

19 January 2012

More Australians expect a return to house price growth in 2012

First home buyer age-groups much more bullish than upgraders and investors

- The **Westpac-Melbourne Institute Consumer House Price Expectations Index** posted a strong rise in January, increasing 16.1pts from 9.0 in October to 25.1. This is the highest reading since April last year and the first gain since January 2010.
- While consumers have a more positive outlook for house prices in 2012, price gains are still not the majority view. Just under half (47.6%) expect prices to be higher in 12mths, 30% expect no change and the rest (22.5%) expect further price declines. That contrasts with the July 2009 to April 2011 period when an outright majority (>50%) expected prices to move higher. In November 2008 a similar survey by Mortgage Choice found an outright majority of consumers expected price declines.
- The mix shows lingering uncertainty around the house price outlook but a material improvement on 3mths ago when the split was: up 39%; steady 31%; and down 30%.
- The detailed breakdown gives some important insights. In particular, the age-group breakdown shows a much bigger rise in house price expectations in groups that drive first home buyer (FHB) demand. Well over half of those aged under 35 expect prices to rise in 2012. About two thirds of all FHBs are under 35 (the median age of FHBs is 32). In contrast, price expectations have seen more muted rises in age-groups that drive upgrader and investor demand (the median age of an upgrader is 45 and of housing investors is 48 although the latter is more evenly spread across age groups).
- State trends were also striking in January. All states recorded a rise in house price expectations but by far the biggest gains were in the resource states. Expectations have swung 180° in Qld from price pessimists dominating in October to optimists now outnumbering pessimists by two to one in January. Expectations also jumped sharply in WA, which was the only state to record an outright majority expecting house price gains in the year ahead. Vic consumers were much more subdued on the house price outlook with one in four still expecting price declines in the year ahead.
- The RBA's interest rate cuts in Nov-Dec appear to have driven a significant shift in consumer house price expectations. To date, the trajectory looks similar to that in 2008-09. However, there are some notable differences - the starting point for price expectations is firmer, the interest rate stimulus is less aggressive (mortgage rates fell more sharply and were much lower in 2008-09) and fiscal measures (FHB incentives in particular) are providing less support. The improvement is much more lopsided as well with younger age-groups and those in resource states leading the way. This suggests we may also see an uneven improvement in housing markets in 2012.

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

Consumer house price expectations – January 2012

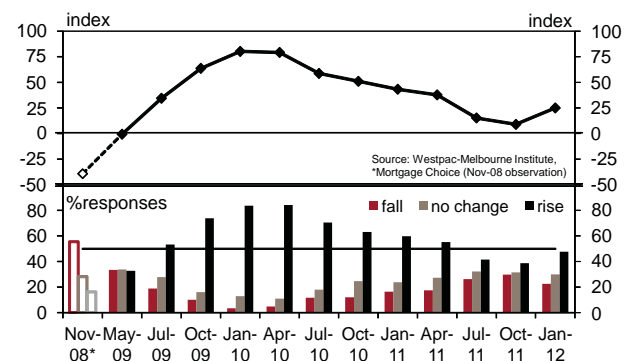
	% responses expecting:					House Price Expectation Index*	
	Rise >10%	0-10%	No change 0-10%	Fall >10%	Oct	Jan	
Aus	8.3	39.3	29.9	19.5	3.0	9.0	25.1
NSW	8.6	41.1	27.5	20.2	2.6	12.5	26.8
Vic	6.1	35.9	33.4	22.5	2.1	12.1	17.5
Qld	9.4	39.6	28.8	19.0	3.1	-9.8	27.0
SA	12.1	36.3	30.6	17.1	4.0	15.0	27.3
WA	10.1	41.2	30.2	13.9	4.6	10.1	32.7

*% expecting rise minus % expecting fall.

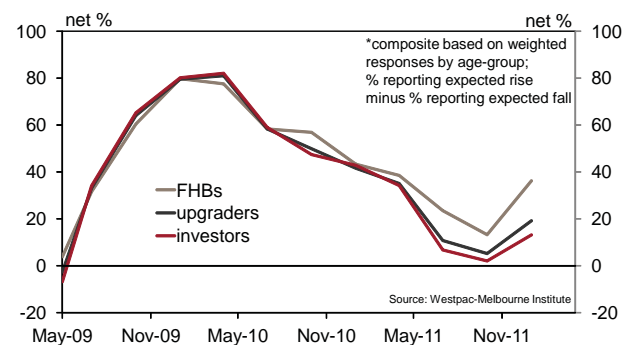
Figures exclude those reporting "no opinion".

