

| 2 April 2009

Weekly Property Pulse Professional Edition

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Industry Market Wrap

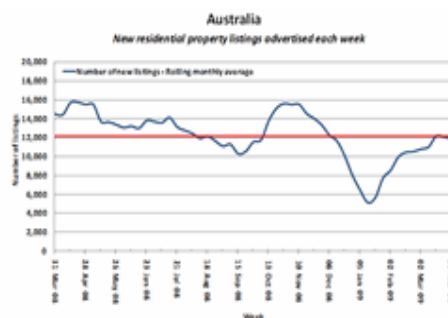
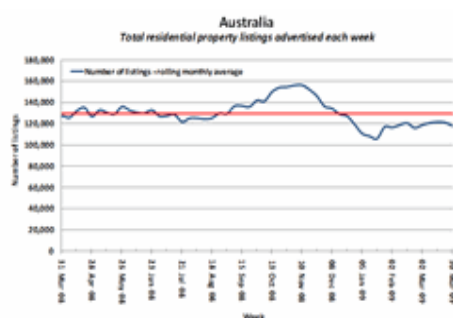
Data released by the Australian Bureau of Statistics earlier this week showed that on a seasonally adjusted basis the number of new dwelling approvals increased by 7.8% during February compared to the January results. Although, compared to the same time last year dwelling approvals are still down 25.5%. Whilst the low interest rate environment and Government handouts for first home buyers are making purchases more attractive the high cost of developing new dwellings is seeing approvals remain at very low levels compared to the historical average.

This week Government Minister's have also admitted that the unemployment rate is likely to rise above the current projection of 7%. Treasurer Wayne Swan, Deputy Prime Minister Julia Gillard and Finance Minister Lindsay Tanner have all stated that in next month's budget, forecasts for unemployment will be higher than the current 7%. These comments come following the admission by the Reserve Bank of Australia earlier this week that Australia was already in recession. Given these comments by Ministers and the RBA, the likeliness of further interest rate cuts when the RBA meets next Tuesday continues to strengthen.

Without much commotion auction clearance rates have shown strong improvement during the last 4 weeks. In Sydney each of the last four weeks has seen auction clearance rates above 60% with the best clearance rate recorded 3 weeks ago at 66.7%. Melbourne has fared even better with clearance rates recorded at levels above 70% across each of the last 4 weeks, with the best result coming this week with a clearance rate of 76.3%. Whilst Brisbane clearance rates remain at low levels the last 4 weeks has seen rates increase to levels above 30% each week whilst Adelaide results have been above 40% each week. Perth has started to show improvement during the last 2 weeks, 4 weeks ago clearance rates sat at 15.4%, this week they sit at 32.3%.

Auction clearance rates – week ending March 29th

City	Clearance Rate	Total Auctions	RP Data Auction Results	Sold Prior To Auction	Sold At Auction	Sold After Auction	Passed in	W/drawn
Adelaide	47.0%	84	66	11	19	1	31	4
Brisbane	34.3%	199	143	11	31	7	81	13
Canberra	75.0%	27	16	2	10	0	4	0
Melbourne	76.3%	525	367	53	221	6	86	1
Perth	32.3%	63	31	2	8	0	19	2
Sydney	63.7%	646	446	70	200	14	125	37
Tasmania	27.8%	27	18	2	1	2	11	2



APPROXIMATE COMMISSION:

Based on the median dwelling value of \$453,899, we estimate the total amount of available commission to be \$1.36 billion available across the Australian mainland.

