NATIONAL MEDIA RELEASE
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Hedonic Home Value Index

1 June 2021

CoreLogic: Australia's housing boom rolls on with national home values lifting another 2.2% in May

Housing markets around Australia continued to surge in May with CoreLogic's national Home Value Index up 2.2% over the month. The rise in May was a stronger result compared with April (1.8%), but weaker than the 32-year high recorded in March when values surged 2.8%.

CoreLogic's research director, Tim Lawless, observes that growth conditions remained broad based both geographically and across the housing types and valuation segments. "Values were up by more than 1% across every capital city over the month, with both house and unit values lifting across the board. Of the 334 SA3 sub-regions analysed by CoreLogic, 97% have recorded a lift in housing values over the past three months. Such a synchronised upswing is an absolute rarity across Australia's diverse array of housing markets."

For the second time in three months, growth conditions in capital city home values outpaced the regional markets. The combined capital city index rose 2.3% in May compared with a 2.0% rise across the combined regional areas.

Across the capital cities, the monthly change in dwelling values ranged from a 1.1% rise in Perth through to a 3.2% jump in Hobart. Across the non-capital city regions, conditions were more diverse. Regional NSW led monthly gains (2.5%), while values in regional WA had the weakest result (-0.1%).

Mr Lawless reaffirmed the fundamentals driving strength in the housing market remain in place. "The combination of improving economic conditions and low interest rates is continuing to support consumer confidence which, in turn has created persistently strong demand for housing. At the same time, advertised supply remains well below average. This imbalance between demand and supply is continuing to create urgency amongst buyers, contributing to the upwards pressure on housing prices.

"Despite the consistently strong headline results, the underlying trends have shifted over the past year," Mr Lawless said. "The most expensive end of the market is now driving the highest rate of price appreciation across most of the capital cities, whereas early in the growth cycle it was the most affordable end of the market that was the strongest.

"From a geographic perspective, it was the smaller capital cities that led the housing market out of the COVID slump, but now Sydney has risen through the ranks to record the largest capital gain over the past three months with values up 9.3%."

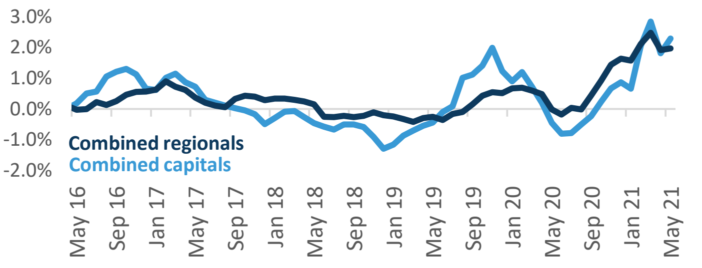
Although housing values are now rising the fastest once again in Sydney, at least in trend terms, the annual growth rate is generally higher across the smaller capitals, as well as Regional New South Wales and Regional Tasmania. Darwin cracked the 20% annual growth barrier in May, with values now 20.3% higher over the past 12 months. For Darwin dwellings, this is the strongest annual gain on record. Housing values across Regional New South Wales are up 18.6% while in Regional Tasmania values are 18.1% higher.

At the other end of the spectrum, the weakest housing markets over the past year have been in Regional Western Australia (0.0%), and also in Melbourne (5.0%) where the extended lockdown has created a more significant drag on the annual rate of growth.

