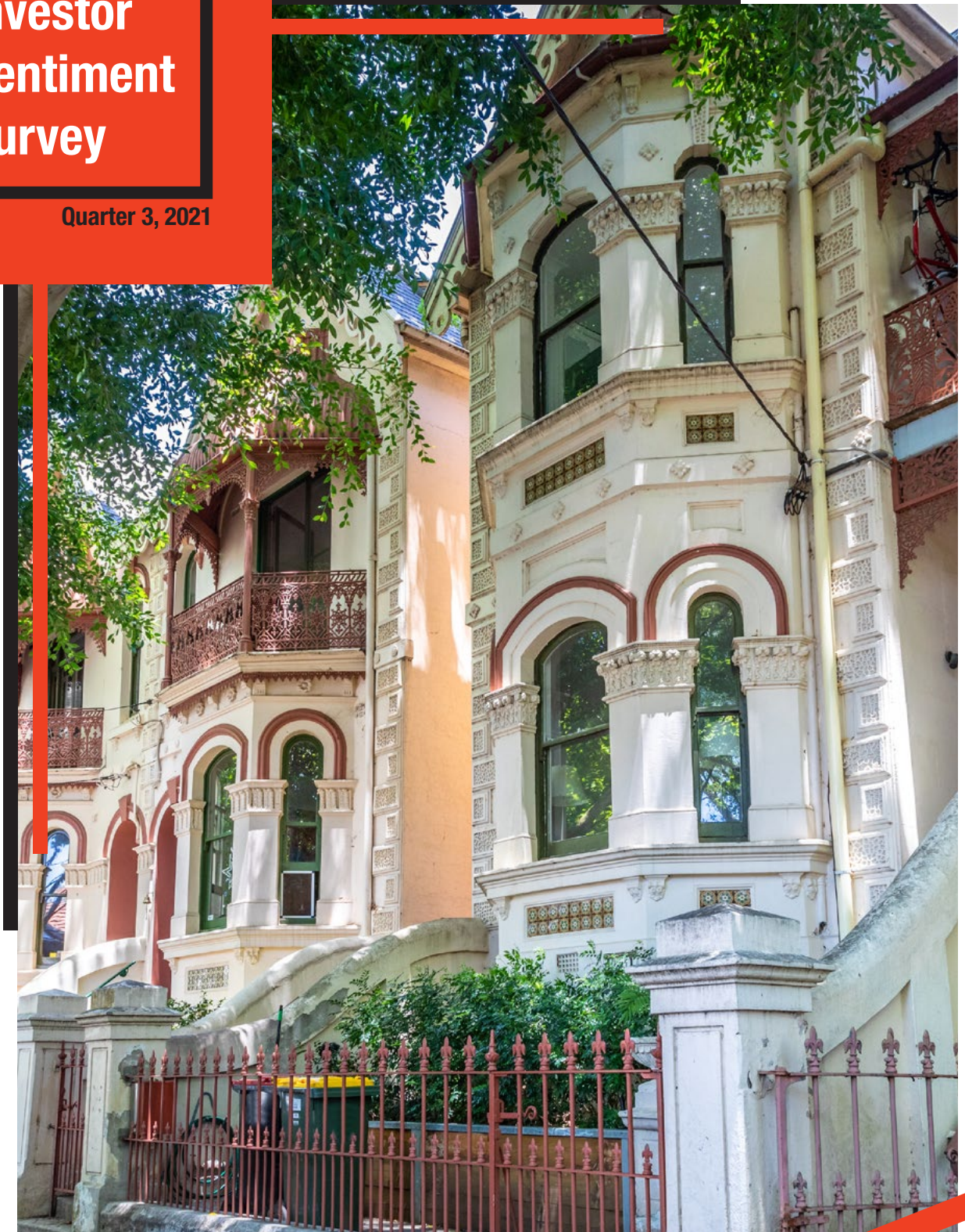


Australian
**Property
Investor**
FOR HOMEBUYERS, INVESTORS
& PROPERTY PROFESSIONALS

**Investor
Sentiment
Survey**

Quarter 3, 2021



The Survey



Now in its fifth edition, the Australian Property Investor Buyer Sentiment Survey tracks and illustrates the changes in sentiment, intention and confidence of investors, owner occupiers and property industry professionals.

