Economic & Property Review

Australia | Released December 2021

Data to November 2021

Contents

Australia
Data to November 2021

Introduction

CoreLogic has recorded extraordinary numbers on the Australian housing market over the year to November, with the current upswing being the fastest on record over a 14 month period.

Cumulative growth of 23.7% through the current upswing has been accompanied by rapid growth in housing credit and highly elevated sales volumes. As a result, housing has been an integral part of the economic recovery from COVID-19, and forms a higher than average concentration of household wealth in Australia (with the latest RBA figures putting housing at 55.4% of total household wealth).

This edition of the economic and property report explores major housing market trends through to the month of November. The first section of the report provides an Australia-wide overview of housing market performance in the current economic landscape. This is followed by a summary of the housing finance environment, and a review of housing and economic performance in each of the states and territories.

Throughout these sections, the report highlights the slowing of growth in the Australian housing market. Due to varied dynamics across the states and territories, a broad-based upswing in no longer observed. Momentum in the housing market is slowing quickly in Sydney and Melbourne, which is likely due to relatively high listings levels and severe affordability constraints. Across Melbourne, demand appears to be shifting to more affordable areas of the city, with lower-value dwelling markets seeing a pick-up in quarterly growth rates. Similarly, value gains are accelerating across regional NSW, while affordability weighs on dwelling demand across Sydney.

In the smaller cities of Brisbane and Adelaide, value growth rates not only continue to accelerate, but have reached the highest levels seen in over a decade across the cities. Across the ACT, housing demand is now becoming more concentrated in the unit sector, as the median house value closes in on the million-dollar mark, and investor participation rises.

Ultimately, the high value growth and above-average rates of housing turnover seen in 2021 cannot be sustained. The housing finance environment is tightening, with recent changes to lending conditions and signs of mortgage rate increases likely to slow housing demand. Listings levels are normalising across Sydney and Melbourne, and affordability constraints are worsening across most housing markets. As a result, it is expected that 2022 will see far milder rates of appreciation in Australian dwelling values.

Summary of Australian asset values, November 2021

RESIDENTIAL REAL ESTATE	SUPERANNUATION	ASX	COMMERCIAL REAL ESTATE
TRILLION	TRILLION	TRILLION	TRILLION
$9.4	$3.4	$2.8	$1.1

Australian housing and economic update

Summary of housing market statistics to November 2021 - Australia

	Combined capitals	Combined regionals	National
Dwellings			
Month	1.1%	2.2%	1.3%
Quarter	4.0%	5.9%	4.4%
YTD	20.3%	23.2%	20.9%
Annual	21.3%	25.2%	22.2%
Total return	24.6%	30.4%	25.8%
Gross yield	3.0%	4.2%	3.2%
Median value	$783,557	$527,322	$698,170
Houses			
Month	1.2%	2.2%	1.4%
Quarter	4.4%	5.9%	4.7%
YTD	23.0%	23.5%	23.1%
Annual	24.3%	25.6%	24.6%
Total return	27.8%	30.7%	28.4%
Gross yield	2.8%	4.1%	3.1%
Median value	$875,195	$545,063	$750,096
Units			
Month	0.7%	1.9%	0.9%
Quarter	2.8%	5.6%	3.2%
YTD	12.3%	21.7%	13.7%
Annual	12.6%	23.1%	14.2%
Total return	16.7%	29.1%	18.4%
Gross yield	3.5%	4.7%	3.7%
Median value	$634,846	$464,860	$599,069

2021 has seen extraordinary numbers recorded for the Australian housing market. At the end of November, the combined value of residential real estate was estimated to be $9.4 trillion, having only breached the $8 trillion level at the end of April this year.

In the 12 months to November, national dwelling values rose 22.2%, comprised of a 25.2% lift across regional markets and a 21.3% rise in combined capital city dwelling values. In the same period, there were an estimated 614,635 dwelling sales across the country, which is the highest 12 month sales volume since December 2003.

Strong housing market activity has been supported by a combination of factors, including:

Low interest rates. A low cash rate is a key driver of housing demand, with RBA estimates that a 1 percentage point reduction in the cash rate can lead to an 8 percentage point increase in property prices[1]. Through 2020, the official cash rate target was reduced 65 basis points, which in turn has pushed mortgage rates to record lows.

Fiscal and institutional support. 2020 saw the introduction of many demand-side incentives for housing. These include the first home loan deposit scheme, the HomeBuilder scheme, the first home loan deposit scheme (new homes), as well as further grants and stamp duty concessions at the state level.

Non housing-specific fiscal stimulus, such as JobKeeper and the JobSeeker coronavirus supplement, have also helped some Australians service housing costs such as rents and mortgage repayments. At the height of national restrictions in the June 2020 quarter, around 43% of government stimulus payments in response to COVID-19 were used for servicing mortgages, rents, bills or other personal debt[2]. Alongside home loan repayment deferrals, these household support measures stabilised the supply-side of housing through 2020 by preventing distressed sales, and these repayment deferrals were re-introduced amid lockdowns in 2021.

An accumulation of household savings. Strict pandemic lockdowns saw inhibited short term consumption and increased government welfare payments, which contributed to an increase in the household savings rate to 23.6% through to June 2020, against a then decade average of 6.9%. It is likely the elevated level of savings incentivised higher levels of demand for housing.

Relatively low levels of available stock. Total listings levels continue to remain low nationally, as sales of dwellings have outpaced new listings added to the market. In the year to November, there were an estimated 51,220 sales occurring across Australia each month, but new listings added to the market only averaged around 38,000 per month. While new listings have started to rise substantially through November, total stock on the market is still relatively low at the national level, sitting -15.4% below the five year average.

It is also worth noting that housing transaction activity has not been as disrupted by lockdowns in 2021 as it was through 2020. Between March and April of 2020, at the onset of a national lockdown, monthly sales volumes of dwellings fell by around a third nationally. This coincided with a -17.7% drop in the Westpac-Melbourne Institute Consumer Sentiment Index, as high levels of uncertainty around the economic impact of COVID-19 halted purchasing of big-ticket items like housing.

Contrastingly, as parts of NSW, Vic and the ACT entered lockdown through the September quarter of 2021, the decline in national sales volumes was a less severe -1.0% between June and July, followed by an -8.0% drop between July and August. Property values continued to rise through this period, including in areas most affected by lockdown. While monthly consumer sentiment dropped -6.1% between May and September, the index remained above 100 (indicating an optimistic consumer mindset) throughout the entirety of restrictions.

It is probable that lower mortgage rates, and an observed economic and housing market recovery from the end of 2020 contributed to buoyant housing demand through lockdowns in 2021. However, the nature of restrictions also affected housing dynamics, with sales volumes falling far more dramatically in areas where physical inspections of property were prohibited.

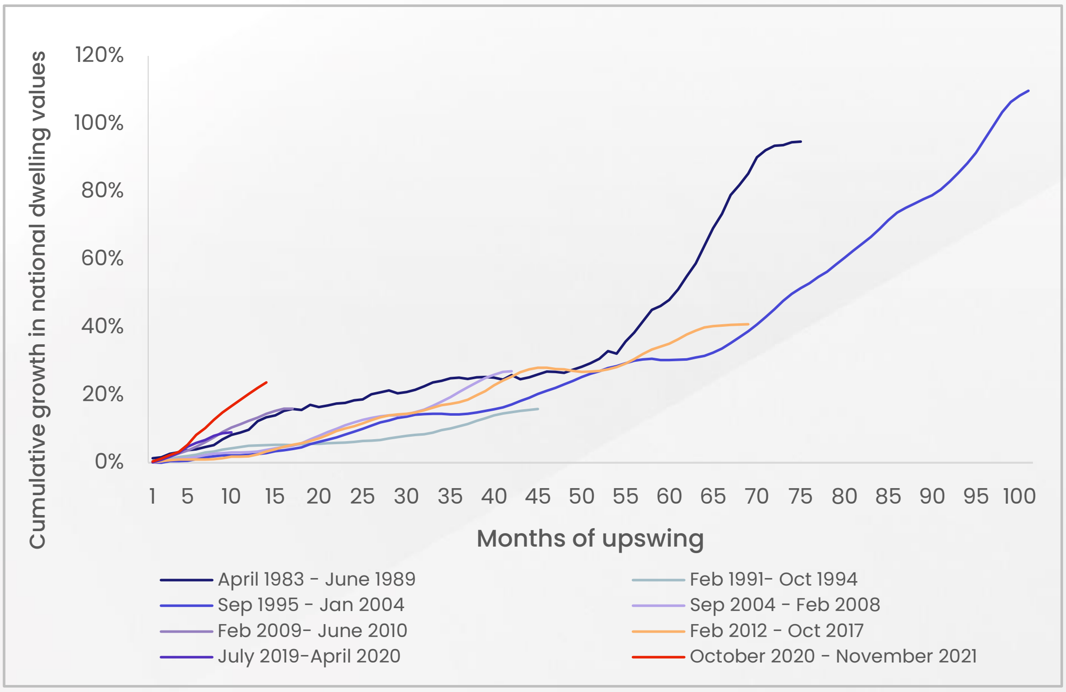
1. Wright, S, 11th March 2019, 'RBA research shows rate cuts inflated the property market', *The Sydney Morning Herald*, accessed online here: https://www.smh.com.au/politics/federal/rba-research-shows-rate-cuts-inflated-the-property-market-20190311-p513ak.html

2. Source: ABS, Household Impacts of COVID-19 Survey, June 2020 release. Accessed online at: https://www.abs.gov.au/statistics/people/people-and-communities/household-impacts-covid-19-survey/detailed-release-june-2020#key-statistics

The fastest upswing 'out of the gate'

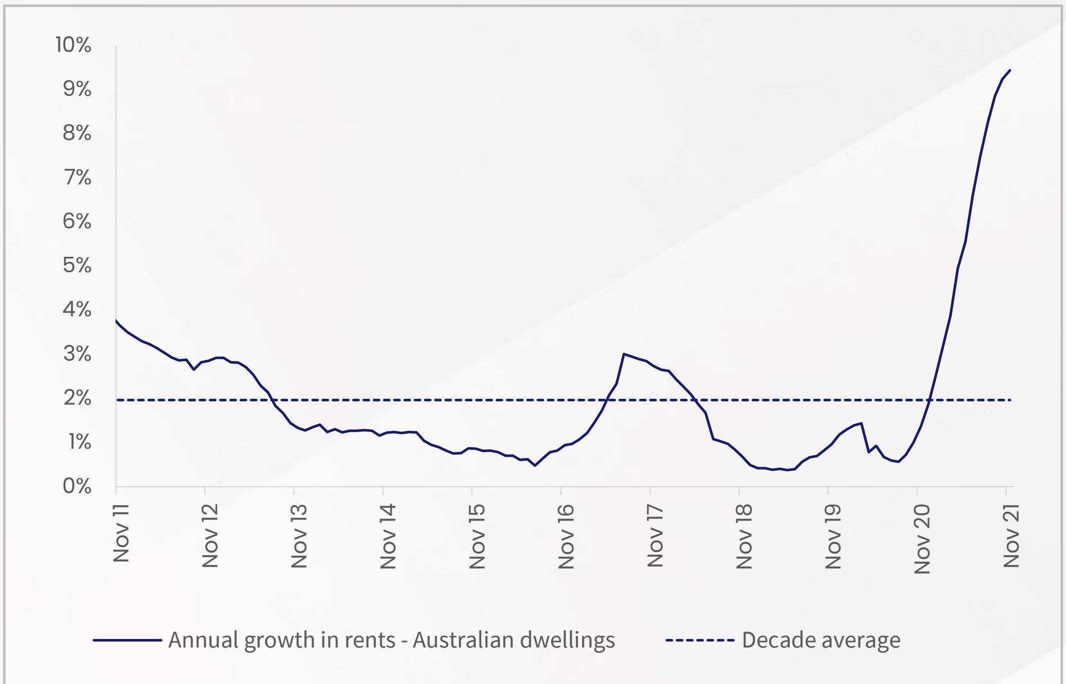
The current upswing has also brought about the fastest rise in the Home Value Index on record for a relatively short period of time. This is evident in figure 1.0, which compares Australian housing market upswings dating back to 1983. The current upswing has lasted 14 months, and through that period has seen national dwelling values rise 23.7%.

Figure 1.0 Periods of increase in the national CoreLogic Home Value Index



Source: CoreLogic

Figure 1.1 Annual growth in rent values



Source: CoreLogic

Growth rates in Australian rent values have also seen a strong uplift at the national level, increasing 9.4% in the 12 months to November, which is the highest rate of annual appreciation since January 2008.

This follows a decade average growth rate of 2.0% (figure 1.1). Median weekly rent values across Australia were recorded at $450 per week as of November. Even in rental markets that have shown greater weakness through the course of the pandemic, such as Melbourne units, a recovery trend has been recorded, with Melbourne unit rents now 1.7% higher in the 12 months to November.

At the aggregate level, the swift rise in rent values may be explained by many of the same factors that have seen dwelling purchasing values rise. Increased government fiscal stimulus, a rapid rebound in economic conditions and relatively low levels of available rental stock may have all contributed to higher prices.

No longer a broad-based upswing

Housing values increased a further 1.3% through November (equivalent to a rise of around $9,100 in the median dwelling value), which is well above the decade monthly market movement of 0.4%.

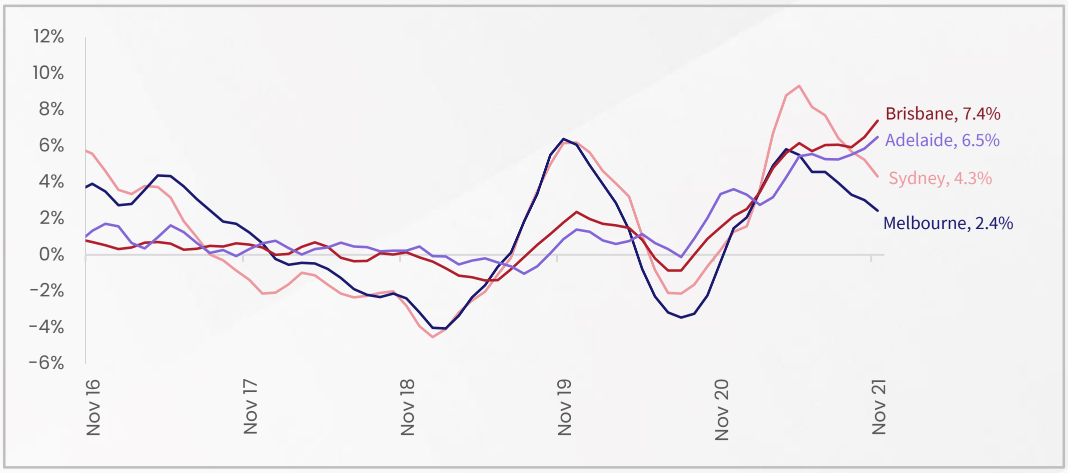
However, momentum across dwelling values and rents is clearly slowing. The monthly growth rate in Australian dwelling values has eased from a peak of 2.8% in March 2021. The weekly auction clearance rate across the combined capital cities has trended down steadily from a record high of 83.2% in early October, to 68.5% through the week ending in the week 28th of November. ABS housing finance data showed lending for the purchase of property declined -6.3% in the three months to October.