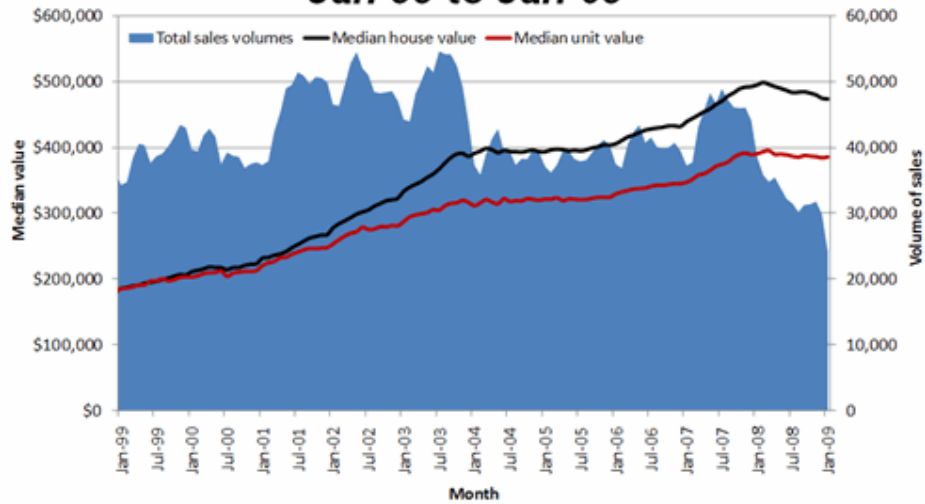
Price growth back in the black

After property value falls of 2.9% nationwide during 2008, 2009 has brought some good news with a number of capital city markets now showing positive growth

In terms of property value growth performance, 2008 was a poor year with most regions of Australia seeing falls in property values. In the context of the overall economy both nationally and globally the Australian property market got off relatively lightly with value falls of just 2.9%. Markets in the US and Europe saw property values plummet by up to 20% whilst the Australian share market was down more than 40% from its peak.

On a national basis sales volumes have plummeted. Keeping in mind that December and January are usually slow months, sales volumes during January 2009 were 64% down on the 10 year average and 53% lower than volumes at the same time during the previous year. This data highlights that low consumer confidence and economic uncertainty has resulted in fewer property transactions.

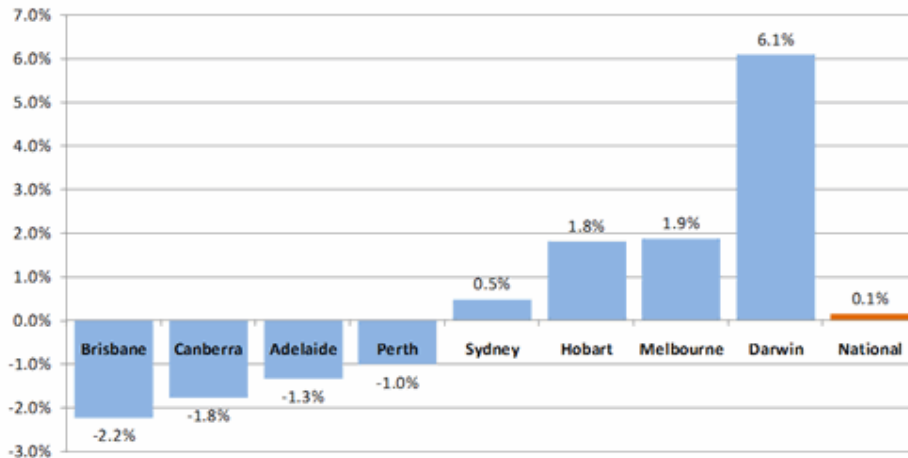
National median values and sales volumes Jan-99 to Jan-09



With the new year comes rejuvenated hope with regards to the performance of investment classes. The latest data shows that within some capital cities throughout Australia, property values have actually increased during the last 3 months. On a national basis property values have increased by 0.1% indicating a flat market. It's certainly too early to call a wholesale recovery of the market but these are encouraging first steps. Importantly, the possibility of significant gains through 2009 are likely to be tempered by low consumer confidence and rising unemployment. However, the two largest capital city markets, Sydney and Melbourne, have shown slight positive growth and this is an encouraging sign given these two cities tend to lead the national markets direction.

On a quarterly basis, Brisbane has seen the greatest falls at 2.2% over the quarter whilst the greatest increase in values was witnessed in Darwin at 6.2%. Darwin continues to record strong value growth following on from its very strong performance during 2008. Adelaide on the other hand, was the only other capital city market apart from Darwin to record positive growth through 2008 however, values in Adelaide have now fallen 1.5% during the quarter. Property values in Perth appear to have slowed their rate of descent after falling by 7.3% during 2008, the last 3 months has seen falls of just 1.0%.

