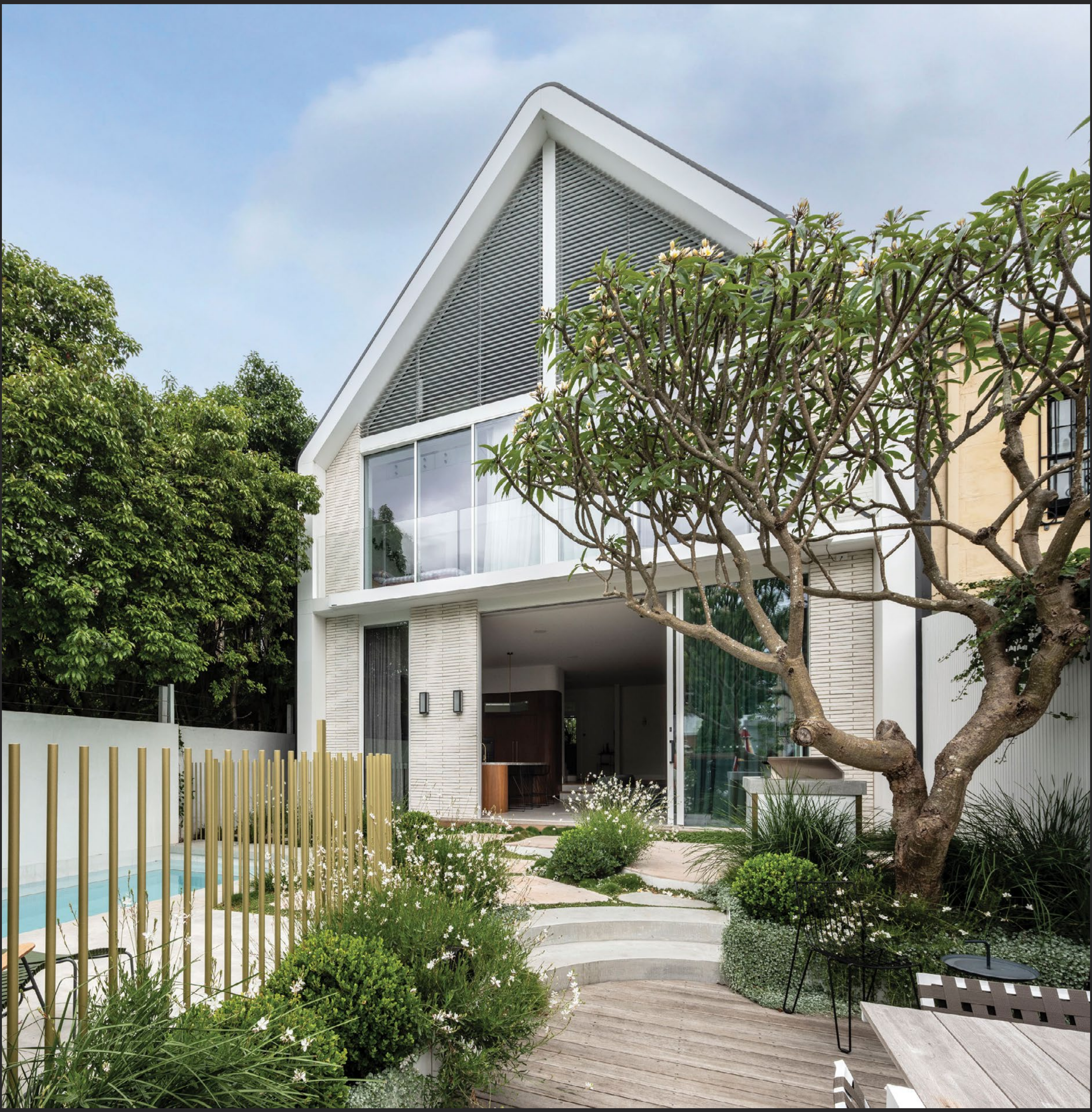
The Agency

Winter 2023

National Property Market Report



Introduction with Geoff Lucas

There are so many factors at play in our property market right now, but this season we're expecting less volatility than we've seen in recent times. This should lead to greater choice and opportunity for Australia's homeowners and home seekers.

In the three months to April, the national dwelling price rose 1.0%, with Sydney's median price rising 3.0%. This is the first time we've seen a broad market gain for a year.

Many of us have been looking for signs that the market has turned. And to some extent, this data reveals that it has. But those hoping for a return to the heady days of 2021 are likely to be disappointed. We believe we're seeing a return to 'normal' conditions, where there is less price volatility than we've seen over the past few years, and values neither rise nor fall too rapidly.

For most of us, owning property is a long-term proposition, with the average hold time on a property now 9.1 years.

Domain research shows real estate booms tend to last an average of 33 months, and prices rise an average of 32.7%. Downturns last an average of nine months, and prices fall an average of three per cent.

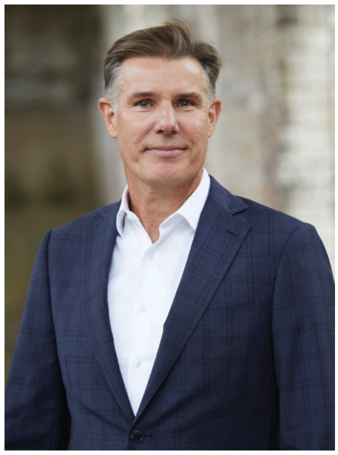
Even in the context of booms and busts, the last few years have been outliers. The ABS reports that in 2021 Australia recorded its strongest-ever annual property price growth, with the median rising 23.7% – roughly twice the pace of a 'standard' boom. This was followed by the sharpest decline on record, with the median falling -7.9% in the year to February 2023, according to CoreLogic.

2021's property boom took place within the context of record low interest rates. These allowed people to borrow more than they were previously able to. Interest rates have risen dramatically, so people simply do not have access to the same amount of finance they once did. This places a natural ceiling on the rate of any future gains, especially in markets such as Sydney and Melbourne, where the cost of the median dwelling is many times the median income.

Around the country, stock levels have remained at historic lows. This shortage of homes for sale is especially acute in Sydney. Although the harbour city's auction clearance rate is now consistently over 70%, Sydney is recording roughly half the number of auctions as Melbourne, despite having a larger population. Any recent gains made in Australia's largest metropolitan centre may be tested if this equation changes and more supply comes online.

Increased immigration is beginning to have a strong influence on the property market. We're seeing record numbers of new immigrants. While new arrivals from overseas usually impact rental demand rather than purchasing demand, the incredibly tight supply of rental properties means we're now seeing a 'spillover' into the sales market. This is likely to support housing prices into the medium term and ensure there is no price crash through the so-called 'mortgage cliff' period, where over 850,000 fixed loans will be moving from circa 2% rates to circa 6% rates between July 2023 and January 2024.

First-home buyers are experiencing, for the first time in their lives, an environment in which their saved deposits are attracting interest at rates of up to 6%. Not only does this encourage saving, but it also restores some faith in people's ability to become homeowners after the past few years had disillusioned many. Investors are also being drawn in by lower sales prices, higher rents and better yields.



To date, we haven't seen distressed sales come to market, even in the face of increasing interest rates. While increased rates will create some increased supply, we believe demand will cushion Australian prices from dramatic falls. Although it's possible for some further softness in prices, we're entering a more neutral market phase.

We believe this creates a better, safer and more comfortable environment for Australian families to feel more confident buying and selling property, as well as greater opportunities to move into a home that suits their changing circumstances.

Geoff Lucas
Managing Director
and CEO, The Agency

The national property market with Matt Lahood

After a year of instability, there are signs Australia's property market is turning. Transaction activity is on the up, auction clearance rates are rising and, most importantly, the national median dwelling value is registering a small gain for the first time in 12 months.

CoreLogic data reveals national values rose 1.0% in the three months to April, with prices rising in four of the eight national capitals (Sydney, Melbourne, Brisbane, Perth).

Sydney led the charge, with the citywide dwelling value rising 3.0% to reach $1,031,138. Although Sydney is easily the most expensive Australian city in which to buy property (and perhaps because of this), it suffered the most significant falls of any capital when the market started deteriorating. It also led the nation into the slump, registering the first of 12 straight months of declines in February 2022, while prices in other cities were still rising.

Now, it seems Sydney is the first capital city to emerge from the property market funk. Domain reports that auction clearance rates have been consistently sitting around 70%, even as more stock begins to hit the market. With the RBA putting a pause on rate hikes in April, there is cause for some optimism in the Sydney market. It's worth remembering that when prices in the harbour city turn, they often turn fast. At the end of the last property market slump between 2017 and 2019, Sydney's house prices lifted 5.7% in a quarter. Of course, we should also keep in mind that higher interest rates could put a cap on growth, as many buyers won't be able to borrow as much as they could a year ago.

