



# Australian Property Directions Survey – Residential Property

NOVEMBER 2016

This is the 36th API Australian Property Directions Survey conducted by the Australian Property Institute. This survey measures the sentiment and expectations of Valuers, Funds Managers, Property Analysts and Property Financiers on a range of topics affecting property industry activity.

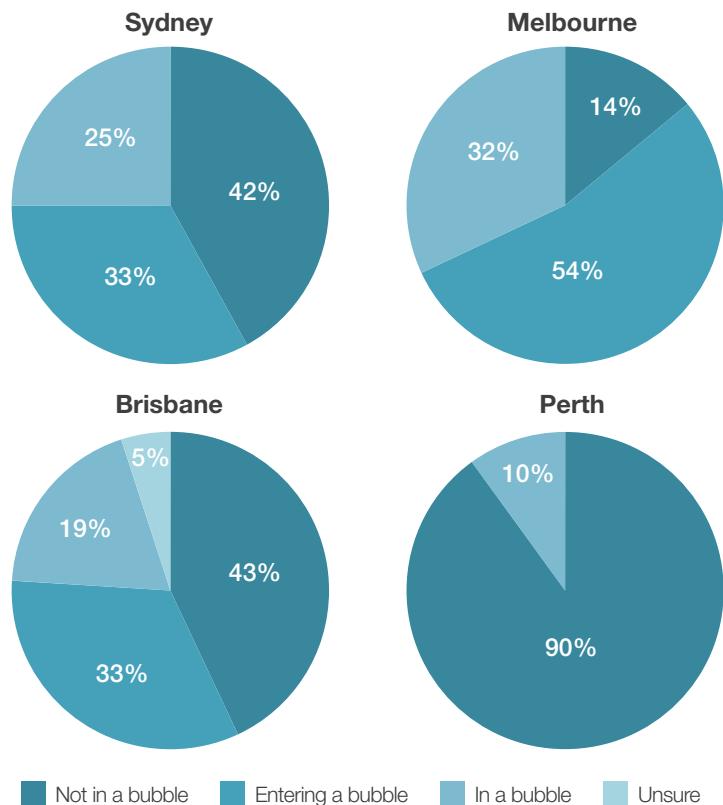
## Are the Sydney, Melbourne, Brisbane and Perth residential property markets in bubbles?

Survey respondents were asked to indicate whether or not residential property markets in Sydney, Melbourne, Brisbane and Perth were in a bubble.

Results are split for Sydney, with 58% of respondents indicating residential property is in or is entering a bubble, while 42% indicate it is not in a bubble. For Melbourne, 86% of respondents believe residential property is in or is entering a bubble, while 14% believe it is not in a bubble. For Brisbane, 42% of respondents indicate that residential property is not in a bubble, 52% indicate that it is in or is entering a bubble and 5% are unsure. For Perth, respondents are more certain, with 90% indicating residential property is not in a bubble.

### Residential Bubble or Not?

November 2016  
Percentage Responses



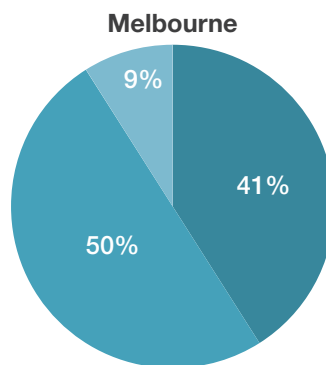
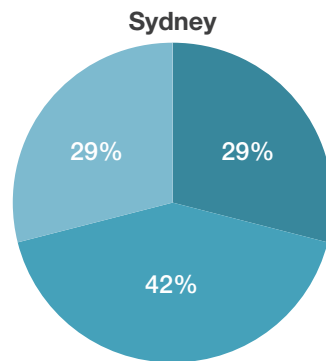
## How long will the current upward trend in Sydney and Melbourne residential property last?

