

# Australian house prices climbed in 2009

## Rate rises a headwind in 2010

### Q4: 5.2qtr; 13.6%yr

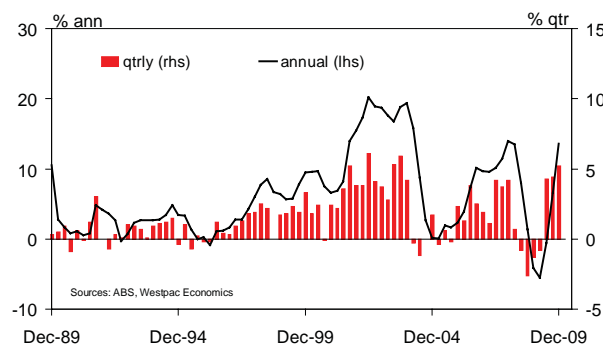
- The official ABS measure showed house prices rose 5.2% in 2009Q4, to be 13.6% higher over the year.
- The RBA slashing the cash rate to just 3.0% in early 2009, down from a peak of 7.25%, substantially improved the affordability of housing. That triggered a nationwide jump in house prices.
- The extent of the rebound in house prices supports the RBA's judgement to move early on lessening the monetary stimulus.
- House prices have increased for three consecutive quarters, turning a 5.5%yr contraction in March 2009 to a 13.6%yr rise in December 2009.
- Melbourne prices led the way in the December quarter (up 6.8%) and over the last year, rising by almost 20%, aided by additional state government incentives for first home buyers.
- Perth and Brisbane prices have lagged a little, with the resource rich states emerging from the downturn later than the states of the south-east - as evident from the labour market numbers. With investment in the mining states set for another upswing, the housing markets in Perth and Brisbane will be better supported.
- Household sector wealth is moving upwards again. Along with the rise in house prices, the share market has rebounded 45% from the March 2009 low. That has boosted consumer confidence and consumer spending.
- The current pace of house price growth is unlikely to be sustained in 2010. Interest rate increases by the RBA since the start of October have reduced affordability. Also, first home buyer demand is slowing with the removal of the Commonwealth Governments additional incentive.
- More likely, house prices will rise in 2010, but at a slower pace. Upgrader demand is holding up well as the labour market strengthens. In addition, investor interest is on the improve. More fundamentally, markets face an undersupply of housing stock - even with the prospect of markedly higher levels of construction this year.
- Note that the ABS measure only covers detached houses.

#### Established House Price Indexes,

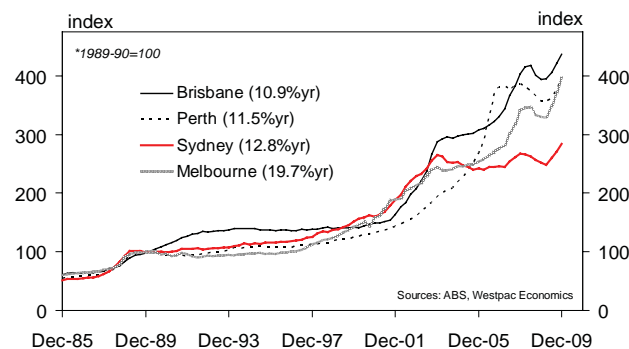
%chg	qtr		annual	
	Q3	Q4	Q3	Q4
<b>Weighted average</b>	<b>4.4</b>	<b>5.2</b>	<b>6.6</b>	<b>13.6</b>
Sydney	4.1	5.0	5.7	12.8
Melbourne	6.4	6.8	10.9	19.7
Brisbane	3.7	3.8	5.0	10.9
Adelaide	1.3	2.1	2.8	5.1
Perth	3.8	5.7	3.1	11.5
Hobart	3.5	4.3	7.4	11.0
Darwin	3.4	4.9	12.3	13.6
Canberra	4.6	3.6	8.1	12.4

Sources: ABS, Westpac

#### Established house prices jump



#### Established house prices by city



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