

National Residential Market Overview June '08

RP Data – Rismark Property Value End of Month Index Release
31 July 2008

Most markets fall slightly in value through winter but US experience won't happen here

The RP Data/Rismark International end of month property indices report released today confirms what most people know to be true already; we are seeing modest declines in most property markets.

However, RP Data National Research Director Tim Lawless said that the good news for buyers is that property is not a homogenous market and if you look at the flipside of this downturn, it may well prove to be the ideal buying window as speculation that interest rates may stay on hold and rents continue to surge.

Based on the combined Rismark International and RP Data findings all capital cities apart from Adelaide and Darwin fell in value recording a national drop of 1.24 per cent, however this is not at the levels of the S&P/ASX 200 Index which over the same period dropped by 17.7 per cent.

Rismark International's Dr Matthew Hardman said the fundamental basis of supply and demand should continue to see Australian property prices moving upwards over the medium to long term.

He said, "Based on the forecasts for Australian housing demand from the Commonwealth Treasury, over 200,000 homes per annum will be required for new housing. New housing starts are currently running at about 145,000 homes per annum.

"The latest June data indicates that building approvals (supply) in NSW are at 25 year lows. The Treasury are forecasting a big disconnect between Australia's housing demand and housing supply over the next few years.

"Looking at the economic fundamentals such as high immigration and low unemployment, we expect property prices to rise in the medium term, obviously surrounded by some volatility. It is, therefore, next to impossible to justify sensationalist forecasts of price falls of 10 per cent produced by other commentators in the marketplace."

"To understand the effect of interest rate rises, we need to distinguish between houses, where only 20 per cent are rented and home units, where 60 per cent are rented. The strategies of investors and owner-occupiers will be different."

"There will be problems for some owner-occupiers as fixed rates reset to variable this year. However, given the severe rental shortage, where are these people going to live if they sell their homes? Some may downsize from houses to townhouses or home units, or move further out from the CBD. For the vast majority, their employment status has not changed. Their response will be to dramatically decrease their discretionary spending in order to stay in their homes. You cannot apply models which do not take this into account," Dr Matthew Hardman said.

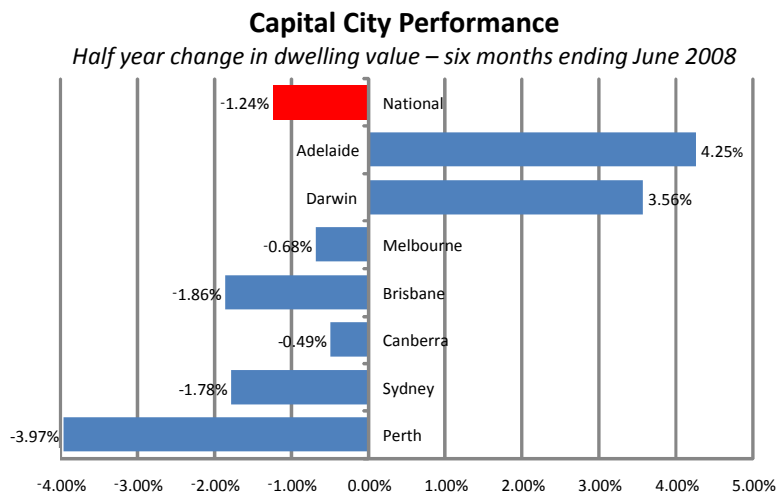
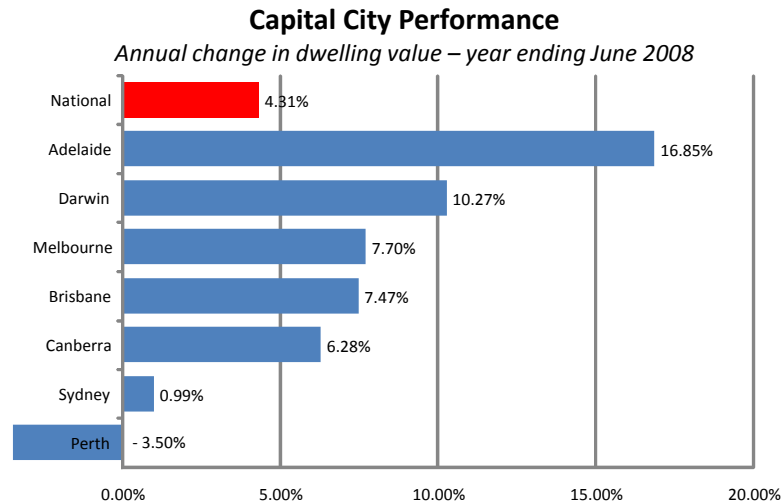
RP Data's Tim Lawless takes the view that although the broad level index results show minor falls in property values across the country, this market should not be considered as one single market. Right now there are strategic micro markets that will stand out due to price growth opportunities over the coming year. These areas will be characterised by population growth, quality transport and social infrastructure combined with a controlled supply of housing.