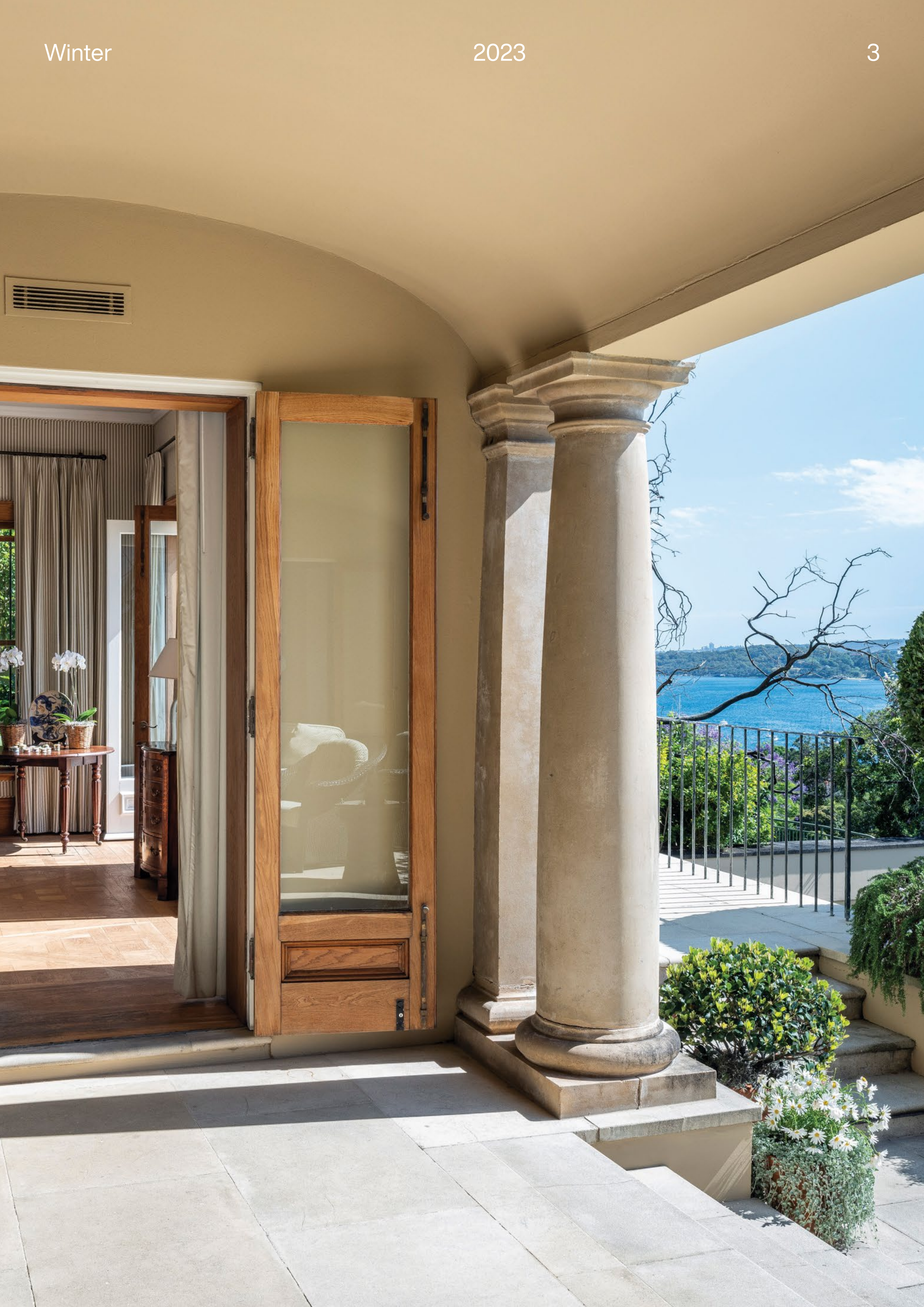
While Sydney may be the market that's strongest at this stage, we believe that in the long run, it is the 'sun belt' capitals of Perth and Brisbane that have the most potential for growth. Unlike Sydney, property values in both cities remain relatively low (in Perth, the median dwelling value is just $572,837). WA and Queensland also seem primed for above-average growth, with strong employment, major infrastructure projects and, in Queensland's case, the buzz of the 2032 Olympics to plan and build for. We also expect Melbourne to eventually start performing well. The southern capital is relatively affordable compared with Sydney and is forecast to experience strong population growth over the next decade.

Another factor that points to potential price rises is a decided lack of housing stock. Rents are growing almost exponentially in many parts of the country. Now, with immigration returning to pre-pandemic levels, this is likely to become worse. Quite simply, we need more houses and apartments in virtually every market. Still, with funding and construction costs rising and quality sites difficult to come by, we're seeing less rather than more development. ABS data shows total dwelling commencements fell 5.2% in the September 2022 quarter, placing further pressure on the housing market. This is something governments at all

levels will need to address in the coming years.

It's also worth mentioning that one market segment that never slowed down has been the prestige sector. Even through the worst of last year's conditions, we saw market records being broken, with several sales over $30 million. What's notable is that, with COVID's emphasis on remote working and lifestyle, we've seen new prestige markets begin to appear. Some homes in Byron and Noosa now rival the most expensive homes in Sydney and Melbourne for prices and, in some parts of the Sunshine Coast and Gold Coast, property values doubled in just two years.

Matt Lahood
CEO – Real Estate,
The Agency



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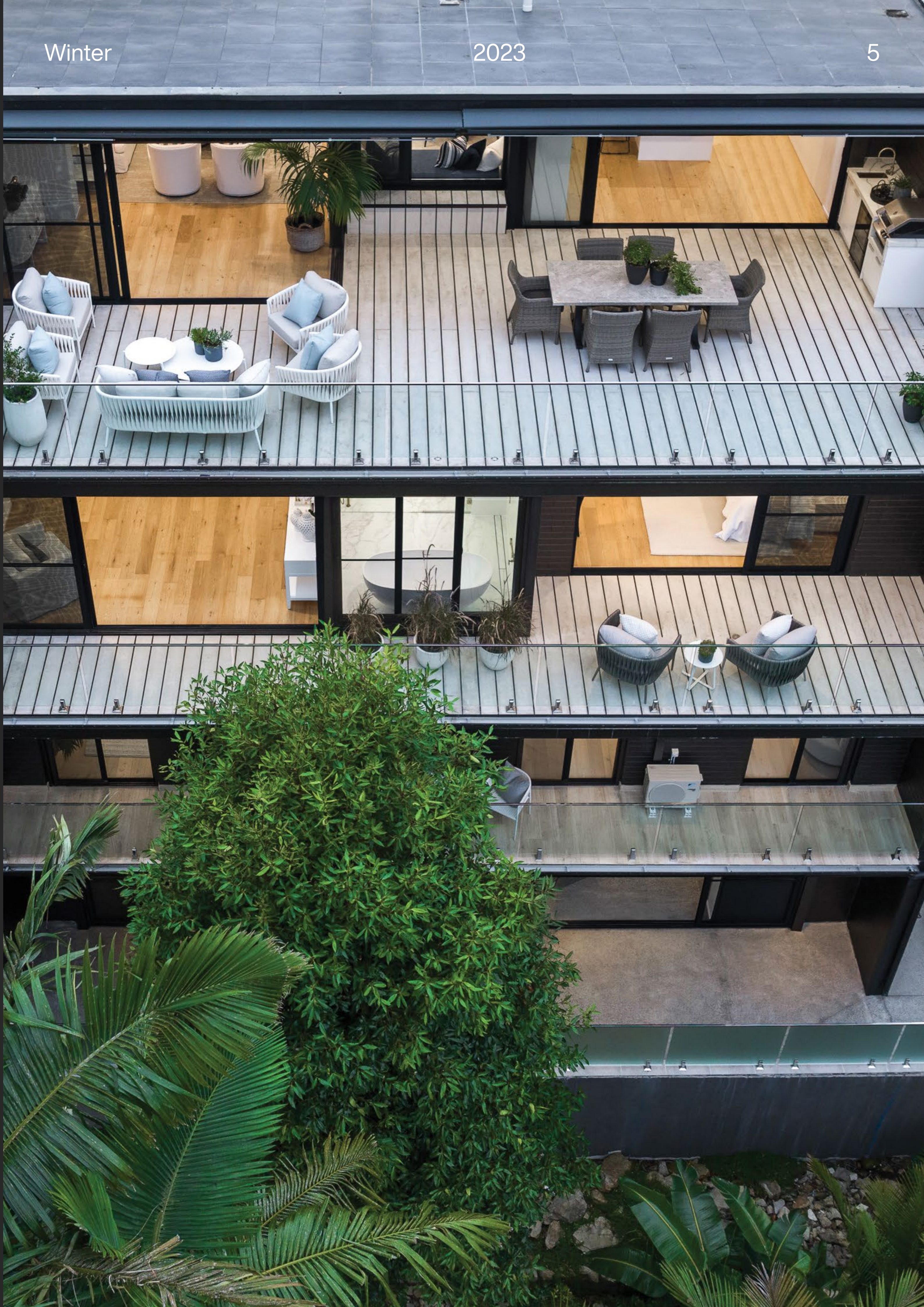
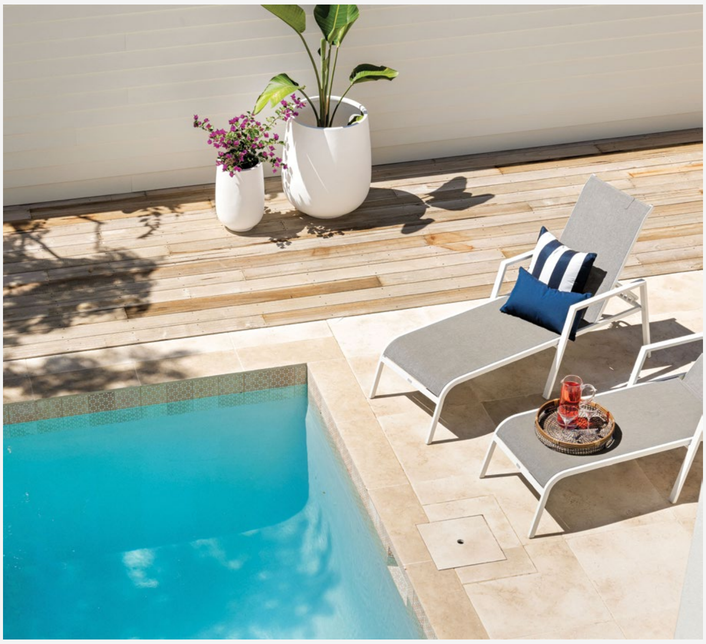


Location: QLD / Brisbane

with Steve Carroll

The Agency General Manager of Sales QLD



Queensland's property cycle often lags that of its southern neighbours. So, when property markets around Australia began falling in early 2022, Queensland's property market stayed strong.