The 'synchronised' nature of the current upswing has also changed. While each capital city and rest of state market has seen at least double-digit growth rates in the past 12 months, higher frequency growth rates tell a different story. In Perth, housing values rose 0.4% through the three months to November, down from a recent peak growth rate of 7.7% through the March quarter.

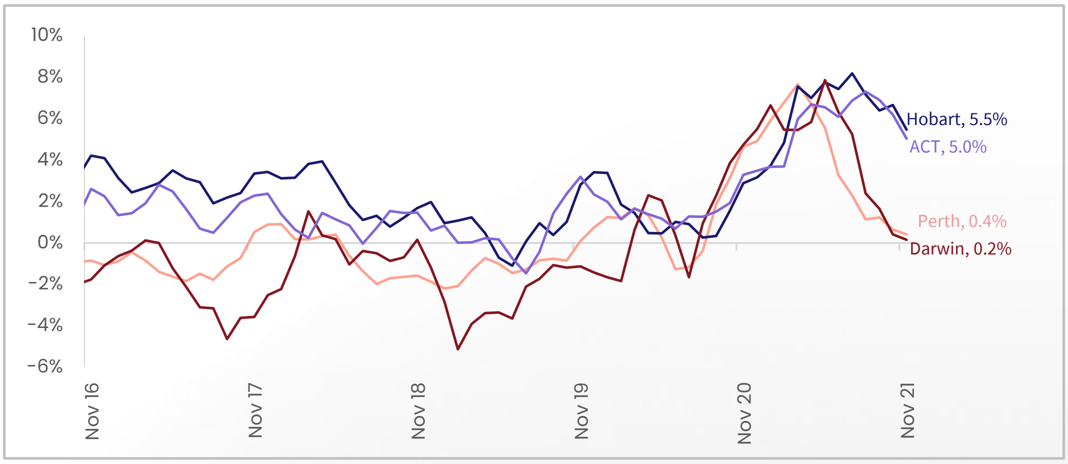
Quarterly growth rates have also eased rapidly in Sydney and Melbourne housing markets. Meanwhile, smaller capital cities are seeing a less noticeable slowdown, or even rising rates of growth. Brisbane home values increased 7.4% in the three months to November, which is the highest quarterly appreciation in dwelling values across the city since December 2003.

Figure 1.2 shows the rolling quarterly growth in dwelling values across the capital city markets, which highlights the divergence in momentum across the different capitals.

Figure 1.2 Rolling quarterly growth in dwelling values, capital city markets.



Source: CoreLogic



Source: CoreLogic

The slowdown in momentum across particular capital city markets may be driven by a range of factors, including varied levels of stock on the market, and affordability constraints. Figure 1.3 shows the level of total listings available for sale through the four weeks to November 28th, compared with a five year average for this time of year that excludes 2020 (where listings volumes through 2020 were significantly impacted by COVID-19).

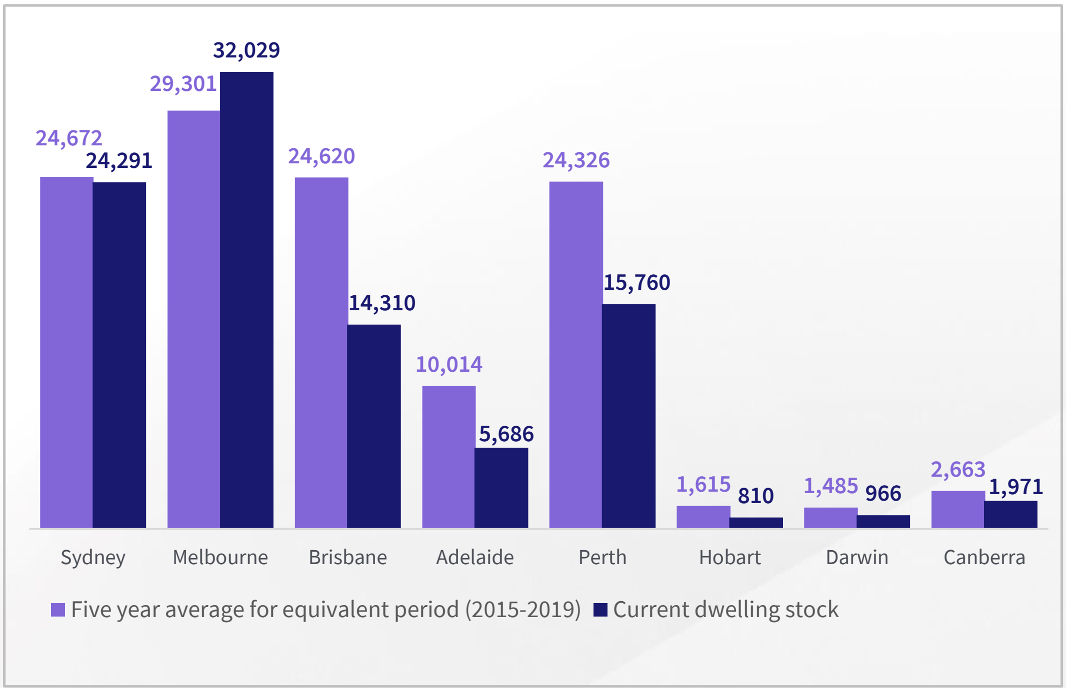
Stock levels across Melbourne currently outpace this five year average, and volumes across Sydney are just -1.5% below the typical listings level. In other words, stock levels in Sydney and Melbourne have largely normalised, which may in part explain why growth momentum has slowed across the largest capital cities.

Other constraints on continued momentum include the deterioration of housing affordability, and more broadly potential limitations on credit (which is further explored in the finance section of this report). On affordability constraints, ABS data shows lending to the more price sensitive, first home buyer cohort has declined -14.9% nationally in the three months to October (figure 2.0). The decline in first home buyer participation would be a particular shock to dwelling markets across WA and the NT, where the concentration of first home buyer finance as a portion of total housing finance is relatively high.

In addition, spending patterns among households may normalise outside of lockdown restrictions. ABS national accounts data showed the household savings rate falling to 9.7% through the June quarter of 2021, down from a recent peak of 23.6% in the three months to June 2020 (household savings then rose to 19.8% through recent lockdowns in the September quarter of 2021). This suggests spending increases as COVID restrictions ease, which would see less savings reserved for big ticket expenditure items such as housing. Higher spending will also help to fuel economic demand, adding to tight labour conditions and inflationary pressures.

CoreLogic

Figure 1.3 Count of listings in the four weeks to 28th of November 2021, compared to previous five year average (2015 to 2019)



Source: CoreLogic

Current total listings volumes are lowest relative to the pre-COVID average across Hobart (-49.8%), Adelaide (-43.2%) and Brisbane (-41.9%), which in part accounts for continued momentum across these smaller capital cities. However, even in these markets, affordability constraints will eventually pose a limit to how quickly property prices can continue to increase, and most Australian housing markets are expected to see slower value appreciation over 2022.

The slowdown in growth rates is currently not being mirrored in regional Australia. Rolling quarterly growth in the combined regional home value index increased to 5.9% in the three months to November, up from a recent low of 5.1% in the September quarter. However, this may be off the back of the major cities of Sydney and Melbourne coming out of lockdowns. A similar trend was seen in the March 2021 quarter, where eased social distancing and travel restrictions saw a surge in migration to the regions, potentially putting more pressure on regional prices.

At the national level, the combination of rising listings volumes, affordability constraints, and tighter credit conditions will likely continue the slowdown in dwelling value growth through 2022. Given that dwelling value trajectories are correlated with transaction activity, a slowdown in the rate of dwelling value growth will likely also see an easing in sales volumes over the year. While the timing and magnitude of a *decline* in national dwelling values is unknown, a change in credit conditions currently seems the most likely trigger for a fall in values.

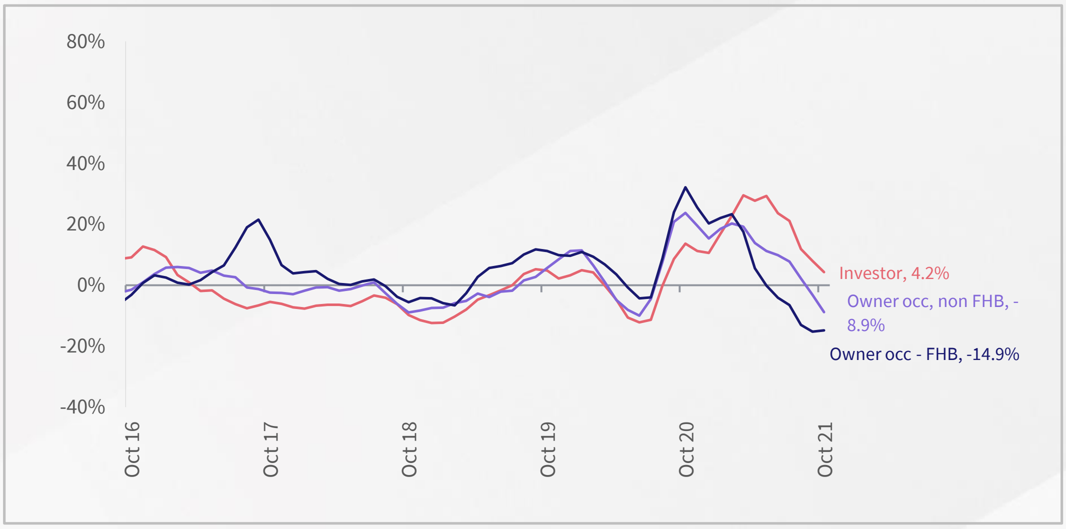
Housing Finance Update

Housing lending conditions have showed signs of easing. New lending for the purchase of property saw monthly falls through four of that past five months between June and October 2021, according to lending figures from the ABS. In the three months to October, total lending declined -6.3%.

The decline in the value of new lending for the purchase of property in the three months to October was driven by a -14.9% decline in lending to first home buyers, as well as an -8.9% decline in lending to owner-occupier, non-first home buyers. First home buyer lending declined across each of the states and territories through the quarter, ranging from a -30.9% drop across the Northern Territory, to a more subtle -5.9% fall across Queensland.

Lending for the purchase of investor property increased 4.2% nationally through the period. Figure 2.0 shows that while investors are currently the fastest growing segment of lending for dwelling purchases, growth rates are also easing across this segment.

Figure 2.0 Rolling quarterly change in the value of secured lending by borrower type, Australia



Source: ABS

Through the September quarter, average lending rates continued to trend to fresh record lows. However, some loan types have shown a marginal increase. A summary of average interest rates by borrower and loan type shows new, interest-only investor loans were steady over the September quarter.

Figure 2.1 Average home lending rates by product type – September 2021

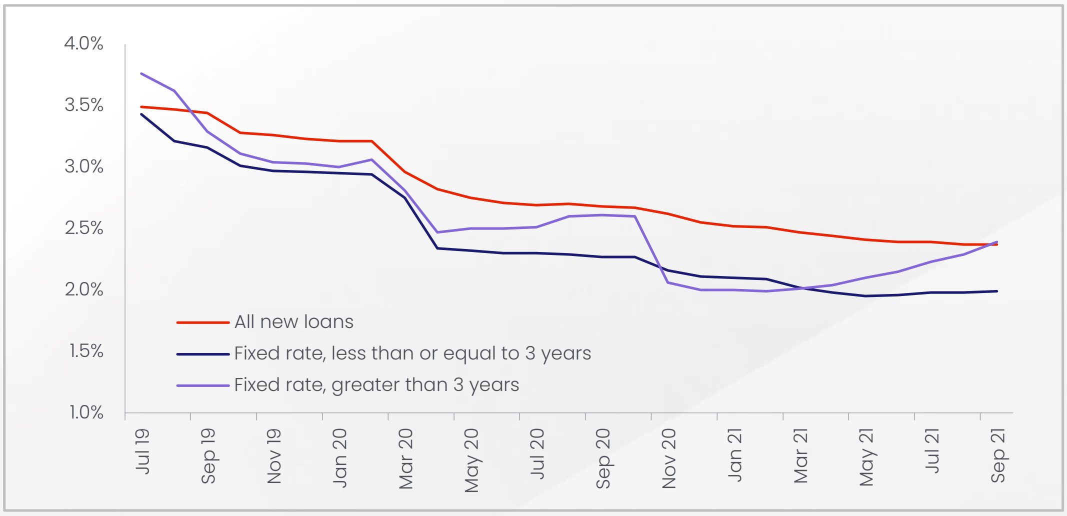
Buyer type	Loan type	Outstanding loans % per annum	QOQ Change	New loans % per annum	QOQ Change
Owner-Occupier	Principal-and-interest	2.70	↓	2.31	↓
	Interest-only	3.60	↓	3.13	↓
Investor	Principal-and-interest	2.99	↓	2.63	↓
	Interest-only	3.32	↓	2.85	-

Source: APRA, RBA. Note data is indicator lending rates for loans across all institutions

Furthermore, RBA data shows average new mortgage rates lent on interest only terms, where the interest only term is greater than three years, have been rising for a few months for both owner occupier and investment loans (figure 2.2). Since July 2021, average fixed rates with terms of less than three years have been rising for owner occupiers, and the same was true of investors from September.

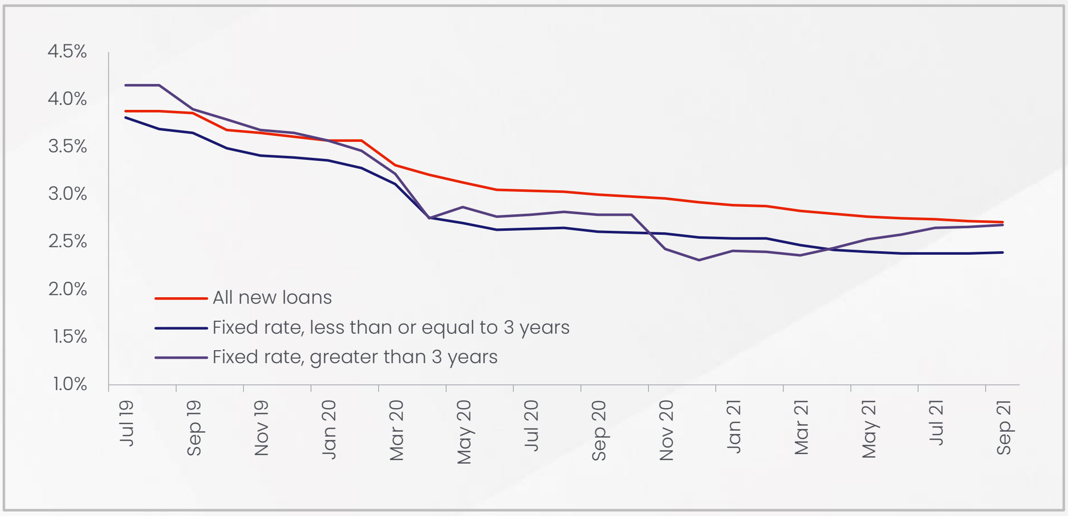
Figure 2.2 Average home lending rates by product type – time series

Average mortgage rates - new owner occupier loans



Source: RBA

Average mortgage rates - new investor loans



Source: RBA

While speculation rose through the September quarter of changes to credit conditions from macroprudential intervention, it is clear that demand for housing finance had already been dented by slightly higher lending rates in the fixed-term space, as well as broader economic constraints such as a deterioration in housing affordability, and lockdown conditions.

