

# STATE OF THE MARKET

December 2011

[www.apm.com.au](http://www.apm.com.au)  
[www.homepriceguide.com.au](http://www.homepriceguide.com.au)



## National

Australian housing markets have generally struggled for growth through 2011 with reduced buyer activity and decreases in median house prices being recorded in all capital cities.

A sustained spring revival in buyer activity has also failed to materialise as markets continued to drift downwards at varying rates as indicated by the latest October quarter data. National median house prices fell by -1.6% over the quarter and were down by -4.2% over the year.

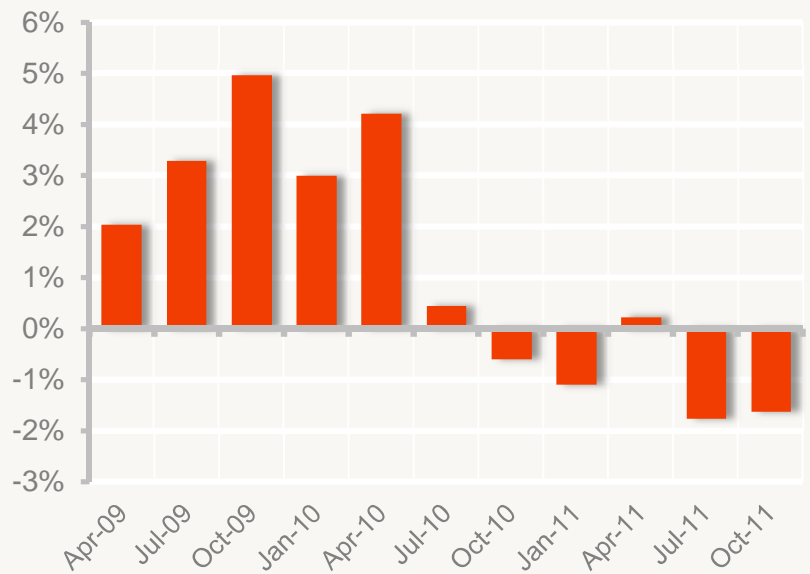
Looking further back, significant price rises were recorded in all capital cities in the 18 months between January 2009 and June 2010 as first home buyers flooded the market enriched by a boosted federal government grant provided to them over a limited period.

However rising interest rates through 2010 together with strong prices growth impacted significantly on housing affordability with buying activity in retreat by year's end.

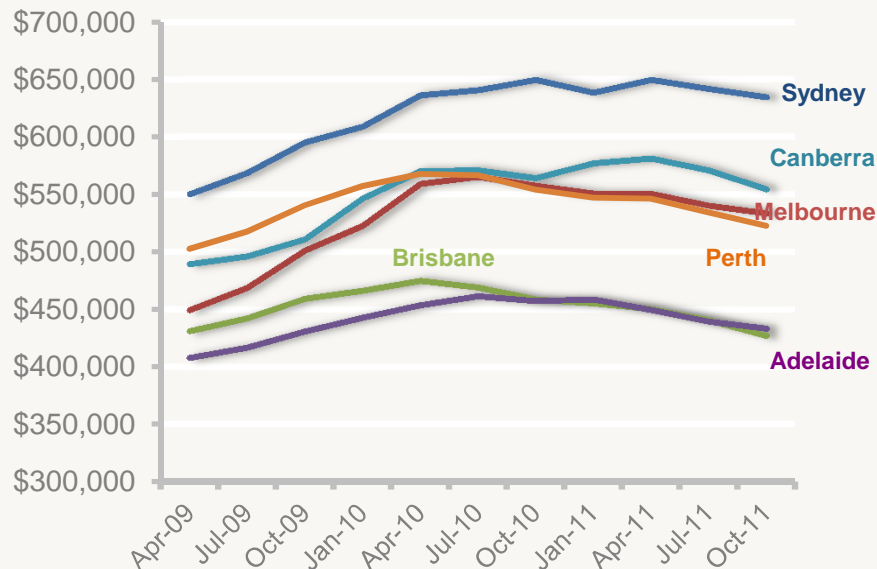
Prestige markets were already in the doldrums as aspirational buyers remained sidelined from a declining wealth effect entrenched since the GFC hammered the sharemarket in 2008 from which it hasn't recovered.

In 2011, housing markets entered a correction phase with income growth required to catch up with the finance requirements for home purchases, particularly at the entry level. A mixed economic performance, natural disasters and fragile consumer confidence has exacerbated the reduction of buyer activity through 2011.

### Quarterly National House Price Changes



### Quarterly Median House Prices



2012 is set to be a year of recovery for most Australian housing markets.

Australia's economy is set to grow at above trend by 4% in 2012 according to the OECD, driven by record levels of investment in the resources sector particularly in Western Australia and Queensland.

The demand for skilled labour will intensify as a consequence of this growth with rising levels of immigration set to offset a chronic shortage of workers. Regional economies are set to benefit from strong incomes growth driven by worker shortages.

Demand for housing is also set to intensify in 2012 which will see housing markets reenergised albeit at different levels.

Capital city markets with direct exposure to the resources sector can be expected to record significant growth in house prices over the year.

