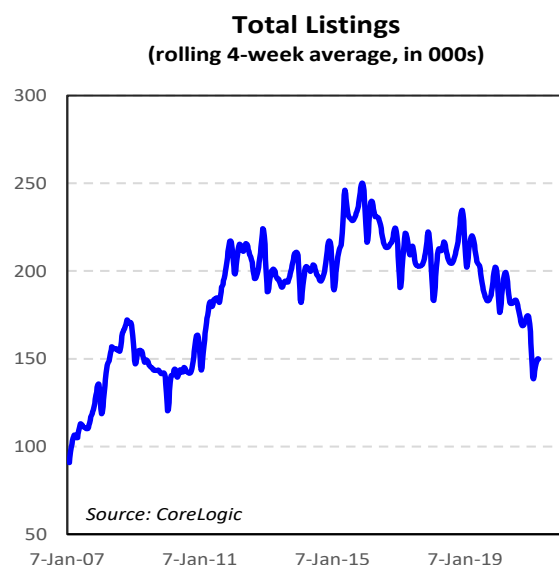
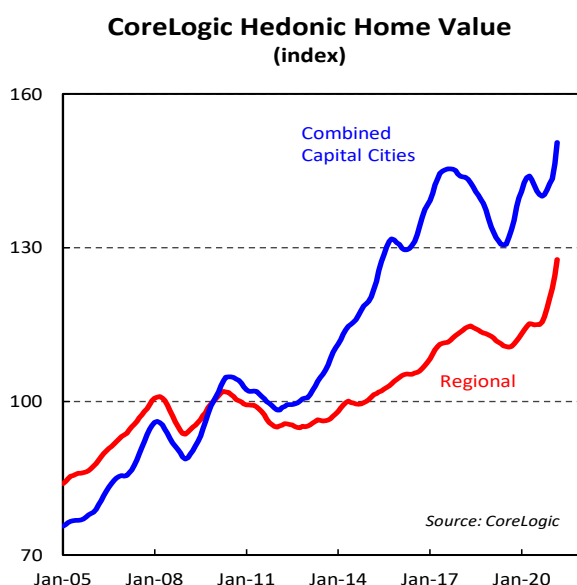


Thursday, 1 April 2021

Dwelling Prices

Fastest Growth in 32 Years!

- It's not an April Fool's Day joke. Population is growing at its slowest rate in more than a century, immigration is at a standstill and the housing market is red hot. CoreLogic's national home value index rose at a rapid rate of 2.8% in March - the fastest pace in 32 years – and taking the index to a record high.
- The price gains were broad based across Australia, but were led by the capital cities. For the first time in a year, prices in the capital cities out-paced growth in the regional areas.
- But other trends were maintained. Price growth for housing continued to outpace that of units.
- Victoria has now staged a complete recovery after lagging the rest of the country. But the prize for the fastest pace of dwelling prices in March went to Sydney where dwelling prices rose 3.7% - the quickest clip since August 1988.
- Double-digit annual price gains were recorded in Hobart, Darwin, Canberra and regional Australia.
- The available housing stock to buy is very low and helping to propel dwelling prices higher. This dynamic is unlikely to change in a hurry, despite high building approvals and a lift in greenfield lot sales. It takes time for residential construction to lift housing supply significantly.
- Dwelling price gains this year of around 10% are likely but if gains continue at the sort of frantic pace registered in recent months, 10% could prove to be conservative.



It is no April Fool’s Day joke! Population is growing at its slowest rate in more than a century, immigration is at a standstill and the housing market is red hot. The national home value index published by CoreLogic today rose by 2.8% - the fastest pace in 32 years – and taking the index to a record high.

The increase in dwelling prices in March were broad based with every capital city recording monthly growth of at least 1.4%. Sydney led the pack with a 3.7% gain in March – the quickest clip since August of 1988! Across the regional housing markets, regional New South Wales was also the firmest in the month with a gain of 2.8%.

Double-digit annual gains were recorded in Hobart, Darwin, Canberra and in regional Australia.

Melbourne has now staged a full recovery with its annual rate turning to positive for the first time since October 2020.

Over COVID-19, the demand for regional housing was strong. It remains firm, but for the first time in a year, dwelling prices in the capital cities grew at a faster monthly rate than the regional markets. The combined capital cities index lifted 2.8% whereas regional areas recorded a lift of 2.5%. Moreover, across every state, capital-cities prices grew at a faster pace than their regional counterparts; the exception is Victoria. However, Victoria is likely lagging because of the extended second lockdown it experienced last year.

Other trends were maintained. One of these key trends is the ongoing stronger demand for lower-density housing compared with higher-density housing. Nationally, house prices jumped 3.0% in March and unit prices lifted 1.9%.

Change in dwelling values



Source: CoreLogic

In another trend, the premium end of the housing market is leading the upturn. The upper quartile of the housing market registered a 3.7% lift compared with the 1.6% rise in the lower quartile. This trend is most evident in the largest capital cities.

Outlook

The housing price boom is showing few signs of slowing. Auction clearance rates remain elevated. Interest rates are low. The jobs market is recovering faster and sooner than anticipated. JobKeeper has expired but it should prove to be a speed hump rather than a sink hole.

The low level of housing stock available to buy is helping propel prices higher. Total advertised listings remained very low throughout March. Indeed, the number of total listings over the four weeks to March 28 was almost 26% lower than its five-year average. In addition, the ratio of sales to new listings is tracking at around 1.1. This ratio represents a strong rate of absorption that is contributing to the low availability of houses for sale.

Building approvals have lifted considerably in recent months, but it will take time to lift housing supply. Presales conditions are a restraint for high-density housing, so this next residential construction upturn might be dominated by lower-rise housing. In some states, planning laws will add to the time it takes to lift housing supply.

We continue to expect double-digit price gains this year of around 10%, but if this recent frantic pace of prices growth continues, then 10% will prove to be conservative.

Besa Deda, Chief Economist
Ph: 02-8254-3251

Contact Listing

Chief Economist

Besa Deda
dedab@banksa.com.au
(02) 8254 3251

Senior Economist

Hans Kunnen
hans.kunnen@banksa.com.au
(02) 8254 1316

Economist

Matthew Bunny
matthew.bunny@banksa.com.au
(02) 8254 0023

The information contained in this report (.the Information.) is provided for, and is only to be used by, persons in Australia. The information may not comply with the laws of another jurisdiction. The Information is general in nature and does not take into account the particular investment objectives or financial situation of any potential reader. It does not constitute, and should not be relied on as, financial or investment advice or recommendations (expressed or implied) and is not an invitation to take up securities or other financial products or services. No decision should be made on the basis of the Information without first seeking expert financial advice. For persons with whom BankSA has a contract to supply Information, the supply of the Information is made under that contract and BankSA's agreed terms of supply apply. BankSA does not represent or guarantee that the Information is accurate or free from errors or omissions and BankSA disclaims any duty of care in relation to the Information and liability for any reliance on investment decisions made using the Information. The Information is subject to change. Terms, conditions and any fees apply to BankSA products and details are available. BankSA or its officers, agents or employees (including persons involved in preparation of the Information) may have financial interests in the markets discussed in the Information. BankSA owns copyright in the information unless otherwise indicated. The Information should not be reproduced, distributed, linked or transmitted without the written consent of BankSA.

Any unauthorized use or dissemination is prohibited. Neither BankSA- A Division of Westpac Banking Corporation ABN 33 007 457 141 AFSL 233714 ACL 233714, nor any of Westpac's subsidiaries or affiliates shall be liable for the message if altered, changed or falsified.
