National Media Release

CoreLogic Hedonic Home Value Index, May 2017 Results

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Multiple indicators point to softer housing market conditions

The CoreLogic May Home Value Index results out today confirmed that the capital gains trend has slowed over recent months with dwelling values edging 0.4% higher over the three months ending May 2017.

According to CoreLogic head of research Tim Lawless, Australia's capital cities saw a cooling of housing market conditions over the seasonally weak month of May with the CoreLogic hedonic home value index reporting a -1.1% fall in dwelling values across the combined capitals. The month-on-month fall was largely the result of declines in Sydney and Melbourne, where dwelling values have recorded significant gains over the current growth cycle to date.

He said, "The past three months has seen capital city dwelling values rise by a modest 0.4%, with four of the eight capitals recording a fall. Over the past three months, Sydney dwelling values are unchanged while Melbourne values have increased by 0.7%."

"The trend in growth rates across the smaller capital cities was mixed with dwelling values across Brisbane and Adelaide continuing to inch higher while values in Perth and Darwin showed further easing over the most recent rolling quarter. A steep drop in the Hobart index has reversed the gains recorded over the previous quarter and the Canberra index was also -1.5% lower over the past three months."

"The May home value results should be viewed in the context of demonstrated seasonality; values have fallen during May in four of the past five years. Reading through the seasonality indicates that value growth in the market has lost momentum, particularly in Sydney and Melbourne where affordability constraints are more evident and investors have comprised a larger proportion of housing demand."

Mr Lawless said, "Adding to the complexity in reading the current market is the recent Australian Prudential Regulation Authority (APRA) announcements at the end of March for a new round of macroprudential measures aimed at slowing the pace of interest only lending."

Subsequently, he said, "Mortgage rates are continuing to trend higher, particularly for investors."

"Another factor that is likely contributing to slower growth conditions is a dent in consumer confidence. Consumer sentiment towards housing, as measured by Westpac and the Melbourne Institute, has shown a marked downturn in May.

"In particular, the Westpac 'time to buy a dwelling index', fell 6.5% over the month. According to Westpac, 'consumer sentiment towards housing shows an increasingly negative view'.

Other market indicators suggest a slower pace of growth such as a reduction in market activity, a moderating trend in auction clearance rates and rising advertised stock levels.

Index results as at May 31, 2017

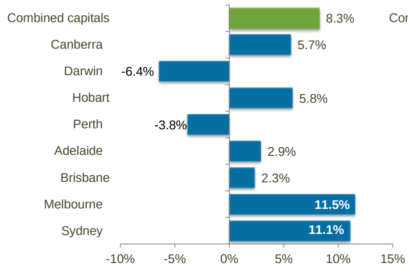
Region	Change in dwelling values: Month	Qtr	YOY	Total gross returns	Median dwelling price
Sydney	-1.3%	0.0%	11.1%	14.5%	$872,300
Melbourne	-1.7%	0.7%	11.5%	14.8%	$665,000
Brisbane	0.3%	1.2%	2.3%	6.7%	$490,000
Adelaide	0.8%	2.0%	2.9%	7.1%	$432,000
Perth	-0.4%	-0.4%	-3.8%	-0.2%	$481,500
Hobart	-4.8%	-1.0%	5.8%	11.4%	$350,000
Darwin	-3.5%	-0.1%	-6.4%	-1.8%	$460,000
Canberra	-0.1%	-1.5%	5.7%	10.1%	$600,000
Combined capitals	-1.1%	0.4%	8.3%	11.8%	$630,000
Rest of State*	-0.2%	0.6%	4.5%		$400,000

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

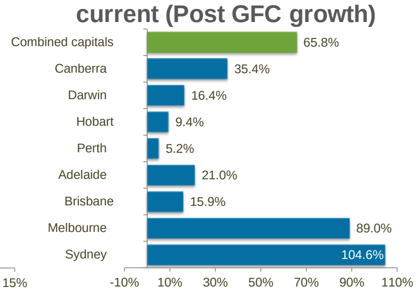
Highlights over the three months to May 2017

