

# THE AUSTRALIAN PROPERTY INSTITUTE INC.

## AUSTRALIAN PROPERTY DIRECTIONS SURVEY | RESIDENTIAL PROPERTY

JUNE 2015



This is the 34th API Australian Property Directions Survey conducted by the Australian Property Institute (NSW Division). This 6 monthly survey measures the sentiment and expectations of Valuers, Funds Managers, Property Analysts and Property Financiers on a range of topics affecting property industry activity.

### Are the Sydney, Melbourne and Brisbane residential property markets in bubbles?

Survey respondents were asked to indicate where residential property in Sydney, Melbourne and Brisbane were in terms of bubbles.

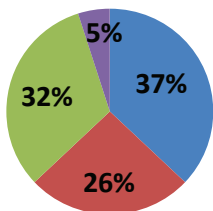
58% of respondents indicate Sydney residential property is in or entering a bubble while 37% indicate it is not in a bubble and 5% are unsure. Similarly, 53% of respondents indicate Melbourne residential property is in or entering a bubble while 35% see it as not in a bubble and 12% are unsure. Whereas 70% of respondents indicate that Brisbane residential property is not in a bubble and 18% indicate that it is in or entering a bubble and 12% are unsure.

#### Residential Bubble or Not?

Sydney

June 2015

Percentage Responses

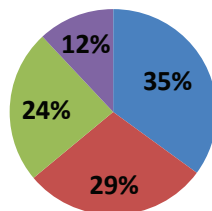


#### Residential Bubble or Not?

Melbourne

June 2015

Percentage Responses

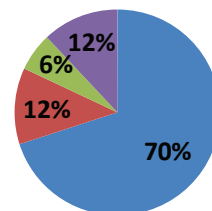


#### Residential Bubble or Not?

Brisbane

June 2015

Percentage Responses



- Not in a bubble
- Entering a bubble
- In a bubble
- Unsure

### How long will the current upward trend in Sydney and Melbourne residential property last?

Survey respondents were asked to indicate how long the current upward trend in residential property would last in Sydney and Melbourne.

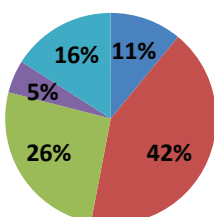
The majority of respondents, 53%, indicate that the current upward trend for Sydney residential property will last for either 6 or 12 months with 26% indicating 18 months. 76% of respondents indicate that the current upward trend for Melbourne residential property will last for either 6 or 12 months with respondents split equally between the two timeframes.

#### How long will the current upward trend in residential property prices last?

Sydney

June 2015

Percentage Responses

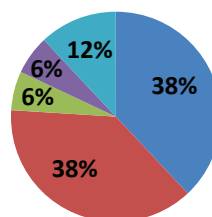


#### How long will the current upward trend in residential property prices last?

Melbourne

June 2015

Percentage Responses



- 6 months
- 12 months
- 18 months
- 24 months
- > 24 months

## What are the drivers for residential property demand / prices in Sydney, Melbourne, Brisbane and Perth?

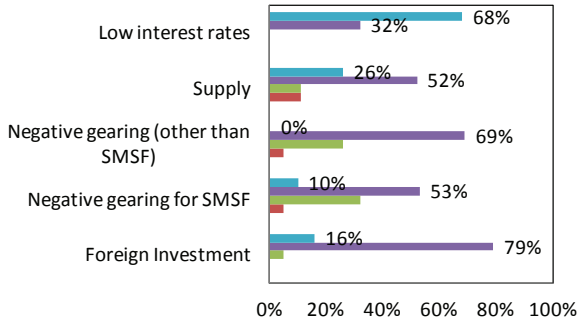
Respondents were asked what were the significant drivers for increased demand / price for residential property in Sydney, Melbourne, Brisbane and Perth.

All respondents, 100%, see low interest rates as a significant to very significant driver of Sydney residential property demand and prices and the second most significant driver is foreign investment with 95% seeing it as significant to very significant. While the two main drivers are the same for Melbourne residential property, 94% see foreign investment as significant to very significant and 87% indicate low interest rates are significant to very significant.

