

3 June, 2005

## NO HOUSE PRICE CRASH

The combination of a modest interest rate outlook, solid population growth, and a tight supply of properties is keeping a floor under house prices.

Figures released today for the March qtr showed that despite repeated predictions of crashing house values, prices for existing homes edged up in 7 of the 8 capital cities over the period.

The weighted average price in all capital cities edged up by 0.2 per cent with Melbourne recording the only fall – down 1.6 per cent.

Australia's peak building industry body, HIA, said that this period of flattening prices is good news for the economy, for interest rates and for consumers who have been kept on edge by repeated doom and gloom predictions that have ignored some basic fundamentals.

HIA's Chief Economist, Mr Simon Tennent said that it is a simple fact that despite near record levels of building over the past three years, higher overseas migration, low interest rates, and low unemployment have kept demand on the boil.

"We are still facing very tight rental markets with recent reports showing rising rents in most capital cities, while for the new home building industry, a cooling in trade subcontractor rates and an easing in land prices has seen the affordability equation improve," Mr Tennent said.

"The homebuying community is clearly in a period of cautious optimism which is likely to continue given the current interest rate outlook," he added.

"For the economy, the flat house price outlook over the next 18 months is good news as the strong capital gains of the past three years are likely to remain largely in tact, while those buyers who have been priced out of the market should see conditions improve as rates stay on hold and household incomes improve," Mr Tennent said.

On a city by city basis, over the quarter established prices fell in Melbourne by 1.6 per cent. Rises were recorded over the quarter in Darwin, up 3.8 per cent, Canberra, up 2.6 per cent, Adelaide, up 2.3 per cent, Perth, up 2.1 per cent and Brisbane and Hobart, both up 0.5 per cent. Prices in Sydney remained steady.

For brand new homes (excluding the land cost) prices rose over the quarter in all cities. The biggest increase was recorded in Perth, up 4.3 per cent followed by Darwin, up 2.3 per cent, Hobart, up 2.2 per cent, Melbourne, up 1.3 per cent, Sydney, up 1.2 per cent, Brisbane, up 0.4 per cent, Adelaide, up 0.3 per cent, and Canberra, up 0.2 per cent.

Price Index of Established Homes (Index Numbers)							
	Mar.2004	Jun.2004	Sep.2004	Dec.2004	Mar.2005	Qtly Change	Annual Change
Sydney	275.3	271.5	266.2	265.9	266.0	0.0%	-3.4%
Melbourne	237.0	239.4	235.6	236.6	232.9	-1.6%	-1.7%
Brisbane	294.5	298.9	298.3	300.5	301.9	0.5%	2.5%
Adelaide	227.1	232.8	235.8	239.8	245.3	2.3%	8.0%
Perth	197.5	201.7	207.7	212.6	217.0	2.1%	9.9%
Hobart	190.8	198.8	194.4	196.0	196.9	0.5%	3.2%
Darwin	254.4	260.3	270.3	268.6	278.8	3.8%	9.6%
Canberra	263.8	255.0	256.6	253.7	260.4	2.6%	-1.3%
Weighted Average of 8 Capital Cities	251.3	252.1	250.3	251.7	252.2	0.2%	0.4%
(a) Base of each index 1989-90 = 100.0.							
Price Index of Project Homes (Index Numbers)							
Sydney(b)	151.8	154.1	155.9	158.4	160.3	1.2%	5.6%
Melbourne	153.0	154.6	156.7	157.2	159.3	1.3%	4.1%
Brisbane	163.5	166.8	167.8	170.8	171.5	0.4%	4.9%
Adelaide	168.3	169.5	169.5	172.2	172.7	0.3%	2.6%
Perth	146.5	150.2	153.7	159.2	166.0	4.3%	13.3%
Hobart	173.5	178.8	182.1	191.7	196.0	2.2%	13.0%
Darwin	177.1	183.4	188.5	189.8	194.2	2.3%	9.7%
Canberra	187.7	189.0	189.9	190.0	190.4	0.2%	1.4%
Weighted Average of 8 Capital Cities(b)	155.8	158.4	160.3	163.2	165.7	1.5%	6.4%
(a) Base of each index 1989-90 = 100.0.							
(b) The number for the December quarter 2004 has been revised.							

## FURTHER INFORMATION

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

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