NATIONAL MEDIA RELEASE
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CoreLogic: National home value index rises at its fastest pace in 32 years

CoreLogic's national home value index recorded a 2.8% rise in March, the fastest rate of appreciation since October 1988 (3.2%). These exceptionally strong growth conditions remain broad-based, with values rising by at least 1.4% across each of the capital cities and 'rest-of-state' areas over the month.

Sydney led the pack for capital gains in March, with values surging 3.7% over the month and 6.7% higher over the first quarter of the year.

According to CoreLogic's research director, Tim Lawless, "The last time Sydney housing values recorded a quarterly trend this strong was in June/July 2015. Following this brief surge, the pace of growth rapidly slowed as limits on investor lending kicked in to slow the market."

Across the regional markets, gains were highest in NSW, where values were up 2.8% over the month.

March marked several inflection points across the market: Sydney and Melbourne have now staged a full recovery from earlier downturns. With the acceleration in capital gains across Sydney and Melbourne, the larger capitals have started to outpace many of the smaller cities that were previously leading the charge in growth.

Sydney dwelling values are now 2.6% higher than their July 2017 peak: a remarkable recovery considering the -14.9% drop in values through to May 2019 and the further -2.9% fall throughout the COVID downturn. Similarly, Melbourne housing values have recovered from the -11.1% fall between 2017 and 2019, and the -5.6% drop in values through the worst of the COVID related downturn to set a new record high in March.

Additionally, for the first time in a year, growth in capital city housing values outpaced the regional markets. CoreLogic's combined capital cities index recorded a 2.8% lift in March compared with the 2.5% gain seen across the combined regionals index. "Housing values in regional areas are 11.4% higher over the past year, demonstrating the earlier stronger growth trend; capital city values are now 4.8% higher on an annual basis with the acceleration in growth evident in March," Mr Lawless said.

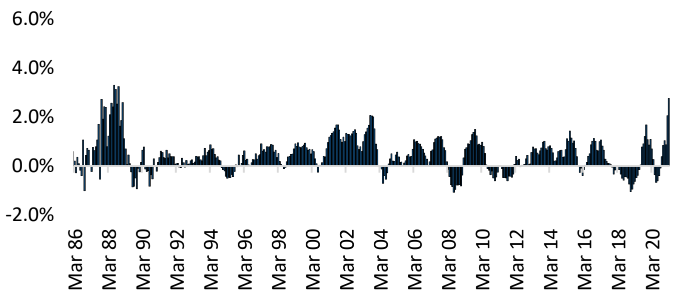
In March, Victoria was the only state where regional housing values rose at a faster pace than their capital city counterparts. Regional Victorian values were up 2.6% compared with a 2.4% rise across Melbourne.

Lower density housing has continued to outpace higher density housing for capital gains. Nationally, house values were 3.0% higher over the month while unit values were up a more modest 1.9%. Across the combined capitals, the quarterly growth rate for houses (6.5%) is more than double that of units (3.1%). "Despite the underperformance, unit markets have turned a corner, with Sydney recording two consecutive months of rising values, while the Melbourne unit market has seen values consistently rising since October last year, with the trend accelerating over recent months."

