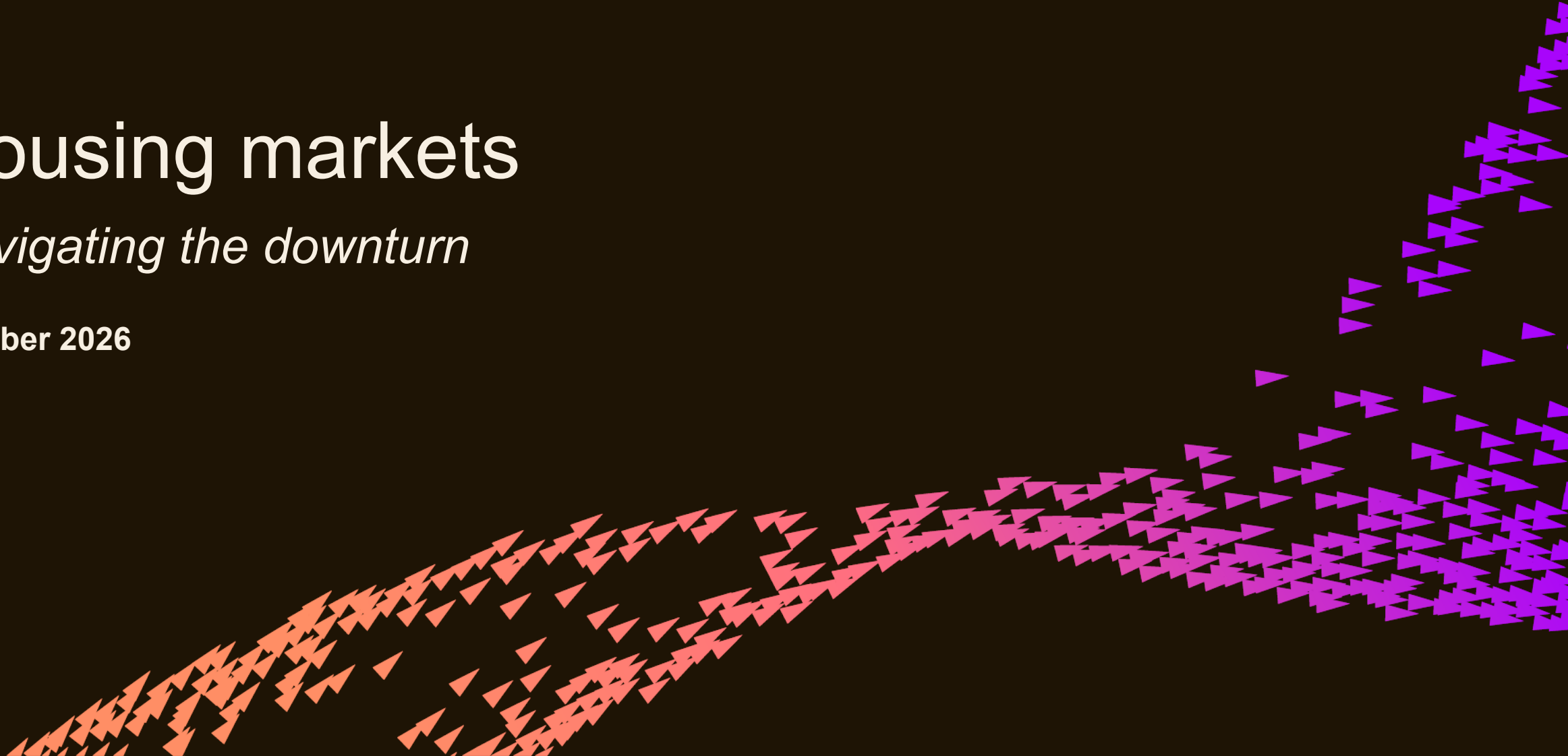




Housing markets

Navigating the downturn

October 2026



Residential real estate underpins Australia's wealth



Residential real estate

\$12.1 Trillion



Australian superannuation

\$4.8 Trillion



Australian listed stocks

\$3.6 Trillion

Number of dwellings

11.5 Million

Outstanding mortgage debt

\$2.6 Trillion

Household wealth
held in housing

55.8%

Total sales P.A.

510,443

Gross value of sales P.A.

\$561.1 Billion

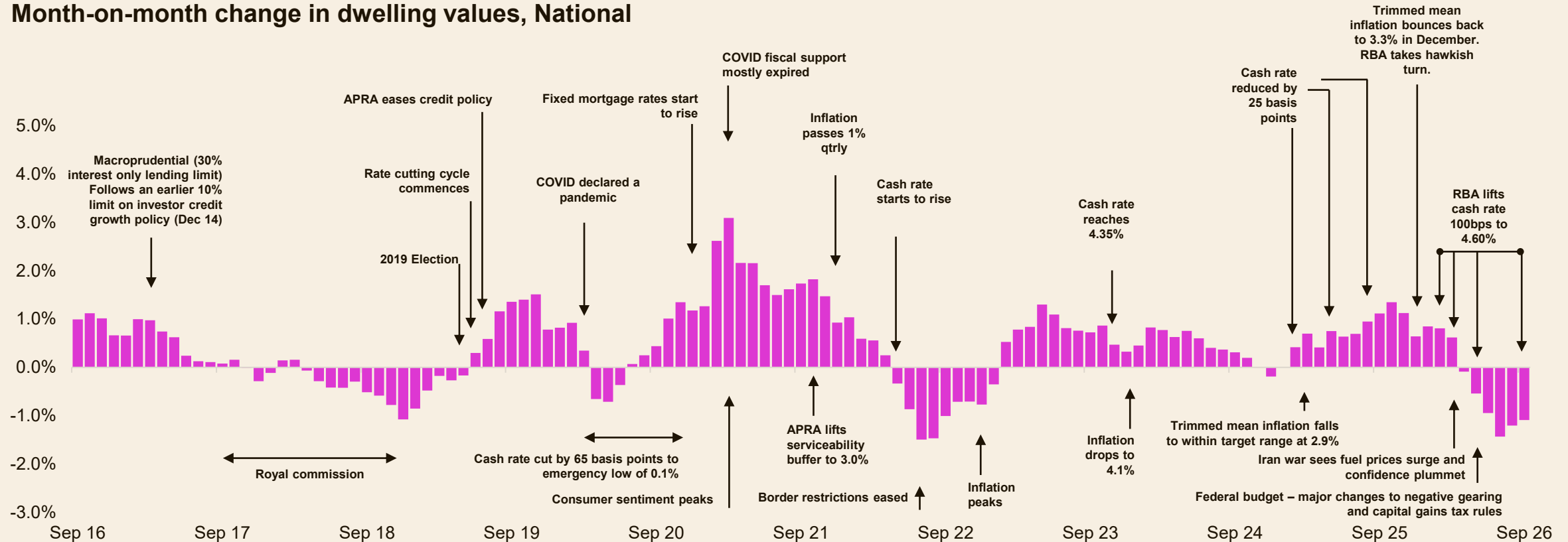


Source: Cotality, RBA, APRA, ASX

Six months into a national housing downturn: housing values peaked in March, falling 5.2% since then.

The rate of decline has eased over the past two months but the rate hike on September 29th could see the downturn reaccelerate.

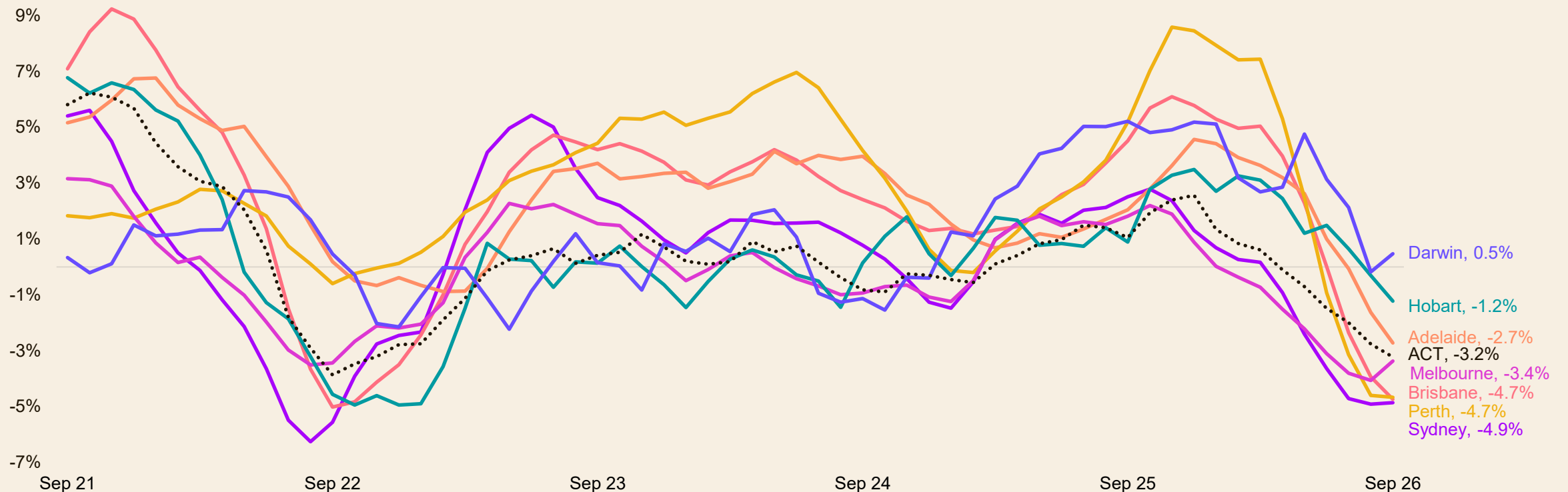
Month-on-month change in dwelling values, National



Every capital city, except Darwin, is now recording a negative quarterly trend in home values.

Sydney and Melbourne have led the weaker cycle, but the mid-sized capitals have caught up with Brisbane & Perth values declining almost as fast as Sydney.

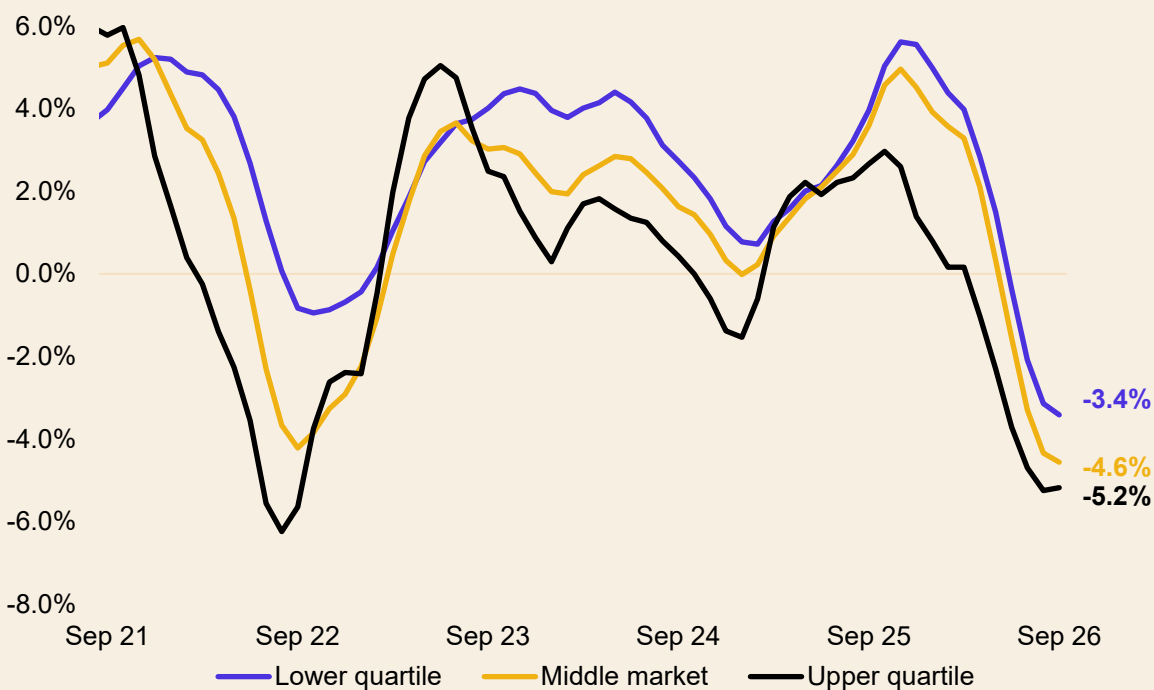
Rolling quarterly change in dwelling values



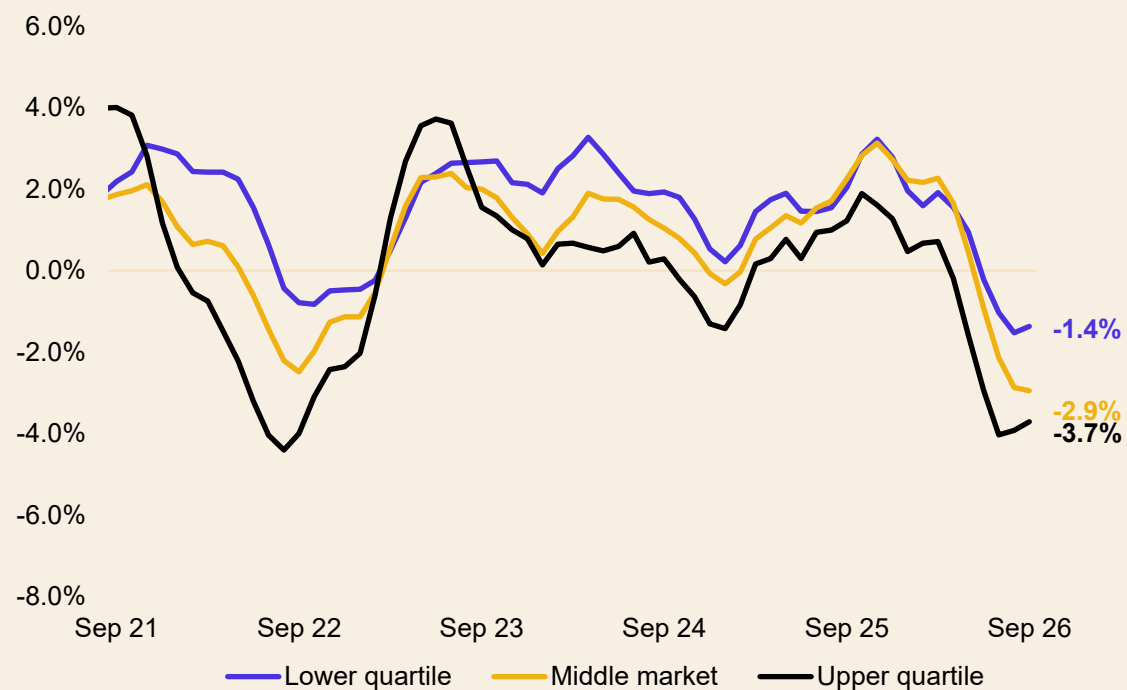
Importantly... the trends are uneven. The more affordable end of the housing market has shown a stronger upswing and some insulation through the downturn to-date.

Over the past five years, every capital city has recorded a substantially stronger growth outcome in lower quartile home values. More recently, while this segment of the market isn't immune to falling values, the rate of decline has been moderate relative to more expensive market segments.

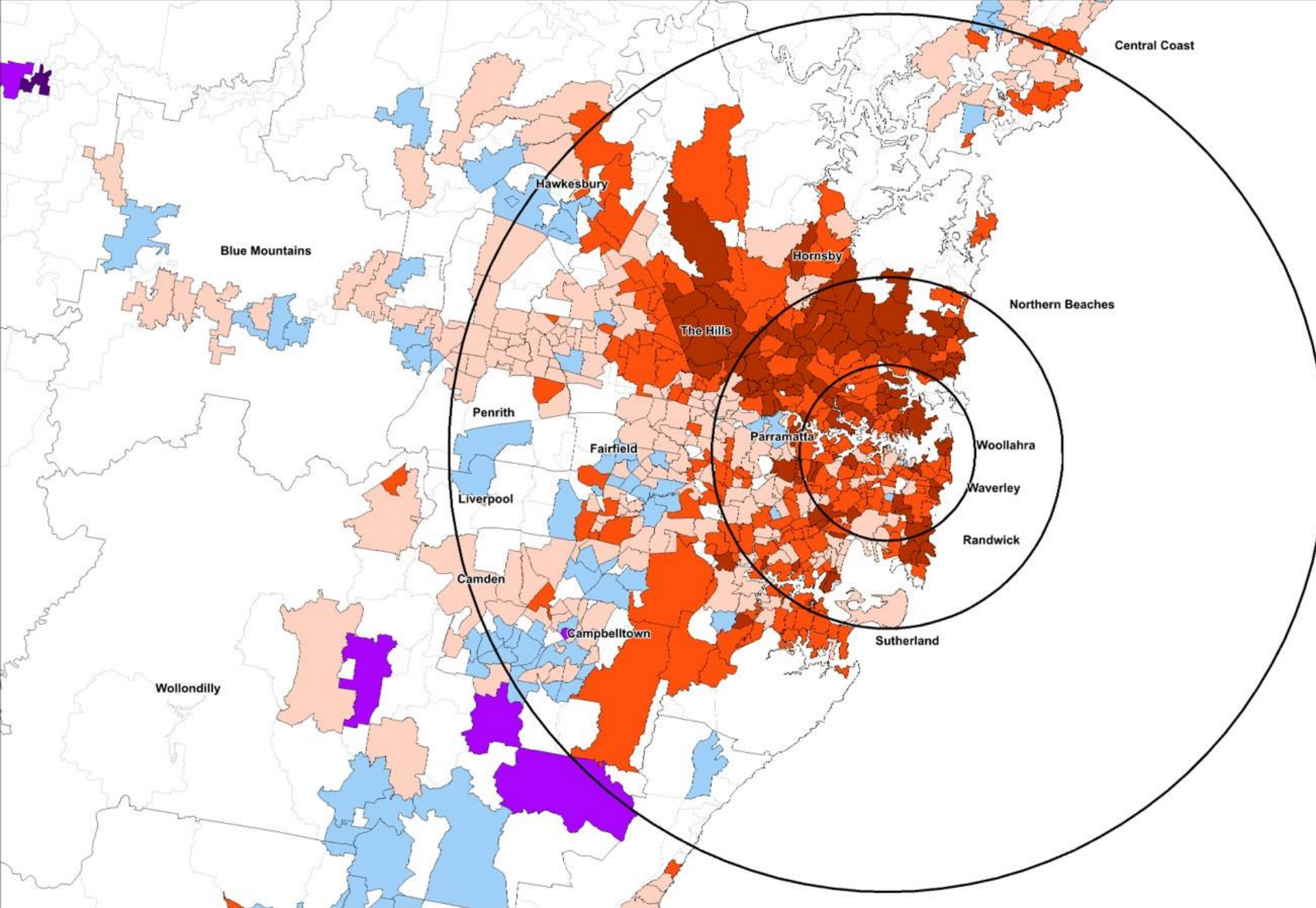
Quarterly change in house values, Combined capitals



