

NATIONAL PROPERTY VALUES INDICES

(RP Data/Rismark International)

Released 31 October 2008

Market conditions improve during the September quarter

The Australian property market is showing signs of a recovery according to the RP Data-Rismark National Property Values Indices, the most sophisticated measure of value movements in the Australian residential property market.

Indicative figures for the September quarter show property values nationally declined by just 0.5 per cent; an improvement from the June quarter where values fell by 2.0 per cent. In the nine months to end September 2008, Australian property values have been largely resilient, tapering by just 1.4 per cent.

Released today, the Property Indices indicates that the small value falls experienced during the second quarter of 2008 appear to have lost momentum, with declines in dwelling values moderating during the September quarter.

Rismark International Managing Director Christopher Joye said "Sensationalist and unsubstantiated claims predicting large house price falls in Australia ignore the empirical fact that house prices are determined by both demand and supply."

"Virtually all economists, including the Treasury and the RBA, believe that there is a major disconnect between housing demand and supply in this country. We need to produce over 190,000 homes annually but the supply-side is only currently delivering about 145,000 homes per annum. Every year it gets harder and harder to bring new supply online. Some economists are forecasting that the supply shortage will grow to 200,000 properties by 2010. This means that Australian house prices will almost certainly rise over the medium to long-term."

"Over the next decade Australian residential property valuations--driven by their favourable demand-supply dynamics—should increase in line with nominal GDP, which would suggest that house prices will be around 80-90 per cent higher in ten years' time. Simple attempts to "value" house prices focusing only on demand and ignoring the supply-side are completely flawed," he said.

RP Data National Research director Tim Lawless said "Overall residential property market conditions appear to be improving, with these latest figures indicating the downwards trend of national property values is slowing."

Year on year, Australian dwelling values remain in the black, with an increase of 0.25 per cent over the twelve months to September. This is in stark contrast to the Australian equities market, which according to the S&P/ASX 200 index, has declined by 30.0 per cent during the same period.

Anecdotally, Mr Lawless said it appears that many consumers are now viewing the residential property market with a renewed level of confidence due to the market's demonstrated resilience to the volatility being experienced in other asset classes.

Testament to this is RP Data's subscriber base, which includes around 70 per cent of real estate agencies across the nation, is reporting an increase in enquiry, particularly in lower priced segments of the market.

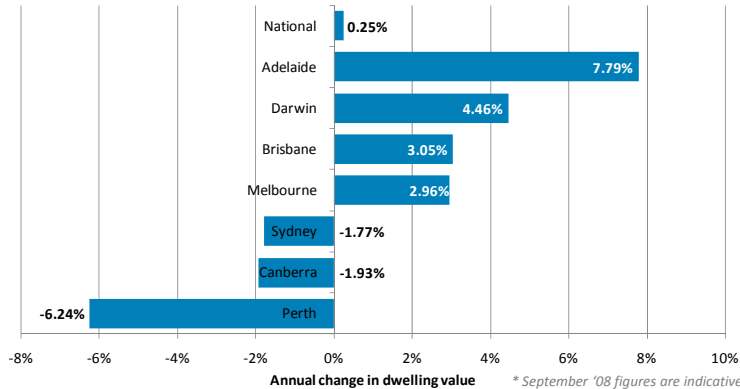
Mr Lawless said "It is the lower priced segments of the market that are likely to lead any property market recovery, with first home buyers leading the charge."

"The doubling of the first home buyers grant has had an immediate impact on market traffic; however we are yet to see this increased level of traffic translate into real buying activity."

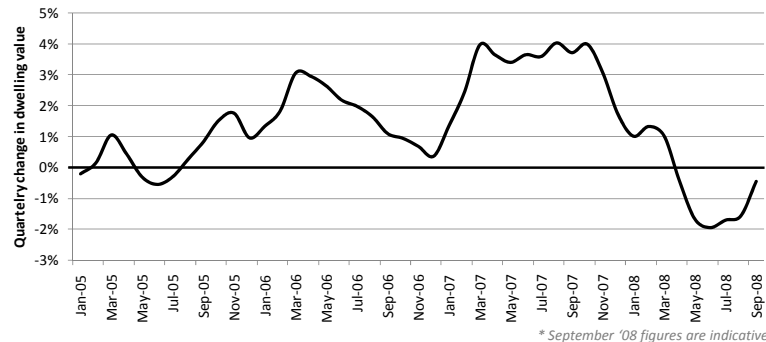
"Premium priced property markets will, in all likelihood, take significantly longer to recover as these markets are much more heavily influenced by the ongoing pain being inflicted by the share market, lower company profits and lower than expected bonuses," Mr Lawless said.

