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PROPERTY MARKET REMAINS RESILIENT

Despite fears of a crash in house prices, Australia's property market remains resilient.

Figures released today for the June qtr showed that established house prices across the 8 capital cities fell by a very modest 1 per cent over the quarter to be 0.1 per cent lower than 12 months earlier.

For new homes (minus land), prices edged up 1.1 per cent over the quarter to be 5.7 per cent higher than a year earlier, demonstrating the pressure that continues on the supply of building trades.

Australia's peak building industry body, HIA, said that this period of flattening house prices is excellent news for the economy, for interest rates and for consumers who have been nervous about crashing house values.

HIA's Chief Economist, Mr Simon Tennent said that today's figures are further confirmation that even after a record period of building and renovating, demand for housing remains solid.

"The potent combination of low interest rates, low unemployment, tight rental markets, an high overseas migration are keeping a floor under prices," Mr Tennent said.

"While this is terrific news for highly geared home owners, the future is not getting any brighter for those who are patiently waiting for prices to fall and housing affordability to improve," he added.

"The main drivers of this miserable situation for new home buyers – escalating land costs, layers of red tape, unnecessary and costly building requirements and excessive levies and charges placed on new housing – are still firmly in place while governments sit on their hands and hope for a miracle," Mr Tennent said.

On a city by city basis, over the quarter established prices fell in Sydney by 3.1 per cent. Rises were recorded over the quarter in Perth, up 3.8 per cent, Adelaide, up 1.5 per cent, Darwin, up 1.4 per cent, Melbourne, up 1.3 per cent, Brisbane, up 0.8 per cent, Canberra, up 0.3 per cent and Hobart, up 0.2 per cent.

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For brand new homes (excluding the land cost) prices rose over the quarter in all cities except Melbourne. The biggest increase was recorded in Perth, up 3.6 per cent followed by Darwin, up 2.8 per cent, Canberra, up 1.1 per cent, Hobart, up 1.0 per cent, Sydney, up 0.9 per cent, Brisbane, up 0.5 per cent, and, Adelaide, up 0.3 per cent. Prices fell in Melbourne by 0.1 per cent.

ABS House Price Index - June Quarter 2005

	Established houses		New Houses (minus land)	
	<i>Qtly change</i>	<i>Annual Change</i>	<i>Qtly change</i>	<i>Annual Change</i>
Sydney	-3.1	-5.0	0.9	5.0
Melbourne	1.3	-1.4	-0.1	3.0
Brisbane	0.8	1.8	0.5	3.3
Adelaide	1.5	7.0	0.3	2.2
Perth	3.8	11.7	3.6	14.4
Hobart	0.2	-0.8	1.0	10.7
Darwin	1.4	8.6	2.8	8.8
Canberra	0.3	2.5	1.1	1.8
Australia	-0.1	-0.1	1.1	5.7

FURTHER INFORMATION

Please contact Simon Tennent, HIA Chief Economist on 0419 445 557.

Website: <http://economics.hia.asn.au>