

Data Snapshot

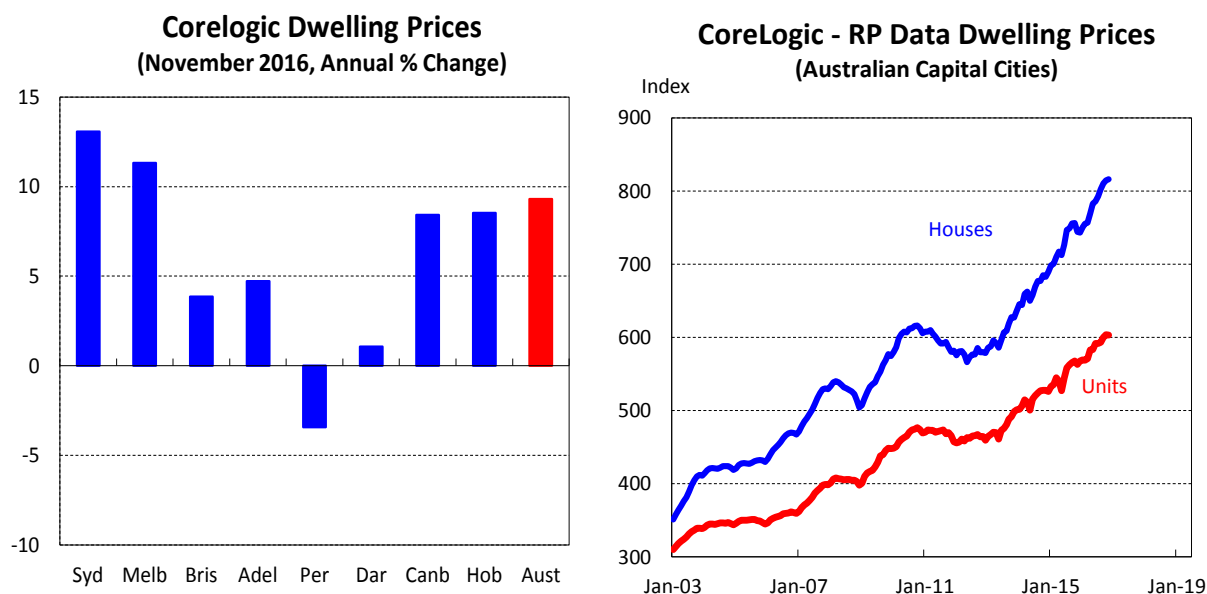
Thursday, 1 December 2016



Bank of Melbourne

Dwelling Prices Creeping Higher

- Australia-wide capital city dwelling prices rose for the eleventh consecutive month, lifting 0.2% in November, according to CoreLogic. The last two months have seen much more modest gains in house prices, after average monthly gains of around 0.9% over January to September.
- Despite softer monthly growth, the annual pace lifted from 7.5% in October to 9.3% in November.
- Sydney continued to see the strongest annual growth in prices followed by Melbourne, Hobart and Canberra. Meanwhile Adelaide, Brisbane and Darwin had more modest price gains. Dwelling prices in Perth remained in decline.
- Dwelling prices continue to lift, but growth is continuing to moderate. Low interest rates and ongoing population growth will continue to support housing demand. However, the strong increase in apartment building in capital cities will continue to weigh on unit prices. Indeed, unit prices fell 0.1% in the month, and annual growth has lagged behind growth in house prices.
- Building approvals data yesterday provided some early evidence that the housing construction cycle may have turned. The further cooling in housing conditions will remove a key hurdle for more interest rate cuts, although the RBA does not appear to be in the mindset to cut rates anytime soon. That said, we do not think the RBA is done cutting rates in this cycle.



Australia-wide capital city dwelling prices rose for the eleventh consecutive month, lifting 0.2% in November, according to CoreLogic. The last two months have seen much more modest gains in house prices, after average monthly gains of around 0.9% over January to September.

Despite softer monthly growth, the annual pace lifted from 7.5% in October to 9.3% in November largely reflecting a temporary decline in prices in November 2015.

Unit price growth continued to lag behind price growth in house prices, given the large increase in the supply of apartments in recent years in major capital cities. In November, unit prices fell 0.1% for an annual gain of 7.2%. Meanwhile, house prices rose 0.2% for annual growth of 9.6%.

Prices gained across all capital cities in November, except for Melbourne (-1.5%) and Canberra (0.0%). Darwin and Adelaide had the strongest price gains lifting 3.7% and 2.9%, respectively. Hobart (0.9%), Sydney (0.8%), Perth (0.6%) and Brisbane (0.4%) prices also had moderate gains.

Over the year to November, Sydney (13.1%) continued to see the strongest growth in prices followed by Melbourne (11.3%), Hobart (8.5%) and Canberra (8.4%), while Adelaide (4.7%), Brisbane (3.9%) and Darwin (1.1%) had more modest price gains.

Dwelling prices in Perth (3.4%) have declined in annual terms, and have been in annual decline for 18 consecutive months. Nonetheless, prices in Perth have increased for two consecutive months and the rate of decline has eased.

Outlook

Dwelling prices continue to lift, but growth is continuing to moderate. Low interest rates and ongoing population growth will continue to support housing demand. However, the strong increase in apartment building in capital cities will continue to weigh on unit prices, particularly in Melbourne and Brisbane, and to a lesser extent in Sydney.

Building approvals data yesterday provided some early evidence that the housing construction cycle may have turned. The further cooling in housing conditions will remove a key hurdle for more interest rate cuts, although the RBA does not appear to be in the mindset to cut rates anytime soon. However, given risks to the growth outlook, we remain of the view that inflation will not pickup over time as the RBA expects and will not be done cutting interest rates in this cycle.

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