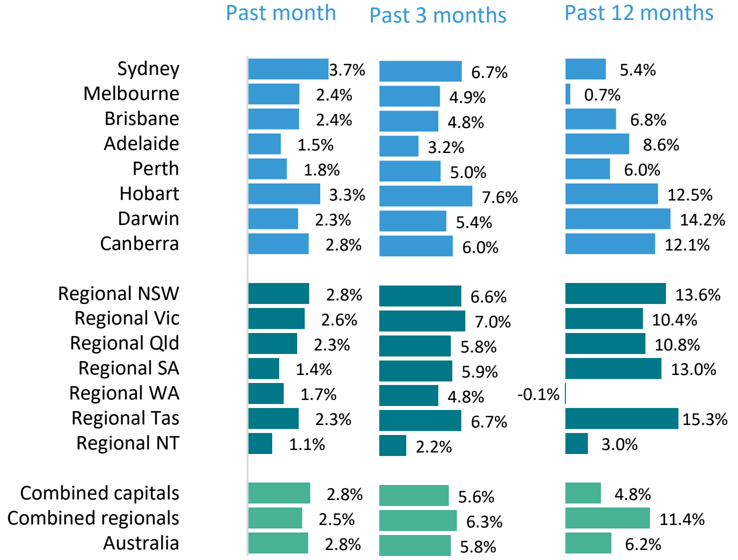
Index results as at March 31, 2021

	Change in dwelling values				
	Month	Quarter	Annual	Total return	Median value
Sydney	3.7%	6.7%	5.4%	7.9%	$928,028
Melbourne	2.4%	4.9%	0.7%	3.6%	$736,620
Brisbane	2.4%	4.8%	6.8%	11.3%	$548,260
Adelaide	1.5%	3.2%	8.6%	13.1%	$486,555
Perth	1.8%	5.0%	6.0%	10.8%	$505,850
Hobart	3.3%	7.6%	12.5%	18.0%	$548,686
Darwin	2.3%	5.4%	14.2%	19.9%	$451,408
Canberra	2.8%	6.0%	12.1%	16.7%	$727,032
Combined capitals	2.8%	5.6%	4.8%	8.1%	$693,936
Combined regional	2.5%	6.3%	11.4%	16.6%	$448,819
National	2.8%	5.8%	6.2%	9.7%	$614,768

Month-on-month change in national dwelling values



Change in dwelling values



Housing market strength is being supported by a disconnect between demand and supply.

On the supply side, total advertised listings remained extremely low throughout March. A count of national total listing numbers over the four weeks ending March 28 shows advertised stock levels were -25.5% below the five year average.

The low number of listings comes as the trend in the number of newly advertised homes has risen to above average levels. The past four weeks have seen new listings nationally trending 8.1% higher than a year ago and 3.0% above the five year average.

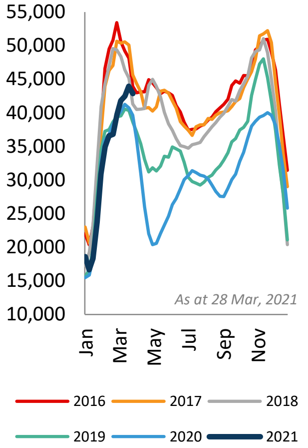
According to Mr Lawless, the main reason total listing numbers remain so low is that buyer demand is consistently outweighing new advertised supply. "The ratio of sales to new listings is tracking at around 1.1, implying for every new listing added to the market, 1.1 homes are sold. Such a rapid rate of absorption is keeping overall inventory levels low and adding to a sense of FOMO amongst buyers."

The tight market conditions can also be seen in auction clearance rates, which have consistently held above 80% in March. This is also evident in rapid selling times, and lower discounting rates for private treaty sales.

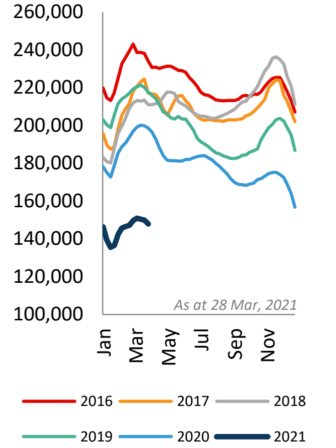
Estimated sales activity remained elevated through March. CoreLogic estimates the number of home sales over the March quarter were 21.9% higher than a year ago. This was led by Perth, which saw an estimated uplift in sales of 42.2%, or approximately 3,200 sales, compared to the same period in 2020. Darwin had the highest rate of increase in home sales among the capital cities at 45.7%, though this was off a low base and amounted to 539 sales in the region.

In a further demonstration of the swing towards lower density housing options, at the end of March, the six month trend in house sales was tracking 16.5% above the decade average, while unit sales were -0.3% lower than average.

