

residential market overview

Presented by:

Vanessa Rader

LandMark White Limited

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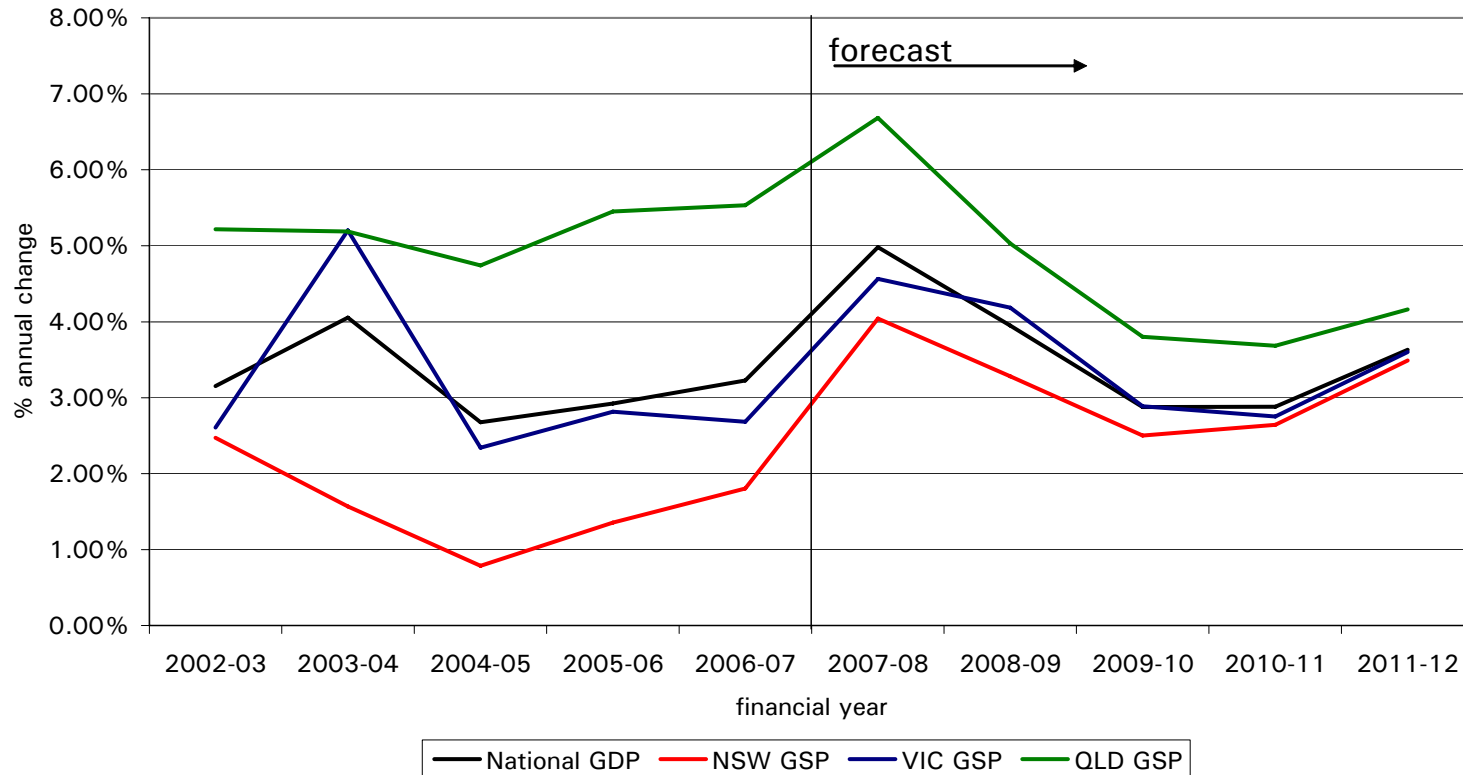
introduction

- **Economic indicators & key statistics**
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 - ◆ Lending statistics
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 - ◆ Home loan affordability
 - ◆ Population projections
- **Sydney residential market overview**
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 - ◆ Median house & unit prices around Australia
 - ◆ Sydney's top & weak performing LGA's
 - ◆ Sydney vacancy rates
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economic indicators & key statistics



