National Media Release

CoreLogic: National dwelling values record first rise since October 2017

The CoreLogic August home value index results showed that national dwelling values increased by 0.8% over the month; the first monthly increase in values since October 2017 and the largest monthly increase since April 2017.

The recovery in housing values accelerated in August 2019 with national dwelling values increasing by 0.8% over the month. The lift in housing values through August was substantial, however, the recent growth is a continuation of the trend seen throughout the year whereby value falls were consistently losing momentum, and have now started to rise.

Commenting on the August results, CoreLogic research director Tim Lawless said, "The significant lift in values over the month aligns with a consistent increase in auction clearance rates and a deeper pool of buyers at a time when the volume of stock advertised for sale remains low.

"It's likely that buyer demand & confidence is responding to the positive effect of a stable federal government, as well lower interest rates, tax cuts and a subtle easing in credit policy."

Housing values increased across five of the eight capitals over the month, but slipped lower in Adelaide, Perth and Darwin. Across the rest-of-state regions, only Vic, Tas and NT recorded monthly increases.

Mr Lawless noted it was the third successive month of capital gain in Sydney, Melbourne and Hobart and the second successive month of increases in Brisbane. He said, "While the 'recovery trend' is still early, it does appear that growth trends are gathering some pace, particularly in the largest capital cities."

The rolling quarter saw national values lift by 0.6%; the first rise in values over a three month period since November 2017. Combined capital city dwelling values have increased by 1.0% over the past three months while combined regional market values have continued to trend lower, down -0.6%.

National dwelling values reached their largest annual falls in May 2019 at -7.3%, by the end of August 2019 the annual decline in dwelling values had lifted to -5.2%. Combined capital city dwelling values are -5.9% lower over the past year while combined regional market values are -2.9% lower.

Despite the recent increases in dwelling values, regional Tasmania is the only major region where values are currently at an historic high. Sydney dwelling values remain more than 10% below their previous peak (-13.3%) and Melbourne values are almost 10% lower than the peak (-9.5%). Mr Lawless said, "Although the recovery trend in these two cities continues to strengthen, the expectation is that it will take some time for values to return back to their previous highs."

The weakest market conditions continue to emanate from Perth and Darwin, where values dipped further over the month, although the three month trend in both cities is suggesting an improvement in the rate of decline. Darwin values are now 30.7% below their May '14 peak and Perth values are 20.6% down from the June '14 peak.

