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

CoreLogic December 2019 Home Value Index: A strong finish for housing values in 2019 with the CoreLogic national index rising 4.0% over the December quarter

Dwelling values rose by 1.1% over the month of December and by 4.0% over the quarter to finish out 2019 on a positive note according to the CoreLogic national home value index. This result represents the fastest rate of national dwelling value growth over any three month period since November 2009. Darwin was the only region amongst the capital cities and 'rest-of-state' areas to record a fall in values over the month, with a -0.5% decline.

CoreLogic head of research Tim Lawless said, "Although the monthly capital gains trend remains fast-paced, the 1.1% rise in December was softer relative to the 1.7% gain in November and the 1.2% rise in October. This would suggest that the pace of capital gains may have been dampened by higher advertised stock levels or worsening affordability pressures through early summer."

On an annual basis, Australian dwelling values tracked 2.3% higher over the 2019 calendar year with five of the eight capital cities, and five of the seven 'rest-of-state' regions, seeing the year out in positive growth territory. Amongst the capitals, Sydney and Melbourne recorded the highest annual capital gain, with both cities posting a 5.3% rise in dwelling values over the year. Regional Tasmania, where values were 6.1% higher over the year, led the regional markets. Values were down in Darwin by 9.7%, 6.8% lower in Perth and 0.2% lower in Adelaide over the year, while values also fell across regional Western Australia (-11.8%) and Regional NSW (-1.1%).

Tim Lawless said, "The positive year-end results mask what has been a year of two distinct halves -we saw capital city dwelling values fall by 3.8% over the first six months of 2019 and then rebound by 7.0% over the second half of the year.

"The housing value rebound was spurred on by lower mortgage rates, a relaxation in borrower serviceability assessments, improved housing affordability and renewed certainty around property taxation policies post the federal election. Lower advertised stock levels persisted providing additional upwards pressure on prices amidst rising buyer activity."

Despite a strong rebound over the second half of 2019, property values across most regions of Australia are still below their previous record highs. Nationally, the CoreLogic index recorded a peak in October 2017; dwelling values remained 3.1% below their record high at the end of 2019. If the current quarterly rate of growth persists into 2020, the national housing market will record a nominal recovery in March as dwelling values push higher to new record highs.

Tim Lawless said, "A nominal recovery in housing values implies home owners are becoming wealthier, which may also help to support household spending. However, the flipside is that housing affordability is set to deteriorate even further as dwelling values outpace growth in household incomes, signaling a set-back for those saving for a deposit."

The only regions where housing values are currently tracking at new record highs are Hobart, Canberra and regional Tasmania.

