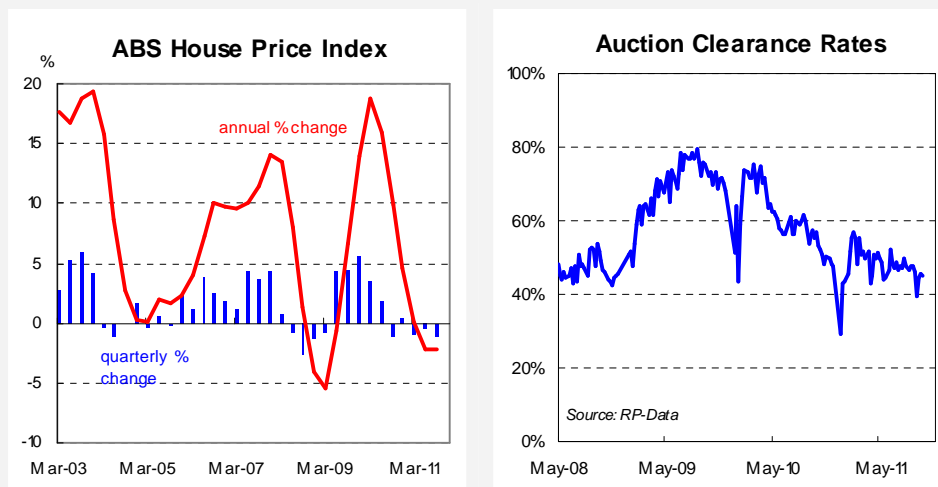


DATA SNAPSHOT

House Prices: Moderation Continues

Tuesday, 1 November 2011

- House prices have continued to moderate, falling by 1.2% in the September quarter. On an annual basis, house prices fell by 2.2%, equalling the annual rate in the June quarter, which was the first annual decline in two years.
- The breakdown continues to indicate that the moderation in housing prices is widespread with all capital cities recording falls. Sydney house prices continue to outperform the other capital cities, falling by just 0.2%. Meanwhile, the largest quarterly declines came from Brisbane and Canberra.
- On an annual basis, Perth and Brisbane were the worst performing capital cities. WA and QLD have seen the biggest lift in mortgage arrears rates, although they remain low by global standards.
- The housing market remains one of the weak areas of the economy. Auction clearance rates through October have averaged below 50% for all capital cities, suggesting house price growth will remain weak over the short term. However, a possible rate cut from the Reserve Bank of Australia (RBA) will be an encouraging development for the housing market and could bring forward a recovery in house prices.



	Sep Qtr % Chg	Ann % Chg		Sep Qtr % Ch	Ann % Chg
Sydney	-0.2	-0.3	Perth	-1.3	-4.2
Melbourne	-1.7	-2.1	Hobart	-1.0	-0.3
Brisbane	-2.5	-5.2	Darwin	-0.4	-4.4
Adelaide	-0.9	-3.2	Canberra	-2.0	-2.2

House prices have continued to moderate and fell by 1.2% in the September quarter. On an annual basis, house prices fell by 2.2%, equalling the annual rate in the June quarter, which was the first annual decline in two years. The quarterly increase in the index for the June quarter was also revised downwards to -0.5% from -0.1% previously.

The ABS measure of house prices coincide with recent RP Data-Rismark house price data. RP Data-Rismark house prices declined by 1.3% over the September quarter. On an annual basis, house prices are down 3.4%.

The breakdown continues to indicate that the moderation in housing prices is widespread with all capital cities seeing falls. Sydney house prices continue to outperform the other capital cities, falling by just 0.2%. Meanwhile, the largest quarterly declines came from Brisbane and Canberra.

On an annual basis, Perth and Brisbane were the worst performing capital cities. WA and QLD have seen the biggest lift in mortgage arrears rates, although they remain low by global standards.

Outlook

The housing market remains one of the weak areas of the economy as affordability remains low, and households continue to undergo a period of “deleveraging” (paying down debt). Auction clearance rates through October have averaged below 50% for all capital cities, suggesting house price growth will remain weak over the short term. However, a possible rate cut from the Reserve Bank of Australia (RBA) will be an encouraging development for the housing market and could bring forward a recovery in house prices.

The rental market continues to be tight amid low vacancy rates, and will be supportive of investor demand. Further, an undersupply of housing continues to limit the decline in house prices.

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