Pain and Gain

June Quarter, 2020

A quarterly assessment of realised gross profit and loss based on dwelling re-sales over the June quarter of 2020

Released October 2020

CoreLogic

Contents

Executive Summary

This edition of the Pain and Gain report analyses approximately 52,000 re-sale events over the June 2020 quarter.

The volume of sales analysed hints at the impact that COVID-19 restrictions have had on transaction activity in the residential property market. Observations are down -28.2% from the previous quarter, when 72,500 re-sales were analysed.

Despite the contraction in transaction activity, and the broader context of significant declines in employment, inflation and GDP over the June quarter, the national portion of loss making sales rose only marginally. The rate of loss making sales rose 50 basis points to 12.8% in the June quarter.

The portion of loss making sales rose in 6 of the 8 capital city markets in the quarter, and the highest portion of loss making sales were once again in Darwin (52.1%) and Perth (36.2%). Interestingly, the portion of loss making sales did not see a quarterly increase in Perth, which is another piece of data pointing to the stabilising, and even potential recovery, of that dwelling market.

The ACT saw the biggest quarterly increase in the rate of loss making sales, rising 1.9 percentage points. This brought the portion of loss making sales to 12.8%. It is a surprising finding, given the ACT dwelling market has been heralded as relatively resilient through the pandemic. However, the result is explained through continued weakness in the unit market. The rate of loss making sales in ACT units reached its highest level since January 2017.

June quarter data reflects trends seen in previous pain and gain reports. Houses had a higher rate of profit making sales nationally (89.6%) than units (79.3%). Investors endured a higher incidence of loss making sales (18.0%) than owner occupiers (11.1%). Higher hold periods generally yielded a greater profit, though owners who sold at a profit in mining regions had a particularly extended hold period.

Unlike recent reports, the June quarter data shows a wider divergence between the rate of loss making sales in the capital cities and regional Australia. This reflects a broader trend of capital cities under-performing relative to regional Australia amid the pandemic. Select mining regions saw a significant drop in the portion of loss making sales, which may be buoyed by confidence and increased investment in the mining sector.

It is likely that the marginal increase in the rate of loss making sales nationally has been insulated by a range of institutional responses to the pandemic. Mortgage repayment deferrals have reduced the incidence of distressed sales, and kept stock level low, which may have supported dwelling prices. Low mortgage rates and sustained bank liquidity have also helped limit further price reductions, which would otherwise see a more dramatic increase in the rate of loss making sales.

Additionally, the nature of housing as an asset means that while the trajectory in loss making sales has changed over time, these changes tend to happen slowly. Between March and August, national property values only declined about 2%, and a strong upswing in national property values between mid-2019 and early 2020 – prior to COVID-19 - will have insulated many home owners from making a loss. Dwelling values are higher over the year across every capital city market except Perth and Darwin.

National Overview

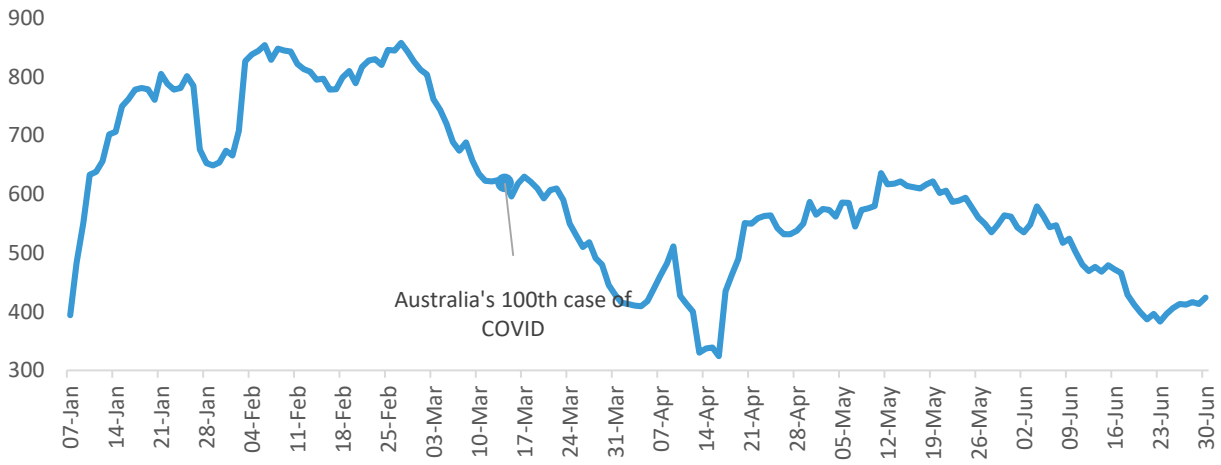
The significant economic shock brought about by COVID-19 was likely to reduce profitability of residential real estate in the three months to June. However, the decline in profitability is marginal at the macro-level, reflecting the cycles of growth over previous years.

The portion of loss making resales nationally rose to 12.8% in the 3 months to June. This is 50 basis points higher than the March 2020 result.

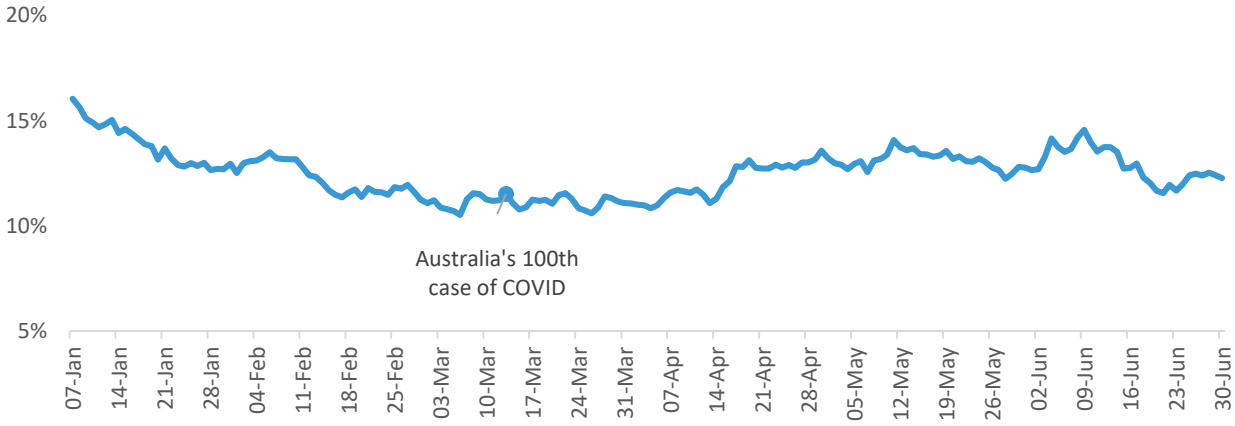
Importantly, the June quarter saw a significant reduction in resale observations. The June quarter saw 28.2% decline in re-sale observations in the June quarter, including 24.7% fewer loss making sales. In other words, while the concentration of loss was higher, the actual event of a loss making sale was lower in the June quarter.

The volume of loss making sales up to June 30 2020 is shown below. While the volume of sales has dropped significantly, the portion of loss making sales of total sales was slightly elevated.

Loss making sales in 2020 - 7 day rolling count, Australia



Portion of sales that were loss-making in 2020 based on 7 day count, Australia



National Overview

Nationally, gross profits for the June quarter totalled $16.9 billion, down from the $19.8 billion observed in the previous quarter. The total loss incurred was also less in the June quarter, down from $908.6 million, to $775 million.

The increase in the portion of loss making sales in the June quarter coincides with a 0.8% decline in national property market values. Values then fell a further 1.0% through to August, bringing the cumulative decline in property values to 1.8% since the end of March.

The reduction in the volume of loss making sales reflects a reluctance to sell when economic conditions are weak. This reluctance may have been facilitated by mortgage repayment deferral policies through the pandemic, where those who are currently unable to service their mortgage may not have had to sell through the June quarter.

However, since June, there have been instances of lenders signalling that distressed borrowers, particularly investors, should look to sell before the end of repayment deferrals[1]. This could see an increase in loss making sales over the following two quarters, particularly in more high-risk, investor-concentrated markets.

It is also worth noting that while the increase in loss making sales may not have been as dramatic as anticipated, the portion of loss making sales is relatively high historically. Loss making sales are at the highest level since August 2019, where the national housing market was just recovering from one of the longest and largest downturns on record. Furthermore, the 12.8% of loss making sales is well above the 5-year average of 9.8%.

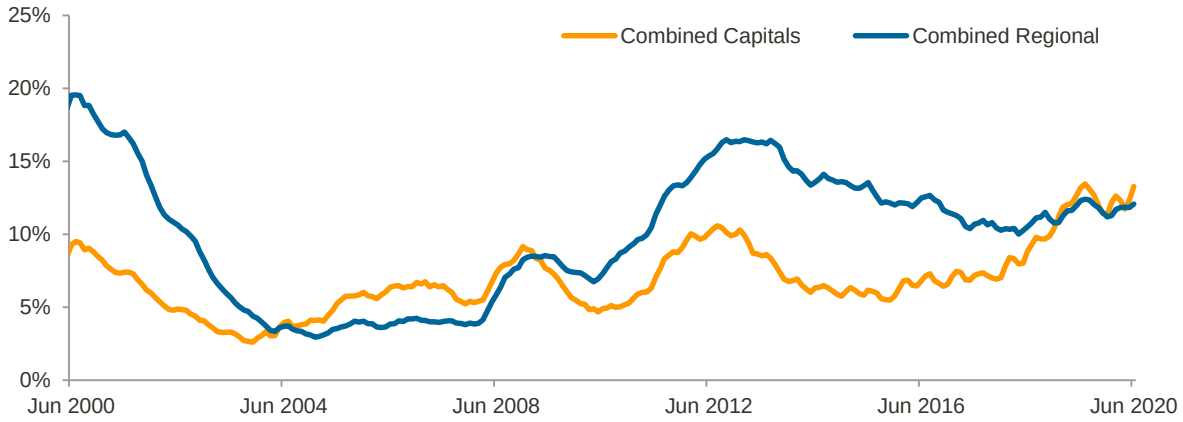
Loss making sales in the capital city markets saw a sharper rise than across regional areas over the June quarter. The portion of loss making sales across the capital cities increased 90 basis points to 13.3%, compared with a 20 basis point increase across the capital cities to 12.1%.

The incidence of homes re-sold at a loss has been higher across capital cities than the regional markets since December 2019. The gap between regional and capital city loss making sale rates has widened over the June quarter. This is shown in the chart below, which displays the back series of loss making sales across the capital cities versus regional Australia.

This further supports the narrative that capital city markets have seen more downside impact as a result of COVID-19 than regional Australia. In the June quarter, the value of the combined capital cities market fell 1.1%, while regional Australian dwelling values increased 0.3%.

