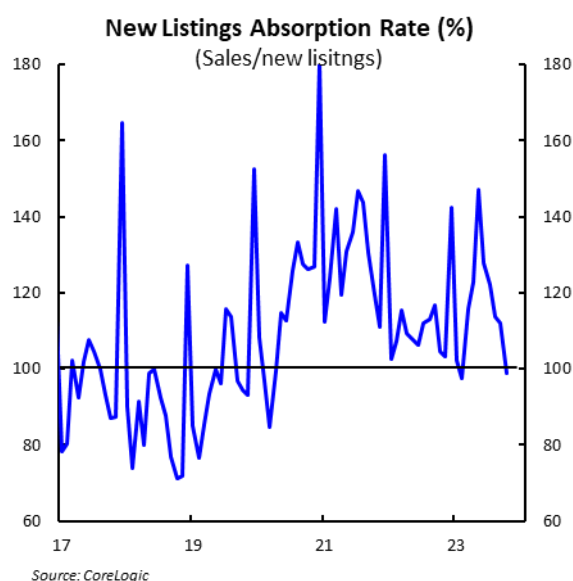
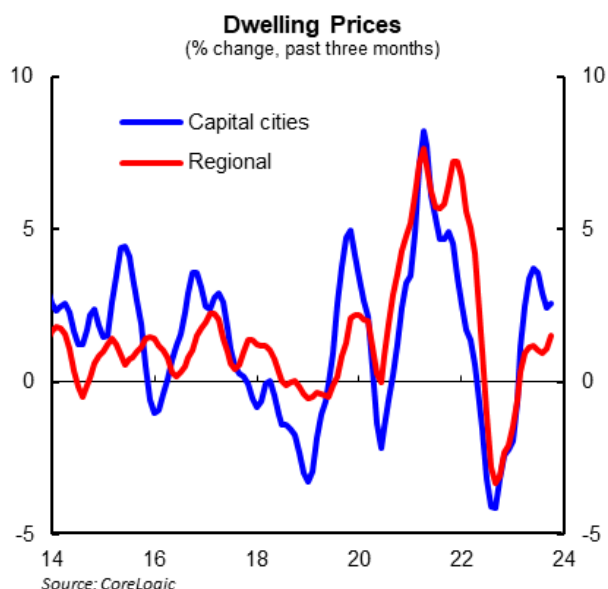


Dwelling Prices

Depth of Demand Being Tested

- Dwelling prices rose 0.9% in October, up from the 0.7% monthly increase recorded over each of the previous three months. Since bottoming out in January, national dwelling prices are up 7.6%. While the recovery is being led by capital cities (8.9%), it has now become broad based with price gains recorded in the regions (3.5%).
- Prices are expected to surpass the historic high recorded in April 2022 by mid-November given the current growth rate, notwithstanding 400 basis points of tightening by the Reserve Bank over the past 18 months. This shows how significant the housing market imbalance has become.
- However, there are early indications that the depth of demand is now being tested. October was the first month since February 2023 that we saw more new listings (supply) than sales (demand) – in other words absorption of new listings was below 100%. New listings have increased by an uncharacteristically large 14.9% over the past two months, and at least over October, demand did not keep up.
- The key question going forward is whether this imbalance will continue or whether supply will increase sufficiently to outstrip demand (as we saw in October). Overall, we expect demand, supported by the record growth in the population, to largely absorb 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.