How changes to the credit environment could impact housing demand

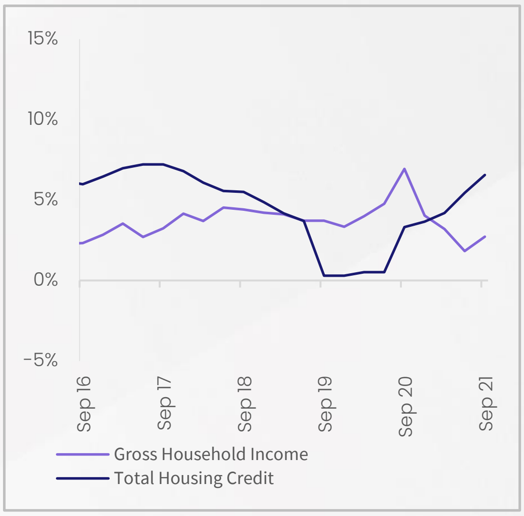
It is clear that the Australian property market has passed its peak growth rates for the current cycle. Longer term, a decline in property prices may be shaped by changes in housing credit conditions. The past few months have seen several developments in this space.

Through the current cycle, the rapid rise in property prices has come with a similarly rapid expansion in housing debt. Figure 2.3 highlights some of the rising risk in mortgage lending associated with this credit expansion.

Housing debt to income for owner occupiers reached a record high 102.1% in the June 2021 quarter, and total housing debt to income was just 10 basis points off the record high seen in June 2019. Housing credit growth was substantially outpacing total household income growth over the year to June, and the portion of loans on debt to income ratios of six or more increased to 21.9% through the June 2021 quarter.

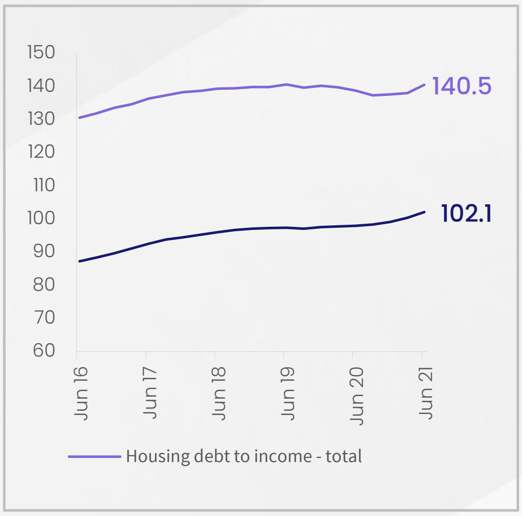
Figure 2.3 Indicators of potential risk in the housing credit environment

Rolling annual change in gross household income vs housing credit



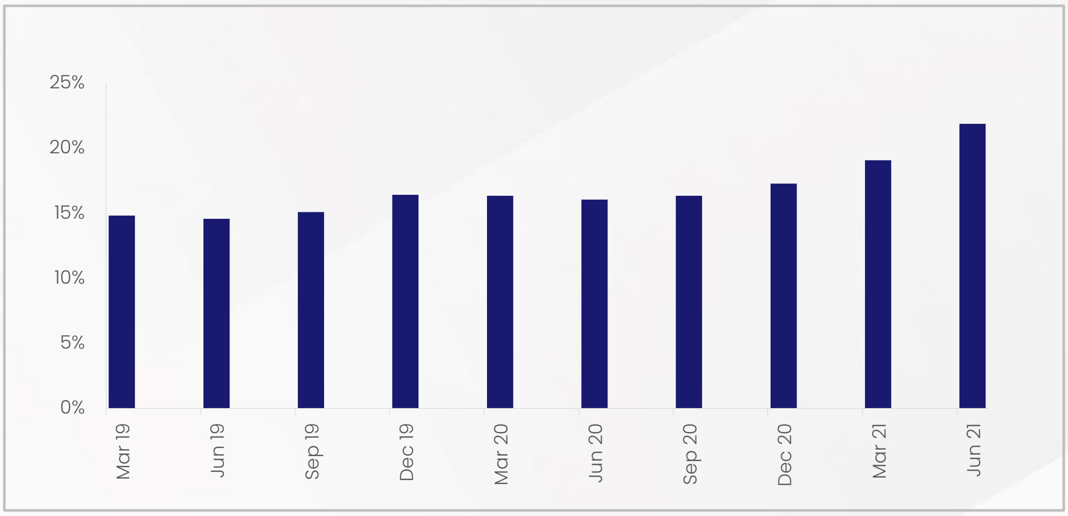
Source: ABS, RBA

Debt to income ratios (percentage)



Source: RBA

Portion of new loans secured with debt to income ratio of >=6



Source: APRA

There have already been institutional responses to the fast-paced rise in housing credit, and rise of potentially risky lending standards. In October, the Australian Prudential Regulation Authority (APRA) announced and increase to the serviceability assessment buffer requirements on new housing loans from November 1st.

Authorised deposit-taking institutions should use a serviceability buffer of 3 percentage points above the product rate on offer to assess a borrower's ability to repay loans at a higher interest rate. This is only 50 basis points higher than the previous buffer, introduced in 2019, with estimates that average borrowing capacity would fall by around 5% for households with no other mortgage debt, while the effect would be larger on borrowers with existing mortgage debts, such as investors[3].

Previous research of borrowing capacity by the RBA suggests a relatively small portion of home buyers borrow close to their maximum capacity[4]. Therefore, the recent changes announced by APRA may only have a modest impact on housing credit demand.

Another factor that could temper housing market demand is a rise in mortgage rates. A strong bounce back in economic activity following COVID-induced lockdowns have increased expectations that a cash rate rise could occur in Australia sooner than 2024, as the RBA have upgraded forecasts around economic performance. At its November meeting, the RBA discontinued yield curve targeting on the April 2024 bond, and acknowledged a cash rate rise "could be appropriate in 2023"[5]. This suggests increased funding costs for banks could occur sooner than expected, which would ultimately put upward pressure on a broader suite of mortgage rate products, reducing demand for housing.

While a decline in demand for housing finance could ultimately reduce home values and equity, this may not lead to a severe deterioration in financial stability.

As an example, dramatic housing value falls have previously been observed across Western Australia, where a peak to trough decline in property values of -20.9% took place between June 2014 and October of 2019. During this time, the unemployment rate across WA peaked at 7.1%, and wages growth slowed to an average annual increase of 1.7%. According to analysis of loans by the RBA, the portion of home loans that fell into arrears of greater than 90 days across WA did not trend higher than 2.0% (though it was still well above the national portion of loans in arrears).

Unlike conditions across Western Australia during the decline in 2014-2019, the next housing market downturn may occur off the back of high wages growth and strong employment levels. This means that even as the value of homes may decline amid higher mortgage rates or tighter lending conditions, mortgage holders may have greater capacity to service their loans. A high inflationary environment will have the added benefit of eroding the real value of debt.

3. Reserve Bank of Australia, October 2021, Financial Stability Review, accessed online here: https://www.rba.gov.au/publications/fsr/2021/oct/
4. Reserve Bank of Australia, October 2018, Financial Stability Review, accessed online here: https://www.rba.gov.au/publications/fsr/2018/oct/
5. Governor Phil Lowe, Reserve Bank of Australia, November 2021, Today's Monetary Policy Decision, accessed online here: https://www.rba.gov.au/speeches/2021/sp-gov-2021-11-02.html

New South Wales

Summary of housing market statistics to November 2021 – NSW

	Sydney	Regional NSW
Dwellings		
Month	0.9%	2.4%
Quarter	4.3%	6.6%
YTD	24.9%	26.9%
Annual	25.8%	29.1%
Total return	28.8%	33.5%
Gross yield	2.4%	3.7%
Median value	$1,090,276	$667,577
Houses		
Month	1.0%	2.5%
Quarter	4.7%	6.8%
YTD	29.1%	27.5%
Annual	30.4%	29.9%
Total return	33.6%	34.2%
Gross yield	2.2%	3.7%
Median value	$1,360,543	$695,251
Units		
Month	0.7%	1.7%
Quarter	3.4%	5.2%
YTD	15.3%	22.7%
Annual	15.2%	24.1%
Total return	19.0%	29.6%
Gross yield	3.0%	4.1%
Median value	$837,169	$551,738

The NSW property market has been in upswing since October of 2020, with dwelling values across the state increasing 26.5% in the 12 months to November 2021. For the twelve month period, this is the second-highest uplift of the states and territories (behind Tasmania, where dwelling values increased 28.6%).

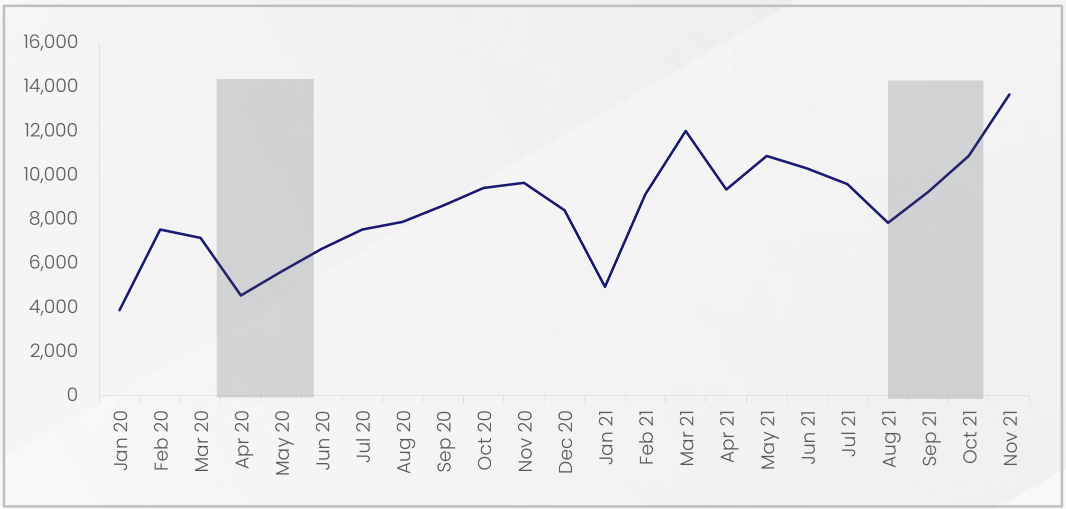
Across the SA4 regions of NSW, the highest 12 month growth rates in dwelling values have been concentrated in higher end, lifestyle markets including the Southern Highlands and Shoalhaven (36.6%), Sydney's Northern Beaches (36.4%), the Central Coast (34.1%) and Sydney's Baulkham Hills and Hawkesbury region (33.2%).

One of the more extraordinary features of housing market activity across Sydney has been the relative resilience of transaction activity through lockdowns between late June and mid-October.

Figure 3.0 shows how transaction activity was buoyant relative to the June 2020 quarter, when similar COVID-19 restrictions led to a sharp decline in sales and listings. The graphs show counts of sales, listings and the auction clearance rate, with shaded overlays representing periods of strict social distancing periods.

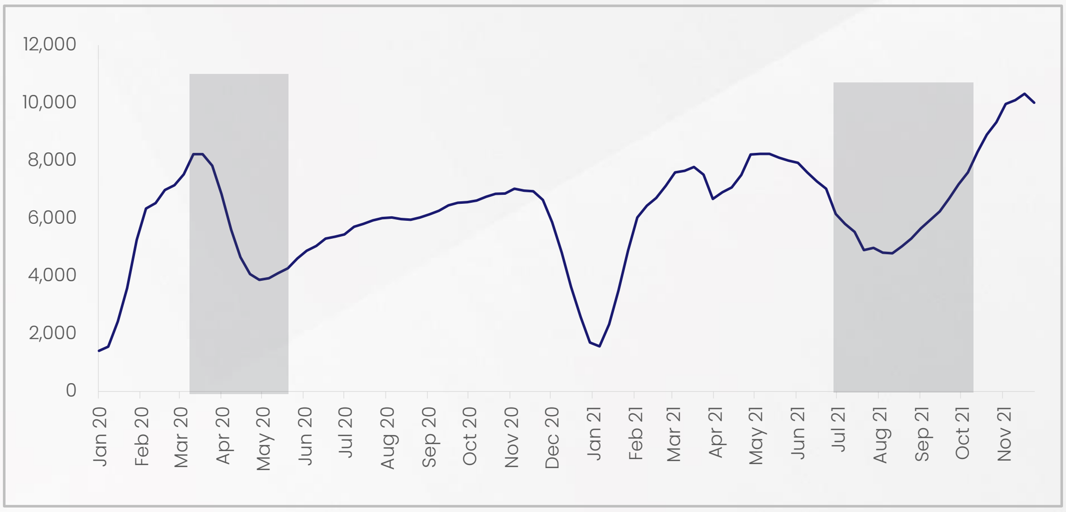
Figure 3.0 Transaction activity through COVID-19 lockdowns, Sydney

Monthly Sales Volumes, Sydney dwellings



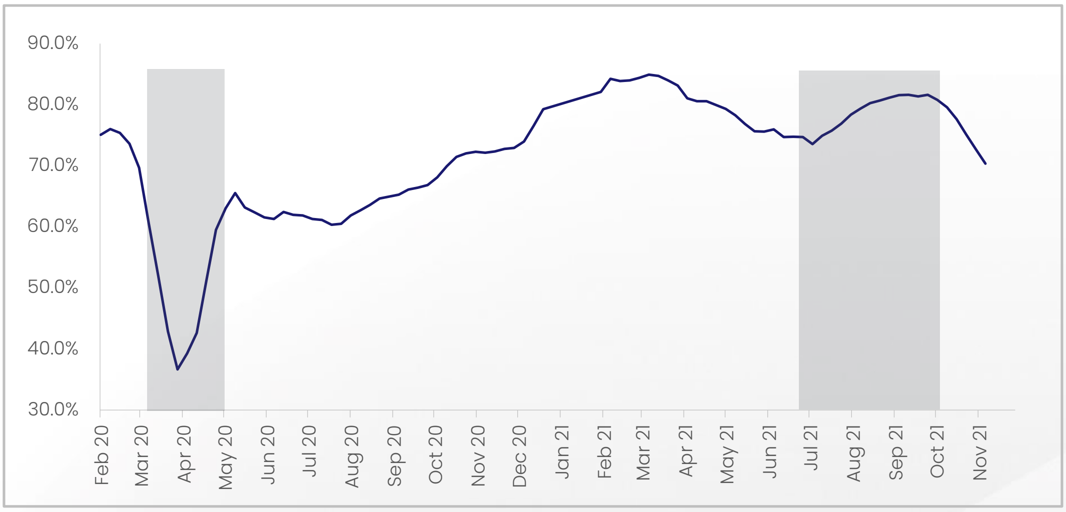
Source: CoreLogic

Rolling 28-day count of new listings, Sydney dwellings



Source: CoreLogic

Four week average auction clearance rate, Sydney dwellings



Source: CoreLogic

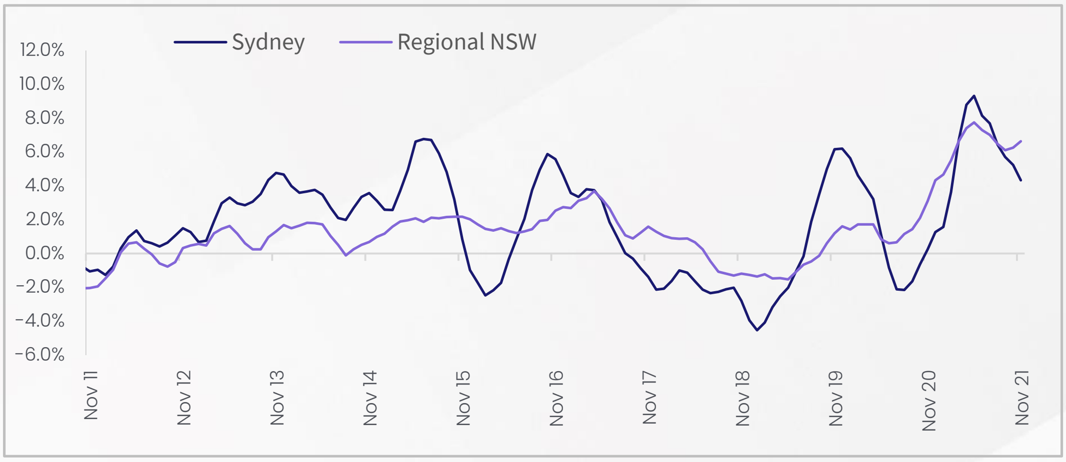
Sales volumes across Sydney declined 36.5% between March and April 2020 at the onset of national stage 2 restrictions, compared to a fall of -23.9% between the end of June and August 2021. The peak-to-trough decline in new listings volumes amid lockdowns in 2020 was -53.0% between late March and early May, compared with a fall of around -32% between June and mid-August 2021. Perhaps the starkest contrast is in auction clearance rates, which bottomed out at 32.1% for the week ending 12th of April 2020, compared to a low of 70.5% for the week ending 4th of July 2021.

