

# Hedonic Home Value Index

1 March 2022

**NATIONAL MEDIA RELEASE**  
EMBARGOED UNTIL 10AM AEDT

## CoreLogic: Growth in Australian housing values continues to lose steam as Sydney records first decline in 17 months

**CoreLogic's national Home Value Index (HVI) posted a 0.6% gain in February**, the 17th consecutive monthly increase in the national HVI. While housing values are generally rising, the pace of growth in the national index has trended downwards since April last year. February's growth of 0.6% marks the lowest monthly growth reading since October 2020 and is down from 1.1% in January and a cyclical peak of 2.8% in March 2021.

According to CoreLogic's director of research, Tim Lawless, every capital city and broad 'rest of state' region is now recording a slowing trend in value growth, albeit with significant diversity.

"Sydney and Melbourne have shown the sharpest slowdown, with Sydney (-0.1%) posting the first decline in housing values since September 2020, while Melbourne housing values (0.0%) were unchanged over the month, following similar results in December (-0.1%) and January (+0.2%)," he said.

"Conditions are easing less noticeably across the smaller capitals, especially Brisbane, Adelaide and Hobart, where housing values rose by more than 1% in February. Similarly, regional markets have been somewhat insulated to slowing growth conditions, with five of the six rest-of-state regions continuing to record monthly gains in excess of 1.2%."

**The stronger housing market conditions in Brisbane and Adelaide can be seen in the quarterly growth figures**, with Brisbane housing values rising 7.2% over the past three months to February, while Adelaide is up 6.4% over the same period. At the other end of the capital city growth spectrum, Melbourne values are 0.2% higher over the past three months while Sydney values have risen by 0.8%.

**With the trend in housing values losing pace over the past 11 months, the annual growth trend turned in February.** Nationally,

home values were 20.6% higher over the past 12 months, down from what is likely to be the peak rate of annual growth recorded at 22.4% last month.

**Regional Australia continues to record a substantially higher rate of growth than the capital cities.** Over the past three months, housing values across the combined rest-of-state regions increased at more than three times the speed of housing values across the combined capital cities; 5.7% and 1.8% respectively.

Although the rolling quarterly rate of value growth remains rapid across regional Australia, conditions have eased from a recent peak of 6.4% over the December quarter and is down from a cyclical peak of 6.6% recorded in April last year.

"Regional housing markets aren't immune from the higher cost of debt as fixed-term mortgage rates rise. These markets are also increasingly impacted by worsening affordability constraints as housing prices consistently outpace incomes. However, demographic tailwinds, low inventory levels and ongoing demand for coastal or treechange housing options are continuing to support strong upwards price pressures across regional housing markets," Mr Lawless said.

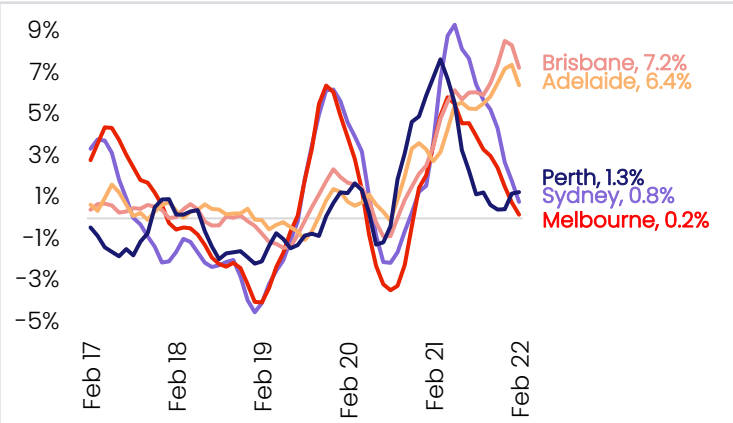
"The slower growth conditions in Australian housing values goes well beyond the rising expectation of interest rate hikes later this year," Mr Lawless noted.

"The pace of growth in housing values started to ease in April last year, when fixed-term mortgage rates began to face upwards pressure, fiscal support was expiring and housing affordability was becoming more stretched. With rising global uncertainty and the potential for weaker consumer sentiment amidst tighter monetary policy settings, the downside risk for housing markets has become more pronounced in recent months," Mr Lawless said.

