

Westpac now forecast 20 per cent dwelling price gains over next two years

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Having previously forecasted four per cent gains in 2021 in September, Westpac economists have lifted their forecast for dwelling prices and are now expecting 10 per cent gains in both 2021 and 2022.

Westpac chief economist Bill Evans and senior economist Matthew Hassan's expectation is the market will flatten in 2023 as rising fixed-term interest rates combine with prudential measures aimed at reining in the associated lift in leverage.

"These headwinds are not expected to emerge until 2022 with prudential measures likely to be timed for the second half of 2022," Evans and Hassan suggest.

The forecast has Perth leading the way in 2021 with 12 per cent gains, followed by Sydney, Brisbane and Adelaide at 10 per cent. Hobart and Melbourne are predicted to see eight per cent gains, with the latter jumping to 10 per cent over 2022.

They say the September forecast of four per cent gains in 2021 was "considered bold", given Victoria was still in lock down.

Dwelling prices: forecast

	avg*	2018	2019	2020	2021f	2022f
Sydney	5.1	-8.9	5.3	2.7	10	10
Melbourne	3.7	-7.0	5.3	-1.3	8	10
Brisbane	1.7	0.2	0.3	3.6	10	10
Perth	-1	-4.7	-6.8	1.9	12	8
Adelaide	1.9	1.3	-0.2	5.9	10	8
Hobart	3.9	8.7	3.9	6.1	8	6
Australia	3.5	-6.4	3.1	1.8	10	10

All dwellings, Australia is five major capital cities combined measure; *10yr avg
Source: CoreLogic, Westpac Economics.

"The forecast for 2021 incorporated ongoing COVID-related headwinds – particularly around the end of temporary loan repayment deferrals and the impact of closed international borders on migrant inflows," Evans and Hassan continued.

"These headwinds and uncertainties around the pace of reopening and risks of further virus outbreaks were expected to restrain price gains through the first half of 2021.

"However, the last four months have seen a faster and stronger than expected turnaround, particularly in markets that will see little or no effects from these headwinds. Even in those that are more exposed, demand is looking materially stronger than expected back in September, suggesting momentum will be better sustained.

Evans and Hassan says the upturn is being supported by record low interest rates; the confident expectation amongst borrowers that these rates will remain low for years to come; ample credit supply; and an improving economic backdrop, as the roll-out of vaccines promises to bring the pandemic to an end and drives a sustained lift in confidence.

Source : https://www.urban.com.au/expert-insights/buying/westpac-now-forecast-20-percent-dwelling-price-gains-over-next-two-years?utm_source=vero&utm_medium=email&utm_content=control&utm_campaign=Feb%2023%20VIC%20market%20update&utm_term=Newsletter&vero_conv=StxA