

National Media Release

CoreLogic Hedonic Home Value Index, February 2017 Results

Released: March 1, 2017

Annual capital city growth trend reaches new high

Capital city dwelling values rose a further 1.4% in February, with Sydney continuing as the overall capital gains leader.

The monthly CoreLogic Hedonic Home Value Index reported a further rise in the value of capital city dwellings in February, with values rising 1.4% over the month. The strong capital gain over February was led by Canberra (+3.2%) and Sydney (+2.6%), with Melbourne (+1.5%) and Hobart (+1.0%) also returning significant increases. In contrast, dwelling values were down over the month across Darwin (-4.3%), Perth (-2.4%) and Brisbane (-0.4%).

Growth conditions have accelerated since mid-2016

CoreLogic head of research Tim Lawless said, "At a combined capital city level, growth conditions have been rebounding since the middle of last year when, on two separate occasions, interest rates were cut, and investor demand commenced trending higher."

"Prior to capital gains accelerating half way through last year, the growth trend had been moderating, reaching a cyclical low point over the twelve months ended July 2016 when the annual change in capital city dwelling values slowed to 6.1%."

A new cyclical high for annual growth rates

According to Mr Lawless, the February results mark a new high point in the current growth cycle, with capital city dwelling values increasing by 11.7% over the past twelve months.

He said, "The annual growth rate across the combined capitals hasn't been this strong since the twelve months ending June 2010.

"In Sydney, where the annual rate of growth is now 18.4%, this is the highest annual growth rate since the twelve months ending December 2002 when the housing boom of the early 2000's started to slow."

The current growth cycle is approaching 5 years in duration

The latest CoreLogic results take the current housing growth cycle into its 58th month. Since capital city dwelling values started to rise in June 2012, capital city dwelling values have increased by a cumulative 47.3%, ranging from a 74.9% capital gain in Sydney, to a net rise of 6.0% in Perth.

Sydney, and to a lesser extent, Melbourne, have remained at the top of the capital gain tables over the past two cycles. Since the beginning of 2009, Sydney dwelling values have more than doubled, rising by 104.5% while Melbourne values are 87.7% higher. The next best performing capital city over the same period was Canberra where dwelling values have risen by a comparatively modest 37.4%.

High capital gains: good news for home owners but a growing challenge for prospective buyers

Mr Lawless said, "The strong growth conditions across Sydney have provided a substantial wealth boost for home owners, however, the flipside is that housing costs are becoming increasingly out of reach. This is especially true for price-sensitive segments of the market such as first time buyers and low income families."

"Affordability challenges are most pronounced across the Sydney housing market where, based on September 2016 data, dwelling prices are almost 8.5 times higher than gross household incomes. The second most expensive capital city, Melbourne, has a dwelling price to income ratio of 7.1."

Index results as at February 28, 2017

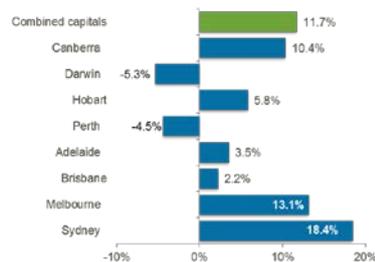
Region	Change in dwelling values			Total gross returns	Median dwelling price
	Month	Qtr	YOY		
Sydney	2.6%	4.5%	18.4%	22.1%	\$795,000
Melbourne	1.5%	5.5%	13.1%	16.5%	\$610,000
Brisbane	-0.4%	0.4%	2.2%	6.7%	\$485,000
Adelaide	0.6%	-0.9%	3.5%	7.8%	\$435,000
Perth	-2.4%	-0.9%	-4.5%	-0.8%	\$477,000
Hobart	1.0%	5.8%	5.8%	11.5%	\$374,000
Darwin	-4.3%	-6.0%	-5.3%	-0.6%	\$499,500
Canberra	3.2%	3.3%	10.4%	15.0%	\$575,500
Combined capitals	1.4%	3.6%	11.7%	15.4%	\$570,000
Rest of State*	0.6%	1.1%	3.3%		\$380,000

* Rest of state change in values are for houses only to end of January 2017

Highlights over the three months to February 2017

- **Best performing capital city: Hobart +5.8%**
- **Weakest performing capital city: Darwin -6.0%**
- **Highest rental yields: Darwin with gross rental yield of 5.1% and Hobart Units at 6.0%**
- **Lowest rental yields: Melbourne houses with gross rental yield of 2.7% and Sydney units at 3.7%**
- **Most expensive city: Sydney with a median dwelling price of \$795,000**
- **Most affordable city: Hobart with a median dwelling price of \$374,000**

