

# Monthly Chart Pack

Special Edition – COVID-19 and the  
Australian Housing Market

April 2020



# Residential Real Estate Underpins Australia's Wealth



RESIDENTIAL REAL ESTATE

\$7.1 Trillion



AUSTRALIAN SUPERANNUATION

\$3.0 Trillion



AUSTRALIAN LISTED STOCKS

\$2.0 Trillion



COMMERCIAL REAL ESTATE

\$1.0 Trillion

Data as at April 2019



10.4 million  
Number of dwellings

\$1.83 trillion  
Outstanding mortgage debt

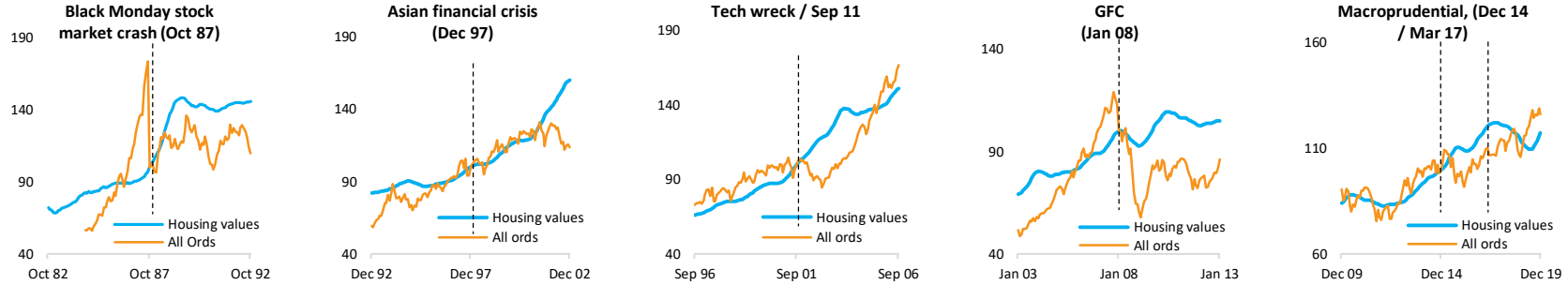
52.4%  
Household wealth held in housing

437,328  
Total sales p.a.

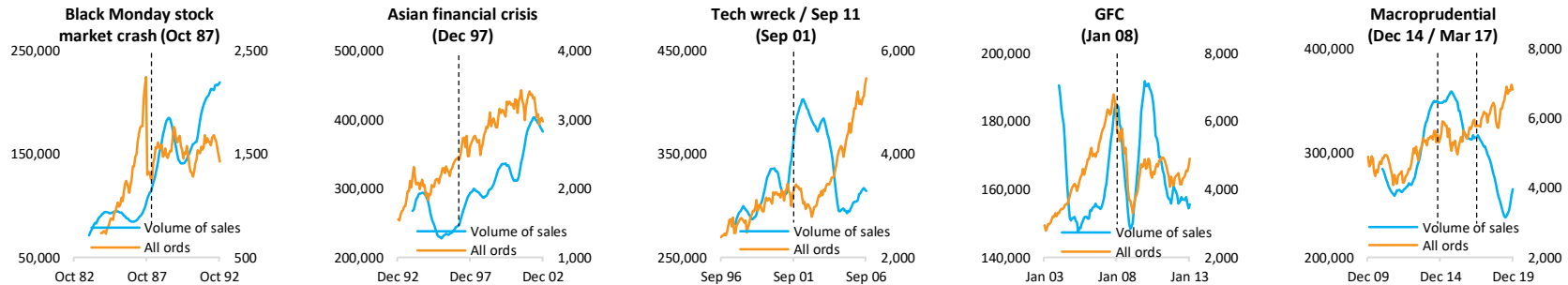
\$272.0 billion  
Gross value of sales p.a.

# The impact on the housing market from coronavirus remains uncertain. Previous shocks have seen housing values relatively insulated, while volumes are more susceptible to volatility.

Housing indices v All Ordinaries index across previous shocks (5yrs either side of event)



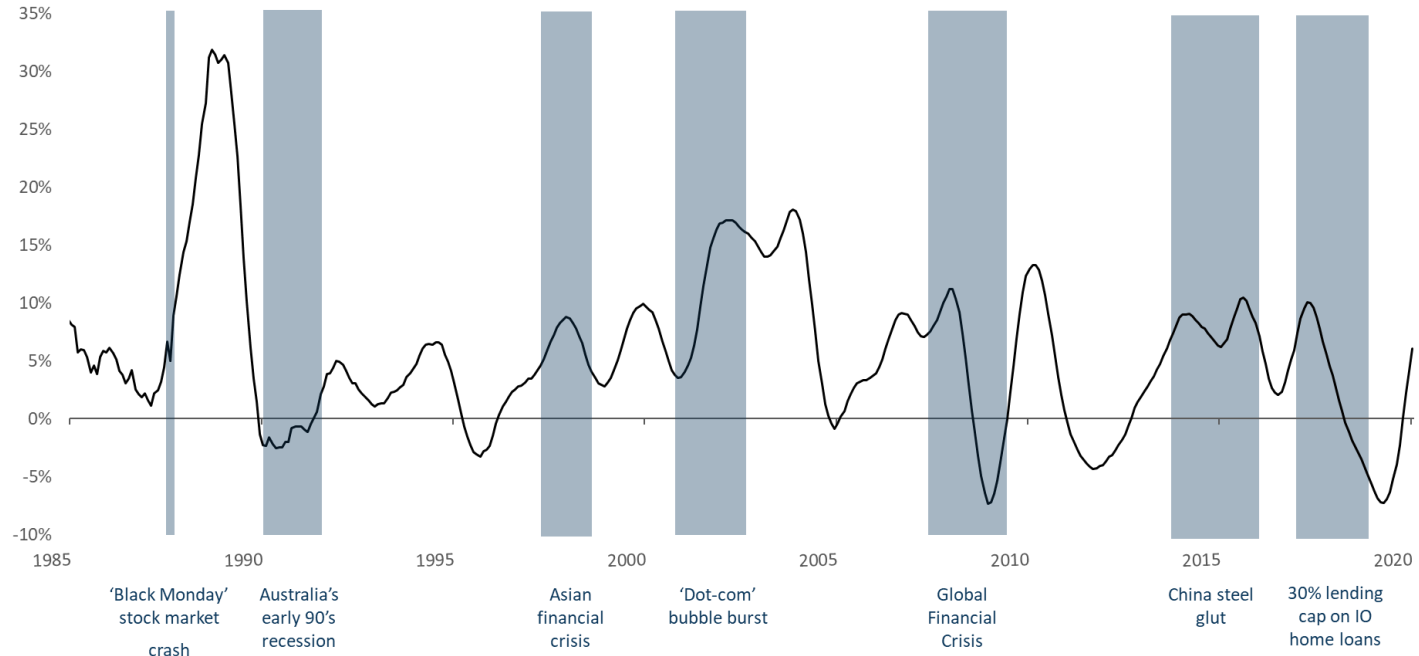
Housing volume v All Ordinaries index across previous shocks (5yrs either side of event)



**Housing values and volumes are based on the combined capitals region. For the value changes in the top row, both series were set at 100 at the 'shock' date.**

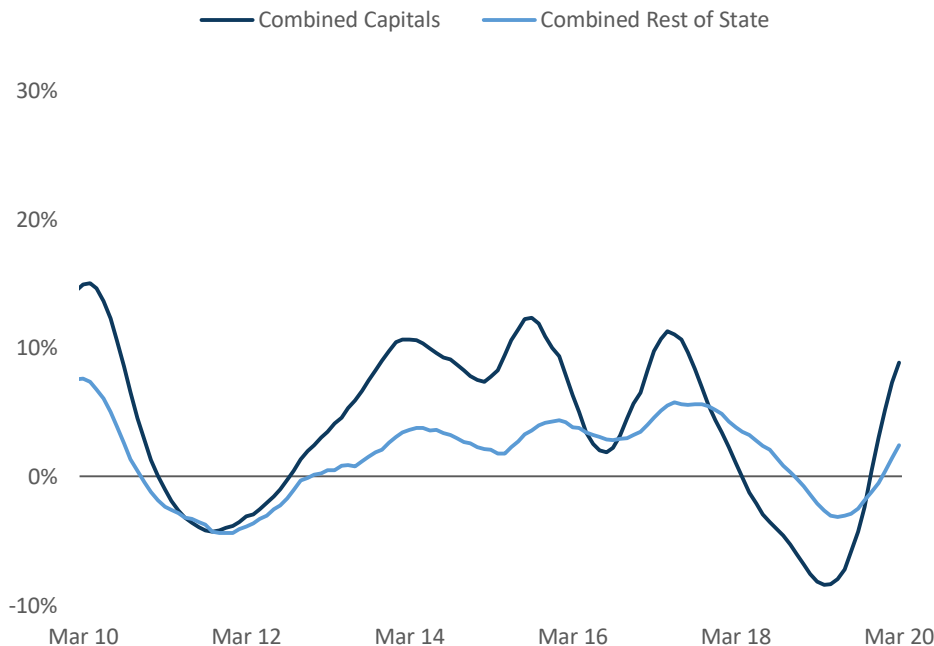
# Housing values have been relatively insulated from financial shocks historically but have been more reactive to credit tightening events

CoreLogic home value index - annual growth rate

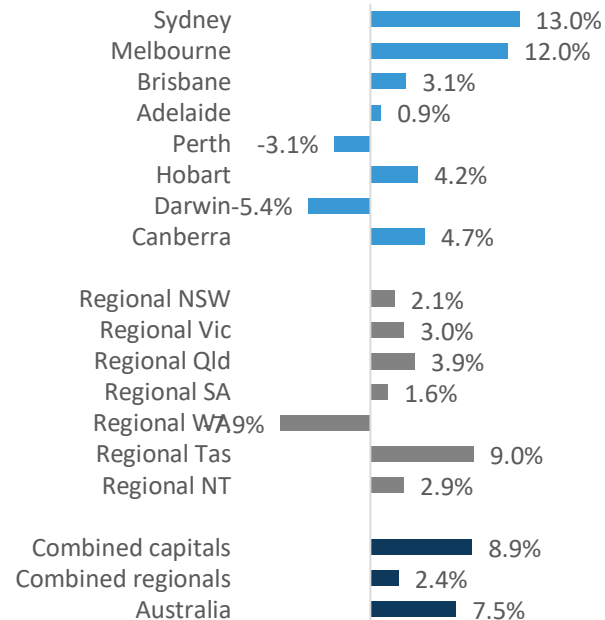


# Annual growth rates understate the recent slowdown in momentum, but point to an improving market before the onset of COVID-19

