# Australian Housing Outlook

2021-2024

Prepared by BIS Oxford Economics for QBE Lenders' Mortgage Insurance

**September 2021**


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# Welcome to

## Australian Housing Outlook

2021 – 2024

These are truly transformative times. The way we live and work continues to evolve as the COVID-19 pandemic creates opportunities as well as challenges, whilst changing our mindsets and priorities.

The rise of hybrid ways of working, the disruption to the usual patterns of domestic and international migration and continuing low interest rates are changing the shape of our households and the property market.

I'm pleased to welcome you to the 20th edition of the Australian Housing Outlook, authored by BIS Oxford Economics and sponsored by QBE Lenders' Mortgage Insurance. In this edition we explore property market dynamics and forecast where prices are headed during this time of extreme change.

The effects of the pandemic continue to be felt across the property market including in unexpected ways. Despite the challenges of the past 18 months, most states and territories defied initial expectations and outperformed the previous years' growth. Of particular note is the momentous growth recorded in NSW, Tasmania and Western Australia. Interest from first home buyers has remained strong, although intense competition and decreasing affordability continues to challenge their ability to enter the market.

A key theme of the report is the change to migration patterns. With Australia's international borders effectively closed, the usual influx of international migrants and outflow of Australians is not having its usual impact on the housing market. And while cities have long been the centre of commerce and community, many of us made the decision to leave cities for regional towns. This shift in housing preference will be interesting to watch over the next few years.

We're pleased that Lenders' Mortgage Insurance continues to help Australians enter the property market. Saving for a deposit can be difficult and LMI exists to help people achieve their dream of home ownership when they can afford to repay a home loan but haven't saved a large enough deposit.

This Australian Housing Outlook is a fascinating exploration of the future of the residential property market. Our communities have admirably faced the challenges presented to them over the past year. It's clear the Australian dream of home ownership remains strong and our resilience should not be underestimated.

**Phil White**
CEO, QBE LENDERS' MORTGAGE INSURANCE

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House price growth alongside shift in housing preferences


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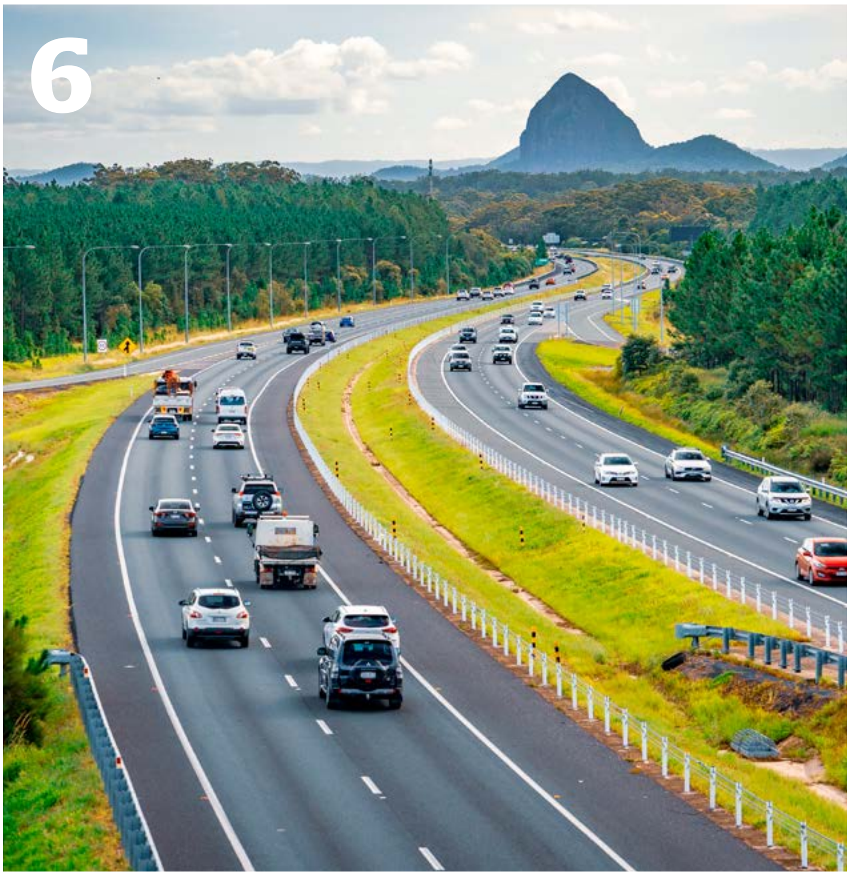
Stimulus activity brings optimism following migration changes and challenges




Spotlight

# Migration changes continue to ripple across the market

The abrupt halt to migration has been one of the most visible impacts of the COVID-19 pandemic - net inflows have fallen from around 250,000 a year to -72,000 in the first half of 2020/21. Economists were initially concerned about the impact of such a sharp fall in population growth on the property market, but any downside has not materialised; and house prices are increasing in response to low interest rates and government stimulus in the wake of the COVID-19 pandemic.

Western Australia

## A positive prospect

Strong mining activity and tight vacancies fuel growth


Queensland

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Domestic migrant influx and minimal interruptions drive benefits



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South Australia

## Holding strong

Insulated economy supported by investment brings growth

See page 45 for references, disclaimer and acknowledgements.

# Australian housing snapshot

## Economic indicators 2024 forecast

### Cash rate

**0.75%**

September 2021 **0.10%**

### Employment growth

**2.1%**

12 months to July 2021 **5.5%**

### Unemployment rate

**4.5%**

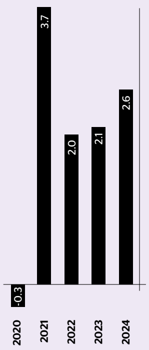
July 2021 **4.6%**

**Effective unemployment rate** 6.3%

### Consumer Price Index (CPI) growth

**2.6%**

2021 3.7%




### Gross Domestic Product (GDP) growth

**3.2%**

12 months to June 2021 **1.4%**

## Overseas migration

**-5,460**

year to December 2020

**-102.2%**

from December 2019

## Housing affordability*

**25%**

at June 2021

## Population

**25,683,372**

from December 2020

**0.5%**

from December 2019 (est)

*Housing affordability is shown as mortgage repayments at the prevailing discounted variable rate (based on 75% of the median house price) as a percentage of household disposable income

## Change in home loan activity Year to June 2021

| First home buyer | Non first home buyer | Investors* |
|---|---|---|
| ^ 47.4% | ^ 55.6% | ^ 98.3% |
| | | *based on value of investor loans |

### House commencements

| ‘000s pa | ‘000s pa |
|---|---|
| 107.1 | 110.2 |
| 10 years to 2021 | 5 years to 2021 |

### Vacancy rates

at June 2021

| City | June 2021 | 2020 |
|---|---|---|
| Sydney | ⌄ 3.0% | 4.5% |
| Brisbane | ⌄ 1.3% | 2.4% |
| Melbourne | ^ 6.3% | 2.8% |
| Perth | ⌄ 1.0% | 2.0% |

### Unit commencements

| ‘000s pa | ‘000s pa |
|---|---|
| 84.3 | 86.1 |
| 10 years to 2021 | 5 years to 2021 |

### Unit dwellings

as a proportion of total dwelling commencements

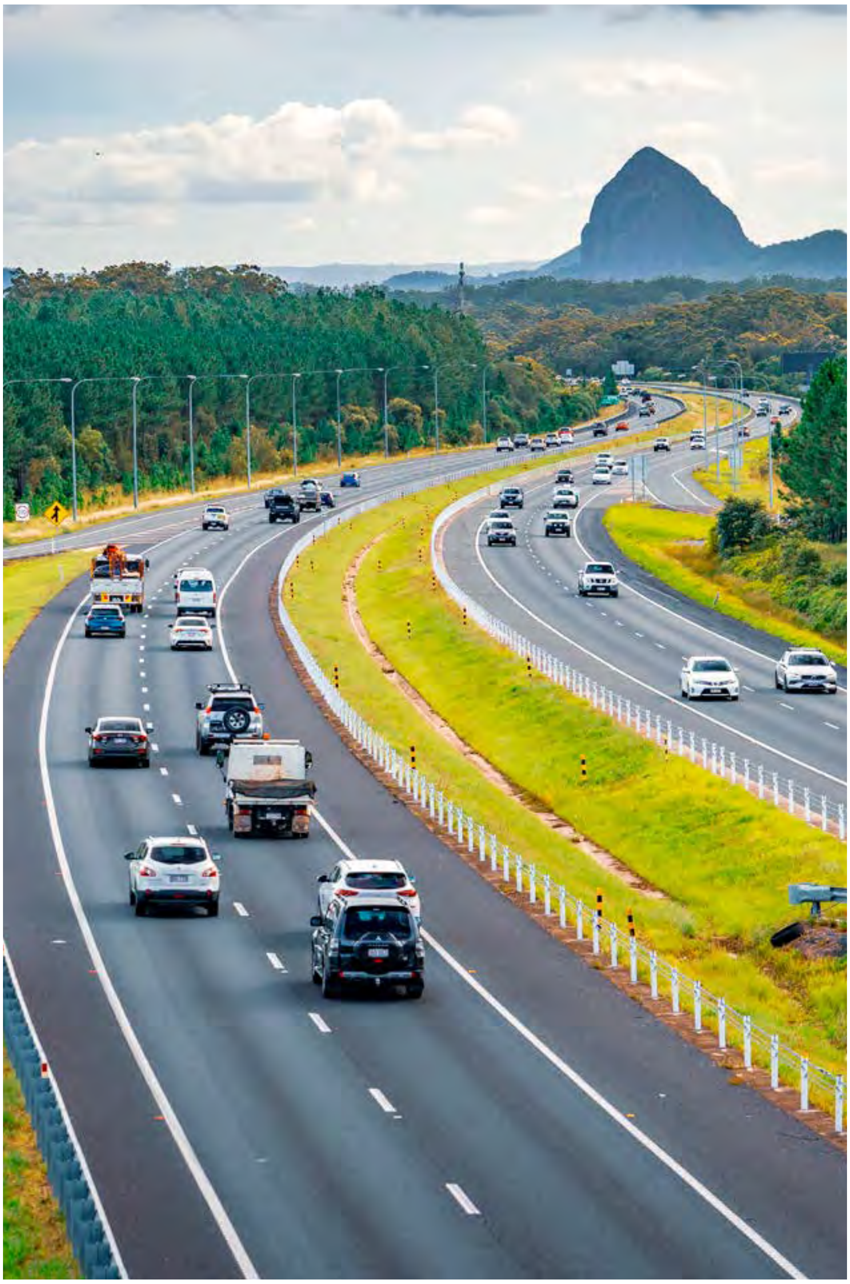
| 43% | 43% |
|---|---|
| 10 years to 2021 | 5 years to 2021 |

### Total dwelling commencements

191.4 ‘000s pa
10 years to 2021

196.3 ‘000s pa
5 years to 2021

# Migration changes continue to ripple across the market



**The abrupt halt to migration has been one of the most visible impacts of the COVID-19 pandemic - net inflows have fallen from around 250,000 a year to -72,000 in the first half of 2020/21. Economists were initially concerned about the impact of such a sharp fall in population growth on the property market, but any downside has not materialised; and house prices are increasing in response to low interest rates and government stimulus in the wake of the COVID-19 pandemic.**

Several factors are at play. Among the most cited are government support, savings accumulated during lockdowns, historically low interest rates, and a desire for more space as people work from home. A combination of these factors has resulted in sharp increases in house prices across the board over the last year. But changes in migration patterns, both international and domestic, have also been a positive support.

The pandemic has altered the pattern of overseas long-term arrivals and departures with the closed border impairing the arrival of tourists and foreign students. However, returning citizens and the arrival of new permanent residents have rebounded substantially, with the pull of moving home (helped by the government's repatriation flights) driving this surge. Additionally, outflows of citizens and permanent residents have fallen to a trickle so that overall, the net flow from this group has increased.

This shift, with more Australians staying in-country and many overseas Australians choosing to come home, has had a significant impact on the domestic property market. Returning citizens and new permanent residents moving to Australia have added a new source of demand to the market, while the drop in outflows means that some properties that would have been sold (as the owners move overseas) have not entered the market. Overall this shift in overseas migration has added to the upward pressure on prices.

Domestic migration patterns have also shifted significantly over the last 18 months. Inflows from regional areas into the cities have returned to their pre-pandemic level, with people attracted by a range of life events such as education, entry into the labour market, and forming of relationships. But flows out of the cities have surged to well above pre-pandemic levels; the anecdotal tale of people seeking a sea/tree change is confirmed in the data.

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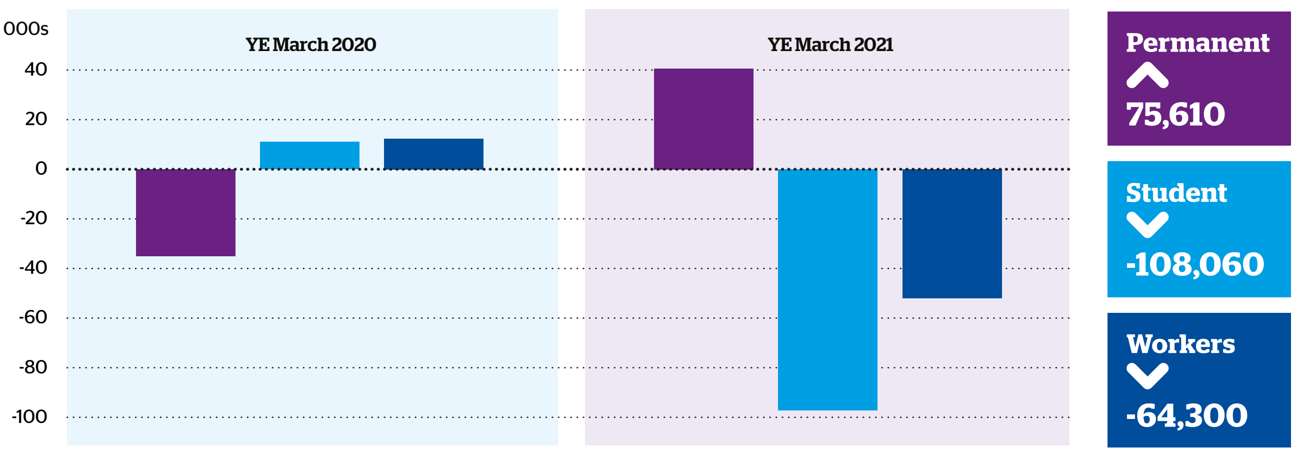
Historically, outflows from cities have been dominated by older households. And while this has continued, they are now being joined by younger families with kids. The ability to work from home, coupled with affordable housing opportunities outside of city centres and a preference for space, are partly responsible for the upturn. But government stimulus measures have also played a part; many of these new arrivals into the regions have been first home buyers eligible for the HomeBuilder grant, other state subsidies and stamp duty exemptions.

