

Housing market chart pack: December 2021

ONE

CoreLogic Data

CoreLogic Hedonic Home Value Index results

Annual growth in dwelling values is still running at more than 20% – its fastest rate since the late 1980s.

Index results as at November 30, 2021

	Change in dwelling values				Median value
	Month	Quarter	Annual	Total return	
Sydney	0.9%	4.3%	25.8%	28.8%	\$1,090,276
Melbourne	0.6%	2.4%	16.3%	19.0%	\$788,484
Brisbane	2.9%	7.4%	25.1%	29.8%	\$662,199
Adelaide	2.5%	6.5%	21.4%	26.5%	\$558,179
Perth	0.2%	0.4%	14.5%	19.5%	\$528,540
Hobart	1.1%	5.5%	27.7%	33.0%	\$676,595
Darwin	-0.4%	0.2%	16.7%	23.5%	\$493,047
Canberra	1.1%	5.0%	24.5%	29.1%	\$882,519
Combined capitals	1.1%	4.0%	21.3%	24.6%	\$783,557
Combined regional	2.2%	5.9%	25.2%	30.4%	\$527,322
National	1.3%	4.4%	22.2%	25.8%	\$698,170

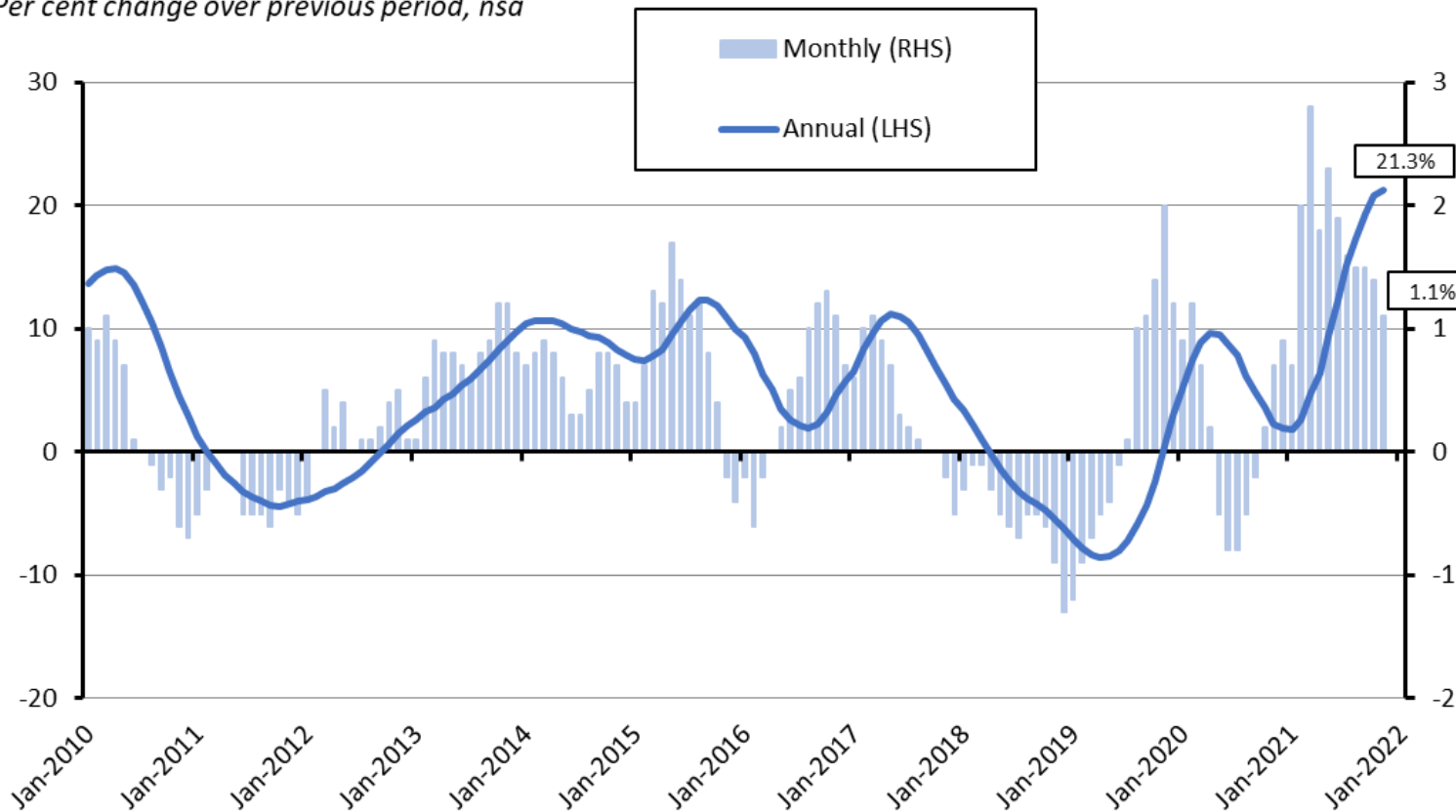
Houses continue to outperform units: Based on median values, a capital city house is now 37.9% more expensive than a capital city unit, the largest gap on record.

Source: [CoreLogic report](#)

CoreLogic combined capitals dwelling values (monthly)

Australia: CoreLogic Hedonic home value index, combined capitals

Per cent change over previous period, nsa



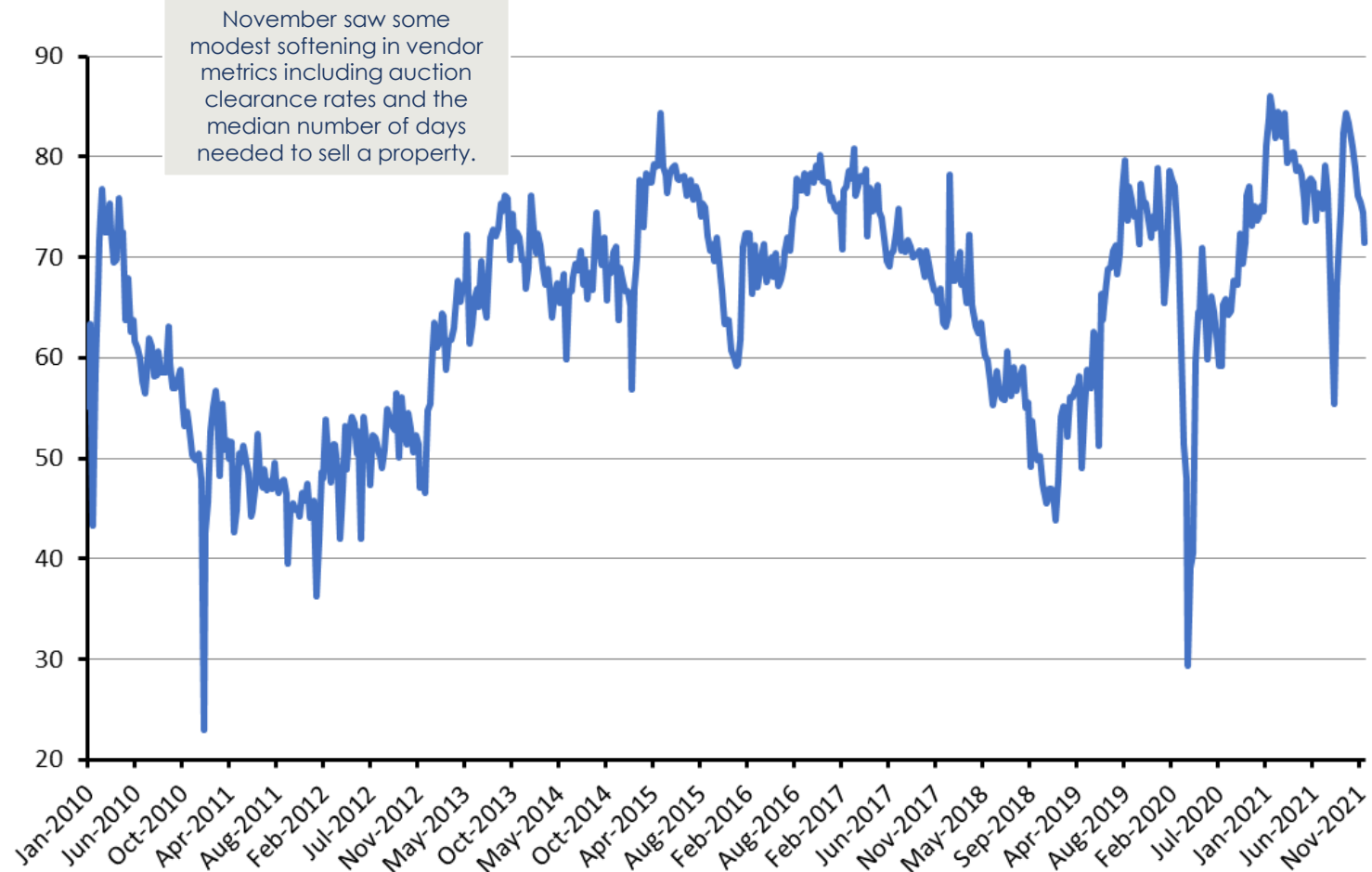
Annual growth in November 2021 was once more at its highest rate in the current century. And there have now been 14 consecutive quarters of monthly increases. Still, the monthly *pace* of increase has continued to slow, after having peaked in March 2021, and has now dropped its lowest rate since January of this year. Declining affordability, increasing supply, tighter credit conditions (APRA tweaked its macro-prudential settings in October) and speculation about sooner-than-expected interest rate hikes are all headwinds.

Source: Bloomberg and CoreLogic. Home value index is calculated using hedonic regression methodology, which combines sales data with information about the attributes of properties such as number of bedrooms and bathrooms, land area and location. The idea is to use constituent characteristics to estimate values of all properties, regardless of whether they have transacted or not. This corrects for the compositional bias arising from the fact that property transactions in a given period may not accurately reflect the nature of the entire housing stock. The median value is the middle estimated value of all residential properties derived through the hedonic regression methodology. **Data to November 2021.**

Auction clearance rates (weekly)

Australia: CoreLogic national weekly auction clearance rates

Per cent, nsa



Source: Bloomberg and CoreLogic. Data to 28 November 2021.

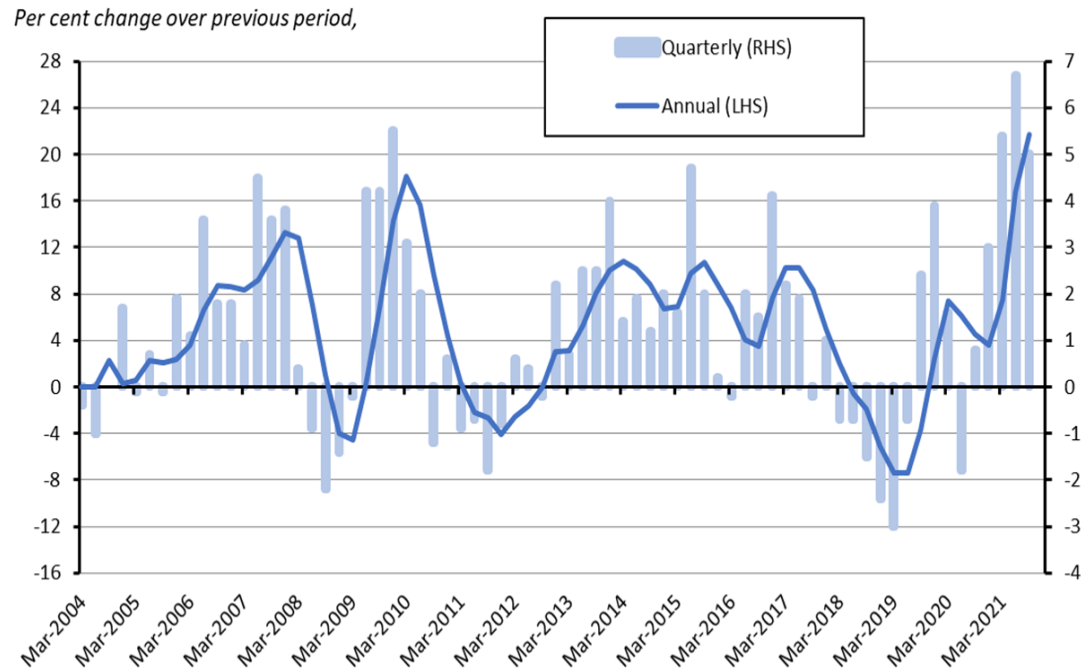
TWO

ABS Price Data

ABS Residential Property Prices (quarterly)

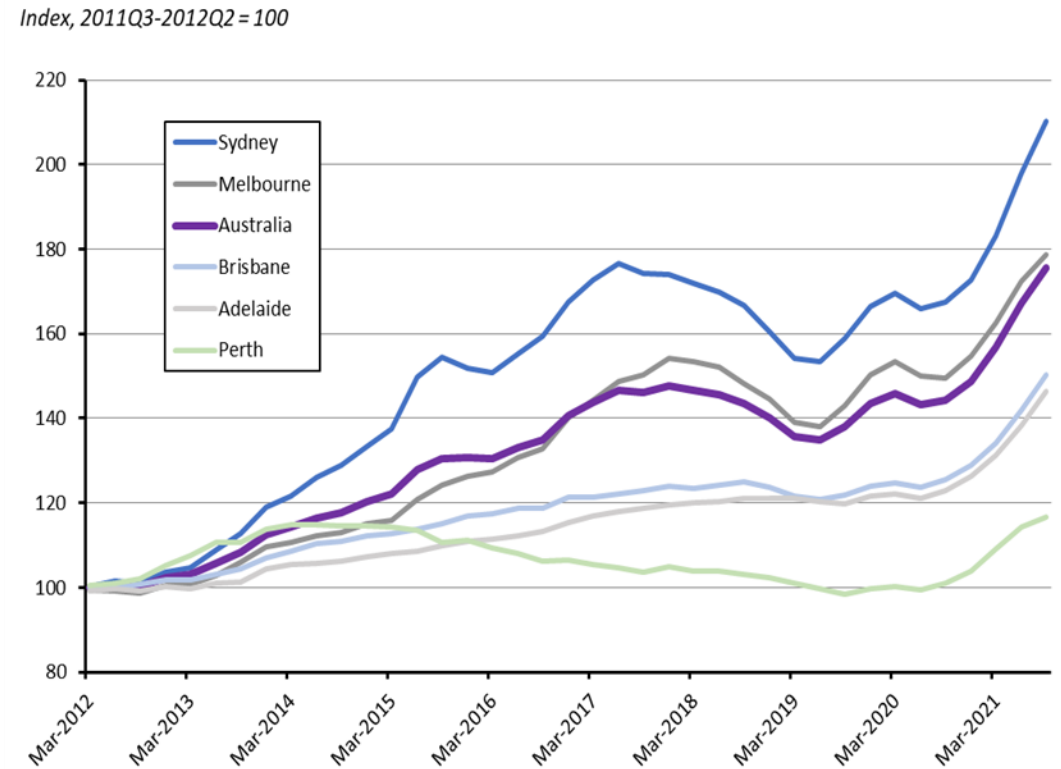
The weighted average of the eight capital cities Residential Property Price Index rose 5% over the September 2021 quarter to be up 21.7% over the year. That was the fastest rate of annual growth in the history of the series (which dates to Q3:2003). There was some moderation in the pace of quarterly growth, although note that the previous June quarterly growth rate was the strongest in the history of the series.

