Pain and Gain Report

Australia | Released September 2022

Data to June 2022

Contents

Introduction

This edition of the quarterly pain and gain report analyses approximately 102,000 resales that took place over the June 2022 quarter. The results show a plateau in the rate of profit-making sales compared with the March 2022 quarter, at 93.8%. Between March and June, the rolling quarterly rate of profit-making sales reached a recent peak at 94.1%, coinciding with the peak in national dwelling values.

The decline in the rate of profit-making sales from April was largely driven by an increase in the rate of loss-making resales in Sydney and Melbourne. The rate of loss-making sales increased 160 basis points across Sydney resales in the June quarter, to 6.4%, coinciding with a quarterly decline in home values of -2.8% over the period. In Melbourne, the rate of loss-making sales increased 50 basis points, as dwelling value fell -1.8%.

Despite recent weakness in Sydney and Melbourne home values amid rising interest rates, residential resales continued to show impressive results in the June quarter. Hobart and Canberra topped the capital cities for the rate of profit-making sales, with 99.1% of resales achieving a nominal gain. Across Hobart, this marks four years straight of sellers seeing the highest rate of nominal gain. For Canberra, it marks a record high in profit-making resales.

Resources markets broadly showed an improvement in the rate of profitability in the June quarter, though there were some signs of a shift in regional WA, where the rate of profit-making sales actually increased 110 basis points. This may reflect sellers, even those who could make a slight loss, taking advantage of a recent high in dwelling values.

Other trends in profitability reflect what has been seen in previous resales analysis. Nationally, the portion of houses that made a nominal gain (at 96.5%) was higher than across the unit segment (at 88.1%). Investors saw nominal gains from 90.9% of resales, below 96.7% for owner-occupiers.

Longer hold periods were generally associated with higher nominal gains. Property owners who sold after 30 years saw a median nominal return of over $800,000. The median hold period of all resales in the quarter was nine years, with an expectation that hold periods will increase as Australian property values move through the downswing, with recent buyers less incentivised to sell in a downturn.

As the Australian housing market continued to see value declines through to the end of August, it is expected the rate of profit-making sales may be moving past a peak level. In the coming quarters, more broad-based dwelling value declines may place a limit on profitability for sellers.

MEDIAN RETURNS

MEDIAN GAIN
$270,000

MEDIAN LOSS
$33,500

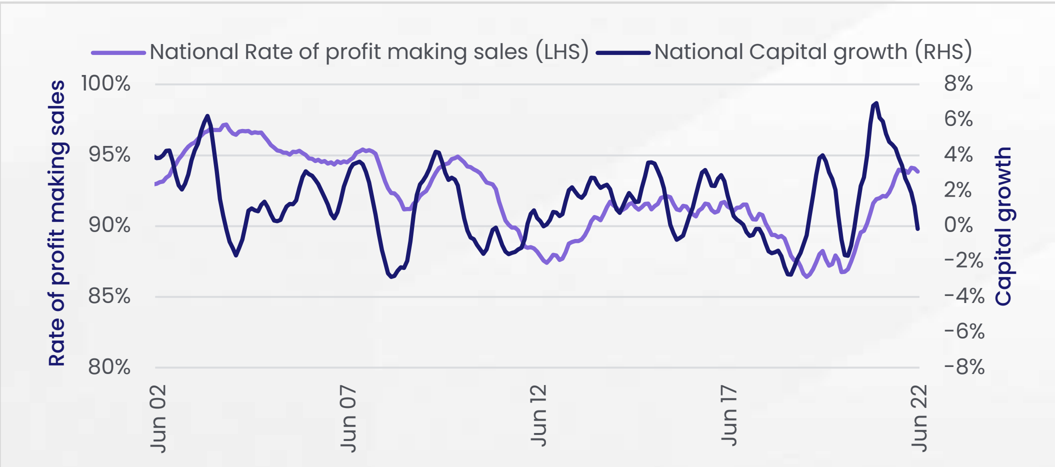
National Overview

The rate of profitability in Australian residential real estate plateaued in the June quarter, as the Australian market moved into the early stages of a downswing. CoreLogic analysed approximately 102,000 resales in the quarter, of which 93.8% made a profit. This was steady on the March quarter, but has moved lower from a recent high of 94.1% in the three months to April 2022.

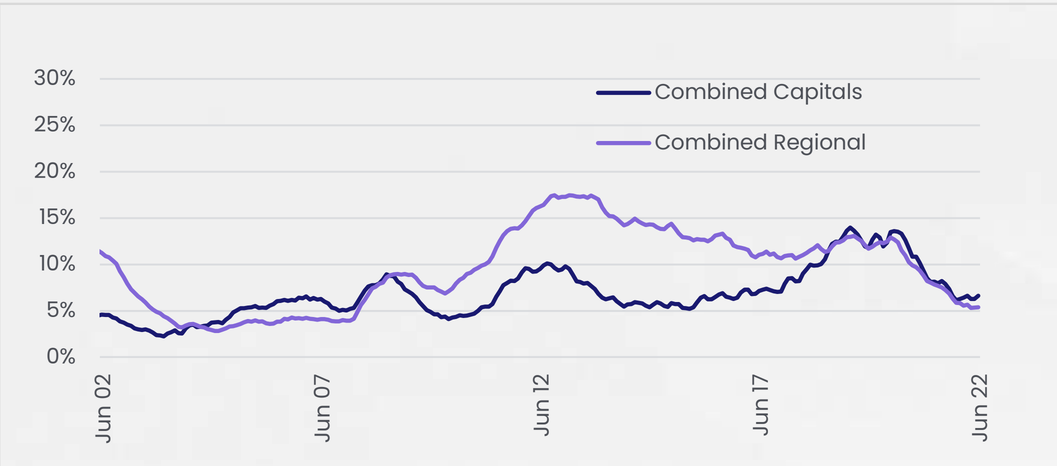
The chart below shows the rolling three-month rate of loss-making sales nationally, against the rolling three-month change in the national home value index.

The chart shows home values declined -0.2% in the June quarter. While profitability remained at high levels through the quarter, the line chart shows the incidence of profit-making sales may be moving past a peak level.

Rolling quarterly rate of profit-making sales versus rolling quarterly change in Home Value Index (national, dwellings)



Portion of loss-making sales, capital cities versus regional - rolling quarter



For profit-making sales, the June 2022 quarter saw total nominal gains of $29.3 billion, down from $31.5 billion in the March quarter. Combined losses totalled $285 million, which is down from $298 million in the previous quarter.

The median nominal gains from resale declined through the quarter as well, falling from $310,000 in March, to $270,000 in the three months to June. Median losses increased slightly on the March quarter, from -$33,000 to -$33,500 in the three months to June. While typical losses deepened slightly in the June quarter, the actual volume of loss-making sales fell by around -9.4%. This may be because vendors try to hold off selling as housing market conditions soften.

The median hold period on all resales through the June quarter was nine years, including 8.5 years across loss-making resales, and a median hold period of 9.0 years on those that made a nominal gain.

While profitability was steady over the quarter, dynamics varied across different markets and dwelling types. The rate of loss-making sales across the capital cities increased slightly through the quarter, from 6.62% to 6.64%. This was driven by a 40 basis lift in the rate of loss-making *unit* sales across the capital cities, to 13.5%. Resales data suggests a notable increase in loss-making unit sales across the Sydney council region, including in high-density markets like Waterloo, Zetland and Roseberry.

The rate of loss-making resales in regional Australia continued to trend lower through the June quarter. The rate of loss-making sales in regional Australia fell 30 basis points to 5.4% from March, marking one of the lowest periods of loss-making resales since the three months to April 2008. However, when looking at the data on a rolling three-month basis, loss-making resales actually hit a recent low of 5.3% in the three months to April 2022, suggesting the incidence of loss-making sales may also be moving higher from recent lows.

Regional Australian home values did continue to rise through the June 2022 quarter, but have since followed the capital city markets into a relatively sharp housing market downturn. Through July and August, regional Australian home values declined a total of -2.2% from a peak in June, which is likely to weigh on profitability in the regions going forward.

Across the greater capital city and rest of state regions of Australia, five out of 15 markets saw an increase in the rate of loss-making resales. These were Sydney and Melbourne, as well as regional markets of Western Australia, Victoria and Tasmania. Sydney had the largest spike in the rate of loss-making resales, at 160 basis points. This took loss-making sales in the quarter to 6.4% across the city. Melbourne also saw a notable 50 basis point increase in the rate of loss-making sales, to 5.3%. This may not be surprising, given relatively sharp falls in values commenced across these markets from earlier in 2022. Sydney home values peaked in January, while Melbourne dwelling values peaked in February.

The most dramatic decline in the rate of loss-making sales was across regional NT, though this was measured off a low base of 117 resales observed through the quarter. Other notable declines in the rate of loss-making sales were across Canberra, Darwin, Perth and Adelaide. Aside from Canberra, housing market values have been relatively resilient to increases in the cash rate across these smaller capital cities.