## Annual change in dwelling values

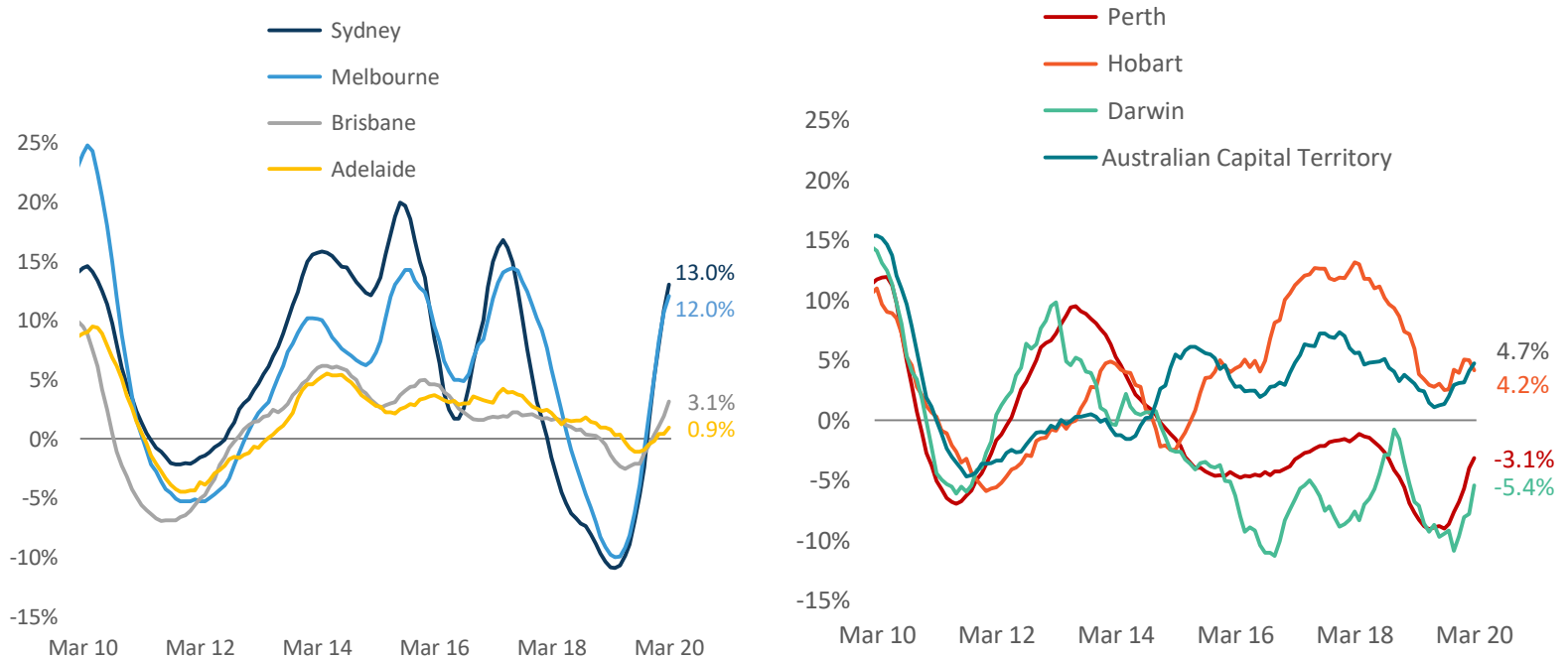


## Annual change – Mar-20



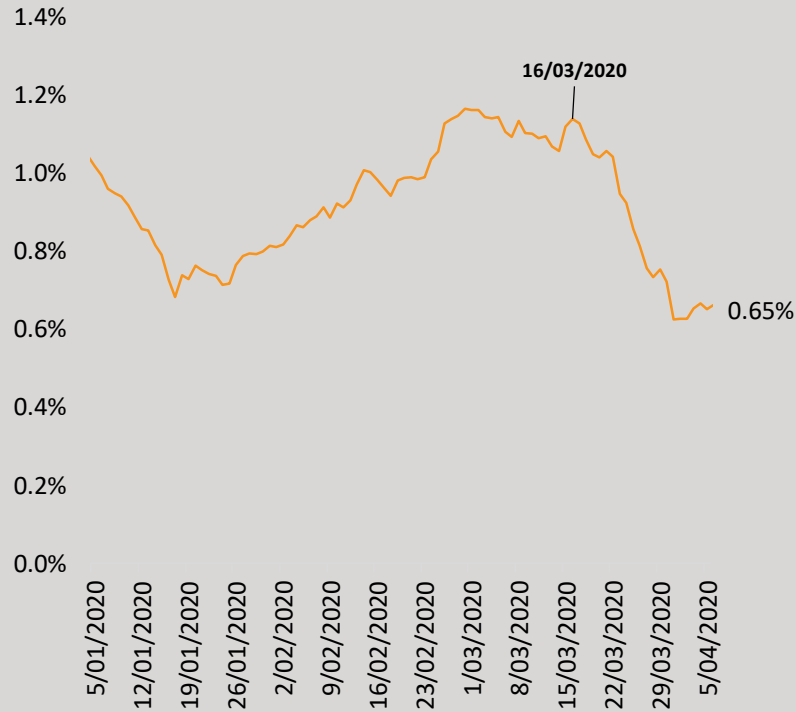
Each of the capital city markets were well into an upswing before the onset of COVID-19, with the exception of Hobart, which was starting to lose momentum after a long upswing

### Annual change in dwelling values





## Rolling 28-day change in daily home value index, combined capitals

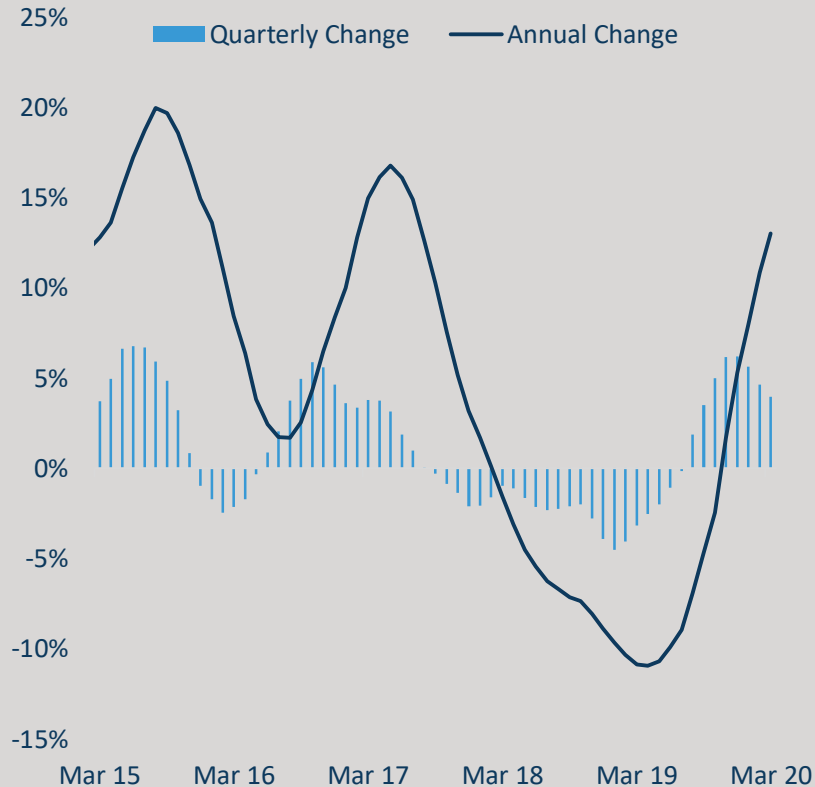


Due to the volatility of the daily index, a rolling 28-day change is more suitable for deriving a trend in value performance

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The CoreLogic *daily* home value index showed a change of pace half way through March. Despite this, the rolling monthly change remains in positive territory.

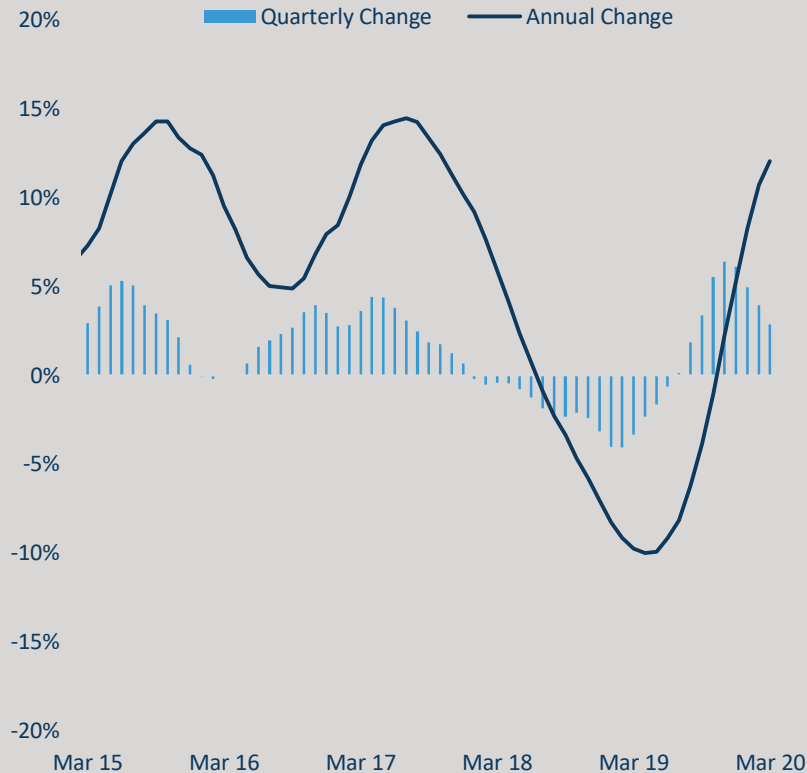
# Quarterly and annual change in dwelling values - Sydney



- Sydney dwelling values increased by **1.1% in March**
- Dwelling values increased **3.9% in the quarter**
- Sydney dwelling values are up by **13.0% in the past year**
- Sydney dwelling values are **-2.7% below the record high, which was in July 2017**

