

1 June 2022

Aus housing market: correction begins May CoreLogic home value index: -0.3%_{mt}; 11.7%_{yr} Rate hike triggers sharp fall in sales, dip in prices.

- The CoreLogic home value index, covering the eight major capital cities, fell by -0.3% in May, reversing the muted +0.3% gain seen in April. This marks the first fall in the index in 20 months and comes as the Reserve Bank delivers its first cash rate hike in over 11 years.
- The annual pace of growth moderated further to 11.7%, down from record highs of 21.3%_{yr} seen in Jan and is set for a continued sharp loss in altitude in coming months as last year's strong first half burst cycles out of calculations.
- Turnover continues to fall rapidly, down nearly 12% in the month of May (Westpac estimates of seasonally adjusted sales). For Sydney and Melbourne, the volume of sales appears to have declined within the order of 25-30%. That said, sales in all cases are coming off historically high levels late last year.
- On prices, the pace of declines accelerated notably in Sydney (-1.0%) and Melbourne (-0.7%), with top tier segments showing a bigger reversal. Sydney's top tier units recorded a particularly striking decline (-2.9%_{mt}), Melbourne's top tier houses also recording a big fall (-2.3%_{mt}). That said, both of these segments recorded much stronger gains through the price upturn.
- It's a similar story for houses vs units with houses showing a bigger price reversal after considerably stronger gains through the upturns. Unit prices are 'outperforming' for the time since August 2020, albeit in the context of falling rather than rising price for both segments.
- Conditions are more varied across other capital cities, with those at the more affordable end of the spectrum continuing to post positive gains. Adelaide is now the stand-out performer, prices still posting a strong +1.8% gain in May, the detail showing broad-based strength. Brisbane also posted a decent gain (+0.8%) although this marks a notable cooling on the consistent 2%_{mt} gains the market has been posting for most of the last year. Annual price growth is still running north of 25% for both Adelaide and Brisbane.
- Perth prices rose 0.6%_{mt}, down a touch on the previous two months but in line with the more subdued path over the last year, prices up 5.6%_{yr}.
- Among the smaller capital cities, prices rose a modest 0.3% and 0.5% in Hobart and Darwin respectively. Canberra on the other hand, took a -0.1% dip but was coming off the back of a strong 1.3% rise in April, prices still up 18.7%_{yr}.
- The picture is also varied across regional areas. Annual growth remains in the 20-30% region for most except regional Vic which has slowed back to 17.6%_{yr}. While the combined regional index (+0.5%) remained in the green, it comes as the weakest monthly growth rate since September 2020.
- The correction is likely to deepen and broaden in coming months as we see more interest rate 'jolts' from the RBA, the sharp turnaround in Sydney and Melbourne a fairly good indication of what lies ahead for most other markets.

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CoreLogic home value index: May 2022

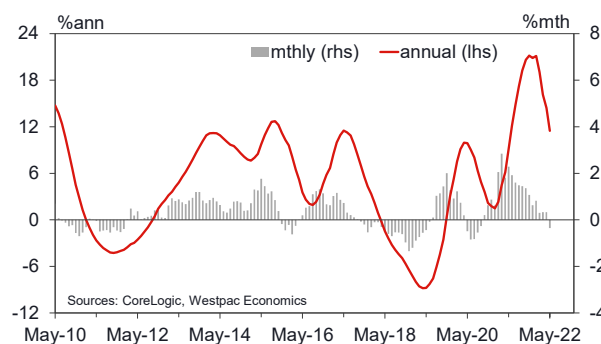
	%mt				%ann			
	Feb	Mar	Apr	May	Feb	Mar	Apr	May
Australia*	0.3	0.3	0.3	-0.3	19.2	16.3	14.6	11.7
- houses	0.4	0.5	0.4	-0.4	21.8	18.6	16.8	13.4
- units	0.1	0.0	0.1	-0.2	11.5	9.4	8.3	6.6
Major capital cities								
Sydney	-0.1	-0.2	-0.2	-1.0	22.4	17.7	14.7	10.3
Melbourne	0.0	-0.1	0.0	-0.7	12.5	9.8	8.4	5.8
Brisbane	1.8	2.0	1.7	0.8	29.7	29.3	29.3	27.8
Adelaide	1.5	1.9	1.9	1.8	25.8	26.3	26.2	26.1
Perth	0.3	1.0	1.1	0.6	8.6	7.0	6.7	5.6
Turnover^	-4.2	-9.9	-9.6	-14.5	2.7	-5.9	-11.1	-19.5

