HOUSING PULSE

MAY 2023.

WESTPAC INSTITUTIONAL BANK

CONTENTS

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EXECUTIVE SUMMARY

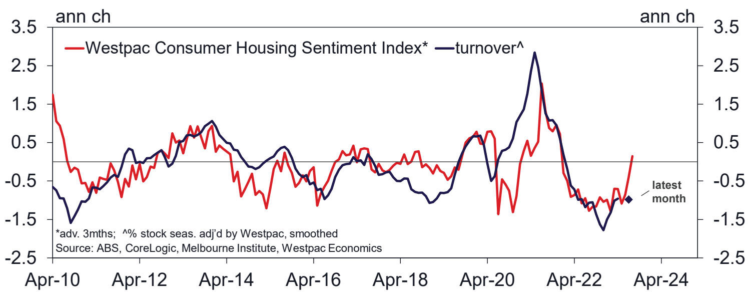
Australia's housing market correction is now over. Several factors have combined to produce a stabilisation in early 2023, including: a surge in migration, higher construction costs and low on-market supply. The shift has come despite a further rise in interest rates and expectations that rates will remain high near term. The full impact of policy tightening has also yet to flow through to the wider economy. While this cautions against expecting a sustained upturn near term, the stabilisation is looking firmly entrenched. A lift in price expectations in particular, suggests it would take a large shock to knock market back into correction mode from here.

Westpac's forecasts have been revised, prices now expected to hold broadly flat over calendar 2023 rather than make a 'second-leg' lower, and a sustained upturn expected to gain traction once the RBA starts easing rates in 2024. Key risks continue to centre on the path for inflation and interest rates.

Our May **Housing Pulse** surveys the scene more closely. Improvements are becoming more established and broadly-based although turnover remains low in most cases. Whether this marks the start of a sustained upturn remains moot but the evidence from history suggests the sort of 'price-led' upturn that may be forming is rare and usually hard to sustain. Certainly, our **Westpac Consumer Housing Sentiment Index** points to a stabilisation rather than a lift. That said, the physical supply-demand balance is clearly impacting and can over-ride buyer attitudes – our updated supply projections suggest this side of the ledger will not be improving any time soon.

While the shift is broad based, conditions continue to vary markedly across states. Stabilisations look well-established in NSW and Vic, both coming off bigger corrections. Qld, WA and SA all had milder corrections and are facing much tighter supply conditions. Tas has yet to snap out of its downturn which looks to still have some way to run.

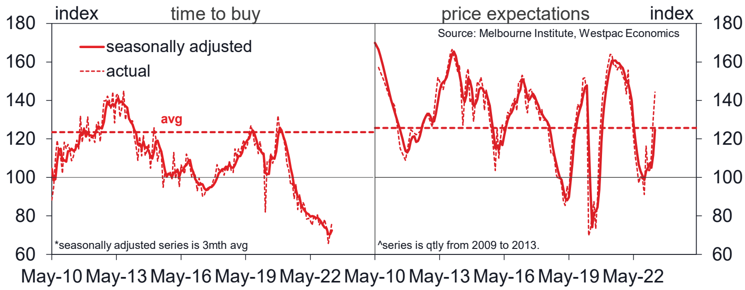
1. Australia: national housing conditions



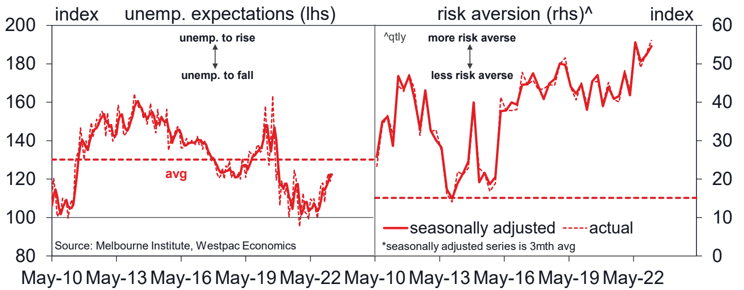
"Australia's housing market correction is now over."

*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 p40 for more details.

2. Consumer sentiment: housing

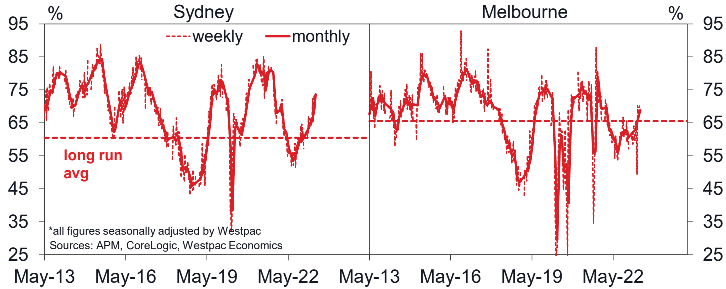


3. Consumer sentiment: jobs & risk aversion

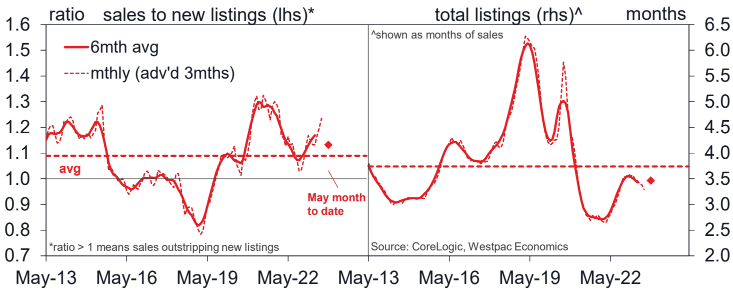


- Australia's housing market has continued to firm following a material correction in 2022. Nationally, turnover has edged 2% higher over the last 3mths, but remains 27% below the peak in late 2021 and at a low level by historical standards. More notably, prices across the five major capital cities have risen 3% since the start of the year, a clear break-out of the 9.7% decline seen between Apr and Dec last year. Gains centred on parts of the Sydney market initially but have become increasingly broad-based.
- Housing-related sentiment has improved but become noticeably more ambivalent. On the negative side, 'time to buy a dwelling' assessments remain deeply pessimistic – consistent with an environment of high and rising interest rates and still-stretched affordability – and risk aversion remains extreme, around record highs. Confidence around jobs has also softened a touch but remains at above average levels. In stark contrast, price expectations have surged strongly to be well above long run average levels in the May month.
- Auction markets are also showing a material improvement, clearance rates in both Sydney and Melbourne lifting to above average levels, in the 70%+ range that typically sees sustained price gains. Pre-auction withdrawals have returned to more normal levels after being elevated through much of 2022.
- 'On-market' supply remains tight. While low, turnover is running ahead of new listings, the stock on-market dropping back to 3-3.5 months of sales, below the long run average of 3.75 months. If sellers continue to hold off, supply could soon dip below 3 month of sales towards historical lows. While most are some variation of tight, on-market supply does differ across cities and sub-markets.

4. Auction clearances rates

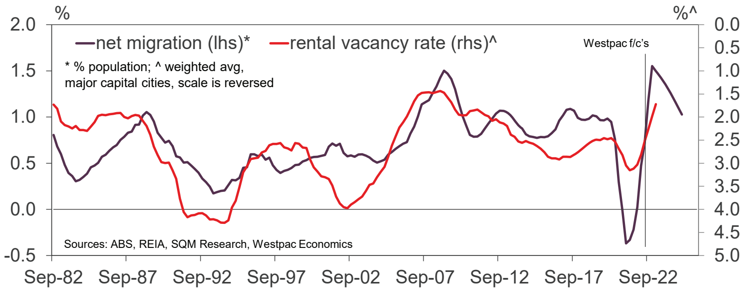


5. Residential property listings

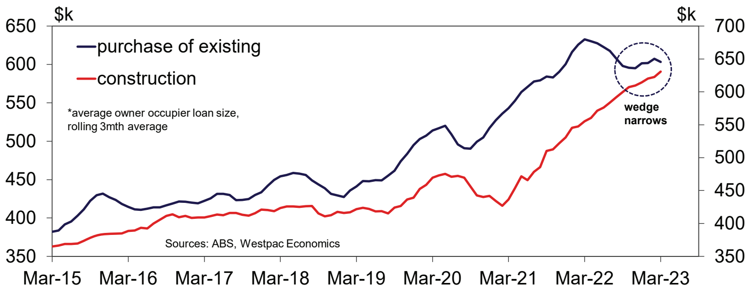


- Nationally, the **Westpac Melbourne Institute 'time to buy a dwelling' index** rose 3.4% over the 3mths to May. However, at 76.3 the index remains near extreme cyclical lows, the long run average being 121.6. Buyer sentiment has been in the 65-80 range for fifteen months now, marking the most prolonged period of weak buyer sentiment on records going back to 1974, outlasting the very weak reads seen in during the early 1990s recession.
- The **Westpac–MI Consumer House Price Expectations Index** soared 40% over the 3mths to May, hitting a sixteen month high of 144.3. This is broadly consistent with annual price growth in the 5-10% range. A strong outright majority of consumers now expect prices to rise over the next year, a strong indication that recent prices gains will be sustained – positive expectations mean sellers will be much less likely to accept low price offers and buyers less inclined to delay purchases in hope of better deals in the future. That said, the proportion of consumers expecting double-digit price growth remains relatively low at just 13%.
- Consumers continue to show a gradual loss of confidence around jobs. The **Westpac Melbourne Institute Unemployment Expectations Index** lifted a further 3.1% over the 3mths to May after a 1.8% rise through the turn of the year (recall that higher reads mean more consumers expect unemployment to rise in the year ahead). The Index is still at better than average levels but if the current trend continues it will move into outright weak territory later in the year.
- Consumers remain extremely risk averse. The **Westpac Consumer Risk Aversion Index** rose 3.1pts in the first quarter of 2023, taking it back to a record high on measures going back to 1974. Banking system issues in the US and Europe have likely added to already heightened concerns about high inflation and sharply rising interest rates.

6. Rental vacancies vs migration

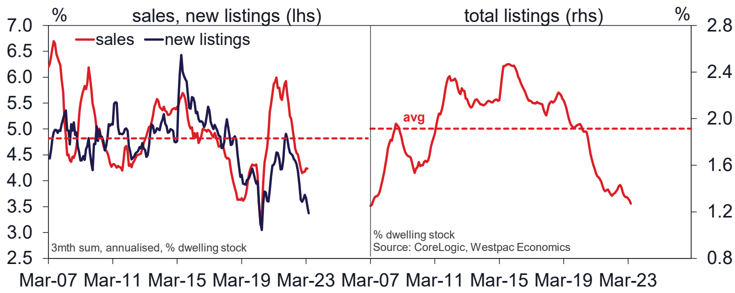


7. Housing finance: average loan size, owner occupiers



- The consistent picture of improved conditions and positive price expectations that has emerged since the start of the year has prompted a significant revision to our housing outlook. Prices are now expected to remain flat this year, rather than post a further decline, with a sustained, broad-based recovery forecast to gain traction in 2024. The key risk continues to centre on inflation, with the potential for further hikes near term and constraints on the extent to which the RBA can ease in 2024 (see here for more).
- Three factors look to be driving the shift in early 2023: 1) a resurgence in net migration inflows; 2) a sharp rise in construction costs; and 3) low levels of 'on market' supply.
- Border reopening has seen a much bigger than expected lift in immigration with net inflows set to hit 400k for 2022 and remain elevated in 2023. There are clear links between population growth and demand for housing, both directly (through new buyers) and indirectly (through the impact on available rental property and the wider physical supply-demand balance). The latest surge has contributed to a significant tightening in rental vacancy rates. There may be other factors at play as well. Notably, Canada – often seen as a comparable destination to Australia for prospective migrants – recently placed a two year ban on foreign purchases of residential property.
- A sustained surge in construction costs has also shifted price relativities in some sub-markets. Nationally, the purchase cost of a newly built dwellings rose 18% in 2022. With prices for existing dwellings declining, this has tilted the balance between existing and newly built houses (broadly captured in trends in average loan sizes, see Chart 7). The more granular price detail suggests this effect is driving gains in some suburban fringes of major cities.

