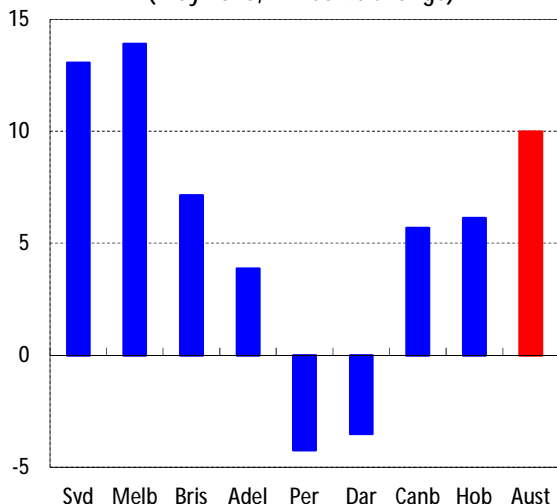


## Dwelling Prices

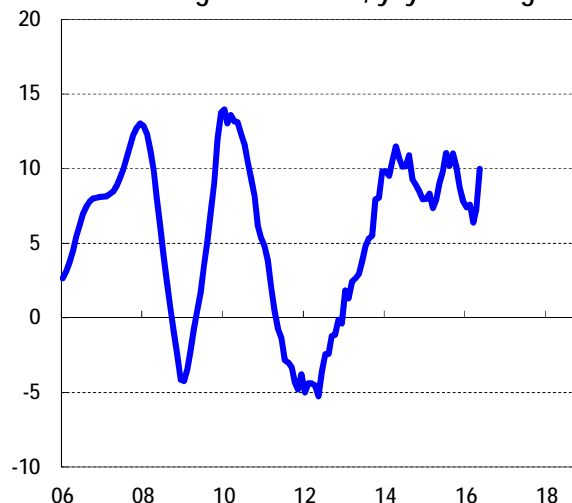
### The RBA Effect?

- Australia-wide capital city dwelling prices grew by a solid 1.6% in May. The housing market appears to be gaining another leg up after the RBA cut official interest rates in May.
- The annual pace of growth lifted to 10.0% in May, the strongest annual pace in seven months.
- For the month, dwelling prices were driven by a surge in Sydney dwelling prices, but there were also strong gains in some other capital cities. On an annual basis, most capital cities witnessed an increase in dwelling price growth. The exception was Perth and Darwin, where their housing markets are being negatively impacted by the downturn in mining construction.
- With the prospect of another reduction in interest rates, demand for housing is likely to remain buoyant. Nonetheless, we do not expect a repeat of the strong gains in prices that were witnessed in earlier years, particularly in Sydney and Melbourne. That said, further moderate gains in prices are likely and the positive momentum in capital cities outside of Sydney and Melbourne (ex Perth & Darwin) should also continue.

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



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



Australia-wide capital city dwelling prices grew by a solid 1.6% in May, following a 1.7% gain in April. The housing market appears to be gaining another leg up after the RBA cut official interest rates in May.

The annual pace of growth lifted from 7.3% in April to 10.0% in May, the strongest annual pace in

seven months.

The lift in dwelling prices was driven by a 3.1% surge in Sydney dwelling prices. However, there were also solid gains in Melbourne (1.6%), Hobart (2.2%) and Canberra (2.5%). There were small gains in Brisbane (0.1%), Adelaide (0.1%) and Darwin (0.7%). Perth was the only capital city where dwelling prices declined in May (-2.7%)

On an annual basis, Melbourne continued to have the strongest dwelling price growth of 13.9%. Sydney was a close second at 13.0% annual growth, accelerating to its fastest in seven months. After cooling earlier in the year, Sydney's housing market has gathered pace in the past couple of months. Annual dwelling price growth has also picked up in other capital cities, including Brisbane from 6.2% in April to 7.1% in May, Adelaide (from 3.6% to 3.9%) and Canberra (from 4.5% to 5.7%). Prices in Hobart grew at 6.1% in the year. The downturn in mining construction, however, is negatively impacting dwelling prices in Perth (-4.2%) and Darwin (-3.5%) where prices declined on a year ago.

## Outlook

The housing market appears to have gained a renewed boost from the recent cut to official interest rates by the RBA. With the prospect of another reduction in interest rates, demand for housing is likely to remain buoyant.

Nonetheless, we do not expect a repeat of the strong gains in prices that were witnessed in earlier years, particularly in Sydney and Melbourne. Measures by APRA will continue to curb investor appetites. The slow pace of wage growth will also limit how much further prices can rise.

That said, further moderate gains in prices are likely and the positive momentum in capital cities outside of Sydney and Melbourne (ex Perth & Darwin) should also continue.

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