HOUSING PULSE FEBRUARY 2023.

WESTPAC INSTITUTIONAL BANK

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This issue was finalised on 24 February 2023.
The next issue will be published 19 May 2023.

EXECUTIVE SUMMARY

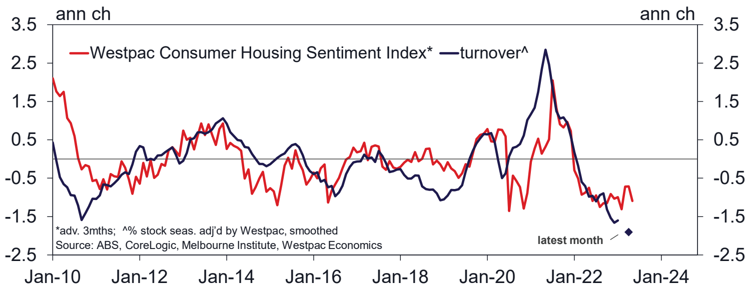
The housing market correction that began in early 2022 is moving into its second year. The last three months has seen turnover and prices continue to decline, and housing-related sentiment still firmly in negative territory. Markets will continue to come under intense pressure over the first half of 2023, with high inflation expected to draw a further 75bpbs in interest rate tightening from the RBA. Headwinds will extend into the second half as rates remain high and the economy slows, a housing recovery only gaining traction once moderating inflation allows rates to move lower from 2024 on.

While the inflation and interest rate situation continues to dominate, there are signs that physical supply-demand balance is becoming more supportive. A big migration-driven surge in population is already driving a material tightening in rental markets. Continued net inflows and subdued levels of new building mean a sustained further tightening across the wider market is likely in coming years.

Our Feb **Housing Pulse** finds all capital city markets weakening. The Feb month has seen some moderation in price declines but this is unlikely to hold given the prospect of further rates rises. Recent state-level tax changes also appear to have given a lift in NSW. Other indicators remain broadly negative: buyer sentiment near cycle lows, price expectations subdued, risk aversion elevated and labour market confidence softening. Our **Westpac Consumer Housing Sentiment Index** points to the slide in turnover continuing near term. Prices are expected to decline a further 8% nationally in 2023, lifting 2% in 2024.

All states are now seeing corrections but conditions continue to vary significantly. Falls are more advanced and deeper in NSW, Vic and Tas. Qld has seen a sharp snap-back since mid-2022 and both WA and SA continue to record much milder declines – markets in all three of these states still looking relatively tight in terms of both listings vs sales, and rental vacancy rates.

1. Australia: national housing conditions

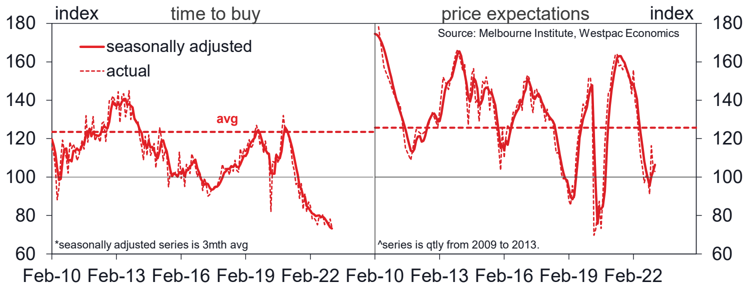


"… the inflation and interest rate situation continues to dominate …"

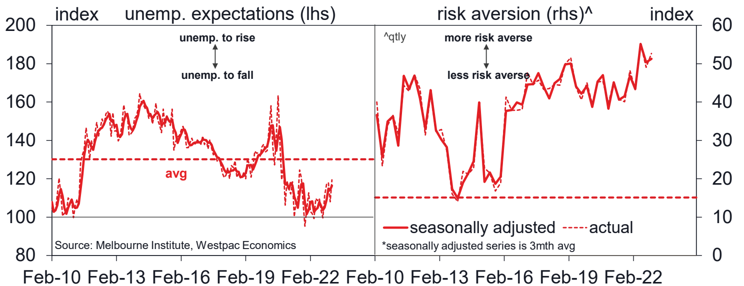
*The **Westpac Consumer Housing Sentiment Index** is a composite measure based on four housing-related components of the Westpac Consumer Sentiment survey. See Appendix on p38 for more details.

OVERVIEW: correction enters year two

2. Consumer sentiment: housing

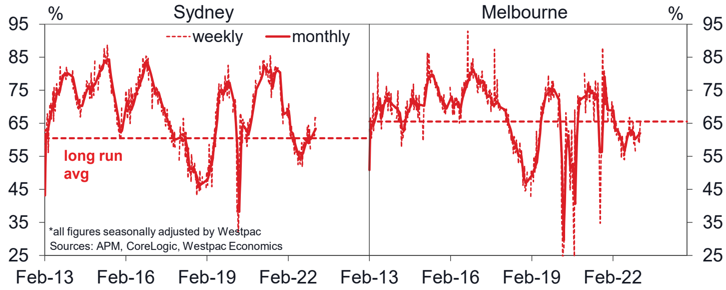


3. Consumer sentiment: jobs & risk aversion

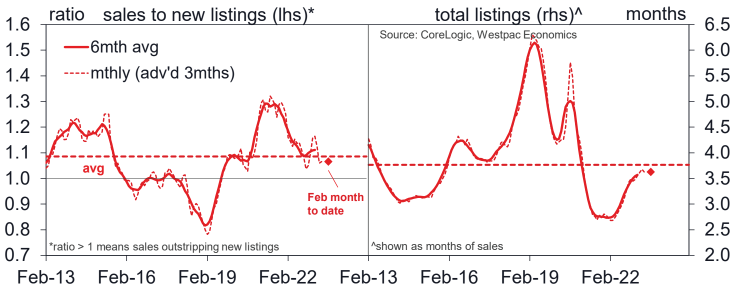


- Australia's housing market correction remains in full swing. Nationally, turnover is now down by just over 30% from its post-delta high in 2021. Prices across the five major capital cities are now down 9.7% from their peak in Apr 2022 with nearly all sub-markets recording price declines into year-end.
- Housing-related sentiment remains very weak led by an extended run of pessimistic reads on 'time to buy a dwelling', rising interest rates clearly still over-riding any price-driven improvements in affordability. Price expectations have lifted a little over the last 3mths and remain subdued rather than at outright negative levels. What was previously very strong confidence around jobs has softened, suggesting a cyclical turn. And risk aversion remains very high.
- Despite the bleak situation, auction markets have firmed, especially in Sydney with clearance rates lifting and the pre-auction withdrawals back around more normal levels. That said, some of this may reflect changes to stamp duty arrangements in NSW (see p12) which came into effect when trading was also very thin over the summer low-season.
- 'On-market' supply remains mixed – listings to sales ratios are about in line with their long run avg nationally but an overhang of stock is becoming apparent in NSW and Vic where sales have fallen more heavily. Conditions remain relatively tight in other markets. New listings have fallen by nearly a third from their late 2021 highs with all major markets recording significant declines.
- Prices have continued to press lower, down 1.2% in Dec and 1.1% in Jan. While Feb is tracking a much milder 0.1% fall, some of this also appears to be due to the first home buyer policy changes in NSW, slower declines elsewhere likely reflecting a passing hope at the start of the year that the

4. Auction clearances rates



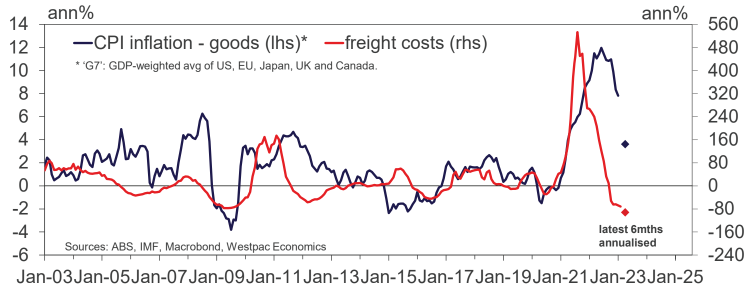
5. Residential property listings



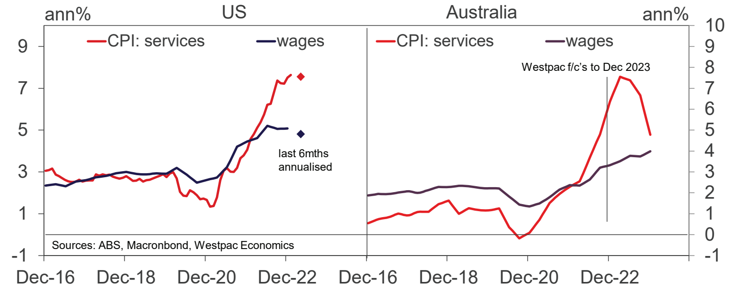
RBA may be about to pause its rate tightening cycle.

- Nationally, the **Westpac Melbourne Institute 'time to buy a dwelling' index** declined 4.3% over the 3mths to 73.9 in Feb, a new cycle low. The index has been tracking very low levels for a year now, an unusually long period of weakness by historical standards. Most previous cycle lows have lasted for less than six months, the only other prolonged period of weak reads being during the early 1990s recession.
- Price expectations have shown a tentative improvement. The **Westpac–MI Consumer House Price Expectations Index** rose 12.9% over the 3mths to Feb, reversing a similar-sized decline over the previous 3mths. While the lift takes expectations back from 'net negative' to 'net positive' territory and puts them well above previous cycle lows, price expectations are still well below long run avg levels. All up, they still look a little fragile, particularly given the shifting interest rate outlook and likely return to steady monthly price declines.
- Consumers are becoming less confident about jobs. The **Westpac Melbourne Institute Unemployment Expectations Index** lifted a further 1.8% of the 3mths to Feb, having jumping 13.4% over the previous 3mths to Nov (recall that higher reads mean more consumers expect unemployment to rise in the year ahead). While this still pitches job sentiment at better than avg levels, Q3 last year is increasingly looking like a turning point for labour markets. If so, expectations could well be back in line with (or even above) long run avg levels by mid-2023.
- Consumers remain intensely risk averse. The **Westpac Consumer Risk Aversion Index** lifted again into year, recording the second highest read since measurements began in 1974, mid-2022 being the highest.

6. Global CPI inflation: goods vs freight costs

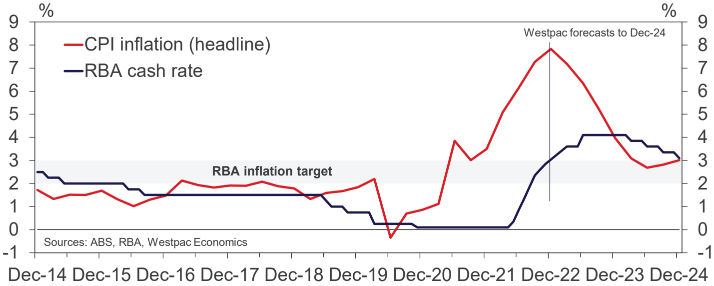


7. CPI inflation: services and wages



- Inflation and the interest rate response from central banks remain the dominant concerns for both the wider economic outlook and for housing markets. The start of the year has seen mixed developments. On the positive side, global goods inflation is now clearly easing as supply chain disruptions clear. But on the negative side, services inflation, where demand and wage cost factors are key, remains strong and is showing signs that it may persist.
- Last year's surge in global inflation has passed its peak, the slowdown centred on a moderation in goods inflation that led the initial surge. That follows a major turnaround in freight costs which have now largely unwound their 2021–22 spike (see Chart 6) – freight costs being a broad proxy for supply chain problems. Across the G7, goods price inflation has declined from 12%yr as at mid–2022 to 7.8%yr as at Jan, tracking 4% annualised pace through the second half.
- That particular worm has yet to turn in Australia, goods inflation continuing to hold at 9.5%yr in Q4. Moreover, services components showed a notable lift, inflation in this component also holding at high rates across the G7. Understandably, it is this component of price inflation – which is more closely linked to demand and wage outcomes and can be slower to respond to shifts – that is becoming the focus for central banks both here and abroad. Indeed, whereas easing goods inflation will set the direction in the year ahead, it is the evolution of services inflation that will likely define the moderation in inflation overall (see here and here for a more detailed discussion).
- The path of wages growth will be key here. On this, developments have again been mixed, wage growth in the US slowing only moderately to date but the Q4 wage cost index read in Australia remaining surprisingly benign, lowering our peak forecast from 4.5%yr to 4% (see here).

