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Weekly Property Pulse Professional Edition

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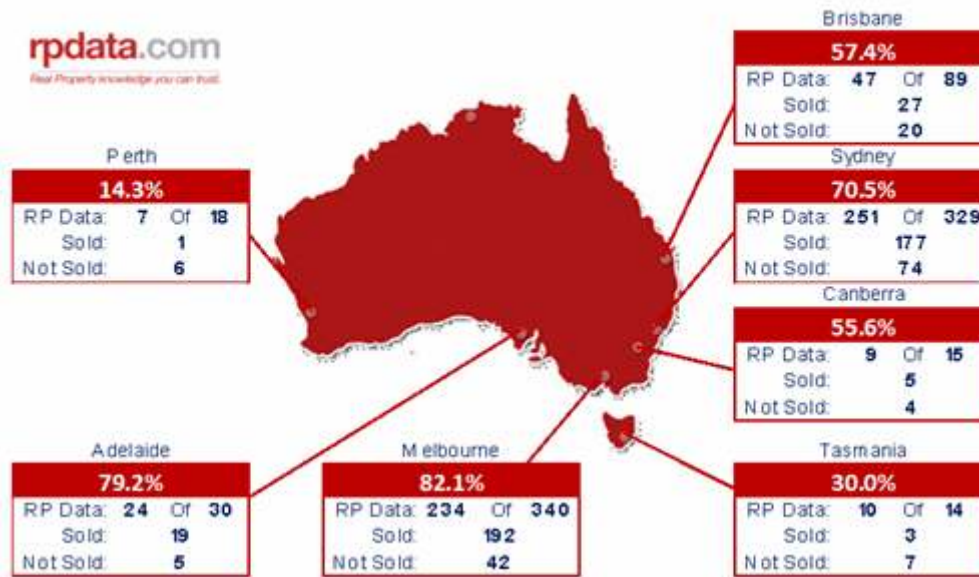
Industry Market Wrap

Recent data releases have continued to paint the domestic economy and residential property market in a relatively positive light. Consumer confidence has remained in positive territory the last two months, unemployment figures are lower than most expected, housing finance commitments continue to trend upwards and interest rates have remained at 45 year lows. Additionally, auction clearance rates have remained robust around the nations largest auction markets. Melbourne, which is Australia's largest auction market, has recorded clearance rates above 75 percent since late March.

Another key piece of data released this week was the National Australia Bank's Business Survey which reported that business confidence has moved into positive territory for the first time since December 2007. Along with the good news on business confidence, the NAB survey shows business conditions improved sharply with the index returning to levels not seen since September 2007. This latest data also suggests that employers are not shedding staff as rapidly as was expected which may lead to unemployment levels remaining lower than the 8.5% forecast for mid next year.

The number of new residential property listings across Australia remains at about 10,000 new properties being added to the market each week. The total number of properties being advertised for sale has also remained steady at about 115,000 dwellings. The fact that total stock levels are remaining steady indicates that absorption of stock is about neutral: as many properties are being sold as are being added to the market.

Auction clearance rates – week ending July 12th



Each week RP Data collects the most comprehensive set of auction results available in Australia. Thank you to our vast network of real estate professionals who assist us with aggregating these results. The statistics show how many auctions were reported by RP Data as well as the total number of auctions that were scheduled over the last week (due to the large number of auctions we are unable to report 100 percent of the results). 'Sold' properties indicate those properties that were either successfully auctioned on the day, sold before the auction or sold after the auction. Properties 'Not Sold' were either passed in at auction or withdrawn.

Advertised stock on the market

State	New advertised listings	Total advertised listings	State	Approximate value of total listed stock (\$m)	Approx agents commission available (based on 2.5% commission rate) (\$m)
Qld	2,842	30,719	Qld	\$11,325.1	\$283.2
NSW	2,795	32,966	NSW	\$11,850.9	\$296.3
Vic	2,212	21,512	Vic	\$7,039.8	\$176.0
WA	1,069	13,542	WA	\$5,406.1	\$135.2
SA	710	8,243	SA	\$2,605.6	\$65.1
NT	41	353	NT	\$136.3	\$3.4
ACT	50	461	ACT	\$190.1	\$4.8
Tas	301	4,515	Tas	\$1,604.4	\$40.1
Aust	10,019	112,900	Aust	\$19,908.2	\$502.7

RP Data monitors advertised properties closely. Each week we update our databases with new properties that have been added to the market. Of course we also update the current stock listed for sale - what is the marketing history, have there been changes to the price or selling method, how long has a particular property been advertised for sale and who is selling it. Want to know what is happening in your local patch? Check out RP Data's 'On the Market' service.

