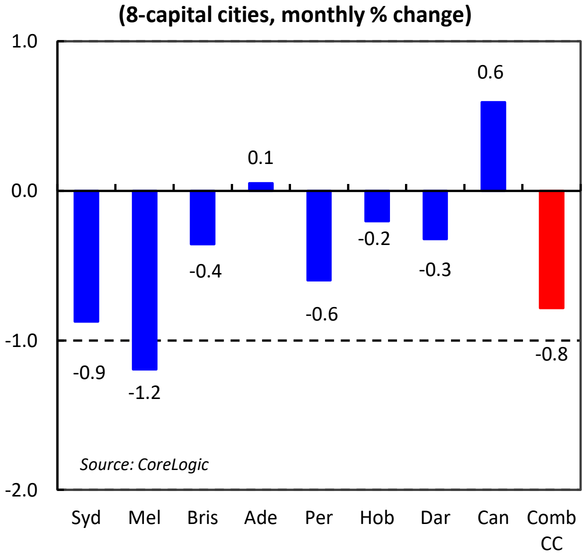
Data snapshot

Tuesday, 4 August 2020

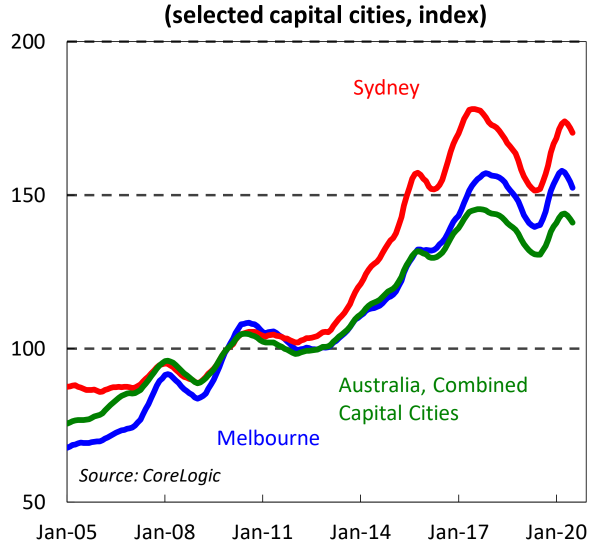
Dwelling Prices
Prices Fall For Third Straight Month

- **Dwelling prices fell for the third consecutive month in July as COVID-19 continued to weigh on the housing market.**
- **Dwelling prices across the 8 capital cities fell by 0.8% in July, the same as the decline registered in June. Over the year, the annual pace of growth slowed to 7.9%.**
- **Turnover remained extremely low as buyers and sellers opted to sit on the sidelines amid the uncertainty caused by COVID-19. Additional restrictions in Victoria are expected to reduce turnover even further.**
- **Reflecting differences in infection rates, the change in prices was not uniform across capital cities. In general, smaller capital cities have seen more resilience in their housing markets. Canberra (0.6%) and Adelaide (0.1%) were the only capital cities to record an increase in July.**
- **Unsurprisingly, Melbourne recorded the sharpest decline of the capital cities, falling 1.2% in July. Metropolitan Melbourne was subject to a lockdown for most of July. There have also been concerns over a second wave of infections in Sydney, which recorded the second steepest fall in prices in July at -0.9%. Falls were also recorded in Perth (-0.6%), Brisbane (-0.4%), Darwin (-0.3%) and Hobart (-0.2%).**
- **It appears that the raft of policy support from fiscal and monetary authorities as well as major banks has worked to stem the decline in housing prices. However, the sector remains exposed to powerful headwinds that will create subdued conditions for some time. We expect prices will continue to decline.**

Dwelling Prices for July 2020
(8-capital cities, monthly % change)



CoreLogic Hedonic Home Value
(selected capital cities, index)