Quarterly change in unit values, Combined capitals



Sydney

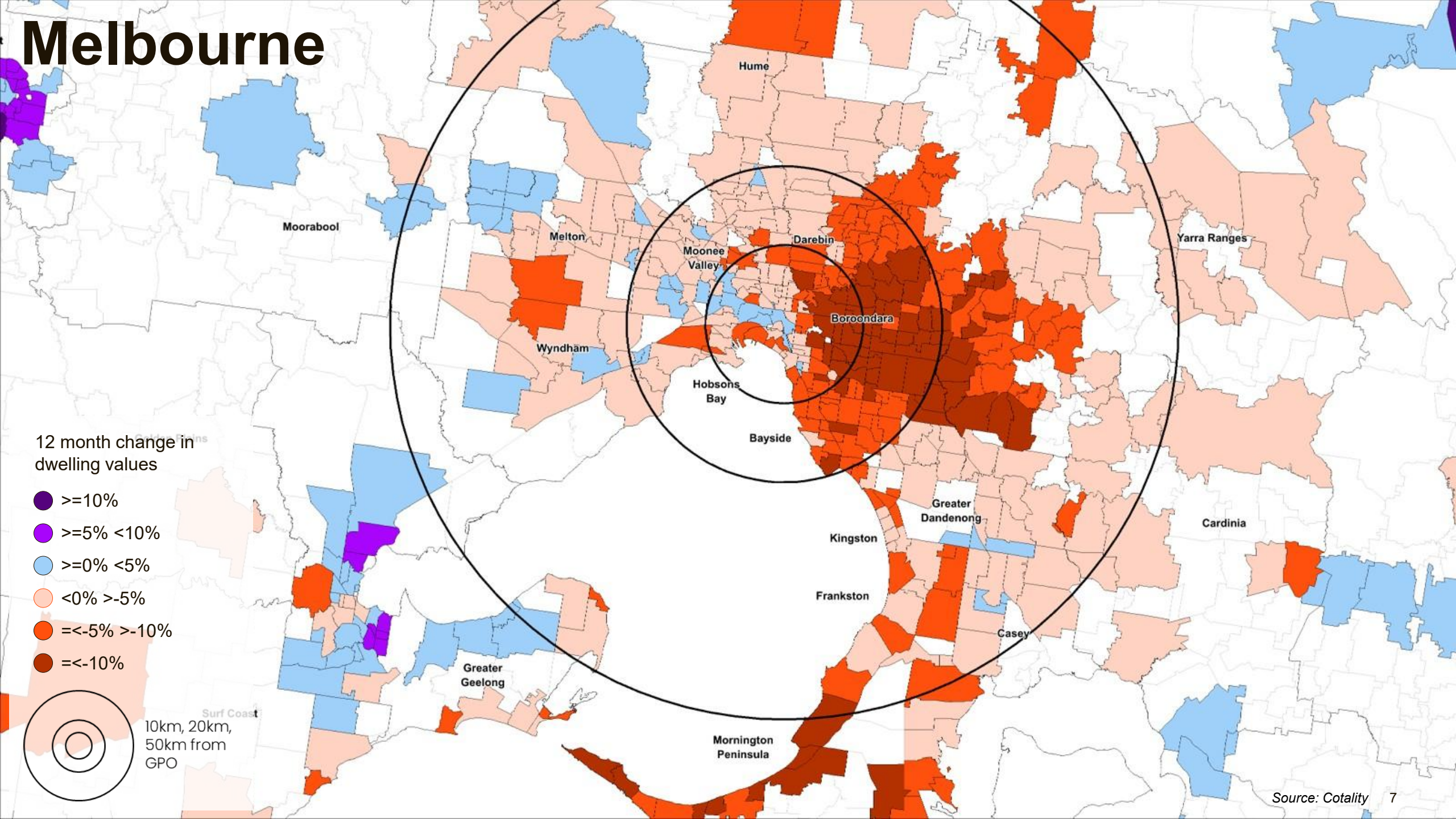


12 month change in dwelling values

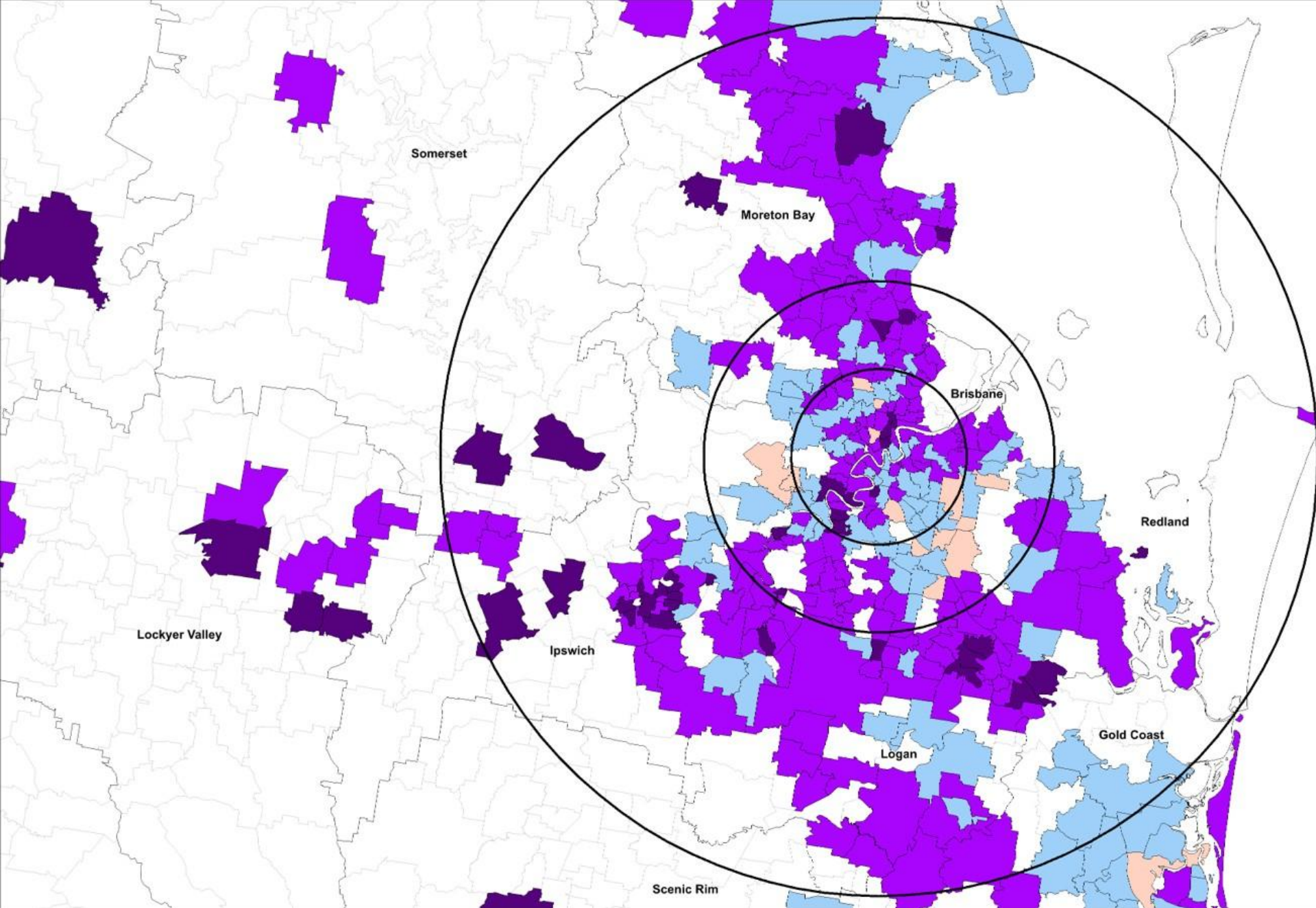
- >=10%
- >=5% <10%
- >=0% <5%
- <0% >-5%
- =<-5% >-10%
- =<-10%



Melbourne



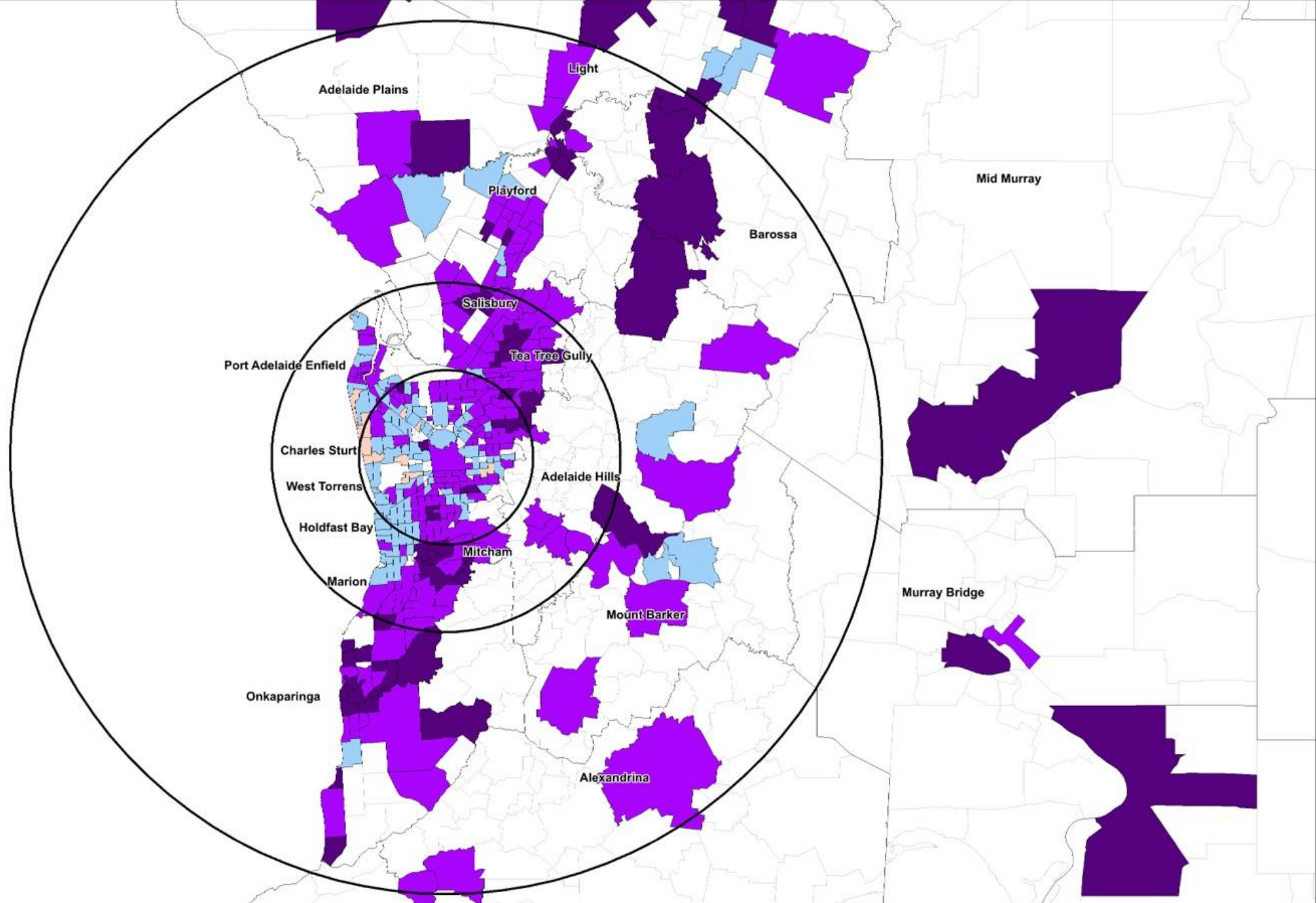
Brisbane



Adelaide

12 month change in dwelling values

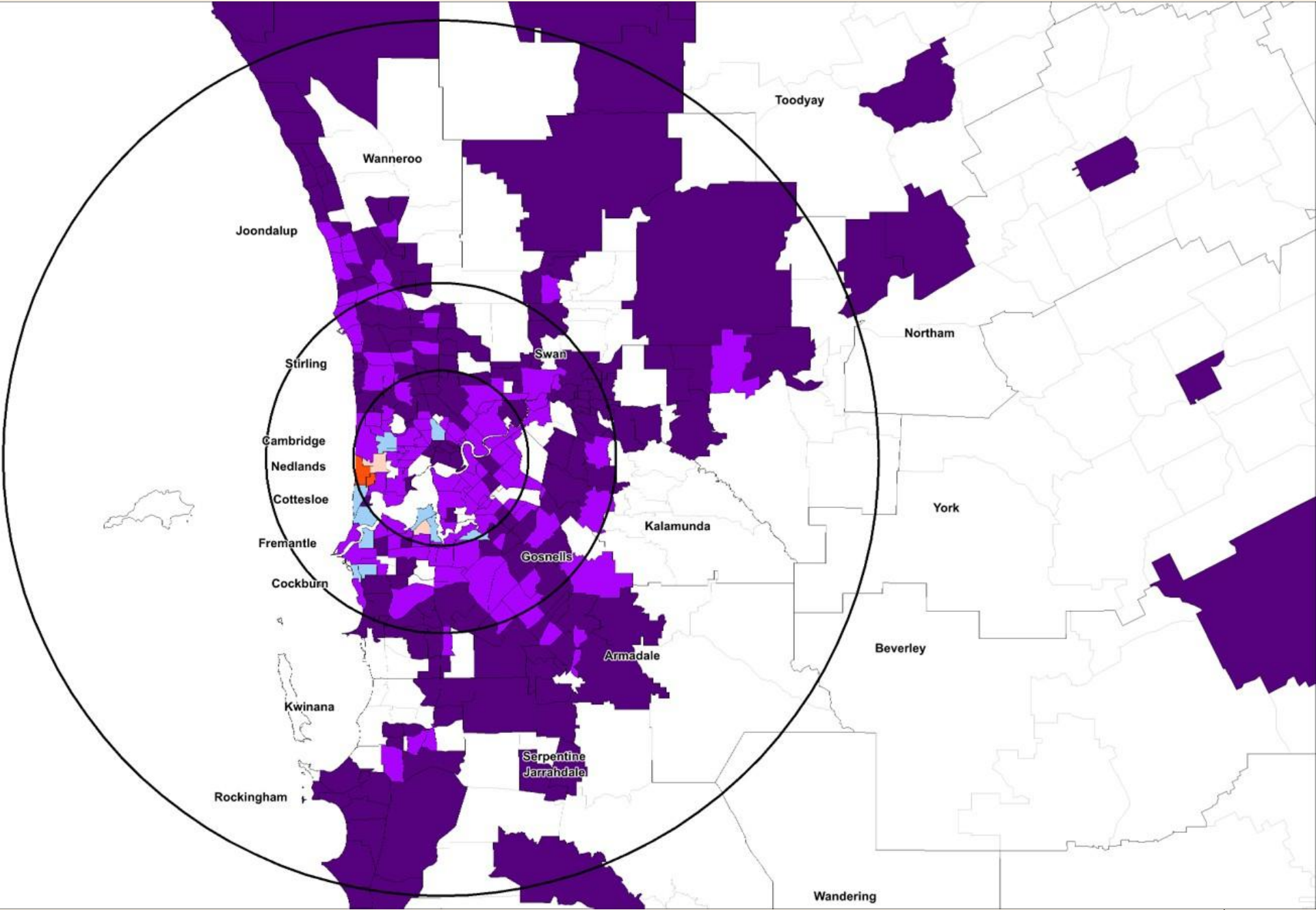
- $\geq 10\%$
- $\geq 5\% < 10\%$
- $\geq 0\% < 5\%$
- $< 0\% > -5\%$
- $\leq -5\% > -10\%$
- $\leq -10\%$



Perth

12 month change in dwelling values

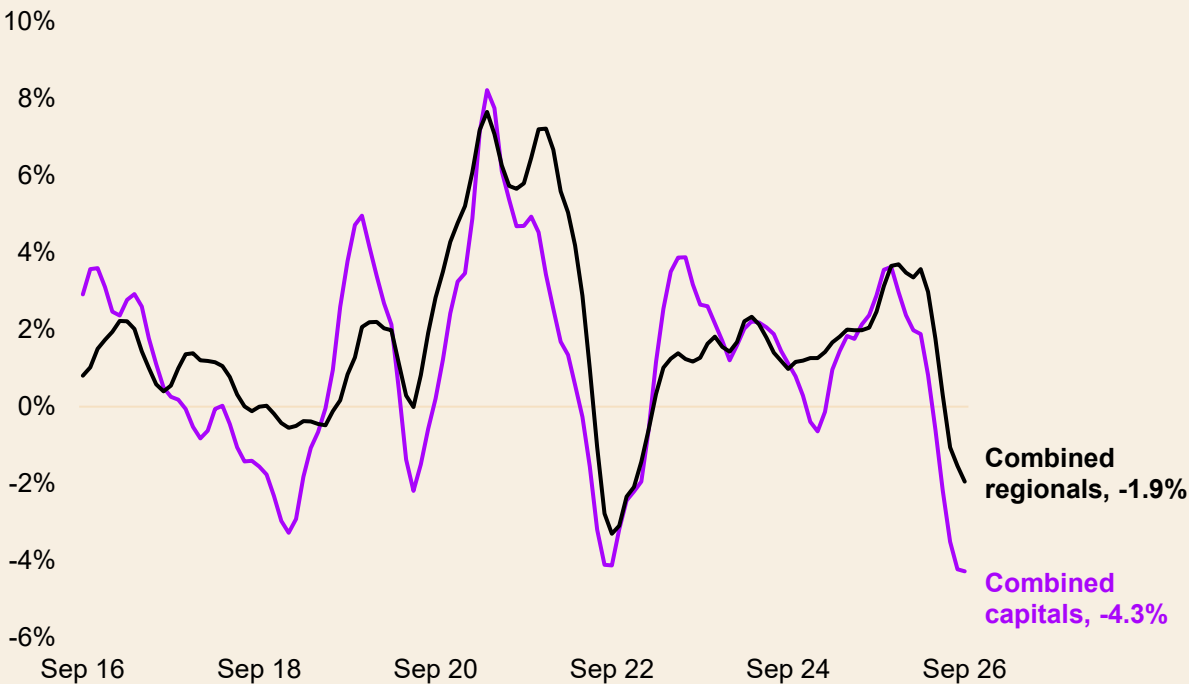
- $\geq 10\%$
- $\geq 5\% < 10\%$
- $\geq 0\% < 5\%$
- $< 0\% > -5\%$
- $\leq -5\% > -10\%$
- $\leq -10\%$



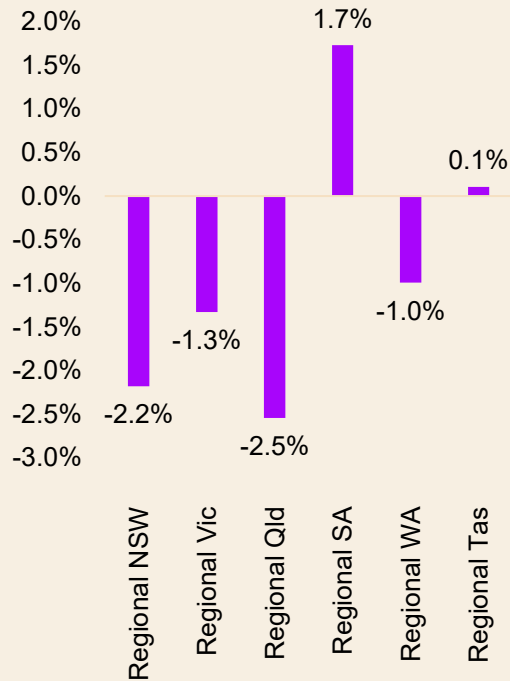
Growth in regional home values has outpaced the capitals, but values are following the capital city lead into decline.

