlook

The moderate growth in house prices in Adelaide has meant that affordability remains relatively attractive, both in a historical sense and compared to other capital city markets. As the employment environment improves, this should be a positive for interstate migration and should also help to support price growth. Dwelling completions will have also peaked in 2018/19 and are expected to fall away. While a dwelling deficiency is expected to re-emerge, it's not expected to be sizeable.

The general moderate fundamentals of the Adelaide market are expected to also lead to moderate price growth, averaging 4.1% per annum in the next three years and taking the median house price to $550,000 by June 2022. Price growth is expected to be weighted toward the end of this period as dwelling stock is absorbed and the market moves towards undersupply.

Adelaide: dwelling prices



Percentage points (%)

Adelaide house price			
2018:	+3	2020:	+3
2019:	-1	2021:	+4
		2022:	+5

Adelaide real house price			
2018:	+1	2020:	+2
2019:	-2	2021:	+2
		2022:	+2

Adelaide unit price			
2018:	+4	2020:	+1
2019:	+1	2021:	+1
		2022:	+3

Adelaide real unit price			
2018:	+1	2020:	-1
2019:	0	2021:	-1
		2022:	0

** Real house/unit prices in 2017 dollars*

Adelaide unit market

Units account for a smaller percentage of new supply in Adelaide than the other eastern capital cities, although this has increased in recent years. Medium and high-density dwellings are expected to have accounted for 38% of total dwelling supply in the city in 2018/19, compared to 33% over the preceding decade. As a result, any oversupply across the state market is estimated to be more concentrated in the unit sector than the housing sector.

Outlook

The greater level of unit construction in recent years is expected to mean more modest unit price growth than for detached dwellings. It is projected that the median unit price will grow by a modest 1.5% per annum over the three years to June 2022.

