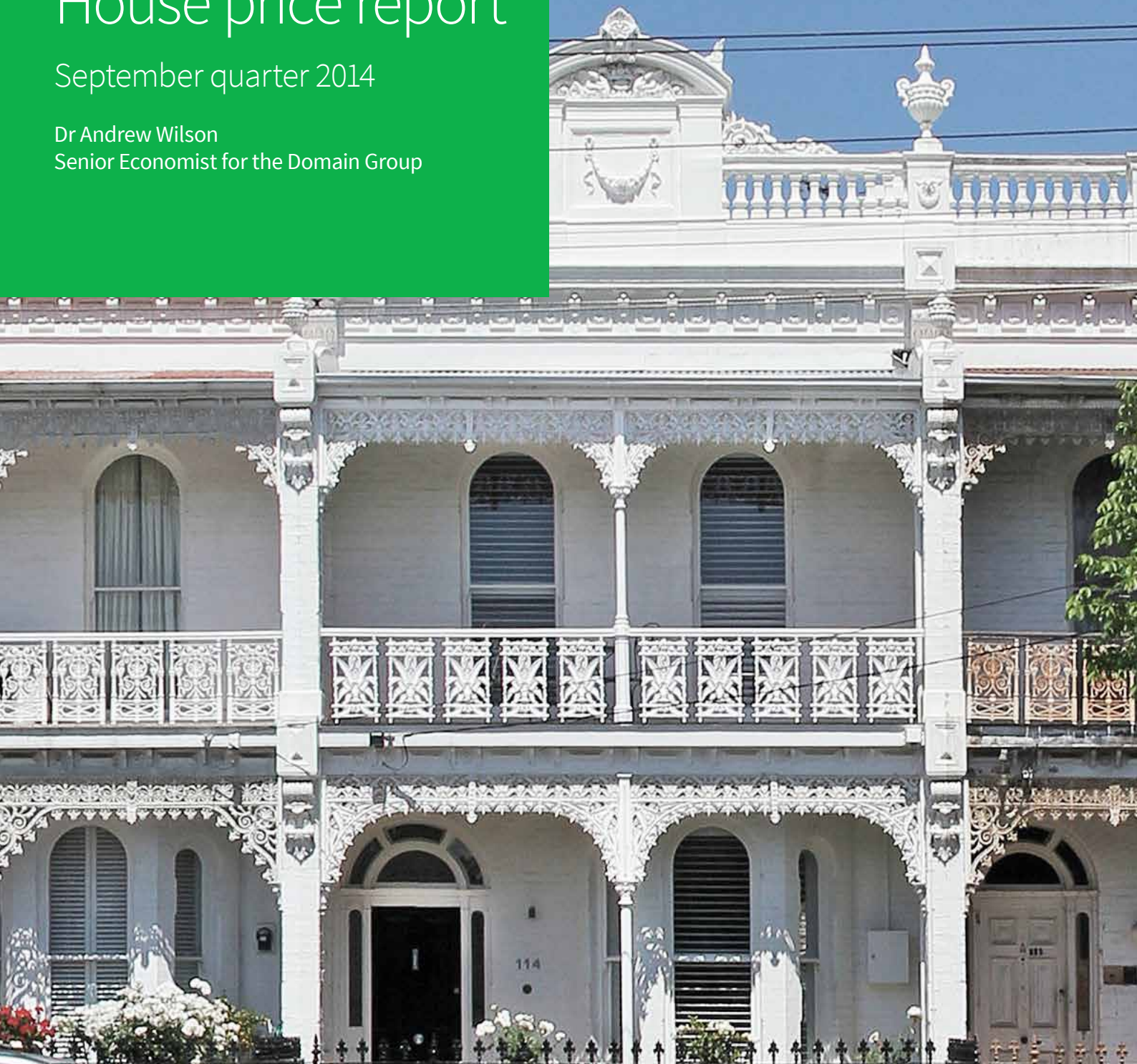
