Welcome to CoreLogic’s housing market update for June 2021.

Housing markets around Australia continued to surge last month with CoreLogic’s national Home Value Index up 2.2%. The rise in May was a stronger result compared with the 1.8% lift in April, but weaker than the 32-year high recorded in March when values surged 2.8%.

Growth conditions remained broad based with home values up by more than 1% across every capital city over the month, with both house and unit values lifting across the board. Of the 334 sub-regions analysed by CoreLogic, 97% of them have recorded a lift in housing values over the past three months. Such a synchronised upswing is an absolute rarity across Australia’s diverse array of housing markets.

Across the capital cities, the monthly change in dwelling values ranged from a 1.1% rise in Perth through to a 3.2% jump in Hobart. Across the non-capital city regions, conditions were more diverse. Regional NSW led monthly gains with a 2.5% increase, while values in regional WA had the weakest result dipping one tenth of a percentage point.

Despite the consistently strong headline results, the underlying trends have shifted over the past year. The most expensive end of the market is now driving the highest rate of price appreciation across most of the capital cities, whereas early in the growth cycle it was the most affordable end of the market that was the strongest.

From a geographic perspective, it was the smaller capital cities that led the housing market out of the COVID slump, but now Sydney has risen through the ranks to record the largest capital gain over the past three months with values up 9.3%.

Another trend that is changing is the stronger performance across regional areas of Australia. While regional markets led the early stages of the latest growth phase, the performance gap has narrowed substantially between the capitals and regional areas. For the second time in three months, growth conditions in capital city home values outpaced the regional markets. The combined capital city index rose 2.3% in May compared with a 2.0% rise across the combined regional areas.

Although housing values are now rising the fastest once again in Sydney, at least in trend terms, the annual growth rate is generally higher across the smaller capitals, as well as Regional New South Wales and Regional Tasmania. Darwin cracked the 20% annual growth barrier in May, with values now 20.3% higher over the past 12 months. For Darwin dwellings, this is the strongest annual gain on record. Housing values across Regional New South Wales are up 18.6% while in Regional Tasmania values are 18.1% higher.

At the other end of the spectrum, the weakest housing markets over the past year have been in Regional Western Australia where values were flat, and also in Melbourne with a 5.0% lift in values. In Melbourne the extended lockdown has created a more significant drag on the annual rate of growth.

Low advertised housing supply remains a key factor in the housing market due to proportionately high demand. Fresh listings added to the housing market have picked up over recent months, with the number of new listings tracking 15% above the five-year average.

Despite the increase in newly advertised residential properties, sales activity has also increased. CoreLogic estimates sales activity over the three months to May was tracking about 37% higher than the five-year average.

The sales to new listings ratio remains around 1.1, meaning for every new listing there is more than one sale occurring. This rapid rate of absorption is keeping advertised inventory levels extremely low, despite the rise in new listings. As a consequence, vendors remain in a strong selling position while buyers have a weak position at the negotiation table.

With housing sales activity continuing to outpace the number of new listings added to the market, the total number of homes advertised for sale remains approximately 24% below the five-year average.

Low stock and high demand are keeping auction clearance rates high and private treaty metrics tight. Auction clearance rates have held in the mid-to-high 70% range throughout May, fading a little from March when clearance rates were consistently finalising above 80%. Despite this slightly softer result, May clearance rates were still well above the decade average of 64%. Median time on market remains around its record low of 25 days, while vendor discounting rates are also around record lows. The typical discount from original asking prices was recorded at -2.7% over the past three months.

Now let’s take a look at conditions in some more detail across each of the capital cities.

Sydney’s housing market has risen through growth tables to once again become one of Australia’s strongest housing markets. Dwelling values were up 3% in May, while the growth rate over the past three months reached 9.3% - the fastest pace of growth over a three month period since 1988. The rate of growth remains higher for houses compared with units, with house values up 11% over the rolling quarter while unit values were 5.3% higher. Similarly, we are seeing growth conditions skewed towards the more expensive end of Sydney’s housing market, with the upper quartile recording a 12% lift in value over the past three months compared with a 5.2% increase across the lower quartile.

Melbourne’s housing market saw the pace of growth lift by half a percentage point between April and May, with values up 1.8% last month. This takes the three month gain to 5.5%. The impact of the extended lockdown last year is still weighing on the annual returns for Melbourne, with housing values up a relatively small 5.0% over the past year, which is the lowest annual capital gain of any capital city. The relatively low annual return is a symptom of the 5.6% drop in values recorded through the worst of the COVID period last year. Like most capital cities, Melbourne’s unit market has recorded a lower rate of growth relative to houses. With Melbourne moving through another temporary lockdown at the time of filming, we don’t anticipate this will have a material impact on housing market conditions, unless the lockdown is ongoing. The housing market has been resilient to shorter ‘circuit-breaker’ lockdowns in recent months. If COVID cases can be quickly traced and contained, we don’t expect another slump in Melbourne housing conditions.