The relative resilience of housing activity through 2021 lockdowns are likely the result of multiple factors, including a lower cash rate supporting demand and greater buoyancy in consumer sentiment through this period, as the market became repeatedly exposed to lockdown conditions, and the swift economic and housing market rebounds thereafter.

Despite the stellar performance of property markets across Sydney, there is a clear slowing in momentum. Over the three months to November, growth in Sydney dwelling values was 4.3%. While this is far higher than the decade average quarterly movement of 1.9%, the three month growth rate has eased significantly from its 9.3% peak in the three months to May.

Regional NSW has not seen the same trend in the quarterly growth rate. Quarterly growth rates slowed to 6.3% in the three months to October, down from 7.8% in the three months to May, but have now started to show an upward trajectory once more through November. The time series of quarterly growth across Sydney and regional NSW dwelling markets is shown in figure 3.1.

Figure 3.1 Rolling quarterly growth in dwelling values – Sydney vs Regional NSW



Source: CoreLogic

The slowdown of growth rates across Sydney is likely due to several factors. The first of these is affordability constraints. According to affordability metrics of capital cities through the June 2021 quarter, Sydney recorded the highest portion of income required to service a mortgage (49.1%), required the second highest proportion of income to service rent (30.8%), and required the most amount of time to accumulate a 20% deposit (at over 13 years). Regional NSW is also showing increased affordability pressures, and at June required the third highest portion of income to service a mortgage (41.0%) of the greater capital city and regional markets[6]. However, part of the increase in values may be linked to the relative affordability of the regions to the greater Sydney metropolitan.

While affordability constraints are most pressing across Sydney, the city has also seen a much higher surge in listings relative to other capital cities, and relative to regional NSW. Between the end of an extended lockdown in the week ending 17th of October, and the 28th of November, new listings across the city had surged 20.5%, bringing total stock on the market virtually back to its pre-pandemic, five year average. Across regional NSW, total stock levels are still around -38% below the five year average.

Alongside rising supply and a softening in demand due to high home values, NSW will likely see a slowdown in growth off the back of slowly tightening credit constraints. The latest housing market forecasts from major banks including CBA, NAB, ANZ and Westpac put growth expectations for Sydney at between 5-6% for the 2022 calendar year. This slowdown will likely see vendors react with a decline in listings activity, amid softer buyer demand. The resurgence in momentum across regional NSW may also be short lived against increasingly tight lending conditions.

6. ANZ, CoreLogic, November 2021, Housing Affordability Report, accessed online here: https://news.anz.com/posts/2021/11/anz-corelogic-housing-affordability-report-2020?pid=bln-link-td-bln-11-21-tsk-PennyMedia

Victoria

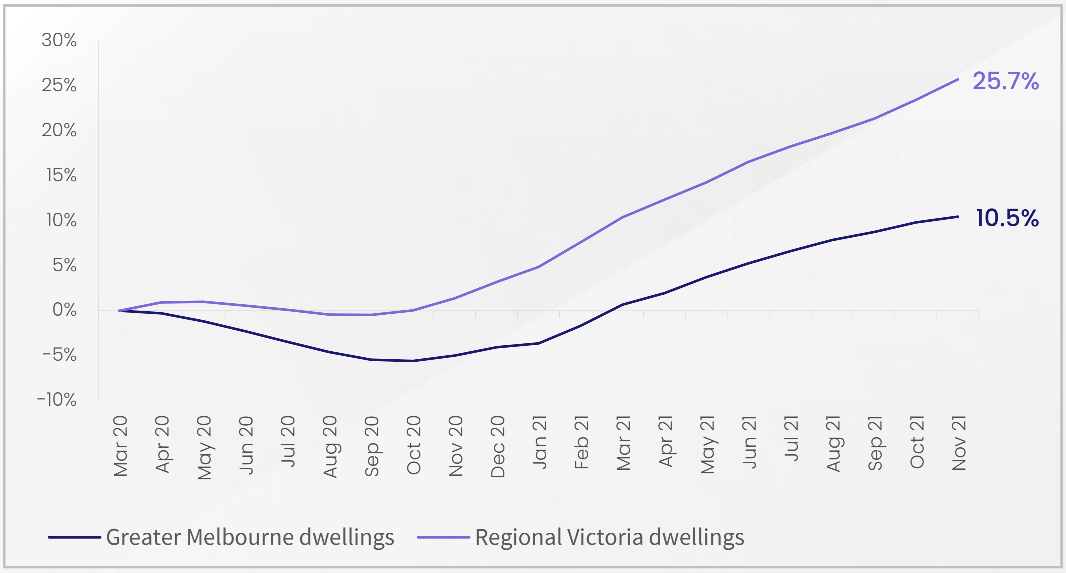
Summary of housing market statistics to November 2021 – Victoria

	Melbourne	Regional VIC
Dwellings		
Month	0.6%	1.8%
Quarter	2.4%	5.0%
YTD	15.2%	21.8%
Annual	16.3%	24.0%
Total return	19.0%	29.0%
Gross yield	2.7%	3.6%
Median value	$788,484	$533,279
Houses		
Month	0.6%	1.9%
Quarter	2.8%	5.1%
YTD	18.1%	21.8%
Annual	19.5%	24.1%
Total return	22.3%	28.9%
Gross yield	2.4%	3.5%
Median value	$986,992	$569,065
Units		
Month	0.5%	1.7%
Quarter	1.7%	3.9%
YTD	8.4%	21.9%
Annual	9.0%	23.9%
Total return	12.6%	29.7%
Gross yield	3.4%	4.3%
Median value	$626,449	$384,072

Victoria has seen the greatest divide in dwelling market performance between its regional and metropolitan market. Greater Melbourne dwelling values have increased 16.3% in the past 12 months to November (which is also the second-weakest result of the capital cities, while regional Victorian dwelling values are 24.0% higher over the year.

Figure 4.0 shows how growth in the home value index compares across Melbourne and regional Victoria since March 2020, showing the onset of COVID-19 was particularly disruptive to the Melbourne market. In Melbourne, dwelling values saw a peak-to-trough decline of -5.6% between March and October of 2020. Meanwhile, regional Victorian dwelling values saw a peak-to-trough decline of just -1.5% through to September 2020, with values fully recovering by November that year, and continuing to reach fresh record highs as of November 2021.

Figure 4.0 Cumulative growth in dwelling values since March 2020 (marking the onset of COVID-19 in Australia).



Source: CoreLogic

The Melbourne property market in particular has suffered two major headwinds brought about by COVID-19. First, Melbourne is Australia's most international market. Based on ABS migration data, the city accounted for 32.6% of Australian net international migration in the three years to June 2019, which was the highest of any capital city or regional market.

The second is extended lockdowns in both 2020 and 2021, which have impacted migration, economic output and housing demand across the city. As with Sydney, Melbourne transaction activity was relatively resilient through lockdowns in 2021 compared with lockdowns in 2020, though transactions were more hindered by private, physical inspections of property being banned between early August and mid-September (Figure 4.1).

Figure 4.1 Monthly dwelling sales amid COVID-19 lockdowns. Sydney versus Melbourne. Highlighted areas represent periods Melbourne was under extended lockdown conditions.

Source: CoreLogic

Despite sales activity being more subdued across Melbourne due to stricter social distancing restrictions, sales activity has overall trended higher amid record low interest rates, and generally rapid recoveries in economic activity following eased restrictions. In the year to November, CoreLogic estimates there were 104,562 transactions across Melbourne, 24.1% higher than the decade annual average sales volume of 84,248.

The Melbourne property market itself has also been subject to varied growth trends based on location and stock type. Melbourne house values have increased 19.5% over the year, almost twice the growth rate of Melbourne unit values (up 9.0% in the past 12 months). Similarly, house rents across Melbourne have risen 4.7% over the past 12 months, compared to a 1.7% lift in unit rents.

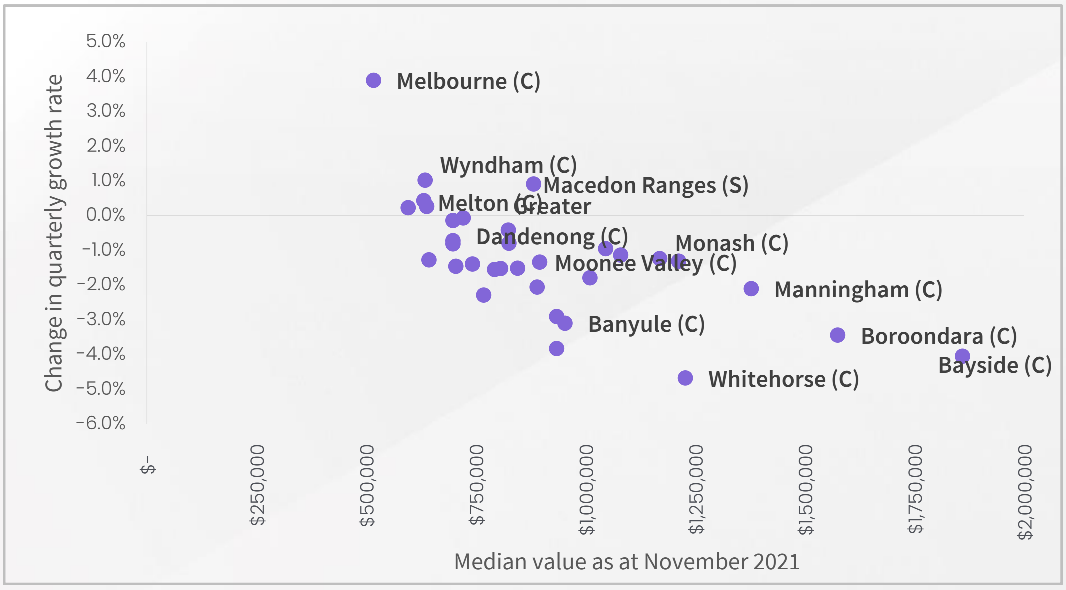
Softer value and rent performance has tended to be across areas that have higher concentrations of unit stock, because it is these more urbanised areas that have higher exposure to overseas migration. The rental market bore the initial demand shock of closed international borders due to most overseas migrants initially being renters[7], and so weaker growth results have also been recorded across high concentration investment markets. These unique demand disruptors have seen relatively low rates of annual growth across inner-city local government area dwelling markets such as Stonnington (up 9.0% in value over the year to November) and Melbourne City Council (up 9.8%).

7. For a greater understanding of how COVID-19 impacted rental markets see the ANZ CoreLogic Housing Affordability Report (https://bluenotes.anz.com/content/dam/bluenotes/images/articles/2020/July/bn-ANZ-Housing-Affordibility-report-Jul2020.pdf), or a recent blog on the rise and fall of inner city rent markets (https://www.corelogic.com.au/news/fall-and-rise-inner-city-rental-markets).

Additionally, outer-suburban areas such as Wyndham and Melton have seen among the lowest annual growth rates in dwelling values over the past year, at 7.6% and 9.4% respectively. However, this may at least in part be a function of a long-standing cyclical pattern across the Melbourne metropolitan, where outer-suburban, lower-value markets are slightly lagged in the growth cycle.

This is demonstrated in figure 4.2, which compares median values in Melbourne LGA dwelling markets, and the change in quarterly growth rates. A quarterly decline in growth rates between November and August 2021 has been more common among higher value areas, while some lower-median value markets have actually seen a pick up in the quarterly growth rate.

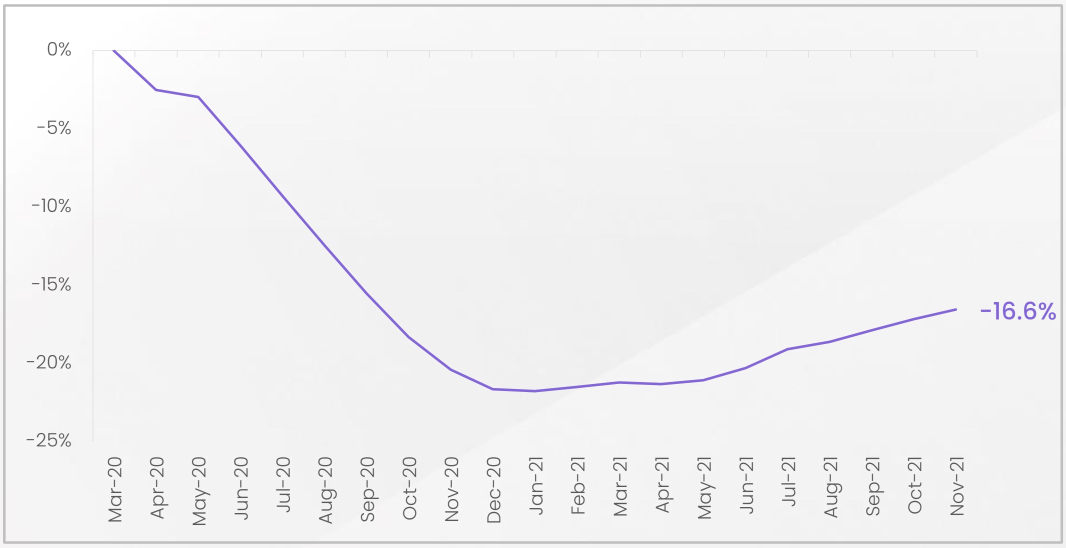
Figure 4.2 Value versus change in quarterly growth between November and August - Melbourne LGA dwelling markets.



