Property market recovery hits milestone with national home prices returning to positive annual growth; Brisbane home prices reach new peak

Key findings:

- National home prices are now higher than they were a year ago after jumping a further 0.16% in July. National home prices have reversed the majority of the decline recorded in 2022, climbing 2.79% from their low in December. Prices are now 1.36% above July 2022 levels.
- Sydney continues to lead Australia’s home price recovery, with prices increasing a further 0.28% in July. Prices in the harbour city are now 5.26% higher than the trough in November 2022.
- Brisbane has clawed back last year’s price falls entirely, with prices rising 0.37% in July to a new peak.
- All capitals, except Darwin and Canberra, saw prices rise in July. Adelaide (+0.62%) led gains through the month, followed by Brisbane (+0.37%).
- Home price growth has been stronger in the capital cities than regional areas this year. This trend continued in July, with regional areas falling 0.03% and capital city prices lifting 0.23%. Prices in capitals are now up 3.60% since December, compared to 0.81% for regional areas. However, regional markets have still recorded a smaller decline from peak levels, given prices held up better for much of 2022.

July marked the seventh consecutive month of national home price growth, reversing much of the falls recorded over 2022.

Stronger housing demand and a limited flow of new listings hitting the market have offset the impact of interest rate rises. Although total stock on market has increased slightly, the flow of new listings has remained soft in recent months, leading to increased buyer competition and solid selling conditions.

Auction activity has increased, and clearance rates remain firm as home prices lift - this is likely to buoy seller confidence. If the flow of new listings picks up as we head into spring, the pace at which prices have grown this year may slow.

The full impact of recent rate rises is yet to be felt, and the potential for further tightening remains a headwind for the market. However, interest rates are nearing their peak, if not there already. This is likely to sustain confidence and maintain the lift in home prices, resulting in more markets returning to positive annual price growth.

### PropTrack Home Price Index July 2023

<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>0.28%</td>
<td>3.16%</td>
<td>-2.22%</td>
<td>28.4%</td>
<td>$1,046,000</td>
</tr>
<tr>
<td>Melbourne</td>
<td>0.01%</td>
<td>-1.30%</td>
<td>-4.91%</td>
<td>15.6%</td>
<td>$805,000</td>
</tr>
<tr>
<td>Brisbane</td>
<td>0.37%</td>
<td>1.98%</td>
<td>At peak</td>
<td>47.8%</td>
<td>$742,000</td>
</tr>
<tr>
<td>Adelaide</td>
<td>0.62%</td>
<td>5.95%</td>
<td>At peak</td>
<td>50.4%</td>
<td>$676,000</td>
</tr>
<tr>
<td>Perth</td>
<td>0.36%</td>
<td>6.56%</td>
<td>At peak</td>
<td>35.9%</td>
<td>$583,000</td>
</tr>
<tr>
<td>Hobart</td>
<td>0.21%</td>
<td>-4.89%</td>
<td>-6.60%</td>
<td>38.3%</td>
<td>$680,000</td>
</tr>
<tr>
<td>Darwin</td>
<td>-0.08%</td>
<td>-1.22%</td>
<td>-2.01%</td>
<td>25.3%</td>
<td>$490,000</td>
</tr>
<tr>
<td>ACT</td>
<td>-0.02%</td>
<td>-2.98%</td>
<td>-5.91%</td>
<td>35.0%</td>
<td>$843,000</td>
</tr>
<tr>
<td>Capital Cities</td>
<td>0.23%</td>
<td>1.88%</td>
<td>-1.61%</td>
<td>28.1%</td>
<td>$808,000</td>
</tr>
<tr>
<td>Rest of NSW</td>
<td>0.20%</td>
<td>-1.43%</td>
<td>-3.14%</td>
<td>47.2%</td>
<td>$709,000</td>
</tr>
<tr>
<td>Rest of Vic.</td>
<td>-0.38%</td>
<td>-2.58%</td>
<td>-4.39%</td>
<td>39.9%</td>
<td>$590,000</td>
</tr>
<tr>
<td>Rest of Qld</td>
<td>-0.10%</td>
<td>3.62%</td>
<td>-0.10%</td>
<td>53.3%</td>
<td>$608,000</td>
</tr>
<tr>
<td>Rest of SA</td>
<td>0.09%</td>
<td>9.19%</td>
<td>At peak</td>
<td>49.8%</td>
<td>$389,000</td>
</tr>
<tr>
<td>Rest of WA</td>
<td>-0.59%</td>
<td>5.24%</td>
<td>-0.92%</td>
<td>41.0%</td>
<td>$467,000</td>
</tr>
<tr>
<td>Rest of Tas.</td>
<td>0.08%</td>
<td>-0.43%</td>
<td>-0.58%</td>
<td>53.3%</td>
<td>$503,000</td>
</tr>
<tr>
<td>Rest of NT</td>
<td>-0.08%</td>
<td>2.22%</td>
<td>-0.30%</td>
<td>17.2%</td>
<td>$455,000</td>
</tr>
<tr>
<td>Regional Areas</td>
<td>-0.03%</td>
<td>0.08%</td>
<td>-1.48%</td>
<td>47.2%</td>
<td>$616,000</td>
</tr>
<tr>
<td>National</td>
<td>0.16%</td>
<td>1.36%</td>
<td>-1.44%</td>
<td>35.0%</td>
<td>$748,000</td>
</tr>
</tbody>
</table>
Melbourne
Home prices in Melbourne rose slightly in July and are now just 1.30% below the same time last year. Even so, prices in Melbourne remain 4.91% below their peak in March 2022. Home prices are up 0.97% from their low point recorded in January 2023, making Melbourne a laggard in this year’s home price recovery.

Adelaide
Adelaide was the strongest performing market in July. Home prices rose 0.62% in July to a new peak and are now up 4.64% year-to-date. Adelaide continues to be one of the country’s top performing markets. As a result, home prices are now sitting 5.95% above their July 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 helping to insulate home values, intensifying competition.

Hobart
Prices in Hobart rose 0.21% in July. Even so, Hobart remains the weakest performing market when comparing annual price growth and change from peak. However, this comes after several years of outperformance as well as strong growth during the pandemic. Home prices in Hobart are still up 38.3% since March 2020.

ACT
Home prices in Canberra fell by a small 0.02% in July and are now down 2.98% from July last year. While Canberra has recovered some of 2022’s price declines in recent months, home prices remain 5.91% 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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Author:
Eleanor Creagh
Senior Economist, PropTrack

Media enquiries:
Alexandra Quitt
Media Relations Specialist
0466 961 795
Alex.quitt@rea-group.com

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