8. Residential property: sales and listings



9. Dwelling price forecasts

	avg*	2020	2021	2022	2023	2024	comments
Sydney	5.8	2.7	25.3	-12.1	1	5	Rebounding slightly from bigger falls but gains lopsided. Affordability still a big issue.
Melbourne	4.5	-1.3	15.1	-8.1	-1	5	Stabilising. More exposed to migration lift but carrying more of an overhang of stock.
Brisbane	4.3	3.6	27.4	-1.1	-1	6	Strong fundamentals, very tight market, should be more resilient than others.
Perth	0.8	7.3	13.1	3.6	0	8	Very mild correction after mild run-up. Very tight market. Expected to outperform.
Adelaide	5.4	5.9	23.2	10.1	-1	4	Barely affected by correction. Very tight supply but affordability issues emerging.
Hobart	5.9	6.1	28.1	-6.9	-3	0	Taking longer to stabilise. Extremely affordability constraints limit upside.
Australia	**4.6**	**1.8**	**20.9**	**-7.1**	**0**	**5**	Stabilisation in 2023 giving way to firmer gains as rates are cut in 2024.

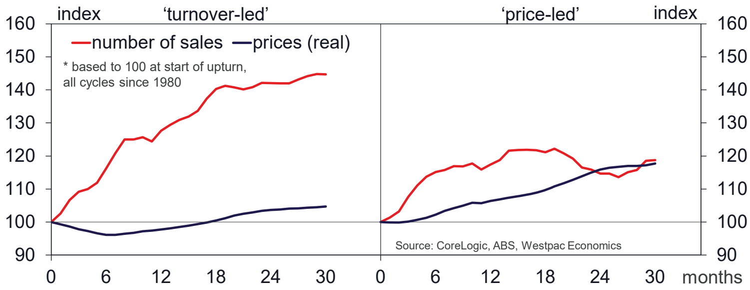
All dwellings, Australia is five major capital cities combined measure; *10yr avg.

Source: CoreLogic, Westpac Economics

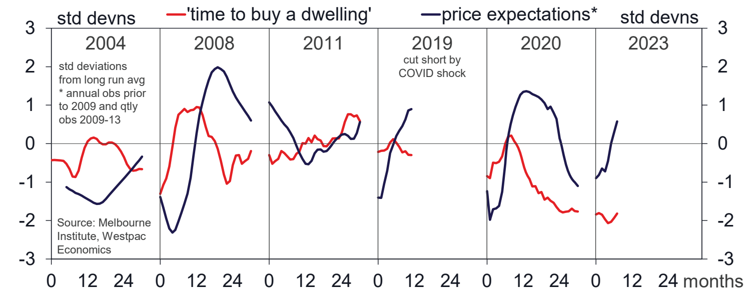
- Low ‘on-market’ supply looks to be accentuating some of these drivers. The weak market has clearly discouraged many sellers with both new listings and total stock on market below average across the major capitals and extremely low when viewed as a share of the total dwelling stock. These ‘thin’ market conditions mean small shifts in demand can have a bigger than usual impact on prices.
- Notably, the stabilisation has come despite further official rate rises in February and March, and continued hawkish expectations for mortgage rates amongst consumers. Housing recoveries typically only emerge once the RBA is actively cutting rates or is very clearly poised to do so. Price gains also tend to follow a sustained lift in turnover, not vice-versa.
- The positives in play – migration, construction costs and limited supply – tend to be marginal and gradual drivers of price gains. With interest rate negatives still in the mix, this suggests the market is stabilising rather than setting up for sustained gains near term.
- Consumer expectations are adding to this picture of stabilisation. As noted, positive house price expectations act to ‘anchor’ prices, reinforcing the stability. This price outlook is despite widespread consumer expectations of more rate rises in the year ahead. Clearly it would take quite a substantial shock – more than just a few more rate rises – to trigger another run of material price declines from here.
- Westpac's revised forecast of flat prices in 2023 compares to our previous forecasts that implied a further 7% decline. In peak-to-trough terms, the 16% fall previously forecast has bottomed out at the 10% decline seen nationally between April and Dec last year.

SPECIAL TOPIC: upturns compared

6. Historical upturns: evolution of sales and prices

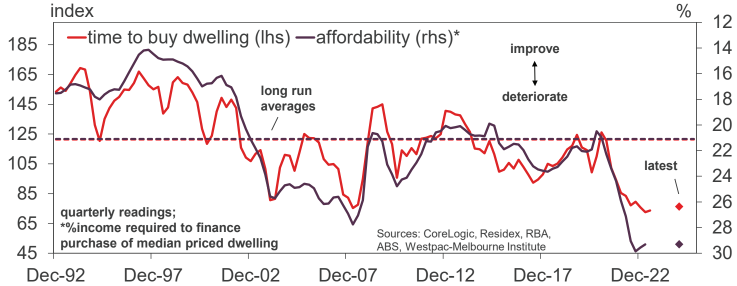


7. Recent upturns: evolution of housing-related sentiment

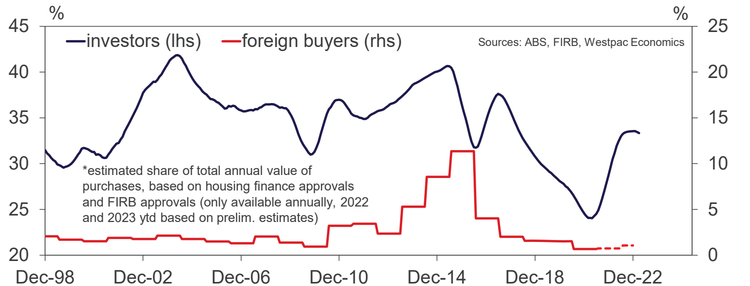


- As discussed, there are some unusual features to the recent improvement in housing markets that cast doubt on the extent to which it can be sustained. Gains are coming despite no support from interest rates with the lift in prices coming well ahead of any turnaround in turnover or buyer sentiment. This special topic looks at how the current shift would sit in the broader history of housing market upturns.
- Nationally, there have been eleven clearly identifiable upturns since 1980 (the beginning of comprehensive price and sales data). Generalising across episodes is not straightforward with each cycle having its own idiosyncrasies. Most, but not quite all, are associated with declining interest rates or other forms of monetary policy easing – notable exceptions being in 2004 and 1986.
- We can classify upturns into two broad categories: 'turnover-led' and ones in which price gains either precede or coincide with a lift in turnover (note that pinpointing the beginning of price gains is less clear-cut during the high inflation period of the 1980s – our timings are based on the turning point in real, inflation-adjusted terms).
- 'Turnover-led' upturns are more common, accounting for eight of the eleven upturns since 1980s (specifically: 1982, 1986, 1989, 1991, 1996, 2008, 2011, and 2020). The three remaining 'price-led' upturns were in 2000, 2004 and 2019.
- Chart 6 highlights the very different trajectories for both sales and prices across these two groups. On average, 'turnover-led' upturns see a 20-30% rise in sales in the first 6-12 months with meaningful price gains only showing through after this initial rise. The average path across 'price-led' upturns has a much earlier uplift in prices and more muted gains in sales, particularly beyond the first six months.

8. Housing affordability

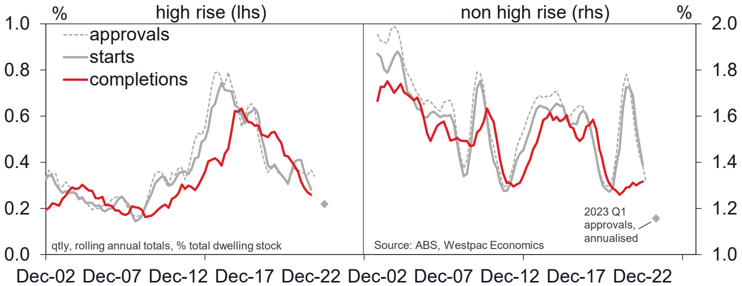


9. Share of purchases: domestic investors, foreign buyers

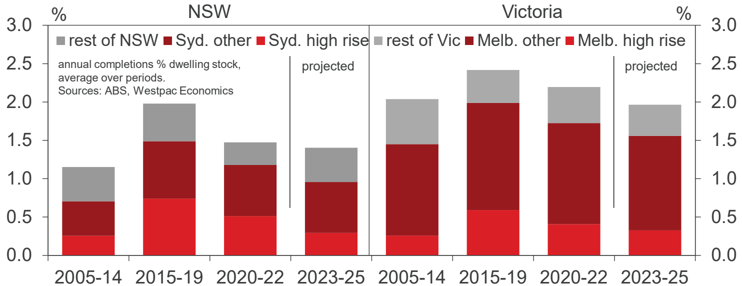


- Housing-related consumer sentiment provides an interesting perspective on the different types of upturn. The **Westpac Melbourne Institute 'time to buy a dwelling' index**, run since the mid-1970s, has an excellent track record picking turning points in the housing cycle, rising 20% on average in the initial stages of an upturn. However, it does a much poorer job predicting 'price-led' upturns, especially in 2004 (when it fell heavily initially) and 2019 (when it posted relatively muted gains). This almost certainly reflects the interest rate environment at the time, with buyer sentiment closely reflecting shifts in affordability (see Chart 8).
- The **Westpac–MI Consumer House Price Expectations Index** has a much shorter history, readings only available back to 2004 and regular quarterly or monthly readings only available from 2009 on. Chart 7 shows how both 'time to buy' and price expectations have evolved over the last five upturns and currently. Note that rather than basing to 100 at the start of the upturn, these charts show sentiment levels as standard deviations from long run averages so we can see both the direction of movement and relative degree of positivity. The picture highlights a wide range – the 2008 and 2020 profiles fitting the stylised picture of 'turnover-led' upturns, with buyer sentiment leading a lift in price expectation, but the 2011 and 2019 episodes showing a much more muddled situation.
- Interestingly, the 'price-led' upturn in 2004 shows little or no positive traction on either sentiment measure. Notable features during that particular period were: strong economic support from the mining boom; and a sustained lift in investor-driven activity in housing markets (see Chart 9).
- Overall, the history suggests 'price-led' upturns are rare and relatively hard to sustain. Moreover, when they are sustained, gains may tend to become driven by investors, making them more difficult to predict and susceptible to sudden shifts.

6. New dwelling supply: high rise, non high rise

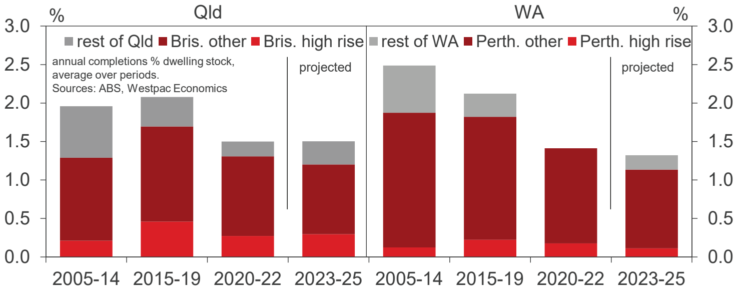


7. Dwelling completions: NSW, Vic

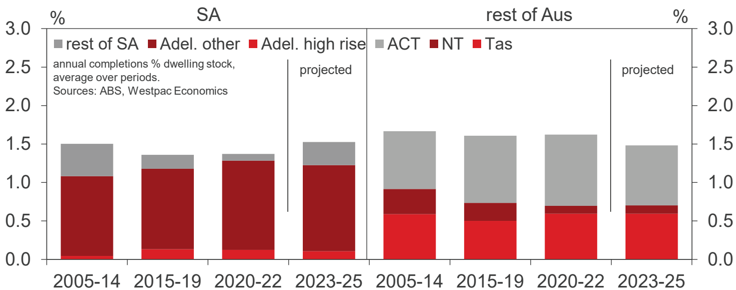


- A resurgence in migration-driven physical demand for housing has brought supply shortages back into sharp focus since the start of 2022. Rental vacancy rates tell the story, dropping to historic lows nationally with all major capital city markets now seeing vacancy rates at or materially below 2%, a sign of widespread shortages. Unfortunately, this tightening is coinciding with a significant downturn in new dwelling construction that shows few signs of slowing any time soon. Overlaid with the difficulties of getting large-scale higher density projects off the ground and the lags involved in these projects, new supply looks set to lag a long way behind growth in physical demand over the next two years.
- In this section we take a closer look at the supply pipeline based on some starting assumptions for approvals and using our model of the typical lags involved for different build types.
- Assumption-wise, approvals are projected to lift off their most recent (extreme) lows and hold steady at around 170k a year. That is coming off 190k approvals in 2022, 226k in 2021 and a peak of just under 240k in 2015. While this is similar to the average annual approvals over 2001-15 approvals are much lower relative to the size of the existing dwelling stock (1.5% vs 2%). For reference, approvals have been running at an annualised pace of 150k over Q1 of 2023.
- Charts 7, 8 and 9 show what this approvals profile implies for completions across each state, allowing for variations in the mix of build-types and the longer lags between approval, starts and completions for each segment. The projections are necessarily naive – in practise there will be many other factors affecting new dwelling supply at this detailed level, making point forecasts infeasible. As such figures should be treated as a rough approximation of the 'baseline' markets will be coming from.