Further to this, markets characterised by tourism and holiday letting are also prone to further declines in value as investors look to offload discretionary assets such as the beach house or holiday unit.

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



Quarterly change in dwelling values - National



Rismark's Christopher Joye said "Compared with the 30-40 per cent price falls seen in shares and LPTs, Australian residential property has proven to be a valuable defensive store of wealth for home owners in 2008."

"Housing affordability is also set to improve significantly in the near-term. As a result of the September and October rate cuts borrowers have seen their monthly interest repayments fall by 13 per cent. Assuming the RBA cuts by another 1 per cent before the end of the year, mortgage repayments would have fallen 23 per cent since their peak in August. And if the RBA's cash rate falls to 4.5 per cent, as many economists predict, borrowers will have seen their repayments fall by 30 per cent or more."

"The RBA's rate cuts combined with the Governments \$10.4 billion worth of fiscal stimulus will see household disposable incomes after interest costs rise robustly over the next year in spite of higher unemployment and a slowdown in overall wages growth. Westpac and ANZ estimate that household disposable incomes will rise by a robust 8 per cent and 10 per cent, respectively, during the next year."

"Recent affordability analysis by Macquarie Bank found that if home loan rates fall to 6.5 per cent, the average Australian income earner will be able to afford a \$492,000 home, which is well above the median house price in Australia and much more than the \$333,000 house Macquarie estimated they could afford when rates were at 9.6 per cent."

"In contrast to the US and UK, Australian mortgage default rates are very low. The RBA estimated in August 2008 that only 0.4 per cent of the home loans on bank balance sheets were delinquent, which is a fraction of the 2.2 per cent and 1.3 per cent delinquency rates estimated in the US and UK, respectively. It is these distressed sales that are dragging down the house price indices in the US and UK," Mr Joye said.

City by city

Adelaide remains as the strongest performer, with property values up by 3.0 per cent during 2008 and 7.8 per cent over the twelve months to the end of September. Despite such strong growth, Adelaide remains the most affordable mainland capital city, with the median house value at \$407,385.

Darwin has been the next best performer, recording an increase of 1.4 per cent in dwelling values during 2008. Darwin continues to record the highest gross rental yields of any capital city, with houses returning an average rental yield of 6.42 per cent and units returning 6.56 per cent. This is in comparison to national averages of 4.4 per cent (houses) and 5.3 per cent (units).

Perth remains as the worst performer with dwelling values down 5.7 per cent over the first 9 months of 2008. Despite the ongoing slowdown in Perth values, the city's units remain the most expensive of any capital city, recording a median value of \$449,500. Rental yields in Perth remain the lowest in the nation with rental houses returning an average yield of 3.9 per cent and units returning 4.52 per cent. The Perth market is likely to remain unattractive to investors due to the ongoing value falls and low rental yields.

Sydney is the only market to have recorded an increase in dwelling values during the September quarter (based on indicative figures). Over the three months ending September 2008 Sydney dwelling values increased by 0.11 per cent. The increase during the September quarter can be attributed to a stronger performance from the unit market where values were up by 0.56 per cent. Sydney rental yields are now third highest in the nation after Darwin and Canberra. With vacancy rates around the 1 per cent mark, it is likely weekly rents will continue to increase and yields will subsequently improve further.

Brisbane dwelling values are down 1.11 per cent during 2008 with the median house now worth \$453,300 and the median unit worth \$329,600. Houses are taking an average of 47 days to sell compared to about 23 days at the same time last year.

Melbourne residential markets have remained virtually flat over the September quarter and values have fallen by 0.3 per cent over the first nine months of 2008. Houses and units are selling relatively quickly compared to other cities, however. Houses are averaging just 35 days on the market (28 days in September last year) while units are averaging 31 days (29 days in September last year) to sell.