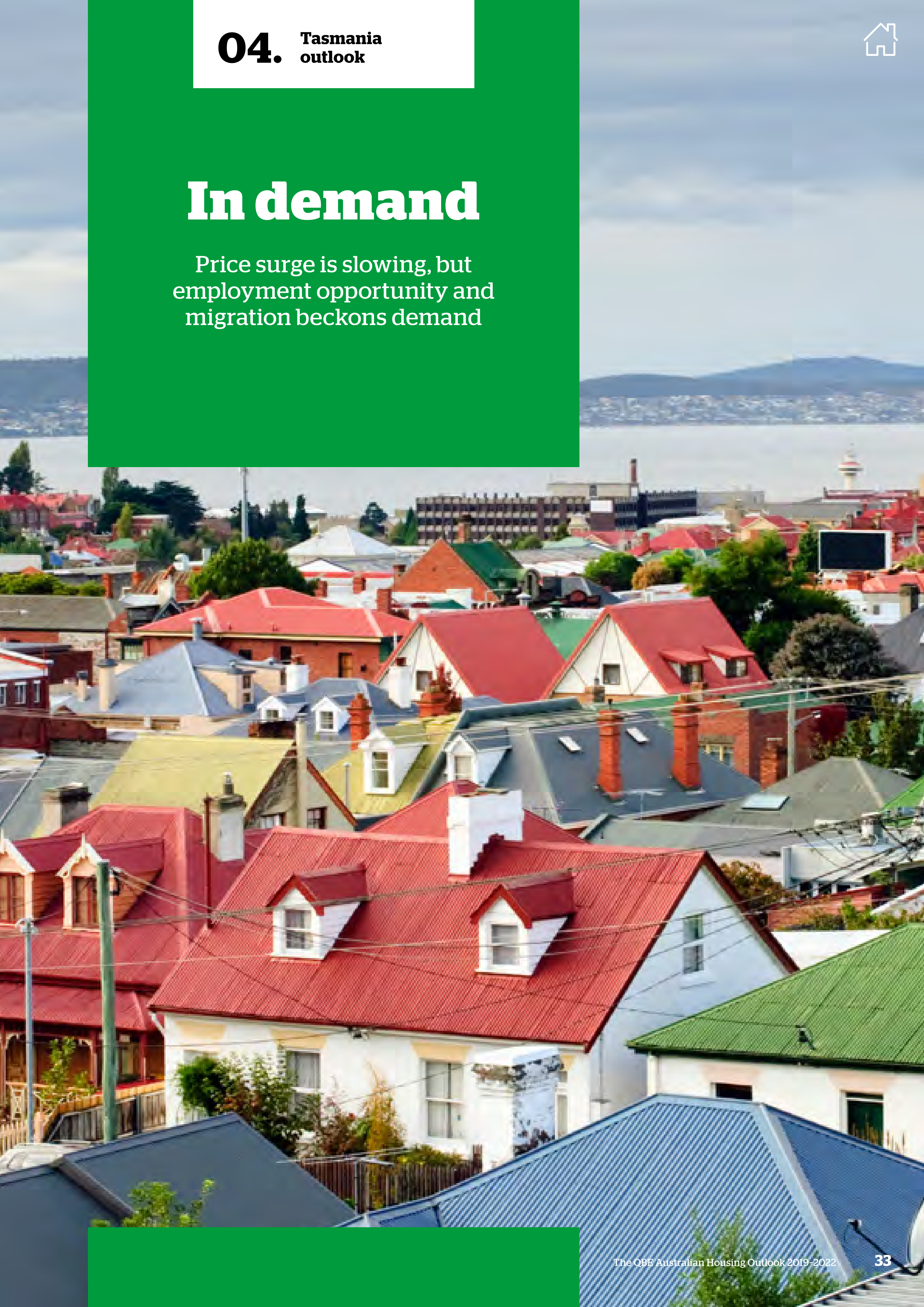
South Australia and Adelaide regions

Adelaide median house price annual % change

Inner	Middle	Outer	Median
7.6%	-2.3%	-0.3%	-0.8%

In demand

Price surge is slowing, but employment opportunity and migration beckons demand



Hobart house market

Median House Price

After seeing surging property values in recent years, price growth in Hobart has begun to slow in 2018/19. On average, the median house price in Hobart grew by an impressive 10.6% per annum in the three years to June 2018. However, affordability constraints appear to have begun to weigh on price growth. Relative to local incomes, Hobart has become the third least affordable capital city behind Sydney and Melbourne. In the year to June 2019, house price growth slowed to 2.5% which resulted in a median price of $499,300.

Kingborough (-11%) was the only region to see falling values in 2018/19, with annual price growth ranging from 2.1% in Sorell to 5.3% in Clarence. Meanwhile, low sales volumes meant that the median house price in Brighton was up 45.6% in June quarter 2019 over a year earlier.

Demand

Strong net interstate migration flows have been induced through a lower Australian dollar, which has given a boost to the tourism and local agricultural sectors. The improved employment environment has seen the demographic profile of those moving to Tasmania become younger compared to the older 'tree changers' traditionally downsizing from the more expensive capital city markets. The demand for dwellings has been strong and has exceeded new supply in recent years, taking the market into a dwelling deficiency. Rental vacancy rates have tightened, falling to 1.5% at March 2019.

Outlook

After such strong price growth during the recent cycle, Hobart property prices are considerably more expensive than other regions of Tasmania and it's anticipated the slowed price growth in 2018/19 may also be the result of some of the migration flows settling elsewhere in the state. Moreover, with affordability now stretched, local incomes will need to rise further to drive additional price growth. Consequently, Hobart's median house price is expected to show only limited rises over the next three years, rising by a total 4% to $520,000 by June 2022.

