more than money

Market megatrends 2022

Uncovering the opportunities for brokers

CoreLogic

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Foreword

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Megatrends are powerful, transformative forces of change. They are typically longer term in nature, making their impact all the more significant.

While it is difficult to predict what the outcomes of these shifts will be for the banking, property, and mortgage broking sectors, having an awareness of megatrends in today's dynamic markets allows us to gain rich insights into where the real opportunities lie.

Structural changes in Australia's property market have been rewriting the way brokers and customers approach home buying and lending.

Overall, the housing market remains active, although growth is stalling. Dwelling values remain 22.4% higher than the previous low in September 2020, despite a 4.8% fall from the peak in April 2022.

NAB's latest figures show 44.2% of home loans coming to NAB are from the broker channel, up from 40% a year ago, while 55.1% of NAB drawdowns originate from the broker channel. This is a material uplift and clearly demonstrates the strong and growing value of the broker proposition in an evolving environment.

Brokers have risen to the task of guiding customers through structural shifts towards higher interest rates and cost of living pressures, which are unfamiliar territory for many borrowers. Despite falling property values, purchase prices remain high, and debt-to-income (DTI) ratios are still firmly in the spotlight.

As NAB's Group Economics team rightly points out, consumers are central to a post-pandemic economic recovery with household expenditure making up almost 60% of gross domestic product (GDP). NAB's customer data shows while consumer spending remained relatively robust during the first half of the year, there are clear signs of households tightening their budgets.

The changing market conditions also continue to drive demand for simpler, faster and more digital experiences for all types of borrowers – from empty nesters, first home buyers, refinancers and investors.

So, what can we learn from this fast-moving market?

Market megatrends 2022: Uncovering the opportunities for brokers identifies and interprets the market forces facing brokers and their customers now and into the future. The paper is a combination of bespoke insights from NAB's Group Chief Economist, Alan Oster, and Head of Behavioural and Industry Economics, Dean Pearson, as well as analysis from CoreLogic. Importantly, it features on-the-ground observations from experienced brokers who share their take on how the megatrends are affecting customers and how to best offer support in the current environment.

NAB – supporting you and your customers

Throughout 2022, NAB has continued to make significant investments to bring clarity, transparency, and simplicity to home lending. Digital, data and analytics are critical elements of this process, delivering faster, safer and more personalised customer outcomes – as well as customer experiences that rival the best that any business provides, not only within the banking sector.

And, of course, we continue to offer great service levels, support, products and policies, backed by highly competitive pricing and offers for every customer in market.

As we look to the future, these investments will put us in a prime position to support customers and brokers in what will continue to be a dynamic market.

I am proud to present this report to you, which I believe reinforces our commitment to supporting you, in your business and with your customers, to navigate the major opportunities and some of the challenges in today's market and ahead. I hope you find these insights useful.

Phil Waugh
Executive – Broker Distribution,
NAB and Advantedge

About NAB – Broker Distribution

NAB's Personal Bank is the front door for millions of customers. We're here to serve customers well and help our communities prosper. We want to deliver simple and digital products and services, supported by flexible and professional bankers. By continuing to innovate, we're making it easier and safer for customers to access our services and our range of home lending and everyday banking products, including developing Australia's simplest home loan. We have more than 550 branches and 850 ATMs nationally. In addition to this customers also have access to 3,500 Bank@ Post outlets. Alongside the 16,000 brokers we partner with, NAB continues to invest in its 34,000 people to maintain positive momentum.

NAB Broker Distribution is dedicated to helping brokers deliver the best customer outcomes, supported by a national network of experienced BDMs and dedicated support through every stage of a customer's home lending experience. As the Bank behind Brokers, we will continue to invest in the broker channel and uncover the next innovation to make things simpler and easier for our broker partners and our customers.

About CoreLogic

CoreLogic is a leading, independent provider of property data and analytics. We help people build better lives by providing rich, up-to-the-minute property insights that inform the very best property decisions. With an extensive breadth and depth of knowledge gathered over the last 30 years, we provide services across a wide range of industries, including Banking & Finance, Real Estate, Government, Insurance and Construction. Our diverse, innovative solutions help our clients identify and manage growth opportunities, improve performance and mitigate risk. We also operate consumer-facing portals - onthehouse.com.au and propertytvalue.com.au - providing important insights for people looking to buy or sell their home or investment property. We are a wholly owned subsidiary of CoreLogic, Inc – one of the largest data and analytics companies in the world with offices in Australia, New Zealand, the United States and United Kingdom. For more information visit corelogic.com.au.

Section 1a

Update on the economy

Key points

- Australia should avoid a recession, but growth is likely to remain below trend in 2023.
- Low unemployment, coupled with consumers keen to return to normal behaviours after successive waves of COVID, is supporting consumption.
- NAB expects the cash rate target to reach at least 3.10% by the end of 2022 or early 2023.
- From now on, the Reserve Bank of Australia is likely to proceed much more cautiously as it assesses the impacts of rising rates on households and businesses and the shifting global economic environment.

Alan Oster,
NAB Group Chief Economist

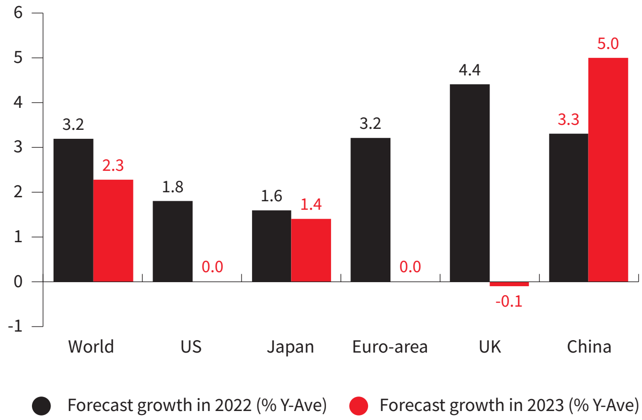
After a strong rebound from COVID in 2022, Australia's economy is now delicately poised with record low unemployment supporting demand but high inflation and rapidly rising interest rates putting pressure on household budgets. While we don't foresee a recession, we expect below-trend growth in 2023 as consumers bear the brunt of these forces.

Global context: ongoing shocks and a weak outlook

The global economy continues to be buffeted by a series of large overlapping shocks. Central banks in the US, UK and elsewhere have dramatically shifted monetary policy in response to high inflation, while Russia's invasion of Ukraine is having wide ranging impacts on commodity prices and trade, and pandemic impacts continue to linger – particularly in China where lockdowns have continued to disrupt activity over the past year.

Economically, the key results of these events continue to be high inflation, a slower growth outlook and elevated uncertainty. We see global growth slowing to well below trend rates over each of the next two years, and significant slowdowns, if not recessions in a number of advanced economies including the US and the UK as inflation and rate rises impact consumers.

Figure 1: Global growth is expected to slow in 2023



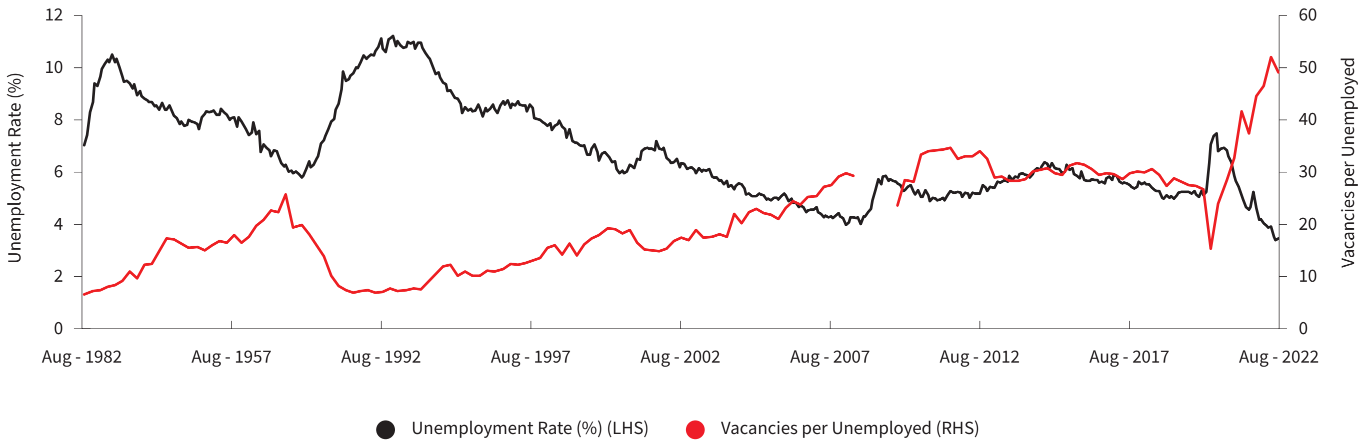
Source: NAB Economics

Australia's post-COVID recovery and normalising interest rates

Australia is not immune to many of these forces – but we do have reason to be a little more optimistic. As in other advanced economies, global disruptions have raised the cost of goods and this has flowed through to prices, but the pass through has taken time. At the same time, the combination of pandemic-era border closures and strong rebounds from lockdowns has left Australia with the tightest labour market in 50 years, with an unemployment rate around 3.5% and one job vacancy for every unemployed person.

With so many people in jobs, and consumers keen to return to normal behaviours after successive waves of COVID, goods consumption has held up and services consumption has quickly rebounded. Importantly, demand has been strong enough to allow firms to pass on higher costs without losing customers. There are signs migration is now recovering which may eventually ease the pressure in the labour market, but in the meantime wage growth is likely to pick up as firms compete for workers, providing ongoing support to incomes in aggregate.

Figure 2: Australia is experiencing the tightest labour market in decades



Source: ABS, NAB Economics. Note vacancies data not available in 2008-09.

The combined strength in inflation and the labour market has prompted the Reserve Bank of Australia (RBA) – like other central banks – to rapidly move away from emergency monetary policy settings, with 250 basis points of increases in the cash rate delivered in the space of just six months. NAB expects further increases to take the cash rate target to at least 3.10% by the end of 2022 or early 2023, which would be a mildly restrictive level over the medium term. However, from now on the RBA is likely to proceed much more cautiously as it assesses the impacts on households and businesses and the shifting global economic environment.

The rate rises delivered in 2022 can do little to impact the global forces that have largely driven inflation to this point. Rather, they are targeted at where the RBA expects the economy to be in the coming year, when these supply-side forces are likely to have been replaced by domestic capacity constraints and wage pressures as the key drivers of price growth. Most importantly, given the elevated expectations for inflation in the short term, the central bank is hoping to avoid any risk that medium- and long-term inflation expectations become de-anchored.

Outlook for 2023: weaker consumption and below-trend growth

All of these forces – slowing global growth, high inflation, low unemployment, and rising interest rates – leave Australia's economy delicately poised heading into 2023. Household budgets will be under increasing pressure, with inflation high enough to see real wages temporarily decline and the bulk of the impact of higher rates flowing through to mortgage payments over the coming months. Households will also be experiencing a decline in wealth with house prices expected to fall by close to 20% from their April 2022 peak. As a result, we expect consumption growth to weaken considerably. Still, the high level of employment and recovery in population growth will provide support and we expect these factors to prevent an outright decline in household demand.

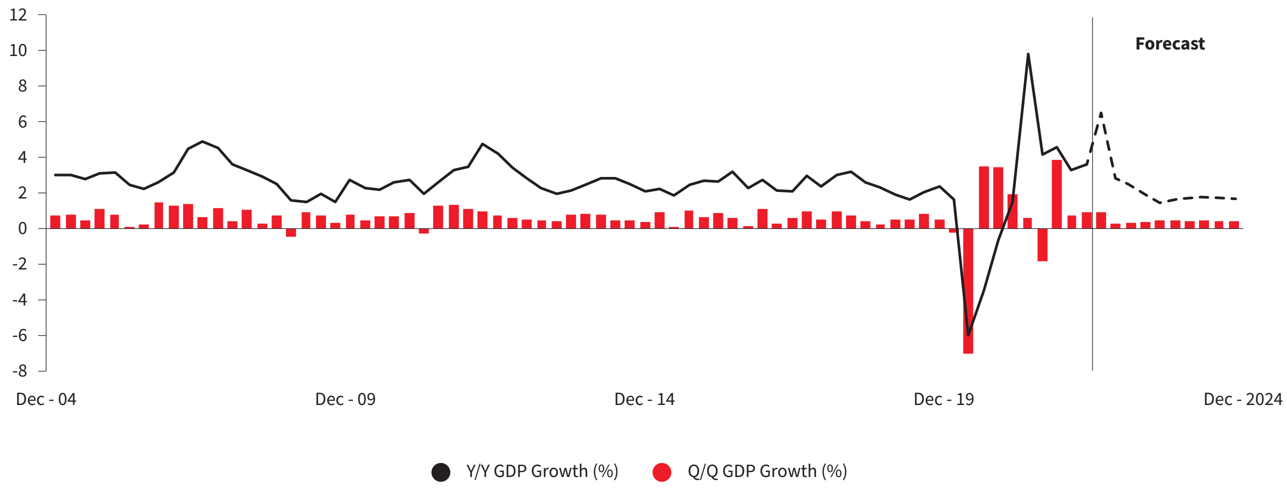
On the investment front, the very low unemployment rate and strong recovery should support a pickup in business investment to increase capacity, and survey measures of investment intentions point to a pickup. However, we don't expect a dramatic increase of the kind seen during the mining investment boom a decade ago – especially given the weak outlook for global growth.

In terms of housing, capacity constraints have led to a significant increase in the pipeline of housing investment to be completed over coming years which will support construction activity, but we expect a gradual easing of dwelling investment over the coming year as this pipeline is worked through.

While high commodity prices have seen Australia post record trade surpluses through 2022, in volume terms there remains further scope for recovery in both imports and exports. A key factor here will be the relative speed at which services imports and exports recover, with signs pointing to a faster recovery in imports (outbound tourism and other services trade). Bumper crop seasons in recent years have also provided support for agricultural exports which may not be sustained.

On balance, we see growth slowing to a below trend 1.75% over each of the next two years. This primarily reflects slower consumption growth, as well as global forces. This outlook is consistent with a gradual easing in inflation to be back around the top of the RBA's target band of 2-3% in 2024, supported by the resolution of some global supply issues as well as easing domestic demand as interest rates remain around 3.10%. Importantly, at this stage we don't foresee a recession with unemployment likely to edge higher but remain around 4-4.5%, still around the level of full employment.

Figure 3: Australia is expected to experience below-trend growth in 2023 and 2024



Source: ABS, NAB Economics.

An outlook clouded by uncertainty

As previously noted, the situation is delicately poised, and a number of risks cloud the outlook. Chief among these are uncertainties around the global economy and geopolitical events. A more severe global downturn would impact demand for Australia's exports and flow through to business and consumer confidence, weighing on GDP. On the other hand, any further trade or energy market disruptions would exacerbate the inflation challenge. As shown by events over the past two years, such disruptions are extremely difficult to predict.

Domestically, short-term inflation expectations have risen in line with surging CPI results, and while longer-term expectations remain anchored, even the RBA's own forecasts for CPI only reach 3% at the end of 2024. The longer inflation remains elevated, the greater the risk that expectations become de-anchored.

For now, Australia is a long way from a wage-price-spiral – but if higher inflation expectations feed into wage negotiations over the coming years, wage growth could push well above NAB's forecasts of 3.5% year-on-year for 2023. There is also considerable uncertainty around the path of the unemployment rate, and the responsiveness of wages in a very tight labour market. Faster-than expected wage growth would put upward pressure on inflation, likely requiring more contractionary monetary policy even if global inflation pressures ease.

The resilience of consumption growth to high inflation and rising interest rates remains the largest source of uncertainty around the economic outlook. If consumption slows more sharply than expected over coming months, Australia could quickly be at risk of a recession. On the other hand, if unemployment remains low and households are able to draw down on savings buffers built up during the pandemic, consumption growth could be sustained at a robust rate for the foreseeable future, sustaining inflation and potentially necessitating further rate hikes into 2023.

Section 1b

The changing consumer

Key points

- Consumer stress has fallen despite rising concerns over the cost of living as job pressures ease further.
- But pressures are rising as high inflation and rapid increases in interest rates weigh on households.
- Consumers are switching to cheaper brands, shopping around for cheaper products and cutting back on non-essential spending.
- The COVID-19 pandemic has made consumers more demanding and impatient, but also more mindful of sustainability and social factors in purchase decisions.
- The trend towards online shopping has accelerated, which is redefining the role of bricks-and-mortar stores and CBDs.

Dean Pearson,
NAB Head of Behavioural & Industry Economics

Consumers are central to a post-pandemic economic recovery with household expenditure making up almost 60% of Gross Domestic Product (GDP). NAB's customer data shows consumer spending remained relatively robust during the first half of the 2022 calendar year, despite COVID-19, floods, rising interest rates and higher prices. But consumers are under growing pressure and there are clear signs spending is slowing. So where to now for Australian consumers?

Confidence versus sentiment

Consumer confidence is often reported as the primary driver of demand in the economy. If people are uncertain about the future, they will buy less. But "confidence" is a lagging, not a leading, indicator so it is typically not good at predicting future economic trends.

NAB's measure of consumer sentiment is a little different, being based on typical household stresses around job security, health, ability to fund retirement, cost of living and government policy. On these measures, consumers have consistently been shown to be more resilient than most other measures have suggested.

Not surprisingly, NAB has found that consumer stress has largely been associated with rising worry over the cost of living, underpinned by climbing inflation. But, with the labour market remaining very strong and the unemployment rate at multi-decade lows, stress related to job security has fallen sharply. This helps to explain why consumer spending has held up.

But pressures are rising. NAB's recent consumer tracking data shows a weakening trend, albeit from a very high base. Our view remains that after a strong rebound through the first half of the year, growth will be much softer over the next 12- to 18 months as high inflation and rapid increases in interest rates weigh on households.

Price sensitivity on the rise

When businesses adjust prices, a fundamental question often goes unasked - will consumers even notice? Often they do not. But right now, price awareness is very high as it is the traditional household goods and services, like groceries, utilities, and petrol that have taken the biggest hit. Also increasing price awareness is the fact that the media has focussed heavily on inflation and how high prices could go.

The psychology around inflation is important because if consumers expect inflation to continue rising, many will bring forward purchases or change their shopping behaviours. This may include switching to lower priced brands, pursuing promotions and discounts and cut back on discretionary spend.

NAB research suggests that around 6 in 10 consumers have switched to cheaper brands or shopped around for cheaper products. Many are also targeting non-essential spending, having either cancelled or cut back on areas such as food delivery, entertainment, subscriptions, gym memberships, streaming services, car trips and treats such as coffees or lunches out.

Of course, while price rises are important, what really matters is how prices move relative to wages – our capacity to pay higher prices, which determines real wages and people's living standards. Inflation is being felt most by those on lower incomes or those without sufficient savings to fall back on.

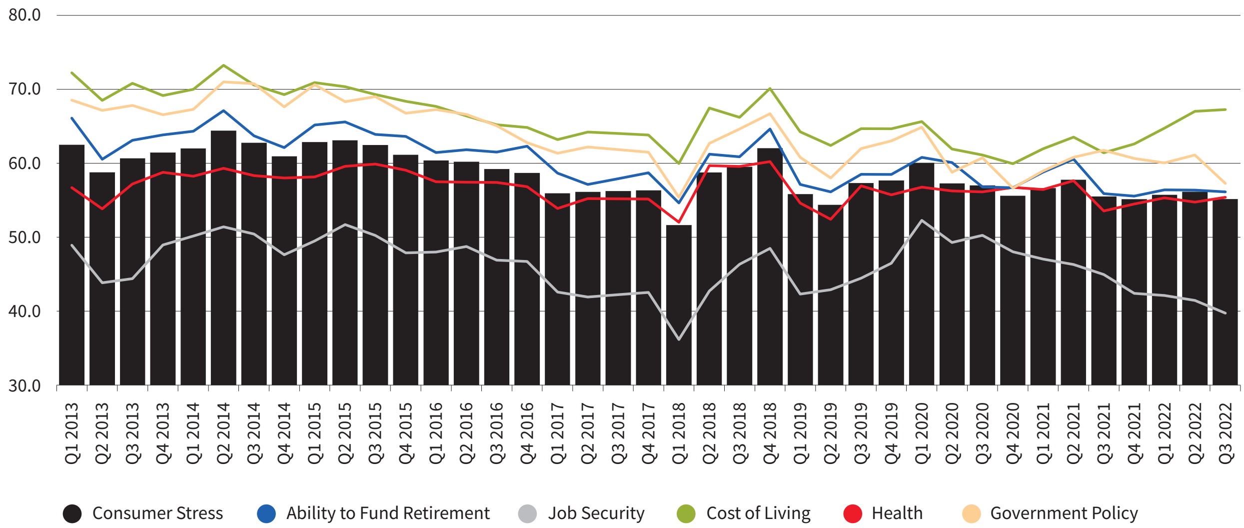
New habits are here to stay

The COVID-19 pandemic has challenged many consumer beliefs and behaviours. No other event in our lifetimes has changed so many consumer behaviours as suddenly and radically as COVID-19. And many habits formed during the crisis are likely to endure well beyond it.