While a narrative emerged of regional markets presenting more desirability than capital cities amid the pandemic, there are other elements to consider. These include a cyclical lag usually present in regional areas, suggesting that the regionals are expected to see a decline that is later, and milder than what has been observed in the capital cities. As a result, there may be greater convergence between loss making sales in capital city and regional markets in the coming quarters.

Proportion of loss making sales: combined capitals vs. regional markets



[1] Source: Gray, L. M. (2020, September). Commonwealth Bank CEO Matt Comyn says some property investors should consider selling. *The Australian*. Accessed online at: https://www.theaustralian.com.au/business/financial-services/commonwealth-bank-ceo-matt-comyn-says-some-property-investors-should-consider-selling/news-story/14d6f4b8cfee3344ebc43104b4ad17ae

National Overview

A snapshot of the portion of loss making sales over the past two quarters is presented for the capital city markets below. Six of the eight capital city markets saw an increase in the portion of loss making sales over the June quarter.

As with previous quarters, Darwin and Perth continued to show the highest proportion of loss making sales. This is consistent with sustained value declines, where the value of the Perth dwelling market is -22.2% below its record high in June 2014, and the Darwin market is 30.7% below its record high in May of the same year.

When looking at the change in loss making sale proportions, the biggest increase was across the ACT market. The loss making sale proportion increased 1.9 percentage points in the June quarter. This is despite the relative resilience of the ACT market through the COVID-19 pandemic, where values rose 0.7% in the June quarter.

The reason for the increase in loss making sales was that while the entire dwelling market saw increased value in the period, unit values declined 0.1%. The portion of loss making *unit* sales increased 4.8 percentage points in the quarter, to 25.8%. This signals the weakest level of profitability in the Canberra unit market since January 2017.

The second highest increase in the portion of loss making sales was in Darwin (up 1.6 percentage points), followed by Sydney (up 1.4 percentage points).

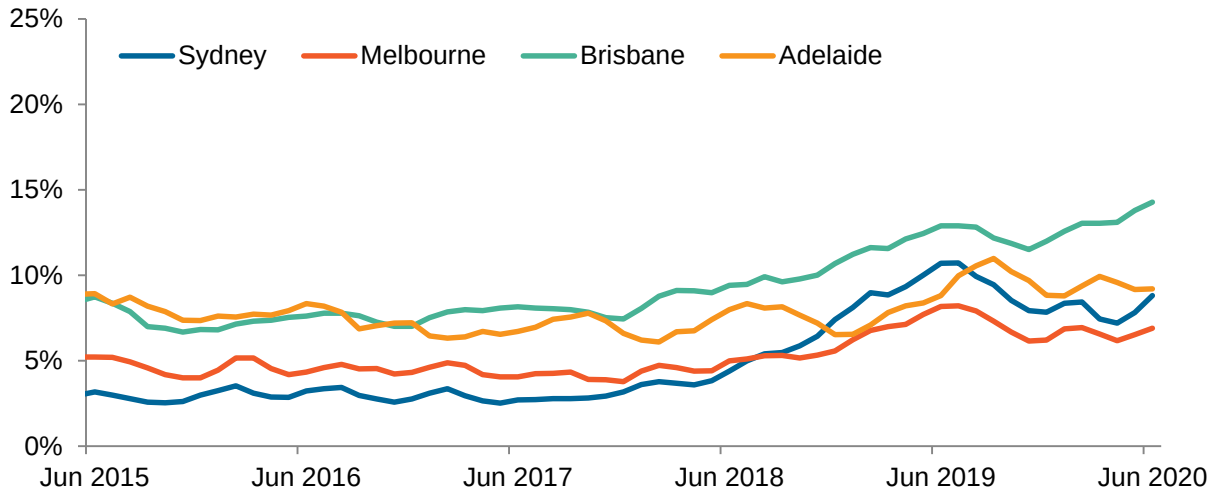
Adelaide was the only market to see a decline in the portion of loss making sales in the quarter, down 70 basis points, while Perth profitability was more or less steady in the quarter.

Summary of loss making sales by capital city

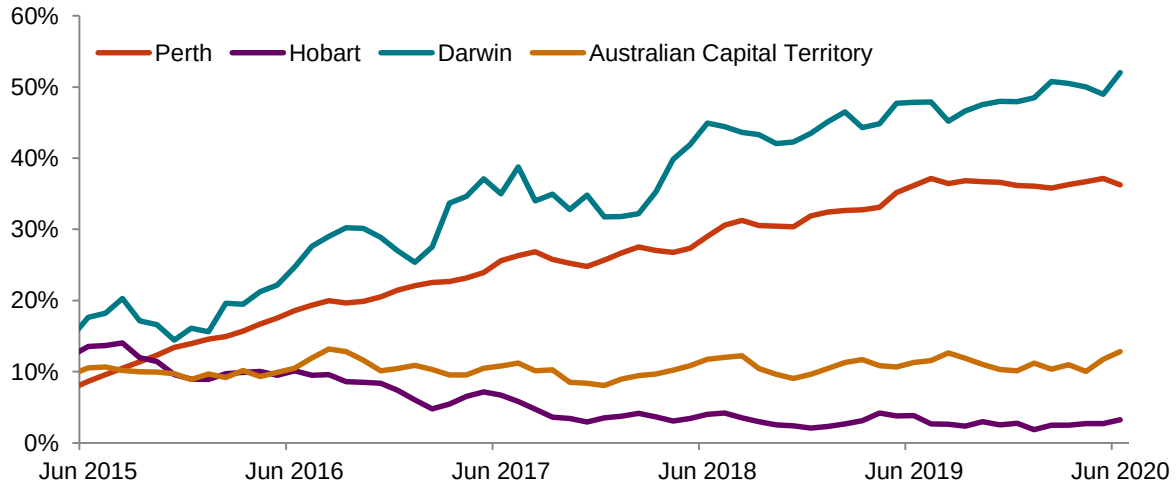
	Portion of loss making sales – June 2020 quarter	Portion of loss making sales – March 2020 quarter	Change (percentage point)
Sydney	8.8%	7.5%	1.4%
Melbourne	6.9%	6.6%	0.3%
Brisbane	14.3%	13.1%	1.2%
Adelaide	9.2%	9.9%	-0.7%
Perth	36.2%	36.3%	0.0%
Hobart	3.2%	2.5%	0.8%
Darwin	52.1%	50.5%	1.6%
ACT	12.8%	11.0%	1.9%

National Overview

Proportion of loss making sales: Sydney, Melbourne, Brisbane and Adelaide



Proportion of loss making sales: Perth, Hobart, Darwin and Canberra

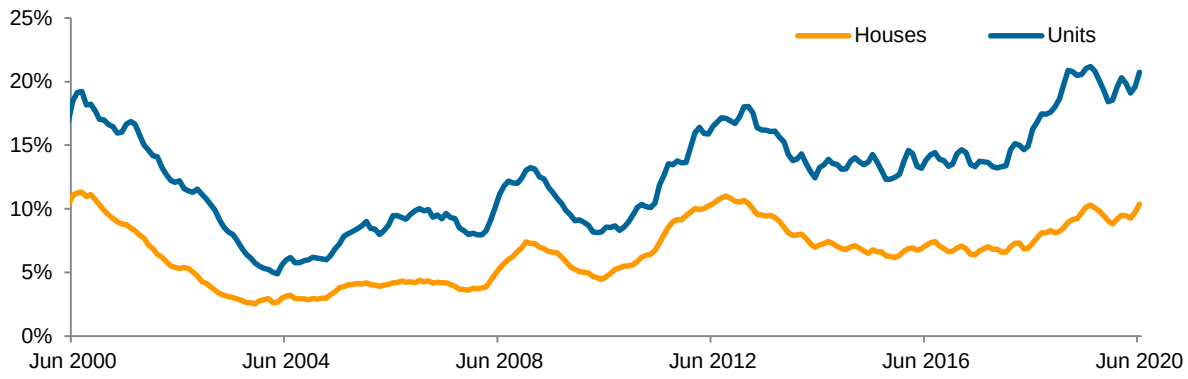


Houses vs Units

The profitability in house and unit assets declined in the June quarter. The portion of loss making sales in houses was 10.4%, up from 9.5% over the March quarter. Unit profitability fell, with loss making sales reaching 20.7% in the June quarter, up from 19.8% over the three months to March.

The differential between loss making proportions across houses and units was 10.4 percentage points in the 3 months to June. This was steady on the March quarter, as both house and unit profitability eroded 90 basis points. The portion of loss making sales across houses and units nationally is shown below.

Proportion of loss making sales, National: Houses v Units



Proportion of total resales at a loss/gain, houses vs. units, June 2020 quarter

	Houses		Units	
Region	Pain	Gain	Pain	Gain
Sydney	6.3%	93.7%	12.8%	87.2%
Rest of NSW	5.9%	94.1%	7.9%	92.1%
Melbourne	2.9%	97.1%	15.4%	84.6%
Rest of Vic.	2.9%	97.1%	3.3%	96.7%
Brisbane	6.4%	93.6%	43.0%	57.0%
Rest of Qld	16.4%	83.6%	27.6%	72.4%
Adelaide	6.8%	93.2%	20.1%	79.9%
Rest of SA	15.9%	84.1%	26.4%	73.6%
Perth	32.2%	67.8%	57.5%	42.5%
Rest of WA	39.8%	60.2%	61.3%	38.8%
Hobart	3.3%	96.7%	3.1%	96.9%
Rest of Tas.	3.8%	96.2%	11.3%	88.7%
Darwin	43.1%	56.9%	71.7%	28.3%
Rest of NT	24.2%	75.8%	36.8%	63.2%
Australian Capital Territory	4.2%	95.8%	25.8%	74.2%
National	10.4%	89.6%	20.7%	79.3%
Cap city	9.9%	90.1%	21.6%	78.4%
Regional	11.0%	89.0%	17.9%	82.1%

Houses vs Units

Over time, the profitability of the unit segment has been eroded relative to houses. This is likely due to the relatively high volume of unit development that has taken place since 2013. ABS dwelling completion data suggests unit construction peaked around the December quarter of 2016, when 29,141 units were built nationally. This was an increase of 64.3% year-on-year.

Since then, unit supply has gradually trended down, but it still elevated relative to decade averages. As oncoming supply further dampens the unit segment during a time of low demand, this segment is particularly susceptible to continued declines in profitability.

Despite houses generally showing higher levels of profitability, the portion of loss making sales in houses reached a 7-year high in the June 2020 quarter.

Over the June quarter, the median profit on resales was $229,873 for houses, and $142,000 for units. The median loss among unprofitable resales was -$50,000 for houses and -$46,000 for units.

Of the capital city markets, the highest portion of loss making unit sales was across Darwin, where 71.7% of units sold for less than the previous sale price. This was across roughly 100 resale observations. The median loss on units across Darwin was $155,000 in the June quarter.

