

# STATE BY STATE: AN UPDATE ON THE AUSTRALIAN PROPERTY MARKETS, SEPTEMBER 2018

- [Michael Yardney](#) September 26, 2018

## Who's property market forecasts are you going to believe?

Those of the media outlets who tell us our property market is “*collapsing*” when in reality values have fallen a total of 2% over the last



year.

Or our new treasurer, Josh Frydenberg, who after consulting with the RBA and APRA has concluded that we're in for an “orderly” soft landing in the Sydney and Melbourne markets.

Now I'm not suggesting property values won't fall further in some locations – they will, but there is no sign of a general market collapse.

The current tight lending criteria and subdued consumer confidence will continue to weigh on the market, but recently [ANZ Bank suggested](#) that there are signs the property markets could stabilise by year end.

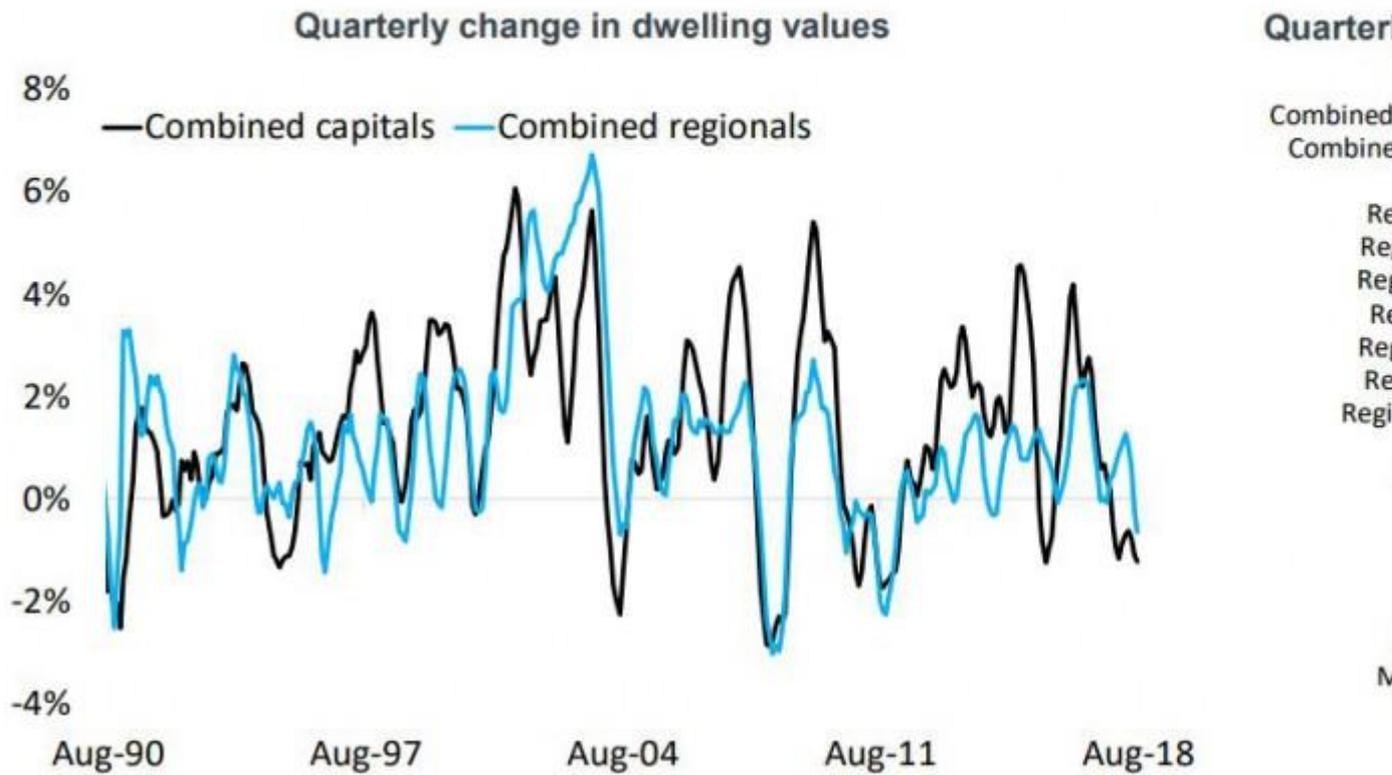
So let's take a look at what's really happening around the Australian property markets as we unpack the latest [Corelogic](#) charts and stats:

## Index results as at August 31, 2018

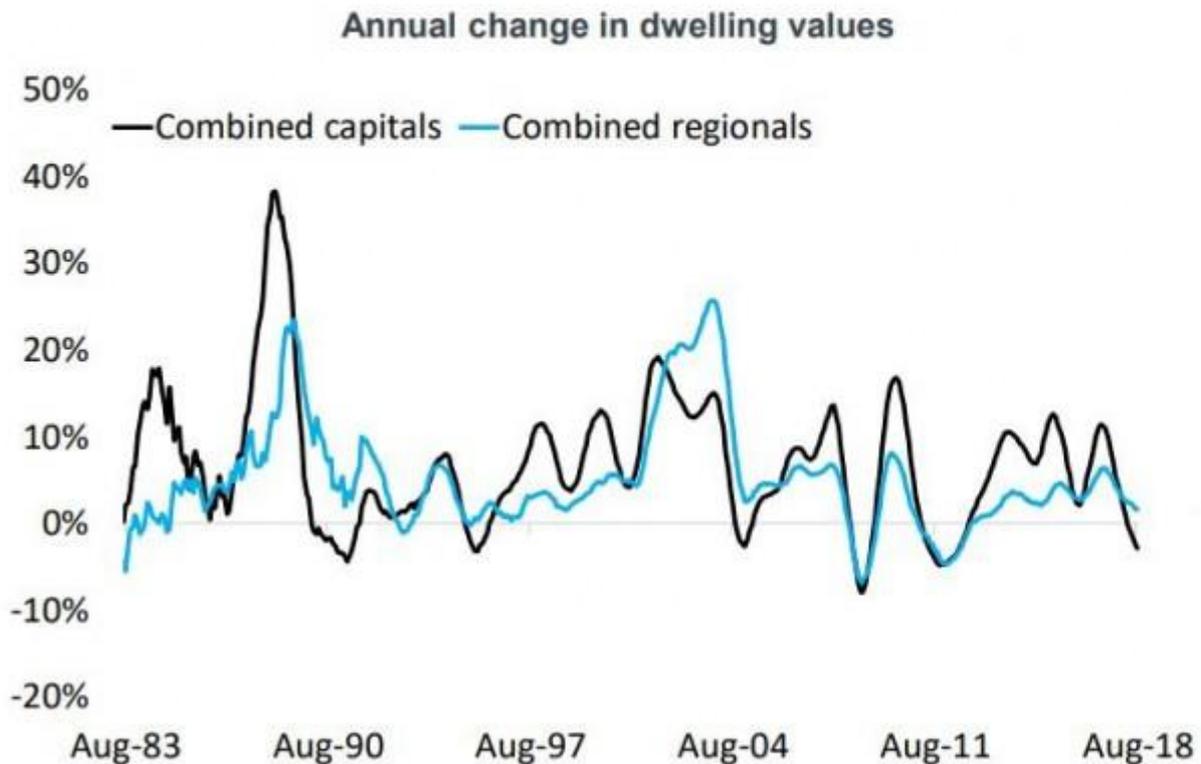
	Change in dwelling values		
	Month	Quarter	Annual
Sydney	-0.3%	-1.2%	-5.6%
Melbourne	-0.6%	-2.0%	-1.7%
Brisbane	-0.2%	0.1%	0.9%
Adelaide	0.3%	0.5%	1.0%
Perth	-0.6%	-1.9%	-2.1%
Hobart	-0.1%	0.1%	10.7%
Darwin	0.1%	-0.7%	-4.0%
Canberra	0.5%	0.4%	2.3%
Combined capitals	-0.4%	-1.2%	-2.9%
Combined regional	-0.2%	-0.6%	1.6%
National	-0.3%	-1.1%	-2.0%

Over the last year property values have trended higher in Hobart, Canberra, Adelaide and Brisbane; but are lower in Perth, Darwin, Sydney and Melbourne.

Combined capital city dwelling values go  
fall at a faster quarterly pace than regional



Value growth has slowed over the past year with rapid slowing occurring across the combined capitals rather than the combined regional market.



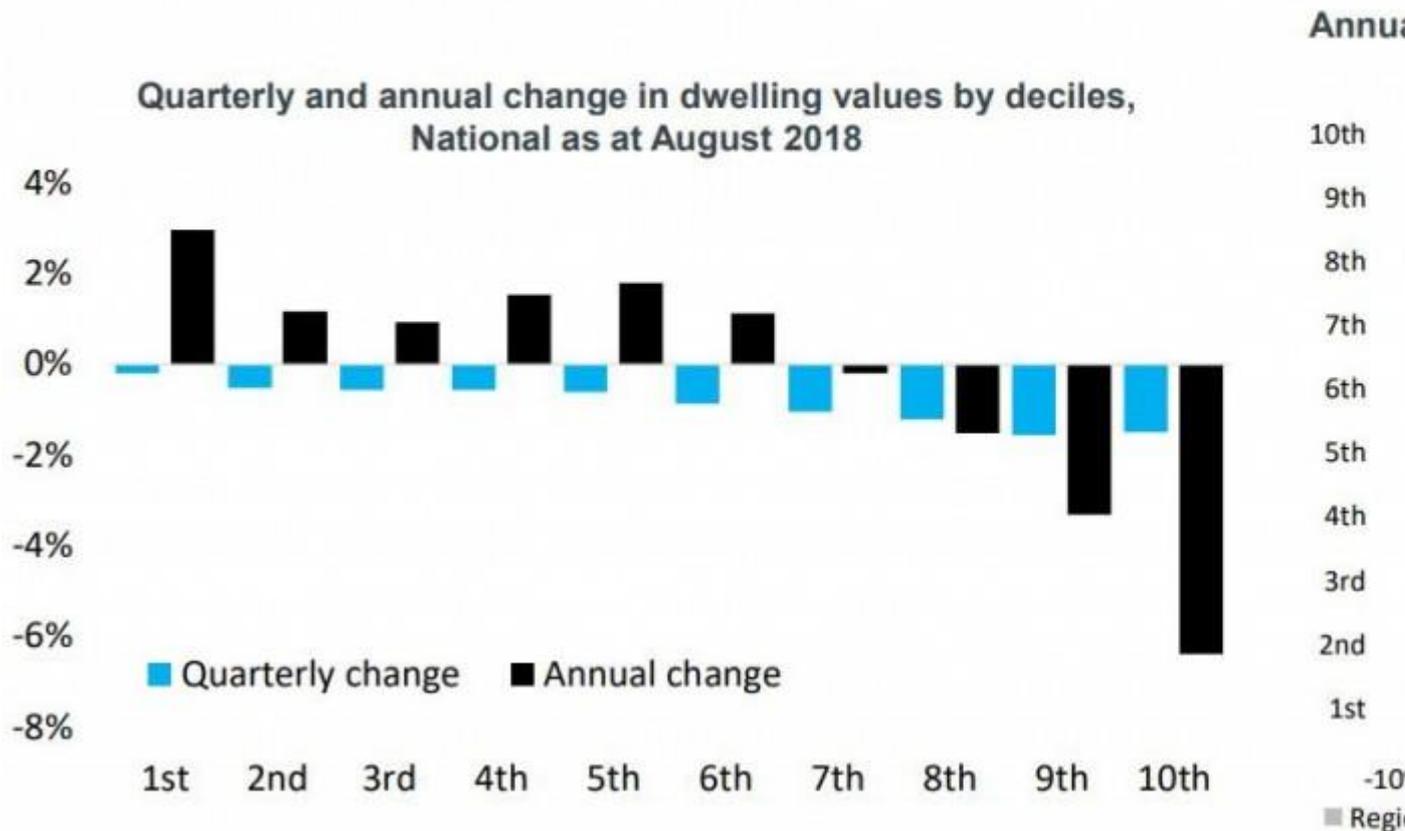
### THE UPPER END OF THE MARKET IS SUFFERING MOST