8. Australia: inflation and interest rates



9. Dwelling price forecasts

	avg*	2020	2021	2022	2023f	2024f	Comments
Sydney	7.8	2.7	25.3	-12.1	-8	1	Correction well-entrenched. More sensitive to rate hikes due to stretched affordability.
Melbourne	5.8	-1.3	15.1	-8.1	-10	1	Correction showing no signs of letting up. More sensitive to rates and migration.
Brisbane	5	3.6	27.4	-1.1	-6	3	Prices falling but strong fundamentals should see some resilience.
Perth	1.3	7.3	13.1	3.6	-4	3	Stalled but less stretched affordability, tight supply, buoyant mining sector supportive.
Adelaide	4.6	5.9	23.2	10.1	-6	3	Still saw strong gains in 2022. Starting to correct but less susceptible to rate hikes.
Hobart	7.2	6.1	28.1	-6.9	-8	0	Extremely tight but extremely unaffordable. Latter starting to dominate as rates rise.
Australia	5.9	1.8	20.9	-7.1	-8	2	Major 'demand driven' downturn through 2022-23. Steadying on rate cuts in 2024.

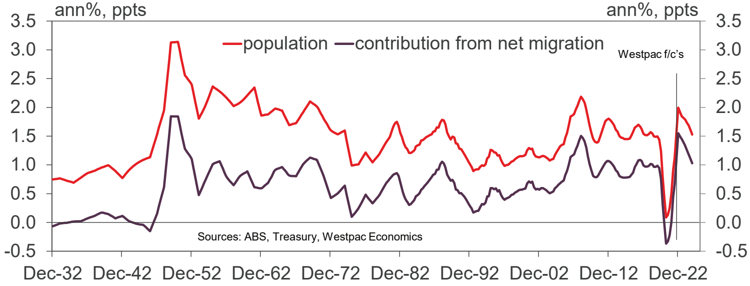
All dwellings, Australia is five major capital cities combined measure; *10yr avg.

Source: CoreLogic, Westpac Economics

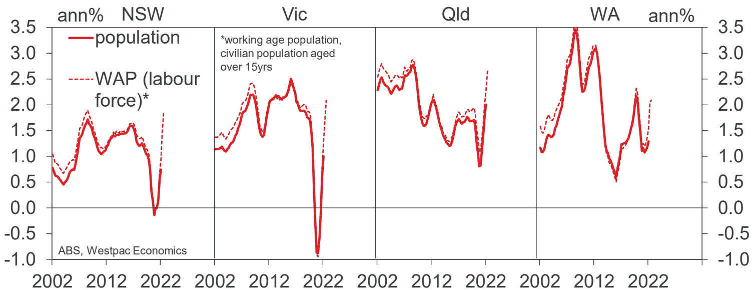
- Needless to say there are more than a few moving parts in the inflation picture and close monitoring will be required, particularly through the first half of 2023. Our central case forecast remains that inflation will retrace quite quickly to 4%yr in 2023 (3.6%yr in 'trimmed mean' terms) and reach the top of the RBA's 2–3% target band by the end of 2024.
- For interest rates, the tighter focus on more persistent services and wage components of inflation has seen central banks take a more hawkish stance early in the year, the risks seen as still clearly tilted to the high side. That has led us to mark up our near term views for both the US FOMC and the RBA with an additional 50bps and 25bps in tightening respectively (see here for more).
- That said, we still expect easing price pressures to allow central banks to shift from the current singular focus on inflation to more of a 'dual mandate' approach in 2024, giving more weight to growth concerns. With economic activity stagnating, rate cuts will be appropriate but will likely come through fairly slowly and be conditional on inflation continuing to track sustainably towards targets. The full inflation and interest rate profile is shown in Chart 8.
- The take–out for housing markets is that 2023 will be another challenging year, particularly as the RBA continues to ratchet interest rates higher in the first half of the year. As set out in our last report, corrections tend to have two phases, the first coming when mortgage rates are rising and a second phase when stable but high rates are combining with an economic weakening. That second phase is set to come through from mid year and will see a moderation in housing market weakness. Indeed, the correction may be more of a 'stop–start' affair in 2023. Rate cuts will set the scene for a clearer shift into recovery from 2024 on.

SPECIAL TOPIC: migration boom

6. Population and net migration

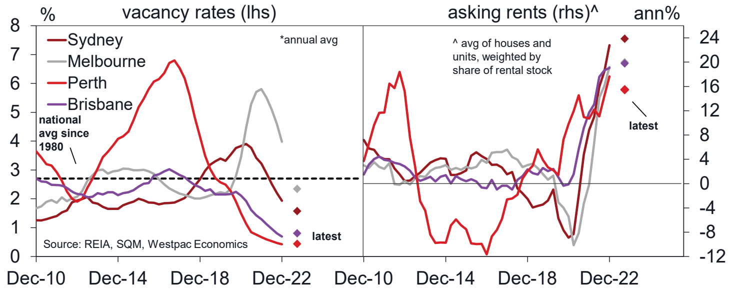


7. Population growth by state

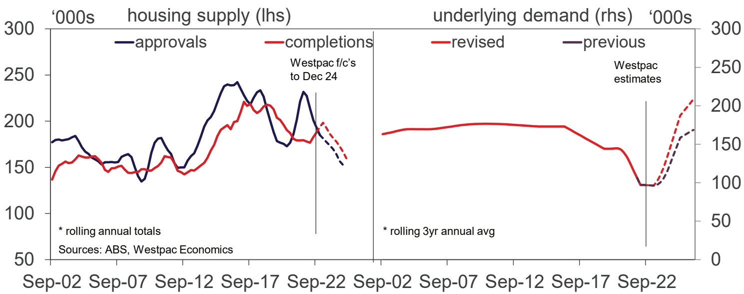


- Its just over a year since Australia's external border reopened and all signs suggest net migration inflows are continuing to outpace expectations. Westpac now estimates that net migration totalled +400k in 2022, reflecting a temporary 'catch-up'. A gradual easing is expected to emerge over the course of 2023 and 2024, to +350k and +275k respectively. See here for a full discussion.
- There are a couple of things worth noting here. The first is that this stronger-than-expected rebound still only catches up part of the notional loss during the pandemic years. If we take the Federal government's assumption of net inflows running at 235k as an indicative underlying 'trend', the pandemic undershoot over 2020–22 is around 426k. The faster rebound will catch up just about 300k of this by the end of 2024.
- The second point to note is that while this will mark a record net migration inflow in absolute terms – the biggest since the surge immediately following WWII – it is less impressive in growth terms. Population growth is projected to hit 2%yr in 2022, slowing to 1.8%yr in 2023 and 1.5%yr in 2024, a peak that is still a touch below the 2008 high and below the average pace in the 1950s and 1960s (when the baby boom was seeing a large contribution from natural increases in the population domestically).
- Interestingly, our upwardly revised estimates for migration and population are already being foreshadowed by some official estimates. While quarterly population estimates are only available to Jun 2022, the ABS produces estimates of the working age population (WAP) in its monthly labour force release. These are essentially projections but are informed by other data sources that capture short-term population changes (presumably administrative data on registrations for government services such as Medicare).

8. Rental markets: vacancies, asking rents



9. Population and dwelling stock: annual changes



- Nationally, the latest estimates have WAP growth already ticking slightly above 2%yr. Chart 7 shows how these estimates look alongside population growth estimates for each of the major states. Not surprisingly, the sharpest acceleration is happening in NSW, Vic and the ACT (not shown) where annual growth has already lifted by 0.8–0.9ppts. These states and territory account for the bulk of Australia's foreign student inflows.

- The stronger-than-expected surge in migration also helps explain the significant tightening in rental markets and sharp escalation in rents. Sydney and Melbourne in particular have seen rental vacancy rates drop 1.7ppts and 3.5ppts respectively since late 2021 while asking rents are rising at 15–20%yr across the board (noting that vacancy rates were already at very low levels in other capital cities).

- For housing, population flows are an important medium-term driver, variations in the physical demand for housing often being a precursor for shifts in the supply-demand balance that can in turn influence the performance of markets across the cycle. The upward revision adds about 30k a year to the underlying demand for new dwellings taking it to just over 200k a year. This is at a time when new building is set to fall away, especially once the large backlog of unfinished detached houses rolls off.

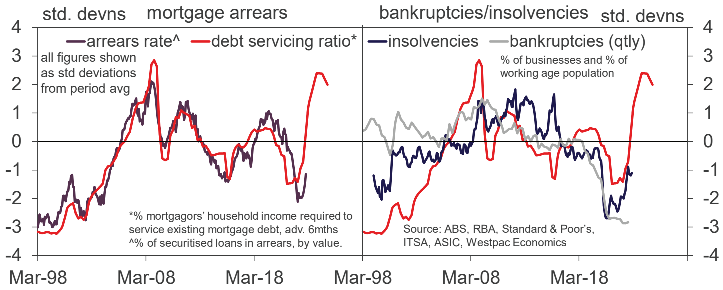
- The tight rental market also supports a lift in yields for new investors. The rise in rents and lower cost of dwellings is already adding about 1ppt to yields in several markets. For now high and rising interest rates and subdued expectations for dwelling prices are the dominant concern for investors. But clearly population drivers and yields may come back to the fore once the rate cycle turns and price expectations become more optimistic.

18. Summary of prudential policy measures

	'Macro' prudential	'Micro' prudential
2015	10% limit on investor loan growth	Tightened serviceability guidelines and improved consistency lenders
2016	–	Tightened serviceability guidelines incl. scaling of minimum expenses.
2017	30% limit on 'interest only' loans	Restrictions on high LVR interest only and investor loans.
2018	Investor loan growth limit removed	Improved collection and verification of expenses, income & existing debt.
2019	'Interest only' limit removed	Removal of 7% minimum 'floor rate' on serviceability assessments.
2020	Capital buffers available to draw	COVID repayment holidays; arrears exempted from capital treatment.
2021	–	COVID measures ended. Serviceability buffer increased from 2.5 to 3%
2022	–	–
	Potential measures that may come into play in a 'hard landing' scenario	
2023	Ease bank capital requirements.	Easing in interest serviceability buffer used in assessments.

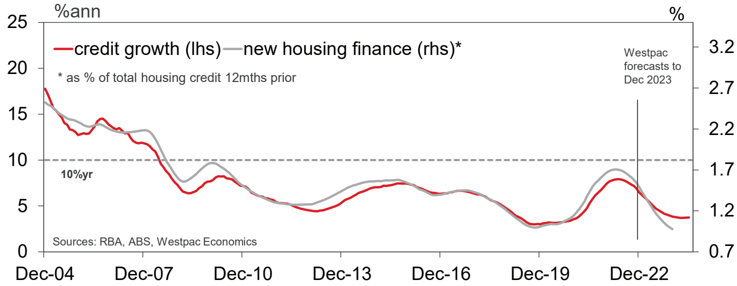
Source: APRA, RBA, Westpac Economics

19. Financial distress: selected indicators

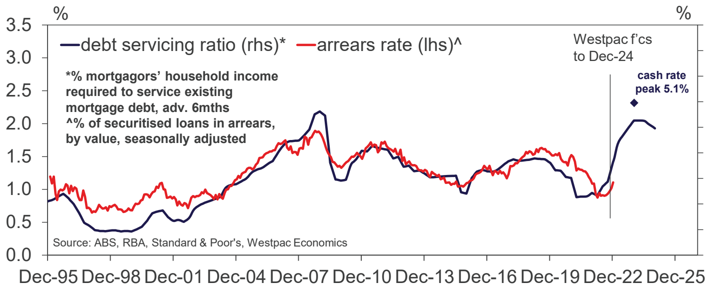


- Interest rate rises continue to dominate the policy space with prudential policy measures, which tend to be used at a different stage of the cycle, essentially sidelined. The Dec statement from the Council of Financial Regulators (CFR) shows it is firmly in monitoring mode, the focus being on "the resilience of households to high inflation and rising interest rates, against a backdrop of falling housing prices."
- As noted previously, there are some circumstances that could still see macro–prudential policy actions during a rate tightening cycle. In particular, there is scope for a response if signs of a 'hard landing' were to emerge, especially if it threatened to cause wider financial instability. The main tools that could be used are changes to: the serviceability assessment buffer, currently set at 3ppts over the loan mortgage rate (noting that for loans with fixed and interest only periods this is the variable rate the loan reverts to after these periods); and/or the countercyclical capital buffer, currently set at 1% of lenders' risk–weighted assets. Lending restrictions might also be removed if they were in place (they currently are not).
- APRA reiterated this approach in a review of its housing market lending rules released in late Feb. This set out more clearly the preconditions for adjusting policy settings during an interest rate tightening phase. Notably, APRA Chair Lonsdale commented in Jan that: "he was comfortable with current controls on bank lending for housing, but if the economy deteriorated he would be open to changing the macroprudential policies to ensure banks did not 'choke off credit'" and that " the regulator would consider readjusting its rules to respond to lower credit growth or house prices." The comments prompted some speculation that the 3ppt buffer, which was widened from 2.5ppts in late 2021, could be narrowed again.

