


Friday 2 February 2007

December 2006 Quarter Housing Data Composition Adjusted Housing Price Series

Sydney

- **Sydney property prices recorded negligible growth in the December Qtr.**
- **Houses in Sydney's Western Suburbs declined by 4% over 2006 whilst property markets in the more affluent Eastern suburbs surged by 5%.**
- **Soft conditions expected on the city's outskirts as the three 2006 interest rates impact more fully.**

Melbourne and Brisbane

- **Despite being at record house prices, Melbourne and Brisbane property markets have experienced sluggish growth over the December Quarter.**
- **APM expects a two speed property market to emerge. A National trend is developing that sees premium markets outperform at the expense of mortgage belt and outer suburban areas.**

Perth

- **Perth has peaked in December experiencing the lowest quarterly growth rate for 5 years.**
- **Perth Houses edged over \$500K for the first time in the December Quarter.**

Adelaide

- **Adelaide houses experienced 5% change over the year and 3% over the quarter.**
- **Adelaide well placed to sustain solid growth by capitalising on the continuing strength of the resources sector.**

Australian Property Monitors (publishers of www.homepriceguide.com.au) publish quarterly the Composition Adjusted Housing Price Series. This index uses adjusted medians and was created in conjunction with the Reserve Bank of Australia (RBA) using data supplied by Australian Property Monitors.

December 2006 Quarter Results - Houses

Housing price growth was sluggish throughout all Australian state and territory capitals with the stand-outs being Adelaide and Darwin that rose by 3% and 5% respectively for the quarter.

Eastern seaboard property markets overall are stagnant. This belies a more significant trend emerging in these cities. For instance, in Sydney properties in the City's west declined by 4% for 2006, whilst properties in the more affluent city, east and lower north shore rose by 5%.

Similarly, some of Melbourne's most prestigious suburbs achieved double digit growth. Examples are Brighton, Caulfield North, Portsea and East Melbourne.

Perth housing prices have reached their peak after growing 31% over 2006 for both houses and units. Even though house prices edged over \$500K for the first time, Perth has registered its lowest quarterly growth figures in 5 years at 1%.

December 2006 Quarter Results – Units

Small declines in apartment markets were recorded for all eastern capitals for the December quarter. Adelaide units also eased by 1% over the quarter.

Perth and Darwin units have reached their peak in December after growing by 31% and 24% respectively over 2006.

Hobart was the only standout, growing by 6% over the December quarter, contributing to a 20% annual growth in the market for apartments.

Comments and Forecasts

Commenting on the results is Michael McNamara, Operations Manager for Australian Property Monitors.

“The headline figures for all eastern capitals indicate that those markets are in a stabilisation phase of their property cycles. However, closer analysis shows that within cities there is more volatility than at first glance.” McNamara says.

“Premium markets are outperforming strongly. For instance, affluent suburbs in Sydney such as Palm Beach, Waverton and Bellevue Hill achieved double digit growth at the expense of mortgage belt outer suburbs such as Macquarie Fields, Lakemba and Narellan. Strong migration patterns, wage growth and a weak new housing industry will all intensify the divide between premium and more outer suburban markets in 2007.

“In some areas the outlook is bleaker. The near doubling of auctions in Sydney’s west will, at least in part, reflect an alarming rise of mortgagee in possession sales. As the three interest rate rises in 2006 take full effect, the impact will be felt more deeply by lower to middle income earners creating weak property markets in the mortgage belt areas of Sydney, Melbourne and Brisbane. Sadly, forced sales will continue to create an oversupply and flat demand in these areas as a declining market will most likely persist. **This will improve affordability in outer suburban markets.**”

“The market for units across most of Australia remained weak as the stock market continued in 2006 to attract investors away from property.” According to McNamara. “Tax based selling by superannuates leading up to June 30 this year will sustain weakness in these markets.”

“A national trend is the rise of asking rents and the decline of vacancy rates. This will continue to offer investors steadily improving gross rental yields that will most likely usher in a recovery in these markets emerging in the second half of 2007.” Said McNamara.

“Retiring baby boomers will strengthen the competitiveness in apartment markets. Demographic change will contribute to stronger price growth in units as retirees look to down size their existing dwellings in favour of well-located apartments. Premium apartments in signature buildings in our eastern capital cities will likely perform best.”

Composition Adjusted Series: Houses

	Dec-06	Sep-06	Dec-05	3 month % Change	12 Month % Change
Sydney	\$526,158	\$520,028	\$523,522	1.2%	0.5%
Melbourne	\$366,415	\$361,388	\$355,539	1.4%	3.1%
Brisbane	\$350,404	\$346,089	\$333,465	1.2%	5.1%
Adelaide	\$331,407	\$321,893	\$306,927	3.0%	8.0%
Canberra	\$438,714	\$425,811	\$416,943	3.0%	5.2%
Perth	\$502,441	\$497,924	\$383,477	0.9%	31.0%
Darwin	\$413,870	\$395,010	\$353,397	4.8%	17.1%
Hobart	\$243,871	\$247,355	\$228,745	-1.4%	6.6%

Composition Adjusted Series: Units

	Dec-06	Sep-06	Dec-05	3 month % Change	12 Month % Change
Sydney	\$352,408	\$358,298	\$362,955	-1.6%	-2.9%
Melbourne	\$281,219	\$281,588	\$274,868	-0.1%	2.3%
Brisbane	\$266,394	\$273,280	\$255,811	-2.5%	4.1%
Adelaide	\$215,647	\$217,135	\$200,641	-0.7%	7.5%
Canberra	\$314,626	\$310,676	\$287,333	1.3%	9.5%
Perth	\$340,065	\$336,085	\$258,889	1.2%	31.4%
Darwin	\$276,286	\$271,989	\$222,073	1.6%	24.4%
Hobart	\$211,370	\$199,237	\$176,875	6.1%	19.5%

Source: www.homepriceguide.com.au

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About Australian Property Monitors (APM)

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APM monitors residential property activity from a variety of sources including auctions, government and semi-government agencies, real estate advertising, real estate agents through its own call centre and APM's own researchers. This vast pool of information ensures APM's databases contain the latest and most detailed house price information available.