The strongest regional markets are generally those with an affordable price tag and located a further distance from the capital.

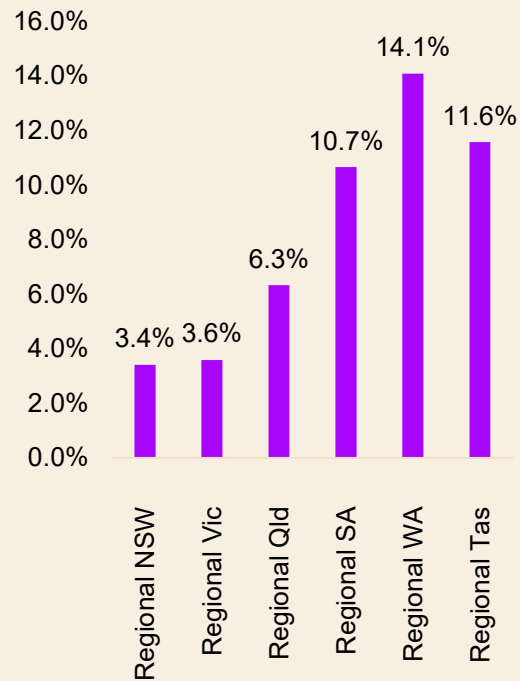
Rolling three-month change in dwelling values – combined capital cities v combined regional areas



Three month change in values



Twelve month change in values

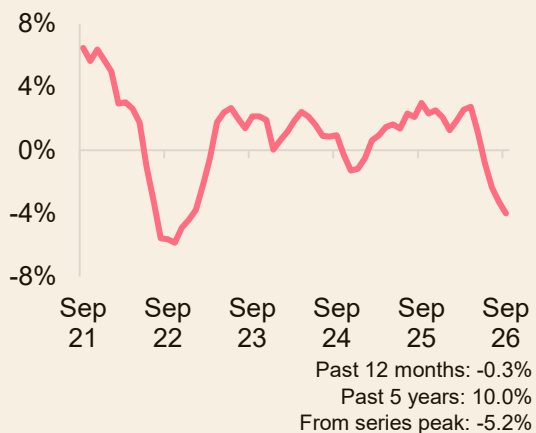


Select regional SA4 markets: rolling quarterly change (all dwellings)

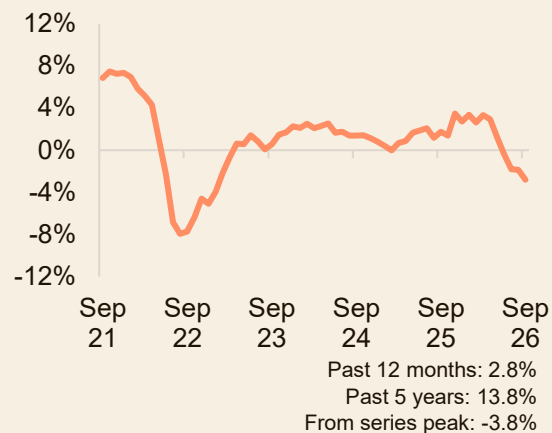
Newcastle and Lake Macquarie



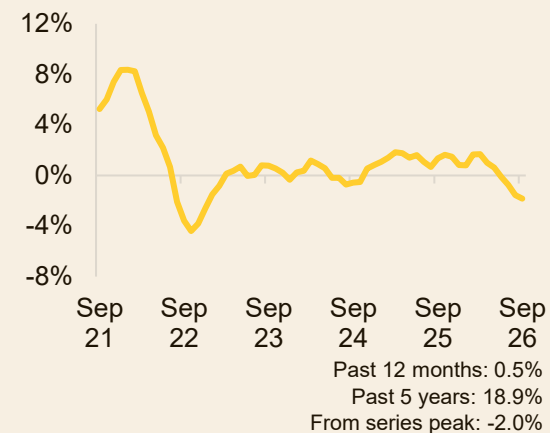
Illawarra



Richmond - Tweed



Mid North Coast



Geelong



Ballarat



Gold Coast



Sunshine Coast

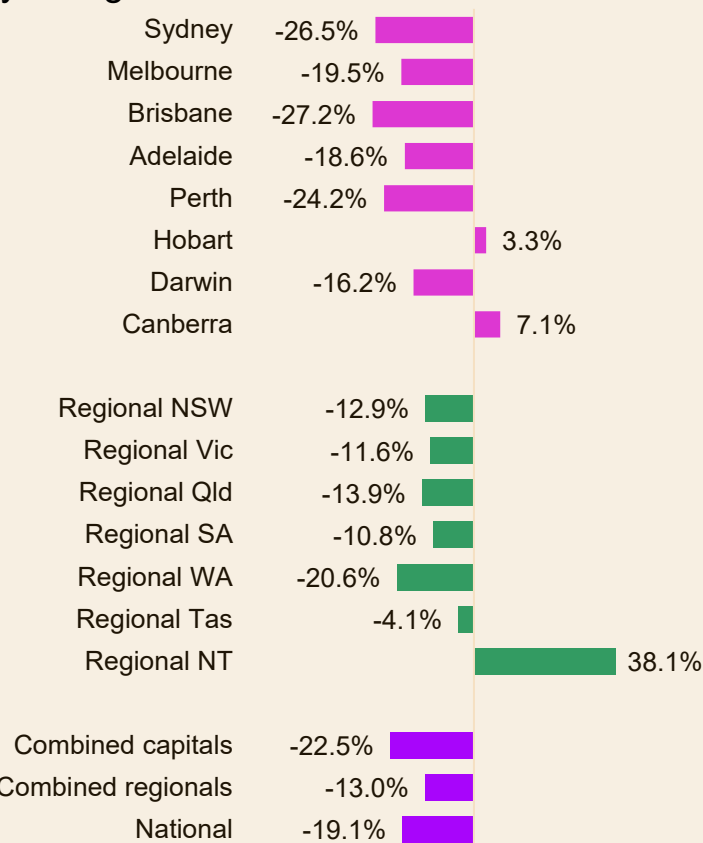


The volume of home sales is now trending lower as demand-side headwinds become more prominent.

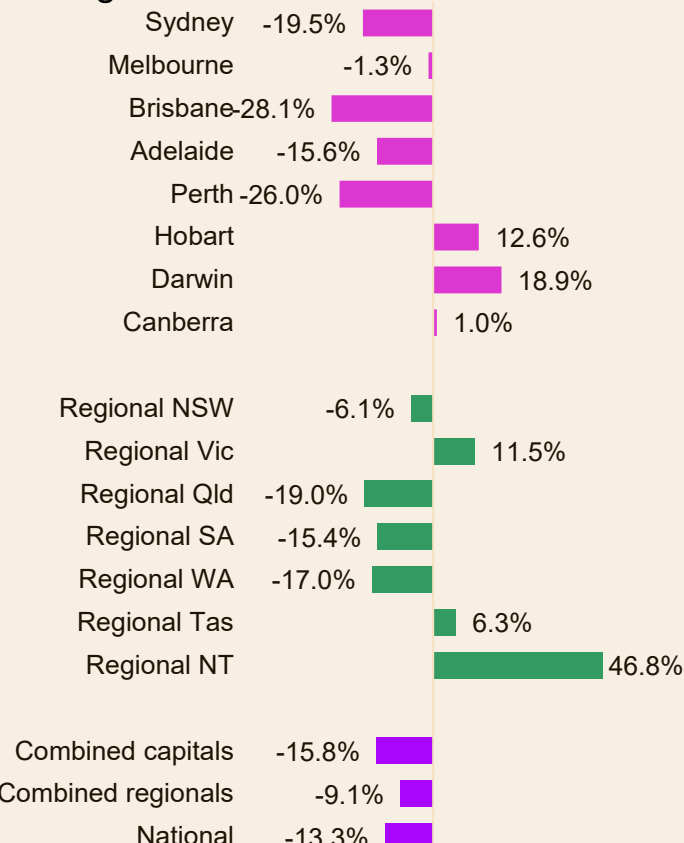
Monthly sales with six month moving average, National



Volume of sales: past three months relative to same period a year ago

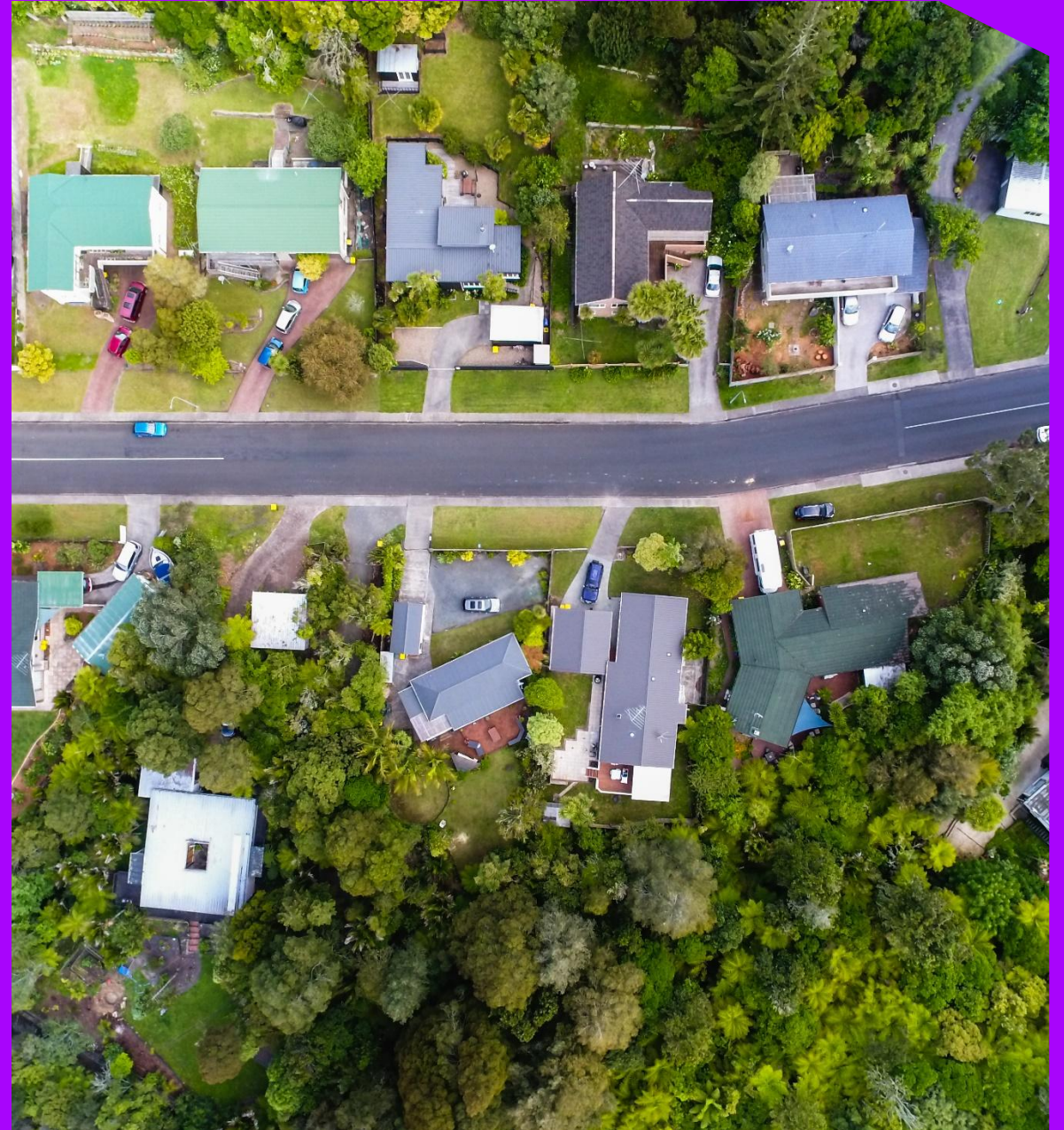


Volume of sales: past three months relative to five year average



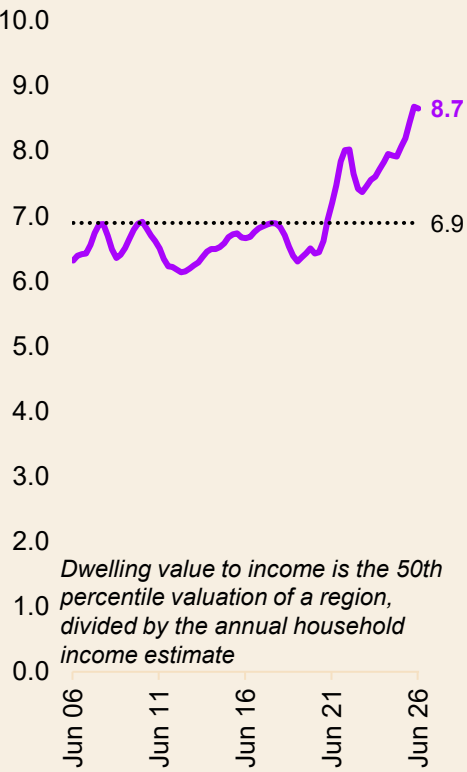
Why the weakness...?

- ▶ Demand has eased in the face of a broad array of headwinds... from 'foundational' factors including normalising population growth and affordability constraints, to macro factors, deeply pessimistic sentiment and changes announced in the federal budget.

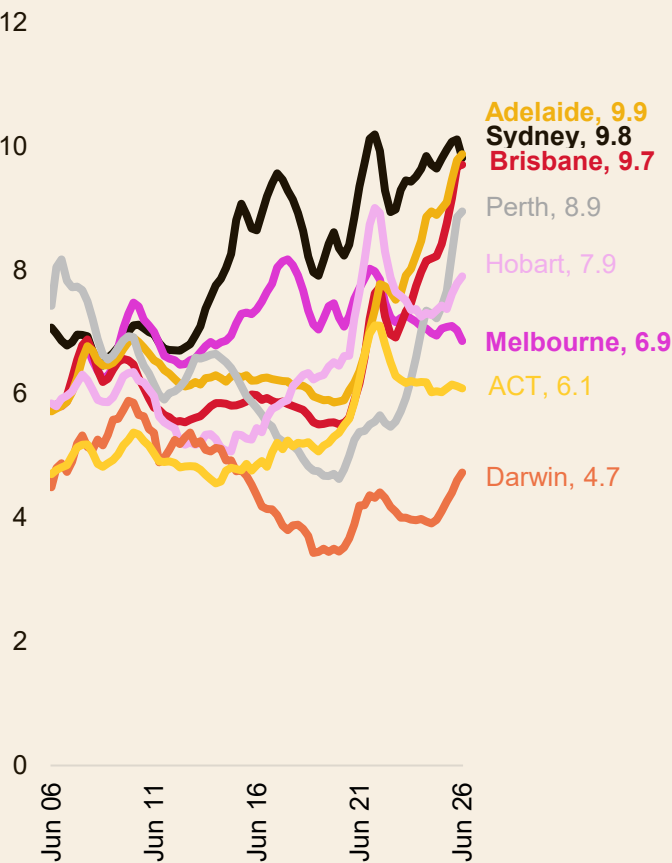


Affordability and serviceability constraints remain a key barrier to housing activity

