

RP Data Property Pulse

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RP Data advises First Home Buyers to Buy Now

National RP Data research analyst Cameron Kusher advises first home buyers to buy up now, and reveals why in this week's Property Pulse.

According to Mr Kusher that while the doomsayers are reporting hard times ahead, he believes it is in these times that it's important to remember that all things work in cycles.

With the current slowdown, he said there is an abundance of opportunities - especially for first home buyers which have secure employment.

He believes it is also important to remember that although Australia is deemed "unaffordable", in the world there are very few areas where people can live in a large block of land so close to a city centre.

Based on his findings reported in this week's Property Pulse, in most European cities people live in the city in apartments. If they do choose to live in a house it is more likely than not to be at least 50km outside of the city; a similar existence seen in major USA cities.

By comparing major city values from Australia to European, or US cities, Mr Kusher believes we are basically comparing either house prices to unit prices, or houses located more than 50km from the city centre to ones which are located as little as 1km from the city centre.

Ultimately we need to ask ourselves if we would prefer to live in a shoe box apartments, or opt for a house on a 600sqm block with significant potential for renovation and extension.

Mr Kusher said, "It is no surprise that people are willing to pay a premium for this lifestyle but in spite of this fact, there are many factors contributing to prices actually becoming much more affordable in Australia."

To back up his findings Mr Kusher highlights that the Government has offered first home buyers an additional \$14,000 if they buy an existing property, and an additional \$21,000 for a new property. First home buyers which purchase properties priced under \$500,000 are also exempt from stamp duty which is of significant benefit when purchasing the first property.

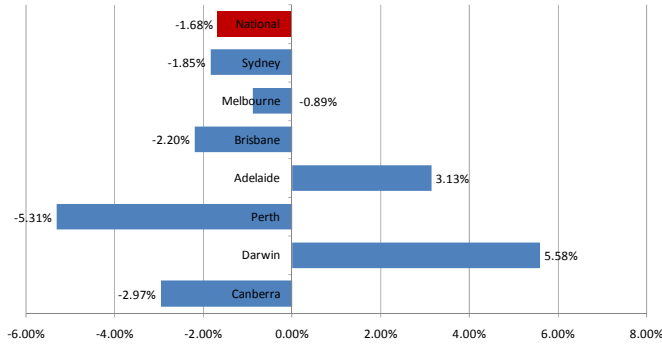
Across the nation, property values are in most parts, cheaper now than they were at the start of 2008. Over the year to October 2008, dwelling values fell by 1.68 per cent nationally, compared to falls of in excess of 40 per cent across the share market. Given this, Mr Kusher believes it is surely now more appealing to purchase than it was a year ago. Coupled with this, rental rates have seen significant increases over the last 12 months with the ABS reporting rental rates are up 8.4 per cent nationally to Dec-08 and with rents increasing by as much as 12.2 per cent in Perth.

It's not just the slight falls in property values and the increasing rental rates which are making home ownership more appealing, the standard variable interest rate currently sits at 6.8 per cent which is the lowest interest rates have been since November 2003.

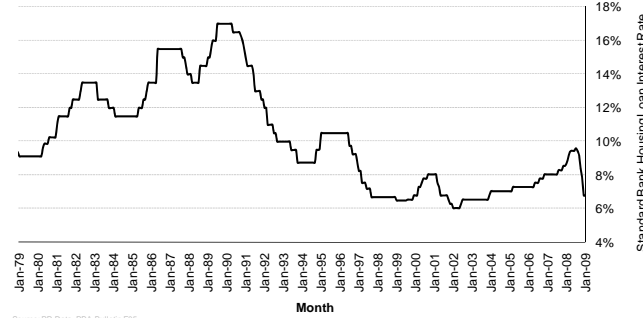
At the start of 2008, interest rates were recorded at 8.55 per cent and at their peak during July 2008 were recorded at 9.6 per cent. These falling interest rates inherently make property investment more attractive and more affordable which is critical for first home buyers.

The ASX 30 Day Interbank Cash Rate Futures Implied Yield Curve, represents the market expectation for the cash rate which currently sits at 4.245 per cent. The market is suggesting that in the current cycle, the cash rate will bottom out at 2.180 per cent in July 2009. This would result in interest rates sitting at 4.735 per cent should the current gap between the cash rate and interest rate be maintained. This is a significant fall from the current interest rate levels and is well below the peak which was recorded at 9.6% in July 2008. Also this would represent the lowest interest rate at any time since January 1974, should these rates come to fruition it would see interest rates fall by 4.865% in one year. Interest rates at 4.735% would make property purchase even more compelling and would greatly improve purchasers buying power due to a significant reduction in the cost of servicing their loan each week.

