

Housing Market Report

Autumn 2017 Edition

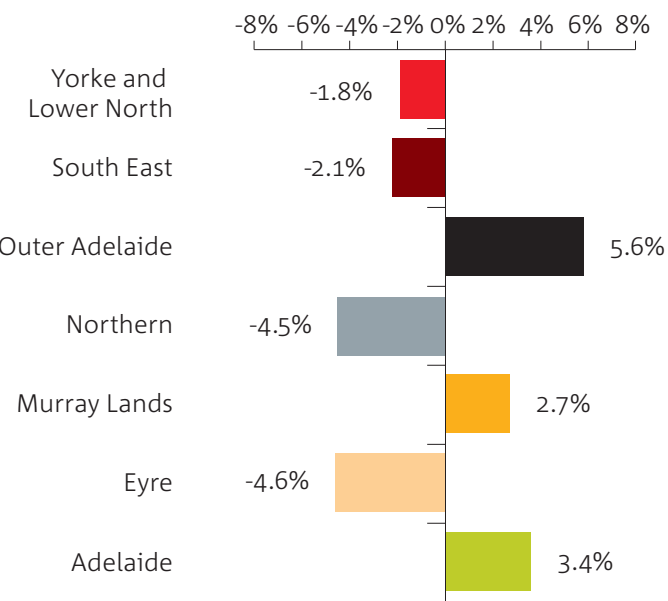
South Australia overview

CoreLogic’s view:

Adelaide’s housing market has seen a relatively consistent rate of capital gains, with home values rising by around 3.5% to 5.0% per annum over the past few years. The detached housing market has generally shown a higher rate of capital gains compared with the unit sector, and this trend has held true over the past twelve months. House values were up 3.6% over the past year while unit values recorded a 1.7% rise.

Relatively soft economic conditions and migration rates are keeping a lid on the pace of capital gains, however, despite the relatively sedate economic conditions, home values have continued to consistently rise.

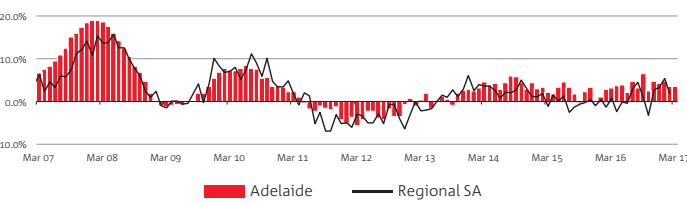
Annual change in home values over past year*



*Data for homes in capital cities, houses in regional areas. Data to Mar-17 for capital cities, Feb-17 for regional areas
Source: CoreLogic

Outside of Adelaide the growth trend has been more volatile due to the small number of homes and diverse drivers of the regional economies. Four of the six regional areas tracked have shown a fall in home values over the past twelve months, with Outer Adelaide and Murray Lands the only regional areas to record a rise in housing values.

Annual change in home values, Adelaide and Regional SA



Important information
See next page for details regarding source data used in this report.

NAB’s view:

Property market has been steady and is expected to remain so. Economic conditions are challenging, but showing signs of improvement.

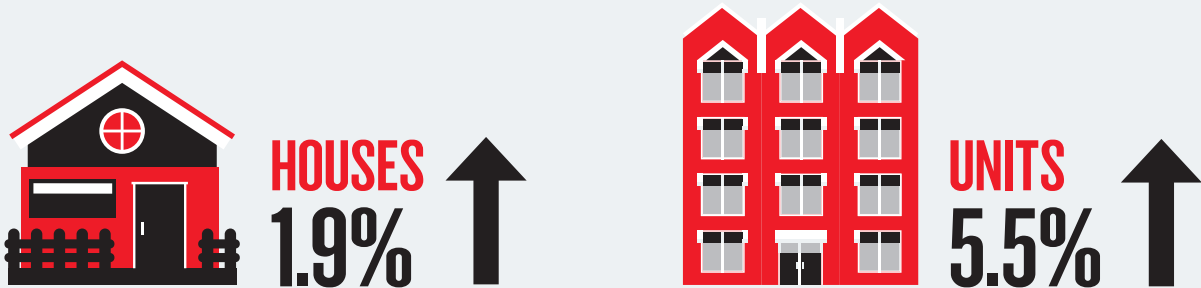
The property market in Adelaide has seen fairly consistent growth since early 2016, likely assisted by some more encouraging trends in the local economy – although there are still significant challenges, including an extremely soft labour market. The lower AUD had been supportive of areas such as hospitality and education exports, while policy announcements aimed at stimulating jobs and economic growth have been uplifting.

Steady price gains in Adelaide, despite economic challenges. A subdued economic outlook will keep prices contained, although we are seeing some encouraging signs.

There are, however, still a number of hurdles ahead for the SA economy, prompting NAB to maintain its expectation for fairly moderate economic performance for SA in 2017, which will limit employment and wage growth, with flow on effects for the local housing market. That said, some of the timely indicators of market activity are looking better. Vacancy rates appear to have dropped recently, while rents have started to tick up, helping keep rental yields steady – a welcome development for investors. Meanwhile, sales volumes are turning around and the average time on market is down from the same time last year.

These trends are consistent with a large jump in market sentiment for SA/NT in the first quarter of 2017 according to **NAB’s Residential Property Survey** – reaching its highest ever level (although the index is volatile). The outlook for the next 1-2 years also improved substantially according to respondents, as did their expectations for future price growth. In terms of the outlook for investors, expectations for future rents improved as well.

Given NAB’s expectations for the State’s economic, population and household income growth to remain subdued, both house and apartment prices are forecast to grow modestly. Houses are expected to see price growth of 1.9% in 2017 and 1.7% in 2018. Units will see solid price gains of 5.5% in 2017, assisted by base effects, then rising a further 0.5% in 2018.



Important information about this report

The information on the white background (headed CoreLogic’s view) is about the housing market in the 12-month period to March 2017 for information about capital cities and to February 2017 for information about regional areas.

It was provided by RP Data Pty Ltd, which trades as CoreLogic Asia Pacific, but is referred to in this report as CoreLogic.

The information on the grey background (headed NAB’s view) is provided by NAB Group Economics, taking into account data sourced until March 2017. It’s our economists’ view about the national capital city house and unit price growth over the next 9 months to December 2017.

NAB’s view takes into consideration the March 2017 NAB Residential Property Survey of property market professionals. The survey asked participants to give their views on where they think house prices are expected to move.

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2.4 The NAB Residential Property Survey

The NAB Residential Property Survey referenced in this report consists of extracts from data obtained by NAB from a March 2017 survey of property professionals. This reflects the surveyed property professionals’ views about what they think will happen to the housing market in Australia in a 24 month period up to March 2019. The views in the survey do not necessarily reflect NAB’s views except where expressly called out in this report.