

Market update

July 2011

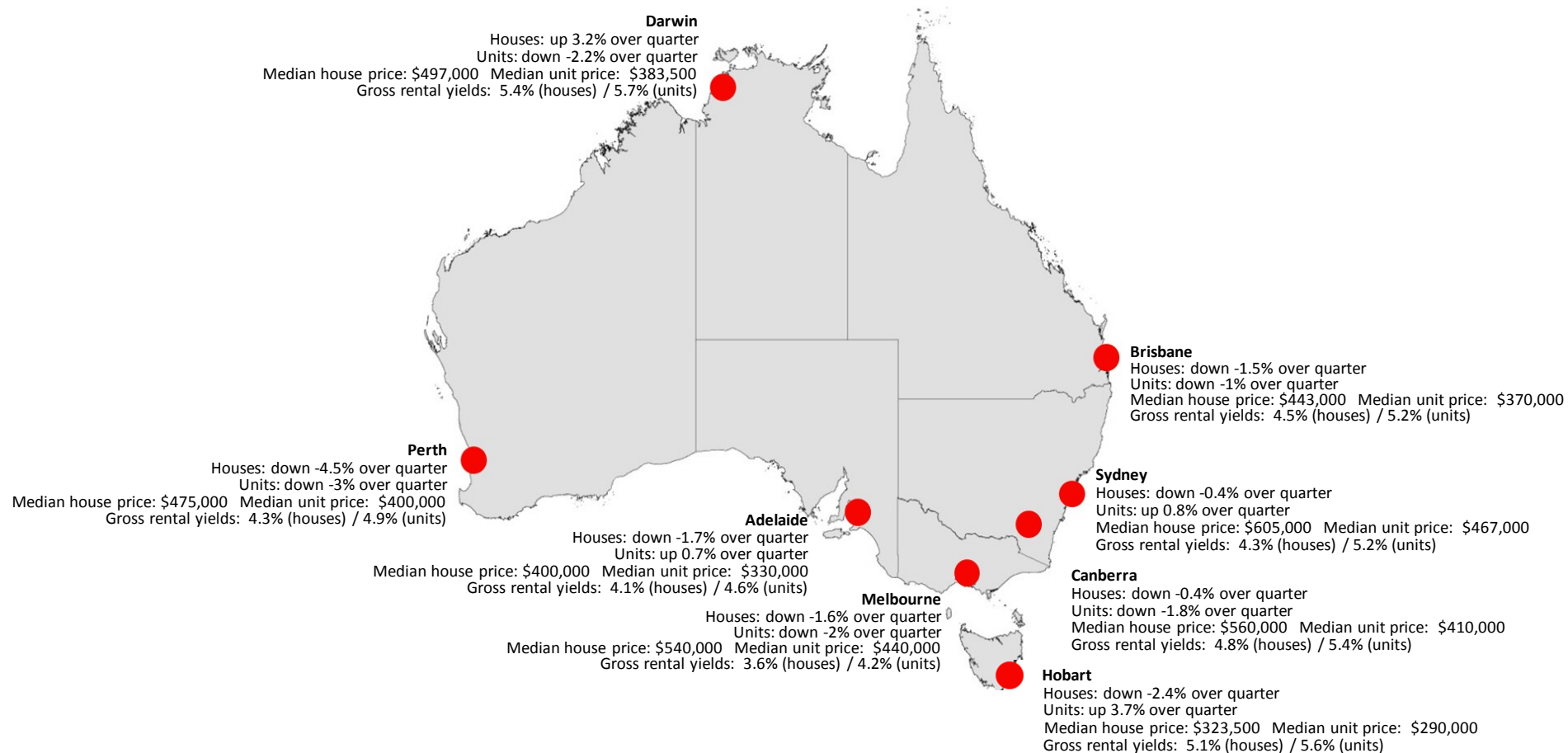


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A  **CoreLogic** Business

Market snapshot

Australian capital cities, May '11



* Hobart data is based on April '11 results

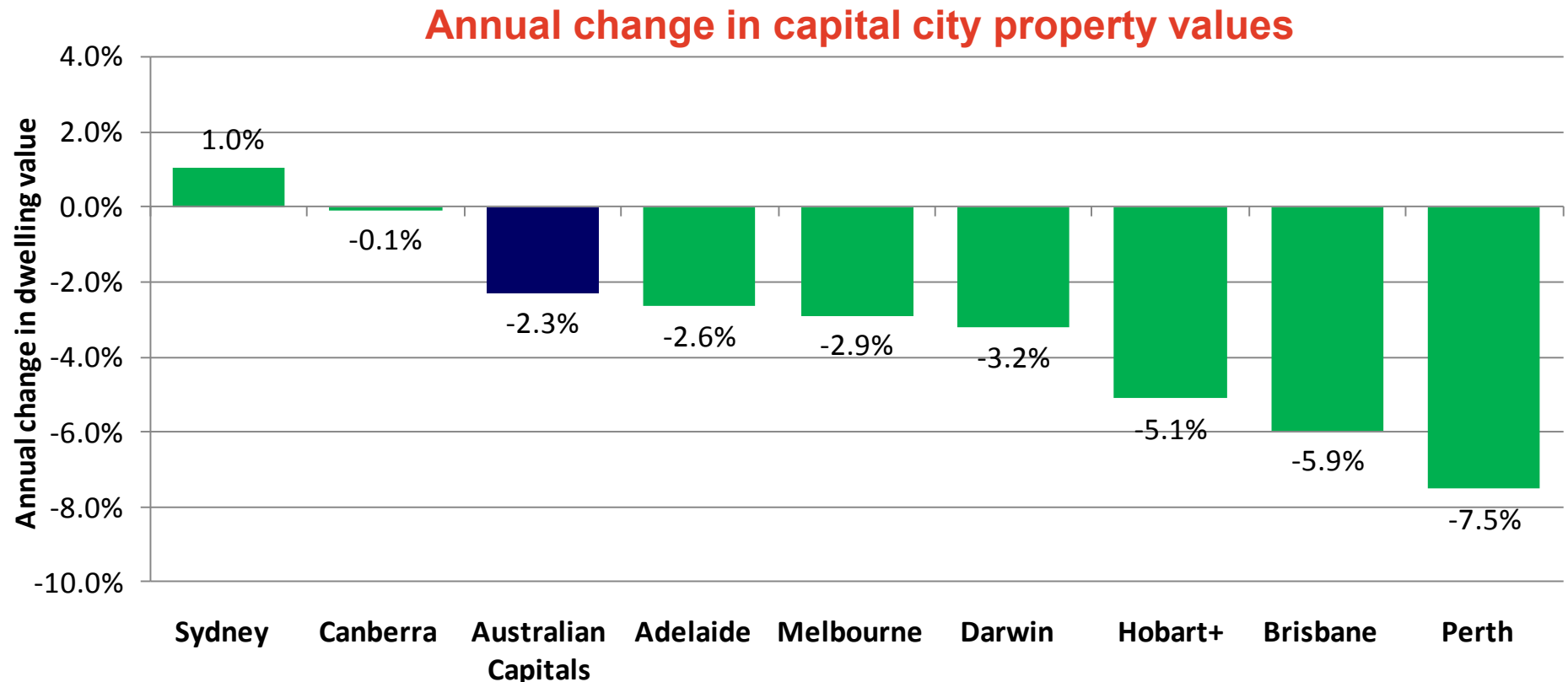
Source: rpdata.com - Rismark

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A **CoreLogic** Business

Values have now fallen during the year in most capital cities

- Across the capitals, property values have fallen by -2.3% over the past year.
- Sydney has been the only city in which values have risen over the last year while Brisbane, Perth and Hobart have been the laggards.

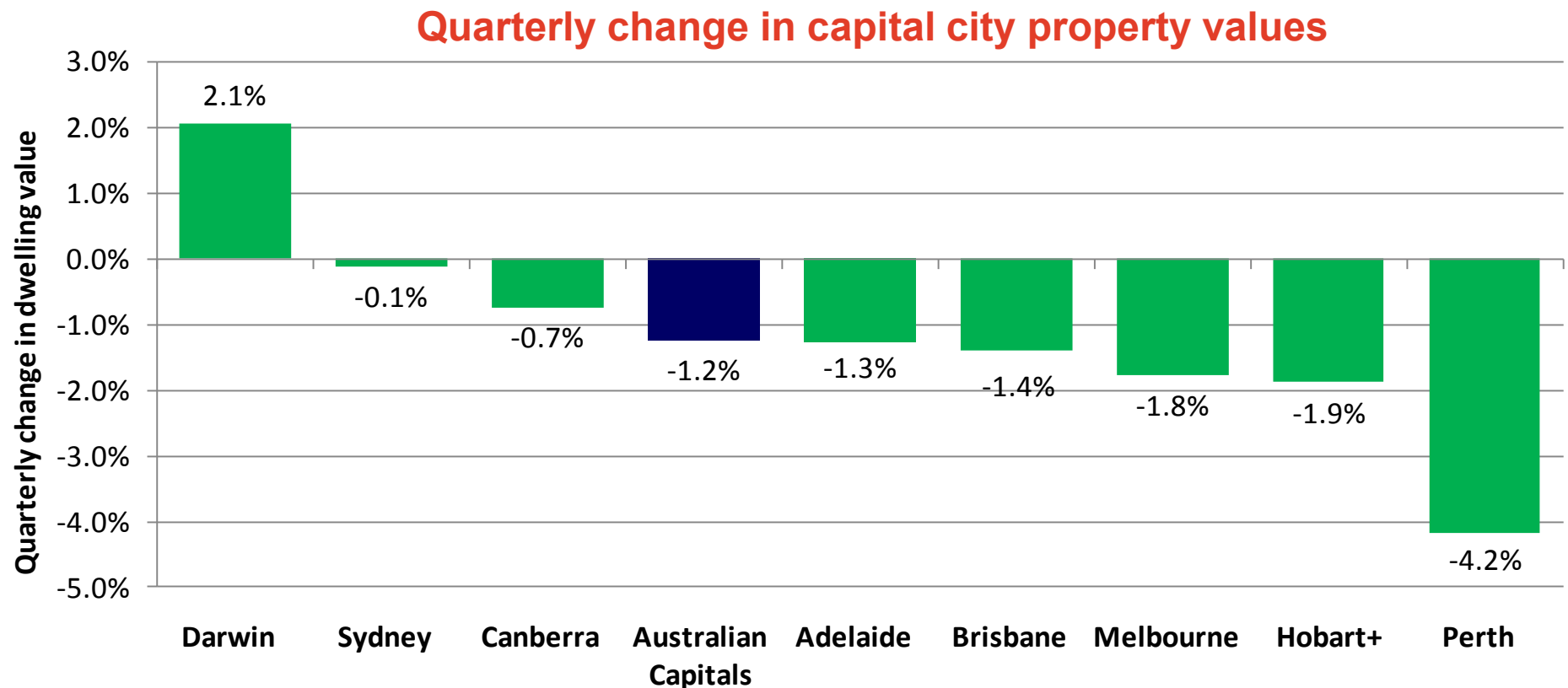


* Note Hobart figures are based on April 2011 data

Source: rpdata.com - Rismark

Darwin was the only capital city to record positive value growth over the quarter

- During the three months to May 2011, capital city home values were down -1.2% compared to a -2.3% fall over the year.
- Perth is significantly underperforming all other markets.



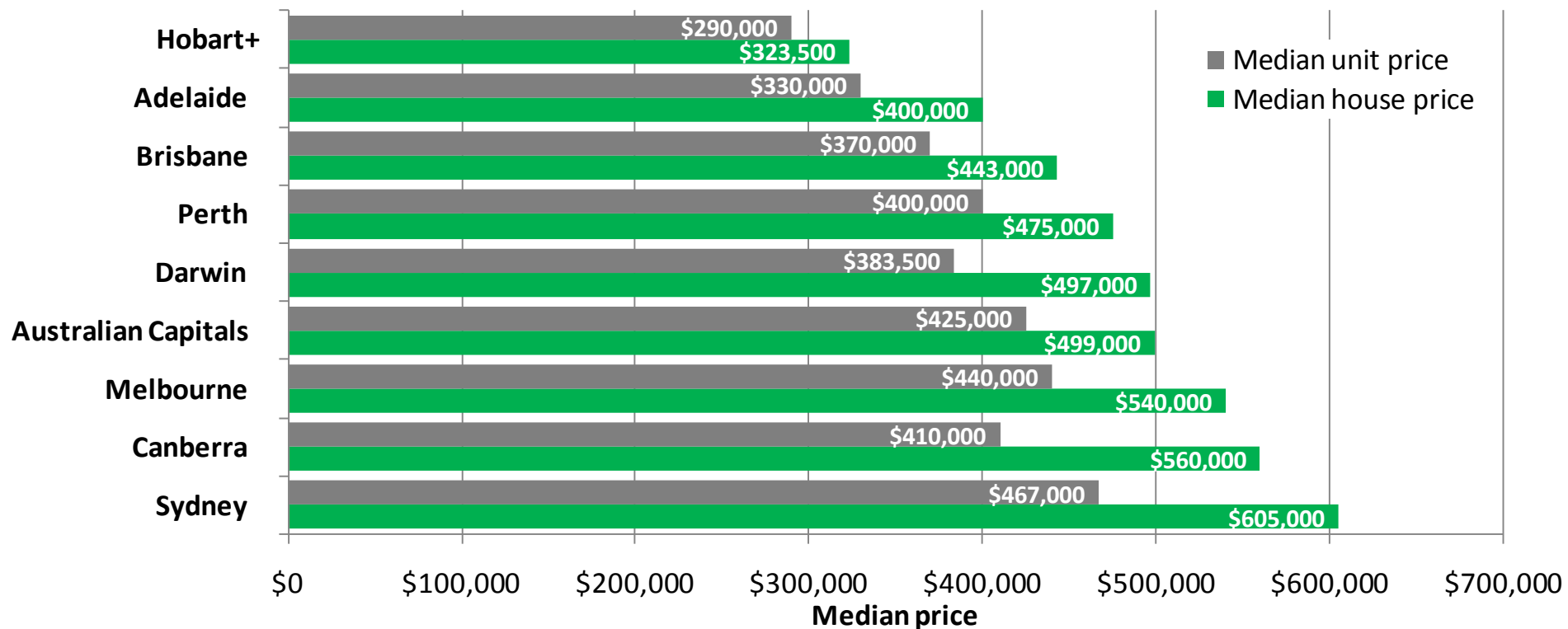
* Note Hobart figures are based on April 2011 data

Source: rpdata.com - Rismark

Sydney house prices the most expensive of any city

- Sydney remains the most expensive city for housing, while Hobart is the most affordable.
- Across the combined capitals, median house prices are \$499,000 and units \$425,000.

Median house and unit prices – May 11



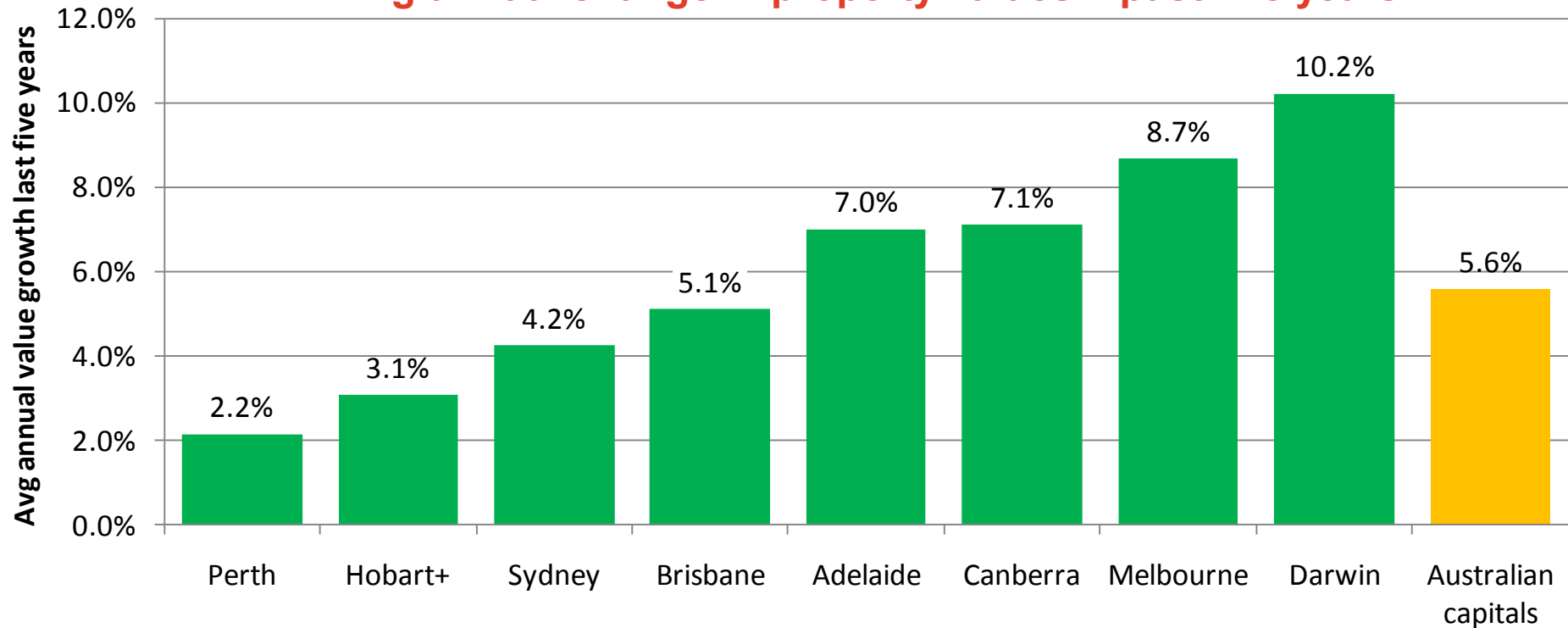
* Note Hobart figures are based on April 2011 data

Source: rpdata.com - Rismark

Darwin has been the standout performer during the past five years

- Capital city property values have increased at an average annual rate of 5.6% during the five years to May 2011.
- Over the past 10 years capital city property values have increased at an average annual rate of 7.4%, indicating more subdued growth conditions recently.

