HOUSING PULSE AUGUST 2023.

WESTPAC INSTITUTIONAL BANK

CONTENTS

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EXECUTIVE SUMMARY

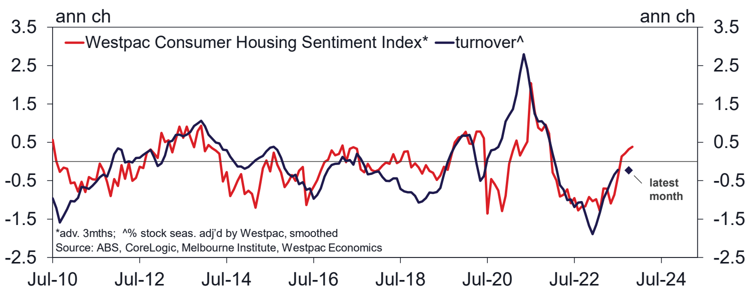
Australia's housing recovery has gained more traction over the last three months, prices continuing to lead the way but sales also starting to show some signs of lifting. Near term prospects have improved materially, with better-than-expected inflation reads and subsequent RBA commentary indicating that further rate rises are now unlikely. These shifts led us to upgrade our housing forecasts in early August, dwelling prices now forecast to rise 7% nationally in 2023 rather than stall flat. However, momentum is expected to slow from here, initially as more sellers come back into the market and, further out, as deteriorating affordability constrains demand. Price growth is forecast to moderate to 4% in 2024 and 2025.

Our August **Housing Pulse** looks at the situation more closely. The key driver of the upturn continues to be a migration-driven surge in population growth, with the pace of recovery in different markets closely reflecting relative exposures to this shift (and the associated tightening in rental markets).

Our **Westpac Consumer Housing Sentiment Index** points to the upturn continuing through to year-end. However, it also highlights the growing tension between rising prices, which are now widely expected to continue moving higher, and the associated deterioration in affordability, buyer sentiment continuing to languish near record lows.

While most markets are seeing recoveries, conditions continue to vary markedly both across and within states. The upturn is most well-established in NSW but is seeing more sluggish progress in Vic. Qld's housing market is bouncing back strongly. Gains are more measured in WA and SA, and conditions are only just stabilising in Tas, which is coming off a somewhat larger correction. Variations reflect a range of influences but mainly come down to three key factors: 1) differences in exposure to the lift in population growth; 2) the degree of tightness around supply; and 3) the intensity of affordability constraints.

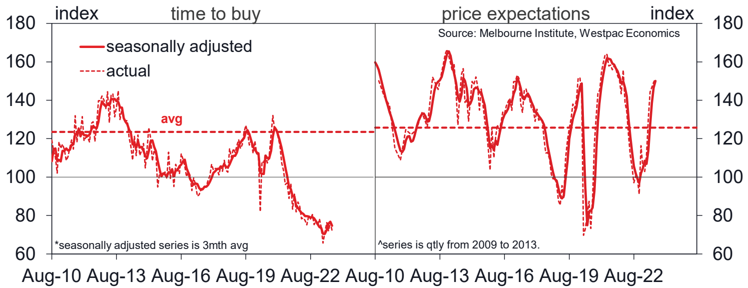
1. Australia: national housing conditions



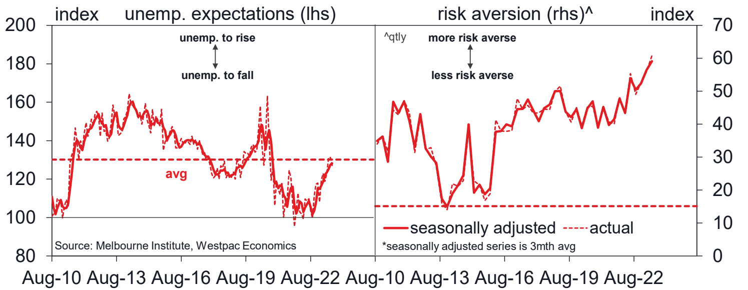
“Near term prospects have improved materially …”

*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

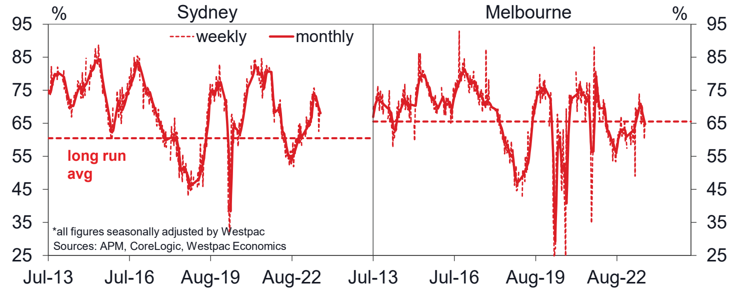


3. Consumer sentiment: jobs & risk aversion

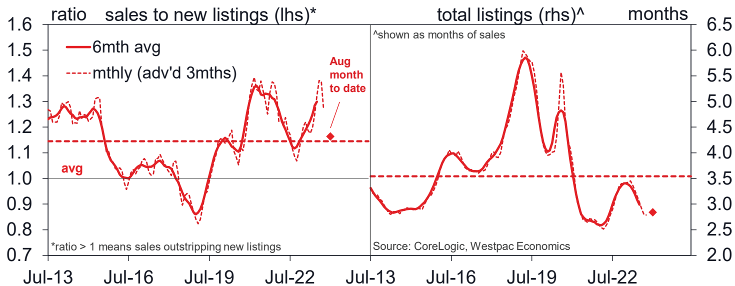


- Australia's housing recovery has continued to gain traction. Nationally, turnover has now risen 9% from its lows at the end of last year, but remains about 25% below the peak in late 2021. Prices have also shown further gains, to be up 6% from their Feb low across the five major capital cities. While this is still very much a 'price-led' upturn, we are starting to see a more consistent positive picture emerge across prices, sales, and to some extent, sentiment.
- Housing-related sentiment has continued to improve, albeit with the mix still not particularly convincing. The main positives have continued to come from price expectations, which are now very bullish. This is in stark contrast to 'time to buy a dwelling' assessments, which remain deeply pessimistic, consistent with still-stretched affordability, and extremely high levels of risk aversion. Confidence around jobs has been mixed, optimism having faded over the last year but with some tentative signs of stabilisation in recent months.
- Auction markets also point to a sustained improvement in conditions on the ground, clearance rates holding around 70% in Sydney and in the 66-67% range in Melbourne, both readings typically associated with price gains.
- 'On-market' supply remains tight for now but a lift in new listings, which are starting to track more in line with sales, suggests the balance is shifting. Stock on-market is still just under 3 months of sales, well below the long run average of 3.75. While most are some variation of tight, on-market supply does differ across cities and sub-markets.
- Nationally, the **Westpac Melbourne Institute 'time to buy a dwelling' index** fell 5.6% over the 3mths to Aug, unwinding all of the modest gain over the previous 3mths. At 72.1 the index remains near extreme cyclical lows, the long run average being 121.6.

4. Auction clearances rates



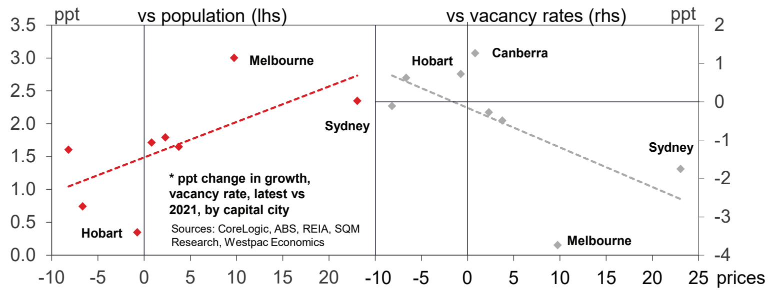
5. Residential property listings



- The duration of weakness is particularly notable. July marked the 26th consecutive sub-100 read on buyer sentiment. That is much longer than any previous run of weak reads. The next longest, during the deep recession of the early 1990s, only saw 18 consecutive months of sub-100 reads by comparison.
- The **Westpac–MI Consumer House Price Expectations Index** rose a further 4.8% over the 3mths to Aug, having soared 40% between Feb and May. At 151.2, the Index is at a new cycle high in strongly optimistic territory, broadly consistent with annual price growth of around 10%. A larger outright majority of consumers (74%) expect prices to continue rising over the next 12mths, with half of this group expecting double digit price gains. Another 16% expect prices to hold flat while only 10% of consumers expect to see prices to decline.
- Consumers continue to show a gradual loss of confidence around jobs. The **Westpac Melbourne Institute Unemployment Expectations Index** lifted a further 3.2% over the 3mths to Aug, after similar rise over the previous 3mths (recall that higher reads mean more consumers expect unemployment to rise in the year ahead). At 127.2, the Index is now slightly below the long run average of 129.2. Readings are broadly consistent with flattening labour market conditions rather than a sharp spike in job-loss fears.
- Risk aversion has continued to escalate, the **Westpac Consumer Risk Aversion Index** rising a further 4.7pts to 60.8, a new record high on estimates going back to the mid-1970s. Over a quarter of consumers now favour ‘pay down debt’ as the ‘wisest place for savings’ with the proportion favouring ‘shares’ and ‘real estate’ continue to hold near historic lows.

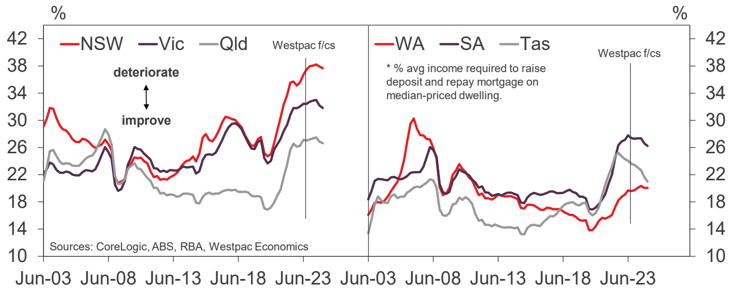
6. Rate rise responses: 2023 vs history

7. Dwelling price growth vs population, vacancy rates



- Australia's housing market recovery appears to be on a much firmer footing. The lift since the start of the year has maintained momentum despite further interest rate rises, with surging migration continuing to be an important driver. The near-term outlook also looks more positive, Westpac assessing that interest rates have now peaked and that the economic slowdown will be somewhat milder than previously forecast (see here and here for more details). While conditions will remain challenging near term – with interest rates still high, growth weak and a rise in unemployment still to come – the housing upturn is now likely to be sustained. Westpac expects dwelling prices to rise 7% in 2023 and by a further 4% in 2024. Stretched affordability is quickly becoming the dominant issue for markets (see here for more details).
- Across the five major capital cities, dwelling prices have now risen 4% over the year to date - a 5.2% rebound from Feb's low retracing just over half of the 9.7% fall over the previous ten months. Most notably, gains have been well-sustained despite further rate hikes from the RBA in Feb, Mar, May and Jun. The consistent picture is of a broadening recovery, albeit one that is being led by prices with the volume of activity and demand still relatively subdued.
- As noted previously, the impetus for gains looks to be mainly coming from a sharp acceleration in migration inflows and an associated tightening in rental markets, all against a backdrop of low levels of 'on-market' supply. The turnaround in price growth has been strongest for markets where population growth has seen the sharpest pick-up and much more muted in markets that have seen a less pronounced shift. The same pattern is evident when we look at changes in rental vacancy rates and rental yields, and, to a lesser extent, when comparing shifts in on-market listings.

