

Capital the second-strongest market

Canberra +16.5pc

Lisa Carapiet

Canberra is the second-strongest housing market in the country, according to Australian Property Monitors.

The nation's capital recorded a 16.5 per cent annual rise in the median house price to \$568,520. APM signalled that the city was trending towards the

\$600,000 mark. LJ Hooker Canberra City sales manager Kaylene King said Canberra's strong public service base was what "keeps things rolling", but the property market was going through an adjustment period. APM figures, however, show unit market prices are slightly weaker: median prices are down 0.6 per cent to \$413,500.

Ms King said new apartment developments in the outer suburbs were to blame.

Investors fill void left by first-home buyers

National +15.6pc

Ben Hurley

Strong house price growth for the June quarter has surprised economists, slowing slightly on last quarter but much less than expected.

Figures by Australian Property Monitors show house prices grew by 2.4 per cent in the three months to June, with evidence that investors are throwing money at the affordable end of the market.

Annual price growth at 15.6 per cent remains far above its long-term trend.

Melbourne is still leading the nation with 4.4 per cent growth in house prices for the quarter.

Sydney, Canberra and Adelaide are also strong.

Perth and Brisbane are the weakest but are tipped to firm as the resources boom takes hold.

APM economist Matthew Bell said investors were taking the place of owner-occupiers at lower price ranges, as they were more resilient to rising interest rates and the decline of first-home buyer stimulus.

"It wasn't as weak as we were expecting, given falling auction clearance rates and housing finance," Mr Bell said.

Economists believe the fundamentals are in place for investors to play an even bigger role. Australian Bureau of Statistics figures released yesterday show rents are increasing at an annual rate of about 6 per cent.

Owner-occupiers are sitting out and there is more stock on the market, giving savvy buyers room to bargain.

More importantly, the low inflation figures released yesterday will be a strong incentive for the central bank to hold off on the interest rate trigger until later in the year.

BIS Shrapnel senior economist Jason Anderson said there was still "a lot of upside" left for investors.

"I think there will be speculation that there's no more rate rises this year," Mr Anderson said. "This should lead to a firming of sentiment, which was pretty good to the end of 2009 but in the last three months it has fragmented."

Melbourne has had the most

Home comforts

Capital city house and unit prices June

	HOUSES		UNITS	
	Median (\$)	Growth (% QoQ)	Median (\$)	Growth (% QoQ)
Sydney	625,488	2.3	435,996	2.8
Melbourne	578,447	4.4	413,000	3.8
Brisbane	457,787	0.6	379,036	1.8
Adelaide	455,582	1.8	294,841	1.4
Canberra	568,520	1.9	413,447	-0.6
Perth	525,574	0.6	391,247	0.1
Hobart	308,434	-1.9	266,408	0.8
Darwin	581,290	-0.7	434,453	8.9
National	558,540	2.4	402,945	2.4



benefit from investors over the past 12 months, according to Anderson, explaining why the market there is still so strong.

First-home buyer demand also held up better there than elsewhere thanks largely to a steady supply of new houses and apartments, and the state government offered boosted first-home buyer grants until June this year.

Median price growth in the city's cheaper 50 per cent of suburbs far outpaced the more expensive 50 per cent in the June quarter.

Sydney homes priced under \$1.5 million were selling quickly, according to McGrath Estate Agents head John McGrath, while higher prices were less predictable.

Century21 chairman Charles Tarbey said there were a lot of listings on the market but a smaller number had realistic price tags.

"A lot of people rode the crest of the market, threw their properties on the market at higher prices than they were worth in anticipation of the market continuing to move," Mr Tarbey said.

Many of those properties are now being withdrawn.

The slowdown is well marked at the top end, which has been hit by lower than expected corporate

profitability and global instability.

Herron Todd White valuer Rob Fitzgerald said he went through a well-built four-bedroom house this week in Perth's prestigious western suburb of Mt Claremont, where the owner had given up on selling and was converting it to rental accommodation. Buyers were plentiful in the suburb 10 months ago.

"It's been on the market for many months for \$1.9 million," he said. "That area, there's really not much volume of sales. It's very thinly traded because there's just no demand. When we hit winter we were really in the doldrums."

JPMorgan economist Ben Jarman predicted the central bank would hold interest rates steady until at least October.

"It will take some very strong retail figures or strong employment figures to get them to think about hiking without seeing more inflation data," he said.

Mr McGrath said more rate rises would be damaging.

"If interest rates continue to go up by a quarter per cent every month or two, that's going to scare investors and owner-occupiers out of the market," he said. "If they keep going we could quite easily see corrections in price by Christmas."

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- Located in new Business Village in high growth corridor
- Adjacent to proposed Town Centre and proposed \$1.8 billion* Sunshine Coast Hospital

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