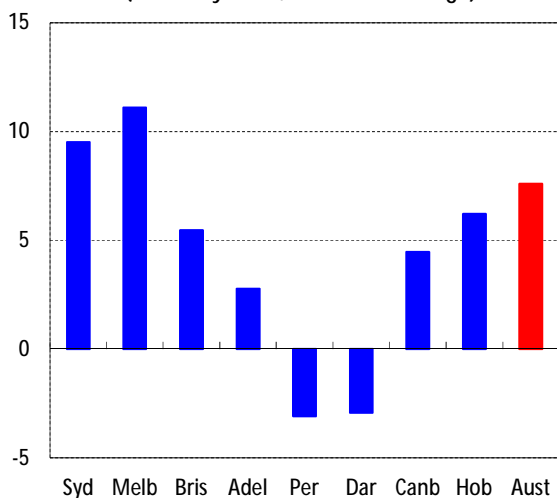


Dwelling Prices & Building Approvals

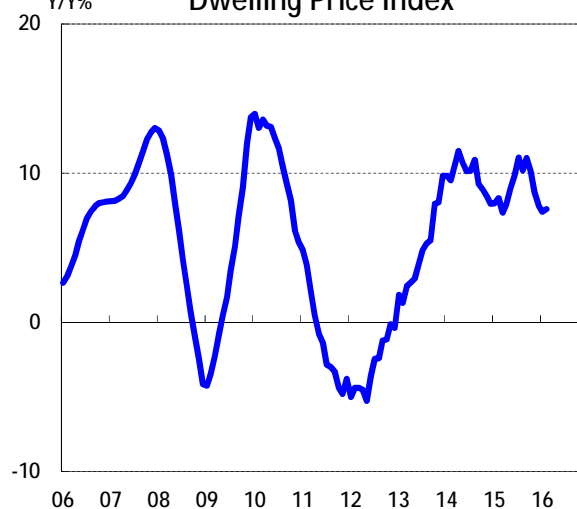
Is Housing Losing its Shine?

- Australia-wide capital city dwelling prices grew a modest 0.5% in February, following 0.9% growth in January. Prices continue to rise, but the pace of growth is slowing to a moderate pace. The annual pace of growth lifted from 7.4% in January to 7.6% in February, but still well down from the 11.1% annual growth recorded in July.
- Building approvals declined 7.5% in January, mostly reversing an 8.6% increase in December. A downward trend has clearly emerged and has been in place over the last ten months. This means that the contribution to economic growth from dwelling investment will be limited over the coming year.
- Housing indicators continue to show signs of strength in Victoria, while conditions are easing in NSW. Dwelling prices are growing at a moderate pace in Hobart, Brisbane, Canberra and Adelaide but declined in Perth and Darwin.
- There continues to be healthy demand in the housing market, although the heat over 2015, particularly in Sydney, has worn off. Low interest rates will continue to provide support to dwelling prices this year. That said, we expect growth to continue to slow over the course of the year and expect only modest gains at best. There are also signs that activity in residential construction is softening but from a high level.

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



CoreLogic - RP Data Hedonic
Dwelling Price Index



Core-Logic-RP Data Dwelling Prices

Australia-wide capital city dwelling prices grew a modest 0.5% in February, following 0.9% growth in January. Prices continue to rise, but the pace of growth is slowing to a moderate pace. The annual pace of growth lifted from 7.4% in January to 7.6% in February, but still well down from the 11.1% annual growth recorded in July.

Growth across capital cities is becoming more broad-based. The strongest growth in the month occurred in the smaller capital cities, led by Hobart (2.9%), Adelaide (1.9%) and Brisbane (1.8%). Dwelling prices in Sydney and Melbourne grew further in February, however they rose a more modest 0.5% and 0.3%, respectively. There was modest growth in Darwin (0.4%), while prices declined in Perth (-1.1%) and Canberra (-0.2%).

