

# National Media Release

## RP Data-Rismark March Hedonic Home Value Index Results

Released: Tuesday 1 April, 2014

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### Strong end to first quarter of 2014

Capital city dwelling values post 2.3% jump over the month of March with every capital city recording a month-on-month rise in dwelling values.

After a flat February result, the RP Data – Rismark Home Value Index finished the March quarter in a strong fashion with dwelling values rising 2.3 per cent over the month to post a 3.5 per cent capital gain over the first quarter of the year.

Apart from Perth, every capital city recorded a rise in dwelling values over the past three months. Melbourne posted the highest level of growth at 5.4 per cent over the quarter with Sydney and Hobart also recording a strong result in the March quarter with values up 4.4 per cent and 4.7 per cent respectively.

According to RP Data research director Tim Lawless, half of all Australia’s capital cities are now posting record high dwelling values, with Sydney’s housing market showing the most substantial increase beyond its previous market high.

“Sydney dwelling values are now 15.8 per cent higher than their previous peak, substantially more than Melbourne where dwelling values are 4.7 percent higher than their previous peak. Perth and Canberra values have risen to be 2.9 and 1.2 per cent higher than their previous high point, respectively,” Mr Lawless said.

Based on today’s RP Data Rismark results, dwelling values have risen by a cumulative 15.8 per cent since the growth cycle commenced in June 2012. Mr Lawless noted that a majority of this growth has occurred since June last year.

“Dwelling values increased by just 2.9 per cent over the first twelve months of the cycle, however, since last June, values are up by close to 13 per cent. Over the long term, I don’t believe such a strong pace of growth can be sustained - we expect housing market conditions to cool down as the year progresses. If the pace of capital gains doesn’t slow, we may see higher interest rates realised much earlier than previously expected,” Mr Lawless said.

Rismark’s managing director, Ben Skilbeck pointed out that seasonality is likely to be having a positive influence on the latest monthly result. “March and September have a history of being comparatively strong seasonal months for dwelling value changes. As such, there should be little surprise that, in the presence of high auction clearance rates and in the absence of any major economic changes, the March month delivered materially stronger performance than the flat February result.”

### Index results as at March 31, 2014

Region	Change in dwelling values			Total gross returns	Median dwelling price
	Month	Qtr	YOY		
Sydney	2.8%	4.4%	15.6%	20.5%	\$630,000
Melbourne	2.3%	5.4%	11.6%	15.7%	\$515,000
Brisbane	2.9%	1.5%	4.8%	9.8%	\$435,000
Adelaide	1.4%	1.2%	4.6%	9.2%	\$390,000
Perth	0.6%	-0.6%	4.7%	9.4%	\$515,000
Hobart	1.2%	4.7%	0.9%	6.3%	\$338,000
Darwin	3.3%	2.8%	3.8%	10.4%	\$547,000
Canberra	2.2%	2.0%	1.7%	6.4%	\$526,000
Combined capitals	2.3%	3.5%	10.6%	15.2%	\$510,000
Rest of state*	0.9%	2.2%	4.5%		\$347,500

\* Rest of state change in values are for houses only to end of February

### Highlights over the three months to March 2014

**Best performing capital city: Melbourne +5.4 per cent**

**Weakest performing capital city: Perth, -0.6 per cent**

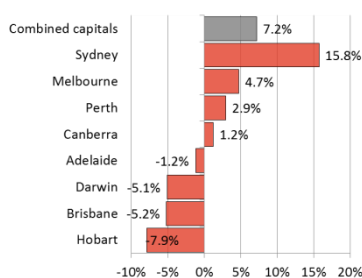
**Highest rental yields: Darwin houses** with gross rental yield of 5.9 per cent and **Darwin Units** at 6.2 per cent

**Lowest rental yields: Melbourne houses** with gross rental yield of 3.3 per cent and **Melbourne units** at 4.1 per cent

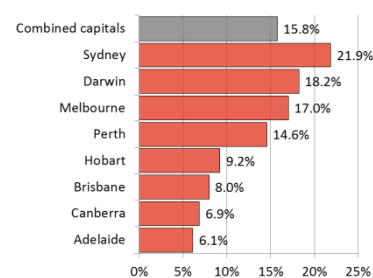
**Most expensive city: Sydney** with a median dwelling price of \$630,000

**Most affordable city: Hobart** with a median dwelling price of \$338,000

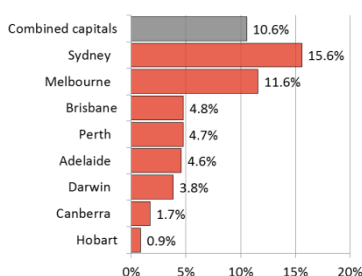
### Change in dwelling values from previous market peak to March 2014



