

## **Weekly Property Pulse Professional Edition**

**This week's edition covers**

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### **Market Activity Index**



Rpdata.com's own measures of market sentiment remained robust over the week. The rpdata.com Market Activity Index rose to 283 points; the consistent increases in the Index point to heightened real estate agent activity on the rpdata.com Professional System as they prepare for what is looking to be a very busy spring selling season.

### **Industry Market Wrap**

With reporting season well underway, many of the nation's largest property developers have reported their 2008/09 financial results this week. Whilst the performances over the year have generally been weak, statements from the likes of FKP, GPT and Westfield have all given a fairly upbeat assessment of the property markets immediate future.

Overseas, US house price figures show the long running decline in housing values may have finally ended. Prices were reported to be up 1.4% in June after falling by more than 23% since US house prices peaked back in late 2005.

**[Weekly Key Statistic - Vendor Discounting and Days on Market](#)**

Weekly key statistics				Overseas market			
Country	Market	Clearance rate	Days to sell	Country	Market	Clearance rate	Days to sell
Australia	National	71.2%	22	USA	National	71.2%	22
	Melbourne	83.9%	17		Sydney	National	70.0%
New Zealand	National	71.2%	22	UK	National	71.2%	22
	Auckland	71.2%	22		London	National	71.2%

This week we have also introduced our weekly set of 'Key Statistics' which will change from week to week. This week we are focusing on the amount of vendor discounting in the market (ie. the average difference between the original listing price of a property and the ultimate selling price of a property) as well as the average number of days it takes to sell a property. Both sets of statistics are trending downwards indicating buyers are able to negotiate less with sellers (discounting) and properties are selling faster than they were last year.

## [Latest National Auction Clearance Rates](#)



Auction clearance rates remained above 80% in Melbourne and 70% in Sydney suggesting that vendors are setting realistic reserves on their properties. The high clearance rates can also be tied back to an increase in competition amongst buyers as market activity improves. More than 1,100 auctions were held last week, the largest number in more than two months.

Want to know the auction results for your local area? Login to [rpdata.com](http://rpdata.com) and go to the Auction Results panel on the top right corner of the home page.

## [Advertised Stock On The Market](#)

Area	Stock on market	Days to sell	Days to sell	Days to sell
National	1,100	15	15	15
Melbourne	1,100	15	15	15
Sydney	1,100	15	15	15
Brisbane	1,100	15	15	15
Perth	1,100	15	15	15
Adelaide	1,100	15	15	15

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## **Resource towns back on the investment radar**

***Recent deals in the resources sector have once again shone the spotlight on the investment potential of mining town property markets.***

Investors flocked into mining towns during the mining boom, but in recent times investors have shied away from these resource driven investments. The GFC caused demand for Australian resources to abate and commodity prices fell significantly during 2008.

Investing in resource driven markets has always held a higher level of risk than conventional metropolitan property investments. Timing is crucial – buying into a resource driven market early is the key to strong capital gains. Getting out at the right time is also critical.

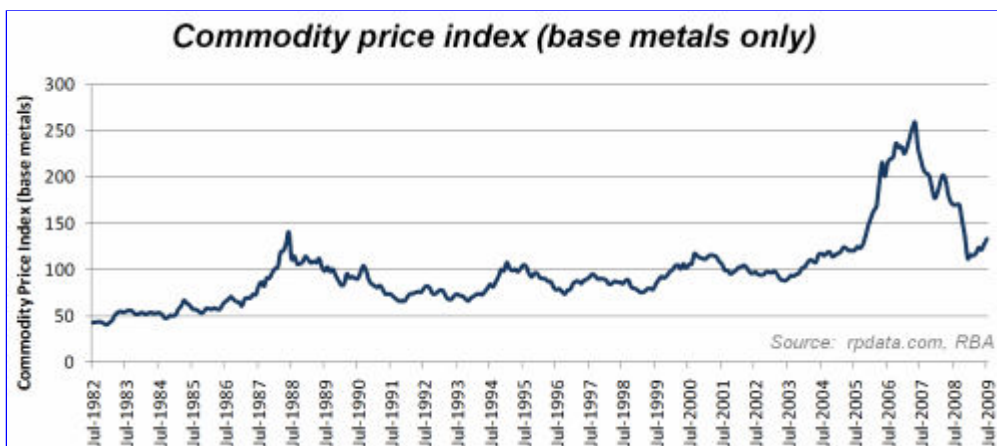
Perhaps the most pertinent example of mining town risk became evident in the Western Australian town of Ravensthorpe where the BHP operated nickel mine was mothballed and 6,000 jobs were shed. The shutdown virtually eliminated the local economy and only three properties have recorded a sale so far in 2009.

But for those investors who get it right there are some spectacular gains to be had by investing in resource driven areas. Over the five years to the end of 2009 property prices on the Central Pilbara Coast have risen by 230% and rental yields are generally above 9%.

