Home Price Ind

1 September 2024

Home price growth slows through winter, as sellers in Perth and Adelaide enter spring selling season with a strong advantage

Key findings:

- National home prices lifted 0.22% to a new peak in August, and are now 6.16% higher than a year ago.
- Prices in the combined capital cities have increased 6.49% over the past year, after climbing 0.25% in August. However, performance differs significantly across the capitals, reflecting a multi-speed market.
- Perth (+0.79%), Hobart (+0.63%) and Adelaide (+0.45%) recorded the strongest growth in August.
- Home price growth over the winter months has slowed in Sydney, yet prices are still up 0.32%. Meanwhile prices in Melbourne fell 0.18%, marking the fifth straight month of declines, with prices down 1.98% in that period.
- Perth, Adelaide and Brisbane have recorded the fastest pace of growth of the capital cities for much of the past two years, with Perth prices up 23.24% in the past year, followed by Adelaide (+15.12%) and Brisbane (+13.95%).
- Capital city prices have outpaced regional areas over the past year and this trend continued in August. Prices in regional areas rose 0.16% over the month to be 5.32% above August 2023 levels.
- Performance was also diverse in regional areas. Regional WA (+0.41%) and regional Queensland (+0.26%) led growth in August and over the past year, while regional Victoria has sustained its streak of relative weakness, down 1.74% over the past year.

"National home prices have cycled through 20 consecutive months of growth, although the pace of growth has slowed in the seasonally quieter period.

"Although the number of homes hitting the market this year has lifted, strong population growth, tight rental markets and home equity gains are bolstering demand. Meanwhile, building activity remains challenged, exacerbating a chronic shortage of housing.

"Supporting price growth, July's tax cuts boosted borrowing capacities and buyers' budgets, while the persistent growth in home prices is likely motivating many to overcome affordability challenges.

"As a result, housing demand remains buoyant, defying affordability constraints and pushing prices higher across much of the country.

"However, price growth differs around the country with the balance between supply and demand driving that variance.

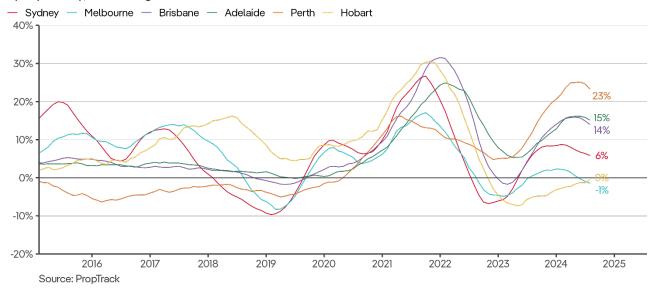
"Home prices are expected to lift as activity ramps up into the spring selling season. However, the expected uplift in choice, the uncertainty around timing of interest rate cuts and affordability constraints are likely to dampen the pace of price growth."

合 PropTrack

| All dwellings | Monthly growth | Annual growth | Change from peak | Change since March 2020 | Median value |
|-----------------------|----------------|---------------|------------------|-------------------------|--------------|
| Sydney | 0.32% | 5.83% | At peak | 38.9% | \$1,095,000 |
| Melbourne | -0.18% | -1.46% | -4.66% | 15.5% | \$797,000 |
| Brisbane | 0.35% | 13.95% | At peak | 74.0% | \$854,000 |
| Adelaide | 0.45% | 15.12% | At peak | 74.9% | \$768,000 |
| Perth | 0.79% | 23.24% | At peak | 75.8% | \$751,000 |
| Hobart | 0.63% | -0.50% | -8.19% | 36.5% | \$683,000 |
| Darwin | -0.27% | 1.05% | -2.10% | 26.5% | \$509,000 |
| ACT | 0.04% | 0.43% | -5.53% | 35.9% | \$839,000 |
| Capital Cities | 0.25% | 6.49 % | At peak | 39.9 % | \$861,000 |
| Rest of NSW | 0.17% | 3.87% | At peak | 54.1% | \$723,000 |
| Rest of Vic. | 0.04% | -1.74% | -5.43% | 38.8% | \$573,000 |
| Rest of Qld | 0.26% | 11.35% | At peak | 74.2% | \$691,000 |
| Rest of SA | -0.20% | 9.28% | -0.73% | 68.4% | \$436,000 |
| Rest of WA | 0.41% | 14.95% | At peak | 67.9% | \$528,000 |
| Rest of Tas. | -0.10% | 1.63% | -0.49% | 55.5% | \$516,000 |
| Rest of NT | -0.18% | -1.58% | -5.52% | 9.4% | \$421,000 |
| Regional Areas | 0.16% | 5.32% | At peak | 57.2% | \$642,000 |
| National | 0.22% | 6.16% | At peak | 44.3% | \$790,000 |