20. Credit growth vs housing finance approvals



21. Debt servicing ratio: cash rate scenarios



– And certainly the APRA review notes that "[macroprudential settings] are not set in stone." But the preconditions for action look to be high. The main scenario that might draw a response seems to be a situation in which the RBA – facing a much bigger and persistent inflation threat – is 'forced' to take interest rates to materially higher levels that precipitates a kind of 'credit crunch' for new lending as buffer assumptions make it extremely difficult for prospective borrowers to obtain loans and a deepening housing downturn starts to generate more stress across existing borrowers and the financial system.

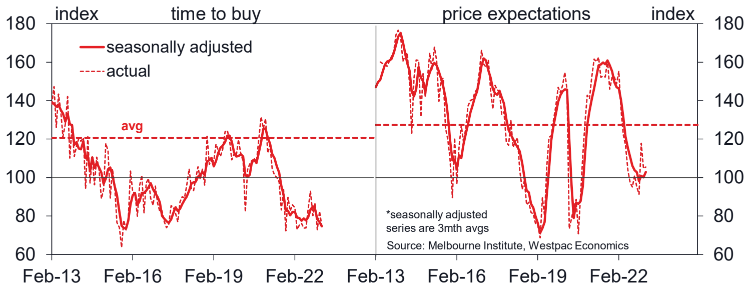
– This is a remote prospect. As of now: housing credit growth is still tracking at 6.5%yr; arrears are barely ticking up from their cyclical lows; and other signs of stress such as company insolvencies and bankruptcies are unthreatening.

– Obviously there are more challenges ahead. We expect housing credit growth to slow further but remain in the 3½–4% range in 2023 and 2024, even with further significant declines in new lending (Chart 20). And, as we have discussed in the past, systematic risks around mortgage arrears and the incidence of 'negative equity' (where properties become worth less than the mortgage still outstanding against them) appear manageable.

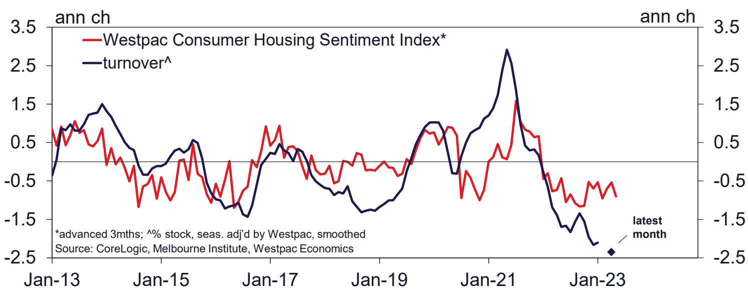
– A scenario that sees the RBA cash rate head to 5% or above could see these risks materialise, especially if the wider economy moved into some form of recession. But even then there would be some serious issues APRA would need to consider before acting to reduce buffer guidelines. Firstly, it would be seen to be working at cross-purposes to rate tightening, running the risk of sending 'mixed messages' about the RBA's intent. Secondly, it would raise expectations that buffer guidelines would continue to be adjusted over the course of the rate cycle. That would seem to put quite a high bar on macroprudential easing.

NEW SOUTH WALES: false dawn?

22. NSW consumer: housing-related sentiment

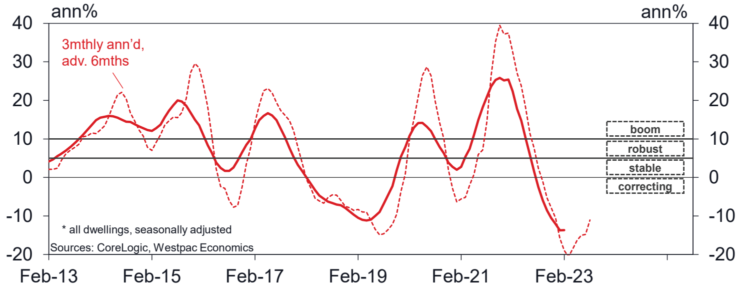


23. NSW housing composite vs turnover



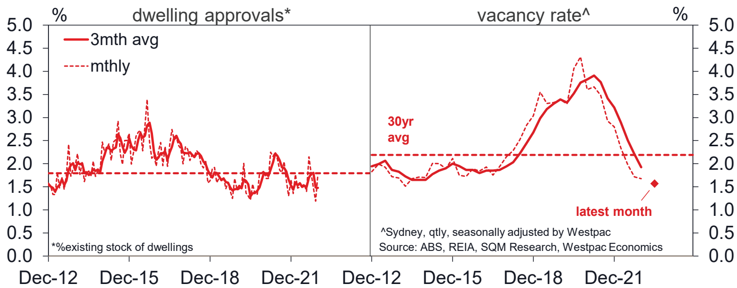
- The housing correction has been bigger and has run for longer in NSW. While recent figures suggest there has been some stabilisation in Feb, this looks premature given that the interest rate outlook, still bleak reads around buyer sentiment, and an overhang of 'on-market' supply. The circumstantial evidence suggests prices may have seen some short-lived support from changes in stamp duty arrangements for first home buyers (FHBs).
- The NSW state government's First Home Buyer Choice scheme, introduced in mid-Jan, gives qualifying FHBs the option to pay an annual property tax instead of an up-front stamp duty payment. This significantly lowers the deposit requirement for new buyers. While the extent of take-up is uncertain, it could easily have been enough to generate a lift in demand and prices in an otherwise weak market.
- And conditions were certainly showing broad-based weakness prior to Feb, Jan sales down nearly 40%yr, and prices down 13.8%yr (and still tracking consistent 1%+ declines a month). The price detail shows some slowing in the rapid pace of price declines for Sydney houses and 'top tier' segments, but price weakness becoming clearer in regional areas, Byron Bay still a stand-out weak spot.
- The physical supply-demand balance looks to be shifting quickly in Sydney with a resurgence in migration driving a material tightening in rental markets that is also lifting yields.
- Our sentiment-based indicators have shown little change since Nov (a brief up-tick in price expectations in Jan possibly relating to FHB policy changes). The **NSW Consumer Housing Sentiment index** points to a further significant decline in turnover near term (note that in chart 23 and similar charts for other states both the index and turnover are shown in annual change terms rather than levels).

24. Sydney dwelling prices



Population: 8.2mn
Net migration: +19k pa
GSP: $661bn (31% Aus)
Dwellings: 3.4mn, $3.8trn
Capital: Sydney

25. NSW: dwelling approvals, vacancy rate

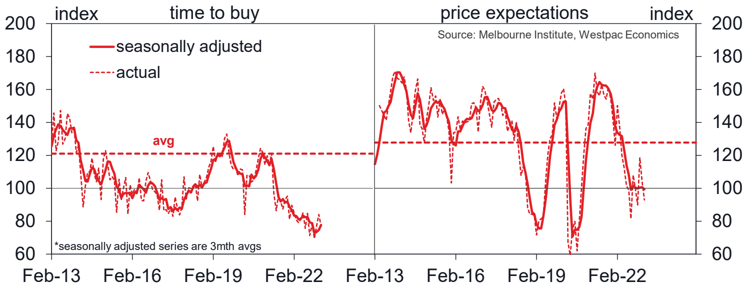


June years	avg*	2020	2021	2022	latest
GSP, ann%	2.3	–0.6	2.6	1.8	n.a.
State final demand, ann%	3.0	–2.0	3.0	3.5	3.5
Employment, ann%	1.6	–5.8	5.9	2.7	5.3
Unemployment rate, %#	5.9	6.5	5.2	3.6	3.2
Population, ann%	1.1	0.7	0.0	0.7	n.a.
Dwelling prices, ann%	5.4	13.2	14.9	5.8	–13.7
Rental yield, %#	4.6	3.5	3.1	3.7	4.2
Sales/new listings, ratio#	1.27	1.20	1.39	1.11	0.90
Total listings, mths sales#	2.8	4.0	2.1	3.2	4.1

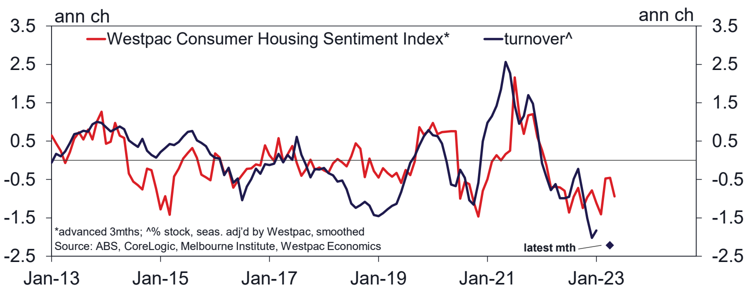
* avg last 25yrs; # June qtr readings
Sources: ABS, CoreLogic, REIA, Westpac Economics

VICTORIA: no let-up in sight

26. Vic consumer: housing-related sentiment

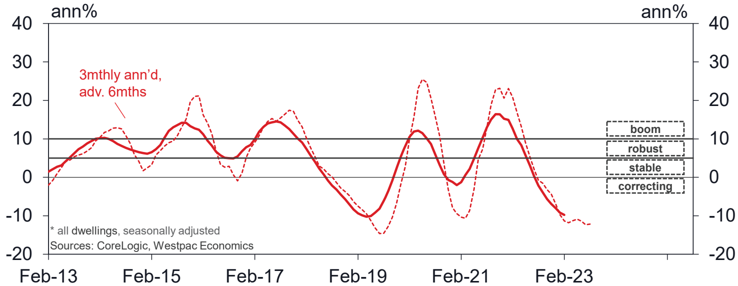


27. Vic housing composite vs turnover



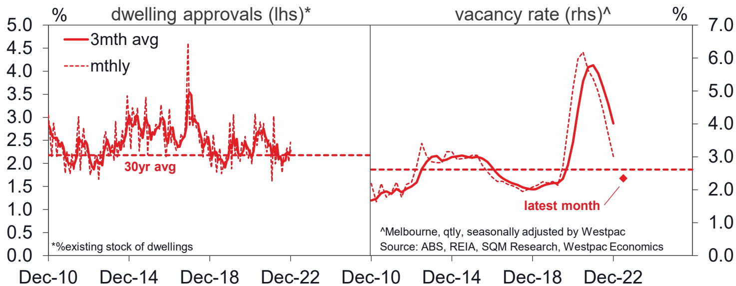
- Vic's housing market correction continues to look firmly entrenched: turnover down over 35%yr; Melbourne dwelling prices down 9.3% from their peak; and buyer sentiment still bumping around recent historical lows. A tightening in rental markets suggests the supply-demand balance is starting to shift but it remains less supportive than in most other markets. With affordability still stretched and more rate hikes to come a stabilisation looks a long way off.
- While the picture is still broadly negative, there has been a slightly better tone in recent months. Auction markets have been relatively settled through the summer low season, pre-auction withdrawals also back to more normal levels. Price declines have moderated a touch, averaging about 0.7%mth through Jan-Feb. That said, this may reflect some misguided hopes early in the year that the RBA may be close to pausing its tightening cycle.
- The price detail continues to show a fairly uniform pace of decline across tiers and areas within Melbourne, the size of price corrections generally mirroring the strength of preceding gains. Across sub-regions, Melbourne's North East and Outer East continue to lead falls, albeit at a slightly slower pace. Outside the capital, price declines have deepened in the Mornington Peninsula and Geelong but continue to track at a slower pace in Shepparton.
- The on-market supply-demand balance has deteriorated over the last three months, new listings now running nearly 25% ahead of sales and stock on market hitting 5½ months of sales. That said, demand looks to be surging in Melbourne's rental market, the city-wide vacancy rate set to drop below avg in coming months for the first time in 5yrs.
- The **Vic Consumer Housing Sentiment index** points to more significant declines in turnover in the first half of 2023.

