

## MARCH NATIONAL HOME VALUE RESULTS



### RP Data – Rismark Hedonic Home Value Index

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## Aussie Home values up 1.4 per cent in March; 4.2 per cent over quarter.

The RP Data – Rismark March Hedonic Home Value Index results released today reveals that home values in Australia's capital cities rose by a sprightly 1.4 per cent in March (and a still healthy +1.1 per cent on a "seasonally adjusted" basis\*\*) following on from similarly strong 1.7 per cent and 1.1 per cent growth rates across Australia in the months of January and February, respectively. In the 12 months to end March, Australian capital city home values have increased by 12.5 per cent.

In the first three months of 2010, Australian dwelling values rose by 4.2 per cent. While this growth appears especially strong, on a "seasonally-adjusted" basis the March quarter capital gain was 2.9 per cent. RP Data – Rismark believes that this is the first time seasonally-adjusted property data have been publicly released by a major index provider (see note on next page). RP Data – Rismark consulted closely with the Reserve Bank of Australia when developing the methodology to control for the significant seasonality in residential property values.

The 2.9 per cent increase in Australian dwelling values over the first quarter of 2010 is strikingly consistent with the (season. adj.) capital growth recorded in Q2 (+2.9 per cent), Q3 (+2.9 per cent) and Q4 (+3.2 per cent) 2009 using RP Data – Rismark's Hedonic Index.

"The housing recovery has remained surprisingly resilient in the face of sustained interest rate hikes. The lively capital growth observed in the major cities runs against the grain of relatively anemic housing finance flows. This implies that underlying demand- and supply-side fundamentals are driving Australia's housing rebound, as opposed to simply credit", commented Rismark CEO, Christopher Joye.

Rpdata.com Director of Research, Tim Lawless, concurred, adding "We expect capital growth rates to cool in 2010 as the cost of mortgage finance is normalised by the RBA. Over the longer-term home values should be expected to track disposable incomes."

In stark contrast to the capital cities, the 'rest of state' areas of Australia have recorded considerably lower growth rates. RP Data – Rismark's new Rest of State Hedonic Index, which was developed for the RBA and covers all non-capital city markets, shows dwelling values in these areas have risen by a much lower 5.3 per cent in the 12 months to end March 2010.

The performance gap between capitals and regional markets was most noticeable in Victoria where Melbourne home values gained 19 per cent over the last 12 months while regional markets increased by a comparatively weak 5.9 per cent.

According to rpdata.com's Tim Lawless, the weaker regional growth rates can be tied back to demand for housing in the capital cities.

"Capital city markets represent just 0.5 per cent of the national land mass but account of around 60 per cent of home sales. The bulk of Australia's population growth is concentrated in the capital cities, in turn driving housing demand."

Mr Lawless also noted that interest rates are starting to have an impact. He said the headline growth figure masks a changing dynamic where we have seen capital gains in the cheapest suburbs fall to almost half of what the top suburbs have recorded (see second chart). Over the last year, the most expensive suburbs have recorded a 16.6 per cent gain in values compared to just 7.8 per cent across the most affordable suburbs.

Detached house values increased by 4.5 per cent over the March quarter while unit values gained 3.4 per cent. The median house price is \$480,000 in capital cities, while the median unit price is \$400,000.

Darwin is once again the top performing city, with home values up 6.9 per cent over the March quarter. Darwin values are now up 20.2 per cent over the last 12 months and 113 per cent over the last five years. Rental rates have mostly kept pace with Darwin property values, with yields in Darwin remaining the highest in the nation.

Darwin houses and units are providing an average gross yield of 5.6 per cent and 5.7 per cent, respectively, offering investors the best of both worlds (capital gains and yield). Melbourne has almost equaled Darwin's remarkable capital growth, with home values up 19.0 per cent over the year. Unlike Darwin, rental rates have failed to keep pace with increasing property values resulting in an erosion of yields. Rental yields on Melbourne houses are now the lowest in the nation, averaging just 3.7 per cent.

