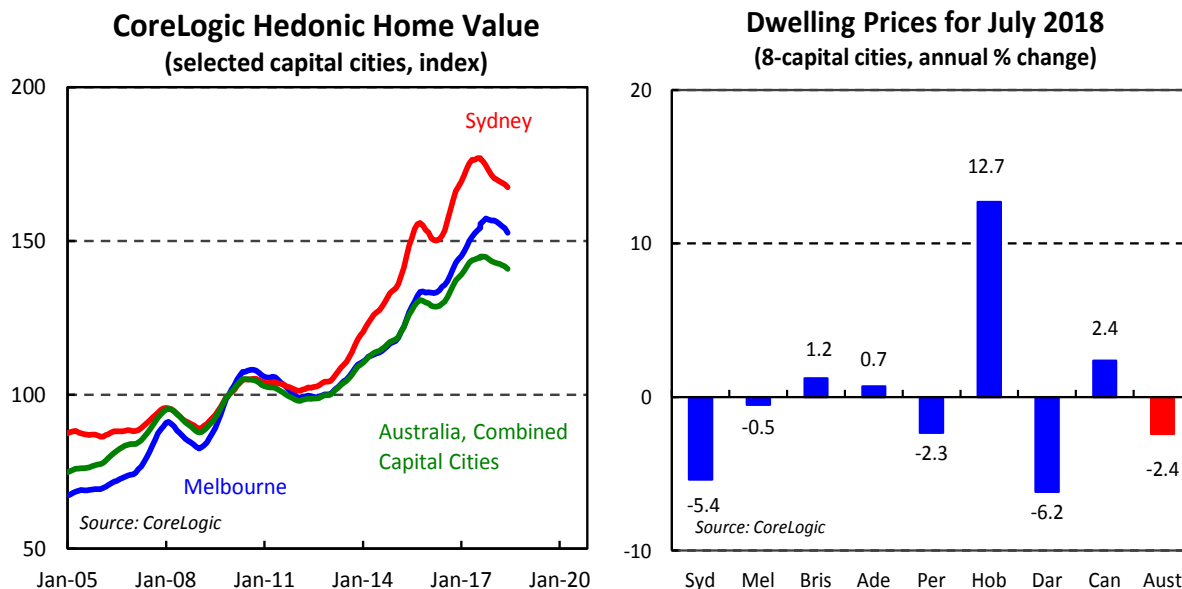


Dwelling Prices Cooling Continues

- The cooling in national dwelling prices continued in July. The CoreLogic eight-capital city combined dwelling price index fell 0.6% in the month, the ninth consecutive monthly decline and the largest decline since February 2016.
- It took the annual decline in capital city dwelling prices to 2.4% in July, from a decline of 1.6% in June. The tightening in lending conditions is easing demand for housing, as is the raft of regulatory measures over recent years. High levels of household debt and slow wages growth have also weighed on housing demand.
- In July, the fall in dwelling prices was led by the Sydney and Melbourne markets, where investors have been most active and which had experienced the largest run-up in prices over the last few years.
- We expect the moderation in dwelling prices to continue. Lower auction clearance rates and softer lending suggest further weakness in prices. However, there are solid fundamentals which should temper the housing downturn, including strong population growth and the healthy labour market.



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Sydney dwelling prices fell 0.6% in July, and are now down 5.4% from their peak in July 2017, with the decline taking Sydney dwelling prices back to the level seen in November 2016. The pace of decline in dwelling prices in Melbourne lifted in July, with a decline of 0.9%, the largest monthly drop since October 2011. Melbourne dwelling prices are now 2.9% below their November 2017 peak and equivalent to the level of mid-2017.

Prices also declined in Perth (-0.8%) and slipped in Adelaide (-0.1%)

Brisbane dwelling prices continued along a flattish path, gaining just 0.1% in July. In July, dwelling prices were also flat in Hobart (0.0%), as prices there took a breather from recent strong gains.

Dwelling prices increased in Darwin (0.4%), partially retracing recent declines, and the ACT (0.2%).

On an annual basis, Hobart continued to lead the way with the strongest growth in dwelling prices (11.5%). Dwelling prices in the ACT (2.4%), Brisbane (1.2%) and Adelaide (0.7%) continued to increase at a modest pace. In annual terms, Melbourne dwelling prices fell into negative territory (-0.5%), with the weakest pace of annual growth since November 2012. In the year to July, dwelling prices moved deeper into negative territory in Sydney (-5.4%). Dwelling prices in Perth (-2.3%) and Darwin (-6.2%) continued to be negatively impacted by the mining investment downturn.

Outside of the capital cities, combined regional dwelling prices declined in July (-0.4%), for the first time since August 2017. The annual pace of combined regional dwelling prices growth slowed to an increase of 1.6% in July, from 2.2% in June.

Outlook

Today's data confirms the pace of the dwelling price moderation increased in July, led by Sydney and Melbourne. We expect the slowdown in dwelling prices to continue, particularly in these capital cities. Lower auction clearance rates and softer lending suggest further weakness in prices. However, there are solid fundamentals which should temper the pace of the housing downturn, including strong population growth and the healthy labour market.

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The Detail

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