Launched in the second quarter of 2020, the API survey provides deep insight into how rapidly buyer sentiment was shaped by the

COVID-19 pandemic and its associated potential impacts on the property market.

In addition to overall market sentiment and price growth expectations, those surveyed are asked to provide their thoughts on where in Australia is best to buy and share their biggest concerns when considering buying property.

Nearly half of the respondents (48 per cent) to the Q3 survey were seasoned investors who own two or more properties, making the API survey an industry-leading measure of Australian investor sentiment.

Australian Property Investor Magazine

Established in 1997, Australian Property Investor Magazine is one of Australia's leading property information brands. At the heart of our innovative online publication, we are passionate about protecting the interests of our audience of investors, homebuyers and property professionals through best in market property education, information and research.

Continuing more than 24 years of API tradition, investor stories continue to be a prominent feature of the platform. Through step-by-step examples, outlining real-life strategies, audience members can learn from and emulate the success of those who have already achieved.





Australia's sky-high property prices are starting to take a toll on investor sentiment, with the percentage of investors feeling positive about the market declining at the same time that fewer say they intend to buy in the next 12 months.

Australian Property Investor Magazine's latest quarterly sentiment survey revealed 63 per cent of respondents felt positive about current market conditions, down from 68 per cent in the previous quarter.

The decline in positive sentiment was the first on record for the API Magazine survey, which was launched shortly after the onset of the pandemic in mid-2020.

At the same time, the number of those listing affordability as their top concern rose by 50 per cent, rising from 10 per cent in Q2 to 15 per cent in Q3.

The survey results illustrate the impacts of Australia's rapid rise in property values, with CoreLogic data showing median dwelling values gained 21.53 per cent in the 12 months to the end of October.

Two thirds (66 per cent) of investors said they expected property prices to increase over the next year, down from 75 per cent of respondents in Q2.

Just 10 per cent of respondents said they expected prices to fall over the next 12 months, while 14 per cent said they expected property values to remain steady.

The percentage of respondents saying they intend to buy in the next year fell to 30 per cent at the end of Q3, down from 36 per cent in Q2.

While the survey results reflect the fact that many investors had already purchased property as markets boomed across the country in the past year, the rising price of entry is clearly emerging as a concern for many.

Market watchers are predicting price growth to moderate over the next 12 months, but any panacea from a reduced rate of growth would likely be offset by an increase in the cost of finance, with pundits predicting interest rates are likely to rise sooner than anticipated.

For those that do intend to buy, Queensland was the destination of choice, with 33 per cent of respondents saying they were keen on investing in the Sunshine State.

New South Wales was the second-preferred investment destination, at 23 per cent of respondents, followed by Victoria at 18 per cent.

Western Australia was fourth ranked at 12 per cent, with the state's property growth potential starting to resonate with investors after just 6 per cent said they were likely to buy there in Q2.

Queensland has been the location of choice for owner-occupiers and investors alike in 2021, and with a big infrastructure spend on its way to the state to prepare for the 2032 Olympics, that status isn't likely to change in 2022.

Regional NSW is emerging as the only challenger to Queensland's crown, although it does remain to be seen if the pandemic-related trend of city residents shifting to the regions will continue as office workers are called back into CBDs and the nation moves past lockdowns into the post-vaccination stage of the pandemic.

In terms of property type, 44 per cent of respondents said they wanted to buy a detached house, 15 per cent were considering a unit or an apartment, 17 per cent were looking at townhouses or villas and 12 per cent said they were keen on vacant land.

For the respondents that chose to build a new dwelling in the past 12 months, construction delays and cost increases emerged as big issues.

