

House prices still rising, slowly

By Andrew

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Higher interest rates haven't stopped house prices from rising, although the pace of growth has been tempered, particularly in NSW.

Established house prices grew 2.2 per cent nationally in the September quarter and 9.5 per cent over the previous 12 months, according to the Australian Bureau of Statistics house price index for the eight capital cities. Prices had grown 3.5 per cent nationally in the June quarter.

The executive director of housing and economics with the Housing Industry Association, Simon Tennent, said interest rates and more realistic vendor expectations were the reason for the slowing of price growth, but he said it was not enough to improve affordability.

"The last thing we want is a meltdown in house prices because economically that's bad news, but there's not been this big correction in house prices that so many people were talking about a couple of years ago," he said.

"Yes, the pace of growth has moderated, but given we're still talking about growth at a time when rates have gone up, housing affordability is not on the improve."

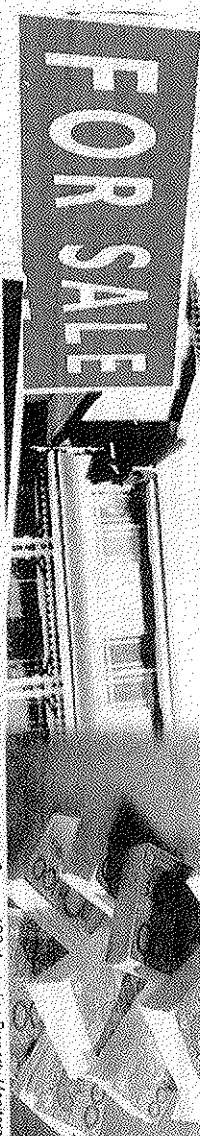
The prices of established houses grew in all capital cities, including Sydney, which has had declines in seven of the past 11 quarters.

Sydney's prices grew 0.2 per cent in September, the second consecutive quarter of growth, for an annual increase of 1.4 per cent. Prices in Perth continued to grow

HOME TRUTHS

Established house price growth to September (%)

	3 months	12 months	Median price
Sydney	0.2	1.4	\$520,253
Melbourne	1.7	7.5	\$357,019
Brisbane	0.9	6.5	\$344,821
Adelaide	0.6	6.4	\$322,243
Perth	10.1	45.9	\$491,587
Hobart	1.5	9.4	\$236,725
Darwin	3.1	17.3	\$368,834
Canberra	3.8	10.5	\$417,288



Source: ABS, Australian Property Monitor

at more than twice the pace of any other capital city, but slowed from the breakneck rate of 14.2 per cent in the June quarter to 10.1 per cent in September. They have grown by 45.9 per cent over the past year.

Canberra was the only city where prices grew by more than in June. In September, they increased by 3.8 per cent, compared with 2.5 per cent in June, for an annual growth rate of 10.5 per cent.

In the other capitals, prices grew in September by 1.7 per cent in Melbourne (2.2 per cent in June),

0.9 per cent in Brisbane (2.7 per cent), 0.6 per cent in Adelaide (2.0 per cent in June), 1.5 per cent in Hobart (2.4 per cent), and 3.1 per cent in Darwin (3.6 per cent).

The president of the Real Estate Institute of Western Australia, Rob Drutt, said the 15.7 per cent rise in the cost of building a new house over the past 12 months was exacerbated by skyrocketing residential land prices, which have increased by 77 per cent in the past year.

"The big jump in land prices and building costs will likely force many

prospective home builders to reassess their housing options," he said.

In suburban Sydney, Paul Wright, licensee in charge of the Ray White agency in Parramatta, said prices now were about 10 per cent lower than three years ago, but had begun recovering in the first half of this year.

Even so, he said the first interest rate rise in May had a strong impact on the market in the middle of winter.

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