

NATIONAL MEDIA RELEASE

NATIONAL HOME VALUE INDICES

(RP Data-Rismark International)

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Top end leads market recovery but growth likely to slow in second half

A 4.5 per cent increase in Australian home values in the first half of 2009 heralds good news for the property market with improvements being recorded across all market price segments according to the combined RP Data-Rismark National Home Value Indices out today

RP Data national research director Tim Lawless confirmed that prices improved across all price segments over the last six months, however growth is moderating as we move into the second half of 2009.

Rismark International managing director Christopher Joye said "Outside of cash, Australian residential property has proven to be a safer store of wealth for households than shares or commercial property."

Mr Lawless said "The recovering residential environment comes as consumer and business confidence records large improvements. Housing finance approvals are trending upwards for both owner occupiers and investors, and auction clearances are averaging more than 70 percent across the nation."

"Growth across all markets is being recorded over a broad base, not just in first home buyers markets as commentators have suggested," he said.

Based on the first half year results, home values have risen in the top 20 per cent of most expensive suburbs, the middle 60 per cent of suburbs, and the cheapest 20 per cent of suburbs ranked by price.

The top 20 per cent of most expensive suburbs across Australia have risen in value by a stunning 5.7 per cent since their lowest point in January 2009 which follows a hefty 10.3 per cent fall in values between February 2008 and December 2008.

Mr Lawless said the fact that prices are improving across all segments of the market demonstrates that improved affordability and attractive buying conditions are the key market drivers rather than the boost to the First Home Buyers Grant.

Latest results windfall for Perth property values. After falling by 7 percent in 2008, Perth values are rebounding having risen by 1.9 percent over the first half of 2009.

Perth has been the weakest performing capital city since price growth peaked at 46 per cent back in 2006. Perth values still need to see an improvement of about \$30,000 before the market has 'officially' recovered to the high of \$507,500 achieved in September 2007.

Capital gains likely to be less in the second half of 2009. After an initial burst of activity following the introduction of the First Home Buyers Boost and the 40 per cent fall in mortgage rates, there is evidence that the rate of house price growth is slowing back to more modest levels. With growth rates moderating, it is likely capital gains in the second half of 2009 will not be as significant as the first half.

Christopher Joye said, "While Australia's housing recovery has been emphatically confirmed, it would be premature to assume that this is going to lead to higher growth rates. The June month results were a modest +0.4 per cent and the housing industry will face challenges in the second half of the year as the First Home Buyers Boost is withdrawn and fixed mortgage rates trend up."

"In modest June growth followed on from a 0.8 per cent rise in May, and a 0.9 per cent increase in April. Given this slow rate of growth, there is absolutely no evidence of any house price bubble brewing," he said.

Key Statistics

- National dwelling values up 0.4% in month of June
- National dwelling values up 4.5% over first half of '09

Capital city dwelling values – June quarter 2009

- Sydney values ↑ 2.4% to \$533,904
- Melbourne values ↑ 3.7% to \$446,344
- Brisbane values ↑ 0.1% to \$427,297
- Adelaide values ↑ 0.4% to \$397,488
- Perth values ↑ 0.2% to \$479,213
- Darwin values ↑ 3.9% to \$451,364
- Canberra values ↑ 3.3% to \$471,818

Best performing capital city: Darwin, with home values up 7.0% over first half of 2009.

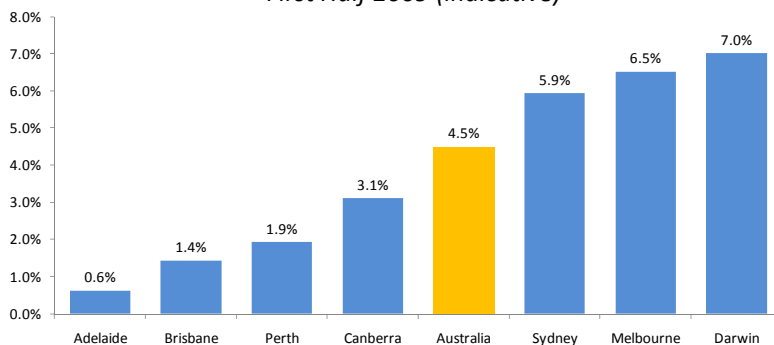
Weakest performing capital city: Adelaide, with home values up 0.6% over the first half of 2009.

