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CoreLogic Hedonic Home Value Index, July 2019 Results
Released: Thursday, August 1, 2019 | www.corelogic.com.au/news

National Media Release

CoreLogic: National dwelling values stabilise in July as five of the eight capitals record a slight rise in value

The CoreLogic July 2019 home value index results delivered another sign that housing conditions are stabilising following improvements in credit availability and lower mortgage rates, with national dwelling values flat over the month, supported by a subtle rise across most of the capital cities.

CoreLogic head of research Tim Lawless said, “Our national dwelling value index may have found a floor in July, with dwelling values holding firm over the month following a consistent trend towards smaller month-on-month declines through the first half of the year. Since peaking, the national index is down 8.3%.”

“The stabilisation in housing values is becoming more broadly based, with five of the eight capital cities recording a subtle rise in values over the month, while the regional areas of South Australia, Tasmania and Northern Territory also recorded a lift in housing values in July.”

According to Mr Lawless, a number of factors are supporting the turnaround in housing conditions, however lower mortgage rates, improved access to credit, a boost in housing market confidence post the federal election and recent tax cuts are likely the primary drivers. Other factors include improvements in housing affordability and a reduction in advertised supply levels. “All of which is creating a stronger selling position for vendors,” says Mr Lawless.

The improved housing market conditions have lifted the annual rate of change to -6.4% nationally, with the annual rate of decline across the combined capitals index easing from a recent low of -8.4% to -7.3%, while the combined regional markets are recording an annual rate of decline of -3.0%.

The primary drivers for the turnaround in housing market performance were Australia’s two largest cities, Sydney and Melbourne, where values have ticked higher over the past two months, taking values 0.3% off their floor in Sydney and 0.4% higher in Melbourne. The 0.2% lift in Brisbane values was the first month-on-month rise since November last year.

Mr Lawless said, “Despite an unprecedented amount of new apartment stock entering the market, Sydney and Melbourne unit values have consistently outperformed the detached housing sector through the downturn, and this trend is continuing into the recovery phase.”

Sydney house values remain -0.2% lower over the past three months, while unit values have shown a slight rise (+0.02%). In Melbourne, house values were down -0.3% over the most recent three month period while unit values are 1.1% higher.

The stronger performance across the unit sector may be attributable to ongoing affordability challenges in Sydney and Melbourne which, according to Mr Lawless, could be driving demand towards the medium to high density sector. He said, “Values for higher density dwellings are generally lower, however we may see some dampening of unit values in coming months across those precincts where supply is elevated as the large number of high-rise off-the-plan apartment sales moves into the re-sale market.”

