

# Home Price Index

1 May 2023

## Home price correction in rear view as property values rise further in April; Sydney and Adelaide markets leading the recovery

### Key findings:

- National home prices increased in April, rising 0.14%. The cumulative increase in 2023 is now 0.75%.
- Sydney (+0.40%), Adelaide (+0.41%) and Perth (+0.21%) recorded the largest increases in April, while Hobart (-0.27%), Canberra (-0.17%) and Melbourne (-0.11%) experienced slight price falls.
- Sydney, the market which led the downturn, is now leading the recovery. Sydney home prices are up 1.68% year to date. With the bounce, Melbourne has overtaken Sydney in terms of annual price falls.
- Canberra and Hobart have seen the largest annual declines, while Adelaide is the strongest performer.
- In recent months, home price growth has been stronger in the combined capital cities than regional areas. This trend continued in April, with regional areas flat and capital city prices lifting 0.20%.
- Except for WA, capital city markets are outperforming their regional counterparts on a monthly basis in every state. However, regional markets outperformed capital city markets throughout much of the past year and have recorded stronger annual growth in every state.

The price falls recorded over most of last year have begun to reverse in 2023, with April marking the fourth consecutive rise in national home values. Strong migration, tight rental markets and limited supply are offsetting the impact of rapid interest rate rises.

Supply constraints have eased slightly with respect to the total stock on market, but the flow of new listings remains soft, keeping a floor under prices. The decision by the Reserve Bank to hold the cash rate steady in April is also likely to have contributed to the uplift in home values as a higher degree of confidence with respect to future borrowing costs emerges.

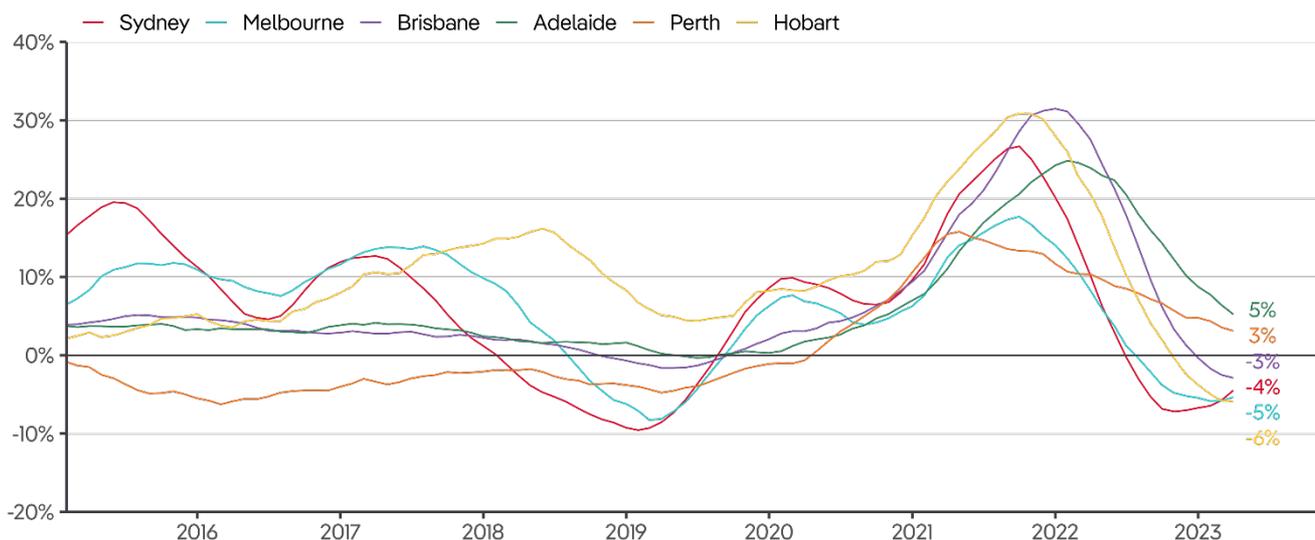
Despite the recent stabilisation of home values, headwinds remain. Interest rates may still rise further, and the economy is expected to slow. However, the continued tightness in the labour market, stronger housing demand and tight supply are likely to see the recovery sustain. A home shortage exacerbated by high construction costs will also underpin values as population growth increases.