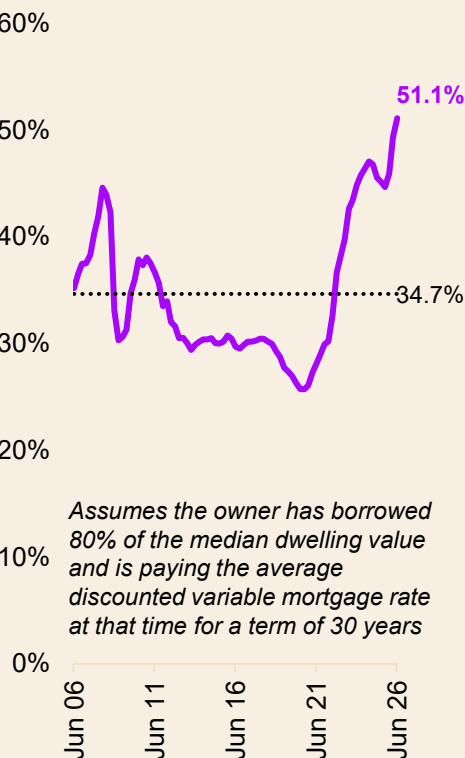
Dwelling value to income ratio



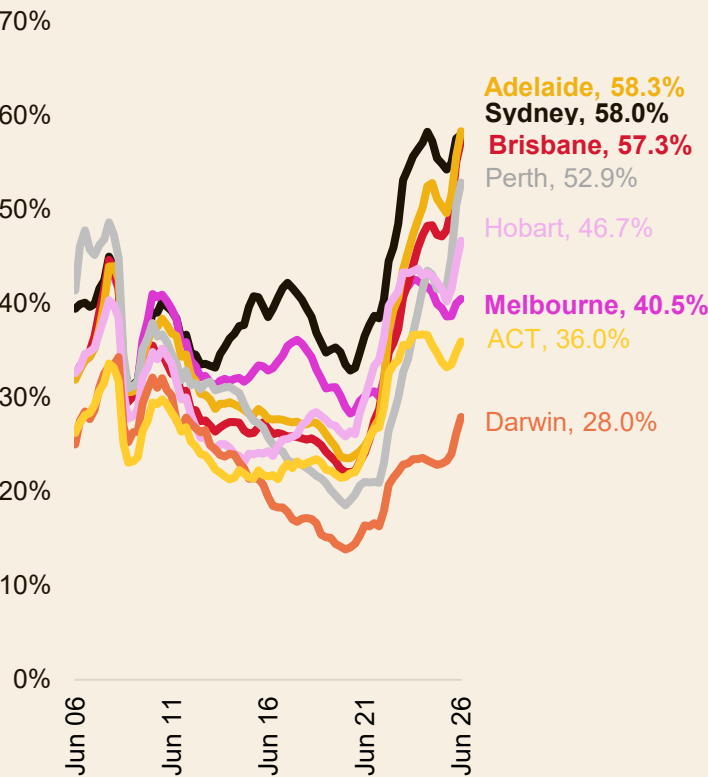
Dwelling value to income ratio



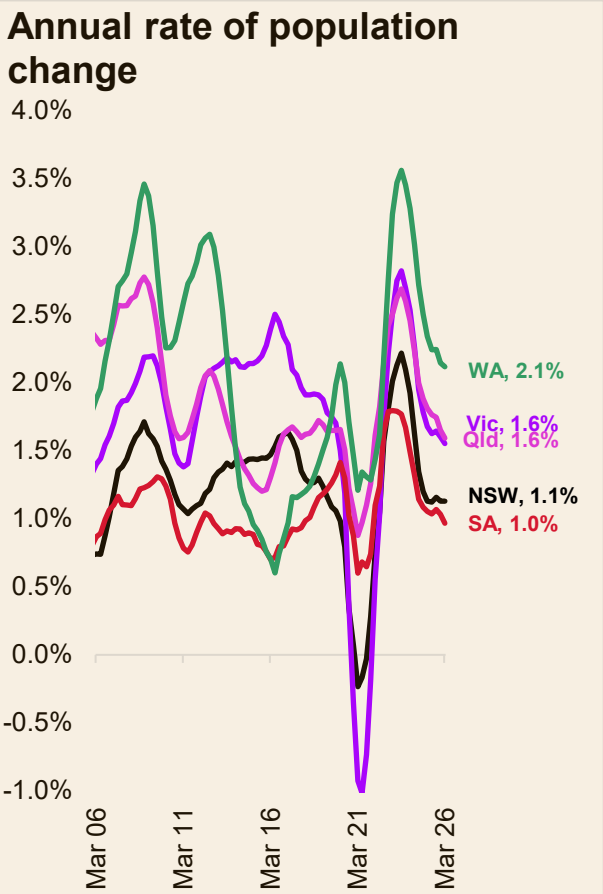
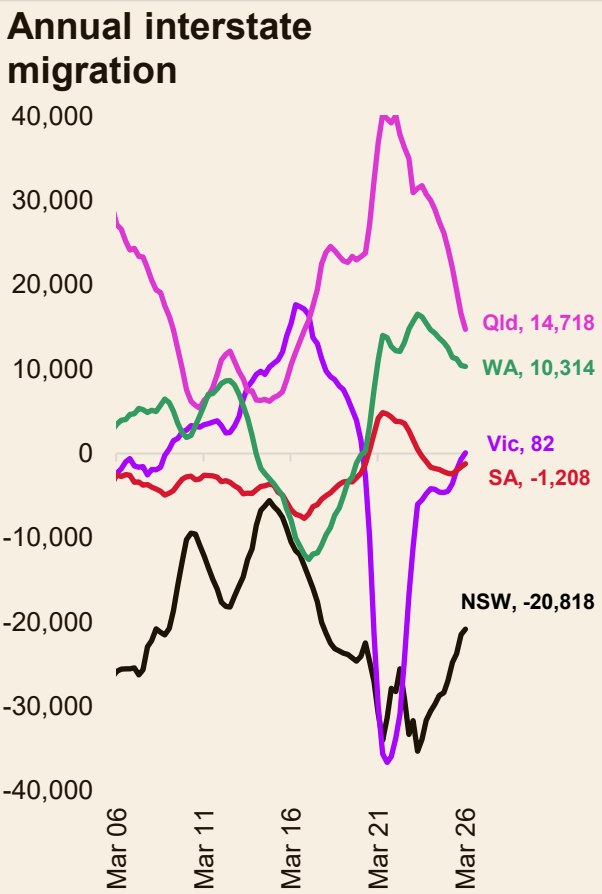
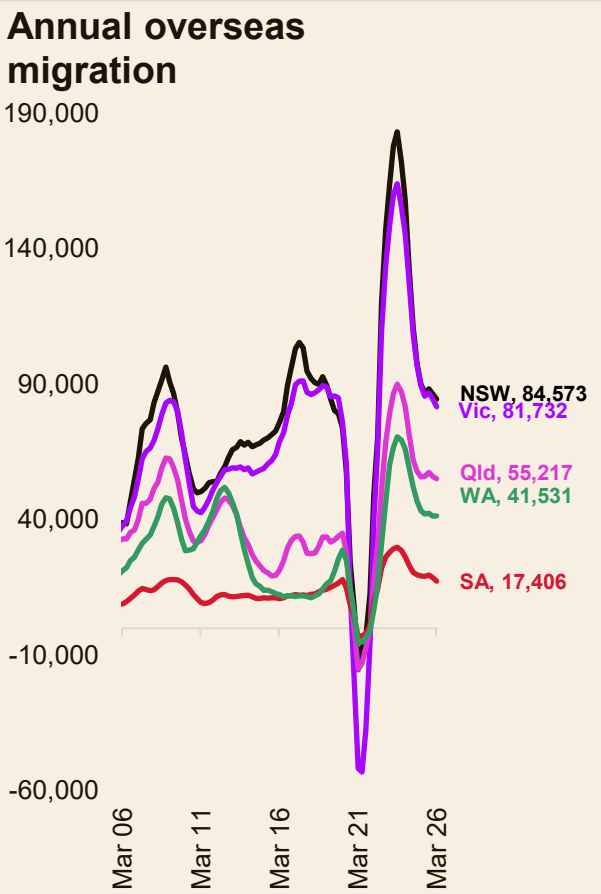
% of hshld income required to service a new mortgage



% of household income required to service a new mortgage



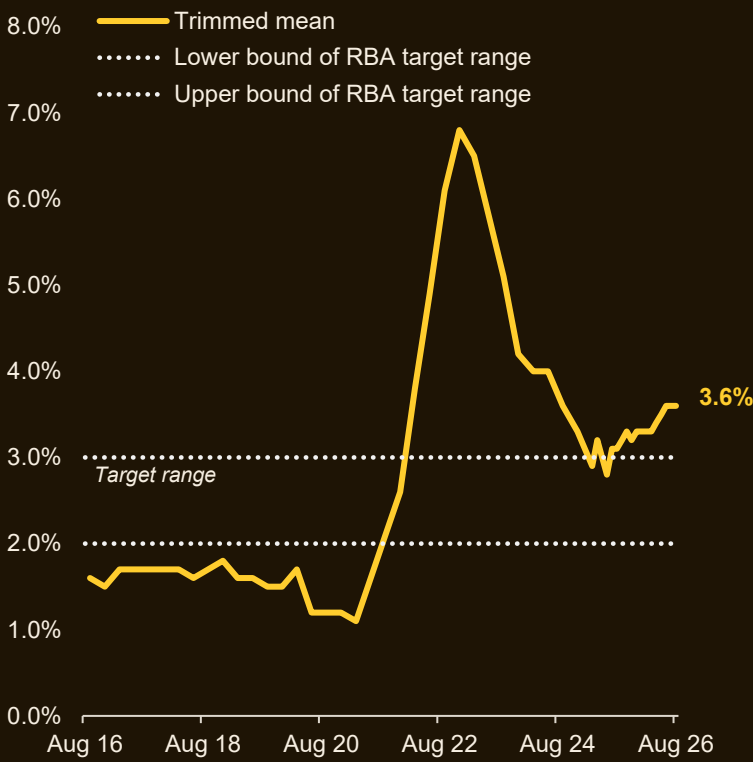
Less demand from population growth: The rate of population growth has normalised following the ‘catch up’ that peaked in early 2023.



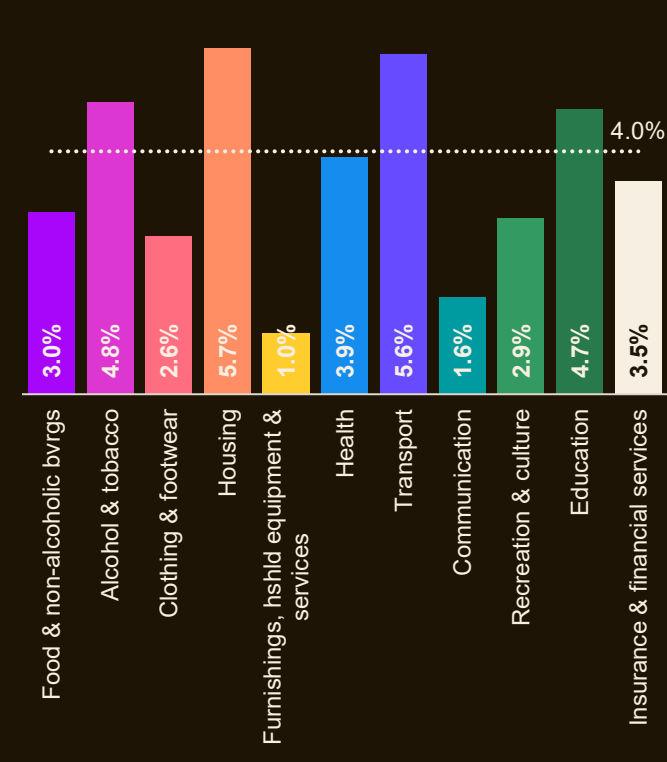
Stubbornly high core inflation triggers renewed rate hike concerns

The RBA's preferred measure of core inflation (trimmed mean) is holding well above the target range at 3.6%. Housing remains a key driver of higher inflation outcomes, especially the cost of home building (the largest weight in the CPI calculation) which has been holding close to 6% over the past three months.

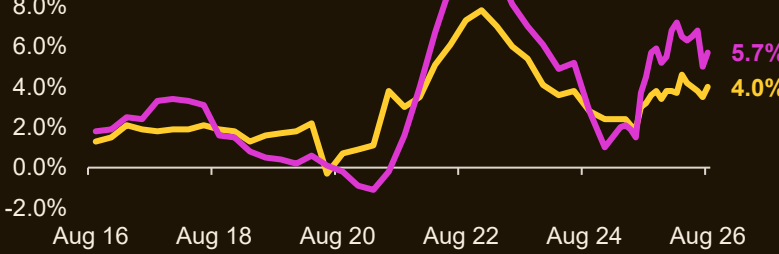
Annual change in core inflation



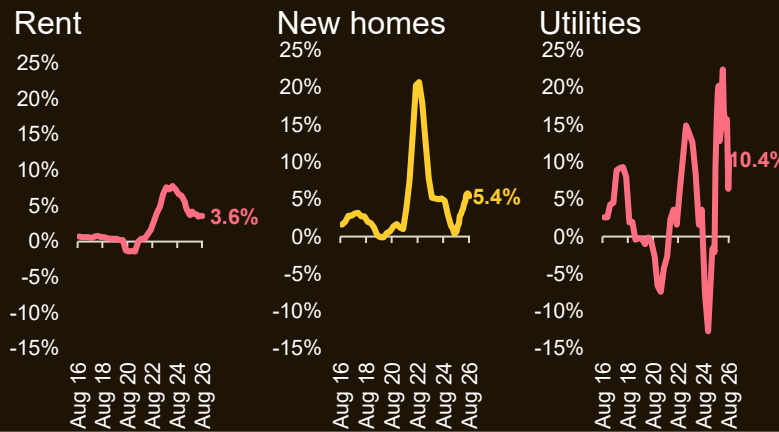
Annual change in inflation by group



Annual inflation



Main components of housing inflation



Plus... other ‘macro’ factors have become increasingly uncertain.

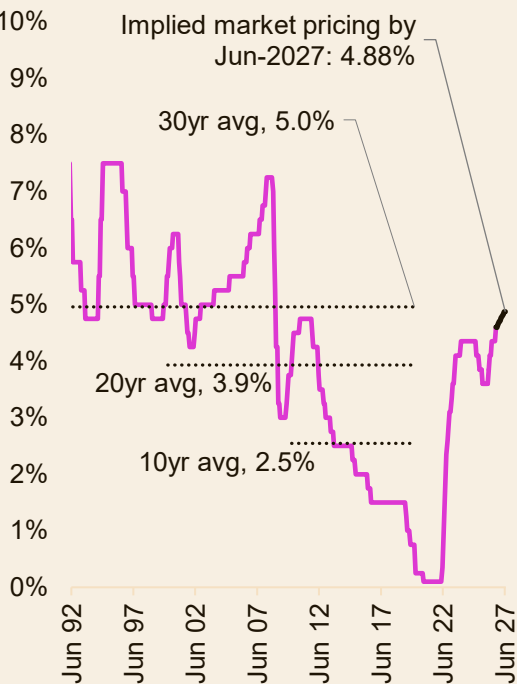
Four quarters of negative inflation adjusted wages growth

Real wages growth



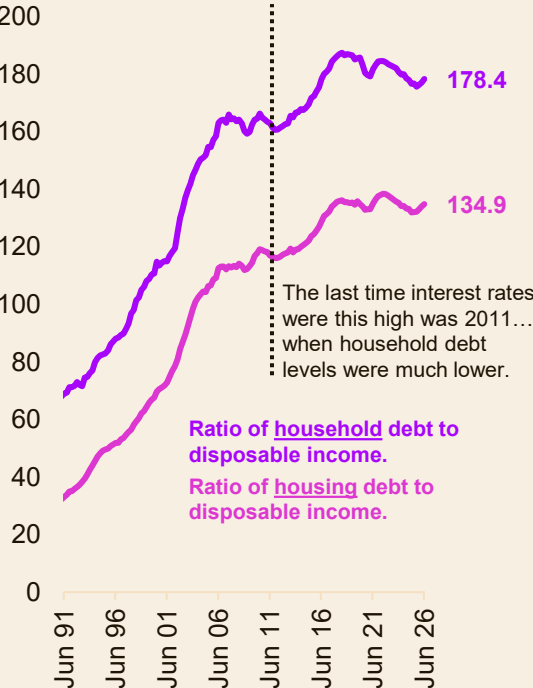
Interest rates higher for longer...

RBA cash rate target and pre-COVID averages



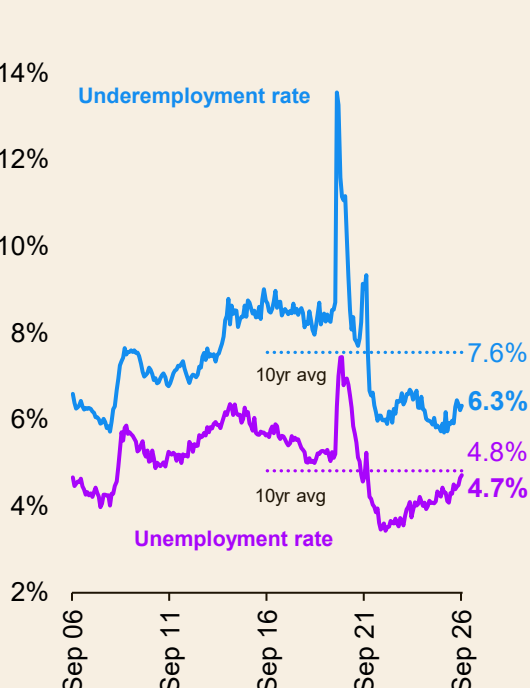
Elevated household debt & credit policy caution

Household/Housing debt ratios



Labour markets tight but gradually loosening.

Unemployment rate v Underemployment rate, Australia

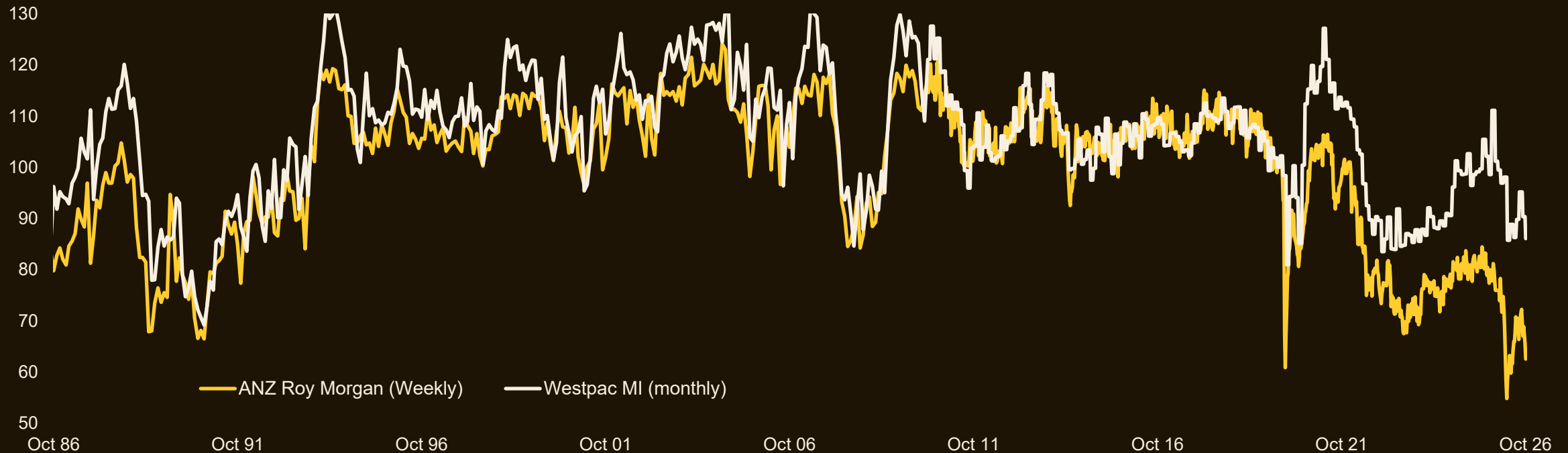


Sentiment has been low and volatile since the start of the US/Iran war... with a renewed downshift amid cost of living and rates pressures.

Sentiment was trending lower through the second half of last year, but plunged in March amid global uncertainty and rising cost of living pressures. Despite a partial recovery, sentiment remains in deeply pessimistic territory.

Consumer sentiment

ANZ/Roy Morgan weekly series v Westpac-Melbourne Institute monthly series



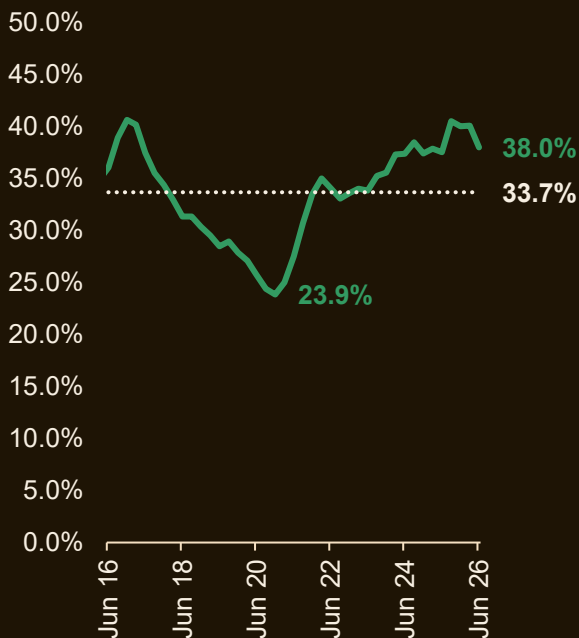
A sharp pullback in investor demand: Changes to taxation policy announced in the federal budget, along with cyclical factors, are likely to see investors pull back sharply.

Investors comprised 41% of mortgage demand late last year. Against a backdrop of low yields and less opportunity for capital gains, investment was already starting to wind down ahead of the federal budget on May 12th. Since then, some lenders have reported a ~30% drop in investment lending.

