

CoreLogic – TEG Rewards

Consumer housing market sentiment survey

Released: Friday 22 July, 2016

Latest Housing Market Sentiment Survey out today - Australian's share mixed views on housing market

The latest quarterly housing market sentiment survey by CoreLogic and TEG rewards revealed that almost two thirds of Australian's think now is a good time to be purchasing residential property while roughly the same proportion believed the housing market is vulnerable to a significant correction.

According to CoreLogic research head Tim Lawless, the latest CoreLogic and TEG Rewards Housing Market Sentiment Survey highlights the paradox in housing market attitudes, with the large majority of survey respondents indicating that it's a good time to buy a home at a time when the market may be vulnerable to a significant downturn.

Of the 2,432 Australian residents who participated in the June quarter CoreLogic TEG Rewards Housing Market Sentiment Survey, 64% of respondents thought it was a good time to buy a dwelling, up from 60% of respondents a year ago.

Sydney-based respondents, where affordability constraints are the most pressing of any capital city, were the most pessimistic about whether now is a good time to buy a property, however slightly more than half the respondents still felt it was a good time to buy.

Conversely, the regions where dwelling values have peaked and shown a downturn are where respondents are most confident about buying conditions. 80% or more of respondents in the Northern Territory, Regional Western Australia and Perth indicated they thought it was a good time to buy.

Mr Lawless said, "With such a large proportion of survey respondents thinking that now is a good time to buy a dwelling, it was surprising to see almost two thirds (65%) also indicated they thought dwelling values could suffer a significant correction. While the results suggest that survey respondents are concerned there could be a substantial fall in Australian home values, the proportion is lower from a year ago when 75% of respondents thought the market was vulnerable to a significant correction in values."

When asked whether dwelling values would rise, fall or remain steady over the next twelve months, the majority of respondents expected values to remain steady, with Tasmanians the most optimistic about the direction of value growth over the next twelve months.

Nationally, 38% of respondents are expecting dwelling values to rise over the next twelve months. In contrast, a year ago 45% of respondents thought values would rise, indicating that respondents have become less optimistic with regards to their views on capital gains over the next financial year.

For rental market conditions, only 11% of survey respondents are expecting weekly rents to fall over the next twelve months, despite the CoreLogic rental series showing the weakest rental conditions in at least two decades.

Nationally, almost equal numbers of survey respondents indicated that weekly rents would either rise or remain stable over the coming twelve months, however there were some considerable variations across the regions.

Less than one fifth of respondents in Perth and Regional Western Australia think weekly rents will rise. Mr Lawless said, "The low expectation of rental rises in these areas is in line with current rental statistics which show ongoing falls in weekly rents across most parts of Western Australia."

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CoreLogic – TEG Rewards

Consumer housing market sentiment survey (cont'd)

Latest Housing Market Sentiment Survey out today - Australian's share mixed views on housing market

The survey also explored attitudes toward foreign investment.

94% of survey respondents believe that foreign buying activity is placing some degree of upwards pressure on Australian home values, while 17% of those surveyed believe foreign buying is placing 'extreme' upwards pressure on home values. However more than half of those surveyed felt that any upwards pressure on dwelling values caused by foreign demand was modest, slight or non-existent.

In Sydney and Melbourne, where the Foreign Investment Review Board reports that approvals for overseas buyers to purchase Australian dwellings has been the highest, showed the highest proportion of respondents that thought foreign buying activity was placing 'extreme upwards pressure' on home values. These are also the two capital cities where capital growth has been the most substantial and housing affordability has been stretched the most. One quarter of Sydney respondents thought foreign buyers were placing extreme upwards pressure on dwelling values, and 22% of Melbourne respondents thought this was the case.

Building on the theme of foreign buying activity in the housing market, even though more than half of survey respondents thought that overseas buyers were placing only modest, slight or non-existent upwards pressure on dwelling values, 71% of respondents still thought foreign buyers were making it more difficult for Australian residents to own their own home.

Another topic of the survey was changes to negative gearing taxation rules.

With negative gearing policy being fiercely debated in the lead up to the federal election, Mr Lawless said, "it's interesting to note that opinions on removing the tax deduction for established homes was broadly spread."

