

ResAlert

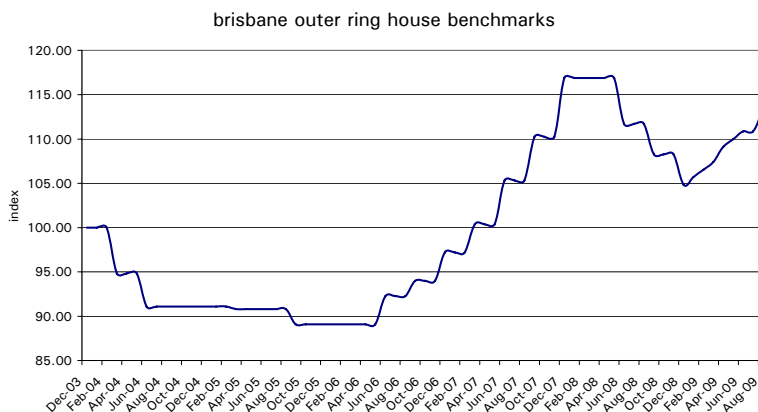
A LandMark White Group publication

LMW Residential Offices:
Sydney: 02 8839 5700
Brisbane: 07 3367 2333
Gold Coast: 07 5540 3731
Sunshine Coast: 07 5443 7977
Melbourne: 03 9599 3000

OUTER HOUSES

BRISBANE

The Outer ring home market across the Brisbane Metropolitan area seen some significant rises in recent times. **LMW Residential** has monitored values within the outer ring (approximately 20km plus from the CBD) since the beginning of 2004, and has captured the price decline after the peak in 2003 and the subsequent price growth through 2006/07. More recently however has been the strong growth in the index between December 2008 (104.82) to the current high of 113.43 for August, this being an increase of 8.22% over a 9 month period. This increase has represented the steepest growth recorded and only sits 3.45 index points away from the peak in the market back in early 2008.

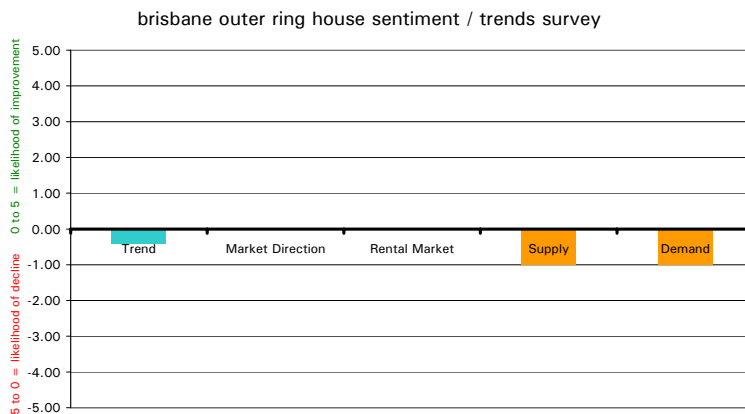


Source: LandMark White Research



After a strong six months in terms of both activity and price growth, activity is starting to slow a little in the outer ring. This is due to a number of factors including less properties on the market, increasing house prices pushing some first home buyers out of the market and tightening credit policies from the major banks in terms of loan to value ratios and proof of genuine savings limiting the number of buyers.

LMW Residential sentiment and trends survey looks ahead for the next quarter. The scores given represent positive/negative effect the market drivers are expected to have on the market. Positive (0 to 5) or Negative (-5 to 0). Within the Outer ring region, the house market sees neutral market direction (0) representing no major movement. The rental market too has now turned after performing well the outlook unlikely to change (0), supply however has moved downward (-1) so too is demand (-1) this representing a slight oversupply and reduced sentiment. Overall considering these indicators, the general trend for this market



Source: LandMark White Research



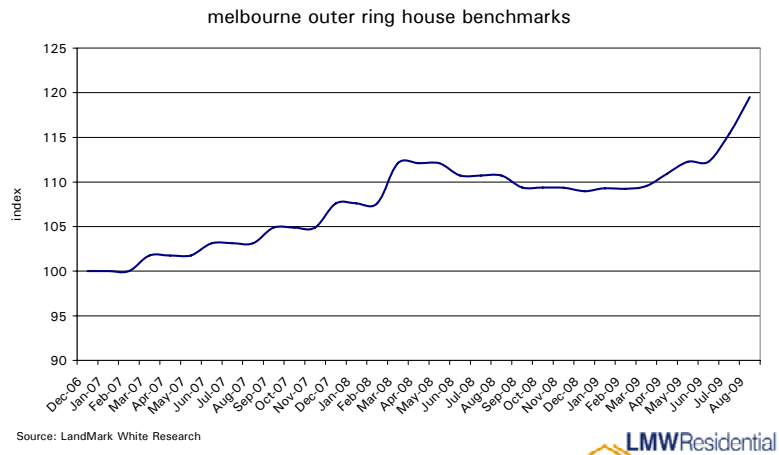
sits at -0.4; slightly down on the last few months which has been strongly positive, this suggests the current uplift we are experiencing will be short lived and value stabilisation can be expected.