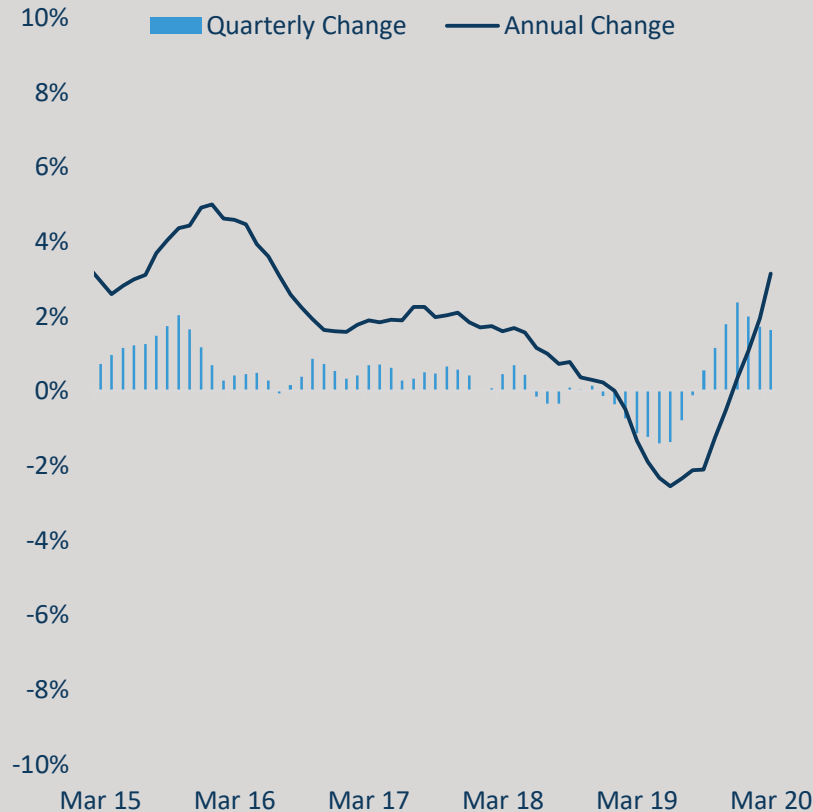


# Quarterly and annual change in dwelling values - Melbourne



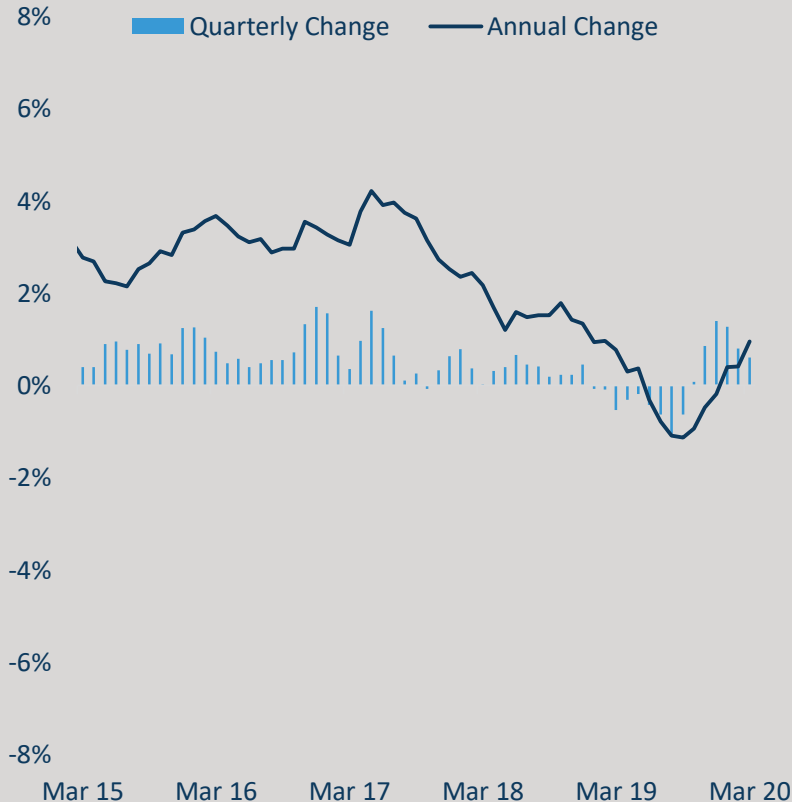
- Melbourne dwelling values increased by **0.4%** in **March**
- Dwelling values increased **2.9%** in the **quarter**
- Melbourne dwelling values are up by **12.0%** in the past **year**
- Melbourne dwelling values are currently at a record high

# Quarterly and annual change in dwelling values - Brisbane



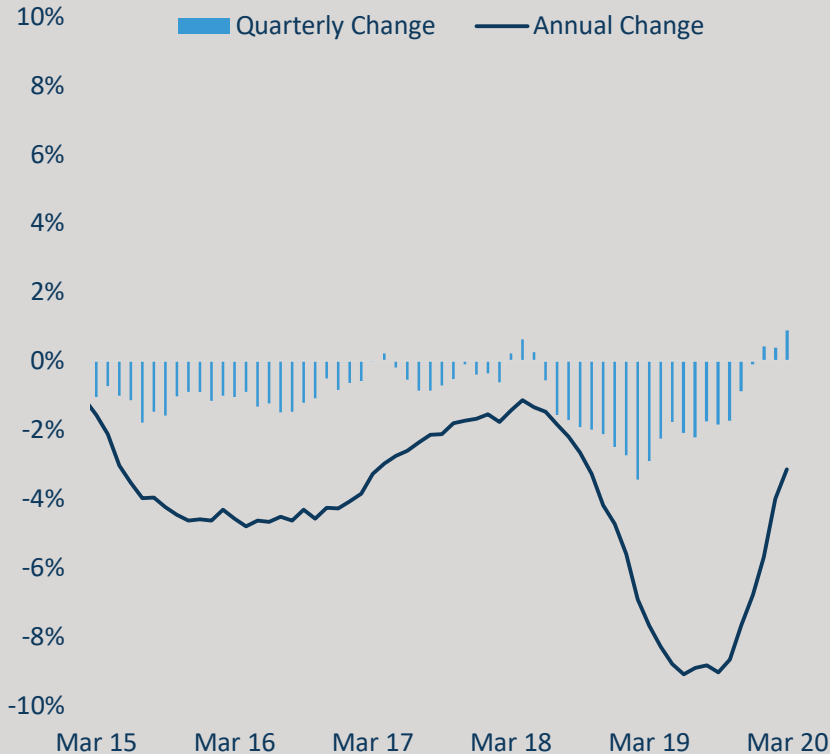
- Brisbane dwelling values increased by **0.6% in March**
- Dwelling values increased **1.6% in the quarter**
- Brisbane dwelling values are up by **3.1% in the past year**
- Brisbane dwelling values are currently at a record high

## Quarterly and annual change in dwelling values - Adelaide



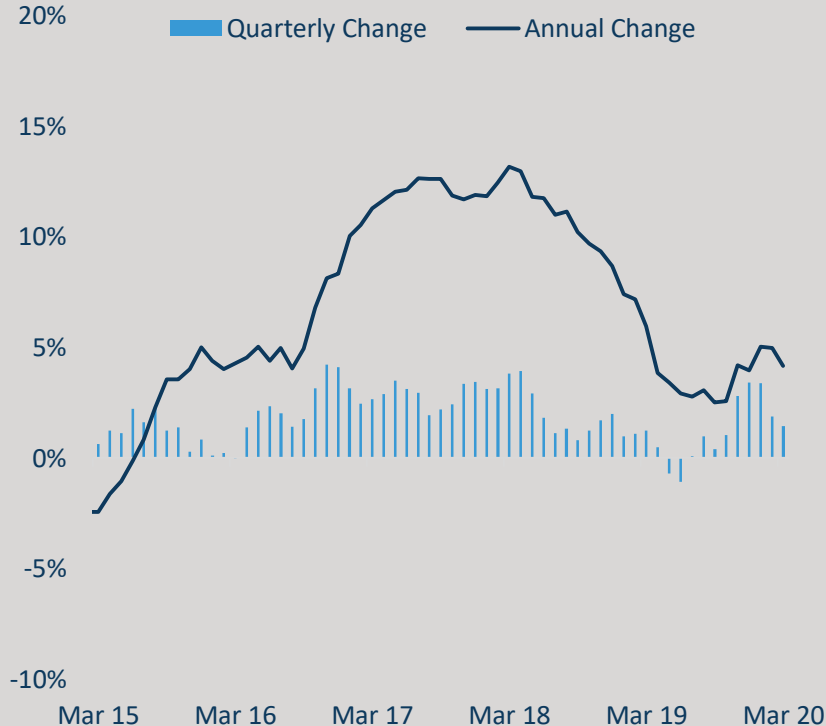
- Adelaide dwelling values increased by **0.3% in March**
- Dwelling values increased **0.6% in the quarter**
- Adelaide dwelling values were up by **0.9% in the past year**
- Adelaide dwelling values are currently at a record high

## Quarterly and annual change in dwelling values - Perth



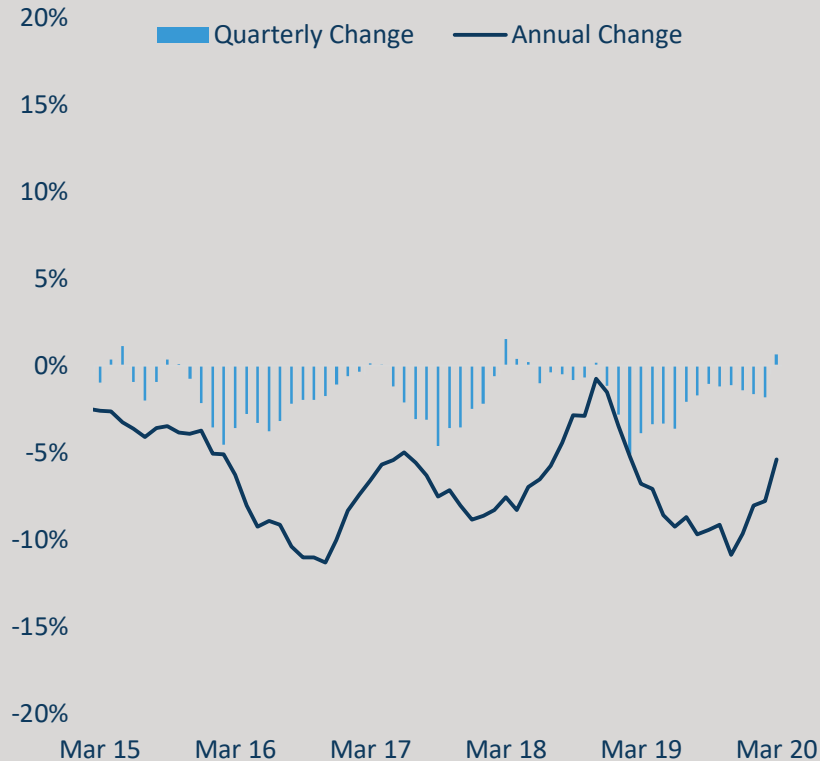
- Perth dwelling values were up 0.5% in **March**
- Dwelling values increased 0.9% in the **quarter**
- Perth dwelling values are down by -3.1% in the past **year**
- Perth dwelling values are now -20.7% **below the record high**, which was in June 2014.

