

1 March 2023

## Australian dwelling prices: surprisingly steady Feb CoreLogic home value index: -0.1%<sub>mt</sub>; -9.1%<sub>yr</sub> A welcome reprieve but more challenges ahead for weak market.

- The CoreLogic home value index, covering the eight major capital cities, was surprisingly stable in Feb posting a slight -0.1%<sub>mt</sub> decline after seven straight months of falls in the 1-1.6% range. Prices are still down heavily on a year ago, -9.1%<sub>yr</sub>. While the steady monthly result may be a welcome reprieve for market that's been under intense pressure over the last year, it seems far too early for prices to be stabilising, particularly given the prospect of more rate rises in the months ahead.
- All major capital cities experienced a slowing in price declines in Feb, Sydney even managing to post a slight gain. Weakness also eased most of the smaller capital cities and regional areas. Unit prices were about steady in nearly all sub-markets.
- Turnover lifted slightly, our estimates suggesting sales were up about 3%<sub>mt</sub> nationally in seasonally adjusted terms, albeit still down quite heavily on a rolling 3mth basis (-6.3%<sub>mt</sub>) and with sales still decline in Sydney and Melbourne.
- Sydney recorded a 0.3% rise in Feb but has still seen the biggest fall on a year ago, prices down -13.4%<sub>yr</sub>. We had thought the state government's First Home Buyer Choice scheme, implemented in mid-Jan may have had a hand in the gain but the price detail does not support this view. The scheme allows eligible first home buyers to opt for an annual property tax payment instead of stamp duty – significantly lowering up-front costs. However, we would expect the biggest price effect from this to show through in more affordable segments. Instead, the Feb gain was led by 'top tier' houses and units.
- Melbourne and Brisbane both recorded monthly price falls of 0.4% taking the annual rate of decline to -9.6%<sub>yr</sub> and -6.8%<sub>yr</sub> respectively. Price weakness continues to be a little more pronounced for 'top tier' houses in both markets.
- Perth and Adelaide both recorded near-stable results, prices down 0.1%<sub>mt</sub> and 0.2%<sub>mt</sub> respectively. Weakness again centred on 'top tier' houses in both markets.
- Across the small capital cities: price falls slowed but continued to run at a faster pace in Hobart, -1.4%<sub>mt</sub>, -11.8%<sub>yr</sub>; Canberra saw more of a stabilisation, -0.5%<sub>mt</sub>, -6.7%<sub>yr</sub>; and Darwin saw a similar performance to Adelaide and Perth, -0.3%<sub>mt</sub>, up 2.9%<sub>yr</sub>. Slight declines were observed in regional NSW, Qld and Vic (-0.5%<sub>mt</sub>, -0.3%<sub>mt</sub> and -0.4%<sub>mt</sub> respectively).
- So what might account for this apparent firming in Feb? – evident not just across prices but also, to some extent, volumes and auction markets. Aside from the stamp duty changes in NSW (which there appears to be little supporting evidence for), there look to be maybe three other main candidate explanations: 1) a growing expectation, particularly at the start of the year, that the RBA's rate tightening cycle may be coming to an end; 2) a surge in foreign buyer activity associated with resurgence in net migration inflows (see [here](#)); and 3) spillover effects from extremely tight rental markets and rapidly rising rents. There are questions about the extent to which each of these could drive such a quick wind-shift. It may be that all three are at play. It may also be that we have just seen another example of what can happen when markets are extremely thin – as they typically are in Feb but especially in the midst of a correction cycle. As is often the case with housing data around this time of year, it may just be wisest to suspend judgement until we see what the next month or two shows.

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### CoreLogic home value index: February 2023