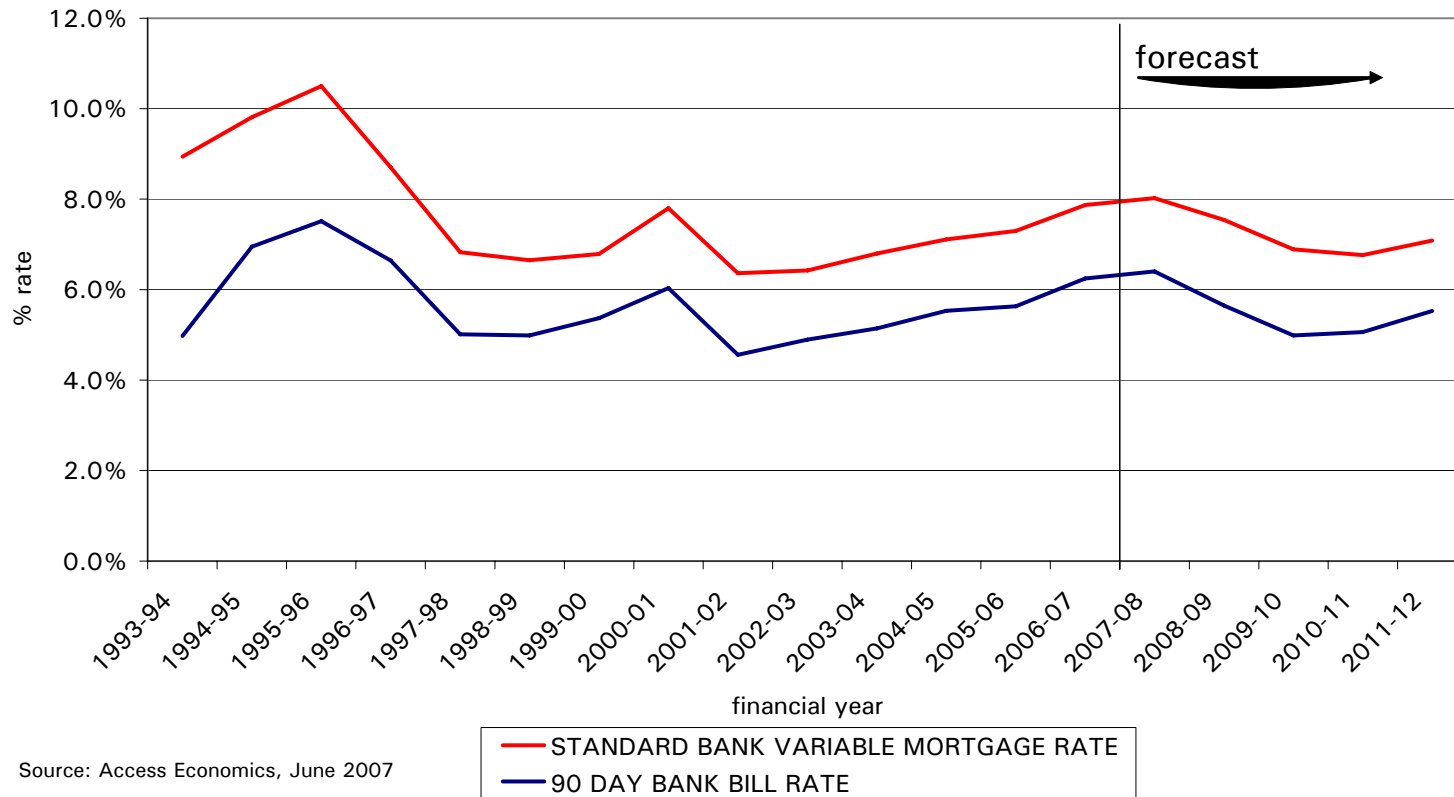
gross state product



Source: Access Economics, June 2007

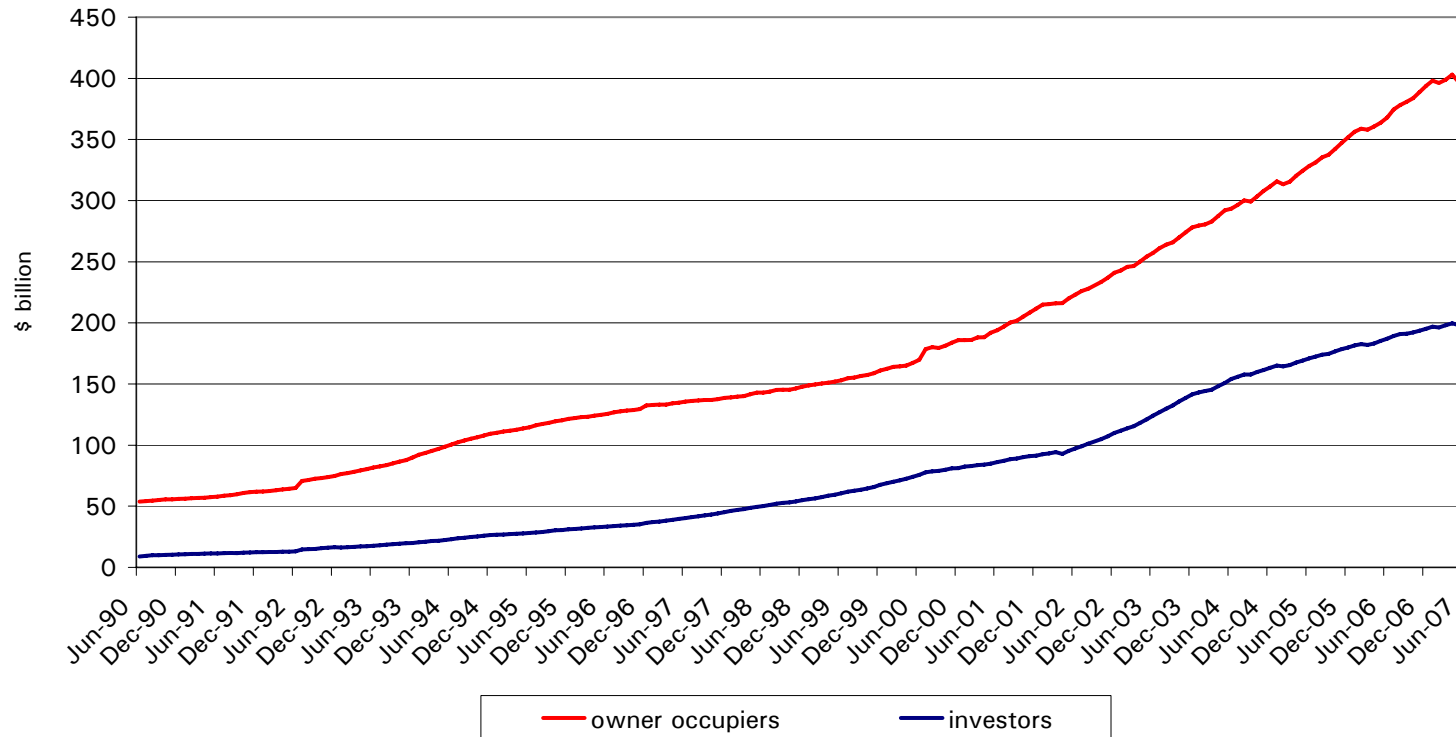
- Economic growth to improve in NSW over the next five years, albeit below the national average;
- 5 year average growth forecast at 3.19%, above historical results (5 years) of 1.60%.

mortgage & interest rates



- Current interest rates at 6.50%, forecasts suggest this will rise again before falling to low levels circa 2002;
- Variable mortgage rates have risen, high level of investors looking to fix rates for the short to medium term.

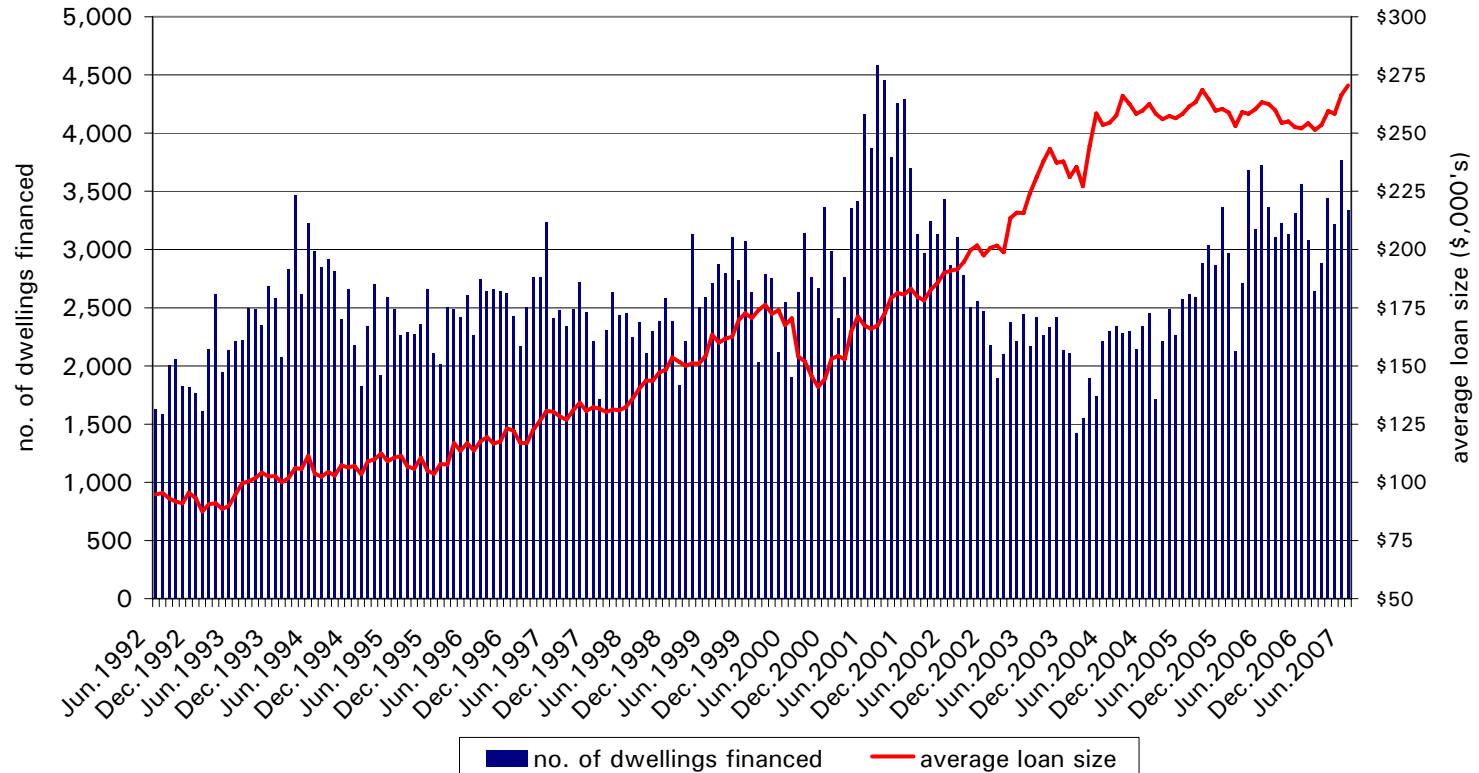
lending by purpose



Source: Reserve Bank of Australia, Table D05

- Investors have certainly come off, with owner occupiers now representing 66.47% of all investment;
- Gap certainly has widened since peak of market where investors represented a higher 70%.

