National Media Release

RP Data-Rismark July Hedonic Home Value Index Results

Released: Friday, August 1, 2014

Sydney and Melbourne continue to drive two-tier housing market conditions in July

The RP Data Rismark July home value indices results out today confirmed that Sydney and Melbourne continued their strong capital gains trend, with dwelling values rising 2.0% and 1.8% over three months ending July 2014, taking dwelling values across the combined capital cities index 1.1% higher over the three month period.

Capital city dwelling values were 1.1 per cent higher over the three months ending July, taking the aggregate capital gain to 5.0 per cent for the year to date across the combined capital cities. The gain was mostly centred in Sydney, Melbourne and Canberra where dwelling values rose 2.0 per cent, 1.8 per cent and 2.1 per cent respectively over the rolling quarter to offset the falls recorded in other capital cities. The Darwin market also recorded a capital gain over the past three months (+0.8%) while the remaining capital cities all recorded a drop in values (Brisbane -0.4%, Adelaide -2.6%, Perth -0.1%, Hobart -1.2%).

Broadly, capital city dwelling values have trended higher since June 2012; since that time the combined capitals index has recorded a cumulative gain of 17.4 per cent. The absolute standout performer for capital gains has been Sydney where values have moved almost 25 per cent higher over this time. Darwin and Melbourne also recorded stellar results with values up 20.4 per cent and 18.5 per cent respectively over the growth cycle to date. The lowest rate of capital gain over the current cycle was in Adelaide where values are just 5.5 per cent higher, and in Canberra where values have recorded a 7.9 per cent increase.

According to RP Data research director Tim Lawless, despite the most recent set of data showing a rise, the growth trend has eased from the peak conditions recorded last year. Over the past six months, capital city dwelling values moved 3.7 per cent higher compared with the peak rate of growth of 7.2 per cent which was recorded over the six months ending November last year. Mr Lawless said that over a similar time frame the growth in mortgage demand has started to ease, suggesting buyer demand may be being dampened by rising affordability hurdles and low rental yields in the largest cities.

Regional markets continued to languish and recorded a -0.7 per cent fall over the June quarter and a year on year growth rate which is slightly higher than inflation at 3.5 per cent. "Regional markets are of course diverse and range from agricultural regions which are largely driven by weather conditions and export factors, mining and resource-centric areas where the downturn in commodity prices and fewer major infrastructure projects are generally causing weak housing market conditions, and lifestyle markets where buyer demand is bouncing back and values are generally rising," Mr Lawless said.

Index results as at July 31, 2014

Region	Change in dwelling values			Total gross returns	Median dwelling price
	Month	Qtr	YOY		
Sydney	1.5%	2.0%	14.8%	19.5%	$650,000
Melbourne	3.7%	1.8%	11.0%	14.9%	$540,000
Brisbane	-0.1%	-0.4%	6.9%	12.0%	$450,000
Adelaide	-0.1%	-2.6%	4.3%	9.0%	$395,000
Perth	-0.5%	-0.1%	3.0%	7.5%	$519,000
Hobart	-0.6%	-1.2%	1.0%	6.5%	$300,000
Darwin	2.8%	0.8%	6.5%	13.2%	$515,000
Canberra	1.5%	2.1%	1.9%	6.5%	$516,250
Combined capitals	1.6%	1.1%	10.2%	14.7%	$530,000
Rest of state*	-0.3%	-0.7%	3.5%		$345,000

* Rest of state change in values are for houses only to end of June

Highlights over the three months to July 2014

Best performing capital city: Canberra +2.1 per cent

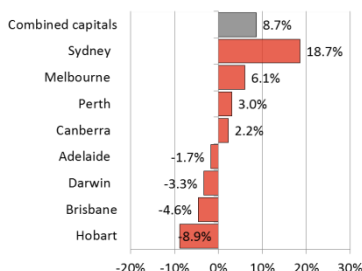**Weakest performing capital city**: **Adelaide,** -2.6 per cent

Highest rental yields: **Darwin houses** with gross rental yield of 5.9 per cent and **Darwin Units** at 5.8 per cent

Lowest rental yields: Melbourne houses with gross rental yield of 3.3 per cent and **Melbourne units** at 4.2 per cent
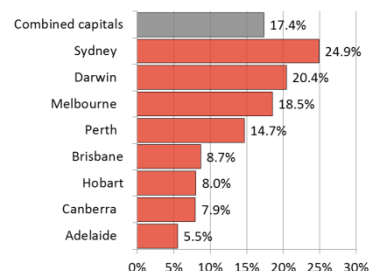
Most expensive city: Sydney with a median dwelling price of $650,000

