NATIONAL MEDIA RELEASE
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Hedonic Home Value Index

1 April 2020

Housing values continued to rise in March - conditions expected to cool over comings months as buyers and sellers wait for confidence to return

The trend in housing values remained positive throughout March, with the CoreLogic national hedonic index rising 0.7% over the month. Although housing values continued to rise, the second half of the month experienced a weakening in the growth trend as confidence slumped and social distancing policies took effect. The national March reading emerged as the lowest monthly gain since the market lifted in July last year.

CoreLogic head of research Tim Lawless said, "Although Australia's housing markets have begun to enter a period of disruption, they are coming from strong foundations."

Over the month, housing values rose across every capital city apart from Hobart (which declined -0.2%), while over the March quarter, every capital city recorded a rise in housing values. Sydney had the highest growth over the quarter with values up 3.9%, followed by Melbourne at 2.9% and Canberra at 1.7%. The lowest quarterly gain was in Darwin and Adelaide, each increasing 0.6%; a similar story occurred across the regional areas of each state with values higher over the month and quarter.

However, Tim Lawless noted that recent trends in the market have become less relevant as we move into a period of unprecedented uncertainty which is likely to impact further on household confidence and drag Australia's economy into a recession for the first time in almost 30 years.

"The housing market won't be immune to a drop in sentiment and weaker economy, however the extent of the impact on dwelling values remains highly uncertain. Capital growth trends will be contingent on how long it takes to contain the virus, and whether additional constraints on business or personal activity are introduced."

From a transactional perspective, Tim Lawless said, "we are expecting the number of residential property sales to fall dramatically over the coming months – a consequence of tanking consumer confidence, a rising jobless rate, and more cautious lending practices. Restrictions on open homes and on-site auctions will compound the slowdown in buyer activity, as would any future policy announcements related to peripheral services such as building and pest inspections, conveyancing and furniture removals."

"Considering the temporary nature of this crisis, along with unprecedented levels of government stimulus, leniency from lenders for distressed borrowers and record low interest rates, housing values are likely to more be insulated than sales activity," said Mr Lawless.

He said, "The extent of any fall in housing values is impossible to fathom without first understanding the length of time this health and economic crisis persists. Arguably, the longer it takes to contain the virus and bring economic operations back to normal, the higher the downside risk to housing values."

Index results as at March 31, 2020

	Change in dwelling values				
	Month	Quarter	Annual	Total return	Median value
Sydney	1.1%	3.9%	13.0%	16.7%	$882,849
Melbourne	0.4%	2.9%	12.0%	15.7%	$695,299
Brisbane	0.6%	1.6%	3.1%	7.5%	$506,553
Adelaide	0.3%	0.6%	0.9%	5.4%	$437,296
Perth	0.5%	0.9%	-3.1%	1.0%	$445,614
Hobart	-0.2%	1.4%	4.2%	9.7%	$483,032
Darwin	2.0%	0.6%	-5.4%	2.6%	$392,348
Canberra	0.6%	1.7%	4.7%	9.5%	$626,932
Combined capitals	0.7%	2.8%	8.9%	12.7%	$643,540
Combined regional	0.6%	2.0%	2.4%	7.3%	$392,802
National	0.7%	2.7%	7.5%	11.6%	$554,229

Highlights over the 3 months to March 2020

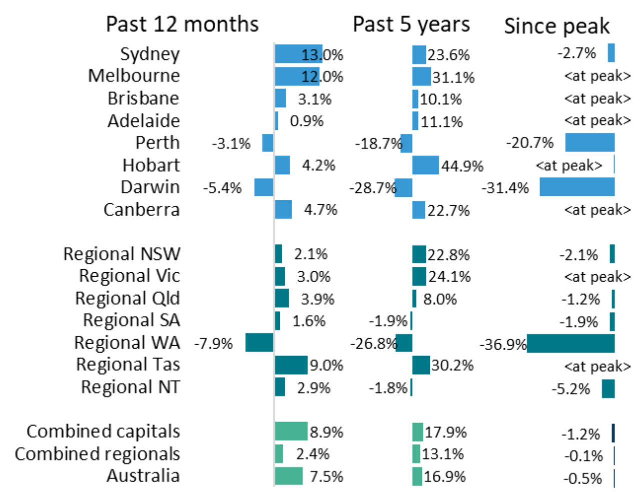
Sydney
+3.9%
Best performing capital city