28. Melbourne dwelling prices



Population: 6.6mn
Net migration: +38k pa
GSP: $501bn (23% Aus)
Dwellings: 2.9mn, $2.6trn
Capital: Melbourne

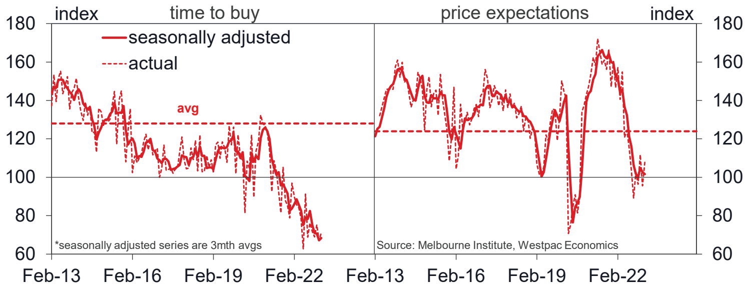
29. Vic: dwelling approvals, vacancy rate



June years	avg*	2020	2021	2022	latest
GSP, ann%	2.9	0.1	-0.3	5.6	n.a.
State final demand, ann%	3.6	-1.0	-0.6	7.4	7.4
Employment, ann%	2.1	-3.6	4.5	3.5	2.4
Unemployment rate, %#	6.3	6.7	4.9	3.8	3.7
Population, ann%	1.5	1.2	-0.9	1.0	n.a.
Dwelling prices, ann%	6.0	10.1	7.6	3.0	-9.2
Rental yield, %#	4.7	3.8	3.0	3.6	4.1
Sales/new listings, ratio#	1.06	0.90	1.09	0.95	0.76
Total listings, mths sales#	3.5	5.7	3.1	3.8	5.5

* avg last 25yrs; # June qtr readings
Sources: ABS, CoreLogic, REIA, Westpac Economics

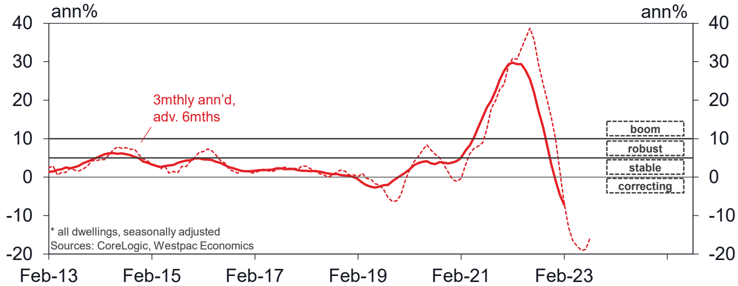
30. Qld consumers: housing-related sentiment



31. Qld housing composite vs turnover

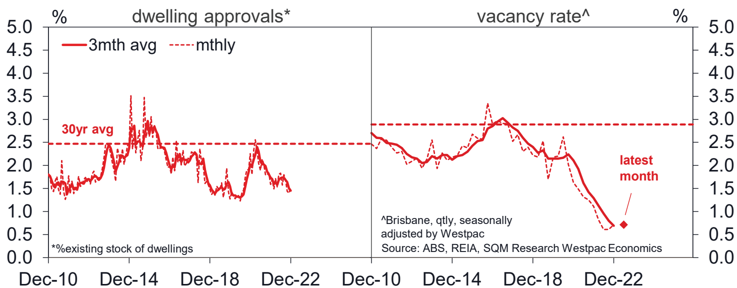
- Qld's housing market copped the biggest reversal in 2022, a strong first half giving way to a sudden drop that carried through to year-end. Turnover is down 30%yr but was coming from a very high starting point. Likewise, prices have 'gapped' 10% lower since mid-2022 but are still up nearly 30% from their levels in late 2020. Sentiment remains poor but a super-tight supply-demand balance, which has continued to ratchet tighter since Nov, is providing some offset with a notable rise in rental yields to levels comfortably above long run averages.
- The price detail also shows a more uneven performance, weakness centred on Brisbane houses, particularly at the upper end, but with prices for units at the bottom end of the markets still about steady (a sure sign of tight supply). The sub-regional picture showed a bigger hit to Brisbane's South and to the Sunshine and Gold Coasts, with prices better supported in areas like Logan and regionally, most notably in Cairns, where prices are still about flat on a year ago.
- As noted, the supply-demand picture remains supportive. So much so that, had it not been for the rapid rise in interest rates, Brisbane would likely still be in the midst of a boom right now. Despite their sharp fall, sales continue to run slightly ahead of new listings and the stock of unsold homes remains well below long run avg levels in terms of months of sales. Rental vacancy rates remain sub-0.5%, indicating that there is barely a 'frictional' level of rental stock available.
- The **Qld Consumer Housing Sentiment index** suggests the downturn will track a similar pace in coming months. That said, supply-demand pressures are likely to continue providing some underlying support to prices, especially once the interest rate tightening cycle shows signs of ending and with migration inflows surging strongly.

32. Brisbane dwelling prices



Population: 5.3mn
Net migration: 79k pa
GSP: $385bn (18% Aus)
Dwellings: 2.2mn, $1.6trn
Capital: Brisbane

33. Qld: dwelling approvals, vacancy rate

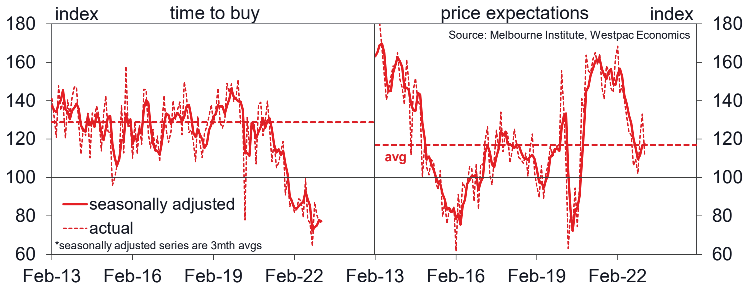


June years	avg*	2020	2021	2022	latest
GSP, ann%	3.6	-0.9	2.9	4.4	n.a.
State final demand, ann%	3.7	-0.1	4.2	5.0	5.0
Employment, ann%	2.4	-4.5	9.8	4.6	3.5
Unemployment rate, %#	6.6	7.6	5.5	4.1	3.6
Population, ann%	1.8	1.6	0.8	2.0	n.a.
Dwelling prices, ann%	5.4	4.1	12.9	25.5	-4.6
Rental yield, %#	4.9	5.4	5.1	5.2	5.7
Sales/new listings, ratio#	0.98	1.05	1.32	1.14	1.15
Total listings, mths sales#	4.9	7.1	3.0	2.8	3.4

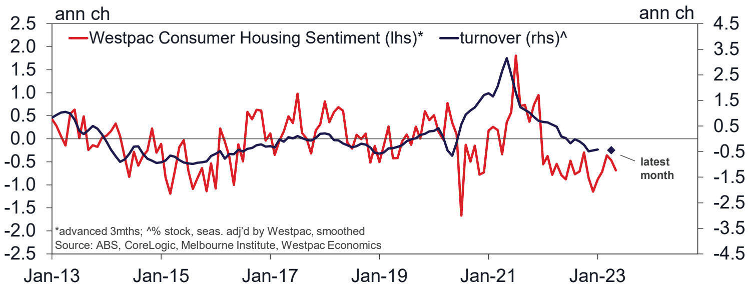
* avg last 25yrs; # June qtr readings
Sources: ABS, CoreLogic, REIA, Westpac Economics

WESTERN AUSTRALIA: remarkably steady

34. WA consumers: housing-related sentiment

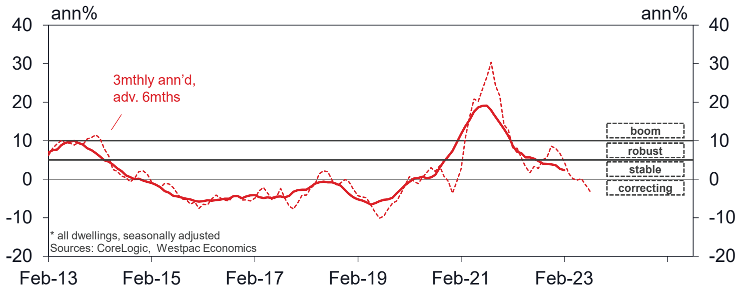


35. WA housing composite vs turnover



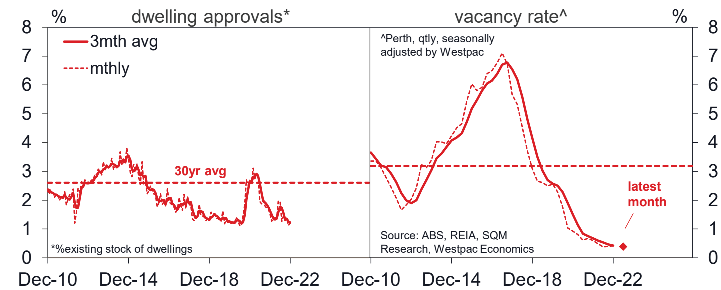
- The WA housing market continues to show remarkable resilience, holding relatively steady in the face of rapid rate rises. Turnover is only down about 6%yr and around long run average levels while Perth dwelling prices have barely dipped 1% since mid-2022, albeit with recent months showing a clearer correction phase beginning. Sentiment has registered a substantive hit from rate hikes and is on the soft side but not as weak as in other states. The big points of distinction for WA are a starting point for affordability that was much less stretched than in the major east coast states – Perth prices having basically moved sideways over the 13yrs to 2019 – and an extremely tight supply-demand balance.
- The price detail shows a consistent slowdown pattern across segments and tiers within Perth, units and top tier markets under-performing slightly, the sub-region detail showing a slightly weaker price picture in the city's North West. Regionally, price momentum has remained firmer, Bunbury a notable exception.
- The supply-demand balance has continued to tighten, sales still nearly 30% ahead of new listings and the stock of unsold dwellings down to three months of sales, nearly half the long run avg. Interestingly, units are in particularly short supply. Rental vacancy rates remain below 0.5% with rising rents pushing yields above 6% for new buyers.
- Housing-related sentiment has remained soft over the last 3mths, rate rises pushing assessments of 'time to buy' to new cycle lows but price expectations have been choppy, likely reflecting the resilient performance locally. The **WA Consumer Housing Sentiment index** suggests turnover will continue to drift lower in the months ahead rather than see a sudden pull back.