Consumers are more informed, but also more demanding and impatient for fast, efficient service. Speed and convenience increasingly define a positive shopping experience.

Consumers are shopping more mindfully, with demand for sustainable and value brands rising, as greater attention is paid to businesses that demonstrate care and concern for people and the planet. Consumers are also more conscious of buying Australian made and supporting local businesses. The initial rise in home cooking and baking, as well as home improvement and DIY activities, also remains popular.

Figure 4: NAB Consumer Stress Index



Source: NAB

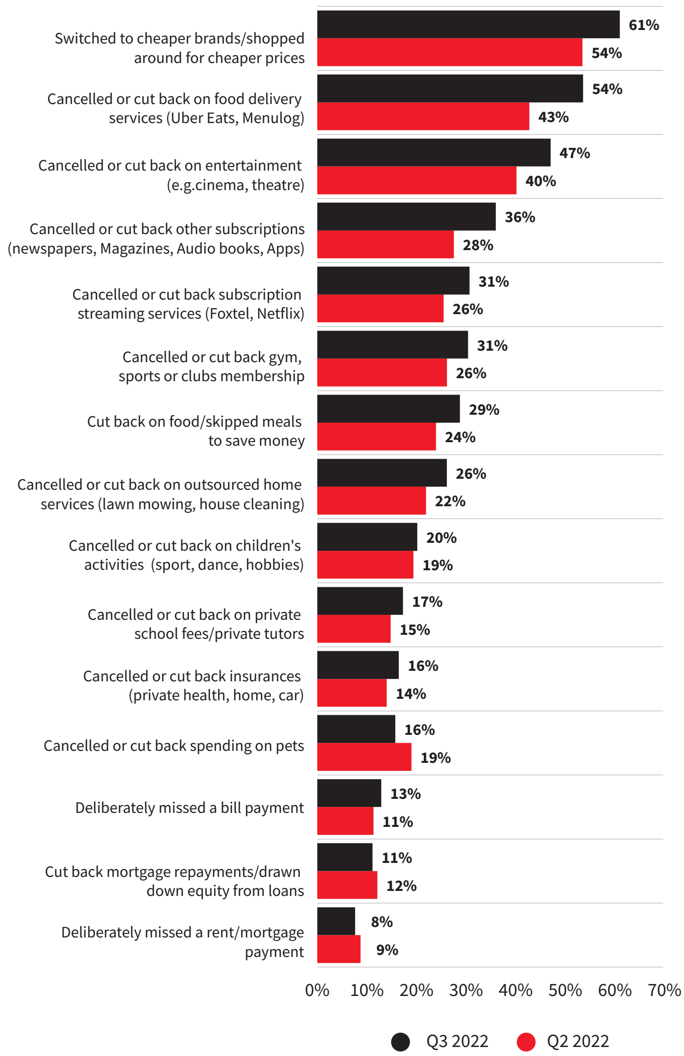
The recent surge in digital and omnichannel adoption, particularly among new or infrequent users, also looks set to continue. NAB data shows that in the 12 months to August, Australians spent $54.9 billion on online retail, around 14% of total retail trade. There have been clear standout categories over the past year in terms of contribution to growth – department stores, groceries and liquor, and takeaway food.

Physical retail will remain the largest and most important channel for the foreseeable future, but how space is leveraged will transform.

Traditional bricks-and-mortar metrics (such as gross margin per square metre) are becoming less important in an omnichannel environment. But consumers still need to touch products and physical stores can act as showrooms where customers can get to know a product before making the final purchase in store or online.

Physical stores can also act as distribution hubs. And importantly, consumers often spend more in a physical environment than online. Completing a purchase online means stores can carry less inventory in their physical stores, freeing up more space for customer experiences.

Figure 5: Changes made to spending in past three months due to cost of living pressures



Source: NAB

Life after COVID

Finally, COVID has not just challenged how but where consumers spend.

Even before COVID, many CBD businesses were under pressure from intense competition from online stores and the growth of suburban "mega-centres". These pressures have clearly intensified.

Despite most COVID restrictions having been lifted, it is clearly not yet business as normal for our major cities. Businesses will have to manage employee preferences around clustering of office days (often from Tuesday to Thursday). This, of course, has implications for activity and consumer spend.

CBDs will rebound but will have to evolve with commercial, residential, cultural/social amenities and open/pedestrian spaces co-existing more harmoniously with "liveability" at its heart. The term CBD may even need to be updated to reflect a more mixed use. The challenge for planners is remodelling our CBDs to recognise, where possible, those aspects of local urban areas that people valued so much during the pandemic.

Section 2

Identifying the megatrends

Together with leading property market experts and commentators, NAB has identified the long-term forces that are shaping the state of play for mortgage brokers and their customers in an ever-changing market. These are the market megatrends for 2022:

- The pace of change
- A soft landing
- The rise of investors
- First home buyers in prime position
- The refinance boom
- A digital revolution.

Megatrend:
The pace of change

Eliza Owen
CoreLogic Head of Research, Australia

Key points

- Following a surge in property prices over the past few years, most markets are now moving into a downturn phase.
- Home sale volumes have started to ease but remain 15.1% higher than the previous five-year average for January to September.
- As we move beyond the COVID period, transaction activity and price movements may see less volatility in the years ahead.

The Australian dwelling market has reacted strongly, and quickly, to extremes in economic activity over the past two years. Emergency settings in monetary and fiscal policy (including a record low cash rate of 0.1%), sent values surging 28.6% nationally between September 2020 and April 2022. During this time, a fervour of buying and selling activity saw record weekly auction volumes, and overall sales volumes peaked at almost 618,000 in the calendar year of 2021.

The Australian economy is now facing different extremes, as the RBA works toward a 'normalisation' in the cash rate. Both inflation and the pace of the rate-tightening cycle are at the highest levels since the early 1990s.

Interest rates are generally negatively correlated with changes in home values, and after experiencing the highest growth cycle since the 1980s, national home values declined 4.8% in the five months to September 2022.

With each month, the decline in home values has become geographically more widespread. Notably however, the pace of national home value falls slowed in September.

Future trajectory

As Australia moves beyond pandemic lockdowns, household savings and spending have changed dramatically. Monthly retail spending fluctuated markedly through the pandemic and rose a further 0.6% in July. The national household saving ratio has fallen from 23.7% in June 2020 to 8.7% in June 2022. From a housing perspective, this means there may be less of a savings buffer for housing costs, slower accumulation of home loan deposits, and higher spending could contribute to continued inflationary pressures, which will partly shape the trajectory of interest rates.

More affordable housing markets have generally been more resilient as rates rise however, most markets are now moving into a downturn phase. Sydney is currently leading the decline, with dwelling values down 9.0% from January through to September, while Darwin has seen a 0.03% fall from a recent high in August. Regional Australia has also entered a downswing, with values down 3.6% from a recent peak in June 2022.

The volume of home sales has started to ease from 2021, with last year seeing the highest annual volume of sales since 2003. Over the first nine months of 2022, CoreLogic estimates there were 398,947 sales recorded nationally, which is 11.4% lower than in the equivalent period of 2021. Notably however, the volume of home sales remained 15.1% higher than the previous five-year average for January to September.

While the COVID period has created extreme and rapid movements in the housing market, Australia is now in a phase of returning to some pre-COVID norms. Some examples include increased overseas travel, spending on recreation and social activities, and increasing city foot traffic. The social and economic progression beyond COVID will likely extend to housing market conditions, where transaction activity and price movements may see less volatility in the years ahead.

Megatrend:
A soft landing

Eliza Owen
CoreLogic Head of Research, Australia

Key points

- The current downswing in property prices is the fastest on record.
- National home values remain 22.4% higher than September 2020 levels.
- The national housing market decline could see a floor when the cash rate stabilises in 2023, although tailwinds, such as demand for rental properties, may already be stemming price falls.
- Strong price gains over previous years mean that even double-digit declines in home values are unlikely to fully erode the gains made in home values through the recent upswing.
- The average hold period for a home in Australia is around nine years, so many sellers stand to make a nominal profit on the sale of their home, even if in the event of double-digit price falls.

The current downswing in housing market values follows a dramatic upswing, where CoreLogic's national Home Value Index increased by 28.6% between September 2020 and April 2022. Despite a 4.8% a fall, national home values remain 22.4% higher than in September 2020.

Figure 6 compares the current decline in the home value index to historic dwelling market declines from the respective peak to trough. This chart highlights that the current downswing, while only lasting six months so far, is the fastest fall in the CoreLogic Home Value Index on record.

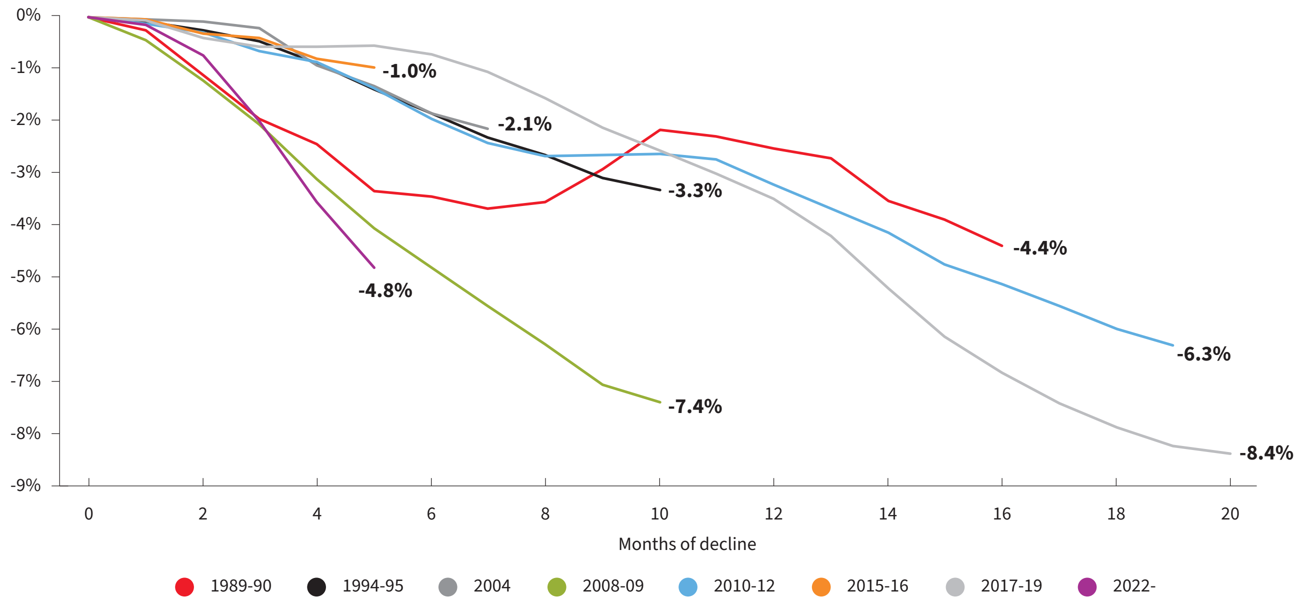
How long can the downswing last?

The current downturn in housing values is largely a function of higher interest rates. While the RBA has noted it is not on a set path for the cash rate trajectory, many forecasters anticipate that rate rises will slow through the end of 2022, and halt in 2023. Therefore, the national housing market decline could see a floor when the cash rate stabilises.

However, there are tailwinds for housing market demand that may already be stemming price falls. One of these tailwinds, as discussed in the next section, is strong demand for rental housing that has come off the back of returning overseas migration, and fewer people per household. This could attract a greater number of investors to the property market, and trigger more first home buyer decisions as renting becomes less desirable.

Another factor insulating price falls is a lack of new listings activity among sellers. While larger vendor discounting has been evident from sellers in recent months, prospective vendors also have the option simply not to sell while prices

Figure 6 - Historic periods of decline to trough (national)



Source: CoreLogic

are falling. For owners to retain their property through the downswing, they must be able to service higher mortgage costs as rates rise, and this is made possible through strong labour market conditions, rising wages, buffers built into the lending assessment process, along with savings and pre-payments among many households.

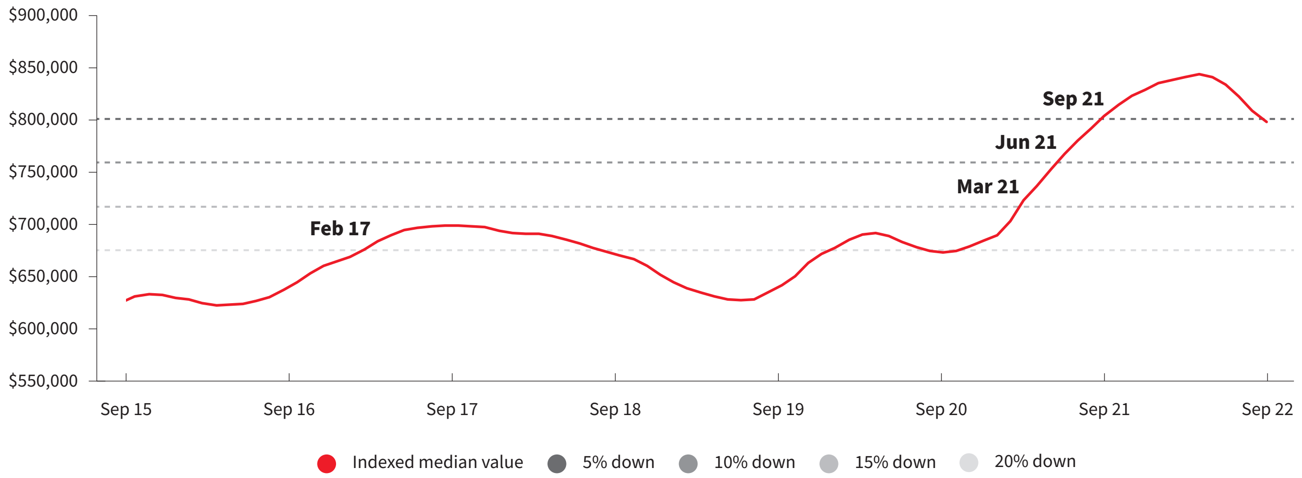
CoreLogic research is of the opinion that this may be a very sharp, but relatively short, housing market downturn. The tailwinds of returning migration, high rents and strong mortgage serviceability capabilities should help to steady home values once the cash rate has peaked.

Downturn scenarios

The latest housing market forecasts from the NAB Economics team suggests that combined capital city home values could see a double-digit decline through the downturn. However, even double-digit declines in home values are unlikely to fully erode the gains made in home values through the recent upswing. Figures 7 and 8 represent where price declines from the market peak would take home values back to across the combined capital city dwelling market, and the five state capitals.

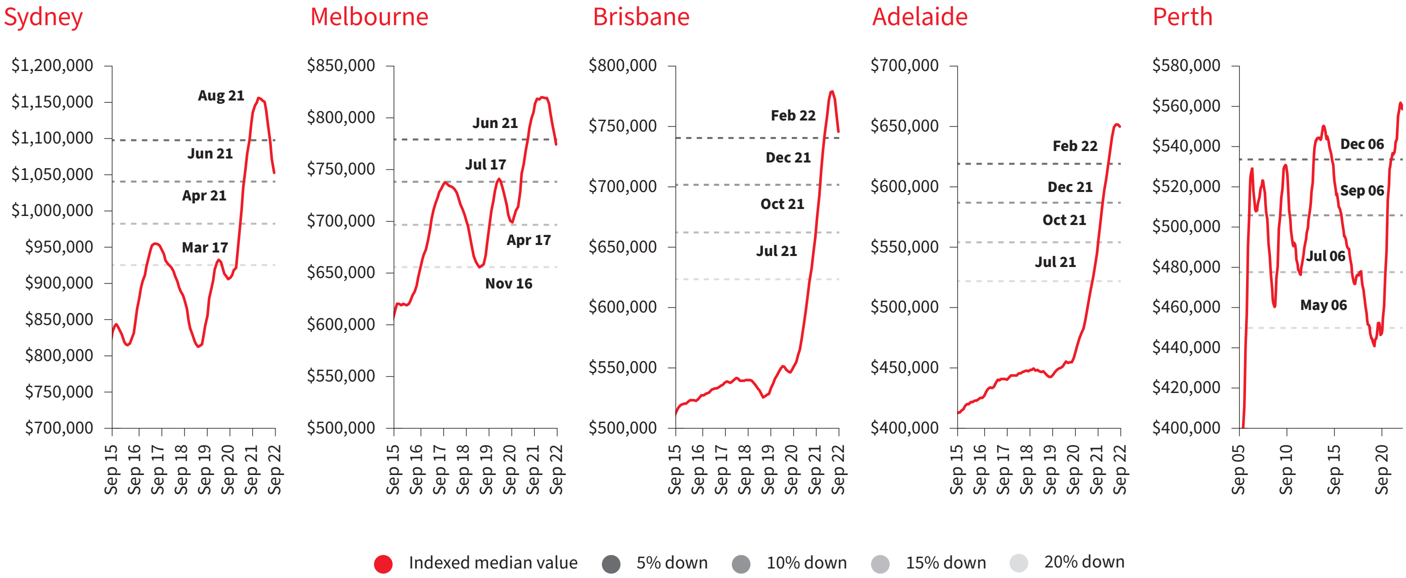
Figure 7 - Where do values fall back to amid a double-digit drop?

Decline scenario, combined capitals



Source: CoreLogic

Figure 8 - Where do values fall back to amid a double-digit drop?



Source: CoreLogic

Across Melbourne, home price gains were more subdued through the upswing period due to unfavourable migration patterns and extended lockdowns. Melbourne housing values increased by 17.3% between October of 2020 and February 2022. This means a 15% drop in values from the peak in February would largely erode gains from the previous upswing and bring nominal values back to the equivalent of April 2017.

In contrast, even a 20% decline in home values across Adelaide and Brisbane would only take home values back to price levels at mid-2021. This is because price gains have been so high, and so concentrated within the past two years.

These decline scenarios have interesting implications for prospective sellers, buyers, and the stability of housing more broadly. Given that the average hold period in Australia is around nine years, many sellers stand to make a nominal profit on the sale of their home, even if property prices fall by 20%. For those in smaller cities like Brisbane and Adelaide, even recent home buyers may still achieve a profit if they need to sell.

The data reinforces that expected declines through the current downturn are unlikely to wipe out gains from the previous upswing in most markets. This has been a longstanding feature of the Australian property market, which has made it an attractive asset over time.

Megatrend:
The rise of investors

Eliza Owen
CoreLogic Head of Research, Australia

Key points

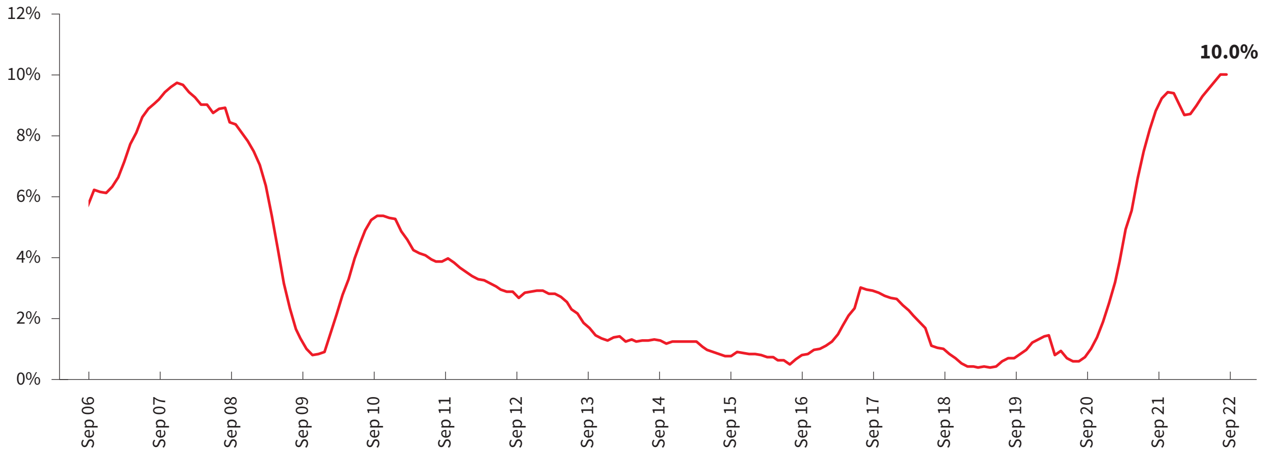
- Rent values across Australia rose 10.0% in the year to September.
- Work-from-home, interstate migration and low levels of construction through the pandemic have created an imbalance in which demand for rental properties is outstripping supply.
- Gross rental yields have been rising consistently as monthly growth in rent values has outpaced growth in purchasing values.
- The return of overseas migration is expected to put further upward pressure on rental demand, while a decline in unit approvals over the past few months will limit rental supply longer term.

While Australian property values are currently moving through a cyclical decline, rent values across Australia have continued to rise.