Home values in both Brisbane and regional areas kept rising until July 2022, by which time prices in Sydney and Melbourne had already declined -5.2% and -3.3%, respectively.

Even though our state was one of the last to experience falls, we're already starting to see growth return, albeit at a subdued rate. Brisbane's median dwelling price rose 0.3% in April 2023, while regional Queensland's median rose 0.8% over the quarter. If this is the end of falling prices, that phase of our cycle will have been much shorter and less severe than most capital cities. The median price has come down around 10% since its market peak (again, far less than Sydney or Melbourne). And values remain well above pre-COVID levels, with Brisbane's median dwelling price now $705,016 compared with $506,553 in March 2020 – a rise of 39.18%.

That said, Queensland is made up of many economies, and market activity varies across the state. However, one consistency across all areas has been reduced stock levels. For instance, SQM Research shows the number of properties on the market in Brisbane was 17.6% lower in March 2023 than in March 2021 and 39.7% lower than in March 2019. This has meant supply has fallen along with demand and has been one of the cushions preventing values from falling too far.

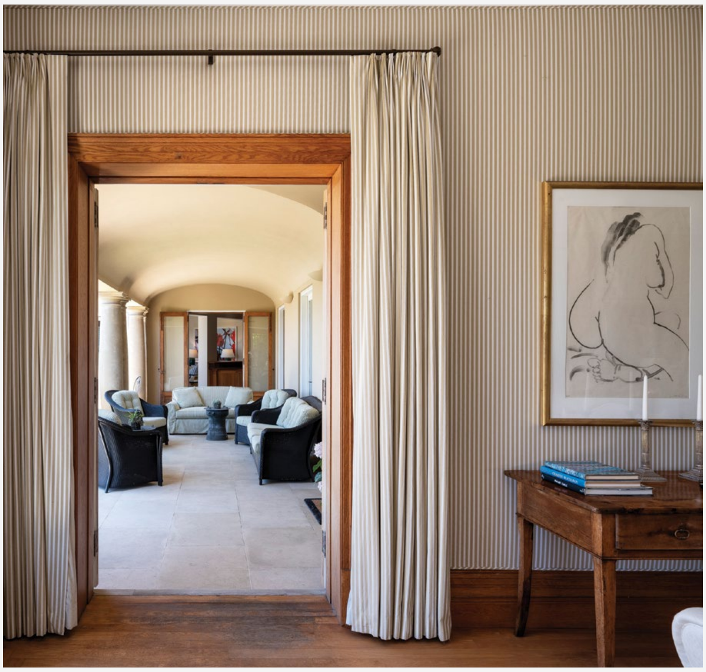
While we may not see a return to the fast-paced growth of 2021 any time soon, there is cause for optimism that prices may begin to rise more broadly. Anecdotally, we've noticed a lot of people holding off on buying their next home to wait and see where the RBA eventually lands with interest rates. Given there was no hike in April, we're likely to see people become more confident. Attendance at open homes has been growing, and both major property portals are reporting that a growing number of people are researching properties online.

Meanwhile, the long-term outlook remains in Queensland's favour. Immigration will soon return to pre-pandemic levels. An ageing domestic population is likely to mean more people will be retiring to the Sunshine State over the coming decade. And our State economy is forecast to be among the country's best-performing in the lead-up to the 2032 Olympics. All of this should encourage long-term property price growth.

For buyers in today's market, our advice is to do your research and watch the market closely. We're likely to see stock levels increase over the year, and you will have a greater choice. Against this, there will be greater competition, and you should be ready to make an offer when the right property comes online. For vendors, our advice is that they should be encouraged by the signs of a return to activity. New buyers are likely to come into the market, and demand is likely to rise to meet any increase in supply. At the same time, however, we need to be realistic about people's capacity to pay more in light of interest rate rises. Any further rate rises could dampen enthusiasm and encourage people to keep their powder dry for a while longer.

Location: NSW / Sydney with Luke Evans

The Agency General Manager of Sales NSW & ACT



Sydney led the country into the falling market of 2022, with its median property value suffering a peak-to-trough fall of -13.8%. Now, it's leading the country back into positive territory.

The city's median property value rose by 3.0% over the April quarter, according to CoreLogic. These gains put an end to a year of falling prices and brought the citywide median dwelling value back over the one million mark to $1,031,138 in April.

We believe this marks a new phase for the property market in our city, with major price falls now behind us. Another positive was the RBA's decision to pause interest rates in April, which could potentially give momentum to the current recovery, even if rates rose again in May.

We're seeing consistent levels of buyer enquiry across our Sydney offices, as well as in centres such as Wollongong and the Central Coast. However, it's fair to say that buyers are generally more price sensitive than during 2021's boom market. The key reason is that rising interest rates have reduced borrowing capacity and made home loans more expensive. This is especially true at entry-level and mid-market, where buyers tend to require substantial finance to fund the purchase of their property.

It's a different story in the prestige market, where interest rates tend not to influence demand in quite the same way. This year has already seen the sale of several properties for upwards of $20 million, with demand for premium Sydney property far outstripping supply. Unfortunately, however, this lack of property listings isn't just confined to the top end. Right across the market, there are too few properties for sale, and many buyers are taking some time to find a home that meets their needs. While this can make searching for a home frustrating, it also points towards further price gains.

It's impossible to forecast exactly what will happen, but our anecdotal evidence suggests this property shortage may ease slightly over winter. Several would-be vendors we've spoken to have been holding off listing their properties to wait and see where the RBA landed with rate rises. Now that we seem to be coming to the end of the cycle of rate rises, some are growing more confident. However, it's likely we'll need to wait until spring to see a return to high transaction levels.

Buyers hoping that this potential influx of supply could lead to price falls may be disappointed. Any increase in properties for sale is also likely to be accompanied by an increase in buyers entering the market. That's especially true if the RBA declares that inflation is under control and that no further interest rate rises are needed.

Many of these new entrants are likely to be first-home buyers impacted by high rents, who now see value in becoming homeowners. Others will be investors looking to capitalise on those same high rents and increased yields. They'll be joined by upsizers who find that rising construction costs make it more financially attractive to buy a new home rather than renovate their existing one.

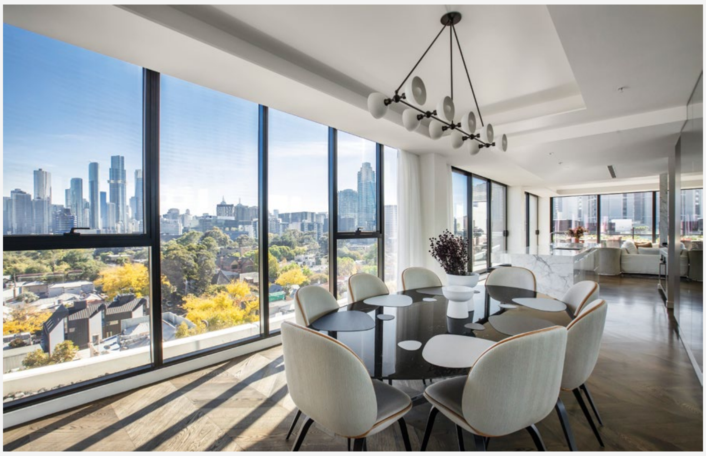
In short, we're cautiously optimistic about the Sydney property market for the remainder of 2023 and encourage both buyers and sellers to act confidently in making their next property move.

Location: VIC / Melbourne

with Sally O'Connell

The Agency General Manager of Sales VIC & TAS

Melbourne dwelling values recorded a small rise of 0.3% in the three months to April 2023 according to CoreLogic, putting an end to a year of declining prices. The median Melbourne property price of $751,125 now stands around -9.0% below its February 2022 high.



Some Melbourne property stock has been performing well, even over the last 12 months. For instance, family homes in blue-chip Boroondara (which takes in suburbs such as Hawthorn and Camberwell) stayed in demand right through the downcycle. And the median house value in Camberwell is still 26.2% higher than it was pre-pandemic, according to realestate.com.au data.