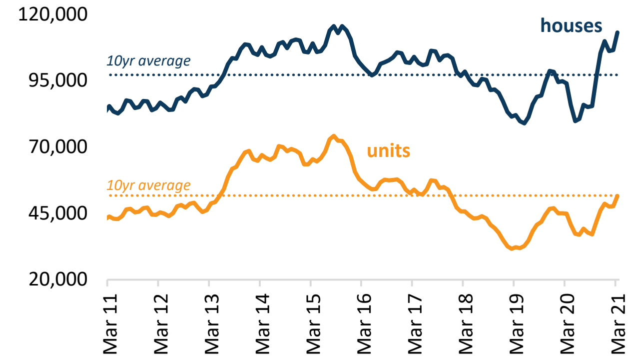
New listings, rolling 28 day count, national



Total listings, rolling 28 day count, national

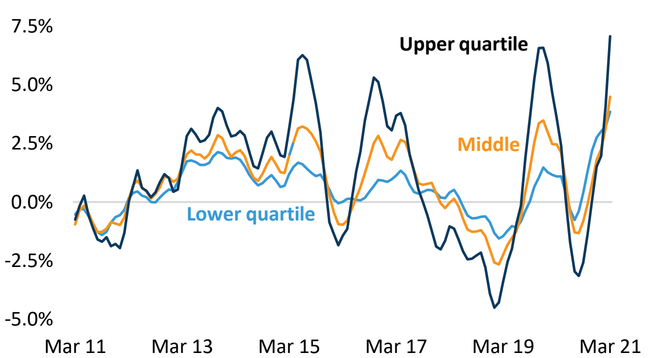


Rolling six month sales volume, combined capitals



Most recent months of sales volumes are estimates and will revise

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

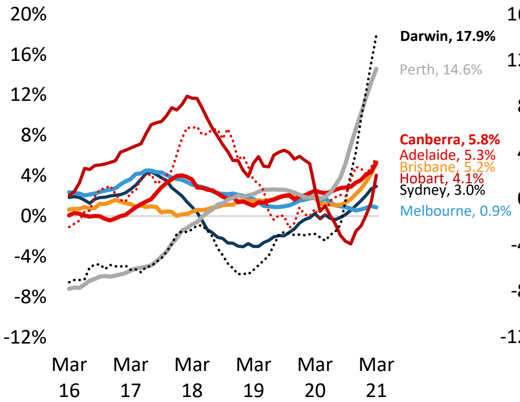


The premium end of the housing market is leading the acceleration in the rate of capital gains. Across the combined capitals, the upper quartile of the market recorded a 3.7% lift in values in March, while the lower quartile was up less than half this rate at 1.6%.

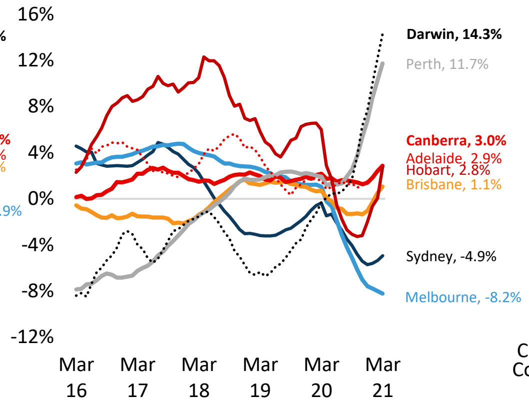
This trend is most evident across the three largest capitals. "In Sydney, upper quartile home values were 4.8% higher over the month compared with the 2.2% lift in values seen across the lower quartile. Similarly in Melbourne, the upper quartile (2.8%) outpaced the lower quartile (1.6%), while Brisbane's upper quartile index (3.1%) rose at nearly triple the rate of lower quartile values (1.1%).

"Previously, it was premium value properties that were leading the downturn in these same markets. However, more recently this trend has reversed as buyers take advantage of improving economic conditions and record low interest rates."

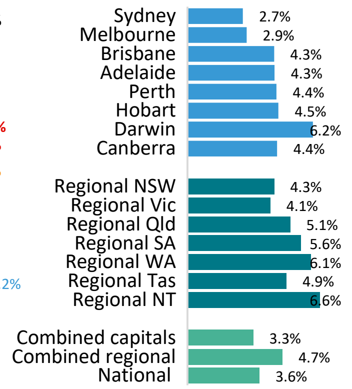
Annual change in rents, Houses



Annual change in rents, Units



Gross rental yields, dwellings



Rental market conditions remain diverse, with significant differences between the regions and housing types. From a geographic perspective, the tightest rental markets are Darwin and Perth, where both house and unit rents are recording double-digit annual growth.

