NAB residential property survey Q3-2022

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National housing market sentiment fell to below survey average levels in Q3 2022 as the downturn in the national housing market gathered speed and spread wider. Solid growth in rental markets however continued to provide some support.

NAB continues to see an ongoing adjustment in the property market as interest rates rise – and still expect to see a peak to trough fall of around 20% in property prices.

NAB Behavioural & Industry Economics

Survey highlights

National housing market sentiment fell for the second straight quarter in Q3 as the downturn in the national housing market gathered speed and spread wider. Overall, the **NAB Residential Property Index** fell to +9 pts (+29 pts in Q2), and drifted below the survey average (+17) for the first time in 2 years. The index is now being mainly supported by a strong home rental market.

Sentiment fell in all states in Q3, except WA (+58 pts), but remained highest in the NT (+75 pts). It fell most and turned negative in the ACT (-75 pts) and TAS (-25), with NSW (-5 pts) and VIC (-2 pts) negative for the first time since Q2 20. Sentiment also dipped sharply in SA (+40) and QLD (+10), but both states were (along with WA) the only areas to report a positive outcome.

Short-term confidence levels sagged further in Q3, with the 12 month measure now at a 2-year low +10 pts. The 2-year measure however ticked up slightly to +25 pts, but is still well below average (+45 pts). WA (+60 pts) is the most confident state in the short-term – and the only state to report an uplift in confidence.

The average survey forecast for national house prices in Q3 was cut to -2.6% in 12 months' time (previously -1.2%), and -1.4% in 2 years' time (previously -1.3%). Expectations for the next 12 months were pared back in all states except WA - now forecast at 2.2% (1.4% in Q2). Property professionals have prices falling in VIC (-4.5%), the ACT (-4.0%) and NSW (-3.7%).

The outlook for rents lifted in Q3, and they are now expected to grow by a solid 3.5% in the next 12 months and 3.8% in 2 years' time nationally. With rents growing faster than house prices, gross yields should improve, with rents out-stripping prices in all states.

With supply chain issues, high raw material prices and labour shortages persisting, construction costs are still seen as the main constraint on new housing development nationwide. Rising interest rates have also overtaken tight credit as the next biggest constraint. With the upswing in rates continuing, property professionals again highlighted rising interest rates as the biggest (and a growing) constraint for buyers of existing property.

Property professionals believe the 3 most important considerations for home buyers when deciding to buy a property are the amount they are prepared to borrow to buy (82%), good local amenities (60%) and the size of the house (57%). New research also finds the rising cost of renovations is having a "quite significant" influence encouraging people to buy fully renovated properties (7.5 pts out of 10), with the extent the use of digital tools has become more important in selling properties also "quite significant" (7.1 pts out of 10).

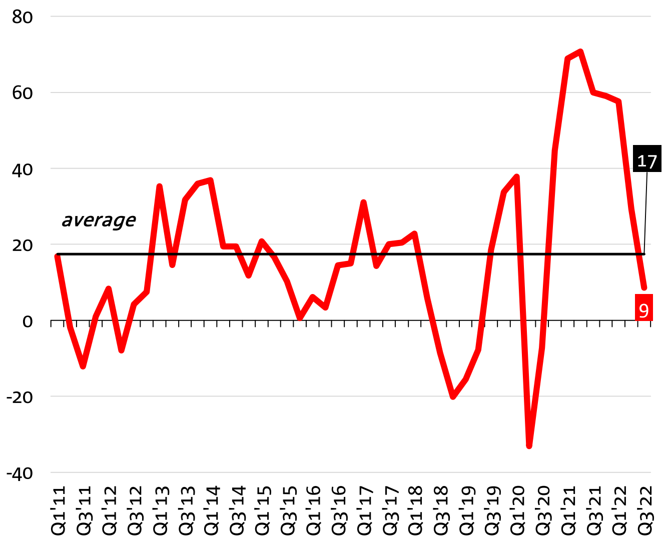
The view from NAB

The housing market has been adjusting to a higher level of interest rates and will continue to do so in the near-term as the RBA lifts rates further and the impact of the previous rate hikes continues to flow through. Our outlook for property prices is broadly unchanged, with dwelling prices expected to decline by around 20% across the capital cities from the peak in mid-2022. The declines are expected to be broad-based, but led by areas where affordability constraints are most binding. To date, Sydney and Melbourne have led the declines, but prices in other capital cities now appear to have also peaked - and the decline in Brisbane has accelerated.

More broadly the economy and labour market continue to show resilience but are expected to soften under the impact of higher rates and elevated inflation on household budgets. We expect the RBA to lift rates further in coming months, taking the cash rate to 3.1% before pausing to assess the impact of rate increases to date. While the influence of global factors on inflation is expected to wane, domestic factors will become increasingly important - including faster wage growth.

View from property experts

NAB residential property index



Residential property index by state

	Q2'22	Q3'22	Next 1yr	Next 2yrs
VIC	6	-2	2	23
NSW	10	-5	-4	20
QLD	46	10	9	13
SA	74	40	30	33
WA	52	58	60	66
ACT	17	-75	-63	-13
NT	100	75	38	38
TAS	36	-25	17	33
AUST	**29**	**9**	**10**	**25**

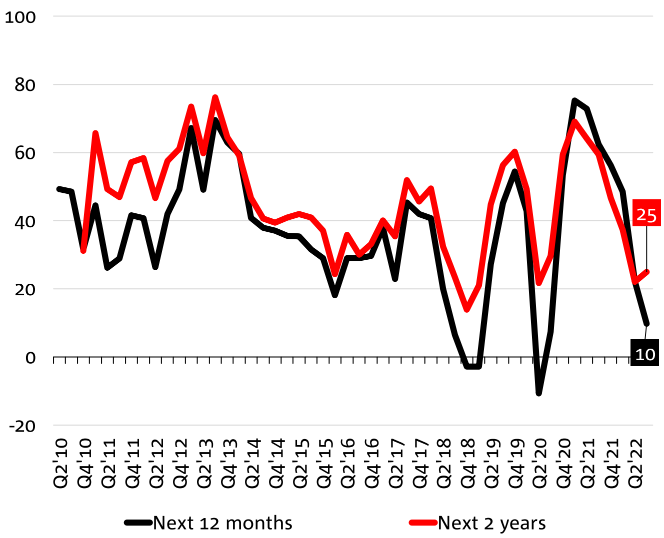
View from NAB economics

NAB hedonic dwelling price forecasts (%)*

	2020	2021	2022f	2023f
Sydney	2.7	25.3	-12.9	-9.4
Melbourne	-1.3	15.1	-9.1	-14.1
Brisbane	3.6	27.4	-0.8	-9.4
Adelaide	5.9	23.2	9.9	-16.3
Perth	7.3	13.1	1.5	-13.9
Hobart	6.1	28.1	-6.4	-16.6
Cap City Avg	**2.0**	**21.0**	**-7.3**	**-11.4**