Annual change in home prices

By capital city, all dwellings



Sydney

Price growth has slowed over the past quarter in Sydney, with home prices lifting 0.32% in August. Still, prices rose to a new peak, up 4.33% year-todate, and 5.83% above August 2023 levels. The increase in properties hitting the market this year has been met with strong demand, driving growth momentum. However, the pace of growth has eased since the end of the summer selling season through the seasonally quieter period. Buyers in Sydney are also enjoying more options, a trend expected to carry into spring.

Brisbane

Prices lifted 0.35% in August to reach a new peak, although the pace of growth has slowed through winter. Brisbane remains one of the strongest performing markets over the past year with home prices now 13.95% above August 2023 levels. The outperformance of the Brisbane market over recent years, with prices up close to 80% over the past five years, has made it the second-most expensive capital ahead of Melbourne and Canberra.

Perth

Perth has maintained its streak of relative outperformance and remains the strongest market in the country for monthly (+0.79%) and annual (+23.24%) home price growth. Tight supply amid strong buyer demand has seen competitive conditions fuelling strong price growth. Sellers in Perth are entering the spring selling season with a strong advantage, though the number of properties hitting the market has increased, total stock on market remains well below the prior five year average as new listings are quickly absorbed.

Darwin

After hitting a fresh peak in May 2024, Darwin home prices fell 0.27% in August. Still, prices are 1.05% higher than a year ago.

Melbourne

Melbourne home prices fell 0.18% in August, marking the fifth straight month of declines with prices now down 1.98% in that period. Prices were 1.46% below their August 2023 levels and 4.66% below their March 2022 peak. Price momentum is weaker in Melbourne as buyers have consistently enjoyed more choice relative to other markets. At the same time, construction rates relative to population growth in Victoria have been somewhat balanced compared to other parts of the country.

Adelaide

Adelaide remains one of the country's top performing markets. In August, home prices rose 0.45% to a new peak, up 15.12% year-on-year. Low stock levels are intensifying competition, and sellers are entering the spring selling season with the upper hand. Although the number of properties hitting the market has increased, total stock on market remains well below the prior five-year average as new listings are quickly absorbed amidst strong buyer demand. The comparative affordability of the city's homes has also contributed to persistent strong growth, though if current trends continue, values may eclipse Melbourne by the first quarter of next year.

Hobart

Prices in Hobart have arrested their two-year downturn over the past quarter and lifted 0.63% in August. They now sit just 0.50% below August 2023 levels, and have recovered 1.04% from their May 2024 trough. However, Hobart remains the weakest capital city market when comparing change from peak (-8.19%), though this follows a period of outperformance during the pandemic as well as strong growth in the years preceding.

ACT

Home prices in Canberra rose 0.04% over the month to sit 0.43% above August 2023 levels. This leaves prices 5.53% below their March 2022 peak.

PropTrack

Methodology

The PropTrack HPI model uses a hybrid methodology that combines repeat sales and hedonic regression. Both of these methodologies are commonly used to measure housing price movements in Australia and overseas. These methodologies are designed to estimate the change in home prices in a way that is not affected by the quality and location of the sample of homes that transact in a given period.

Repeat sales regression matches transactions of identical properties over time. This uses the fact that the change in price of a given property over time should only reflect changes in market prices (assuming no significant alteration or renovation was undertaken between sales). Hedonic regression breaks down the value of homes into observable characteristics (e.g. size, location) to account for differences in characteristics of sold properties over time.

The PropTrack HPI uses a hybrid methodology, which starts with a repeat sales regression, but allows transactions for nonidentical, but closely located properties of the same type to be matched together. Sales of properties of the same type (house, unit) in the same ABS Statistical Area Level 1 are matched together. There are over 57,000 spatial SA1 regions across Australia, with a population generally between 200 and 800 people. This increases the number of matches that can be used to estimate home price growth and uses the fact that nearby properties are generally similar. Hedonic regression is used to account for differences in the size of properties that are matched together, using the number of bedrooms in each property.

In this way, the hybrid methodology augments the repeat sales methodology for home price growth to be estimated where there might not be sufficient volume of repeat sales transactions.

The PropTrack HPI estimates home price growth in a robust and flexible manner, which is revised each month, allowing each estimate to best reflect the available data on Australian home prices over time.

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