As is normally the case at this stage of the cycle more expensive properties, which are more subject to discretionary spending, are the weakest segment of the market.

CoreLogic recorded a 5.4% fall in values across the upper quartile of the combined capitals over the past twelve months, while the broad middle of the market is down 0.5% over the year and the most inexpensive quartile has recorded a 0.6% rise in values.

This trend towards weaker premium housing market conditions is largely attributable to larger falls across Sydney and Melbourne's most expensive quarter of properties where values are down 8.1% and 5.2% over the past twelve months.

Premium dwelling values continue to record value declines than those for more affordable



## [SYDNEY HOUSING MARKET](#)

The Sydney property market peaked in mid 2017 and is experiencing a soft landing after 5 years of strong price growth.

Over the past five years, median dwelling prices have increased by 51.0% compared to household incomes increasing by just 16.1%.

It has been a similar story over the past decade with median price growth (89.0%) more than double the household income growth (42.0% meaning housing affordability has become an issue for some segments of the market.

While Sydney is the most expensive city in Australia, it is also clearly the most valuable and will continue to experience a chronic shortage of homes.

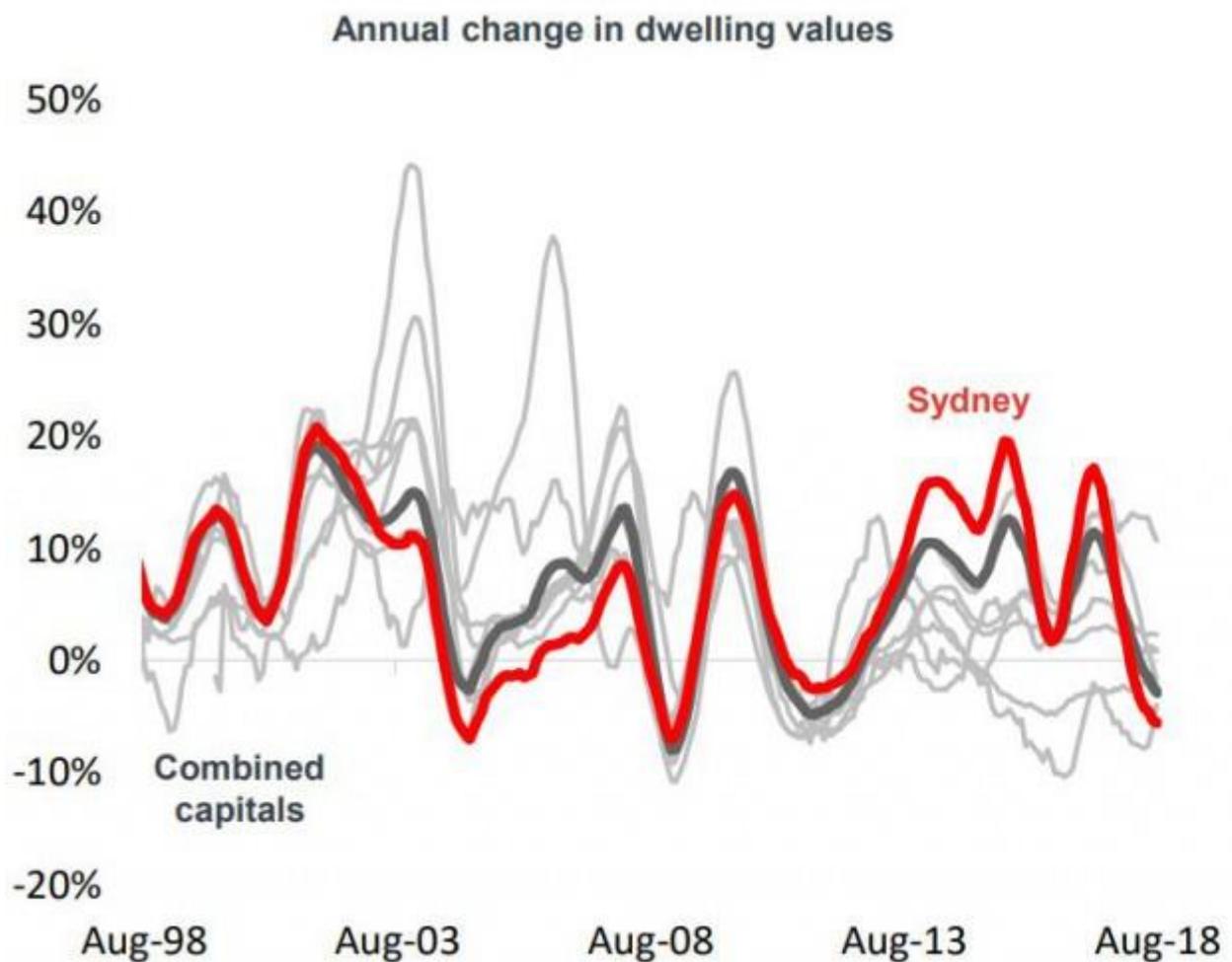
Strong economic growth and jobs creation is leading to population growth and ongoing demand for property in Sydney with underlying demand is well ahead of supply and the rental market is tightening.

At the same time international interest from tourists, migrants and investors continues.

However now more than ever, critical property selection will be more important to find an investment grade property that will outperform the property markets

Sydney is currently offering investors an opportunity to buy established apartments in the eastern suburbs, lower north shore and inner west in a “buyer’s market” with little further downside and the prospect of the market moving forward again in 2019.

If you’d like to know a bit more about how to find these investment gems give the **Metropole Sydney** team a call on **1300 METROPOLE** or [click here](#) and leave your details.



# Sydney Key Statistics

## Change in dwelling values

Three months	-1.2%
Twelve months	-5.6%
Avg annual growth past decade	6.2%

## Rental

Weekly  
Gross re

## Median values

Median dwelling value	\$855,287
Median house value	\$989,984
Median unit value	\$740,093

## Selling

Time on  
Vendor c

## MELBOURNE HOUSING MARKET

The Melbourne property market peaked in November 2017 and is experiencing a soft landing after 5 years of strong price growth.



Property values are now 3.5% below their peak.

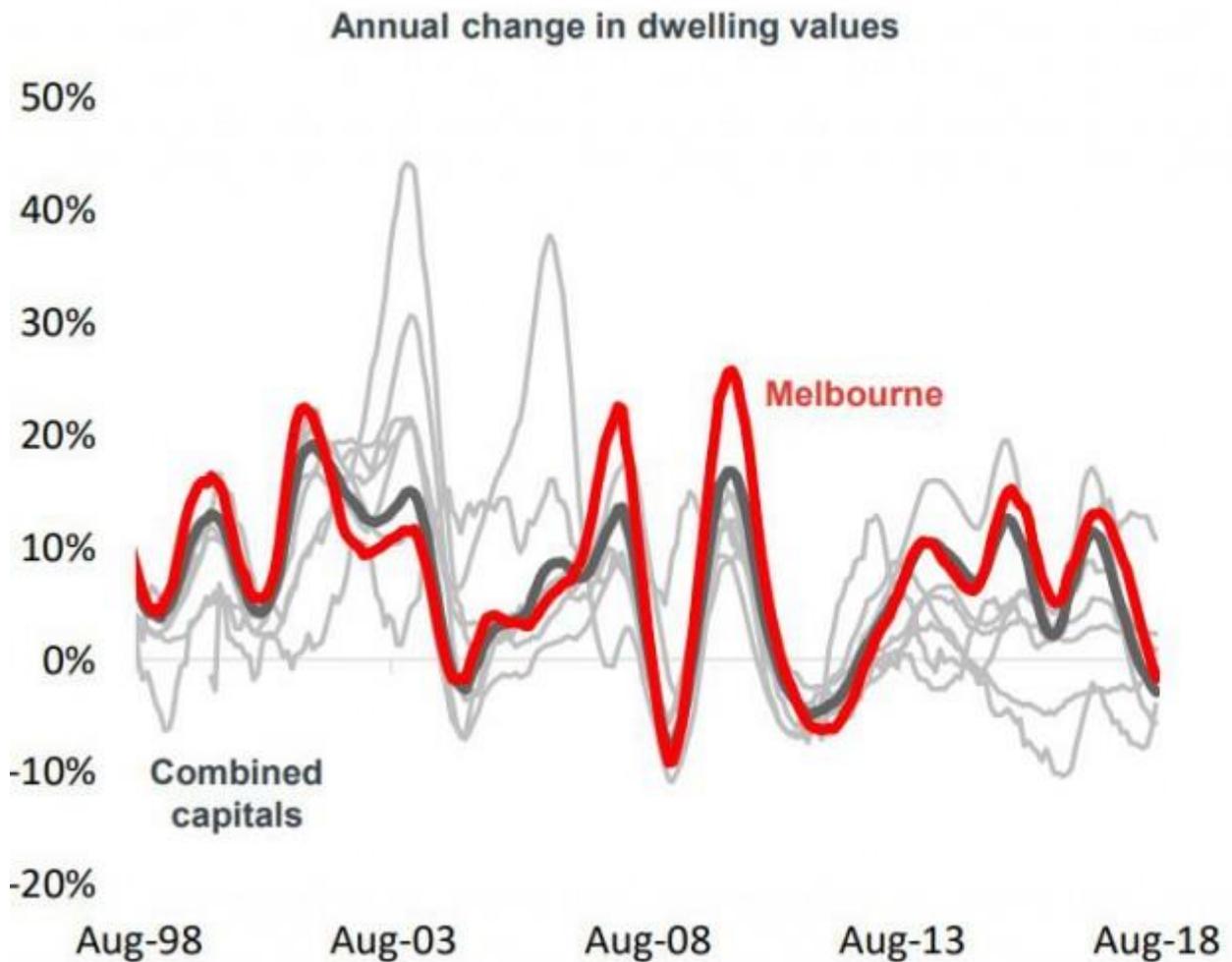
Over the past five years, median property prices in Melbourne have increased by 41.5% and over the past decade they are 77.3% higher.

