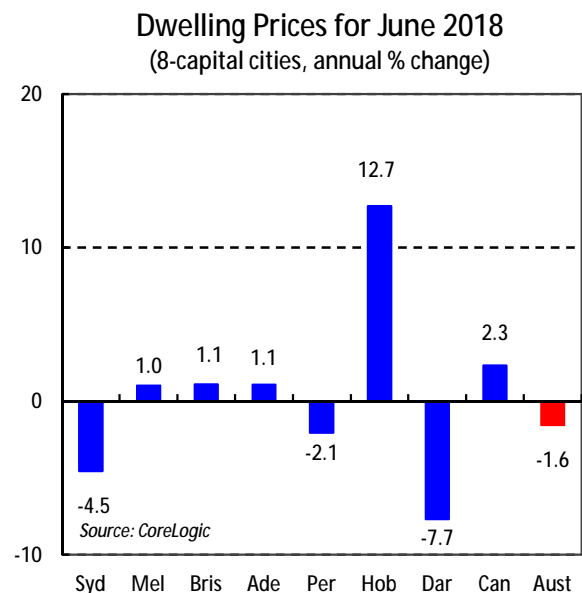
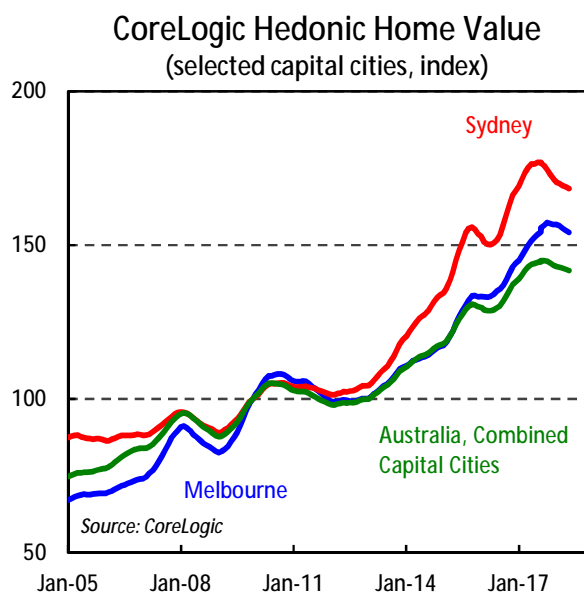


Dwelling Prices Continuing to Moderate

- National dwelling prices extended their slide in June. The CoreLogic eight-capital city combined dwelling price index fell 0.3% in the month, the eighth consecutive monthly decline.
- It took the annual decline from 1.1% in May to 1.6% in June. The tightening in lending conditions is taking a toll on the housing market following a raft of regulatory measures over recent years.
- Corrections continue to be underway in Sydney and Melbourne. Sydney dwelling prices fell 0.3% in June, and are now down 4.8% from their peak in July 2017. The downturn in dwelling prices in Melbourne has become more entrenched in recent months and declined 0.4% in June. Melbourne dwelling prices however, are down just 2.0% from their peak in November.
- A correction phase in the housing market is becoming established. We expect that dwelling prices will continue to moderate, especially in Sydney and Melbourne. Falling auction clearance rates and softer lending also point to further weakness in prices ahead. There are still solid fundamentals which should support housing demand over the longer-term. Strong population growth and the healthy labour market should limit the extent of the downturn.



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Prices also declined in Perth (-0.5%), Darwin (-1.1%) and Canberra (-0.3%). Meanwhile, Adelaide (0.3%), Hobart (0.3%) and Brisbane (0.2%) had modest growth.

On an annual basis, Hobart continued to lead the way with the strongest growth in dwelling prices (12.7%). Melbourne prices were still higher in the year, despite recent weakness (1.0%). Brisbane (1.1%), Adelaide (1.1%) and Canberra (2.3%) prices were also modestly higher in the year. A correction is becoming more advanced in Sydney, where dwelling prices were down 4.5% in the year. Dwelling prices in Darwin (-7.7%) and Perth (-2.1%) continued to be negatively impacted by the mining investment downturn.

Outlook

Today's data confirms that the housing market is continuing to undergo a correction, particularly in Sydney and Melbourne. We expect that a moderation in prices is set to continue in these capital cities. Lower auction clearance rates and softer lending also point to further weakness in prices ahead.

There are still solid fundamentals which should support housing demand over the longer-term. Strong population growth and the healthy labour market should limit the extent of the downturn.

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The Detail

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