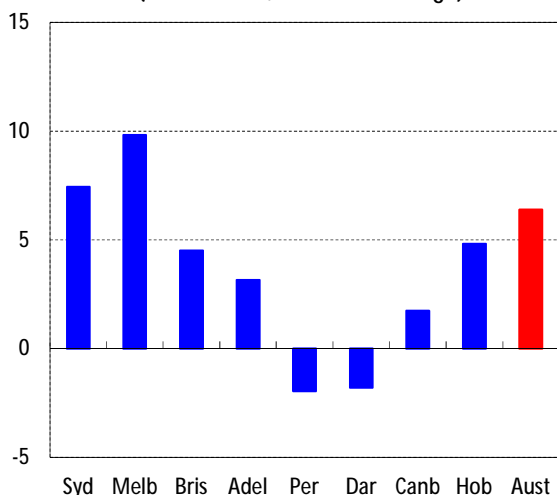


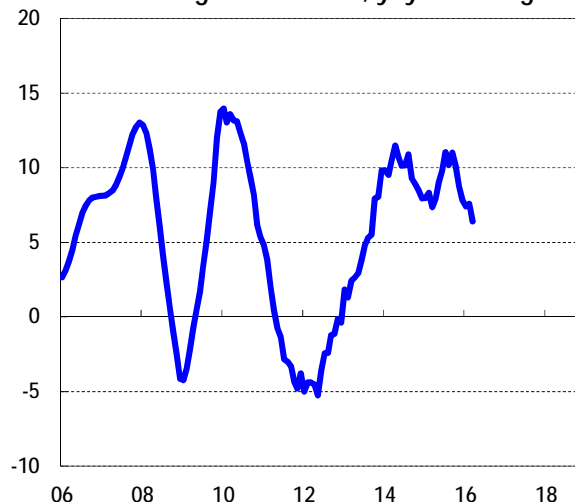
Dwelling Prices Losing Momentum

- Australia-wide capital city dwelling prices are losing their growth momentum. The gains are getting smaller and in some capital cities, going backwards. Dwelling prices grew a very modest 0.2% in March, following 0.5% growth in February. The annual pace of growth fell from 7.6% in February to 6.4% in March - well down from the 11.1% annual growth recorded in July last year.
- In March, dwelling prices rose in Darwin, Perth, Sydney and Adelaide but fell in Brisbane, Hobart, Canberra and Melbourne.
- Over the year to March, capital city house prices rose 6.6%, while unit prices lifted 4.7%. The strongest growth in house prices over the year, with an increase of 10.7%, was in Melbourne. The strongest growth in unit prices was in Sydney with 7.3% growth. House prices over the year to March rose in all capital cities except Perth and Darwin. Unit prices fell in Canberra, Darwin and Perth over the year but rose in the other capital cities.
- House prices are still rising in most capital cities but momentum is slowing. The same applies to unit prices where supply is growing strongly. Further moderation in dwelling price growth this year is possible, given strong gains in recent years.

CoreLogic - RP Data Dwelling Prices
(March 2016, Annual % Change)



CoreLogic - RP Data Hedonic
Dwelling Price Index, y/y % change



Core-Logic-RP Data Dwelling Prices

Australia-wide capital city dwelling prices grew just 0.2% in March following a modest 0.5% rise in February. Prices continue to rise, but the pace of growth has slowed to a more modest pace than in recent years. The annual pace of growth fell from 7.6% in February to 6.4% in March - well down from the 11.1% annual growth recorded in July last year.

Dwelling prices fell in some of Australia's capital cities in March. The largest decline for the month was in Brisbane (-1.2%), followed by Hobart (-1.1%), Canberra (-0.8%) and Melbourne (-0.6%). Dwelling price growth in March was strongest in Darwin (2.1%), followed by Perth (1.2%), Sydney (1.0%) and Adelaide (0.5%).

On an annual basis, dwelling prices in Melbourne (9.8%) were the strongest across the capital cities for the third consecutive month. Annual dwelling price growth moderated to 7.4% in Sydney and to 4.8% in Hobart. Dwelling prices grew at a moderate pace in Brisbane (4.5%) but growth was weaker in Adelaide (3.2%) and Canberra (1.7%). Perth (-2.0%) and Darwin (-1.8%) saw continued declines in dwelling prices in the year to March, reflecting the end of the mining/gas investment boom, the related slower population growth and the subsequent weaker demand for housing in these resource-rich regions of Australia.

In all capital cities, for the year to March, the annual pace of 'growth' in unit prices has lagged behind 'growth' in house prices. In Melbourne house prices rose 10.7% for the year to March, while unit prices were up a subdued 2.5%. In Sydney, growth rates were more evenly balanced at 7.5% for houses and 7.3% for units. In Adelaide, house prices were up 3.3% and unit prices rose 2.0% while in Brisbane house prices (4.9%) also outpaced unit prices (0.5%). In Canberra, house price rose 1.9% for the year to March, while unit prices fell 0.9% over the same period. In Perth, both house prices (-2.0%) and unit prices (-1.9%) declined over the year as they did in Darwin with house prices down 1.5% and unit prices down 2.9%.

For the month of March, Australia-wide house prices gained 0.2%, while unit prices rose just 0.4%. In the year to March, house prices rose 6.6% and unit prices were up 4.7%.

Outlook

There continues to be healthy demand in the housing market, but the pace of growth in prices is losing momentum. Low interest rates will continue to provide support to dwelling prices but slow wages growth, increasing supply and lofty prices suggest that the growth in prices seen in 2015 will not be repeated in 2016. We expect further moderation in the pace of price growth with only modest gains at best.

Home building activity is likely to remain elevated throughout 2016, but dwelling investment is unlikely to provide the same positive impact on economic growth as it did during 2015.

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