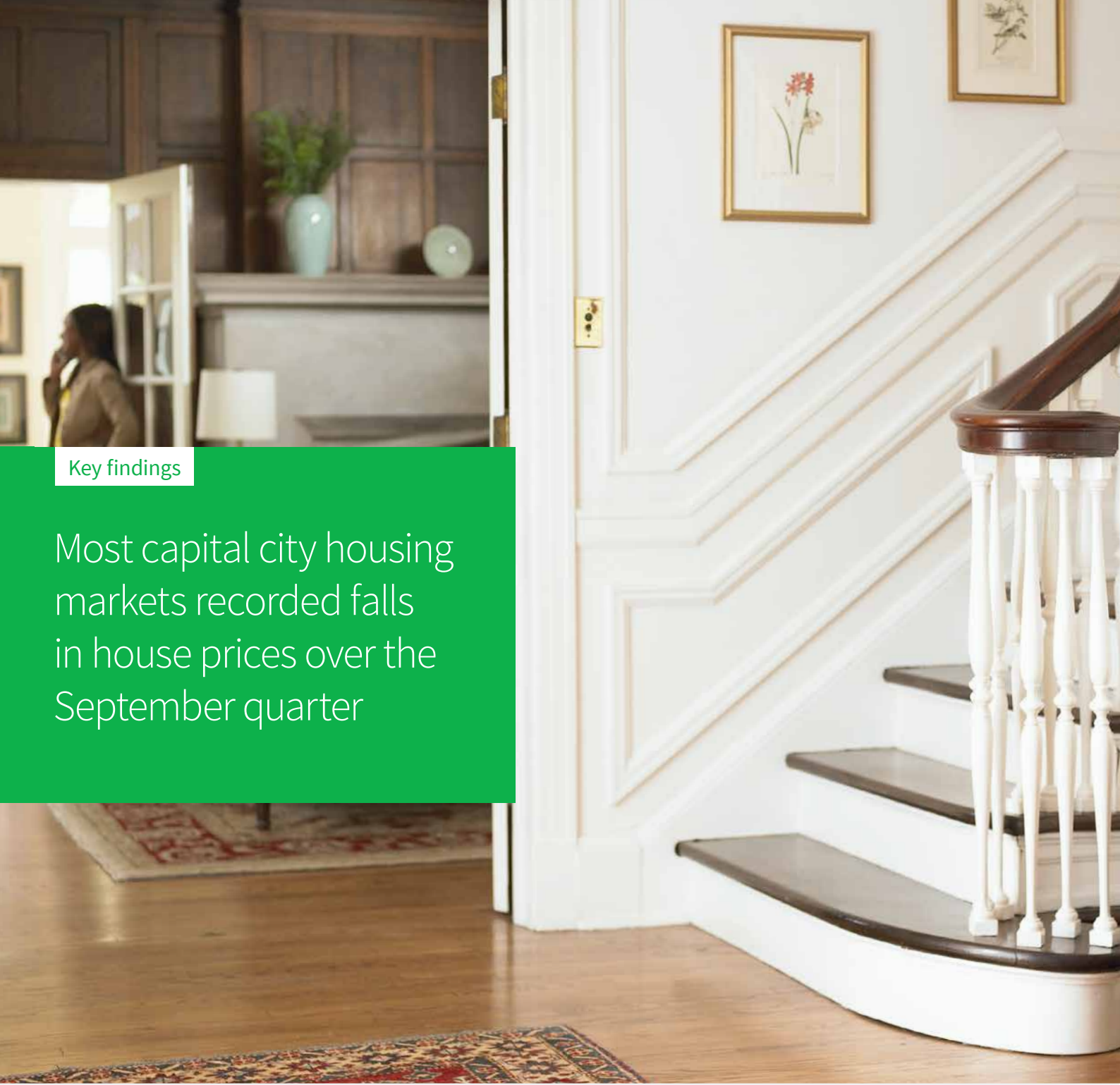


