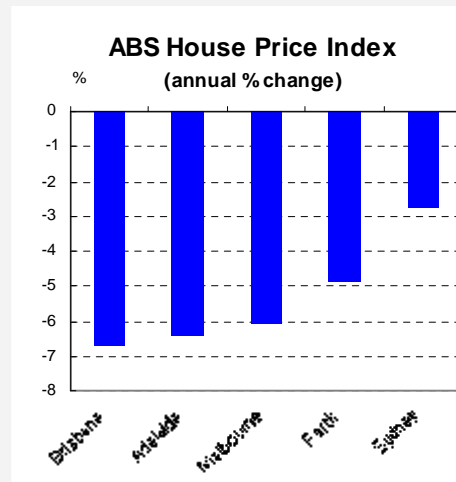
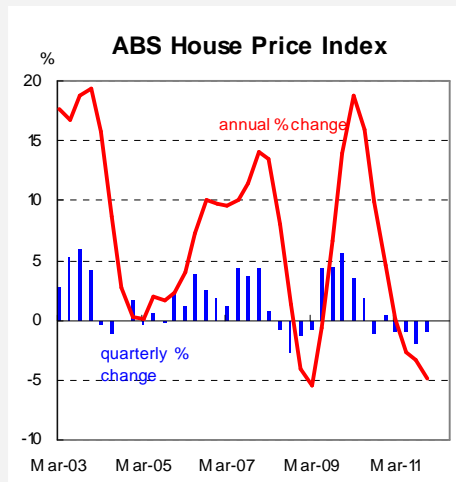


# DATA SNAPSHOT

## House Prices: Edging Lower

Wednesday, 1 February 2012

- House prices continued to moderate, falling by 1.0% in the December quarter, following a downwardly revised decline of 1.9% in the September quarter. On an annual basis, house prices fell by 4.8%, down from the 3.4% decline in the September quarter.
- The details reveal a divergence between the capital cities, with sharp declines in Melbourne and Adelaide (both down 1.6%), while Perth, Canberra and Hobart all showed small increases for the quarter.
- On an annual basis, Brisbane and Adelaide were the worst performing capital cities, with declines of 6.7% and 6.4%, respectively. While Sydney house prices have seen the smallest decline (-2.7%) in annual terms.
- The housing market remains one of the weak areas of the economy. However, the Reserve Bank of Australia's interest rate cuts in November and December last year should provide some support to the housing market.



ABS House Prices

|           | Dec Qtr % Chg | Ann % Chg |          | Dec Qtr % Ch | Ann % Chg |
|-----------|---------------|-----------|----------|--------------|-----------|
| Sydney    | -1.0          | -2.7      | Perth    | 0.5          | -4.9      |
| Melbourne | -1.6          | -6.1      | Hobart   | 0.8          | -4.0      |
| Brisbane  | -1.3          | -6.7      | Darwin   | -1.4         | -5.4      |
| Adelaide  | -1.6          | -6.4      | Canberra | 0.7          | -2.6      |

House prices have continued to moderate and fell by 1.0% in the December quarter. On an annual basis, house prices fell by 4.8%, the third consecutive quarterly decline in year-on-year house prices and the sharpest decline since March 2009. This followed an annual decline of 3.4% in the September quarter (previously reported as -2.2%). The quarterly decline in the September quarter house price index was also revised down to a decline of 1.9% (previously reported as a decline of 1.2%).

Recent RP Data-Rismark house price data, which was released yesterday showed capital city house prices fell by a similar amount in the December quarter (-0.7%) and by 4.3% in the year to December.

Previously Sydney capital city house prices were outperforming the other capital cities, however, this was somewhat reversed in the December quarter, according to the ABS, with a 1.0% decline in Sydney house prices, which was in line with the capital city average. As well as the 1.6% declines seen in Melbourne and Adelaide, Darwin (-1.4%) and Brisbane (-1.3%) house prices retreated. Meanwhile house prices in Hobart (0.8%), Canberra (0.7%) and Perth (0.5%) increased for the quarter.

#### Outlook

The housing market remains one of the weak areas of the economy as affordability remains low, and amid consumer caution as households continue to undergo a period of “deleveraging” (paying down debt). However, the Reserve Bank of Australia’s interest rate cuts in November and December should provide some support to the housing sector. We expect the RBA to cut interest rates again in February and March, which should be encouraging for the housing market. The rental market remains tight with low vacancy rates and the widespread undersupply of housing in Australia, along with still relatively low unemployment should limit further downside in house prices this year.

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