

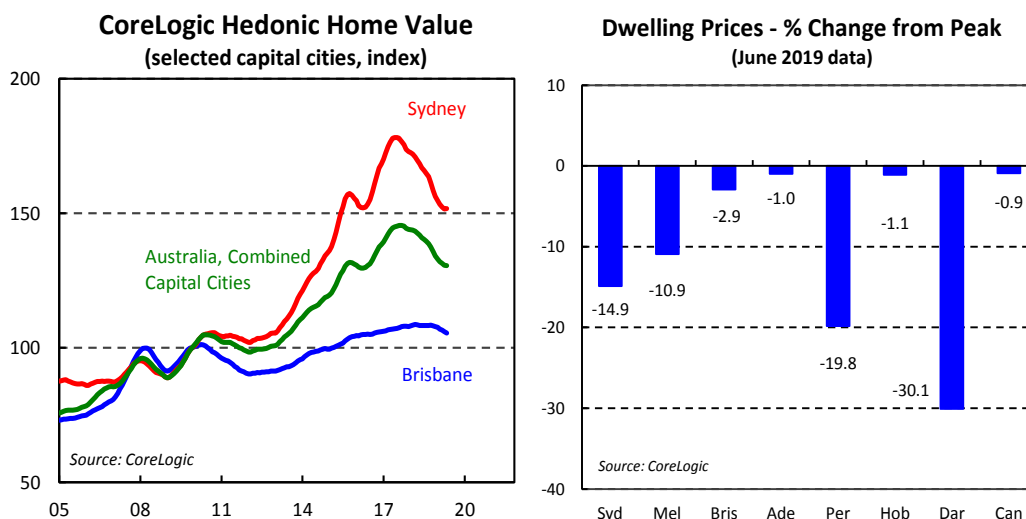
Monday, 1 July 2019



Dwelling Prices

The Bottom is in Sight for Sydney & Melbourne

- Dwelling prices across the Australian eight capital cities extended their decline for the 21st consecutive month, according to Core Logic. Prices fell 0.1% in June, but this was the smallest decline since March 2018. It is the sixth consecutive month the fall in prices has lessened.
- The improvement was driven by Sydney and Melbourne. In Sydney, dwelling prices lifted by 0.3% in June, which was the first lift in two years. In Melbourne, prices rose by 0.2% in June, the first rise in 19 months.
- We have flagged for some time that dwelling prices might be nearing a bottom in these two cities and today's data is giving some evidence that this might well be the case.
- A recent rate cut and a downturn in prices that has run for nearly two years has likely enticed some buyers back to the housing market. Confidence has also likely been lifted with the passing of the Federal election.
- Dwelling price weakness, however, broadened and deepened in the other capital cities.
- In annual terms, all capital cities recorded declines with the exception of Hobart and Canberra. The housing markets in both Hobart and Canberra peaked only recently, so the annual growth rates are likely to lessen in coming months.
- Last month's rate cut from the Reserve Bank and more easing to come is likely to help buffet the downturn in dwelling prices nationally. The major capital cities of Sydney and Melbourne are already likely finding a bottom, although prices might stick to the bottom for an extended time. Subdued growth in wages and high household debt will provide a constraint to a sharp turnaround in the housing market, including in Sydney and Melbourne.



Dwelling prices across the Australian eight capital cities extended their decline for the 21st consecutive month, according to Core Logic. Prices fell 0.1% in June, although this was the smallest decline since March 2018. It is the sixth consecutive month the price decline nationally has lessened. The lessening monthly price declines were driven by Sydney and Melbourne.

In Sydney, dwelling prices lifted 0.1% which was the first lift in two years. In Melbourne, prices rose by 0.2% in June, the first rise in 19 months. We have flagged for some time that dwelling prices might be nearing a bottom in these two cities and today's data is giving some evidence that this might well be the case. A recent rate cut and a downturn in prices that has run for nearly two years has likely enticed some buyers back to the housing market. Confidence has also likely lifted with the passing of the Federal election.

The only other capital city to record a rise in June was Hobart where prices were up 0.2% in June. Hobart prices were only 1.1% away from their peak.

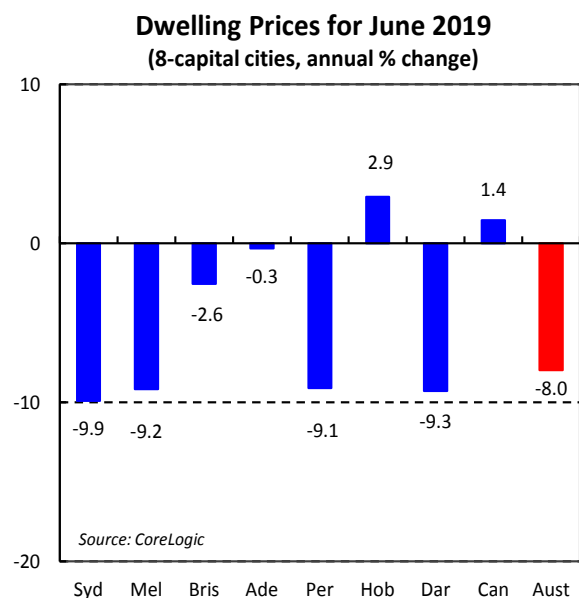
Dwelling price weakness, however, broadened and deepened in the other capital cities. In Brisbane, dwelling prices dropped by 0.6% in June, the biggest monthly decline since September 2011. In Adelaide, prices fell 0.5% in June, which is the largest monthly fall since November 2012. In Perth, dwelling prices fell 0.7%, representing the 14th consecutive month of decline. Similarly, Darwin saw another large decline in June of 0.9%, which is the seventh straight month of price falls. Darwin is also the city that has moved the most away from its peak – 30.1%. Dwelling prices in Canberra had been very resilient, but the large size of supply hitting the market is likely starting to bite on prices. Canberra dwelling prices fell by 0.9% in June, which is the second consecutive monthly decline and also the biggest fall since July 2008. However, the Canberra market has recorded the smallest movement from the peak, down only 0.9%.

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On a year ago, the biggest annual decline occurred in Sydney at 9.9%. However, this rate of annual decline is an improvement from the previous rate of 10.7% in May and 10.9% in April. Melbourne's annual rate of contraction also improved in June to 9.2%, from 9.9% in May and 10.0% in April. Other capital cities recorded deteriorations in their respective annual rates of growth or decline.

Outlook

Last month's rate cut from the Reserve Bank and more easing to come is likely to help buffet the downturn in dwelling prices nationally. The major capital cities of Sydney and Melbourne are already likely finding a bottom, although prices might stick to the bottom for an extended time. Subdued growth in wages and high household debt will provide a constraint to a sharp turnaround in the housing market, including in Sydney and Melbourne.



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