8. Dwelling completions: Qld, WA



9. Dwelling completions: SA, rest of Aus



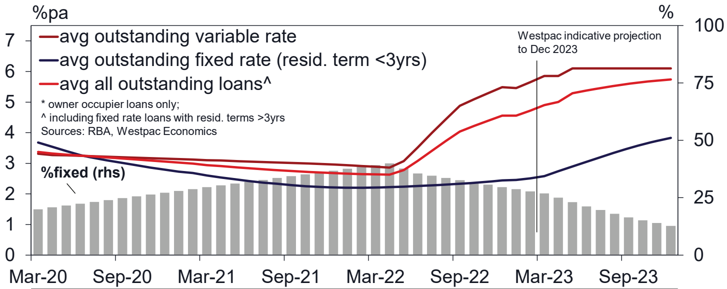
- Also note that charts are shown as % of the existing dwelling stock, to better allow comparisons over longer historical periods.
- Not surprisingly, the 2023-25 projections highlight a challenging outlook for the major states, particularly for capital cities that rely more heavily on high rise building.
- Sydney's completions for example are set to run 20% below their 2020-22 average and 35% below their 2015-19 average – a period when high rise contributed about half of new supply.
- Melbourne is also facing into a slowdown but is coming off a higher starting point with less exposure to the slow completion times of high rise builds. The chart highlights Vic's relative success in providing new dwelling supply in recent decades – a factor that allowed it to absorb considerably faster population growth that other states in the years leading into COVID. That task may prove more challenging in the next few years.
- Qld and WA are also set to see a much slower pace of completions, but more related to the wider downturn in approvals rather than high-rise specific issues. Note that 'Brisbane' in Chart 8 is the wider Southeast Qld area including the Gold and Sunshine Coasts. While the pace of completions in Qld holds up a little better than in NSW and Vic, the state's migration-driven lift also looks to have been somewhat stronger, population growth heading back to pre-GFC highs rather than the more sedate pace seen in the 2010s.
- The smaller states appear better placed supply-wise. SA's completions are even expected to lift slightly in coming years.

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.

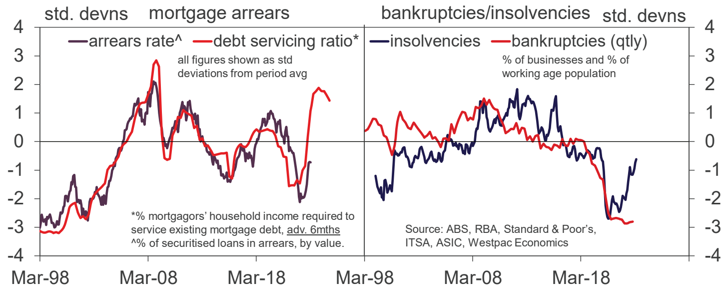
Source: APRA, RBA, Westpac Economics

19. Average mortgage rate on outstanding loans

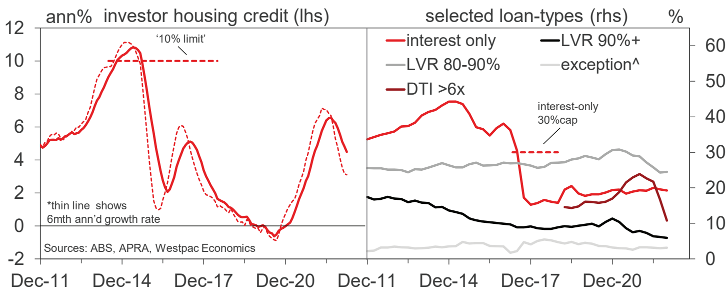


- Prudential policy remains firmly on the back-burner. With housing markets only just coming out of a correction phase and monetary policy still actively tightening, there is little call for active prudential measures – additional tightening unnecessary and any easing liable to send a confusing message given the wider policy aims of dampening demand in order to rein in high inflation. The regulator is in 'monitoring mode' and likely to stay sidelined until the cycle has well and truly turned.
- The March statement from the Council of Financial Regulators (CFR) shows a slight evolution in its monitoring. December's focus on "the resilience of households to high inflation and rising interest rates, against a backdrop of falling housing prices" has become more specifically about the "small share of households with high levels of debt relative to their income and low savings and equity buffers experiencing debt-servicing challenges" with a particular note on the "large share of fixed-rate borrowers [that] will experience a significant increase to their loan repayments as their loans reset at higher interest rates."
- On this last point, the roll-off of 'ultra-low' fixed rate loans taken out during the pandemic began about mid-2022, has accelerated over H1 2023 and will continue to run at a rapid clip through H2, moderating as we move into 2024. Chart 19 shows how this has dampened the impact of higher interest rates to date, but also how the shifting mix will see a significant 'tail' to the tightening cycle – even if the current pause in tightening extends as expected roll-offs mean the average rate on outstanding loans will continue to rise by a further 45bps over the second half of 2023. Of course, the interest here is more about the potential for significant pockets of distress to emerge amongst this group of borrowers as their rates jump from ~2% to ~6%.

20. Financial distress: selected indicators



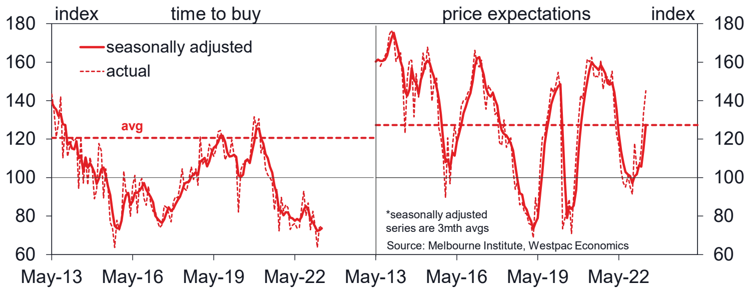
21. Mortgage lending: investor credit and selected loan-types



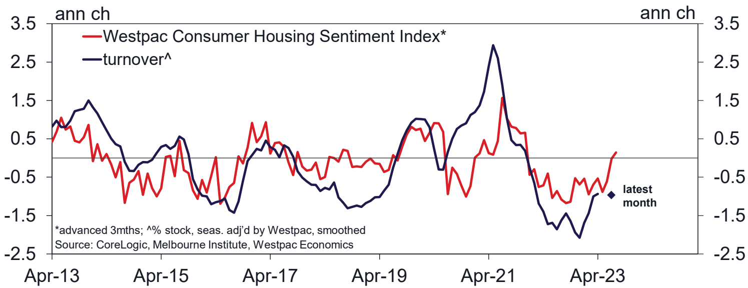
- Clearly the full impact of sharply higher interest rates has yet to fully play out. That said, we are starting to see more signs of a rise in financial stress. The arrears rate on securitised home loans rose to 1.21% in March, up 27bps over the last 6mths. While that's still below average, trends in the share just dipping into arrears (at 31-60 days behind) suggesting arrears will push towards 1.5% in coming months. Our estimates of the aggregate debt servicing ratio point to something closer to 2% by year-end.
- Company insolvencies are also moving higher. While this is again to a below-average level, the sectoral detail continues to show above average failures in some industries, most notably construction – over 2000 construction businesses have become insolvent over the year to Apr, a record on figures going back to 2014 and accounting for over a quarter of all insolvencies.
- With all of these indicators of financial stress there are significant lags between a monetary policy change and a resulting shift. Even for mortgage arrears, there are significant delays between when an official rate rise occurs and when mortgage repayments change (typically 2-3 months on average), and then a further delay before a missed payment shows up as an increase in arrears (i.e. another month). All up this suggests the next few months will likely give a critical read on the extent of stress coming from rate hikes and the wider slowing in the economy.
- The firming in housing markets may also see some renewed focus on lending standards as the year progresses, particularly if there is an associated lift in the share of 'higher risk' loans. The current picture here – on data to Dec – is utterly benign, the second half of last year seeing a notably sharp pull-back in the share of high debt-to-income loans. That mix could start to shift as we move into 2023.

NEW SOUTH WALES: a clearer turn

22. NSW consumer: housing–related sentiment

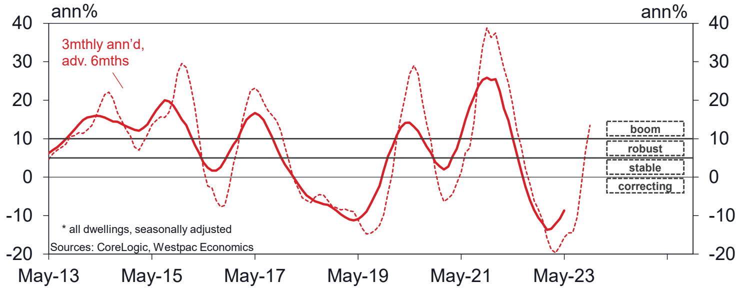


23. NSW housing composite vs turnover



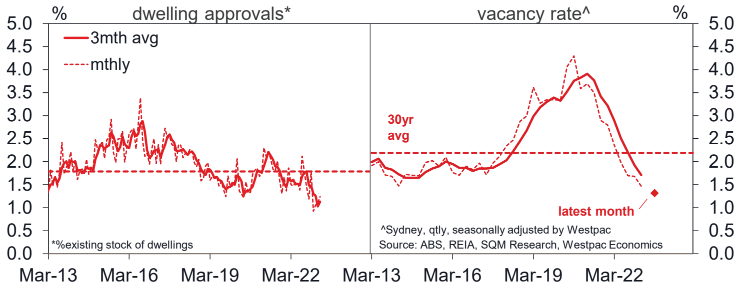
- What was a tentative stabilisation back in Feb is looking much more convincing three months on. Prices have posted several solid monthly gains, drawing a hard line under what was a bigger and longer correction in NSW in 2022. That said, sentiment remains more consistent with stabilisation than a sustained upturn, with a clear tension between the new-found momentum in prices and stretched affordability.
- Turnover has also yet to find a base. Sales are down a third since the start of 2022. New listings have fallen even further, meaning on-market supply is low, especially for houses. Any return of sellers will clearly test the 'depth' of demand.
- The state's first home buyers (FHBs) have seen more change, the incoming state govt rolling back changes that had allowed eligible FHBs to opt for an annual property tax instead of an up-front stamp duty, but also lifting the threshold for stamp duty concessions. The move is likely a 'wash' for demand.
- Sydney prices have recorded robust monthly gains, up 1.4% in March, 1.3% in April and tracking a 1.8% rise in May. 'Top' and 'middle tier' houses have led the way but with gains spreading to other segments. Sydney's Northern Beaches, and inner ring suburbs have seen the strongest lift but with solid gains in areas like Baulkham Hills pointing to some spillover from high construction costs.
- The physical supply–demand balance has continued to tighten, Sydney's rental vacancy rate pushing below 1.5% and dwelling approvals at decade lows. Rental yields are lifting but remain below long run averages.
- Our sentiment–based indicators have shown a significant improvement, led by a surge in price expectations. The **NSW Consumer Housing Sentiment index** points to stabilising 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: +72k pa
GSP: $661bn (31% Aus)
Dwellings: 3.4mn, $3.8trn
Capital: Sydney