In recent years, Melbourne's inner city apartment market was perhaps the hardest hit of any property segment in the country. This was partly because more people began working remotely during the pandemic, often prioritising the space of suburbia over the convenience of living near the CBD. These properties also tend to be occupied by a high proportion of renters, especially overseas students. With borders closed and some tertiary courses moving online, many remained vacant, making them a less attractive investment option.

The good news is that this market segment seems to be recovering rapidly. With borders reopened, the CBD is back in full swing and 'normal' life has returned. Domain data reveals that the value of two-bedroom apartments in inner-city North Melbourne rose 7.5% over the past 12 months. Next door in Carlton, one-bedroom apartments saw exactly the same level of growth.

The top end of Melbourne's market has also outperformed the market more generally. Five-bedroom homes in upmarket Toorak experienced 8.9% growth over the past year, according to Domain. Buyers in this segment tend not to be as sensitive to interest rate rises, basing their decision to buy on location, type of property, and the strength of the economy.

Any recovery has come on the back of exceptionally low sales volumes. SQM Research also shows that, despite a 14.7% surge in listings over March 2023, total listings remain -13.4% down from a year ago. Real estate transactions in Melbourne are down -22.1% compared to the same time last year.

Another factor weighing on the market is rising construction costs, caused by labour shortages and supply chain constraints. We're noticing that homes requiring substantial work have become less attractive to buyers. Our estimate is that unrenovated homes and land are selling for between 10% and 20% less than what similar properties achieved in 2021. We are also aware of several developments that have been on hold or even abandoned after the developers decided they were no longer viable.

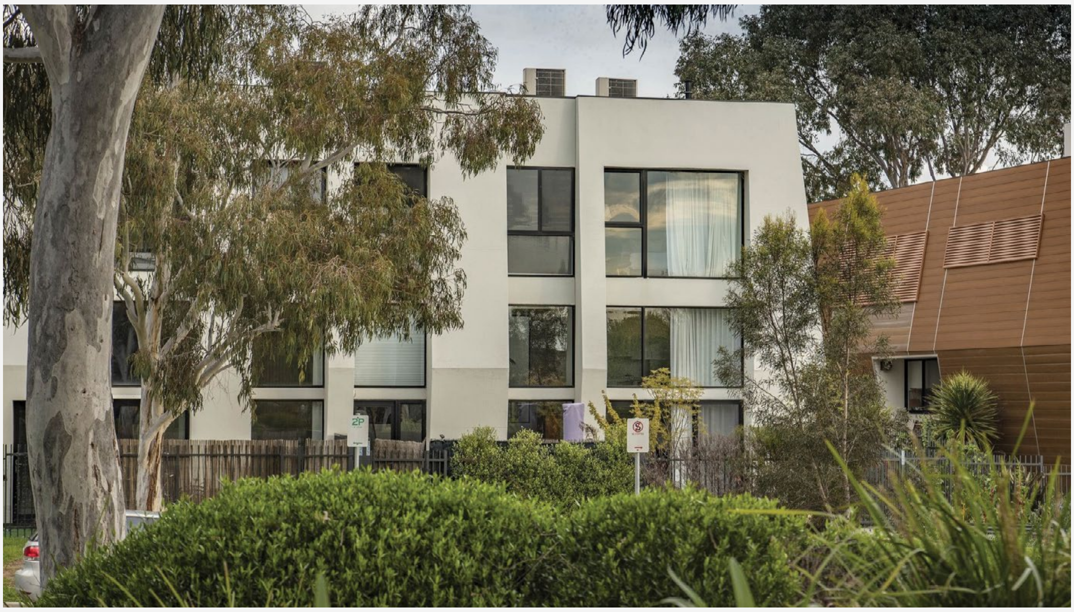
In the long run, this is bad news for Melbourne's housing market and is likely to put upwards pressure on both rental prices and the first home buyer market, further exacerbating the affordable housing crisis our city is already experiencing. We're also expecting higher interest rates to force some landlords to sell their investment properties, further constraining rental supply.

Location: ACT / Canberra

with Luke Evans

The Agency General Manager of Sales NSW & ACT

Canberra surpassed Melbourne as Australia's second-most expensive city in which to buy property in June 2021 – and it has stayed that way ever since.



The capital's median dwelling value now stands at $839,732, which is around 12% higher than Melbourne's and 20% higher than Brisbane's.

There are three key reasons for this growth. First, Canberra is a growing city. In fact, the city's population grew by 22% in the decade to 2021 to now stand at 454,000. It is expected to exceed 500,000 in the next couple of years.

Second, Canberra is an affluent city with the country's highest median income. When people began spending more on their properties during the pandemic, the capital's residents were better able to absorb price rises than in many other cities. Values didn't begin to fall until July last year – six months after Sydney's median value began slipping. Canberrans should also be better equipped to deal with the long term impact of rate rises.

Third, as with most of the country, the housing supply is limited. Although the good news in Canberra is that much of the available developable land is actually owned by the ACT government. This means, theoretically at least, it should be easier to bring to market than in other cities where private landholders tend to own it.

That said, while Sydney's market is now back in positive territory, Canberra's median market is still experiencing minor falls. The median home value declined -1.0% over the three months to April 2023, and was -9.3% down for the year. But even if it falls a little further, we believe the worst of any falls are already behind us and that the market is slowly turning. After all, we're achieving some solid sales – often prior to auction – and we're also noticing an elevated level of buyer enquiry.

One feature of Canberra's market is that there is a dire shortage of standalone homes available for sale. Perhaps a reason for this is that, given the city's ease of access and great public transport options, Canberrans are less inclined to downsize than in other cities. Another reason may be that a lack of homes for sale means that people have nowhere else to move and instead remain in their existing home, often choosing to renovate rather than sell. If that's the case, increases to building costs and the blowout in time needed to hire a tradesperson may contribute to more people biting the bullet and selling.

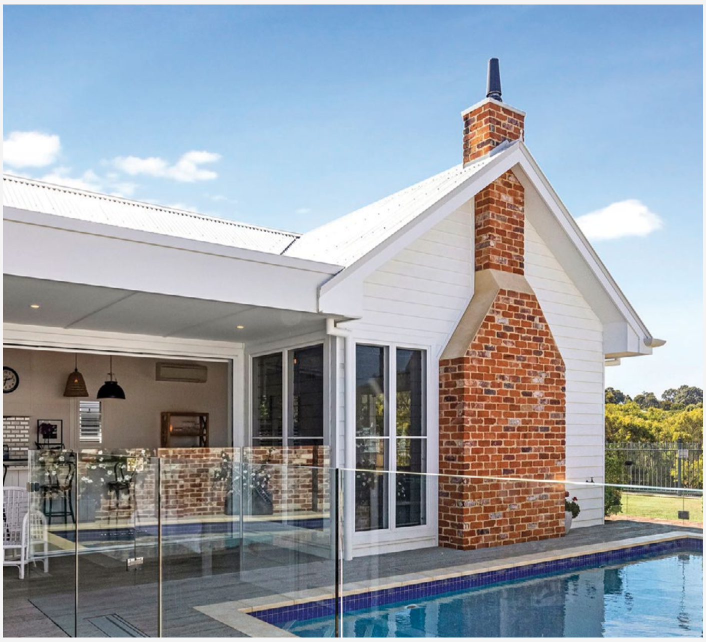
These restrictions could also impact the building of new homes – even if enough land is released to accommodate the growing need for housing in the city. When combined with the factors we've already discussed, it is likely Canberra property prices will continue to remain high.

Location: WA / Perth

with Stuart Cox

The Agency General Manager of Sales WA

While Perth's property market has been affected by interest rate rises, the impact here has not been as pronounced as other parts of the country. CoreLogic reports that property prices rose 1.0% in the three months to April 2023, to sit just below their July 2022 market peak. This means the city's median price remains around 25% above its pre-COVID mark. We're almost certain there will be further growth.



Perth's median days on market are the lowest they have been in a decade, according to REIWA data. The average Perth property now takes just 12 days to sell. This is down from close to two months in the lead-up to COVID. The speed of the sales market is almost matched by the rental market, with the median property taking 15 days to lease. At the same time, the citywide median rent for houses has jumped from $360 a week pre-pandemic to $550 today – a rise of 52.8%. The median apartment rent has gone from $330 to $495 over the same time.