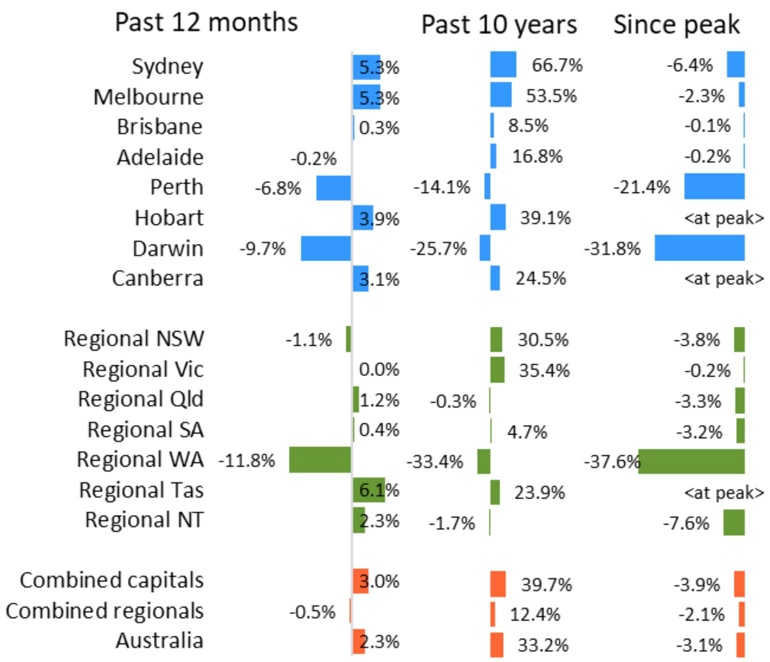
Index results as at December 31, 2019

	Change in dwelling values			Total	Median
	Month	Quarter	Annual	return	value
Sydney	1.7%	6.2%	5.3%	8.9%	$840,072
Melbourne	1.4%	6.1%	5.3%	8.7%	$666,883
Brisbane	0.7%	2.4%	0.3%	5.0%	$497,491
Adelaide	0.5%	1.4%	-0.2%	4.3%	$433,845
Perth	0.0%	-0.1%	-6.8%	-2.8%	$437,080
Hobart	0.2%	3.4%	3.9%	9.3%	$474,186
Darwin	-0.5%	-1.4%	-9.7%	-1.9%	$388,018
Canberra	0.1%	2.3%	3.1%	7.8%	$611,841
Combined capitals	1.2%	4.7%	3.0%	6.7%	$622,346
Combined regional	0.5%	1.5%	-0.5%	4.4%	$380,657
National	1.1%	4.0%	2.3%	6.3%	$537,506

Highlights over the three months to December 2019

- Best performing capital city: **Sydney +6.2%**
- Weakest performing capital city: **Darwin -1.4%**
- Highest rental yield: **Darwin 5.9%**
- Lowest rental yields: **Sydney 3.0%**

Change in dwelling values



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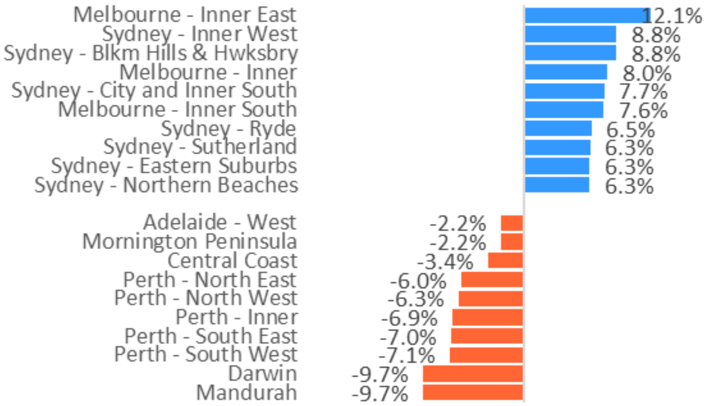
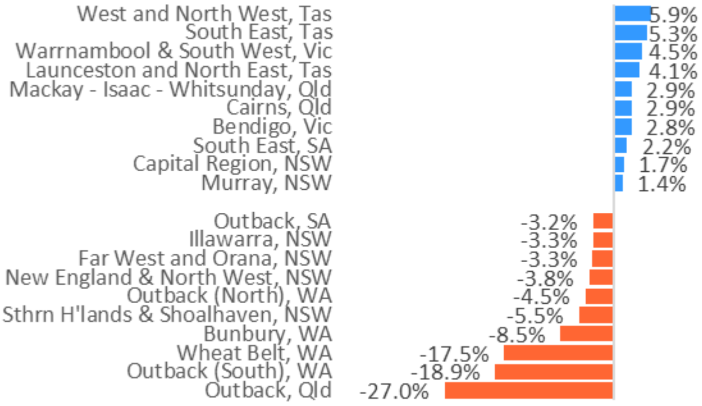
Top ten and bottom ten sub-regions for annual change in dwelling values, Capital city SA4 regions



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



Thirty-three of the forty-six capital city SA4 sub-regions have recorded an annual rise in dwelling values through the 2019 calendar year, with the top performing sub-regions confined to areas of Melbourne and Sydney, while the weakest conditions have generally been across Perth and Darwin, as well as Melbourne's Mornington Peninsula and Sydney's Central Coast region.

Melbourne's Inner East, with a median dwelling value of $1.195 million, is leading the charge, with values up 12.1% over the 2019 calendar year. Values remain 4.2% below their August 2017 peak, however, with such a rapid rate of growth, housing values in this area will reach a new record-high over the first two months of 2020.

On a quarterly basis, the vast majority of capital city sub-regions have moved back into positive growth territory. Only four of the capital city sub-regions have recorded a quarterly decline in home values, comprised of Darwin and Perth's North West, South East and Mandurah.

Regional markets have recorded a softer performance relative to their capital city counterparts. Broadly, regional housing values were down half a percent in 2019 compared with a 3.0% rise in capital city values.

Across the forty-two non capital city sub-regions, twenty-three areas have recorded a rise in values over the calendar year.

The best performing regional areas were mixed and included areas of regional Tasmania, which remain extremely affordable for interstate buyers, as well as several coastal lifestyle markets and rural service centres.

