Little respite for first homebuyers despite cooling Aussie housing market

First home buyers watching the decline of house prices in Australia's biggest cities are unlikely to find bargains immediately, experts have warned.

9News Finance Editor Ross Greenwood, touching on yesterday's CoreLogic data that showed a 3.3 percent fall in Sydney and a 6 percent fall in Melbourne, said what we are seeing is a return to "normal" property values.

"I think [furthers price falls] are inevitable. Common sense tells you. Remember the Perth prices have been falling now for the best part of five years, Darwin prices the same as well," Mr Greenwood told the TODAY show.

"What you've actually had in Melbourne and Sydney is significant overpricing and we know that housing became very unaffordable for most people."

Greenwood explained that tighter credit conditions by the banks have meant that many people are now battling to have their property valued at what they bought it for, which is helping to accelerate the value falls.
"There’s a fundamental problem here," says Mr Greenwood.

"Because the banks, post Royal Commission, are now more wary about lending money – there have also been restrictions put on them lending money to investors – if you go out and try and buy a house right now, they are very tight on the valuations."

First home buyers, who have long complained of being priced out of the Sydney and Melbourne markets, are unlikely to find immediate bargains as a result of cooling prices.

"Think about this. Let’s say you go into a typical apartment in Melbourne that costs $600,000. To buy it, the bank wants you to have a 20 percent deposit, that’s $120,000 after tax, in savings, that you’ve got to have," explains Mr Greenwood.

"Even then you’ve got mortgage insurance on top and then you’ve got to get the valuation right then you’ve got to get the bank to lend to you."

Despite the challenges, Mr Greenwood says any drop in prices will come as welcome news to property hunters.

"It’s not as easy necessarily for those first home buyers as it has been – although I think with the help of parents more first home buyers are coming into the market," explains Mr Greenwood.

"There will be opportunities out there, there is no shadow of a doubt."

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**PROPERTY VALUES 2019**

- Brisbane: +1.2%
- Sydney: -3.3%
- Melbourne: -6%
- Adelaide: +2.6%
- Perth: -2.8%

Property values are set to plunge further during 2019. (9News)

State-by-state: How property values are faring near you

CoreLogic’s latest Hedonic Home Value Index showed national dwelling values fell 2.3 percent over the December quarter – the worst quarter-on-quarter decline since 2008 – with most regions of Australia recording a weaker performance as national values dropped 4.8 percent in total in 2019.
0.1 percent last year.

For the next 12 months, Moody's predicts house values across Brisbane will gain a mild 1.2 percent in 2019, with strength in west Brisbane and inner Brisbane offsetting declines in south Brisbane.

Despite commodity prices stabilising, house values in Perth will likely decline 2.8 percent in 2019, followed by a recovery in 2020, thanks to population growth.

Adelaide's housing market will continue its stable run with a 2.6 percent rise in 2019.

Greater Melbourne house values are now 11 months into a correction, with the decline accelerating to a low not seen since the global financial crisis.

House values in Melbourne's inner east have fallen 12.5 per cent from their peak in July 2017, while house values in the city's inner south and inner metro area have decreased 11.3 percent and 8.3 percent, respectively.

<table>
<thead>
<tr>
<th>Capital city</th>
<th>Annual change</th>
<th>Median value*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sydney</td>
<td>- 8.9 percent</td>
<td>$808,494</td>
</tr>
<tr>
<td>Melbourne</td>
<td>- 7.0 percent</td>
<td>$645,123</td>
</tr>
<tr>
<td>Brisbane</td>
<td>+ 0.2 percent</td>
<td>$493,568</td>
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<tr>
<td>Adelaide</td>
<td>+ 1.3 percent</td>
<td>$434,924</td>
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<tr>
<td>Perth</td>
<td>- 4.7 percent</td>
<td>$446,011</td>
</tr>
<tr>
<td>Hobart</td>
<td>+ 8.7 percent</td>
<td>$457,523</td>
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<tr>
<td>Darwin</td>
<td>- 1.5 percent</td>
<td>$416,149</td>
</tr>
<tr>
<td>Canberra</td>
<td>+ 3.3 percent</td>
<td>$601,275</td>
</tr>
<tr>
<td>National</td>
<td>- 4.8 percent</td>
<td>$532,327</td>
</tr>
</tbody>
</table>

*Includes both units and houses. Index results as at December 31, 2018.

CoreLogic

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