36. Perth dwelling prices



Population: 2.8mn
Net migration: 20k pa
GSP: $377bn (18% Aus)
Dwellings: 1.1mn, $0.7trn
Capital: Perth

37. WA: dwelling approvals, vacancy rate

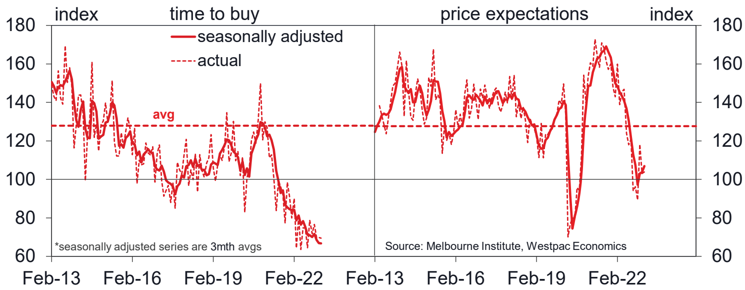


June years	avg*	2020	2021	2022	latest
GSP, ann%	4.0	1.2	3.3	3.1	n.a.
State final demand, ann%	3.6	1.2	4.6	4.9	4.9
Employment, ann%	2.3	-3.6	8.2	5.2	1.3
Unemployment rate, %#	5.6	7.5	4.9	3.2	3.5
Population, ann%	1.8	2.0	1.2	1.3	n.a.
Dwelling prices, ann%#	4.6	0.2	18.7	5.7	2.7
Rental yield, %#	4.7	5.1	4.9	5.6	6.2
Sales/new listings, ratio#	0.91	1.00	1.02	1.06	1.29
Total listings, mths sales#	5.8	7.9	4.0	3.5	3.0

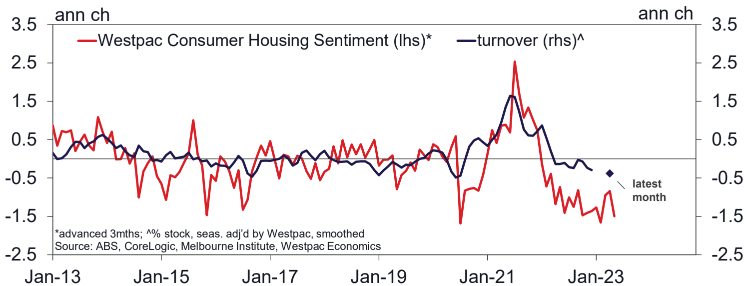
* avg last 25yrs; # June qtr readings
# Note that WA price data has been suspended due to technical issues and is under review.
Sources: ABS, CoreLogic, REIA, Westpac Economics

SOUTH AUSTRALIA: clear swing into correction

38. SA consumers: housing-related sentiment

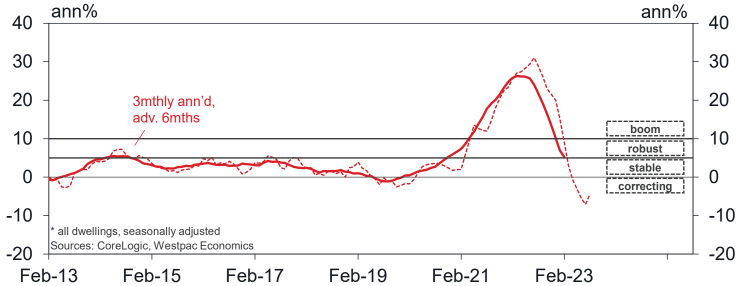


39. SA housing composite vs turnover



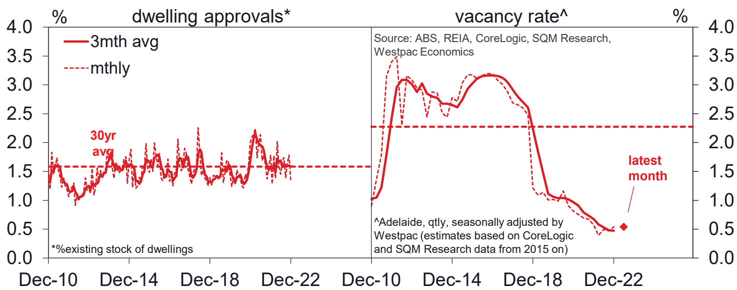
- SA was the stand-out performer in 2022, the market coming into the year with a late-cycle boom in full swing. Turnover has softened but is only down about 5% and still running above average. Most remarkably, Adelaide dwelling prices still managed to post a 6.9% gain for the year. However, the cycle is showing clearer signs of turning into a correction phase with prices tracking lower at about 1.5%qtr. Buyer sentiment points to more softening ahead. That said, the SA market remains caught between a large shock from interest rate hikes and a combination of a very tight supply-demand balance and less stretched affordability starting point.
- The price detail shows the swing into slowdown has been led by 'top tier' houses in the Adelaide market, with a particularly sharp turnaround in the Central & Hills, West and South, the city's Northern suburbs holding up better. Regional parts of SA have continued to see prices hold up better, ekeing out modest gains in both the Barossa and South East SA.
- As noted, the supply side remains extremely tight, total on-market listings running at less than two months of sales, well below the long run average of four. Rental vacancy rates are in the sub-0.5% zone that indicates extreme shortages. Rental yields remain around 5½% for new buyers. A notable risk here is SA's long history of net migration outflows which stopped temporarily during COVID but has likely resumed since 2022. Slower growth in physical demand for dwellings could see pressures ease going forward.
- Buyer sentiment has been choppy, weakening reads on 'time to buy' combining with a more mixed view on the price outlook. The **SA Consumer Housing Sentiment index** points to a significant more declines in turnover near term.

40. Adelaide dwelling prices



Population: 1.8mn
Net migration: 13k pa
GSP: $124bn (6% Aus)
Dwellings: 0.8mn, $0.5trn
Capital: Adelaide

41. SA: dwelling approvals, vacancy rate

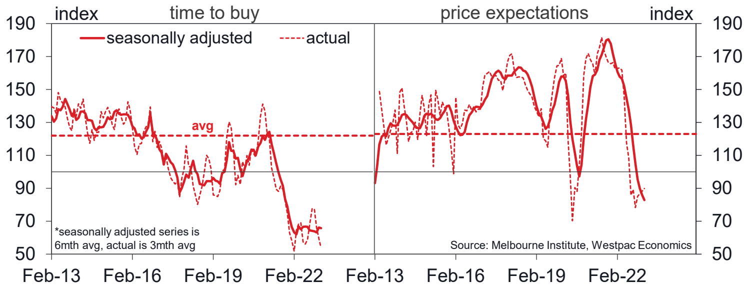


June years	avg*	2020	2021	2022	latest
GSP, ann%	2.3	-1.0	4.7	5.1	n.a.
State final demand, ann%	2.9	-1.7	4.0	5.3	5.3
Employment, ann%	1.3	-4.3	6.4	2.6	2.4
Unemployment rate, %#	6.9	7.9	5.6	4.5	4.0
Population, ann%	0.8	1.3	0.5	1.0	n.a.
Dwelling prices, ann%	6.0	2.0	13.8	25.6	7.0
Rental yield, %#	5.2	5.2	5.6	5.7	5.6
Sales/new listings, ratio#	1.06	1.36	1.41	1.30	1.57
Total listings, mths sales#	3.9	4.5	2.5	2.2	1.8

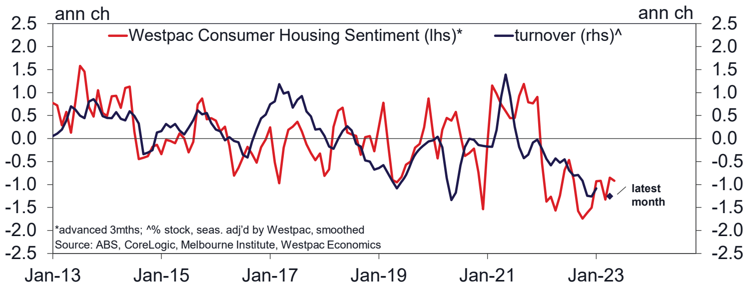
* avg last 25yrs; # June qtr readings
Sources: ABS, CoreLogic, REIA, Westpac Economics

TASMANIA: broad-based weakening

42. Tas consumers: housing-related sentiment

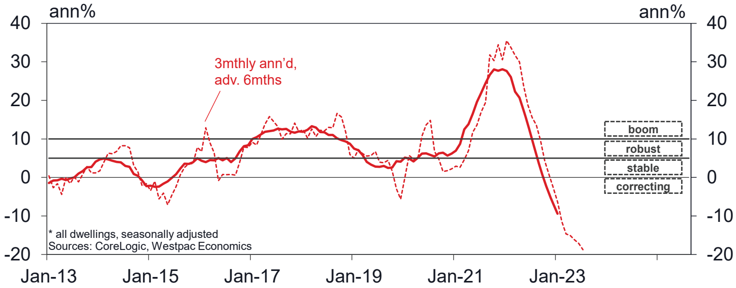


43. Tas housing composite vs turnover



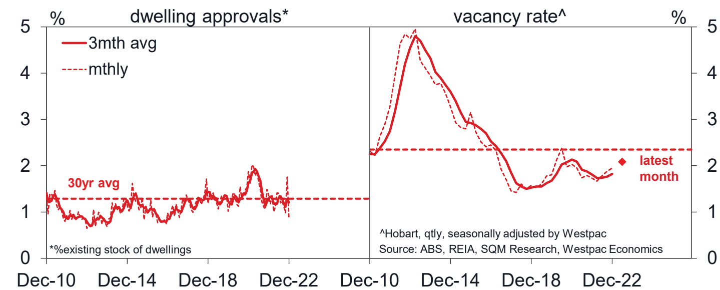
- The Tas housing market is in the grips of a correction rivalling those underway in NSW and Vic in terms of both the pace and breadth of declines. Turnover is down nearly 30% from its early 2021 peak and prices in most sub-markets and areas are recording double-digit annual declines. Buyer sentiment remains very weak and – in contrast to other states – price expectations are clearly pessimistic. Interestingly, supply still looks to be quite tight, albeit not as tight as in Qld, WA and SA and clearly not tight enough to prevent a price correction in a market that was coming into this cycle with very stretched affordability.
- Turnover softened into year end but is tracking at a very low level by historical standards, just 3½% of dwellings changing hands at the moment compared to a long run avg of 5½%.
- As noted, the latest price detail shows weakness across the board, houses, units, all tiers and sub-regions of Hobart recording large price declines. Regional markets have held up a little better, especially Tas's West & North West.
- Supply-wise, sales have been running behind new listings and 'on-market' supply has been rising but remains low at around 4½ months of sales vs a long run average of 5. Rental vacancy rates remain low but have been drifting up slightly towards 2%. As with SA, there is a risk here that the post-COVID border reopening sees a return to net interstate migration outflows in Tas, although the state has seen a small but relatively steady flow of net migrant arrivals since 2003.
- The **Tas Consumer Housing Sentiment index** points to more sharp declines in turnover over the first half of 2023. For prices, the tilting supply-demand balance could also come into play.

44. Hobart dwelling prices



Population: 0.6mn
Net migration: 3k pa
GSP: $37bn (2% Aus)
Dwellings: 0.3mn, $166bn
Capital: Hobart

45. Tas: dwelling approvals, vacancy

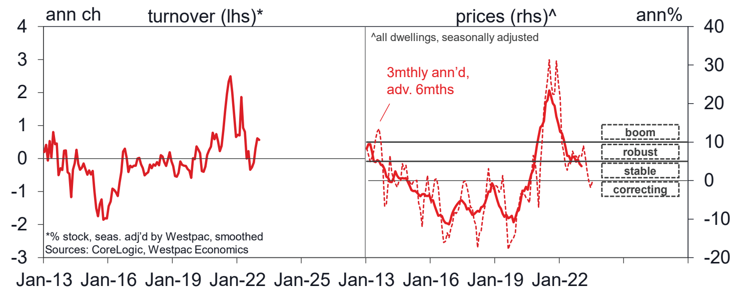


June years	avg*	2020	2021	2022	latest
GSP, ann%	2.4	0.3	5.0	4.3	n.a.
State final demand, ann%	2.7	-0.7	3.6	5.8	5.8
Employment, ann%	1.5	0.1	6.4	1.8	3.8
Unemployment rate, %#	7.5	6.5	5.5	4.2	3.8
Population, ann%	0.7	2.0	0.8	0.6	n.a.
Dwelling prices, ann%	6.0	6.3	19.6	13.7	-6.8
Rental yield, %#	5.8	5.0	4.2	4.2	4.2
Sales/new listings, ratio#	1.02	1.18	1.27	0.88	0.93
Total listings, mths sales#	5.0	3.5	2.0	2.8	4.3

* avg last 25yrs (12yrs for listings); # June qtr readings
Sources: ABS, CoreLogic, REIA, Westpac Economics

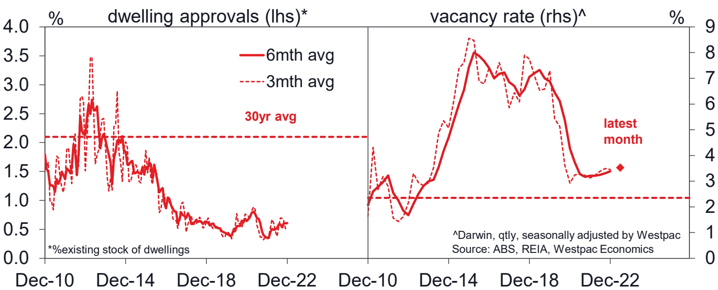
TERRITORIES: NT stalling; ACT falling

46. NT: turnover, Darwin dwelling prices



Population: 0.3mn
Net migration: –1k pa
GSP: $26bn (1% Aus)
Dwellings: 0.1mn, $44bn
Capital: Darwin