8. Housing affordability by state



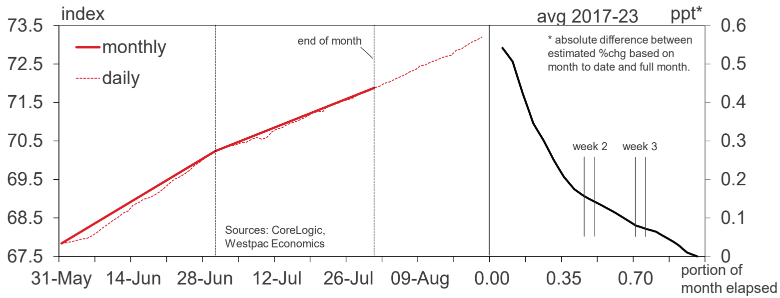
9. Dwelling price forecasts

	avg*	2021	2022	2023	2024	2025	comments
Sydney	6.0	25.3	-12.1	10	6	4	Solid rebound from bigger 2022 fall, severe affordability constraints already emerging.
Melbourne	4.4	15.1	-8.1	4	3	2	Muted recovery to date, economy slower to lift. Supply-demand more evenly balanced.
Brisbane	4.6	27.4	-1.1	6	4	3	Solid rebound from milder correction. Very tight market should be more resilient.
Perth	0.7	13.1	3.6	8	8	6	Renewed gains after very mild correction. Very tight market. Expected to outperform.
Adelaide	5.6	23.2	10.1	4	3	3	Barely affected by correction. Very tight supply but affordability issues emerging.
Hobart	5.8	28.1	-6.9	-2	-4	2	Taking longer to stabilise, less support from migration and extreme affordability issues.
Australia	**4.7**	**20.9**	**-7.1**	**7**	**4**	**4**	Recovery on a firmer footing but affordability constraints to ermerge in 2024.

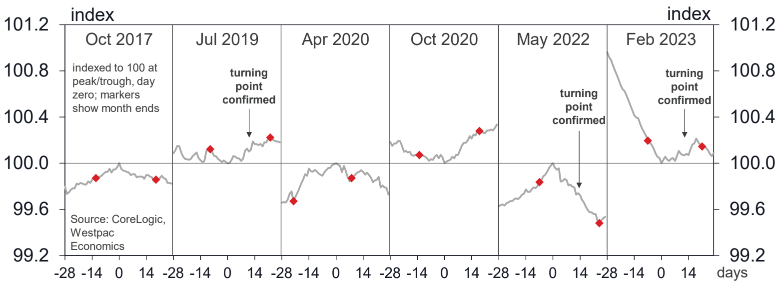
All dwellings, Australia is five major capital cities combined measure; *10yr avg. Source: CoreLogic, Westpac Economics

- Previously, we had expected further rate rises and a material weakening in the economy to drive a significant loss of momentum for housing near term. That outlook now looks less challenging with interest rates now expected to remain on hold for an extended period and the growth outlook a little less threatening – labour market conditions holding up better than expected in 2023 and rate rises now expected to deliver a milder hit in 2024. GDP growth is still forecast to be weak, running at just 1% in 2023 and 1.4% in 2024, but not quite as weak as the sub-1% average that had been forecast previously. Most importantly for housing markets, the associated rise in the unemployment rate is now expected to come through later and be milder, with a peak of 4.8% vs 5.5% previously.
- This is an unusually 'front-loaded' price upturn. Housing recoveries in the past have only tended to flow through to prices once the RBA is cutting rates or clearly poised to do so, with a lift in prices typically following a sustained lift in turnover. This 'front-loading' points to a more stretched situation in terms of affordability, key measures likely to deteriorate past historical extremes in most markets by late 2023 (Brisbane and Perth notable exceptions). This will become a major constraint for price growth in 2024 and 2025.
- Overall, Westpac expects current momentum to be better sustained with prices rising 7% over calendar 2023 but with growth slowing as affordability constraints emerge, prices forecast to rise 4% in 2024 and 2025 despite rate cuts. Near term, the main uncertainty surrounds the extent to which a lift in 'on-market' supply slows price gains. Over the medium term however, the outlook depends on how tensions between a physical undersupply of housing and stretched affordability plays out, with investors and high income households being key wildcards.

10. Dwelling prices: daily vs monthly

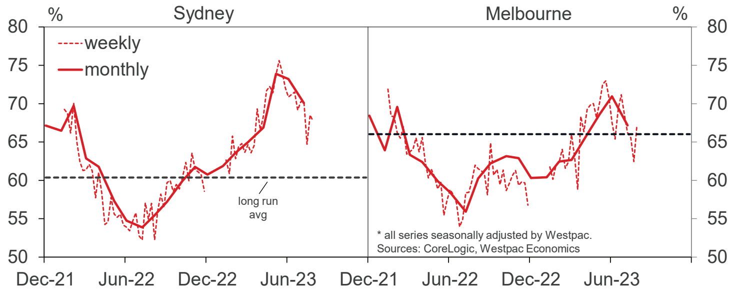


11. Dwelling prices: turning points

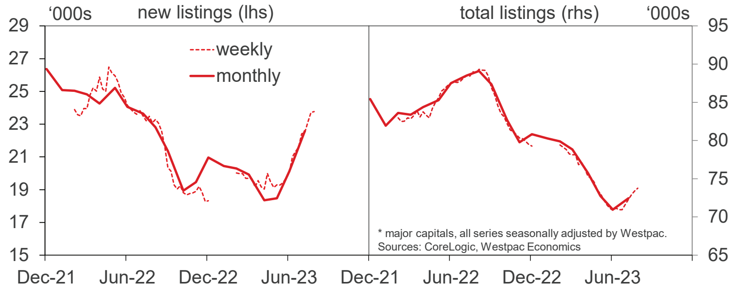


- Australia's housing market is one of the most closely monitored in the world with a full range of metrics available on a monthly basis. A narrower range of higher frequency data is also available, including: daily price measures (going back over 6½ years); weekly auction market results (covering over 14 years); and weekly property listings (covering over 16 years). In this special topic we look at the extent to which these measures can provide early signals of shifts in market conditions.
- The CoreLogic daily price indexes, covering the five major capital cities, are particularly timely, being updated daily, albeit reflecting the incoming dataflow rather than transactions on each particular day. Month-end readings match the CoreLogic monthly data with the indexes also adjusted to exclude regular seasonal variations. The left panel on Chart 10 shows the daily and monthly reads since May. The higher frequency reads are notably smooth, usually only showing relatively small deviations from the monthly track.
- The right panel on Chart 10 shows how readings track towards the monthly result for the average month since 2017. The guidance by week three is usually within 0.1ppt of the final result with estimates by week two usually quite accurate. This suggests the daily measure will often detect turning points a little earlier. In practise, this largely depends on when the precise daily turning point lands within the month.
- Chart 11 shows how this has played out for the last six turning points nationally (the red markers showing month ends). Using a three week movement, the daily measure detects turning points a week or two earlier in July 2019, May 2022 and Feb 2023, but at about the same time for Oct 2017 and Apr 2020.

12. Auction clearance rates: weekly, monthly



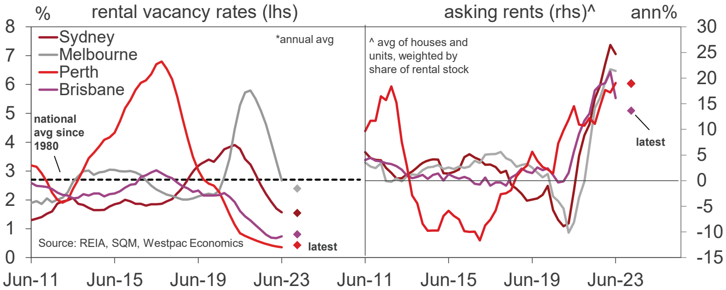
13. Residential property listings: weekly, monthly



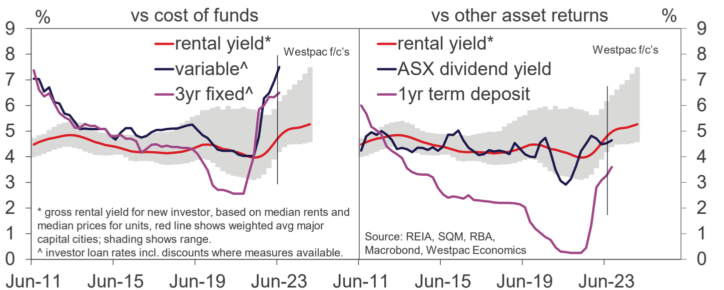
- Weekly data on auction activity is also readily available, preliminary figures usually released on the Monday after weekend auctions are conducted and final results available on the Thursday. Care should be taken in interpreting preliminary results as revisions can often be significant. Auction market activity also shows significant seasonality over the course of the year, with markets effectively closed from late Dec through to mid-Feb.
- Chart 12 compares weekly and monthly auction clearance rates for Sydney and Melbourne, both in seasonally adjusted terms (latest reads are based on preliminary estimates that are likely to be revised lower). Even when adjusted, the weekly results clearly show more 'noise' that suggests a two-week average should probably be used as a guide. On that basis, the weekly updates should provide a clear signal 2-3 weeks before monthly figures become available.
- Figures on new and total residential property listings are also available on a week-to-week basis. Again, figures are not seasonally adjusted. However, unlike prices and auctions, the listings data is provided as 28-day rolling totals, which presumably smooths out much of the weekly 'noise', but may also dampen some of the high frequency 'signal'. Chart 13 shows the weekly and monthly reads track very closely in seasonally adjusted terms. While the weekly data provides a useful enough short term guide, the lower variability means it does not often provide a dramatically different picture.
- Overall, the high frequency information is clearly worth tracking closely, particularly for prices and auction markets. Now that there a significant accumulated history, it may also provide useful insights into market behaviour, the typical timing of market reactions to interest rate changes for example, or to the large shocks seen during the COVID period.

SPECIAL TOPIC: rental markets

14. Rental markets: vacancies, asking rents

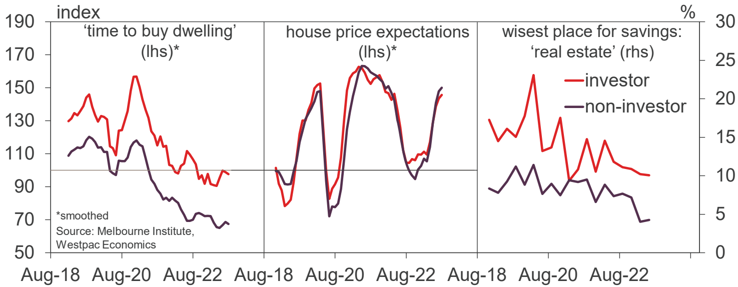


15. Rental yields: vs cost of funds, comparative returns

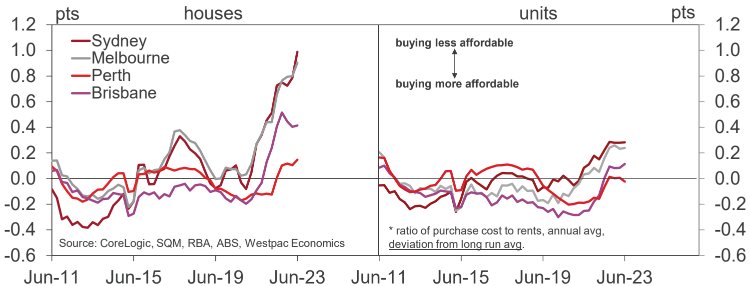


- Rental markets provide a vivid depiction of how the collision of surging physical demand and insufficient supply is affecting Australia's housing sector. Record low rental vacancy rates and double-digit growth in asking rents speak to the intensity of pressures. Unfortunately, most indicators suggest the squeeze has longer to run with additional supply unlikely to come onto the rental market anytime soon.
- Rental vacancy rates have declined materially since mid-2022, to 'frictional' levels in many markets, i.e. barely enough to cover the regular churn of tenants moving. On a weighted-average basis, vacancies across the five major capital cities look to be below 1.5%, almost certainly a record low on figures going back to 1980. However, it's a different story for smaller capital cities and regional areas, most of which have seen a lift in vacancy rates over the last year, the difference in conditions clearly linked to differing population flows.
- Rents have continued to surge strongly, average asking rents rising by around 20%yr over the year to Jun across the major capital cities. Gains have been more modest for units, especially in smaller capital cities. The latest weekly data also suggests the pace may have moderated a touch since mid-year. Growth has been much more subdued across the smaller capitals, asking rents holding about flat in Canberra and Hobart.
- The surge in rents has significantly outstripped dwelling price growth, producing a significant lift in gross rental yields (annual rental return as % of dwelling price). On a weighted average basis, yields on units have risen from around 4% to 4.8%, the top end of the range seen since the early 2000s. Gross rental yields range up to above 6% in some markets.