Avg annual change in property values – past five years



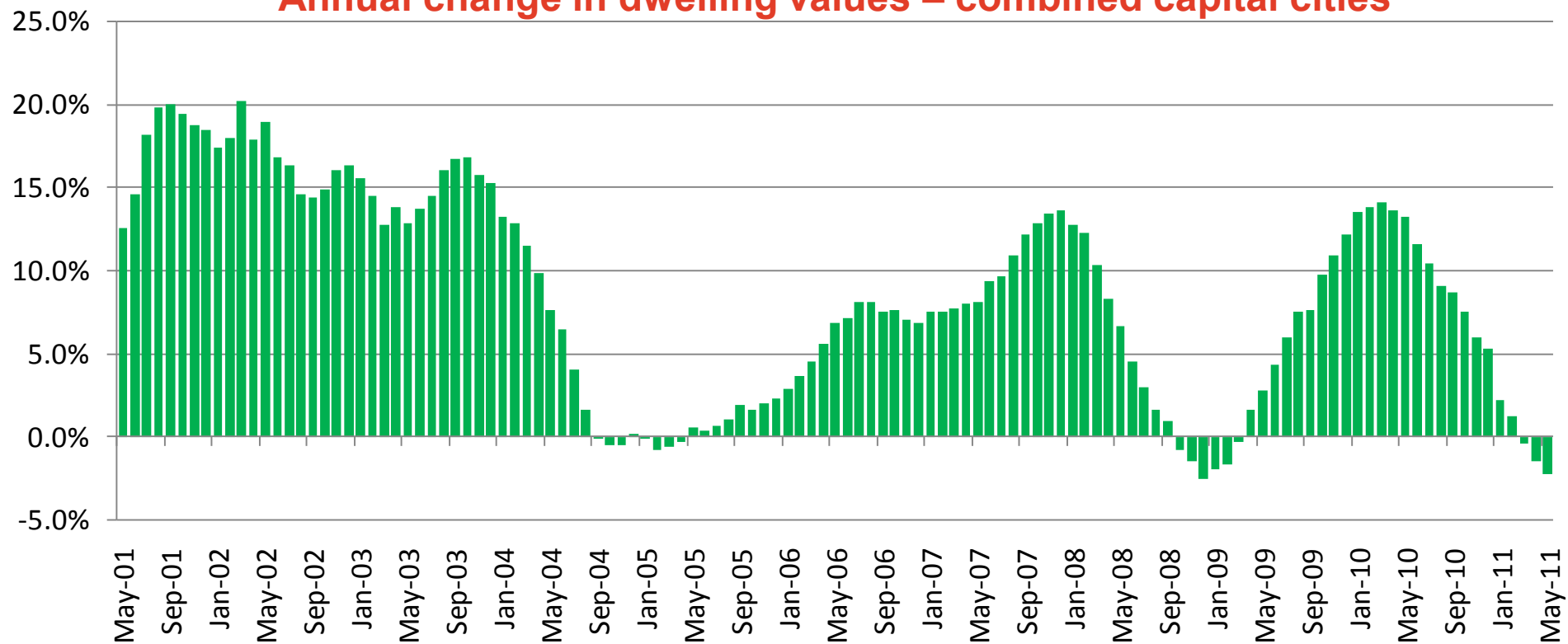
* Note Hobart figures are based on April 2011 data

Source: rpdata.com - Rismark

Property values now falling on an annual basis across the combined capital cities

- Annual growth in capital city dwelling values most recently peaked at 14.2% in March 2010.
- Since that time, annual capital growth has fallen to -2.3% in May 2011.
- Since the start of 2009, capital city property values have increased by 14.9%.

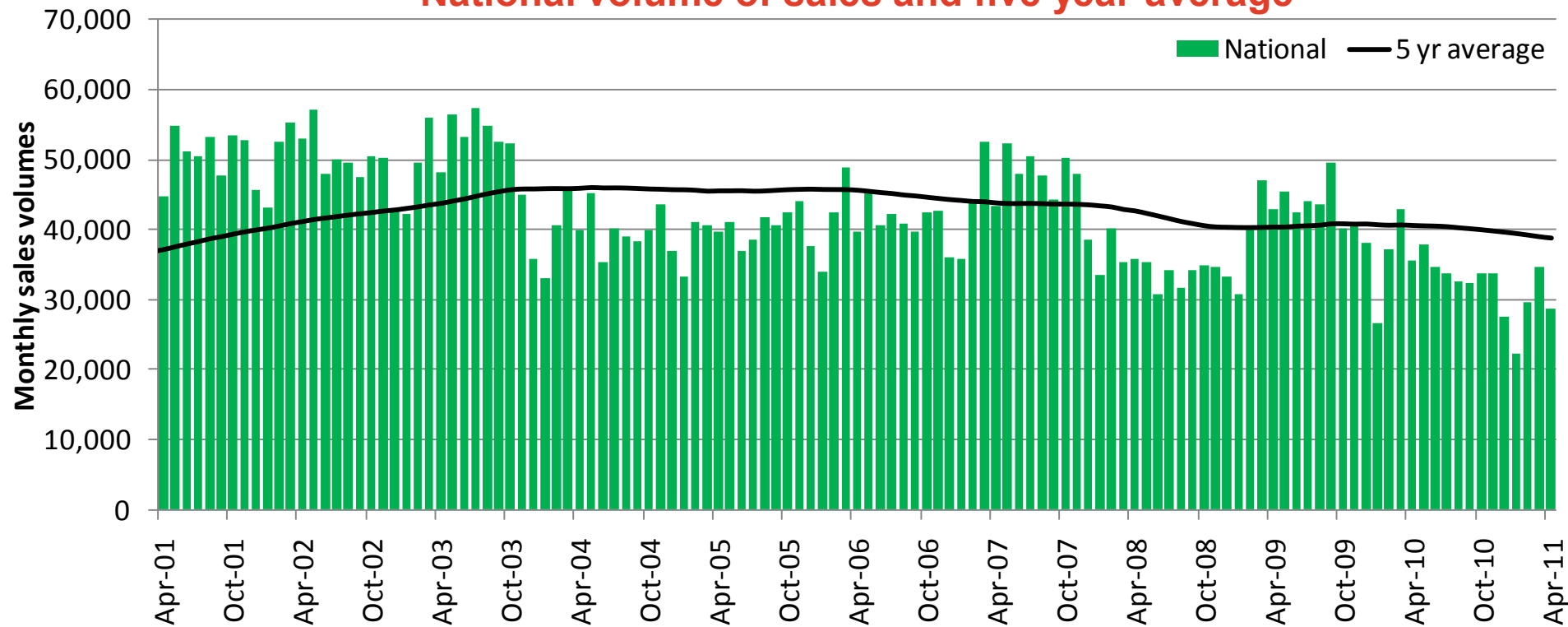
Annual change in dwelling values – combined capital cities



Sales volumes remain well below average but have lifted since January and February

- Estimated sales volumes were -27% below the five year average in April 2011.
- Although December and January typically see a slowdown in transaction volumes it was significantly greater this year than in recent years.
- Sales volumes remain below pre Christmas / New Year levels and have fallen in April.

National volume of sales and five year average



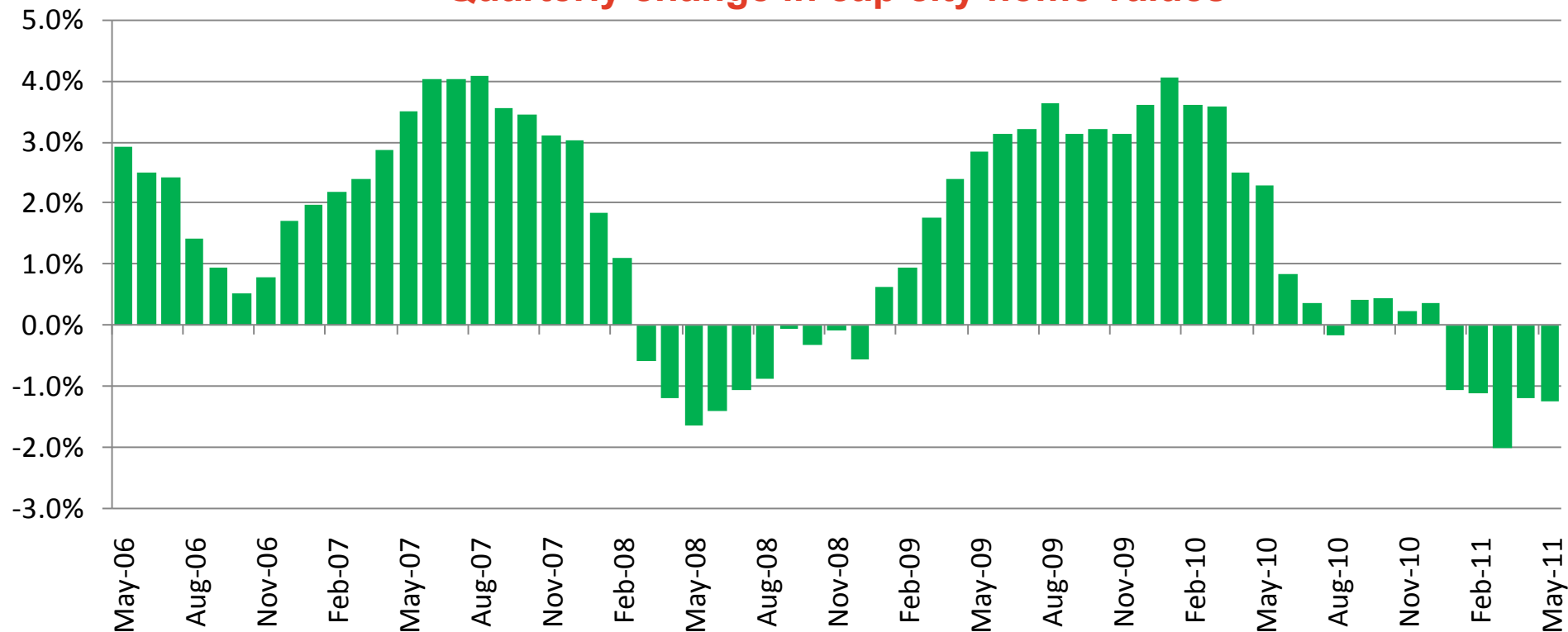
Note: the last five months of sales volumes are modelled based on historic levels of revision

Source: rpdata.com

Market weakens in recent months as sales activity slows

- During the last quarter property values across the combined capital cities have fallen by -1.2%.
- Over the last month, capital city home values are down by -0.3%.

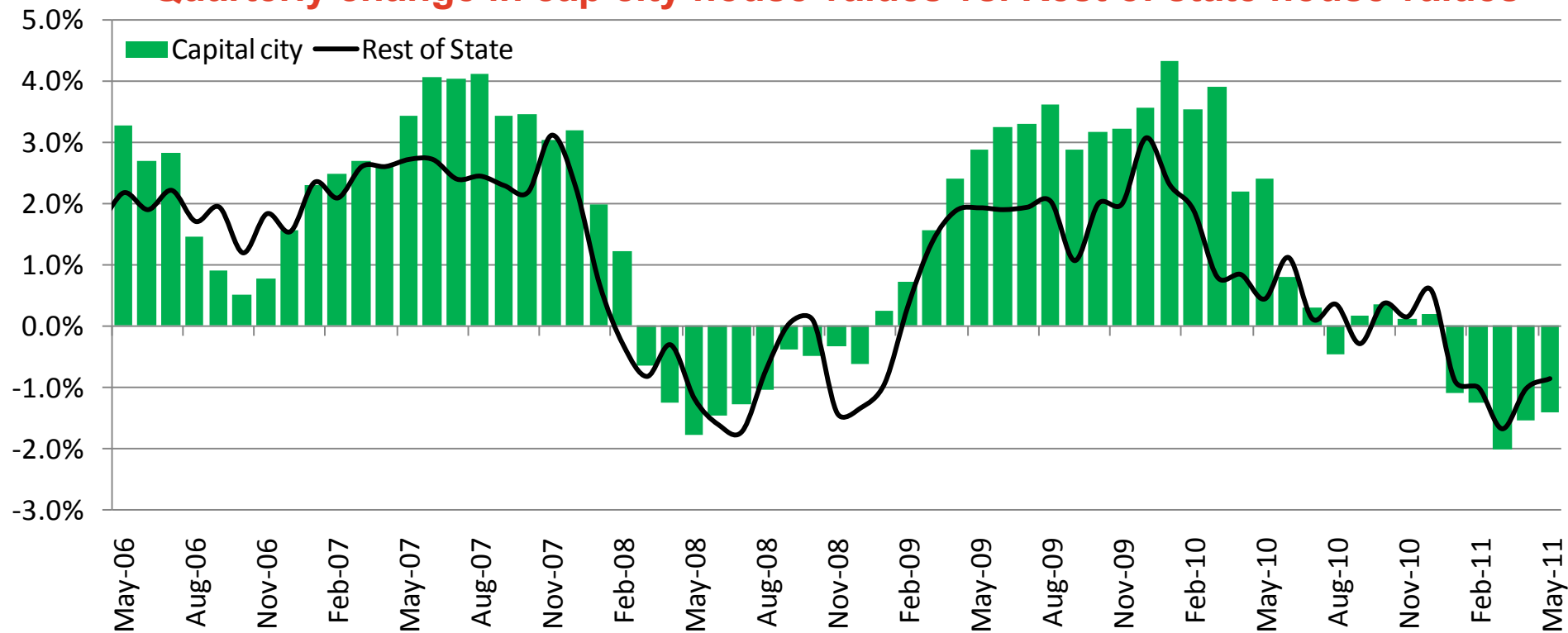
Quarterly change in cap city home values



Market weakens in recent months as sales activity slows

- During the last quarter house values across the combined capital cities have fallen by -1.4%.
- Outside of the capital cities, house values have fallen by -0.9% during the quarter.

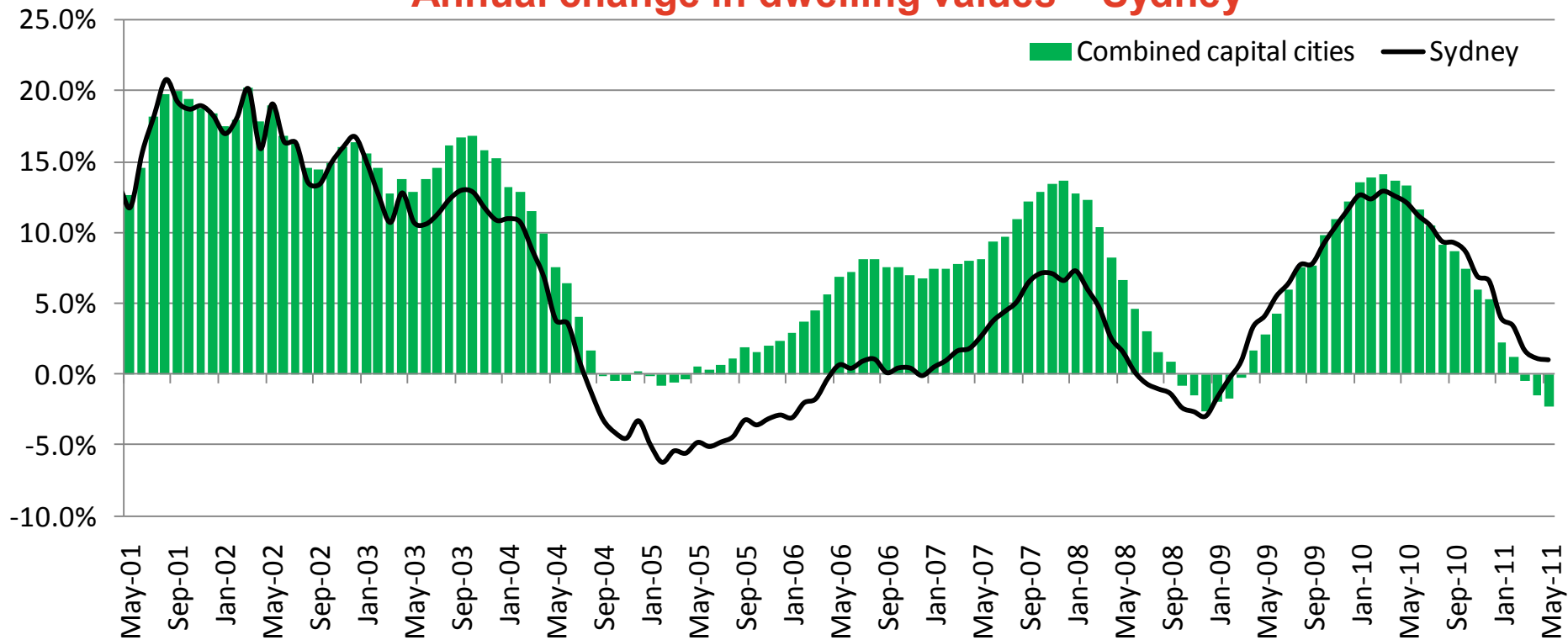
Quarterly change in cap city house values vs. Rest of state house values



Sydney is the only city showing capital gains during the past year

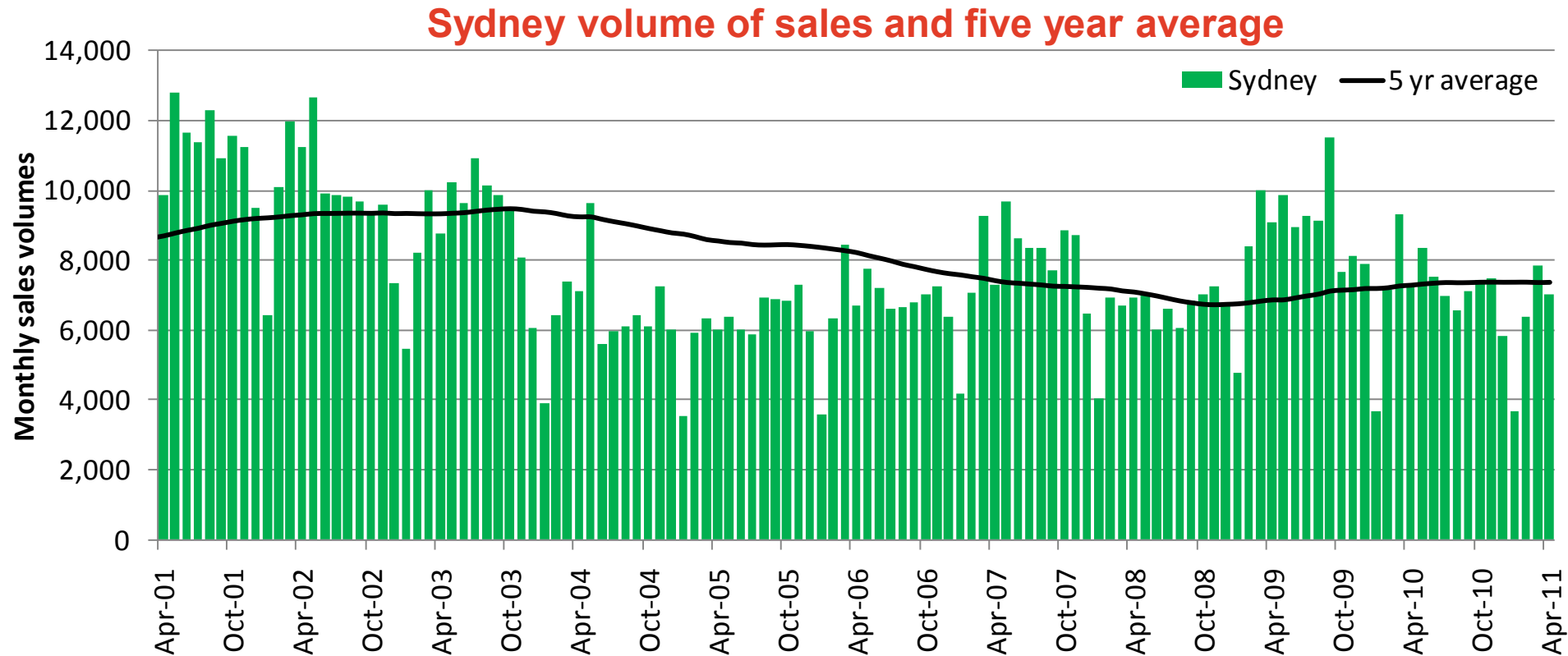
- Between December 2002 and January 2009, annual capital growth in Sydney was lower than that recorded across the combined capitals.
- Property values have increased by a total of 17.8% since the start of 2009.
- Over the past year, Sydney property values have increased by 1.1%.

Annual change in dwelling values – Sydney



Sydney volumes are now around five year average levels

- Current sales volumes are -5% below five year average levels.
- During January 2011 sales volumes were lower than they typically are however, they have rebounded strongly in recent months.