By comparison, household incomes are just 12.4% higher over the past five years and 34.7% higher over the decade, both of which are much lower than price growth, meaning housing affordability has become an issue for some segments of the market.

While Melbourne's property prices are likely to fall by a little further, they will be underpinned by a robust economy, jobs growth Australia's strongest population growth and the influx of 35% of all overseas migrants.

**Melbourne rates as one of the 10 fastest growing large cities in the developed world**, with its population likely to increase by around 10% in the next 4 years.

If you'd like to know a bit more about how to find [investment grade properties in Melbourne](#) please give the **Metropole Melbourne** team a call on **1300 METROPOLE** or [click here](#) and leave your details.



# Melbourne Key Statistics

## Change in dwelling values

Three months	-2.0%
Twelve months	-1.7%
Avg annual growth past decade	5.9%

## Rental

Weekly  
Gross re

## Median values

Median dwelling value	\$703,183
Median house value	\$806,640
Median unit value	\$566,148

## Selling

Time on  
Vendor

## BRISBANE HOUSING MARKET

Property price growth in Brisbane has been slow over the past few years, however Brisbane is the market with the most potential for growth over the next 3 years.

Housing is relatively affordable in Brisbane compared to the other east coast capital cities.

Over the past five years, median prices are 16.1% higher while household incomes have



increased 9.2%.

Throughout the 10 years to June 2018, prices are 24.1% higher while household income growth has been stronger at 31.3%.

## Queensland has led the nation in net interstate migration over the past year

The population of Qld. increased by 81,461 persons over the 12 months to December 2017 with QLD accounting for 21.0% of the nation's population growth over the year.

The 81,461 person increase in population was split between: natural increase of 29,602 persons, net overseas migration of 29,349 persons and net interstate migration of 22,510 persons.

Over the year, natural increase was the lowest it's been since June 2006, net overseas migration was the lowest it's been since June 2016 and net interstate migration has increased for 12 consecutive quarters and is at its highest level since September 2007.

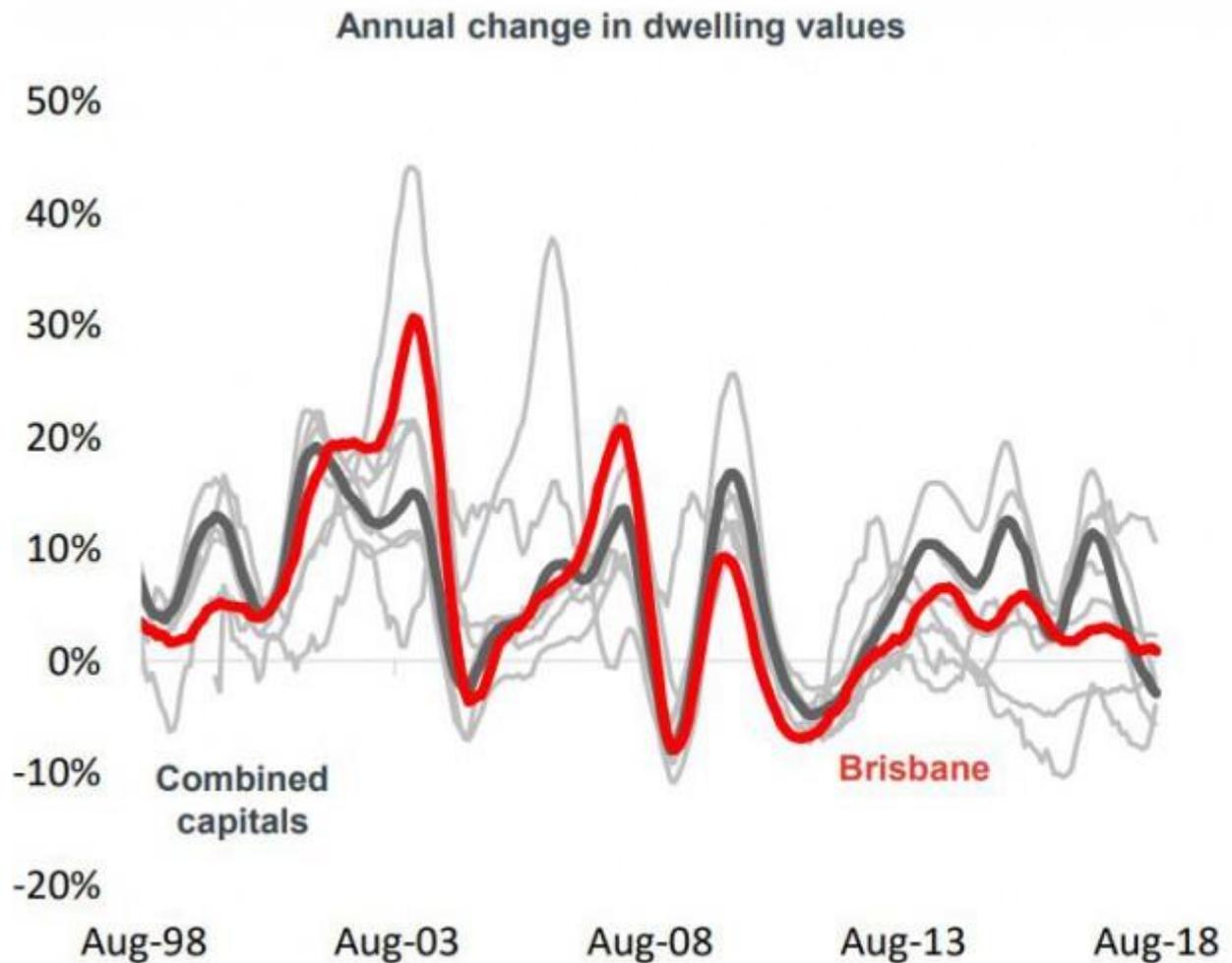
In another positive sign Queensland's job creation is quite strong but the unemployment rate remains stubbornly high

The trend unemployment rate in Qld was reported at 6.1% in June 2018, slightly higher than the 6.0% recorded a year earlier.

Over the past 12 months, Qld has created 62,739 jobs.

Based on 62,739 jobs created over the past year, total employment has increased by 2.6% which has accounted for 19.6% of all jobs created nationally.

If you'd like to know a bit more about how to find [investment grade properties in Brisbane](#) please give the [Metropole Brisbane](#) team a call on **1300 METROPOLE** or [click here](#) and leave your details.



## ADELAIDE HOUSING MARKET

The annual rate of property price growth continues to slow in Adelaide, but prices are up 1% over the last 12 months, a better result than in some other capital cities.



The greatest price growth has shifted from the highest valued properties towards the lower and middle of the market.

There is also a 12.5% increase in new unit supply expected over the next two years, and this is likely to put a dampener on the market.

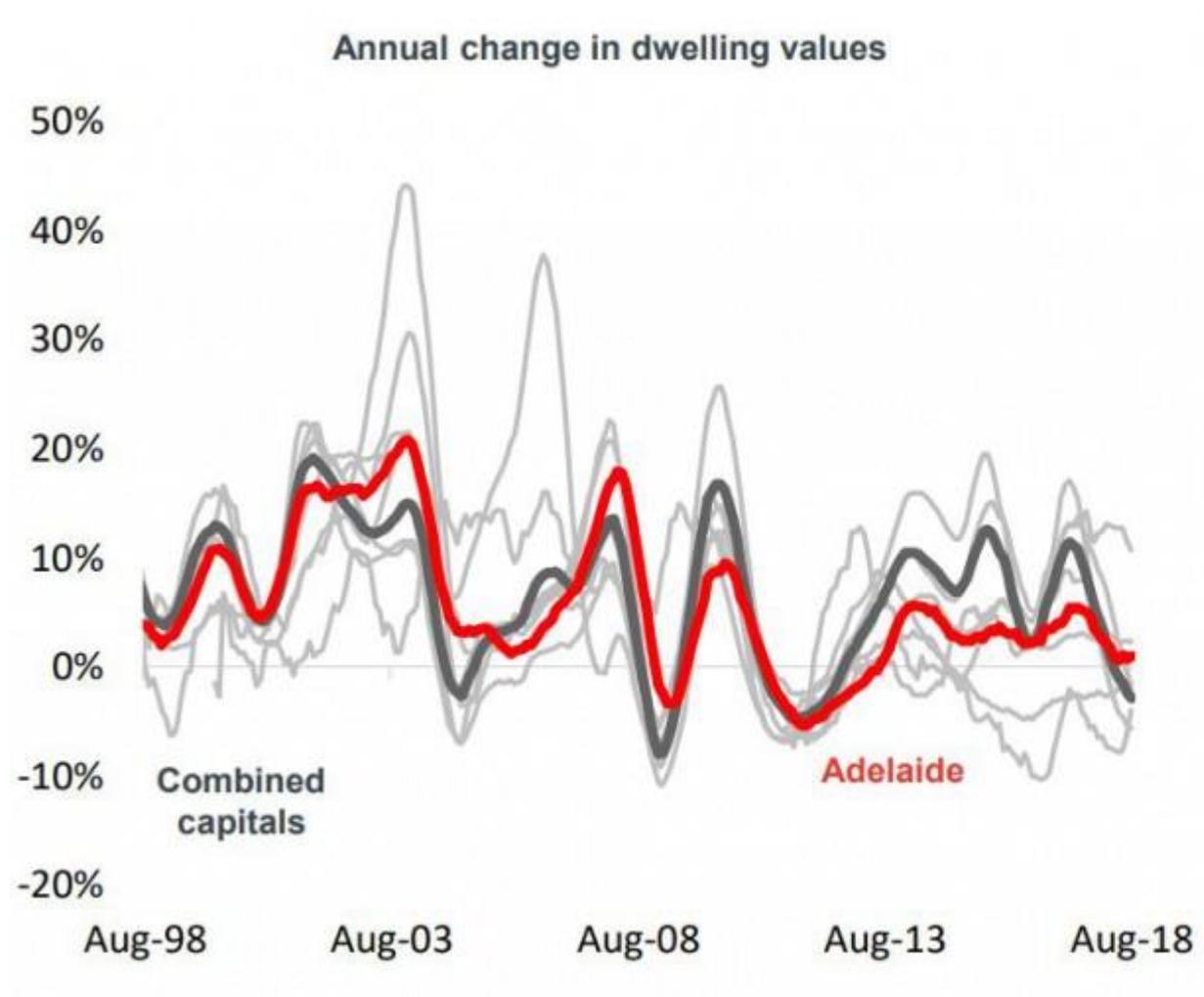
With little price growth, housing remains relatively affordable in Adelaide.