nsw first home buyers



Source: Australian Bureau of Statistics, Cat no. 5690.9b

- First home buyers picking up after the lows of late 2003 interest rate increases;
- Average loan size has remained relatively stable since this period, currently \$270,500.

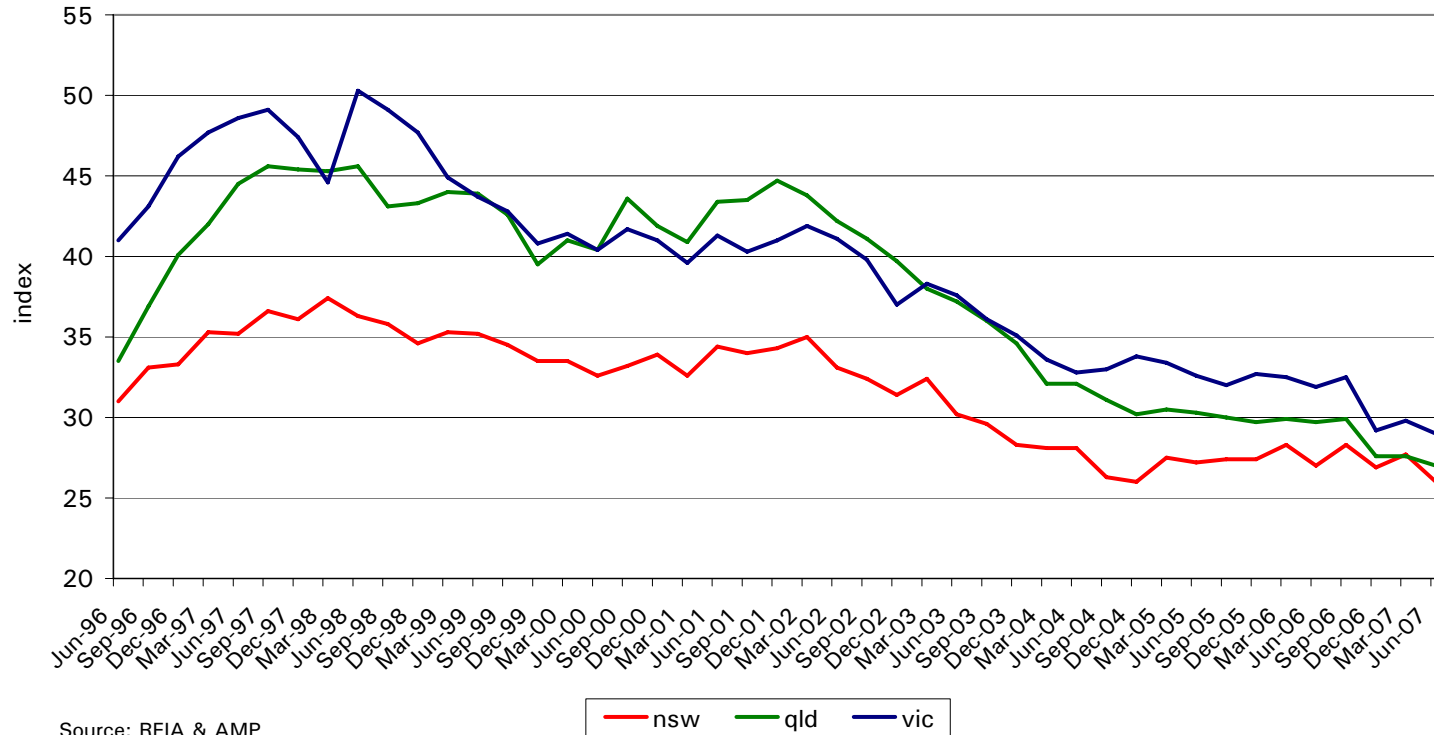
average fhb loan size



Source: Australian Bureau of Statistics, Cat no. 5690.9b

- Average loan size for Qld and Vic increasing in last few months closing gab between NSW;
- Qld average currently \$246,400 and Vic \$236,200.