25. NSW: dwelling approvals, vacancy rate

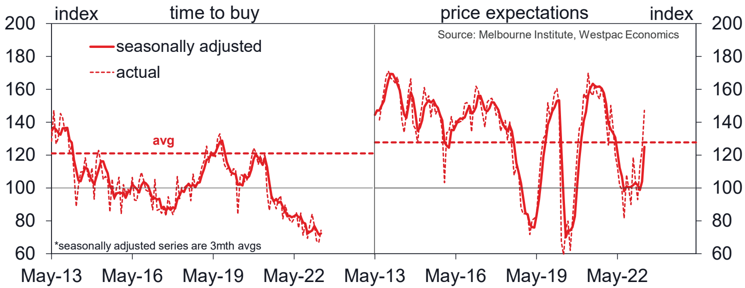


June years	avg*	2020	2021	2022	latest
GSP, ann%	2.3	-0.6	2.6	1.8	n.a.
State final demand, ann%	3.0	-2.0	4.4	3.2	5.2
Employment, ann%	1.6	-5.8	5.9	2.7	3.8
Unemployment rate, %#	5.9	6.5	5.2	3.6	3.3
Population, ann%	1.1	0.7	0.0	0.8	1.3
Dwelling prices, ann%	5.4	13.1	14.9	5.8	-10.8
Rental yield, %#	4.6	3.5	3.1	3.7	4.7
Sales/new listings, ratio#	1.27	1.20	1.40	1.11	1.18
Total listings, mths sales#	2.8	4.0	2.0	3.2	3.3

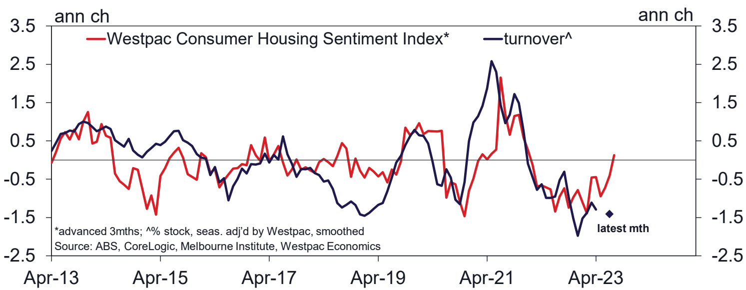
* avg last 25yrs; # June qtr readings
Sources: ABS, CoreLogic, REIA, Westpac Economics

VICTORIA: base forms, supply tightens

26. Vic consumer: housing–related sentiment

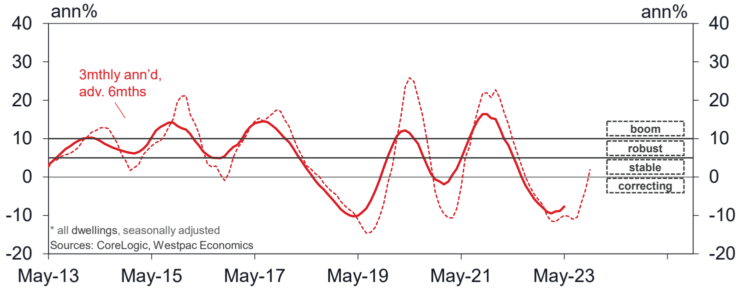


27. Vic housing composite vs turnover



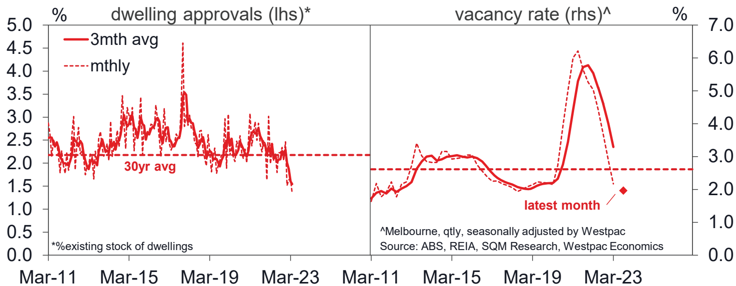
- Vic's housing market correction also looks to be over, prices posting slight gains in recent months and sentiment suggesting turnover should start to stabilise soon. The supply–demand balance is now tight, having turned quickly after several years of a significant oversupply in rental markets. That said, listed stock on-market is more plentiful than in other states, particularly for units.
- The Vic state government's 2023-24 Budget included significant changes to land tax thresholds and rates for residential investors from Jan 2024. The average increase is estimated at $1300/yr, some of which may be clawed back through increased income tax deductions on negatively-geared property. The effect on markets remains unclear.
- Prices have been more stable than rising, monthly moves averaging flat over Jan-Apr but with slightly better momentum apparent in May. Auction markets confirm the improved tone, clearance rates in the high 60s now above the long run average of 65%. The price detail shows slight gains for Melbourne's 'middle tier' are offsetting slight declines for 'top tiers'. Across sub–regions, Melbourne's inner areas, North East and Outer East are leading the improvement. Regionally, the Mornington Peninsula and Geelong continue underperform despite a significant slowing in the pace of falls.
- New listings continue to run slightly ahead of sales, stock on market nudging up to 5½-6 months of sales state-wide and around 4½ months in Melbourne. That said, Melbourne's rental market has continued to tighten, vacancies now at a 12yr low.
- The **Vic Consumer Housing Sentiment index** suggests turnover will stabilise at low levels in coming months. However, as elsewhere, the detail shows a major tension between positive price expectations and weak buyer sentiment.

28. Melbourne dwelling prices



Population: 6.7mn
Net migration: +81k pa
GSP: $501bn (23% Aus)
Dwellings: 2.9mn, $2.6trn
Capital: Melbourne

29. Vic: dwelling approvals, vacancy rate

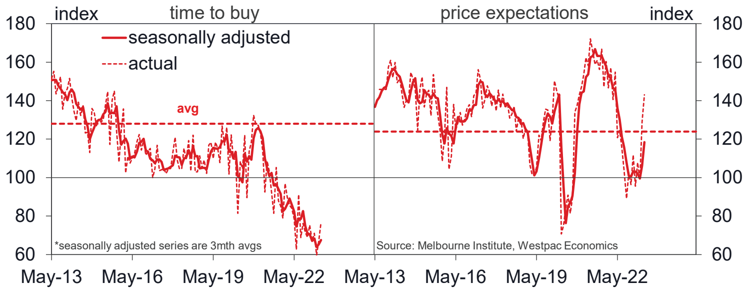


June years	avg*	2020	2021	2022	latest
GSP, ann%	2.9	0.1	-0.3	5.6	n.a.
State final demand, ann%	3.6	-1.0	1.0	7.1	6.1
Employment, ann%	2.1	-3.6	4.5	3.6	3.5
Unemployment rate, %#	6.3	6.7	4.9	3.7	3.7
Population, ann%	1.5	1.2	-0.9	1.1	1.7
Dwelling prices, ann%	5.9	10.1	7.5	3.0	-8.8
Rental yield, %#	4.7	3.8	3.0	3.6	4.6
Sales/new listings, ratio#	1.06	0.90	1.10	0.96	0.95
Total listings, mths sales#	3.5	5.6	3.0	3.8	4.6

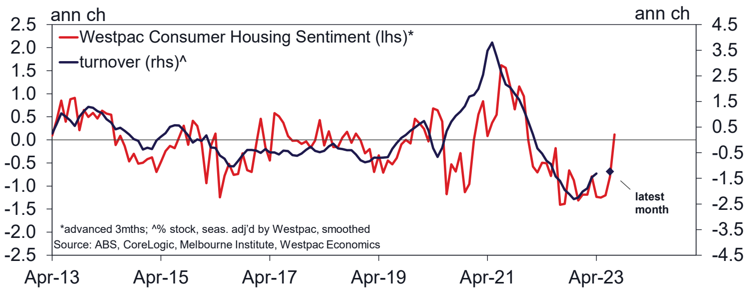
* avg last 25yrs; # June qtr readings
Sources: ABS, CoreLogic, REIA, Westpac Economics

QUEENSLAND: stabilising amid very tight supply

30. Qld consumers: housing-related sentiment

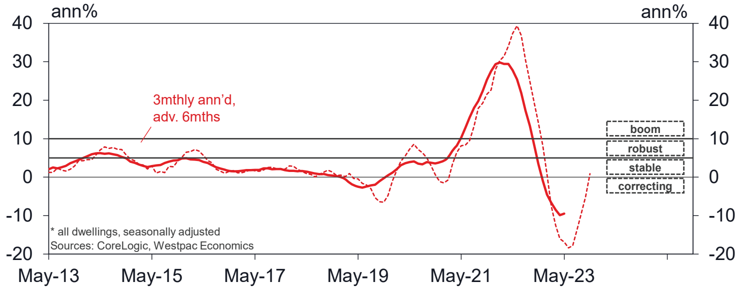


31. Qld housing composite vs turnover



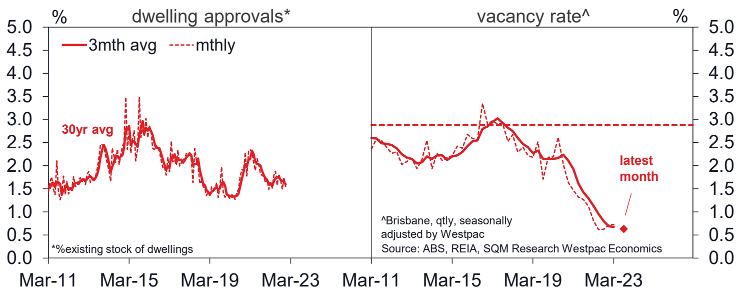
- Qld's housing market was whipsawed in 2022, a first half surge giving way to a sudden drop through to year-end. Conditions now look to be stabilising price- and sentiment-wise but with turnover low and yet to turn. The most striking other feature of the Qld market is the extremely low level of 'on-market' supply and 'ultra-tight' rental market.
- Brisbane prices have steadied, firming a touch over the last 3mths. Turnover has also lifted, although it remains down over 26% vs 2021 levels.
- The price detail continues to show much bigger correction for Brisbane houses and 'top tier' markets. Across sub-regions, the recent firming has been led by the city's North and Moreton Bay North, price softness still evident in the South and some outer areas such as Logan. The Sunshine Coast has seen a clear firming in prices but Gold Coast has been about flat. Further afield, Cairns has remained steady after avoiding outright price declines last year while Mackay has outperformed other regional areas slightly with modest price gains.
- The supply–demand situation remains extremely tight. While down on 2021, sales continue to run well ahead of new listings, on-market supply declining to be back near the extremely low levels seen during the 2021-22 price boom.
- Meanwhile, rental vacancy rates continue to hold around 0.5%, barely a 'frictional' level for a market that is always seeing at least some movement. With rental yields pushing above 6%, Qld and WA are clearly the state's to watch closely for any hints of a lift in investor activity.
- The **Qld Consumer Housing Sentiment index** points to a continued stabilisation in turnover that should see annual growth flatten in coming months.

