

Australian Housing Market to Peak in 2022

Christopher's Housing Boom and Bust Report 2022

Thursday 25 November 2021

Australian capital city dwelling prices will peak in the first half of 2022, with growth slowing down sharply due to expected further intervention by the banking regulator to restrict home lending, according to [Christopher's Housing Boom and Bust Report 2022](#), released today by SQM Research.

SQM Research's base case forecast is for property prices to rapidly slow from the current annual 20%-plus growth rates. The research house expects a slower rate of price rises over the first quarter of the year, followed by price falls as early as mid-2022. The price falls will be led by Sydney and Melbourne houses, for which SQM Research is currently recording significant overvaluation. These cities are the most sensitive to even minor intervention by the banking regulator, the Australian Prudential Regulatory Authority (APRA) in home lending.

Christopher's Housing Boom and Bust Report 2022 Capital City Dwelling Price Change Forecasts

	ACTUALS	2022 Scenario 1 (Base case)	2022 Scenario 2	2022 Scenario 3	2022 Scenario 4
	12 months to 12-Nov-2021 - All Dwellings Source: Corelogic	<ul style="list-style-type: none"> Cash rate remains unchanged QE scaled back Headline Inflation 3% to 5% Further APRA action by June 2022 	<ul style="list-style-type: none"> 2nd half year cash rate rises to 0.25%-0.50% Headline Inflation 4-6% QE scaled back Further APRA Intervention by June 2022 	<ul style="list-style-type: none"> Cash rate remains unchanged Headline Inflation 3-5% No further APRA Action QE scaled back 	<ul style="list-style-type: none"> Further APRA intervention by March 2022 Headline inflation 4-6% QE Scaled back Cash rate increase to 0.25%-0.5% first half of 2022
City/Region					
Perth	+16.4%	+3% to +7%	+2% to +6%	+5% to +10%	+1% to +6%
Brisbane	+22.3%	+8% to +14%	+8% to +14%	+9% to +16%	+3% to +6%
Darwin	+19.3%	-4% to +1%	-5% to 0%	-2% to +4%	-6% to +1%
Melbourne	+16.4%	-3% to +2%	-4% to +1%	-1% to +4%	-8% to -3%
Sydney	+25.2%	-2% to +4%	-3% to +3%	+3% to +8%	-7% to -2%
Adelaide	+20.1%	+4% to +8%	+4% to +8%	+6% to +11%	+1% to +6%
Hobart	+28.1%	-3% to +2%	-4% to +1%	+2% to +7%	-5% to +0%
Canberra	+25.5%	+5% to +9%	+5% to +9%	+7% to +12%	+1% to +6%
Capital City Average (weighted)	+20.6%	0% to +5%	-1% to +4%	+3% to +8%	-4% to +1%

Source: Christopher's Housing Boom and Bust Report 2022

SQM Research forecasts Brisbane will record the largest dwelling price rises over 2022, with prices predicted to rise between 8% to 14%, with prices supported by expected strong interstate migration flows given relatively good housing affordability compared to Sydney and Melbourne. This gain will nevertheless represent a slowdown compared to 2021 increases.

Melbourne and Sydney are likely to record house price falls from mid-2022 due to additional expected intervention by APRA to cool the property market. These two cities were most affected by

APRA's intervention in 2017 and given very stretched valuations on SQM measurements, Sydney and Melbourne are most susceptible to any action that restricts home lending. Melbourne could be further affected by migration to other states. However, this will likely be offset by a rise in net overseas migration expected next year.

In both large capital cities, 2022 should see a turnaround in the unit rental markets and unit price growth could outperform that of houses. With houses being overvalued, apartments are relatively affordable and are expected to be in greater demand from an expected rise in net migration from interstate and overseas with Australia's border now open.

Louis Christopher, Managing Director of SQM Research said: "As 2021 draws to a close, the national housing market is starting to show signs of a peak. Auction clearance rates have fallen from their highs amid record listings. However, we may also be recording some seasonality and pent-up selling after vendors held off listings during the lockdown. Nevertheless, we expect the market to peak in 2022, with further expected intervention by APRA, which could come as early as next month, halting the price momentum.

"If the Australian housing market does not slowdown by mid-2022, APRA will likely keep intervening in home lending until the market does slowdown. We cannot afford another year of 20%-plus gains across the national housing market. And so, to ensure a soft landing for the market, it is best we see additional intervention sooner rather than later to reign in property valuations."

Other forecasts from *Christopher's Housing Boom and Bust Report* include:

- Dwelling prices in regional Australia to correct, particularly for inland communities, as people return to the capital cities.
- Official interest rates are likely to stay on hold until at least late 2022.
- Further APRA intervention to occur as early as December 2021.
- Expected dwelling price corrections to be moderate unless exacerbated by aggressive monetary policy action involving rate rises earlier in the year.
- Ongoing rental rises for capital cities over and above the CPI change.

[**Christopher's Housing Boom and Bust Report**](#) also has a full breakdown of every postcode in the country covering current market statistics and its postcode investor ratings. The full report can be found on www.sqmresearch.com.au for \$59.95.

About SQM Research

SQM Research Pty Ltd is a respected Australian investment research house, specialising in providing research and data across all major asset classes.

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