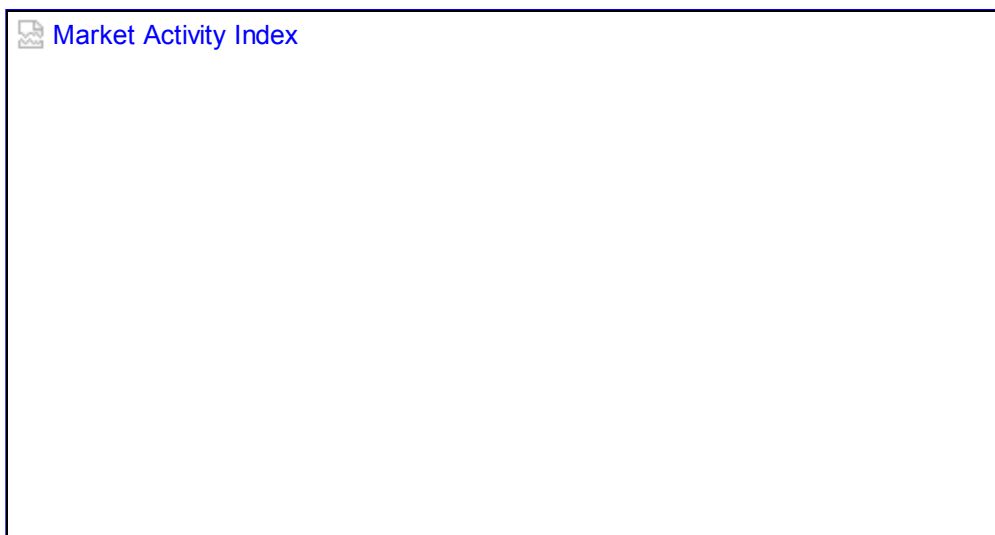


Weekly Property Pulse Professional Edition

2 October 2009 - This week's edition covers...

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Market Activity Index



RP Data's Market Activity Index has leveled over the last two weeks, after recording consistent improvements since the start of June. The index, which is based on a measure of real estate agent activity, increased by 17 percent since the start of June and is currently 26 percent higher than the same period last year. The consistently high measure in the index suggests that real estate agent listing activity is peaking and will likely start to taper over the coming month as agents shift focus from listing to selling.

Industry Market Wrap

Leading up to the Reserve Bank's board meeting on Tuesday Oct 6th, there has been a great deal of data that the RBA board will be contemplating when deciding whether to lift interest rates or not. Residential property values recorded their largest monthly gain (1.9% nationally over August) since the RP Data-Rismark Home Value Index was released back in January 2005. Retail sales rose 0.9% in August (more than expected) and personal credit levels rose 0.5% in August. At the same time some of the latest statements from the Reserve Bank have cast concern over the under supply of housing across Australia and the

impact that rising home prices will have on affordability.

It seems safe to say that if we don't see a rate rise on October 6th, we will almost certainly see the cash rate lifted in November and maybe December as well. The impact on the property market is not likely to be significant. Most mortgage holders should have planned for interest rates to rise from their current 'emergency lows' and it is likely mortgage rates will return to normal levels of between 7-8% over the coming 12 months.

Weekly Key Statistic - house and unit values

Region	House	Unit	Change (%)	RP Index	RP Index
National	6.6%	8.3%		100.0	100.0
ACT	1.1%	1.1%		100.0	100.0
NT	1.1%	1.1%		100.0	100.0
NSW	1.1%	1.1%		100.0	100.0
QLD	1.1%	1.1%		100.0	100.0
SA	1.1%	1.1%		100.0	100.0
TAS	1.1%	1.1%		100.0	100.0
VIC	1.1%	1.1%		100.0	100.0
WA	1.1%	1.1%		100.0	100.0

The RP Data – Rismark Home Value Indices for August were released this week and show a surprisingly high jump in property values. Over the last twelve months Australian property values have increased by 6.6% (houses up 6.0% and units up 8.3%).

The largest gains have been in Darwin, however data over the last quarter shows that Melbourne (+5%) is starting to rival Darwin's dominance as the number one capital city for value growth.

Sydney houses remain the most expensive in the nation with a median value of \$603,154, \$89,000 higher than the national average.

Latest National Auction Clearance Rates



Despite a slump in the volume of auctions due to the AFL grand final, auction clearance rates remained robust around the nation with a weighted average clearance rate of 72.4%.

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

Advertised Stock On The Market

State	Advertised stock	Value	Change (%)
National	208,500	\$123.4 billion	
ACT	10,000	\$5.0 billion	
NT	5,000	\$2.5 billion	
NSW	100,000	\$50.0 billion	
QLD	50,000	\$25.0 billion	
SA	10,000	\$5.0 billion	
TAS	5,000	\$2.5 billion	
VIC	50,000	\$25.0 billion	
WA	10,000	\$5.0 billion	

New homes advertised for sale remained roughly on par with last week with just under 50,000 new homes added to the market. There are now approximately 208,500 residential properties available for sale across the nation with an estimated combined value of \$123.4 billion.

billion.

