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What lies ahead?

Housing market Property clock

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Market Drivers

1. Structural

- First Home Owners Grant
- Foreign Investment Review Board
- Tax policies

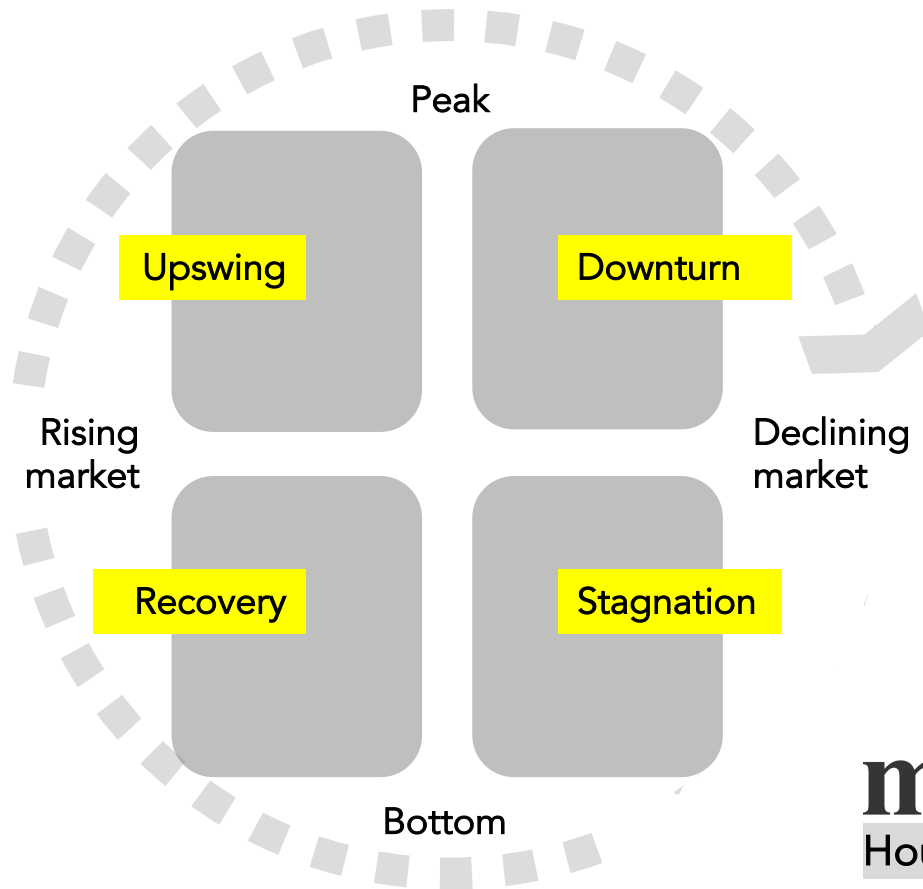
2. Cyclical

- Interest rates
- Employment
- Confidence

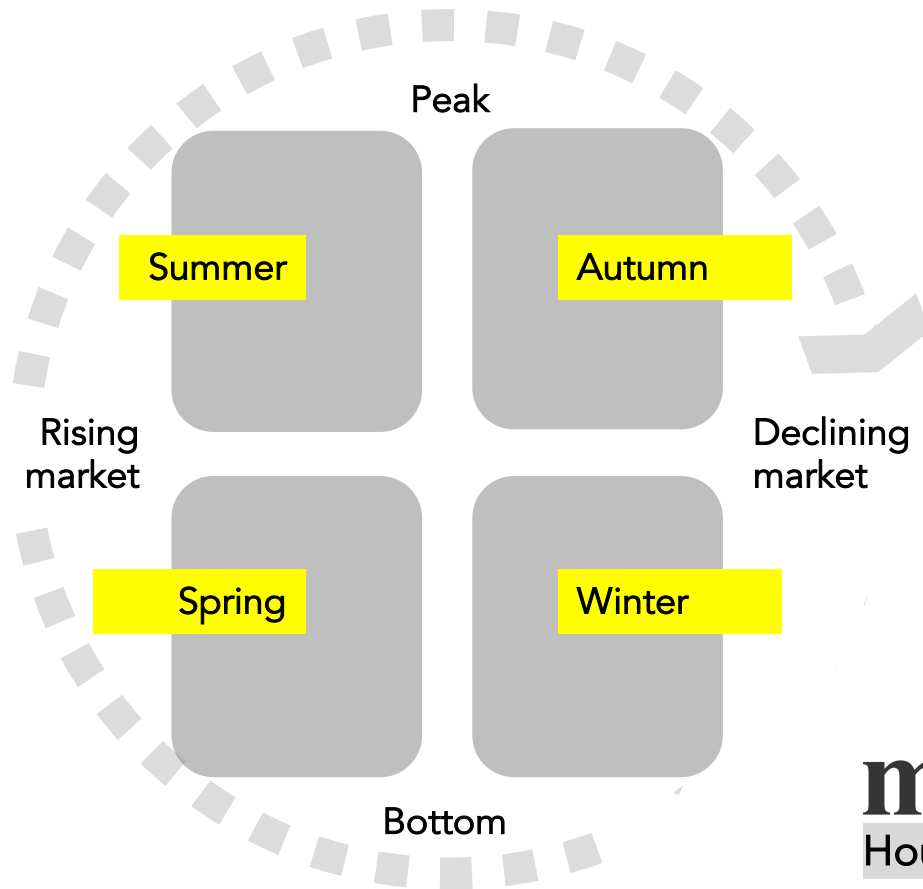
3. X Factor

- Covid
- Ukrainian conflict

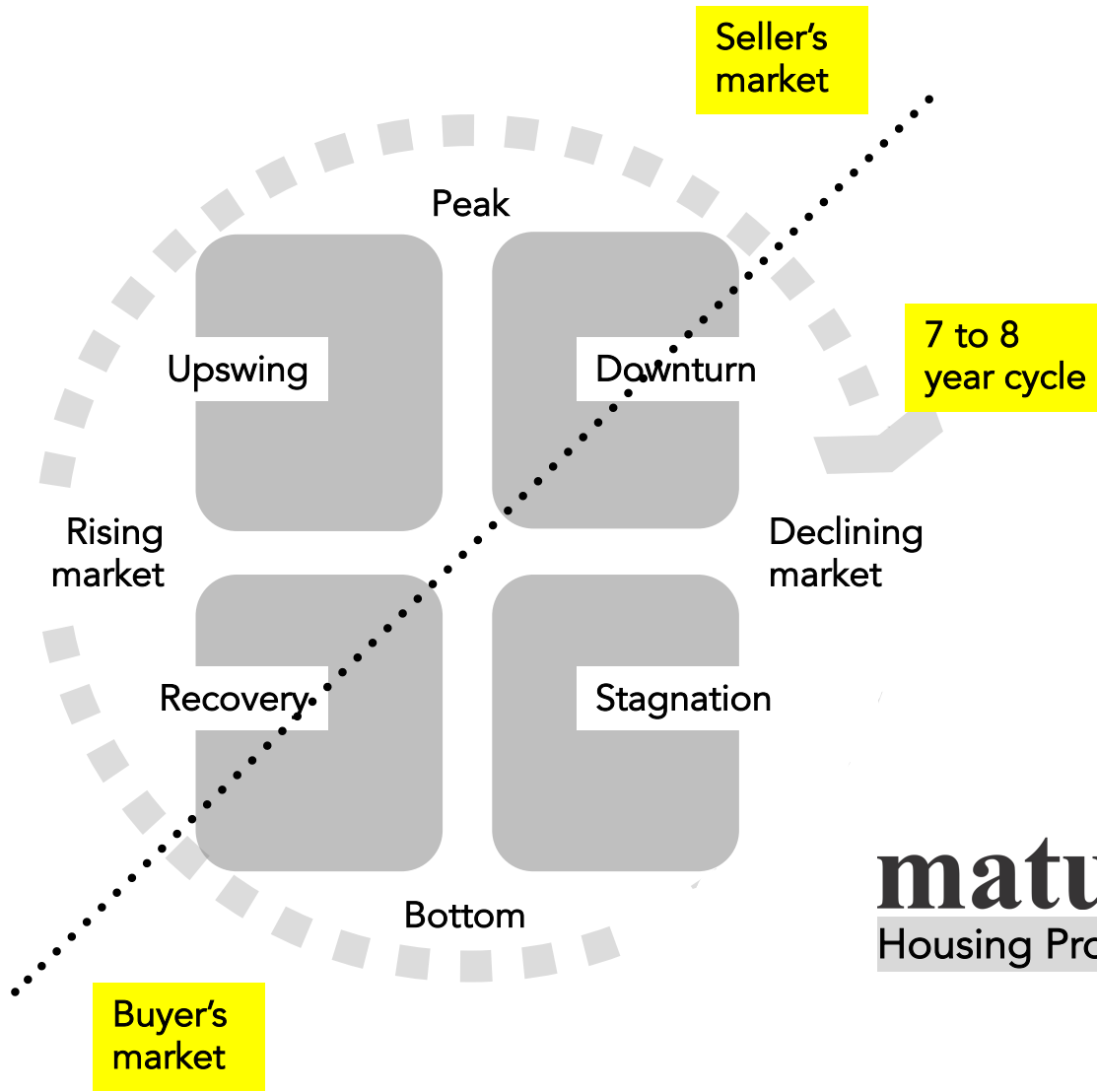
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Housing Property Clock