Nearly half (43 per cent) of respondents who built a house reported delays or cost escalations due to the short supply of building materials such as structural timber and the tight availability of building trades.

Overall, however, 57 per cent of survey respondents said the rising cost of construction and length of time it currently takes to build a house did not affect their intentions to enter the property market, compared to 26 per cent who said it had changed their decision to buy.

The possibility of a rise in interest rates does not appear to be influencing investor behaviour yet, with the percentage of investors refinancing loans to secure a historically low rate staying largely steady in Q3, as compared to the previous quarter.



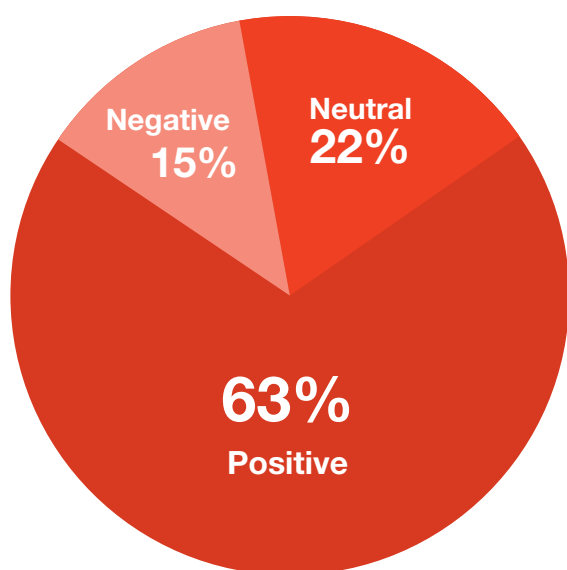
Dan Wilkie

Editor

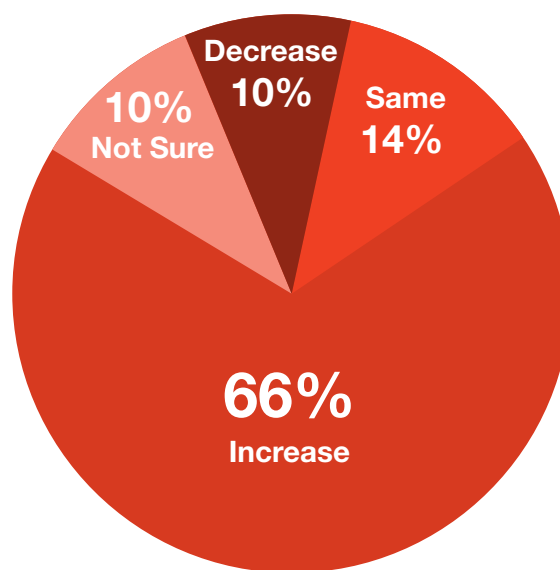
Australian Property Investor Magazine

Investor sentiment

How do you feel about the state of the current Australian property market?



What do you think is likely to happen to the value of properties in the next 12 months?



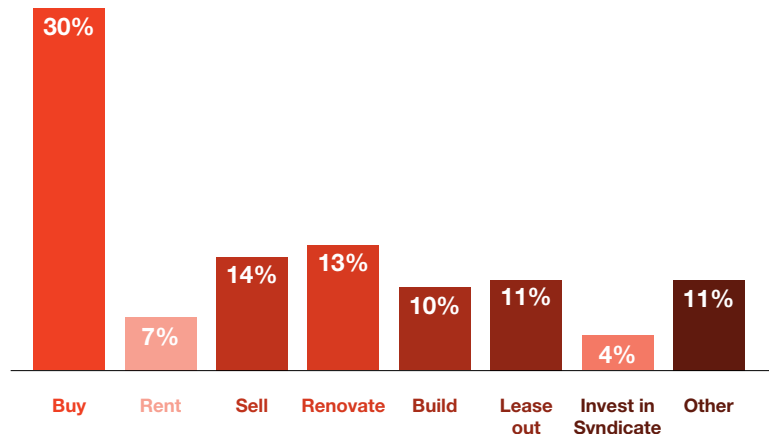
Gains to continue

Australian house prices have been on a rapid rise for the past year and a half and investors are expecting those good times to continue. Two thirds of respondents said they expected the value of Australian property to keep rising in the next 12 months, down from 75 per cent of respondents in Q2.