The highest *volume* of loss making unit sales broke a recent trend, in which the 'Rest of Queensland' greater statistical area would usually account for the most loss making unit sales. Instead, Greater Sydney saw the highest volume of loss making unit sales, at 477 in the June quarter. When assessing the data by more granular regions however, the Brisbane Council had the highest volume of loss making unit sales (312), followed by the Gold Coast (137).

Investor vs Owner Occupier Resales

A higher portion of investor owners sold their property at a loss than owner occupiers in the June quarter, and the portion of loss making sales rose more steeply quarter-on-quarter in the investor segment.

The portion of loss making sales among investors was 18.0% nationally, which is up from 16.8% in the previous quarter. For owner-occupiers, the portion of loss making sales rose to 11.1% from 10.3% in the previous quarter.

There were four major regions across Australia where owner occupiers saw a higher incidence of loss making sales than investors. These were Hobart (where the phenomenon had occurred for the past few quarters), regional Tasmania, regional Victoria and regional Northern Territory.

The largest divergence in loss making sales between owner occupiers and investors was in the ACT. Loss making sales among owner occupiers were just 5% of resale events captured in the quarter, compared with a significant 31.4% of investor sales.

Across the ACT, investors represented about 60% of loss making sales, or 55 loss making sales. Of these 55 loss making sales, all but one was a unit. This reflects the two-paced dwelling market across the ACT. Over the 10 years to August 2020, annualised growth in houses was 2.7%, compared with -0.2% in units.

As has been noted in previous quarters, investors may be more likely to sell at a loss than owner occupiers. This is because owner occupiers may choose to retain a property even if the value declines, as they use it to live in. Investors also may be able to claim a loss against future capital gains.

But amid COVID-19, there is an added layer of institutional decision making which may see more loss making sales in the investor segment.

This is because certain rental markets have seen a significant negative shock through COVID-19. From the end of March to the end of August, rent value declines have been steepest in Hobart units (-5.1%), Melbourne units (-4.4%), and Sydney units (-4.2%). These declines are largely tied to international border closures, as well as significant job losses across sectors where workers are most likely to rent, such as food and accommodation services. With diminished rental income, investors may find it more difficult to service a mortgage.

Compounding this, is the general lack of investor demand in the uncertain economic environment. ABS finance data suggests investors comprised just 25.6% of housing finance for purchases during the June quarter, which is well below the decade average of 36.2%.

Although mortgage repayment deferrals may have insulated the number of loss making sales in the investor segment, the priority among banks is reportedly to extend further relief to owner occupiers, to ensure people stay housed during the pandemic. Investors on the other hand, are already being encouraged to sell before mortgage repayment deferrals wind down in March next year.

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Proportion of total resales at a loss/gain, owner occupied vs. investors, June 2020 quarter

	PAIN		GAIN	
Region	Owner Occupied	Investor	Owner Occupied	Investor
Sydney	7.9%	10.6%	92.1%	89.4%
Regional NSW	6.1%	6.9%	93.9%	93.1%
Melbourne	3.9%	13.6%	96.1%	86.4%
Regional Vic	3.1%	1.9%	96.9%	98.1%
Brisbane	8.8%	28.6%	91.2%	71.4%
Regional Qld	16.9%	25.9%	83.1%	74.1%
Adelaide	6.9%	16.9%	93.1%	83.1%
Regional SA	15.0%	23.3%	85.0%	76.7%
Perth	32.9%	50.0%	67.1%	50.0%
Regional WA	40.4%	44.8%	59.6%	55.2%
Hobart	3.6%	1.5%	96.4%	98.5%
Regional Tas	4.6%	4.5%	95.4%	95.5%
Darwin	43.5%	67.0%	56.5%	33.0%
Regional NT	28.1%	25.0%	71.9%	75.0%
Australian Capital Territory	5.0%	31.4%	95.0%	68.6%
National	11.1%	18.0%	88.9%	82.0%
Cap city	10.5%	16.2%	89.5%	83.8%
Regional	10.0%	18.1%	90.0%	81.9%

Hold Periods

Over the June 2020 quarter, the median hold period of re-sale events across Australia was approximately 9 years. For profit making sales, the median hold period of 9.5 years, while loss making sales were typically held for 6.6 years.

Across the capital cities, the lowest typical hold period for loss making sales was in Hobart houses (2.3 years), followed closely by Melbourne houses (2.7 years). This reflects the relatively high level of capital growth and profitability across the broader regions. Despite weakness in the housing market amid the first months of COVID-19, house values were still 7.1% higher in the year to June in Hobart, and 10.6% higher in Melbourne.

Meanwhile, areas that have experienced longer downturns due to the collapse of the mining sector, extreme weather conditions, or the over-supply of dwellings have seen losses off the back of longer hold periods. This includes regional WA, where typical hold periods for loss making house sales were 9 years, and 9.7 years for units.

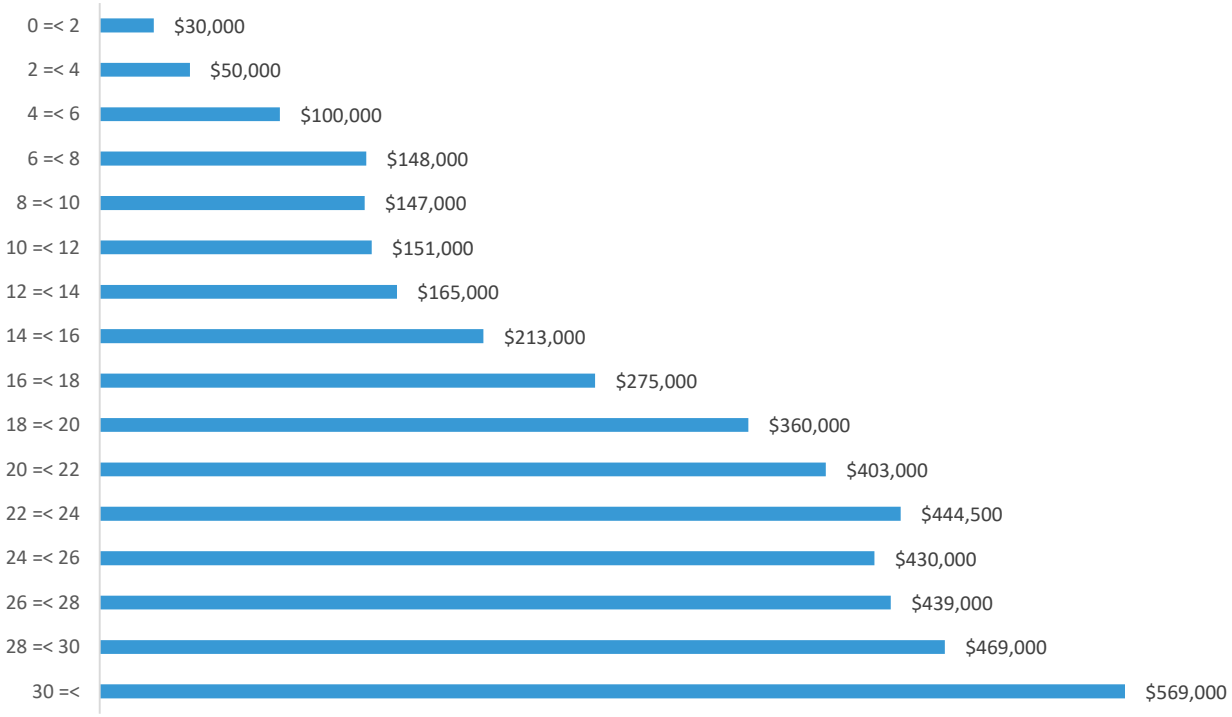
The chart below shows the median return (of profits and loss) by hold period for resales over June.

The typical gain associated with different hold periods is partially reflective of changes in the property cycle. For example, those purchasing 2-4 years ago will have bought close to the peak of the previous housing market upswing in October 2017, while purchases made just a few years prior had yielded twice the median profit. However, the data shows a general trend of longer hold periods associated with greater gains.

The second chart shows sales volumes by hold period. While the median hold period for resales over the June quarter was 9 years, the highest frequency of hold periods over the June quarter were those held between 4 and 6 years.

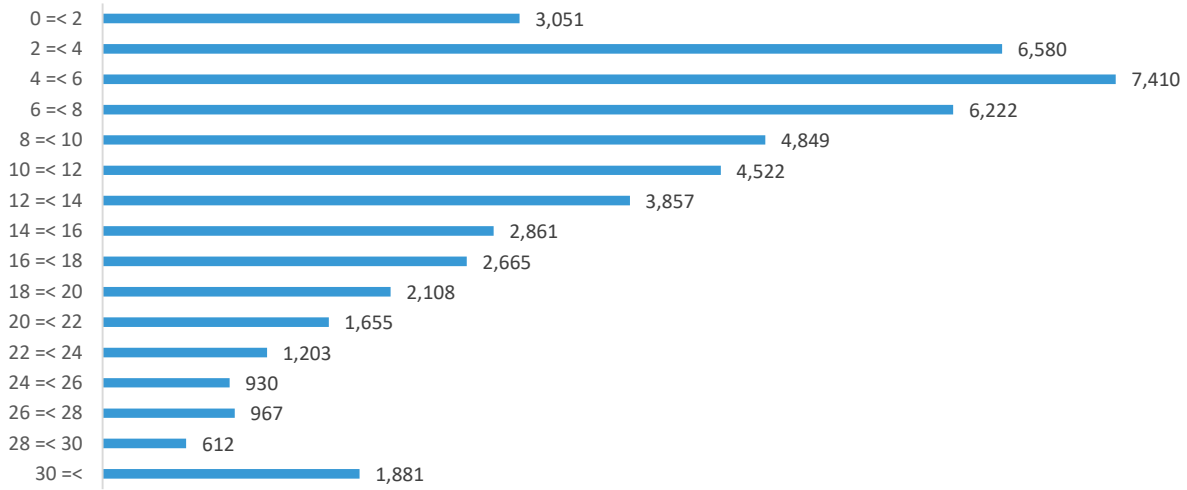
Last quarter it was noted that more recently acquired properties could be tested by the negative economic shock delivered through COVID-19. However, the highest frequency hold period of 4 to 6 years is unchanged from the resales in March. In fact, research from the RBA suggests that due to tightening in the mortgage lending space from 2014 onwards, recent purchases may have more substantial capital buffers, and greater serviceability in the event of personal or rental income loss.