Australia: Residential house price index



Source: Bloomberg and ABS. Chart shows the weighted average residential property price for the eight capital cities. The residential property price index is an aggregation of the established house price index and the attached dwelling price index, and measures the price change in all residential dwellings within the eight Greater Capital City Statistical Areas. The established house price index measures the price change in all established detached houses on their own block of land in the capital cities. The attached dwellings price index measures the price change of attached dwellings (flats, units and apartments, semi-detached, row and terrace houses) in the capital cities. **Data to September quarter, 2021.**

Australia: Residential house price indices, selected capital cities



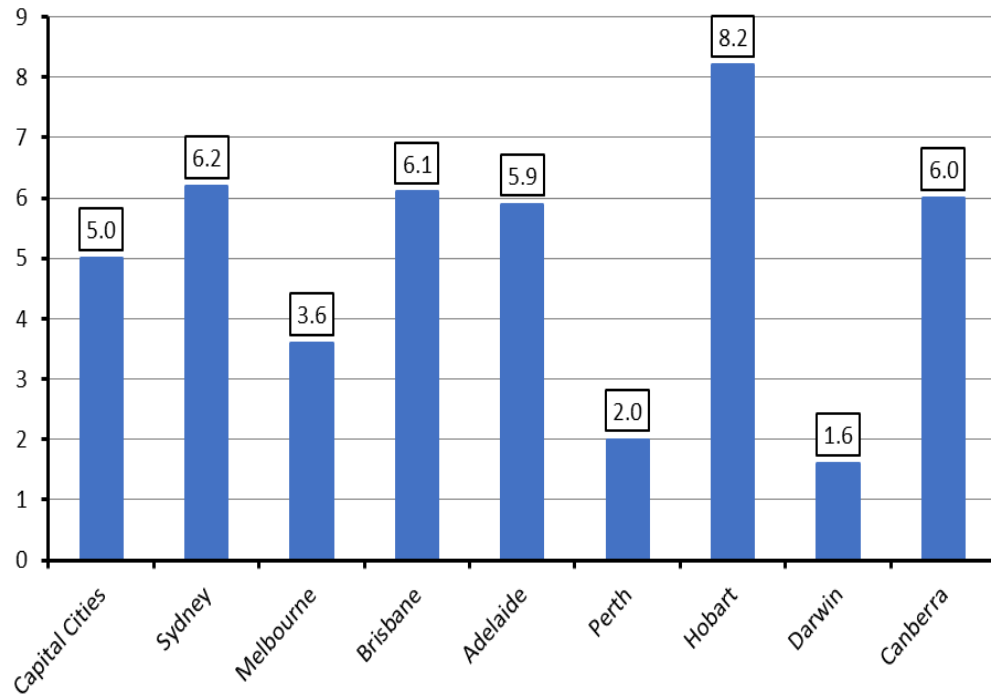
Source: Bloomberg and ABS. **Data to September quarter 2021.**

ABS Residential Property Prices by state and territory

Dwelling values rose on a quarterly and annual basis in all capital cities in the September quarter 2021. The pace of annual growth set new records in Sydney, Hobart and Canberra.

Australia: Residential property prices, September quarter 2021

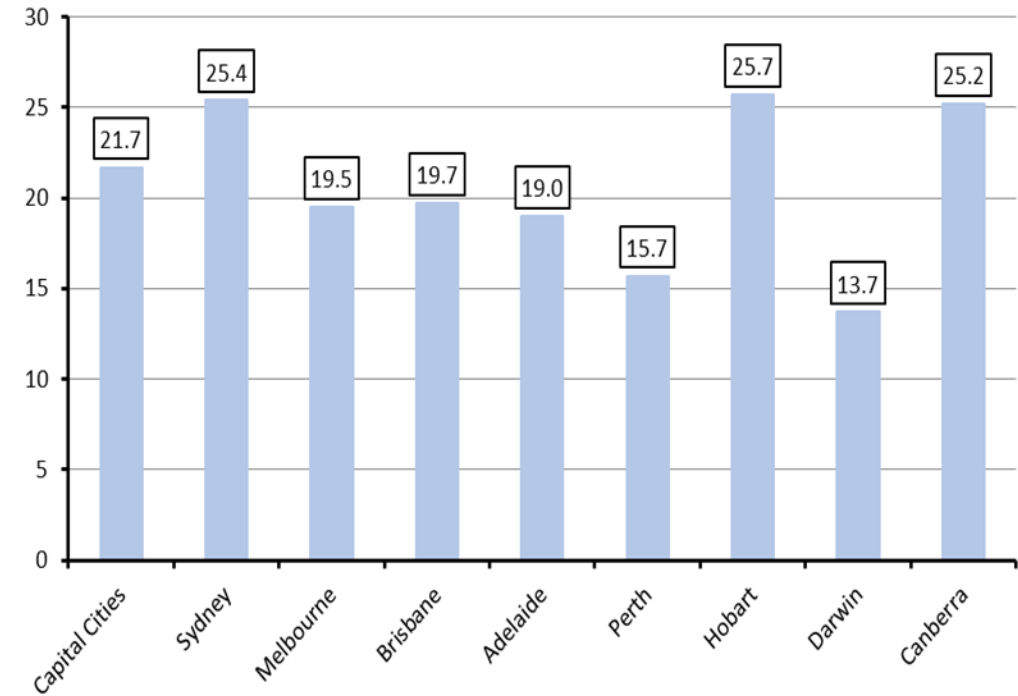
Per cent change over previous quarter



Source: ABS

Australia: Residential property prices, September quarter 2021

Per cent change over previous year

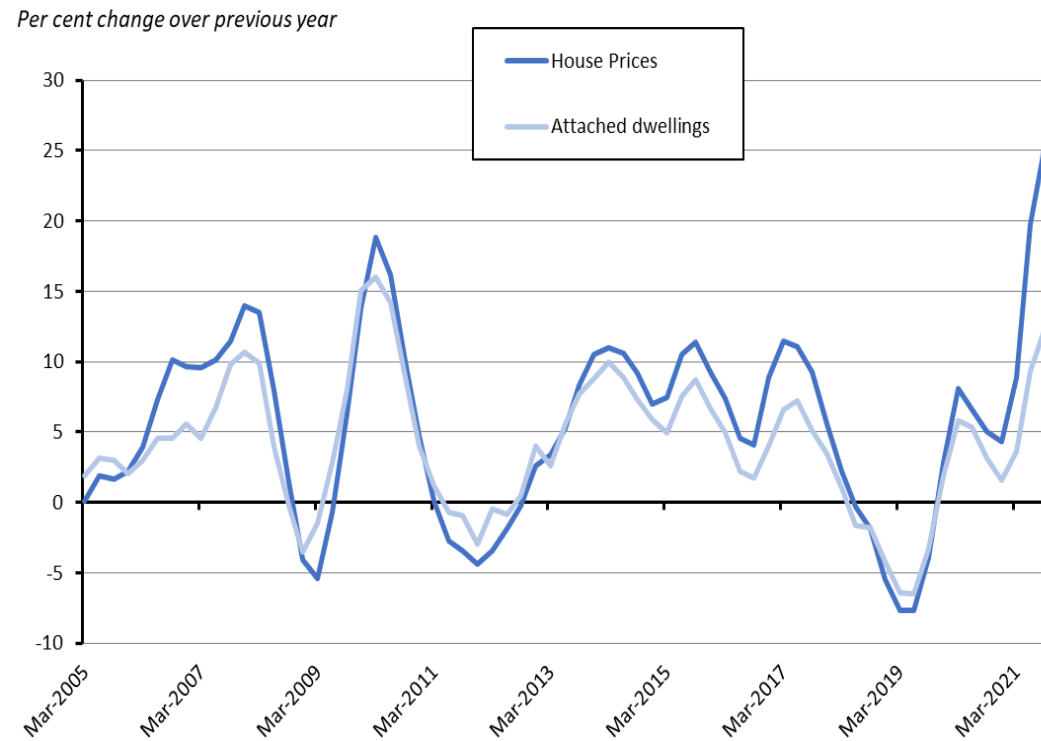


Source: ABS

House and attached dwellings prices

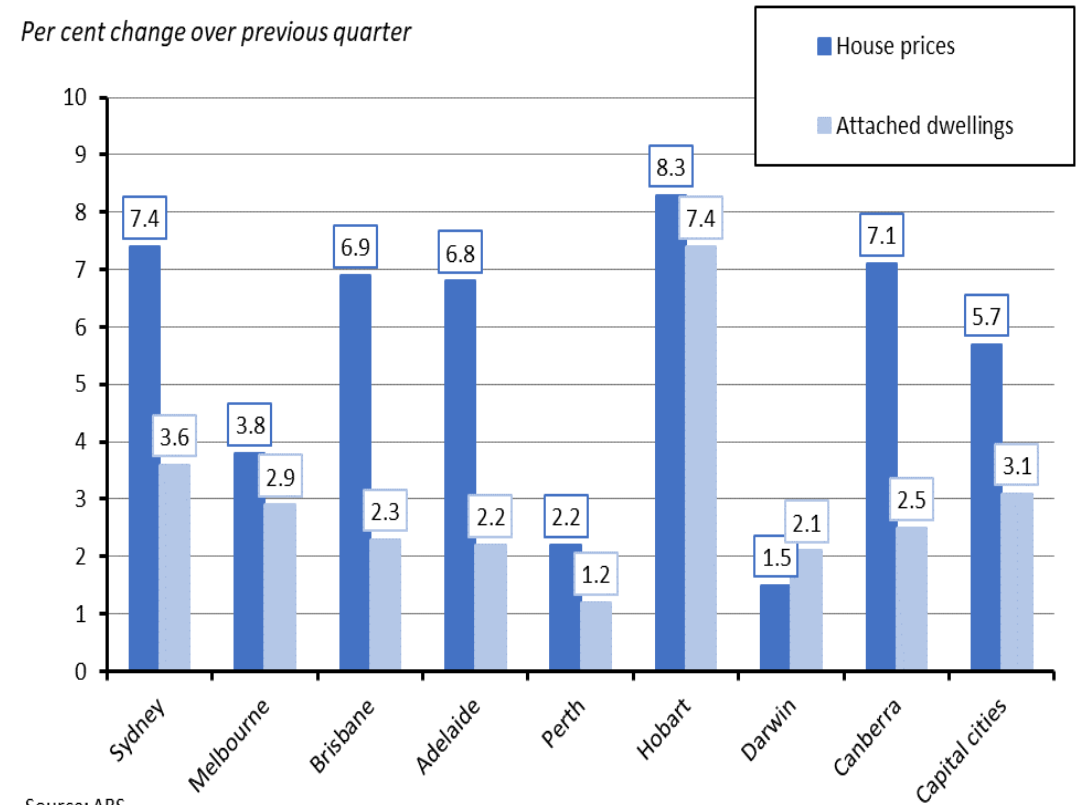
In the current upturn, price increases for houses have outpaced gains for attached dwellings.

Australia: Established house prices vs attached dwellings



Source: Bloomberg and ABS. The established house price index measures the price change in all established detached houses on their own block of land in the capital cities while the attached dwellings index measures changes in the price of flats, units and apartments as well as changes in the price of semi-detached, row and terrace houses. **Data to September quarter 2021**

