

Has the Coronavirus impacted property prices in Victoria?

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THE DIFFERENCE

RMX
RESIDENTIAL MARKET INDEX

There have been many observations circling about the size and duration of impact the coronavirus crisis will have on residential property prices.

Both Median Prices and the Residential Market Index (RMX) have a role to play in understanding the property market.

The latest quarterly median prices revealed a strong performance during this period. The quarterly median are based on properties that sold from January to March.

An important tool to help monitor **current price trends** is the RMX, updated weekly. The RMX considers all properties (not just the ones sold) and gives weekly insight into real price movement over time, a more accurate and up to date reflection on current price trends.

How to read the RMX: The current RMX reference period is 2016, equivalent to 100.0. This aligns property prices with the most recent ABS census data at the time of release.

This means that the property price weighted average in 2016 was given a value of 100.0 and price movements over time are relative to this 'base' reference period. In simple terms, the current RMX value of 124.4 means that on average, properties in Victoria today are worth 24.4 per cent more than they were in 2016.



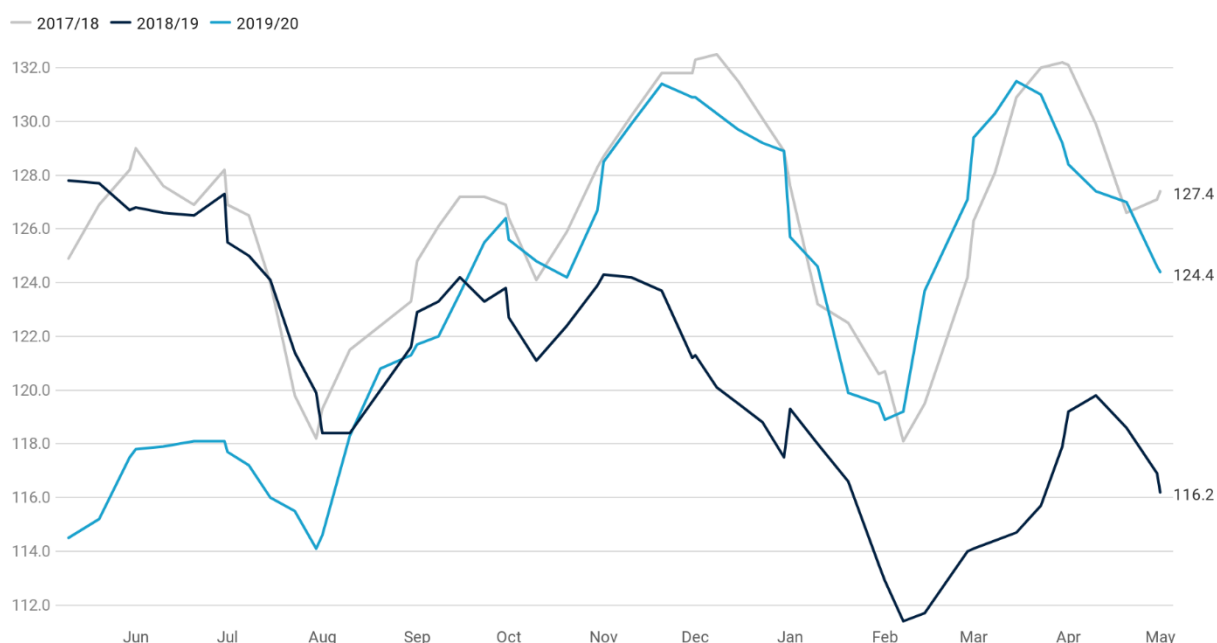
Price performance in Victoria before the crisis.

In mid-March the price index was heading into possible new record levels. This is based on the prices recorded a couple of weeks before the restrictions came into effect.

Note: The RMX usually dips in January and July when transaction volumes are typically lower.

The price trend in the last seven months appears similar with the same period two years ago, for residential properties in Victoria.

The illustration compares same week in previous years. Data up to week ending 3 May 2020.



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Besides the expected seasonal dip around January, the RMX recorded strong price growth across all residential homes from late 2019. Consistent with previous years, the RMX began recording increases from February, peaking mid-March.

The Index reached 131.5, almost matching the peak levels recorded towards the end of 2017 (132.5). The price movement in the last seven months appears to almost match the same period two years ago (2017/2018), a high growth period in the property market.

Houses The House Index also peaked around mid-March (132.6), close to the record high seen at the end of 2017 (134.7).

Units/Apartments Unit prices soared in value during December 2019, weekly Index figures reaching 134.6, beating the record of 131 in mid-2017. At this time, units and apartments in Victoria were valued about 34.6 per cent more than they were in 2016.

In the weeks leading to the restrictions, the Index was at an incline reaching 133.9 in the week ending 15th March, this figure closely follows the record levels seen earlier.

