

Market update

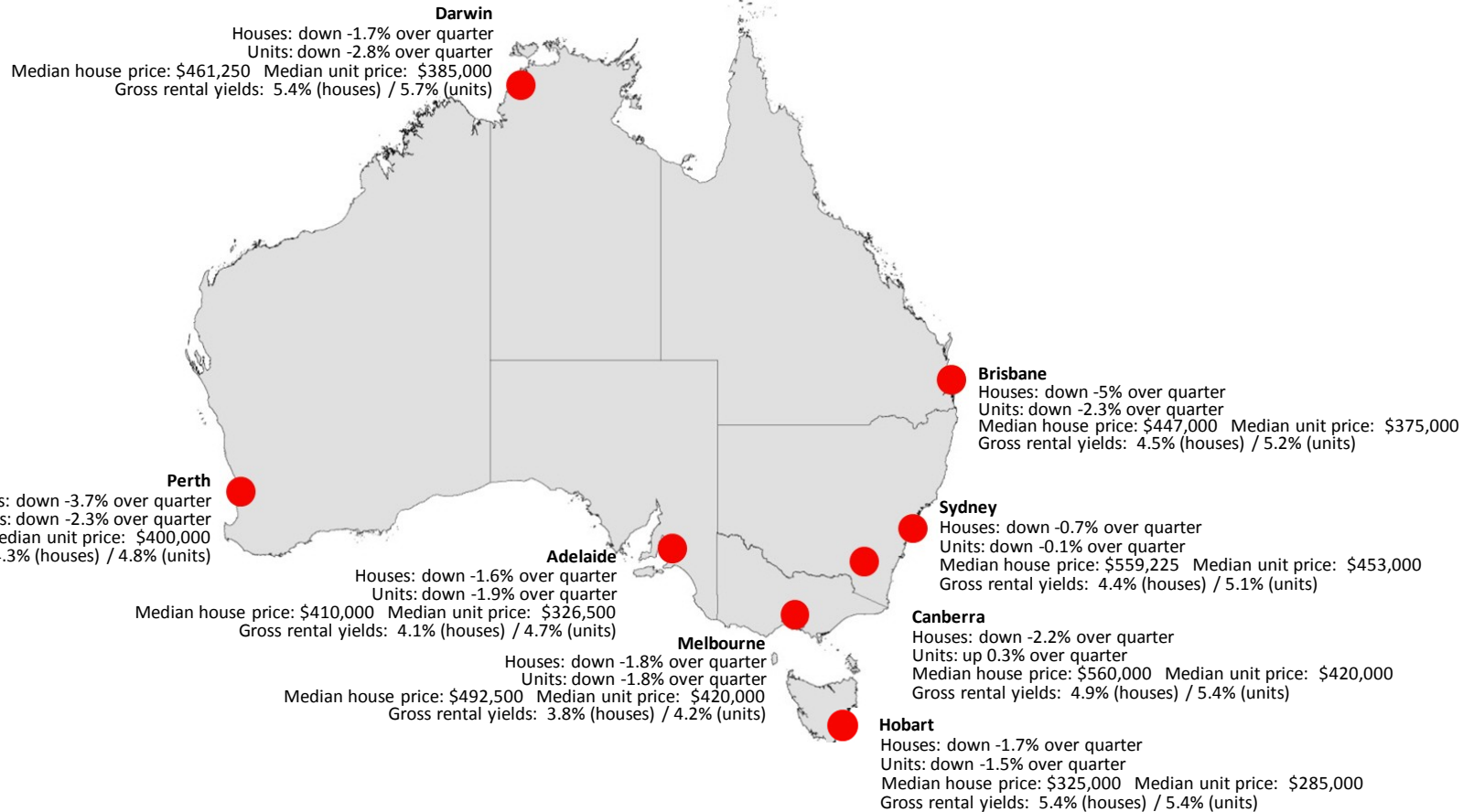
May 2011



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Market snapshot

Australian capital cities, Mar 11



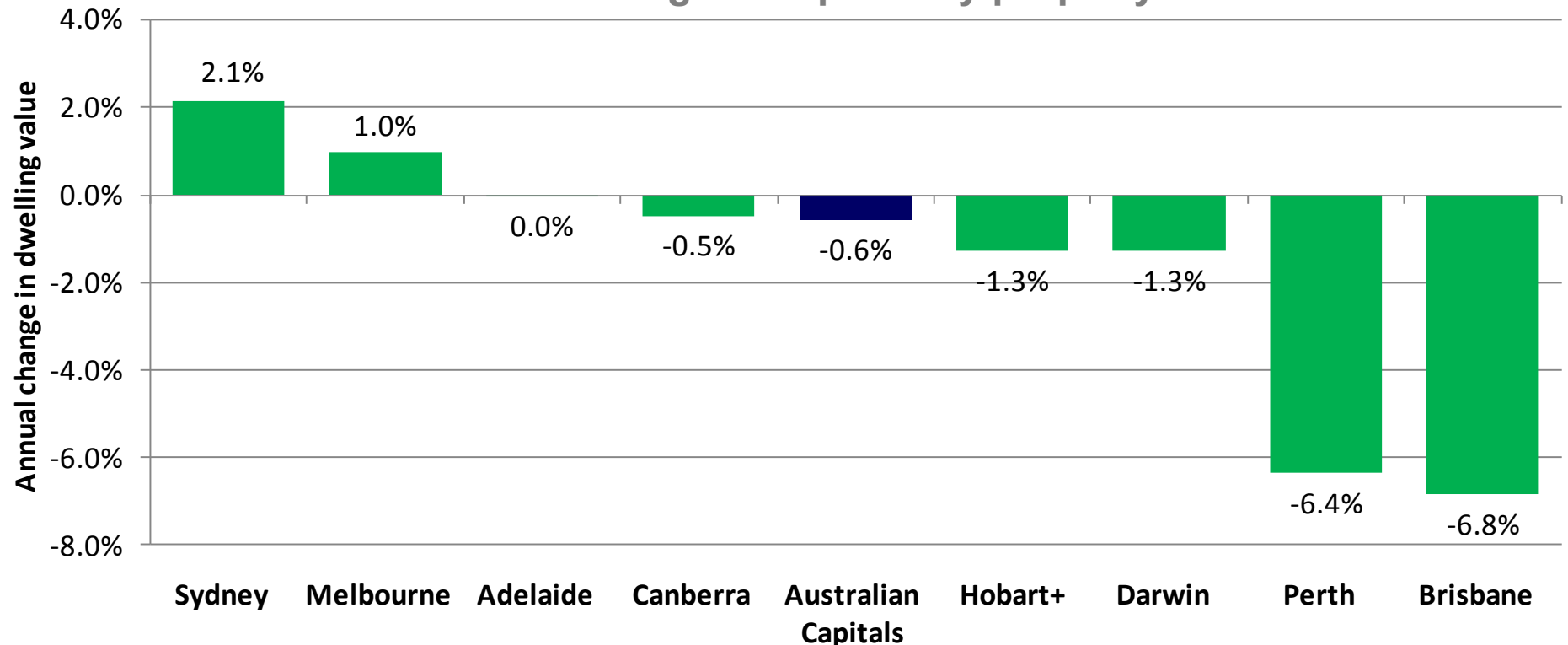
* Hobart data is based on February '11 results

Source: rpdata.com - Rismark

Annual growth in values now well below inflation

- Across the capitals, property values have fallen by -0.6% over the past year
- The two largest capital cities (Sydney and Melbourne) have been the only cities in which values have risen over the last year while Brisbane and Perth (the next largest cities) have been the laggards.

Annual change in capital city property values

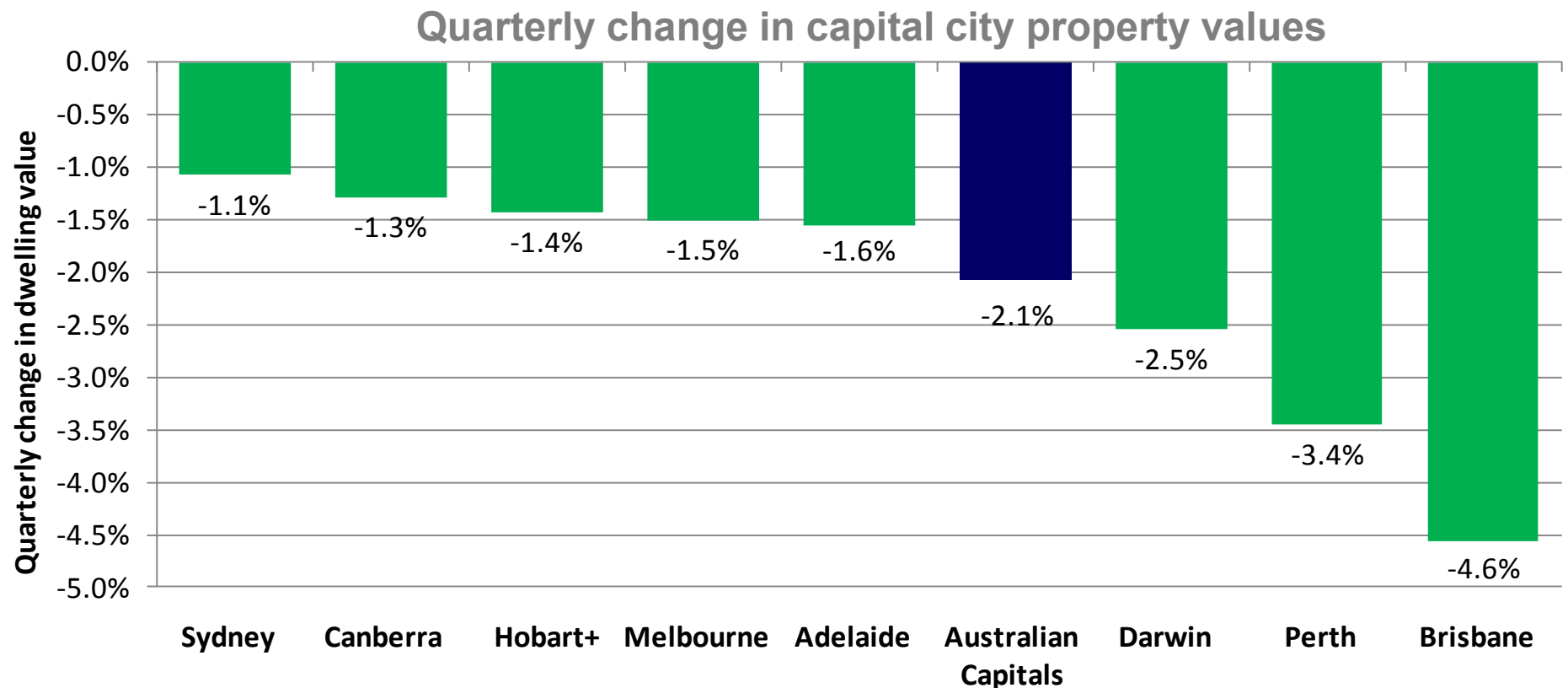


* Note Hobart figures are based on February 2011 data

Source: rpdata.com - Rismark

All markets recorded a fall in values during the Mar 11 quarter

- The first quarter of 2011 has been quite weak with property values across the combined capital cities falling by -2.1%.
- Perth and Brisbane continue to significantly underperform all other markets.



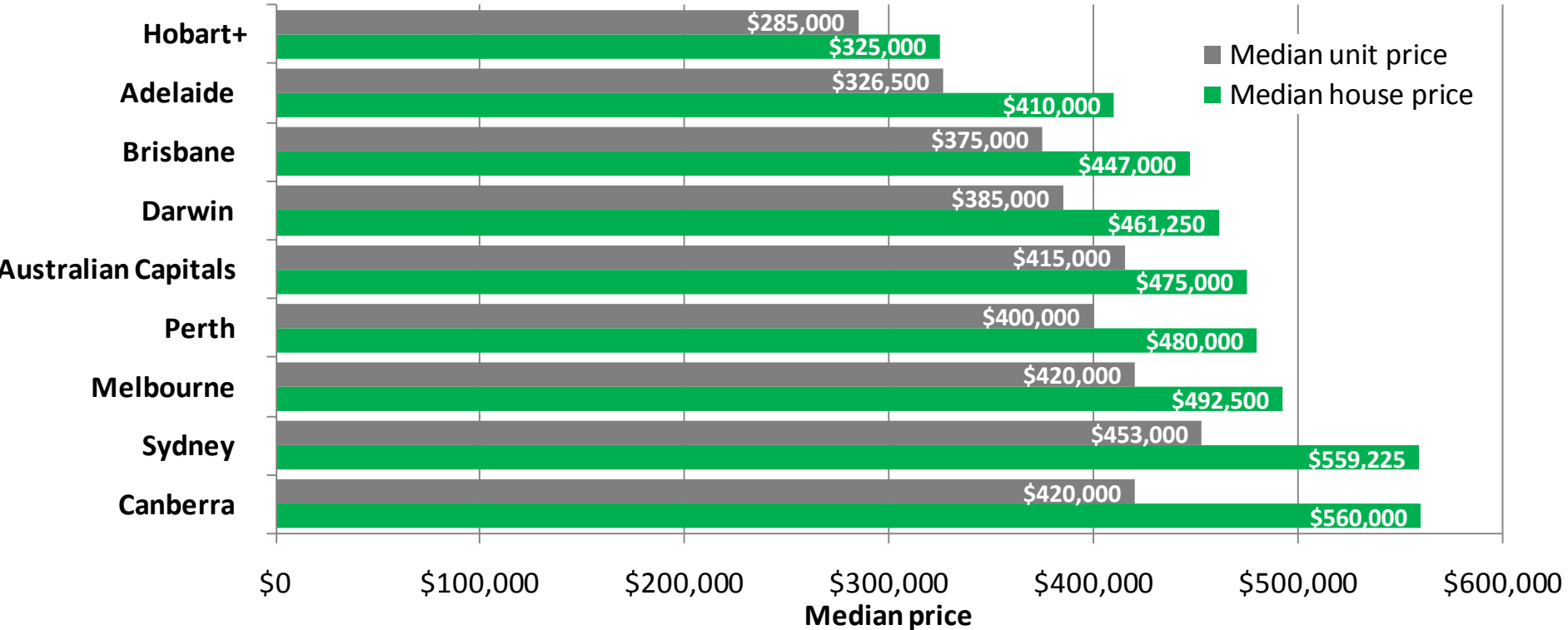
* Note Hobart figures are based on February 2011 data

Source: rpdata.com - Rismark

Canberra house prices now the most expensive of any city

- Sydney remains the most expensive city for housing, while Hobart is the most affordable.
- Across the combined capitals, median house prices are \$475,000 and units \$415,000.

Median house and unit prices – Mar 11

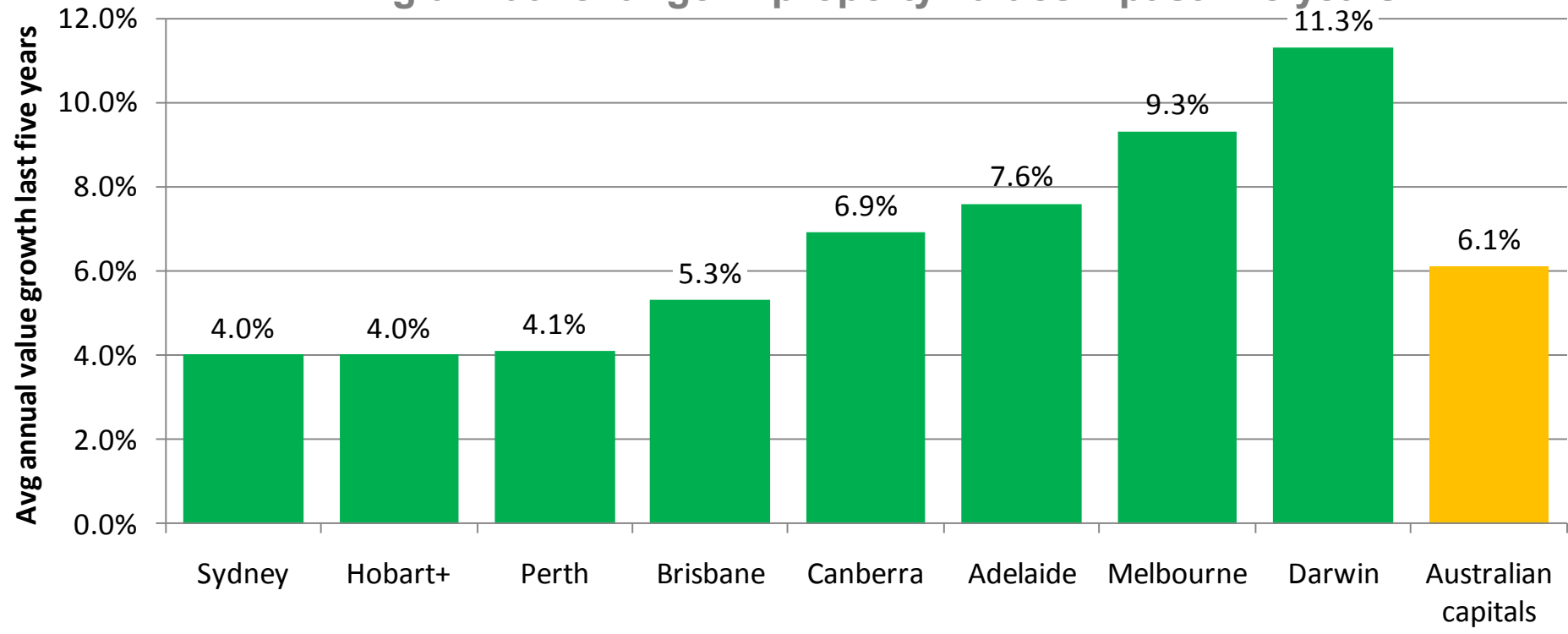


* Note Hobart figures are based on February 2011 data

Darwin has been the standout performer during the past five years

- Capital city property values have increased at an average annual rate of 6.1% during the five years to Feb 2011
- Over the past 10 years capital city property values have increased at an average annual rate of 7.8%, indicating more subdued conditions recently.