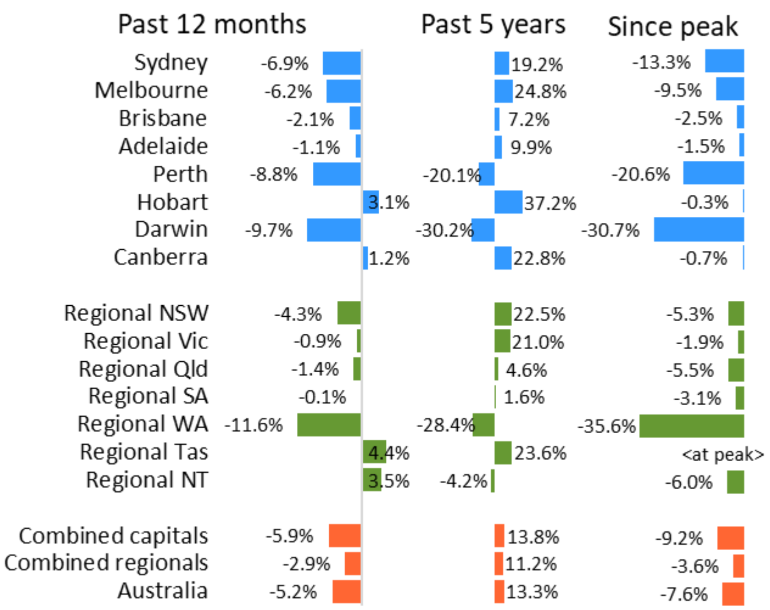
Index results as at August 31, 2019

	Change in dwelling values			Total	Median
	Month	Quarter	Annual	return	value
Sydney	1.6%	1.9%	-6.9%	-3.6%	$790,072
Melbourne	1.4%	1.8%	-6.2%	-3.2%	$626,703
Brisbane	0.2%	-0.1%	-2.1%	2.3%	$485,493
Adelaide	-0.2%	-1.0%	-1.1%	3.4%	$428,203
Perth	-0.5%	-1.8%	-8.8%	-4.9%	$437,558
Hobart	0.5%	1.0%	3.1%	8.2%	$465,535
Darwin	-1.2%	-1.7%	-9.7%	-3.4%	$388,232
Canberra	0.8%	-0.4%	1.2%	5.8%	$592,870
Combined capitals	1.0%	1.0%	-5.9%	-2.4%	$597,072
Combined regional	-0.1%	-0.6%	-2.9%	1.8%	$376,076
National	0.8%	0.6%	-5.2%	-1.5%	$521,157

Highlights over the three months to August 2019

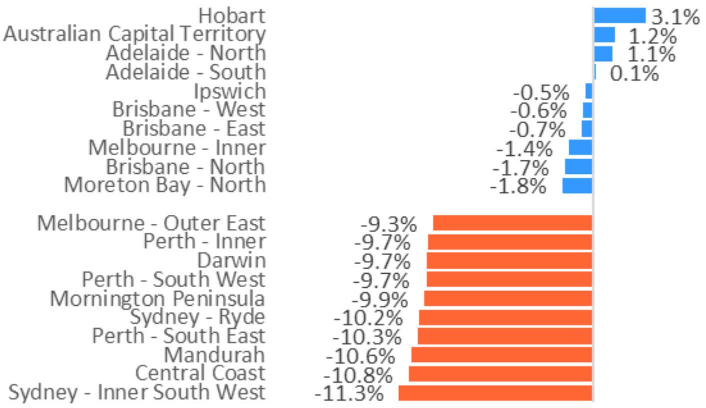
- Best performing capital city: **Sydney +1.9%**
- Weakest performing capital city: **Perth -1.8%**
- Highest rental yield: **Darwin 6.0%**
- Lowest rental yields: **Sydney 3.3%**

Change in dwelling values

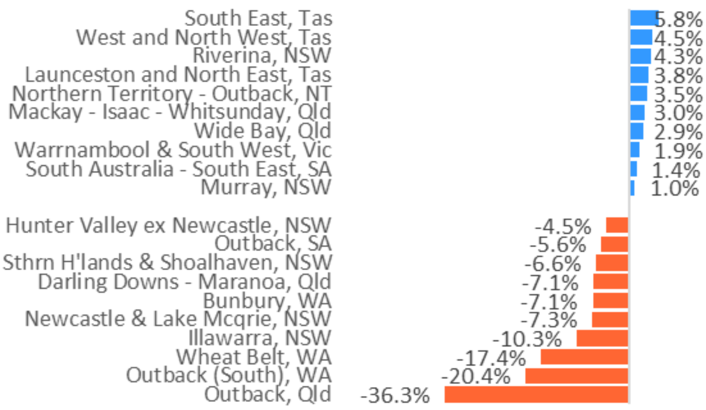


Media enquiries contact:
Mitch Koper, CoreLogic National Communications Manager –1300 472 767 or media@corelogic.com.au

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: Over the three months to August 2019, 26 of the 46 capital city SA4 sub-regions have recorded an increase in dwelling values. In Sydney, the Central Coast was the only region not to see an increase in values over the past three months. In Melbourne, every sub-region of the city has seen a lift in values over the three months ending August 2019. Breaking down the quarterly results geographically, it is those areas close to the city centres in Sydney and Melbourne that have recorded the largest value increases.

On an annual basis, it was a different story, with only four of the regions avoiding falls over the past year. The 10 regions experiencing the largest declines are located in Sydney, Melbourne, Perth and Darwin.

Non capital city sub-regions The last three months has seen ongoing declines in regional dwelling values, however, values have increased in 11 of the 43 sub-regions and remain unchanged across two sub-regions. Areas where values have increased over the quarter across regional Australia includes Capital Region, Newcastle and Lake Macquarie and Richmond-Tweed in NSW, Wide Bay, Mackay-Isaac-Whitsunday and Townsville in Qld and Geelong in Vic.

