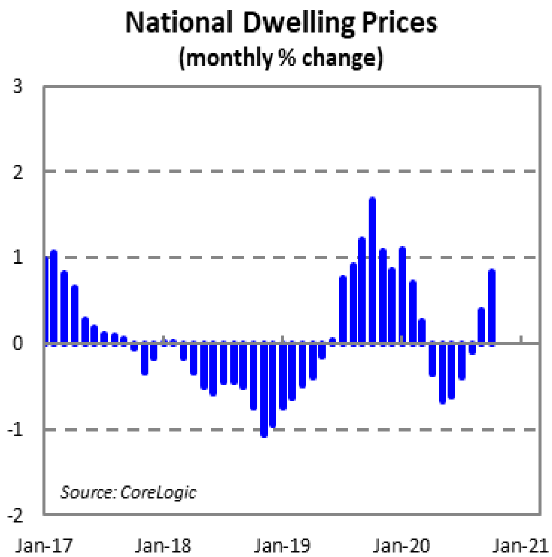
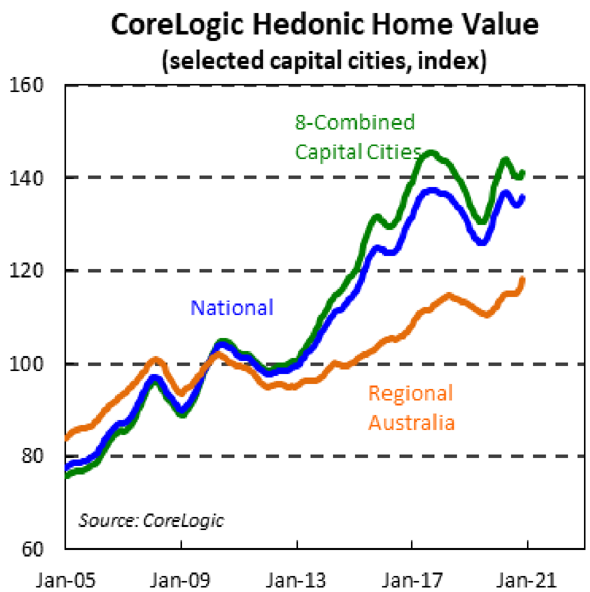
Tuesday, 1 December 2020

Dwelling Prices

Green Shoots Continue to Sprout

- **The upturn in dwelling prices, which began in October continued, with spice, in November. The 0.4% lift in prices in October was followed by a 0.8% increase in November. The solid turnaround follows five months of decline, precipitated by the COVID-19 pandemic.**
- **All capital cities and all regional areas reported increases dwelling prices in November.**
- **Today's data once again highlighted the flight away from cities to regional areas. Australians are moving to regional areas and smaller cities, as the popularity of working from home continues and as Australians search for more affordable homes in less densely populated areas.**
- **November saw the smaller cities outpace the larger capital cities. Canberra and Darwin saw dwelling prices rise 1.9% while prices were up 1.4% in Hobart and 1.3% in Adelaide. Regional Australia posted a gain of 1.4% in November to be up 10.6% over the past 12 months.**
- **Sitting behind the widespread increase in dwelling prices are lower interest rates, firming consumer confidence, government incentives, a recovering economy and a relative shortage of properties for sale. CoreLogic reports that the number of properties advertised for sale in November 2020 was 20% lower than in November 2019 and 24% below the five-year average.**
- **Improving economic conditions and low interest rates are supporting dwelling prices but headwinds include slow wage growth, elevated levels of unemployment and low population growth.**





The upturn in dwelling prices, which began in October continued, with spice, in November. According to data published by CoreLogic, the 0.4% lift in prices in October was followed by a 0.8% increase in November. The solid turnaround follows five months of decline, precipitated by the COVID-19 pandemic.

All capital cities and all regional areas reported increases. One area one area of weakness, however, is Sydney unit prices which have fallen for seven straight months.

The flight away from cities to regional areas continued. Solid price action was seen in the regional areas of all states with dwelling prices in regional Tasmania up 2.0% in November to be up 10.7% over the past 12 months. Nationally, the combined regional areas saw an increase of 1.4% in November for an annual increase of 10.6%.

Australians are adopting a preference for working from home and are seeking out affordable homes in less densely populated areas.

As occurred in October, November saw the smaller cities outpace the larger capital cities. Canberra and Darwin saw dwelling prices rise 1.9% while prices were up 1.4% in Hobart and 1.3% in Adelaide.

The bigger cities recorded rises of 1.1% (Perth), 0.6% (Brisbane) 0.7% (Melbourne) and Sydney (0.4%). Dwelling prices in the combined capital cites rose 0.7% to be up 2.4% over twelve months.

Over the 12 months to November, dwelling prices have risen in all capital cities, except Melbourne where prices are down 0.9%. The strongest gain has been in Canberra where prices are up 7.0% over the year followed by Darwin (5.9%), Hobart (5.6%) and Adelaide (5.3%). Sydney (3.7%), Brisbane (3.2%) and Perth (0.8%) have seen more modest gains.

Sydney unit prices have fallen for seven consecutive months; however, they remain 1.0% higher than in November 2019. If the monthly declines continue, as we suspect they might, the annual rate will turn negative. This is one sector where the decline in migration is having an impact on demand and prices.

The CoreLogic data shows that unit prices are up in most capital cities on a year earlier. However, in Brisbane, they are down 0.4%.

Sitting behind the widespread increase in dwelling prices are lower interest rates, firming consumer confidence, government incentives, a recovering economy and a relative shortage of properties for sale. CoreLogic reports that the number of properties advertised for sale in November 2020 was 20% lower than in November 2019 and 24% below the five-year average.

The widespread increase in dwelling prices comes at a time when immigration levels are at historically low due to the closure of our international border. The resumption of immigration has the potential to drive strong price gains in late 2021 and into 2020 as, hopefully, vaccines become available and borders open.

There are potential headwinds for the housing sector. These include slow wage growth, elevated levels of unemployment and low population growth. However, we expect dwelling prices to rise over 2021 and 2022.

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