16. Housing-related sentiment: investors vs non-investors



17. Renting vs buying: houses, units



- Despite this, rental returns alone are not particularly appealing compared both to the cost of funds and income returns on other assets. The left panel of Chart 15 shows the average rental yield alongside benchmark rates for investor loans (variable and 3yr fixed rates). The gap is around decade-long wides. The right panel of Chart 15 compares the average rental yield to the average dividend yield across the ASX and the average 1yr term deposit rate. Rental returns are on a par with the average income return on Australian equities, with the pick-up compared to term deposits about the smallest its been a decade.

- Of course, rental returns take a back seat to capital gains for many prospective investors. As such, the lift in prices, and price expectations might be expected to be a bigger positive. Sentiment-wise, the picture here looks fairly mixed. Chart 16 shows housing-related sentiment amongst consumers with investment properties. While price expectations are positive, they are not markedly more positive amongst investors. Meanwhile, assessments of 'time to buy a dwelling' and real estate as the 'wisest place for savings' are still around historical lows, albeit higher than non-investors. To date, the firming in rental yields and return to positive price growth does not look to be enough of a draw-card for investors.

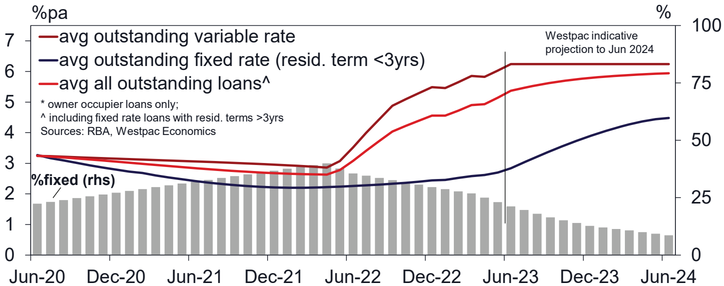
- Lastly, it is worth considering the extent to which rising rents may be driving more renters to become owners. The scope here looks to be very limited. Chart 17 shows measures of the buy vs rent decision for the major capital cities, split by houses and units and expressed as a deviation from long run averages. While the cost of renting has risen rapidly, the cost of purchases have risen by even more due to higher mortgage interest rates, especially for houses. Compared to history, switching from renting to owning is a bigger stretch than usual, Perth units being about the only exception.

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



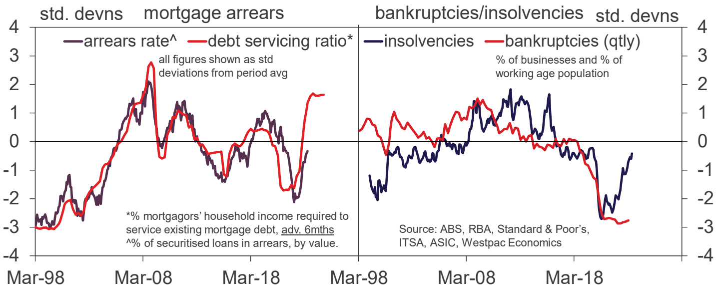
- Prudential policy remains firmly on hold. With housing markets only just coming out of a correction phase and monetary policy still restrictive, there is little call for active prudential measures either way – tightening or loosening. The regulator is likely to remain in 'monitoring mode' for some time yet.

- That said, the latest communications from the Council of Financial Regulators (CFR) point to some evolution in its focus. Back in March, the Council's meeting statement emphasised monitoring "credit growth, asset price developments, lending standards and system-wide resilience" – likely reflecting concerns that the housing market correction could start to spill over into wider stresses. The June meeting statement makes no mention of these aspects, suggesting the market recovery has made the CFR more comfortable.

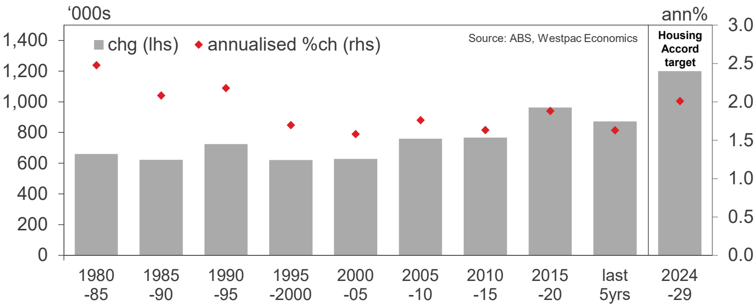
- Notably the statement also reiterated support for APRA's recent decision to keep the serviceability buffer at 3% but noted that it would "continue to assess the appropriateness of macroprudential policy settings as economic and financial conditions evolve". That could be a pointer to some action down the track, although whether this might be easing the buffer or deploying tightening measures is now unclear given the market recovery that is continuing to gain momentum.

- Aside from this, the main topics discussed at the June meeting were: recent stresses in international banking (the meeting was conducted in the shadow of several bank failures in the US and Switzerland); the ongoing impact of high inflation and interest rates; and the implications of the RBA Review for the Council. The latter will likely clarify some of the operations and interactions between macroprudential policy and other arms of both RBA and APRA policy.

20. Financial distress: selected indicators



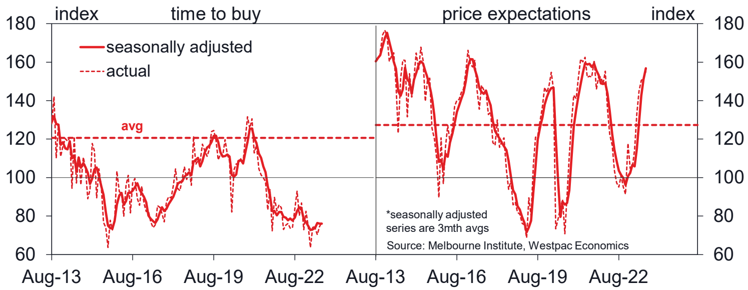
21. Dwelling stock: net additions



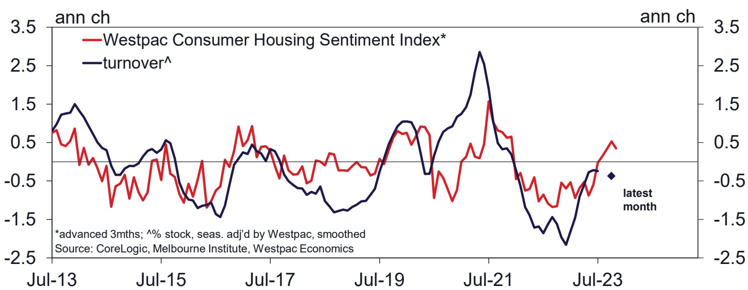
- Latest indicators show a further rise in financial stress, albeit still coming from a very low starting point and to relatively low levels by historical standards. The arrears rate on securitised home loans rose to 1.3% in June, up slightly from 1.21% in March but still below the historical average of 1.4%. Our estimates of the aggregate debt servicing ratio suggest arrears will likely push another 0.5ppts higher by year-end. Notably, we are now a little over half-way through the 'roll-off' of fixed rate loans. While associated distress has been low so far, we may see more from here as the rate step-up will tend to be larger and the borrowers involved will tend to include more people that have been unable to take pre-emptive action with their finances.
- Company insolvencies have also continued to track higher, the number of up about 5% over the last 3mths. However, the bulk of this is still a return to more normal levels coming out of the moratorium during COVID. The main exception continues to be the construction sector where we have now seen 2,300 business failures in the space of 12mths, nearly 30% more than were seen in the previous cycle peak in 2013. Aside from financial stress, the wave of construction insolvencies also raises questions about the extent of new building activity near term.
- Looking further out, the National Housing Accord's 'aspirational' target for new dwellings set last year has been up-sized to an extremely ambitious 1.2m 'well-located' homes over 2024-29. Chart 21 compares this target to historical additions. If achieved, this would easily be the biggest absolute increase in dwelling supply ever seen, requiring a pace of growth that has not been sustained since the 1980s and early 1990s. Notably, the only period since then that has seen anything like the targeted supply increase was during the high-rise boom in the second half of last decade.

NEW SOUTH WALES: upturn well-established

22. NSW consumer: housing–related sentiment

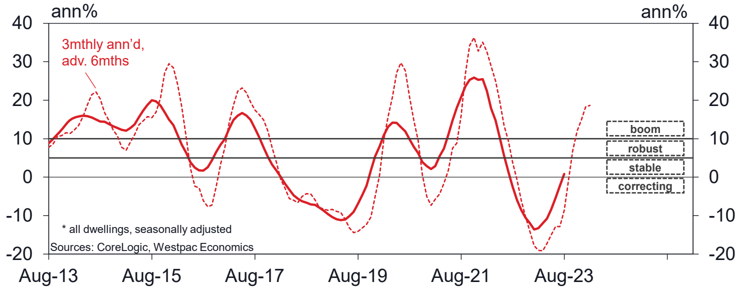


23. NSW housing composite vs turnover



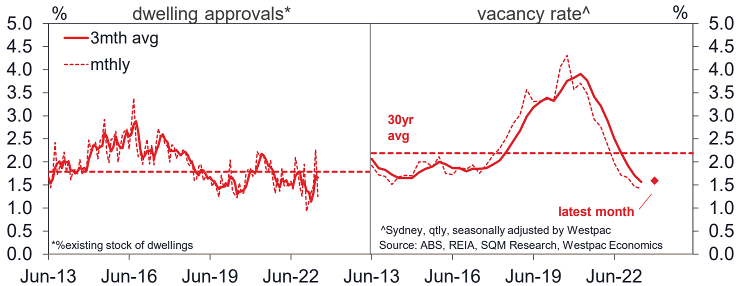
- The upturn continues to look most well-established in NSW with prices posting further gains, turnover showing clearer signs of stabilising and sentiment overall now pointing to modest gains near term. That said, the upturn looks to be showing some signs of transitioning as a lift in new listings tests the depth of demand and worsening affordability becomes more of a constraint for buyers.
- Turnover posted a solid 6.7% rise over the first quarter but retraced all of that gain in the June quarter, holding about steady in July and still down by over a third from their high in late 2021.
- In contrast, new listings have lifted materially, by around 20% over the last 3mths, such that total listings have essentially stabilised. While on-market stock is still very low, at just over 3mths of sales, the return of sellers will clearly test the 'depth' of demand at these price levels.
- Prices may be losing some momentum, monthly gains coming off a touch from 1.8% in June to 0.9% in July and tracking a 1.1% rise in August. The July detail shows the moderation has been broadly based across tiers, and houses and units. Within Sydney, the Northern Beaches and Eastern Suburbs are seeing the strongest price lifts while the Central Coast and South West are lagging. Regional markets have been much weaker, prices still correcting in Byron Bay and the Shoalhaven but posting moderate gains in Newcastle.
- The physical supply–demand balance remains tight, Sydney's rental vacancy rate holding just above 1.5%.
- Our sentiment–based indicators have shown a further improvement led by price expectations. The **NSW Consumer Housing Sentiment index** now points to a modest lift 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: 8.3mn
Net migration: +138k pa
GSP: $661bn (31% Aus)
Dwellings: 3.4mn, $3.9trn
Capital: Sydney

25. NSW: dwelling approvals, vacancy rate

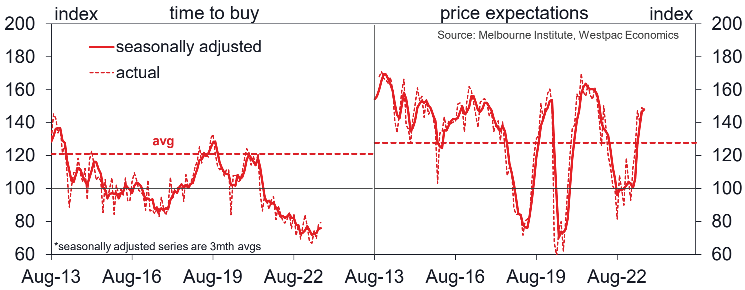


June years	avg*	2020	2021	2022	latest
GSP, ann%	2.3	-0.6	2.6	1.8	n.a.
State final demand, ann%	3.0	-2.0	4.4	3.2	4.7
Employment, ann%	1.6	-5.8	5.9	2.8	3.1
Unemployment rate, %#	5.9	6.5	5.2	3.6	3.1
Population, ann%	1.1	0.7	0.0	0.7	2.1
Dwelling prices, ann%	5.6	13.0	14.7	5.7	-2.3
Rental yield, %#	4.7	3.3	3.1	3.4	4.5
Sales/new listings, ratio#	1.28	1.17	1.35	1.05	0.99
Total listings, mths sales#	2.8	4.1	2.1	3.4	3.2