Figure 9 shows the rolling annual growth in rent values across Australia, which hit a series high of 10.0% in the 12 months to September.

COVID-19 spurred a new way of living – One of the biggest factors accounting for higher rents could be the 'spreading out' of households through the pandemic. Analysis from the RBA suggested that share housing declined markedly as people experienced remote work and were confined to their home. Australian Bureau of Statistics (ABS) census data corroborated this, showing a decline in the average number of people per household, from 2.6 in 2016, to 2.5 in 2021. The decline in the average size of households contributed to increased demand for housing, and renters likely represented

Figure 9: Rolling annual growth in CoreLogic rent value index



Source: CoreLogic

a large portion of this new demand, where renters have greater flexibility and mobility to make changes to living arrangements.

Migration patterns – The COVID-19 period also saw shifts in internal migration. ABS internal migration data indicated record net losses from the combined capital cities, due to fewer regional arrivals to cities and greater capital city departures. This initially placed greater upwards pressure on regional rents.

Looking at interstate migration by state and territory, Queensland had record net internal migration in the 2021 calendar year (adding 50,162 residents), largely from NSW and Victoria. Additionally, Western Australia has had positive levels of internal migration from late 2020. This is a trend not seen in Western Australia since 2013. New arrivals to these states have likely added to demand for both home purchases and rentals.

Limited supply – Australia experienced an investment and apartment construction boom through part of the 2010s, but both moderated in the years prior to the pandemic. By March of 2021, both house and unit construction across Australia had fallen to below-decade averages. Not only has this limited the delivery of new rental supply, but constraints in the construction pipeline have likely kept prospective new homeowners in the rental market for longer.

CoreLogic listings data also indicates a 'sell-off' in investment property sales through spring of 2021. Last spring, investor-listed properties averaged 16,500 per month nationally, which is 54% above the previous decade average for spring. This could be reflective of investors attempting to 'cash in' off the back of strong capital gains but has added to a shortage of rental stock. As of early October 2022, CoreLogic observed just under 95,000 properties listed for rent. This is around a third below where rental listings stock is usually for this time of year.

Figure 10 shows the growth in house and unit rents for the major capital city and regional markets since the onset of COVID-19 in March 2020. This chart shows rent gains have been broad-based, and are strongest in Darwin houses (31.6%) and regional WA units (31.4%).

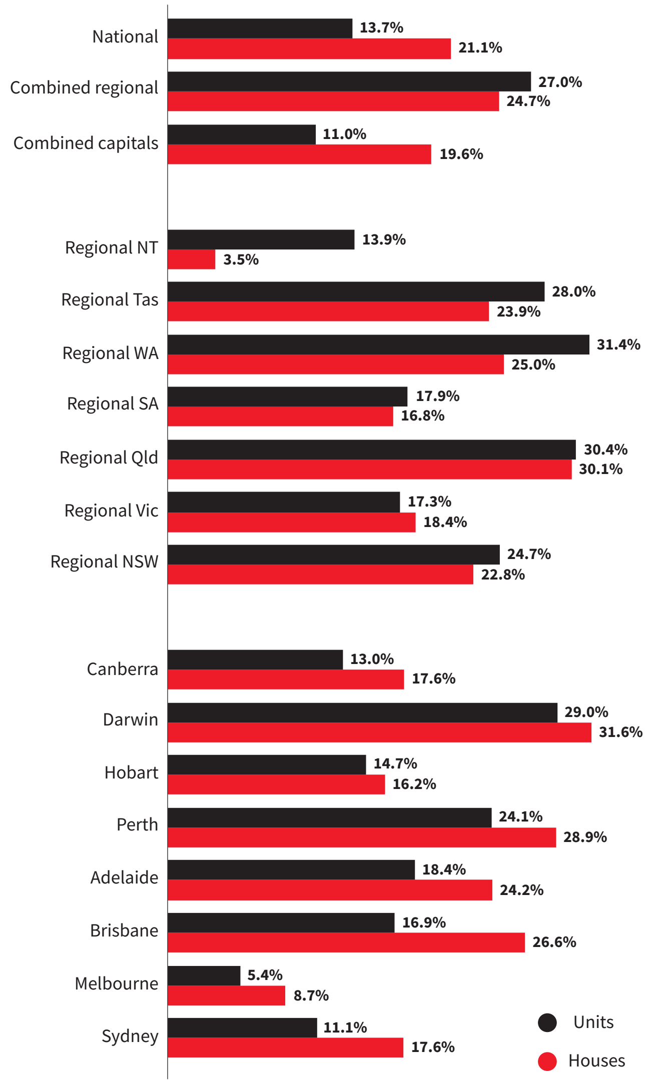
While these conditions have made the housing market less favourable for tenants, falling purchase prices and rising rent values could present some excellent opportunities for investors seeking a high rent yield strategy.

Where are the strongest yields?

Gross rental yields have been rising consistently for the past seven months, as monthly growth in rent values has outpaced growth in purchasing values. Nationally, gross rent yields, which is rental income expressed as a portion of purchase prices, has increased 36 basis points (to 3.6%) from the end of 2021 through to September.

Figure 11 presents the top five markets by state and territory with the highest gross rent yields. In compiling this list, CoreLogic uses a range of filters including a minimum of 20 rent and sale observations, as well as suburbs with low standard errors on valuations. No transaction or maintenance costs are factored in to rent yields.

Figure 10: Growth in house and unit rents since COVID-19 (March 2020 to September 2022)



Source: CoreLogic

Figure 11: Top five markets by state and territory with highest gross rent yields

Greater region	LGA name	Suburb name	Property type	Median rental value	Gross rental yield	Median value
NSW						
Rest of NSW	Gilgandra	Gilgandra	Houses	$306	7.9%	$191,485
Rest of NSW	Western Plains Regional	Wellington	Houses	$391	7.6%	$257,982
Rest of NSW	Shoalhaven	Sussex Inlet	Houses	$758	7.6%	$704,209
Rest of NSW	Lachlan	Condobolin	Houses	$324	7.4%	$210,121
Rest of NSW	Warrumbungle Shire	Coonabarabran	Houses	$281	7.4%	$236,945
VIC						
Rest of Vic.	Wellington	Loch Sport	Houses	$901	17.2%	$400,808
Rest of Vic.	Yarriambiack	Warracknabeal	Houses	$298	7.4%	$203,262
Rest of Vic.	Moira	Cobram	Houses	$437	6.2%	$384,653
Greater Melbourne	Melbourne	Melbourne	Units	$550	6.1%	$483,134
Greater Melbourne	Moonee Valley	Travancore	Units	$420	6.1%	$336,063
QLD						
Rest of Qld	Central Highlands	Blackwater	Houses	$355	10.9%	$167,760
Rest of Qld	Rockhampton	Mount Morgan	Houses	$305	10.3%	$156,196
Rest of Qld	Cairns	Manoora	Units	$375	9.1%	$211,439
Rest of Qld	Cairns	Woree	Units	$381	9.0%	$181,488
Rest of Qld	Burdekin	Home Hill	Houses	$367	8.6%	$197,421
SA						
Rest of SA	Port Pirie City and Dists	Port Pirie West	Houses	$325	8.2%	$174,468
Rest of SA	Port Augusta	Port Augusta	Houses	$310	8.2%	$194,478
Rest of SA	Port Augusta	Port Augusta West	Houses	$322	8.1%	$210,700
Rest of SA	Whyalla	Whyalla	Houses	$354	8.0%	$230,130
Rest of SA	Whyalla	Whyalla Playford	Houses	$326	8.0%	$219,252
WA						
Rest of WA	Ashburton	Tom Price	Houses	$1,301	15.0%	$476,255
Rest of WA	East Pilbara	Newman	Houses	$662	12.1%	$292,419
Rest of WA	Merredin	Merredin	Houses	$324	11.2%	$153,768
Rest of WA	Kalgoorlie/Boulder	Boulder	Houses	$497	11.0%	$244,593
Rest of WA	Port Hedland	South Hedland	Houses	$744	10.9%	$372,763
TAS						
Rest of Tas.	Launceston	Ravenswood	Houses	$407	5.6%	$345,765
Greater Hobart	Glenorchy	Glenorchy	Units	$448	5.1%	$470,982
Greater Hobart	Clarence	Risdon Vale	Houses	$474	5.0%	$469,526
Rest of Tas.	George Town	George Town	Houses	$367	5.0%	$381,290
Rest of Tas.	Waratah/Wynyard	Somerset	Houses	$407	5.0%	$421,874
NT						
Greater Darwin	Darwin	Parap	Units	$505	7.4%	$363,272
Greater Darwin	Darwin	Darwin City	Units	$597	7.4%	$434,167
Greater Darwin	Darwin	Coconut Grove	Units	$468	7.3%	$335,834
Greater Darwin	Palmerston	Zuccoli	Houses	$687	7.2%	$493,758
Greater Darwin	Darwin	Larrakeyah	Units	$559	6.9%	$435,050
ACT						
Canberra	-	Gungahlin	Units	$541	5.8%	$480,274
Canberra	-	Belconnen	Units	$540	5.7%	$520,807
Canberra	-	Greenway	Units	$547	5.6%	$559,553
Canberra	-	Franklin	Units	$553	5.6%	$529,848
Canberra	-	City	Units	$638	5.5%	$628,079

Source: CoreLogic. Suburbs are selected based on a minimum of 20 sales and rent listings volumes in a 12-month period. Only suburbs with a low standard error on valuations are selected, as well as markets with at least 1000 properties, and capital growth recorded over a five-year period.

The strongest rent yields are generally concentrated in resource-based markets. Investors interested in these areas must keep in mind that price movements have been historically volatile, with capital gains and rent return often tied to performance in the resources sector. However, other kinds of investment opportunities are presented in the list in figure 11, including metropolitan apartment markets in Melbourne and Canberra, regional markets of NSW, and lifestyle markets across Cairns and Tasmania.

Growth in Australian rent values have shown some signs of easing, particularly in the house segment. However, unit rental growth has continued to show momentum. The return of overseas migration is expected to put further upward pressure on rental demand, while a below-average volume of unit approvals over the past few months could limit rental supply longer term. Overseas migration is typically skewed to rental housing demand in high density areas of Sydney and Melbourne, where higher growth in rents is expected in the short term.

Megatrend:
First home buyers in prime position

Eliza Owen
CoreLogic Head of Research, Australia

Key points

- First home buyers have greater opportunity to enter the market thanks to falling home values and reduced buyer competition.
- Selling times have increased to 35 days from a recent low of 20 days, giving first-time buyers more time to consider their options and organise their affairs.
- Vendors have become slightly more willing to discount from the asking price.
- In the market segment usually targeted by first home buyers, the biggest price falls have occurred across a mix of areas across regional Australia, suburbs of Hobart and Melbourne's West.

Falling home values, longer selling times and less buyer competition have created a more favourable market for potential first home buyers. Despite some favourable buyer conditions, this cohort currently needs to weigh up higher interest costs against a lower deposit hurdle.

For first home buyers with strong serviceability capability and high savings levels, current market conditions could present a good opportunity.

Lower sales volumes

In the three months to September, CoreLogic estimates national home sales totalled 128,503, which is 13.0% lower than in the same period of 2021. Although the volume of sales is still high relative to the previous five-year average for this time of year (119,229), the reduction in sales compared with 2021 suggests some of the 'heat' has come out of the market. This means less urgency and competition for first home buyers.

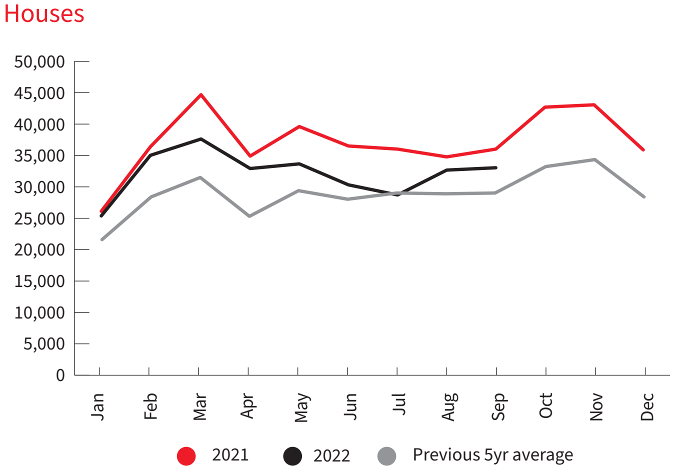
Figure 12 shows how monthly sales have trended this year against 2021, and the previous five-year average. The data shows that unit sales have declined slightly more rapidly than house sales, with unit sales over the year to date sitting 12.4% lower than in 2021. House sales are around 11.0% lower through 2022 than last year.

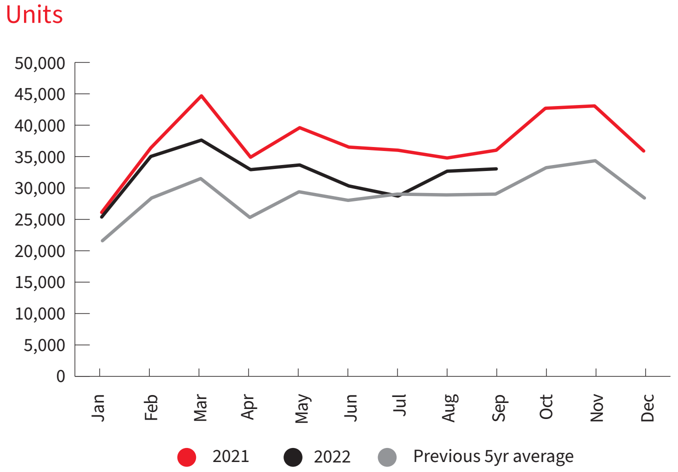
Properties taking longer to sell, greater discounts being offered

With fewer buyers in the market, housing has been transitioning from a 'sellers' market' to a 'buyers' market' since late 2021. Figure 13 provides a time series of median days on market and vendor discounting, highlighting the shift in favour of buyers.

The median time on market nationally was sitting at 35 days in the three months to September 2022, up from a recent low of 20 days in the three months to November last year. This is still well below the decade average of 41 days for a property to sell nationally, though days on market is expected to extend further amid the high-rate environment and spread of the downturn. For first home buyers, this allows more time to undertake due diligence on properties and financial products.

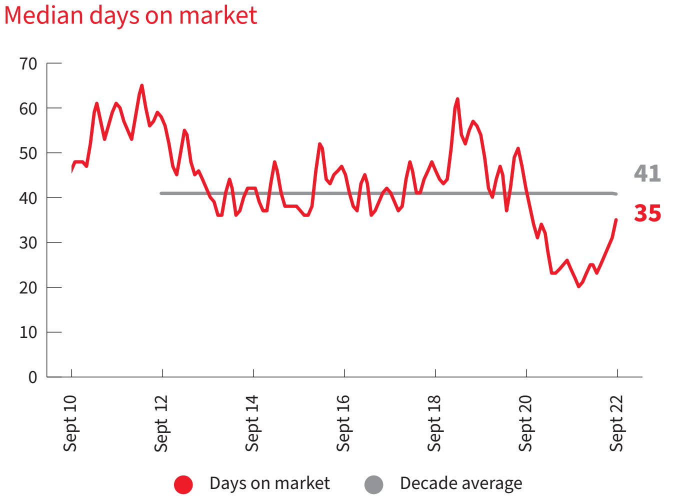
Figure 12: Fewer sales in 2022 signals less buyer competition
Monthly sales volumes – national, year-to-date versus 2021 and five-year average

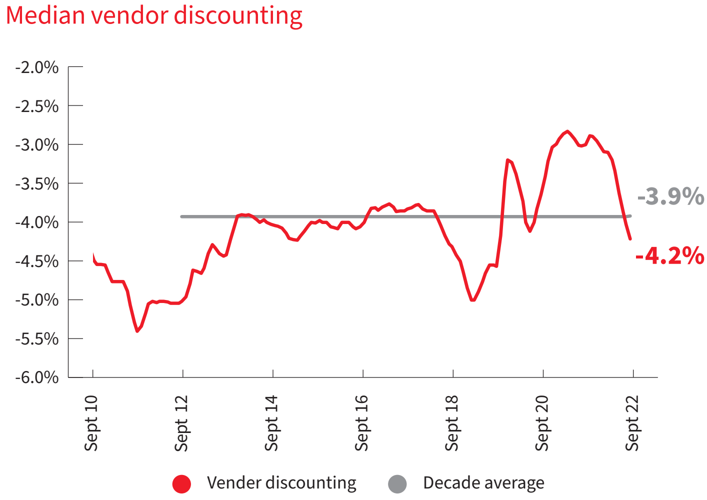




Source: CoreLogic

Figure 13 - Rolling three-month median, national – days on market and vendor discounting





Source: CoreLogic

Vendor discounting has also deepened in the past few months, as sellers try to secure a sale from a smaller buyer pool. In the three months to September, the median discount from an initial listing value to contract price was 4.2%. This has come down from a recent low in discounting of 2.9% in October 2021. In the three months to September, median discounting ranged across the capital cities from 3.6% in Canberra, to 5.1% in Sydney.

Where are the biggest bargains for first home buyers?

The CoreLogic home value index has shown a 4.8% fall from its peak in April 2022 through to September, or the equivalent of a fall in the median Australian home value of around $37,000. As prices decline, it could take less time for some first home buyers to accumulate a home deposit.

Looking more granularly at Local Government Authority (LGA) regions across Australia, we can identify where the biggest declines are emerging at the 'entry level' of the market. The 'entry level' of housing market is tracked via the lowest 25% of valuations in a region, which often sit more in the range of a first home buyer budget.

Figure 14 outlines the 20 biggest declines in the low end of LGA housing markets nationally, since the end of April when the cash rate bottomed out. To reflect more entry-level housing markets that may be of interest to first home buyers, only LGAs with median values of $750,000 or less have been identified.

The biggest drop offs in the more affordable end of the housing market have occurred across markets of regional Australia, alongside markets of Hobart, and Brimbank in Melbourne's West. Some of these markets include flood-affected areas of Richmond-Tweed and resource-based markets in regional Western Australia. With the market presenting a range of risks and opportunities as prices fall, it is vital first home buyers consider long-term growth prospects of the market they are looking at, factoring extreme weather events, the local economy and employment base and local development prospects and the impact on supply.

Figure 14: Top 20 LGAs with the largest declines in the low end of the market (where median is $750,000 or below)

Greater capital city / region name	Region name	LGA name	25th percentile value for April 2022*	25th percentile value as of September 2022	Change in bottom 25% of values since April 2022 (%)	Change in bottom 25% of values since April 2022 ($)
Rest of Tas.	South East	Central Highlands	$251,720	$221,753	-11.90%	-$29,966
Rest of NSW	Richmond – Tweed	Lismore	$515,685	$460,118	-10.80%	-$55,568
Rest of NSW	Richmond – Tweed	Kyogle	$414,592	$372,144	-10.20%	-$42,449
Rest of NSW	Richmond – Tweed	Richmond Valley	$404,551	$366,895	-9.30%	-$37,655
Rest of Tas.	South East	Tasman	$561,189	$517,155	-7.80%	-$44,033
Rest of WA	Western Australia – Outback (South)	Carnarvon	$240,276	$222,933	-7.20%	-$17,343
Rest of Tas.	Launceston and North East	West Tamar	$534,841	$501,892	-6.20%	-$32,949
Rest of WA	Western Australia – Outback (South)	Irwin	$291,126	$273,526	-6.00%	-$17,599
Rest of WA	Western Australia – Outback (South)	Coorow	$249,708	$235,051	-5.90%	-$14,657
Rest of Vic.	Hume	Strathbogie	$445,969	$421,909	-5.40%	-$24,061
Rest of Vic.	Latrobe – Gippsland	Baw Baw	$566,558	$536,164	-5.40%	-$30,394
Rest of WA	Western Australia – Wheat Belt	Katanning	$178,567	$169,027	-5.30%	-$9,540
Greater Hobart	Hobart	Sorell	$588,325	$557,060	-5.30%	-$31,264
Greater Hobart	Hobart	Glenorchy	$573,290	$544,405	-5.00%	-$28,886
Greater Melbourne	Melbourne – West	Brimbank	$608,496	$577,840	-5.00%	-$30,656
Rest of WA	Western Australia – Outback (South)	Esperance	$302,973	$289,956	-4.30%	-$13,017
Rest of Vic.	Hume	Mitchell	$544,995	$523,100	-4.00%	-$21,895
Rest of Vic.	Warrnambool and South West	Southern Grampians	$331,733	$318,679	-3.90%	-$13,053
Rest of Tas.	Launceston and North East	Meander Valley	$481,707	$465,438	-3.40%	-$16,269
Greater Hobart	Hobart	Brighton	$478,899	$462,743	-3.40%	-$16,155

Source: CoreLogic
The change in the low end of the market is the change in the tiered (low) home value index between April 2022 and September 2022

* The price level at April 2022 is the value at September 2022, adjusted by changes in the CoreLogic Home Value Index

Characteristics of first home buyers and behaviour in a downswing

ABS data for 2019-20 provides some insight into the characteristics of first home buyers in Australia. On average, recent first home buyers were aged 35 years with an average number of 2.7 people per household, suggesting a couple with a dependent. The mean number of bedrooms sought was 3.2, and only 16.4% of recent first home buyers acquired a unit as opposed to a detached or semi-detached house (though this is up from 12.7% in the 2015-16 financial year).