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

Most commonly respondents indicated that the current upward trend for Sydney residential property will last for 12 months while 29% believed it would last for 6 months and another 29% believed it would last for 18 months. 91% of respondents indicate that the current upward trend for Melbourne residential property will last for either 6 or 12 months, with 50% of those respondents believing the upward trend will last for 12 months.

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

November 2016  
Percentage Responses



■ 6 months ■ 12 months ■ 18 months ■ 24 months ■ >24 months

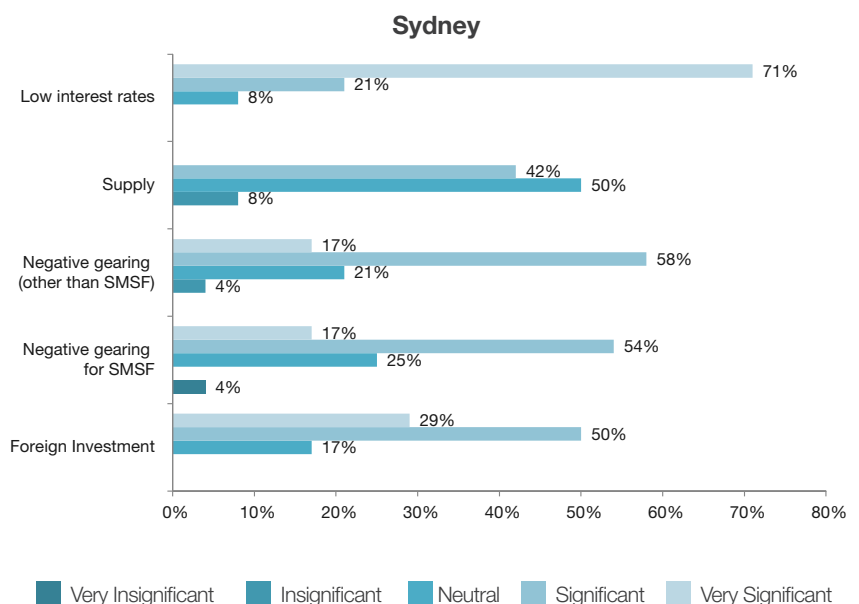
## What are the drivers for residential property demand / prices in Sydney, Melbourne, Brisbane and Perth?

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

The majority (92%) of respondents see low interest rates as a significant to very significant driver of Sydney residential property demand and prices. The second most significant driver is supply with 91% seeing it as significant to very significant.