## Quarterly and annual change in dwelling values - Hobart



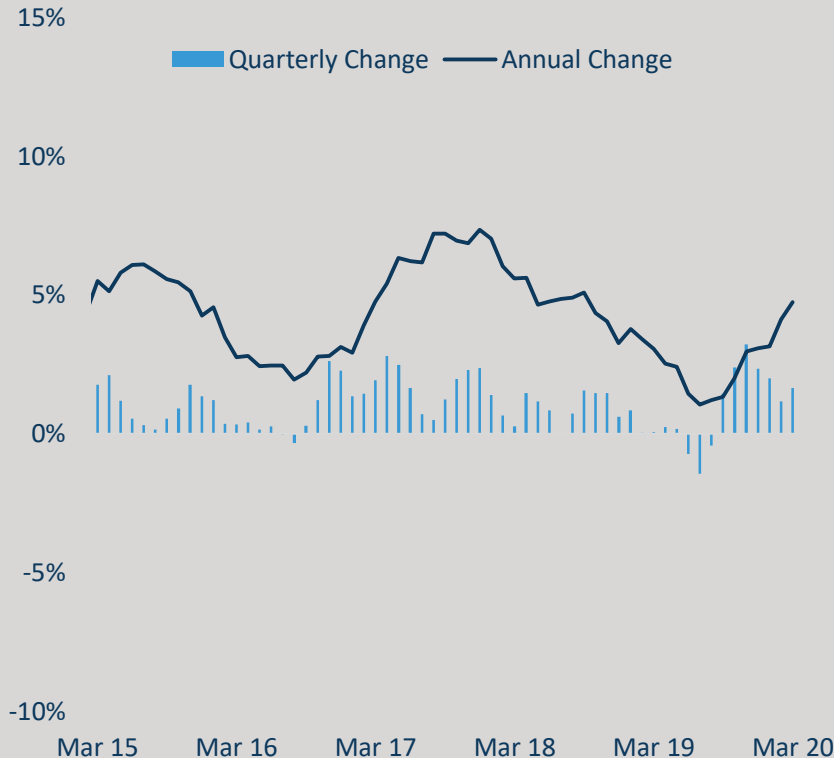
- Hobart dwelling values decreased **-0.2% in March**
- Dwelling values increased **1.4% in the quarter**
- Hobart dwelling values are up by **4.2% in the past year**
- Hobart dwelling values are **currently -0.2% below the record high, which was in February 2020**

# Quarterly and annual change in dwelling values - Darwin



- Darwin dwelling values increased 2.0% in **March**
- Dwelling values increased 0.6% in the **quarter**
- Darwin dwelling values are down by -5.4% in the past **year**
- Darwin dwelling values are -31.4% below the record high, which was in May 2014

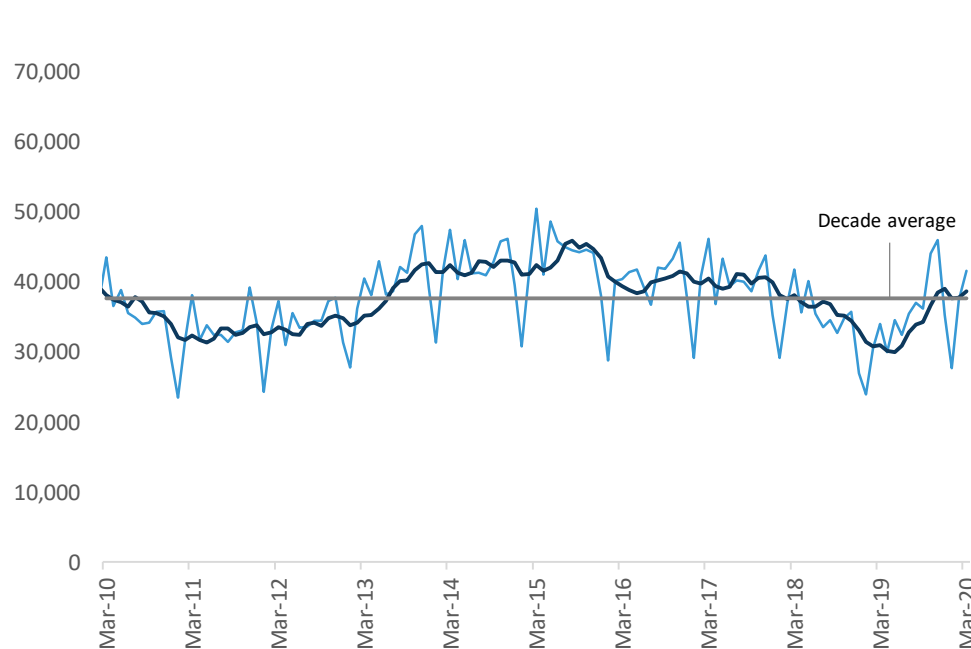
# Quarterly and annual change in dwelling values - ACT



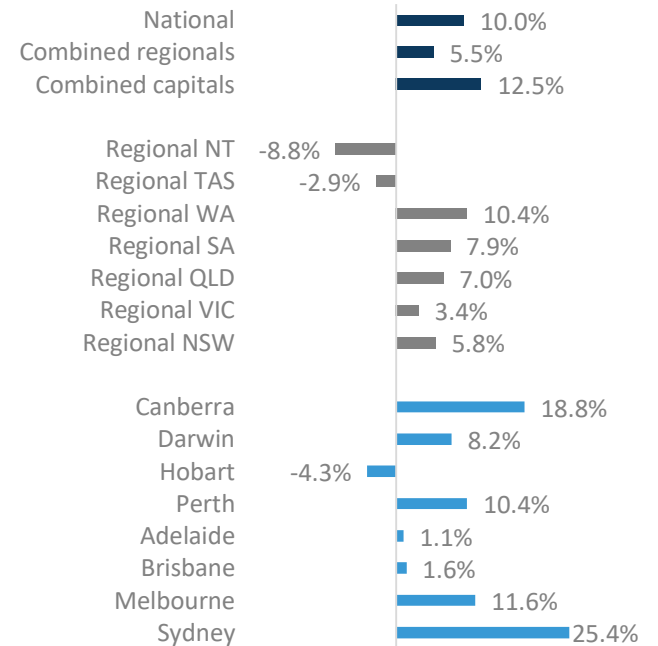
- ACT dwelling values increased 0.6% in **March**
- Dwelling values were up 1.7% in the **quarter**
- ACT dwelling values were up by 4.7% in the past **year**
- The ACT dwelling market is **currently at a record high**

# Sales activity over the year had trended higher, and is being sustained above the decade average of 37,601

Monthly sales with six month moving average, National



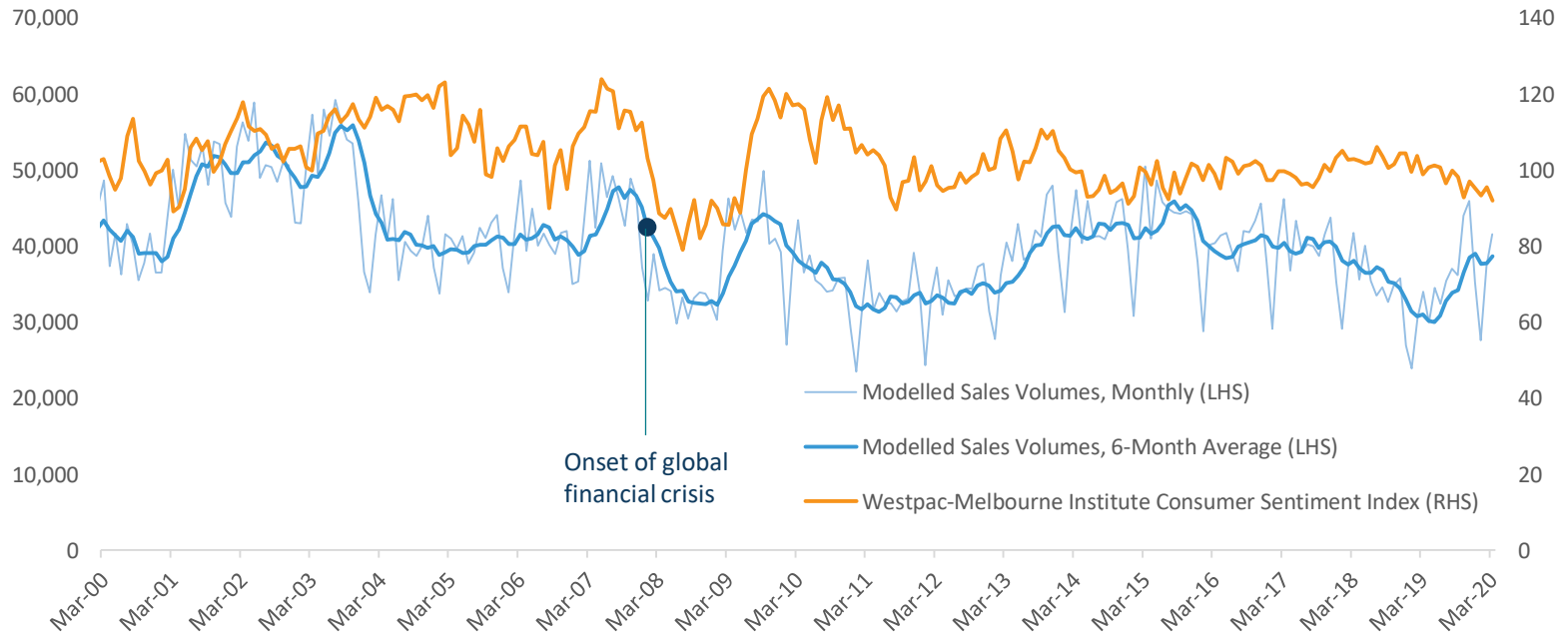
Annual change in settled sales



Note: recent months are modelled estimates, and are therefore subject to revision



But sales volumes have been dampened by negative economic shocks, and are expected to fall dramatically over the coming months as consumer confidence declines

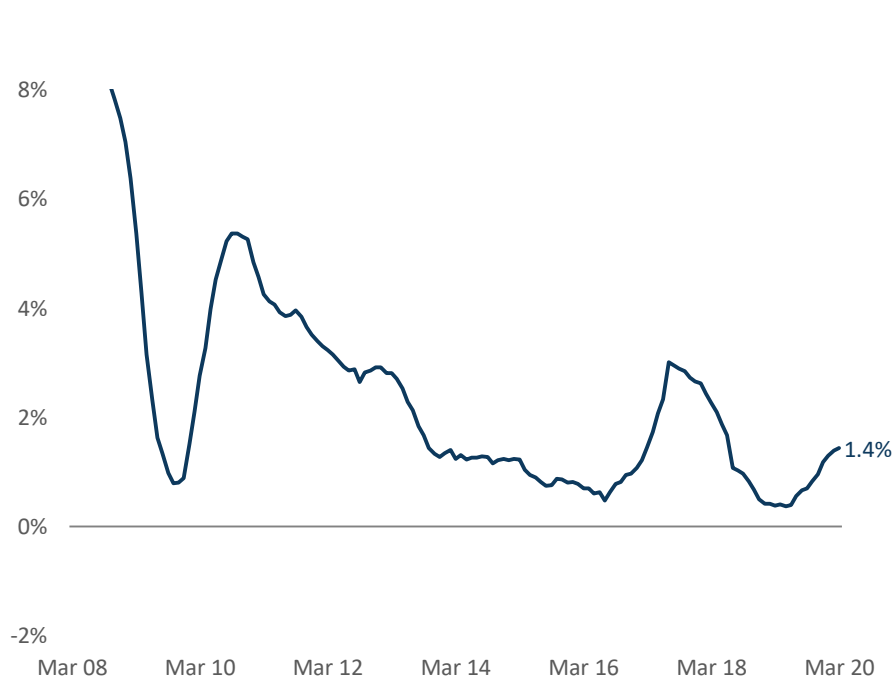


Note: recent months on sales volume are modelled estimates, and are therefore subject to revision

