

NAB: House prices extend slide

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House prices fell for a second consecutive quarter and are expected to continue to decline as housing affordability becomes more of a factor for buyers.

The National Australia Bank Property Index fell 14 points in the September quarter, following a 5-point fall in the June quarter.

Respondents to the survey said access to credit was identified as the biggest impediment to buying a property.

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NAB chief economist Alan Oster said housing affordability replaced rising interest rates as the next biggest constraint on new property developments in the September quarter.

"Our survey also shows that only 20 per cent of respondents now expect interest rates to be higher over the next 12 months, compared with 71 per cent in our June survey.

"NSW was the most pessimistic state with regard to interest rates, possibly reflecting the fact that the average home loan size in NSW is also the largest among the states."

Mr Oster said demand for existing housing weakened nationwide in the September quarter.

"Inner city houses remain the only property type where demand is considered to be good, but only marginally," he said.

"The most notable deterioration in demand was identified in middle-/outer- ring high-rise properties."

Mr Oster said he thought Australians were overly pessimistic about the housing market.

"A structural shortage of housing remains nationally, commencements are down, interest rates are expected to stay on hold for some time and the unemployment rate is low, contributing to high job security," he said.

"These factors are expected to maintain a floor under house price growth, which we see resuming at below four per cent in 2012 after drifting down in 2011."

The NAB survey said house rents increased 0.17 per cent in the September quarter, down from the 1.3 rise in the June quarter.

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