

3 November 2008

Housing Prices Weather Financial Storm

HIA, Australia's largest building association says the Australian Bureau of Statistics House Price Index for the September Quarter confirms house prices remained relatively flat during the period.

ABS preliminary estimates show the price index for established houses on a weighted average for Australia's capital cities decreased 1.8 per cent in the September Quarter. In contrast to 2007, established house prices were up by 2.8 per cent.

HIA Chief Executive - Policy, Mr Chris Lamont said, the result is as expected and reflects the slowing in the Australian economy over the same period. The result is a far cry from the 40 per cent fall in house prices some commentators were predicting just weeks ago.

Relative to other forms of investment, housing is doing very well. It is worth noting that while other classes of investment have seen reductions in asset value of 20 plus per cent the housing market has been shielded by, record levels of underlying demand for housing in excess of supply and population growth from immigration.

"There is no doubt that recent drops in interest rates and a top-up of the First Home Owners Grant will also help in putting a floor under house prices," said Chris Lamont.

HIA has stated that a fall in asset prices should be expected during periods of economic uncertainty. But a chronic undersupply of new housing, conservative lending practices and population growth mean that Australian house prices in an aggregate sense are unlikely to see the same turbulence affecting other investments.

"We remain concerned, that restrictions on the availability of capital are placing additional constraints on the supply of new housing particularly for higher-density development. Impediments to new housing supply have already placed considerable pressure on housing affordability and it is essential that capital is available to finance new housing projects," said Chris Lamont.

The capital city indexes fell this quarter in Brisbane (-3.3 per cent), Canberra (-2.5 per cent), Melbourne (-1.9 per cent), Sydney (-1.8 per cent), Perth (-1.1 per cent), and Adelaide (-0.1 per cent), and rose in Hobart (+0.7 per cent), and Darwin (+0.1 per cent).

For further information contact:

Chris Lamont 0414 765 040

Harley Dale 0414 994 186