Portion of loss-making sales, capital cities versus regional – QoQ change

	Portion of loss-making sales June 2022	Portion of loss-making sales Mar 2022	Change (percentage point)
Sydney	6.4%	4.9%	1.6%
Rest of NSW	1.9%	1.9%	0.0%
Melbourne	5.3%	4.8%	0.5%
Rest of Vic.	0.6%	0.5%	0.1%
Brisbane	4.6%	5.3%	-0.7%
Rest of Qld	7.7%	8.1%	-0.4%
Adelaide	2.0%	2.6%	-0.5%
Rest of SA	6.5%	7.0%	-0.5%
Perth	14.8%	15.6%	-0.8%
Rest of WA	18.4%	17.3%	1.1%
Hobart	0.9%	1.0%	-0.1%
Rest of Tas.	2.1%	1.6%	0.5%
Darwin	26.8%	28.1%	-1.2%
Rest of NT	14.0%	22.0%	-8.0%
ACT	0.9%	1.8%	-0.9%

Through the June quarter, Hobart and Canberra dwelling markets saw the lowest incidence of loss-making sales of the capital city markets. 99.1% of resales in these markets made a nominal gain, though the median gains from resale were slightly higher across Hobart in the June quarter, at $370,000, compared with $360,000 across the ACT.

As noted in the March quarter report, it is likely that this housing market cycle saw peak incidence of profitability at around 94% of resales. The June quarter has seen signs of profitability in the Australian housing market eroding, with further weakening in the rate of profit-making sales expected in the coming months. The relationship between a higher rate of loss-making sales and falling prices is, at this stage, more defined across Sydney and Melbourne, where property price declines have been more significant.

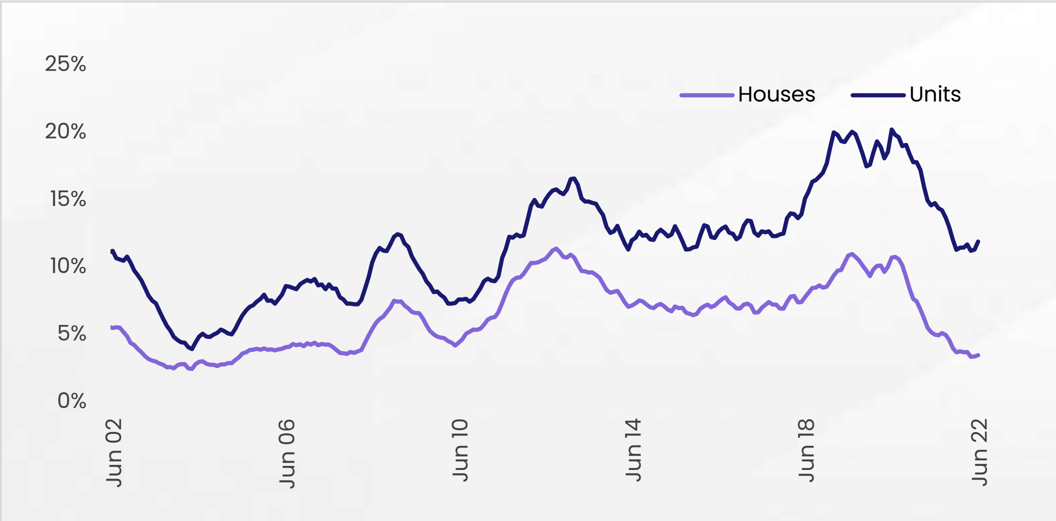
However, there may be a ceiling on the rate of loss-making sales, even as interest rates rise and buyer demand wanes. This is because of the vendor's ability to withhold from selling amid weaker market conditions. Most Australian mortgage holders remain well placed to service their mortgages, due to high levels of pre-payments and elevated savings in mortgage offset accounts. Tight labour market conditions and rising wages will also empower borrowers to continue making higher mortgage repayments. Furthermore, a resale of property in a market downswing does not mean the seller is necessarily making a nominal loss. Nationally, price falls have taken median dwelling value levels back to where they were at the end of 2021, and home values were still 4.7% higher in the year to August. Generally speaking, people who have held their property for more than a year may still stand to make nominal gains from the resale of a property, though this varies across different markets.

Houses vs Units

Through the June 2022 quarter, 96.5% of house resales made a nominal gain, compared with 88.1% of unit resales. Houses accounted for 68.0% of resales through the June quarter, but only 38.2% of loss-making resales. Units accounted for only 32.0% of resales in the June quarter, but 61.8% of loss-making sales.

Both house and unit resales have seen an uptick in loss-making sales from the three months to April 2022 (April was also the month that the CoreLogic Home Value Index hit a record high for houses and units nationally). The rate of profitability across the house market has since declined 12 basis points through to the end of the June quarter, and the rate of unit resales that made a nominal gain fell faster at 70 basis points. The chart below demonstrates this trend, where the rate of loss-making unit sales has trended higher.

Rolling three month rate of loss-making sales – houses versus units, national



The drag on profitability in unit sales was largely due to a jump in the rate of loss-making sales across capital cities. The portion of capital city unit resales that made a nominal loss jumped to 13.5% in the three months to June, up from 12.6% in the three months to April.

In regional Australia, the rate of loss-making unit sales continued to trend lower in the three months to June, to 7.3%. This was 30 basis points lower than in the three months to April, and is the lowest incidence of loss-making unit resales in regional Australia since the three months to April 2008. The continued strength in the regional Australian unit market also coincides with further price rises in this segment through the June quarter, at 2.0%.

Across the capital city and regional markets of Australia, the highest portion of profit-making sales was across Hobart units (100%). This was followed closely by regional NSW and the ACT, where 98.8% of units resold in the quarter made a nominal gain. The most profitable house market was regional Victoria, where 99.5% of resales made a nominal gain.

HOUSES VS UNITS

The table below summarises the portion of loss and profit-making house sales across the greater capital city and regional markets.

At the national level, nominal gains across the house segment were not only far more likely than in the unit segment, but nominal gains across houses were generally higher. In the June quarter, the median nominal gain on profit-making houses was $370,000, compared with $173,000 across units. Median nominal losses across house resales were -$30,000, compared with -$37,000 across units in the quarter.

The relative strength in return from the house segment comes down to a few factors, including the value associated with land and the strength of owner occupier demand over the past two years (where owner occupiers skew to house purchases over units). As noted in previous reports, the unit segment in Australia, particularly in the high density, investment centric centres of Sydney, Melbourne and Brisbane, saw a surge in construction from 2012 to 2017. However, macroprudential changes to investment and interest-only lending triggered a downturn in investment demand for housing through 2014 and 2017. The combination of a surge in supply and loss in investment demand has contributed to weaker conditions across some of these markets.

The pandemic period also impacted rental demand in high density city centres in 2020, as overseas migration came to a halt. This may have further dampened investment demand through that period, even as interest rates dropped to record lows. At the LGA level, Brisbane, Melbourne and Parramatta continued to have the highest volume of loss-making unit sales through the June quarter.

However, the return of overseas migration to Australia, along with the potential for an undersupply of higher density housing stock and tight rental conditions, could eventually re-stoke investor activity, and support capital growth in high-density unit markets. According to the latest migration data from the ABS, quarterly overseas migration reached a record high in NSW and Victoria over the first three months of 2022, at 34,272 and 32,014 respectively. This influx of overseas migration is likely to skew to high-density rental markets in Sydney and Melbourne, which was a consistent migration pattern prior to COVID-19. This is also reflected in continued momentum in Sydney and Melbourne unit rents, which increased 4.1% and 3.9% respectively in the three months to August.

Proportion of total resales at a loss/gain, houses vs. units, June 2022 quarter

REGION	HOUSES		UNITS	
	Pain	Gain	Pain	Gain
Sydney	1.5%	98.5%	10.6%	89.4%
Rest of NSW	2.0%	98.0%	1.2%	98.8%
Melbourne	0.6%	99.4%	12.9%	87.1%
Rest of Vic.	0.5%	99.5%	0.9%	99.1%
Brisbane	0.8%	99.2%	11.1%	88.9%
Rest of Qld	6.8%	93.2%	9.6%	90.4%
Adelaide	0.6%	99.4%	6.2%	93.8%
Rest of SA	6.0%	94.0%	14.5%	85.5%
Perth	7.7%	92.3%	35.8%	64.2%
Rest of WA	17.0%	83.0%	31.2%	68.8%
Hobart	1.2%	98.8%	0.0%	100.0%
Rest of Tas.	2.2%	97.8%	1.5%	98.5%
Darwin	17.0%	83.0%	42.1%	57.9%
Rest of NT	9.6%	90.4%	23.8%	76.2%
Australian Capital Territory	0.6%	99.4%	1.2%	98.8%
National	3.5%	96.5%	11.9%	88.1%
Cap city	2.3%	97.7%	13.5%	86.5%
Regional	4.9%	95.1%	7.3%	92.7%

Investor vs Owner Occupiers*

While the national rate of profit-making sales stands at 93.8%, there is quite a variance between owner-occupied and investor resales. Over the June quarter, profitability in owner-occupied resales was 96.7%, compared with 90.9% of resales by investors. This meant investors were around 35.8% more likely to have a loss-making sale through the quarter. As well as investors being less likely to make a profit from resale, median nominal gains were lower, at $223,000, compared with $348,000 for owner-occupier resales.