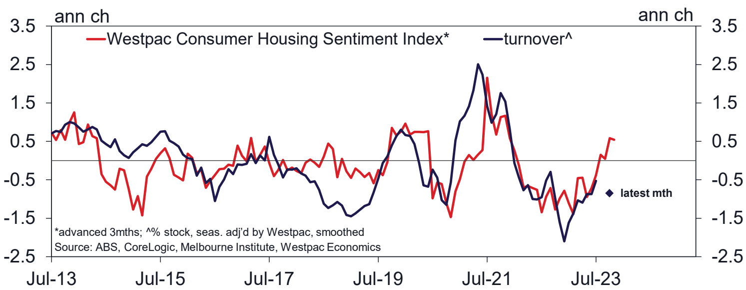
* avg last 25yrs; # June qtr readings
Sources: ABS, CoreLogic, REIA, Westpac Economics

VICTORIA: recovery to remain sluggish

26. Vic consumer: housing-related sentiment

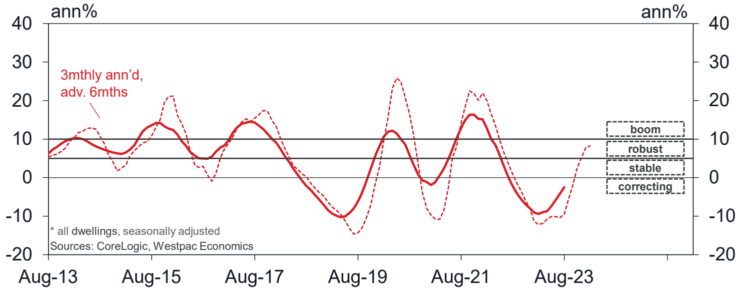


27. Vic housing composite vs turnover



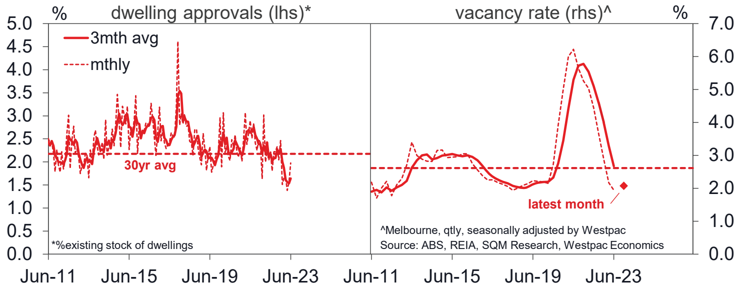
- Vic's housing market continues to see a more sluggish recovery. Price gains have been more muted, with turnover yet to stabilise. Improving sentiment suggests that should soon give way to outright gains. However, with sellers also coming back into frame and the supply-demand balance not as tight as other markets, the state's relative under-performance looks likely to continue.
- Melbourne dwelling prices have posted more muted gains, a 0.7% increase in June followed by a 0.3% rise in July and August tracking a 0.6% gain, the 3mth average in line with March-May. The subdued price performance is broadly based across price tiers and houses/units – annual growth still negative and closely clustered across segments.
- Across sub-regions, Melbourne's Inner and Outer East are outperforming marginally while the North West and West are seeing prices stabilise rather than rise. Conditions are notably softer outside the capital, prices only stabilising for the Mornington Peninsula but declines continuing for Geelong and showing few signs of abating for Bendigo.
- Notably, new listings have risen strongly, up over 20% since May, with new listings of units up nearly 30% ('on-market' in this segment already back above five months of sales). This tile in conditions back towards a 'buyers market' will tend to keep price gains sluggish. However, the migration-driven surge in population growth, now running at 2.7%yr, is putting more pressure on physical supply, Melbourne's rental vacancy rate falling to just above 2%.
- The **Vic Consumer Housing Sentiment index** suggests turnover will lift 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: 6.8mn
Net migration: +151k pa
GSP: $501bn (23% Aus)
Dwellings: 2.9mn, $2.6trn
Capital: Melbourne

29. Vic: dwelling approvals, vacancy rate

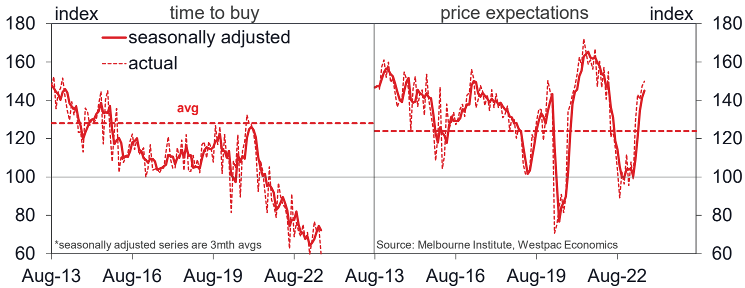


June years	avg*	2020	2021	2022	latest
GSP, ann%	2.9	0.1	-0.3	5.6	n.a.
State final demand, ann%	3.6	-1.0	1.0	7.1	4.9
Employment, ann%	2.1	-3.6	4.5	3.7	4.0
Unemployment rate, %#	6.3	6.7	4.9	3.8	3.7
Population, ann%	1.5	1.2	-0.9	1.0	2.7
Dwelling prices, ann%	6.0	10.1	7.5	2.9	-4.2
Rental yield, %#	4.8	3.8	3.2	3.6	4.9
Sales/new listings, ratio#	1.06	0.88	1.06	0.90	0.81
Total listings, mths sales#	3.5	5.8	3.2	4.0	4.4

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

QUEENSLAND: price burst for 'ultra-tight' market

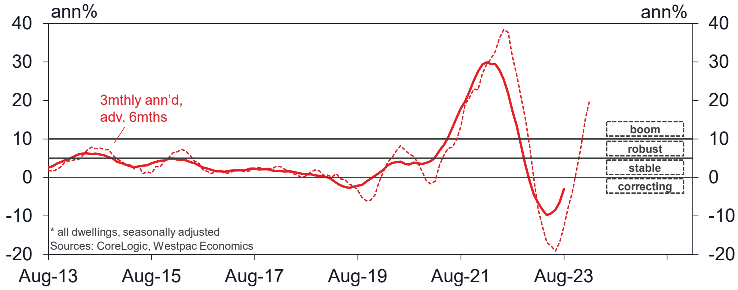
30. Qld consumers: housing-related sentiment



31. Qld housing composite vs turnover

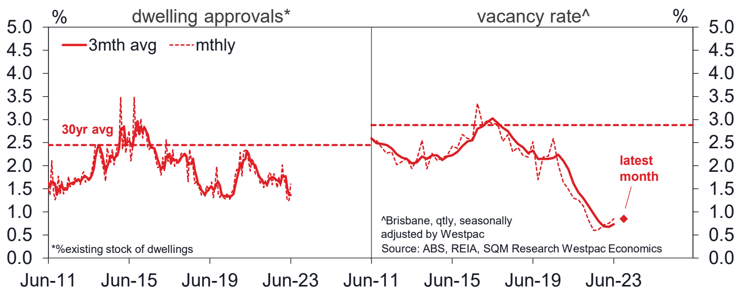
- Qld's housing market had a particularly wild ride in 2022, strong gains in the first half giving way to a sudden stop from the middle of the year. After a tepid start to 2023, conditions have strengthened materially since April, with a burst of price growth and turnover showing a clear bounce. Sentiment suggests the lift in turnover should continue near term. The most striking feature of the Qld market continues to be the extremely low level of 'on-market' supply and 'ultra-tight' rental market.
- After holding flat over the 3mths to Apr, Brisbane prices have posted a string of robust monthly gains, up 1.4% in May, 1.3% in June, 1.4% in July and tracking a 1.5% gain for August. Turnover has lifted by 8.7% over the same period, to now be up 5%yr.
- The price detail shows a varied performance across segments, units outperforming houses by a wide margin and 'bottom tier' properties having experienced a much milder correction last year. Across sub-regions, Brisbane's inner city and North are leading the way, gains more subdued for Moreton Bay South and Ipswich. Further afield, the Gold and Sunshine Coasts are also seeing prices rally, while the inland city of Toowoomba has experienced a much milder price cycle overall.
- As noted, the supply-demand situation is extremely tight, with sales running well ahead of new listings and 'on-market' inventory down to just 2.5 months of sales. Brisbane's rental vacancy rate continues to hold below 1% with little or no new supply on the horizon and population growth now running at nearly 3%yr.
- The **Qld Consumer Housing Sentiment index** foreshadowed the stabilisation in turnover 3mths ago and points to a activity lifting slightly in coming months.

32. Brisbane dwelling prices



Population: 5.5mn
Net migration: 129k pa
GSP: $385bn (18% Aus)
Dwellings: 2.2mn, $1.7trn
Capital: Brisbane

33. Qld: dwelling approvals, vacancy rate

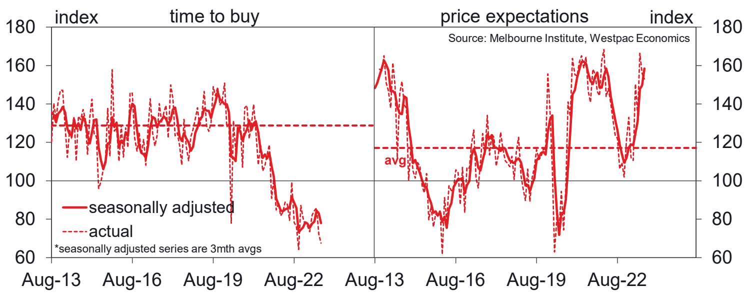


June years	avg*	2020	2021	2022	latest
GSP, ann%	3.6	-0.9	2.9	4.4	n.a.
State final demand, ann%	3.7	0.3	5.0	5.0	3.0
Employment, ann%	2.4	-4.5	9.8	4.7	2.4
Unemployment rate, %#	6.6	7.6	5.5	4.1	4.0
Population, ann%	1.8	1.6	0.8	2.0	2.9
Dwelling prices, ann%	5.5	4.1	12.9	25.4	-6.4
Rental yield, %#	5.1	5.3	5.2	4.9	5.9
Sales/new listings, ratio#	1.00	1.04	1.31	1.12	1.40
Total listings, mths sales#	4.7	7.0	3.0	2.8	2.4

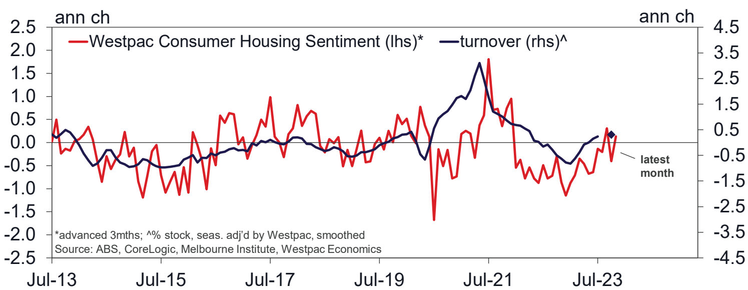
* avg last 25yrs; # June qtr readings
Sources: ABS, CoreLogic, REIA, Westpac Economics