House price report

September quarter 2014

Dr Andrew Wilson
Senior Economist for the Domain Group





Key findings

Most capital city housing markets recorded falls in house prices over the September quarter

September quarter 2014

The national median house price increased by +1.2% - the lowest rate since March last year

The national increase reflects standout Sydney growth of +3.8% similar to June

Melbourne house prices increased by just +1.0% - the lowest growth for two years

Brisbane, Adelaide, Perth, Hobart and Canberra all recorded falling house prices

All capitals recorded falls in unit prices except Sydney (+1.6%) and Adelaide (+0.3%)

House price report

Stratified median prices (Quarterly) (\$)

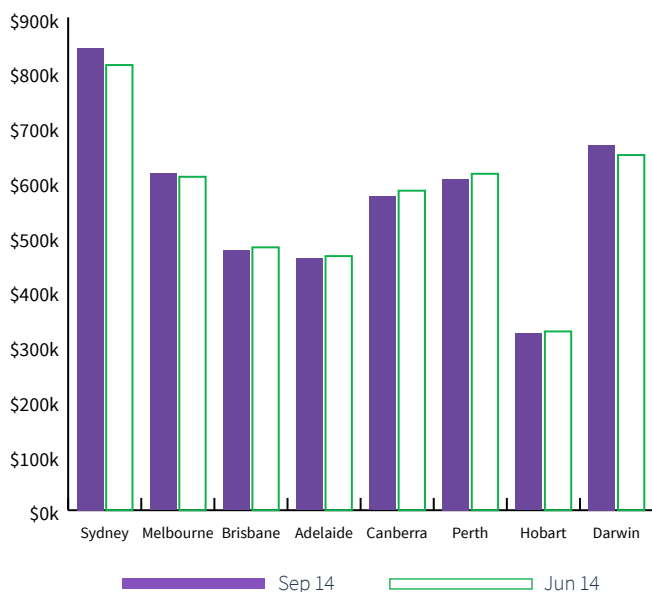
Houses	Sep 14	Jun 14	Mar 14	Sep 13	QoQ % Δ	YoY % Δ
Sydney	\$843,994	\$812,929	\$786,399	\$723,528	3.8%	16.6%
Melbourne	\$615,068	\$608,863	\$599,057	\$569,079	1.0%	8.1%
Brisbane	\$473,924	\$479,989	\$471,542	\$452,038	-1.3%	4.8%
Adelaide	\$459,258	\$464,029	\$455,326	\$436,036	-1.0%	5.3%
Perth	\$604,822	\$614,297	\$616,376	\$593,467	-1.5%	1.9%
Canberra	\$573,326	\$583,473	\$574,427	\$566,283	-1.7%	1.2%
Darwin	\$667,115	\$648,584	\$664,599	\$678,528	2.9%	-1.7%
Hobart	\$322,274	\$326,460	\$325,957	\$319,879	-1.3%	0.7%
National	\$636,315	\$628,561	\$616,128	\$581,396	1.2%	9.4%

Stratified median prices (Quarterly) (\$)

Units	Sep 14	Jun 14	Mar 14	Sep 13	QoQ % Δ	YoY % Δ
Sydney	\$580,861	\$571,915	\$554,531	\$521,112	1.6%	11.5%
Melbourne	\$423,169	\$423,973	\$421,361	\$410,070	-0.2%	3.2%
Brisbane	\$357,466	\$363,263	\$361,521	\$370,246	-1.6%	-3.5%
Adelaide	\$289,823	\$288,944	\$281,552	\$278,774	0.3%	4.0%
Perth	\$399,128	\$412,891	\$406,009	\$388,364	-3.3%	2.8%
Canberra	\$395,110	\$411,805	\$410,692	\$411,429	-4.1%	-4.0%
Darwin	\$456,113	\$470,330	\$445,246	\$431,427	-3.0%	5.7%
Hobart	\$257,465	\$282,171	\$252,263	\$243,537	-8.8%	5.7%
National	\$476,023	\$474,513	\$464,262	\$445,618	0.3%	6.8%

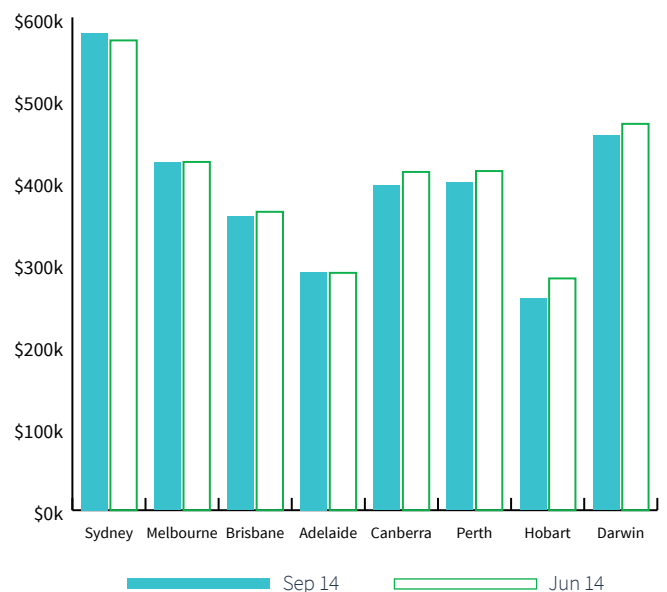
Houses

Stratified median prices (Quarterly)