Index results as at 28 February, 2022

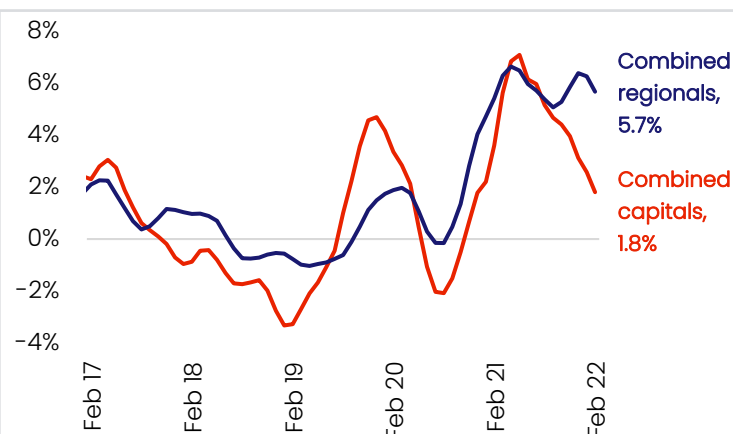
	Change in dwelling values				
	Month	Quarter	Annual	Total return	Median value
<b>Sydney</b>	-0.1%	0.8%	22.4%	25.0%	\$1,116,219
<b>Melbourne</b>	0.0%	0.2%	12.5%	15.4%	\$799,756
<b>Brisbane</b>	1.8%	7.2%	29.7%	34.2%	\$722,433
<b>Adelaide</b>	1.5%	6.4%	25.8%	30.3%	\$593,883
<b>Perth</b>	0.3%	1.3%	8.6%	13.3%	\$535,335
<b>Hobart</b>	1.2%	3.5%	26.0%	31.1%	\$724,366
<b>Darwin</b>	0.4%	1.5%	12.3%	19.4%	\$495,573
<b>Canberra</b>	0.4%	3.1%	23.8%	28.2%	\$909,379
<b>Combined capitals</b>	0.3%	1.8%	19.2%	22.2%	\$808,792
<b>Combined regional</b>	1.6%	5.7%	25.5%	30.5%	\$564,496
<b>National</b>	0.6%	2.7%	20.6%	23.9%	\$728,034

Rolling three month change in dwelling values  
*State capitals*



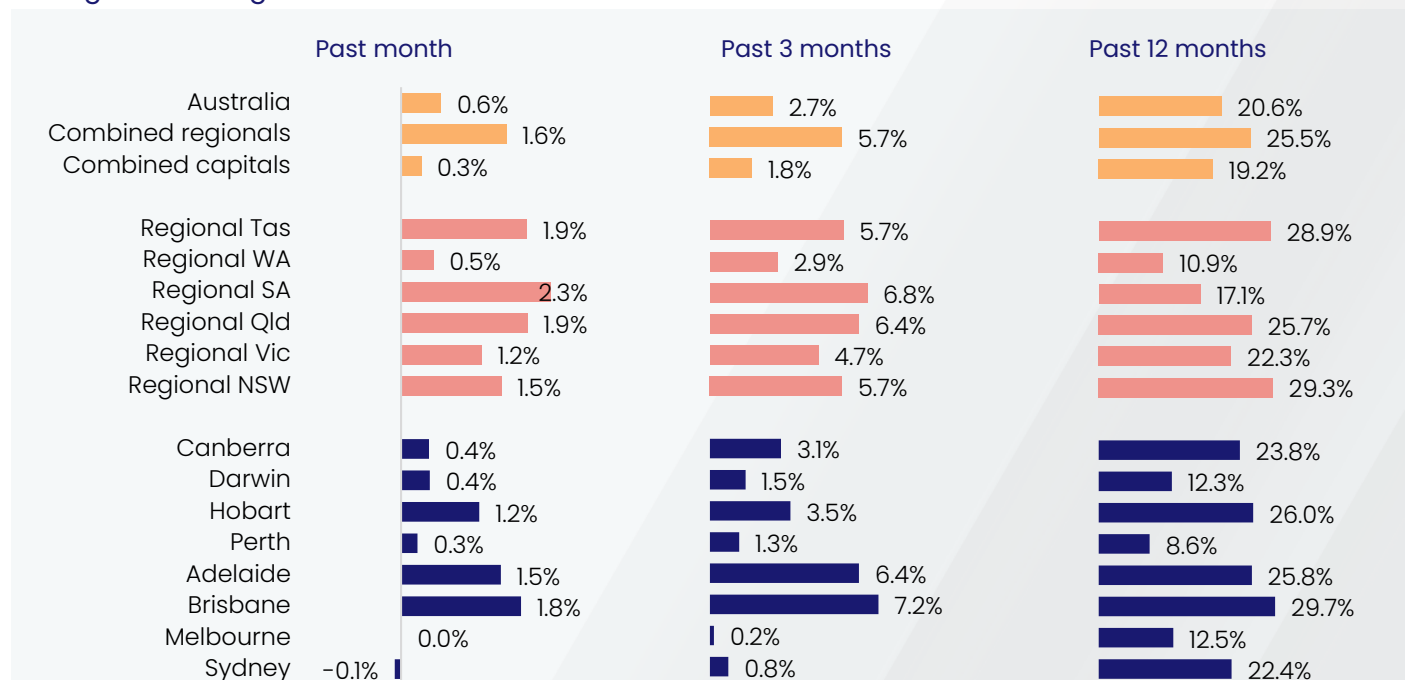
Multi-speed conditions, but every capital city and regional market has seen a reduction in the trend rate of growth