Median hold periods of resales did not vary greatly between owner-occupiers and investors through the June quarter. Of the resales that made nominal gains, the median hold period for both investors and owner-occupiers was nine years. This places the median initial purchase date in the June quarter of 2013. Across loss-making resales, investors had a median hold period of 8.4 years, while owner-occupiers had a slightly longer hold period of 8.6 years.

As discussed in previous reports, the discrepancy in results for owner-occupiers and investors comes down to the type of purchases made, rather than a substantial difference in hold periods. Investors accounted for around 57% of unit resales in the quarter, including 76% of unit resales across Darwin, and 63% of unit resales across Perth; two markets that have seen volatility in capital growth performance tied to the resources sector. Investors accounted for only 17.9% of house resales in the June 2022 quarter, a segment that has historically shown relatively strong gains compared with units.

Comparing house and unit profits directly for the two cohorts also shows owner-occupiers making greater nominal gains through the quarter, though on average owner-occupiers have a greater upfront purchase price. Owner-occupied house sales saw a median nominal gain of $385,000, compared with $314,100 for investors. For units, median nominal gains were $200,000 for owner-occupiers and $154,000 for investors. Average initial purchase prices for owner-occupied purchases were around 8% higher than investment purchases across properties that made nominal gains. This may reflect investors generally making cheaper property investments that may be smaller, lower maintenance, and present greater rental yield potential.

The table on page 11 shows the rate of profit and loss-making sales by greater capital city and regional area through the June 2022 quarter. The most profitable broad region for investors was Hobart, where 100% of investment resales made a nominal gain. For investment resales in Hobart, median hold periods were 8.2 years, with median nominal gains of $325,000.

For owner-occupiers, 100% of regional Victorian resales made a nominal gain through the quarter. The median hold period of owner-occupied resales in this market was 7.9 years, with a median nominal gain of $310,000.

Looking ahead, both owner-occupied and investor resales activity may see a decline in the rate of profitability amid rising rates and dwelling value declines. However, the urgency for investors to sell amid higher mortgage rates may be partially offset by continued strength in the rental market.

**CoreLogic uses data proxies to estimate the occupancy of a dwelling. These estimates have varied levels of confidence, and so caution should be used when interpreting these figures.*

INVESTOR VS OWNER OCCUPIERS

Proportion of total resales at a loss/gain, owner occupiers vs investors, June 2022 quarter

REGION	PAIN		GAIN	
	Owner Occupied	Investor	Owner Occupied	Investor
Sydney	3.6%	8.6%	96.4%	91.4%
Regional NSW	1.5%	1.4%	98.5%	98.6%
Melbourne	1.2%	11.2%	98.8%	88.8%
Regional Vic	0.0%	0.1%	100.0%	99.9%
Brisbane	2.3%	6.4%	97.7%	93.6%
Regional Qld	4.3%	7.7%	95.7%	92.3%
Adelaide	0.8%	2.9%	99.2%	97.1%
Regional SA	3.7%	6.4%	96.3%	93.6%
Perth	7.8%	22.9%	92.2%	77.1%
Regional WA	13.7%	20.3%	86.3%	79.7%
Hobart	0.5%	0.0%	99.5%	100.0%
Regional Tas	0.9%	0.5%	99.1%	99.5%
Darwin	21.4%	35.9%	78.6%	64.1%
Regional NT	13.1%	22.6%	86.9%	77.4%
Australian Capital Territory	0.1%	1.4%	99.9%	98.6%
National	3.3%	9.1%	96.7%	90.9%
Cap city	3.2%	10.5%	96.8%	89.5%
Regional	3.3%	5.5%	96.7%	94.5%

Hold Periods

The median hold period of resales through the June quarter nationally was 9.0 years, placing the initial purchase date of the median resale in the June quarter of 2013. From June 2013 to June 2022, Australian home values have increased 66.8%, or the equivalent of around $304,000 in the median dwelling value across Australia. The median profit-making resale gain was not far off this figure, at around $307,500.

The median hold period for profit-making sales was 9.0 years through the June quarter, slightly higher than the typical hold period for loss-making sales, which was 8.5 years. As noted in the previous quarter, this places the typical loss-making resale at late 2013, which was near a peak in value across resources markets like Western Australia and the Northern Territory, which still have a relatively high incidence of loss-making sales.

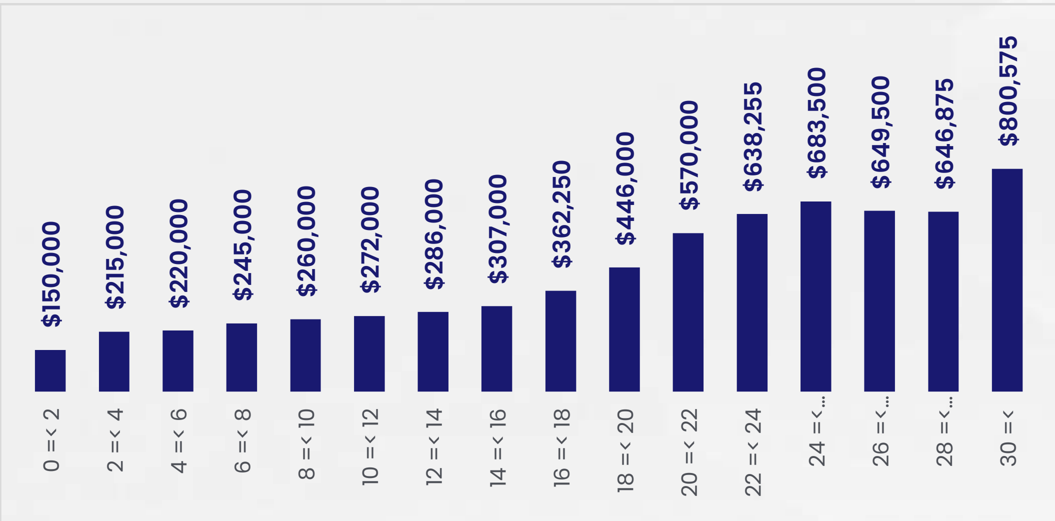
The latest housing market upswing, which took place between September 2020 and April 2022, saw a total value increase of 28.6% in national values. This has led to substantial nominal gains over relatively short hold periods. However, as the housing market enters a downswing, the nominal gains from relatively short hold periods are starting to erode. In the March 2022 quarter, the median result from resale within a two year period was a gain of $170,000. By the end of June, the median nominal gain from resales made within two years of purchase had declined to $150,000.

The chart below shows the median result across all profit and loss-making resales in the June 2022 quarter.

Unsurprisingly, the highest gains from resale were across properties held for over 30 years, with a median result of $800,575 in nominal gain. Aside from this, the highest median gain came from properties held between 24 and 26 years. This places the highest nominal gains from initial purchases made between 1996 and 1998, which in part coincided with a notable downswing in housing values off the back of rate hikes.

Of the capital cities and rest of state territories, the lowest median hold period for profit-making sales were across regional Tasmanian units, which was 6.2 years, suggesting an initial purchase date in early 2016. Between March 2016 and June 2022, regional Tasmanian dwelling values have increased almost 90% in value. The median profit from unit resales in regional Tasmania was $190,000.

Median nominal return from resales by hold period (years) – June 2022 quarter



HOLD PERIODS

Conversely, the highest median hold period for properties still making a nominal loss were across regional WA units. The median hold period for loss making unit sales was 14 years, with the median nominal decline sitting at -$43,000.

In the coming quarters, it is likely that hold periods on resales will rise across the board, with hold periods and capital growth trends weakly, positively correlated over time. This may be because those who have held for a relatively short period of time are less incentivised to sell during a downswing. As the cash rate continues to rise, further downward pressure on property prices on a broad basis may see more vendors hesitate around selling.

Median hold period of profit and loss making sales, June 2022 quarter

REGION	PAIN		GAIN	
	Houses	Units	Houses	Units
Sydney	6.7	5.7	10.3	8.7
Regional NSW	8.0	6.8	8.6	7.5
Melbourne	4.1	7.6	9.9	8.3
Regional Vic	2.6	0.0	7.9	7.9
Brisbane	8.5	8.4	8.8	8.0
Regional Qld	11.5	12.9	8.7	7.4
Adelaide	10.5	9.6	9.8	8.1
Regional SA	12.0	12.8	11.3	12.3
Perth	8.2	9.0	10.0	10.1
Regional WA	12.2	14.0	9.6	8.0
Hobart	-	-	8.2	7.7
Regional Tas	3.6	-	7.9	6.2
Darwin	9.2	8.3	9.9	12.6
Regional NT	-	9.2	9.2	8.6
Australian Capital Territory	-	-	10.0	8.9
National	9.9	7.9	9.4	8.2
Cap city	8.2	7.5	9.8	8.4
Regional	11.4	12.9	8.8	7.4

Resource-Based Markets

Through the June 2022 quarter, the portion of loss-making sales combined fell to 22.3%, down from a revised 22.6% through the March 2022 quarter. This is below a 33.4% average of loss-making sales over the decade.