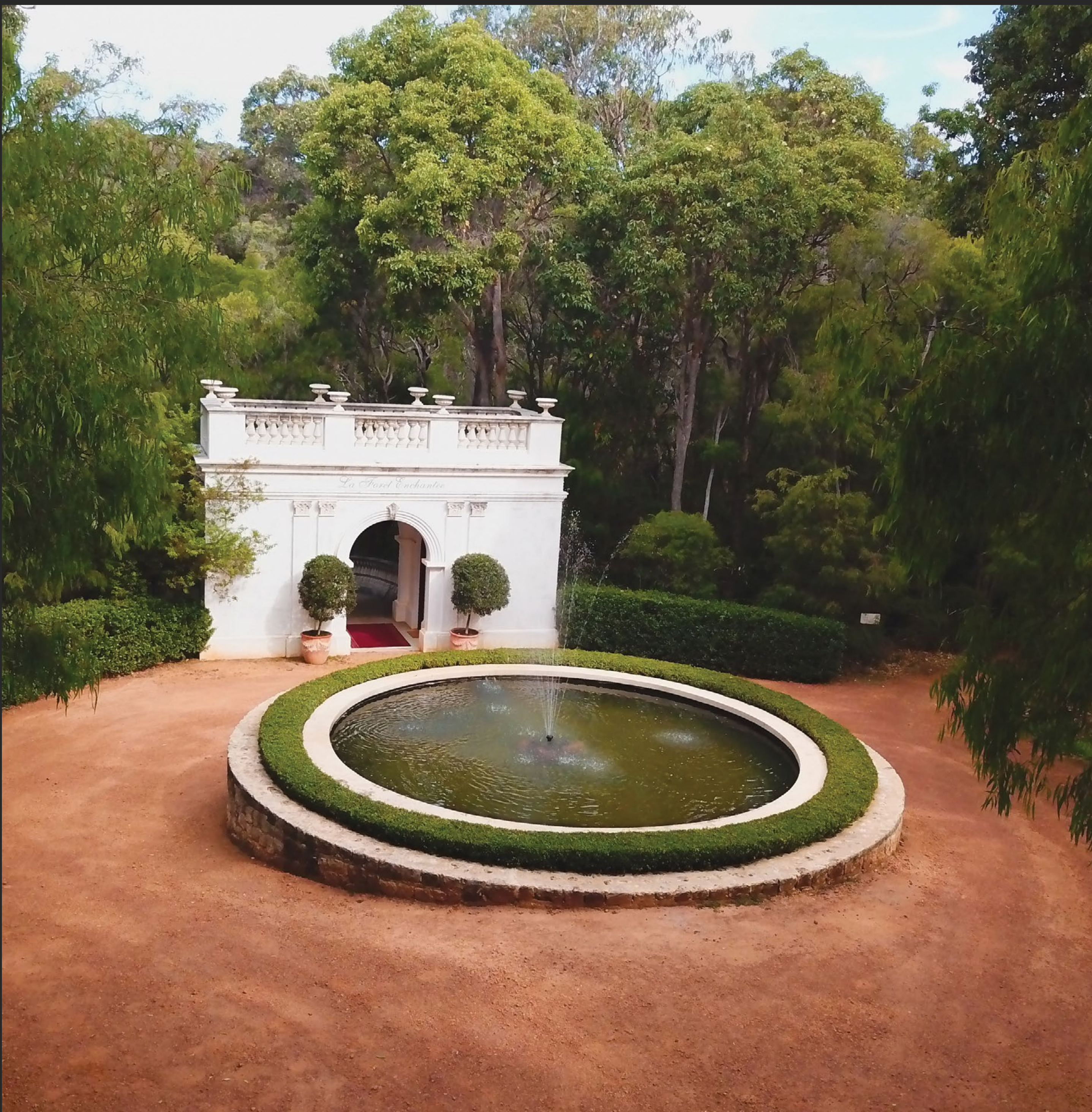
The upper end of the sales market is particularly strong. Last quarter we sold more than 16 properties valued at over $1.5 million, a much higher level than the previous quarter. We also had several sales exceeding $3 million; an exceptional result for the Perth market.

Like other parts of Australia, this demand is driven partly by short supply. Perth's population is growing rapidly. Our city is expected to be home to 2.9 million residents by 2031, according to government estimates. Each new arrival needs somewhere to live. However, high wages and growing construction costs are making it difficult to build enough homes to accommodate everyone. So long as these conditions persist, we can expect the sales and rental markets to remain tight and for prices to continue heading upwards.

A lack of new homes is only part of the problem. We're also facing the reality that not enough existing housing stock is coming to market either. To some extent, this is happening because fewer people are listing their homes and upgrading. Anecdotally, I've been speaking to many would-be vendors who have decided not to list their own property because they cannot find a suitable home to move into once they sell. In other words, we're trapped in a vicious cycle where a lack of listings is creating a further lack of listings.

For all of this, Perth's property prices remain astoundingly affordable compared to other major Australian cities. At $572,837, the median dwelling price here is roughly half Sydney's and three-quarters of Melbourne's. Given wages here are higher than almost any other city, we expect owner-occupiers will continue to drive up prices as soon as rate rises formally end. We've already noticed a marked increase in interstate investors over the last quarter, attracted by the median citywide yield, which now sits at close to 5.0%.

“Perth’s property prices remain astoundingly affordable compared to other major Australian cities.”

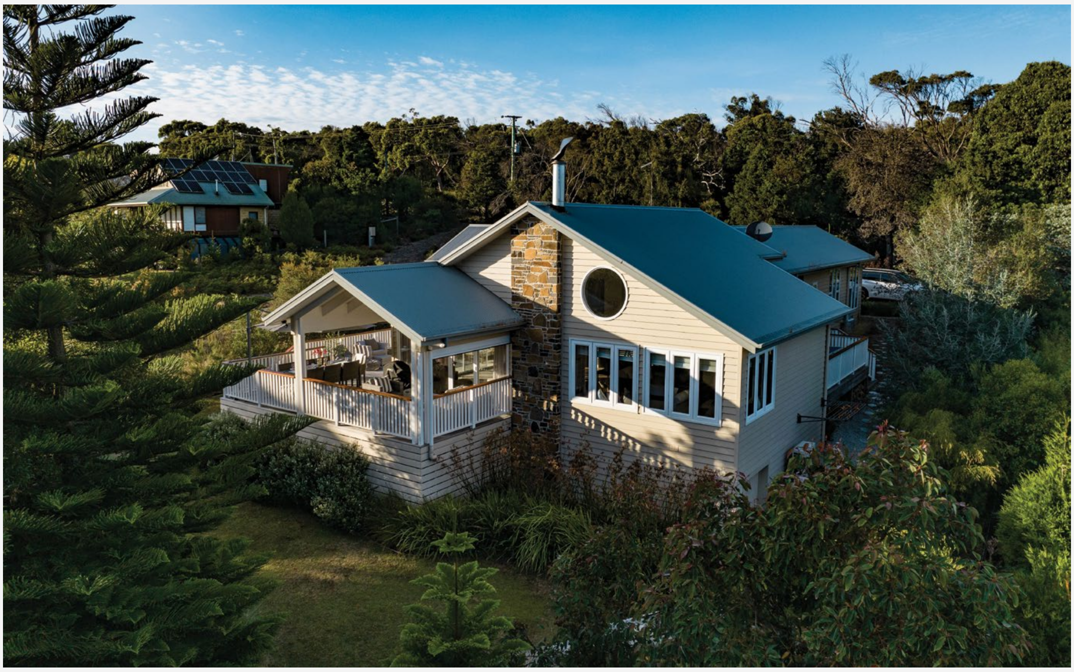


Location: TAS / Launceston

with Sally O'Connell

The Agency General Manager of Sales VIC & TAS

When COVID encouraged people to rethink their lives and lifestyle, few real estate markets in the country benefited more than Tasmania's. Between March 2020 and July 2022, Launceston's median house price went from $466,250 to $770,000, a rise of 65.1%. Since that time, however, it has slipped 10% to now stand at $700,000.