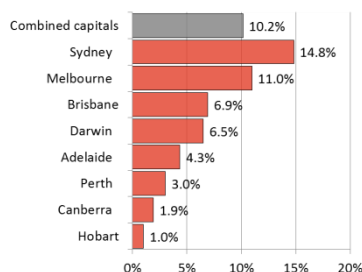**Most affordable city: Hobart** with a median dwelling price of $300,000

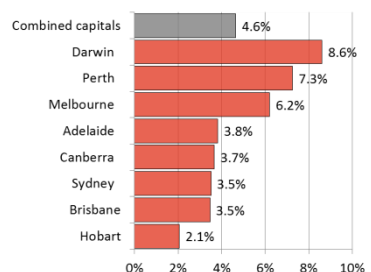### Change in dwelling values from previous market peak

Combined capitals	8.7%
Sydney	18.7%
Melbourne	6.1%
Perth	3.0%
Canberra	2.2%
Adelaide	-1.7%
Darwin	-3.3%
Brisbane	-4.6%
Hobart	-8.9%

Change in dwelling values from market trough

Combined capitals	17.4%
Sydney	24.9%
Darwin	20.4%
Melbourne	18.5%
Perth	14.7%
Brisbane	8.7%
Hobart	8.0%
Canberra	7.9%
Adelaide	5.5%

Change in dwelling values over past twelve months

Combined capitals	10.2%
Sydney	14.8%
Melbourne	11.0%
Brisbane	6.9%
Darwin	6.5%
Adelaide	4.3%
Perth	3.0%
Canberra	1.9%
Hobart	1.0%

Annual change in dwelling values over past 10 years

Combined capitals	4.6%
Darwin	8.6%
Perth	7.3%
Melbourne	6.2%
Adelaide	3.8%
Canberra	3.7%
Sydney	3.5%
Brisbane	3.5%
Hobart	2.1%

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www.rpdata.com/indices

Examination of the housing market across broad price segments revealed that the most expensive quarter of the combined capital city housing market has shown the highest capital gains over the past year. Dwelling values across the most expensive quarter of the capital city market are up 10.8 per cent over the past twelve months compared with a 7.9 per cent gain across the most affordable quarter of the market, and a 10.1 per cent capital gain across the broad middle of the market.

Rental yields were down over the month, with capital gains continuing to outpace rental growth. The typical gross rental yield on a capital city dwelling fell to 3.9 per cent in July, from 4.0 per cent in June, with Melbourne yields the lowest of any capital city at 3.4 per cent gross, followed by Sydney at 3.9 per cent gross.

"Despite the low yielding environment, the total returns on housing have been strong thanks to the level of capital gains," Mr Lawless said.

The RP Data Rismark Accumulation index, which combines the level of capital gain with gross rental returns, is showing a 14.7 per cent total return over the past twelve months, led by Sydney at 19.5 per cent and Melbourne at 14.9 per cent. The lowest total returns have been recorded in Hobart and Canberra where the combination of capital gains and rental yield have provided a 6.5% gross return across both cities.

Rolling annual change in dwelling values across broad value segments, combined capital cities

Legend: Most affordable 25% — Middle priced 50% — Most expensive 25%

Gross rental yields

Houses

Combined capitals	3.8%
Darwin	5.9%
Hobart	5.2%
Brisbane	4.5%
Adelaide	4.3%
Perth	4.2%
Canberra	4.1%
Sydney	3.7%
Melbourne	3.3%

Units

Combined capitals	4.6%
Darwin	5.8%
Brisbane	5.3%
Hobart	5.2%
Canberra	5.0%
Adelaide	4.9%
Perth	4.6%
Sydney	4.5%
Melbourne	4.2%

According to Mr Lawless, the housing market is set to record further capital gains, however he said that it is likely that growth rates will continue to taper in trend terms back to a more sustainable level.

"With interest rates remaining low and fixed rates seeing further downwards pressure, we are expecting that capital gains will continue into the foreseeable future. What is likely though is that the rate of capital gain will continue to reduce, particularly in those cities where affordability constraints are the most significant and rental yields are the lowest."
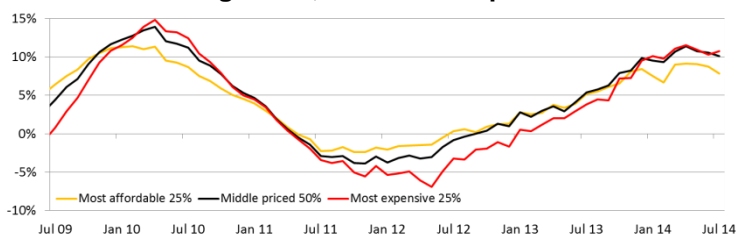
"Low yielding market conditions in Sydney and Melbourne are likely to act as a disincentive to investors, as well as the fact that these markets are well advanced in their growth cycle. Additionally, with affordability becoming a more pressing issue in Sydney we would expect buyers to be seeking out medium to high density dwellings located close to the city rather than where they could afford to buy a detached home. The most affordable suburbs across the capital cities are generally showing the lowest capital gain over the past year suggesting buyer demand many be held back by price barriers.