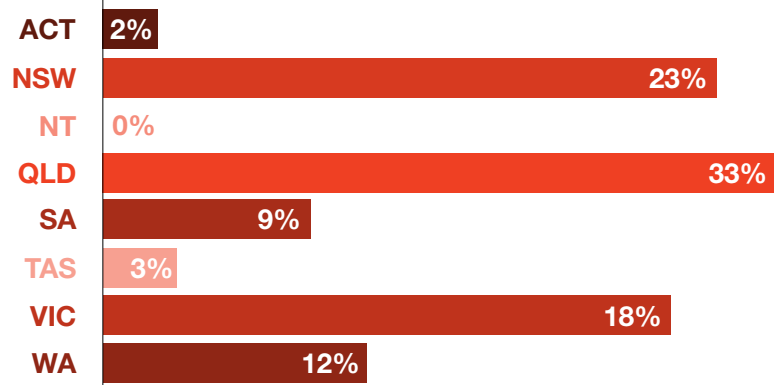
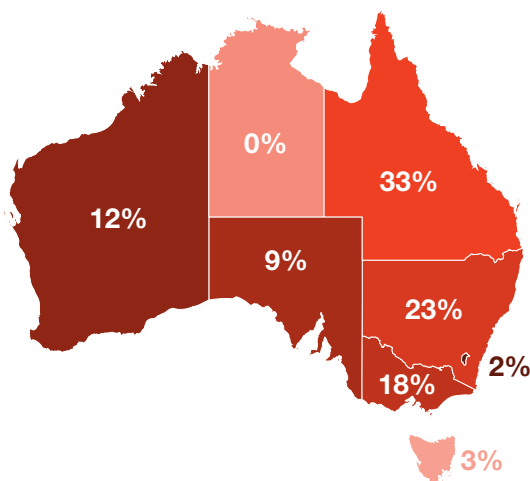
While the number of those expecting gains dropped in our survey, analysts around the nation are expecting further growth in 2022, albeit not at the same rate as what markets recorded in 2021. As Australia moves into the post-vaccination phase of the pandemic it is clear that the majority of property investors remain highly optimistic around the prospects of capital growth.

Investor intentions

What are your property intentions for the next 12 months?



In which state/territory are your intentions focused?



