

Australian consumers see more strong house price gains ahead

84% expect prices to rise over 2010

Average consumer view implies a 5.4% gain

- The January *Westpac-Melbourne Institute Consumer Sentiment* survey included a repeat of an extra question added in May, July and October 2009 asking consumers about their expectations for house prices over the next 12 months. It shows a strengthening in the consensus that house prices will continue to rise.
- A massive majority of respondents, 84%, expect prices to increase over the next 12 months with 21% expecting gains of over 10%. The proportion expecting a rise compares with 74% of respondents in October, 53% in July and 33% in May. Remarkably, just 3% of respondents now expect prices to fall. This compares to a third expecting falls in the May 2009 survey and a survey by Mortgage Choice in November 2008 that suggests over half of consumers were expecting house price declines at the time.
- Overall, those predicting house price rises outnumbered those expecting falls by 80.3%, a substantial increase on the 63.7% recorded in October and in stark contrast to the broadly balanced price outlook reported in May.
- The spread of responses in January points to an average expected price rise of 5.4% over the next year. This compares to average expected rises of 3.9% in October, 0.8% in July and no change in May.
- Price expectations rose in every state. Victorians are the most bullish with 87% expecting house prices to rise over 2010 and 29% picking gains of over 10%. However, the biggest rise in optimism was in NSW where the proportion expecting gains increased from 68% to 84%.
- All age groups concur with the upbeat view (see overleaf). However, 18-24yo's are both the most optimistic and have seen the biggest increase in price expectations over the last three months. Notably, 50-54yo's and 25-34yo's are slightly less upbeat – these age groups are key drivers of investor and first home buyer demand respectively. The only sub-group across all demographic breakdowns to report a decline in price expectations between October and January were those on incomes of \$71-90k pa.
- The continued bullishness on house prices is despite three interest rate rises from the RBA (and warnings of follow on moves) and the wind-down in the Government's first home buyer bonus scheme. Interestingly, the same survey has recorded a significant pull-back in responses to the question: "Is now a good time to buy a dwelling?". This suggests affordability is becoming more of an issue for potential buyers but has done little to restrain price expectations.

Matthew Hassan, Senior Economist, ph (61-2) 8254 2100

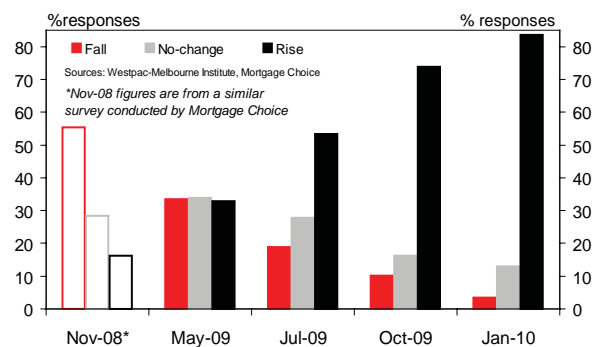
Consumer house price expectations – January 2010*

	% responses expecting:					net % exp rise	
	Rise >10%	0-10%	no change	0-10%	Fall >10%	Oct	Jan
Aus	21.4	62.3	13.0	2.6	0.8	63.7	80.3
NSW	22.0	62.3	13.2	2.0	0.5	54.9	81.8
Vic	28.8	58.7	9.6	1.7	1.2	68.4	84.5
Qld	16.5	63.5	14.7	4.0	1.3	66.3	74.7
SA	18.4	62.0	17.8	1.8	0.0	68.3	78.6
WA	16.5	68.4	10.6	4.1	0.4	71.2	80.4

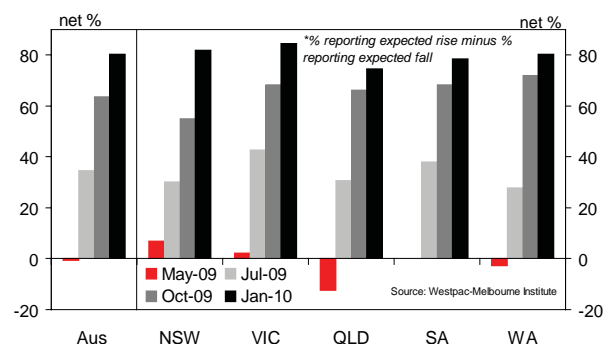
*Figures exclude those reporting "no opinion".