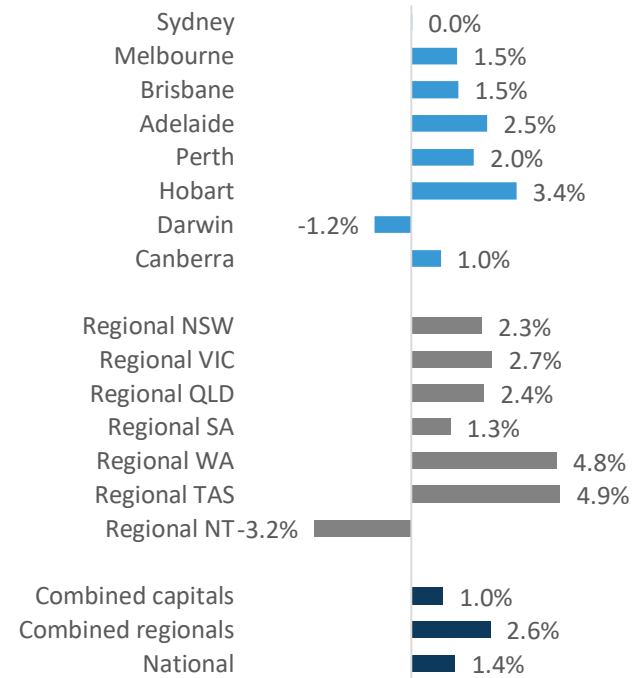
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Growth in rent values was also gathering momentum. COVID-19 may create higher vacancies as job security worsens, and short term holiday rentals are converted to long term accommodation

Annual change in rental rates - National

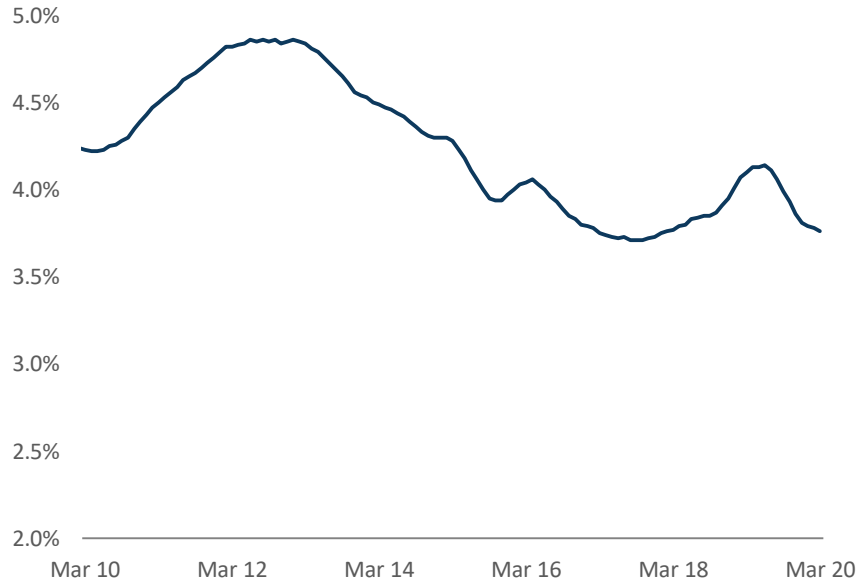


Annual change in rental rates

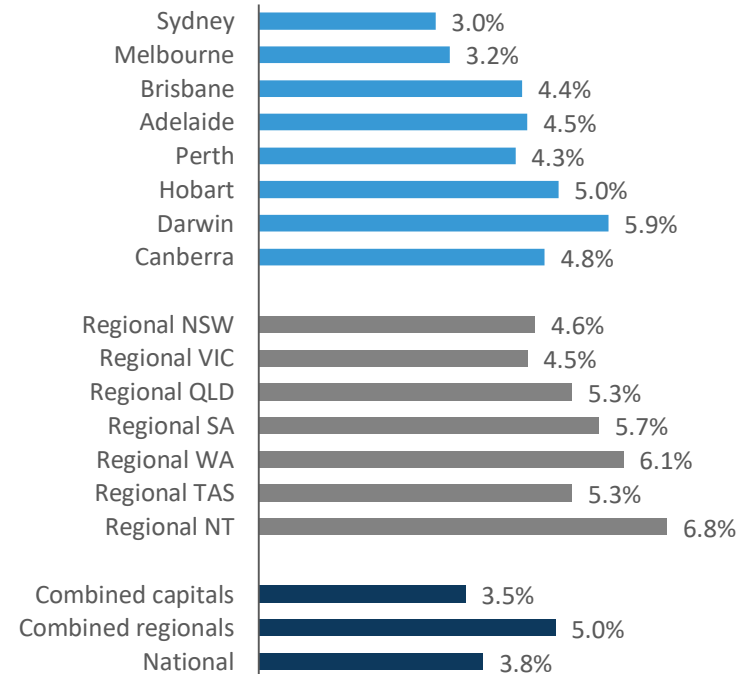


# Nationally, gross rental yields compressed a further 2 basis points over March, to 3.76%

## Gross rental yields - National

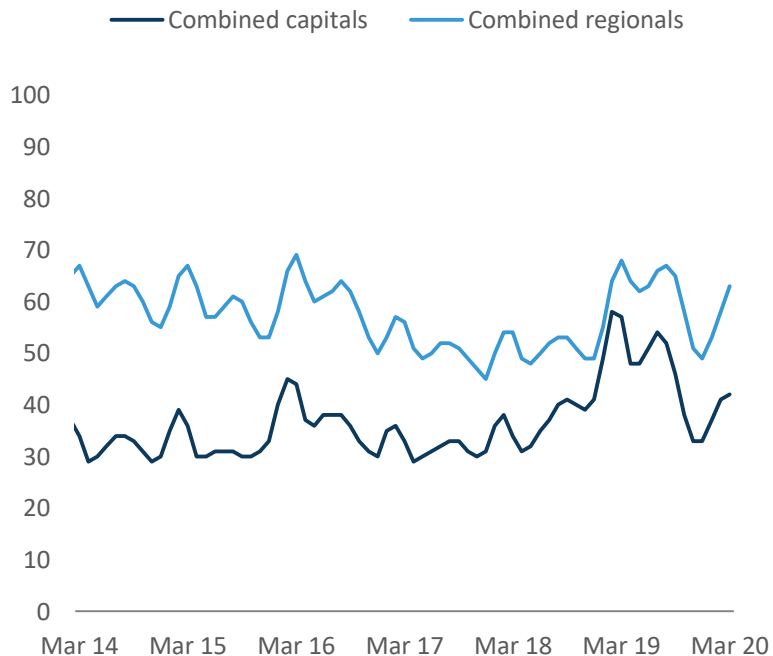


## Gross rental yields as at Mar-20



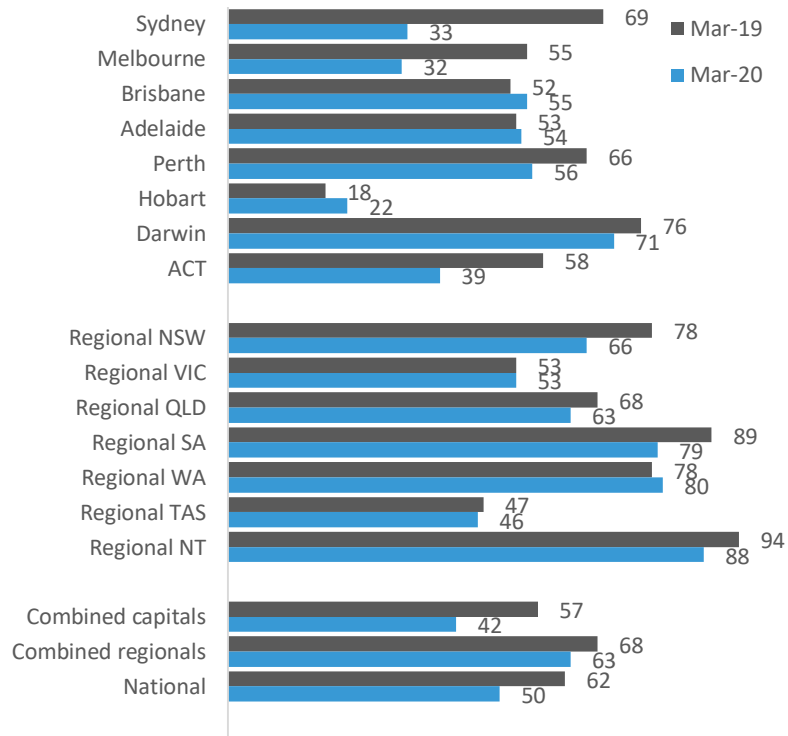
# Days on market was lower over the year to March 2020, though this may steady as housing demand eases

## Median days on market



These charts show the median days on market over 3 month rolling periods.

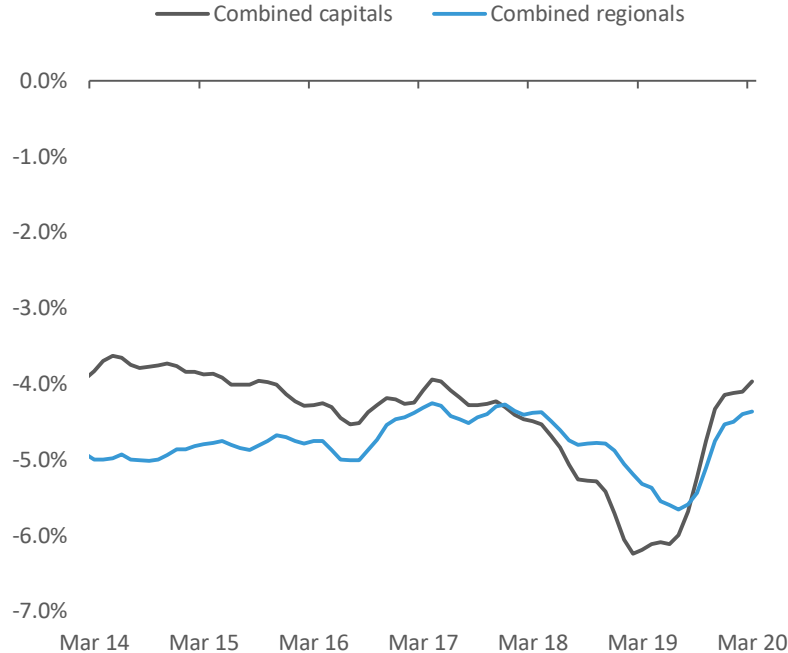
## Median days on market Mar 2019 v Mar 2020





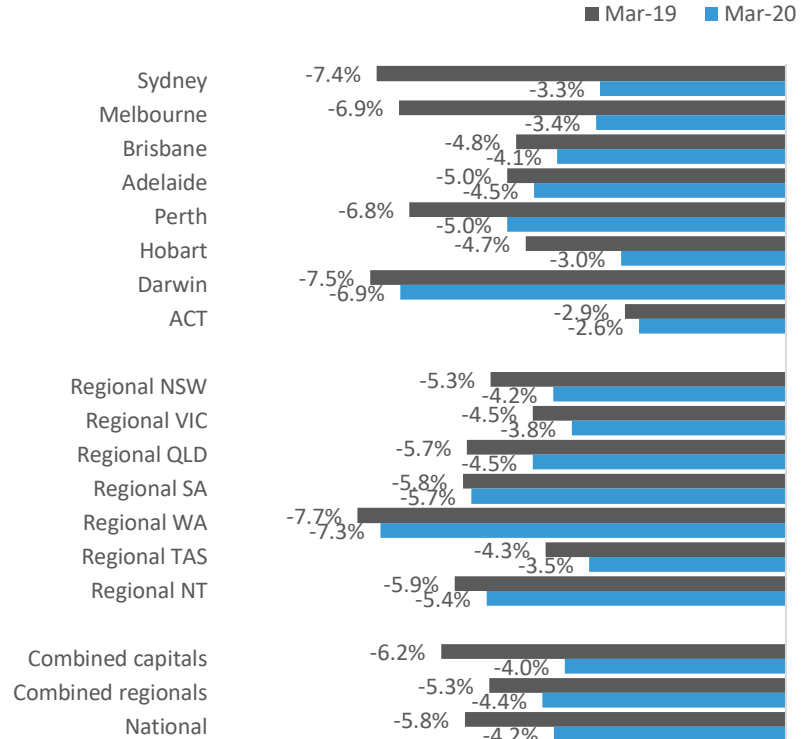
# Most markets have seen a reduction in vendor discounting year-on-year, with the exception of the ACT

## Median vendor discount



These charts show median vendor discounting over 3 month rolling periods.

