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

CoreLogic: Dwelling values rise in October, the fourth consecutive month of growth in the national index, taking Australian dwelling values 2.9% higher since finding a floor in June

The CoreLogic Home Value Index results for October out today confirm a 1.2% rise in national dwelling values over the month, delivering the fourth straight month of rising values. The October result was the largest month-on-month gain in the national index since May 2015. The recent gains come after a broad-based decline in housing values, with the national index declining 8.4% between October 2017 and June 2019. The positive October result takes national dwelling values 2.9% off their June 2019 floor, however values remain 5.7% below their peak, highlighting that despite the recent gains, home values are at a similar level to where they were three years ago.

The strongest growth conditions continue to be centered in Melbourne and Sydney, however dwelling values trended higher across most of the capital cities as lower mortgage rates and improved credit availability spurred on buyer demand. Dwelling values were up across every capital city apart from Perth over the month, and based on the rolling three-month change, the only capitals where values fell were Perth (-1.7%) and Darwin (-1.2%).

According to CoreLogic research director Tim Lawless, the stronger rebound in Melbourne and Sydney can be attributed to a blend of factors; tighter labour market conditions and stronger population growth relative to the other capitals, coupled with the stimulatory effect of the lowest mortgage rates since the 1950's, and improved access to credit. Stamp duty exemptions for first home buyers purchasing under specific price points have added additional stimulus to housing demand.

The recovery trend in Melbourne overtook Sydney in October, with dwelling values surging 2.3% higher over the month; the largest month-on-month gain since November 2009. Melbourne housing values have recovered 6.0% since moving through a trough in May 2019, while Sydney values are up 5.3% since the recent May low.

The smaller capitals have delivered a mixed performance, although the general theme is one of improving conditions. The rolling three-month change in Brisbane housing values (+1.1%) was the highest since December 2015, Adelaide (+0.1%) posted the strongest rolling quarter since December 2018, while Hobart (+1.0%) and Canberra (+2.4%) recorded the largest three month rise in values since March 2019 and May 2017.

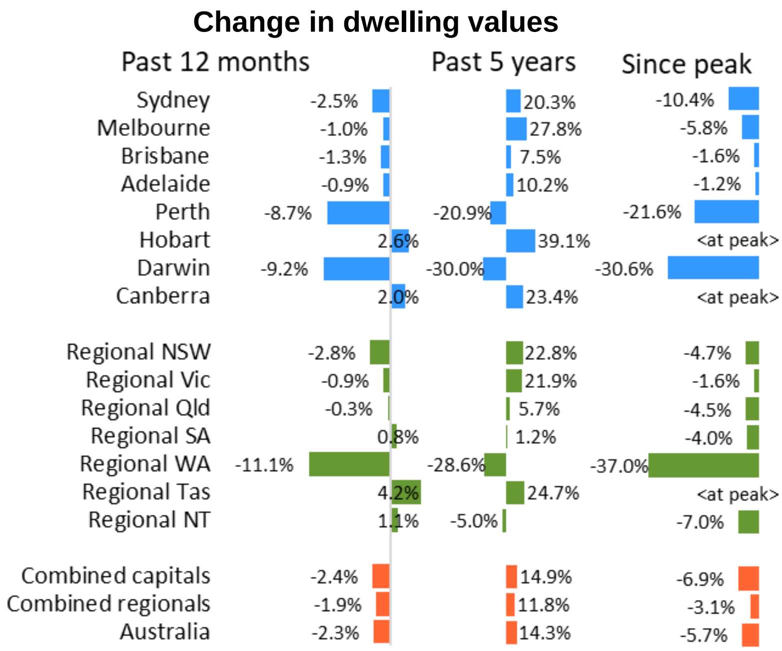
The downwards trend in Perth and Darwin home values has continued, however both markets are showing an improvement in the trend rate of decline. The rolling three-month trend in Perth housing values recorded the smallest decline in fourteen months (-1.7%) and Darwin dwelling values posted a rare monthly rise in October. Both cities have seen dwelling values consistently trending lower since mid-2014, with Darwin down a cumulative 31% and Perth values 22% lower. Perth is now recording the lowest median house value of any capital city ($451,800) and Darwin house values are a close second with a median of $468,300. Unsurprisingly, the Northern Territory and Western Australia are also showing the highest proportion of first home buyer activity, with first time buyers not weighed down by negative equity and with the ability to take advantage of very affordable housing in these regions.

