

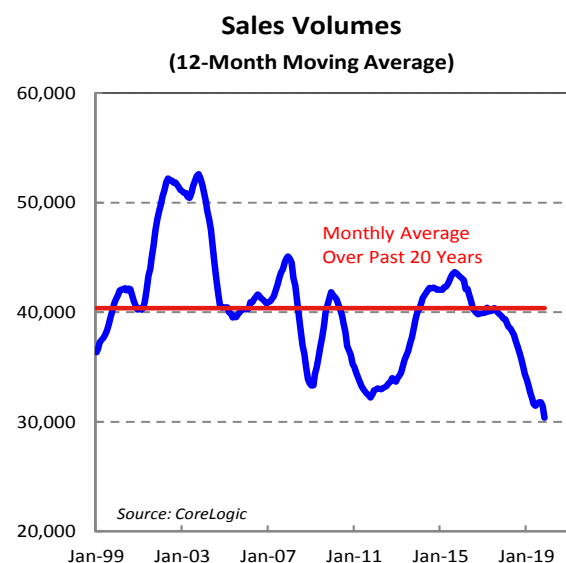
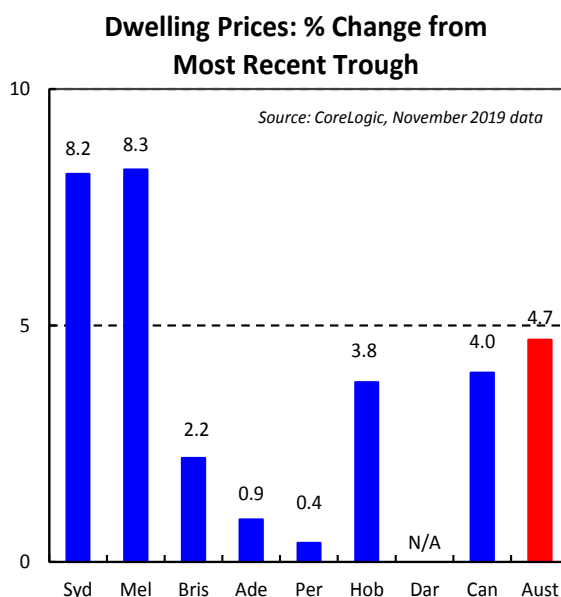
Monday, 2 December 2019



Dwelling Prices

Housing Boom is Back

- CoreLogic data showed national dwelling prices lifted by 1.7% in November, which is the fifth straight month of gains. Across the capital cities, the rise was 1.9% in the month.
- For the first time since April 2018, the annual pace of change is positive (at 0.1%).
- Dwelling prices in November rose the fastest in Sydney at 2.7%, which was the firmest monthly growth rate since May 2015, and the sixth consecutive month of growth. The increase was led by houses.
- In annual terms, Hobart continued to be leader of the pack, recording annual growth of 4.2% in November.
- Sydney and Melbourne dwelling prices are up 8.2% and 8.3%, respectively, from their recent trough in May. The recovery in prices in recent months has been less pronounced outside of Sydney and Melbourne. However, these other capital cities experienced a shallower downturn.
- A recovery in dwelling prices will continue over the year ahead with the Reserve Bank expected to lower the cash rate further and with low dwelling stock likely to ensure prices are bid up.
- Turnover remains incredibly low across Australia and especially in Sydney and Melbourne. The low stock levels could see prices bid up not just on low interest rates but because more buyers are chasing low levels of stock. Indeed, nationally, monthly turnover is 45.4% below its 20-year average.



A combination of very low mortgage rates, very low stock levels and a gradual relaxation of macro-prudential measures have created the recipe for a return to a booming housing market. CoreLogic released dwelling-price data for November. This data showed national dwelling prices rose 1.7%, which was the fifth straight month of gains. Moreover, for the first time since April 2018, the annual rate of change is positive (0.1% growth was registered in November).

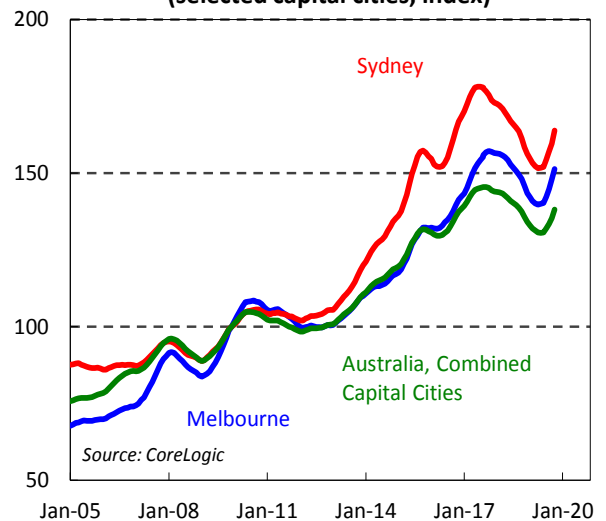
Much of the attention is on Sydney and Melbourne, the nation's biggest housing markets. Sydney recorded the fastest growth in November than any other capital city. Sydney dwelling prices jumped 2.7% in November, the fastest monthly growth rate since May 2015, and the sixth straight month of growth. The increase was led by houses, up 3.1% in November, compared with units up 1.8% in the same period. There is a much lower stock of housing compared with units. On a year ago, Sydney dwelling prices rose by 1.6%, which is the first positive annual rate since February 2018.

Melbourne dwelling prices spiked 2.2% in November, also the sixth straight month of gains. On a year ago, dwelling prices are 2.2% higher, the strongest annual growth rate since May 2018.

