



# WHAT HAPPENS WHEN A NASCENT HOUSING BOOM MEETS A MORTGAGE CLIFF

## Agenda:

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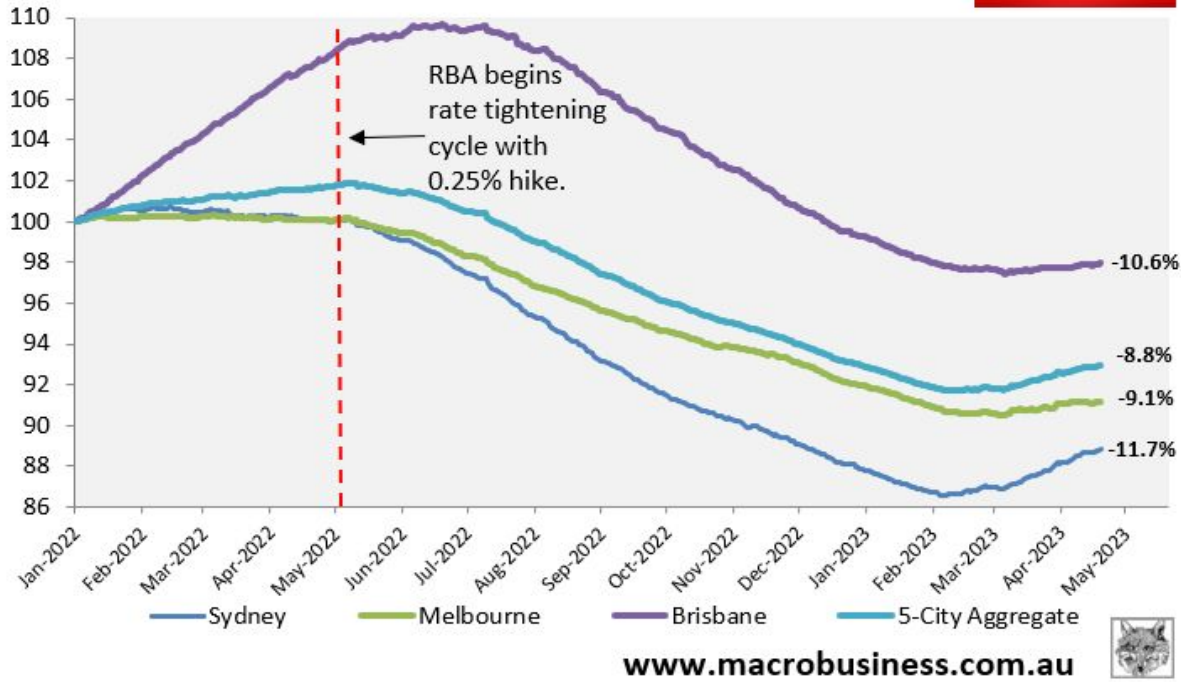
- Prices rebounding
- Interest rates already falling??
- Mortgage cliff impact biggest unknown

# House prices rebounding

## Australian dwelling values index



Source: CoreLogic



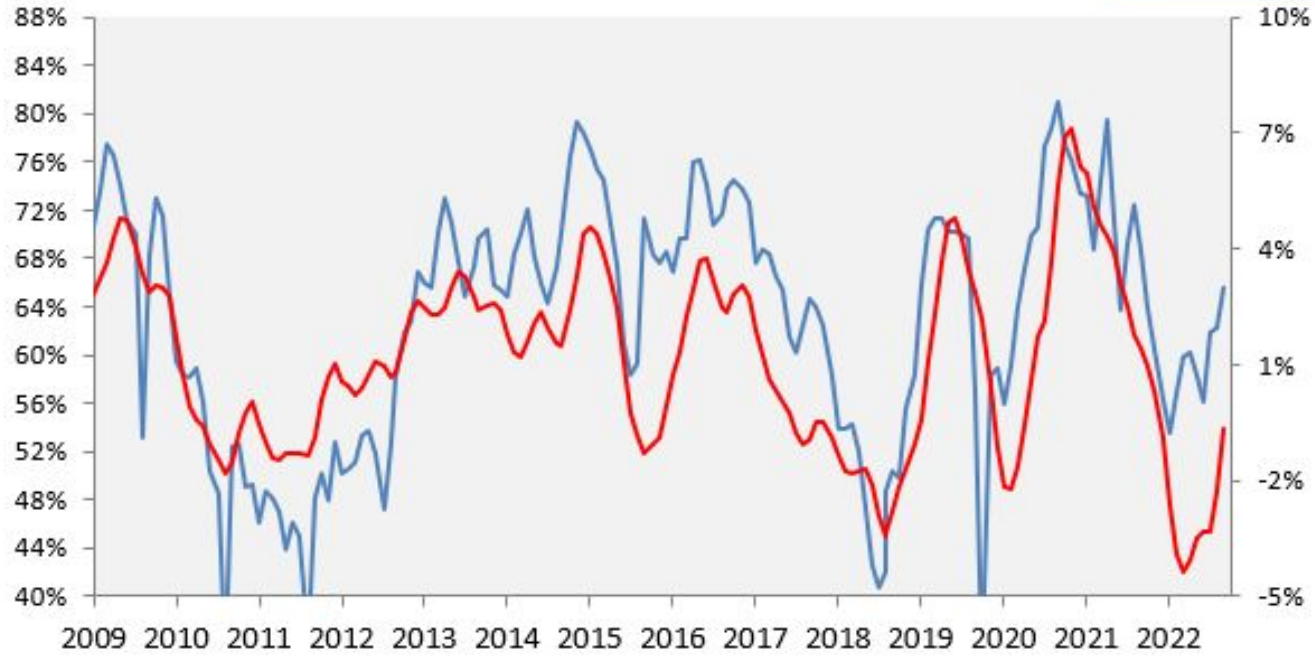
- CoreLogic's daily dwelling values index has rebounded by 1.4% since bottoming on 7 February.
- Sydney has driven the rebound (+2.6%).

