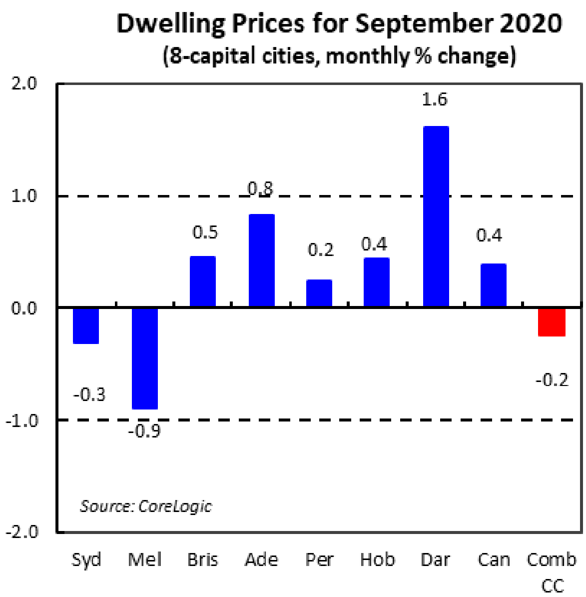
Data snapshot

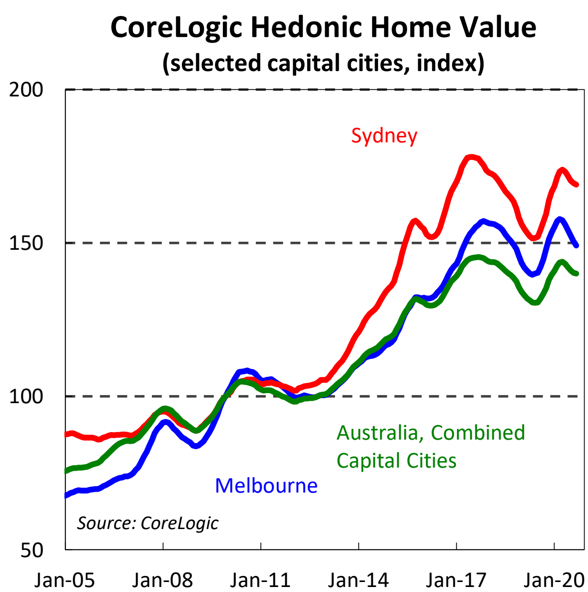
Thursday, 1 October 2020

Dwelling Prices

House Prices Rise in Most States

- **Headline numbers can be deceiving. Dwelling prices fell 0.2% across the eight capital cities in September but rose in all capital cities except Melbourne and Sydney. House prices across the capital cities have now fallen for five consecutive months but there is a wide variation between them.**
- **Falls of 0.9% in Melbourne and 0.3% in Sydney during September weighed heavily on the national figure. Our two largest cities had seen the strongest increases in dwelling prices pre-COVID and were ripe for downturns as the pandemic unfolded.**
- **Dwelling prices in the month rose fastest in Darwin at a 1.6% pace.**
- **Turnover remained extremely low, as buyers and sellers opted to sit on the sidelines amid the uncertainty caused by COVID-19.**
- **While the focus has been on the weakness in some markets since April, the fact remains that over the year to September, dwelling prices have risen in all capital cities except Perth.**
- **Dwelling prices in regional areas continue to outperform the capital cities. Dwelling prices across regional Australia rose 0.4% in the month and the annual growth rate has improved every month since January 2020 to stand at 4.3%.**
- **We expect dwelling prices to remain soft at a national level until well into next year before picking up on the back of budget stimulus, a recovering economy, a possible resumption of immigration, an easing of mobility restrictions and historically low interest rates.**





Headline numbers can be deceiving. Dwelling prices fell 0.2% across the eight capital cities in September but rose in all capital cities except Melbourne and Sydney. House prices across the capital cities have now fallen for five consecutive months but there is a wide variation between them.

Falls of 0.9% in Melbourne and 0.3% in Sydney during September weighed heavily on the national figure. Dwelling prices in Darwin rose 1.6% and they were up 0.8% in Adelaide.

Dwelling prices rose 0.5% in Brisbane in September. They were up 0.4% in Canberra and Hobart and they rose 0.2% in Perth.