32. Brisbane dwelling prices



Population: 5.4mn
Net migration: 89k pa
GSP: $385bn (18% Aus)
Dwellings: 2.2mn, $1.6trn
Capital: Brisbane

33. Qld: dwelling approvals, vacancy rate

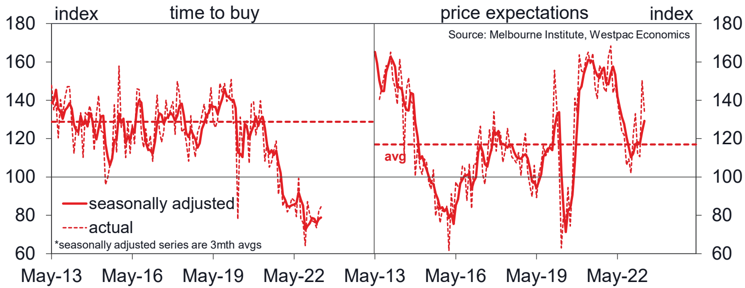


June years	avg*	2020	2021	2022	latest
GSP, ann%	3.6	-0.9	2.9	4.4	n.a.
State final demand, ann%	3.7	0.3	5.0	5.0	3.6
Employment, ann%	2.4	-4.5	9.8	4.7	2.0
Unemployment rate, %#	6.6	7.6	5.5	4.1	3.8
Population, ann%	1.8	1.6	0.8	2.1	2.2
Dwelling prices, ann%	5.3	4.1	12.8	25.4	-9.9
Rental yield, %#	4.9	5.4	5.1	5.2	6.2
Sales/new listings, ratio#	1.00	1.03	1.30	1.11	1.48
Total listings, mths sales#	4.8	7.1	3.0	2.9	2.7

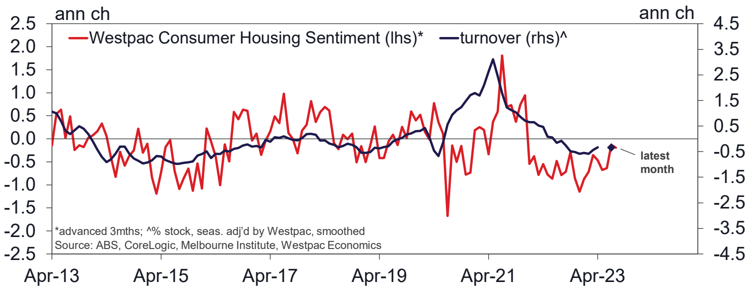
* avg last 25yrs; # June qtr readings
Sources: ABS, CoreLogic, REIA, Westpac Economics

WESTERN AUSTRALIA: a more sustainable upturn?

34. WA consumers: housing-related sentiment

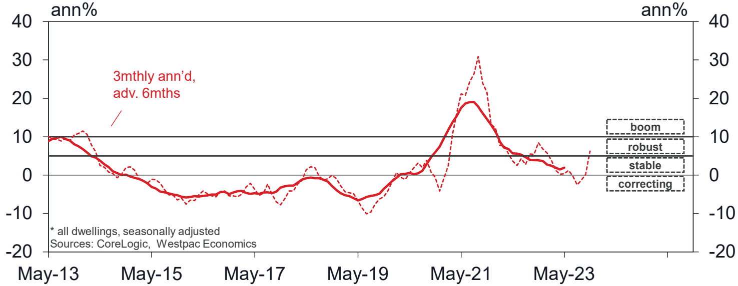


35. WA housing composite vs turnover



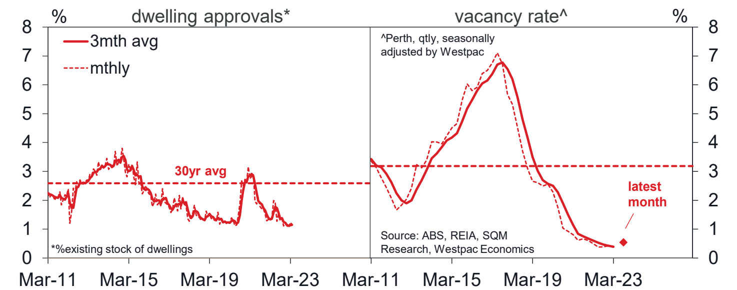
- Having suffered only the very mildest of corrections in 2022, the WA housing market is firming again with both prices and turnover posting modest gains. With markets also facing significant shortages, supply-demand drivers are likely to override a still mixed picture sentiment-wise, the buyer mood still far from 'gung-ho'. The other big point of distinction for WA is a less stretched starting point for affordability – Perth prices having basically moved sideways over the 13yrs to 2019.
- Turnover only declined 9% in 2022 and has already regained about 3% of that in 2023 to date. Meanwhile, Perth dwelling prices rose 1% over the 3mths to April and look to have doubled that in the May month alone – having barely declined 1% through the correction phase.
- The price detail shows slightly more softness for nits and 'top tier' segments. Sub-regional detail shows Perth's 'inner' area underperforming but fairly consistent gains elsewhere. Regional areas continue to perform strongly.
- The supply-demand balance remains extremely tight, sales still running miles ahead of new listings and the stock of unsold dwindling to less than 3mths of sales (vs a long run average of 5.8). Rental vacancy rates remain below 0.5% with rising rents pushing yields to 6.6% for new buyers, the only state where new investors may be able to earn a return comfortably above the cost of finance.
- Housing-related sentiment has improved a touch over the last 3mths, led again by price expectations but with buyer sentiment still near historical lows. The **WA Consumer Housing Sentiment index** suggests turnover will be broadly stable rather than posting sustained gains. That will certainly be the case if on-market supply remains as scarce as its been over the year to date.

36. Perth dwelling prices



Population: 2.8mn
Net migration: 35k pa
GSP: $377bn (18% Aus)
Dwellings: 1.1mn, $0.7trn
Capital: Perth

37. WA: dwelling approvals, vacancy rate

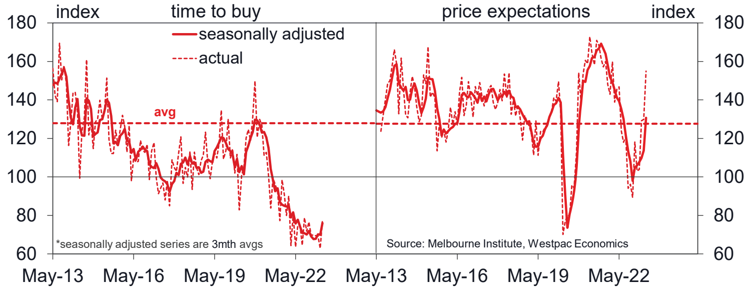


June years	avg*	2020	2021	2022	latest
GSP, ann%	4.0	1.2	3.3	3.1	n.a.
State final demand, ann%	3.7	1.6	6.2	5.6	3.9
Employment, ann%	2.3	-3.6	8.2	5.3	1.1
Unemployment rate, %#	5.6	7.5	4.9	3.2	3.6
Population, ann%	1.8	2.0	1.2	1.4	1.8
Dwelling prices, ann%#	4.6	0.2	18.6	5.6	1.5
Rental yield, %#	4.7	5.1	4.9	5.6	6.6
Sales/new listings, ratio#	0.92	0.99	1.00	1.04	1.34
Total listings, mths sales#	5.8	8.0	4.0	3.6	2.9

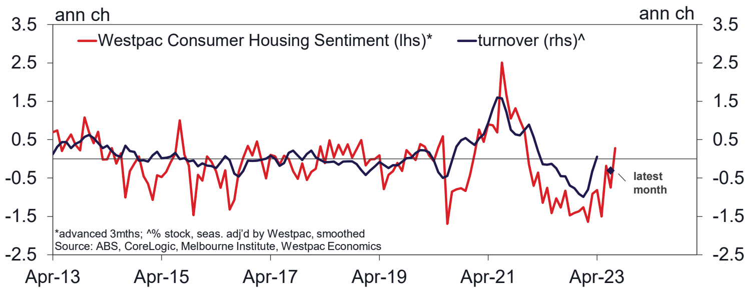
* avg last 25yrs; # June qtr readings
# Note that WA price data has been suspended due to technical issues and is under review.
Sources: ABS, CoreLogic, REIA, Westpac Economics

SOUTH AUSTRALIA: looking nicely balanced

38. SA consumers: housing-related sentiment

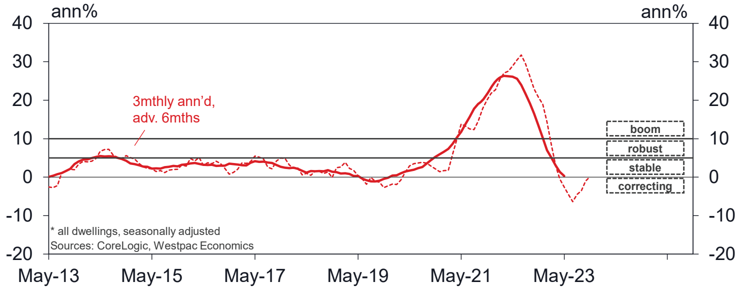


39. SA housing composite vs turnover



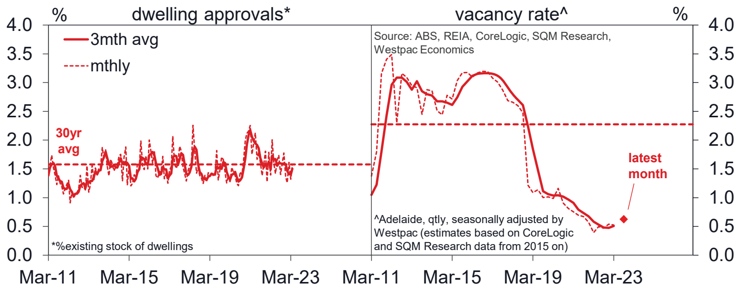
- SA was the stand-out performer in 2022, the market coming into the year with a late-cycle boom in full swing. That boom came off sharply as rate rises impacted but the move into correction was very mild and brief.
- Turnover has already clawed back most of last year's decline and prices are lifting again, having dipped 2.4% over the eight months to March but without annual price growth tipping into negative in annual terms. Housing-related sentiment suggests the stabilisation should 'stick'.
- Dwelling prices were about flat over the 3mths to April but look to have posted a solid gain in May. The price detail shows 'top tier' houses continue to dominate the cycle, the resilience of lower-priced tiers speaking to supply shortages and some 'headroom' on affordability.
- Regionally, the Adelaide market has been mixed over the year to date, slight gains for the South and North offset by softness in other areas. Regional parts of SA have continued to see prices hold up better through-out the cycle.
- As noted, the supply side remains extremely tight, total on-market listings continuing to run at less than 2mths of sales, well below the long run average of 3.9. Rental vacancy rates stuck in the sub-0.5% range, rental yields pushing to 5½-6% for new buyers. A renewed migration outflow from the state may ease the pressure in time but is doing little right now.
- Buyer sentiment has lifted on a resurgence of price expectations and slightly less pessimistic reads on 'time to buy'. The **SA Consumer Housing Sentiment index** points to a turnover continuing to lift slightly near term.

40. Adelaide dwelling prices



Population: 1.8mn
Net migration: 21k pa
GSP: $124bn (6% Aus)
Dwellings: 0.8mn, $0.5trn
Capital: Adelaide

41. SA: dwelling approvals, vacancy rate

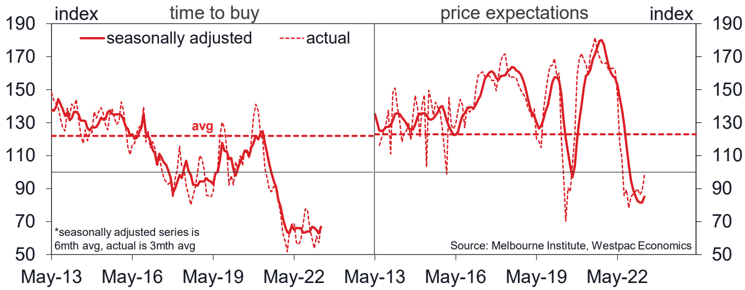


June years	avg*	2020	2021	2022	latest
GSP, ann%	2.3	-1.0	4.7	5.1	n.a.
State final demand, ann%	3.0	-1.5	5.3	5.6	4.1
Employment, ann%	1.3	-4.3	6.4	2.7	3.9
Unemployment rate, %#	6.9	7.9	5.6	4.5	4.0
Population, ann%	0.8	1.3	0.5	1.0	1.4
Dwelling prices, ann%	6.0	1.9	13.7	25.6	1.3
Rental yield, %#	5.2	5.2	5.6	5.7	5.7
Sales/new listings, ratio#	1.06	1.34	1.37	1.26	1.65
Total listings, mths sales#	3.9	4.6	2.5	2.2	1.8