Avg annual change in property values – past five years

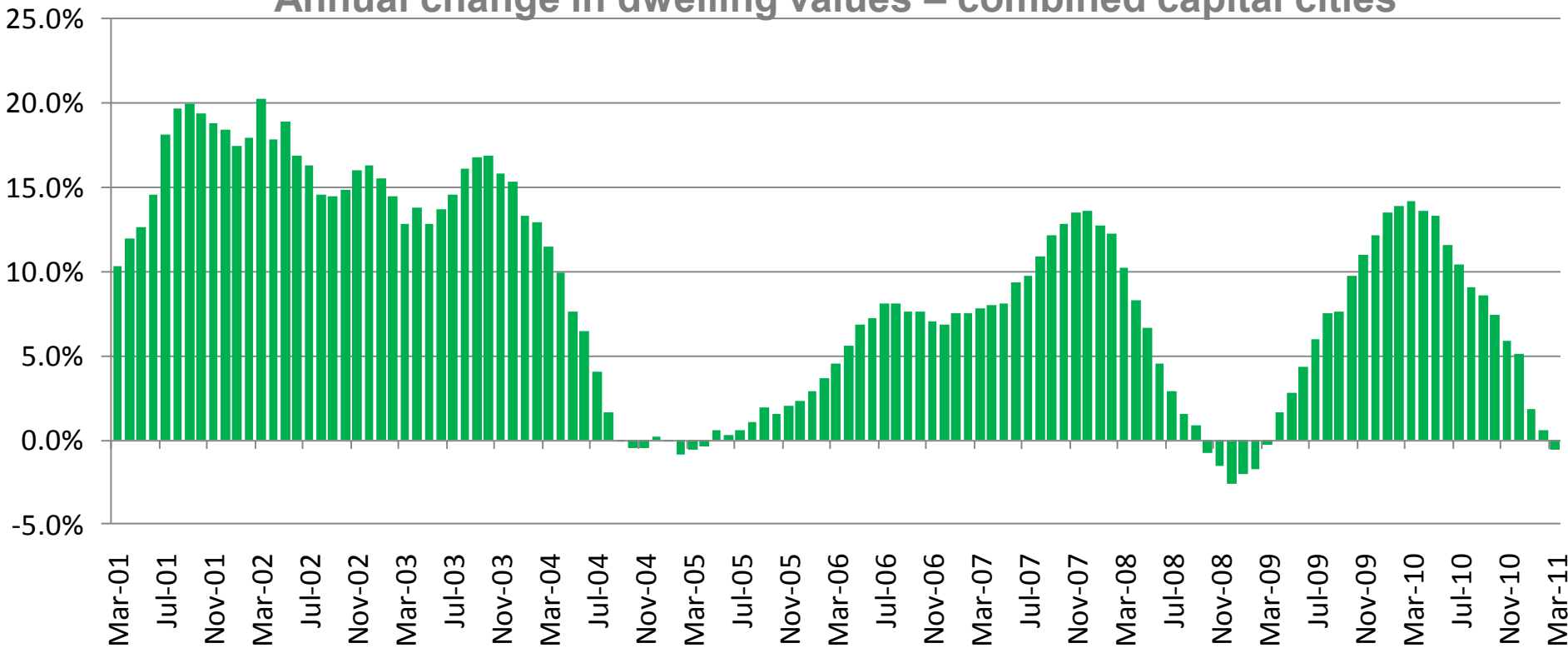


* Note Hobart figures are based on February 2011 data

Property value growth across the combined capital cities slowing sharply

- Annual growth in capital city dwelling values most recently peaked at 14.3% in Mar 10
- Since that time, annual capital growth has fallen to -0.6% in Mar 11
- Since the start of 2009, capital city property values have increased by 15.5%

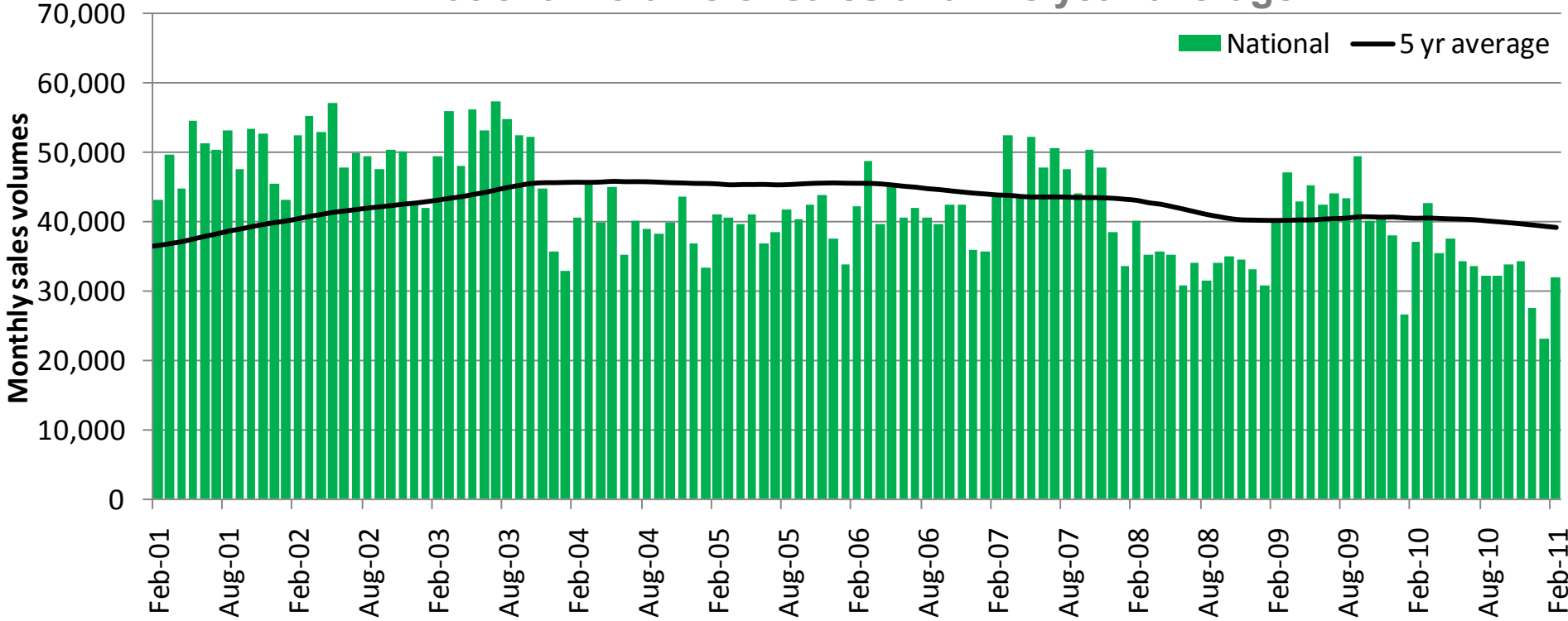
Annual change in dwelling values – combined capital cities



Sales volumes may be starting to rebound after trending lower for much of the last year

- Over the most recent three months, sales volumes are -30% below the five year average.
- Transactions volumes are slowing as property value growth fades.

National volume of sales and five year average

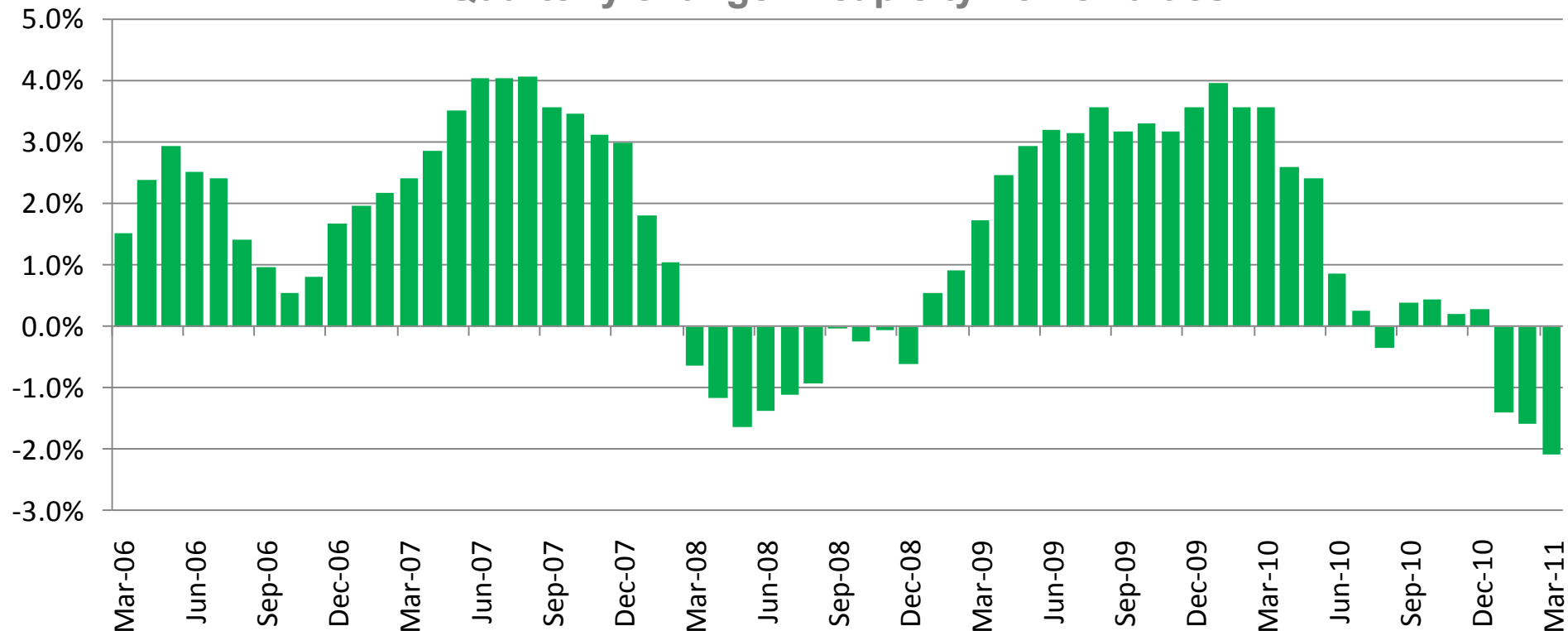


Note: the last five months of sales volumes are modelled based on historic levels of revision

Market weakens in recent months and fairly flat since May-10

- During the last quarter property values across the combined capital cities have fallen by -2.1%

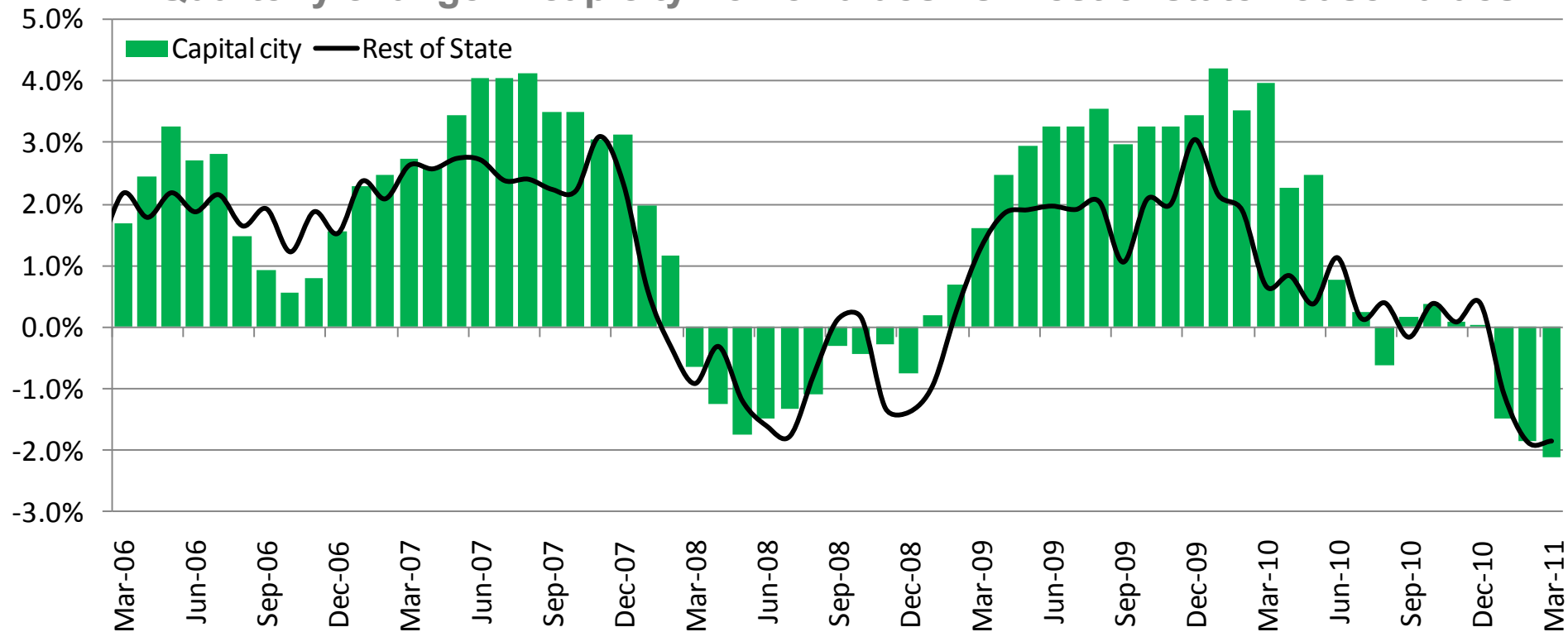
Quarterly change in cap city home values



Market weakens in recent months and fairly flat since May-10

- During the last quarter property values across the combined capital cities have fallen by -2.1%
- Outside of the capital cities, house values have fallen by -1.8% during the quarter.

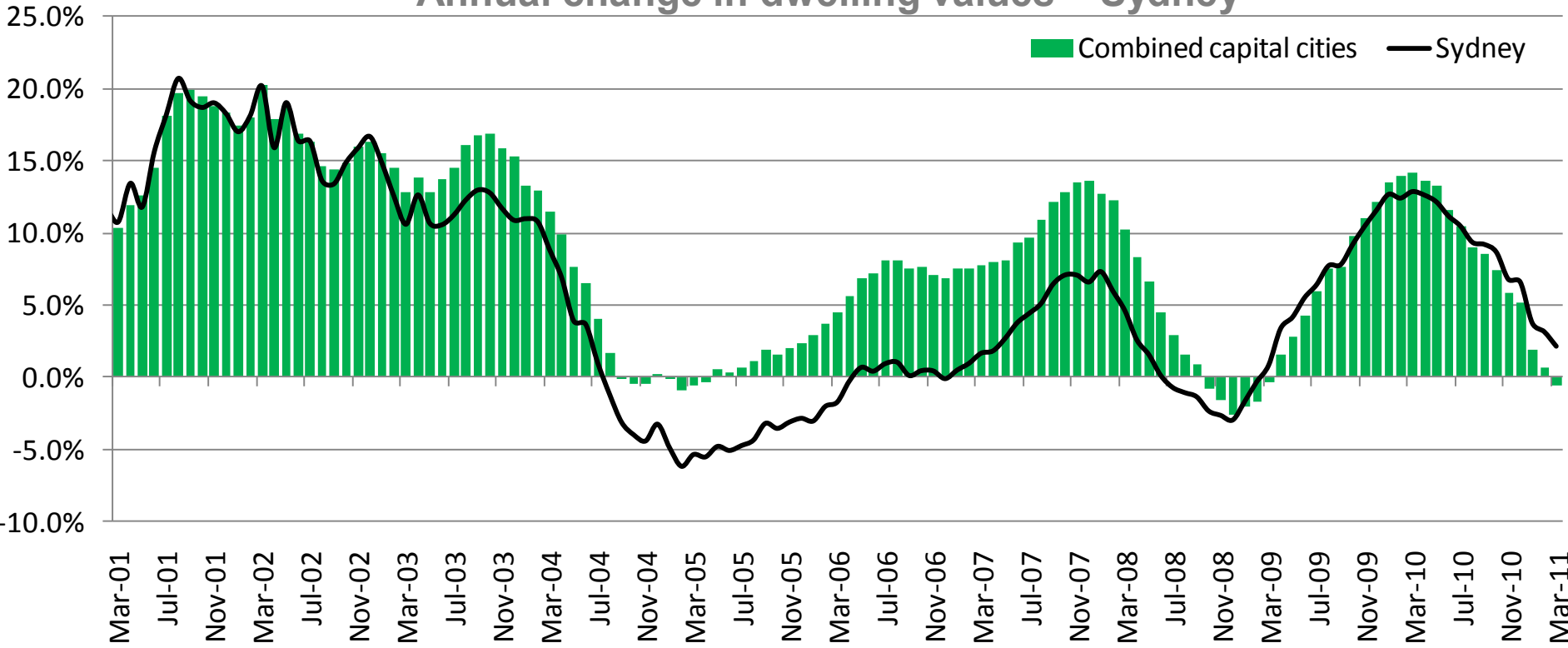
Quarterly change in cap city home values vs. Rest of state house values



Capital growth in Sydney is slowing but it is still better than other capital cities

- Between Dec 02 and Jan 09, annual capital growth in Sydney was lower than that recorded across the combined capitals.
- Property values have increased by a total of 17.7% since the start of 2009.
- Over the past year, Sydney property values have increased by 2.1%.

Annual change in dwelling values – Sydney

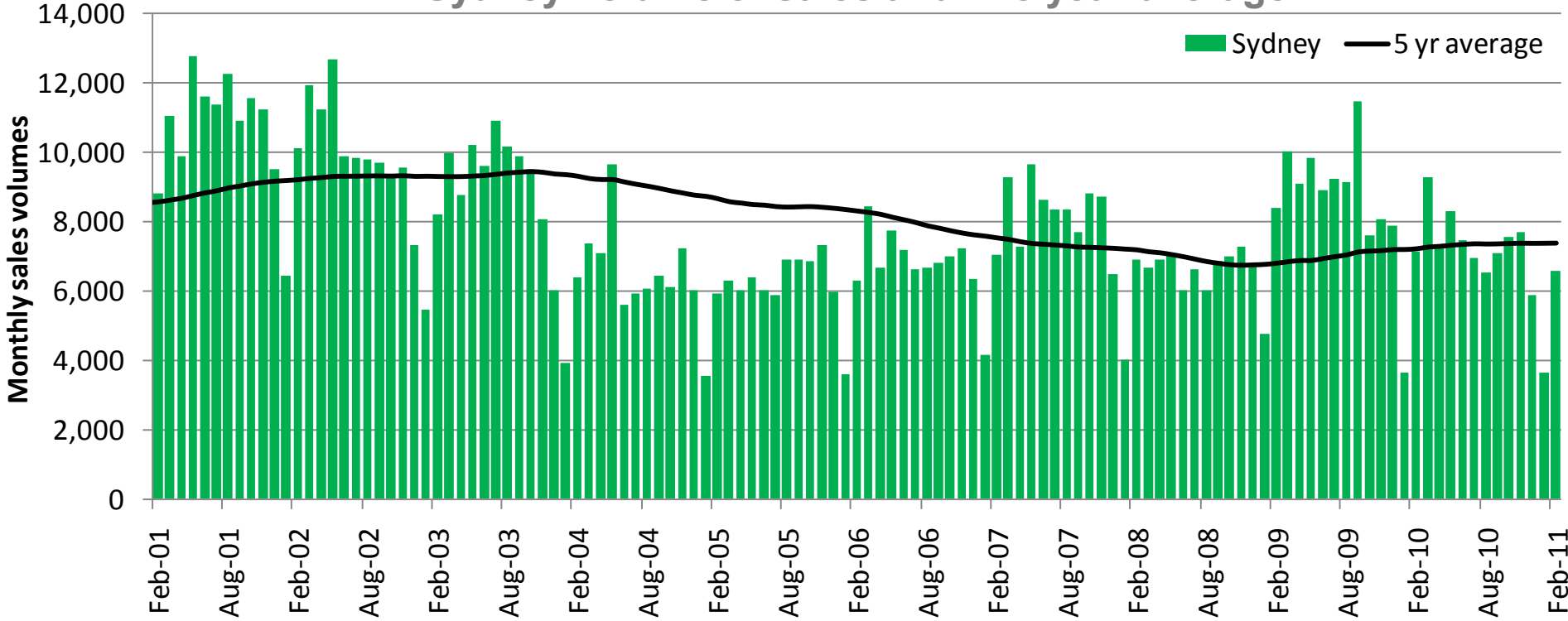


Source: rpdata.com - Rismark

Sydney volumes easing in recent months but have been much firmer than most regions

- Over the most recent three months, sales volumes are -27% below the five year average.
- Transactions volumes are slowing but have not trended as low as in most other areas of the country.

