Welcome to CoreLogic's housing market update for April 2022.

Nationally, housing values were up 0.7% in March, a subtle increase on the 0.6% lift recorded in February. The uptick in the monthly rate of growth was primarily driven by stronger conditions in Brisbane, Adelaide, Perth and the ACT, along with several regional areas, offsetting a slip in values across Sydney and Melbourne.

The first quarter of the year has seen Australian dwelling values rise by 2.4%, adding approximately $17,000 to the value of an Australian dwelling.   To put the latest growth rate into some context, a year ago, values were rising at more than double the current pace, up 5.8% before the quarterly rate of growth peaked at 7.0% over the three months ending May 2021.

Sydney's growth rate is showing the most significant slowdown, falling from a peak of 9.3% in the three months to May 2021, to 0.3% in the first quarter of 2022. Melbourne's housing market has seen the quarterly rate of growth slow from 5.8% in April last year to just 0.1% over the past three months.

While the monthly rate of growth was up among some cities and regions, there is mounting evidence that housing growth rates are losing momentum. Virtually every capital city and major rest-of-state region has moved through a peak in the trend rate of growth some time last year or earlier this year. There are a few exceptions to the slowdown, with regional South Australia recording a new cyclical high over the March quarter and some momentum is returning to the Perth market where the rate of growth is once again trending higher since WA re-opened its borders.

With the softening in market conditions, the national annual growth rate of 18.2% has fallen below the 20% mark for the first time since August last year, after reaching a cyclical high of 22.4% in January. We are expecting the annual growth trend will fall sharply in the coming months, as the strong gains recorded in early 2021 drop out of the 12-month calculation.

National housing turnover is also easing, with preliminary transaction estimates for the March quarter tracking 14% lower than the same period in 2021, but still 12% above the previous five-year average. Nationally, the volume of housing sales is coming off record highs but there is some diversity across the capital cities in these figures as well. Our estimate of sales activity through the March quarter is 39% lower than a year ago in Sydney and 27% lower in Melbourne, while stronger markets like Brisbane and Adelaide have recorded a rise in sales over the same period.

Regional Australia continues to show some resilience to a slowdown with housing values across the combined regional areas rising at more than three times the pace of the combined capital cities through the March quarter. Regional dwelling values increased 5.1% in the three months to March, compared with the 1.5% increase recorded across the combined capital cities. The rolling quarterly growth rate in regional dwelling values has consistently held above the 5% mark since February 2021.

The housing market trends have become increasingly diverse across the capital cities.

Sydney housing market conditions have continued to ease, with housing values posting consecutive months of decline in February and March to be only 0.3% higher over the March quarter. Ten months ago, Sydney housing values were rising at the quarterly pace of 9.3%. The weaker conditions can also be seen in less transactional activity, with our estimates of homes sales down almost 40% compared with the March quarter a year ago, albeit with some likely disruption from the latest wave of COVID and weather related events on housing activity. The number of homes available for sale has been trending higher as demand slows and the flow of new listings tracks at above average levels. At the end of March there were 7.5% more homes available for sale than at the same time a year ago, providing buyers with more choice and less urgency in their decision making. The latest data provides a further signpost that Sydney's housing market is probably moving into the early stages of a downturn, following a 24.5% surge in values through the pandemic.

Melbourne housing values recorded a subtle decline in March, falling 0.1%, marking the fourth month in a row where housing values have been flat to falling. The weaker conditions come as advertised stock levels rise to be 8% above the previous five year average in March and estimated sales activity reduces to around 9% below the five year average. With higher inventory levels and less competition, buyers are gradually getting some leverage back. Homes are taking about a week longer to sell compared with last year, vendor discounting rates have picked up a little and auction clearance rates have faded to be consistently below the 70% mark. Across the sub-regions of Melbourne, five of the nine regions are now recording a negative quarterly change in housing values.

Brisbane remains Australia's strongest capital city housing market, with housing values rising 2% over the past month to be almost 30% higher over the past year. In dollar terms, nearly $15,000 was added to Brisbane's median value over the month of March. Although values are rising rapidly, the quarterly trend has eased a little, falling from 8.5% through the December quarter last year to 6.4% over the March quarter. Advertised inventory remains extremely tight across Brisbane, with total stock levels holding 42% below the previous five year average. At the same time, home sales through the March quarter were estimated to be 38% above the five year average. With demand outweighing supply each of the vendor metrics remains strong across Brisbane with a rapid median selling time, the tightest vendor discounting rates of any capital and auction clearance rates remaining well above the long term average.

Adelaide housing value rose another 1.9% in March, taking the median dwelling value to approximately $603,000. The monthly rise was the second highest gain of any capital city, after Brisbane. Annually home values are up 26.3%, adding roughly $125,000 to the value of a typical dwelling over the year. One of the key factors pushing prices higher is the ongoing shortage of advertised supply. Total advertised listings are more than 40% below the previous five year average, while total sales were estimated to be 53% above the previous five year average through the first quarter of the year. Part of the attractiveness of Adelaide is the relatively low housing prices. With a median house value of $658,000, Adelaide values are $745,000 lower relative to Sydney and $340,000 lower than Melbourne.

Perth housing values have recently shown a renewed growth trend, with the monthly growth rate lifting to 1% in March, the strongest monthly reading since May last year. The re-acceleration in housing values may be attributable to stronger internal migration rates as state borders reopen, along with the strongest jobs growth of any state over the past year and the most affordable housing prices of any state capital. The median value of a Perth house was recorded at $568,000 in March; $835,000 lower than Sydney's median and $431,000 lower than Melbourne's. Sales activity was tracking 9.1% higher than a year ago through the March quarter, while listing numbers were 10% lower than a year ago at the end of March.

