

# National Media Release

## CoreLogic Hedonic Home Value Index, April 2017 Results

Released: May 1, 2017 [www.corelogic.com.au/news](http://www.corelogic.com.au/news)

### CoreLogic April 2017 Home Value Index Results: Capital gains ease and record slowest month-on-month growth conditions since December 2015.

**According to the CoreLogic results, dwelling values increased by 0.1% across the combined capital cities in April, with housing market conditions slowing in both Sydney and Melbourne.**

Head of CoreLogic Research Tim Lawless said, "The two hottest housing markets in the nation have shown signs of slowing down in April, with the CoreLogic Hedonic Home Value Index recording a rise of just 0.1% over April, the lowest month-on-month rise in capital city dwelling values since December 2015."

"The moderation in growth was due largely to a slightly negative April result in Australia's largest capital city housing market, Sydney, where dwelling values were broadly flat (rounded up from -0.04%) over the month. The result for Melbourne was also lower than previous months of 2017, with dwelling values up 0.5% over the month."

**Softer results after dramatic capital gains:** The softer results across Australia's two largest capital cities comes after dramatic capital gains were recorded over the second half of 2016 and the first three months of 2017. Between July 2016 and the end of March 2017, Sydney dwelling values surged 11.3%, whilst Melbourne values increased slightly more at 12.6% in the same period.

The April results mark the weakest monthly change in dwelling values across the Sydney market since December 2015, when CoreLogic reported a 1.2% fall in Sydney dwelling values; the soft reading comes after dwelling values have risen by 75.1% over the past five years, an annual rate of growth of 15% over this period.

Most other capital cities also recorded softer growth conditions in April than for the first three months of 2017. However, Mr Lawless said, "The trends generally remain positive, with quarterly growth of 2.9% across the combined capitals index."

**Hobart Strongest Performer:** Based on the rolling quarterly change in dwelling values, the strongest housing market is currently in Hobart, where home values have risen 5.1% over the past three months. Hobart's housing market has staged a solid improvement over the past two years and is now the third best performing capital city on an annual basis, with dwelling values moving almost 14% higher over the past twelve months alone.

**Caution in calling peak in market:**

Mr Lawless said, "We need to be cautious in calling a peak in the market after only one month of soft results."

"April, in particular, coincides with seasonal factors including Easter, school holidays and ANZAC day long weekend. The softer results should also be viewed against a backdrop of an ever evolving regulatory landscape s which is firmly aimed at slowing investment and interest-only mortgage lending. Testament to this is mortgage rates which have been edging higher, particularly for investors and interest-only loans, as well as rental yields which have been hovering around record lows. The higher cost of debt, as well as stricter lending and servicing criteria, has likely dented investment demand over recent months."

"In a city like Sydney, where more than 50% of new mortgage demand has been from investors, a tighter lending environment for investment purposes has the potential to impact housing demand more than other cities," he said.

#### Index results as at April 30, 2017

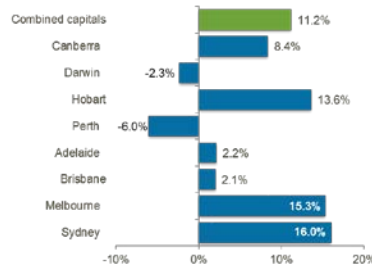
Region	Change in dwelling values			Total gross returns	Median dwelling price
	Month	Qtr	YOY		
Sydney	0.0%	4.0%	16.0%	19.6%	\$860,000
Melbourne	0.5%	3.9%	15.3%	18.6%	\$650,000
Brisbane	0.6%	0.5%	2.1%	6.4%	\$481,000
Adelaide	0.8%	1.8%	2.2%	6.3%	\$430,000
Perth	-1.0%	-2.4%	-6.0%	-2.5%	\$472,200
Hobart	1.0%	5.1%	13.6%	19.6%	\$363,200
Darwin	0.5%	-0.9%	-2.3%	2.6%	\$467,000
Canberra	-2.8%	1.8%	8.4%	12.9%	\$605,000
Combined capitals	0.1%	2.9%	11.2%	14.9%	\$625,800
Rest of State*	1.1%	1.8%	4.9%		\$386,000