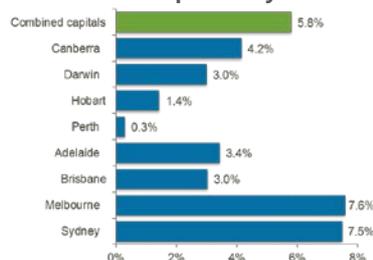
Change in dwelling values over past twelve months



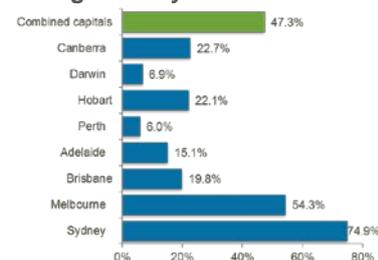
Cumulative change in dwelling values from Jan 2009 to current (Post GFC growth)



Annual change in dwelling values over past 10 years



Change in dwelling values over growth cycle to date



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CoreLogic Hedonic Home Value Index Results

Strong headline results mask weak housing market conditions in some areas

In contrast, the February results show that the cities with greater exposure to the mining downturn have continued to record weak housing market results. Dwelling values slipped lower in Perth and Darwin over the month, taking the cumulative decline in values since these markets peaked in 2014 to 10.0% and 11.5% respectively. Brisbane also recorded a fall in dwelling values over the month, however values have been slowly trending higher despite the negative monthly result.

As a consequence, housing affordability has shown a marked improvement in these regions, with the dwelling price to income ratio tracking at 5.7 in Brisbane, 5.5 in Perth and 4.5 in Darwin based on September 2016 data.

Rental markets remain soft which is resulting in rental yields slipping to new record lows

While dwelling values continued to rise, weekly rents remained comparatively soft. As a result, downward pressure has been placed on rental yields. The average dwelling yield across the combined capital cities fell to 3.2% over the month, which is a new record low. Five years ago, the average capital city yield was a full percentage point higher at 4.2%.

Sydney has shown the most significant compression in rental yields over the past five years, with the average gross yield reducing by 150 basis points to reach 2.9% (2.7% for houses and 3.7% for units).

Despite low yields, investors remain a large component of market demand

Mr Lawless said, "Despite the record low rental yields on offer, investor demand remains high, suggesting investors are likely to be relying on a negative gearing strategy to compensate for their cash flow losses. It also indicates that investors are speculating on future capital gains."

"The latest housing finance data from the Australian Bureau of Statistics indicates that investors comprise approximately 57% of new mortgage demand across New South Wales (excluding refinanced loans). This is substantially higher than the long run average, which is slightly above one third."

Many factors corroborate the strong growth conditions and regional diversity

Commenting overall on the February results, Mr Lawless said, "The renewed strength in the housing market is corroborated by a range of other data points such as auction results, low advertised stock levels and rapid selling times."

According to CoreLogic auction results, 2017 began on a very strong footing with capital city clearance rates generally tracking in the high 70% to mid-80% range from week to week. The results of 'Super Saturday' last week saw an unprecedented number of auctions for February; clearance rates reached a new high for 2017 despite the large number of auctions held.

Advertised listing numbers remain low across the hottest housing markets, with total residential advertised listings in Sydney tracking 11.3% lower than the same period a year ago, Melbourne total listings are 5.1% lower than last year, Hobart listings are down by 35% and Canberra advertised stock levels are 6.2% lower than a year ago.

Mr Lawless said, "Low levels of advertised stock for sale at a time when buyer demand remains strong is creating a sense of urgency among buyers, which is adding to the upward pressure on prices. This helps to explain why clearance rates are so high, and private treaty sales are so rapid across the strongest markets."

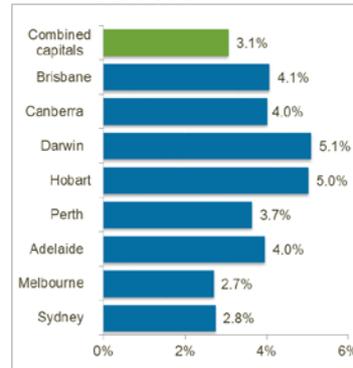
Strong growth conditions are likely to moderate later this year

"Overall, the latest results from the CoreLogic Hedonic Index highlights the performance diversity across Australia's housing market. The continuation of the capital gains rebound is likely to create further discomfort among policy makers, particularly in light of the growing debate around affordability and the high level of demand from investors."