Value of investment lending (ex refi) (\$m)



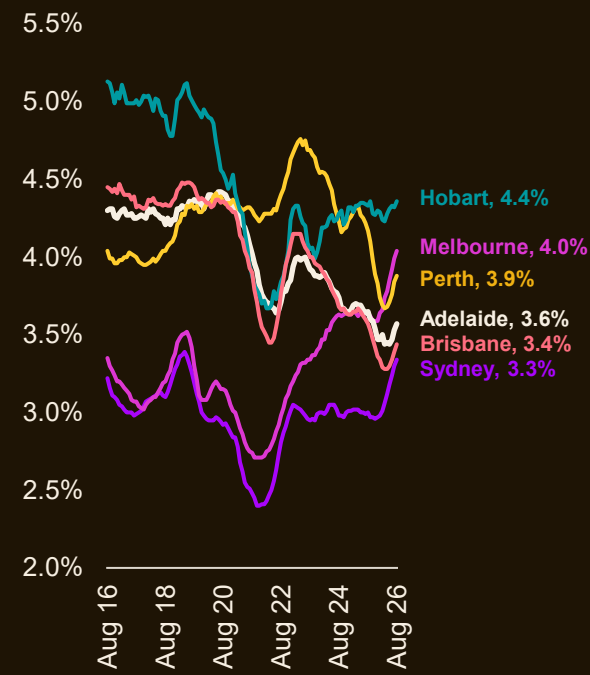
Investor share of total lending (by value, ex refi)



Monthly credit growth

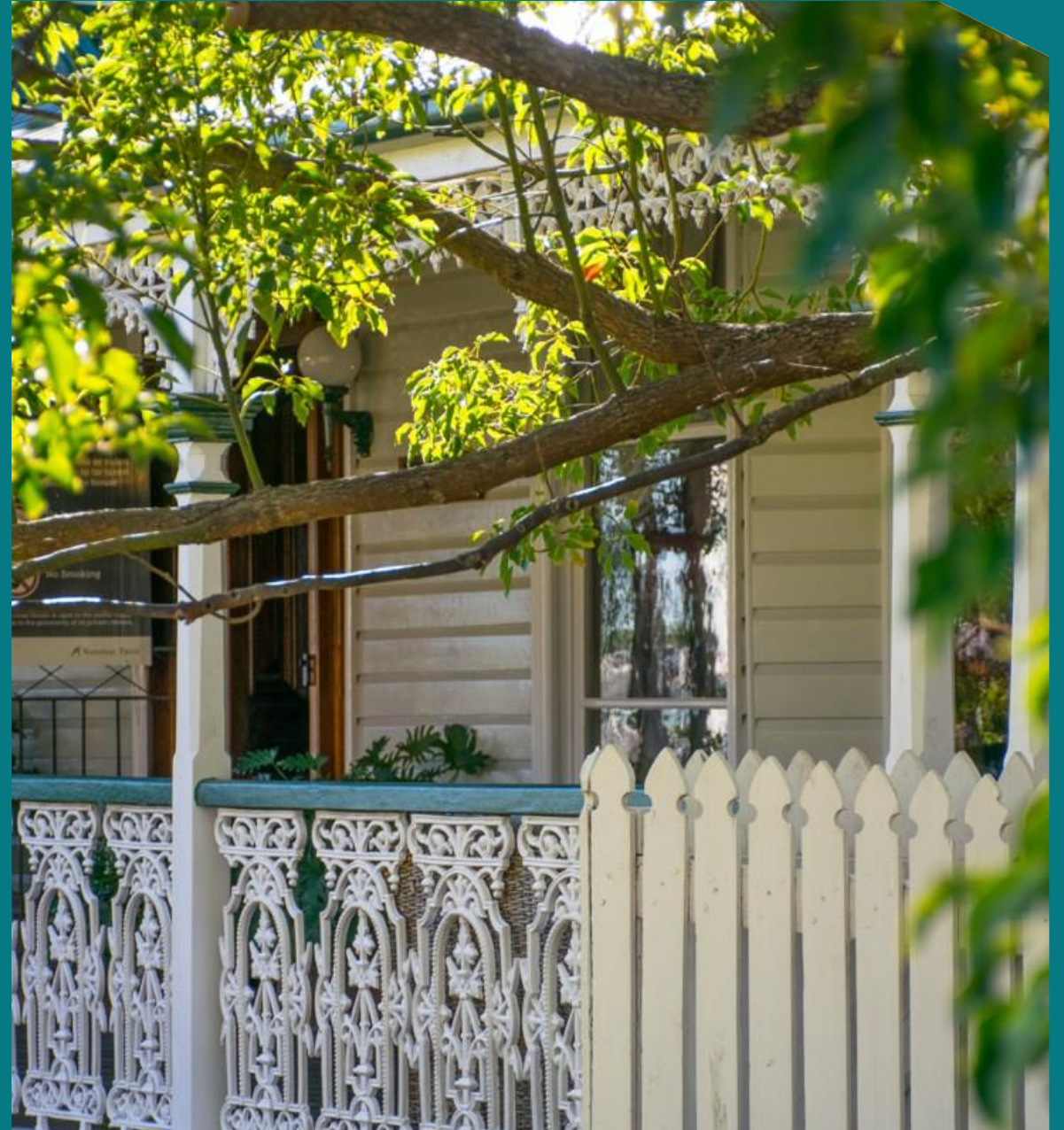


Gross rental yields



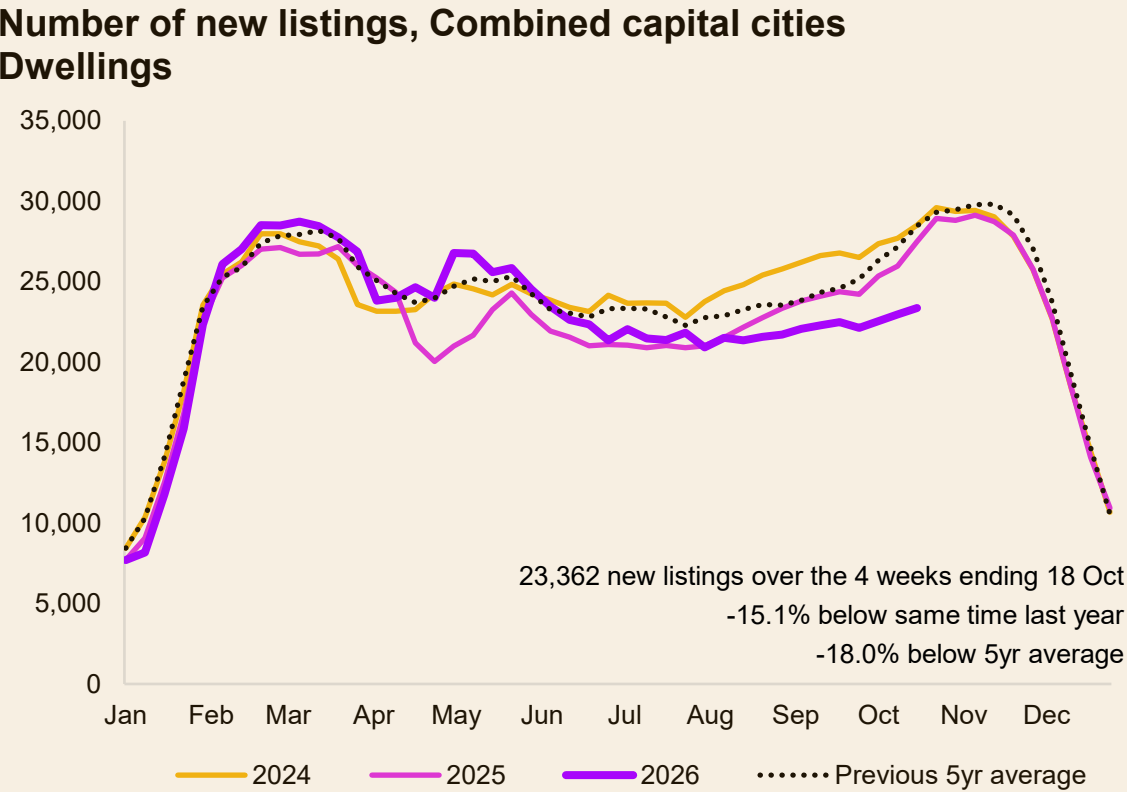
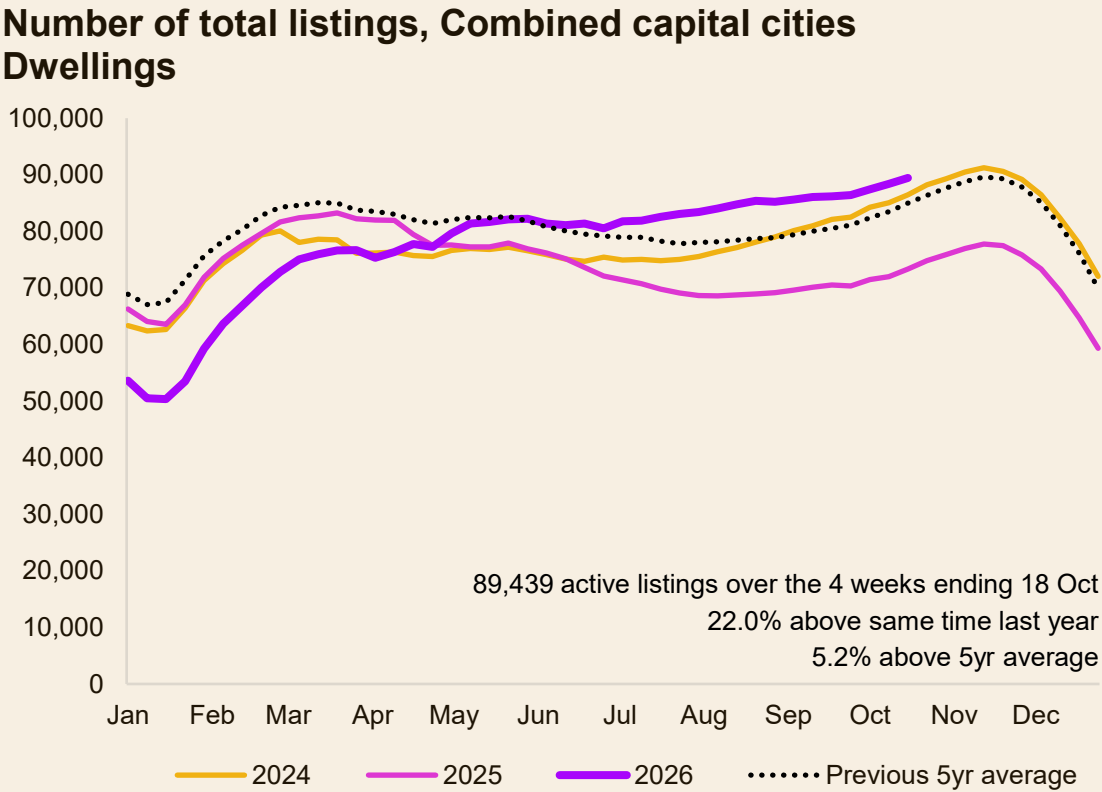
Fewer new sellers, but higher overall stock levels

- ▶ The flow of new listings coming to market is generally below average levels as vendors hold off mid weaker selling conditions.
- ▶ But, with reduced demand... advertised stock levels have accumulated to be above average across most markets.
- ▶ More choice is good news for buyers... but confidence remains the missing piece of the puzzle.



The flow of new capital city listings is tracking below average while total advertised stock levels are rising.

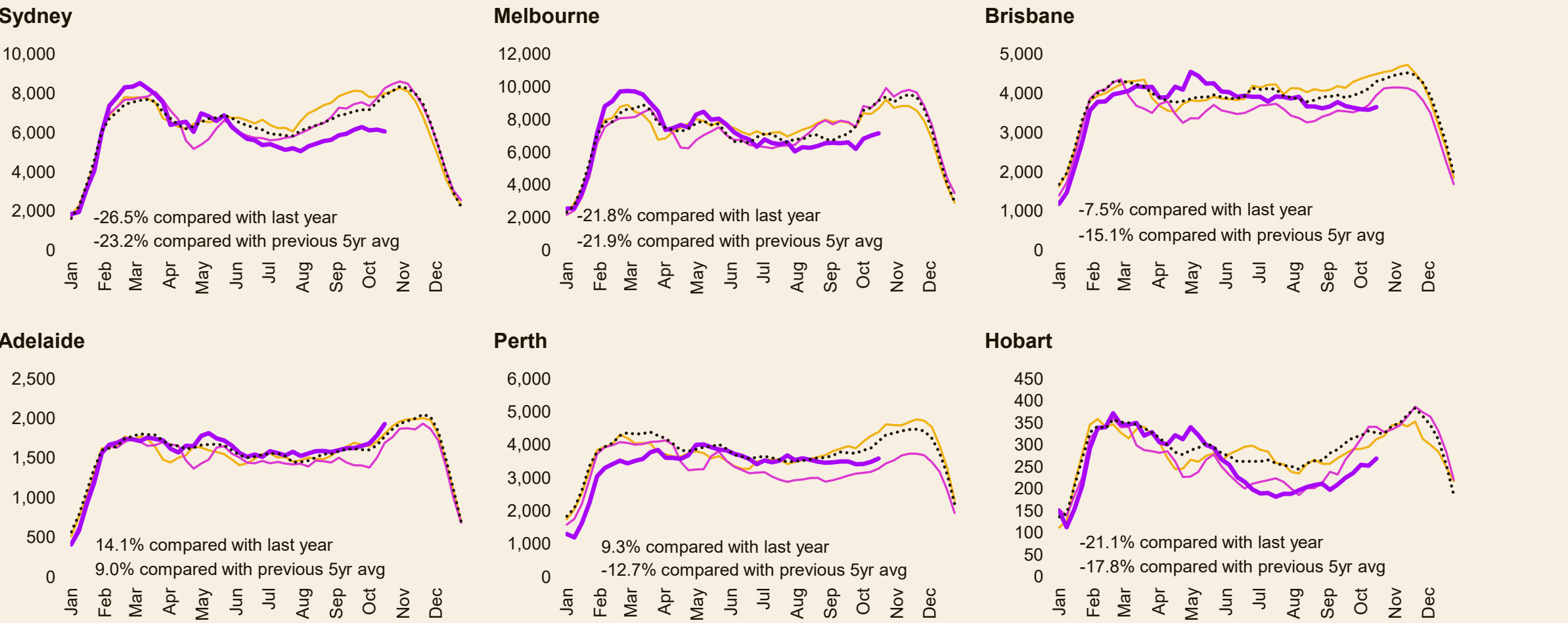
The flow of new listings is bucking the ‘normal’ spring seasonal pattern, holding around 15% below average for this time of the year. At the same time, the total stock of advertised supply has risen, tracking 22% higher than year ago as homes take longer to sell.



The flow of new listings tracking at below average levels across most cities as prospective vendors hold off selling.

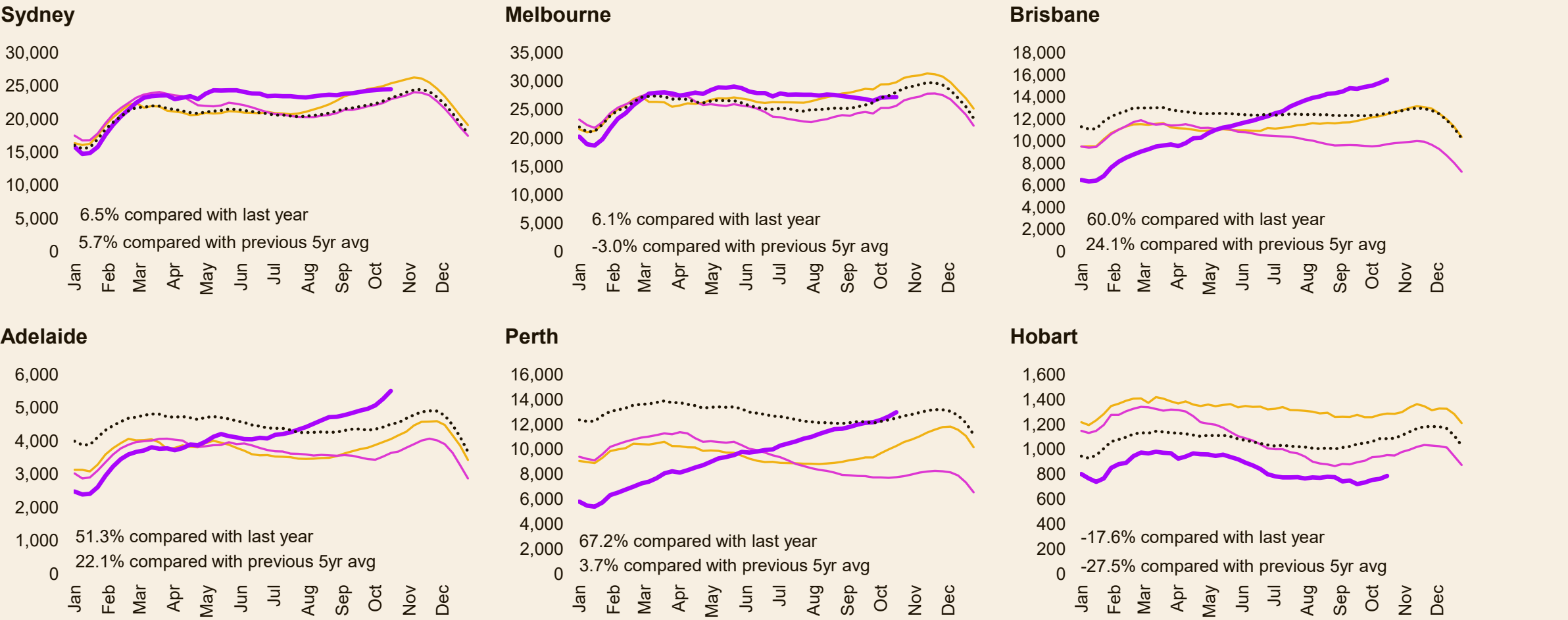
New listing trend relative to previous years - Dwellings, as at 18 Oct

2024 2025 2026 Previous 5yr avg



Total stock levels have risen to above average in most markets, with the mid-sized capitals showing a sharp rise from low levels.