Source: CoreLogic

Alongside lower-value markets seeing an uptick in dwelling values, another notable trend has been uplifts in rent values across some of the most affected dwelling markets through COVID-19. Across the Melbourne City SA3 market, dwelling rents saw a drop of -21.3% between the onset of COVID-19 at March 2020, and April 2021. Since then, rent values have increased 6.1% through to November 2021. This still sees rent values -16.6% below the pre-COVID value, but an ongoing recovery trend in evident (figure 4.3). This has also coincided with a decline in total rent listings from a peak of just under 10,000 at November 2020 in the region, to 5,308 at the end of November 2021.

Figure 4.3 Hedonic rental value index, Melbourne City SA3 dwellings - cumulative change since March 2020



Source: CoreLogic

Overall, growth trends appear to be easing across the Melbourne dwelling market. However, there are still signs of momentum in lower-value pockets of the metropolitan area, a steadying in rental markets that were severely impacted by COVID-19, and there may be a surge in activity across regional Victoria following the easing of lockdown restrictions in Melbourne. Most Victorian dwelling markets are expected to enter a downswing phase some time in in the next few years, amid tighter credit conditions, rising interest rates and affordability constraints.

Queensland

Summary of housing market statistics to November 2021 – Queensland

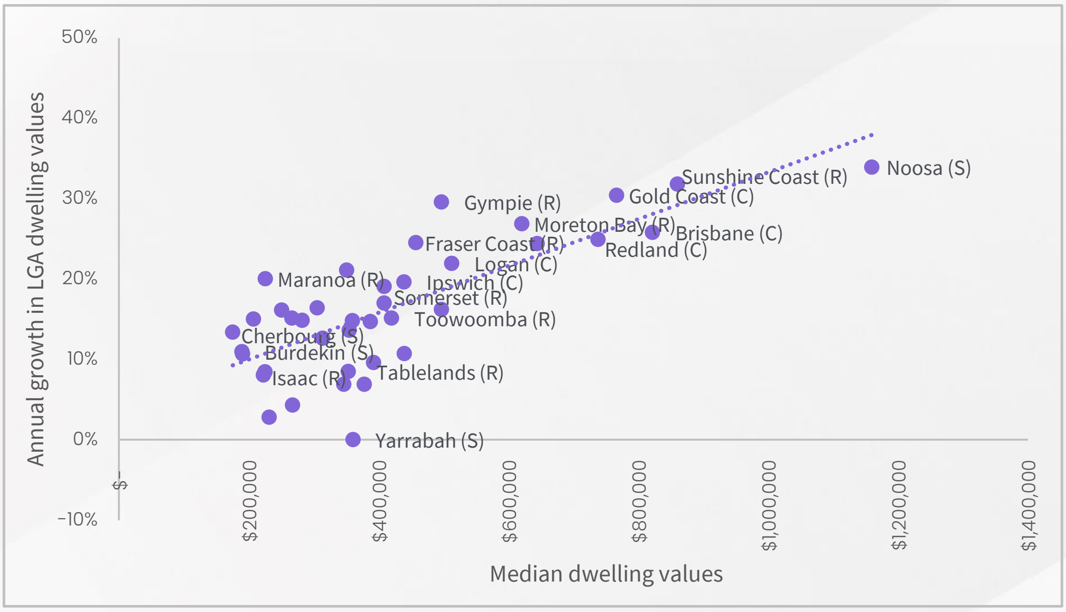
	Brisbane	Regional QLD
Dwellings		
Month	2.9%	2.2%
Quarter	7.4%	6.0%
YTD	23.8%	22.3%
Annual	25.1%	24.1%
Total return	29.8%	30.5%
Gross yield	3.8%	4.6%
Median value	$662,199	$487,722
Houses		
Month	3.2%	2.2%
Quarter	8.2%	5.9%
YTD	26.4%	22.4%
Annual	27.9%	24.3%
Total return	33.0%	30.8%
Gross yield	3.5%	4.5%
Median value	$757,194	$491,219
Units		
Month	1.1%	2.1%
Quarter	3.0%	6.3%
YTD	10.9%	21.8%
Annual	11.4%	23.1%
Total return	17.2%	29.4%
Gross yield	4.9%	4.9%
Median value	$443,981	$478,149

The Queensland housing market has seen highly diverse property performance outcomes, with the highest dwelling value growth concentrated in lifestyle markets along the coast of South East Queensland. Figure 5.0 shows areas with higher median values have tended to show higher rates of capital growth through the 12 months to November, though this is likely also a reflection of other conveniences of these high-value areas, such as proximity to major metropolitan areas.

Brisbane has not only seen robust dwelling value growth in the past 12 months, but it is the only capital city, other than Adelaide, where rolling quarterly growth rates continued to trend higher.

Total listings remain low relative to historic averages across Brisbane, which may be adding to a sense of urgency for buyers. Meanwhile, sales volumes remain elevated across the city. CoreLogic estimates that in the 12 months to November, annual sales volumes were 65,354. This is well above the 10 year annual average of 47,735, and is the highest volume of sales across the city since the year to May 2004.

Figure 5.0 Queensland LGA dwelling markets - growth in 12 months to November versus median value



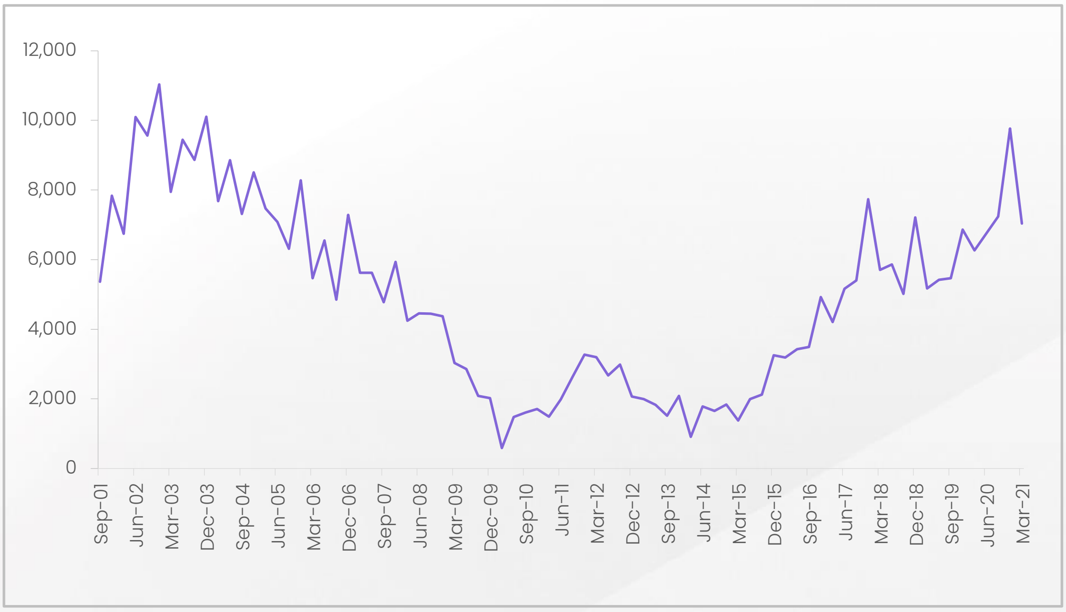
Source: CoreLogic

Similarly to the surge in momentum being observed across regional Australian dwelling markets, the robust growth across lifestyle markets of Queensland may be a reflection of higher internal migration volumes off the back of 'push' factors from major southern cities like Sydney and Melbourne. These factors include higher instances of strict social distancing due to COVID outbreaks, and highly unaffordable dwellings in more desirable parts of those cities.

At $757,194, the median house value across Brisbane is 23.3% less than the median house value across Melbourne, and 44.3% less than the median house value across Sydney.

Net interstate migration to Queensland not only remained the highest of the states and territories through the year to March 2021, but increased 28.2% on the previous year (figure 5.1).

5.1 Net interstate migration to Queensland, rolling annual



Source: CoreLogic

As well as positive demographic trends, robust economic conditions are also being seen across Queensland. The state added 90,445 jobs over the year to October, according to ABS labour force data, the highest of the states and territories.

Between relatively affordable dwellings for interstate migrants from Sydney and Melbourne, rising employment and low exposure to COVID-19, there are plenty of tailwinds for Queensland property markets. This will likely see above-average growth levels in 2022 relative to other states and territories.

This has been echoed in capital city dwelling value forecasts, where major banks place growth across Brisbane dwelling values between 4.9% and 10% in 2022. Westpac, CBA and ANZ forecast Brisbane as the highest expected performer of the capital cities over the year.

Aside from the broader headwinds of tighter credit conditions, higher interest rates and an erosion of affordability, another potential downside risk across Queensland remains its vulnerability to COVID outbreaks. The state may be subject to greater disruptions from COVID-19 compared to states with higher rates of double-dose vaccination, particularly when inter-state travel resumes at more ‘normal’, pre-COVID flows.

South Australia

Summary of housing market statistics to November 2021 – South Australia

	Adelaide	Regional SA
Dwellings		
Month	2.5%	2.3%
Quarter	6.5%	4.4%
YTD	20.1%	14.6%
Annual	21.4%	16.9%
Total return	26.5%	23.5%
Gross yield	3.9%	5.7%
Median value	$558,179	$291,637
Houses		
Month	2.6%	2.3%
Quarter	7.1%	4.3%
YTD	22.4%	14.6%
Annual	23.9%	17.0%
Total return	29.3%	23.7%
Gross yield	3.7%	5.7%
Median value	$608,624	$296,927
Units		
Month	1.4%	2.9%
Quarter	2.8%	5.2%
YTD	6.3%	14.3%
Annual	6.8%	15.1%
Total return	12.5%	20.7%
Gross yield	5.0%	5.8%
Median value	$380,058	$239,924

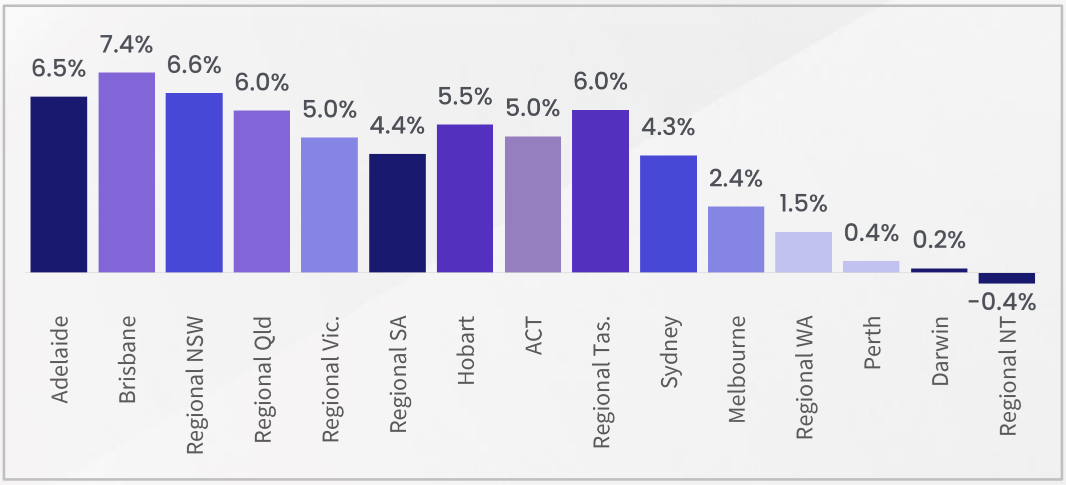
As of November, the quarterly growth in dwelling values across Adelaide was the second highest of the capital city dwelling markets (at 6.5%). Across regional markets of Australia, the regional SA quarterly growth rate was the fifth highest at 4.4%.

Figure 6.0 shows that for Adelaide and regional SA, these gains are very high. The charts show quarterly growth in dwelling values in the three months to November, as well as the percentile ranking of this growth rate for the past 20 years.

For Adelaide, a quarterly growth rate of 6.5% is above 99.6% of all the results seen across the city for the past two decades. In regional SA, the quarterly growth rate was above 94.2% of results. In other words, quarterly housing market value increases in the quarter were among the highest seen in the state over time.

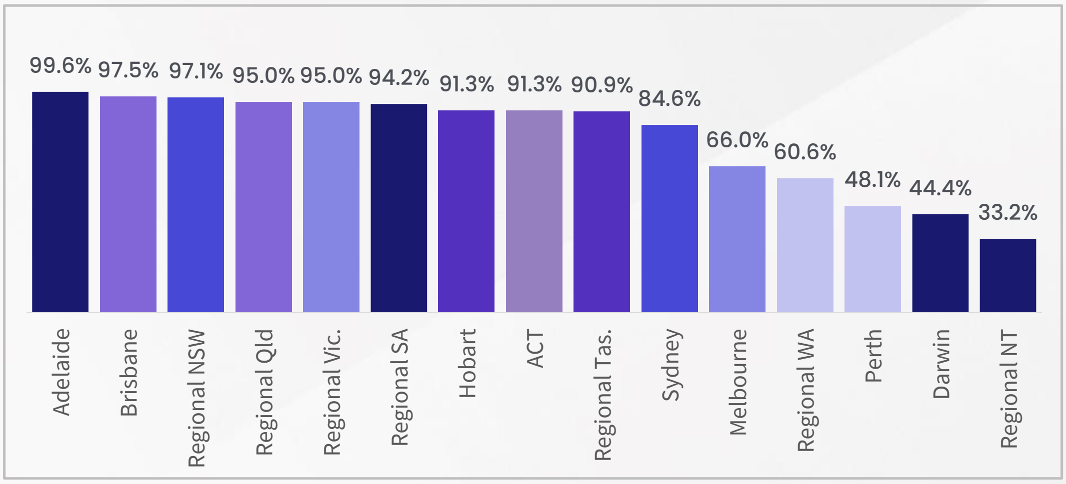
Figure 6.0 How does the latest quarterly growth rate compare to quarterly results in the past 20 years? Percentile rank of November 2021 three month growth rate, by capital city and rest of state region.

Quarterly growth rate – three months to November 2021



Source: CoreLogic

Percentile rank of growth rate out of past 20 years



Source: CoreLogic

Alongside extraordinary growth in dwelling values, sales volumes across the state have been similarly elevated. In the year to November, there were an estimated 41,110 transactions across South Australia, against a historic decade average of 29,467 sales per year.

The Adelaide housing market in particular has seen sustained, high levels of quarterly growth as the pace of growth has declined across the larger capitals. This is likely, in part, attributable to persistently low levels of housing supply. In the four weeks to November 28th, there were 5,686 listings available for sale across Adelaide, which is well below the previous five year average of 9,201 for this time of year.

Strong demand has been concentrated in houses as opposed to units, with house values rising 7.1% in the three months to November compared with a 2.8% lift in unit values, and annual capital growth in houses (at 23.9%) has been over three-and-a-half times the rate of annual appreciation in the unit segment (6.8%).

Across the local government area markets of Adelaide, the three months to November saw the strongest value uplifts across regions just to the north of the CBD, including the Prospect LGA (with values up 7.2% in the quarter), Walkerville (7.4%) and Adelaide Hills (7.1%). The lowest value changes in the three months to November were in the City of Adelaide, with gains of 1.1%. This reflects an ongoing growth trend that has been common across most capital city markets, where inner city precincts with lower typical property values, and higher concentrations of investment property, have seen softer value growth performance since the onset of the pandemic.