Median return from sale by hold period (years), houses and units combined – June 2020 quarter



Hold Periods

Volume of sales by hold period, houses and units combined – June 2020 quarter



Median hold period (in years) of resales at a loss or gain, houses vs. units, June 2020 quarter

	PAIN		GAIN	
Region	Houses	Units	Houses	Units
Sydney	3.4	4.1	9.6	8.7
Regional NSW	5.7	4.7	8.5	7.8
Melbourne	2.7	6.2	9.9	8.6
Regional Vic	4.8	5.3	9.0	8.3
Brisbane	5.3	6.5	10.2	10.7
Regional Qld	8.5	9.5	9.8	7.5
Adelaide	6.2	8.0	9.7	9.9
Regional SA	9.2	8.7	11.7	10.7
Perth	7.2	7.3	12.8	15.7
Regional WA	9.0	9.7	13.3	15.3
Hobart	2.3	-	8.8	5.6
Regional Tas	4.2	-	8.3	9.1
Darwin	7.1	7.6	10.9	14.6
Regional NT	6.8	-	11.4	9.8
Australian Capital Territory	3.1	7.4	9.2	7.6
National	6.9	6.2	9.8	8.7
Cap city	6.1	5.9	10.1	8.9
Regional	8.1	8.6	9.2	7.9

Focus on Regional Markets

Major mining regions

Over the June 2020 quarter, 39.4% of resales across Australian mining regions saw a loss. The median loss endured across the regions was $65,000.

Major mining regions have generally seen some of the biggest property value declines, and loss making sales, in recent years. However, there are signs that mining regions are starting to rebound.

The improvement in housing market conditions across mining regions was evident in the reduced portion of loss making sales. Of the 6 mining regions included within the analysis, 4 have seen a decline in the portion of loss making sales compared with the March 2020 quarter.

Only the Mackay – Isaac – Whitsunday region saw an increase in the portion of loss making sales over the quarter to 40.3%, which was mild at 70 basis points. The portion of loss making sales in the Townsville dwelling market was also 40.3% over the June quarter, and was unchanged from March 2020.

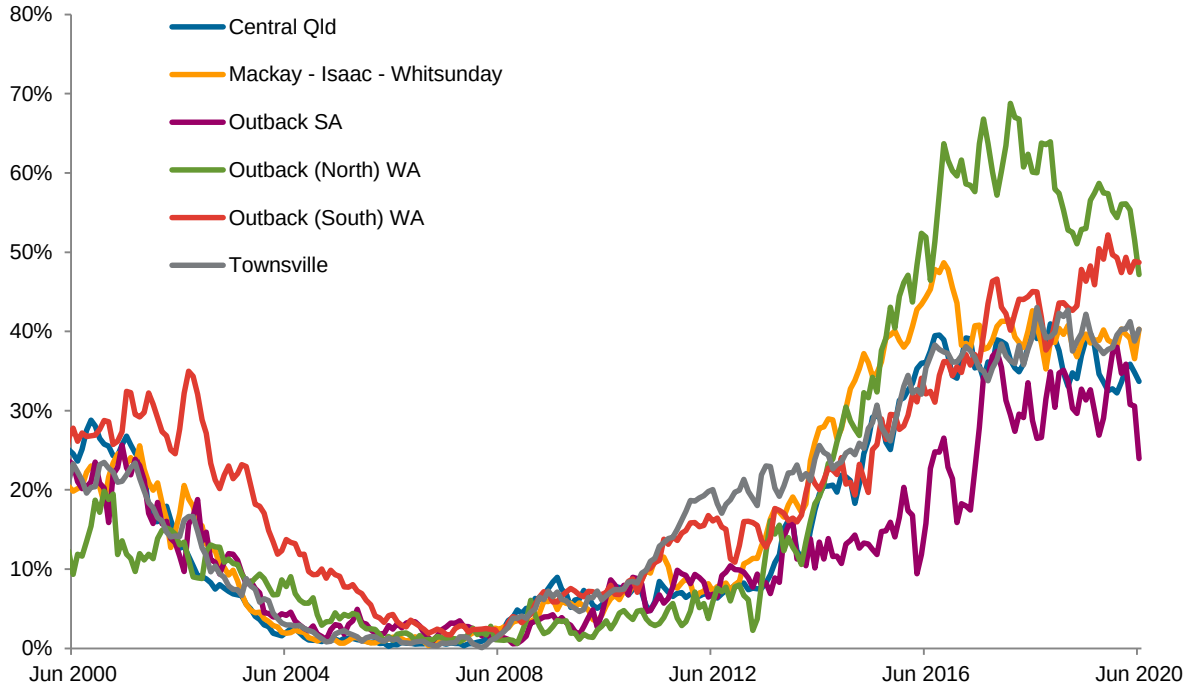
The biggest decline in loss making sales was across Outback South Australia. For the past 3 years, the average portion of loss making sales in Outback SA was 31.8%. In the June 2020 quarter, loss making sales fell to just 23.9%. Resales events in Outback SA were down -16.5% in the June quarter, and the median hold period was relatively high at 11.8 years.

The second largest fall in loss making resales was across Northern Outback WA. The portion of loss making sales fell to 47.2%, down from 51.6% in the previous quarter. This is the first time that a majority of re-sales resulted in a profit in North Outback WA since the three months to July 2016.

The better outlook for property and economic activity in mining regions has been supported by a relative recovery in the Chinese economy, and an uplift in mining investment of 4.8% over the year to June 2020. The increase in mining investment occurred despite the contraction in GDP in the June quarter.

ABS payroll data also shows that economic activity in WA in particular has seen a relatively small impact from COVID-19. Payroll jobs data to 5th of September showed jobs across the state have fallen by less than 1%. National accounts data shows that despite a contraction in the June quarter of around 6%, economic activity across WA increased by 1.1% over the year to June.

Proportion of total resales at a loss over time: major resource regions



Focus on Regional Markets

Major coastal regions

Across the combined market of the 9 coastal regions analysed, the portion of loss making sales fell from 10.2% in the March 2020 quarter, to 9.6% over the 3 months to June.

However, the change in the portion of loss making sales was mixed. The incidence of profitability increased across 4 of the 9 regions analysed.

These were Illawarra, Newcastle and Lake Macquarie, Geelong and the Sunshine Coast. The largest decline in the percentage of loss making sales was across Newcastle and Lake Macquarie, which came down 2.7 percentage points on the March quarter to 5.5% of sales. The second largest fall was across the Illawarra region.

As has been seen in past reports, the Geelong region was by far the most profitable of the major regional coastal markets, with 98.4% of properties selling at a profit. However, recent restrictions across the Victorian economy have potentially weakened purchasing power of those looking in the Geelong market. This is evidenced by recent price falls of 2.2% in Geelong dwellings over the 3 months to August, which may reflect slightly lower levels of profitability in the region in the months to come.

Between the March and June quarters, the portion of loss making sales rose across the Richmond – Tweed and Mid North Coast regions of NSW, as well as Bunbury and Cairns. The largest increase in the portion of loss making sales was across Bunbury, increasing 1.4 percentage points in the June quarter, to 34.5%.

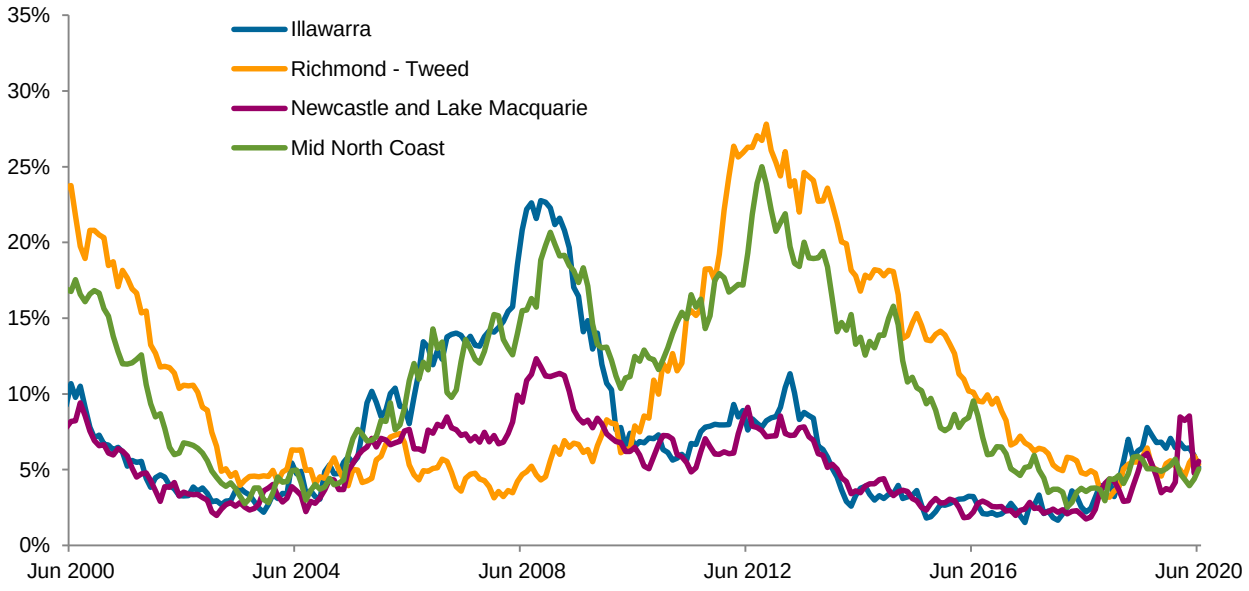
Bunbury had the overall highest *portion* of loss making sales, with an estimated 158 properties selling for less than the previous sale price. However the highest *number* of loss making sales was in the Gold Coast, with 206 loss making sales out of over 1,700 resales analysed in the quarter. Ultimately, the portion of loss making sales was unchanged across the Gold Coast in the June quarter, at 12.1%.

Though COVID-19 has been dominated by the narrative of resilient, regional, lifestyle markets, the June quarter results show that there is variation across regional coastal areas in Australia.

For example, Bunbury still saw over a third of properties re-selling at a loss, reflecting that regional Western Australia has a long road to recovery following the end of the mining boom.

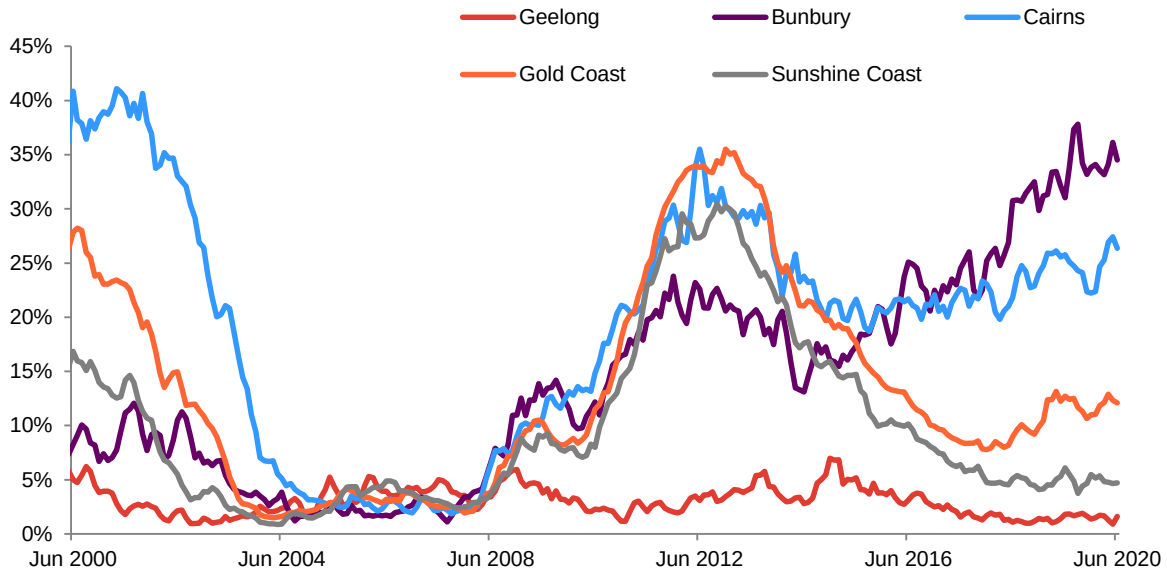
Regional coastal markets in proximity to Sydney seem to show the most rapidly improving rates of profitability, as well as continued capital growth exhibited in the home value index results. In Geelong, where buyers across Victoria may see greater income constraints due to a more stringent, and longer lockdown period, the market may see profitability erode further in the September quarter.