*% change represent through the year growth to Q4 **SOURCE**: CoreLogic, NAB Economics

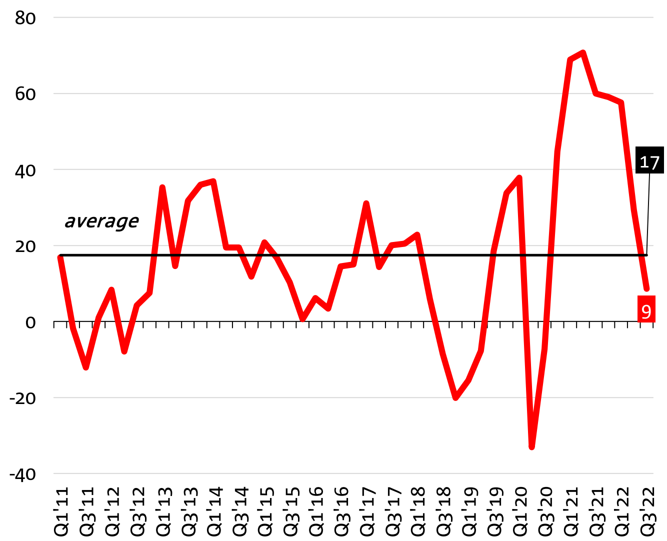
NAB residential property index: Next 1-2 yrs



NAB residential property index

National housing market sentiment (measured by the NAB Residential Property Index) fell for the second straight quarter in Q3 as the downturn in the national housing market gathered speed and spread wider. Overall, the Index (based on surveyed property professionals' view of housing prices and rents) fell to +9 pts in Q3 (+29 pts in Q2 2022), and drifted below the survey average (+17) for the first time in 2 years. The index is now being largely supported by a relatively strong home rental market.

NAB residential property index

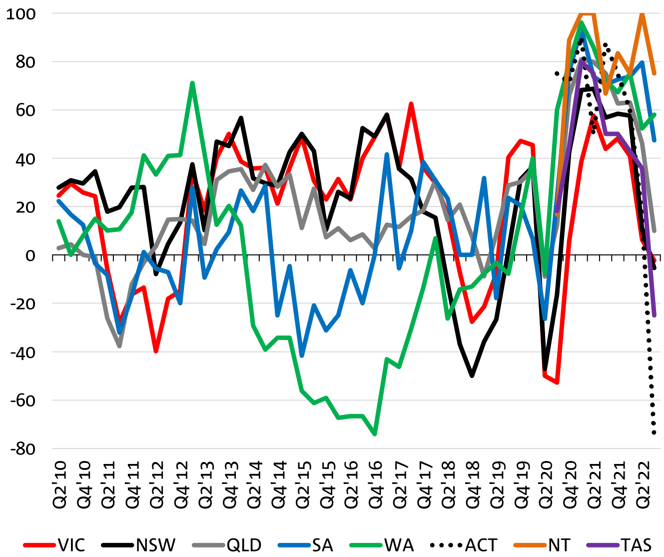


Housing market sentiment fell in all states in Q3, except WA (up 6 pts to +58), but remained highest in the NT (down 25 pts to +75) where recent Core Logic data also highlighted Darwin as the only capital city not currently in a housing downturn. Sentiment fell most and turned negative in the ACT (down 92 pts to -75) and TAS (down 61 pts to -25), with NSW (-5 pts) and VIC (-2 pts) also moving into negative territory for the first time since Q2 20. Sentiment also dipped quite sharply in SA (down 34 pts to +40) and QLD (down 36 pts to +10), but both these states were (along with WA) the only areas to report a positive outcome in the September quarter.

Residential property index by state

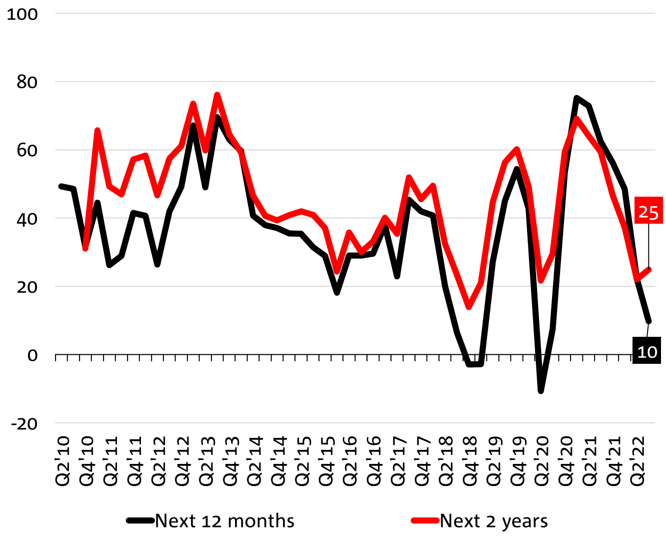
	Q2'22	Q3'22	Next 1yr	Next 2yrs
VIC	6	-2	2	23
NSW	10	-5	-4	20
QLD	46	10	9	13
SA	74	40	30	33
WA	52	58	60	66
ACT	17	-75	-63	-13
NT	100	75	38	38
TAS	36	-25	17	33
AUST	**29**	**9**	**10**	**25**

Residential property index by state



Short-term housing market confidence sagged further in Q3, with the 12 month measure falling for the sixth straight quarter to a 2-year low +10 pts (+22 pts in Q2) to remain well below the survey average (+37 pts). But the 2-year measure ticked up a little to +25 pts (+22 in Q2) after having fallen over the last 5 quarters, but is also still well below the survey average (+45 pts).

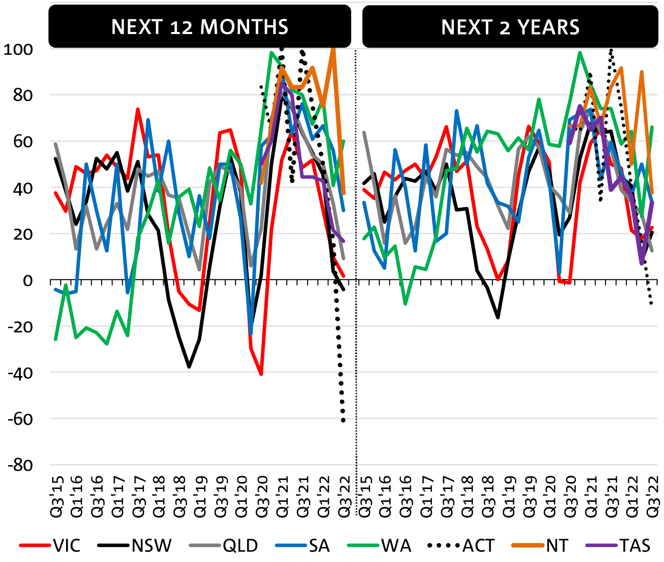
Residential property index: Next 1-2 years



Housing market confidence in the next 12 months is highest in WA (up 19 pts to +60), and it was the only state to report an uplift in confidence levels. Confidence slipped most in the ACT (down 79 pts to -63) and NT (down 63 pts to +38). NSW was the only other state to report a negative result (-4 pts), with short-term confidence levels also very weak in VIC (+2) and QLD (+9).