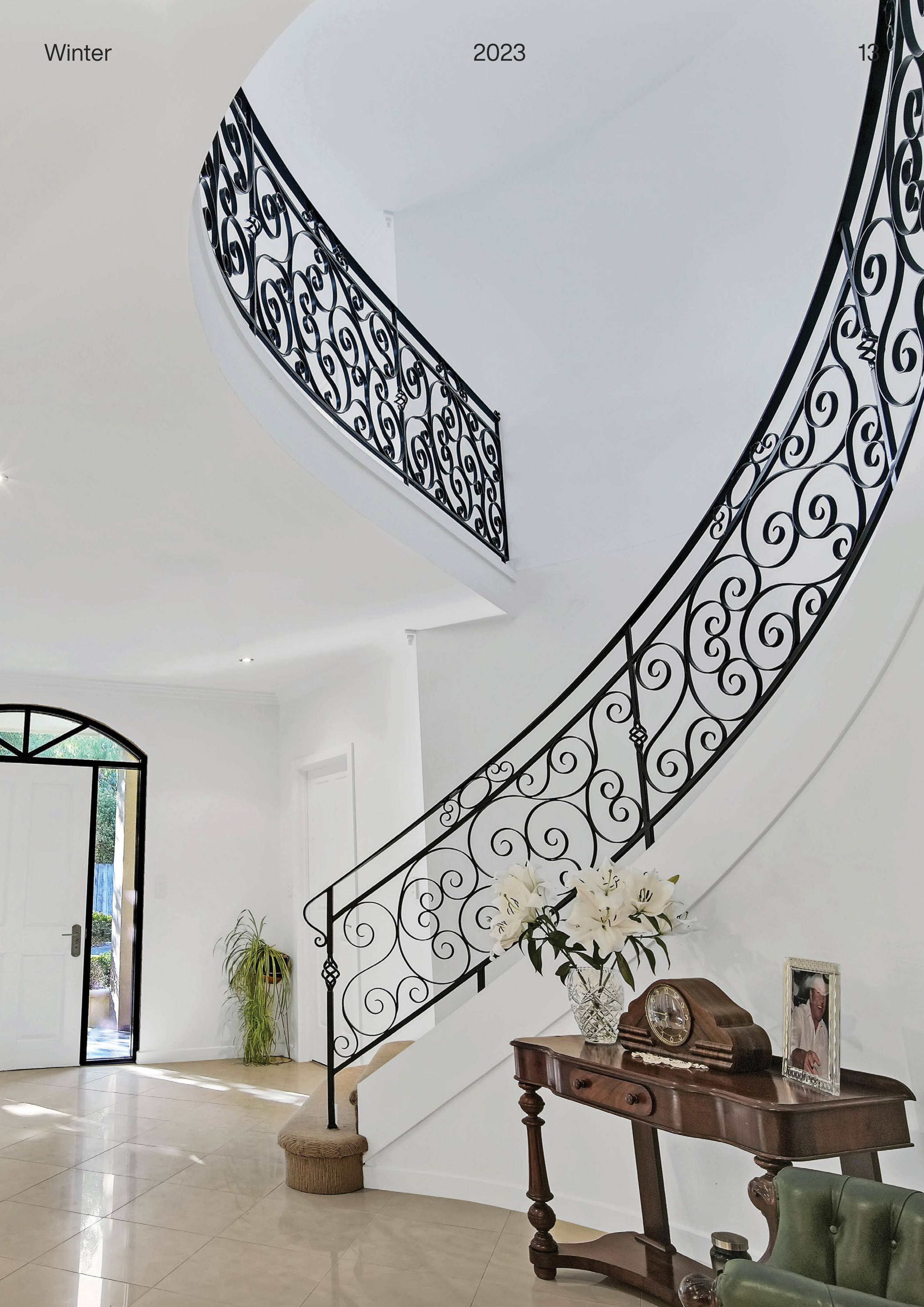
Tasmania's market recovery is well behind that of the mainland states. Hobart's median dwelling value recorded the most significant decline of any capital city over the April 2023 quarter (-2.4%). However, there are signs that falls may at least be slowing, with March registering a monthly loss of just -0.9% and April no change at all.

There are still many active 'upsizers' in the market, and we're still seeing a strong trend with affluent mainlanders continuing to relocate to the Apple Isle. While many of these internal migrants tend to be late in their careers or retired, an increasing number are at a much earlier stage of their lives and property journeys. As a result, we're seeing high-quality lifestyle properties close to Hobart and Launceston generate exceptionally strong demand.

As with most other parts of the country, what's missing from the market is first home buyers, often a mainstay of Tasmania's real estate scene. Higher interest rates and the price hikes that occurred over 2021 and early 2022 have left the local market less affordable for this segment. As a result, many are continuing to rent for much longer than they might otherwise have. This is adding further pressure to an already tight rental market, with the vacancy rate in Launceston sitting well below 1.0% for the entire year to date.

But while Tasmania's market recovery may be behind other states, we believe the fundamentals of the market remain strong. Unemployment is low, population growth is high, and like in other parts of the country, more homes need to be built.

We're hopeful confidence will return to the market and will again start to see prices rise across the board.



Investor's update with Maria Carlino

The Agency Director of Property Management

For the past 12 months, rents have been rising across Australia's capital cities. Sydney (12.6%), Brisbane (12.3%), Melbourne (10.8%), Perth (12.8%) and Adelaide (11.8%) all saw double-digit rental growth in the year to 30 March 2023.

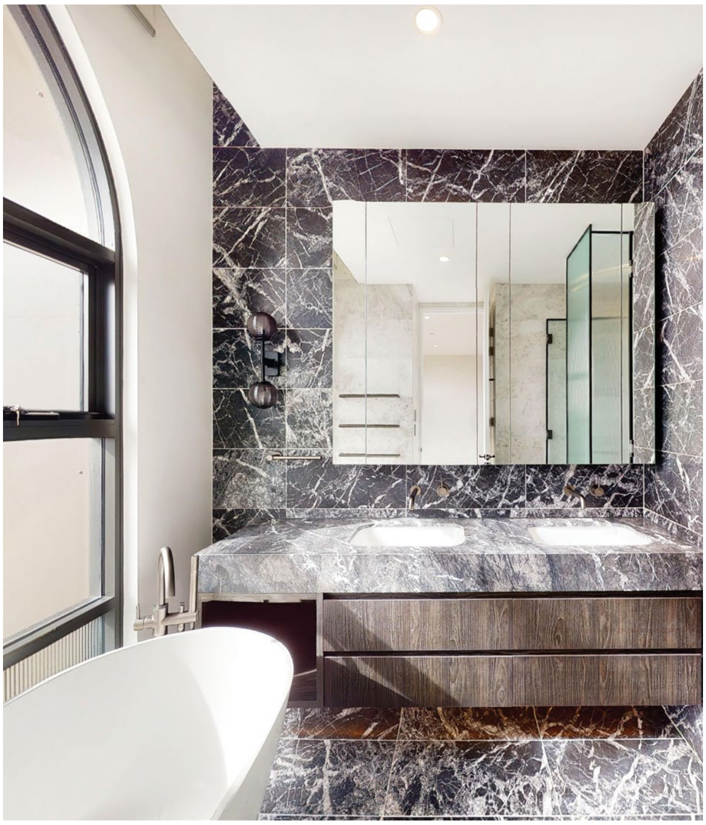
Far from slowing down, the pace of growth increased over the past quarter, with Sydney (3.4%), Melbourne (3.7%) and Perth (3.6%) recording the biggest rises in asking rents. By May, CoreLogic was reporting a new record, with a combined capitals annual rental increase of 11.7%.

One reason for these recent jumps is that rising interest rates have impacted landlords' budgeting. Many find they need to raise rents on their properties to meet their own mortgage repayments. Those that can't raise their rent enough – and remember, the 3.75% cash rate hike we've seen over the past year equates to as much as an extra $1,100 interest a month on a $600,000 mortgage – may find they're eventually forced to sell. Other landlords are seeing high interest rates as a time to 'cash in' and sell their investment property, diverting any profits into the home loan on their main residence.

However, interest rates are only a small part of the story in our rental markets. Rents are ultimately set by the laws of supply and demand, and most cities currently face a chronic housing shortage. Across the country, vacancy rates are falling to all-time lows. CoreLogic reports that Perth's vacancy rate now sits at just 0.6% (the lowest it's been since 1980) and Melbourne's at 0.7%, with Sydney and Brisbane also sitting around the 1.0% mark.

With immigration returning to pre-pandemic levels and construction costs putting off developers and even halting some building projects, this looks set to only get worse in the near term. A recent report showed that, at current construction rates, Australia will face a shortage of 106,000 homes by 2027. Failing to build these won't just lead to tenants being locked out of many rental markets; it will also hamper economic development.

Another reason we're facing an undersupply is that investor activity has been low for some time. The number of available rental properties has fallen 15% over the past year and 33% over the past five years. There simply aren't enough landlords renting enough properties to satisfy the demand. Although



investors often receive bad press – with some questioning the merits of negative gearing or the CGT discount – the reality is that the private rental market provides much-needed accommodation to more than one-third of all Australians. Without enough rental stock, demand outpaces supply, and prices can only rise higher. It's becoming a real challenge for tenants in many locations around the country.

In this tight market, our advice is for landlords to be selective in the tenants they choose to fill their properties. Cost of living increases are putting pressure on tenants to keep paying rent, and it's important to do proper due diligence to make sure your tenants are able to meet future rental payments.

Projects with Steven Chen

The Agency Co-Founder and Head of Projects

The Agency Projects continues to hand-select premium projects with quality developers and builders. We're seeing a good level of transaction activity across the Eastern seaboard, including Sydney and the Gold Coast.

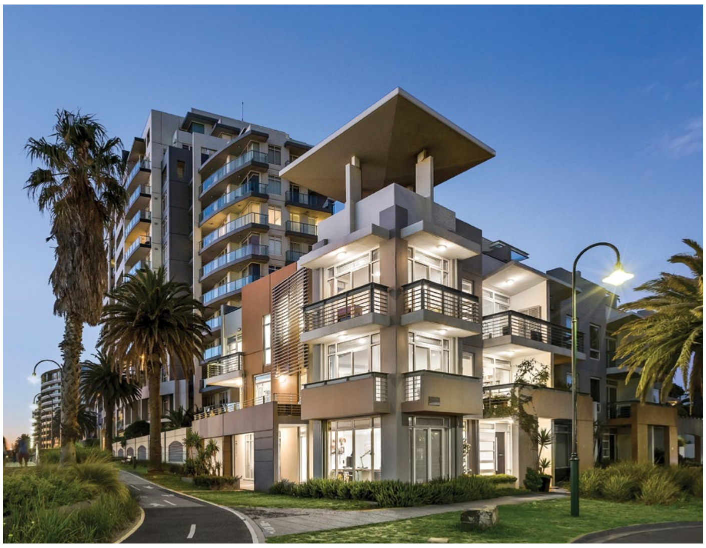
Interest rate rises have made first-home buyers more conservative, as well as those purchasing in the $800,000 to $1.5 million bracket. Many of these buyers have concerns for off plan acquisitions with the potential for rate rises to reduce their borrowing capacity which will impact their ability to settle. They are also more likely to scrutinise rental returns, levies and yields and become more prudent with their budgets.