### Drivers of Residential Property Demand / Prices Sydney

June 2015

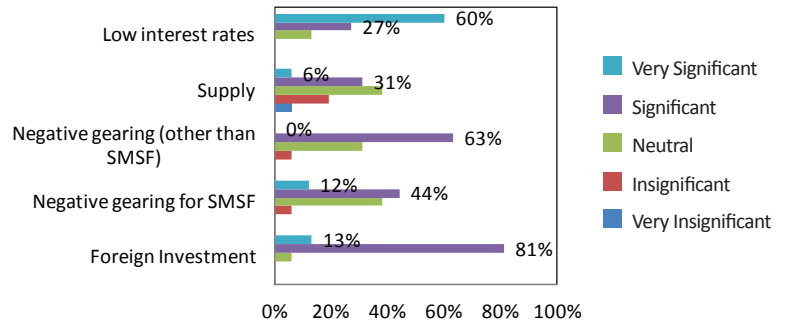
Percentage Responses



### Drivers of Residential Property Demand / Prices Melbourne

June 2015

Percentage Responses

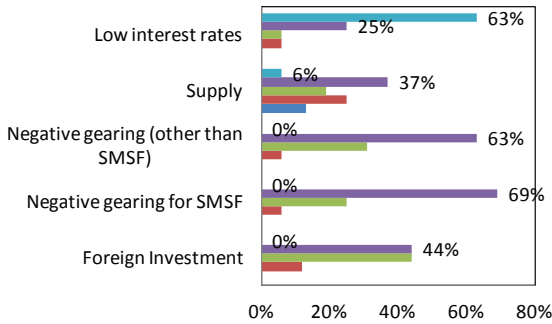


A large majority of respondents see low interest rates as the main driver of demand and prices for Brisbane and Perth residential property however this view is not as strong as it is for Sydney and Melbourne. Respondents do not view foreign investment as significant or very significant for driving demand and prices for residential property in Brisbane and Perth. Negative gearing for self managed super funds and other forms of negative gearing are seen as being more significant in driving residential demand and prices in Brisbane and Perth.

### Drivers of Residential Property Demand / Prices Brisbane

June 2015

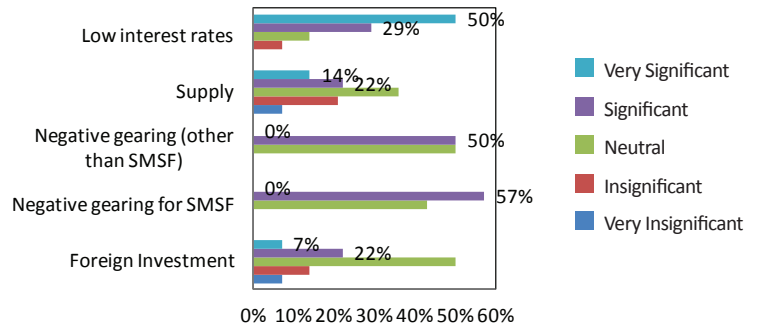
Percentage Responses



### Drivers of Residential Property Demand / Prices Perth

June 2015

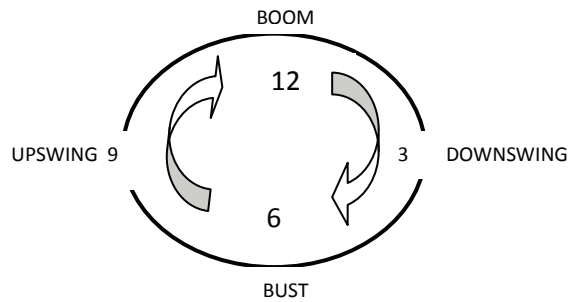
Percentage Responses



## Property Time Clock - Sydney, Melbourne and Brisbane

### Property Clock Key

Responses are in hours, eg, 4 o'clock or 12 o'clock

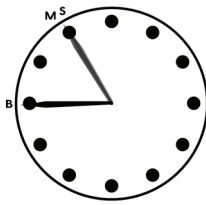


Respondents see residential property in Sydney and Melbourne as staying around the top of the property cycle for some time, that is, staying reasonably buoyant for some time. Residential property markets in Sydney and Melbourne are seen to pass the top of the property cycle over the next two years but remain close to the top. Whereas Brisbane is not seen as having reached the top of the cycle in two years' time.

