

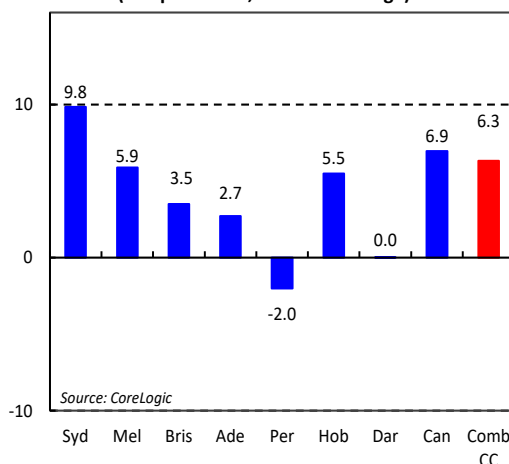
Tuesday, 1 September 2020

# Dwelling Prices & Building Approvals

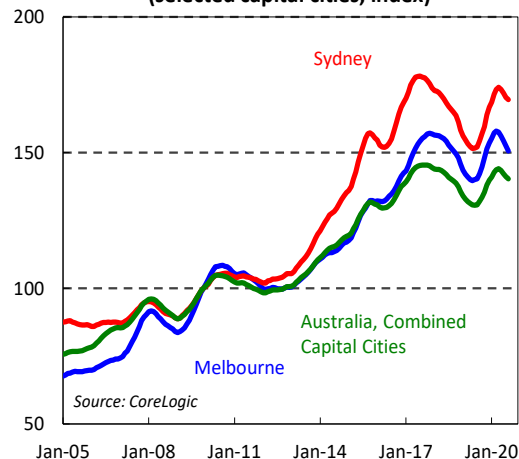
## COVID-19's Mixed Bag for Housing

- The weakness in incomes, elevated unemployment and uncertainty about the outlook are weighing on demand for housing. Dwelling prices across the eight capital cities according to CoreLogic fell 0.4% in August, the fourth consecutive monthly fall.
- The impact of COVID-19 cases on housing markets in the various capital cities was evident. In August, the largest fall across capital cities was in Melbourne, recording a decline of 1.2%. The lift in COVID-19 cases and the Stage 4 restrictions implemented in Melbourne from August 2 have affected housing activity significantly.
- Sydney had the second largest fall across capital cities, dropping 0.5% in August, where a rising cluster of COVID-19 cases has likely impacted confidence. However, there was greater resilience in the housing markets of other capital cities, which are outperforming the more populous cities of Sydney and Melbourne.
- Building approvals bounced strongly in July following four months of decline. Approvals rose 12.0% in July to be up 6.3% on a year earlier. The increase in approvals was driven by a 22.7% increase in private sector 'other dwellings' which include multi-unit dwellings or apartments.
- Activity across the states was varied. Tasmania saw a 50.0% increase in approvals while in NSW they were up 32.0%. Both Victoria (9.3%) and Queensland (7.7%) also saw solid gains in July. South Australia (-10.5%) and Western Australia (-8.3%) saw declines in dwelling approvals.
- While the overall rebound is welcome, approvals remain well down on the heady levels seen during 2017 and 2018. It remains to be seen how rising levels of unemployment, weak wages growth, high levels of household debt and shrinking migration will impact upon the industry.

Dwelling Prices for August 2020  
(8-capital cities, annual % change)



CoreLogic Hedonic Home Value  
(selected capital cities, index)



## Dwelling Prices

The weakness in incomes, elevated unemployment and uncertainty about the outlook are weighing on demand for housing. Dwelling prices across the eight capital cities according to CoreLogic fell 0.4% in August, the fourth consecutive monthly fall.

The annual pace remained positive - prices were 6.3% higher than a year ago, but it was the weakest annual gain in seven months.

The impact of COVID-19 cases on housing markets in the various capital cities was evident. In August, the largest fall across capital cities was in Melbourne, recording a decline of 1.2%. The lift in COVID-19 cases and the Stage 4 restrictions implemented in Melbourne from August 2 have affected housing activity significantly. Home inspections and auctions are only available virtually, severely limiting the ability to transact on housing. Sales activity in Melbourne fell sharply and was down just over 66% on a year ago.

Sydney had the second largest fall across capital cities, dropping 0.5% in August, where a rising cluster of COVID-19 cases have likely impacted confidence. Sydney and Melbourne have also been more adversely affected by the impacts of COVID-19 from the closure of international borders.

There was greater resilience in the housing markets of other capital cities. Smaller capital cities are outperforming housing markets in the more populous cities of Sydney and Melbourne. Brisbane was the other capital city to witness a fall in prices, edging down 0.1% in the month. Prices in Adelaide and Perth were flat. However, there were gains in Hobart (0.1%), Darwin (1.0%) and Canberra (0.5%). Darwin could be benefiting in this environment as population was going backwards in the state prior to the pandemic. Meanwhile, the housing market in Canberra is being supported by the relatively large public sector needed to support the economy throughout the pandemic.

