

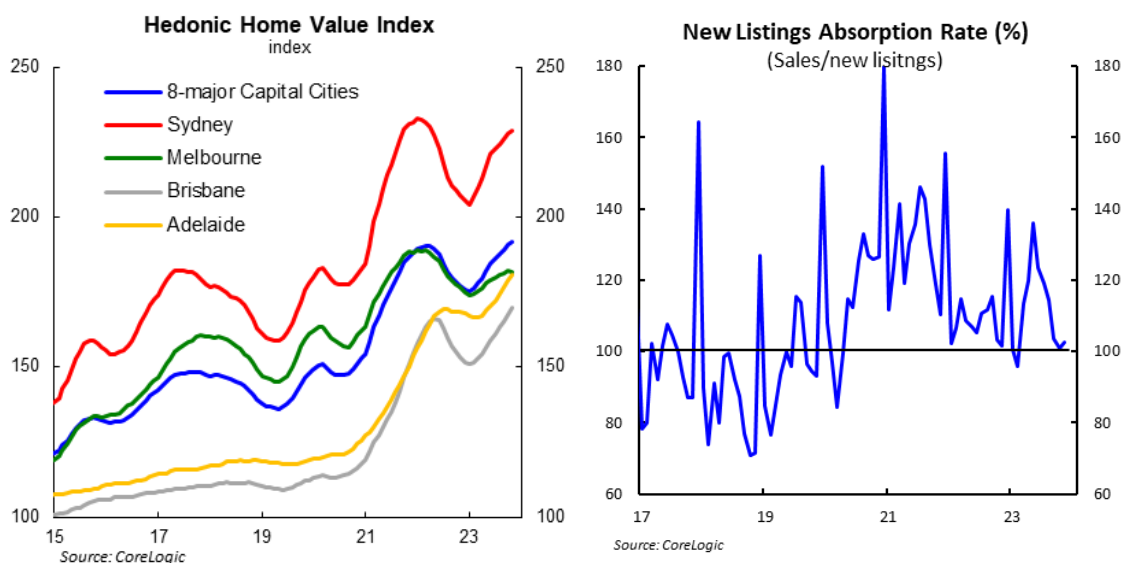
Friday, 1 December 2023



## Dwelling Prices

### Two Speed Housing Market Emerging

- Dwelling prices have reached a new record high after increasing 0.6% in November. Since bottoming out in January, national dwelling prices are up 8.3%, more than fully offsetting the 7.5% fall recorded over the nine months following the RBA's first rate hike.
- Price gains are now moderating as supply is drifting higher and testing demand. New listings have increased by an uncharacteristically large 32% since the end of May, to the point where new listings (supply) are in balance with sales (demand). In other words, the absorption of new listings is around 100%. This compares to May this year where sales (demand) were almost 40% higher than new listings (supply).
- However, a two-speed market is emerging. In locations where demand continues to exceed supply, price gains have showed limited signs of slowing and indeed have accelerated. This includes Perth (+1.9% in November), Brisbane (+1.3%), and Adelaide (+1.2%), where advertised stock levels remain low. Perth listings are nearly 40% below their five-year average for this time of the year, while listings are more than 30% below average in Brisbane and Adelaide.
- In markets where supply has caught up to demand we have seen a clear moderation in price growth and in some cases outright declines. This includes Sydney (+0.3%), Melbourne (-0.1%), Hobart (-0.1%), and Darwin (-0.3%) where advertised stock levels were above average levels.
- The key question going forward is whether supply will continue to increase and outstrip demand, particularly in those markets where listings remain low. Overall, we expect demand, supported by the record growth in the population, to largely absorb higher supply, but it could get bumpy month to month the longer rates remain restrictive.



## Dwelling Prices

Dwelling prices have reached a new record high after increasing 0.6% in November. Since bottoming out in January, national dwelling prices are up 8.3%, more than fully offset the 7.5% fall recorded over the nine months following the RBA's first rate hike. Remarkably, these price gains have occurred notwithstanding 425 basis points of tightening by the Reserve Bank over the past 18 months.

## Advertised supply

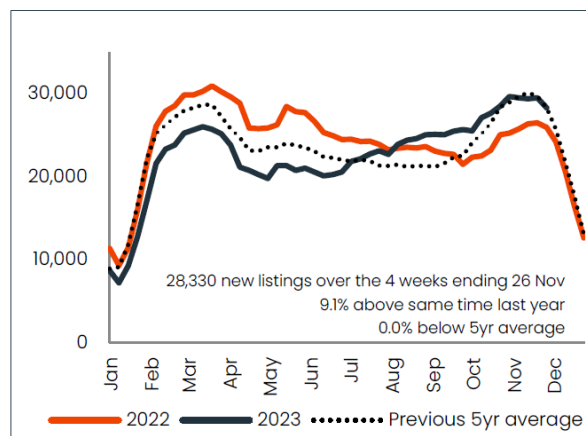
Price gains are now clearly moderating as supply is catching up to demand.

