



Disturbing property prices

From the desk of ...

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THE number of conflicting statistics on house prices spewed out by the property industry seems to be getting worse.

Conflicting data from various sources is not a new problem. They are confusing, and cannot and should not be relied on by investors.

The Australian Bureau of Statistics (ABS) shows that house prices across Australia **fell 2.2%** in the March quarter. According to ABS prices fell **6.7%** over the last 12 months nationally and **2.3%** in Melbourne.

The Australian Property Monitors (APM) reported that median house prices across Australia **increased by 0.1%** for the quarter. According to APM, Melbourne had a rise of 1.6% for the March quarter while over the last 12 months prices **fell by 0.4%**.

RP Data reported that house prices for the March quarter had actually **risen by 2.4%** in Melbourne.

The Real Estate Institution of Victoria (REIV) reported that median house prices fell by **3.1%** in Melbourne in the March quarter and **4.7%** over the last 12 months.

So who do you believe? Should you be relying on any of this data?

There are obvious flaws in the way these statistics are gathered and calculated. Some

property researchers rely on reported sales and figures, and not all sales are reported. Then there is the different ways of calculating prices. Let's take a simplistic example of how the median price is calculated;

If an area has three sales, one at \$900,000 another at \$890,000 and the third at \$450,000 the median price for this area will be \$890,000, the middle sale. Next quarter if there is one sale at \$900,000, another at \$450,000 and a third sale at \$440,000 the median price is \$450,000. This will be reported as a **49% fall** in the market. But has the market really fallen? The answer is, no it hasn't. The median price can easily be swayed by an increase or decrease in sales at either end of the market and therefore can be volatile.

There has to be a better and a more uniform and accurate way to track movement in house prices.

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