



# The Week In Real Estate

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## Property Prices Break Record

Australian property prices hit a national record high in November. CoreLogic's Home Value Index (HVI) rose by 0.6%, the smallest monthly increase since February, but enough to break the record.

Since the trough of the market in January 2023, housing values have increased 8.3%. While nationally figures are up, three capital cities actually experienced a drop in values over the month. Darwin was down 0.3%, while Melbourne and Hobart both fell by 0.1%.

CoreLogic research director Tim Lawless says an imbalance between supply and demand is keeping strong upward pressure on housing values in most markets. Although rising advertised stock levels, deteriorating affordability, and low consumer sentiment had dragged down value in the three declining capital cities.

Dwelling values increased the most in the smaller capital cities during November, with Perth (1.9%) leading the charge, followed by Brisbane (1.3%), Adelaide (1.2%), Canberra (0.5%), and Sydney (0.3%)

Lawless says, "despite the high cost of debt and deeply pessimistic consumer sentiment, purchasing activity has held reasonably firm."

## Will Prices Keep Rising?

The stark imbalance between housing supply and demand is tipped to continue driving up property prices in 2024.

Domain's End of Year Report says the market has already overcome 13 cash rate increases and a cost of living crisis to keep rising in 2023.

Chief of research and economics, Dr Nicola Powell, predicts house prices across the combined capital cities will lift another 6% to 8% in 2024. And she forecasts regional prices rises between 2% and 5%.

Powell says Sydney's prices will grow between 7% and 9%, Brisbane and Adelaide, will be between 7% and 8%, Perth, 6% to 7%, Canberra 3% to 5% and Melbourne and Hobart, will be between 2% and 4%.

"Unprecedented post-COVID migration and population growth will continue to send shock waves through the property market as a booming population looks for a place to live," Powell says.

"It will continue to exert extraordinary upward price pressures on the property market."



## Quote Of The Week

***"Unprecedented post-COVID migration and population growth will continue to send shock waves through the property market as a booming population looks for a place to live."***

**Domain, Chief of research and economics, Dr Nicola Powell**



## Should Rates Go Higher?

Former Reserve Bank of Australia governor, Philip Lowe, is worried central banks may not have increased interest rates high enough to control inflation.

Lowe who ended his tenure as RBA Governor in September 2023, also warned that the government with cost of living pressures, will only drive inflation further.

"I hope that most central banks have done enough, but I'm worried that they haven't, and it's doubly important that we pass this first inflation test," Lowe says.

Lowe told a central banking conference in Hong Kong that strong jobs markets and weak productivity growth meant wages were growing at rates that would not help bring inflation rates down to target.

He is worried about the effect of countries trying to help with cost of living pressures by giving money to taxpayers including Australia which has offered \$23 billion in cost-of-living assistance payments. "That tends to lead to inflation as well," he says.



## Where First Home Buyers Are Buying

New data shows where first home buyers are buying homes.

Housing Australia's annual Home Guarantee Scheme Trends and Insights Report FY2023 shows in New South Wales, most first-time buyers purchased in Sydney's southwest. The 2170 postcode, which includes Liverpool, Casula and Warwick Farm had 166 buyers through the scheme.

In Melbourne, the 3064 postcode which includes Craigieburn, Donnybrook and Mickleham (177) in the outer north was most popular with buyers. Mackay (286) in regional Queensland had the most purchasers in that state and in all of Australia. South Australia's Smithfield had 55 sales, while Armadale in Perth had, 219. In Tasmania Devonport and Burnie both had 35 buyers each. In the Northern Territory, Zuccoli (80), had the highest number of buyers and in the ACT, Weston Creek (67) was most popular.

PropTrack senior economist Angus Moore says first-home buyers are particularly constrained by financing conditions. "The data shows us that they're mostly buying in these outer suburban, more affordable areas," he says.



## Building Approvals Still Low

Building approvals enjoyed a slight increase during the month of October, but still remain too low according to the Housing Industry Association.

HIA Senior Economist, Tom Devitt, says ABS figures show in the past quarter approvals are down by 11.2% compared to the same quarter last year. Devitt says the building pipeline is shrinking and in 2024 home builders will be starting construction on fewer new houses than at any other time in the past decade.

"We have known this was coming for over a year. Leading indicators like new home sales, housing finance, building approvals and consumer confidence have been depressed all year," he says.

He predicts interest rate increases will suppress home building and spending across the broader economy next year but by more than is needed to get inflation to the RBA's 2% to 3% target.

Compared with the same quarter last year, NSW approvals are down by -18%, Victoria -11.3%, Queensland -9%, South Australia -8.4% and Western Australia -0.6%.