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## HOUSE PRICE GROWTH SLOWS IN LATE 2006

The price of established homes have risen across Australia, except in Sydney, but the rate of growth is not as fast.

Today's official numbers from the Australian Bureau of Statistics confirm declining housing affordability. Established house prices rose by 2.2 per cent across Australia in the December 2006 quarter to an average annual growth rate of 8.3 per cent. This is slower than the 9.5 per cent annual pace of the previous quarter.

Growth in new home (minus land) prices was more subdued, up by 0.6 per cent over the December quarter, and 2.4 per cent annually – less than the rate of inflation.

Australia's peak building industry body, HIA, stated that house price growth would be slower in 2007 following last years rate rises, within which the resource boomers of Perth and Darwin would still experience strong gains.

HIA's Chief Economist, Mr Harley Dale said that while slightly less pressure on house price growth would be some small comfort to budding first home buyers, it would not prevent housing affordability remaining at critical lows.

"Last years rate rises shouldn't be followed by more this year and house price growth will probably be slower this year than last. However, as we saw only a few years ago (in 2004) that situation doesn't solve the housing affordability crisis," Mr Dale said.

"Meanwhile, for new house prices today's update demonstrates how price pressures within new home construction remain well contained. At the same time however, the seemingly endless rise in land prices continues," Mr Dale said.

- In Canberra the established house price index rose by 1.7 per cent over the quarter to an annual growth rate of 9.2 per cent. New home prices (minus land) rose by 0.7 per cent over the quarter to be 3.2 per cent higher over the 12 months to December 2006.
- In Sydney the established house price index was down slightly, 1.0 per cent lower over the December quarter, and remained flat over the 12 months to December 2006. New home prices (minus land) fell marginally, by 0.3 per cent over the quarter and was flat over the 12 months to December 2006.
- Established house prices in Melbourne were up by 1.5 per cent over the December 2006 quarter, and 8.1 per cent annually. New home prices (minus land) were up by 1.5 over the quarter but were down 0.5 per cent annually.
- Brisbane's established house price index rose 3.0 per cent in the December quarter and 7.1 per cent annually. New home prices (minus land) were also up, rising 0.6 per cent in the December quarter and 2.2 per cent annually.
- Adelaide's established house price index rose 2.6 per cent over the December quarter, and 6.4 per cent annually. The new home (minus land) index remained flat over the quarter, but had 2.1 per cent growth annually.
- In Perth the established house price was up by 1.7 per cent over the December 2006 quarter, and a significant 36.9 per cent over the year. New home prices (minus land) are up by 0.9 per cent over the quarter, and 12.1 per cent annually.
- Hobart's established house price index rose by a marginal 0.2 per cent over the quarter, and is up 7.1 per cent when compared to the December 2005 quarter. The new house price (minus land) index was flat over the quarter, and 3.2 per cent higher annually.
- Established house prices in Darwin rose by 3.0 per cent over the December quarter, and are 17.6 per cent higher in an annual sense. New home (minus land) prices are up by 4.2 per cent over the quarter, and 15.8 per cent over the year to December 2006.

#### ABS House Price Index - December Quarter 2006

|   | Established Houses  |                      | New Houses (minus land) |                      |
|---|---------------------|----------------------|-------------------------|----------------------|
|   | <i>Qtrly change</i> | <i>Annual change</i> | <i>Qtrly change</i>     | <i>Annual change</i> |
| Sydney  | -1.0                | -0.1                 | -0.3                    | -0.1                 |
| Melbourne                                       | 1.5                 | 8.1                  | 1.5                     | -0.5                 |
| Brisbane  | 3.0                 | 7.1                  | 0.6                     | 2.2                  |
| Adelaide  | 2.6                 | 6.4                  | 0                       | 2.1                  |
| Perth   | 1.7                 | 36.9                 | 0.9                     | 12.1                 |
| Hobart  | 0.2                 | 7.1                  | 0                       | 3.2                  |
| Darwin  | 3.0                 | 17.6                 | 4.2                     | 15.8                 |
| Canberra  | 1.7                 | 9.2                  | 0.7                     | 3.2                  |
| <b>Weighted Average of Eight Capital Cities</b> | 0.9                 | 8.3                  | 0.6                     | 2.4                  |

Source: ABS

#### FURTHER INFORMATION

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