#### Key RP Data – Rismark Statistics

- National city dwelling values up 1.4% (1.1% season. adj.) in March
- National city dwelling values up 4.2% (2.9% season. adj.) in quarter
- National city dwelling values up 12.5% (12.5% season. adj.) over year
- National city median dwelling price is \$450,000
- National rest of state house values realised 0% growth in March
- National rest of state house values up 5.3% over last 12 months

#### Change in RP Data – Rismark dwelling values: March quarter

- Sydney values ↑ 5.1% (median price: \$500,000)
- Melbourne values ↑ 6.0% (median price: \$452,000)
- Brisbane values ↑ 2.4% (median price: \$439,000)
- Adelaide values ↑ 2.7% (median price: \$385,000)
- Perth values ↑ 0.2% (median price: \$480,000)
- Darwin values ↑ 6.9% (median price: \$480,000)
- Canberra values ↑ 3.7% (median price: \$510,800)
- Hobart values ↑ 0.5% (median price: \$323,750) (Based on final February figures)

**Best performing capital city: Darwin**, with home values up 6.9% over March quarter

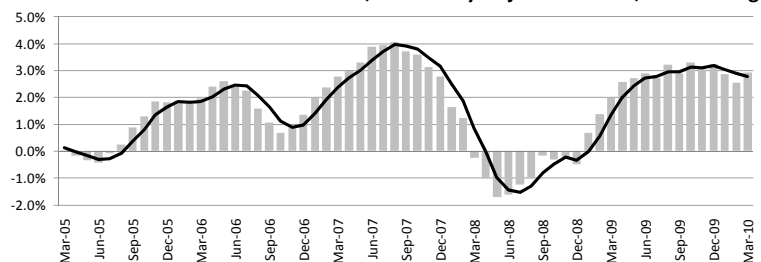
**Weakest performing capital city: Perth**, with values up 0.2% over March quarter

**Highest rental yields: Darwin** with gross rental yield of 5.6% for houses and 5.7% for units

**Lowest rental yields: Melbourne** with gross rental yields of 3.7% for houses and **Perth** with a gross rental yield of 4.2% for units.

#### Rolling quarterly capital gains (mthly RP Data – Rismark Index)

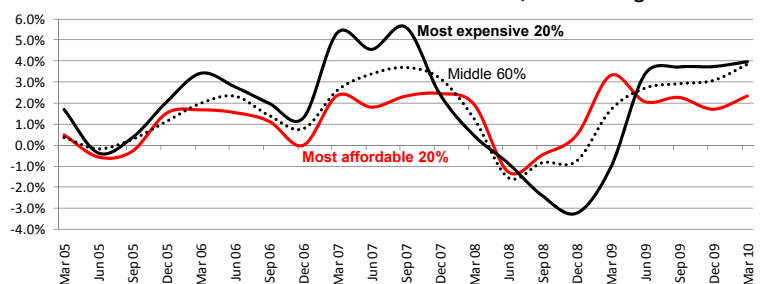
RP Data – Rismark Home Value Index, Seasonally Adjusted results, All Dwellings



#### Quarterly change in dwelling values (mthly RP Data – Rismark Index)

Bottom 20% v Middle 60% v Top 20%

RP Data – Rismark Stratified Hedonic Index, All Dwellings



Source: RP Data – Rismark

## RP Data – Rismark Hedonic Home Value Index Results

Table 1

Capital growth to March 2010 (indicative)	All Dwellings								Australian
	Sydney	Melbourne	Brisbane	Adelaide	Perth	Darwin	Canberra	Hobart+	Capitals
Month	1.4%	2.1%	0.4%	0.9%	0.7%	1.3%	1.5%	na	1.4%
Quarter	5.1%	6.0%	2.4%	2.7%	0.2%	6.9%	3.7%	na	4.2%
Year to date	5.1%	6.0%	2.4%	2.7%	0.2%	6.9%	3.7%	na	4.2%
Year on year	12.1%	18.7%	6.7%	8.8%	7.9%	20.2%	15.0%	na	12.5%
<i>Median price* based on settled sales over quarter</i>	<i>\$500,000</i>	<i>\$452,000</i>	<i>\$439,000</i>	<i>\$385,000</i>	<i>\$480,000</i>	<i>\$480,000</i>	<i>\$510,800</i>	<i>\$323,750</i>	<i>\$450,000</i>

### Capital growth to February 2010

Month	2.1%	1.3%	0.2%	0.0%	-1.1%	2.8%	2.5%	1.8%	1.1%
Quarter	3.2%	3.3%	1.1%	2.6%	0.5%	4.6%	3.8%	0.5%	2.6%
Year to date	3.6%	3.9%	2.0%	1.8%	-0.5%	5.5%	2.1%	1.3%	2.8%
Year on year	11.6%	17.0%	7.3%	9.2%	8.4%	20.1%	15.3%	11.4%	12.1%

