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The long game… 30 years of housing values

By Tim Lawless, Research Director, CoreLogic Australia

Patience is a virtue, particularly when it comes to Australian's penchant for residential property. The short-term trends may be the talk at a weekend barbecue and in the media, but Australians tend to hold their homes a lot longer than a typical market cycle. For some context, Australia's median hold period (ie the number of years between individual home sales) was nine years for homes sold over the past 12 months.

Through the peak of the latest growth cycle, approximately 617,300 homes were sold across Australia, the largest number of sales since 2003, but that equates to only 6.3% of Australian dwellings turning over in a year, highlighting that most home owners aren't *directly* impacted by changing values.

Given the focus on the surge in housing values through the pandemic, and the more recent weakening in home value trends as interest rates rise, it's worthwhile providing a refresher on how significantly housing values have changed over time, specifically the past three decades.

Over that 30-year period we have seen six distinct cycles of growth and an equal number of cycles of decline (including the current downswing) across the national index. Each of the upswings and downturns have been characterised by different environments and catalysts of change such as taxation policy, monetary policy decisions, economic shocks, fiscal stimulus and broader economic conditions.

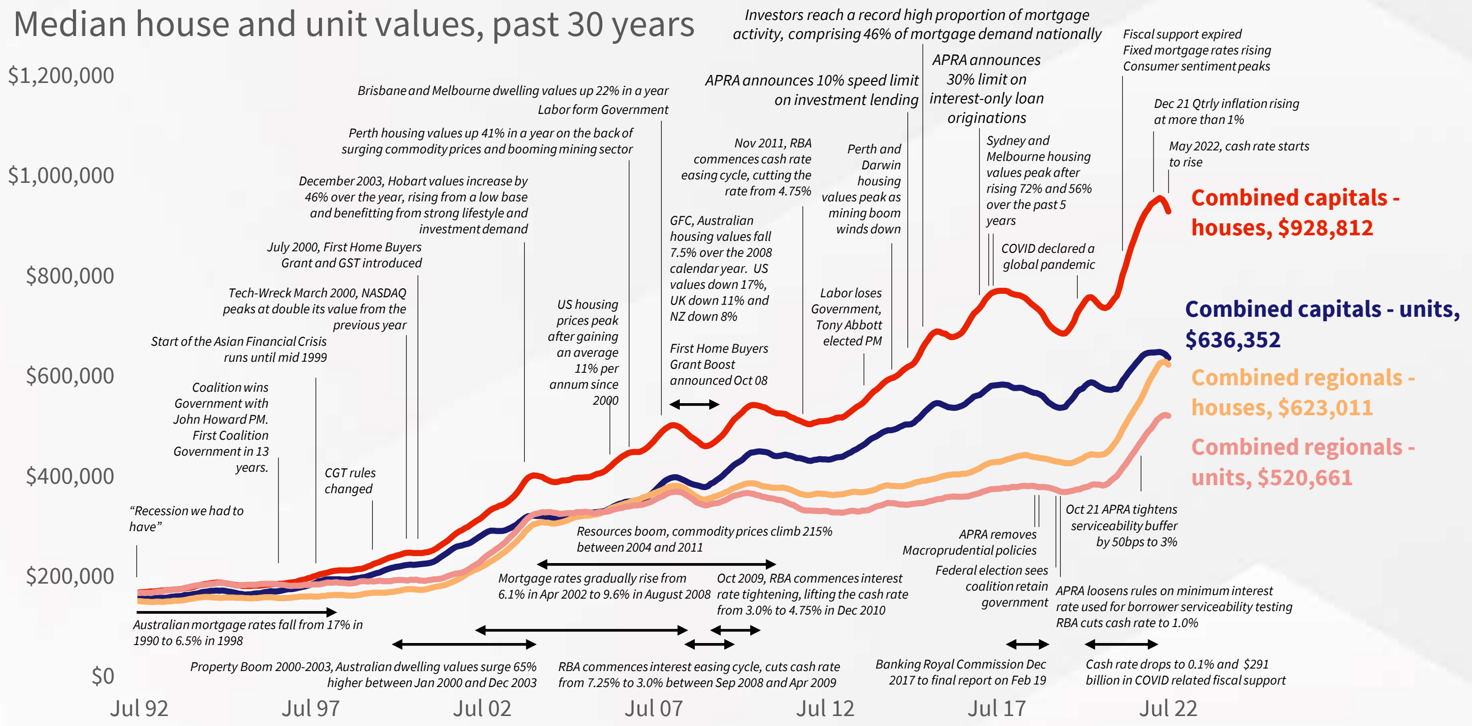
While housing values move through cycles of growth as well as declines, the long-term trend is undeniably upwards. Nationally, dwelling values have increased 382% over the past 30 years, or in annual compounding terms, rising by 5.4% on average since July 1992.

Across each of the past three decades, at a macro level, it was the 1992-2002 period that provided the largest capital gains, with CoreLogic's national Home Value Index (HVI) rising by 77%. The middle decade (2002-2012) saw the national HVI rise by 59%, while the most recent decade has seen national dwelling values increase by 72%.

However, between regions there have been substantial differences depending on local market dynamics. For example, the mining boom and subsequent bust in WA saw Perth housing values rise by 104% between 2002 and 2012, but today's values are only 14% higher over the current decade (2012-2022). In Hobart, the 1992-2002 period was the weakest of the three decades analysed, with values up 30%, while the most recent 10 years has seen Hobart housing values surge 99% on the back of stronger migration and an ongoing undersupply of housing.

Overall, the long-term trends highlight the cyclical nature of housing markets. Changes in housing values over decades are a clear reminder that *time in the market* is more important than *timing the market*.

Median house and unit values, past 30 years



Dispelling a long held housing myth, it's actually rare for housing values to double in 10 years. Over the past decade, none of the capitals and only one regional market (Regional Tasmania) recorded a growth rate of 100% or higher. In the previous 2002-2012 decade it was only Perth and Darwin where housing values doubled.

Most regions have seen house values rise substantially more than unit values over the past 30 years, which is likely a reflection of the scarcity value of land driving a faster rate of appreciation. Conversely, the unit sector tends to show higher yields relative to houses. Across the combined capital cities, house values are up 453% over the past 30 years, substantially higher relative to the unit sector where values are 307% higher.