Increased investor activity, particularly from self-managed superannuation funds, is also set to have an impact on housing markets in 2012 as sustained prices growth becomes evident.

2012 will however provide mixed outcomes for housing markets with some capitals set to revive strongly while others will remain in the doldrums despite the continued prospect of strong economic growth in Australia.

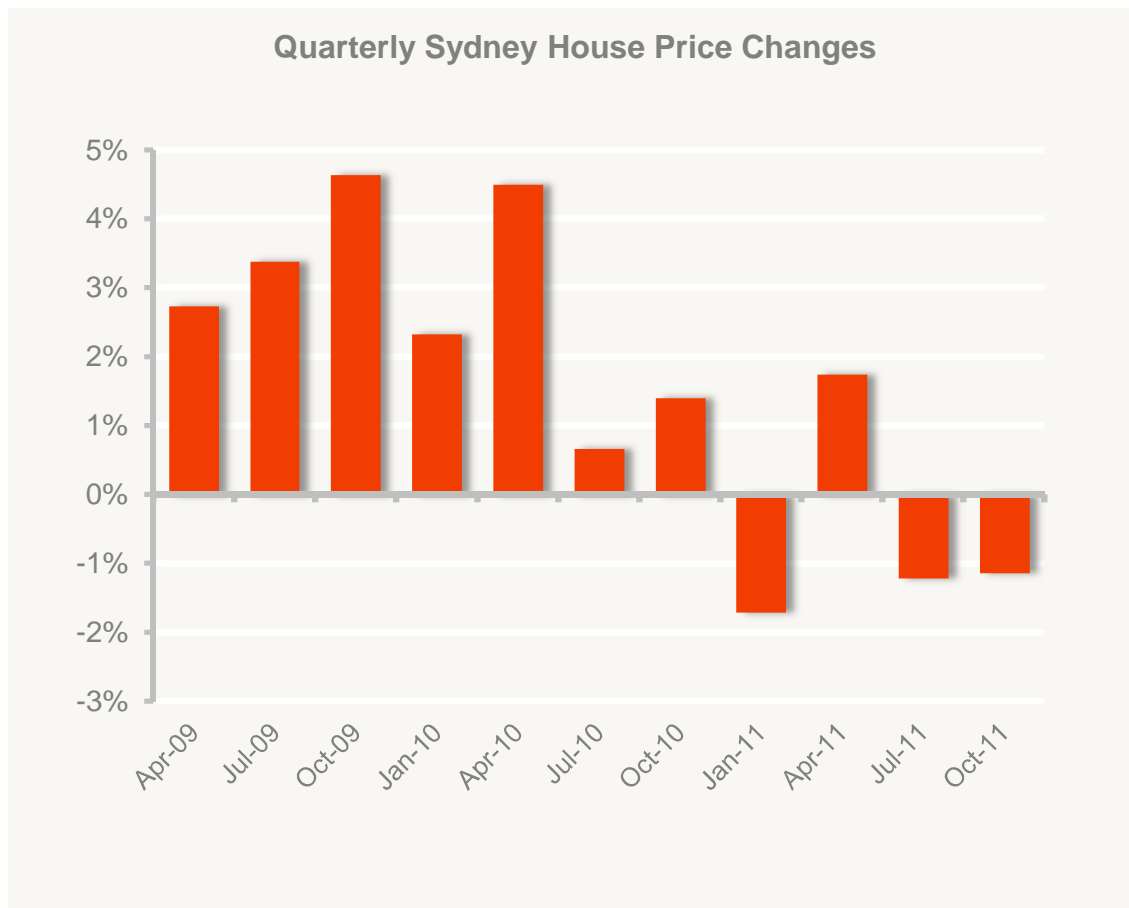
After falling by -4.2% over the year to October 2011, national median house prices should recover to rise between 3 to 5 % over 2012.

Capital City	Forecast growth – Median House Prices 2012 (%)
<b>National</b>	<b>3-5</b>
Sydney	3-5
Melbourne	0-3
Brisbane	5-10
Adelaide	0-3
Perth	5-10
Hobart	0-3
Darwin	5-10
Canberra	3-5

# Sydney

Sydney has predictably performed best of the capitals in 2011 with median house prices relatively stable - not surprising considering its underlying lack of housing and associated costly rental market.

Sydney provides a solid prospect for median house price growth of up to 5 percent in 2012. This growth will come mainly through the lower and middle band suburbs as buyers seek to maximise choices in a market characterised by chronic shortages of accommodation and Australia's tightest capital city rental market.



	Median Price (October)	QoQ % Δ (October)	YoY % Δ (October)	Auction Clearance Rate (November)
House	\$634,326	-1.1%	-2.3%	53.0%
Units	\$450,775	-0.9%	0.5%	

The prestige market will remain quiet in Sydney in 2012 although some modest but sustained growth in house prices may be recorded towards the end of the year from a low base. This will be contingent on the flow-on effect of the resources boom driving a significant recovery in the sharemarket unleashing the wealth effect and the aspirational buyers that have been largely dormant in Sydney since 2008.

