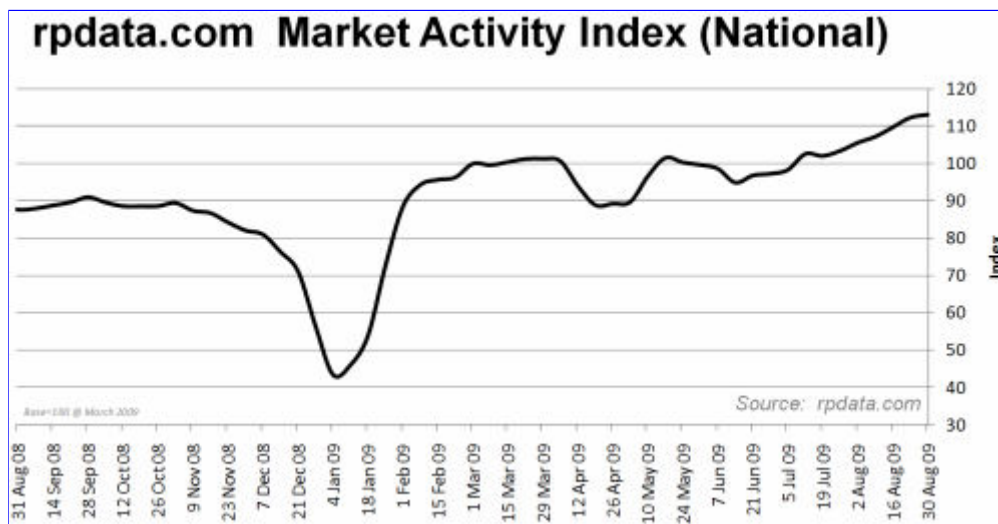


Weekly Property Pulse Professional Edition

This week's edition covers

- ▶ [rpdata.com Market Activity Index](#)
- ▶ [Industry Market Wrap](#)
- ▶ [Article: Interest rate hike predicted for October.....](#)
- ▶ [Follow RP Data on Twitter](#)

Market Activity Index



RP Data's Market Activity Index has continued to climb over the last week indicating the market is still heating up. With market dynamics changing, first home buyers have fallen from 29 percent of the market to 27 percent. Buyers seeking to upgrade or invest are now growing in numbers and we expect this trend to continue leading up to the wind back of the First Home Buyer Boost which is halved on the first of October and scrapped entirely at the start of the New Year.

Industry Market Wrap

Australia's economy has bounced back stronger than anyone has predicted, with GDP figures released this week revealing the national economy expanded by 0.6 percent over the first six months of 2009. The growth figures were well above what was forecast by the Reserve Bank and Treasury and will certainly fuel speculation that interest rates will start to climb sooner rather than later.

Financial markets are already preparing for a 25 basis point rise before the end of the year

and some economists are tipping an official rate rise as early as next month. This week's Property Pulse feature article provides a timely update how rising interest rates will affect the average property owner.

Region	Capital	YTD % Chg	QTD % Chg	QTD % Chg	QTD % Chg	QTD % Chg	QTD % Chg
ACT	Canberra	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%
NSW	Sydney	4.7%	4.7%	4.7%	4.7%	4.7%	4.7%
NT	Darwin	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%
QLD	Brisbane	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%
SA	Adelaide	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%
TAS	Hobart	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%
VIC	Melbourne	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%
WA	Perth	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%
Australia	Australia	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%

Weekly Key Statistic - Capital city values and capital growth

National property values increased by 4.7 percent over the last 12 months with every capital city recording an improvement over the last three months. At the capital city level however, the capital growth results are a mixed bag with Darwin booming ahead while Perth and Adelaide remain comparatively sluggish. The variation across the cities highlights the importance for understanding the macro trends, but more importantly, drilling down and researching the fundamentals of the local market conditions.

Latest National Auction Clearance Rates



Auction clearance rates remain robust with the national weighed average clearance sitting at 78 percent. Auction volumes have been increasing week on week over the last month, as have the number of properties being advertised for sale.

Want to know the auction results for your local area? Login to rpdata.com and go the the Auction Results panel on the top right corner of the home page.

Advertised Stock On The Market

State	Advertised Stock	Advertised Stock	Advertised Stock	Advertised Stock
ACT	1,234,567	1,234,567	1,234,567	1,234,567
NSW	2,345,678	2,345,678	2,345,678	2,345,678
NT	3,456,789	3,456,789	3,456,789	3,456,789
QLD	4,567,890	4,567,890	4,567,890	4,567,890
SA	5,678,901	5,678,901	5,678,901	5,678,901
TAS	6,789,012	6,789,012	6,789,012	6,789,012
VIC	7,890,123	7,890,123	7,890,123	7,890,123
WA	8,901,234	8,901,234	8,901,234	8,901,234
Australia	9,012,345	9,012,345	9,012,345	9,012,345

New listings to the market are up 15 percent compared to last month – a sure sign the spring selling season is starting to wind up.