Housing upswing integral to strong economic performance

The South Australian economy has been in a fairly strong position through 2021, though a brief period of lockdown through July, and extended interstate border closures may have contributed to slightly looser economic conditions in recent months. ABS figures on Gross State Product (GSP) showed that South Australia had the highest rate of increase in economic activity of the states and territories in the year to June 2021, at 3.9%. The increase in GSP is the first time for the state product series that SA has seen the highest annual growth, though it has followed a decline in state economic activity over the year to June 2020 of -1.0%.

By industry, windfalls for economic performance over the year came from favourable climate conditions contributing to a rise in agricultural output, and a significant increase in activity across manufacturing and health care and social assistance.

Unemployment across SA trended to a recent low of 4.6% through July 2021, against a decade average of 6.4%. The rate of unemployed persons trended slightly higher to 5.3% by October 2021, due to a reduction of the number of people employed, as well as more unemployed people becoming re-engaged in the labour force.

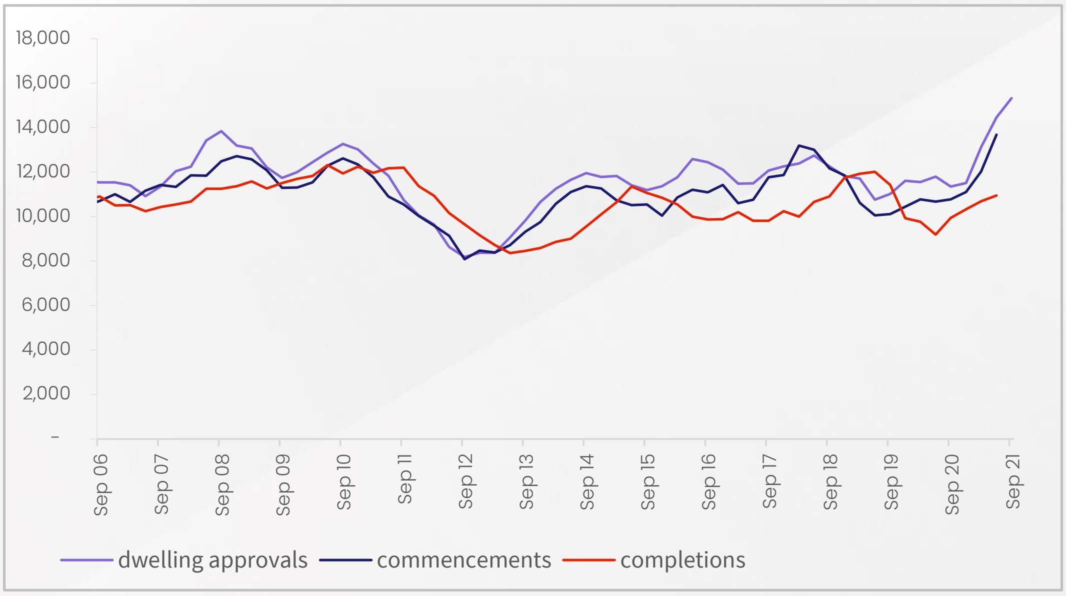
As state border restrictions ease, and rising rates of vaccination mitigate the need for further lockdowns, the SA economy is likely to continue benefitting in the short term from the injection of monetary and fiscal stimulus seen through COVID-19.

According to business confidence findings from the state Chamber of Commerce and Industry, constraints on the supply of labour and materials during a period of high demand have led to a sharp increase in costs of inputs over the September 2021 quarter. But it has also pushed out timings for the pipeline of work, and set a clear expectation for future labour requirements.

This is particularly evident in the housing construction space of South Australia. In the year to October 2021, there were 15,327 dwellings approved for construction across the state, the highest level since June 1985. Of the dwelling approvals in the year to September, 84% were detached houses. The surge in new dwelling approvals occurred off the back of incentives such as HomeBuilder, the First Home Loan Deposit Scheme (new homes), as well as existing state-based programs like the First Home Owners Grant (which is only available for new homes in SA).

Figure 6.1 shows there is typically a nine-month lag between approvals and completion of dwellings, which will likely be extended amid tight labour supply, and supply chain disruptions. Given approvals had risen sharply, construction starts and completions are expected to follow. Assuming completions are finalised 9 months from approval, ABS construction data suggests around 92% of approvals have reached completion over the past decade.

Figure 6.1 – South Australia - residential building activity, rolling annual volume



Source: ABS

With the labour force participation rate rising, there could be opportunities for the residential construction sector to absorb some of the spare capacity in the labour force, boosting employment and reinforcing some of the more positive economic trends seen across the state earlier in 2021.

Notably, with the expiry of HomeBuilder in March this year, dwelling approvals have softened through the September quarter, and fell almost 18% in the month of October. While the extended pipeline of construction work may see residential building activity extend well into 2022, it less clear whether the state can sustain strong jobs growth in construction once booming housing conditions start to ease.

Like most housing markets, growth conditions across Adelaide and regional SA are expected to soften through 2022, as affordability constraints and higher interest rates are realised over the next 12 months.

Western Australia

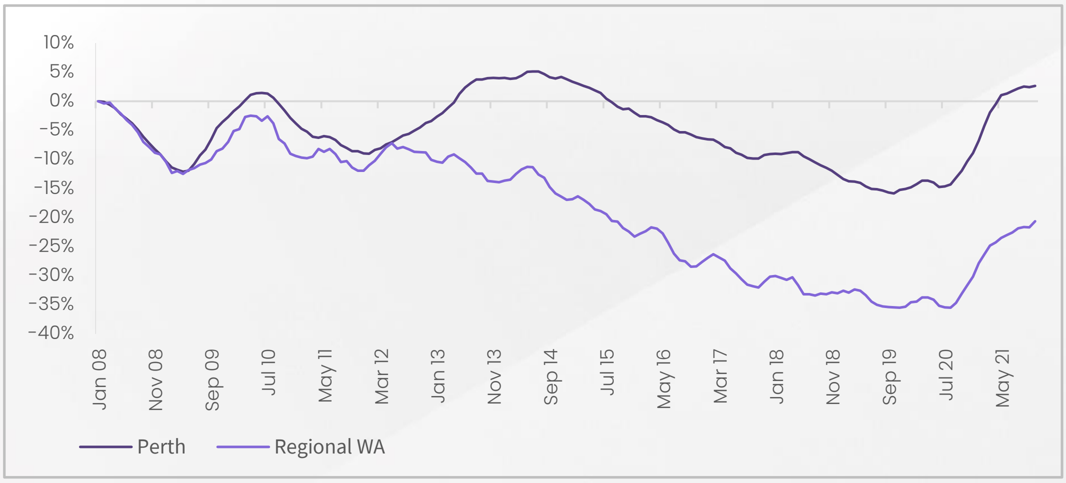
Summary of housing market statistics to November 2021 – Western Australia

	Perth	Regional WA
Dwellings		
Month	0.2%	1.3%
Quarter	0.4%	1.5%
YTD	12.7%	13.6%
Annual	14.5%	16.0%
Total return	19.5%	22.9%
Gross yield	4.4%	6.1%
Median value	$528,540	$375,573
Houses		
Month	0.2%	1.5%
Quarter	0.4%	1.6%
YTD	12.9%	13.8%
Annual	14.8%	16.5%
Total return	19.6%	23.2%
Gross yield	4.2%	6.0%
Median value	$552,158	$388,903
Units		
Month	0.1%	-2.0%
Quarter	0.3%	-0.7%
YTD	10.9%	9.6%
Annual	12.4%	8.9%
Total return	18.5%	18.8%
Gross yield	5.3%	8.2%
Median value	$400,831	$244,907

The Western Australian dwelling market has been in upswing since November 2019, with increases in values occurring in 22 of the past 25 months. This places dwelling values across the state 22.1% higher than the point at which they bottomed out in October 2019, and just -3.4% from the record high seen in June of 2014.

The recovery in WA dwelling values has been more robust across Perth, where values are -2.4% below the record high (reached in June 2014), while dwelling values across regional WA are still -20.7% below the highs seen in January 2008. This is largely because of shallower declines across the city over time than in the regions. Figure 7.0 shows the remarkable turn in house prices across the state, looking at cumulative growth in values since January 2008.

Figure 7.0 Cumulative growth in Perth and Regional WA home value index, Jan 2008 to Nov 2021

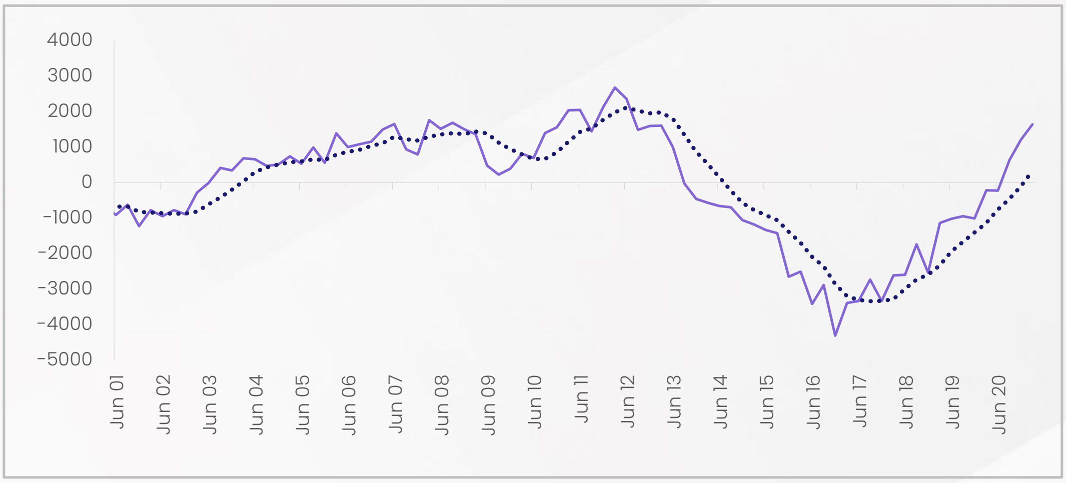


Source: CoreLogic

The upward trend in property prices has followed several cash rate reductions, more positive trends in internal migration, and an uptick in employment, particularly across the mining segment.

The latest internal migration trends through to March 2021 showed WA had a third consecutive quarter of positive net internal migration, the first time this had occurred since the June quarter of 2013. Figure 7.1 shows quarterly interstate migration to WA with a 6 month moving average, which shows the migration trend in WA improving since mid-2016.

Figure 7.1 Quarterly net interstate migration, Western Australia, with 6 month moving average



Source: ABS

CoreLogic

Higher levels of interstate migration may be occurring off the back of expanded job opportunities in the resources sector. With fewer interruptions to economic growth from COVID-19 induced lockdowns, the unemployment rate has trended well below the decade average (which is 5.5%) to 3.9%. At 3.9%, the WA unemployment rate is the second-lowest of the states and territories behind Darwin.

Alongside strong value increases, rents have seen a sharp uplift off the back of the positive turn in migration and employment, against relatively inelastic supply. Over the year to November, dwelling rent values have increased 11.5% both across Perth and regional WA. Available rent listings remain fairly tight across the state, averaging around 8,800 over the past 6 months, down from record highs of 26,441 in August of 2016. The lack of available rental properties may be at least partly attributable to the gradual withdrawal of investors from the property market amid the housing market downturn across WA, which followed a sharp downturn in the mining sector.

Over recent months however, quarterly growth rates have shown a significant slowdown. Perth dwelling values grew just 0.4% in the three months to November, down from a recent peak of 7.7% in the three months to March. Similarly, regional WA dwelling values increased 1.5% in the three months to November, down from a 7.9% uplift in the three months to January 2021.

There may be several reasons for the softening in growth rates across WA dwellings, including the recent decline in first home buyer lending. Of the money lent for the purchase of housing ABS data shows that WA typically has the highest portion lent to first home buyers. This stood at 30.1% through October, and peaked at almost 42% in December of 2020. ABS lending data shows that in the three months to October, the value of new mortgage lending to FHBs fell -10% across the state. As first home buyer demand was likely concentrated around government incentives through 2020 and early 2021, a decline in first home buyer activity since may be contributing to some softening in demand across the state.

Tasmania

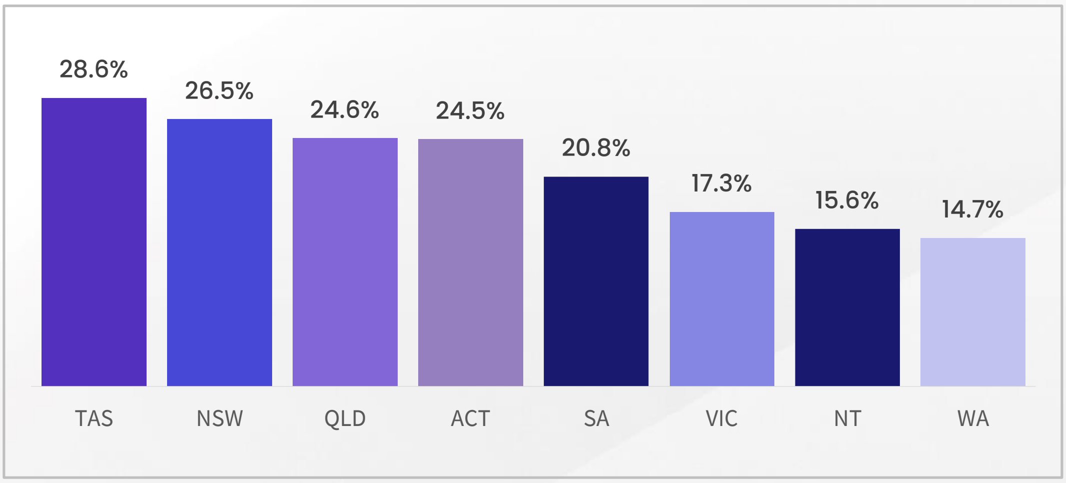
Summary of housing market statistics to November 2021 – Tasmania

	Hobart	Regional TAS
Dwellings		
Month	1.1%	2.5%
Quarter	5.5%	6.0%
YTD	26.8%	27.1%
Annual	27.7%	29.8%
Total return	33.0%	36.9%
Gross yield	3.8%	4.4%
Median value	$676,595	$465,816
Houses		
Month	1.2%	2.3%
Quarter	5.4%	5.8%
YTD	25.4%	27.2%
Annual	26.6%	30.4%
Total return	31.9%	38.0%
Gross yield	3.8%	4.3%
Median value	$726,779	$485,372
Units		
Month	0.6%	5.0%
Quarter	5.7%	7.6%
YTD	32.5%	25.6%
Annual	32.1%	24.5%
Total return	38.0%	30.6%
Gross yield	4.0%	4.9%
Median value	$558,455	$362,088

Tasmanian dwellings continued to dominate growth performance across the states and territories through to November, with dwelling values rising almost 30% in the past 12 months. Figure 8.0 shows how high growth has been in the year to November, compared to other states and territories and previous years across the state.

