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CoreLogic Hedonic Home Value Index, January 2019 Results
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National Media Release

CoreLogic January home value index results signal weak start to housing market

The first month of the New Year has seen a continuation in the broad-based housing market weakness with every capital city apart from Canberra recording a month-on-month fall in dwelling values.

CoreLogic's hedonic home value index recoded a further 1.0% decline in national dwelling values over the first month of the year, taking the cumulative decline in Australian dwelling values to 6.1% since the market peaked in October 2017. The national index has fallen over 13 of the past 15 months and national dwelling values are now back to levels last seen in October 2016.

The weakest housing market conditions continue to be centered in Sydney and Melbourne, where values have fallen by at least 1% on a monthly basis each month since November last year. Both markets have seen an acceleration in the rate of decline over the past three months, with the rolling quarterly fall tracking at the fastest pace since the downturn commenced. Sydney dwelling values were down 4.5% over the three months ending January 2019 and Melbourne values were 4.0% lower.

The latest results take Sydney dwelling values back to levels last seen roughly two and half years ago (July 2016). In Melbourne, where the market peaked four months later than Sydney, dwelling values are back to January 2017 levels.

While most of the attention is on Australia's two largest cities, weaker housing market conditions are evident across most of the capital cities. Every capital, apart from Canberra, recorded a month-on-month fall in dwelling values and only two capital cities (Hobart and Canberra) recorded a rise in values over the past three months.

While values aren't falling across every broad region of the country, it's clear that even within the areas where values are rising, the market has lost steam. The only regions where the annual change in dwelling values has improved are Darwin, where the annual rate of decline has eased from -9.7% a year ago to -3.5%, regional Tasmania where the annual rate of growth has risen from 4.9% a year ago to 9.2%, and regional NT where the annual decline of -1.0% has improved to an increase of 1.1%.

The regional markets are generally showing healthier conditions relative to the capitals. The combined regional index was down 0.6% over the three months ending January while the combined capitals index was down 3.3% over the same period. Three of the seven broad 'rest-of-state' regions recorded a decline in values over the past three months. Regional NSW values were 1.3% lower, while Regional Qld values were 0.3% lower and Regional WA values were down 0.8%.

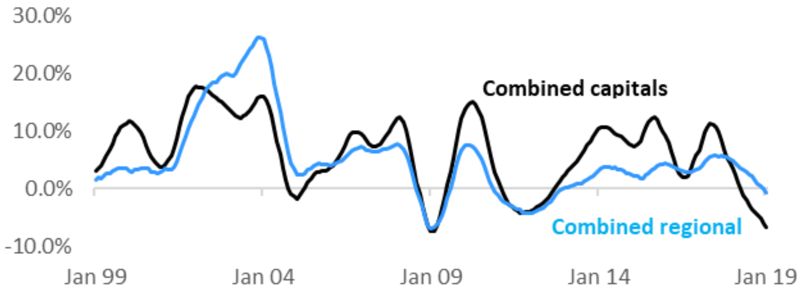
Index results as at January 31, 2019

	Change in dwelling values Month	Quarter	Annual	Total return	Median value
Sydney	-1.3%	-4.5%	-9.7%	-6.5%	$795,509
Melbourne	-1.6%	-4.0%	-8.3%	-5.1%	$636,048
Brisbane	-0.3%	-0.4%	0.0%	4.0%	$494,345
Adelaide	-0.3%	-0.1%	0.9%	5.4%	$430,711
Perth	-1.1%	-2.7%	-5.6%	-1.9%	$441,920
Hobart	-0.2%	1.0%	7.4%	12.9%	$457,785
Darwin	-1.7%	-2.8%	-3.5%	2.3%	$412,940
Canberra	0.2%	0.8%	3.8%	8.5%	$596,933
Combined capitals	-1.2%	-3.3%	-6.9%	-3.5%	$604,173
Combined regional	-0.2%	-0.6%	-0.8%	4.2%	$377,422
National	-1.0%	-2.7%	-5.6%	-1.9%	$528,553

