



Home Price Index

1 May 2022

Australian home price growth has stalled as higher inflation brings forward rate hikes; Sydney and Hobart record first falls since pandemic began

Key findings:

- Australian home prices were flat in April, increasing by 0.13%, while prices fell -0.10% in Sydney and -0.44% in Hobart. Price growth has stalled; this is the slowest rate of growth since prices fell in the first months of the COVID-19 pandemic.
- Monthly price growth continued to be relatively strong across regional parts of the country; regional areas continue to outperform the capitals in the post-pandemic market. Prices have increased 23% in the past year in regional areas, compared with only 14% in the capitals.
- Perth and Darwin were the strongest performing capitals over the month, but both have seen weak conditions throughout 2022 so far.
- Over the past year, growth standouts among the capitals have been Brisbane, Adelaide and the ACT, while regional QLD, NSW and Tasmania have led growth outside the capitals.

Home price growth has slowed considerably in 2022 and stalled across the capitals in April. The national price increase in April was the smallest since May 2020 at the onset of the pandemic.

While price growth has slowed dramatically in 2022, it is comparing to the exceptional period of growth experienced in 2021. April housing activity was disrupted by the federal election announcement and public holidays.

While regional areas continue to benefit from relative affordability, regional price growth has also slowed sharply in 2022.

This slowing follows widespread expectations of higher interest rates in 2022. This will erode the affordability that record-low rates brought following the onset of the pandemic.

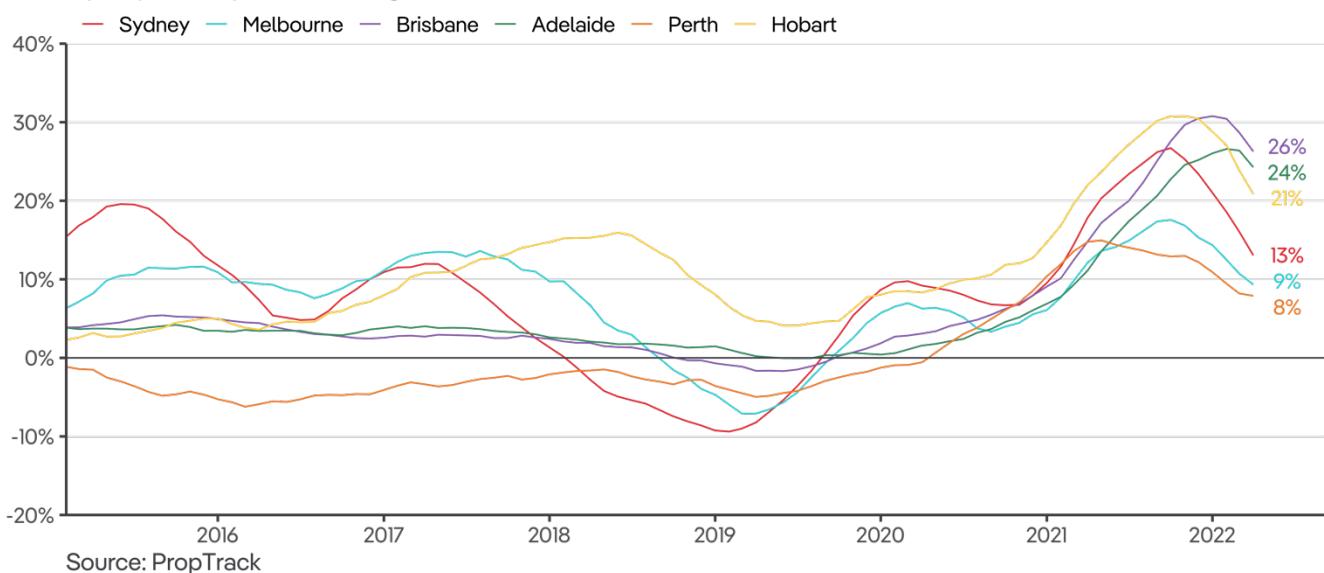
The outlook for price growth remains subdued, with the speed of official interest rate hikes and wages growth the key determinants of conditions.

PropTrack Home Price Index April 2022

All dwellings	Monthly growth	Annual growth	Median value
Sydney	-0.10%	13.05%	\$994,000
Melbourne	0.05%	9.33%	\$785,000
Brisbane	0.22%	26.27%	\$645,000
Adelaide	0.34%	24.26%	\$556,000
Perth	0.45%	7.91%	\$523,000
Hobart	-0.44%	20.85%	\$666,000
Darwin	0.53%	10.57%	\$483,000
ACT	0.04%	22.79%	\$821,000
Capital Cities	0.02%	13.63%	\$758,000
Rest of NSW	0.55%	24.52%	\$667,000
Rest of Vic.	0.19%	20.41%	\$546,000
Rest of Qld	0.51%	24.28%	\$518,000
Rest of SA	0.27%	19.04%	\$314,000
Rest of WA	-0.25%	10.45%	\$394,000
Rest of Tas.	0.57%	23.36%	\$485,000
Rest of NT	0.17%	1.97%	\$421,000
Regional Areas	0.44%	23.01%	\$552,000
National	0.13%	16.05%	\$691,000

Annual change in home prices

By capital city, all dwellings



Sydney

Sydney home price growth fell in April, the first monthly decline since early in the pandemic. Price momentum in Sydney has slowed dramatically since mid-2021, with annual price growth now half the pace seen only six months ago. This may be partly due to stretched affordability, with the median house in Sydney estimated to now be worth over \$1.2 million.

Brisbane

Monthly price growth continued to slow in Brisbane, with prices up around half the decade-average rate in April. This was the slowest monthly result since April 2020. Brisbane prices have still increased by 26% over the past year, the strongest of all housing markets across the country.

Perth

The Perth market recorded solid growth in April but continues to be the weakest capital city market over the past year, with prices growing less than 8%. Unit prices have continued to fall across the city.

Darwin

Darwin prices increased in April and were revised higher in March. Conditions appear to be stabilising in Darwin after rapid slowing in late 2021. Nevertheless, prices are up by only 11% in the city over the past year.

Melbourne

Home prices in Melbourne were flat in April for the second consecutive month. Price growth has slowed considerably since mid-2021. Prices increased by 9% over the year to March 2022, the slowest rate since early 2021. Melbourne's median house value is now just above \$900,000.

Adelaide

Adelaide saw further growth in April and continues to have the strongest price momentum of the capital city markets. Prices increased by 24% over the past year in Adelaide, the second strongest capital city market after Brisbane.

Hobart

Prices in Hobart fell for the first month since 2018. Despite this, prices have grown strongly over the past year relative to the rest of the country, up 21%.

ACT

While price growth was flat in the ACT in April, Canberra continues to be one of the strongest performing capital city housing markets. Over the past year, the ACT has been the third strongest capital city for price growth, up 23%. Regions surrounding the ACT in New South Wales are also seeing strong price growth, showing the strong momentum in our nation's capital is impacting nearby markets.

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 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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