National Media Release

CoreLogic Hedonic Home Value Index, November 2016 Results

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Capital city dwelling values rise by 0.2% in November as housing growth cycle clicks over 4.5 years of growth

The CoreLogic November Hedonic Home Value Index results out today show a rise in dwelling values across every capital city excluding Melbourne over the month. However, CoreLogic head of research Tim Lawless noted that the overall growth rate has moderated when compared with recent month's performance.

Throughout November, capital city dwelling values rose by 0.2%. While the headline results remained in positive growth territory, the monthly capital gain reading was also the softest result since December 2015 when capital city dwelling values were unchanged over the month. The combined regional areas of Australia showed a weaker result with house values falling by 0.2% over the month.

According to Mr Lawless, the soft performance across the combined capital city reading was attributable to a 1.5% fall in the Melbourne index, while all other capital cities recorded a positive month-on-month result. He said, "Delving into the Melbourne results in more detail showed that unit values were down a larger 3.2% in November, while Melbourne house values declined by 1.3% over the month."

The November figures show that capital city dwelling values rose by 1.7% over the three months of spring; a substantial improvement over last year. Spring 2015 saw capital city dwelling values fall by 0.2%, with auction clearance rates dipping below 60% in late November and early December. In contrast, auction clearance rates held firm in the mid-70% range throughout spring this year, with Sydney clearance rates holding around the 80% mark over the past three months.

On an annual basis, every capital city except for Perth is now showing a positive annual trend in dwelling value growth. The highest annual growth rate is evident in Sydney and Melbourne where dwelling values are now 13.1% and 11.3% higher respectively, reflecting a steeper upwards trajectory in growth over the second half of the year. The Hobart and Canberra markets have also seen some acceleration in growth rate trends with dwelling values up 8.5%, and 8.4% respectively over the past twelve months.

For the first time since February 2015, Darwin's annual growth rate has moved back into the black and recorded a 1.1% rise in dwelling values over the past year. Mr Lawless notes that results for smaller cities such as Darwin, can tend to show higher levels of volatility.

Mr Lawless said, "The November results also show a rise in transaction numbers across the Darwin market over recent months, supporting the moderate improvement in market conditions that the hedonic index is showing."

Currently the national growth cycle has been in play for 4.5 years, with capital city dwelling values rising by 42.2% over the cycle to date.

Mr Lawless said, "Disaggregating this growth figure highlights the diversity in market conditions with Sydney and Melbourne at one end of the spectrum experiencing an increase in dwelling values over this period of 67.3% and 46.3% respectively, while at the other end of the spectrum, Perth and Darwin values have broadly declined since 2014. Perth values are 6.9% higher since the cycle commenced in June 2012, while Darwin values are 13.8% higher over this period."

"It appears that higher unit supply is progressively weighing down the capital gains across Melbourne's unit sector, with annual capital gains tracking at 3.9% for Melbourne units compared with a 12.2% annual gain in Melbourne house values."

Index results as at November 30, 2016

Region	Change in dwelling values			Total gross returns	Median dwelling price
	Month	Qtr	YOY		
Sydney	0.8%	2.3%	13.1%	16.7%	$845,000
Melbourne	-1.5%	1.5%	11.3%	14.7%	$623,500
Brisbane	0.4%	1.3%	3.9%	8.4%	$485,000
Adelaide	2.9%	2.6%	4.7%	9.1%	$420,000
Perth	0.6%	-1.1%	-3.4%	0.4%	$490,000
Hobart	0.9%	-1.0%	8.5%	14.4%	$336,000
Darwin	3.7%	3.7%	1.1%	6.3%	$480,000
Canberra	0.0%	2.8%	8.4%	13.0%	$590,000
Combined capitals	0.2%	1.7%	9.3%	13.1%	$610,000
Rest of State*	-0.2%	-0.3%	1.4%		$375,000

