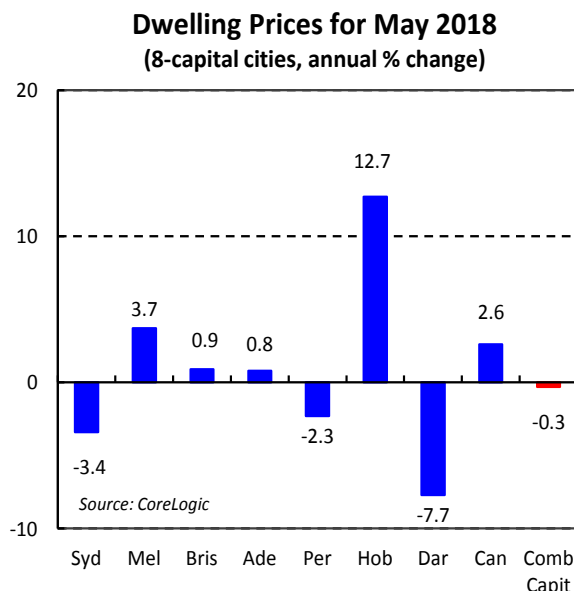
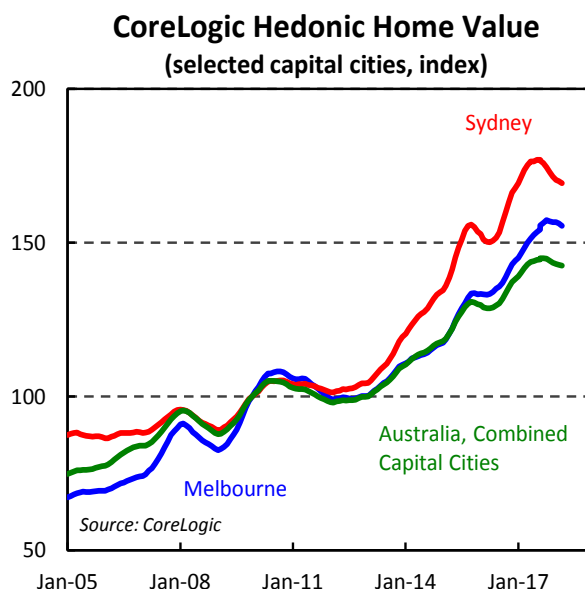


Dwelling Prices

The Slow Slide Continues

- Dwelling prices continued to slow further in May, led by declines in Sydney and Melbourne. The eight-capital cities combined index published by CoreLogic fell by 0.3% in May, the sixth consecutive monthly decline. They also fell by 0.3% on the same time a year ago.
- Smaller capital cities outperformed the larger capital cities. The strongest growth in dwelling prices in May was recorded in Hobart of 1.2%, followed by the ACT and NT of 0.6% each.
- Regional areas also outperformed the capital cities. The combined regional index rose by 0.4% in May and by 2.4% in the year to May.
- And unit prices outperformed housing prices across both capital cities and nationally. House prices fell 0.2% nationally in May but unit prices grew 0.2%. On a year ago, house prices were 0.3% lower but unit prices were 2.0% higher.
- We expect dwelling prices to continue to moderate, especially in Sydney and Melbourne. However, strong population growth and a robust labour market should help limit the size of the moderation.



Dwelling prices continued to slow further in May, led by declines in Sydney and Melbourne. Prices had run up the most in these two capital cities and so the pullback in these cities is more pronounced. The eight-capital cities combined index published by CoreLogic fell by 0.3% in May, the sixth consecutive monthly decline. They also fell by 0.3% on the same time a year ago, which is the first annual decline since October 2012.

A widening of macro-prudential measures last year has contributed to the slowing in dwelling prices. High household debt and soft wages growth have also been drivers behind the slower growth in dwelling prices.

Sydney and Melbourne continued to drive the declines. Sydney and Melbourne dwelling prices fell by 0.4% each. Sydney dwellings prices have now fallen for eight consecutive months while in Melbourne the string of falls totals five months. Sydney and Melbourne dwelling prices are now 4.3% and 1.1% away from their peaks recorded last year, respectively.

Brisbane dwelling prices also fell in the month, by 0.1%, while Perth recorded flat growth.

It was the smaller capital cities that outperformed in May. Hobart dwelling prices rose by 1.2% in May and by 12.7% in the year to May. Annual growth has slowed in Hobart from its peak of 14.3% last year, but only modestly.

The ACT and NT also recorded growth of 0.6% each in the month, although the annual rates were disparate. In the ACT, annual price growth stood at 7.2% in May but in the NT it stood at -2.5%.

Meanwhile, Adelaide dwelling prices inched up 0.1% in May and by 0.8% on a year ago.

Regional areas also outperformed the capital cities. While the combined capitals index fell, the combined regional index strengthened. The combined regional index rose by 0.4% in May and by 2.4% in the year to May.

And unit prices also outperformed housing prices across both capital cities and nationally. Dwelling prices nationally (across both capital cities and the regional areas) fell by 0.1% in May and rose by 0.2% in the twelve months to May. House prices fell 0.2% nationally in May but unit prices grew 0.2%. On a year ago, house prices were 0.3% lower but unit prices were 2.0% higher.

Outlook

We continue to expect dwelling prices to moderate, especially in Sydney and Melbourne. However, strong population growth and a labour market in good shape should help limit the size of the moderation.

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The Detail

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