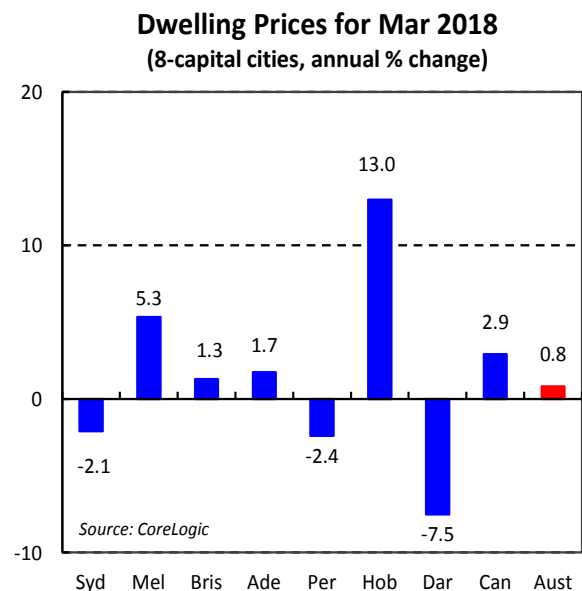
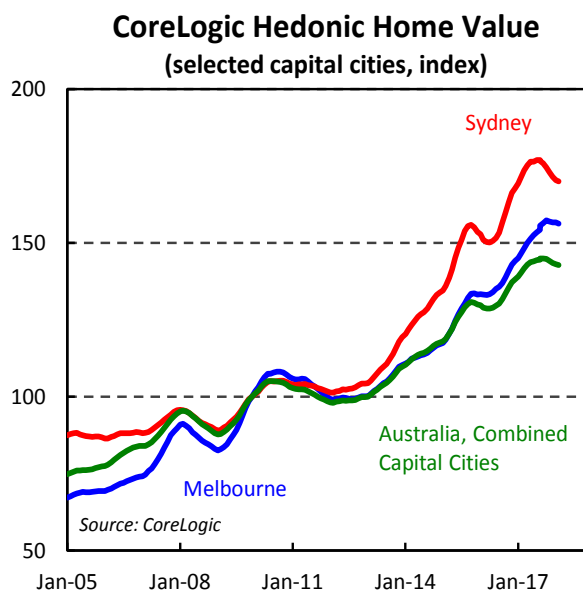


Dwelling Prices Moderating Further

- There was a further softening in dwelling prices in March. The eight-capital cities combined index by CoreLogic fell 0.2% in the month, the fifth consecutive monthly drop. A slowing trend has been evident since October 2017, mostly reflecting regulatory changes over last year.
- In March, prices continued to decline in Sydney and Melbourne, where investors have been most active and where price growth has been strongest over recent years.
- Prices in Sydney are down 3.9% from their peak in July. It is a modest decline given strong growth in recent years. Melbourne dwelling prices are just 0.7% down from their peak.
- We expect to see dwelling prices continue to moderate but we do not expect large scale price declines. Strong population growth and solid growth in employment in most capital cities should continue to be supportive of housing demand.



There was a further softening in dwelling prices in March. The eight-capital cities combined index by CoreLogic fell 0.2% in the month, the fifth consecutive monthly drop. A slowing trend has been evident since October 2017, mostly reflecting regulatory changes over last year. Annual growth has slowed to a 0.8% pace, which was the weakest since November 2012.

Despite the recent moderation in the housing market, the capital-cities price index is only 1.4% lower than their peak.

In March, prices continued to decline in Sydney (-0.3%) and Melbourne (-0.2%), where investors have been most active and where price growth has been strongest over recent years. Prices in Adelaide (-0.3%) also declined in the month.

Hobart's housing market remained the outperformer among the capital cities; dwelling prices in Hobart rose 1.7% in the month. There were also gains in Darwin (1.0%) and modest growth in Perth (0.3%) and Canberra (0.2%).

On an annual basis, Hobart was the stand out (13.0%). Growth in Melbourne eased further to 5.3%, down from a recent peak of 13.1% annual growth in July 2017. There were modest gains in Canberra (2.9%), Adelaide (1.7%) and Brisbane (1.3%).

Dwelling prices in Sydney were down 2.1% in the year to March, the weakest annual rate since April 2012. Prices in Sydney are down 3.9% from their peak in July 2017. This is a modest decline given strong growth in recent years, although prices are expected to ease further. Perth (-2.4%) and Darwin (-7.5%) were the other two capital cities where prices remain in decline, but should stabilise soon as the mining investment downturn nears an end.

Outlook

Dwelling prices are continuing to moderate under the weight of tighter lending conditions for interest-only and investor loans, and a weakening in confidence over housing. Markets where investors have been most active, Sydney and Melbourne, will likely continue to see the most pronounced easing in conditions. While we expect to see price growth continue to moderate given regulatory measures, we do not expect large scale price declines. Strong population growth and solid growth in employment in most capital cities should continue to be supportive of housing demand.

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The Detail

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