

## NATIONAL PROPERTY VALUES INDICES

(RP Data-Rismark International)

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### Residential Property Values Bounce Back in March Quarter '09

Australia's housing market has continued to defy the skeptics during the first quarter of 2009 with the indicative capital city RP Data-Rismark National Dwelling Value Index up 1.6 per cent in the three months to end March 2009. (This result compares the monthly index values at end March 2009 with end December 2008.) Most of the growth in residential property values has come in February (+0.9 per cent) and the March indicative estimates (+0.6 per cent). The month of January was flat.

Australia's residential property market has proven to be consistently resilient and follows on from modest circa 3 per cent falls in the value of capital city homes during 2008, which was primarily a result of mortgage rates peaking at 9.6 per cent in August 2008.

By comparison, the ASX All Ordinaries Accumulation Index fell in value by -31 per cent over the 12 months to end March 2009 while the Listed Property Trust Accumulation Index fell by -58 per cent.

RP Data/Rismark International confirmed that improvements in housing affordability are central to what appears to be the start of a slow house price recovery.

According to Christopher Joye, Managing Director of Rismark International, "This gradual recovery in Australian house prices has been driven by the 40 per cent fall in home loan rates to 5.7 per cent, which are now at their lowest levels since July 1968."

"The ratio of total household interest payments to disposable income has fallen rapidly from 15 per cent to 10 per cent as a consequence.

"Consumers are also voluntarily deleveraging through higher levels of savings with Australia's household savings rate now at its highest level since the late 1980s. This augurs well for the ability of future home buyers to service their debt."

According to Tim Lawless, RP Data's Director of Research, the stabilisation in the Australian residential housing market should be viewed as a positive sign by the construction sector.

"These results represent good news for the building industry and should provide a boost to developer confidence," he said.

"As the market improves further we would expect the construction industry to ramp up new dwelling commencements in a much needed attempt to remedy Australia's large housing shortage."

"A lift in construction activity will certainly have a positive effect on the economy by boosting jobs, incomes, demand for building products and services, and retail sales for home appliances and furnishings," Mr Lawless said.

However, Mr Lawless does have some concerns about current government charges and levies; he believes these still present a major hurdle to a wholesale recovery in the construction sector.

There have also been some misplaced concerns that the boost to the First Home Buyers Grant has artificially driven price growth across the entire housing market.

#### Key Statistics

- National dwelling values up 1.6% over first three months of '09

#### Capital city dwelling values - 3 months to end of March '09

- Sydney values ↑ 2.4% to \$514,695
- Melbourne values ↑ 2.4% to \$426,423
- Brisbane values ↑ 1.3% to \$425,433
- Adelaide values ↓ 0.3% \$393,183
- Perth values ↓ 0.7% to \$466,034
- Darwin values ↑ 2.8% to \$432,091
- Canberra values ↑ 1.4% to \$455,797

**Best performing capital city:** Darwin with housing values up 2.8% over quarter and 8.4% over 12 months.

**Weakest performing capital city:** Perth with housing values down 0.7% over quarter and 6.3% over 12 months.

**Highest rental yields:** Darwin with gross rental yield of 6.3% for houses and 6.3% for units.

**Lowest rental yields:** Melbourne & Adelaide with gross rental yield of 4.3% for houses and 4.9% for units, respectively.

**Shortest average no. days on market:** Melbourne – 41 days

**Longest average no. days on market:** Adelaide – 81 days

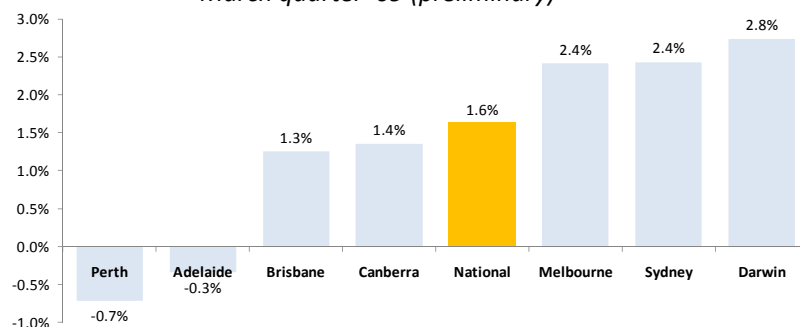
**Most expensive houses:** Sydney \$565,929

**Most affordable houses:** Adelaide \$410,442

**Most expensive units:** Perth \$439,042

**Most affordable units:** Brisbane \$330,390

Quarterly change in dwelling values  
March quarter '09 (preliminary)



“While the Grant has certainly helped spark demand, the key driver of the housing market’s resilience has been the fall in mortgage rates to 40 year lows. It is important to remember that first-time buyers represent less than 30 per cent of all property sales.” Mr Lawless said.

In addition, he said that in many of the mortgage belt markets where first home buyer sales are now occurring there had been a level of underperformance with both real and nominal house price falls recorded between 2004 and 2008. This was particularly true in the western suburbs of Sydney.

“Price growth in these areas in 2009 is likely to be a welcome change for existing owners,” Mr Lawless said.