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Housing Property Clock



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Housing Property Clock

Demand versus Supply

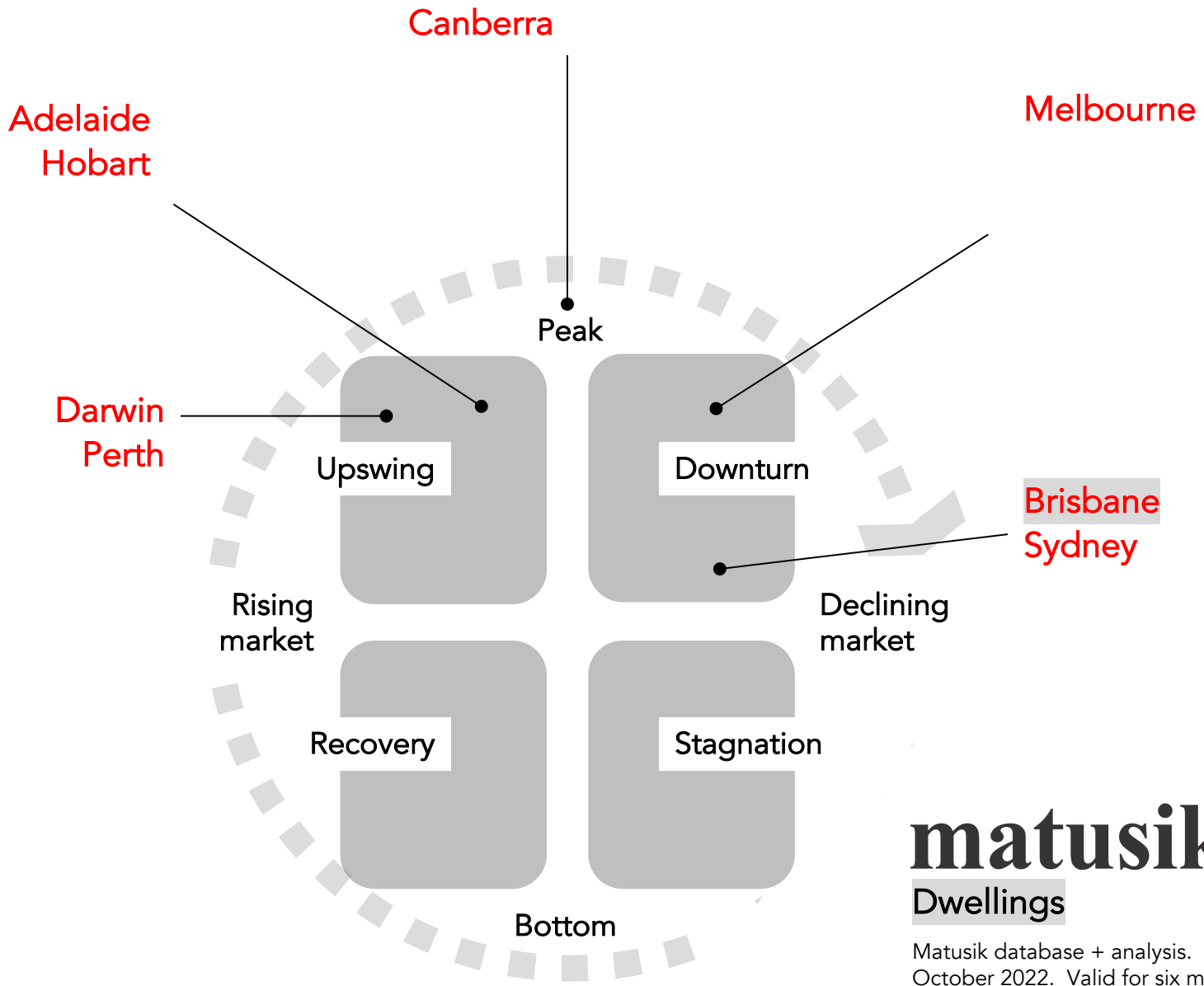
1. Existing market

- Demand: Sales
- Supply: Stock listed for sale
Rental vacancy rate

2. New housing market

- Demand: Population growth
Demographic change
- Supply: Stock listed for sale
Dwelling construction

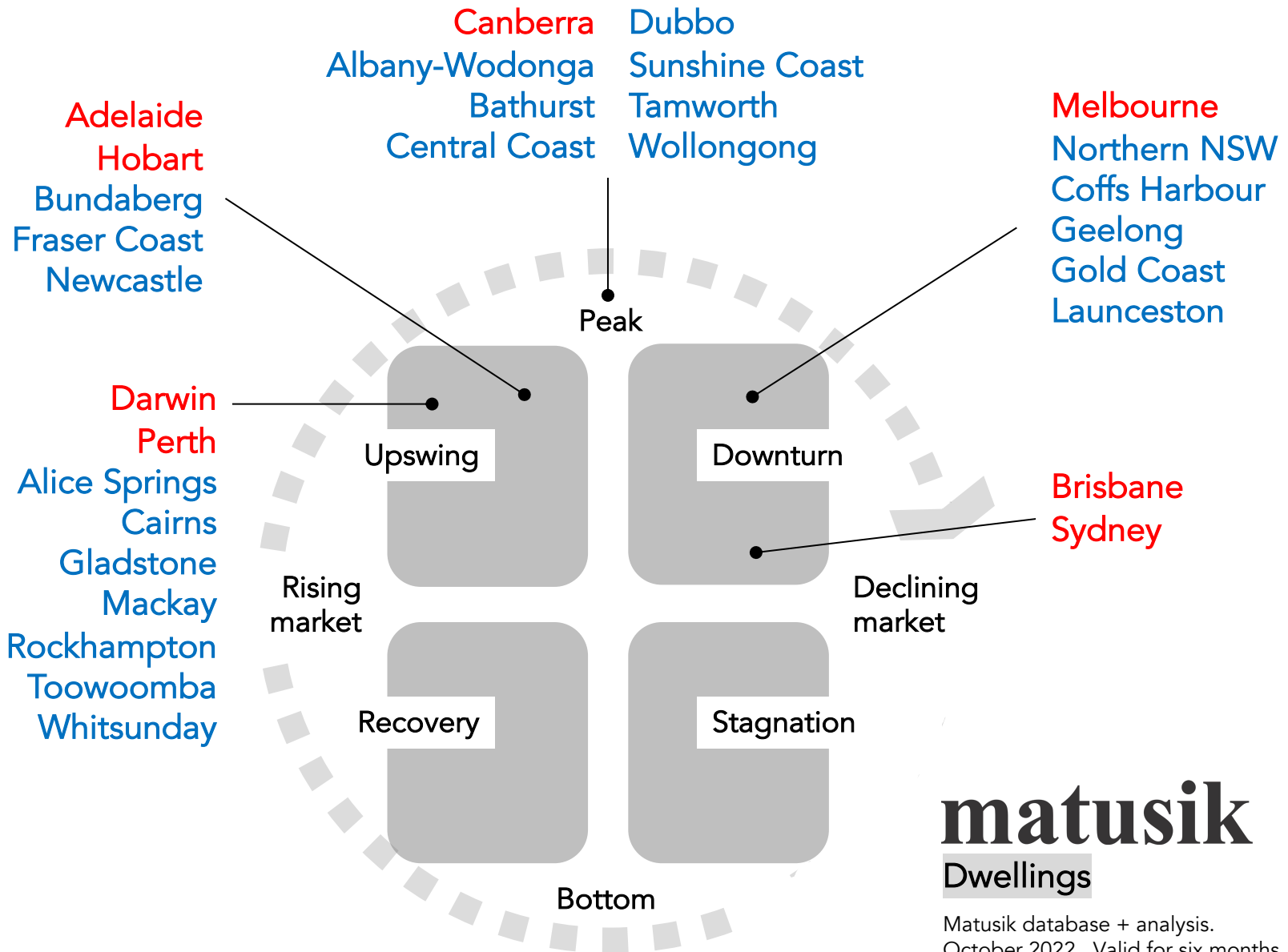
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Dwellings

Matusik database + analysis.
 October 2022. Valid for six months.



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Dwellings

Matusik database + analysis.
 October 2022. Valid for six months.

