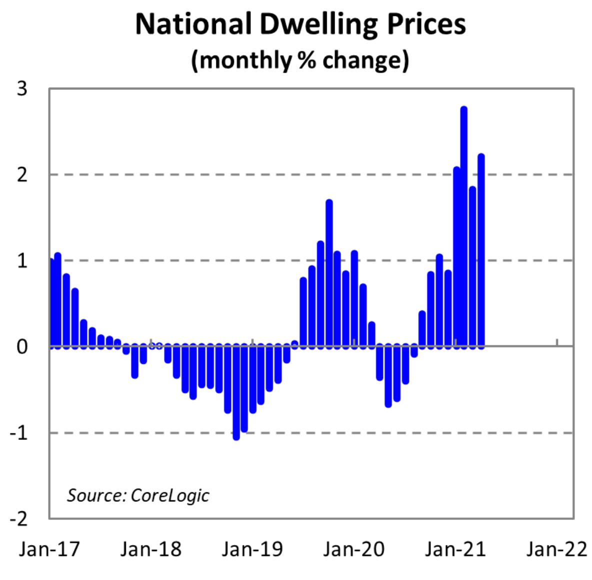
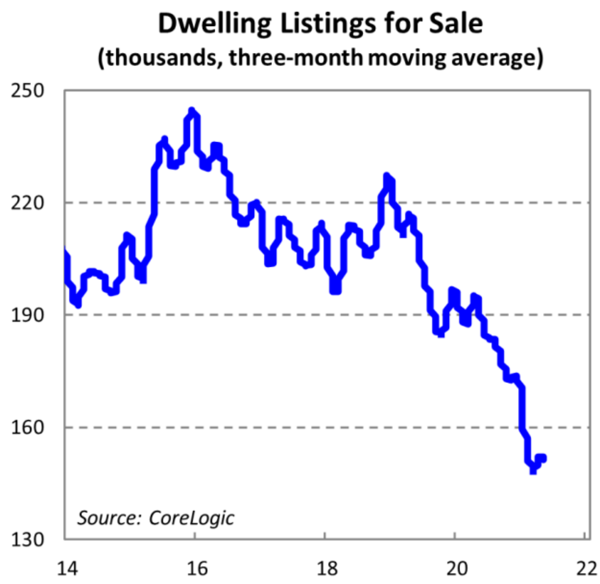
Data snapshot

Tuesday, 1 June 2021

Dwelling Prices
The Boom Rolls On

- **The housing boom charged ahead in May with CoreLogic's national home value index increasing 2.2%. Auction clearance rates remain elevated and the median time to sell a dwelling is still sitting around record lows. Dwelling prices are now 10.2% higher than their previous peak in April 2020.**
- **Low mortgage rates, the recovery in the labour market and a low supply of available dwelling stock to buy are continuing to propel prices higher.**
- **There are growing signs that the heat is returning to capital cities with dwelling prices up 7.1% over the three months to May, outstripping the 6.5% growth in regional areas. Sydney is rapidly remerging as the nation's housing hotspot with housing prices up 9.3% in the past three months. This is the fastest growth rate over a three-month period in 32 years!**
- **The low level of housing stock remains a key driver of the surge in prices. The total number of advertised listing remains around 25% lower than its average over the past 5 years.**
- **Separate data showed building approvals fell 8.6% in April, although they remain elevated relative to historical levels. However, it will take some time for sufficient supply to come on the market to materially lift the housing stock.**
- **We expect dwelling prices will increase by 15–20% this year. Affordability pressures are starting to bite and the lift in investor lending growth in recent months has reaffirmed our view that prudential controls could be tightened in 2022. These factors will dampen price growth in 2022.**





The housing boom charged ahead in May. CoreLogic's national home value index rose 2.2%. This follows 1.8% growth in April and a multi-decade high in March when growth was 2.8%. Dwelling prices are now 10.2% higher than their peak in April 2020. Ultra low rates, the recovery in the labour market and low housing supply are continuing to propel prices higher.

Auction clearance rates have held in the mid-to-high 70% range throughout May, slipping a little from March when they were over 80%. However, this is still well above the decade average of 64%. The median time on the market also remains around its record low of 25 days.