### PropTrack Home Price Index April 2023

All dwellings	Monthly growth	Annual growth	Change from peak	Change since March 2020	Median value
Sydney	0.40%	-4.48%	-5.62%	23.7%	\$1,005,000
Melbourne	-0.11%	-5.36%	-5.94%	14.3%	\$795,000
Brisbane	0.14%	-2.88%	-2.88%	43.1%	\$721,000
Adelaide	0.41%	5.23%	At peak	45.5%	\$651,000
Perth	0.21%	3.11%	At peak	31.0%	\$571,000
Hobart	-0.27%	-5.96%	-6.02%	38.8%	\$664,000
Darwin	0.11%	-0.83%	-1.09%	26.5%	\$494,000
ACT	-0.17%	-6.34%	-6.65%	34.0%	\$839,000
<b>Capital Cities</b>	<b>0.20%</b>	<b>-3.72%</b>	<b>-4.17%</b>	<b>24.5%</b>	<b>\$791,000</b>
Rest of NSW	0.07%	-2.99%	-2.99%	46.9%	\$707,000
Rest of Vic.	-0.24%	-3.15%	-3.15%	41.4%	\$596,000
Rest of Qld	0.04%	-0.25%	-0.25%	50.4%	\$600,000
Rest of SA	0.16%	10.28%	At peak	47.0%	\$381,000
Rest of WA	0.34%	5.58%	At peak	39.0%	\$459,000
Rest of Tas.	0.07%	-0.60%	-1.53%	51.5%	\$504,000
Rest of NT	0.06%	4.63%	At peak	18.0%	\$454,000
<b>Regional Areas</b>	<b>0.00%</b>	<b>-1.73%</b>	<b>-1.73%</b>	<b>46.4%</b>	<b>\$616,000</b>
<b>National</b>	<b>0.14%</b>	<b>-3.14%</b>	<b>-3.33%</b>	<b>30.3%</b>	<b>\$737,000</b>

# Annual change in home prices

By capital city, all dwellings



Source: PropTrack

## Sydney

Sydney home prices rose for the fourth consecutive month in April, up a further 0.40%. Out of the capital cities, Sydney recorded the second largest rise in home prices last month. Sydney led the recent downturn and saw the largest correction, with home prices falling 7.20% from peak to trough. It is also leading the recovery, with prices rising by 1.68% year to date. Positive demand drivers stemming from the shortages in rental supply and a rebound in international migration are playing a part. The sustained softness in new listing volumes is also keeping a floor under prices.

## Brisbane

Home prices in Brisbane have risen for four consecutive months, after increasing 0.14% in April. Strong housing demand is offsetting the deterioration in affordability. Whether this stabilisation continues, or prices resume their fall, will be influenced by the level of supply, as well as the trajectory of interest rates. Queensland also has the fastest growing population in Australia. New supply will struggle to keep up with growing demand, further underpinning home values.

## Perth

Perth home prices recorded a 0.21% increase in April to reach a new price peak. This relatively affordable market has held up better than other capitals over the past year, with prices increasing 3.11%. After Darwin, Perth is the cheapest capital city market in terms of dwelling values.

## Darwin

Darwin home prices increased 0.11% in April, taking them just 0.83% below their level in April 2022.

## Melbourne

Home prices lifted in Melbourne over the first few months of the year. However, they recorded a slight 0.11% fall in April. With the end of interest rate tightening in sight, much of the uncertainty buyers have experienced with respect to borrowing capacities and mortgage servicing costs will subside. Alongside the rebound in immigration and tight rental markets, there will be sufficient buyer demand to help keep prices resilient.

## Adelaide

Adelaide saw home prices rise to a new peak in April, up 0.41%, the strongest monthly pace of price growth across the country. Adelaide maintained its top spot as the strongest performing capital city market over the past year, with home prices up 5.23%. The comparative affordability of the city's homes has seen prices holding up better as interest rates have quickly risen. Low stock levels are also helping to insulate home values, with increased competition among potential buyers.

## Hobart

Hobart has seen price falls continue into this year, following several years of relative outperformance. Home prices in Hobart fell 0.27% in April, the fastest declining capital city market for the month. Listing volumes are less constrained relative to the other capital cities and to historical levels in Hobart, giving buyers more choice and removing a pillar of support for prices.

## ACT

In April, prices in Canberra fell by 0.17% and are now 6.34% below their level in April 2022, making Canberra the worst performing market over the past year.

## 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 non-identical, 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 SAI 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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