Almost one third of respondents indicated that they weren't sure if the Federal Government should make any changes, 40% of respondents indicated that they didn't think the Labor policy of removing negative gearing benefits for established properties should be implemented, while a much lower 28% of respondents thought the policy should be changed.

The survey also indicated that most respondents are expecting a steady mortgage rate environment over the next six and twelve months, with a surprisingly large proportion (29%) indicating they thought rates could rise over the next twelve months.

When considering what factor is most important when making a property purchase, half of survey respondents indicated it was their personal financial situation. The second most important factor was the prospects for capital growth, highlighting that many property buyers look to the housing market as a wealth creation channel. Interest rates were the third most important factor. With household debt levels at record highs, there is a high degree of sensitivity to the cost of debt, which is reaffirmed in the survey results.

About CoreLogic: 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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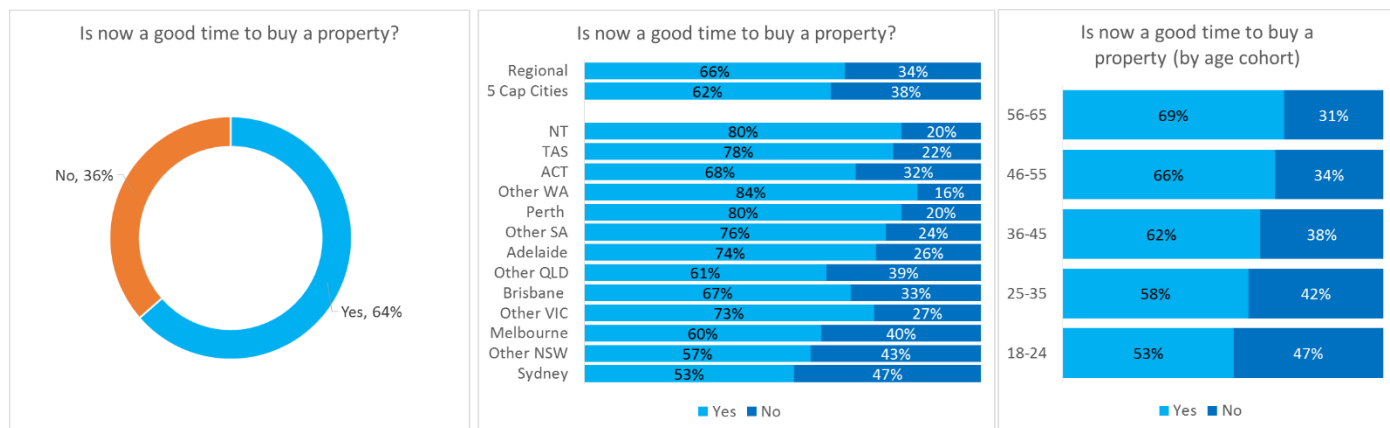
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Survey of housing market sentiment

Summary findings, June quarter 2016

2,432 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?



64% of survey respondents thought that the current housing market conditions represented a good time to buy a property, up from 60% at the same time last year. Perceptions around whether now is a good time to be buying a property have improved over the past year, with respondents who felt that now was a good time to buy increasing by four percentage points over the year.

Sydney based respondents, where affordability constraints are the most pressing of any capital city, were the most pessimistic about whether now is a good time to buy a property, however slightly more than half the respondents still felt it was a good time to buy a property.

Conversely, the regions where dwelling values have peaked and have entered a downturn are where respondents are most confident about buying conditions. 80% or more of respondents in the Northern Territory, Regional Western Australia and Perth indicated they thought it was a good time to buy.