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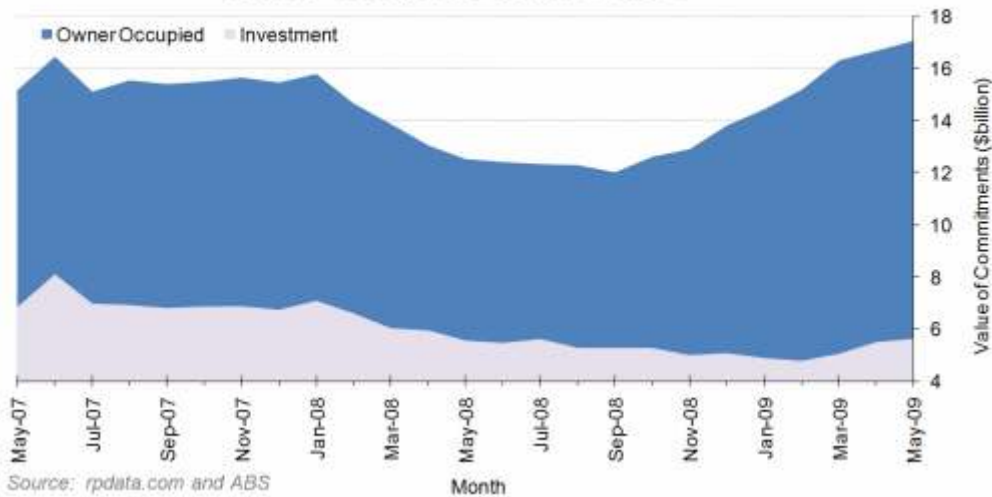
The tide turns for investors

Since the onset of the Global Financial Crisis investment in Australia's residential markets has seen a lacklustre performance where investors have been somewhat thin on the ground - however investors are starting to venture back into property on the back of strong rental yields and an overall improvement in confidence.

One of the most useful ways to understand the ratio of owner occupiers to investors in the residential market is to analyse housing finance commitments. This data is published by the Australian Bureau of Statistics and acts as a very good barometer of future levels of market activity.

Both owner occupier and investor finance commitments started to trend downwards at the beginning of 2008 as interest rates reached a peak and the reality of the global financial crisis crystallised.

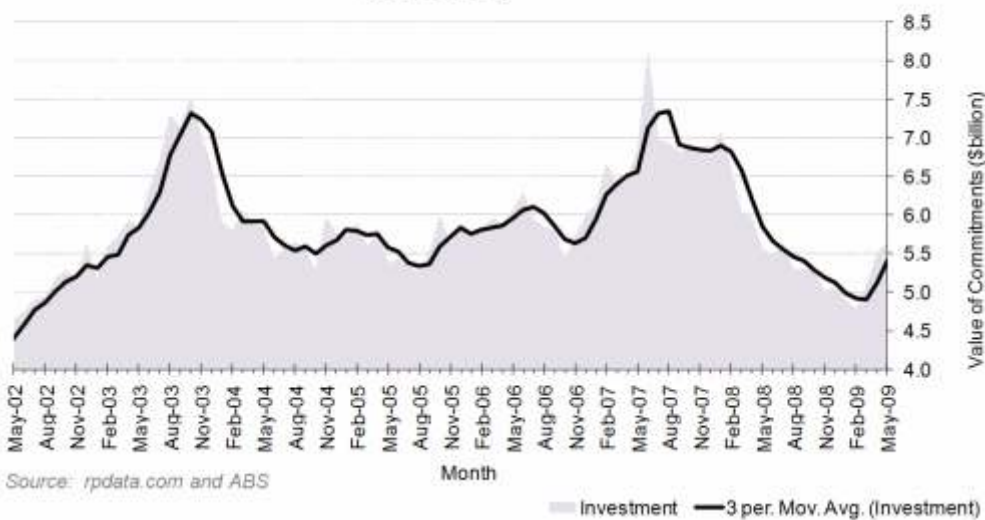
Value of housing finance commitments Owner occupiers v. Investors



Home buyers were much quicker to return to the market, responding to low interest rates, the boost to the First Home Buyers Grant and strong buying conditions. Since September last year the value of owner occupier housing loans has increased by a whopping 42 percent. Over the same period the value of investment loans increased by a comparatively small 6.6 percent.

