

# PROPERTY MARKET UPDATE

## MONTH IN REVIEW

### FEBRUARY 2024



The national housing market continued to gain momentum recording a broad-based rise in February. CoreLogic's national Home Value Index recorded its thirteenth straight month of value rises, up a further +0.6% for the month and up marginally from the +0.4% gains seen in January. Growth on a quarterly basis remains at sustainable levels at +1.3% and slightly up on the +1.0% increase recorded last quarter.

Diverse conditions remain evident across capital city markets with each of the capital cities and rest-of-state regions recording gains in value last month (except Hobart where dwelling values eased -0.3%).

Perth continues to be a standout performer amongst the capitals with a substantially higher rate of growth compared to its capital city counterparts, gaining +1.8% for the month. The smaller capitals, Adelaide up +1.1% for the month, Brisbane up +0.9% and regional areas of South Australia +1.1%, Western Australia and Queensland (both up +1.0%) continue to display resilience reflecting consistently high rates of dwelling value growth.

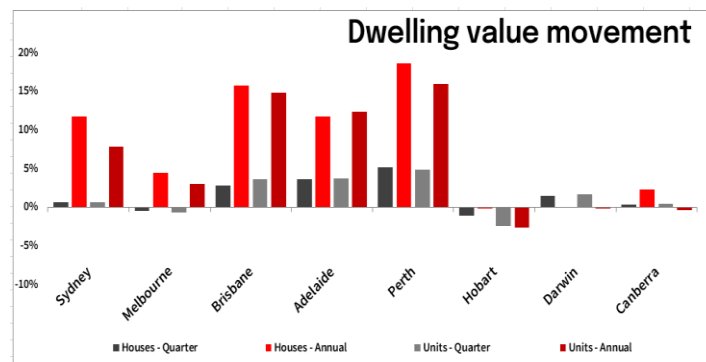
These capitals and regions benefit from continuing strong demand, positive demographic factors, booming migration and comparatively more affordable housing choices.

Dwelling values in these markets continue to perform well despite higher interest rates and cost-of-living pressures. Moreover, the consistent rises in dwelling values underlines the persistent imbalance between supply and demand which varies across cities and regions.

The monthly growth trend in the bigger capitals of Sydney and Melbourne has accelerated this month with Melbourne recording a subtle rise in dwelling values following three months of easing. Similarly, Sydney has recorded another mild gain this month following subdued easing in November and December signalling early signs of confidence re-entering the market as inflation eases and expectations for rate cuts later in the year become evident.

Higher auction clearance rates through February, averaging in the high-60% range is another positive trend driving a lift in consumer sentiment. A significant rebound in values however less likely given the combination of downside factors in the market including ongoing affordability constraints, a normalising of unemployment levels and a slowdown in the rate of household savings.

The pace of rental growth picked up again in February, rising +0.9%, the highest level since March 2023. This re-acceleration of rental values also saw the rolling quarterly change in rents rise to +2.4%, the highest rate since May 2023.



Source - CoreLogic



## Market Level Review

### Sydney



- Last month: +0.5% gain in dwelling values
- Quarterly: +0.6% gain in dwelling values
- Annually: Dwellings gained +10.6% with houses +11.7% and units +7.8%
- Units have performed better than houses with a gain of +0.7% for the month and up +0.6% for the quarter vs. houses +0.4% for the month and +0.6% for the quarter. Rents are up +8.9% annually for houses and +10.2% for units.

### Melbourne



- Last month: +0.1% gain in dwelling values.
- Quarterly: -0.6% easing in dwelling values
- Annually: Dwellings gained +4.0% with houses +4.4% and units +3.0%
- Units have performed better than houses with a gain of +0.2% for the month and easing -0.7% for the quarter vs. houses gaining +0.1% for the month and easing -0.5% for the quarter.
- Rents are up +11.3% annually for houses and +10.0% for units.

### Brisbane



- Last month: +0.9% gain in dwelling values
- Quarterly: +2.9% gain in dwelling values
- Annually: Dwellings gained +15.6% with houses +15.7% and units gained +14.8%
- Units have performed better than houses with a gain of +1.0% for the month and up +3.6% for the quarter vs. houses +0.9% for the month and +2.8% for the quarter.
- Rents are up +7.5% annually for houses and +12.3% for units.