Source: Westpac-Melbourne Institute

Consumer expectations for house prices

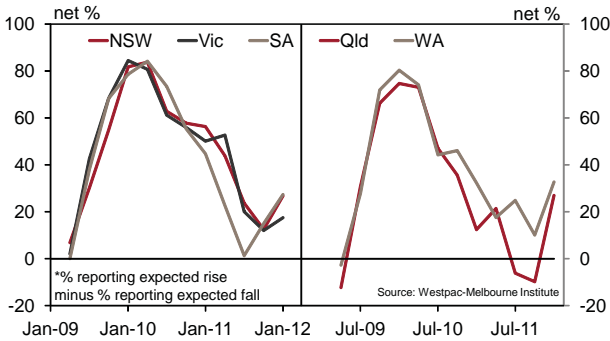


House price expectations by buyer*

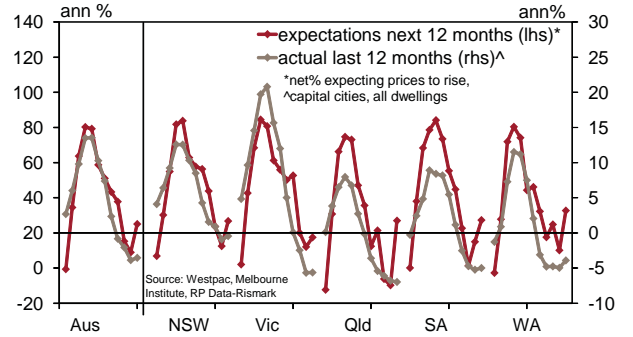


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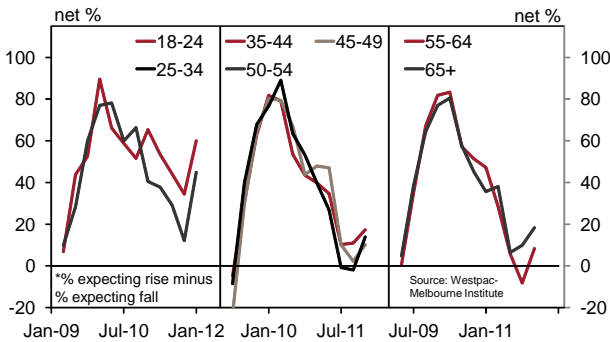
House price expectations by state



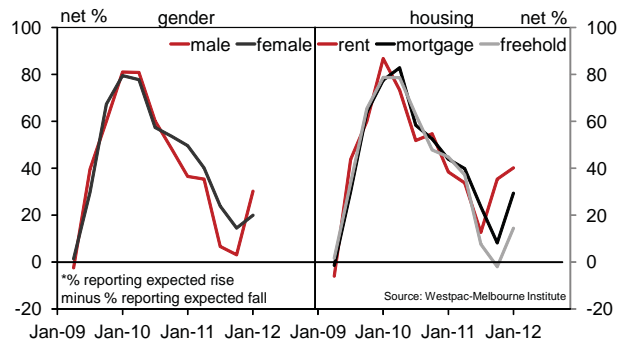
House prices: actual vs expected by state



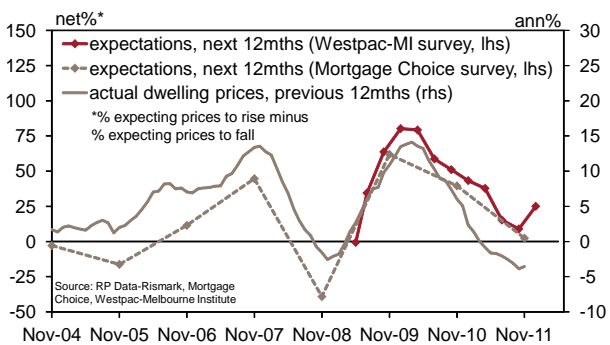
House price expectations by age group



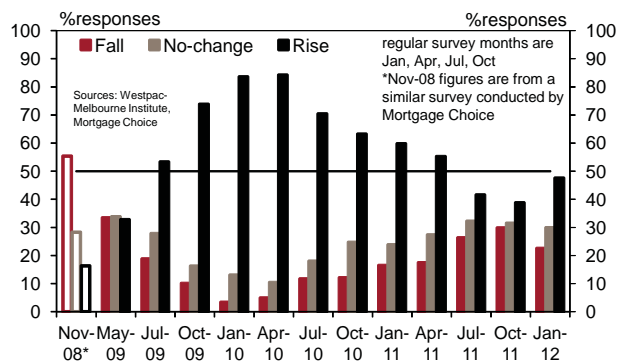
House price expectations: selected groups



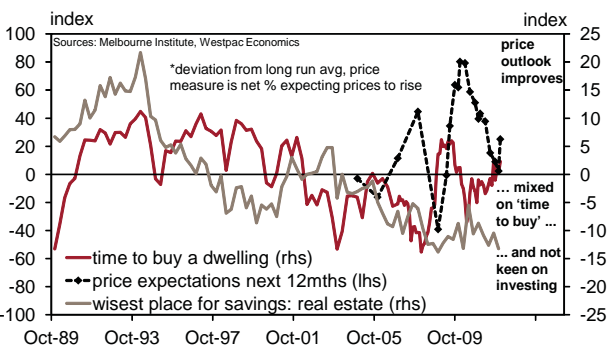
House prices, actual vs expected



Consumer expectations for house prices



Consumer sentiment: housing



Finance by borrower

