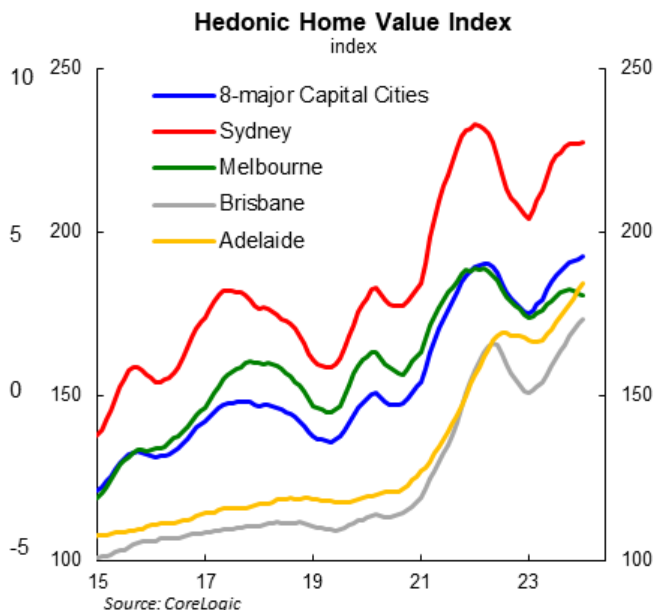
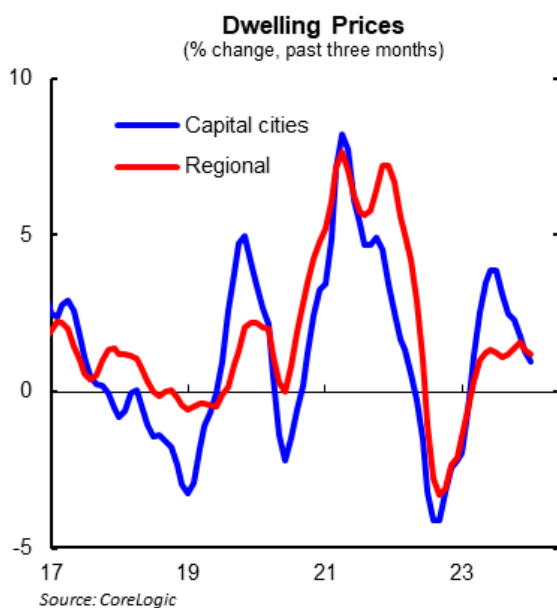


## Housing Market Update

### Two Speed Market Weighs on Growth

- Dwelling prices rose 0.4% in January 2024, in line with the average monthly growth rate recorded over the December quarter, but lower than the average monthly growth of 0.7% recorded over the September quarter.
- The moderation in growth reflects the two-speed housing market – in cities where supply remains constrained, such as Perth, Adelaide and Brisbane, growth in house prices show little sign of moderating. In cities where increased listings are testing demand, such as Melbourne, Hobart, and Canberra, prices declined in January.
- The key question going forward is whether supply will increase and outstrip demand, particularly in those markets where listings remain low. Overall, we expect demand, supported by the record growth in the population, to largely absorb higher supply, but it could get bumpy month to month the longer rates remain at the current restrictive level.
- A meaningful supply response is needed to accommodate the record population growth. Building approvals continue to be subdued, currently sitting at around 25% lower than the ten-year average. This suggests that the supply response is likely to be way off and that the housing market will remain tight.
- The number of dwellings approved fell 9.5% in December, after a slight rise of 0.3% in November. The fall in December reflected a 22.4% fall in multi density dwellings, which were largely recorded in Victoria and South Australia.



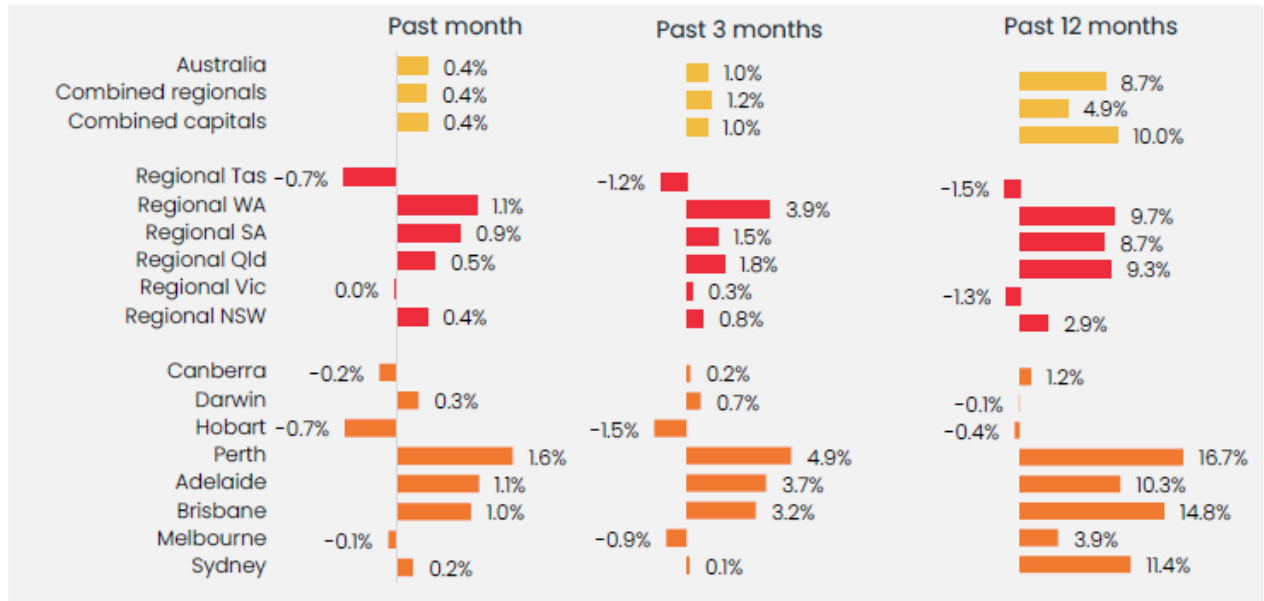
### Dwelling Prices

Since bottoming out in January 2023, national dwelling prices are up 8.7%. This more than fully offs the 7.5% fall recorded over the nine months following the RBA’s first-rate hike, leaving dwelling prices at a record high.

