

# CBA doubles property price target for 2020

Nov 18, 2019

CBA has revised up its residential price targets for 2020, citing the phenomenal rebound in housing demand in Sydney and Melbourne over the past four months.

The bank is now forecasting the national dwelling price to rise by 6.1 per cent by the end of 2020 - about twice the amount it was predicting back in July.



CBA expects national home prices to rise by 6.1 per cent in 2020. **Louie Douvis**

[Sydney and Melbourne are expected to outperform the national average](#), with prices climbing by 7 per cent and 8 per cent, respectively, underpinned by strong population growth and low unemployment.

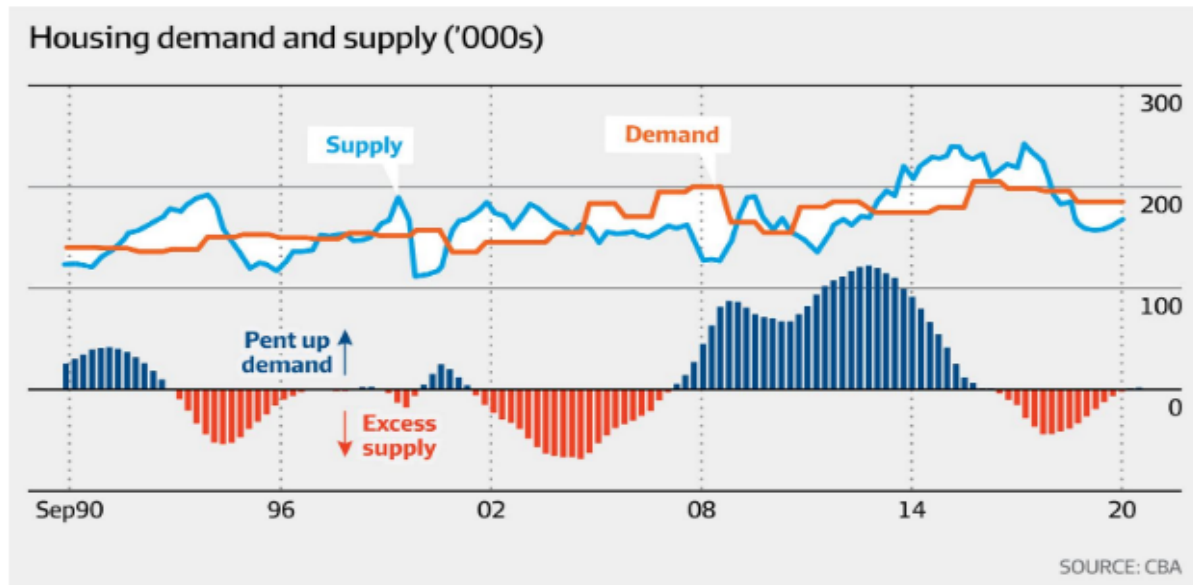
Brisbane and Canberra home prices are set to grow by 4 per cent, Adelaide and Hobart by 3 per cent.

Perth prices are also expected to rise, albeit a modest 2.5 per cent, after recording price falls over the past five years.

In July, CBA was expecting national dwelling prices to rise by just 3 per cent, Sydney by 3.8 per cent and Melbourne by 3.1 per cent.

"Our initial dwelling price targets were achieved early," said CBA senior economist Gareth Aird.

"The rebound in demand has been phenomenal, particularly in Sydney and Melbourne.



"Momentum in the property market is strong and leading indicators point to solid price rises continuing."

Mr Aird said they were not expecting a V-shaped recovery in prices back in July due to the lingering credit restrictions, concerns about excess housing stock and weak buyer sentiment following the recent downturn.

Since then, national dwelling prices have risen strongly. CoreLogic data showed a 1.4 per cent increase in October, 1 per cent in September and 1 per cent in August.

Auction clearance rates are currently sitting at 70.6 per cent and the flow of credit has picked up markedly.

## Credit surge

Australian Bureau of Statistics data shows that housing credit has surged by 52 per cent over the four months to September.

"We believe the single biggest factor driving the lift in demand is the cumulative 75 basis points of RBA interest rate cuts since June which have resulted in a fall in mortgage rates to both owner-occupiers and investors," Mr Aird said.

"The price expectations and home buyer intentions have spiked.

"It looks like an element of FOMO [fear of missing out] has returned to the market. As a result, our original price targets have been achieved sooner than expected."

## Construction pressures

Pressure on prices are set to escalate as [building construction continues to decline](#).

The Housing Industry Association is forecasting the new detached home market will fall by 8.57 per cent to 102,126 in 2019-20.

Tim Reardon, HIA chief economist, said apartment commencements are likely to pause until those apartments that are currently under construction are completed and occupied.

"The punitive rates of stamp duty applied to foreign investors will also limit their involvement in the market and will see some projects not proceed to construction," he said.

"As a consequence, the next wave of apartment commencements remains some way off in Sydney and Melbourne."

Source : <https://www.afr.com/property/residential/cba-doubles-property-price-target-for-2020-20191115-p53ayo>