"Some of the most strategic markets to be buying into right now are within 10kms of CBD's where recently values may have dropped marginally, but historically these areas have proven to be safe buying bets.

"The current market conditions present an ideal window of opportunity for buyers particularly those who have ability to take advantage of the lack of competition in the market place due to the weaker than normal conditions right now. With fewer buyers actively seeking out properties, there is currently little competition amongst buyers. For active buyers or those wanting to upgrade, buying conditions certainly favour the purchaser."

"Potentially the greatest volatility in the market will be experienced in the outer mortgage belts where there is higher levels of supply and market segments are much more price sensitive

Rental yields across the country are in great shape and continue to improve as chronic shortages of rental supply drive up prices. RP Data's Tim Lawless said although renters will be squeezed even further out of the market, landlords and investors looking to buy into the market should take advantage of the current buyers market.



Around the State

Sydney Property Market

- On average over Sydney as a whole, house values are down about 2% and units 1% in the first 6 months of this year. Overall, prices have been flat to slightly negative through winter.
- Houses in the Eastern Suburbs appear to have fallen in value last month, after rising in previous months. There is significant volatility in higher priced areas as the market searches for direction.
- Values at Canterbury-Bankstown, Western and South Western Sydney are still falling slightly, between 2 and 5% in the first 6 months of 2008.
- Our view is that the Sydney market will begin to turn around strongly in the more affluent areas by Spring 2009, largely due to supply shortages and continued high wages and low unemployment.
- We do not believe prices in the Western and South Western Sydney regions will fall much further, due to increasing rental yields, high construction costs and demand for new housing.

Melbourne Property Market

- Melbourne values have fallen on average less than 2% in the past 3 months.
- House values in Inner & Eastern Melbourne and Boroondara City have fallen around 5% so far this year, after previous very strong growth.
- Melbourne is experiencing the same problem as Sydney did after its spectacular growth: affordability constraints.

Brisbane Property Market

- Brisbane house values have fallen on average 2% and 0.2% for units over the last six months, versus an average rise of 7.5% over the past 12 months.
- Prices of home units in the inner and south eastern suburbs have held and in many areas risen as prospective buyers choose a unit over a house due to affordability.

Adelaide Property Market

- Adelaide property values are still growing, 3% for houses and 8% for units since Christmas.
- Growth in Northern & Western Adelaide is slightly stronger than the East & South, however the Adelaide market is still remarkably consistent, albeit with some recent volatility, partly due to seasonal factors.

Perth Property Market

- Perth overall has not slumped as heavily as some commentators have suggested it might: it's off an average of 4% so far this year.
- House values in the southern suburbs have fallen more: about 5%.
- Unit values in the eastern suburbs have also fallen by over 5% in 2008.

Canberra

- Overall, Canberra house and unit values have fallen by about half a percent during the first half of 2008.

Darwin

- Growth in Darwin has slowed significantly in the past few months, with house values actually falling slightly during the June quarter.