On a quarterly basis, thirty-two of the non-capital city sub-regions recorded a rise in housing values, led by Victoria's Warrnambool and South West region (+3.6%) and Tasmania's Launceston and North East region (+3.5%).

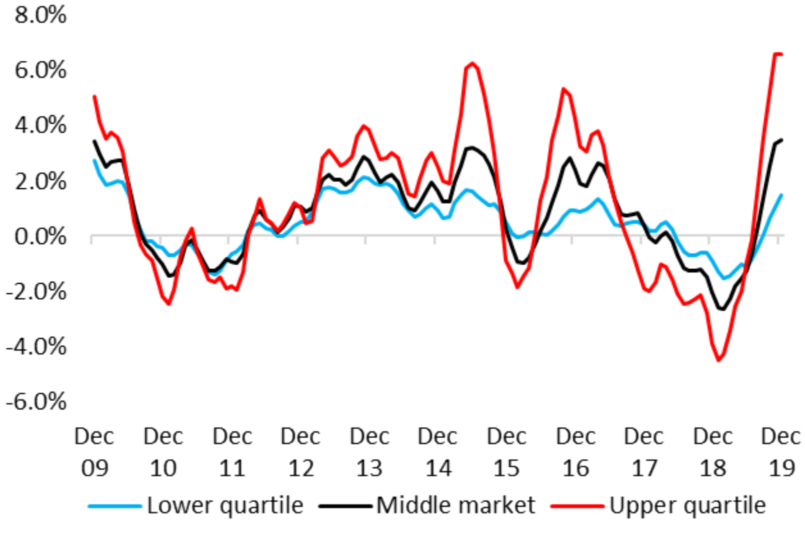
The weakest housing values continue to be located within the broad 'outback' regions of Queensland and southern Western Australia where housing demand remains low due to the persistent drought and weak economic conditions.

The premium markets experienced the fastest rate of capital gains with the top quartile of capital city dwelling values rising by 5.6% in 2019 compared with a 1.1% fall across lower quartile properties.

This trend was most centric to Sydney and Melbourne: Sydney's top quartile properties have recorded a 7.0% rise values over the year compared with a 1.4% lift in values across the lower quartile. Similarly, in Melbourne, top quartile property values are up 7.6% compared with a 3.7% rise in lower quartile values over the year.

The remaining capital cities are generally showing more uniform growth rates across the broad valuation cohorts. In Brisbane, it's the middle of the market recording the strongest growth conditions (+0.7% compared with a 0.1% rise across the lower quartile and steady conditions across the upper quartile), while in Adelaide it's the lower quartile (+1.9% compared with a 2.2% drop across the upper quartile) and in Perth it's the middle of the market that has seen values slightly more resilient to falls (-6.6% compared with a -7.4% drop across the lower quartile).

Rolling three month change across broad valuation cohorts, combined capitals



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CoreLogic

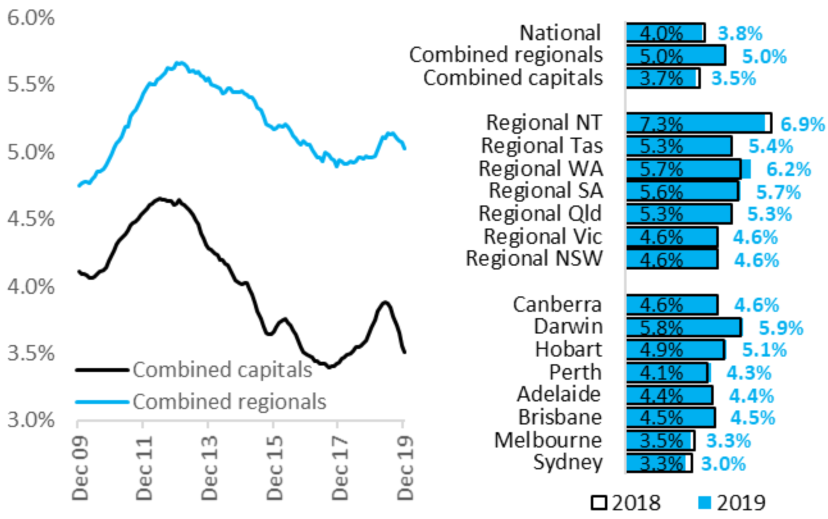
Rental markets held reasonably firm in December with the national rental index up 0.1% over the month and 0.2% higher over the December quarter. On an annual basis, rents were only 1.2% higher nationally. Although rental growth remained sluggish over the year, conditions have picked up from 2018 when the annual growth in national rents was only half a percent.