Total stock levels have been trending downwards despite the healthy additions of new homes being added to the market. The net rate of absorption suggests demand is outweighing supply as buyer confidence continues to pick up

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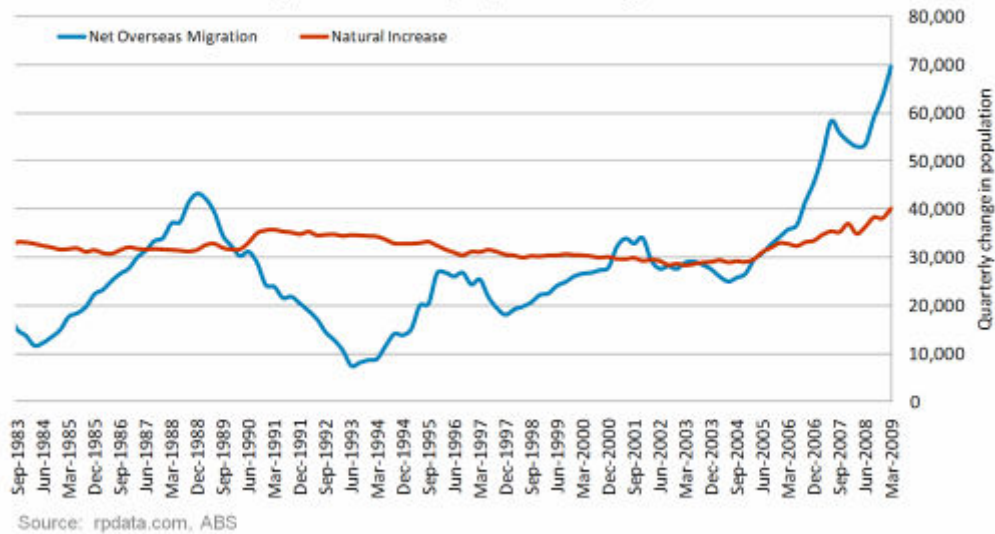
Australia's population continues its rapid growth

Despite the world economic slowdown and a reduction in skilled migration, Australia's population growth continues to surge ahead, creating unprecedented demand for Australian housing.

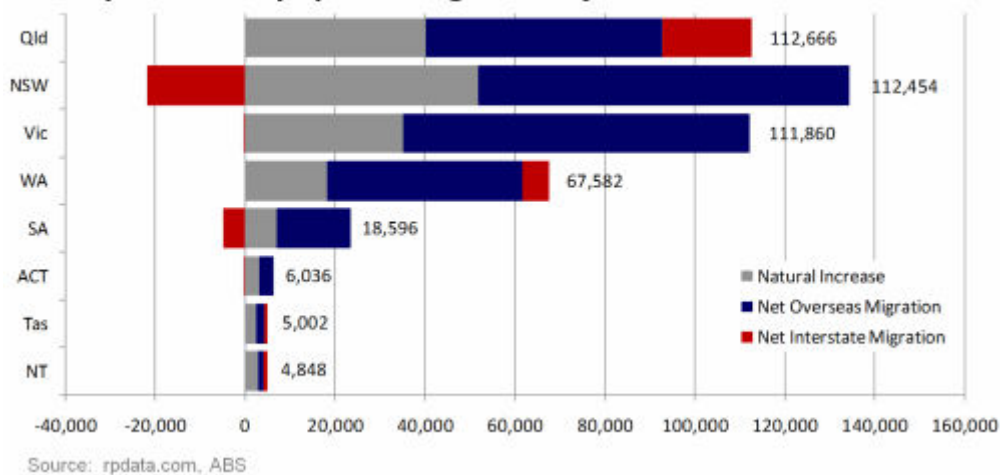
Over the 12 months to March 2009 Australia's estimated population has increased by just over 439,000 residents, fuelled by continuing increases in net overseas migration and a climbing rate of 'natural increase' (births outweighing deaths). In raw numbers, these recent growth figures are the highest on record. In percentage terms, the growth rate of 2.1%

hasn't been this high since the baby boom. Australia's estimated residential population now sits at almost 21.8 million persons.

Components of population growth



Components of population growth by state – last 12 months



Whilst the government has cut some skilled migration, other forms of migration are still powering ahead. The other primary driver of the strong net migration figure relates to the fact that far fewer residents are leaving Australia. The latest ABS data (July 2009) shows a 17.2% decline in the number of permanent residents departing for overseas over the last year.

The last year has seen 278,239 new overseas migrants (accounting for just over 63% of population increases) and 160,822 more births than deaths (approximately 37% of population growth). Based on July migration figures, people born in India accounted for the largest proportion of new settlers to Australia (12.1%), followed by people born in China (11.8%), the UK (11.4%) and New Zealand (10.9%).

