

# 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

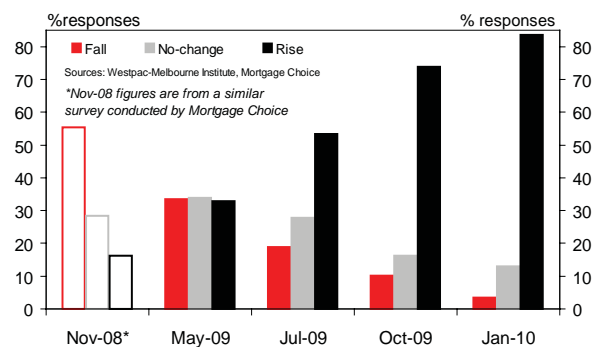
#### Consumer house price expectations – January 2010\*

	% 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

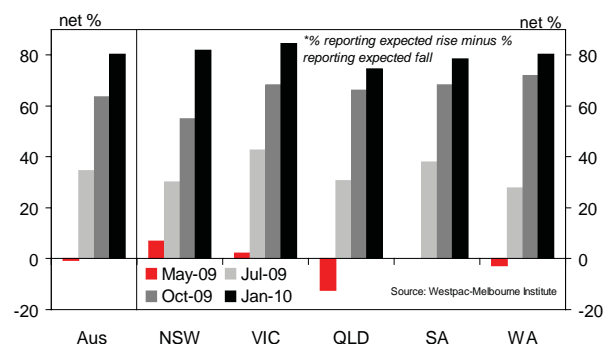
\*Figures exclude those reporting "no opinion".

Source: Westpac-Melbourne Institute

#### Consumer expectations for house prices

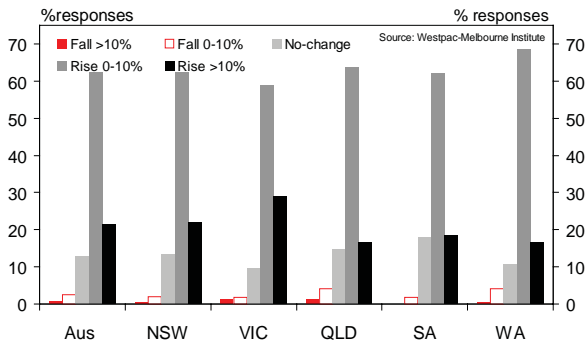


#### House price expectations by state

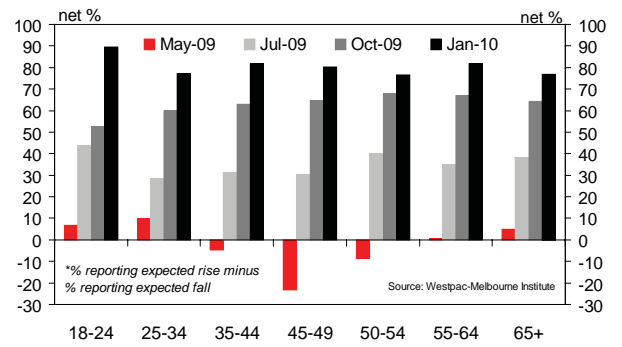


Westpac Institutional Bank is a division of Westpac Banking Corporation ABN 33 007 457 141. Information current as at date above. This information has been prepared without taking account of your objectives, financial situation or needs. Because of this you should, before acting on this information, consider its appropriateness, having regard to your objectives, financial situation or needs. Westpac's financial services guide can be obtained by calling 132 032, visiting [www.westpac.com.au](http://www.westpac.com.au) or visiting any Westpac Branch. The information may contain material provided directly by third parties, and while such material is published with permission, Westpac accepts no responsibility for the accuracy or completeness of any such material. Except where contrary to law, Westpac intends by this notice to exclude liability for the information. The information is subject to change without notice and Westpac is under no obligation to update the information or correct any inaccuracy which may become apparent at a later date. Westpac Banking Corporation is registered in England as a branch (branch number BR000106) and is authorised and regulated by The Financial Services Authority. Westpac Europe Limited is a company registered in England (number 05660023) and is authorised and regulated by The Financial Services Authority. If you wish to be removed from our e-mail, fax or mailing list please send an e-mail to [economics@westpac.com.au](mailto:economics@westpac.com.au) or fax us on +61 2 8254 6934 or write to Westpac Economics at Level 2, 275 Kent Street, Sydney NSW 2000. Please state your full name, telephone/fax number and company details on all correspondence. © 2010 Westpac Banking Corporation. Past performance is not a reliable indicator of future performance. The forecasts given in this document are predictive in character. Whilst every effort has been taken to ensure that the assumptions on which the forecasts are based are reasonable, the forecasts may be affected by incorrect assumptions or by known or unknown risks and uncertainties. The ultimate outcomes may differ substantially from these forecasts.