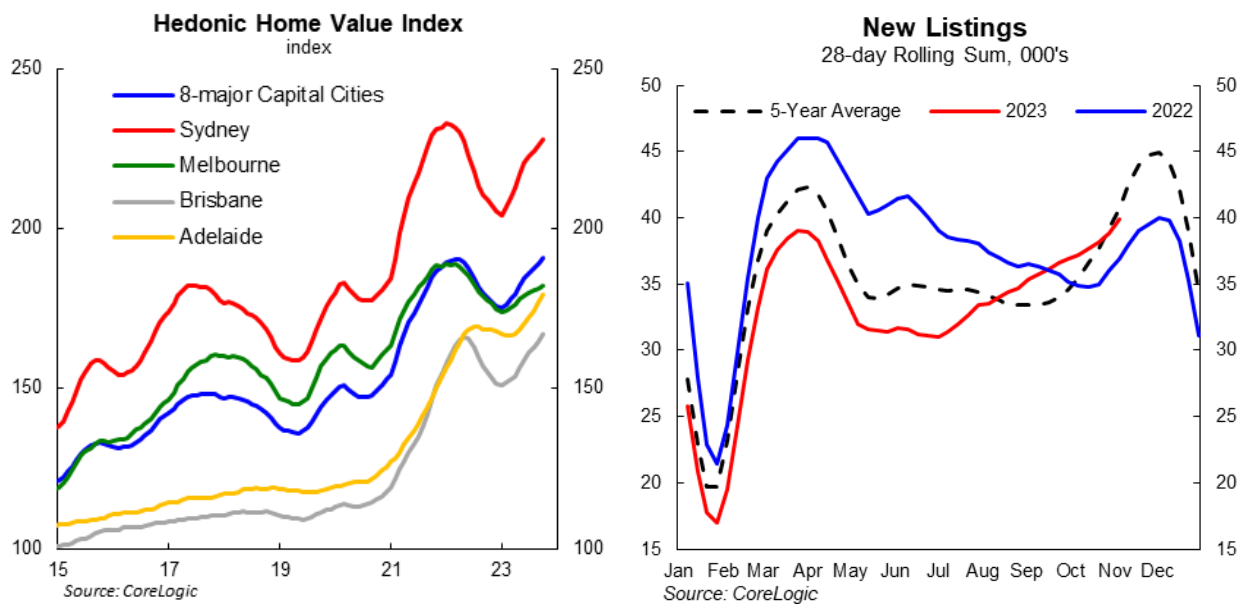


Dwelling Prices

Dwelling prices rose 0.9% in October, up from the 0.7% monthly increase recorded over each of the previous three months. Prices are expected to surpass the historic high recorded in April 2022 by mid-November given the current growth rate, notwithstanding 400 basis points of tightening by the Reserve Bank over the past 18 months. Dwelling prices in Brisbane, Perth and Adelaide reached new record highs in October.

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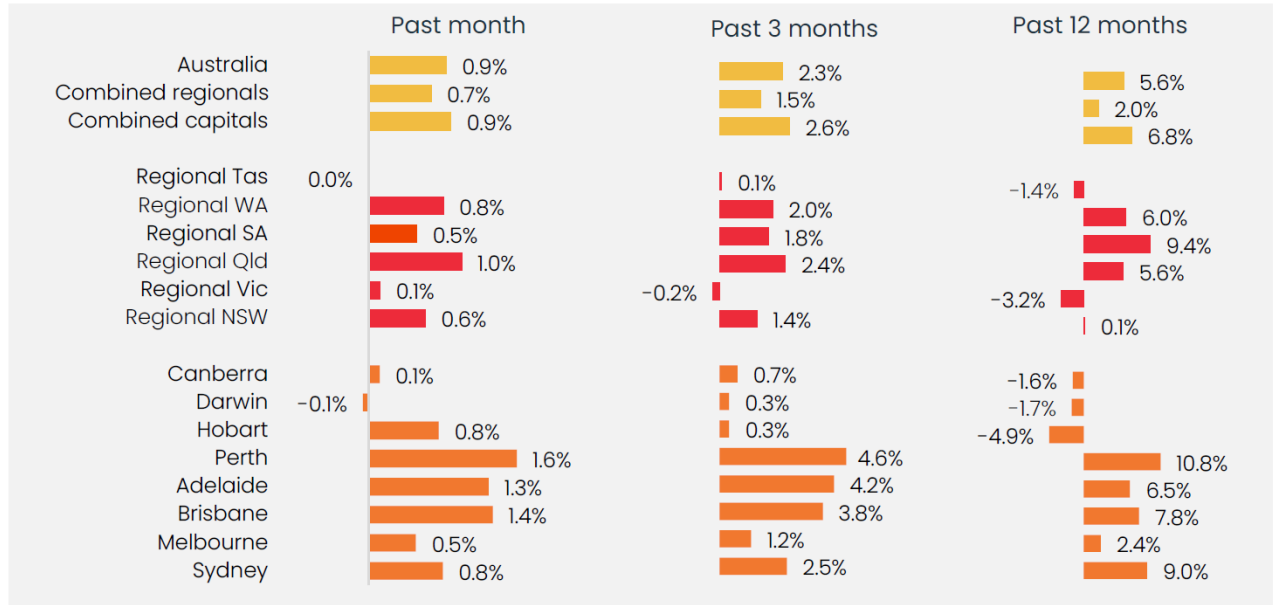
The key question going forward is whether this imbalance will continue or whether supply will increase sufficiently to outstrip demand (as we saw in October).

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 pickup 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 to largely absorb supply, but it could get bumpy month to month the longer rates remain restrictive.

Change in dwelling values to end of October 2023



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