

# MEDIA RELEASE

## NATIONAL HOME VALUE INDICES

### RP Data-Rismark

Released Wednesday 30 September 2009

### Record August growth in home values despite first home buyer demand winding back...

National property values jumped by almost 2 per cent in August in the largest monthly movement since the RP Data-Rismark Home Value Indices began in January 2005

Using the rpdata.com (ASX: RPX) property database, which is Australia's largest and includes over 170,000 sales during the first eight months of 2009, Australia's housing recovery solidified during the month of August with strong capital gains registered across the country despite evidence of fading first home buyer numbers.

According to the "market-leading" RP Data-Rismark National Home Value Index (see Background on p4), home values in Australia rose by an exceptional 1.9 per cent during the month of August. This brings cumulative capital growth in the first eight months of 2009 to a better than expected 7.9 per cent. This is also the single highest monthly index result since the RP Data-Rismark National Home Value Index began in January 2005.

According to rpdata.com research director, Tim Lawless, the August results surprised on the upside and are indicative of very high levels of buyer confidence combined with low levels of listings.

"These buoyant conditions sit in striking contrast to the same time last year when values were falling, less than half of the auctions held cleared and sales volumes were at rock bottom. We are now seeing home values rising at a solid rate, almost 80 per cent of auctions are clearing, and sales volumes have bounced back significantly", Mr Lawless said.

Rismark International managing director, Christopher Joye, added, "Australia's housing market is being underpinned by the strongest population growth since 1971, record housing shortages, historically low mortgage rates, better than expected employment outcomes, and one of the world's most profitable banking systems."

Australian home values have now risen 3.8 per cent past their February 2008 peak. This rebound followed peak-to-trough falls in national home values of just 3.8 per cent in 2008, which compares exceptionally well with the 15 per cent and 30 per cent house price declines seen in the UK and US, respectively.

Dispelling concerns that the recovery is limited to first home buyers Mr Joye commented, "In contrast to claims that this is a first time buyer bubble, the cheapest 20 per cent of suburbs in Australia have actually underperformed both the mid-priced market and Australia's 20 per cent most expensive suburbs since the housing market bottomed in December 2008."

"As recently noted by the RBA, all major lenders now require a minimum 10 per cent deposit and are applying the strictest credit standards we've seen in over a decade. Australian housing credit growth has also been running at levels that are extremely low by historical standards and noticeably less than the growth experienced in the 1991 recession," Mr Joye said.

Rpdata.com's Tim Lawless concurred with Mr Joye and said that over the last three months the premium residential market increased in value by 4.5 per cent compared with a 3.4 per cent gain in the middle market and a 2.8 per cent improvement at the cheapest end. (Note: numbers in chart to right show changes since December 2008 in the cheap, middle market, and expensive suburbs.)

"Despite the strong gains, the bounce in the premium sector has not been enough to offset the peak to trough fall of 9.9 per cent between February 2008 and January 2009. Prices in Australia's most expensive markets are still 1.1 per cent lower than at their peak."

#### Key Statistics

- National dwelling values up **1.9% in month of August**
- National dwelling values up **7.9% over first eight months of '09**

#### Capital city dwelling values – first eight months of 2009

- Sydney values ↑ 8.6% to \$546,867
- Melbourne values ↑ 11.6% to \$467,280
- Brisbane values ↑ 5.2% to \$443,197
- Adelaide values ↑ 3.1% to \$407,227
- Perth values ↑ 4.1% to \$489,154
- Darwin values ↑ 9.7% to \$461,983
- Canberra values ↑ 6.7% to \$484,925
- Hobart values ↑ 2.7% to \$311,148 (Hobart data is based on July figures)