Australian housing summary

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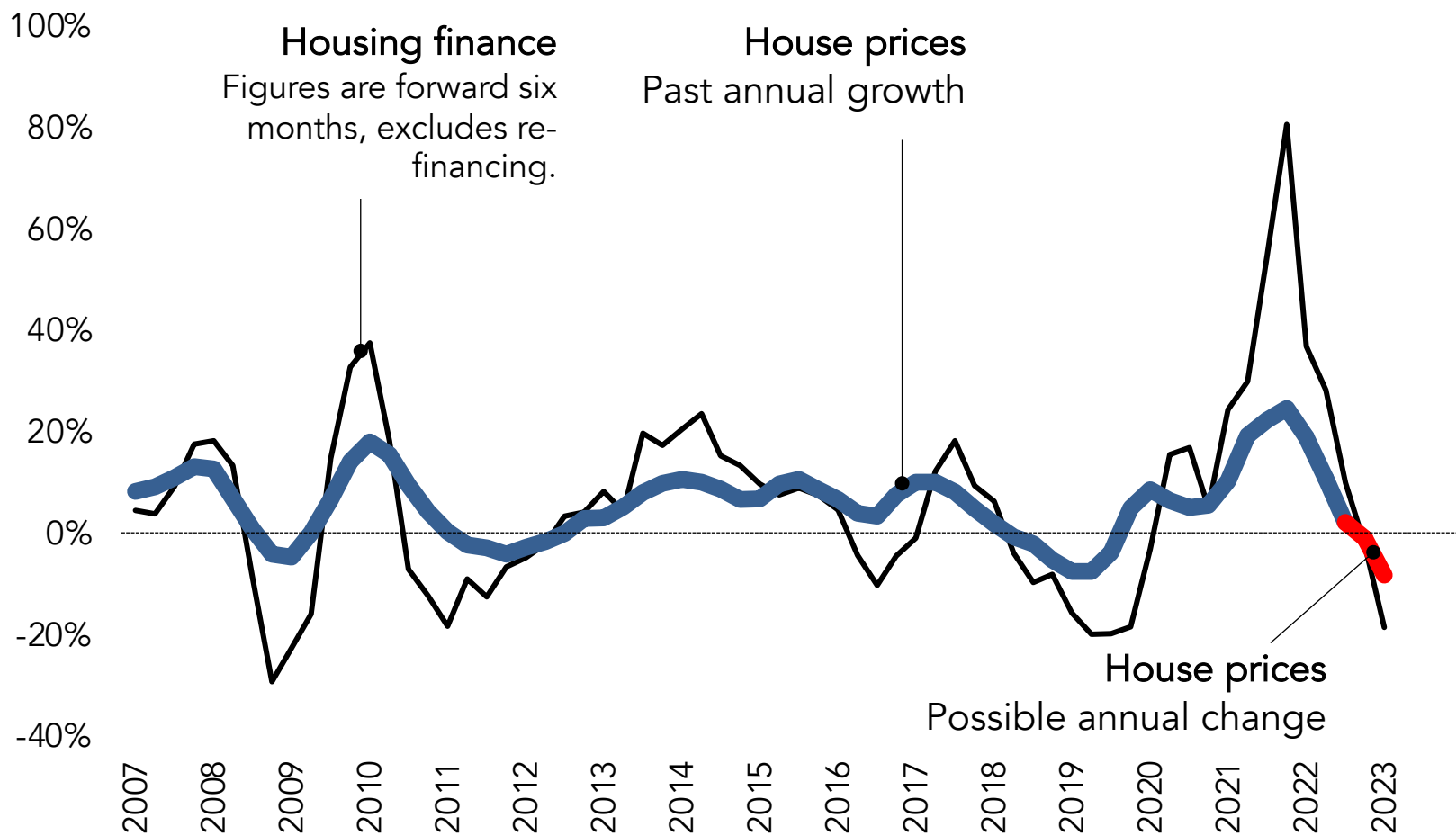
- * Past population growth to return
- * Market basically undersupplied
 - New homes over the medium term
 - Resales – stock for sale
 - Rental market
- * Most markets around their peak or peaked
- * Some price falls but rents up further
- * Prediction: Market bottom around mid to late 2023 for most markets.

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Short-term market drivers

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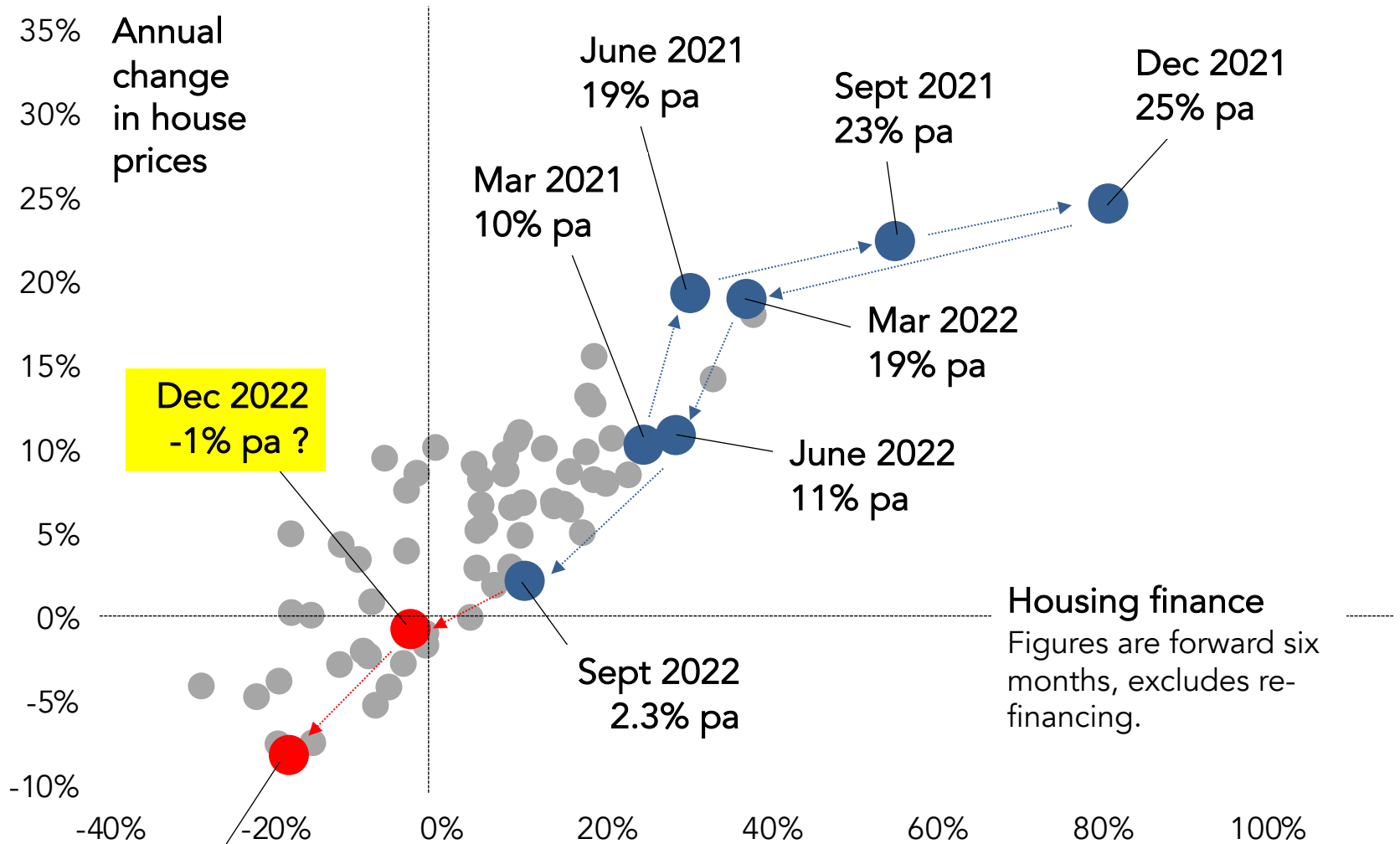
Australia: Annual change in housing finance and house prices



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ABS, Domain + Matusik estimates
Past price growth as at September 2022.