While these buyers are paying attention to the fine print of the ongoing financials, market activity is still solid, and we've sold over $28.5 million of apartments in a month. We are seeing investors return to the market, motivated by government incentives and strong rental returns. Many of these buyers are adding to their portfolio.

Foreign buyers are returning to the Australian property market due to its strong fundamentals and a weaker Australian dollar. Those who have a child at an Australian university are attempting to avoid the rising rental market, but they are facing an undersupply of existing stock, particularly in popular student locations in Sydney such as Kingsford, Haymarket and Macquarie Park.

Developers with good practices and strong balance sheets that have bought well, continue to be successful. However, they now face the same rising construction and funding costs as homeowners. For an increasing number, progressing a project has become a financial challenge, with profitability, and therefore viability, a concerning factor. Despite the housing shortage, we've seen several new developments removed from sale. This has a flow-on effect, as consumers are usually reluctant to buy into a project that may not proceed.

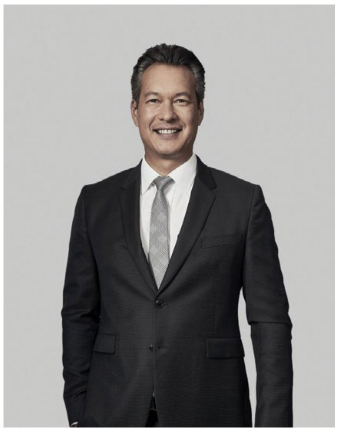
The Agency Projects is delighted to be one of the hand-selected selling agents for Gordon Corp's "invite only" Riva and Ferretti project, Mantaray, located in one of the most prestigious parts of the Gold Coast. It offers an international marina with 24 luxurious branded residences, aimed at the



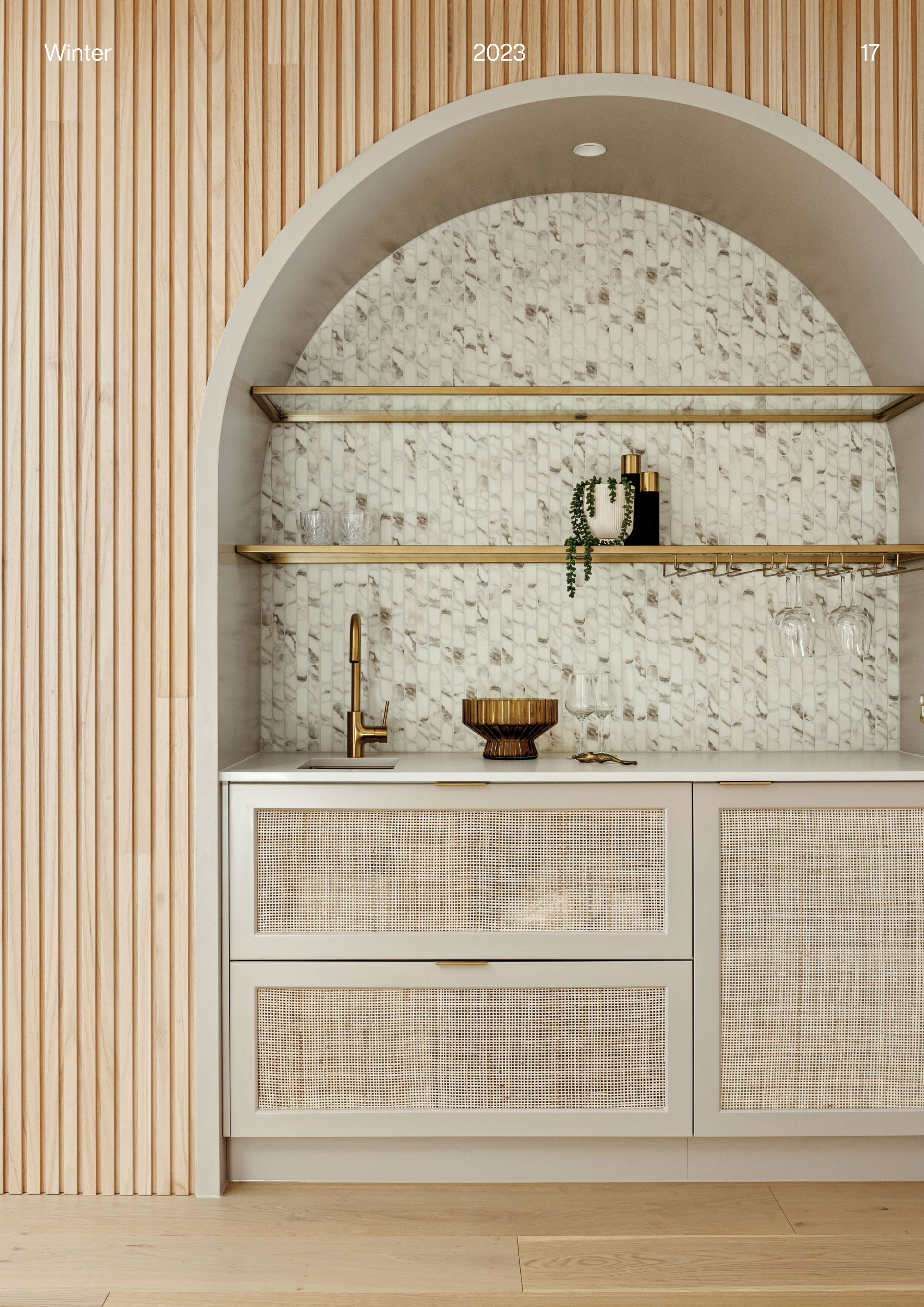
growing demographic of global and local ultra-high-net-worth individuals. Gordon Corp has appointed Multiplex as builder, providing buyers with experience, quality and confidence.

We're seeing an extraordinarily strong level of confidence in this high-end luxury market across both established and off-the-plan properties. Buyers in this price bracket are motivated by a scarcity of stock and a fear of missing out and tend to be unaffected by interest rates. If they see value and lifestyle appeal in a property, they tend to take a long-term view. In particular, we're witnessing high net worth individuals perceive value in the current pricing of key properties in the $8 million to $12 million price bracket. While this may seem expensive, those who have seen many property cycles are seeing value and transacting.

We've also seen increasing activity from an emerging group of "active resizers", going from a house to an apartment of a similar size, and saving by liquidating the capital. Usually, these buyers are pre-downsizers in their 40s, intent on buying a house-sized three to four-bedroom apartment and recouping the financial and lifestyle benefits. They have been particularly prevalent in the Brisbane projects market.



"We're seeing an extraordinarily strong level of confidence in this high-end luxury market across both established and off-the-plan properties. Buyers in this price bracket are motivated by a scarcity of stock and a fear of missing out and tend to be unaffected by interest rates."



Finance with John Kolenda

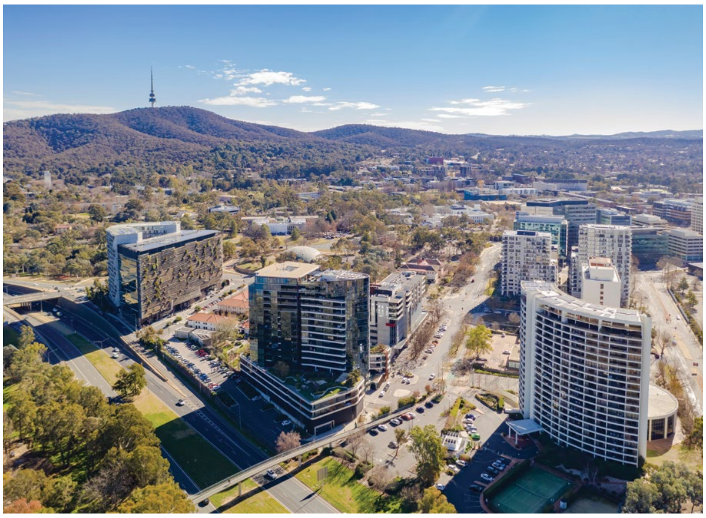
MA Financial Group

After 10 consecutive rate rises, the Reserve Bank of Australia (RBA) provided borrowers with a reprieve in April 2023, before raising them 0.25% again in May. This may not be the end of rate rises, with the RBA signalling its commitment to continue aggressively fighting inflation. However, even a short pause in April has come as welcome news to mortgage holders, with many already feeling the effects of higher interest rates.

One phenomenon we're seeing at the moment is a growing number of people coming off low fixed-rate loans and onto variable rates many times higher than they're accustomed to paying. In fact, as many as 800,000 fixed-rate home loans are due to expire this year, the RBA recently revealed. This is leading to an almost unprecedented wave of refinancing, with lenders offering strong incentives for new customers to switch – especially in the form of 'cash backs'.

It isn't just existing mortgage holders who have been impacted by higher rates. Lenders assess borrowing capacity based on current rates as well as a 3.0% buffer. With rates rising 3.5% since May 2022, many would-be homeowners find they can now borrow as much as 30% less than they could 12 months ago. This is naturally curtailing growth in property prices, as buyers often simply cannot access the same level of finance, even if they want to.