It is expected these shifts will diminish over time and broadly return to the long-term trends, though the near-term landscape is evolving, given the unique and complex nature of COVID-19.

## Net overseas movements




Source: BIS Oxford Economics, ABS

# States at a glance

| | NSW | VIC | QLD | WA |
|---|---|---|---|---|
| Population at December 2020 | 8,169,114 | 6,657,142 | 5,193,269 | 2,669,996 |
| Five-year population growth | 6.5% | 9.3% | 8.1% | 4.8% |
| **ANNUAL MOVEMENT YEAR TO JUNE 2021** | | | | |
| FHB loans | 81.8% | 64.6% | 97.5% | 127.8% |
| Non-FHB loans | 50.6% | 56.8% | 53.1% | 100.1% |
| Investor loans (value) | 87.2% | 83.7% | 145.2% | 158.2% |

| | Sydney | Melbourne | Brisbane | Perth |
|---|---|---|---|---|
| Median house price at June 2021 | $1,419,800 | $1,002,800 | $684,300 | $603,100 |
| Annual movement (year to June) | 26.0% | 15.9% | 19.3% | 18.8% |
| Forecast median house price growth 2021-2024 | 9.0% | 18.8% | 17.8% | 18.8% |
| Median unit price at June 2021 | $837,600 | $630,400 | $431,400 | $426,300 |
| Annual movement (year to June) | 7.8% | 5.5% | 1.5% | 20.6% |
| Forecast median unit price growth 2021-2024 | 19.1% | 16.1% | 19.4 % | 21.3% |
| Vacancy rates (at June 2021) | 3.0% | 6.3% | 1.3% | 1.0% |
| Annual rental movement (to June 2021) | -1.5% | -0.8% | 1.7% | 3.3% |
| Affordability[1] | 31.8% | 26.1% | 18.1% | 14.0% |

1 Housing affordability is shown as mortgage repayments at the prevailing discounted variable rate (based on 75% of the median house price) as a percentage of household disposable income


| | SA | TAS | ACT | NT |
|---|---|---|---|---|
| Population at December 2020 | 1,770,309 | 541,209 | 431,190 | 246,453 |
| Five-year population growth | 3.8% | 5.0% | 8.2% | 1.0% |
| **ANNUAL MOVEMENT YEAR TO JUNE 2021** | | | | |
| FHB loans | 97.7% | 81.0% | 34.8% | 64.7% |
| Non-FHB loans | 38.1% | 32.4% | 52.7% | 93.1% |
| Investor loans (value) | 79.8% | 83.2% | 84.8% | 162.9% |

| | Adelaide | Hobart | Canberra | Darwin |
|---|---|---|---|---|
| Median house price at June 2021 | $589,400 | $682,800 | $899,800 | $610,400 |
| Annual movement (year to June) | 16.3% | 22.1% | 25.4% | 33.4% |
| Forecast median house price growth 2021–2024 | 9.3% | 23.8% | 28.6% | 14.1% |
| Median unit price at June 2021 | $413,800 | $582,800 | $565,000 | $376,500 |
| Annual movement (year to June) | 3.9% | 22.0% | 17.7% | 34.8% |
| Forecast median unit price growth 2021–2024 | 16.8% | 20.4% | 26.4% | 18.4% |
| Vacancy rates (at June 2021) | 0.7% | 1.1% | 0.7% | 1.5% |
| Annual rental movement (to June 2021) | 1.8% | 2.8% | 2.4% | 1.4% |
| Affordability[1] | 17.0% | 18.5% | 13.2% | 9.4% |

# State of play

## Housing market shows resilience in the face of challenges

Australia's journey through the COVID-19 pandemic has highlighted the clear trade-off between the need to limit the spread and adverse outcomes of the disease with sustaining the economic recovery. After the initial national lockdown, implemented in late March 2020, the economy's recovery from the COVID-19 shock was swifter than expected. The aggressive suppression (in many states elimination) of the disease, coupled with significant fiscal and monetary support, enabled a rapid recovery in all states; Victoria's extended second lockdown (July – October 2020) delayed rather than derailed the state's recovery.

Low interest rates and a focus on housing and construction sectors provided significant stimulus for the residential property markets in all geographies. Coupled with changes in international migration flows (with a net increase in citizens and permanent residents returning to our shores) and Australians' preferences of where to live and work, has had a dramatic impact on property market dynamics.

The emergence of the Delta variant has presented a significant challenge, particularly in NSW, Victoria and ACT, where the current outbreaks have taken hold. NSW has been subject to strict lockdown restrictions since late June 2021, with the ACT and Victoria following the state into lockdown in late July. Given that Victoria and NSW account for over half of the domestic economy, GDP is expected to contract by 4% in the September quarter and employment is expected to fall by over 500,000 between June and September.

Recent experience abroad has also clearly highlighted that high levels of vaccination are necessary to sustainably and progressively re-open the economy. Vaccine supply constraints have now eased and, subject to logistical challenges, the main factor determining when this will be achieved will be demand. Moving into 2022 and beyond, the re-opening of the economy, households and businesses adjusting to a new COVID-normal, and the supportive policy environment are expected to drive Australia's economic recovery.

Following an initial downturn at the onset of the pandemic, the housing market has proved remarkably resilient since mid-2020. Several supportive factors are at play, including:

- Record low interest rates;
- Increased savings helping home deposits;
- Changing household preferences; and
- A boost from various government stimulus measures.

Australia's recent experience has not been unique. Prices and new house approvals have also increased in the United States, Canada, and New Zealand, despite considerable variation in the severity of their pandemic experience and related restrictions. In each instance, very low interest rates, elevated household savings and shifts in preferences are fuelling the resurgence in new dwelling construction and activity in the established housing market.

## Demand and supply

The closure of the international border, as part of the government's COVID-19 control measures, has meant Australia's population outlook has been revised to be considerably lower than previously expected. The reduction in net overseas migration means we now expect the population in June 2024 to be 860,000 people less than our pre-COVID-19 projection. Given the current pace and position of the vaccine rollout, we expect migration flows to return in H2 2022, with a return to pre-COVID-19 trends (c. 250,000 Net Overseas Migrants per annum) not expected to materialise until 2023/24. Although the drop in migration has reduced demand for housing domestically, as the Spotlight piece highlights, the shift in the composition of migrants (i.e. a higher share of returning permanent residents) has minimised the fallout. There is also evidence that improved affordability (for both rentals and First Home Buyers) has contributed to additional household formation, further offsetting the reduced population growth, though this trend is waning as prices rise.

Powered by a strong response from owner-occupiers to the HomeBuilder program and other state government incentives, detached house starts are estimated to have lifted 30% to over 133,000 in 2020/21, with all states and territories posting double-digit growth. In contrast, the attached dwellings segment is positioned to fall 7% to some 65,000 commencements. Dwelling starts are forecast to hold steady in 2021/22, with the easing of the HomeBuilder commencement requirement from 6 to 18 months helping to smooth out activity.

Simultaneously, the pandemic has stretched project delivery timelines more broadly, with both material and labour supply bottlenecks impacting the commencement of approved building projects and then completion. Recent adverse weather events and lockdowns will add to the near-term strain on resources. With over 100,000 HomeBuilder applications for new builds to work through, it will be some time before project delivery returns to normal, especially for detached houses.

## City outlook

Since the pandemic outbreak, the increased normality of working from home, repeated lockdowns, and limited access to many of the benefits of city living has increased the appeal of detached houses (typically found in middle and outer suburbs) and regional centres. The desire to move to less populated areas and the reduction of regional flows towards metropolitan areas has emerged across the country. Regional areas have fared better through the pandemic, and typically benefit from better housing affordability (particularly for those able to earn city salaries). Growth in regional demand has outpaced metropolitan areas in all major cities in Australia in 2020/21. However, growth in median dwelling prices appears to be swinging back toward the cities, particularly in NSW and Queensland.

Strong recent house price growth in **Sydney**, despite high exposure to the loss of international tourists, students and migrants, has awoken potential affordability pressures which is likely to lead to underperformance over the coming three years. Furthermore, protracted lockdowns in response to the Delta COVID-19 variant present an additional downside risk to the outlook. Similarly, **Melbourne** has been disproportionately impacted by an outflow of international migrants, and, after enduring the nation's worst health outcomes overall, domestic migration outflows are likely to persist in the near-term. **Perth's** market is expected to accelerate (after price momentum softened in H1 2021), underpinned by an improving economy, mining sector, construction activity, tight dwelling vacancy rates and a relatively mild experience of the pandemic. A bright economic outlook for **Darwin** is tied to a range of economically sustainable defence spending, however uncertainty exists regarding influential major infrastructure projects.

**Brisbane's** strong market is set to get even stronger and is a substantial beneficiary of recent interstate migration movements. **Queensland** has escaped the worst of the pandemic and the region stands to further benefit once a recovering tourism sector returns to full operations. Brisbane also looks set to receive a further boost to infrastructure investment (albeit not until the late 2020s), having been officially awarded the 2032 Olympic Games. **Adelaide** and **Canberra** were both somewhat protected from the COVID-19 fallout by the importance of the government in the local economy, and the property market in both cities has lifted; Canberra has been the best-performer so far this year. Government support for households and businesses has helped offset pandemic impacts in **Hobart**, which has a very tight supply of housing after the recent strength in population growth, however exposure to tourism and the education sector remain a structural drag.

# Median prices by capital city quarter ended June 2021

## Houses

| | Sydney | | Melbourne | | Brisbane | | Perth | | Adelaide | | Hobart | | Canberra | | Darwin | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | $'000 | % Var | $'000 | % Var | $'000 | % Var | $'000 | % Var | $'000 | % Var | $'000 | % Var | $'000 | % Var | $'000 | % Var |
| **Forecast growth (%)** | | | | | | | | | | | | | | | | |
| **2021-2024** | | **9.0** | | **18.8** | | **17.8** | | **18.8** | | **9.3** | | **23.8** | | **28.6** | | **14.1** |
| **Forecast** | | | | | | | | | | | | | | | | |
| **2024** | **1,547.4** | **0.3** | **1,190.9** | **2.8** | **806.1** | **2.4** | **716.3** | **3.6** | **644.2** | **0.2** | **845.2** | **2.2** | **1,157.4** | **2.8** | **696.4** | **1.6** |
| **2023** | **1,542.2** | **0.3** | **1,158.4** | **4.2** | **787.4** | **3.2** | **691.2** | **5.4** | **643.1** | **1.1** | **826.8** | **5.5** | **1,125.4** | **5.3** | **685.5** | **2.4** |
| **2022** | **1,537.1** | **8.3** | **1,111.7** | **10.9** | **763.0** | **11.5** | **655.8** | **8.7** | **635.9** | **7.9** | **783.5** | **14.7** | **1,069.0** | **18.8** | **669.6** | **9.7** |
| **Prior years** | | | | | | | | | | | | | | | | |
| **2021** | 1,419.8 | 26.0 | 1,002.8 | 15.9 | 684.3 | 19.3 | 603.1 | 18.8 | 589.4 | 16.3 | 682.8 | 22.1 | 899.8 | 25.4 | 610.4 | 33.4 |
| **2020** | 1,126.8 | 10.4 | 865.3 | 7.1 | 573.7 | 2.6 | 507.5 | -0.6 | 506.7 | 2.1 | 559.0 | 4.6 | 717.5 | 1.1 | 457.7 | -2.4 |
| **2019** | 1,020.7 | -9.7 | 807.7 | -10.0 | 559.4 | -0.4 | 510.7 | -4.2 | 496.3 | 0.8 | 534.4 | 8.3 | 710.0 | 6.0 | 469.0 | -2.9 |
| **2018** | 1,130.3 | -5.7 | 897.8 | 2.7 | 561.6 | 1.7 | 533.0 | 0.6 | 492.3 | 2.8 | 493.6 | 12.4 | 670.0 | 0.3 | 483.2 | -8.0 |
| **2017** | 1,198.1 | 14.7 | 874.4 | 16.4 | 552.3 | 3.8 | 529.9 | -5.4 | 478.7 | 4.1 | 439.3 | 9.7 | 668.0 | 7.8 | 525.3 | -0.9 |
| **2016** | 1,044.1 | 2.3 | 751.0 | 6.6 | 532.0 | 4.8 | 560.2 | -4.0 | 459.9 | 3.5 | 400.5 | 10.2 | 619.5 | 8.2 | 529.9 | -7.6 |
| **2015** | 1,020.8 | 24.3 | 704.6 | 17.0 | 507.6 | 4.5 | 583.8 | -2.3 | 444.4 | 2.3 | 363.4 | 0.4 | 572.3 | 4.1 | 573.3 | 12.2 |
| **2014** | 821.2 | 17.3 | 602.4 | 10.5 | 485.7 | 6.4 | 597.5 | 4.1 | 434.5 | 6.6 | 362.0 | 6.8 | 550.0 | 1.9 | 510.8 | 3.5 |
| **2013** | 700.1 | 8.2 | 545.4 | 3.4 | 456.4 | 4.0 | 573.9 | 10.7 | 407.6 | 0.5 | 338.8 | -1.8 | 540.0 | 5.9 | 493.4 | -0.9 |
| **2012** | 646.9 | -0.4 | 527.5 | -5.3 | 438.8 | -2.9 | 518.3 | -1.6 | 405.5 | -3.0 | 345.0 | -2.0 | 510.0 | -1.9 | 497.9 | 5.2 |
| **2011** | 649.5 | -0.4 | 557.2 | -3.5 | 451.7 | -5.7 | 526.6 | -3.9 | 418.0 | -2.0 | 351.9 | -2.1 | 520.0 | 3.9 | 473.5 | -6.6 |
| **2010** | 652.3 | 15.1 | 577.4 | 24.8 | 478.9 | 9.1 | 548.2 | 9.3 | 426.5 | 11.5 | 359.4 | 9.2 | 500.5 | 11.0 | 506.8 | 8.8 |
| **2009** | 566.7 | 1.2 | 462.7 | 0.1 | 438.9 | -3.2 | 501.5 | -1.9 | 382.5 | -2.6 | 329.2 | 3.0 | 451.0 | -3.9 | 466.0 | 19.0 |
| **2008** | 559.9 | 1.0 | 462.3 | 11.1 | 453.3 | 13.1 | 511.4 | -1.8 | 392.7 | 18.3 | 319.6 | 4.6 | 469.5 | 6.1 | 391.6 | 9.8 |
| **2007** | 554.5 | 2.7 | 416.2 | 11.3 | 400.7 | 15.9 | 520.7 | 9.8 | 332.0 | 9.6 | 305.4 | 6.0 | 442.5 | 13.5 | 356.7 | 23.1 |
| **2006** | 539.8 | -0.9 | 374.1 | 7.5 | 345.6 | 7.0 | 474.1 | 48.7 | 303.0 | 7.6 | 288.0 | 13.2 | 390.0 | 6.0 | 289.8 | 8.6 |
| **2005** | 544.7 | 0.9 | 348.0 | 4.1 | 322.9 | 2.1 | 318.8 | 13.8 | 281.5 | 6.3 | 254.5 | 6.6 | 368.0 | -1.9 | 266.9 | 20.2 |
| **2004** | 540.1 | 6.7 | 334.4 | 7.0 | 316.2 | 29.1 | 280.2 | 15.6 | 264.8 | 17.3 | 238.8 | 59.9 | 375.0 | 13.7 | 222.1 | 16.0 |