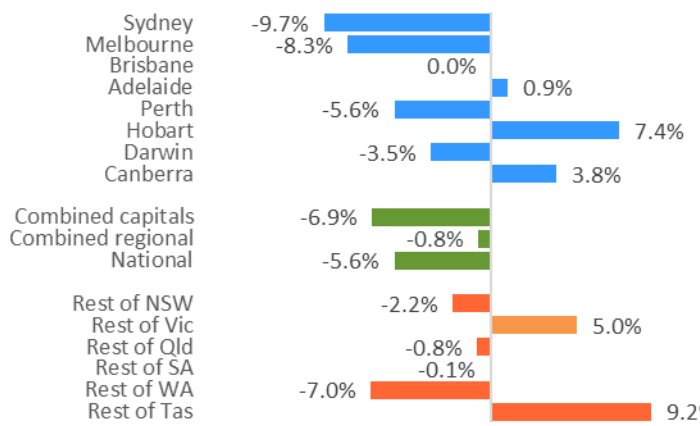
Highlights over the three months to January 2019

- Best performing capital city: **Hobart +1.0%**
- Weakest performing capital city: **Sydney -4.5%**
- Highest rental yield: **Darwin 5.9%**
- Lowest rental yields: **Sydney 3.4%**

Rolling annual change in dwelling values



Annual change in dwelling values



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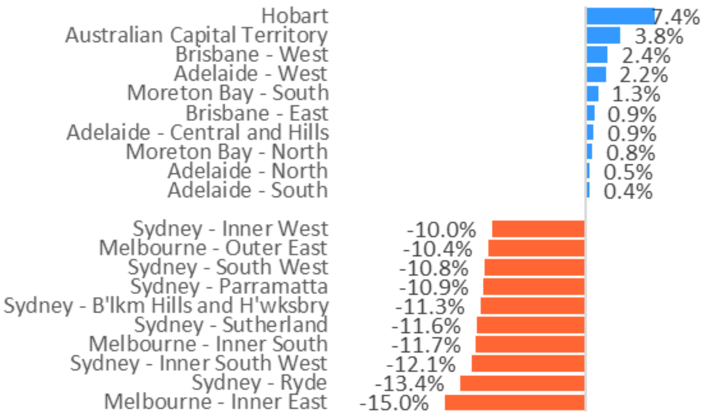
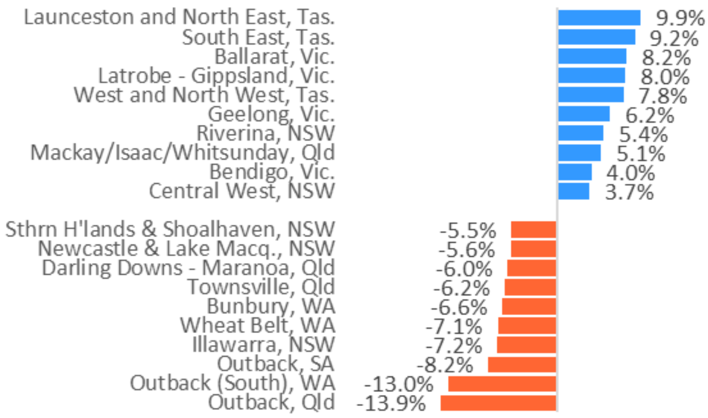
Top ten and bottom ten sub-regions for annual change in dwelling values, Capital city SA4 regions



Top ten and bottom ten sub-regions for annual change in dwelling values, Non capital city SA4 regions



Mr Lawless' analysis of the market across broad valuation cohorts shows the most expensive quartile of housing stock continues to lead the value falls. Weakness across the most expensive quarter of the market is most visible in Melbourne, where values across the top quartile are down 12.4% over the past twelve months and 13.8% lower since peaking. Sydney's top quartile of the market is showing a similar trend with values down 10.8% over the past twelve months and 14.6% lower since peaking.