The subtle improvement in rental growth comes after a material reduction in investment activity as well as a slump in new residential construction, implying less new rental supply.

Hobart remains as the tightest rental market, with rents up 6.0% over the year, followed by Perth with a 2.1% rise in rents, while rents trended lower over the year in Sydney (-1.0%) and Darwin (-2.1%).

Most cities have seen rental yields compress over the year as growth in housing values outpaced rental rates. Nationally, the gross rental yield slipped from 4.0% in 2018 to 3.8% in 2019.

Gross rental yields



Tim Lawless said, "The rapid recovery in Sydney and Melbourne housing values (+5.3% in both cities over the year), at the same time rents slipped lower in Sydney and only rose by 1.4% in Melbourne, quickly compressed rental yields. Sydney's gross rental yield, at 3.0%, is now the lowest on record, while Melbourne yields (3.3%) are approaching the 2017 low of 3.1%."

Although gross rental yields are trending lower, so too are mortgage rates. At the end of November, the average three-year fixed rate for an investor mortgage was 3.48%. This is now lower than capital city gross rental yields for the first time since at least 2007 (the commencement of the CoreLogic rental yield series), implying that more properties will be showing a positive cash flow for investors, and paying off a mortgage may be more affordable than paying rent in many areas.

Tim Lawless believes that in 2020, it's unlikely we'll see such a rapid rise in capital gains as seen throughout the second half of 2019 despite the expectation that mortgage rates will move lower over the first half of the year; several factors are likely to act as counter weights to this stimulus.

In closing, Tim Lawless cites several factors influencing property market performance in 2002:

With housing values rising faster than household incomes, worsening housing affordability is likely to deliver a slowdown in activity across price sensitive segments of the market, especially in Sydney where dwelling values were already 8.2 times higher than gross annual household incomes half way through the year. A rise in investors, attracted by prospects for capital gains and a positive spread between mortgage rates and rental yields, should help to offset a reduction in activity from more price sensitive buyers.

New high-rise apartment completions are likely to remain higher than average over the first half of 2020 as the surge in off-the-plan unit projects complete construction. Precincts with higher supply levels could face some downwards price pressures as new stock enters the resale market, especially at a time when many buyers are cautious of newly built projects due largely to concerns around high supply levels and construction quality.

Advertised stock levels are likely to rise from their low base at the end of 2019 as prospective vendors take advantage of the recovery in home values and strong selling conditions throughout spring and early summer. Higher advertised stock levels will provide more choice for buyers and remove some of the urgency from the decision making process that has supported higher prices

Smaller cities where housing is more affordable and economic conditions are improving may offer some insulation from these downside factors.

Jobs growth and population growth is slowing across New South Wales and Victoria, whereas conditions are improving in Queensland, Western Australia and, to a lesser extent, South Australia. Comparatively low housing prices, coupled with higher migration rates and improving jobs growth, could play out positively for the capital cities in these areas.

Overall, Tim Lawless said, "Housing values are expected to rise through 2020 across most regions, however, the year may bring about a change in the growth dynamic with the larger cities seeing a slowdown in the rapid rate of growth recorded through the second half of 2019. In contrast, smaller capitals such as Brisbane and Perth, as well as key regional centres and lifestyle markets could see an improvement in conditions as buyers are attracted to affordable prices coupled with job opportunities and lifestyle factors."

