Prices in Sydney, Brisbane, Adelaide, Perth and regional Australia hit new peaks with spring selling season in full swing

Key findings:

- National home prices set a record in October with the spring selling season in full swing. National prices climbed 0.36% month-on-month to peak levels, bringing them up 4.93% so far this year.
- Sydney prices have recovered 2022’s falls and are now 0.32% above their prior peak recorded in February 2022. Prices increased 0.37% in October to a new record high. They are now up 7.62% so far this year and 7.71% from their trough in November 2022.
- All capitals, except Darwin, saw prices rise in October. The smaller capital city markets recorded a stronger pace of growth over the month, led by Brisbane (+0.52%) and Perth (+0.52%).
- Prices in the combined capital cities set a record high in October and are outperforming regional markets this year. However, the pace of growth in regional markets has increased after lagging much of this year. In October, regional prices rose 0.32% to set a record high, while capital city prices rose 0.37%.
- Regional Queensland (+0.61%) and regional WA (+0.45%) led regional gains in October, with prices in both markets reaching a new peak.

“National home prices moved higher in October, reaching new peak levels. Although the volume of new listings hitting the market has risen over the spring selling season, the demand for housing has remained strong, fuelling further home price growth and reflecting the sustained improvement in conditions.

“Strong demand stemming from the rebound in net overseas migration, tight rental market s and limited housing stock has offset the impacts of substantial rate rises and the slowing economy.

“At the same time, dwelling approvals have declined, hitting decade lows earlier this year. The sharp rise in construction costs, compounded by costly delays arising from labour and materials shortages, has slowed the completion of new homes.

“Despite a weaker outlook for the economy, population growth is rebounding strongly and this looks set to continue. Interest rates may rise further, but they are likely close to, if not at, their peak. Together with a shortage of new home builds and challenging conditions in the rental market, home prices are expected to rise further.”

<table>
<thead>
<tr>
<th>PropTrack Home Price Index</th>
<th>October 2023</th>
</tr>
</thead>
<tbody>
<tr>
<td>All dwellings</td>
<td>Monthly growth</td>
</tr>
<tr>
<td>Sydney</td>
<td>0.37%</td>
</tr>
<tr>
<td>Melbourne</td>
<td>0.28%</td>
</tr>
<tr>
<td>Brisbane</td>
<td>0.52%</td>
</tr>
<tr>
<td>Adelaide</td>
<td>0.47%</td>
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<tr>
<td>Perth</td>
<td>0.52%</td>
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<tr>
<td>Hobart</td>
<td>0.51%</td>
</tr>
<tr>
<td>Darwin</td>
<td>-0.11%</td>
</tr>
<tr>
<td>ACT</td>
<td>0.11%</td>
</tr>
<tr>
<td>Capital Cities</td>
<td>0.37%</td>
</tr>
<tr>
<td>Rest of NSW</td>
<td>0.33%</td>
</tr>
<tr>
<td>Rest of Vic.</td>
<td>-0.01%</td>
</tr>
<tr>
<td>Rest of Qld</td>
<td>0.61%</td>
</tr>
<tr>
<td>Rest of SA</td>
<td>-0.20%</td>
</tr>
<tr>
<td>Rest of WA</td>
<td>0.45%</td>
</tr>
<tr>
<td>Rest of Tas.</td>
<td>0.14%</td>
</tr>
<tr>
<td>Rest of NT</td>
<td>-0.04%</td>
</tr>
<tr>
<td>Regional Areas</td>
<td>0.32%</td>
</tr>
<tr>
<td>National</td>
<td>0.36%</td>
</tr>
</tbody>
</table>
Sydney
Sydney is leading Australia’s home price recovery, with prices having regained all of 2022’s falls. After rising for 11 consecutive months, prices are now up 7.11% from their low point recorded in November 2022. That brings home prices in Sydney up 7.62% year-to-date to sit 0.32% above their prior peak recorded in February 2022.

Brisbane
Home prices in Brisbane are rising at a fast pace after regaining all of 2022’s price falls. They jumped 0.52% in October to hit a new price peak. Prices are now 7.36% above their level a year ago and up 7.73% year-to-date.

Perth
Perth home prices have risen at a fast pace this year after bucking the falling price trend seen in most markets for much of last year. Home prices rose 0.52% in October – the 16th consecutive month of growth – to a new peak. Perth prices are up 10.06% so far this year. Limited supply amid strong buyer demand has resulted in a sellers’ market, with prices in Perth up 10.90% from their level a year ago, outpacing all other capitals. The relative affordability of the city’s homes, population growth, and very tight rental markets are also supporting home values.

Darwin
Darwin home prices fell by 0.11% in October. Prices now sit 1.35% below their level a year ago and 2.24% 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 prices grew in October, climbing 0.28% month-on-month. This brings prices up 0.64% from their level a year ago. Even so, prices in Melbourne remain 3.90% below their peak in March 2022. Compared to their low point in January 2023, home prices are up 1.91%, meaning the price recovery in Melbourne is still lagging Sydney and Brisbane, but remains ahead of the recovery seen in Hobart and Canberra.

Adelaide
Adelaide home prices rose 0.47% month-on-month in October to a new peak and are now up 7.91% year-to-date. Adelaide continues to be one of the country’s top performing markets, with home prices up 8.77% year-on-year. The comparative affordability of the city’s homes has seen prices defy rapid interest rate rises. Low stock levels are also intensifying competition, with home prices in Adelaide rising at a fast pace.

Hobart
Prices in Hobart rose 0.51% in October. Hobart remains the weakest performing market when comparing annual price growth (-4.08%) and the change from peak (-6.71%), with Hobart seeing the largest falls of any market. However, this comes after several years of outperformance, as well as strong growth during the pandemic. Home prices in Hobart are still up 37.82% since March 2020.

ACT
Home prices in Canberra rose 0.11% in October and are now down just 0.18% from levels seen in October last year. While prices in Canberra have recovered 1.69% since hitting their trough in February 2023, they remain 5.21% 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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