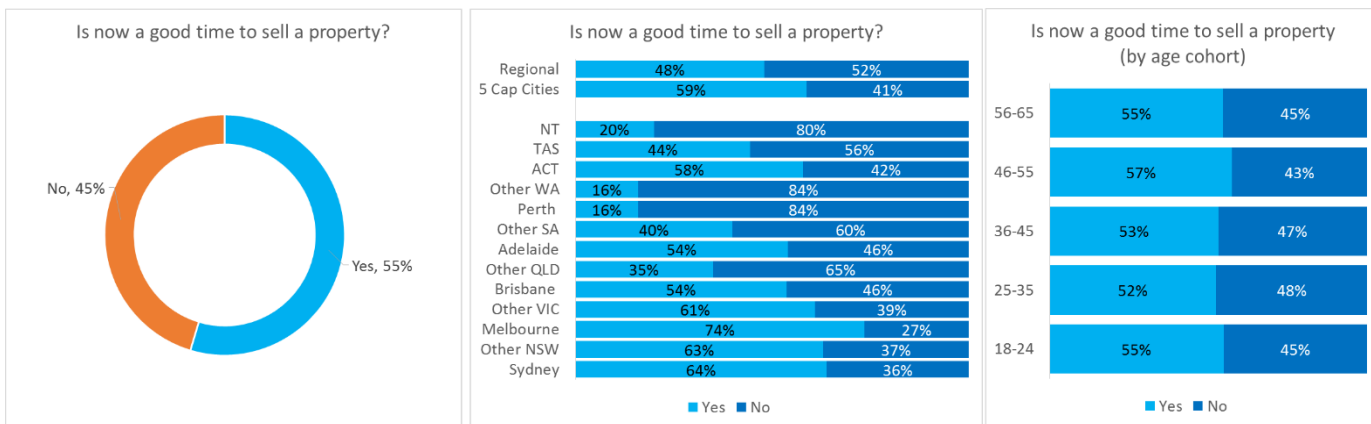
Across the age groups, mature aged buyers were generally more optimistic about buying conditions, while the younger age groups were less optimistic about buying conditions. The difference between the age groups may reflect the fact that younger age cohorts are generally more affected by affordability constraints in the market despite low mortgage rates.

Survey of housing market sentiment

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



55% of survey respondents thought that the current housing market conditions represented a good time to sell a property, down from 65% at the same time last year.

Perceptions around selling a home have weakened over the past twelve months which is likely attributable to slower housing market conditions across many markets. CoreLogic data shows that transaction numbers have been moderating across most capital cities at a time when total listing numbers are higher than a year ago.

The weaker performing housing markets are also showing the most pessimistic survey responses around whether now is a good time to sell. Only 16% of respondents in Perth and regional Western Australia thought it was a good time to sell; a year ago approximately 40% of respondents thought it was a good time to sell in these same regions.

Melbourne stands out as the region where respondents are most optimistic about selling conditions, with almost three quarters of respondents indicating they thought it was a good time to sell. Based on CoreLogic data, Melbourne is continuing to show the fastest average selling time, at 34 days and one of the lowest average rates of vendor discounting.

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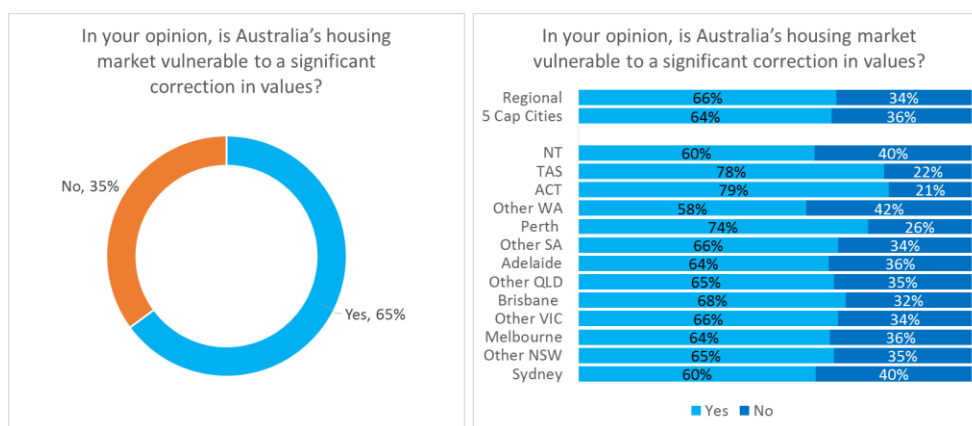
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Survey of housing market sentiment

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



65% 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 lower from a year ago when 75% of respondents thought the market was vulnerable to a significant correction in values. The result is unchanged from the March quarter at 65%.

The high proportion of respondents who were concerned about a large correction in the housing market was broad-based, with the substantial majority of respondents across all regions being concerned about a housing market crash.

It seems somewhat counterintuitive that 65% of the population think the housing market could show a significant correction in values, while at the same time, 64% of those surveyed also think it's a good time to buy a property. The divergent results highlight the importance many Australian's place on home ownership and /or the investment potential of housing.