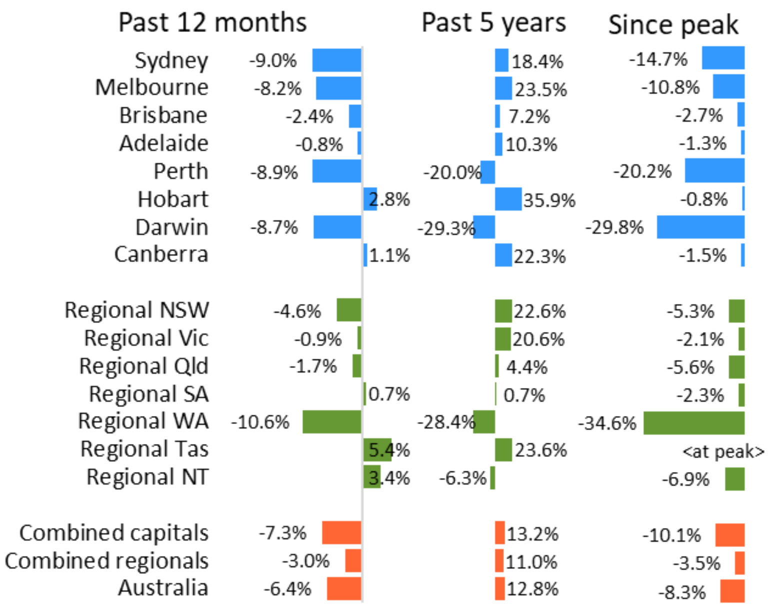
Index results as at July 31, 2019

	Change in dwelling values			Total	Median
	Month	Quarter	Annual	return	value
Sydney	0.2%	-0.2%	-9.0%	-5.7%	$775,978
Melbourne	0.2%	0.1%	-8.2%	-5.1%	$619,443
Brisbane	0.2%	-0.8%	-2.4%	2.0%	$484,998
Adelaide	-0.3%	-0.6%	-0.8%	3.6%	$427,009
Perth	-0.5%	-2.2%	-8.9%	-5.0%	$441,275
Hobart	0.3%	0.1%	2.8%	8.0%	$451,191
Darwin	0.4%	-2.1%	-8.7%	-2.3%	$395,119
Canberra	-0.3%	-1.5%	1.1%	5.6%	$586,535
Combined capitals	0.1%	-0.4%	-7.3%	-3.8%	$591,476
Combined regional	-0.2%	-0.8%	-3.0%	1.7%	$374,548
National	0.0%	-0.5%	-6.4%	-2.7%	$517,895

Highlights over the three months to July 2019

- Best performing capital city: **Melbourne & Hobart +0.1%**
- Weakest performing capital city: **Perth -2.2%**
- Highest rental yield: **Darwin 5.9%**
- Lowest rental yields: **Sydney 3.4%**

Change in dwelling values



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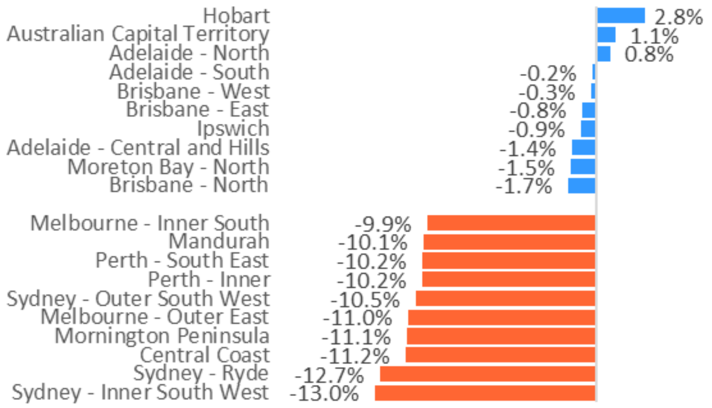
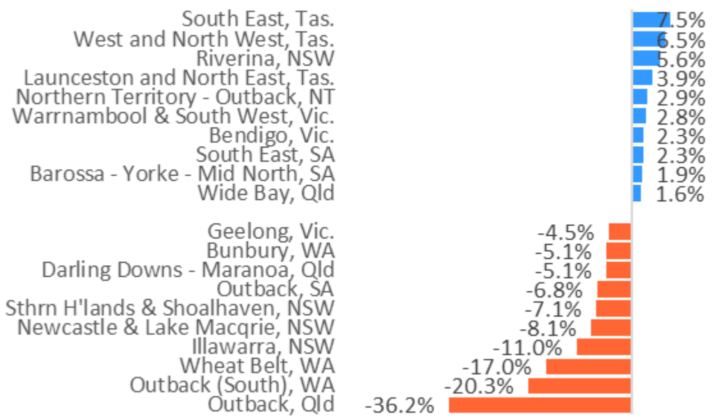
Top ten and bottom ten sub-regions for annual change in dwelling values, Capital city SA4 regions



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



Capital city sub-regions

Although housing values have stabilised over the month across most markets, on an annual basis only three of the forty-six capital city SA4 sub-regions have recorded a rise in values. While Hobart and Canberra top the list of best performers, areas of Brisbane and Adelaide comprise the remaining top ten best performing sub-regions over the past twelve months, although seven of the top ten have recorded a decline over this period.

The weakest sub-regions, based on the annual change in dwelling values, are confined to areas of Sydney, Melbourne and Perth. As Sydney and Melbourne values level out and Perth values continue to trend lower, sub-regions of Perth are once again starting to comprise a larger portion of the top ten list for the largest annual fall in dwelling values.

Regional sub-regions

Growth conditions across regional markets remain diverse, with the highest annual capital gains recorded across the South East and the West / North West sub-regions of Tasmania. NSW's Riverina region is also continuing to show solid capital gains.