The performance gap is less substantial across the combined regional markets, with house values up 314% since 1992 compared with a 213% rise in unit values. The smaller long-term rate of capital gain might be attributable to lower unit supply levels across regional Australia, along with higher demand for holiday style units or retirement options.

Capital cities have recorded a higher growth rate than the regional areas of Australia over the past 30 years, with dwelling values rising by 409% and 294% respectively across each of the combined capital city and rest of state regions.

The higher growth rate across the capital cities probably reflects a combination of higher demand and greater scarcity of supply compared with regional markets, along with more diversified economic conditions within the capital cities.

Highest 30-year growth rate

Capitals: Melbourne +459% (5.9% per annum)

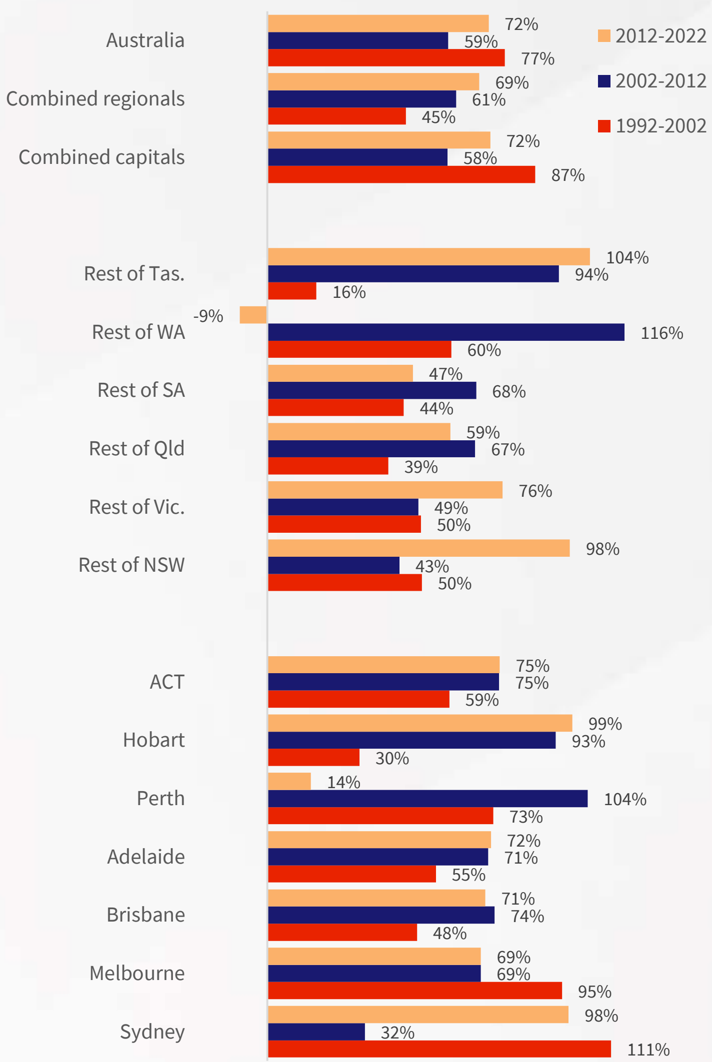
Regionals: Regional Tasmania +361% (5.2% per annum)

Lowest 30-year growth rate

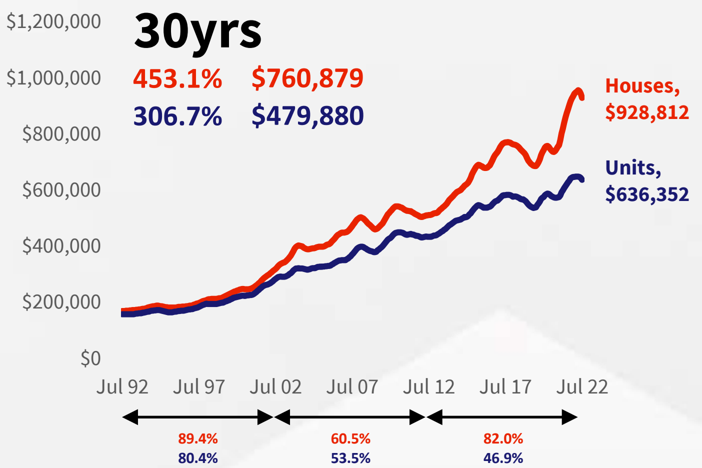
Capitals: Perth +303% (4.8% per annum)

Regionals: Regional WA +214% (3.9% per annum)

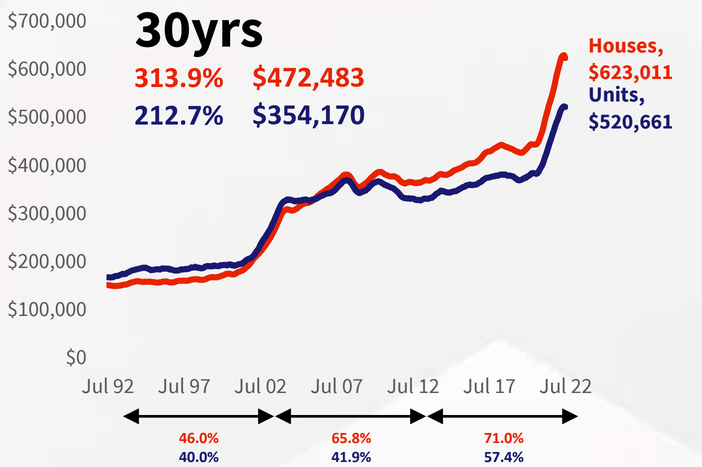
Percentage change in dwelling values by decade



Combined capitals house and unit values Thirty years to July 2022

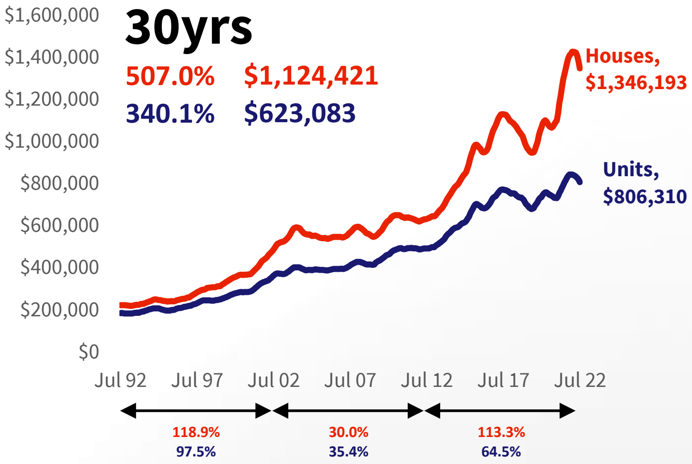


Combined regionals house and unit values Thirty years to July 2022



Note the first five months of the South Australian index are estimates.

