

NATIONAL MEDIA RELEASE

RP DATA PROPERTY PULSE

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RP Data says - This is Australia... Not the USA!

This week's Property Pulse looks at what has happened to the US property market and analyses why the events in the US property market is so far removed from the Australian market.

RP Data in its Property Pulse today sets out to comfort Australian property owners, reminding them that it's important not to equate the recent events in the US property markets to what's happening here. Pulse analyst Cameron Kusher said "We are far removed from this situation."

Mr Kusher believes many people subscribe to the fact that what happens in the USA affects us all and if property prices slump there, the inevitable will happen for Australia. "But this is not the case," he says.

In the report he explains that the two countries have very different financial systems with the USA's lending system including non-recourse loans whereby if property owners default on their mortgages, the banks will take the property as security and the borrower is free of any further outstanding debts or consequences.

In Australia it's the opposite. Our financial system has recourse lending where the bank will repossess the house and mortgagees are expected to pay up or suffer a bad credit rating leading to possible bankruptcy."

Comparing the two property markets, in the USA dwelling values peaked during June 2006 at a median value of \$226,290 and between June-06 and July-08 they fell by 21.1 per cent. During the first seven months of 2008, median values have seen a fall of 11.1 per cent.

Mr Kusher said "It's not just the falls witnessed across median values, but sales volumes also took a significant dive in the US. Volumes peaked during August-04 at 111,099 sales. Since that time sales volumes have recorded a decline of almost 54 per cent."

In Australia, he says "it's a very different picture."

Dwelling values across the country peaked much more recently at \$469,258 during Feb-08. Over the year to August-08 dwelling values have seen a decline of just 1.3 per cent. While sales volumes also fell, they peaked much earlier in Australia than they did in the USA.

Mr Kusher said that after Australia reached its peak volume of sales, value growth continued for another six and a half years. However once the USA reached its peak, it took less than two years for property values to start falling.

Fundamentally, ongoing value growth in Australia's property market is driven by a shortage of supply; this is best highlighted by residential rental vacancy rates.

On a quarterly basis, across the last 10 years, the USA has had an average residential vacancy rate of 9.1 per cent. Over this same period Sydney has recorded an average vacancy rate of 2.7 per cent, Melbourne has had 3.0 per cent and Brisbane recorded an average of 2.8 per cent. Interestingly, the US Census Bureau also publishes homeowner vacancy rates, with these currently sitting at 2.8 per cent.

In this instance, current US homeowner vacancy rates are greater than rental vacancy rates of all Australian capital cities except Perth where they are equivalent, he said.

By contrast, at the same time in the USA rental vacancy rates and homeowner vacancy rates have been so substantial, the country has continued to build. Figures released by USA Census Bureau show that between June-02 and June-07, the USA commenced work on 9.268 million dwellings, whilst at the same time the population grew by 13.7 million. The current US household size is 2.6 persons, which highlights the dramatic oversupply of dwellings being delivered across the USA.

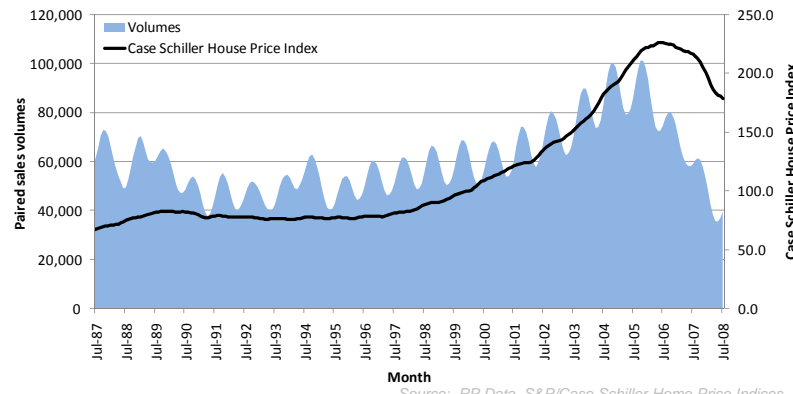
Mr Kusher said "With these results, it's easy to see why significant property value falls have been recorded. Such a glut of property being built over the last five years coupled with the fact that vacancy rates were already exceptionally high have led to a significant oversupply."

"This oversupply, coupled with a poorly regulated financial system has led to the downfall of the USA property market. The Australian market is undersupplied with population growth the highest on record and dwelling commencements remaining flat as well as having minimal rental vacancies," he said.

Ends.

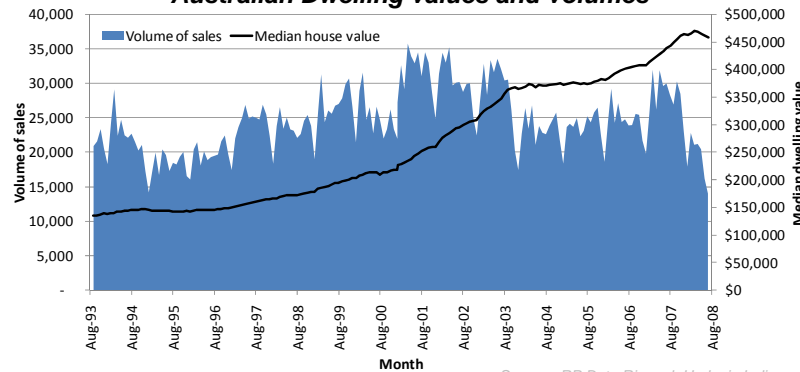
For additional information contact National Media Manager – Mitch Koper on 041 777 1778.

US Dwelling values and volumes



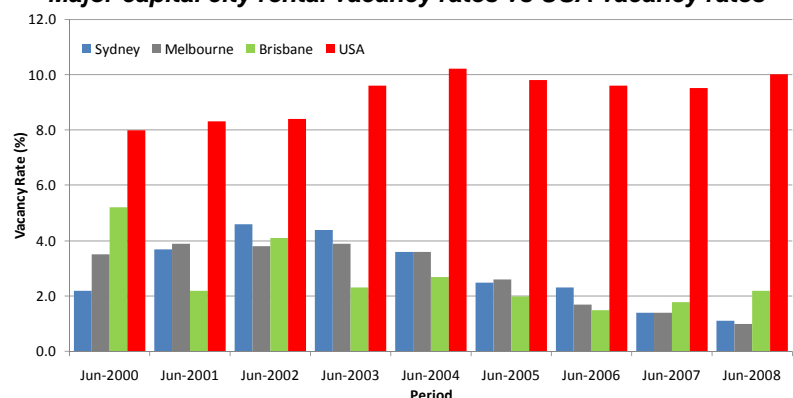
Source: RP Data, S&P/Case Schiller Home Price Indices

Australian Dwelling values and volumes



Source: RP Data-Rismark Hedonic Indices

Major capital city rental vacancy rates vs USA vacancy rates



Source: RP Data, REIA, US Census Bureau