Highest rental yields: Darwin with gross rental yield of 6.4% for houses and 6.0% for units.

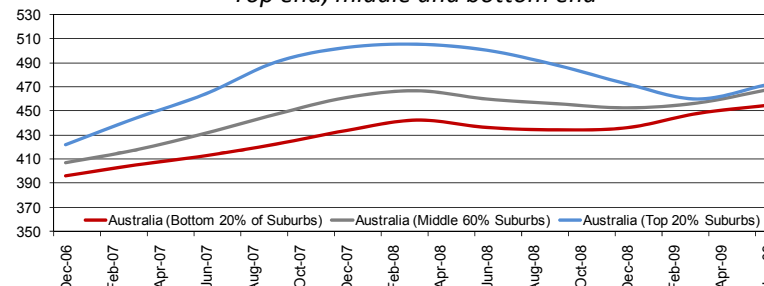
Lowest rental yields: Melbourne with a gross rental yield of 4.2% for houses and 4.8% for units.

Shortest average no. days on market: Houses: Sydney & Melbourne – 28 days. Units: Sydney and Perth – 23 days

Change in dwelling values
First Half 2009 (indicative)



Change in home values
Top end, middle and bottom end



Houses once again outperforming units. Houses (+2.4 per cent) have significantly outperformed units (+1.2 per cent) in the three months to June 2009, reversing the trend in the first three months of the year when units outperformed houses.

According to Mr Joye, this is likely because more upgraders have entered into the market following the record levels of first time buyer participation earlier in the year. It also presages a strong recovery in the ABS house price index, which only includes houses.

Rental yields flat as house values rise. Given the capital gains recorded across most cities, rental yields have softened slightly with the gross annualised rental yield for units being 5.3 per cent while house rental yields are slightly lower at 4.4 per cent.

Despite Darwin's strong price growth, the rental market in Darwin has kept pace, providing the best of both worlds to investors; strong capital gains as well as high rental returns. Darwin houses are returning a gross yield of 6.4 percent and units are returning 6.0 percent.

RBA highlights the disconnect between supply and demand. RP Data and Rismark have been vocal in raising the need to address the housing supply deficiency in Australia for some time. In a recent speech RBA Governor Glenn Stevens highlighted this issue as one of the more important that Federal and State Government's need to address.

Tim Lawless commented that the disconnect between supply and demand has been long running, with developers simply lacking the financial ability to produce desperately needed housing stock.

"Compounding this issue are high government charges and policies that restrict developers from producing affordable housing stock as well as the lack of quality transport infrastructure and amenity linking the outskirts of Australia's cities with the key working areas."

"Until these issues are seriously addressed the Australian housing market will continue to be undersupplied," he said.

The RBA Governor Glenn Stevens expressed hopes that housing supply will respond to demand without the need for a major run-up in prices.

Mr Joye said, "We have been relentless in drawing attention to Australia's acute housing shortages, which have, ironically, been a key factor underpinning the market's resilience."

"Yet the biggest constraint on new supply coming online is access to finance—developers have had grave difficulties getting adequate credit from lenders. The banks have been reluctant to lend because of concerns about house price falls since the crisis began. If policymakers want to stimulate new supply, the last thing they should be doing is spooking lenders about a recovery that has only just started," he said.

***TECHNICAL NOTE:** *There are two ways that you can measure quarterly house price changes: the first involves pooling all the sales over a quarter (eg, all sales in January, February and March) and then creating an index value from those sales and comparing that to the index for the previous quarter (ie, an index from all sales pooled over October, November and December). A more accurate approach is to calculate monthly index values and compare the end of March index result with the end of December index outcome. In this way, you treat each month separately and do not average through the quarter. This is exactly what investors do when measuring quarterly returns to the ASX All Ordinaries Index: they compare the end March ASX index value to the end December value. What they do not do is, for instance, calculate daily returns to the ASX index over January, February and March, jumble these returns up, and then try and estimate a March quarter return from three month's worth of averaged daily returns. The month-by-month approach is therefore RP Data-Rismark's preferred method. Because both the ABS and APM use a much cruder "stratified median price" index than RP Data-Rismark's hedonic regression technique, their methodology results in typically more volatile index outcomes that are subject to higher revision biases. This means it is hard for them to release credible monthly results (since they change all the time). As a consequence, the ABS and APM only publicly report every quarter, and pool transactions over that quarter to give themselves a bigger sample to work off. RP Data-Rismark does not need to do this because of the statistically more precise hedonic regression technique, which allows them to report every month. RP Data-Rismark prefers not to pool over the quarter although they do report a pooled quarterly number so people can make correct comparisons.*