Over the past 5 years dwelling prices are 15.6% higher compared to an 11.9% increase in household income growth.

Over the past decade total house price growth (31.6%) and the growth in household incomes has been very similar.

I know some investors are looking for opportunities in Adelaide hoping (“speculating”) prices will increase but there are few growth drivers in Adelaide which is experiencing above average unemployment rates and poor employment growth.

There are better places to invest than Adelaide.



# Adelaide Key Sta

## Change in dwelling values

Three months	0.5%
Twelve months	1.0%
Avg annual growth past decade	1.8%

## Rental

Weekly  
Gross re

## Median values

Median dwelling value	\$438,466
Median house value	\$466,813
Median unit value	\$324,477

## Selling

Time on  
Vendor

## PERTH HOUSING MARKET

The Perth property market has been on a downward trajectory since peaking in June 2014.

For a brief period earlier in the year, Perth's housing market was showing some positive month on month improvements in housing values, however values have ticked lower over each of the past four months to be down 2.3% over the first eight months of the year.

The local unit market has recorded weaker conditions relative to houses, with unit values down 5.5% over the year to date while house values are down a lower 1.5%.

**Vendors are understandably reluctant to sell their property with conditions remaining soft;** in fact new listing numbers are tracking at a six year low and we are yet

to see the normal seasonal ramp up in listing numbers in line with



spring.

Prices and rents have been falling in Perth since 2014 and as a result there has been a substantial improvement in housing affordability.

Household income has grown at a faster pace over the past five (3.7%) and 10 years (30.6%) than median dwelling prices over the past five (1.1%) and 10 years (11.6%) leading to a significant improvement in affordability, yet Perth house prices keep falling due to local economic conditions, poor consumer confidence and an adverse supply and demand ratio.

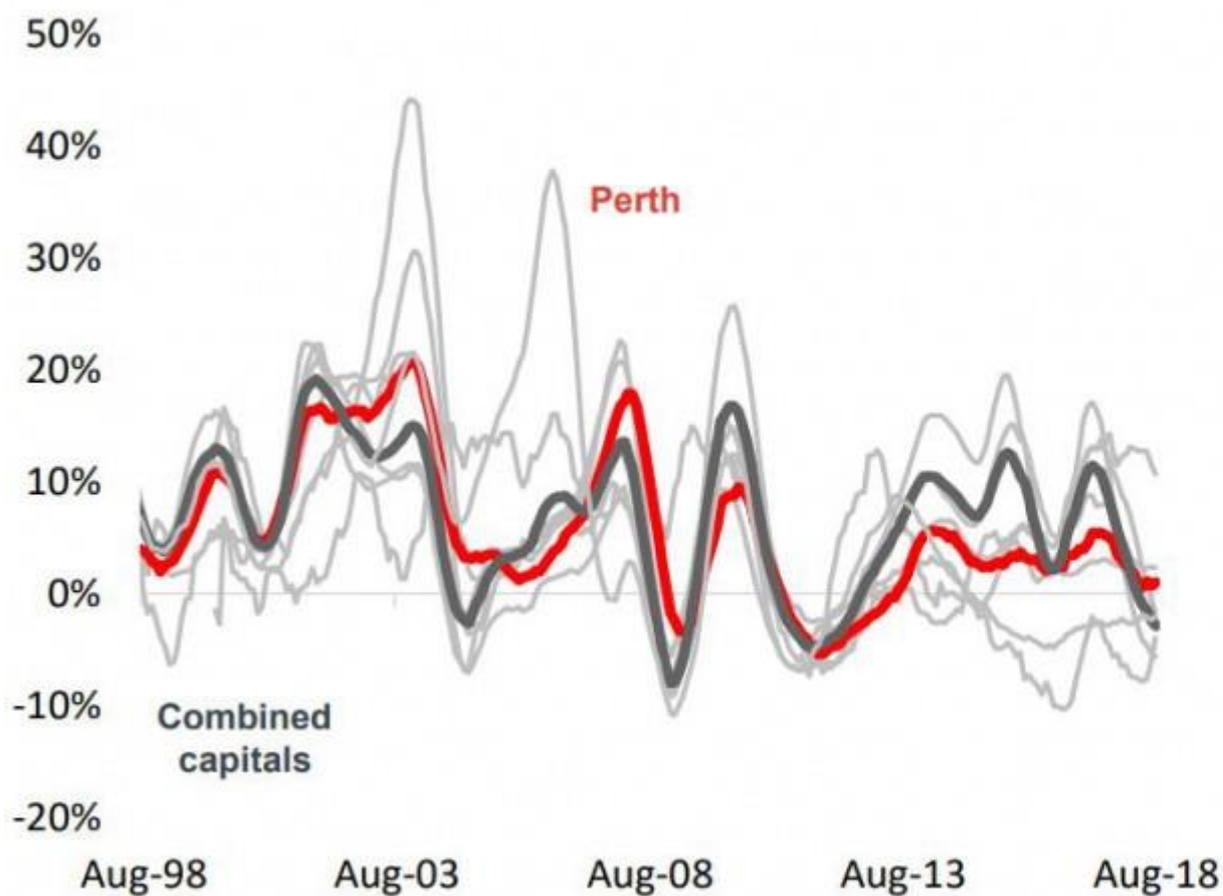
While the Perth market may level out in the next six months, it's much too early for a countercyclical investment in the west – I can't see prices rising significantly for a number of years.

Due to the significant oversupply of new apartments there is little to no prospect of capital growth or rental growth in the Perth apartment market for many years.

Like the other states, Western Australia's population trend has a significant impact on the overall performance of its property market.

To get people back into the State more jobs will need to be created.

Annual change in dwelling values



# Perth Key Statistics

## Change in dwelling values

Three months	-1.9%
Twelve months	-2.1%
Avg annual growth past decade	-0.4%

## Rental

Weekly  
Gross re

## Median values

Median dwelling value	\$454,007
Median house value	\$477,538
Median unit value	\$390,680

## Selling

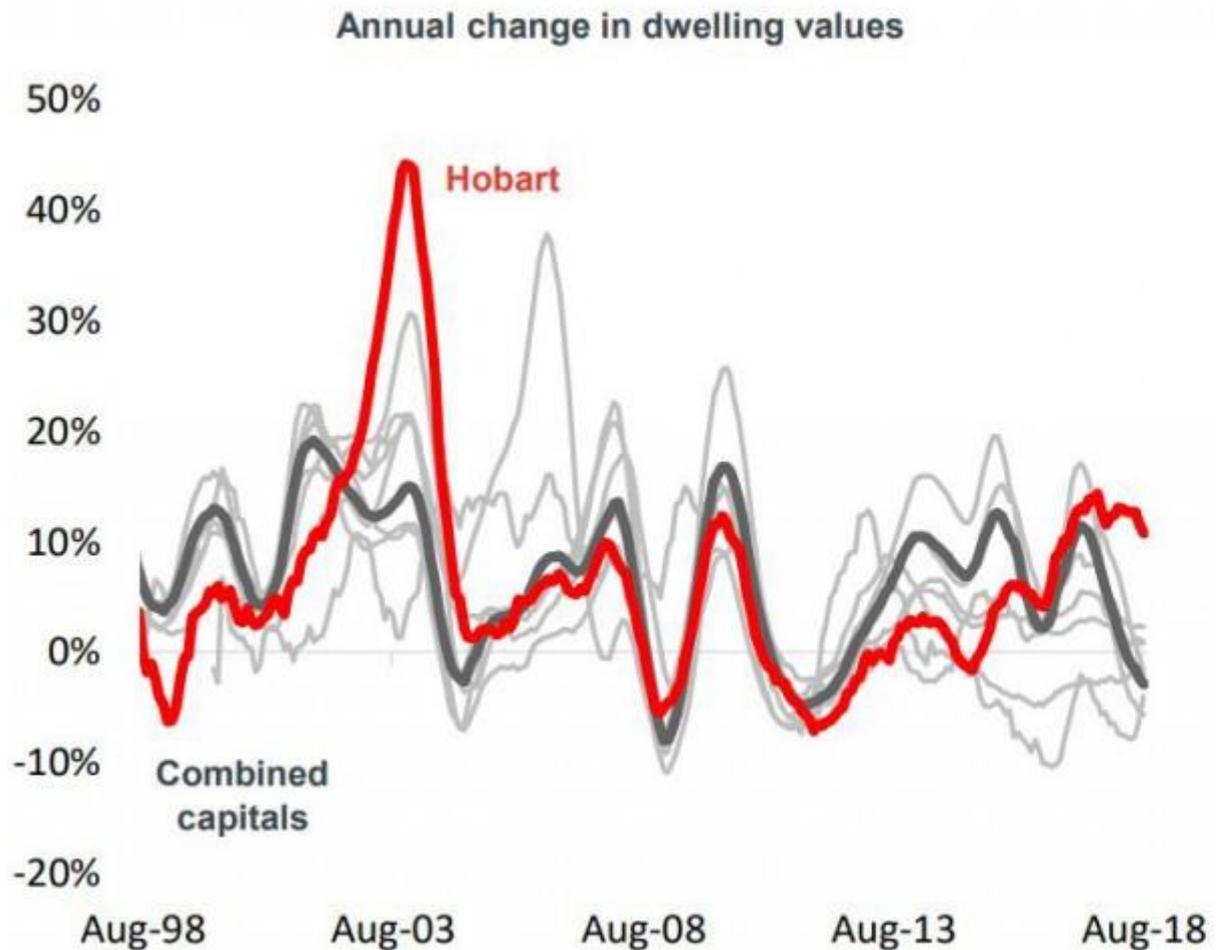
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## HOBART MARKET UPDATE

Hobart has been the strongest performing capital city over the last 2 years.