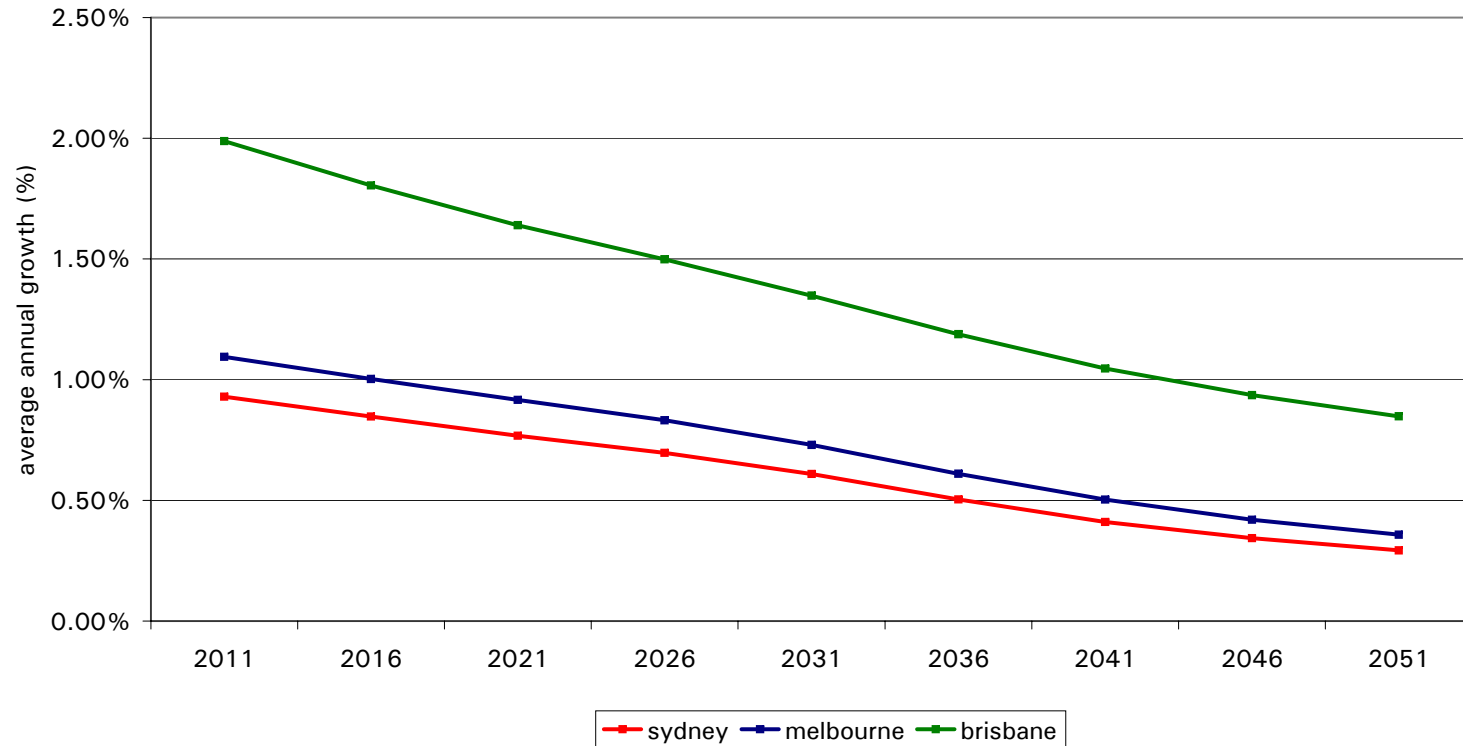
homeloan affordability



Source: REIA & AMP

- Affordability, a key issue for the residential market;
- NSW continues to be least affordable, however Qld very close behind;
- Vic also further increasing.

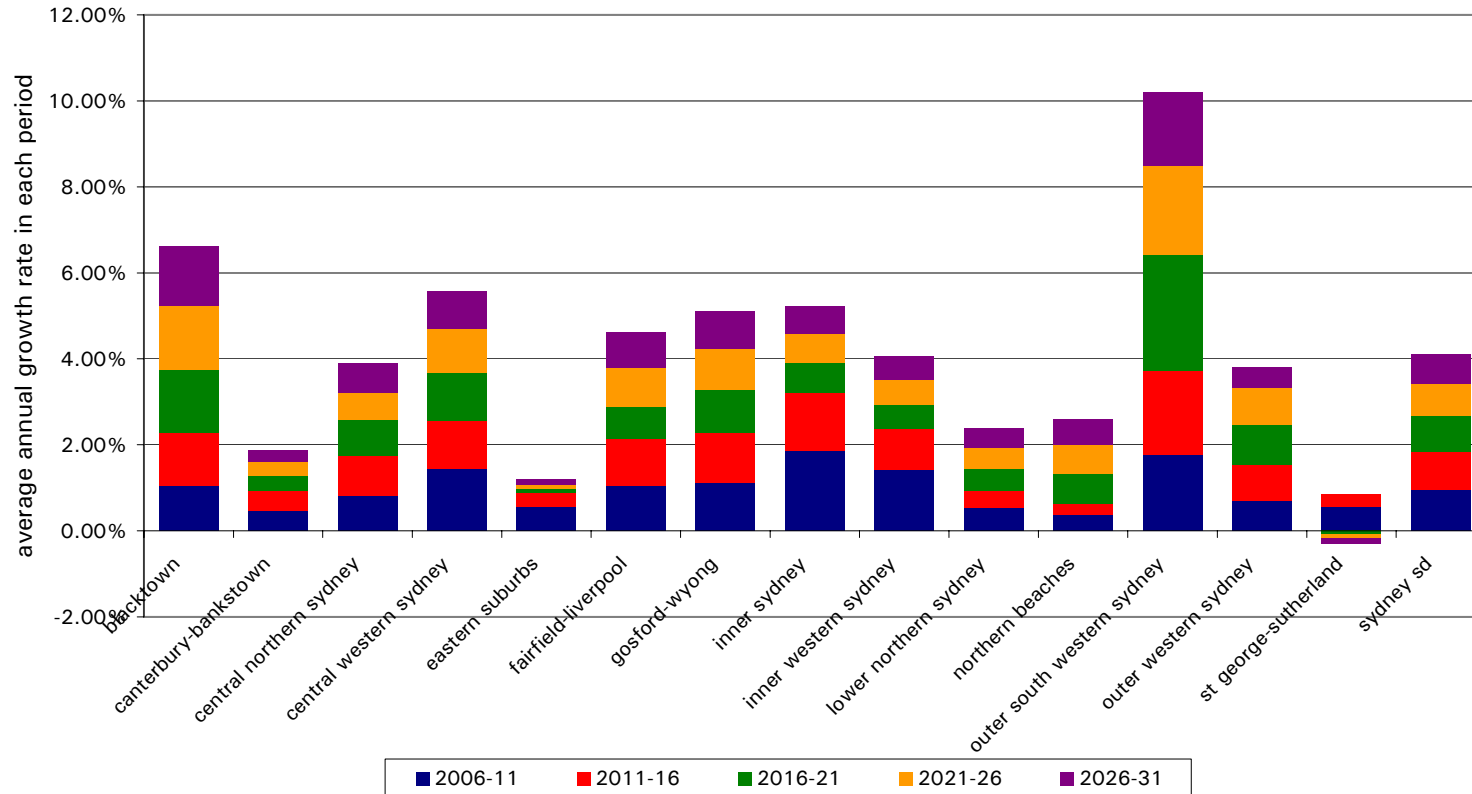
population projections



Source: Australian Bureau of Statistics, Cat. No. 3222.0

- Population a key driver for the residential market.
- NSW projected growth well below that of Qld (1.99%) and also less than Vic (1.09%);
- NSW growth over next 5 years projected at 0.93% pa.