City by City Summary

Sydney With the median value of a Sydney home rising to \$533,904 in June, an improvement of 4.8 percent over twelve months, Sydney property prices have finally surpassed the February '04 peak when prices were \$530,536. Growth in the value of houses has surpassed that of units over the first half of 2009, with house values up 6.3 percent compared with units at 5.2 percent. The health of the Sydney market is reflected in the average time it takes to sell a home, which is now just 28 days compared with 37 days at the same time last year. Gross rental yields in Sydney are outperforming the national average with houses returning 4.5 percent (national 4.4 percent) and units returning 5.6 percent (national 5.3 percent).

Melbourne Melbourne is the second best performing capital city market with home values up 6.5 percent over the first half of 2009. Houses and unit performance is virtually on par with values in both sectors increasing by 6.5 percent. Melbourne's median house value is 20 percent, or \$117,000 lower than Sydney house values, reflecting a significant value differential. This may be one of the reasons why Melbourne's housing market performance has been so strong. Melbourne's rental market hasn't kept pace with capital growth however, with rental yields now the lowest of any capital city. Melbourne houses are returning a gross yield of 4.2 percent and Melbourne units are returning a gross yield of 4.8 percent.

Brisbane Brisbane's housing market has been relatively subdued in comparison with Sydney and Melbourne. Home values are up just 1.4 percent over the first half of the year compared to the national increase of 4.5 percent. Despite the fact that South East Queensland remains the population growth epicentre of Australia and the city is home to some of the largest infrastructure projects in the nation, growth in home prices has been relatively subdued. Market conditions are improving, however, with houses and units taking just 29 days and 27 days respectively to sell. Brisbane's unit values, at \$337,003, are the most affordable of any mainland capital city providing a very strong value proposition to potential buyers.

Adelaide Adelaide home values have been relatively flat over the first half of 2009, recording growth of just 0.6 percent. In 2007 Adelaide was one of the best performing cities with growth in housing prices peaking at 24 percent for the 12 months ending December 2007. The Adelaide unit market has well and truly outperformed houses, with unit values up by 3.0 percent over the first half of 2009 (compared with a 0.2 percent increase in house values).

Perth Perth housing values are finally improving, recording a 1.9 percent increase over the first half of 2009. Perth values still have some way to go before recovering, with home values about \$30,000 lower than the September 2007 peak. Market conditions have improved, however, with houses and units selling much quicker than they were a year ago. Over the June quarter houses averaged 31 days to sell (compared with 59 days last year) and units averaged just 23 days to sell (46 days last year).

Darwin The northern capital continues to show strong growth with the market seemingly unaffected by the Global Financial Crisis. Values are up 13.4 percent over the last year and over the last five years value growth has averaged 15.4 percent per annum. The rental market has kept pace with housing values and Darwin is still providing the highest rental yields of any capital city.

Canberra Canberra home values have increased by 3.1 percent over the first half of 2009 which is lower than the national average. Houses are outperforming units with house values up 3.7 percent over the last six months and unit values up by just 0.7 percent. The Canberra rental market is still very strong with rental yields the second highest of any capital city after Darwin. Canberra houses are providing a gross rental return of 5.2 percent and units are returning a gross yield of 5.7 percent.

Ends. Additional information – please contact Mitch Koper at RP Data on 0417 771 778 or Christopher Joye on 0414 980 264.