Australia: Houses and attached dwellings, September quarter 2021

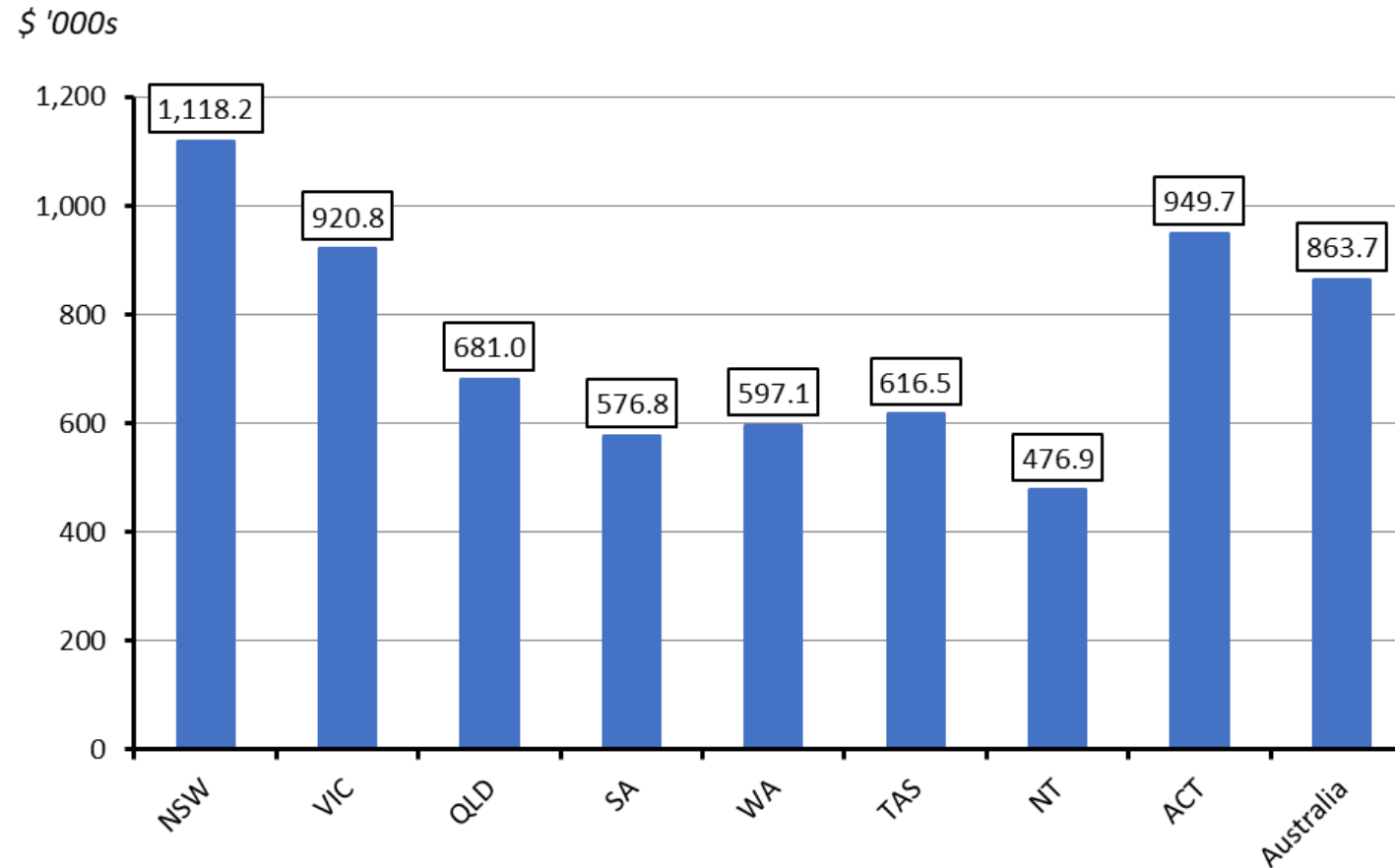


Source: ABS

ABS Mean dwelling prices

The total value of the stock of residential dwellings in Australia rose \$487b to \$9,259.2b in the September quarter 2021, while the mean price of residential dwellings rose \$42,000 to \$863,700. This was the first time that the total value of the dwelling stock exceeded \$9 trillion.

Australia: Mean dwelling prices, September quarter 2021



Source: Bloomberg and ABS

THREE

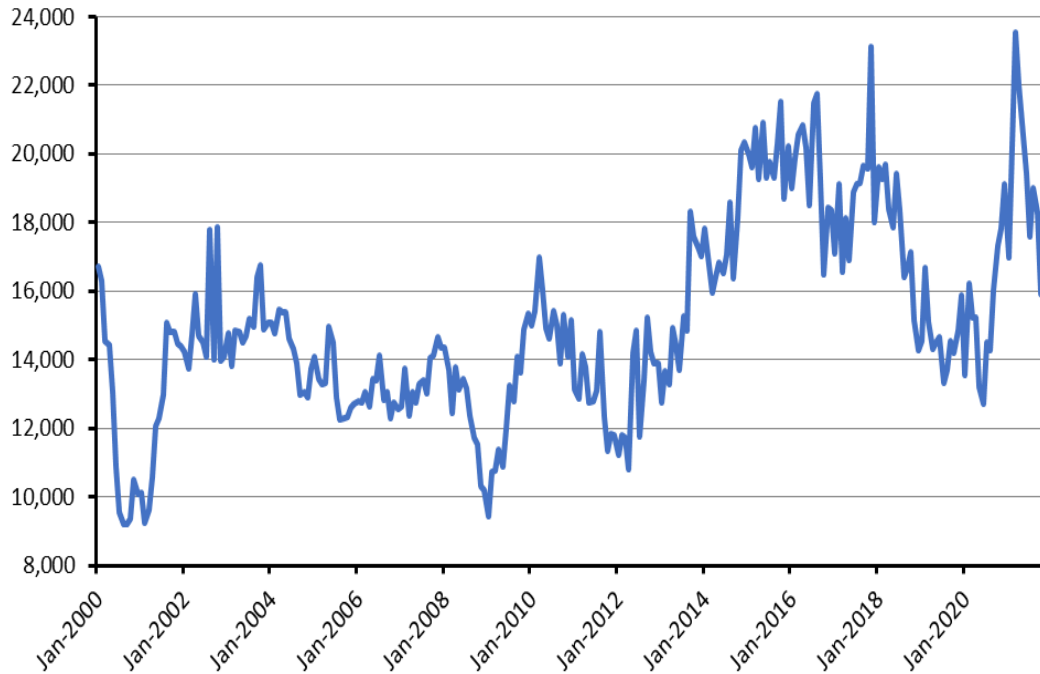
Dwelling approvals, lending and credit, and commencements

Dwelling approvals

Australia: Building approvals (dwellings)

The number of dwellings approved fell 12.9% over the month in October 2021 to 15.9K, to be down 8.1% in annual terms.

Number, sa

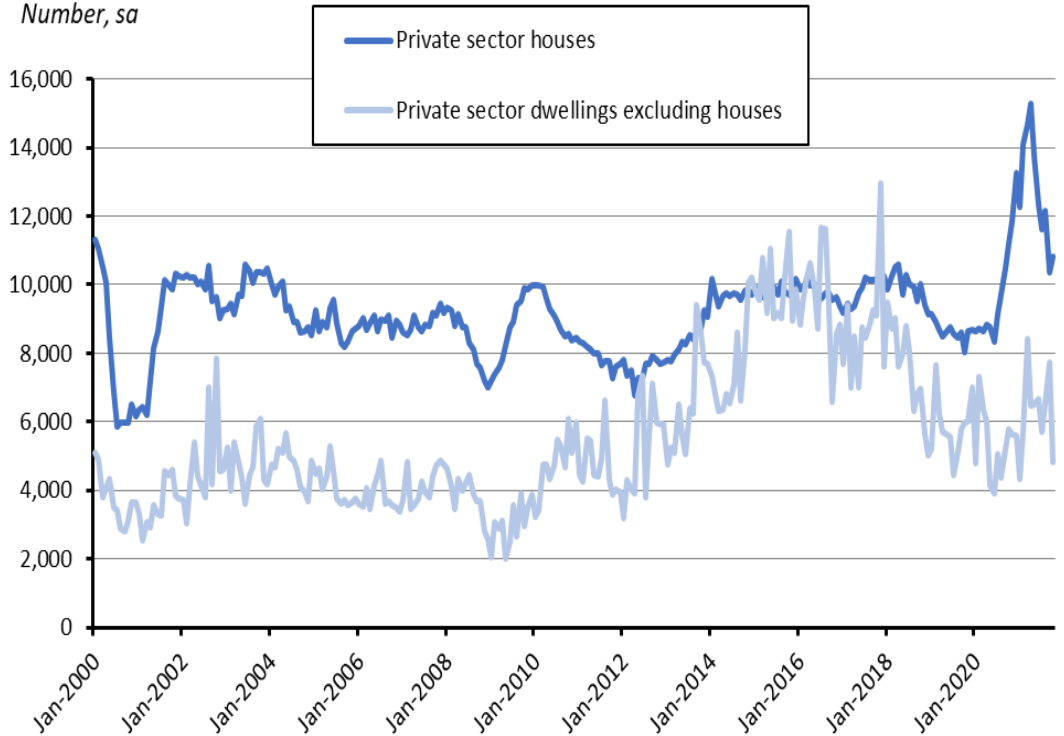


Source: Bloomberg and ABS. Data to October 2021.

Australia: Building approvals (dwellings)

In October, approvals for private sector houses rose 4.3 per cent over the month but slipped 3.7 per cent over the year. Approvals for private sector dwellings excluding houses slumped 37.5 per cent over the month and dropped 16.5 per cent over the year. This reversed the September pattern, when approvals for private houses fell 14.8% month-on-month while approvals for private dwellings excluding houses rose 17.6% over the same period, powered by an increase in unit approvals in NSW.

Number, sa



Source: Bloomberg and ABS. Data to October 2021.

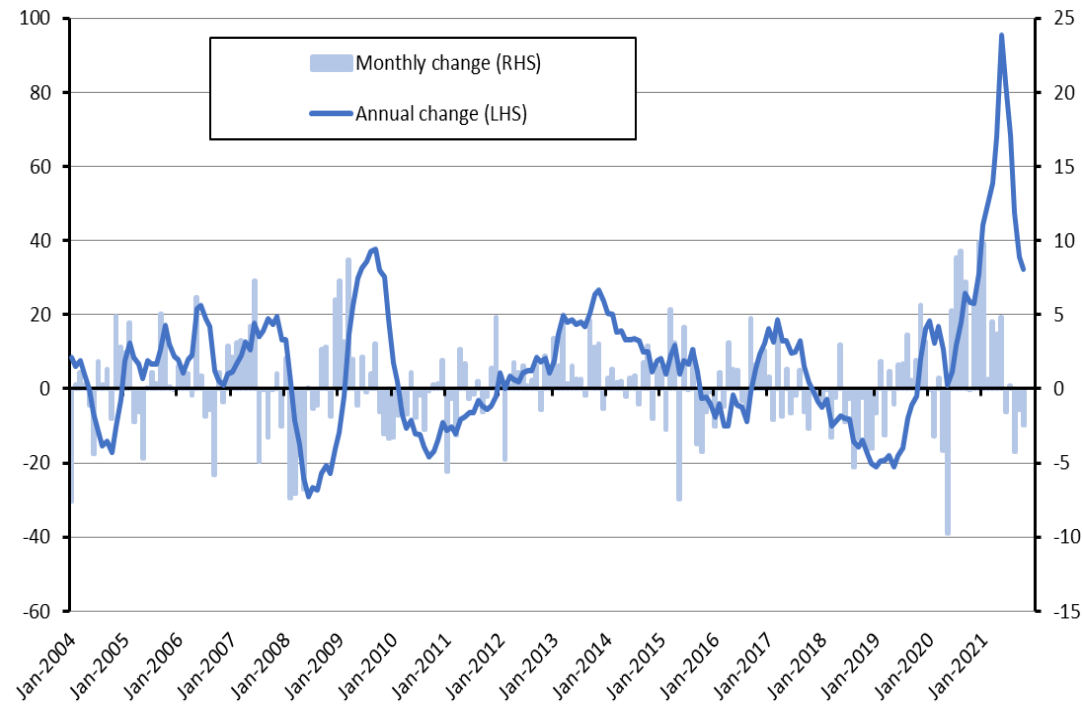
New loan commitments for housing (ex. refinancing)

New loan commitments for housing fell 2.5% over the month in October 2021 but were still up more than 32% on October 2020.

New loan commitments for owner occupiers were down 4.1% over the month in October but up 15.1% over the year. New loan commitments for investors rose 1.1% over the month and were up 89.6% in annual terms.

Australia: Lending to households for dwellings (ex refinancing)

Per cent change



Source: Bloomberg and ABS. Data to October 2021.

Australia: Lending to households for dwellings (ex refinancing)

A\$ billions, sa

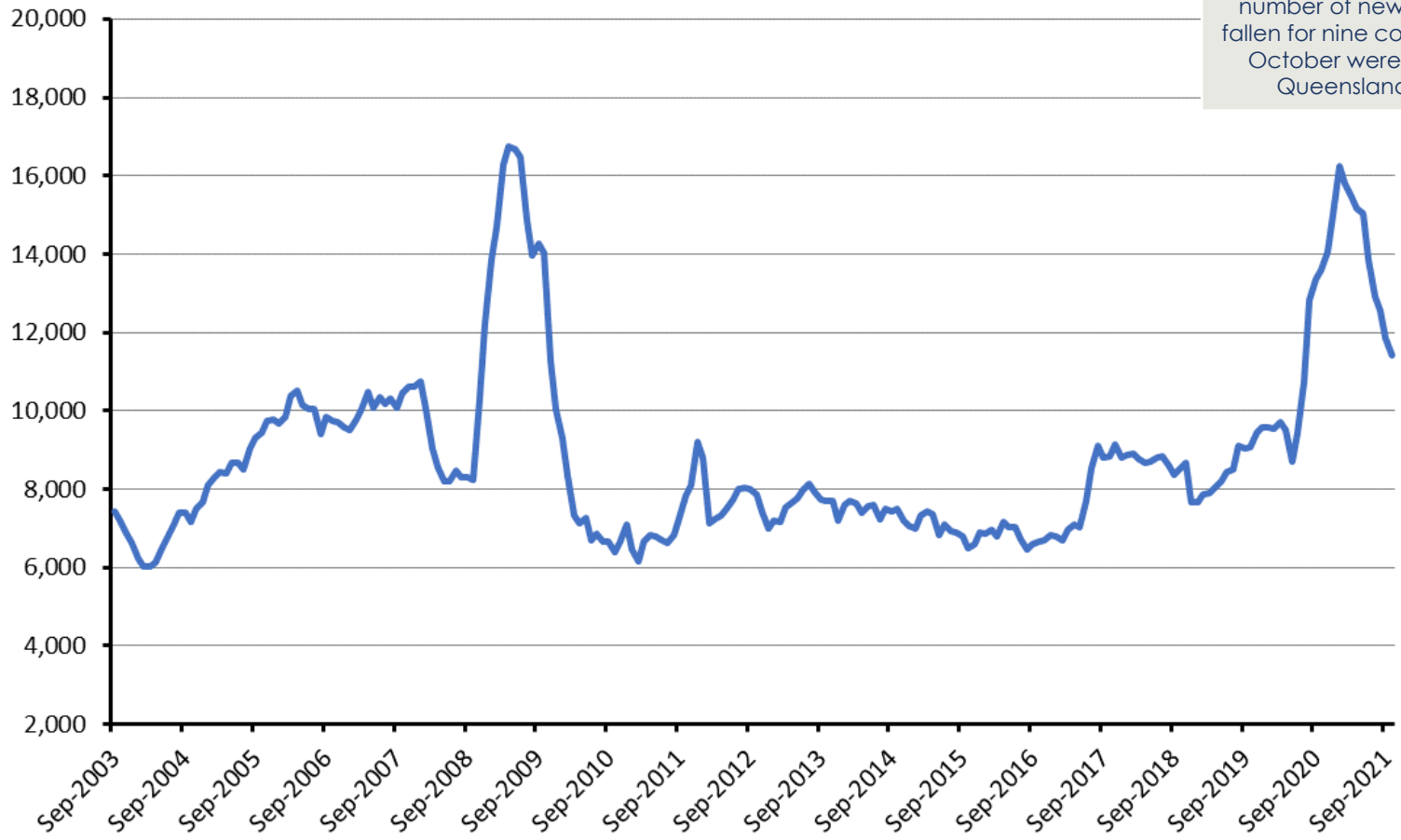


Source: Bloomberg and ABS. Data to October 2021.

