

End of Month – RP Data – Rismark National Residential Property Value Index Release

Released 30 June 2008

Residential values remain stable despite low consumer confidence

The national residential property value indices report released today by RP Data & Rismark International revealed that Australia's residential property market has defied speculation of a downturn with national dwelling values holding steady during the first five months of 2008. By comparison, the S&P/ASX 200 has fallen by 10.8% during the same period.

In contrast to widespread media reporting of significant house price falls, the RP Data/Rismark International report found that the national residential property market has not suffered any material price declines.

According to RP Data national research director Tim Lawless, national changes in dwelling values have in fact, been flat in the year to May 2008. He said the only capital city to register a material value fall was Perth, while Brisbane, Adelaide, Darwin & Canberra realized value increases. Melbourne and Sydney experienced neutral to slightly negative growth.

"Despite consumer and business confidence being at recent lows, the national property market has remained resilient. The impact of three official interest rate rises since last November, together with what equates to two rate rises by the banks independent of any RBA decision, have caused a slowdown in market activity and properties are taking longer to sell. However we have seen no evidence of sustained price falls at the capital city level apart from Perth."

"I believe the current high inflation environment is also causing a higher than normal degree of uncertainty amongst investors because of the uncertainty around interest rates. This uncertainty is impacting on the market where there are now fewer buyers. However, with rental yields improving and market conditions favoring the buyer, any signs of inflation abating should foreshadow a return of investors to the market," Mr Lawless said.

The RP Data/Rismark Indices report states that the strength in the Australian property market can be attributed back to the underlying demand or supply imbalance. Based on the findings, while Australia is undergoing a population growth boom, new dwelling construction activity remains flat.

Mr Lawless said there are simply not enough homes being built to accommodate the growing population and the shortage of dwellings is leading to record low vacancy rates across the board, and placing upwards pressure on rental rates. In addition, ongoing rises in development costs are placing external pressures on market values.

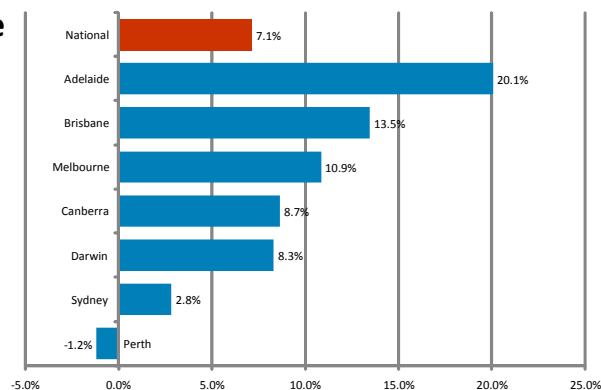
According to Rismark International's head of research Dr Matthew Hardman, construction costs, in particular the costs of sub-division and provision of infrastructure, place a natural floor under property prices in major centers whereby prices of existing properties falling below the construction costs of new ones, exacerbates under supply by making development unprofitable. He said this in turn places upward pressure on prices.

"Given the high costs of construction materials and labour, it is virtually impossible to find a new house and land package of even average standard for much under \$400,000 anywhere in Sydney."

"The recent fluctuations of returns in many regions of Sydney, Melbourne and Perth from positive to negative and back again, indicates the likelihood of large falls has decreased, conditional on a flatter interest rate environment.

"A low probability of large falls in Perth of course relies on continued strong economic growth in China and India. Both countries have large enough internal economies and trade with Europe to withstand a US economic slowdown," Dr Hardman said.

Capital City Performance
Annual change in dwelling value – year ending May 2008



Around the Nation

Adelaide continues to lead the nation in terms of capital growth with house and unit values increasing by 18.65 percent and 26.22 percent respectively. Despite the ongoing gains in property values, Adelaide houses still provide one of the most affordable entry points to a capital city marketplace. Strong price growth is still apparent across all regions of Adelaide; however the mortgage belt regions of the outer northern and southern suburbs are now showing comparatively lower rates of growth than the more affluent inner and coastal suburbs.

Brisbane is also continuing to show improvements in property values with overall growth of around 1.7 percent for houses and units during the first five months of 2008. Similar to other markets around Australia, the inner metro areas of Brisbane are recording the highest growth while the outer suburbs have recorded minor falls in value over the last quarter.

Melbourne prices have fallen on average 1.5 – 2.0 percent in the past 3 months. Inner areas which have recorded strong growth over the last year, such as Moreland city and Northern Middle Melbourne have become flat while house values in Eastern Outer, Southern & South Eastern Melbourne and Frankston City have now joined Hume City in recording falls. Melbourne is experiencing the same problem as Sydney did after its spectacular growth: affordability constraints.