Price movements of residential homes in Victoria

The period before restrictions were implemented, price trends looked strong, with the Unit Index reaching an all time high.



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Now vs. then

The RMX has been gradually declining since late March due to the Coronavirus outbreak which saw significant restrictions placed on real estate transactions. Although for now, residential prices in Victoria are still stronger than the same period last year.

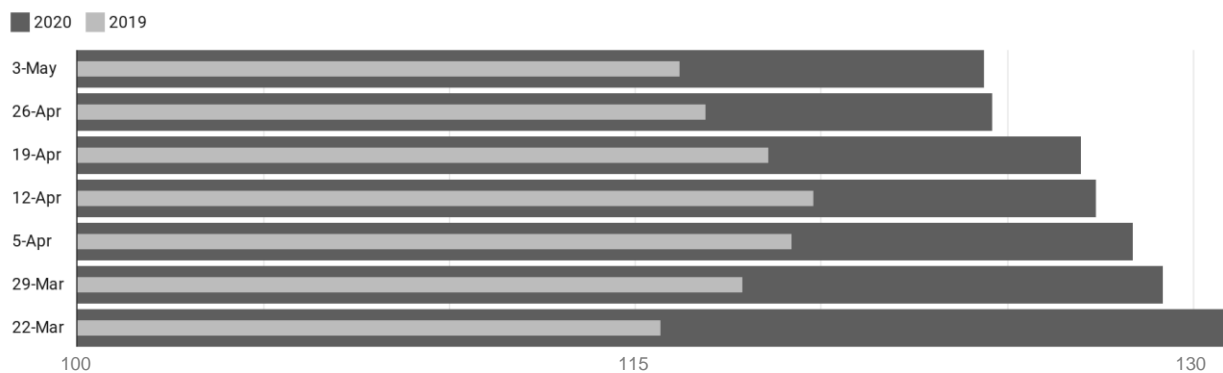
Last week (ending 3 May 2020) the House Index had a week-on-week increase of 2.3 percent, which breaks the declining streak seen in the past seven weeks. The latest RMX figure saw a soft fall of 0.2 per cent from the week prior, to 124.4. These results may indicate the beginning of a market that is regaining its confidence. However, we need to continue to monitor results in the coming weeks for validation.

Residential homes have been decreasing in value, but are still trending higher than last year.

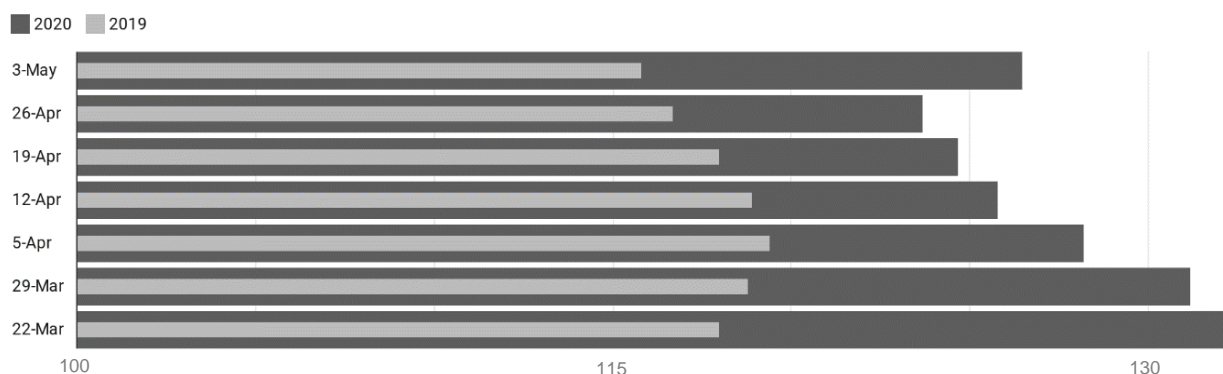
The index trends suggest prices have remained quite strong despite disruptions caused by the pandemic, in the last seven weeks. Values of residential homes still fare better than they were for the same period last year.

Note: this graph compares weekly index figures for the last seven weeks, with the equivalent week last year. Data up to week ending 3 May 2020.

Residential Market Index



House Index



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At this time, prices are not as affected by the crisis compared to sales volume, which remain much lower than expected at this time of year.

Additionally, there is an increasing interest from potential buyers. According to the REA Group, the nation's weekly search activity for properties for sale (for the week ending 3 May 2020) reached its highest volume since the first week of March this year, back to levels seen prior to the COVID-19 pandemic. Victoria had one of the largest recorded increases in the country over the week.

These indicators may be in part as a result of lifted restrictions in some states, an incentive for buyers to turn its attention back to property.

To understand the impact of COVID-19 on prices of residential homes in Victoria, you can monitor the price trends, updated weekly.

Visit reiv.com.au/property-data/rmx for more information.

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