"Any slowdown in market conditions will be a gradual one. Auction clearance rates are holding firm and homes are generally selling quickly, compounded by a slowdown in the number of homes being advertised for sale.

"The real litmus test for the market will be how much buyer demand is apparent during the Spring Selling Season. Winter has seen above average auction clearance rates however, as listings inevitably rise sharply over the coming months this will create the greatest test for the Sydney and Melbourne housing markets in terms of how strong value growth will be," Mr Lawless said.

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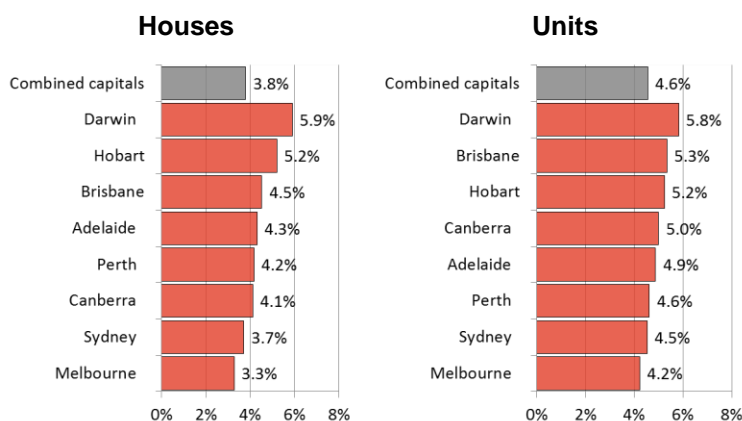www.rpdata.com/indices

Table 1: RP Data-Rismark Daily Home Value Index Results (Actual Results)

Capital Growth to 31 July 2014	Sydney	Melbourne	Brisbane - Gold Coast	Adelaide	Perth	Australia 5 Capitals (ASX)	Hobart	Darwin	Canberra	Brisbane	Australia 8 Capitals
Table 1A: All Dwellings											
Month	1.5%	3.7%	-0.4%	-0.1%	-0.5%	1.6%	-0.6%	2.8%	1.5%	-0.1%	1.6%
Quarter	2.0%	1.8%	-0.4%	-2.6%	-0.1%	1.0%	-1.2%	0.8%	2.1%	-0.4%	1.1%
Year-to-Date	7.0%	6.8%	2.3%	0.7%	-0.5%	5.0%	3.6%	4.8%	3.1%	2.2%	5.0%
Year-on-Year	14.8%	11.0%	6.3%	4.3%	3.0%	10.3%	1.0%	6.5%	1.9%	6.9%	10.2%
Total Return Year-on-Year	19.5%	14.9%	11.4%	9.0%	7.5%	14.8%	6.5%	13.2%	6.5%	12.0%	14.7%
Median price based on settled sales over quarter*	$650,000	$540,000	$447,400	$395,000	$519,000	$530,000	$300,000	$515,000	$516,250	$450,000	$530,000
Table 1B: Houses											
Month	1.6%	4.1%	-0.5%	-0.3%	-0.6%	1.6%	-0.3%	2.9%	1.7%	-0.2%	1.7%
Quarter	1.8%	2.0%	-0.4%	-2.8%	-0.4%	0.9%	-0.8%	-0.3%	2.4%	-0.6%	1.0%
Year-to-Date	7.4%	7.6%	2.5%	0.5%	-0.9%	5.2%	3.1%	4.1%	3.2%	2.1%	5.1%
Year-on-Year	15.3%	11.7%	6.7%	4.2%	2.6%	10.5%	0.8%	6.7%	1.7%	6.9%	10.3%
Total Return Year-on-Year	19.9%	15.5%	11.8%	8.8%	7.1%	14.9%	6.3%	13.4%	6.3%	11.9%	14.7%
Median price based on settled sales over quarter*	$745,000	$590,000	$485,000	$411,000	$535,000	$560,000	$320,000	$552,500	$555,000	$475,000	$555,000
Table 1C: Units											
Month	1.0%	0.8%	0.4%	1.6%	1.4%	0.9%	-3.3%	2.5%	-1.2%	1.3%	1.0%
Quarter	2.9%	0.0%	-0.1%	0.2%	3.5%	1.7%	-5.5%	5.6%	-1.3%	0.8%	1.8%
Year-to-Date	5.6%	0.9%	1.2%	2.0%	4.7%	3.7%	8.6%	7.7%	1.0%	3.0%	3.9%
Year-on-Year	12.5%	5.5%	2.5%	5.3%	8.4%	9.0%	2.8%	5.5%	4.1%	7.4%	9.4%
Total Return Year-on-Year	17.9%	10.1%	8.1%	10.5%	13.7%	14.2%	8.2%	12.2%	9.7%	13.4%	14.7%
Median price based on settled sales over quarter*	$569,000	$460,000	$373,000	$345,000	$437,750	$470,000	$265,500	$445,000	$435,000	$390,000	$475,000
Table 1D: Rental Yield Results											
Houses	3.7%	3.3%	4.6%	4.3%	4.2%	3.8%	5.2%	5.9%	4.1%	4.5%	3.8%
Units	4.5%	4.2%	5.4%	4.9%	4.6%	4.6%	5.2%	5.8%	5.0%	5.3%	4.6%