## Drivers of Residential Property Demand / Prices

November 2016  
Percentage Responses



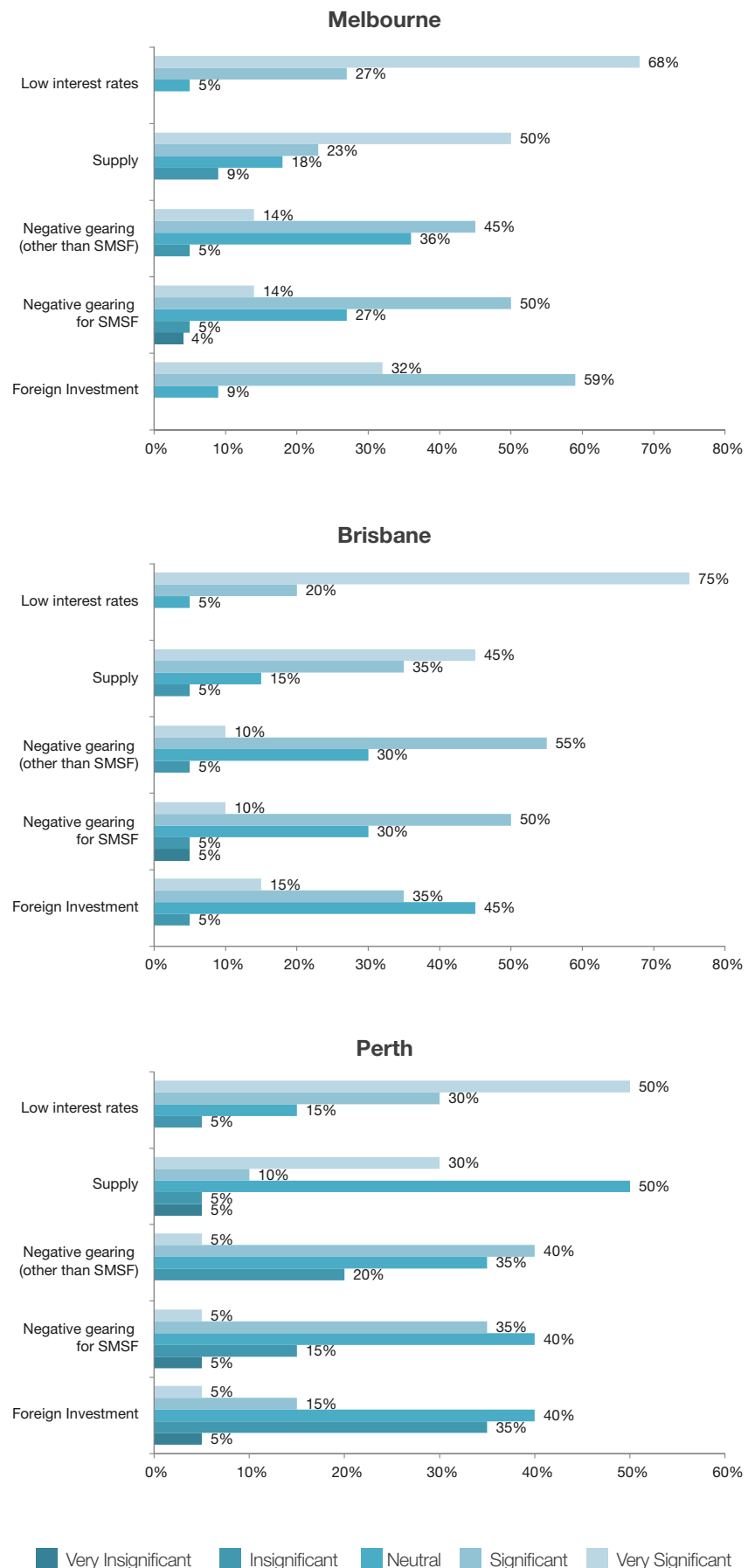
In Melbourne, the two main drivers for residential property demand and prices are low interest rates (with 95% of respondents seeing them as a significant to very significant driver) and foreign investment (with 91% of respondents seeing it as a significant to very significant driver).

Brisbane is similar to the Sydney market, with 95% of respondents seeing low interest rates as significant or very significant, and therefore the main driver of demand and prices in the city. Supply is considered the second most significant driver, with 80% seeing it as significant to very significant.

In Perth, low interest rates are again considered the most significant driver of demand and prices, however this view is not as strong as in the other cities, with 80% seeing it as a significant or very significant driver.