Rolling three month change in dwelling values  
*Combined capitals v Combined regionals*



Region	3 months to Feb '22	Peak rate of growth (3 month)	Month of peak
Sydney	0.8%	9.3%	May 21
Melbourne	0.2%	5.8%	Apr 21
Brisbane	7.2%	8.5%	Dec 21
Adelaide	6.4%	7.4%	Jan 22
Perth	1.3%	7.7%	Mar 21
Hobart	3.5%	8.2%	Jul 21
Darwin	1.5%	7.9%	May 21
ACT	3.1%	7.3%	Aug 21
Regional NSW	5.7%	7.8%	May 21
Regional Vic	4.7%	7.1%	Apr 21
Regional Qld	6.4%	6.7%	Jan 22
Regional SA	6.8%	6.8%	Jan 22
Regional WA	2.9%	7.9%	Jan 21
Regional Tas	5.7%	7.7%	Aug 21
Combined capitals	1.8%	7.1%	May 21
Combined regionals	5.7%	6.6%	Apr 21
Australia	2.7%	7.0%	May 21

Change in dwelling values



## Advertised inventory levels help explain the divergence in housing growth trends.

Nationally, the total number of properties advertised for sale over the four weeks ending 27 February was 13.3% lower than the same period a year ago, demonstrating an ongoing shortage of available housing to purchase, at least at the macro-level. Despite the low total listing count, advertised supply levels are gradually normalising after tracking close to 25% below the prior years' level before spring 2021. While some cities, such as Melbourne and Sydney, have seen advertised stock return to more normal levels, other Australian capitals are continuing to record extremely low inventory.

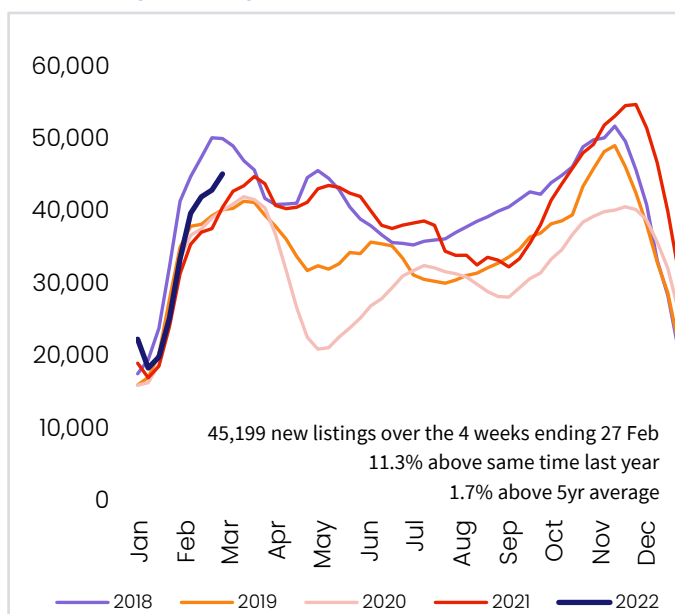
In Melbourne advertised stock levels are now above average, tracking 5.5% higher than a year ago and 4.7% above the previous five-year average. The trend is similar but not quite as advanced in Sydney, with total advertised stock 6.3% higher than last year but still 4.2% below the previous five-year average.

