

CoreLogic – TEG Rewards

Consumer housing market sentiment survey

Released: Tuesday 19 April, 2016

Two thirds of Australians think the housing market is vulnerable

The latest CoreLogic and TEG Rewards Housing Market Sentiment Survey shows two thirds of Australians now think the housing market is vulnerable to a substantial downturn in dwelling values.

While the survey results suggests that respondents are concerned about a crash in home values, this remains unchanged from a year ago, and lower than the 68% of respondents who indicated 'yes' to this question six months ago.

The higher proportion of respondents who were concerned about a large correction in the housing market was broad with all regions indicating at least 61% of respondents were concerned about a housing market crash. The result indicates that a significant proportion of the community are wary of substantial value falls across the nation's largest and most important asset class, which according to CoreLogic RP Data is currently worth an estimated \$6.5 trillion.

Recent housing market forecasts from CoreLogic RP Data and Moody's Analytics indicate dwelling values are likely to experience falls, however the peak to trough declines are likely to be short lived and relatively slight, followed by a longer period of relatively sedate housing market conditions.

Home values are already trending lower in Perth and Darwin with both cities recording a peak to current fall of 4.6%. Additionally, the pace of capital gains in Sydney and Melbourne, where dwelling values have surged higher over the past two growth cycles, is moderating in what has been a controlled trajectory to date.

The survey also revealed a slowdown in the proportion of survey respondents who think now is a good time to buy; 61% indicated they would consider buying a home, however a year ago the reading was much higher at 71%.

Perceptions around buying conditions worsened across most regions over the past twelve months, with Tasmanian and Sydney buyers the most pessimistic about buying conditions. Only 40% and 50% of respective respondents in these cities indicated they felt it was a good time to buy.

Buying sentiment improved over the past year in some of the weakest markets where listing numbers are higher and housing prices have reduced. The proportion of survey respondents who indicated that current market conditions represent a good time to buy increased by one percentage point over the year in Perth while buyer sentiment in the Northern Territory increased by a substantial 20 percentage points compared with a year ago.

When survey respondents were asked whether they thought home values would rise, fall or remain stable over the coming six and twelve months, most respondents expect values to remain stable, however 17% of respondents are expecting values to fall over both the next six and twelve months.

A year ago, 49% of survey respondents were expecting dwelling values to rise over the coming six months compared with only 31% over the most recent quarter. Respondents based in Sydney have seen the most substantial deterioration in the proportion expecting values to rise over the next half year. A year ago, 66% of all Sydney based respondents were expecting values to rise over the next six months compared with only 31% over the most recent March quarter.

Survey respondents are also expecting relatively flat rental conditions, with 49% indicating they thought weekly rents would remain unchanged over the year. Only 8% of those surveyed thought rents would fall over the next twelve months. The responses reinforce the CoreLogic RP Data rental analysis which showed capital city rents were down 0.2% over the past twelve months; the first annual fall in capital city rents since the CoreLogic series began in 1996.

Finally, the survey indicated an expectation that mortgage rates are likely to remain on hold over the next twelve months. Almost two thirds of survey respondents are expecting mortgage rates to remain steady over the coming twelve months, while just over one quarter are expecting mortgage rates to rise. A year ago only 41% of respondents were expecting a stable mortgage rate setting over the coming year

Very few (7%) respondents are expecting mortgage rates to move lower over the next year, signaling a growing belief that mortgage rates may be at the bottom of the cycle. At the same time last year, 27% of survey respondents were expecting mortgage rates to move lower.

CoreLogic RP Data Asia Pacific research director Tim Lawless said, "With bank funding costs moving higher, there is some risk that mortgage rates will increase outside of any movements from the Reserve Bank's overnight cash rate."

TEG Rewards General Manager Kelvin Kirk commented, "We frequently seek views from our members on a broad range of topics. The state of the property market is an important issue for our members and they have clearly expressed their concerns with the current market and trend they see."