### 2015 - Current Time

Residential property in Sydney and Melbourne is seen as nearing the top of the property cycle while Brisbane residential property has further to go along the upswing.

#### Residential

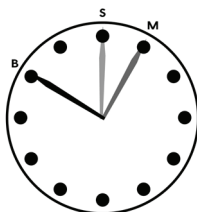


Sydney	11
Melbourne	11
Brisbane	9

### 2016 - One Year's Time

Residential property in the three cities is viewed as moving further along the upswing, with Sydney and Melbourne seen as being at the top of the property cycle.

#### Residential

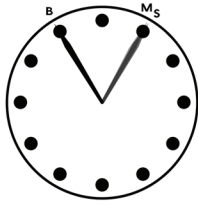


Sydney	12
Melbourne	1
Brisbane	10

## 2017 - Two Years' Time

Sydney and Melbourne residential property is seen as commencing the downswing of the property cycle while Brisbane is nearing the top of the cycle.

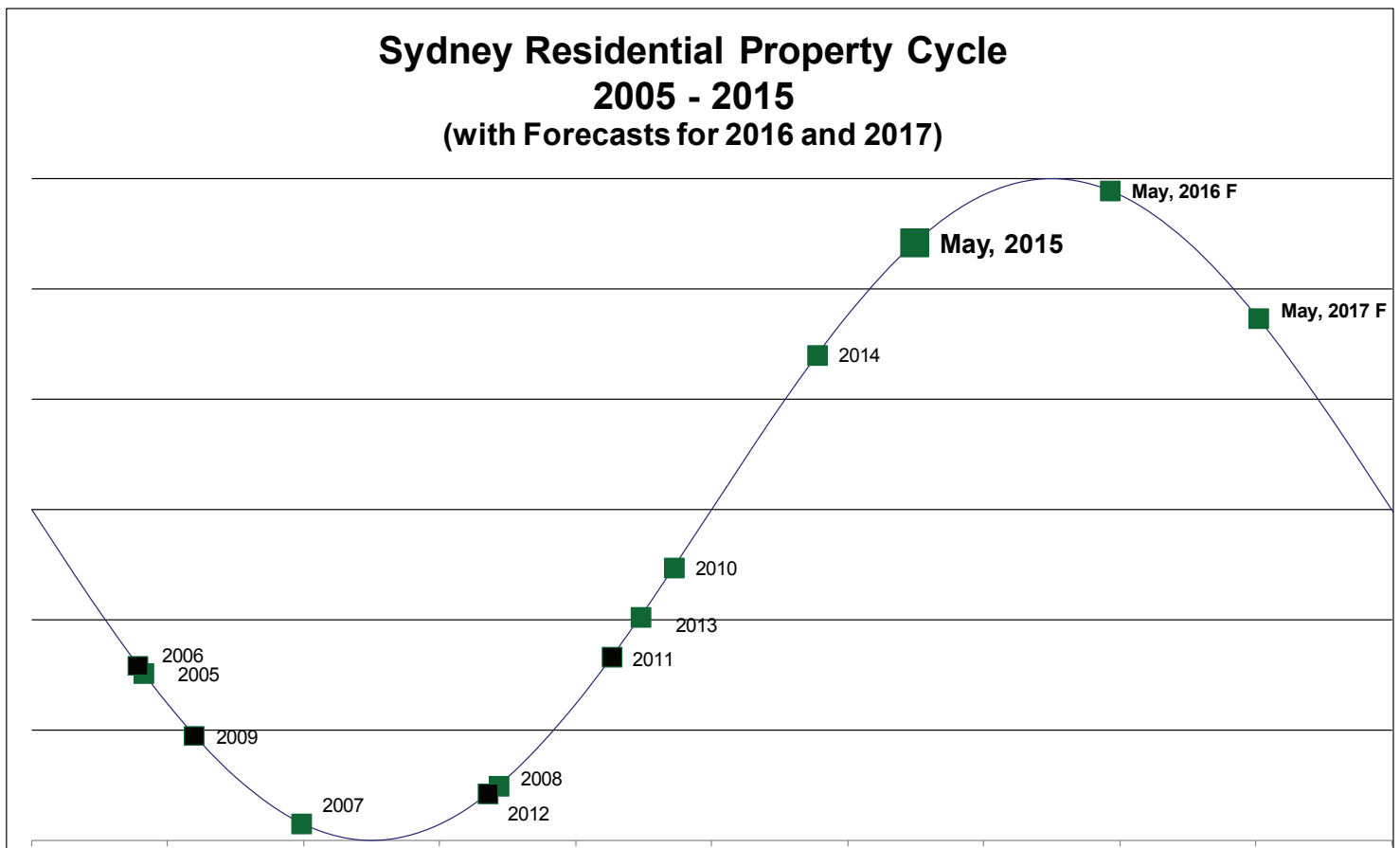
