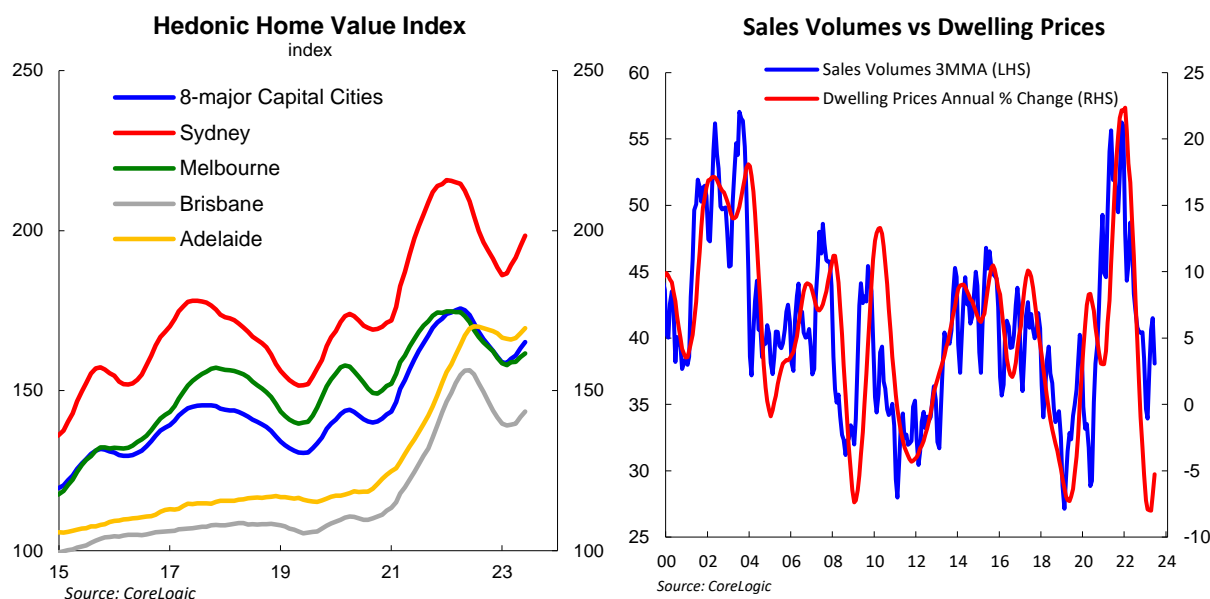


Monday, 3 July 2023



Dwelling Prices Rebound Continues But Risks Remain

- Dwelling prices rose for a fourth consecutive month in June, though the pace of growth has moderated. Prices were up 1.1% nationally, led by a 1.2% gain in the capital cities and a 0.5% increase across regional areas.
- Since finding a floor in February, prices are up 3.4% nationally. This has trimmed the peak-to-trough fall in this cycle to only 6.0%. Growth remained strongest in Sydney (1.7%) and Brisbane (1.3%), though all capital cities except for Hobart reported growth in June.
- Exceptionally tight advertised supply remains the bedrock of the price recovery. Advertised supply is more than 25% below the average for this time of year, while sales volumes (a proxy for demand) are around average levels.
- The moderating pace of price growth in June likely reflects a partial easing in demand as expectations for interest rates have recently been revised higher. Indeed, modelled sales volumes pulled back in June to the lowest level since January.
- Growth in advertised rents is showing signs of topping out as the sharp increase in rents evokes affordability pressures and prompts a change in preferences. Despite some moderation, pressures in the rental market are unlikely to subside quickly particularly as higher rents are passed through to agreements that are coming up for renewals.
- Imbalances in the housing market continue to underpin a solid growth recovery. However, the foundations of the recovery remain unstable and very sensitive to changes in advertised supply.



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