Proportion of total resales at a loss over time: major coastal markets



Focus on Regional Markets

Proportion of total resales at a loss over time: major coastal markets



Focus on Regional Markets

Major non-coastal regions

Unlike regional coastal markets, non-coastal regions generally saw an increase in the portion of loss making sales in the June quarter. For the 9 markets combined, the portion of loss making sales rose to 5.8%, up 80 basis points from the previous quarter.

Of the 9 regions analysed, 5 saw an increase in the portion of loss making sales. These were Ballarat, the Central West, Latrobe – Gippsland, Launceston and North East, and the New England and North West regions.

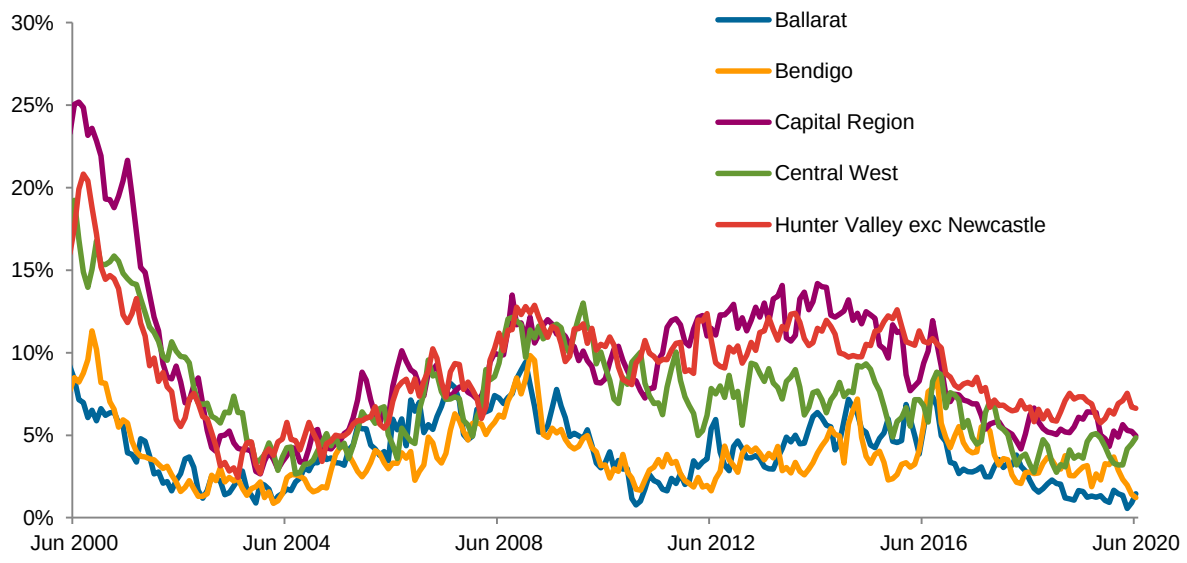
Of the regions, New England and North West had the highest portion of loss making sales at 12.9%, as well as having the fastest *increase* in the rate of loss making sales, which was up 3.7 percentage points in the quarter. The region encompasses towns such as Armidale, Tamworth, Narrabri and Moree. Dwelling values declined 1.2% across the market in the three months to June, which likely reflected the increase in loss making sales. The median loss on such properties was $23,750.

As can be seen in the line graphs below, the New England and North West Region has seen an upward trend in loss making sales since mid-2018. The region has lagged a wider property market downturn that started in Sydney around late 2017. However, the three months to August saw an easing of the decline in dwelling values, which rose to -0.5% from -1.2% in the June quarter. This suggests conditions in the region may be turning, aided by a mix of state and federal incentives for owner occupiers, and falling interest rates.

The highest level of profitability was across Bendigo, where just 4 of 325 resales had seen a loss in the June quarter. Loss making sales in the region were spread across different suburbs. The relatively few loss making sales suggest the cause may be less to do with market conditions, and more to do with individual circumstance. The portion of loss making sales was lower in the June quarter than in the three months to March, at just 1.2%. Ballarat also saw a very low portion of loss making sales in the quarter at just 1.4%

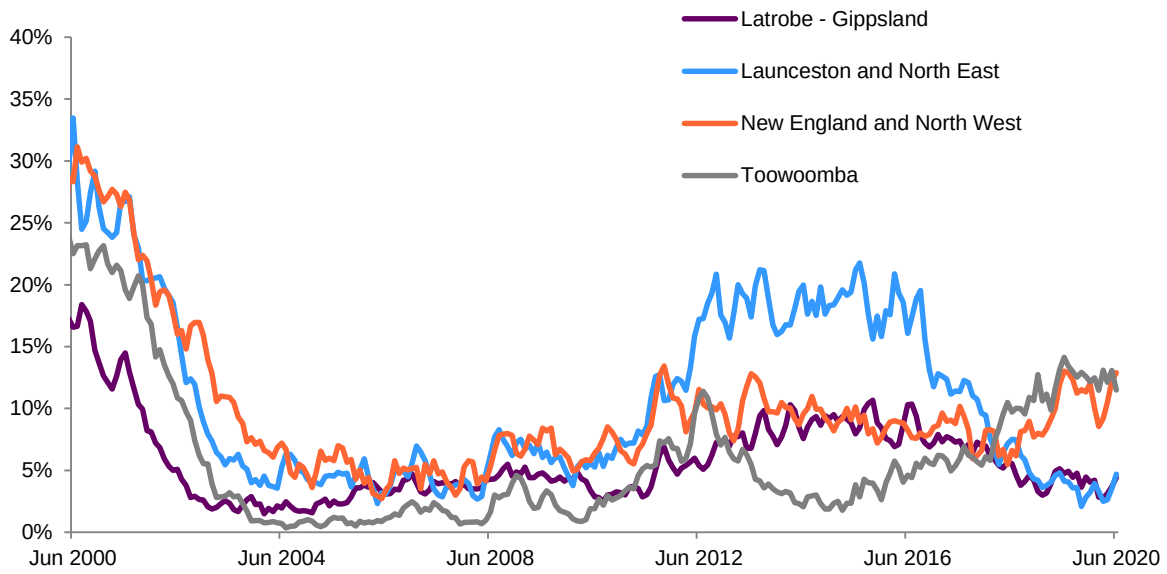
It is difficult to say what the trajectory will look like for inland regional markets. Some of the downside risks include trade tensions with China, which present a headwind for agricultural markets, and the initial economic impact that COVID-19 has had in dampening demand. On the other hand, COVID-19 has also normalised remote work, promoted domestic tourism, and has seen eased monetary policy lowering the cost of debt. Price performance, and thus enhanced profitability in these regions, may depend on consistent economic recovery, contained COVID-19 cases, and climate conditions through spring and summer.

Proportion of total resales at a loss over time: major non-coastal markets



Focus on Regional Markets

Proportion of total resales at a loss over time: major non-coastal markets



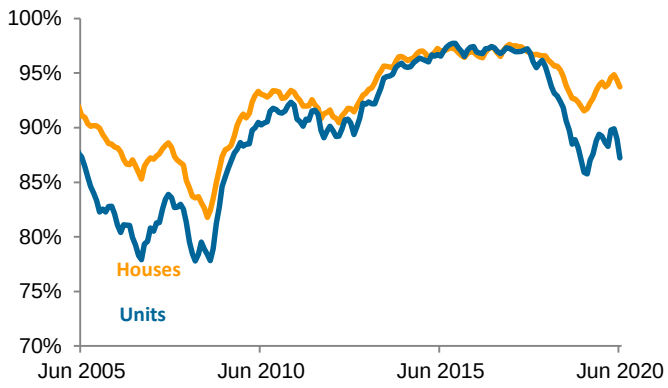
Pain & Gain

Sydney council regions

Over the June quarter, 8.8% of resales saw a nominal loss across Greater Sydney, suggesting the rate of profitable resales declined 1.4 percentage points from the March quarter. This coincides with a 0.8% decline in dwelling values, reducing the potential for profit.

Across the council regions of Sydney, the highest portion of loss making sales were in Botany Bay (18.8%), Parramatta (16.5%), and Ryde (16.0%). The Botany Bay region exhibited 18 loss making sales, with around 7 of these estimated to have been more recent, off the plan purchases. The highest overall *number* of loss making sales was in Parramatta, with around 80 properties selling for less than what they were purchased for.

Profit making resales – houses vs. units, Sydney



Approximately 70% of the loss making sales in Parramatta were investor-owned units. This may reflect some of the recent stress seen in the rental market induced by the closure of international borders amid COVID-19. Median rents across Parramatta LGA units declined 2.6% between March and August. The decline in rent values may prompt more investors to sell if they face difficulty servicing mortgage debt.

The Blue Mountains LGA had the highest level of profitability from resales, at 95.9%. The profitable sales reflect a relatively long median hold period of 10.3 years, as well as data showing Blue Mountains dwelling values continued to rise through the June quarter. Outer West and Blue Mountains dwelling market values fell by 1.0% in value in the 3 months to August, which could dampen the portion of profit making sales through the September quarter.

Overall, the incidence of profit making sales across Sydney may fall further in the September quarter, as they did over the three months to June. This may occur as dwelling value declines become more broad-based across different regions of Sydney. A sharper decline in profitability may be expected in markets with historically high exposure to overseas migration as a source of new housing demand, as international borders remain closed.