About CoreLogic RP Data: CoreLogic RP Data is the number one provider of property information, analytics and risk management services in Australia and New Zealand, 100% owned by CoreLogic CLGX - the world's largest data and analytics provider. www.corelogic.com.au

About TEG Rewards: TEG Rewards (formerly known as Nine Rewards), part of the TEG PTY LTD group of companies, manages the Nine Rewards panels in Australia (over 1 million) and New Zealand (over 100,000). TEG Rewards connects businesses with their audience for market research, marketing and lead generation purposes. www.TEGrewards.com

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Survey of housing market sentiment

Summary findings, March quarter 2016

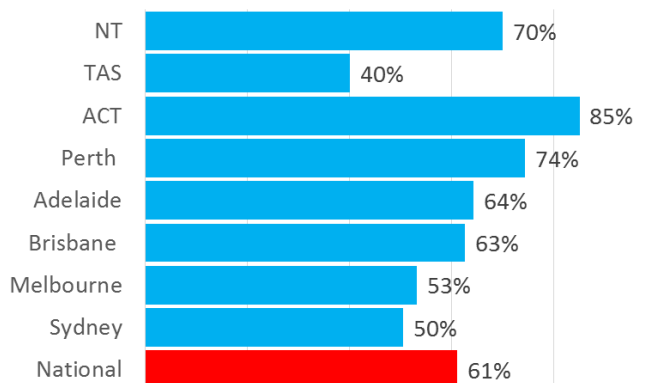
1,039 Australian residents responded to the most recent survey of housing market sentiment from CoreLogic RP Data and TEG Rewards.

Is now a good time to buy a property or home?

Is now a good time to buy a property or home?



It is a good time to buy



61% of survey respondents thought that the current housing market conditions represented a good time to buy a property, down from 71% at the same time last year. Perceptions around whether now is a good time to be buying a property have deteriorated over the past year, with respondents who felt that now was a good time to buy falling by ten percentage points over the year.

Perceptions around buying conditions worsened across most regions over the past twelve months, with Tasmanian and Sydney buyers the most pessimistic about buying conditions, with only 40% and 50% of respondents indicating they felt it was a good time to buy.

Buying sentiment has improved over the past year in some of the weakest markets where listing numbers are higher and housing prices have reduced. The proportion of survey respondents who indicated that current market conditions were a good time to buy increased by one percentage point over the year in Perth while buying sentiment in the Northern Territory has increased by a substantial 20 percentage points compared with a year ago.

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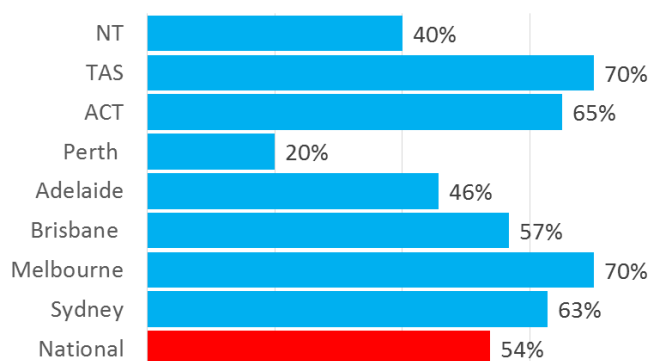
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Is now a good time to sell a property or home?

Is now a good time to sell a property or home?



It is a good time to sell



54% of survey respondents thought that the current housing market conditions represented a good time to sell a property, down from 59% at the same time last year.

Perceptions around selling a home have weakened over the past twelve months which is likely attributable to the slowing rate of appreciation in dwelling values and a subtle rebalancing away from sellers towards buyers.

Survey respondents were most optimistic about selling conditions in Melbourne and Tasmania, where 70% of those people surveyed thought that market conditions created a good selling environment. A year ago only 63% of Melbourne based respondents thought it was a good time to sell, indicating an improvement in perceptions around selling.

Conversely, the weak housing market conditions in Perth are driving a low level of sentiment around the selling environment with only 20% of Perth based respondents believing it was a good time to sell a property. Despite similarly weak housing market conditions in Darwin, 40% of respondents thought it was a good time to sell.

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In your opinion is Australia's housing market vulnerable to a significant correction in values?

In your opinion, is Australia's housing market vulnerable to a significant correction in values?



In your opinion, is Australia's housing market vulnerable to a significant correction in values?