*combined capital cities

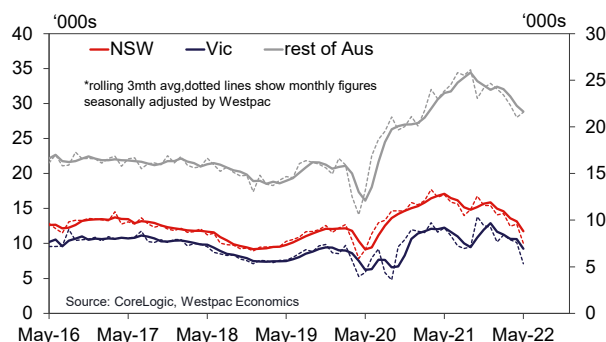
Sources: CoreLogic, Westpac Economics

^ rolling 3mth total, %3mth and %ann ch, seasonally adjusted by Westpac.

Australian dwelling prices

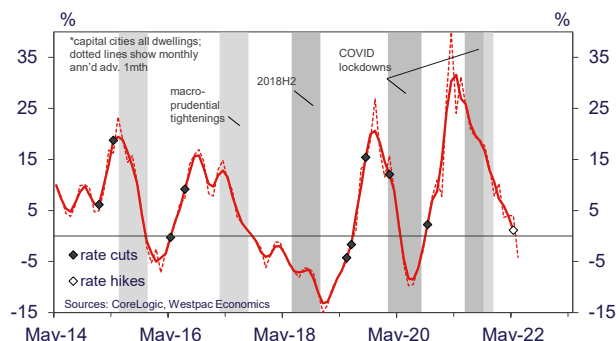


Residential property: sales

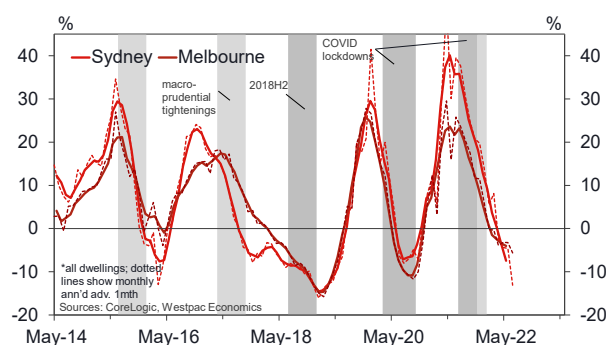


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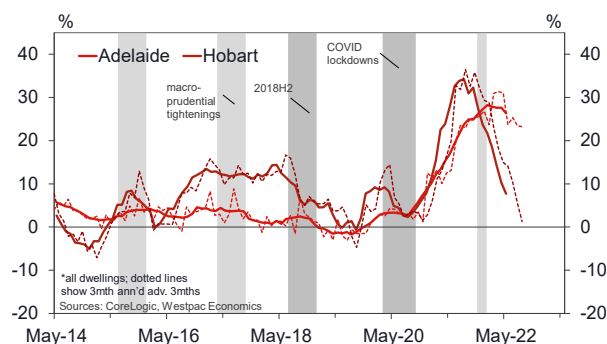
Australian dwelling prices: 3mth annualised