Darwin/Adelaide
+0.6%
Weakest performing capital city

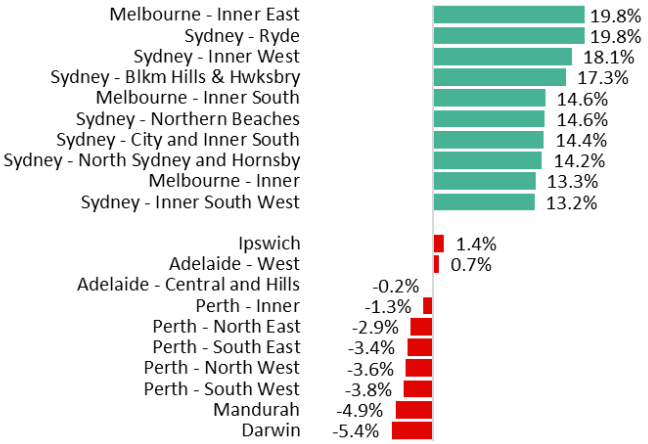
Darwin
5.9%
Highest rental yield

Sydney
3.0%
Lowest rental yield

Change in dwelling values



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



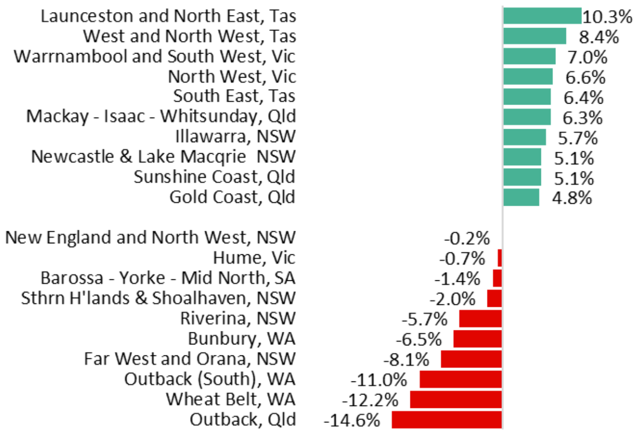
Every capital city SA4 sub-region recorded a rise in housing values over the March quarter, including each of the Perth sub-regions, where the long-running downturn in housing values has recently turned positive.

Although the gains were broad-based over the past three months, regions of Sydney comprised seven of the ten best performing markets over the quarter.

Over the longer-term, the annual change shows eight of the forty-six capital city sub-regions recorded a decline in values, with these areas confined to Darwin, Perth and Adelaide. The top ten sub-regions for annual capital gains were all located in Sydney and Melbourne.

More recently, the monthly change has seen some of the best performing capital city sub-regions record a month-on-month decline. Melbourne's prestigious Inner East, where values were previously rising rapidly, recorded a 0.2% drop over the month. Dwelling values across Melbourne's Inner South and the Sutherland region of Sydney also edged lower over the month, along with the Brisbane sub-regions of Ipswich and Logan/Beaudesert.

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



Across the forty-two non-capital city sub-regions, only five areas recorded a fall in dwelling values over the March quarter. These areas were confined to regions that could be broadly described as agricultural regions, including WA's Wheat Belt and Outback South as well as the Riverina, Far West/Orana and the Murray region of NSW.

Mining regions have generally moved into a recovery phase, although dwelling values remain well below their previous highs in many of these locations.

Over the past twelve months, the best performing regional areas have generally been a mix of lifestyle markets and regional cities adjacent to the major capitals which are seeing housing demand spill over from Sydney and Melbourne.