It is our expectation the next few months may see a slight easing in the market in the outer ring. Many of the eligible first home buyers have now made their purchase with the grant due to start reducing from the end of September. Investors are starting to re-emerge however they seem to be more savvy/cautious than many green first home buyers who were desperate to enter the market. With the property market so strong in the southern states it would suggest a traditional cycle of the market being strongest in the inner city and working its way out to the outer suburbs may be about to commence.

For more information regarding the Brisbane Residential market contact, Mike Henderson, Director LMW Residential, mike.henderson@lmwres.com.au or (07) 3367 2333

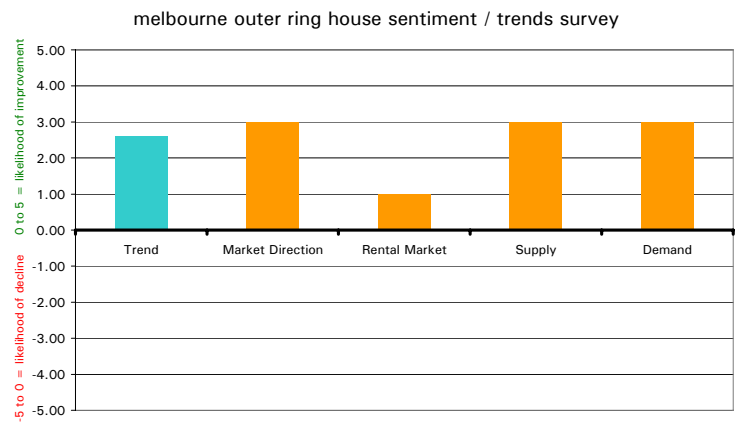
MELBOURNE

The Outer home market across the Melbourne Metropolitan area has seen strong improvement during 2009. **LMW Residential** have monitored values within the Outer ring (approx 20 kms plus from CBD) since the beginning of 2007, throughout 2007 growth was relatively strong with values increasing approximately 12% peaking our index at 112.10. After this period values dipped during most of 2008 to their lows around 109. After which the index has sharply risen in 2009 growing from 109.25 in February to 119.50 in August or 9.35% in seven months. This current rate has been the peak in values across the Outer region since the commencement of our index and represents close to 20% growth since December 2006.



The outer residential market has seen the market split into three categories, "entry level" property, "new entry level property" and the "remainder of the market". There is a significant difference in the rate of price growth between these sectors with price growth for vacant land/new houses outstripping the second-hand markets. Entry level property prices have increased significantly over recent months many due to the first home buyers grant (FHBG) coupled with low interest rates. Land sales and new dwelling sales have experienced the strongest prices growth and have increased significantly. The middle and upper end of the market is quite different and has a definite price point where purchasers are active. Below \$425,000 the market is strong, however the upper end of this market is still slow with little interest in large dwellings or any abnormal property (poorly located near busy roads or powerlines or over capitalised homes).

LMW Residential sentiment and trends survey looks ahead for the next quarter. The scores given represent positive/negative effect the market drivers are expected to have on the market. Positive (0 to 5) or Negative (-5 to 0). Within the Outer ring, the market direction is positive (3) representing strong growth. The rental market is positive (1). Supply levels are low and demand is high which is having a positive impact on the market. Overall considering these indicators, the general trend for this market sits at 2.60 which is the best result for Outer ring recorded.



The market direction has been rising strongly over recent months with strong price growth experienced for new dwellings, vacant land and property at the lower end/entry level. The rental market appears to be steady with relatively strong demand and low vacancy, however affordability issues appear to have curbed the growth in rents. Supply particularly at the lower end of the market is very tight which has placed upward pressure on prices. Demand continues to be strong, and is spreading from the first home buyers to other sectors of the market. The second and third homebuyers buoyed by price growth are active as the recovery led by the first home buyers is spreading to other sectors of the market. Investors appear to be re-entering the market albeit still at relatively low levels.

