

Apartments hold their own despite a weaker market

Andrew Wilson

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The latest Australian Property Monitors data reveals Sydney's unit market has outperformed the house market for both the past quarter and year.

The median unit price fell just 0.4 per cent in the September quarter. It is actually 0.6 per cent higher than the median price recorded in September last year.

Sydney's present median unit price stands at \$451,291. The Sydney median house price is \$637,646, or 1.8 per cent below the \$649,231 recorded in the June quarter.

Sydney house prices have fallen 1.6 per cent in the past year from the \$648,320 of the September quarter last year.

The strength of Sydney's unit market compared with the house market may indicate growing demand for less expensive accommodation in reasonable proximity to established infrastructure.

Higher demand for units may also reflect the first signs of increased activity by first-home buyers anxious to secure property before the end of the year, when the state government stamp duty concession for purchase of established houses is due to expire.

Australia's housing markets generally weakened over the September quarter with all capitals - with the exception of Hobart, which was steady - recording falls in median house prices.

Several factors have contributed to Sydney's weakening median house price in the September quarter. Fragile buyer confidence was affected by the stream of negative news about the state of the international economy.

The local economy also went off the boil, with Sydney's unemployment rate ticking up by almost 1 percentage point from 4.6 per cent in July to 5.4 per cent in September.

It should, however, also be noted the softening in median house prices in the September quarter is fairly typical and could have been heavily influenced by seasonal effects, reflecting the normally slow midwinter selling.

The prospects for increased activity in Sydney's housing market for the rest of this year remain positive.

The most recent Bureau of Statistics data revealed the number of home loans approved in August rose 6.3 per cent from the previous month. Most notably, the number of housing loans taken out in the first eight months of the year was 6.3 per cent higher than the same period last year.

We have the prospect of an X factor entering housing market calculations. The latest ABS consumer price index data show a surprising fall in the underlying rate of inflation in the September quarter.

The 0.3 per cent growth in prices translates into an annual rate of about 2.4 per cent, which is below the Reserve Bank's acceptable mark of 2.5 per cent.

The case for a fall in interest rates has, therefore, strengthened considerably - possibly as soon as Melbourne Cup day.

A rate cut is unlikely to have a significant effect on the housing market in the short term - particularly in regards to house price growth - but it will provide a spark of encouragement for buyers.

Dr Andrew Wilson is senior economist for Australian Property Monitors.