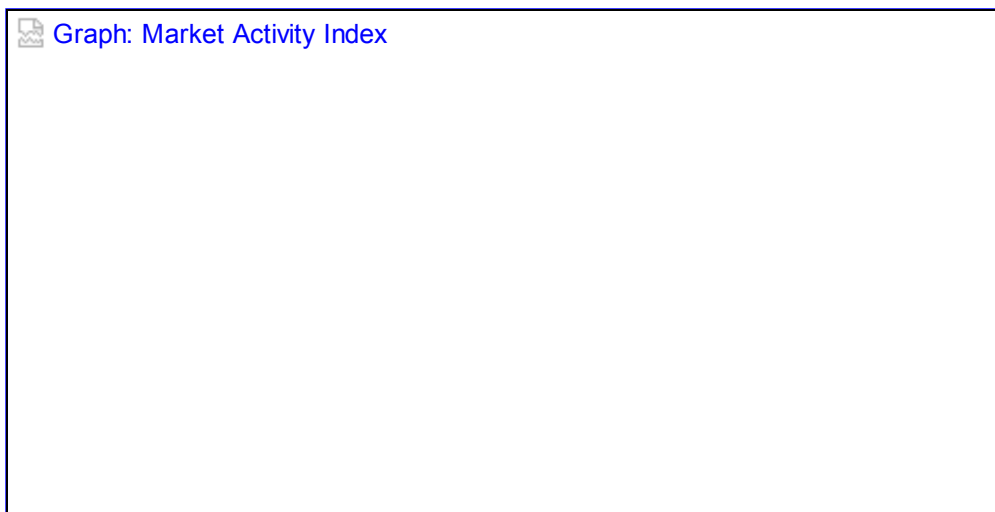


Weekly Property Pulse Professional Edition

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

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Market Activity Index



Rpdata.com's Market Activity Index appears to have turned a corner. After the index peaked at 116 points we have seen two weeks of modest falls. The drop in agent activity may be partly attributable to the consecutive sporting grand final weekends but are likely to be more symptomatic of the seasonal influence of spring. The rapid acceleration of the Index reflected the spring scramble as industry professionals hurried to prepare properties for the spring selling season. With the selling season now well under way real estate agents are likely to be much more focused on selling their new stock.

Industry Market Wrap

The interest rate rise this week, which was the first official lift in rates since March 2008, marks the start of a tightening cycle by the Reserve Bank of Australia. If financial markets are anything to go by we are likely to see the cash rate lifted in both November and December bringing the official cash rate up to 3.75 percent and the average variable mortgage rate to around 6.5 percent, well below the 20 year average of 8.8%. [RP Data's blog](#) examines interest rates and the likely affect on the property market in more detail.

Housing finance data was also released by the ABS this week. As expected, first home

buyer numbers fell away again. This segment of the market now represents just fewer than 25% of all owner occupier housing finance commitments, down from a high of 28.5% earlier this year. As first home buyer numbers fall away investors are stepping up the pace. The value of investment housing loans increased by 7.6% over the month of August, taking investment in the residential market place to a level not seen since February 2008.

Weekly Key Statistic - house and unit values

Region	Market	Year to date	Weekly change	Number of sales	Median price	Change on last week
Sydney	House	2.1%	0.1%	1,121	\$450,000	-\$10,000
	Unit	1.5%	0.1%	1,121	\$250,000	-\$5,000
Melbourne	House	1.5%	0.1%	1,121	\$350,000	-\$10,000
	Unit	1.5%	0.1%	1,121	\$200,000	-\$5,000
Brisbane	House	2.1%	0.1%	1,121	\$300,000	-\$10,000
	Unit	1.5%	0.1%	1,121	\$180,000	-\$5,000
Perth	House	2.1%	0.1%	1,121	\$280,000	-\$10,000
	Unit	1.5%	0.1%	1,121	\$160,000	-\$5,000
Adelaide	House	2.1%	0.1%	1,121	\$250,000	-\$10,000
	Unit	1.5%	0.1%	1,121	\$150,000	-\$5,000

Flowing out of RP Data's On the Market® service, the average level of vendor discounting and average days on market provide an insight into the health of the real estate market place.

Vendor discounting, which in simple terms is the average difference between the original asking price and final selling price, provides a deeper understanding of how much leverage buyers have in the market. Vendor discounting has fallen across almost every capital city market over the last year indicating that vendors have gained a fair amount of leverage in the negotiation process.