Sydney volume of sales and five year average

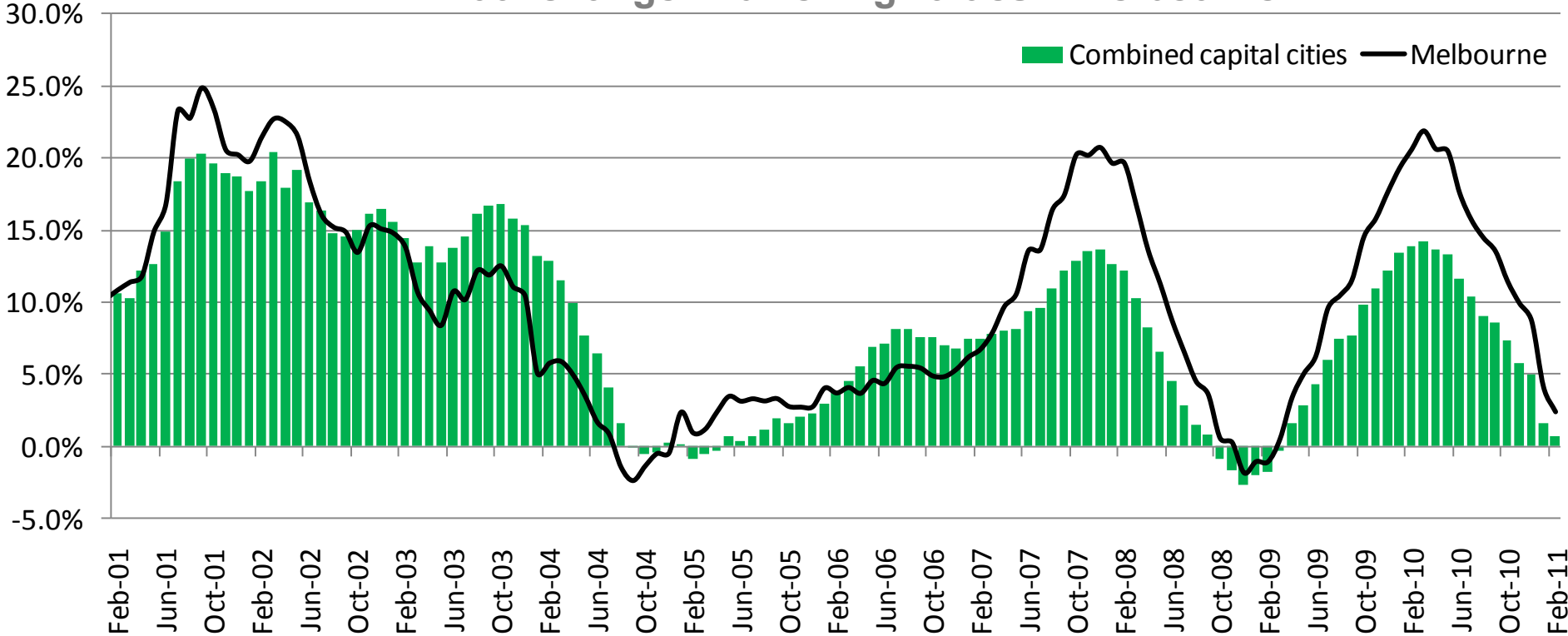


Note: the last five months of sales volumes are modelled based on historic levels of revision

Melbourne has been the standout capital growth performer in recent years

- Since the beginning of 2007, property values in Melbourne have increased by a total of 47.0%
- Over the last 12 months, Melbourne values have increased by 1.0%

Annual change in dwelling values – Melbourne

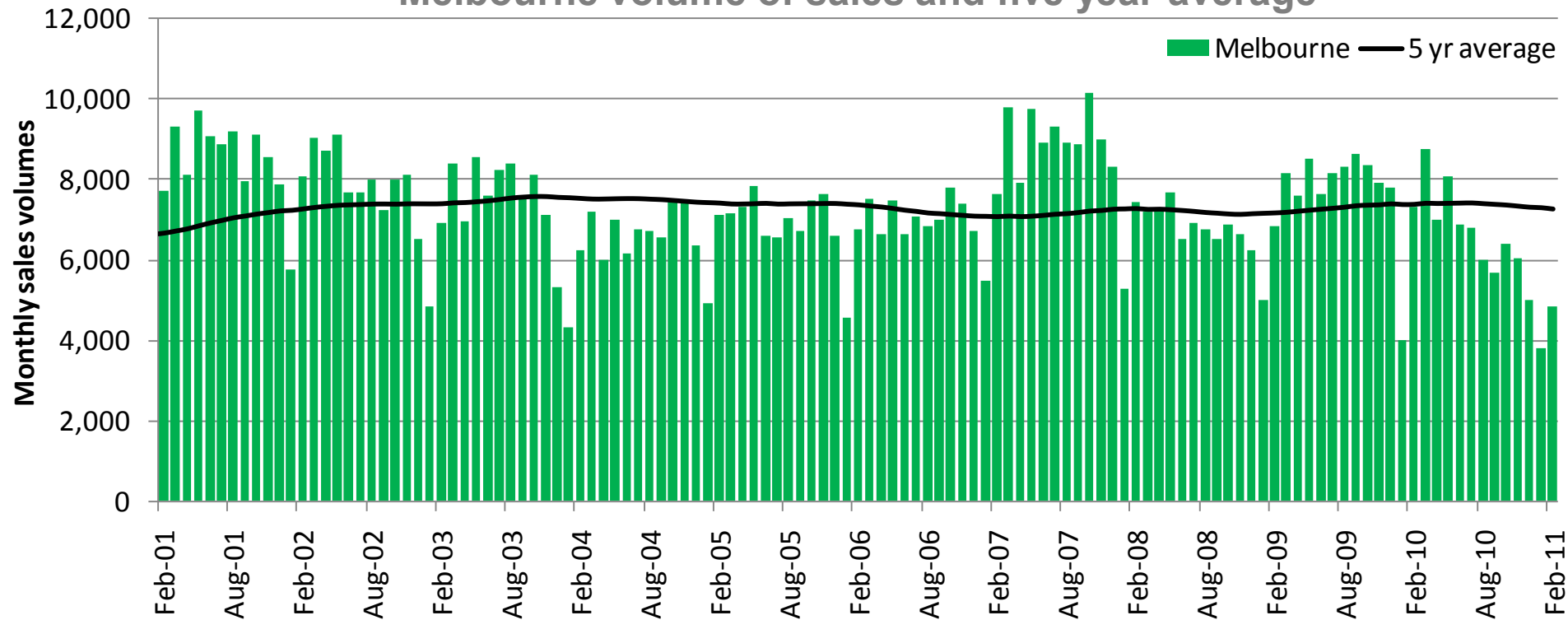


Source: rpdata.com - Rismark

Melbourne's transaction volumes are starting to fall as value growth slows

- Melbourne transaction volumes during the most recent three months are -37% below the five year average.
- Volumes have rebounded slightly in February after the seasonal slowdown however, they continue to trend lower.

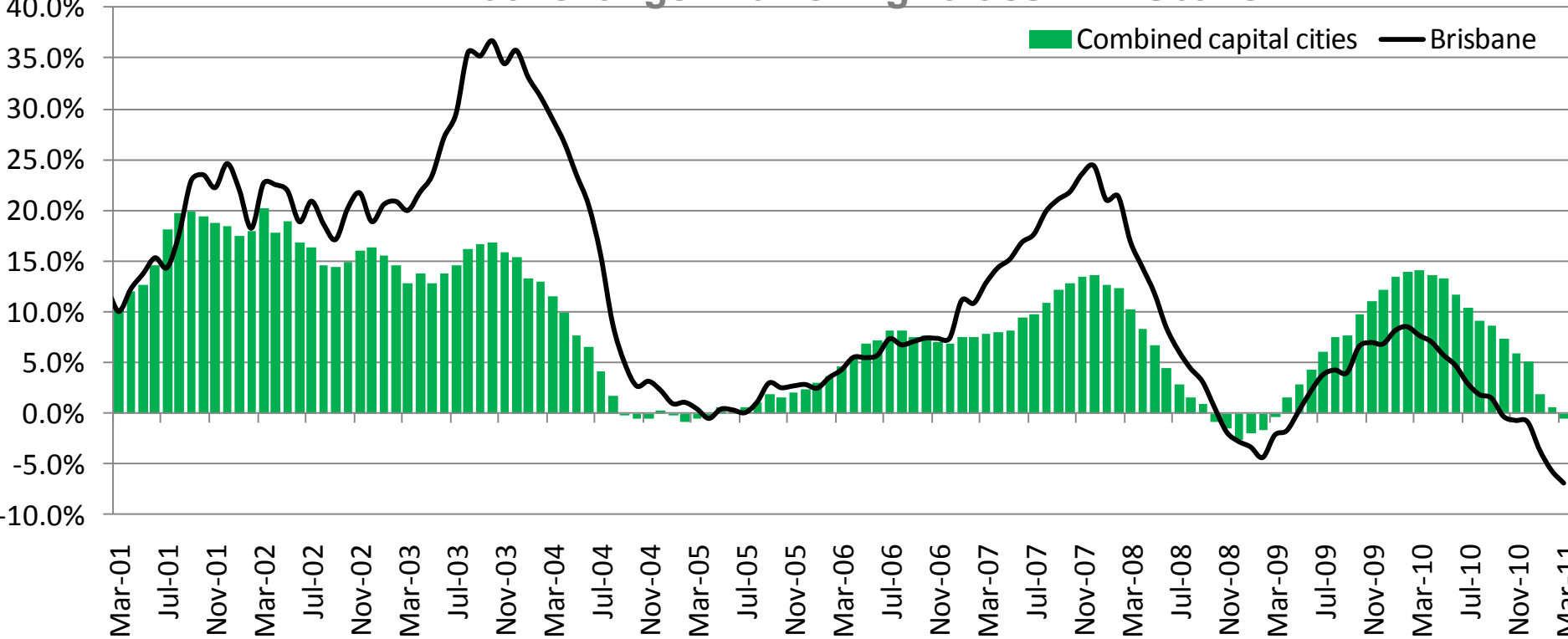
Melbourne volume of sales and five year average



Brisbane is now the weakest performing capital city in the country

- Since the start of 2008 Brisbane property values have fallen by -1.6%.
- Brisbane has recorded the largest fall in home values over the past 12 months, down -6.8%

Annual change in dwelling values – Brisbane

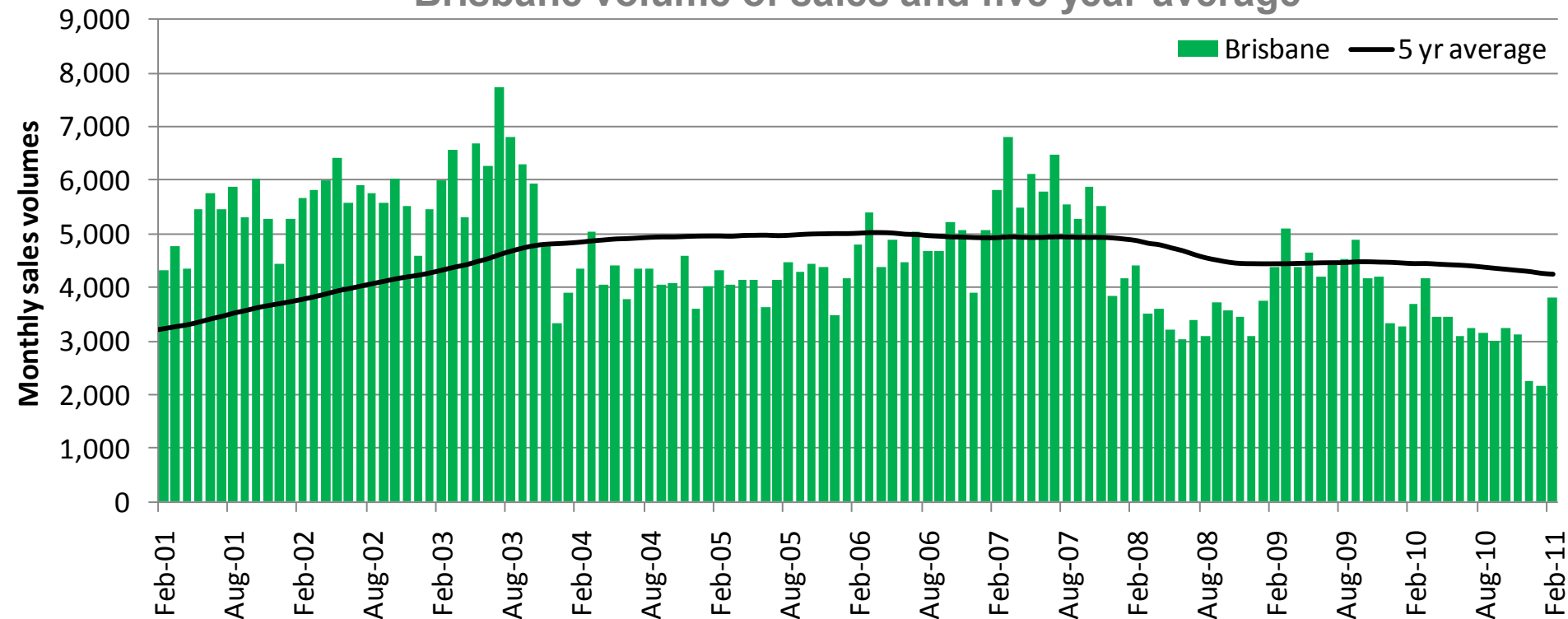


Source: rpdata.com - Rismark

Volumes well below average but not trending lower as quickly as most other cities

- Current Brisbane sales volumes are -35% below the five year average.
- The Brisbane property market has been underperforming for some time, as a result transaction volumes were already lower and there has actually been a rebound in activity recorded during February.

Brisbane volume of sales and five year average

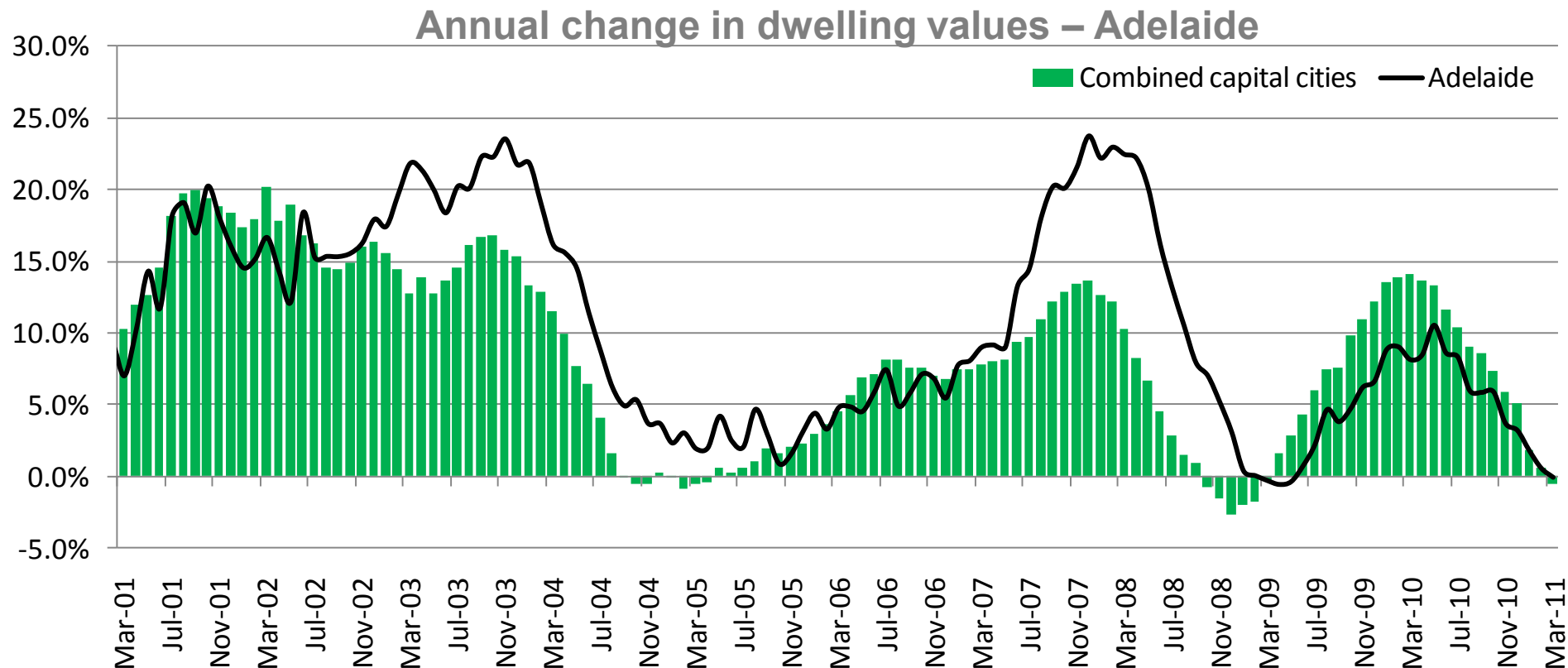


Note: the last five months of sales volumes are modelled based on historic levels of revision

Source: rpdata.com - Rismark

Adelaide underperforming capital city averages after outperforming in recent years

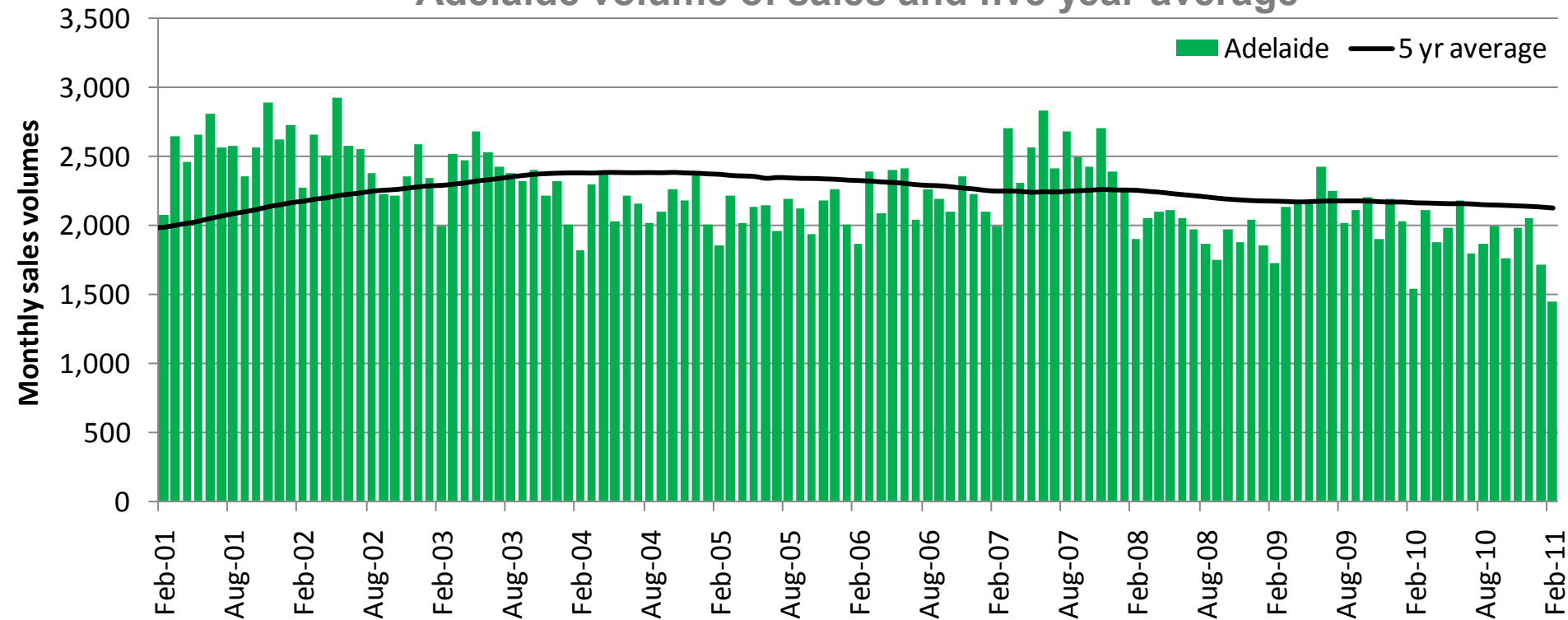
- Adelaide consistently recorded a superior rate of capital gains from late 2002 until late 2008 and since that time, Adelaide's property market has underperformed.
- Since the start of 2008, Adelaide property values have increased by 11.8%
- Over the past year, property values have been flat (0.0%).



Adelaide volumes are below average but have recorded no significant decline recently

- Adelaide's sales volumes are currently -18% below the five year average.
- The relative affordability of the Adelaide property is probably the reason that it hasn't recorded a substantial slide in activity, although recent data shows that volumes are starting to ease somewhat.