Quarterly change in median dwelling values Feb 2009

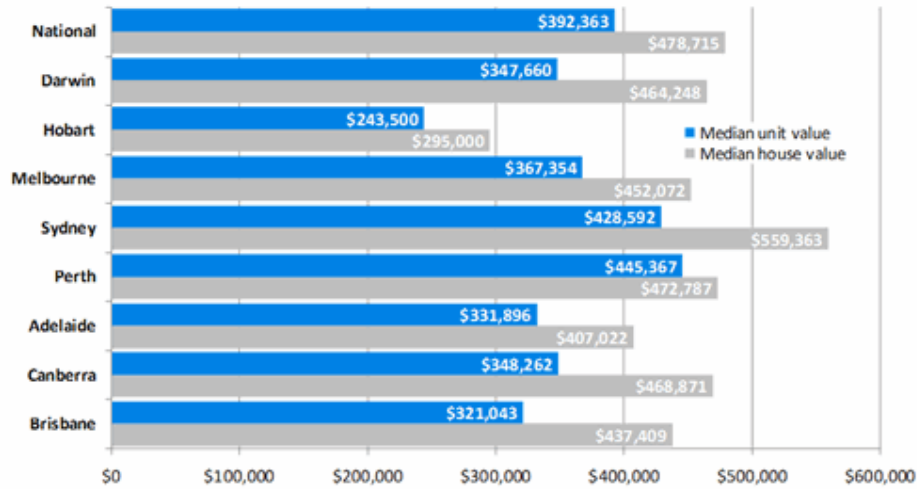


* Hobart data based on median price

When looking at values throughout the nation, houses in Sydney remain the nation's most expensive sitting at \$559,363 and the cheapest houses are found in Hobart where the median price is \$295,000. Perhaps the most interesting movement in house values during recent times has been the rapid increase in Darwin house values. At the start of 2008, Melbourne house values were 7.5% more expensive than Darwin's and Brisbane's median house was 8.6% more expensive than Darwin's. As at the end of Feb-09, Darwin's median house value is 2.7% greater than Melbourne's and 6.1% greater than Brisbane's. Although this may seem expensive, Darwin continues to provide the country's best gross rental yields so whilst yields are so strong, it is logical that price growth is likely to remain robust.

Across the unit market, the most expensive units are found in Perth (\$445,367) and the most affordable units are located in Hobart (\$243,000). Units in Perth have been the nation's most expensive for some time now, overtaking Sydney in May 2006. The result is unsurprising given the quantity of unit development located on or close to the waterfront on the Swan River and coastal areas. Generally, these units have been constructed with a strong focus towards the owner occupier market and prices reflect such an offering.

Current median house and unit values Feb 2009



* Hobart data based on median price

Even though values have started to show some growth in capital city areas we don't anticipate that growth in values will be dramatic through 2009, overall we believe it will be a fairly flat year in terms of growth. However property investment in Australia has demonstrated its resilience during 2008. When global share markets and global property markets were tumbling dramatically, Australian property values fell by less than 3%.

It's important to remember that property is generally held for at least 5 years and that any decline in value is only relevant if the owner sells or is looking to refinance. A good example is, if you bought the median house in Melbourne in February 2003 (towards the end of the last boom) you would have paid \$328,567. As at February 2009, Melbourne's median house sits at \$452,072 which is a value increase of \$123,505 over six years or annual average growth of 5.5%. If you compare this to the S&P/ASX 200 index, the share price index sat at 2,801 during February 2003, at the end of February 2009, the index sat at 3,345, representing an annual average change in the S&P/ASX 200 index value of just 3.0%. Sure share prices were at record highs but the volatility of the market has seen share values fall dramatically and rapidly. What this demonstrates is that property as a long-term asset class has outperformed the share market and has seen far less price volatility.

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