Mr Lawless said, "Evidence of growth returning to areas such as Newcastle, Lake Macquarie and Geelong may well be a hint that the value growth occurring in Sydney and Melbourne is already beginning spillover into nearby regions. Looking at these results annually rather than quarterly shows much stronger growth trends."

According to the annual change, 17 of the 43 non capital city sub-regions have recorded value growth. Three of the sub-regions with the strongest annual growth are in Tasmania, while regional areas of Queensland have also emerged on the list over recent months. The largest declines over the year continue to be centered in areas adjoining Sydney and within agricultural areas of regional Australia.

The CoreLogic stratified hedonic index highlights that the magnitude of declines across all segments of the housing market has slowed over recent months in the capital cities. In fact, the middle 50% of capital city properties has seen values increase by 0.4% over the past three months, while the most expensive quarter of properties continued to lead the recovery with values increasing by 1.9% over the period. Although the rate of decline has slowed for the most affordable quarter of properties, values have fallen by -0.4% over the past three months.

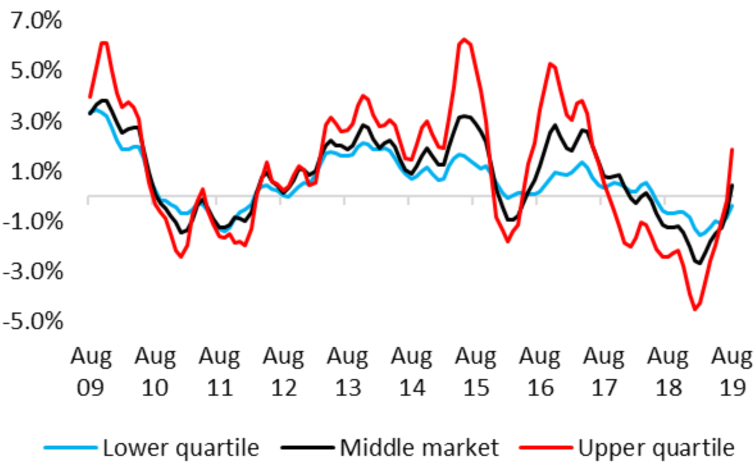
Mr Lawless said, "The rapid recovery across higher valued properties makes sense considering this sector of the market recorded a more substantial correction."

Additionally, he said borrowing capacities have recently increased; for prospective buyers looking to upgrade into a larger and/or more expensive property it seems to be an opportune time.

"Although values have fallen across the board over recent years, the larger declines amongst more expensive properties mean that they are relatively more affordable for those looking to upgrade," Mr Lawless said.

Although the upper quartile has recorded the strongest growth over the past quarter, only Sydney, Melbourne and Perth have shown this trend, with lower quartile values typically showing the strongest conditions in the other capital cities.

Rolling three month change across broad valuation cohorts, combined capitals



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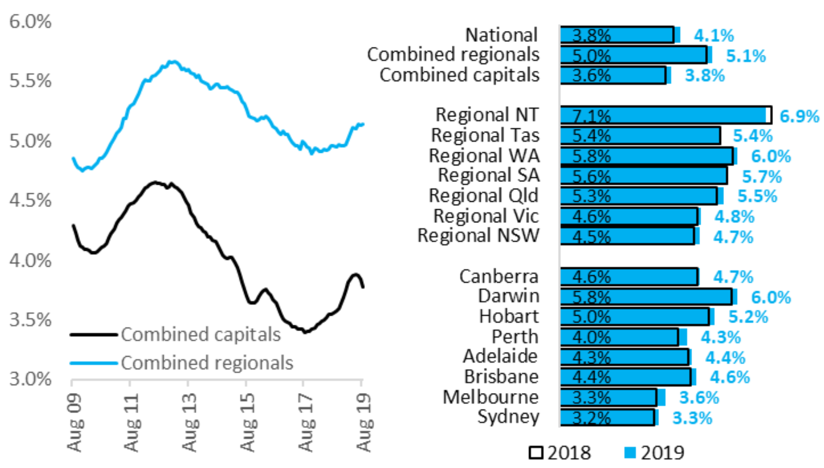
While dwelling values are now rising, the same results cannot be shown for the national rental market with rents recording a further fall of -0.1% over August 2019; the third consecutive month of negative rental movements. The only exceptions were in Brisbane, Adelaide and Hobart where rental rates increased over the month. While rents softened over the past month, rental rates increased in all capital cities other than in Sydney and Perth over the past year.