## Units

| | Sydney | | Melbourne | | Brisbane | | Perth | | Adelaide | | Hobart | | Canberra | | Darwin | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | $'000 | % Var | $'000 | % Var | $'000 | % Var | $'000 | % Var | $'000 | % Var | $'000 | % Var | $'000 | % Var | $'000 | % Var |
| **Forecast growth (%)** | | | | | | | | | | | | | | | | |
| **2021-2024** | | **19.1** | | **16.1** | | **19.4** | | **21.3** | | **16.8** | | **20.4** | | **26.4** | | **18.4** |
| **Forecast** | | | | | | | | | | | | | | | | |
| **2024** | **997.3** | **1.9** | **731.9** | **1.7** | **514.9** | **2.3** | **517.3** | **3.7** | **483.2** | **2.4** | **701.5** | **2.5** | **714.0** | **3.7** | **445.6** | **1.4** |
| **2023** | **978.8** | **3.3** | **719.4** | **4.7** | **503.2** | **5.5** | **498.8** | **5.3** | **472.1** | **5.3** | **684.1** | **2.5** | **688.2** | **5.8** | **439.3** | **1.9** |
| **2022** | **947.6** | **13.1** | **687.3** | **9.0** | **477.0** | **10.6** | **473.6** | **11.1** | **448.2** | **8.3** | **667.3** | **14.5** | **650.7** | **15.2** | **431.1** | **14.5** |
| **Prior years** | | | | | | | | | | | | | | | | |
| **2021** | 837.6 | 7.8 | 630.4 | 5.5 | 431.4 | 1.5 | 426.3 | 20.6 | 413.8 | 3.9 | 582.8 | 22.0 | 565.0 | 17.7 | 376.5 | 34.8 |
| **2020** | 776.7 | 5.0 | 597.6 | 4.8 | 424.9 | -1.8 | 353.5 | -1.1 | 398.2 | 3.7 | 477.8 | 5.8 | 480.0 | 3.7 | 279.2 | -8.2 |
| **2019** | 739.4 | -7.3 | 570.4 | -1.8 | 432.5 | -2.0 | 357.3 | -10.4 | 384.0 | 2.1 | 451.6 | 12.4 | 462.8 | 2.8 | 304.1 | -12.4 |
| **2018** | 797.4 | -3.8 | 580.8 | 0.7 | 441.3 | 0.7 | 398.6 | -1.4 | 376.2 | 4.0 | 401.8 | 20.3 | 450.0 | 0.6 | 347.0 | -15.1 |
| **2017** | 829.3 | 8.1 | 576.7 | 5.5 | 438.2 | 0.1 | 404.4 | -1.5 | 361.7 | 7.2 | 334.0 | 1.0 | 447.5 | 4.1 | 408.8 | 2.8 |
| **2016** | 767.5 | 3.0 | 546.7 | 5.0 | 437.7 | 1.0 | 410.6 | -4.5 | 337.3 | 1.2 | 330.8 | 9.9 | 429.9 | 1.0 | 397.6 | -19.4 |
| **2015** | 745.0 | 19.0 | 520.7 | 7.2 | 433.4 | 5.0 | 429.8 | -3.5 | 333.2 | -2.4 | 301.1 | -5.8 | 425.8 | 4.4 | 493.3 | 5.4 |
| **2014** | 626.3 | 13.8 | 485.9 | 5.8 | 412.8 | 4.4 | 445.4 | 2.6 | 341.5 | 3.4 | 319.7 | 3.3 | 407.8 | -0.7 | 468.2 | 5.2 |
| **2013** | 550.2 | 6.6 | 459.1 | 2.5 | 395.5 | 1.0 | 434.3 | 6.4 | 330.3 | 2.4 | 309.6 | 4.7 | 410.6 | -2.4 | 445.0 | 5.2 |
| **2012** | 516.0 | 4.3 | 448.1 | -3.2 | 391.5 | -0.3 | 408.1 | 1.8 | 322.7 | -4.4 | 295.8 | 1.3 | 420.6 | 0.0 | 423.2 | -1.7 |
| **2011** | 494.5 | 2.2 | 462.9 | 0.0 | 392.7 | -2.6 | 400.8 | -3.0 | 337.4 | -0.9 | 291.9 | -0.4 | 420.6 | 1.2 | 430.7 | -1.9 |
| **2010** | 483.9 | 15.7 | 463.1 | 18.3 | 403.1 | 6.8 | 413.3 | 7.7 | 340.3 | 12.1 | 293.1 | 7.1 | 415.6 | 10.7 | 438.9 | 17.6 |
| **2009** | 418.4 | 3.1 | 391.3 | 4.4 | 377.3 | -2.9 | 383.6 | -0.9 | 303.6 | 2.4 | 273.7 | 4.9 | 375.5 | 7.1 | 373.1 | 19.4 |
| **2008** | 406.0 | -0.2 | 374.9 | 7.7 | 388.7 | 11.4 | 387.0 | 0.9 | 296.6 | 15.7 | 261.0 | 7.6 | 350.5 | -1.4 | 312.4 | 7.0 |
| **2007** | 406.7 | 1.6 | 348.0 | 12.7 | 348.9 | 13.1 | 383.6 | 11.3 | 256.4 | 10.2 | 242.6 | -3.1 | 355.5 | 9.2 | 291.9 | 14.7 |
| **2006** | 400.2 | 0.9 | 308.9 | 6.2 | 308.4 | 10.2 | 344.7 | 34.2 | 232.6 | 5.5 | 250.3 | 14.0 | 325.5 | 4.2 | 254.6 | 21.0 |
| **2005** | 396.8 | 1.1 | 290.9 | 1.6 | 279.9 | 9.1 | 256.9 | 15.6 | 220.4 | 6.6 | 219.5 | 6.2 | 312.5 | 4.0 | 210.4 | 24.8 |
| **2004** | 392.3 | 3.4 | 286.3 | 1.3 | 256.6 | 20.6 | 222.2 | 6.0 | 206.7 | 11.9 | 206.7 | 45.0 | 300.4 | 15.4 | 168.6 | -1.6 |

# Defying expectations

House price growth alongside shift in housing preferences

## Sydney house market

**House prices in Sydney have seen a pronounced cycle over the last three years. After reaching a trough in the first half of 2019, prices rebounded, fuelled by three cuts in the cash rate (in June, July and October 2019). This price momentum came to a halt in early 2020 because of the COVID-19 pandemic, but momentum turned decisively positive towards the end of the year.**

The combination of fiscal stimulus, ultra-low interest rates and shifting preferences has resulted in a strong lift in demand for established houses. Coupled with this, listings remain constrained, further supporting solid price gains. Regional markets had been showing higher rates of capital growth than Sydney, but this performance gap has now turned. The latest data confirms that Sydney's median house price ($1.4 million) now exceeds the 2017 peak by almost 18%.

A distinct divergence has occurred between house and unit markets, with houses seeing significantly stronger growth. While this has been the case historically, the gap has widened. The shift in demand towards houses partly reflects the dominance of owner-occupiers amongst buyers – this group traditionally prefer houses over units. But it is also symptomatic of a broader change in peoples' preferences away from crowded spaces close to work (inner city, unit-concentrated areas), toward larger dwellings with more space; lack of space during lockdowns is challenging to live with, and the uptake of remote working has reduced the need for the daily commute. Evidence of this trend is reflected in regional median price movements over the past year.

The rise in dwelling completions over the last few years, coupled with very limited inward migration, led to a steady rise in Sydney's vacancy rate. The rental vacancy rate ended June 2021 at 3.0% after peaking at 5.0% in July 2020. The vacancy rate is expected to remain elevated in the near term, until demand receives a boost from the reopening of international borders.

### Investors

Over 2018 and 2019, investors faced tighter lending conditions as banks looked to improve lending standards following the Banking Royal Commission. Continual new rental dwelling supply resulted in moderate growth in rents, leading to suppressed rental yields and, subsequently, investor activity fell back substantially in that time from the 2017 peak. After a brief rebound, the sudden collapse in international arrivals and the uncertainty surrounding COVID-19 saw activity fall further. While investor demand, relative to total activity, remains constrained, it has shown signs of rebounding. Rapid growth in prices and a better outlook for rents has seen a swift resurgence in investor sentiment; while still well below peak levels, the value of loans to investors rose 87% Year on Year in June 2021.

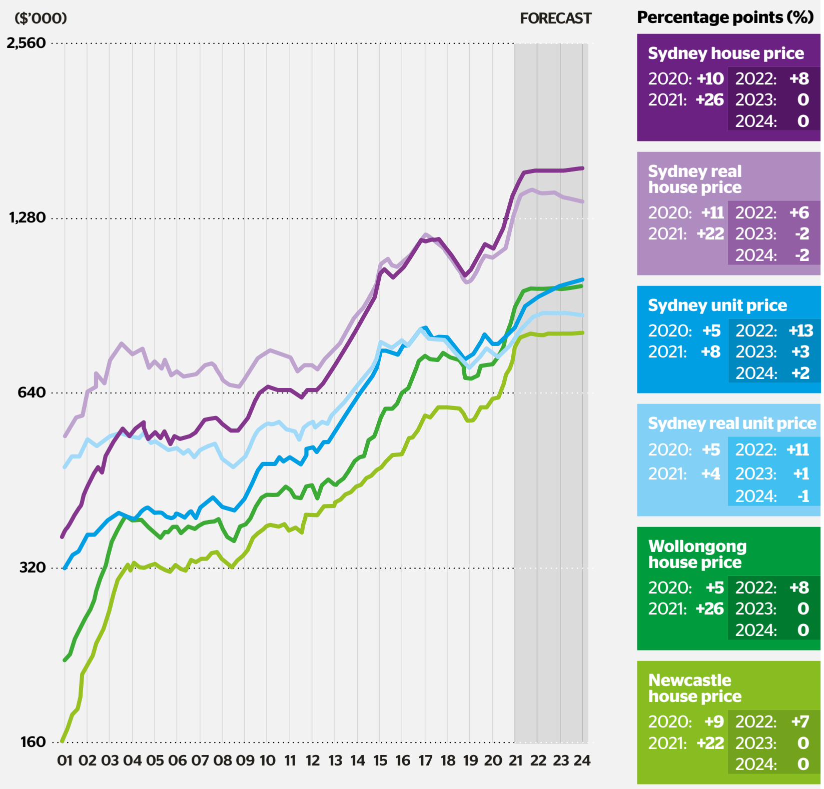
### Owner-occupiers

The substantial recent surge in dwelling prices in Sydney has been powered by a strong response from owner-occupiers. First home buyers were particularly active in the initial recovery phase, having benefitted from a range of federal and state-based schemes and grants. Overall, the pace of annual growth in lending to owner occupiers rose from 13.6% at June 2020 to 84% at June 2021, as the value of lending to both the upgrader and first home buyer markets have soared past previous peaks.

## Outlook

Sydney's housing market has so far defied expectations by outperforming most markets, despite being a relative laggard through the economic recovery and overexposed to the current loss in overseas migration. With housing affordability now worsening and first home buyers showing signs of being priced out of the market, the bulk of these gains have likely now been realised. But current momentum – driven by a limited increase in supply of both new properties and established dwellings – will likely keep price growth ticking over in the year ahead. Detached house completions for Sydney have fallen to 14,200 (-6% y/y) in 2020/21 and are projected to rise to 15,400 in 2021/22, while monetary conditions will also remain very favourable, with no increase in the cash rate expected until 2023 at the earliest. The median house price in Sydney is therefore expected to reach $1,547,000 in the June 2024 quarter and, while growth in 2022/23 and 2023/24 will be pedestrian, this figure represents an overall rise of some 9% above the June 2021 level.

**New South Wales:** dwelling prices




** Real house/unit prices in 2017 dollars*

## Sydney unit market

Although dwelling prices have shown resilience so far, COVID-19 is already having a significant impact on rental markets, particularly for attached dwellings. The absence of overseas migrants, an influx of properties that usually target the short-term rental market (aimed at international visitors) and continued new supply are all depressing rents for apartments in Sydney, with the inner city seeing a spike in the vacancy rate to over 13%. Depressed yields are now weighing on prices, with unit prices declining 3.7% in the June 2020 quarter.

## Outlook

Ongoing uncertainty about overseas migration will continue to hinder demand for units. But the adjustment in rents over the last year has triggered a recovery in rental markets, with vacancy rates now declining. Coupled with low interest rates, this turn is attracting investors back to the market and as such, unit prices are anticipated to post gains of approximately 13% over 2021/22. Hereafter, the return of overseas migrants will further boost the rental market recovery. Combined with declining numbers of completions, demand is anticipated to push the median unit price up from June 2021 by 19% to $997,000 as at June 2024.