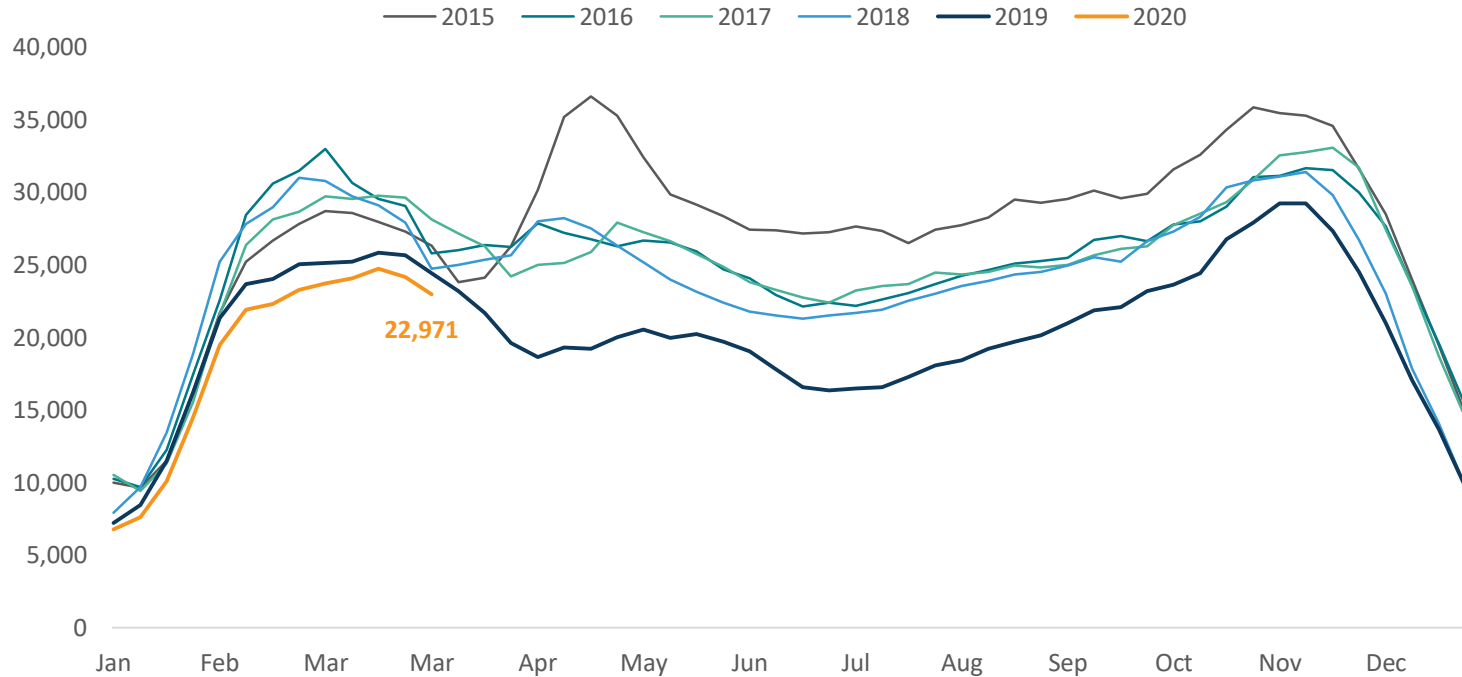
## Median vendor discount Mar 2019 v Mar 2020





# New listing numbers are tracking lower than a year ago and likely to fall materially over the coming months

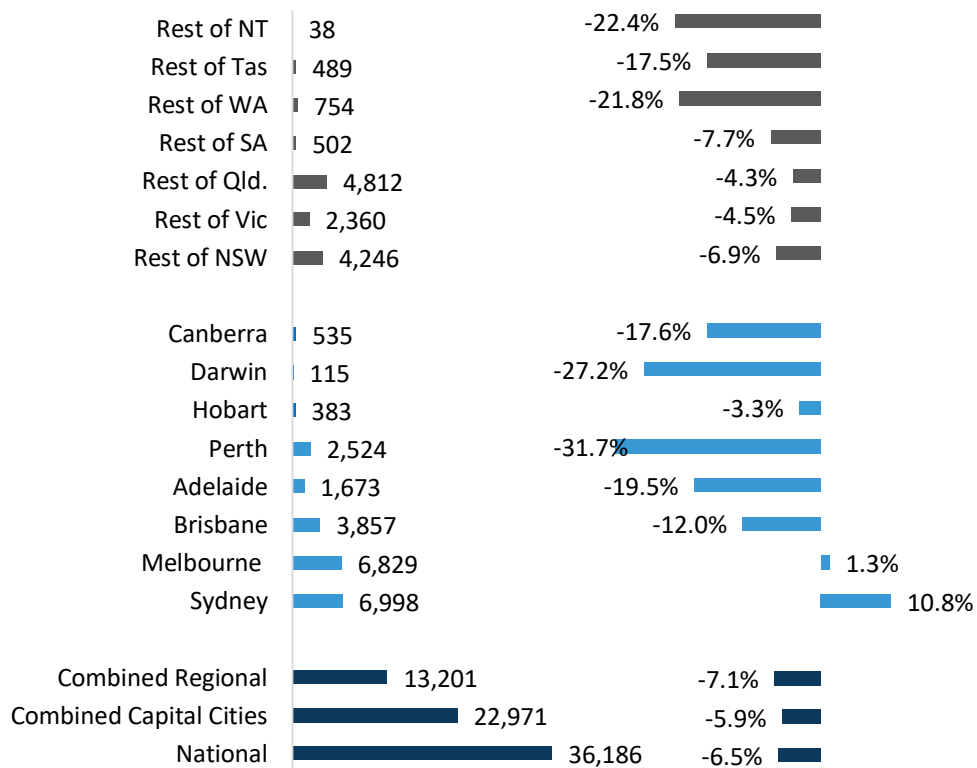
New Listings, rolling 28-day count, combined capital cities



Sydney and Melbourne are the only broad regions where new listings are higher than a year ago

### Number of new listings 28 days ending March 29

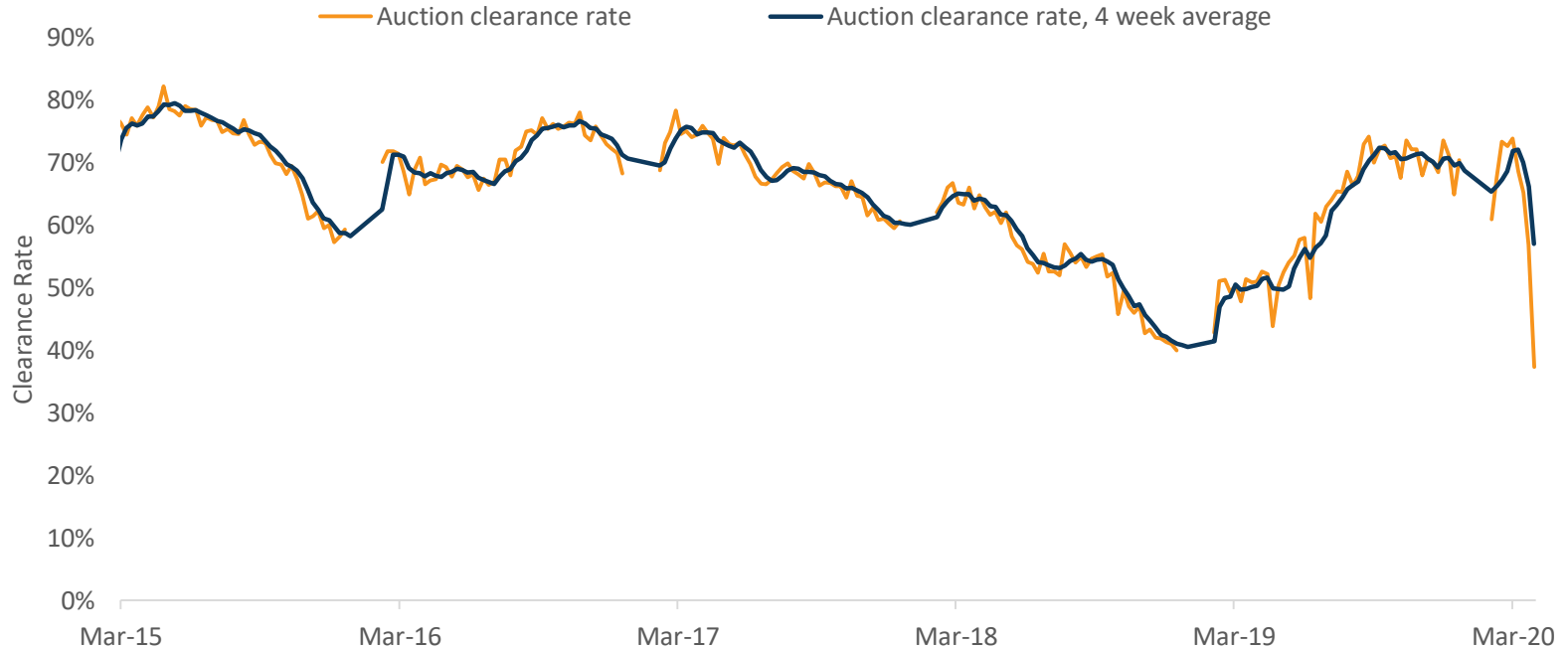
### % change from same time last year





In the final week of March, the clearance rate was 37.3%. This was due to a ban in on-site auctions, which saw 50.2% auctions withdrawn (withdrawals are counted as a non-sale result)