## Drivers of Residential Property Demand / Prices

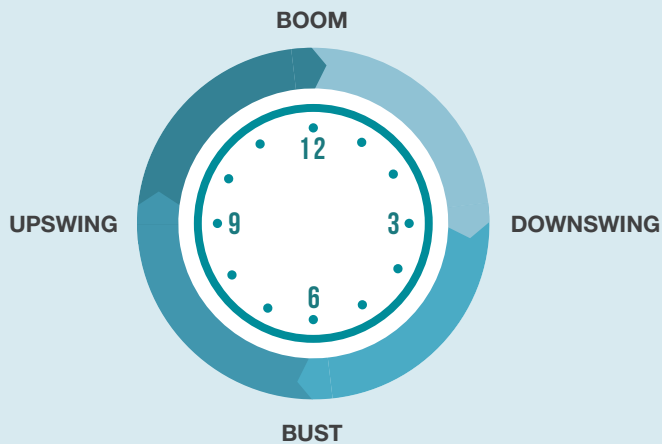
November 2016  
Percentage Responses



## Property Time Clock - Sydney, Melbourne, Brisbane and Perth

### Property Clock Key

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



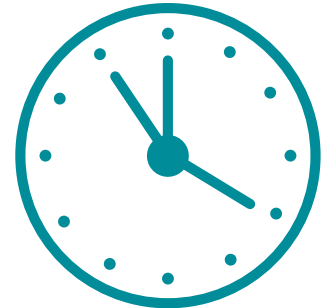
Respondents see residential property in Sydney and Melbourne as staying around the top of the property cycle for some time. Residential property in both cities is currently seen as at the top of the property clock. Over the next year, Melbourne is expected to pass the top of the property cycle, but will remain close to the top over the next two years. Respondents believe the residential market in Sydney has also reached its peak, but it will move along the downswing of the cycle at a slightly slower rate.

It is expected that Brisbane will take approximately one year to reach the top of the property cycle. In Perth, residential property currently is seen heading towards the bottom of the property cycle, and is expected to reach the lowest point in the cycle during 2017.

### 2016 - Current Time

Residential property in Sydney and Melbourne is believed to be reaching the top of the property cycle while Brisbane residential property has further to go along the upswing. Respondents believe Perth is heading towards the bottom of the property cycle.

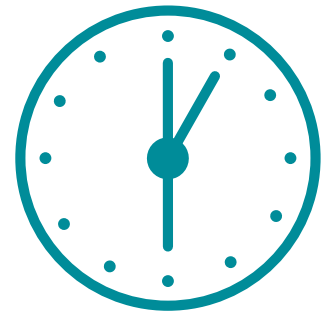
Sydney	12
Melbourne	12
Brisbane	11
Perth	4



### 2017 - One Year's Time

Residential property in Sydney and Brisbane is expected to be at the top of the property cycle, with Melbourne commencing the downswing. Respondents believe Perth will reach the bottom of the property cycle during 2017.

Sydney	12
Melbourne	1
Brisbane	12
Perth	6



### 2018 - Two Years' Time

Respondents believe that residential property in Sydney, Melbourne and Brisbane will have commenced the downswing of the cycle by 2018. All cities will be further along the downswing than they were 12 months previously. It is believed that Perth will remain at the bottom of the property cycle.