While the overall rate of loss-making sales improved 30 basis points quarter on quarter, the combined rate of loss-making sales in resource-based markets did tick up from the rolling three month measure to May. In the three months to May, 21.9% of resales in mining markets incurred a nominal loss, the lowest incidence of loss-making sales since the March quarter of 2014. The median result for loss-making resales across the combined mining regions was -$31,000, associated with a median hold period of 12.1 years. This places the median initial purchase date at around 2010, not long after values peaked across many mining markets in 2008.

Additionally, results were mixed across the different mining markets. The rate of loss-making sales fell -2.8 percentage points in the Mackay – Isaac – Whitsunday region to 22.3% in the quarter. In Townsville, the rate of loss-making sales fell -1.8 percentage points in the quarter to 21.0%.

Meanwhile, the Outback North WA market saw a sizable jump in the incidence of loss-making sales, from 19.4% in the March quarter to 27.3% in the three months to June. The quarterly rate of loss-making sales also increased across Outback South WA (by 80 basis points to 29.4%), Outback SA (by 110 basis points to 21.9%), and Central Queensland (by 40 basis points to 19.1%).

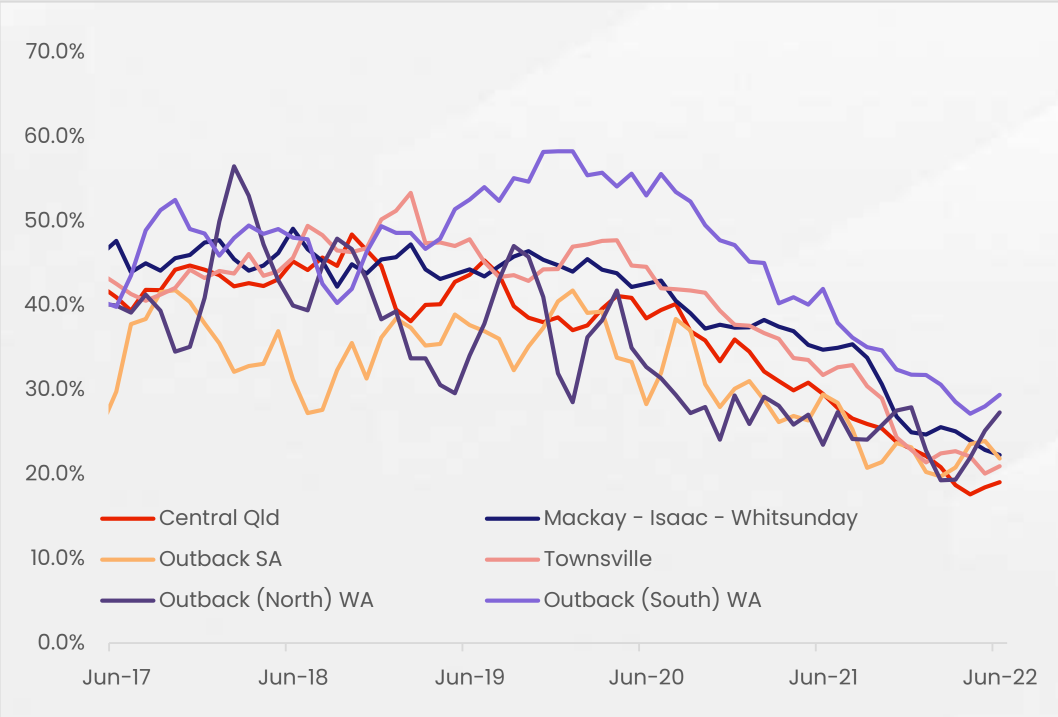
RESOURCE-BASED MARKETS

Values across dwelling markets in resource-based economic regions have broadly improved in recent years, with record low interest rates and a commodities boom supporting a rise in housing prices. However, as interest rates start to normalise, there are signs that these markets are levelling out or moving into decline.

For example, in August 2022, the CoreLogic home value index for regional WA dwellings declined -0.5%, the first monthly decline in this market in two years. This comes off the back of a 30.1% uplift in dwelling values across regional WA, but this boom period was still not enough to take values back to the record highs seen in 2008. Despite not climbing back to record-high values, property owners may have used the peak of the latest cycle as an opportunity to sell anyway, recognising the downward pressure future rate rises could put on the market. As a result, sales in Outback WA and other mining centric markets are likely to remain susceptible to a relatively high incidence of loss-making sales.

Overall, it is expected there will be a slight reversal in the strong capital gains made in mining markets over the past two years. This may contribute to a further deterioration in the incidence of profit-making sales in the coming months.

Rate of loss-making sales, select SA4 resources markets - rolling quarter



Sea Change and Tree Change Destinations

CoreLogic analysed resales in nine major coastal regions and non-coastal dwelling markets at the SA4 level. These markets are considered 'tree change' or 'sea change' regions, for their high levels of amenity and coastal or hinterland locations popular with lifestyle buyers and holiday homes.

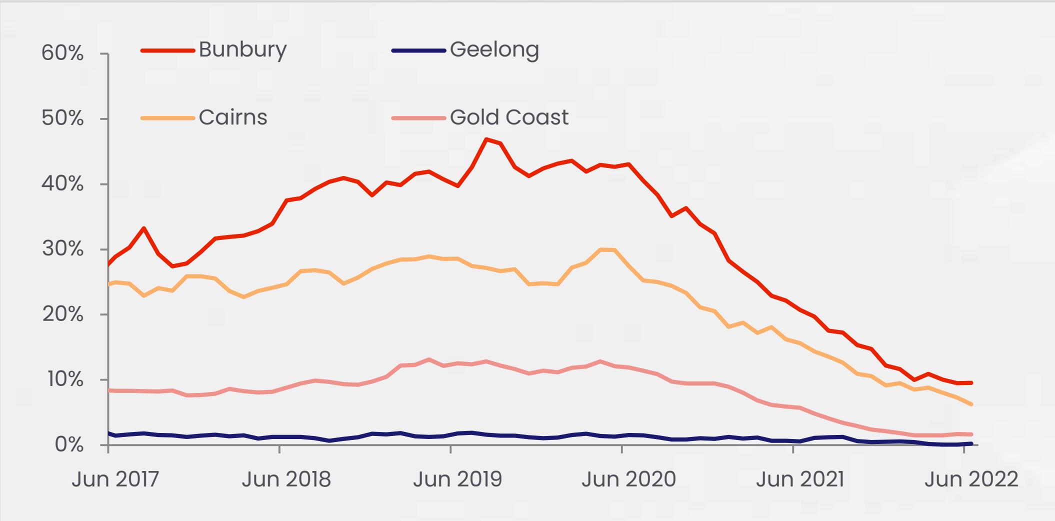
Both tree change and sea change markets have seen relatively high rates of capital growth from late 2020 through to early 2022. This is reflected in continued increases in profitability across major regional coastal and non-coastal markets. Across the resales in these combined markets, only 1.9% of resales made a nominal loss in the June quarter, down from 2.3% in the three months to March 2022. For the combined tree change and sea change markets analysed for the Pain and Gain report, this marked a record low for the rate of resales with a nominal loss.

Across the major coastal markets, the rate of loss-making sales saw a quarterly decline across Bunbury (down 133 basis points to 9.6%), Cairns (down 260 basis points to 6.2%), Illawarra (down 10 basis points to 1.1%), the Mid North Coast (down 80 basis points to 1.4%) and the Newcastle and Lake Macquarie region (down 50 basis points to 1.0%).

