

25 May, 2006

## NO LET UP IN HOUSE PRICES

Australia's property market continues to defy gravity following yet another rise in established house prices.

Following on from recent findings showing housing affordability declining over the March quarter, today's official numbers from the Australian Bureau of Statistics confirm that prices climbed by 1 per cent across Australia to an average annual growth rate of 3.6 per cent – well in excess of inflation over the same period

Australia's peak building industry body, HIA, said that while this is good news for consumer confidence and highly leveraged home owners, it is another blow for those who are on the margin of being able to afford their first home.

HIA's Executive Director of Housing and Economics, Mr Simon Tennent said that predictions from many commentators of a "natural correction in the market" has clearly been proven wrong as growth continues in 7 of 8 capital cities across Australia.

"Moreover, the traditional dampening effect that higher interest rates usually have on property values may be somewhat muted over this coming year for two reasons," Mr Tennent said.

"Firstly, Australia's housing market continues to remain under immense pressure as the supply of rental housing fails to keep up with demand, sending vacancy rates to record lows."

"In addition, Australia's new home builders face ever increasing challenges in putting affordable homes on the ground which has resulted in the supply of new housing falling below underlying demand for the past 16 months," he added.

"While no-one wants large and rapid falls in house prices, pressure needs to be lifted off the housing sector by increasing the supply of affordable housing and attracting private rental investment. Lowering the cost of land and easing the tax and regulatory burden on Australia's building community would be a step in the right direction.

On a city by city basis, over the quarter established prices increased by 8.8 per cent in Perth, and rose by 3.4 per cent in Hobart, 3 per cent in Darwin, 2.4 per cent in Adelaide, 0.8 per cent in Melbourne, and 0.2 per cent in Canberra. Prices were flat in Brisbane and fell by 1.2 per cent in Sydney.

For brand new homes (excluding the land cost) prices fell by 0.9 per cent in Melbourne and by 0.2 per cent in Sydney, while prices held steady in Brisbane. Elsewhere prices increased, rising by 3.8 per cent in Perth, 3.2 per cent in Darwin, 2 per cent in Hobart, 1 per cent in Canberra, and 0.7 per cent in Adelaide.

## ABS House Price Index - March 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           | -1.2                | -3.1                 | -0.2                    | 1.3                  |
| Melbourne        | 0.8                 | 3.8                  | -0.9                    | 1.2                  |
| Brisbane         | 0.0                 | 2.8                  | 0                       | 1.1                  |
| Adelaide         | 2.4                 | 5.3                  | 0.7                     | 2.2                  |
| Perth            | 8.8                 | 28.8                 | 3.8                     | 16.2                 |
| Hobart           | 3.4                 | 9.9                  | 2                       | 3.2                  |
| Darwin           | 3.0                 | 17.4                 | 3.2                     | 9.9                  |
| Canberra         | 0.2                 | 1.4                  | 1                       | 4                    |
| <b>Australia</b> | 1.0                 | 3.6                  | 0.4                     | 3.1                  |

### FURTHER INFORMATION

Please contact Simon Tennent, HIA Executive Director, Housing and Economics on 0419 445 557.

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