

# Home Price Index

1 April 2022

## Australia's rampant home price growth slows further in March; Adelaide tops capital city growth while Melbourne prices stall

### Key findings:

- Australian home prices increased by 0.34% in March, while Sydney prices rose 0.32%. This is around half of the decade-average monthly pace of growth and substantially below the rate of growth this time last year.
- Monthly price growth was highest in South Australia, with Adelaide the top performer of the capital cities.
- Prices fell very slightly in Melbourne in March, with larger falls recorded in Perth and the Northern Territory.
- Regional areas continue to outperform the capitals in the post-pandemic market. Prices have increased 25% in the past year in regional areas, but only 16% in the capitals.
- Over the past year, growth standouts have been Brisbane, Regional NSW and the Australian Capital Territory, with regional Queensland also performing strongly.

Home price growth has slowed considerably in 2022. The increase in prices across the country in March 2022 was at the slowest pace since May 2020, after national pandemic lockdowns.

While price growth has slowed dramatically, it is comparing to an exceptional period – 2021 saw the fastest growth in over 30 years.

In March, regional areas continued to benefit from relative affordability and preference shifts towards lifestyle locations. Regional areas in all states outperformed their capital city region.

The slowing in price growth reflects the reduced influence of lower interest rates. Fixed mortgage rates have already increased over recent months and larger rises are expected as the RBA increases the cash rate – widely expected later in the year.

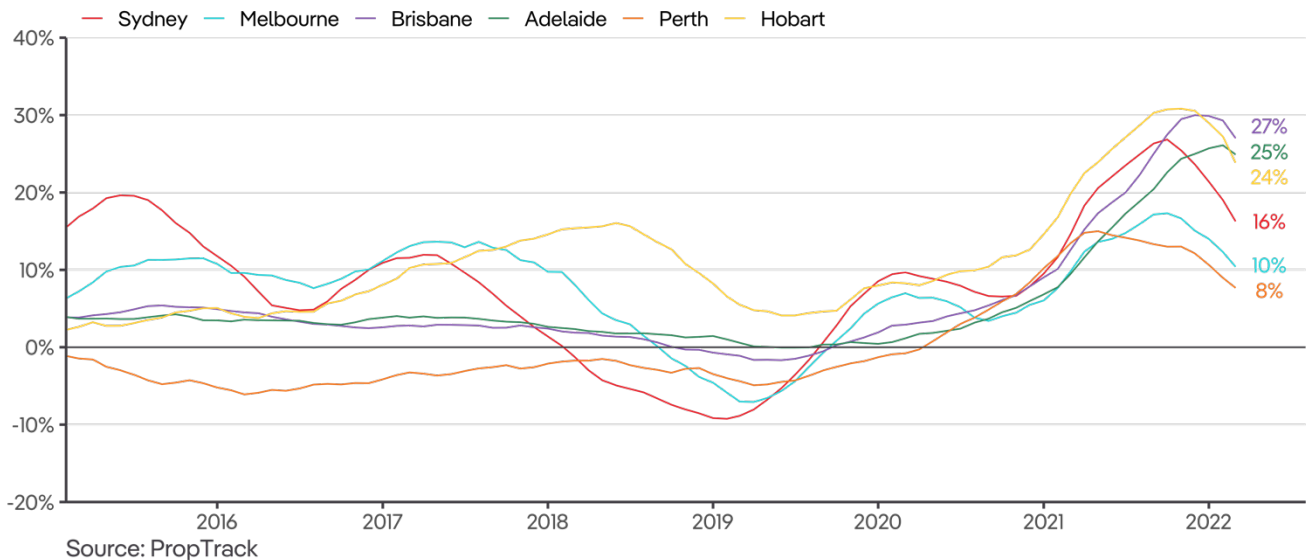
The outlook for price growth remains subdued, with the speed of official interest rate hikes the big unknown for the market in 2022.

### PropTrack Home Price Index March 2022

All dwellings	Monthly growth	Annual growth	Median value
Sydney	0.32%	16.27%	\$982,000
Rest of NSW	0.76%	26.85%	\$658,000
Melbourne	-0.02%	10.40%	\$780,000
Rest of Vic.	0.33%	22.44%	\$535,000
Brisbane	0.49%	27.02%	\$627,000
Rest of Qld	0.68%	25.35%	\$509,000
Adelaide	0.84%	24.90%	\$548,000
Rest of SA	1.03%	18.97%	\$310,000
Perth	-0.11%	7.67%	\$520,000
Rest of WA	0.10%	11.54%	\$391,000
Hobart	0.19%	23.85%	\$657,000
Rest of Tas.	0.30%	24.09%	\$475,000
Darwin	-0.61%	9.47%	\$479,000
Rest of NT	-0.13%	3.00%	\$423,000
ACT	0.35%	26.40%	\$813,000
Regional Areas	0.62%	24.81%	\$544,000
Capital Cities	0.24%	15.69%	\$751,000
National	0.34%	18.01%	\$684,000

## Annual change in home prices

By capital city, all dwellings



### Sydney

Sydney home price growth slowed in March to be around half of the decade-average monthly pace. Momentum in Sydney has been slowing for several months, with annual price growth now at the slowest pace since March 2021. 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 March posting the slowest monthly result since May 2020. Brisbane prices have still increased by 25% over the past year, the strongest of the state capitals and only just behind the ACT.

### Perth

Perth continues to be the weakest state capital market, with prices growing less than 8% over the past year. In March, prices fell slightly, with unit prices continuing to fall across the city.

### Darwin

Prices fell in Darwin in March. Price growth reached very high levels in late 2021, but the Darwin market has quickly slowed, particularly for houses. Weak market conditions look set to continue in Darwin.

### Melbourne

Home prices were flat in Melbourne, with price growth slowing considerably since mid-2021. Prices increased by 10% over the year to March 2022, the slowest rate since the onset of the pandemic. Melbourne's median house value is now almost \$900,000.

### Adelaide

Adelaide continues to have the strongest price momentum of the capital city markets. Price growth in South Australia was the highest across the country in March. Prices have increased by 25% over the past year in Adelaide, more than twice the rate seen this time last year.

### Hobart

Price growth was slower in Hobart in March, with prices rising at the slowest rate since the national pandemic lockdown in early 2020. Despite this, prices continue to grow strongly relative to the rest of the country, up 24% over the year.

### ACT

Price growth continues to be robust in Canberra, which has been the strongest performing capital city housing market over the past year. 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 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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### Author:

Paul Ryan  
Economist, PropTrack

### Media enquiries:

Sophie Cressall  
PR Manager  
0438 089 165  
[Sophie.Cressall@rea-group.com](mailto:Sophie.Cressall@rea-group.com)

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