

# National Media Release

## CoreLogic Hedonic Home Value Index, January 2017 Results

Released: February 1, 2017

### Strong start to 2017 as dwelling values rise across seven of Australia's eight capital cities in January

*CoreLogic Home Value Index results out today for January confirmed capital city dwelling values posted a 0.7% rise across the combined capital city regions with Hobart, Sydney and Melbourne leading the monthly gains.*

The January result showed capital city dwelling values rose by 0.7% over the first month of the year, which was lower than the 1.4% rise recorded in December, but higher than the readings for October and November last year, when capital city dwelling values rose by 0.5% and 0.2% respectively.

Commenting on the January results, CoreLogic head of research Tim Lawless said, "The positive result was broad-based with every capital city (excluding Darwin) recording a rise in dwelling values over the month. The largest month-on-month gains were recorded in Hobart (+1.4%), Sydney (+1.0%) and Melbourne (+0.8%)."

On a quarterly basis, the CoreLogic January index results confirmed that all capital cities recorded a rise in dwelling values, with Hobart in the lead, recording a 5.8% rise in dwelling values over the three months to the end of January. Sydney (+2.7%) and Melbourne (+2.4%) also posted strong increases over the rolling quarter.

The annual trend in dwelling value appreciation remained steady when compared with last month. The annual growth rate across the combined capital cities was 10.7% over the twelve months ending January 2017, compared with 10.8% over the previous rolling twelve month period.

Sydney stood out as recording the highest annual capital gains with dwelling values up 16.0% over the past twelve months; the highest annual rate of growth since the twelve month period ending September 2015. Since the growth cycle commenced in June 2012, Sydney dwelling values have increased by a cumulative 70.5%.

The quarterly capital gain across Hobart was the highest of any capital city at 5.8%, taking the annual capital gain to 7.8%. Mr Lawless said, "While the growth trend in smaller cities such as Hobart can show higher levels of volatility, clearly the Hobart housing market is now well into its growth cycle. Strong housing market conditions are being driven by positive affordability of housing, as well as improving economic conditions and stronger migration trends."

For Perth and Darwin, the rise in dwelling values over the rolling quarter may hint at a bottoming of the downturn, evident since 2014 according to Mr Lawless. He said, "Since dwelling values peaked in these markets they have reduced by a cumulative 7.7% in Perth and 7.5% in Darwin through to January 2017. Perth dwelling values were 2.1% higher over the past three months and Darwin values were up 1.8%."

"Buyers still have a great deal of leverage in these markets, with listing numbers remaining high, long selling times and high rates of discounting. However, in another indication that conditions may be moving through the bottom of the cycle, transaction volumes moved higher across both markets prior to the seasonal downturn in December and January, whilst the average selling time reduced from previously higher levels. With economic and demographic conditions remaining weak in these markets, a recovery in dwelling values is likely to be a slow process."

#### Index results as at January 31, 2017

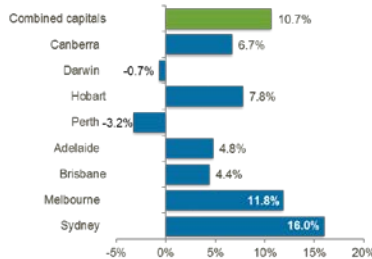
Region	Change in dwelling values			Total gross returns	Median dwelling price
	Month	Qtr	YOY		
Sydney	1.0%	2.7%	16.0%	19.7%	\$850,000
Melbourne	0.8%	2.4%	11.8%	15.2%	\$640,000
Brisbane	0.1%	1.1%	4.4%	9.0%	\$490,000
Adelaide	0.5%	1.4%	4.8%	9.1%	\$426,000
Perth	0.2%	2.1%	-3.2%	0.5%	\$480,000
Hobart	1.4%	5.8%	7.8%	13.6%	\$366,000
Darwin	-1.7%	1.8%	-0.7%	4.4%	\$490,000
Canberra	0.4%	0.1%	6.7%	11.2%	\$601,500
Combined capitals	0.7%	2.3%	10.7%	14.4%	\$605,000
Rest of State*	1.1%	2.0%	2.8%		\$380,000