Over the last five years median dwelling prices have increased at about double the rate of household income growth creating a deterioration in housing affordability in the Apple Isle.

This together with investors moving their aim to the next "hot spot" suggests that Hobart's strong property price growth will slow down in the coming year.



## DARWIN HOUSING MARKET

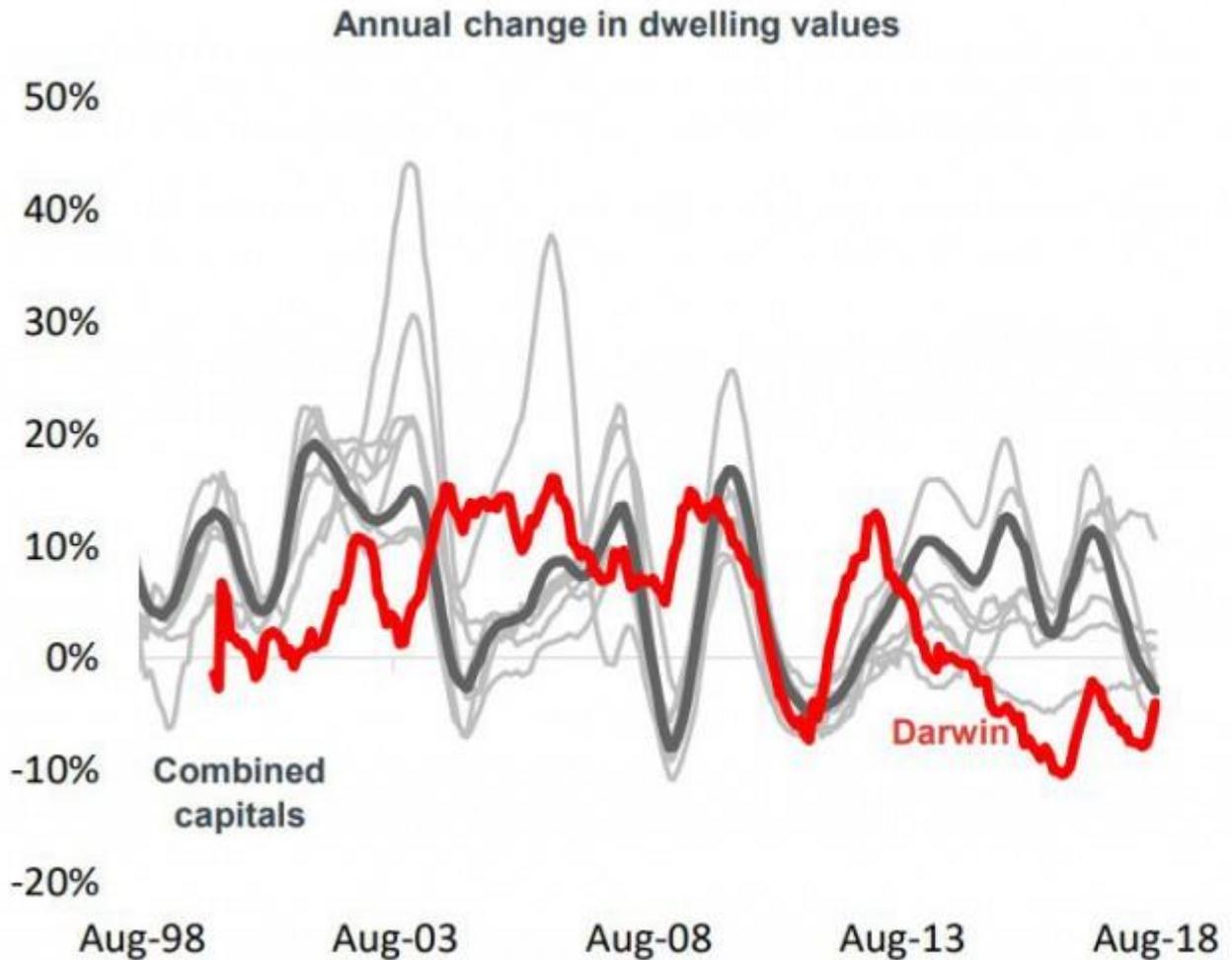
The Darwin property market peaked in August 2010 is still suffering from the effects of the end of our mining boom today 8 years later falling a another 4% over the last year, and our research suggests that house prices are likely to keep falling for some time yet.

Darwin is Australia's most affordable capital city housing markets due to its high wages at a time of continuing house price and rental falls.

Over the past decade, prices are up 30.3% compared to a 60.8% increase in household incomes.

As opposed to the east coast capital cities where many jobs are being created, Darwin had a net loss of jobs last year, showing how its economy is languishing.

Darwin does not have significant growth drivers on the horizon and would be best avoided by investors.



## CANBERRA MARKET UPDATE

Canberra's property market is a "quiet achiever" having grown 3.4 % over the last year, and is likely to continue to perform well underpinned by a stable economy which has led to steady employment and to above average population growth (1.8% per



annum.)

Houses price growth has outpaced its flatter apartment market.

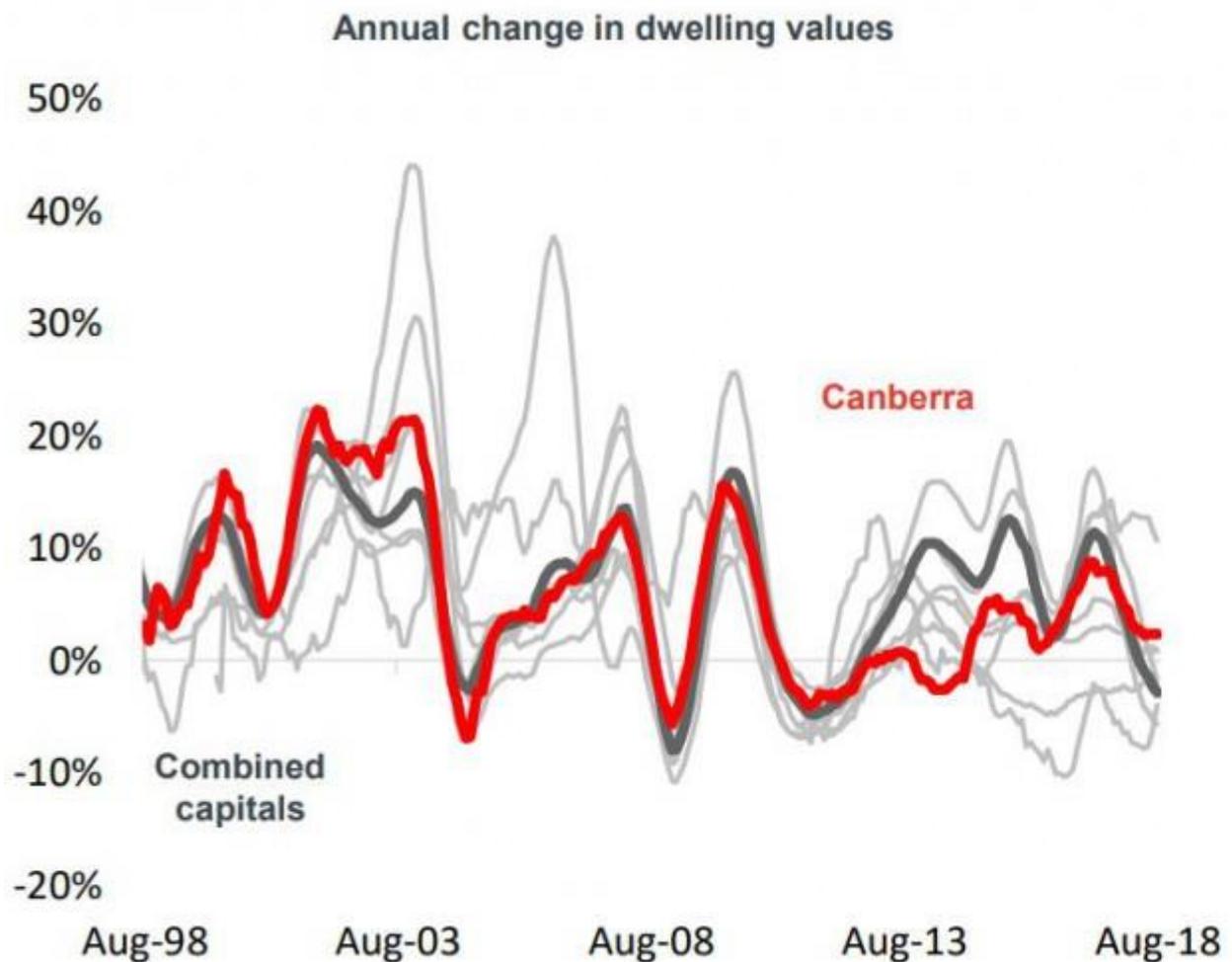
Housing affordability in Canberra has deteriorated over the past five years, as median house prices grew 23.6% during a period when household incomes only grew 15.5%.

Interestingly over the past decade, median prices have increased at a similar rate (40.0%) to household incomes (41.4%).

The ACT Government predicts ongoing strong population growth of 6% in Canberra by 2020.

Around 60% of this growth will be due to natural increase and about 40% through net overseas and interstate migration.