Adelaide volume of sales and five year average



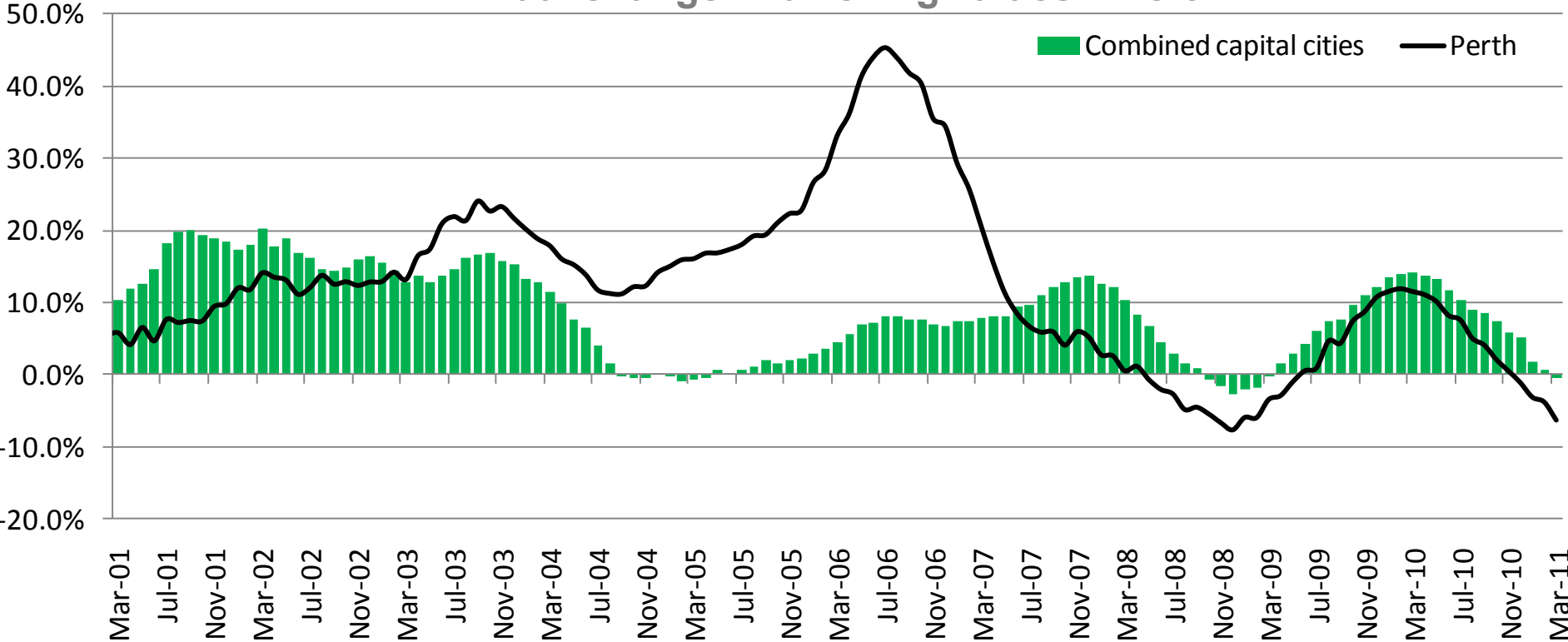
Note: the last five months of sales volumes are modelled based on historic levels of revision

Source: rpdata.com - Rismark

Perth's property market has now been underperforming since mid 2007

- On an annual basis, Perth property value growth reached 45.3% during Jul 06
- Capital growth in Perth has consistently underperformed the nation since May 07, almost four years now.
- Since the beginning of 2007, Perth values have increased by just 2.5%.

Annual change in dwelling values – Perth

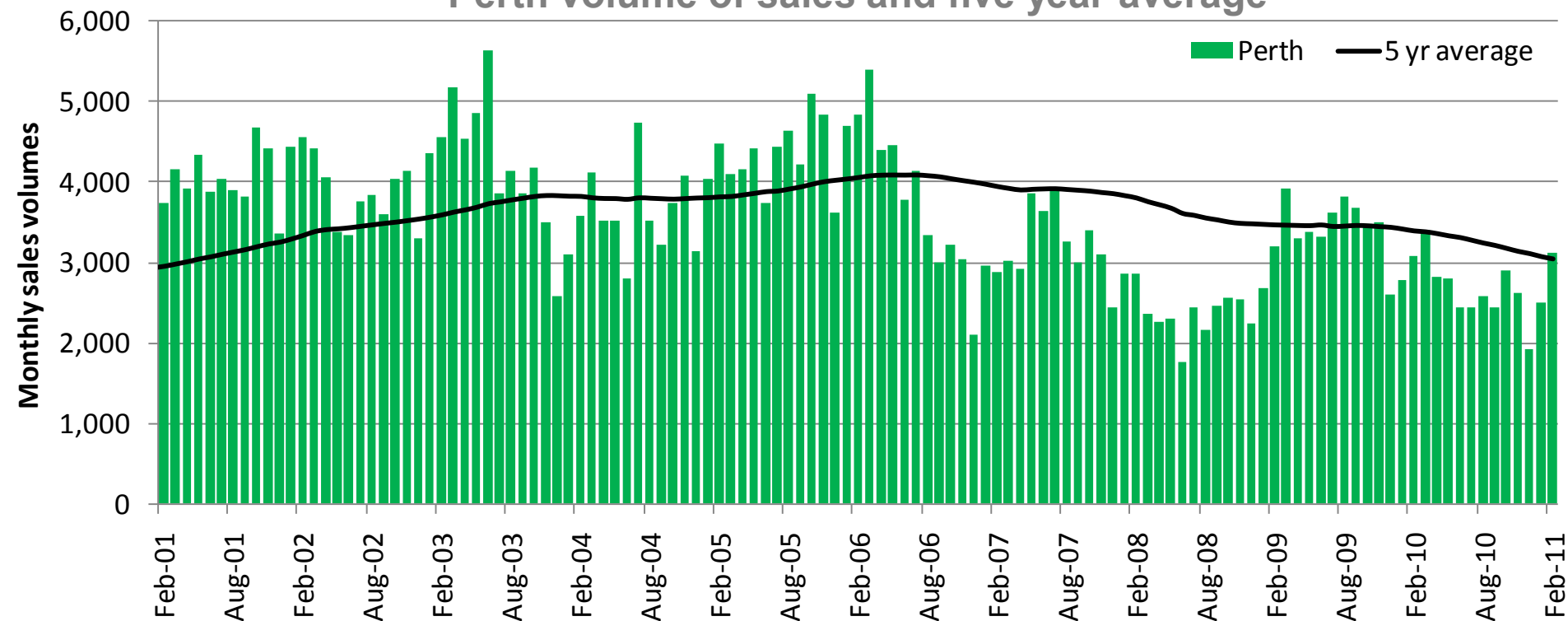


Source: rpdata.com - Rismark

Although Perth has underperformed for some time, volumes continue to trend lower

- Sales volumes in Perth over the past three months are -17% below the five year average.
- The five year average volume of sales is beginning to trend lower because of the ongoing weak performance of the Perth market.

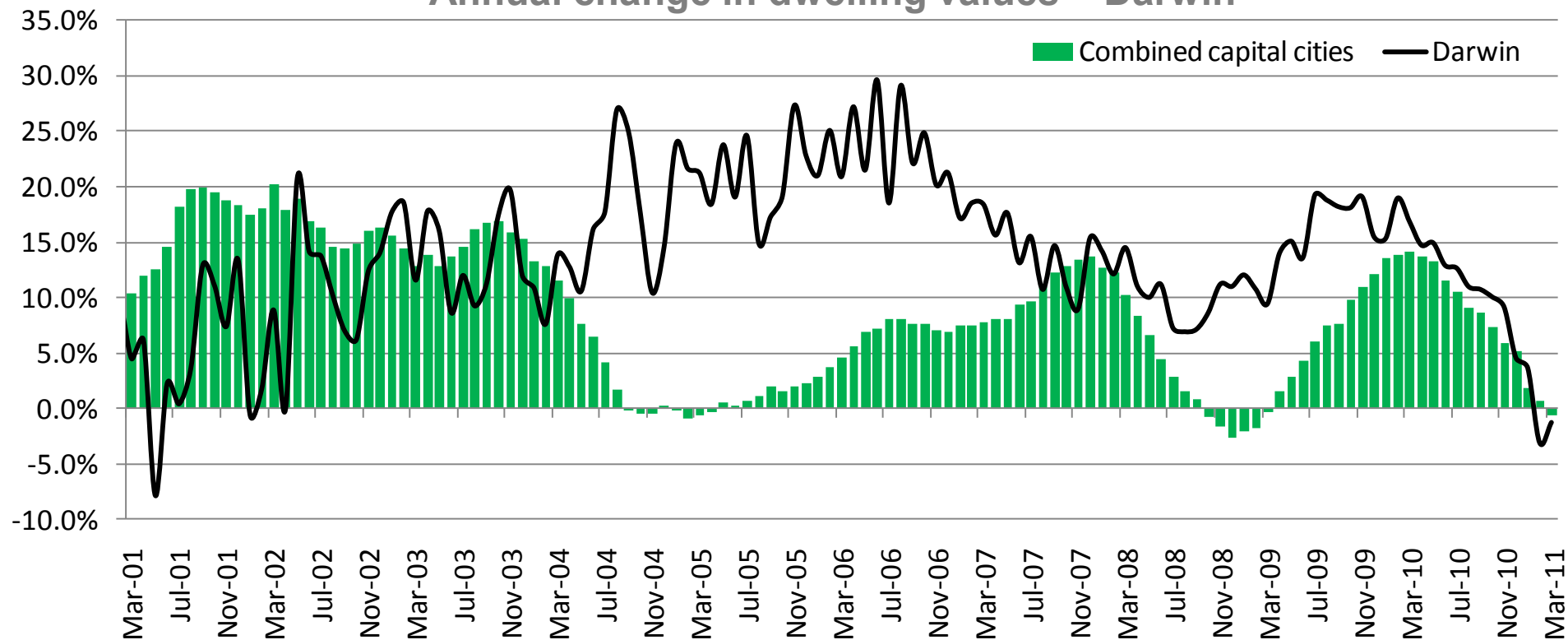
Perth volume of sales and five year average



The Darwin market slowdown appears to be gathering pace

- Darwin has consistently outperformed the national market since mid 04.
- Property prices have recorded a strong run-up in recent years.
- Over the last 12 months property values have fallen by -1.3%, almost all of this weakness has been recorded during the last quarter.

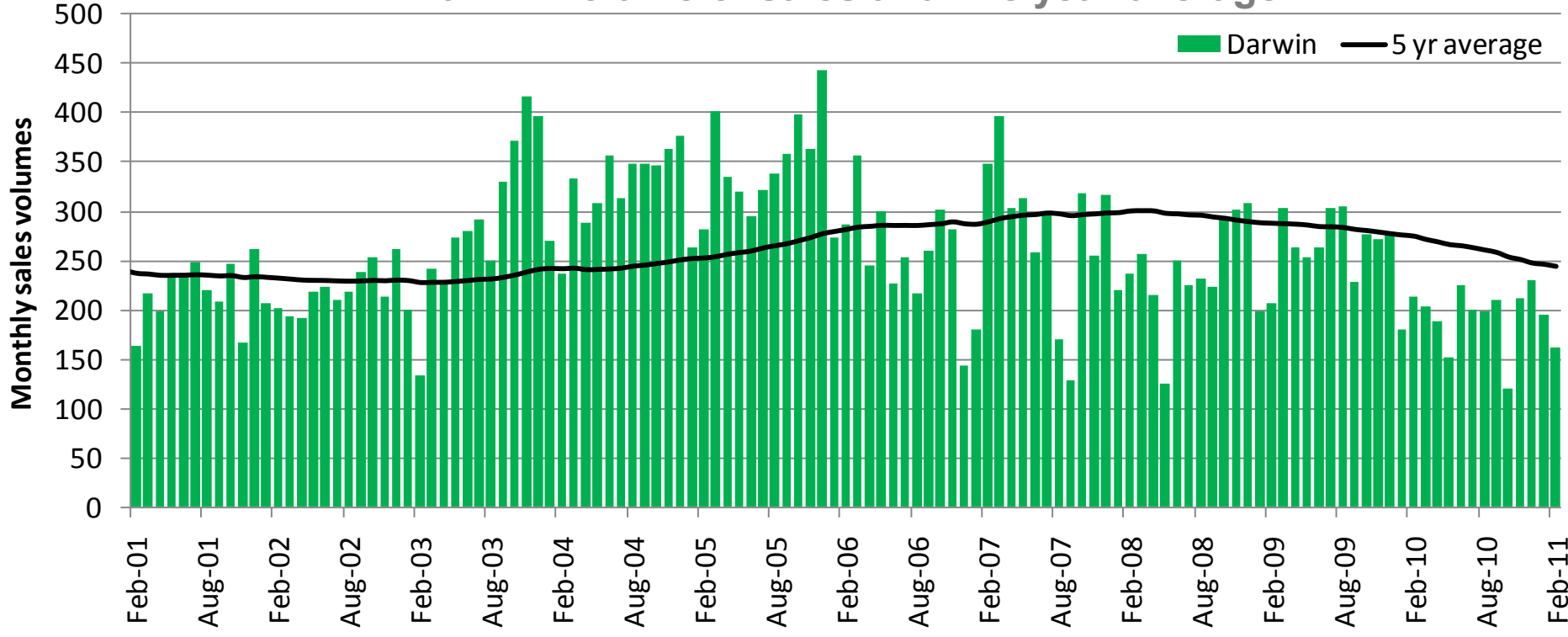
Annual change in dwelling values – Darwin



Darwin sales volumes are starting to trend lower

- Darwin sales over the last quarter have been -19% below the five year average.
- It appears that the Darwin market is slowing rapidly and we would expect that over the coming months sales volumes may trend even lower.

Darwin volume of sales and five year average

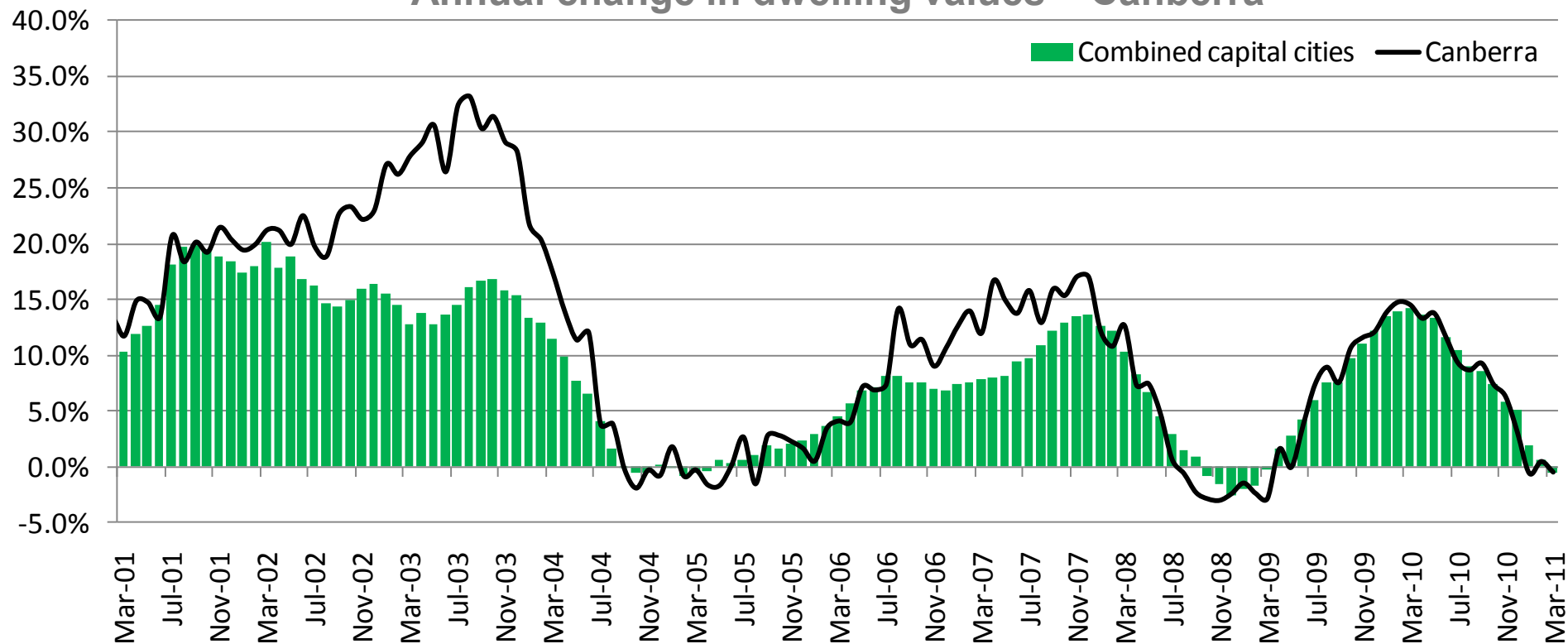


Note: the last five months of sales volumes are modelled based on historic levels of revision

Canberra's has consistently outperformed or tracked the capital city performance

- Apart from a period of exceptional growth between 2002 and 2004, the Canberra market performance has closely mirrored the combined capital city performance.
- During the 12 months to Mar 11, Canberra property values have fallen by -0.5%.

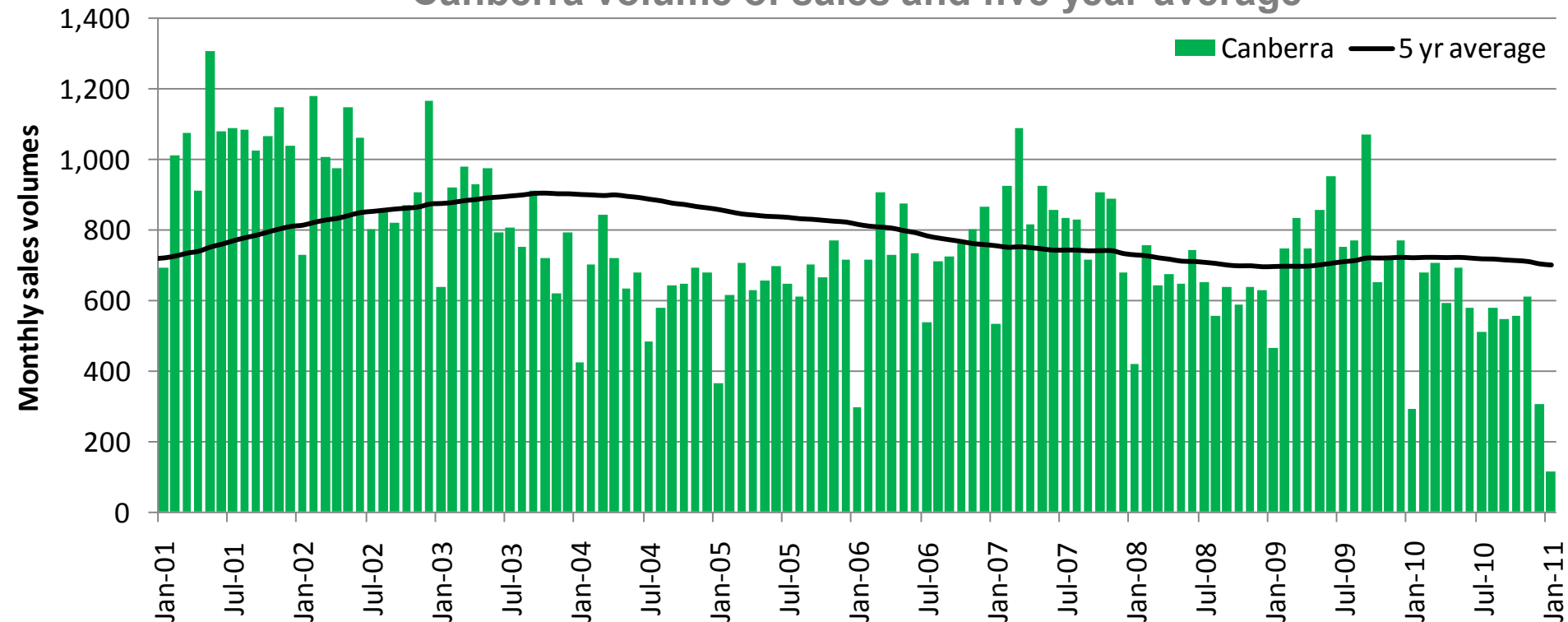
Annual change in dwelling values – Canberra



Volumes haven't eased too substantially and the recent dip likely to be seasonal

- Sale volumes in Canberra are currently -51% below the five year average.
- The recent dip is likely to be seasonal however, we would anticipate that sales volumes may ease further as capital gains continue to slow.