Loans to owner-occupier first home buyers

Australia: New loan commitments to owner-occupier first home buyers

Number, sa



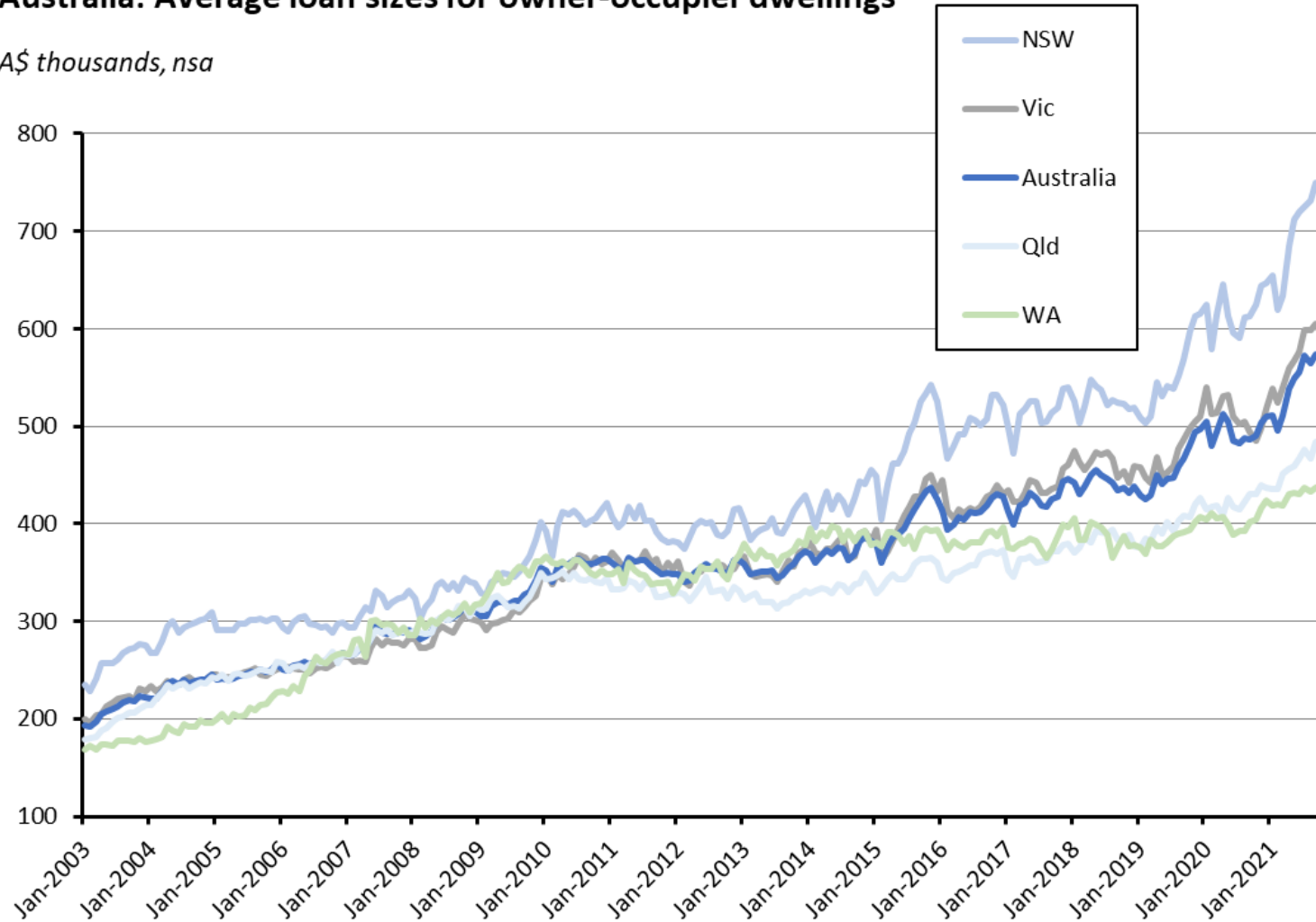
In October 2021, the number of new loan commitments for owner-occupier first home buyers fell 3.8% over the month and 16% over the year. After peaking in January 2021, the number of new loan commitments has now fallen for nine consecutive months. Declines in October were largest in Western Australia, Queensland, Tasmania and the ACT.

Source: ABS. Data to October 2021.

Average loan sizes

Australia: Average loan sizes for owner-occupier dwellings

A\$ thousands, nsa



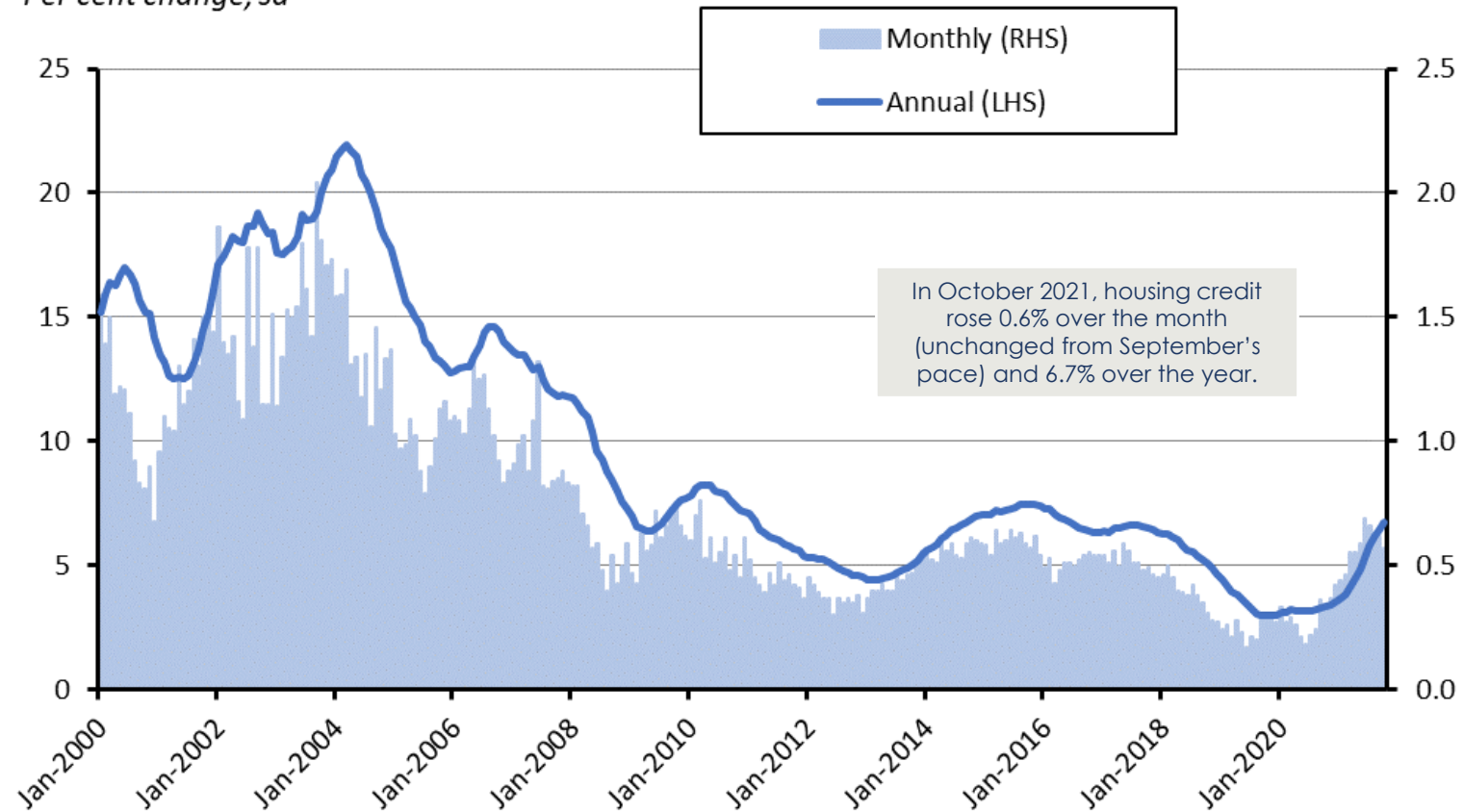
In October 2021, the nationwide average loan size for owner occupiers fell by 0.6% after having set a record high in September. The average loan size in NSW fell from September's record high of \$750k to \$739k.

Source: ABS. Includes loans for construction, purchase of new dwellings and purchase of existing dwellings. **Data to October 2021.**

Housing credit growth: Overview

Australia: Growth in housing credit

Per cent change, sa



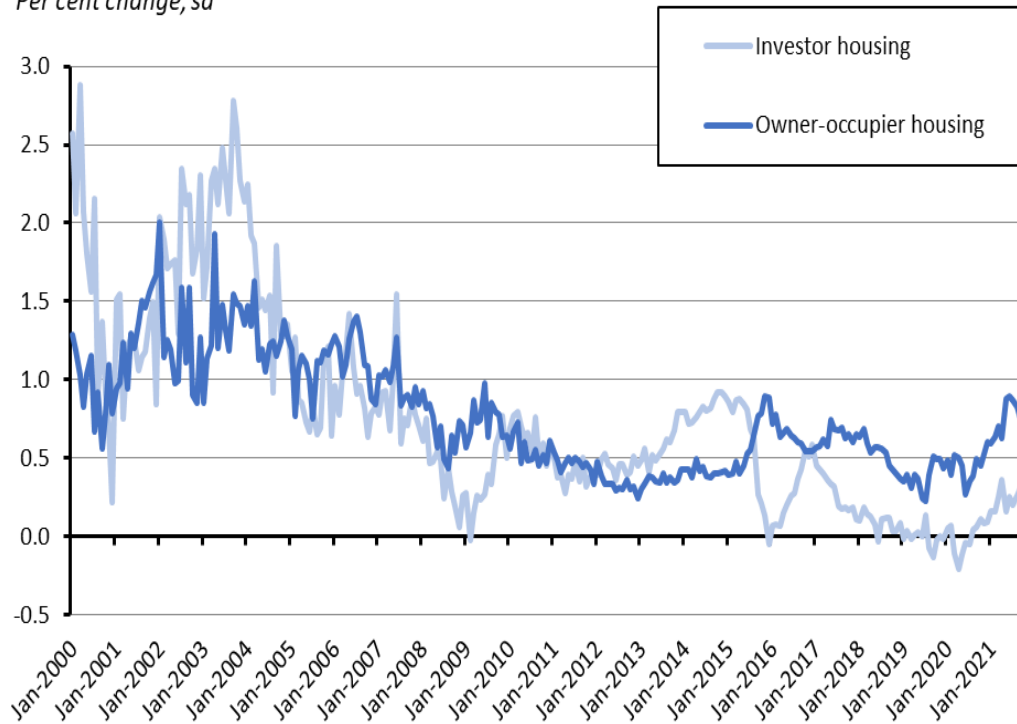
Source: Bloomberg and RBA. **Data to October 2021.**

Housing credit growth: Owner occupiers and investors

In October 2021, the monthly rate of growth of housing credit to owner occupiers edged lower for a fourth consecutive month. Credit growth for investor housing also slowed slightly after having risen over the two previous months. Both series were up in annual terms.

Australia: Private housing credit growth (monthly)

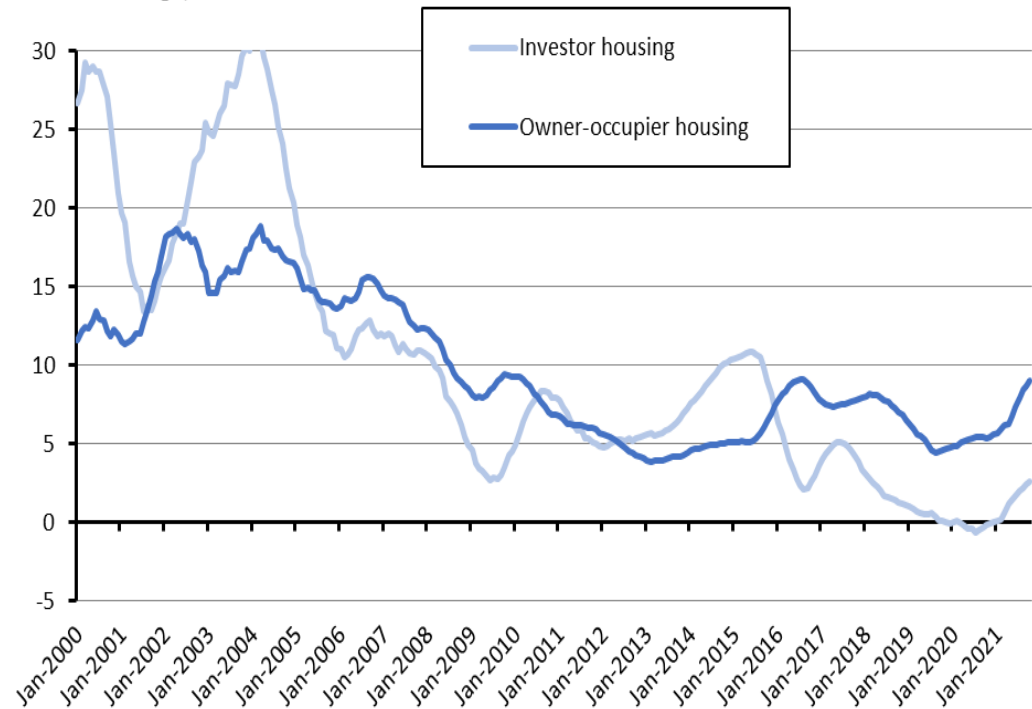
Per cent change, sa



Source: RBA. Data to October 2021.