### Perth



- Last month: +1.8% gain in dwelling values
- Quarterly: +5.2% gain in dwelling values
- Annually: Dwellings rose +18.3% with houses up +18.6% and units +15.9%
- Houses have performed better than units with a gain of +1.8% for the month and up +5.2% for the quarter vs. units +1.8% for the month and +4.8% for the quarter.
- Rents are up +13.5% annually for houses and +16.5% for units.





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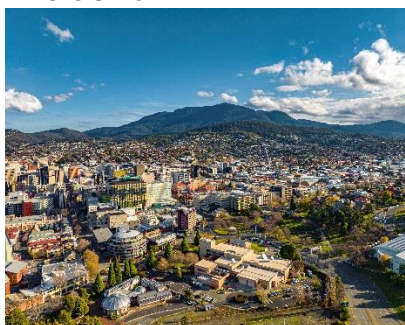


#### Adelaide



- Last month: +1.1% gain in dwelling values
- Quarterly: +3.6% gain in dwelling values
- Annually: Dwellings rose +11.8% with houses up +11.7% and units +12.4%
- Units have performed better than houses with a gain of +1.3% for the month and up +3.7% for the quarter vs. houses +1.0% for the month and +3.6% for the quarter.
- Rents are up +8.4% annually for houses and +9.7% for units.

#### Hobart



- Last month: -0.3% easing in dwelling values.
- Quarterly: -1.4% easing in dwelling values
- Annually: Dwellings eased -0.6% with houses -0.2% and units -2.7%
- Houses have performed better than units with easing of -0.1% for the month and -1.1% for the quarter vs. units easing -1.1% for the month and -2.4% for the quarter.
- Rents are down -1.8% annually for houses and -3.4% for units.

#### Darwin



- Last month: +0.1% gain in dwelling values
- Quarterly: +1.6% gain in dwelling values
- Annually: Dwellings eased -0.1% with houses easing -0.1% and units eased by -0.2%
- Houses have performed better than units with a gain of +0.4% for the month and +1.5% for the quarter vs. units easing -0.5% for the month but gaining +1.7% for the quarter.
- Rents are up +3.3% annually for houses and +2.6% for units.

#### Canberra



- Last month: +0.7% gain in dwelling values.
- Quarterly: +0.3% gain in dwelling values
- Annually: Dwellings gained +1.6% with houses up +2.3% and units easing -0.4%
- Houses have performed better than units with a gain of +0.8% for the month and +0.3% for the quarter vs. units gaining +0.6% for the month and +0.4% for the quarter.
- Rents are down -0.7% annually for houses and up +0.9% for units.



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## Regional Australia



- Last month: +0.6% gain in dwelling values
- Quarterly: +1.3% gain in dwelling values
- Annually: Dwellings gained +5.5% with houses gaining +5.4% and units gaining +6.2%
- Units have performed better than houses with a gain of +0.9% for the month and +1.9% for the quarter vs. houses gaining +0.6% for the month and +1.2% for the quarter.

## Perspectives

The property market in 2024 continues to display a positive shift in conditions with a subtle re-acceleration of dwelling values for the first two months of the year on the back of improving consumer sentiment. A wide divergence in the rate of values growth across regions, capitals and housing types remains. Other key indicators including lower than forecast inflation and a growing consensus that interest rates will reduce later in 2024 create more positivity for the property sector.

The market awaits the RBA's 19<sup>th</sup> March meeting on the likelihood of a change in the interest rate, although the market expectation is for no change, the decision and commentary is being carefully watched. An easing in interest rates during 2024 will provide further support for consumer sentiment, additional relief to cost-of-living pressures and a boost for the property market.

## Outlook

The outlook for property market as we move further into 2024 is one of growing optimism amid a backdrop of easing inflation, strong migration numbers and a stabilising interest rate environment. The lower-than-expected inflation outcome this month (3.4%, and under market forecast of 3.6%) signals a slower rate of growth in the cost of living, boosting consumer confidence and heightening speculation of a cut in interest rates sooner than originally forecast.

Uncertainty around the frequency and timing of interest rate movements remain the key factor set to influence the outlook in housing markets as we move further into 2024. More certain is the trend of the sheer diversity and disparity being displayed amongst capital city and regional property markets nationally.

Consumer sentiment has historically resulted in positive outcomes for the housing market in the form of higher home sales. The Westpac-Melbourne Institute moved slightly higher in February with a +6.2% lift in the consumer sentiment index, taking the reading to the highest level since June 2022.

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