On a state-by-state basis, Queensland recorded the greatest total increase in population over the last year, with a population gain of 112,666 persons. This result is slightly greater than the increase of 112,454 persons in New South Wales.

Population statistics state by state

State	Estimated Residential	Annual change	Annual change	Five year change	Five year change
	Population	(no)	(%)	(no)	(%)
NSW	7,076,456	112,454	1.6%	372,889	1.1%
Vic	5,402,594	111,860	2.1%	431,364	1.7%
Qld	4,380,383	112,666	2.6%	499,736	2.6%
SA	1,618,172	18,596	1.2%	79,273	1.0%
WA	2,224,255	67,582	3.1%	247,706	2.5%
Tas	501,802	5,002	1.0%	19,549	0.8%
NT	223,079	4,848	2.2%	21,931	2.2%
ACT	349,948	6,036	1.8%	22,913	1.4%

Source: rpdata.com, ABS

If the growth rate is expressed as a percentage of the total population, Western Australia is the clear leader with the estimated residential population increasing by 3.1%, whilst Queensland comes in second with population growth of 2.6%. At the other end of the spectrum Tasmania has recorded the slowest rate of growth at just 1.0% followed by South Australia where the population increased by 1.2% over the year.

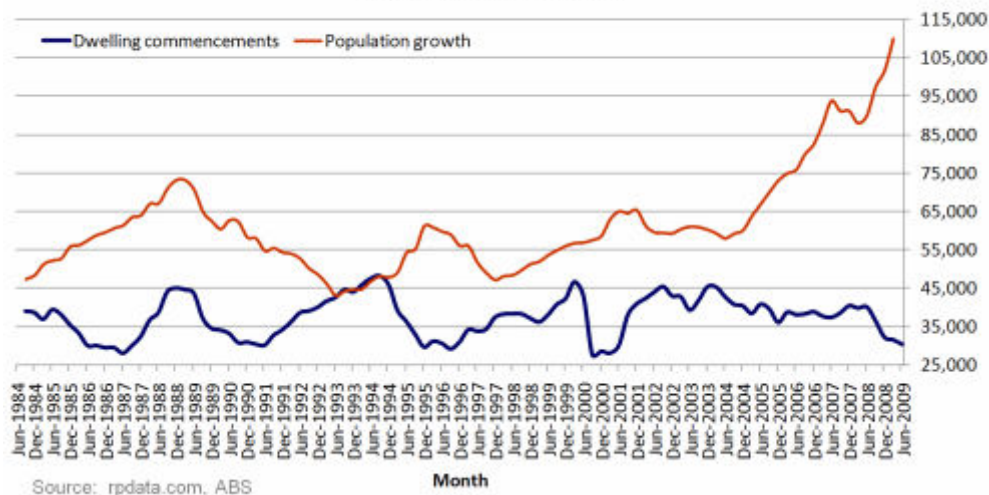
New South Wales remains the most populous State in Australia, home to just over 7 million residents or 32.5% of the total population of the country. Combining the three largest states, New South Wales, Victoria and Queensland account for more than three quarters of the country's population (77.4%).

It has not just been the rate of population growth over the last year which has been so impressive, Australia's population has been ramping up for some time. Over the last five years Australia's population has increased by almost 1.7 million persons at a rate of 1.7% annually over the period.

The increase in population creates additional demand for housing. The 2006 Census indicated that Australia's average household size was 2.6 persons. Based on population growth alone and not considering other factors such as reducing household formation rates and demolitions, population growth over the last quarter of 109,765 persons would have created demand for around 42,217 new dwellings.

Despite this extra demand during the quarter, just 31,566 dwellings commenced construction. The June quarter data shows a further reduction in commencements, highlighting the disconnect between housing supply and population growth. The cumulative gap between supply and demand has been estimated to be around 200,000 dwellings and growing.

Disconnect between population growth and dwelling commencements*



Source: rpdata.com, ABS

* Note population stats are based on an average of the last four quarters to smooth results

Such strong population growth should be viewed as a very positive outcome for Australia. A

growing population creates more demand for our domestic products and services which in turn provides a natural stimulus to the economy.

Importantly, there are a wide variety of challenges that accompany such a strong rate of population growth. We need to see housing construction run in parallel with demand and there needs to be a Government strategy that is aligned with providing the essential services and infrastructure required by a growing population base.

Clearly these challenges are not being met: as a nation we have under built and housing is now critically under supplied. The flow on affect from this under supply will mean consistent upwards pressure on housing prices and rental rates which will lead to further issues associated with housing and rental affordability.

Darwin hotel sale boosts market



A Northern Territory hotel has been sold in an off-market transaction by agents of Colliers International, who say that the deal demonstrates confidence in the local market. The waterfront Novotel Atrium at 100 The Esplanade, Darwin, fronting Darwin Harbour, was sold on behalf of vendor Tourism Property Investment Group to Darwin-based Halikos Group.

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