## Mr Lawless said more choice translates to less urgency for buyers and some empowerment at the negotiation table.

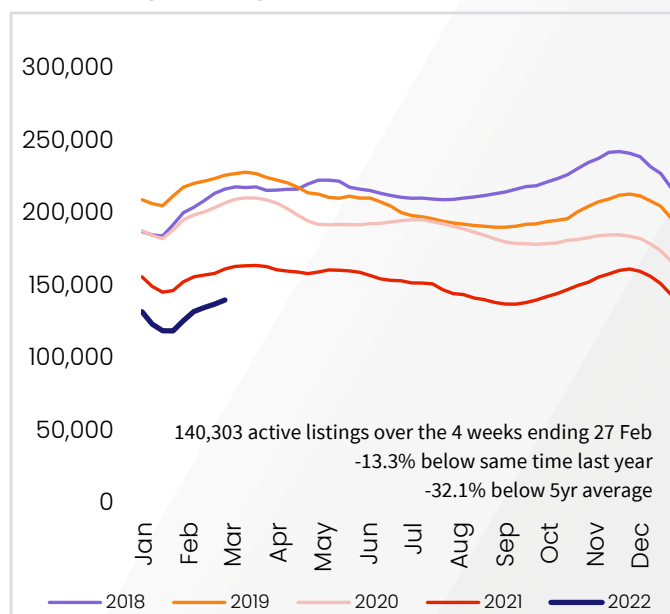
"The cities where housing values are rising more rapidly continue to show a clear lack of available properties to purchase. Total listings across Brisbane and Adelaide remain more than 20% lower than a year ago and more than 40% below the previous five-year average. Similarly, the combined rest-of-state markets continue to see low advertised supply, 24.9% below last year and almost 45% below the five-year average," he said.

The trend towards higher overall stock levels in some cities can be attributed to a combination of more *newly* listed properties coming to market coupled with a softening in demand caused by worsening affordability, higher mortgage rates and lower levels of housing-related sentiment. The flow of newly listed properties was 11.3% higher than a year ago in February and 1.7% above the previous five-year average.

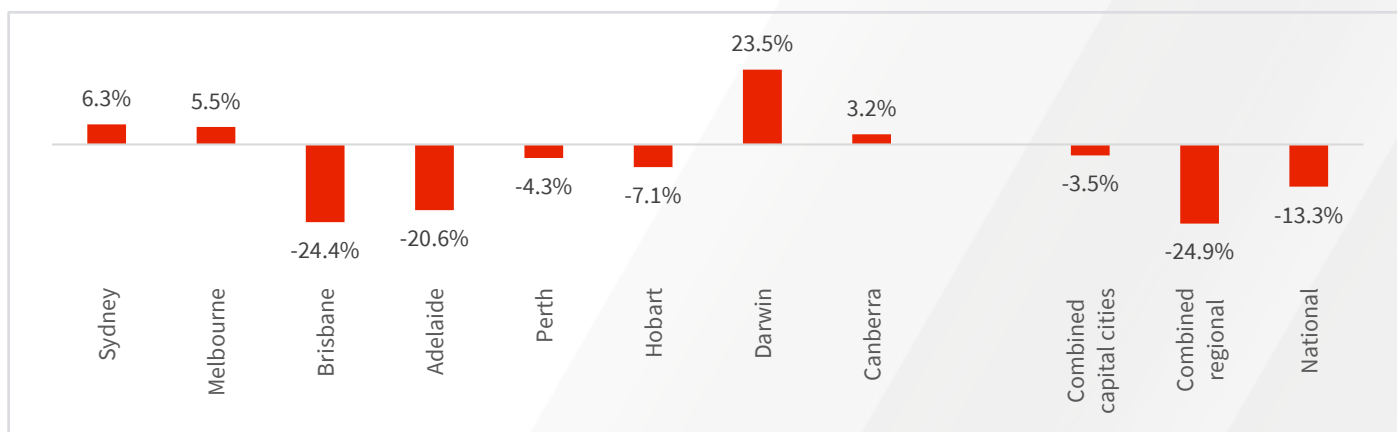
New listings, rolling 28 day count, national



