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HOUSE PRICE GROWTH IS SLOWING

The pace of growth in house prices continued to slow at the end of last year but there is no crash on the horizon.

The most accurate measure of Australian house prices released today reveals that the weighted average established home price increased by 0.6 per cent in the December 2004 quarter. That saw prices up by 2.7 per cent year on year compared to an 8.2 per cent annual rate in the September quarter.

The figures released by the Australian Bureau of Statistics show that prices eased moderately in Sydney, Canberra, and Darwin, but modest gains were recorded in all other capital cities.

Australia's peak building industry body, HIA, said that house price growth would continue to moderate but the risk of prices subsequently crashing was very low.

HIA's Senior Economist, Mr Harley Dale said that while the urgency has gone out of the home buying market, a situation that will be exacerbated by yesterday's interest rate rise, the underlying fundamentals remained strong.

"Clearly higher interest rate settings will lead to a further easing in house price growth. There is no over building issue this cycle, however, and demand remains robust on the back of factors like high overseas migration and low unemployment," Mr Dale said.

"Throw everything into the mix and we expect the bulk of the substantial capital gains earned in recent years to remain largely intact," Mr Dale added.

On a city by city basis, prices over the quarter fell in Sydney by a bare 0.1 per cent, in Darwin by 0.6 per cent, and in Canberra by 1.1 per cent. House price increases were recorded in Melbourne, up 0.4 per cent, Brisbane, up 0.7 per cent, Hobart, up 0.8 per cent, Adelaide, up 1.7 per cent, and Perth, up 2.4 per cent.

For brand new homes (excluding the land cost) prices increased over the quarter in all cities. The biggest increase was recorded in Hobart, up 5.3 per cent followed by Perth, up 3.6 per cent, Brisbane, up 1.8 per cent, Adelaide, up 1.6 per cent, Darwin, up 0.7 per cent, Melbourne up 0.3 per cent, and Canberra, up 0.1 per cent.

FURTHER INFORMATION

Please contact Harley Dale, Senior Economist on 0414 994 186.

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