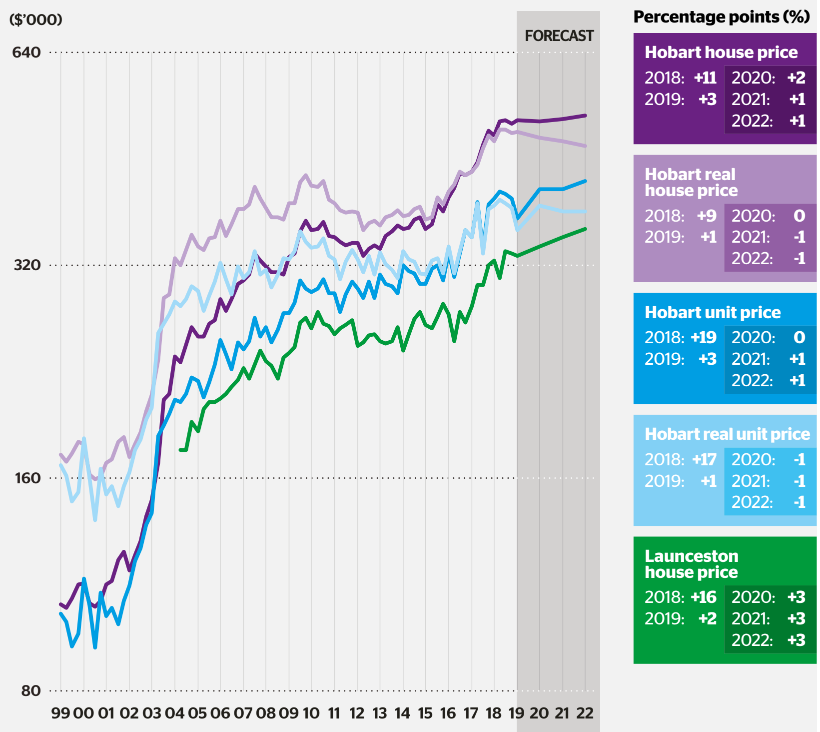
Hobart unit market

Like the market for detached houses, the median unit price has experienced surging growth in recent times, rising by a cumulative 32% in the three years to June 2018. After this strong growth, the median unit price has also followed the slowing in house prices, with growth easing to 3% in the year to June 2019.

Outlook

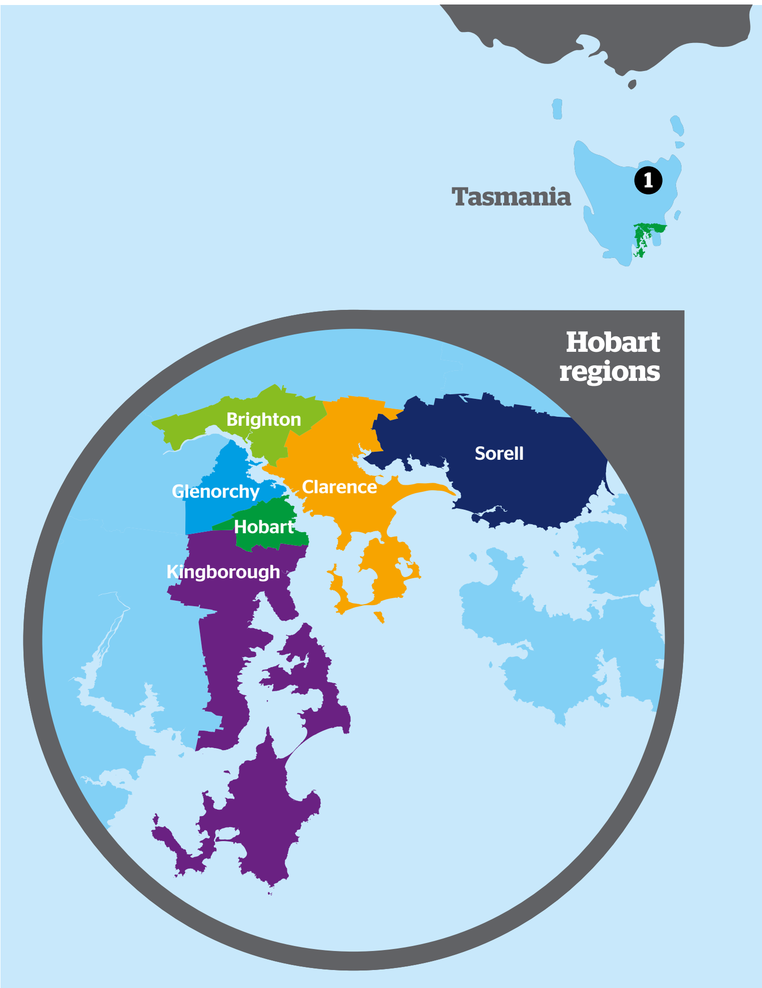
The tight vacancy rate and undersupply in the market is expected to cause some flow on demand from the housing market into the unit market. The median unit price is forecast to rise by a similar 3% over the three years to June 2022 to reach $420,000.