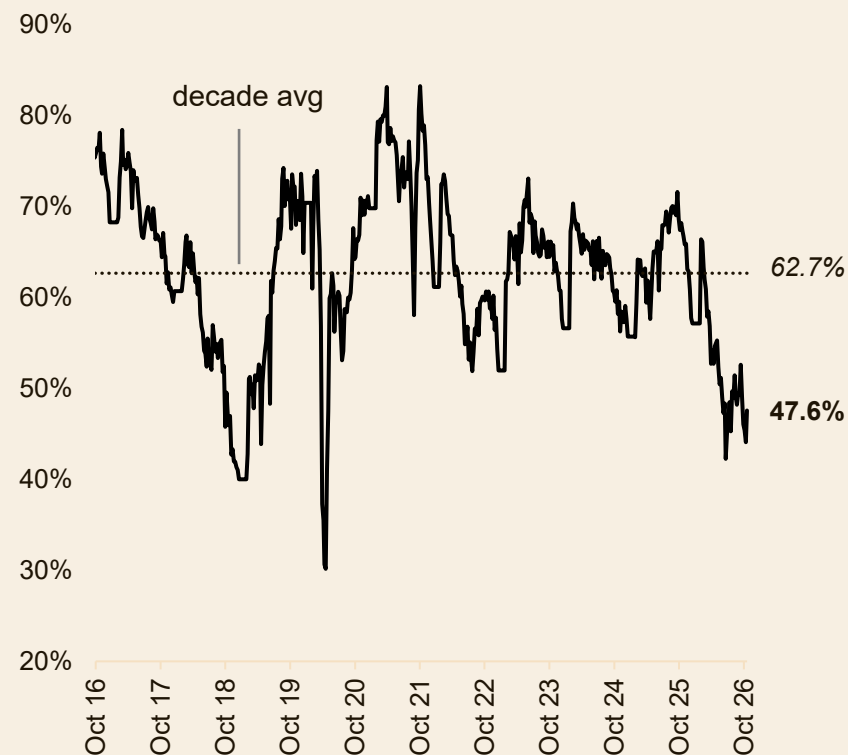
Total listing trend relative to previous years - Dwellings, as at 18 Oct



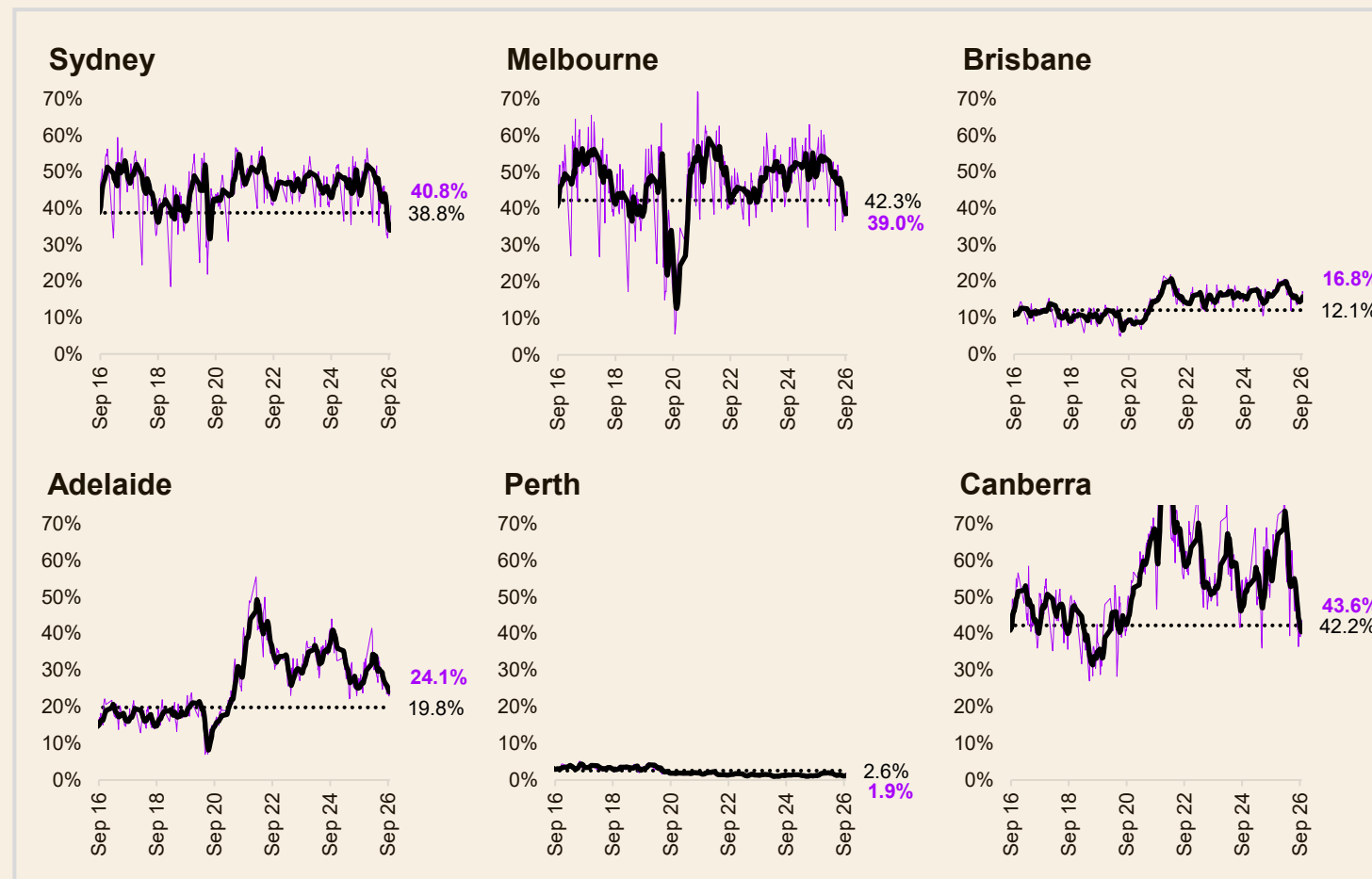
A buyer's market – Auction metrics

Auction clearance rates are holding well below average and fewer listings are coming to market by auction.

Final auction clearance rate, combined capitals



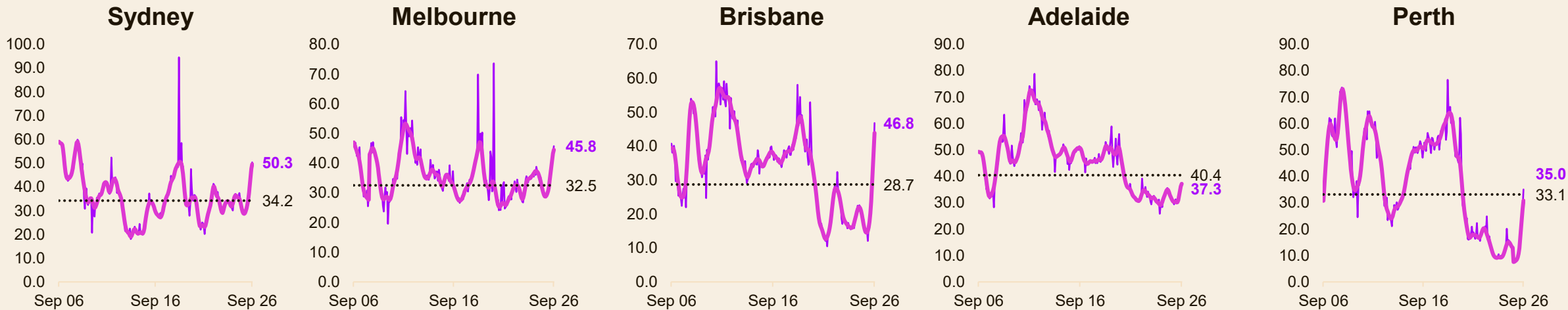
What portion of new listings are taken to market by auction?



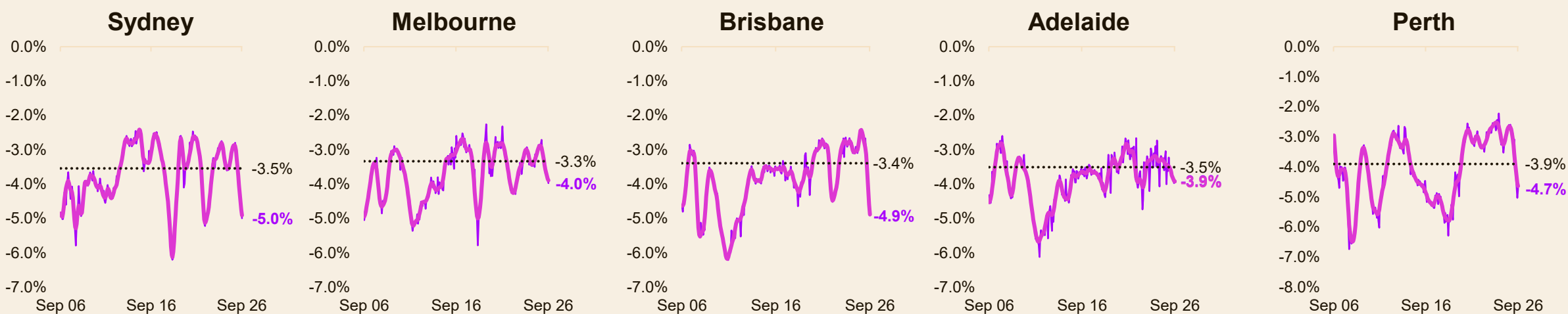
A buyer's market – private treaty metrics

Private treaty sales are taking longer to sell with larger discounts applied to make the sale.

Median days on market (monthly with trend series)



Median vendor discount (monthly with trend series)



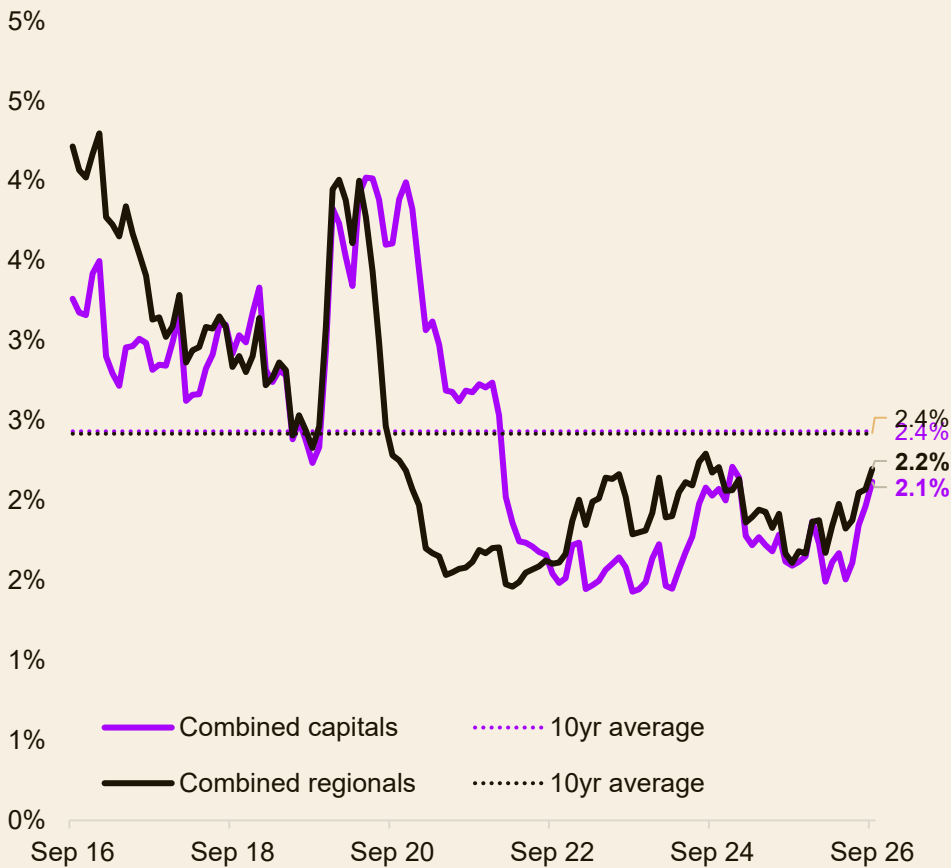
The rental market

- ▶ Vacancy rates have edged higher across some markets, reaching 2.1% nationally... but still well below the pre-COVID decade average.
- ▶ Monthly rental growth has slowed and the annual rise has eased back to 5.5%.
- ▶ Gross rental yields have started to pick up, but at 3.8% nationally (substantially lower in some cities), the opportunities for positive cash flow remain scarce.

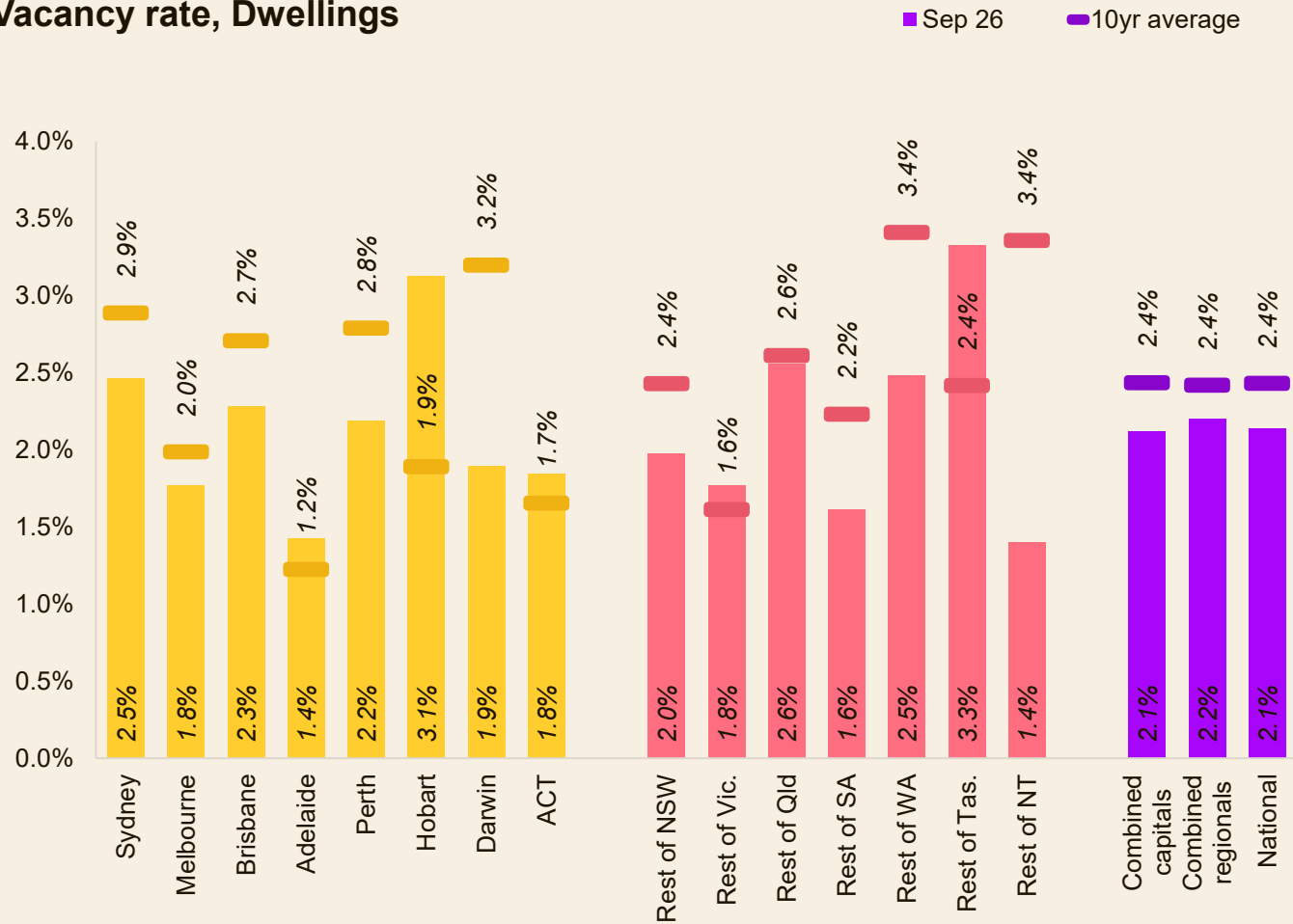


The national vacancy rate has lifted to 2.1%, but remains well below the decade average of 2.4%

Vacancy rate



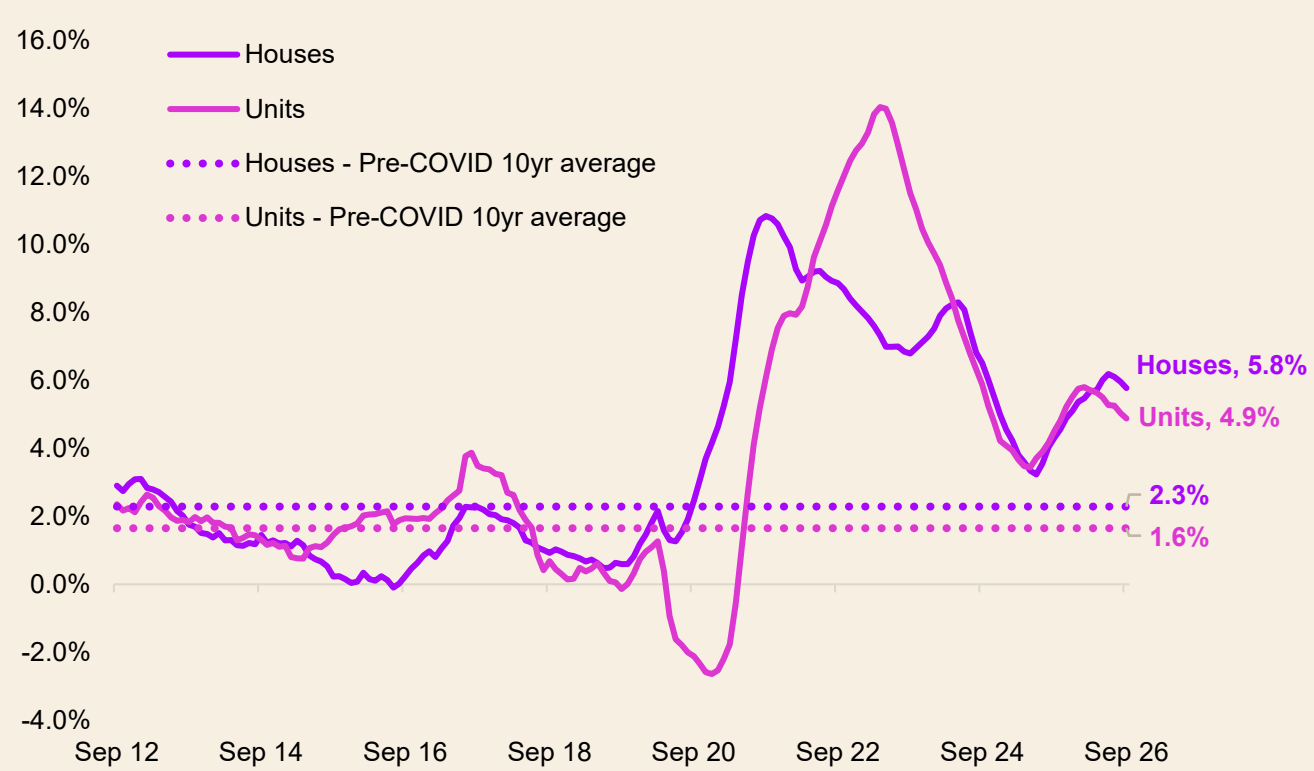
Vacancy rate, Dwellings



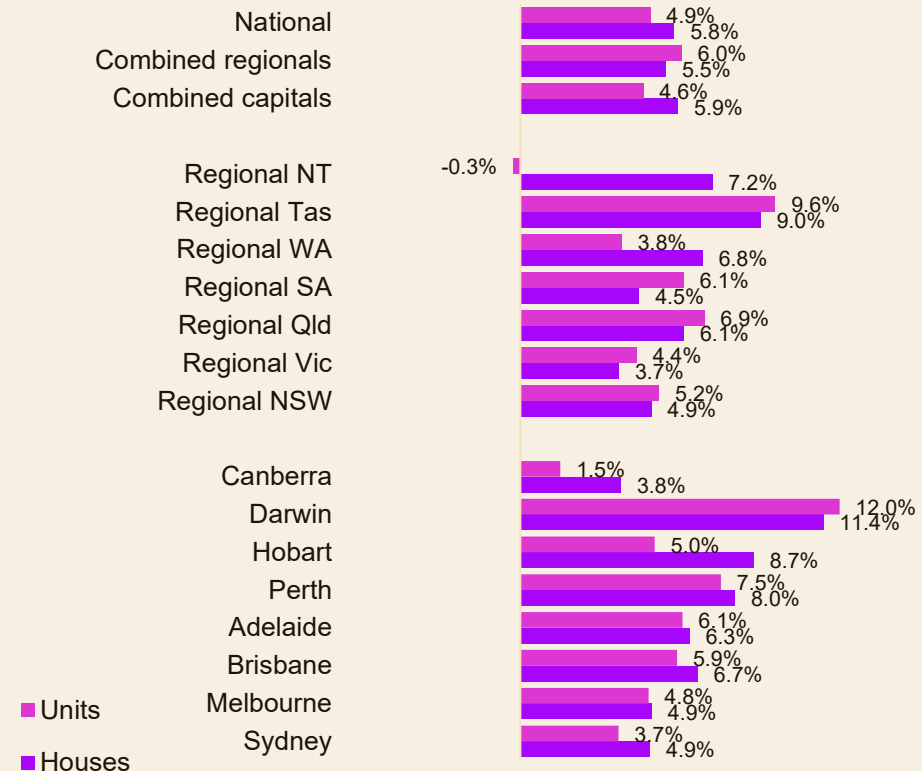
The reacceleration in rental growth looks to have peaked, with annual rental growth easing over the past few months.