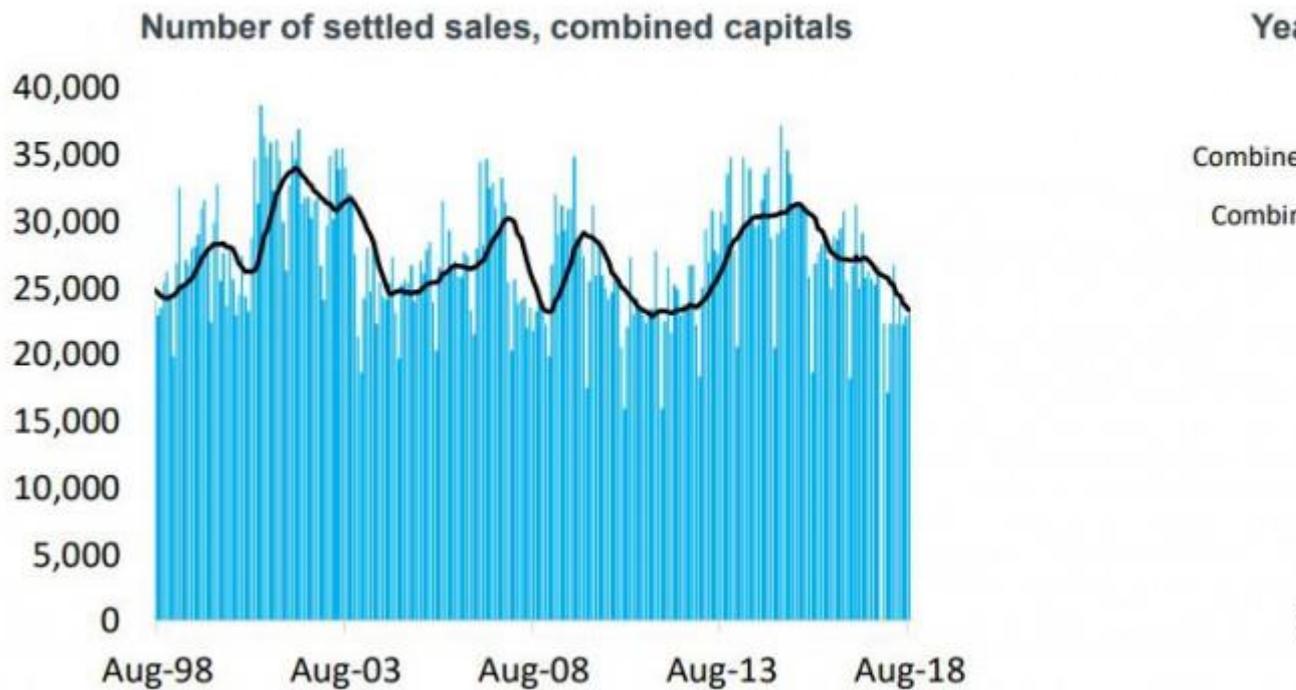
Having said that, I don't consider Canberra a good place to invest as their horrendous land tax rates chew into your cash flow more than anywhere else in Australia.



## CLEARLY OUR PROPERTY MARKETS ARE SLOWING

Our quieter markets have translated into fewer property sales with transaction volumes much lower than they were a year ago.

Transaction numbers remain lower than a few years ago, with fewer settled sales in all capital cities while transaction volumes are higher over the year.



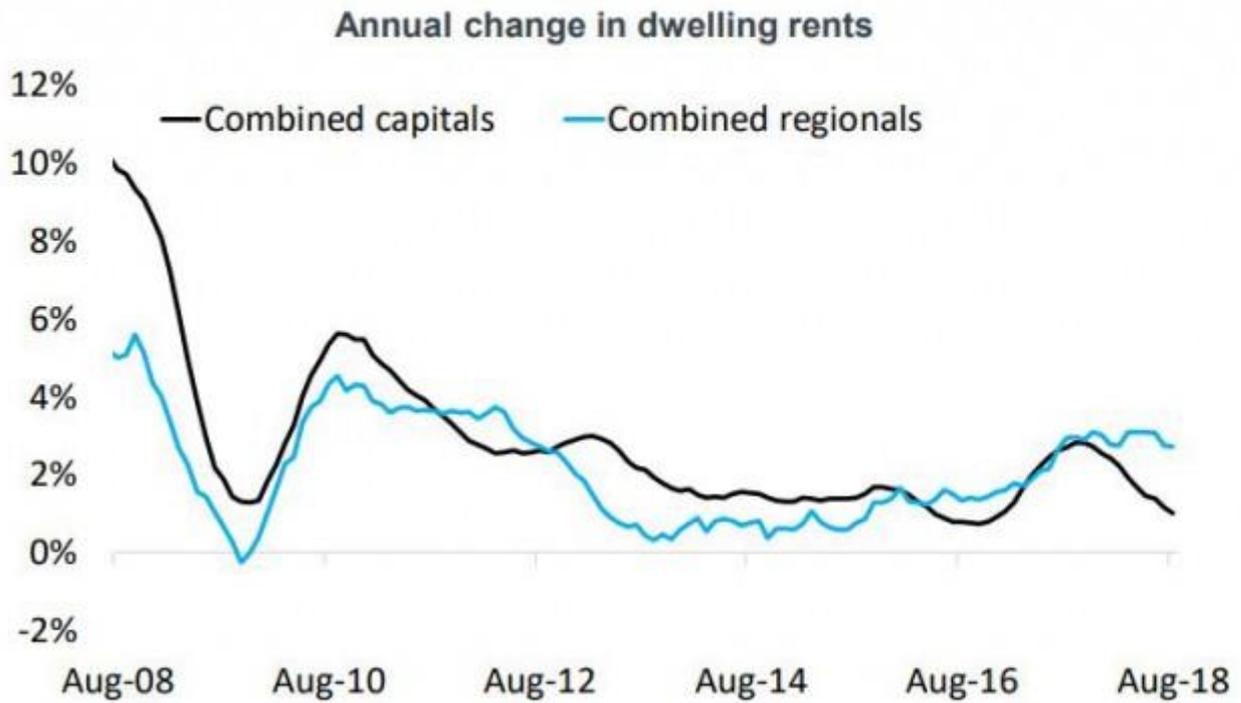
Note the sales volumes are modelled based on historic levels of revision however, they are still subject to revision. Furthermore, sales volumes do not account for off-the-plan purchases which upon completion are counted as sales at their contract date.

Source: CoreLogic

## RENTAL GROWTH HAS STALLED

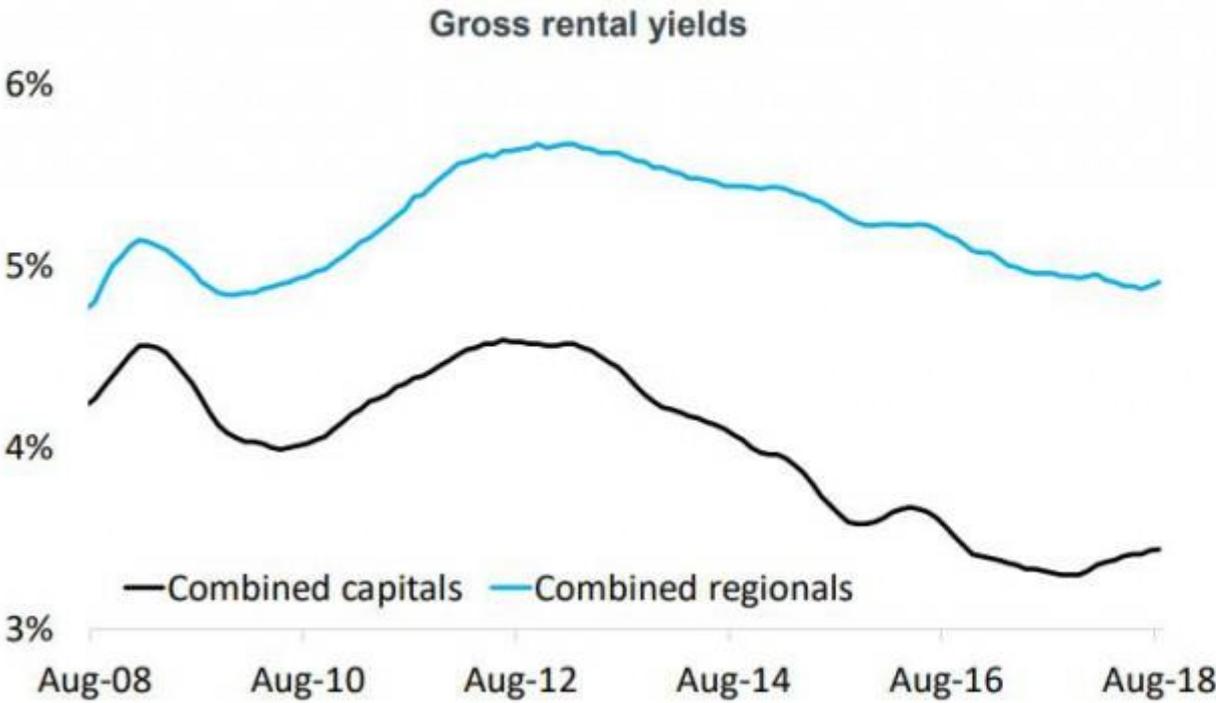
At the same time as house prices are fallen rental growth has been sluggish around Australia, and rents have fallen a little in Sydney and Darwin.

Rental growth in the combined capital cities has fallen rapidly largely due to falls in Sydney and Melbourne



Source: CoreLogic

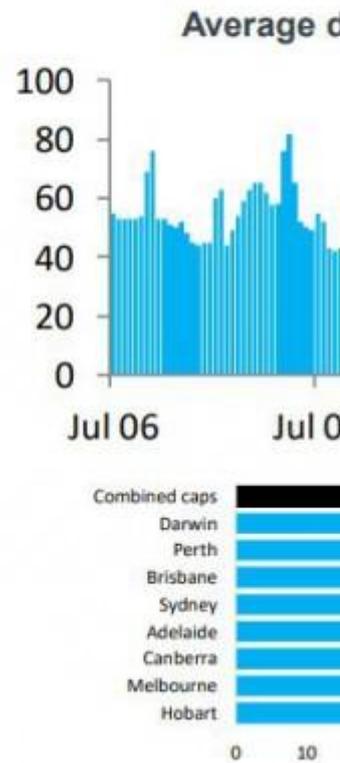
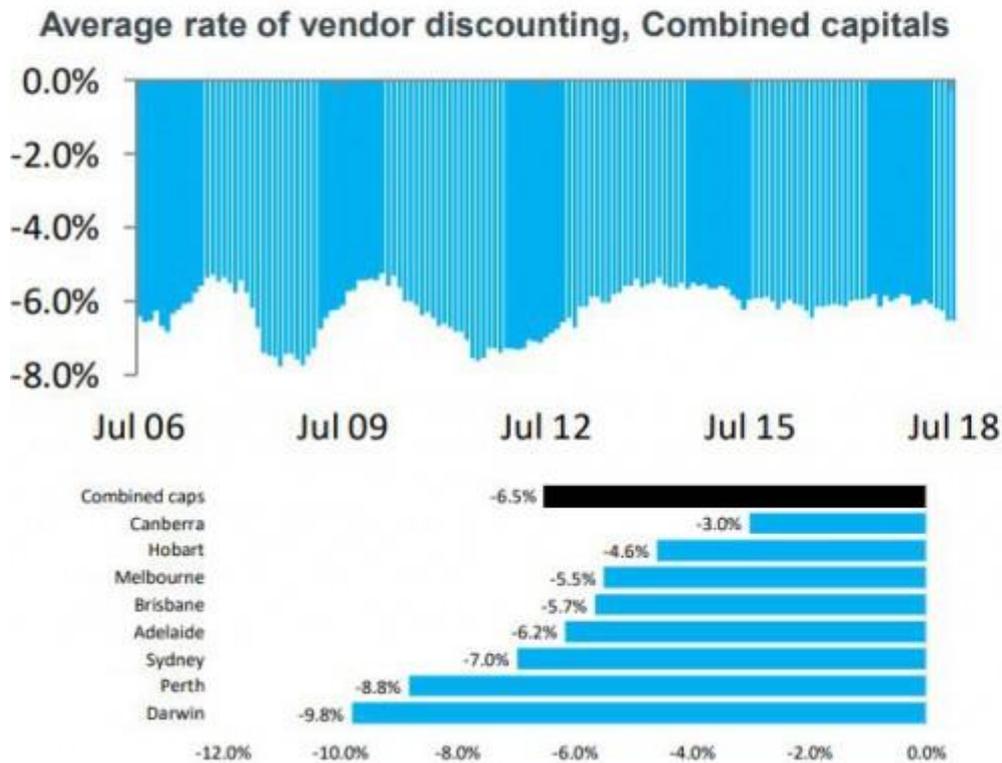
With capital city dwelling values falling as  
rise, gross rental yields have started to inc  
low levels