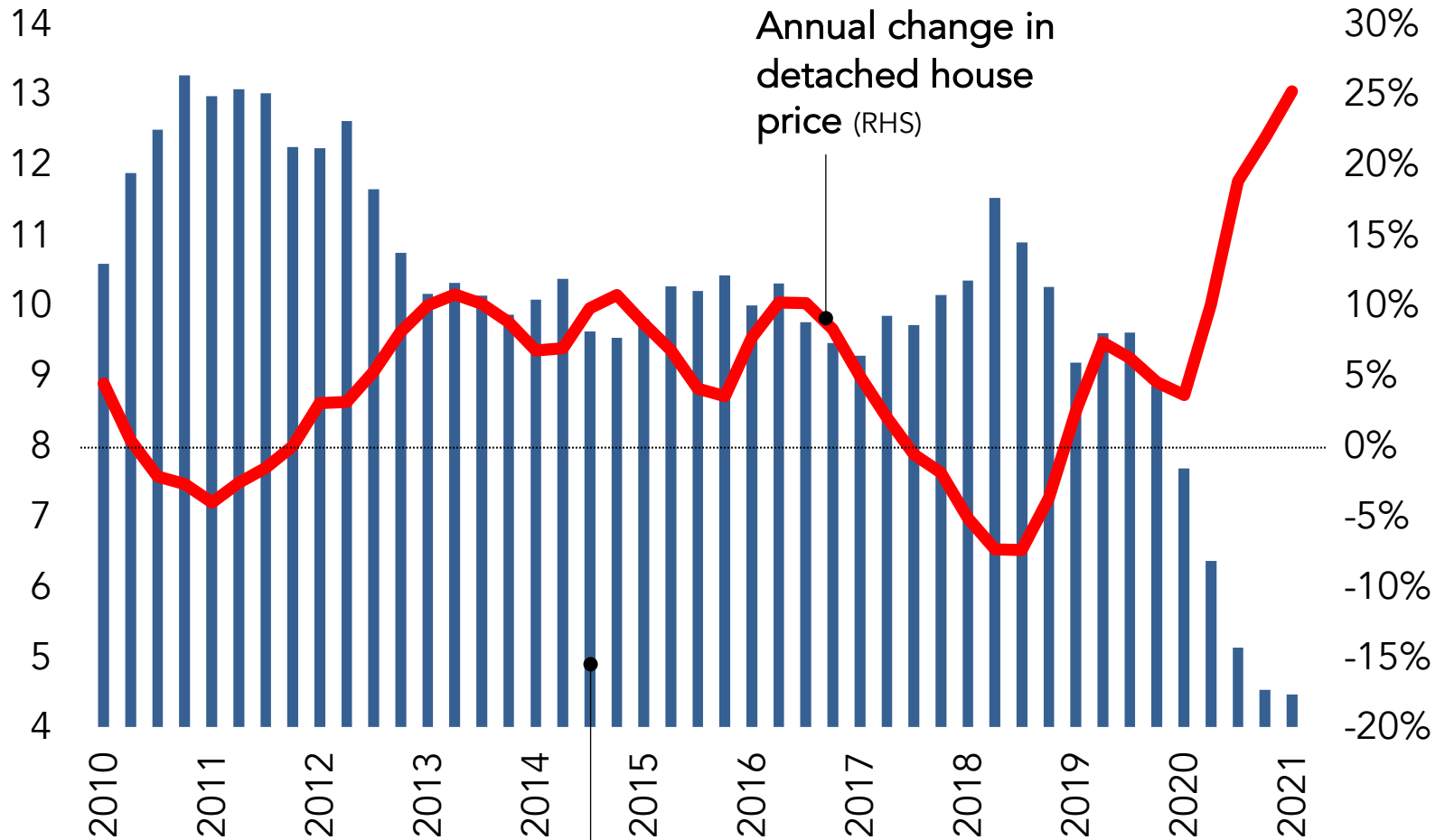
Australia: Relationship between annual change in house finance and house prices



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ABS, Domain + Matusik estimates
Past price growth as at September 2022.

Australian detached house supply v annual price growth

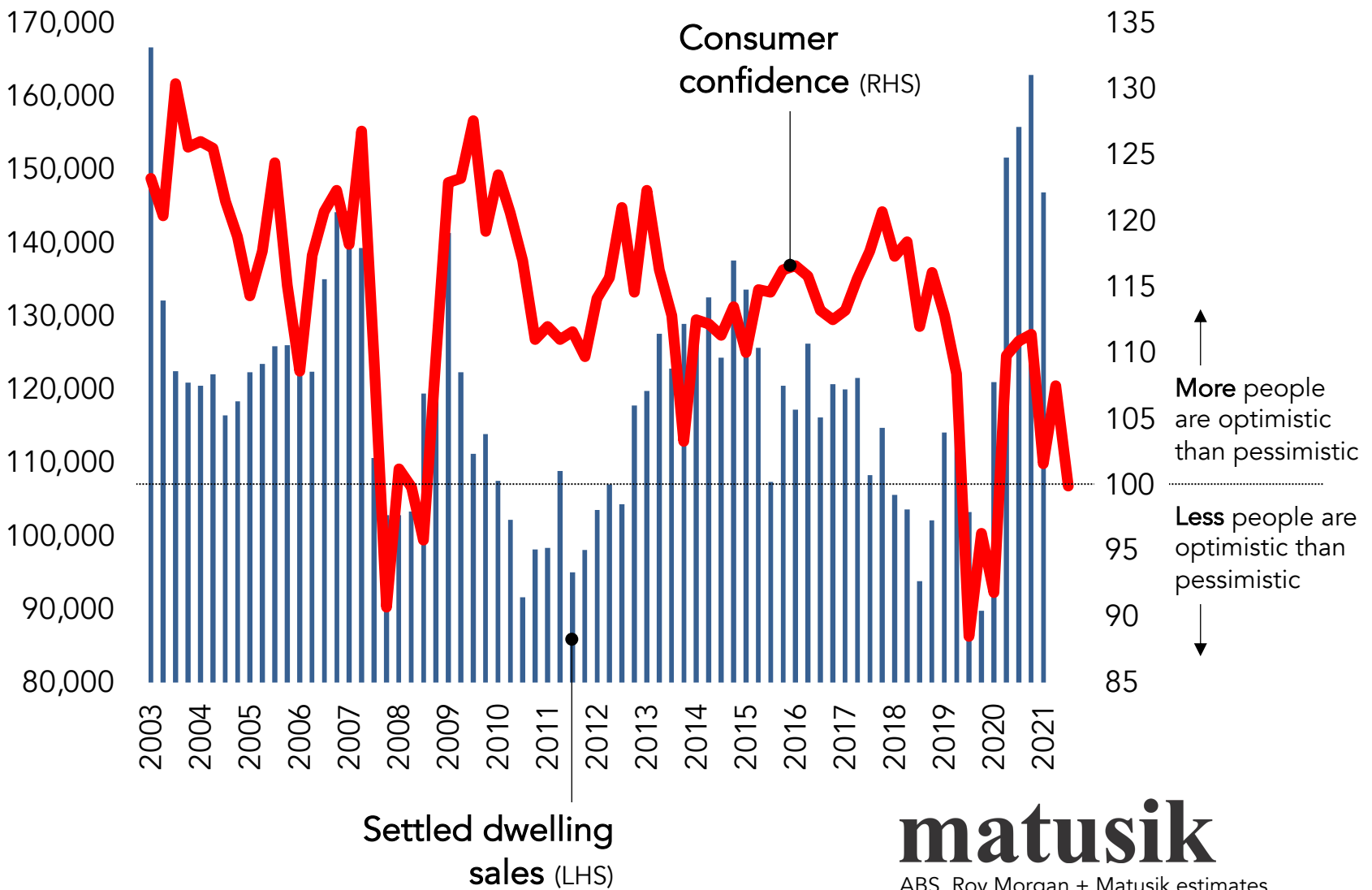


Supply of detached houses
for sale in months (LHS)

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ABS, SQM Research + Matusik estimates.

Australian dwelling sales v consumer confidence



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ABS, Roy Morgan + Matusik estimates.
Quarterly data.

Short-term drivers summary

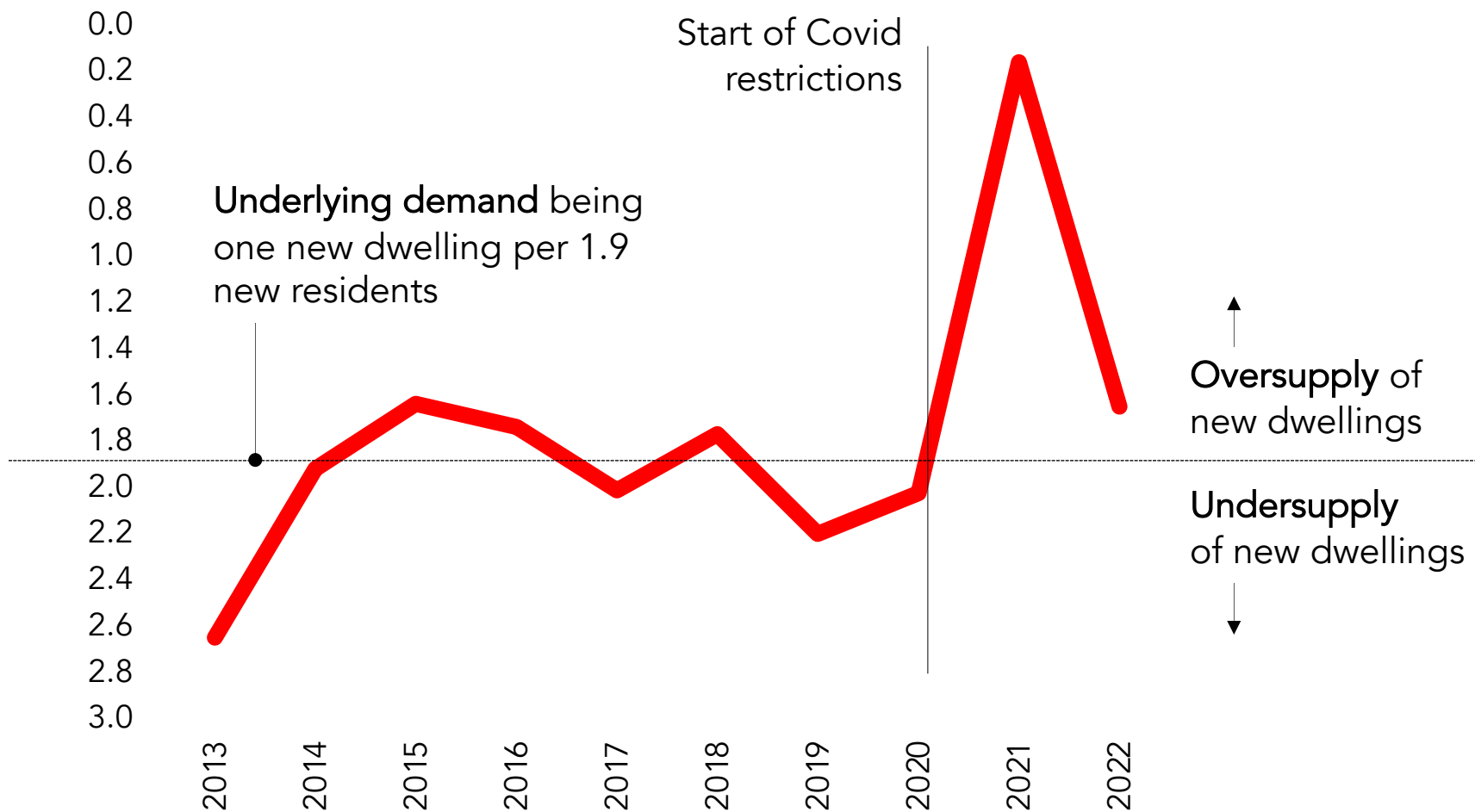
- * Rising interest rates will see:
 - Less lending
 - Lower confidence
- * As a result dwelling price growth will ease and in many cases, prices could fall
- * Also there will be less sales
- * A positive regarding prices, is resale supplies look like they will remain tight
- * Real estate at its core is about:
Supply versus Demand