# New South Wales and Sydney regions


**Sydney median house price annual % change** - year to June 2021

| Inner | Middle | Outer | Median |
|---|---|---|---|
| ^ 25.1% | ^ 29.1% | ^ 23.2% | ^ 26.0% |

# Regional New South Wales centres

House prices in regional NSW tend to track those in Sydney closely, while maintaining more stability in the upswings and downswings. However, regional areas' lower exposure to the pandemic, combined with the ability for many to work remotely, has shifted preferences toward regional areas. This 'race for space' has resulted in strong price growth in areas outside Sydney. Additionally, the HomeBuilder package has attracted house and land buyers in Sydney's city fringes and in regional areas such as Newcastle and Wollongong as values in these areas are more comfortably under the programme's original $750,000 price cap..

## ❶ Wollongong region

**The Illawarra market benefits from its proximity to Sydney's employment centres, with approximately 26% of employees in the Wollongong local government area working in Greater Sydney.**

As a result, the region has seen solid population growth as former city dwellers relocate in post-pandemic times and fewer locals move to the city.

Price growth in the Illawarra region has matched that of Sydney in 2020/21; house prices rose 26%, reversing a trend of underperforming against Sydney. However, recent data suggests that this relative cycle between metropolitan and regional areas has likely run its course.

### Outlook

While demand is expected to remain healthy given the favourable policy settings, we expect that house price growth will slow more than in Sydney in 2021/22, with growth of 7.5% expected. The 'tree change' shift in preferences appears to be moderating, and over time we expect the historical differential between Sydney and the region to re-emerge. As a result, we expect the pace of growth to slow even further in 2022/23 and 2023/24. A cumulative 8% increase in the three years to June 2024 will result in a median house price of $971,000.

PaskaranT/Shutterstock.com

## ❷ Newcastle and the Hunter region

**Newcastle's position slightly further away from Sydney and lower commuting population means house prices are, at times, less dependent on conditions in Sydney. Like Wollongong, the area boasts affordability and space relative to Sydney.**

These factors, combined with a milder experience of the COVID-19 pandemic, drove prices to outperform Sydney for most of 2020/21. House prices in the Newcastle and Hunter region rose by 22% to $755,000.

### Outlook

Demand for houses in Newcastle is anticipated to remain elevated in the short term, with prices expected to rise by 6.9% to $807,000 in 2021/22. However, price growth is likely to underperform against Sydney as the general exodus from metropolitan areas following the pandemic outbreak slows. Prolonged or further lockdowns in metropolitan Sydney would sustain the short-term demand in coastal communities. Rising interest rates in 2023/24 will likely constrain affordability across NSW, halting price growth momentum to around 0.3% in that year, leading to a median house price of $810,000 in June 2024 (representing an overall increase of 7% from June 2021).

**Price growth**
▲ **21.8%**
year to June 2021

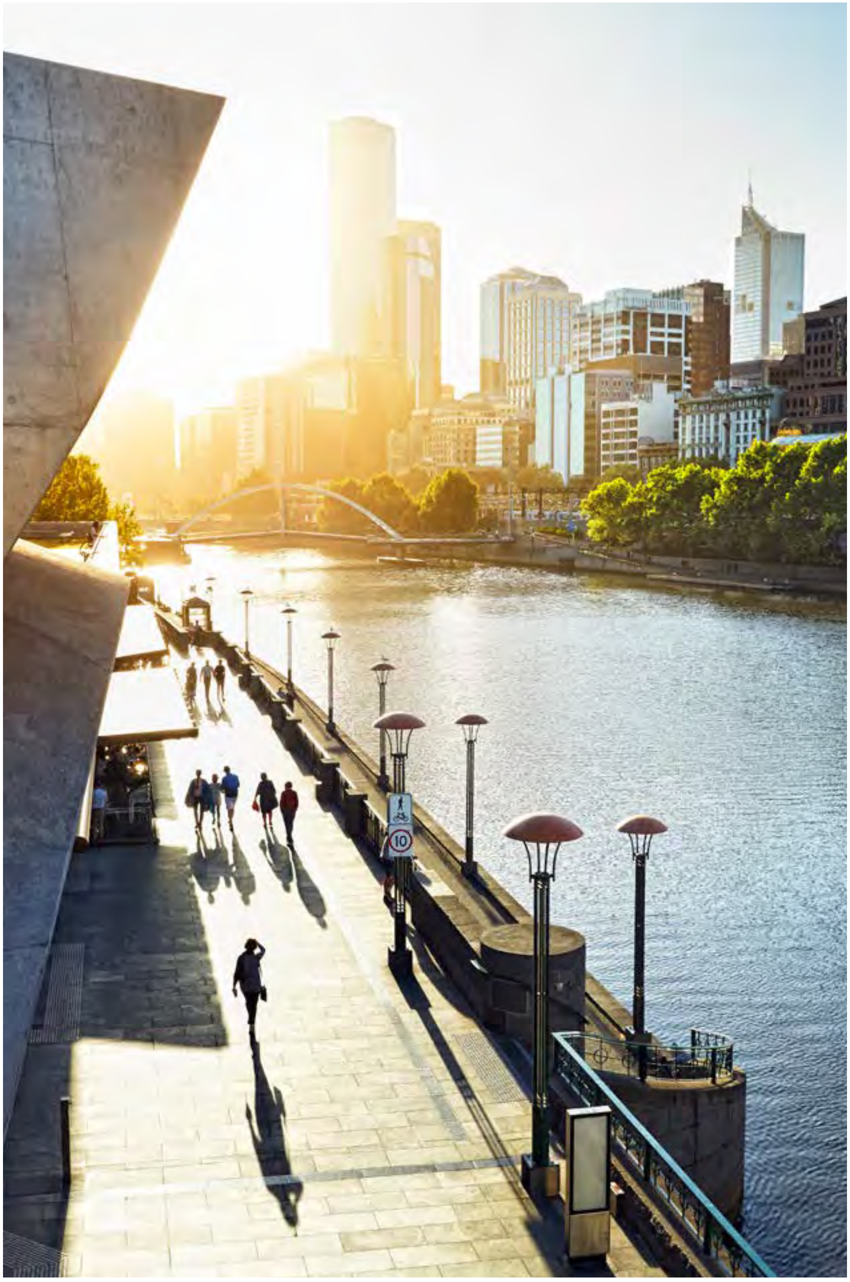
**Vacancy rates**
▼ **1.6%**
as at June 2021

**Forecast house price**
▲ **7.4%**
2021-2024 growth

**Unemploy-ment**
▲ **5.8%**
as at March 2021

# Steady revival

## Stimulus activity brings optimism following migration changes and challenges




## Melbourne house market

**Relative to the other capital cities, Melbourne's housing market underperformed in 2020/21.**

The Victorian economy was hit particularly badly by the pandemic-triggered recession and stringent lockdowns, and together with the closed international border the city has seen substantial outflows of international and domestic migrants. But the combination of fiscal stimulus, ultra-low interest rates and shifting preferences has more than offset these drags, and Melbourne's median house price rose by 16% Year on Year to $1,003,000 in June 2021.

### Buyer activity

The value of housing loans for first home buyers (FHB) in Victoria rose to a new record level in 2020/21, spurred by a wave of economic incentives and low interest rates that encouraged Victorians to buy their first home. However, the impact of stimulus measures concluding – such as the HomeBuilder scheme and the doubling of the First Homeowner Grant for those buying or building new homes in regional Victoria – will continue to wash through the housing market, with fewer first home buyers influencing the latter months of 2020/21.

The upgrader/downsizer segment remains active, with lending in June 2021 up 89% Year on Year, taking the value of loans to $4.7b, or 52% above the January 2020 peak. Investor activity has picked up strongly since the end of the city's second lockdown in October 2020. The value of loans to investors posted substantial gains in the 12 months to June 2021 inclusive, rising by 84% and now exceeding the previous peak reached in 2017. The HomeBuilder scheme gave a notable boost to demand for new houses and to renovations activity, sparking strong land sales activity during the 2021 financial year, with the package benefitting house-and-land buyers in areas such as Melbourne's city fringes.

The rise in house prices since June 2020 has been felt unevenly across metropolitan Melbourne. The overall Melbourne median house price has risen by 16% in 2020/21, however Middle ring and Outer ring suburbs saw slightly larger increases of 19% and 15% respectively, while growth in the Inner ring suburbs saw more modest growth of around 3%.

### Demand and supply

Population growth has underpinned high levels of housing construction in Victoria in recent times. However, the pandemic has significantly altered the demand and supply landscape. Net overseas migration has fallen sharply and net interstate migration has reversed course, becoming a significant net outflow in the latest data. This has weighed on the immediate profile for underlying dwelling demand, with the pre-virus stock deficiency disappearing in 2020/21.

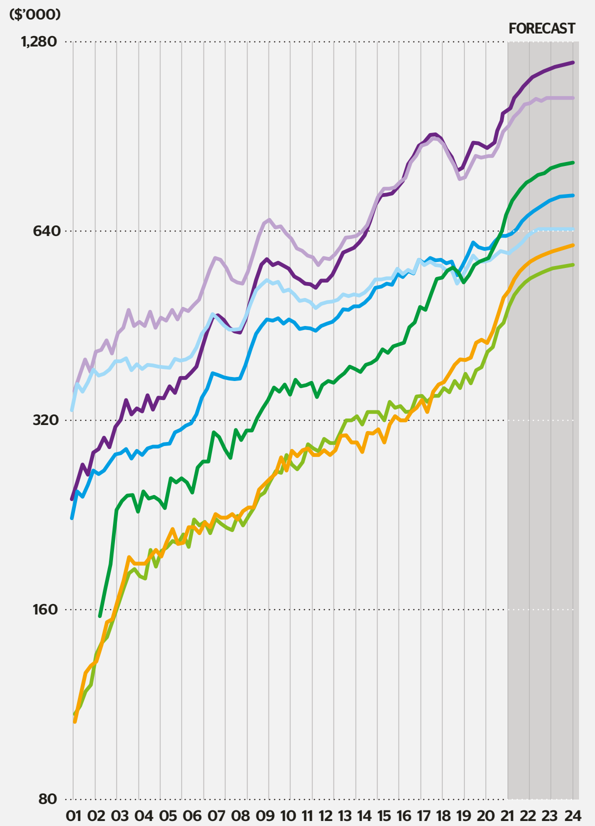
Notwithstanding the negative shocks to demand, a pick-up in household formation rates (aided by falling rents and improved affordability of purchases) is now a key driver of activity in the market. Melbourne has the largest greenfield land market in Australia, and regional areas are thriving, resulting in Victoria accounting for 29% of HomeBuilder new build applications. Taking this activity into account, house completions will reach a new record high in the near-term.

However, the pull forward of demand from HomeBuilder, in conjunction with the new outlook for overseas migration, will cause total dwelling commencements to rise modestly by a forecast 12% to 28,000 dwellings in 2021 and a further 16% in 2022/23, leading to new supply toward the end of the forecast period. While this is expected to temporarily move the market into oversupply, the beginning of a rebound in overseas migration, currently expected in 2022/23, should quickly absorb these properties.

## Outlook

**Further recovery in economic activity and employment together with continued accommodative monetary policy settings will lend support to dwelling prices in the near-term. While the recent pace of house price growth cannot be sustained, solid gains are expected in 2021/22 barring lengthy and widespread lockdowns. A number of factors are at play: the pull forward demand from HomeBuilder will have dissipated, many markets will have moved into fundamental oversupply, and rising mortgage rates (in time) together with recent and near-term price rises will crimp affordability. But the relatively modest pace of price rises over the last 12 years means affordability is still favourable, and Melbourne's median house price is expected to rise 19% over the next three years to $1,191,000 as at June 2024.**

### **Victoria:** dwelling prices




**Percentage points (%)**

**Melbourne house price**
2020: **+7** 2021: **+16** 2022: **+11** 2023: **+4** 2024: **+3**

**Melbourne real house price**
2020: **+7** 2021: **+12** 2022: **+9** 2023: **+2** 2024: **0**

**Melbourne unit price**
2020: **+5** 2021: **+5** 2022: **+9** 2023: **+5** 2024: **+2**

**Melbourne real unit price**
2020: **+5** 2021: **+2** 2022: **+7** 2023: **+3** 2024: **-1**

**Geelong house price**
2020: **+8** 2021: **+23** 2022: **+11** 2023: **+4** 2024: **+2**

**Bendigo house price**
2020: **+7** 2021: **+20** 2022: **+10** 2023: **+3** 2024: **+2**

**Ballarat house price**
2020: **+5** 2021: **+24** 2022: **+10** 2023: **+4** 2024: **+2**

** Real house prices in constant 2017 dollars*

## Melbourne unit market

**Border closures and the uneven employment impacts of the pandemic have particularly affected the Melbourne rental market, with units bearing the brunt of the fall in demand.**

The impact of the lockdown restrictions, sharp fall in tourism and international students, and heavy job losses have hit tenants hard and exacerbated a pre-existing weakness in investor demand. But a recovery has emerged since then, despite the vacancy rate trending higher. This initially stabilised prices and is now supporting modest gains, with the median unit price in Melbourne at $630,000 in June 2021, around 3% higher than its peak in December 2019.

### Supply

High-density dwellings failed to meaningfully benefit from the quick action stimulus introduced during the pandemic. As such, attached dwelling commencements are expected to continue declining into 2021/22. The decline would be worse if not for a moderate allowance of social housing stimulus concentrated in townhouses and low-rise apartments. With commencements coming off a very low base, it will take the sector several years to reach the levels of activity reminiscent of the prior residential growth period. The loss in net interstate migration is compounded by the sharp fall in overseas migration which will weigh on the immediate profile for underlying demand and exacerbate the apartment oversupply in Melbourne's core. To support the sector, a concession has been introduced for off-the-plan purchases up to $1,000,000 in Victoria until 2023, while further tax reductions are available for those buying in the City of Melbourne.