Australia: Private housing credit growth (annual)

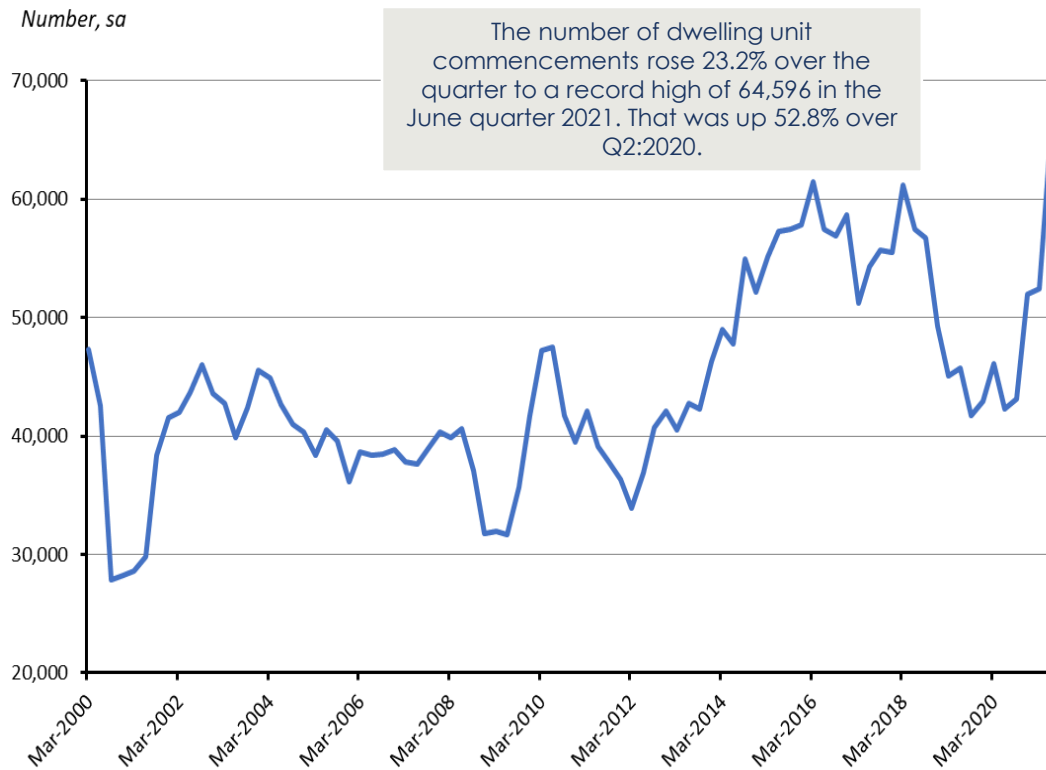
Per cent change, sa



Source: RBA. Data to October 2021.

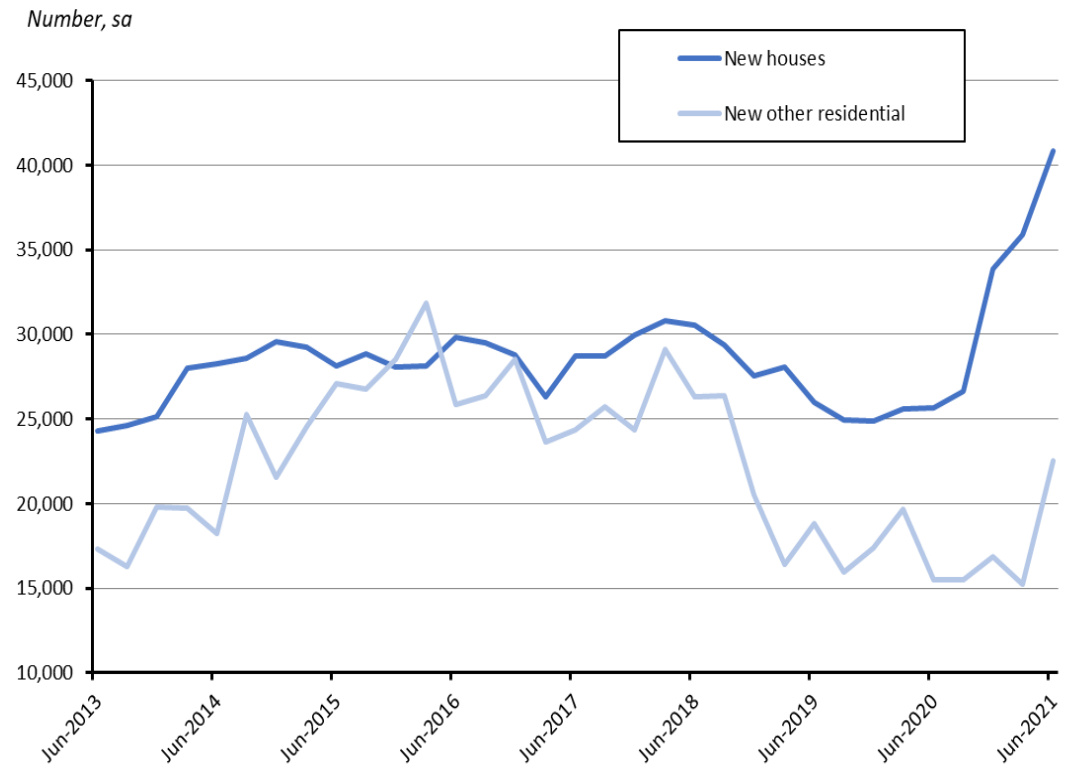
Dwelling commencements

Australia: Dwelling units commenced



Source: Bloomberg and ABS. Data to June quarter, 2021.

Australia: Private dwellings commenced by type



Source: ABS. Data to June quarter, 2021.

FOUR

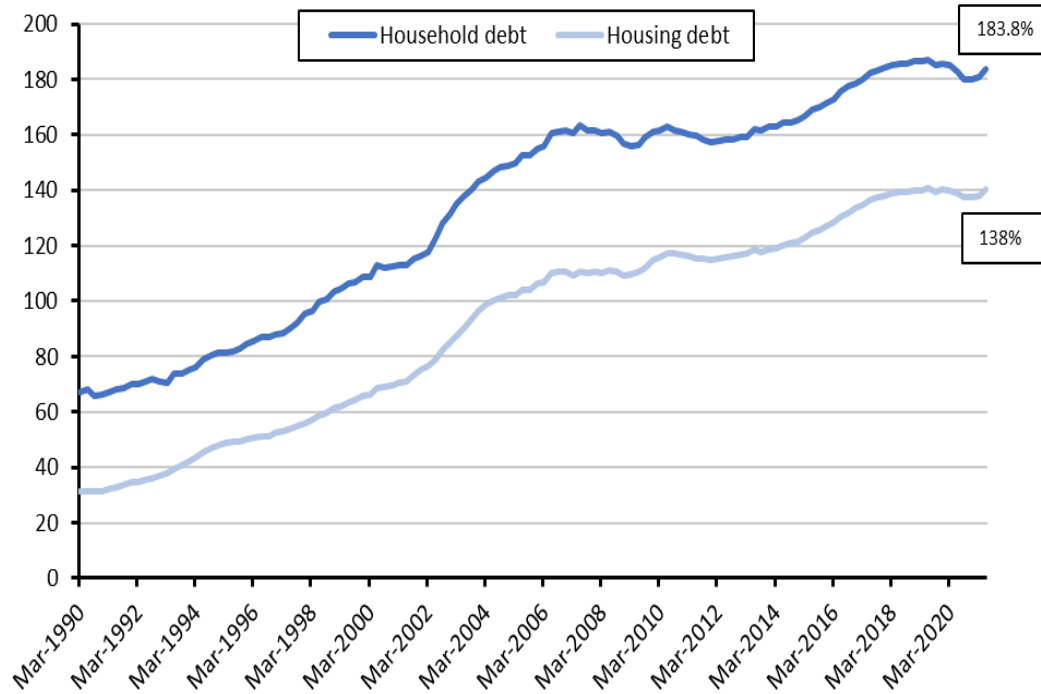
Household balance sheets and wealth

MARK THIRLWELL

Household debt and debt service ratios

Australia: Household debt burden

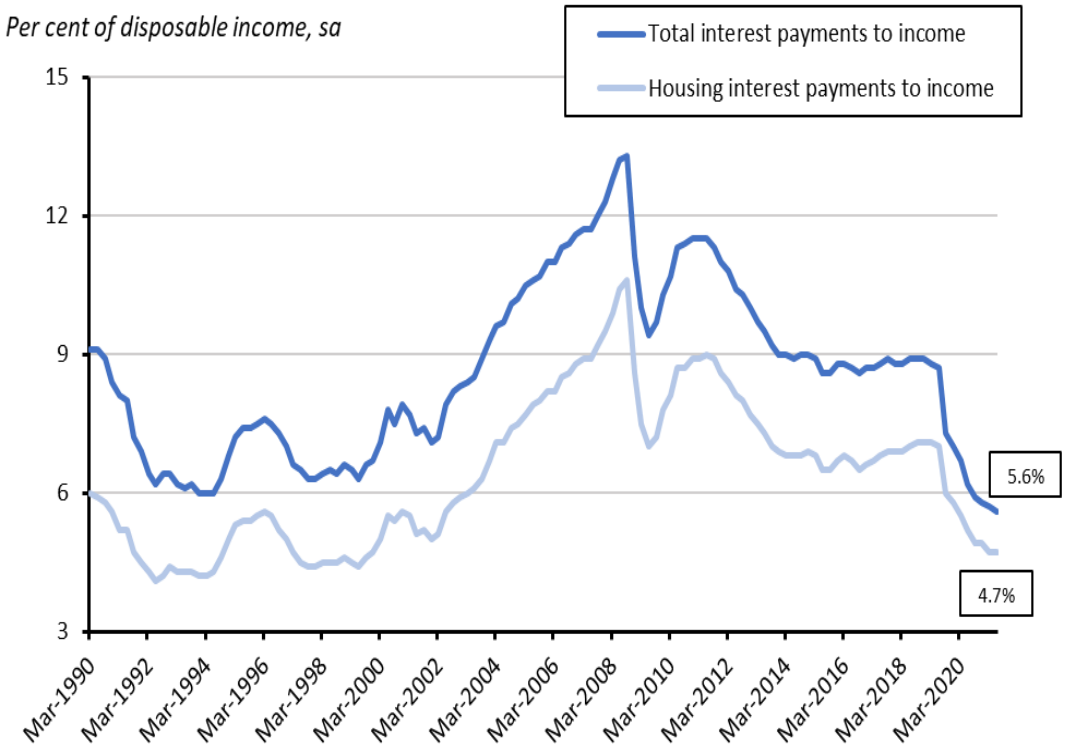
Per cent of disposable income, sa



Source: Bloomberg and RBA. Data to June quarter 2021.

Australia: Household debt service ratios

Per cent of disposable income, sa

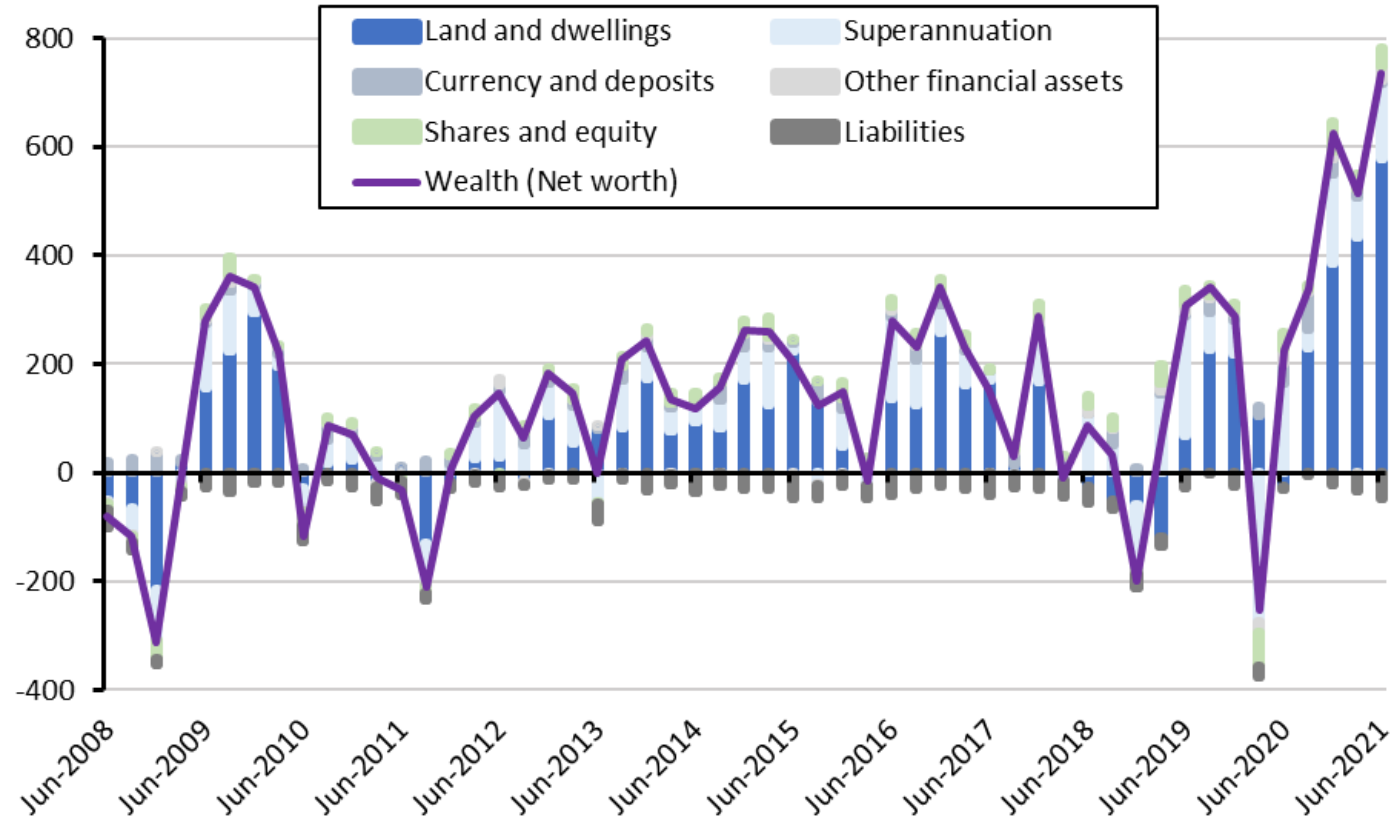


Source: Bloomberg and RBA. Data to June quarter 2021.