The average number of days it takes to sell a property has also fallen over the last twelve months. It currently takes, on average, 42 days to sell a house compared with 54 at the same time last year. Across the major capitals the selling time is much shorter.

Latest National Auction Clearance Rates



The national auction clearance rate remained above 75% over the last week despite the NRL Grand Final. There have been 5,350 auctions held over the past four weeks with 76% of them recording a successful result at, before or after the auction. There are more than 1,700 auctions scheduled for the coming weekend across Melbourne, Sydney and Brisbane – the highest number of auctions yet this year. The results will certainly provide a decent gauge as to how the recent interest rate rise has affected real estate buyer sentiment.

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	Year to date	Weekly change	Number of listings	Value of listings
NSW	2,142 (2.1%)	0.1%	1,121	\$125.3 billion
QLD	1,581 (1.5%)	0.1%	1,121	\$125.3 billion
SA	1,121 (1.1%)	0.1%	1,121	\$125.3 billion
WA	1,121 (1.1%)	0.1%	1,121	\$125.3 billion
NT	1,121 (1.1%)	0.1%	1,121	\$125.3 billion
TAS	1,121 (1.1%)	0.1%	1,121	\$125.3 billion

The number of new property listings entering the market has been around 50,000 over the past three weeks, based on a rolling monthly average. This is the highest number of stock additions to the market since the end of May. While new listings remain high compared to earlier in the year, the total amount of home available for sale has been falling suggesting that more supply is being absorbed than added to the market. The estimated value of stock on the market across Australia is now estimated to be \$125.3 billion.

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Australia looking good in global housing stakes

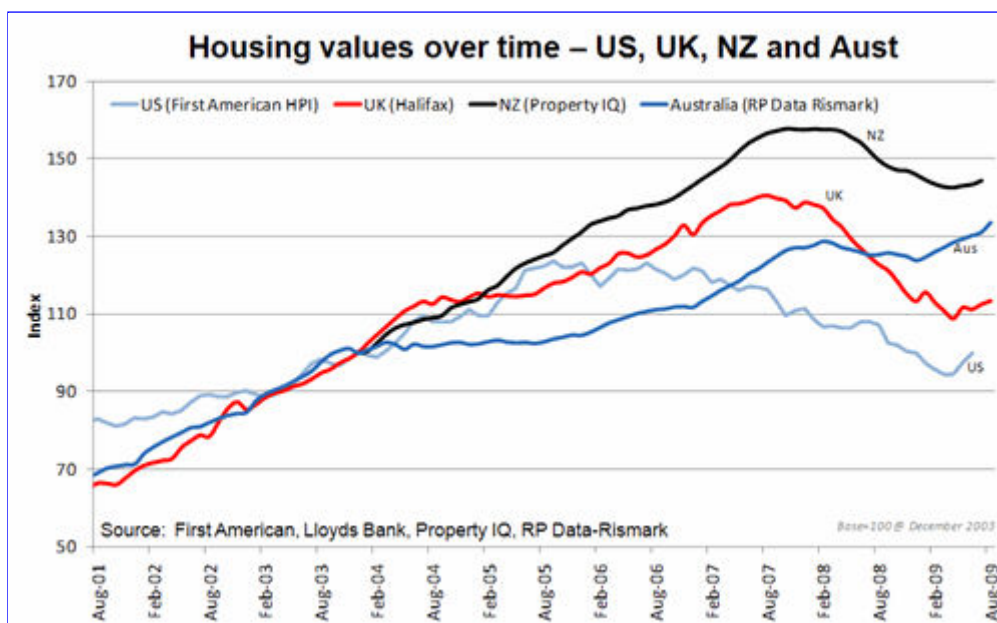
Australia's property market has defied the downturn and market conditions look healthy compared with international markets.

The last time RP Data's Property Pulse commented on international markets was about this time last year in response to speculation that Australia's housing market would follow the same downwards trend as the US and UK. At that time we suggested comparing these

markets was like comparing chalk and cheese. There were (and still are) fundamental differences such as the strength of Australia's financial sector, the imbalance between Australia's housing supply and demand, our economic outlook and our current monetary environment.

Needless to say, the Australian residential property market weathered the GFC storm quite well with national home values falling by just 3.8 percent from peak to trough. Since values bottomed in December last year national home values have increased a further 3.8 percent beyond the most recent peak.