	Gross loss-making sales, Jun-20 qtr				Gross profit-making sales, Jun-20 qtr			
Region	% of all sales	Median hold period	Median loss	Total value of loss	% of all sales	Median hold period	Median profit	Total value of profit
Blacktown	7.1%	3.5	-$40,000	-$6,383,647	92.9%	8.0	$331,770	$265,768,940
Blue Mountains	4.1%			-$876,000	95.9%	10.3	$293,000	$74,520,980
Botany Bay	18.8%	4.4	-$62,500	-$1,714,750	81.3%	8.9	$276,250	$31,244,569
Burwood	12.8%			-$870,500	87.2%	11.0	$318,000	$21,717,850
Camden	6.3%	3.4	-$40,000	-$1,928,100	93.7%	5.6	$330,000	$101,796,984
Campbelltown	10.6%	3.0	-$45,000	-$2,832,439	89.4%	9.2	$281,000	$104,740,527
Canada Bay	9.9%	3.4	-$82,500	-$5,875,666	90.1%	10.5	$450,000	$139,055,638
Canterbury-Bankstown	10.2%	4.1	-$38,000	-$6,650,087	89.8%	10.7	$338,200	$205,847,030
Central Coast	6.6%	3.5	-$54,800	-$14,810,704	93.4%	8.6	$265,000	$364,341,009
Cumberland	13.6%	4.1	-$47,500	-$4,086,764	86.4%	10.7	$291,500	$103,783,237
Fairfield	11.2%	4.4	-$74,999	-$2,582,497	88.8%	13.4	$356,500	$87,431,431
Georges River	14.8%	3.7	-$84,000	-$5,694,950	85.2%	9.7	$316,000	$95,551,805
Hawkesbury	7.9%	3.3	-$140,000	-$3,062,413	92.1%	8.8	$332,500	$77,088,666
Hornsby	7.1%	3.6	-$50,000	-$2,488,014	92.9%	10.7	$528,000	$181,614,768
Hunters Hill	15.2%			-$508,500	84.8%	12.8	$753,500	$30,362,500
Inner West	6.7%	3.7	-$64,000	-$4,804,850	93.3%	9.7	$509,500	$262,304,873

Pain & Gain

Sydney council regions (continued)

	Gross loss-making sales, Jun-20 qtr				Gross profit-making sales, Jun-20 qtr			
Region	% of all sales	Median hold period	Median loss	Total value of loss	% of all sales	Median hold period	Median profit	Total value of profit
Ku-Ring-Gai	7.6%	4.0	-$50,000	-$5,018,500	92.4%	7.3	$616,250	$205,730,839
Lane Cove	10.1%	3.2	-$26,500	-$995,000	89.9%	8.4	$350,000	$60,923,688
Liverpool	9.2%	4.9	-$46,975	-$3,378,186	90.8%	10.2	$330,000	$123,329,630
Mosman	5.7%			-$2,149,500	94.3%	8.0	$501,250	$71,120,721
North Sydney	5.9%	3.9	-$87,500	-$3,139,250	94.1%	10.1	$455,000	$154,790,219
Northern Beaches	4.4%	2.9	-$100,000	-$12,379,952	95.6%	8.7	$585,000	$517,971,346
Parramatta	16.5%	4.8	-$49,000	-$6,214,919	83.5%	9.2	$225,000	$144,182,283
Penrith	8.4%	3.6	-$37,000	-$4,993,643	91.6%	9.3	$288,500	$160,800,551
Randwick	5.9%	3.3	-$174,500	-$4,874,500	94.1%	9.1	$510,000	$185,307,043
Rockdale	15.0%	3.6	-$65,000	-$3,844,220	85.0%	10.0	$299,300	$61,242,893
Ryde	16.0%	3.8	-$38,000	-$2,935,656	84.0%	10.3	$350,000	$121,976,055
Strathfield	11.6%	4.9	-$50,000	-$906,500	88.4%	8.3	$230,000	$52,974,712
Sutherland Shire	9.0%	3.1	-$60,000	-$7,208,700	91.0%	9.8	$380,000	$261,046,064
Sydney	8.7%	4.4	-$75,000	-$8,854,917	91.3%	9.1	$341,500	$330,969,781
The Hills Shire	7.9%	3.1	-$53,500	-$3,822,855	92.1%	8.4	$598,224	$279,849,841
Waverley	7.5%	3.1	-$98,000	-$7,602,333	92.5%	7.7	$627,500	$180,769,664
Willoughby	5.5%			-$1,356,000	94.5%	10.7	$652,000	$122,635,100
Wollondilly	7.0%	3.2	-$39,500	-$1,191,100	93.0%	7.2	$355,000	$53,587,494
Woollahra	8.3%	2.7	-$100,000	-$3,715,000	91.7%	9.5	$858,000	$215,251,115

Pain & Gain

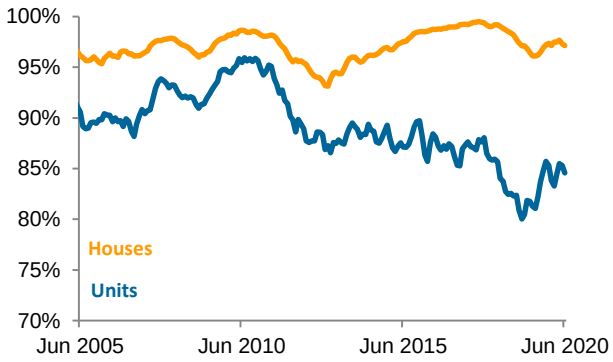
Melbourne council regions

Over the June quarter, the portion of loss making resales across Melbourne was 6.9%, up from 6.6% in the March quarter. This is lower than the recent peak in June 2019, which was 8.2%. The year-on-year reduction in the incidence of loss making resales coincides with the start of a rebound in the Melbourne dwelling market, which saw values sitting 10.2% higher in June 2020.

There was a strong divergence in loss making sales rates between houses and units. 15.4% of unit resales made a loss in the June quarter, compared with just 2.9% of houses.

This is also reflected in the housing stock across Melbourne regions with the highest portions of loss making sales.

Profit making resales – houses vs. units, Melbourne



The Melbourne council region saw nearly 40% of resales make a loss. This is up from around 34% in the March quarter, however the overall *number* of these sales did fall on a quarterly basis. Around 80% of loss making sales were investor owned units.

Higher profitability was seen in regions on the outskirts of the Greater Melbourne region. These include Hobsons Bay, Melton and the Mornington Peninsula, where around 98% or more properties sold for a profit, with the median profit averaging $328,000 in the June quarter. This demonstrates the diversity of performance in Greater Melbourne, which amid the pandemic is dependent on the type of available stock, the composition of the population, and the composition of the labour force.

	Gross loss-making sales, Jun-20 qtr				Gross profit-making sales, Jun-20 qtr			
Region	% of all sales	Median hold period	Median loss	Total value of loss	% of all sales	Median hold period	Median profit	Total value of profit
Banyule	5.4%	3.3	-$75,000	-$1,805,000	94.6%	11.2	$348,750	$101,347,838
Bayside	6.6%	7.3	-$40,000	-$1,212,200	93.4%	9.1	$490,000	$145,314,744
Boroondara	14.6%	4.7	-$86,500	-$9,896,312	85.4%	10.7	$528,000	$219,361,834
Brimbank	3.3%			-$594,000	96.7%	11.6	$285,000	$76,270,973
Cardinia	3.7%	2.2	-$15,500	-$585,500	96.3%	7.6	$255,000	$86,170,353
Casey	2.5%	2.4	-$24,750	-$938,299	97.5%	8.4	$300,500	$219,666,031
Darebin	3.9%	2.8	-$40,550	-$525,100	96.1%	9.8	$321,000	$111,229,357
Frankston	4.2%	3.0	-$20,000	-$515,600	95.8%	9.8	$260,000	$118,218,965
Glen Eira	5.0%	4.8	-$22,000	-$419,400	95.0%	10.1	$379,800	$102,329,615
Greater Dandenong	5.2%	3.4	-$24,901	-$490,691	94.8%	9.5	$255,000	$62,345,627
Hobsons Bay	1.1%			-$27,000	98.9%	10.9	$375,000	$77,814,184
Hume	3.4%	2.7	-$17,000	-$816,100	96.6%	8.0	$271,250	$128,547,521
Kingston	7.2%	3.2	-$26,000	-$1,954,999	92.8%	10.1	$315,500	$137,114,207
Knox	3.0%			-$257,117	97.0%	11.8	$375,000	$121,128,077
Macedon Ranges	2.1%			-$180,000	97.9%	9.0	$345,000	$38,217,798
Manningham	17.5%	3.6	-$47,000	-$2,634,348	82.5%	12.5	$496,250	$90,384,461
Maribyrnong	10.8%	6.0	-$50,975	-$1,332,425	89.2%	9.5	$257,000	$56,502,749
Maroondah	3.3%			-$2,149,000	96.7%	10.9	$356,750	$94,548,596
Melbourne	37.5%	8.0	-$50,000	-$8,660,977	62.5%	11.1	$150,000	$51,140,861
Melton	2.0%			-$280,862	98.0%	6.8	$250,000	$107,824,140
Monash	7.6%	3.0	-$36,625	-$1,687,169	92.4%	10.5	$453,000	$141,038,124
Moonee Valley	8.8%	6.1	-$48,751	-$1,528,721	91.2%	9.7	$338,250	$91,014,614
Moorabool	2.8%			-$230,000	97.2%	6.0	$181,500	$15,572,176
Moreland	9.2%	5.7	-$34,500	-$1,899,149	90.8%	8.9	$255,500	$114,634,241
Mornington Peninsula	2.1%	2.9	-$86,000	-$1,369,500	97.9%	9.4	$357,500	$241,714,724
Nillumbik	5.1%			-$996,802	94.9%	11.1	$425,000	$51,739,322
Port Phillip	12.2%	7.7	-$49,000	-$4,318,225	87.8%	9.7	$183,000	$108,051,923
Stonnington	26.8%	6.3	-$57,348	-$5,787,510	73.2%	8.5	$330,000	$119,894,478
Whitehorse	4.9%	3.5	-$92,568	-$2,213,498	95.1%	13.5	$495,000	$144,965,621
Whittlesea	4.2%	5.1	-$19,950	-$656,251	95.8%	7.8	$320,000	$132,247,400
Wyndham	3.6%	2.2	-$32,000	-$1,045,150	96.4%	7.3	$303,600	$181,415,496
Yarra	18.2%	4.8	-$38,395	-$2,010,518	81.8%	9.7	$340,000	$79,859,996
Yarra Ranges	2.4%			-$732,308	97.6%	10.3	$321,259	$117,570,104

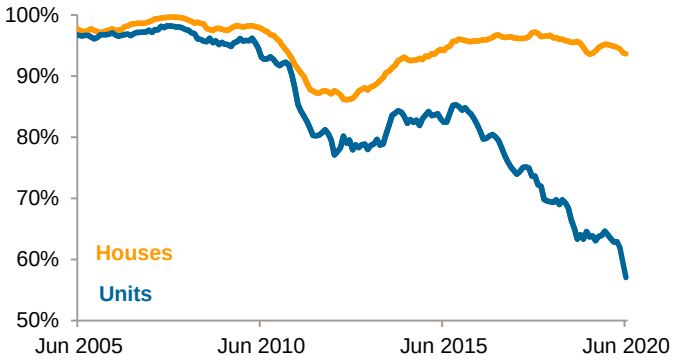
Pain & Gain

Brisbane council regions

The incidence of loss making sales across Brisbane increased to 14.3%, up from 13.1% in the June quarter. This was the highest rate of loss making sales of the east-coast capital cities. Similar to Melbourne, there was a big difference between the loss making sales among houses and units. 43% of units saw a loss at resale in the June quarter, compared with 6.4% of houses.