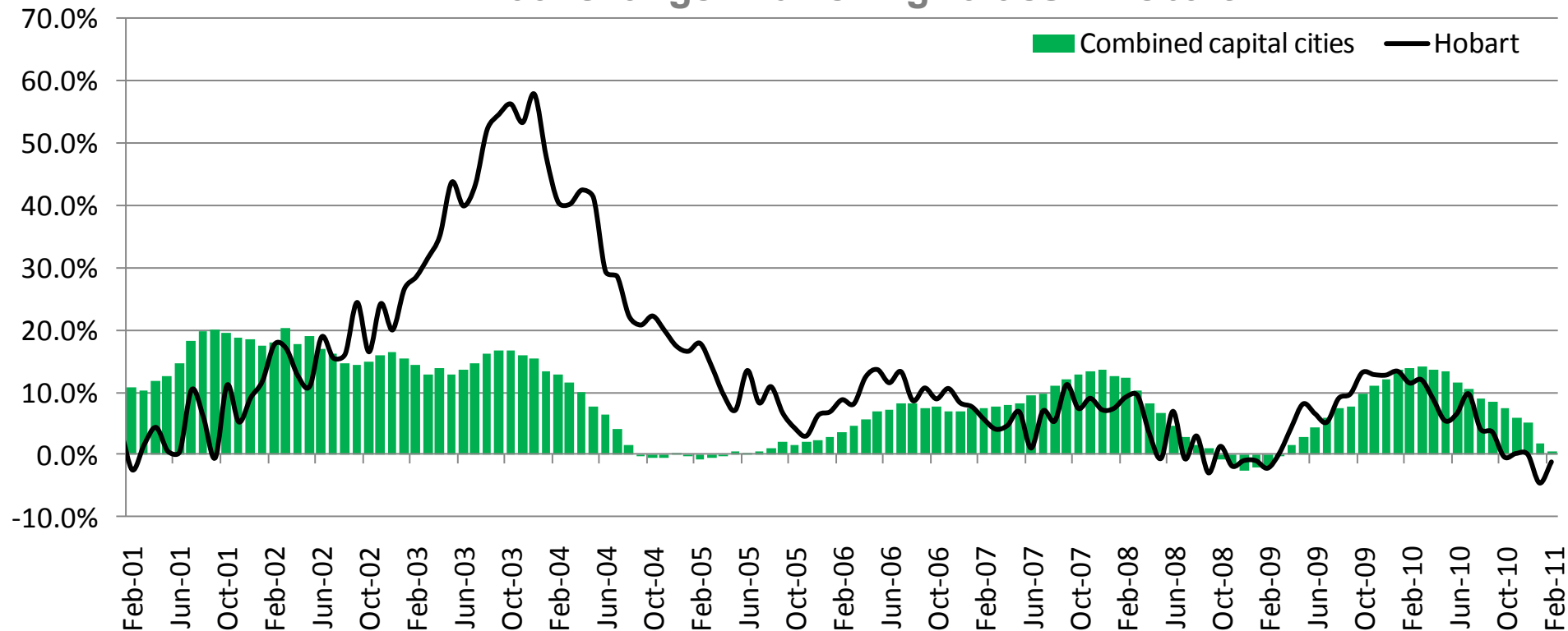
Canberra volume of sales and five year average



After growth well above average between 2003 and 2007, Hobart growth has slowed

- Hobart is well and truly the country's most affordable capital city housing market.
- Annualised capital growth in Hobart peaked at 57.8% during Dec 03.
- Over the most recent year, property values in Hobart have fallen by -1.3%.

Annual change in dwelling values – Hobart



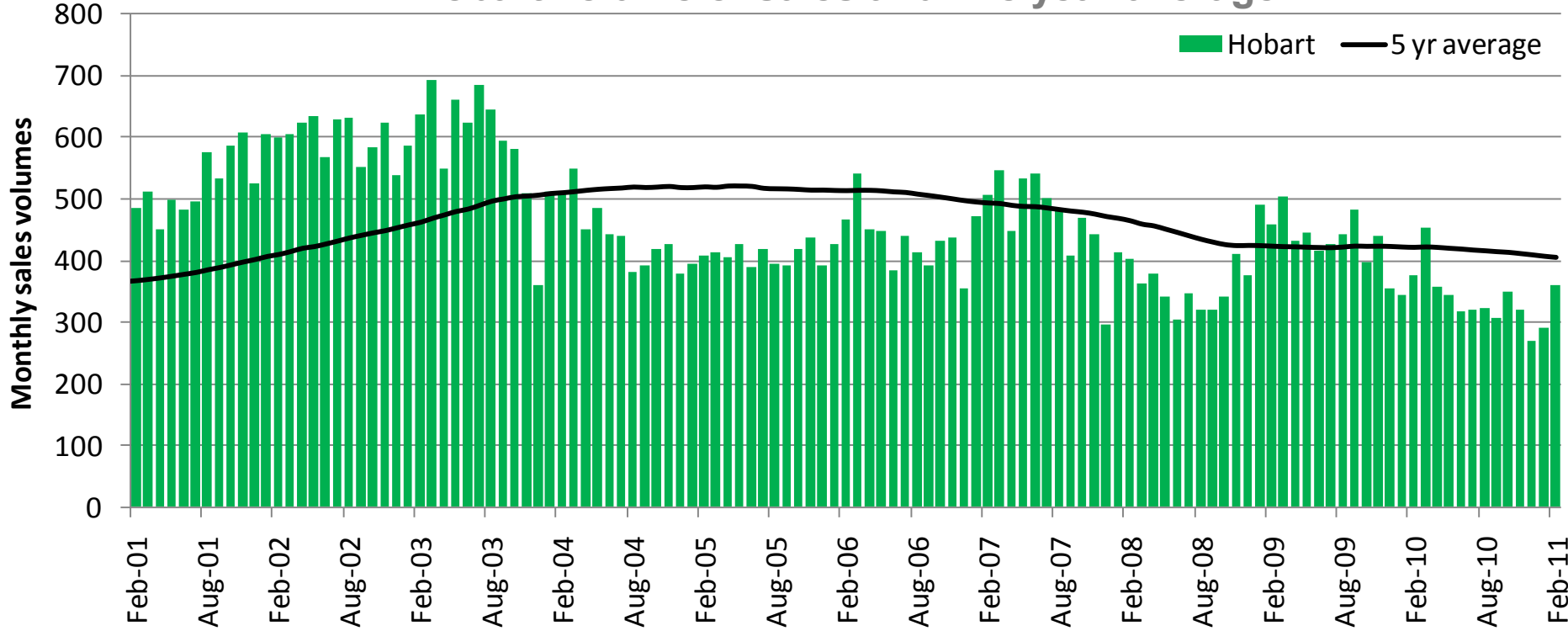
* Note Hobart figures are based on February 2011 data

Source: rpdata.com - Rismark

Sales volumes are trending lower but not at a particularly rapid pace

- The volume of sales across the city is -24% below the five year average.
- Although volumes are trending lower, we wouldn't expect further substantial falls given capital growth conditions have been subdued for some time.

Hobart volume of sales and five year average

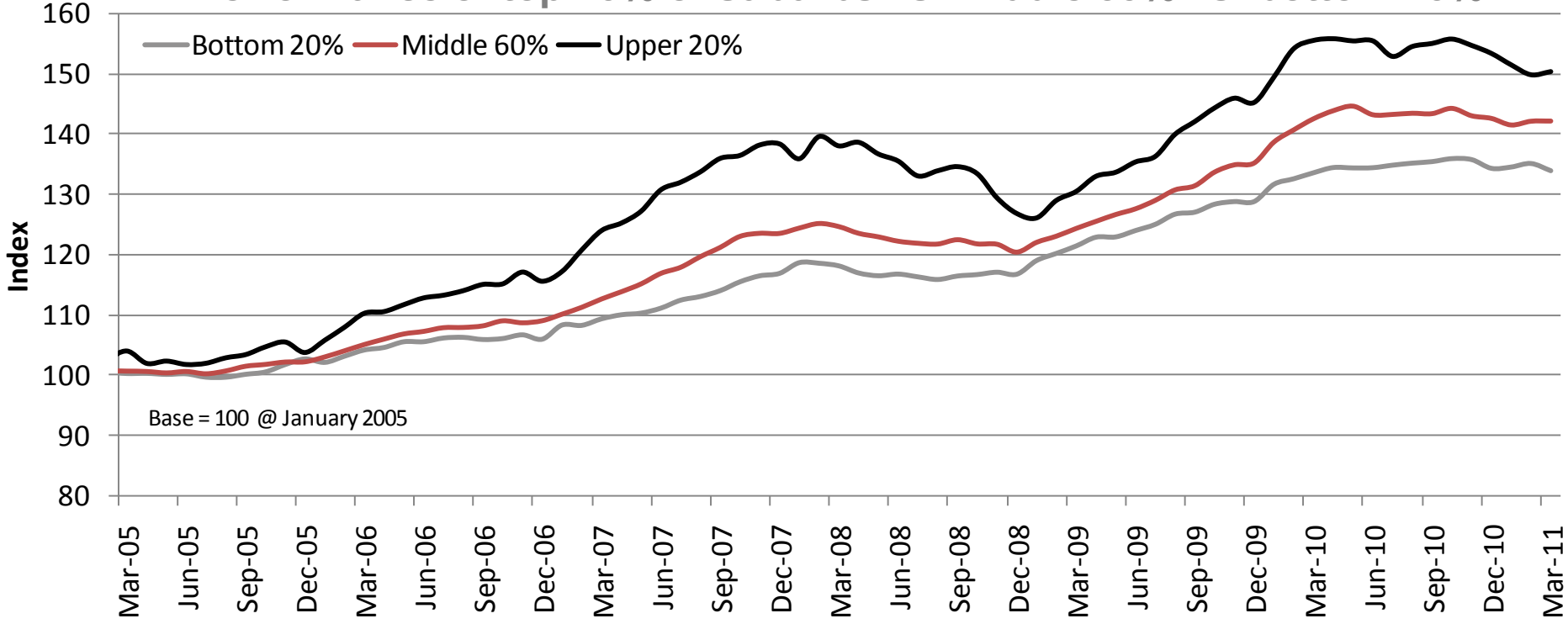


Note: the last five months of sales volumes are modelled based on historic levels of revision

Premium sector of the market the weakest performer in recent times

- Across the past year, the most affordable suburbs have been the best performed (0.3%) followed by the 'middle' market (-0.3%) and the premium sector has been the weakest (-3.3%).

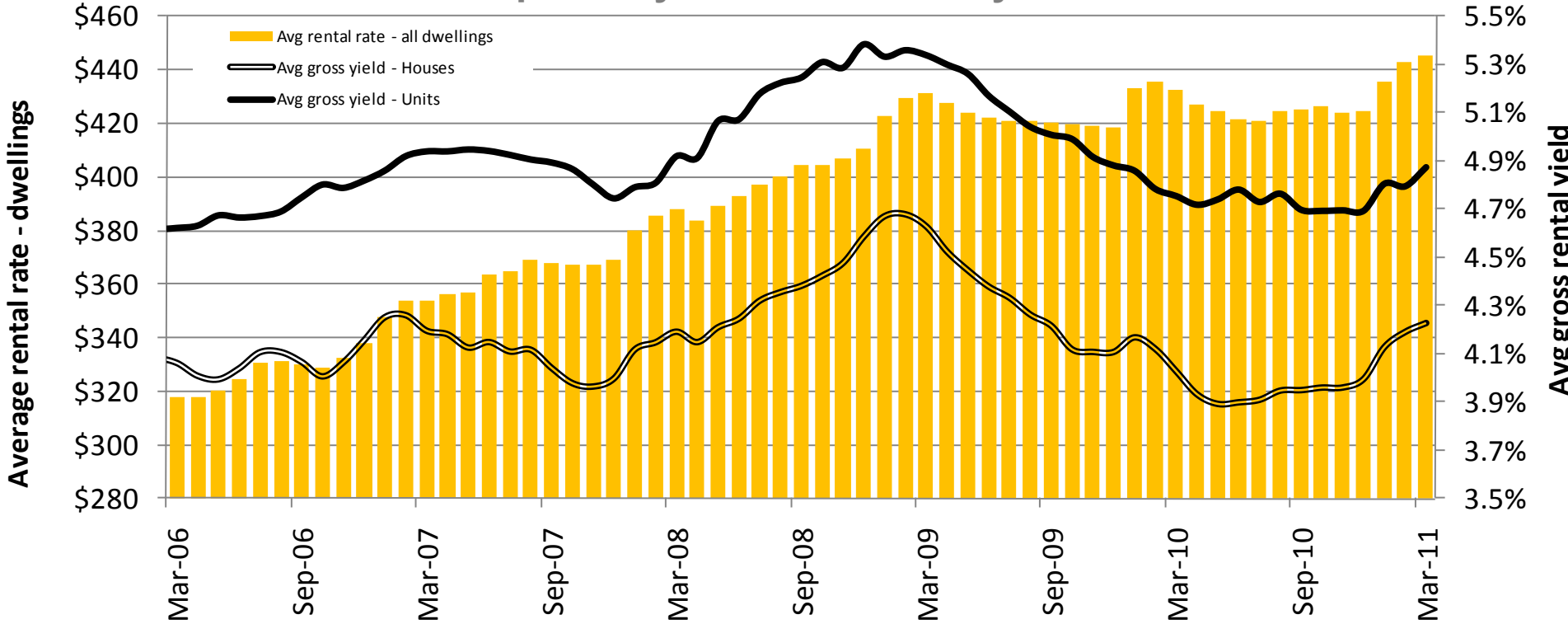
Performance of top 20% of suburbs vs. middle 60% vs. bottom 20%



Rents and yields finally showing some signs of life

- Across the combined capital cities rents sit at \$452/week for houses and \$428/week for units
- Over the last year capital city rents have increased by 3.3% for houses and 2.0% for units.

Capital city rental rates and yields



Source: rpdata.com - Rismark

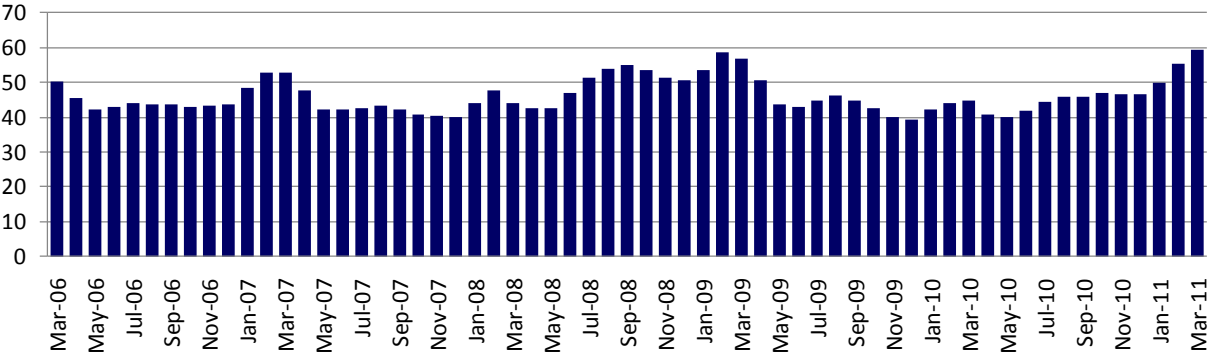
Rents and yields finally showing some signs of life

		Annual Change		Five year change	
		%	\$	%	\$
Sydney	Houses	6.3%	\$34	6.7%	\$157
	Units	3.6%	\$17	7.3%	\$150
Melbourne	Houses	1.9%	\$8	7.5%	\$127
	Houses	-1.8%	-\$7	7.9%	\$117
Brisbane	Houses	-1.2%	-\$5	5.6%	\$95
	Units	-0.3%	-\$1	5.9%	\$86
Adelaide	Houses	2.2%	\$7	4.7%	\$72
	Units	5.1%	\$16	8.6%	\$110
Perth	Houses	4.9%	\$19	8.3%	\$135
	Units	2.8%	\$11	8.4%	\$140
Darwin	Houses	-5.4%	-\$33	10.7%	\$226
	Units	1.3%	\$6	12.1%	\$196
Canberra	Houses	1.9%	\$10	4.4%	\$102
	Units	5.1%	\$21	7.0%	\$126
Hobart	Houses	5.9%	\$20	n.a.	n.a.
	Units	-7.5%	-\$21	n.a.	n.a.
National	Houses	3.3%	\$14	6.8%	\$126
	Units	2.0%	\$8	7.5%	\$130

- Across the combined capital cities rents sit at \$452/week for houses and \$428/week for units
- Over the last year capital city rents have increased by 3.3% for houses and 2.0% for units.
- Over the past five years, house rents have increased at an average annual rate of 6.8% and unit rents at 7.5%p.a.
- As a result, rents for both houses and units have increased at a faster pace than property value growth.

