PRESS RELEASE

HOUSING LOANS

MISC Global

Market Intelligence Strategy Centre

March Quarter Home Loan Volumes Fall by 55,000 Loans – and $5 Billion or 11% Downturn as Record Refinance Reaches 35%

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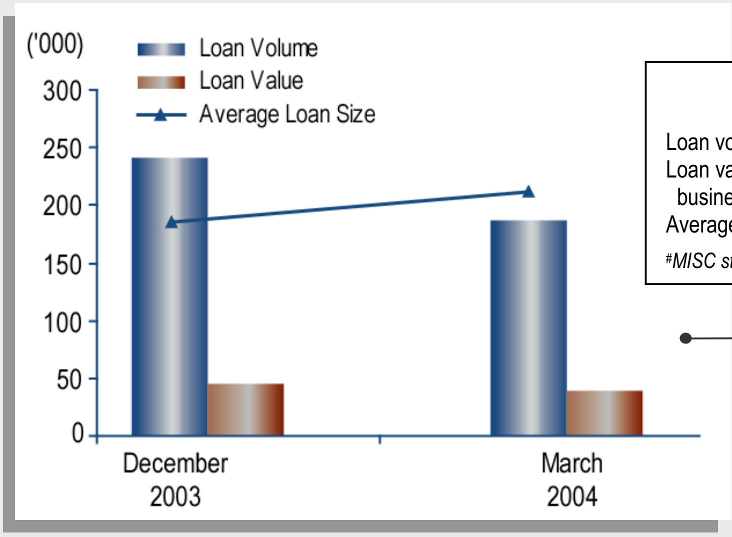
(MISC) Market Intelligence Strategy Centre Pty. Ltd. (ACN 125 646 095)
Level 4, 14 Collins Street | Melbourne Vic 3000 | Tel: 03 9654 4266 | Fax: 03 9650 7730 | miscinfo@marketintelligence.com.au | www.marketintelligence.com.au

March Quarter Home Loan Volumes Fall by 55,000 Loans – and $5 Billion or 11% Downturn as Record Refinance Level Reaches 35%

In it's latest measure of the entire home loan market the respected industry research group, MISC (Market Intelligence Strategy Centre) shows that the volume of new home loans in the March quarter fell by more than 22% or 55,000 loans. The value of new loans written was equally impacted falling by $5 billion to reach a new quarterly level of just $39.8 billion. The March quarter is traditionally down in December quarter peaks but this 22% fall represents a more aggressive change.

The research group cites the progressively higher refinance loan contribution, which had reached nearly 35% of the industry and had provided much of the artificial stimulus that had delayed the downturn in previous quarters. Without the impact of refinance in the March 2004 quarter, the net new loan business would have fallen to $26 billion. MISC says that when refinance loan volumes are backed out of the market for the same quarter, the downturn would have occurred earlier in the September 2003 quarter. Without refinanced loans, actual loan values reached $26.7 billion (this compares to net March quarter new home loans of $26 billion).

Home Loan Contraction Bites in March Quarter Despite Bigger Loans



	December Qtr 2003	*March Qtr 2004*	*Quarterly Change %*
Loan volume#	241,225	186,556	22.6
Loan value new business written#	$44,758	$39,862	10.9
Average loan size	$185,844	$213,673	

#MISC stamp duty-based.

- March Quarter 2004 shows 11% market contraction and peak refinance rate of 35% (over previous quarter)
- Record refinance rate in March Quarter 35% underpins apparent growth but when excluded shows decline would have been earlier (i.e. September 2003 quarter)
- Contribution to annual home loan reduction of 157,000.

The MISC research reflects a larger universe of home loan transactions than that seen though ABS based measures as it measures all loan records lodged with various stamp duty offices around the country.

Source: **MISC** (Market Intelligence Strategy Centre) December 2003 and March 2004 Home Loan Monitor.

The good news was the change in loan sizes, which increased by $27,000, despite recent evidence of declining housing prices (APM and REIA), average loan sizes as measured by MISC increased to reach a new high of $213,000 from $186,000 in the preceding quarter. MISC measures of loan sizes reflect the input of both owner occupied loans (which are typically smaller as they are driven largely by first home buyers) plus investment loans. This apparent loan value anomaly is explained by two relevant events at the time:

1) Lenders were still prepared to lend more
2) Despite the recent change in prices these loan sizes reflected the full factoring of the build up in home prices previously. This, says MISC, in the context of recent price changes, meant that it will be some quarters before loan sizes begin to respond and thus decline as well

This March 2004 decline reflects several quarters of decreasing new loan activity and demonstrates that the home loan boom reported extensively by MISC in prior years now continues on its downward path. The MISC research which relies on stamp duty based home loan measures in contrast to either:

- measures of stock (which hide flow details); or
- approvals, which may or may not be finally settled, further reveals that the home loan market has fallen for the full year ended March 2004 by more than 157,000 loans.

The new annual level of loan volumes reached 915,000 and reflects an actual market decline of 15% on levels achieved in 2002 and now vindicates the controversial forecasts the research group was responsible for two years ago. MISC rocked the industry in 2002 with the prediction that the home loan market would fall by late 2003 by 21% and $30-$35 billion would be wiped off the new loan market values in one year returning it (in real terms) to levels established in 2001. *For a copy of the MISC Background Paper Housing Loan Forecast Accuracy, please send an email to Laura Clark, media@marketintelligence.com.au.*

MISC Methodology underpins forecasts as well

NOTE: MISC (Market Intelligence Strategy Centre) employs the original MINTEL (Australia Pty Ltd) method of home loan measurement (calculated using a stamp-duty based model capturing **all** loans settled) in preference to using ABS derived figures (which are collected on mainly owner-occupied loan approvals by only the larger Lenders thereby MISC believes seriously **understating** home loan activity). Unlike this most commonly quoted measure, MISC measures ALL new loan contracts **completed** (i.e. not Approvals which it says can be cancelled). MISC also includes not just owner-occupied home loans but also Investment housing, Holiday housing and other home loans by all Lenders not just the major ones that the ABS counts. This means that MISC **does** count loans written by the small Lenders including Credit Unions, small Originators, Solicitors, Accountants, Brokers etc which do not meet ABS loan value size thresholds and thereby are not officially captured. These loans make up the "Hidden" loan market first revealed by MINTEL Australia research in its inaugural research survey of 1998.