### Residential



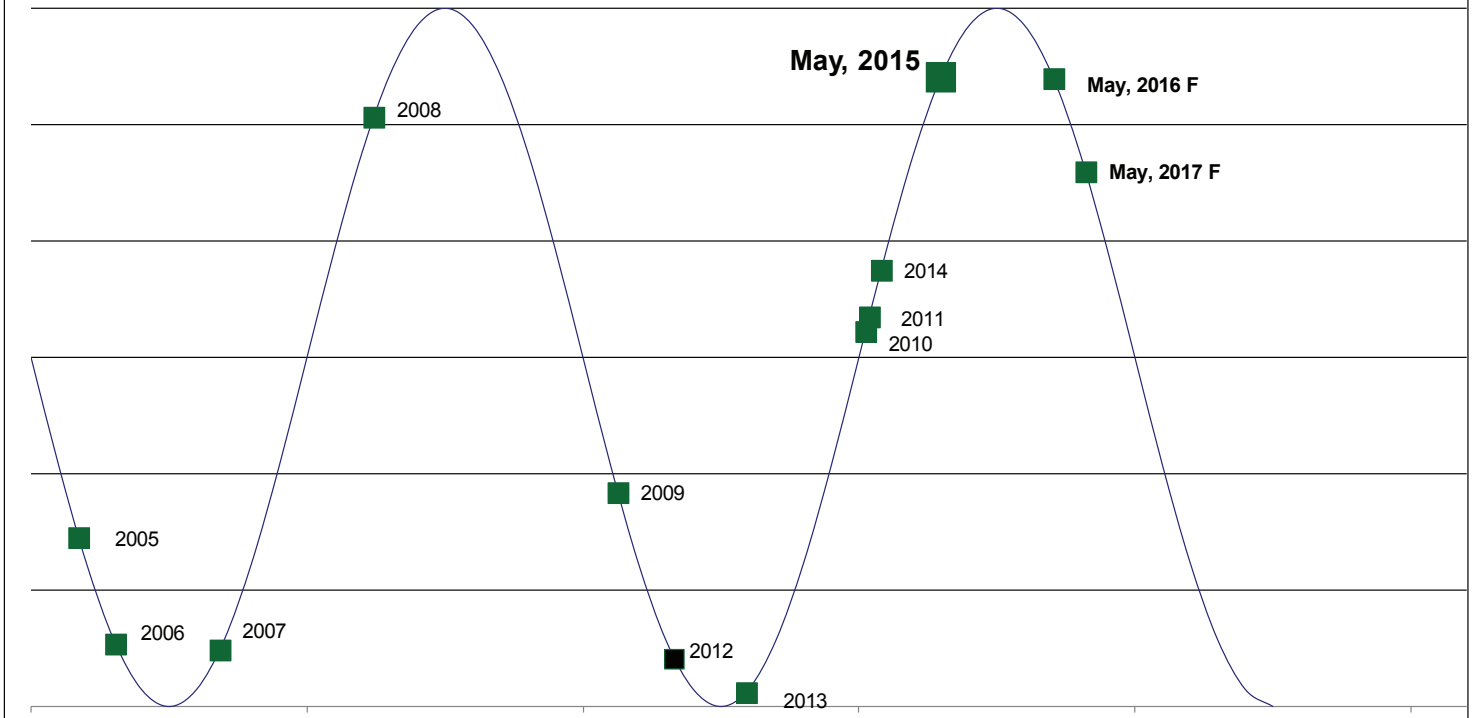
Sydney	1
Melbourne	1
Brisbane	11

## Residential Property Cycle Including Forecasts for Sydney, Melbourne and Brisbane

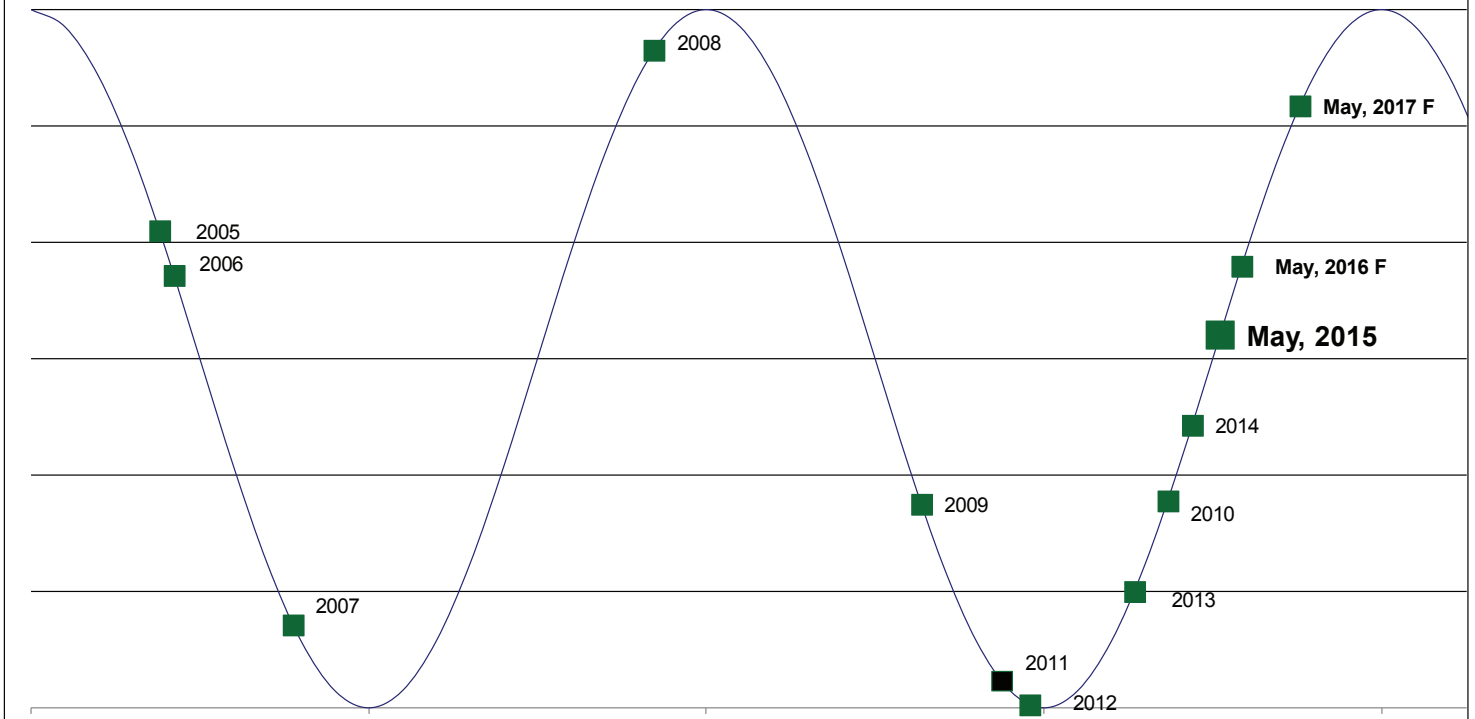
Sydney residential property has taken much longer to move up the property cycle whereas Melbourne and Brisbane residential property have experienced more regular property cycles.