Source: CoreLogic

Another sign of our slowing markets is the increased length of time it takes to sell a property which increased relative to a year ago.

## Homes are typically taking longer to sell w compared to a year ago



And vendors are reluctant to put their properties in the market.

Far fewer new properties are being advertised a year ago however, in the capital cities, sale means total listings are much higher than

**Number of new and total properties advertised for sale, 28 days**

Capital city	No of new listings	12 mth change (%)	No of total listings	12 mth change (%)	State	No of listings
Sydney	6,744	-5.7%	27,521	22.5%	NSW	11,111
Melbourne	7,515	-5.2%	31,870	14.0%	Vic	10,111
Brisbane	3,978	-1.4%	20,096	2.7%	Qld	9,111
Adelaide	1,765	-1.4%	7,616	-4.8%	SA	2,411
Perth	2,987	-6.7%	19,961	2.3%	WA	4,111
Hobart	340	9.0%	992	-15.6%	Tas	811
Darwin	155	-14.8%	1,427	-12.2%	NT	211
Canberra	623	4.9%	1,890	1.3%	ACT	611
<b>Combined capitals</b>	<b>24,107</b>	<b>-4.3%</b>	<b>111,373</b>	<b>9.0%</b>	<b>National</b>	<b>38,111</b>

**Auction clearance rates** are another sign of the lack of depth of our property markets, but they may have found their plateau.

Auction clearance rates have steadied a bit but they remain well below levels from a

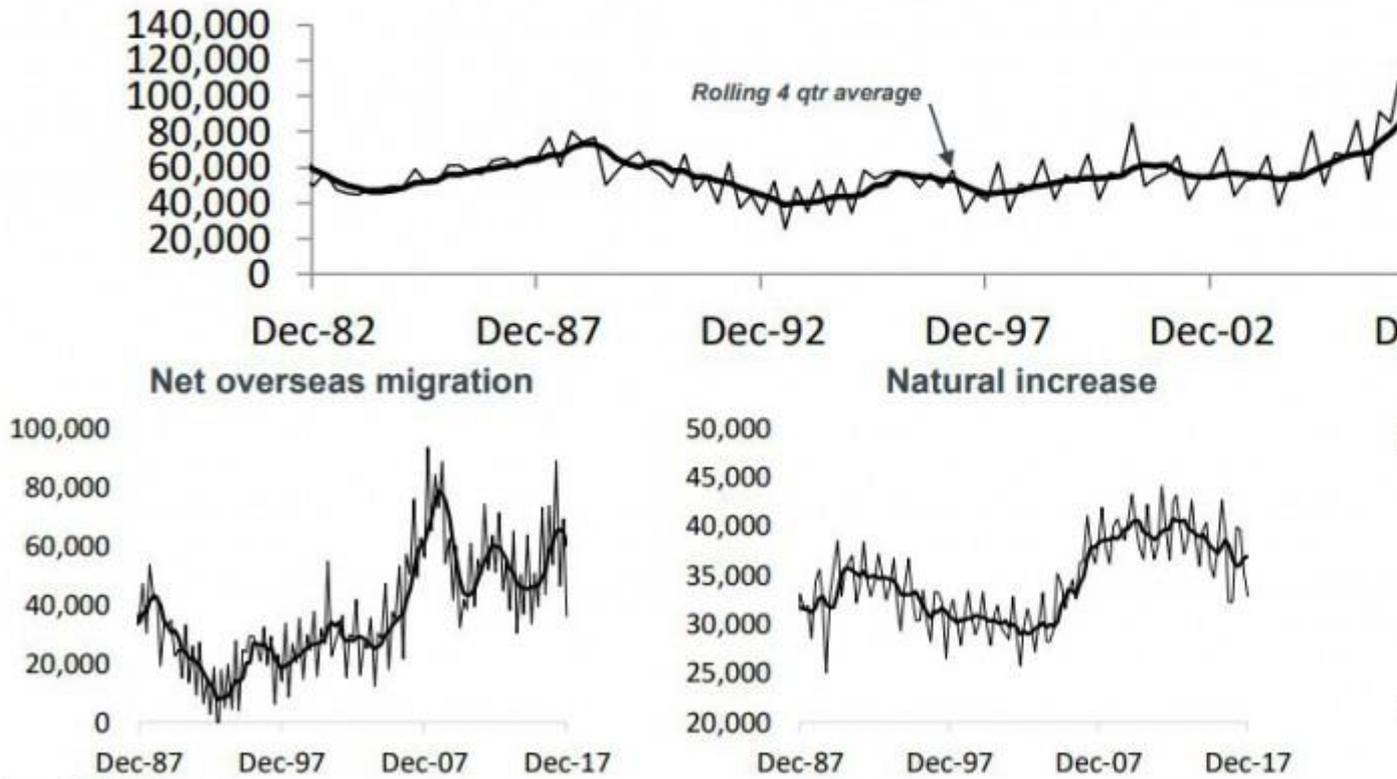


## POPULATION GROWTH

Population growth remains strong however, and this will underpin our property markets.