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)								
Jun-09	533.904	446.344	427.297	397.488	479.213	451.364	466.653	471.818
May-09	530.310	443.983	431.792	396.313	478.260	445.415	457.435	470.090
Jun 09 MTH	0.68%	0.53%	-1.04%	0.30%	0.20%	1.34%	2.02%	0.37%
Jun 09 QTR	2.39%	3.69%	0.13%	0.43%	0.23%	3.85%	3.32%	2.06%
Jun 09 YTD	5.94%	6.52%	1.43%	0.62%	1.93%	7.01%	3.11%	4.50%
Jun 09 YOY	4.77%	4.20%	-0.47%	0.02%	-1.86%	13.38%	2.36%	2.70%
Mar 09 QTR	3.46%	2.74%	1.29%	0.19%	1.69%	3.04%	-0.20%	2.39%
Dec 08 YOY	-3.03%	-1.89%	-2.62%	3.18%	-6.84%	11.21%	-2.08%	-2.56%

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								
Jun-09	589.731	472.815	450.406	413.330	484.904	493.377	496.994	498.618
May-09	583.134	469.688	456.128	411.564	481.708	491.426	481.725	495.700
MAY QTR Time on Market	28	28	29	72	31	65	32	
Jun 09 MTH	1.13%	0.67%	-1.25%	0.43%	0.66%	0.40%	3.17%	0.59%
Jun 09 QTR	3.19%	4.19%	-0.22%	0.23%	0.30%	3.33%	3.70%	2.35%
Jun 09 YTD	6.29%	6.52%	1.28%	0.02%	1.49%	4.86%	3.74%	4.36%
Jun 09 YOY	4.21%	3.80%	-0.48%	-0.62%	-1.53%	10.69%	2.29%	2.23%
Mar 09 QTR	3.00%	2.23%	1.50%	-0.21%	1.19%	1.48%	0.04%	1.96%
Dec 08 YOY	-4.08%	-2.17%	-2.91%	2.23%	-6.99%	12.01%	-2.33%	-3.11%

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								
Jun-09	442.065	377.192	337.003	345.586	458.321	363.055	374.911	405.363
May-09	443.411	376.834	336.703	346.350	465.603	348.700	383.988	406.587
MAY QTR Time on Market	23	26	27	67	23	56	35	
Jun 09 MTH	-0.30%	0.10%	0.09%	-0.22%	-1.56%	4.12%	-2.36%	-0.30%
Jun 09 QTR	0.67%	2.07%	2.03%	1.20%	-0.03%	5.36%	1.83%	1.17%
Jun 09 YTD	5.16%	6.54%	2.22%	3.03%	3.67%	13.67%	0.67%	4.93%
Jun 09 YOY	6.02%	5.53%	-0.43%	2.61%	-3.11%	21.83%	2.63%	4.16%
Mar 09 QTR	4.46%	4.38%	0.19%	1.81%	3.70%	7.89%	-1.14%	3.72%
Dec 08 YOY	-0.67%	-0.95%	-1.08%	7.19%	-6.26%	8.80%	-1.07%	-0.83%

Table 4

RP Data-Rismark Hedonic Index Results Houses and Units Rental Yields								
	Sydney	Melbourne	Brisbane	Adelaide	Perth	Darwin	Canberra	National
Quarter Results								
Houses								
Jun 09 QTR YLD	4.48%	4.17%	4.63%	4.30%	4.34%	6.41%	5.21%	4.42%
Units								
Jun 09 QTR YLD	5.58%	4.78%	5.35%	4.94%	4.80%	6.03%	5.71%	5.25%

* 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 by end 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 Australian 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 129 million property data records covering around 98% of all homes. Over 70% of Australian real estate agents subscribe to RP Data's property information services.

In an 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>

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RP Data

RP Data is the leading provider of property information, analysis and business solutions to the Australian and New Zealand property industry. Through our sophisticated systems, innovative products, outstanding service and global links, we are able to provide our customers with the power to confidently transact, finance and manage property assets. We have over 126 million property records in our database and Australia's most comprehensive aerial and frontage photography repository. Our innovative analysis and reporting tools are used by numerous industry bodies while government authorities use our very own indices in forecasting and policy making. Our databases are growing daily and the tools available continue to evolve.

For the latest property statistics and information about the depth and breadth of the information we deliver, visit www.rpdata.com

Rismark International

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.