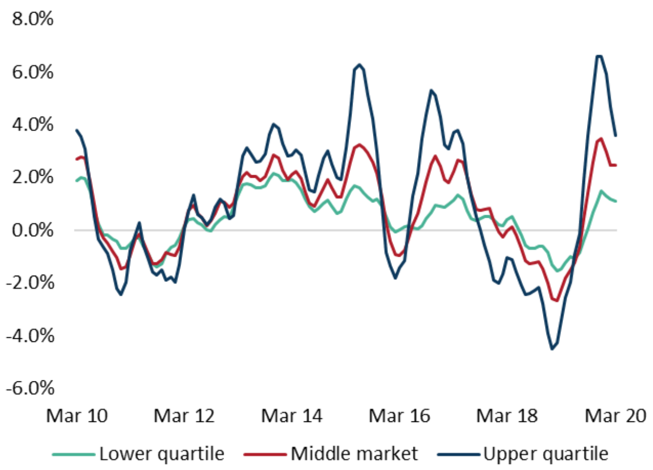
Each of the dwelling value quartiles across the combined capital city index continued to record a rise in housing values over the March quarter. Premium value properties are leading the pace of capital gains through the quarter, but this segment of the market also appears to have the most rapid deceleration in growth rate. At the high end of the market, the quarterly growth rate fell from 6.6% over the December 2019 quarter, to 3.6% over the March 2020 quarter.

Tim Lawless said, "Considering the stronger conditions evident across the top quartile of the largest cities, this sector is now becoming significantly less affordable and demand has been rippling towards housing where values are more affordable.

"Cyclically, the higher value segment of the market has traditionally led lower value segments, particularly in Sydney and Melbourne. Given the recent deceleration in the growth rate of this segment, it could be a signal that growth will start to slow more broadly in the coming months."

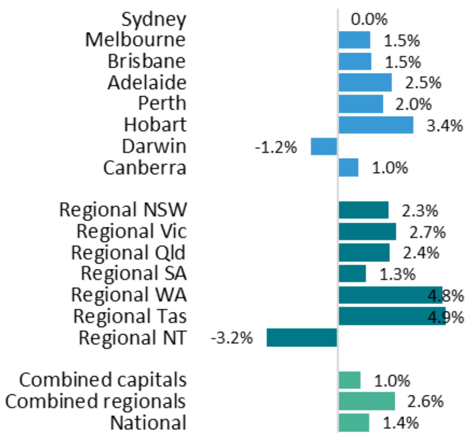
"The coronavirus impact is likely to be broad-based across the different value segments of the property market. A large proportion of jobs losses have been in lower paid sectors, such as hospitality, travel or tourism. However, equity values have also been hard hit, which could contribute to weaker demand across the higher value segments of the market," he said.

Rolling three month change across broad valuation cohorts, combined capitals

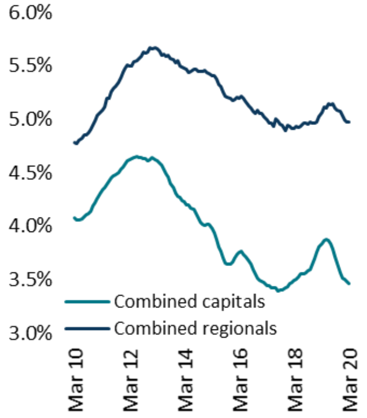


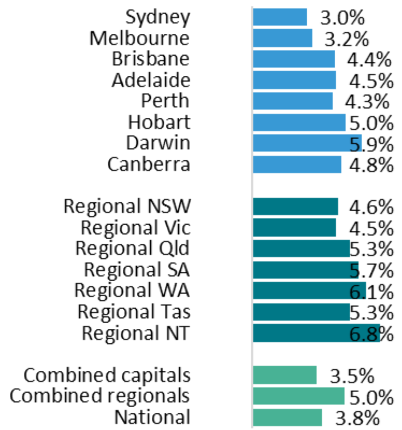
CoreLogic

Annual change in rents



Gross rental yields





Rental pressures have remained modest across most areas of Australia, with the national rental index up 0.3% over the month and 1.2% higher over the March quarter. The past twelve months has seen rental rates rise by only 1.4%, which is below the rate of inflation. Across the capital cities, Hobart has shown the tightest rental conditions, with landlords lifting rents by an average of 3.4% over the past twelve months. Darwin, where housing demand and economic conditions remain weak, is the only capital city to report a drop in rents over the past year.