Source: Westpac-Melbourne Institute

Consumer expectations for house prices

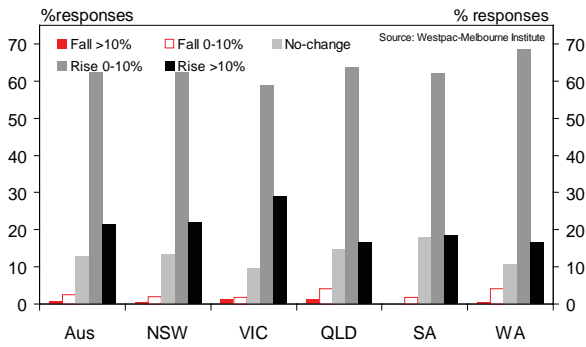


House price expectations by state

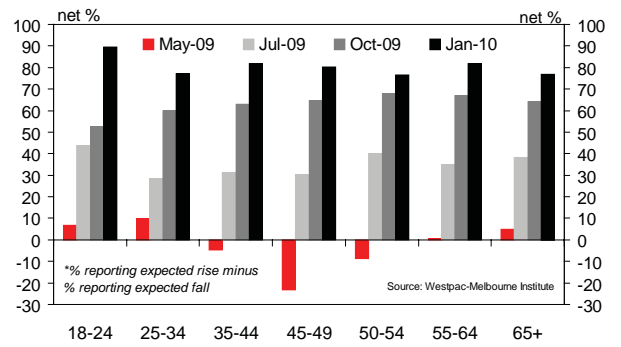


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Consumer expectations for house prices



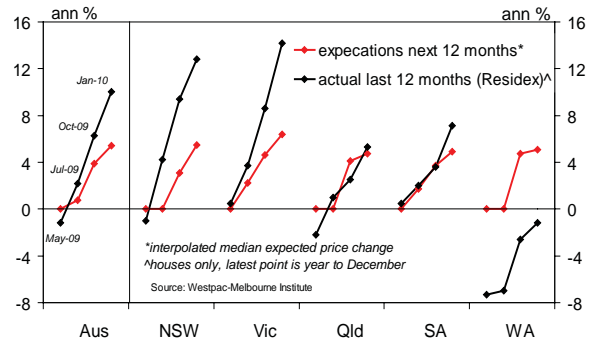
House price expectations by age group



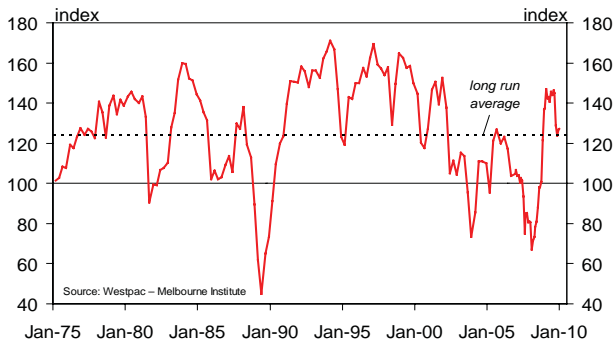
House price expectations: selected groups



House prices: average forecast vs actual



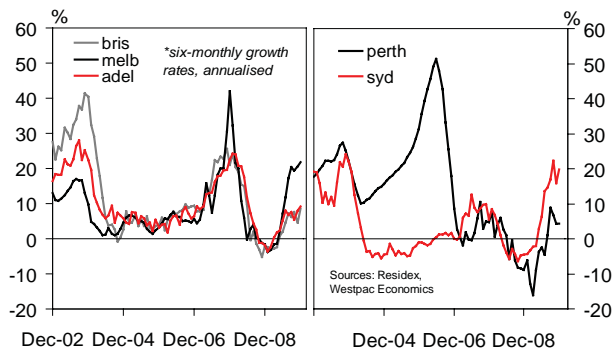
Westpac-MI CSI: 'time to buy a dwelling'



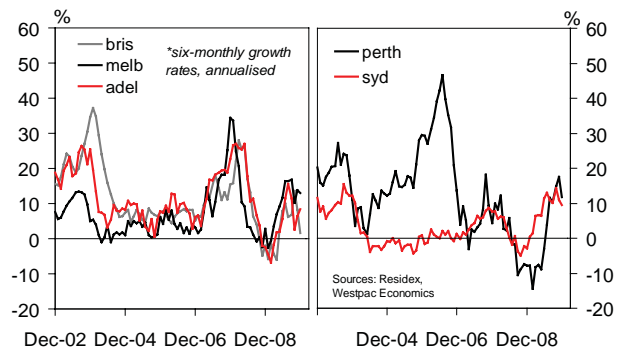
House price expectations vs 'time to buy'



House price growth



Unit price growth



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