

Median house price explained

Not only can the median give you a good idea of the price of real estate in a certain area, it can also give you a feeling for how an area has been performing over recent months, years or decades.

Like most facts and figures, median prices need to be considered against what else may be happening in an area to get an accurate and complete picture. And remember, the median price may not necessarily give you an accurate assumption of market trends for a certain area.

However, before getting into the complexities of median house or unit prices, we need to understand exactly what the term means.

The median house price is the midway point of all the houses/units sold at market price (or sold amount) over a set period (monthly, yearly, quarterly, etc.). That is, if there were 101 houses sold during the month, the median house price would be the house price in the middle i.e., that has 50 house prices above it and 50 house prices below it.

This differs to the mean price, which equates to the average price - adding the sold prices together and then dividing this by the number of sales.

The reason the median price is used rather than the mean is mainly because it is a more accurate indicator of the market, as it reflects the sample size being used.

One of the problems with using the median, however, is that it reflects if there has been a large amount of more expensive or less expensive homes sold in any given period. In these circumstances, you can often notice large differences in the median price of a certain area from month to month. For this reason, it is often better to view median prices over periods of time and monitor the trends, rather than looking at one month's figures in isolation.

realestate.com.au has the median house prices for most areas in its suburb profiles. These median prices cover a 10-year period and the graph, as well as table display of results, makes it easy to spot trends.

Benefits of using median

- > It gives buyers and sellers a better indication of market trends, consumer sentiment and market conditions.
- > It is widely used to estimate the listing price of a property.
- > If you are new to an area, the median price could give you an indication if the suburb is in your price range.

What to watch for

- > The median is only one factor that sellers and buyers should consider. All properties are different so it is important to talk to your real estate agent and find out comparable sales in your area.
- > Watch that the figures represent an accurate account due. There can be rogue months due to the limited numbers of properties sold, making medians either oddly high or low.
- > Setting accurate sales prices is difficult, discuss with your agent options for selling including listing price, auction etc.
- > Median house prices include houses, apartments and townhouses (these are properties with dwellings that are detached).
- > Most data providers have different methods to calculate median prices. Make sure that you use the same supplier's information if you are monitoring trends.
- > Some properties could be well above the median for a number of reasons, including block size, dwelling size, water views, location.

Reasons why mean or average prices aren't used

- > An average can be skewed by a large number in the high or low range.
- > Houses aren't all the same and are unique to time, location and house features. Averages don't allow for this.