

Flattening the curve? The property-price gradient in Sydney during the COVID-19 pandemic

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This paper studies how residential property values in Sydney, Australia have changed during the COVID-19 pandemic. The policies introduced by the NSW government have forced people to work from home, forced certain businesses to close, and limited the use of public and private transport. The value of residential property depends on proximity to employment and amenities, so property values in Sydney generally decline with distance from the CBD and amenities such as the Harbour and the beaches. As the pandemic policies have prevented people from visiting workplaces and amenities, the question addressed by this paper is whether the policies have caused the premiums on proximity to the CBD, the beaches, and Sydney Harbour to decline.

The analysis is based on data from the NSW Valuer General on the median sale price per square metre of residential properties in each neighbourhood (SA1) and year. Proximity is measured using travel times by road from each SA1 to the CBD, the nearest beach, and the nearest point on Sydney Harbour and travel times by rail or ferry to the CBD. Empirical models are fitted separately for each year from 2014 to 2021, with the property prices explained by the travel times and controls for geography, climate, demography, and crime. Several versions are run with different combinations of the travel-time variables. The model coefficients on the travel times are compared for each year from 2014 to 2021 and statistical tests are run to determine whether the coefficients have changed significantly over time.

The main results are that: (1) the premium on proximity to the CBD has decreased since 2019; (2) the decreased premium on proximity to the CBD appears to be fully explained by a lower premium on proximity by public transport, while the premium on proximity by car has remained unchanged; and (3) the premiums on proximity to the beach and to Sydney Harbour may have increased since 2019, though this appears to be consistent with existing trends.

The first result appears to reflect the reduced value associated with proximity to the employment and amenities in the CBD, as those activities have been limited due to the pandemic policies. The second result suggests a shift away from public transport, which is also reflected in travel data for Australia and other countries. It is not obvious that the differences in value should be large enough to be reflected in property prices, which are presumably determined by assessments of the values of properties over the long term. That property prices have been measurably affected suggests either that the changes are large, or that there has been a perception that the pandemic and associated policy or societal changes will linger for a substantial period of time. The third result suggests trends in property values by proximity to the beach and Harbour that predate and are independent of the pandemic.