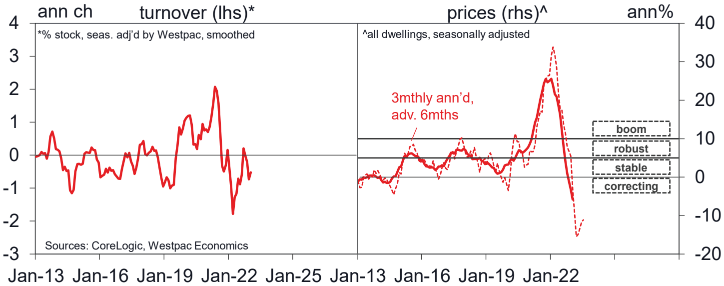
47. NT: dwelling approvals, vacancy rate



June years	avg*	2020	2021	2022	latest
GSP, ann%	3.6	6.0	–1.4	4.7	n.a.
State final demand, ann%	3.4	–5.3	5.9	8.2	8.2
Employment, ann%	1.5	0.0	4.6	2.3	6.9
Unemployment rate, %#	6.6	6.1	5.5	4.1	3.7
Population, ann%	1.2	0.3	0.1	0.6	n.a.
Dwelling prices, ann%	3.9	–1.6	20.9	6.4	3.8
Sales/new listings, ratio#	1.12	1.35	0.95	0.98	1.61
Total listings, mths sales#	5.9	8.9	4.7	5.2	3.8

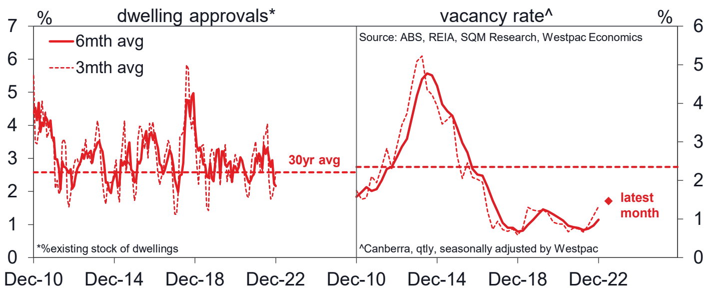
* avg last 25yrs (last 10yrs for listings); # June qtr readings
Sources: ABS, CoreLogic, Westpac Economics

48. ACT: turnover, Canberra dwelling prices



Population: 0.5mn
Net migration: 0k pa
GSP: $45bn (2% Aus)
Dwellings: 0.2mn, $180bn
Capital: Canberra

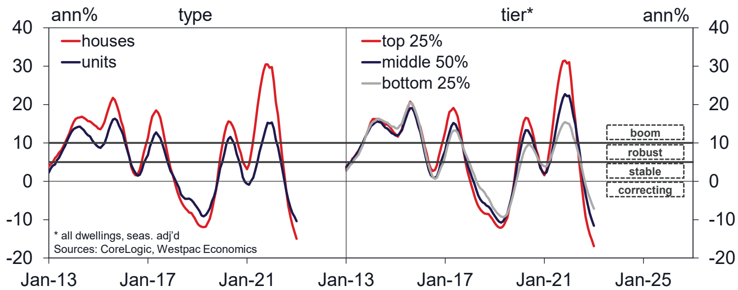
49. ACT: dwelling approvals, vacancy rate



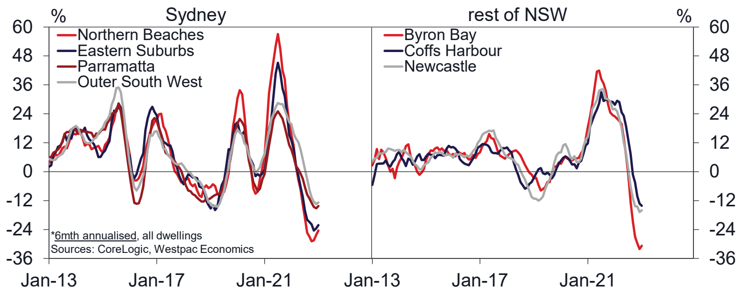
June years	avg*	2020	2021	2022	latest
GSP, ann%	3.7	3.9	3.9	1.9	n.a.
State final demand, ann%	3.9	3.1	3.0	2.9	2.9
Employment, ann%	1.6	0.2	4.2	2.3	5.6
Unemployment rate, %#	6.6	5.6	5.3	3.9	3.4
Population, ann%	1.5	2.1	0.6	0.7	n.a.
Dwelling prices, ann%	6.4	6.1	17.9	16.2	–4.9
Sales/new listings, ratio#	1.43	1.51	1.62	1.29	1.34
Total listings, mths sales#	2.5	3.4	1.7	2.2	2.4

* avg last 25yrs (last 10yrs for listings); # June qtr readings
Sources: ABS, CoreLogic, Westpac Economics

50. NSW: Sydney dwelling prices: by type, tier



51. NSW dwelling prices: selected sub-region

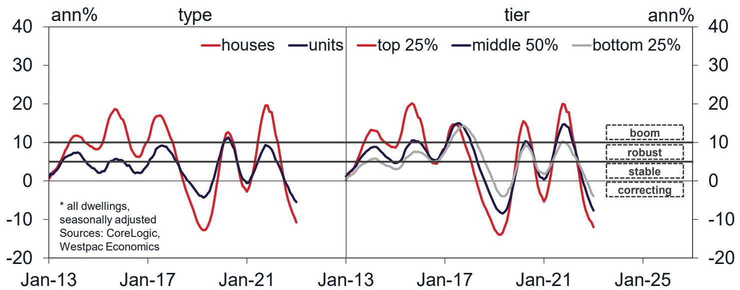


NSW	Sydney	rest of NSW
Population:	5.4mn	2.8mn
Net migration*:	-42k pa	19k pa
Employ (%state):	66%	34%
Dwellings, no.:	2.0mn	1.4mn
Dwellings, value:	$2.8trn	$1.1trn

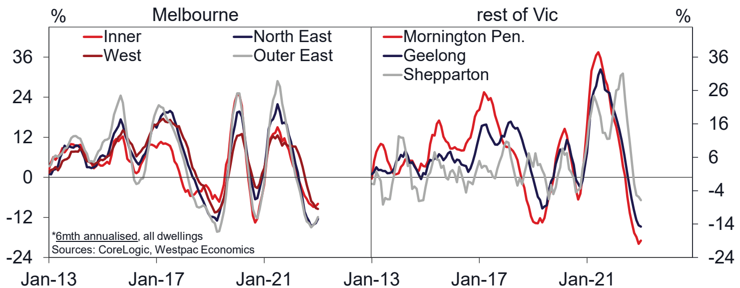
June years	avg^	2020	2021	2022	latest
Sydney					
Employment, ann%	1.7	-6.1	5.5	2.7	5.0
Unemployment rate, %	5.3	6.5	5.5	3.5	3.2
Houses – prices, ann%	5.8	14.4	19.3	6.8	-15.0
– sales/new listings, ratio	1.09	1.23	1.30	1.08	0.85
– total listings, mths sales	3.2	3.7	1.9	3.0	4.0
Units – prices, ann%	4.6	10.6	5.1	3.5	-10.4
– sales/new listings, ratio	1.58	1.16	1.54	1.17	0.94
– total listings, mths sales	2.3	4.4	2.3	3.5	4.6
rest of NSW					
Employment, ann%	1.7	-5.2	7.0	2.8	5.9
Unemployment rate, %	7.1	6.4	4.4	3.8	3.1
Dwelling prices, ann%	5.7	3.7	21.0	21.0	-5.1

* incl. flows within state , year to Jun 2021; ^avg last 25yrs (last 10yrs for listings)
Sources: ABS, CoreLogic, Westpac Economics

52. Vic: Melbourne dwelling prices: by type, tier



53. Vic: dwelling prices: selected sub-regions



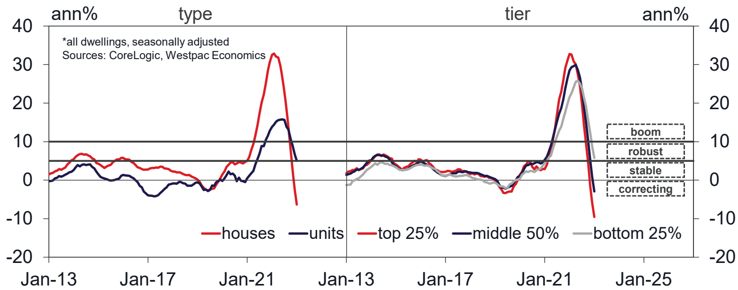
Vic	Melbourne	rest of Vic
Population:	**5.1mn**	**1.6mn**
Net migration*:	**-88k pa**	**13k pa**
Employ (%state):	**77%**	**23%**
Dwellings, no.:	**2mn**	**0.8mn**
Dwellings, value:	**$2.1trn**	**$0.5trn**

June years	avg^	2020	2021	2022	latest
Melbourne					
Employment, ann%	2.2	-4.9	4.1	3.9	2.2
Unemployment rate, %	6.2	7.4	5.3	4.0	3.8
Houses – prices, ann%	6.3	10.6	8.8	3.5	-10.8
– sales/new listings, ratio	1.04	0.93	1.15	0.97	0.91
– total listings, mths sales	3.4	5.3	2.5	3.2	4.1
Units – prices, ann%	5.3	9.2	4.6	2.1	-5.5
– sales/new listings, ratio	1.11	0.83	0.99	0.91	0.72
– total listings, mths sales	3.7	6.7	4.2	5.0	6.9
rest of Vic					
Employment, ann%	1.8	1.4	5.9	2.2	3.1
Unemployment rate, %	6.7	4.5	3.8	3.3	3.1
Dwelling prices, ann%	5.3	4.4	15.8	15.1	-3.4

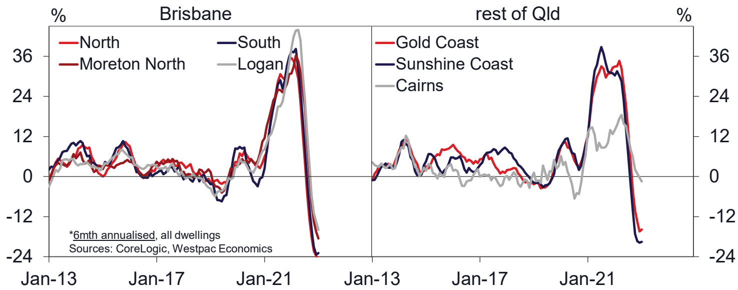
* incl. flows within state, year to Jun 2020; ^avg last 25yrs (last 10yrs for listings)
Sources: ABS, CoreLogic, Westpac Economics

ADDITIONAL MATERIALS: charts and tables, cont.

