Capital city home prices down for the first time in a year, while regional growth keeps national home values steady

Key findings:

- National home prices held steady in December as growth in regional areas counteracted falls in the capital cities. Overall, prices rose by 5.52% in 2023.
- After hitting a fresh peak in November, combined capital city prices fell 0.09% in December, marking the first time prices declined in 2023.
- Across December, prices fell in Sydney (-0.08%), Melbourne (-0.55%), Hobart (-0.41%), and Canberra (-0.66%). Perth (+0.69%) and Adelaide (+0.59%) continued to record strong growth, with prices also up in Brisbane (+0.27%) and Darwin (+0.1%).
- In contrast to the mixed movement across Australia’s capital cities, combined regional areas saw prices increase in December, resulting in monthly growth of 0.23%. Regional home prices reached a new peak in December, having risen by 3.2% over 2023.
- Regional Queensland and South Australia were the key drivers of growth, up a respective 0.51% and 0.5% over the month to reach new peaks in December.

Several factors contributed to the slowdown in home prices over the last quarter of 2023. There was an additional interest rate rise as well as an increase in the supply of homes listed for sale, which provided buyers more choice and helped to alleviate competition.

Despite regional areas experiencing higher growth in December, combined capital city areas were the clear outperformers in 2023, with prices up 6.44% over the course of the year versus 3.2% in the rest of state markets.

Even though recent months have seen a rise in the number of properties listed for sale, overall supply remains relatively constrained, particularly in Perth and Brisbane. This has been a key contributor to price rises in these markets.

“Despite the cool down in capital city prices seen over December, prices in 2024 will be supported by population growth and what looks likely to be a more stable interest rate environment.”

<table>
<thead>
<tr>
<th>PropTrack Home Price Index</th>
<th>December 2023</th>
</tr>
</thead>
<tbody>
<tr>
<td>All dwellings</td>
<td>Monthly growth</td>
</tr>
<tr>
<td>Sydney</td>
<td>-0.08%</td>
</tr>
<tr>
<td>Melbourne</td>
<td>-0.55%</td>
</tr>
<tr>
<td>Brisbane</td>
<td>0.27%</td>
</tr>
<tr>
<td>Adelaide</td>
<td>0.59%</td>
</tr>
<tr>
<td>Perth</td>
<td>0.69%</td>
</tr>
<tr>
<td>Hobart</td>
<td>-0.41%</td>
</tr>
<tr>
<td>Darwin</td>
<td>0.10%</td>
</tr>
<tr>
<td>ACT</td>
<td>-0.66%</td>
</tr>
<tr>
<td>Capital Cities</td>
<td>-0.09%</td>
</tr>
<tr>
<td>Rest of NSW</td>
<td>0.13%</td>
</tr>
<tr>
<td>Rest of Vic.</td>
<td>0.03%</td>
</tr>
<tr>
<td>Rest of Qld</td>
<td>0.51%</td>
</tr>
<tr>
<td>Rest of SA</td>
<td>0.50%</td>
</tr>
<tr>
<td>Rest of WA</td>
<td>0.23%</td>
</tr>
<tr>
<td>Rest of Tas.</td>
<td>0.00%</td>
</tr>
<tr>
<td>Rest of NT</td>
<td>0.02%</td>
</tr>
<tr>
<td>Regional Areas</td>
<td>0.23%</td>
</tr>
<tr>
<td>National</td>
<td>0.00%</td>
</tr>
</tbody>
</table>
**Perth**

Perth was the strongest performing property market in 2023, recording the highest growth of any capital city or regional area. Median home prices in Perth reached a new high in December, rising 0.69% over the month and 14.75% over the year. Supporting home prices, buyers in Perth have faced relatively limited choice. As a result, those properties that are hitting the market are attracting high levels of buyer interest and properties are selling at close to record speeds.

**Melbourne**

Melbourne saw its median home price fall by 0.55% in December, the second sharpest monthly fall behind Canberra. Home prices in Melbourne rose just 0.89% over 2023, remaining 4.6% below their peak levels reached in March 2022. Melbourne has been the weakest performing property market in the nearly four years post-COVID, with prices sitting just 15.5% higher compared to March 2020.

**Brisbane**

Brisbane home prices rose 0.27% to reach a new peak in December, bringing total growth over 2023 to 10.45%. High levels of population growth have supported demand for real estate in recent years, particularly post-COVID, making Brisbane one of the strongest performing capital city markets. Brisbane’s median home price is now sitting an extraordinary 57% higher compared to March 2020.

**Darwin**

Darwin home prices edged up 0.1% over December to reach a median value of $482,000. Compared to 12 months ago, Darwin’s median home price is sitting 1.49% lower and remains 2.26% below its peak level reached in May 2022.

**ACT**

Canberra was the weakest performing market in December, with the median home price falling 0.66%. Home prices in Canberra are up just 0.25% compared to 12 months ago and remain 5.86% lower than the peak levels reached in March 2022.
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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Author:
Anne Flaherty
Economist, PropTrack

Media enquiries:
Sophie Flavell
Media & Partnerships Manager
0438 089 165
Sophie.Flavell@rea-group.com