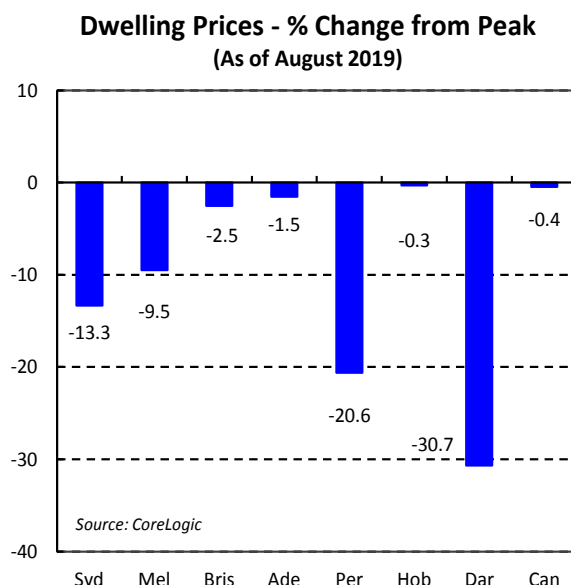
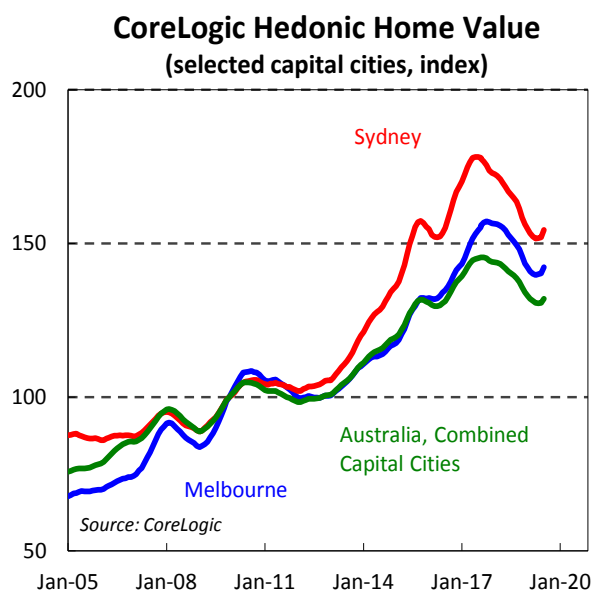


Monday, 2 September 2019

Dwelling Prices Call it a Comeback?

- Dwelling prices showed further signs of stabilisation in August. The CoreLogic median house price index, which tracks prices across 8-capital cities, rose 1.0% over the month. The latest sharp rise and the steady stream of improvement in the Sydney and Melbourne markets over recent months suggest that the housing market correction has likely run its course.
- Sydney and Melbourne continue to drive the overall result, adding further evidence that prices in the two major centres have bottomed out and are beginning to recover. Both cities registered their third consecutive monthly increase. Sydney prices rose 1.6%, while Melbourne saw a 1.4% lift. Moreover, these gains were the largest since November 2016 and April 2017, respectively.
- Elsewhere, the results were more mixed. The pace of growth quickened in Canberra (0.8%) and Hobart (0.5%) while Brisbane (0.2%) registered its second consecutively monthly improvement. Darwin recorded the largest fall of the capital cities (-1.2%). Adelaide (-0.2%) and Perth (-0.5%) also recorded declines.
- Despite dwelling price growth still being negative in annual terms, housing sentiment has lifted following easier credit conditions and increased clarity around housing tax policies after the federal election.
- The outlook for the housing market has improved and modest price growth is expected to prevail in 2020. Supporting prices are the RBA's two recent rate cuts and the likelihood of more. However, the recovery will be constrained by tepid wages growth and high household debt. Rising rental vacancy rates and greater supply to still hit the market might also soften the recovery.