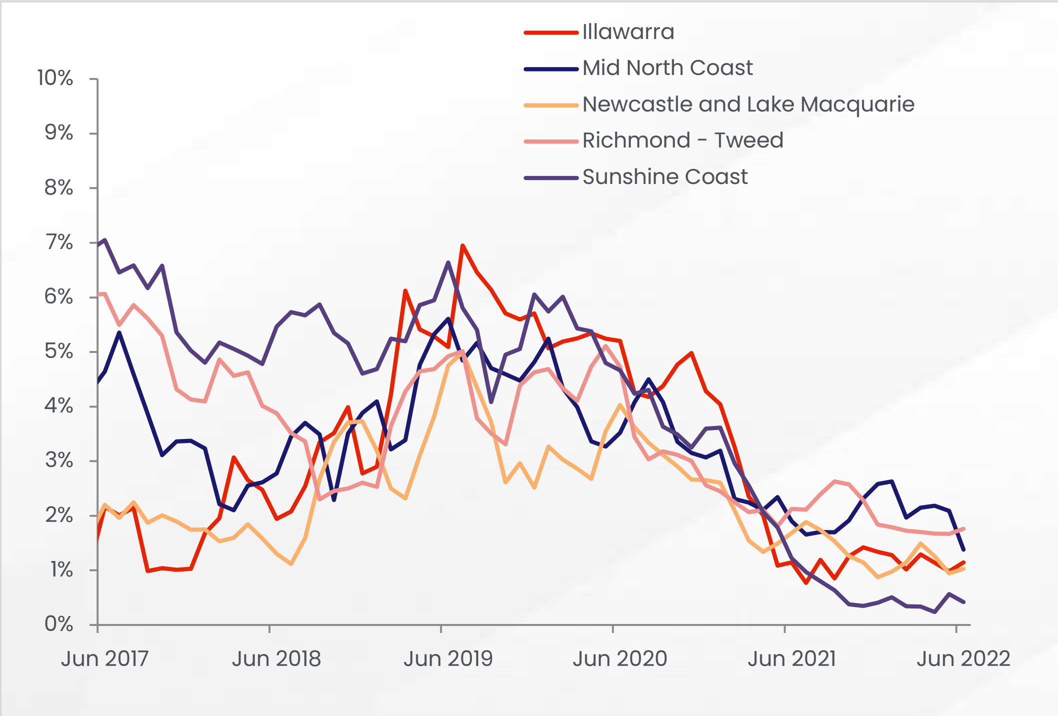
There were slight increases in the rate of loss-making sales across Geelong, the Gold Coast, Richmond Tweed and the Sunshine Coast, but these increases were marginal, at 20 basis points or less. Nonetheless, it is unsurprising to see these markets experience a slight shift in profitability, given these same markets are leading a sharp decline in value across regional Australia. For example, in the three months to August, the Richmond Tweed market had the steepest quarterly decline in SA4 markets of regional Australia, at -8.0%.

Across the major regional tree change centres, the greatest quarterly decline in the rate of loss-making sales was across Toowoomba, where the rate of resales making a decline fell 190 basis points to 0.8%. This marks the highest incidence of profitability in the region since the three months to February 2010.

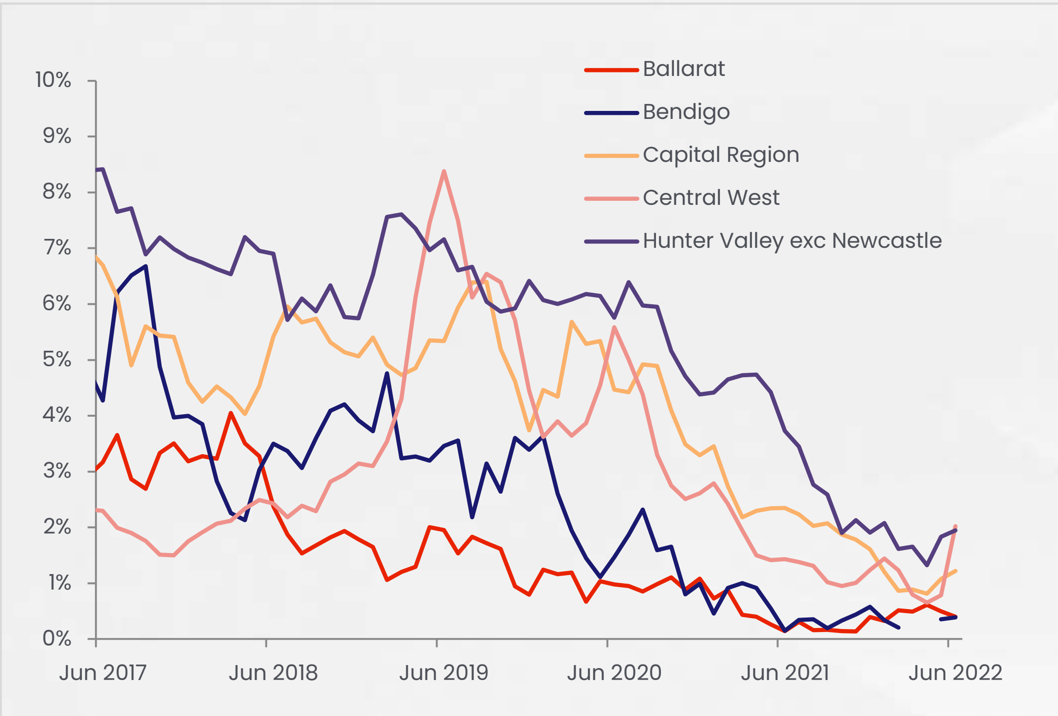
Rate of loss-making sales, select SA4 markets - rolling quarter



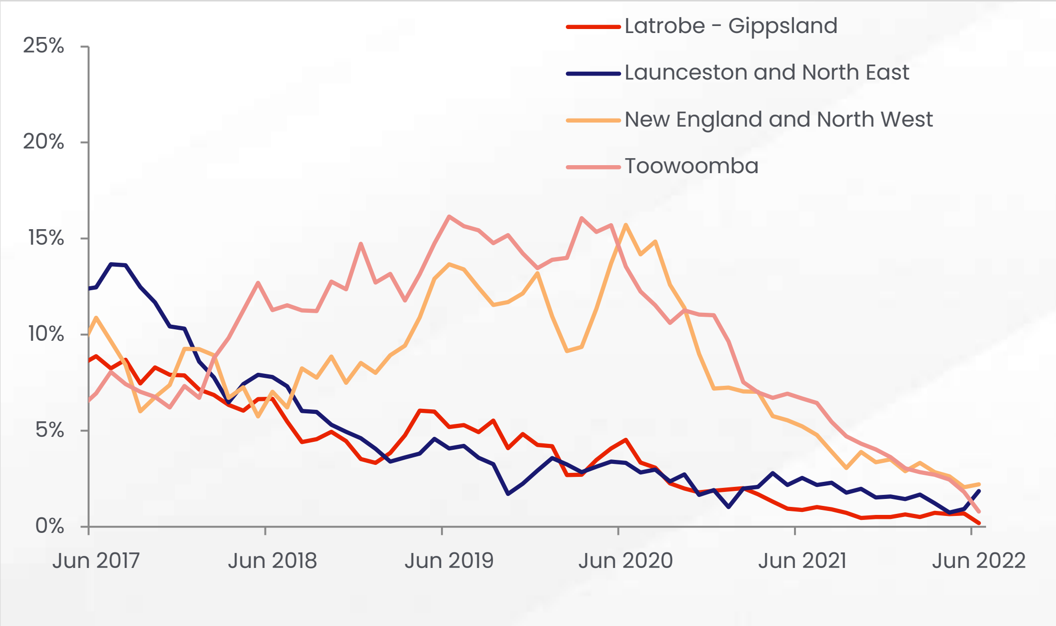
Rate of loss-making sales, select SA4 markets - rolling quarter



Rate of loss-making sales, select SA4 markets - rolling quarter



Rate of loss-making sales, select SA4 markets - rolling quarter



A return to capital cities?

One of the unknowns of the Australian property market is how well sea change and tree change booms can be sustained post COVID lockdowns. It is likely that changes in regional home values would be tied to changes in interest rates in the short term, but a shift in the tree change and sea change trend could also influence values longer term.

ABS internal migration data between capital cities and regional Australia is currently lagged to June 2021. A recent report by Commonwealth Bank and the Regional Australia Institute suggested that the June 2022 quarter saw a seasonal, but significant, reduction in flows of people from capital cities to regional Australia, and flows from regional Australia to capital cities had also started to normalise.

There has definitely been a shift in some of the ‘push’ and ‘pull’ factors to and from the regions. For example, one of the additional demand pressures on housing in regional Australia through COVID-19 was the lack of migration *away* from the regions amid lockdowns, where conditions tended to be stricter across capital cities, and universities, workplaces and social and entertainment venues in capital cities were shut down. Through 2022, cities may have become more appealing to those in regional Australia, as employment opportunities and economic activity in cities has climbed post-lockdown.

One push / pull factor from regions to capital cities may also be the reduction in rental premiums on capital city housing, due to both more unaffordable regional rents, and slower growth in capital city rents. For example, the five years prior to COVID-19 saw median rents in greater Sydney average $165 more per week than median rents across regional NSW. As of June 2022, that premium had eroded to just $80, and hit a low of $50 through mid-2021.

Affordability advantages of the regions has also been eroded through the previous upswing. In March 2020, the median regional dwelling value in Australia was -39.0% lower than the median capital city dwelling value. By August 2022, the difference had narrowed to -26.4%.

It is unlikely that those who have recently settled in regional Australia would pivot back to living in capital cities en masse, especially those who *purchased* a home in regional Australia. This is because transaction costs on property are high, and can be prohibitive to moving around the country.

Sydney

Through the June 2022 quarter, 93.6% of Sydney resales made a nominal gain, down from 95.1% in the three months to March. Profit-making sales across Sydney had the highest median nominal gains of the capital city markets, at $400,000. Total profits from resales over the quarter were $6 billion.

The incidence of loss-making sales has generally been trending higher across Sydney since the December quarter of 2021, which largely coincides with a fall in values commencing from early 2022.

Profitability fell across both house and unit resales across Sydney in the quarter, but the decline was more substantial in the unit segment. The rate of profit-making resales declined 40 basis points in the quarter across houses, to 98.5%, and 240 basis points in the unit segment, to 89.4%. This has widened the gap in profitability between house and unit sales.