# Auction clearances have rebounded

## Capital City Auction Clearance Rate vs Price Growth



Source: CoreLogic



— Auction Clearance Rate (LHS)

— Quarterly Price Growth (RHS)





# Interest rates have... fallen?

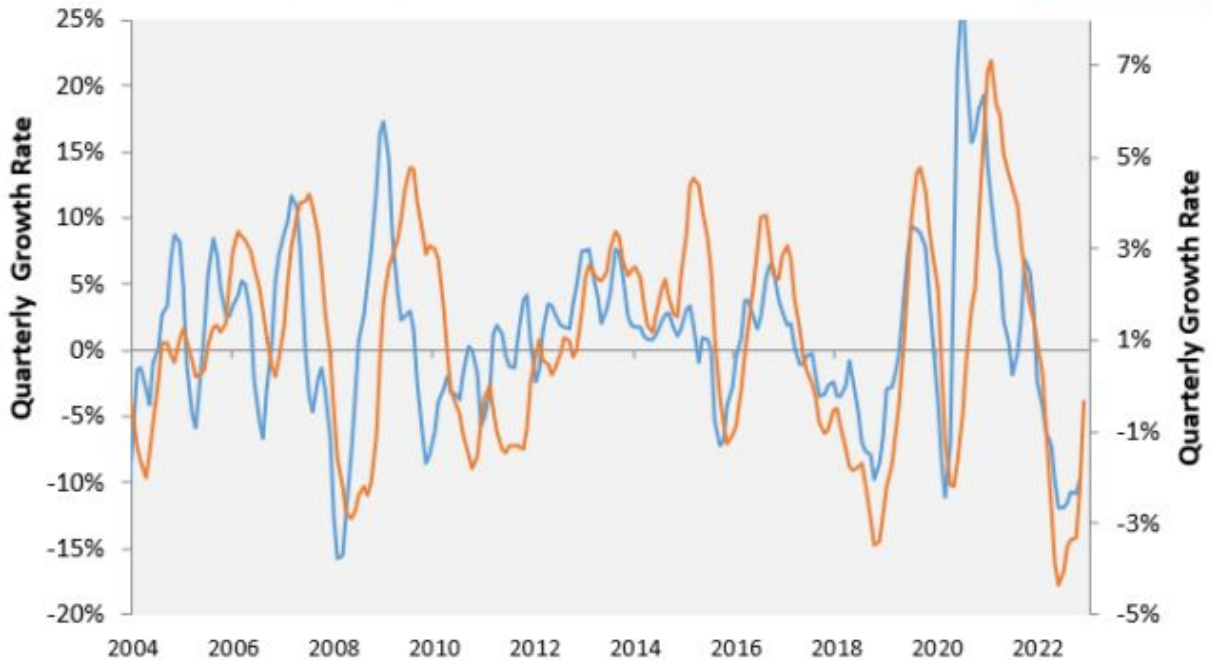


Source: RBA, Nucleus Wealth

# New mortgage growth is rebounding (but still weak)

## Australian New Mortgages vs 5-City Dwelling Price Growth

Sources: ABS; Core Logic



— New Mortgage Commitments (LHS) — Dwelling Price Growth (RHS)



# House price expectations rising





# Mortgage Cliff arriving

**Exhibit 5:** Fixed rate maturities accelerate noticeably in 2Q23



Source: RBA, Morgan Stanley Research

## Viewer question of the week:

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**Has the housing bust got further to go or are we in for another boom?**

**Drop your answers in the comments**

# House price outlook strong for 2024

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- The RBA will likely cut interest rates late this year, which will increase borrowing capacity and mortgage demand.
- APRA will likely follow by cutting its mortgage serviceability buffer from 3%, which will further increase borrowing capacity and demand.
- Record immigration will increase housing demand, both to buy and rent.
- Housing construction will fall, owing to builder collapses and ongoing materials price increases.
- The rental market will tighten further, prompting more people to purchase.
- Foreign buyer demand is rising, led by China.
- Impact of mortgage cliff/bankruptcies is the biggest unknown, could knock it off kilter

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