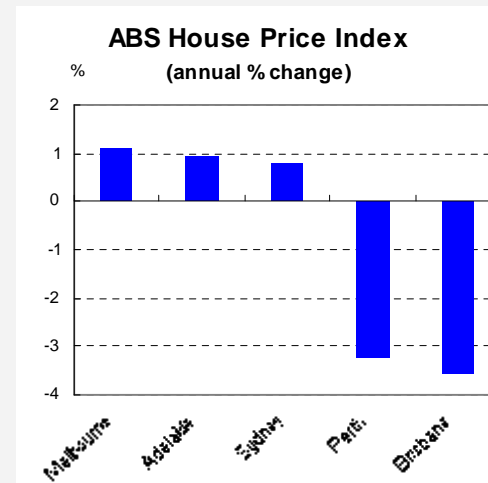
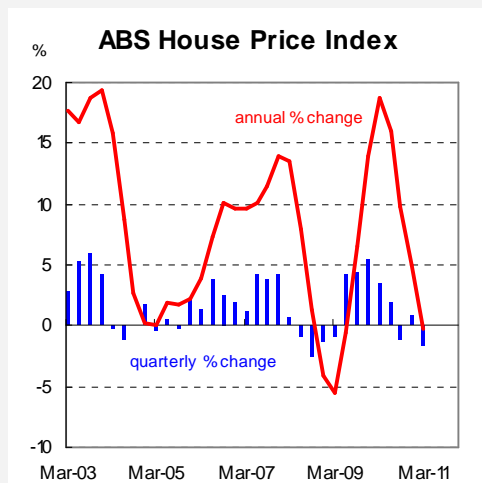


# DATA SNAPSHOT

## ABS House Price Index – Taking a breather

Monday, 2 May 2011

- The average price for established houses in Australia's eight capital cities fell 1.7% in the March quarter, which was largely inline with St George Bank's forecast but below market consensus expectations.
- In annual terms, house prices slipped 0.2% in the March quarter, down from a peak of 18.8% a year earlier.
- This gradual moderation over 2010 and into 2011 reflects lower demand for housing amid higher mortgage rates, the end to the First Home Owners Boost, falling immigration and lower affordability. Meanwhile, factors driving demand include strong employment and incomes. Taken together, this suggests a plateauing in house prices this year.
- The state breakdown suggests the floods likely played a role in the decline in first quarter house prices. In the March quarter, the sharpest declines in house prices were seen in Brisbane and Melbourne, with both falling 2.5%.



	Mar Qtr % Ch	Ann % Ch		Mar Qtr % Ch	Ann % Ch
Sydney	-1.8%	0.8%	Perth	0.5%	-3.2%
Melbourne	-2.5%	1.1%	Hobart	0.4%	0.6%
Brisbane	-2.5%	-3.6%	Darwin	-1.0%	0.5%
Adelaide	-1.0%	0.9%	Canberra	-0.4%	1.1%

Softening house prices were broad based across the country; all capital cities experienced declines over the quarter with the exception of Perth and Hobart. The most significant falls in house prices were in Melbourne, Brisbane and Sydney. There was also little growth over the year to March with Brisbane and Perth in decline and only small increases across other capital cities. After posting significant gains last year, particularly in Melbourne and Sydney, prices appear to be stabilizing.

The ABS stated in their report today that it is not possible to isolate the effect of the floods from an overall decline in market activity. It noted that median price decreases and decreased sales activity were observed in almost all clusters in the Brisbane Statistical Division in the March quarter.

It is likely the floods had an impact on Brisbane house prices and that in some areas of

Brisbane this trend will continue, with the flooding fresh in investors minds. The large decline in Melbourne house prices suggests that supply may have outstripped demand, although in Sydney, despite house prices edging lower, undersupply and a lack of affordability remain key problems.

Higher interest rates and lower immigration are likely to put some downward pressure house prices. It doesn't, however, necessarily suggest a dire outlook for the housing market. Rising national incomes amid a 60-year high in the terms of trade will act to support house prices, as will ongoing labour market strength. Leading indicators are still pointing to a strong labour market, with the unemployment rate expected to fall further. Meanwhile, rents are likely to increase as higher mortgage rates and low affordability deter first-home buyers from purchasing a home and look to rent instead.

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