Historically, first home buyer activity has been resilient, if not rising, through housing market downturns. Figure 15 shows the monthly number of first home buyer, owner-occupier loans that have been secured through periods of decline in the national housing market over the past 22 years.

The rise in first home buyer activity through price declines historically has been helped along by government grants and incentives. Most notably, in 2008-09, first home buyer activity soared amid a temporary boost to the first homeowner grant, which was available for a limited amount of time, to an unlimited number of applicants. This created a concentration in first home buyer activity and resulted in the highest monthly volume of first home buyer loans on record in April 2009.

More recently, first home buyer activity fell at the onset of rate rises but picked up 7.0% through the month of August. In the short term, high-income borrowers who can withstand higher interest costs may be more likely to take advantage of the current downturn. However, as the cycle matures and prices fall further, there could be a stronger lift in first home buyer activity. An unfavourable rental market, as discussed in the previous section, could also activate more first home buyer decisions.

A hand up onto the property ladder

First-time home buyers often find it challenging to get a start in Australia's dynamic and competitive property market. For over two decades, various governments have offered grants and concessions to assist people to take their first steps onto the property ladder – and NAB has been there to support every step of the way.

The launch of the Regional First Home Buyer Guarantee in October 2022 continues this trend of government support.

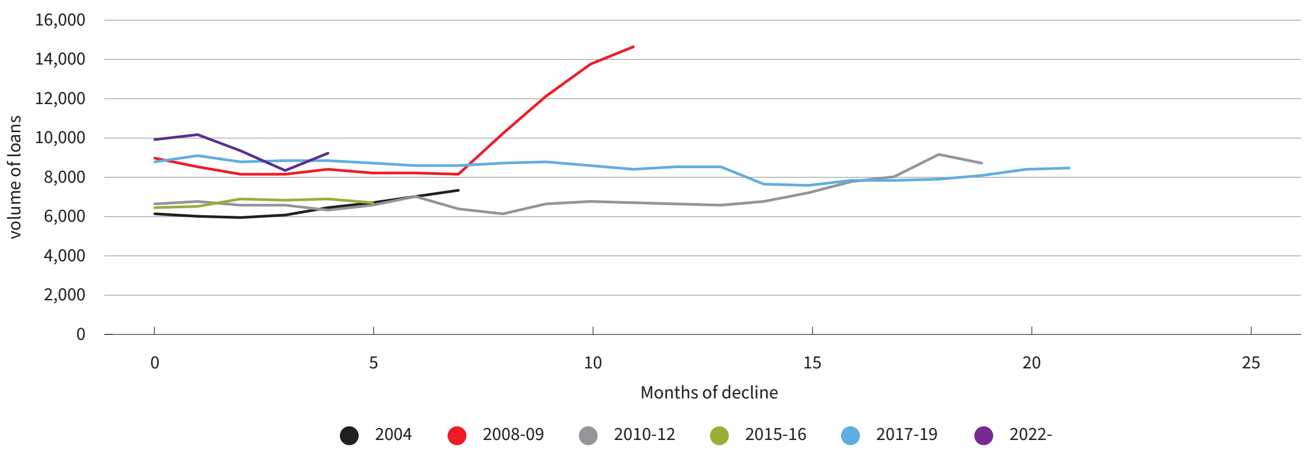
As the latest addition to the Federal Government's Home Guarantee Scheme, the Regional First Home Buyer Guarantee allows eligible first home buyers in regional Australia to buy a home with a deposit of as little as 5%.

The Home Guarantee Scheme was extended in July 2022, with 40,000 additional places made available from that time through the First Home Guarantee and the Family Home Guarantee. Under these schemes, eligible buyers can purchase their first home with a smaller deposit without having to pay Lender's Mortgage Insurance.

Over the years, Government Schemes have helped thousands of Australians to purchase a home sooner than they thought possible and demand for the programs has been strong. NAB alone has helped more than 15,000 first home buyers through the Home Guarantee Scheme, including 4,000 first home buyers in regional locations.

Figure 15 - First home buyers usually take advantage of lower prices

Monthly volume of FHB loans secured during downturns



Source: CoreLogic, ABS

Megatrend: The refinance boom

Phil Waugh
Executive – Broker Distribution, NAB and Advantedge

Key points

- In dollar terms, the refinance market reached a record $18.9 billion in August 2022.
- Homeowners who refinanced in the past 12 months are likely to refinance again.
- Almost seven in ten borrowers go through a broker for their home lending needs, according to the Mortgage and Finance Association of Australia (MFAA).
- A huge number of fixed rate home loans are now reaching their expiry dates and this fixed rate expiry bubble will continue through to July 2023.
- The challenge for all lenders is to provide customers with attractive loan propositions while maintaining sustainable businesses. The focus will be on debt-to-income ratios that are less than six times.

Refinancing is booming, and this trend is likely to continue in a market where rising cash rates are in the spotlight and a large number of fixed rate home loans are reaching their expiry dates.

Widespread commentary on interest rates has had a huge impact on refinancing. In dollar terms, the refinance market reached a record $18.9 billion in August after the Reserve Bank of Australia in June started lifting interest rates for the first time in more than 11 years. Refinancing has remained at elevated levels since then, according to the ABS.

In this environment, refinancing offers customers a prime opportunity to ensure they are in the right product at the right rate.

According to PEXA, on average homeowners refinance their loans 5.6 years after purchasing their property. The PEXA Refinancer Sentiment Report for September found homeowners who refinanced in the past 12 months were likely to refinance again, with 81% saying they were intending to refinance in the next two years.

There has been a significant shift among home borrowers to seek advice from brokers – particularly in light of the added challenges posed by rising living costs. Almost seven in ten borrowers go through a broker for their home lending needs, according to the Mortgage and Finance Association of Australia (MFAA).

Brokers are doing a stellar job of educating their customers on the mortgage market and enabling them to refinance to get the best product and pricing. Cashback opportunities are providing additional incentives to customers to switch home lending products.

All eyes on the fixed rate expiry bubble

Another factor driving higher refinancing volumes – now and in the coming months – is the fixed rate expiry bubble.

The past two to three years saw massive take-up of fixed rate home loans. Those loans are now reaching their expiry dates after which they will revert into variable loans. The enormous volume of these fixed rate home loans reaching their expiry dates – the fixed rate expiry bubble – will continue through to July 2023.

As customers roll off low-rate fixed home loans into an environment of rising interest rates, they will need valuable support from brokers and banks to assess and identify their options.

The challenge for all lenders in this competitive market is to provide customers with attractive loan propositions while remaining sustainable from a business perspective. Debt-to-income ratios are top of mind on this front, with the focus on DTI ratios that are less than six times.

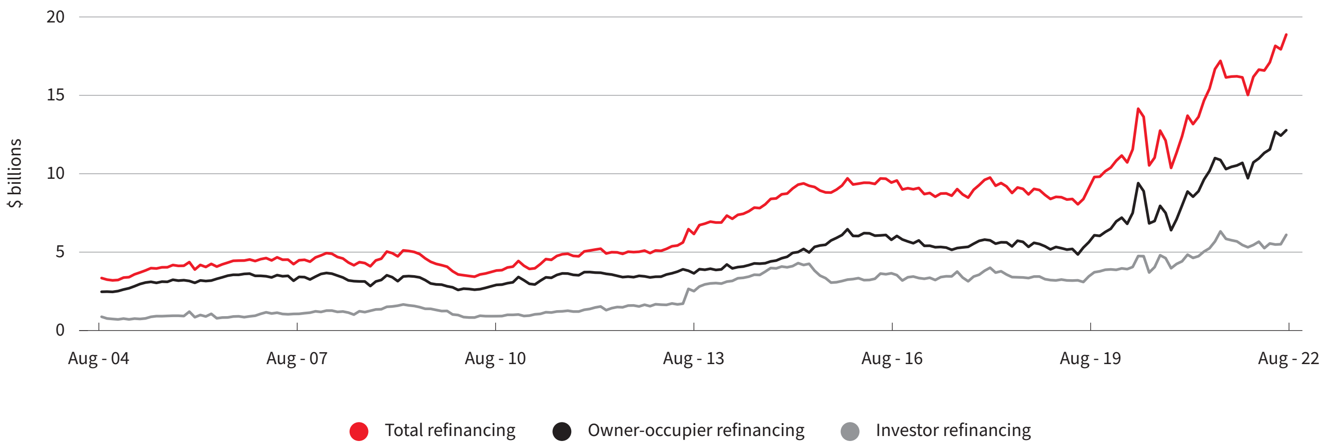
From NAB's point of view, the focus is on retaining existing customers who are coming off fixed rates by ensuring the variable revert rate they are moving to is priced with an appropriate rate and an appropriate discount. On like-for-like refinancing, the use of technology to ensure a seamless, fast process for brokers is – and will remain – critical.

Equally, NAB wants to continue to grow market share by attracting customers from other financial institutions who are coming off their fixed rates. The aim here is to provide brokers with a compelling proposition to take to customers.

To be the Bank Behind the Broker, NAB sees it as our role to ensure the origination process is simple, clear, consistent and predictable. This applies whether customers are taking out a loan for the first time or are refinancing an existing mortgage.

The refinance market presents a huge opportunity for brokers. With customers facing many uncertainties during a time of great change, brokers are well positioned to provide support and guidance.

Figure 16: External refinancing (seasonally adjusted), values, Australia



Source: ABS

Megatrend:
A digital revolution

Phil Waugh
Executive – Broker Distribution, NAB and Advantedge

Key points

- The economic value of digital trade in Australia is predicted to grow to $192 billion by 2030, up from $43 billion in 2018, according to Export Council of Australia estimates.
- Australian consumers have quickly adapted to an increasingly digital world.
- Technology has become an essential part of broker businesses. Simple and digital mortgages are core to this trend.
- Data is a key driver in understanding customers, assessing risk, ensuring responsible lending, and speeding up mortgage origination processes.
- Process improvements, product simplification and automation have cut time to unconditional approval for NAB broker to 5.3 days from 15.6 days a year ago, and 3.8 days from 7.8 days for Advantedge.

Digital tools and advancing technology continue to shape the future of banking, the property market, and the mortgage broking sector. In the years since the COVID-19 pandemic began, the already fast pace of change of digital technology has accelerated, creating new opportunities for Australia's businesses, workforce, and the economy.

The economic value of digital trade in Australia is predicted to grow to $192 billion by 2030, up from $43 billion in 2018, according to Export Council of Australia estimates.

Our local technology workforce is forecast to expand by a record 5.5% from 2021 to 2027, with the number of technology workers in Australia expected to exceed 1 million by 2024, according to Deloitte Access Economics. NAB is contributing to this growth, having hired hundreds of tech and digital specialists and graduates, with plans to recruit more talent in these areas in the coming years.

Experience is everything

Australian consumers have quickly adapted to this increasingly digital world. More than 80% of Australians say they prefer to check account balances, pay bills, or transfer money online, according to an analysis by the Australian Banking Association.

To remain relevant in this environment, banks need to facilitate more personal, simpler and secure interactions with customers – whether in person or online. We have already reached a stage where the experiences that banks deliver for customers must rival the experience they have with any company, not just a bank.

From a service perspective, this means seamlessly meeting customer needs and expectations, and solving their pain points. For example, NAB has been focused on delivering banking customers a great self-service experience through the NAB app. The app makes online banking easy and includes features such as the ability to quickly and securely check account balances without having to login; scan, save and share receipts through NAB's partnership with Slyp; and use the camera on their phone to deposit up to $5,000 in cheques over seven days.

Quicker, smarter, simpler processes

For brokers, as in the market more broadly, technology has become an essential component in doing business and delivering great outcomes for customers. Simple and digital mortgages are core to this trend – delivering clarity and consistency from end to end of the mortgage application and origination process. These changes are putting more power in brokers' hands to deliver value to customers.

Simpler policies, automated origination processes and new technology are helping to support quicker, smarter decisions and cut approval times. Initiatives to support online identity verification are continuing to evolve, ensuring customers can conveniently verify their identity in a way which protects their data and privacy.

Tools like IDYou and ZipID are allowing brokers to conveniently verify their clients' identities from their mobile devices, while DocuSign allows customers to digitally sign documents from anywhere, on any device, reducing delays that can come with requiring a physical signature.

Data transparency powering the future

Integration of data sources continues to speed up origination processes.

Data is a key driver in understanding customers, assessing risk and ensuring responsible lending continues to be the focus. NAB is working in partnership with Access Seeker via Equifax to give greater transparency across the industry.

Open Banking is also advancing, making information available to everyone and allowing customers to more readily access their credit reporting files. This trend will only become more relevant across the industry as Open Banking matures.

As data becomes more widely accessible, brokers will continue to be part of the information loop. More data will better enable brokers to pre-emptively help customers to understand their credit worthiness, financial position and how they will be viewed by lenders.

Digital built on solid process foundations

While digital technology, data and analytics are fantastic enablers in supporting faster turnaround times and more efficient, more profitable businesses, these developments alone are not enough to deliver great experiences for customers.

Process improvements and product simplification are also needed. Product propositions will continue to be refined. Price transparency will continue to improve and fee structures will continue to be simplified.

And for mortgage broking, service and relationships will sit at the centre of these improvements.

As technology advances, the benefits of simpler, faster, safer and more personalised experiences will increase – backed up by the relationships and service that brokers deliver every day to their customers.

Digital world, digital banking – NAB key stats and facts

To support the transition to a digital experience-led world, NAB has been moving to cloud at scale, shifting more than 60% of banking applications to the cloud, which is bringing the benefits of a more resilient and flexible technology environment.

This has reduced critical incidents by 87% since 2018.

NAB's simple and digital agenda

Customers are receiving unconditional approvals much more quickly than ever before. The average time to unconditional approval for NAB broker have more than halved to an average of 5.3 days, from 15.6 days a year ago. Similarly, for Advantedge customers receive unconditional approval in an average of 3.8 days, down from around 7.8 days a year ago. NAB is in the process of rolling out a simple home loan experience that will deliver same day unconditional approval – with the ultimate goal of delivering unconditional approval within hours.

At settlement, NAB was ranked top among major banks in PEXA's 'Signed on Time' metric, a land and property settlement performance metric that allows NAB to track performance and benchmark against industry peers.

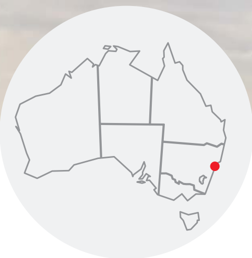
Section 3

From megatrends to market impacts

While the megatrends identified in section 2 are consistent and universal across the country, each housing market around Australia has its own unique trends and influences. Here's a detailed look at what's happening around the country.

Key points

- Following a strong upswing in home values from 2020, prices in most markets have declined through 2022.
- Unit values are holding up better than house values in many areas.
- Rent values for both units and houses have been increasing strongly across the country, although the pace of growth may ease in some areas as migration rates normalise.
- Gross rental yields have been trending higher in many areas as housing values decline and rents increase.



Sydney

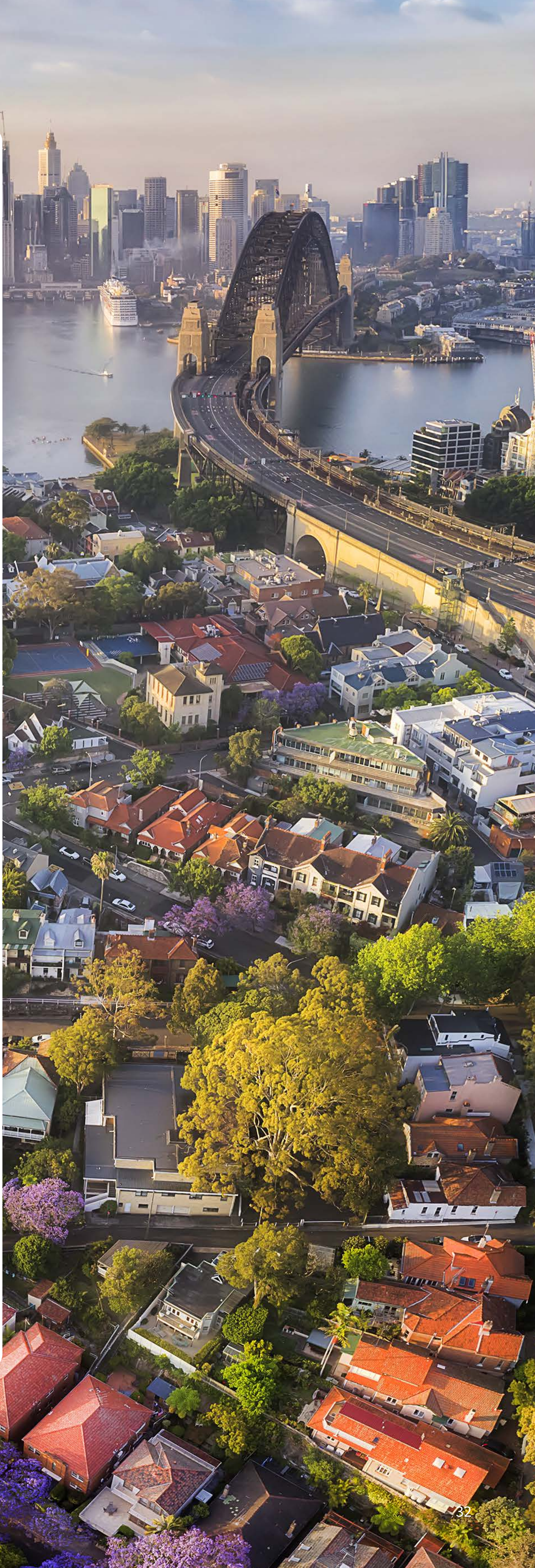
Housing values have been on a rapid downward trajectory across Sydney, with values declining 9.0% from a peak at the beginning of 2022.

This follows a strong upswing in which dwelling values rose 27.7% between September 2020 and January 2022. House values in Sydney are down 9.9% from the recent peak, while units have fallen a smaller 6.6%. With home values declining rapidly, first home buyer sentiment across the city may improve as the deposit hurdle declines. Median house values have eased to $1.28 million across greater Sydney, while the median unit value in September was $793,000.

Over the past 12 months, home values have been more resilient in relatively affordable markets of the city, including the South West (where values increased 4.0% in the year to September) and the Outer South West (where values were up 2.6%). However, this is in part due to lagged performance of these markets, with more subtle downturns starting to play out in these areas on a quarterly basis.

Rent values have seen high increases across both the house and unit market over the past 12 months. Stretched affordability in detached house rents has likely contributed to more momentum in the unit rent market of Sydney. Annual growth in unit rents (at 12.3%), is now outpacing house rents (9.2%). However, both house and unit rents have shown little sign of slowing down. Overseas migration also skews toward housing demand for Sydney rentals in high-density markets, and the re-opening of Australian borders earlier this year is expected to see continued upward pressure on Sydney rents.

With housing values declining and the pace of rent increases rising, Sydney's yield profile has been consistently trending higher in 2022. Gross rental yields are tracking at 2.6% for houses (up 45 basis points since the end of last year) and 3.6% for units (up 62 basis points). Rent yields will likely continue climbing throughout the short to medium term.