New listings have increased by an uncharacteristically large 32% since the end of May, to the point where new listings (supply) are in balance with sales (demand) - in other words the absorption of new listings is around 100%. This compares to May this year where sales (demand) were almost 40% higher than new listings (supply).

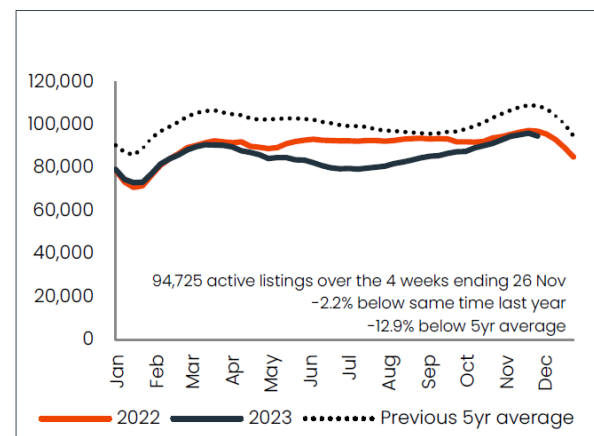
However, when looking at total listings, this stock continues to be well below average levels for this time of year. There are also large differences across markets with total listings well below average in Perth, Brisbane, and Adelaide, and listings above average levels in Sydney, Melbourne, Hobart, and Darwin.

These differing supply conditions have underpinned recent price dynamics.

New listings, rolling 28-day count, combined capitals



Total listings, rolling 28-day count, combined capitals



## Outlook

The key question going forward is whether supply will continue to increase, particularly in those markets where listings remain low.

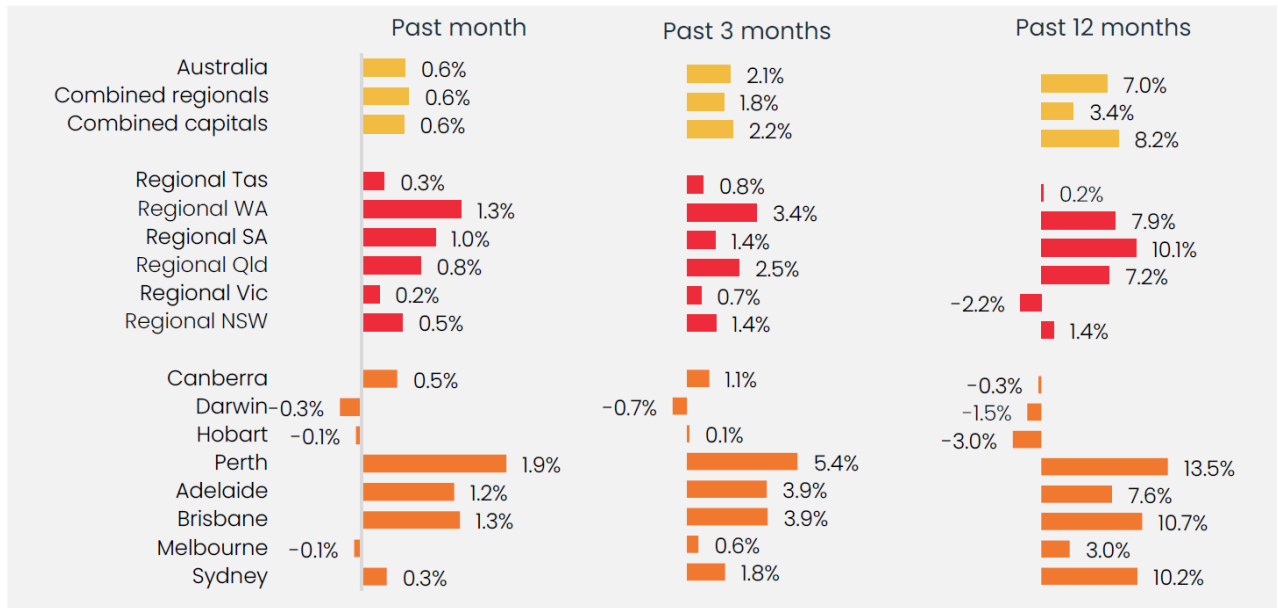
On the supply side, stretched affordability, particularly as fixed rate mortgages roll over onto higher variable rates, is likely to lead to a further pickup in new listings. Some investors may also be feeling the pinch as rental yields haven't risen as fast as interest costs, leading some to consider selling their investment. Given the strength in the labour market we expect this pick up to be orderly.

On the demand side, lower borrowing capacity and consumer confidence levels is being offset by record high population growth. Reports of intergenerational wealth transfers allowing younger Australians to get into the market is also supporting demand.

Overall, we expect demand, supported by the record growth in the population, to largely absorb higher supply, but it could get bumpy month to month the longer rates remain restrictive.

Given these supply and demand dynamics, we see a scenario where dwelling price gains moderate overtime but continue nonetheless. The moderation we are seeing in quarterly growth rates, particularly across capital cities, is consistent with this outlook.

Change in dwelling values to end of October 2023



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