## Outlook

**Unit prices are playing out a little differently to house prices. The collapse in overseas migration and slump in investor demand have constrained unit price growth over the last year. A recovery in rents will be spurred by the return of migration and international students restoring rental demand and tightening the vacancy rate, however this is not likely until 2022/23. A rise in investor demand will, in time, provide a price boost, with Melbourne's median unit price anticipated to rise by a total of 16% to be $732,000 by June 2024.**

# Victoria and Melbourne regions


**Melbourne median house price annual % change** - year to June 2021

| Inner | Middle | Outer | Median |
|---|---|---|---|
| ▲ 3.4% | ▲ 18.6% | ▲ 15.0% | ▲ 15.9% |

# Regional Victoria centres

The regional centres of Geelong and Ballarat are close enough to Melbourne to support regular commuter transit, while Bendigo attracts infrequent commuters. Median house prices in Geelong, Ballarat and Bendigo are highly correlated to Melbourne prices, though the regional areas have outperformed Melbourne's median house price rise during the pandemic. The COVID-19 shutdowns have shifted the way people think about where they live and work, with many becoming accustomed to remote and flexible working arrangements, and the benefits of eliminating lengthy commutes. In addition to local demand, price advantages and first home buyer incentives are attracting people into these affordable centres, with the increased demand for lifestyle-oriented properties and holiday homes driving prices higher during 2020/21. However, the recent reduction or cessation of several key incentive schemes will mean that regional Victoria (including Geelong, Ballarat and Bendigo) is expected to slightly underperform Melbourne in the coming three years.

Shuang Li/Shutterstock.com

**Price growth**

**23.8%**
year to June 2021

**Vacancy rates**

**1.5%**
as at June 2021

**Forecast house price**

**17.0%**
2021–2024 growth

**Unemploy-ment**

**5.6%**
as at March 2021

## ❶ Ballarat

Ballarat benefits from its proximity to Melbourne with the city offering a viable commuting option to Melbourne via road and rail. The health, education, retail and agriculture industries are the biggest employers in the region. One of several regional centres that have outperformed Melbourne during the recent COVID-19 pandemic, Ballarat benefitted strongly from the $25,000 HomeBuilder grant in addition to the $20,000 Regional First Home Buyer grant. These incentives, combined with record low interest rates, saw purchasing activity surge in Ballarat with solid median house price growth of 24% recorded in 2020/21, taking the median house price to $520,000. Continuing demand from first home buyers from Melbourne taking advantage of the stamp duty concessions on offer and a favourable local economy with high levels of work opportunity have supported investor demand and prices to date.

### Outlook

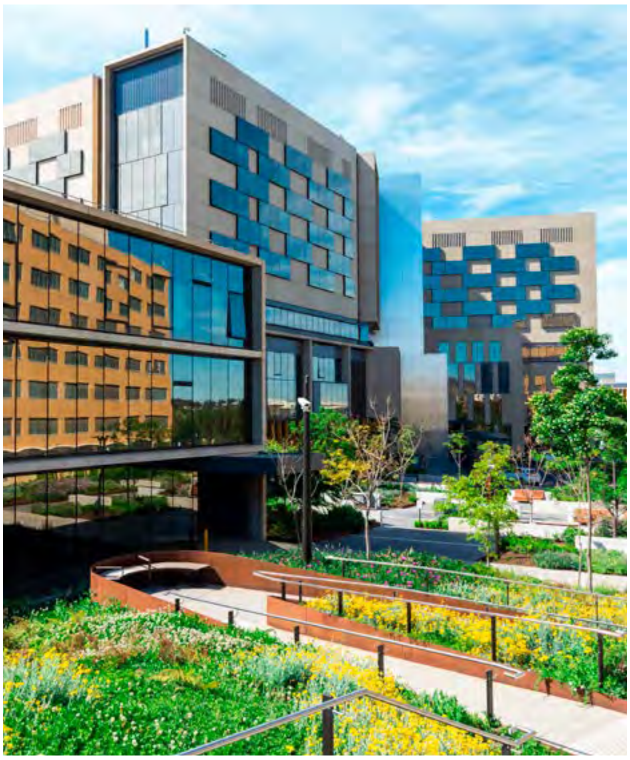
Despite the scaling back of grants, demand signals remain healthy, with internal migration from Melbourne receiving a boost through the pandemic. Proposed infrastructure improvements to further reduce the travel time between Ballarat and Melbourne will help draw out demand. Furthermore, in addition to the favourable economic and population outlook for the region, there is a deep major project pipeline, with work set to start on the $460 million+ Ballarat Base Hospital Redevelopment and $70 million Maryborough Hospital Upgrade. Commuters are expected to continue to be attracted to this affordable market, with median house prices in Ballarat forecast to reach $608,000 at June 2024, a rise of 17% in the next three years.

## ❷ Geelong

Geelong's population growth is amongst the strongest in the nation, despite challenges presented by the loss of car manufacturing in late 2016. Both internal and overseas migration to the region have experienced a significant uplift, attracted by the region's amenities, affordability, close connection to Melbourne and increasingly diversified labour market. Residential construction has trended firmly upwards over the last decade. While overseas migration has slumped with the pandemic, sea-change demand has received a major boost. Housing demand has followed suit and, with stimulus including cumulative housing grants of up to $45,000 available in the second half of 2020, median house prices climbed by approximately 23% in 2020/21.

### Outlook

All signs point to elevated population growth holding for the region. Geelong's affordability advantage over Melbourne is expected to continue to draw population from the state capital, particularly with first home buyers taking advantage of the stamp duty concessions for dwellings under the $600,000 threshold. However, the end of the HomeBuilder scheme, which boosted demand for house and land packages over 2020/21, and the reduction in the $20,000 Regional First Home Buyer grant will mean significant momentum to Geelong's price growth is likely to be reduced. The total growth in Geelong's median house price to June 2024 is expected to be slightly lower than that of Melbourne. This will take its median house price to $824,000 at June 2024, noting that this represents an 18% rise on the current median house price of $700,000 in June 2021.



## ❸ Bendigo

Bendigo's greater distance from Melbourne to that of Geelong and Ballarat makes it less viable for commuters, with median house price growth relatively underperforming in the three years to June 2020. In the past year, a broad spike in the average household savings rate – as overseas travel and social activities were curtailed – has spurred those who have managed to save a deposit into taking advantage of the many incentives available and are becoming first home buyers. With the price gap between regional locations and Melbourne tempting many to move in light of property market uncertainty, Bendigo's median house price growth has outperformed Melbourne in 2020/21, rising by 20% to $490,000.

### Outlook

Government stimulus measures and low interest rates will continue to drag out new home demand, though relatively modestly compared with 2020/21. Construction activity in non-residential major projects in Bendigo, while significantly lower than for Geelong or Ballarat, has steadily trended up in recent years. Approximately $275 million of work commenced in 2020/21, including the Bendigo Law Court Development and Bendigo Govhub. By June 2024, Bendigo's median house price is expected to be around $568,000, representing a total rise of 17% on prices in June 2021.

# Opportunity knocks

Domestic migrant influx and minimal interruptions drive benefits

## Brisbane house market

**Like other cities, Brisbane's market was picking up momentum immediately prior to the pandemic.**

While the COVID-19 induced recession momentarily halted demand, it has since made strong gains as the preferences shift towards larger dwellings and smaller cities, and the relative affordability of housing has benefitted Brisbane, with inward migration a key property market driver.

While lockdowns in southern states have persisted, Queensland has largely avoided mass COVID-19 outbreaks, and together with Brisbane's relative affordability, internal migrant inflows from other states have increased sharply. Brisbane has been officially selected to host the 2032 Olympics, bringing upcoming capital investment on infrastructure.

### Median house prices

After a quiet H1 2020, market activity returned from Q3, putting upward pressure on median house prices. Brisbane has fared as one of the best performers through the COVID-19 downturn thanks to notable success in containing the disease, strong interstate migration, as well as a strong uptake of the available federal and state government support for housing market activity. Although other cities (notably Sydney) are now experiencing stronger growth momentum, activity in the detached housing market remains brisk, with both prices and the volume of sales increasing through H1 2021. The Greater Brisbane median house price was $684,000 at June 2021, a 19% rise on a year earlier.

### Demand and supply

Dwelling completions in Queensland peaked at over 48,000 in 2016/17 and have been in steady decline since then. This trend continued in 2020/21, down to 31,000 completions – almost 35% below the peak. However, following several years of suppressed activity, demand for houses is rebounding strongly. Total commencements will lift by around 17% in 2020/21 as the HomeBuilder stimulus and the $5,000 Regional Home Building Boost grant pull forward demand for houses. And with the oversupply of Brisbane apartments having diminished, apartment construction activity has found its floor.

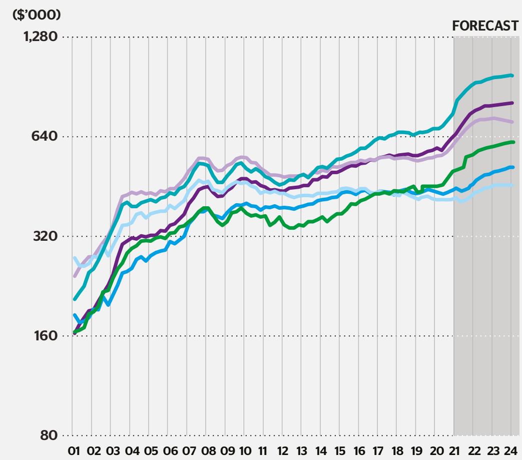
As a relative beneficiary of households' shift in preferences through the pandemic, the continued decline in completions has been reinforced by a relative upturn in demand; net interstate flows in Queensland rose to 30,000 in 2020, up from 23,000 in 2019. As noted previously, this shift has reinforced the rebound in house prices over the last year, but with supply now responding, the market is expected to gradually re-balance over the next three years.

## Outlook

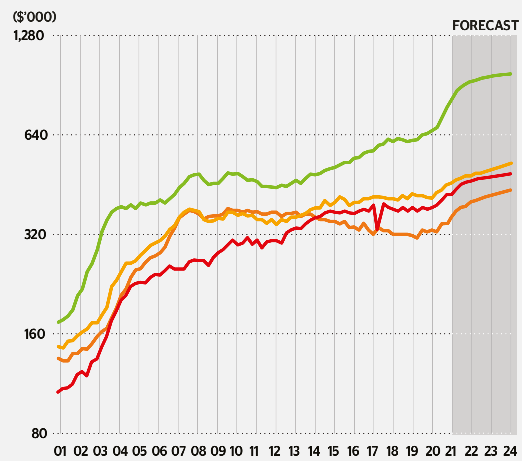
Continued low interest rates and existing price momentum will help sustain positive momentum in prices for the remainder of 2021. We expect the pace of growth to moderate through 2021/22 as the incremental impacts of these stimuli fade, but with houses still relatively affordable (despite the recent increase in prices), the moderation in momentum is expected to be gradual. The median house price is expected to rise by almost 12% to $763,000 in the current financial year.

As price momentum fades across all markets and the prospect of rising interest rates loom, it is expected that the pace of growth in most markets will fall substantially. Despite large gains over 2020/21 and 2021/22, Brisbane will remain relatively affordable when compared to Sydney and Melbourne, and the expected sustained net interstate migration inflows will help to prevent a sharp slowdown in momentum in 2022/23 and 2023/24. A median house price of around $806,000 is expected by June 2024, representing total three-year growth of 18%.

### Brisbane and Gold Coast: dwelling prices




### Regional Queensland: dwelling prices




**Percentage points (%)**

**Brisbane house price**
2020: +3 2022: +11
2021: +19 2023: +3
2024: +2

**Brisbane real house price**
2020: +3 2022: +10
2021: +15 2023: +1
2024: 0

**Brisbane unit price**
2020: -2 2022: +11
2021: +2 2023: +5
2024: +2

**Brisbane real unit price**
2020: -2 2022: +9
2021: -2 2023: +3
2024: 0

**Gold Coast house price**
2020: +5 2022: +12
2021: +22 2023: +4
2024: +2

**Gold Coast unit price**
2020: +1 2022: +11
2021: +14 2023: +4
2024: +2

**Sunshine Coast house price**
2020: +7 2022: +13
2021: +26 2023: +4
2024: +2

**Townsville house price**
2020: +4 2022: +10
2021: +12 2023: +5
2024: +4

**Cairns house price**
2020: -2 2022: +5
2021: +12 2023: +4
2024: +5

**Toowoomba house price**
2020: +1 2022: +10
2021: +9 2023: +3
2024: +2

** Real house/unit prices in 2017 dollars*

## Brisbane unit market

After a period of stagnation, prior to COVID-19, Brisbane's unit market was showing the first signs of shifting into an upturn.

As elsewhere, the pandemic disrupted this momentum, with the apartment market more exposed than detached houses. The closure of the international border had a more pronounced impact on the rental market for apartments, and together with heightened uncertainty, this shift prompted investors to pull back. In Sydney and Melbourne, the recovery in the unit market has been slow to arrive. Brisbane's median unit price increased 2% in the past year, landing at $432,000 in June 2021.

## Outlook

As in the larger capital cities, the fallout from the pandemic continues to have a disproportionately large impact on the unit market. These trends are expected to sustain house price growth at a higher rate than unit price growth through the end of 2021. But the economic recovery and increased demand for rental properties from domestic residents, which is manifesting as low vacancy rates and rising rents, is spurring investors to re-enter the market for units.

As the supply of units will not be bolstered by HomeBuilder grants to the degree that detached dwellings are, a relatively small improvement in the demand for units in Brisbane will cause a material tightening in the unit market. As such, we expect that unit price growth will therefore outpace that of houses from 2021/22, reaching a median price of $515,000 by June 2024. This price level represents a total rise of 19% on the June 2021 figure.

# Queensland and Brisbane regions


**Brisbane median house price annual % change** - year to June 2021

| Inner | Middle | Outer | Median |
|---|---|---|---|
| ▲ 34.0% | ▲ 23.2% | ▲ 13.3% | ▲ 19.3% |

# Regional Queensland centres

In the past, the residential markets of Brisbane's adjacent coastal neighbours, the Gold Coast and the Sunshine Coast, have been closely linked to market conditions in Greater Brisbane. Whilst also benefitting from considerable interstate migration from New South Wales and Victoria, this latter source of demand has strengthened in the past 12 months, putting the pace of house price growth in these two areas much higher than that of Brisbane. Although being relatively closely situated geographically to each other, the Townsville and Cairns residential markets have seen vastly different outcomes in recent years, whilst Toowoomba's influence from Brisbane's conditions has subsided.

## ❶ Gold Coast

**The local economy of the Gold Coast has traditionally benefitted from the strength of its domestic and international tourism industry, particularly following the 2018 Commonwealth Games. This dependence on tourism emerged as a negative in 2020, with border closures leading to a collapse in tourist numbers.**

While domestic travel restrictions have eased in 2021 compared to last year – which will positively impact the Gold Coast – the reintroduction of border closures following outbreaks in the southern states highlights the precarious environment at play.