Mr Lawless said, "The lower valuation brackets have benefitted from higher demand from first home buyers as well as tighter lending conditions for borrowers with higher debt to income ratios which is likely supporting a shift of demand towards lower price points."

"Although the more affordable valuation brackets across Sydney and Melbourne have seen some resilience to falls early in the decline phase, it's clear that all segments of the market in Australia's two largest cities are losing value.

"We're seeing most of the large capital cities apart from Sydney and Melbourne showing far less divergence between the valuations brackets, which may be attributable to healthier levels of housing affordability and an absence of stimulus for first home buyers."

Seven of the weakest performing capital city sub-regions are located within the Sydney metro area, while the strongest sub-region performances (outside of Hobart and Canberra) are located in Brisbane and Adelaide. Melbourne's prestigious Inner Eastern suburbs have recorded the biggest hit to dwelling values over the past twelve months, down 15.0% followed by Sydney's Ryde where values were 13.4% lower. The weaker markets are generally confined to the inner and middle ring suburbs of Sydney and Melbourne, while areas synonymous with affordable housing options have seen some support from a surge in first homebuyer demand.

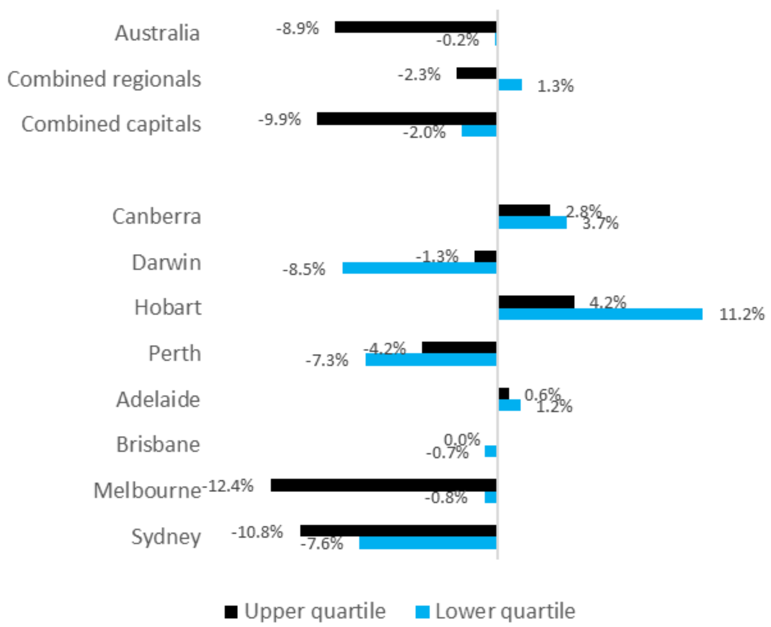
Mr Lawless said, "The low rate of annual capital gain amongst the top performing sub-regions highlights that even the areas with the strongest capital gains are predominantly recording growth lower than inflation."

The best performing sub-regions outside of the capital cities are mostly located in Tasmania and Victoria. As growth slows in Hobart, the pace of capital gains has trended higher across the North East and South East regions of Tasmania where prices are still relatively low and lifestyle properties remain in high demand.

The weaker regional markets are generally found in areas with strong ties to the agricultural sector. The expansive outback regions of Queensland, Western Australia and South Australia top the list for value declines over the past twelve months.

Regions adjacent to Sydney also feature predominantly at the bottom of the regional leagues tables. These tend to be those areas that previously showed some resilience to the downturn, however, Mr Lawless said, "high prices following substantial capital gains across these regions, as well as a softening in migration rates and overall tighter lending conditions are the likely factors behind this weakness."