Tasmania: dwelling prices



** Real house/unit prices in 2017 dollars*

Tasmania and Hobart regions



Hobart median house price annual % change

Glenorchy	▲ 2.5%
Hobart City	▲ 2.9%
Sorell	▲ 2.1%
Brighton	▲ 45.6%
Kingborough	▼ -11%
Clarence	▲ 5.3%
Median	▲ 2.5%

1 Launceston

The upturn in the Tasmanian residential market has been largely concentrated in Hobart. However, Launceston began to see demand from Hobart spill over in 2017/18 and house prices surged by 16% over the year. In line with slowing growth in Hobart, price growth slowed to 2% in 2018/19 and this may reflect local employment prospects with the unemployment rate for the Launceston Local Government Area at 7.4% in March quarter 2019.

Outlook: With residential prices in Hobart becoming beyond the reach of many locals and vacancy rates also extremely tight, Launceston is likely to benefit as renters and home buyers seek more affordable options. Major projects that are expected to boost the local economy, and therefore demand, include the UTAS-Newnham Campus Development and Northern Prison development, which will support employment growth. This should lead to a pick-up in house price growth in Launceston, with a forecast median of $360,000 at June 2022 representing a 9% increase on the June 2019 median.

Strong and steady

Market set to entice first home buyers with new incentives and rich employment opportunity

Canberra house market

Demand

Canberra's economy has significant exposure to the public service and administration sector, as well as sectors servicing government, including supply of professional services. Employment growth has recently been strong and the unemployment rate in the Australian Capital Territory is the lowest in the nation. Employment opportunities have buoyed population growth and demand for dwellings. Meanwhile rising inflows of overseas students has also helped to drive population growth.

The rising population growth has caused vacancy rates in Canberra to compress to a very tight 0.6% as at March 2019. This has underpinned strong rental growth over the same period, with median rents up by 21% for detached houses and 16% for units between June 2016 and March 2019.

Supply

These buoyant conditions are driving an increase in new dwelling construction which has been underpinned by the supply of new units. The supply of detached dwellings has eased significantly in recent years, with units having averaged 74% of total new dwelling completions in the three years to June 2019 compared to 62% over the prior decade. As a result, there appears to be a notable difference between the relative demand/supply balance of the house and unit markets, and this is reflected in the lower rental growth in units.