The median house price on the Gold Coast underwent rapid price growth in 2020/21, rising by 22% to a level of $815,000 at June 2021. The median unit price on the Gold Coast tracked steady in comparison, with growth of 14% taking the median to $515,000 in June 2021.

### Outlook

While powered by the drastic uptake in remote working and extremely low interest rates in 2020/21, interstate migration will continue to fuel dwelling demand in the Gold Coast. Median house price growth is expected to rise by 19% over the three years to June 24, taking the median house price to $915,000. The median unit price is set to follow a similarly strong pattern as the prospect of returning international travel attracts investors to the market over the next three years. Median unit prices are anticipated to grow by 18%, reaching $608,000 by June 2024.

Alex Cimbal/Shutterstock.com

## ❷ Toowoomba

The local economy of Toowoomba is solid, with the town benefitting from its location on the Melbourne to Brisbane freight route and as a key logistics hub for the Darling Downs agricultural centres. The median house price has fluctuated in recent years, growing by a total of just 5.1% in the five years to June 2020. However, Toowoomba has also caught the national swell in prices in 2020/21 with the median house price rising to $430,000 in June 2021, a 9% increase over the previous 12 months..

### Outlook

The completion of construction and then operation of the Inland Rail project will fortify Toowoomba's position as a key logistics hub in the region, and the opening of the Toowoomba bypass in September 2019 has made the city more accessible. Outside of this, there are few key infrastructure projects to drive the growth outlook for Toowoomba and median house prices are forecast to grow by 15%, reaching a median price of $494,000 by June 2024.

## ❸ Sunshine Coast

The Sunshine Coast is less dependent on its tourism sector for activity and demand. Demand does however benefit heavily from interstate migration as the area maintains a steady inflow of arrivals relocating from Victoria and New South Wales. This rapid population growth in recent years has been enough to maintain market price growth at a faster pace than Brisbane. Additionally, the region has also enjoyed a recent increase in construction of both residential dwellings and infrastructure projects.

Migration numbers to the Sunshine Coast paused briefly during 2020 as interstate borders were closed, however have now returned notably as remote working has allowed for dwelling preferences to shift away from crowded inner-city areas toward regional areas and detached dwellings. In June 2021, the median house price in the Sunshine Coast was $830,000.

### Outlook

These trends of brisk population growth are expected to persist into 2021/22, so long as the freeze in interstate arrivals into Queensland is short lived. As a result of reduced travel restrictions and continued attractive borrowing conditions, median house price in the Sunshine Coast is forecast to continue to slightly outgrow price growth in Brisbane. Prices are expected to grow by 13% in 2021/22, before slowing slightly in the next two periods, reaching a median price of $986,000 by June 2024.

## ❹ Townsville

**The North Queensland regional centre of Townsville has been an underperformer in recent years compared to other parts of the state. Economic activity has been sluggish and a major flooding event in February 2019 has kept confidence down.**

Additionally, the decline in mining investment as well as cuts to defence and public administration jobs have reduced employment options in the region. Despite this, Townsville has not been excluded from the nation-wide rise in house prices spurred on by low interest rates and government support packages in response to COVID-19. At June 2021, the median house price was $368,000..

### Outlook

Underlying demand in Townsville is not set to benefit from the same interstate migration population boost as in South-East Queensland. As a result, price growth in 2020/21 has been relatively slow when compared to the rest of the state, and this underperformance is expected to continue into 2021/22. After this, Townsville is expected to see heightened economic activity from the construction of a major lithium-ion battery manufacturing plant, putting house price growth above most other markets in the medium term. The median house price in Townsville is forecast to be $444,000 in June 2024, representing a rise of 21% from June 2021.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## ❺ Cairns

Like Townsville, house prices in Cairns have been in decline for most of the last decade. Meanwhile, the economic impacts of the pandemic – and in particular the devastation to the domestic and international tourism sectors – have had a significantly negative impact on the local economy in the region. Tourism in the region had been a driver of growth in recent years, benefiting from a lower Australian dollar, and this had helped to insulate the region from the downturn in the resources sector. This has however worked against the area in this most recent recession and the median house price in Cairns was $465,000 in June 2021.

### Outlook

House prices in Cairns benefitted in 2020/21 from government support grants, low interest rates, and the ability for many to work remotely, rising 12% over the year. However, this will be short lived. Growth will fall back substantially in 2021/22 to 5%. Following this, it is anticipated that growth in house prices will then remain stable, supported by the prospect of returning international travel. The median house price in Cairns is expected to be $531,000 in June 2024, representing a rise of 14% from June 2021.

**04.** **Western Australia outlook**

# A positive prospect

Strong mining activity and tight vacancies fuel growth

## Perth house market

### Median house prices

Immediately prior to the pandemic, Perth's housing market was showing signs of life, with the turnaround in mining sector investment activity spilling over to the housing market. Although the pandemic disrupted activity in early 2020, Perth's relatively mild experience of COVID-19 and the resultant recovery in the local economy, coupled with the policy environment, means that demand for property has been strong since Q2 2020 (although momentum has moderated recently, with new listings to the market picking up to meet demand). The price of the median house rose by 19% year on year, to $603,000, in June 2021.

### Outlook

**Building on the city's strong performance in 2020/21, favourable housing affordability, a healthy outlook for the resources sector (although simmering trade tensions provide some downside risk) and the resumption of migration inflows suggest Perth is positioned for ongoing recovery.**

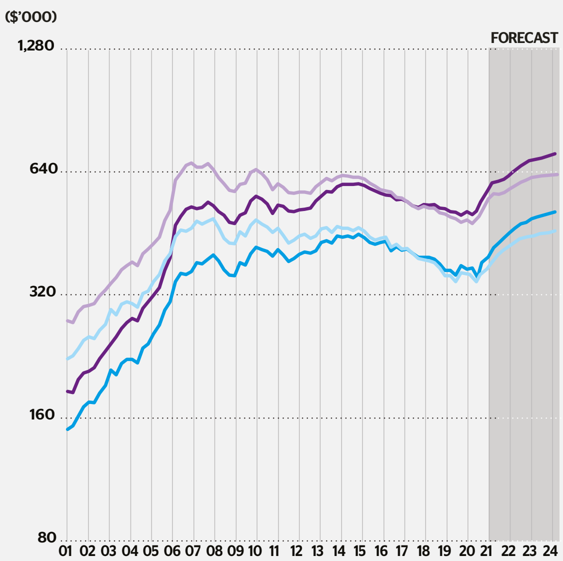
**As unemployment declines further and the economy strengthens, median house prices are forecast to grow 8.7% in 2021/22. Moving through the medium term, rising prices and interest rates will worsen affordability and dampen momentum, and this shift will be reinforced by a sharp rise in new supply, which will absorb a significant amount of the current demand. Therefore, median house prices are forecast to grow at a more moderate 5.4% and 3.6% through 2022/23 to 2023/24 respectively, reaching $716,000 by June 2024.**

### Demand and supply

The residential supply cycle in Western Australia finally bottomed out at 14,600 total dwelling completions in 2019/20 after five straight years of decline. Completions will rebound to around 15,000 dwellings in 2021/22, spurred by incentives such as the state government's Building Bonus and the federal government's HomeBuilder program. Putting these incentives together, First Home Buyers were able to receive up to $55,000 in cumulative grants, while the Regional Land Booster package provided further support outside of Perth.

Unlike the largest eastern states, Western Australia has continued to see robust population growth, with internal inflows rebounding in line with the recovery in the state's economy. Underlying demand rose in 2019/20 and the existing oversupply was absorbed, moving the market into a mild undersupply. The undersupply expanded in 2020/21 as completions troughed, however, rising completions anticipated in the coming years will erode the current undersupply.

## **Perth:** dwelling prices




**Percentage points (%)**

| Perth house price | | | |
|---|---|---|---|
| 2020: | -1 | 2022: | +9 |
| 2021: | +19 | 2023: | +5 |
| | | 2024: | +2 |

| Perth real house price | | | |
|---|---|---|---|
| 2020: | 0 | 2022: | +7 |
| 2021: | +15 | 2023: | +3 |
| | | 2024: | +1 |

| Perth unit price | | | |
|---|---|---|---|
| 2020: | -1 | 2022: | +11 |
| 2021: | +21 | 2023: | +5 |
| | | 2024: | +4 |

| Perth real unit price | | | |
|---|---|---|---|
| 2020: | -1 | 2022: | +9 |
| 2021: | +17 | 2023: | +3 |
| | | 2024: | +1 |

** Real house/unit prices in 2017 dollars*

# Western Australia and Perth regions


**Perth median house price annual % change** - year to June 2021

| Inner | Middle | Outer | Median |
|---|---|---|---|
| ▲ 33.0% | ▲ 21.7% | ▲ 15.5% | ▲ 18.8% |

## Perth unit market

The significant temporary population that makes up much of the mining sector workforce in Perth are key drivers of rental demand and growth in the unit market. Mining investment was already showing signs of recovery prior to the pandemic, with firms looking to replace worn capital assets and expand production to match growing global demand. This recovery coupled with fiscal stimulus in response to the pandemic has driven jobs growth, with employment in the city sitting well above pre-COVID-19 levels. This in turn has driven demand for both rental accommodation and purchases of units. The rental vacancy rate is just 1.0%, indicative of a very tight market, and Perth's median unit price rose 21% in the year to June 2021, to $426,000.

### Outlook

The recovery in Western Australia's economy that began in 2020/21 is expected to continue, with both mining and non-mining activity driving the upturn. The state has begun to post positive net interstate migration inflows and returning expats are placing additional pressure on an already tight property market. And on the supply side, the natural delay between apartment approvals and commencements and the completion of projects means the market will remain tight over the near term (although a significant increase in completions of detached houses will provide some relief). Unit price growth of around 11% is anticipated in 2021/22, before more modest growth is forecast over the following two years to take the median unit price to $517,000 by June 2024, or a 21% increase on June 2021 levels.

# Holding strong

## Insulated economy supported by investment brings growth

## Adelaide house market

**South Australia's economy is relatively insulated from the pandemic's impacts, owing to its support from a strong public sector and lessor reliance on international tourism and students. Government investment projects have ramped up, providing strong support to the state's economic growth.**

The public sector remains a significant direct and indirect consumer, with several defence programs based in Adelaide, including submarines, military vehicles, and the Space Agency all supporting economic growth in the medium term, mitigating the softer outlook for the private sector.

Whilst the value of housing loans fell less dramatically in South Australia compared to other states during 2020, the upgrader/downsizer, first home buyer and investor segments have all experienced a resurgence in the past year. This has been most prevalent in the upgrader/downsizer market, which reached a new high of over $900m new loan commitments in April 2021 before settling to $864m in June 2021. Investor loan values have continued to rise, however, in level terms, loan values remain well below the 2014/15 peak. The first home buyer segment also strengthened, noting that first home buyers in SA have been eligible for $40,000 in grants as well as a (now expired) stamp duty concession for buyers purchasing off-the-plan.

Adelaide's residential market has historically exhibited significantly less volatility compared to other capital city markets and, while outperforming in the early months of the pandemic, house prices showed comparatively modest 16% growth in 2020/21, bringing Adelaide's median house price to $589,000.

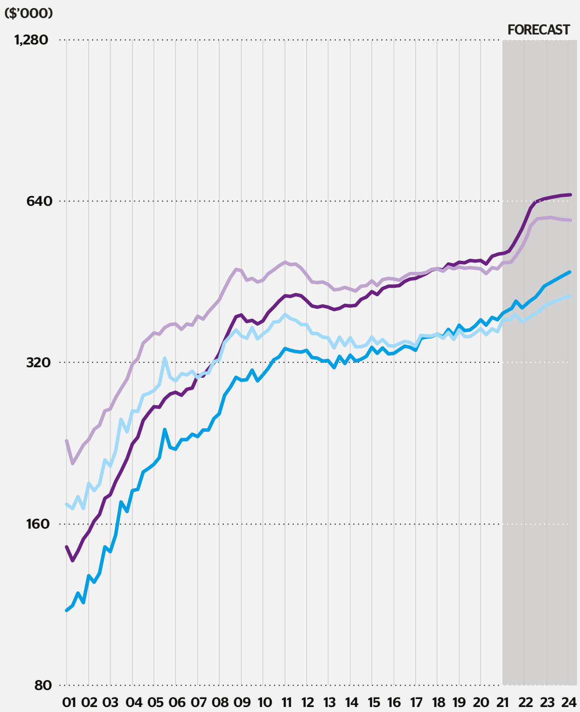
### New dwelling supply

The close alignment of dwelling demand and completions that persisted in recent times was severed in 2019/20. Demand pressure held up, outpacing falling supply and shifting the dwelling balance from a mild oversupply to modest undersupply. However, with crimped population growth caused by international border closures, the underlying demand for dwellings fell through 2020/21 and likely 2021/22, causing a dwelling oversupply. In 2022/23, underlying demand should begin rising again in line with migration flows and better economic conditions.

### Outlook

As in the larger markets, the promise of a lengthy period of extremely low interest rates, coupled with better-than-expected economic outcomes in H2 2020, are driving strong demand for property. However, as Adelaide is less reliant on overseas migration, the market will likely not experience the same surge in demand upon the opening of international borders. Adding to this, South Australia traditionally carries a net interstate migration loss, which is expected to continue. Moreover, a modest excess of dwelling stock is forecast to emerge. All these factors will likely put a ceiling on price growth in the medium term compared to other cities. House prices in Adelaide are expected to record total growth of 9% over the next three years, bringing the median to $644,000 in 2023/24.

### **Adelaide:** dwelling prices




**Percentage points (%)**

**Adelaide house price**
2020: **+2** 2021: **+16** 2022: **+8** 2023: **+1** 2024: **0**

**Adelaide real house price**
2020: **+2** 2021: **+13** 2022: **+6** 2023: **-1** 2024: **-2**

**Adelaide unit price**
2020: **+4** 2021: **+4** 2022: **+8** 2023: **+5** 2024: **+2**

**Adelaide real unit price**
2020: **+4** 2021: **+1** 2022: **+7** 2023: **+3** 2024: **0**

** Real house/unit prices in 2017 dollars*

## Adelaide unit market

**Units account for a smaller percentage of new supply in Adelaide than the other capital cities, though attached dwelling completions were slightly higher in 2020/21 (+20% year on year).**

Given lesser exposure to the hardest hit industries from COVID-19 and the job market's deep footings in public sector employment, Adelaide has been relatively insulated from the pandemic compared to other capital cities. Adelaide's median unit price was $414,000 at June 2021, rising 4% from a year earlier.