**CLARIFICATION:** *On a quarterly basis (i.e., comparing the first quarter of 2009 with the fourth quarter of 2008), which is the method used by the ABS, Australian residential property values are up 0.1 per cent according to the quarterly RP Data-Rismark Hedonic Index. Quarterly index estimates are ‘transaction-weighted’. Since January currently has the largest number of sales (given the delays in getting 100 per cent of sales for February and March), January has a higher weight in the quarterly index and therefore puts a downward bias on the results (since January was flat). Consequently, a monthly index gives more accurate estimates of changes in residential property values over time.*

## City by City

### Sydney

The quarterly data reveals Sydney is now one of the best performing capital cities in terms of value growth, with houses up 2.4 per cent in value and units up 2.5 per cent over the first three months of 2009. A return to modest growth has been a long-time coming for Australia’s largest city. In fact, housing values are still \$16,000 lower now than they were back at the 2004 peak highlighting the lackluster performance of the last four years. Rental yields in Sydney are now the third highest in the nation after Darwin and Canberra. The improvement in rental yields is due to several successive years of strong rental growth coupled with relatively flat property values resulting in improved rental returns for landlords.

### Melbourne

Over the last quarter Melbourne has been the third best performing capital city in terms of improvement in the median dwelling value. House values have risen 2.3 per cent and unit values have risen 2.8 per cent over the first three months of the year. Melbourne also stands out as recording the shortest average time on market for houses, with the average house selling in just 41 days compared to the national average of 55 days.

### Brisbane

The slowdown during 2008 hit Brisbane harder than many other capital cities, which is largely due to prices perhaps overshooting the mark in ‘07. Brisbane had a stellar run in 2007 with dwelling values increasing by 25 per cent over the calendar year – the highest annual rate of growth of any capital city during that period. Over the last 12 months Brisbane residential values have fallen 3.4 per cent across both the houses and units market. Modest growth has returned to the Brisbane market during 2009 with the first three months of year seeing house values up 1.4 per cent and unit values up 0.4 per cent. Rental returns are approximately on par with the national average with houses providing a gross yield of 4.7 per cent and units 5.4 per cent.

### Adelaide

The Adelaide market has slowed considerably after a prolonged run of price growth which started in early 2007 and didn’t end until half way through 2008. Housing values in Adelaide increased by 24.3 per cent during the 2007 calendar year. Over the last quarter Adelaide values have slipped by -0.3 per cent due mainly to falls in house values (down 0.5 per cent) rather than unit values (up 0.4 per cent). Houses and units are averaging 81 days and 73 days to sell respectively, the longest average selling time of any mainland capital city.

### Perth

Perth dwelling values peaked in September 2007 at \$507,000 and have since declined by 8.1 per cent or just over \$41,000. Values are still falling in the Western capital; however the rate of decline has eased during 2009. Over the March quarter house and unit values fell by -0.7 per cent; a far cry from 2.7 per cent quarterly fall recorded over the three months ending October last year. Rental yields in Perth have been improving month on month also, with the average gross yields on a Perth house now higher than the national average (4.7 per cent v 4.6 per cent).

### Darwin

Darwin property values have been the standout performers, recording consistent improvements quarter on quarter since late 2004. Over the last 12 months Darwin is the only capital city to record an increase in housing values, with house values up 6.7 per cent and unit values up 13.6 per cent over the 12 months to March 09. Such strong capital growth typically erodes rental yields, as rental rates rarely move this fast, however in the case of Darwin the rental market has moved in parallel with housing values, consistently providing the best rental yields of any capital city. Over the March quarter the average house and unit was providing a gross rental yield of 6.3 per cent.

### Canberra

Canberra dwelling values have fallen -2.7 per cent over the 12 months to March 2009, with a bounce back over the first quarter of 1.4 per cent. House values were up 1.3 per cent over the first three months of ‘09 and unit values were up by 1.7 per cent. Canberra is recording the second highest rental yields in the nation after Darwin, with houses returning a gross yield of 5.6 per cent and units returning a gross yield of 6.1 per cent.

Ends.

## Tables

### Index results for all dwellings, houses and units

Table 1

RP Data-Rismark Hedonic Index Results All Dwellings								
	Sydney	Melbourne	Brisbane	Adelaide	Perth	Darwin	Canberra	National
Median Value (\$'000's)								
March 2009*	514.695	426.423	425.433	393.183	466.034	432.091	455.797	457.191
February 2009	511.677	424.519	419.292	389.536	471.060	425.148	441.138	454.618
March MTH*	0.59%	0.45%	1.46%	0.94%	-1.07%	1.63%	3.32%	0.57%
March QTR*	2.44%	2.42%	1.26%	-0.34%	-0.71%	2.75%	1.36%	1.63%
March YOY*	-1.00%	-1.65%	-3.42%	-1.39%	-6.40%	8.38%	-2.74%	-2.19%
February MTH	1.41%	1.79%	0.20%	-0.25%	-0.05%	-1.13%	-1.31%	0.94%
February QTR	0.64%	0.60%	-1.04%	-1.25%	-0.21%	5.45%	-1.76%	0.12%
February YOY	-1.79%	-2.73%	-5.92%	-0.99%	-6.32%	10.28%	-3.77%	-3.07%

