For immediate release
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Property prices to rise in 2016, but don't count on a rate cut for Christmas

- All 33 experts in finder.com.au Reserve Bank Survey expect no change to cash rate on Tuesday
- However, recent variable rate hikes expected to put a dampener on Christmas spending
- 2016 outlook: mixed results for demand but more expensive property prices ahead

November 26, 2015, Sydney, Australia – Those hoping for an early Christmas present in the form of a cash rate cut will be disappointed with the likely outcome of Tuesday's (1 December, 2015) Reserve Bank meeting, with leading experts and economists unanimous in expecting the cash rate will remain on hold at 2 percent, according to one of Australia's leading comparison websites, finder.com.au[1].

All 33 experts and economists in the finder.com.au Reserve Bank Survey, the biggest of its kind in Australia, believe there will be no change to the cash rate, with most of the panel citing an improving economy as the likely factor behind the RBA's decision to keep the cash rate on hold.

However, Australians may not have to wait too long for a rate cut, with 15 percent of experts (five of 33) predicting a rate drop in February, the first Reserve Bank meeting of 2016 – Shane Oliver, AMP Capital; Richard Robinson, BIS Shrapnel; Paul Bloxham, HSBC; Matthew Peter QIC; and Noel Whittaker, QUT.

Bessie Hassan, Consumer Advocate at finder.com.au, says that, despite recent movements within the home loan market, an official cash rate rise is unlikely in the near future.

"While recent out of cycle rate hikes by 13 lenders came into effect last week (20 November, 2015), the official cash rate is expected to stay put for the time being, with almost three in five experts surveyed (58 percent) believing the cash rate will not rise

[1] Experian Hitwise since 2013

for at least the next 12 months.

“These recent rate increases will, however, put a dampener on Christmas shopping according to one in four (26 percent) of the experts surveyed, who say the busiest spending season of the year will be affected by the rate hikes.”

Experts were divided when it came to the future behaviour of house prices; while almost three in five experts (58 percent) are predicting property prices to rise in 2016, 29 percent believe prices will drop next year.

Interestingly, 38 percent of experts predict a decrease in demand for residential property in 2016, while 34 percent predict an increase in demand.

Almost half of these experts (45 percent) are also expecting rents to rise next year, while 42 percent say rents will remain the same and 13 percent think the rental market could lose steam with rents to fall.

“This indicates that, regardless of demand, property prices as well as rent are expected to rise in value in 2016, which is great news for property owners but less so for those looking to break into the ever-competitive market,” says Ms Hassan.

“The message here is, it’s not expected to get any easier, which is why it’s more important than ever to make sure you do your homework when it comes to researching home loans. Jump online and compare interest rates and product offerings, and get a pre-approval to put yourself in the best position to become a property owner in 2016.”

What our experts had to say in the finder.com.au Monthly Reserve Bank Survey:

Melissa Browne, A+TA: "I don't believe there's a case to cut rates at present and certainly no reason to move them upwards."
Shane Oliver, AMP Capital: "Reserve Bank has continued to express comfort with current levels in view of the rebalancing of the economy. Strong October jobs data have likely reinforced this.", "While I checked "house prices may keep rising" in question 6, I expect their rate of increase to slow significantly."
Garry Shilson-Josling, Australian Associated Press: "There is enough evidence that the long-awaited 'rebalancing' is under way for the RBA to sit back and wait.", "The RBA will be looking closely at the employment figures (released November 12). Most likely it will conclude that the labour market really is strengthening, and that while the big rise in employment in October rise incorporated some 'catch-up' from a suspiciously weak September figure, jobs growth may be trending now around 25,000 a month, up from about 16,000 a month over the year to June and 5,000 a month over the previous 12 months."
Peter Munckton, Bank of Queensland: "The RBA is comfortable with the current level of interest rates"
Steven Pambris, Bank Of Sydney: "Will need to refrain at this point as unemployment figures are showing signs of improvement, so will need to hold."
Richard Robinson, BIS Shrapnel: "Strong employment data in Oct and consumer confidence in Nov means they can wait."