54. Qld: Brisbane dwelling prices: by type, tier



55. Qld dwelling prices: selected sub-regions

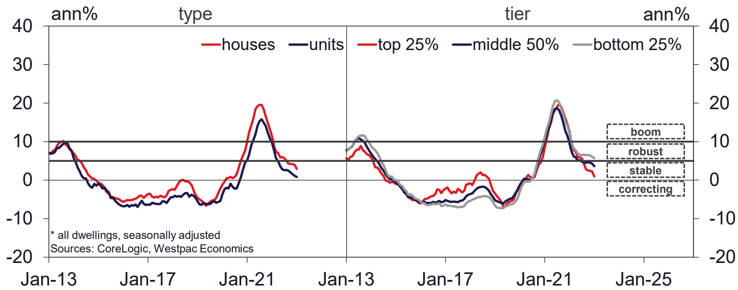


Qld	Brisbane	rest of Qld
Population:	2.6mn	2.6mn
Net migration*:	4k pa	12k pa
Employ (%state):	51%	49%
Dwellings, no.:	1mn	1.2mn
Dwellings, value:	$0.8trn	$0.8trn

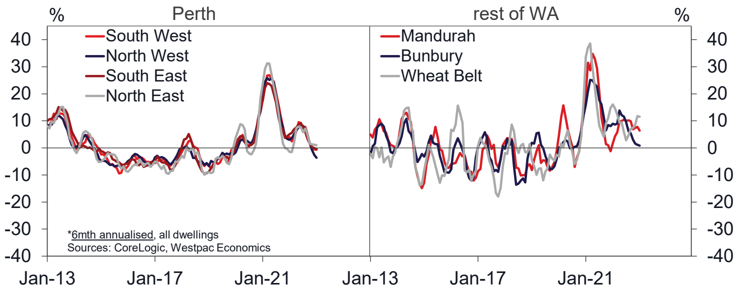
June years	avg^	2020	2021	2022	latest
Brisbane					
Employment, ann%	2.5	-5.1	10.6	4.9	3.7
Unemployment rate, %	6.2	7.6	5.8	4.2	3.9
Houses – prices, ann%	5.8	4.7	14.4	27.1	-6.3
– sales/new listings, ratio	0.88	1.06	1.27	1.04	1.01
– total listings, mths sales	5.4	6.7	2.8	3.1	3.8
Units – prices, ann%	3.7	1.7	5.5	15.8	5.0
– sales/new listings, ratio	1.49	0.96	1.45	1.42	1.53
– total listings, mths sales	3.8	8.6	3.2	2.4	2.3
rest of Qld					
Employment, ann%	2.2	-3.9	9.0	4.2	3.2
Unemployment rate, %	6.9	7.5	5.1	4.1	3.4
Dwelling prices, ann%	4.6	4.2	16.8	21.8	-0.7

* incl. flows within state, year to Jun 2020; ^avg last 25yrs (last 10yrs for listings)
Sources: ABS, CoreLogic, Westpac Economics

56. WA: Perth dwelling prices: by type, tier



57. WA dwelling prices: selected sub-regions

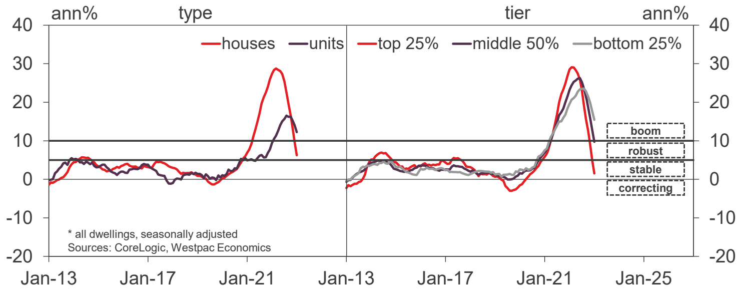


WA	Perth	rest of WA
Population:	2.1mn	0.5mn
Net migration*:	1k pa	-2k pa
Employ (%state):	80%	20%
Dwellings, no.:	0.9mn	0.3mn
Dwellings, value:	$0.5trn	$0.1trn

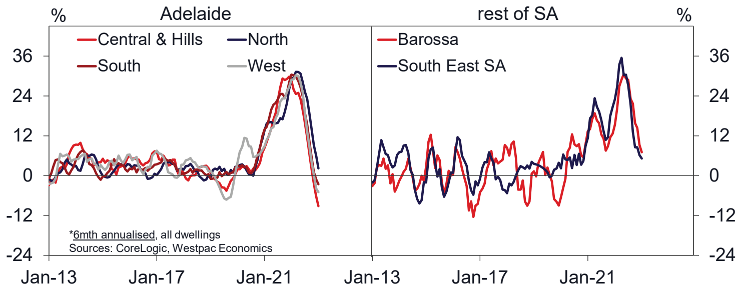
June years	avg^	2020	2021	2022	latest
Perth					
Employment, ann%	2.5	-3.4	8.9	4.9	0.6
Unemployment rate, %	5.8	7.9	5.0	3.3	3.6
Houses - prices, ann%#	4.8	0.5	19.3	6.0	3.0
- sales/new listings, ratio	0.91	1.00	1.11	1.15	1.42
- total listings, mths sales	5.8	7.8	3.5	3.0	2.5
Units - prices, ann%#	3.6	-1.8	14.2	2.8	0.8
- sales/new listings, ratio	0.92	1.00	0.79	0.84	0.98
- total listings, mths sales	6.0	9.6	5.8	5.4	4.4
rest of WA					
Employment, ann%	1.5	-4.0	5.8	6.4	3.9
Unemployment rate, %	5.2	5.4	4.6	3.1	3.0
Dwelling prices, ann%#	3.3	-1.2	18.5	8.7	5.1

* incl. flows within state, year to Jun 2020; ^avg last 25yrs (last 10yrs for listings).
# Note that WA price data has been suspended due to technical issues and is under review.
Sources: ABS, CoreLogic, Westpac Economics

58. SA: Adelaide dwelling prices: by type, tier



59. SA dwelling prices: selected sub-regions

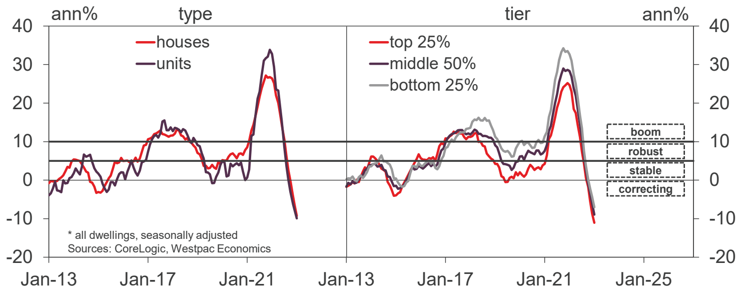


SA	Adelaide	rest of SA
Population:	1.4mn	0.4mn
Net migration*:	-3k pa	1k pa
Employ (%state):	80%	20%
Dwellings, no.:	0.6mn	0.2mn
Dwellings, value:	$0.4trn	$0.1trn

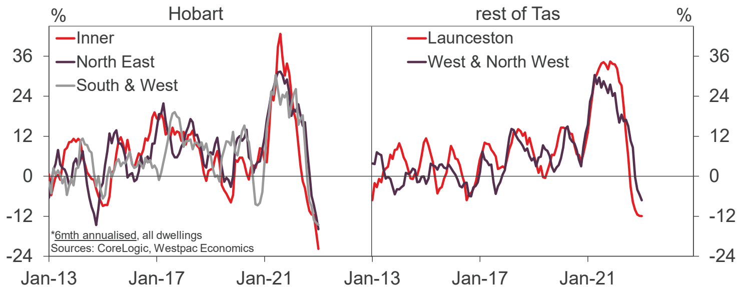
June years	avg^	2020	2021	2022	latest
Adelaide					
Employment, ann%	1.6	-4.9	7.1	3.9	3.8
Unemployment rate, %	7.1	7.9	5.5	4.3	4.0
Houses - prices, ann%	6.2	1.9	15.1	27.3	6.2
- sales/new listings, ratio	1.04	1.29	1.40	1.25	1.53
- total listings, mths sales	3.9	4.2	2.2	2.2	1.7
Units - prices, ann%	5.7	2.1	5.6	15.0	12.3
- sales/new listings, ratio	1.15	1.43	1.31	1.42	1.69
- total listings, mths sales	4.2	5.6	3.2	2.4	1.9
rest of SA					
Employment, ann%	0.7	-2.3	4.3	-1.8	-3.0
Unemployment rate, %	6.3	6.9	5.3	4.6	5.3
Dwelling prices, ann%	5.4	2.4	13.6	22.4	15.3

* incl. flows within state, year to Jun 2020; ^avg last 25yrs (last 10yrs for listings)
Sources: ABS, CoreLogic, Westpac Economics

60. Tas: Hobart dwelling prices: by type, tier



61. Tas dwelling prices: selected sub-regions



Tas	**Hobart**	**rest of Tas**
Population:	**238k**	**303k**
Net migration*:	**–1k pa**	**1k pa**
Employ (%state):	**45%**	**55%**
Dwellings, no.:	**104k**	**158k**
Dwellings, value:	**$81bn**	**$86bn**

June years	avg^	2020	2021	2022	latest
Hobart					
Employment, ann%	1.8	-0.3	7.7	0.0	1.1
Unemployment rate, %	6.9	6.4	5.4	4.1	4.4
Houses – prices, ann%	6.0	7.0	19.2	13.6	-9.3
– sales/new listings, ratio	0.98	1.15	1.29	0.85	0.89
– total listings, mths sales	5.3	3.6	1.8	3.1	4.6
Units – prices, ann%	5.3	3.6	21.2	13.6	-9.9
– sales/new listings, ratio	1.23	1.30	1.25	1.05	1.12
– total listings, mths sales	4.1	3.4	2.1	2.6	3.4
rest of Tas					
Employment, ann%	1.5	0.5	5.4	3.3	6.1
Unemployment rate, %	8.0	6.5	5.6	4.3	3.3
Dwelling prices, ann%	5.8	10.2	20.6	21.9	-0.4

* incl. flows within state, year to Jun 2020; ^avg last 25yrs (last 10yrs for listings)
Sources: ABS, CoreLogic, Westpac Economics

ECONOMIC and FINANCIAL FORECASTS

Interest rate forecasts

Australia	Latest (24 Feb)	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24
Cash	3.35	3.60	4.10	4.10	4.10	3.85	3.60	3.35	3.10
90 Day BBSW	3.51	4.22	4.30	4.30	4.22	3.97	3.72	3.47	3.22
3 Year Bond	4.08	4.00	3.95	3.90	3.80	3.65	3.50	3.35	3.20
3 Year Swap	3.60	3.55	3.55	3.55	3.50	3.40	3.30	3.15	3.00
10 Year Bond	3.88	3.85	3.75	3.45	3.25	3.00	2.80	2.70	2.50
10 Year Spread to US (bps)	-2	-5	-5	-5	-5	-10	-10	-10	-10
US									
Fed Funds	4.625	4.875	5.375	5.375	5.375	4.875	4.375	3.875	3.375
US 10 Year Bond	3.90	3.90	3.80	3.50	3.30	3.10	2.90	2.80	2.60

Exchange rate forecasts

	Latest (24 Feb)	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24
AUD/USD	0.6820	0.70	0.71	0.72	0.74	0.75	0.76	0.76	0.77
NZD/USD	0.6231	0.64	0.65	0.66	0.67	0.68	0.68	0.68	0.68
USD/JPY	134.65	132	131	130	129	128	127	126	125
EUR/USD	1.0605	1.08	1.09	1.10	1.11	1.12	1.13	1.14	1.15
GBP/USD	1.2024	1.21	1.22	1.23	1.24	1.25	1.26	1.27	1.28
USD/CNY	6.9167	6.75	6.70	6.60	6.50	6.40	6.30	6.20	6.10
AUD/NZD	1.0934	1.09	1.09	1.09	1.10	1.11	1.13	1.13	1.13

ECONOMIC and FINANCIAL FORECASTS

Australian economic growth forecasts

	2022			2023			
% change	**Q2**	**Q3**	**Q4f**	**Q1f**	**Q2f**	**Q3f**	**Q4f**
GDP % qtr	0.9	0.6	0.7	0.6	0.2	0.0	0.2
%yr end	3.2	5.9	2.7	2.7	2.0	1.4	1.0
Unemployment rate %	3.8	3.5	3.5	3.6	3.6	3.9	4.6
Wages (WPI)	0.8	1.1	0.8	0.8	1.0	1.0	1.0
annual chg	2.6	3.2	3.3	3.5	3.8	3.7	4.0
CPI Headline	1.8	1.8	1.9	1.5	1.0	0.7	0.7
annual chg	6.1	7.3	7.8	7.2	6.3	5.2	4.0
Trimmed mean	1.6	1.9	1.7	1.3	0.9	0.6	0.7
annual chg	5.0	6.1	6.9	6.6	5.9	4.6	3.6

	Calendar years			
% change	**2021**	**2022f**	**2023f**	**2024f**
GDP % qtr	–	–	–	–
%yr end	4.6	2.7	1.0	2.0
Unemployment rate %	4.7	3.5	4.6	5.1
Wages (WPI)	–	–	–	–
annual chg	2.4	3.3	4.0	3.2
CPI Headline	–	–	–	–
annual chg	3.5	7.8	4.0	3.0
Trimmed mean	–	–	–	–
annual chg	2.6	6.9	3.6	3.1