Sydney house and unit values
Thirty years to July 2022

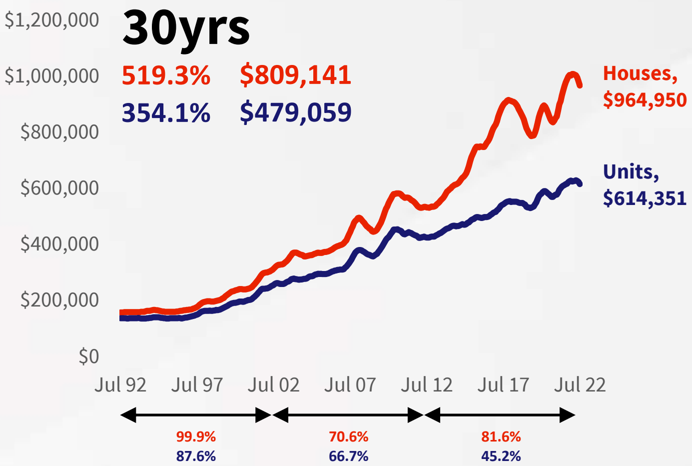


Over the past 30 years Sydney dwelling values have increased by 449% (5.8% per annum), with the 10 years ending July 2022 recording the highest rate of growth over the past three decades. The 30-year growth rate was the second highest of any capital city, after Melbourne (459%).

In dollar terms, Sydney's median house value has increased from approximately $221,770 in July 1992 to $1,346,190 in July 2022; an increase of approximately $1,124,420. Unit values are approximately $623,080 higher over the past 30 years, rising from $183,230 in 1992 to $806,310.

The best performing sub-region of Sydney has been houses within the Marrickville-Sydenham–Petersham SA3, where values have risen by 660.1%, equating to an approximate dollar value gain of $1,539,280.

Melbourne house and unit values
Thirty years to July 2022

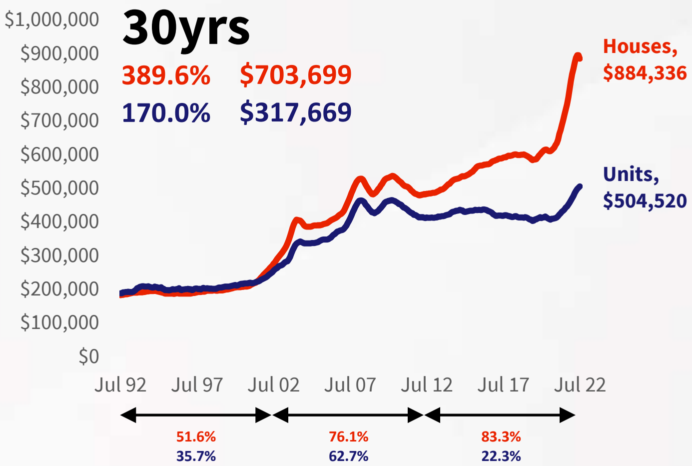


Melbourne dwelling values are up 459% (5.9% per annum) over the past 30 years, the highest long-term growth rate of any capital city. The earliest decade (1992-2002) recorded the strongest housing market conditions, with dwelling values up 95%, compared with a 69% rise through both the middle decade and the most recent decade.

House values have risen more than unit values over the 30-year period, with the 519% gain equating to a dollar value increase of approximately $809,140. In comparison, unit values are 354% higher, providing a $479,060 increase in approximate dollar terms.

Houses located within the Yarra SA3 region have recorded the highest long-term capital gain, ranking in the top growth position nationally with a rise of 779% in house values over the past three decades, equating to an approximate dollar value gain of $1,405,850.

Brisbane house and unit values
Thirty years to July 2022

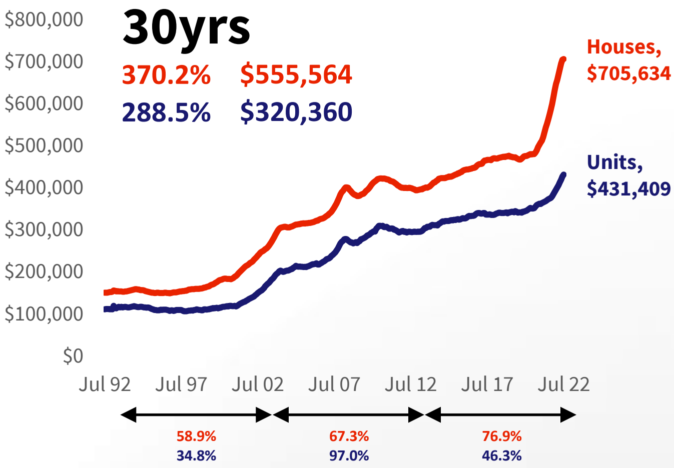


Brisbane dwelling values increased by 340% (5.1% per annum) over the past 30 years, with the highest rate of growth recorded through the middle decade (2002-2012) where housing values were up 74%. In comparison, dwelling values increased by 49% between 1992 and 2002, and by 71% over the most recent decade.

House values have increased by more than double the amount of unit values across Brisbane, making for the largest 30-year growth differential between houses and units across the capital cities. Houses recorded a 30-year growth rate of 390%, equating to a dollar value increase of approximately $703,700. Over the same period, unit values were up 170% or approximately $317,670.

The highest 30-year growth rate across Brisbane's SA3 sub-regions was a 613% gain in house values across the Inner East, taking the median value approximately $1,344,120 higher.