The 2-year confidence measure in Q3 rose in WA (up 39 pts to +66 and led the country), TAS (up 26 pts to +33), VIC (up 5 pts to +33) and NSW (up 12 pts to +20), and fell in all other states with the ACT the only area to report a negative result (down 29 pts to -13).

Residential property index: Next 1-2 years



Survey house price expectations

The average survey forecast for national house prices was revised down further into negative territory in Q3. On average, property professionals see prices falling -2.6% in the next 12 months (-1.2% forecast in Q2, and falling by a slightly faster -1.4% in 2 years' time (previously -1.3%) - see below for NAB's View on Dwelling Prices.

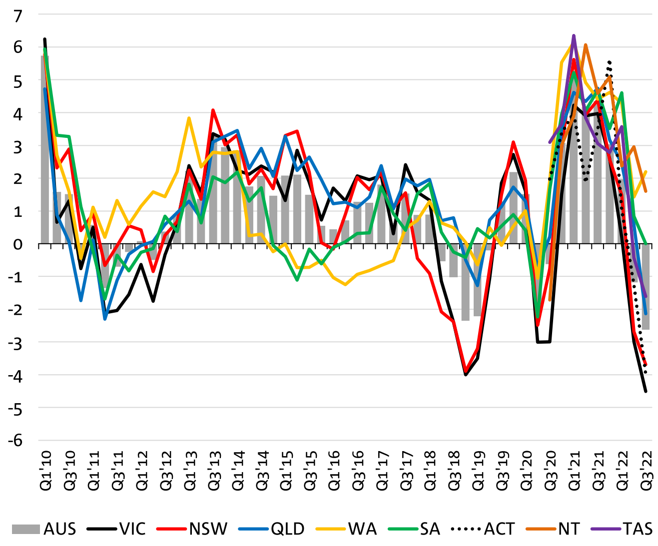
Avg survey expectations: house prices (%)

	Next 1 year	Next 2 years
VIC	-4.5% (-3.0%)	-2.5% (-2.7%)
NSW	-3.7% (-2.7%)	-1.7% (-2.8%)
QLD	-2.1% (0.6%)	-2.1% (0.1%)
SA	0.0% (0.8%)	0.3% (0.8%)
WA	2.2% (1.4%)	2.9% (1.3%)
ACT	-4.0% (-1.2%)	-1.8% (-1.3%)
NT	1.6% (3.0%)	2.5% (3.0%)
TAS	-1.6% (-0.4%)	-1.0% (-0.5%)
AUS	**- 2.6% (-1.2%)**	**-1.4% (-1.3%)**

**figures in parentheses refer to forecasts in the previous survey*

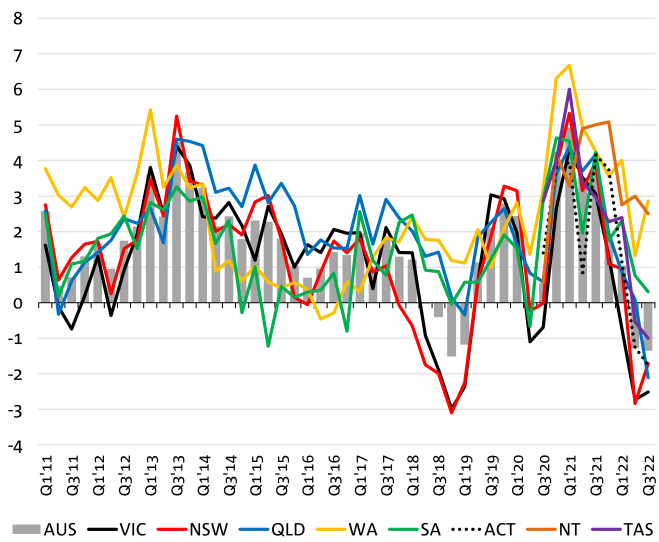
Expectations for house price growth for the next 12 months were pared back in all states except WA - now forecast at 2.2% from 1.4% in Q2. Property professionals also see prices falling in most states/territories over the next 12 months except the NT (1.6% revised down from 3.0% in Q2) and SA (flat from 0.8% in Q2). They predict prices will fall most in VIC at -4.5% (-3.0% previously), the ACT (now -4.0% from -1.2% in Q2) and NSW (now -3.7% previously -2.7% in Q2).

Avg survey expectations: Next 1 year (%)



Property professionals in WA (2.9%) and the NT (2.5%) are the most positive for price growth in the next 2 years, with modest growth also expected in SA (0.3%). The outlook is negative for all other states led by VIC at -2.5% (but pared back from -2.7% in Q2) and QLD (now -2.1% and revised down sharply from 0.1% in Q2). Significant falls are also expected for the ACT (-1.8%) and in NSW (-1.7% though pared back noticeably -2.8% in Q2).

House price expectations: In 2 years (%)



Survey rental expectations

The outlook for national housing rents improved in Q3. In the next 12 months, the average survey forecast is for national rents to grow by a very solid 3.5% (3.2% forecast in Q2) and 3.8% in 2 years' time (3.4% forecast in Q2). With housing rents typically expected to grow faster as housing prices continue falling, gross rental yields should continue to recover, with expectations for rental growth also exceeding price growth in all states.

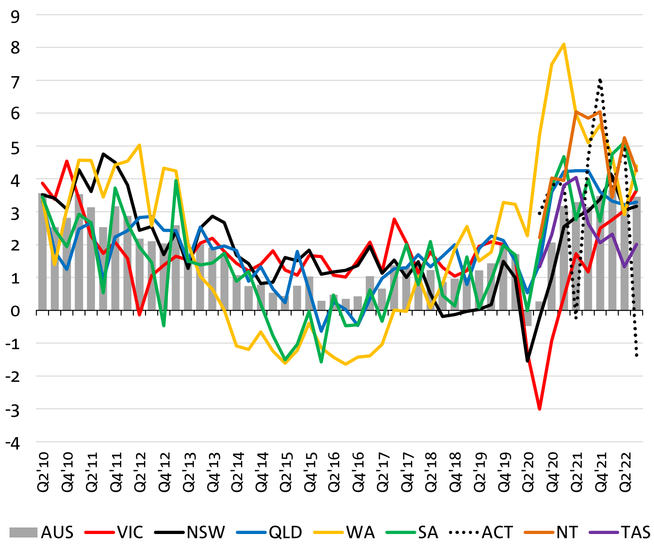
Avg survey expectations: Rents (%)

	Next 1 year	Next 2 years
VIC	3.7% (3.0%)	4.1% (4.3%)
NSW	3.2% (3.0%)	3.7% (3.4%)
QLD	3.3% (3.2%)	3.2% (3.1%)
SA	3.7% (5.1%)	3.6% (3.8%)
WA	4.4% (2.9%)	5.1% (2.0%)
ACT	-1.4% (5.0%)	0.6% (4.6%)
NT	4.3% (5.3%)	5.0% (5.9%)
TAS	2.0% (1.3%)	2.4% (2.1%)
AUS	**3.5% (3.2%)**	**3.8% (3.4%)**

**figures in parentheses refer to forecasts in the previous survey*

The average survey expectation for the next 12 months is highest in WA (4.4%) and the NT (4.3%), with relatively strong growth also expected in VIC (3.7%), SA (3.7%), QLD (3.3%) and NSW (3.2%). Property professionals however heavily scaled back the outlook for rents in the ACT - now expected to fall -1.4% in the next 12 months (5.0% forecast previously).