Interestingly, Sydney, where dwelling values have surged higher than any other city over the current growth cycle showed the second least pessimistic attitudes with 60% of respondents indicating they thought home values could experience a significant correction. A year ago, 79% 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 less pessimistic view of the market outlook compared with most other regions of the country.

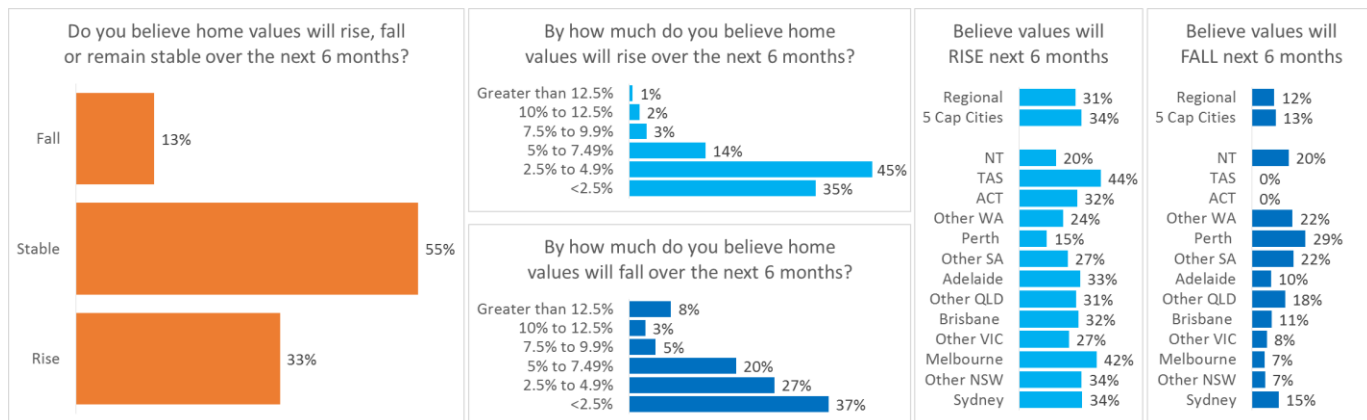
Respondents based in Tasmania and the ACT were the most pessimistic in their views about a substantial fall in home values. Both markets (particularly Tasmania) have recently emerged from a sustained period of weak conditions which suggests that the pessimistic outlook may be a hangover from the previously weak conditions.

Survey of housing market sentiment

Summary findings, June quarter 2016

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



Most survey respondents are expecting dwelling values will remain steady over the second half of 2016 and one third are expecting dwelling values to rise.

Of those respondents expecting a rise in dwelling values over the next half year, only 6% are expecting values to increase by more than 7.5% and 80% are expecting values to increase by less than 5%.

Tasmanians appear to be the most optimistic about the direction of dwelling values over the next six months, with 44% of respondents indicating they think values will rise. The optimism comes after CoreLogic reported Hobart dwelling values have recorded a 6.2% rise in Hobart dwelling values over the past twelve months. At least one third of respondents located in Adelaide (33%), Melbourne (42%), Regional NSW (34%) and Sydney (34%) are expecting dwelling values to rise.

Respondents based on Perth were the least optimistic with regards to dwelling value movements over the next six months, with 29% indicating they expected dwelling values to fall further over the next half year.