Index results as at October 31, 2019

	Change in dwelling values			Total	Median
	Month	Quarter	Annual	return	value
Sydney	1.7%	5.0%	-2.5%	1.0%	$817,886
Melbourne	2.3%	5.5%	-1.0%	2.3%	$650,197
Brisbane	0.8%	1.1%	-1.3%	3.3%	$493,426
Adelaide	0.4%	0.1%	-0.9%	3.6%	$433,140
Perth	-0.4%	-1.7%	-8.7%	-4.7%	$435,119
Hobart	0.9%	1.0%	2.6%	7.8%	$460,033
Darwin	0.3%	-1.2%	-9.2%	-2.3%	$394,132
Canberra	0.6%	2.4%	2.0%	6.6%	$601,487
Combined capitals	1.4%	3.6%	-2.4%	1.2%	$610,645
Combined regional	0.4%	0.5%	-1.9%	2.9%	$378,495
National	1.2%	2.9%	-2.3%	1.6%	$529,860

Highlights over the three months to October 2019

- Best performing capital city: **Melbourne +5.5%**
- Weakest performing capital city: **Perth -1.7%**
- Highest rental yield: **Darwin 5.8%**
- Lowest rental yields: **Sydney 3.2%**



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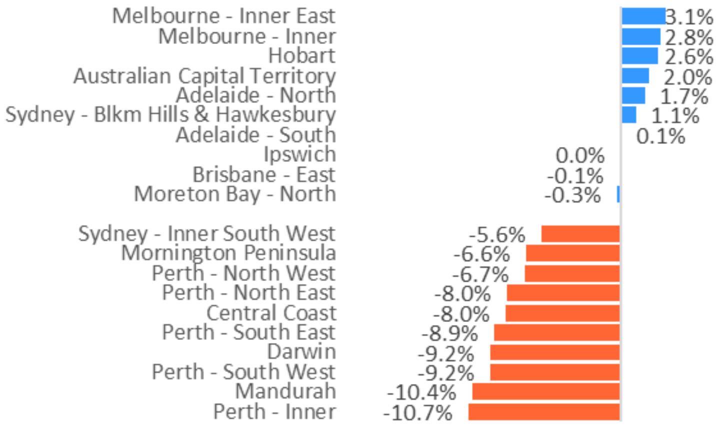
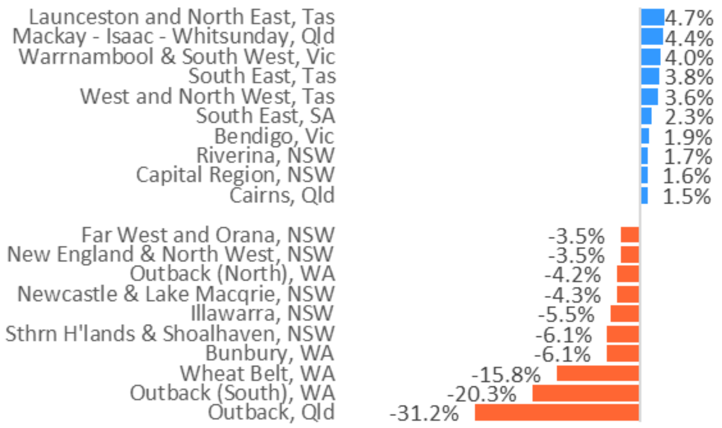
Top ten and bottom ten sub-regions for annual change in dwelling values, Capital city SA4 regions



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



Mr Lawless said, "Focusing on housing market conditions across the broad value-based cohorts highlights that the market recovery is being led by the most expensive quarter of the market, although values are also rising across the more affordable strata as well, just not as rapidly."

Across the combined capital cities, values within the top quartile were up 5.3% over the three months ending October 2019, while the broad middle of the market was up 2.6% and the lower quartile was up 0.7%. Mr Lawless said, "These 'macro' figures are influenced by stronger housing market conditions in Sydney and Melbourne where housing values are inherently higher, however the trends are reflected at a sub-regional level as well."

Over the three months ending October 2019, the fastest appreciation in capital city home values has been across the top quartile of Melbourne and Sydney where values were 7.1% and 5.9% higher. The next best performing sectors were also in Sydney and Melbourne, with the broad 'middle' of the market recording a 4.6% rise in Sydney and 4.5% rise in Melbourne. The lower quartile of Sydney and Melbourne dwelling values were the sectors that recorded the third largest rise over the past three months, up 3.2% across Sydney's lower quartile and 3.8% higher across Melbourne's lower quartile.

