National home prices return to peak as buyer and seller confidence climbs; The most rapid decline in home prices in recent history now fully reversed

Key findings:

- National home prices moved higher in September, with the spring selling season blooming. National prices have now recovered 2022’s falls entirely after climbing 0.35% month-on-month to peak levels. Prices are up 4.31% so far this year.
- Sydney prices have recovered most of 2022’s falls and are just 0.03% below their peak recorded in February 2022. Prices increased 0.48% in September, and are now up 7.33% so far this year and 7.43% from their trough in November 2022.
- All capitals, except Darwin, saw prices rise in September. The smaller capital city markets continue to record a stronger pace of growth. Perth (+0.71%) led gains throughout the month, followed by Adelaide (+0.48%) and Sydney (+0.48%).
- Prices in the combined capital cities set a fresh record high in September, reversing last year’s price falls entirely. Regional markets remain down 0.78% from their April 2022 peak, despite prices holding up better for much of last year. In September, regional prices rose 0.18% and capital city prices rose 0.41%.
- Regional South Australia and Queensland continue to outperform other regional markets, with prices reaching a fresh peak.

“The spring selling season experienced a busy start in September. Buyer and seller confidence is on the up and choice is improving significantly in the major capitals.

“Despite the uplift in the number of properties coming to market, national home prices have moved higher again, regaining 2022’s rapid price falls in entirety to reach a record high in September.

“Home price growth has been driven by record levels of net overseas migration, tight rental markets and a housing shortage. While a sharp increase in the number of properties hitting the market in Sydney and Melbourne has been improving choice for buyers, strong demand has seen prices continue to lift.

“Choice for buyers remains limited in Brisbane, Adelaide and Perth,-heightening competition and seeing prices hit fresh peaks in each of these markets in September.

“Looking ahead, interest rates have likely peaked and population growth is rebounding strongly. Together with a shortage of new home builds, prices are expected to rise. As we head further into spring, more markets are likely to reclaim 2022’s fast falls to set new peaks.”

<table>
<thead>
<tr>
<th>All dwellings</th>
<th>Monthly growth</th>
<th>Annual growth</th>
<th>Change from peak</th>
<th>Change since March 2020</th>
<th>Median value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sydney</td>
<td>0.48%</td>
<td>6.86%</td>
<td>-0.03%</td>
<td>31.3%</td>
<td>$1,057,000</td>
</tr>
<tr>
<td>Melbourne</td>
<td>0.25%</td>
<td>0.07%</td>
<td>-4.27%</td>
<td>16.4%</td>
<td>$810,000</td>
</tr>
<tr>
<td>Brisbane</td>
<td>0.39%</td>
<td>5.82%</td>
<td>At peak</td>
<td>51.4%</td>
<td>$762,000</td>
</tr>
<tr>
<td>Adelaide</td>
<td>0.48%</td>
<td>8.31%</td>
<td>At peak</td>
<td>53.5%</td>
<td>$689,000</td>
</tr>
<tr>
<td>Perth</td>
<td>0.71%</td>
<td>9.24%</td>
<td>At peak</td>
<td>39.5%</td>
<td>$597,000</td>
</tr>
<tr>
<td>Hobart</td>
<td>0.09%</td>
<td>-3.83%</td>
<td>-6.60%</td>
<td>38.4%</td>
<td>$677,000</td>
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<tr>
<td>Darwin</td>
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<td>25.5%</td>
<td>$495,000</td>
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<tr>
<td>ACT</td>
<td>0.30%</td>
<td>-1.00%</td>
<td>-5.18%</td>
<td>36.3%</td>
<td>$842,000</td>
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<tr>
<td>Capital Cities</td>
<td>0.41%</td>
<td>4.76%</td>
<td>At peak</td>
<td>30.5%</td>
<td>$817,000</td>
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<tr>
<td>Rest of NSW</td>
<td>0.36%</td>
<td>0.70%</td>
<td>-2.15%</td>
<td>48.7%</td>
<td>$708,000</td>
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<td>Rest of Vic.</td>
<td>-0.21%</td>
<td>-2.88%</td>
<td>-4.78%</td>
<td>39.3%</td>
<td>$594,000</td>
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<td>Rest of Qld</td>
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<td>Rest of SA</td>
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<td>9.86%</td>
<td>At peak</td>
<td>52.8%</td>
<td>$599,000</td>
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<tr>
<td>Rest of WA</td>
<td>0.24%</td>
<td>3.29%</td>
<td>-1.26%</td>
<td>39.8%</td>
<td>$460,000</td>
</tr>
<tr>
<td>Rest of Tas.</td>
<td>-0.04%</td>
<td>-1.41%</td>
<td>-1.84%</td>
<td>51.0%</td>
<td>$501,000</td>
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<tr>
<td>Rest of NT</td>
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<td>-0.28%</td>
<td>-1.73%</td>
<td>14.7%</td>
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<tr>
<td>Regional Areas</td>
<td>0.18%</td>
<td>1.28%</td>
<td>-0.78%</td>
<td>48.2%</td>
<td>$619,000</td>
</tr>
<tr>
<td>National</td>
<td>0.35%</td>
<td>3.78%</td>
<td>At peak</td>
<td>35.0%</td>
<td>$764,000</td>
</tr>
</tbody>
</table>
**Sydney**
Sydney has led Australia’s home price recovery after leading the downturn in 2022. Prices in Sydney have now regained most of the decline in values recorded in 2022. After rising for 10 consecutive months, prices are now up 7.43% from their low point recorded in November 2022. That brings home prices in Sydney up 7.33% year-to-date to sit just 0.03% below their February 2022 peak.