66% of survey respondents believe the Australian housing market is vulnerable to a significant correction in values. While the reading suggests survey respondents are concerned there could be a substantial fall in Australian home values, the result is unchanged from a year ago.

The high proportion of respondents who were concerned about a large correction in the housing market was broad-based, with all regions indicating at least 61% of respondents were concerned about a housing market crash.

Interestingly, Sydney, where dwelling values have surged higher more than any other city over the current growth cycle showed the least pessimistic attitudes with 61% of respondents indicating they thought home values could experience a significant correction. A year ago, 73% of Sydney based respondents thought the housing market could suffer a substantial decline in values. The higher reading can probably be attributed to Sydney's strong economic position and high rates of population growth that is continuing to support a controlled slowdown in housing market conditions.

Respondents based in Tasmania and the Northern Territory were the most pessimistic in their views of a substantial fall in home values. Housing market conditions have weakened in the Northern Territory with Darwin dwelling values down 4.6% since peaking in 2014, however Hobart conditions have recently started to improve which makes the high reading more surprising in this location.

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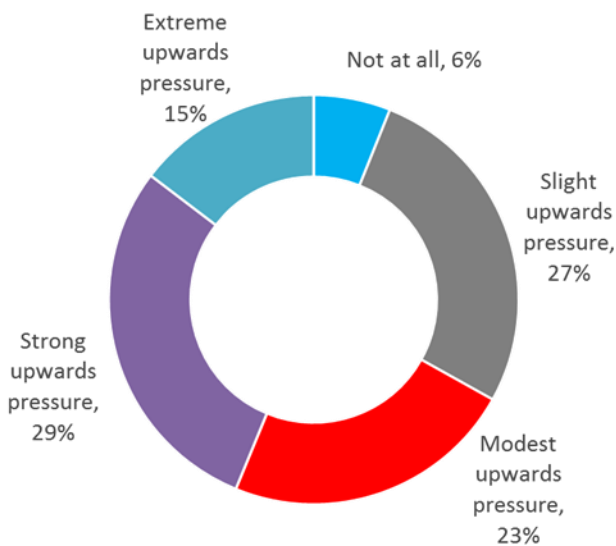
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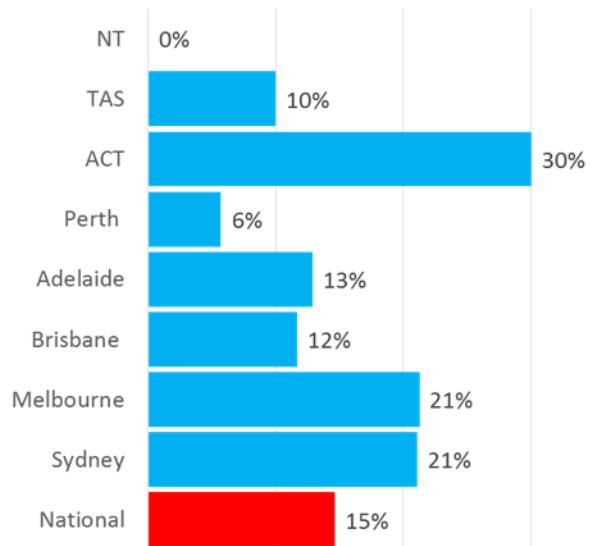
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To what extent do you think foreign buyers are driving Australian home values higher?

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Foreign buyers are placing extreme upwards pressure on home values.



Only 6% of survey respondents believe that foreign buying activity isn't placing upwards pressure on Australian home values, while 15% of those surveyed believe foreign buying is placing 'extreme' upwards pressure on home values.

The vast majority of survey respondents believe that foreign buying activity is placing some degree of upwards pressure on home prices, however more than half of those surveyed felt that this pressure was modest, slight or non-existent.

30% of respondents based in the Australian Capital Territory thought foreign buying activity was placing extreme upwards pressure on home values, which is surprising given the recent FIRB data highlighted foreign purchase approvals comprised only a small component of purchasing activity in the ACT market.

A much lower proportion of survey respondents who live in the regions where foreign buying activity was a larger component of demand, Melbourne and Sydney, felt that foreign buying was placing extreme upwards pressure on home values.