The indices in grey shading have been designed for trading environments in partnership with the Australian Securities Exchange (www.asx.com.au). Indices under blue shading (Hobart, Darwin, Canberra, Brisbane and the 8 capital city aggregate) are calculated under the same methodology however are not currently planned to be part of the trading environment.

*The median price is the middle price of all settled sales over the three months to the end of the final month. Median prices are provided as an indicator of what price a typical home sold for over the most recent quarter. The median price has no direct relationship with the RP Data-Rismark Hedonic Index value. The change in the Index value over time reflects the underlying capital growth rates generated by residential property in the relevant region.

The RP Data-Rismark Hedonic Index growth rates are not ordinarily influenced by capital expenditure on homes, compositional changes in the types of properties being transacted, or variations in the type and quality of new homes manufactured over time. The RP Data-Rismark 'index values' are not, therefore, the same as the 'median price' sold during a given period. See the methodology below for further details.

Methodology: The RP Data-Rismark 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 comprising the index into its various formational and locational attributes, differing observed sales values for each property can be separated into those associated with varying attributes and those resulting from changes in the underlying residential property market. Also, 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 stock of residential property comprising an index can be accurately tracked through time. RP Data owns and maintains Australia's largest property related database in Australia which includes transaction data for every home sale within every state and territory. RP Data augments this data with recent sales advice from real estate industry professionals, listings information and attribute data collected from a variety of sources. For detailed methodological information please visit www.rpdata.com

For more information on the RP Data-Rismark Indices, please go to http://www.rpdata.com

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Introduction to the RP Data-Rismark Daily Hedonic Home Value Index methodology:

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About RP Data

RP Data is a wholly owned subsidiary of CoreLogic (NYSE: CLGX), a leading global property information, analytics and data-enabled services provider. Regionally RP Data is part of CoreLogic Asia which is a leading property information, analytics and services provider in Australia and New Zealand with growing partnerships throughout Asia.

With Australia's most comprehensive property databases, the company's combined data offering is derived from public, contributory and proprietary sources and includes over 500 million decision points spanning over three decades of collection, providing detailed coverage of property and other encumbrances such as tenancy, location, hazard risk and related performance information. With over 11,000 customers and 120,000 end users, RP Data is the leading provider of property data, analytics and related services to consumers, investors, real estate, mortgage, finance, banking, insurance, developers, wealth management and government. RP Data delivers value to clients through unique data, analytics, workflow technology, advisory and geo spatial services. Clients rely on RP Data to help identify and manage growth opportunities, improve performance and mitigate risk. CoreLogic Asia employs over 500 people at ten locations across Australia and in New Zealand. For more information call 1300 734 318 or visit www.rpdata.com

About Rismark International

Rismark International ("Rismark") is a funds management and quantitative research business. It is dedicated to the development of intellectual property required to facilitate the creation of financial markets over the residential real estate asset class. Rismark also has a long history of advising Australian and overseas governments on the development of innovative economic policies as they relate to housing and financial markets. As a by-product of its quantitative research activities, Rismark has developed the technology and intellectual property underlying the market-leading RP Data-Rismark hedonic property price indices and related automated property valuation models (AVMs), amongst other things. For more information visit www.rismark.com.au.