\* Rest of state change in values are for houses only to end of December 2016

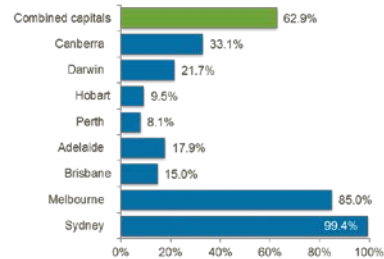
#### Highlights over the three months to January 2017

- **Best performing capital city: Hobart +5.8%**
- **Weakest performing capital city: Canberra +0.1%**
- **Highest rental yields: Hobart & Canberra houses** with gross rental yield of 5.0% and **Hobart Units** at 5.8%
- **Lowest rental yields: Melbourne houses** with gross rental yield of 2.7% and **Darwin units** at 3.4%
- **Most expensive city: Sydney** with a median dwelling price of \$850,000
- **Most affordable city: Hobart** with a median dwelling price of \$366,000

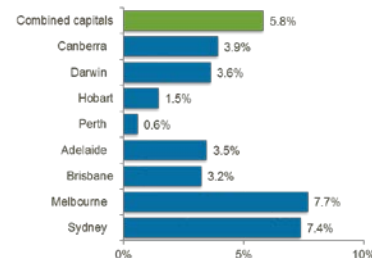
#### Change in dwelling values over past twelve months



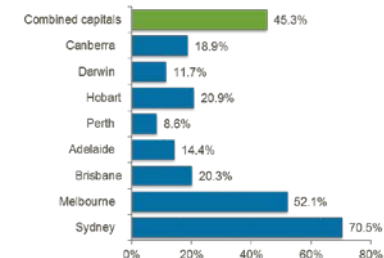
#### Cumulative change in dwelling values from Jan 2009 to current (Post GFC growth)



#### Annual change in dwelling values over past 10 years



#### Change in dwelling values over growth cycle to date



# National Media Release cont'd

## CoreLogic Hedonic Home Value Index Results

Gross rental yields slipped to a new record low across the combined capitals index in January, with the gross yield on a house now recorded at 3.20%, falling from 3.50% a year ago and 4.12% five years ago. The gross yield on a unit also reached a new record low in January, recorded at 4.01% across the combined capitals; down from 4.25% a year ago and 4.86% five years ago.

Disaggregating the yield data down to the capital city level reveals that Sydney, Melbourne and Darwin are the cities driving yields to new record lows. The gross yield on both houses and units reached a new record low in January across Sydney and Melbourne, while unit yields in Darwin also reached a record low.

Mr Lawless said, "While rental yields plumb new lows, investment in the housing market has been consistently ratcheting higher which implies that investors are speculating on further capital gains in the housing market."

The latest housing finance data from the Australian Bureau of Statistics indicates investors comprise 47% of the value of new mortgage demand (excluding refinances), with investors in New South Wales accounting for 58% of new mortgage demand and investors in Victoria comprising 45.0% of new mortgage demand.

Transaction numbers experienced the normal seasonal slowdown during December and January, however prior to the festive season, transaction numbers had been tracking higher. Comparing the second half of 2016 with the first half shows a 1.5% rise in the number of settled sales nationally and a 2.1% increase across the combined capitals. Mr Lawless said, "The jump in settled sales was heavily influenced by an 8.4% rise across the Sydney housing market over the second half of the year. Importantly, as off-the-plan unit sales move through to settlement, there will be some upwards revision to these numbers."

Recent auction results also provide some affirmation of the strong start to the New Year; the last week of January saw a combined capital city preliminary clearance rate of 75%, with 80% of Sydney auctions clearing and 86% of Melbourne auctions clearing. While auction numbers are ramping up from a seasonal slowdown, early CoreLogic results indicate sellers remain in the drivers' seat across Sydney and Melbourne - the two largest auction markets in Australia.

Mr Lawless said, "While the pace of capital gains remained strong in January, our view is that growth rates will trend lower over 2017, with several factors likely to dampen the strong capital gains trend."

