the matusik snapshot©
A regular focus on the residential property scene

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House prices

Becoming more affordable again.

The latest RPData-Rismark Hedonic Index shows that Australian dwelling prices have fallen about 4% (down $21,500) from the market peak. As **chart 1**, overleaf, shows, apartments have faired better, down 2% or about $8,000 since late last year. Detached homes have dropped about 5% in value.

Due largely to the January floods, Brisbane has done it toughest, with a 10% slide in value since last year. Canberra and Sydney have faired much better. See **Chart 2**.

Falling end prices, coupled with lower interest rates and rising household incomes, have now made housing across Australia – and especially in Queensland, Western Australia and Tasmania – much more affordable. It now only takes 30% of household income to buy the median priced dwelling in Brisbane. By comparison – see **chart 3** – Sydney and Melbourne remain relatively unaffordable.

It is getting to the stage where people in Queensland will start buying again. Not only is housing becoming more affordable in relation to income, but buying is becoming more attractive compared to paying rent. The vacancy rate across much of the state is tightening and rents are rising. New rental listings are down 5% across the state (on this time last year) and have fallen 11% in Brisbane. This is against a slight rise in new rental stock becoming available across the rest of the country.

In support, the number of residential properties being advertised for sale is also on the decline, not only nationally but in Queensland too. New sales listings are down a whopping 20% across Queensland and a massive 29% in Brisbane. Whilst there is still a lot of property for sale, this trend is accelerating and should help stabilise prices in over the next six to 12 months.

Also, confidence towards property is improving. This will continue if interest rates fall further. As **chart 4** suggests, auction clearance rates improve – in time – on the back of higher confidence and less dwellings for sale. End values don't increase unless auction clearance rates are consistently over 50%. See **chart 5.** We expect a return to this magic number during the first half of next year.

We also believe that Brisbane is at the bottom of the cycle and barring a catastrophe, the Queensland market will show remarkable improvement in 2012. The same applies to many other Queensland locations. See **chart 6**.

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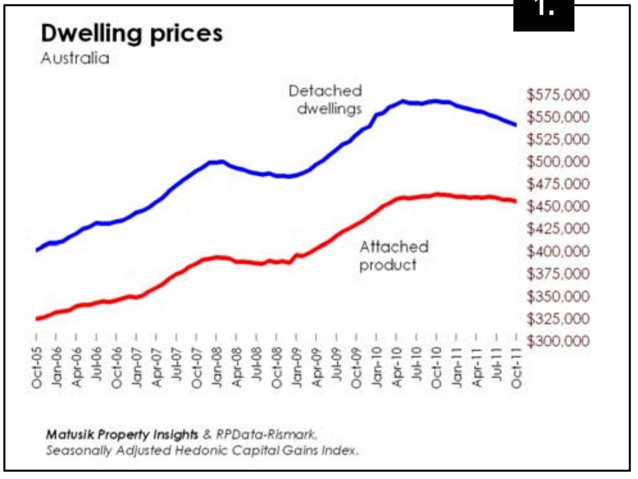