WESTERN AUSTRALIA: prices lift despite misgivings

34. WA consumers: housing-related sentiment

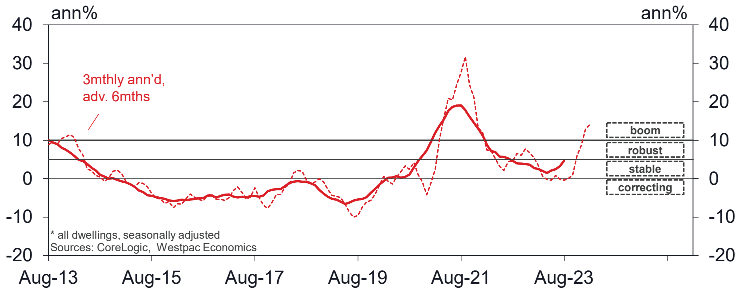


35. WA housing composite vs turnover



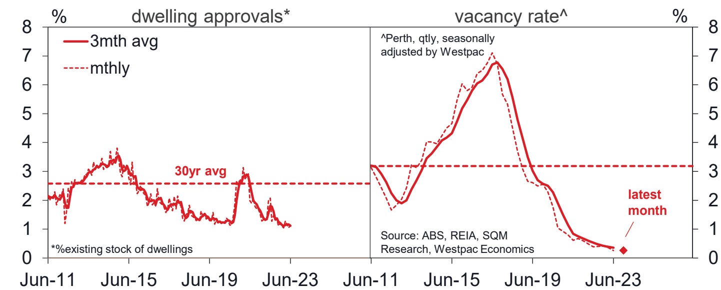
- WA's housing upturn has strengthened over the last three months, price gains accelerating and turnover firming, both coming off much milder corrections in 2022. Sentiment is broadly in line with the lift albeit lagging slightly, hinting perhaps at some misgivings – many WA consumers will be carrying traumatic memories of the 'lost decade and a half' following the mining boom that saw no net gain in Perth dwelling prices. Nevertheless, the fundamentals still point to a positive outlook: supply – both on-market and physical – is extremely tight; prices look less stretched than other markets in terms of affordability; and the state economy is well place for growth.
- Turnover has seen steady gains in 2023, rising about 5% a quarter to now be up 6.5%yr. Price gains have also quickened, Perth dwelling prices rising at 1%mth over the four months to Aug compared to a total gain of 1% over previous three months.
- The price detail shows comparable gains for houses and units, but with 'bottom and middle tier' segments outperforming the 'top tier' which has seen stable rather than rising prices. The sub-regional detail shows Perth's 'inner' and North East has underperformed the Southern suburbs, Mandurah and Bunbury also outperforming.
- The supply-demand balance remains extremely tight, sales still running 35% ahead of new listings and the stock of unsold dwellings dropping to just 2.5 months of sales (the long run average is 5.7). Incredibly, Perth's rental vacancy rate is sub-0.5%, rock-bottom for any market.
- Housing-related sentiment has improved a touch but buyer sentiment remains at extreme lows. The **WA Consumer Housing Sentiment index** points to another lift in turnover near term, suggesting market supply will tighten further.

36. Perth dwelling prices



Population: 2.9mn
Net migration: 62k pa
GSP: $377bn (18% Aus)
Dwellings: 1.1mn, $0.7trn
Capital: Perth

37. WA: dwelling approvals, vacancy rate

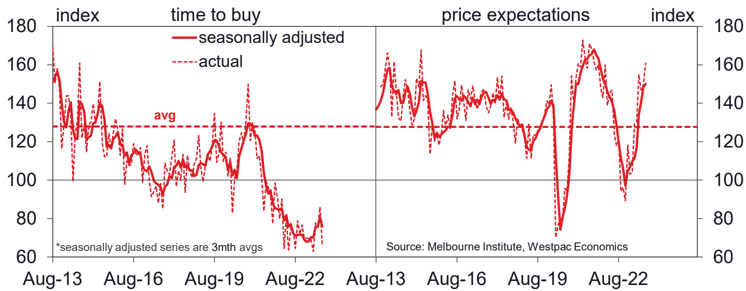


June years	avg*	2020	2021	2022	latest
GSP, ann%	4.0	1.2	3.3	3.1	n.a.
State final demand, ann%	3.7	1.6	6.2	5.6	3.5
Employment, ann%	2.3	-3.6	8.2	5.4	1.1
Unemployment rate, %#	5.6	7.5	4.9	3.2	3.6
Population, ann%	1.8	2.0	1.2	1.3	2.7
Dwelling prices, ann%#	4.7	0.2	18.7	5.7	3.2
Rental yield, %#	4.8	5.2	5.3	5.5	6.7
Sales/new listings, ratio#	0.92	0.97	1.00	1.03	1.35
Total listings, mths sales#	5.7	8.1	4.0	3.6	2.4

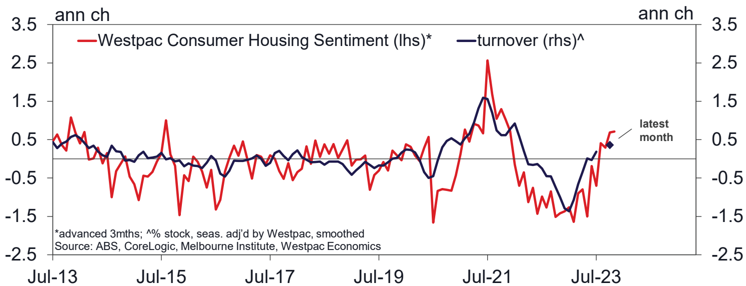
* avg last 25yrs; # June qtr readings
# Note that WA price data has been suspended due to technical issues and is under review.
Sources: ABS, CoreLogic, REIA, Westpac Economics

SOUTH AUSTRALIA: upswing resumes

38. SA consumers: housing-related sentiment

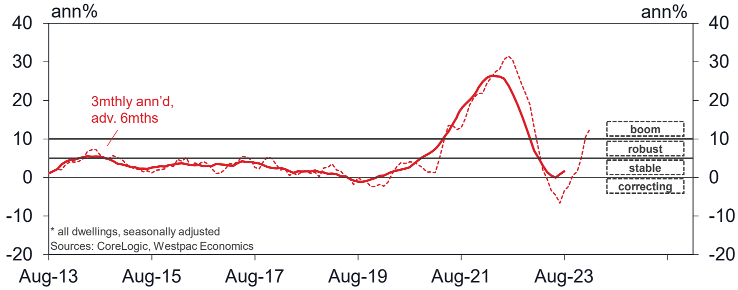


39. SA housing composite vs turnover



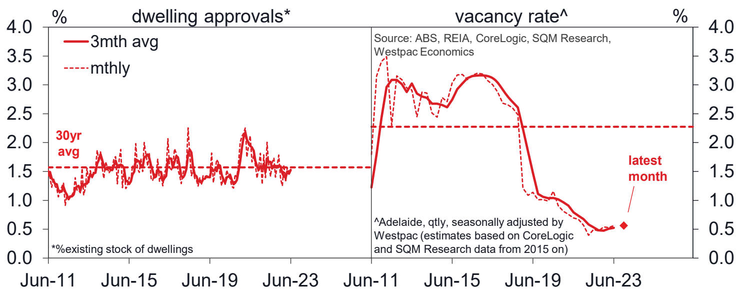
- SA was the stand-out performer in 2022, the market coming into the year with a late-cycle boom in full swing. That boom came off sharply as rate rises impacted but the subsequent move into correction was both mild and short-lived. Conditions are now firming again, sentiment pointing to more gains near term. While the state's persistent supply shortages again look to be a factor, a stretched starting point for affordability and lower exposure to the migration-driven lift in population growth point to a more subdued medium term outlook.
- Turnover has risen strongly, up nearly 10%yr to be around long run averages in terms of the share of the dwelling stock transacting. Adelaide dwelling prices have seen a lift in momentum, monthly gains averaging 1.1% since Apr, having dipped 0.1% over the previous three months. The detail shows 'top tier' houses continue to dominate the cycle, the resilience of lower-priced tiers speaking to supply shortages and affordability constraints.
- Regionally, the Adelaide market has started to see a more uniform performance, suburbs in the North and South outperforming the West and Central & Hills districts slightly.
- As noted, the supply side remains extremely tight, total on-market listings continuing to run at less than two months of sales, well below the long run average of 3.9. Rental vacancy rates are also stuck in the sub-0.5% range. That said, the somewhat slower pace of population growth in the state (1.7%) points to milder pressures from rising demand.
- Buyer sentiment has posted a continued rebound, the **SA Consumer Housing Sentiment index** pointing to more robust gains in turnover near term.

40. Adelaide dwelling prices



Population: 1.9mn
Net migration: 27k pa
GSP: $124bn (6% Aus)
Dwellings: 0.8mn, $0.5trn
Capital: Adelaide

41. SA: dwelling approvals, vacancy rate

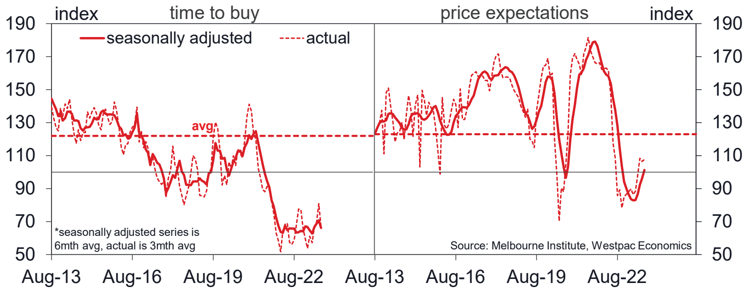


June years	avg*	2020	2021	2022	latest
GSP, ann%	2.3	-1.0	4.7	5.1	n.a.
State final demand, ann%	3.0	-1.5	5.3	5.5	3.5
Employment, ann%	1.3	-4.3	6.4	2.7	4.8
Unemployment rate, %#	6.9	7.9	5.7	4.5	4.1
Population, ann%	0.8	1.3	0.5	1.0	1.7
Dwelling prices, ann%	6.1	2.0	13.8	25.6	0.9
Rental yield, %#	5.3	5.9	6.0	5.7	5.3
Sales/new listings, ratio#	1.06	1.31	1.35	1.24	1.62
Total listings, mths sales#	3.9	4.7	2.6	2.3	1.7

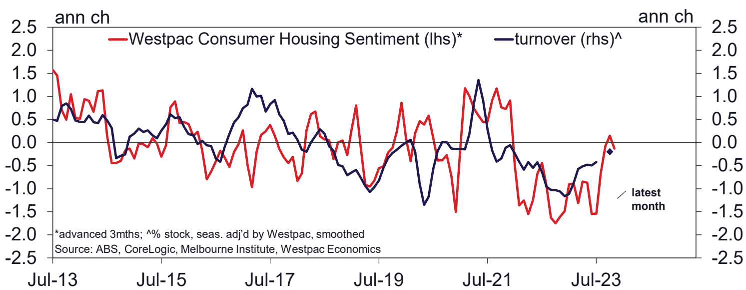
* avg last 25yrs; # June qtr readings
Sources: ABS, CoreLogic, REIA, Westpac Economics

TASMANIA: out of sorts

42. Tas consumers: housing-related sentiment

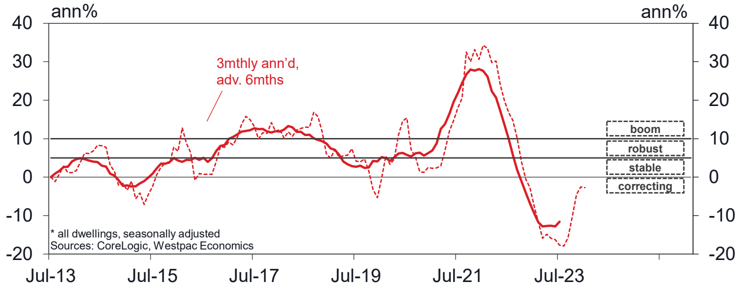


43. Tas housing composite vs turnover



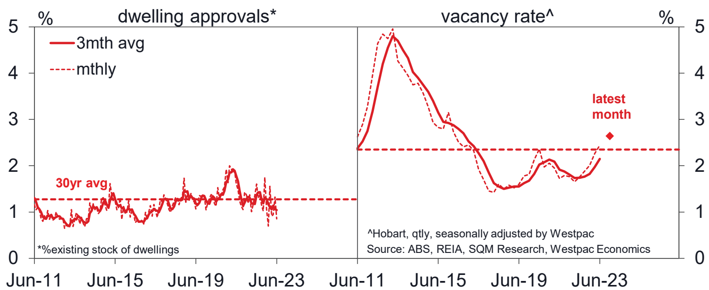
- The Tas housing market continues to be the weakest of the major states, turnover continuing to decline and prices only just stabilising, and yet to show a clear recovery. In our previous report we suggested there may be something else afoot around migration that is seeing a less supportive supply-demand balance. Latest updates on rental vacancies and population growth provide more evidence that this is indeed the case.
- Turnover has continued to move lower over the last three months, albeit at a slower pace. Just 3.5% of the dwelling stock is transacting at the moment, well down on the long run average of 5.5%.
- Prices have also been trading heavily, barely up 0.1% over the three months to July for capital city Hobart, and still down 11.4%yr. The lacklustre performance has been across all segments of the Hobart market (but other sub-regions performing noticeably better).
- Housing-related sentiment has stabilised, led by a lift in price expectations, albeit a less convincing one than seen in other states. While that should be sufficient to see conditions hold steady, the situation looks susceptible to renewed weakness.
- As noted previously, the sustained period of extremely tight supply looks to be ending. Stock on market has risen to be more in line with long run averages and rental vacancy rates have pushed above average. Notably, Tas's population growth has seen no lift and remains stuck at below 1%.
- The **Tas Consumer Housing Sentiment index** points to some further stabilisation ahead but any recovery looks likely to be lacklustre near term.

