National Media Release

CoreLogic Hedonic Home Value Index, October 2016 Results

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Capital city dwelling values shift half a percent higher in October 2016

The CoreLogic October Home Value Index results released today show that capital city dwelling values have reached new record highs for the month, with values rising across six of the eight capitals.

According to CoreLogic research director Tim Lawless, capital gains remained positive across Australia's combined capital city housing markets, however, the pace of growth has reduced when compared with previous months, with October dwelling values rising by 0.5%, compared with a 1.0% lift in September and 1.1% rise in August. The latest monthly housing market data takes the quarterly change in capital city dwelling values to 2.7% and 7.5% higher over the past twelve months.

Apart from Adelaide (-1.3%) and Perth (-1.5%), every capital city recorded a rise in dwelling values over the past three months, with the Canberra housing market recording the largest increase in values after a 5.6% quarterly rise. Mr Lawless said, "The strong conditions across the Canberra market are largely related to rising house values, with unit values increasing at less than half the pace of detached housing."

Sydney continued as the stand out based on annual capital gains, recording the largest year-on-year increase; dwelling values are now 10.6% higher over the past 12 months. Detached houses (+10.9%) are showing only a slightly higher rate of capital gain compared with units (+9.1%) across Sydney, highlighting the healthier supply/demand dynamic that exists across the Sydney region for higher density housing. Mr Lawless said, "This also points to higher demand for Sydney units considering how expensive Sydney houses have become. Units generally provide a more affordable option for home ownership and investment for many buyers."

"In most other markets, detached housing is generally outperforming the unit sector as concerns around the high number of units available for sale in the market dent buyer confidence, coupled with lending policies for unit stock becoming tighter."

According to Mr Lawless, the divergence in performance between houses and units is most clearly evident in Melbourne and Brisbane. The annual rate of capital gains in Melbourne remains strong at 9.1%, however there is a substantial difference in growth rates between houses and units, with house values up 9.6% compared with a 5.2% increase in unit values over the past year. Brisbane's housing market has shown a larger capital gain spread, with house values up 4.7% compared with a 1.4% fall in unit values over the year.

He said, "The weaker performance of unit values across the Brisbane market may be partially attributed to supply concerns, as unit supply levels across key regions of Brisbane's inner city show the potential for a significantly larger relative increase in existing stock levels when compared with Melbourne and Sydney."

The CoreLogic Settlement Risk report is currently tracking approximately 49,000 units that have been approved for construction across the broad Brisbane metro region. Mr Lawless said, "While it's unlikely that all projects will proceed through to commencement, based on the approval numbers across Brisbane, we could see an uplift in existing unit stock which is in excess of 25% over the next two years. Comparatively, in Sydney and Melbourne, the approved unit pipeline is higher at approximately 96,000 over the next 24 months, however the potential stock uplift is much less significant, at 13% and 16% respectively relative to existing unit stock levels."

Index results as at October 31, 2016

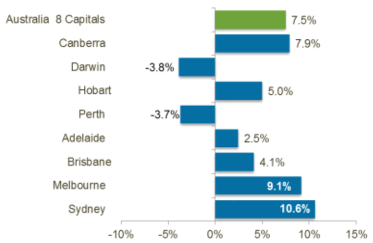
Region	Change in dwelling values: Month	Qtr	YOY	Total gross returns	Median dwelling price
Sydney	0.6%	2.9%	10.6%	14.2%	$800,000
Melbourne	0.8%	4.6%	9.1%	12.5%	$600,000
Brisbane	0.8%	1.3%	4.1%	8.7%	$470,000
Adelaide	-2.4%	-1.3%	2.5%	6.7%	$415,000
Perth	0.8%	-1.5%	-3.7%	0.1%	$482,000
Hobart	-2.1%	-2.8%	5.0%	10.6%	$343,500
Darwin	2.2%	4.0%	-3.8%	1.3%	$465,500
Canberra	0.4%	5.6%	7.9%	12.4%	$568,000
Combined capitals	0.5%	2.7%	7.5%	11.2%	$585,000
Rest of State*	0.9%	0.3%	1.1%		$365,000