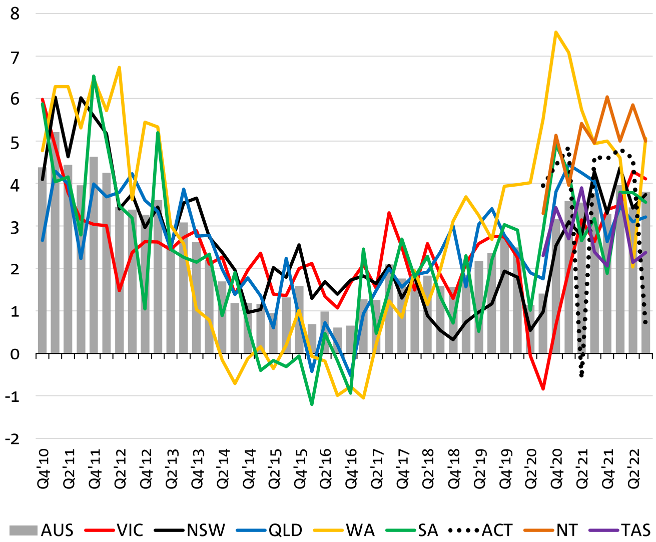
Rental expectations: Next 1 year (%)



Rental growth in 2 years' time is expected to be fastest in WA at 5.1% (revised up sharply from 2.0% in Q2) and the NT (5.0% but scaled back from 5.9% in Q2), followed by VIC (4.1%). Property professionals in NSW were a little more bullish and now expect rents to grow 3.7% in 2 years' time (3.4% forecast previously).

Expectations were largely steady in SA (3.6%), QLD (3.2%) and TAS (2.4%), but were revised down quite sharply to just 0.6% in the ACT (4.6% in Q2).

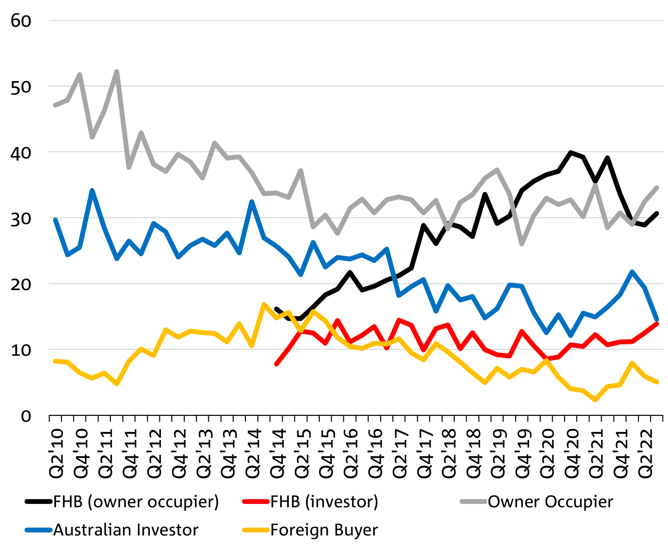
Rental expectations: In 2 years (%)



New developments

First home buyers (FHBs) continue to dominate market share in new property markets. In Q3, their market share of total sales recovered to 44.5% (41.4% in Q2 but still well down from the 49.8% share reported at the same time last year). Both FHB owner occupiers (30.6% up from 28.9% in Q2) and FHB investors (13.9% up from 12.5% in Q2) were more prevalent in this market in Q3.

Buyers: New developments (% share)



Overall, the market share of FHBs was highest in SA (70.0%), followed by QLD (48.1%) and WA (43.8%). It was lowest in NSW

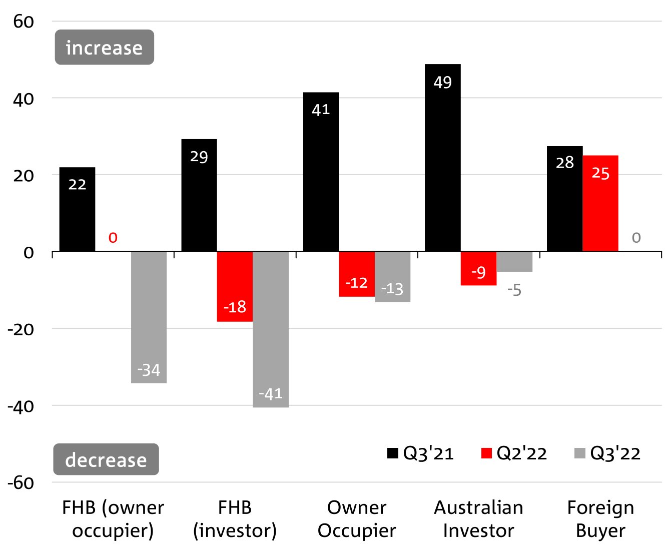
(33.5%) and VIC (41.4%). FHB owner occupiers accounted for the highest share of sales in SA (60.0%) and the lowest in NSW (21.5%), while FHB investors were most active in QLD (20.6%) and least so in WA (10.0%) and SA (10.0%).

On average, property professionals also estimated that sales to owner occupiers (net of FHBs) increased to 34.5% in Q3 (32.5% in Q2), but still trending below the survey average (35.4%). These buyers were most prevalent in WA (43.8%) and NSW (39.5%) and least prevalent in SA (25.0%).

With interest rates continuing to climb, the share of resident investors in new housing markets fell to a 2-year low 14.6% in Q3 (19.4% in Q2) and trended well below the survey average (22.1%). Domestic investors were again most active in NSW (19.0% but down from 25.6% in Q2) and QLD (19.2% also down from 22.3% in Q2). They were least active in SA (5.0%).

Market share of foreign buyers in new property markets eased to 5.0% (5.9% in Q2). Their market share was highest and increased to 7.6% in VIC (6.7% in Q2), followed by NSW (5.8% up from 3.5% in Q2), QLD (5.6% down from 6.7% in Q2), and WA where market share fell heavily to 1.3% (10.1% in Q2). The share of foreign buyers in new housing markets remained well below survey average levels in all states.

