National Media Release

Sydney and Melbourne housing values edge higher in June, but values still trending lower on a national basis

The CoreLogic June 2019 home value index results out today showed national dwelling values were down 0.2% over the month, supported by subtle rises in Sydney, Melbourne and Hobart while other capital city home values continued to trend lower over the month.

According to CoreLogic head of research Tim Lawless, the June housing market results present an early sign that lower mortgage rates and improved sentiment are already having a flow-on effect for housing market conditions in Sydney and Melbourne, while most other regions of Australia continue to show relatively soft housing market outcomes.

National housing market conditions continued to improve through June, with CoreLogic reporting a 0.2% fall in national dwelling values; the smallest month-on-month decline in the national series since March 2018.

“The subtle rate of decline was heavily influenced by trends across Sydney and Melbourne where the pace of falling home values has been consistently reducing over the year to date. Importantly, the improving conditions through to mid-May were largely ‘organic’, pre-dating the positive boost in sentiment following the federal election and interest rate cuts in early June,” Tim Lawless said.

Sydney and Melbourne dwelling values recorded a slight rise in June, up 0.1% and 0.2% respectively, and was the first monthly increase in Sydney housing values since the market peak in July 2017. Melbourne dwelling values haven’t risen since the market moved through a peak in November 2017.

The only other regions to record a rise in housing values over the month were Hobart (+0.2%), as well as the regional areas of South Australia (+0.1%) and Northern Territory (+0.2%)

On a quarterly basis, every capital city housing market has recorded a drop in value, highlighting the broad geographic scope of this housing market downturn. The largest falls over the past three months were recorded in Darwin (-3.6%) and Perth (-2.1%) where the weaker trend has persisted since mid-2014. Adelaide recorded the smallest decline amongst the capitals over the quarter, with values down 0.4%.

Across the regional markets, values were 0.4% lower over the month to be down 3.1% for the financial year. Dwelling values recorded a rise over the June quarter in Regional South Australia (+0.6%) and Regional Tasmania (+1.3%). Although these areas have recorded modest gains over the quarter, the trend across the regional areas of Australia is generally one that is losing momentum.

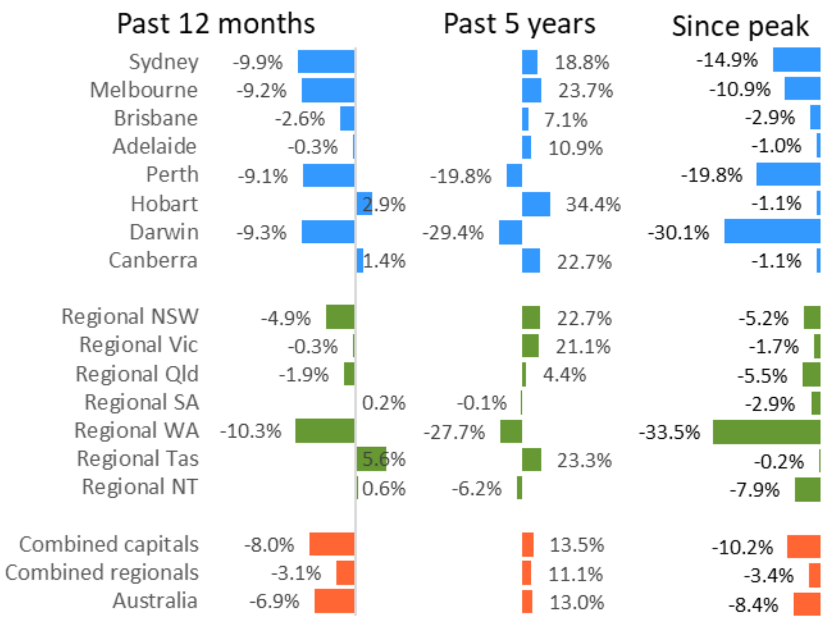
Index results as at June 30, 2019

	Change in dwelling values			Total	Median
	Month	Quarter	Annual	return	value
Sydney	0.1%	-1.1%	-9.9%	-6.7%	$777,693
Melbourne	0.2%	-0.6%	-9.2%	-6.0%	$619,383
Brisbane	-0.6%	-1.4%	-2.6%	1.7%	$486,121
Adelaide	-0.5%	-0.4%	-0.3%	4.1%	$430,654
Perth	-0.7%	-2.1%	-9.1%	-5.3%	$439,732
Hobart	0.2%	-1.1%	2.9%	8.1%	$453,033
Darwin	-0.9%	-3.6%	-9.3%	-3.0%	$387,382
Canberra	-0.9%	-0.7%	1.4%	6.0%	$585,193
Combined capitals	-0.1%	-1.1%	-8.0%	-4.5%	$590,431
Combined regional	-0.4%	-0.9%	-3.1%	1.6%	$374,991
National	-0.2%	-1.0%	-6.9%	-3.3%	$516,713