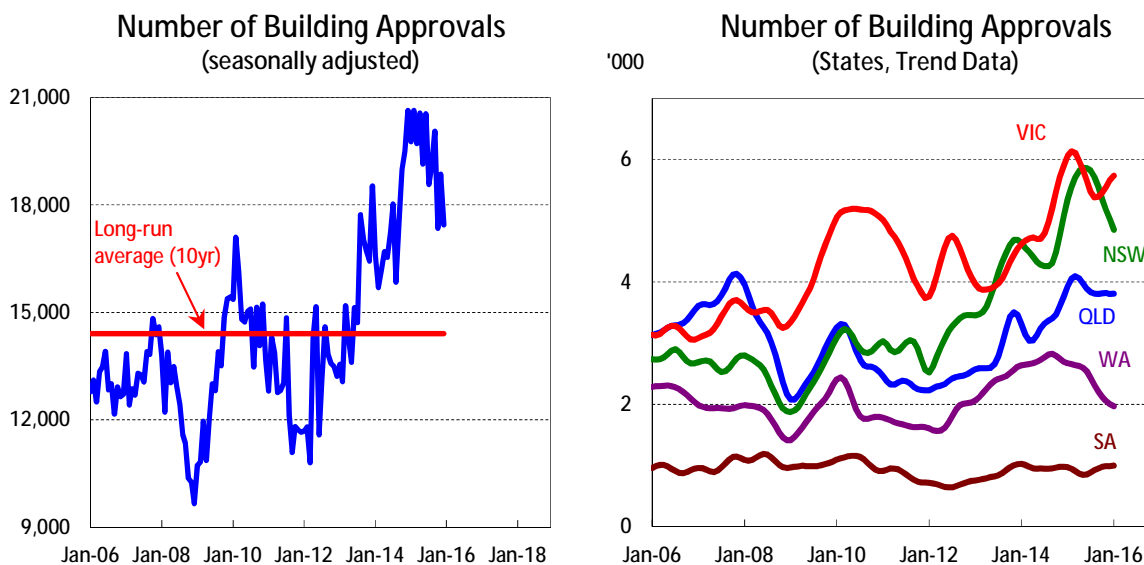
On an annual basis, dwelling prices in Melbourne (11.1%) was the strongest across capital cities for the second consecutive month. This was followed closely by Sydney (9.5%). Dwelling prices grew at a moderate pace in Hobart (6.2%), Brisbane (5.5%), Canberra (4.5%) and Adelaide (2.8%). Perth (-3.1%) and Darwin (-2.9%) dwelling prices continued to decline in the year to February, where housing has been impacted by the contraction in mining investment.

Building Approvals

Building approvals declined 7.5% in January, mostly reversing an 8.6% increase in December. Approvals for the month were down 15.5% from a peak of 20,646 in March 2015, and also 15.5% lower over the year. A downward trend has clearly emerged and has been in place over the last ten months. This means that the contribution to economic growth from dwelling investment will be limited over the coming year.

Building approvals, however, remain at an elevated level, and above their long-run average. Residential construction is still being supported by firm demand for housing and low interest rates.

The weakness in January was driven by both approvals in both houses and apartments. Approvals for private sector houses declined 6.0% in January, while approvals for private sector 'other' dwellings dropped 10.8%. Both these sectors were down over the year – down 3.3% and 26.7%, respectively over the year.



By State

The decline in January was driven by NSW, where approvals dropped 22.9% in the month. NSW approvals in January were the lowest in 14 months. There were also declines in Queensland (-13.4%) and Tasmania (-11.1%). Approvals in Victoria remained at a high level, and rose 2.9% in January to above 6000. Victoria is again, approving the construction of more homes than any other State. Approvals rose in South Australia (14.2%) and Western Australia (7.2%) in January.

On an annual basis, approvals in all States except Victoria declined. In the year to January, approvals fell in NSW (-22.2%), Queensland (-38.3%), South Australia (-14.3%) and Western Australia (14.9%). Approvals in Victoria rose 14.7% in the year.

Outlook

There continues to be healthy demand in the housing market, although the heat over 2015, particularly in Sydney, has worn off. Low interest rates will continue to provide support to dwelling prices this year. That said, we expect growth to continue to slow over the course of the year and expect only modest gains at best.

There are also signs that activity in residential construction is softening but from a high level. Activity will likely remain elevated, but dwelling investment will have less of a favourable impact on economic growth over the coming year.

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