With value growth now outpacing rental growth, the improving trend in capital city gross rental yields is now reversing. Most regions are recording yields higher relative to a year ago, however the more recent trend in the data shows yields are now stabilising or trending lower.

While Sydney and Melbourne are leading the increases in dwelling values, equally they are the two cities leading the recent softening of rental yields. Mr Lawless said, "With mortgage rates low, and likely to reduce further, as well as low yields across most asset classes, lower rental yields aren't likely to be much of a disincentive to investors."

Gross rental yields



The latest month's housing data confirms the ongoing turnaround in housing market conditions. Since late May, Mr Lawless said, "We have consistently heard that housing market confidence has improved and the data since then continues to confirm the improved sentiment."

Monthly sales activity began to increase over recent months, although sales are still well below the decade average, an upwards trend is becoming evident.

Auction clearance rates continue to climb and are now at their highest levels since early 2017 in both Sydney and Melbourne. The latest housing credit data to July also shows a slight rise in credit growth, which has been driven by a sizeable increase in credit to owner-occupiers.

While all of these factors point to an improvement in housing market conditions, new advertised stock levels are now increasing, albeit from a very low base. Total new inventory levels remain -17% lower than a year ago with the largest year-on-year declines recorded in Sydney (-23%) and Melbourne (-20%).

With the spring selling season now here, Mr Lawless believes this will be a timely test of the market's depth.

He said, "A key contributor to the housing recovery has been the increase in buyers, but also a lack of advertised stock. As stock levels continue to rise throughout spring, we will get a much better understanding of the depth of the current recovery. As listing numbers and auction volumes rise, clearance rates may soften if buyer demand doesn't lift to match the increase in supply."

"At CoreLogic our expectation has been that this recovery would be a slow and steady one, however, with housing credit restrictions easing and mortgage rates likely to reduce further, this rebound could potentially turn into a 'v-shaped' recovery."

"No doubt, policy makers and regulators will be monitoring the housing market indicators very closely over the coming months. At the outset, it appears that a rapid recovery would confirm that low interest rates and a loosening in credit policy is reigniting some market exuberance, despite housing affordability remaining a significant challenge, rising unemployment, low wages growth and near record-high levels of household debt."

In closing, Mr Lawless said, "If the strong rises in values continue over coming months, we would not be surprised to see a new round of macroprudential policies introduced in order to keep debt levels in check and encourage spending in other areas of the economy."