Nationally rents are up 39% over the past five years adding approximately \$200/week to the median rental rate. Despite low vacancy rates, a material reacceleration in rental growth is unlikely given renters are likely to be approaching a ceiling on their payment capacity.

Rolling annual change in Australian rents



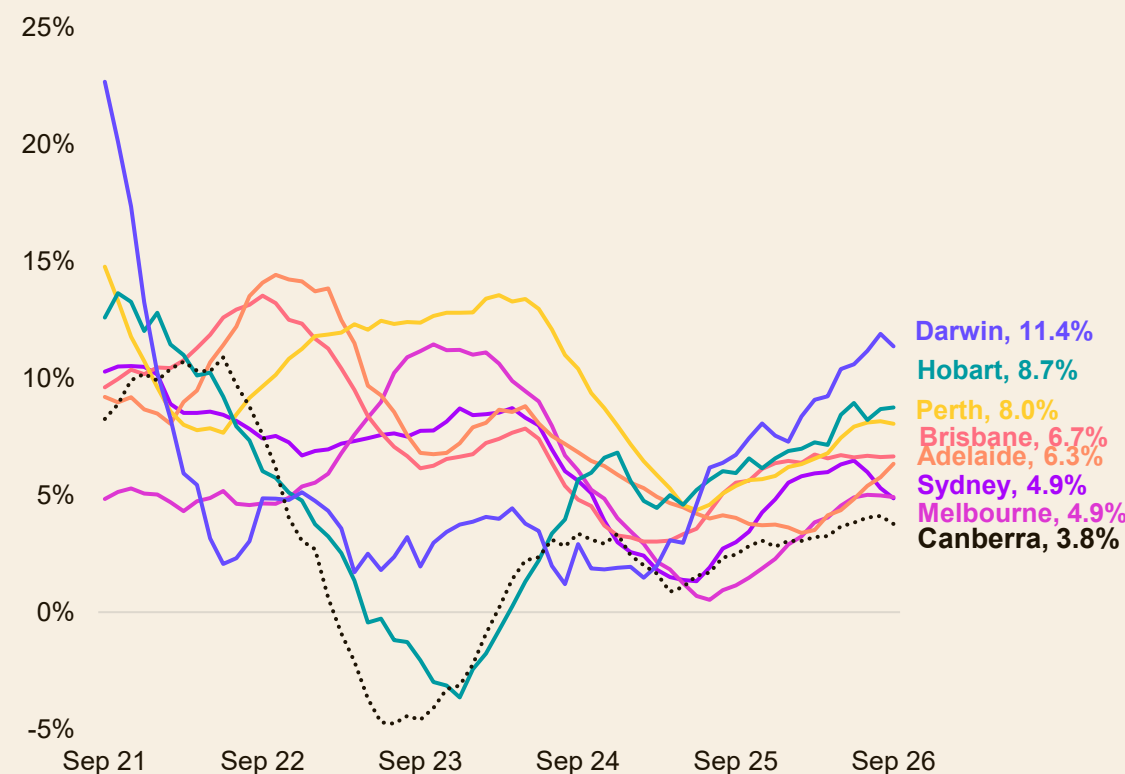
Annual change in house and unit rents



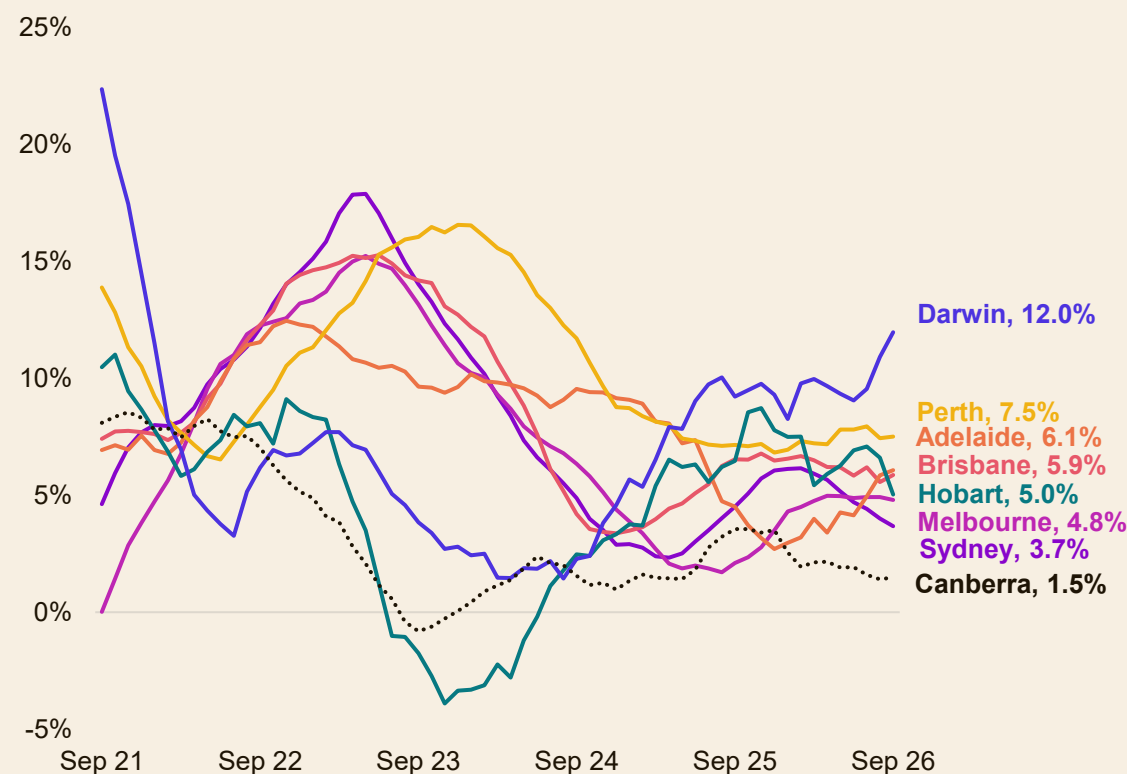
Rental growth remains diverse, with the slowest growth evident in Canberra, Melbourne and Sydney.

Momentum is coming out of the rental growth trend across most cities, with Darwin the clear exception.

Annual change in house rents

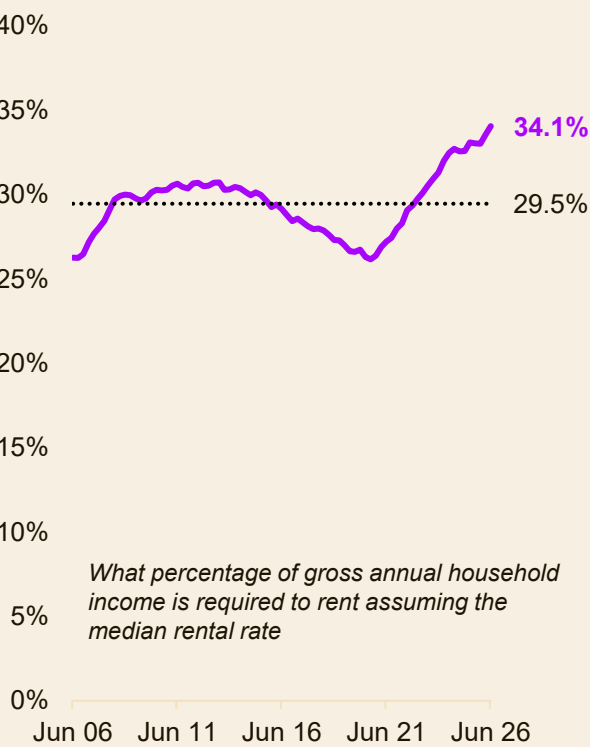


Annual change in unit rents



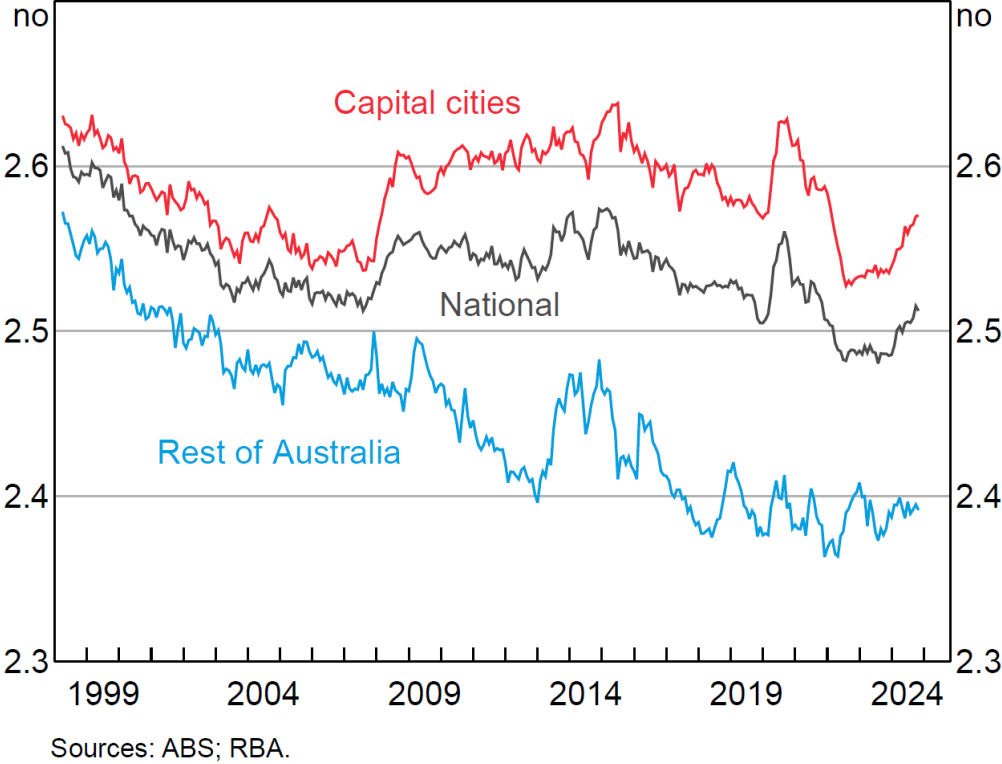
Key shifts in rental demand may help to slow growth in rents

% of income required to pay rent

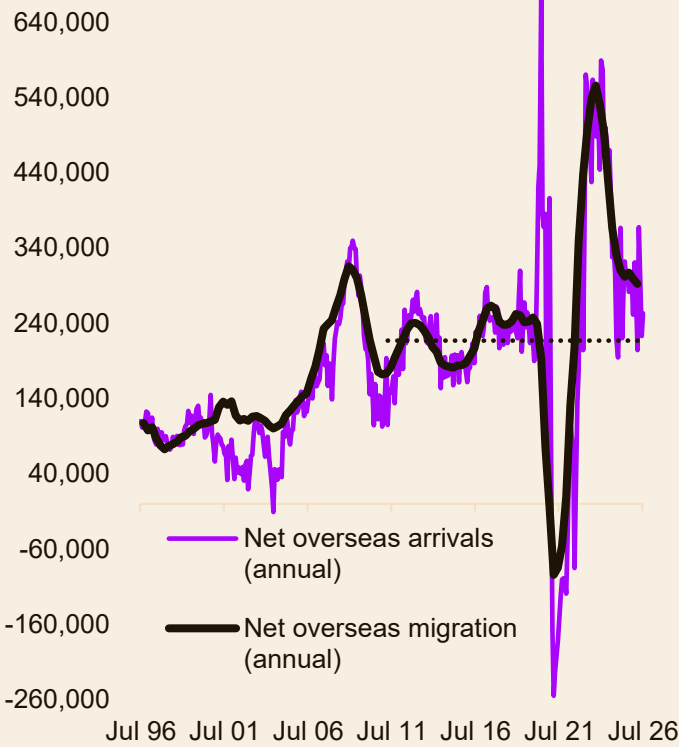


Average Household Size

By region, seasonally adjusted



Net overseas arrivals v Net overseas migration (annual)



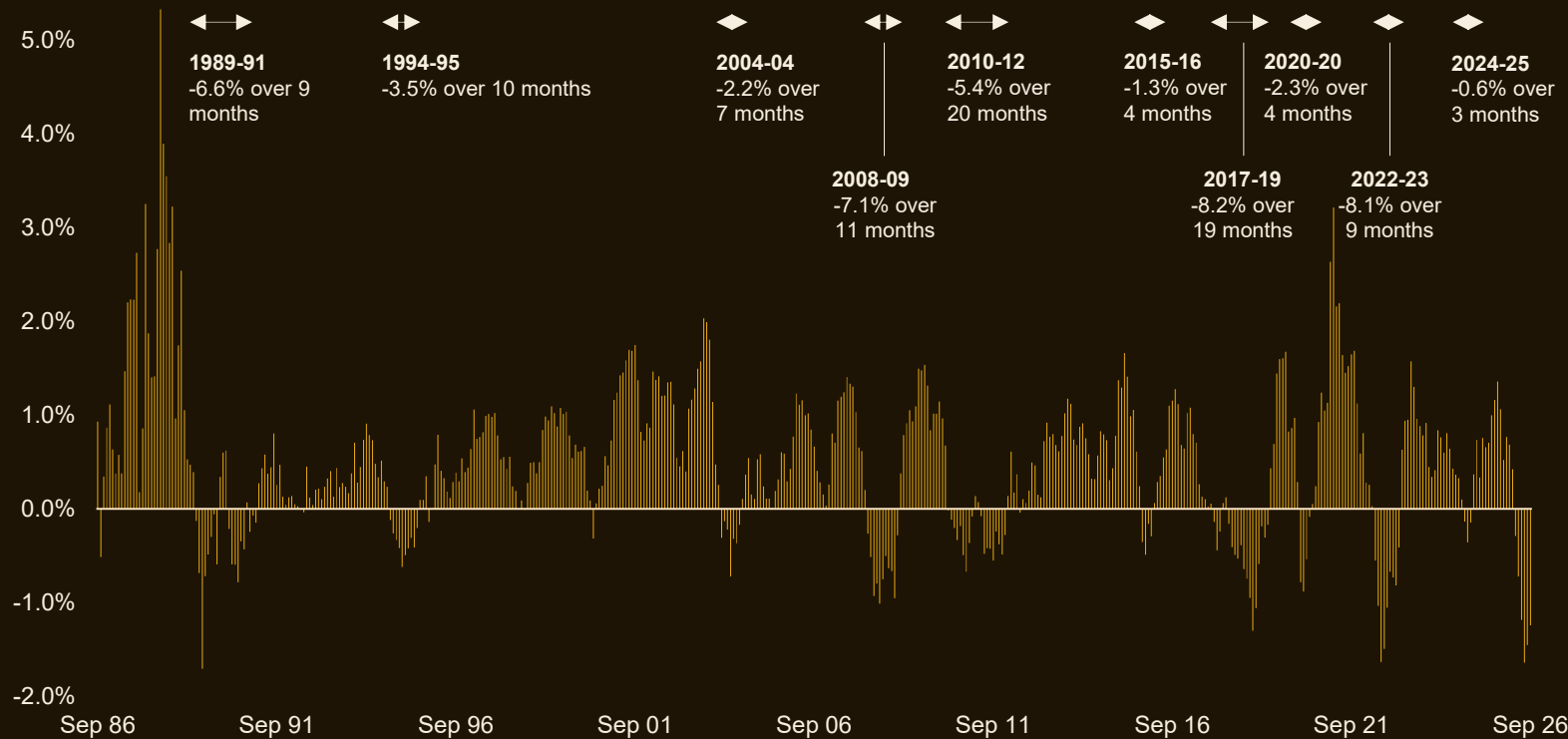
What does a housing downturn look like?

- ▶ At a macro-level, housing downturns rarely last more than a year and home values across the combined capitals haven't declined more than 9% from peak to trough over the past 40 years.
- ▶ Home sales typically reduce by around 25%.
- ▶ But... the trends vary at the capital city level, with some markets navigating larger and longer periods of decline.
- ▶ The catalysts for previous housing downturns have been broad ranging, including credit constraints, shocks, monetary policy cycles and economic weakness.

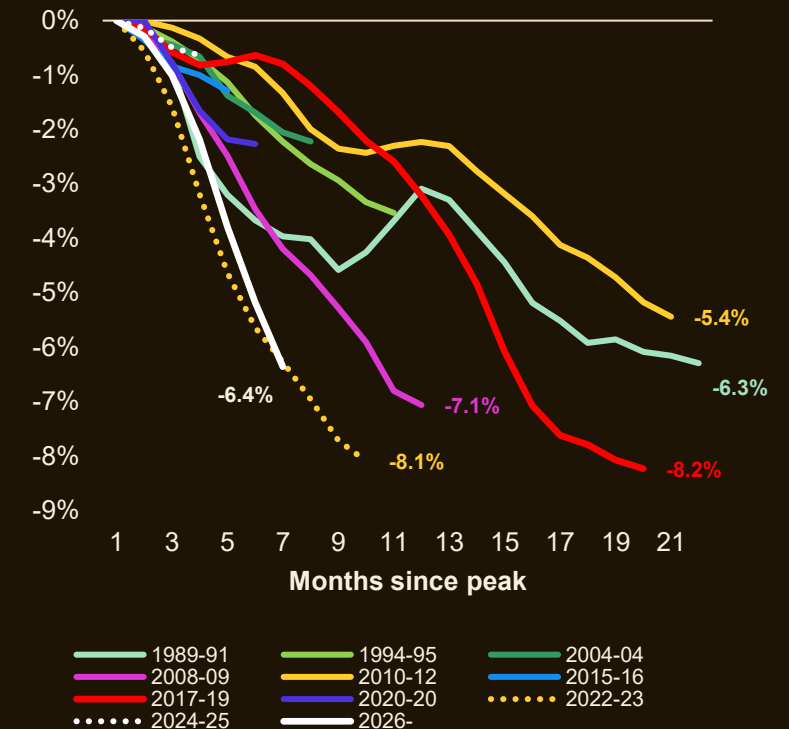


Over the past 40 years, Australia's combined capital city housing market has navigated 10 downturns where home values fell over at least a three-month period...
...the eleventh is now underway.