Highlights over the three months to June 2019

- Best performing capital city: **Adelaide -0.4%**
- Weakest performing capital city: **Darwin -3.6%**
- Highest rental yield: **Darwin 6.0%**
- Lowest rental yields: **Sydney 3.5%**

Change in dwelling values



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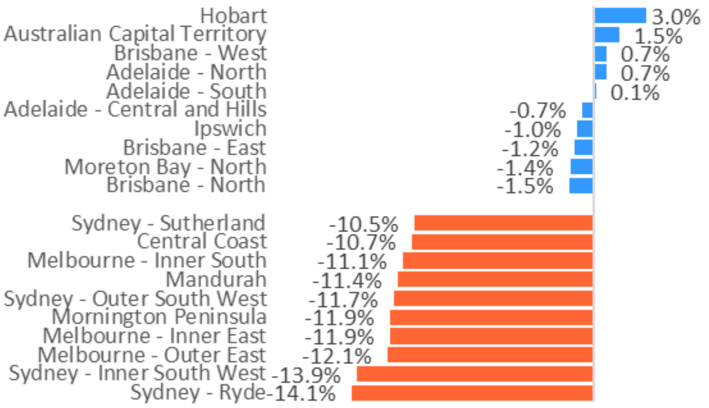
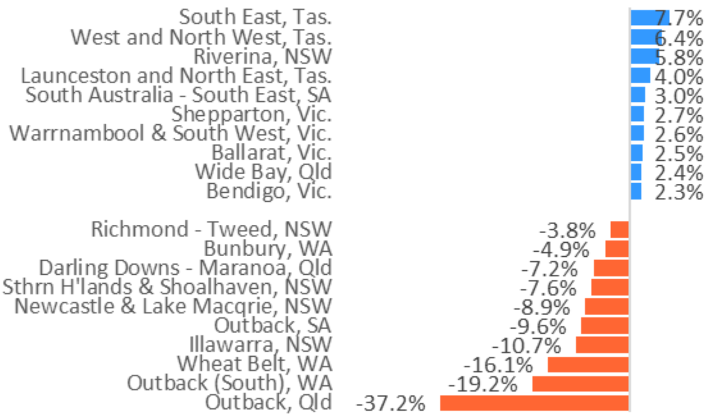
Top ten and bottom ten sub-regions for annual change in dwelling values, Capital city SA4 regions



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



The CoreLogic stratified hedonic index highlights the most expensive quarter of the housing market is leading the recovery trend. The June quarter saw top quartile values fall by 0.9% across the combined capitals, while lower quartile values were down 1.1% over the quarter and the broad 'middle' of the market recorded a 1.2% drop in values.

According to Tim Lawless, this trend is more exemplified in Sydney and Melbourne where previously the highest quartile was leading the market downturn. Since peaking, Sydney's top quartile values are down 17.1% and Melbourne's top quartile is down 15.8% with both cities recording much larger falls across the top quartile relative to the broader market.

He said, "Over the June quarter we saw a reversal of this trend with Sydney's top quartile values down 1.0% while the most affordable quarter of the market saw a larger 1.7% drop in values. Similarly in Melbourne, the top quartile of dwellings was down 0.1% over the quarter compared with a 0.6% drop across the most affordable quarter of the market."

"Potentially we are seeing the first signs that the top end of Sydney and Melbourne's housing markets are leading the recovery trend."

On an annual basis, only five of the forty-six capital city sub-regions have recorded a rise in dwelling values over the 2018/19 financial year, with the best performing areas generally confined to areas of Hobart, Canberra, Brisbane and Adelaide and the weakest markets confined to areas of Sydney, Melbourne and Perth.

On a quarterly basis, six of the capital city SA4 sub-regions have recorded a rise in dwelling values. Melbourne's prestigious Inner East led the quarterly rise with values up 2.7%, followed by Sydney's City and Inner South with a 1.3% gain in dwelling values.