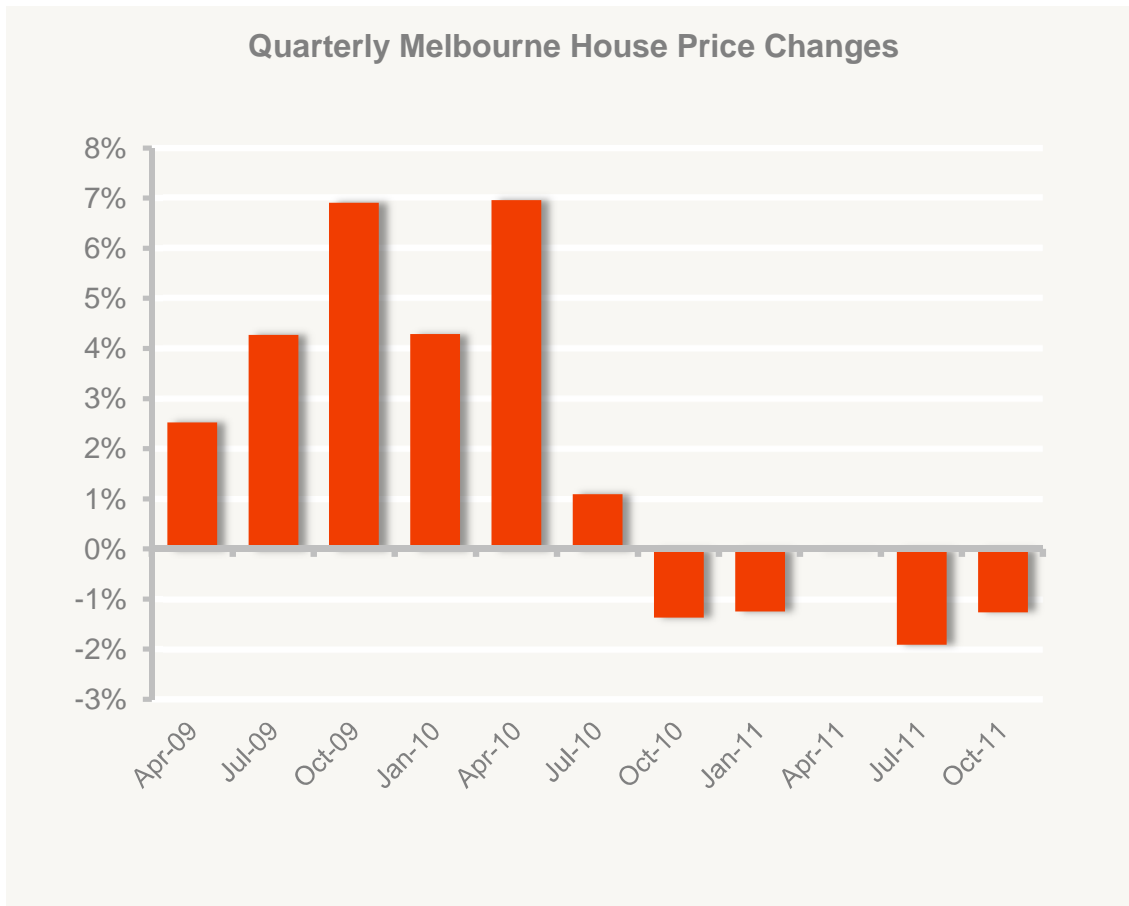
The New South Wales economy has performed relatively well in a difficult year behind only the resource giants of Western Australia and Queensland. Expect this performance to continue in 2012 underpinning positive housing market prospects and increased buyer activity.

# Melbourne

Melbourne's housing market will struggle for growth in 2012 as it continues to adjust to the affordability barriers created by the strong price rises of 2009 to 2010. A waning economic performance in 2011 exacerbated declining buyer activity through 2011.

The Victorian economy is set to continue to waver early in 2012 as the construction sector struggles to find replacement work following the abatement of the new apartment boom of 2010 and 2011.

An oversupply of apartment stock looms, which will keep a lid on rental growth and subsequent investor activity in what is already the most tenant-friendly capital city rental market.