Canberra dwelling values have increased by 8.65 percent over the last year, however the market has flattened during 2008 with an increase of 1.2 percent in dwelling values over the first five months of 2008. Rental yields remain well above the national average with houses and units providing a gross rental return of 4.98 percent and 5.92 percent respectively.

Darwin has recorded strong growth over the year (8.3 percent) however the market has slowed during 2008. Over the first five months of 2008 house values increased by 0.64 percent and unit values increased by 3.88 percent. The Darwin rental market continues to perform strongly, recording the highest gross rental yields of any capital city. Darwin houses are now returning a gross rental yield of 5.94 percent and units are returning 6.09 percent.

Sydney on average over Sydney as a whole, house values are down about 1 percent and units 1.5 percent in the first 5 months on this year. On a month to month basis we are seeing more volatility enter the market with last month's minor fall in values being evened out by this month's minor increase.

The fluctuating dynamics are partly due to seasonal volatility and partly due to uncertainty about the market: on one hand, the housing supply shortage and construction costs are providing a floor under prices, on the other there are affordability constraints in many areas.

The western and south western Sydney regions are still falling slightly, though not at previous rates.

Our prediction 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.

Perth remains as the only capital city to experience a decline during the twelve month period to May 2008, with dwelling values falling by 1.2 percent. The median value of a Perth house is now slightly less than \$500,000. Perth overall has shown average falls of around 1 percent for units and 3 percent for houses in 2008. The South West has fallen slightly more: on average 5 percent.

In conclusion, Dr Hardman said recent quotes suggesting that prices are falling significantly in Sydney's Eastern Suburbs and Northern Beaches are based on median sales figures and demonstrate the error in drawing conclusions from median sales figures, which do not take into account the attributes and specific locations of properties which sold.

"It has recently been suggested that there is now a significant chance the falls in the western suburbs of Sydney will now spread to the more affluent suburbs, where one particular economist stating that Sydney property prices were 20% overvalued.

"Given continued skilled labour and housing stock shortages, together with high immigration, it would be interesting to see the economic reasoning behind claims that falls of 10% could be widespread in the next 12 months," Dr Hardman said.

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)								
May 08*	512.172	426.199	441.298	397.924	488.476	377.141	467.139	461.510
April 08	508.235	424.187	439.903	402.624	490.403	382.202	448.368	459.689
May 08 YOY*	2.84%	10.85%	13.46%	20.05%	-1.20%	8.32%	8.65%	7.14%
May 08 YTD*	-0.79%	-0.02%	1.71%	4.16%	-2.55%	1.40%	1.19%	-0.03%
April 08 YOY	2.66%	12.27%	14.26%	22.73%	-0.39%	10.09%	6.08%	7.77%
April 08 YTD	-1.55%	-0.50%	1.39%	5.39%	-2.17%	2.76%	-2.87%	-0.42%

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								
May 08*	570.803	450.355	466.773	418.274	498.329	414.426	499.422	491.007
April 08	565.151	449.846	465.632	422.972	499.619	428.069	479.570	489.292
May QTR Days on Market*	32	30	33	58	53	73	31	
May 08 YOY*	3.18%	10.56%	13.29%	18.65%	-1.84%	7.55%	9.23%	7.20%
May 08 YTD*	-0.44%	-0.37%	1.70%	3.43%	-3.08%	0.64%	1.99%	-0.07%
April 08 YOY	2.49%	12.24%	13.99%	21.82%	-1.29%	10.04%	7.75%	7.78%
April 08 YTD	-1.42%	-0.48%	1.45%	4.59%	-2.83%	3.95%	-2.07%	-0.42%

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								
May 08*	415.719	363.096	341.762	331.254	452.306	298.767	369.523	388.368
April 08	414.603	357.159	339.369	335.962	456.573	285.790	354.019	386.284
May QTR Days on Market*	30	27	26	51	41	60	39	
May 08 YOY*	2.07%	11.83%	14.37%	26.22%	1.47%	10.63%	6.36%	6.93%
May 08 YTD*	-1.58%	1.11%	1.77%	7.34%	-0.37%	3.68%	-1.93%	0.10%
April 08 YOY	3.05%	12.36%	15.72%	26.64%	3.37%	10.26%	-0.24%	7.73%
April 08 YTD	-1.84%	-0.55%	1.05%	8.86%	0.57%	-0.82%	-6.05%	-0.43%

Table 4

RP Data-Rismark Hedonic Index Results Houses and Units Rental Yields								
	Sydney	Melbourne	Brisbane	Adelaide	Perth	Darwin	Canberra	National
Quarter Results								
Houses Apr 08 QTR	4.27%	4.14%	4.23%	3.96%	3.70%	5.94%	4.98%	4.20%
Units Apr 08 QTR	5.32%	4.60%	4.86%	4.42%	4.19%	6.09%	5.92%	4.92%

* 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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