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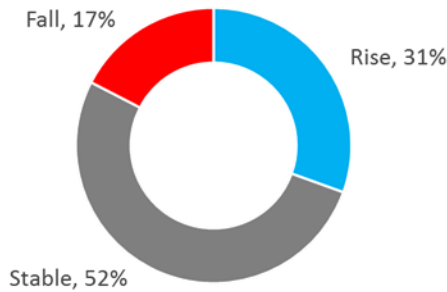
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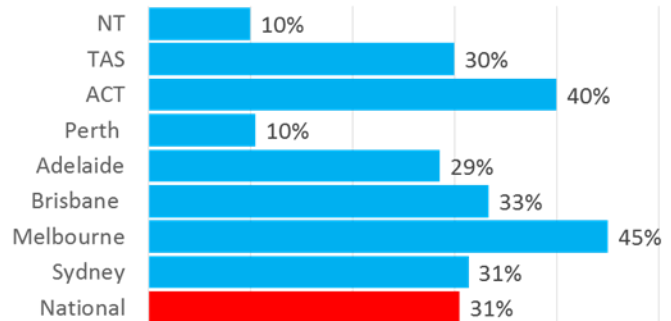
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Do you believe home values will rise, fall or remain stable over the next 6 months?

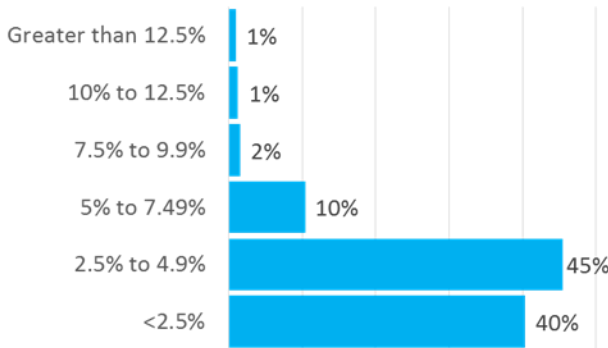
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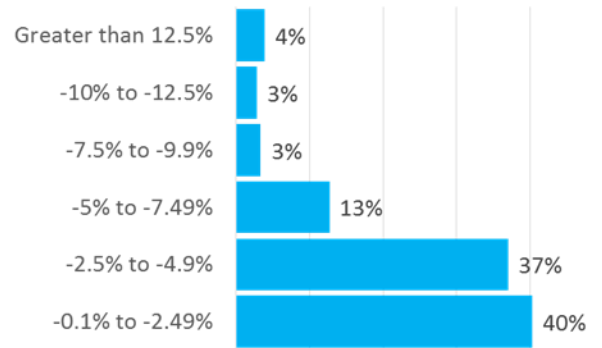
Do you think home values will rise over the next 6 months?



By how much do you believe home values will rise over the next 6 months?



By how much do you believe home values will fall over the next 6 months?



Just over half of survey respondents thought that home values were likely to remain stable over the next six months while 17% were expecting falls in home values. The most optimistic respondents for capital gains over the coming half year lived in Melbourne and the Australian Capital Territory where 45% and 40% respectively of survey respondents thought values would rise.

A year ago, 49% of survey respondents were expecting dwelling values to rise over the coming six months compared with only 31% over the most recent quarter. Respondents based in Sydney have seen the most substantial deterioration in the proportion of respondents expecting values to rise over the next months. A year ago, 66% of all Sydney based respondents were expecting values to rise over the next six months compared with only 31% over the most recent March quarter.

Those respondents based in Perth and Darwin, which are the only two capital cities where values have trended lower over the past twelve months, were least optimistic, with only 10% of those surveyed expecting home values to rise over the next half year period.