\* Rest of state change in values are for houses only to end of March 2017

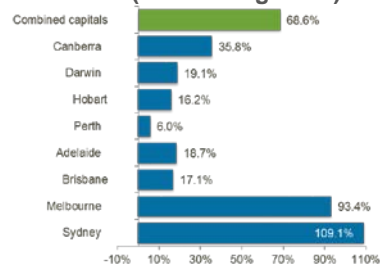
#### Highlights over the three months to April 2017

- **Best performing capital city: Hobart +5.1%**
- **Weakest performing capital city: Perth -2.4%**
- **Highest rental yields: Hobart & Darwin houses** with gross rental yield of 4.9% and **Hobart Units** at 5.4%
- **Lowest rental yields: Sydney & Melbourne houses** with gross rental yield of 2.7% and **Darwin units** at 3.7%
- **Most expensive city: Sydney** with a median dwelling price of \$860,000
- **Most affordable city: Hobart** with a median dwelling price of \$363,200

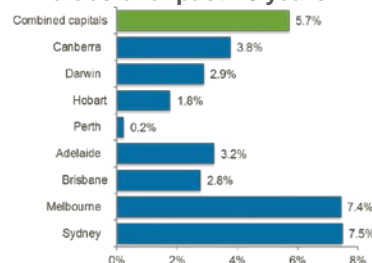
#### Change in dwelling values over past twelve months



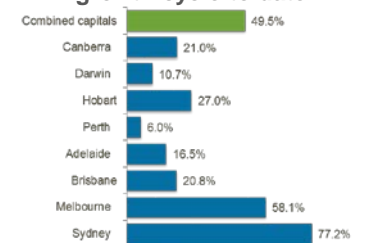
#### Cumulative change in dwelling values from Jan 2009 to current (Post GFC growth)



#### 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

The latest housing finance data from the Australian Bureau of Statistics (ABS) showed that investors comprised 57% of new mortgage demand in New South Wales, excluding refinanced loans. This is substantially higher than the national average of 48%, or Victoria, where new mortgage commitments for investors comprised 46% of the market.

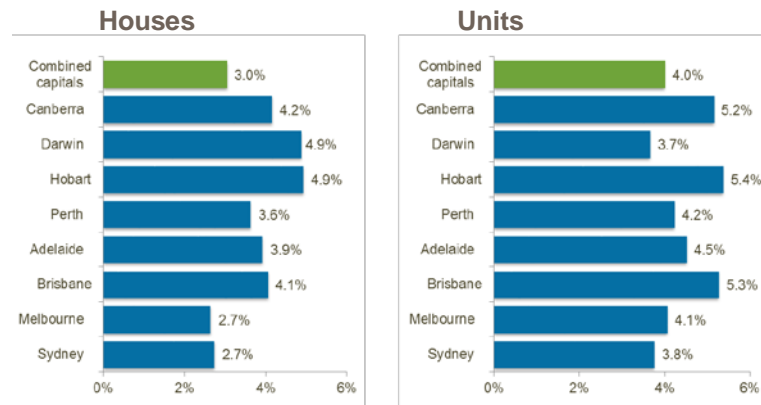
**Value growth eases but gross yields held reasonably firm over April:** With value growth easing and weekly rents showing some subtle appreciation, gross yields held reasonably firm over the month. Across the combined capitals, the typical gross yield on a house is equal to the record low set last month at 3.0%, while the gross yield on capital city units has edged higher, rising from 3.9% in March to 4.0% in April.

The largest capital cities continued to show the lowest rental yields; Sydney and Melbourne both recorded a gross yield of 2.7% for detached houses in April. Across the unit sector, the Darwin market is showing the lowest gross yield profile at 3.7%, followed closely by Sydney and Melbourne at 4.1%.