Hobart housing values are continuing to rise, but at a pace that is well below recent highs. The March quarter saw home values lift 2.7%, which was above the national average of 2.4%, but down from the recent peak rate of growth when values were rising at the quarterly pace of 8.2% over the three months to July last year. Housing values across Hobart have surged by 72% over the past five years, by far the highest medium term growth rate of any capital city. The nearest capital, in terms of the five year appreciation in dwelling values, is Canberra, where values are up 55%. On the back of such extraordinary capital gains, housing affordability is becoming a significant challenge for a larger portion of buyers.

Darwin housing values were up 0.8% in March, taking the quarterly growth rate to 1.9%. The past year has seen values lift by 10.6% or roughly $48,000. Despite the growth, local values remain 13.3% below their historic high. Vendors have been taking advantage of the stronger market conditions, with the monthly trend in new listings surging over recent times. New listings added to the market in March were 38% higher than the same period a year ago and total listings were tracking 18% higher than last year. With advertised stock levels higher, homes are taking longer to sell and vendor discounting levels have loosened compared with a year ago.

The quarterly pace of growth in Canberra housing values has more than halved since a recent peak in August last year when housing values were rising at 7.3%. Since then the quarterly rate of growth has eased back to 3.1%, which is still well above the national average of 2.4%, but well down on the earlier highs. As housing conditions lose some steam, sales activity has also eased, down 21% in the March quarter compared with a year ago. The reduction in demand can also be seen in higher listings, with advertised stock levels now 5.3% higher than year ago.

The housing market has transitioned from an upswing generally characterised by a strong and broad-based rise across the regions of Australia, to one best described as multi-speed.

At one end of the spectrum are Australia's two largest cities, Sydney and Melbourne, which are recording flat to falling housing values, while at the other is Brisbane and Adelaide, where the quarterly pace of growth continues to rise at an annualised pace of more than 20%. Perth too is re-accelerating off a low base, which can, at least partially, be attributed to state borders re-opening along with strong labour market conditions, and regional markets are mostly strong as population growth runs up against low available supply levels.

Despite the diversity, the outlook for housing remains skewed to the downside.

Rising fixed term mortgage rates and the prospect of higher variable mortgage rates later this year are only part of the reason why housing markets are likely to soften further as 2022 progresses. Other factors include worsening housing affordability, higher costs of living, higher supply levels and lower consumer sentiment.

With housing values rising so much more than incomes over the past two years, it has become harder for prospective buyers to access the market. The ratio of housing values to household incomes is at record highs across most of the capitals. Saving for a deposit and funding transactional costs is a significant hurdle for a growing number of prospective buyers.

Higher costs of living are also likely to weigh on housing demand. Higher inflation implies less disposable income and lower household savings which could make it harder for prospective buyers to raise a deposit and demonstrate their ability to service a new loan commitment. A surge in household savings through the pandemic has been a supporting factor for housing demand, however as the economy returns to the new normal, households are saving less; a trend likely to become more pronounced through the year.

On the supply front, both newly constructed dwellings and a rise in advertised listings is likely to gradually skew housing market conditions in favour of buyers, providing more choice and an opportunity to negotiate with less urgency around decision making.

Consumer confidence has taken a turn for the worse over recent months, with measures of sentiment falling to the lowest level in about 18 months. Historically, consumer sentiment and housing market activity have shown a close relationship. Below average sentiment, along with slowing housing markets and the prospect of rising interest rates, is likely to cause prospective buyers to think twice before engaging with the housing market.

However, there are other factors that should help to offset the downside risk.

A strengthening economy, low jobless rate and rising income growth should help to keep a floor under housing demand and keep the number of distressed listings to a minimum through a downturn.

A new round of incentives for first home buyers is another factor likely to support demand. In the lead-up to the federal election both major political parties have announced additional support for first home buyers in the form of an extension to low deposit home loan guarantees. Historically, first home buyers have reacted positively to stimulus measures.

Additionally, higher overseas migration is a net positive for housing demand. The most immediate flow through is likely to be seen in higher rental demand which could incentivise investors and, in the longer term, flow through to purchasing demand from permanent migrants.

With a federal election around the corner, we could see additional announcements relative to housing markets, and upcoming updates on inflation, labour markets and wages growth will provide some guidance about the timing of interest rate decisions. The CoreLogic research team will be keeping a close eye on the changing environment and what it means for housing markets via our research available at corelogic.com.au.

30sec (recommended for LinkedIn brand awareness and Instagram reels)

LinkedIn script

The March CoreLogic Home Value Index showed housing value growth continued to ease in most parts of the country, with value falls recorded in both Sydney and Melbourne.

The only exceptions to the slowdown were Perth, which is showing a return of momentum in the rate of growth since WA re-opened its borders, and regional South Australia.

Despite some diversity, the outlook for housing remains skewed to the downside. Find out why in my April market update now.

Instagram & Facebook script

Australia's housing values rose 0.7% in March, mainly driven by stronger conditions in Brisbane, Adelaide, Perth and the ACT, along with several regional areas.

Our two largest cities, Sydney and Melbourne, both recorded small falls in values over the month, with Sydney's growth rate showing the most significant slowdown.

For my insights on what's driving this diversity in the market, watch my April market update now.

Intros

Welcome to CoreLogic’s update on housing market conditions for April 2022, brought to you on behalf of National Australia Bank

Welcome to CoreLogic’s update on housing market conditions for April 2022, brought to you on behalf of Credit Union SA (do not pronounce it Credit Union South Australia)

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