Prior to the pandemic, there was divergent capital growth performance between houses and units which contributed to these highly different experiences in the two stock types. In the 5 years to June 2020, annualised growth across Brisbane houses was 2.6%, compared to -0.9% in units.

Profit making resales – houses vs. units, Brisbane



The highest portion of loss making sales was across the Brisbane Council region, at 16.3% of resales. The typical hold period of loss making sales was relatively low, at 6.2 years, compared with profitable sales in the region which had a median hold period of 10.6 years.

The highest level of profitability was across the Moreton Bay region, where 90.7% of resales were sold for more than the previous sale price. However, of the 127 loss making sales across Moreton Bay, the median loss was -$38,500, which was the largest typical loss of the Brisbane region.

As discussed in previous quarters, Brisbane and other regions of South East Queensland will likely see a boost to housing demand once interstate border closures are eased. This is because Queensland has been the highest recipient of interstate migration over the past few years, and the normalisation of remote work through COVID-19 may only boost that demand further. Between low mortgage rates, low COVID-19 cases and an improvement in consumer sentiment, there may be a broader increase in values in late 2020 and early in 2021, that could increase the incidence of profit making sales.

	Gross loss-making sales, Jun-20 qtr				Gross profit-making sales, Jun-20 qtr			
Region	% of all sales	Median hold period	Median loss	Total value of loss	% of all sales	Median hold period	Median profit	Total value of profit
Brisbane	16.3%	6.2	-$37,500	-$29,626,167	83.7%	10.6	$184,000	$724,947,156
Ipswich	15.7%	8.6	-$25,000	-$3,615,766	84.3%	9.6	$133,000	$72,772,459
Lockyer Valley	13.0%	10.0	-$25,000	-$490,300	87.0%	10.7	$135,000	$18,410,062
Logan	14.3%	6.2	-$28,250	-$5,370,571	85.7%	11.1	$140,000	$126,025,493
Moreton Bay	9.3%	7.0	-$38,500	-$5,849,241	90.7%	8.7	$130,000	$228,932,166
Redland	12.0%	6.4	-$23,000	-$3,768,799	88.0%	9.6	$110,000	$83,026,086
Scenic Rim	11.1%	9.2	-$12,500	-$344,000	88.9%	10.4	$135,000	$28,217,338
Somerset	10.8%			-$460,000	89.2%	10.2	$125,500	$12,691,500

Pain & Gain

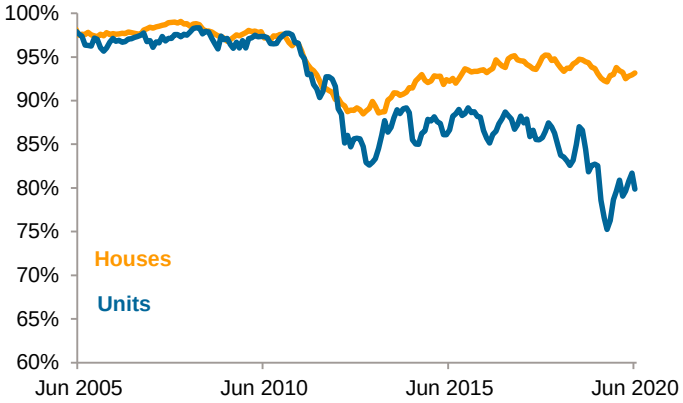
Adelaide council regions

Over the June quarter, Adelaide saw an increase in the portion of profit making resales, with 9.2% of properties seeing a nominal decline in the sale price. This is a reversal of the trend seen in the March quarter, where loss making sales had trended up to 9.9% of resales.

The increase in profitability was faster across houses, which saw a 70 basis point increase in the rate of profit making sales from the March to June quarter, as opposed to a 20 basis point increase across units. 93.2% of houses saw a nominal increase in price in the June quarter, compared with 79.9% of units.

The portion of loss making sales was highest across the Adelaide (21.6%), Playford (21.6%) and Mallala (21.4%) LGA regions.

Profit making resales – houses vs. units, Adelaide



The vast majority of loss making sales across the Adelaide LGA were investor-owned units, which may have been prompted by a decline in unit rent values since the onset of the pandemic.

However, loss making sales were more varied in characteristics across Playford, and loss making sales across Mallala were off a very low base (13 sales). Mount Barker saw the highest level of profitability, with just 2.9% of properties selling for less than the previous sale price in the June quarter.

Greater Adelaide has seen an increase in dwelling values since the onset of the pandemic. This historically steady market will likely only see further rates of profitable sales in the second half of 2020, aided by low mortgage rates and greater consumer confidence amid low COVID case numbers.

	Gross loss-making sales, Jun-20 qtr				Gross profit-making sales, Jun-20 qtr			
Region	% of all sales	Median hold period	Median loss	Total value of loss	% of all sales	Median hold period	Median profit	Total value of profit
Adelaide	21.6%	6.2	-$40,000	-$1,662,150	78.4%	9.7	$90,000	$13,140,130
Adelaide Hills	4.7%			-$68,000	95.3%	9.5	$139,000	$19,053,550
Burnside	5.2%			-$589,112	94.8%	11.4	$240,000	$51,132,100
Campbelltown	7.4%			-$361,500	92.6%	10.3	$169,000	$25,544,710
Charles Sturt	9.2%	4.8	-$20,000	-$1,615,700	90.8%	9.2	$144,500	$56,763,554
Gawler	13.4%	9.6	-$27,000	-$351,700	86.6%	8.8	$48,000	$8,497,695
Holdfast Bay	8.7%	10.7	-$39,900	-$717,950	91.3%	11.1	$151,000	$30,446,690
Mallala	21.4%			-$95,000	78.6%	15.6	$125,000	$1,946,500
Marion	7.1%	6.2	-$15,000	-$622,834	92.9%	9.5	$112,000	$34,745,852
Mitcham	6.6%	9.3	-$15,750	-$174,500	93.4%	10.8	$217,000	$41,902,828
Mount Barker	2.9%			-$49,000	97.1%	9.3	$193,050	$21,542,205
Norwood Payneham St Peters	5.0%			-$509,050	95.0%	9.9	$209,000	$31,287,986
Onkaparinga	6.7%	7.2	-$15,000	-$1,641,329	93.3%	9.8	$108,375	$66,966,876
Playford	21.6%	9.5	-$16,750	-$6,452,212	78.4%	9.1	$60,500	$23,314,033
Port Adelaide Enfield	7.8%	5.3	-$45,000	-$1,762,350	92.2%	8.8	$121,000	$49,061,727
Prospect	10.2%			-$339,650	89.8%	10.3	$155,000	$12,974,853
Salisbury	14.2%	8.8	-$19,000	-$1,409,650	85.8%	11.2	$95,000	$33,759,244
Tea Tree Gully	6.0%	4.9	-$11,250	-$326,300	94.0%	9.9	$104,500	$33,106,230
Unley	4.7%			-$176,000	95.3%	10.9	$235,000	$37,639,780
Walkerville	20.0%			-$185,000	80.0%	9.4	$216,250	$4,850,786
West Torrens	11.5%	6.0	-$18,500	-$489,500	88.5%	11.0	$125,875	$20,725,926

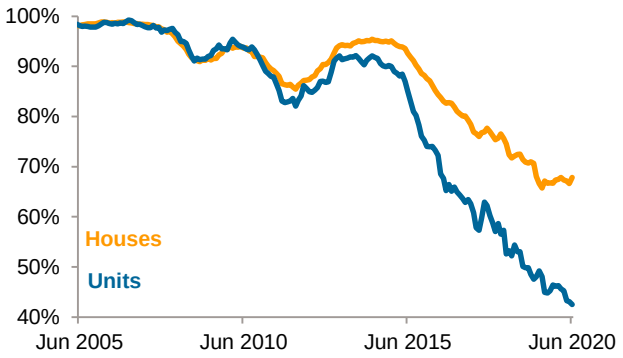
Pain & Gain

Perth council regions

As with March quarter results, resales in the 3 months to June showed a fairly steady portion of loss making sales. The portion of loss making sales was 36.2%, which the second-highest of the capital city markets behind Darwin (where more than half of resales saw a nominal decline).

The overall rate of loss making sales was steady. However, the portion of loss making house sales fell 50 basis points to 32.2%, while unit sales saw a 2.5 percentage point *increase* in the portion of loss making sales, to 57.5%. The council with the highest count of loss making unit sales was Stirling (84 sales), followed by Perth (53). These two regions accounted for around 30% of loss making unit sales across Greater Perth.

Profit making resales – houses vs. units, Perth



The outlook for profitability across the Perth market in the second half of 2020 is more positive, as there are signs the market is returning to the upswing seen before COVID-19. Listings volumes and sales activity are rising across Perth, and through September CoreLogic's home value index has shown signs of dwelling value increases. As well as low mortgage rates and low COVID cases buoying market activity, WA has seen arguably the most demand-side housing stimulus from the state government on top of federal government schemes. This may serve to increase values and increase the incidence of profit making sales.