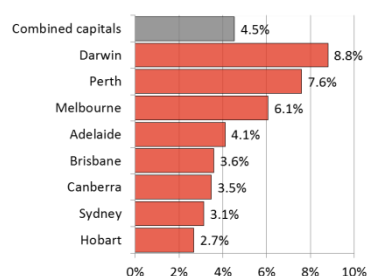
### Change in dwelling values from market trough to March 2014



### Change in dwelling values over past twelve months



### Annual change in dwelling values over past 10 years



# National Media Release (Cont'd)

Mr Skilbeck said that Brisbane's performance is worthy of note. "Given this market remains 5.2 per cent below its previous peak and has one of the best rental yields of the capital cities, we've been looking for the commencement of relative outperformance, in particular compared to Melbourne. With Brisbane dwelling values up 2.9 per cent for the month ended 31 March 2014, it now looks like the 2.0 per cent fall in February was representative of natural market volatility as opposed to being indicative of a downward trend," he said.

RP Data's Tim Lawless agreed and said that Brisbane is likely to be the market to watch.

"Compared with the other major capitals, Brisbane dwelling values have recorded a much softer performance despite a lift in buyer numbers and the strong yield scenario."

Looking at the performance of the housing market across broad price segments, the premium market remains as the best performer. After posting a more substantial correction, dwelling values across the most expensive quarter of the market were up 7.2 per cent over the past six months while the lower priced quarter of the market saw values lift by a lower 4.9 per cent over the past six months.

Rental yields continued to taper over the month with the typical capital city house providing a gross yield of just 3.8 per cent and units showing a higher 4.6 per cent gross yield.

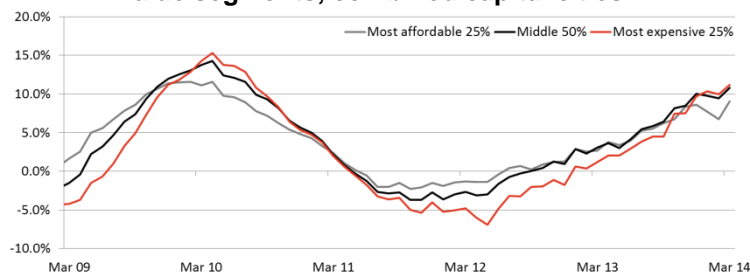
According to Mr Lawless, gross rental yields have been falling since June 2013 when the pace of dwelling value growth picked up substantially. While capital city home values are up 12.5 per cent since May last year, weekly rents have increased by just 1.8 per cent.

"The bi-product of this disconnection in growth rates is that yields have been eroded consistently lower. The situation is worse in Sydney and Melbourne. Since May last year Sydney home values are up 17.3 per cent while rents have moved by only 3.5 per cent. Similarly in Melbourne, since May last year dwelling values have risen by 14.6 per cent while rents have crept only 1.5 per cent higher. Melbourne and Sydney are showing the lowest gross yields of any capital city at just 3.3 per cent and 3.8 per cent gross respectively," he said.

Media enquiries contact:

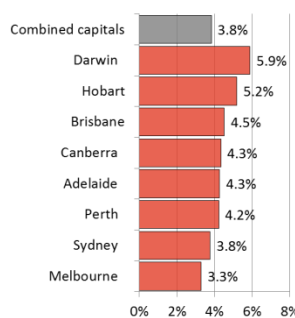
Mitch Koper, RP Data national communications manager – 07 3114 9879 or [media@rpdata.com](mailto:media@rpdata.com)