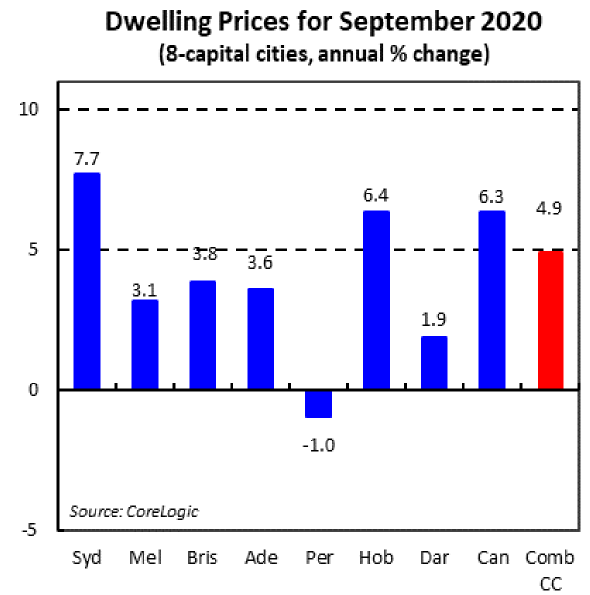
It seems the larger they are, they harder they fall. Since April, when COVID-19 restrictions were biting hard, Melbourne dwelling prices have fallen 5.2% and have fallen 2.9% in Sydney. Our two largest cities had seen the strongest increases in dwelling prices pre-COVID and were ripe for downturns as the pandemic unfolded.

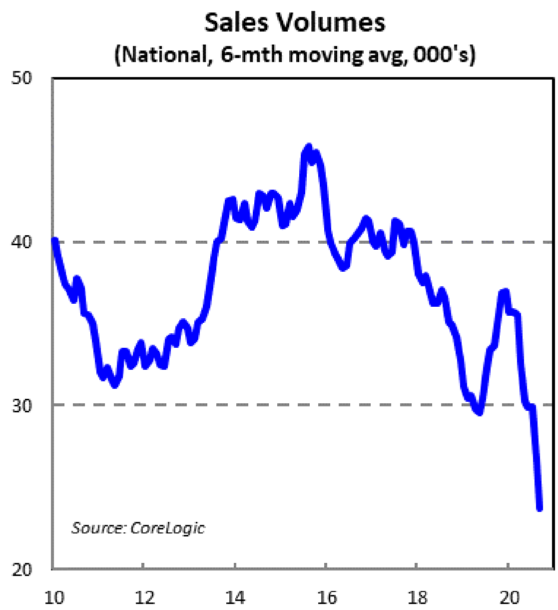
Rising unemployment, reduced mobility, lack of immigration and heightened uncertainty have worked against the housing market. Despite these strong headwinds, the past five months have seen dwelling prices rise 2.2% in Canberra, 1.2% in Adelaide, 1.5% in Hobart and 0.9% in Darwin. The declines in Perth (-2.0%), Brisbane (-0.5%) and Canberra since April have been modest.

Assisting prices in some cities have been the greater level of mobility and a shift down in interest rates. Government income support for businesses and individuals have likely cushioned the downturn in some markets as did repayment holidays. As these measures taper back, they have the potential to put some downward pressure on housing markets.

While the focus has been on the weakness in some markets since April, the fact remains that over the year to September, dwelling prices have risen in all capital cities except Perth. They are also up over the year in regional Australia.

Perth saw a decline over the year of 1.0% but Sydney (7.7%), Melbourne (6.7%), Hobart (6.4%), Canberra (6.3%), Brisbane (3.8%), Adelaide (3.6%) and Darwin (1.9%) have all seen dwelling prices rise.





A silver lining in the Corelogic dwelling price numbers is that the pace of monthly declines is reducing. In June, the national decline in dwelling prices was 0.7%. In July, the decline was 0.6%, then 0.4% in August and now 0.1% in September. As restrictions on mobility are eased there is potential for the decline at a national level to grind to a halt, as it has done already in several capital cities.

A real estate divide is also opening up. Regional Australia continues to outperform the major capital cities. Regional Australia recorded growth of 0.4% in dwelling prices in September compared with a decline of 0.2% across the 8 capital cities. Annual growth for regional Australia has improved every month since January 2020 whereas the annual pace of the 8 capital cities has declined since May 2020.

Outlook

With Sydney and Melbourne accounting for 40% of Australia's housing stock and 55% by value, it will be developments in these cities that will weigh most heavily on national outcomes. Melbourne is due to move out of its lockdown in the coming weeks and in Sydney, restrictions on gatherings are being eased. Border changes are being made and mobility is set to increase. These will all be positive for the economy and for the housing market.

Adding to the more positive tone could be further action by the Reserve Bank. Official interest rates are already at historical lows and could fall further in November.

The upcoming Federal Budget is expected to add significant stimulus to the economy with a record deficit of around $240 billion. The aim of the budget will be to support individuals and businesses in need and provide incentives for business to create jobs.

Risks remain for the housing market. Immigration seems unlikely to resume until well into 2021, the tapering of JobKeeper and JobSeeker will impact incomes and the unemployment rate could remain stubbornly high.

We expect dwelling prices to remain soft at a national level until well into next year before picking up on the back of budget stimulus, a recovering economy, a possible resumption of immigration, easing of mobility restrictions and historically low interest rates.

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