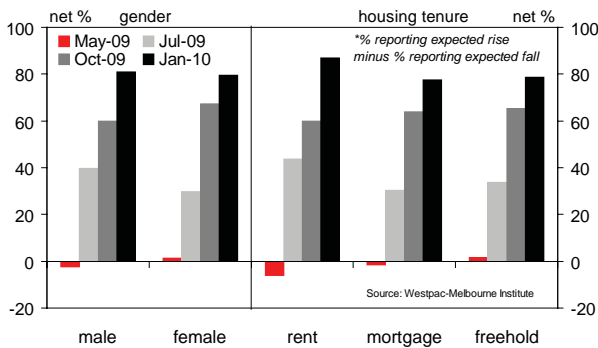
### Consumer expectations for house prices



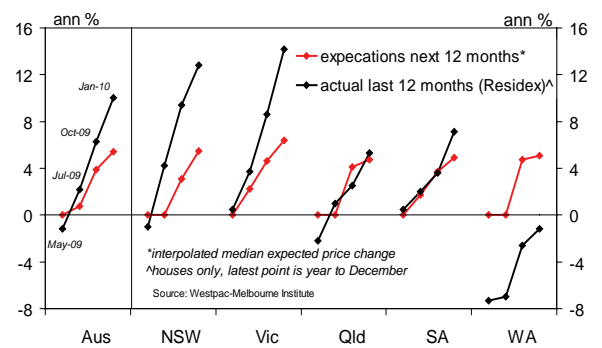
### House price expectations by age group



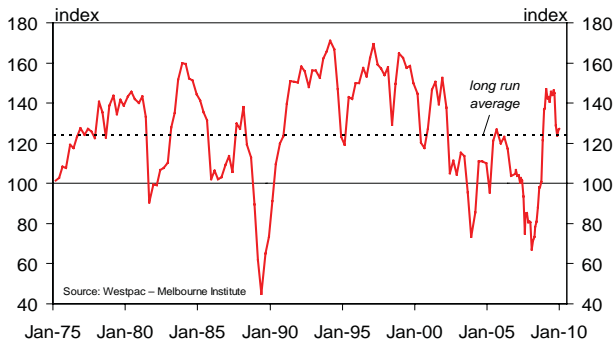
### House price expectations: selected groups



### House prices: average forecast vs actual



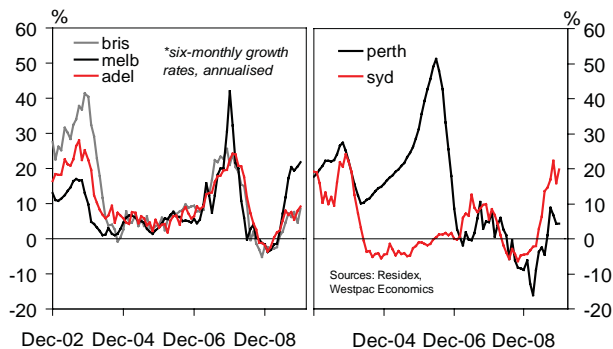
### Westpac-MI CSI: 'time to buy a dwelling'



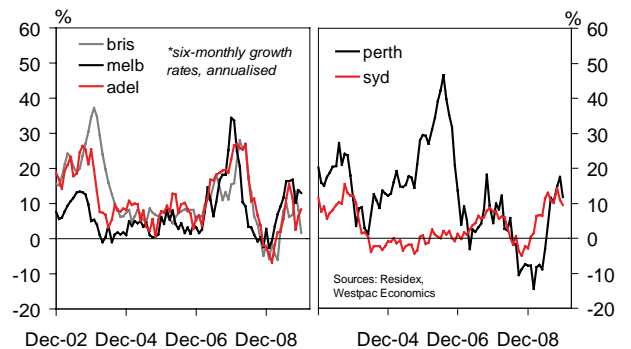
### House price expectations vs 'time to buy'



### House price growth



### Unit price growth



Past performance is not a reliable indicator of future performance. The forecasts given above are predictive in character. Whilst every effort has been taken to ensure that the assumptions on which the forecasts are based are reasonable, the forecasts may be affected by incorrect assumptions or by known or unknown risks and uncertainties. The results ultimately achieved may differ substantially from these forecasts.