# Housing demand: overseas migration pull population growth remains quite strong

Quarterly change in national population

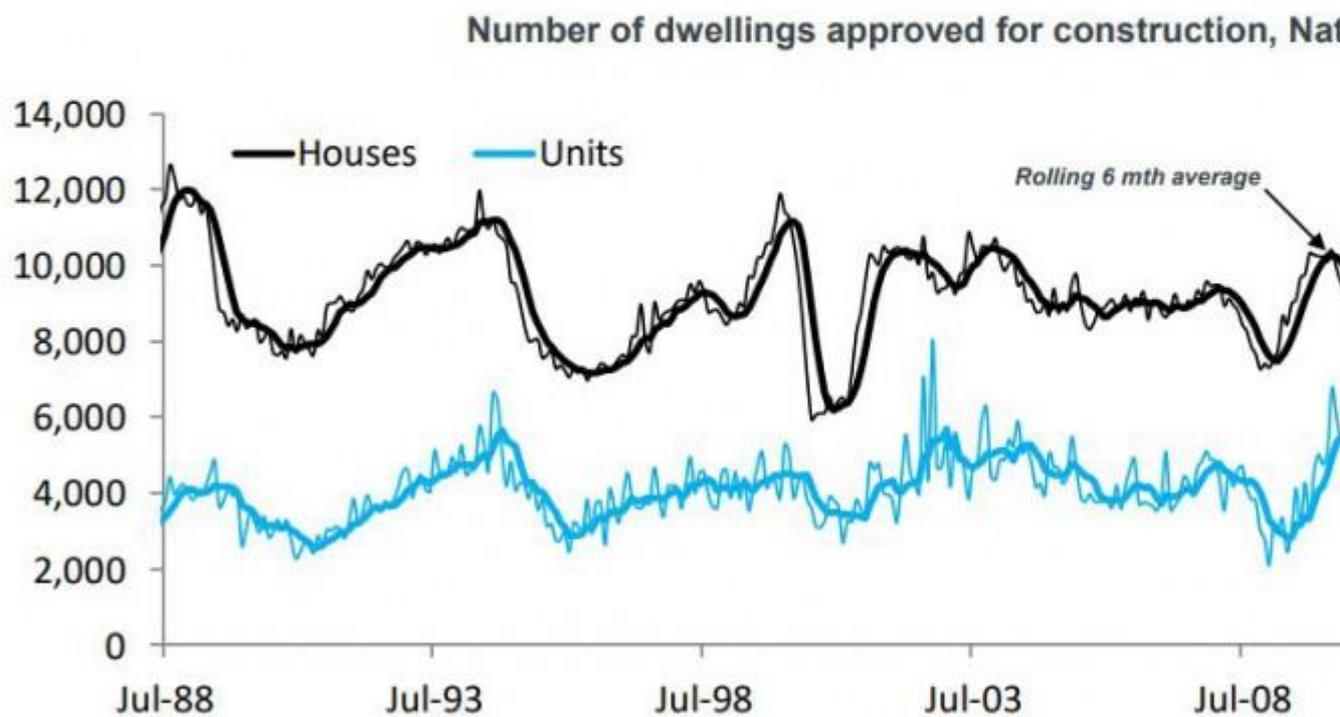


Source: CoreLogic, ABS

## HOUSING FINANCE

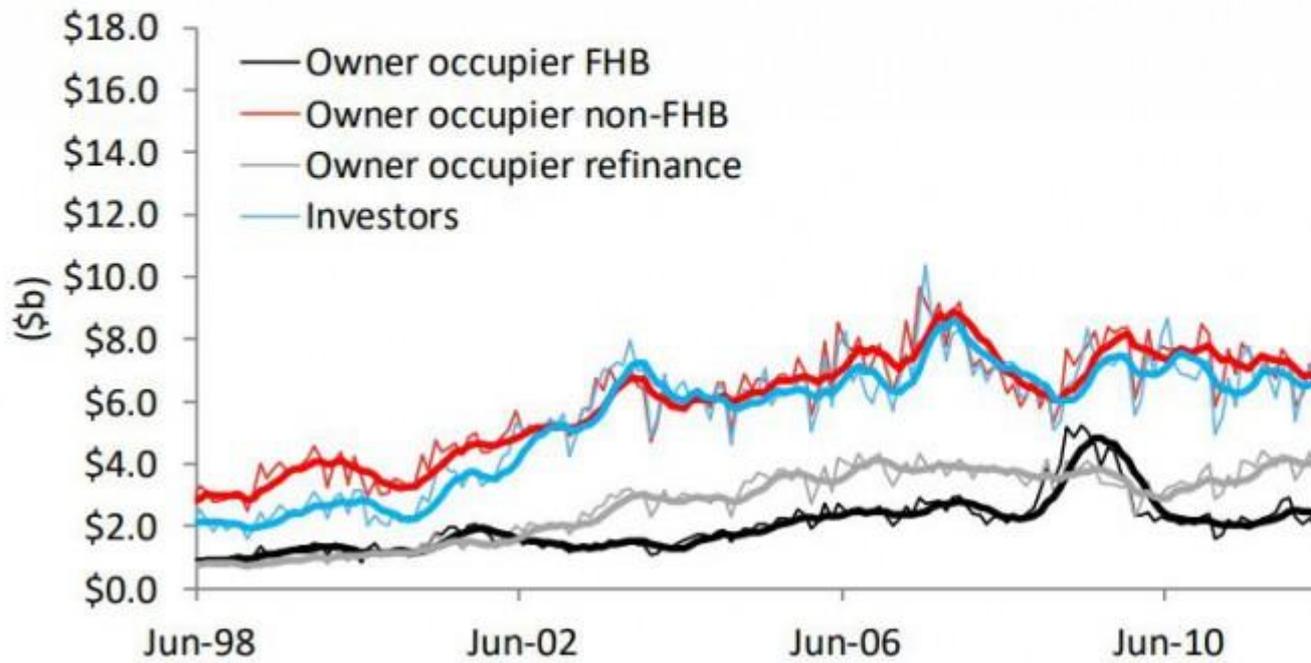
APRA has quelled our property boom and demand for investor finance is waning, leaving owner occupiers as the dominant source of finance demand.

Both house and unit approvals are trending  
they remain well above historic average

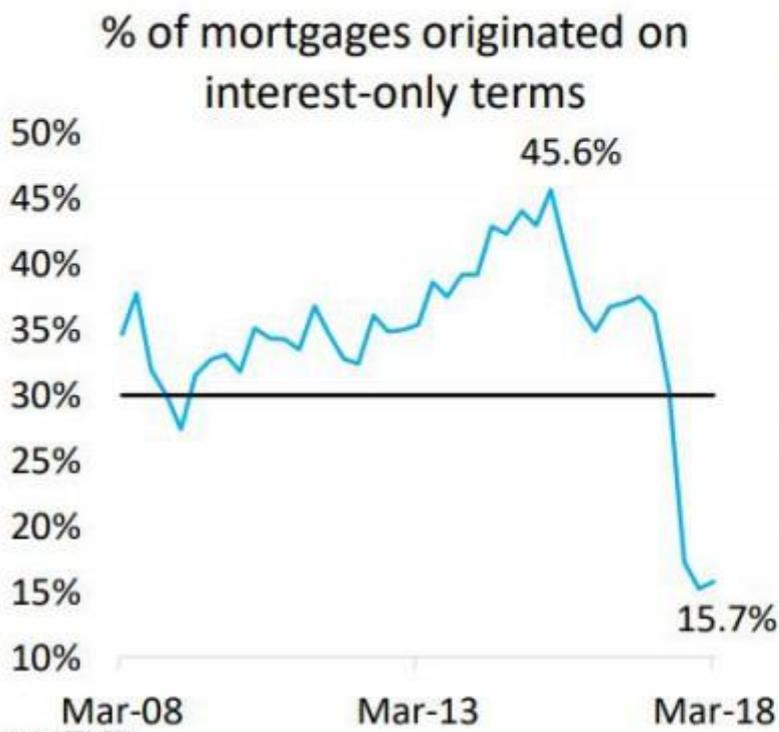


Mortgage demand is trending lower across  
the greatest reduction in demand from in

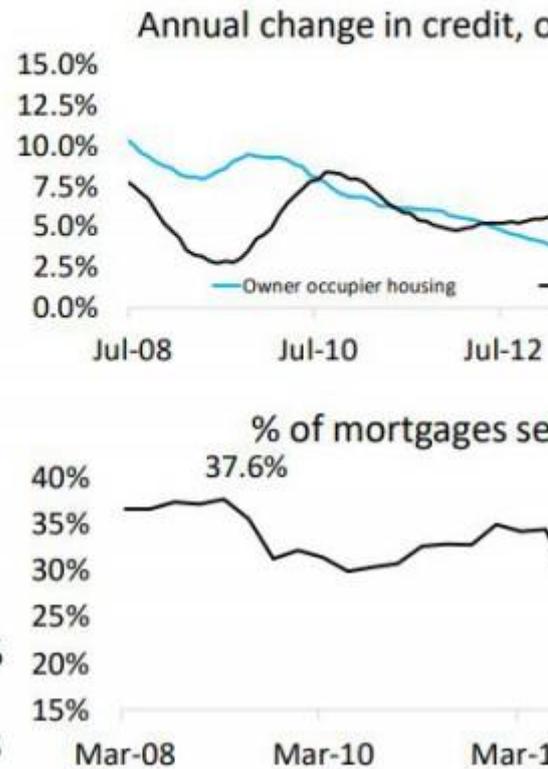
Value of housing finance commitments by borrower



While previous housing cycles have generally been driven by changes in interest rates, the current cycle is heavily influenced by changes in credit conditions.

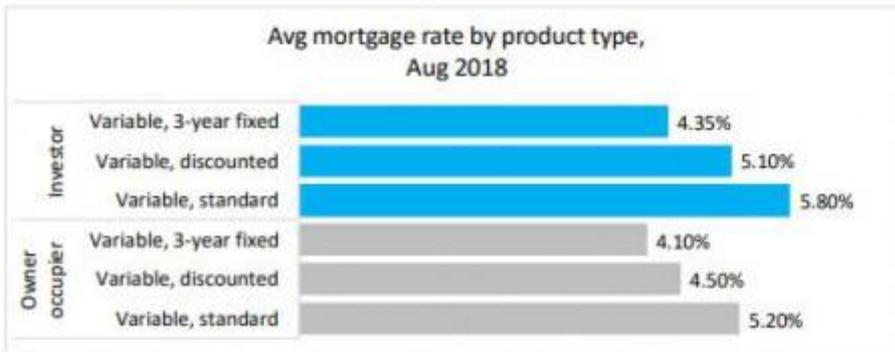
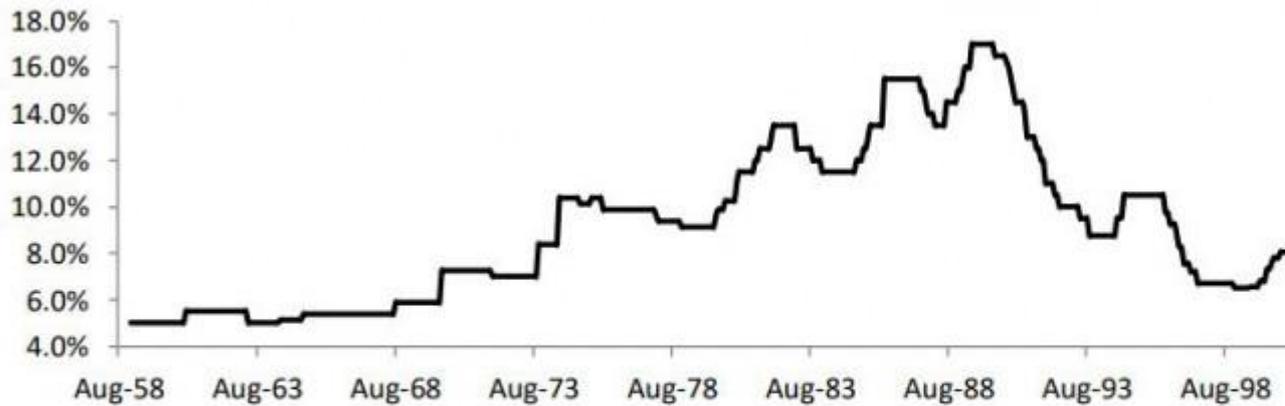


Source: CoreLogic, APRA, RBA



In September, the Reserve Bank kept official cash rate hold at 1.5% for the 25<sup>th</sup> consecutive month

Standard variable mortgage rates over time



Source: CoreLogic, RBA



### THE BOTTOM LINE...

We're clearly in the next stage of the property cycle, one of moderate growth in some regions and virtually no growth in others and falling prices in yet



others.

Australia's property markets are very fragmented, driven by local factors including jobs growth, population growth, consumer confidence and supply and demand.

This makes it an opportune time for both home buyers and investors to buy property at a time when they'll face less competition.

However correct asset selection will be more important now than ever, so only buy in areas where there are multiple growth drivers such as employment growth, population growth or major infrastructure changes.

Similarly suburbs undergoing gentrification are likely to outperform.

## WHAT CAN YOU DO TO STAY AHEAD?

As signs point to softer growth conditions for Australian property over the coming months, independent professional advice and careful consideration will be as important as ever in navigating Australia's varied market conditions.

The graphic features the Metropole Property Strategists logo at the top left, which includes a stylized bar chart. To the right of the logo is a row of grey house models, with one yellow house model in the foreground. The text 'FACT FEWER THAN 1% OF PROPERTIES ARE INVESTMENT GRADE' is displayed in bold, orange and black font. Below this is an orange banner with the text 'How do you know what to buy?'. At the bottom left, it says 'For independent, unbiased property advice' next to a blue button that says 'GET IN TOUCH'.

If you're looking for independent advice, no one can help you quite like the independent property investment strategists at [Metropole](#).

Remember the multi award winning team of property investment strategists at [Metropole](#) have no properties to sell, so their advice is unbiased.

Whether you are a beginner or a seasoned property investor, we would love to help you formulate an investment strategy or do a review of your existing portfolio, and help you take your property investment to the next level.

Please [click here](#) to organise a time for a chat. Or call us on **1300 20 30 30**.

*Source of graphs and data: CoreLogic*