population projections by ssd



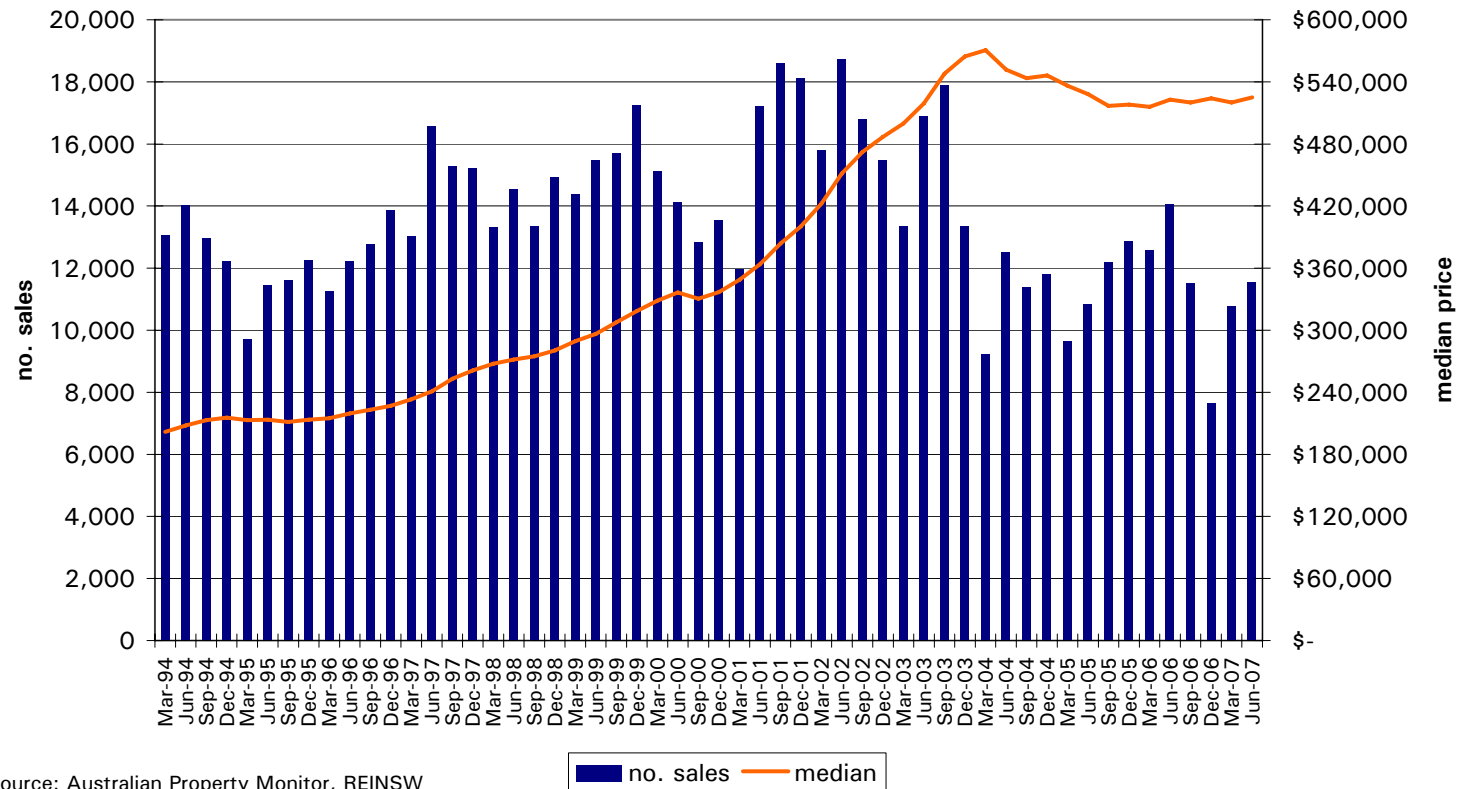
Source: Department of Planning, 2005

- Looking geographically around Sydney, greatest population generation likely in the outer south west given the availability of land;
- Blacktown also a key zone particularly in 2016 & beyond, NW sector.