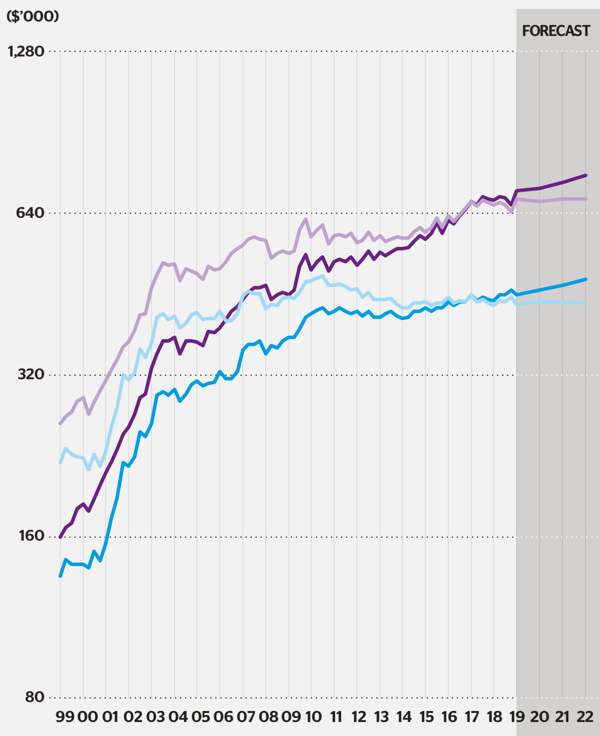
Median price

Canberra's median house price of $705,000 at June 2019 reflects an annual rise of 4.4%, most of which occurred in June quarter 2019. House prices were largely flat in the prior three quarters to March 2019, likely influenced by uncertainty ahead of the May 2019 Federal Election, as well as stamp duty concessions to first home buyers in New South Wales that may have drawn demand out of Canberra and across the border to centres such as Queanbeyan. The Australian Capital Territory has now introduced its own first home buyer stamp duty exemption from 1 July 2019, which may have resulted in fewer low-priced house sales in the June quarter as first home buyers waited until the exemption was introduced. This in turn could have been the cause of the slightly higher median house price.

Outlook

The re-introduction of stamp duty concessions for first home buyers in the Australian Capital Territory from July 2019 is predicted to facilitate further demand at the more affordable end of the market and help to generate more upgrader activity. This is expected to result in the median house price remaining flat in 2019/20 as activity rises at the lower priced end of the market in the short term before broader growth in the median house price occurs as upgrader activity also increases. Solid employment growth and population growth is expected to continue to contribute to price growth, although this will partly be offset by higher levels of new dwelling supply, particularly for apartments. With generally steady conditions, Canberra's house prices are forecast to rise by an aggregate 6% in the three years to June 2022, taking the city median to $750,000.

Australian Capital Territory: dwelling prices



Percentage points (%)

Canberra house price
2018: +1 2019: +4 2020: +1 2021: +3 2022: +3

Canberra real house price
2018: -1 2019: +3 2020: -1 2021: +1 2022: 0

Canberra unit price
2018: -2 2019: +2 2020: +2 2021: +2 2022: +2

Canberra real unit price
2018: -4 2019: +1 2020: +1 2021: 0 2022: 0

** Real house/unit prices in 2017 dollars*

Canberra unit market

Although record levels of apartment construction will weigh on the unit sector, the recent low level of new house building activity and a modest Canberra-wide dwelling deficiency suggests that an overflow of demand is moving into units. Over the past five years, Canberra's median unit price has risen by an average 2% per annum, with growth of 2.3% occurring in the year to June 2019.

A record 3,800 units were estimated to have been completed in 2018/19 and a further 4,200 are on track to be completed in 2019/20. As these units are progressively completed, downward pressure will emerge on unit rents as landlords of existing unit stock seek to become more competitive against recently completed new apartments.

Outlook

Unit completions are forecast to begin to ease after peaking in 2019/20, although remain elevated in a historical sense. The high level of unit activity will weigh on price growth in the unit market despite a strong local economy and population growth, with the growth forecast to total a moderate 7% in the next three years. This will take the median unit price to $480,000 at June 2022.

State of flux

Darwin prices are set to rise, but a fluctuating population may delay the upturn

Darwin house market

Darwin has a small population and significant transient workforce due to waves of resources sector investment. This makes Darwin's residential market more cyclical than the other capital cities.