**Brisbane**
Home prices in Brisbane have already regained 2022’s price falls and are rising at a fast pace, jumping 0.39% in September to hit a new price peak. Prices are now 5.82% above their level a year ago and up 6.46% year-to-date.

**Perth**
Perth home prices bucked the falling price trend seen in most markets for much of last year and have risen at a fast pace this year. So far in 2023, prices are up 7.91%, after rising 0.71% in September to a new peak. Home prices in Perth are up 9.24% from their level a year ago, making Perth the strongest performing capital city market over the past year. The relative affordability of the city’s homes and limited choice for buyers are seeing prices climb at a fast pace. Population growth, a shortage of housing and very tight rental markets are also supporting values.

**Darwin**
Darwin home prices fell by a slight 0.01% in September. Prices now sit 1.64% below their levels a year ago and 2.43% below their May 2022 peak. Darwin has not seen a recovery in prices in 2023, but it also did not see as large a downturn in 2022.

**Melbourne**
Melbourne home price growth accelerated in September, with prices climbing 0.25% month-on-month. This returns Melbourne to positive annual price growth for the first time since 2022, with prices up 0.07% from their level a year ago. Even so, prices in Melbourne remain 4.27% below their peak in March 2022. Home prices are up 1.66% from their low point recorded in January 2023, meaning the price recovery in Melbourne is lagging Sydney and Brisbane, but remains ahead of the recovery seen in Hobart and Canberra.

**Adelaide**
Adelaide home prices rose 0.48% month-on-month in September to a new peak and are now up 6.90% year-to-date. Adelaide continues to be one of the country’s top performing markets. As a result, home prices are now sitting 8.31% above their September 2022 levels. The comparative affordability of the city’s homes has seen prices defy rapid interest rate rises. Low stock levels are also intensifying competition and home prices in Adelaide are rising at a fast pace.

**Hobart**
Prices in Hobart rose 0.09% in September. Hobart remains the weakest performing market when comparing annual price growth (-3.83%) and the change from peak (-6.60%). However, this comes after several years of outperformance, as well as strong growth during the pandemic. Home prices in Hobart are still up 38.4% since March 2020.

**ACT**
Home prices in Canberra rose 0.30% in September and are now down 1.00% from levels seen in September last year. While Canberra has recovered some of 2022’s price declines in recent months, home prices remain 5.18% below their March 2022 peak.
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 SA1 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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