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Modest Easing for ABS House Prices

The latest update for the ABS index of established house prices shows a modest easing in early 2011 claims the Housing Industry Association (HIA), the voice of Australia's residential building industry.

HIA's Chief Economist, Dr Harley Dale, said that the ABS Index of Established House Prices eased by 1.7 per cent in the March 2011 quarter to be effectively flat over the year – the price index was 0.2 per cent lower compared to the March quarter of last year.

"The ABS existing house price series is subdued at present, consistent with the buyers' market that has been in play for some time and with the on-going justification for interest rates to remain on hold. We continue to expect a flat to slightly weaker trajectory for existing house prices over the course of 2011, as is currently playing out, with a solid floor being provided by Australia's strong underlying fundamentals for housing," said Harley Dale.

"Today's update bears some resemblance to the 2.2 per cent decline reported two years ago for the March 2009 quarter ABS update. Talk then of impending doom and gloom for Australian property prices proved wide of the mark and any repeat of such exaggerated claims following today's ABS numbers will once again be well wide of the mark," Harley Dale said.

The ABS Price Index of Project Houses across Australia's eight capital cities increased by a modest 0.8 per cent in the March 2011 quarter to be up by 2.8 per cent compared to the March quarter of last year. This is slower than the headline inflation rate which was up by 3.3 per cent over the same period.

"Residential construction activity is weakening at present and now is a good time for people to contemplate building or renovating a home," said Harley Dale.

The capital city project house price index increased in the March 2011 quarter by 1 per cent in Sydney, 1.3 per cent in Melbourne, 0.5 per cent in Brisbane, 0.7 per cent in Adelaide, 0.3 per cent in Perth, 0.1 per cent in Hobart, 0.4 per cent in Darwin, and 0.8 per cent in Canberra.

Across capital cities, in the March 2011 quarter the established house price index increased by 0.5 per cent in Perth and by 0.4 per cent in Hobart. The index fell by 1.8 per cent in Sydney, 2.5 per cent in Melbourne and Brisbane, 1 per cent in Adelaide, 1 per cent in Darwin, and 0.4 per cent in Canberra.

"As a nation we need a renewed focus from governments on the necessity to lift new home construction to an extent that removes unnecessary upward pressure on dwelling prices over the longer term and alleviates affordability pressures on entry level buyers and on rental households," added Harley Dale.

For further information:

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Percentage Change in Established Houses - March 2011 Quarter

Source: ABS



Percentage Change in Project Houses - March 2011 Quarter

Source: ABS

