

An update on Australian property prices



Driven by falling markets in Sydney and Melbourne, national house prices fell 0.1% in May, according to figures from property analytics group Core Logic. For the year from 31 May 2017 to 31 May 2018, prices were down 0.4% marking the first annual fall since October 2012¹.

But AMP Capital's Head of Investment Strategy and Economics and Chief Economist Dr Shane Oliver says despite the falls, talk of a property market crash is overdone.

Sydney and Melbourne

Prices in Sydney fell 0.2% in May, while Melbourne prices fell 0.5%. In Sydney, the median house price is now \$871,454 while in Melbourne it sits at \$717,020².

And depending on whether you're a buyer or seller in those market, there's more good or bad news to come.

"We expect prices in Sydney and Melbourne to fall another 4% or so this year, another 5% next year and to still be falling in 2020. Overall, Sydney and Melbourne are likely to see a top-to-bottom fall of around 15% spread out to 2020," Shane says.

Perth, Darwin and Canberra

Prices in Perth and Canberra were both down 0.1% in May, while Darwin prices were down 0.2%³.

However, all three markets are up for the quarter, and Shane says that prices in Perth and Darwin look to be at or close to bottoming, while Canberra is likely to see moderate price growth in the months to come.

Hobart

Still the star performer, Hobart property continued its upwards surge in May, rising another 0.8%. Prices there are up 12.7% for the year from 31 May 2017 to 31 May 2018⁴.

"The Hobart market remains very strong and the boom in Hobart is likely to continue for a while yet," Shane says.

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Brisbane and Adelaide

In Brisbane property prices rose 0.2% in May, while in Adelaide they performed even better, up 0.5%, with Shane forecasting more moderate price growth to come for both of these cities⁵.

What's driving the property market?

Shane says that a combination of factors is behind the falling markets, including:

- > Investors, people looking for interest-only loans and borrowers with constrained incomes and high expenses finding it more difficult to get finance, as banks have tightened their lending criteria due to pressure from regulators,
- > Tougher restrictions being imposed on foreign buyers by state and federal governments,
- > Rising levels of housing supply, and
- > Buyers with more realistic price expectations.

1-5 Core Logic, Hedonic Home Value Index, May 2018.