The tide turned for investors much later, with the value of investment loans continuing to decline up until the end of February '09; the last time the level of property investment was this low was back in 2002. Since this time investor finance commitments have been moving upwards, increasing by 18 percent to the end of May.

Value of housing finance commitments Investors

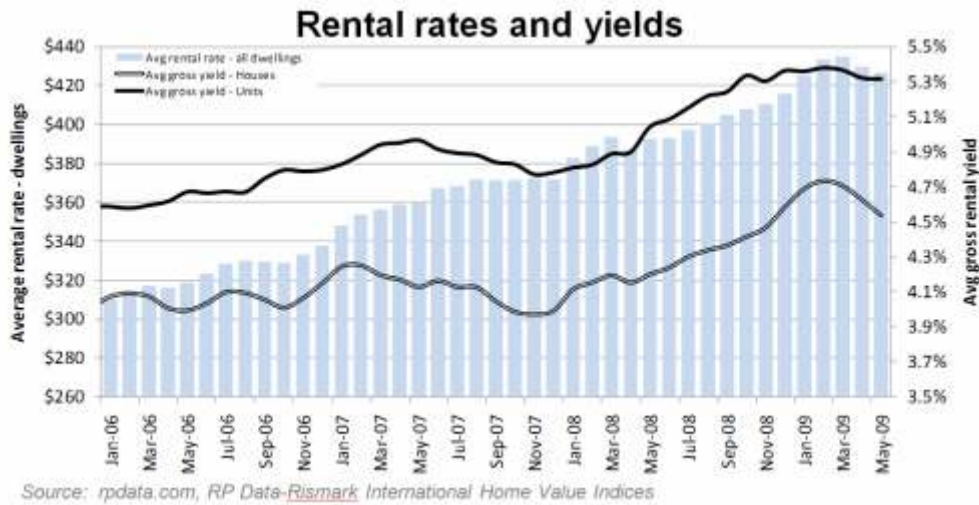


The return of investors to the market was delayed due to several reasons. Investor confidence had been eroded significantly; not just by the state of the global economy but also by the shock of seeing share portfolio's halve in value and the prophets of doom and gloom suggesting property values were likely to do the same. With Australian property values proving to be very resilient, and, in fact showing modest increases since the start of the new year, investor confidence is likely to have improved markedly.

Investors are also likely to be waiting for first home buyer activity to start winding back before moving back into the market en masse. There is a considerable overlap between investor and first home buyer buying preferences, with both segments often targeting similar properties. Investors are likely to shy away from such competition. As the deadline approaches for the wind back of the First Home Buyers Boost (the boost will be halved

on October 1st and removed entirely on January 1st) investor numbers are likely to gather further momentum.

In terms of the peak investment timing, investors who are prepared to buy now are likely to be buying into the market at a very attractive time. Rental rates have increased by 34 percent over the last three years and now appear to be peaking. Securing a rental lease at peak rental rates has obvious benefits for an investor with regards to cash flow.



The rise in rental rates, together with overall flat property prices over the last year has resulted in solid gross rental yield improvements. Nationally, houses are now returning a gross rental yield of 4.5 percent and units are returning 5.3 percent. Darwin is providing the best gross yields at 6.4 percent and 6.1 percent for houses and units respectively.

Gross rental yields, Australian mainland capitals

	Sydney	Melbourne	Brisbane	Adelaide	Perth	Darwin	Canberra	National
Quarter Results								
Houses	4.62%	4.20%	4.60%	4.31%	4.52%	6.39%	5.43%	4.54%
Units	5.58%	4.80%	5.47%	4.99%	4.98%	6.11%	5.71%	5.32%

Source: rpdata.com, RP Data-Rismark International Home Value Indices

Additionally, for those investors who are targeting properties priced over \$500,000, competition in the market is comparatively light. Some of the most popular investment regions are likely to be found closer to the city, within the inner and middle rings of the capital cities where first home buyers are generally priced out of the market.

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