Top ten suburbs: highest rate of growth in housing values, 12 months to Sep 2022

Sydney Houses			Annual change in dwelling values		
Suburb	**LGA Name**	**Median value**	**12m**	**5y**	**10y**
Gledswood Hills	Camden	$1,200,523	14.5%	6.5%	3.2%
Leppington	Camden	$1,146,114	12.6%	8.4%	9.7%
Edensor Park	Fairfield	$1,097,598	12.2%	5.8%	8.1%
Austral	Liverpool	$986,093	12.0%	3.7%	8.7%
St Johns Park	Fairfield	$991,949	11.0%	4.0%	7.6%
Heckenberg	Liverpool	$811,588	9.9%	5.9%	9.3%
Mount Victoria	Blue Mountains	$766,888	9.9%	7.7%	9.2%
Gregory Hills	Camden	$1,107,480	9.8%	4.0%	7.0%
Middleton Grange	Liverpool	$1,055,541	9.1%	2.8%	6.1%
Bonnyrigg	Fairfield	$854,746	9.1%	3.0%	6.7%

Sydney Units			Annual change in dwelling values		
Suburb	**LGA Name**	**Median value**	**12m**	**5y**	**10y**
Long Jetty	Central Coast (NSW)	$682,139	14.1%	6.9%	8.4%
Richmond (NSW)	Hawkesbury	$553,900	13.0%	0.7%	3.8%
Terrigal	Central Coast (NSW)	$1,252,065	11.0%	4.3%	5.7%
Rooty Hill	Blacktown	$694,896	10.5%	2.3%	5.8%
Macquarie Fields	Campbelltown (NSW)	$559,632	8.6%	2.0%	6.2%
Mount Druitt	Blacktown	$445,387	8.6%	0.7%	5.5%
Umina Beach	Central Coast (NSW)	$845,130	7.7%	4.5%	7.5%
Casula	Liverpool	$697,679	7.2%	1.5%	4.9%
Penrith	Penrith	$520,698	7.2%	-0.6%	3.8%
Ingleburn	Campbelltown (NSW)	$548,553	7.0%	-0.4%	4.6%

Top ten suburbs: highest gross rental yield, 12 months to Sep 2022

Sydney Houses				
Suburb	**LGA Name**	**Gross yield**	**Median rent**	**Median value**
Blue Haven	Central Coast (NSW)	4.2%	$574	$713,984
Mannering Park	Central Coast (NSW)	4.1%	$555	$687,883
Hamlyn Terrace	Central Coast (NSW)	4.1%	$674	$886,967
Wadalba	Central Coast (NSW)	4.0%	$677	$875,611
Watanobbi	Central Coast (NSW)	4.0%	$559	$679,042
Woongarrah	Central Coast (NSW)	4.0%	$676	$909,843
Kariong	Central Coast (NSW)	3.9%	$687	$869,550
Ropes Crossing	Blacktown	3.9%	$560	$769,565
San Remo (NSW)	Central Coast (NSW)	3.8%	$532	$672,732
Kanwal	Central Coast (NSW)	3.8%	$557	$705,679

Sydney Units				
Suburb	**LGA Name**	**Gross yield**	**Median rent**	**Median value**
Auburn (NSW)	Cumberland	5.1%	$484	$495,140
Rosehill (NSW)	Parramatta	5.1%	$456	$484,916
Warwick Farm	Liverpool	5.0%	$378	$402,677
Granville (NSW)	Cumberland	5.0%	$453	$471,057
Mascot	Botany Bay	5.0%	$736	$801,318
Lakemba	Canterbury-Bankstown	5.0%	$393	$416,669
Mays Hill	Cumberland	4.9%	$508	$543,815
Merrylands	Cumberland	4.9%	$429	$464,466
Wolli Creek	Rockdale	4.9%	$675	$738,680
Carramar (NSW)	Fairfield	4.9%	$349	$375,647

Source: CoreLogic

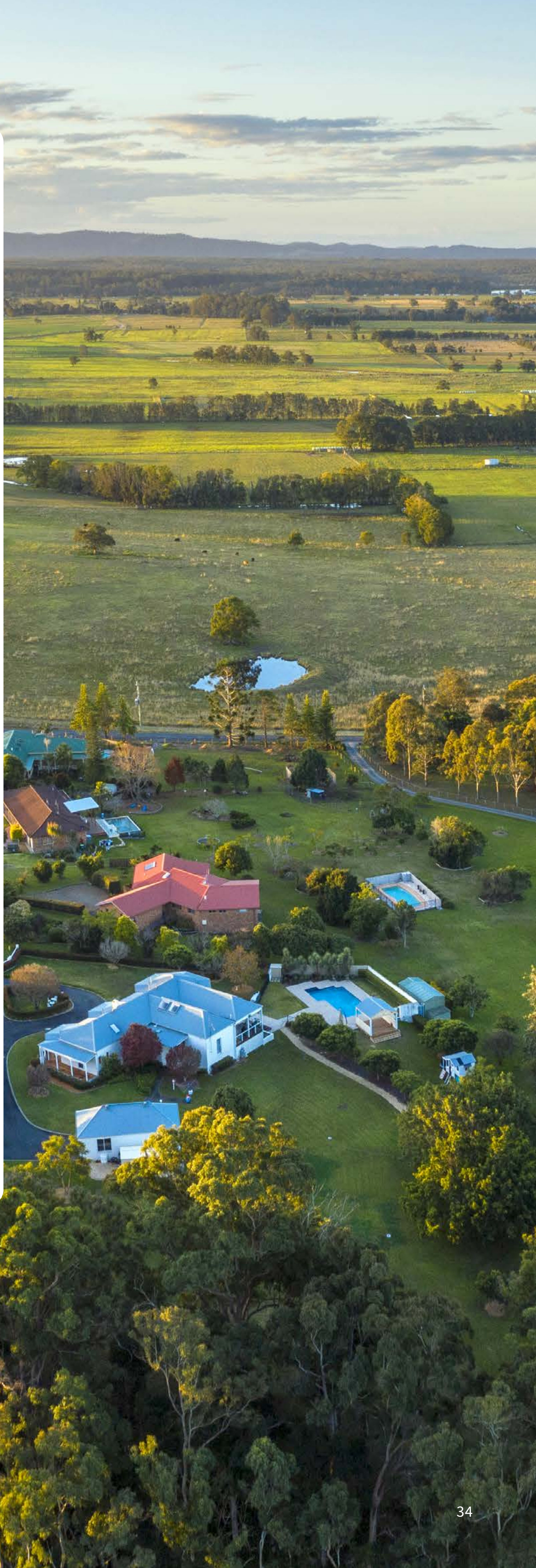
Regional New South Wales

Regional NSW, which includes the state of NSW excluding Sydney, recorded a 47.0% increase in housing values between May 2020 and May of 2022.

Since the start of the rate tightening cycle, both house and unit values across the regions have moved into a downswing phase. Regional NSW house values have fallen 4.8% from a peak in May, while unit values have declined 2.2% in the same period.

In annual growth terms, each major sub-market of regional NSW has grown in value, with the exception of Richmond Tweed, where a sharp downturn has taken home values 2.0% lower in the year to September. Annual growth has been strongest across more affordable regional markets including the New England and North West (up 22.5% in the year to September), and the Riverina (up 21.5%).

The rental market across regional NSW has continued to show strong performance, with rental values up 8.4% across all dwellings over the year. However, on a monthly basis, growth in rent values has started to slow. Unit rents were up 0.7% in the month of September, down from a recent monthly peak of 1.2% in May. House rents rose just 0.1% in the month of September, down from a 1.2% peak monthly growth rate in March. Looking forward, rent values may start to ease amid more normalized migration flows between the capital cities and regions, and a demand-driven shift may emerge off the back of increased share housing, as tenants try to alleviate high rent costs. As of September, gross rent yields were 3.8% across regional NSW houses, and 4.3% across the unit sector.



Top ten suburbs: highest rate of growth in housing values, 12 months to Sep 2022

Regional NSW Houses			Annual change in dwelling values		
Suburb	**LGA Name**	**Median value**	**12m**	**5y**	**10y**
Gobbagombalin	Wagga Wagga	$808,548	47.9%	12.3%	2.1%
Glen Innes	Glen Innes Severn	$334,768	36.4%	10.2%	6.0%
Turvey Park	Wagga Wagga	$487,588	35.1%	8.8%	4.6%
Uralla (NSW)	Uralla	$456,484	34.0%	12.0%	6.7%
Mount Austin	Wagga Wagga	$424,766	33.9%	9.0%	4.6%
Tenterfield	Tenterfield	$440,983	33.3%	12.3%	7.0%
Kootingal	Tamworth Regional	$435,833	31.6%	10.5%	6.8%
Kooringal (NSW)	Wagga Wagga	$485,182	30.8%	8.0%	5.1%
Forest Hill (NSW)	Wagga Wagga	$399,796	29.8%	5.4%	3.1%
Inverell	Inverell	$360,197	29.4%	8.3%	5.1%

Regional NSW Units			Annual change in dwelling values		
Suburb	**LGA Name**	**Median value**	**12m**	**5y**	**10y**
Merimbula	Bega Valley	$503,927	20.9%	8.0%	5.2%
Cessnock	Cessnock	$419,627	20.8%	6.4%	4.3%
Jindabyne	Snowy Monaro Regional	$717,403	19.9%	17.4%	10.3%
Wagga Wagga	Wagga Wagga	$312,364	18.7%	9.8%	5.5%
Moama	Murray River	$350,153	18.2%	3.2%	2.1%
Karabar	Queanbeyan-Palerang Regional	$546,082	18.1%	7.1%	3.4%
Yamba (NSW)	Clarence Valley	$720,748	16.1%	12.8%	8.0%
East Maitland	Maitland	$470,535	14.9%	5.5%	4.6%
Toormina	Coffs Harbour	$482,976	14.5%	7.9%	6.5%
Crestwood	Queanbeyan-Palerang Regional	$362,623	14.0%	7.0%	2.0%

Top ten suburbs: highest gross rental yield, 12 months to Sep 2022

Regional NSW Houses				
Suburb	**LGA Name**	**Gross yield**	**Median rent**	**Median value**
Wellington (NSW)	Western Plains Regional	7.6%	$391	$257,982
Sussex Inlet	Shoalhaven	7.6%	$758	$704,209
Condobolin	Lachlan	7.4%	$324	$210,121
Narrandera	Narrandera	6.6%	$352	$253,912
Dalmeny	Eurobodalla	6.3%	$735	$926,097
Narromine	Narromine	6.0%	$409	$319,233
Casino	Richmond Valley	6.0%	$499	$394,953
Leeton	Leeton	6.0%	$391	$311,033
Lismore (NSW)	Lismore	6.0%	$563	$460,098
Gunnedah	Gunnedah	5.9%	$432	$368,884

Regional NSW Units				
Suburb	**LGA Name**	**Gross yield**	**Median rent**	**Median value**
Muswellbrook	Muswellbrook	6.6%	$333	$268,266
Crestwood	Queanbeyan-Palerang Regional	6.3%	$452	$362,623
Lavington	Albury	6.3%	$320	$258,687
Queanbeyan	Queanbeyan-Palerang Regional	6.0%	$456	$399,383
Queanbeyan East	Queanbeyan-Palerang Regional	6.0%	$460	$394,185
Wagga Wagga	Wagga Wagga	6.0%	$345	$312,364
Grafton	Clarence Valley	5.9%	$366	$323,804
Tweed Heads South	Tweed	5.5%	$633	$635,630
Tweed Heads West	Tweed	5.5%	$507	$484,361
Moama	Murray River	5.3%	$344	$350,153

Source: CoreLogic

Melbourne

Housing values across Melbourne saw an upswing of 17.3% between October 2020 and February 2022.

The gap in performance between houses and units was fairly substantial, with detached house values increasing 20.6% through this period, compared to a 9.7% uplift in unit values. The dwelling market commenced a decline from February, and since then house values have fallen 6.7%, while unit values are down 3.5%.

The decline in Melbourne home values is most concentrated in the Inner South market of Melbourne, down 8.0% in the past 12 months. Home values are still higher year-on-year across Melbourne's West, however every market has shifted into a decline on a quarterly basis.

In contrast, Melbourne rent values are rising strongly, particularly in the unit segment where rents increased 13.4% in the 12 months to September. Melbourne rents have not only recovered from an initial negative shock to demand early in the pandemic, but are now 7.3% higher than in March 2020.

As dwelling values decline and rental demand continues to rise, the gross rent yield profile across the city has improved markedly from the start of the year. House rent yields are 2.7% (up 30 basis points since the start of 2022), while unit rents are at 4.0% (up 50 basis points since the start of the year).

Top ten suburbs: highest rate of growth in housing values, 12 months to Sep 2022

Melbourne Houses			Annual change in dwelling values		
Suburb	LGA Name	Median value	12m	5y	10y
Melton (Vic.)	Melton	$504,053	7.9%	4.6%	6.5%
Melton South	Melton	$594,375	7.1%	5.0%	6.8%
Kurunjang	Melton	$576,040	7.0%	4.6%	6.3%
Darley	Moorabool	$735,537	7.0%	3.7%	5.5%
Brookfield (Vic.)	Melton	$603,808	7.0%	3.5%	5.6%
Maddingley	Moorabool	$683,450	6.5%	5.6%	6.6%
Wyndham Vale	Wyndham	$627,891	6.2%	2.9%	6.1%
Kalkallo	Hume	$698,419	6.2%	6.5%	9.6%
Tarneit	Wyndham	$685,991	6.0%	2.8%	6.0%
Bacchus Marsh	Moorabool	$668,062	5.7%	4.9%	5.9%

Melbourne Units			Annual change in dwelling values		
Suburb	LGA Name	Median value	12m	5y	10y
East Melbourne	Melbourne	$818,605	21.3%	3.7%	5.4%
Southbank	Melbourne	$590,536	18.6%	4.7%	3.7%
Docklands	Melbourne	$621,824	15.5%	2.7%	1.4%
West Melbourne	Melbourne	$521,485	15.2%	1.7%	3.3%
Hoppers Crossing	Wyndham	$443,840	13.2%	5.9%	5.4%
Officer	Cardinia	$591,773	12.8%	7.6%	8.1%
Wyndham Vale	Wyndham	$484,728	12.8%	5.2%	4.9%
North Melbourne	Melbourne	$542,912	12.5%	3.3%	3.3%
Hampton Park	Casey	$529,709	12.4%	6.9%	6.6%
Pakenham	Cardinia	$508,377	12.2%	7.3%	7.0%

Top ten suburbs: highest gross rental yield, 12 months to Sep 2022

Melbourne Houses				
Suburb	LGA Name	Gross yield	Median rent	Median value
Hastings (Vic.)	Mornington Peninsula	3.8%	$537	$674,024
Diggers Rest	Melton	3.8%	$459	$636,156
Maddingley	Moorabool	3.7%	$462	$683,450
Skye (Vic.)	Frankston	3.7%	$557	$784,497
Roxburgh Park	Hume	3.7%	$453	$666,649
Coolaroo	Hume	3.7%	$384	$526,507
Melton (Vic.)	Melton	3.7%	$365	$504,053
Kurunjang	Melton	3.6%	$383	$576,040
Carrum Downs	Frankston	3.6%	$498	$712,919
Cranbourne West	Casey	3.6%	$482	$710,285

Melbourne Units				
Suburb	LGA Name	Gross yield	Median rent	Median value
Melbourne	Melbourne	6.1%	$550	$483,134
Travancore	Moonee Valley	6.1%	$420	$336,063
Carlton (Vic.)	Melbourne	5.8%	$476	$418,701
West Melbourne	Melbourne	5.7%	$555	$521,485
Southbank	Melbourne	5.5%	$600	$590,536
Docklands	Melbourne	5.3%	$629	$621,824
North Melbourne	Melbourne	5.0%	$526	$542,912
Flemington	Moonee Valley	4.9%	$386	$388,384
Abbotsford (Vic.)	Yarra	4.9%	$523	$549,387
Craigieburn	Hume	4.7%	$382	$432,840

Source: CoreLogic

Regional Victoria

The growth cycle across Regional Victoria was quite large relative to Melbourne, with dwelling values increasing 35% between August 2020 and May 2022.

Since the commencement of rate rises in May, dwelling values in regional Victoria have fallen a peak-to-trough of 3.1% through to September. House values are falling faster than unit values, down 3.4% from the peak compared with a 1.7% decline in unit values. In year-on-year terms, values are still higher in each sub-market. However, the decline across Regional Victorian dwelling markets is broad based over the quarter.

Rents across regional Victoria are up 7.5% for houses and 6.5% for units over the year. Since the onset of COVID-19, rents have risen 18.3% across the entire dwelling market. As of September, rents were still rising on a monthly basis, but the rate of growth in rents is slowing month-on-month.

As property values across regional Victoria have started to decline against continually rising rents, rent yields are consistently climbing. Across broader regional Victoria, gross rent yields are 3.6% across houses, and 4.2% across units.

Top ten suburbs: highest rate of growth in housing values, 12 months to Sep 2022

Regional VIC Houses			Annual change in dwelling values		
Suburb	**LGA Name**	**Median value**	**12m**	**5y**	**10y**
Terang	Corangamite	$361,050	30.4%	8.9%	7.2%
Colac	Colac-Otway	$503,504	27.6%	10.4%	7.6%
Camperdown (Vic.)	Corangamite	$431,442	27.0%	8.3%	6.0%
Myrtleford	Alpine	$644,796	26.4%	14.9%	8.8%
Metung	East Gippsland	$757,764	23.1%	8.9%	3.8%
Lakes Entrance	East Gippsland	$632,041	22.9%	10.8%	4.2%
Kerang	Gannawarra	$273,114	20.9%	10.0%	7.7%
Wangaratta (Vic.)	Wangaratta	$528,125	19.5%	9.5%	5.9%
Kyabram	Campaspe	$382,232	19.3%	5.7%	5.3%
Benalla	Benalla	$469,459	19.0%	8.9%	4.8%

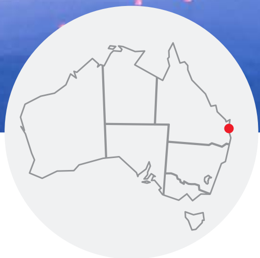
Regional VIC Units			Annual change in dwelling values		
Suburb	**LGA Name**	**Median value**	**12m**	**5y**	**10y**
Lakes Entrance	East Gippsland	$392,596	26.1%	11.0%	5.4%
Shepparton	Greater Shepparton	$328,814	23.3%	12.3%	3.7%
Mildura	Mildura	$272,805	19.3%	10.7%	1.4%
Echuca	Campaspe	$411,191	18.9%	15.4%	3.3%
Portland (Vic.)	Glenelg	$280,231	17.7%	7.3%	5.4%
Horsham	Horsham	$289,916	16.0%	8.7%	8.1%
Mooroopna	Greater Shepparton	$279,926	15.0%	15.0%	4.9%
Cowes	Bass Coast	$596,312	14.0%	9.5%	3.3%
West Wodonga	Wodonga	$338,604	14.0%	5.7%	6.6%
Traralgon	Latrobe (Vic.)	$309,927	13.0%	11.5%	7.0%

Top ten suburbs: highest gross rental yield, 12 months to Sep 2022

Regional VIC Houses				
Suburb	**LGA Name**	**Gross yield**	**Median rent**	**Median value**
Mallacoota	East Gippsland	17.7%	$1,973	$562,490
Nhill	Hindmarsh	7.1%	$296	$192,716
Cobram	Moira	6.2%	$437	$384,653
Red Cliffs	Mildura	5.8%	$373	$313,053
Kerang	Gannawarra	5.7%	$315	$273,114
Mortlake (Vic.)	Moyne	5.7%	$371	$328,405
Morwell	Latrobe (Vic.)	5.4%	$365	$341,944
Stawell	Northern Grampians	5.3%	$351	$341,669
Horsham	Horsham	5.2%	$368	$365,509
Mooroopna	Greater Shepparton	5.2%	$405	$389,934

Regional VIC Units				
Suburb	**LGA Name**	**Gross yield**	**Median rent**	**Median value**
Portland (Vic.)	Glenelg	6.2%	$340	$280,231
Traralgon	Latrobe (Vic.)	5.7%	$318	$309,927
Moe	Latrobe (Vic.)	5.7%	$266	$255,830
Sale	Wellington	5.7%	$346	$327,368
Mildura	Mildura	5.6%	$300	$272,805
Horsham	Horsham	5.5%	$323	$289,916
Morwell	Latrobe (Vic.)	5.3%	$267	$274,300
Mooroopna	Greater Shepparton	5.3%	$300	$279,926
Wodonga	Wodonga	5.2%	$346	$340,144
West Wodonga	Wodonga	5.2%	$338	$338,604

Source: CoreLogic



Brisbane

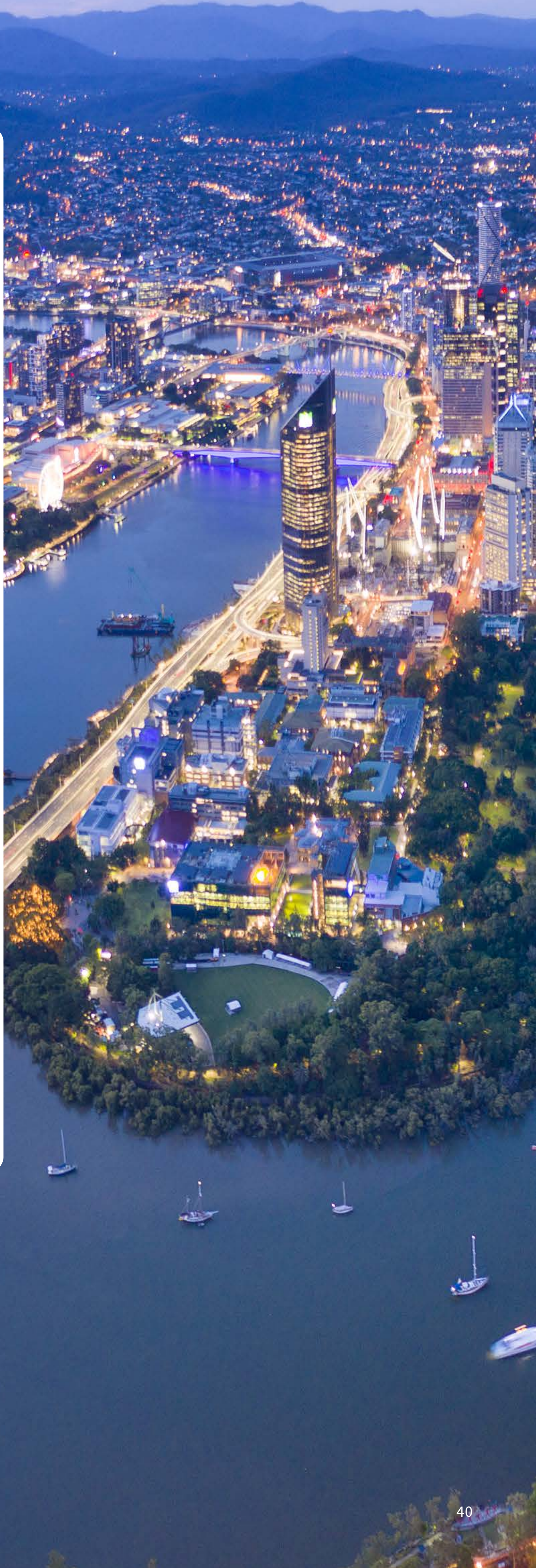
The Brisbane property market was slow to move into the downswing phase, but the pace of decline did pick up some speed in recent months.