The weakest regional markets tend to be the broader outback and agricultural regions of Queensland, Western Australia and South Australia, where drought conditions are weighing down housing activity and dwelling values.

The regions surrounding the Sydney metro area have also recorded larger value falls over the past twelve months. With Sydney values now stabilising we might see a similar but lagged trend in these satellite markets as well.

The CoreLogic stratified hedonic index highlights the most expensive quarter of the housing market is leading the recovery trend. Across the combined capital cities, upper quartile housing values were down -0.2% over the three months ending July, while lower quartile values were down a larger -0.8% over the same period.

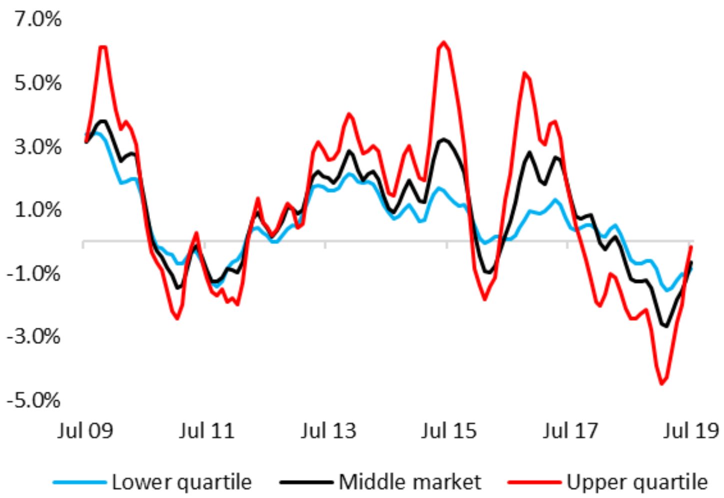
Mr Lawless said, "The stronger result across the upper quartile partly reflects the fact that Sydney and Melbourne housing values are more expensive relative to other cities, but also that the middle to upper end of the Sydney and Melbourne housing markets are showing the stronger trajectory in housing values after recording deeper declines during the down phase.

"With borrowing capacities recently increasing as a result of lower mortgage rates, and a reduced serviceability floor, existing owners may increasingly be looking to upgrade into more expensive homes.

"Despite value declines across the board, more expensive housing stock has generally recorded greater declines which may be offering home owners the opportunity to upgrade into a more expensive property despite the recent value declines."

The only other capital city to be showing a stronger performance across the upper quartile of housing values is Perth, where top quartile values were -2.1% lower over the past three months while lower quartile values were down a more substantial -2.8%."

Rolling three month change across broad valuation cohorts, combined capitals



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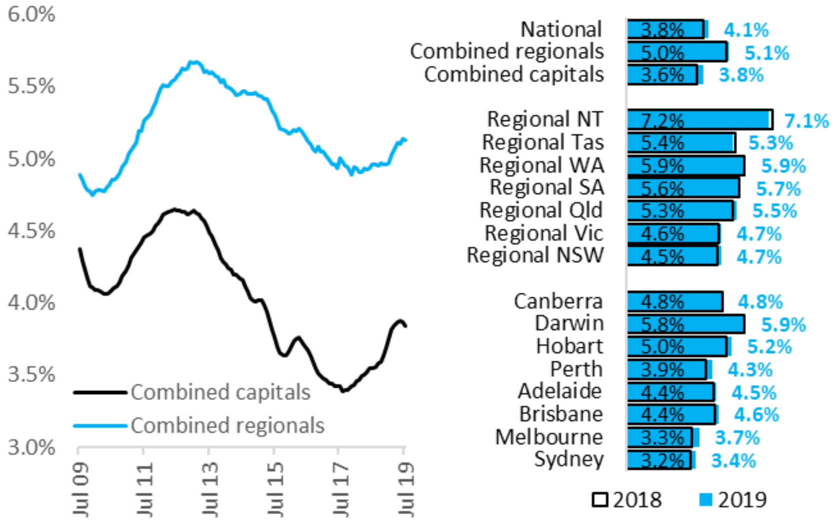
Nationally, rents were down -0.1% over the month to be only 0.6% higher over the past twelve months. While most regions of the country are recording relatively subdued rental growth, the only cities where rents are lower over the past twelve months are Sydney (-2.4%) and Darwin (-4.0%). The strongest rental conditions are in Hobart, with a 5.5% increase over the past twelve months.