Annual change in dwelling values across upper and lower value quartiles



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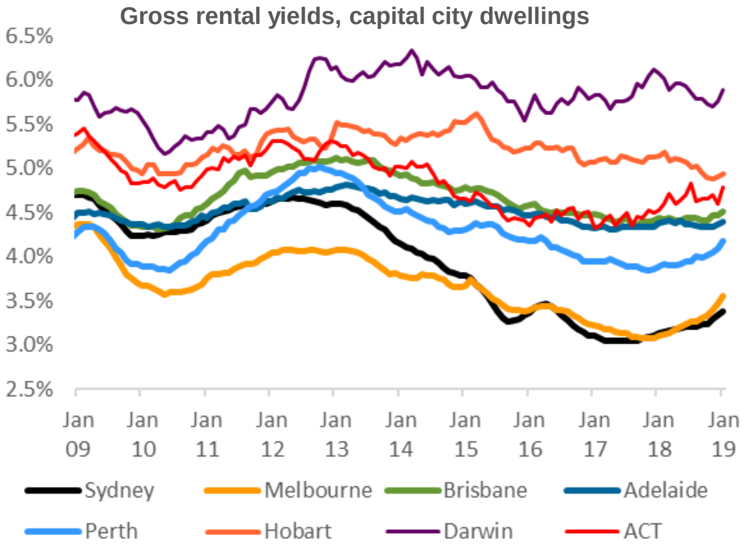
National rents were up by only 0.4% over the twelve months to the end of January 2019, however the 5.6% decline in national dwelling values has pushed gross rental yields above 4.0% for the first time since May 2016. At 4.01%, the national gross rental yield remains below the decade average of 4.29%.

Every capital city, apart from Hobart and Darwin, has recorded a lift in rental yields over the past twelve months due to rental conditions outperforming housing values. The lift in yields comes despite relatively sluggish rental conditions. Capital city rents were unchanged over the past twelve months and the strongest rental growth was in Canberra where rents were up 5.6% over the year.

The improved yield profile for Australian housing comes after rental yields moved through record lows during the growth phase. Gross yields across the combined capitals reached an all-time low of 3.39% in August 2017 and have since improved to reach 3.75% against a decade average of 4.06%.



Although yields are gradually improving, Mr Lawless said, "The recovery back to average levels will be gradual, especially considering the weak rental market conditions across the cities with the lowest yield profile. Sydney gross yields are the lowest of any capital city at 3.4% and rents were down 3.0% over the past twelve months."

In concluding, Mr Lawless said, "January can be a difficult month to read the housing market due to low levels of activity however, the recent trend in housing market data has generally weakened over the past three months, with the pace of decline accelerating across markets already in the their down phase, and growth generally moderating in other areas.

"Tight credit conditions, weakening consumer sentiment, less domestic and foreign investment and higher levels of housing supply are the primary drivers of the worsening conditions."

Advertised stock levels have started the year on a weak footing with fewer fresh listings being added to the market, while re-listed properties continue to mount up due to the slower rate of absorption. CoreLogic listings counts for January show new listings are tracking 13% lower than last year across the capital cities, while total advertised stock levels are almost 16% higher.

The rise in advertised stock is most pronounced in Melbourne, where total listing numbers are 34% higher than the same time last year, and in Sydney where there is 24% more stock than a year ago.

Mr Lawless said, "Heighted levels of homes available for purchase inevitably pushes more power back to the buyer.

"Buyers are now in a position where they can negotiate harder, take their time in making a purchase decision and be selective in finding a home that is right for their budget and lifestyle.

"On the other hand, vendors are clearly facing more challenging selling conditions."

Vendor discounting across the combined capitals has increased to a median level of 6.1% over the three months ending January, up from 4.7% at the same time last year and the median selling time has risen to 44 days, up from 37 days a year ago.

The slowdown in buyer activity is evident in the reduced number of settled sales. CoreLogic estimates there were 12.3% fewer sales over the twelve months ending January 2019 relative to the same period a year ago, and transactional activity is down 15.8% from the 2015 peak level of activity.

CoreLogic will recommence reporting of auction results next week. However, Mr Lawless is not expecting a turnaround in the weak auction results that were evident late last year. The trend through December 2018 saw clearance rates across the combined capitals reaching 40%.

Overall, Mr Lawless said, "the January index results, as well as peripheral housing data are likely to foreshadow a challenging year for the housing market.

