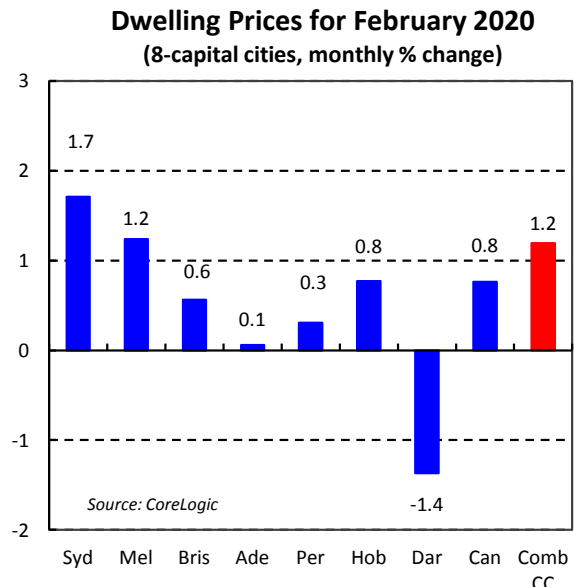
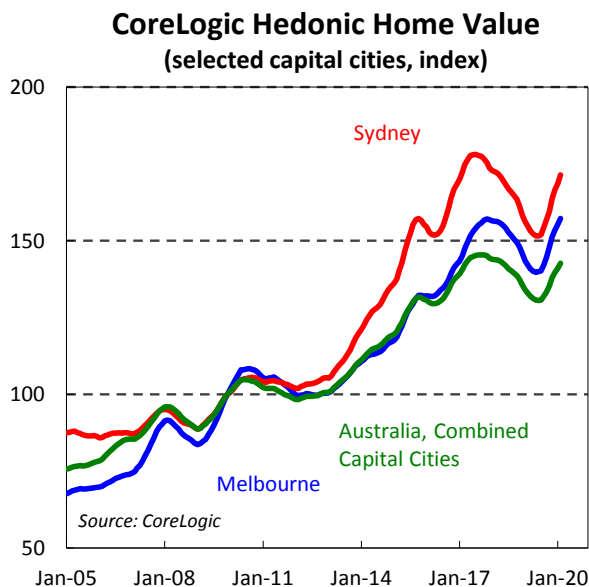




Monday, 2 March 2020

Dwelling Prices Up, Up and Away

- Dwelling prices recorded another strong gain across most capital cities in Australia in February.
- The nation's biggest housing markets, Sydney and Melbourne, continue to lead gains. Sydney prices rose 1.7% in February while Melbourne saw a 1.2% increase.
- Melbourne and Sydney are now both witnessing double-digit dwelling price growth of 10.7% and 10.9%, respectively. Melbourne prices have reached their previous peak while Sydney prices are 4.0% away.
- All capital cities except for Perth and Darwin recorded annual dwelling price growth in February. There are continued signs that price growth is spreading around Australia, although the pace is not uniform.
- Dwelling prices are expected to continue growing over the coming year. High population growth and ultra-low interest rates are underpinning the demand for housing.



Dwelling prices recorded another strong gain across most capital cities in Australia in February. CoreLogic house price data showed the combined capitals recorded a gain of 1.2% over the month. On an annual basis, prices were 7.3% higher in February. Nationally (i.e. including regional areas), prices rose 1.1% over the month and are 6.1% higher on a year ago.

Combined capital city dwelling prices have now recorded 8 consecutive monthly increases, and are 9.3% above their trough reached in June last year. Prices are now just 1.9% from their previous peak reached in September 2017.

Record-low interest rates have flowed through to very low mortgage rates while a gradual relaxation of macro-prudential measures last year have continued to ignite dwelling prices.

The nation's biggest housing markets, Sydney and Melbourne, continue to lead gains. Both are now seeing double-digit annual price growth.

Sydney dwelling prices rose 1.7% in February, the fastest among capital cities. Sydney prices are now 14.6% above their trough and are just 4.0% below their July 2017 peak. Strong detached-house price growth continues to lead overall growth in the city. House prices rose 1.8% in February while unit prices rose 1.5%. Over the year, Sydney dwelling prices were 10.9% higher.

Melbourne's housing market also rose further in February. Dwelling prices rose 1.2%, and are now back at their previous peak (reached in November 2017). It took Melbourne prices 18 months to fall from their peak to the May 2019 trough. Prices have recovered in half that time, taking just 9 months to return to their previous peak. On an annual basis, Melbourne prices have risen 10.7%.

There were continued signs that price growth was spreading to other capital cities, however, the pace of growth was not uniform. In February, dwelling prices rose 0.8% in Canberra and Hobart. Brisbane recorded another solid increase of 0.6% while gains in Perth and Adelaide were more muted at 0.3% and 0.1%, respectively. Darwin was the only capital city to record a decline in February, falling 1.4%.

All capitals except for Perth and Darwin recorded annual dwelling price growth in February.

Outlook

Dwelling prices are expected to continue growing over the coming year. High population growth and ultra-low interest rates are underpinning the demand for housing. Auction rates remain elevated and suggest that price gains will continue. The double-digit annual price growth in Sydney and Melbourne is forecast to persist. There is a risk that fears over the COVID-19 outbreak and the economic growth fallout impacts sentiment around buying housing.

The Reserve Bank (RBA) has signalled that it is watching for signs of overheating in the housing market, however, worries over the economic impact of COVID-19 mean that any concerns over asset price increases are likely to take a back seat for now.

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