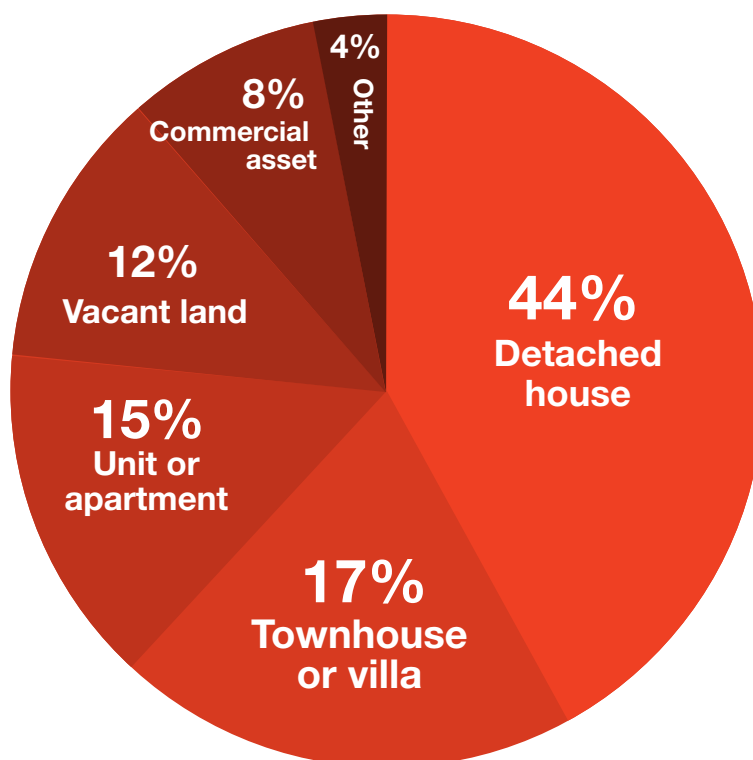
Queensland top of mind

South East Queensland property has recorded a remarkable run since the start of the pandemic, and if investors' intentions are anything to go by, the massive price gains in some of Australia's favourite lifestyle locations are set to continue. A third (33%) of our respondents who were looking to buy in the next 12 months said Queensland was their top choice.

While much of Queensland's boom to date has been driven by owner occupiers, investor activity is steadily rising, and with the state set for a big infrastructure upgrade to prepare for the 2032 Olympics, buyer demand is likely to remain elevated for the foreseeable future. NSW was the 2nd-ranked destination for investors, reflecting its long track record of strong and sustained capital growth.

Investor preferences

What sort of property are you considering?



House and land in demand

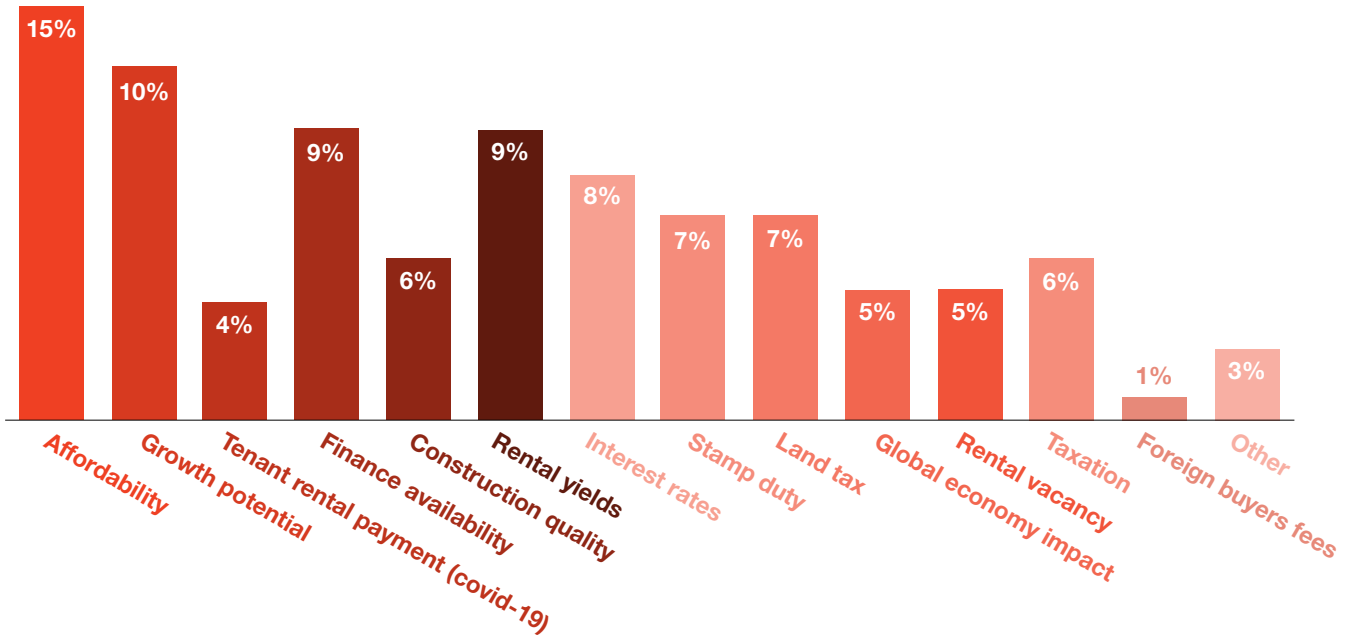
Around half (44%) of our respondents said they intended on purchasing a detached house as their next investment, reflecting the trend towards larger dwellings brought on by lockdowns and other coronavirus-related restrictions.