Units

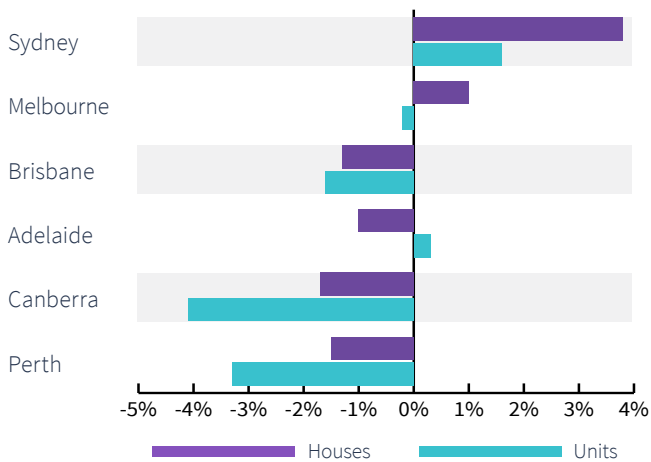
Stratified median prices (Quarterly)



House price report

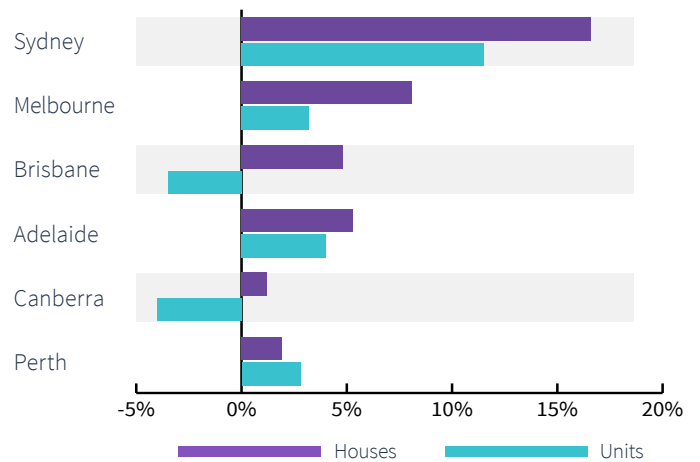
Median price % change

Quarter on Quarter



Median price % change

Year on Year



Capital city results

Sydney

- House prices again rose strongly by +3.8% over the September quarter following a +3.4% rise over the previous quarter
- Unit prices rose solidly by +1.6% over the quarter, following an increase of +3.1% over June
- Sydney's median house price is now \$843,994 with the median unit price also a record at \$580,861
- The Sydney median unit price is now higher than the current median house prices of Brisbane, Adelaide, Hobart and Canberra and approaching Perth and Melbourne house prices
- Annual house prices have increased by +16.6% with units up by +11.5%.

Hobart

- Hobart's median house price fell by -1.3% - the first fall in house prices since the June quarter last year
- Hobart's median house price increased by just +0.7% over the year.

Melbourne

- Melbourne house prices rose modestly by +1.0% over the quarter with unit prices down by -0.2%
- Melbourne house prices have risen by +8.1% over the year ending June with units increasing by +3.2%
- The median house price for Melbourne now stands at \$615,068 with the median unit price at \$423,169.

Canberra

- The volatile Canberra market reported a fall in median house prices - down -1.7% following a rise of +1.6% over the June quarter
- Unit prices also fell in the city, with a quarterly drop of 4.1%
- Annually, house prices have increased marginally by +1.2% with unit prices down -4.0%.

Brisbane

- The Brisbane median house price fell for the first time since the June quarter 2012, recording a 1.3% decline over the period
- Brisbane unit prices were also down over the quarter falling by -1.6%
- The Brisbane median house price now stands at \$473,924 with units at \$357,466
- Annual house prices increased by +4.8% with unit prices however falling by -3.5%.

Darwin

- Darwin's median house price increased by +2.9% while unit prices were down by -3.0% over the quarter
- Annually, Darwin's median house price has fallen by -1.7% - the only capital to record a fall.

Perth

- Perth house price growth remained subdued, falling by -1.5% over the quarter for the lowest result of all the major capitals
- Annually, Perth's median house price increased by just +1.9% - the worst result since the June 2012 quarter
- Perth house prices fell over consecutive quarters for the first time in three years.

Adelaide

- Down by -1.0%, Adelaide recorded its first house price fall in a year
- Adelaide house prices have increased by +5.3% over the year ending September, with unit prices increasing by +4.0%.
- The Adelaide median house price remains the lowest of all the mainland capitals at \$459,258.

Commentary



Dr Andrew Wilson,
Senior Economist, Domain Group

Australia's capital city housing markets have generally tracked backwards over the September quarter as the past year's underlying impetus from record low interest rates continues to fade.

House Prices

Domain Group data from APM PriceFinder reports that the national median house price increased by 1.2 per cent over the quarter, bringing the annual growth figure to 9.4 per cent over the year ending September.