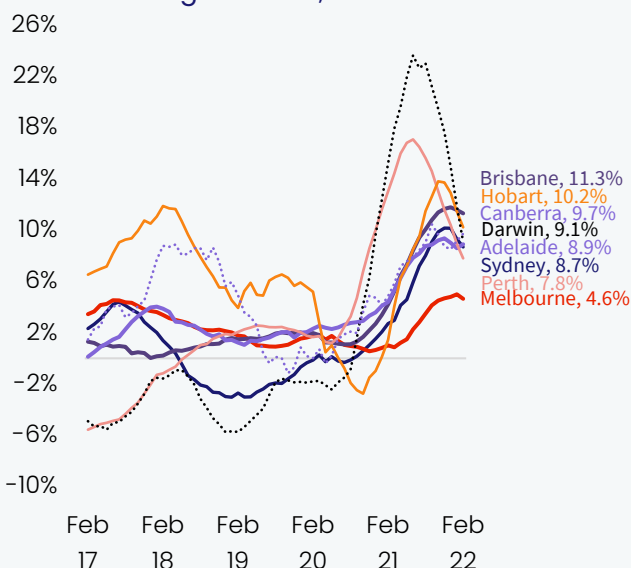
Total listings, rolling 28 day count, national



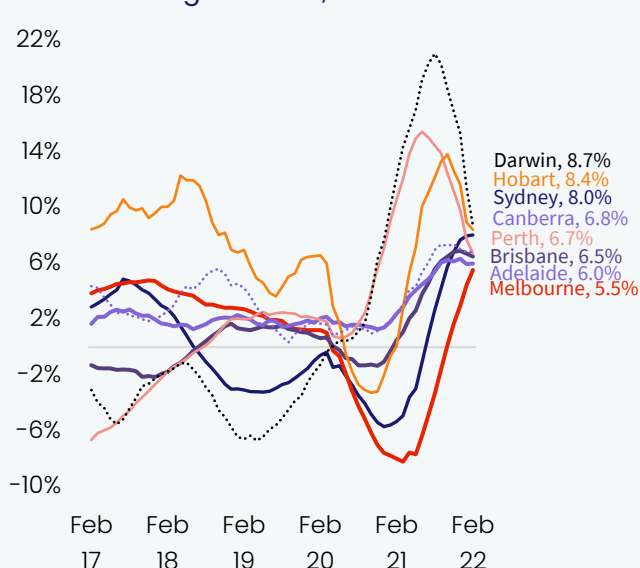
Annual change in total advertised supply



## Annual change in rents, Houses



## Annual change in rents, Units



**The pace of rental growth has shown a subtle rebound over the past two months**, which can partially be attributed to the seasonal strength in rental markets through the first quarter of the year. Nationally, CoreLogic's rental value index, which utilises a hedonic regression methodology similar to the HVI, was up 0.8% in February, holding firm from January (0.8%) and up from the 0.6% growth recorded in December.

**The February rise in rents was focused within the unit market** with the national unit rental index up 0.9% over the month and 2.4% higher over the rolling quarter compared to +0.7% and 2.0% for houses respectfully.

According to Mr Lawless, this stronger trend in unit rents is most visible in Sydney and Melbourne.

"Anecdotally, demand for unit rentals in these cities has been bolstered by a combination of worsening rental affordability deflecting more demand towards the higher density sector, where rents tend to be lower, and demand starting to return from overseas arrivals," he said.

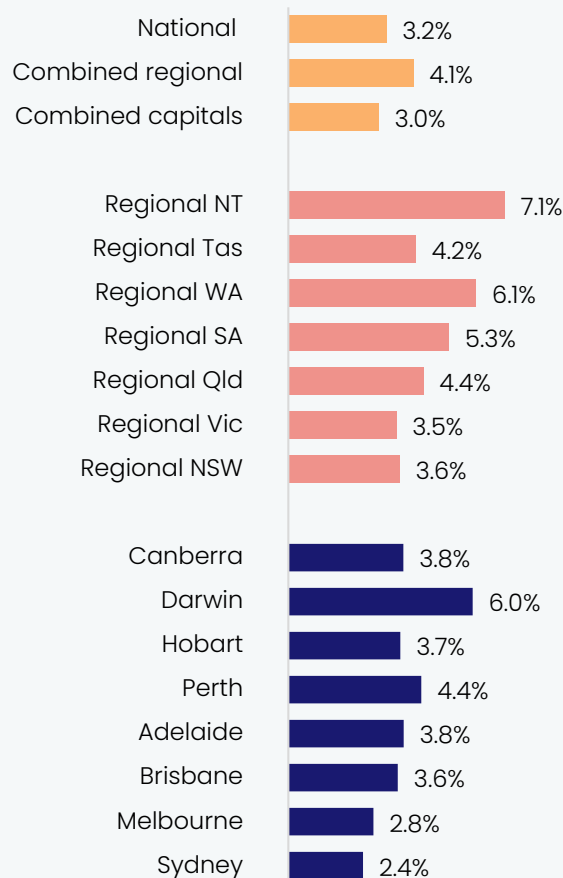
**With the pace of growth in housing values softening while rental growth holds reasonably firm, the gross yield profile has finally stabilised at 3.2%**, the lowest rate on record. Sydney (2.4%) and Melbourne (2.8%), which have the lowest yield profiles, recorded a slight strengthening in gross yields this month, as rental growth nudges higher than growth in housing values.