Expected change in share of new property buyers (Net balance)



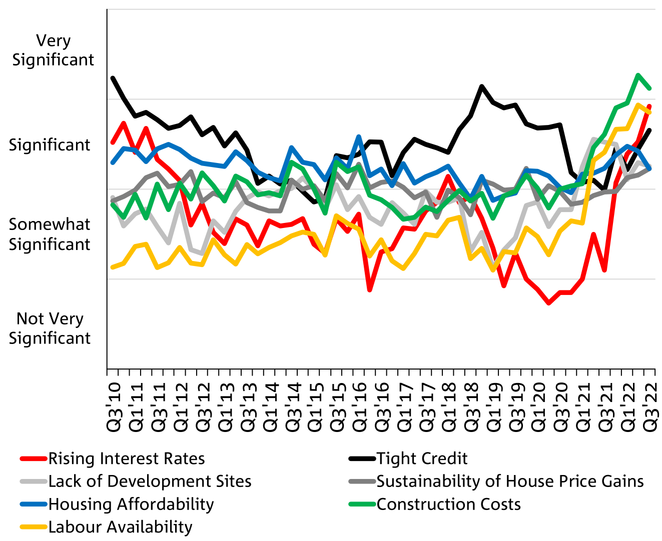
Property professionals were also asked if they thought the share of buyers in new housing markets would rise or fall in the next 12 months in each buyer group. In net terms, the number who think market share would fall out-weighed those predicting it would rise in all buyer groups, except foreign buyers (balanced).

This was particularly evident for FHB investors (-41) and FHB owner occupiers (-34%), where a much larger number of property professionals now expect their share of total market sales to fall.

New housing market constraints

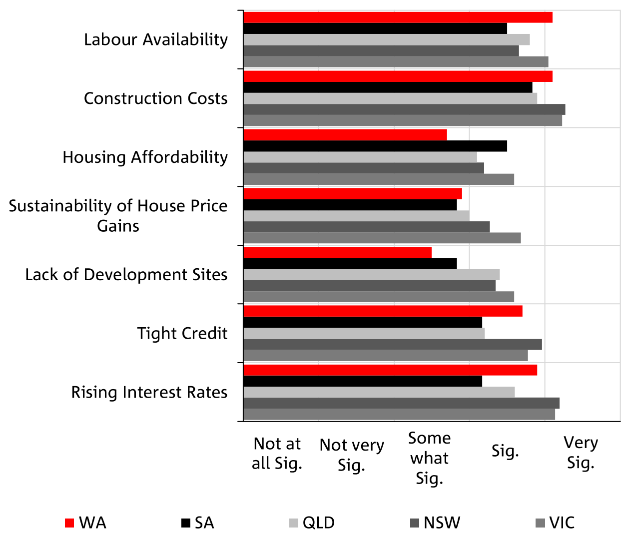
With supply chain issues, high raw material prices and labour shortages persisting, the impact of construction costs were again identified as the main constraint on new housing development (and a "very significant" constraint - though a little less disruptive than in Q2). Construction costs were rated "very significant" in all states bar except SA and QLD.

Constraints on new housing developments



Rising interest rates overtook tight credit as the next biggest constraint on new developments, and considered "very significant" in NSW and VIC. Tight credit also played a bigger role in Q3, with the impact biggest in NSW, VIC and WA. But with house prices slowing, housing affordability was seen as less of an issue, though still "significant" in all states bar WA.

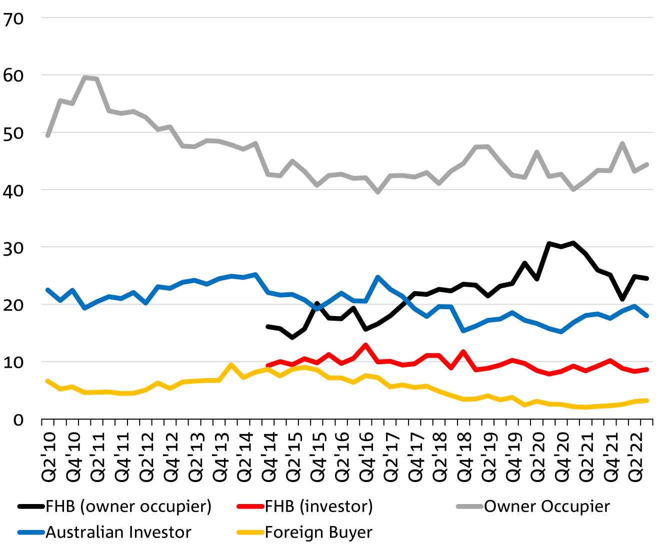
Constraints on new housing developments - States



Established property

In established housing markets, buying activity continued to be dominated by owner-occupiers (net of FHBs). In Q3, their overall market share increased to 44.4% (43.2% in Q2) but remained below the survey average (46.2%). Owner occupiers accounted for the biggest share of total sales in all states, but ranged from 46.4% in QLD to 39.7% in WA.

Buyers - Established property (% Share)



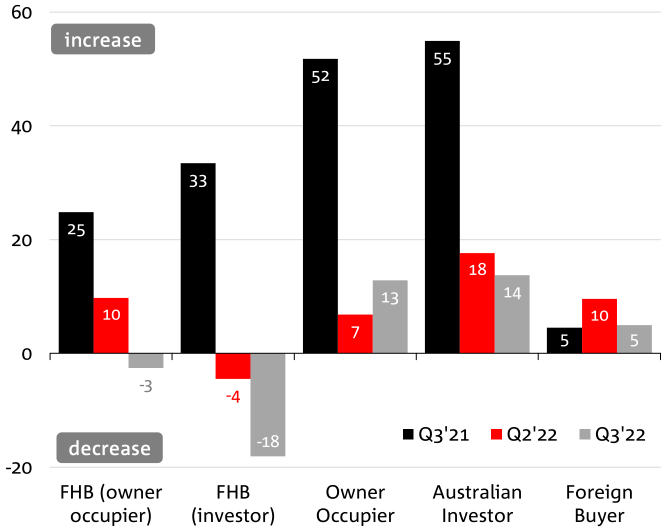
The overall share of FHBs in established housing markets was unchanged at an above average 33.1% in Q3 (29.8% in Q2). Overall, FHBs accounted for 1 in 3 sales in Eastern seaboard states, rising to 4 in 10 sales in WA and SA. When broken down by FHB buyer type, the overall share of FHB owner occupiers fell slightly to 24.5% (24.8% in Q2) and ranged from 27.9% in SA to 22.8% in NSW. The overall share of FHB investors however rose a little to 8.6% (from an equal survey low 8.3% in Q2), with market share highest in WA (13.8%) and lowest in VIC (7.4%).

The total share of local investors in established housing markets fell to a still below average 18.0% (19.6% in Q2). These investors were most prolific in NSW (19.3%), SA (19.2%) and QLD (19.1%), and least so in VIC (15.2%).