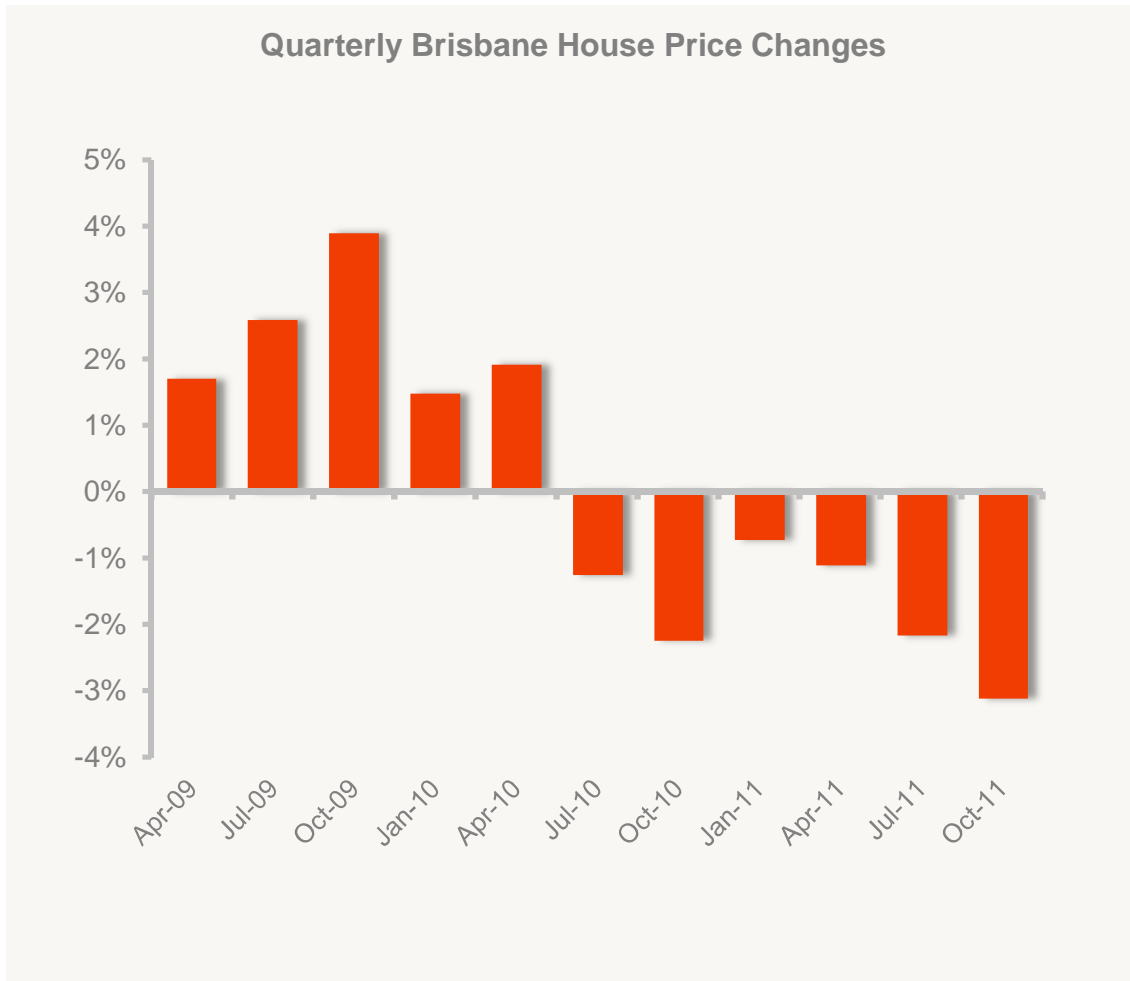


	Median Price (October)	QoQ % Δ (October)	YoY % Δ (October)	Auction Clearance Rate (November)
House Units	\$533,524 \$398,579	-1.2% -0.3%	-4.3% -0.4%	51.0%

Similar to Sydney however, the flow-on effects of the resources boom and a revival in the stockmarket may activate the prestige market with reasonable prospects of prices growth from a low base. Overall Melbourne house prices should drift sideways over the year with some modest incremental growth a possibility by years-end.

## Brisbane

Brisbane has been the worst performer of all capital city markets in 2011 with median house prices down nearly 7% over the year ending October. A significant contributing factor however has been the devastating floods experienced by that capital in January.

