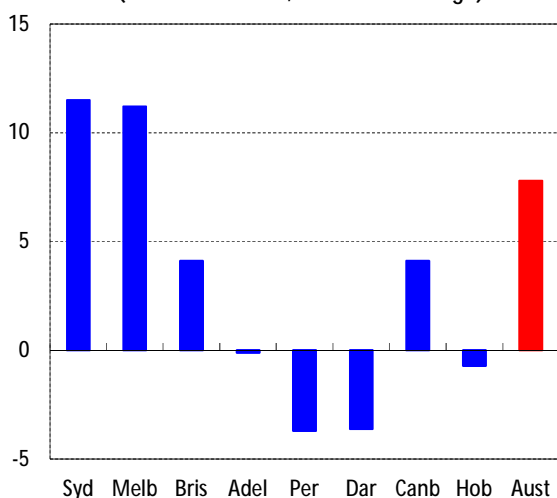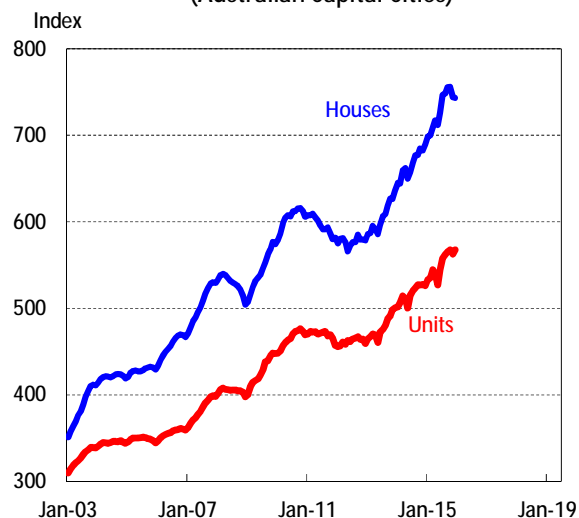# Data Snapshot

Bank of Melbourne

Corelogic - RP Data Dwelling Prices

Prices Flat But Sydney Falls Again

- Australia-wide capital city dwelling prices were flat in December. Prices rose 7.8% in the year to December, the softest annual rate since April 2015 and well down on peak in annual growth of 11.5% seen in the year to April 2014.

- In December, dwelling prices fell in Sydney, Adelaide and Canberra but rose in Melbourne, Brisbane, Perth and Hobart. Prices in Darwin were flat.

- Over the year to December, house prices rose 7.8% while unit prices rose 7.9%. This reverses the pattern of recent years which saw house prices increase faster than unit prices. The changing of the guard is being driven by Sydney where unit demand remains solid and where house prices have softened.

- Some further moderation in dwelling price growth down the track would not be surprising given strong gains over the past few years. A flood of new housing supply, modest income growth and recent measures to curb demand among investors may have some impact in limiting house price growth.

Corelogic - RP Data Dwelling Prices
(December 2015, Annual % Change)

CoreLogic - RP Data Dwelling Prices
(Australian Capital Cities)

Core-Logic-RP Data Dwelling Prices

Australia-wide capital city dwelling prices were flat in December following a 1.5% decline in November. Prices rose 7.8% in the year to December, but this was lower than the 8.7% increase in the year to November. This was the softest annual rate since April 2015 and well down on peak in annual growth of 11.5% seen in the year to April 2014.

Dwelling prices fell in several of Australia's capital cities during December. The largest decline in the month was in Adelaide where prices fell 1.5%. Prices also down in Sydney (-1.2%) and Canberra (-1.1%). Capital cities that saw dwelling prices increase in December were Perth (2.3%), Melbourne (1.0%), Brisbane (0.9%) and Hobart (0.8%). Prices in Darwin were flat.

For the year to December, dwelling price growth was strongest in Sydney (11.5%) and Melbourne (11.2%). Prices also rose over the year in Canberra (4.1%) and Brisbane (4.1%) but fell in Hobart (-0.7%) and Adelaide (-0.1%). Perth (-3.7%) and Darwin (-3.6%) also saw dwelling prices fall over the year after being hotspots during the boom in resources related construction. Perth and Darwin have both seen strong growth in housing supply and have also experienced slower population growth than in previous years.

In most capital cities, the annual pace of growth in unit prices has lagged behind growth in house prices. In Melbourne, house prices rose 11.7% over the year to December while unit prices rose 6.9%. In Sydney, growth rates were less disparate at 11.5% for houses and 11.3% for units. Brisbane saw house prices rise 4.3% but units were up only 1.8% and a similar picture was painted in Canberra where house prices rose 4.5% but in this case unit prices fell 0.8%. In Perth and Darwin, both house prices and unit prices fell over the year while in Adelaide the price of houses fell 0.3% but unit prices rose 1.4%.

For the month of December, Australia-wide house prices fell 0.1% while unit prices rose 0.9%. Over the year to December, house prices rose 7.8% while unit prices rose 7.9%. This reverses the pattern of recent years which saw house prices increase faster than unit prices. The changing of the guard is being driven by Sydney where unit demand remains solid and where house prices have softened.

Outlook

Low interest rates, population growth and an ongoing undersupply of dwellings in Sydney suggest that demand for housing will remain firm. That said, further gains in house prices are likely to be more difficult to achieve following several years of rapid growth. While prices will, as always, vary from city to city, income constraints and regulatory changes seem likely to put the brakes on dwelling prices. They may even shift them into a modest reversal during 2016.

Hans Kunnen, Chief Economist
Ph: 02-8254-8322

Contact Listing

Chief Economist	Senior Economist	Senior Economist
Hans Kunnen	Josephine Horton	Janu Chan
kunnenh@bankofmelbourne.com.au	hortonj@bankofmelbourne.com.au	chanj@bankofmelbourne.com.au
(02) 8254 8322	(02) 8253 6696	(02) 8253 0898