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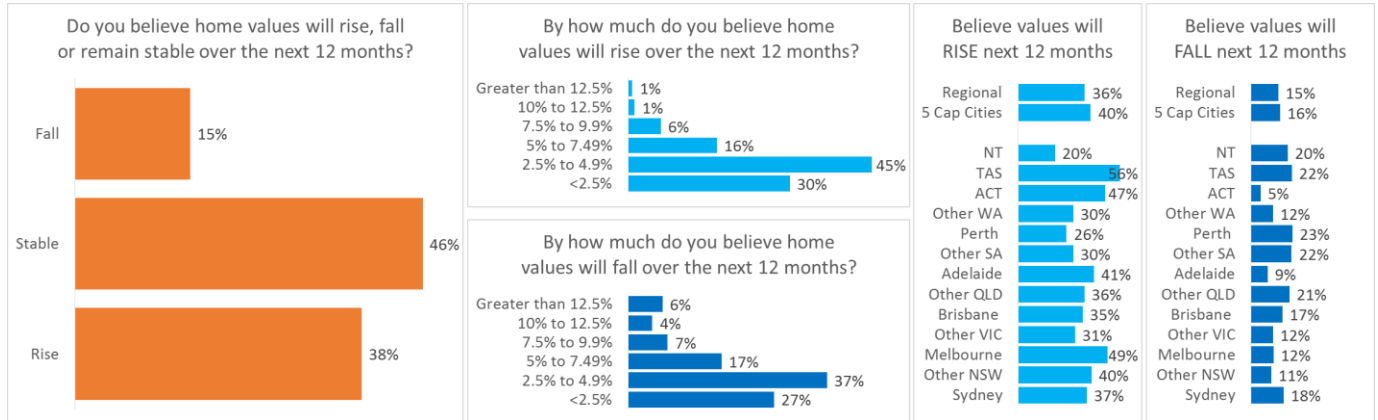
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Survey of housing market sentiment

Summary findings, June quarter 2016

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



The majority of survey respondents expect dwelling values to remain steady over the next twelve months, with Tasmanians the most optimistic about the direction of value growth over the next twelve months.

38% of respondents nationally were expecting dwelling values to rise over the next twelve months. A year ago 45% of respondents thought values would rise, indicating that respondents have become less optimistic with regards to their views on capital gains over the next financial year.

Of those respondents who thought dwelling values would move higher over the next twelve months, most are expecting only modest appreciation. Three quarters expect values won't increase by more than 5% over the coming twelve months period.

Only 15% of respondents were expecting dwelling values to fall over the next twelve months, with the highest proportions based in Perth where 23% of respondents were expecting further value declines over the coming twelve month period.

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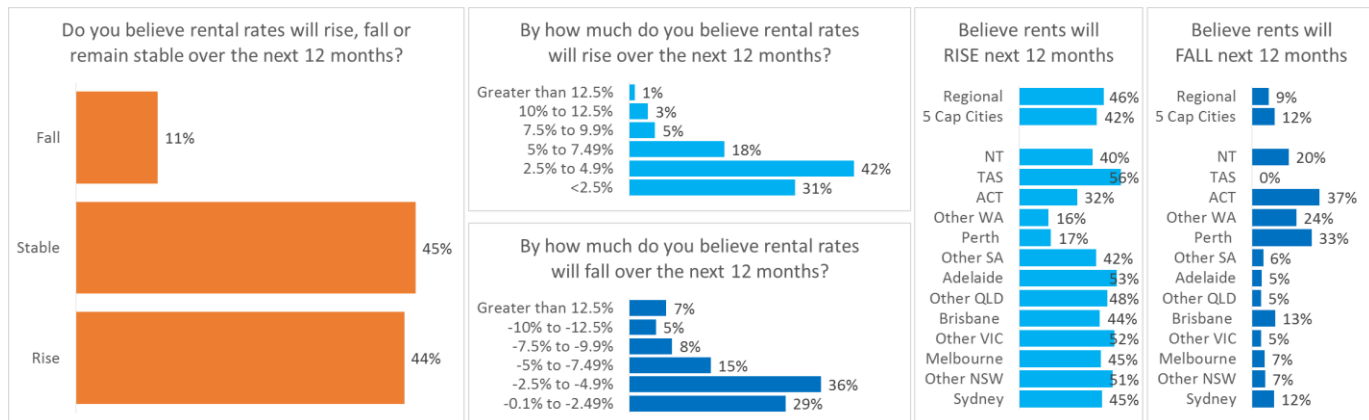
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Survey of housing market sentiment

Summary findings, June quarter 2016

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



Only 11% of survey respondents are expecting weekly rents to fall over the next twelve months, despite CoreLogic’s rental series showing the weakest rental conditions in at least two decades.

Nationally, almost equal numbers of survey respondents indicated that weekly rents would either rise or remain stable over the coming twelve months, however there were some considerable variations across the regions.

Less than one fifth of respondents in Perth and Regional Western Australia think weekly rents will rise. The low expectation of rental rises in these areas is in line with current rental statistics which show ongoing falls in weekly rents across most parts of Western Australia.

