

Property prices double every decade?

It is often commented that in Australia property values double every 10 (some say 7) years. This week we look at whether this has been the case over the past 10 years across the capital cities.

Most people who are interested in residential property would have heard of the notion that property values double each decade. This week we are looking at whether or not that has been true over the past 10 years.

Over the 10 years to January 2016, home values across the combined capital cities have increased by a total 72.0% which is well short of values doubling over the decade. If we look at the split between houses and units, house values are 73.1% higher compared to a 64.3% increase in unit values.

Although combined capital city home values haven't doubled over the past decade, the previous decade was quite a different story. Between January 1996 and January 2006 combined capital city home values increased by 151.7% with house values up 159.6% and unit values 110.1% higher. Based on this data, the most recent decade of capital city home value growth has been half that of the previous decade.

The combined capital city index is weighted so it is heavily influenced by the performance of the larger capital cities. Taking a look at value growth over the past decade across individual capital cities shows a diversity in results.

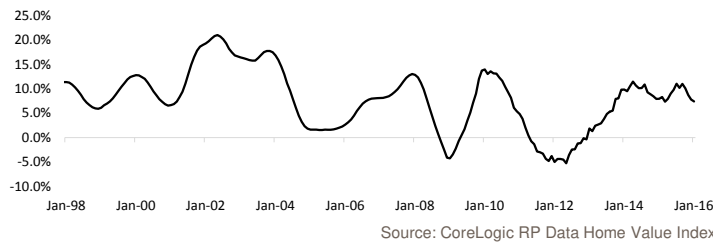
Melbourne is the only capital city housing market in which home values have doubled over the past decade. In fact, many cities are a long way from having doubled with values in Brisbane, Adelaide, Perth, Hobart and Canberra having all increased by less than 50% over the past decade. Home values in Sydney and Darwin have each recorded increases of more than 75% over the past decade however, they too fell well short of seeing values double over the decade.

Over the previous decade (10 years to January 2006) home values more than doubled across each capital city (note that Hobart values are for houses only and data is not available for Darwin). In fact, value growth over the previous decade was more than three times greater than over the most recent decade in Brisbane, Adelaide, Perth, Hobart and Canberra while nationally it was more than double the rate of value growth over the past 10 years. Even Sydney and Melbourne recorded much stronger home value growth over the previous decade compared to the past decade.

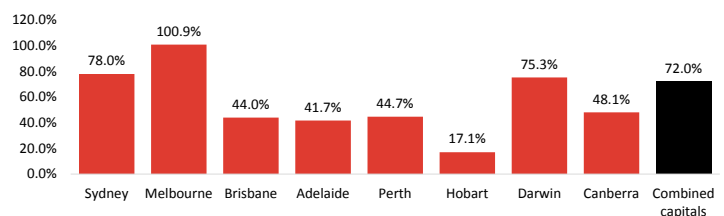
If we look at value growth over the five years to January 2016, it looks unlikely that by the time January 2021 rolls around that home values would have doubled over the decade in any of the capital cities. Over the past five years, Sydney and Melbourne are the only capital cities in which home values have increased by more than 10% with values lower in Hobart and Darwin.

While there was a time when home values doubled over a 10 year period the data suggests that the days of such rapid value rises are behind us. Of course remember that in recent times we have had record low mortgage rates yet that has failed to spark any substantial home value growth outside of Sydney and Melbourne. With little wage growth and ongoing economic uncertainty it is clear that in most areas of the country there are limits to what people can pay for housing. Subsequently there has been little impetus for any significant value growth outside of the two largest capital cities. Even in Sydney and Melbourne value growth has been substantially lower over the past decade than over the previous decade.

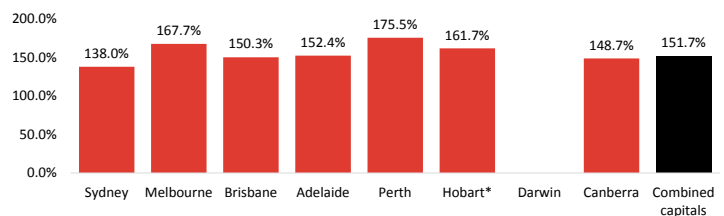
Rolling annual change in combined capital city home values