"Affordability constraints are likely to become more pressing, particularly in Sydney, where the dwelling price to income ratio was approaching 8.5 times in September 2016. The deposit hurdle is becoming a larger barrier to entry with additional costs such as stamp duty adding to the high entry costs for housing. While mortgage serviceability remains reasonably healthy, mortgage rates are already edging higher on the back of higher funding costs, which could progressively take some heat out of investment demand. In addition, with house prices continuing to increase, the supervisory focus from APRA and risk committees can only be expected to increase in 2017, suggesting a continued trends towards tighter credit policies amongst regulated institutions."

"Investors comprise almost 50% of new mortgage demand nationally, so a downturn in investment activity would likely reduce housing demand and remove some of the pressure on value growth. When the previous APRA speed limits came into effect we saw the rate of value growth slow throughout the second half of 2015. If we continue to see investor participation rising across the housing market, additional regulatory changes may come into play. This may occur in any event, depending on developments in the international regulatory arena in 2017"

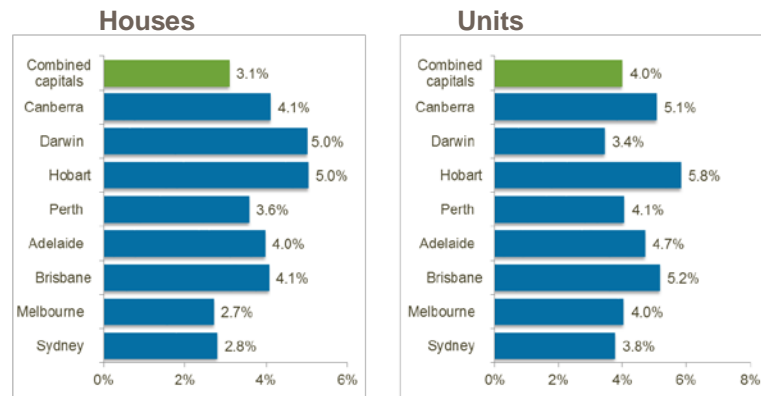
Mr Lawless cites the large number of high-rise units currently under construction as another factor that may slow overall housing market performance. He said, "Dwelling approvals have already peaked across the high rise sector, as have construction commencements. However, the unit supply pipeline remains at unprecedented levels with a large proportion of these high rise units located within the inner city regions."

"As these units flow through to settlement, the risk of buyers receiving a finance shock is becoming heightened."

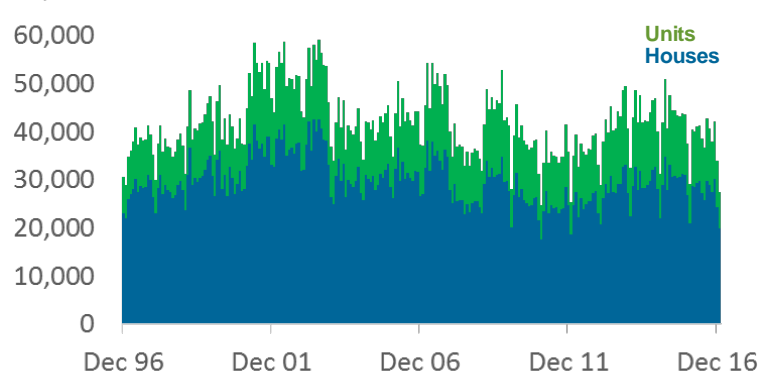
"Metadata flowing across CoreLogic valuation platforms is showing more than 40% of off-the-plan settlement valuations are coming in under contract price across the Melbourne, Brisbane and Perth unit sectors. While the large majority of these 'under valuations' are not showing a significant gap between the contract price and settlement valuation, more significant differences can be seen in some projects and precincts. Buyers who receive a valuation lower than the original contract price will generally require a larger than expected deposit in order to meet the loan to valuation ratio required by the lender."

"While growth rates are likely to slow over the year, low mortgage rates and strong population growth are likely to keep a floor under housing demand," Mr Lawless concluded.

