

Home Price Index

1 July 2022

Widespread falls in June as interest rates rise further; Sydney and Melbourne down more than 1.5% from peak; Brisbane records first decline

Key findings:

- Australian home prices fell again in June, down -0.25%. Prices continued to decline in Sydney (-0.40%) and in Melbourne (-0.61%), while prices in Brisbane were down for the first time since April 2020.
- Monthly price growth has slowed almost everywhere across the country, with widespread falls in June. Regional areas continue to outperform capital cities and are up 50% since the start of the pandemic, although some regional markets declined in June.
- Hobart and Adelaide were the strongest performing capitals over the month, both reaching new price peaks. South Australia and Tasmania continue to post positive growth despite current market conditions.
- Over the past year, growth standouts among the capitals have been Brisbane and Adelaide, while regional counterparts in QLD, SA and Tasmania have led growth outside the capitals.

National home prices fell again in June. While prices are down only 0.55% from their peak in March 2022, an outsized rate hike in early June and expectations of much higher rates later in the year continues to slow all markets, with widespread falls seen in June.

The two-speed housing market remains evident. The biggest slowdowns have been in the most expensive markets of Sydney, Melbourne and the ACT. Affordable, lifestyle regions of Brisbane, Adelaide, regional QLD and Tasmania have continued to grow, but the slowdown is spreading to these markets, with Brisbane posting its first small fall since the pandemic began.

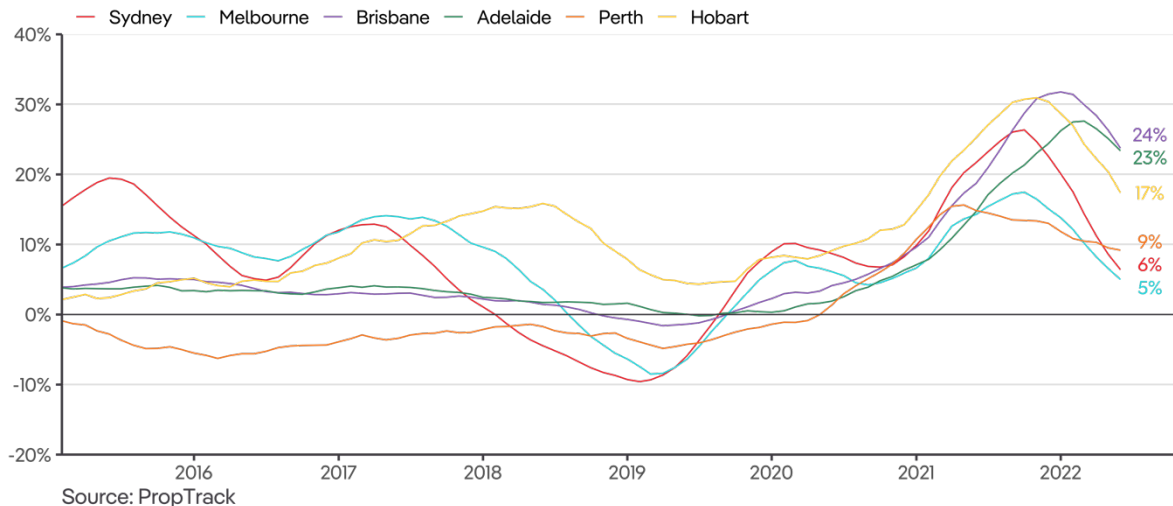
Conditions in the housing market have slowed rapidly, marking the sharpest slowdown in prices in more than 30 years. We expect continued price falls across the country until the uncertainty about the extent of interest rate increases is resolved – likely extending beyond 2022.

PropTrack Home Price Index June 2022

All dwellings	Monthly growth	Annual growth	Change from peak	Change since March 2020	Median value
Sydney	-0.40%	6.41%	-1.52%	29.6%	\$1,015,000
Melbourne	-0.61%	5.00%	-1.77%	19.4%	\$796,000
Brisbane	-0.09%	23.75%	-0.09%	48.4%	\$683,000
Adelaide	0.42%	23.39%	At peak	42.2%	\$584,000
Perth	0.12%	9.18%	At peak	27.1%	\$537,000
Hobart	0.26%	17.40%	At peak	50.1%	\$696,000
Darwin	0.08%	6.92%	-0.58%	27.8%	\$482,000
ACT	-0.23%	15.00%	-0.54%	44.2%	\$852,000
Capital Cities	-0.35%	8.77%	-0.99%	29.2%	\$778,000
Rest of NSW	-0.02%	19.27%	-0.02%	52.5%	\$704,000
Rest of Vic.	-0.13%	16.34%	-0.28%	45.6%	\$571,000
Rest of Qld	0.11%	22.14%	At peak	50.4%	\$546,000
Rest of SA	0.75%	20.39%	At peak	35.8%	\$340,000
Rest of WA	0.11%	10.06%	-0.80%	29.5%	\$409,000
Rest of Tas.	0.13%	22.31%	At peak	55.1%	\$507,000
Rest of NT	0.25%	2.22%	At peak	11.0%	\$420,000
Regional Areas	0.02%	19.22%	At peak	49.5%	\$582,000
National	-0.25%	11.53%	-0.55%	34.3%	\$716,000

Annual change in home prices

By capital city, all dwellings



Sydney

Sydney home price growth fell again in June. Prices are now 1.5% below the peak seen in February 2022, with annual price growth at the slowest rate since October 2020. Expected interest rate increases may be weighing more heavily on growth in Sydney, the most expensive market, where the median house is still worth over \$1.25 million.

Brisbane

Brisbane prices recorded a slight fall in June, ending the city's exceptional run of growth since April 2020, which has seen prices increase by almost 50%. Despite this monthly result, Brisbane is still the strongest market over the past year, up by 24%, and looks set to continue to outperform other markets over the coming period.

Perth

The Perth market has continued to grow slowly throughout 2022, posting slight growth in June. Price growth has continued at an annual pace of around 9%, with little of the slowdown seen in other markets. As a result, combined dwelling prices are at their peak, though unit prices have continued to fall across the city.

Darwin

Darwin prices continued to increase at a slow pace in June. Conditions appear to be stabilising in Darwin after rapid slowing in late 2021. Prices are up by less than 7% in the city over the past year.

Melbourne

Home prices in Melbourne fell for the fourth consecutive month in June, with prices now down more than 1% from the peak in February 2022. Price growth has slowed considerably since mid-2021. Prices are now up only 5% over the past year, the least of any capital city market. Melbourne's median house value is now just above \$900,000.

Adelaide

Adelaide continues to see solid growth, with prices up a further 0.42% in June to reach a new price peak. Prices increased by 23% over the past year in Adelaide, the second strongest capital city market after Brisbane. Adelaide continues to have the most momentum of any city market.

Hobart

Although price growth is now slowing in Hobart, it remains one of the top performing markets across the country. Prices are up 17% over the past year and are currently at peak levels.

ACT

Prices in the ACT fell again in June. Price growth has slowed rapidly in this market, with the annual pace of growth halving from above 30% in late 2021 to 15% now. With price levels in our nation's capital higher than all capital cities apart from Sydney, stretched affordability may weigh on price growth over the coming period as interest rates increase.

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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