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

Highlights over the three months to November 2016

- **Best performing capital city: Darwin** +3.7%
- **Weakest performing capital city**: **Perth** -1.1%
- **Highest rental yields**: **Hobart houses** with gross rental yield of 5.3% and **Hobart Units** at 5.7%
- **Lowest rental yields: Melbourne and Sydney houses** with gross rental yield of 2.8% and **Darwin units** at 3.6%
- **Most expensive city: Sydney** with a median dwelling price of $845,000
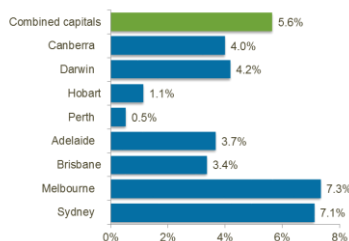- **Most affordable city: Hobart** with a median dwelling price of $336,000

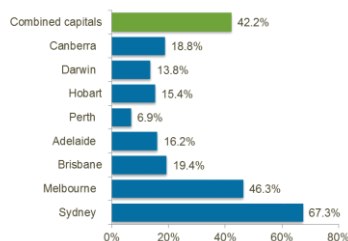Change in dwelling values over past twelve months
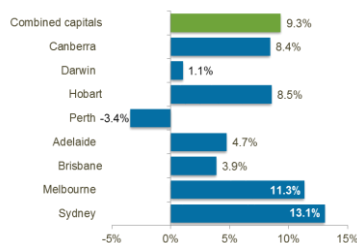
Cumulative change in dwelling values from Jan 2009 to current (Post GFC growth)
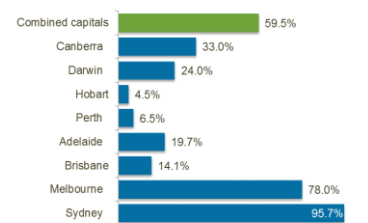
Annual change in dwelling values over past 10 years

Change in dwelling values over growth cycle to date

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"A similar trend can be seen in Brisbane, where the supply of units across key inner city regions is also high. Brisbane house values were up 4.3% over the past twelve months compared with a 0.9% fall in unit values."

"With the unit supply pipeline remaining substantial, we expect to see a continuation of weaker market conditions across those unit markets where high supply levels are dampening the prospects for higher value growth," Mr Lawless said.

Rental yields reached a new record low in November across the combined capitals index due to dwelling values continuing to rise at a faster pace than weekly rental rates. The average gross rental yield across combined capital city dwellings is now recorded at 3.2%, down from 3.5% a year ago and 4.1% five years ago.

Sydney and Melbourne share the lowest yield profile for detached housing, with an average of 2.8% in both cities, while the gross yield on Sydney units has fallen well below Melbourne's at 3.8%.

Mr Lawless said, "With rental markets remaining soft, it is likely there will be further yield compression across those markets where residential property values are rising."

"The only market segments where yields have improved over the past 12 months were the Hobart and Canberra unit markets where rental rates have shown a higher growth rate than unit values."

"It appears as though the low yield profile is no deterrent to investors, with ABS housing finance data showing a consistent rise in finance commitments for investment purposes since May this year.

"Clearly investors are continuing to see housing as the preferred investment option, despite low yields and a mature growth cycle."

Gross rental yields, houses and units

Houses		Units	
Combined capitals	3.1%	Combined capitals	4.0%
Canberra	4.0%	Canberra	5.1%
Darwin	4.9%	Darwin	3.6%
Hobart	5.3%	Hobart	5.7%
Perth	3.7%	Perth	4.1%
Adelaide	3.9%	Adelaide	4.6%
Brisbane	4.1%	Brisbane	5.2%
Melbourne	2.8%	Melbourne	4.1%
Sydney	2.8%	Sydney	3.8%

Monthly settled dwelling sales, national

Settled transaction numbers nationally have reversed their downward trend over recent months with CoreLogic estimates of settled sales rising to the highest level in a year. Even though transaction numbers have improved, settled sales remain 9.6% lower than a year ago. Every state and territory has shown a reduction in settled sales over the year, however the largest fall has been in Victoria with a 14.9% year-on-year decline. In contrast, CoreLogic mortgage valuation platforms experienced record daily volumes earlier this week, reflecting the robust level of late season market activity.

As the last month of spring, November has seen listing numbers ramp up more substantially with the total number of homes advertised for sale over the past month now tracking higher than a year ago. The latest CoreLogic listing counts show there were approximately 113,500 properties advertised for sale over the past 28 days across the capital cities, which is 2.4% higher than the same time a year ago.