Australians were stuck at home for long periods of time in 2021 and soon started to want more space, with units and apartments less sought-after in both the sales and rental markets. Many are expecting that trend to continue, and it's having a big impact on investor intentions.

Just 15% of respondents said they were considering an apartment or unit, while 17% said they were considering a townhouse or a villa. Our respondents seem to be in tune with the common investment ethos that it is the land component of the asset that appreciates in value fastest, not the building.

Investor concerns

What are your most significant concerns about Australian property?



Cost the biggest worry

Sky-high house prices come with an obvious unwanted side effect - the barrier to enter the market gets lifted higher. Our respondents were asked to name their biggest concern among 14 possible factors that could influence the property market; affordability, growth potential, rental yields, rental vacancy, availability of finance, interest rates, taxation, land tax, foreign buyers fees, stamp duty and potential reforms, quality of construction, delayed construction times, the impact of global economy and tenants' ability to pay rent due to COVID-19.

Affordability was ranked as the biggest concern for investors, reflecting that the pace of growth in home values has been well in front of gains in weekly rents, leading to compressed rental yields in most markets across the country.

Investor concerns



Construction conundrums

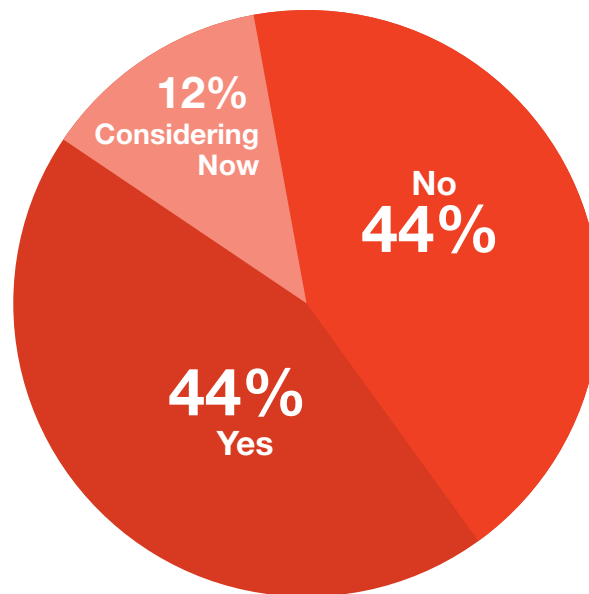
2021 was a record-breaking year for new home building in Australia, and it's easy to understand why. Generous federal and state government incentives designed to help lift the economy out of the COVID crisis resulted in cashed-up homebuyers flocking in droves to display homes right across the country.

In October, the Housing Industry Association said demand for new homes was above the capacity that the industry could deliver, with work approved but not yet commenced at its highest level in more than 10 years.

For the survey respondents that chose to build a new dwelling in the past 12 months, construction delays and cost increases emerged as big issues. Nearly half (43%) of respondents who built a house reported delays or cost escalations due to the short supply of building materials such as structural timber and the tight availability of building trades.

Investor finance

In the past 12 months have you refinanced due to low interest rates?



