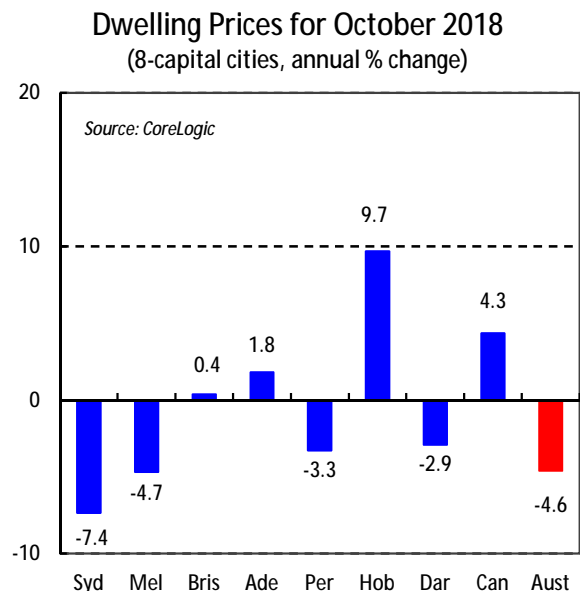
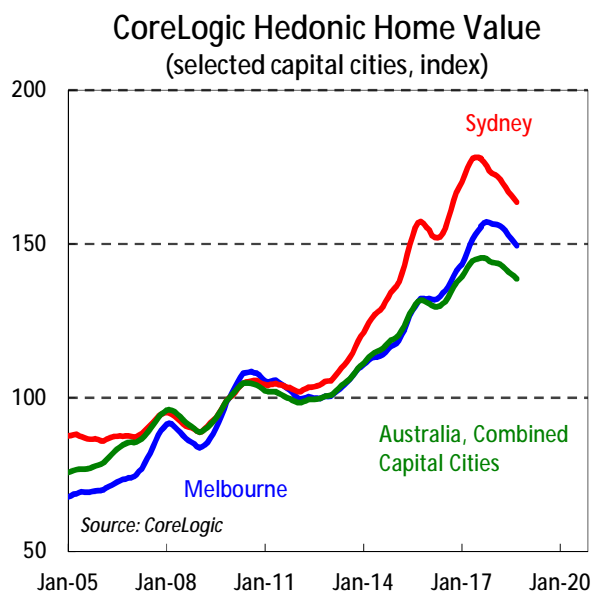


Dwelling Prices Correction Well Underway

- The correction in national dwelling prices is continuing. The CoreLogic eight-capital city combined dwelling price index fell 0.6% in October, the thirteenth consecutive month of decline.
- The annual decline in capital city dwelling prices stepped down from 4.1% in September to 4.6% in October, the weakest annual pace since April 2009. The tightening in lending conditions is continuing to weigh on demand for housing, as are the regulatory measures of recent years.
- Sydney and Melbourne housing markets are continuing to drive the downturn in housing. In contrast, Hobart still had the strongest growth of all capital cities.
- Softer lending and falling auction clearance rates suggest further weakness ahead is likely. Auction clearance rates have now fallen below 50% in Sydney and Melbourne, among other capital cities. We expect further declines in prices.



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In October, Sydney (-0.7%), Melbourne (-0.7%) and Perth (-0.8%) drove the decline. After

outperforming other capital cities over recent years, Sydney and Melbourne are leading the downturn in prices. Prices are down 8.2% and 4.9% in Sydney and Melbourne, respectively, from their peak.

Housing markets in other capital cities have been relatively stable. In October, prices were flat in Brisbane, Darwin and Canberra. Adelaide dwelling prices recorded a small 0.2% gain, while Hobart's housing market continues to outperform with prices rising 0.9% in October.

On a year ago, Hobart still had the strongest growth of all capital cities, at 9.7%. Canberra (4.3%) and Adelaide (1.8%) had modest growth in the year, while Brisbane dwelling prices were marginally higher (0.4%). Perth (-3.3%), Melbourne (-4.7%) and Sydney (-7.4%) dwelling prices were down in the year to October.

Outside of the capital cities, combined regional dwelling prices declined in October (-0.2%), for an annual pace of 0.8% in October.

Outlook

A downturn in dwelling prices is continuing, led by Sydney and Melbourne. Other capital cities are performing relatively well, however, tighter credit conditions are having a negative impact on housing demand. Moreover, falling auction clearance rates also suggests further weakness. Auction clearance rates have now fallen below 50% in Sydney and Melbourne among other capital cities. We expect further declines in prices. Nonetheless, this correction should be taken in the context of an over 70% increase in prices from its 2013 trough to its 2017 peak in Sydney, and a near 60% increase in prices in Melbourne over the same period.

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The Detail

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