National Media Release

Capital city dwelling values record their first annual decline since November 2012 while regional dwelling values continue to edge higher

National dwelling values nudged 0.1% lower in April, the seventh consecutive month-on-month fall since values started retreating in October last year according to the CoreLogic April home value index results out today.

Similar to previous months, CoreLogic head of research Tim Lawless found that the declines were concentrated within the largest capitals, while regional dwelling values edged 0.4% higher.

Capital city dwelling values were 0.3% lower over the month, driven by larger falls of -0.4% in Sydney and Melbourne and a smaller decline in Brisbane values (-0.1%). The falls were offset by flat conditions in Perth and subtle rises in Adelaide (+0.1%), Darwin and Canberra (both +0.6%). Hobart was the only city where dwelling values rose by more than 1% in April.

On an annual basis, the combined capitals recorded the first decline in dwelling values since late 2012, with values slipping 0.3% lower, driven by falls in Sydney (-3.4%), Perth (-2.3%) and Darwin (-7.7%). The only capital city to see an improvement in annual growth conditions relative to a year ago is Perth, where the rate of decline has slowed from -3.0% last year to -2.3% over the past twelve months.

A reversal of longer term trends Mr Lawless said, "At a macro level, the latest trends are virtually the opposite of what we have become used to over the past five or so years. Regional areas are now outperforming the capitals and units are outperforming houses. Also the most expensive properties are now showing weaker conditions than the more affordable ones."

Regional areas now outpacing the capital cities The past five years has seen combined capital city dwelling values appreciate at the annual rate of 6.8% which is almost double the annual rate across the combined regional markets at 3.5%. The past twelve months has seen capital city dwelling values fall by 0.3% while regional values are 2.4% higher.

Unit values outperform house values Similarly, capital city detached house values have recorded an average annual growth rate of 7.3% over the past five years, while unit values were up 5.5% per annum over the same period. Mr Lawless said, "Despite the surge in unit construction over recent years, the past twelve months has seen unit values continue to trend higher, up 1.9%, compared with a 1.0% fall in house values."

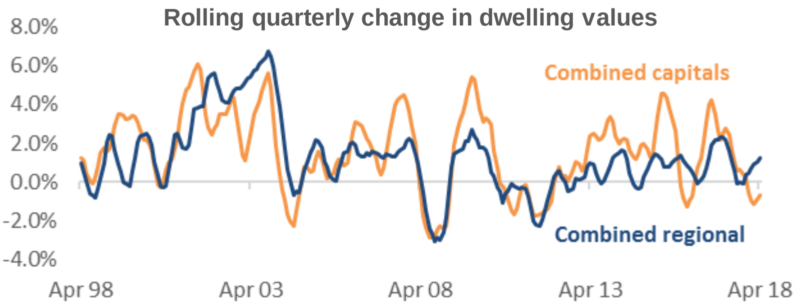
More affordable housing stock has been resilient to value falls Across the most expensive quarter of the market, dwelling values have increased at almost twice the pace of the most affordable quarter over the past five years, up 8.2% per annum compared with 4.4% per annum. As conditions have slowed down, it's been the most affordable end of the housing market where values have remained resilient to falls, trending 1.9% higher over the past twelve months while the most expensive quarter of properties has seen values fall by -1.6%.