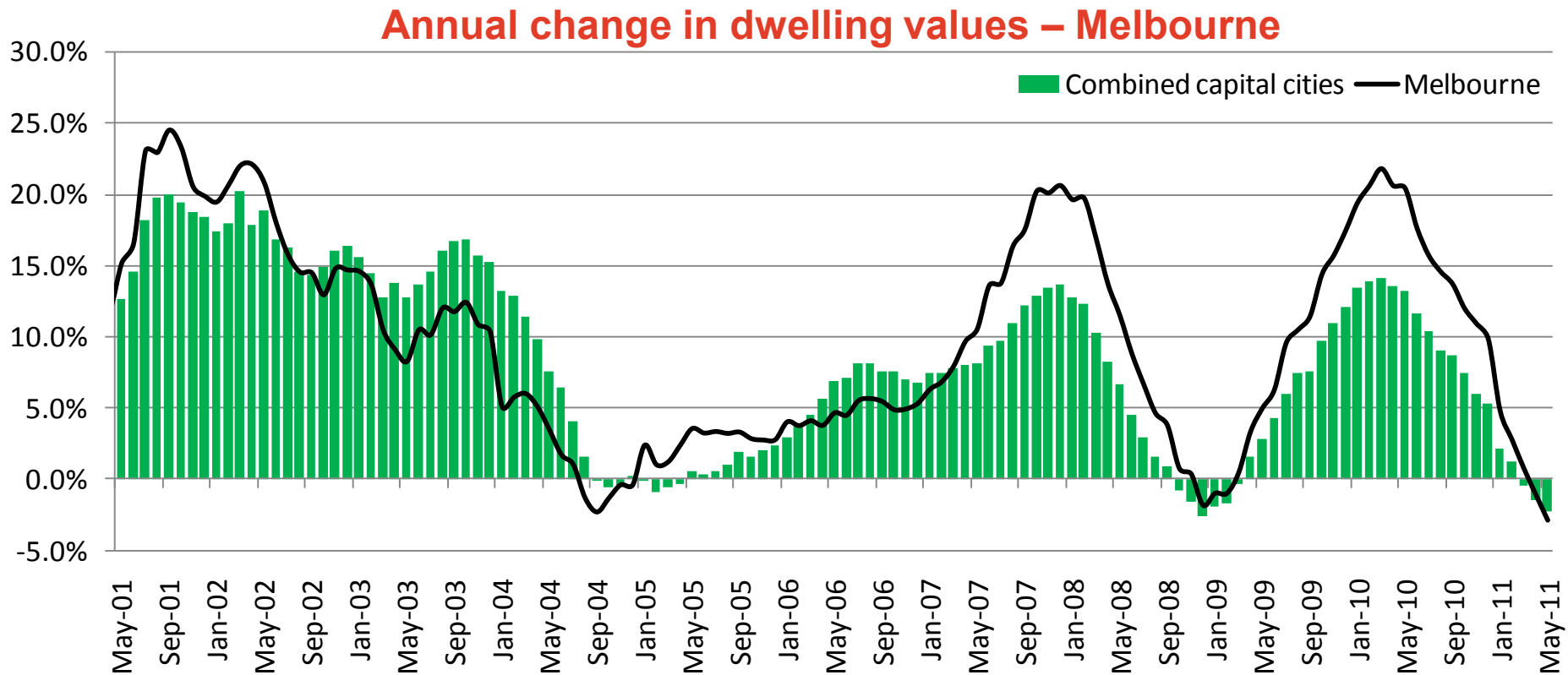


Note: the last five months of sales volumes are modelled based on historic levels of revision

Source: rpdata.com

Melbourne has been the standout capital growth performer in recent years

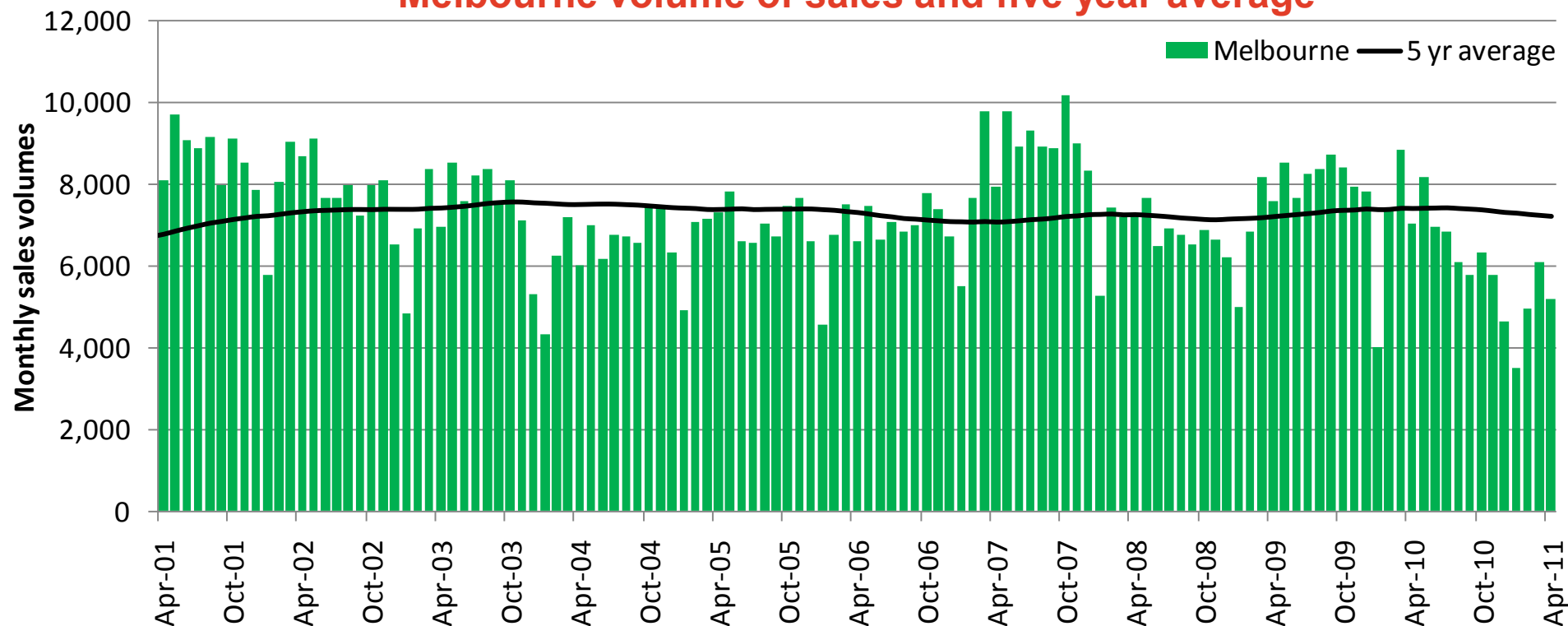
- Since the beginning of 2007, property values in Melbourne have increased by a total of 47.4%.
- Over the last 12 months, Melbourne values have fallen by -2.9%, suggesting that the slowdown is now on.



Melbourne's transaction volumes are starting to fall as value growth slows

- Melbourne estimated sales volumes are currently -29% below the five year average.
- Although there has been a rebound in volumes in recent months, the trend is very much showing lower sales volumes, which is commensurate with the slowdown in capital gains.

Melbourne volume of sales and five year average



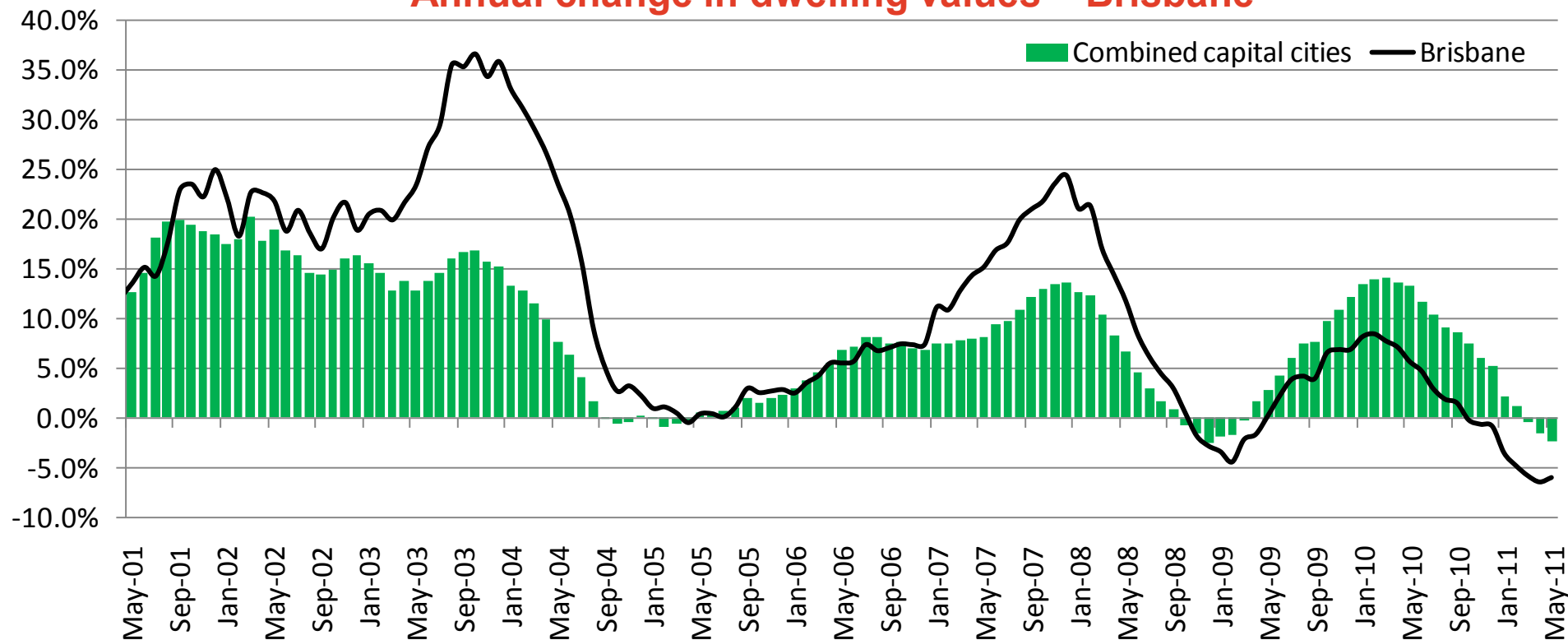
Note: the last five months of sales volumes are modelled based on historic levels of revision

Source: rpdata.com

Brisbane has been the second weakest market over the past year

- Since the start of 2008 Brisbane property values have fallen by -0.9%.
- Brisbane home values have fallen by -5.9% over the year to May 2011.
- Brisbane has been underperforming the national market since the end of 2008.

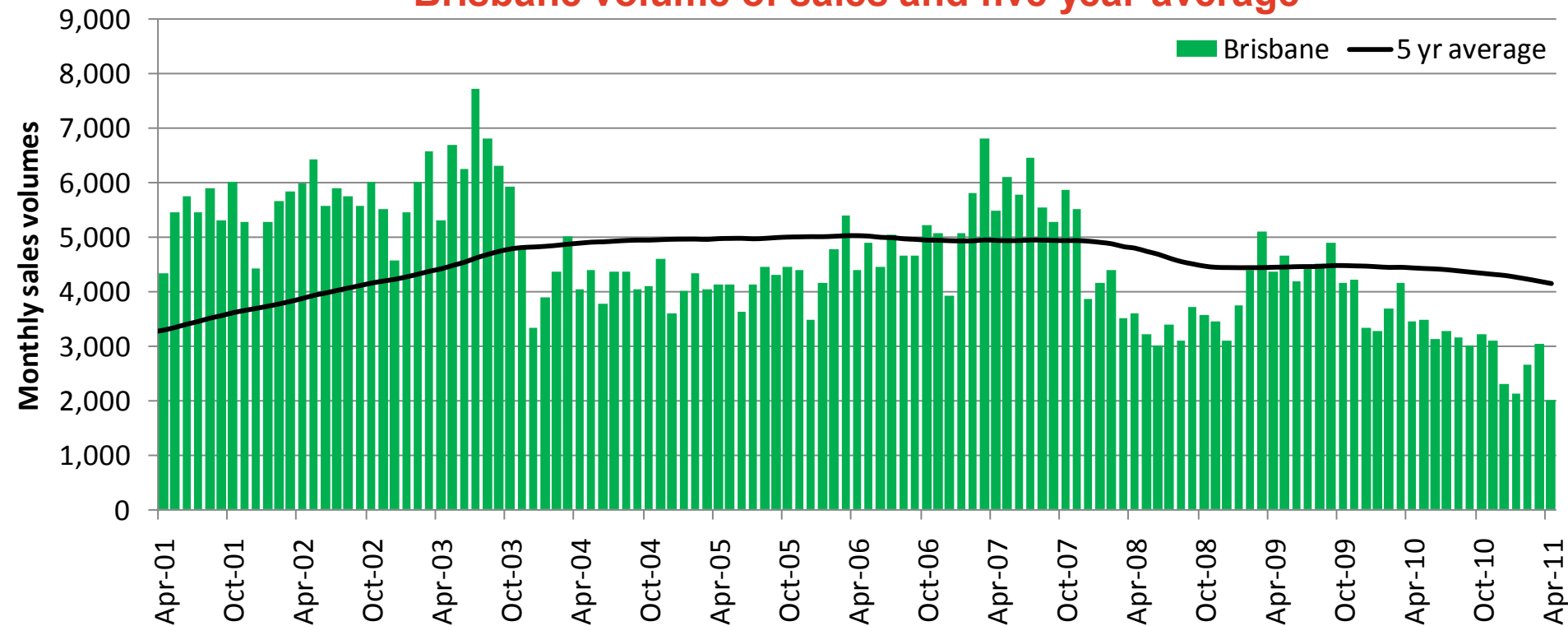
Annual change in dwelling values – Brisbane



Sales volumes at 10 year lows across Brisbane

- Brisbane estimated sales volumes are -52% below the five year average and at their lowest level in more than 10 years.
- Volumes have been below five year average levels since mid 2009.
- The low volume of sales does not bode well for a recovery in capital gains.

Brisbane volume of sales and five year average



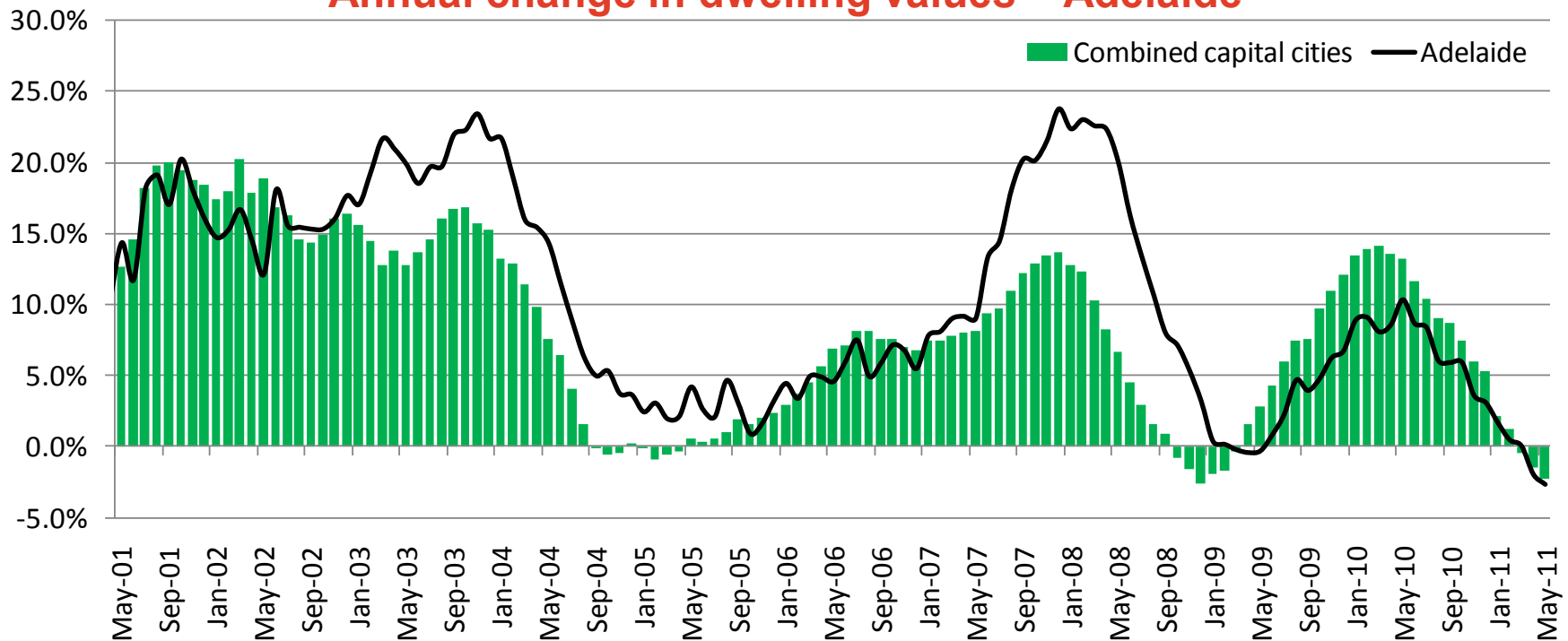
Note: the last five months of sales volumes are modelled based on historic levels of revision

Source: rpdata.com

Adelaide, a city starting to underperform as value growth subsides

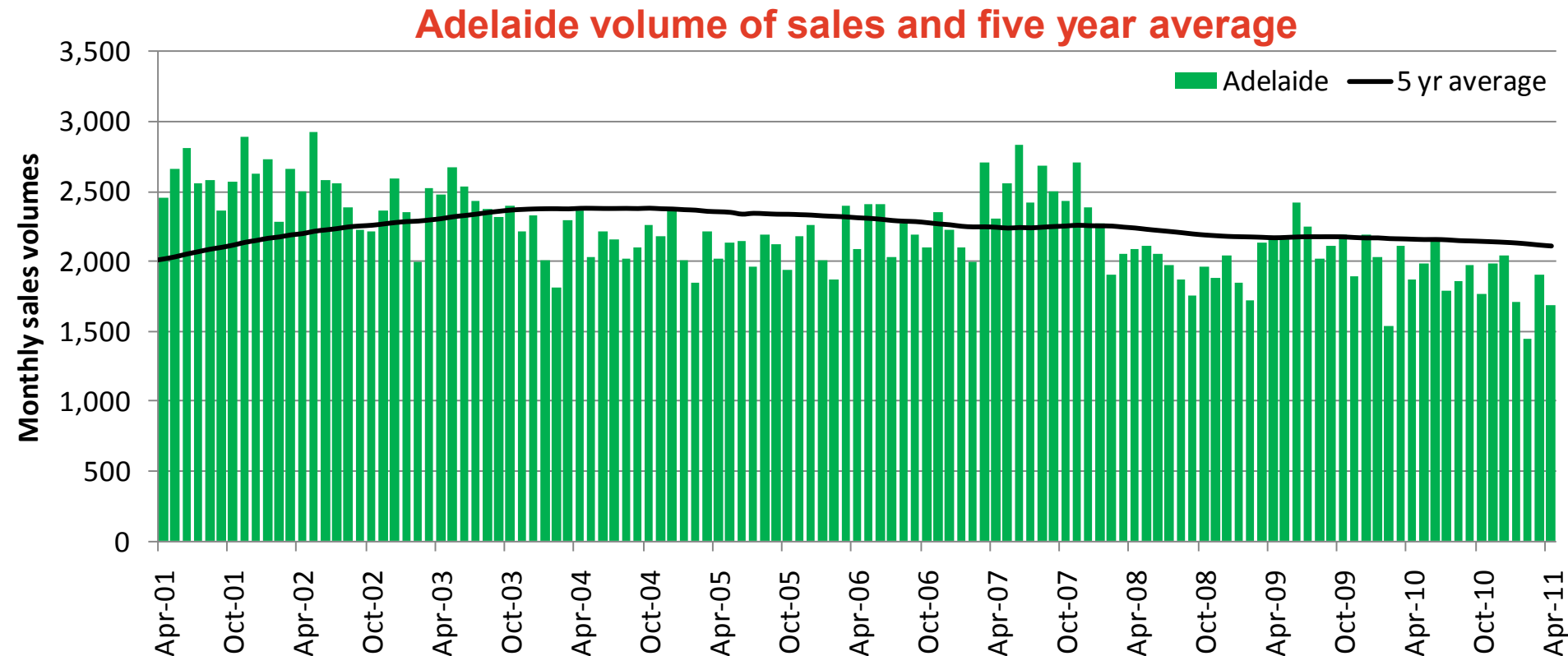
- Adelaide consistently recorded a superior rate of capital gains from late 2002 until late 2008 and since that time, Adelaide's property market has underperformed the capital city benchmark.
- Since the start of 2008, Adelaide property values have increased by 7.7%
- Over the past year, property values have fallen by -2.6%.