The share of foreign buyers in overall established housing markets increased slightly to near 3-year high 3.2% in Q3 (3.1% in Q2), but was still well down on the survey average level (5.3%). Foreign buyer numbers were highest in VIC at 4.0%, but down from 5.1% in Q2. The share of foreign buyers in NSW rose to 3.7% (3.2% in Q2), was basically unchanged in QLD (2.3%) and fell to 2.8% in WA (3.3% in Q2).

In net terms, more property professionals said they expect market share to increase than fall in the next 12 months for resident Australian investors (+14 down from +18 in Q2), owner occupiers (+13 up from +7 in Q2) and foreign buyers (+5 down from +10 in Q2). However, there was a significant turnaround in expectations for FHBs, with more professionals on balance now expecting their market share of total sales to fall than rise for both FHB investors (-18 from -4 in Q2) and FHB owner occupiers (-3 from +10 in Q2).

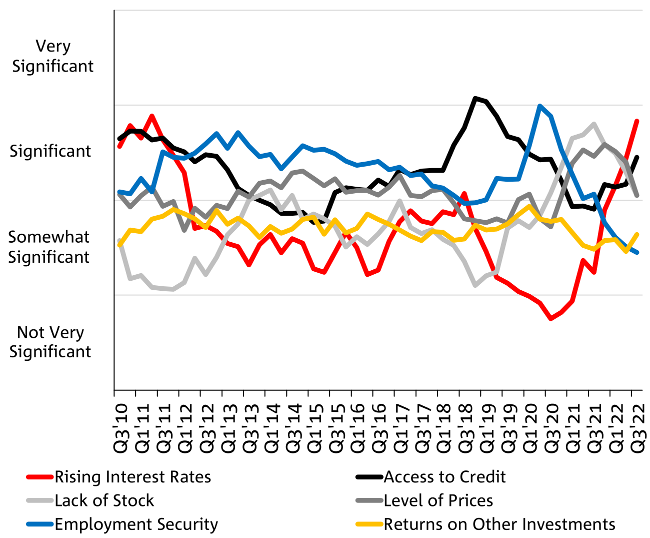
Expected change in share of established property buyers (Net balance)



Established housing market constraints

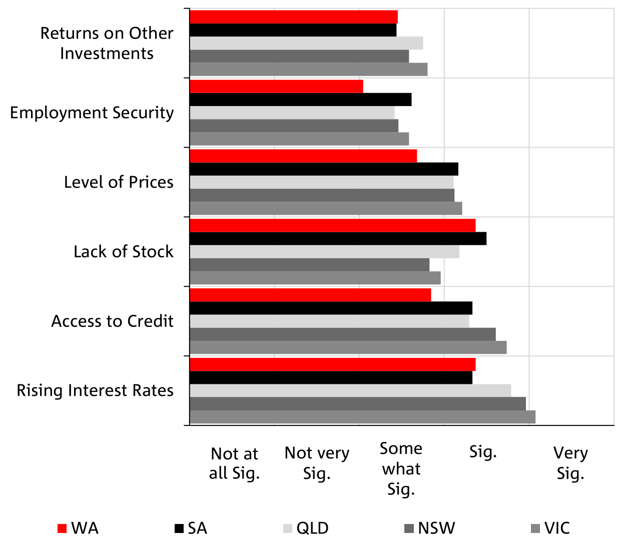
The RBA lifted the cash rate by 50 bps in September to 2.35% and suggested further increases to come. NAB also currently sees the RBA lifting the cash rate by a further 25 bps at each of the next two meetings, before pausing at 2.85% at the end of the year. With the upswing in interest rates now firmly established, property professionals again highlighted rising interest rates as the biggest (and a growing) constraint for buyers of existing property nationally. It was also seen as the main constraint for buyers in VIC, NSW and QLD, and equal biggest in WA with lack of stock. Access to credit was the next biggest hurdle for buyers, and viewed as a "significant" in all states, except WA.

Constraints on established property



House price levels are still being viewed as a "significant" constraint for home buyers in all states, though its influence waned in Q3 as house prices continued to moderate. Lack of stock was also a "significant" issue for home buyers in SA, WA and QLD, but was only "somewhat significant" for buyers in NSW and VIC. Employment security and returns from other investments continued to have the least influence on established home buyers across the country.

Constraints on established property - States



Foreign buyers

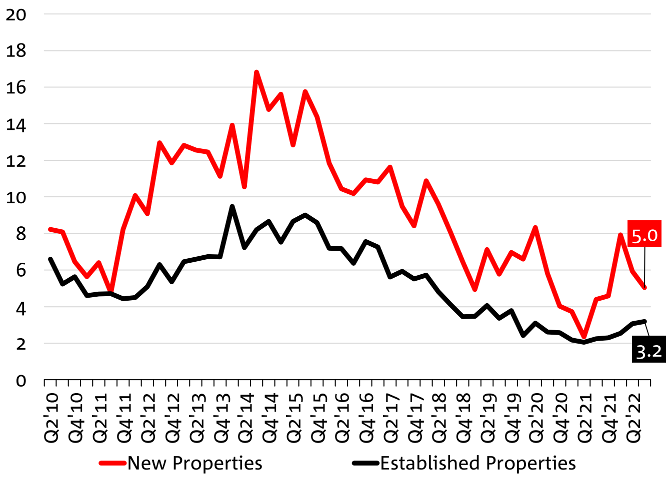
The overall share of market sales to foreign buyers in new property markets fell to 5.0% in Q3 (5.9% in Q2), and continues to trend well below the survey average (9.1%). In established housing markets however, the market share of foreign buyers inched up slightly to 3.2% (3.1% in Q2), but also remained well below the survey average (5.3%).

Market share of foreign buyers in new housing markets was highest in VIC in Q3, and rose to 7.6% (from 6.7% in Q2). However, it remains below the state survey average (12.5%), and noticeably lower than during the height of the foreign property investment boom when market share was as high as 32.5% in late-2014.

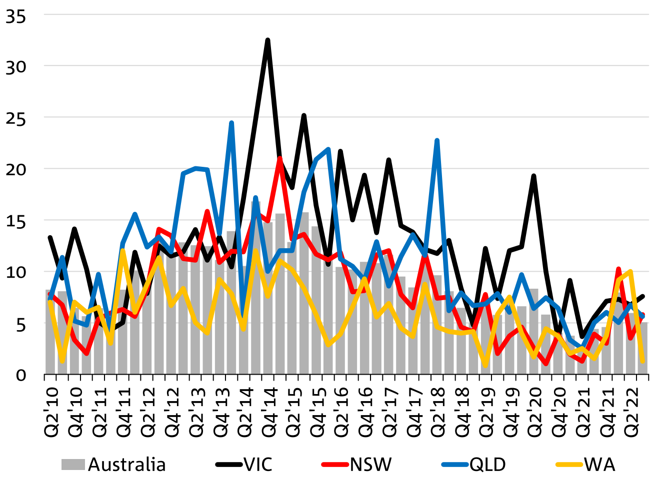
Elsewhere, market share also lifted to 5.8% in NSW in Q3 (3.5% in Q2), but fell in QLD to 5.6% (6.7% in Q2) and much more sharply in WA to just 1.3% (10.0% in Q2), with all states reporting below average outcomes.