residential market



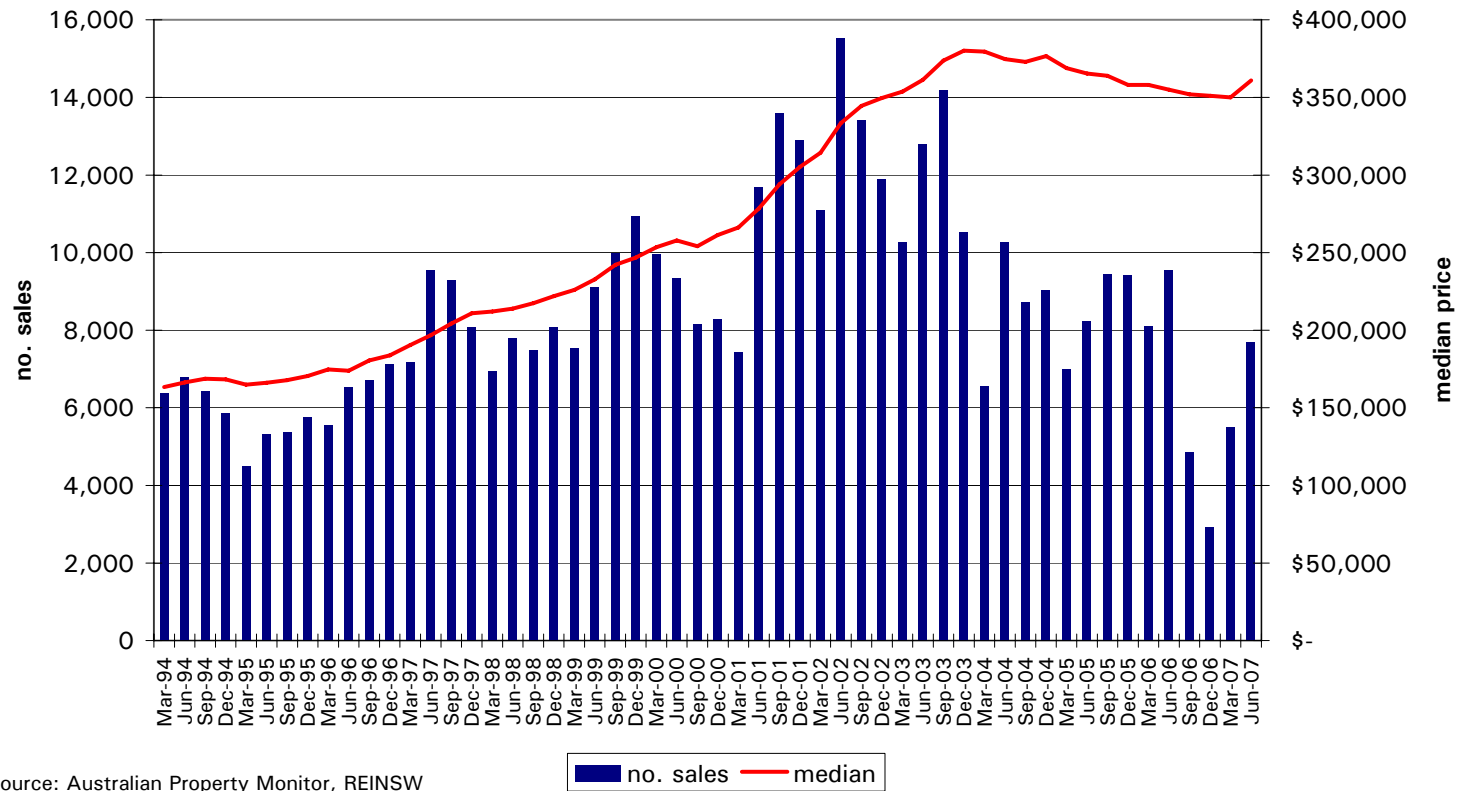
sydney sd houses



Source: Australian Property Monitor, REINSW

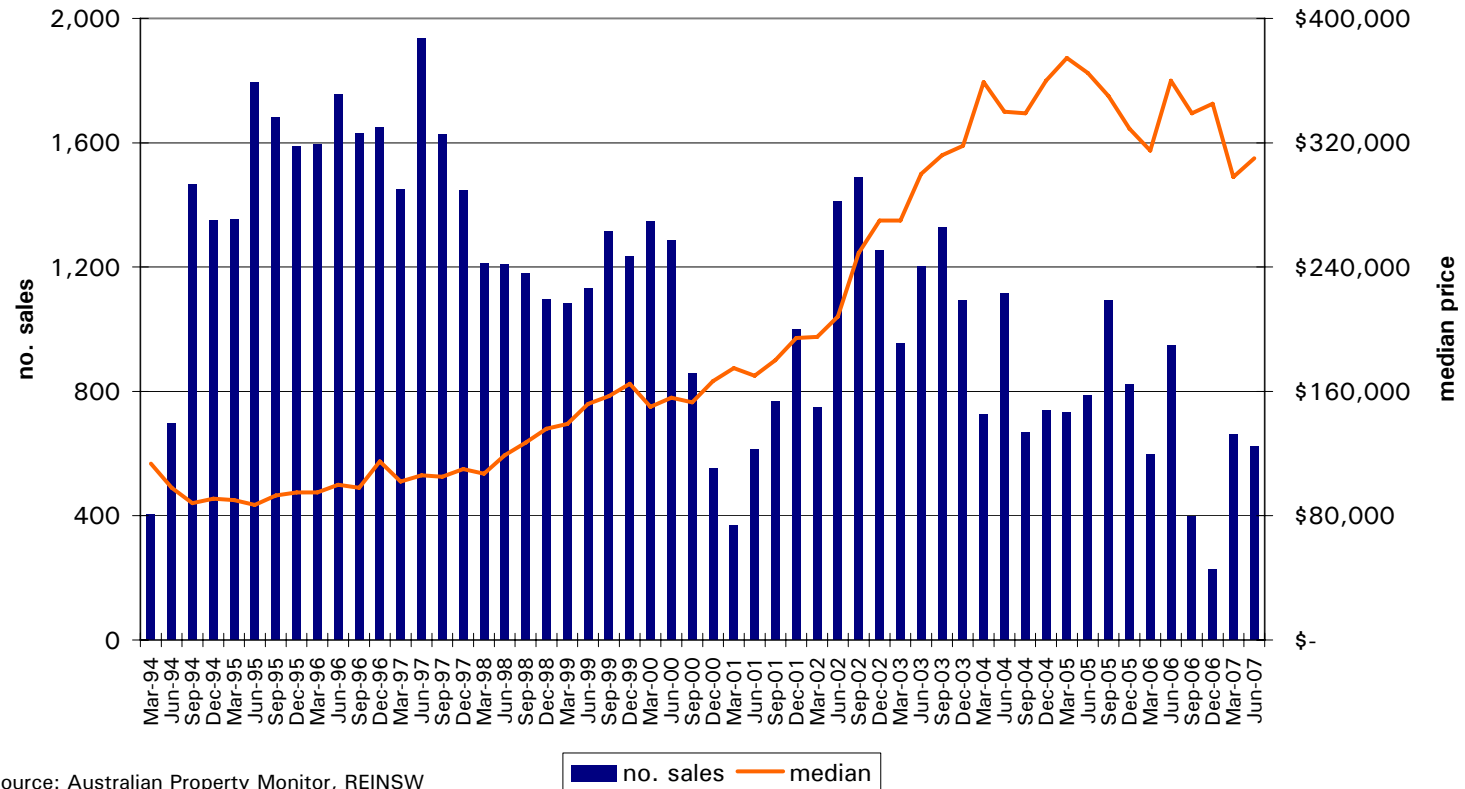
- Volumes coming back somewhat with 11,558 transactions recorded in last quarter resulting in current median of \$525,000;
- Median has maintained over last 2-3 years after peak of \$570,670 in Mar-04.

sydney sd units



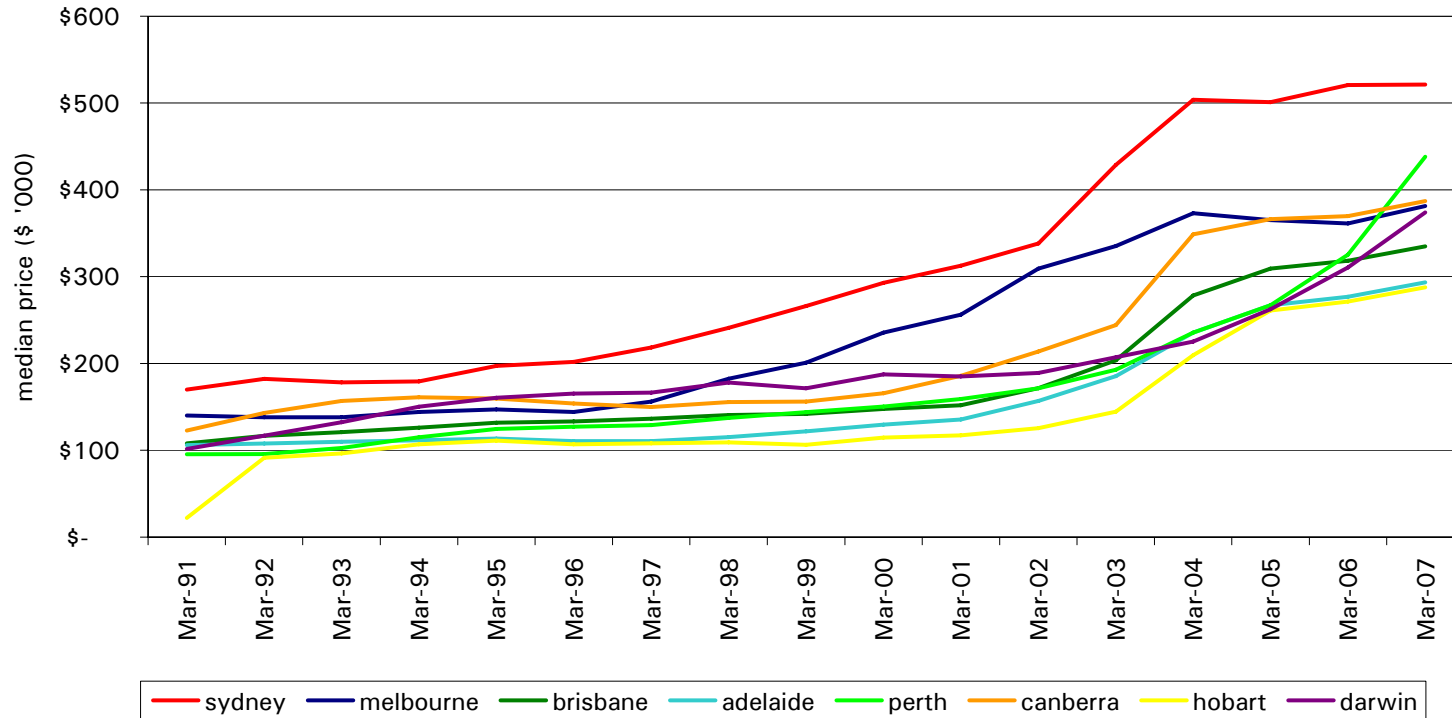
- Unit turnover has fallen further than houses, however last period up 39% to 7,695 with a median of \$361,000
- Median prices jumped up 3.14% in this last quarter after falling 1.22% pa over the last three years.

sydney sd land



- Given the limited land available for sale across the region, turnover levels have been at low levels, only recording 621 sales in last quarter;
- Huge volatility in median prices given this stock, currently \$310,000.