Across the combined capitals index, rents were down 0.1% in July, led by falls in Sydney, Perth and Canberra.

With housing values stabilising and rents recording a slight fall, it looks like the yield recovery cycle has stalled. Capital city yields have nudged lower over the past two months, dropping from a recent peak of 3.88% in May to 3.84% in July.

Sydney remains the lowest yielding market, with gross rental yields tracking at 3.43%, down from a recent peak of 3.51% two months ago.

Gross rental yields



Mr Lawless said, "The July home value index results provide further confirmation that the housing market has reacted positively to the recent stimulus of lower mortgage rates and improved credit availability, however the response to-date has been relatively mild."

While the CoreLogic indices are a timely reference for housing values, other housing and credit indicators are also showing a positive trend.

Auction clearance rates have been holding above 70% through most of July across Sydney and Melbourne, indicating a better fit between buyer and seller pricing expectations.

At the same time, advertised housing stock has been reducing. Across the combined capitals, the number of freshly advertised properties is down 25% relative to the same time last year and total advertised stock levels are now tracking 5% lower relative to a year ago. The reduction in available stock creates less competition among sellers and increased competition among buyers, adding support to higher prices.

According to Mr Lawless the trends in housing credit have also been pointing towards stability. He said, "Although housing finance data from the Australian Bureau of Statistics is only current to May, the trend leading up to June was clearly pointing towards an easing in the credit downturn. Recent CoreLogic valuations platform data shows a modest rise in the daily number of mortgage related valuation events, signaling a lift in housing finance commitments over the most recent two months."

Although the trend towards a recovery in housing values is relatively fresh and centered within the largest cities, Mr Lawless said, "there is no sign of a 'v-shaped' recovery."

Despite an improvement in credit availability, he said, "housing credit polices remain much tougher than they were prior to the Royal Commission as lenders continue to move away from the Household Expenditure Measure (HEM) and examine borrower spending behaviors and expenses more closely."

"Also, lenders now have the benefit of comprehensive credit reporting whereby borrower debt profiles are more transparent, providing lenders with the ability to assess credit worthiness in more detail."

"The ongoing tightness in housing credit is expected to keep a rapid rebound in housing values at bay, despite the lowest mortgage rates since the 1950's."

In closing, Mr Lawless said, "No doubt policy makers will be keeping a close eye for signs of investor exuberance, or a more rapid acceleration in the recovery trend. If values were to start appreciating rapidly, there could be a renewed round of policy responses aimed at keeping a lid on housing prices whilst at the same time, allowing low interest rates to stimulate the economy more broadly."

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CoreLogic Home Value Index tables