In established housing markets, property professionals estimate the market share of foreign buyers increased slightly to 3.7% in Q3 (3.2%), though remained highest in VIC at 4.0% (despite falling from 5.1% in the previous quarter). Market share was broadly unchanged in QLD at 2.3% (2.2% in Q2), and fell to 2.8% in WA (3.3% in Q2). Market share in all states continued to trend below their respective state averages.

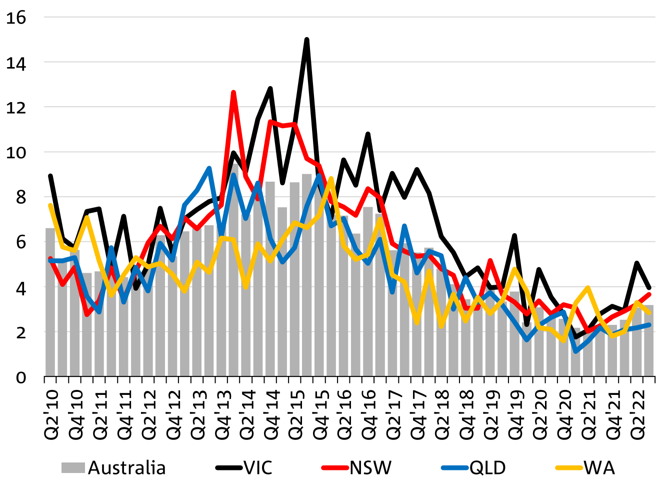
Share of total demand for new & established property: Foreign buyers (%)



Share of demand for new property: Foreign buyers (%)



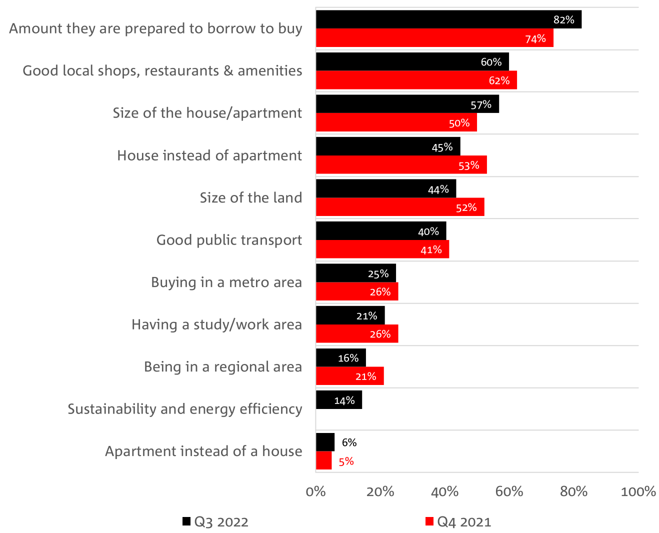
Share of total demand for established property: Foreign buyers (%)



Special survey insights

In this quarter, NAB again asked property professionals to nominate what they thought were the most important considerations for home buyers when deciding to buy a property. Most important according to over 8 in 10 (82%) was the amount buyers are prepared to borrow to buy, lifting from 74% when last surveyed in Q4 2021 before interest rates started rising. The widely touted adage “location, location, location” also continued to hold true for many with 6 in 10 (60%) highlighting good local shopping, restaurants and other amenities as key. The size of the house was also seen as a key consideration by more property professionals in Q3 (57% up from 50% previously). In contrast, noticeably fewer highlighted buying a house instead of an apartment (45% down from 53%), land size (44% down from 52%), having a work or study area (21% down from 26%) or being in a regional area (16% down from 21%) as key considerations. And when asked for the first time if sustainability and energy efficiency was most important for buyers, only 14% said it was.

Factors homebuyers consider most important when deciding to buy a property

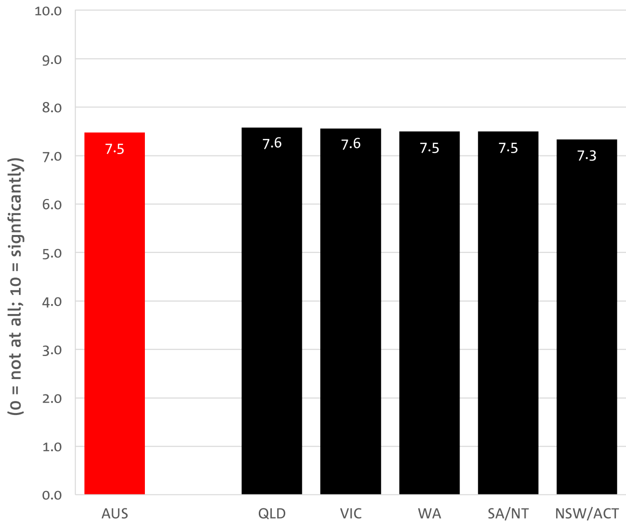


Factors by state

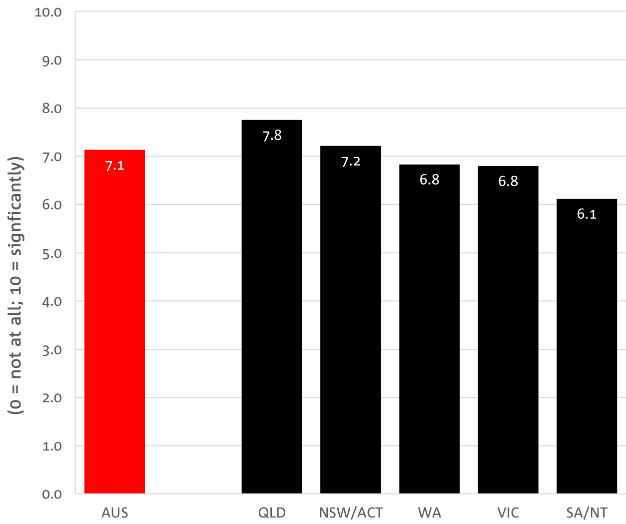
	NSW/ ACT	VIC	QLD	WA	SA/ NT
Amount needed to borrow	86%	77%	82%	84%	84%
Good amenities	57%	66%	60%	56%	58%
Size of house/apartment	51%	64%	53%	64%	53%
House instead of apt	37%	41%	57%	52%	42%
Size of land	40%	50%	45%	48%	37%
Good public transport	42%	45%	38%	44%	26%
Buying in a metro area	28%	22%	18%	36%	37%
Having a study/work area	14%	30%	20%	20%	21%
Being in a regional area	11%	22%	22%	4%	16%
Sust. & energy efficiency	17%	8%	17%	24%	0%
Apt. instead of a house	7%	3%	7%	4%	11%

Responses did vary by state, with key differences including the higher number in VIC pointing to good local amenities (66%), having a study or work area (30%), and with WA size of the house (64%) and with QLD buying in a regional area (22%). Also apparent was the higher number in WA who identified buying in a metro region (36%) and sustainability and energy efficiency (24%). But fewer property professionals in VIC also highlighted amount buyers were prepared to borrow to buy (77%), in NSW having a study or work area (14%), and in WA being in a regional area (4%).