* Rest of state change in values are for houses only to end of September 2016

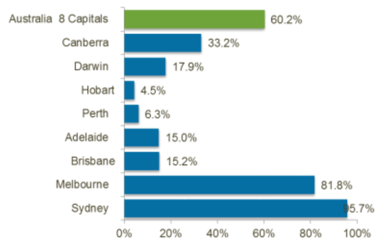
Highlights over the three months to October 2016

- **Best performing capital city: Canberra** +5.6%
- **Weakest performing capital city**: **Hobart** -2.8%
- **Highest rental yields**: **Hobart houses** with gross rental yield of 5.3% and **Hobart Units** at 5.6%
- **Lowest rental yields: Melbourne and Sydney houses** with gross rental yield of 2.8% and **Sydney units** at 3.8%
- **Most expensive city: Sydney** with a median dwelling price of $800,000
- **Most affordable city: Hobart** with a median dwelling price of $343,500

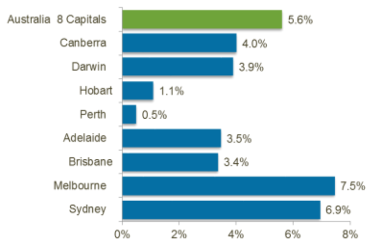
Change in dwelling values over past twelve months



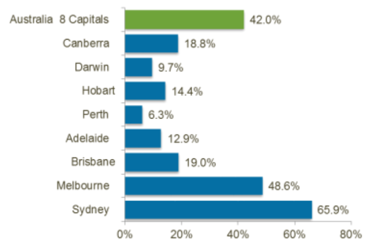
Cumulative change in dwelling values from Jan 2009 to current (Post GFC growth)



Annual change in dwelling values over past 10 years



Change in dwelling values over growth cycle to date



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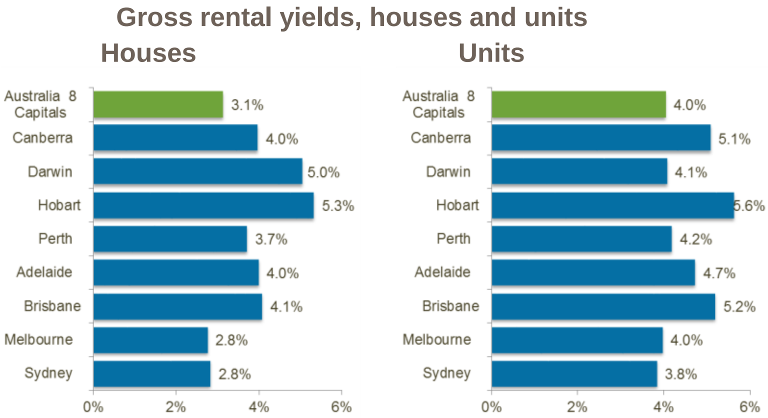
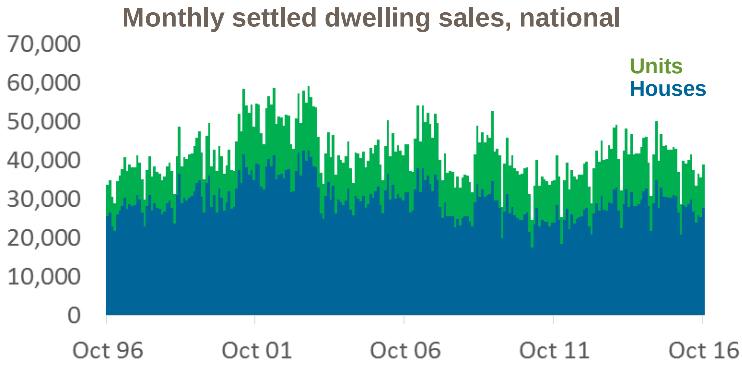
CoreLogic Hedonic Home Value Index Results



According to CoreLogic, another sign of market strength can be seen in auction results. Auction clearance rates, which are one of the most timely measures of the fit between buyer and seller expectations, have been tracking in the mid to high 70% range across the combined capital city markets, with the largest auction markets of Melbourne and Sydney general showing a higher rate of clearance. In fact, over the past two months, clearance rates across Sydney have dipped below 80% only once. A year ago auction clearance rates were consistently trending around the mid 60% range, albeit on volumes that were about 20% higher.

