Home prices jump again as spring selling season kicks off; Sydney and Adelaide lead monthly gains

August marked the eighth consecutive month of national home price growth. This is the longest period of consecutive monthly growth since the pandemic boom when prices rose for 23 months straight between May 2020 and March 2022. National home prices have now regained the majority of price falls seen in 2022.

“For much of this year, stronger housing demand and a limited flow of new listings hitting the market have offset the impact of interest rate rises.

“In Sydney and Melbourne, the flow of new listings is increasing as seller confidence improves. However, buyer demand has remained strong, putting upward pressure on prices.

“Limited choice in Brisbane, Adelaide and Perth, has led to strong buyer competition and solid selling conditions, pushing prices to fresh peaks in August.

“As more new listings come to market over spring, we may see the pace of home price growth start to slow. However, with interest rates stabilised and likely near or at their peak, the confidence in the market is likely to sustain, resulting in more of the country returning to positive annual price growth.”

Key findings:

- National home prices rose again in August, jumping a further 0.28%. National prices are now 2.64% higher than a year ago and up 3.51% so far this year.
- Sydney continues to lead Australia’s home price recovery, with prices increasing a further 0.47% in August. Sydney prices are now up 6.19% from their trough in November 2022 and are just 1.29% below their peak recorded in February 2022.
- All capitals, except Darwin (-0.38%), saw prices rise in August. Adelaide (+0.64%) led gains through the month, followed by Sydney (+0.47%) and Perth (+0.51%).
- Home price growth has been stronger in the capital cities than regional areas this year. This trend continued in August, with regional areas lifting a small 0.09% while capital city prices rose 0.35%. Home prices in the capital cities are now up 4.46% since December 2022, compared to just 1.20% in regional areas. With capital city markets leading the home price recovery and regaining the majority of 2022’s price falls, regional markets have now seen a larger decline from peak.
- However, regional South Australia and Queensland continue to outperform other regional markets, with prices in both reaching new peaks in August 2023.

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<tr>
<th>PropTrack Home Price Index August 2023</th>
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<tbody>
<tr>
<td>All dwellings</td>
</tr>
<tr>
<td>Sydney</td>
</tr>
<tr>
<td>Melbourne</td>
</tr>
<tr>
<td>Brisbane</td>
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<tr>
<td>Adelaide</td>
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<tr>
<td>Perth</td>
</tr>
<tr>
<td>Hobart</td>
</tr>
<tr>
<td>Darwin</td>
</tr>
<tr>
<td>ACT</td>
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<td><strong>Capital Cities</strong></td>
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<tr>
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</tr>
<tr>
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<tr>
<td>Rest of Qld</td>
</tr>
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<tr>
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</tr>
<tr>
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<tr>
<td>Rest of NT</td>
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<td><strong>Regional Areas</strong></td>
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Sydney
Sydney continued to drive Australia’s home price recovery in August after leading the downturn in 2022. Prices in Sydney have regained most of the decline in values recorded in 2022, after falling 7.04% from February to November 2022. Home prices have now risen for nine consecutive months and are up 6.19% from the low point recorded in November. That brings home prices in Sydney up 6.08% year-to-date to sit just 1.29% below their February 2022 peak.

Brisbane
Brisbane regained 2022’s price falls in entirety and hit a price peak last month. In August, home prices in Brisbane rose for the eighth consecutive month, jumping 0.27% to a fresh peak. Prices are now 4.19% above their level a year ago and up 5.44% year-to-date.

Perth
Perth home prices bucked the falling price trend seen in most markets for much of last year and have continued to climb this year. So far in 2023, prices are up 6.22%, after rising 0.31% in August to a new peak. Home prices in Perth are up 7.57% from their level a year ago, making Perth the strongest performing capital city market over the past year. After Darwin, Perth is the cheapest capital city market in terms of dwelling values. The relative affordability of the city’s homes and limited choice for buyers have supported prices.

Darwin
Darwin home prices fell by 0.38% in August. Prices now sit just 1.44% below their level a year ago and 2.35% below their May 2022 peak. Unlike many other markets, 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 August, with prices climbing 0.15% month-on-month. Even so, prices in Melbourne remain 4.57% below their peak in March 2022. Home prices are up 1.32% from their low point recorded in January 2023, meaning the price recovery in Melbourne is lagging Sydney, but ahead of the recovery seen in Hobart and Canberra.

Adelaide
Adelaide remained the strongest performing market in August. Home prices rose 0.64% month-on-month to a new peak and are now up 6.07% year-to-date. Adelaide continues to be one of the country’s top performing markets. As a result, home prices are now sitting 7.41% above their August 2022 levels. The comparative affordability of the city’s homes has seen prices holding up better amid rapid interest rate rises. Low stock levels are also intensifying competition, helping to lift home values.

Hobart
Prices in Hobart rose 0.27% in August. Even so, Hobart remains the weakest performing market when comparing annual price growth (-3.86%) and change from peak (-6.52%). However, this comes after several years of outperformance, as well as strong growth during the pandemic. Home prices in Hobart are still up 38.6% since March 2020.

ACT
Home prices in Canberra rose 0.14% in August and are now down 2.11% from levels seen in August last year. While Canberra has recovered some of 2022’s price declines in recent months, home prices remain 5.69% 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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