In fact, the quarterly change shows that thirty-four of the forty-six capital city sub-regions have recorded a stronger performance over the June quarter relative to the March quarter.

Across the non-capital city sub-regions, instances of rising values are more common relative to the capitals. Across the forty-eight non-capital city sub-regions, seventeen areas have recorded a rise in dwelling values over financial year and eighteen areas have recorded a rise over the June quarter.

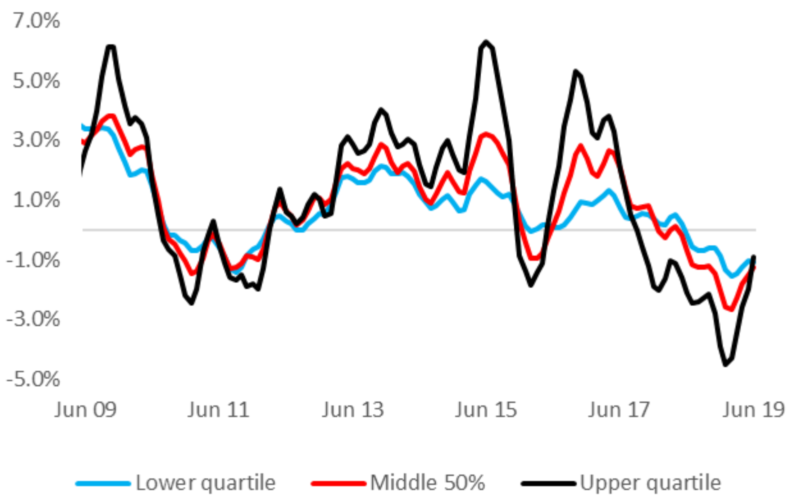
The best performing regional markets over the past twelve months have been in Tasmania, however, despite the strong annual performance, the momentum is slowing across both Hobart and the regional areas of the state.

Regional Victoria remains a solid housing market performer, with four of the top ten highest capital gains located in this region.

At the weakest end of the property market spectrum, the broader outback regions of Queensland, Western Australia and South Australia have recorded some of the worst housing market conditions due largely to the extreme weather conditions such as the recent droughts and floods.

Areas surrounding Sydney have also shown a significant drop in housing values over the past year, with conditions in markets such as Newcastle, Illawarra and the Southern Highlands & Shoalhaven all showing a similar trajectory to Sydney's housing market.

Rolling three month change across broad valuation cohorts, combined capitals



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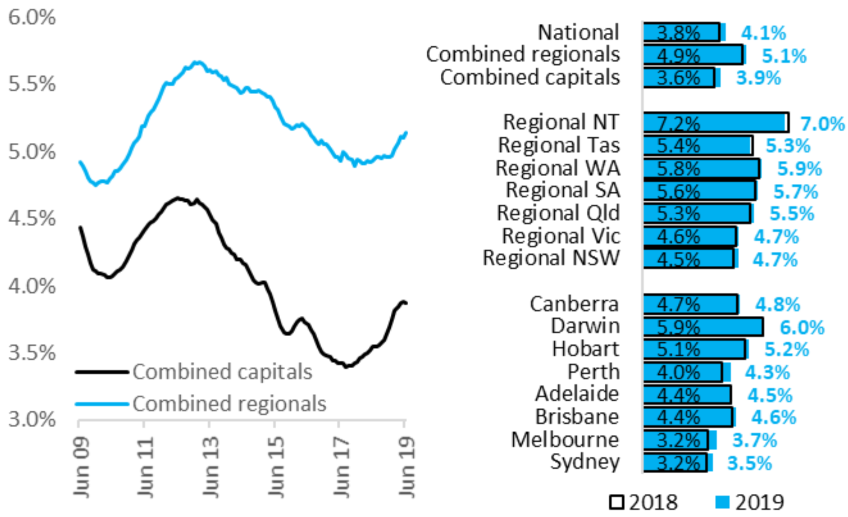
Nationally, rents remained unchanged over the month after tracking 0.3% higher over the June quarter and 0.4% higher over the financial year. The largest annual increase in rents can be found in Hobart (+4.7%) while the largest fall over the year has been in Darwin (-4.7%).