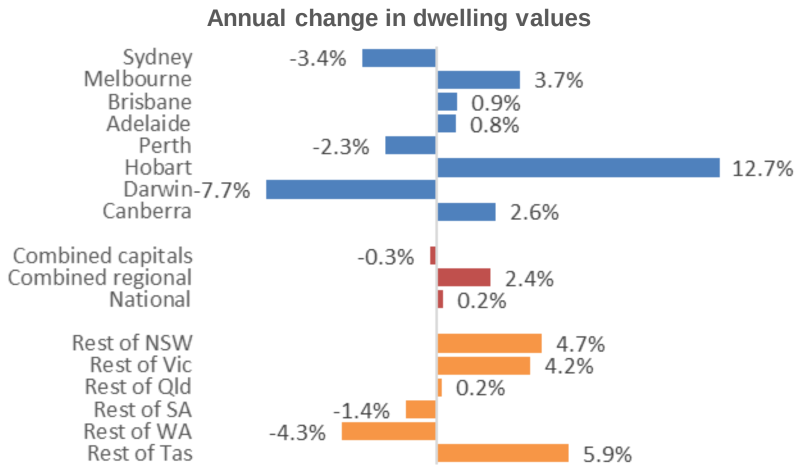
Index results as at April 30, 2018

	Change in dwelling values			Total	Median
	Month	Quarter	Annual	return	value
Sydney	-0.4%	-1.2%	-3.4%	-0.4%	$875,816
Melbourne	-0.4%	-0.7%	3.7%	6.7%	$720,433
Brisbane	-0.1%	-0.1%	0.9%	4.9%	$492,911
Adelaide	0.1%	-0.2%	0.8%	5.1%	$435,042
Perth	0.0%	0.1%	-2.3%	1.6%	$464,238
Hobart	1.2%	3.6%	12.7%	18.4%	$430,138
Darwin	0.6%	0.7%	-7.7%	-2.5%	$433,609
Canberra	0.6%	0.5%	2.6%	7.2%	$594,486
Combined capitals	-0.3%	-0.7%	-0.3%	3.0%	$655,419
Combined regional	0.4%	1.3%	2.4%	7.7%	$364,706
National	-0.1%	-0.3%	0.2%	3.9%	$554,605

Highlights over the three months to April 2018

- Best performing capital city: **Hobart +3.6%**
- Weakest performing capital city: **Sydney -1.2%**
- Highest rental yield: **Darwin 5.8%**
- Lowest rental yields: **Melbourne 3.0%**





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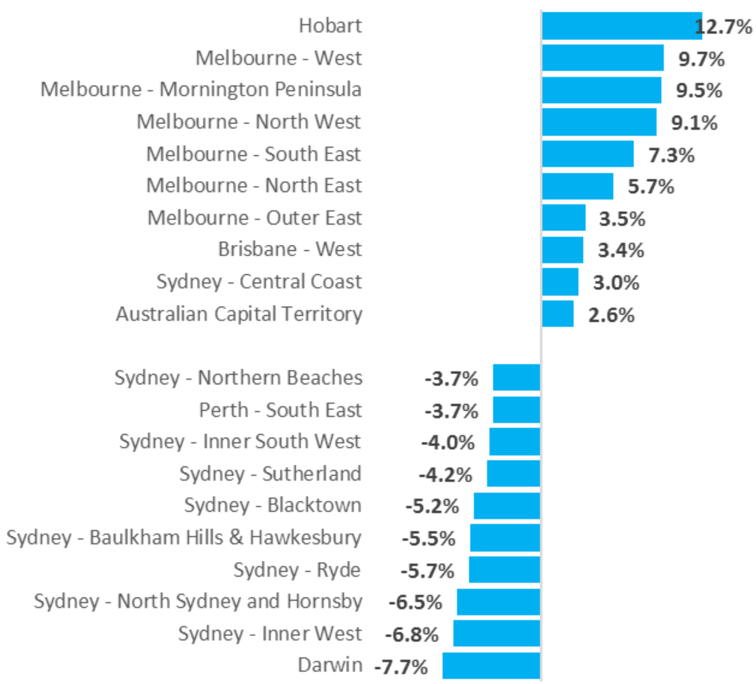
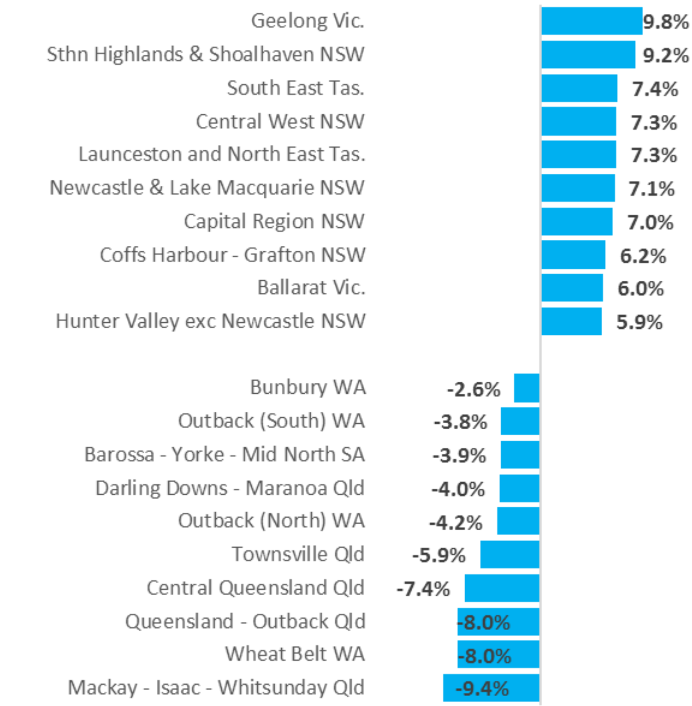
Top and bottom 10
Annual change in dwelling values, capital city SA4 areas