## Melbourne Residential Property Cycle 2005 - 2015 (with Forecasts for 2016 and 2017)



## Brisbane Residential Property Cycle 2005 - 2015 (with Forecasts for 2016 and 2017)



## Economic settings - major factors impacting on the economy

### Interest rates

A small majority of respondents see interest rates as being similar for the 6 month period with an increased majority seeing interest rates at similar levels for the 12 month period. A large majority of respondents see interest rates as higher over the three year period.

### Inflation

A large majority of respondents see inflation as similar in the 6 month and 12 month periods while the majority see rates as higher for the three year period.

### Foreign Investment

A small majority of respondents see foreign investment as at a similar level for the 6 month period but with a leaning to higher levels. Respondents are less certain for the 12 month period but most still see foreign investment at similar of higher levels. Respondents are even more uncertain about the 3 year period with forecast spread from lower to higher levels.

### Business Confidence

Predictions for business confidence for the next 6 and 12 month periods are for similar levels but with a leaning to higher levels. The majority of respondents see business confidence to be at higher levels for the 3 year period.

Economic Settings – Major Factors Impacting on the Economy			
JUNE 2015 (OCTOBER 2014)			
Percentage of Respondents			
	Lower	Similar	Higher
<b>Interest Rates</b>			
6 months	42 (4)	58 (96)	0 (0)
1 year	16 (4)	68 (48)	16 (48)
3 years	0 (0)	16 (4)	84 (96)
<b>Inflation</b>			
6 months	16 (8)	84 (84)	0 (8)
1 year	0 (0)	79 (68)	21 (32)
3 years	0 (0)	26 (32)	74 (68)
<b>Foreign Investment</b>			
6 months	5 (0)	53 (44)	42 (56)
1 year	11 (4)	47 (40)	42 (56)
3 years	42 (32)	37 (36)	21 (32)
<b>Business Confidence</b>			
6 months	10 (12)	58 (76)	32 (12)
1 year	0 (8)	53 (48)	47 (44)
3 years	0 (16)	32 (36)	68 (48)

## Respondents to the Survey

The Institute appreciates the continued support of the following survey respondents

Abacus Property Group  
ANZ  
CBRE  
Charter Hall  
Colliers International  
Commonwealth Bank of Australia  
DEXUS Property Group

DTZ Australia  
Herron Todd White  
Investa Property Group  
JLL  
Knight Frank  
LandMark White  
m3property

Macquarie Capital  
National Australia Bank  
Preston Rowe Paterson  
Propell National Valuers  
Westpac

**IN APPRECIATION:** The Institute appreciates the work of the API Research Committee of Phil Bennett LFAP, Research Committee Chairman, Associate Professor John MacFarlane FAPI of University of Western Sydney and Colin Pugsley FAPI, NSW Divisional Councillor.

**DISCLAIMER:** "Information analysis provided in this publication is only intended to indicate the results of the survey. The information should not be taken as a guarantee to specific future improvements in the market, but rather as an indication of the sentiment of respondents at the date of the survey." API members and survey respondents may quote the results subject to stating the disclaimer and making reference to the source of the information. With the exception of API members and survey respondents, all or part of this document may not be reproduced, published or included in any report without the approval of the API (NSW Division) as to the form and context in which it will appear.