

# Fitch Rating report says house prices will be stable through 2013

by: *STEPHEN McMAHON* From: *News Limited Network* January 09, 2013 5:26PM

**AUSTRALIAN house prices are tipped to remain flat and mortgage defaults will be among the lowest in the developed world this year, a rating agency report says.**

The Fitch Rating report on residential mortgages gives the Australian property sector a clean bill of health, but warns the almost annual double digit price growth of the decade to 2010 is a thing of the past.

According to the report, house prices rose by 150 per cent in the period between 2000 and 2010 and, after falling in 2011, capital city prices rose 0.9 per cent last year.

Prices are tipped to remain "stable" overall in 2013, even if there are still declines in some areas, such as the Gold Coast.

The report was released just ahead of the latest Housing Industry Association new-home sales report that showed sales rose for a second consecutive month.

The biggest growth was in New South Wales and Victoria, which were both up almost 16 per cent.

South Australia registered 6.7 per cent growth, while Queensland was flat and Western Australia fell by 6.8 per cent.

Fitch Ratings analyst Ben Newey said the stability of the Australian property market compared to most of its global peers reflects the prospect of good GDP growth of 3.1 per cent and unemployment staying at around 5.5 per cent this year.

"Housing is still relatively expensive in terms of affordability, but price growth will be stable in 2013 as the recent run of interest rate cuts works its way through the economy," he said.

"Arrears rates will also remain flat through 2013, in line with projections for stable interest rates and low unemployment."

The official cash rate fell to a record low of 3 per cent last month, but most economists expect the Reserve Bank will adopt a wait-and-see approach in the first-quarter of this year, after cutting rates by 1.75 per cent in the past 14 months.

The prospect of a rate cut next month has waned from a 63 per cent possibility on December 31 to a less than 37 per cent chance, as the global outlook improves.

The HIA data shows strong sales in the detached home sector helped lift overall new home sales by 4.7 per cent in November.

The only downside was a 6.9 per cent drop in multi-unit sales in the month, the HIA report said.

HIA economist Geordan Murray said the result was a welcome respite but there was still a long way to go before sale volumes were back at satisfactory levels.

"The importance of a broad based rejuvenation of new home building to maintaining the health of the overall Australian economy has been widely acknowledged but, at this stage, new home sales sits among a host of indicators that are yet to provide conclusive evidence that we are on track to achieve this," Mr Murray said.