

P R E S S R E L E A S E

CB Richard Ellis (C) Pty Ltd
ABN 64 003 205 552

Level 33, Waterfront Place
1 Eagle Street
Brisbane QLD 4000

T 61 7 3833 9833
F 61 7 3833 9830

www.cbre.com.au

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For further information:
Kathryn House
Communications Manager
61 2 9333 3585
61 402 465 440

Erin Rolandsen
Manager, Residential Research
61 7 3833 9739

Michael Veletta
Director, Perth Residential
Valuations
61 8 9320 0000

Is Perth's housing market rising or falling?

Perth, WA (3 December 2009)

The latest high price index results from the Australian Bureau of Statistics add further confusion as to the both the direction and degree of change to median house values in Perth.

House prices in Perth are booming, stable or falling, depending on the source.

The ABS results, released last month, indicated that Perth house prices experienced phenomenal growth of 4.5% during the September quarter, recovering all the losses experienced since March 2008.

Both the Residex and REIWA indices demonstrated milder growth of 1.5% in the three months to September 2009, while the RP Data Rismark Index contradicted all the other indices, showing a 1.4% decline in the same period.

CB Richard Ellis Manager of Residential Research, Erin Rolandsen, says the discrepancy in the results is due to increasing price-bracket segmentation within the local market.

"We have observed the emergence of three distinct segments within Perth's residential market that have each been moving in different directions over the past year - prestige (\$1 million plus), mid-range (\$500,000 to \$1 million) and sub-\$500,000.

Having experienced the greatest losses in 2008, the prestige market (\$1 million plus) has been the biggest driver of growth in Perth's market in the September quarter, as prices rebound to 2007 levels.

Although there has been more transaction activity in the mid-range segment, price growth in this bracket has not been as strong.

The sub-\$500,000 market surged ahead earlier in the year due to the boost to the First Home Owner's Grant.

Although the number of first home buyers has fallen away since the peak in April 2009, there has also been a drop in the amount of properties listed for sale. This is now leading to a shortage of supply in the most affordable range.

CBRE Director of Perth Residential Valuations, Michael Veletta, said the credit squeeze, share market volatility and other fallout from the global financial crisis had caused some properties in the prestige price bracket to fall by up to 40% in value within some areas.

This has allowed for a much greater upswing in house values as economic indicators return to positive territory.

"The perception is that mid 2009 saw an upward swing in values, reduced stock, and increased demand with more transactions," Mr Veletta said.

"Our own observations of house values in Perth most closely align with the ABS figures, particularly in the prestige segment of the market."

Mr Veletta cautions, however, that there is still the potential for a slight 'speed hump' ahead.

His greatest areas of concern include a potentially over-supplied inner-city apartment market, rising interest rates and the prospect of increased distressed sales resulting from declining home loan serviceability.

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