Darwin's median house price declined by 19% between June 2014 and June 2019, and the city has become the nation's most affordable capital city housing market. The downturn in property values is a result of a peak in new dwelling supply that coincided with a slump in mining activity. The end of several mining expansion projects, in particular the Icthys LNG project, saw employment conditions deteriorate and a rising outflow of transient workers. Darwin's vacancy rate surged and, despite having tightened moderately from its peak, remains high at 7.1% in March quarter 2019.

Demand

Investors have retreated from the Northern Territory almost entirely. The value of loans approved to residential investors in 2018/19 was 84% below the peak annual level recorded in 2014. Owner occupier activity has also declined, with loans to upgraders and downsizers down in the past two years. Loans to first home buyers are up 54% in the past two years, boosted by generous first home buyer incentives.

The local economy may now have troughed. The unemployment rate improved to 4.5% at March 2019, although some of this is also a result of workers leaving the Territory and not attributable to strong employment growth. In the absence of large mining projects to drive growth, a strong acceleration in economic growth is unlikely.

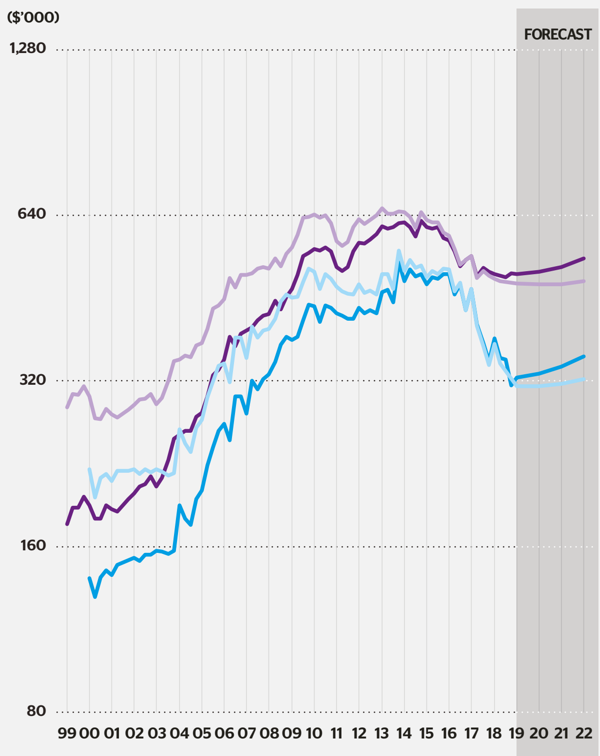
New dwelling supply

Total dwelling completions in 2018/19 are down by around 60% on their peak in 2014/15, and the fall in unit prices in Darwin is impacting the feasibility of large apartment projects. Unit completions in 2018/19 were down by 79% on their peak, compared to a 40% drop for houses.

Outlook

With new dwelling supply having weakened considerably and expected to fall further in 2019/20, supply is projected to fall below the underlying demand for new dwellings; which itself is also much lower than previous levels. Population growth is forecast to improve slightly as the rising exodus of population to interstate runs its course. Ultimately, the oversupply of dwellings in the Darwin market is expected to begin to be absorbed, with the market expected to revert to balance by mid-2021 and begin to place upward pressure on property prices. A total rise in Darwin's median house price of 7% is forecast in the three years to June 2022 with much of this growth concentrated at the back end of this period.

Darwin: dwelling prices



Percentage points (%)

Darwin house price
2018: -7 | 2019: 0 | 2020: +1 | 2021: +2 | 2022: +4

Darwin real house price
2018: -9 | 2019: -2 | 2020: -1 | 2021: 0 | 2022: +1

Darwin unit price
2018: -19 | 2019: -15 | 2020: +2 | 2021: +3 | 2022: +4

Darwin real unit price
2018: -20 | 2019: -16 | 2020: 0 | 2021: +1 | 2022: +2

** Real house/unit prices in 2017 dollars*

Darwin unit market

Darwin's population outflows mean tenant demand is weak. Investor demand is also weak and prices for units have fallen more than houses. The median unit price is down 38% on its peak and 15% in 2018/19.