Chris Caton, BTFG: "No reason to change."
Michael Blythe, CBA: "Economy does not need any additional stimulus."
Savanth Sebastian, Commsec: "Comfortable about how the economy is evolving. Lower inflation forecasts opens the door for a further rate cut but RBA in wait and see mode."
Dr Andrew Wilson, Domain.com.au: "Better unemployment data, better stockmarket, waiting for US decision on interest rates."
Mark Brimble, Griffith University: "Bias remains to the downward movement, however insufficient support for a move at this stage. The equity markets are recovering, property remains buoyant, employment is holding... essentially it is a bit of a wait and see as the economy is delicately balanced."
Paul Williams, Heritage Bank: "Reserve Bank seems comfortable to adopt a wait and see approach to interest rates for the time being."
Shane Garrett, HIA: "Stronger employment numbers and modest inflation."
Paul Bloxham, HSBC: “We’re seeing rates hold at 2% [in December].”
Michael Witts, ING Bank: "The economy is heading in the right direction in terms of what the Reserve Bank is expecting. The recent labour force data means that the Reserve Bank will be on the sidelines for an extended period."
Stephen Koukoulas, Market Economics: "Earlier rate cuts and the low Aussie dollar is filtering into a pickup in economic activity. Further rate cuts are simply not needed.", "The economy is ending 2015 on a more positive note and while conditions globally are fragile, the prospects for the Australian economy to register 3% real GDP growth seem strong."
Peter Jones, Master Builders: "There is sufficient stimulus."
John Caelli, ME: "The Reserve Bank will keep the powder dry until they see very clear signs of the need to stimulate the economy. Stronger than expected employment data mean there is no compelling reason to cut rates in December."
Mark Crosby, Melbourne Business School: "No pressure to raise and with Fed likely to raise no reason to cut either.", "Property market pressures are likely to be localised. still strength in Sydney but weakness in Melbourne high rise."
Katrina Ell, Moody's Analytics: "The Reserve Bank seems comfortable on the sidelines with domestic demand gradually on the mend and the lower Australian dollar starting to do the heavy lifting getting the economy back on track."
Jessica Darnbrough, Mortgage Choice: "Consumer sentiment is currently sitting at it highest level since January 2014. Similarly, business conditions remain relatively robust, giving the Reserve Bank no immediate reason to change the current monetary policy setting."
Chris Schade, MyState Bank: "Conditions in the economy do not presently warrant a rate cut and indeed we've seen some promising signs of improvement recently. Whilst there are some risks to the downside in CY 2016, particularly in the back half, our read is the most likely scenario is that we have reached the bottom and the cash hold will remain on hold for most if not all of CY 2016."
Saul Eslake, independent economist : "Data released since the last meeting has further reduced the perceived need for providing further monetary policy stimulus to domestic demand."
Alan Oster, NAB: "Economy improving."
Peter Boehm, onthehouse.com.au: "There does not appear to be a pressing need to drop rates further. A steady as she goes approach would appear to be the prudent way to go to close out 2015. The housing market, inflation, unemployment, the Australian dollar’s exchange rate and the economic and business outlook all seem reasonably positive and a further rate reduction would be unlikely to yield much benefit and leave the Reserve Bank very little room to move if, in the unlikely event, it was deemed necessary to reduce rates further next year."
Linda Phillips, Propell Ltd A JLL Company: "The Reserve Bank must be comfortable with the exchange rate around US$0.71. House price rises in Sydney are slowing, which will be regarded as welcome, but growth is accelerating in Melbourne. While the global outlook is uncertain, it is expected that the Fed will soon start increasing US rates, which will limit the capacity for the Reserve Bank to move on the downside. Some domestic indicators such as unemployment are improving, and the Reserve Bank is

reporting a somewhat better outlook. While the markets would like to see rates fall 25bp to offset the mortgage price hikes by the banks last month, on the whole it is likely that the Reserve Bank will be comfortable in waiting until February before making any decision to change rates… The level of volatility in global markets, problems of debt management in developing countries, the threat of expansion of the wars against IS, and uncertainty within the Euro-zone, the latest concern being Portugal, have the potential to upset the base case outlook of a slow but steady improvement in the economy. The risk of "black swan events" is rising, and volatility is likely to remain high."

Jonathan Chancellor, Property Observer: "It is timely to wait and see."

Matthew Peter, QIC: "Having not moved in November, the Reserve Bank will sit and wait for global and domestic developments. A February rate cut is still an option if global conditions deteriorate (especially if the Fed delays lift off)."

Noel Whittaker, QUT: "Mixed economic indicators. With mixed signals in the economy, I think the Reserve Bank is likely to sit pat."

Janu Chan, St.George Bank: "The Reserve Bank is encouraged by signs that the economy will continue to improve so it sees little need at this point to lower rates any further. "Housing market is still likely to face mixed conditions across the country."

Scott Haslem, UBS: "We recently (briefly) flirted with the notion the Reserve Bank could ease again, largely to offset regulatory-driven out-of-cycle hikes by banks. While Reserve Bank's Stevens recently assessed those moves to be worth about half a 25bp hike, it seems given recent better domestic data, including business/consumer confidence and solid jobs trends, the Reserve Bank sees the economy as able to 'cope' with that half-a-hike."

Nicki Hutley, Urbis: "On balance, monetary policy is sufficiently easy to continue to stimulate growth."

Bill Evans, Westpac: "Commentary on the labour market remains positive. Lead indicators such as job vacancies and advertisements continue to point to a lift in employment while there has been a "noticeable increase in the participation rate". However these offsetting factors mean that the unemployment rate will not fall "for more than a year" before declining gradually."

Please note: the above respondents are ordered alphabetically by name of organisation.

Disclaimer: the comments, forecasts, projections and other predictive statements by the panel of experts are assumptions based on currently available information. These forecasts are based on industry trends and economic factors that involve risks, variables and uncertainties. No guarantee is presented or implied as to the accuracy of these forecasts and consumers are advised to read product disclosure statements and understand if financial products are right for them before signing up.

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