The largest proportion of respondents who indicated rents were likely to rise over the coming year were in Tasmania, with 56% of those surveyed expecting rents to increase over the coming year. Adelaide (53%), Regional Victoria (52%) and Regional New South Wales (51%) also recorded more than half of survey respondents who thought rents would rise over the year.

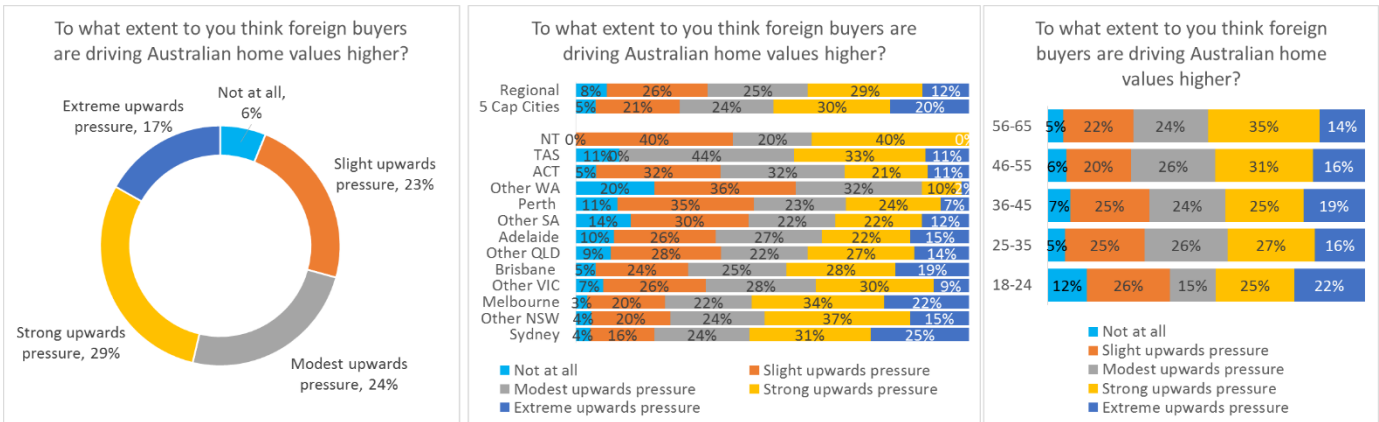
Of those respondents who indicated rents are likely to rise, most indicated they thought increases would be modest. 73% of these responses indicated annual rental increases would be less than 5%.

Survey of housing market sentiment

Summary findings, June quarter 2016

2,432 Australian residents responded to the most recent survey of housing market sentiment from CoreLogic RP Data and TEG Rewards.

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



94% of survey respondents believe that foreign buying activity is placing some degree of upwards pressure on Australian home values, while 17% 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 any upwards pressure on dwelling values caused for foreign demand was modest, slight or non-existent.

Sydney and Melbourne, where the Foreign Investment Review Board reports that approvals for overseas buyers to purchase Australian dwellings has been the highest, showed the highest proportion of respondents that thought foreign buying activity was placing ‘extreme upwards pressure’ on home values. These are also the two capital cities where capital growth has been the most substantial and housing affordability has been stretched the most. One quarter of Sydney respondents thought foreign buyers were placing extreme upwards pressure on dwelling values, and 22% of Melbourne respondents thought this was the case.