"There may be a further dent to confidence as we approach the federal election and housing finance conditions are likely to remain tight after the hand down of the Hayne Royal Commission report which is due on Monday."

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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	-1.3%	-1.6%	-0.3%	-0.3%	-1.1%	-0.2%	-1.7%	0.2%	-1.2%	-0.2%	-1.0%
	Quarter	-4.5%	-4.0%	-0.4%	-0.1%	-2.7%	1.0%	-2.8%	0.8%	-3.3%	-0.6%	-2.7%
	YTD	-1.3%	-1.6%	-0.3%	-0.3%	-1.1%	-0.2%	-1.7%	0.2%	-1.2%	-0.2%	-1.0%
	Annual	-9.7%	-8.3%	0.0%	0.9%	-5.6%	7.4%	-3.5%	3.8%	-6.9%	-0.8%	-5.6%
	Total return	-6.5%	-5.1%	4.0%	5.4%	-1.9%	12.9%	2.3%	8.5%	-3.5%	4.2%	-1.9%
	Gross yield	3.4%	3.6%	4.5%	4.4%	4.2%	4.9%	5.9%	4.8%	3.8%	5.0%	4.0%
	Median value	$795,509	$636,048	$494,345	$430,711	$441,920	$457,785	$412,940	$596,933	$604,173	$377,422	$528,553
Houses	Month	-1.4%	-1.7%	-0.3%	-0.4%	-1.1%	-0.2%	-0.9%	0.3%	-1.2%	-0.2%	-1.0%
	Quarter	-4.9%	-4.8%	-0.4%	-0.1%	-2.8%	0.8%	-1.9%	1.1%	-3.5%	-0.6%	-2.8%
	YTD	-1.4%	-1.7%	-0.3%	-0.4%	-1.1%	-0.2%	-0.9%	0.3%	-1.2%	-0.2%	-1.0%
	Annual	-10.9%	-10.6%	0.1%	0.9%	-5.3%	7.0%	2.3%	4.3%	-7.6%	-0.8%	-6.1%
	Total return	-8.1%	-8.0%	3.6%	5.2%	-1.8%	12.5%	7.7%	8.8%	-4.5%	4.0%	-2.6%
	Gross yield	3.1%	3.1%	4.3%	4.2%	4.0%	4.9%	5.4%	4.5%	3.5%	4.9%	3.8%
	Median value	$902,786	$740,425	$540,750	$464,584	$465,120	$494,810	$502,023	$668,469	$641,463	$387,818	$546,032
Units	Month	-1.2%	-1.3%	-0.3%	0.0%	-1.0%	-0.1%	-3.1%	0.0%	-1.1%	-0.2%	-1.0%
	Quarter	-3.8%	-2.3%	0.0%	0.0%	-2.6%	1.5%	-4.5%	0.1%	-2.8%	-0.2%	-2.4%
	YTD	-1.2%	-1.3%	-0.3%	0.0%	-1.0%	-0.1%	-3.1%	0.0%	-1.1%	-0.2%	-1.0%
	Annual	-6.9%	-3.0%	-0.5%	1.4%	-6.8%	9.0%	-13.2%	1.9%	-4.9%	-0.4%	-4.2%
	Total return	-3.5%	0.7%	5.2%	6.0%	-2.2%	14.4%	-6.5%	7.8%	-1.0%	4.8%	-0.2%
	Gross yield	3.9%	4.3%	5.3%	5.3%	4.9%	5.1%	6.7%	5.7%	4.3%	5.3%	4.5%
	Median value	$696,903	$533,955	$378,454	$326,182	$363,172	$368,030	$301,955	$437,271	$534,123	$341,108	$487,816

CoreLogic is the largest independent provider of property information, analytics and property-related risk management services in Australia and New Zealand.

Note: As at November 1st, 2018, CoreLogic has revised the historical hedonic home value index series. The revisions reflect improvements to the underlying data following a major investment in additional data sources and improvements in the overall scope of CoreLogic data assets.

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.

* 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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