- **Best performing capital city: Adelaide** +2.0%
- **Weakest performing capital city**: **Canberra** -1.5%
- **Highest rental yields**: **Hobart houses** with gross rental yield of 5.3% and **Hobart Units** at 5.6%
- **Lowest rental yields: Melbourne houses** with gross rental yield of 2.7% and **Sydney & Darwin units** at 3.9%
- **Most expensive city: Sydney** with a median dwelling price of $872,300
- **Most affordable city: Hobart** with a median dwelling price of $350,000

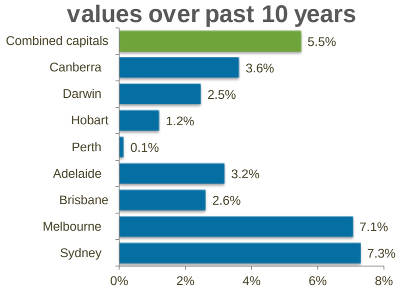
Change in dwelling values over past twelve months



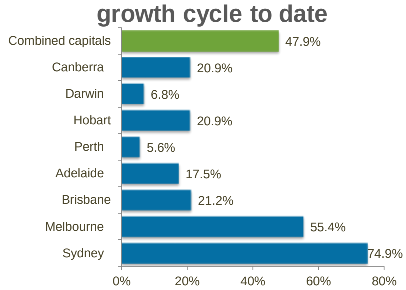
Cumulative change in dwelling values from Jan 2009 to current (Post GFC growth)



Annual change in dwelling values over past 10 years



Change in dwelling values over growth cycle to date



Turnover down: CoreLogic estimates of dwelling turnover for the combined capital cities were tracking 6.9% lower year-on-year. Mr Lawless said, "It appears that housing activity has eased which is attributable to a range of factors including affordability constraints, tighter credit policies, rising mortgage rates and a downturn in consumer sentiment towards housing."

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CoreLogic Hedonic Home Value Index Results

The largest year-on-year falls have been in Melbourne (-12.4%), Brisbane (-11.1%) and Sydney (-4.3%) suggesting that housing demand has eased relative to a year ago across the three largest cities. Lower activity in the market is also supported by a slowdown in valuation activity across CoreLogic valuation platforms which account for more than 95% of mortgage related valuation instructions. After rebounding from the slower April reading, CoreLogic's Mortgage Index was tracking 9.3% lower than at the same time last year over May.

Auction markets moderating: Auction markets remained healthy throughout May, however, there has been some moderation in the clearance rate which has been particularly evident in Sydney, where clearance rates have trended down from the 80-85% range to the 70-75% range from the second half of April through to the end of May. Melbourne clearance rates have generally held firmer, tracking in the mid-to-high 70% range over the month. According to Mr Lawless, "The final week of May saw the Melbourne clearance rate reach 74%, which is the lowest reading so far this year and Sydney recorded a clearance rate of 73%, which is the third lowest clearance rate over the year to date."

Advertised stock levels nudging higher: The number of residential properties advertised for sale has started to edge higher across some cities, with Sydney in particular seeing a surge in newly advertised stock, up 15% compared with last year, while total advertised listings are now 6.3% higher than a year ago. According to Mr Lawless, "Higher stock levels should provide prospective buyers with more choice and reduce some of the urgency that has been contributing to rapid selling times and price escalation".

Yields stabilising: The moderation in the pace of capital gains at a time when weekly rents are gradually rising has seen rental yields edge higher over the month. Capital city asking rents were 4.2% higher over the past year; the strongest growth rate since March 2014. Mr Lawless said, "The rise in rents relative to the slip in dwelling values was enough to push gross rental yields off their record lows. Despite the moderate increase, gross rental yields remain well below their long term average in Sydney and Melbourne."