As of September, home values were down 4.3% from a peak in June, led by a 5.2% fall in house values. The decline in values follows an extraordinary upswing, in which dwelling values increased 42.1% between June 2020 and June 2022. This leaves typical house values in greater Brisbane at just under $842,000, and the median unit value just over $500,000. The remarkable upswing in Brisbane dwelling values came off several tailwinds, including favorable internal migration patterns through the COVID period.

Across the sub-markets of Brisbane, declines have been fastest across the North suburbs, where values are down 7.8% from a peak in May. In annual terms, each market has still seen value increases in the past 12 months.

In the 12 months to September, Brisbane rent values increased by a record 13.5%, led by a 14.0% rise in house rents and a 11.9% rise in unit rents. Annual growth in house rents was the highest of any of the capital cities. Over the coming months, the rate of growth in rent values may slow, but there is little sign of relief for tenants just yet.

Gross rent yields across Brisbane are currently 3.7% across the house market, and 4.9% across Brisbane units. Rent yields have compressed around 40 basis points in the first half of 2022 due to strong price increases, but are likely to recover in the coming months as property prices ease.



Top ten suburbs: highest rate of growth in housing values, 12 months to Sep 2022

Brisbane Houses			Annual change in dwelling values		
Suburb	**LGA Name**	**Median value**	**12m**	**5y**	**10y**
Ellen Grove	Brisbane	$551,105	32.7%	8.8%	5.9%
Fernvale (Qld)	Somerset	$533,924	32.6%	10.8%	5.9%
Yarrabilba	Logan	$596,994	29.7%	6.1%	3.6%
Logan Central	Logan	$464,836	29.1%	7.2%	6.0%
Redbank Plains	Ipswich	$526,714	28.4%	8.2%	5.1%
Boronia Heights	Logan	$596,174	28.3%	9.0%	6.2%
Logan Village	Logan	$958,364	28.2%	10.2%	6.5%
Walloon	Ipswich	$606,061	27.9%	10.7%	6.2%
Riverview (Qld)	Ipswich	$378,453	27.7%	6.9%	4.4%
Logan Reserve	Logan	$634,460	27.4%	8.2%	5.9%

Brisbane Units			Annual change in dwelling values		
Suburb	**LGA Name**	**Median value**	**12m**	**5y**	**10y**
Woody Point	Moreton Bay	$638,662	32.3%	7.7%	4.7%
Brendale	Moreton Bay	$405,524	27.4%	6.1%	2.5%
Calamvale	Brisbane	$513,600	26.7%	6.7%	3.2%
Scarborough (Qld)	Moreton Bay	$748,716	26.3%	8.6%	4.8%
Eagleby	Logan	$319,577	25.4%	3.5%	1.7%
Aspley	Brisbane	$562,604	24.9%	4.4%	2.6%
Deception Bay	Moreton Bay	$362,331	24.5%	6.2%	3.9%
Taigum	Brisbane	$473,536	23.9%	5.5%	1.9%
Murrumba Downs	Moreton Bay	$408,723	23.1%	4.7%	1.4%
Redcliffe (Qld)	Moreton Bay	$570,071	23.0%	6.0%	4.3%

Top ten suburbs: highest gross rental yield, 12 months to Sep 2022

Brisbane Houses				
Suburb	**LGA Name**	**Gross yield**	**Median rent**	**Median value**
Laidley	Lockyer Valley	6.0%	$450	$395,221
Russell Island	Redland	5.7%	$403	$356,833
Lowood	Somerset	5.6%	$456	$420,675
Plainland	Lockyer Valley	5.6%	$512	$537,070
Macleay Island	Redland	5.5%	$445	$412,818
Toogoolawah	Somerset	5.4%	$385	$353,403
One Mile (Qld)	Ipswich	5.3%	$426	$392,113
Kilcoy	Somerset	5.3%	$486	$441,978
Riverview (Qld)	Ipswich	5.3%	$411	$378,453
Bundamba	Ipswich	5.2%	$443	$431,513

Brisbane Units				
Suburb	**LGA Name**	**Gross yield**	**Median rent**	**Median value**
Woodridge (Qld)	Logan	7.1%	$322	$235,425
Slacks Creek	Logan	6.9%	$350	$270,471
Logan Central	Logan	6.7%	$313	$240,254
Beenleigh	Logan	6.7%	$331	$261,451
Wynnum West	Brisbane	6.4%	$530	$450,408
Caboolture	Moreton Bay	6.4%	$343	$283,967
Kingston (Qld)	Logan	6.3%	$379	$311,877
Eagleby	Logan	6.3%	$353	$319,577
Redbank Plains	Ipswich	5.9%	$354	$350,168
Upper Mount Gravatt	Brisbane	5.9%	$524	$466,516

Source: CoreLogic

Regional Queensland

Dwelling values across regional Queensland have fallen 3.5% from a peak in June 2022 through to September.

This was led by a 3.8% decline in house values, and a 2.1% fall across unit values. The preceding upswing in values was 43.4% in houses and 41.4% in the unit sector. The median house value in regional Queensland was $566,676 in September 2022, while the median unit value was $553,943.

Regional Queensland has seen diverse performance among the submarkets. For example, the Sunshine Coast dwelling market saw some of the highest value increases in the country through the upswing phase (an increase of 51.4% between August 2020 and May 2022), and is now seeing steep monthly declines through September of 2.5%. Meanwhile a more affordable, further afield market such as Townsville has seen a smaller growth phase of 19.3%.

While each market is set to see a decline in value, it is likely that the high-end, lifestyle markets will be more sensitive to rate rises in the short term. That is because these markets inherently have more volatility over the course of the cycle.

Similar to Brisbane, high volumes of interstate migration to the Sunshine State have put pressure on regional rent values. Rent values are 12.1% higher across houses over the year, while unit rents are sitting 13.4% higher.

Gross rental yields were 4.6% for houses, and 5.0% for units in September.

Top ten suburbs: highest rate of growth in housing values, 12 months to Sep 2022

Regional QLD Houses			Annual change in dwelling values		
Suburb	**LGA Name**	**Median value**	**12m**	**5y**	**10y**
Nanango	South Burnett	$315,256	38.9%	10.0%	4.3%
Burnett Heads	Bundaberg	$559,815	34.3%	11.5%	5.0%
Wondai	South Burnett	$283,956	33.4%	8.2%	4.7%
Cambooya	Toowoomba	$487,137	30.4%	6.2%	4.2%
Collinsville (Qld)	Whitsunday	$152,019	29.5%	10.7%	-2.2%
Miles	Western Downs	$201,392	28.7%	8.1%	0.8%
Kingaroy	South Burnett	$342,433	27.6%	7.6%	3.1%
Walkervale	Bundaberg	$355,328	26.9%	8.7%	3.2%
Stanthorpe	Southern Downs	$387,115	26.4%	8.6%	4.8%
Childers (Qld)	Bundaberg	$360,509	25.5%	8.8%	3.0%

Regional QLD Units			Annual change in dwelling values		
Suburb	**LGA Name**	**Median value**	**12m**	**5y**	**10y**
Coomera	Gold Coast	$550,711	31.7%	8.5%	6.5%
Oxenford	Gold Coast	$468,987	31.2%	8.8%	5.9%
Port Douglas	Douglas	$391,324	31.1%	6.4%	3.1%
Main Beach	Gold Coast	$1,279,219	29.8%	9.9%	7.3%
Newtown (Toowoomba - Qld)	Toowoomba	$327,065	28.0%	6.7%	3.7%
Upper Coomera	Gold Coast	$539,665	27.0%	9.3%	5.0%
Urangan	Fraser Coast	$479,580	25.3%	10.4%	5.0%
Atherton	Tablelands	$284,856	23.1%	-1.3%	-1.5%
Scarness	Fraser Coast	$432,170	22.3%	12.3%	5.8%
Hope Island	Gold Coast	$857,510	22.3%	6.8%	4.9%

Top ten suburbs: highest gross rental yield, 12 months to Sep 2022

Regional QLD Houses				
Suburb	**LGA Name**	**Gross yield**	**Median rent**	**Median value**
Collinsville (Qld)	Whitsunday	11.1%	$339	$152,019
Blackwater	Central Highlands (Qld)	10.9%	$355	$167,760
Mount Morgan	Rockhampton	10.3%	$305	$156,196
Home Hill	Burdekin	8.6%	$367	$197,421
Dysart (Qld)	Isaac	8.6%	$335	$192,665
Rockhampton City	Rockhampton	8.5%	$383	$223,744
Ingham	Hinchinbrook	8.3%	$361	$194,561
Clermont	Isaac	8.0%	$359	$231,179
Moranbah	Isaac	7.9%	$500	$317,433
Charters Towers City	Charters Towers	7.8%	$362	$214,053

Regional QLD Units				
Suburb	**LGA Name**	**Gross yield**	**Median rent**	**Median value**
Manoora (Qld)	Cairns	9.1%	$375	$211,439
Woree	Cairns	9.0%	$381	$181,488
Hermit Park	Townsville	8.6%	$321	$201,394
Manunda	Cairns	8.5%	$359	$206,933
Rosslea	Townsville	8.4%	$333	$212,459
Emerald (Qld)	Central Highlands (Qld)	8.3%	$312	$197,564
Cannonvale	Whitsunday	8.3%	$451	$310,709
Westcourt	Cairns	8.2%	$400	$259,326
Bowen	Whitsunday	8.2%	$354	$278,154
Mundingburra	Townsville	8.1%	$326	$215,710

Source: CoreLogic

Adelaide

Adelaide home values have increased an incredible 43.7% over the course of an upswing between June 2020 and July 2022.

Over this time, house values have increased 47.2% while unit values rose 23.1%. Relatively low home prices compared with other capital cities, a tight labour market and favourable internal migration trends have supported one of the strongest upswings of the capital city markets. However, as of September, detached house values have shown the first signs of a downswing amid rising interest rates, with values down 0.3% since July. As of September, the median house value across Adelaide was $704,692, and the median unit value was $433,333.

Rental markets continue to grow at a fast pace, with house rents up 13.0% over the year, and unit rents up 11.7%. The monthly pace of rent growth has shown little signs of slowing, with both house and unit rents up over 1% through September. As with other high growth markets, rent yields have compressed slightly year on year, though yields are highly likely to recover in the short term as rental demand persists and property prices fall. As of September, gross rent yields across Adelaide were 3.7% across houses and 5.0% across units.

Top ten suburbs: highest rate of growth in housing values, 12 months to Sep 2022

Adelaide Houses			Annual change in dwelling values		
Suburb	LGA Name	Median value	12m	5y	10y
Davoren Park	Playford	$324,393	39.8%	12.5%	6.0%
Elizabeth Grove	Playford	$337,060	38.9%	10.6%	5.9%
Elizabeth South	Playford	$319,526	38.4%	10.4%	5.5%
Para Hills	Salisbury	$554,417	37.0%	11.1%	6.6%
Modbury North	Tea Tree Gully	$618,618	33.2%	11.5%	6.6%
Christie Downs	Onkaparinga	$459,907	33.1%	12.7%	7.4%
Taperoo	Port Adelaide Enfield	$559,886	33.0%	9.8%	6.0%
Rosewater	Port Adelaide Enfield	$595,345	32.9%	11.9%	7.3%
Salisbury North	Salisbury	$403,649	32.7%	10.7%	5.9%
O'Sullivan Beach	Onkaparinga	$546,340	32.5%	10.9%	6.9%

Adelaide Units			Annual change in dwelling values		
Suburb	LGA Name	Median value	12m	5y	10y
West Beach (SA)	Charles Sturt	$449,675	31.7%	7.5%	4.2%
Campbelltown (SA)	Campbelltown (SA)	$423,781	29.6%	6.9%	5.6%
Plympton	West Torrens	$371,742	28.9%	8.9%	4.3%
Kurralta Park	West Torrens	$371,308	27.6%	9.6%	5.3%
Hectorville	Campbelltown (SA)	$403,950	27.1%	6.0%	5.4%
Broadview	Port Adelaide Enfield	$432,884	25.8%	6.5%	3.9%
Camden Park (SA)	West Torrens	$373,403	25.0%	9.2%	5.0%
Mitchell Park (SA)	Marion	$386,726	23.4%	7.3%	4.0%
Fullarton	Unley	$555,828	23.0%	7.1%	5.3%
Mount Barker (SA)	Mount Barker	$393,655	22.9%	8.8%	5.3%

Top ten suburbs: highest gross rental yield, 12 months to Sep 2022

Adelaide Houses				
Suburb	LGA Name	Gross yield	Median rent	Median value
Elizabeth North	Playford	6.5%	$360	$281,234
Elizabeth Downs	Playford	6.4%	$381	$298,671
Smithfield (SA)	Playford	6.4%	$395	$325,794
Davoren Park	Playford	5.9%	$369	$324,393
Elizabeth South	Playford	5.6%	$355	$319,526
Smithfield Plains	Playford	5.6%	$381	$344,252
Andrews Farm	Playford	5.5%	$411	$397,109
Munno Para	Playford	5.5%	$425	$410,640
Elizabeth Park	Playford	5.5%	$388	$362,277
Salisbury North	Salisbury	5.3%	$423	$403,649

Adelaide Units				
Suburb	LGA Name	Gross yield	Median rent	Median value
Salisbury (SA)	Salisbury	6.2%	$323	$267,085
Walkerville (SA)	Walkerville	6.0%	$489	$444,523
Adelaide	Adelaide	6.0%	$508	$434,502
Mawson Lakes	Salisbury	5.8%	$402	$363,339
Klemzig	Port Adelaide Enfield	5.7%	$374	$333,695
Camden Park (SA)	West Torrens	5.6%	$387	$373,403
Findon	Charles Sturt	5.6%	$398	$360,600
Bowden	Charles Sturt	5.6%	$484	$464,782
Kurralta Park	West Torrens	5.6%	$374	$371,308
Mount Barker (SA)	Mount Barker	5.5%	$428	$393,655

Source: CoreLogic

Regional South Australia

Regional South Australian housing values have risen 22.2% in the year to September, and a total of 38.9% since the start of an upswing in October of 2020.

As of September, the house market in regional South Australia continued to climb 0.4%, while unit values are 1.2% higher over the month.

Over the past 12 months, capital growth in regional South Australia has been most concentrated in the Yorke Peninsula, where dwelling values increased 24.8%. The Limestone Coast was the second highest growth market over the year, with values up 24.3%.

Rents have steadily increased in the 12 months to September, up 5.3% across all dwellings. Growth in house rents was 5.0% over the year, while unit rents increased 9.8%. It is likely that an earlier surge in house rents has caused more demand to pivot to the unit segment.

Despite high capital growth in houses and units over the course of the cycle, gross rent yields are still strong across regional South Australia. As of September, house rent yields were 4.9%, while gross rent yields across units were 6.4%.

While annual capital growth rates have been fairly high, it is clear that monthly growth across the dwelling market is slowing. Monthly value growth saw a recent peak of 2.8% in March of 2022, and has since slowed to 0.5% in September. This is a trend that usually precedes a fall in values, suggesting the market could soon shift into a price downswing. However, this would only further strengthen rent yields, providing a potential opportunity for investors as rental demand remains steady.

Top ten suburbs: highest rate of growth in housing values, 12 months to Sep 2022

Regional SA Houses			Annual change in dwelling values		
Suburb	LGA Name	Median value	12m	5y	10y
Port Pirie South	Port Pirie City and Dists	$226,517	31.3%	3.3%	2.8%
Solomontown	Port Pirie City and Dists	$186,308	30.3%	2.5%	2.4%
Angaston	Barossa	$480,512	29.9%	9.8%	5.7%
Goolwa	Alexandrina	$542,201	29.1%	10.3%	5.7%
Risdon Park	Port Pirie City and Dists	$220,293	28.5%	2.7%	1.8%
Millicent	Wattle Range	$272,450	28.4%	12.2%	7.9%
Mount Gambier	Mount Gambier	$355,536	28.3%	9.7%	6.5%
Nuriootpa	Barossa	$497,848	28.2%	9.9%	6.1%
Murray Bridge	Murray Bridge	$326,877	27.5%	8.8%	5.2%
Hindmarsh Island	Alexandrina	$652,025	27.5%	10.2%	5.8%

Regional SA Units			Annual change in dwelling values		
Suburb	LGA Name	Median value	12m	5y	10y
Mount Gambier	Mount Gambier	$242,752	15.0%	4.9%	3.4%

Top ten suburbs: highest gross rental yield, 12 months to Sep 2022

Regional SA Houses				
Suburb	LGA Name	Gross yield	Median rent	Median value
Solomontown	Port Pirie City and Dists	8.4%	$328	$186,308
Port Pirie West	Port Pirie City and Dists	8.2%	$325	$174,468
Stirling North	Port Augusta	8.2%	$362	$248,320
Port Augusta	Port Augusta	8.2%	$310	$194,478
Ceduna	Ceduna	8.2%	$334	$230,368
Port Augusta West	Port Augusta	8.1%	$322	$210,700
Whyalla	Whyalla	8.0%	$354	$230,130
Whyalla Playford	Whyalla	8.0%	$326	$219,252
Whyalla Norrie	Whyalla	7.5%	$309	$194,365
Whyalla Stuart	Whyalla	7.2%	$301	$192,798

Regional SA Units				
Suburb	LGA Name	Gross yield	Median rent	Median value
Mount Gambier	Mount Gambier	6.1%	$293	$242,752

Source: CoreLogic

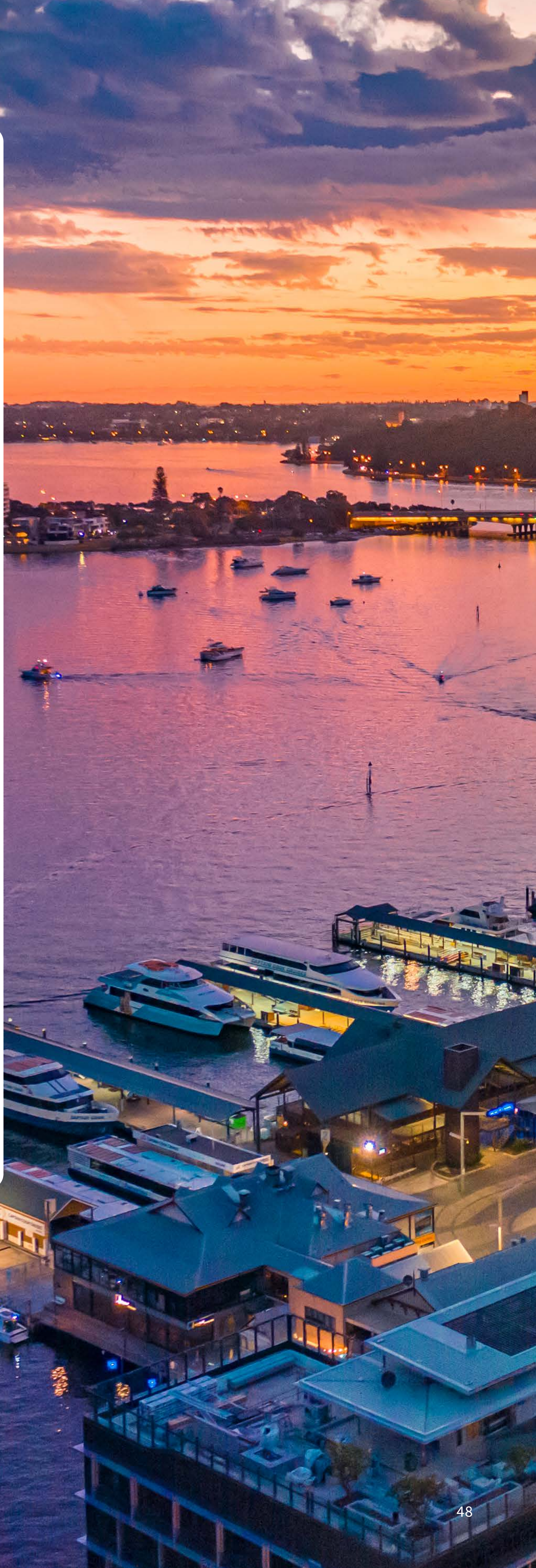
Perth

The Perth dwelling market has seen some of the most extreme cyclical movements of the capital cities in the past decade, in line with fluctuations in the resources sector.