HOUSING MARKET DATA

Consumer sentiment – housing-related measures

		2021			2022			2023			
index*	**avg**	**Jun**	**Sep**	**Dec**	**Mar**	**Jun**	**Sep**	**Dec**	**Jan**	**Feb**	**%mth**	**%yr**
'Time to buy a dwelling'												
Australia	119.4	96.1	96.7	81.9	78.3	75.1	80.5	74.9	78.2	73.9	-5.6	-13.0
– New South Wales	115.8	100.0	94.0	82.7	73.1	73.7	93.0	73.0	82.5	75.0	-9.1	-11.2
– Victoria	115.5	86.4	87.3	81.3	80.6	85.2	71.3	77.1	84.1	77.1	-8.3	-9.4
– Queensland	128.0	103.1	105.3	78.9	85.6	62.6	76.2	75.2	67.3	71.1	5.7	-20.8
– Western Australia	128.8	105.1	118.8	84.8	83.6	79.4	76.2	80.5	77.2	76.6	-0.8	-6.4
– South Australia	127.9	83.8	92.2	91.0	64.3	74.8	78.8	69.7	69.8	69.4	-0.5	-23.0
– Tasmania	122.0	92.7	86.5	50.3	88.8	54.3	82.2	48.3	63.8	49.2	-23.0	-15.0
House price expectations												
Australia	125.7	157.8	158.0	150.6	139.0	111.1	100.6	116.3	104.4	102.9	-1.4	-33.9
– New South Wales	127.3	152.1	161.0	152.2	135.2	103.8	101.0	117.8	104.8	105.5	0.7	-32.0
– Victoria	127.8	156.2	154.1	141.4	137.0	101.5	108.0	118.6	104.5	92.9	-11.1	-38.2
– Queensland	123.9	165.2	156.2	160.2	140.5	124.5	89.2	111.7	95.5	107.8	12.8	-31.4
– Western Australia	117.0	164.4	158.1	144.3	143.8	131.3	106.2	121.7	133.1	112.1	-15.7	-33.4
– South Australia	127.6	158.3	161.5	148.0	138.9	123.9	94.1	118.2	103.0	103.9	0.8	-35.0
– Tasmania	127.6	183.6	165.8	165.7	167.0	100.9	72.0	84.7	93.8	88.7	-5.4	-45.6

*indexes based on net balance of % assessing 'good time to buy'/'house prices to rise' and % assessing 'bad time to buy'/'house prices to decline'
Sources: Melbourne Institute, Westpac Economics

Consumer sentiment – other components

		2021			2022				2023			
index*	avg	Jun	Sep	Dec	Mar	Jun	Sep	Dec	Jan	Feb	%mth	%yr
Unemp. expectations												
Australia	130.1	108.4	120.5	104.1	101.8	108.5	99.6	117.9	108.0	119.4	10.6	16.1
– New South Wales	129.6	98.7	116.9	105.5	101.7	110.3	98.5	120.1	101.9	119.9	17.6	18.0
– Victoria	131.2	114.7	124.0	98.8	98.0	106.1	99.9	120.0	112.7	109.7	-2.6	10.5
– Queensland	133.2	113.5	120.8	113.3	105.8	121.9	101.2	118.0	106.4	128.3	20.7	24.2
– Western Australia	128.1	109.5	112.5	94.8	94.6	87.7	95.1	112.8	118.1	124.2	5.2	6.6
– South Australia	135.3	114.7	130.8	107.8	123.0	108.0	105.0	111.7	107.7	126.4	17.3	18.5
– Tasmania	138.3	118.7	114.4	108.4	109.0	94.3	101.1	105.7	111.4	121.2	8.8	20.0
Risk aversion											qtr ch	ann ch
Australia	15.1	40.6	41.5	46.8	43.4	55.1	50.4	51.3	n.a.	n.a.	0.9	6.8
– New South Wales	11.7	36.9	34.1	43.6	38.9	54.4	53.4	52.0	n.a.	n.a.	-1.4	11.5
– Victoria	11.0	40.8	42.0	49.6	44.7	56.5	51.7	54.8	n.a.	n.a.	3.2	8.5
– Queensland	12.7	43.0	49.9	45.0	44.5	53.0	34.6	47.5	n.a.	n.a.	13.0	2.8
– Western Australia	7.0	55.0	49.7	58.2	51.3	57.5	54.5	54.5	n.a.	n.a.	0.0	0.9
– South Australia	14.4	33.7	37.5	47.5	48.0	58.3	60.4	58.7	n.a.	n.a.	-1.7	10.9
– Tasmania	15.5	13.8	52.7	-2.8	31.2	41.2	47.8	54.9	n.a.	n.a.	7.0	35.0

*indexes based on net balance of % assessing 'unemployment to rise' and % assessing 'unemployment to fall'; ^measure based on responses to 'wisest place for savings' question.
Sources: Melbourne Institute, Westpac Economics

HOUSING MARKET DATA

Dwelling prices and turnover

	avg	2020 Dec	2021 Mar	Jun	Sep	Dec	2022 Mar	Jun	Sep	Dec	Jan	Feb
Dwelling prices, ann%*												
Australia	5.5	2.0	4.8	12.4	19.5	21.0	16.3	8.7	-0.7	-6.9	-8.7	-8.9
– Sydney	5.4	2.7	5.4	15.0	23.6	25.3	17.7	5.9	-6.0	-12.1	-13.9	-14.3
– Melbourne	6.0	-1.3	0.7	7.7	15.0	15.1	9.8	3.1	-3.9	-8.1	-9.3	-10.0
– Brisbane	5.4	3.6	6.8	13.2	19.9	27.4	29.3	25.6	13.4	-1.1	-4.7	-6.9
– Perth#	4.6	7.3	13.6	18.8	18.1	13.1	7.0	5.8	4.1	3.6	2.7	2.4
– Adelaide	6.0	5.9	8.6	13.9	19.1	23.2	26.3	25.7	19.2	10.1	6.9	5.3
– Hobart	6.0	6.1	12.5	19.6	26.8	28.1	22.3	13.7	2.0	-6.9	-9.5	n.a.
Turnover, %stock^												
Australia	5.6	5.3	5.8	5.8	5.6	5.9	5.2	4.8	4.7	4.2	4.0	n.a.
– New South Wales	5.7	5.6	6.1	6.0	5.4	5.8	4.9	4.3	4.1	3.7	3.4	n.a.
– Victoria	4.7	4.7	5.2	5.1	4.0	5.5	4.5	4.1	3.9	3.4	3.1	n.a.
– Queensland	6.6	6.3	6.9	7.2	7.5	7.4	6.6	6.3	5.6	5.3	4.9	n.a.
– Western Australia	6.3	5.3	5.4	5.7	5.8	6.0	6.0	5.8	5.7	5.6	5.6	n.a.
– South Australia	4.7	4.2	4.5	4.8	4.7	5.0	4.7	4.7	4.9	5.0	4.7	n.a.
– Tasmania	5.5	4.7	4.9	4.6	4.6	4.6	4.3	4.1	3.7	3.7	3.5	n.a.

* 'all dwellings' measures, ann% ch, latest is month to date
^ % dwelling stock; most recent months are estimates modeled on preliminary data
# Note that WA price data has been suspended due to technical issues and is under review.
Sources: CoreLogic, ABS, Westpac Economics

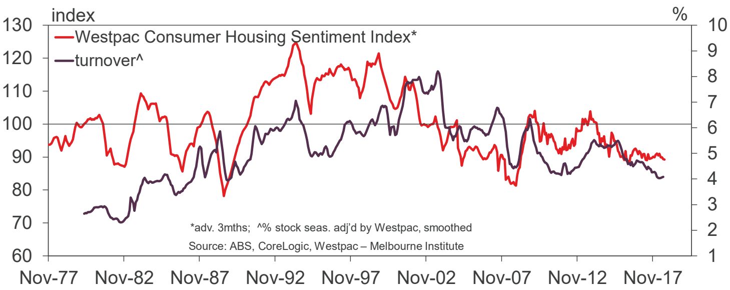
Residential property listings

		2020	2021				2022					
	avg	Dec	Mar	Jun	Sep	Dec	Mar	Jun	Sep	Dec	Jan	Feb
Sales/new listings ratio*												
Australia^	1.09	1.31	1.32	1.24	1.28	1.15	1.14	1.09	1.10	1.13	1.06	1.07
– Sydney	1.27	1.58	1.58	1.39	1.53	1.22	1.18	1.11	1.17	1.14	0.97	0.91
– Melbourne	1.06	1.14	1.14	1.09	1.07	1.10	0.96	0.95	0.98	1.06	0.84	0.76
– Brisbane	0.98	1.31	1.30	1.32	1.40	1.28	1.20	1.14	1.10	1.14	1.08	1.16
– Perth	0.91	1.22	1.04	1.02	1.09	1.04	1.10	1.06	1.12	1.18	1.23	1.30
– Adelaide	1.06	1.51	1.32	1.41	1.39	1.40	1.37	1.30	1.39	1.52	1.52	1.57
– Hobart	1.02	1.30	1.27	1.27	1.19	1.15	1.14	0.88	0.93	0.93	0.91	0.91
Total listings, months of sales*												
Australia^	3.8	3.3	2.8	2.8	2.8	2.7	2.9	3.3	3.4	3.6	3.7	3.6
– Sydney	2.8	2.3	2.0	2.1	2.1	2.2	2.7	3.2	3.4	3.5	3.9	4.1
– Melbourne	3.5	3.4	3.0	3.1	3.7	2.9	3.5	3.8	4.2	4.3	4.9	5.4
– Brisbane	4.9	3.9	3.2	3.0	2.6	2.3	2.5	2.8	3.4	3.5	3.6	3.3
– Perth	5.8	4.3	4.0	4.0	3.8	3.6	3.5	3.5	3.6	3.4	3.3	3.0
– Adelaide	3.9	3.0	2.8	2.5	2.3	2.1	2.0	2.2	2.2	1.9	1.8	1.7
– Hobart	5.0	2.4	2.1	2.0	1.9	2.1	2.2	2.8	3.7	4.2	4.3	4.3

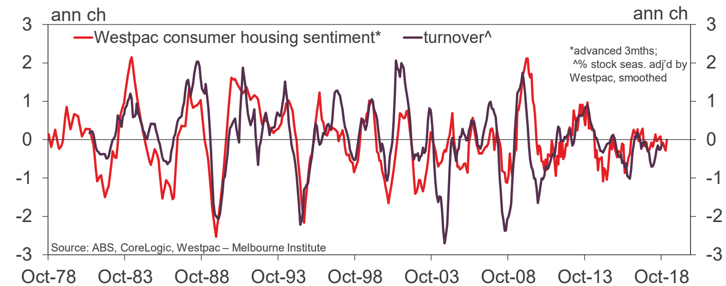
* figures show 3mth avg, readings for most recent months based on sales estimates modeled on preliminary data and latest weekly listings figures.
^ avg since 2007
Sources: CoreLogic, Westpac Economics

APPENDIX

Westpac Consumer Housing Sentiment Index: full series



Westpac Consumer Housing Sentiment Index: cycles



The **Westpac Consumer Housing Sentiment Indexes** presented in this report are composite measures based on a weighted combination of four indexes from the Westpac–Melbourne Institute Consumer Sentiment survey.

Two of these are 'primary' components with a higher weight that relate directly to consumer perceptions of housing market conditions: the Westpac–Melbourne Institute 'time to buy a dwelling' index and the Westpac–Melbourne Institute House Price Expectations Index. The remaining 'supplementary' components, with lower weights, relate to consumer assessments of job security – the Westpac–Melbourne Institute Unemployment Expectations Index – and risk appetite – the Westpac Risk Aversion Index.

Each of these components is seasonally adjusted, converted to a consistent base and combined using fixed weights determined by historical regression analysis. Note that the house price expectations component is only available from 2009 on – a re-weighted composite based on the remaining measures is used for earlier periods.

The resulting composite measures provide significant insight into housing market conditions both nationally and at the individual state level. The national index has over 40yrs of history and a clear lead indicator relationship with a variety of housing market metrics. The index is particularly good at picking turning points in housing market turnover – correctly anticipating every major upswing and downturn since 1980 with a lead of around three months (four once the timeliness of sentiment updates is included).

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