



## Paul Clitheroe

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# property market update

Australia's residential property market has enjoyed 16 consecutive months of healthy price gains. But according to industry figures the market is cooling, and in April 2010, capital city prices recorded almost no growth at all.

The state of the property market holds a great deal of interest for many Australians. Two thirds of us own our home, with about half these people paying off a mortgage. In most cases, the family home is the biggest asset we own. So while property is a long term asset, it's understandable that we're keen to get an idea of how values are faring on an ongoing basis.

The latest survey from research group RP Data shows that in 2009 home values nationally rose by an average of around 1% per month. And in many areas, prices were still rising in early part of 2010.

Sydney prices rose 3.5% in the quarter ended April 2010, taking the median home price to \$507,000. In Melbourne, values were up 3.7% (median price: \$465,000). Hobart was the best performer, where values rose 6.1% (median price: \$329,000) though this based on final March 2010 figures.

Darwin prices also rose in the quarter ended April, gaining 3.1% and taking the median price to

\$480,000. Canberra enjoyed strong growth too. Prices rose by around 4.1% taking the national capital median price to \$511,200.

Adelaide experienced slower conditions. Values rose by just 1.4% over the quarter and the city's current median price of \$385,000 is the lowest among our mainland capitals.

Values actually fell in Brisbane (down 0.5%) and Perth (dropping 0.6%) over the April quarter.

In was in April itself however that property values broadly started to slow down. Nationally, according to the survey, prices in metropolitan cities rose by an average of just 0.2% for the month. Rates of growth in non-capital city areas, which account for 40% of all dwellings, have been even weaker.

There are several reasons for the current slower market. Winter is traditionally a quieter time of year for property. Since the end of 2009, when the First Home Owner Grant boost was phased out, first home buyer numbers have dropped dramatically. On top of this, a string of interest rate rises has seen many buyers adopt a more cautious approach.

These factors, combined with the recent upheaval in Canberra and a looming federal election, could see

the property market remain sluggish until the political and interest rate outlook becomes clearer.

This may not be great news for existing home owners planning to sell their property in the months ahead however it may give first home buyers valuable breathing space to build a bigger deposit.

RP Data suggest April's slower market conditions could see the Reserve Bank keep interest rates on hold for the next few months at least. Whether that happens or not, all home buyers should factor in having to pay higher interest rates at some stage during their mortgage, and have a financial strategy in place for dealing with that situation. Do not commit to a home loan you can't afford.

*Paul Clitheroe's 'Making Money' for the week beginning 5 July 2010*



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