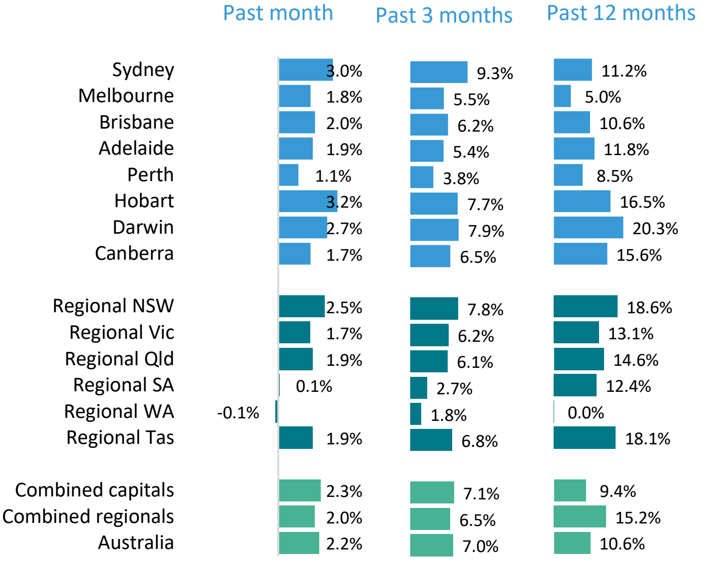
Index results as at May 31, 2021

	Change in dwelling values				
	Month	Quarter	Annual	Total return	Median value
Sydney	3.0%	9.3%	11.2%	13.9%	$970,355
Melbourne	1.8%	5.5%	5.0%	8.0%	$740,562
Brisbane	2.0%	6.2%	10.6%	15.1%	$574,572
Adelaide	1.9%	5.4%	11.8%	16.3%	$500,881
Perth	1.1%	3.8%	8.5%	13.3%	$521,688
Hobart	3.2%	7.7%	16.5%	22.1%	$574,543
Darwin	2.7%	7.9%	20.3%	26.9%	$478,072
Canberra	1.7%	6.5%	15.6%	20.0%	$746,573
Combined capitals	2.3%	7.1%	9.4%	12.8%	$715,100
Combined regional	2.0%	6.5%	15.2%	20.5%	$468,980
National	2.2%	7.0%	10.6%	14.3%	$634,355

Month-on-month change in dwelling values



Change in dwelling values



Low advertised housing supply remains a key factor in the housing market due to proportionately high demand.

Fresh listings added to the housing market have picked up over recent months, with the number of new listings tracking 15% above the five-year average.

Despite the increase in newly advertised residential properties, sales activity has also increased. CoreLogic estimates sales activity over the three months to May was tracking about 37% higher than the five-year average.

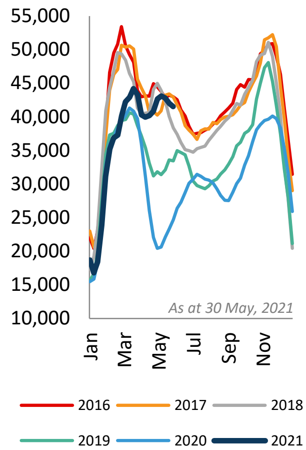
"The sales to new listings ratio remains around 1.1, meaning for every new listing there is more than one sale occurring," said Mr Lawless. "This rapid rate of absorption is keeping advertised inventory levels extremely low, despite the rise in new listings. As a consequence, vendors remain in a strong selling position while buyers have a weak position at the negotiation table."

With housing sales activity continuing to outpace the number of new listings added to the market, the total number of homes advertised for sale remains approximately 24% below the five-year average.

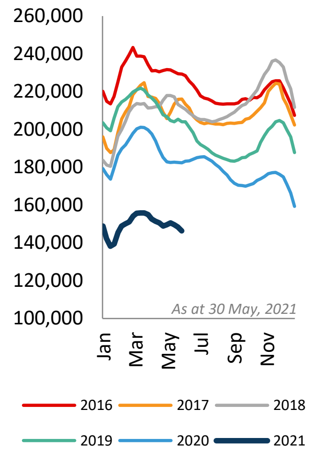
Across the capital cities, Melbourne is the only capital where total listing numbers are now higher than the five-year average. "Total listings were tracking 6.4% above the five-year average in late May, largely attributable to a 29.1% increase in unit listings over the past year. Melbourne's house listings are down -0.2% over the same period, and remain below average."

Low stock and high demand are keeping auction clearance rates high and private treaty metrics tight. Auction clearance rates have held in the mid-to-high 70% range throughout May, fading a little from March when clearance rates were consistently finalising above 80%, but still well above the decade average of 64%. Median time on market remains around its record low of 25 days, while vendor discounting rates are also around record lows with the typical discount from the original asking price recorded at -2.7% over the past three months.

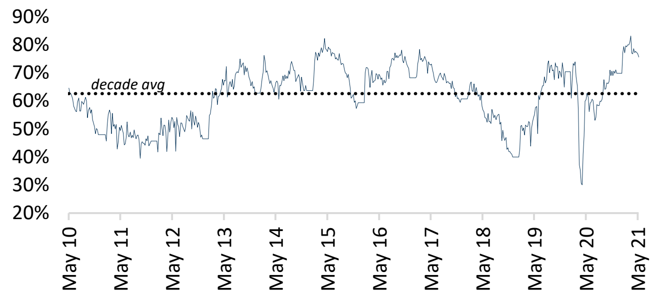
New listings, rolling 28 day count, national