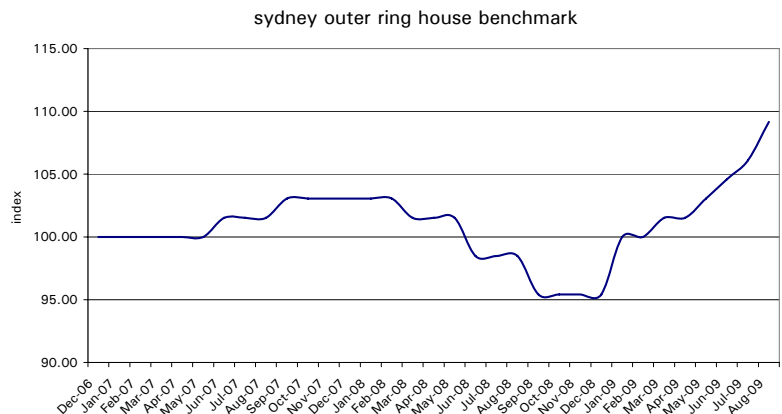
The short term trend is positive with further price growth likely due to a shortage of supply and relatively high demand toward the lower end of the market. The level of likely price growth is expected to diminish as the price of the asset increases.

The main risk factors to this market include, the proposed reduction in the FHBG, the possibility of interest rate increase, rising unemployment and the significant price difference between new and second-hand property (eligibility of FHBG). The effect of these factors on the market will become apparent over the next couple of months.

For more information regarding the Melbourne Residential market contact, Chris Coonan, Director LMW Residential, chris.coonan@lmwres.com.au or (03) 9599 3000

SYDNEY

LMW Residential has monitored values within the Outer ring (approximately 20 kms to CBD) this market across Sydney Metropolitan area has seen a significant increase in growth during 2009 after declines in values during 2008 where the index fell to its lowest rate of 95.42. Since December 2008 our index has increased 13.75 index places to its current peak of 109.17. This represents a strong 14.41% increase over a nine month period, this is the strongest and most consistent increase recorded across the Sydney Outer market since our benchmarking begun in late 2006.

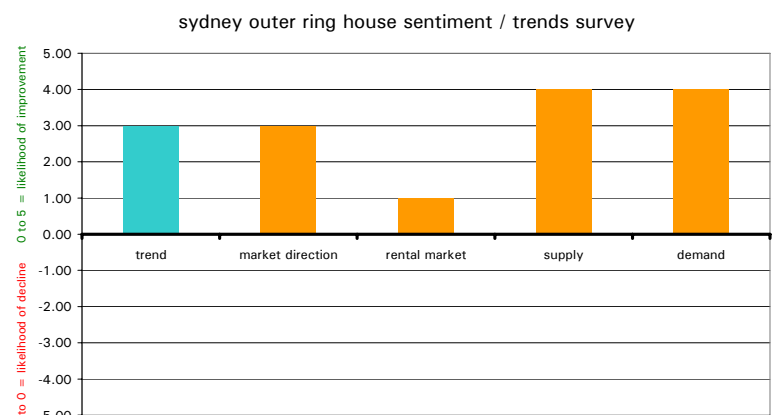


Source: LandMark White Research



Sydney's outer ring continues to outperform the remainder of the market with first home buyer activity continuing to show strong demand. The sub \$450,000 price bracket remains the strongest by far and although slowing slightly in terms of sale numbers due to reduced levels of supply, clearance rates and sale prices remain high. Although having been more restrained until now, we are seeing an improved market for properties priced \$450,000 to \$600,000 thanks to second home purchasers and those upgrading to larger homes due to improved affordability and higher exit sale prices. Higher grants and incentives for new homes has increased demand in this sector also, however higher availability of vacant land has held off any overly impressive growth to date.

LMW Residential s sentiment and trends survey looks ahead for the next quarter. The scores given represent positive/negative effect the market drivers are expected to have on the market. Positive (0 to 5) or Negative (-5 to 0). Within the Outer region, the housing market looks to continue to improve, with a market direction of 3, mainly as a result of a strong supply of stock on the market (4) and high levels of demand (4). While the rental market continues to be strong at 1. The overall trend has now moved to a high of 3, slightly down on results from earlier this year which peaked at 3.40, however these results suggest continued upward pressure on values are likely in the short term.



Source: LandMark White Research



Property prices of all types have been showing strong growth of late with an expectation that this will continue in the short term, albeit at a slightly reduced rate. The rental market has hit a price point with only moderate upward growth is evident, however continuing low vacancy rates provides ongoing strength in this market. Enthusiastic purchaser activity has resulted in lower levels of supply for established homes and as a result those properties listed for sale are being heavily contested, continuing the upward trend in prices. We expect to see growth slowing once the First Home Owners Boost is reduced in October and again when the incentive is removed completely at the end of the year. Nevertheless, with such low interest rates and ongoing strength in the rental market, many investors who have been sitting out avoiding the stampede, are expected to show an improved return for the later part of this year.

For more information regarding the Sydney Residential market contact, Guy Bartle, Director LMW Residential, guy.bartle@lmwres.com.au or (02) 8839 5700