**Best performing capital city: Melbourne**, with home values up 11.6% over first eight months of 2009

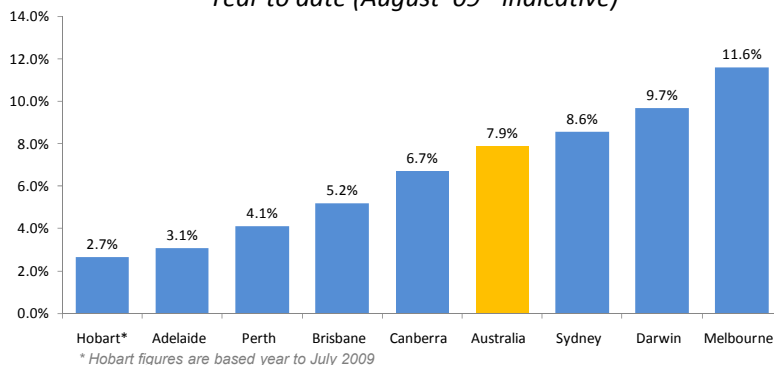
**Weakest performing capital city: Adelaide / Hobart**, with home values up 3.1% over the first eight months of 2009 in Adelaide and 2.7% over first seven month of the year in Hobart

**Highest rental yields: Darwin** with gross rental yield of 6.1% for houses and 6.3% for units

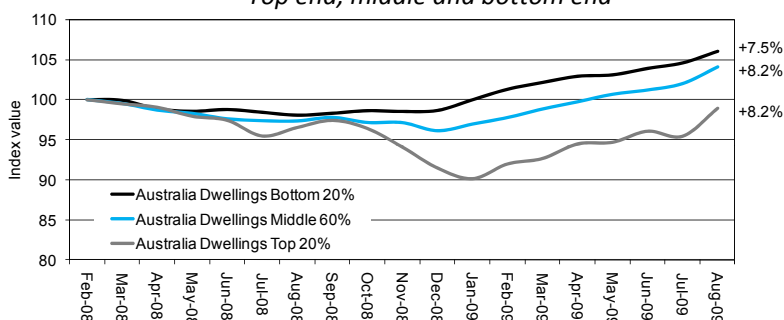
**Lowest rental yields: Melbourne** with gross rental yields of 4.0% for houses and 4.6% units

**Shortest average no. days on market: Houses: Melbourne – 28 days. Units: Melbourne – 25 days**

Change in dwelling values  
Year to date (August '09 - indicative)



Change in home values  
Top end, middle and bottom end



Mr Joye added, "While the resounding recovery in Australia's housing market confirms our forecasts, we expect medium term growth rates to be more measured as mortgage rates normalise back to between 7-8 per cent. This would bring the cost of housing finance back in line with its 2000-01 levels, which is notably well below the searing 9.6% highs endured by borrowers in August 2008 care of the RBA."

In closing Tim Lawless said that the upward momentum in Australian house prices is a critical economic signal from the market to builders and developers to encourage them to reinvest in producing new housing supply. This was a message reinforced by the RBA's Dr Anthony Richards in a speech to CEDA yesterday: policymakers need to facilitate significant new investment in housing supply to alleviate Australia's growing housing shortage, which ANZ and Westpac estimate has risen to around 200,000 homes.

"This price growth will also go a long way to comforting risk-averse lenders to start providing credit again to developers, which has been one of the main bottlenecks on the supply-side. And it will stimulate the reallocation of resources away from other sectors of the economy into much-needed housing investment." Mr Lawless said.

#### **Other key findings from the August RP Data-Rismark Index results:**

Unit values (+2.1 per cent) have marginally outperformed house values (+1.8 per cent) in the month of August. Over the course of 2009, units (+8.5 per cent) have also generated slightly higher capital growth than houses (+7.7 per cent).

Most capital cities recorded robust gains in the month of August with every single city experiencing rises in home values during the first eight months of 2009.

After several years of subdued growth following the end of Australia's last housing boom in 2003, which saw Australia's "house price-to-income ratio" fall by nearly 20 per cent through to December 2008, home values in the two major capital cities, Melbourne and Sydney, have led the recovery in 2009 with total capital gains of 11.6 per cent and 8.6 per cent, respectively.

Following Melbourne, Darwin has been the next best performing capital city with growth of 9.7 per cent in 2009. Interestingly, Darwin also continues to deliver the highest rental yields, implying that the market may have room for further growth.