Dwelling prices showed further signs of stabilisation in August. The CoreLogic median house price index, which tracks prices across 8-capital cities, rose 1.0% over the month. The latest sharp rise and the steady stream of improvement in the Sydney and Melbourne markets over recent months suggest that the housing market correction has nearly run its course.

Across the capital cities, Sydney and Melbourne were again the main drivers. Both major centres recorded their third consecutive monthly increase. The quickening pace of recovery suggests that both markets have bottomed out and are recovering. Sydney dwelling prices recorded a 1.6% increase while prices rose 1.4% in Melbourne. Moreover, these gains were the largest since November 2016 and April 2017, respectively.

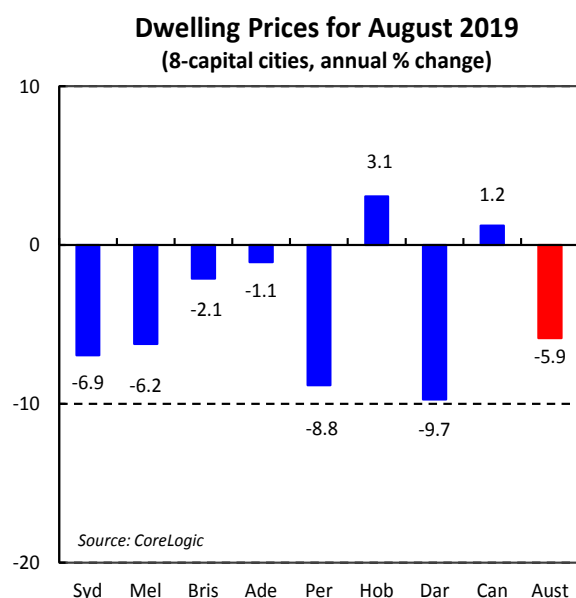
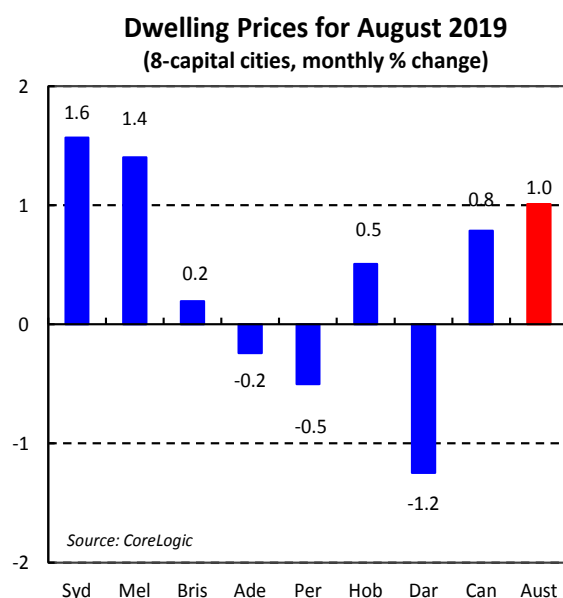
Hobart (0.5%), Canberra (0.8%) and Brisbane (0.2%) recorded monthly increases in prices, while the rate of decline slowed in Adelaide (-0.2%). Perth prices were down 0.5% and in Darwin, prices were down 1.2%.

In annual terms, dwelling price growth remains negative across the capital cities (-5.9%). All capitals were in negative territory in August except for Hobart and Canberra.

The quicker-than-expected turnaround in sentiment in the housing market has been driven by rate cuts from the RBA and more clarity around housing tax policies after the federal election.

Outlook

Dwelling prices are expected to see a continued recovery and record modest growth in 2020. The prospect of further rate cuts from the RBA, which are expected to reduce the cash rate to 0.5% by early next year, will support sentiment. Currently, sales volumes remain relatively low and will need to pick up before a meaningful recovery takes place. Additionally, soft wages growth and high household debt will constrain buyers and a return to the strong price growth seen in the previous boom is unlikely. Rising rental vacancy rates and greater supply to still hit the market might also soften the recovery.



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