Mr Lawless said, "The strong housing market growth results are continuing to occur on a back drop of low stock levels and low transactional activity."



The latest national listing estimates from CoreLogic show total listing numbers remain 2.6% lower than a year ago, with the most substantial drop in listing numbers over the year recorded in Hobart, where there are almost one third fewer homes listed for sale. Canberra stock levels are 15% lower than a year ago and listing numbers in Sydney remain subdued, tracking 9.6% lower than last year.

Mr Lawless said, "Low stock levels tend to create a higher level of urgency in the housing market as buyers compete with each other and vendors are less willing to negotiate on prices. This may be one reason why transaction numbers have reduced over the year.

The CoreLogic turnover estimates have recently levelled after trending lower since April 2015, however settled dwelling sales over the three months ending October 31 remain 13.9% lower than the same three month period in 2015. These estimates do not include off-the-plan sales, which, according to Mr Lawless, implies there is likely to be a level of upwards revision in the numbers as the record number of off the plan units move through to settlement.

He said, "Other factors that are likely to be dampening transactional activity include the high transactional costs such as stamp duty and selling fees, affordability constraints in markets where values have risen substantially and tighter lending policies being implemented by the banks."

While dwelling values have broadly risen during October, rental yields in Sydney and Melbourne remain depressed, with gross yields are at record lows. The typical Sydney and Melbourne house is now providing a gross rental return of just 2.8%. Taking into consideration holdings costs, expenses and vacancy, the net rental yield for houses is likely to be closer to 2% in these markets. Markets where value growth hasn't been as strong are seeing healthier yield profiles, with Hobart demonstrating the highest gross rental yields of any capital city.

Mr Lawless said, "High values, low yields and a mature growth cycle haven't been enough to deter investors from the market. Housing credit data released by the RBA earlier this week provides some insight into increased demand from the investor segment. Over March 2016, investor housing credit grew by just 0.29% and this has consistently increased to 0.62% over September. At the same time, credit growth for owner occupier housing has slowed. After peaking at 0.79% growth in November 2015, owner occupier housing credit growth slowed to 0.49%."

"While home values are still rising, the rate of growth is slower than it was 12 months ago, however, annual growth remains somewhat heightened, particularly considering this growth phase has now been running for almost four and a half years.

"With ongoing strong value growth and high clearance rates in Sydney and Melbourne, as well debate around affordability gathering some momentum, there is likely to be further caution by the Reserve Bank around future interest rate cuts, which, if it were to occur, may provide additional stimulus for housing markets around Australia.

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CoreLogic Home Value Index tables