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	1.6%	1.4%	0.2%	-0.2%	-0.5%	0.5%	-1.2%	0.8%	-0.1%	0.1%	0.0%	-0.8%	-1.5%	0.4%	0.9%	1.0%	-0.1%	0.8%
	Quarter	1.9%	1.8%	-0.1%	-1.0%	-1.8%	1.0%	-1.7%	-0.4%	-0.5%	-0.9%	-0.2%	-0.1%	-4.5%	0.5%	2.3%	1.0%	-0.6%	0.6%
	YTD	-2.5%	-2.5%	-2.1%	-1.5%	-5.9%	0.9%	-8.2%	-0.2%	-2.7%	-1.8%	-1.1%	0.6%	-9.0%	2.8%	4.1%	-2.7%	-2.1%	-2.6%
	Annual	-6.9%	-6.2%	-2.1%	-1.1%	-8.8%	3.1%	-9.7%	1.2%	-4.3%	-0.9%	-1.4%	-0.1%	-11.6%	4.4%	3.5%	-5.9%	-2.9%	-5.2%
	Total return	-3.6%	-3.2%	2.3%	3.4%	-4.9%	8.2%	-3.4%	5.8%	0.3%	3.8%	3.5%	4.4%	-6.3%	10.4%	10.7%	-2.4%	1.8%	-1.5%
	Gross yield	3.3%	3.6%	4.6%	4.4%	4.3%	5.2%	6.0%	4.7%	4.7%	4.8%	5.5%	5.7%	6.0%	5.4%	6.9%	3.8%	5.1%	4.1%
	Median value	$790,072	$626,703	$485,493	$428,203	$437,558	$465,535	$388,232	$592,870	$444,572	$359,696	$366,762	$240,086	$299,893	$297,493	$366,477	$597,072	$376,076	$521,157
Houses	Month	1.5%	1.3%	0.0%	-0.3%	-0.6%	0.8%	-1.6%	1.1%	-0.1%	-0.2%	0.1%	-0.8%	-1.3%	0.2%	1.3%	0.8%	-0.1%	0.6%
	Quarter	1.6%	1.6%	-0.2%	-1.1%	-1.7%	1.2%	-2.7%	-0.1%	-0.5%	-1.3%	-0.1%	0.1%	-4.8%	0.1%	3.3%	0.7%	-0.7%	0.4%
	YTD	-2.8%	-3.7%	-2.2%	-1.8%	-5.8%	1.6%	-9.3%	0.3%	-2.7%	-2.2%	-0.7%	1.1%	-8.4%	2.4%	6.1%	-3.2%	-2.1%	-2.9%
	Annual	-7.7%	-8.7%	-2.3%	-1.4%	-8.6%	4.1%	-11.1%	2.2%	-4.4%	-1.6%	-1.2%	1.0%	-9.9%	4.0%	5.9%	-6.7%	-2.9%	-5.8%
	Total return	-4.6%	-6.3%	1.7%	2.9%	-4.9%	9.3%	-4.6%	6.6%	0.3%	3.0%	3.5%	5.6%	-4.5%	9.7%	13.2%	-3.5%	1.7%	-2.3%
	Gross yield	3.1%	3.2%	4.4%	4.3%	4.2%	5.1%	5.6%	4.4%	4.7%	4.7%	5.4%	5.6%	5.8%	5.3%	6.7%	3.6%	5.1%	3.9%
	Median value	$877,220	$716,542	$533,101	$462,945	$454,774	$498,734	$470,009	$665,887	$454,726	$380,230	$373,706	$246,350	$312,034	$307,891	$411,515	$626,648	$386,212	$533,303
Units	Month	1.8%	1.5%	1.1%	0.4%	-0.1%	-0.9%	-0.5%	-0.3%	0.1%	2.1%	-0.1%	-1.2%	-5.6%	2.7%	-0.4%	1.5%	0.1%	1.3%
	Quarter	2.5%	2.4%	0.2%	-0.9%	-2.1%	-0.1%	0.2%	-1.6%	0.0%	2.0%	-0.8%	-4.7%	-2.0%	4.2%	-0.9%	1.9%	-0.2%	1.6%
	YTD	-1.8%	0.2%	-1.5%	0.2%	-6.6%	-1.7%	-5.9%	-2.3%	-2.6%	0.8%	-2.4%	-8.9%	-14.5%	6.7%	-3.1%	-1.4%	-2.4%	-1.5%
	Annual	-5.2%	-0.9%	-1.4%	0.5%	-9.9%	-0.9%	-6.9%	-2.4%	-4.1%	3.3%	-2.2%	-17.0%	-26.7%	8.1%	-4.7%	-3.6%	-3.0%	-3.5%
	Total return	-1.6%	2.9%	4.2%	5.8%	-5.2%	4.2%	-1.1%	3.2%	0.1%	8.6%	3.4%	-10.6%	-23.4%	15.0%	2.6%	0.3%	2.1%	0.6%
	Gross yield	3.9%	4.4%	5.4%	5.4%	5.2%	5.5%	6.8%	5.9%	4.7%	5.1%	5.9%	6.5%	8.7%	5.6%	7.6%	4.3%	5.5%	4.5%
	Median value	$699,126	$540,056	$375,423	$322,142	$345,311	$375,831	$289,687	$426,088	$394,639	$270,659	$350,748	$176,735	$183,596	$242,728	$263,944	$538,708	$339,105	$489,880

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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