Seven of the forty-six capital city sub-regions have recorded a rise in dwelling values over the twelve months ending October 2019. Several of the sub-regions across Sydney and Melbourne have bounced back into annual growth, with Melbourne's prestigious Inner East and Inner region leading the leagues tables with a gain of 3.1% and 2.8% respectively over the twelve months ending October. These were also among the areas where housing values posted a larger decline during the down phase, demonstrating a substantial improvement in the prestige sector of the market.

The weakest markets over the past twelve months were once again confined to areas of Perth as well as the Darwin metro region, although a few areas of Sydney (Central Coast and the Inner South West) and Melbourne (Mornington Peninsula) remain in the top ten for the largest decline in values over the year.

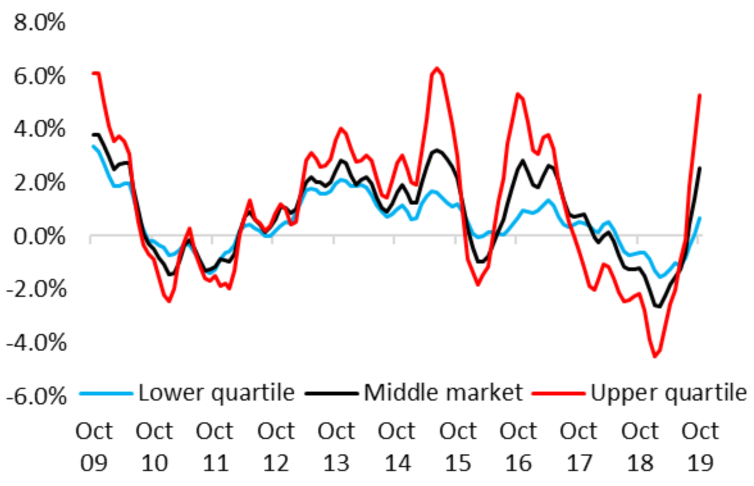
In stark contrast, over the three months ending October 2019, thirty-eight of the forty-six capital city sub-regions have recorded a rise in dwelling values. Mr Lawless said, "Such a broad-based lift in values across the capital city sub-regions over the most recent three month period demonstrates the depth of the current housing market recovery."

The non-capital city sub-regions of Australia have generally shown a healthier performance relative to the capital cities. Seventeen of the forty-two regional areas have recorded a rise in values over the past year, led by Tasmania's Launceston (+4.7%) and closely followed by Queensland's Mackay-Isaac-Whitsunday region which is recovering rapidly after a significant correction.

Over a shorter time frame, over the three months ending October 2019, the best performing regional market has once again been Launceston (+3.1%), followed by Illawarra (+3.0%), Mackay-Isaac-Whitsunday (+2.5%), Gold Coast (+1.9%) and Cairns (+1.8%).

The recent trend across the regional markets of Australia has seen a clear improvement in the performance of housing across the major centres adjacent to Sydney and Melbourne, as well as rising values in many of the coastal lifestyle markets. Conversely, drought-affected areas have seen a drop in demand for housing with values falling sharply across many of the rural sub-regions associated with crops and grazing.

Rolling three month change across broad valuation cohorts, combined capitals



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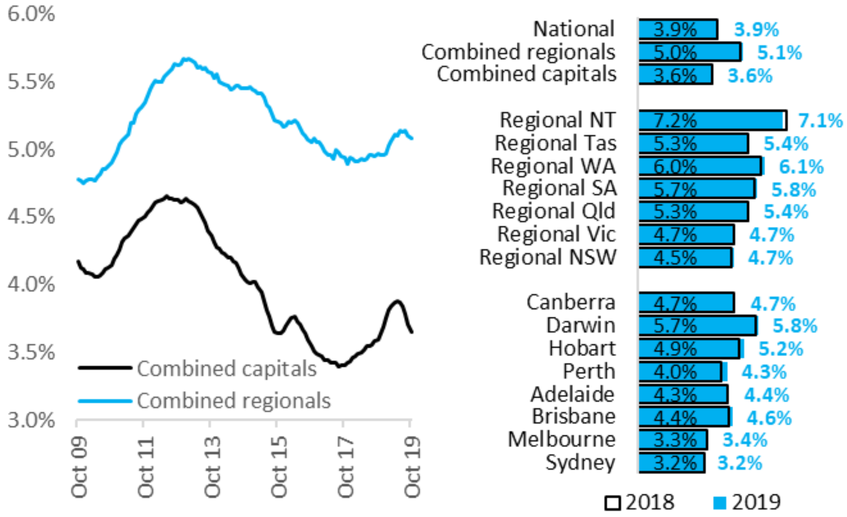
Rental markets have remained subdued, with rental rates falling across five of the eight capital cities over the three months ending October 2019. The largest declines are confined to Darwin, where rents are 1% lower over the past three months, and Sydney where rents are down 0.7%. The only capital cities where rents were up over the rolling quarter were Brisbane (+0.2%) and Adelaide (+0.3%).