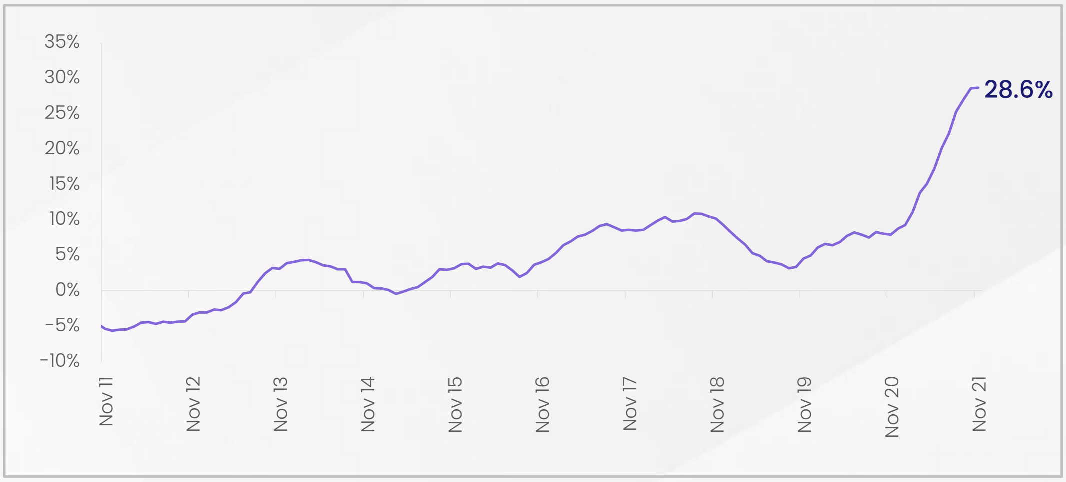
Figure 8.0 Annual growth rate snapshot and time series of annual growth in Tasmania

Annual growth rate to November 2021



Source: CoreLogic

Rolling annual growth in Tasmanian dwelling values



Source: CoreLogic

This takes the five year annualised growth rate of Tasmanian dwellings to 11.8% per annum, while total returns over the past five years (which takes into account earnings from rent income and capital growth) are at an annualised growth rate of 17.6% per annum.

In the past five years, the median dwelling value across Hobart has gone from the lowest of the capital cities (at $359,088) to the fourth highest of the capital cities (at $676,595). In the same period, median rent values have risen from $345 per week to $495.

As well as unprecedented levels of fiscal and monetary support since the onset of the pandemic, strong housing market conditions across Tasmania have been supported by a robust economic and demographic position in the lead up to the pandemic.

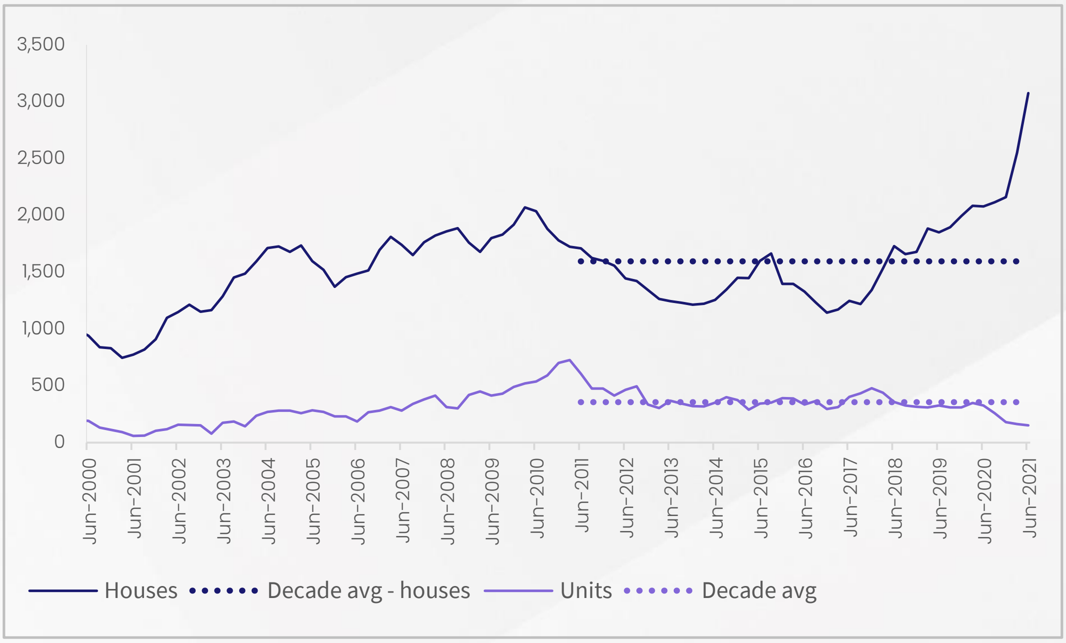
Between the September 2018 quarter and March 2020, ABS migration data suggests Tasmania enjoyed a surge in net overseas migration of 980 net overseas arrivals on average per quarter. This compares to a previous decade average of 454. Since the onset of the pandemic, the surge pivoted to net interstate migration, which remained positive through to the March 2021 quarter. Net interstate arrivals totalled 1,143 residents in the year to March 2021, offsetting a net overseas loss of -338 people from overseas.

Gross state product growth in Tasmania was 3.8% in the 2020-21 financial year, the second-highest growth rate of the states and territories behind South Australia (where GSP growth was 3.9%). This was driven by growth in forestry, livestock and dairy production across agriculture, as well as a strong lift across health care and wholesale and retail trade. Jobs growth across Tasmania was 3.8% in the 12 months to October, well above the decade average of 0.9%.

Another factor that has contributed to such high value increases across the state has been relatively constrained levels of new housing supply. ABS data shows completions of new dwellings have been relatively low compared with other states and territories, despite extremely strong housing demand, averaging 623 per quarter in the 10 years to March 2021.

However, the supply situation across the state is starting to turn. As HomeBuilder was phased out in March of 2021, the Tasmanian government committed to increasing the first home buyer grant from $20,000 to $30,000. The boost to the first home owner grant (which applies only to new homes), has been back-dated to April 2021, and will be in place until June of 2022. Combined with the Hombuilder Scheme, the boost has created an unprecedented uplift to the construction of new homes across Tasmania, with most of the demand concentrated in the detached house segment (figure 8.1).

Figure 8.1 Houses and units under construction – Tasmania



Source: ABS

This is expected to see an elevated level of housing construction, which will in turn support jobs growth across the state.

Gains in residential property value and rent returns across Tasmania has been good news for home owners. In addition, these returns may have contributed to continued growth in housing finance across the state for the purchase of investment properties. Housing finance to investors rose 5.5% in the three months to October, off the back of a strong 30.8% uplift in the 3 months to July.

However, affordability constraints are clearly weighing on owner-occupier demand, which fell -8.0% for first home buyers, and -9.9% for non-first home buyers in the same period.

Through the June quarter, Hobart was the third least-affordable capital city behind Sydney and Melbourne according to the house price to income ratio (where the median dwelling value is 8.0 times the median income), the amount of time taken to save a 20% deposit (10.6 years) and the amount of income required to service a new mortgage (38.6%). Where Hobart was the least affordable capital city was in terms of rent to income, with 33.9% of income required to pay rent at the median income level.

These metrics are only expected to deteriorate further, as rents across Hobart increased a further 2.8% since June, and dwelling values have increased 9.7%. These affordability constraints are likely to weigh on housing market performance, and monthly growth rates across Tasmania have already slowed to 1.1% through November, following a recent peak of 3.3% through March 2021.

Northern Territory

Summary of housing market statistics to November 2021 – Northern Territory

	Darwin	Regional NT
Dwellings		
Month	-0.4%	na
Quarter	0.2%	na
YTD	14.0%	na
Annual	16.7%	na
Total return	23.5%	n a
Gross yield	6.1%	na
Median value	$493,047	na
Houses		
Month	-0.5%	-0.1%
Quarter	-0.9%	-1.1%
YTD	12.1%	7.3%
Annual	14.8%	10.3%
Total return	20.9%	18.0%
Gross yield	5.6%	7.4%
Median value	$562,900	$432,992
Units		
Month	-0.2%	na
Quarter	2.2%	na
YTD	17.4%	na
Annual	20.1%	na
Total return	27.5%	na
Gross yield	6.9%	na
Median value	$368,635	na

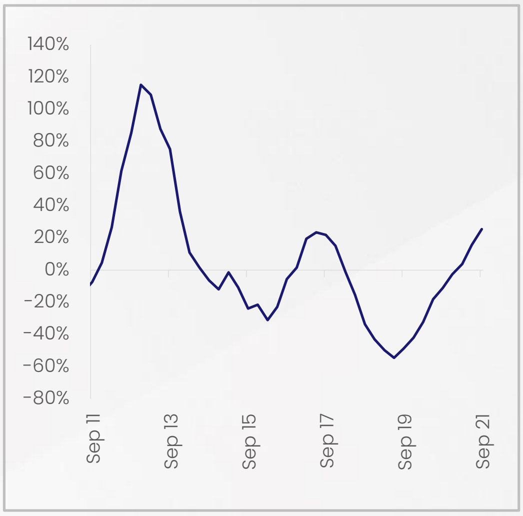
Over the year to November, dwelling values across the Northern Territory increased 15.6%. Since Territory dwelling values bottomed out in December of 2019, the market has increased 21.9% off the back of low interest rates, first home buyer incentives, government assistance packages through COVID-19 and improving economic conditions.

The September national accounts data showed a promising 4.0% uplift in state final demand across the Territory, the second highest uplift of the states and territories behind Tasmania. This included a 2.5% increase in private gross fixed capital formation (GFCF) as companies expanded spending on machinery and equipment and increased petroleum exploration[8]. Increased private sector activity will likely have greater flow-on effects for the labour market, where the unemployment rate across the Territory through October was 3.9%, trending well below the decade average of 4.5%.

While interstate migration trends were still negative across the NT in the year to March, strict border restrictions since the onset of COVID-19 partially stemmed the flow of people away from the Territory.

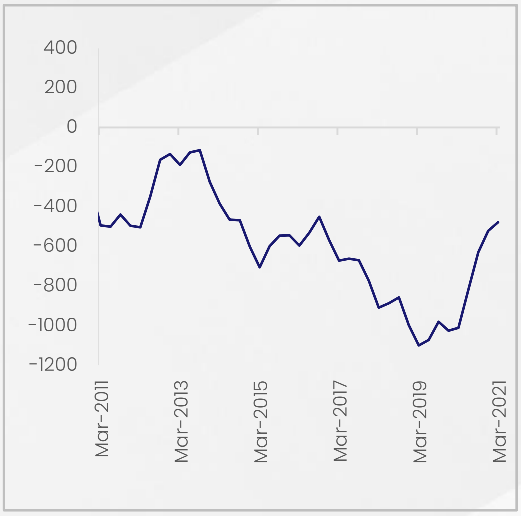
Figure 9.0 Economic and demographic indicators are looking more positive across the NT

Annual growth in private GFCF - NT



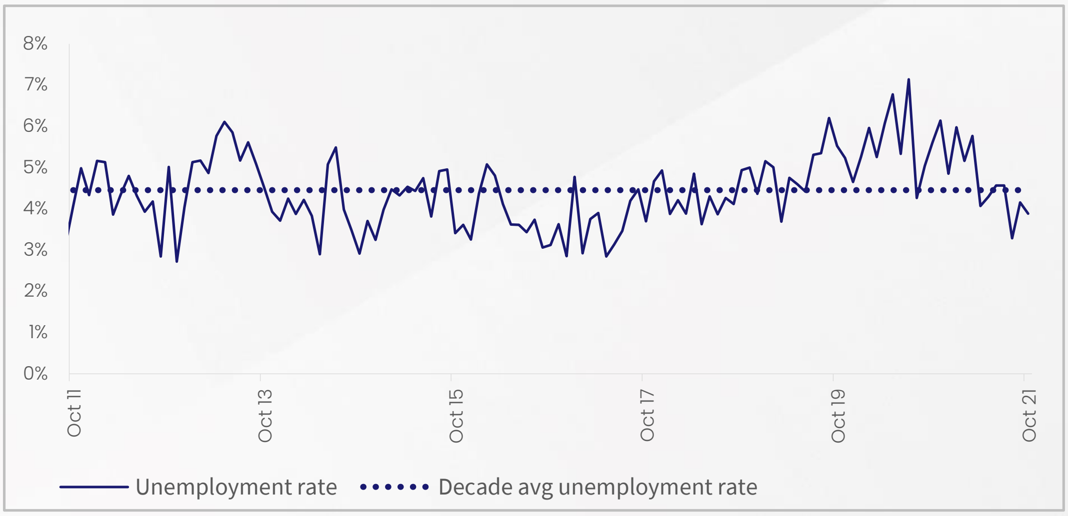
Source: ABS

Net Interstate Migration - NT (rolling 6-month avg)



Source: ABS

NT Unemployment



Source: ABS

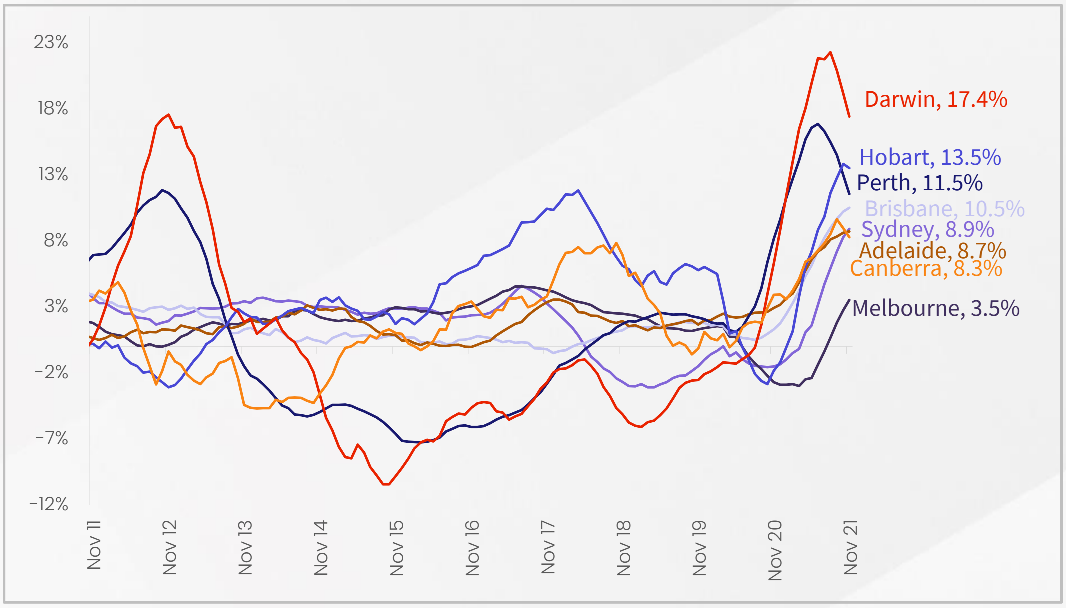
8. Source: https://treasury.nt.gov.au/__data/assets/pdf_file/0011/1072928/State-Final-Demand-2021-September.pdf

In the absence of international and interstate migration, housing demand has been boosted among residents through schemes such as the Territory home owner discount (which expired in June 2021), the BuildBonus grant (which ended in April 2021), and federal incentives such as HomeBuilder and the first home loan deposit scheme.

Like most states and territories, this has contributed to high levels of dwelling construction and sales volumes across the Territory. In the June 2021 quarter, there were 458 detached houses under construction across the Territory, above a decade average of 325. Unit construction is still well below the peaks seen at the height of the resource boom, but has also trended higher from recent lows. In the year to November, there were an estimated 3,730 sales across the NT, which is 28.4% above the annual average over the past decade.