Adelaide house and unit values
Thirty years to July 2022

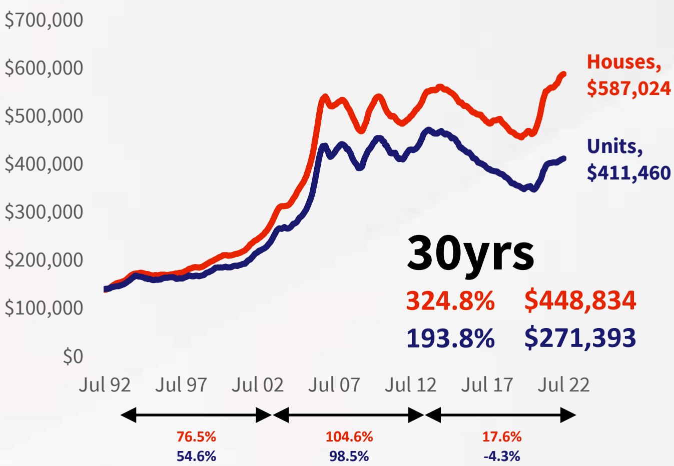


Adelaide housing values increased by 357% over the past 30 years, equating to an average annual compounding growth rate of 5.2%. The most recent 10-year period (72.4%) has been a little stronger than the middle decade (2002-2012) where values were up 71.5%. Between 1992 and 2002, Adelaide housing values experienced much lower growth conditions, up 54.6%.

House values have recorded a substantially higher rate of growth than units over the past 30 years, up 370% and 289% respectively. In dollar terms, Adelaide house values have increased by approximately $555,560 since 1992, while unit values are up $320,360.

Across the SA3 sub-regions of Adelaide, Unley has recorded the highest capital gain over the past 30 years, with house values surging 552%, or approximately $1,287,470 higher.

Perth house and unit values
Thirty years to July 2022

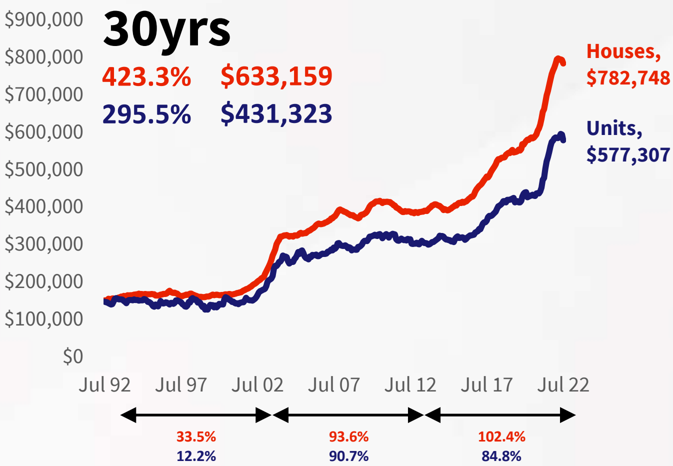


Perth housing values have increased by 303% over the past 30 years (4.8% per annum), which is the lowest long-term rate of growth across the capital cities analysed. Weak housing market conditions across the most recent decade have been a significant drag on the long-term growth rate, with housing values only 14% higher, compared with a 104% surge in values between 2002 and 2012 and a 73% gain between 1992 and 2002.

Perth house values have seen a higher rate of growth than unit values, rising 325% (approximately $448,830) over the past 30 years, while unit values are up 194% ($271,390).

Fremantle houses have recorded the highest long-term growth rate amongst the Perth SA3 sub-regions, with values rising 450% or approximately $876,350.

Hobart house and unit values
Thirty years to July 2022



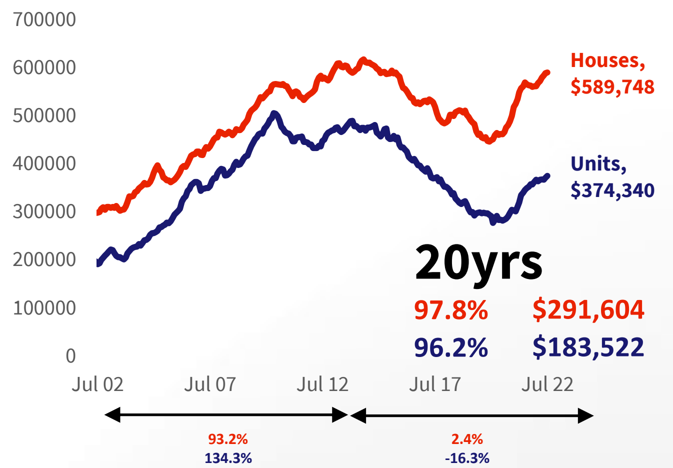
Hobart has recorded the third highest 30-year growth rate across the capital cities, with housing values up 399%. The strong long-term performance comes despite Hobart recording the lowest capital gain of any capital city over the first decade. Between 1992 and 2002, Hobart housing values increased by only 30%, compared with a 99% lift in values over the most recent decade and a 93% gain over the ten years ending July 2012.

House values were up 423% over the 30-year period, equating to a gain of approximately $782,750, while unit values were up 296% ($431,320).

Across the SA3 sub-regions of Hobart, houses at Sorell - Dodges Ferry recorded the highest capital gain, rising 589% and adding approximately $586,960 to the median house value.

Note the first five months of the South Australian index are estimates.

Darwin house and unit values
Thirty years to July 2022

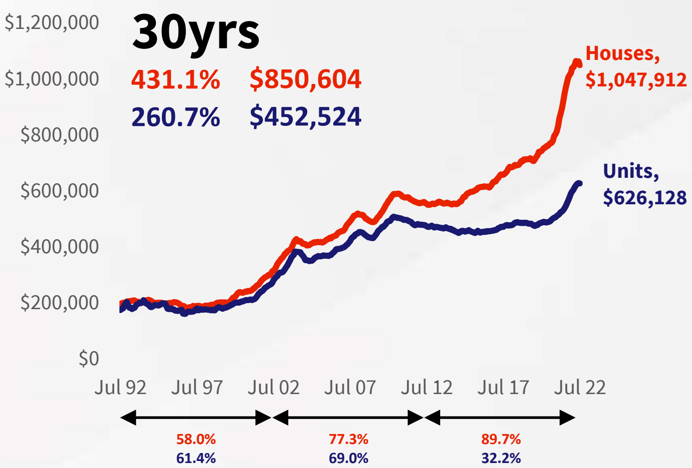


Darwin housing data has a shorter historical series than other regions, which is why this analysis only extends back 20 years. Over that time frame, Darwin housing values have increased by 95%, equating to an annual growth rate of 3.4%, which is the lowest 20-year growth rate across the capital cities.

