

National Media Release

RP Data-Rismark January Hedonic Home Value Index Results

Released: Monday, February 3, 2014

Further information contact: Mitch Koper, RP Data national communications manager – 07 3114 9879 or media@rpdata.com

Housing market momentum continues into 2014

Dwelling values continued their upwards trend, with the RP Data-Rismark combined capital city index posting a 1.2% capital gain in January.

According to Australia's most timely indicator of housing market conditions, the RP Data-Rismark Home Value Index, a 1.2 per cent rise in capital city dwelling values was recorded over the month of January with a 2.7 per cent rise for the three months to end of January.

The latest Index results revealed that capital city dwelling values increased by 13.2 per cent since the beginning of the current growth cycle back in June 2012 and are now 4.8 per cent higher than their previous peak in October 2010.

RP Data research director Tim Lawless said that capital city housing markets continue to be a mixed bag. "Sydney and Melbourne were the clear drivers for capital gains over the past year, with values up 13.4 per cent and 11.9 per cent respectively over the twelve months ending January 2014. Excluding Perth, every other capital city has recorded growth of less than five per cent over the past year."

He said that these latest housing market results are likely to dampen further speculation around a cut to interest rates over the short to medium term.

"Together with the higher than expected inflation reading and a lower Aussie dollar, the sustained growth in dwelling values is another factor the RBA is likely to consider when deliberating on any movement in the cash rate," Mr Lawless said.

The results confirmed that Sydney and Melbourne are now well advanced in their growth cycle. Mr Lawless is expecting that the current exuberant conditions will wind down over the coming year due to the very low yield environment, increasing affordability constraints and higher levels of housing supply impacting the market.

Melbourne, where values were up 3.4 per cent over the three months ending January 2014, continues to offer an upside surprise with strong capital gains recorded despite the city showing the lowest rental yields of any other capital and a lift in supply across the inner city and outer fringe housing markets. Local dwelling values also surpassed their previous 2010 market peak and are now 2.6 per cent higher than the previous record highs.

Rismark's CEO, Ben Skilbeck, says that "while a moderation in growth is expected for Melbourne and, to a lesser extent, Sydney, strong population growth, an increasing appetite for housing credit and positive consumer sentiment means we are unlikely to see price declines in the near term. Growth in outstanding housing borrowings has increased meaningfully from its lows. Most noticeable is investor borrowing which for the calendar year 2013 grew by 7% compared to 3% in 2011. While we are yet to observe a significant increase in owner occupier borrowing, lending commitments to this segment for the month of November, the latest available, are 19% higher than the same time last year."

Index results as at January 31, 2014

Region	Change in dwelling values			Total gross returns	Median dwelling price
	Month	Qtr	YOY		
Sydney	0.8%	2.5%	13.4%	18.3%	\$660,000
Melbourne	3.2%	3.4%	11.9%	16.0%	\$553,000
Brisbane	0.7%	2.7%	3.8%	8.9%	\$462,000
Adelaide	0.0%	1.6%	2.5%	7.1%	\$390,000
Perth	-1.1%	3.1%	6.9%	11.8%	\$525,000
Hobart	2.0%	5.8%	-0.2%	5.2%	\$340,000
Darwin	-1.1%	0.8%	4.6%	11.2%	\$530,000
Canberra	0.7%	1.0%	2.7%	7.5%	\$530,000
8 capital city aggregate	1.2%	2.7%	9.8%	14.5%	\$533,750
Rest of state*	-0.7%	0.0%	2.2%		\$344,500

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

Highlights over the three months to January 2014

Best performing capital city: Hobart +5.8 per cent

Weakest performing capital city: Darwin, 0.8 per cent

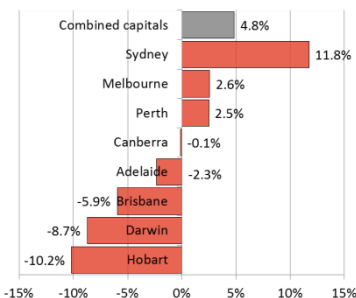
Highest rental yields: Darwin houses with gross rental yield of 6.2 per cent and **Darwin Units** at 6.0 per cent

Lowest rental yields: Melbourne houses with gross rental yield of 3.3 per cent and **Melbourne units** at 4.2 per cent

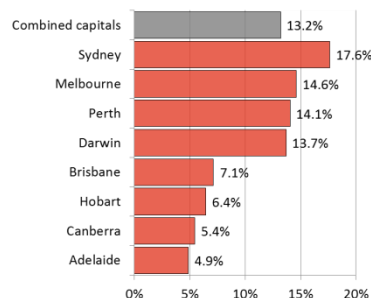
Most expensive city: Sydney with a median dwelling price of \$660,000