According to Mr Lawless, rents are rising at a record-setting pace across both Perth and Darwin, with the quarterly trend up 5.9% and 7.7% respectively. "Rental prices in Perth and Darwin started surging higher in September last year. The monthly growth in rents across Perth quickly accelerated from an already high 1.1% in September 2020, to 2.0% by March 2021. Darwin rents have risen by an average 2.1% per month for the past seven months, including a 2.4% lift in March 2021. Both these markets have seen a recent history of low housing investment which has kept rental supply low at a time of rising demand."

Although rents are surging in these cities, it is off the back of a long period of rental value declines. Perth rents remain -16.0% ($80/week) below the 2013 peak and Darwin rents remain -24.6% ($150/week) below their 2014 peak.

Weaker rental conditions can be seen in the unit sector, both at a macro level and across the sub-regions of each city. Overall, unit rents have been showing weaker conditions relative to houses throughout the COVID period to-date. Since March last year, capital city house rents are up 5.2% while unit rents are down -3.8%. The biggest drag on unit rents are Melbourne and Sydney, where unit rental conditions have been much weaker due to the demand shock caused by stalled overseas migration and international border closures.

According to Mr Lawless, Melbourne and Sydney unit rental markets appear to be stabilising. "Sydney unit rents have posted a subtle rise over the past three months, while unit rents in Melbourne have held firm over the same period. The improvement comes after a long running decline, however a material improvement in rental conditions is likely to be dependent on foreign students and visitors returning to shore up inner city unit rental demand."

With housing values rising faster than rents, gross rental yields have been trending lower. Most regions are still showing a gross yield higher than typical mortgage rates, implying some opportunity for positive cash flow investments. Sydney and Melbourne stand out as having a much lower yield profile. Both cities have seen gross yields fall to new record lows in March, with Sydney recording a gross yield of 2.7% and Melbourne dropping below the 3% mark for the first time on record.

Overall, housing markets are continuing to respond to a broad range of positive factors including record low interest rates and recent economic conditions that have consistently beaten forecasts. In response, Australians are feeling optimistic and confident in making high commitment decisions related to the property market.

The upswing in buyer demand has not been met with the same level of increase in inventory. This has resulted in strong selling conditions, amidst a palpable sense of urgency amongst buyers, putting upwards pressure on housing prices.

While we are expecting housing values to continue rising throughout 2021 and well into next year, it is reasonable to expect the pace of growth will slow. Earlier periods of similar exuberance have been previously quelled by factors such as rising interest rates, weaker economic conditions or changes to credit availability.

As the housing market hits record high values, speculation is mounting as to what will trigger the next downswing phase of the cycle.

Short term interest rates are unlikely to increase any time soon, and the economic recovery has some way to go. However housing affordability constraints, particularly for those who do not own a property, are mounting.

There will be substantially less fiscal support going forward for home owners and potential first home buyers, which will likely contribute to a tapering of demand. This is especially the case amongst first home buyers where demand has been brought forward by a range of incentives set to end this year.

The prospect of tighter credit policies is also on the radar, which we know from previous periods of credit tightening will likely have an immediate dampening effect on housing activity. The likelihood and timing of any change in credit policies is highly uncertain and largely dependent on a material lift in credit metrics such as debt to income ratios, loan to income ratios or high LVR lending.

According to APRA, although each of these metrics rose in the final quarter of 2020, lending standards remain healthy enough to keep any credit intervention at bay for now.