Annual change in dwelling values – Adelaide



Adelaide volumes remain below levels of last year and below the five year average

- Adelaide's estimated sales volumes are currently -21% below the five year average.
- As capital gains have transitioned out of the market, sales volumes have also fallen.



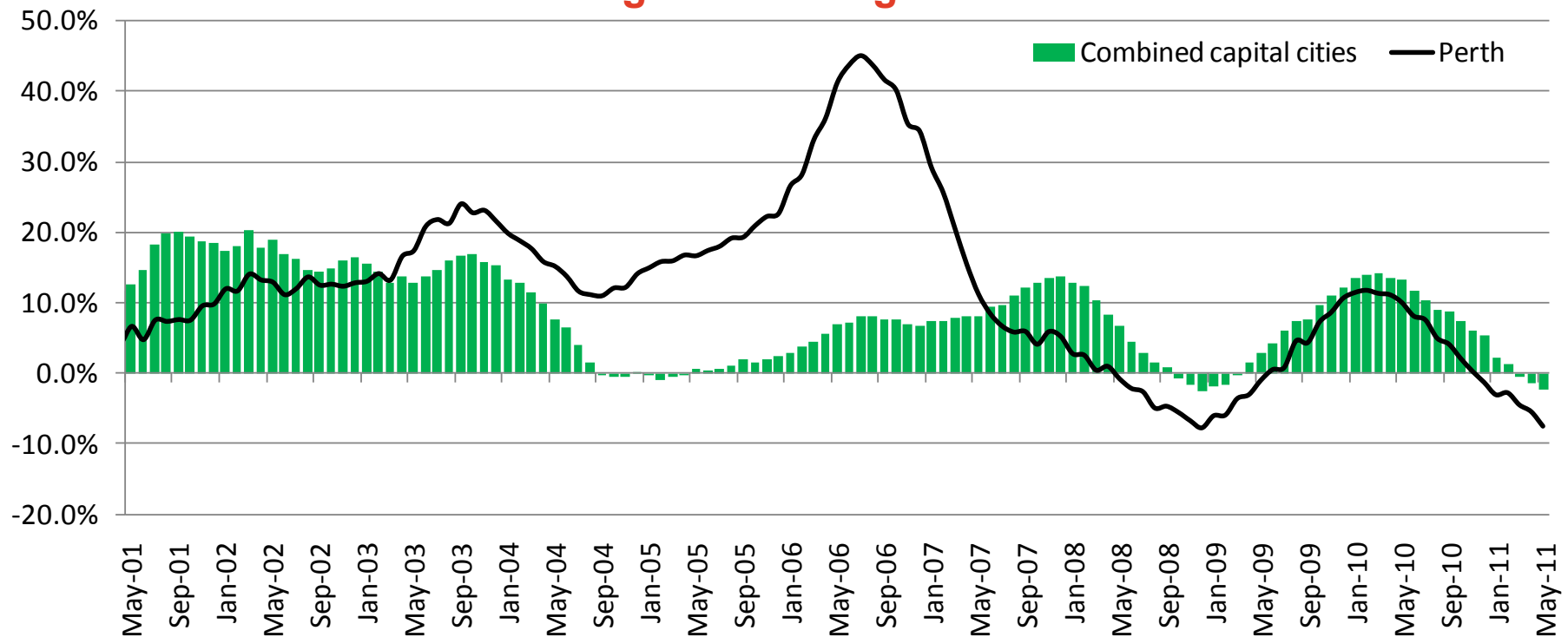
Note: the last five months of sales volumes are modelled based on historic levels of revision

Source: rpdata.com

Perth's property values continue to slide as the market corrects

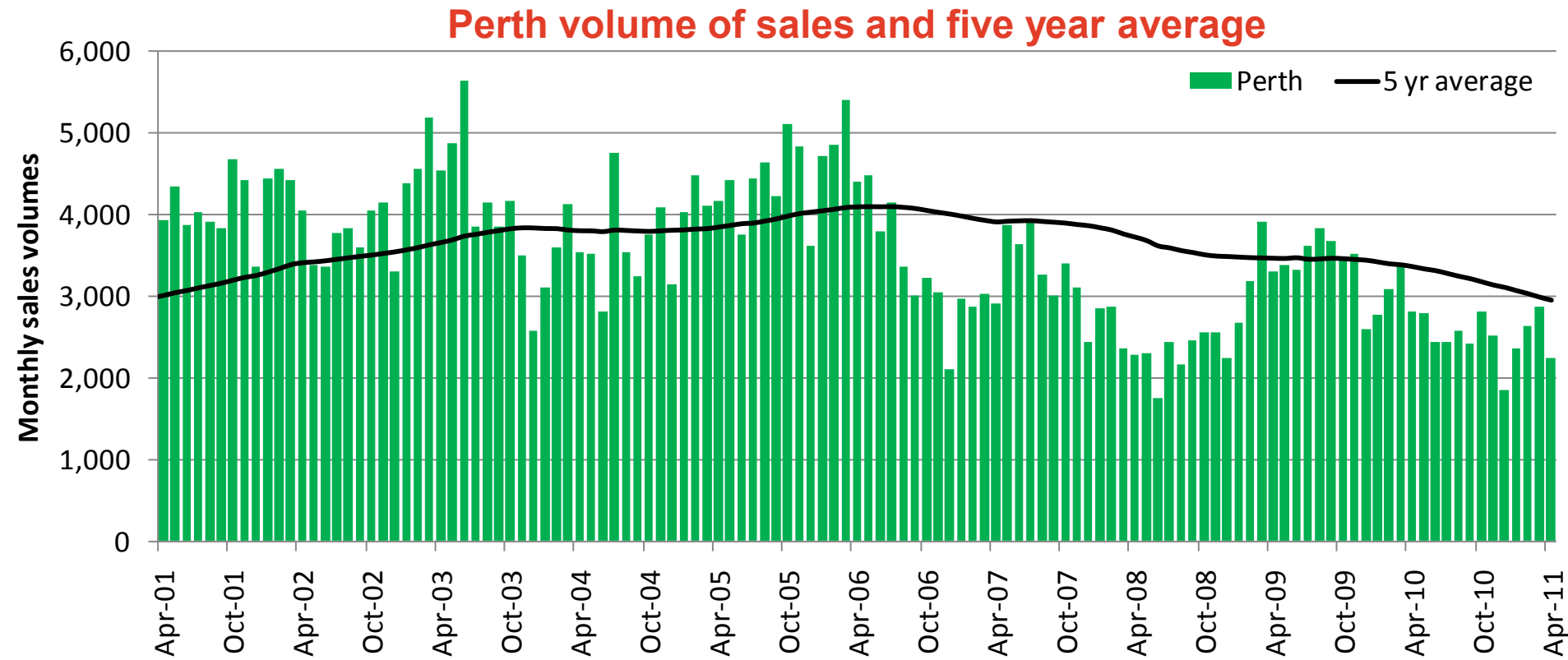
- Perth has been the weakest performing capital city market over the last year with values falling by -7.5%.
- On an annual basis, Perth property value growth peaked at 45.1% during July 2006.
- Capital growth in Perth has consistently underperformed the capital cities since May 2007.

Annual change in dwelling values – Perth



Perth sales volumes remain at below average levels as poor capital gains restrict buyers

- Estimated sales volumes in Perth are currently -26% below the five year average.
- The five year average volume of sales is trending much lower because of the ongoing weak performance of the Perth property market.



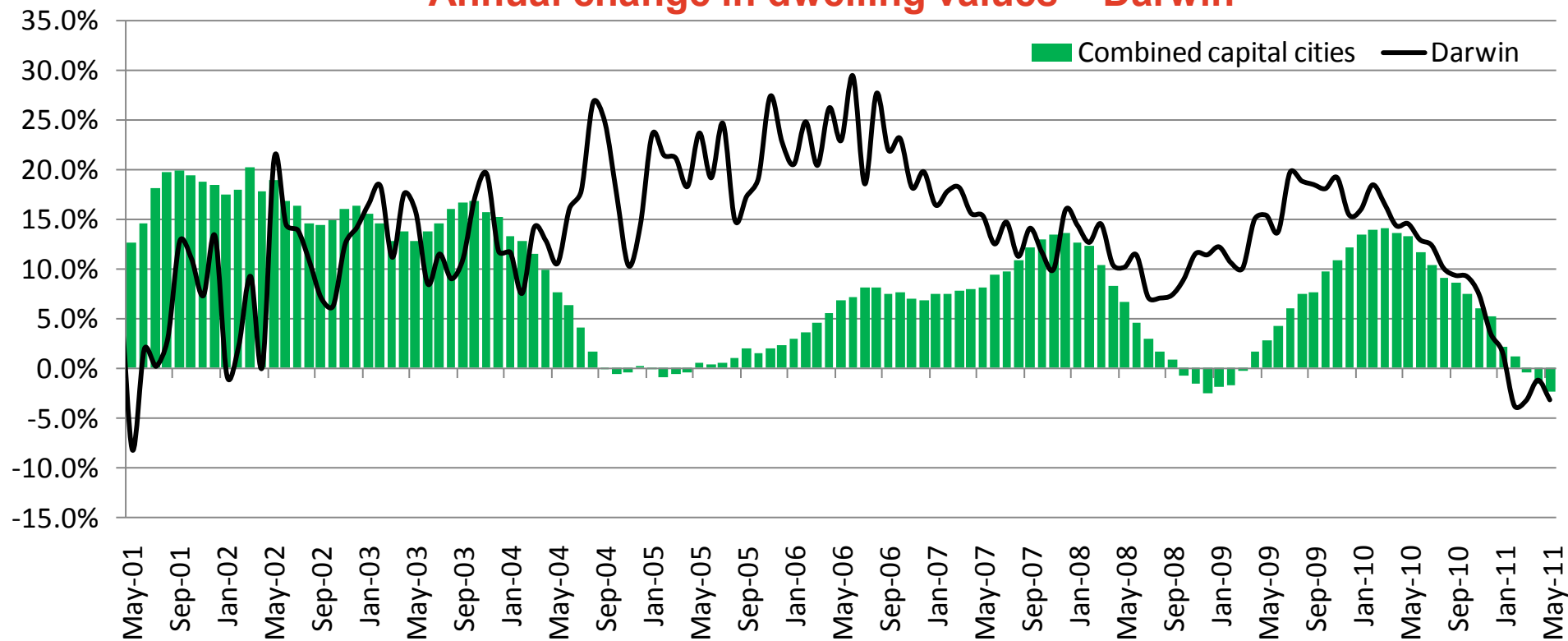
Note: the last five months of sales volumes are modelled based on historic levels of revision

Source: rpdata.com

Darwin home values now falling after 10 years of virtually unabated capital gains

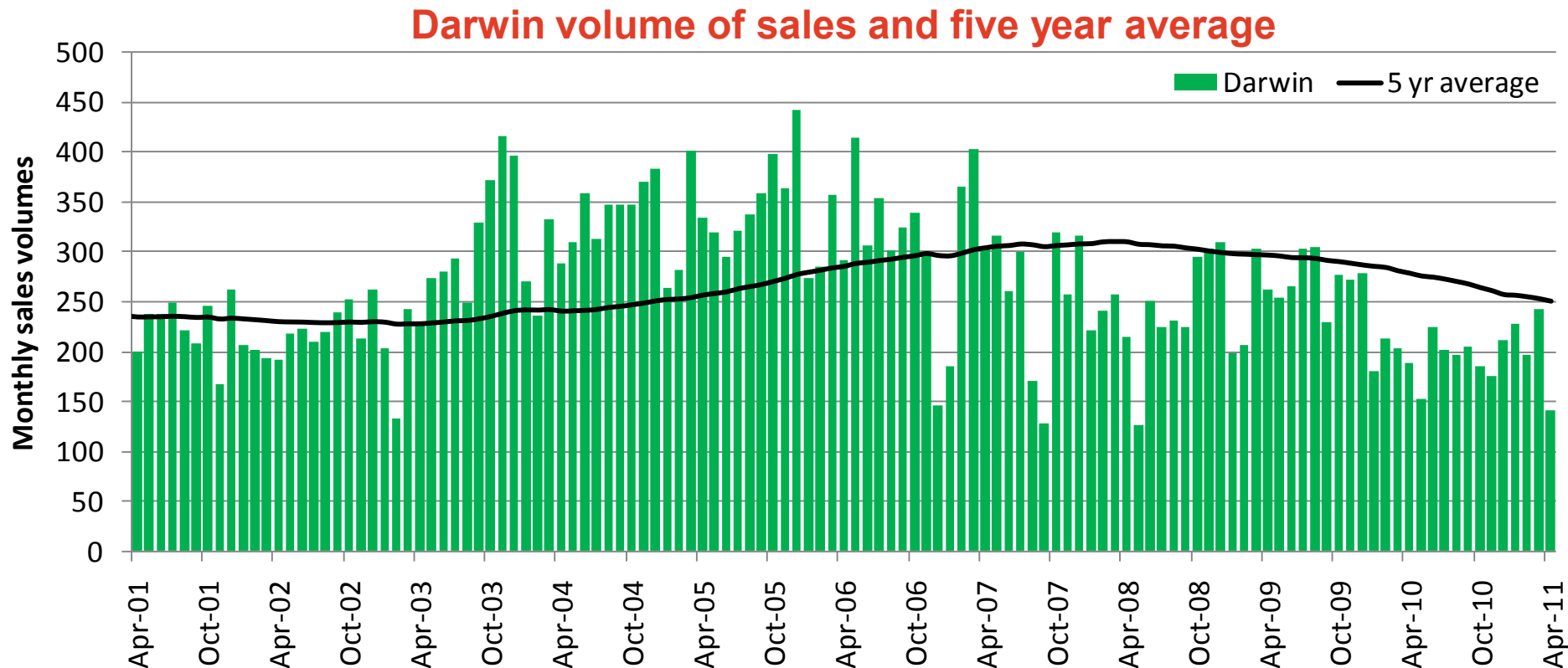
- Darwin has consistently outperformed the national market since mid 2004.
- Property values have recorded a strong run-up in recent years.
- Over the last 12 months property values have fallen by -3.2%.

Annual change in dwelling values – Darwin



As capital gains dissipate, sales volumes continue to trend lower

- Current Darwin sales volumes are -45% below the five year average.
- With values declining in Darwin for the first time in a long time we may see a further fall in transaction volumes.



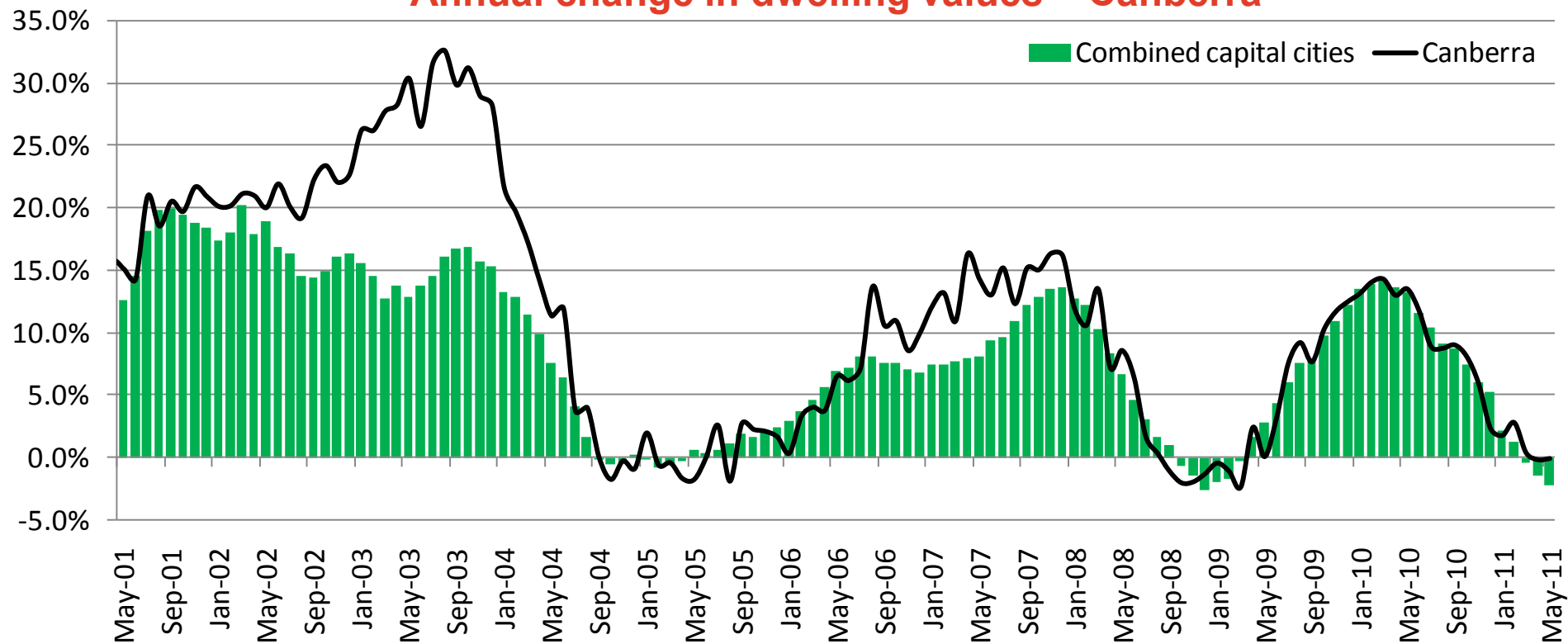
Note: the last five months of sales volumes are modelled based on historic levels of revision

Source: rpdata.com

Canberra has consistently outperformed or tracked the capital city performance

- Apart from a period of exceptional growth between 2002 and 2004, the Canberra market performance has closely mirrored the combined capital city performance.
- During the 12 months to May 2011, Canberra property values have shown no change (0.0%).