Top and bottom 10
Annual change in dwelling values, regional SA4 areas



Trends across capital city sub-regions: Although annual capital gains have slowed to 3.7% across Melbourne, many of the city's sub-regions still dominate the top 10 for growth in dwelling values over the past twelve months, with six of the top ten located around Melbourne's outer metropolitan areas. While Hobart tops the list for best growth over the past twelve months at 12.7%, three of Melbourne's sub-regions (Melbourne West, Mornington Peninsula and Melbourne North West) are still recording annual capital gains higher than 9%.

The weakest performing sub-regions are now heavily concentrated around Sydney, with eight of the ten weakest performing capital city sub-regions nationally located across the Sydney metropolitan area.

Trends across regional markets: After recording a softer performance for most of the past thirteen years, the combined regional markets are now consistently outperforming the capitals; a trend that has been evident since September last year, with a widening gap in performance since that time.

Mr Lawless confirmed that the outperformance across regional markets is mostly attributable to stronger conditions across the larger regional centres located within close proximity to the three major capitals, as well as improving conditions across many of the lifestyle markets.

Additionally, he said, "Although values remain lower over the year, many of the mining regions, where values have seen substantial declines, have now levelled out or seen some growth in values, helping to reduce the drag on headline growth rates."

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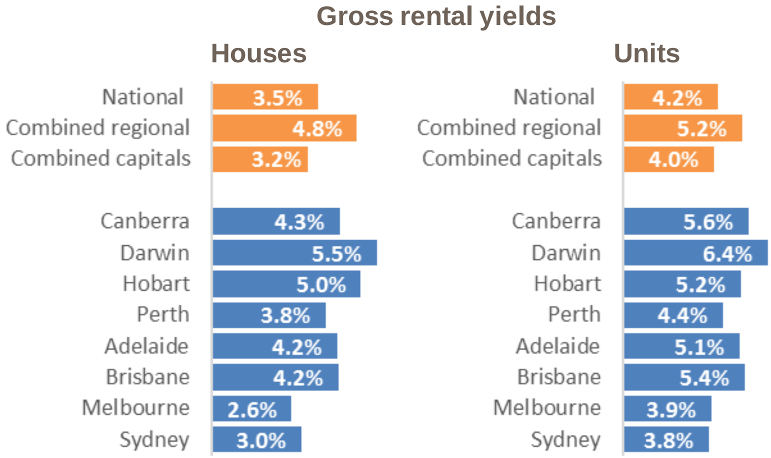
Rental conditions: Nationally, weekly rental rates are now rising at the annual pace of 2.0%, the same rate of growth as a year ago, but slower than seven months ago when the annual pace of growth was tracking at a recent high of 2.9%. The slowdown in rental growth is once again attributable to slower rental conditions across the capital cities, where annual rental growth has eased from 2.8% in September last year to 1.7% over the twelve months ending April 2018. Despite the slower pace of rental growth, every capital city, apart from Sydney, is now seeing rents rise at a faster rate than the five year average.

