

New way to buy a piece of property

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BUYING into Australia's \$3.2trillion housing market -- without owning a single property -- will soon be a mouse click away.

An agreement between the Australian Securities Exchange and property research groups PR Data and Rismark has paved the way for the introduction next year of residential property derivatives, which will be traded on the ASX like shares.

Modelled on a successful US scheme that had \$US2 billion worth of trades in its first year, Australian investors will be able to both buy and sell derivative or futures contracts in our major housing markets without owning property.

"It's a synthetic way of gaining exposure to Australian housing markets," said Paul Williams, the head of property derivatives for GFI Australia.

"This is exciting for our developing property derivatives market."

The scheme is mostly pitched at investors seeking exposure to property without the hassles of owning real estate and the typical \$20,000-\$50,000 transaction costs involved in buying and selling residential property. It could also be a godsend for renters priced out of the market by escalating prices.

Rismark International executive director Ben Skilbeck said first-time buyers required to save a \$100,000 deposit for a \$500,000 home were commonly locked out because by the time they had saved their deposit, the cost of the house had risen another \$200,000.

Mr Skilbeck said owing derivatives meant savings would effectively increase in line with house prices, providing a hedge against a future housing boom.

While the ASX declined to reveal details of the scheme -- including the cost to investors -- market players will be able to punt on falling house prices.

"If prices are going down in Perth, I will be able to sell my derivatives contract at a profit," said one analyst.

The scheme, which involves the purchase of derivative contracts from the ASX, is likely to be popular with apartment builders and developers looking to set benchmarks for both pricing and returns.

Rismark says the planned scheme also has potential to allow institutions cost-effective access to the housing sector.

Until now, institutions have steered well clear of residential property because of high transaction costs, mostly stamp duty.

Their property investments have been restricted to a combination of listed and unlisted property trusts, but with the big institutions owning more than 70 per cent of all commercial buildings in the nation's CBDs, there's little appropriate investment-grade stock left.

That has forced many to seek out foreign markets, even though their preference is to buy Australian property.

The scheme will use the long-established RP Data-Rismark indices, regarded as the market leader, to measure house prices.

RP Data, which is Australia and new Zealand's largest property data business, holds more than 113 million property data records covering 98 per cent of all homes.