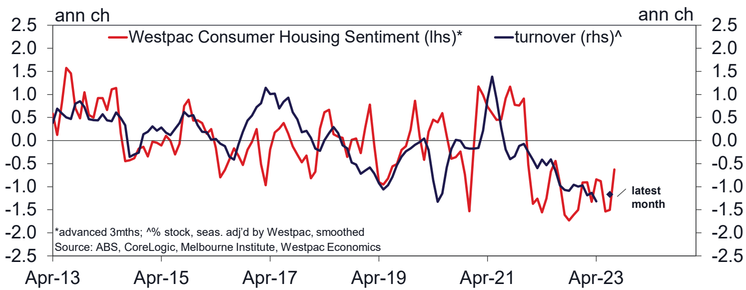
* avg last 25yrs; # June qtr readings
Sources: ABS, CoreLogic, REIA, Westpac Economics

TASMANIA: correction continues

42. Tas consumers: housing-related sentiment

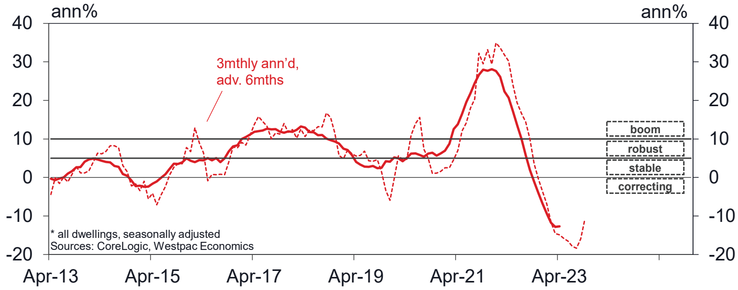


43. Tas housing composite vs turnover



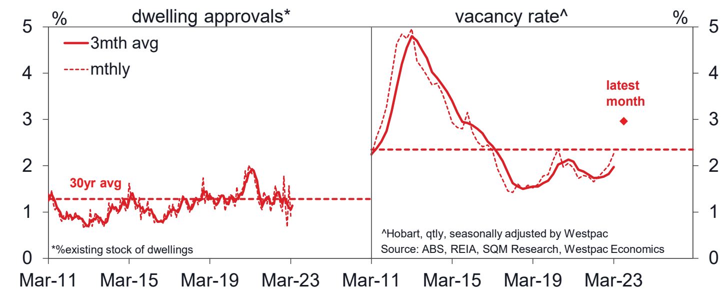
- The Tas housing market is the main exception to the stabilisation showing through in other major markets with not sign yet of an end to the correction in both prices and turnover. Moreover, a lift in rental vacancy rates suggests there may be something else afoot around migration that may see physical demand much less supportive near term.
- The Tas market saw a major correction in 2022, on a par with those seen in NSW and Vic in terms of both the pace and breadth of price declines and drop in turnover. However, unlike the major eastern states, the 'apple-isle' is struggling to pull out of this decline.
- Turnover has continued to track lower at a rapid pace in early 2023. Prices are also still mostly on the back foot, only just flat in Hobart in the April month but down 2.4% on a 3mth basis. The latest price detail shows weakness remains broad-based across houses, units, all tiers and sub-regions.
- Notably, housing-related sentiment has not staged a revival in Tas, both price expectations and buyer sentiment still firmly pessimistic.
- Around supply, there are increasing signs that the sustained period of extremely tight supply is starting to dissipate. On-market supply has lifted to be closer to the long run average of 4½ months of sales. Rental vacancy rates have also moved notably higher, heading towards 3% for the first time in nearly a decade. Notably, the migration-driven surge in population growth seen nationally is not apparent in Tas where population growth looks to be stuck at below 1%.
- The **Tas Consumer Housing Sentiment index** points to more declines in turnover through the middle of 2023. A decisive break out of correction may not be achieved until interest rates start to move lower in 2024.

44. Hobart dwelling prices



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

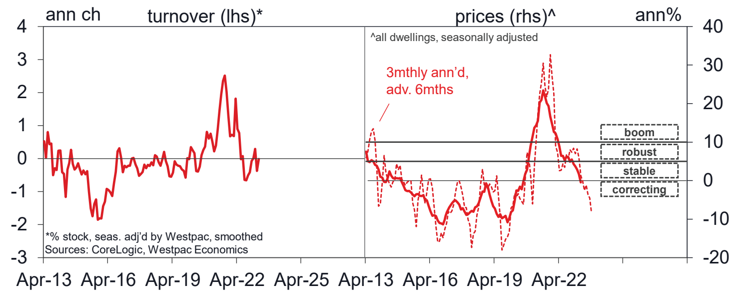
45. Tas: dwelling approvals, vacancy



June years	avg*	2020	2021	2022	latest
GSP, ann%	2.4	0.3	5.0	4.3	n.a.
State final demand, ann%	2.8	-0.4	5.5	5.7	1.4
Employment, ann%	1.5	0.1	6.4	1.8	3.1
Unemployment rate, %#	7.5	6.5	5.5	4.2	3.8
Population, ann%	0.7	2.0	0.8	0.6	0.7
Dwelling prices, ann%	5.7	6.2	19.6	13.6	-12.8
Rental yield, %#	5.8	5.0	4.2	4.2	4.3
Sales/new listings, ratio#	1.02	1.18	1.26	0.89	1.00
Total listings, mths sales#	5.0	3.5	2.0	2.8	4.5

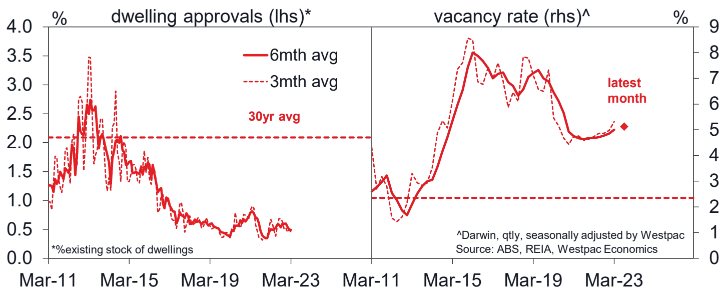
* avg last 25yrs (12yrs for listings); # June qtr readings
Sources: ABS, CoreLogic, REIA, Westpac Economics

46. NT: turnover, Darwin dwelling prices



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

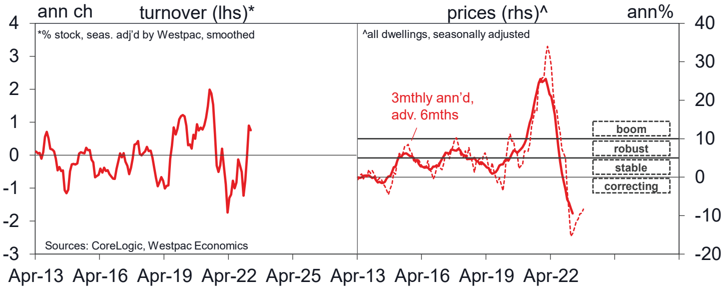
47. NT: dwelling approvals, vacancy rate



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	-5.1	8.6	7.7	4.8
Employment, ann%	1.5	0.0	4.6	2.3	5.4
Unemployment rate, %#	6.6	6.1	5.5	4.1	3.7
Population, ann%	1.2	0.3	0.1	0.6	0.4
Dwelling prices, ann%	3.8	-1.6	20.9	6.4	0.8
Sales/new listings, ratio#	1.11	1.33	0.96	0.98	1.20
Total listings, mths sales#	5.9	8.9	4.7	5.1	5.1

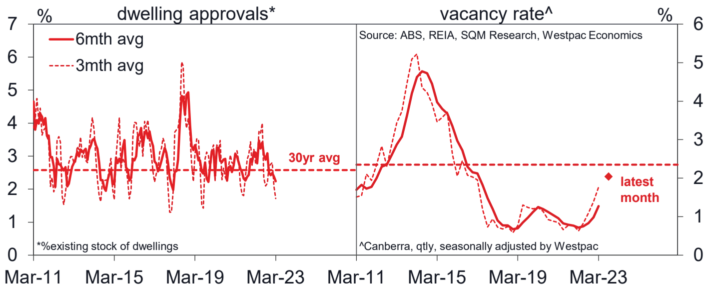
* avg last 25yrs (last 10yrs for listings); # June qtr readings
Sources: ABS, CoreLogic, Westpac Economics

48. ACT: turnover, Canberra dwelling prices



Population: 0.5mn
Net migration: 3k pa
GSP: $45bn (2% Aus)
Dwellings: 0.2mn, $176bn
Capital: Canberra

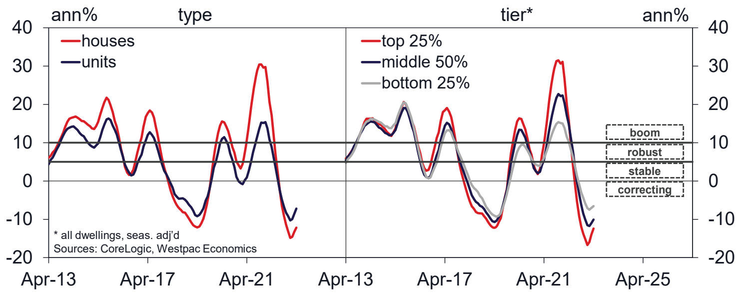
49. ACT: dwelling approvals, vacancy rate



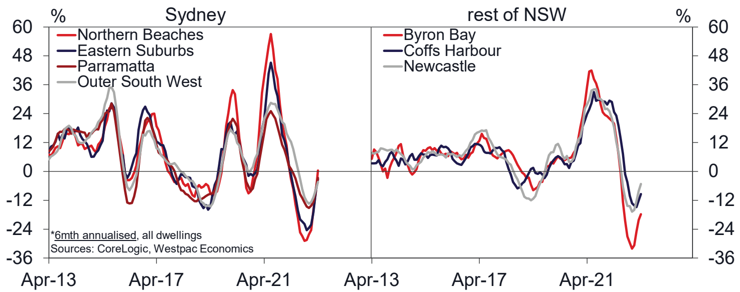
June years	avg*	2020	2021	2022	latest
GSP, ann%	3.7	3.9	3.9	1.9	n.a.
State final demand, ann%	4.0	2.7	5.7	2.3	4.1
Employment, ann%	1.6	0.1	4.2	2.3	4.1
Unemployment rate, %#	6.6	5.6	5.3	3.9	3.5
Population, ann%	1.5	2.1	0.6	0.7	1.4
Dwelling prices, ann%	6.3	6.1	17.9	16.2	-8.9
Sales/new listings, ratio#	1.43	1.50	1.58	1.24	1.60
Total listings, mths sales#	2.5	3.4	1.7	2.2	2.3

* 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

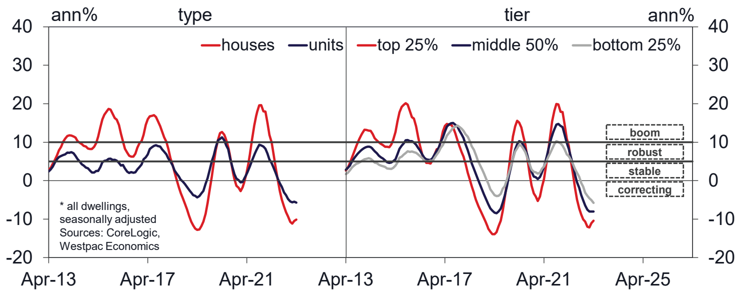


NSW	Sydney	rest of NSW
Population:	5.3mn	2.9mn
Net migration*:	+3k pa	+19k pa
Employ (%state):	67%	33%
Dwellings, no.:	2.0mn	1.4mn
Dwellings, value:	$2.8trn	$1.1trn