### Outlook

As the fundamentals of the attached dwelling market normalise, including additional supply and a return of migration, it is projected that the median unit price will reach $483,000 by June 2024 and this figure represents an overall rise of some 17% above the June 2021 level.

# South Australia and Adelaide regions


**Adelaide median house price annual % change** – year to June 2021

| Inner | Middle | Outer | Median |
|---|---|---|---|
| ^ 22.8% | ^ 15.8% | ^ 16.4% | ^ 16.3% |

# Home stretch

High performing housing market backed by strong domestic migration and fiscal support

## Hobart house market

### Median house Price

Hobart's heavy reliance on tourism and international students makes its economy severely exposed to the impacts of the COVID-19 pandemic. But the economy has been protected by the fiscal and monetary supports that have been put in place, and together with relatively little direct exposure to COVID-19, the state's economy has been a middle-of-the-pack performer over the last 18 months.

As elsewhere, the housing market has seemingly defied expectations. Dwelling approvals and completions have picked up, helped along by generous new home grants (up to $45,000), expansionary monetary policy, and a chronic undersupply of housing. Along with this, dwelling prices have surged on the back of the economic recovery, shift in preferences (which has prompted an upturn in migration from the mainland), and tight demand/supply. Most recently house prices grew by 22% in 2020/21. This took the median house price for June 2021 to $683,000.

### Demand

A surge in underlying demand thanks to more robust population growth, a flourishing tourism industry and growing international student numbers – against a backdrop of modest dwelling completions – took the level of undersupply to around 4,000 dwellings in 2019/20. While demand from international students has moderated sharply, the domestic trends remain relatively robust, and we expect continued growth in demand over the near term.

### Outlook

Solid momentum is expected to carry through for the remainder of the calendar year, before falling back slowly from March 2022. However, the strength in the first two quarters will help total growth for 2021/22 post a price gain of 15%. From there, the absorption of some undersupply will dampen price momentum, and this will be added to by continued low international migration and then rising interest rates, which will worsen affordability. The median house price in Hobart is forecast to reach $845,000 in June 2024, a rise of 24% from June 2021.

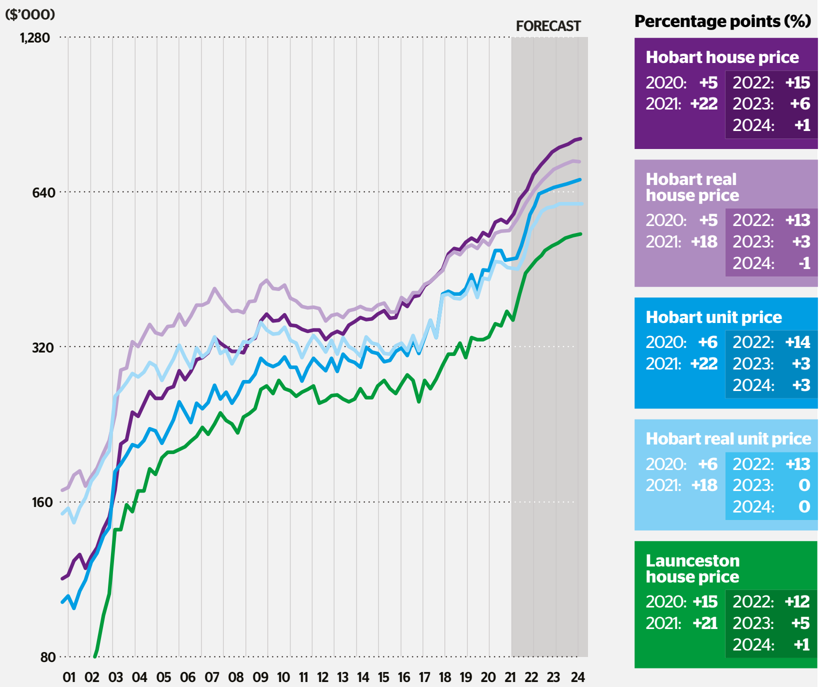
## Hobart unit market

**Resembling the housing market, the median price for units has ballooned in recent years, growing by a total of 37% in the three years to March 2020. However, price growth for units took a hit from June 2020 as inbound migration ground to a halt. This lull in demand was short lived though and prices rebounded in 2020/21 reaching $583,000.**

### Outlook

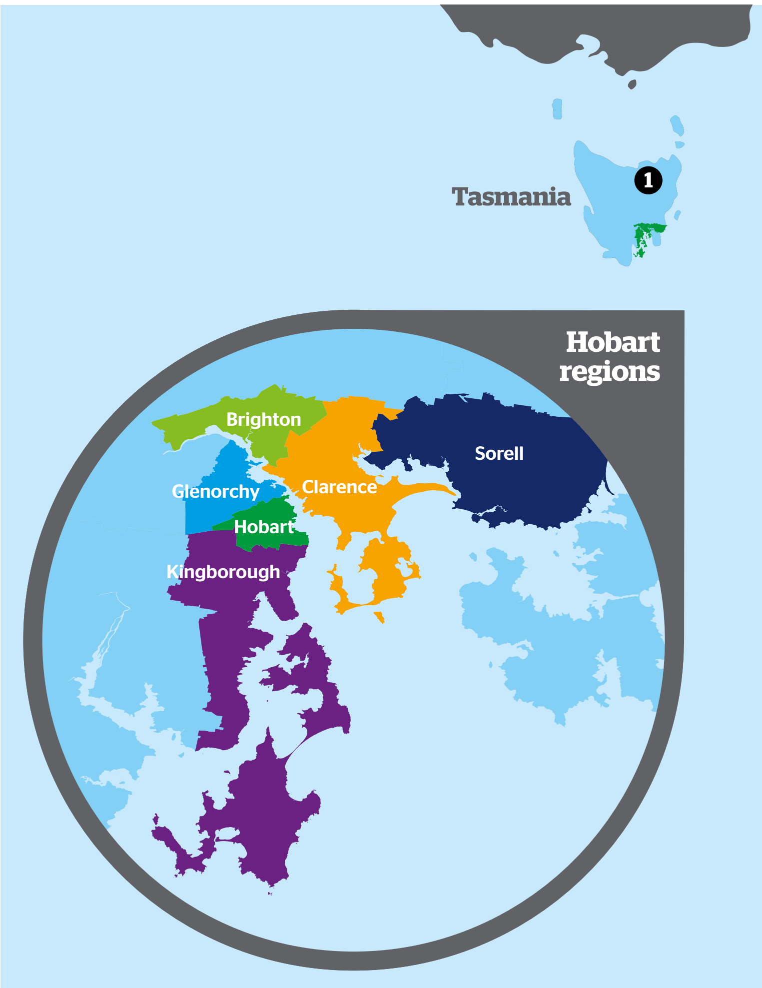
Renewed investor interest, which is beginning to build, is forecast to support more consistent growth for unit prices in the medium term. After 2020/21, a persistent shortage of stock is expected to underpin unit price growth of around 20% in the three years to June 2024, raising the median unit price in Hobart to $701,000.

**Tasmania:** dwelling prices




** Real house/unit prices in 2017 dollars*

# Tasmania and Hobart regions




**Hobart median house price annual % change** - year to June 2021

| | |
|---|---|
| Glenorchy | ^ 27.2% |
| Hobart City | ^ 23.7% |
| Sorell | ^ 22.7% |
| Brighton | ^ 5.0% |
| Kingborough | ^ 19.0% |
| Clarence | ^ 12.4% |
| Hobart | ^ 22.1% |

## 1 Launceston

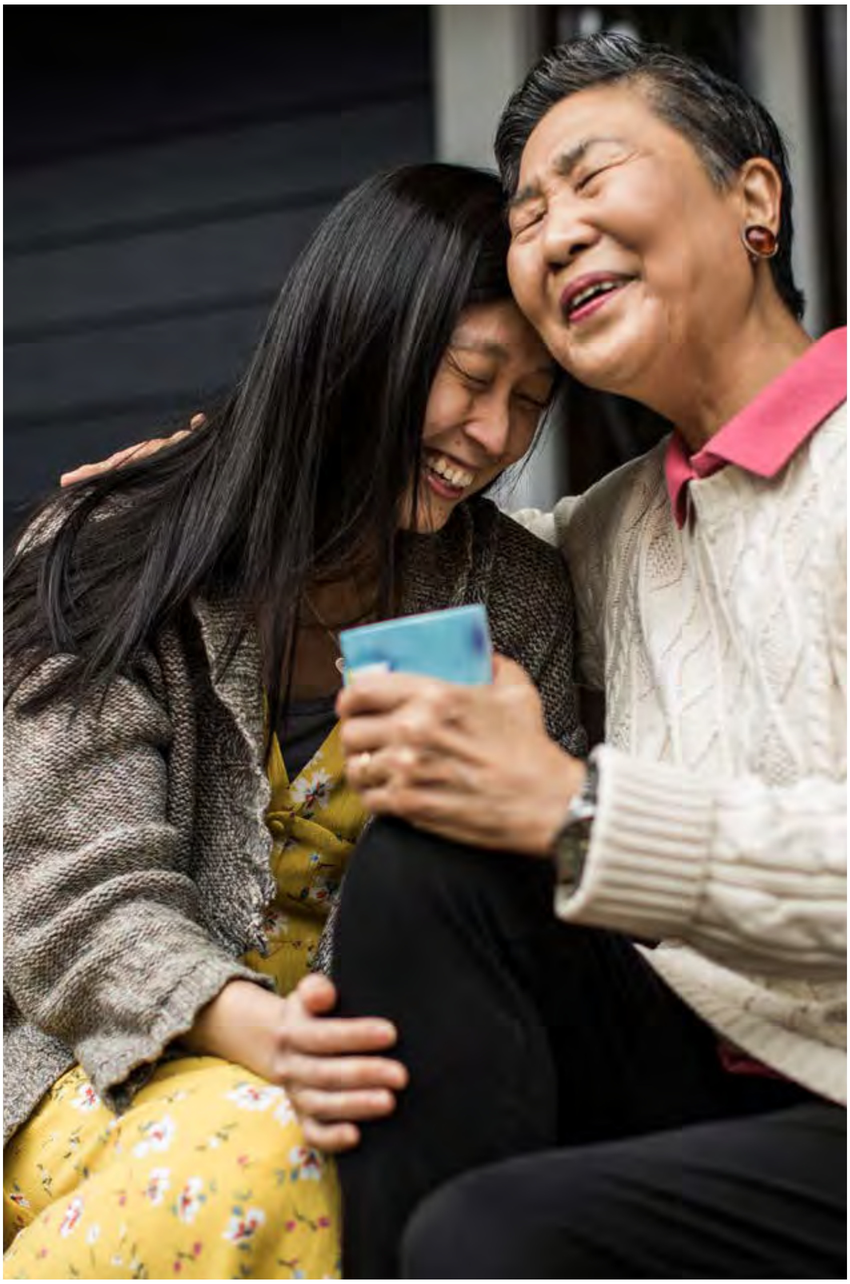
As in other regional centres, Launceston's market typically tracks Hobart, albeit with a lag. This has been the case recently, with the strength of Hobart's market spilling over to Launceston. Prices rose 21% in 2020/21 - only slightly behind the price growth seen in the state capital - bringing the median house price to $460,000.

### Outlook

The median house price in Launceston is forecast to track those in Hobart relatively closely, with growth slowing from March 2022. As has been the case in the past, price growth in Launceston is expected to move with (but lag behind) Hobart. The UTAS-Newnham Campus Development and Northern Prison developments will support employment growth and this should support dwelling demand in Launceston. A forecast median of $545,000 at June 2024 represents a rise of 19% from June 2021.

# Hardy base

Strong public sector and tight rental market driving price growth



## Canberra house market

**The dominance of the public sector in the Australian Capital Territory has shielded it against most of the negative economic impact from the pandemic, as has its lesser reliance on international migration. Nevertheless, the pandemic's impact has been felt, particularly in the consumer services and hospitality sectors.**

Fly In Fly Out traffic has been severely curtailed, crimping spending on services like hotels, transport and cafes. Population growth in the ACT has outpaced the national average over the last decade. However, growth slightly underperformed in 2019/20, and net overseas migration seems to have turned negative in 2020/21 due to travel restrictions resulting from the COVID-19 pandemic persisting.

Canberra has one of the tightest rental markets in the country, matched only by Perth. Canberra's rental vacancy rate tightened slightly in Q2 2021, returning to 0.7%, buffering Canberra from rent declines while most other markets have experienced comparable turbulence.

### Supply

Dwelling completions have been robust in the ACT over the last few years, largely due to a surge in new units. Completions reached around 4,800 dwellings in 2018/19, strengthened to 5,000 in 2019/20 and are estimated to be over 6,500 dwellings in 2020/21. Completions are anticipated to fall to around 4,600 dwellings in 2021/22 and remain around that level for the following two years. There is some uncertainty around demand over the forecast horizon, with the advent of working from home enabling many office workers to work from other parts of the country. As a result, despite the downturn in new supply, we expect the market to remain broadly balanced over the forecast horizon.

### Median price

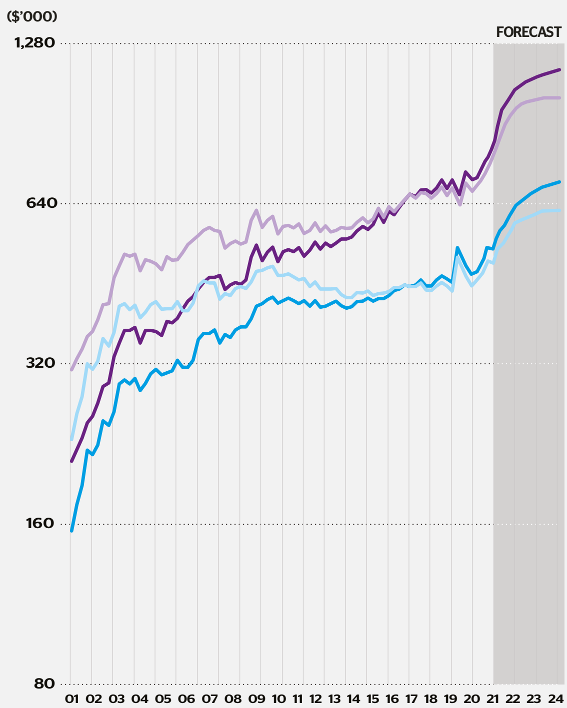
Canberra's median house price of $900,000 at June 2021 reflects annual growth of 26%, with the market outperforming most other capital cities. This performance largely reflects the resilience of the local economy and therefore the property market; Canberra was one of the few markets to not see prices decline in the June 2020 quarter. Despite the strong growth, more generous stamp duty concessions to first home buyers in New South Wales may have drawn demand out of Canberra and into neighbouring centres across the border, such as Queanbeyan.