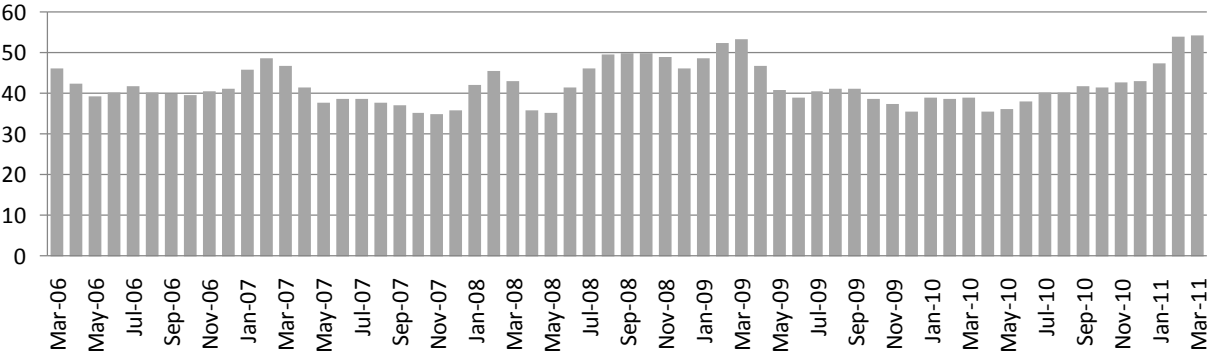
Average time on market is climbing as the number of listings continue to mount

Average days on market, houses



This yr: 59 days
Last yr: 45 days

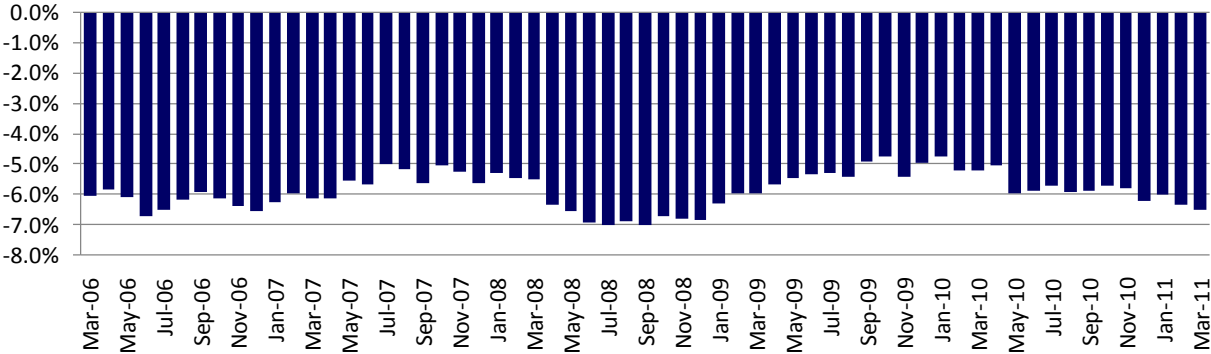
Average days on market, units



This yr: 54 days
Last yr: 39 days

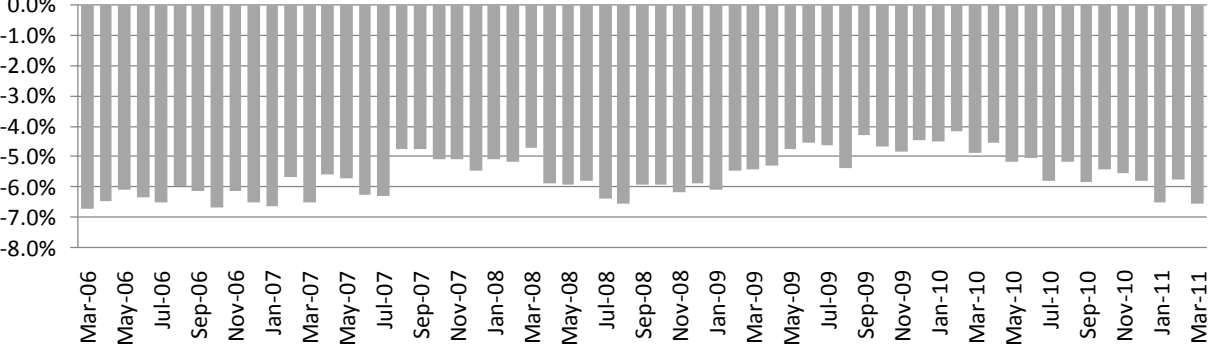
Properties are taking longer to sell as subdued buying conditions persist

Average vendor discount, houses



This yr: -6.5%
Last yr: -5.2%

Average vendor discount, units

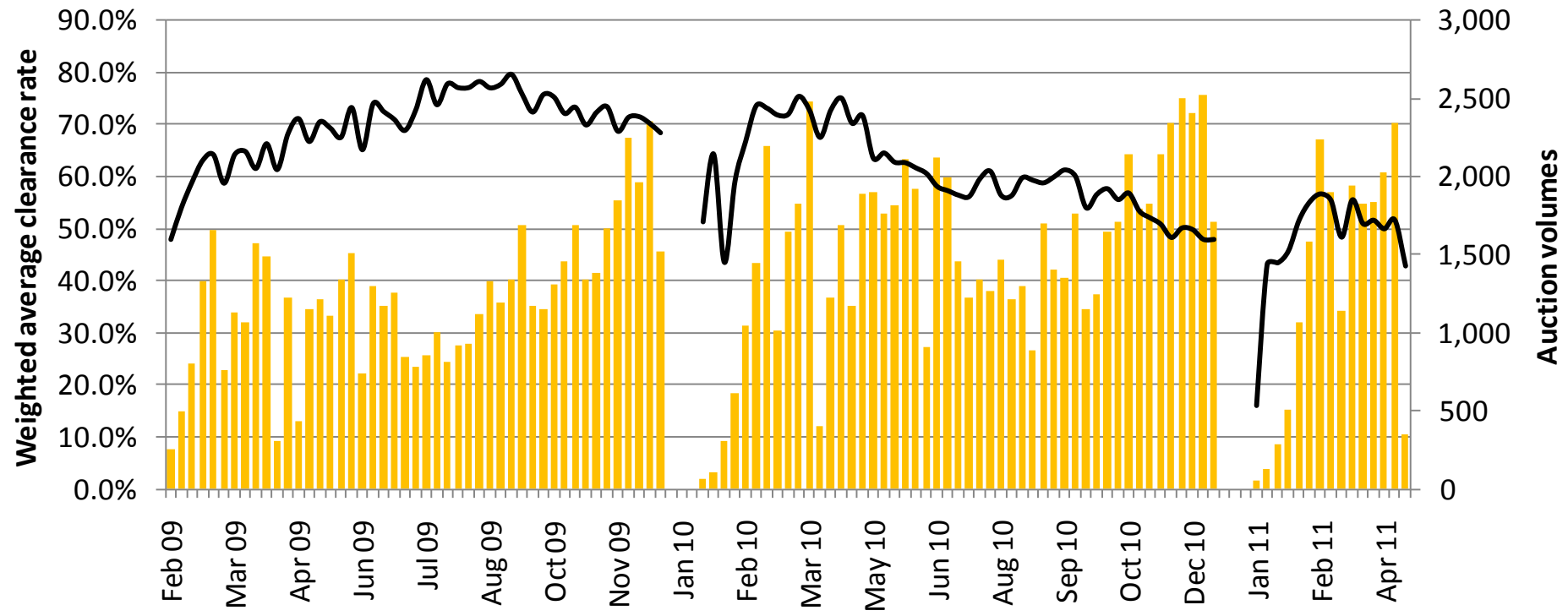


This yr: -6.6%
Last yr: -4.9%

Clearance rates hovering between 50% and 60% most weeks

- Auction clearance rates are well below levels recorded at the same time last year (70% to 80%).
- Although clearance rates have eased the volume of properties being taken to auction is still quite significant.

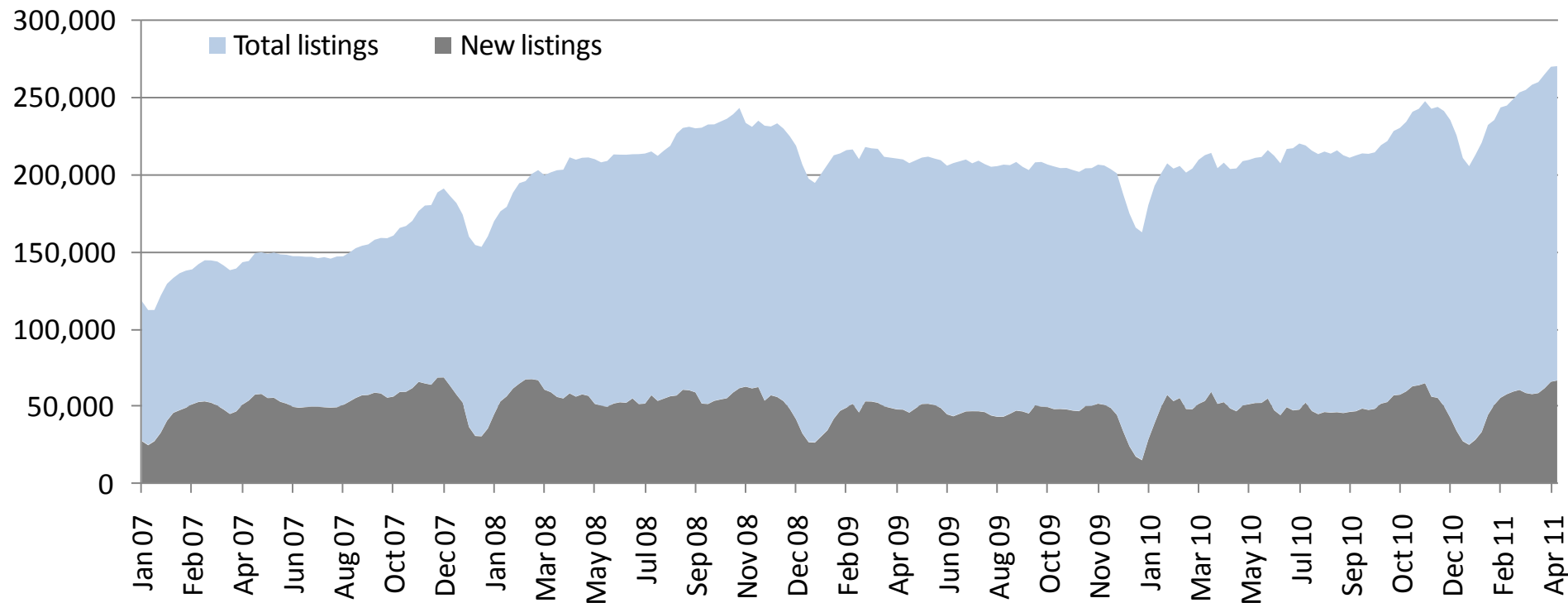
Capital city clearance rates and auction volumes



The number of properties advertised for sale is at an historic high

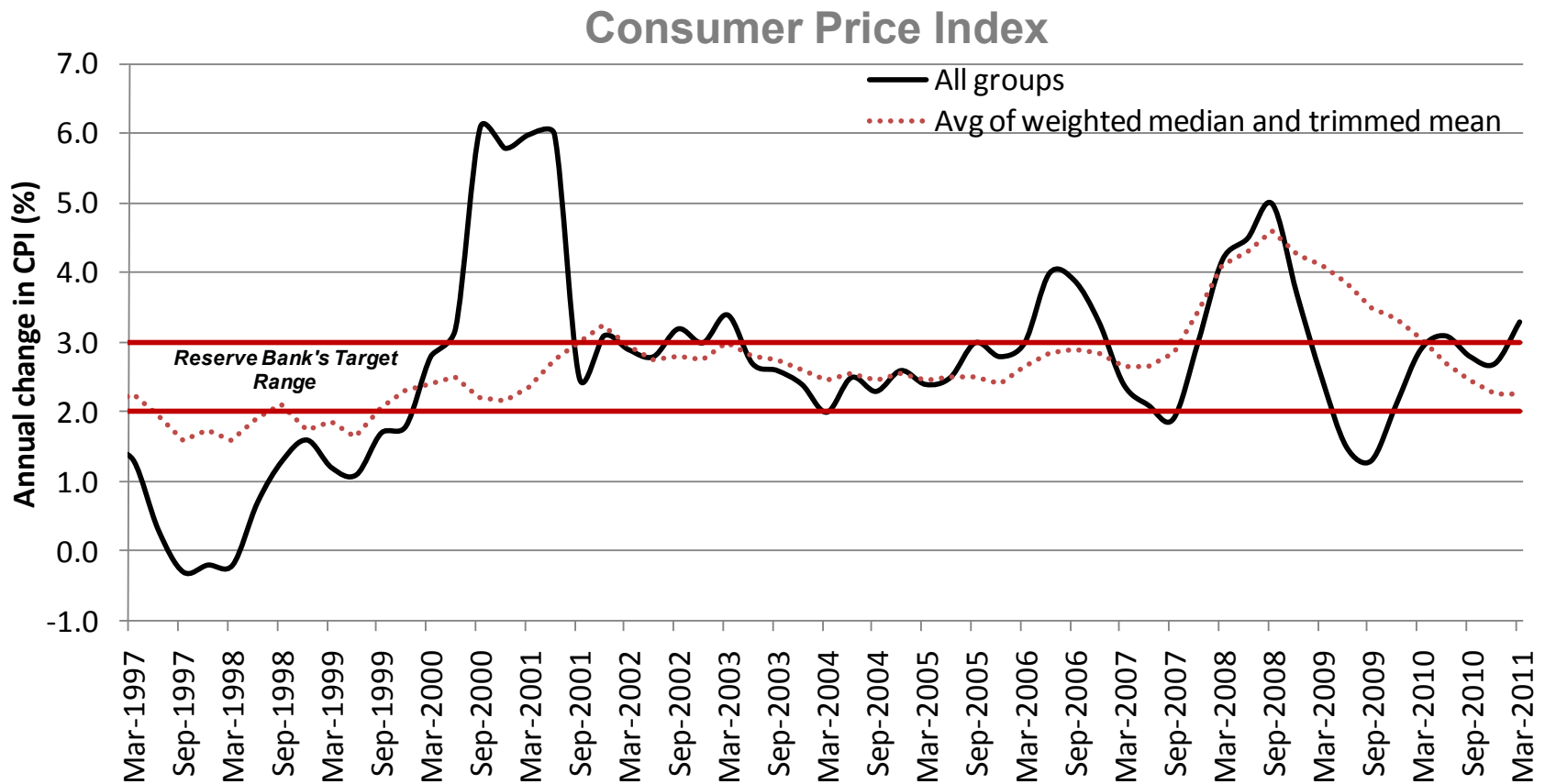
- More than 270,000 properties are currently advertised for sale across the country.
- Capital city new listings are now starting to fall and total capital city listings account for less than half of the total listings nationally.

Number of properties advertised for sale nationally



Annual inflation rebounds strongly during Mar-11 quarter

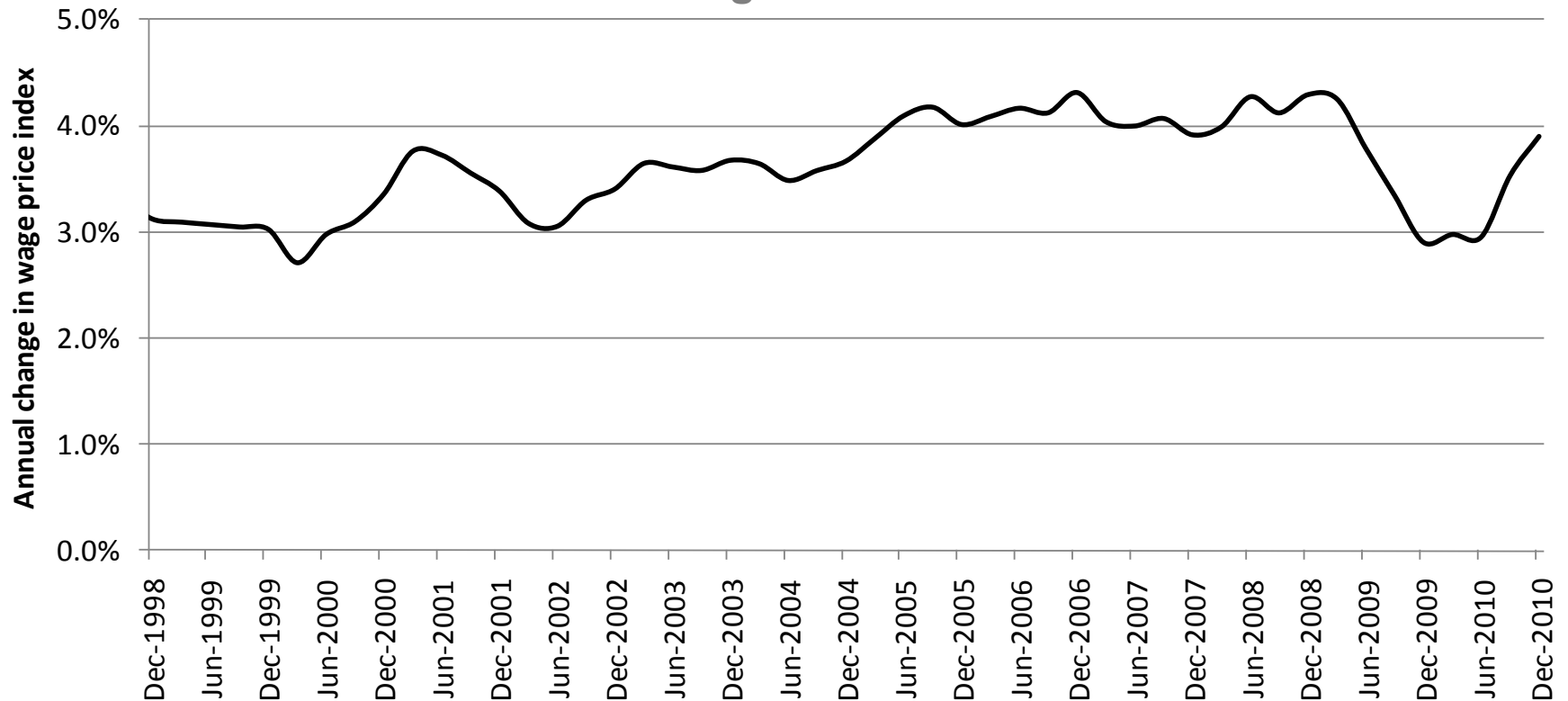
- All groups inflation is currently recorded at 3.3%.
- The RBA's preferred measure, the average of the weighted median and trimmed mean is recorded at 2.3% over the year.



Wages are now growing at a faster pace than inflation

- During 2010, wages increased by 3.9% compared to inflation of 2.7%.
- If wage growth accelerates it is likely to be inflationary, potentially leading to higher interest rates.

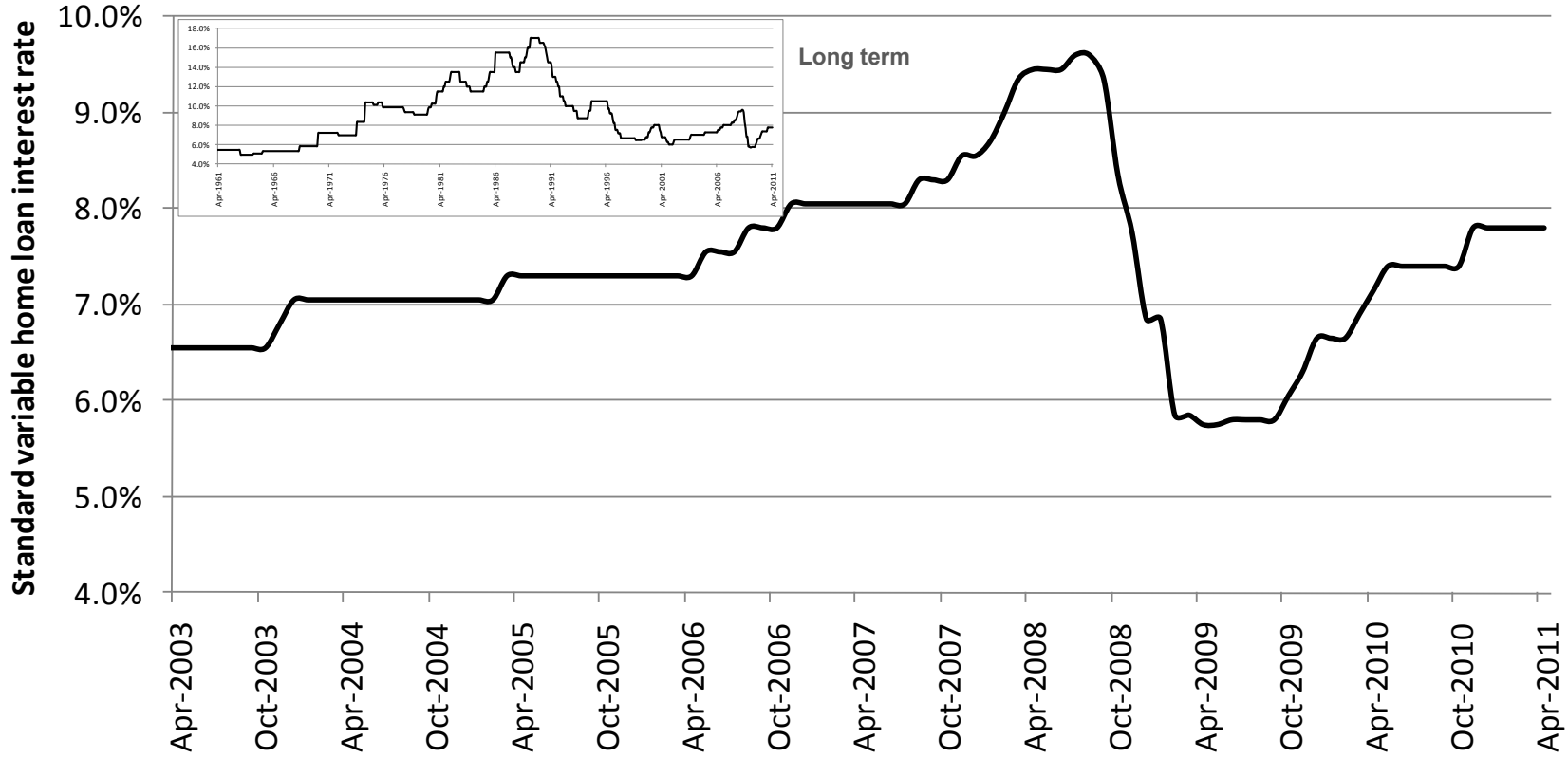
Wage Price Index



Standard variable mortgage rates remain at 7.8%

- Mortgage rates have remained on hold for six months now
- Mortgage rates are currently above the 10 year average level (7.23%) indicating that monetary policy is currently restrictive.