Want to know what is happening in your local patch? Make sure you have subscribed to rpdata's On the Market® service. [Click here](#) or phone **1300 789 303** for a free 2 week trial.

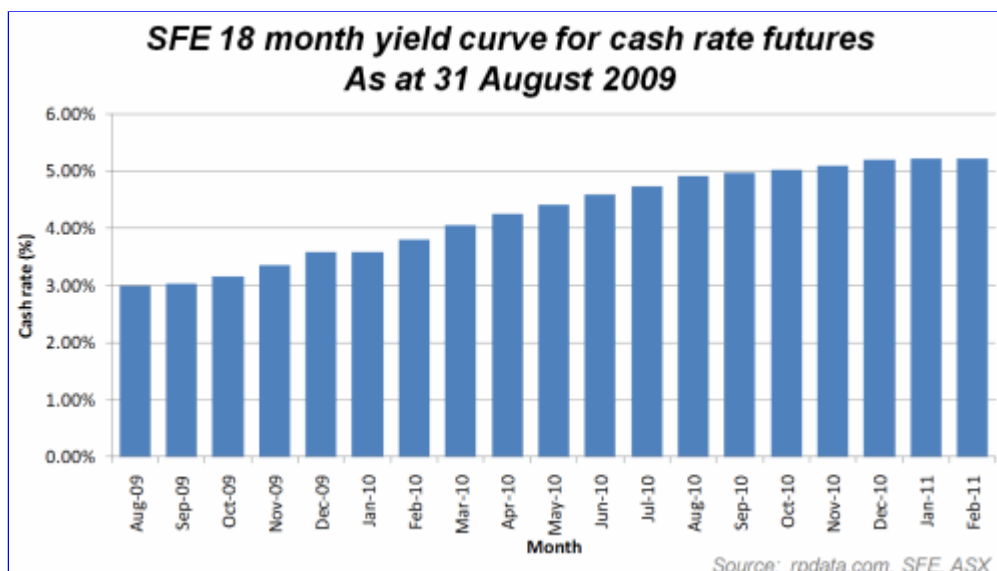
Interest rate hike predicted for October....

What will it mean for property owners?

With interest rate rises seemingly imminent thanks to a strong property market and improving economic conditions, this week's Property Pulse looks at what this will mean for the average home owner.

Although interest rates remained on hold this week, it is becoming increasingly apparent that the next move in rates is almost certain to be an upwards one. In fact, many economists are predicting an official rate rise as early as next month. The futures market is pricing in an increase of more than 2% in the official cash rate over the next 18 months. For home owners, it is imperative to budget for the impact these interest rate rises will have on the monthly budget and to start allowing for these likely increases.

Across the country the average variable home loan sits at 5.75%pa. The recent futures market yield curve shows that the cash rate is expected to reach 5.23% by February 2011 from a current rate of 3.0%. Should this occur and the differential between the cash rate and interest rates remains at the same level as it is currently it will result in interest rates sitting at 7.98%. This 7.98% is a similar level to the 8.05% interest rates witnessed between November 2006 and July 2007.



The most recent housing finance commitments data release from the ABS (June 2009) shows that during that month the average first home buyer loan size was \$270,200. Whilst the average home loan size for a non first home buyer was \$262,100. If we assume that these figures remain constant and we apply the forecast interest rates based on a 30 year home loan there are some very interesting results.

Based on the current average first home buyer loan size (\$270,200) and the standard variable interest rate sitting at 5.75%, the average first home owner with a 30 year loan is paying \$1,577/month (\$394/week) on their home loan. By the time February 2011 comes and if interest rates get as high as the levels anticipated by the financial markets (7.98%), the same first home buyer would be paying \$1,978/month or an additional \$100/week. For the non first home buyer with an average home loan (\$262,100) their home loan is costing them \$1,530/month (\$383/week). By February 2011 the same home owner would be paying \$1,919/month (\$480/week) or an additional \$97/week.