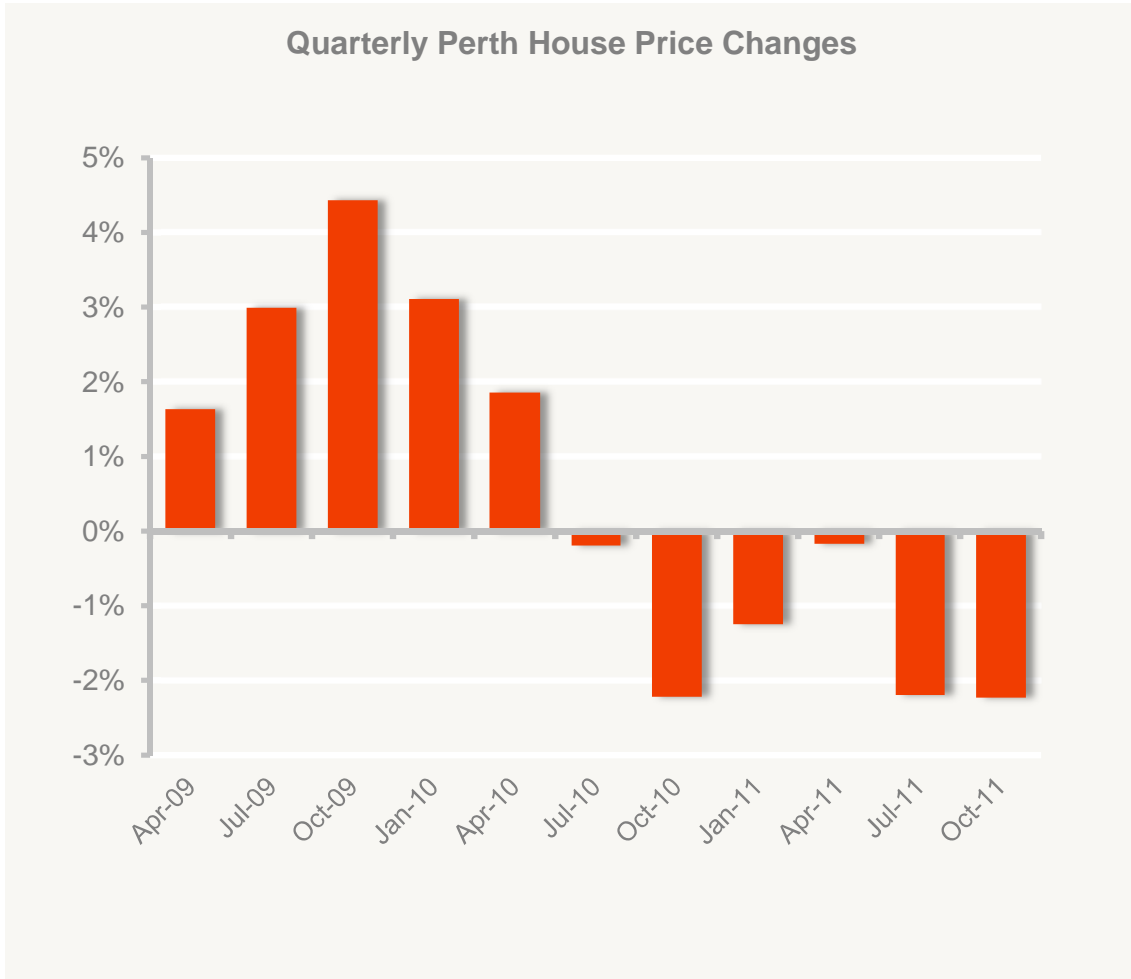


	Median Price (October)	QoQ % Δ (October)	YoY % Δ (October)	Auction Clearance Rate (November)
House Units	\$427,148 \$364,078	-3.1% 0.6%	-6.9% -2.2%	38.0%

The Brisbane housing market is set to revive in 2012 off the back of the Queensland resources boom that will gather strength through the year – weather conditions notwithstanding. Dwelling shortages, population increases, rising incomes and the improvement in confidence as a consequence of the reconstruction program should contribute to a recovery in buyer activity. Brisbane has the clear potential of double digit growth in median house prices over 2012.

# Perth

Perth offers one of the best prospects for prices growth in 2012 with a significant increase in buyer activity.