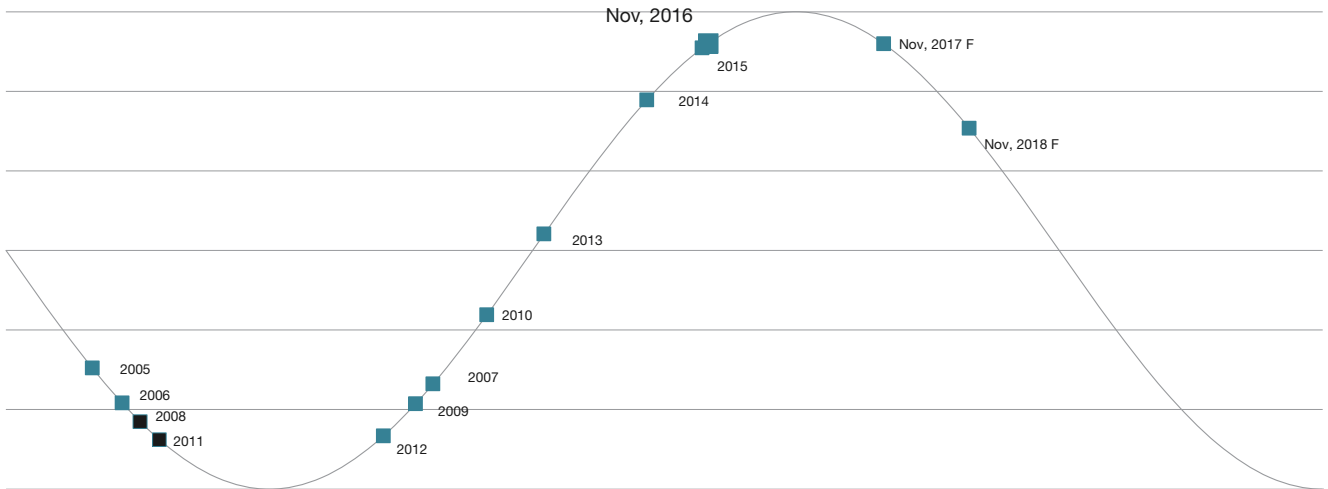
Sydney	1
Melbourne	2
Brisbane	2
Perth	6



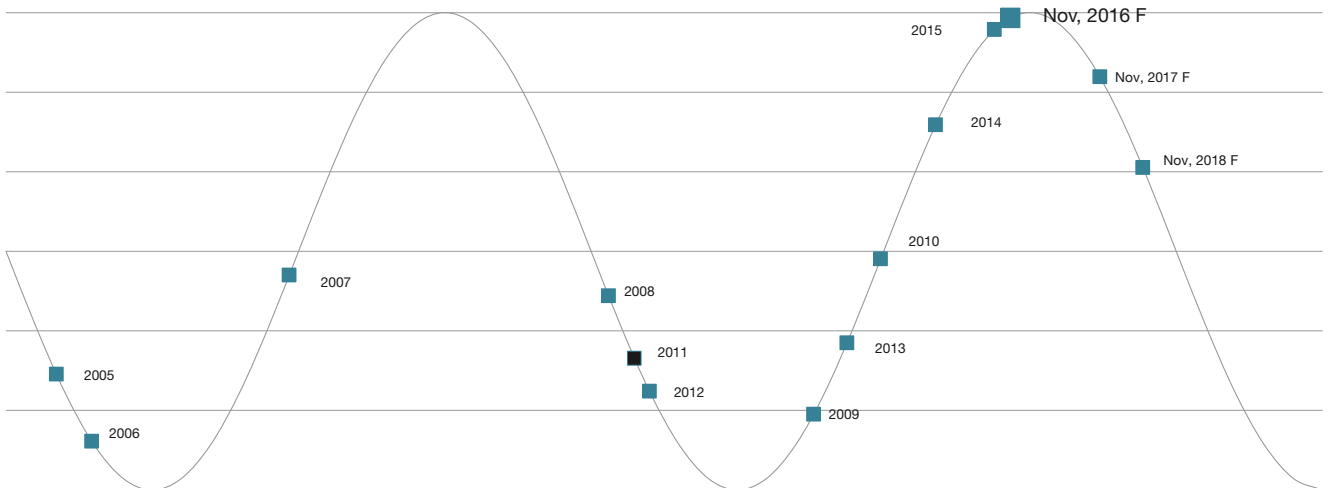
# Residential Property Cycle for Sydney, Melbourne and Brisbane

(with Forecasts for 2017 and 2018)