Despite this impressive recovery, price growth is now clearly moderating. This reflects the two-speed housing market – in parts of the country where advertised supply and demand are in better balance, we have seen price growth moderate or even fall. Where there continues to be undersupply, price growth is powering ahead with little signs of moderation.

In addition, regional markets are becoming more attractive given their relative affordability advantage and are now recording stronger growth relative to the capital cities.

Change in dwelling values to end of January 2024



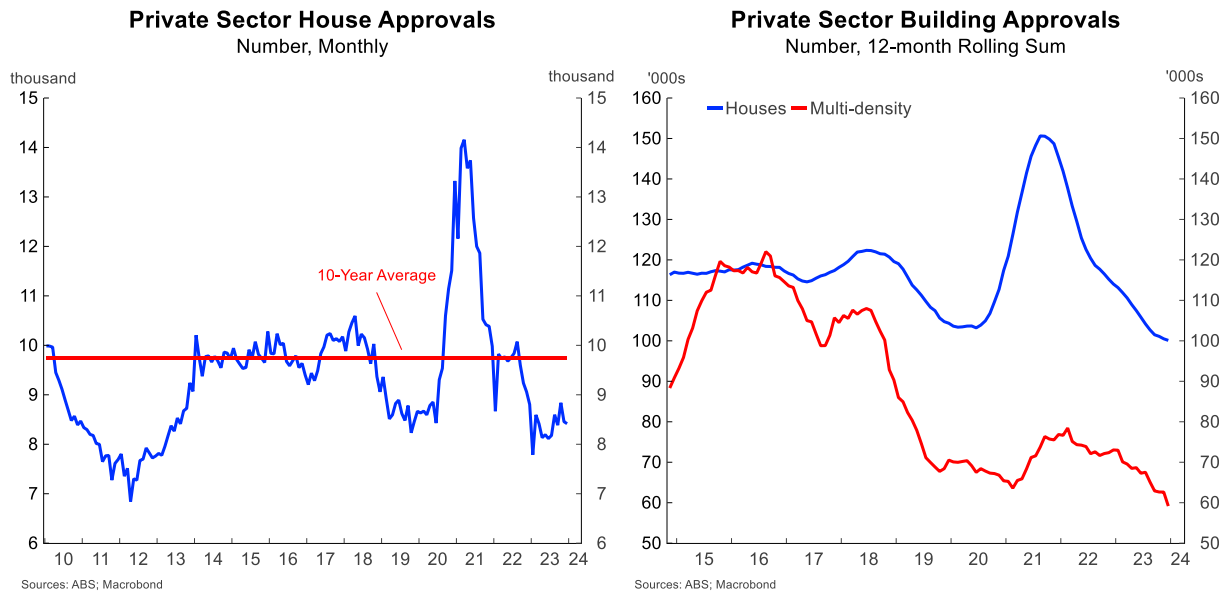
In the near-term the volume of advertised supply will drive price dynamics. So far, the market has easily soaked up an increase in supply. This is reflected in the total stock of listings, which remains around 13% below the 5-year average despite a meaningful rise in new listings.



## Building Approvals

Building approvals remain subdued. The number of dwellings approved fell 9.5% in December, after a 0.3% rise in November. Approvals are almost 25% lower than the average over the past ten years, with weakness evident across both houses and multi density dwellings.

The fall in December reflected a 22.4% fall in multi density dwellings, with the total number of detached houses approved edging lower by 0.6% over the month of December.



At a national level, private sector house approvals declined across most states except for Victoria and Western Australia. Multi-density approvals were volatile, as Victoria and South Australia reported large falls, while Western Australia, Queensland and NSW recorded gains.

State	Residential Building Approvals by State								
	Total			Private Sector Houses			Private Sector Other		
	Number	Monthly Chg. %	Annual Chg. %	Number	Monthly Chg. %	Annual Chg. %	Number	Monthly Chg. %	Annual Chg. %
NSW	3,458	2.0	-37.4	1,765	-2.6	-15.3	1,581	3.9	-53.0
VIC	4,075	-18.4	-30.2	2,867	1.2	1.4	1,197	-44.1	-53.0
QLD	2,727	8.2	-5.0	1,666	-0.4	-4.5	953	13.9	-15.1
SA	841	-11.8	-9.2	717	-5.3	-4.5	122	-31.8	-21.8
WA	1,325	7.9	16.0	1,125	2.2	4.9	118	28.3	103.4
<b>AUS</b>	<b>13,085</b>	<b>-9.5</b>	<b>-24.0</b>	<b>8,416</b>	<b>-0.5</b>	<b>2.2</b>	<b>4,354</b>	<b>-25.3</b>	<b>11.7</b>

## Outlook

The key question going forward is whether supply will continue to increase, particularly in those markets where listings remain low.

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, supported by the record growth in the population, and in the second half of the year, tax cuts and a lower cash rate, to largely absorb higher 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.

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