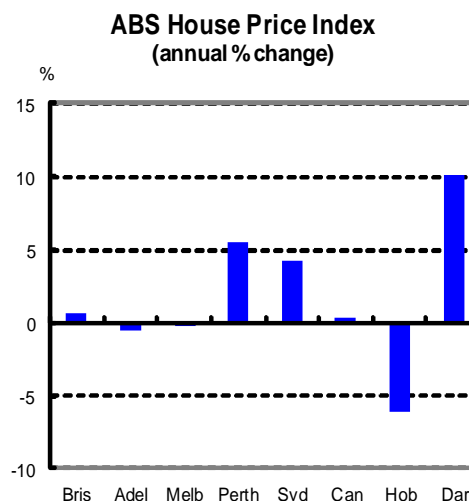
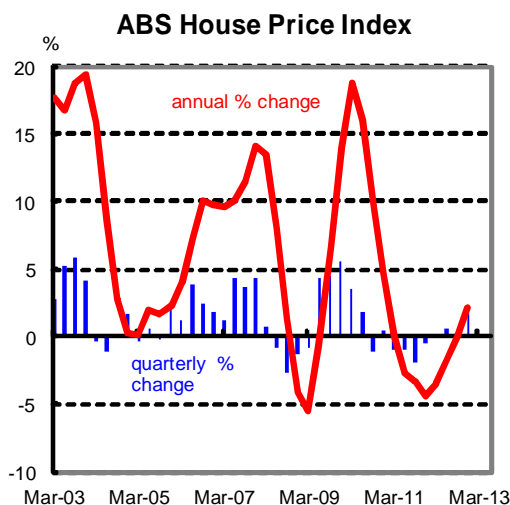


House prices: Coming up for air

- Today's ABS house price figures show a recovery across most capital cities. The weighted average of eight capital cities rose 1.6% in the quarter and 2.1% over the year. These increases should lift consumer sentiment over the months ahead. The increases follow reductions in interest rates, a pick-up in population growth and rising rents.
- The quarterly increase was the largest since June 2010 and the annual increase across the eight capital cities was the first since March 2011.



	Dec Qtr % Chg	Ann % Chg		Dec Qtr % Ch	Ann % Chg
Sydney	2.3	4.2	Perth	2.9	5.6
Melbourne	0.7	-0.2	Hobart	-1.4	-6.1
Brisbane	0.7	0.7	Darwin	2.6	10.1
Adelaide	0.8	-0.4	Canberra	2.1	0.3

House prices rose in all capital cities except Hobart during the December quarter 2012. The rise follows a period of reductions in interest rates, rising rents and low vacancy rates.

The quarterly results were not even across capital cities. Perth, Darwin, Sydney and Canberra each saw house prices rise over 2.0% in the quarter. The Perth and Darwin figures most likely reflect strong population growth and rising incomes as resources activity impacts upon these cities. Growth over the quarter was more modest in Melbourne, Brisbane and Adelaide.

On an annual basis, Darwin continues to stand out with prices rising 10.1%. House prices rose 5.6% over the year in Perth and were up 4.2% in Sydney. The annual price rise in Brisbane was 0.7% and Canberra 0.3%. Hobart saw house prices decline 6.1% reflecting the weakness of the Tasmanian economy. Prices over the year also fell in Adelaide but only by 0.4%.

On an annual basis, house prices rose across Australia for the first time since March 2011. At their nadir in this cycle, capital city house prices fell 4.4% in the year to December 2011. While Melbourne house prices fell 0.2% in the year to December, the rate of decline is easing and by the March quarter 2013 could also move into positive territory. A similar pattern is seen in Adelaide where the low of 4.5% occurred in the December quarter 2011.

The rise in house prices appears to be attracting the interest of investors. In the year to December, lending for investor housing was the most rapidly growing sector of credit, rising 5.5%.

As the economic cycle turns, we expect further gains in house prices. The populations of cities continue to rise and home building activity has been subdued. Interest rates are close to historical lows and consumer sentiment has picked up. Incomes are up and jobs continue to be created. All this should flow into the housing market over time.

Hans Kunnen, Chief Economist

Ph: 02-8254 8322

Contact Listing

Chief Economist

Hans Kunnen
kunnenh@bankofmelbourne.com.au
(02) 9320 5854

Senior Economist

Josephine Heffernan
heffernanj@bankofmelbourne.com.au
(02) 9320 5751

Economist

Janu Chan
chanj@bankofmelbourne.com.au
(02) 9320 5892

The Detail

The information contained in this report (“the Information”) is provided for, and is only to be used by, persons in Australia. The information may not comply with the laws of another jurisdiction. The Information is general in nature and does not take into account the particular investment objectives or financial situation of any potential reader. It does not constitute, and should not be relied on as, financial or investment advice or recommendations (expressed or implied) and is not an invitation to take up securities or other financial products or services. No decision should be made on the basis of the Information without first seeking expert financial advice. For persons with whom Bank of Melbourne has a contract to supply Information, the supply of the Information is made under that contract and Bank of Melbourne’s agreed terms of supply apply. Bank of Melbourne does not represent or guarantee that the Information is accurate or free from errors or omissions and Bank of Melbourne disclaims any duty of care in relation to the Information and liability for any reliance on investment decisions made using the Information. The Information is subject to change. Terms, conditions and any fees apply to Bank of Melbourne products and details are available. Bank of Melbourne or its officers, agents or employees (including persons involved in preparation of the Information) may have financial interests in the markets discussed in the Information. Bank of Melbourne owns copyright in the information unless otherwise indicated. The Information should not be reproduced, distributed, linked or transmitted without the written consent of Bank of Melbourne.

Any unauthorized use or dissemination is prohibited. Neither Bank of Melbourne- A Division of Westpac Banking Corporation ABN 33 007 457 141 AFSL 233714 ACL 233714, nor any of Westpac’s subsidiaries or affiliates shall be liable for the message if altered, changed or falsified.