Monthly change in combined capitals Home Value Index



Historic periods of decline to trough, Combined Capitals

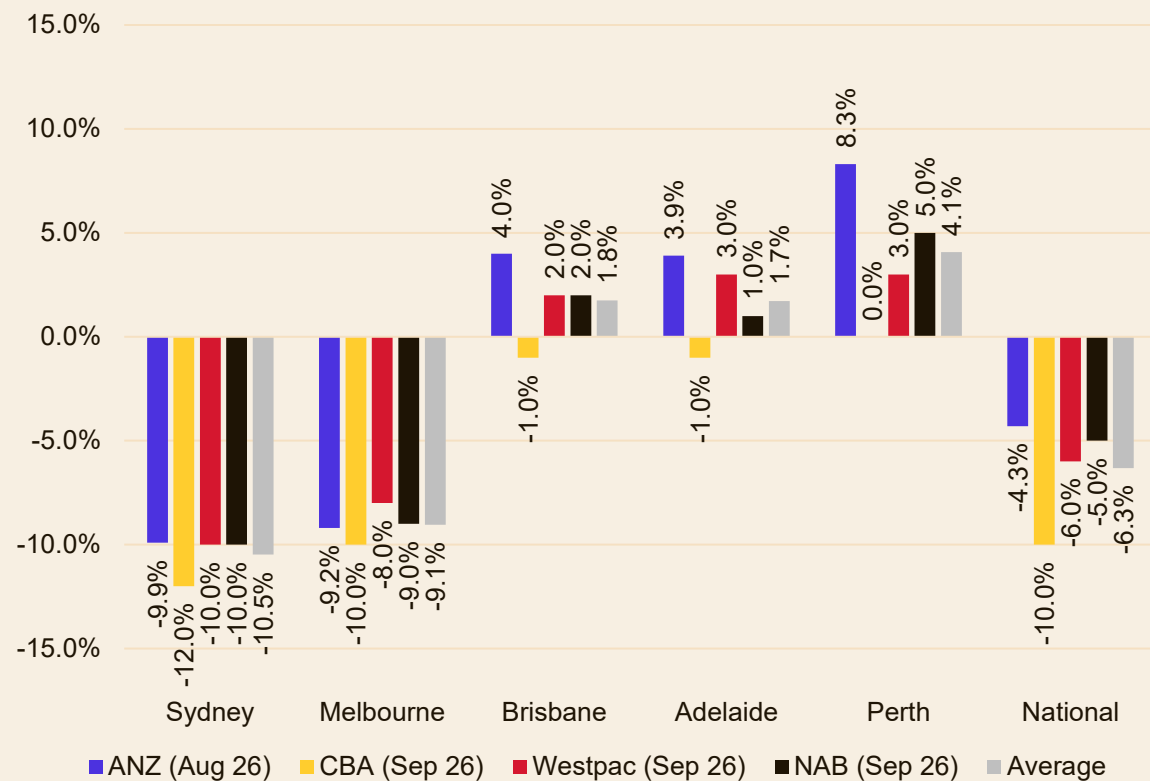


Housing forecasts from the Big 4

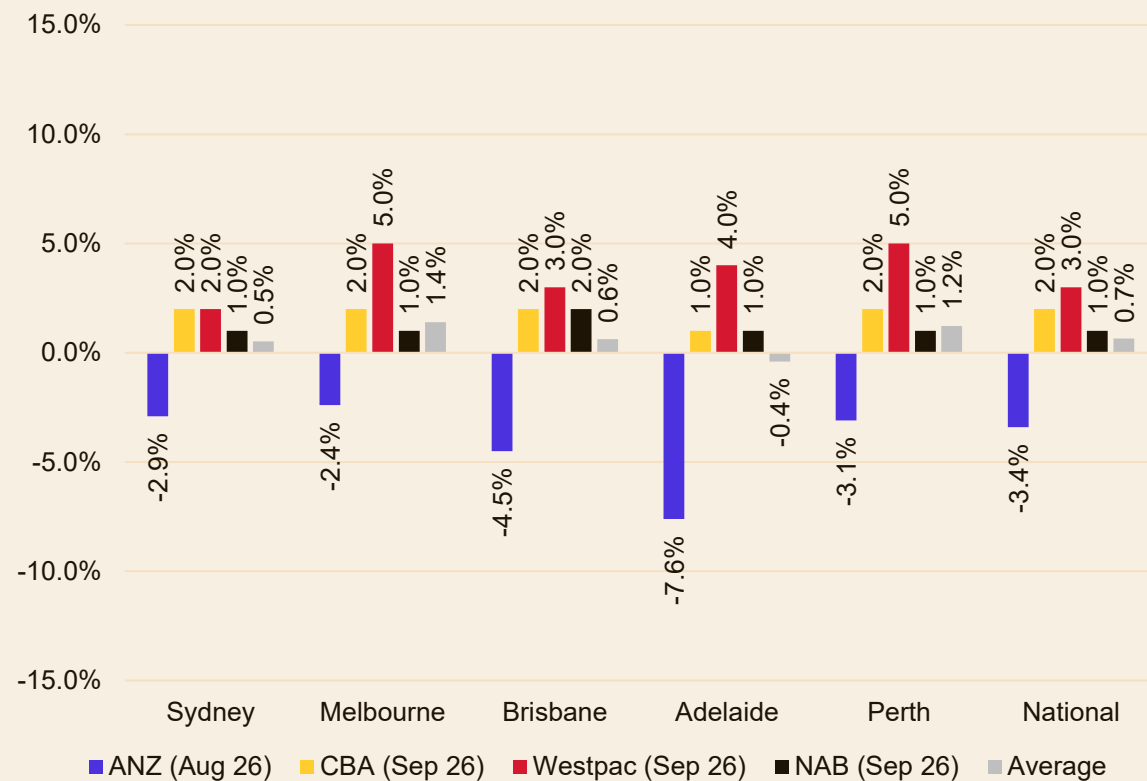
Economists are revising their forecasts lower as the housing downturn outruns expectations.

Home value forecasts from the Big-4 Banks

2026

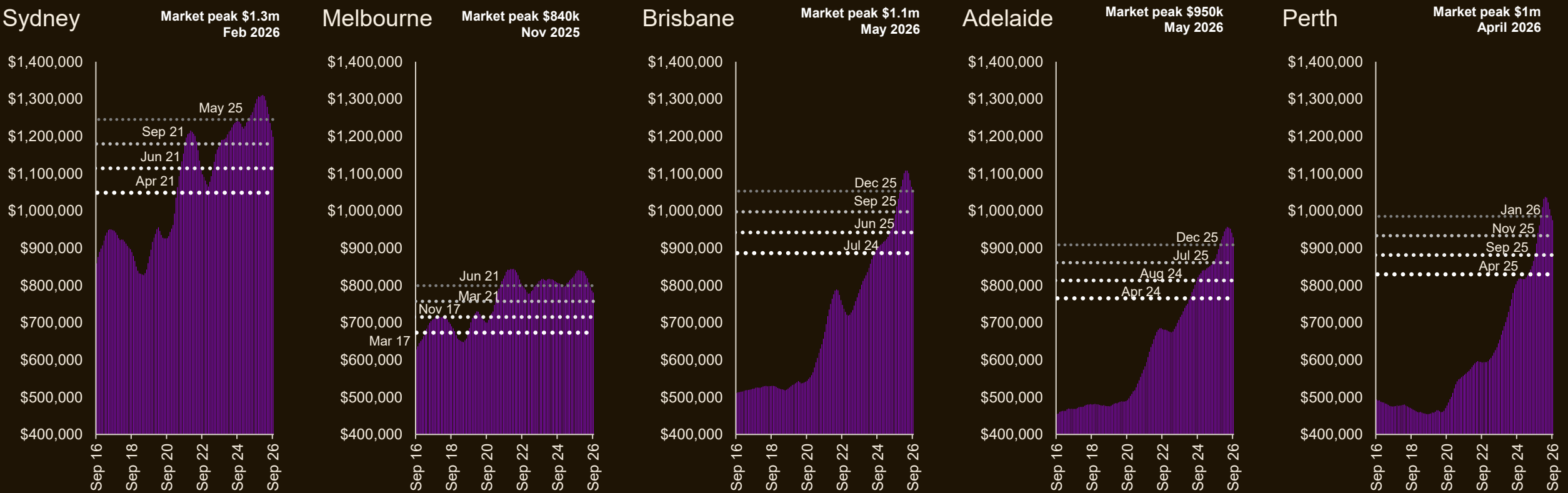


2027



Downturn scenarios: what would a 5%, 10%, 15% or 20% decline look like in the major cities?

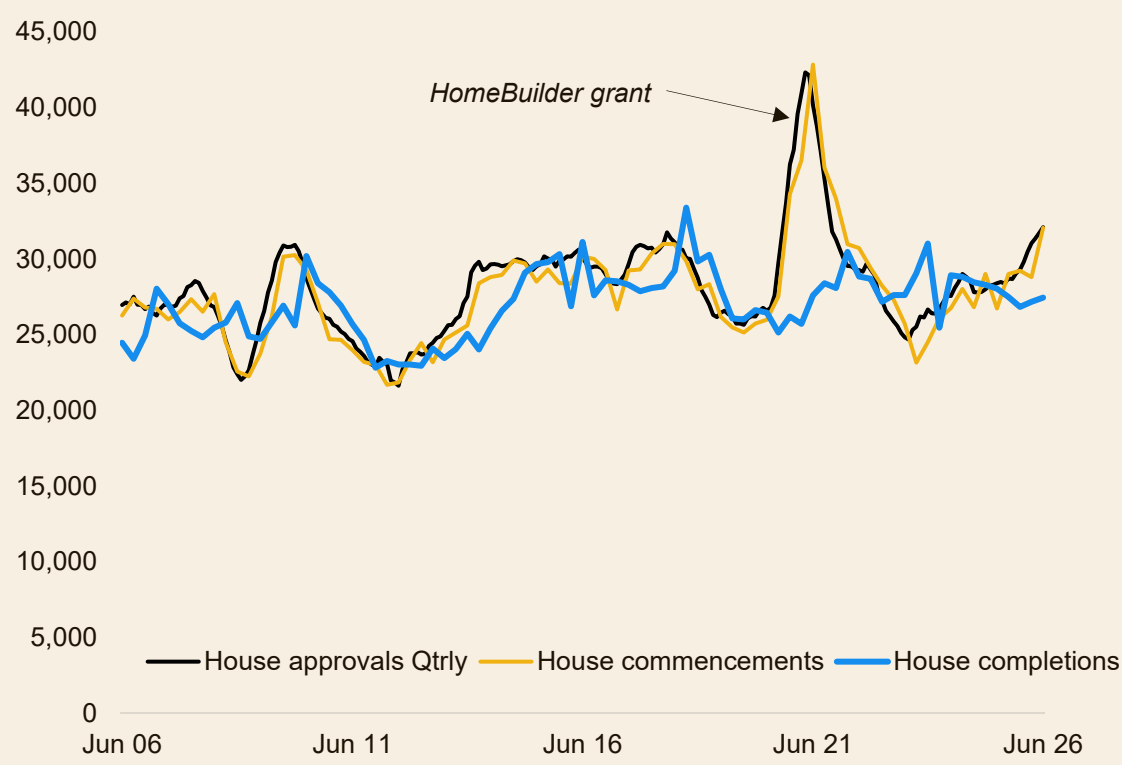
Growth in Melbourne's home values has been limited in recent years, meaning a ten percent drop from the recent high would take values back to early 2021 levels. In contrast, Perth's rapid recent growth would mean a severe 20% decline would return the market to the same levels as April 2025, while a similar fall in Brisbane and Adelaide would move back to levels of mid-2024.



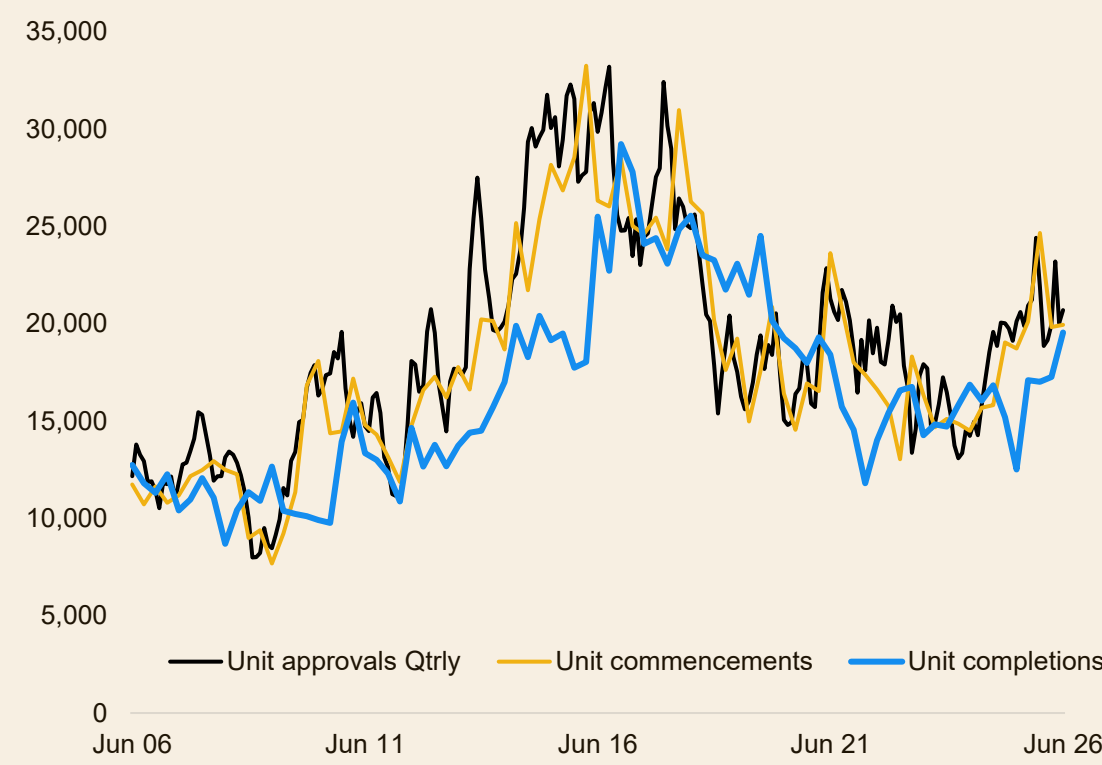
The new housing supply outlook remains challenging:

The challenge for the construction sector is completing approved and commenced dwellings. Compressed profit margins and feasibility challenges are making it hard to get housing commencements across the line to a completion. Tight labour supply, high costs and competition for similar inputs with the public infrastructure sector are all contributing to a higher supply barrier.

Phases of construction, National houses



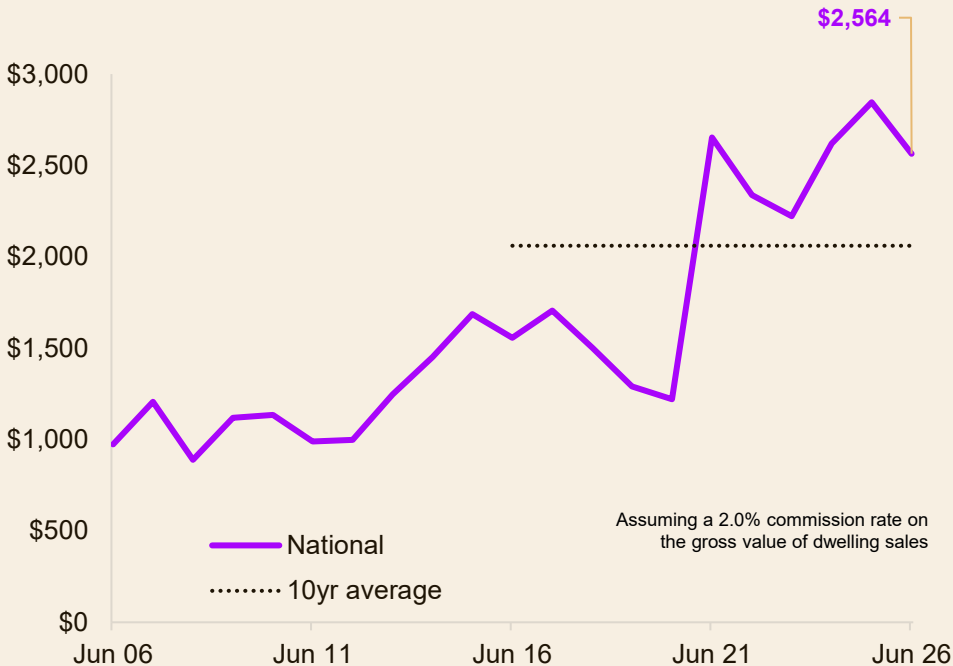
Phases of construction, National units



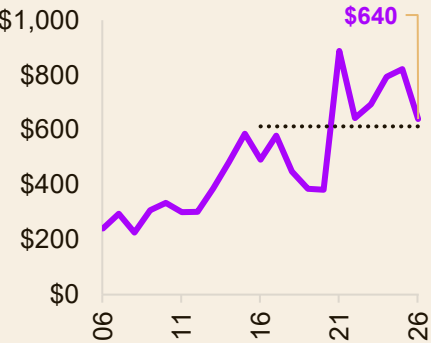
The available commission pool has peaked across most markets, but at well above average levels.

Growing market share is the best way to maximise revenue and prepare a solid foundation for the next phase of the housing market.

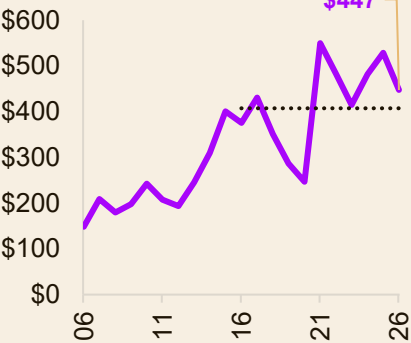
Gross quarterly available real estate agency commission, National (\$ million)



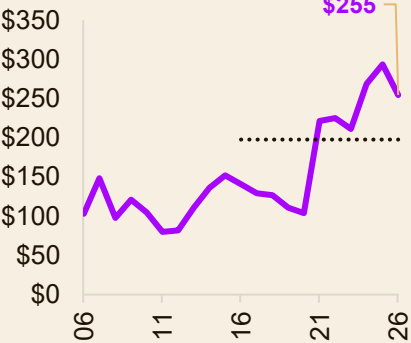
Sydney



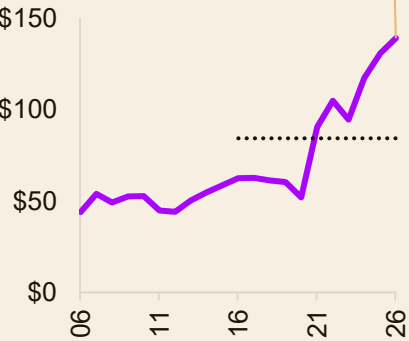
Melbourne



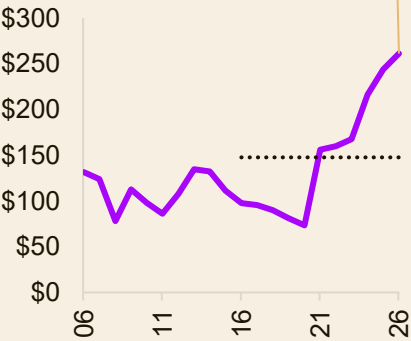
Brisbane



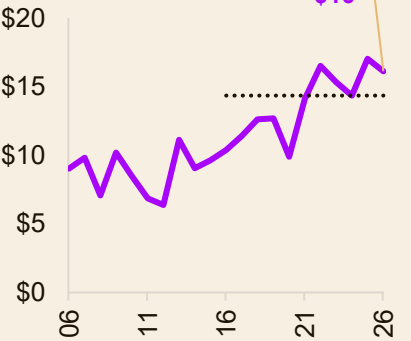
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