Household wealth and the role of real estate

Australia: Quarterly change in household wealth (net worth)

\$ billions, current prices, nsa



Source: ABS. Data to June quarter 2021.

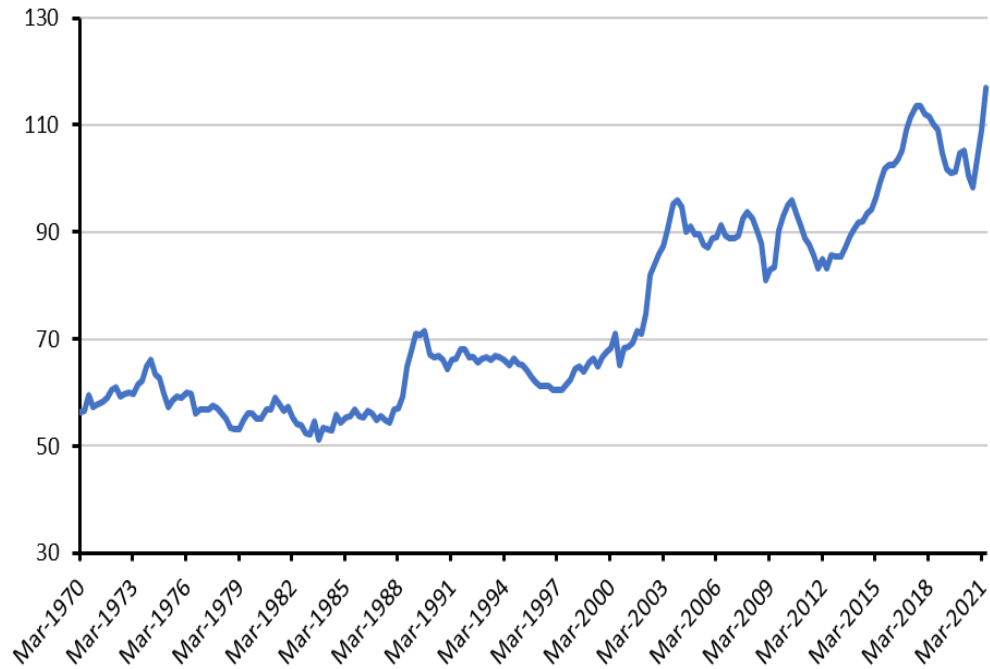
FIVE

Selected metrics

Key analytical house price indicators

Australia: House price to income ratio

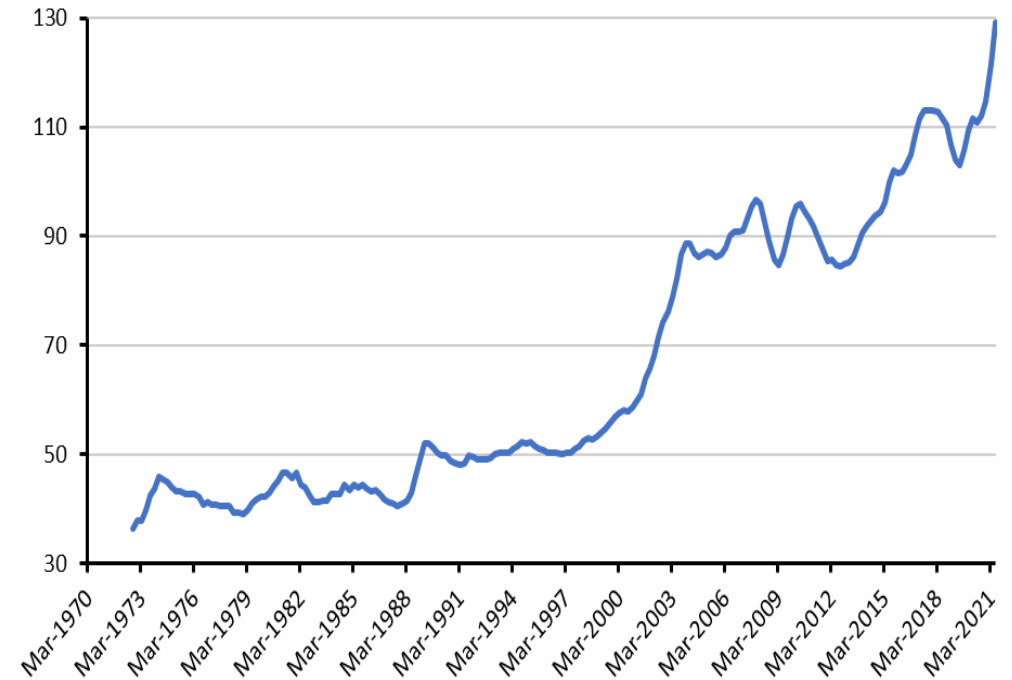
Index, 2015=100



Source: Bloomberg and OECD. The house price to income ratio is the nominal house price index divided by nominal disposable income per head and is a measure of affordability. Expressed here as an index. **Data to June quarter 2021.**

Australia: House price to rent ratio

Index, 2015=100

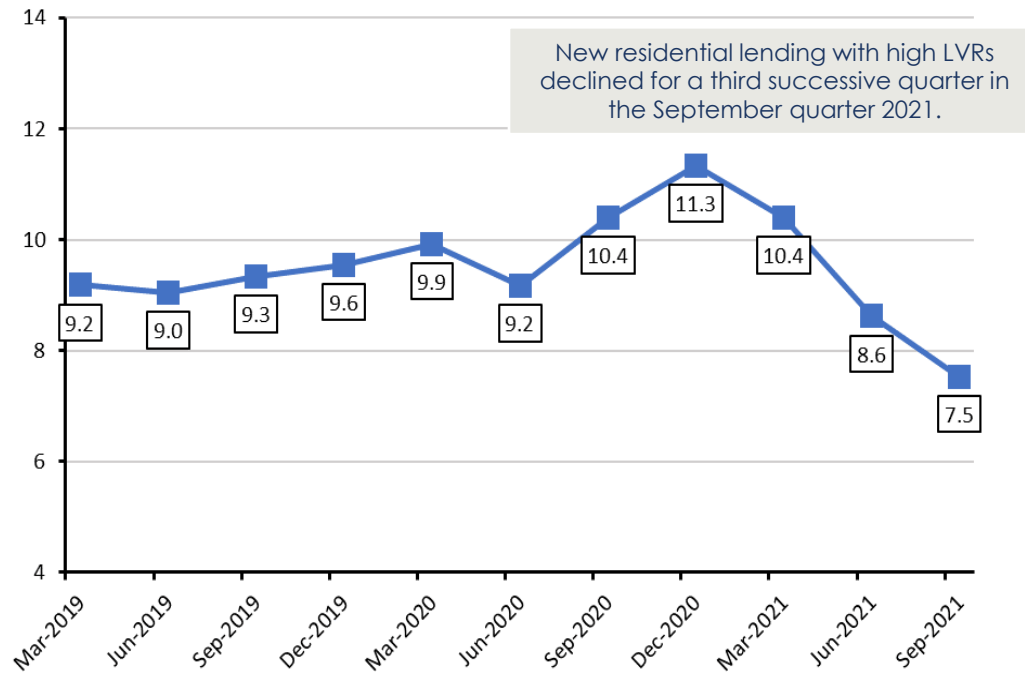


Source: Bloomberg and OECD. The house price to rent ratio is the nominal house price index divided by the housing rent price index. It is a measure of the profitability of home ownership. **Data to June quarter 2021.**

Housing loans: ADI new housing loan characteristics

Australia: ADI new housing loans, high LVR lending

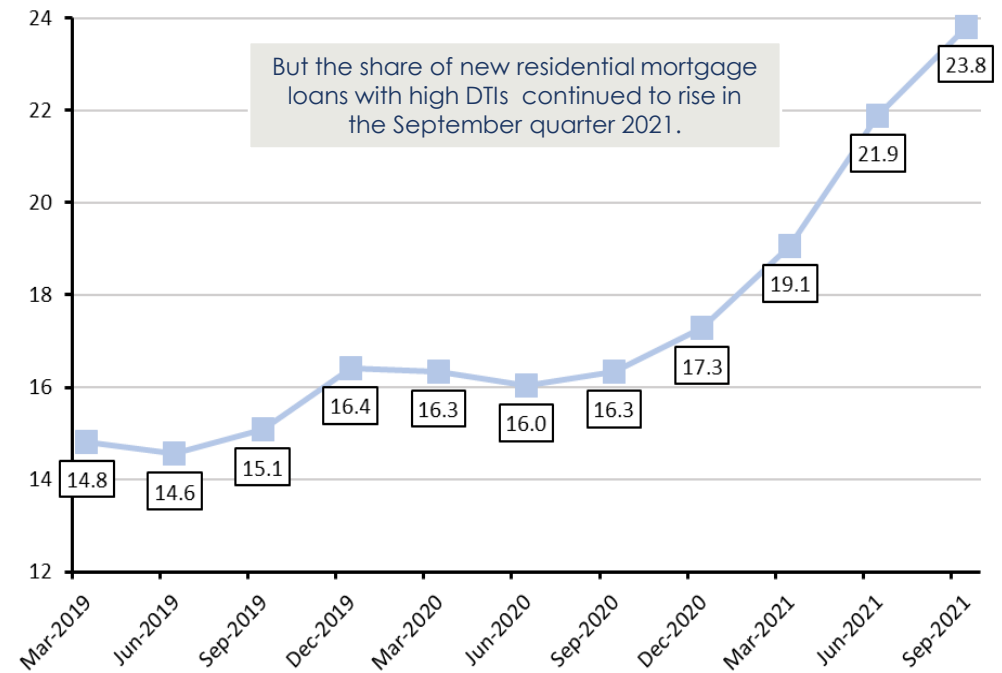
Per cent, share of new lending with a loan to valuation ratio (LVR) of 90 per cent or more



Source: APRA. The LVR is the ratio of the outstanding amount of the loan to the value of the property that secures the lender's exposure. **Data to September quarter 2021.**

Australia: ADI new housing loans, high DTI lending

Per cent, share of new lending with a debt to income (DTI) ratio of 6x or more

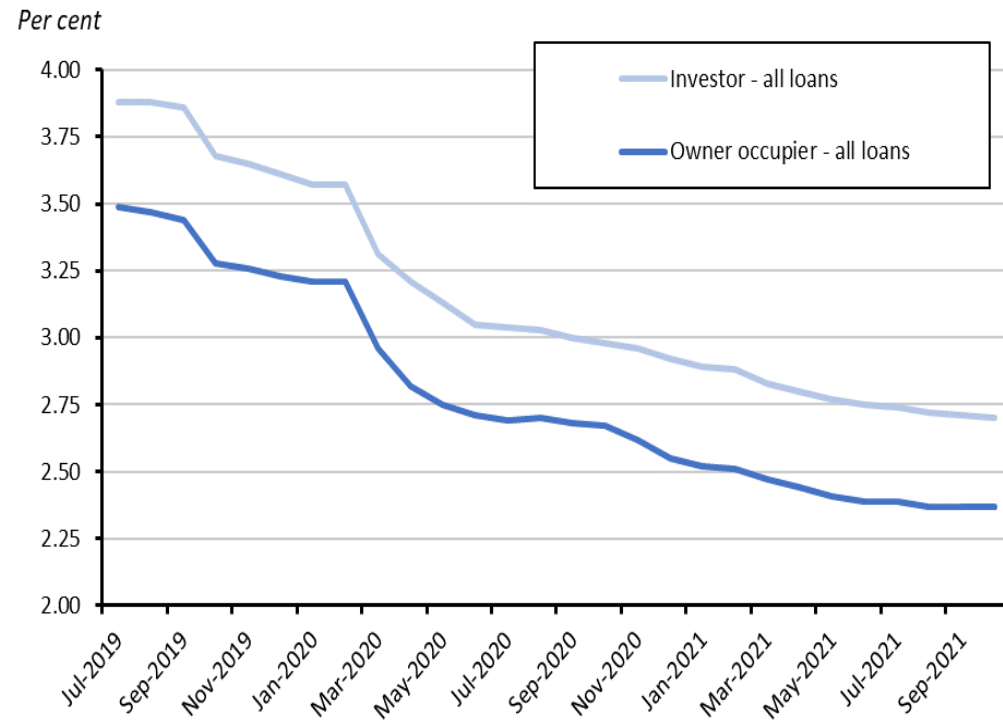


Source: APRA. The DTI ratio is the ratio of the credit limit of all debts held by the borrower, to the borrower's gross income. **Data to September quarter 2021.**

Housing loans: Lending rates and loan serviceability rates

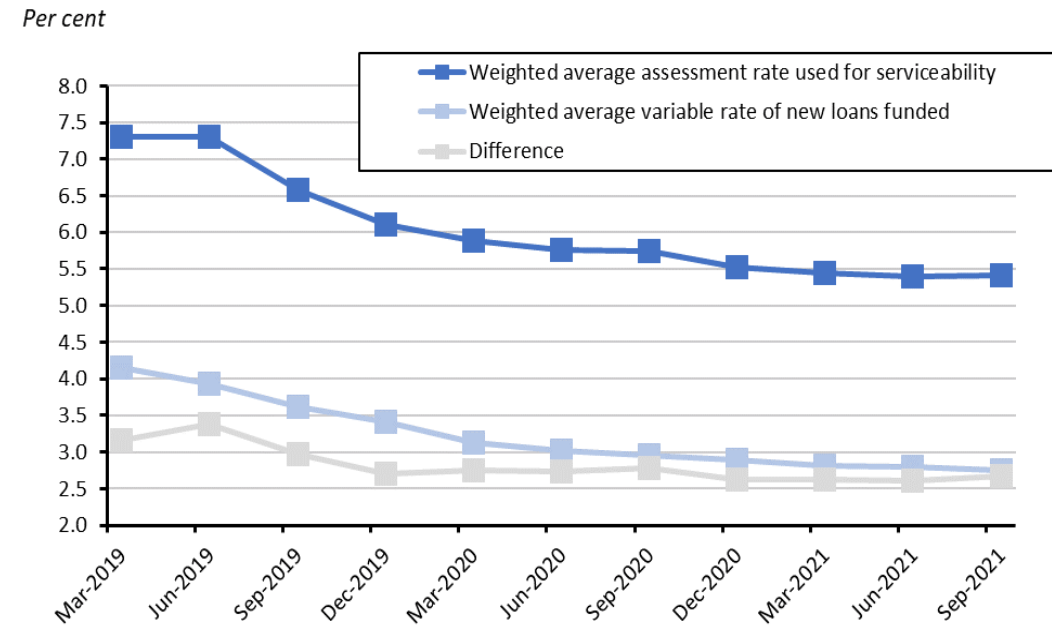
Note that APRA introduced stricter loan serviceability criteria on 6 October 2021 by increasing the interest rate buffer by 50bp.