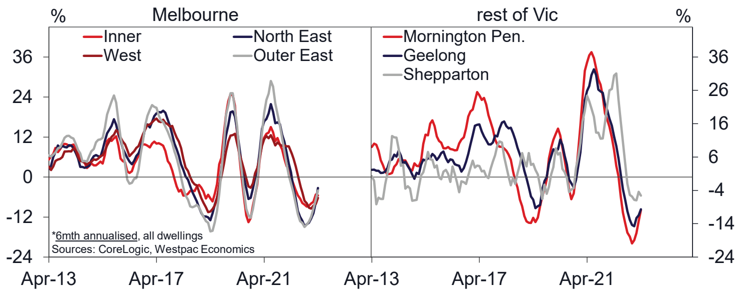
June years	avg^	2020	2021	2022	latest
Sydney					
Employment, ann%	1.7	-6.1	5.5	2.7	3.8
Unemployment rate, %	5.3	6.5	5.5	3.5	3.4
Houses – prices, ann%	5.8	14.2	19.2	6.7	-12.2
– sales/new listings, ratio	1.09	1.22	1.30	1.06	1.15
– total listings, mths sales	3.2	3.7	1.9	3.0	3.0
Units – prices, ann%	4.7	10.5	5.0	3.4	-7.2
– sales/new listings, ratio	1.58	1.17	1.57	1.18	1.21
– total listings, mths sales	2.3	4.3	2.2	3.4	3.6
rest of NSW					
Employment, ann%	1.7	-5.1	7.0	2.9	5.5
Unemployment rate, %	7.1	6.4	4.4	3.8	2.9
Dwelling prices, ann%	5.6	3.7	20.9	21.0	-10.1

* 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



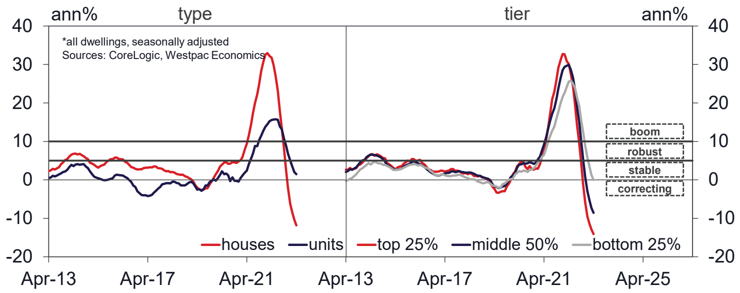
Vic	**Melbourne**	**rest of Vic**
Population:	**5mn**	**1.6mn**
Net migration*:	**+28k pa**	**+15k pa**
Employ (%state):	**76%**	**24%**
Dwellings, no.:	**2mn**	**0.8mn**
Dwellings, value:	**$2.1trn**	**$0.5trn**

June years	avg^	2020	2021	2022	latest
Melbourne					
Employment, ann%	2.2	-5.0	4.1	4.0	2.3
Unemployment rate, %	6.2	7.4	5.3	4.0	3.9
Houses – prices, ann%	6.2	10.5	8.8	3.4	-10.1
– sales/new listings, ratio	1.04	0.91	1.14	0.96	0.96
– total listings, mths sales	3.4	5.4	2.6	3.3	4.2
Units – prices, ann%	5.3	9.2	4.5	2.0	-5.7
– sales/new listings, ratio	1.11	0.84	1.01	0.93	0.89
– total listings, mths sales	3.7	6.6	4.1	5.0	5.6
rest of Vic					
Employment, ann%	1.9	1.3	5.9	2.3	5.8
Unemployment rate, %	6.7	4.5	3.8	3.3	3.4
Dwelling prices, ann%	5.2	4.4	15.7	15.1	-7.1

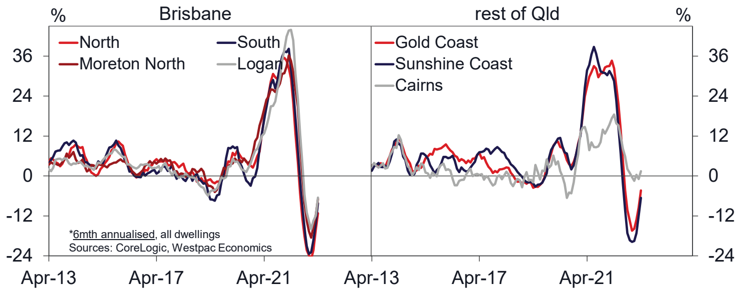
* incl. flows within state, year to Jun 2020; ^avg last 25yrs (last 10yrs for listings)
Sources: ABS, CoreLogic, Westpac Economics

ADDITIONAL MATERIALS: charts and tables, cont.

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



55. Qld dwelling prices: selected sub-regions

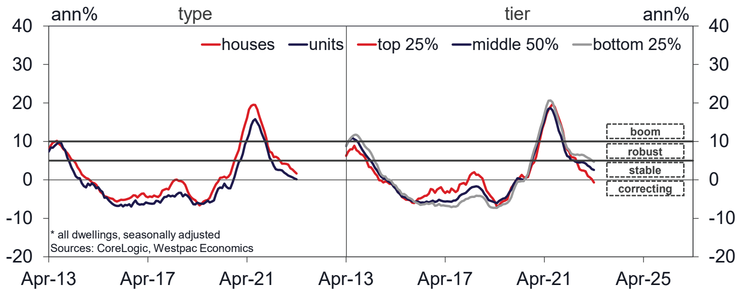


Qld	Brisbane	rest of Qld
Population:	2.6mn	2.7mn
Net migration*:	+43k pa	+38k pa
Employ (%state):	51%	49%
Dwellings, no.:	1mn	1.2mn
Dwellings, value:	$0.8trn	$0.8trn

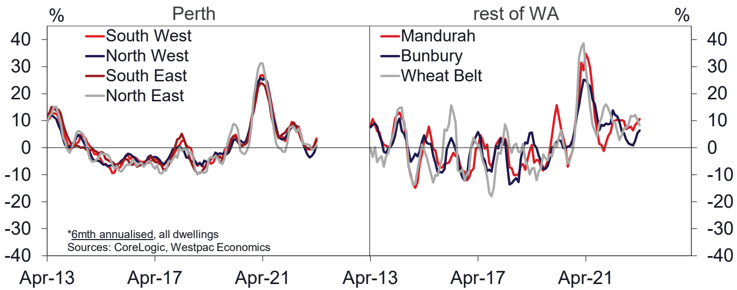
June years	avg^	2020	2021	2022	latest
Brisbane					
Employment, ann%	2.5	-5.1	10.6	5.0	2.4
Unemployment rate, %	6.2	7.6	5.8	4.1	4.0
Houses – prices, ann%	5.7	4.6	14.3	27.0	-11.8
– sales/new listings, ratio	0.90	1.05	1.26	1.02	1.38
– total listings, mths sales	5.3	6.7	2.8	3.2	2.9
Units – prices, ann%	3.7	1.7	5.5	15.8	1.5
– sales/new listings, ratio	1.49	0.94	1.43	1.39	1.73
– total listings, mths sales	3.8	8.5	3.2	2.4	2.0
rest of Qld					
Employment, ann%	2.2	-3.9	9.1	4.3	2.1
Unemployment rate, %	6.9	7.5	5.1	4.1	3.6
Dwelling prices, ann%	4.6	4.2	16.7	21.8	-5.7

* 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



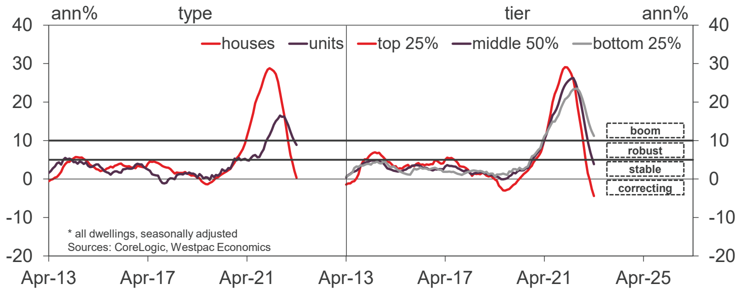
WA	Perth	rest of WA
Population:	2.2mn	0.6mn
Net migration*:	+19k pa	+3k pa
Employ (%state):	79%	21%
Dwellings, no.:	0.9mn	0.3mn
Dwellings, value:	$0.5trn	$0.1trn

June years	avg^	2020	2021	2022	latest
Perth					
Employment, ann%	2.5	-3.4	8.9	5.0	0.6
Unemployment rate, %	5.8	7.9	5.0	3.3	3.5
Houses – prices, ann%#	4.7	0.5	19.2	6.0	1.6
– sales/new listings, ratio	0.92	1.00	1.09	1.14	1.53
– total listings, mths sales	5.7	7.9	3.5	3.1	2.3
Units – prices, ann%#	3.7	-1.8	14.2	2.8	0.2
– sales/new listings, ratio	0.91	0.99	0.79	0.83	0.94
– total listings, mths sales	6.1	9.7	5.8	5.5	4.4
rest of WA					
Employment, ann%	1.5	-4.0	5.8	6.5	2.6
Unemployment rate, %	5.2	5.4	4.6	3.1	3.2
Dwelling prices, ann%#	3.4	-1.2	18.5	8.7	3.9

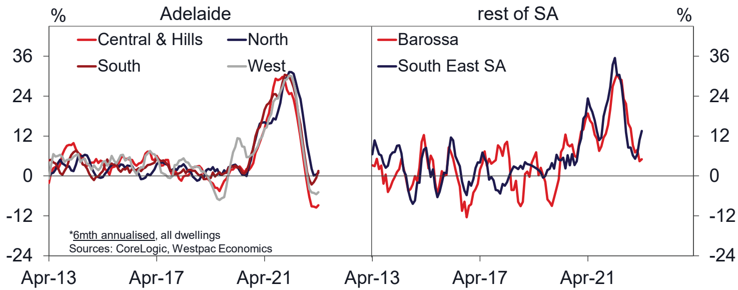
* incl. flows within state, year to Jun 2020; ^avg last 25yrs (last 10yrs for listings).
# Note that WA price data has been suspended due to technical issues and is under review.
Sources: ABS, CoreLogic, Westpac Economics

ADDITIONAL MATERIALS: charts and tables, cont.

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



59. SA dwelling prices: selected sub-regions

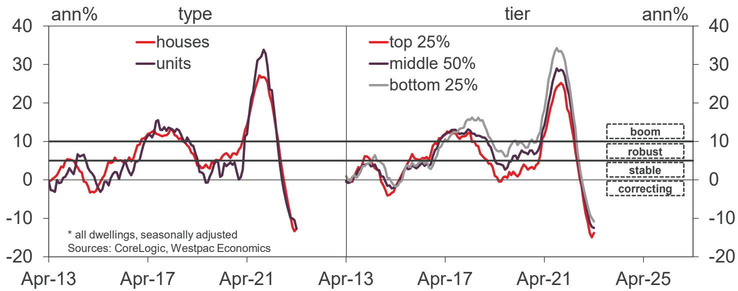


SA	Adelaide	rest of SA
Population:	1.4mn	0.4mn
Net migration*:	+11k pa	+2k pa
Employ (%state):	80%	20%
Dwellings, no.:	0.6mn	0.2mn
Dwellings, value:	$0.4trn	$0.1trn

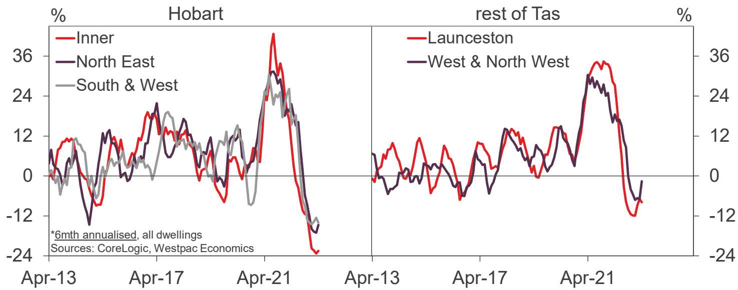
June years	avg^	2020	2021	2022	latest
Adelaide					
Employment, ann%	1.7	-4.9	7.1	3.9	4.5
Unemployment rate, %	7.1	7.9	5.5	4.3	3.6
Houses – prices, ann%	6.2	1.9	15.1	27.3	0.3
– sales/new listings, ratio	1.04	1.26	1.35	1.20	1.59
– total listings, mths sales	3.8	4.3	2.3	2.2	1.7
Units – prices, ann%	5.7	2.1	5.6	15.0	8.9
– sales/new listings, ratio	1.15	1.39	1.28	1.36	1.90
– total listings, mths sales	4.1	5.7	3.3	2.4	1.6
rest of SA					
Employment, ann%	0.9	-2.3	4.3	-1.8	1.1
Unemployment rate, %	6.3	7.0	5.3	4.7	4.2
Dwelling prices, ann%	5.4	2.5	13.6	22.4	10.0