### Gross rental yields, houses and units



### Monthly settled dwelling sales, national



# National Media Release cont'd

## CoreLogic Home Value Index tables

Capital Growth to 31 January 2017	Sydney	Melbourne	Brisbane - Gold Coast	Adelaide	Perth	Australia 5 Capitals (ASX)	Hobart	Darwin	Canberra	Brisbane	Australia 8 Capitals
<b>Table 1A: All Dwellings</b>											
Month	1.0%	0.8%	0.1%	0.5%	0.2%	0.7%	1.4%	-1.7%	0.4%	0.1%	0.7%
Quarter	2.7%	2.4%	0.9%	1.4%	2.1%	2.3%	5.8%	1.8%	0.1%	1.1%	2.3%
Year-to-Date	1.0%	0.8%	0.1%	0.5%	0.2%	0.7%	1.4%	-1.7%	0.4%	0.1%	0.7%
Year-on-Year	16.0%	11.8%	4.9%	4.8%	-3.2%	10.7%	7.8%	-0.7%	6.7%	4.4%	10.7%
Total Return Year-on-Year	19.7%	15.2%	9.5%	9.1%	0.5%	14.5%	13.6%	4.4%	11.2%	9.0%	14.4%

Median price\* based on settled sales over quarter \$850,000 \$640,000 \$499,000 \$426,000 \$480,000 \$605,000 \$366,000 \$490,000 \$601,500 \$490,000 \$605,000

Capital Growth to 31 January 2017	Sydney	Melbourne	Brisbane - Gold Coast	Adelaide	Perth	Australia 5 Capitals (ASX)	Hobart	Darwin	Canberra	Brisbane	Australia 8 Capitals
<b>Table 1B: Houses</b>											
Month	0.5%	0.7%	0.2%	0.6%	0.0%	0.5%	1.8%	-3.3%	0.2%	0.1%	0.5%
Quarter	2.7%	2.7%	0.9%	1.4%	2.2%	2.3%	6.5%	-1.2%	-0.1%	1.2%	2.4%
Year-to-Date	0.5%	0.7%	0.2%	0.6%	0.0%	0.5%	1.8%	-3.3%	0.2%	0.1%	0.5%
Year-on-Year	16.6%	12.9%	5.3%	4.9%	-3.2%	11.1%	8.0%	-2.9%	6.8%	5.2%	11.1%
Total Return Year-on-Year	20.1%	16.1%	9.8%	9.2%	0.5%	14.7%	13.7%	2.1%	11.2%	9.6%	14.7%

Median price\* based on settled sales over quarter \$970,000 \$711,000 \$537,500 \$450,000 \$500,000 \$640,000 \$391,300 \$519,500 \$650,000 \$520,000 \$636,000

Capital Growth to 31 January 2017	Sydney	Melbourne	Brisbane - Gold Coast	Adelaide	Perth	Australia 5 Capitals (ASX)	Hobart	Darwin	Canberra	Brisbane	Australia 8 Capitals
<b>Table 1C: Units</b>											
Month	3.0%	1.3%	-0.5%	0.3%	2.0%	2.1%	-2.1%	4.6%	1.8%	-0.1%	2.2%
Quarter	3.0%	-0.7%	0.7%	1.4%	1.5%	1.7%	-1.3%	14.5%	2.5%	0.2%	1.8%
Year-to-Date	3.0%	1.3%	-0.5%	0.3%	2.0%	2.1%	-2.1%	4.6%	1.8%	-0.1%	2.2%
Year-on-Year	13.1%	2.8%	0.9%	3.7%	-3.8%	8.1%	6.3%	8.5%	5.8%	-2.7%	8.0%
Total Return Year-on-Year	17.7%	7.0%	6.4%	8.7%	0.4%	12.7%	12.2%	13.3%	11.4%	2.5%	12.5%

Median price\* based on settled sales over quarter \$725,000 \$510,000 \$390,000 \$350,000 \$390,000 \$525,500 \$304,300 \$415,000 \$425,000 \$380,000 \$530,000

Capital Growth to 31 January 2017	Sydney	Melbourne	Brisbane - Gold Coast	Adelaide	Perth	Australia 5 Capitals (ASX)	Hobart	Darwin	Canberra	Brisbane	Australia 8 Capitals
<b>Table 1D: Rental Yield Results</b>											
Houses	2.8%	2.7%	4.1%	4.0%	3.6%	3.1%	5.0%	5.0%	4.1%	4.1%	3.1%
Units	3.8%	4.0%	5.2%	4.7%	4.1%	4.0%	5.8%	3.4%	5.1%	5.2%	4.0%

The indices in grey shading have been designed for trading environments in partnership with the Australian Securities Exchange ([www.asx.com.au](http://www.asx.com.au)). Indices under blue shading (Hobart, Darwin, Canberra, Brisbane and the 8 capital city aggregate) are calculated under the same methodology however are not currently planned to be part of the trading environment.