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Housing
supply

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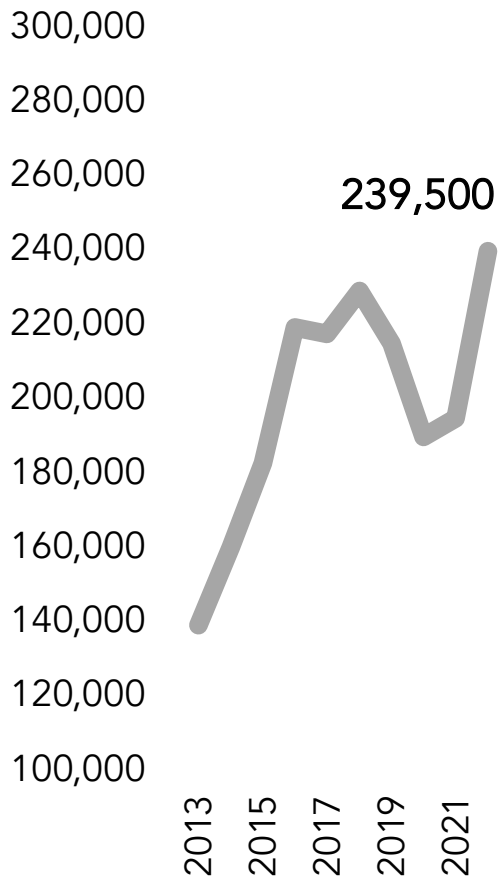
Australia: New dwelling supply v demand status



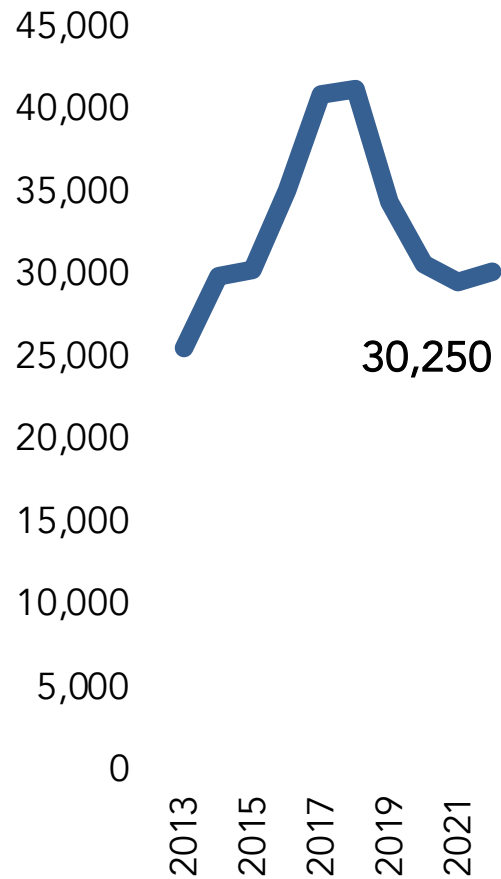
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ABS + Matusik estimates.
Financial years.

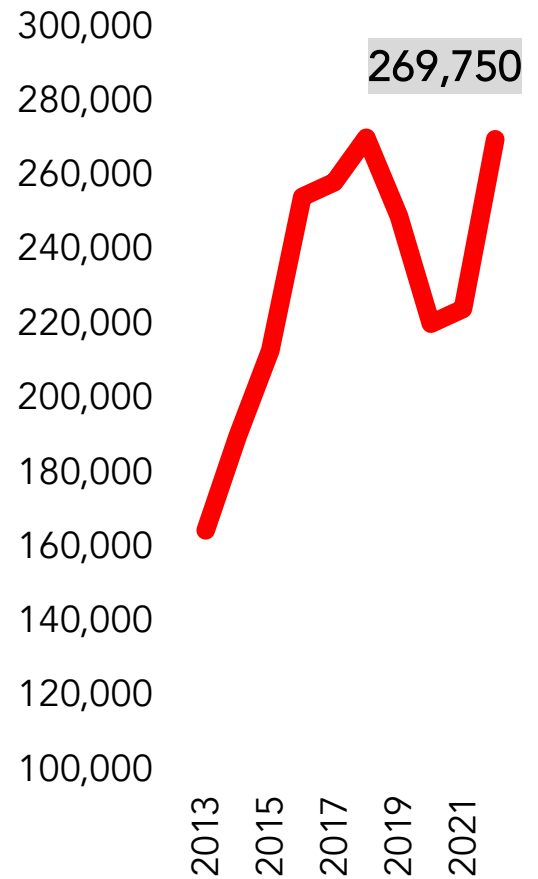
Dwellings under construction



Approved but not started



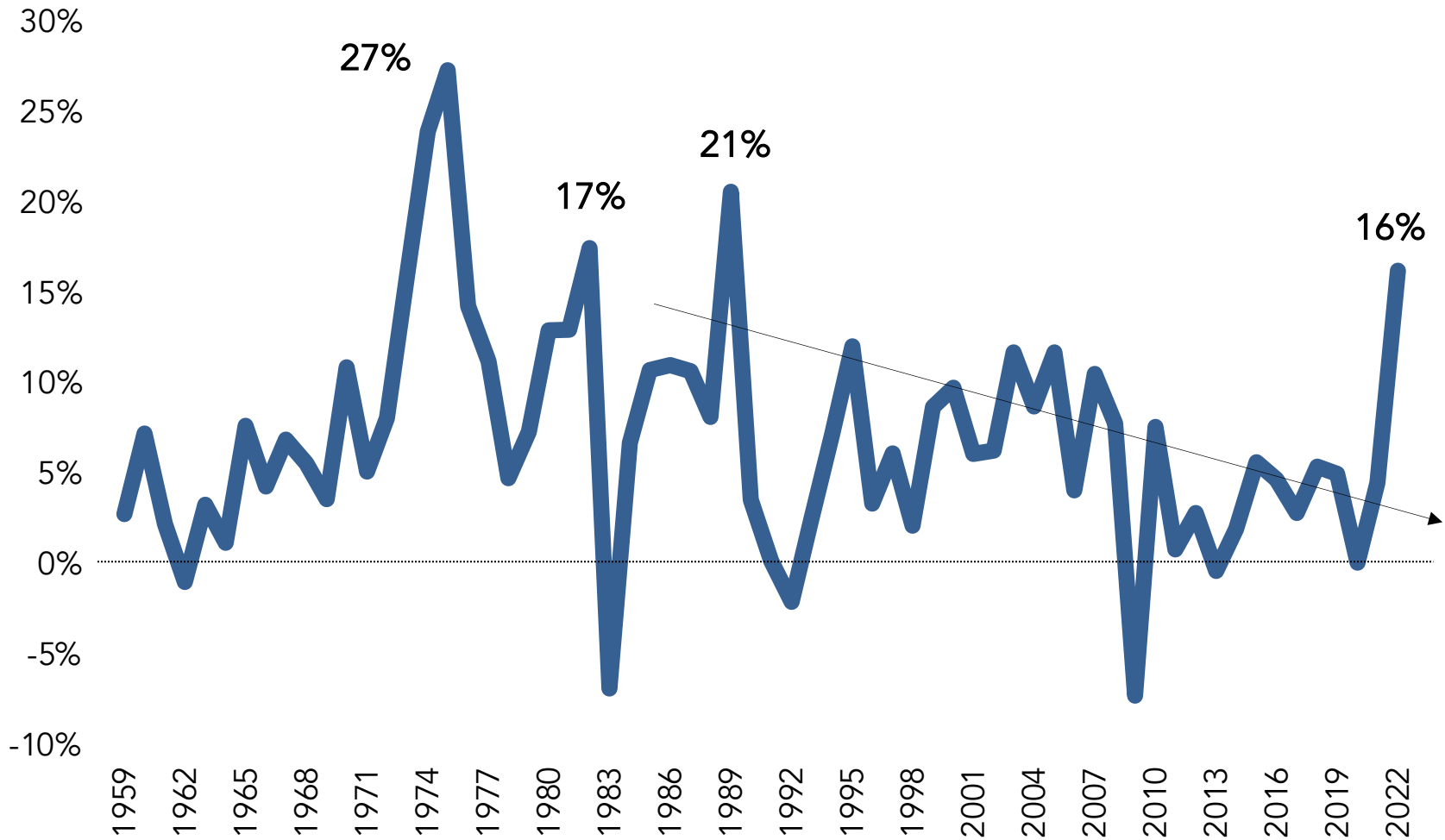
Total unconstructed + approved but not started