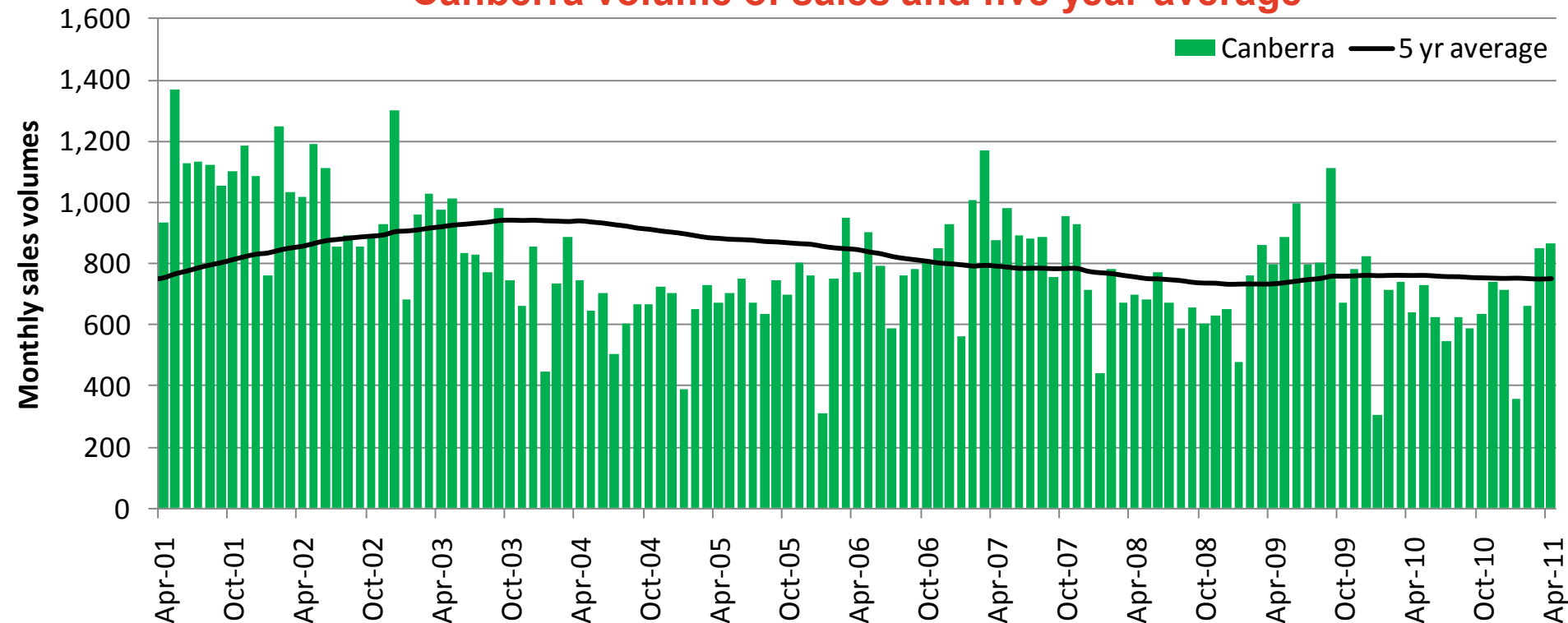
Annual change in dwelling values – Canberra



Modeled volumes suggest that sales remain above five year average levels

- Sales volumes in Canberra are currently 15% above the five year average.
- With capital gains continuing to slow we may also see a dip in sales transactions during the coming months.

Canberra volume of sales and five year average



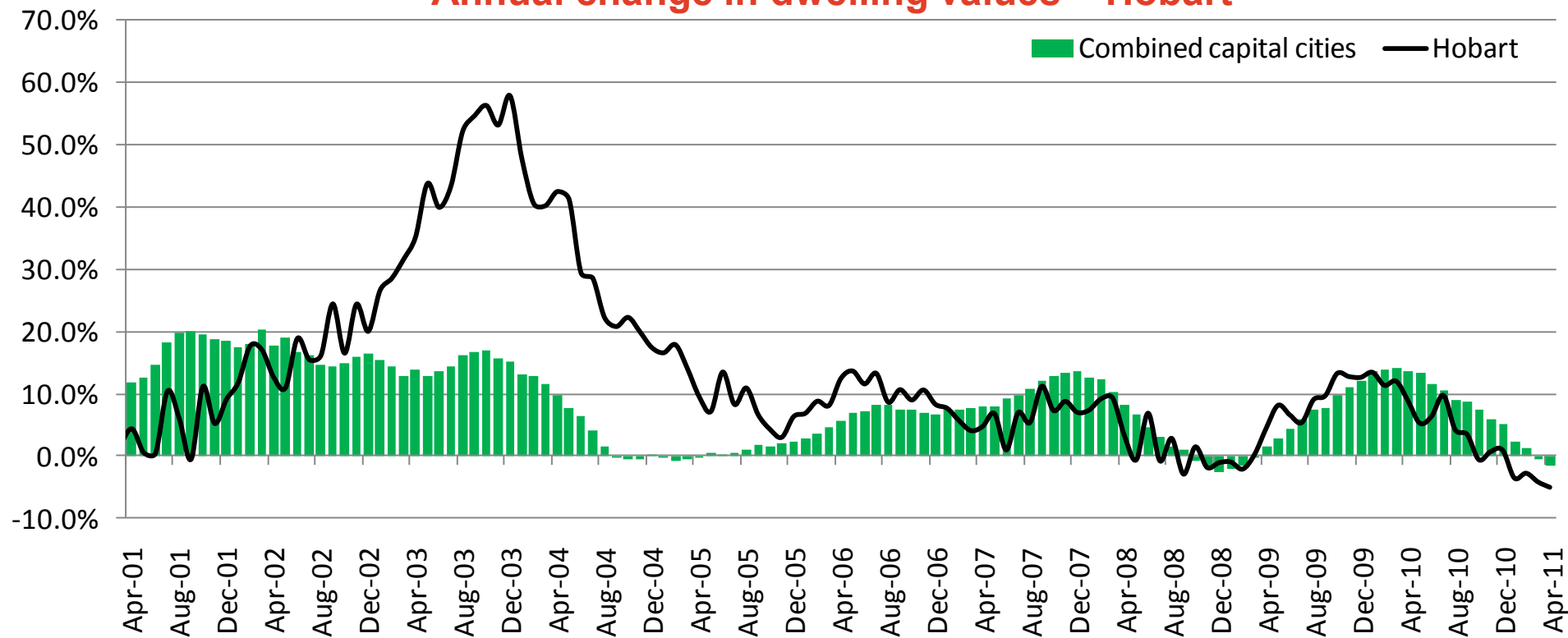
Note: the last five months of sales volumes are modelled based on historic levels of revision

Source: rpdata.com

Hobart values now falling after a strong growth run prior to 2007

- Hobart is well and truly the country's most affordable capital city housing market.
- Annualised capital growth in Hobart peaked at 57.8% during December 2003.
- Over the most recent year, property values in Hobart have fallen by -5.2%.

Annual change in dwelling values – Hobart

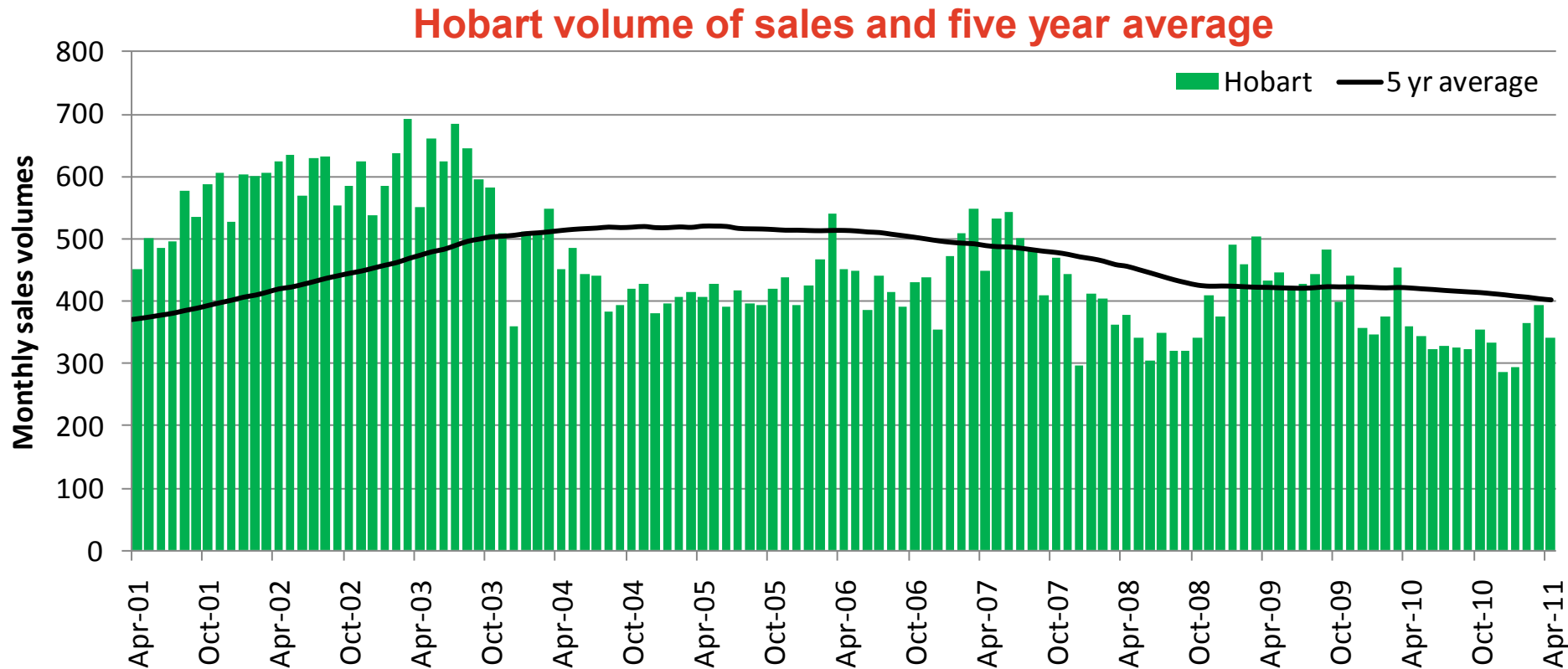


* Note Hobart figures are based on April 2011 data

Source: rpdata.com - Rismark

Sales volumes have rebounded in recent months

- The estimated volume of sales across the city is -16% below the five year average.
- Volumes have been trending lower since early 2009.
- The poor capital growth performance is likely impacting sales volumes.



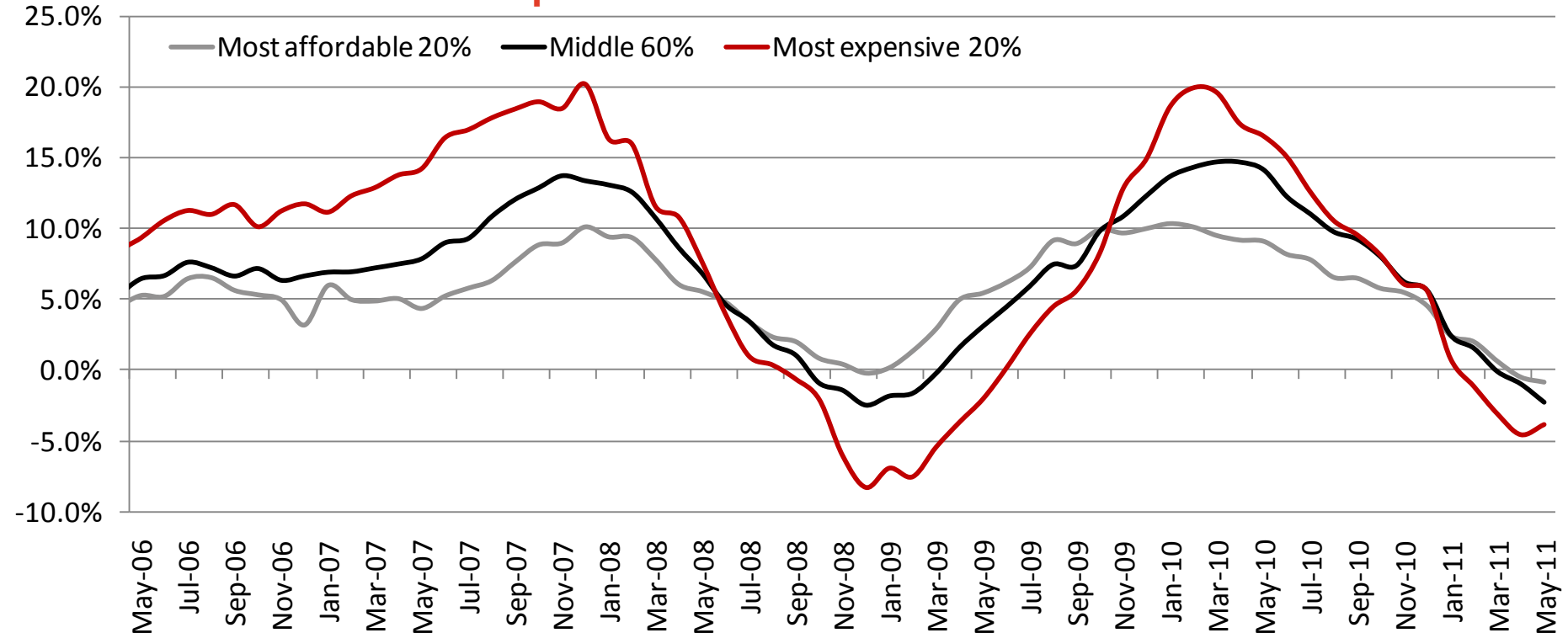
Note: the last five months of sales volumes are modelled based on historic levels of revision

Source: rpdata.com

Premium sector of the market the weakest performer in recent times

- Across the past year, the most affordable suburbs have been the best performed (-0.9%) followed by the 'middle' market (-2.3%) and the premium sector has been the weakest (-3.9%).

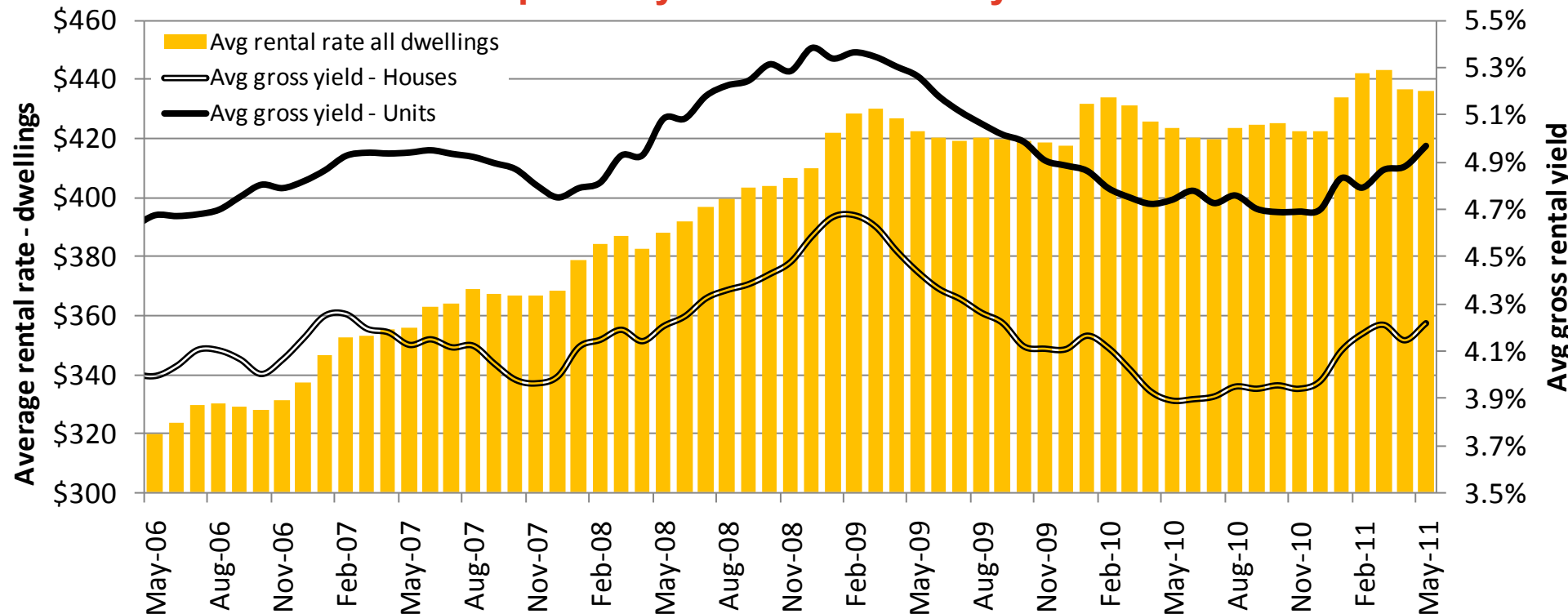
Performance of top 20% of suburbs vs. middle 60% vs. bottom 20%



Rents and yields showing some signs of improvement

- Across the combined capital cities rents sit at \$439/week for houses and \$427/week for units.
- Over the last year capital city rents have increased by 3.3% for houses and 2.4% for units.

Capital city rental rates and yields



Rents and yields showing some signs of improvement

		Annual Change		Five year change	
		%	\$	%	\$
Sydney	Houses	7.2%	\$37	5.8%	\$135
	Units	3.1%	\$15	6.8%	\$143
Melbourne	Houses	-1.1%	-\$4	6.4%	\$102
	Houses	-0.8%	-\$3	7.3%	\$107
Brisbane	Houses	2.9%	\$11	5.7%	\$96
	Units	2.1%	\$7	6.4%	\$93
Adelaide	Houses	1.7%	\$6	5.4%	\$82
	Units	5.2%	\$16	6.8%	\$91
Perth	Houses	4.0%	\$16	7.9%	\$130
	Units	6.1%	\$25	8.1%	\$139
Darwin	Houses	-4.2%	-\$24	10.4%	\$216
	Units	-1.0%	-\$5	11.5%	\$191
Canberra	Houses	2.6%	\$13	4.8%	\$110
	Units	1.2%	\$5	6.8%	\$116
Hobart	Houses	-0.3%	-\$1	n.a.	n.a.
	Units	1.1%	\$3	n.a.	n.a.
National	Houses	3.3%	\$14	6.1%	\$113
	Units	2.4%	\$10	7.0%	\$123

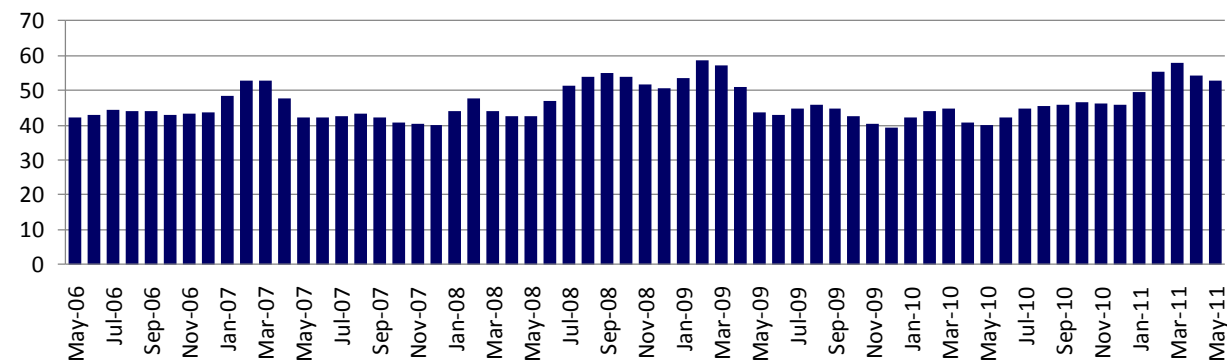
- Across the combined capital cities rents sit at \$439/week for houses and \$427/week for units.
- Over the last year capital city rents have increased by 3.3% for houses and 2.4% for units.
- Over the past five years, house rents have increased at an average annual rate of 6.1% and unit rents at 7.0%p.a.
- As a result, rents for both houses and units have increased at a faster pace than property value growth over the last five years.