Outlook

Unit yields have improved and with interest rates also falling in 2019, this is expected to attract some investors. However, in the absence of any large job-creating industries in Darwin, population growth, rental demand and rent growth will be soft. With the median unit price in Darwin now well below the other capital cities, there is potential for greater upside than for houses as speculative investors re-assess this market. The median unit price is forecast to climb by 9% to $355,000 in the three years to June 2022.

05. Glossary of terms

Dwelling market:	Includes both houses and units.
First home buyers:	Australian Bureau of Statistics (ABS) data on loans to first home buyers are derived from returns submitted by financial institutions to APRA at the time of the loan approval. A first home buyer is defined as "a borrower entering the owner occupier home ownership market for the first time". The definition includes all first home buyers obtaining a loan (and not just those eligible for grants).
Foreign investors:	Overseas resident purchasers. Foreign investors can only buy a new dwelling, while a temporary resident can purchase an established dwelling that must be sold upon returning home. The Foreign Investment Review Board (FIRB) reports the number and dollar amount in billions approved for residential purchases (which includes the entire value of buildings where 100% of dwellings have been pre-approved for overseas buyers, although all of these may not have been taken up) for investment by temporary residents and people overseas.
House market:	Detached or separate dwellings that do not share a wall with adjoining dwellings.
Housing affordability:	Housing affordability in this report is defined by the mortgage repayments on a 25-year loan of 75% of the median house price at June 30 each year, at the prevailing June 30 standard variable rate, as a percentage of average household disposable income. Average household disposable income is derived from the National Accounts data, based on aggregate income divided by an estimate of the number of households.
Interest rates:	Interest rates are set by the Reserve Bank of Australia (RBA) as the mechanism for maintaining economic conditions at a level compatible with stable, low, inflation. The RBA sets the "overnight cash rate", against which financial institutions reference their lending rates. Higher interest rates reduce spending in the economy and reduce inflationary pressure. If inflation pressures are benign, then lower interest rates can encourage more spending and economic growth.
Median price:	Refers to the mid-point of sales that have taken place in a period and is considered a better indicative measure of residential prices than the average, which can be more influenced by extreme results. Movements in the median price can also be influenced by changes to the composition of sales in between periods. Consequently, the Australian Housing Outlook median price refers to a "weighted median", which is a median weighted by the geographical distribution of the housing and unit stock. It is considered that the weighted median better corrects for the effect of an imbalance in the sales in the period. The raw sales data is sourced from PriceFinder.
Net migration inflow:	When the total number of migration arrivals is greater than the total number of departures.
Net migration outflow:	When the total number of migration departures is greater than the total number of arrivals.
Real median price:	The median price after accounting for the impact of inflation. The real median price allows for a better comparison of price growth over time as, during periods of high inflation, significant rises in the median house price may be underpinned by the inflation rate and do not necessarily reflect a strong market.
Indicative rental yield:	The rental yield of a dwelling is the rent divided by the value. However, actual rent and values data for individual dwellings is unavailable. Consequently, an indicative yield is calculated as the median three-bedroom house rent divided by the median house price. The indicative yield slightly understates actual rental yields, as the median house price is reflective of the whole market (investors and owner occupiers) while rents are reflective of just properties in the investment market. Investment properties are more likely to be priced below the median house price of all dwellings, although achieve a typical rent. Nevertheless, movement in the indicative yield should correspond with actual yields. We have compared the rental return with the cost of financing by using the measurements for indicative rental yield and the standard variable interest rate respectively.
Residential market:	Same as dwelling market.
Unit market:	Includes all forms of multi-unit dwellings, including townhouses, villa units, semi-detached dwellings, terraces, flats and apartments.
Vacancy rate:	The vacancy rate is calculated as the number of unoccupied rental dwellings as a percentage of the total rental stock and is sourced from a survey of state Real Estate Institute members. The vacancy rate in each city is a measure of the balance of rental demand and rental supply. A vacancy rate of 3% in a market is considered balanced, where rents on average will rise broadly in line with inflation. A vacancy rate of 1% indicates a tight rental market that will result in strong rental growth. A vacancy rate of 7% indicates an oversupplied rental market that will result in rental declines.