Australia: Lending rates for new housing loans



Source: RBA. Data for new loans funded in the month, all loans and all institutions. **Data to October 2021.**

Australia: Characteristics of ADI new housing loans: interest rates

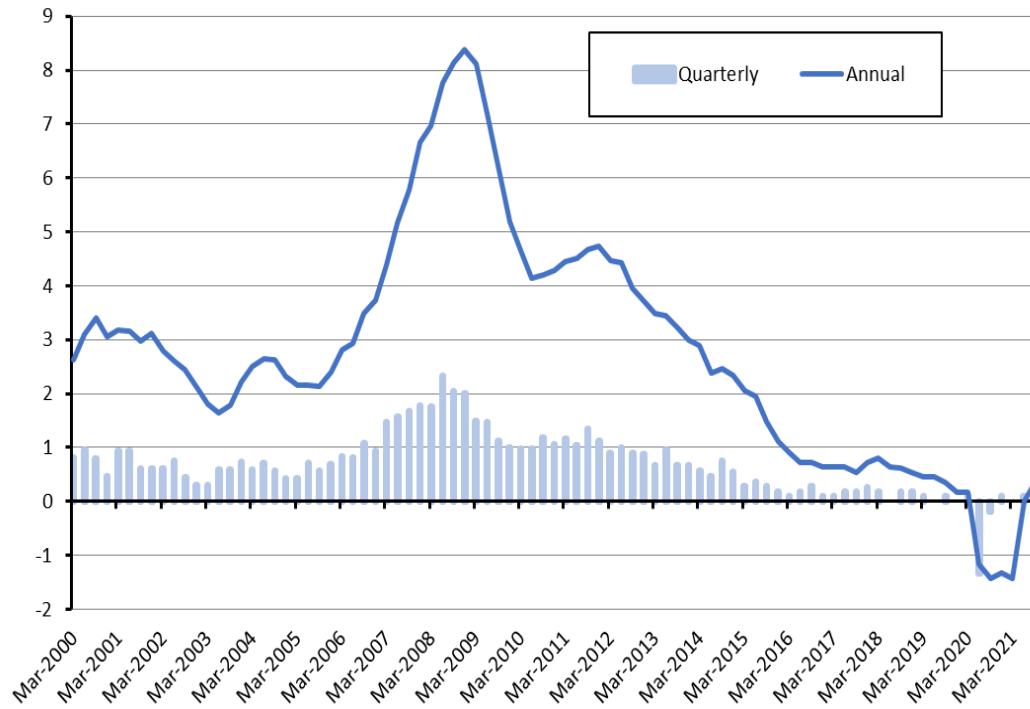


Source: APRA. The loan serviceability rate is the interest rate used in an ADI's serviceability assessments, such as an interest rate floor or actual interest rate plus interest rate buffer. Under guidance introduced in July 2019, APRA allowed ADIs to set their own minimum interest rate floor (previously seven per cent) and use an interest rate buffer of at least 2.5 percentage points over the loan's interest rate. New guidance issued on 6 October 2021 increased that buffer to at least three percentage points. **Data to September quarter 2021.**

Rent inflation and rental yields

Australia: Housing rent inflation (CPI series)

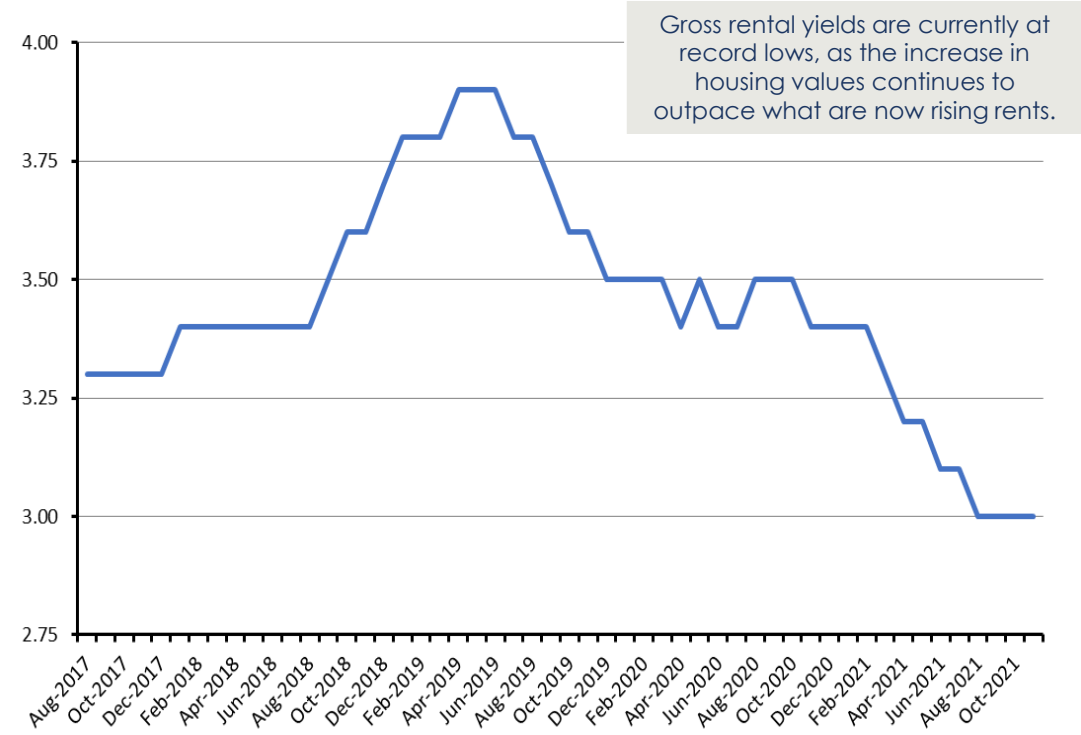
Per cent change over previous period, sa



Source: ABS Data to September quarter 2021.

Australia: CoreLogic Rental Yields, Combined Capitals

Per cent



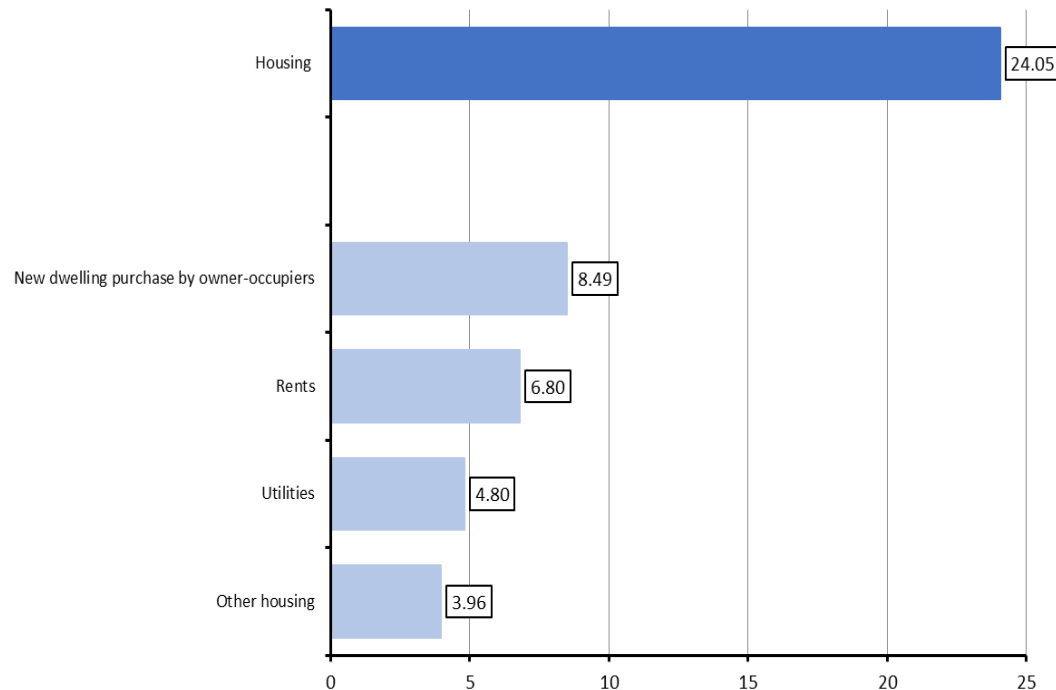
Gross rental yields are currently at record lows, as the increase in housing values continues to outpace what are now rising rents.

Source: CoreLogic. Data to November 2021.

Housing in the CPI

Australia: Housing in the Consumer Price Index (CPI)

Percentage contribution to the All groups CPI in September quarter 2020.



Source: ABS. Other housing comprises maintenance and repair of the dwelling and property rates and charges. Utilities comprises water and sewerage, electricity, and gas and other household fuels.

How is housing treated in the CPI?

With a weight of 24.1 per cent in the index, Housing is the largest component of household spending in the CPI. It comprises new dwelling purchases by owner-occupiers, rents, other housing (maintenance and repair costs plus property rates and charges), and utilities.

New dwelling purchase by owner-occupier measures the price of a new dwelling excluding the value of the land and is intended to capture the cost of adding to the housing stock in the form of newly built dwellings and major renovations.

Rents captures payments made by households to landlords as rent.

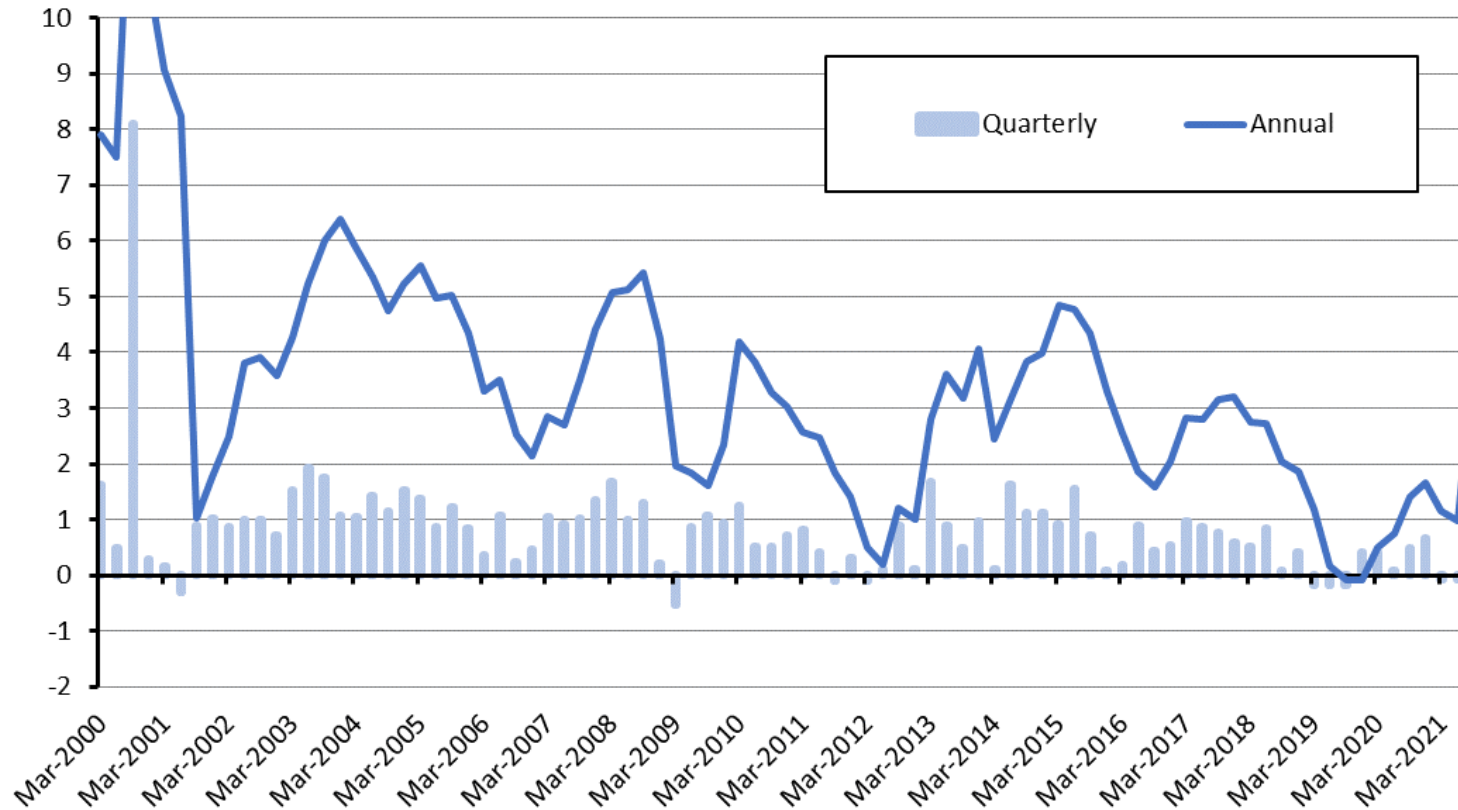
Several key items are excluded from the CPI. (1) Purchases of *established* dwellings because they are treated as transfers of existing assets. (2) Land as it is treated as an investment, not as consumption. (3) The cost of servicing a mortgage has been excluded from the CPI since 1998.

That means that changes in the price of established dwellings, changes in the price of land, and changes in the cost of servicing mortgage debt do not have a direct influence on CPI inflation.

New dwelling price inflation

Australia: New dwelling price inflation (CPI series)

Per cent change over previous period, sa



Source: ABS **Data to September quarter 2021**. Note that HomeBuilder grants and similar state government programs are treated by the ABS as price reductions and although the programs have closed, grants will continue to be paid out and therefore impact new dwelling price inflation through 2022. Note also that the spike in the September quarter 2020 is associated with the introduction of the GST and removal of wholesale taxes.