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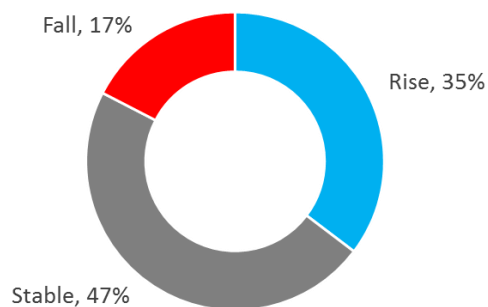
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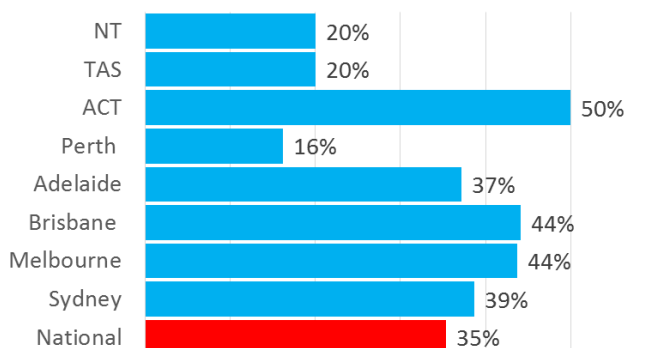
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Do you believe home values will rise, fall or remain stable over the next 12 months?

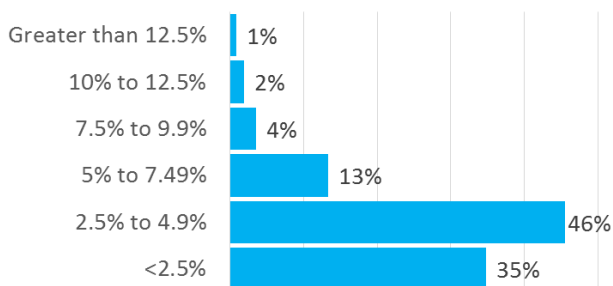
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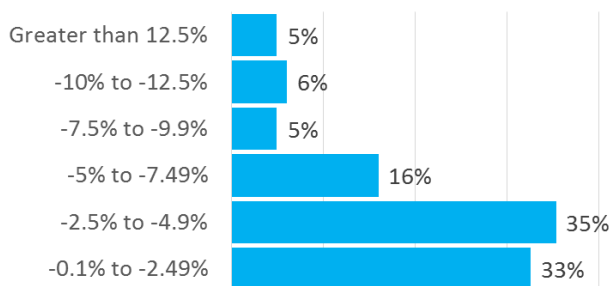
Do you think home values will rise over the next 12 months?



By how much do you believe home values will rise over the next 12 months?



By how much do you believe home values will fall over the next 12 months?



Survey respondents are more optimistic about growth conditions over the next twelve months compared with the next six months, with 35% of those surveyed expecting values to rise over the coming 12 months period (down from 51% a year ago).

The Australian Capital Territory was the only region where respondent were more optimistic about capital gain prospects over the coming twelve months. A year ago, only 35% of ACT residents were expecting home values to rise over the coming year while the most recent results indicated this has increased to 50% expecting a rise in home values over the next twelve months.

Sydney residents were the opposite, with the indicator recording a 20 basis point fall in the proportion of respondents expecting values to rise over the coming twelve months.

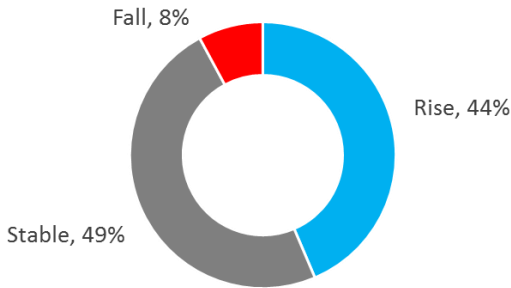
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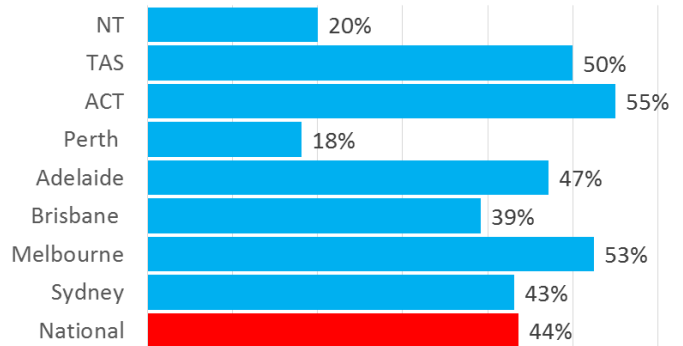
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Do you believe home rental rates will rise, fall or remain stable over the next 12 months?