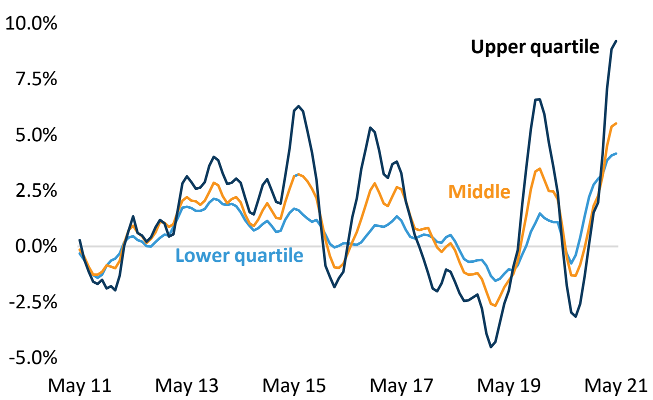
Total listings, rolling 28 day count, national



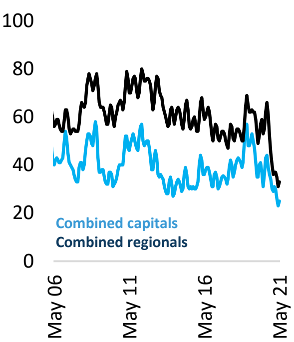
Combined capital cities weighted average auction clearance rate



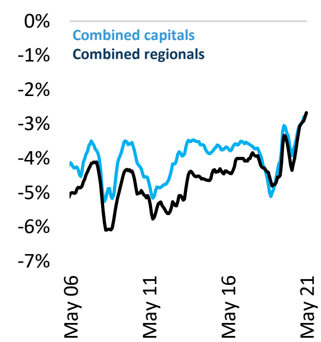
Rolling three month change in dwelling values across broad valuation cohorts, combined capitals



Median days on market



Median vendor discount



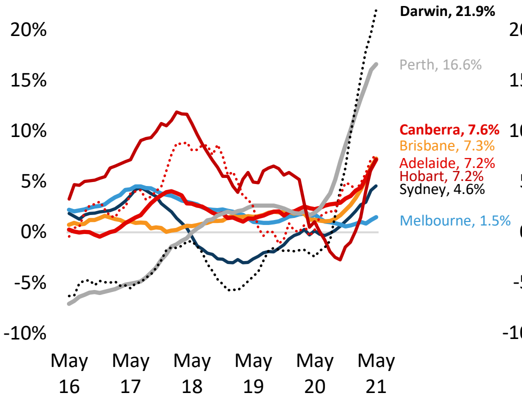
Median days on market and median vendor discount are calculated over a rolling three month period

The upper quartile of the housing market is driving the highest rate of capital gains. Across the combined capitals, the upper quartile of the housing market increased in value by 9.2% over the three months ending May, while the lower quartile rose by 4.2%. The trend is a reversal of the previous weakness recorded across the upper quartile of the market throughout the worst of COVID.

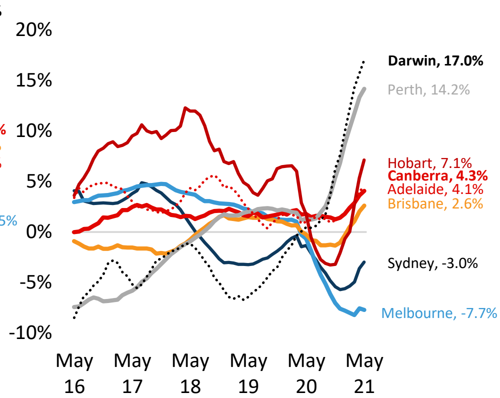
This trend is most apparent in Sydney and Melbourne where housing affordability pressures may be having a more significant impact across lower price points. In Sydney, upper quartile dwelling values have increased by 12.0% over the past three months compared with a 5.2% increase in values across the lower quartile. In Melbourne, the trend is less extreme but still obvious with upper quartile home values increasing by 6.5% over the past three months while lower quartile values are up a smaller 3.5%.

The opposite trend is evident in Darwin and Hobart, with the more affordable, lower quartile showing a substantially stronger performance. In Darwin, the lower quartile has recorded a 12.4% lift in values over the past three months compared with a 4.7% increase across the upper quartile. In Hobart, the lower quartile has gained 9.9% in value over the past three months compared with a 6.6% lift in values across the upper quartile.