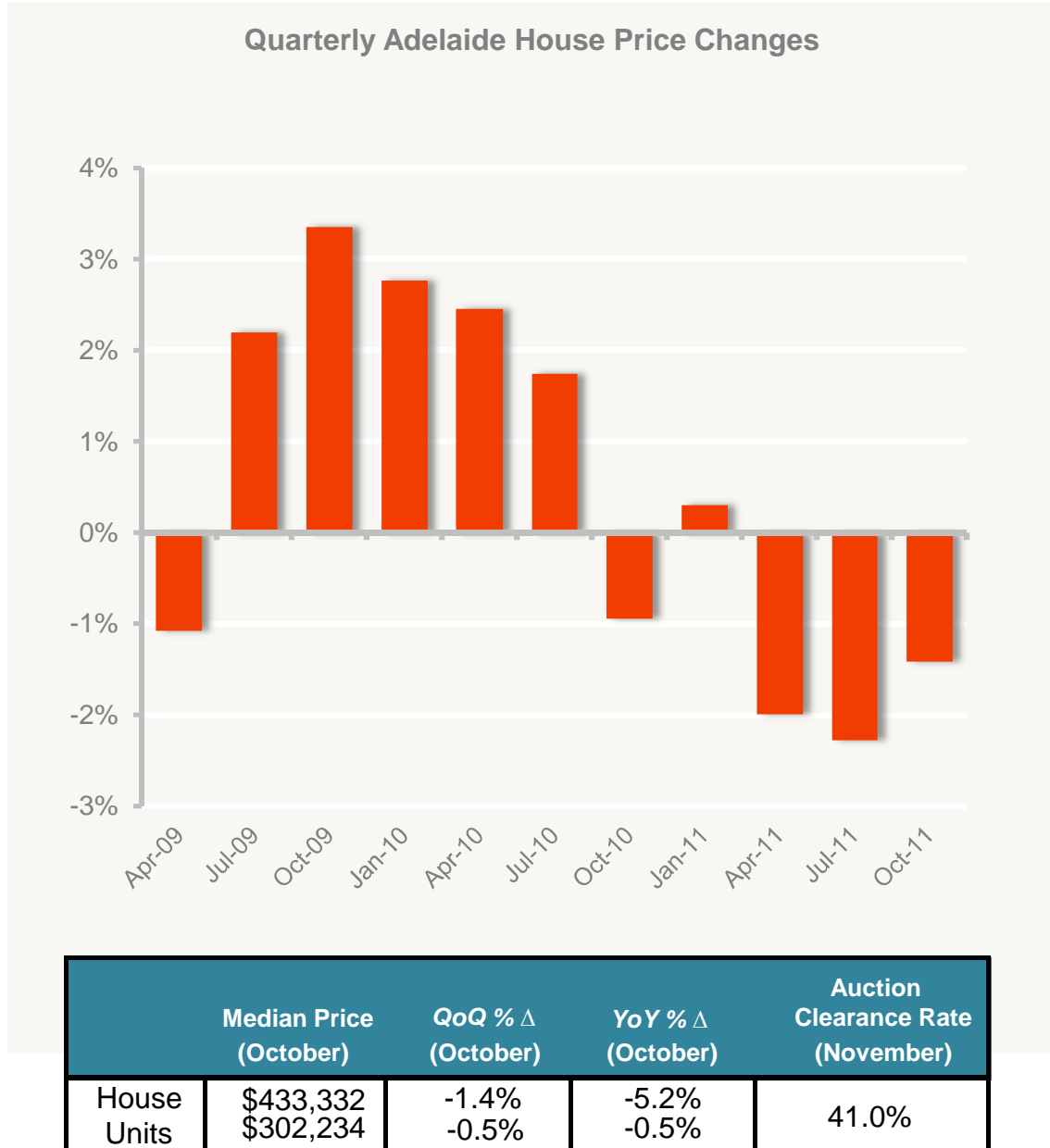


	Median Price (October)	QoQ % Δ	YoY % Δ	Auction Clearance Rate (November)
House Units	\$522,549 \$338,251	-2.2% -4.8%	-5.7% -8.4%	44.0%

Low buyer confidence has seen Perth's median house price fall by nearly 6% in the year to October 2011, which is almost 10% below the peaks recorded four years ago. With recessed house prices together with low levels of new construction and a flood of workers seeking the wages bonanza delivered by nearly \$100 billion in mining activity, Perth houses prices have the clear potential to rise by a double-digit percentage in 2012.

# Adelaide

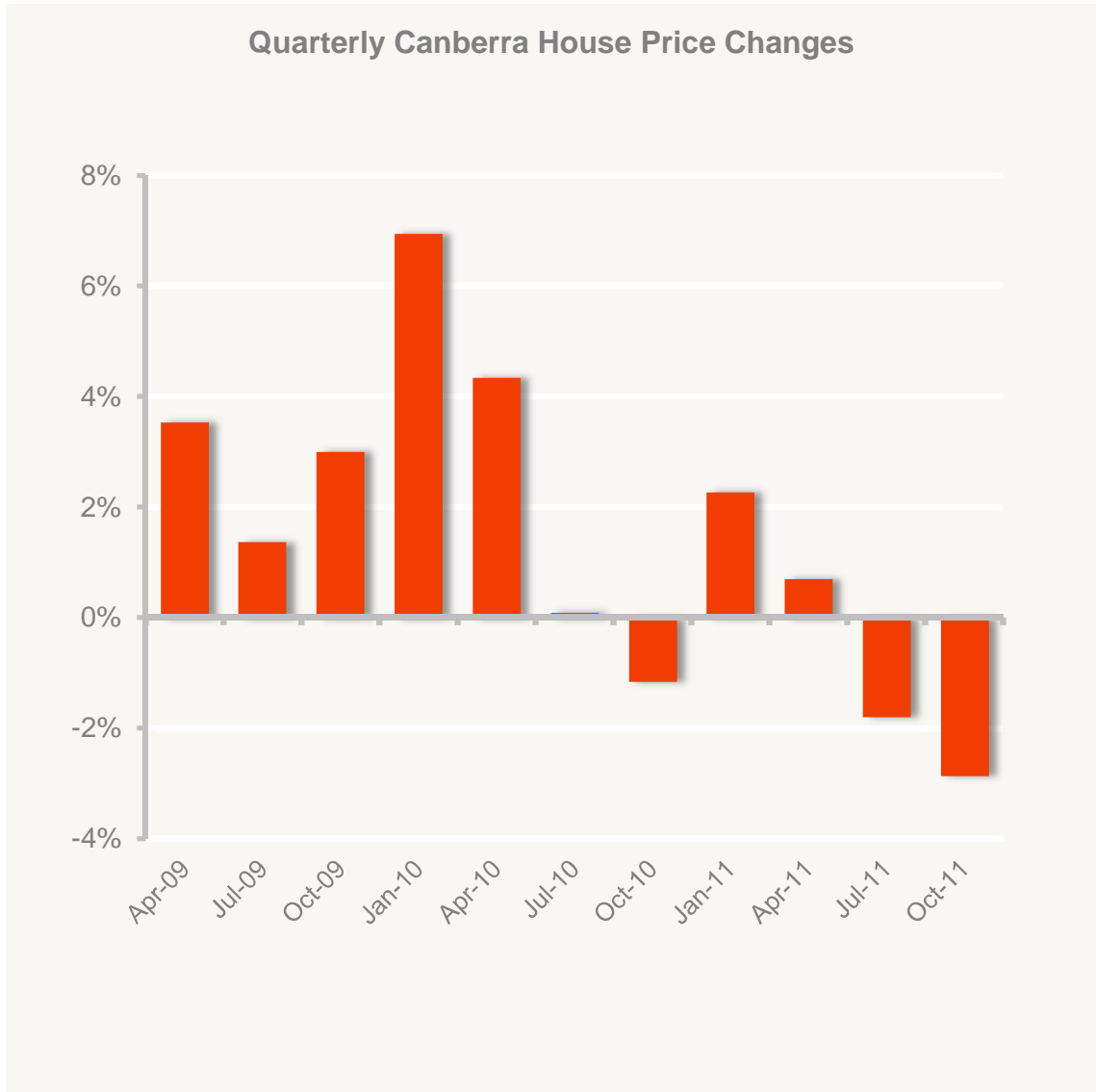
The Adelaide housing market has floundered this year with median house prices down by over -5.0% over the year. A significant contributing factor to this outcome has been the continued underperformance of the South Australian economy and its impact generally on buyer confidence.