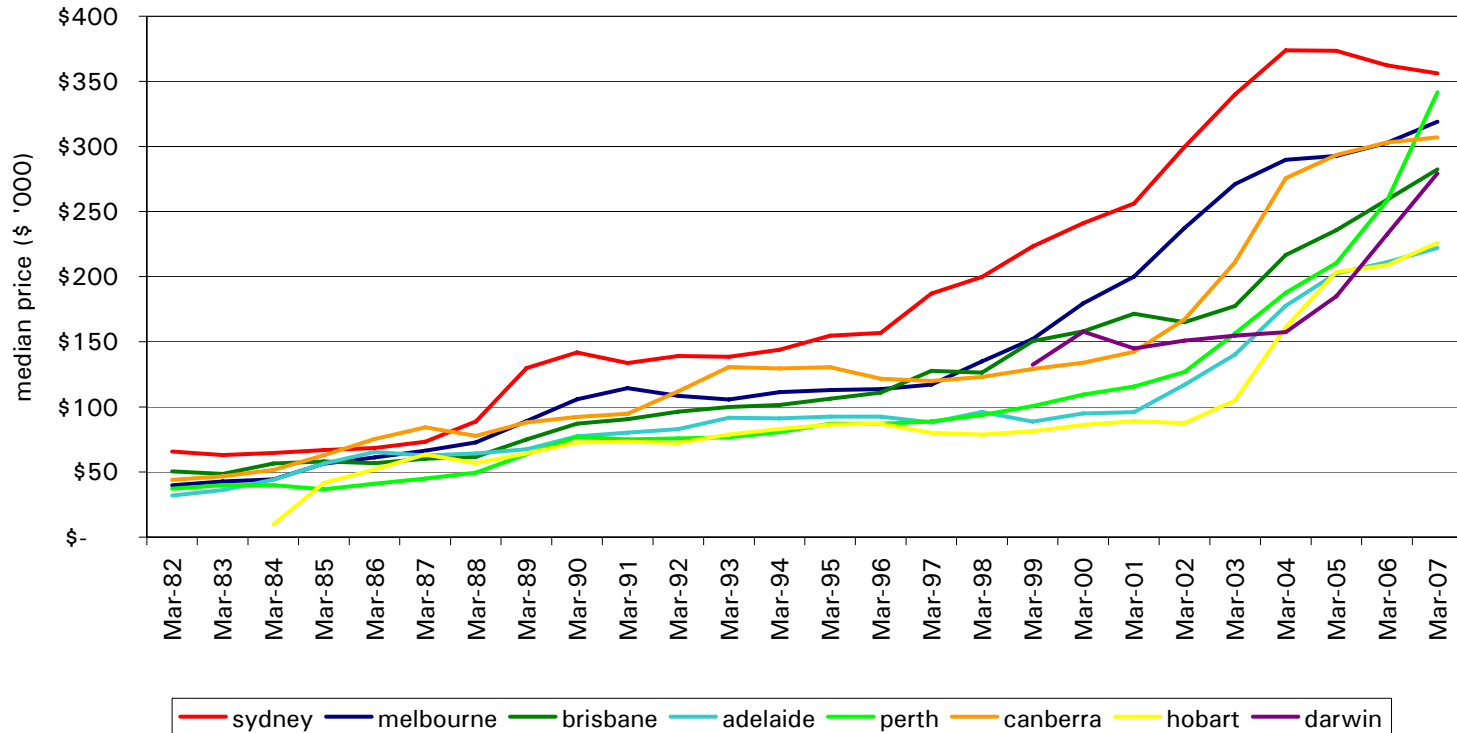
moving annual house price



Source: REIA

- Moving average house prices across the country shows Sydney still on top at \$251,100;
- Perth is the big mover growing 34.7% in the last year to \$438,000, Darwin also up 20.3% to \$373,800.

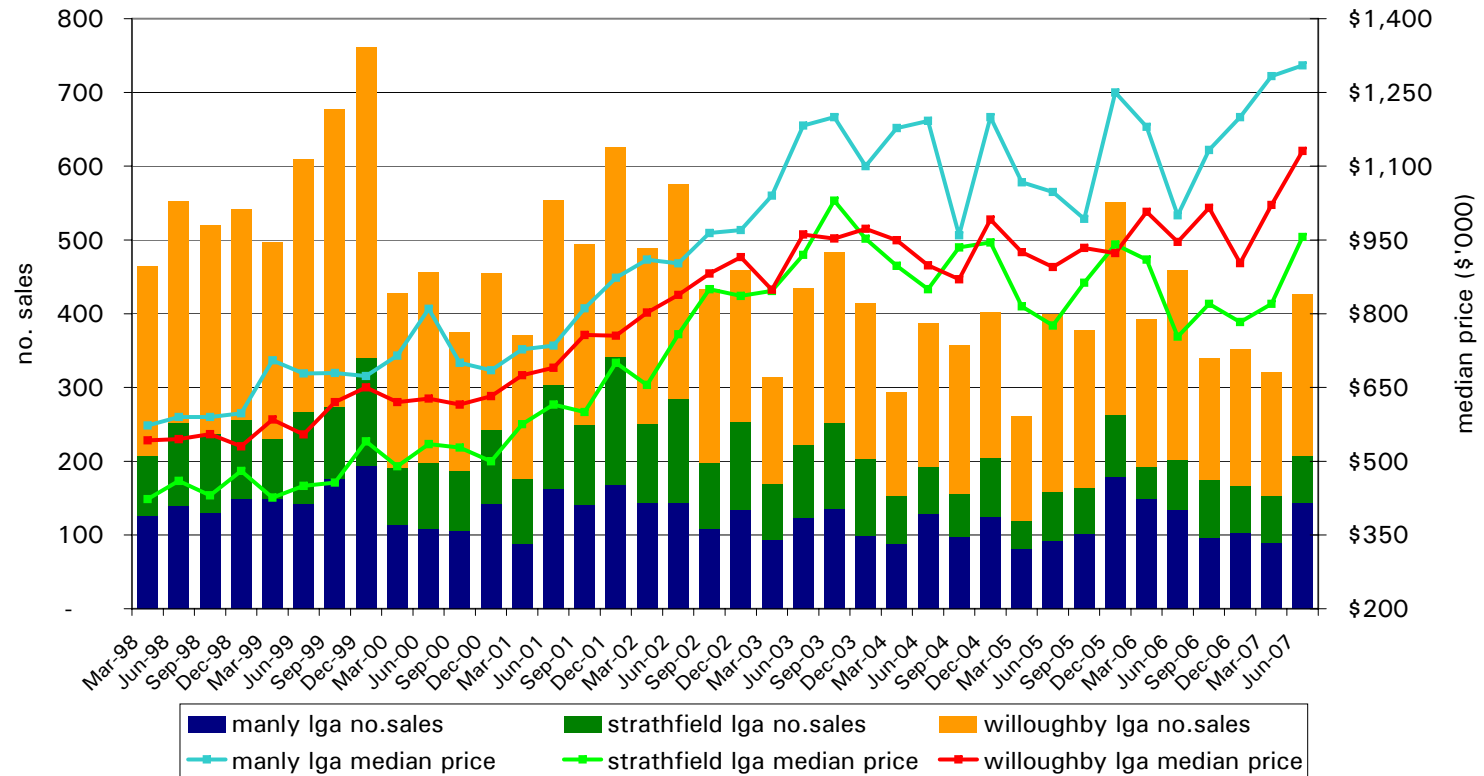
moving annual unit prices



Source: REIA

- On the unit side, Sydney has come back yet still in front, yet gap between Perth closing, growing at extraordinary rate of 31.2% pa over 2 yrs to \$341,500;
- Melbourne (5.6%), Brisbane (9.0%) and Darwin (20.2%) all seeing growth in last year.