		Capitals								Rest of state regions							Aggregate indices		
		Sydney	Melbourne	Brisbane	Adelaide	Perth	Hobart	Darwin	Canberra	Regional NSW	Regional Vic	Regional Qld	Regional SA	Regional WA	Regional Tas	Regional NT	Combined capitals	Combined regional	National
Dwellings	Month	0.2%	0.2%	0.2%	-0.3%	-0.5%	0.3%	0.4%	-0.3%	-0.1%	-0.4%	0.0%	0.6%	-1.5%	0.3%	1.1%	0.1%	-0.2%	0.0%
	Quarter	-0.2%	0.1%	-0.8%	-0.6%	-2.2%	0.1%	-2.1%	-1.5%	-0.6%	-1.5%	-0.3%	1.1%	-4.2%	0.2%	2.5%	-0.4%	-0.8%	-0.5%
	YTD	-4.0%	-3.8%	-2.3%	-1.3%	-5.4%	0.4%	-7.0%	-1.0%	-2.6%	-1.9%	-1.2%	1.4%	-7.5%	2.3%	3.1%	-3.7%	-2.0%	-3.3%
	Annual	-9.0%	-8.2%	-2.4%	-0.8%	-8.9%	2.8%	-8.7%	1.1%	-4.6%	-0.9%	-1.7%	0.7%	-10.6%	5.4%	3.4%	-7.3%	-3.0%	-6.4%
	Total return	-5.7%	-5.1%	2.0%	3.6%	-5.0%	8.0%	-2.3%	5.6%	-0.1%	4.0%	3.3%	5.1%	-5.3%	11.2%	10.6%	-3.8%	1.7%	-2.7%
	Gross yield	3.4%	3.7%	4.6%	4.5%	4.3%	5.2%	5.9%	4.8%	4.7%	4.7%	5.5%	5.7%	5.9%	5.3%	7.1%	3.8%	5.1%	4.1%
	Median value	$775,978	$619,443	$484,998	$427,009	$441,275	$451,191	$395,119	$586,535	$442,854	$355,535	$367,491	$239,147	$301,625	$295,559	$366,235	$591,476	$374,548	$517,895
Houses	Month	0.2%	0.1%	0.3%	-0.3%	-0.5%	0.3%	0.6%	-0.3%	-0.2%	-0.4%	-0.1%	0.9%	-1.5%	0.3%	0.5%	0.0%	-0.2%	0.0%
	Quarter	-0.2%	-0.3%	-0.8%	-0.7%	-2.1%	0.6%	-4.2%	-1.5%	-0.6%	-1.7%	-0.1%	1.5%	-4.5%	0.1%	3.3%	-0.6%	-0.7%	-0.7%
	YTD	-4.2%	-5.0%	-2.2%	-1.5%	-5.3%	0.7%	-7.8%	-0.7%	-2.6%	-2.0%	-0.8%	2.0%	-7.1%	2.2%	4.7%	-4.0%	-1.9%	-3.5%
	Annual	-9.8%	-10.7%	-2.3%	-0.9%	-8.7%	3.1%	-9.2%	1.9%	-4.7%	-1.3%	-1.6%	1.9%	-9.2%	5.2%	5.2%	-8.0%	-3.0%	-6.8%
	Total return	-6.8%	-8.3%	1.7%	3.2%	-5.0%	8.4%	-3.1%	6.3%	-0.1%	3.5%	3.2%	6.2%	-3.8%	10.8%	12.5%	-4.8%	1.6%	-3.4%
	Gross yield	3.2%	3.2%	4.4%	4.3%	4.2%	5.2%	5.5%	4.5%	4.7%	4.7%	5.4%	5.6%	5.8%	5.2%	7.0%	3.6%	5.0%	3.9%
	Median value	$864,993	$710,151	$533,295	$461,651	$459,227	$482,044	$472,467	$657,686	$453,428	$378,211	$373,978	$245,423	$312,228	$307,781	$405,699	$622,897	$385,068	$530,812
Units	Month	0.3%	0.4%	0.1%	-0.8%	-1.1%	0.3%	0.1%	-0.5%	0.2%	0.1%	0.0%	-5.0%	-2.9%	-0.2%	2.9%	0.2%	0.0%	0.2%
	Quarter	0.0%	1.1%	-0.8%	-0.3%	-3.1%	-1.9%	2.1%	-1.3%	-0.9%	-0.5%	-1.2%	-4.5%	0.7%	1.3%	-0.1%	0.1%	-1.0%	-0.1%
	YTD	-3.6%	-1.3%	-2.6%	-0.2%	-6.5%	-0.8%	-5.4%	-2.0%	-2.7%	-1.3%	-2.3%	-7.8%	-9.4%	3.9%	-2.7%	-2.8%	-2.5%	-2.8%
	Annual	-7.1%	-2.7%	-2.5%	0.1%	-10.1%	1.6%	-7.6%	-2.0%	-4.3%	1.9%	-2.1%	-16.4%	-22.1%	7.2%	-3.1%	-5.3%	-3.1%	-4.9%
	Total return	-3.6%	1.1%	3.0%	5.5%	-5.4%	6.7%	-1.0%	3.6%	-0.1%	7.4%	3.6%	-8.9%	-17.8%	14.1%	4.2%	-1.4%	2.1%	-0.8%
	Gross yield	4.0%	4.4%	5.4%	5.4%	5.2%	5.4%	6.6%	5.9%	4.7%	5.1%	5.9%	6.4%	7.7%	5.9%	7.4%	4.4%	5.5%	4.5%
	Median value	$685,619	$530,923	$372,495	$321,506	$349,084	$374,169	$289,369	$423,464	$389,988	$271,016	$353,277	$176,080	$205,131	$234,388	$272,487	$532,110	$336,635	$484,904

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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