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Success, Property Investment, Money & You

By Brett WarrenJune 22, 2023

Key takeaways

A well-established and steady recovery for the Australian housing market is anticipated.

House prices in Sydney, Adelaide and Perth, and unit prices in Brisbane, Adelaide and Hobart, could have fully recovered from the 2022 downturn by the end of the next financial year according to research by Domain.

Regional Australia is set to see a return to more traditional price patterns, with a slower pace of growth anticipated than the combined capital cities.

It's halfway through 2023, and with concerns about rising interest rates and talk about a recession, one question many are asking is:

What's ahead for the Australian property market?

Interestingly, according to the Domain Forecast Report, Australia's housing market will be in a well-established, steady recovery over the coming financial year, with select capital cities anticipated to recover from the 2022 downturn fully over the next year.

They forecast that house prices in Sydney, Adelaide and Perth will be at a new record high and unit prices in Brisbane, Adelaide and Hobart could also reach a new record high in the 2023-24 financial year.

Adelaide and Perth house prices are predicted to rise slowly and may avoid a downturn completely – instead seeing a period of modest or sideways growth (for which Adelaide is renowned).

Domain house and unit price forecast to the end of Financial Year 2024

Location	Houses	Units
Sydney	6-9%	2-5%
Melbourne	0-2%	-2-1%
Brisbane	1-4%	0-1%
Perth	1-3%	1-3%
Adelaide	2-5%	0-2%
Hobart	3-5%	1-3%
Canberra	2-4%	-1-2%
Combined capitals	2-4%	1-3%
Combined regionals	1-3%	0-2%
Regional NSW	-1-1%	1-3%
Regional VIC	1-4%	1-3%
Regional QLD	3-4%	0-1%
Gold Coast	2-4%	1-2%
Sunshine Coast	1-2%	1-3%

* Forecasts are the predicted percentage change in house and unit prices by the end of FY24. Note this forecast spans 13 months (from the beginning of June 2023 to the end of June 2024).

Dr Nicola Powell, Domain's Chief of Research and Economics commented:

"Population pressures will lead the charge in factors driving housing demand and property prices higher over the next 12 months.

Australia has seen an exponential increase in temporary and permanent migration since the international border reopened in late 2021 to alleviate skills shortages.

Of course, unlike natural population growth, those arriving from overseas aren't already housed.

This puts us in a position where in the next financial year alone, nearly 130,000 extra dwellings will be needed, with the Eastern Seaboard receiving the largest share of migrants.

When you combine this with unprecedented headwinds in the construction industry and unseasonably weak listings, this has contributed to a forecast of continued tight housing supply that drives up market competition.

While prices are expected to rise, affordability will contain the pace of growth, as the likes of rapidly rising interest rates and ongoing mortgage serviceability challenges continue to play out in a complex and dynamic market."

BRISBANE

Domain believes Brisbane house prices will be close to a new record high by the end of FY24.
Looking at units, their forecast is that they will be more stable than houses over the coming financial year if the forecast growth of 0% to 1% eventuates.

This growth range and the growth seen in the early half of 2023 means unit prices will be at a new record high at the end of FY 2024.

Final note...

In her forecasts Dr Powell explains that in the past, migration policy has pushed migrants towards regional areas with migrants willing to live in regional areas as they are awarded extra points and have an increased chance of getting a permanent visa.

With the anticipated overhaul of the migration system, there is speculation that the streamlined channels of overseas migration to regional locations may be overturned – helping to dissipate demand flows.

That being said, with housing affordability remaining a significant barrier in our largest capital cities, demand will likely remain from younger home buyers who seek affordable regional markets, particularly those within close proximity to a major city or employment hub.