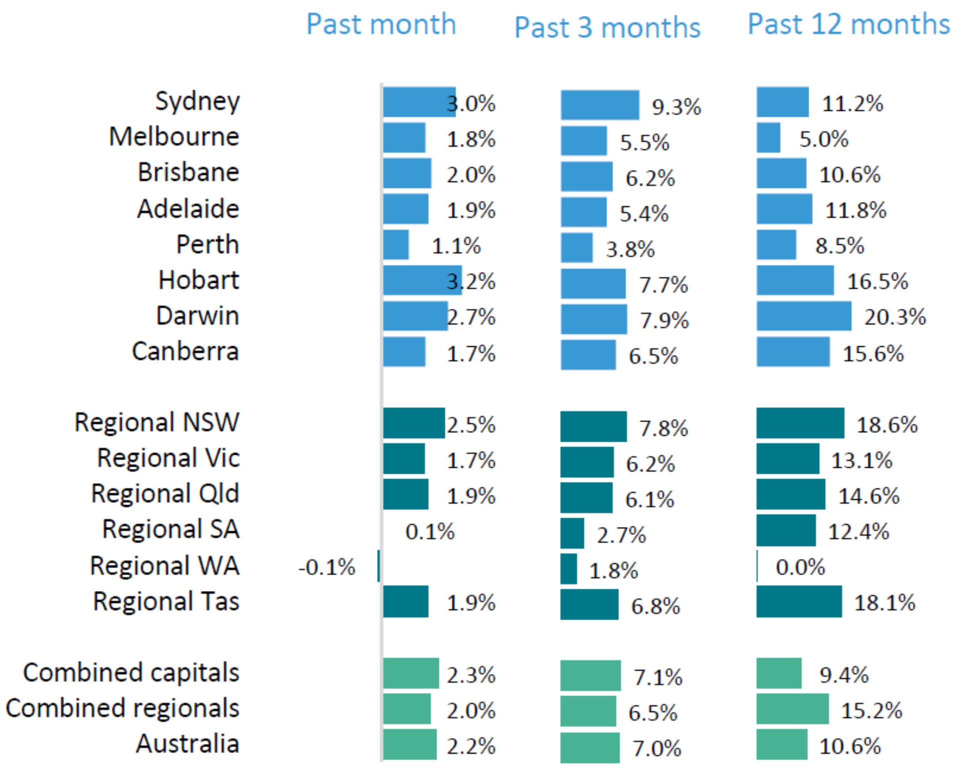
The upswing is synchronised across regions and dwelling types, although there are growing signs that the heat is returning to capital cities. Over the past year, regional dwelling prices have increased faster than dwelling prices in the capital cities alongside the changes in the way we live and work. However, this trend looks to be fading, with dwelling prices across the capitals up 7.1% over the past three months, outstripping the 6.5% growth in regional areas.

Sydney is rapidly re-emerging as the nation's housing hotspot with house prices up 9.3% in the past three months. This is the fastest growth over a three-month period in 32 years! In May, dwelling prices in Sydney were up 3.0%.

In annual terms, the growth rate is still higher across the small capitals and regional Australia. Over the 12 months to May, dwelling prices have soared 20.3% in Darwin, the strongest annual gain on record, and 16.5% in Hobart.

At the other end of the spectrum, the weakest markets have been in regional WA, which is flat over the year, and Melbourne, which is up 5.0% with the extended lockdown in 2020 continuing to drag down annual growth.

Change in dwelling values



Source: CoreLogic

House prices are continuing to grow faster than unit prices, up 2.4% and 1.5%, respectively in May. In annual terms, house prices are up 12.4% and unit prices are up 4.8% across the nation.

By valuation segment, the top-end of town is experiencing the fastest growth in prices. Across the capitals, the most expensive quartile of the market rose 9.2% in value over the three months to May, while the cheapest quartile rose by 4.2% in the same period.

The low level of housing stock remains a key driver of the surge in prices. The total number of advertised listings remains around 25% lower than its average over the past 5 years. The sales to new listings ratio is at 1.1. In other words, for every new property that is listed, there is more than one sale occurring. This represents a rapid absorption rate which is keeping the total advertised tock very low.

There has been a rush in building approvals over recent months as buyers sought to take advantage of the government's HomeBuilder scheme. Data hot-off-the-press for April showed building approvals fell 8.6%, although they still remain elevated relative to historical levels. However, it will take some time for sufficient housing supply to come on the market and alleviate supply constraints.

Outlook

We expect dwelling prices will increase by 15–20% this year followed by a moderation in growth in 2022.

Low mortgage rates and the ongoing recovery in the labour market will continue to support consumer confidence and push up prices in conjunction with the low level of supply.

Affordability pressures are already starting to bite – notably lending to first home buyers has declined in recent months. First home buyers tend to be more sensitive to affordability constraints than other buyers. This will take some of the steam out of price growth.

What might have more of a bearing on prices however is whether regulators tighten macroprudential controls. While regulators have so far emphasised that lending standards remain sound, the rapid lift in investor lending growth in recent months is sure to have caught their attention. We believe it is likely authorities will intervene in 2022, which will lead to a material slowing in dwelling price growth.

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