* Note Hobart figures are based on April 2011 data

Source: rpdata.com - Rismark

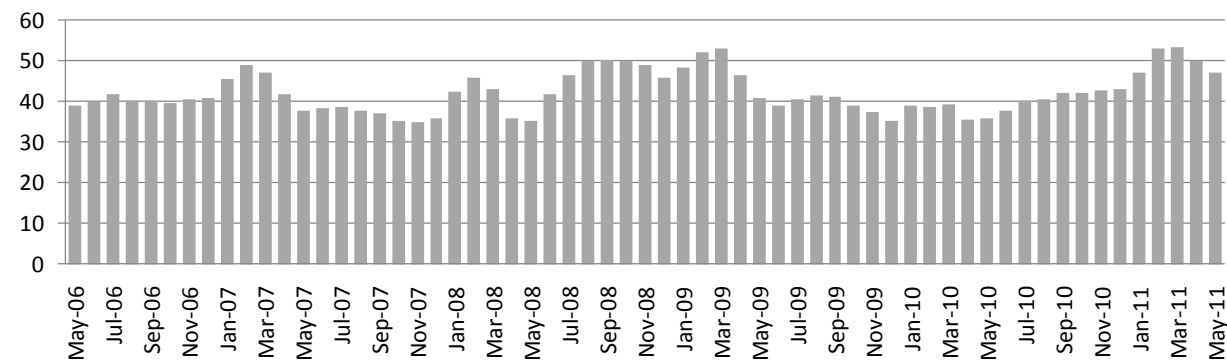
Average time on market appears to have leveled

Average days on market, houses



This yr: 53 days
Last yr: 40 days

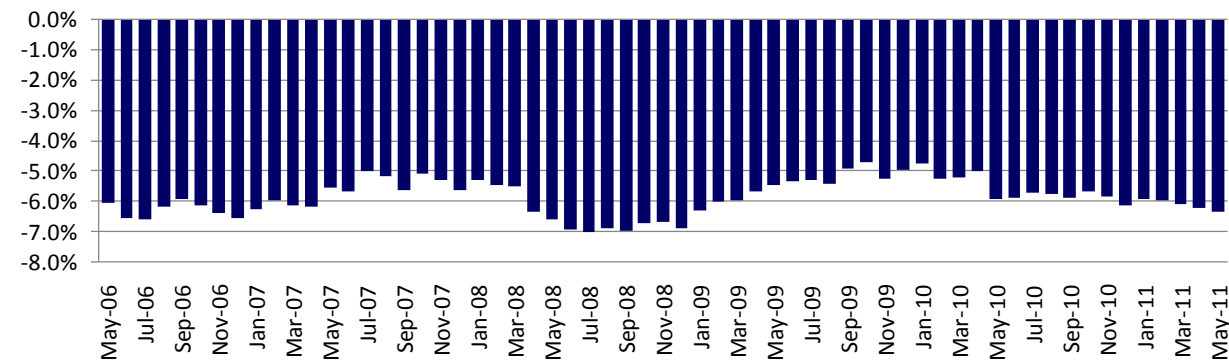
Average days on market, units



This yr: 47 days
Last yr: 36 days

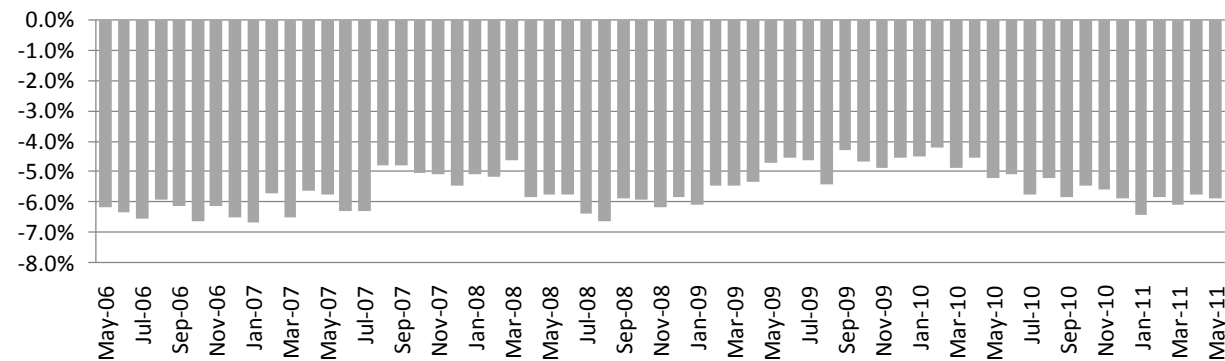
Owners are having to offer greater discounts in order to achieve sales

Average vendor discount, houses



This yr: -6.4%
Last yr: -5.9%

Average vendor discount, units

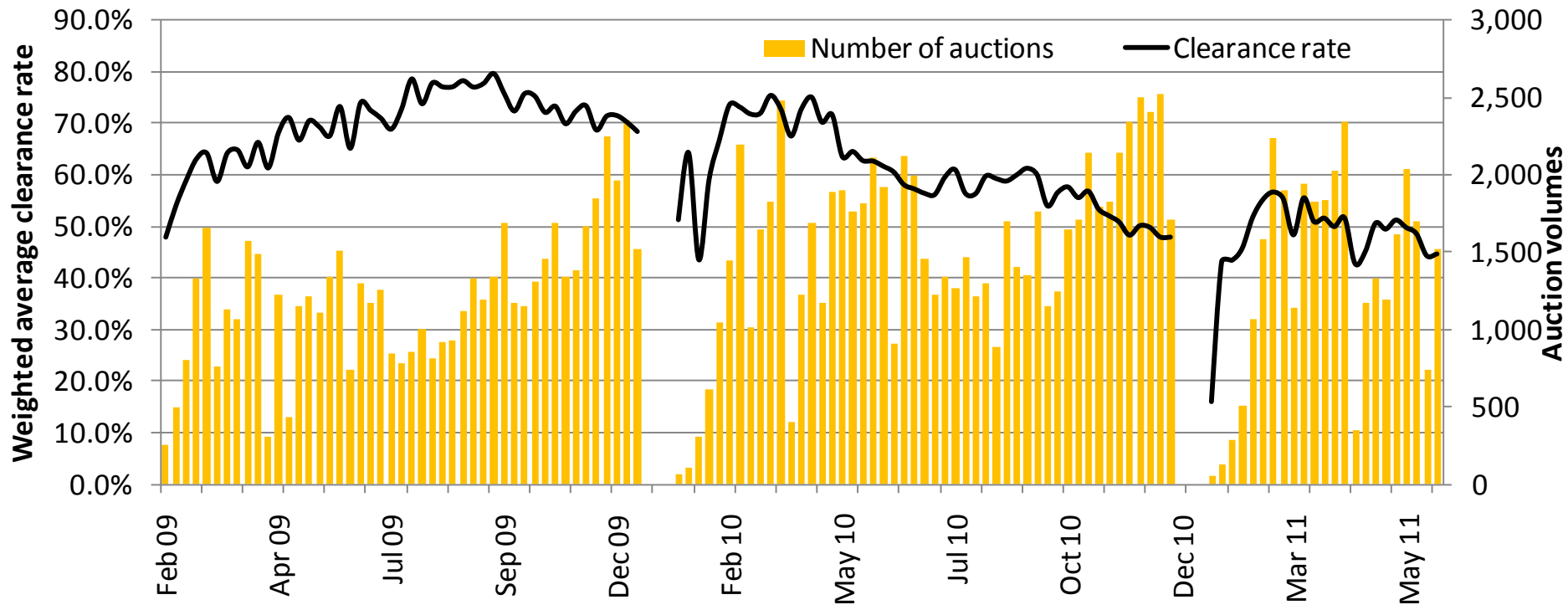


This yr: -5.9%
Last yr: -5.2%

Clearance rates consistently below 50% in recent weeks

- Auction clearance rates are well below levels recorded at the same time last year (60%).
- Although clearance rates have eased the volume of properties being taken to auction is still quite significant.

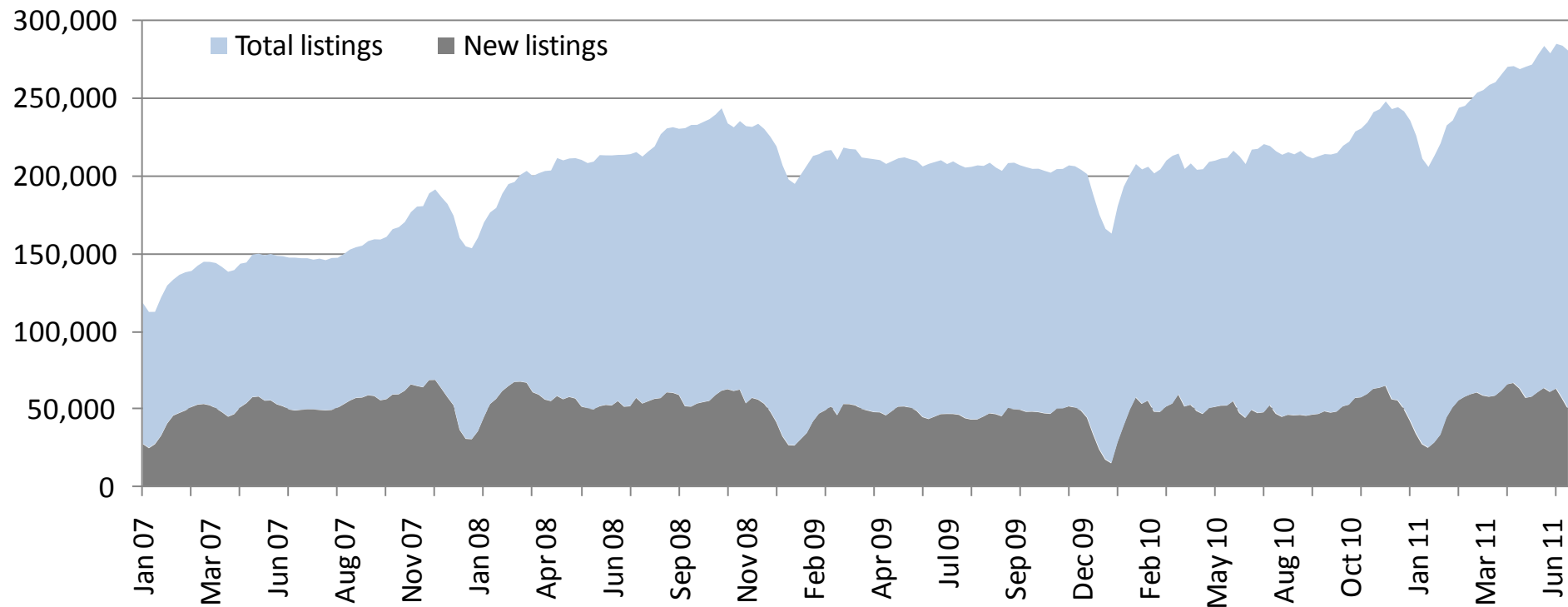
Capital city clearance rates and auction volumes



The number of properties advertised for sale is at an historic high

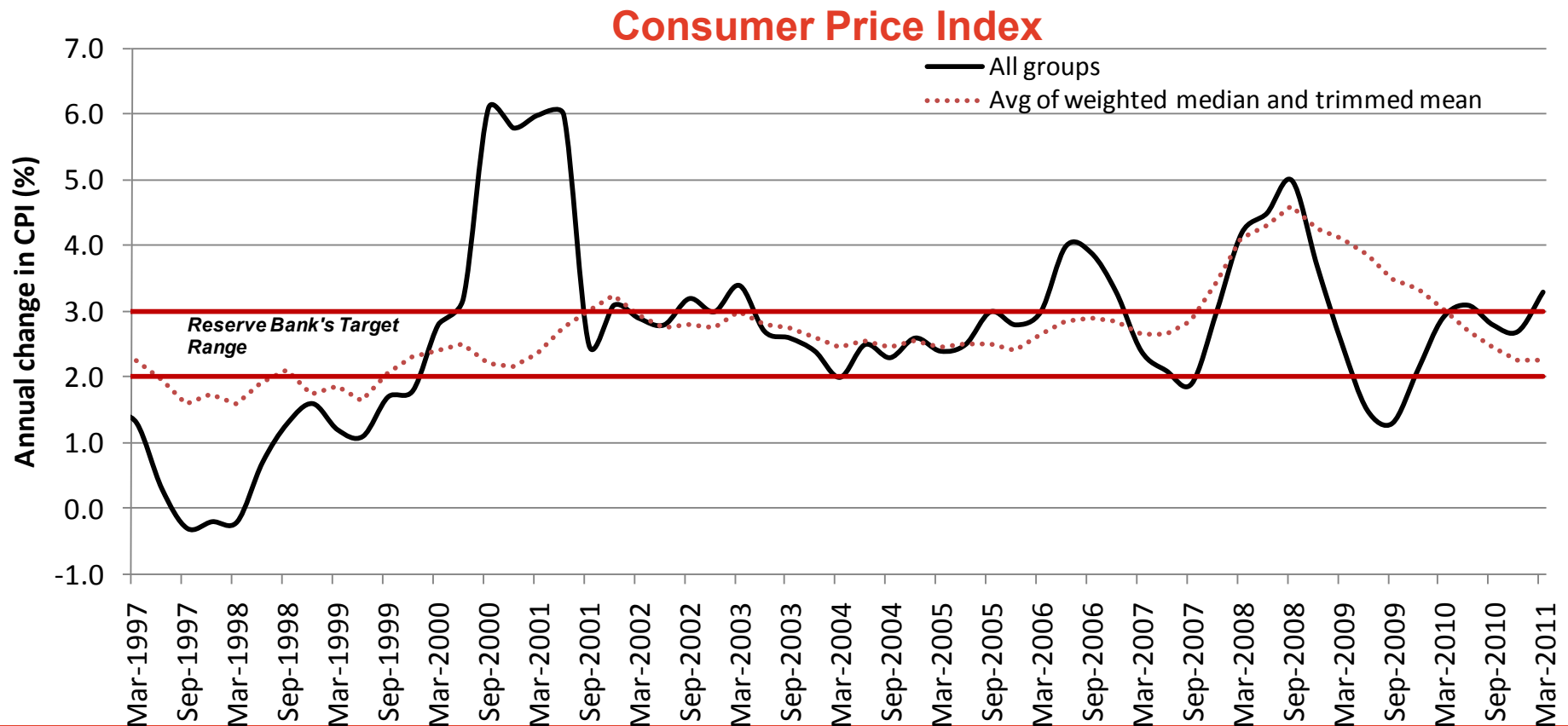
- More than 280,000 properties are currently advertised for sale across the country.
- Capital city new listings are now starting to fall and total capital city listings account for less than half (47.7%) of the total listings nationally, highlighting the severe weakness in many regional markets.

Number of properties advertised for sale nationally



Annual inflation rebounds strongly during Mar-11 quarter

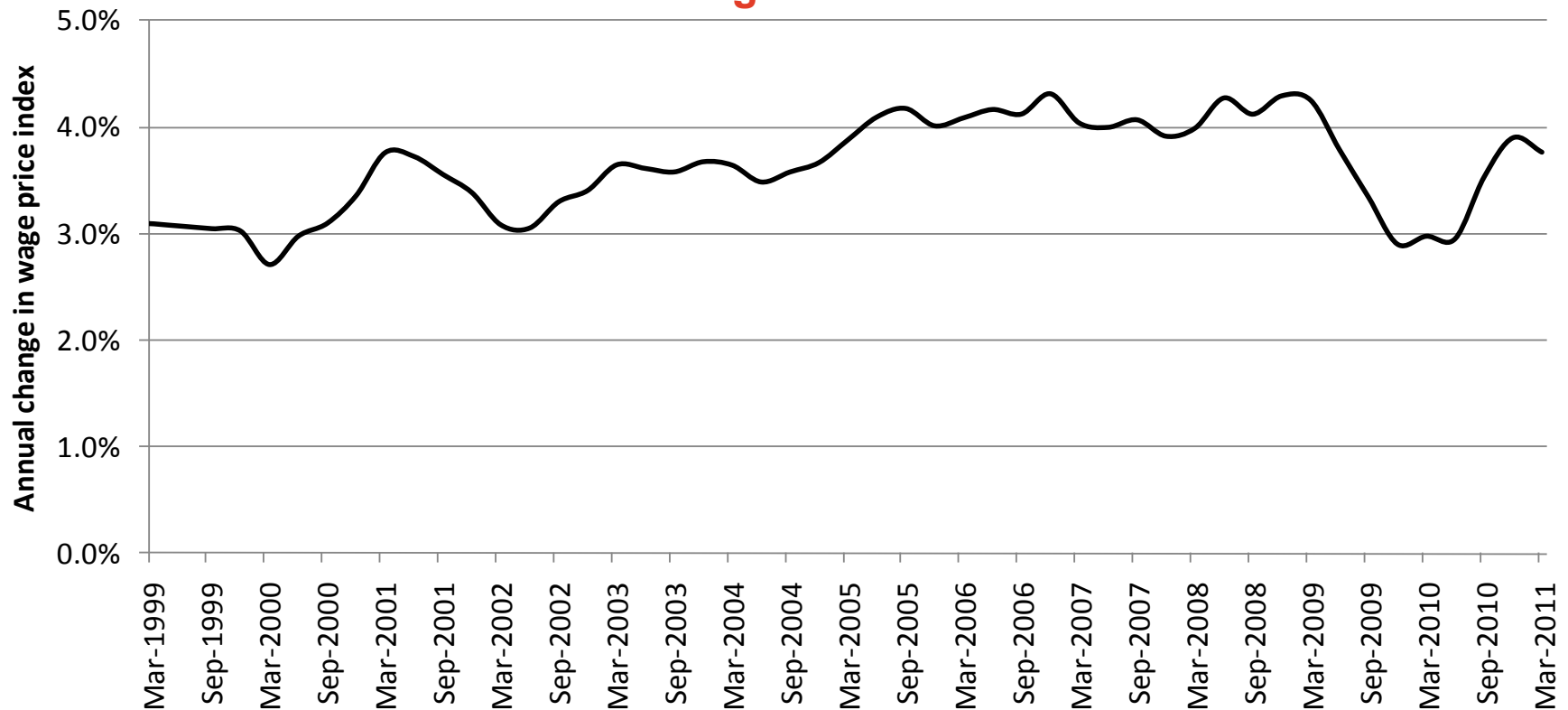
- All groups inflation is currently recorded at 3.3%.
- The RBA's preferred measure, the average of the weighted median and trimmed mean is recorded at 2.3% over the year.



Wages are now growing at a faster pace than inflation

- During the 12 months to March 2011, wages increased by 3.8% compared to inflation of 3.3%.
- If wage growth accelerates it is likely to be inflationary, potentially leading to higher interest rates.

