



**HD Moody's: Rising house prices increase equity cushions in Australian RMBS**

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Equity in Australian RMBS

Moody's Investors Service says that rising Australian house prices have reduced the indexed weighted-average loan to value ratio (LVR) in Australian **residential** mortgage backed securities (RMBS) to below 50% in 2013.

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"Although the current weighted-average LVR in the Australian RMBS portfolios is 57%, when taking the house price increases into account the indexed weighted average LVR stood at 45% as of Q4 2013," says Georgij Ludmirskij a Moody's Analyst.

Ludmirskij was speaking on the release of a new annual report, entitled "Equity in Australian RMBS" .

According to the Moody's report, the indexed LVRs in individual states ranged from 39% in the Northern Territory to 54% in Tasmania.

On a regional basis, the statistical area of West and North West Tasmania (as defined by the SA4 of the Australian Statistical Geography Standard (ASGS)) posted the highest weighted average indexed LVR of 59%, whereas North Sydney and Hornsby recorded the lowest weighted average indexed LVR of 34%.

"The Australian housing market is diverse with substantial regional differences, based on different economic set ups and different natural resources and average income levels available in these areas," says Ludmirskij.

Since Q1 2004, different statistical areas displayed **property** price growth ranging from 12% to 187%. Moody's report uses the regional house price indices to arrive at updated the LVRs for these regions. This granular analysis helps to explain the risks in the securitized portfolios stemming from the exposure to certain regions.

The indexed weighted-average LVRs in individual **transactions** range from 25% to 72%, with Medallion Trust Series 2005-2G recording the lowest and RHG Mortgage Securities Trust Series 2007-2H recording the highest LVR value.

While some regions have posted house price drops, there are no Moody's-rated RMBS **transactions** with an average deterioration in LVR.

Subscribers can access the report at: [http://www.moodys.com/research/PBS\\_SF368075](http://www.moodys.com/research/PBS_SF368075)

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