Table 2

Capital growth to March 2010 (indicative)	Houses								Australian
	Sydney	Melbourne	Brisbane	Adelaide	Perth	Darwin	Canberra	Hobart+	Capitals
Month	1.8%	2.6%	0.2%	1.2%	0.6%	1.4%	1.0%	na	1.6%
Quarter	5.7%	6.3%	2.1%	3.5%	0.6%	7.5%	4.1%	na	4.5%
Year to date	5.7%	6.3%	2.1%	3.5%	0.6%	7.5%	4.1%	na	4.5%
Year on year	12.8%	19.0%	6.2%	9.1%	7.9%	18.9%	14.8%	na	12.7%
<i>Median price* based on settled sales over quarter</i>	<i>\$585,000</i>	<i>\$482,000</i>	<i>\$463,000</i>	<i>\$405,000</i>	<i>\$495,000</i>	<i>\$515,000</i>	<i>\$561,250</i>	<i>\$348,000</i>	<i>\$480,000</i>

### Capital growth to February 2010

Month	1.6%	0.5%	0.4%	0.2%	-1.0%	4.2%	2.7%	3.6%	0.7%
Quarter	2.9%	2.8%	1.1%	2.7%	0.7%	4.1%	4.2%	2.0%	2.4%
Year to date	3.8%	3.6%	2.0%	2.3%	-0.1%	6.0%	3.1%	2.3%	2.9%
Year on year	11.6%	16.7%	7.2%	9.2%	8.1%	17.1%	15.3%	12.5%	11.8%

Table 3

Capital growth to March 2010 (indicative)	Units								Australian
	Sydney	Melbourne	Brisbane	Adelaide	Perth	Darwin	Canberra	Hobart+	Capitals
Month	0.7%	0.5%	1.8%	-0.5%	1.0%	1.2%	3.7%	na	0.7%
Quarter	3.9%	5.1%	3.7%	-0.3%	-1.1%	5.4%	2.1%	na	3.4%
Year to date	3.9%	5.1%	3.7%	-0.3%	-1.1%	5.4%	2.1%	na	3.4%
Year on year	10.6%	17.7%	9.1%	7.5%	7.9%	24.0%	15.5%	na	12.1%
<i>Median price* based on settled sales over quarter</i>	<i>\$426,000</i>	<i>\$410,000</i>	<i>\$375,000</i>	<i>\$325,000</i>	<i>\$412,500</i>	<i>\$415,000</i>	<i>\$420,000</i>	<i>\$258,500</i>	<i>\$400,000</i>

### Capital growth to February 2010

Month	3.0%	4.1%	-0.9%	-0.8%	-1.5%	-1.1%	1.8%	-13.9%	2.2%
Quarter	3.8%	4.7%	0.8%	1.9%	0.0%	5.9%	2.3%	-13.4%	3.3%
Year to date	3.2%	4.6%	1.9%	0.3%	-2.1%	4.1%	-1.5%	-8.1%	2.6%
Year on year	11.4%	18.2%	7.6%	9.0%	9.6%	29.5%	15.3%	0.7%	12.7%

Table 4

Rental Yield, March 2010 (indicative)	Rental Yield Results								Australian
	Sydney	Melbourne	Brisbane	Adelaide	Perth	Darwin	Canberra	Hobart+	Capitals
Houses	4.2%	3.7%	4.2%	3.9%	3.9%	5.6%	4.8%	na	4.1%
Units	5.2%	4.3%	5.0%	4.6%	4.2%	5.7%	5.1%	na	4.9%

\*\* Seasonally adjusted values were computed using the X12-ARIMA procedure developed by the US Bureau of the Census. The model was fitted to the logged values of the index, using an additive seasonal model with the automatically selected seasonal ARIMA model. Goodness of fit statistics and other diagnostics were all satisfactory.

\*The median price is the middle price of all settled sales over the three months to the end of the final month. Median prices are provided as an indicator of what price a typical home sold for over the most recent quarter. The median price has no direct relationship with the RP Data-Rismark Hedonic Index value. The change in the Index value over time reflects the underlying capital growth rates generated by residential property in the relevant region. The RP Data-Rismark Hedonic Index growth rates are not ordinarily influenced by capital expenditure on homes, compositional changes in the types of properties being transacted, or variations in the type and quality of new homes manufactured over time. The RP Data-Rismark 'index values' are not, therefore, the same as the 'median price' sold during a given period. See the methodology below for further details.

+ The inherently low sales volume recorded in Hobart, which is due to the small population base, gives rise to naturally higher levels of volatility. As a consequence preliminary results for Hobart are not made available. That is, the Hobart data lags by one month the other national results.