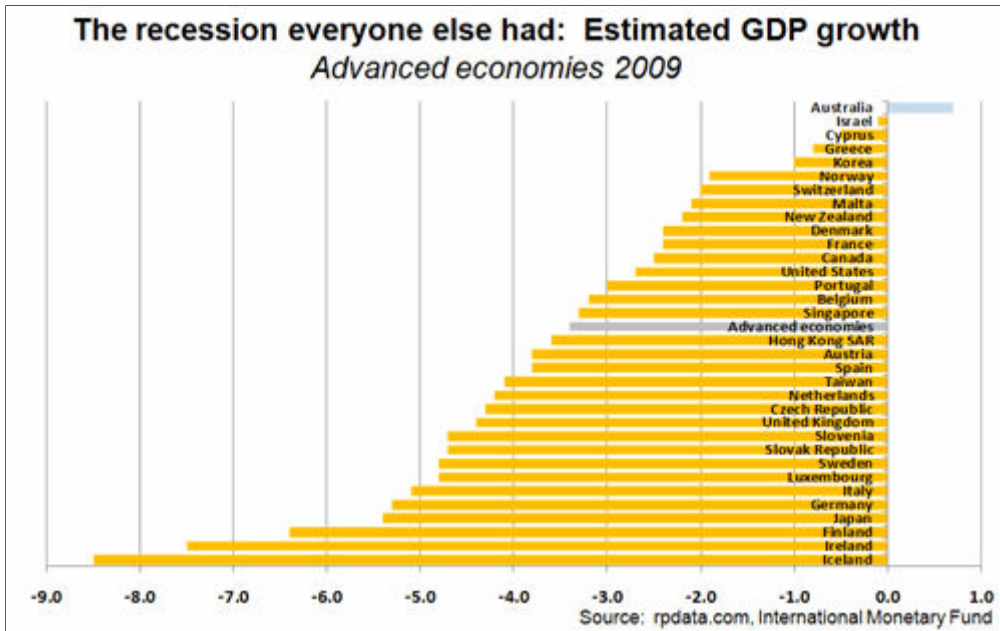
Finally there is some good news for our most comparable markets. As confidence returns to international markets, housing prices in the US, UK and New Zealand appear to have turned the corner. From peak to trough US house prices fell by 23.6 percent (based on the First American House Price Index), UK prices were down 22.6 percent (based on the Halifax Index), and New Zealand values fell by 9.6 percent (based on the House Price Index from Property IQ). Since hitting the bottom US values are up 5.7%, UK values have improved 4.2% and New Zealand home values are up 1.3%.



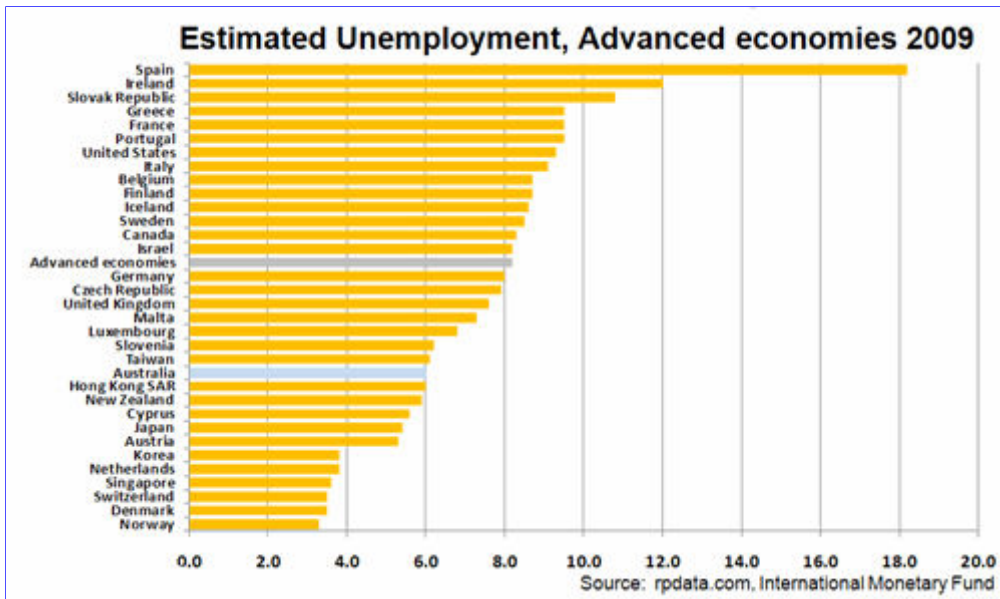
Over the last five years the New Zealand market has provided the best annualised return of the four countries compared. Despite the recent value falls recorded between January '08 and April '09 the New Zealand market has provided an annual capital gain 5.9 percent compared with Australia's annualised capital growth of 5.6 percent. The UK housing sector returned just 0.1 percent per annum and the US provided a negative rate of growth of -1.5 percent per annum.