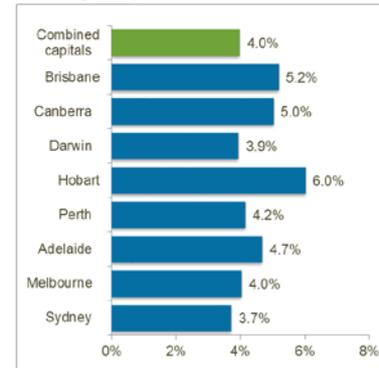
"I remain of the view that housing market conditions will moderate during 2017 due to affordability constraints impacting on housing demand, as well as higher supply levels and an eventual slowing of investment demand brought about either through changed policies from Australian lenders or via regulatory changes aimed at slowing credit growth across the investment sector."

Gross rental yields, houses and units

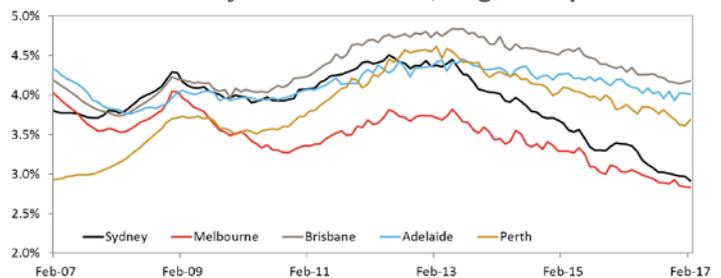
Houses



Units



Gross rental yields over time, largest capital cities



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CoreLogic Home Value Index tables

Capital Growth to 28 February 2017	Sydney	Melbourne	Brisbane - Gold Coast	Adelaide	Perth	Australia 5 Capitals (ASX)	Hobart	Darwin	Canberra	Brisbane	Australia 8 Capitals
Table 1A: All Dwellings											
Month	2.6%	1.5%	-0.1%	0.6%	-2.4%	1.4%	1.0%	-4.3%	3.2%	-0.4%	1.4%
Quarter	4.5%	5.5%	0.7%	-0.9%	-0.9%	3.6%	5.8%	-6.0%	3.3%	0.4%	3.6%
Year-to-Date	3.6%	2.3%	0.1%	1.2%	-2.2%	2.1%	2.4%	-5.9%	3.6%	-0.2%	2.1%
Year-on-Year	18.4%	13.1%	3.5%	3.5%	-4.5%	11.7%	5.8%	-5.3%	10.4%	2.2%	11.7%
Total Return Year-on-Year	22.1%	16.5%	8.0%	7.8%	-0.8%	15.5%	11.5%	-0.6%	15.0%	6.7%	15.4%
<i>Median price* based on settled sales over quarter</i>	\$795,000	\$610,000	\$495,000	\$435,000	\$477,000	\$570,000	\$374,000	\$499,500	\$575,500	\$485,000	\$570,000
Table 1B: Houses											
Month	2.7%	1.5%	0.0%	0.6%	-2.4%	1.4%	1.3%	-1.7%	3.4%	-0.4%	1.5%
Quarter	4.6%	5.7%	0.7%	-0.9%	-0.8%	3.6%	6.8%	-5.2%	3.3%	0.4%	3.7%
Year-to-Date	3.3%	2.3%	0.2%	1.2%	-2.3%	1.9%	3.1%	-5.0%	3.6%	-0.2%	2.0%
Year-on-Year	19.1%	14.2%	3.8%	3.7%	-4.4%	12.1%	6.6%	-6.0%	10.5%	2.7%	12.0%
Total Return Year-on-Year	22.6%	17.5%	8.3%	7.9%	-0.8%	15.7%	12.2%	-1.1%	15.0%	7.0%	15.7%
<i>Median price* based on settled sales over quarter</i>	\$895,000	\$680,000	\$535,000	\$455,000	\$500,000	\$600,000	\$383,800	\$530,000	\$635,000	\$520,000	\$600,000
Table 1C: Units											
Month	1.8%	0.7%	-0.3%	0.8%	-2.8%	1.1%	-2.4%	-13.7%	1.7%	-0.4%	1.0%
Quarter	4.0%	3.3%	0.6%	-1.1%	-1.9%	3.0%	-3.4%	-9.2%	3.5%	-0.3%	2.9%
Year-to-Date	4.9%	2.0%	-0.8%	1.0%	-0.9%	3.2%	-4.5%	-9.8%	3.5%	-0.5%	3.2%
Year-on-Year	15.4%	3.3%	0.1%	0.9%	-5.0%	9.2%	-1.4%	-2.3%	8.8%	-2.1%	9.2%
Total Return Year-on-Year	20.0%	7.6%	5.6%	5.7%	-0.9%	13.8%	4.2%	1.9%	14.5%	3.2%	13.8%
<i>Median price* based on settled sales over quarter</i>	\$685,000	\$480,000	\$392,000	\$356,000	\$400,000	\$486,500	\$312,500	\$402,500	\$405,000	\$386,000	\$495,000
Table 1D: Rental Yield Results											
Houses	2.8%	2.7%	4.1%	4.0%	3.7%	3.1%	5.0%	5.1%	4.0%	4.1%	3.1%
Units	3.7%	4.0%	5.3%	4.7%	4.2%	4.0%	6.0%	3.9%	5.0%	5.2%	4.0%