The relatively weak 20-year growth rate comes despite Darwin recording the highest gain in housing values between 2002 and 2012 at 106%. However a large part of the most recent decade has been weak, with housing values remaining -4.9% below 2012 levels by July 2022.

House and unit values have recorded a similar performance over the past 20 years at 98% and 96% growth, however the figures disguise a significant difference between the decades. Unit values surged 134% higher between 2002 and 2012, but fell by -16% over the most recent decade. House values were up 93% and 2.4% over the two decades respectively.

ACT house and unit values
Thirty years to July 2022



Dwelling values across the ACT have increased by 388% (5.4% per annum) since July 1992, ranking as the fourth strongest capital city housing market after Melbourne, Sydney and Hobart. The past two decades have returned an equal performance, with values up 75% across both periods, while the ten years ending July 2002 recorded a lower 59% rise in housing values.

Houses have returned a stronger performance relative to units, with values up 431% and 261% respectively. In dollar terms, house values have increase by approximately $850,600 over the past 30 years, compared with units where values are up $452,520.

Gungahlin has recorded the highest long-term growth rate of any SA3 sub-region, with house values up 754%, adding approximately $964,220 to the median value of a house.

The importance of short-term v long-term cycles

With 57% of household wealth held in housing, it's understandable that Australian's will be interested in the shorter term ups and downs of the housing sector. However, residential property is rarely 'traded' like equities; housing is illiquid and comes with extremely high transactional costs such as stamp duty, conveyancing costs, and expenses associated with due diligence, along with long settlement periods and a high financial commitment.

For home owners, changes in property values will have an influence on the equity they hold in their property, which can be used to leverage into other purchases or investments. Higher debt to asset value ratios can have a negative impact on borrowing capacity. Additionally, higher housing values generally translate to increased wealth and a greater willingness from households to spend.

A more direct impact from short-term changes in housing market conditions are felt by the small proportion of households that are considering a property purchase or sale; from year to year only 4-6% of properties are transacted. A housing downturn may be seen as a positive outcome for prospective buyers, but viewed from a negative perspective for those looking to sell, although selling in a market downturn could be an opportunity if the seller is re-buying.

How the long-term cycles evolves from here is open for debate.

Forecasting where housing trends are going is hard enough over the short-term, let alone over the next 10, 20 or 30 years. However, the long-term cycles can teach us a few things about the future of the market:

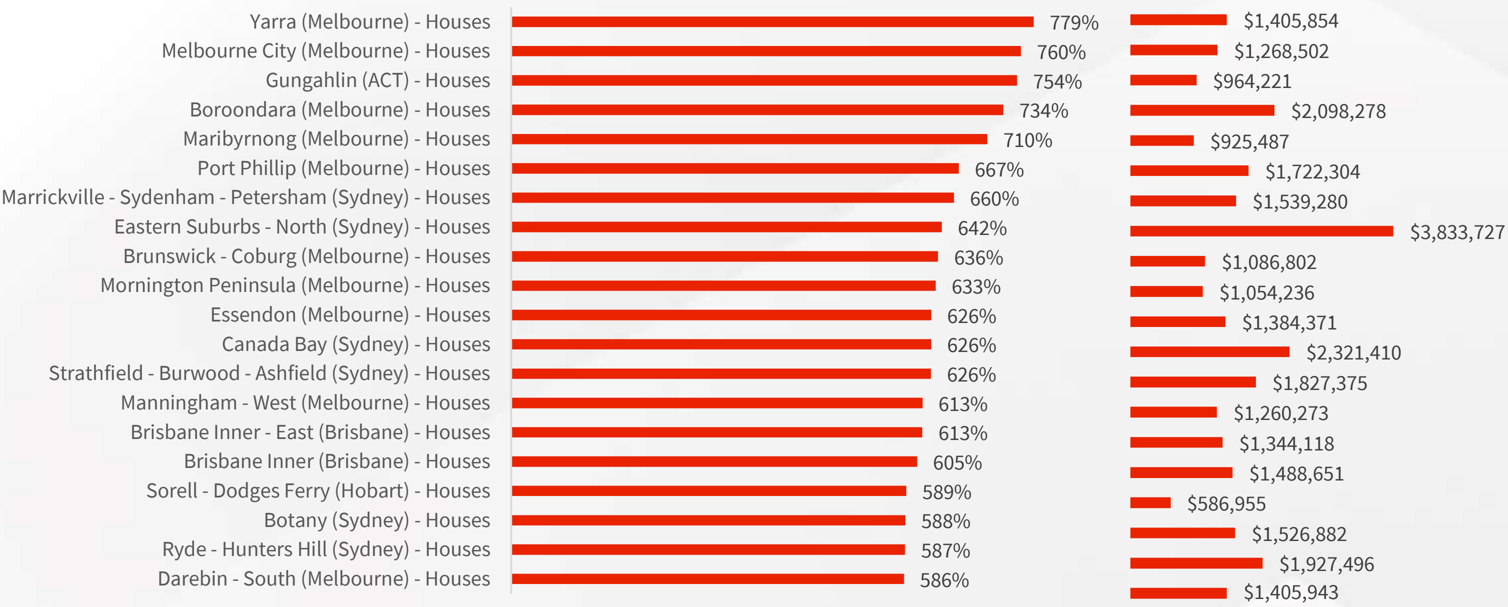
- The decline trend we are seeing at the moment will eventually level out, typically followed by a period of stability then further growth. Analysing each downturn across the combined capitals from the early 1980's shows the longest period of falling values has been 21 months, recorded over the most recent down phase (2017-2019) and also through the 1989-91 downturn.
- For those that believe housing values double every 10 years, you might need to think again. None of the capital cities recorded a doubling in dwelling values over the past 10 years (the closest was Sydney at 97.6% growth), and over the previous decade (2002-2012) Perth and Darwin were the only capital cities to double in value with gains of 103.8% and 105.5% respectively. For those looking to double the value of their asset over a decade they will need to be outperforming the broader average.