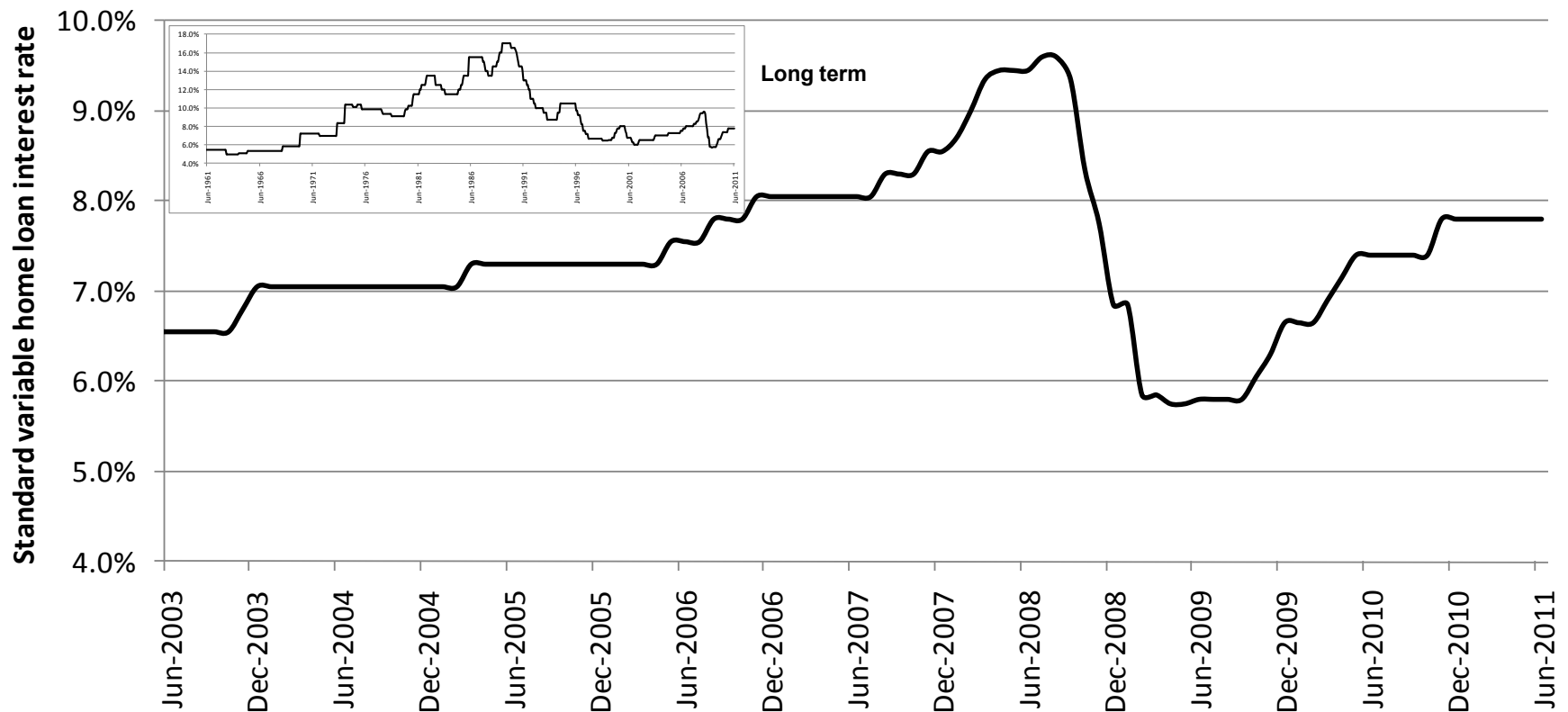
Wage Price Index



Standard variable mortgage rates remain at 7.8%

- Mortgage rates have remained on hold for eight months now.
- Mortgage rates are currently above the 10 year average level (7.24%) indicating that monetary policy is currently restrictive.

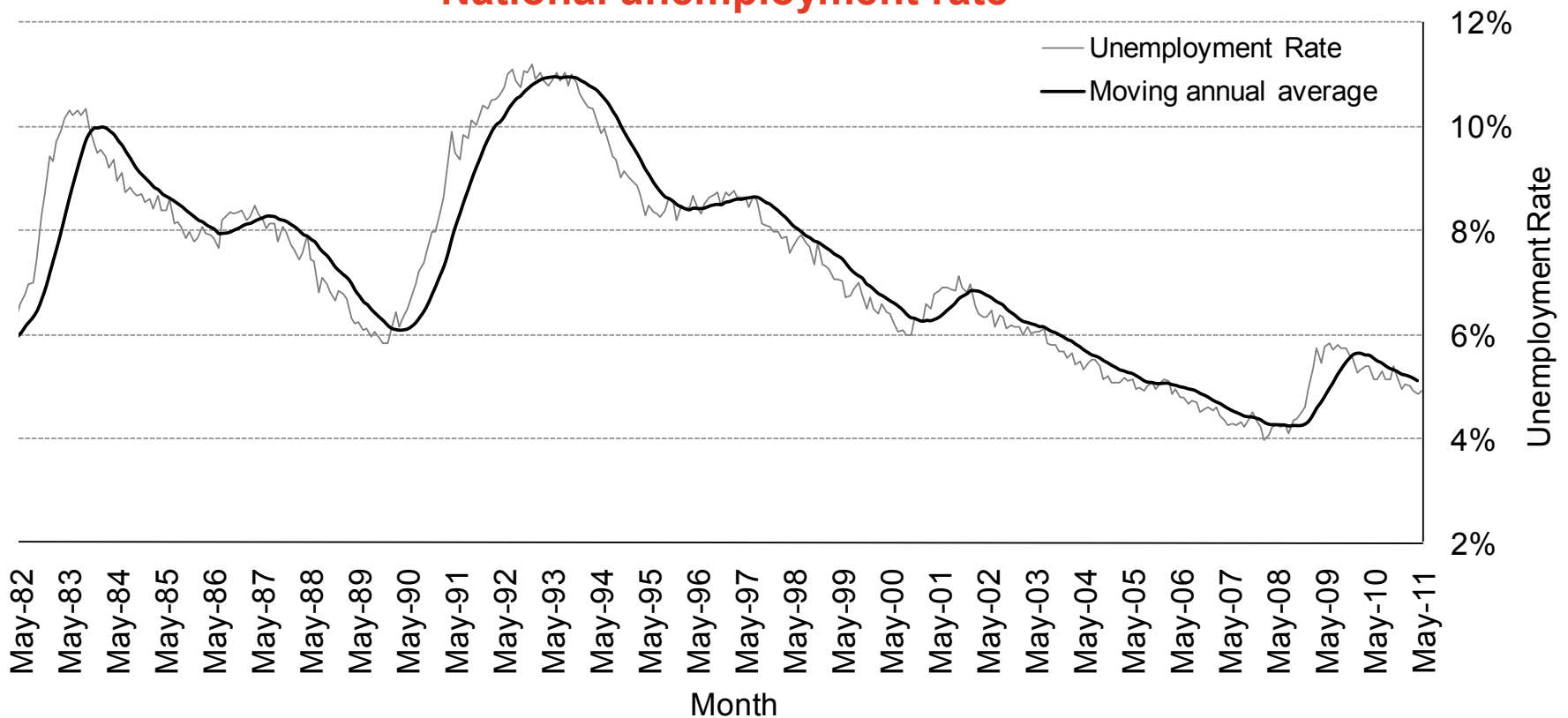
Standard variable mortgage rates



Nationally unemployment rate is now below 5%

- The national unemployment rate is recorded at 4.9%.
- Employment participation rates sit at 65.6%.

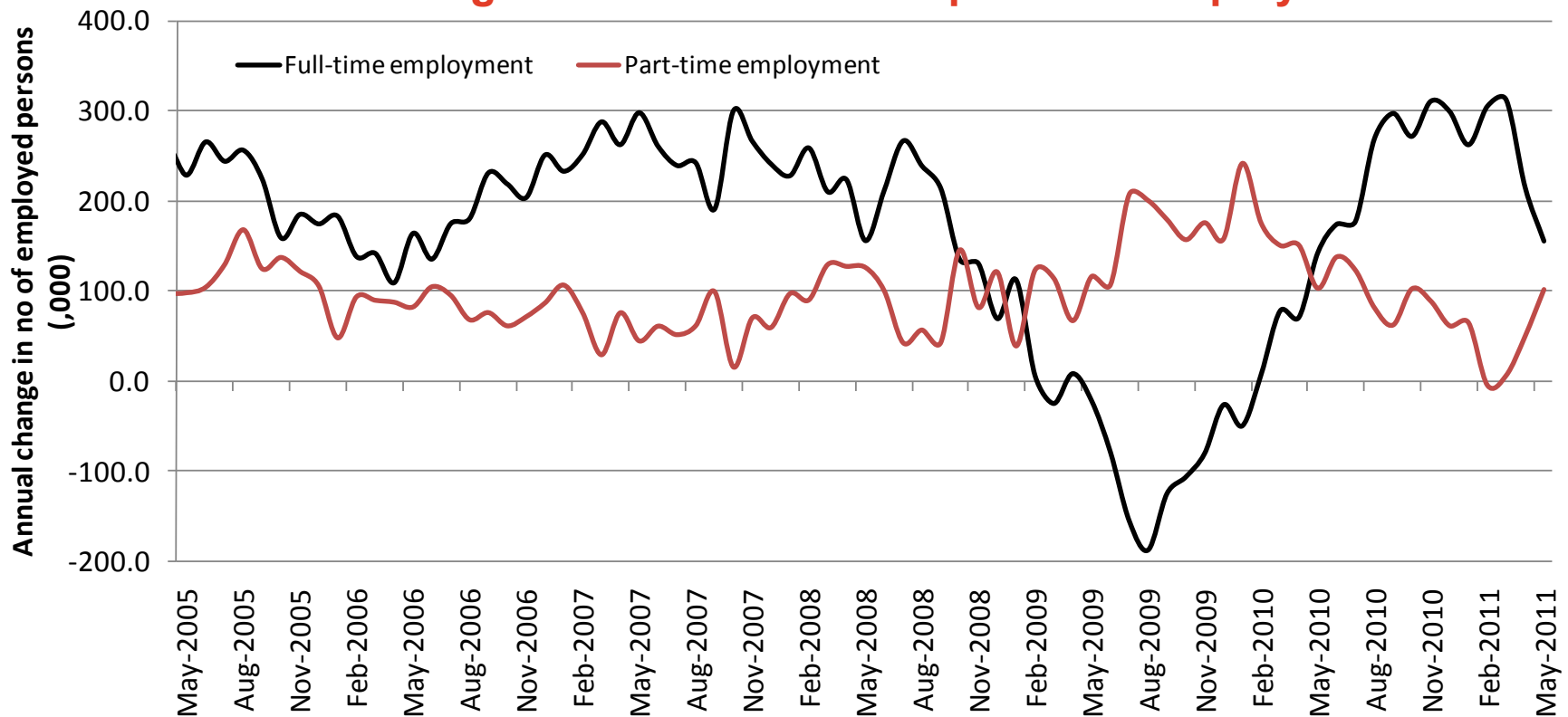
National unemployment rate



Full-time employment growth outpaces part-time but is slowing markedly

- During the last year, full-time employment increased by 156,000 persons.
- Part-time employment increased by 102,000 persons over the last year.

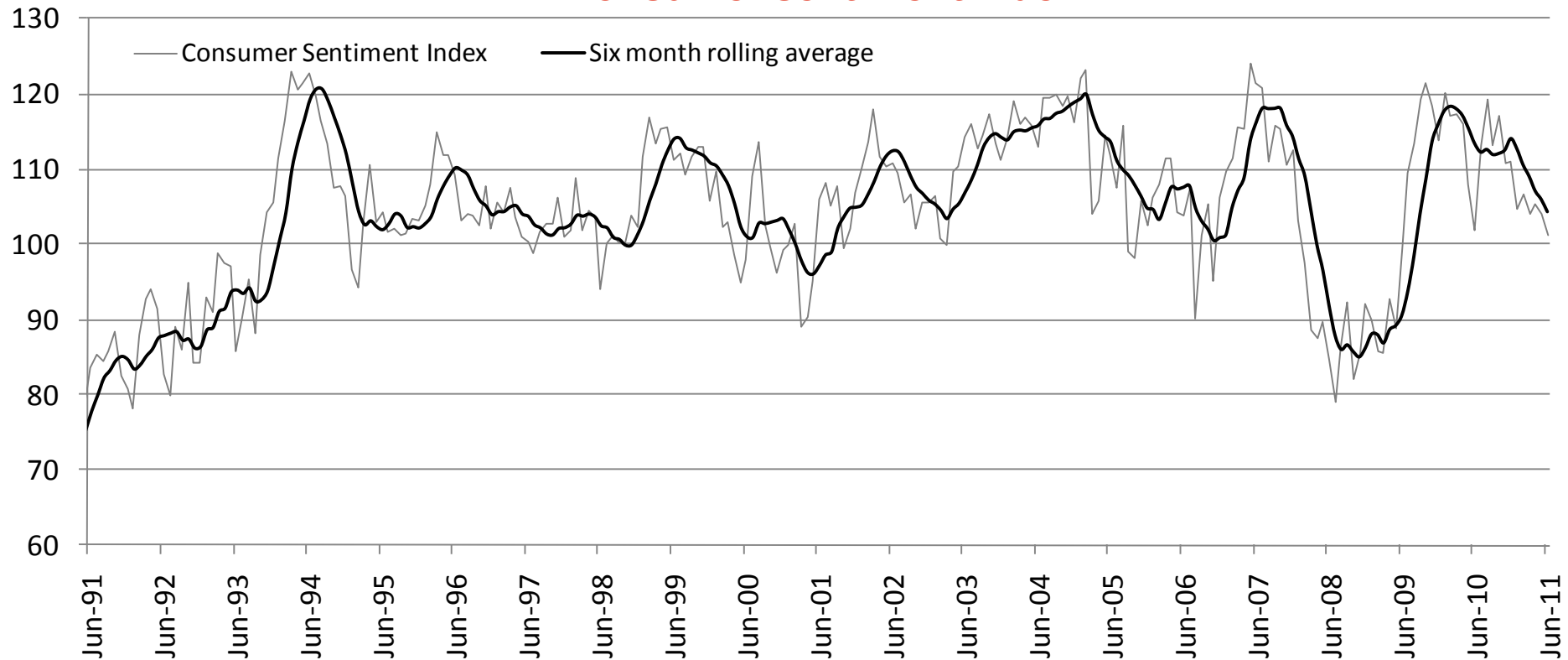
Annual growth in full-time and part-time employment



Consumer sentiment has been weakening as data flow has not been so positive

- The index of Consumer Sentiment was recorded at 101.2 during June 2011, its lowest reading since June 2009.
- The weak sentiment is reflective of economic conditions outside of the resources sector.

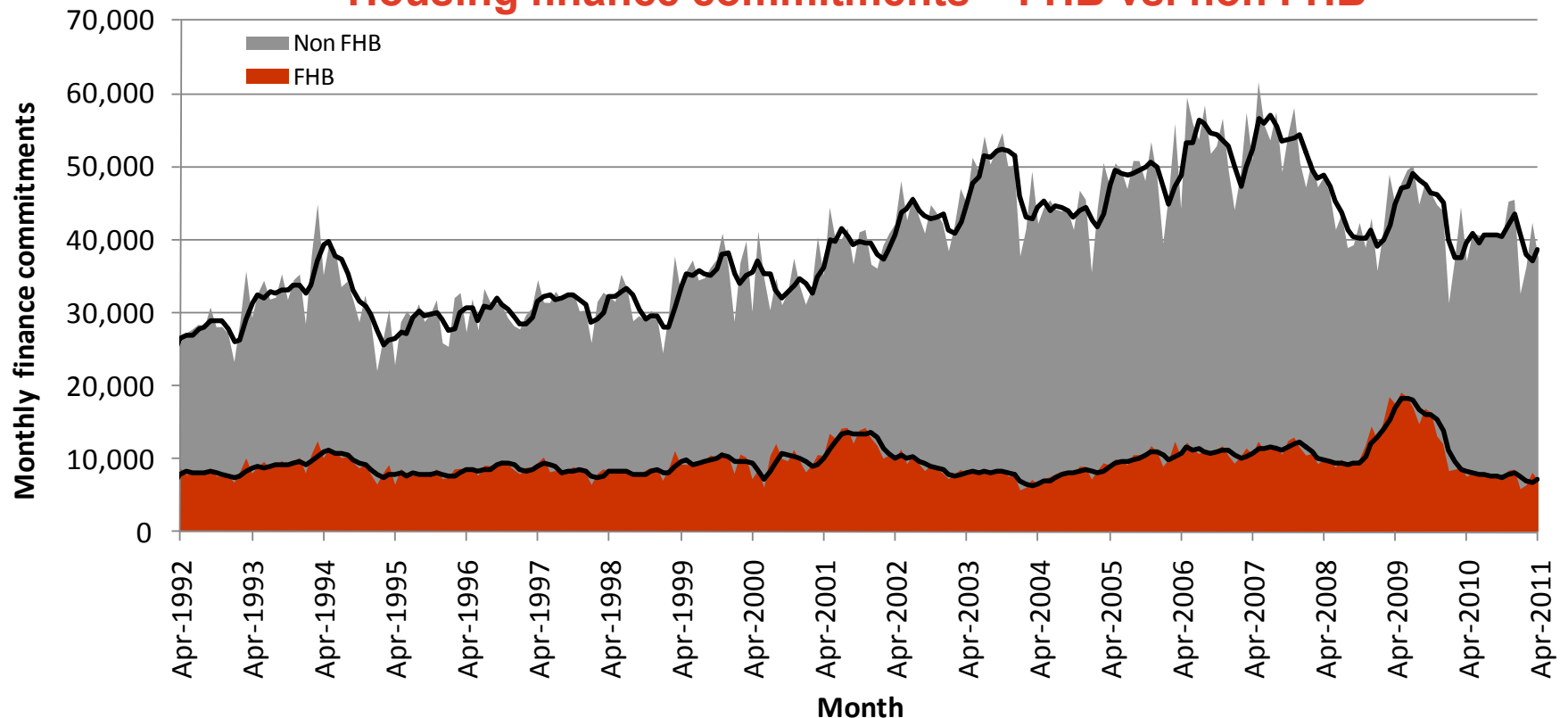
Consumer sentiment index



First home buyers and non-first home buyers relatively inactive at the moment

- During April 11, first home buyers accounted for just 15.8% of all owner occupier finance commitments.
- Non first home buyer activity also remains quite subdued.

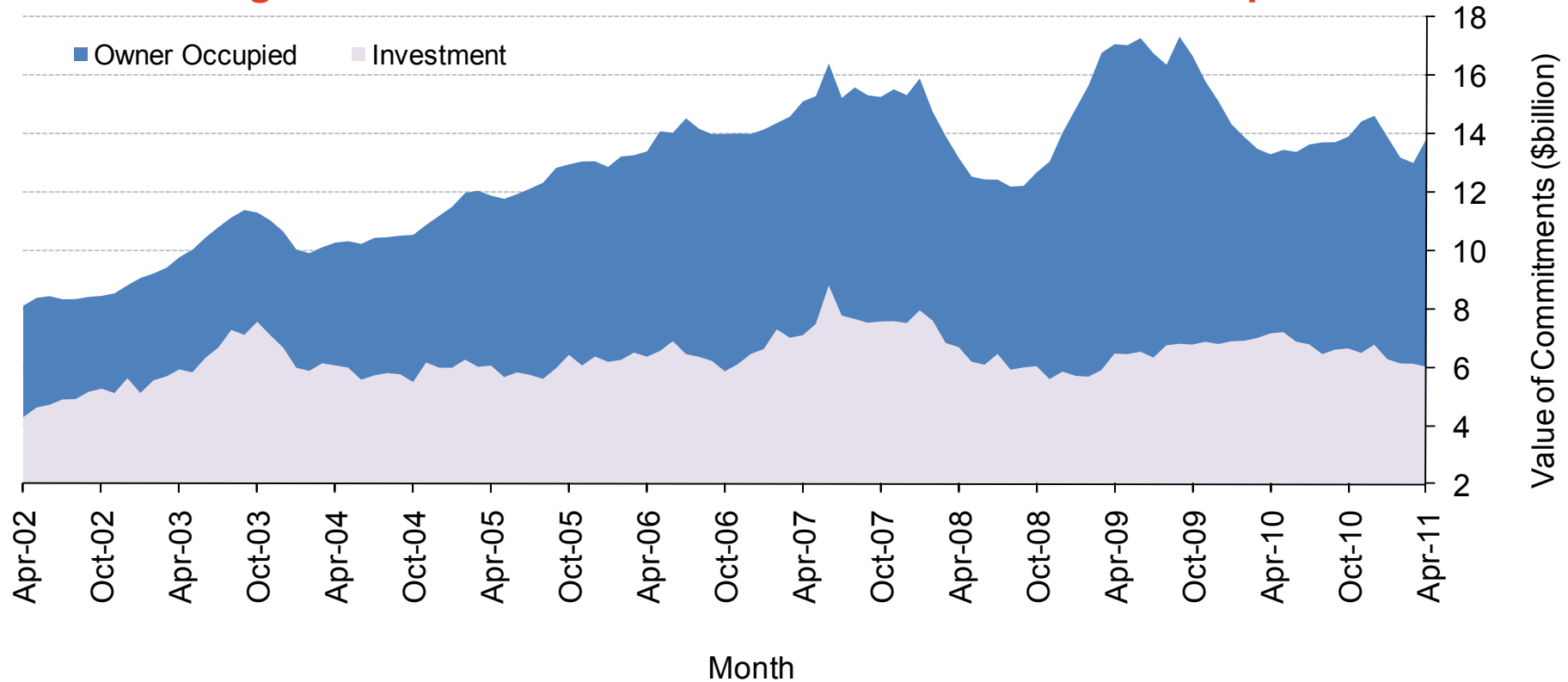
Housing finance commitments – FHB vs. non FHB



Investors are taking little part in the current market

- The total value of investor finance commitments during April 11 was \$6.0 billion, the lowest total value since March 2009.
- Over the year investor activity is down by -15.9%.

