

EYE on the economy



with Stephen Walters

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So, I'm sure you would have all noticed the weakness in the Sydney housing market over the last couple of years. And in fact, house prices in Sydney have gone down about 14% from the peak in around the middle of 2017. So that's the biggest fall we've seen in at least a generation, probably since the 1980s when we had comparable data. So, that's a big fall. It's also contributed to a big fall in the construction industry as well.

So we've had approvals for new dwellings fall very sharply, and that's fed into much weaker growth in dwelling investment, and it's been quite a big drag on not just the housing market itself in terms of construction of new homes, but actually, consumers as well, because house prices have come down.

The other effect has been on the budget, and you would have seen last week in the state budget, that we've written down more stamp duty revenue from housing transactions. It's more than \$10 billion now, written down in the last couple of years. So, it's a pretty important issue for New South Wales clearly, the housing market developments.

The good news is we've had some recent signs of uptick in the housing market. We've had auction clearance rates in recent weekends back in the 60s. We were down below 50s only a few weeks ago. So that's been a really positive sign. So look, so far, so good. We'll see if that's maintained.

What's driving this is quite a range of factors. Firstly, the Federal election. There was no change of government, so no change in the capital gains tax arrangements or negative gearing. The Reserve Bank's cut interest rates. Probably will do so again some time soon. We've had some first home buyers support from the Federal Government, and sentiment has certainly turned up as well.

So, good signs, early signs. Let's see if they're sustained, but hopefully, the bottom of the housing market's either just passed or it's not too far away.