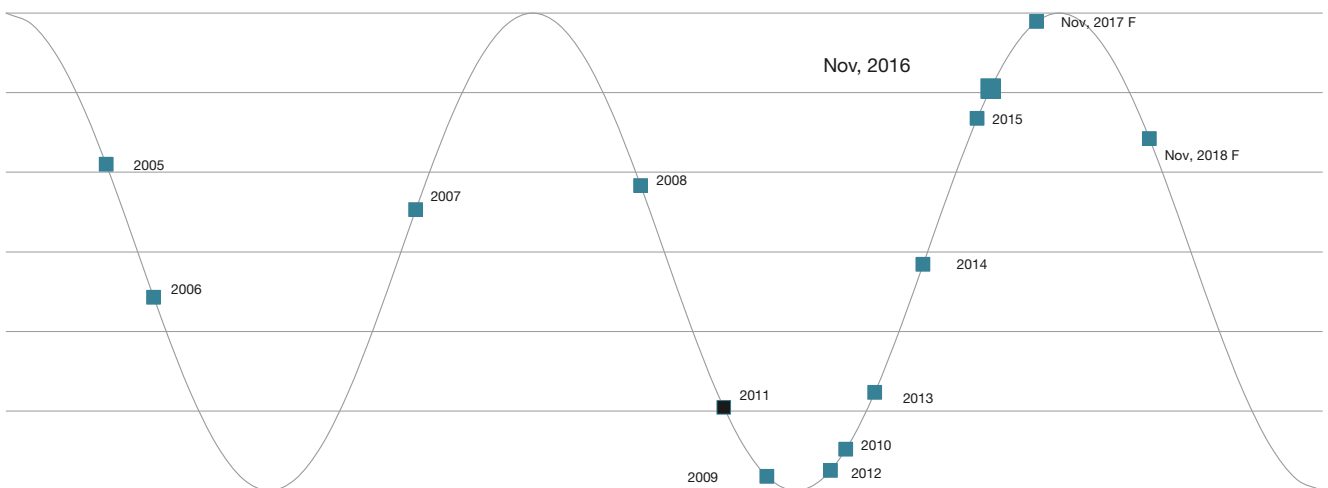
## Sydney



## Melbourne



## Brisbane



## Economic settings - major factors impacting on the economy

### Interest rates

A large majority of respondents see interest rates as being similar for the next 6 to 12 and higher in 3 years' time.

### Inflation

Most respondents see inflation as being similar for the next 6 to 12 months. In three years' time, a larger majority believe inflation will be higher.

### Foreign Investment

Most respondents see foreign investment as at a similar level for next 6 months. Respondents are less certain for the 12 month period but half see foreign investment at similar levels. In 3 years' time, half of respondents believe foreign investment will be lower.

### Business Confidence

Predictions for business confidence for the next 6 to 12 months are for similar levels. Respondents are split over predictions for 3 years' time, with 46% believing that business confidence will be higher.

## Economic Settings – Major Factors Impacting on the Economy

November 2016 (October 2015)

Percentage of Respondents

	Lower	Similar	Higher
<b>Interest Rates</b>			
6 months	15 (30)	<b>81 (70)</b>	4 (0)
1 year	12 (15)	<b>76 (65)</b>	12 (20)
3 years	4 (0)	19 (20)	<b>77 (80)</b>
<b>Inflation</b>			
6 months	19 (5)	<b>66 (90)</b>	15 (5)
1 year	8 (0)	<b>69 (80)</b>	23 (20)
3 years	4 (0)	15 (15)	<b>81 (85)</b>
<b>Foreign Investment</b>			
6 months	12 (0)	<b>65 (80)</b>	23 (20)
1 year	27 (10)	<b>50 (55)</b>	23 (35)
3 years	<b>50 (35)</b>	27 (45)	23 (20)
<b>Business Confidence</b>			
6 months	11 (15)	<b>81 (50)</b>	8 (35)
1 year	4 (10)	<b>77 (30)</b>	19 (60)
3 years	23 (5)	31 (5)	<b>46 (90)</b>

## Respondents to the Survey

The API appreciates the continued support of the following survey respondents

Abacus Property Group  
ANZ  
BankWest  
Charter Hall  
Chesterton International Australia  
Colliers International Australia  
Commonwealth Bank of Australia

Cushman & Wakefield  
DEXUS Property Group  
EY  
Goodman  
Herron Todd White  
Investa Property Group  
JLL

Knight Frank  
Knight Frank Valuations  
Landmark White  
LendLease  
m3property Australia  
Macquarie Group  
McGees Property

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Opteon Property Group  
Preston Rowe Paterson  
Pricewaterhouse Coopers  
Westpac Banking Corporation

**IN APPRECIATION:** The API appreciates the work of the API Research Committee of Phil Bennett <sup>LF</sup>API, Research Committee Chairman; Associate Professor John MacFarlane <sup>F</sup>API of Western Sydney University; and Colin Pugsley <sup>F</sup>API, NSW Divisional Councillor.

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