Mr Lawless said, "Slower rental growth, particularly in Sydney, is most likely a factor of higher levels of investment which has supported a rise in rental stock combined with a surge in first home buyers which has detracted from rental demand."

Conversely, he said, "Annual growth in rents for regional dwellings has been trending higher to reach 3.1% over the twelve months ending April 2018; the fastest annual rate of growth since May 2012.

With dwelling values now falling or rising at a slower rate than rents, gross rental yields are generally tracking higher. In the lowest yields markets, Melbourne and Sydney, dwelling rents have lifted from their record lows, but remain well below the long run average.

In Melbourne, gross dwelling yields bottomed out at a record low of 2.88% in November last year and have since crawled higher to reach 2.96%. In Sydney, gross dwellings yields reached a record low of 3.04% in August last year and have showed a subtle repair, rising to 3.21% at the end of April this year.



In Summary, while values are trending lower, CoreLogic confirmed that the rate of decline has remained moderate.

Mr Lawless said, "Weaker housing market conditions are primarily a factor of tighter credit policies which have dampened investment activity. Annual growth in investor housing credit was just 2.5% over the twelve months to March '18.

"Considering investment activity has been substantially concentrated in Sydney and, to a lesser extent, Melbourne, it makes sense that these two markets would feel the brunt of tighter credit conditions for investment lending."

"The slowdown in investment activity has been partially offset by a uptick in owner occupier lending, driven by a surge in first home buyer activity in New South Wales and Victoria. Annual growth in owner occupier housing credit, at 8.1% over the twelve months to March '18, is the fastest pace of growth since late 2016.

"With the recent announcement by APRA that the ten percent speed limit on investment lending would be lifted from July 1 for lenders who can prove they have met ARPA guidelines over the past six months, it would be intuitive to assume investment activity may lift, however that isn't likely to be the case. In fact, borrowers may face tighter lending conditions as banks focus more on debt servicing and ensuring expenses are more comprehensively assessed and adequately allowed for," Mr Lawless said.

While Mr Lawless agrees that credit conditions are likely to remain tight and potentially tighten further as the Royal Commission unravels, he said, "Low mortgage rates are expected to help to keep a floor under housing demand. With the Reserve Bank meeting today, it's virtually guaranteed that the cash rate will remain on hold and the Bank will reiterate a neutral policy stance for the foreseeable future. While the next interest rate move is likely to be up, financial markets are still indicating the first hike won't be until July 2019."

Another factor supporting a soft landing in the housing market is high overseas migration, particularly into New South Wales and Victoria as well as strong interstate migration flows, especially into Queensland, Victoria and Tasmania. Mr Lawless said, "Increasingly there is talk about reducing Australia's migration intake, should this occur it would likely result in reduced demand for housing, particularly in New South Wales and Victoria which see the strongest levels of overseas migrant arrivals."

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CoreLogic Home Value Index tables