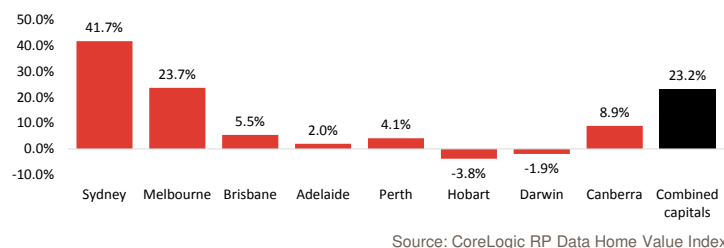
Cumulative change in capital city home values, 10 years to Jan-16



Cumulative change in capital city home values, 10 years to Jan-06



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Strong start to 2017 as dwelling values rise across seven of Australia's eight capital cities in January

by Tim Lawless

01 February 2017

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CoreLogic Home Value Index results out today for January confirmed capital city dwelling values posted a 0.7% rise across the combined capital city regions with Hobart, Sydney and Melbourne leading the monthly gains.

The January result showed capital city dwelling values rose by 0.7% over the first month of the year, which was lower than the 1.4% rise recorded in December, but higher than the readings for October and November last year, when capital city dwelling values rose by 0.5% and 0.2% respectively.

Commenting on the January results, CoreLogic head of research Tim Lawless said, "The positive result was broad-based with every capital city (excluding Darwin) recording a rise in dwelling values over the month. The largest month-on-month gains were recorded in Hobart (+1.4%), Sydney (+1.0%) and Melbourne (+0.8%)."

Index results as at January 31, 2017

Region	Change in dwelling values			Total gross returns	Median dwelling price
	Month	Qtr	YOY		
Sydney	1.0%	2.7%	16.0%	19.7%	\$850,000
Melbourne	0.8%	2.4%	11.8%	15.2%	\$640,000
Brisbane	0.1%	1.1%	4.4%	9.0%	\$490,000
Adelaide	0.5%	1.4%	4.8%	9.1%	\$426,000
Perth	0.2%	2.1%	-3.2%	0.5%	\$480,000
Hobart	1.4%	5.8%	7.8%	13.6%	\$366,000
Darwin	-1.7%	1.8%	-0.7%	4.4%	\$490,000
Canberra	0.4%	0.1%	6.7%	11.2%	\$601,500
Combined capitals	0.7%	2.3%	10.7%	14.4%	\$605,000
Rest of State*	1.1%	2.0%	2.8%		\$380,000

* Rest of state change in values are for houses only to end of December 2016

On a quarterly basis, the CoreLogic January index results confirmed that all capital cities recorded a rise in dwelling values, with Hobart in the lead, recording a 5.8% rise in dwelling values over the three months to the end of January. Sydney (+2.7%) and Melbourne (+2.4%) also posted strong increases over the rolling quarter.

The annual trend in dwelling value appreciation remained steady when compared with last month. The annual growth rate across the combined capital cities was 10.7% over the twelve months ending January 2017, compared with 10.8% over the previous rolling twelve month period.

Sydney stood out as recording the highest annual capital gains with dwelling values up 16.0% over the past twelve months; the highest annual rate of growth since the twelve month period ending September 2015. Since the growth cycle commenced in June 2012, Sydney dwelling values have increased by a cumulative 70.5%.

The quarterly capital gain across Hobart was the highest of any capital city at 5.8%, taking the annual capital gain to 7.8%. Mr Lawless said, “While the growth trend in smaller cities such as Hobart can show higher levels of volatility, clearly the Hobart housing market is now well into its growth cycle. Strong housing market conditions are being driven by positive affordability of housing, as well as improving economic conditions and stronger migration trends.”

For Perth and Darwin, the rise in dwelling values over the rolling quarter may hint at a bottoming of the downturn, evident since 2014 according to Mr Lawless. He said, “Since dwelling values peaked in these markets they have reduced by a cumulative 7.7% in Perth and 7.5% in Darwin through to January 2017. Perth dwelling values were 2.1% higher over the past three months and Darwin values were up 1.8%.”

“Buyers still have a great deal of leverage in these markets, with listing numbers remaining high, long selling times and high rates of discounting. However, in another indication that conditions may be moving through the bottom of the cycle, transaction volumes moved higher across both markets prior to the seasonal downturn in December and January, whilst the average selling time reduced from previously higher levels. With economic and demographic conditions remaining weak in these markets, a recovery in dwelling values is likely to be a slow process.”

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