### Weekly clearance rates, combined capital cities

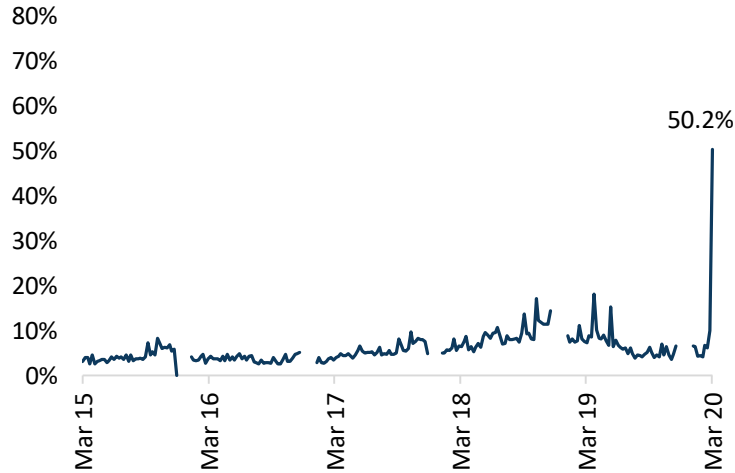




# As well as many auctions being withdrawn, 66.7% of properties sold were sold prior to auction

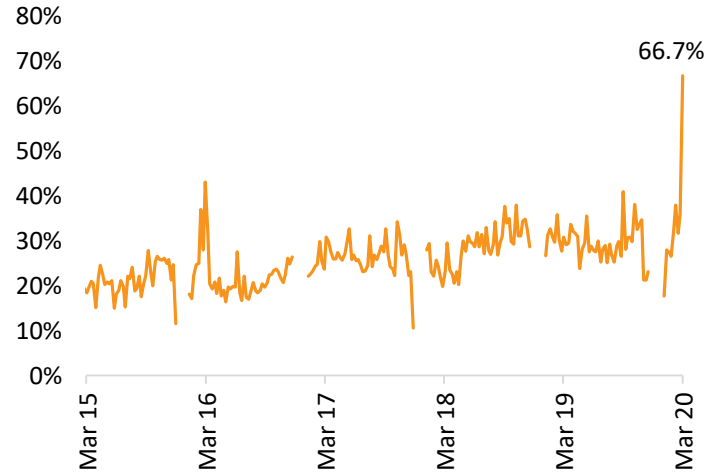
Portion of auctions withdrawn and sold prior across combined capital cities

Portion of auctions withdrawn\*



\* As a % of all auction results

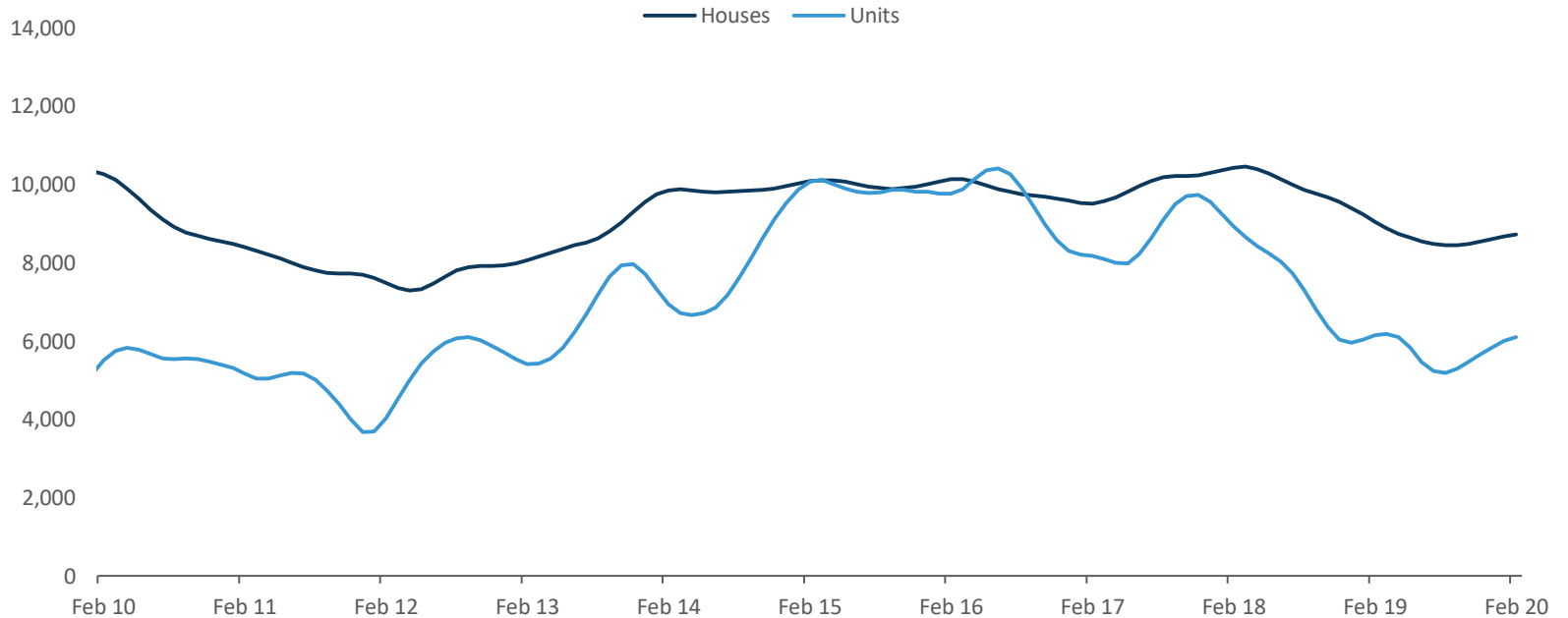
Portion of auctions sold prior\*



\* As a % of all 'sold' auction results

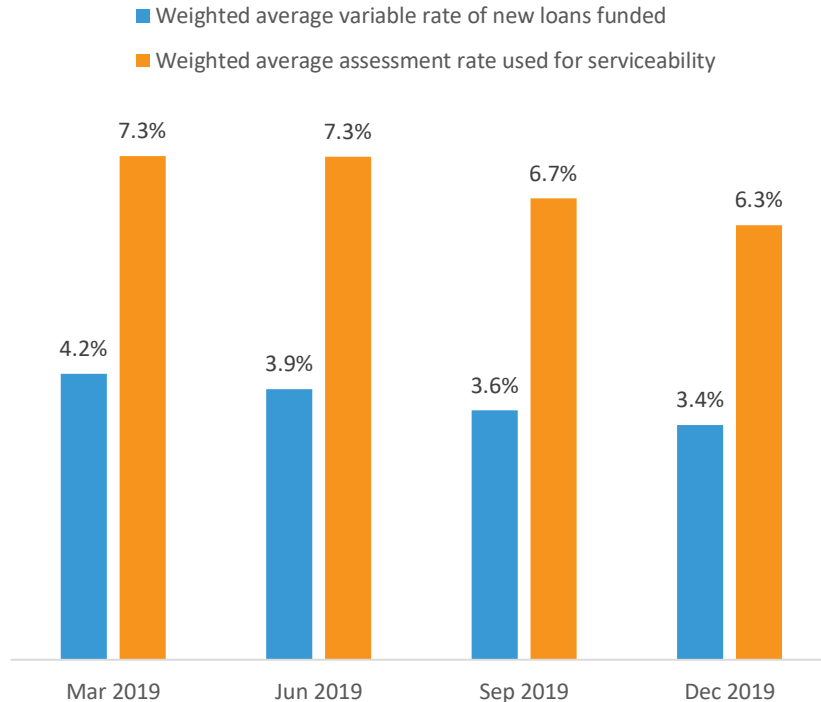
# Trend data indicates that dwelling approvals were starting to rise, following declines from the end of 2017

Monthly number of dwellings approved for construction, National (trend data)

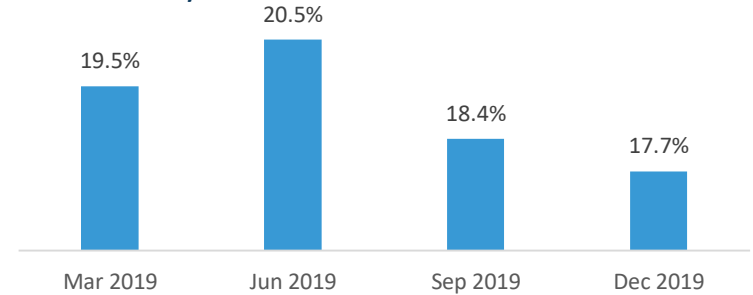


# In the lead-up to COVID-19, aspects of lending conditions eased slightly, but the financial system remains strong

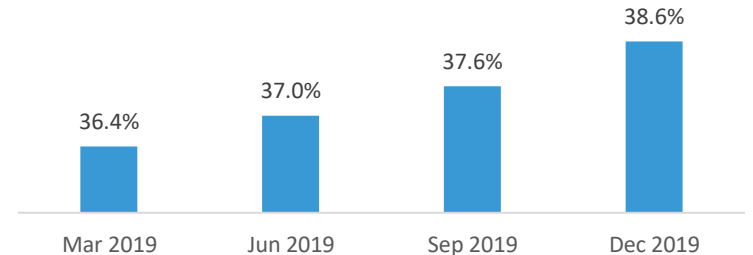
## Interest rates for new loans funded



## Portion of new loans funded on interest-only terms

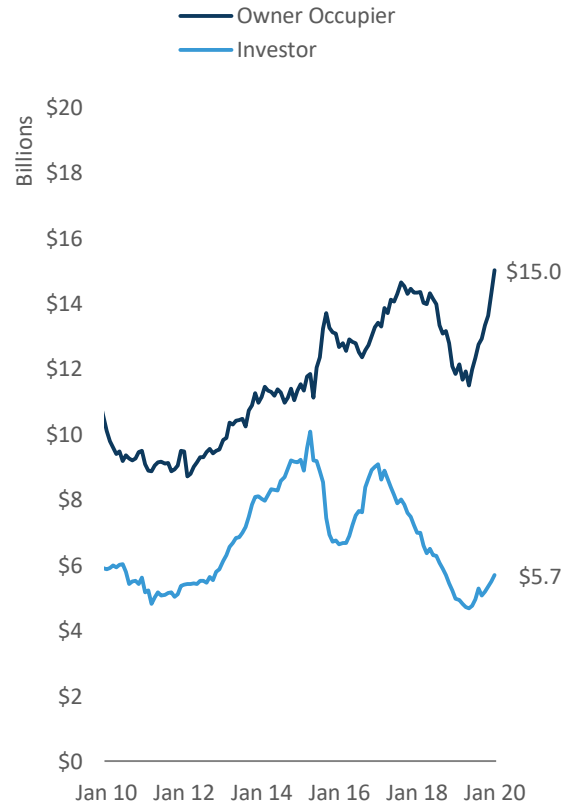


## Portion of new loans funded with an LVR 80% ≤

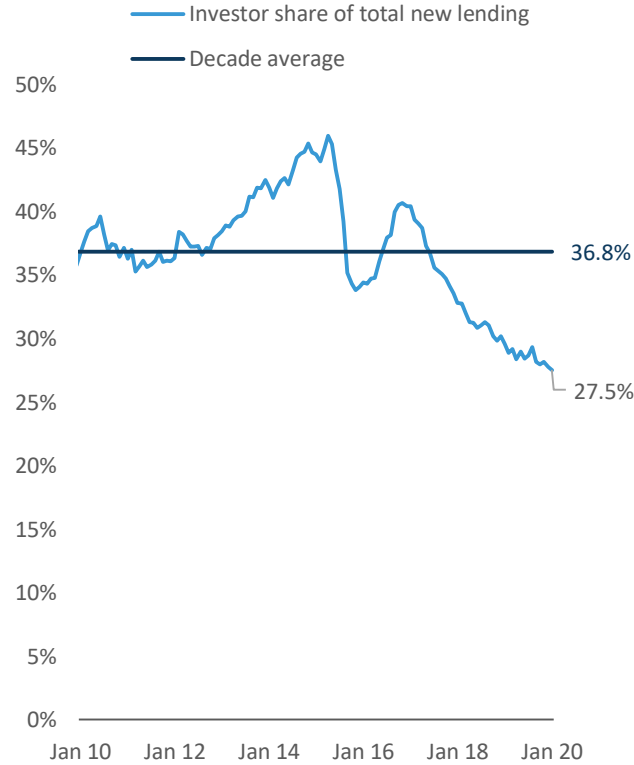


Note: a further back-series is currently unavailable due to a change in APRA's data source

