

Australia's house price downturn is now the largest on record



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JUN 5, 2019, 1:57 PM



William Thomas Cain/Getty Images

Whee....

- **Australia's house price downturn is now officially the largest on record**
- **Median home prices have now fallen 8.2% in nominal terms, surpassing the previous record decline seen in the early 1980s.**
- **At 20 months, the current downturn is also one of the longest on record.**
- **UBS expects prices will eventually decline by 10% before stabilising, most likely later this year.**

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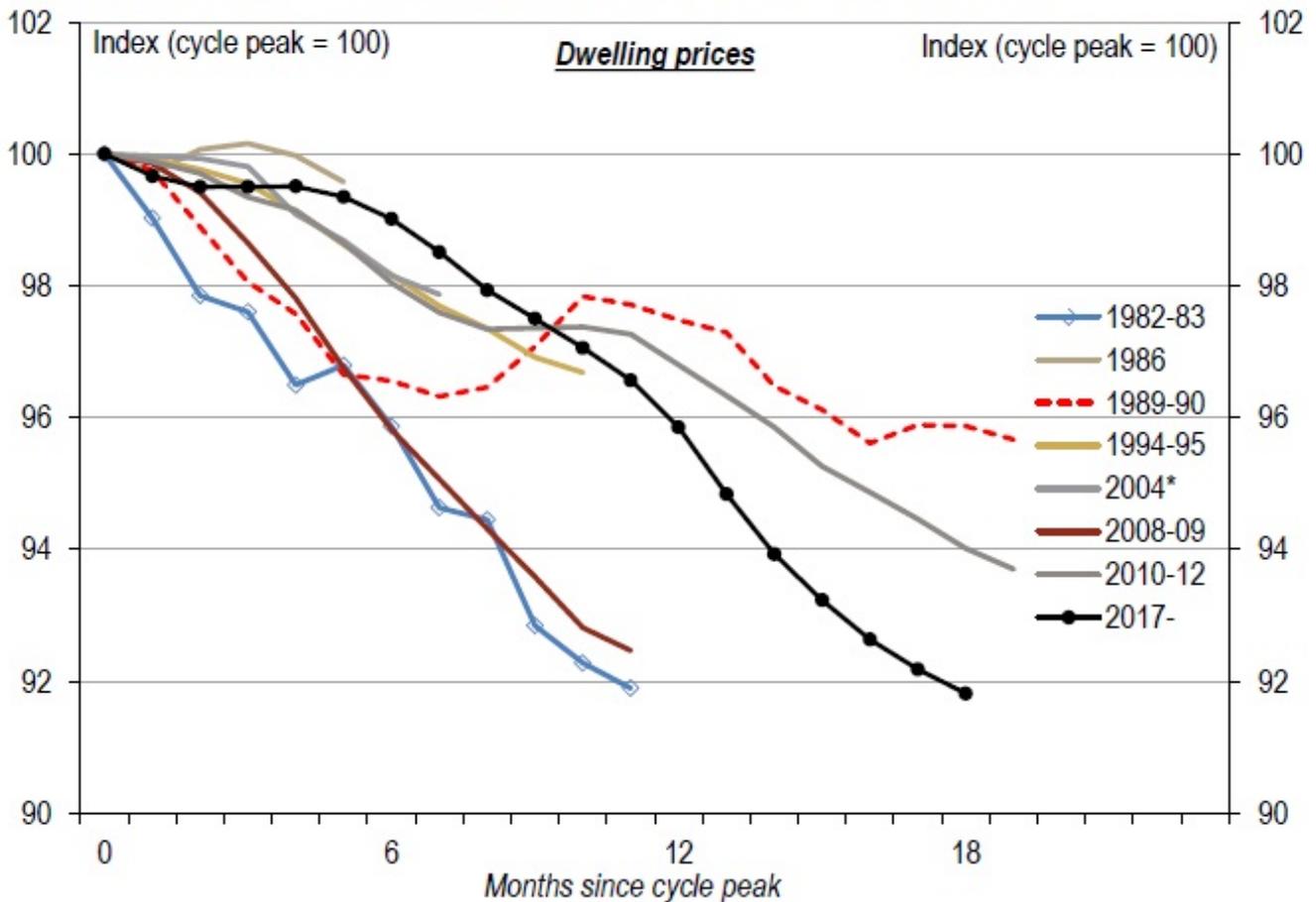
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Following 20 months of consecutive declines, including another 0.4% fall in May, according to [CoreLogic data](#), prices have now fallen a cumulative 8.2%, surpassing the previous record downturn seen in the early 1980s.

This chart from UBS shows that not only is the decline in nominal terms now unprecedented, it's also one of the longest on record, only beaten by those seen earlier this decade and the early 1990s, before Australia's last recession hit.

Figure 2: Home prices are now down 8.2% peak-to-trough, now 'officially' the worst fall in history



Source: ABS, CoreLogic, UBS

UBS

“The peak-to-trough decline in prices is now 8.2%, officially the worst ever on a national basis since at least 1980 and the largest in around 50 years based on city-level REIA data,” said George Tharenou, economist at UBS, in a note released on Monday.

And Tharenou believes the current downturn has longer and further to fall yet, forecasting that prices are likely to fall close to 10% peak-to-trough before eventually bottoming out, most likely at towards the end of this year.

Unlike some other [prominent property forecasters](#) who expect a modest rebound in prices in the near-term, Tharenou remains unconvinced given weak economic conditions and the likelihood of higher unemployment ahead.

“Given the [real economy keeps getting weaker](#) — which is likely to see unemployment gradually trend up ahead — we still don’t expect a sharp reflation of housing in the near-term,” he said in a note released on Monday.

Nor does he expect the combination of [lower mortgage rates](#) and likely [easing in lending standards from APRA](#) to offer any significant support to prices.

“There has not yet been any actual change in serviceability and borrowing capacity, so any lift in demand is sentiment,” he said, referring to recent reports of a lift in [mortgage applications at lenders](#).

“There are still headwinds from tight credit dues to higher HEM [Household Expenditure Method] benchmarks and increased verification of living expenses, along with the roll out of Comprehensive Credit Reporting and potential Debt-To-Income limits.”

While national prices have fallen 8.2% in average weighted terms from the peak, the scale of declines have not been [evenly distributed across the country](#), falling heavily in Sydney and Melbourne, and in the mining capitals, Perth and Darwin, but not in other locations.