

APM gets the measure of the housing market

Agenda

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Australian Property Monitor's Louis Christopher can't help but be pleased with himself. In the huge controversy over house price indices, it's his company that has come out a winner — chosen by the Reserve Bank of Australia to provide a new index that will at least partly shape the direction of interest rate policy.

Left behind are several other industry and private house-price indicators — including data provided by the major banks — and the federal government's own Australian Bureau of Statistics, which only in May was handed \$2.3 million to develop a new, improved index.

It's huge kudos for APM, too, after the flak it coped in 2004 when

it changed methodologies in the search for greater accuracy, and as a result reported big falls in Melbourne and Sydney prices in the March quarter of that year.

In the end Christopher said the magnitude of the results was wrong but the direction was right.

Later, Commonwealth Bank was revealed to be producing two house price series — one that went to the RBA and one with more positive results that went to clients interested in mortgages.

The fuss goes deeper than company egos, though.

The RBA has had the housing market under tight watch since prices started rocketing up in the years towards 2003 — especially in Sydney and Melbourne.

Now, according to reports from the world's financial media, leading international economists are watching how the markets in these

two cities behave because the consensus is that they led the global housing upswing and now lead the slowdown.

The biggest problem the RBA has with much of the existing data is that a lot of it is too old to be useful. The new index will collate information from agents — both auction results and private sales — just days after transactions occur.

To smooth the compositional creases — when a big batch of high- or low-priced houses is sold, for instance — the index divides each major city market into 10 per cent slices, by price. These price ranges are then averaged and weighted against the city overall.

So far, Christopher is happy with the results. And so is the RBA. And those results have varied significantly from what other indices, such as the ABS index, had been saying.

HOME TRUTHS

June quarter composition-adjusted median unit prices and 12 month change, %

Sydney	\$364,000	-3.1%
Melbourne	\$266,000	+0.7%
Brisbane	\$232,000	+0.2%
Adelaide	\$205,000	+5.0%
Perth	\$193,500	+7.5%
Canberra	\$294,000	+4.0%
Darwin	\$189,000	+1.5%

June quarter composition-adjusted median house prices and 12 month change, %

Sydney	\$526,000	-4.7%
Melbourne	\$339,500	+1.5%
Brisbane	\$325,000	+1.2%
Adelaide	\$301,000	+4.5%
Perth	\$323,000	+12.5%
Canberra	\$402,000	-1.1%
Darwin	\$326,000	+17.1%

Source:
www.homepriceguide.com.au

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1 Mango Ave Eimeo (Eimeo Hotel)

Prime Retail Outlet

on Circular Quay

New Project

Naval Armada

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