## Monthly value of new finance commitments, total



## Portion of new lending for investment housing (excluding refinance)

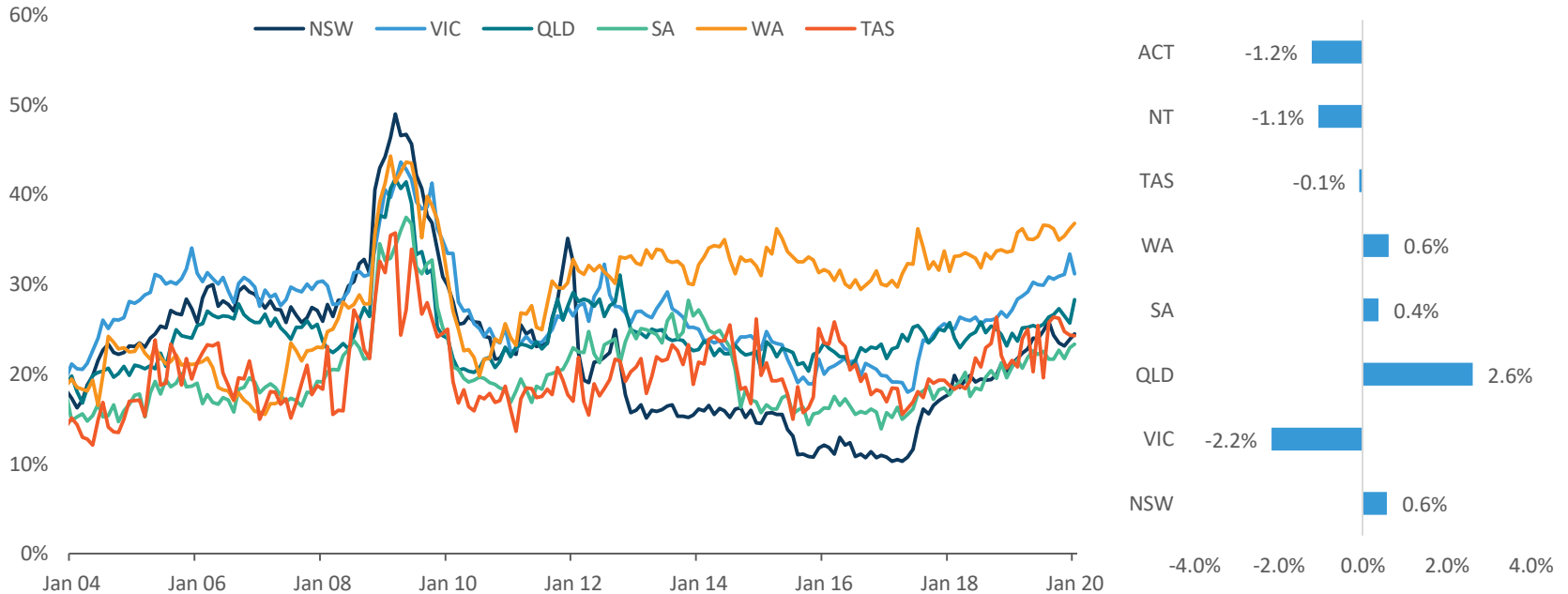


New home lending increased 4.6% in January 2020.

The relatively low portion of investor participation provides some insulation for housing from a retreat of investors as a result of the current downswing.

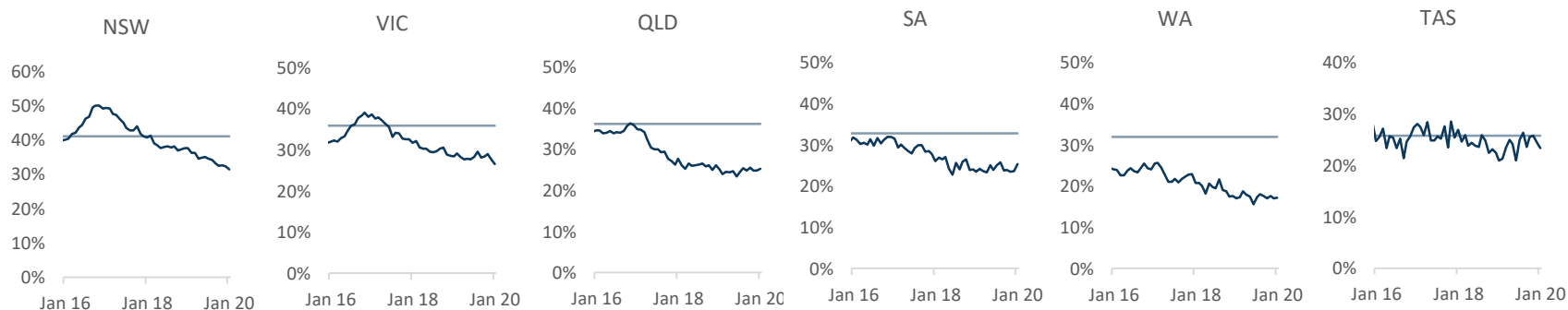
First home buyer participation was steady over January, led by declines in Victoria. This suggests upsizers/downsizers are most dominant in the new home lending space.

First home buyers as a portion of owner-occupier finance commitments (values)

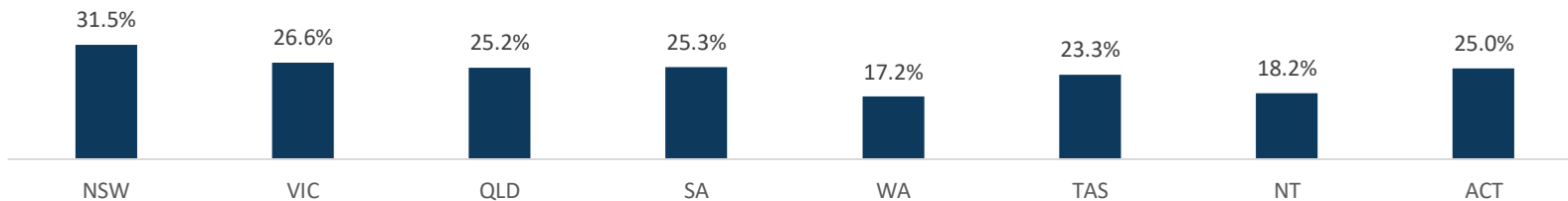


# Over January, investor participation continued to decline in most states and territories

Investors as a portion of total value of lending (excluding refinancing)

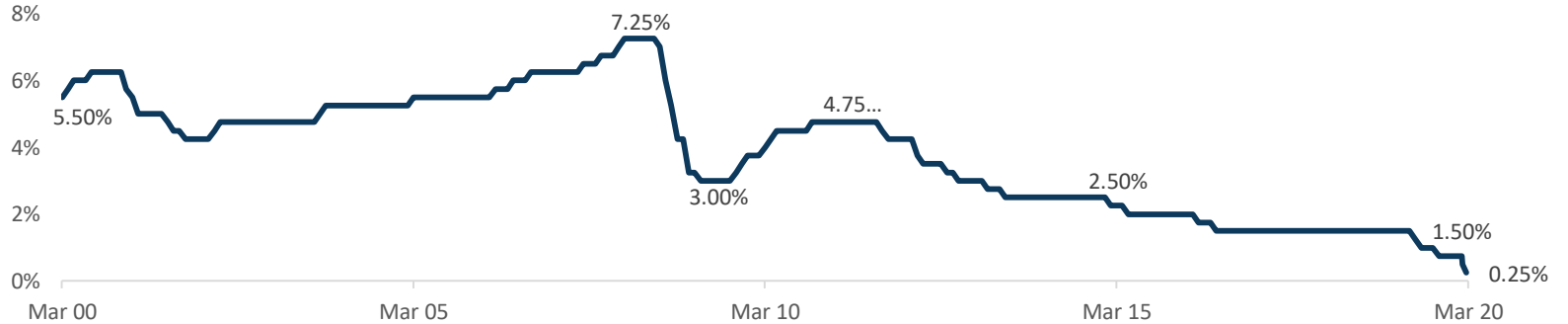


## January 2020

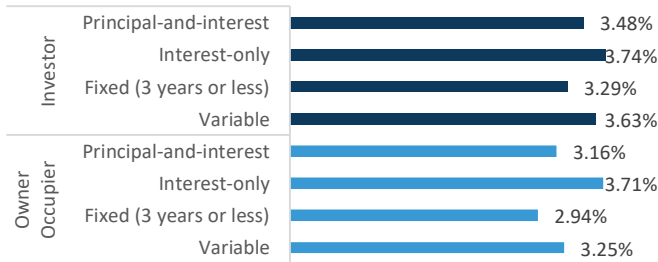


# The cash rate is now at a new record low, following two reductions in March, with fixed-rate mortgage products expected to see the largest reductions

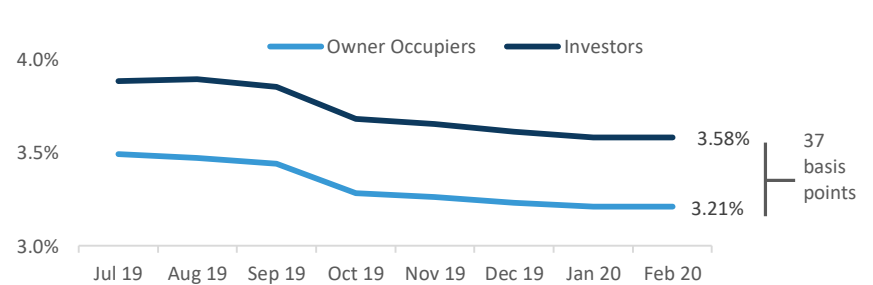
RBA Cash Rate



Avg Mortgage rate type by product, Feb 2020



Investor premium based on monthly average of new loans



Note: Data reported in the rate by product and borrower tables are based on the new RBA 'Housing Lending Rates' publication, based on Economic and Financial Statistics (EFS) collection.



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