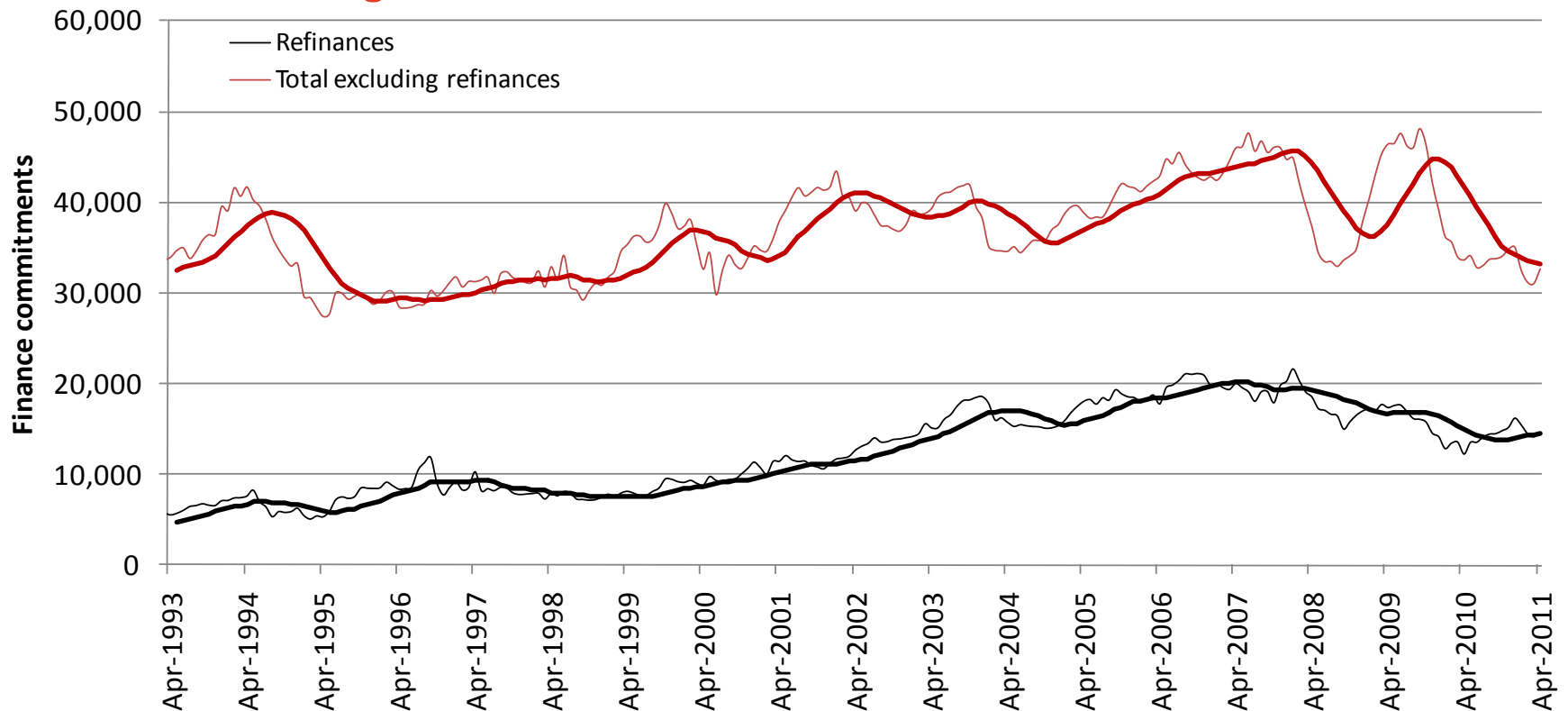
Housing finance commitments – investors vs. owner occupiers



When refinances are excluded, finance commitments are extremely subdued

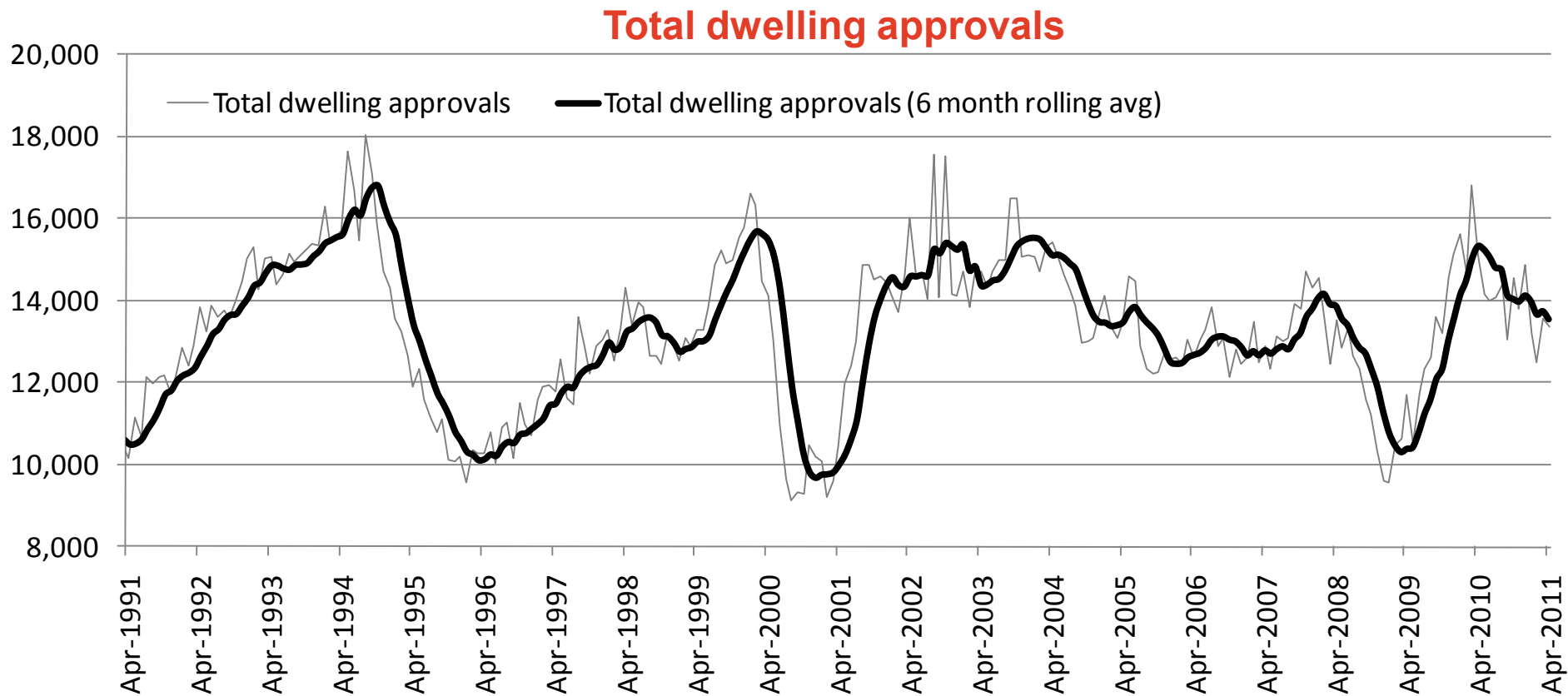
- Over the 12 months, refinance commitments have increased by 19.9% while all other owner occupier commitments have fallen by -2.9%

Housing finance commitments – refinances vs. non-refinances



Dwelling approvals were reasonably buoyant during 2010 but are now falling sharply

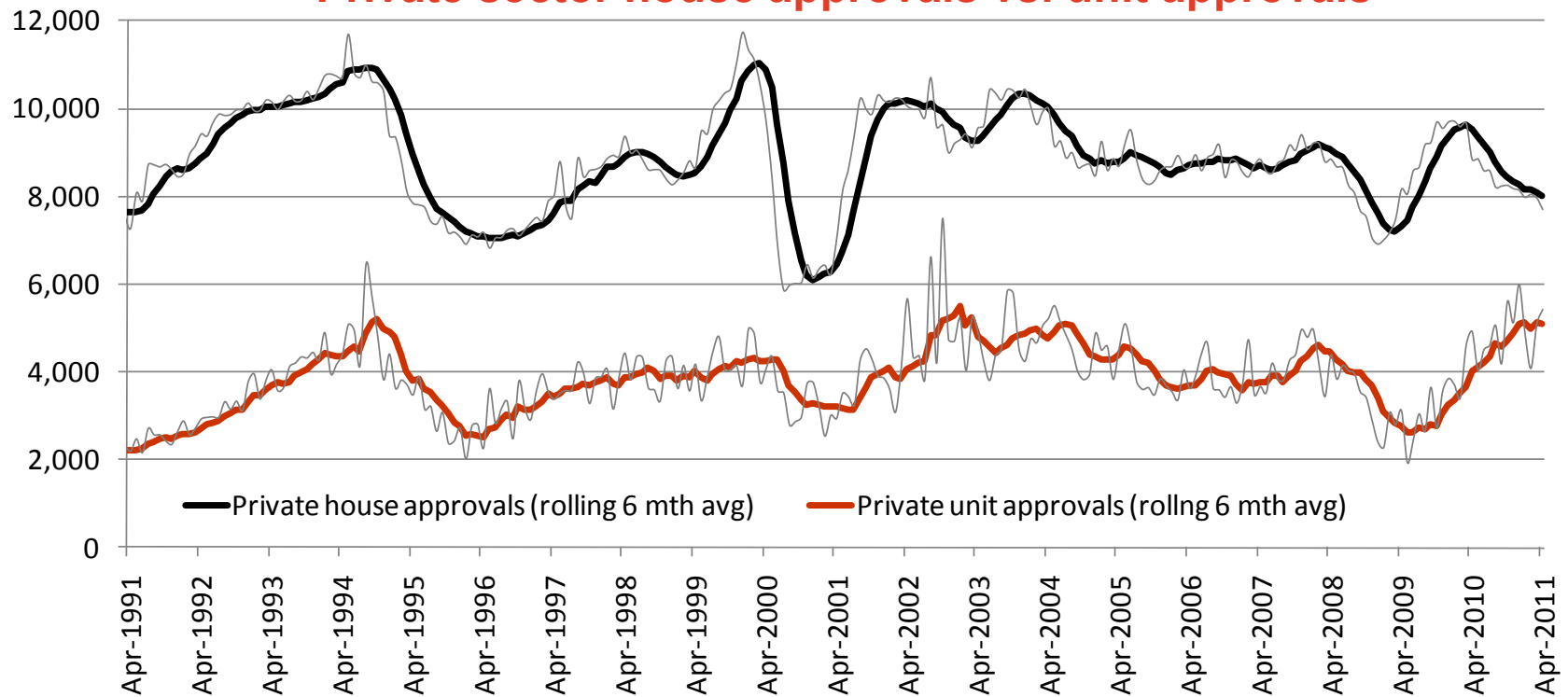
- Total dwelling approvals are -11.5% lower during April 2011 than they were during April 2010.



Dwelling approvals were reasonably buoyant during 2010 but are now falling sharply

- Total dwelling approvals are -11.5% lower during April 2011 than they were during April 2010.
- Private sector house approvals are down -12.8% year on year.
- Private sector unit approvals are up 10.2% year on year.

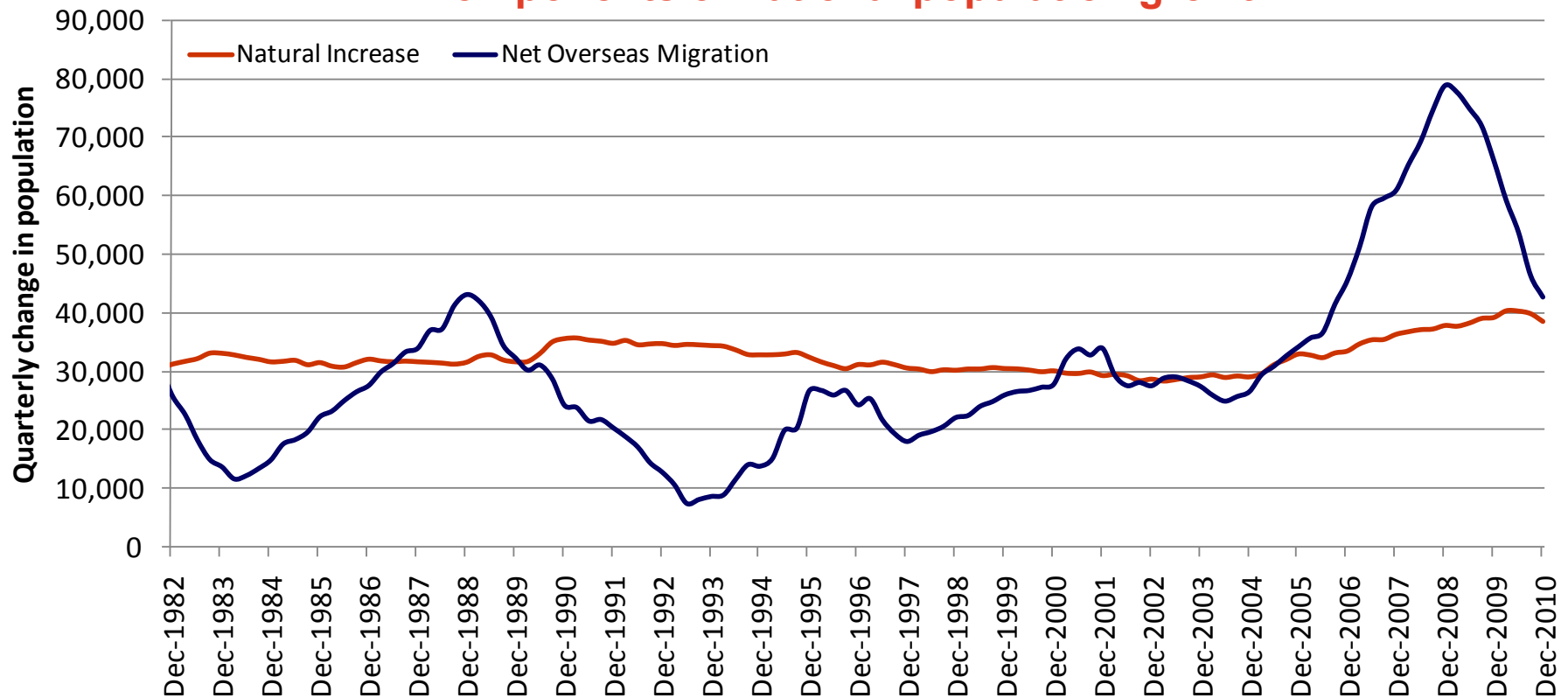
Private sector house approvals vs. unit approvals



Population growth is easing but remains well above long-term averages

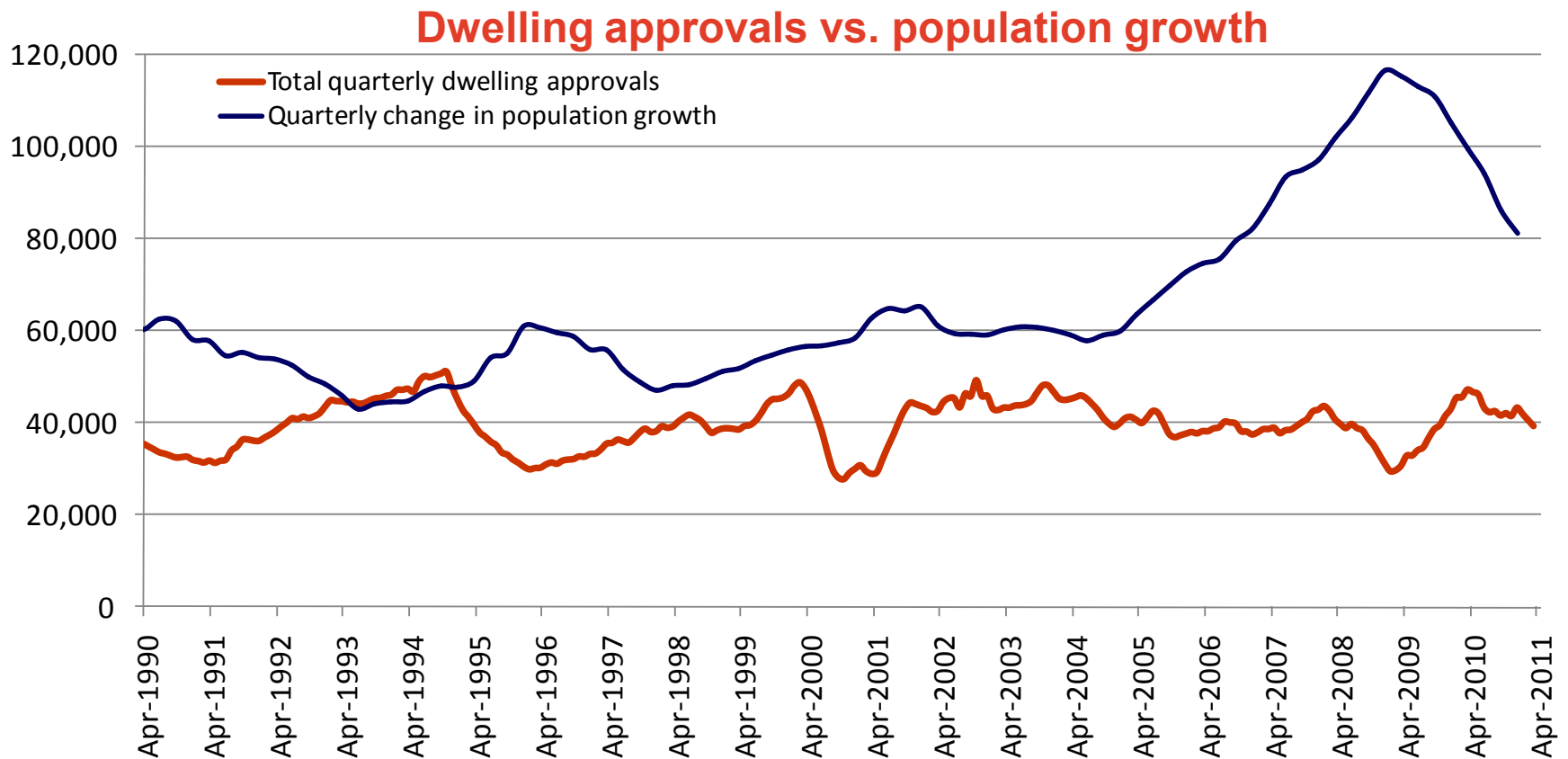
- The slowdown in population growth is largely the result of a fall in net overseas migration.
- Natural increase remains at near record levels.

Components of national population growth



Although population growth is slowing, the supply of new dwellings has been insufficient

- As population growth took-off during 2005, there was not a sufficient increase in the supply of new building approvals.
- The result is a disconnect between supply and demand.



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