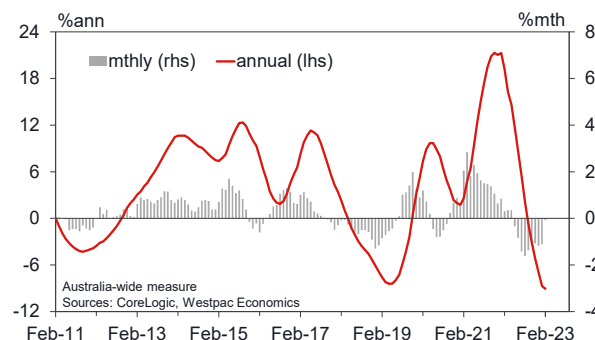
	%mt				%ann			
	Nov	Dec	Jan	Feb	Nov	Dec	Jan	Feb
<b>Australia*</b>	<b>-1.1</b>	<b>-1.2</b>	<b>-1.1</b>	<b>-0.1</b>	<b>-5.2</b>	<b>-6.9</b>	<b>-8.7</b>	<b>-9.1</b>
- houses	-1.2	-1.3	-1.1	-0.1	-5.5	-7.4	-9.5	-9.9
- units	-0.6	-0.9	-1.0	0.0	-4.3	-5.3	-6.3	-6.4
Major capital cities								
Sydney	-1.3	-1.4	-1.2	0.3	-10.6	-12.1	-13.8	-13.4
Melbourne	-0.8	-1.2	-1.1	-0.4	-7.0	-8.1	-9.3	-9.6
Brisbane	-2.0	-1.5	-1.4	-0.4	3.3	-1.1	-4.7	-6.8
Adelaide	-0.3	-0.4	-0.8	-0.2	13.4	10.1	6.9	5.1
Perth	0.0	0.1	-0.3	-0.1	3.9	3.6	2.7	2.4
Turnover^	-5.8	-10.5	-9.9	-6.3	-25.2	-29.9	-29.0	-26.4

\*combined capital cities

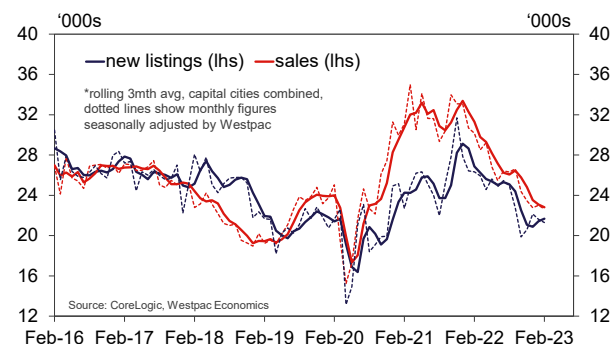
Sources: CoreLogic, Westpac Economics

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

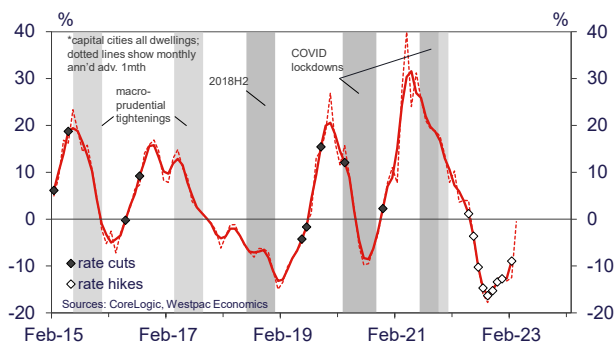
### Australian dwelling prices



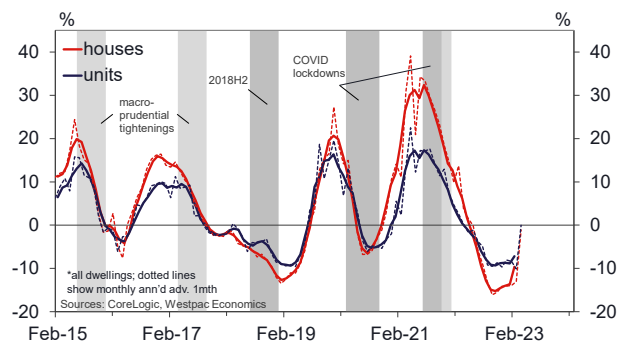
### Residential property: listings and sales



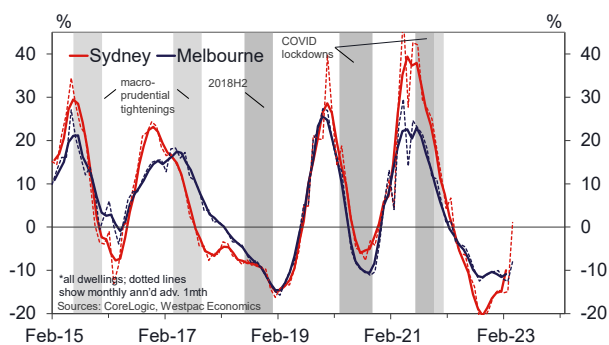
### Australian dwelling prices: 3mth annualised