Soft rental conditions can be attributed to a range of factors including the recent history of rising rental supply, demonstrated by unprecedented levels of investment participation in the housing market between 2012 and 2017, as well as a significant increase in dwelling construction skewed towards rental accommodation in the high rise apartment sector. Additionally, a larger than normal number of renters have transitioned to first home buyers, thereby denting rental demand.

As dwelling values trend higher and rents languish, gross rental yields are starting to compress. Across the combined capitals, gross rental yields moved through a recent peak in May earlier this year at 3.88%. Since that time, gross rental yields across the combined capitals have reduced back to 3.65% which is the lowest gross yield since November last year.

Gross rental yields



Although gross rental yields are trending lower, so too are mortgage rates. At the end of September, the average three-year fixed rate for an investor mortgage was 3.8%. Although the RBA hasn't published average mortgage rates for October yet, considering mortgage rates reduced further in October, it's likely that the three-year fixed rate for investor mortgages is now lower than capital city gross rental yields for the first time since at least 2007 (when CoreLogic's rental yield series commences), implying that more properties will be showing a positive cash flow for investors, and renters may be better off purchasing a home and paying down a mortgage rather than continuing to rent.

Mr Lawless said, "It's becoming increasingly clear that the housing market rebound is gathering pace, both geographically and across the broad valuation cohorts, off the back of lower mortgage rates and improved access to credit, as well as an improvement in affordability relative to the market peak several years ago and consistently high demand via population growth."

"Demand for housing is responding to stimulus measures, including mortgage rates that are now lower than anything we have seen since the 1950's and improved mortgage serviceability tests following APRA's decision to adjust the minimum interest rate serviceability rules in July this year."

Accompanying the trend towards higher housing values has been an increase in sales activity. Although the annual number of settled sales remain around 17% below the decade average, there has been a clear upwards trend in buyer activity since June.

The rise in buyer numbers is occurring while advertised stock levels remain very low. Nationally, the number of new listings being added to the market is 12% lower than a year ago; in fact freshly advertised stock levels haven't been this low since the Global Financial Crisis.

Mr Lawless said, "There has been a shortage of new listings for several years which has likely resulted in some pent up demand from home owners looking to sell. Despite the improved selling environment, new stock additions remain low for this time of the year, which is likely a reflection of ongoing uncertainty and low confidence."

"Measures of consumer sentiment have been trending lower, with households reading through the low interest rate setting to the underlying weakness in Australia's economy. Buying and selling a home requires a high degree of commitment which becomes much harder when there are doubts around household finances or job prospects.

"In addition, total advertised stock levels are 11% lower relative to last year and tracking at the lowest level since 2010. Such a small pool of available stock against rising buyer demand is creating some competitive pressure amongst buyers which is adding to urgency in the market and supporting upwards pressure on values."