* 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:	253k	319k
Net migration*:	+1k pa	+2k pa
Employ (%state):	46%	54%
Dwellings, no.:	104k	158k
Dwellings, value:	$82bn	$87bn

June years	avg^	2020	2021	2022	latest
Hobart					
Employment, ann%	1.8	-0.3	7.7	0.0	3.3
Unemployment rate, %	6.9	6.5	5.4	4.1	3.6
Houses – prices, ann%	5.9	7.0	19.1	13.6	-12.7
– sales/new listings, ratio	0.97	1.13	1.28	0.83	0.97
– total listings, mths sales	5.3	3.6	1.8	3.1	4.6
Units – prices, ann%	5.0	3.6	21.2	13.6	-12.7
– sales/new listings, ratio	1.22	1.32	1.25	1.06	1.08
– total listings, mths sales	4.0	3.4	2.0	2.5	4.1
rest of Tas					
Employment, ann%	1.4	0.5	5.4	3.3	2.2
Unemployment rate, %	8.0	6.5	5.5	4.3	4.4
Dwelling prices, ann%	5.8	10.2	20.6	21.9	-6.6

* 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 (26 May)	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24
Cash	3.85	3.85	3.85	3.85	3.60	3.35	3.10	2.85
90 Day BBSW	3.95	3.95	3.95	3.97	3.72	3.47	3.22	2.97
3 Year Bond	3.80	3.60	3.50	3.40	3.30	3.10	2.90	2.80
3 Year Swap	3.45	3.20	3.15	3.05	3.00	2.85	2.70	2.60
10 Year Bond	3.73	3.40	3.30	3.20	3.00	2.80	2.70	2.50
10 Year Spread to US (bps)	-7	-10	-10	-10	-10	-10	-10	-10
US								
Fed Funds	5.125	5.125	5.125	4.875	4.375	3.875	3.375	2.875
US 10 Year Bond	3.80	3.50	3.40	3.30	3.10	2.90	2.80	2.60

Exchange rate forecasts

	Latest (26 May)	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24
AUD/USD	0.6523	0.69	0.72	0.74	0.75	0.76	0.76	0.77
NZD/USD	0.6065	0.64	0.66	0.67	0.68	0.68	0.68	0.68
USD/JPY	139.68	132	130	128	127	126	125	124
EUR/USD	1.0729	1.11	1.11	1.12	1.13	1.14	1.15	1.16
GBP/USD	1.2340	1.25	1.25	1.26	1.26	1.27	1.28	1.29
USD/CNY	7.0522	6.75	6.60	6.50	6.40	6.30	6.20	6.10
AUD/NZD	1.0735	1.08	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**	**Q4**	**Q1f**	**Q2f**	**Q3f**	**Q4f**
GDP % qtr	0.9	0.7	0.5	0.4	0.2	0.1	0.2
%yr end	3.1	5.9	2.7	2.5	1.8	1.2	1.0
Unemployment rate %	3.8	3.5	3.5	3.6	3.5	3.9	4.5
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	1.4	1.1	0.7	0.7
annual chg	6.1	7.3	7.8	7.0	6.3	5.2	4.0
Trimmed mean	1.6	1.9	1.7	1.2	1.0	0.6	0.7
annual chg	5.0	6.1	6.9	6.6	6.1	4.7	3.7

	Calendar years			
	2021	**2022**	**2023f**	**2024f**
GDP % qtr	–	–	–	–
%yr end	4.6	2.7	1.0	1.5
Unemployment rate %	4.7	3.5	4.5	5.0
Wages (WPI)	–	–	–	–
annual chg	2.4	3.3	4.0	3.2
CPI Headline	–	–	–	–
annual chg	3.5	7.8	4.0	3.1
Trimmed mean	–	–	–	–
annual chg	2.7	6.9	3.7	3.1

HOUSING MARKET DATA

Consumer sentiment – housing-related measures

index*	avg	2021 Sep	Dec	2022 Mar	Jun	Sep	Dec	2023 Mar	Apr	May	%mth	%yr
'Time to buy a dwelling'												
Australia	119.4	96.7	81.9	78.3	75.1	80.5	74.9	65.7	71.1	76.3	7.4	-1.5
– New South Wales	115.8	94.0	82.7	73.1	73.7	93.0	73.0	63.7	74.9	73.7	-1.6	-3.3
– Victoria	115.5	87.3	81.3	80.6	85.2	71.3	77.1	67.8	66.8	74.3	11.3	-8.7
– Queensland	128.0	105.3	78.9	85.6	62.6	76.2	75.2	59.8	67.2	76.8	14.2	-2.2
– Western Australia	128.8	118.8	84.8	83.6	79.4	76.2	80.5	73.5	82.2	84.4	2.8	-3.7
– South Australia	127.9	92.2	91.0	64.3	74.8	78.8	69.7	69.3	62.8	77.7	23.7	22.3
– Tasmania	122.0	86.5	50.3	88.8	54.3	82.2	48.3	70.4	51.9	78.7	51.6	31.8
House price expectations												
Australia	125.7	158.0	150.6	139.0	111.1	100.6	116.3	111.7	130.3	144.3	10.7	18.8
– New South Wales	127.3	161.0	152.2	135.2	103.8	101.0	117.8	114.7	133.3	145.2	8.9	24.2
– Victoria	127.8	154.1	141.4	137.0	101.5	108.0	118.6	112.8	123.5	147.2	19.2	30.6
– Queensland	123.9	156.2	160.2	140.5	124.5	89.2	111.7	98.8	128.9	143.0	10.9	18.4
– Western Australia	117.0	158.1	144.3	143.8	131.3	106.2	121.7	110.6	150.4	134.2	-10.7	-4.1
– South Australia	127.7	161.5	148.0	138.9	123.9	94.1	118.2	129.2	129.8	154.9	19.3	5.5
– Tasmania	127.7	165.8	165.7	167.0	100.9	72.0	84.7	81.7	91.8	106.3	15.7	-23.1

*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	Sep	Dec	Mar	Jun	Sep	Dec	Mar	Apr	May	%mth	%yr
Unemp. expectations												
Australia	130.1	120.5	104.1	101.8	108.5	99.6	117.9	122.9	118.9	123.2	3.6	12.4
– New South Wales	129.6	116.9	105.5	101.7	110.3	98.5	120.1	125.8	114.8	121.0	5.4	12.5
– Victoria	131.2	124.0	98.8	98.0	106.1	99.9	120.0	118.6	128.7	128.8	0.1	19.3
– Queensland	133.2	120.8	113.3	105.8	121.9	101.2	118.0	122.4	120.1	128.0	6.5	9.7
– Western Australia	128.1	112.5	94.8	94.6	87.7	95.1	112.8	120.6	113.6	111.0	-2.3	8.7
– South Australia	135.3	130.8	107.8	123.0	108.0	105.0	111.7	132.8	119.2	118.5	-0.5	0.0
– Tasmania	138.3	114.4	108.4	109.0	94.3	101.1	105.7	132.1	109.4	128.3	17.2	18.7
Risk aversion											qtr ch	ann ch
Australia	15.1	41.7	47.7	41.8	55.6	50.6	52.2	54.6	n.a.	n.a.	2.3	3.6
– New South Wales	11.7	34.0	43.8	38.8	54.5	53.3	52.2	52.7	n.a.	n.a.	0.5	3.5
– Victoria	11.0	42.2	50.3	42.8	57.4	52.0	55.7	59.3	n.a.	n.a.	3.6	6.8
– Queensland	12.7	49.6	45.7	42.7	54.5	34.2	48.5	54.0	n.a.	n.a.	5.5	3.5
– Western Australia	7.0	49.5	58.0	52.0	57.2	54.3	54.3	55.8	n.a.	n.a.	1.5	0.3
– South Australia	14.4	37.5	47.2	48.2	58.4	60.4	58.3	56.7	n.a.	n.a.	-1.6	1.7
– Tasmania	15.5	52.0	-2.2	31.1	41.5	46.7	56.0	39.0	n.a.	n.a.	-16.9	1.0

*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

		2021				2022				2023		
	avg	Mar	Jun	Sep	Dec	Mar	Jun	Sep	Dec	Mar	Apr	May
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

HOUSING MARKET DATA

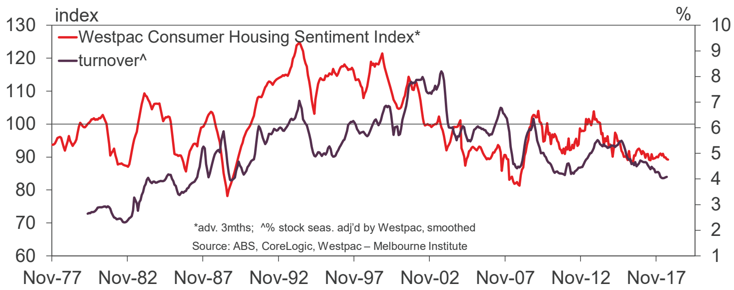
Residential property listings

		2021				2022				2023		
	avg	Mar	Jun	Sep	Dec	Mar	Jun	Sep	Dec	Mar	Apr	May
Sales/new listings ratio*												
Australia^	1.09	1.32	1.23	1.29	1.16	1.13	1.07	1.07	1.15	1.17	1.20	1.24
– Sydney	1.27	1.58	1.40	1.56	1.22	1.17	1.11	1.17	1.21	1.20	1.19	1.18
– Melbourne	1.06	1.14	1.10	1.08	1.09	0.96	0.96	0.96	1.07	0.94	0.94	0.95
– Brisbane	1.00	1.32	1.30	1.42	1.28	1.21	1.11	1.10	1.19	1.22	1.35	1.48
– Perth	0.92	1.06	1.00	1.08	1.05	1.11	1.04	1.09	1.15	1.21	1.26	1.34
– Adelaide	1.06	1.33	1.37	1.38	1.43	1.40	1.26	1.25	1.33	1.41	1.53	1.65
– Hobart	1.02	1.29	1.26	1.21	1.11	1.14	0.89	0.87	0.98	0.86	0.89	1.00
Total listings, months of sales*												
Australia^	3.7	2.8	2.8	2.8	2.6	2.9	3.3	3.5	3.6	3.4	3.4	3.3
– Sydney	2.8	2.0	2.0	2.1	2.2	2.7	3.2	3.4	3.3	3.2	3.3	3.3
– Melbourne	3.5	3.1	3.0	3.6	2.9	3.5	3.8	4.2	4.3	4.5	4.6	4.6
– Brisbane	4.8	3.2	3.0	2.5	2.3	2.5	2.9	3.4	3.4	3.2	3.0	2.7
– Perth	5.8	4.0	4.0	3.8	3.6	3.5	3.6	3.7	3.5	3.2	3.0	2.9
– Adelaide	3.9	2.8	2.5	2.4	2.1	2.0	2.2	2.4	2.2	2.0	1.9	1.8
– Hobart	5.0	2.1	2.0	1.9	2.2	2.1	2.8	3.9	4.0	4.7	4.8	4.5

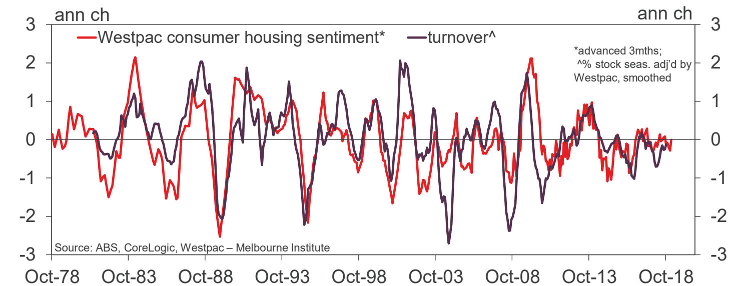
* figures show 3mth avg, readings for most recent months based on sales estimates modeled on preliminary data and latest weekly listings figures.
^ avg since 2007
Sources: CoreLogic, Westpac Economics

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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