# National home prices down in December as values fall for the first time in two years

# **Key findings:**

- National home prices fell by 0.17% over the month, though remain 4.73% higher compared to 12 months ago.
- Capital city areas led the decline, falling by 0.25% over December. Regional areas were more resilient, rising by 0.03%.
- Canberra (-0.61%) and Melbourne (-0.53%) recorded the sharpest drops in prices, with prices also down in Sydney (-0.29%), Brisbane (-0.04%), Adelaide (-0.18%) and Darwin (-0.25%) in December.
- Perth (+0.39%) has continued its run as the best performing capital city, while Hobart (+0.03%) held relatively steady.
- Prices across most of Australia's regions were mostly stable in December, with the exception of regional South Australia (+0.6%)
- Despite the drop in December, national home prices remain well up from a year ago, with values sitting 4.73% higher year-on-year. Compared to March 2020, national home values are 45.1% higher.
- Both houses and units saw their respective national medians fall by 0.17% in December, to reach \$868,000 and \$653,000, respectively.
- Houses and units have moved at a similar speed over the past year, up 4.8% and 4.6%, respectively.

"While December was the first month in which national home values declined in two years, price growth momentum had been slowing since March 2024. This slowdown has been seen across both capital city and regional areas, with outperforming markets such as Greater Perth also experiencing this trend.

"Contributing to the slowdown - and reversal - of price growth, the number of properties for sale has been relatively high over the second half of 2024, particularly compared to the same period in 2023. This has given buyers more choice and we're seeing them take more time when purchasing.

"While the impact of stage 3 tax cuts which took effect in July bolstered borrowing capacities for some buyers, this has been counteracted by softer economic conditions. In particular, interest rate cuts that were originally anticipated prior to 2025 have now been pushed back.

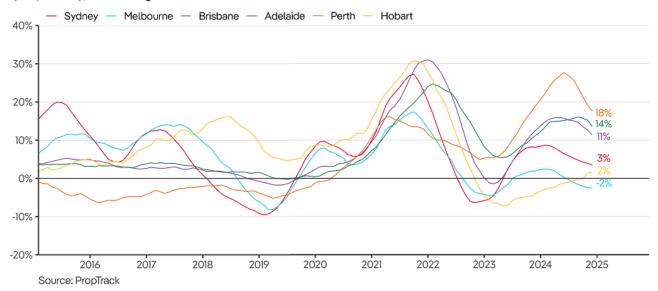
"The best performing regions for home price growth over the past 12 months can primarily be found in Queensland and Western Australia, which account for nine of the top 10 highest growth markets."

All dwellings	Monthly growth	Annual growth	Change from peak	Change since March 2020	Median value
Sydney	-0.29%	3.43%	-0.46%	37.5%	\$1,106,000
Melbourne	-0.53%	-2.49%	-5.54%	13.9%	\$780,000
Brisbane	-0.04%	11.35%	-0.04%	78.0%	\$863,000
Adelaide	-0.18%	13.53%	-0.18%	80.3%	\$793,000
Perth	0.39%	17.59%	At peak	80.3%	\$773,000
Hobart	0.03%	1.59%	-7.18%	37.3%	\$671,000
Darwin	-0.25%	-0.20%	-2.07%	26.5%	\$503,000
ACT	-0.61%	0.45%	-5.76%	35.4%	\$838,000
Capital Cities	-0.25%	4.59%	-0.35%	40.2%	\$865,000
Rest of NSW	-0.02%	3.52%	-0.02%	55.2%	\$734,000
Rest of Vic.	0.03%	-2.08%	-5.18%	38.6%	\$571,000
Rest of Qld	0.05%	10.52%	At peak	79.1%	\$705,000
Rest of SA	0.60%	13.03%	At peak	81.5%	\$467,000
Rest of WA	-0.19%	12.97%	-0.44%	75.8%	\$555,000
Rest of Tas.	0.10%	3.50%	At peak	57.8%	\$515,000
Rest of NT	-0.01%	0.84%	-4.39%	10.9%	\$408,000
Regional Areas	0.03%	5.12%	At peak	59.9%	\$653,000
National	-0.17%	4.73%	-0.17%	45.1%	\$795,000



# Annual change in home prices

By capital city, all dwellings



#### Sydney

Sydney home prices fell by 0.29% over December, though remain just 0.46% below peak levels. Growth has been modest over the past 12 months, with median home prices rising just 3.43% to reach \$1,106,000. Houses have outperformed units for price growth in 2024, up 3.6% versus 3.0%. As the only capital city with a median sitting above \$1 million, affordability remains a significant issue in Sydney, particularly in an environment of persistently high interest rates. This has led to an outperformance in Sydney's more affordable regions, such as the outer west and south west.