Mortgage brokers will play a key role in helping both affected borrowers and new homeowners navigate these choppy waters. If they can, there is likely to be better buying in the market than we've seen for a while. After all, the federal government and many state governments are still offering generous incentives to first home buyers, ranging from one-off grants to stamp duty concessions and exemptions. In NSW, the outgoing Perrottet

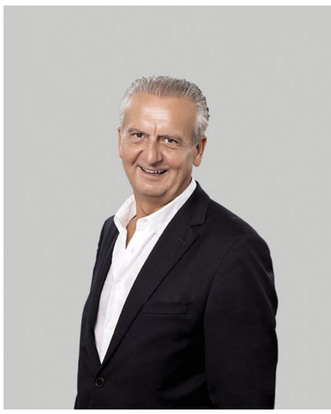


government even gave many first home buyers the opportunity to pay an annual land tax in place of state-based transfer duty. However, the new Minns-led Labor government has pledged to end this scheme, possibly from 1 July.

With real estate prices reportedly reaching the bottom, this is also a good time to invest in property to capitalise on higher rental income and better yields.

International economic pressures also continue to impact the current lending environment, particularly as there is no end in sight to the conflict between Russia and Ukraine. Inflation is still evident, driven by increasing wage pressures, continued consumer spending from historical savings and supply chain issues. This could force the RBA's hand and lead to further rate rises. When interest rates do peak, we're likely to see the economy slow as consumers tighten their spending and adjust to higher repayments. This could lead to rates being cut later this year or early next.

Whatever happens next, it's vital to speak to a mortgage broker whether you're looking to refinance or to buy. There is so much going on in the lending market, it's important to make an informed decision using the expertise of someone who is up to date with the current lending environment.



Capital city auction statistics

30 April 2023

Source: CoreLogic

City	Clearance rate	Total auctions
Sydney	70.7%	570
Melbourne	77.7%	729
Brisbane	43.1%	201
Perth	46.7%	19
Tasmania	0.0%	3
Adelaide	62.5%	152
Canberra	67.5%	56
Combined capital cities	69.2%	1,730

Index results – Change in dwelling values

30 April 2023

Source: CoreLogic

City	Month	Quarter	Annual	Total return	Median Value
Sydney	1.3%	3.0%	-10.7%	-8.1%	$1,031,138
Melbourne	0.1%	0.3%	-8.9%	-5.9%	$751,125
Brisbane	0.3%	0.1%	-9.8%	-5.8%	$705,016
Adelaide	-0.2%	-0.1%	1.3%	4.8%	$650,981
Perth	0.6%	1.0%	1.3%	5.9%	$572,837
Hobart	0.0%	-2.4%	-12.7%	-9.1%	$648,811
Darwin	-1.2%	-2.0%	-0.5%	5.5%	$484,483
Canberra	0.0%	-1.0%	-9.3%	-5.8%	$839,732
Combined capitals	0.7%	1.4%	-8.4%	-5.1%	$771,579
Combined regional	0.1%	-0.1%	-6.8%	-2.8%	$579,818
National	0.5%	1.0%	-8.0%	-4.6%	$709,130

Our community

From small local initiatives to big-name events, The Agency encourages our team to get involved and give back to their community. Here's a snapshot of what we've been doing:

Queensland Property Partner **Craig Caughlan** sponsors five Musgrave Mustangs Junior Soccer Teams, and also supported the Anzac Day Virtual Marathon to raise funds for the Runaway Bay RSL Sub Branch.

Tasmanian Property Partner **Richard Bailey** is a major sponsor of the Invermay Bowls Club. Also in Launceston, Property Partners **Wayne Riethoff** and **Bec Gardner** organise and serve food to the homeless at a monthly Friday night event with a local cafe. They also sponsor the Amazonz under 11 netball team.

Lee Dowdall, Property Partner with The Agency, Hunters Hill, established Hundred4Harper, a charity that raises funds and awareness for DIPG, an aggressive brain tumour with a zero survival rate. Lee tragically lost his daughter, Harper, to DIPG in 2019. This year, Hundred4Harper is hosting its annual fitness challenge, with all proceeds funding vital research for DIPG sufferers.

Property Partner **Renee Hardman** has had her community efforts recognised with a nomination for the City of Mandurah Citizenship Awards and Best in the West, which she won. She's raised money for junior football by sponsoring the Peel Thunder Golf Day and also sponsors and organises the Port Mandurah Christmas Light Awards Party. She's also been involved in donating bags to Mums' Cottage.

Tim Beeson, Property Partner, volunteers his time to both the Margaret River Community Pantry and the Margaret River Lions Club.

Property Partner **Karen Taylor** is super active in her local community on the Mornington Peninsula. From establishing a Facebook Group for a housing estate in Hastings, to serving on the Advisory Committee for the local Good Shepherd community centre, organising easter egg hunts and delivering Christmas food and toy hampers. She has donated to Wallaroo Primary, secured sponsorship from the local Woolworths for their Breakfast Club, and is the community member of the School Council. She is secretary on the committee of management for the Hastings Western Port Historical Society, and also the agent member for the Triple A Housing Committee with the Mornington Peninsula Shire. She also draws on her mediation skills to help people in the community (mostly women) who are going through housing issues.

Sydney Property Partner **Margaret Morosi** is also President of Rose Bay Rotary Club, and in this capacity she began a new initiative running free info sessions on the topic of Electric Vehicle charging for apartments.

Over the past two decades The Agency's WA Property Partner **Neil Honey**, his wife Jan and two friends, Mike Kearney and Glenn Patterson, have raised $660,000 for Busselton Hospice Care through their annual Gail Kearney Memorial Golf Day. This year the golf day celebrated its 20th anniversary with the event attracting 160 players, and raising $40,000. The Agency donated two of the major auction items.

The Agency WA continued its sponsorship of "Best of the West", an initiative that recognises and promotes difference-makers in Western Australia. Each month they award $5,000 to a person or organisation that goes above and beyond for their community, with $25,000 given away to date.

Paul Niardone and The Agency WA have sponsored Marketing Coordinator **Jack McLeay** to represent Australia at the 2023 World Triathlon Multisport Championships to compete in the Sprint duathlon age group world championships (5km run, 20km bike, 2.5km run) and the Aquathlon age group world championships (1km swim, 5km run). Jack is one of three athletes from WA in the 80-strong Australian team.

The Agency's General Manager Queensland, **Steve Carroll**, led this year's 500km Real Estate Charity Bike Ride in Thailand. Since 2019, more than $1 million has been raised by the annual event for Hands Across the Water, a charity that provides education and shelter to some of Thailand's most vulnerable children.

The Agency's **Central Coast** team has sponsored a charity lunch and also volunteered in the kitchen at the Coast Shelter, a local homelessness and domestic and family violence support service.

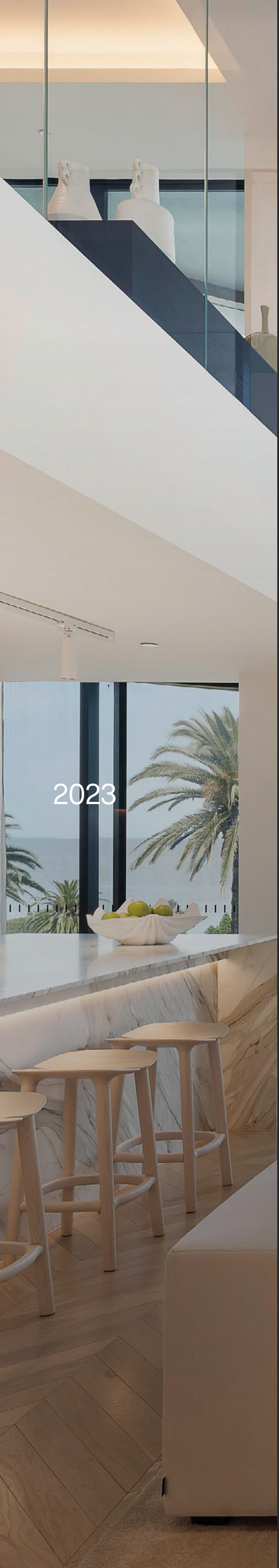
Property Partner **Paul Hills** from The Agency Central Coast is proud to have become a major sponsor of the Terrigal Trojans Rugby Club juniors.

Central Coast Property Partner **Paula Taylor** is active in her local community by sponsoring and supporting 'The 3 Villages Community Group' covering Yattalunga, Saratoga and Davistown. Team Taylor also sponsored Brisbania Public School's Christmas market with a petting zoo, donated resources to the local 'Davistown Ducklings' Playgroup, and contributed to the Davistown Progress Association's Easter raffle to fund a defibrillator at Davistown shops.

Property Partner **Ben Bedford** is a volunteer lifeguard at North Avoca Surf Life Saving Club and also makes a yearly donation to the club.

Every month, 86 children are diagnosed with cancer, so in March The Agency's **Property Management** team, together with some of our Sydney sales agents, participated in running 86K for a Cure, raising $7,837 for the Children's Cancer Institute of Australia.

Dan Smith, Property Partner with The Agency, Sunshine Coast, is an ongoing supporter of the Sunshine Coast Playgroup Hub, in Mons.



2023

The Agency

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