44. Hobart dwelling prices



Population: 0.6mn
Net migration: 5k pa
GSP: $37bn (2% Aus)
Dwellings: 0.3mn, $172bn
Capital: Hobart

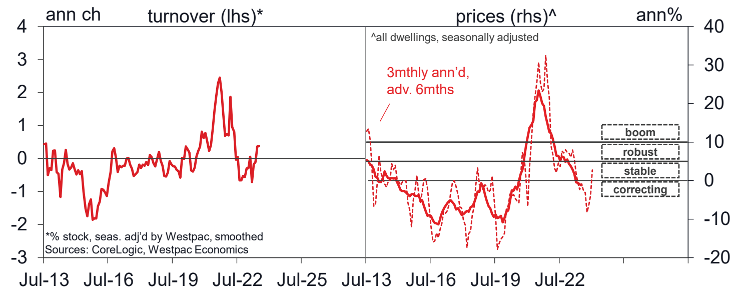
45. Tas: dwelling approvals, vacancy



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	5.6	1.2
Employment, ann%	1.5	0.1	6.4	1.8	2.3
Unemployment rate, %#	7.5	6.5	5.6	4.3	4.2
Population, ann%	0.7	2.0	0.8	0.6	0.9
Dwelling prices, ann%	5.8	6.3	19.6	13.6	-12.8
Rental yield, %#	5.9	4.9	4.6	4.0	4.5
Sales/new listings, ratio#	1.02	1.15	1.26	0.86	1.07
Total listings, mths sales#	5.0	3.5	2.0	2.8	4.2

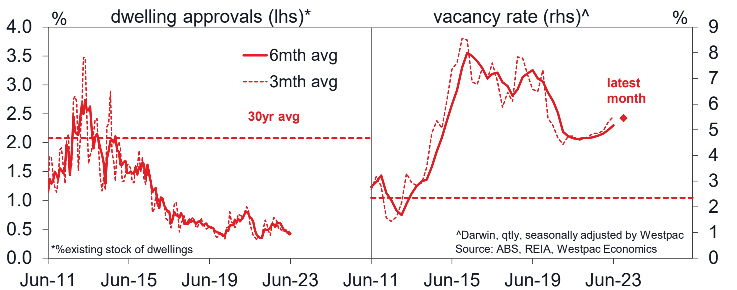
* avg last 25yrs (12yrs for listings); # June qtr readings
Sources: ABS, CoreLogic, REIA, Westpac Economics

46. NT: turnover, Darwin dwelling prices



Population: 0.3mn
Net migration: 1k pa
GSP: $26bn (1% Aus)
Dwellings: 0.1mn, $45bn
Capital: Darwin

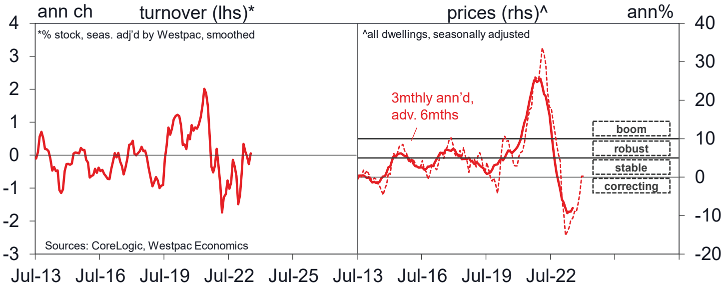
47. NT: dwelling approvals, vacancy rate

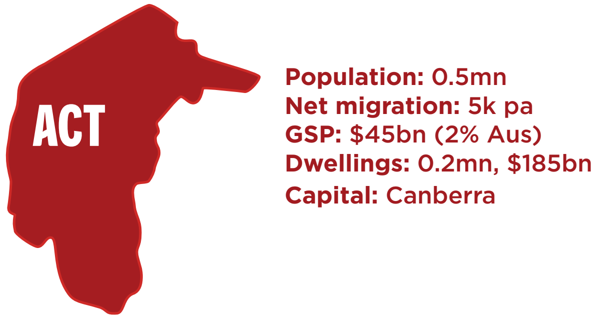


June years	avg*	2020	2021	2022	latest
GSP, ann%	3.6	6.0	-1.4	4.7	n.a.
State final demand, ann%	3.4	-5.1	8.6	7.7	2.7
Employment, ann%	1.5	0.0	4.6	2.3	2.1
Unemployment rate, %#	6.6	6.2	5.5	4.1	3.7
Population, ann%	1.2	0.3	0.1	0.6	1.1
Dwelling prices, ann%	3.7	-1.6	20.9	6.4	-1.4
Sales/new listings, ratio#	1.12	1.31	0.94	0.97	1.64
Total listings, mths sales#	5.9	9.0	4.7	5.2	3.9

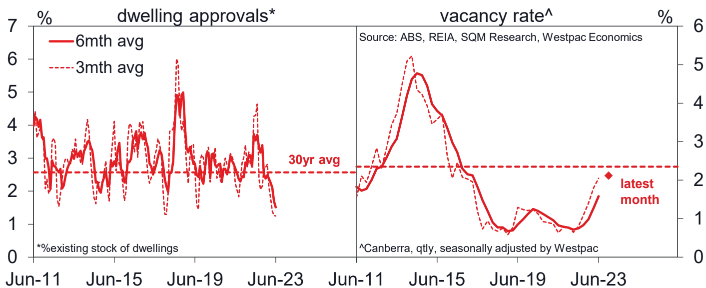
* avg last 25yrs (last 10yrs for listings); # June qtr readings
Sources: ABS, CoreLogic, Westpac Economics

48. ACT: turnover, Canberra dwelling prices





49. ACT: dwelling approvals, vacancy rate

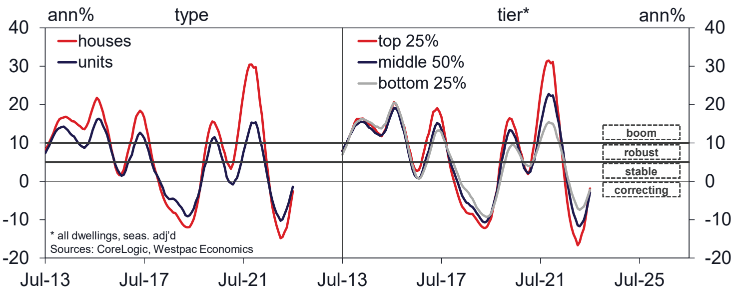


June years	avg*	2020	2021	2022	latest
GSP, ann%	3.7	3.9	3.9	1.9	n.a.
State final demand, ann%	4.0	2.7	5.7	2.3	3.7
Employment, ann%	1.6	0.1	4.2	2.4	4.4
Unemployment rate, %#	6.6	5.6	5.3	3.9	3.7
Population, ann%	1.5	2.1	0.6	0.7	1.8
Dwelling prices, ann%	6.2	6.1	17.9	16.1	-7.8
Sales/new listings, ratio#	1.43	1.47	1.54	1.20	1.31
Total listings, mths sales#	2.5	3.4	1.7	2.2	2.5

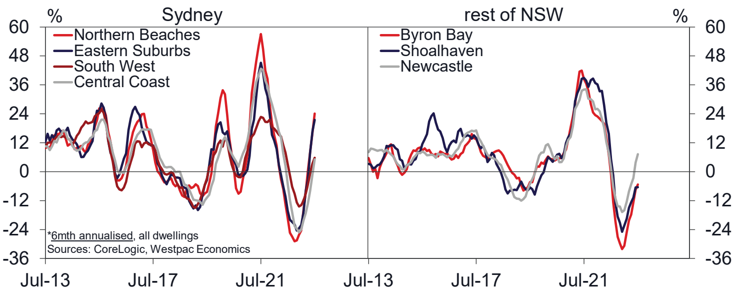
* avg last 25yrs (last 10yrs for listings); # June qtr readings
Sources: ABS, CoreLogic, Westpac Economics

ADDITIONAL MATERIALS: charts and tables

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



51. NSW dwelling prices: selected sub-region

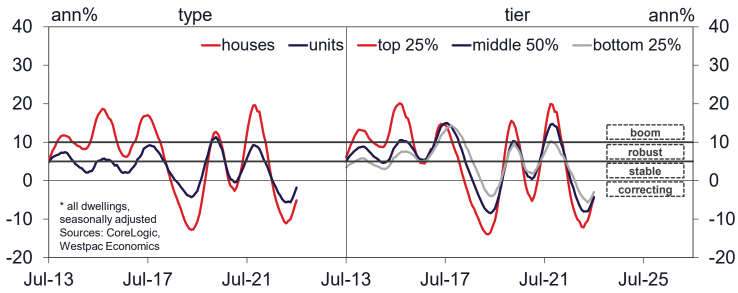


NSW	Sydney	rest of NSW
Population:	5.4mn	2.8mn
Net migration*:	+3k pa	+19k pa
Employ (%state):	67%	33%
Dwellings, no.:	2.0mn	1.4mn
Dwellings, value:	$2.7trn	$1.1trn

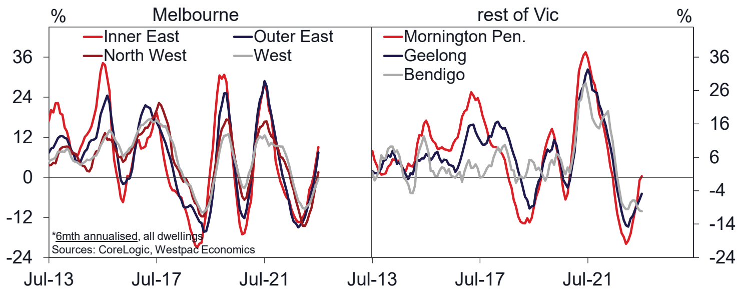
June years	avg^	2021	2022	2023	latest
Sydney					
Employment, ann%	1.7	5.5	2.7	2.7	2.7
Unemployment rate, %	5.3	5.5	3.5	3.4	3.4
Houses – prices, ann%	6.0	19.1	6.6	-6.0	-2.6
– sales/new listings, ratio	1.09	1.26	1.02	1.20	0.96
– total listings, mths sales	3.2	1.9	3.1	2.8	3.0
Units – prices, ann%	4.8	5.0	3.4	-3.5	-1.4
– sales/new listings, ratio	1.58	1.52	1.12	1.32	1.03
– total listings, mths sales	2.4	2.2	3.6	3.0	3.4
rest of NSW					
Employment, ann%	1.7	7.0	2.9	5.2	5.2
Unemployment rate, %	7.1	4.4	3.9	2.4	2.4
Dwelling prices, ann%	5.6	20.9	21.0	-9.8	-8.7