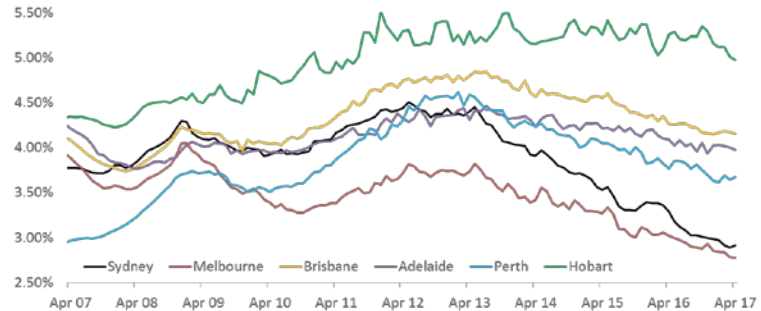
Hobart continues to enjoy a solid rental return, at least relative to the other capital cities. However, with Hobart dwelling values consistently rising at a faster rate than rents, the yield profile has been trending noticeably lower since October last year.

Mr Lawless said, "If the softer capital gains result seen in April develops into a trend of weaker growth, the likelihood is that yields will stabilise at their current low levels and gradually start to rise if rental growth begins to outpace value growth."

### Gross rental yields, houses and units



### Gross rental yields over time, largest capital cities



"Other factors pointing towards a subtle weakening of the market during April have been a trend towards lower clearance rates and higher listing numbers. These indicators have edged higher relative to a year ago in some cities, including Sydney."

**Clearance rates dip below 70%:** While clearance rates finished the month on a strong footing and remain well above the long-term average, the weighted average clearance rate across the combined capital cities trended lower during April, slipping below 70% over the third week of the month. This was the first time the clearance rate fell below 70% in three months.

Importantly, the preliminary auction clearance rate over the last week of April rebounded back to 76.9%, suggesting vendors are still enjoying strong selling conditions. Mr Lawless said, "It's hard to know whether the rebound in clearance rates over the final week of April could be attributed to vendors willing to accept a lower than expected price at auction. Considering growing sentiment and market commentary that the housing market is likely at or near the peak of strong growth conditions, some vendors may be more motivated to offload their property in case conditions do soften further."

**Number of listings edged higher compared to April 2016:** The number of property listings relative to a year ago has also edged higher in several cities including Sydney. The last time Sydney listing numbers increased year-on-year was early September 2016. Mr Lawless believes that higher stock levels have the potential to take some urgency out of the decision making process for buyers, which may be another factor alleviating some of the upwards pressure on dwelling prices. He said, "If stock levels continue to rise, the benefit to buyers is more choice and vendors may find their selling position is not as strong as what it was over the past year or so."

**Valuation activity eases in April:** Activity across the CoreLogic mortgage valuation platforms eased during April, with the CoreLogic Mortgage Index down from a historically high reading in March. Mr Lawless said, "At face value, mortgage demand appears to have slipped during April, however the slowdown in lending-related activity can be attributed to seasonal factors."

He said, "Monitoring the trend in mortgage-related valuation events through May and June should give a clearer indication about whether lending activity has been dampened by the recent regulatory changes, as well as the impact of higher mortgage rates announced by financial institutions throughout March and April."

CoreLogic mortgage platforms track mortgage-related activity, accounting for more than 95% of lender valuation events, including refinancing. The index shows a strong correlation with the ABS housing finance data, indicating mortgage demand has remained strong over the first quarter of the year.

Mr Lawless said, "Overall, the softer housing market results for April are but one month of data. Monitoring of the data flows over the coming months will provide firm evidence as whether this latest housing market reading develops into a softening trend."

"With mortgage rates remaining well below the long-term average, we should see a continuation of support for the housing market and investment demand. On the flipside, this current growth phase has been running for almost five years across Sydney and Melbourne; it is rare for an upswing in the cycle to be sustained for this long and at such high growth rates."