Most affordable city: Hobart with a median dwelling price of \$340,000

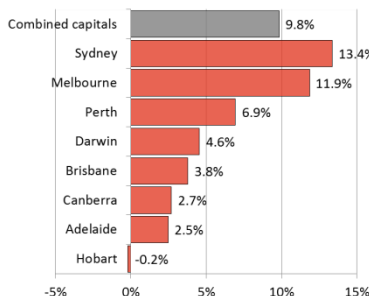
Change in dwelling values from previous market peak to January 2014



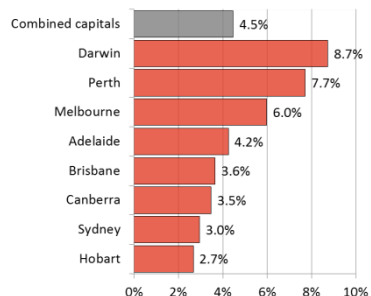
Change in dwelling values from market trough to January 2014



Change in dwelling values over past twelve months



Annual change in dwelling values over past 10 years

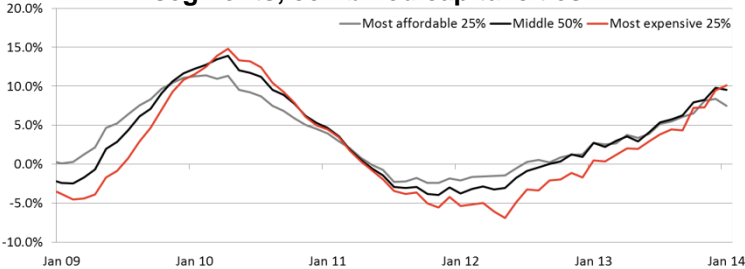


The premium sector of the housing market has gathered pace over the past six months and is now showing the highest capital gains compared with the broad middle segment and most affordable segments of the housing market.

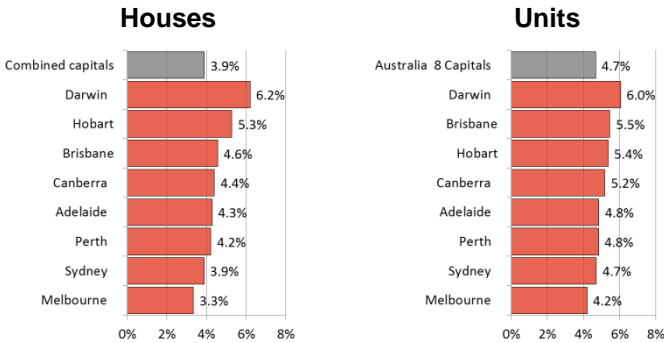
Dwelling values across the most expensive quarter of the capital city markets were up 6.7 per cent over the past six months (compared with 5.8 per cent growth across the broad mid-market and 4.7 per cent growth at the most affordable quarter of the market). Similarly, premium dwelling values have risen by 10.1 per cent over the past twelve months compared with a 9.5 per cent and 7.5 per cent capital gain across the mid-market and most affordable quarter of the market respectively.

Rental rates continued to grow at a slower pace than dwelling values and further eroded rental yields across the capital cities. The markets where dwelling values have shown the most appreciation, Melbourne and Sydney, are now showing gross yields for houses below 4 per cent while the typical gross yield on a Melbourne and Sydney unit are higher at 4.2 per cent and 4.7 per cent gross respectively, however, they are lower than in all other capital cities

Annual change in dwelling values across broad value segments, combined capital cities



Gross rental yields



According to Mr Lawless, such a yield environment may potentially start acting as a disincentive to investors.

“With gross yields low in Melbourne, and not a lot better in Sydney, together with the fact that both these markets are well advanced in their growth cycle, it would suggest that investment fundamentals in these markets are waning. It is my view that investors will start seeking out the higher yields of Brisbane where the market is also far earlier in the growth cycle,” he said

According to Mr Skilbeck, “when Sydney’s recent growth is put into the context of the past 10 years, continued momentum, albeit at a slower pace than the past six months, is expected. Sydney’s annualised 10 year growth to 31 January 2013 is a very modest 3.0%, less than half the rate of national household disposable income growth over the period. The same argument, however, does not apply to Melbourne which has had 6% annualised 10 year growth and today has the worst rental yields of the capital cities.”

Media enquiries contact:

Mitch Koper, RP Data national communications manager – 07 3114 9879 or media@rpdata.com