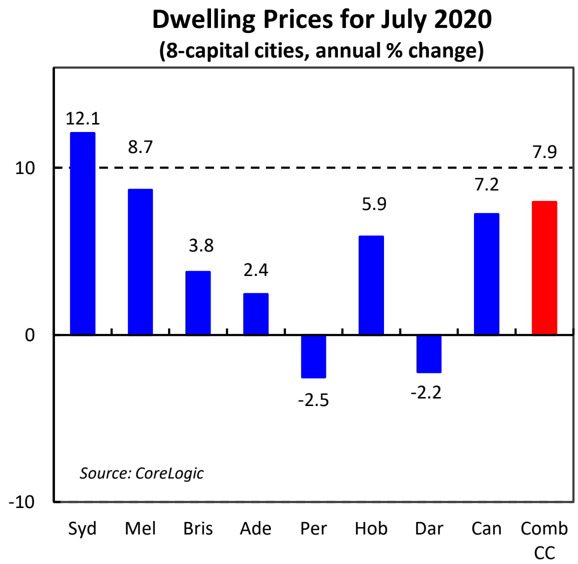


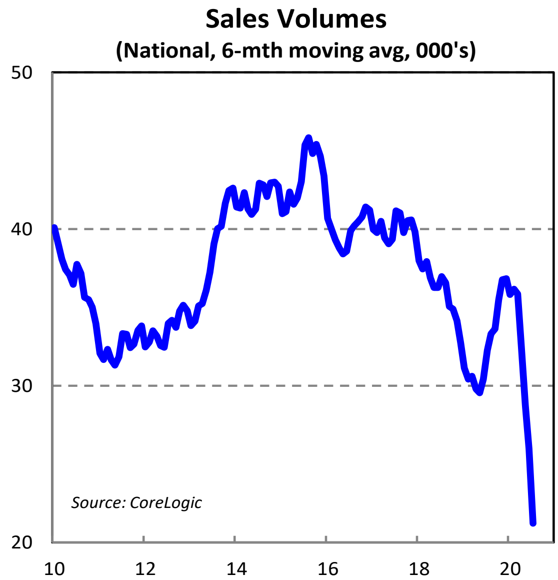
COVID-19 continues to weigh on the housing market. Dwelling prices across the eight capital cities fell by 0.8% in July, the same decline registered in June. Prices have fallen for three consecutive months amid heightened uncertainty and physical movement restrictions. Sales volume has been extremely low over the period.

The annual pace of growth across the combined capital cities slipped to 7.9% in July from 8.9% in June. Annual growth has slipped from the recent high of 9.7% in April but remains above the series average of 5.9%.

The housing market is undergoing a gradual grind lower rather than a steep fall. Indeed, house prices across the 8 capital cities are down just 2.0% from their April peak. Demand has been dampened due to the sour outlook for economic growth, while movement restrictions have limited the ability for some market participants to transact. The closure of the border has also reduced the underlying demand for dwellings.

Limiting the fallout of the compromised demand conditions has been a record wave of policy support. Measures that have been introduced include record low interest rates, a swathe of income support programs from federal and State governments as well as mortgage repayment holidays from major banks. The net result has been a large drop in volumes accompanied by a more muted decline in prices.





Recently, the New South Wales State government was the latest to announce support for the housing sector. First home buyer stamp duty for properties under $800k will be temporarily paused under a new policy announced by Premier Gladys Berejiklian effective 1 August. The changes are expected to provide some boost to activity, however, the waiver is only applicable to newly built homes and vacant land, not to existing dwellings.

The housing market was on the front line of movement restrictions, including a ban on physical auctions in most States. The closure of Australia's international border has brought inward migration to a halt, further reducing the demand for housing. Unsurprisingly, sales volumes fell sharply and remained low in May, even as some restrictions on auctions and inspections were lifted.

Victoria's new restrictions are expected to heavily impact the housing market, with the potential of negative confidence spillovers to other markets. For six weeks effective 11:59pm Wednesday, property and real estate businesses have been listed by the Victorian State government as businesses that will close as part of stage 4 restrictions in metropolitan Melbourne. Online inspections and auctions will be permitted. Regionally, auctions will also shift online, however, private one-on-one inspections are permitted.

Turnover across the combined capital cities was 53.2% lower compared with the same month a year earlier in July, according to preliminary data (turnover data is subject to significant revisions).

Reflecting differences in infection rates, the change in prices was not uniform across capital cities in July. In general, smaller capital cities have seen more resilience in their housing markets. Canberra and Adelaide were the only cities to record an increase in July, rising 0.6% and 0.1%, respectively.

Unsurprisingly, Melbourne recorded the sharpest decline of the capital cities, falling 1.2% in July. Metropolitan Melbourne was subject to a lockdown for most of July. There have also been concerns over a second wave of infections in Sydney, which recorded the second steepest fall in prices in July at -0.9%. Falls were also recorded in Perth (-0.6%), Brisbane (-0.4%), Darwin (-0.3%) and Hobart (-0.2%).

On an annual basis, price growth remained highest in Sydney in July (12.1%), followed by Melbourne (8.7%). Most other capital cities retained positive annual growth in prices including Hobart (5.9%), Canberra (7.2%), Brisbane (3.8%) and Adelaide (2.4%). Darwin and Perth recorded annual price declines of 2.2% and 2.5%, respectively.

Outlook

It appears that the raft of policy support from fiscal and monetary authorities as well as major banks is working to stem the decline in housing prices. Although volumes have dropped dramatically and prices have fallen for three consecutive months, the decline in prices has not been as severe as originally expected. However, the sector remains exposed to powerful headwinds that will create subdued conditions for some time.

The economic outlook has soured further in August as Victoria has imposed further restrictions and concerns remain over COVID-19 infections in NSW. Lacklustre consumer confidence, weakening household incomes, uncertainty about the economic outlook and a halt in migration will be the main drags on demand.

The financial cliff that was looming in September has been alleviated following the extensions of key policies such as JobKeeper and JobSeeker. However, the scheduled withdrawal of support measures later this year and early next year will create additional hurdles. We expect the decline in house prices to continue.

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