Following an extended downturn in values between 2014 and 2019, the onset of COVID-19 had some perversely favourable outcomes for Perth dwelling values. Low interest rates, a commodities boom and the transition of 'FIFO' workers to resident workforces increased job and population growth across Western Australia.

The result has been an upswing in values of 24.8% between May 2020 and July 2022. Perth dwelling values had even recovered the value from the extended downswing in the late 2010's, and hit a new record high at April 2022. As of September, the Perth dwelling market showed early signs of moving into a downswing off the back of higher interest rates, led by a 0.4% fall in house values over the month. Dwelling values are likely to continue declining in the coming months, as the Australian housing market sees a broad-based decline. However, we do not expect this downswing will erode the full dwelling value gains made through the COVID period.

Rental demand across Perth has been very strong in the past two years. In the 12 months to June 2021, rent values increased 16.9%. Annual growth in rent values has since eased to 7.3% in the 12 months to September this year, but is still strong relative to historic growth in rent values. Alongside the start of the housing market downswing, the gross rent yield profile is likely to become stronger. Currently, gross rent yields across houses are 4.4%, while unit rents are contributing to yields of 5.7%.



Top ten suburbs: highest rate of growth in housing values, 12 months to Sep 2022

Perth Houses			Annual change in dwelling values		
Suburb	LGA Name	Median value	12m	5y	10y
Cooloongup	Rockingham	$380,892	16.1%	5.8%	1.8%
Two Rocks	Wanneroo	$498,804	13.2%	3.8%	1.2%
Mandurah	Mandurah	$348,987	13.2%	3.4%	1.4%
Waikiki	Rockingham	$482,483	13.1%	4.8%	1.5%
Dudley Park (WA)	Mandurah	$468,794	12.8%	3.8%	1.7%
Warnbro	Rockingham	$443,930	12.8%	4.3%	1.1%
Greenfields	Mandurah	$370,227	12.5%	4.8%	1.6%
Safety Bay	Rockingham	$529,055	12.1%	5.1%	1.7%
Calista	Kwinana	$328,751	11.9%	4.0%	0.6%
Ocean Reef	Joondalup	$970,474	11.9%	5.8%	2.2%

Perth Units			Annual change in dwelling values		
Suburb	LGA Name	Median value	12m	5y	10y
Spearwood	Cockburn	$360,891	18.3%	1.8%	-0.1%
Kelmscott	Armadale	$262,052	13.6%	2.6%	1.0%
Belmont (WA)	Belmont	$385,526	10.9%	3.3%	1.1%
North Coogee	Cockburn	$640,110	10.9%	0.4%	-1.2%
Success	Cockburn	$319,793	10.8%	-0.5%	-0.8%
Armadale (WA)	Armadale	$264,111	10.6%	2.4%	-0.2%
Bassendean (WA)	Bassendean	$385,361	10.2%	1.5%	0.9%
Gosnells	Gosnells	$285,492	10.1%	2.1%	0.4%
Cloverdale	Belmont	$378,128	10.1%	2.5%	1.1%
Fremantle	Fremantle	$526,194	10.0%	4.3%	2.1%

Top ten suburbs: highest gross rental yield, 12 months to Sep 2022

Perth Houses				
Suburb	LGA Name	Gross yield	Median rent	Median value
Orelia	Kwinana	6.9%	$434	$334,798
Medina	Kwinana	6.8%	$413	$315,606
Armadale (WA)	Armadale	6.8%	$401	$315,876
Brookdale (WA)	Armadale	6.7%	$456	$353,232
Camillo	Armadale	6.7%	$425	$333,770
Calista	Kwinana	6.6%	$414	$328,751
Champion Lakes	Armadale	6.6%	$472	$391,017
Parmelia	Kwinana	6.6%	$430	$337,536
Greenfields	Mandurah	6.6%	$469	$370,227
Hilbert	Armadale	6.6%	$487	$389,571

Perth Units				
Suburb	LGA Name	Gross yield	Median rent	Median value
Armadale (WA)	Armadale	7.0%	$378	$264,111
Glendalough	Stirling	6.9%	$417	$278,507
Kelmscott	Armadale	6.9%	$356	$262,052
Midland	Swan	6.9%	$382	$286,063
Wembley	Cambridge	6.8%	$408	$290,411
Joondalup	Joondalup	6.7%	$436	$349,078
Success	Cockburn	6.7%	$412	$319,793
Balga	Stirling	6.6%	$422	$331,620
Cannington	Canning	6.6%	$420	$351,911
Bentley (WA)	Canning	6.5%	$432	$362,988

Source: CoreLogic

Regional Western Australia

Similar to the Perth market, housing values in regional Western Australia saw a solid growth trajectory through the pandemic period.

Positive interstate migration to the state, and a commodities boom which spurred jobs growth led to higher pressure on rent and purchasing values. Between August 2020 and July 2022, regional WA dwelling values increased 30.1%.

However, as with most Australian dwelling markets, values showed the first signs of a downswing through the month of August. Regional West Australian house values slipped -0.5% through the month, while unit values saw a relatively small uplift of 0.2%. September showed another gain in values, but momentum in this market is clearly trending lower.

Rent values in regional Western Australia have also seen a surge in rental demand through the pandemic. Since March 2020, house rents have increased 25.0% and unit rents are up 31.4%. Both segments continued to see elevated monthly growth rates of 0.5% across houses, and 1.2% in units. Regional Western Australia also offers some of the highest gross rent yields, at 6.1% across the house segment, and 8.4% across units. Gross rent yields are expected to improve further as prices soften and rental demand remains steady.

Top ten suburbs: highest rate of growth in housing values, 12 months to Sep 2022

Regional WA Houses			Annual change in dwelling values		
Suburb	**LGA Name**	**Median value**	**12m**	**5y**	**10y**
Merredin	Merredin	$153,768	22.8%	8.6%	-0.1%
Kambalda West	Coolgardie	$152,148	19.8%	10.3%	-2.6%
Jurien Bay	Dandaragan	$454,109	19.6%	8.1%	2.2%
Rangeway	Greater Geraldton	$204,232	17.6%	6.2%	-1.0%
Northam	Northam	$247,152	15.3%	5.0%	0.2%
Withers	Bunbury	$287,839	13.7%	4.4%	0.2%
Manjimup	Manjimup	$282,732	11.8%	2.7%	1.3%
Donnybrook (WA)	Donnybrook-Balingup	$406,070	11.8%	4.0%	1.0%
Collie (WA)	Collie	$241,802	11.2%	5.5%	-0.3%
Broadwater (WA)	Busselton	$633,876	10.3%	3.8%	2.9%

Regional WA Units			Annual change in dwelling values		
Suburb	**LGA Name**	**Median value**	**12m**	**5y**	**10y**
Bunbury (WA)	Bunbury	$381,425	8.9%	3.7%	1.1%

Top ten suburbs: highest gross rental yield, 12 months to Sep 2022

Regional WA Houses				
Suburb	**LGA Name**	**Gross yield**	**Median rent**	**Median value**
Kambalda West	Coolgardie	12.8%	$396	$152,148
Newman	East Pilbara	12.1%	$662	$292,419
Merredin	Merredin	11.2%	$324	$153,768
Boulder	Kalgoorlie/ Boulder	11.0%	$497	$244,593
South Hedland	Port Hedland	10.9%	$744	$372,763
South Kalgoorlie	Kalgoorlie/ Boulder	9.4%	$518	$297,711
Baynton (WA)	Karratha	9.3%	$1,063	$615,802
Katanning	Katanning	9.1%	$344	$181,935
Millars Well	Karratha	9.0%	$851	$495,079
Nickol	Karratha	9.0%	$955	$523,005

Regional WA Units				
Suburb	**LGA Name**	**Gross yield**	**Median rent**	**Median value**
Bunbury (WA)	Bunbury	6.9%	$481	$381,425

Source: CoreLogic

Hobart

Hobart dwelling values have seen an impressive stretch of growth, with only a handful of monthly declines in value since the start of 2015

Through the latest upswing, Hobart dwelling values rose 36.4% between July 2020 and March 2022.

However, as interest rates have risen, the Hobart dwelling market is now in a relatively rapid decline. House values are down 4.8% from a recent peak in March 2022, and unit values have declined 5.6% from a peak in May.

As with capital growth, rent values across Hobart have seen a strong run of growth since the mid 2010's, which was only briefly interrupted by the onset of the pandemic. However, as of August, rent value in the city showed the first signs of moving into a downswing. House rents were down 0.2% in the month of August, while unit rents increased a mild 0.1%. Rents recovered a little through September, but it is clear that some of the heat has started to leave the Tasmanian rental market.

There could be a demand-driven shift emerging in the Hobart rental market, as people seek out more affordable rental accommodation in other cities or parts of the state, or there is a lift in share housing in response to rising rent and inflation.

Gross rent yields across Hobart houses are sitting at 3.8%, which is steady on a year ago. Gross rent yields in the unit segment are sitting at 4.4%, up from 4.3% a year ago. While both rents and property prices seem to be easing across the city, it is likely the yield profile in Hobart will lift in the short term. This is because purchase prices appear to be trending down faster than rent values.

Top ten suburbs: highest rate of growth in housing values, 12 months to Sep 2022

Hobart Houses			Annual change in dwelling values		
Suburb	**LGA Name**	**Median value**	**12m**	**5y**	**10y**
Mornington (Tas.)	Clarence	$649,049	11.3%	13.4%	8.4%
Primrose Sands	Sorell	$544,238	11.0%	15.8%	11.7%
Warrane	Clarence	$604,440	10.9%	13.3%	8.2%
Howrah	Clarence	$838,976	10.6%	11.4%	8.3%
Risdon Vale	Clarence	$469,526	10.4%	14.4%	8.4%
Midway Point	Sorell	$643,868	7.7%	12.3%	8.4%
Brighton (Tas.)	Brighton	$562,197	7.6%	11.4%	7.1%
Mount Nelson	Hobart	$982,515	6.8%	6.7%	6.3%
Sorell	Sorell	$706,277	6.2%	11.6%	8.2%
Geilston Bay	Clarence	$754,119	5.5%	10.2%	7.0%

Hobart Units			Annual change in dwelling values		
Suburb	**LGA Name**	**Median value**	**12m**	**5y**	**10y**
Kingston (Tas.)	Kingborough	$599,118	6.8%	9.9%	7.2%
Blackmans Bay	Kingborough	$622,229	5.7%	8.3%	6.7%
Claremont (Tas.)	Glenorchy	$468,028	1.8%	11.5%	6.2%
Howrah	Clarence	$607,934	0.0%	8.0%	6.6%
Glenorchy (Tas.)	Glenorchy	$470,982	-1.2%	11.6%	7.3%
Bellerive	Clarence	$587,370	-2.1%	7.8%	6.2%

Top ten suburbs: highest gross rental yield, 12 months to Sep 2022

Hobart Houses				
Suburb	**LGA Name**	**Gross yield**	**Median rent**	**Median value**
Gagebrook	Brighton	5.2%	$490	$456,977
Clarendon Vale	Clarence	5.1%	$491	$502,809
Risdon Vale	Clarence	5.0%	$474	$469,526
Bridgewater (Tas.)	Brighton	5.0%	$489	$468,595
New Norfolk	Derwent Valley	5.0%	$480	$482,542
Brighton (Tas.)	Brighton	4.9%	$518	$562,197
Old Beach	Brighton	4.9%	$535	$629,983
Chigwell	Glenorchy	4.8%	$514	$564,520
Rokeby (Tas.)	Clarence	4.7%	$528	$547,730
Lutana	Glenorchy	4.6%	$554	$618,054

Hobart Units				
Suburb	**LGA Name**	**Gross yield**	**Median rent**	**Median value**
Claremont (Tas.)	Glenorchy	5.1%	$420	$468,028
Glenorchy (Tas.)	Glenorchy	5.1%	$448	$470,982
Howrah	Clarence	4.5%	$501	$607,934
Bellerive	Clarence	4.4%	$490	$587,370
Blackmans Bay	Kingborough	4.3%	$500	$622,229
Kingston (Tas.)	Kingborough	4.3%	$485	$599,118

Source: CoreLogic

Regional Tasmania

In Regional Tasmania, property values saw an upswing of 51.0% from the onset of COVID-19 in Australia (March 2020) to June 2022.

From July, both house and unit values started to enter a downswing phase. Tasmanian house values are down 3.6% from the recent peak in June, while unit values, which is a smaller (and somewhat more volatile market) have come down 7.8%.

As of September, the median house value across regional Tasmania was just under $545,000. The median unit value was $393,215 in the month.

Each of the major submarkets in Tasmania is still seeing higher dwelling values year-on-year, but many have declined on a quarterly basis. The steepest decline in regional Tasmanian dwelling values are across the Huon-Bruny Island region, where values were 7.7% lower in the three months to September.

Rental values are now declining on a monthly basis. Through September, rent values were down 0.8% across the house segment and 0.3% across units. Gross rent yields across the house market have fallen to 4.1% in the past 12 months (down from 4.5%), while gross yields in the unit segment have declined from 5.0% to 4.9%.

Top ten suburbs: highest rate of growth in housing values, 12 months to Sep 2022

Regional Tas Houses			Annual change in dwelling values		
Suburb	**LGA Name**	**Median value**	**12m**	**5y**	**10y**
St Helens (Tas.)	Break O'Day	$588,126	22.7%	16.2%	8.5%
Somerset (Tas.)	Waratah/Wynyard	$421,874	20.5%	11.5%	6.3%
George Town	George Town	$381,290	19.6%	16.1%	9.1%
Acton (Tas.)	Burnie	$369,984	18.8%	13.0%	5.8%
Upper Burnie	Burnie	$377,754	18.4%	13.0%	6.0%
Montello	Burnie	$415,283	18.2%	15.1%	8.3%
Shorewell Park	Burnie	$374,559	16.8%	7.9%	3.7%
Longford (Tas.)	Northern Midlands	$580,308	16.3%	11.9%	7.4%
Wynyard	Waratah/Wynyard	$475,730	16.2%	11.1%	6.2%
Shearwater	Latrobe (Tas.)	$691,716	15.0%	13.3%	7.1%

Regional Tas Units			Annual change in dwelling values		
Suburb	**LGA Name**	**Median value**	**12m**	**5y**	**10y**
Devonport	Devonport	$369,292	17.9%	11.8%	6.7%
Newnham	Launceston	$345,427	5.0%	14.7%	4.2%
Prospect Vale	Meander Valley	$443,322	4.6%	12.0%	5.6%
Riverside (Tas.)	West Tamar	$398,088	0.8%	10.0%	5.2%
Launceston	Launceston	$504,368	-5.9%	6.6%	3.9%

Top ten suburbs: highest gross rental yield, 12 months to Sep 2022

Regional Tas Houses				
Suburb	**LGA Name**	**Gross yield**	**Median rent**	**Median value**
Bicheno	Glamorgan/ Spring Bay	6.4%	$873	$699,032
Ravenswood (Tas.)	Launceston	5.6%	$407	$345,765
Mayfield (Tas.)	Launceston	5.2%	$430	$408,603
Upper Burnie	Burnie	5.1%	$390	$377,754
Acton (Tas.)	Burnie	5.0%	$388	$369,984
George Town	George Town	5.0%	$367	$381,290
Somerset (Tas.)	Waratah/Wynyard	5.0%	$407	$421,874
Newnham	Launceston	5.0%	$450	$445,333
Romaine	Burnie	4.8%	$413	$459,453
Scottsdale	Dorset	4.7%	$355	$410,056

Regional Tas Units				
Suburb	**LGA Name**	**Gross yield**	**Median rent**	**Median value**
Riverside (Tas.)	West Tamar	5.5%	$418	$398,088
Newnham	Launceston	5.4%	$365	$345,427
Prospect Vale	Meander Valley	4.9%	$414	$443,322
Launceston	Launceston	4.8%	$445	$504,368
Devonport	Devonport	4.5%	$323	$369,292

Source: CoreLogic

Darwin

Darwin dwelling values saw a value upswing of 31.0% between July 2020 and August 2022

Darwin was the only capital city to have seen values continually rise through August, though values were flat over the month of September. Despite a strong run of growth, dwelling values remain 10.1% lower than the record high in May of 2014.

Darwin rent values have seen some of the strongest growth of the broader capital city and rest of state markets since the onset of the pandemic. Between March 2020 and September 2022, house rents soared by almost one third (31.6%), and unit rents rose 29.0%. Part of the extraordinary growth in rent values is due to values coming off a low base, and the volatility of the Darwin property market. Rent values went through a downturn from 2014 to early 2020, in line with the decline in the mining sector. As with Western Australia, 2020 marked a turn in rent and purchase prices, but rent values in Darwin are still below their peak value at March 2014. This value could be recovered in the coming months however, as rents continued to accelerate 1.5% in the Darwin dwelling market through September.

Darwin has the highest gross rent yield opportunity of the capital city markets. As of September, the gross rent yield figure for houses was 5.7%, and 7.1% across units. Gross rent yields may continue to rise in the coming months. While property prices have been resilient, they may eventually follow other capital cities into a downswing amid rapidly rising interest rates.

Top ten suburbs: highest rate of growth in housing values, 12 months to Sep 2022

Darwin Houses			Annual change in dwelling values		
Suburb	**LGA Name**	**Median value**	**12m**	**5y**	**10y**
Gray (NT)	Palmerston	$449,158	18.0%	5.6%	-0.7%
Wagaman	Darwin	$555,371	14.5%	5.7%	1.8%
Nightcliff	Darwin	$969,576	14.3%	3.1%	1.2%
Rapid Creek	Darwin	$870,799	13.9%	9.6%	5.1%
Johnston	Palmerston	$675,868	13.5%	6.8%	3.3%
Wulagi	Darwin	$595,371	13.1%	4.9%	1.9%
Wanguri	Darwin	$637,998	11.5%	1.8%	0.3%
Woodroffe	Palmerston	$458,011	10.8%	3.8%	-0.7%
Bellamack	Palmerston	$610,504	10.6%	3.7%	4.1%
Rosebery (NT)	Palmerston	$591,389	10.0%	4.2%	0.3%

Darwin Units			Annual change in dwelling values		
Suburb	**LGA Name**	**Median value**	**12m**	**5y**	**10y**
Parap	Darwin	$363,272	14.5%	-2.2%	-2.9%
Stuart Park	Darwin	$454,584	7.6%	0.1%	-2.4%
Darwin City	Darwin	$434,167	7.4%	2.2%	-1.3%
Bakewell	Palmerston	$290,739	6.5%	1.4%	-1.6%
Fannie Bay	Darwin	$465,339	4.9%	-1.5%	-3.0%
Larrakeyah	Darwin	$435,050	4.4%	-0.9%	-3.1%
Rapid Creek	Darwin	$358,191	2.2%	-1.2%	-1.0%
Coconut Grove	Darwin	$335,834	0.7%	1.5%	-0.3%

Top ten suburbs: highest gross rental yield, 12 months to Sep 2022

Darwin Houses				
Suburb	**LGA Name**	**Gross yield**	**Median rent**	**Median value**
Zuccoli	Palmerston	7.2%	$687	$493,758
Moulden	Palmerston	6.8%	$522	$397,274
Woodroffe	Palmerston	6.4%	$561	$458,011
Gunn	Palmerston	6.3%	$625	$539,221
Durack (NT)	Palmerston	6.3%	$664	$580,490
Gray (NT)	Palmerston	6.2%	$546	$449,158
Karama	Darwin	6.1%	$609	$481,244
Moil	Darwin	6.1%	$664	$547,376
Bakewell	Palmerston	6.1%	$575	$500,105
Bellamack	Palmerston	6.1%	$697	$610,504

Darwin Units				
Suburb	**LGA Name**	**Gross yield**	**Median rent**	**Median value**
Bakewell	Palmerston	7.9%	$435	$290,739
Parap	Darwin	7.4%	$505	$363,272
Darwin City	Darwin	7.4%	$597	$434,167
Coconut Grove	Darwin	7.3%	$468	$335,834
Rapid Creek	Darwin	7.0%	$482	$358,191
Larrakeyah	Darwin	6.9%	$559	$435,050
Stuart Park	Darwin	6.6%	$559	$454,584
Fannie Bay	Darwin	6.1%	$528	$465,339

Source: CoreLogic

ACT

The ACT housing market has seen an extraordinary stretch of growth over the past few years

Between August 2019 and April 2022, this market did not see a single month of decline in dwelling values. Through this period, values increased 45.0%.