The Adelaide housing market will struggle to revive in 2012 although with South Australia's direct exposure to the resources sector expect flat to marginal house price increases.

# Canberra

The Canberra housing market has proved particularly resilient in 2011 with median house prices down by just -1.7% over the year to October - a nation-leading performance.

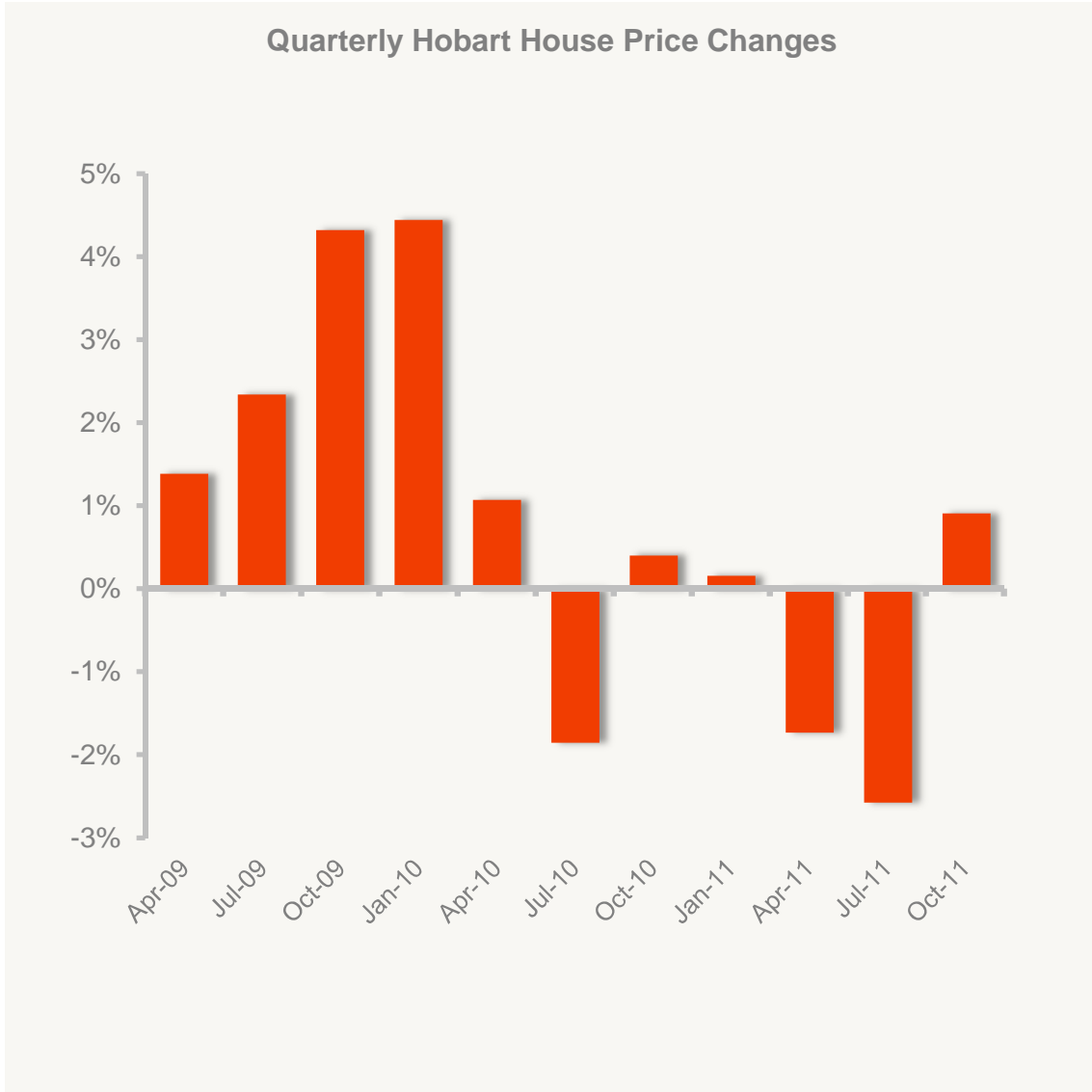


	Median Price (October)	QoQ % Δ (October)	YoY % Δ (October)
House	\$554,540	-2.9%	-1.7%
Units	\$394,014	-5.5%	-5.9%

Canberra is set to record increases in home buyer activity as economic growth fuels increased public service activity in the national capital. A chronic undersupply of housing will drive prices growth through 2012 and expect this to be around 5% by year's end.