## Rolling annual change in dwelling values across broad value segments, combined capital cities

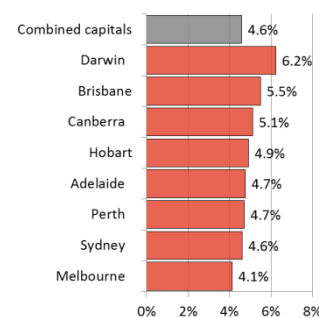


## Gross rental yields

### Houses



### Units



**Table 1: RP Data-Rismark Daily Home Value Index Results (Actual Results)**

Capital Growth to 31 March 2014	Sydney	Melbourne	Brisbane - Gold Coast	Adelaide	Perth	Australia 5 Capitals (ASX)	Hobart	Darwin	Canberra	Brisbane	Australia 8 Capitals
<b>Table 1A: All Dwellings</b>											
Month	2.8%	2.3%	2.7%	1.4%	0.6%	2.3%	1.2%	3.3%	2.2%	2.9%	2.3%
Quarter	4.4%	5.4%	1.9%	1.2%	-0.6%	3.5%	4.7%	2.8%	2.0%	1.5%	3.5%
Year-to-Date	4.4%	5.4%	1.9%	1.2%	-0.6%	3.5%	4.7%	2.8%	2.0%	1.5%	3.5%
Year-on-Year	15.6%	11.6%	5.0%	4.6%	4.7%	10.8%	0.9%	3.8%	1.7%	4.8%	10.6%
Total Return Year-on-Year	20.5%	15.7%	10.1%	9.2%	9.4%	15.5%	6.3%	10.4%	6.4%	9.8%	15.2%
Median price* based on settled sales over quarter	\$630,000	\$515,000	\$435,000	\$390,000	\$515,000	\$505,000	\$338,000	\$547,000	\$526,000	\$435,000	\$510,000
<b>Table 1B: Houses</b>											
Month	3.0%	2.3%	3.2%	1.4%	0.6%	2.4%	0.8%	5.1%	2.4%	3.3%	2.4%
Quarter	4.8%	5.8%	2.1%	1.0%	-1.0%	3.7%	3.7%	3.5%	2.0%	1.7%	3.6%
Year-to-Date	4.8%	5.8%	2.1%	1.0%	-1.0%	3.7%	3.7%	3.5%	2.0%	1.7%	3.6%
Year-on-Year	16.4%	11.9%	5.5%	4.9%	4.5%	11.0%	0.7%	4.2%	1.6%	5.1%	10.7%
Total Return Year-on-Year	21.2%	15.9%	10.6%	9.6%	9.1%	15.6%	6.2%	10.8%	6.3%	10.1%	15.3%
Median price* based on settled sales over quarter	\$713,000	\$555,000	\$475,000	\$411,750	\$533,750	\$535,000	\$376,000	\$575,000	\$562,875	\$460,000	\$535,000
<b>Table 1C: Units</b>											
Month	2.0%	1.9%	-0.6%	1.1%	1.1%	1.6%	5.7%	-4.4%	-0.3%	-0.7%	1.6%
Quarter	2.9%	2.5%	0.0%	3.7%	4.0%	2.6%	15.1%	-0.1%	2.4%	0.3%	2.7%
Year-to-Date	2.9%	2.5%	0.0%	3.7%	4.0%	2.6%	15.1%	-0.1%	2.4%	0.3%	2.7%
Year-on-Year	12.2%	8.9%	0.4%	0.8%	8.6%	9.2%	2.4%	2.3%	3.1%	1.7%	9.4%
Total Return Year-on-Year	17.7%	13.8%	6.0%	5.8%	14.0%	14.5%	7.9%	8.8%	8.7%	7.5%	14.8%
Median price* based on settled sales over quarter	\$552,500	\$448,000	\$359,000	\$330,000	\$430,000	\$445,000	\$252,500	\$471,000	\$415,000	\$368,000	\$451,500
<b>Table 1D: Rental Yield Results</b>											
Houses	3.8%	3.3%	4.6%	4.3%	4.2%	3.8%	5.2%	5.9%	4.3%	4.5%	3.8%
Units	4.6%	4.1%	5.4%	4.7%	4.7%	4.6%	4.9%	6.2%	5.1%	5.5%	4.6%

The indices in grey shading have been designed for trading environments in partnership with the Australian Securities Exchange ([www.asx.com.au](http://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 RP Data-Rismark 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 RP Data-Rismark 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 RP Data-Rismark '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 RP Data-Rismark 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. RP Data owns and maintains Australia's largest property related database in Australia which includes transaction data for every home sale within every state and territory. RP Data 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.rpdata.com](http://www.rpdata.com)

For more information on the RP Data-Rismark Indices, please go to <http://www.rpdata.com>

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#### Introduction to the RP Data-Rismark Daily Hedonic Home Value Index methodology:

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## About RP Data

RP Data is 100% owned by CoreLogic; a US/NYSE listed company, and is a leading property information, analytics and services provider in Australia and New Zealand. The company's combined data offering is derived from public, contributory and proprietary sources and includes over half a billion decision points spanning decades of collection, providing detailed coverage of property and other encumbrances such as tenancy, location, hazard risk and related performance information. The markets served by RP Data include consumers, investors, real estate and mortgage, finance, banking, insurance, developers, financial planners and government. RP Data delivers value to clients through unique data, analytics, and workflow technology, advisory and managed services. Clients rely on RP Data to help identify and manage growth opportunities, improve performance and mitigate risk. RP Data employs over 330 people at over 10 locations in Australia and New Zealand. For more information call 1300 734 318 or visit [www.rpdata.com](http://www.rpdata.com)

## About Rismark International

Rismark International ("Rismark") is a funds management and quantitative research business. It is dedicated to the development of intellectual property required to facilitate the creation of financial markets over the residential real estate asset class. Rismark also has a long history of advising Australian and overseas governments on the development of innovative economic policies as they relate to housing and financial markets. As a by-product of its quantitative research activities, Rismark has developed the technology and intellectual property underlying the market-leading RP Data-Rismark hedonic property price indices and related automated property valuation models (AVMs), amongst other things. For more information visit [www.rismark.com.au](http://www.rismark.com.au).