* 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

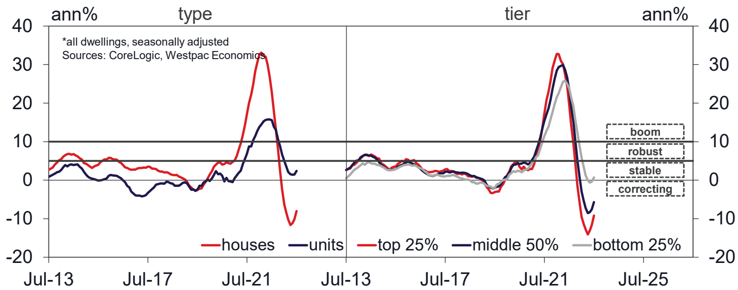


Vic	Melbourne	rest of Vic
Population:	5mn	1.6mn
Net migration*:	+28k pa	+15k pa
Employ (%state):	76%	24%
Dwellings, no.:	2mn	0.8mn
Dwellings, value:	$2trn	$0.5trn

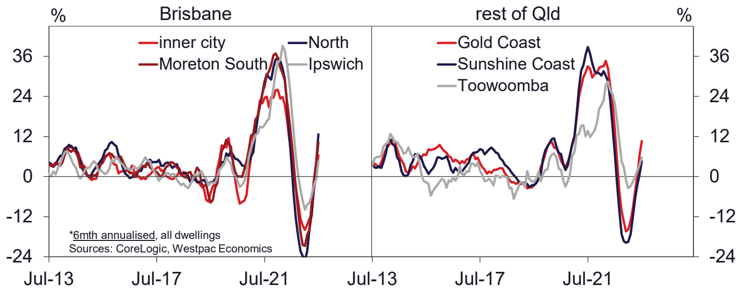
June years	avg^	2021	2022	2023	latest
Melbourne					
Employment, ann%	2.2	4.1	4.0	2.6	16.0
Unemployment rate, %	6.2	5.2	3.9	4.1	4.1
Houses – prices, ann%	6.4	8.7	3.4	-6.8	-5.1
– sales/new listings, ratio	1.04	1.11	0.92	0.97	0.85
– total listings, mths sales	3.4	2.7	3.4	3.9	4.0
Units – prices, ann%	5.4	4.5	2.0	-3.3	-1.8
– sales/new listings, ratio	1.10	0.98	0.88	0.98	0.77
– total listings, mths sales	3.8	4.2	5.3	4.9	5.2
rest of Vic					
Employment, ann%	2.0	5.9	2.4	7.1	7.1
Unemployment rate, %	6.7	3.8	3.2	2.8	2.8
Dwelling prices, ann%	5.2	15.8	15.1	-8.3	-8.1

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

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



55. Qld dwelling prices: selected sub-regions

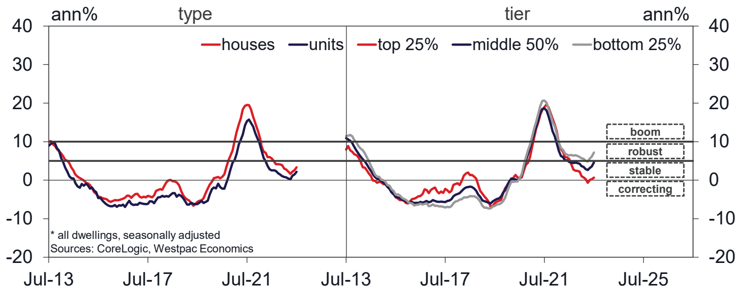


Qld	Brisbane	rest of Qld
Population:	**2.6mn**	**2.7mn**
Net migration*:	**+43k pa**	**+38k pa**
Employ (%state):	**50%**	**50%**
Dwellings, no.:	**1mn**	**1.2mn**
Dwellings, value:	**$0.8trn**	**$0.9trn**

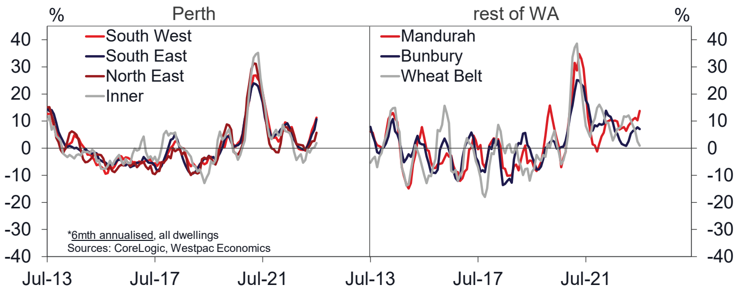
June years	avg^	2021	2022	2023	latest
Brisbane					
Employment, ann%	2.5	10.6	5.1	2.2	2.2
Unemployment rate, %	6.2	5.8	4.1	3.7	3.7
Houses – prices, ann%	5.8	14.3	27.0	-10.1	-8.0
– sales/new listings, ratio	0.90	1.26	1.02	1.39	1.36
– total listings, mths sales	5.2	2.8	3.2	2.8	2.6
Units – prices, ann%	3.8	5.6	15.8	1.4	2.4
– sales/new listings, ratio	1.50	1.43	1.37	1.57	1.48
– total listings, mths sales	3.7	3.2	2.4	2.1	2.0
rest of Qld					
Employment, ann%	2.3	8.9	4.3	3.3	3.3
Unemployment rate, %	6.9	5.1	4.0	3.8	3.8
Dwelling prices, ann%	4.7	16.7	21.7	-4.9	-3.5

* 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

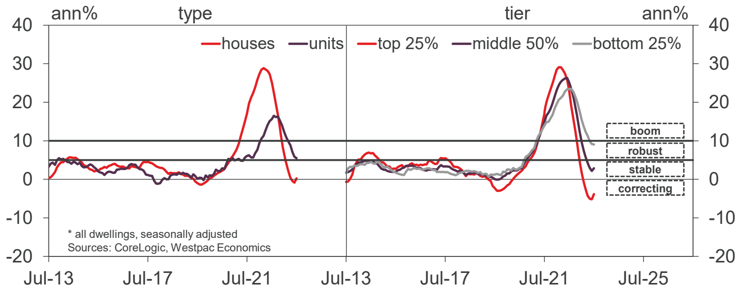


WA	Perth	rest of WA
Population:	2.2mn	0.6mn
Net migration*:	+19k pa	+3k pa
Employ (%state):	80%	20%
Dwellings, no.:	0.9mn	0.3mn
Dwellings, value:	$0.6trn	$0.1trn

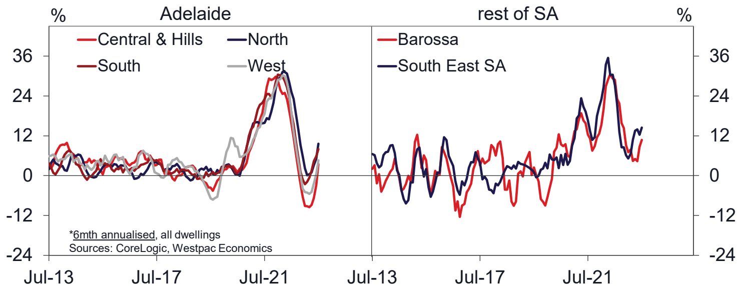
June years	avg^	2021	2022	2023	latest
Perth					
Employment, ann%	2.5	8.9	5.1	1.3	1.3
Unemployment rate, %	5.8	5.0	3.2	3.8	3.8
Houses – prices, ann%#	4.8	19.3	6.0	2.6	3.4
– sales/new listings, ratio	0.93	1.08	1.12	1.53	1.49
– total listings, mths sales	5.6	3.6	3.2	2.2	2.0
Units – prices, ann%#	3.7	14.2	2.8	1.4	2.2
– sales/new listings, ratio	0.91	0.77	0.82	1.10	1.06
– total listings, mths sales	6.1	5.9	5.5	3.8	3.3
rest of WA					
Employment, ann%	1.5	5.9	6.6	1.0	1.0
Unemployment rate, %	5.2	4.6	3.2	3.3	3.3
Dwelling prices, ann%#	3.4	18.4	8.6	3.6	3.1

* 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

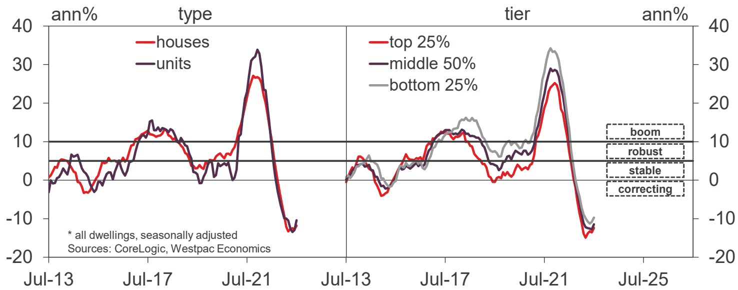


SA	Adelaide	rest of SA
Population:	1.4mn	0.4mn
Net migration*:	+11k pa	+2k pa
Employ (%state):	79%	21%
Dwellings, no.:	0.6mn	0.2mn
Dwellings, value:	$0.4trn	$0.1trn

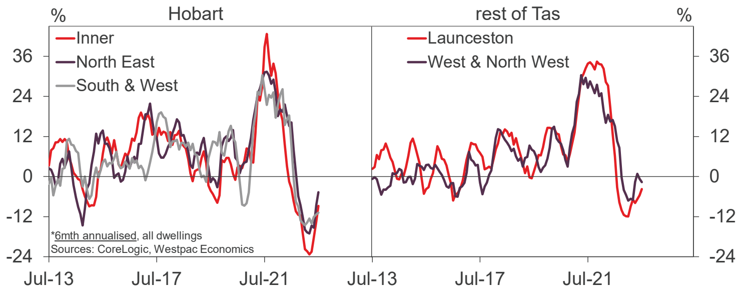
June years	avg^	2021	2022	2023	latest
Adelaide					
Employment, ann%	1.7	7.1	4.0	3.8	3.8
Unemployment rate, %	7.1	5.5	4.3	4.1	4.1
Houses – prices, ann%	6.3	15.1	27.3	-0.8	0.2
– sales/new listings, ratio	1.05	1.33	1.18	1.66	1.63
– total listings, mths sales	3.8	2.3	2.3	1.6	1.7
Units – prices, ann%	5.8	5.7	15.1	5.8	5.5
– sales/new listings, ratio	1.16	1.28	1.36	1.70	1.56
– total listings, mths sales	4.1	3.3	2.5	1.9	1.9
rest of SA					
Employment, ann%	1.2	4.2	-1.8	7.5	7.5
Unemployment rate, %	6.3	5.4	4.8	3.6	3.6
Dwelling prices, ann%	5.6	13.6	22.4	8.7	8.8

* 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:	**$77bn**	**$90bn**

June years	avg^	2021	2022	2023	latest
Hobart					
Employment, ann%	1.8	7.6	0.0	4.5	4.5
Unemployment rate, %	6.9	5.4	4.1	3.8	3.8
Houses – prices, ann%	6.0	19.1	13.6	-12.8	-11.8
– sales/new listings, ratio	0.97	1.27	0.83	1.02	1.03
– total listings, mths sales	5.3	1.8	3.1	4.7	4.5
Units – prices, ann%	5.1	21.2	13.7	-13.0	-10.4
– sales/new listings, ratio	1.22	1.26	1.03	1.18	1.27
– total listings, mths sales	4.0	2.0	2.6	3.7	3.3
rest of Tas					
Employment, ann%	1.3	5.4	3.4	1.9	1.9
Unemployment rate, %	8.0	5.5	4.2	3.9	3.9
Dwelling prices, ann%	5.8	20.6	21.9	-7.3	-6.9

* 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 (22 Aug)	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24
Cash	4.10	4.10	4.10	4.10	4.10	3.85	3.60
90 Day BBSW	4.16	4.30	4.30	4.30	4.22	3.97	3.72
3 Year Bond	4.18	4.00	3.95	3.90	3.80	3.70	3.60
3 Year Swap	3.92	3.75	3.70	3.65	3.60	3.50	3.40
10 Year Bond	4.28	3.75	3.55	3.45	3.30	3.25	3.20
10 Year Spread to US (bps)	1	-5	-5	5	10	15	20
US							
Fed Funds	5.375	5.375	5.375	5.125	4.625	4.125	3.625
US 10 Year Bond	4.27	3.80	3.60	3.40	3.20	3.10	3.00