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All charts:
ABS. Australia. Financial years.

Australia: Annual change in dwelling building costs



Australia: Resale supply v demand

Time frame	Detached houses	Attached dwellings
Sales¹		
2020	293,299	139,715
2021	397,052	187,685
2022	389,044	199,422
10-year average	325,091	156,512
Listed for sale²		
2020	235,000	73,000
2021	173,000	67,000
2022	174,000	62,000
10-year average	260,000	61,000
Supply versus demand (months)		
2020	9.0	8.7
2021	6.1	6.2
2022	7.1 ↑	5.3 ↓
10-year average	8.4	6.7
Matusik, SQM Research + Domain. ¹ Years ending September. ² As of October each year.		

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Housing supply summary

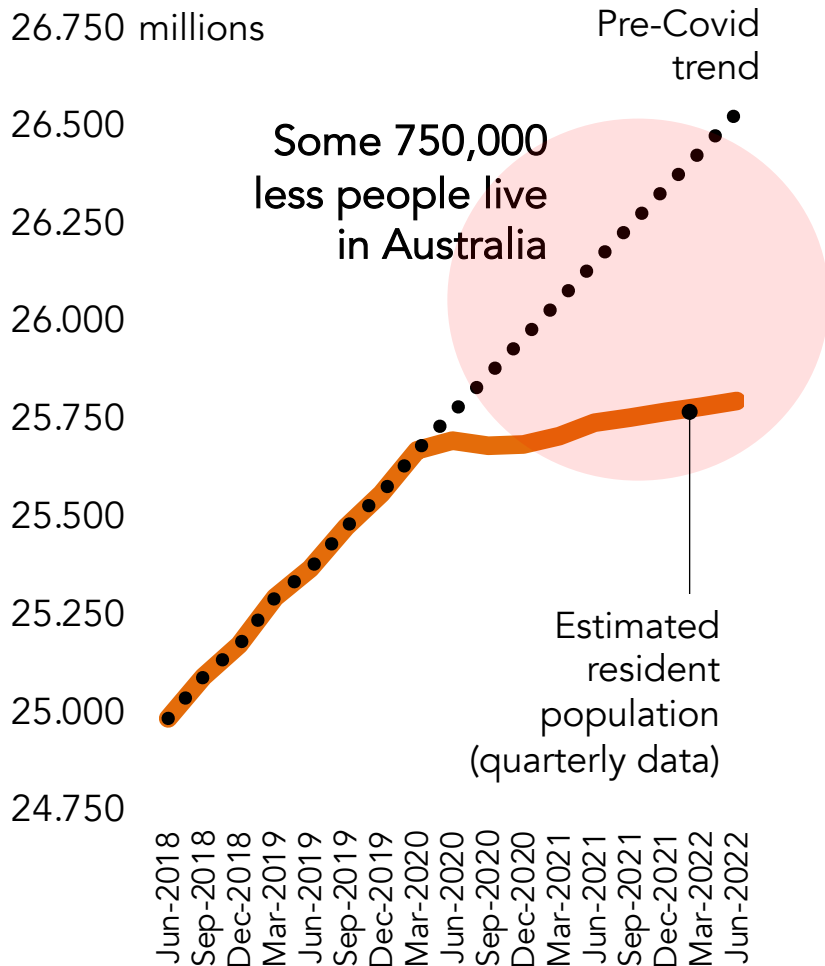
- * **New building:** Much of the Home Builder induced construction boom has not yet been delivered. This will be enough to ease rental supplies + the return of population growth for the next year or two. Yet high building costs (plus rising interest rates) will keep future new housing supplies tight.
- * In contrast **for sale listings** remain tight, helping place a floor under prices.

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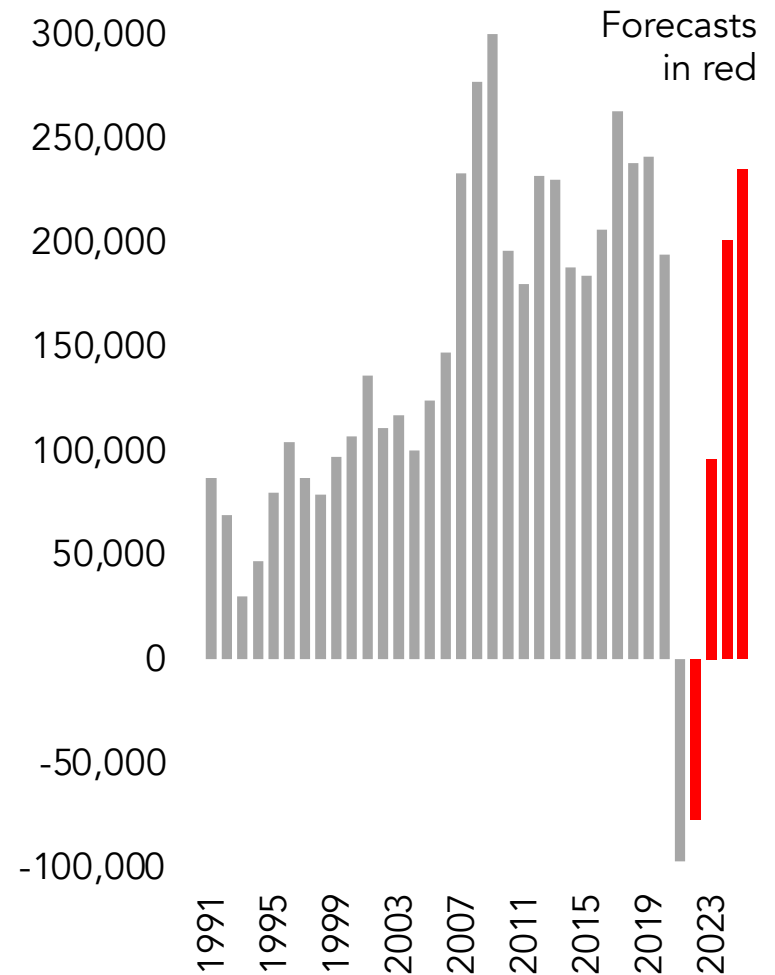
Population
growth