Home values in Canberra (+6.7 per cent), Brisbane (+5.2 per cent), Perth (+4.1 per cent) and Adelaide (+3.1 per cent) have also realised sustained gains in 2009.

As RP Data-Rismark correctly anticipated, residential real estate in Perth has experienced a recovery in 2009 after a period of falling prices since September 2007. While Perth dwellings have recorded 4.1 per cent growth in the first eight months of the year they still remain 3.6 per cent below their September 2007 peak.

National rental yields have softened slightly given the strong capital growth with the gross annualised rental yield for units being 5.1 per cent while house rental yields are slightly lower at 4.3 per cent.

**The RP Data-Rismark Home Value Index was the first public index to identify the recovery in Australia's housing market in February 2009. All other index providers have subsequently fallen into line. Additionally, the RP Data-Rismark Home Value Index is the only monthly index published by the RBA in its Statement on Monetary Policy**

**TECHNICAL NOTE:** Readers should be aware of three technical points. First, the monthly RP Data-Rismark Hedonic Index compares month-to-month index results. For example, the first quarter of 2009 index results compare the end of March index with the end of December index. Another way to measure index returns is to combine all the months together in a quarter and compare them to the previous quarter's pooled index. So you would combine all sales in January, February and March and compute an index value. You would then compare this to the pooled October, November, and December index value. The problem here is that because many home sales are reported by the Valuer Generals offices with a 1-3 month delay, the sample sizes in the more recent months are smaller than the earlier month. So in the first quarter of 2009, January's sales will dominate because there are more January sales than February and March. In practice, however, there will in the end be a much higher number of sales in February and March. This is the approach used by the ABS. To overcome this problem, RP Data-Rismark treats each month separately. The other issue is that the ABS uses a stratified median price index. If more lower valued homes are selling because of an increase in, say, first time buyer activity, median price indices can report lower returns when in fact house prices be rising. RP Data-Rismark's hedonic regression method overcomes this problem. Finally, unlike the ABS Index, which excludes terraces, semi-detached homes and apartments, the RP Data-Rismark Hedonic Index includes all properties.

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
<b>Median Value (\$000's)</b>								
Aug-09	546.867	467.280	443.197	407.227	489.154	461.983	484.925	486.939
Jul-09	535.659	455.124	436.964	402.088	486.009	465.691	475.985	477.875
Aug 09 Mth	2.09%	2.67%	1.43%	1.28%	0.65%	-0.80%	1.88%	1.90%
Aug 09 QTR	2.85%	5.01%	2.54%	2.68%	1.26%	3.38%	5.20%	3.25%
Aug 09 YTD	8.55%	11.60%	5.20%	3.08%	4.10%	9.67%	6.72%	7.88%
Aug 09 YOY	7.38%	9.46%	3.82%	3.84%	1.78%	17.87%	8.58%	6.59%
Jul 09 Mth	0.23%	1.71%	0.28%	0.80%	-0.40%	3.07%	1.44%	0.66%
Jul 09 QTR	1.65%	3.34%	1.59%	0.75%	1.16%	4.88%	3.08%	2.03%
Jul 09 YTD	6.33%	8.69%	3.72%	1.78%	3.43%	10.55%	4.75%	5.87%
Jul 09 YOY	5.55%	7.26%	2.52%	2.21%	-0.54%	21.00%	6.82%	4.70%