Rental yield compression has been persistent since values started rising in June 2019. With rents remaining relatively subdued and housing values still rising over March, this trend continues. Yields are the lowest in Sydney, tracking at a record low 2.96% in March. Melbourne gross yields, have also been trending lower at 3.2%, but remain above the previous record low of 3.07% recorded in October 2017.

Considering rental markets already have some slack, CoreLogic is expecting renewed downwards pressure on rents due to a combination of weaker labour market conditions and less demand from students for accommodation.

The recent trajectory in housing market conditions has become less meaningful, with attention firmly directed on how market activity and dwelling values will perform through this period of uncertainty.

Timely indicators of market activity are foreshadowing a substantial reduction in listing activity ahead. Real estate agent reports generated across CoreLogic platforms, utilised by around 70% of real estate agents for their research and pre-listing reports, have more than halved over recent weeks, implying a substantial drop in listings activity over coming weeks.

Similarly, recent polling of real estate agency enquiry levels indicated that more than 60% of Australian real estate agents have seen buyer and seller enquiries fall by more than 50% over recent weeks, with the larger majority expecting a further drop in enquiry over coming weeks.

Tim Lawless said, "If we are correct in our expectation that housing market activity is set to temporarily plunge, we could see increased volatility and a reduction in certainty creep into housing market measurements until activity picks up. Measures of housing values and prices rely on timely updates of recently sold properties; a material slowdown in turnover is likely to create some challenges over the coming months in how we report on market conditions."

"The outlook for housing values is less certain. Leniency from the banks for borrowers facing financial hardship should help to stymie the number of distressed properties hitting the market. Similarly, the massive federal and state government stimulus packages will help to support job retention and incomes. Also, the temporary nature of this crisis implies that most home owners will do their best to weather the storm, hoping for an eventual upside as the virus is contained and economic conditions improve."

"No doubt there is a rising level of downside risk to housing values which is compounded by the fragile state of household balance sheets, which on average, are heavily leveraged. The wildcard remains the sheer uncertainty of how long this health crisis and associated economic disruption will persist."

Tim Lawless concluded delivery of today's results: "Once the virus is contained, we expect economic conditions to quickly improve, driving a turnaround in consumer spirits which should flow through to housing market activity. When that will be, remains highly uncertain."