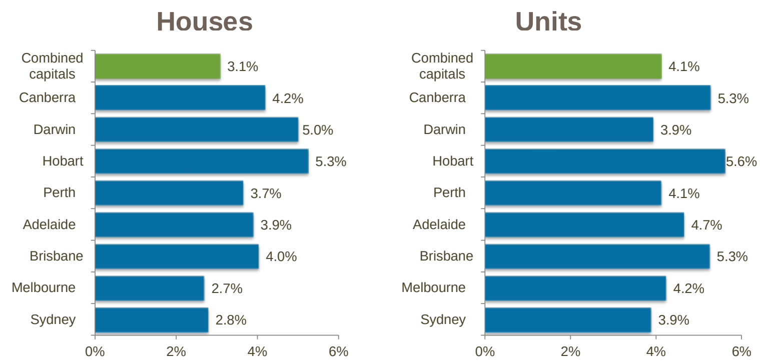
He said, "If investors are concerned about the run of capital growth in the two largest cities coming to an end, the more astute investors may change their focus towards the rental return given the possibility of lower capital growth potential."

Based on the most recent data from the Australian Bureau of Statistics, investors comprised 48% of the value of new mortgage demand (excluding refinances) in March, well above the long term average, but the lowest proportion of mortgage demand since August last year.

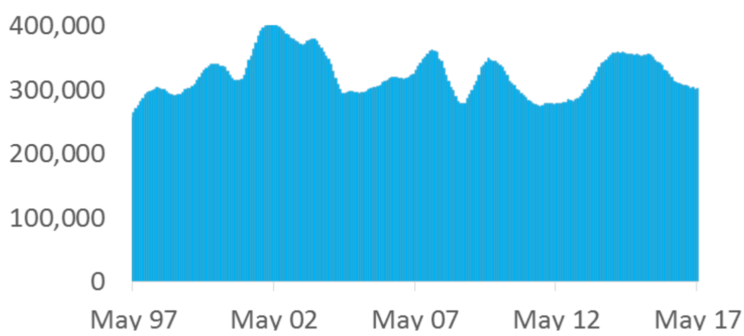
Mr Lawless said, "Considering we are yet to see the full effect of the recent round of macroprudential measures flow through, there is a high possibility that investor activity, and consequently housing demand, will slow further during 2017."

"Investor demand will also be dampened due to higher mortgage rates and tighter credit policies as well as the added disincentive of low rental yields and reduced ability to claim depreciation and travel expenses."

Gross rental yields, houses and units



Annual number of settled dwelling sales, combined capitals



"While we are expecting investment activity to slow, the fact is other asset classes aren't likely to be as attractive as property to investors. Cash and bonds continue to provide low but safe returns and equities remain volatile. Considering the alternatives, we are likely to see property investment remain a popular option," he said.

Mortgage rates are rising despite a stable cash rate: Discounted variable mortgage rates for investment purposes have risen by 25 basis points on average through to the end of April 2017, and discounted variable rates for owner occupiers are 10 basis points higher. Even though mortgage rates remain low, higher repayment costs are likely to have a dampening effect on housing demand against a backdrop of record high household debt and record lows in wages growth.

Mr Lawless said, "Mortgage rates could edge higher over coming months as lenders accommodate recent macroprudential announcements within their credit policies. The funding levy announced in this year's federal budget could also see higher mortgage rates as lenders potentially pass on some of the associated costs."

In closing, he said, "The jury is still out on whether the housing market has peaked, however if it hasn't, a peak could be just around the corner. Based on CoreLogic data, as well as other indicators, it's fair to say that growth conditions appear to be slowing in Sydney and Melbourne while the performance across other capital city regions remains mixed. The housing market remains as diverse as ever and the flow of data over coming months will be critical to get a better understanding of the trends."

