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HOUSE PRICE CRASH FEARS WELL WIDE OF THE MARK

Despite renewed doom and gloom predictions of a crash in house prices, Australia's property market remains resilient.

Figures released today for the September quarter showed that established house prices across the eight capital cities fell by a very mild 1 per cent over the quarter and remained 1 per cent higher than 12 months earlier.

For new homes (minus land), prices edged up 0.8 per cent over the quarter to be 5.3 per cent higher than a year earlier.

Australia's peak building industry body, HIA, said today's update firmly contradicted talk of a house price crash, predictions which, disappointingly, reared their ugly head again earlier in the week.

HIA's Senior Economist, Mr Harley Dale said that the latest house price information provided further confirmation that even after a record period of building and renovating, demand for housing remains solid.

"Interest rates are low, as are unemployment rates, rental markets are tight, and overseas migration is historically high. These factors are keeping a floor under house prices," Mr Dale said.

"There has been nothing to trigger a substantial fall in house prices since the market peaked. More importantly, in the absence of significant interest rate rises which would lead to a marked deterioration in labour market conditions, one has to question where the trigger for such a correction would come from going forward," he added.

"In this regard it has been very disappointing to note renewed focus this week on the prospect of a house price crash in Australia. Reference to Australia possessing the most over valued residential market is misleading and questionable and highlighting the high risk of a sharp correction to prices ignores the soundness of Australia's economic fundamentals," Mr Dale said.

On a city by city basis, over the quarter established prices fell by 3 per cent in Hobart, and by 2.3 per cent in Sydney, 1.5 per cent in Melbourne, 0.9 per cent in Brisbane, and 0.2 per cent in Canberra. Rises were recorded over the quarter in Darwin, up 7.7 per cent, Perth, up 3.1 per cent, and Adelaide, up 0.7 per cent.

For brand new homes (excluding the land cost) prices fell by 0.2 per cent in Brisbane. Elsewhere prices increased, rising by 3.7 per cent in perth, 2.1 per cent in Melbourne, 1.3 per cent in Darwin, 0.8 per cent in Adelaide and Canberra, 0.4 per cent in Sydney, and 0.3 per cent in Hobart.

ABS House Price Index - September 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	-2.3	-4.7	0.4	4.2
Melbourne	-1.5	1.4	2.1	3.7
Brisbane	-0.9	2.9	-0.2	2.4
Adelaide	0.7	4.2	0.8	2.9
Perth	3.1	17.7	3.7	16.1
Hobart	-3.0	2.9	0.3	9.0
Darwin	7.7	21.9	1.3	7.3
Canberra	-0.2	2.4	0.8	2.1
Australia	-1.0	1.0	0.8	5.3

FURTHER INFORMATION

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