Change in Aust mainland median dwelling values 2008 to October

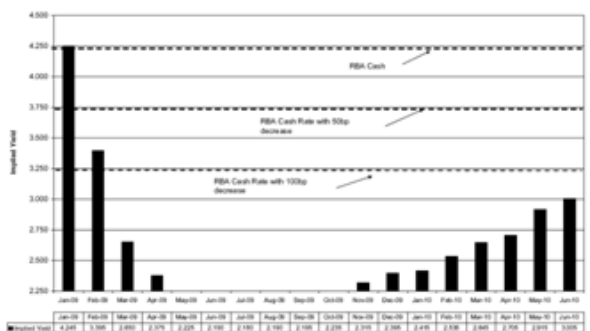


Australian standard variable interest rates Jan-79 to Jan-09



Source: RP Data, RBA Bulletin F06

ASX 30 Day Interbank Cash Rate Futures Implied Yield Curve As at market close on 28 Jan 2009



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According to Mr Kusher in parts of the country property is very expensive and could be deemed 'unaffordable' particularly for first home buyers. However, these buyers should look to take advantage of the big Government incentives, relatively soft property market and falling interest rates which are all contributing to making property more affordable.

The types of properties these first home buyers should be looking for are those which are strategically located and affordable. Specifically, properties with features such as: proximity to working nodes, public transport amenity, quality road access and close to schools and retail amenity. For those who choose not to take advantage of the Government incentives, softer property market and appealing interest rate environment, Mr Kusher believes they may rue the day that they missed a golden opportunity to purchase and remove themselves from the rental cycle.

Ends.

For additional information - contact Mitch Koper on 041 777 1778.

Weekly property pulse

The number of new properties listed for sale has shown the first signs of a post Christmas / New Year recovery with the number of new properties advertised for sale increasing over the most recent week. This is an encouraging sign following on from last week's result which indicated the fewest number of new properties advertised for sale at any time since the beginning of 2007.

Total property listings have also begun to trend upwards during the most recent week however, the upward swing is not as strong as that recognised across new listings. This may be an encouraging indicator of increased sales activity. Any increase in sales activity is most likely to have occurred for properties priced under \$500,000 as this is where first home buyers are prominent due to Government incentives such as no stamp duty on purchasers of property under this mark. Anecdotal evidence from real estate agents suggests that this is where the bulk of enquiry and activity is currently occurring across the nation's real estate markets.

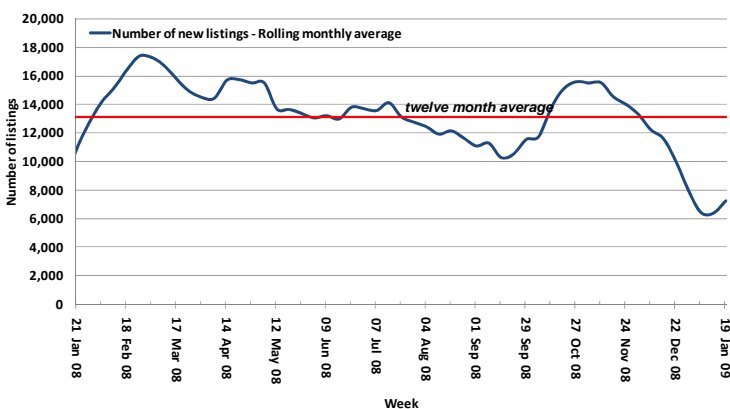
The market is now eagerly awaiting the outcome of the Reserve Bank's next board meeting on Tuesday where it is widely anticipated that the board will slash the cash rate by a further 100 basis points. This expectation is highlighted by the Sydney Futures Exchange Target Rate Tracker which shows a 96.64% market expectation that the cash rate will be decreased by 100 basis points. Should this anticipated cut to the cash rate occur and the banks pass on the full cut, interest rates will then sit at 5.8% which will be the lowest standard variable interest rates of anytime during the last 29 years.

Auction clearance rates – week ending January 25

City	Clearance Rate	Total Auctions	RP Data Auction Results	Sold Prior To Auction	Sold At Auction	Sold After Auction	Passed in	W/drawn
Adelaide	27.8%	22	18	1	4	0	12	1
Brisbane	33.3%	21	9	0	3	0	5	1
Canberra	0.0%	1	1	0	0	0	1	0
Melbourne	62.1%	62	29	7	11	0	9	2
Perth	60.0%	8	5	1	1	1	2	0
Sydney	75.0%	11	4	0	2	1	0	1

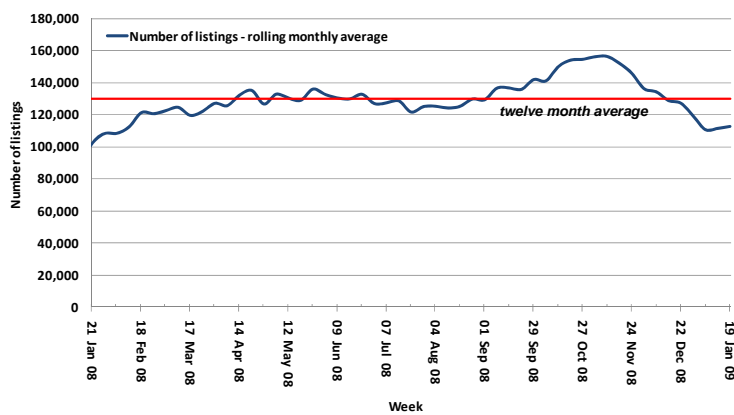
Australia

New residential property listings advertised each week



Australia

Total residential property listings advertised each week



Based on the median dwelling value of \$455,500, we estimate the total amount of available commission to be \$1.33 billion available across the Australian mainland.