On an annual basis, dwelling price growth continued to moderate in Sydney and Melbourne. Prices in Sydney were up 9.8% in the year to August. It was the weakest in seven months but remained the strongest of all capital cities. Annual growth in Melbourne dwelling prices softened to 5.9% in August, down from a peak of 12.4% in April.

Annual growth was modest in Brisbane (3.5%) and Adelaide (2.7%) and was slightly firmer in Hobart (5.5%) and Canberra (6.9%). The annual rate in Perth was in decline, down 2.0% in the year to August. Perth dwelling prices have been in decline on an annual basis for over three years straight, but the outcome in August was the best in just over two years.

Prices in Darwin were flat on a year ago, suggesting that prices have bottomed out and the long-running decline in prices may have halted. It was the best annual rate since November 2014.

## Building Approvals

Building approvals bounced strongly in July following four months of decline. Approvals rose 12.0% in July to be up 6.3% on a year earlier. The increase in approvals was driven by a 22.7% increase in private sector 'other dwellings' which include multi-unit dwellings or apartments.

The increase was greater than expected by the market and likely reflects the easing of restrictions on movement and an improvement in sentiment as new COVID 19 cases declined.

Multi-unit or 'other dwellings' approvals are now up 7.5% on a year earlier.

July also saw an 8.5% increase in approvals for private sector houses and these are now up 5.6%

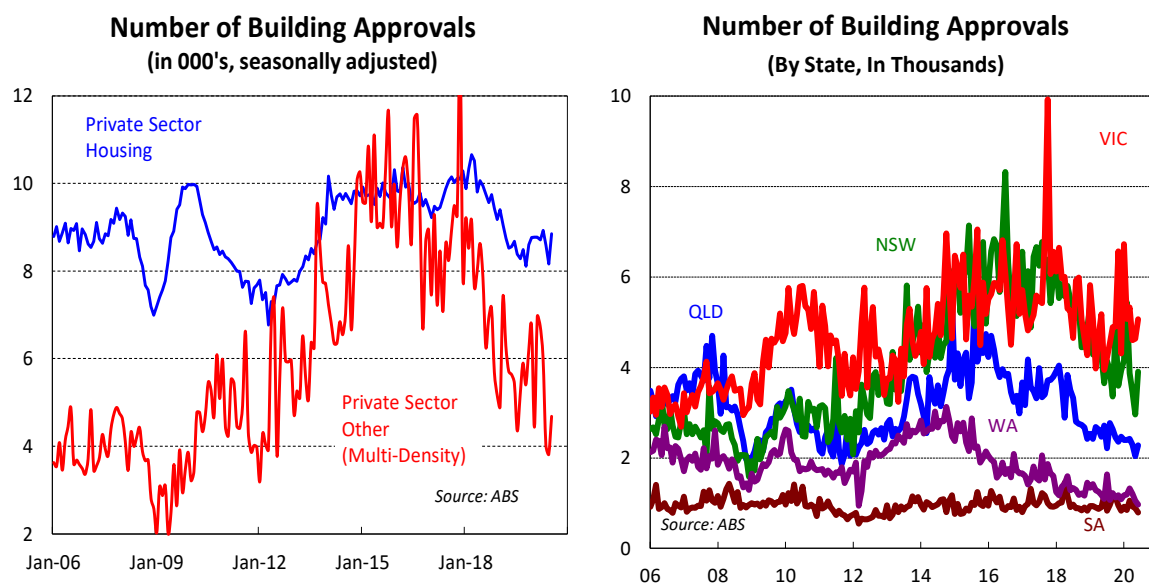
on a year earlier.

Activity across the states and was varied. Tasmania saw a 50.0% increase in approvals while in NSW they were up 32.0%. Both Victoria (9.3%) and Queensland (7.7%) also saw solid gains in July. South Australia (-10.5%) and Western Australia (-8.3%) saw declines in dwelling approvals.

While acknowledging the volatility in the data, it is interesting to note that over the year to July, approvals are up in Victoria (28.4%), Tasmania (28.4%) and NSW (6.9%) but down in South Australia (-32.3%), Queensland (-16.2%) and Western Australia (-11.6%).

The overall rebound is welcome, however, approvals remain well down on the heady levels seen during 2017 and 2018. It remains to be seen how rising levels of unemployment, weak wages growth, already high levels of personal debt and shrinking migration will impact upon the industry.

Supporting the building sector and the wider population are the wide variety of federal and state government stimulus and support packages plus historically low interest rates.



## Outlook

COVID-19 is continuing to limit housing activity and weigh on housing demand reflecting the adverse impact on incomes and employment. Nonetheless, we are seeing some divergence across capital cities, reflecting the different rates of infection across various states.

The uneven economic recovery suggests that unemployment will remain elevated and will continue to weigh on the housing market. However, COVID-19 will factor in heavily, particularly with regards to confidence and housing activity.

Further weakness in dwelling prices is likely to continue as incomes remain constrained. This weakness is expected to be led by Sydney and Melbourne which have been more adversely impacted by COVID-19.

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