The indices in grey shading have been designed for trading environments in partnership with the Australian Securities Exchange (www.asx.com.au). Indices under blue shading (Hobart, Darwin, Canberra, Brisbane and the 8 capital city aggregate) are calculated under the same methodology however are not currently planned to be part of the trading environment.

*The median price is the middle price of all settled sales over the three months to the end of the final month. Median prices are provided as an indicator of what price a typical home sold for over the most recent quarter. The median price has no direct relationship with the CoreLogic Hedonic Index value. The change in the Index value over time reflects the underlying capital growth rates generated by residential property in the relevant region.

The CoreLogic Hedonic Index growth rates are not ordinarily influenced by capital expenditure on homes, compositional changes in the types of properties being transacted, or variations in the type and quality of new homes manufactured over time. The CoreLogic 'index values' are not, therefore, the same as the 'median price' sold during a given period. See the methodology below for further details.

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 comprising the index into its various formational and locational attributes, differing observed sales values for each property can be separated into those associated with varying attributes and those resulting from changes in the underlying residential property market. Also, 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 stock of residential property comprising an index can be accurately tracked through time. CoreLogic owns and maintains Australia's largest property related database in Australia 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. For detailed methodological information please visit www.corelogic.com.au

Recent updates to the CoreLogic Hedonic Home Value Index – April/May 2016

CoreLogic's periodic audits of analytic methods and algorithms identified an improvement to the Hedonic Index sampling methodology in early 2016 which was applied throughout April. CoreLogic implemented a dynamic mechanism for excluding extreme (outlier) transactions. After rigorous back testing and validation, it was determined that dynamic price filters would deliver a more robust and precise output. As a result of these changes, the CoreLogic Hedonic Index recorded higher than normal intra-month volatility in the capital city index readings throughout April and May. This improvement will ensure that the Hedonic Home Value Index will continue to represent the timeliest and most precise measurement of housing market conditions available.

For more information on the CoreLogic Indices, please go to <http://www.corelogic.com.au>

About CoreLogic CoreLogic Australia is a wholly owned subsidiary of CoreLogic (NYSE: CLGX), which is the largest property data and analytics company in the world. CoreLogic provides property information, analytics and services across Australia, New Zealand and Asia, and recently expanded its service offering through the purchase of project activity and building cost information provider Cordell. With Australia's most comprehensive property databases, the company's combined data offering is derived from public, contributory and proprietary sources and includes over 500 million decision points spanning over three decades of collection, providing detailed coverage of property and other encumbrances such as tenancy, location, hazard risk and related performance information.

With over 20,000 customers and 150,000 end users, CoreLogic is the leading provider of property data, analytics and related services to consumers, investors, real estate, mortgage, finance, banking, building services, insurance, developers, wealth management and government. CoreLogic delivers value to clients through unique data, analytics, workflow technology, advisory and geo spatial services. Clients rely on CoreLogic to help identify and manage growth opportunities, improve performance and mitigate risk. CoreLogic employs over 650 people across Australia and in New Zealand. For more information call 1300 734 318 or visit www.corelogic.com.au