



No Sydney Housing Crash in 2018. Mining Towns to Recover. Hobart to be Best City Performer

Christopher's Housing Boom and Bust Report

THURSDAY 19 October 2017

Australia's housing market will likely record moderate dwelling price rises in 2018, which will beat a slower rate than the price gains in 2017, led by a slowdown in Sydney, according to housing expert Louis Christopher in his newly released *Christopher's Housing Boom and Bust Report*.

SQM Research's base case forecast is for capital city dwelling prices to rise between 4% to 8% in 2018, which would represent a fall from a growth rate of approximately 8.5% over the past 12 months to 30 September 2017.

The rate of property price increases will be slower in 2018, predominantly due to a slowdown in the Sydney housing market, which should continue into the first half of the year. Melbourne's property market will also lose some momentum, however, this will only be a relatively modest slowdown, according to predictions in *Christopher's Housing Boom and Bust Report*.

"Offsetting a slowdown in Melbourne and Sydney will be first-year property market recoveries for Perth and Darwin and an ongoing real estate boom in Hobart's property market, which is set to record the highest level of accelerated price growth of any capital city next year at between 8% to 13%," Christopher said.

	12 months to September 2017	2018 Scenario 1 (base case)	2018 Scenario 2	2018 Scenario 3
City/Region	Source: Core Logic	<ul style="list-style-type: none"> Cash rate unchanged Economy steady AUD ranges between US\$0.75–US\$0.85 No further action by APRA 	<ul style="list-style-type: none"> A 0.25% rise in rates by 3rd qtr AUD ranges between US\$0.77–US\$0.85 No further Action by APRA 	<ul style="list-style-type: none"> 0.50% rate rise starting 3rd qtr AUD ranges between US\$0.75–US\$0.85 No further Action by APRA
Perth	-2.9%	+1% to +4%	+1% to +4%	-1% to +4%
Brisbane	+2.9%	+3% to +7%	+2% to +6%	+2% to +5%
Darwin	-4.7%	+1% to +4%	+1% to +4%	+1% to +4%
Melbourne	+12.1%	+7% to +12%	+5% to +9%	+5% to +8%
Sydney	+10.5%	+4% to +8%	+3% to +6%	+3% to +5%
Adelaide	+5.0%	0% to +4%	-1% to +3%	-1% to +3%
Hobart	+14.3%	+8% to +13%	+8% to +13%	+8% to +13%
Canberra	+7.8%	+5% to +9%	+5% to +9%	+5% to +9%
Capital city Average (weighted)	+8.5%	+4% to +8%	+3% to +6%	+3% to +6%

Source: *Christopher's Housing Boom and Bust Report 2017*



Brisbane's property market will experience slightly stronger gains than those posted in 2017, with property prices forecast to rise between 3% to 7%. However, the persistent overhang of surplus property listings will hold back property in that city from a faster rate of inflation.

The base case for all capital cities forecasts assumes no changes in interest rates next year, a stable exchange rate and the existing restrictions by APRA on investment lending to remain in place.

"Through the actions of APRA earlier this year, a possible deeper housing correction in Sydney and Melbourne has been averted, for now. Accelerated population growth rates in Melbourne and Sydney have enabled the cities to avoid severe property downturns. On the flipside, housing affordability will likely continue to deteriorate in 2018 with growth in property prices still outpacing wages growth," said Christopher.

"The authorities were right to take action earlier this year to restrict investing lending by banks. Failure to have taken action would have resulted in out-of-control Sydney and Melbourne housing markets, where additional aggressive monetary policy may well have triggered a large fall in dwelling prices in 2018," said Christopher.

"APRA's action, which came earlier than I had expected, has meant that the Sydney housing market is cooling sooner than expected. That has meant our Sydney forecast for this year of price growth of 11% to 16% will not be reached and a more moderate 6% to 8% increase in prices can be anticipated for 2017.

"Our Sydney forecast for 2018 is for a 4% to 8% increase in prices whereby Sydney will record a soft market in the first half of the year, but property prices will start to recover in the second half as the banks will likely increase investment lending once again. There have been reports of banks investment lending ratios being under the maximum thresholds allowed, so we can expect a rise next year as banks increase investment lending up to this limit."

"Hobart's property market is expected to remain the fastest growing city in 2018, with the combination of a fast economy and housing supply shortages likely to ensure the second year running of double digit price rises for that city," Christopher said.

Christopher's Housing Boom and Bust Report this year also has a full breakdown of every postcode in the country covering current market statistics and its postcode investor ratings. The full report can be found on www.sqmresearch.com.au for \$69.95.

About SQM Research

SQM Research Pty Ltd is a respected Australian investment research house, specialising in providing ratings and data across all major asset classes.

Media Inquiries

For further information please contact Louis Christopher:
Louis@sqmresearch.com.au

Linda Davidson
Linda@sqmresearch.com.au
+61 2 9220 4603

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