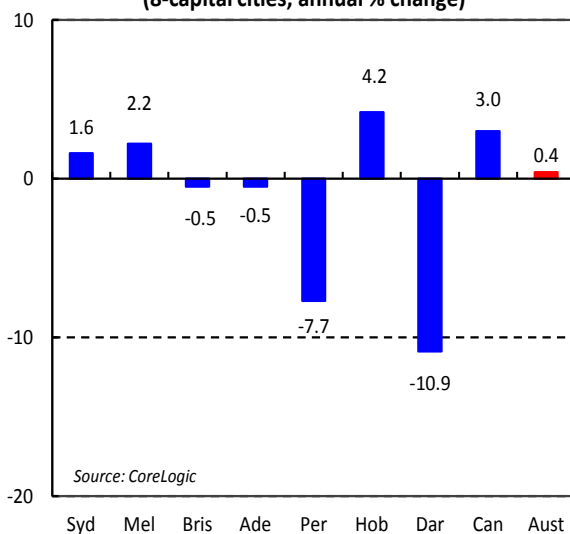
Since hitting a bottom in May of this year, Sydney and Melbourne dwelling prices have increased 8.2% and 8.3%, respectively.

Other capital cities also recorded gains in November with the exception of Darwin that continues to suffer the aftermath of a mining investment downturn. In November, dwelling prices rose 0.8% in Brisbane, 0.5% in Adelaide (despite an aggregation bill passing in Parliament recently), 0.4% in Perth, 2.3% in Hobart and 1.6% in Canberra. Darwin dwelling prices retreated 1.2% in the month.

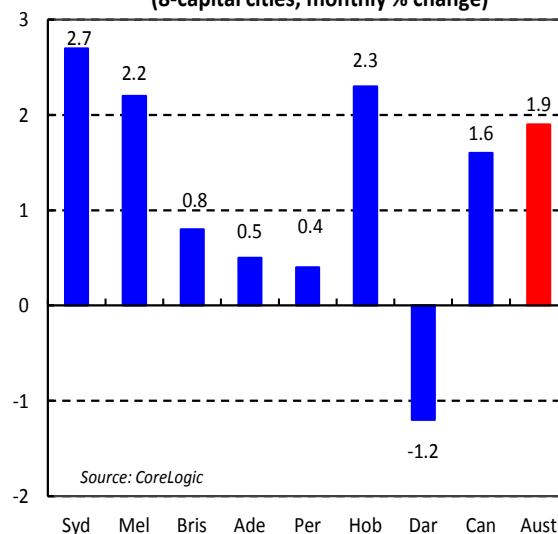
CoreLogic Hedonic Home Value
(selected capital cities, index)



Dwelling Prices for November 2019
(8-capital cities, annual % change)



Dwelling Prices for November 2019
(8-capital cities, monthly % change)



In annual terms, dwelling prices rose the fastest in Hobart at 4.2%. Hobart has been outperforming other capital cities for some time. Canberra followed with annual growth of 3.0%. Melbourne and Sydney rose by 2.2% and 1.6%, respectively. Other capital cities are still recording annual declines.

Brisbane was down 0.5%, Adelaide was down 0.5% and Perth and Darwin were down 7.7% and 10.9%, respectively.

Turnover remains incredibly low across Australia and especially in Sydney and Melbourne. The low stock levels could see prices bid up not just on low interest rates but because more buyers are chasing low levels of stock. Indeed, nationally, monthly average turnover is 45.4% below its 20-year average and in Sydney and Melbourne, turnover is 35.6% and 30.6% lower, respectively.

Outlook

A recovery in dwelling prices will continue over the year ahead with the Reserve Bank (RBA) expected to lower the cash rate further and with low dwelling stock likely to ensure prices are bid up. There are tight linkages between dwelling prices and consumer spending via wealth effects. The RBA will be hoping that the upswing in dwelling prices will flow on to stronger consumer spending, leading to an improvement in broader economic activity. The headwinds of low rental yields, high household debt and weak wages growth might constrain how far dwelling prices run, although so far dwelling prices have likely run up faster than policymakers have anticipated.

Besa Deda, Chief Economist
Ph: 02-8254-3251

Contact Listing

Chief Economist

Besa Deda
dedab@stgeorge.com.au
(02) 8254 3251

Senior Economist

Janu Chan
chanj@stgeorge.com.au
(02) 8253 0898

Economist

Nelson Aston
nelson.aston@stgeorge.com.au
(02) 8254 1316

The information contained in this report ("the Information") is provided for, and is only to be used by, persons in Australia. The information may not comply with the laws of another jurisdiction. The Information is general in nature and does not take into account the particular investment objectives or financial situation of any potential reader. It does not constitute, and should not be relied on as, financial or investment advice or recommendations (expressed or implied) and is not an invitation to take up securities or other financial products or services. No decision should be made on the basis of the Information without first seeking expert financial advice. For persons with whom St.George has a contract to supply Information, the supply of the Information is made under that contract and St.George's agreed terms of supply apply. St.George does not represent or guarantee that the Information is accurate or free from errors or omissions and St.George disclaims any duty of care in relation to the Information and liability for any reliance on investment decisions made using the Information. The Information is subject to change. Terms, conditions and any fees apply to St.George products and details are available. St.George or its officers, agents or employees (including persons involved in preparation of the Information) may have financial interests in the markets discussed in the Information. St.George owns copyright in the information unless otherwise indicated. The Information should not be reproduced, distributed, linked or transmitted without the written consent of St.George.

Any unauthorised use or dissemination is prohibited. Neither St.George Bank - A Division of Westpac Banking Corporation ABN 33 007 457 141 AFSL 233714 ACL 233714, nor any of Westpac's subsidiaries or affiliates shall be liable for the message if altered, changed or falsified.