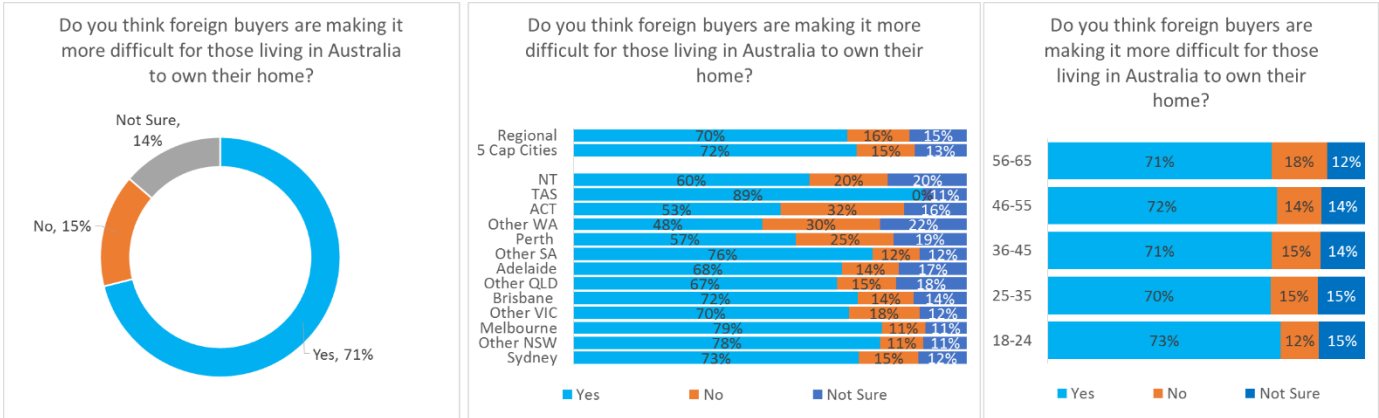
There was also some diversity in views around the effect of foreign buying activity on dwelling values across the broad age cohorts surveyed. The youngest age group (18 to 24 year olds) showed the most diversity in their responses, with the highest concentration of respondents at both ends of the spectrum. 18 to 24 year olds were the only age group where more than one in five respondents thought foreign buyers were contributing to extreme upwards pressure on dwelling values.

Survey of housing market sentiment

Summary findings, June quarter 2016

2,432 Australian residents responded to the most recent survey of housing market sentiment from CoreLogic RP Data and TEG Rewards.

Do you think foreign buyers are making it more difficult for those living in Australia to own their home?



Building on the theme of foreign buying activity in the housing market, even though more than half of survey respondents thought that overseas buyers were placing only modest, slight or non-existent upwards pressure on dwelling values, 71% of respondents still thought foreign buyers were making it more difficult for Australian residents to own their own home.

Geographically, the only broad region where less than half of respondents thought foreign buying activity wasn't making it more difficult for Australian residents to buy a home was regional Western Australia (48%). A substantial fall in dwelling values across many parts of regional Western Australia has been accompanied by significant decline in migrant numbers as well which is likely contributing to the lower reading in this area.

The ACT showed the second lowest proportion of respondents who thought foreign buying was making it more difficulty for Australians to own a home. Ten years ago, net overseas migration into the ACT was averaging virtually nil migrants, whereas over the past five years the ACT is recording an average of 560 migrants each quarter. The upswing in migration trends doesn't appear to have affected local attitudes about dwelling values as much as other regions of the country.

Interestingly, 89% of Tasmanian respondents indicated they thought foreign buyers were making it difficult for Australian residents to own a home. This is despite overseas migration into Tasmania being the lowest of any state, averaging approximately 300 net migrants each quarter over the past five years.

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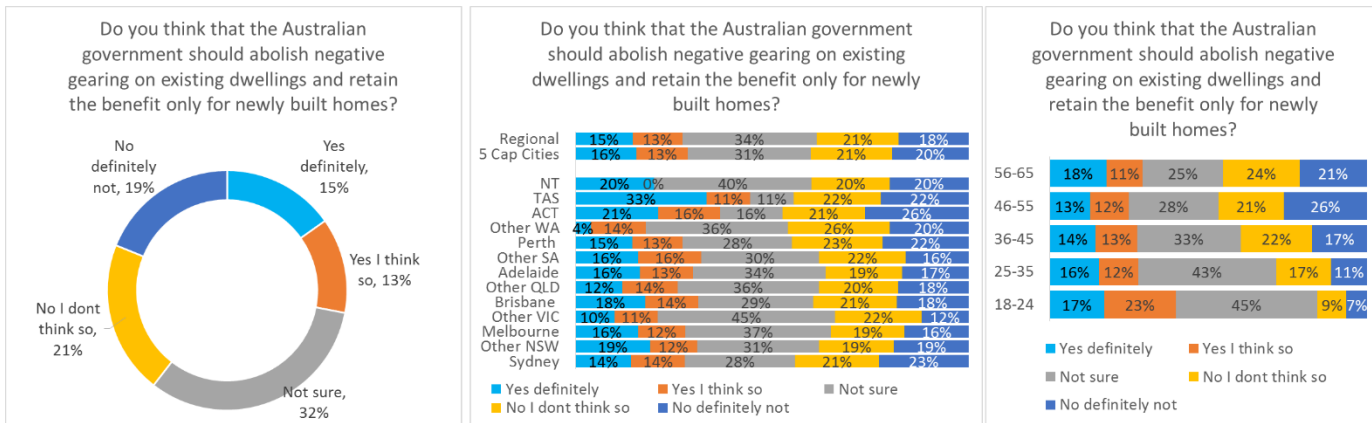
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Survey of housing market sentiment