- Each housing cycle has a catalyst, both at the outset of the upswing and the onset of the downturn. The catalyst may be changes in interest rates, fiscal policy adjustments such as the availability of grants or concessions or changes to taxation, or change in market conditions could be related to economic factors such as the global financial crisis. With the current downturn heavily influenced by rising interest rates, the cue for a stabilisation in housing values will probably be found when interest rates find a ceiling. As interest rates fall, which could be as early as Q4 next year according to financial markets, we could see housing values starting to enter a new growth phase.
- Improved affordability is the silver lining of a housing downturn, providing more affordable access to housing markets. Lower housing prices imply a lower entry point to the market for buyers and higher interest rates should help savers to accrue a deposit. The downside is that serviceability measures and borrowing capacity will be lower under a higher interest rate regime.

Highest growth regions over the past 30 years

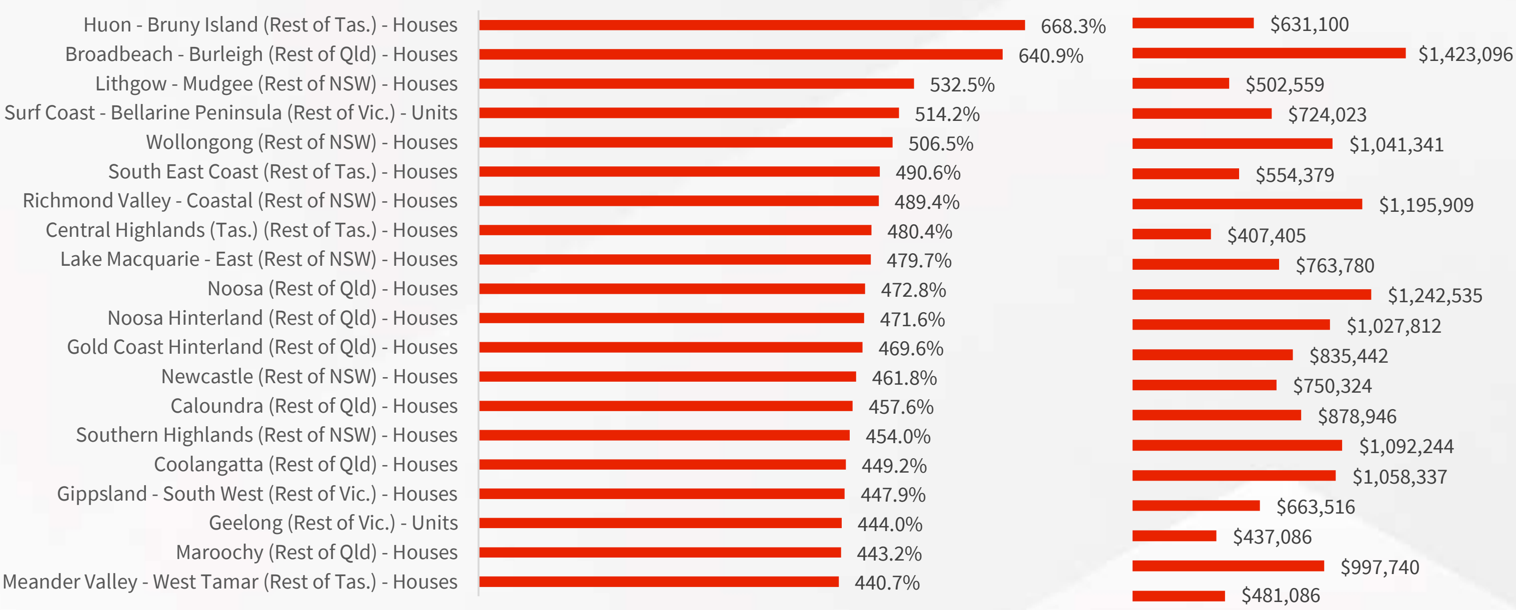
Top 20 Capital city SA3 regions: Growth in values over the past 30 years

dollar value change



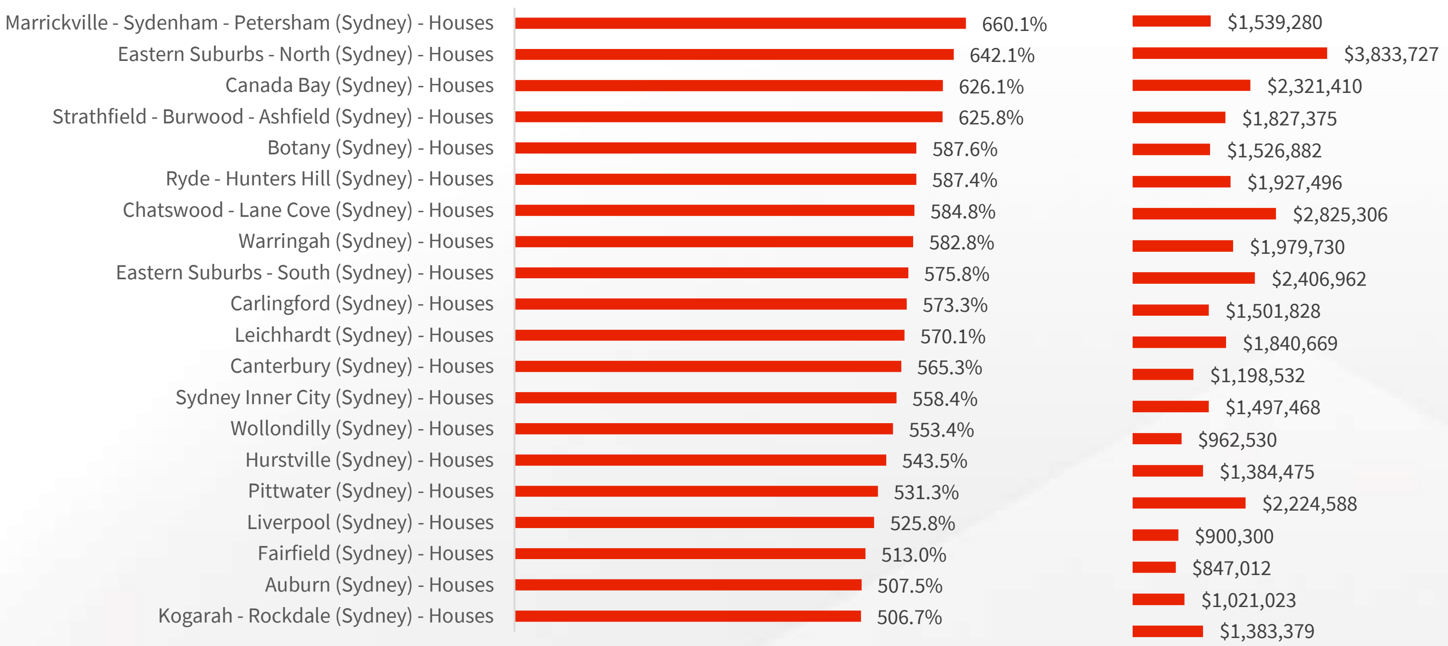
Top 20 Regional SA3 regions: Growth in values over the past 30 years