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CoreLogic Home Value Index tables

Capital Growth to 31 May 2017	Sydney	Melbourne	Brisbane - Gold Coast	Adelaide	Perth	Australia 5 Capitals (ASX)	Hobart	Darwin	Canberra	Brisbane	Australia 8 Capitals
Table 1A: All Dwellings											
Month	-1.3%	-1.7%	0.9%	0.8%	-0.4%	-1.0%	-4.8%	-3.5%	-0.1%	0.3%	-1.1%
Quarter	0.0%	0.7%	2.0%	2.0%	-0.4%	0.6%	-1.0%	-0.1%	-1.5%	1.2%	0.4%
Year-to-Date	3.6%	3.0%	2.1%	3.2%	-2.6%	2.7%	1.4%	-6.0%	2.1%	0.9%	2.5%
Year-on-Year	11.1%	11.5%	4.0%	2.9%	-3.8%	8.5%	5.8%	-6.4%	5.7%	2.3%	8.3%
Total Return Year-on-Year	14.5%	14.8%	8.6%	7.1%	-0.2%	12.0%	11.4%	-1.8%	10.1%	6.7%	11.8%
Median price based on settled sales over quarter*	*$872,300*	*$665,000*	*$500,000*	*$432,000*	*$481,500*	*$632,000*	*$350,000*	*$460,000*	*$600,000*	*$490,000*	*$630,000*
Table 1B: Houses											
Month	-1.0%	-1.5%	0.9%	1.2%	-0.5%	-0.8%	-4.8%	-2.9%	0.0%	0.4%	-0.9%
Quarter	0.7%	1.2%	2.1%	2.2%	-0.3%	1.0%	-1.9%	-0.1%	-1.3%	1.5%	0.9%
Year-to-Date	4.0%	3.5%	2.3%	3.3%	-2.6%	3.0%	1.2%	-5.1%	2.2%	1.2%	2.8%
Year-on-Year	12.1%	12.8%	4.4%	3.1%	-4.2%	9.2%	6.1%	-8.8%	5.5%	3.0%	9.0%
Total Return Year-on-Year	15.3%	16.0%	8.8%	7.3%	-0.6%	12.6%	11.7%	-4.1%	9.8%	7.3%	12.4%
Median price based on settled sales over quarter*	*$1,020,000*	*$745,000*	*$550,000*	*$460,000*	*$500,000*	*$675,000*	*$381,600*	*$487,500*	*$690,000*	*$525,000*	*$670,000*
Table 1C: Units											
Month	-2.7%	-3.8%	0.9%	-3.0%	1.7%	-2.4%	-5.0%	-5.9%	-2.0%	-0.1%	-2.6%
Quarter	-3.2%	-3.9%	0.6%	0.7%	-0.8%	-2.7%	8.8%	0.3%	-3.5%	-1.7%	-2.9%
Year-to-Date	1.6%	-1.9%	-0.2%	1.7%	-1.7%	0.4%	3.9%	-9.5%	-0.1%	-2.2%	0.2%
Year-on-Year	6.1%	-0.3%	0.5%	0.3%	2.1%	3.6%	2.7%	4.9%	8.1%	-4.5%	3.4%
Total Return Year-on-Year	10.2%	3.8%	6.0%	5.1%	6.5%	7.9%	8.6%	9.1%	13.8%	0.6%	7.6%
Median price based on settled sales over quarter*	*$742,900*	*$525,000*	*$400,500*	*$365,000*	*$405,000*	*$550,000*	*$311,500*	*$420,000*	*$426,000*	*$390,000*	*$550,000*
Table 1D: Rental Yield Results											
Houses	2.8%	2.7%	4.1%	3.9%	3.7%	3.1%	5.3%	5.0%	4.2%	4.0%	3.1%
Units	3.9%	4.2%	5.3%	4.7%	4.1%	4.1%	5.6%	3.9%	5.3%	5.3%	4.1%

The indices in grey shading have been designed for trading environments in partnership with the Australian Securities Exchange (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

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.

Due to the aforementioned changes, year on year comparisons between May 2017 and May 2016 will be slightly affected.

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

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