Summary findings, June quarter 2016

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Do you think that the Australian government should abolish negative gearing on existing dwellings and retain the benefit only for newly built homes?



With negative gearing policy being fiercely debated in the lead up to the federal election, it's interesting to note that opinions on removing the tax deduction for established homes was broadly spread. Almost one third of respondents indicating they weren't sure if the Federal Government should make any changes.

40% of respondents indicated that didn't think the Labor policy of removing negative gearing benefits for established properties should be implemented, while a much lower 28% of respondents thought the policy should be changed.

From region to region, the areas where respondents were most supportive of the proposed changes to negative gearing were often also the most opposed, highlighting how polarised attitudes are on the subject. In Tasmania, 44% of respondents indicated the policy should be changed and 44% indicated negative gearing policy should remain unchanged. Similarly, in the ACT, 37% of respondents indicated they supported the Labor policy while 47% felt it should not be changed.

The locations where there was the least support for changes to negative gearing were in Regional Western Australia (18%), Northern Territory (20%), and Regional Victoria (21%).

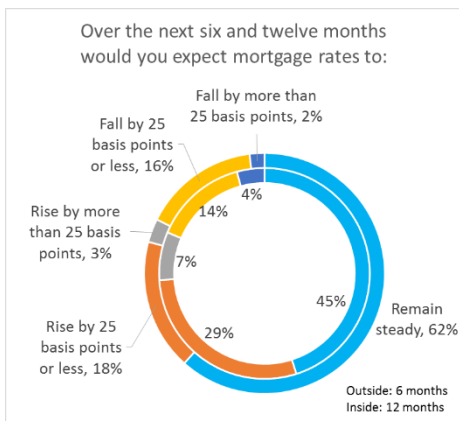
Across the broad age cohorts, it's interesting to see the more mature age groups who generally receive the largest negative gearing concessions (in dollar value terms), were most opposed to any changes, while the younger age groups showed a larger proportion indicating they weren't sure if any changes should be made.

Survey of housing market sentiment

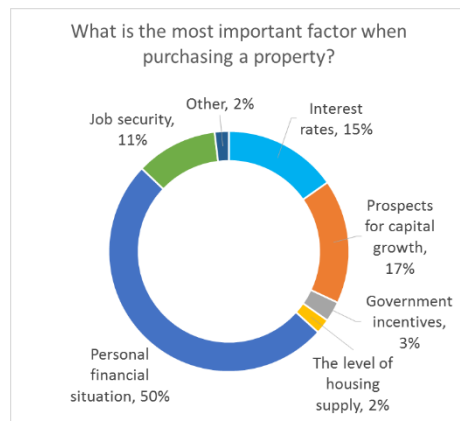
Summary findings, June quarter 2016

2,432 Australian residents responded to the most recent survey of housing market sentiment from CoreLogic RP Data and TEG Rewards.

Over the next 6 & 12 months would you expect mortgage rates to:



What is the most important factor when purchasing a property?



Most respondents are expecting a steady mortgage rate environment over the next six and twelve months, with a surprisingly large proportion (29%) indicating they thought rates could rise over the next twelve months.

Most respondents think we are in for a period of flat mortgage rates, with 62% indicating rates would remain flat over the next six months and 45% over the next 12 months.

Surprisingly, more than one third of respondents are expecting rates to rise over the next 12 months, despite most economists and financial markets predicting another rate cut as early as August this year.

When considering what factor is most important when making a property purchase, half of survey respondents indicated it was their personal financial situation.

The second most important factor was the prospects for capital growth, highlighting that many property buyers look to the housing market as a wealth creation channel.

Interest rates were the third most important factor. With household debt levels at record highs, there is a high degree of sensitivity to the cost of debt, which is reaffirmed in the survey results.

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