

Home Price Index

1 October 2022

Price falls ease across the country amid spring selling season; Sydney and Melbourne buck recent trend of leading falls

Key findings:

- Home price falls were widespread in September, though the pace of falls moderated significantly. National prices were down only 0.19%, the smallest price fall since national prices started to fall in April 2022.
- Capital city prices have reversed to sit at their level a year ago.
- Sydney and Melbourne – which have been leading price falls across the country – saw falls ease. However, prices in Melbourne are below their level a year ago for the first time since 2019 after falling 0.29%. Sydney prices fell 0.18% and are now 3.7% below their September 2021 level.
- Regional areas in South Australia and Tasmania continue to defy national falls, hitting new price peaks in September.
- Despite recent falls, prices are still significantly above their pre-pandemic levels. Regional areas remain up almost 50% since March 2020. Capital city prices are up 25% over the same time period.

National home price falls steadied in September, falling just 0.19%. This national price fall was the smallest since prices began falling in April. The easing in declines comes as sellers hit the market for the typically busy spring season. September also saw activity disrupted by public holidays.

Sydney and Melbourne prices fell only slightly in September after significant falls in recent months. This bucked the recent trend of these cities consistently seeing the largest falls.

The moderation in price falls does not herald the end of declines; interest rates have continued to increase and expectations of a hike in early October will push prices lower throughout spring.

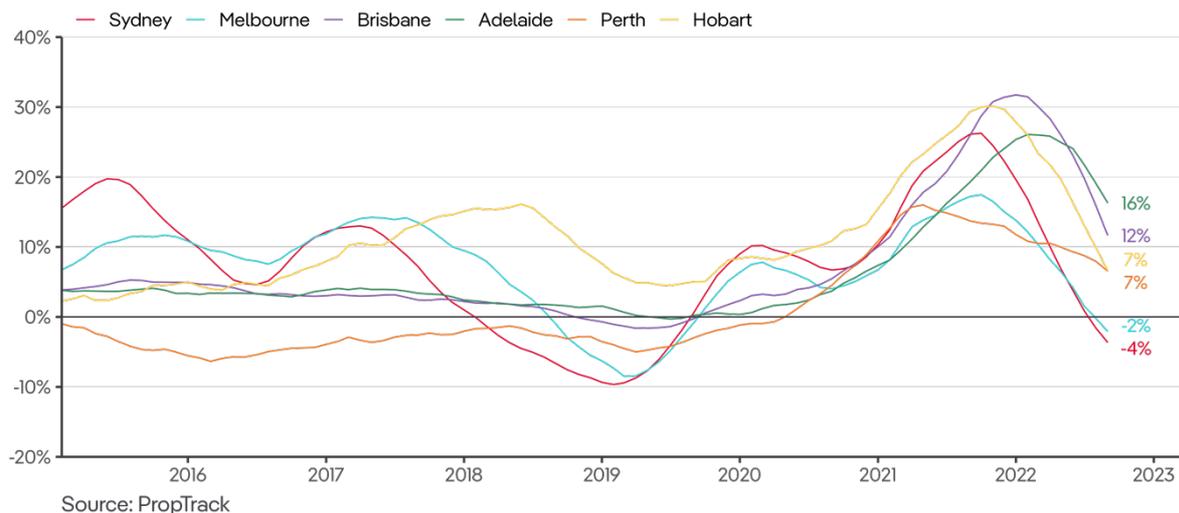
While we expect home prices to continue to fall across the country in 2022 and into 2023, we will see a pick-up in market activity for spring in October as public holidays have delayed some selling activity so far.

PropTrack Home Price Index September 2022

All dwellings	Monthly growth	Annual growth	Change from peak	Change since March 2020	Median value
Sydney	-0.18%	-3.65%	-5.57%	24.1%	\$962,000
Melbourne	-0.29%	-2.08%	-4.91%	15.9%	\$826,000
Brisbane	-0.29%	11.65%	-2.21%	45.3%	\$761,000
Adelaide	-0.16%	16.30%	-0.27%	42.2%	\$651,000
Perth	-0.29%	6.55%	-0.74%	26.8%	\$553,000
Hobart	0.05%	6.61%	-1.79%	45.9%	\$728,000
Darwin	-0.37%	2.81%	-1.49%	26.1%	\$499,000
ACT	-0.09%	4.68%	-2.96%	40.0%	\$891,000
Capital Cities	-0.22%	0.00%	-4.06%	25.2%	\$801,000
Rest of NSW	-0.04%	8.81%	-2.05%	49.1%	\$733,000
Rest of Vic.	-0.29%	6.24%	-2.77%	42.1%	\$610,000
Rest of Qld	-0.19%	10.72%	-2.28%	47.9%	\$634,000
Rest of SA	0.55%	18.59%	At peak	38.4%	\$371,000
Rest of WA	-0.17%	7.83%	-0.67%	30.7%	\$439,000
Rest of Tas.	0.08%	12.82%	At peak	54.7%	\$504,000
Rest of NT	-0.09%	2.86%	-0.17%	13.1%	\$430,000
Regional Areas	-0.11%	9.04%	-1.98%	46.6%	\$636,000
National	-0.19%	2.45%	-3.35%	30.7%	\$752,000

Annual change in home prices

By capital city, all dwellings



Sydney

Sydney home prices fell 0.18% in September and are now down 3.7% over the past year. Prices have fallen persistently since March this year and Sydney has seen the greatest falls of any market. Higher interest rates are affecting higher-priced regions most, with Sydney - the most expensive region in the country - feeling these effects.

Brisbane

Prices fell 0.29% in Brisbane in September and are 2.2% below the price peak recorded in April 2022. The slowdown in price growth in Brisbane has been rapid. Prices are up 12% over the past year after recording annual growth rates above 30% in early 2022. However, prices remain 45% higher than in March 2020. Strong migration flows to South East Queensland are likely to prevent Brisbane experiencing the largest price falls over the next year.

Perth

Perth prices fell 0.29% in September and have been sliding lower in the second half of this year. However, the rate of price falls has been slower than other capital cities, making Perth a relatively strong performing market. Prices have increased by 6.6% over the past year.

Darwin

Darwin prices fell 0.37% in September, the largest decline amongst capital city markets. Price growth in Darwin has slowed rapidly and prices are up less than 3% over the past year.

Melbourne

Home prices in Melbourne fell 0.29% in September, with the market seeing continued falls since early 2022. Prices are now 2% below their level in September 2021, and 5% below their peak earlier in the year. Price falls are expected to continue in Melbourne over the coming months as higher interest rates constrain borrowing capacities.

Adelaide

Prices fell for the second month in a row in Adelaide, down 0.16% in September. Despite this, Adelaide is the strongest performing capital city market over the past year, up 16%, with regional SA the only stronger market nationwide. Continued relative affordability, given typical house values are around \$700,000, means Adelaide is likely to see smaller price falls than other markets.

Hobart

Hobart prices increased slightly in September - the only capital city to not see price falls. However, prices remain 1.8% below the peak recorded in May 2022. Prices in Hobart are still 46% above their level at the start of the pandemic. Prices in regional Tasmania continue to increase, bucking the national trend.

ACT

ACT recorded a slight fall in September but home prices have been falling persistently. Prices are now down 3% from their peak in March.

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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