**According to Mr Lawless, we could be seeing rental yields moving through the bottom of their cycle.**

"After several years of yield compression where gross rental yields reached historic lows across most of Australia's capital cities, we are finally seeing early evidence of yield repair. If rents continue to rise faster than housing values, which is a strong possibility in Sydney and Melbourne, yields will continue to improve.

"Cities such as Brisbane and Adelaide, where housing values are still consistently rising faster than rents, are likely to see yields compress to new record lows. Despite the downwards trend, yields in these cities remain well above Sydney and Melbourne levels," Mr Lawless said.

## Gross rental yields, dwellings





Since the onset of the pandemic in March 2020 Australian housing values have risen by 24.6% adding, on average, roughly \$144,000 to the value of an Australian dwelling. Such a high rate of capital gain in a period of low income growth can be explained by many factors, including:

- record low interest rates
- improved affordability following the 2017-2019 reduction in housing values
- higher levels of housing sentiment
- a surge in household savings amid lockdowns
- an imbalance between demand and supply
- fiscal policies that supported or incentivised housing activity

Each of these factors are losing their potency to drive housing values higher.

**Fixed-term mortgage rates have been trending higher since early 2021**, with the upwards trend sharpening through the December quarter last year. Variable mortgage rates are set to rise in line with the cash rate, probably later this year, which is likely to weigh on borrowing decisions.

**While mortgage rates are expected to remain well below average for an extended period of time, households are likely to be more sensitive to a higher cost of debt, considering housing debt ratios are at record levels.**

**Housing affordability has been eroded** by the high rate of growth in dwelling values alongside low income growth. Between March 2020 and December 2021 wages increased 3.3% compared to the 22.6% lift seen in housing values. Not only does worsening affordability restrict access to the housing market, especially first home buyers, it also erodes housing sentiment.

Westpac and the Melbourne Institute's February consumer sentiment reading showed the 'time to buy a dwelling' index was 35.7% below the high point recorded in November 2020, reflecting a mix of affordability challenges and rising mortgage rates. More broadly, consumer sentiment could be further negatively impacted by Russia's invasion of Ukraine, triggering a new wave of global uncertainty.

Despite these factors, the rollout of vaccinations and significant easing in social distancing restrictions is seeing increased foot traffic in cities like Sydney and Melbourne. As Australians cautiously emerge from social distancing, there is likely to be a shift in household spending and a slowdown in savings that may have gone towards a deposit.

**The balance of housing supply and demand** is also normalising. This trend is most advanced in Melbourne, where total listings are now above average, but also Sydney where listings are approaching average levels.

**While the downside risks to housing are growing, there are some upsides that should help to insulate the market from a sudden downturn.**

**Open borders, both domestically and internationally, should support housing demand.** While a return of overseas travel is not expected to boost home buying demand immediately, we are expecting stronger rental demand in key areas such as inner city precincts popular with foreign visitors and students. A lift in long term/permanent migration should provide a gradual boost to purchasing demand over time.

**Improving economic conditions and higher wages growth** should also help to keep a floor under housing demand and distressed property sales to a minimum.