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Australian population



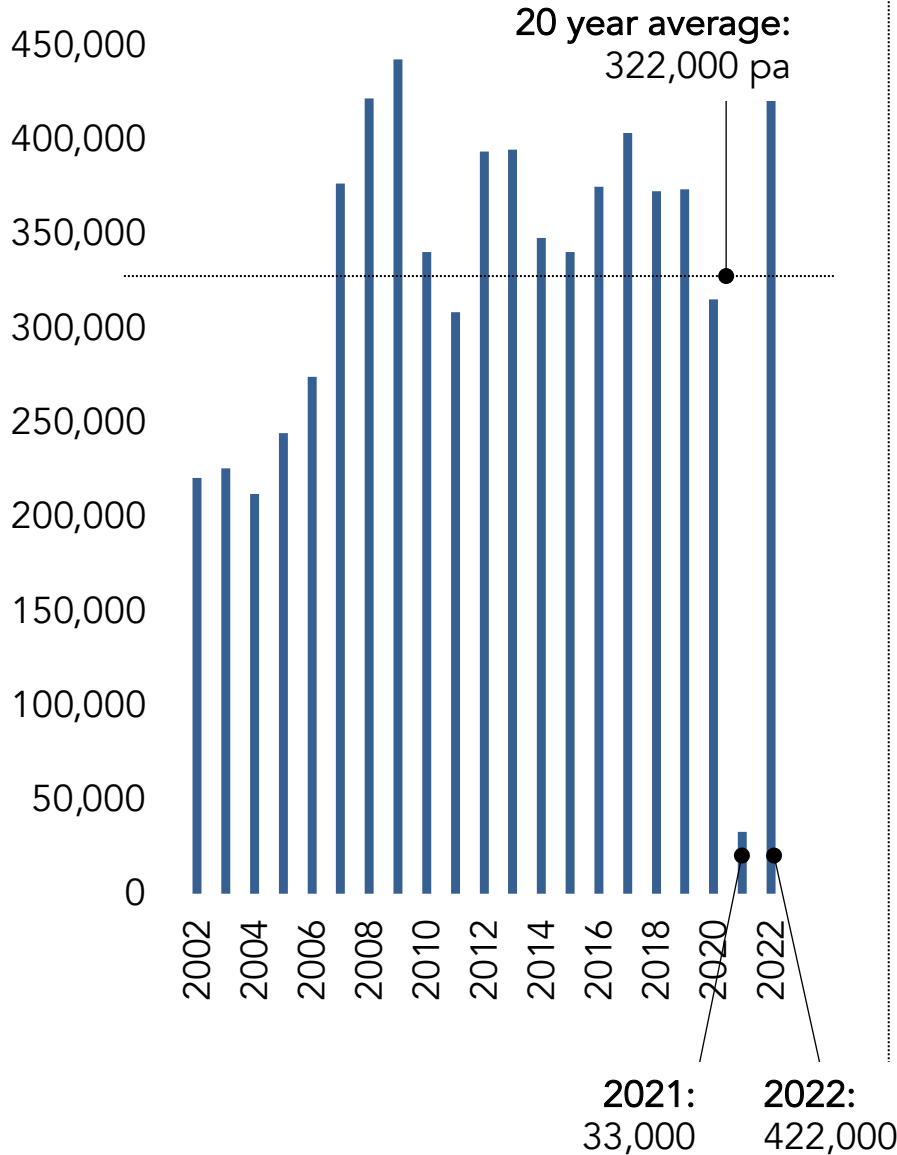
Net overseas migration



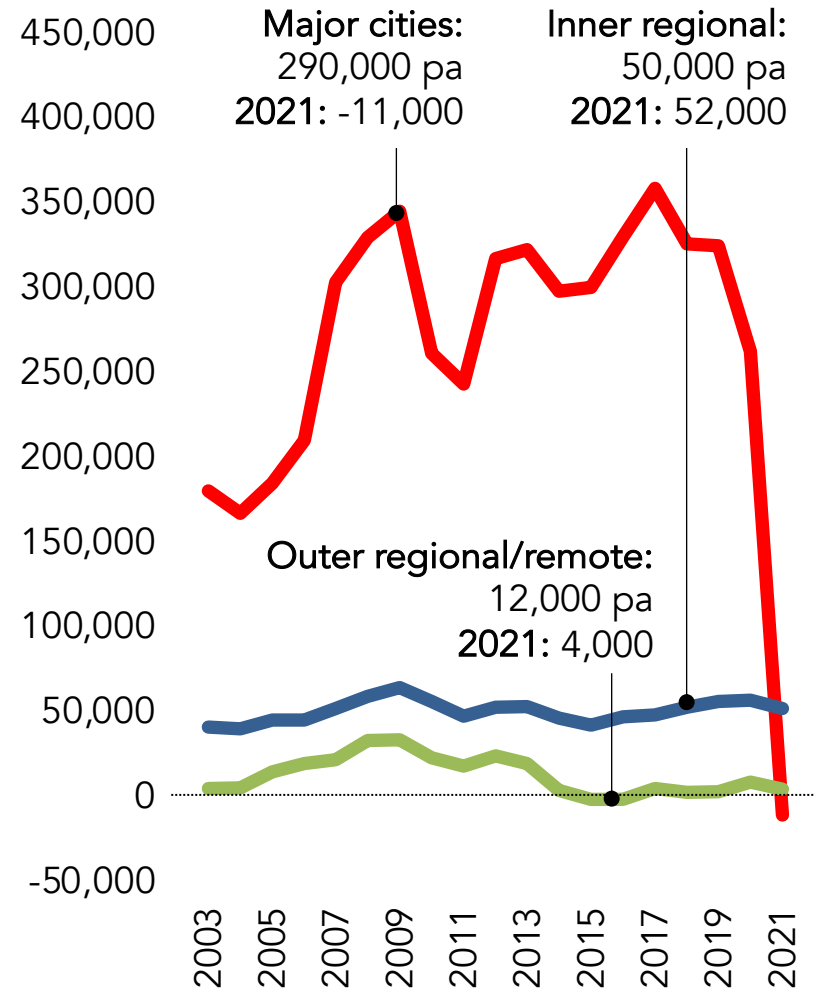
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ABS + 2021 Federal Budget .
Chart 2, Financial years.

Australian annual population growth



Distribution of annual population growth



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Both charts: ABS + Matusik estimate.
Financial years.

Pop growth summary

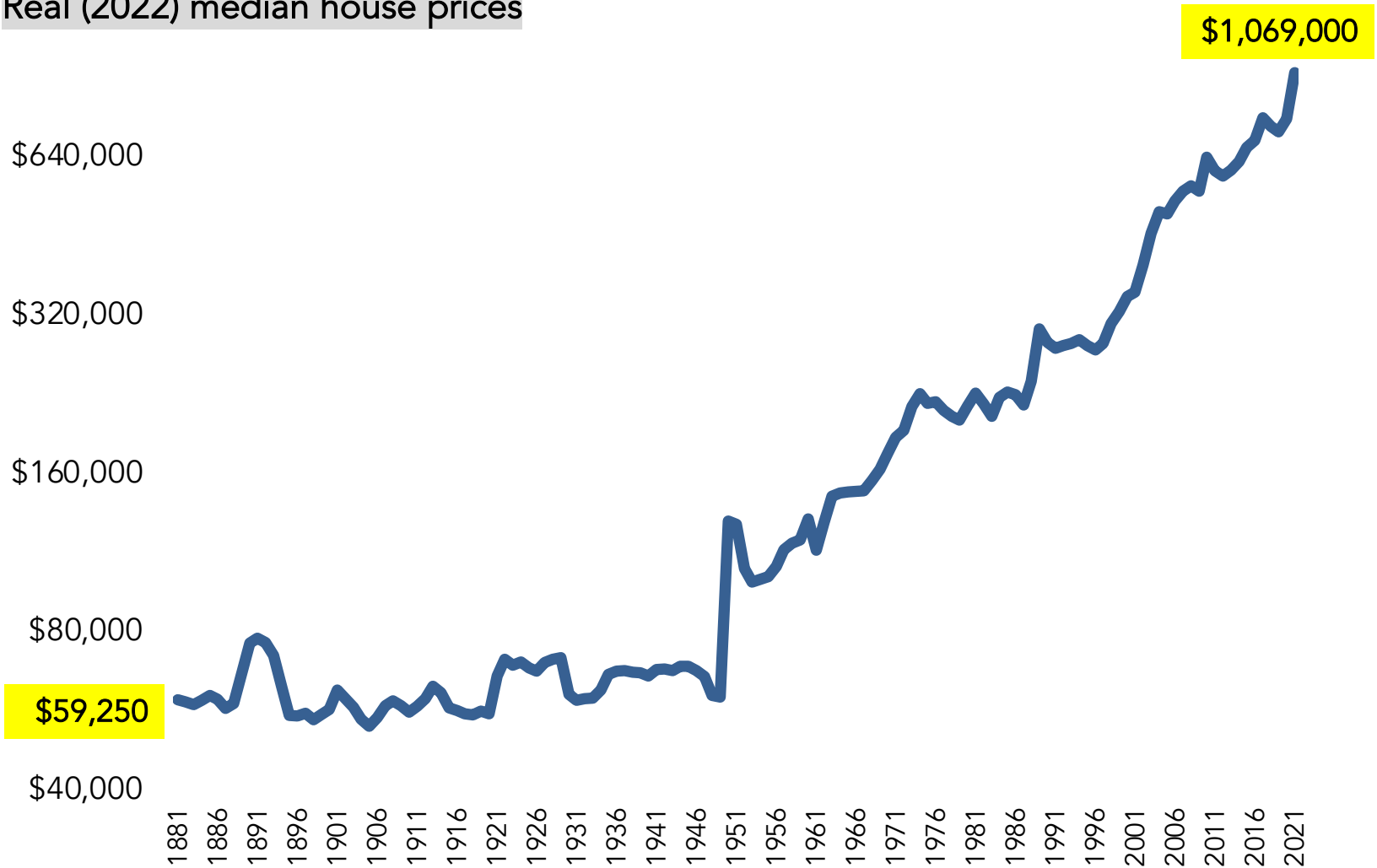
- * Previous level of net overseas migration to return
- * Recent regional growth mostly 'noise'
- * Major cities back to 80% of growth
- * Australian population growth to return to between 350,000 and 400,000 per annum
- * Current annual growth rate is likely to be over 420,000 during fiscal 2022