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	3.7%	2.4%	2.4%	1.5%	1.8%	3.3%	2.3%	2.8%	2.8%	2.6%	2.3%	1.4%	1.7%	2.3%	na	2.8%	2.5%	2.8%
	Quarter	6.7%	4.9%	4.8%	3.2%	5.0%	7.6%	5.4%	6.0%	6.6%	7.0%	5.8%	5.9%	4.8%	6.7%	na	5.6%	6.3%	5.8%
	YTD	6.7%	4.9%	4.8%	3.2%	5.0%	7.6%	5.4%	6.0%	6.6%	7.0%	5.8%	5.9%	4.8%	6.7%	na	5.6%	6.3%	5.8%
	Annual	5.4%	0.7%	6.8%	8.6%	6.0%	12.5%	14.2%	12.1%	13.6%	10.4%	10.8%	13.0%	-0.1%	15.3%	na	4.8%	11.4%	6.2%
	Total return	7.9%	3.6%	11.3%	13.1%	10.8%	18.0%	19.9%	16.7%	18.3%	15.3%	16.6%	18.2%	6.1%	21.4%	n a	8.1%	16.6%	9.7%
	Gross yield	2.7%	2.9%	4.3%	4.3%	4.4%	4.5%	6.2%	4.4%	4.3%	4.1%	5.1%	5.6%	6.1%	4.9%	na	3.3%	4.7%	3.6%
	Median value	$928,028	$736,620	$548,260	$486,555	$505,850	$548,686	$451,408	$727,032	$543,768	$447,539	$429,369	$261,777	$355,525	$366,696	na	$693,936	$448,819	$614,768
Houses	**Houses**																		
	Month	4.3%	2.6%	2.6%	1.6%	1.8%	3.0%	1.9%	3.3%	2.9%	2.6%	2.4%	1.5%	1.5%	2.2%	1.7%	3.1%	2.5%	3.0%
	Quarter	8.2%	5.6%	5.3%	3.5%	5.1%	7.3%	7.0%	6.9%	6.9%	6.9%	6.1%	6.1%	4.5%	6.9%	2.6%	6.5%	6.5%	6.5%
	YTD	8.2%	5.6%	5.3%	3.5%	5.1%	7.3%	7.0%	6.9%	6.9%	6.9%	6.1%	6.1%	4.5%	6.9%	2.6%	6.5%	6.5%	6.5%
	Annual	7.7%	0.4%	7.9%	9.1%	6.3%	12.8%	16.3%	13.9%	14.2%	10.0%	11.2%	13.2%	-0.3%	16.0%	8.4%	6.0%	11.7%	7.4%
	Total return	10.1%	2.9%	12.4%	13.6%	10.9%	18.4%	22.1%	18.3%	19.0%	14.8%	16.9%	18.6%	5.7%	22.7%	16.3%	9.3%	16.8%	10.9%
	Gross yield	2.5%	2.7%	4.1%	4.1%	4.3%	4.4%	5.6%	4.1%	4.2%	4.0%	4.9%	5.6%	6.0%	4.8%	6.4%	3.1%	4.6%	3.4%
	Median value	$1,112,671	$859,097	$607,969	$518,692	$527,833	$584,974	$519,575	$819,707	$563,613	$470,508	$441,901	$267,193	$366,890	$381,136	$441,304	$747,639	$463,917	$643,203
Units	**Units**																		
	Month	2.1%	1.7%	1.0%	0.6%	1.7%	4.9%	3.4%	0.7%	2.3%	2.9%	1.7%	0.1%	3.8%	4.0%	na	1.9%	2.1%	1.9%
	Quarter	3.2%	3.0%	2.4%	0.9%	3.8%	8.6%	2.1%	2.3%	5.1%	7.5%	4.9%	2.6%	9.0%	4.7%	na	3.1%	5.3%	3.4%
	YTD	3.2%	3.0%	2.4%	0.9%	3.8%	8.6%	2.1%	2.3%	5.1%	7.5%	4.9%	2.6%	9.0%	4.7%	na	3.1%	5.3%	3.4%
	Annual	0.2%	0.9%	1.9%	5.1%	4.0%	11.2%	9.8%	5.8%	9.8%	13.4%	9.5%	7.1%	4.3%	9.0%	na	1.1%	9.8%	2.3%
	Total return	3.6%	4.6%	7.1%	10.7%	9.5%	16.6%	15.2%	11.9%	14.7%	18.8%	15.7%	8.2%	11.6%	13.7%	na	4.9%	15.4%	6.3%
	Gross yield	3.3%	3.6%	5.2%	5.3%	5.3%	4.8%	7.3%	5.5%	4.7%	4.7%	5.5%	5.7%	7.5%	5.5%	na	3.7%	5.2%	3.9%
	Median value	$755,360	$593,121	$400,866	$350,244	$385,265	$453,726	$302,820	$485,887	$456,421	$329,398	$397,752	$207,626	$245,712	$287,693	na	$592,154	$389,981	$547,543

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.*

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