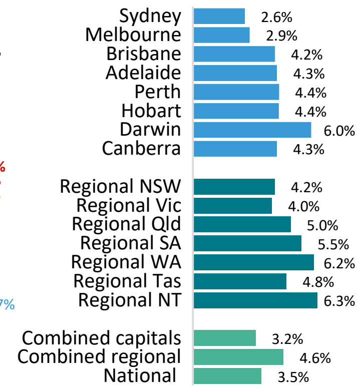
Annual change in rents, Houses



Annual change in rents, Units



Gross rental yields, dwellings



The trend in rents has remained positive across most regions and housing types, but growth conditions have eased a little over recent months. Generally, the first quarter of the year is a seasonally strong period for rental markets, so the easing in rental growth is unsurprising. The monthly increase in capital city dwelling rents has eased from an average of 1.0% over the March quarter to 0.6% over the past two months. Similarly, the rate of growth in rents across the combined regional areas of Australia has eased back from an average of 1.4% in the March quarter to 1.0% through April and May.

Sydney and Melbourne are still recording the weakest rental conditions, especially across the unit sector where closed international borders have had a more significant impact on tenancy demand. Whilst Sydney house rents are up 2.0% over the past three months and unit rents are 1.8% higher, unit rents remain -7.5% below their 2018 high and are -3.0% lower over the past 12 months. Melbourne rental conditions have been softer, reflecting larger exposure to overseas migrants. House rents are up 0.9% over the past three months while unit rents are down -0.4% remaining -8.5% below their 2019 peak.

The tightest rental markets remain in Darwin and Perth where rents have surged on the back of tight supply and rising demand. In Darwin, house rents are up 21.9% over the past 12 months, while unit rents are 17.0% higher. Perth's rental market has seen house rents rise by 16.6% and unit rents rise by 14.2% over the past year. Both cities have seen the monthly growth in rents slow, however rents were still 1.0% higher over the month in Perth and 1.4% higher in Darwin.

With housing values generally rising faster than rents, gross rental yields remain under some downwards pressure. As of the end of May this year, the average gross rental yield across the combined capitals was 3.2%, down from 3.5% this time last year. Almost every capital city and non-capital city region has seen yields compress over the past year, with the exception of Perth (+3 basis points), Darwin (+19 basis points) and Regional WA (+7 basis points).

Despite the compression in rental yields, with fixed term mortgage rates for investors averaging below 2.5%, opportunities for cash flow positive properties are becoming more frequent than a few years ago. A positive cash flow investment would be more challenging in the lowest yielding capitals, Sydney (2.6% gross) and Melbourne (2.9% gross).

With investor activity trending higher along with a surge in new residential construction activity, the longer-term outlook for rents is likely a slowdown in the pace of rental appreciation, at least until international borders re-open which would help to shore up tenancy demand, especially across the inner-city precincts of Melbourne and Sydney.

Overall, Australia's housing market remains firmly entrenched in a housing boom across most regions of the country.

The reduction in federal government fiscal support seems to have had little to no impact on housing demand or growth in home values to-date. While future COVID outbreaks presents both a health and economic risk, the strong recovery in the labour market has likely mitigated the impact that the wind-down in JobKeeper would otherwise have had on the housing market. The pace of capital gains has slowed since the end of March, seen in the lower rate of growth in home values, and a softening in auction clearance rates. However, housing values are still currently rising faster than the peak rate of growth in recent cycles.

We are expecting housing values will continue to rise throughout 2021 and into 2022, albeit at a gradually slower pace. Domestic demand should continue to be supported by the expectation that mortgage rates will remain at their record lows for some time, as well as the ongoing high levels of consumer confidence as the economy expands at a faster than average pace.

A slowdown in dwelling price appreciation is expected as affordability constraints progressively impact market participation, and potentially tighter credit policies looms further down the track. Messaging from the RBA has indicated they will be watching for any signs of a deterioration in credit standards that could be a trigger for tighter lending rules.

Worsening affordability pressures are likely to impact first home buyers more than other segments of the market, and there are already signs that first home buyer demand is pulling back. Investors, on the other hand, are stepping up their activity across the housing market, motivated by prospects for continued capital gain and low interest rates. The resurgence of investor participation, and high levels of activity in the owner occupier non first home buyer segment may account for the continued strength in dwelling markets despite affordability constraints

Over the medium term, a rise in housing supply together with the demand side impact of closed international borders is likely to be another factor that weighs on price appreciation. House approvals are moving through record highs, but it will take some time for these approvals to transition through the construction phase to a completed dwelling.