ENDS. Contact Mitch Koper for enquiries: 0417 771 778

Tables

Index results for all dwellings, houses and units

Table 1

RP Data-Rismark Hedonic Index Results Houses and Units								
	SYDNEY	MELBOURNE	BRISBANE	ADELAIDE	PERTH	DARWIN	CANBERRA	NATIONAL
	Median Value (\$'000's)							
Jun-08	507.253	424.004	425.824	397.61	483.032	393.448	459.655	456.379
May-08	508.639	425.346	436.107	399.03	487.956	382.586	462.189	459.353
Jun YOY	0.99%	7.70%	7.47%	16.85%	-3.50%	10.27%	6.28%	4.31%
Jun YTD	-1.78%	-0.68%	-1.86%	4.25%	-3.97%	3.56%	-0.49%	-1.24%
Jun QTR	-1.72%	-1.43%	-3.33%	-0.19%	-2.53%	-0.78%	-1.61%	-1.82%
May YOY	2.13%	10.57%	12.16%	20.61%	-1.57%	8.59%	7.45%	6.59%
May YTD	-1.52%	-0.37%	0.51%	4.62%	-2.99%	0.70%	0.06%	-0.60%
May QTR	-1.69%	-2.34%	-2.53%	1.67%	-3.01%	0.27%	1.08%	-1.79%

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-08	560.388	448.687	449.002	416.85	489.617	435.641	495.183	483.556
May-08	565.001	450.429	460.827	417.939	496.514	421.689	492.85	488.062
Jun QTR Days on market	34	34	41	63	59	73	40	
Jun YOY	0.26%	7.56%	7.48%	16.28%	-4.10%	9.87%	8.38%	4.11%
Jun YTD	-2.31%	-0.87%	-2.17%	3.29%	-4.63%	4.04%	1.15%	-1.61%
Jun QTR	-2.11%	-1.70%	-3.51%	0.06%	-2.52%	-1.49%	0.07%	-2.01%
May YOY	2.14%	10.53%	11.89%	18.93%	-2.05%	9.08%	7.79%	6.61%
May YTD	-1.51%	-0.49%	0.41%	3.56%	-3.29%	0.71%	0.67%	-0.70%
May QTR	-1.94%	-2.59%	-2.48%	1.57%	-2.95%	-1.36%	1.44%	-1.94%

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-08	419.843	359.525	335.262	334.575	458.86	304.76	352.226	388.988
May-08	415.921	359.823	339.52	337.079	456.541	300.392	369.477	388.165
Jun QTR Days on Market	36	32	33	53	56	63	44	
Jun YOY	2.63%	8.16%	7.41%	19.24%	-1.08%	11.48%	-1.78%	4.93%
Jun YTD	-0.60%	-0.05%	-0.23%	8.36%	-1.25%	2.15%	-6.91%	-0.07%
Jun QTR	-0.85%	-0.52%	-2.36%	-1.18%	-2.54%	1.39%	-8.16%	-1.25%
May YOY	2.11%	10.69%	13.62%	27.95%	0.39%	7.16%	6.10%	6.55%
May YTD	-1.53%	0.03%	1.04%	9.17%	-1.75%	0.68%	-2.35%	-0.28%
May QTR	-1.14%	-1.49%	-2.76%	2.06%	-3.26%	5.39%	-0.32%	-1.33%

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 QTR YLD	4.37%	4.24%	4.31%	3.92%	3.93%	6.18%	5.13%	4.28%
House May QTR YLD	4.31%	4.18%	4.31%	3.94%	3.83%	5.92%	5.05%	4.24%
Units Jun QTR YLD	5.58%	4.67%	4.98%	4.60%	4.31%	6.30%	5.82%	5.11%
Units May QTR YLD	5.47%	4.62%	4.91%	4.52%	4.33%	6.18%	5.74%	5.07%

* 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 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 103 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 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>

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RP Data

Established in 1991, ASX-listed RP Data (ASX: RPX) is the largest supplier of commercial and residential property information services throughout Australia and New Zealand and is the first and only provider of only provider of hedonic based Property Indices and AVM's. Subscription clients to RP Data's property information service include over 8,500 real estate agents, valuers, property developers, financial institutions and government departments. RP Data is also the largest supplier of property reports to Australians with over 600,000 property reports issued each year. With an annual investment of more than \$5 million in databases, RP Data has more than 88 million property data records covering 12 million properties in Australia and New Zealand including ownership records; 12 million property attribute records; 3.6 million property features records; 16 million property sales records; 12 million property maps; 22 million property photos; and 10 million "on the market" property listing records. For more information visit www.rpdata.com.

Rismark International

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