MEDIA RELEASE

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RP Data, Rismark and ASX introduce world-first daily home value index

The Australian Securities Exchange (ASX) in conjunction with national property data and analytics group RP Data and property research group Rismark International announce the launch of the RP Data-Rismark Daily Home Value index, available from today.

Designed to be a tradable index, the RP Data-Rismark Daily Home Value index will replace the current monthly RP Data-Rismark Home Value index, and provide the most up-to-date and sophisticated measure of value movements across the Australian housing market.

The RP Data-Rismark Daily Home Value index is the first commercially-available residential index to track value movements across the market portfolio of all dwellings. Historically house price indices have only included dwellings that have been sold during the measurement period, by definition ignoring the vast majority of the housing stock.

The new index makes use of ‘hedonic’ methodology which includes analysis of the attributes of properties that are being transacted when calculating the value of the index. Understanding factors such as the number of bedrooms and bathrooms, the land area and the geographic context of the property allows for a much more accurate analysis of true value movements across specific housing markets.

The RP Data-Rismark Daily Home Value index has a number of benefits including:

- Timeliness - updated daily to reflect the latest available property market information;
- Granularity - opens up ‘intra-month’ index movement insights for the first time;
- Low volatility - measured annual volatility remains comparable, between the monthly adjacent period hedonic index and the daily imputation hedonic index;
- Controls for compositional bias - the index is not affected by different buyer segments that are active or inactive;
- Covers the overall market - all dwellings are included in the measurement not just those that have transacted;
- Non revisionary - providing greater certainty about actual market conditions;
- Peer reviewed - independently audited by both EWS (methodology) and KPMG (process); and
- Designed to be tradable - tracks an investment in a true portfolio of properties.

Ben Skilbeck, CEO of the daily index architect Rismark International, said: “The daily index is the result of three years extensive research and development. It is specifically designed for trading purposes and tracks the value of an investment in a self-financing market portfolio (all dwellings). That is, the index removes bias associated with capital injections such as those arising because of renovations, alterations and additions so as to examine true changes in market value.

“The daily indices also remove compositional bias which plagues index construction techniques such as median and repeat sales”.

rpdata.com

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Advanced Real Estate Solutions

ASX
AUSTRALIAN SECURITIES EXCHANGE
According to RP Data Research Director Tim Lawless: “Australia’s residential housing market is worth an estimated $4 trillion; more than three times the value of the Australian equities market, which has a market capitalisation of about $1.2 trillion or the Australian superannuation funds at around $1.3 trillion.

“As Australia’s most valuable asset class, accounting for around 60% of Australia’s major banks’ balance sheets, it is important to have the best possible measurement of housing returns and rental yields. The latest methodological improvement from RP Data and Rismark International, who have already established their suite of hedonic indices as the benchmark measure, once again sets the bar for real estate analytics.

“The daily index production is reliant on timely updates to RP Data’s core database of more than 170 million property records including property transaction histories, real estate listings and property attributes.

“The new method for calculating capital movements provides a significant step forward in understanding housing market conditions across Australia.”

The new daily index will also track rental market conditions, using a similar imputation methodology to estimate rental income and yield movements. Rental income and yields are calculated as if all properties in the population were rented without any market dilution effects. Consequently, a hedonic rental formula is derived from properties advertised for rent using the attributes of these properties and the asking rent. This formula is then applied to impute rental income for properties not being rented.

Brian Goodman, ASX’s Product Development Manager said: “With residential property exposure accounting for a significant portion of the average Australian household’s assets, the performance of this asset class is an important indicator of Australian economic growth and the average household’s wealth accumulation.

“ASX continues to investigate the creation of exchange-traded products with the objective of allowing investors to replicate the return and performance characteristics of the Australian residential property market. The ability to obtain and optimise residential property exposure with an exchange-traded product will enable investors to efficiently manage exposure to this asset class.

“The RP Data-Rismark Daily Home Value indices overcome a number of the shortfalls present in existing property indices and in so doing support ASX’s longer term product development objectives.”

These indices can be viewed at the ASX.com.au website from 1 March at: www.asx.com.au/propertyindices. The daily index data for major capital city dwelling markets will be updated daily at both the ASX (www.asx.com.au) and RP Data (www.rpdata.com) web sites. Monthly index updates for all capital cities will also be available at www.rpdata.com.

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