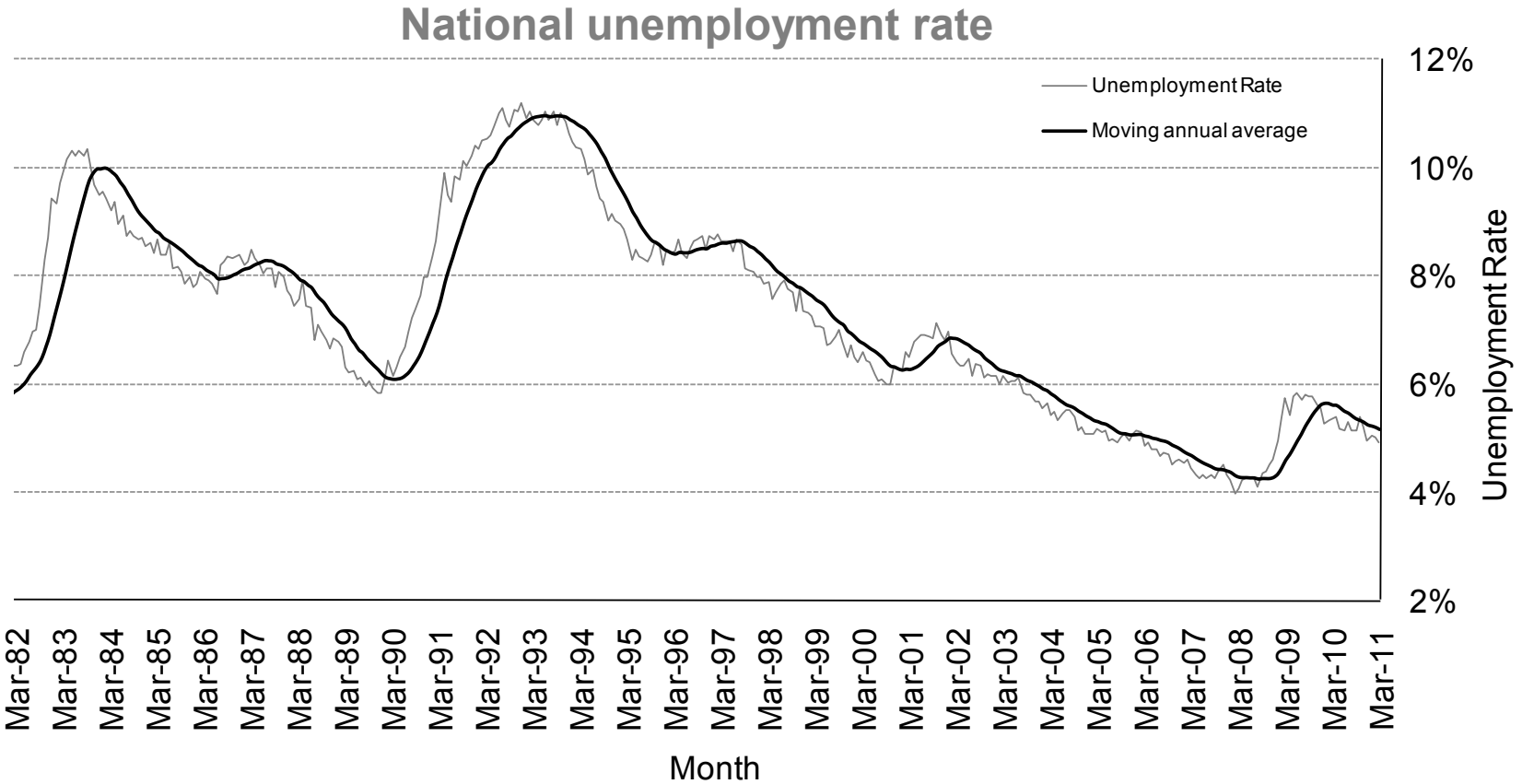
Standard variable mortgage rates



Source: RBA, rpdata.com

Nationally unemployment rate is now below 5%

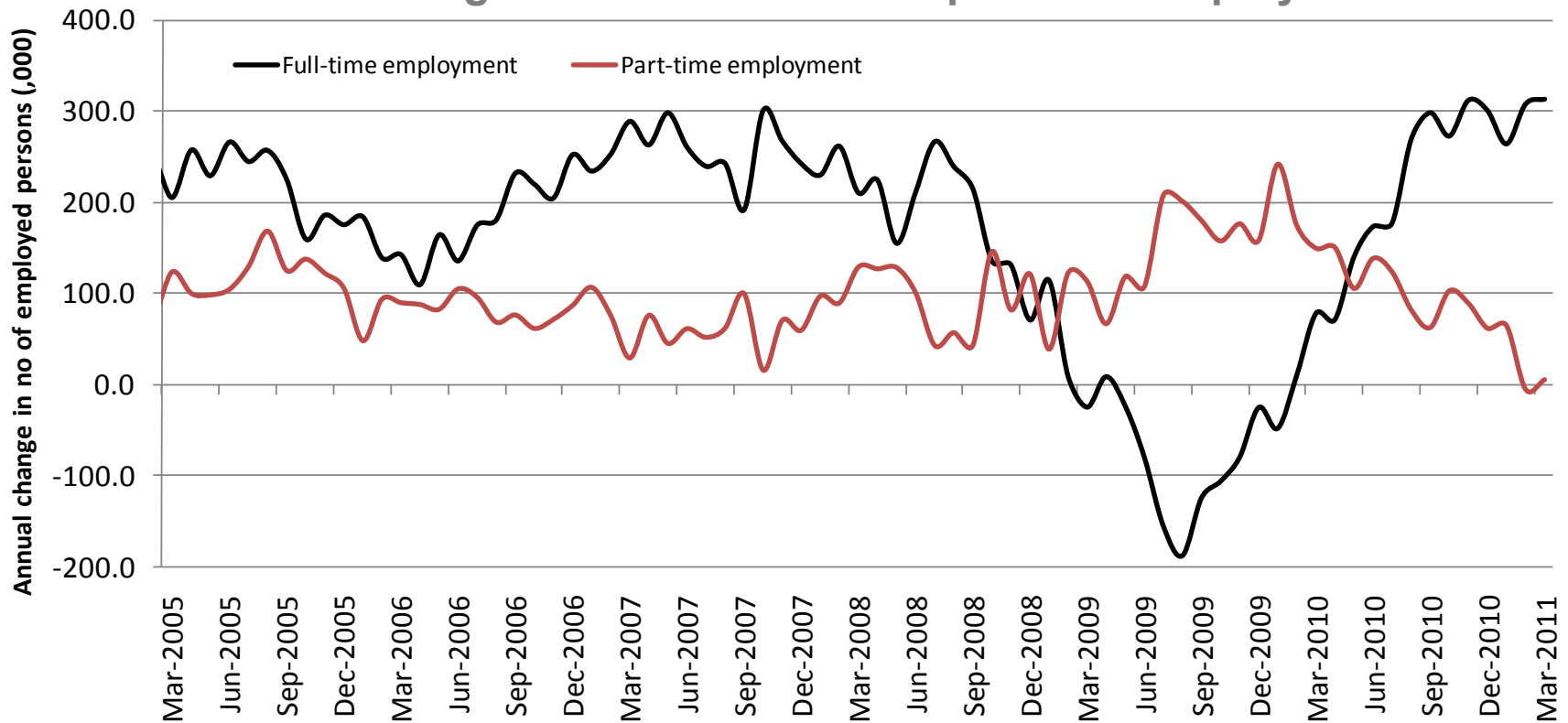
- The national unemployment rate is recorded at 4.9%.
- Employment participation rates are up around historic highs at 65.8%.



Full-time employment jobs continue to grow while fewer part-time positions are created

- During the last year, full-time employment increased by 313,200 persons.
- Part-time employment increased by just 6,100 persons over the last year.

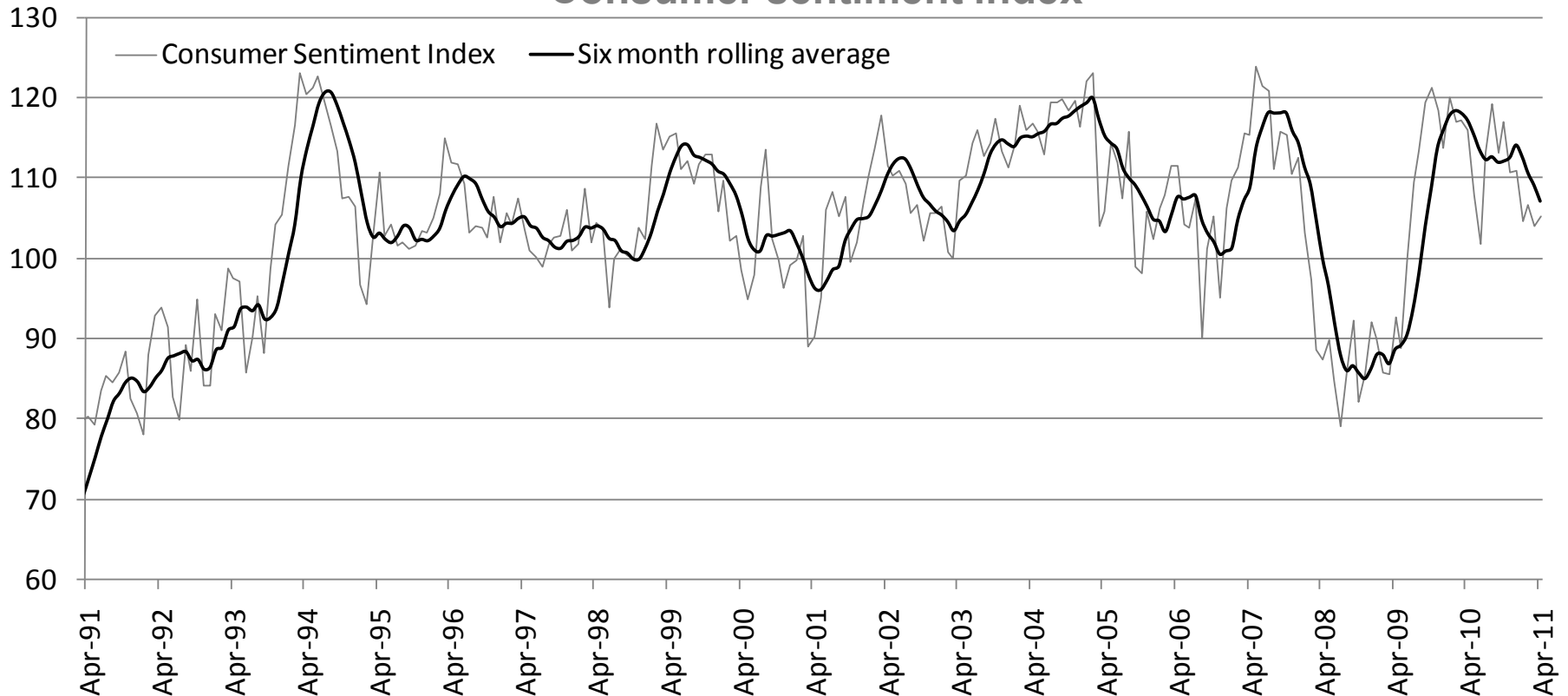
Annual growth in full-time and part-time employment



Consumer sentiment has been weakening as data flow has not been so positive

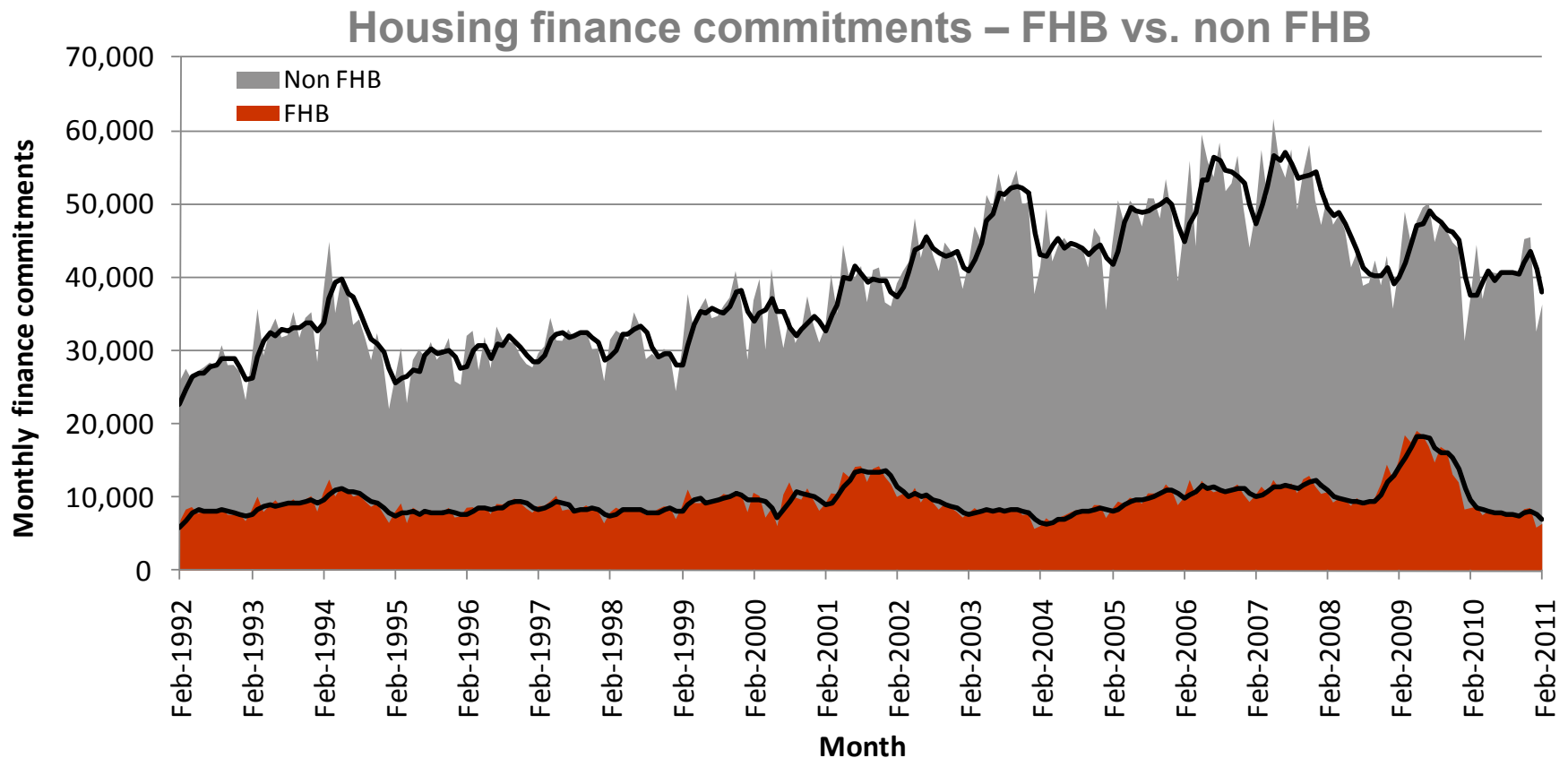
- The index of Consumer Sentiment was recorded at 105.3 during Apr 11.
- The sentiment is reflective of relative weak economic conditions outside of the resources sector and ongoing consumer conservatism.

Consumer sentiment index



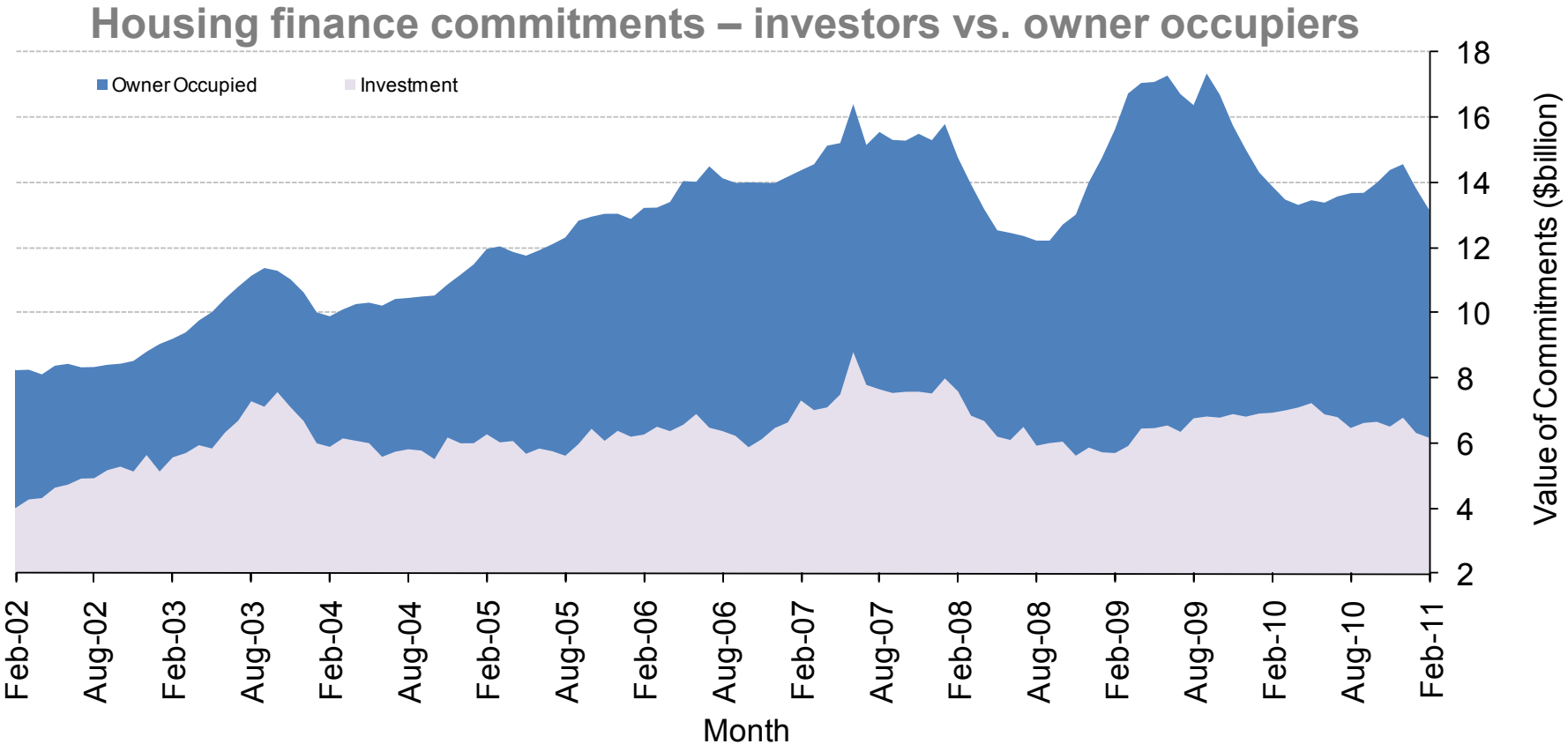
First home buyers and non-first home buyers relatively inactive at the moment

- During Feb 11, first home buyers accounted for just 14.9% of all owner occupier finance commitments.
- Non first home buyer activity also remains quite subdued.