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

Capital Growth to 31 January 2014	Sydney	Melbourne	Brisbane - Gold Coast	Adelaide	Perth	Australia 5 Capitals (ASX)	Hobart	Darwin	Canberra	Brisbane	Australia 8 Capitals
Table 1A: All Dwellings											
Month	0.8%	3.2%	0.4%	0.0%	-1.1%	1.2%	2.0%	-1.1%	0.7%	0.7%	1.2%
Quarter	2.5%	3.4%	2.3%	1.6%	3.1%	2.7%	5.8%	0.8%	1.0%	2.7%	2.7%
Year-to-Date	0.8%	3.2%	0.4%	0.0%	-1.1%	1.2%	2.0%	-1.1%	0.7%	0.7%	1.2%
Year-on-Year	13.4%	11.9%	3.7%	2.5%	6.9%	10.0%	-0.2%	4.6%	2.7%	3.8%	9.8%
Total Return Year-on-Year	18.3%	16.0%	8.8%	7.1%	11.8%	14.7%	5.2%	11.2%	7.5%	8.9%	14.5%
Median price* based on settled sales over quarter	\$660,000	\$553,000	\$458,500	\$390,000	\$525,000	\$530,000	\$340,000	\$530,000	\$530,000	\$462,000	\$533,750
Table 1B: Houses											
Month	1.0%	3.7%	0.5%	-0.1%	-1.1%	1.4%	1.7%	-1.9%	0.6%	0.7%	1.4%
Quarter	2.6%	3.4%	2.4%	1.9%	3.3%	2.8%	6.2%	0.3%	1.0%	2.7%	2.9%
Year-to-Date	1.0%	3.7%	0.5%	-0.1%	-1.1%	1.4%	1.7%	-1.9%	0.6%	0.7%	1.4%
Year-on-Year	14.0%	12.4%	4.1%	2.9%	6.9%	10.3%	0.4%	4.6%	2.9%	4.2%	10.1%
Total Return Year-on-Year	18.7%	16.5%	9.2%	7.5%	11.7%	14.9%	5.8%	11.2%	7.6%	9.2%	14.7%
Median price* based on settled sales over quarter	\$765,000	\$610,000	\$485,000	\$415,000	\$540,000	\$565,000	\$350,000	\$572,000	\$575,000	\$480,000	\$565,000
Table 1C: Units											
Month	-0.1%	0.2%	-0.2%	1.0%	0.0%	0.0%	5.5%	2.6%	1.2%	0.8%	0.1%
Quarter	2.0%	3.2%	1.7%	-1.8%	0.1%	2.0%	1.9%	3.1%	0.5%	2.6%	2.0%
Year-to-Date	-0.1%	0.2%	-0.2%	1.0%	0.0%	0.0%	5.5%	2.6%	1.2%	0.8%	0.1%
Year-on-Year	10.8%	7.8%	0.2%	-1.8%	7.5%	8.0%	-5.5%	4.2%	0.1%	-0.1%	8.0%
Total Return Year-on-Year	16.3%	12.6%	5.8%	3.0%	13.0%	13.3%	-0.5%	10.9%	5.7%	5.6%	13.3%
Median price* based on settled sales over quarter	\$550,500	\$480,000	\$373,750	\$325,000	\$439,000	\$469,000	\$320,000	\$440,000	\$415,000	\$395,000	\$470,000
Table 1D: Rental Yield Results											
Houses	3.9%	3.3%	4.6%	4.3%	4.2%	3.9%	5.3%	6.2%	4.4%	4.6%	3.9%
Units	4.7%	4.2%	5.4%	4.8%	4.8%	4.7%	5.4%	6.0%	5.2%	5.5%	4.7%

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 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

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

Media enquiries contact:

Mitch Koper, RP Data national communications manager – 07 3114 9879 or media@rpdata.com

Introduction to the RP Data-Rismark Daily Hedonic Home Value Index 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 attributes data collected from a variety of sources. For detailed methodological information please visit www.rpdata.com

About RP Data

RP Data is 100 per cent owned by CoreLogic which is a leading provider of consumer, financial and property information, analytics and services to business and government. The company combines public, contributory and proprietary data to develop predictive decision analytics and provide business services that bring dynamic insight and transparency to the markets it serves. Today, CoreLogic has more than 6,000 employees globally with 2012 revenues of \$1.6 billion and is listed on the NYSE.

At RP Data, we continually collect, manage and process property-based data and imagery from over 300 sources across Australia including government agencies, media partners and industry professionals. RP Data is the biggest provider of property information, analytics and risk management services in Australia and New Zealand with a database of 210 million property records. RP Data serves customers ranging from real estate agents and consumers to banks, mortgage brokers, financial planners and governments.

We understand that data is most useful when it's presented as relevant and actionable analytics. Our data provides customers with insights that realise more market opportunities, while simultaneously growing businesses and managing risk. Our results speak for themselves; we're helping over 100,000 end users including approximately 45,000 real estate agents win more business by providing Australia's most trusted pre-listings comparative market appraisal (CMA) report, as well as industry standard tools that promote transparency and confidence when buying and selling property. In addition, 1 million consumers use RP Data to make important decisions about property they are about to hold, sell or purchase.

Our Mortgage Platforms cover more than 90 per cent of the mortgage lending activity in Australia. We estimate the value of every residential property in Australia each week via our automated valuation models which support our industry leading RP Data Rismark Daily Home Value Index. On average, we issue over 30 million automated valuation assessments every month. We're Australia's leading source for mobile property information too – with over 500,000 mobile devices accessing our services each month.

Using public and proprietary data, we bring insight and transparency to the Australian property market. We employ 330 people at ten locations in Australia and New Zealand and our revenue for 2012 was over \$70 million.

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.