Perhaps the most remarkable housing market figures across the NT have been in the rental market. In the year to November, rent values across Darwin have increased 17.4%, taking median rent values to $535 per week; the second highest weekly rent value of the capital cities behind Canberra. Figure 9.1 shows rolling annual growth in rent values across the capital cities, and highlights that while rental performance across Darwin has been the strongest through the current upswing, rents across the city also have higher levels of volatility.

Figure 9.1 Rolling annual growth in dwelling rent values, capital cities



Source: CoreLogic

Despite the many tailwinds observed across the NT housing market and economy, the dwelling market is seeing a fairly rapid slowdown in dwelling growth rates. In the three months to November, monthly dwelling value changes across the NT have averaged 0.0%, down from an average 0.7% growth rate in the previous three month period. This is also the case across Darwin, where monthly growth rates have average 0.1% in the past three months.

This is also being observed in trends across Darwin rent values; rent value increases slowed to 0.7% in the three months to November, down from a recent quarterly peak of 7.7% in the three months to March.

A turn in housing market and rent values may be expected amid tighter lending conditions, higher interest rates, affordability constraints, and the end of government incentives for new and established home purchases.

Despite Darwin dwelling values rising 25.9% since bottoming out in March 2020, the latest home value index results for Darwin show dwelling values were still -15.3% below the peak in May of 2014. It is likely that the Darwin dwelling market will see a downswing in values before recovering to its previous record highs.

Australian Capital Territory

Summary of housing market statistics to November 2021 – Australian Capital Territory

	ACT
Dwellings	
Month	1.1%
Quarter	5.0%
YTD	23.8%
Annual	24.5%
Total return	29.1%
Gross yield	3.8%
Median value	$882,519
Houses	
Month	0.8%
Quarter	4.8%
YTD	26.4%
Annual	27.2%
Total return	32.1%
Gross yield	3.4%
Median value	$999,755
Units	
Month	2.1%
Quarter	6.0%
YTD	14.4%
Annual	14.7%
Total return	20.5%
Gross yield	5.0%
Median value	$568,308

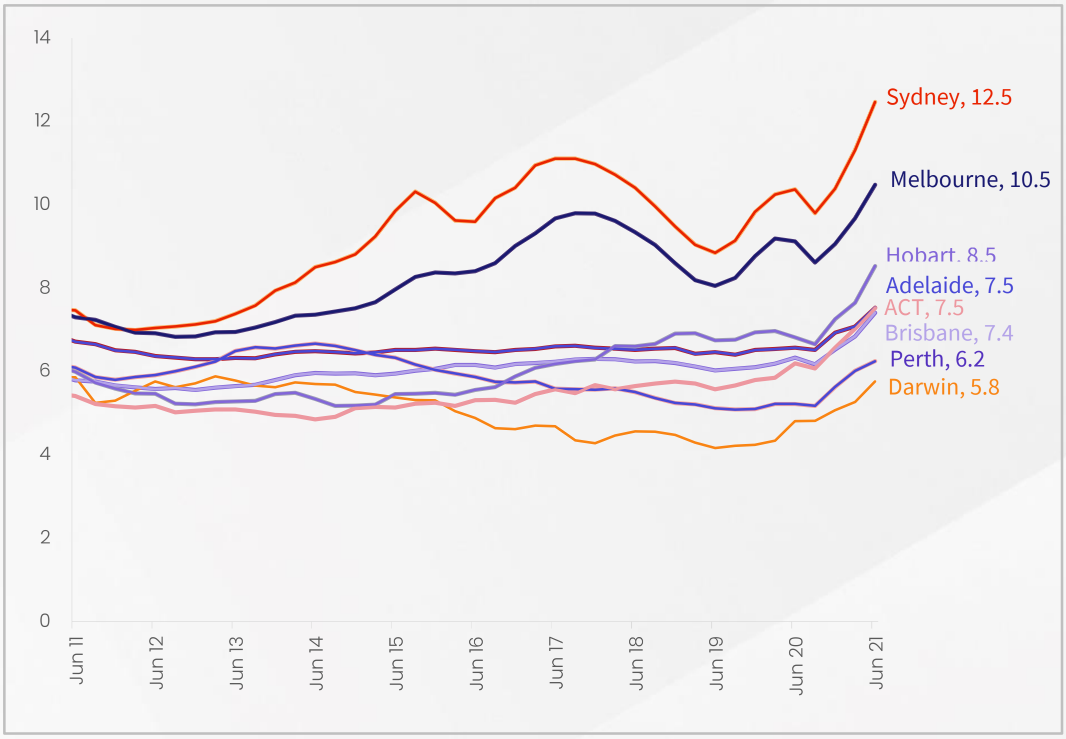
CoreLogic

The ACT dwelling market has seen the fourth-highest annual growth rate of the state and territory dwelling markets over the year to November, despite economic activity being dragged down through lockdowns in the September quarter. Dwelling values were sitting 24.5% higher over the past 12 months. This equates to an increase of around $170,000 at the median dwelling value level.

Remarkably, the November home value results showed the median house value across the ACT was just $245 short of reaching $1 million, with house values across the Territory increasing 27.2% over the year. This compares to a relatively low uplift in unit values over the same period (14.7%). The median detached house value across ACT over-took the Melbourne median in October of 2021.

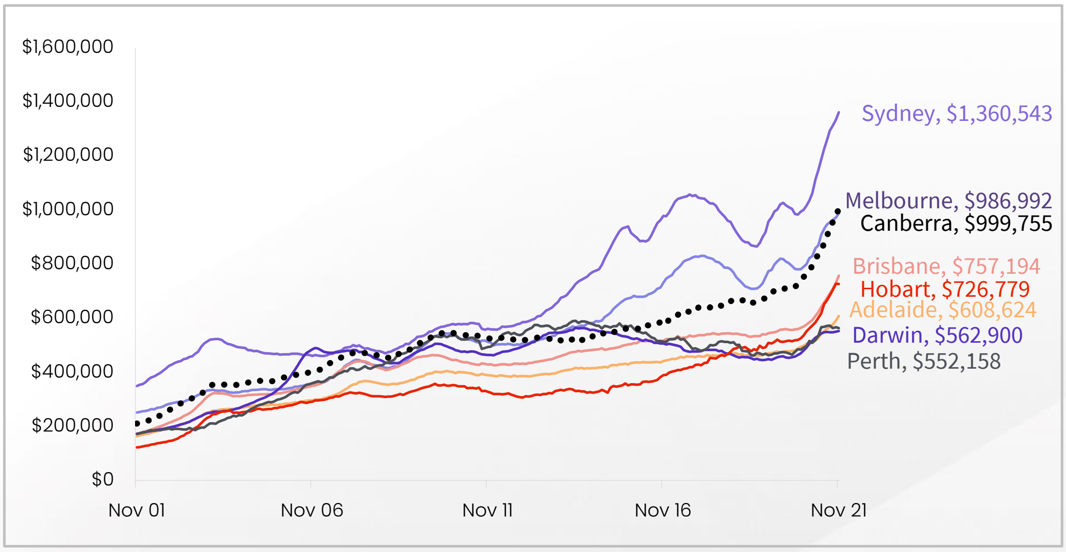
As discussed in previous quarters, housing affordability has held up relatively well across the Territory, despite a steep surge in housing values. The latest house price to income ratio (which is available to June 2021), shows the ACT is tied with Adelaide as having the fourth-highest house value to income ratio (figure 10.0), while maintaining the third highest house values at the time. One of the factors that has likely driven relatively high rates of value growth in ACT dwellings is high incomes, meaning affordability had not been as 'stretched'.

Figure 10.0 Median house values – capital city markets



Source: CoreLogic, ANU

Figure 10.0(b) House value to income ratio versus median house values – capital city markets

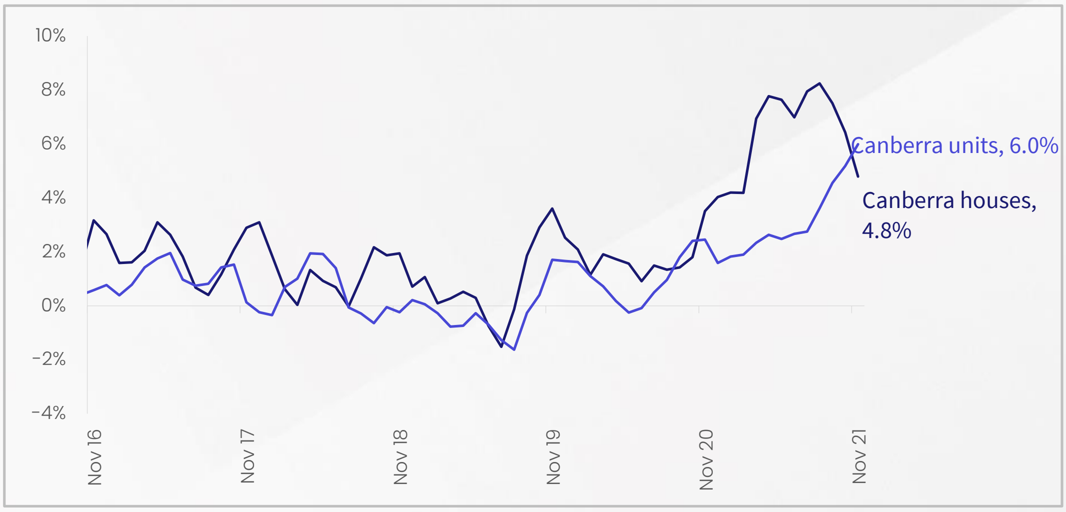


Source: CoreLogic

The ACT dwelling market has also had a remarkable stretch of growth in values, not having seen a single month of decline in dwelling values since August 2019, while the Australian housing market more broadly saw mild value falls at the onset of COVID-19.

However, quarterly growth rates show momentum in the ACT dwelling market is now slowing. Quarterly rates of increase in dwelling values peaked at 7.3% in the three months to August, and have slowed to 5.0% through the rolling November quarter. Interestingly, the deceleration appears to be led by the house segment, while growth in unit values has been rising. This is seen in figure 10.1, which compares rolling quarterly house and unit growth across the Territory.

Figure 10.1 Rolling quarterly growth in ACT house and unit values.



Source: CoreLogic

There may be a few prominent factors behind higher momentum in the ACT unit segment. The first is that in terms of new supply, completions in unit stock appear to have passed a peak of 4,752 in the year to December 2020, moderating slightly to 3,800 in the year to June 2021 (detached house completions however, remain relatively low at 1,369 in the year to June; below the decade average for house completions).

Another reason for the recent surge in unit growth may be an increase in investment participation, where increases in investor finance tend to have a greater correlation with unit demand . ABS housing finance data showed investor lending for the purchase of property across the ACT increased 7.1% in the three months to October, alongside a -17.5% decline in owner-occupied lending (including a -23.3% fall in first home buyer borrowing). Through October, the portion of mortgage finance lent for new investor purchases comprised 35.0% of lending, the highest proportion across the ACT since November 2016.

The recent surge in investor activity may also be reflective of the relatively strong rent yield profile of ACT units, with gross rental yields seeing a peak of 5.9% in August of 2019. Even as gross rent yields have compressed over the past 12 months, unit rent yields were still just under 5.0% in November 2021, compared to 3.4% across the house segment.

While the unit segment has seen recent acceleration in growth rates, the expectation is that growth rates will start to follow the same pattern as houses. A broad-based slowdown in dwelling value growth is expected amid tighter credit conditions, and gradually worsening affordability, which may already be seen in the sharp decline in first home buyer finance.

Disclaimers

In compiling this publication, RP Data Pty Ltd trading as CoreLogic has relied upon information supplied by a number of external sources. CoreLogic does not warrant its accuracy or completeness and to the full extent allowed by law excludes liability in contract, tort or otherwise, for any loss or damage sustained by subscribers, or by any other person or body corporate arising from or in connection with the supply or use of the whole or any part of the information in this publication through any cause whatsoever and limits any liability it may have to the amount paid to CoreLogic for the supply of such information.

Queensland Data

Based on or contains data provided by the State of Queensland (Department of Natural Resources and Mines) 2021. In consideration of the State permitting use of this data you acknowledge and agree that the State gives no warranty in relation to the data (including accuracy, reliability, completeness, currency or suitability) and accepts no liability (including without limitation, liability in negligence) for any loss, damage or costs (including consequential damage) relating to any use of the data. Data must not be used for direct marketing or be used in breach of the privacy laws.

South Australian Data

This information is based on data supplied by the South Australian Government and is published by permission. The South Australian Government does not accept any responsibility for the accuracy or completeness of the published information or suitability for any purpose of the published information or the underlying data.

New South Wales Data

Contains property sales information provided under licence from the Land and Property Information (“LPI”). CoreLogic is authorised as a Property Sales Information provider by the LPI.

Victorian Data

The State of Victoria owns the copyright in the Property Sales Data which constitutes the basis of this report and reproduction of that data in any way without the consent of the State of Victoria will constitute a breach of the Copyright Act 1968 (Cth). The State of Victoria does not warrant the accuracy or completeness of the information contained in this report and any person using or relying upon such information does so on the basis that the State of Victoria accepts no responsibility or liability whatsoever for any errors, faults, defects or omissions in the information supplied.

Western Australian Data

Based on information provided by and with the permission of the Western Australian Land Information Authority (2021) trading as Landgate.

Australian Capital Territory Data

The Territory Data is the property of the Australian Capital Territory. No part of it may in any form or by any means (electronic, mechanical, microcopying, photocopying, recording or otherwise) be reproduced, stored in a retrieval system or transmitted without prior written permission. Enquiries should be directed to: Director, Customer Services ACT Planning and Land Authority GPO Box 1908 Canberra ACT 2601.

Tasmanian Data

This product incorporates data that is copyright owned by the Crown in Right of Tasmania. The data has been used in the product with the permission of the Crown in Right of Tasmania. The Crown in Right of Tasmania and its employees and agents:

a) give no warranty regarding the data's accuracy, completeness, currency or suitability for any particular purpose; and

b) do not accept liability howsoever arising, including but not limited to negligence for any loss resulting from the use of or reliance upon the data.

Base data from the LIST © State of Tasmania
http://www.thelist.tas.gov.au

About CoreLogic

CoreLogic Asia Pacific (CoreLogic) is a leading, independent provider of property data and analytics. We help people build better lives by providing rich, up-to-the-minute property insights that inform the very best property decisions.

With an extensive breadth and depth of knowledge gathered over the last 30 years, we provide services across a wide range of industries, including Banking & Finance, Real Estate, Government, Insurance and Construction. Our diverse, innovative solutions help our clients identify and manage growth opportunities, improve performance and mitigate risk. We also operate consumer-facing portals - onthehouse.com.au and properytvalue.com.au - providing important insights for people looking to buy or sell their home or investment property.

We are a wholly owned subsidiary of CoreLogic, Inc – one of the largest data and analytics companies in the world with offices in Australia, New Zealand, the United States and United Kingdom.

Granular Data and Analytics Driving Growth in your Business

CoreLogic produces an advanced suite of housing market analytics that provides key insights for understanding housing market conditions at a granular geographic level. Granular data is often used for portfolio analysis and benchmarking, risk assessments and understanding development feasibility and market sizing. It gives industry professionals valuable modules which provide essential analytics and insights for decision making and strategy formation within the residential property asset class. We can tailor reports to suit your business requirements.

Call us
1300 734 318

Or email us at
ask@corelogic.com.au

Or visit us at
www.corelogic.com.au

corelogic.com.au