"Affordability constraints are very much evident across Sydney, and to a lesser extent Melbourne which would be progressively impacting on housing demand. Additionally, investment related demand is likely to ease due to the changed regulatory environment and tighter lending and servicing policies from the banking sector."

At the same time, housing affordability is likely to be one of the key themes of the Federal Budget to be announced on May 9 and the NSW Government Budget to be announced in late June, either or both of which could reasonably be expected to have some impact on the housing market in the months ahead.

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## CoreLogic Home Value Index tables

Capital Growth to 30 April 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	0.0%	0.5%	0.6%	0.8%	-1.0%	0.2%	1.0%	0.5%	-2.8%	0.6%	0.1%
Quarter	4.0%	3.9%	1.1%	1.8%	-2.4%	2.9%	5.1%	-0.9%	1.8%	0.5%	2.9%
Year-to-Date	5.0%	4.7%	1.2%	2.4%	-2.2%	3.7%	6.6%	-2.6%	2.2%	0.6%	3.6%
Year-on-Year	16.0%	15.3%	3.4%	2.2%	-6.0%	11.2%	13.6%	-2.3%	8.4%	2.1%	11.2%
Total Return Year-on-Year	19.6%	18.6%	7.9%	6.3%	-2.5%	14.9%	19.6%	2.6%	12.9%	6.4%	14.9%
<i>Median price* based on settled sales over quarter</i>	\$860,000	\$650,000	\$495,000	\$430,000	\$472,200	\$628,500	\$363,200	\$467,000	\$605,000	\$481,000	\$625,800
<b>Table 1B: Houses</b>											
Month	0.2%	0.6%	0.9%	0.9%	-0.9%	0.4%	0.4%	1.3%	-3.1%	1.0%	0.3%
Quarter	4.5%	4.3%	1.2%	1.6%	-2.2%	3.3%	4.4%	1.1%	1.9%	0.7%	3.2%
Year-to-Date	5.1%	5.0%	1.4%	2.2%	-2.2%	3.8%	6.3%	-2.2%	2.2%	0.9%	3.7%
Year-on-Year	17.4%	16.5%	3.6%	2.4%	-6.0%	11.9%	13.3%	-2.8%	8.7%	2.6%	11.9%
Total Return Year-on-Year	20.8%	19.8%	8.0%	6.5%	-2.5%	15.5%	19.2%	2.3%	13.2%	6.9%	15.5%
<i>Median price* based on settled sales over quarter</i>	\$990,000	\$735,000	\$541,500	\$457,800	\$489,000	\$670,000	\$385,000	\$500,000	\$690,000	\$514,000	\$661,200
<b>Table 1C: Units</b>											
Month	-1.2%	-0.9%	-1.9%	-0.3%	-1.8%	-1.2%	6.3%	-2.4%	1.7%	-3.1%	-1.2%
Quarter	1.3%	0.6%	-0.6%	4.6%	-5.2%	0.8%	11.8%	-8.1%	0.1%	-1.9%	0.7%
Year-to-Date	4.4%	2.0%	-1.1%	4.8%	-3.4%	2.9%	9.4%	-3.9%	2.0%	-2.1%	2.9%
Year-on-Year	9.8%	4.1%	1.1%	-0.2%	-5.9%	6.4%	17.2%	0.3%	3.8%	-3.1%	6.2%
Total Return Year-on-Year	14.1%	8.4%	6.6%	4.6%	-1.8%	10.8%	24.0%	4.3%	9.2%	2.0%	10.6%
<i>Median price* based on settled sales over quarter</i>	\$740,000	\$518,000	\$403,500	\$368,000	\$410,000	\$547,000	\$290,000	\$400,000	\$422,500	\$400,000	\$550,000
<b>Table 1D: Rental Yield Results</b>											
Houses	2.7%	2.7%	4.1%	3.9%	3.6%	3.0%	4.9%	4.9%	4.2%	4.1%	3.0%
Units	3.8%	4.1%	5.3%	4.5%	4.2%	4.0%	5.4%	3.7%	5.2%	5.3%	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)