How far will house prices continue to fall?

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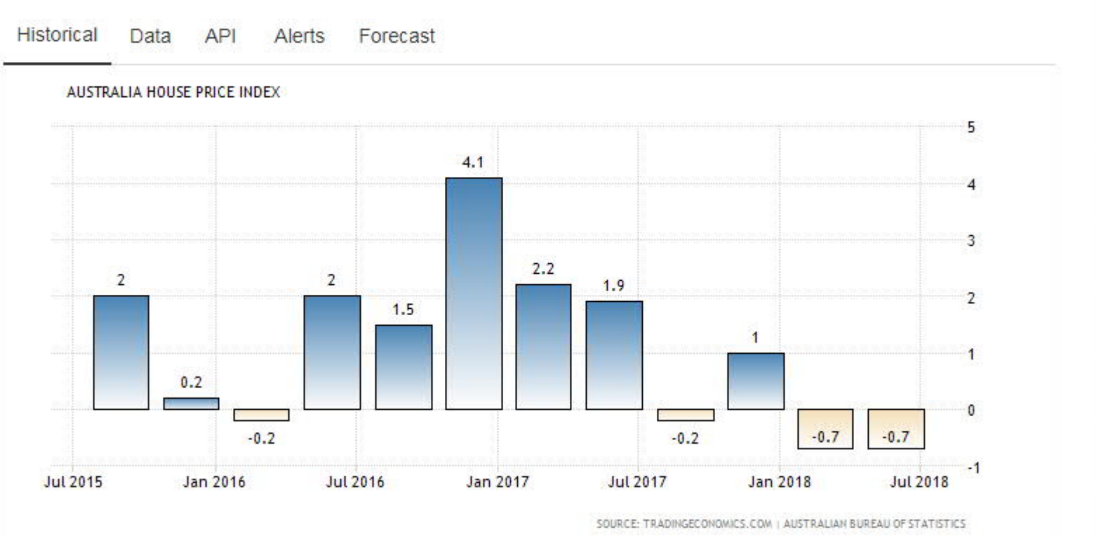
Data recently released showed that house prices in every mainland Australian capital fell in the last week of September. Is this a sign of prices to come, or just a blimp on the horizon of the multi-billion dollar industry, or a correction of the lenient credit standards of the past?

According to Corelogic data over the past month*, the median house price in Melbourne has now fallen greater than that in Sydney, a fall of 4.4% compared to 4.1%.

Of the other major cities, Perth recorded a decline of 3.2%, while both Brisbane and Adelaide actually recorded increases of 0.4%. However, the combined five cities recorded a fall of 3.5% overall.

The effect is now widespread; not only are median prices falling in the major cities but they are also falling in regional areas. In non-metropolitan New South Wales, a fall of 1.3% was recorded, while falls of 0.2%, 0.6% and 0.3% were measured in non-metropolitan Victoria, Queensland and South Australia respectively. It is now a national correction.

*to 08 October 2018



The chart above shows that the median housing prices have now fallen 0.7% to the three months ending July 2018.

A contributor to this may be the 8.9% increase in listings in Australian capital cities over the September yearly period, an indication of increased supply. A further contributor may be related to the tighter credit lending, both locally and abroad, a show of less demand.

September is also the 12th straight month where house prices have declined nationally, perhaps enough evidence to suggest the decline is real and only going one way.

With interest rates at an all-time low and debt-to-wage growth imbalanced, loan repayments as proportion of income are at the upper end of the historical range, a fall after the house boom was always on the horizon.