

Sydney and Melbourne Housing Prices to Fall.

Christopher's Housing Boom and Bust Report 2024

Tuesday 21 November 2023

EMBARGOED TO 9.30pm MONDAY 20 NOVEMBER, 2023

Sydney and Melbourne housing prices are forecasted to record a moderate fall in what is tipped to be a mixed 2024 national housing market, according to forecasts released today by SQM Research in its annual update, *Christopher's Housing Boom and Bust Report 2024*.

The base case forecast is for average national dwelling prices to change between -1% to 3%. The cities of Perth and Brisbane are the only cities expected to record price rises with each respective market driven by a tailwind of a recovering Chinese economy which is anticipated to see strong demand for base commodities such as Iron Ore.

However, for much of the rest of Australia, the sharp deterioration of housing affordability, driven by ongoing interest rate rises which are now (in SQM's opinion) at restrictive levels, plus an anticipated slower economy, will see a modest to moderate correction in dwelling prices take place in Sydney, Melbourne, Canberra and Hobart. Adelaide and Darwin are anticipated to remain steady or record a minor rise/correction.

Scenario Table - Boom & Bust Report 2024

	Scenario 1 (Base case)	Scenario 2 Energy crisis	Scenario 3 VERY STRONG POPULATION GROWTH	Scenario 4
City/Region	<ul style="list-style-type: none"> Cash rate ranges between 4.1% to 5% Population growth slows to 460,000 or less Unemployment rises to between 4.5% to 5.5% 	<ul style="list-style-type: none"> Cash rates rise above 5.00% Unemployment rises above 6% Inflation reignites back towards 7% following Middle East oil embargo Population growth slows back to 460,000 or less 	Scenario 1 PLUS strong population of 500,000+	Scenario 2 PLUS strong population growth of 500,000+
Perth	+5% to +9%	+5% to +9%	+5% to +9%	+5% to +9%
Brisbane	+4% to +8%	+1% to +4%	+7% to +11%	+3% to +7%
Darwin	-3% to +1%	-4% to 0%	-3% to +1%	-2% to +2%
Melbourne	-3% to +1%	-7% to -3%	0% to +3%	-5% to -1%
Sydney	-4% to 0%	-6% to -2%	-1% to +3%	-4% to 0%
Adelaide	0% to +3%	-3% to +1%	+2% to +7%	-2% to +2%
Hobart	-7% to -3%	-9% to -5%	-3% to +2%	-8% to -4%
Canberra	-8% to -4%	-10% to -6%	-5% to -1%	-9% to -5%
Capital City Average (weighted)	-1% to +3%	-3% to 0%	+1% to +5%	-2% to +2%

Source: Christopher's Housing Boom and Bust Report 2024 - Released 21 November 2023

The rise in interest rates over 2022 and 2023, and possibly into 2024 will start to bite homeowners and would-be home buyers alike. SQM Research expects a rise in distressed selling activity over next year and only the most cashed up willing to enter the market.

Sydney's housing market is expected to record a moderate fall in dwelling prices of between -4 to 0%. It is expected Sydney's middle to outer rings for free standing houses will record a greater correction. Sydney units are expected to outperform, and Sydney's inner ring is still expected to record price rises as top end property remains in demand from foreign investors.

2023 has recorded a significant deterioration in housing affordability for Sydney. Typical mortgage repayments to household incomes have reached generational new highs and based on the current Sydney median dwelling price (\$1,100,000) have put housing out of reach for the majority of Sydney working adults.

Melbourne is also forecast to enter into a modest correction with prices tipped to fall by up to 3%. Like Sydney, Melbourne's top end of the market is still expected to record price rises and units too are also expected to outperform.

Canberra is forecasted to record the largest falls out of all cities with price falls anticipated of between 4% to 8%. The combination of slower anticipated federal government spending plus an expected strong rise in dwelling completions (one of the very few cities recording accelerated supply).

The forecasts release today are based on two key contingencies:

- 1) The rate of net short term and longer-term migration is expected to peak next year and then ease so that total population growth for 2024 falls back to circa 460,000 people.
- 2) The rate of inflation is expected to continue to ease to back to between 3 to 4% by the end of 2024.

As such and as is normal for its annual forecast, scenarios have been represented whereby migration rates do not slow next year and inflation reignites.

If Australia's migration rates fail to slow as anticipated, this would likely mean SQM's base case forecasts of a mild correction would not materialise. On the other hand, housing price falls could be more acute if inflation were to accelerate to the point of forcing the Reserve Bank of Australia to lift the cash rate beyond 5%. To this end, SQM has built out a scenario based on a second energy crisis, driven by current events in the Middle East. Such a scenario would force the RBA to lift interest rates more aggressively over 2024 and very likely trigger a sharp recession for Australia.

Asking rents expected to rise.

Asking rents around the nation are expected to rise between 7% to 10% with the city of **Perth** tipped to record the largest increase of 12 to 15%.

While SQM expects an easing in the population growth to 460,000 people, it also expects a sharp decline in dwelling completions over 2024 to 153,000 dwellings. Current building approval numbers plus dwellings under current construction as published by the Australian Bureau of Statistics (ABS), strongly suggest the nation will have the lowest completion rate since 2012.

This ongoing imbalance between demand and supply will continue to put upward pressure on rents around the country.

Louis Christopher, Managing Director of SQM Research said,

“Another year of anticipated strong population expansion (albeit slower than 2023) plus an ongoing shortage of new dwellings, will limit the fall in housing prices to single percentage digits and the price falls should just be limited to mainly Sydney, Melbourne, Canberra and Hobart. Nevertheless, with expected slowing employment growth and the corresponding rise in unemployment, tipped to be towards 5% by the year end 2024, this negative will more than offset another year of strong migration.

The interests rate rises of 2022, 2023 and possibly 2024 will finally start to bite homeowners and would-be homebuyers alike. Distressed selling activity is expected to jump, especially in NSW where we are already starting to see a new trend upwards in that data set.

These are the key assumptions behind our base case scenario. If I am wrong and the housing market has another strong year, it will be because employment growth has continued to be firm and/or migration has once again grown more quickly than expected and homeowners once again have managed to withstand the higher lending rate environment.

Perth and Brisbane are still very likely to record price rises based on super tight rental conditions, a better-than-expected global commodities market and minimal exposure to the financial services sector (where we believe there maybe be significant job losses).”

[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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