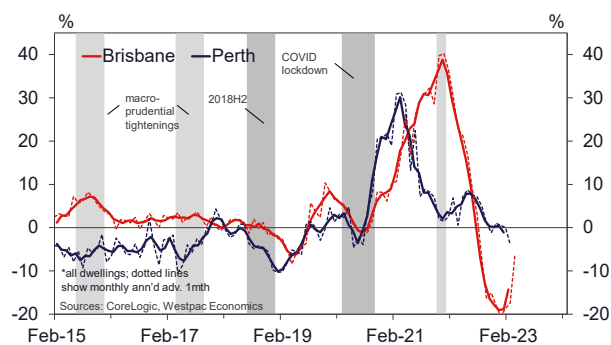
### Dwelling prices: houses, units, 3mth annualised



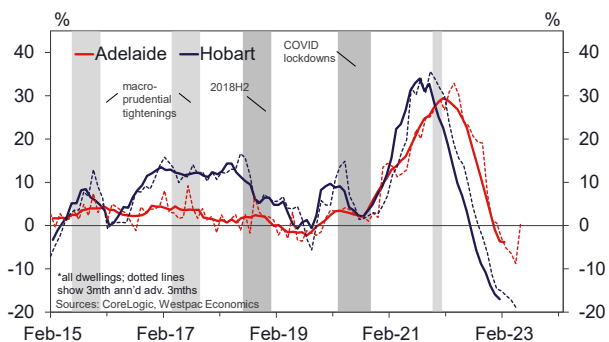
### Sydney, Melbourne dwelling prices: 3mth ann'd



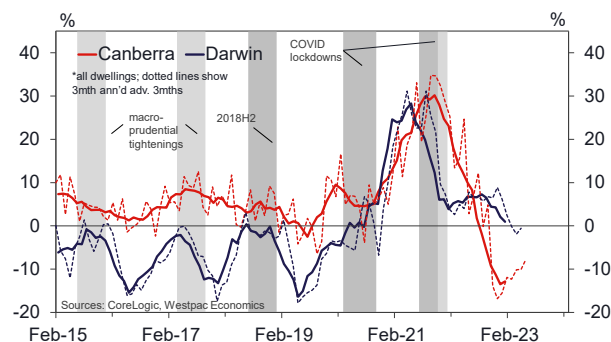
### Brisbane, Perth dwelling prices: 3mth ann'd



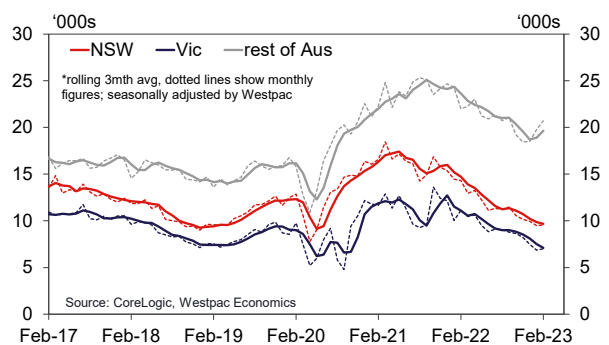
### Adelaide, Hobart dwelling prices: 6mth ann'd



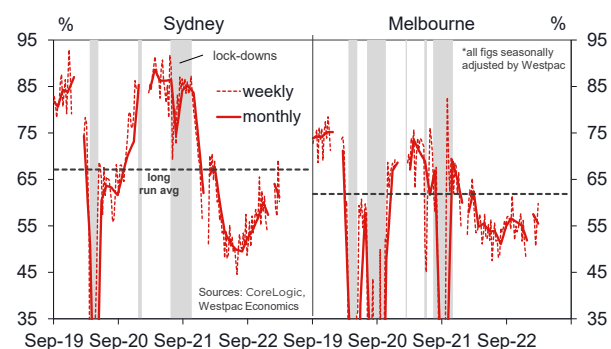
### Canberra, Darwin dwelling prices: 6mth ann'd



### Residential property: sales



### Auction clearance rates: withdrawal adjusted



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