Canberra dwellings have recorded the second largest fall in values over the last twelve months, down 1.9 per cent for the year ending September 2008. The decline in values can largely be attributed to the unit market where values have fallen by around 6.5 per cent over the first nine months of 2008. Canberra rental yields remain impressive, second only to Darwin. Houses are providing an average gross rental return of 5.11 per cent and units are providing an average gross rental return of 5.62 per cent –both well above the national average.

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Media enquiries contact:
Mitch Koper
National Communications Manager
RP Data Limited
0417 771 778
mitch.koper@rpddata.com

Christopher Joye
Managing Director
Rismark International
Mobile: 0414 980 264

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)							
September-08*	510.208	424.120	428.093	393.158	475.876	384.312	447.400	456.012
August-08	506.438	422.097	424.832	391.461	478.472	394.203	446.278	453.953
September YOY*	-1.77%	2.96%	3.05%	7.79%	-6.24%	4.46%	-1.93%	0.25%
September YTD*	-1.77%	-0.29%	-1.11%	2.95%	-5.69%	1.44%	-2.82%	-1.43%
September QTR*	0.11%	-0.02%	-0.54%	-0.93%	-2.21%	-2.88%	-2.03%	-0.47%
August YOY	-1.42%	3.71%	3.84%	10.39%	-5.37%	7.72%	-0.10%	1.04%
August YTD	-2.49%	-0.76%	-1.86%	2.50%	-5.18%	4.05%	-3.06%	-1.88%
August QTR	-1.25%	-1.01%	-2.56%	-2.03%	-2.39%	1.63%	-2.67%	-1.58%

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							
September -08*	564.596	449.819	453.302	407.385	483.053	423.568	478.781	483.367
August -08	560.941	446.433	449.443	408.670	484.223	437.838	477.806	481.112
September QTR Days on Market	39	35	47	69	61	74	41	
September YOY*	-2.41%	2.77%	3.20%	6.50%	-5.89%	4.17%	-0.75%	0.08%
September YTD*	-2.19%	-0.28%	-1.20%	1.00%	-6.07%	1.30%	-2.20%	-1.77%
September QTR*	-0.09%	-0.14%	-0.15%	-1.89%	-1.64%	-3.35%	-1.43%	-0.53%
August YOY	-2.07%	3.14%	3.72%	9.68%	-6.11%	9.74%	1.28%	0.66%
August YTD	-2.82%	-1.03%	-2.04%	1.32%	-5.84%	4.72%	-2.40%	-2.23%
August QTR	-1.51%	-1.13%	-2.70%	-2.14%	-2.75%	2.52%	-2.34%	-1.80%

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							
September -08*	420.735	356.984	329.591	346.544	449.534	301.797	352.512	388.181
August -08	416.776	358.523	328.668	335.081	457.363	302.483	350.943	386.608
September QTR Days on Market	37	31	42	59	54	72	49	
September YOY*	-0.33%	3.62%	2.23%	13.05%	-7.59%	5.34%	-6.48%	0.78%
September YTD*	-0.83%	-0.31%	-0.65%	11.19%	-4.16%	1.86%	-5.27%	-0.37%
September QTR*	0.56%	0.36%	-2.63%	2.95%	-4.41%	-1.48%	-4.41%	-0.26%
August YOY	0.04%	5.64%	4.48%	13.35%	-2.39%	2.01%	-5.44%	2.23%
August YTD	-1.77%	0.12%	-0.93%	7.51%	-2.49%	2.09%	-5.69%	-0.78%
August QTR	-0.66%	-0.62%	-1.82%	-1.57%	-0.96%	-0.97%	-4.03%	-0.92%

Table 4

RP Data-Rismark Hedonic Index Results Houses and Units Rental Yields								
	Sydney	Melbourne	Brisbane	Adelaide	Perth	Darwin	Canberra	National
	Quarter Results							
Houses September QTR Rental Yield*	4.63%	4.22%	4.49%	4.08%	3.92%	6.42%	5.11%	4.39%
Units September QTR Rental Yield*	5.69%	4.73%	5.09%	4.80%	4.52%	6.56%	5.62%	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 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>

Media enquiries contact:

Mitch Koper
National Communications Manager
RP Data Limited
Mobile: 0417 771 778
mitch.koper@rpdata.com

Christopher Joye
Managing Director
Rismark International
Mobile: 0414 980 264

Mr Tim Lawless
Director of Property Research
RP Data Limited
Mobile: 0401 209 327

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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