Table 2

RP Data-Rismark Hedonic Index Results All Houses								
	Sydney	Melbourne	Brisbane	Adelaide	Perth	Darwin	Canberra	National
Median Value (\$000's) & Days on Market								
March 2009*	565.928	451.004	449.757	410.442	473.387	477.659	482.464	483.097
February 2009	563.558	449.721	443.616	406.381	476.843	472.128	469.022	480.716
March QTR								
Days on Market	47	41	48	81	47	70	53	55
March MTH*	0.42%	0.29%	1.38%	1.00%	-0.72%	1.17%	2.87%	0.50%
March QTR*	2.39%	2.29%	1.42%	-0.52%	-0.72%	1.59%	1.27%	1.52%
March YOY*	-1.85%	-2.17%	-3.42%	-1.26%	-5.95%	6.73%	-3.39%	-2.65%
February MTH	1.75%	1.68%	0.54%	0.01%	-0.50%	-0.39%	-1.65%	0.99%
February QTR	0.38%	0.67%	-0.87%	-0.80%	-0.75%	3.95%	-2.55%	-0.03%
February YOY	-2.95%	-3.10%	-5.87%	-1.16%	-6.57%	9.06%	-4.39%	-3.72%

Table 3

RP Data-Rismark Hedonic Index Results All Units								
	Sydney	Melbourne	Brisbane	Adelaide	Perth	Darwin	Canberra	National
Median Value (\$000's) & Days on Market								
March 2009*	430.413	362.209	330.390	336.639	439.042	336.306	375.161	392.953
February 2009	426.329	358.681	324.248	334.350	449.833	326.397	356.821	389.902
March QTR Days on Market	36	40	48	73	38	70	56	47
March MTH*	0.96%	0.98%	1.89%	0.68%	-2.40%	3.04%	5.14%	0.78%
March QTR*	2.54%	2.83%	0.41%	0.36%	-0.70%	6.38%	1.69%	1.97%
March YOY*	0.91%	0.08%	-3.44%	-1.92%	-8.12%	13.63%	-0.11%	-0.76%
February MTH	0.67%	2.16%	-1.59%	-1.30%	1.73%	-3.31%	0.08%	0.78%
February QTR	1.23%	0.37%	-1.91%	-2.99%	1.94%	10.31%	1.50%	0.59%
February YOY	0.83%	-1.48%	-6.15%	-0.31%	-5.30%	14.16%	-1.24%	-1.05%

Table 4

RP Data-Rismark Hedonic Index Results Houses and Units Rental Yields								
	Sydney	Melbourne	Brisbane	Adelaide	Perth	Darwin	Canberra	National
Quarter Results								
Houses								
March 2009 QTR Rental Yield*	4.83%	4.25%	4.69%	4.36%	4.67%	6.29%	5.55%	4.64%
Units								
March 2009 QTR Rental Yield*	5.69%	4.93%	5.38%	4.87%	4.93%	6.31%	6.06%	5.39%

\* The results are "indicative" only, since they rely on a smaller sample of property sales data and do not reflect the MORE comprehensive sales database used to publish the "final" figures.

## Background

The RP Data-Rismark Index results are reported by the RBA in its Statement on Monetary Policy and have recently been selected by the ASX as the basis for the ASX's new residential property derivatives market, which is set to be launched in August 2009. Moody's and SIRCA have both independently concluded that the RP Data-Rismark Index results are the most accurate measures of house price change in Australia.\*

The RP Data-Rismark Hedonic Indices benefit from exclusive access to the most comprehensive property database in Australia and NZ, which is owned by RP Data Limited (ASX: RPX). RP Data spends over \$9 million annually collecting new property information and has amassed a database comprising over 124 million property data records covering around 100% of all homes. Over 70% of Australian real estate agents subscribe to RP Data's property information services.

In a recent independent review of the RP Data-Rismark Indices, the credit rating agency Moody's concluded *"The suite of indexes calculated by RP Data-Rismark represents a significant improvement in the quality of housing price statistics available in Australia."* Moody's further commented, *"These data are more sophisticated, detailed and have better coverage than that used in the construction of existing housing price indexes in Australia. The high quality of the data makes it possible to implement hedonic indexes, which up to this point had proved difficult to construct in Australia due to data constraints."*

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

*\* Note that the ABS House Price Index is a **quarterly** measure of house price changes. The RP Data-Rismark Hedonic Index is a **monthly** measure and so cannot be compared directly with the ABS estimates. However, when the RP Data-Rismark Index is converted to a quarterly measure the ABS Index estimates track it closely.*

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Rismark International ("Rismark") is a global funds management business that has expertise in the execution of sophisticated real estate research and investment strategies. 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. In September 2008 the Australian Stock Exchange ("ASX") selected the RP Data-Rismark hedonic indices as the benchmark indices for the ASX's new residential property derivatives market, which is expected to be launched in mid 2009. Rismark's management team is augmented by a Global Research Advisory Board comprising of eminent academics from Sydney University, Melbourne University, and Yale. For more information visit [www.rismark.com.au](http://www.rismark.com.au).