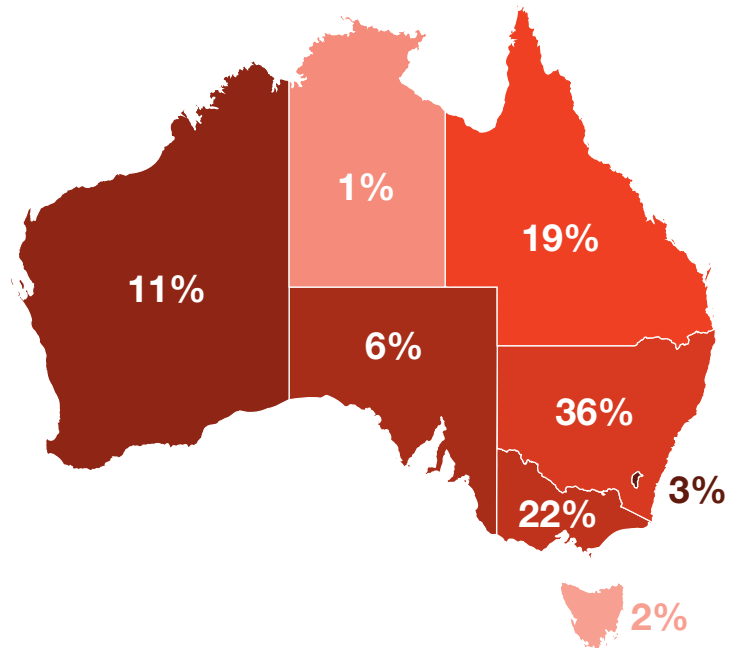
Race to refinance

Australian banks are increasingly active in changing interest rates, even though the Reserve Bank of Australia maintains economic conditions will not support an increase to the official cash rate until 2024 at the earliest. In recent weeks, Australia's major lenders have been locked in a cycle of lifting fixed interest rates and cutting variable rates on home loans, with the moves likely in anticipation of an earlier than expected interest rate hike.

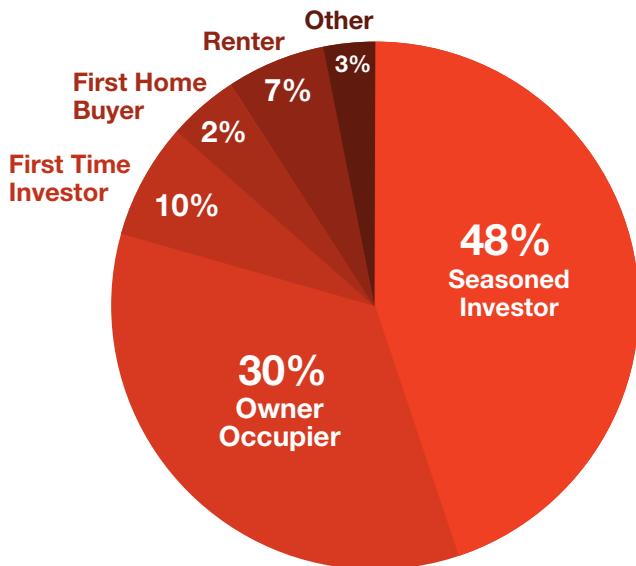
The prospect of an increase to interest rates, however, does not appear to be motivating investors to refinance. 44% of respondents said they had refinanced in the last 12 months, while an equal number said they had not. Just 12% said they were looking to refinance now. Record low interest rates have also had little impact on intentions to buy, with 66% of respondents saying they had purchased in the last 12 months due to the low rates on offer, with 22% saying they had and 12% saying they were looking to purchase now.

Investor profiles

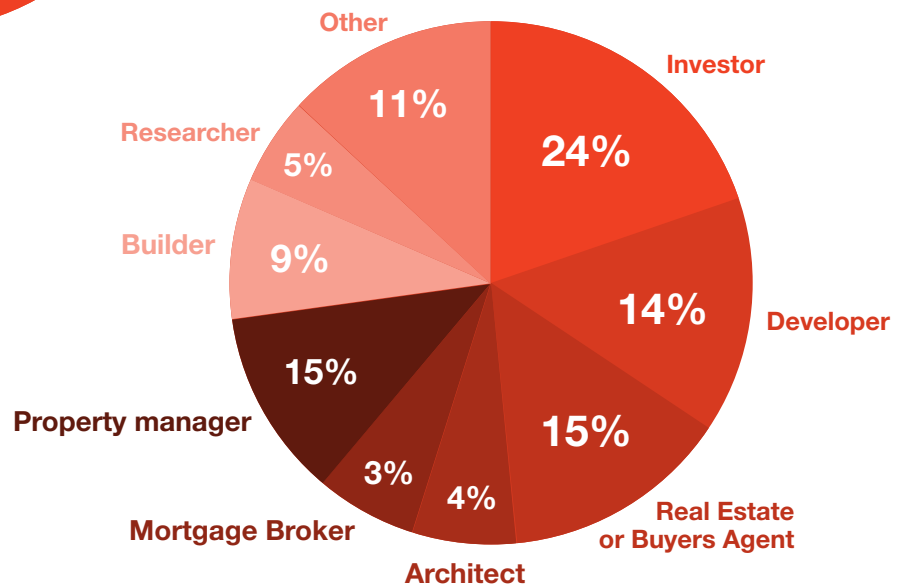
In which state or territory do you live?