Recently Australia's largest ever trade deal was struck between the West Australian Gorgon liquefied natural gas (LNG) project and PetroChina. The deal was worth \$50b over twenty years – or around \$83b if you include the previous deal with PetroChina which was signed in 2007. A week earlier Gorgon signed India up for \$20b over 20 years.

These latest agreements may be the sparks that reignite investor interest in Australia's resource driven property markets. The Gorgon project alone is likely to cost \$50b to build

and create jobs for 6,000 workers during the peak construction phase of the project.



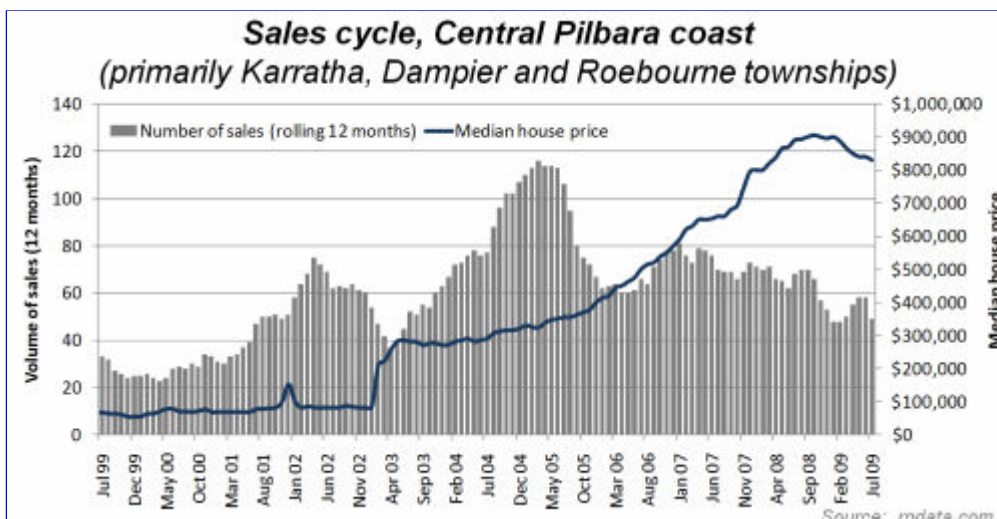
In economic terms, the Gorgon LNG project is estimated to contribute \$64b to Australia’s gross domestic product over the next 40 years of the project. Additionally the Australian government is likely to earn around \$40b in royalties from the project over the same time frame.

With such a large injection of capital and human resources, the demand on the local housing market is going to be intense. Half the workers will probably be housed in purpose built accommodation on Barrow Island. That means an additional 3,000 workers (not to mention additional demand from the peripheral service industries) are likely to require housing within the communities around the project. Much of this housing is likely to be located in the major townships along the Pilbara coastline – Karratha and Dampier, or even the smaller township of Onslow which is closer to Barrow Island.

It’s not just the Gorgon project that is going to spur the Pilbara coastal property market. Woodside Petroleum also has plans for tripling the size of its Pluto LNG plant that operates out of Karratha and Chevron are developing the Wheatstone LNG project at Ashburton which is also on the Pilbara coastline between Karratha and Exmouth.

Housing prices in the region are high; the median house price at Karratha and Dampier is around \$835,000. Rental rates are even higher, with weekly rents generally well over \$1,000/week for a house, providing rental yields that are well above average (often above 10%).

The Pilbara central coast region is easily one of the best examples of where investors are likely to be attracted to take advantage of the next resources boom, however there are plenty of other major resource driven projects in the pipeline around the nation.



The other three major natural gas production regions around the country also have a

massive amount of projects in the pipeline. There are four major LNG production regions around Australia: the Pilbara region which has already been discussed above, the Browse Basin which is off the Kimberley Coast of Western Australia, Darwin where LNG is being drilled in the Timor Sea, and Queensland's Gladstone which is geared towards capturing coal-seam methane gas.

Several large LNG plants are planned for Gladstone in Queensland where there is already a solid industrial base including one of the world's largest alumina refineries, Australia's largest aluminium smelter and the largest cement production facility in the nation; just a few of the major industries in the region.

In the Northern Territory, the Inpex gas project is also waiting approval. The project is likely to go ahead and will be the largest single private sector investment ever made in the Northern Territory. Construction of the project will cost around \$24b and will employ about 2,000 workers during its construction phase and 300 workers when operational.

It's not just the LNG sector that is set to ramp up. The expansion of the Olympic Dam project in South Australia has the potential to create an additional 10,000 jobs and significantly expand the housing supply at Roxby Downs. The expansion project has recently seen an economic impact statement released that is being considered by the Federal, South Australian and Northern Territory governments.

Just outside of Orange in New South Wales, what will be Australia's largest underground mine is pending approval. If approved, the Newcrest Mining Cadia East project will be the state's largest infrastructure project, injecting \$2.2b into the local economy and requiring 1,300 workers for the construction phase and almost 2,000 direct and indirect permanent jobs.

For the conservative investor these resource driven markets are likely to have a risk profile that falls outside their investment strategy. However, for many investors these markets are likely to be very attractive and should provide above average returns whilst the resources sector remains buoyant.

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