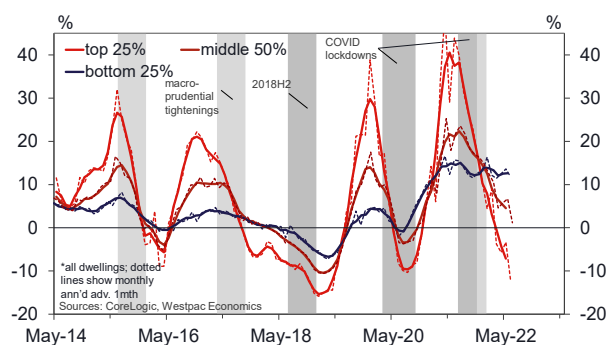
Sydney, Melbourne dwelling prices: 3mth ann'd



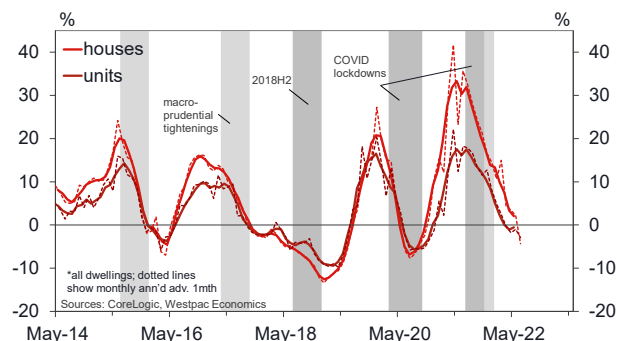
Adelaide, Hobart dwelling prices: 6mth ann'd



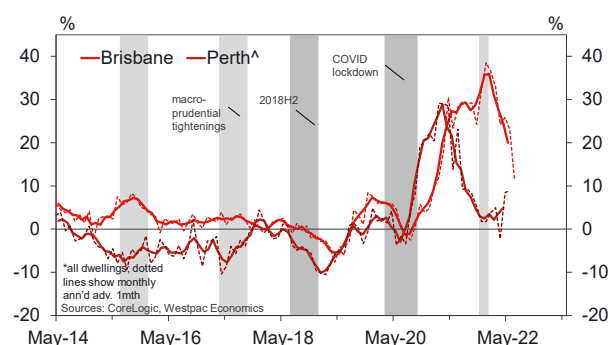
Dwelling prices: by property value, 3mth ann'd



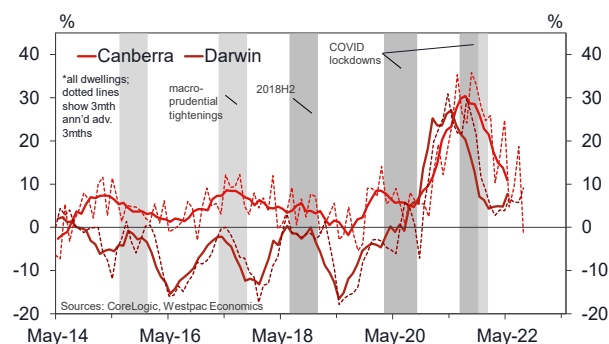
Dwelling prices: houses, units, 3mth annualised



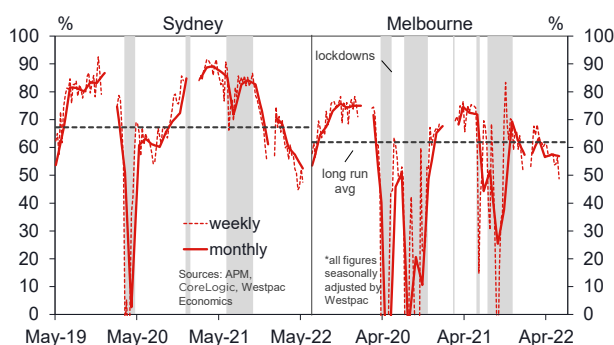
Brisbane, Perth dwelling prices: 3mth ann'd



Canberra, Darwin dwelling prices: 6mth ann'd



Auction clearance rates: withdrawal adjusted



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