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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%	1.4%	0.7%	0.5%	0.0%	0.2%	-0.5%	0.1%	0.5%	0.8%	0.5%	0.4%	0.0%	1.0%	1.0%	1.2%	0.5%	1.1%
	Quarter	6.2%	6.1%	2.4%	1.4%	-0.1%	3.4%	-1.4%	2.3%	1.6%	1.7%	1.8%	0.4%	-1.9%	3.0%	-1.9%	4.7%	1.5%	4.0%
	YTD	5.3%	5.3%	0.3%	-0.2%	-6.8%	3.9%	-9.7%	3.1%	-1.1%	0.0%	1.2%	0.4%	-11.8%	6.1%	2.3%	3.0%	-0.5%	2.3%
	Annual	5.3%	5.3%	0.3%	-0.2%	-6.8%	3.9%	-9.7%	3.1%	-1.1%	0.0%	1.2%	0.4%	-11.8%	6.1%	2.3%	3.0%	-0.5%	2.3%
	Total return	8.9%	8.7%	5.0%	4.3%	-2.8%	9.3%	-1.9%	7.8%	3.7%	4.9%	6.4%	6.4%	-6.5%	12.2%	10.4%	6.7%	4.4%	6.3%
	Gross yield	3.0%	3.3%	4.5%	4.4%	4.3%	5.1%	5.9%	4.6%	4.6%	4.6%	5.3%	5.7%	6.2%	5.4%	6.9%	3.5%	5.0%	3.8%
	Median value	$853,816	$672,996	$500,033	$435,844	$440,514	$475,383	$383,424	$619,772	$454,984	$373,401	$373,282	$236,012	$303,742	$308,252	$367,611	$627,353	$383,815	$540,974
Houses	Month	2.0%	1.7%	0.7%	0.6%	0.0%	-0.2%	-0.2%	0.0%	0.5%	0.8%	0.7%	0.4%	-0.1%	1.2%	2.6%	1.4%	0.6%	1.2%
	Quarter	7.1%	6.6%	2.5%	1.6%	-0.1%	2.9%	-1.4%	2.5%	1.9%	1.7%	2.0%	0.4%	-2.2%	2.9%	-1.1%	5.0%	1.6%	4.2%
	YTD	6.1%	4.6%	0.4%	-0.3%	-6.7%	4.0%	-11.1%	4.0%	-0.8%	-0.6%	1.9%	0.8%	-11.6%	5.4%	4.3%	2.9%	-0.4%	2.1%
	Annual	6.1%	4.6%	0.4%	-0.3%	-6.7%	4.0%	-11.1%	4.0%	-0.8%	-0.6%	1.9%	0.8%	-11.6%	5.4%	4.3%	2.9%	-0.4%	2.1%
	Total return	9.6%	7.6%	4.8%	3.9%	-2.8%	9.4%	-3.7%	8.4%	4.1%	4.3%	6.8%	6.9%	-6.3%	10.9%	13.0%	6.3%	4.4%	5.9%
	Gross yield	2.8%	2.8%	4.3%	4.2%	4.2%	5.0%	5.4%	4.3%	4.6%	4.6%	5.2%	5.7%	6.1%	5.4%	6.7%	3.3%	5.0%	3.7%
	Median value	$973,664	$778,649	$546,781	$471,419	$456,289	$506,395	$464,625	$691,551	$467,525	$394,903	$379,916	$240,153	$316,092	$317,753	$400,630	$657,049	$394,311	$552,196
Units	Month	1.0%	0.9%	0.7%	-0.1%	0.0%	1.9%	-1.1%	0.5%	0.1%	0.5%	-0.2%	2.2%	1.6%	-0.5%	-3.8%	0.9%	0.0%	0.8%
	Quarter	4.2%	4.9%	1.8%	0.3%	-0.5%	5.6%	-1.5%	1.7%	0.0%	2.0%	1.1%	1.2%	2.7%	3.9%	-4.4%	3.8%	0.9%	3.4%
	YTD	3.4%	6.5%	0.1%	0.5%	-7.2%	3.9%	-6.9%	-0.1%	-2.8%	3.7%	-0.8%	-4.4%	-10.6%	13.5%	-4.8%	3.4%	-1.1%	2.7%
	Annual	3.4%	6.5%	0.1%	0.5%	-7.2%	3.9%	-6.9%	-0.1%	-2.8%	3.7%	-0.8%	-4.4%	-10.6%	13.5%	-4.8%	3.4%	-1.1%	2.7%
	Total return	7.4%	10.7%	5.7%	6.1%	-2.7%	9.4%	1.4%	5.7%	1.9%	8.7%	5.4%	-0.4%	-5.8%	20.3%	2.5%	7.7%	4.4%	7.3%
	Gross yield	3.6%	4.1%	5.2%	5.4%	5.2%	5.2%	6.8%	5.8%	4.7%	4.9%	5.6%	6.5%	8.2%	5.5%	7.5%	4.0%	5.3%	4.2%
	Median value	$746,017	$576,475	$386,023	$323,662	$352,099	$393,399	$279,357	$439,496	$397,126	$286,977	$357,516	$184,387	$200,372	$256,901	$261,541	$569,090	$344,824	$511,111

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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