A notable uplift in the rate of loss-making unit sales came from an increase in investment properties across the Sydney LGA, in suburbs such as Roseberry, Zetland and Waterloo. The LGA regions of Ryde and Parramatta also had high concentrations of loss-making sales, largely tied to the unit segment. Rising rates may be triggering more sales decisions among investors, contributing to the increase in loss-making unit sales across the city.

Portion of profit-making sales, rolling quarter

Summary of profit and loss-making sales by LGA region

	GROSS LOSS-MAKING SALES, JUN-22 QTR				GROSS PROFIT-MAKING SALES, JUN-22 QTR			
	% of all sales	Median hold period	Median loss	Total value of loss	% of all sales	Median hold period	Median profit	Total value of profit
Blacktown (C)	4.2%	6.0	-$ 30,000	-$2,404,524	95.8%	8.8	$ 434,250	$461,225,907
Blue Mountains (C)	1.6%			-$510,500	98.4%	10.7	$ 520,050	$138,479,416
Botany Bay (C)	13.3%	5.3	-$ 56,500	-$1,342,821	86.7%	7.7	$ 208,500	$45,365,050
Burwood (A)	18.8%	4.9	-$ 32,000	-$639,000	81.3%	10.4	$ 344,500	$29,668,467
Camden (A)	2.1%			-$367,235	97.9%	7.3	$ 455,666	$117,895,760
Campbelltown (C) (NSW)	1.5%			-$548,500	98.5%	9.0	$ 368,000	$202,907,775
Canada Bay (A)	3.9%			-$418,927	96.1%	8.8	$ 320,000	$97,242,675
Canterbury-Bankstown (A)	7.1%	6.0	-$ 27,500	-$3,007,699	92.9%	10.3	$ 370,500	$386,365,610
Central Coast (C) (NSW)	2.0%	6.7	-$ 90,000	-$2,166,079	98.0%	8.6	$ 482,500	$597,122,680
Cumberland (A)	11.8%	5.7	-$ 35,000	-$3,020,885	88.2%	10.3	$ 278,000	$210,343,111
Fairfield (C)	6.5%	5.1	-$ 29,999	-$1,233,979	93.5%	12.1	$ 480,000	$186,759,146
Georges River (A)	8.5%	5.5	-$ 30,500	-$1,540,250	91.5%	10.7	$ 317,500	$135,262,645
Hawkesbury (C)					100.0%	9.5	$ 501,000	$90,680,660
Hornsby (A)	6.1%	4.9	-$ 34,000	-$1,077,359	93.9%	10.0	$ 491,000	$204,371,656
Hunters Hill (A)	12.5%			-$195,000	87.5%	9.0	$ 408,000	$6,511,550
Inner West (A)	3.8%	5.7	-$ 28,000	-$817,500	96.2%	9.8	$ 427,500	$241,738,795
Ku-ring-gai (A)	6.6%	5.6	-$ 45,000	-$806,500	93.4%	8.6	$ 350,500	$75,806,888
Lane Cove (A)	5.6%			-$443,000	94.4%	7.8	$ 229,500	$40,213,800
Liverpool (C)	7.6%	5.8	-$ 34,000	-$2,079,710	92.4%	9.7	$ 414,250	$229,952,370
Mosman (A)	4.3%			-$56,000	95.7%	13.1	$ 454,750	$23,008,700
North Sydney (A)	4.3%	5.9	-$ 59,750	-$876,500	95.7%	10.5	$ 430,000	$138,341,542
Northern Beaches (A)	1.3%			-$516,347	98.7%	8.3	$ 500,000	$268,706,807
Parramatta (C)	19.1%	6.5	-$ 35,140	-$8,267,964	80.9%	9.1	$ 227,000	$246,875,593
Penrith (C)	3.0%	5.5	-$ 20,500	-$1,094,085	97.0%	8.5	$ 367,500	$268,043,604
Randwick (C)	4.6%	5.0	-$ 45,000	-$462,000	95.4%	9.8	$ 396,000	$112,076,770
Rockdale (C)	6.4%	6.4	-$ 35,000	-$908,500	93.6%	9.1	$ 248,000	$111,742,124
Ryde (C)	21.2%	6.1	-$ 35,000	-$2,828,150	78.8%	8.5	$ 190,000	$84,488,988
Strathfield (A)	19.6%	5.3	-$ 40,000	-$1,761,910	80.4%	9.2	$ 200,000	$32,632,538
Sutherland Shire (A)	2.4%	5.6	-$ 20,000	-$826,803	97.6%	9.3	$ 476,000	$356,182,000
Sydney (C)	9.8%	5.9	-$ 50,000	-$5,390,987	90.2%	10.1	$ 322,000	$310,969,081
The Hills Shire (A)	3.3%	3.4	-$ 22,500	-$529,750	96.7%	8.9	$ 775,000	$270,428,303
Waverley (A)	0.8%			-$90,000	99.2%	8.7	$ 510,000	$71,681,107
Willoughby (C)	6.1%			-$373,000	93.9%	10.7	$ 457,500	$53,161,521
Wollondilly (A)	0.7%			-$24,392	99.3%	7.5	$ 467,500	$68,186,168
Woollahra (A)					100.0%	9.8	$ 460,000	$39,075,817

Melbourne

In the June 2022 quarter, 94.7% of Melbourne resales achieved a nominal gain, though this was down from 95.2% in the previous quarter. The median nominal gain of resales across Melbourne was $355,000. Similarly to Sydney, the sum of all profits from resales in the quarter was around $6 billion.

Similar to the Sydney dwelling market, both house and unit segments across Melbourne saw a decline in profitability over the quarter, which was more concentrated across the unit segment. Melbourne house sellers saw a profit on 99.4% of resales (down 20 basis points from the previous quarter), and Melbourne unit sellers saw a nominal gain on 87.1% of resales (down 110 basis points from the March quarter).

Melbourne dwelling values have seen one of the steepest declines across the capital city markets in the face of interest rate rises. Since a peak in February 2022, values have fallen -4.6% through to the end of August. The rate of profit-making sales was particularly low across the Melbourne LGA, where 35.2% of resales made a nominal loss. As rates continue to rise, it is likely the rate of profit-making sales will continue to fall in the coming quarters.

Portion of profit-making sales, rolling quarter

Summary of profit and loss-making sales by LGA region

	GROSS LOSS-MAKING SALES, JUN-22 QTR				GROSS PROFIT-MAKING SALES, JUN-22 QTR			
	% of all sales	Median hold period	Median loss	Total value of loss	% of all sales	Median hold period	Median profit	Total value of profit
Banyule (C)	1.3%			-$288,000	98.7%	11.4	$ 478,000	$197,971,639
Bayside (C)	7.5%	7.5	-$ 40,000	-$856,220	92.5%	9.3	$ 479,000	$119,951,966
Boroondara (C)	12.4%	8.9	-$ 40,000	-$2,298,801	87.6%	10.7	$ 414,100	$155,460,659
Brimbank (C)	1.7%			-$603,350	98.3%	9.8	$ 332,500	$151,753,986
Cardinia (S)	0.3%			-$215,000	99.7%	7.1	$ 297,771	$123,933,392
Casey (C)	0.2%			-$47,000	99.8%	7.8	$ 364,250	$346,705,755
Darebin (C)	1.5%			-$112,500	98.5%	10.8	$ 373,000	$187,122,015
Frankston (C)	1.0%			-$187,381	99.0%	9.1	$ 364,000	$236,312,303
Glen Eira (C)	8.2%	6.8	-$ 29,125	-$1,677,530	91.8%	10.4	$ 420,000	$195,464,674
Greater Dandenong (C)	2.0%			-$196,500	98.0%	9.8	$ 301,000	$151,445,840
Hobsons Bay (C)	1.1%			-$405,000	98.9%	10.0	$ 345,000	$117,223,632
Hume (C)	0.5%			-$37,900	99.5%	8.3	$ 278,500	$193,745,045
Kingston (C) (Vic.)	3.1%	5.2	-$ 23,750	-$575,900	96.9%	9.7	$ 440,000	$298,138,364
Knox (C)	1.4%			-$170,108	98.6%	10.8	$ 465,000	$250,867,942
Macedon Ranges (S)					100.0%	9.3	$ 475,000	$49,505,160
Manningham (C)	10.2%	6.5	-$ 32,025	-$1,402,110	89.8%	9.7	$ 518,250	$184,802,217
Maribyrnong (C)	6.2%	6.8	-$ 25,000	-$516,540	93.8%	8.8	$ 286,000	$110,955,904
Maroondah (C)	1.5%			-$425,332	98.5%	10.0	$ 387,500	$205,629,463
Melbourne (C)	35.2%	8.1	-$ 56,435	-$11,402,485	64.8%	11.8	$ 166,950	$100,890,063
Melton (C)	1.2%			-$210,500	98.8%	6.8	$ 240,000	$110,382,711
Monash (C)	6.4%	6.8	-$ 28,000	-$1,375,776	93.6%	12.3	$ 550,500	$294,802,620
Moonee Valley (C)	9.5%	7.4	-$ 35,500	-$2,009,531	90.5%	9.1	$ 374,000	$159,374,869
Moorabool (S)	1.1%			-$7,001	98.9%	7.7	$ 321,500	$32,944,443
Moreland (C)	6.6%	7.2	-$ 28,900	-$1,671,100	93.4%	8.2	$ 256,400	$233,233,947
Mornington Peninsula (S)	0.9%			-$636,571	99.1%	9.4	$ 582,500	$353,879,617
Nillumbik (S)					100.0%	8.9	$ 543,000	$84,880,526
Port Phillip (C)	13.4%	7.5	-$ 34,000	-$3,273,823	86.6%	10.0	$ 199,000	$144,312,776
Stonnington (C)	22.7%	7.9	-$ 70,550	-$6,366,170	77.3%	10.5	$ 285,000	$119,921,015
Whitehorse (C)	3.9%	8.2	-$ 38,026	-$808,775	96.1%	11.6	$ 545,500	$300,093,577
Whittlesea (C)	1.1%			-$224,727	98.9%	8.7	$ 314,000	$200,810,954
Wyndham (C)	0.5%			-$148,800	99.5%	6.6	$ 247,000	$208,367,265
Yarra (C)	14.7%	7.1	-$ 38,000	-$2,542,436	85.3%	8.9	$ 336,000	$151,043,429
Yarra Ranges (S)	1.2%			-$310,000	98.8%	9.0	$ 439,250	$221,095,660