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Housing market outlook

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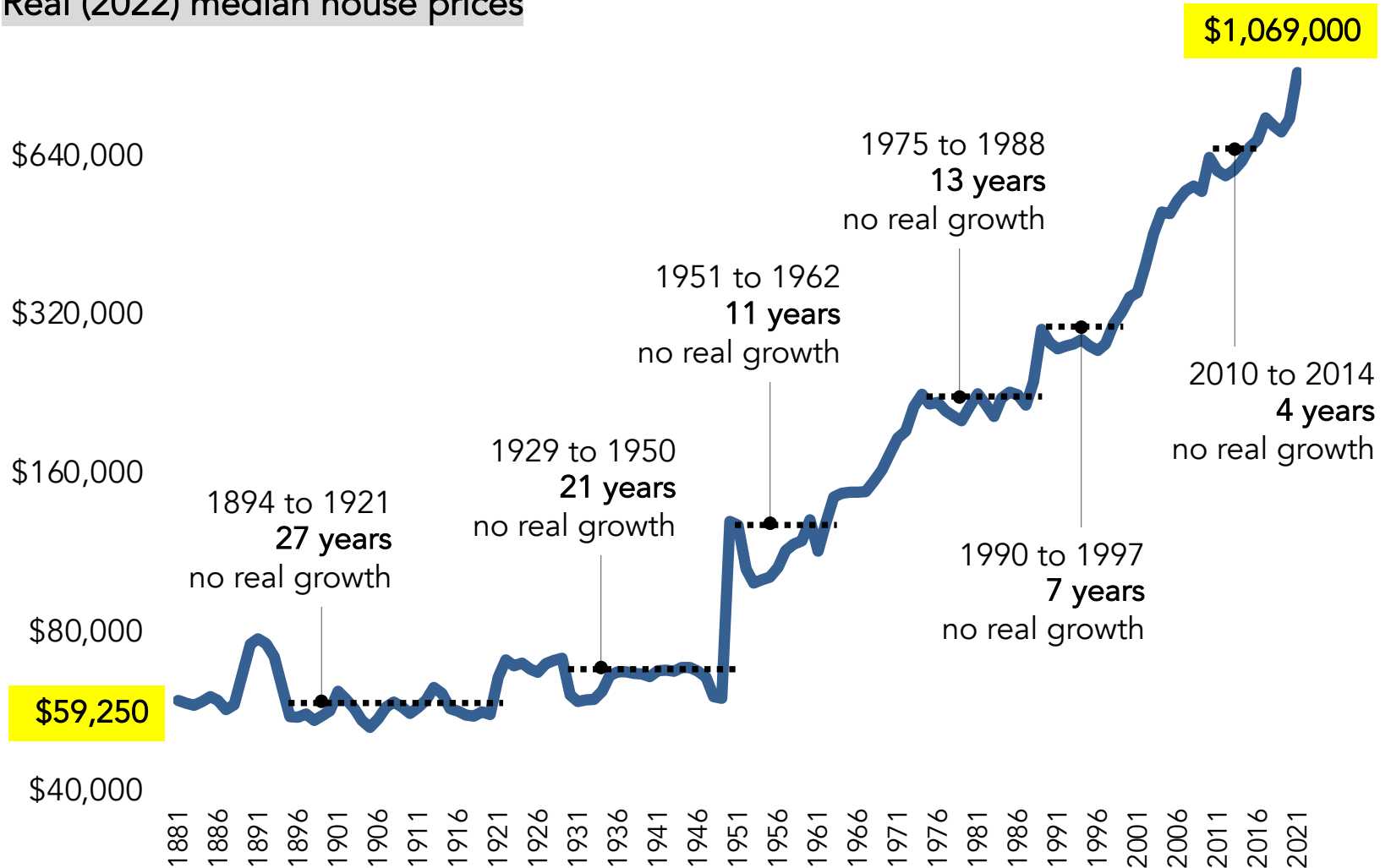
Australian capital cities Real (2022) median house prices



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Stapledon + ABS.
March Qtr. each year.

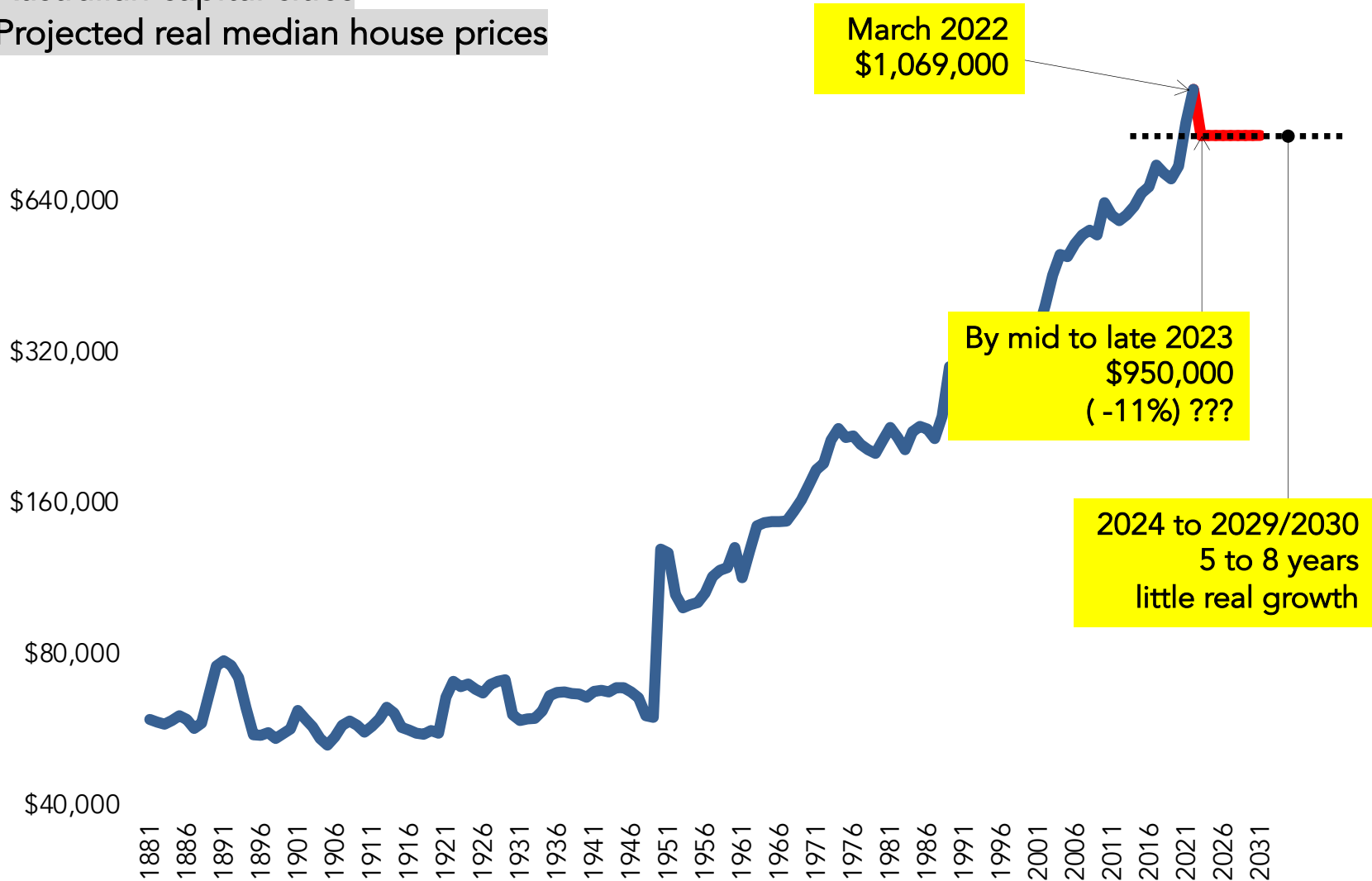
Australian capital cities Real (2022) median house prices



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Stapledon + ABS.
March Qtr. each year.

Australian capital cities Projected real median house prices



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Stapledon + ABS.
March Qtr. each year.

Sustainable houses price points

Capitals cities	March 2022 median \$	Sustainable price point	Change	
Sydney	\$1,590,000	\$1,250,000	-\$340,000	-21%
Melbourne	\$1,092,000	\$900,000	-\$192,000	-18%
Brisbane	\$831,000	\$875,000	\$44,000	5%
Adelaide	\$750,000	\$800,000	\$50,000	7%
Perth	\$622,000	\$825,000	\$203,000	33%
Hobart	\$758,000	\$700,000	-\$58,000	-8%
Darwin	\$635,000	\$725,000	\$90,000	14%
Canberra	\$1,124,000	\$1,000,000	-\$124,000	-11%
Australia	\$1,069,000	\$950,000	-\$119,000	-11%

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Matusik, ABA and Domain. Sustainable house price based on 6x household income based on those households with a mortgage.

Sustainable price points
Based on 6 times
local household income.

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Domain + ABS. Income based on relevant households currently with a mortgage.

Market outlook summary

- * A sustainable national house value is about 11% less than current price points
- * Yet not all areas are overpriced
- * Interest rate influence how fast prices ease/fall not necessary how far they ease/fall
- * National values to correct to around 10%, then plateau for 5+ years

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