\*The median price is the middle price of all settled sales over the three months to the end of the final month. Median prices are provided as an indicator of what price a typical home sold for over the most recent quarter. The median price has no direct relationship with the CoreLogic Hedonic Index value. The change in the Index value over time reflects the underlying capital growth rates generated by residential property in the relevant region.

The CoreLogic Hedonic Index growth rates are not ordinarily influenced by capital expenditure on homes, compositional changes in the types of properties being transacted, or variations in the type and quality of new homes manufactured over time. The CoreLogic 'index values' are not, therefore, the same as the 'median price' sold during a given period. See the methodology below for further details.

**Methodology:** The CoreLogic Hedonic Home Value Index is calculated using a hedonic regression methodology that addresses the issue of compositional bias associated with median price and other measures. In simple terms, the index is calculated using recent sales data combined with information about the attributes of individual properties such as the number of bedrooms and bathrooms, land area and geographical context of the dwelling. By separating each property comprising the index into its various formational and locational attributes, differing observed sales values for each property can be separated into those associated with varying attributes and those resulting from changes in the underlying residential property market. Also, by understanding the value associated with each attribute of a given property, this methodology can be used to estimate the value of dwellings with known characteristics for which there is no recent sales price by observing the characteristics and sales prices of other dwellings which have recently transacted. It then follows that changes in the market value of the stock of residential property comprising an index can be accurately tracked through time. CoreLogic owns and maintains Australia's largest property related database in Australia which includes transaction data for every home sale within every state and territory. CoreLogic augments this data with recent sales advice from real estate industry professionals, listings information and attribute data collected from a variety of sources. For detailed methodological information please visit [www.corelogic.com.au](http://www.corelogic.com.au)

Recent updates to the CoreLogic Hedonic Home Value Index – April/May 2016

CoreLogic's periodic audits of analytic methods and algorithms identified an improvement to the Hedonic Index sampling methodology in early 2016 which was applied throughout April. CoreLogic implemented a dynamic mechanism for excluding extreme (outlier) transactions. After rigorous back testing and validation, it was determined that dynamic price filters would deliver a more robust and precise output. As a result of these changes, the CoreLogic Hedonic Index recorded higher than normal intra-month volatility in the capital city index readings throughout April and May. This improvement will ensure that the Hedonic Home Value Index will continue to represent the timeliest and most precise measurement of housing market conditions available.

For more information on the CoreLogic Indices, please go to <http://www.corelogic.com.au>

**About CoreLogic** CoreLogic Australia is a wholly owned subsidiary of CoreLogic (NYSE: CLGX), which is the largest property data and analytics company in the world. CoreLogic provides property information, analytics and services across Australia, New Zealand and Asia, and recently expanded its service offering through the purchase of project activity and building cost information provider Cordell. With Australia's most comprehensive property databases, the company's combined data offering is derived from public, contributory and proprietary sources and includes over 500 million decision points spanning over three decades of collection, providing detailed coverage of property and other encumbrances such as tenancy, location, hazard risk and related performance information.

With over 20,000 customers and 150,000 end users, CoreLogic is the leading provider of property data, analytics and related services to consumers, investors, real estate, mortgage, finance, banking, building services, insurance, developers, wealth management and government. CoreLogic delivers value to clients through unique data, analytics, workflow technology, advisory and geo spatial services. Clients rely on CoreLogic to help identify and manage growth opportunities, improve performance and mitigate risk. CoreLogic employs over 650 people across Australia and in New Zealand. For more information call 1300 734 318 or visit [www.corelogic.com.au](http://www.corelogic.com.au)