Brisbane

In the three months to June, Brisbane saw 95.4% of resales achieve a nominal gain, up from 94.7% in the previous quarter. The median nominal gain across Brisbane resales was $265,000 in the quarter, and overall profits totalled $3.3 billion.

In Brisbane, house resales experienced a slight decline in the rate of profit-making sales. Profitability across houses fell 10 basis points on the previous quarter, to 99.2% through June. In the unit segment, the incidence of profit actually saw a substantial lift. The rate of profit-making unit sales was up 220 basis points to 88.9% in the June quarter. This is the closest that the rate of profit-making sales across houses and units have been since February of 2016.

Brisbane dwelling values have seen a very strong upswing between September 2020 and June 2022. This upswing, amounting to a 42.1% lift in dwelling values should keep the level of profit-making sales elevated for some time. However, prices have started to fall through July and August, which could erode profitability in the city over the longer term.

Portion of profit-making sales, rolling quarter

Summary of profit and loss-making sales by LGA region

	GROSS LOSS-MAKING SALES, JUN-22 QTR				GROSS PROFIT-MAKING SALES, JUN-22 QTR			
	% of all sales	Median hold period	Median loss	Total value of loss	% of all sales	Median hold period	Median profit	Total value of profit
Brisbane (C)	7.1%	8.0	-$ 32,000	-$15,219,698	92.9%	8.8	$ 288,500	$1,774,854,902
Ipswich (C)	3.0%	14.1	-$ 29,000	-$930,450	97.0%	7.2	$ 201,750	$219,942,580
Lockyer Valley (R)	0.6%			-$85,000	99.4%	9.2	$ 196,000	$35,501,250
Logan (C)	2.9%	9.8	-$ 20,000	-$949,981	97.1%	9.0	$ 236,750	$403,504,954
Moreton Bay (R)	2.0%	10.9	-$ 29,950	-$1,214,194	98.0%	7.5	$ 281,000	$582,952,598
Redland (C)	0.7%			-$139,500	99.3%	8.3	$ 327,500	$242,813,001
Scenic Rim (R)					100.0%	7.8	$ 313,000	$59,304,411
Somerset (R)					100.0%	8.9	$ 228,000	$29,267,320

Adelaide

In the June 2022 quarter, 98.0% of Adelaide resales made a nominal gain. This was up from 97.4% in the three months to March, and marks the highest incidence of profit-making sales since the three months to October 2008. The median nominal gain from resales over the quarter was $238,000, and resales totalled $1.5 billion.

In Adelaide, both house and unit sales saw an increase in profitability from the March quarter. The instance of profit-making house sales was 99.4%, up from 99.1% in the previous quarter. Unit resales saw a nominal gain 93.8% of the time, up from 93.0% in March.

In the month of August, dwelling values across Adelaide saw the first monthly decline since June 2020. Given the size of the recent upswing in Adelaide dwelling values (which was 43.7% between June 2020 and July 2022), the rate of profit-making sales is likely to remain elevated for some time. As the cycle matures and rates continue to rise, there may be some dent to profitability over the longer term.

Portion of profit-making sales, rolling quarter

Summary of profit and loss-making sales by LGA region

	GROSS LOSS-MAKING SALES, JUN-22 QTR				GROSS PROFIT-MAKING SALES, JUN-22 QTR			
	% of all sales	Median hold period	Median loss	Total value of loss	% of all sales	Median hold period	Median profit	Total value of profit
Adelaide (C)	22.1%	7.6	-$ 27,500	-$1,856,018	77.9%	8.0	$ 105,000	$26,992,547
Adelaide Hills (DC)					100.0%	9.3	$ 407,500	$52,018,940
Burnside (C)	1.1%			-$290,250	98.9%	10.1	$ 446,750	$94,388,978
Campbelltown (C) (SA)	1.3%			-$20,000	98.7%	8.4	$ 294,250	$56,764,274
Charles Sturt (C)	2.1%			-$372,900	97.9%	7.8	$ 268,000	$123,332,289
Gawler (T)	1.9%			-$243,500	98.1%	8.2	$ 140,350	$17,374,592
Holdfast Bay (C)					100.0%	11.0	$ 236,000	$55,402,485
Mallala (DC)					100.0%	9.4	$ 163,000	$4,851,750
Marion (C)	1.4%			-$118,250	98.6%	8.5	$ 265,000	$111,260,187
Mitcham (C)					100.0%	11.0	$ 387,250	$103,636,893
Mount Barker (DC)	2.3%			-$303,579	97.7%	8.6	$ 247,750	$42,285,084
Norwood Payneham St Peters (C)					100.0%	10.2	$ 285,000	$47,822,156
Onkaparinga (C)	0.6%			-$223,000	99.4%	9.4	$ 257,750	$184,623,636
Playford (C)	0.9%			-$290,175	99.1%	10.2	$ 137,500	$68,247,761
Port Adelaide Enfield (C)	3.2%	13.6	-$ 44,900	-$705,000	96.8%	9.0	$ 252,000	$132,240,381
Prospect (C)					100.0%	10.0	$ 221,100	$21,019,413
Salisbury (C)	0.9%			-$49,500	99.1%	10.0	$ 205,000	$118,288,950
Tea Tree Gully (C)	0.3%			-$120,000	99.7%	9.9	$ 290,000	$109,223,199
Unley (C)	0.6%			-$120,000	99.4%	9.8	$ 340,000	$69,507,022
Walkerville (M)	16.7%			-$122,050	83.3%	6.6	$ 325,000	$9,418,991
West Torrens (C)	2.3%			-$238,000	97.7%	9.2	$ 220,275	$66,387,873

Perth

Perth continued to show a quarterly decline in the incidence of loss-making resales. In the June 2022 quarter, loss-making sales fell to 14.8%, meaning 85.2% of resales made a nominal gain. This was up from 84.4% in the three months to March.

Perth had the lowest median nominal gains from resale of the capital cities in the quarter, at $125,000. This is unsurprising given it is also one of the more affordable markets to buy into. Nominal gains across the Perth market totalled close to $1.5 billion in the June quarter.

Despite a relatively high rate of loss-making sales, Perth has the widest variation of house and unit results across the capital cities. House resales in the June quarter saw nominal gains 92.3% of the time, up from 91.1% in the March quarter. Unit resales saw a nominal gain in just 64.2% of cases, down from 64.9% in the three months to March. This may reflect the popularity of the Perth market with owner-occupiers as opposed to investors, where owner-occupier demand skews to house purchases.

The Perth dwelling market has seen mild price declines amid the higher rate environment, which could weigh on the rate of profit-making sales going forward. Dwelling values declined -0.2% over the month of August, marking a shift into the downswing phase for this property market.

