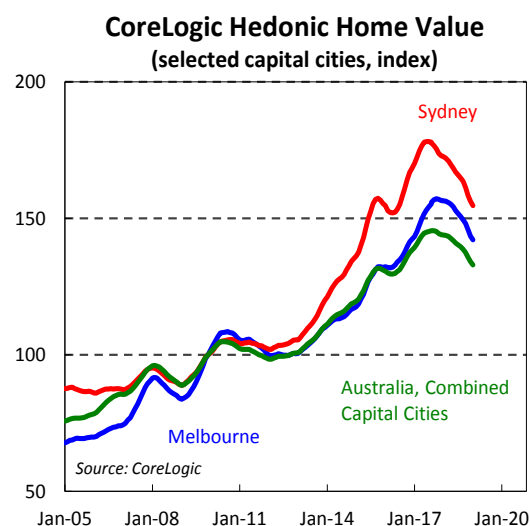
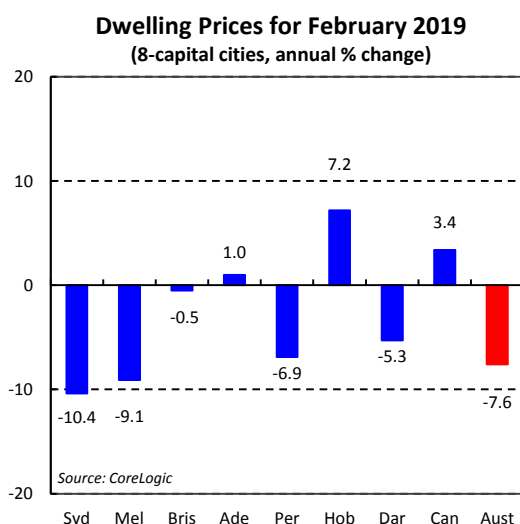


Friday, 1 March 2019



## Dwelling Prices Slowdown Entrenched

- Dwelling prices across the capital cities fell by 0.9% in February and by 7.6% in the year to February. Every capital city experienced a fall in dwelling prices in February with the exception of Hobart and Adelaide.
- The housing slump continued to be deepest in Sydney and Melbourne. Dwelling prices fell by 1.0% in both Sydney and Melbourne in February. This pace of decline in Sydney and Melbourne was less sharp than in recent months. The annual pace of decline in Sydney and Melbourne deepened, however, to -10.4% and -9.1%, respectively.
- In the year to February, Hobart, Canberra and Adelaide still recorded growth; however, the annual pace of growth decelerated in Hobart and Canberra and remained soft in Adelaide.
- Vendor discounting, lower sales volumes and falls in housing lending and building approvals suggest further downside for dwelling prices.
- Today's data confirms that the slowdown in dwelling prices is entrenched. The wealth-effect from the downturn in house prices is expected to weigh on consumer spending growth. Additionally, residential construction is expected to detract from economic growth this year. A slowdown in the pace of economic growth is likely to convince the RBA to cut official interest rates later this year.



Dwelling prices across Australia (both capital cities and regional areas) fell by 0.7% in February and by 6.3% on a year ago. Dwelling prices across the 8 combined capital cities fell by a deeper 0.9% in the month and by 7.6% in the year to February.

Every capital city experienced a fall in February with the exception of Hobart, where prices rose (0.8%) and Adelaide where prices were unchanged for the month. The housing slump continues to be deepest in Sydney and Melbourne, with the annual pace of decline fastest in these two cities.

### **States and Territories**

The downturn continued to be deepest in Sydney. The pace of price decline in Sydney dwelling prices eased back a little in February, with a fall of 1.0%, the smallest drop in three months. Sydney dwelling prices have now fallen for 19 consecutive months. The annual pace of decline in Sydney prices fell to -10.4% in February, from -9.7% in January. It was the largest annual fall since May 1983. Sydney dwelling prices are now down 13.2% from their peak in July 2017 and back to June 2016 levels. To put this in perspective, however, Sydney dwelling prices rose 72.0% in the five years to their peak in July 2017.

The pace of decline in Melbourne dwelling prices also improved a little in February, with a decline of 1.0%, the smallest decline in two months. The annual pace of decline in Melbourne deteriorated to -9.1% in February, from -8.3% in January. Melbourne dwelling prices are now down 9.6% from the November 2017 peak and back to their November 2016 levels. Melbourne prices also had a strong run up of 56.5% in the 5 years to their November 2017 peak.

Brisbane dwelling prices fell by 0.3% in February, the third consecutive monthly decline. The annual pace of Brisbane dwelling prices has just moved into negative territory, falling 0.5% in February, following a flat result in January. Unit prices have led the decline in Brisbane.

Adelaide dwelling prices stabilised in February, with no change, after slipping 0.3% in January. The annual pace of change in Adelaide dwelling prices remained in positive territory, with an increase of 1.0% in February.

Dwelling prices in the ACT slipped 0.2% in February, the first fall in nine months. The annual pace of dwelling price growth in the ACT remains in positive territory at 3.4% in February, down from 3.8% in January.

Perth dwelling prices weakened more sharply in February, with a drop of 1.5%. The annual pace of Perth dwelling prices fell further to a decline of 6.9% in February, from a fall of 5.6% in January.

In other capital cities in February, Hobart prices lifted 0.8%, while Darwin prices fell 1.7%, the third consecutive monthly fall. For the year to February, Hobart prices gained 7.2%, while Darwin prices fell 5.3%.

### **Outlook**

Today's data confirms that the slowdown in dwelling prices is entrenched. The wealth-effect from the downturn in house prices is expected to weigh on consumer spending growth. Additionally, residential construction is expected to detract from economic growth this year. A slowdown in the pace of economic growth is likely to convince the RBA to cut official interest rates later this year.

**Jo Horton, Senior Economist**  
Ph: 02-8253-6696

## Contact Listing

**Chief Economist**

Besa Deda

[dedab@stgeorge.com.au](mailto:dedab@stgeorge.com.au)

(02) 8254 3251

**Senior Economist**

Josephine Horton

[hortonj@stgeorge.com.au](mailto:hortonj@stgeorge.com.au)

(02) 8253 6696

**Senior Economist**

Janu Chan

[chanj@stgeorge.com.au](mailto:chanj@stgeorge.com.au)

(02) 8253 0898

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