## 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	<b>All Dwellings</b>																	
	Month	-0.1%	0.0%	1.8%	1.5%	0.3%	1.2%	0.4%	1.5%	1.2%	1.9%	2.3%	0.5%	1.9%	na	0.3%	1.6%	0.6%
	Quarter	0.8%	0.2%	7.2%	6.4%	1.3%	3.5%	1.5%	5.7%	4.7%	6.4%	6.8%	2.9%	5.7%	na	1.8%	5.7%	2.7%
	YTD	0.5%	0.2%	4.2%	3.8%	0.9%	2.4%	0.9%	3.3%	2.8%	3.9%	4.5%	1.7%	3.8%	na	1.2%	3.4%	1.7%
	Annual	22.4%	12.5%	29.7%	25.8%	8.6%	26.0%	12.3%	29.3%	22.3%	25.7%	17.1%	10.9%	28.9%	na	19.2%	25.5%	20.6%
	Total return	25.0%	15.4%	34.2%	30.3%	13.3%	31.1%	19.4%	33.4%	26.6%	31.9%	24.8%	17.6%	35.4%	na	22.2%	30.5%	23.9%
	Gross yield	2.4%	2.8%	3.6%	3.8%	4.4%	3.7%	6.0%	3.6%	3.5%	4.4%	5.3%	6.1%	4.2%	na	3.0%	4.1%	3.2%
Houses	Median value	\$1,116,219	\$799,756	\$722,433	\$593,883	\$535,335	\$724,366	\$495,573	\$714,900	\$572,958	\$519,824	\$308,688	\$388,029	\$507,282	na	\$808,792	\$564,496	\$728,034
	<b>Houses</b>																	
	Month	0.0%	0.0%	1.9%	1.6%	0.3%	1.5%	1.2%	1.6%	1.3%	1.8%	2.4%	0.6%	2.2%	-1.5%	0.4%	1.6%	0.7%
	Quarter	1.2%	0.3%	7.7%	6.7%	1.4%	4.0%	1.4%	6.0%	4.6%	6.7%	7.2%	3.0%	6.0%	1.7%	2.3%	5.9%	3.2%
	YTD	0.8%	0.5%	4.5%	3.9%	1.0%	2.9%	1.2%	3.4%	2.9%	4.0%	4.7%	1.7%	4.2%	0.3%	1.5%	3.5%	2.0%
	Annual	26.0%	15.0%	32.8%	28.3%	8.7%	25.1%	8.3%	30.2%	22.3%	26.1%	17.5%	11.4%	28.8%	8.3%	21.8%	25.9%	22.9%
	Total return	28.6%	18.0%	37.7%	33.2%	13.2%	30.1%	14.1%	34.2%	26.5%	32.4%	25.4%	17.9%	35.4%	15.9%	24.9%	30.7%	26.2%
Units	Gross yield	2.2%	2.4%	3.3%	3.6%	4.2%	3.6%	5.6%	3.6%	3.4%	4.3%	5.2%	6.0%	4.1%	7.1%	2.8%	4.0%	3.1%
	Median value	\$1,410,128	\$998,356	\$828,175	\$648,418	\$559,837	\$781,069	\$569,928	\$748,663	\$608,186	\$523,939	\$317,089	\$402,039	\$530,309	\$444,122	\$913,759	\$585,709	\$791,412
	<b>Units</b>																	
	Month	-0.3%	0.1%	1.5%	1.4%	0.1%	-0.3%	-1.0%	1.1%	0.9%	2.4%	1.2%	-0.8%	-0.4%	na	0.1%	1.6%	0.3%
	Quarter	-0.3%	-0.1%	4.5%	4.3%	0.1%	1.2%	1.8%	3.5%	4.8%	5.3%	-0.9%	1.3%	3.7%	na	0.4%	4.5%	1.0%
	YTD	-0.1%	-0.4%	2.9%	2.8%	0.1%	0.1%	0.4%	2.4%	2.5%	3.6%	0.0%	1.7%	-0.2%	na	0.2%	2.9%	0.6%
	Annual	13.7%	7.0%	14.4%	10.5%	7.7%	29.5%	20.9%	23.6%	22.3%	24.5%	10.6%	2.4%	29.4%	na	11.5%	23.4%	13.2%
	Total return	17.3%	10.5%	20.0%	16.3%	13.5%	35.4%	29.5%	29.0%	27.7%	30.7%	16.3%	11.6%	35.5%	na	15.4%	29.3%	17.4%
	Gross yield	3.1%	3.6%	4.7%	4.9%	5.4%	4.0%	6.8%	4.1%	4.1%	4.8%	6.2%	7.9%	4.7%	na	3.6%	4.6%	3.7%
	Median value	\$831,793	\$626,042	\$468,393	\$399,213	\$401,859	\$566,119	\$363,820	\$571,026	\$408,914	\$510,630	\$236,498	\$255,898	\$391,313	na	\$639,666	\$490,907	\$609,759

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.*