Are you a...



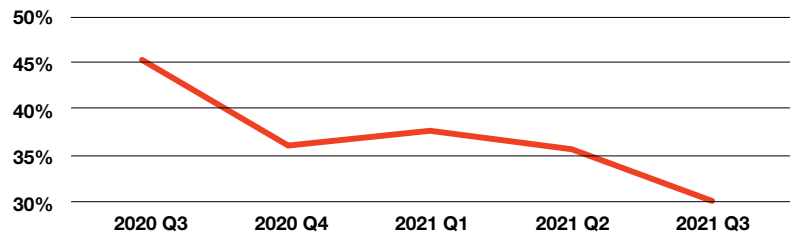
What is your role?



Sentiment over time

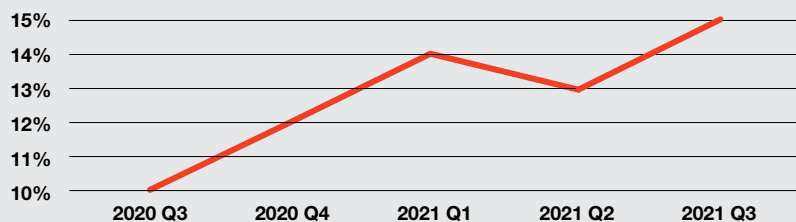
Investors intending to buy in the next 12 months:

Intentions to buy have been on a steady decline since Q3 2020, reflecting the fact that many investors had already purchased property in the last 12 months.



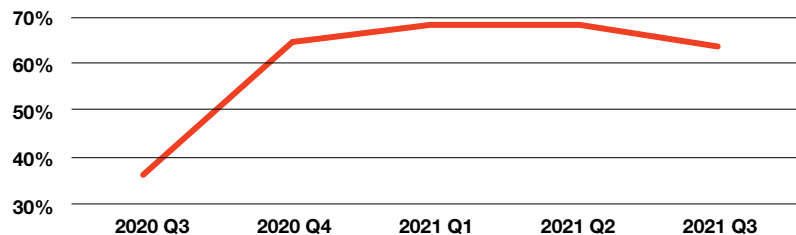
Investors with affordability concerns

Affordability concerns could also explain the reduction in investors intending to buy, with the percentage of those worried about high price points up 50 per cent since Q3 2020.



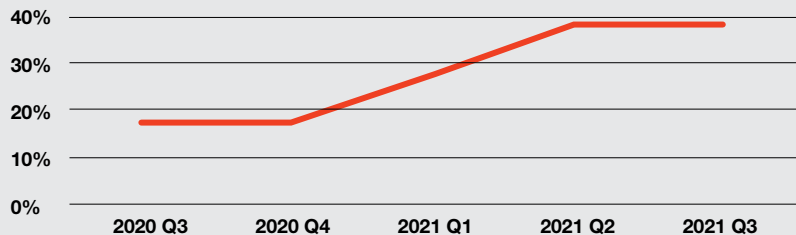
Investors feeling positive about the property market:

Investor positivity remains high but is starting to dip, an indication not all are convinced that price growth momentum will continue to be as strong as it has recently been.



Investors concerned about interest rates:

With an interest rate hike seemingly inevitable, concerns over an increase to the costs of finance appear to be plateauing at just less than 40 per cent of respondents.





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