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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	1.7%	2.3%	0.8%	0.4%	-0.4%	0.9%	0.3%	0.6%	0.6%	0.2%	0.5%	-0.4%	-1.0%	0.7%	-1.3%	1.4%	0.4%	1.2%
	Quarter	5.0%	5.5%	1.1%	0.1%	-1.7%	1.0%	-1.2%	2.4%	0.6%	0.5%	1.1%	-1.7%	-3.8%	1.4%	-0.1%	3.6%	0.5%	2.9%
	YTD	0.8%	1.5%	-1.2%	-1.2%	-7.1%	1.4%	-8.1%	1.3%	-2.0%	-1.5%	-0.1%	-0.3%	-11.0%	3.8%	3.0%	-0.2%	-1.6%	-0.5%
	Annual	-2.5%	-1.0%	-1.3%	-0.9%	-8.7%	2.6%	-9.2%	2.0%	-2.8%	-0.9%	-0.3%	0.8%	-11.1%	4.2%	1.1%	-2.4%	-1.9%	-2.3%
	Total return	1.0%	2.3%	3.3%	3.6%	-4.7%	7.8%	-2.3%	6.6%	1.7%	3.7%	4.9%	6.4%	-5.9%	10.6%	8.9%	1.2%	2.9%	1.6%
	Gross yield	3.2%	3.4%	4.6%	4.4%	4.3%	5.2%	5.8%	4.7%	4.7%	4.7%	5.4%	5.8%	6.1%	5.4%	7.1%	3.6%	5.1%	3.9%
	Median value	$817,886	$650,197	$493,426	$433,140	$435,119	$460,033	$394,132	$601,487	$448,624	$362,268	$369,469	$236,183	$298,506	$302,121	$367,025	$610,645	$378,495	$529,860
Houses	Month	1.8%	2.4%	0.9%	0.5%	-0.4%	0.9%	0.7%	0.8%	0.8%	0.1%	0.5%	-0.3%	-1.1%	0.6%	-1.6%	1.5%	0.4%	1.2%
	Quarter	5.3%	5.7%	1.0%	0.1%	-1.8%	1.2%	-1.5%	2.9%	0.8%	-0.1%	1.2%	-1.8%	-3.8%	0.7%	-0.8%	3.5%	0.4%	2.8%
	YTD	0.9%	0.5%	-1.2%	-1.4%	-7.0%	1.9%	-9.2%	2.2%	-1.9%	-2.1%	0.3%	0.1%	-10.7%	2.9%	3.9%	-0.6%	-1.6%	-0.8%
	Annual	-2.6%	-2.7%	-1.4%	-1.1%	-8.6%	3.0%	-10.1%	3.0%	-2.6%	-1.7%	-0.3%	1.5%	-10.3%	3.3%	1.0%	-3.0%	-1.9%	-2.7%
	Total return	0.6%	0.0%	2.8%	3.3%	-4.8%	8.2%	-3.1%	7.3%	1.9%	3.0%	4.7%	7.0%	-4.9%	9.2%	8.9%	0.3%	2.7%	0.9%
	Gross yield	2.9%	3.0%	4.4%	4.3%	4.2%	5.1%	5.4%	4.4%	4.7%	4.7%	5.3%	5.8%	6.0%	5.4%	6.8%	3.4%	5.0%	3.8%
	Median value	$918,314	$751,513	$539,167	$468,757	$451,815	$492,465	$468,317	$671,968	$461,024	$382,335	$375,703	$240,169	$311,079	$311,843	$404,969	$639,210	$388,150	$541,283
Units	Month	1.2%	2.0%	0.8%	-0.4%	-0.8%	1.0%	-0.4%	0.1%	-0.3%	0.9%	0.6%	-1.6%	0.8%	2.4%	-0.4%	1.3%	0.4%	1.2%
	Quarter	4.2%	5.0%	1.7%	0.0%	-1.1%	0.2%	-0.5%	0.4%	-0.4%	4.0%	1.0%	0.8%	-3.1%	7.7%	1.9%	3.8%	0.9%	3.4%
	YTD	0.5%	3.7%	-0.9%	-0.3%	-7.5%	-0.7%	-5.9%	-1.6%	-3.1%	2.6%	-1.3%	-7.0%	-12.3%	11.8%	-0.9%	0.9%	-1.6%	0.5%
	Annual	-2.2%	2.6%	-0.6%	-0.2%	-9.0%	1.0%	-7.3%	-1.5%	-3.8%	3.7%	-0.7%	-9.2%	-16.5%	12.6%	0.1%	-0.9%	-1.6%	-1.0%
	Total return	1.6%	6.5%	5.0%	5.4%	-4.5%	6.3%	-1.0%	4.2%	0.4%	8.5%	5.3%	-1.5%	-12.5%	19.6%	7.8%	3.2%	3.6%	3.3%
	Gross yield	3.7%	4.2%	5.3%	5.4%	5.2%	5.4%	6.6%	5.9%	4.7%	4.9%	5.7%	6.3%	8.3%	5.6%	7.5%	4.2%	5.3%	4.3%
	Median value	$720,658	$558,254	$379,321	$317,763	$346,367	$378,846	$293,098	$429,728	$394,639	$283,445	$355,150	$184,928	$193,459	$252,026	$269,458	$553,175	$343,426	$500,163

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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