Brisbane home values were up another 2% in May, taking the market 6.2% higher over the quarter and 10.6% higher over the past year. The lift in values has been supported by a solid rise in demand, with our latest estimate of home sales tracking approximately 41% higher than the five year average in May. At the same time, advertised inventory levels are 28% below the five year average. This mismatch between available supply and demand is a key factor pushing prices higher. Local house values have risen at more than twice the pace of unit values, with houses rising in value by 11.9% over the past twelve months while unit values are up a smaller 4.2%.

Adelaide home sales are tracking almost 28% above the five year average, and homes are selling in just 32 days on average which is the fastest average selling time since 2007. Such tight market conditions are pushing prices higher, with Adelaide house values up 6.1% over the past three months. Unit values aren’t rising quite as quickly, rising by 1.3% over the same period of time. While sales and values are rising at an above average rate, listing numbers remain well below normal levels. At the end of May there were 5,460 residential properties for sale across Adelaide, which was 30% below average for this time of the year.

Activity across the Perth housing market has rebounded back to levels last seen during the boom times of 2013. In May, CoreLogic estimates sales activity was tracking about 58% above the five year average as demand for housing surges. Such strong demand has seen the average selling time of a Perth home fall to just 17 days. Vendor discounting rates are averaging 2.6%, which is close to record lows. Housing values are responding to the strong selling conditions, rising 1.1% in May to be 8.5% higher over the past year. The unit sector is showing a slightly milder growth rate than houses, with values up 6.0% over the past year compared with an 8.8% lift in house values.

Housing values across Hobart were 3.2% higher in May; the fastest monthly rate of growth of any capital city. The latest surge in home values takes the annual growth rate to 16.5%, which is well above the capital city average of 9.4%. Hobart is one of the few capitals where the unit market is performing in line with the house market; both housing types have recorded a similar rate of growth over the past twelve months. Despite the strength in home values, the number of property sales is tracking almost 7% below the five year average. The slump in sales isn’t due to any lack of demand, rather it relates to the fact that advertised supply remains 33% below average levels.

Darwin housing values are recording the most rapid rate of annual appreciation of any capital city, rising at record speed to be 20.3% higher over the past twelve months. Such strong growth conditions come after a long running downturn where home values fell by 33% from their 2014 peak. Despite the strong growth conditions, Darwin housing values remain 17.4% below their historic highs. Home owners are taking advantage of the strong selling conditions, with new listing numbers tracking 32% above the five year average at the end of May. However total listings remain about 33% below average due to high demand and a rapid rate of sale.

Canberra has maintained a consistently positive growth rate over the past twenty two months, taking housing values 15.6% higher over the past twelve months. Along with higher values, the number of home sales is tracking 19% above the five year average. Such strong housing demand is keeping advertised stock levels low. Total listing numbers were 25% below average at the end of May, despite the new stock additions tracking 15.5% higher than average. Both house and unit values are rising across Canberra, but house values are rising at double the pace of units, up 17.7% over the past twelve months compared with an 8.0% lift in unit values.

Overall, Australia’s housing market remains firmly entrenched in a housing boom across most regions of the country.

The reduction in federal government fiscal support seems to have had little to no impact on housing demand or growth in home values to-date. While future COVID outbreaks presents both a health and economic risk, the strong recovery in the labour market has likely mitigated the impact of removing the JobKeeper’s program.

We are expecting housing values will continue to rise throughout 2021 and into 2022, albeit at a gradually slower pace. Domestic demand should continue to be supported by the expectation that mortgage rates will remain at their record lows for some time, as well as the ongoing high levels of consumer confidence as the economy expands at a faster than average pace.

A slowdown in dwelling price appreciation is expected as affordability constraints progressively impact market participation, and potentially tighter credit policies looms further down the track. Messaging from the RBA has indicated they will be watching for any signs of a deterioration in credit standards that could be a trigger for tighter lending rules.

Worsening affordability pressures are likely to impact first home buyers more than other segments of the market, and there are already signs that first home buyer demand is pulling back. Investors, on the other hand, are stepping up their activity across the housing market, motivated by prospects for continued capital gain and low interest rates. The resurgence of investor participation, and high levels of activity in the owner occupier non first home buyer segment may account for the continued strength in dwelling markets despite affordability constraints

Over the medium term, a rise in housing supply together with the demand side impact of closed international borders is likely to be another factor that weighs on price appreciation. House approvals are moving through record highs, but it will take some time for these approvals to transition through the construction phase to a completed dwelling.

Clearly there is plenty to keep an eye on between updates. You can stay in tune with housing market news and research at our web site, [www.corelogic.com.au](http://www.corelogic.com.au)