**Methodology:** The RP Data-Rismark Hedonic Home Value Index is calculated using a hedonic regression methodology that attempts to overcome the issue of compositional bias associated with median price measures. In simple terms, the index is calculated using recent sales data combined with information about the attributes of individual properties such as the number of bedrooms and bathrooms, land area and geographical context of the dwelling. By deconstructing a property into its constituent parts a much more reliable and accurate representation of capital movements in property values can be calculated. RP Data owns and maintains Australia's largest property related database in Australia which includes transaction data for every home sale within every state and territory. RP Data augments this data with recent sales advice from real estate industry professionals, listings information and attribute data collected from a variety of sources. The hedonic methodology has been created by Rismark International and independently audited by both the Securities Industry Research Centre of Asia-Pacific ("SIRCA") and Moody's Economy.com. Both of these independent parties have declared the methodology to be an improvement over the quality of existing measures of house price movements in Australia. For detailed methodological information please visit [www.rpdata.com](http://www.rpdata.com)

## Background

The RP Data-Rismark Hedonic Indices benefit from exclusive access to the most comprehensive property database in Australia and NZ, which is owned by RP Data Limited (ASX: RPX). RP Data spends over \$9 million annually collecting new property information and has amassed a database comprising over 140 million property data records covering 99% of dwellings. The RP Data-Rismark Index results are reported by the RBA in its *Statement on Monetary Policy*. The RP Data-Rismark Hedonic Indices have received considerable industry praise. In May 2009, CommSec's chief economist, Craig James, commented, *"The RP Data-Rismark index has emerged as Australia's authoritative source on home price trends. The property database is Australia's largest and, unlike the Bureau of Statistics, all properties are counted, not just free-standing homes."* Macquarie Bank's interest rate strategist, Rory Robertson, has also commented, *"RP Data-Rismark's monthly estimates are more timely and reliable than the ABS's quarterly readings"*. The RP Data-Rismark Indices have been independently audited by the Securities Industry Research Centre of Asia-Pacific ("SIRCA"), which is a not-for-profit financial services research organisation involving twenty-six collaborating universities across Australia and New Zealand. In its review of the RP Data-Rismark indices, SIRCA concluded: *"...the results of our analysis indicate that the stratified median price, hedonic and repeat-sales property price indices developed by RP Data-Rismark represent a material improvement over the simple median price series that have historically predominated in the Australian market. In this regard, it is pleasing to see private sector organisations that are committed to undertaking sophisticated residential real estate research and advancing our otherwise crude understanding of this complex market."* In addition to the SIRCA audit, Moody's Economy.com, which is a leading global economics research organisation, has also undertaken an extensive review of the methodology, data and procedures used by RP Data-Rismark to construct house price indices. The Moody's report's summary findings, which were authored by two economics PhDs, are as follows: *"The suite of indexes calculated by RP Data-Rismark represents a significant improvement in the quality of housing price statistics available in Australia... We look forward to seeing these indexes as they are released and believe that they will quickly take a central place in the macroeconomic data framework of Australia... These data are more sophisticated, detailed and have better coverage than that used in the construction of existing housing price indexes in Australia. The high quality of the data makes it possible to implement not only median price and repeat sales indexes but also hedonic indexes, which up to this point had proved difficult to construct in Australia due to data constraints."* Other comments from the Moody's report include: *"Perhaps the most exciting methodological development is the introduction of hedonic price indexes to the Australian market. This approach to price index construction controls for compositional change by obtaining information on housing characteristics (e.g. bedrooms, bathrooms, land size, suburb, etc.)..."*

For more information on the RP Data-Rismark Indices, please go to <http://www.rpdata.com>

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#### RP Data

RP Data is the leading provider of property information, analysis and business solutions to the Australian and New Zealand property industry. Through our sophisticated systems, innovative products, outstanding service and global links, we are able to provide our customers with the power to confidently transact, finance and manage property assets. We have over 132 million property records in our database and Australia's most comprehensive aerial and frontage photography repository. Our innovative analysis and reporting tools are used by numerous industry bodies while government authorities use our very own indices in forecasting and policy making. Our databases are growing daily and the tools available continue to evolve. For the latest property statistics and information about the depth and breadth of the information we deliver, visit [www.rpdata.com](http://www.rpdata.com)

#### Rismark International

Rismark International ("Rismark") is a global funds management business that has expertise in the execution of sophisticated real estate research and investment strategies. Rismark also has a long history of advising Australian and overseas governments on the development of innovative economic policies as they relate to housing and financial markets. As a by-product of its quantitative research activities, Rismark has developed the technology and intellectual property underlying the market-leading RP Data-Rismark hedonic property price indices and related automated property valuation models (AVMs), amongst other things. In September 2008 the Australian Stock Exchange ("ASX") selected the RP Data-Rismark hedonic indices as the benchmark indices for the ASX's new residential property derivatives market. Rismark's management team is augmented by a Global Research Advisory Board comprising of eminent academics from Sydney University, Melbourne University, and Yale. For more information visit [www.rismark.com.au](http://www.rismark.com.au).