Although rental growth is generally sluggish, most cities are seeing rental rates rising faster (or falling slower) relative to dwelling values. With rents outperforming values, gross rental yields are continuing to push higher. Gross yields across the combined capitals index have risen from a recent record low of 3.4% in October 2017 to 3.9% at the end of June. Similarly, yields across the combined regional areas of Australia are up from a recent low of 4.9% to 5.1% in June.

Every capital city has recorded a rise in rental yields over the year; however, gross rental yields remain well below 4.0% in Sydney and Melbourne.

Gross rental yields



Tim Lawless believes that the June housing market results provide further evidence that the downturn is running out of steam. “The improvement in housing market conditions over the first five months of the year has largely been organic, however since mid-May there has been a raft of announcements that should provide a further positive flow through to housing demand.”

“Stability within the federal government, along with the removal of uncertainty surrounding changes to negative gearing and capital gains tax discounts, has brought about increased certainty and boosted confidence in the housing market.”

“Aided by the housing downturn, we have also seen an improvement around housing affordability, although dwelling values remain high relative to household incomes in Sydney and Melbourne. Add to this lower mortgage rates and the high likelihood that interest rate serviceability tests are set to improve.”

According to Tim Lawless, it’s these factors, together with ongoing strong population growth that are among the reasons why housing markets are now showing signs of levelling out.

The improvement in dwelling values is also evident in other key housing market indicators that sit outside of the CoreLogic hedonic home value index.

Auction clearance rates have been holding above 60% in Sydney and Melbourne through June; a substantial improvement relative to late 2018 when clearance rates were consistently in the low 40% range. Additionally, settled sales activity has shown signs of levelling out and mortgage related valuation events monitored by CoreLogic have posted a subtle rise.

Anecdotally, Tim Lawless said we are hearing positive news from real estate groups that numbers for open homes and inspections are up, and lenders are taking more enquiries from interested borrowers. “Overall, it looks like the tide may have turned for the housing market; however we aren’t expecting a rapid recovery phase.”

To date, most of the improved performance observed by CoreLogic has been centered in Sydney and Melbourne where economic conditions are generally stronger than other parts of the country and where unemployment is much lower and jobs growth has been higher. Tim Lawless said, “Weaker economic conditions across the rest of Australia is likely to keep price growth at bay in these areas.

“Although housing credit growth appears to be stabilising after a steep decline, tight credit conditions are the new normal and will continue to dampen market activity. Lenders are progressively becoming less reliant on average household expense benchmarks and prospective borrowers should expect some scrutiny of their balance sheets during the loan application process.”

“Additionally, with borrower debt profiles becoming more transparent via comprehensive credit reporting, lenders will have greater visibility of total debt levels relative to borrower incomes, including credit card limits, mortgages with other lenders, personal debt and auto financing. Borrowers applying for debt that is greater than six times their income may find it increasingly difficult to secure a loan. Overall lenders are going to have a lot more information than they have in the past in order to decide whether a borrower is credit worthy or not.”

In closing, Tim Lawless said another impediment facing overall housing market performance is higher supply levels, especially around the high-rise unit sectors of Sydney and Melbourne. “These markets are moving through the peak in an unprecedented number of off the plan unit sales, many of which are receiving valuations at the time of settlement that are lower than the contract price.”