Exchange rate forecasts

	Latest (22 Aug)	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24
AUD/USD	0.6414	0.67	0.68	0.69	0.71	0.73	0.74
NZD/USD	0.5931	0.62	0.63	0.63	0.64	0.65	0.66
USD/JPY	146.07	140	138	135	132	130	128
EUR/USD	1.0906	1.11	1.12	1.12	1.13	1.14	1.15
GBP/USD	1.2767	1.28	1.28	1.29	1.29	1.30	1.30
USD/CNY	7.2897	7.10	7.00	6.80	6.70	6.60	6.50
AUD/NZD	1.0814	1.07	1.08	1.09	1.10	1.12	1.12

ECONOMIC and FINANCIAL FORECASTS

Australian economic growth forecasts

	2022	2023				2024	
% change	Q4	Q1	Q2f	Q3f	Q4f	Q1f	Q2f
GDP % qtr	0.6	0.2	0.4	0.2	0.2	0.1	0.3
%yr end	2.6	2.3	1.8	1.4	1.0	0.9	0.8
Unemployment rate %	3.5	3.6	3.6	3.7	3.8	4.1	4.5
Wages (WPI)	0.8	0.8	0.8	1.3	0.8	0.8	0.8
annual chg	3.4	3.7	3.6	3.9	3.8	3.8	3.8
CPI Headline	1.9	1.4	0.8	0.9	0.7	0.9	0.9
annual chg	7.8	7.0	6.0	5.1	3.9	3.4	3.4
Trimmed mean	1.7	1.3	0.9	0.8	0.8	0.8	0.8
annual chg	6.9	6.6	5.9	4.7	3.8	3.3	3.3

	Calendar years			
	2021	2022	2023f	2024f
GDP % qtr	–	–	–	–
%yr end	4.6	2.6	1.0	1.4
Unemployment rate %	4.7	3.5	3.8	4.7
Wages (WPI)	–	–	–	–
annual chg	2.3	3.4	3.8	3.2
CPI Headline	–	–	–	–
annual chg	3.5	7.8	3.9	3.2
Trimmed mean	–	–	–	–
annual chg	2.6	6.9	3.8	3.1

Consumer sentiment – housing-related measures

		2021	2022				2023					
index*	**avg**	**Dec**	**Mar**	**Jun**	**Sep**	**Dec**	**Mar**	**Jun**	**Jul**	**Aug**	**%mth**	**%yr**
'Time to buy a dwelling'												
Australia	119.4	81.9	78.3	75.1	80.5	74.9	65.7	72.0	76.4	72.1	-5.7	-7.8
– New South Wales	115.8	82.7	73.1	73.7	93.0	73.0	63.7	70.4	74.6	76.7	2.9	-8.6
– Victoria	115.5	81.3	80.6	85.2	71.3	77.1	67.8	69.6	78.5	79.4	1.2	-6.2
– Queensland	128.0	78.9	85.6	62.6	76.2	75.2	59.8	71.8	74.1	60.0	-19.0	-12.9
– Western Australia	128.8	84.8	83.6	79.4	76.2	80.5	73.5	85.8	72.3	67.6	-6.5	-13.7
– South Australia	127.9	91.0	64.3	74.8	78.8	69.7	69.3	75.5	86.0	66.4	-22.8	3.1
– Tasmania	122.0	50.3	88.8	54.3	82.2	48.3	70.4	78.3	85.5	36.4	-57.5	-46.3
House price expectations												
Australia	125.7	150.6	139.0	111.1	100.6	116.3	111.7	146.7	149.3	151.2	1.3	55.7
– New South Wales	127.3	152.2	135.2	103.8	101.0	117.8	114.7	150.5	151.6	155.2	2.4	63.2
– Victoria	127.8	141.4	137.0	101.5	108.0	118.6	112.8	140.5	149.1	147.7	-0.9	81.1
– Queensland	124.0	160.2	140.5	124.5	89.2	111.7	98.8	140.5	147.3	149.9	1.7	44.7
– Western Australia	117.1	144.3	143.8	131.3	106.2	121.7	110.6	166.3	155.9	153.1	-1.8	25.4
– South Australia	127.7	148.0	138.9	123.9	94.1	118.2	129.2	146.9	149.2	160.8	7.8	33.2
– Tasmania	127.7	165.7	167.0	100.9	72.0	84.7	81.7	111.4	104.5	105.2	0.6	16.5

*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**	**Dec**	**Mar**	**Jun**	**Sep**	**Dec**	**Mar**	**Jun**	**Jul**	**Aug**	**%mth**	**%yr**
Unemp. expectations												
Australia	130.1	104.1	101.8	108.5	99.6	117.9	122.9	131.3	131.2	127.2	-3.1	23.0
– New South Wales	129.6	105.5	101.7	110.3	98.5	120.1	125.8	130.7	131.8	129.2	-2.0	29.0
– Victoria	131.2	98.8	98.0	106.1	99.9	120.0	118.6	133.3	130.2	129.4	-0.6	31.9
– Queensland	133.2	113.3	105.8	121.9	101.2	118.0	122.4	133.8	129.5	123.6	-4.6	14.0
– Western Australia	128.1	94.8	94.6	87.7	95.1	112.8	120.6	115.7	137.7	127.1	-7.7	14.9
– South Australia	135.3	107.8	123.0	108.0	105.0	111.7	132.8	129.0	129.4	122.2	-5.6	7.5
– Tasmania	138.3	108.4	109.0	94.3	101.1	105.7	132.1	136.3	145.3	133.6	-8.1	15.5
Risk aversion											qtr ch	ann ch
Australia	15.1	47.8	43.4	54.0	50.5	52.4	56.5	59.1	n.a.	n.a.	2.6	7.5
– New South Wales	11.7	43.8	39.9	53.4	53.1	52.3	54.1	59.1	n.a.	n.a.	5.1	5.9
– Victoria	11.0	50.2	42.8	57.5	52.0	55.6	59.4	55.3	n.a.	n.a.	-4.1	1.5
– Queensland	12.7	46.6	44.5	48.8	37.0	49.7	56.4	66.6	n.a.	n.a.	10.2	25.7
– Western Australia	7.0	58.2	51.6	57.1	54.6	54.5	55.3	58.8	n.a.	n.a.	3.5	3.4
– South Australia	14.4	46.8	47.6	59.4	60.5	57.9	56.1	48.5	n.a.	n.a.	-7.6	-11.6
– Tasmania	15.5	-1.1	31.9	38.9	47.3	57.3	40.3	61.6	n.a.	n.a.	21.4	17.2

*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	Jun	Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun	Jul	Aug
Dwelling prices, ann%*												
Australia	5.6	12.4	19.5	21.0	16.3	8.7	-0.7	-6.9	-8.7	-4.8	-2.7	0.5
- Sydney	5.6	15.0	23.6	25.3	17.7	5.9	-6.0	-12.1	-12.1	-5.1	-2.1	1.2
- Melbourne	6.0	7.7	15.0	15.1	9.8	3.1	-3.9	-8.1	-9.0	-5.7	-4.0	-2.3
- Brisbane	5.5	13.2	19.9	27.4	29.3	25.6	13.4	-1.1	-8.6	-8.2	-6.2	-2.8
- Perth#	4.7	18.8	18.1	13.1	7.0	5.8	4.1	3.6	1.9	2.5	3.4	5.0
- Adelaide	6.1	13.9	19.1	23.2	26.3	25.7	19.2	10.1	3.0	0.0	1.0	2.1
- Hobart	5.8	19.6	26.8	28.1	22.3	13.7	2.0	-6.9	-12.9	-12.7	-11.4	n.a.
Turnover, %stock^												
Australia	5.6	5.7	5.5	5.9	5.2	4.7	4.5	4.1	4.3	4.4	4.4	n.a.
- New South Wales	5.7	6.0	5.5	5.9	4.9	4.3	4.0	3.7	4.0	4.1	3.9	n.a.
- Victoria	4.7	5.0	4.1	5.5	4.4	4.0	3.8	3.4	3.4	3.4	3.3	n.a.
- Queensland	6.6	7.2	7.4	7.5	6.7	6.2	5.5	5.1	5.2	5.5	5.6	n.a.
- Western Australia	6.3	5.7	5.8	6.1	6.0	5.7	5.5	5.3	5.6	5.9	5.8	n.a.
- South Australia	4.6	4.7	4.7	5.1	4.7	4.6	4.2	3.8	4.0	4.5	4.6	n.a.
- Tasmania	5.5	4.6	4.6	4.7	4.3	4.1	3.6	3.5	3.7	3.6	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

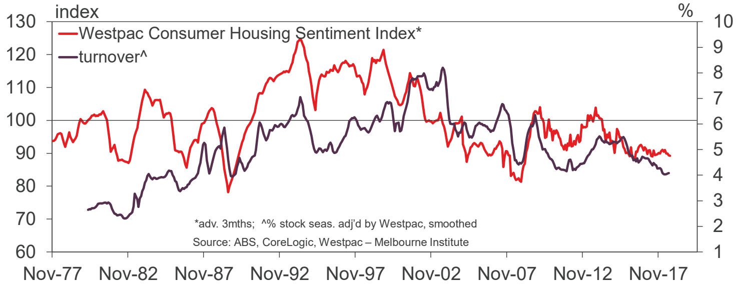
HOUSING MARKET DATA

Residential property listings

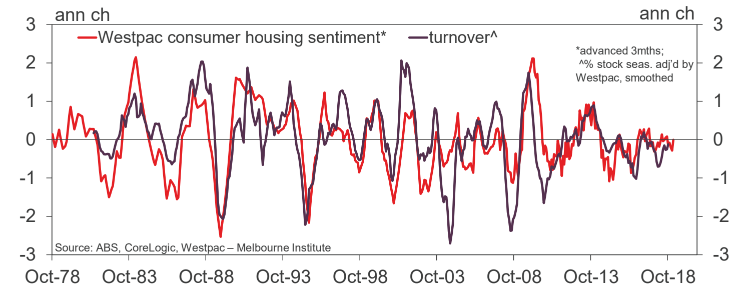
		2021			2022				2023			
	avg	Jun	Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun	Jul	Aug
Sales/new listings ratio*												
Australia^	1.14	1.25	1.37	1.23	1.19	1.09	1.16	1.19	1.25	1.38	1.27	1.16
– Sydney	1.28	1.35	1.60	1.25	1.17	1.05	1.21	1.22	1.28	1.33	1.13	0.99
– Melbourne	1.06	1.06	1.11	1.11	0.96	0.90	1.00	1.07	0.98	1.01	0.91	0.81
– Brisbane	1.00	1.31	1.42	1.27	1.21	1.12	1.10	1.15	1.21	1.50	1.45	1.40
– Perth	0.92	1.00	1.08	1.06	1.11	1.03	1.08	1.11	1.21	1.43	1.38	1.35
– Adelaide	1.06	1.35	1.37	1.44	1.41	1.24	1.24	1.21	1.26	1.63	1.64	1.62
– Hobart	1.02	1.26	1.21	1.14	1.12	0.86	0.88	0.96	0.97	1.10	1.08	1.07
Total listings, months of sales*												
Australia^	3.5	2.7	2.7	2.5	2.8	3.2	3.4	3.5	3.2	2.8	2.8	2.8
– Sydney	2.8	2.1	2.1	2.2	2.7	3.4	3.4	3.3	3.0	2.8	3.0	3.2
– Melbourne	3.5	3.2	3.5	2.9	3.5	4.0	4.1	4.3	4.3	4.0	4.2	4.4
– Brisbane	4.7	3.0	2.6	2.3	2.5	2.8	3.4	3.5	3.2	2.7	2.5	2.4
– Perth	5.7	4.0	3.9	3.6	3.5	3.6	3.8	3.6	3.2	2.7	2.5	2.4
– Adelaide	3.9	2.6	2.4	2.1	2.0	2.3	2.5	2.5	2.3	1.8	1.7	1.7
– Hobart	5.0	2.0	1.9	2.1	2.2	2.8	4.0	4.1	4.2	4.3	4.3	4.2

* 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

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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