Table 2

RP Data-Rismark Hedonic Index Results								
Houses								
	Sydney	Melbourne	Brisbane	Adelaide	Perth	Darwin	Canberra	National
<b>Median Value (\$000's)</b>								
Aug-09	603.154	493.878	469.031	424.422	495.202	508.722	509.144	514.416
Jul-09	590.621	483.263	460.322	418.858	490.531	514.454	506.216	505.196
Aug 09 TOM (days)	30	28	30	41	35	62	33	
Aug 09 Mth	2.12%	2.20%	1.89%	1.33%	0.95%	-1.11%	0.58%	1.83%
Aug 09 QTR	3.23%	4.91%	2.84%	3.08%	1.89%	2.82%	5.08%	3.50%
Aug 09 YTD	8.76%	11.30%	5.43%	2.74%	3.65%	8.30%	6.11%	7.68%
Aug 09 YOY	6.95%	8.93%	3.79%	3.62%	1.30%	15.05%	6.52%	6.04%
Jul 09 Mth	0.33%	1.92%	0.15%	1.09%	-0.63%	3.27%	2.22%	0.76%
Jul 09 QTR	1.87%	3.58%	1.23%	1.05%	1.19%	3.23%	3.91%	2.16%
Jul 09 YTD	6.50%	8.91%	3.47%	1.39%	2.68%	9.52%	5.50%	5.75%
Jul 09 YOY	4.99%	7.10%	1.99%	2.03%	-0.48%	19.38%	7.08%	4.29%

Table 3

RP Data-Rismark Hedonic Index Results								
Units								
	Sydney	Melbourne	Brisbane	Adelaide	Perth	Darwin	Canberra	National
<b>Median Value (\$000's)</b>								
Aug-09	454.270	397.799	342.254	350.893	466.952	363.738	411.693	418.806
Jul-09	445.242	381.617	345.695	347.143	469.408	363.191	384.575	410.129
Aug 09 TOM (days)	27	25	27	34	27	63	37	
Aug 09 Mth	2.03%	4.24%	-1.00%	1.08%	-0.52%	0.15%	n/a+	2.12%
Aug 09 QTR	2.03%	5.32%	0.96%	1.10%	-1.10%	5.07%	5.65%	2.50%
Aug 09 YTD	8.11%	12.57%	3.97%	4.45%	5.87%	13.88%	9.05%	8.48%
Aug 09 YOY	8.32%	11.20%	3.98%	4.70%	3.70%	27.05%	17.04%	8.28%
Jul 09 Mth	0.02%	1.00%	0.95%	-0.31%	0.50%	2.50%	-1.55%	0.36%
Jul 09 QTR	1.17%	2.58%	3.49%	-0.41%	1.06%	10.10%	-0.08%	1.64%
Jul 09 YTD	5.96%	7.99%	5.02%	3.33%	6.42%	13.71%	1.87%	6.23%
Jul 09 YOY	6.81%	7.80%	5.39%	2.95%	-0.77%	26.09%	5.82%	5.97%

Table 4

RP Data-Rismark Hedonic Index Results								
Houses and Units Rental Yields								
Quarter Yield Results								
	Sydney	Melbourne	Brisbane	Adelaide	Perth	Darwin	Canberra	National
<b>Houses</b>								
Aug QTR	4.35%	3.95%	4.47%	4.22%	4.16%	6.29%	4.83%	4.27%
<b>Units</b>								
Aug QTR	5.41%	4.55%	5.16%	4.83%	4.58%	6.14%	5.66%	5.08%

Table 5

Hobart RP Data-Rismark Hedonic Index Results			
	Houses	Units	Dwellings
<b>Median Values (\$000's)</b>			
Jul-09	318.316	256.431	311.148
Jul 09 Mth	-3.10%	-0.90%	-2.89%
Jul 09 QTR	-2.65%	-1.10%	-2.50%
Jul 09 YTD	2.81%	1.25%	2.66%
Jul 09 YOY	1.40%	7.16%	1.92%

Only final values for Hobart are published (due to lower liquidity).

\*August results are "indicative" and subject to revision. They are typically based on 40-50% of the population of all sales transacted in the region.  
+A very low number of apartments were sold in Canberra in August and indicative estimates have not, therefore, been produced.

## 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. 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.\*

In May 2009, CommSec's chief economist, Craig James, commented, *"The RP Data-Rismark index has emerged as Australia's authoritative source on home price trends. The property database is Australia's largest and, unlike the Bureau of Statistics, all properties are counted, not just free-standing homes."*

Macquarie Bank's interest rate strategist, Rory Robertson, has also commented, *"RP Data-Rismark's monthly estimates are more timely and reliable than the ABS's quarterly readings."*

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 132 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](http://www.rpdata.com)

### Rismark International

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