dollar value change



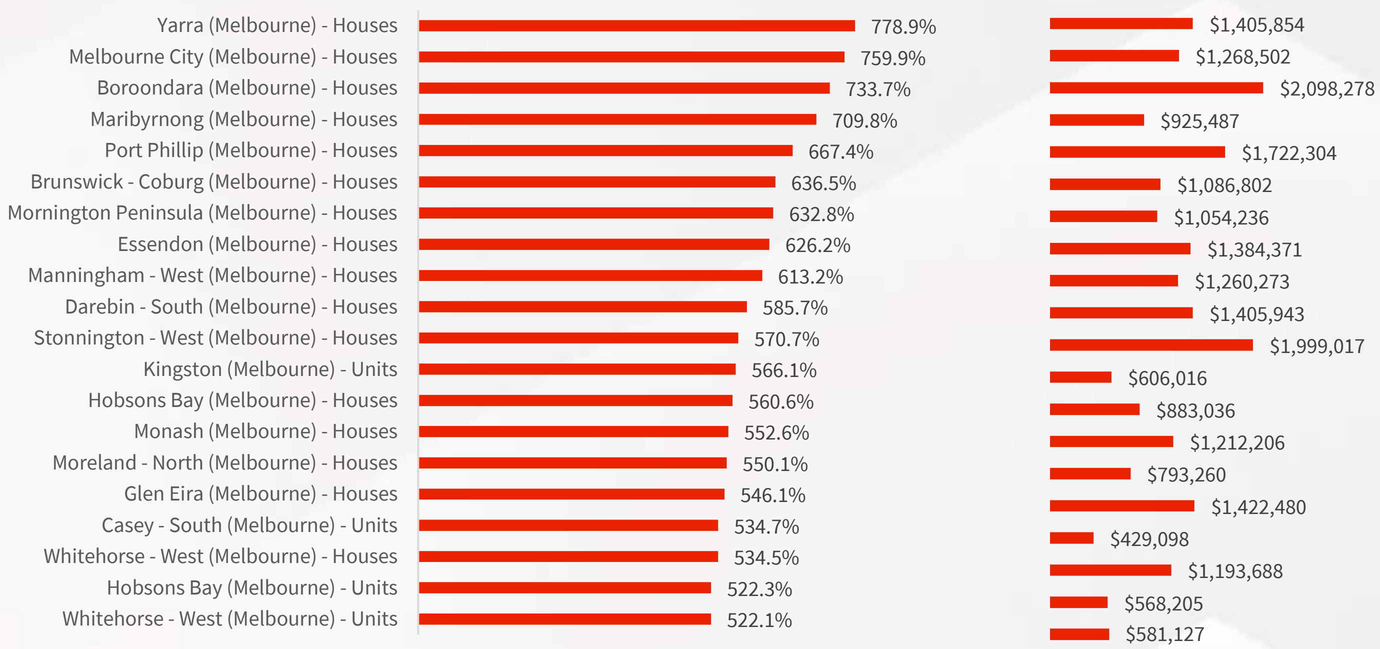
Top 20: Growth in values over the past 30 years
Sydney

dollar value change



Top 20: Growth in values over the past 30 years
Melbourne

dollar value change



Top 20: Growth in values over the past 30 years Brisbane

Region	Growth	dollar value change
Brisbane Inner - East (Brisbane) - Houses	613.1%	$1,344,118
Brisbane Inner (Brisbane) - Houses	605.1%	$1,488,651
Brisbane Inner - North (Brisbane) - Houses	560.3%	$1,309,037
Holland Park - Yeronga (Brisbane) - Houses	523.0%	$1,122,846
Brisbane Inner - West (Brisbane) - Houses	514.6%	$1,383,725
Chermside (Brisbane) - Houses	514.3%	$868,052
Capalaba (Brisbane) - Houses	480.0%	$777,109
The Gap - Enoggera (Brisbane) - Houses	472.8%	$860,475
Nathan (Brisbane) - Houses	469.5%	$888,181
Caboolture Hinterland (Brisbane) - Houses	456.2%	$585,711
Nundah (Brisbane) - Houses	440.9%	$751,485
Mt Gravatt (Brisbane) - Houses	437.0%	$907,063
Carindale (Brisbane) - Houses	423.6%	$1,095,174
Redcliffe (Brisbane) - Houses	419.9%	$640,002
Wynnum - Manly (Brisbane) - Houses	419.8%	$806,288
Jimboomba (Brisbane) - Houses	396.6%	$691,869
Beaudesert (Brisbane) - Houses	385.4%	$454,232
Sandgate (Brisbane) - Houses	379.2%	$679,054
Springwood - Kingston (Brisbane) - Houses	372.6%	$581,954
Sherwood - Indooroopilly (Brisbane) - Houses	371.2%	$1,149,357

