

House prices to plateau as buyers flee in droves

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BUYERS are deserting the Sydney property market at the rate of 1000 a month, causing real estate professionals to predict an "exhausted market" with prices plateauing for the rest of the year. High auction clearance rates and record prices notwithstanding, official figures show the number of loans to buy houses in NSW slipped from 19,600 in September to just 14,300 in February after sliding in each of the past five months. The NSW slide of 27 per cent is worse than in all states but South Australia. Housing loans in Victoria slid the least, by a seasonally-adjusted 12 per cent. "This will lead to a slowing of price growth, no question about it," the national president of the Real Estate Institute, David Airey, said. "The housing market moves slowly. Unlike the stock market it doesn't jump around on a daily or even weekly basis.



"These things take six to nine months to filter through, but we will look back on the March quarter and say it was pretty buoyant, we will look back on June and say it was more normal, and we will look back on September and December and see the combined effects of interest rates and simply an exhausted market." Bureau of Statistics figures show February was the worst for home loans since 2001. Nationwide just 2174 people borrowed to buy new homes, a figure that also reflects the low number of new homes on offer. In February just 2293 NSW first-home buyers took out loans, down from 5941 in July, before the phase-out of the First Home Owners Boost and the Reserve Bank's string of interest rate increases. "First home buyers are leaving the market and there is no evidence that owner occupiers and investors are replacing them in sufficient numbers," the Housing Industry Association economist Harley Dale said. "The prospects for a second-stage building recovery are diminishing amid rising interest rates, lack of available credit, and persistently high supply barriers to new housing." An economist for ICAP Securities, Adam Carr, said the figures should make the Reserve Bank reconsider the pace of its rate rises. "House credit growth is not, as the bank would have us believe, solid. That is simply not true and, more to the point, the bank has said previously that

house price growth isn't a problem unless accompanied by a build-up in leverage. This argues for a softer rate hike touch." RP Data figures show Sydney prices are climbing at an annual pace of 12 per cent compared to 19 per cent in Melbourne. "But as sure as the sun comes up tomorrow we won't have that kind of extraordinary growth continuing," Mr Airey said. "If we did, nobody would be able to afford to buy property. Plenty of people smarter than me will say Melbourne will be the first to slow, but they've been wrong before. Sydney has a way to go to catch up so its prices might continue to climb for longer." The latest Westpac Melbourne Institute survey found a fall in the number of people believing that "now is a good time to buy a dwelling". The proportion agreeing slid from 62 per cent in December to 42 per cent in March. Those believing the wisest use for savings was "paying down debt" climbed to 27 per cent.