

## NEWS

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### **Residential values stable while share markets tank**

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Australia's residential property market has defied speculation of a downturn, with national dwelling values holding steady during the first five months of 2008, according to new research released by RP Data and Rismark International.

By comparison, across the same period, the S&P/ASX 200 has fallen by 10.8%.

RP Data national research director Tim Lawless said that despite widespread media reporting of significant house price falls, national changes in dwelling values have remained flat in the year to May 2008, with the only capital city to register a material value fall being Perth, while Brisbane, Adelaide, Darwin and Canberra realised value increases. Melbourne and Sydney experienced neutral to slightly negative growth.

"Despite consumer and business confidence being at recent lows, the national property market has remained resilient," Lawless said.

"The impact of three official interest rate rises since last November, together with what equates to two rate rises by the banks independent of any RBA decision, have caused a slowdown in market activity, and properties are taking longer to sell. However, we've seen no evidence of sustained price falls at the capital city level, apart from Perth."

The RP Data/Rismark Indices report stated that the strength in the Australian property market can be attributed to the underlying demand or supply imbalance, with Lawless saying there are "simply not enough homes being built to accommodate the growing population", and so the shortage of dwellings is leading to record low vacancy rates and placing upwards pressure on rental rates.

In addition, ongoing rises in development costs are placing external pressures on market values.

"I believe the current high inflation environment is also causing a higher than normal degree of uncertainty among investors because of the uncertainty around interest rates," Lawless added.

"This uncertainty is impacting on the market where there are now fewer buyers. However, with rental yields improving and market conditions favouring the buyer, any signs of inflation abating should foreshadow a return of investors to the market."