Source directory

PAGE	TITLE	SOURCE
PAGE 4	Australian Housing Snapshot	Australian Bureau of Statistics (ABS), Reserve Bank of Australia (RBA), PriceFinder, Real Estate Institute of Australia, BIS Oxford Economics
PAGE 7	Average construction period, unit development, house price and rental growth	ABS, BIS Oxford Economics, Real Estate Institute of Australia, PriceFinder
PAGE 8	States at a glance	ABS, RBA, PriceFinder, Real Estate Institute of Australia, BIS Oxford Economics
PAGE 11	Median prices by capital city	PriceFinder, REINT and BIS Oxford Economics
PAGE 13	New South Wales: dwelling prices	BIS Oxford Economics, ABS and PriceFinder
PAGE 17	Victoria: dwelling prices	BIS Oxford Economics, ABS and PriceFinder
PAGE 21	Brisbane and Gold Coast: dwelling prices	BIS Oxford Economics, ABS and PriceFinder
PAGE 21	Regional Queensland: dwelling prices	BIS Oxford Economics, ABS and PriceFinder
PAGE 25	Median house price and unemployment rates: Queensland	BIS Oxford Economics, ABS, PriceFinder and Department of Jobs and Small Business
PAGE 27	Perth: dwelling prices	BIS Oxford Economics, ABS and PriceFinder
PAGE 29	Median house prices and unemployment rates: Western Australia	BIS Oxford Economics, ABS, PriceFinder and Department of Jobs and Small Business
PAGE 31	Adelaide: dwelling prices	BIS Oxford Economics, ABS and PriceFinder
PAGE 34	Tasmania: dwelling prices	BIS Oxford Economics, ABS and PriceFinder
PAGE 37	Australian Capital Territory: dwelling prices	BIS Oxford Economics, ABS and PriceFinder
PAGE 39	Darwin: dwelling prices	BIS Oxford Economics, ABS and REINT

The outlook and forecasts in this report are provided by BIS Oxford Economics. Throughout the report references are made to relevant industry data to support the findings. This data is derived from several sources, a selection of which is outlined below:

- Population, population growth, net overseas migration and net interstate migration data is all sourced from the Australian Bureau of Statistics (ABS).
- New dwelling approvals, commencements and completions data is sourced from the ABS.
- State and city level employment growth (including employment growth by industry sectors) and unemployment rates references are sourced from the ABS. References to local employment and unemployment rates (at the Local Government Area level) are sourced from Department of Employment, Skills, Small and Family Business.
- Lending approvals to first home buyers, upgraders and downsizers, and investors is sourced from data published by the ABS.
- Vacancy rates are sourced from the Real Estate Institute of Australia and the relevant state Real Estate Institutes.
- Rental growth is based on the growth in the rental component of the Consumer Price Index (CPI) for each of the capital cities which is sourced from the ABS.
- Median prices and price growth are sourced from medians created by BIS Oxford Economics based on data provided by PriceFinder.

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About this report

Produced by BIS Oxford Economics for QBE Lenders' Mortgage Insurance.

This report provides an analysis and forecast of the key drivers influencing the residential housing market nationally, as well as across each of Australia's state and territory capital cities and selected regional centres. The analysis presents an outlook for the performance of the residential market, as measured by historical and forecast movement in the median house price and median unit price.

The forecast annual percentage changes in the median house price and median unit price in the price forecast charts in this report are often rounded to the nearest whole number. Any reference to price growth in the text may not be identical to that indicated in the charts due to the impact of this rounding.

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