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	**All Dwellings**																		
	Month	3.0%	1.8%	2.0%	1.9%	1.1%	3.2%	2.7%	1.7%	2.5%	1.7%	1.9%	0.1%	-0.1%	1.9%	na	2.3%	2.0%	2.2%
	Quarter	9.3%	5.5%	6.2%	5.4%	3.8%	7.7%	7.9%	6.5%	7.8%	6.2%	6.1%	2.7%	1.8%	6.8%	na	7.1%	6.5%	7.0%
	YTD	12.5%	8.1%	8.7%	7.2%	7.0%	12.2%	11.2%	9.8%	11.7%	10.7%	9.8%	7.3%	4.9%	11.4%	na	10.0%	10.4%	10.1%
	Annual	11.2%	5.0%	10.6%	11.8%	8.5%	16.5%	20.3%	15.6%	18.6%	13.1%	14.6%	12.4%	0.0%	18.1%	na	9.4%	15.2%	10.6%
	Total return	13.9%	8.0%	15.1%	16.3%	13.3%	22.1%	26.9%	20.0%	23.4%	18.3%	20.7%	18.7%	6.1%	24.7%	n a	12.8%	20.5%	14.3%
	Gross yield	2.6%	2.9%	4.2%	4.3%	4.4%	4.4%	6.0%	4.3%	4.2%	4.0%	5.0%	5.5%	6.2%	4.8%	na	3.2%	4.6%	3.5%
	Median value	$970,355	$740,562	$574,572	$500,881	$521,688	$574,543	$478,072	$746,573	$574,643	$472,333	$440,926	$271,722	$364,505	$396,676	na	$715,100	$468,980	$634,355
Houses	**Houses**																		
	Month	3.5%	2.2%	2.2%	2.1%	1.1%	2.7%	1.5%	2.1%	2.5%	1.7%	1.8%	0.0%	0.0%	1.9%	3.1%	2.6%	1.9%	2.4%
	Quarter	11.0%	6.3%	6.8%	6.1%	3.8%	6.9%	6.2%	7.6%	7.9%	6.1%	6.2%	2.9%	2.0%	6.9%	7.0%	8.0%	6.6%	7.6%
	YTD	15.1%	9.4%	9.5%	8.0%	7.2%	11.4%	11.6%	11.4%	12.1%	10.7%	10.1%	7.6%	5.0%	11.8%	7.9%	11.4%	10.7%	11.3%
	Annual	14.8%	5.6%	11.9%	13.0%	8.8%	16.5%	21.1%	17.7%	19.4%	12.8%	15.3%	13.2%	0.2%	19.1%	12.8%	11.4%	15.7%	12.4%
	Total return	17.7%	8.3%	16.6%	17.5%	13.6%	22.2%	27.5%	22.0%	24.4%	17.8%	21.4%	19.6%	6.2%	26.3%	20.7%	14.9%	21.0%	16.3%
	Gross yield	2.4%	2.6%	3.9%	4.1%	4.3%	4.3%	5.5%	3.9%	4.1%	3.9%	4.8%	5.5%	6.1%	4.6%	6.2%	3.0%	4.5%	3.3%
	Median value	$1,186,518	$908,239	$641,727	$542,913	$545,620	$617,000	$566,921	$852,398	$596,938	$503,349	$449,807	$279,168	$377,685	$415,167	$463,964	$781,645	$485,567	$668,532
Units	**Units**																		
	Month	1.8%	0.8%	1.2%	0.4%	1.1%	5.2%	4.9%	0.5%	2.5%	2.0%	1.9%	0.6%	-2.2%	1.6%	na	1.4%	2.0%	1.5%
	Quarter	5.3%	3.6%	3.2%	1.3%	3.5%	11.3%	11.4%	2.5%	6.7%	6.6%	5.5%	-0.9%	-1.6%	6.5%	na	4.5%	5.8%	4.7%
	YTD	6.5%	4.9%	4.6%	1.7%	5.6%	15.2%	10.1%	4.1%	9.6%	11.4%	8.7%	1.5%	3.4%	7.2%	na	5.7%	9.1%	6.2%
	Annual	2.8%	3.3%	4.2%	4.6%	6.0%	16.6%	18.3%	8.0%	13.4%	15.3%	12.4%	-1.8%	-1.8%	8.8%	na	3.5%	12.6%	4.8%
	Total return	6.3%	7.0%	9.5%	10.3%	11.7%	21.8%	25.2%	14.0%	18.4%	21.1%	18.8%	2.9%	5.2%	14.6%	na	7.4%	18.4%	8.8%
	Gross yield	3.2%	3.5%	5.1%	5.2%	5.3%	4.7%	7.0%	5.5%	4.5%	4.6%	5.4%	6.3%	7.6%	5.5%	na	3.7%	5.1%	3.9%
	Median value	$781,708	$605,505	$411,664	$356,318	$392,321	$475,500	$332,000	$500,675	$480,003	$349,448	$417,864	$210,086	$233,143	$295,801	na	$606,060	$407,023	$563,204

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.*