The national quarterly growth rate is the lowest recorded since March last year. Almost all of this increase reflects the continued strong price growth in Sydney, which clearly remains a standout performer amongst capital city housing markets.

With the exception of Sydney, Melbourne and volatile Darwin, all capitals recorded falling house prices over the September quarter according to APM PriceFinder.

Sydney's median house price increased by 3.8 per cent over the quarter to \$843,994. Although Sydney's house prices are no longer accelerating at the boom-time levels recorded a year ago, quarterly growth rates this year have consistently been around the 3 per cent level. The still solid local economy is a key factor behind Sydney's price growth, however, recent signs of continuing moderation in the market are emerging as affordability barriers and low incomes growth constrain buyer activity. Auction clearance rates have fallen and ABS home loan data indicates that although activity remains solid to strong, growth rates are diminishing - particularly from investors who nonetheless remain significant contributors to market activity.

According to APM PriceFinder, Melbourne house price growth was relatively flat, increasing by just 1.0 per cent over the September quarter - the lowest result in the series for two years. Price growth in Melbourne is clearly trending downwards with declining market energy also confirmed recently by falling auction clearance rates and home loans. An underperforming local economy is increasingly providing an impediment to housing market activity and unemployment is tracking at 12-year highs.

In contrast to Sydney and Melbourne, Brisbane, Adelaide, Perth, Hobart and Canberra all recorded falling house prices over the September quarter according to APM PriceFinder data.

Brisbane's solid revival in housing market activity stalled over the quarter with prices down sharply by 1.3 per cent to a median of \$473,924. This was the first fall in the Brisbane median house price since the June quarter 2012 and surprisingly follows consistently solid to strong growth over recent quarters.

In Adelaide, house price growth also reversed over the September quarter, falling by 1.0 per cent to \$459,258 - the first price fall recorded in a year according to APM PriceFinder. Recent changes to the State Government's first home buyer grant have resulted in a sharp decline in activity from this group, impacting on overall market performance.

Continuing its recent weakening trend, Perth's median house price fell by 1.5 per cent which was clearly the lowest result of all the major capitals. Perth's house prices have increased by just 1.9 per cent over the past year, which is the worst annual performance for the city since the June quarter 2012. Perth house prices have now fallen over consecutive quarters for the first time in three years.

Hobart house prices fell by 1.3 per cent over the September quarter and have now increased by just 0.7 per cent over the year. The fall in house prices is the first backward movement over a quarter since June last year.

The Canberra housing market continued to deliver volatile house prices - a trend which has been evident over the past two years. House prices fell by 1.7 per cent over the September quarter, following a rise of 1.6 per cent over the June quarter.

Darwin also produced another typically volatile result over the September quarter, recording a sharp rise in prices of 2.9 per cent, following the fall of 2.4 per cent recorded by APM PriceFinder over the June quarter. Despite the latest increase, Darwin house prices have fallen by 1.7 per cent over the past year - the only capital to record an annual fall.

Unit Prices

Similar to the housing market, the unit market has recorded generally weakening growth over the September quarter, according to APM PriceFinder data. The national unit price increased by just 0.3 per cent, which again primarily reflected an increase of 1.6 per cent in the still solid Sydney unit market. Adelaide also saw an increase in the median unit price, which rose by 0.3 per cent over the quarter.

With the exception of Sydney and Adelaide, all capital cities recorded falls in unit prices over the three months to September.

Over the year ending September, national unit prices increased by 6.8 per cent. Over the 12 months, all capital cities recorded an increase in unit prices except Brisbane and Canberra where annual unit prices fell by 3.5 per cent and 4.0 per cent respectively. Increased supply of new apartments in the Brisbane market may account for the recent weakening trend in price growth. The Sydney median unit price now stands at \$580,861, which is higher than the current median house prices of Brisbane, Adelaide, Hobart and Canberra and approaching Perth and Melbourne house prices.

Outlook

Price growth in Australia's housing markets has clearly moderated over September as affordability declines in the face of a generally problematic economic climate. Sydney, however is the exception with house prices continuing to rise strongly and much of this activity is still being generated by record levels of investors.

The latest APM PriceFinder results that indicate weakening price growth will act to extinguish recent debate regarding the prospect of overheating housing markets and new policy initiatives.

With no clear sustained revival in economic activity on the horizon, housing market activity will continue to generally decline as affordability falls and confidence wavers. A declining economic environment may open the gate for interest rate falls, particularly if jobless rates continue to climb. Interest rates are nonetheless set to move in a narrow range, if at all, over the foreseeable future with house price growth to continue to flatten accordingly over the medium to longer-term.

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