Extent rising renovation costs encouraging people to buy fully renovated properties



Extent use of digital tools have become important in selling properties



Property professionals were also asked to rate the extent the rising cost of renovations was encouraging people to buy fully renovated properties, and the extent the use of digital tools (such as 3D tours, drone videos and virtual staging) have become more important in selling properties. Overall, both were seen as “quite” significant influences, scoring 7.5 pts and 7.1 pts respectively. But while responses around the cost of renovations were broadly similar across states, the extent digital tools had become more important ranged from 7.8 pts in QLD to just 6.1 pts in SA/NT.

NAB's view - dwelling prices

The housing market softened further in Q3, and this looks set to continue through Q4 as the impact of higher rates continues to flow through. Dwelling price falls accelerated in the quarter, with the CoreLogic 8-Capital City Dwelling Index falling 4.3% q/q and the PropTrack house price index falling 1.8% q/q. Regional prices also fell, though at a slightly slower rate than capital cities. Activity indicators also softened, with both building and loan approvals falling (though the later remains elevated). Auction clearance rates continue to track at relatively low levels, while other high frequency measures of turnover - including new and total listings as well as time-on-market - have weakened. The decline in house prices broadened out across the states in the quarter, with all states now recording declines. Of note was Brisbane where the rate of decline has accelerated sharply after prices had initially held up in the state.

Our forecast for prices is broadly unchanged, with dwelling prices expected to decline by around 20% across the capital cities (from their peak in April 2022). Higher rates are expected to impact all regions, but particularly where affordability constraints are most binding. We continue to see the price declines as stemming from an adjustment to borrowing capacity as rates rise – rather than a fundamental over-supply of housing. Indeed, the rental market has tightened significantly with vacancy rates falling to low levels across all capitals through 2022.

In our view, higher interest rates have been the key driver in the fall in property prices, with the rapid increase since May seeing a significant reduction in borrowing power – and more increases are expected. Indeed, the two capital cities most bound by affordability constraints - Sydney and Melbourne - have fallen the most. However, strong economic conditions have likely mitigated some of the impact. Employment growth has been strong, wage growth is picking up and unemployment is low.

A tightening rental market, where vacancy rates are now at low levels across the capitals, has seen rents growth accelerate. Newly advertised house rents are now tracking well above 10% y/y in Adelaide and Brisbane and around 10% y/y in Sydney and Perth while Melbourne and Hobart are tracking at a slower but still solid pace. Apartment rents are growing most strongly in Sydney and Melbourne - where declines were largest, but are also up well over 10% y/y in Brisbane and Adelaide.

We expect the economy to remain resilient in the near-term, but for growth to slow over the next two years as the rebound from lockdowns continues to fade and higher rates and inflation begin to weigh on household consumption. It is also likely we will see a continued rebalancing away from spending on goods to services - with these trends important for overall consumption growth. Elsewhere, we expect dwelling investment to remain elevated but fall as the large pipeline of outstanding work is completed. Business investment and government spending are also expected to make small contributions to growth. That sees GDP growth of around 1.75% in each of the next two years.

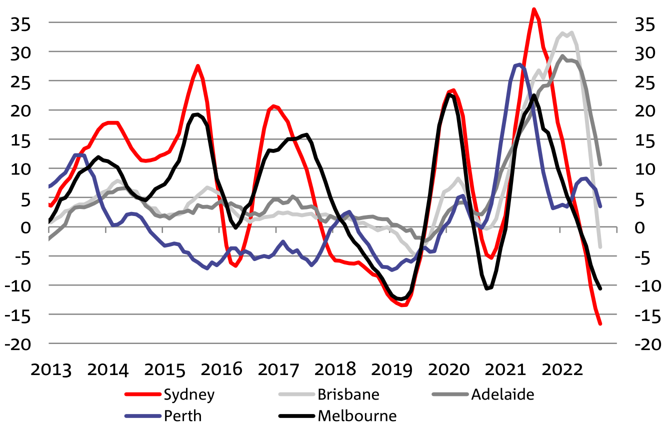
Below trend growth will see some easing in labour market tightness with the unemployment rate drifting higher after troughing around the 3.4% level, reaching 4.3% by end 2024. We see an unemployment rate of around 4.25% as consistent with full employment, so expect wage growth to continue to strengthen – reaching around 3.6% by end 2023.

Importantly for interest rates, we see inflation peaking in Q4 2022 at over 6.3% in trimmed-mean terms, but easing through 2023-2024 back into the RBA's target band. Global factors have been a significant driver of inflation in the past year, but are expected to wane as recovery in supply chains, correction in shipping costs and slowing in global demand continues. For the RBA, however, the pressures on the supply side have been met with strong demand which has been supported through a strong labour market, and fiscal and monetary policy through the pandemic.

The RBA has rapidly 'normalised' policy by lifting rates by 2.50 ppts over the past 6 months. This is a very rapid tightening over a short period but reflects the fact the cash rate was set at a record low 0.1%. We expect the RBA will continue to lift rates in the near-term, reaching 3.1% by early-2023, before pausing to assess the impact on the economy as a cumulative 3 ppts of rate hikes are passed through to the economy.

For the RBA, the key consideration will continue to be where inflation is expected to settle as global factors wane and domestic pressures - of which wage growth will be a significant factor - become more important.

Dwelling price growth (6-month ended annualised %)



NAB hedonic dwelling price forecasts (%)*

	2020	2021	2022f	2023f
Sydney	2.7	25.3	-12.9	-9.4
Melbourne	-1.3	15.1	-9.1	-14.1
Brisbane	3.6	27.4	-0.8	-9.4
Adelaide	5.9	23.2	9.9	-16.3
Perth	7.3	13.1	1.5	-13.9
Hobart	6.1	28.1	-6.4	-16.6
Cap City Avg	**2.0**	**21.0**	**-7.3**	**-11.4**

*percentage changes represent through the year growth to Q4

SOURCE: CoreLogic, NAB Economics

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About the survey

The NAB Quarterly Australian Residential Property survey was first launched in Q1 2011.

The survey was expanded from NAB's Quarterly Australian Commercial Property Survey, which was launched in April 2010.

Given the large number of respondents who are also directly exposed to the residential market, NAB expanded the survey questionnaire to focus more extensively on the Australian residential market.

The large external panel of respondents consists of Real Estate Agents/Managers, Property Developers, Asset/Fund Managers and Owners/Investors.

Around 350 panellists participated in the Q3 2022 survey.

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