## **Brisbane**

Home price growth has slowed significantly over the past six months in Brisbane, which saw prices fall for the first time in 25 months in December. While prices dipped by just 0.04% over the month, this represents a significant slowdown, with prices still sitting 11.35% higher compared to 12 months ago. Units have significantly outperformed houses in Brisbane over the past year, rising 15.4% compared to 10.6%.

#### Perth

Perth was the strongest performing capital city in December, with home prices rising by 0.39%. Likewise, it has been the best performing market over the past 12 months, with median prices sitting 17.59% higher. While prices remained on the rise in December, the speed at which prices are increasing has slowed, as persistently high interest rates and waning affordability impact borrowing capacities. Both houses and units have performed strongly, with houses up 17.5% and units up 18.8% year-on-year. Driving Perth's outperformance has been strong population growth which has outpaced new housing supply, as well as high levels of investor demand.

# Darwin

Home prices in Darwin fell by 0.25% in December and are sitting 0.20% lower compared to a year ago. Units led the decline, dipping 0.9% year-on-year, while house prices were stable (+0.02%).

#### Melbourne

Melbourne has been Australia's weakest performing capital city for home price growth since March 2020, with prices up just 13.9% compared to the combined capital city average of 40.2%. Melbourne is now the fifth most expensive capital city having recently been surpassed by Adelaide. Perth is likewise on track to overtake Melbourne's home prices in 2025. This will make Melbourne the third most affordable city in Australia, behind only Hobart and Darwin. Driving Melbourne's underperformance, Victoria has been relatively more successful at building more homes compared to the other states. It also continues to see a strong investor exodus due to significant tax deterrents, decreasing demand and driving up supply.

## Adelaide

Home prices in Adelaide fell by 0.18% in December, though remain 13.53% higher compared to 12 months ago. An imbalance between supply and demand has contributed to strong price growth, with the median price of a home in Adelaide now higher than Melbourne. Despite this, price growth momentum has slowed in Adelaide. Furthermore, net interstate migration which turned positive during the pandemic is now negative, which is likely to have implications for demand. Another factor which could place a damper on price growth is new housing supply, with new dwelling approvals and construction starts having picked up.

### Hobart

Hobart was one of only two capital cities to see home prices rise in December, though the increase was modest at just 0.03%. While prices are sitting 1.59% higher than a year ago, they remain 7.18% below the peak levels reached in March 2022.

# **ACT**

Home prices in Canberra fell 0.61% over the month, the largest monthly drop seen in any capital city or regional area over December. Prices have been relatively stable over the past 12 months, with values sitting just 0.45% higher.

#### Methodology

The PropTrack HPI model uses a hybrid methodology that combines repeat sales and hedonic regression. Both of these methodologies are commonly used to measure housing price movements in Australia and overseas. These methodologies are designed to estimate the change in home prices in a way that is not affected by the quality and location of the sample of homes that transact in a given period.

Repeat sales regression matches transactions of identical properties over time. This uses the fact that the change in price of a given property over time should only reflect changes in market prices (assuming no significant alteration or renovation was undertaken between sales). Hedonic regression breaks down the value of homes into observable characteristics (e.g. size, location) to account for differences in characteristics of sold properties over time.

The PropTrack HPI uses a hybrid methodology, which starts with a repeat sales regression, but allows transactions for nonidentical, but closely located properties of the same type to be matched together. Sales of properties of the same type (house, unit) in the same ABS Statistical Area Level 1 are matched together. There are over 57,000 spatial SAI regions across Australia, with a population generally between 200 and 800 people. This increases the number of matches that can be used to estimate home price growth and uses the fact that nearby properties are generally similar. Hedonic regression is used to account for differences in the size of properties that are matched together, using the number of bedrooms in each

In this way, the hybrid methodology augments the repeat sales methodology for home price growth to be estimated where there might not be sufficient volume of repeat sales transactions.

The PropTrack HPI estimates home price growth in a robust and flexible manner, which is revised each month, allowing each estimate to best reflect the available data on Australian home prices over time.

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# **Author:**

Anne Flaherty Senior Economist, REA Group

# Media enquiries:

Meagan Lechucki Media and Partnerships Manager 0411 398 992 meagan.lechucki@rea-group.com

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