According to Mr Lawless, despite higher listing numbers at a combined capitals level, the hottest markets are still showing listing numbers lower than a year ago. Sydney listings are 9.4% lower than last year, while advertised stock levels in Melbourne are 2.9% lower. Hobart listings have fallen sharply compared with last year, to be 29% lower, whilst Canberra stock is 7.6% lower than a year ago.

He said, "Lower stock levels in these markets are likely to be one factor contributing to the upwards pressure on dwelling values. Vendors are still very much in the driver's seat in these markets and buyers have little in the way of leverage to negotiate, or time to consider their purchase decision."

"The strong selling conditions can also be seen in the average selling time, which is tracking at 31 and 32 days in Sydney and Melbourne respectively. Canberra and Hobart are showing the third and fourth fastest average selling times across the capital cities, at 44 and 48 days respectively."

"With real estate agent activity across CoreLogic platforms easing over the past two weeks, it suggests that we may have moved through the peak of new listings activity. Additionally, as we move into the first month of summer, the housing market is likely to remain active for another two weeks before we start to see the normal seasonal slowdown in buyer numbers."

After four and a half years of strong value growth, Mr Lawless said it's hard to imagine a reacceleration in property values could be long lived.

"Affordability constraints are creating high barriers to entry, particularly in Sydney, and lenders are becoming more cautious in their lending practices. The supply pipeline is substantial for inner city units, which is likely to dampen value growth in these precincts as well as dent buyer confidence and push vacancy rates higher."

"Additionally, buyer enthusiasm could be muffled by speculation that interest rates may rise late next year, with fixed rates already starting to edge higher."

"With household debt at record levels, Australians are very sensitive to the cost of debt, and an expectation that the period of record low mortgage rates is approaching an end may reduce buyer demand," Mr Lawless said.
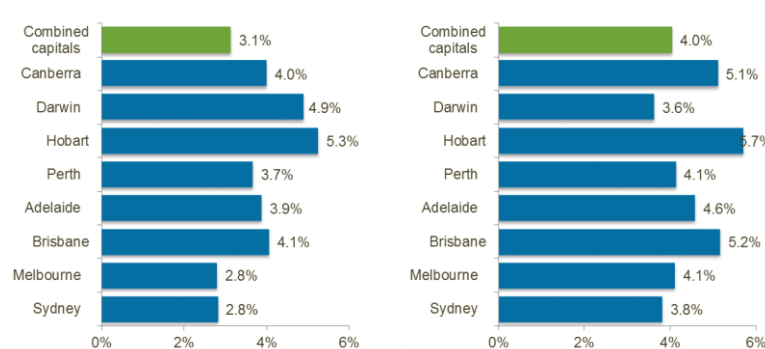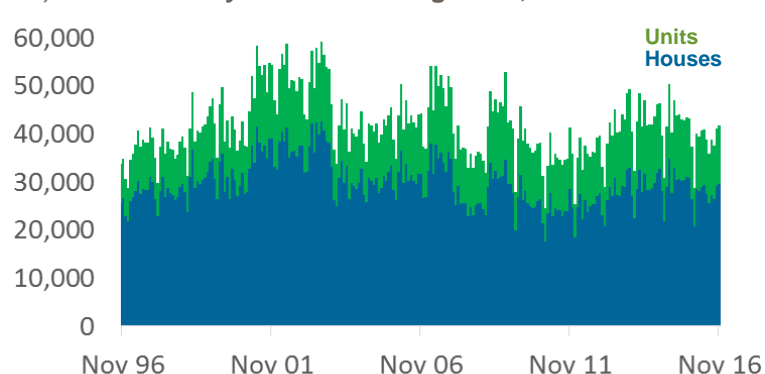
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CoreLogic Home Value Index tables