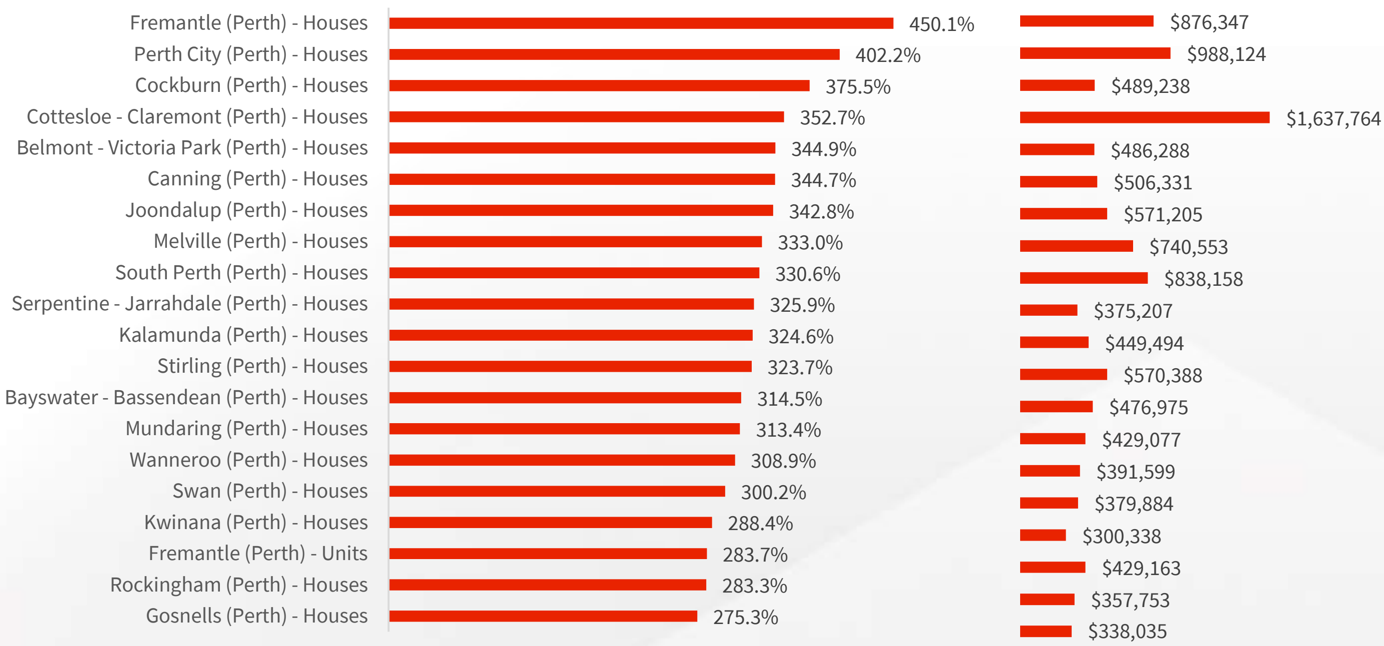
Top 20: Growth in values over the past 30 years Adelaide

Region	Growth	dollar value change
Unley (Adelaide) - Houses	551.6%	$1,287,469
Prospect - Walkerville (Adelaide) - Houses	469.0%	$1,041,277
Campbelltown (SA) (Adelaide) - Units	441.2%	$370,874
Norwood - Payneham - St Peters (Adelaide) - Houses	415.5%	$1,028,771
Mitcham (Adelaide) - Houses	413.0%	$818,835
Onkaparinga (Adelaide) - Houses	385.9%	$477,380
Port Adelaide - West (Adelaide) - Houses	382.8%	$529,679
Adelaide Hills (Adelaide) - Units	381.7%	$326,980
Burnside (Adelaide) - Houses	378.2%	$1,257,461
Port Adelaide - East (Adelaide) - Houses	375.8%	$545,814
Port Adelaide - East (Adelaide) - Units	372.0%	$274,737
Salisbury (Adelaide) - Units	360.6%	$241,976
Charles Sturt (Adelaide) - Units	356.8%	$360,220
West Torrens (Adelaide) - Houses	353.0%	$692,097
Unley (Adelaide) - Units	348.3%	$395,020
Holdfast Bay (Adelaide) - Houses	341.8%	$925,975
Playford (Adelaide) - Units	341.3%	$201,679
Adelaide City (Adelaide) - Houses	335.8%	$813,044
Campbelltown (SA) (Adelaide) - Houses	334.7%	$652,239
Charles Sturt (Adelaide) - Houses	333.6%	$637,049

Note the first five months of the South Australian index are estimates.

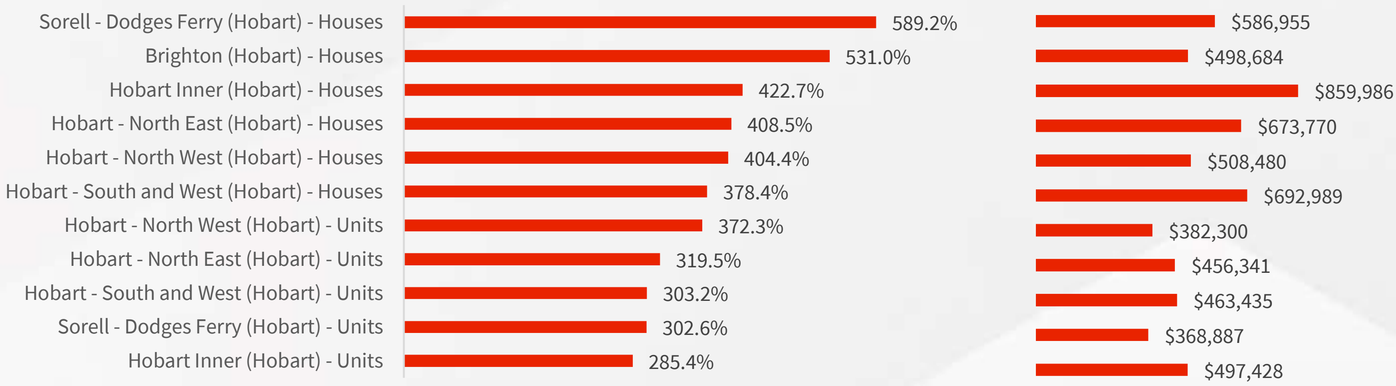
Top 20: Growth in values over the past 30 years Perth

dollar value change



Growth in values over the past 30 years Hobart

dollar value change



Growth in values over the past 30 years ACT

dollar value change