		Capitals								Aggregate indices		
		Sydney	Melbourne	Brisbane	Adelaide	Perth	Hobart	Darwin	Canberra	Combined capitals	Combined regional	National
Dwellings	Month	-0.4%	-0.4%	-0.1%	0.1%	0.0%	1.2%	0.6%	0.6%	-0.3%	0.4%	-0.1%
	Quarter	-1.2%	-0.7%	-0.1%	-0.2%	0.1%	3.6%	0.7%	0.5%	-0.7%	1.3%	-0.3%
	YTD	-2.1%	-0.9%	-0.1%	-0.4%	-0.3%	4.6%	0.5%	0.5%	-1.2%	1.5%	-0.6%
	Annual	-3.4%	3.7%	0.9%	0.8%	-2.3%	12.7%	-7.7%	2.6%	-0.3%	2.4%	0.2%
	Total return	-0.4%	6.7%	4.9%	5.1%	1.6%	18.4%	-2.5%	7.2%	3.0%	7.7%	3.9%
	Yield	3.2%	3.0%	4.4%	4.3%	3.9%	5.0%	5.8%	4.6%	3.4%	4.9%	3.7%
	Median value	$875,816	$720,433	$492,911	$435,042	$464,238	$430,138	$433,609	$594,486	$655,419	$364,706	$554,605
Houses	Month	-0.6%	-0.6%	-0.2%	0.1%	0.0%	1.5%	1.4%	0.7%	-0.4%	0.5%	-0.2%
	Quarter	-1.9%	-1.1%	-0.1%	-0.2%	0.4%	3.7%	3.2%	0.7%	-1.0%	1.2%	-0.5%
	YTD	-2.7%	-1.3%	-0.1%	-0.4%	0.2%	4.9%	3.3%	0.7%	-1.4%	1.5%	-0.8%
	Annual	-5.2%	3.1%	1.2%	1.0%	-2.3%	13.6%	-6.1%	3.3%	-1.0%	2.4%	-0.3%
	Total return	-2.5%	5.7%	5.0%	5.2%	1.7%	19.3%	-0.9%	7.6%	2.0%	7.7%	3.2%
	Yield	3.0%	2.6%	4.2%	4.2%	3.8%	5.0%	5.5%	4.3%	3.2%	4.8%	3.5%
	Median value	$1,026,638	$824,955	$535,292	$462,049	$487,992	$452,935	$496,498	$678,766	$694,944	$371,226	$571,441
Units	Month	0.1%	0.2%	0.6%	-0.3%	0.0%	-0.3%	-1.1%	0.4%	0.1%	0.3%	0.2%
	Quarter	0.2%	0.3%	0.0%	-0.1%	-1.4%	3.1%	-4.1%	-0.1%	0.1%	1.4%	0.3%
	YTD	-0.8%	0.2%	0.1%	0.2%	-2.2%	3.2%	-5.0%	-0.3%	-0.5%	1.4%	-0.3%
	Annual	1.0%	5.7%	-0.6%	-0.7%	-2.3%	8.2%	-11.0%	0.5%	1.9%	2.4%	2.0%
	Total return	4.7%	9.8%	4.4%	4.3%	1.2%	13.8%	-5.7%	5.9%	5.9%	7.8%	6.2%
	Yield	3.8%	3.9%	5.4%	5.1%	4.4%	5.2%	6.4%	5.6%	4.0%	5.2%	4.2%
	Median value	$753,304	$574,003	$384,970	$328,274	$400,717	$353,292	$334,436	$435,072	$575,191	$341,645	$515,610

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 into its various formational and locational attributes, observed sales values for each property can be distinguished between those attributed to the property's attributes and those resulting from changes in the underlying residential property market. Additionally, 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 entire residential property stock can be accurately tracked through time. The detailed methodological information can be found at:

https://www.corelogic.com.au/research/rp-data-corelogic-home-value-index-methodology/

CoreLogic is able to produce a consistently accurate and robust Hedonic Index due to its extensive property related database, 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.

Recent upgrade to the CoreLogic Hedonic Home Value Index – September 2017

As a result of the continued expansion of CoreLogic data assets, changing market dynamics and the availability of enhanced infrastructure, CoreLogic has undertaken an extensive exercise to overhaul its Hedonic Home Value Index. This change introduces numerous improvements to the methodology and its implementation to ensure it aligns with leading global best practice as endorsed by the International Monetary Fund and Bank for International Settlements. The full details of changes can be found at https://www.corelogic.com.au/research/rp-data-corelogic-home-value-index-methodology/. This change is part of CoreLogic's continued to endeavour to expand its data assets and identify opportunities to optimise its analytics in order to provide the market the most timely and accurate read on property market conditions. The changes are applied across the history of the series, providing a consistent methodology from the commencement through to the most recent values.

* The median value is the middle estimated value of all residential properties derived through the hedonic regression methodology that underlies the CoreLogic Hedonic Home Value Index.

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