Investors are taking little part in the current market

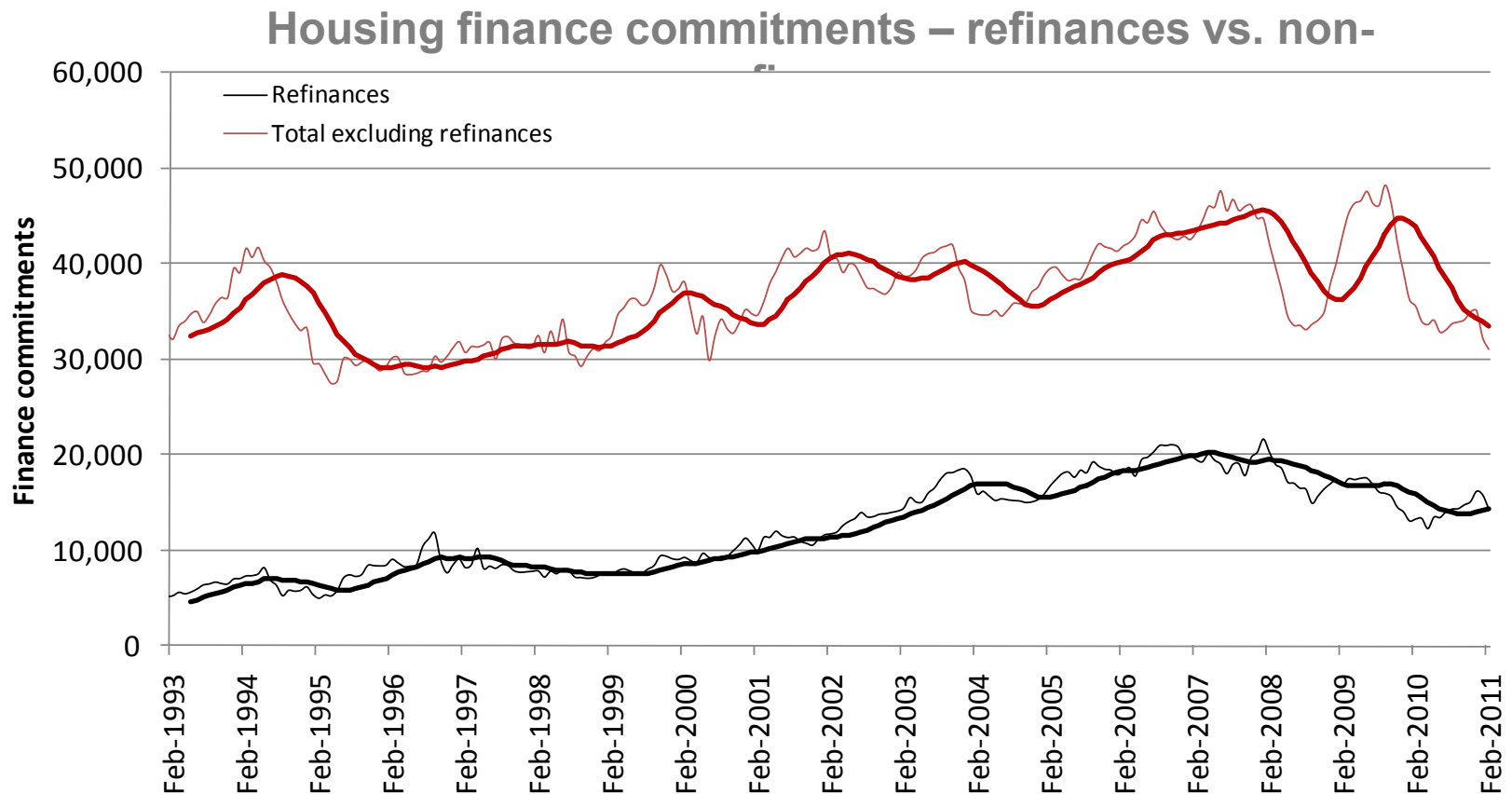
- The total value of investor finance commitments during Feb 11 was \$6.2 billion, the lowest read since Mar 09.



Source: ABS, rpdata.com

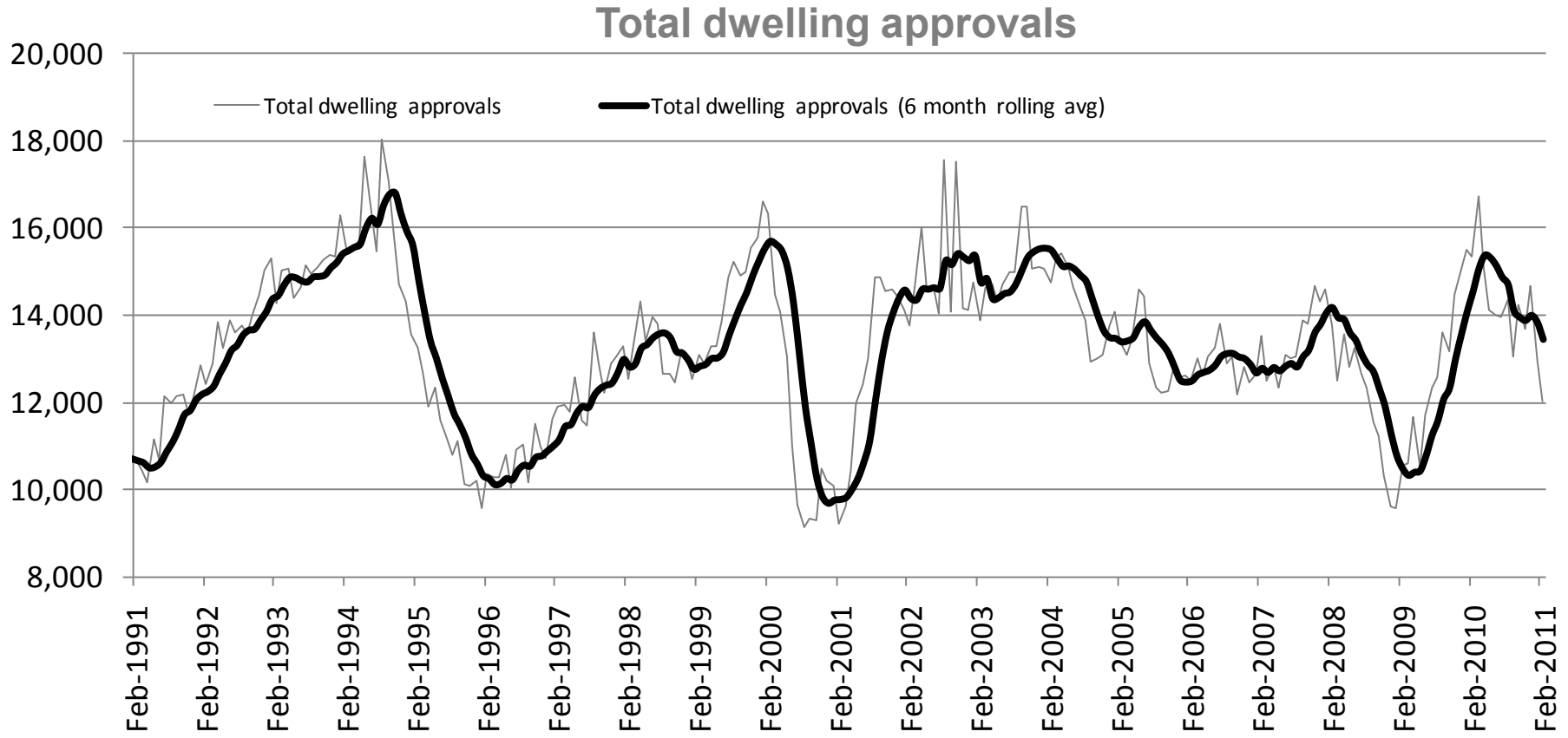
When refinances are excluded finance commitments are extremely subdued

- Over the 12 months refinance commitments have increased by 7.9% while all other owner occupier commitments have fallen by -12.8%



Dwelling approvals were reasonably buoyant during 2010 but are now falling sharply

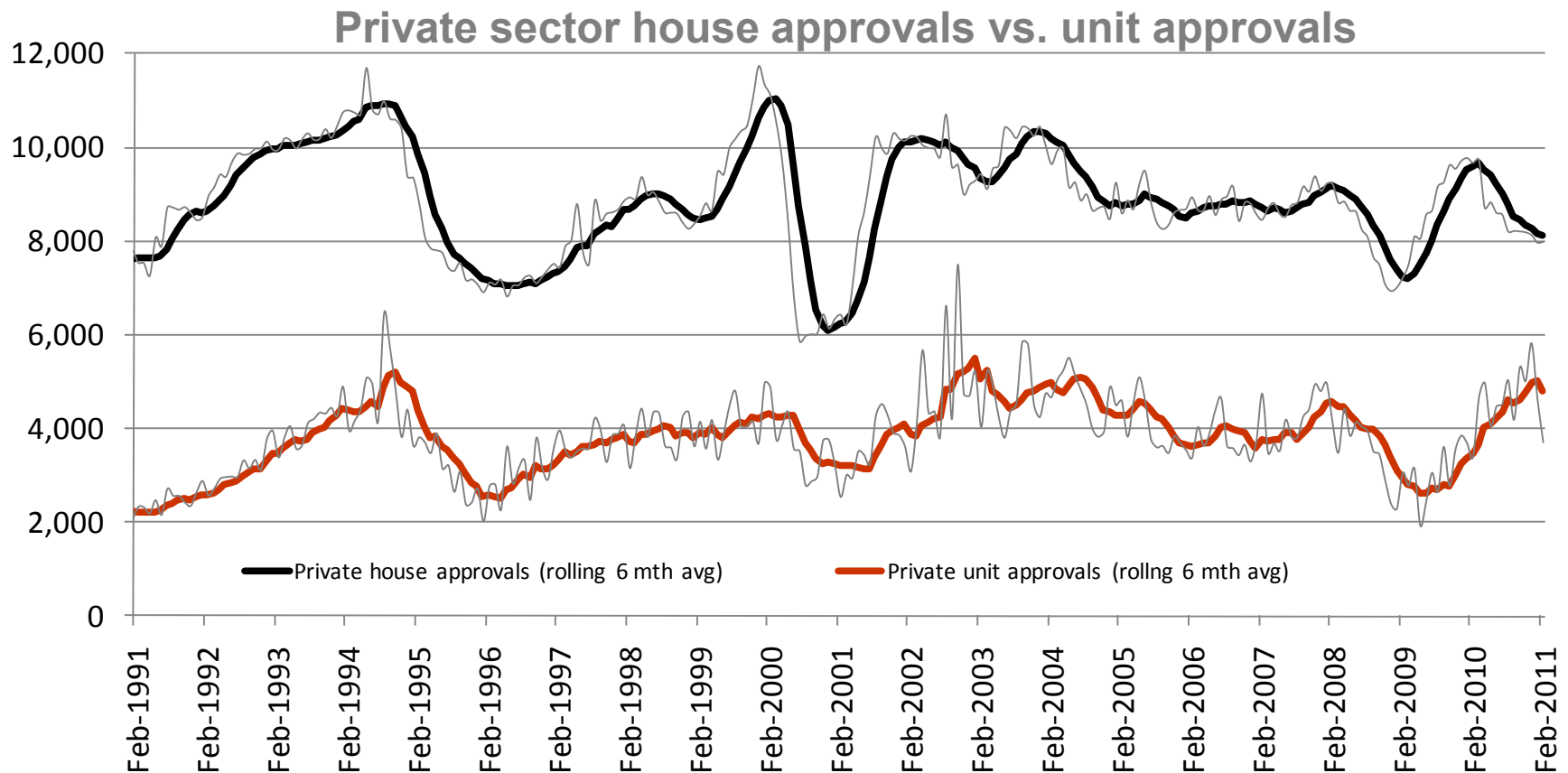
- Total dwelling approvals are -21.8% lower during Feb 11 than they were during Feb 10



Source: ABS, rpdata.com

Dwelling approvals were reasonably buoyant during 2010 but are now falling sharply

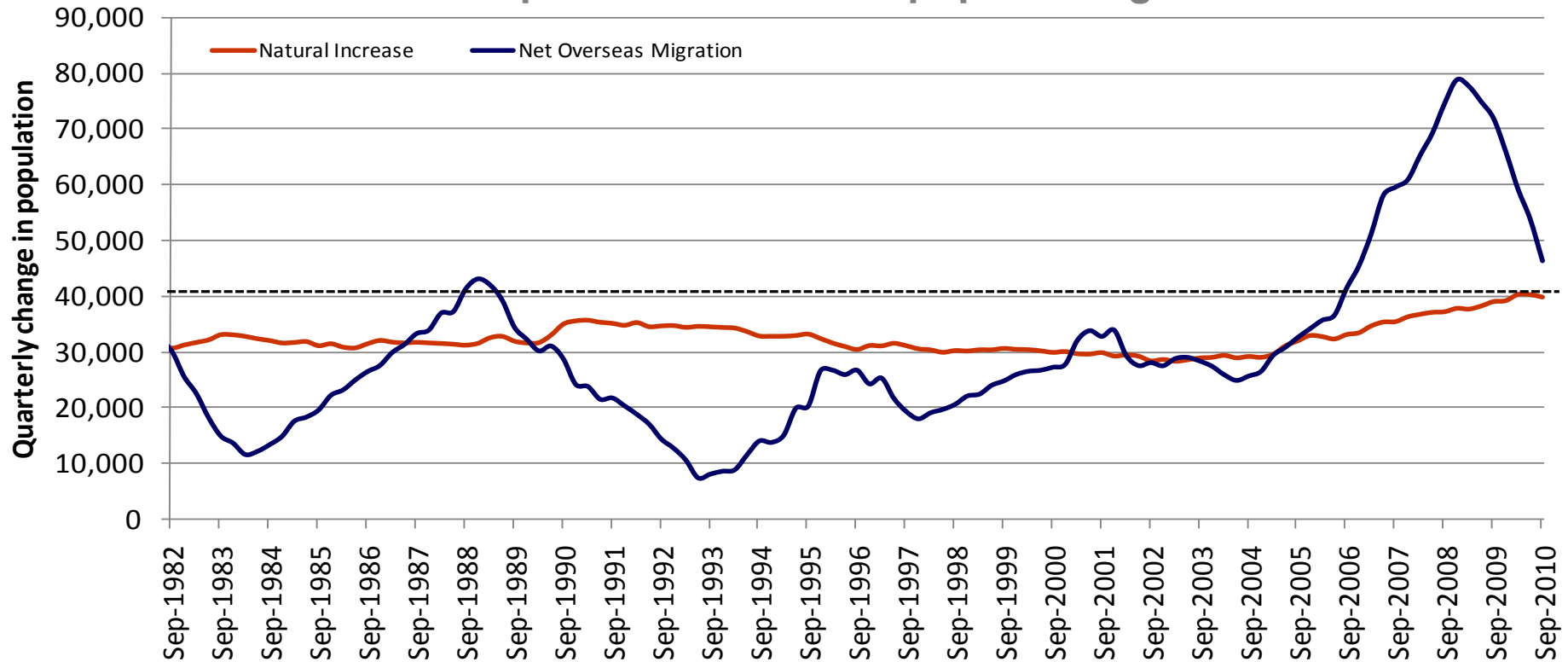
- Total dwelling approvals are -21.8% lower during Feb 11 than they were during Feb 10
- Private sector house approvals are down -17.4% year on year.
- Private sector unit approvals are up 9.2% year on year.



Population growth is easing but remains well above long-term averages

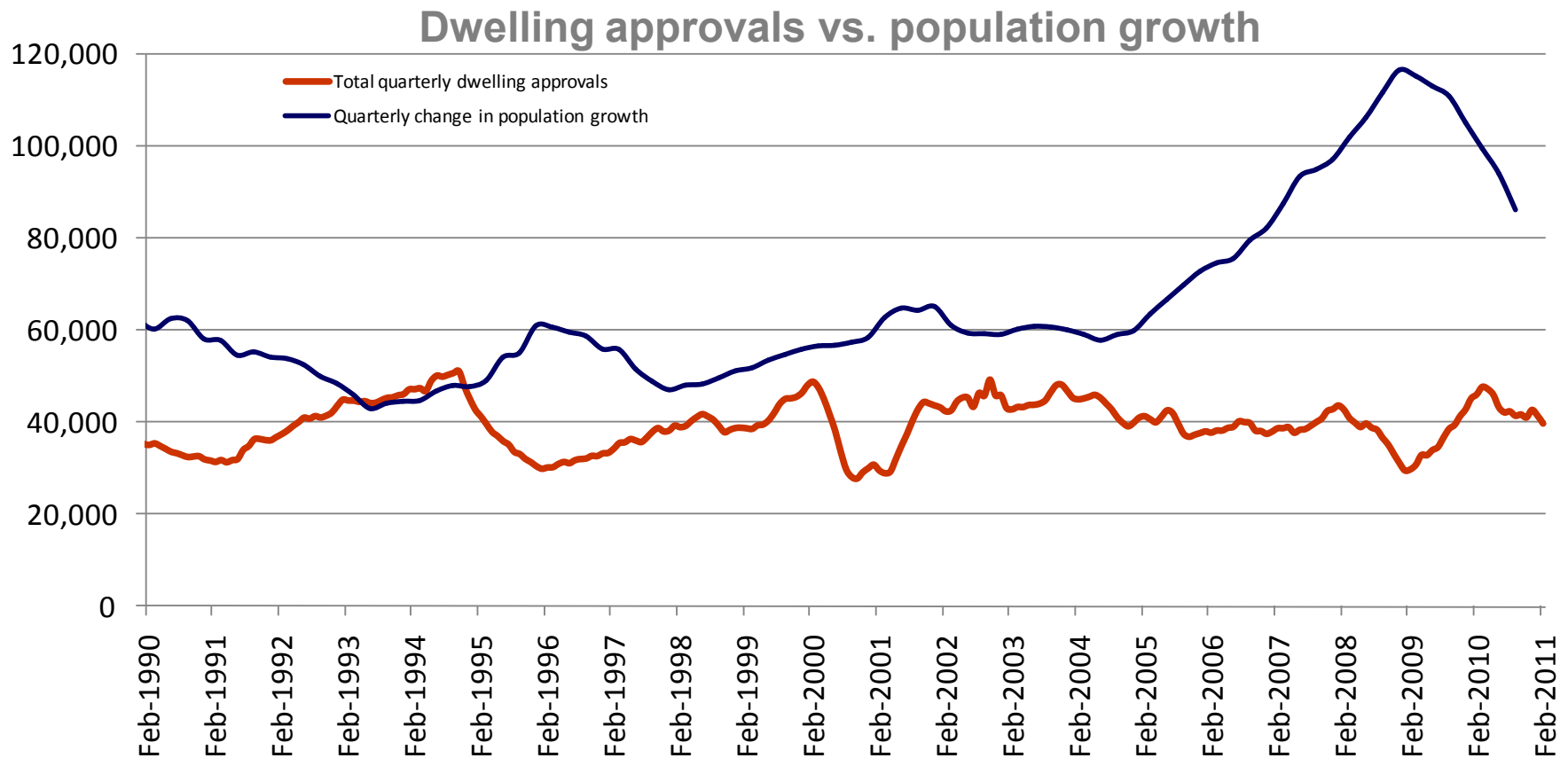
- The slowdown in population growth is largely the result of a fall in net overseas migration.
- Natural increase remains at near record levels.

Components of national population growth



Although population growth is slowing, the supply of new dwellings has been insufficient

- As population growth took-off during 2005, there was not a sufficient increase in the supply of new building approvals
- The result is a disconnect between supply and demand.



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