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
	All Dwellings																		
	Month	1.1%	0.4%	0.6%	0.3%	0.5%	-0.2%	2.0%	0.6%	0.5%	0.6%	0.8%	0.1%	0.2%	1.0%	na	0.7%	0.6%	0.7%
	Quarter	3.9%	2.9%	1.6%	0.6%	0.9%	1.4%	0.6%	1.7%	1.7%	2.3%	2.2%	1.3%	1.0%	3.5%	na	2.8%	2.0%	2.7%
Dwellings	**YTD**	3.9%	2.9%	1.6%	0.6%	0.9%	1.4%	0.6%	1.7%	1.7%	2.3%	2.2%	1.3%	1.0%	3.5%	na	2.8%	2.0%	2.7%
	Annual	13.0%	12.0%	3.1%	0.9%	-3.1%	4.2%	-5.4%	4.7%	2.1%	3.0%	3.9%	1.6%	-7.9%	9.0%	na	8.9%	2.4%	7.5%
	Total return	16.7%	15.7%	7.5%	5.4%	1.0%	9.7%	2.6%	9.5%	6.8%	8.0%	8.8%	7.9%	-2.2%	15.8%	n a	12.7%	7.3%	11.6%
	Gross yield	3.0%	3.2%	4.4%	4.5%	4.3%	5.0%	5.9%	4.8%	4.6%	4.5%	5.3%	5.7%	6.1%	5.3%	na	3.5%	5.0%	3.8%
	Median value	$882,849	$695,299	$506,553	$437,296	$445,614	$483,032	$392,348	$626,932	$464,842	$386,952	$380,163	$243,224	$309,080	$322,189	na	$643,540	$392,802	$554,229
	Houses																		
	Month	1.1%	0.4%	0.7%	0.2%	0.6%	0.6%	1.9%	0.7%	0.5%	0.8%	0.9%	0.1%	0.3%	0.9%	-1.7%	0.7%	0.6%	0.7%
	Quarter	4.4%	3.2%	2.0%	0.5%	0.9%	2.4%	3.0%	1.9%	1.8%	2.6%	2.4%	1.1%	0.9%	3.2%	-2.7%	3.1%	2.1%	2.8%
Houses	**YTD**	4.4%	3.2%	2.0%	0.5%	0.9%	2.4%	3.0%	1.9%	1.8%	2.6%	2.4%	1.1%	0.9%	3.2%	-2.7%	3.1%	2.1%	2.8%
	Annual	14.5%	12.5%	3.5%	0.9%	-3.1%	5.1%	-5.4%	5.6%	2.5%	2.5%	4.8%	1.4%	-8.4%	7.9%	-1.4%	9.1%	2.6%	7.5%
	Total return	18.2%	15.8%	7.7%	5.1%	1.0%	10.7%	2.3%	10.2%	7.2%	7.4%	9.6%	7.9%	-2.8%	14.1%	6.7%	12.6%	7.4%	11.4%
	Gross yield	2.7%	2.8%	4.2%	4.3%	4.2%	5.0%	5.4%	4.5%	4.6%	4.4%	5.1%	5.7%	6.0%	5.2%	7.0%	3.3%	4.9%	3.6%
	Median value	$1,020,849	$819,611	$557,714	$474,425	$461,845	$513,325	$473,479	$702,173	$478,770	$410,337	$388,812	$248,333	$320,158	$334,007	$396,607	$676,067	$405,413	$566,476
	Units																		
	Month	1.1%	0.4%	0.1%	0.7%	-0.3%	-3.3%	2.2%	0.1%	0.3%	-0.4%	0.6%	0.1%	-1.1%	2.1%	na	0.7%	0.4%	0.6%
	Quarter	2.9%	2.2%	-0.2%	1.4%	1.1%	-2.3%	-3.7%	0.7%	1.2%	0.9%	1.3%	7.0%	4.4%	6.2%	na	2.2%	1.5%	2.1%
Units	**YTD**	2.9%	2.2%	-0.2%	1.4%	1.1%	-2.3%	-3.7%	0.7%	1.2%	0.9%	1.3%	7.0%	4.4%	6.2%	na	2.2%	1.5%	2.1%
	Annual	9.8%	11.0%	1.3%	1.3%	-3.2%	0.7%	-5.5%	1.4%	-0.4%	5.8%	0.9%	6.5%	1.5%	20.2%	na	8.3%	1.4%	7.3%
	Total return	14.0%	15.3%	6.7%	6.9%	1.3%	5.9%	2.9%	7.3%	4.6%	12.0%	6.7%	8.6%	7.7%	27.5%	n a	12.8%	6.9%	12.0%
	Gross yield	3.5%	4.0%	5.3%	5.5%	5.2%	5.2%	6.8%	5.8%	4.7%	4.9%	5.6%	5.9%	7.4%	5.5%	na	4.0%	5.3%	4.2%
	Median value	$770,469	$589,042	$386,427	$330,192	$356,868	$397,409	$273,202	$443,468	$400,188	$286,007	$359,019	$187,699	$215,153	$262,594	na	$582,506	$347,911	$522,182

CoreLogic is the largest independent provider of property information, analytics and property-related risk management services in Australia and New Zealand.

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.*