## Outlook

Like other markets, house price growth will continue to be fuelled by a continued low interest rate environment as well as the after-effects from the HomeBuilder grants. Canberra also benefits from being one of the most affordable capital cities in the country, with above-average incomes combining with below-average property prices. Although the strength in house price growth from 2020/21 is not expected to be sustained, as the positive impulse from the policy settings fades, existing strong momentum is likely to continue through to at least December 2021 before growth tapers. Strong median house price growth of around 19% is anticipated in 2021/22.

The return of international migration is expected to lift underlying demand in 2022/23, however this will mainly benefit the unit market. Combined with lower completions and further gains in the labour market, this will help to maintain some house price growth despite rising interest rates. The median house price is expected to reach $1,157,000 in June 2024, an overall rise of some 29% above the June 2021 level.

### **Australian Capital Territory:** dwelling prices




**Percentage points (%)**

| **Canberra house price** | |
|---|---|
| 2020: **+1** | 2022: **+19** |
| 2021: **+25** | 2023: **+5** |
| | 2024: **+1** |

| **Canberra real house price** | |
|---|---|
| 2020: **+1** | 2022: **+17** |
| 2021: **+21** | 2023: **+3** |
| | 2024: **-1** |

| **Canberra unit price** | |
|---|---|
| 2020: **+4** | 2022: **+15** |
| 2021: **+18** | 2023: **+6** |
| | 2024: **+4** |

| **Canberra real unit price** | |
|---|---|
| 2020: **+4** | 2022: **+13** |
| 2021: **+14** | 2023: **+4** |
| | 2024: **+1** |

** Real house/unit prices in 2017 dollars*

## Canberra unit market

**A tight property market for units has formed in Canberra. Strong population and employment growth, as well as a solid inflow of international students, has kept underlying demand higher than completions of attached dwellings, supporting growth for the median unit price.**

Due to the COVID-19 shock, demand for units in Canberra was impacted in 2019/20 to a greater degree than demand for houses. Travel restrictions stifling the inflow of international students as well as slowing interstate migration disproportionately affected those typically in the market for units. The strong uptake in remote working and the nationally available HomeBuilder grant helped to improve demand for larger dwellings further away from crowded city areas, causing a shift away from units. However, while the unit market has lagged behind the housing market in the past year, limited stock levels and heightened buyer demand for affordable product in Canberra has driven unit prices up 18%, putting the median unit price at $565,000 at June 2021.

## Outlook

Weak migration will continue to weigh on (predominantly rental) demand for units. Even so, the relative affordability of Canberra units compared with houses, the ongoing recovery of the local economy, and the prospect of international students beginning to return in 2022 has begun to attract investor activity. As such, unit prices are anticipated to post gains of approximately 15% for 2021/22. Hereafter, the return of international students will drive higher demand for units, spurring ongoing investor activity; and this combined with lower unit completions, is anticipated to lift the median unit price to $714,000 at June 2024. This represents a total rise of 26% from prices in June 2021.

# Room to move

## Mining and government investments to support further economic growth

## Darwin house market

**Northern Territory's population is estimated to have returned to growth (+0.9%) in 2020/21, the fastest rate in the country.**

This additional demand has taken full advantage of the generous incentives offered to owner-occupiers. Significantly improved housing affordability has made the Territory one of the easiest markets for first home buyers to enter. Faring relatively well throughout the pandemic compared to other jurisdictions, Darwin's property market has become highly competitive. The rental vacancy rate has fallen below 2% and the median house price has surged 33% over 2020/21 to $610,000.

### Demand

Very weak population growth in recent years was a drag on underlying demand in the Northern Territory. Dwelling construction did not react immediately and a dwelling oversupply developed and widened progressively to 2018/19. Meanwhile, the Northern Territory Government's rapid response to the COVID-19 threat, coupled with the region's relative isolation, prevented the pandemic from having a more severe economic impact.

Improvements in the population outlook for the Northern Territory have markedly boosted underlying demand, which has almost doubled in 2020/21 (and is expected to increase beyond that). This additional demand has taken full advantage of the generous incentives offered to first home buyers, with demand at its highest level since 2009. Dwelling demand has been boosted near term with up to $55,000 available in government grants, including the BuildBonus grant.

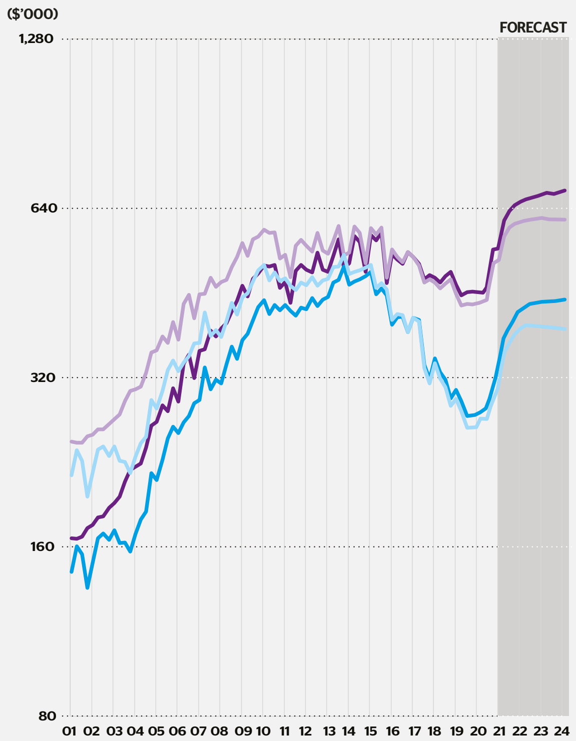
### New dwelling supply

After a period of supply outstripping demand, 2019/20 saw a record low 500 dwelling completions. New supply remained relatively subdued in 2020/21 and, coupled with the influx of migrants (encouraged by the economic outlook) and natural increase in the population, the rental vacancy rate has now fallen to 1.5%, indicating that the market is tight. Given this and the incentives to build new properties, we expect completions to increase in the coming years to rebalance the market.

### Outlook

A rebound in mining investment, a strong pipeline of defence projects and the Darwin City Deal (a 10-year plan for the Darwin City Centre) will support further economic growth over the next three years. This will support the next wave of development, coinciding with the evaporation in 2022/23 of Northern Territory's long-running dwelling oversupply. The improving demand/supply balance will place continued upward pressure on prices over the forecast horizon. However, the stellar growth of 2020/21 is not sustainable. A much more moderate total house price gain of 14% is expected over the three-year period to 2023/24, with a forecast median house price of $696,000.

### **Darwin:** dwelling prices




**Percentage points (%)**

**Darwin house price**
2020: -2 | 2021: +33 | 2022: +10 | 2023: +2 | 2024: +1

**Darwin real house price**
2020: -2 | 2021: +29 | 2022: +8 | 2023: 0 | 2024: -2

**Darwin unit price**
2020: -8 | 2021: +35 | 2022: +15 | 2023: +2 | 2024: +1

**Darwin real unit price**
2020: -8 | 2021: +30 | 2022: +13 | 2023: 0 | 2024: -1

** Real house/unit prices in 2017 dollars*

## Darwin unit market

**Relative affordability, a range of (mostly now expired) stimulus offers and low interest rates spurred unit prices in Darwin to $377,000 in 2020/21, representing a rise of 35% over the year. Even so, unit prices remain well below previous peaks.**

### Outlook

Similar to several other capital cities, Darwin's unit prices are expected to outpace house price growth to mid-2024. Prices are expected to continue to rise as tourism returns, interest rates remain low and the oversupply erodes. The large pipeline of defence investment projects, along with the federal government backed Darwin City Deal, is expected to drive employment and population growth over the coming years. A median unit price increase of 18% to $446,000 is expected in the three years to June 2024.

# 05. Glossary of terms

| | |
|---|---|
| **Dwelling market:** | Includes both houses and units. |
| **Effective unemployment rate:** | Official unemployment rate plus those that are employed but who worked zero hours because they had no work, not enough work, or were stood down, plus the net change in people in the labour force since June 2021, as a proportion of the labour force as at June 2021. |
| **First home buyers:** | Australian Bureau of Statistics (ABS) data on loans to first home buyers are derived from returns submitted by financial institutions to APRA at the time of the loan approval. A first home buyer is defined as "a borrower entering the owner occupier home ownership market for the first time". The definition includes all first home buyers obtaining a loan (and not just those eligible for grants). |
| **Foreign investors:** | Overseas resident purchasers. Foreign investors can only buy a new dwelling, while a temporary resident can purchase an established dwelling that must be sold upon returning home. The Foreign Investment Review Board (FIRB) reports the number and dollar amount in billions approved for residential purchases (which includes the entire value of buildings where 100% of dwellings have been pre-approved for overseas buyers, although all of these may not have been taken up) for investment by temporary residents and people overseas. |
| **House market:** | Detached or separate dwellings that do not share a wall with adjoining dwellings. |
| **Housing affordability:** | Housing affordability in this report is defined by the mortgage repayments on a 25-year loan of 75% of the median house price at June 30 each year, at the prevailing June 30 standard variable rate, as a percentage of average household disposable income. Average household disposable income is derived from the National Accounts data, based on aggregate income divided by an estimate of the number of households. |
| **Interest rates:** | Interest rates are set by the Reserve Bank of Australia (RBA) as the mechanism for maintaining economic conditions at a level compatible with stable, low, inflation. The RBA sets the "overnight cash rate", against which financial institutions reference their lending rates. Higher interest rates reduce spending in the economy and reduce inflationary pressure. If inflation pressures are benign, then lower interest rates can encourage more spending and economic growth. |
| **Median price:** | Refers to the mid-point of sales that have taken place in a period and is considered a better indicative measure of prices than the average, which can be more influenced by extreme results.<br><br>Movements in the median price can also be influenced by changes to the composition of sales in between periods. Consequently, the Australian Housing Outlook median price refers to a "weighted median", which is a median weighted by the geographical distribution of the housing and unit stock. It is considered that the weighted median better corrects for the effect of an imbalance in the sales in the period. The raw sales data is sourced from PriceFinder. |
| **Net migration inflow:** | When the total number of migration arrivals is greater than the total number of departures. |
| **Net migration outflow:** | When the total number of migration departures is greater than the total number of arrivals. |
| **Real median price:** | The median price after accounting for the impact of inflation. The real median price allows for a better comparison of price growth over time as, during periods of high inflation, significant rises in the median house price may be underpinned by the inflation rate and do not necessarily reflect a strong market. |
| **Indicative rental yield:** | The rental yield of a dwelling is the rent divided by the value. However, actual rent and values data for individual dwellings is unavailable. Consequently, an indicative yield is calculated as the median three-bedroom house rent divided by the median house price. The indicative yield slightly understates actual rental yields, as the median house price is reflective of the whole market (investors and owner occupiers) while rents are reflective of just properties in the investment market. Investment properties are more likely to be priced below the median house price of all dwellings, although achieve a typical rent. Nevertheless, movement in the indicative yield should correspond with actual yields. The rental return has been compared with the cost of financing by using the measurements for indicative rental yield and the standard variable interest rate respectively. |
| **Residential market:** | Same as dwelling market. |
| **Unit market:** | Includes all forms of multi-unit dwellings including townhouses, villa units, semi-detached dwellings, terraces, flats and apartments. |
| **Vacancy rate:** | The vacancy rate is calculated as the number of unoccupied rental dwellings as a percentage of the total rental stock and is sourced from a survey of state Real Estate Institute members. The vacancy rate in each city is a measure of the balance of rental demand and rental supply. A vacancy rate of 3% in a market is considered balanced, where rents on average will rise broadly in line with inflation. A vacancy rate of 1% indicates a tight rental market that will result in strong rental growth. A vacancy rate of 7% indicates an oversupplied rental market that will result in rental declines. |

# Source directory

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| PAGE 8 | States at a glance | ABS, RBA, PriceFinder, Real Estate Institute of Australia, BIS Oxford Economics |
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The outlook and forecasts in this report are provided by BIS Oxford Economics. Throughout the report references are made to relevant industry data to support the findings. This data is derived from several sources, a selection of which is outlined below:

- Population, population growth, net overseas migration and net interstate migration data is all sourced from the Australian Bureau of Statistics (ABS).
- New dwelling approvals, commencements and completions data is sourced from the ABS.
- State and city level employment growth (including employment growth by industry sectors) and unemployment rates references are sourced from the ABS. References to local employment and unemployment rates (at the local government area level) are sourced from the Department of Education, Skills and Employment.
- Lending approvals to first home buyers, upgraders and downsizers, and investors is sourced from data published by the ABS.
- Vacancy rates are sourced from the Real Estate Institute of Australia and the relevant state Real Estate Institutes.
- Rental growth is based on the growth in the rental component of the Consumer Price Index (CPI) for each of the capital cities which is sourced from the ABS.
- Median prices and price growth are sourced from medians created by BIS Oxford Economics based on data provided by PriceFinder.



## About this report

**Produced by BIS Oxford Economics for QBE Lenders' Mortgage Insurance.**

This report provides an analysis and forecast of the key drivers influencing the residential housing market nationally, as well as across each of Australia's state and territory capital cities and selected regional centres. The analysis presents an outlook for the performance of the residential market, as measured by historical and forecast movement in the median house price and median unit price.

The forecast annual percentage changes in the median house price and median unit price in the price forecast charts in this report are often rounded to the nearest whole number. Any reference to price growth in the text may not be identical to that indicated in the charts due to the impact of this rounding.

## Acknowledgments

### Report and forecasts

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