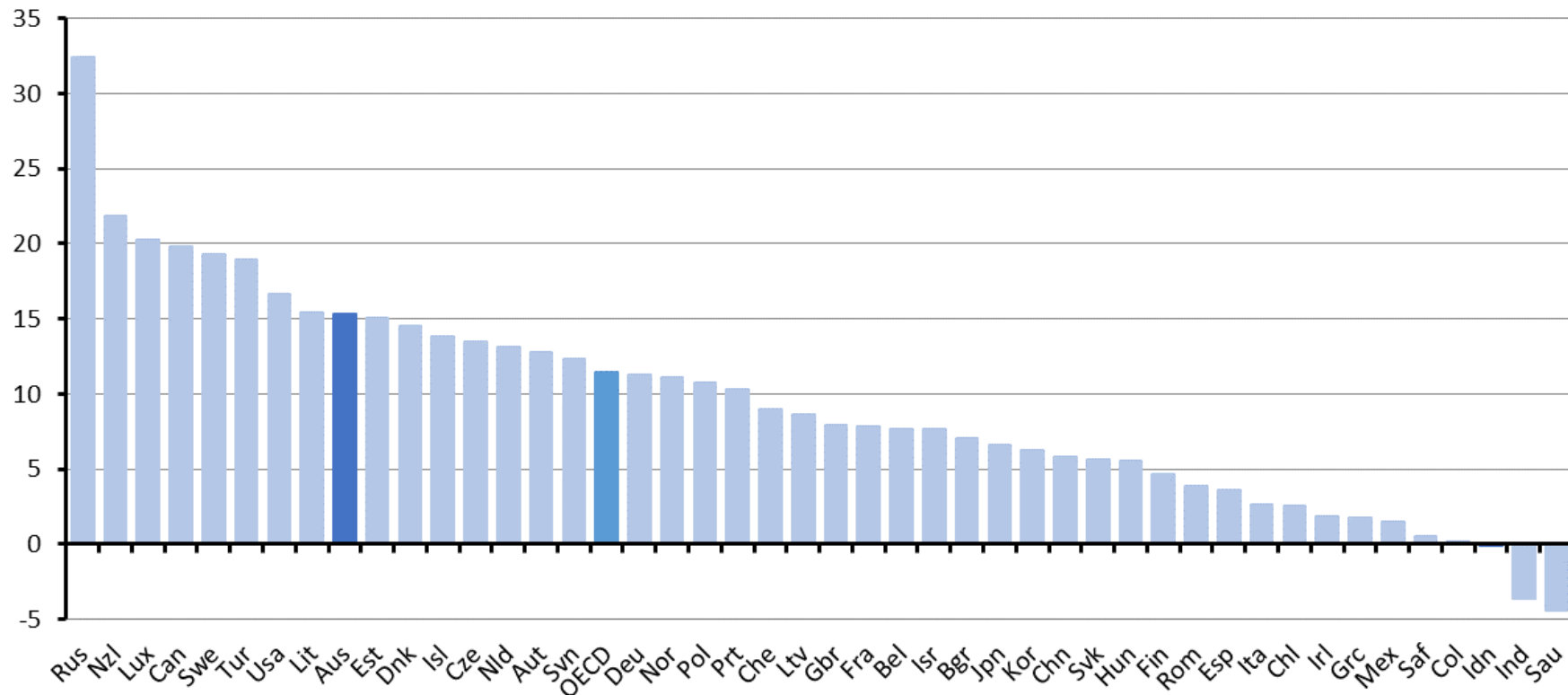
SIX

International data

House price changes since the pandemic

OECD and selected non-OECD economies: Change in real house prices since start of pandemic

Per cent change in real house prices since Q4:2019

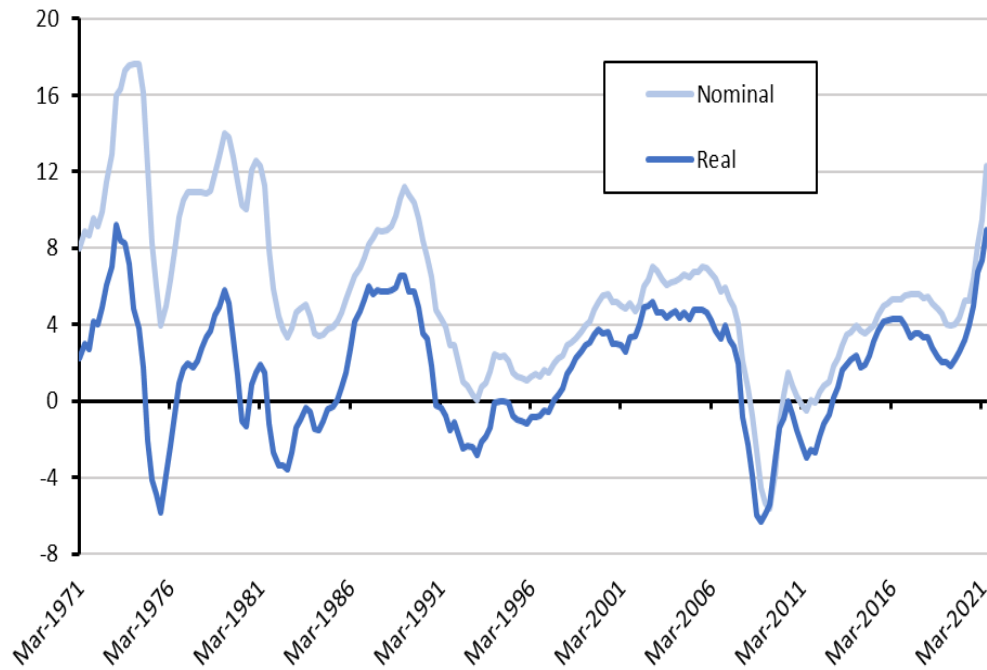


Source: OECD. Data are for Q2:2021 relative to Q4:2019 for all economies except Brazil, Canada, China, and Iceland where latest data are for Q3:2021, New Zealand and Korea where latest data are for Q1:2021 and Chile, where latest data are for Q4:2020.

OECD house prices

OECD: House prices

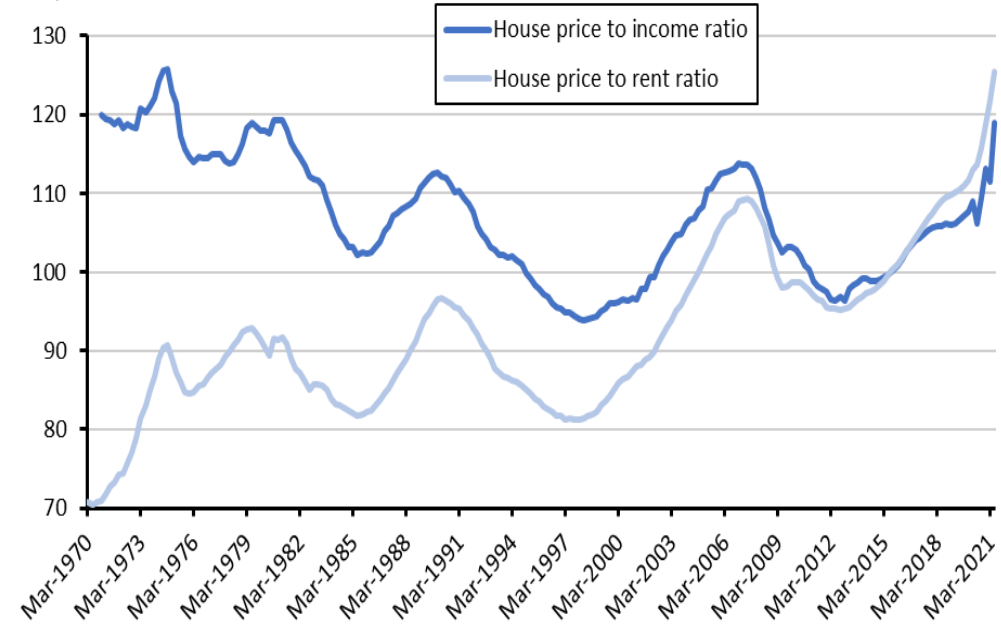
Per cent change on previous year



Source: OECD. The real house price is the ratio of the nominal house price index to the consumers' expenditure deflator. **Data to June quarter 2021.**

OECD: House price to income and house price to rent ratios

Index, 2015=100

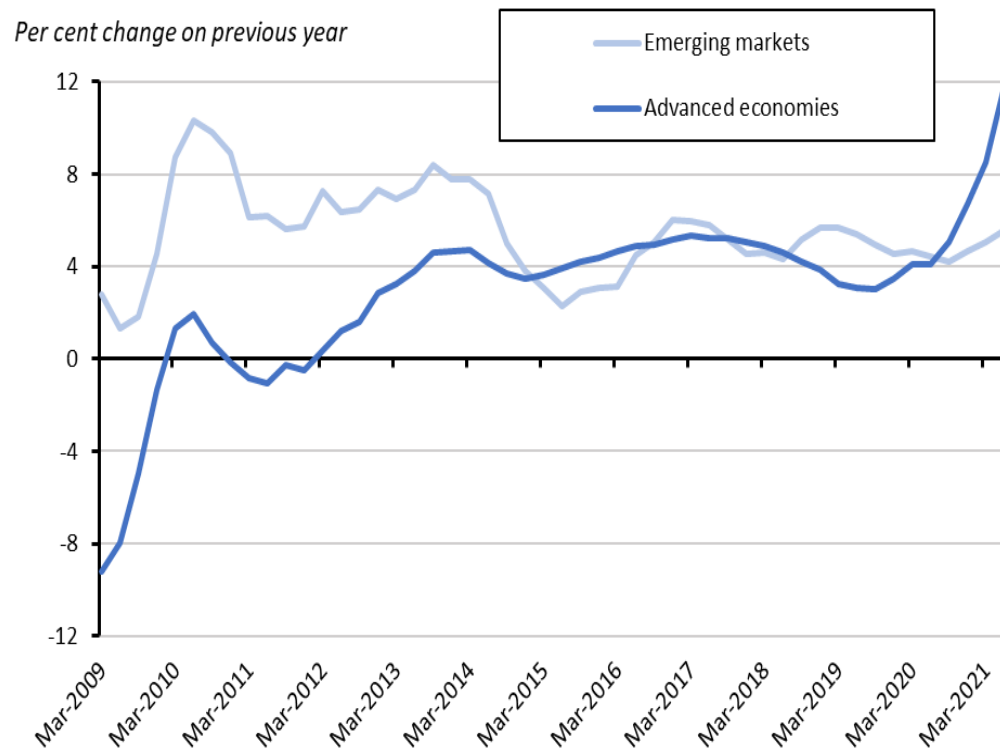


Source: Bloomberg and OECD. The house price to income ratio is the nominal house price index divided by nominal disposable income per head and is a measure of affordability. The house price to rent ratio is the nominal house price index divided by the housing rent price index and is a measure of the profitability of home ownership **Data to June quarter 2021.**

BIS residential property prices

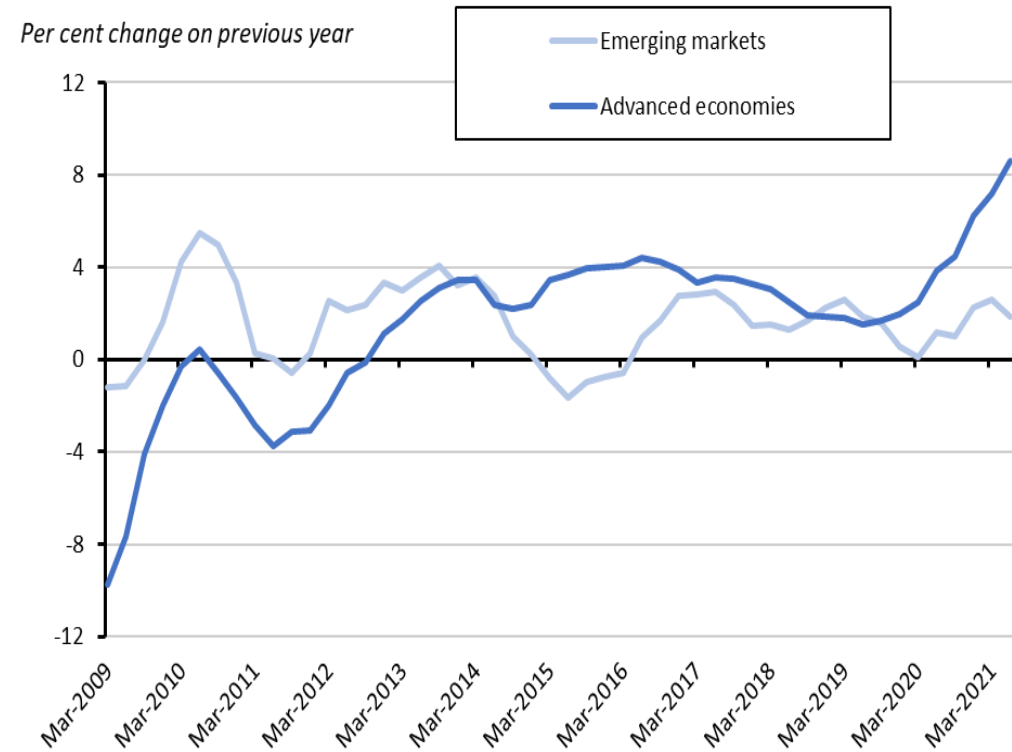
According to the BIS, in Q2:2021 real global house prices rose 4.8% in annual terms, their fastest rate of increase since the onset of the GFC. Real global house prices are now 24.5% above their post-GFC average. House prices in advanced economies rose 8.6% year-on-year while growth in emerging markets was a more subdued 1.8%. Real house prices in advanced economies are now 32.5% above pre-GFC levels while in emerging economies they are up 18.2% over the same period.

BIS: Nominal residential property prices



Source: BIS. Data to June quarter, 2021.

BIS: Real residential property prices



Source: BIS. Real property prices are nominal prices deflated by the CPI. Data to June quarter, 2021.



Find more AICD economics...

- ✓ **Subscribe to the *Weekly Note***
- ✓ **Listen to *The Dismal Science* Podcast**
- ✓ **Sign up for our **Economics** webinars**