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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	0.1%	0.2%	-0.6%	-0.5%	-0.7%	0.2%	-0.9%	-0.9%	-0.3%	-0.6%	-0.2%	0.1%	-1.5%	-0.2%	0.2%	-0.1%	-0.4%	-0.2%
	Quarter	-1.1%	-0.6%	-1.4%	-0.4%	-2.1%	-1.1%	-3.6%	-0.7%	-1.1%	-1.0%	-0.6%	0.6%	-2.9%	1.3%	0.0%	-1.1%	-0.9%	-1.0%
	YTD	-4.2%	-4.0%	-2.5%	-1.0%	-4.9%	0.1%	-7.4%	-0.7%	-2.5%	-1.6%	-1.1%	0.8%	-6.1%	2.1%	2.0%	-3.8%	-1.9%	-3.3%
	Annual	-9.9%	-9.2%	-2.6%	-0.3%	-9.1%	2.9%	-9.3%	1.4%	-4.9%	-0.3%	-1.9%	0.2%	-10.3%	5.6%	0.6%	-8.0%	-3.1%	-6.9%
	Total return	-6.7%	-6.0%	1.7%	4.1%	-5.3%	8.1%	-3.0%	6.0%	-0.5%	4.5%	3.2%	4.0%	-5.0%	11.4%	7.8%	-4.5%	1.6%	-3.3%
	Gross yield	3.5%	3.7%	4.6%	4.5%	4.3%	5.2%	6.0%	4.8%	4.7%	4.7%	5.5%	5.7%	5.9%	5.3%	7.0%	3.9%	5.1%	4.1%
	Median value	$777,693	$619,383	$486,121	$430,654	$439,732	$453,033	$387,382	$585,193	$442,291	$357,840	$367,241	$237,509	$304,192	$294,705	$369,766	$590,431	$374,991	$516,713
Houses	Month	0.0%	0.1%	-0.5%	-0.5%	-0.7%	0.1%	-1.7%	-0.9%	-0.3%	-0.7%	-0.1%	0.0%	-2.0%	-0.4%	1.4%	-0.2%	-0.4%	-0.2%
	Quarter	-1.2%	-1.1%	-1.4%	-0.5%	-2.0%	-0.9%	-5.3%	-0.7%	-1.0%	-1.1%	-0.3%	0.6%	-3.1%	1.0%	1.2%	-1.3%	-0.8%	-1.1%
	YTD	-4.4%	-5.1%	-2.5%	-1.2%	-4.9%	0.5%	-8.4%	-0.5%	-2.5%	-1.6%	-0.7%	1.0%	-5.8%	1.8%	4.1%	-4.0%	-1.8%	-3.5%
	Annual	-10.8%	-11.8%	-2.5%	-0.5%	-9.0%	3.2%	-9.4%	2.4%	-4.9%	-0.8%	-2.0%	1.1%	-8.9%	5.4%	3.3%	-8.7%	-3.2%	-7.4%
	Total return	-7.8%	-9.4%	1.4%	3.7%	-5.3%	8.4%	-3.3%	6.8%	-0.4%	3.9%	2.9%	4.8%	-3.6%	11.0%	10.8%	-5.6%	1.5%	-4.0%
	Gross yield	3.2%	3.2%	4.4%	4.3%	4.2%	5.2%	5.7%	4.5%	4.7%	4.7%	5.4%	5.7%	5.8%	5.3%	6.9%	3.6%	5.1%	4.0%
	Median value	$866,524	$709,092	$533,133	$465,266	$458,137	$484,716	$461,030	$656,943	$453,897	$380,531	$374,546	$243,596	$313,911	$306,629	$417,674	$622,452	$385,467	$530,317
Units	Month	0.3%	0.5%	-1.0%	-0.4%	-0.9%	0.5%	0.5%	-0.8%	-0.3%	-0.3%	-0.7%	1.6%	6.8%	1.6%	-3.3%	0.2%	-0.3%	0.1%
	Quarter	-0.8%	0.3%	-1.3%	0.0%	-2.5%	-1.9%	-0.4%	-0.7%	-1.6%	-0.4%	-1.8%	1.1%	1.5%	3.8%	-3.5%	-0.6%	-1.4%	-0.7%
	YTD	-3.9%	-1.6%	-2.6%	0.6%	-5.5%	-1.1%	-5.5%	-1.5%	-2.9%	-1.5%	-2.3%	-2.9%	-6.7%	4.1%	-5.4%	-3.0%	-2.5%	-2.9%
	Annual	-8.0%	-3.3%	-2.8%	0.9%	-9.8%	2.1%	-9.0%	-1.9%	-4.8%	2.9%	-1.8%	-12.9%	-20.7%	7.0%	-8.4%	-5.9%	-3.0%	-5.5%
	Total return	-4.6%	0.5%	2.8%	6.1%	-5.1%	7.2%	-2.6%	3.7%	-0.6%	8.3%	3.8%	-6.2%	-16.0%	14.0%	-1.6%	-2.0%	2.2%	-1.4%
	Gross yield	4.0%	4.5%	5.5%	5.4%	5.2%	5.4%	6.7%	5.8%	4.8%	5.2%	5.9%	6.1%	6.8%	5.7%	7.5%	4.4%	5.5%	4.6%
	Median value	$682,374	$527,748	$372,396	$322,598	$345,754	$370,599	$289,109	$433,049	$389,301	$267,509	$350,857	$181,555	$221,236	$236,431	$262,862	$528,935	$337,247	$481,724

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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