	Gross loss-making sales, Jun-20 qtr				Gross profit-making sales, Jun-20 qtr			
Region	% of all sales	Median hold period	Median loss	Total value of loss	% of all sales	Median hold period	Median profit	Total value of profit
Armadale	31.2%	7.2	-$69,000	-$5,861,800	68.8%	10.7	$163,000	$32,434,517
Bassendean	27.5%	6.5	-$36,000	-$592,000	72.5%	14.6	$154,000	$4,372,295
Bayswater	52.2%	7.2	-$73,750	-$6,086,400	47.8%	18.1	$201,500	$15,913,949
Belmont	52.9%	6.8	-$64,750	-$4,079,746	47.1%	14.0	$162,000	$7,617,980
Cambridge	25.9%	6.7	-$75,000	-$2,671,000	74.1%	10.6	$350,000	$22,158,783
Canning	30.8%	7.5	-$56,000	-$4,229,900	69.2%	15.0	$215,000	$33,077,387
Claremont	41.7%	6.7	-$110,000	-$2,420,300	58.3%	12.2	$335,000	$8,949,000
Cockburn	38.2%	7.4	-$66,500	-$10,727,560	61.8%	12.8	$236,000	$45,429,740
Cottesloe	43.8%			-$470,000	56.3%			$5,082,500
East Fremantle	18.2%			-$477,500	81.8%	10.7	$190,000	$6,094,000
Fremantle	30.7%	5.7	-$47,500	-$2,372,300	69.3%	12.7	$147,000	$18,056,000
Gosnells	40.1%	7.6	-$64,500	-$7,824,307	59.9%	14.6	$148,000	$24,404,937
Joondalup	28.8%	7.1	-$51,000	-$9,740,000	71.2%	14.8	$265,000	$79,716,034
Kalamunda (S)	38.8%	7.0	-$64,000	-$5,693,049	61.2%	16.5	$252,000	$23,666,772
Kwinana	36.6%	8.0	-$65,000	-$2,655,527	63.4%	7.6	$140,000	$9,092,309
Mandurah	41.8%	7.4	-$60,000	-$13,119,237	58.2%	12.8	$156,000	$33,924,400
Melville	26.0%	6.5	-$43,750	-$6,798,544	74.0%	14.8	$256,000	$62,151,308
Mosman Park	32.3%	10.2	-$61,250	-$885,500	67.7%	14.4	$225,000	$12,462,000
Mundaring (S)	26.3%	6.4	-$35,000	-$1,429,900	73.7%	15.0	$187,000	$16,512,988
Murray (S)	22.6%	6.5	-$60,000	-$1,113,900	77.4%	11.9	$202,000	$10,802,900
Nedlands	34.5%	8.6	-$126,250	-$4,735,000	65.5%	14.3	$665,000	$49,528,150
Peppermint Grove (S)	33.3%			-$700,000	66.7%			$2,101,000
Perth	77.0%	8.1	-$120,000	-$9,208,541	23.0%	15.5	$101,000	$3,085,725
Rockingham	43.8%	7.2	-$52,000	-$33,051,366	56.2%	11.3	$153,000	$38,434,036
Serpentine-Jarrahdale (S)	16.1%			-$797,200	83.9%	7.5	$195,500	$11,217,370
South Perth	38.4%	6.1	-$68,500	-$4,008,000	61.6%	16.1	$112,000	$13,617,926
Stirling	41.9%	6.8	-$70,000	-$19,248,097	58.1%	15.0	$197,500	$79,512,962
Subiaco	28.6%	7.2	-$105,875	-$1,831,862	71.4%	13.4	$218,000	$13,562,970
Swan	32.9%	7.5	-$66,000	-$10,189,195	67.1%	10.5	$188,500	$55,299,488
Victoria Park	33.7%	7.1	-$66,000	-$2,599,001	66.3%	14.6	$178,000	$17,406,767
Vincent	43.4%	6.9	-$72,000	-$3,668,600	56.6%	11.8	$105,000	$11,105,805
Wanneroo	38.3%	7.3	-$55,000	-$14,402,042	61.7%	11.0	$179,938	$67,098,132

Pain & Gain

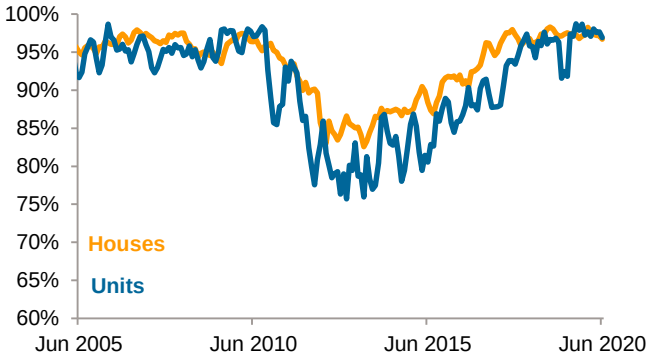
Hobart council region

Hobart has had the lowest rate of loss making sales among the capital city markets since March 2018. This trend continued in the June quarter, as loss making sales comprised 3.2% of resales, compared with an average of 20.0% across the other capital cities.

Despite having the lowest portion of loss making sales of the capital cities, the incidence of loss making sales did rise from 2.5% in the three months to March.

The portion of profit making sales was 96.7% across houses, and 96.9% across units. While units had a higher incidence of profit making sales, the rate declined by a steeper 1.1 percentage points from the March quarter.

Profit making resales – houses vs. units, Hobart



Hobart was also one of few areas in Australia that saw an increase in the *number* of loss making sales, from 16 in the March quarter, to 19 observed in the three months to June.

The unit segment across Hobart has been one of the worst affected rental markets since the onset of the pandemic. Hobart unit rents fell 5.1% between March and August, driven by a fall in tourism which reportedly prompted an influx of short term accommodation supply into the long term rental market, and a fall in demand from locals working in the tourism industries. The significant decline in rental incomes may prompt more investor sales until interstate borders are reopened.

However, the chance of this leading to an increase in loss making sales may be offset by the increase in dwelling values. As with smaller markets such as Adelaide and the ACT, the Hobart dwelling market continued to increase in value from the onset of the pandemic. At August, dwelling values had risen 0.9% since the end of March.

	Gross loss-making sales, Jun-20 qtr				Gross profit-making sales, Jun-20 qtr			
Region	% of all sales	Median hold period	Median loss	Total value of loss	% of all sales	Median hold period	Median profit	Total value of profit
Brighton	2.1%			-$244,765	97.9%	10.6	$141,400	$9,929,200
Clarence	2.9%			-$785,353	97.1%	6.5	$231,750	$37,358,855
Derwent Valley					100.0%	2.6	$55,013	$2,863,613
Glenorchy	0.8%			-$110,000	99.2%	9.0	$181,500	$26,641,852
Hobart	4.7%			-$788,853	95.3%	12.5	$316,500	$41,191,804
Kingborough	10.8%			-$1,440,346	89.2%	8.7	$248,000	$19,114,457
Sorell	3.8%			-$128,175	96.2%	7.3	$186,500	$12,192,369

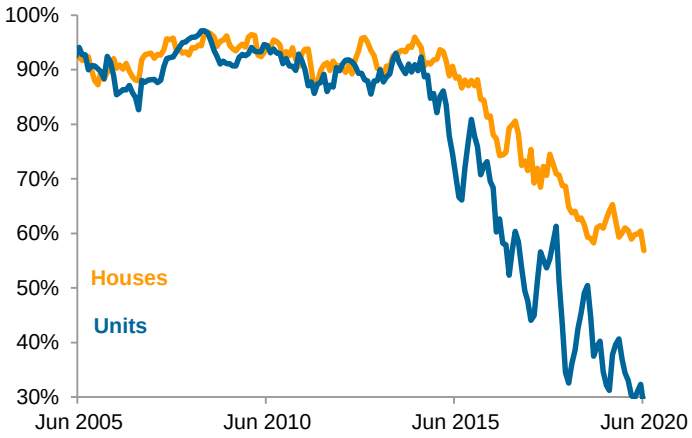
Pain & Gain

Darwin council region

Darwin saw a 1.6 percentage point increase in the portion of loss making sales over the June quarter, to 52.1%. The portion of loss making sales was 43.1% across Darwin houses, and 71.7% across Darwin units. The *volume* of loss making sales also increased, from 154 in the March quarter to 159 observations in the three months to June.

Since the onset of the pandemic, Darwin dwelling values have increased 1.0%. It is worth noting that this is off the back of a downturn that sees dwelling values 30.7% below their peak in May of 2014, suggesting that more profitable sales will take a relatively long time to occur. This is reflected in the typical hold period for profit making sales across Darwin houses, which was around 11 years, and for units which were almost 15 years.

Profit Making Resales – Houses v Units, Darwin



The suburb of Darwin had the highest number of loss making sales in the June quarter (20 sales). The median hold period was 6.8 years with a median loss of $177,000.

However, a turn in market conditions was evident before the onset of COVID-19. As Australian case numbers continue to fall, and sentiment rises in the housing market, the portion of loss making sales could stabilise through the second half of 2020.

	Gross loss-making sales, Jun-20 qtr				Gross profit-making sales, Jun-20 qtr			
Region	% of all sales	Median hold period	Median loss	Total value of loss	% of all sales	Median hold period	Median profit	Total value of profit
Darwin	59.2%	7.6	-$112,500	-$12,795,027	40.8%	13.2	$116,500	$11,790,235
Litchfield	36.8%	7.7	-$160,000	-$1,985,100	63.2%	11.6	$332,500	$8,003,761
Palmerston	47.8%	6.8	-$152,500	-$6,039,182	52.2%	9.6	$199,250	$8,810,936

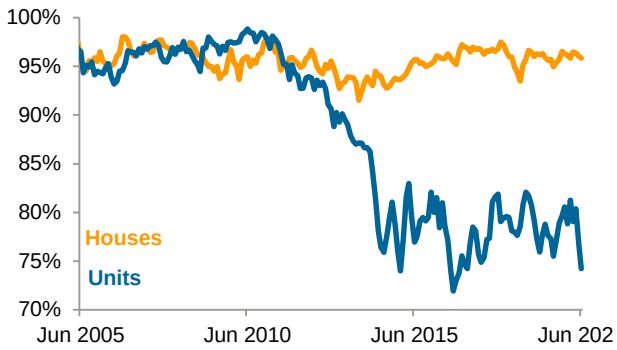
Pain & Gain

Canberra council regions

The ACT dwelling market has been characterised by resilience since the onset of COVID-19. This is largely because dwelling values have risen 1.8% between March and August. In the June quarter, houses had the third highest incidence of profitability among the capital cities at 95.8% of resales. This was behind Melbourne (97.1%) and Hobart houses (96.7%).

However, the incidence of sales making a loss, particularly in the unit sector, presents a sobering caveat to this narrative. 25.8% of units sold at a loss in the June quarter, up from 20.9% in the three months to March. Units comprised 78.2% of the properties that resold for a loss across the ACT, bringing the overall portion of loss making resales to 12.8%.

Profit making resales – houses vs. units, Canberra



Loss making unit sales totalled over 120 in the June quarter, and were most common across the suburb of Belconnen (17 loss making unit sales). Around 70% of loss making unit sales across the ACT were investment properties.

The dynamic in loss making sales is a reminder that while the house segment in the ACT is in high demand, units have not performed as well as houses. As of August, the CoreLogic home value index shows house values were at a record high, while unit values were still -3.1% below their record high value in May 2010. Unit rents have also deteriorated further than houses in the current climate, down 1.5% between March and August.

This is largely because of very high supply in the unit segment, compounded by a lack of demand through COVID-19. Completions of units across the ACT reached a record high in the year to March 2020, at 4,427. Unit performance was fairly weak before the onset of COVID-19, but may start to recover when interstate and international borders are lifted.

	Gross loss-making sales, Jun-20 qtr				Gross profit-making sales, Jun-20 qtr			
Region	% of all sales	Median hold period	Median loss	Total value of loss	% of all sales	Median hold period	Median profit	Total value of profit
Unincorporated ACT	12.9%	6.7	-$30,700	-$18,045,405	87.1%	8.6	$173,500	$268,370,399

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