Capital Growth to 30 November 2016	Sydney	Melbourne	Brisbane - Gold Coast	Adelaide	Perth	Australia 5 Capitals (ASX)	Hobart	Darwin	Canberra	Brisbane	Australia 8 Capitals
Table 1A: All Dwellings											
Month	0.8%	-1.5%	0.2%	2.9%	0.6%	0.1%	0.9%	3.7%	0.0%	0.4%	0.2%
Quarter	2.3%	1.5%	1.5%	2.6%	-1.1%	1.7%	-1.0%	3.7%	2.8%	1.3%	1.7%
Year-to-Date	14.4%	10.2%	3.8%	6.4%	-5.6%	9.3%	7.7%	1.0%	9.6%	3.0%	9.3%
Year-on-Year	13.1%	11.3%	4.7%	4.7%	-3.4%	9.3%	8.5%	1.1%	8.4%	3.9%	9.3%
Total Return Year-on-Year	16.7%	14.7%	9.4%	9.1%	0.4%	13.1%	14.4%	6.3%	13.0%	8.4%	13.1%
Median price* based on settled sales over quarter	$845,000	$623,500	$495,000	$420,000	$490,000	$610,000	$336,000	$480,000	$590,000	$485,000	$610,000
Table 1B: Houses											
Month	0.8%	-1.3%	0.2%	2.9%	0.6%	0.2%	1.0%	2.5%	0.0%	0.4%	0.2%
Quarter	2.2%	1.8%	1.6%	2.7%	-1.4%	1.7%	-0.8%	2.9%	2.8%	1.4%	1.7%
Year-to-Date	15.3%	11.4%	4.1%	6.6%	-5.9%	9.7%	7.9%	0.1%	9.9%	3.3%	9.8%
Year-on-Year	13.5%	12.2%	5.1%	4.9%	-3.5%	9.7%	8.3%	-0.7%	8.7%	4.3%	9.6%
Total Return Year-on-Year	17.0%	15.4%	9.7%	9.2%	0.2%	13.3%	14.1%	4.6%	13.2%	8.8%	13.3%
Median price* based on settled sales over quarter	$990,000	$695,000	$538,000	$440,800	$500,000	$650,000	$360,500	$475,000	$661,000	$520,000	$645,000
Table 1C: Units											
Month	0.9%	-3.2%	-0.3%	3.3%	0.5%	-0.2%	-0.3%	8.9%	0.7%	0.1%	-0.1%
Quarter	2.9%	-1.1%	0.7%	1.8%	2.9%	1.7%	-3.2%	6.6%	3.4%	0.1%	1.7%
Year-to-Date	10.6%	0.6%	0.9%	3.2%	-2.2%	6.2%	5.5%	5.0%	5.2%	-0.3%	6.2%
Year-on-Year	10.8%	3.9%	1.0%	2.8%	-2.3%	7.2%	10.6%	8.5%	4.8%	-0.9%	7.2%
Total Return Year-on-Year	15.4%	8.2%	6.6%	7.7%	2.0%	11.8%	16.7%	13.7%	10.4%	4.5%	11.8%
Median price* based on settled sales over quarter	$715,000	$503,200	$396,100	$352,500	$417,000	$535,000	$275,000	$482,500	$428,800	$390,000	$540,000
Table 1D: Rental Yield Results											
Houses	2.8%	2.8%	4.1%	3.9%	3.7%	3.1%	5.3%	4.9%	4.0%	4.1%	3.1%
Units	3.8%	4.1%	5.3%	4.6%	4.1%	4.1%	5.7%	3.6%	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

About CoreLogic CoreLogic Australia is a wholly owned subsidiary of CoreLogic (NYSE: CLGX), which is the largest property data and analytics company in the world. CoreLogic provides property information, analytics and services across Australia, New Zealand and Asia, and recently expanded its service offering through the purchase of project activity and building cost information provider Cordell. 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 20,000 customers and 150,000 end users, CoreLogic is the leading provider of property data, analytics and related services to consumers, investors, real estate, mortgage, finance, banking, building services, insurance, developers, wealth management and government. CoreLogic delivers value to clients through unique data, analytics, workflow technology, advisory and geo spatial services. Clients rely on CoreLogic to help identify and manage growth opportunities, improve performance and mitigate risk. CoreLogic employs over 650 people across Australia and in New Zealand. For more information call 1300 734 318 or visit www.corelogic.com.au

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