# Hobart

Hobart's housing market has retreated in 2011 with median house prices down by just over -3 % for the year.

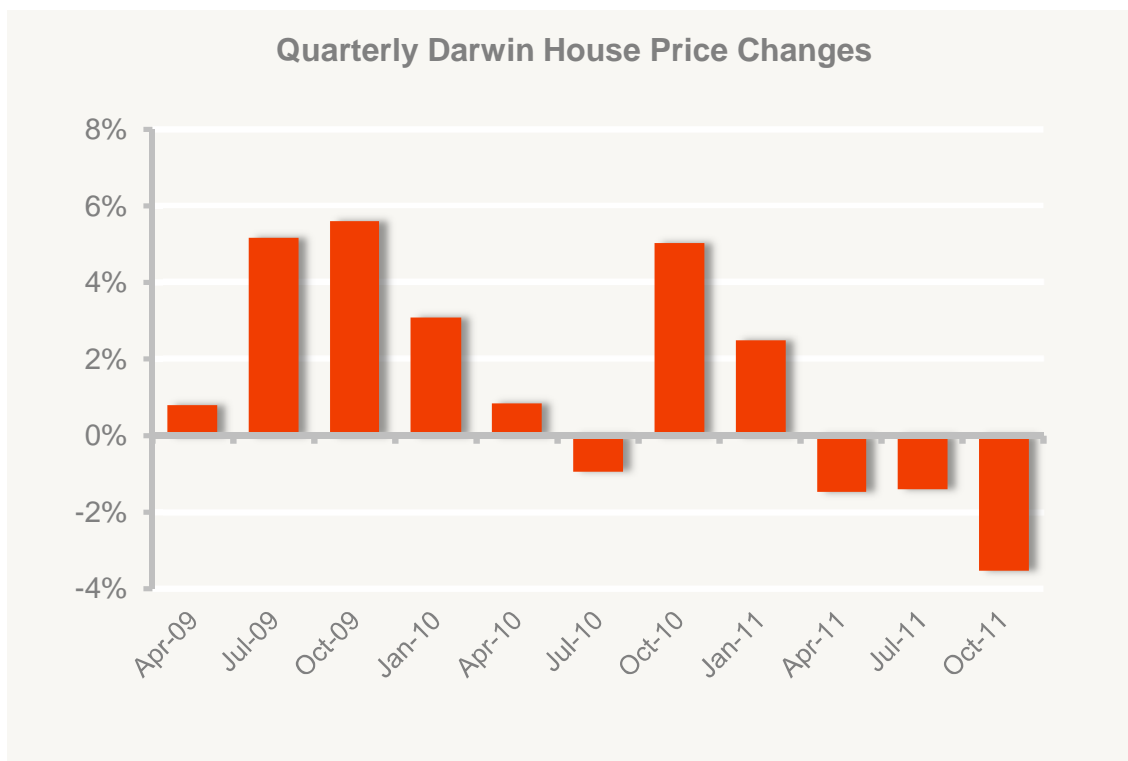


	Median Price (October)	QoQ % Δ (October)	YoY % Δ (October)
House	\$323,836	0.9%	-3.2%
Units	\$237,867	-7.1%	-13.2%

Although this is a reasonable performance compared to some of the other capitals, a revival in buyer activity in 2012 is heavily dependent on a lift in the local economy. With no direct exposure to the resource sector, the Tasmanian economy is set to continue to meander in 2012. As a consequence buyer confidence will remain subdued and house price growth will be flat for most of 2012.

## Darwin

Darwin has recorded a typically erratic pattern of median house price growth in 2011 with October quarter median house prices decreasing markedly by -3.5% and down -3.9% over the year ending October.



	Median Price (October)	QoQ % $\Delta$ (October)	YoY % $\Delta$ (October)
House	\$591,594	-3.5%	-3.9%
Units	\$374,755	-9.8%	-5.1%

Darwin also has good prospects of sustained house price growth through 2012 as it resumes its volatile pattern of housing market activity. Significant exposure to the resource sector, seasonal employment patterns and a severe shortage of accommodation will drive increased home buyer activity levels. It would not surprise to see Darwin record double-digit house price growth by the end of 2012.

Dr Andrew Wilson is a Senior Economist for Australian Property Monitors

Copyright Australian Property Monitors 2011. Any reproduction of or reference to any part of this report must attribute Australian Property Monitors as the source of the report.

For more information or to arrange an interview, please contact:

- Emma Casey, Reservoir Network      02 9955 8000 / 0401 494 436  
email: [emma@reservoirnetwork.com.au](mailto:emma@reservoirnetwork.com.au)
- Steve Riethoff, Reservoir Network      02 9955 8000 / 0417 047 837  
email: [steve@reservoirnetwork.com.au](mailto:steve@reservoirnetwork.com.au)