

**Place your bets all the way home**  
**27 February 2007**  
**The Age**

INVESTORS will soon be able to bet on movements in Australia's \$2.7 trillion worth of residential real estate through a new derivatives market.

Organisers hope the first trade will be within two months.

The market will initially be only for institutional investors - property groups, investment banks, insurers and lenders - but there are plans to extend trading to retail investors.

Property derivatives markets already exist overseas. Britain has the world's largest, worth more than £3 billion (\$A7.4 billion), and since last May, the Chicago Mercantile Exchange has provided futures trading on property prices in 10 US cities.

The launch of the Australian institutional market was confirmed yesterday, with data provider RP Data and researchers Rismark announcing they had entered into an agreement with GFI Group, which is listed on the Nasdaq market in the US, to create an "over-the-counter" property derivatives market.

Steve Moore, from GFI Group in Hong Kong, said investment banks Merrill Lynch, ABN Amro, Goldman Sachs JBWere and Macquarie had already expressed interest in the market. Property groups Mirvac, Stockland, Centro and Westfield were also interested, he said.

Michael McNamara, from the Fairfax Media-owned rival data provider, Australian Property Monitors, queried whether there was enough liquidity for the local industry to sustain a property derivatives market.

Mr Moore said GFI had been "aggressively marketing" the product for the best part of a year and was confident of success.

The derivatives market will be based on new house price indices created by RP Data-Rismark. The indices were being promoted yesterday as the most advanced and timely available in Australia, claims also contested by APM's Mr

McNamara, who said his company had been providing similar data to banks for five years.

A commissioned report from Moody's Economy.com found that the RP Data-Rismark indices were a "significant improvement" on existing data.

The quality of house price data in Australia has been criticised by economists and the Reserve Bank.

Mr Moore said it was crucial for the new RP Data/Rismark indices to be representative of the underlying residential market. "Without the integrity of the indices we won't have a derivatives market."

RP Data chief executive Graham Mirabito told The Age his company was investing \$5 million a year on real estate data. Its property information already serviced more than 8000 agents, developers and valuers, he said.

The launch of a real-time data service has been greeted with scepticism by competitors, including the Real Estate Institute of Victoria's Enzo Raimondo, but if accepted would answer the complaint that data was often months out of date.

Mr Mirabito said its "live index" would be based on 40 per cent of the sales in the Melbourne market as they happened and a higher coverage in some other markets.

LINK

[www.rpdata.net.au](http://www.rpdata.net.au)

#### KEY POINTS

- New property derivatives market open to investors and possibly, eventually, the public.
- The market will be based on new "real time" house price indices.