However, market conditions are now changing quite rapidly. Since the commencement of rate rises in May, ACT house values have declined 5.3%, and unit values are down 1.7%. The median house value across the ACT in September was $1,009,575, while the median unit value was $616,027. While Canberra home values have declined in recent months, the median house and unit value has overtaken median values across Melbourne through the latest upswing, making the ACT market the second-least affordable of the capital city markets based on median value.

As with Hobart, ACT rent values have seen the first signs of a decline in recent months. House rents were up 7.5% in the year to September, but declined 0.2% on a monthly basis. Unit rents were up 6.9% in the past 12 months, and were 0.1% lower in the month of September. In September, rent yields across the house segment were 3.7%, while gross rent yields were 5.0% in the unit sector. Despite a slowdown in rent and purchase values across the ACT, gross rent yields are expected to move higher in the short term, as purchase prices fall faster than rents.

Top ten suburbs: highest rate of growth in housing values, 12 months to Sep 2022

ACT Houses			Annual change in dwelling values		
Suburb	**LGA Name**	**Median value**	**12m**	**5y**	**10y**
Coombs	ACT	$1,058,298	15.2%	6.4%	2.4%
Denman Prospect	ACT	$1,106,269	15.0%	8.8%	6.3%
Wright	ACT	$1,118,809	11.7%	5.4%	0.3%
Throsby	ACT	$1,132,448	10.6%	11.6%	5.6%
Higgins	ACT	$830,045	10.3%	8.6%	5.8%
Stirling (ACT)	ACT	$1,142,203	10.1%	10.0%	6.8%
Macgregor (ACT)	ACT	$831,297	8.9%	10.3%	6.3%
Casey	ACT	$1,012,795	8.1%	7.8%	8.9%
Florey	ACT	$947,700	7.2%	8.7%	5.8%
Gungahlin	ACT	$846,917	7.0%	14.1%	6.8%

ACT Units			Annual change in dwelling values		
Suburb	**LGA Name**	**Median value**	**12m**	**5y**	**10y**
Phillip	ACT	$495,811	18.3%	5.3%	1.7%
Ngunnawal	ACT	$662,207	17.9%	8.9%	5.7%
Watson	ACT	$600,493	16.6%	7.4%	4.0%
Moncrieff	ACT	$715,743	15.7%	6.1%	4.3%
Lyneham	ACT	$536,782	15.3%	6.7%	3.2%
Holt	ACT	$547,645	14.9%	5.0%	2.7%
Lawson (ACT)	ACT	$739,976	14.7%	6.0%	4.2%
Gordon (ACT)	ACT	$630,945	14.2%	8.9%	4.7%
Wright	ACT	$521,839	14.0%	4.7%	6.3%
Lyons (ACT)	ACT	$426,712	13.4%	4.7%	1.4%

Top ten suburbs: highest gross rental yield, 12 months to Sep 2022

ACT Houses				
Suburb	**LGA Name**	**Gross yield**	**Median rent**	**Median value**
Gungahlin	ACT	5.0%	$799	$846,917
Denman Prospect	ACT	4.9%	$994	$1,106,269
Coombs	ACT	4.5%	$913	$1,058,298
Latham (ACT)	ACT	4.4%	$642	$775,973
Wright	ACT	4.3%	$926	$1,118,809
Holt	ACT	4.3%	$619	$755,372
Ngunnawal	ACT	4.3%	$686	$869,731
Isabella Plains	ACT	4.2%	$661	$779,264
Calwell	ACT	4.2%	$702	$853,626
Gungahlin	ACT	4.2%	$811	$1,023,358

ACT Units				
Suburb	**LGA Name**	**Gross yield**	**Median rent**	**Median value**
Gungahlin	ACT	5.8%	$541	$480,274
Wright	ACT	5.7%	$563	$521,839
Belconnen	ACT	5.7%	$540	$520,807
Macquarie	ACT	5.7%	$569	$544,087
Greenway	ACT	5.6%	$547	$559,553
Franklin (ACT)	ACT	5.6%	$553	$529,848
City	ACT	5.5%	$638	$628,079
Lyons (ACT)	ACT	5.5%	$521	$426,712
Braddon	ACT	5.5%	$603	$532,624
Bruce (ACT)	ACT	5.4%	$576	$582,847

Source: CoreLogic

Section 4

Megatrends in action

Mortgage brokers write almost seven out of ten home loans in Australia, according to MFAA figures. In today's fast-paced property market, it's no wonder that more and more customers are turning to brokers for guidance and support with their home lending needs.

Here are some of the experiences of brokers who are living and breathing the market megatrends every day.

Mary Mittiga
Senior Finance Manager,
Lane 8 Finance

Senior finance manager at Lane 8 Finance, Mary Mittiga believes first home buyers are the customers who are most affected by property market conditions, but she is optimistic about the future.

"There are a lot of opportunities in the property market but when interest rates are going up and property prices aren't going down by much it is difficult for first home buyers to break through," Mittiga says.

"Where I am located there are a lot of opportunities for first home buyers with new developments and off-the-plan apartments, which are more affordable and attractive to first home buyers. I am also seeing increased help from parents through parental guarantees or early inheritance, helping their children enter the property market."

The rising cost of living means serviceability of loans presents hurdles for both brokers and customers, particularly for first-time buyers, Mittiga says.

Based in Bella Vista in Sydney's Hills district, Mittiga is relatively new to mortgage broking, having shifted her career focus after 20 years working as a business banker.

Moving from working as a business banker to being a broker was a natural progression for Mittiga. She always loved interacting and spending time with her clients and becoming a part of their businesses. She mirrors that experience in her work as a broker.

"I have attended auctions with my clients, I've gone to their solicitors, it is quite old fashioned but that is the value proposition I have put out there to customers. I haven't changed the way I've done things, when I was a business banker or relationship manager, this is what we did. I would get to know my clients and their families and become a part of their business. I do the same thing as a broker."

This personal approach stands Mittiga in good stead with her customers today. The majority of Mittiga's customer base are first home buyers and she works closely with them every step of the way.

"You have to hold their hand; they are needy – as you would expect people to be when they buy their first home – and it takes time," she says. "For example, in my area I was doing a $600,000 loan for a first home buyer and it took me the same time as doing a $7 million loan."

For Mittiga, digital technology provides an invaluable support in finding time to get the best outcomes for customers.

"I had a time when I had seventeen applications at once and thankfully the innovation and digital technology in the broking industry assisted with the process," she says.

Mittiga credits NAB for leading the way in digital technology and innovation in the broking industry.

> "Digital technology is extremely important in the industry and is one of the reasons I send a lot of customers to NAB, from beginning to end it is paperless and that is what clients love. For me, technology is key."

Richard Waddington
Chief Executive Officer,
LoanHub

With over thirty years' financial services industry experience, Richard Waddington, chief executive and founder of LoanHub, offers regular insights and support to his customers who are trying to navigate the ups and downs of the market.

For Waddington's North-Sydney based firm, first home buyers have been the most active segment in the past six months after being priced out of the market last year. Investors are also coming back into the market, followed by owner occupiers.

But it is the interest rate environment that is the biggest trend affecting the mortgage industry and property sector, Waddington says.

Over the past few years, with the Reserve Bank of Australia's official cash rate at record-low levels, home buyers have been drawn to using fixed-rate home loans to lock in low rates in preference to taking out variable mortgages.

"This time last year, 90% of my customers would've been locking in their rates for two to three years … Now it's the other way around, interest rates offered on fixed-rate loans have normalised and gone higher again. Now 90% of people are going for variable rates for 90% of their loan. It has completely flipped." Waddington says.

When turning to LoanHub for their mortgage, Waddington's customers are looking for confidence, service and surety. Waddington supports customers by being proactive, crediting technology, and digital verification tools such as IDYou, with saving him valuable time and allowing him to service more clients, more effectively.

"As long as you're lodging good quality applications, checking the documents when they've gone to the customer and giving them the thumbs up. Once they DocuSign, it goes straight back to legal and rolls through. It's beautiful."

Waddington's advice to brokers who are looking to better support customers and write more business is to communicate often, communicate clearly, and set expectations.

"Bad situations don't rectify themselves because of luck or a whim and a prayer. It's best to get ahead of any issues and sort them out before they happen."

Having previously worked for a number of years as an institutional stockbroker, Waddington understands the property investment market well, and knows how important it is for brokers to build a strong network and to be aware of when to have conversations with clients.

"It's about having the experience, but also having the network. It's not like you sit on the side of the netball court or the soccer field and sell deals. People know you and trust you and will get back to you to get the deal done."

Waddington says an increasing number of people are changing their careers, realising the benefits that come with becoming a broker.

> "It's a terrific industry," he says about mortgage broking. "People will and are happy to share their knowledge."

Kin Wong
Chief Executive Officer,
One Solutions

Lower property prices and a surging rental market means now is the time to buy, according to One Solutions' chief executive officer Kin Wong, who says a holistic approach is key to supporting clients in their property ownership journey.

"Now is a great time to buy because you are actually paying less for the property," Wong says. "For example, in my area, a $2 million property last year is selling for $1.8 million this year. The reason why we are encouraging our clients to buy now is that the capital value, or the amount that you're paying to buy, has decreased."

Wong, who founded One Solutions in Five Dock in Sydney's inner west in 2013, is noticing that experienced investors who own two or more properties are re-entering the market in Sydney. They know rental yields are rising on their current properties and want to increase their property portfolios to take advantage of the investment opportunities, Wong says.

"First home buyers are still buying because, at the end of the day, they need somewhere to live," Wong adds. "That's the market where we will probably see buyer activity increase because we're starting to see the rental market tighten and the rental rates start to increase."

First home buyers are making use of family guarantees and government supports such as the First Home Guarantee Scheme.

He says demand for One Solutions' broker services often begins with customers shopping around on interest rates. When existing customers return, they are usually looking to accumulate wealth through buying properties. New customers have often been to another broker and found they were unable to get what they wanted, or they are looking for a better rate.

"For new clients, we ask: 'What's your objective? How many properties do you want? How do you want to pay off your loans?' And then we start to build a plan."

Having been a broker since 2001, Wong understands the importance of providing customers with a service that involves providing education and information, beyond simply facilitating a mortgage.

"We have newsletters that go out to keep customers informed about changes, not just in the property industry, but in terms of financial planning and accounting, as well. We hold their hands through the whole journey.

"We have access to RP Data from CoreLogic, which provides a lot of information to help guide clients in terms of how much they should pay for a property and the growth they can expect. We also do our own research around statistics available from the Australian Bureau of Statistics, including demographics like renters versus owner occupiers and age groups, which are important factors that determine property trends.

"We ensure customers understand we aren't just telling them where to buy – our job is to educate them in making good investment decisions."

One Solutions has been pricing more home loans now than ever before because of current market conditions, particularly rising interest rates and the increasing cost of living. Wong says his work is helping alleviate stress for mortgage holders.

"It's important for us to put measures in place to help clients adjust. We aren't just looking at the mortgage, we're looking at cost saving opportunities like using different utility and insurance providers with better options, or organisations that facilitate shared grocery buying between families.

> "We concentrate on things that we can control rather than things we can't, like interest rate rises," Wong says.

Megatrends in action: Observations from on the ground

The pace of change / A soft landing

Brokers are always there for their customers – and in the current market, their support is needed more than ever.

“As a broker you need to be on top of your game and ensure you have found the best solution and outcome for your customer. But being responsive and attentive is equally as important as being knowledgeable. With my client base being mainly first home buyers, they want to know their broker will pick up the phone.”
– Mary Mittiga, Lane 8 Finance

The rise of investors

With rental yields rising, experienced investors are returning to the market.

“As rates rise, there’s less competition in the market. This is an opportunity to get in before interest rates stabilise, because once rates stabilise everyone starts to drop back in – that’s what everyone is waiting for.” – Kin Wong, One Solutions

First home buyers in prime position

Price growth is slowing, offering first home buyers an opportunity to get into the market at lower price points.

“We will probably see first home buyer activity begin to spike because we’re starting to see the rental market tighten and rental rates start to rise.” – Kin Wong, One Solutions

The refinance boom

Customers moving off fixed-rate home loans need brokers to guide them through the refinance process.

“Getting the best rate doesn’t mean anything if you can’t get the deal approved.”
– Richard Waddington, LoanHub

A digital revolution

Making life simple for brokers and their customers: that’s what digital technology is all about.

“Gone are the days where I have to jump in a car to go and see a client, printing 60 documents, getting them signed and scanned, that in itself is massive. It just saves me time.” – Richard Waddington, LoanHub

Section 5

Need to know

Policy update: Enhancing the broker and customer experience

Policy update: Enhancing the broker and customer experience

Analysing the megatrends helps to understand the forces driving the market. But we know you also need to feel confident about NAB's policies, processes and products, and how they apply in the prevailing environment.

Here is a snapshot of just some of the ways we are supporting brokers and customers in the current market and lending landscape.

Refreshed NAB Tailored Home Loan

Our NAB Tailored Home Loan makes rates even more transparent upfront, while giving customers access to all of the features they love.

Four loan-to-value ratio (LVR) tiers mean better rates for customers who have a larger deposit or more equity. Low ongoing fees – including a simple $8 monthly fee per loan, no annual fees and no application fee – save customers money.

And customers can continue to enjoy features they love – such as a 100% offset account and fee-free redraw of $500 or more on variable loans, and the flexibility to choose between fixed and variable rate options or a combination of the two.

Spotlight on debt-to-income ratios

While property prices are softening, rising living costs are keeping the focus on DTI ratios. As a lender, we have to consider how many NAB loans feature DTI ratios above six times – all of which affects pricing.

Where the DTI ratio is less than six times, we may be able to offer more competitive pricing through the Instant Pricing Tool – it's all part of our commitment to supporting brokers to get the best outcomes for customers.

Focus on self-employed customers

A large proportion of Australia's workforce is made up of self-employed business owners. In the 2021-22 tax year, sole proprietors were the fastest growing type of business in Australia, increasing in number by 12.7% in that period, according to ABS figures.

We believe that running your own business should not be a barrier to owning a home. That's why we make it simple for self-employed customers to borrow through NAB.

For self-employed customers, we require financial records for the two most recent years. The most recent year's financial information can be used for assessment where there is a clear rationale as to why this is a sustainable reflection of future performance.

Speed up your time to yes

We know you want quick responses. Here are some of the ways you can help us to get to yes as soon as possible.

Submission checklist: Follow the application checklist in Apply Online.

Utilise tools available: Order valuation upfront, check post code restrictions on post code look up tool, request pricing approval via Instant Pricing Tool & don't submit until you have all required documentation.

Review Customer Credit Report & Serviceability: Use the NAB Broker Serviceability Calculator and Access Seeker before submitting the application.

A simple and digital experience

These are some of tools and supports we offer to make your life easier.

- **Dedicated Support Team:** Road Based Business Development Manager & Desk Based Relationship Associate.
- **eSign:** Sign the upfront application forms and loans documents digitally via DocuSign.
- **Postcode Lookup Tool:** Available at nabbroker.com.au to find information related to restrictions in postcodes, such as maximum LVRs.
- **Online Instant Pricing Tool:** Available for all NEW & EXISTING Pricing Requests – Home Guarantee Scheme Applications are priced at 80% LVR and IO Construction Loans are priced at P&I rates.

- **Valuations:** Free upfront, AVM up to 80% / Desktop up to 90% / Kerbside up to 95% LVR. Long form valuations now require application submissions to order the valuation.
- **SLA updates:** Consistent fast turnaround times, current SLAs available at nabbroker.com.au
- **Experienced Credit Assessors:** Talk directly to the Credit Assessor assessing your application, who will case manage the application from submission to unconditional approval.
- **Case Management Security in Order:** A dedicated point of contact to support you through the settlement process.
- **Simple Refinance Process:** A one touch process making turnaround times quicker than our standard SLAs – eligibility criteria applies.
- **NAB Mobile Banking App:** Customers can complete some tasks without your intervention and your trail will be protected – they can also use a 'Chat' function to talk to our team.
- **Post-settlement customer queries:** A dedicated specialist team to exclusively respond to queries via email on loanreviews@nab.com.au
- **Types of queries:** Loan reviews, confirmation of account details for pricing requests and confirmation of account details for Request to Change submission.

Here is a snapshot of our latest policy updates:

- **Base Variable Application Fee Waiver** – $600 application fee is waived on all NEW Base Variable Home Loan applications*.
- **Medico policy:** LMI waiver up to 95% (no change to investor interest only restrictions), for medical practitioners and specialists including:

  Medical Practitioners, Dental Practitioners, Optometrists, Vets, Pharmacists, Anaesthetists, Dermatologists, GPs, Paediatric Practitioners, Obstetricians, Gynaecologists, Physicians, Ophthalmologists, Pathologists, Psychiatrists, Radiation Oncologists, Radiologists and Surgeons. 90% LVR may be eligible for pricing for Medical, Dental Practitioners, Optometrists, Pharmacists and Vets.

  NAB can lend to an entity and there are no minimum income thresholds.
- **Essential Services Allowances:** Base income allowances can be utilised without shading when NAB is provided with 6 months income verification for the following occupations: Ambulance Officer, Fire fighter, Nurse/Midwife, Paramedic, Police, Protective Service Officers, Border Security and Medical and Eligible Health Professionals.
- **For other policies**, LMI is automatically approved by QBE when individual or aggregated loan amounts does not exceed $2.5m with maximum LVR of 95% subject to maximum loan amount of $2.5 million with competitive LMI premiums.
- **Cash Out:** Cash out without documentary evidence is unlimited for customers who do not require LMI (includes those with LMI waivers) with an acceptable declared purpose.
- **Rural lifestyle security:** Can be considered as acceptable residential security if less than 100 hectares (240 acres) in size (max 50 hectares where LMI applies) other criteria applies.
- **Apartment size:** NAB recently reduced the acceptable apartment size to 40sqm of internal living space.
- **Construction of up to 3 Dwellings:** Allowed with acceptable valuation under residential policy.

Section 6

The way forward

At NAB, we know that Australians, from investors to first home buyers to empty nesters, look to brokers to get the best outcomes for their home lending needs. As the Bank Behind the Broker, we are committed making life easy for you and your customers.

How NAB is supporting brokers now and into the future

Simple and digital: Speeding up the time to yes

NAB's largest investment in technology this year has been in the broker channel. Our aim is to make the end-to-end process for broker-introduced loans as seamless as possible – and the best in the market. We have been focused on moving as much as possible to the cloud, while also automating the broker origination platform.

Through our simple and digital agenda, we have taken complexity out of our processes and policies and cut approval times. These improvements are showing results. In the broker channel, NAB was ranked number two of the major banks in March for Net Promotor Score (NPS) and second of the major banks for broker experience, with 84% of brokers satisfied.

At settlement, we were ranked number one in PEXA's signed on-time metric for every month for 12 months running.

While these are great results, we know we can always do better. Our ultimate goal is to see broker-originated applications receive unconditional approval within the hour.

Clarity and consistency: creating channel parity

We are big believers in simplification and providing clarity to customers and brokers. Regardless of which channel customers use to come to NAB for their home loan, we want to ensure they have the same outstanding experience. This includes on pricing, processes, and credit decisioning.

To achieve consistency in credit decisioning, we are ensuring NAB assessors have the appropriate skills and experience to consistently interpret and apply our policies. We are making credit coaches available to assist brokers with workshopping deals before they go to credit. And, through automation, we are taking subjectivity out of the process.

The first stage of our simple home loan rollout is now largely complete and we have started deploying this technology to the broker market. Looking ahead, we will continue to roll out improvements that enable greater use of technology, minimise the potential for errors, and provide faster processing times.

The confidence provided by fast decisions is critical in reducing stress and supporting customers to buy their dream home in a dynamic environment.

Supporting our customers and the community

We are here to help brokers, our customers, and our communities – through good times and bad.

Since the end of February, we have dedicated $4.85 million in disaster relief funding to flood affected communities in NSW and Queensland, and rebuilt our Lismore branch, which opened in August.

With cost of living pressures on the rise, NAB is supporting customers with options such as adjusting loan repayments, accessing available redraw, fixing or splitting a loan and hardship support via NAB Assist. The message for customers is simple: if they need support, the sooner they reach out, the sooner we can help.

Section 7

Conclusion

Six megatrends are driving long-term changes in the way brokers and their customers are approaching home buying and lending. As always, NAB is here to help.

Our property market is being shaped by a series of transformational forces – from a faster pace of change to increased refinance activity to an evolving digital landscape. These megatrends have wide-ranging implications for brokers and their customers.

As NAB Group Economics and CoreLogic analysis shows, while the global economy is facing headwinds and uncertainty, Australia's businesses and consumers are resilient and we can expect a soft landing for the property market. In fact, first home buyers and investors are in prime positions to take advantage of opportunities presented by a slowdown in property price growth.

In this dynamic property market, customers need brokers more than ever – for education and guidance, and to cut through complexity.

NAB is committed to making life easier for you and your customers, to supporting you to interpret market conditions and help you help your customers to navigate the twists and turns ahead. As the Bank Behind the Broker, we will always be there to support you.

First home buyers in prime position

A digital revolution

The refinance boom

Market Megatrends 2022

The rise of investors

A soft landing

The pace of change