Comparing some of the key factors which are likely to impact on the residential property markets around the nation; it appears that Australia is well placed to record further growth in housing values.

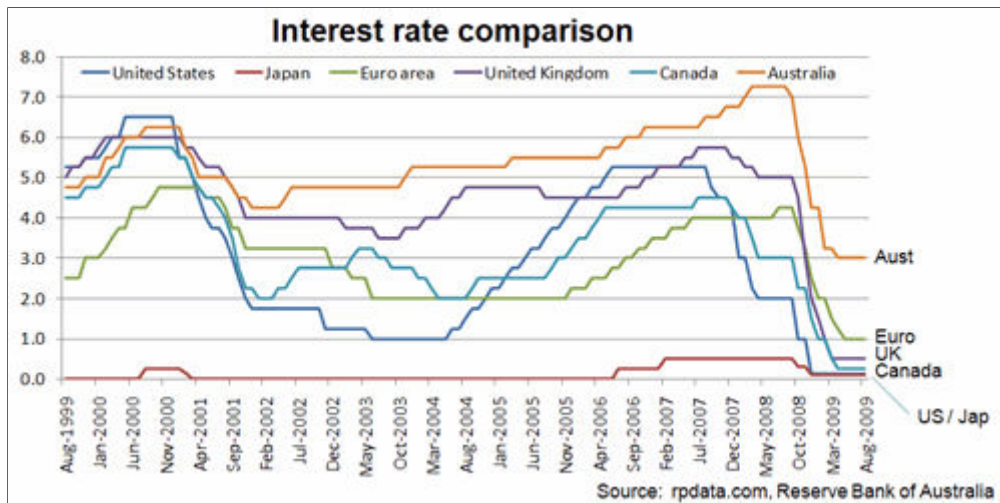
Over 2009 Australia is likely to be the only advanced economy (as defined by the International Monetary Fund) to record a positive growth in the gross domestic product. The IMF estimated in their latest World Economic Outlook that Australian real GDP growth would be 0.7 percent at the end of 2009 before accelerating to 2.0 percent in 2010. This estimate is well above the average for advanced economies where real GDP growth is estimated to be -3.4 percent in 2009 and 1.3 percent in 2010.



Unemployment in Australia is also projected to remain well below the average rate of unemployment forecast for the world's advanced economies. The IMF estimates Australia's rate of unemployment will reach 6.0 percent in 2009 (Australia's unemployment rate is currently 5.8 percent after reaching a low of 3.9 percent in February 2008) and 7.0 percent in 2010 – substantially less than the 8.25 per cent estimated in the Government's May budget and also well below the forecast average rate for advanced economies which the IMF projects to be 9.3 percent by 2010.



Australia's financial markets are also in comparatively healthy shape. Australia's largest banks enjoy a AA rating from Standard and Poor's and mortgage defaults are less than 0.5 percent. Although interest rates are set to rise further, mortgage rates remain well below the historical average of 8.8 percent over the last 20 years. The fact that interest rates are about to rise can be construed as a strong testament to the health of the domestic economy.



There are a variety of other factors that will assist in propelling Australian property values upwards. The disconnect between demand and supply, which has been well documented, will be the primary driver of housing prices over the coming years. This is arguably the most significant difference between the Australian and US housing markets – whilst the US market is well and truly over supplied, the Australian market place is suffering from a lack of new homes being constructed.

The factors outlined above set Australia apart from other countries and provide an insight as to why the domestic real estate market has remained relatively buoyant when compared with other western nations.

Industrial market returns to form



An industrial facility in Derrimut, Victoria, has been sold, the latest in a string of industrial property purchases in Melbourne's west negotiated by agents of CB Richard Ellis.

[Read the full article....](#)

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