Portion of profit-making sales, rolling quarter

Summary of profit and loss-making sales by LGA region

	GROSS LOSS-MAKING SALES, JUN-22 QTR				GROSS PROFIT-MAKING SALES, JUN-22 QTR			
	% of all sales	Median hold period	Median loss	Total value of loss	% of all sales	Median hold period	Median profit	Total value of profit
Armadale (C)	14.5%	8.3	-$ 30,000	-$1,986,733	85.5%	9.6	$ 97,550	$42,700,350
Bassendean (T)	6.8%			-$274,000	93.2%	11.4	$ 101,000	$9,384,893
Bayswater (C)	19.2%	8.7	-$ 24,000	-$2,304,560	80.8%	11.0	$ 130,000	$47,860,806
Belmont (C)	27.9%	8.2	-$ 36,000	-$3,060,419	72.1%	9.4	$ 81,000	$22,342,572
Cambridge (T)	20.9%	7.6	-$ 49,750	-$723,500	79.1%	11.6	$ 370,000	$25,858,401
Canning (C)	12.9%	8.3	-$ 34,000	-$1,471,724	87.1%	13.8	$ 162,500	$64,815,714
Claremont (T)	23.3%	7.9	-$ 29,500	-$482,190	76.7%	11.6	$ 350,000	$14,042,500
Cockburn (C)	17.1%	8.5	-$ 45,000	-$4,521,930	82.9%	8.5	$ 117,000	$59,935,867
Cottesloe (T)	4.8%			-$138,000	95.2%	6.4	$ 197,500	$8,371,964
East Fremantle (T)	13.8%			-$239,500	86.2%	12.4	$ 327,500	$11,451,250
Fremantle (C)	14.6%	8.2	-$ 40,000	-$1,051,000	85.4%	9.1	$ 290,000	$38,776,017
Gosnells (C)	14.8%	8.4	-$ 26,250	-$2,443,225	85.2%	10.8	$ 93,000	$54,565,374
Joondalup (C)	6.1%	9.4	-$ 35,000	-$2,061,653	93.9%	11.7	$ 210,000	$168,711,086
Kalamunda (S)	4.0%			-$321,500	96.0%	11.0	$ 137,940	$40,023,056
Kwinana (C)	14.5%	8.7	-$ 23,000	-$1,011,984	85.5%	8.9	$ 65,000	$14,089,446
Mandurah (C)	10.2%	12.8	-$ 35,000	-$3,305,530	89.8%	9.7	$ 99,000	$84,451,617
Melville (C)	4.6%	8.5	-$ 22,750	-$644,029	95.4%	10.6	$ 235,000	$107,712,900
Mosman Park (T)	17.9%			-$106,500	82.1%	9.8	$ 190,000	$7,618,400
Mundaring (S)	6.8%			-$310,000	93.2%	10.3	$ 165,000	$30,161,039
Murray (S)	11.3%			-$338,000	88.7%	9.3	$ 120,000	$11,333,100
Nedlands (C)	11.8%			-$123,000	88.2%	11.4	$ 478,751	$17,689,701
Peppermint Grove (S)								
Perth (C)	55.7%	10.3	-$ 66,250	-$9,602,851	44.3%	8.7	$ 52,250	$11,945,135
Rockingham (C)	6.9%	8.8	-$ 29,500	-$2,267,550	93.1%	9.3	$ 100,000	$85,342,772
Serpentine-Jarrahdale (S)	8.5%			-$144,000	91.5%	8.7	$ 182,000	$16,633,200
South Perth (C)	16.8%	8.3	-$ 35,000	-$1,595,000	83.2%	12.2	$ 195,000	$51,793,997
Stirling (C)	20.4%	8.6	-$ 30,000	-$8,302,585	79.6%	10.4	$ 131,500	$181,498,756
Subiaco (C)	28.7%	9.3	-$ 45,000	-$1,864,700	71.3%	10.8	$ 240,000	$24,836,010
Swan (C)	15.9%	8.5	-$ 48,000	-$4,396,374	84.1%	9.8	$ 108,250	$71,388,883
Victoria Park (T)	15.8%	9.1	-$ 49,125	-$1,583,450	84.2%	10.2	$ 118,000	$28,406,697
Vincent (C)	24.7%	8.5	-$ 42,500	-$2,605,389	75.3%	10.0	$ 155,000	$38,886,810
Wanneroo (C)	9.8%	8.8	-$ 23,750	-$3,319,800	90.2%	9.1	$ 100,000	$91,273,086

Hobart

Through the June 2022 quarter, 99.1% of Hobart resales made a nominal gain, up from 99.0% in the previous quarter. This tied with Canberra as the most profitable city through the June quarter, and marks four years running in which Hobart has had the highest incidence of profit-making resales across the capital cities.

Hobart had the second-highest median nominal gains from resales across the capital cities in the June quarter, at $370,000. Despite the relatively high median nominal gain, this small market had overall nominal gains of $287 million in the quarter.

Hobart houses had the highest rate of profitability across both houses and units. House resales saw a profit through the June quarter 98.8% of the time, though this was down from 99.2% in the previous quarter. Every unit resale in the quarter made a nominal gain, up from a rate of profitability of 98.7% in the three months to March.

It is likely that the rate of profit-making sales across Hobart may be at, or very near, a peak. This is particularly the case for recent buyers, where dwelling values in Hobart have been responsive to a sharp lift in interest rates. Hobart dwelling values have come down -3.3% in the three months to August, which could flow through to fewer profit-making sales, albeit off a very high level.

Portion of profit-making sales, rolling quarter

Summary of profit and loss-making sales by LGA region

	GROSS LOSS-MAKING SALES, JUN-22 QTR				GROSS PROFIT-MAKING SALES, JUN-22 QTR			
	% of all sales	Median hold period	Median loss	Total value of loss	% of all sales	Median hold period	Median profit	Total value of profit
Brighton	4.0%			-$253,512	96.0%	5.5	$ 276,500	$14,966,010
Clarence	2.3%			-$404,000	97.7%	7.3	$ 427,500	$75,821,746
Derwent Valley					100.0%	6.0	$ 262,500	$9,511,018
Glenorchy					100.0%	9.4	$ 328,800	$56,017,102
Hobart					100.0%	9.8	$ 485,000	$73,857,314
Kingborough	1.0%			-$5,000	99.0%	7.1	$ 405,000	$45,815,305
Sorell					100.0%	8.6	$ 337,500	$18,594,845

Darwin

Over the three months to June 2022, 73.2% of resales across Darwin achieved a nominal gain. This was up from 71.9% in the three months to March.

Darwin had the second-lowest median gains from resales in the quarter, with a median nominal gain of $130,000. Darwin had the lowest combined gains in the quarter, at $83 million. This is largely due to the relatively small volume of sales across the market.

Behind Perth, Darwin had the second-largest gap between the rate of profit-making house and unit sales. Darwin house resales saw a nominal gain 83.0% of the time in the June quarter, compared to 57.9% in the unit segment. However, both segments saw a strong quarterly uplift in the rate of profitability from the March quarter, at 270 basis points for houses, and 320 basis points across units.

Despite a relatively low rate of profit-making sales, the Darwin dwelling market has been the only capital city market to maintain price rises in the face of higher interest rates, with values up a further 2.3% in the three months to August 2022. This dwelling market has been buoyed by relatively affordable price points, strength in the resources sector, and a tight rental market with high gross rental yields. The rate of profit-making sales across the city could see further uplift in the coming quarters.

Portion of profit-making sales, rolling quarter

Summary of profit and loss-making sales by LGA region

	GROSS LOSS-MAKING SALES, JUN-22 QTR				GROSS PROFIT-MAKING SALES, JUN-22 QTR			
	% of all sales	Median hold period	Median loss	Total value of loss	% of all sales	Median hold period	Median profit	Total value of profit
Brighton	30.1%	8.9	-$ 45,200	-$6,212,499	69.9%	11.2	$ 115,000	$44,524,000
Clarence	12.1%			-$195,000	87.9%	11.0	$ 250,000	$9,027,975
Derwent Valley	23.8%	9.0	-$ 48,500	-$2,012,484	76.3%	9.9	$ 165,800	$26,792,084

ACT

Through the June 2022 quarter, 99.1% of Canberra resales made a nominal gain. This is up from 98.2% in the previous quarter, and is a record high rate of profitability across the city. Canberra also had a relatively high median nominal gain from resale in the quarter, at $360,000. This was the third highest of the capital cities, behind Sydney and Hobart. However, this market had relatively low total gains from resales, at $630 million in the quarter.

Both Canberra houses and units saw a very high rate of profitability through the quarter, and both segments saw an increase in the rate of profit-making sales compared with the three months to March. House resales saw 99.4% make a nominal gain, up from 99.0% in the previous quarter, while 98.8% of unit resales made a nominal gain, up from 97.3% in the March quarter. This coincides with an uplift in dwelling values of 1.5% through the June quarter.

While real estate sales in Canberra have seen excellent results for sellers through June, there may be a reduction in the instance of profitability in the coming quarters, particularly for recent purchasers. In the three months to August, Canberra dwelling values have declined a relatively rapid -2.6%. As a less affordable capital city dwelling market, prices have been sensitive to mortgage rate rises in the past few months. As the cash rate continues to rise, it is likely Canberra dwellings, and profits, will see some erosion in value.

Portion of profit-making sales, rolling quarter

Summary of profit and loss-making sales by LGA region

	GROSS LOSS-MAKING SALES, JUN-22 QTR				GROSS PROFIT-MAKING SALES, JUN-22 QTR			
	% of all sales	Median hold period	Median loss	Total value of loss	% of all sales	Median hold period	Median profit	Total value of profit
Brighton	30.1%	8.9	-$ 45,200	-$6,212,499	69.9%	11.2	$ 115,000	$44,524,000

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