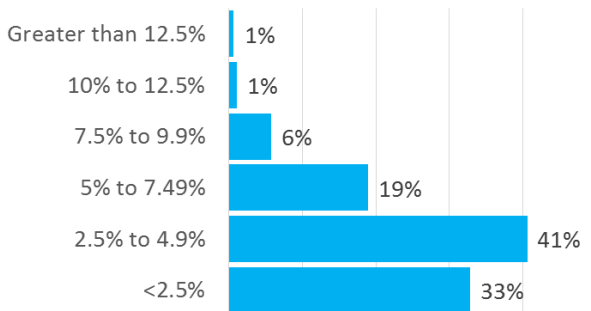
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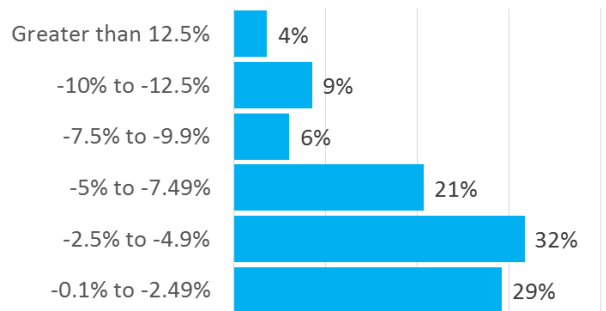
Do you think home rental rates will rise over the next 12 months?



By how much do you believe home rental rates will rise over the next 12 months?



By how much do you believe home rental rates will fall over the next 12 months?



Most respondents are expecting stable rental conditions over the coming twelve months, with the weakest rental markets attitudes apparent in Perth and the Northern Territory.

The only markets where at least half the respondents are expecting rents to rise over the next year are Tasmania, Australian Capital Territory and Melbourne. Those respondents who are expecting rents to move higher aren't anticipating significant increases, with almost three quarters expecting an increase of less than 5%.

The pessimistic responses in Perth and the Northern Territory should come as no surprise considering weekly rents have been falling in these markets for more than year. Despite the low proportion of respondents expecting rents to rise, the vast majority (58% and 60% in Perth and NT) are expecting a stable rental market over the coming twelve months.

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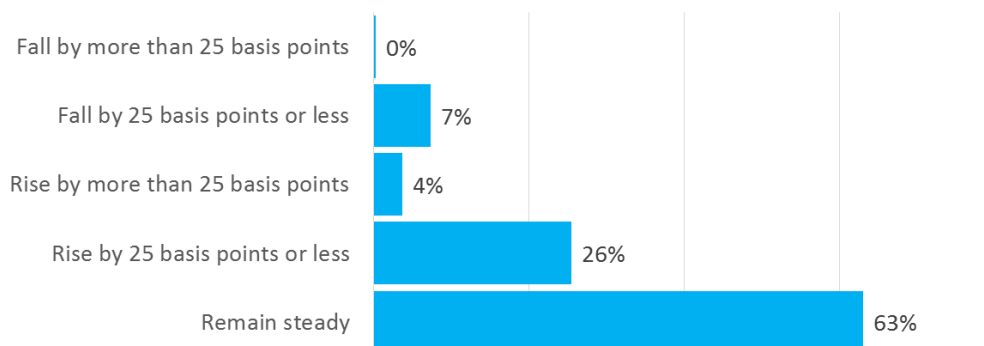
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Over the next year would you expect mortgage rates to:

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Almost two thirds of survey respondents are expecting mortgage rates to remain steady over the coming twelve months, while just over one quarter are expecting mortgage rates to rise. A year ago only 41% of respondents were expecting a stable mortgage rate setting over the coming year.

Very few (7%) respondents are expecting mortgage rates to move lower over the next year, signaling a growing belief that mortgage rates may be at the bottom of the cycle. At the same time last year, 27% of survey respondents were expecting mortgage rates to move lower.

With bank funding costs moving higher, there is some risk that mortgage rates will increase outside of any movements from the Reserve Bank's overnight cash rate.

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