**Month-by-month anticipated increases in home loans
Jun-09 to Feb-11**

Month	Avg first home buyer loan size	Monthly repayment	Non first home buyer avg loan size	Monthly repayment	Forecast Interest Rate*
Jun-2009	\$270,200	\$1,577	\$262,100	\$1,530	5.75%
Jul-2009	\$270,200	\$1,577	\$262,100	\$1,530	5.75%
Aug-2009	\$270,200	\$1,577	\$262,100	\$1,530	5.75%
Sep-2009	\$270,200	\$1,581	\$262,100	\$1,534	5.78%
Oct-2009	\$270,200	\$1,604	\$262,100	\$1,556	5.91%
Nov-2009	\$270,200	\$1,639	\$262,100	\$1,590	6.11%
Dec-2009	\$270,200	\$1,678	\$262,100	\$1,627	6.33%
Jan-2010	\$270,200	\$1,680	\$262,100	\$1,629	6.34%
Feb-2010	\$270,200	\$1,718	\$262,100	\$1,666	6.56%
Mar-2010	\$270,200	\$1,762	\$262,100	\$1,709	6.80%
Apr-2010	\$270,200	\$1,796	\$262,100	\$1,742	6.99%
May-2010	\$270,200	\$1,826	\$262,100	\$1,771	7.16%
Jun-2010	\$270,200	\$1,861	\$262,100	\$1,805	7.35%
Jul-2010	\$270,200	\$1,885	\$262,100	\$1,828	7.48%
Aug-2010	\$270,200	\$1,920	\$262,100	\$1,862	7.67%
Sep-2010	\$270,200	\$1,929	\$262,100	\$1,871	7.72%
Oct-2010	\$270,200	\$1,940	\$262,100	\$1,882	7.78%
Nov-2010	\$270,200	\$1,952	\$262,100	\$1,893	7.84%
Dec-2010	\$270,200	\$1,972	\$262,100	\$1,913	7.95%
Jan-2011	\$270,200	\$1,976	\$262,100	\$1,917	7.97%
Feb-2011	\$270,200	\$1,978	\$262,100	\$1,919	7.98%

* Based on SFE interest rate futures yield curve as at 31 August 2009

Source: rpdata.com, ABS

On a state-by state basis, first home buyers in Western Australia have the greatest average loan size at \$293,100, whilst first home buyers in Tasmania have recorded the lowest average home loan size at \$187,700. Meanwhile, the largest average non first home buyer loans are currently found in New South Wales (\$284,400) and the cheapest loans are within Tasmania (\$173,800). Interestingly, in all states except for New South Wales, the average first home buyer loan size is actually greater than the average non first home buyer loan.

State-by-state anticipated increases in home loans Jun-09 vs Feb-11

		Monthly Repayments			
		Avg loan size	Jun-09	Feb-11	Difference
NSW	FHB	\$282,300	\$1,647	\$2,066	\$419
	Non FHB	\$284,400	\$1,660	\$2,082	\$422
Vic	FHB	\$255,900	\$1,493	\$1,873	\$380
	Non FHB	\$254,700	\$1,486	\$1,864	\$378
Qld	FHB	\$270,600	\$1,579	\$1,981	\$402
	Non FHB	\$264,300	\$1,542	\$1,935	\$392
SA	FHB	\$232,400	\$1,356	\$1,701	\$345
	Non FHB	\$206,700	\$1,206	\$1,513	\$307
WA	FHB	\$293,100	\$1,710	\$2,146	\$435
	Non FHB	\$275,100	\$1,605	\$2,014	\$408
Tas	FHB	\$187,700	\$1,095	\$1,374	\$279
	Non FHB	\$173,800	\$1,014	\$1,272	\$258
NT	FHB	\$281,500	\$1,643	\$2,061	\$418
	Non FHB	\$248,200	\$1,448	\$1,817	\$368
ACT	FHB	\$294,000	\$1,716	\$2,152	\$436
	Non FHB	\$253,400	\$1,479	\$1,855	\$376

Source: rpdata.com, ABS

Based on the same parameters as the previous analysis, home owners will be required to find significantly more money each month as interest rates increase. If the financial markets expectations come to fruition, by February 2011 first home buyers will need to find between an additional \$70/week and \$109/week. At the same time those non first home buyers will be paying an additional \$65/week up to as much as an additional \$106/week.

In recent months we have seen the number of finance commitments for fixed rate loans jump, they accounted for 8 percent of all loans during June 2009. This shows that some are choosing to account for the potential future increases in interest rates by fixing their loan. The best opportunity to lock in at a competitive rate appears to have passed as most banks have increased their fixed rate loans during the last two months. Evidence suggests that over the long term home owners pay less on a variable loan however fixed rate loans have their place for those seeking certainty of what they have to pay each month.

These results highlight the importance of budgeting whenever investing in the property market as well as factoring in interest rate increases if you chose a variable loan. Alternatively purchasers can choose to fix their rate but they will pay over and above the standard variable rate for the convenience.

While everyone's situation is different, it is important to factor in changes in interest rates and do whatever you can to ensure that you can manage when they do inevitably change. The interest rate increases may not sound that significant but having to find upwards of an additional \$100/week in the budget can be a lot harder than it sounds, so account for this very real possibility from the outset.

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