Capital Growth to 31 October 2016	Sydney	Melbourne	Brisbane - Gold Coast	Adelaide	Perth	Australia 5 Capitals (ASX)	Hobart	Darwin	Canberra	Brisbane	Australia 8 Capitals
Table 1A: All Dwellings											
Month	0.6%	0.8%	1.1%	-2.4%	0.8%	0.6%	-2.1%	2.2%	0.4%	0.8%	0.5%
Quarter	2.9%	4.6%	1.8%	-1.3%	-1.5%	2.7%	-2.8%	4.0%	5.6%	1.3%	2.7%
Year-to-Date	13.5%	11.9%	3.6%	3.3%	-6.2%	9.1%	6.7%	-2.6%	9.6%	2.6%	9.1%
Year-on-Year	10.6%	9.1%	5.0%	2.5%	-3.7%	7.6%	5.0%	-3.8%	7.9%	4.1%	7.5%
Total Return Year-on-Year	14.2%	12.5%	9.7%	6.7%	0.1%	11.3%	10.6%	1.3%	12.4%	8.7%	11.2%
Median price based on settled sales over quarter*	*$800,000*	*$600,000*	*$479,000*	*$415,000*	*$482,000*	*$585,000*	*$343,500*	*$465,500*	*$568,000*	*$470,000*	*$585,000*
Table 1B: Houses											
Month	0.6%	0.8%	1.2%	-2.5%	0.7%	0.6%	-2.1%	1.5%	0.5%	1.0%	0.5%
Quarter	3.1%	4.8%	1.9%	-1.1%	-1.8%	2.7%	-2.6%	2.5%	5.9%	1.4%	2.7%
Year-to-Date	14.3%	12.9%	3.9%	3.6%	-6.4%	9.6%	6.8%	-2.4%	9.9%	2.9%	9.5%
Year-on-Year	10.9%	9.6%	5.4%	2.7%	-3.7%	7.8%	4.7%	-6.6%	8.2%	4.7%	7.7%
Total Return Year-on-Year	14.4%	12.8%	10.0%	6.9%	0.1%	11.4%	10.3%	-1.6%	12.7%	9.2%	11.3%
Median price based on settled sales over quarter*	*$920,000*	*$665,000*	*$525,000*	*$436,000*	*$495,000*	*$620,000*	*$360,000*	*$452,000*	*$646,000*	*$504,000*	*$615,000*
Table 1C: Units											
Month	1.0%	0.3%	0.1%	-1.5%	2.0%	0.7%	-1.7%	5.3%	-0.7%	-0.9%	0.6%
Quarter	2.2%	2.9%	0.9%	-3.7%	2.8%	2.0%	-4.5%	10.7%	2.5%	0.2%	2.0%
Year-to-Date	9.7%	3.9%	1.2%	-0.1%	-2.7%	6.4%	5.8%	-3.5%	4.4%	-0.4%	6.3%
Year-on-Year	9.1%	5.2%	1.1%	-0.3%	-3.3%	6.4%	8.3%	10.2%	3.2%	-1.4%	6.3%
Total Return Year-on-Year	13.6%	9.6%	6.7%	4.5%	1.1%	10.9%	14.2%	15.6%	8.6%	3.9%	10.9%
Median price based on settled sales over quarter*	*$690,000*	*$495,000*	*$390,000*	*$350,000*	*$410,000*	*$515,000*	*$285,000*	*$480,000*	*$418,500*	*$385,000*	*$520,000*
Table 1D: Rental Yield Results											
Houses	2.8%	2.8%	4.1%	4.0%	3.7%	3.1%	5.3%	5.0%	4.0%	4.1%	3.1%
Units	3.8%	4.0%	5.3%	4.7%	4.2%	4.1%	5.6%	4.1%	5.1%	5.2%	4.0%

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 CoreLogic 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 CoreLogic 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 CoreLogic '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 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 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. CoreLogic owns and maintains Australia's largest property related database in Australia 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. For detailed methodological information please visit www.corelogic.com.au

Recent updates to the CoreLogic Hedonic Home Value Index – April/May 2016
CoreLogic's periodic audits of analytic methods and algorithms identified an improvement to the Hedonic Index sampling methodology in early 2016 which was applied throughout April. CoreLogic implemented a dynamic mechanism for excluding extreme (outlier) transactions. After rigorous back testing and validation, it was determined that dynamic price filters would deliver a more robust and precise output. As a result of these changes, the CoreLogic Hedonic Index recorded higher than normal intra-month volatility in the capital city index readings throughout April and May. This improvement will ensure that the Hedonic Home Value Index will continue to represent the timeliest and most precise measurement of housing market conditions available.

For more information on the CoreLogic Indices, please go to http://www.corelogic.com.au

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