

Surging home prices defying RBA warnings of speculation

■ Glenda Kwek

Home prices have surged in March in a sign that the boom in the property market is continuing after a pause in February.

The latest data comes just days after the Reserve Bank warned borrowers and banks against property speculation.

Prices surged by 2.3 per cent last month over Australia's eight capital cities to take the total growth for the first quarter to 3.5 per cent, figures released by RP Data and Rismark on Tuesday showed.

"Half of all Australia's capital cities are now posting record-high dwelling values, with Sydney's housing market showing the most substantial increase beyond its previous market high," RP Data research director Tim Lawless said.

Melbourne had the strongest three-month growth, 5.4 per cent, Sydney was up 4.4 per cent and Hobart 4.7 per cent.

Mr Lawless said factors driving up Melbourne prices included the popularity of its property market with investors and stock levels remaining "relatively slim" except in Southbank and Docklands.

"There's also the fact that we've seen the Melbourne market place introducing a lot more new housing supply, which of course would

be affecting greater sales as well. Melbourne doesn't have the same affordability constraints as Sydney is showing because it has a lot of relatively new housing supply released in the outer fringes."

Mr Lawless said while the Melbourne market had shown a lot of momentum and consistently high capital gains, rental yields were "now extraordinarily low", with houses posting a gross return of just 3.3 per cent.

Brisbane rose by 1.5 per cent, Adelaide 1.2 per cent, Darwin 2.8 per cent and Canberra 2 per cent. Perth bucked the trend, with prices falling 0.6 per cent.

"Based on today's RP Data Rismark results, dwelling values have risen by a cumulative 15.8 per cent since the growth cycle began in June 2012," RP Data said in a statement. "Dwelling values increased by just 2.9 per cent over the first 12 months of the cycle. However, since last June, values are up by close to 13 per cent."

The strengthening property market amid the record-low level of interest rates has led the Reserve Bank of Australia to step up its rhetoric on rising prices. Some commentators have said that the sharp rise in prices could lead to a housing bubble.

The RBA governor, Glenn Stevens, as well as other central

bank officials have warned borrowers that home prices could rise as well as fall.

The surge in investors, including foreign buyers, has also priced first home buyers out of the property market.

The proportion of first home buyers remained depressed but edged up slightly to 13.2 per cent in January, above November's record low of 12.3 per cent, the Australian Bureau of Statistics reported last month.

Rismark's managing director, Ben Skilbeck, said March was a traditionally strong month for home prices and that the increases were not surprising given the high auction clearance rates and the lack of any major economic changes.

Mr Lawless said the surge in prices was caused by Melbourne and Sydney.

"That growth is very much confined to two capital cities. It's really Sydney and Melbourne that are driving that very high level of growth. Every other capital city is showing a more measured rate of capital gain," he said.

"I think if there is any danger of the marketplace overheating, you can point the finger at Melbourne first and Sydney second and yields are a really good sign of that disparity."