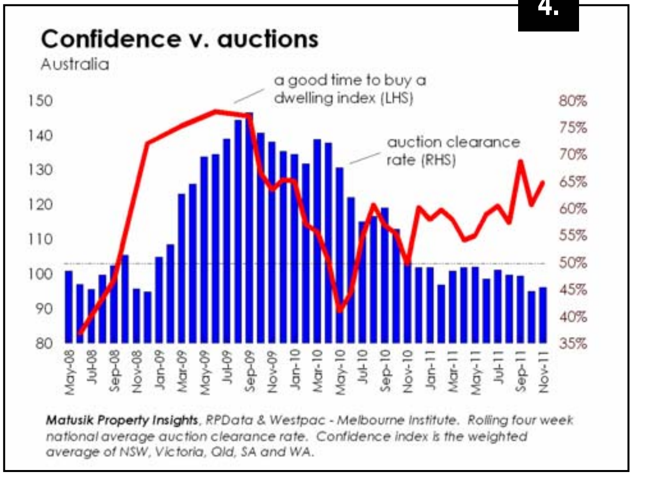

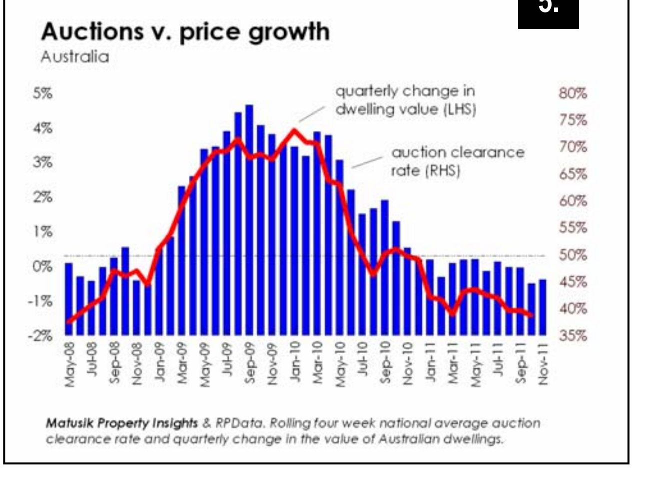

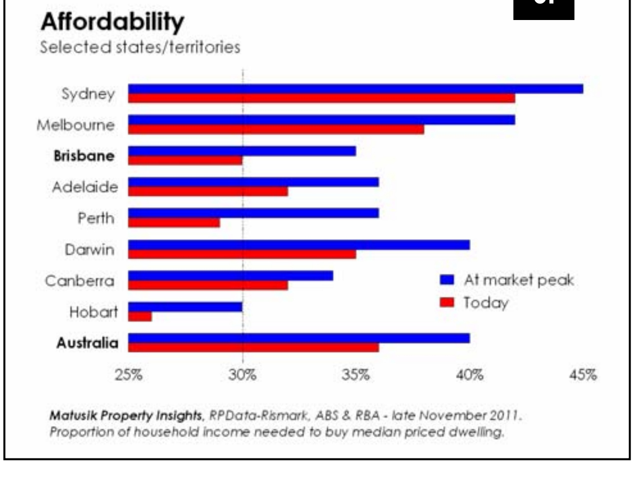

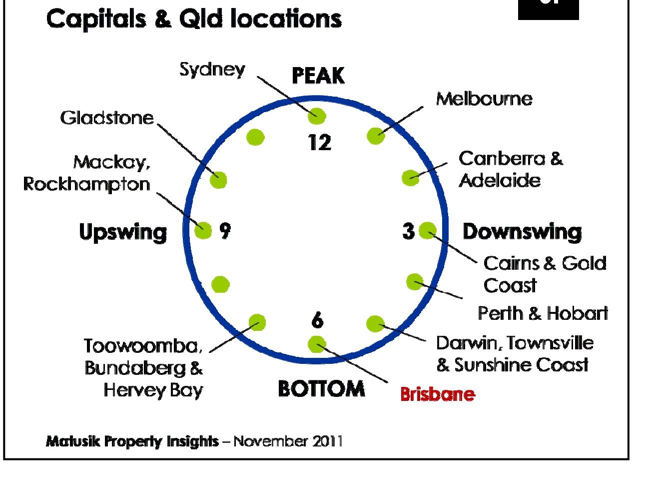

Michael Matusik

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Michael Matusik is no stranger to the residential property sector. He has worked in the industry for over 25 years and his firm has helped around 550 residential projects come to fruition.

Michael authors the **Matusik Snapshot**, a fortnightly subscription report covering pertinent aspects of the residential property market. **Subscriptions cost $110 for 24 snapshots per year. To subscribe email us at office@matusik.com.au**

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