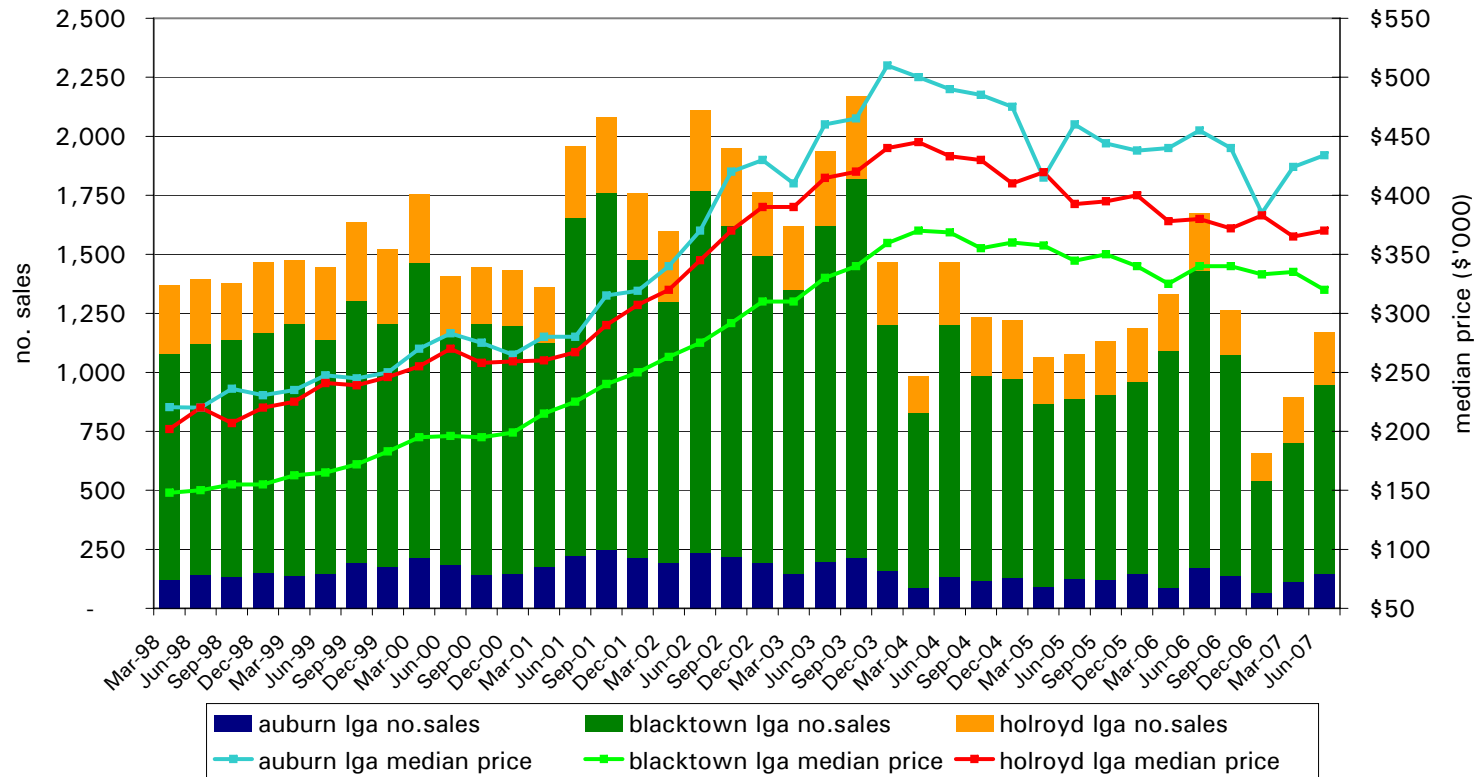
top house performers



Source: Australian Property Monitor, REINSW

- Huge volatility in house prices in the last year across regions, particularly given differing quality stock;
- Manly up 29.85% to \$1,305,000, Strathfield up 22.37% to \$956,000 and Willoughby up 19.08% to \$1,131,000.

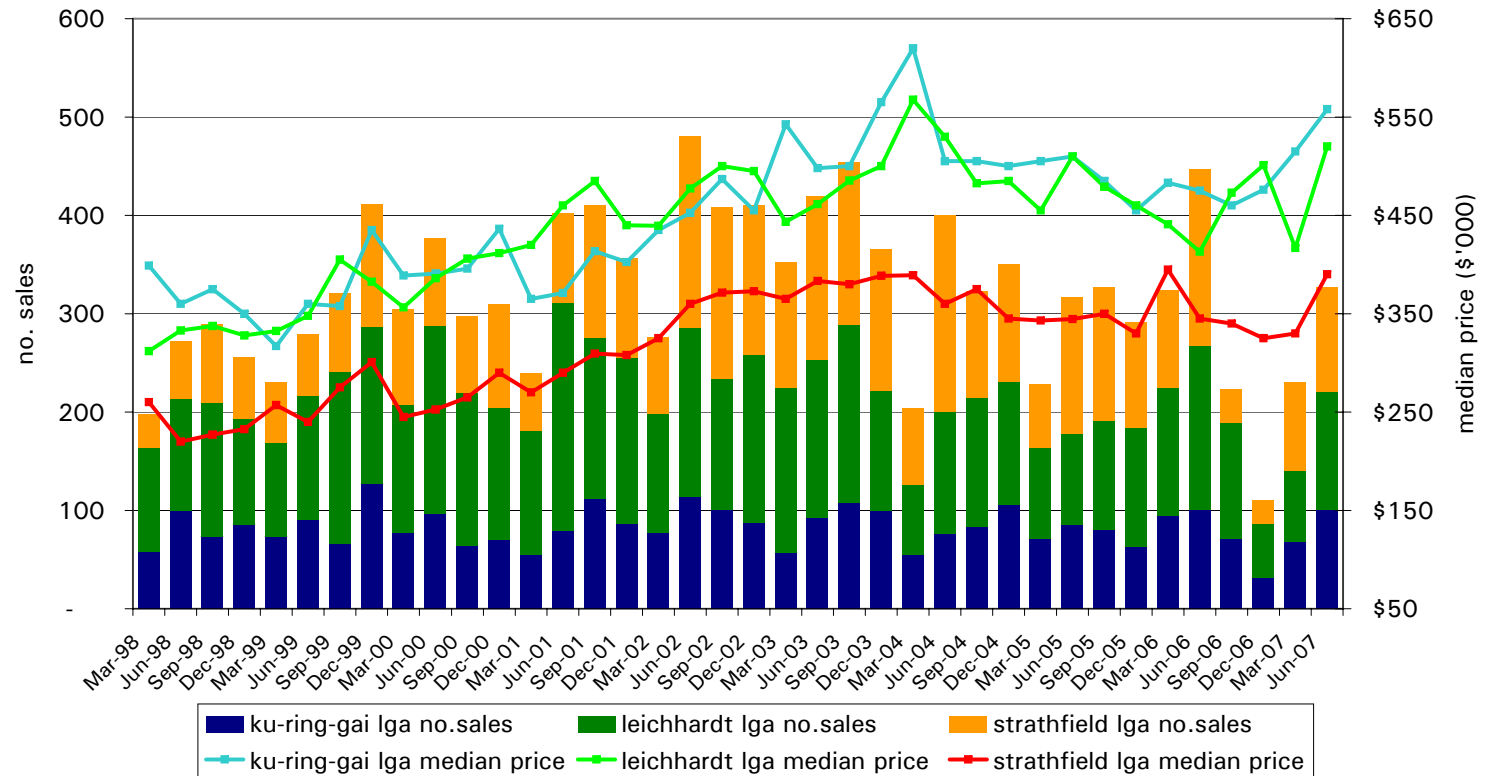
weak house performers



Source: Australian Property Monitor, REINSW

- Clearly Blacktown has seen significant falls, with high turnover supporting this fall of 3.56% pa in last 2 years to \$320,000 – Blacktown South East (worst);
- Auburn down 3.56% to \$434,000, while Holroyd down 5.13% to \$370,000.

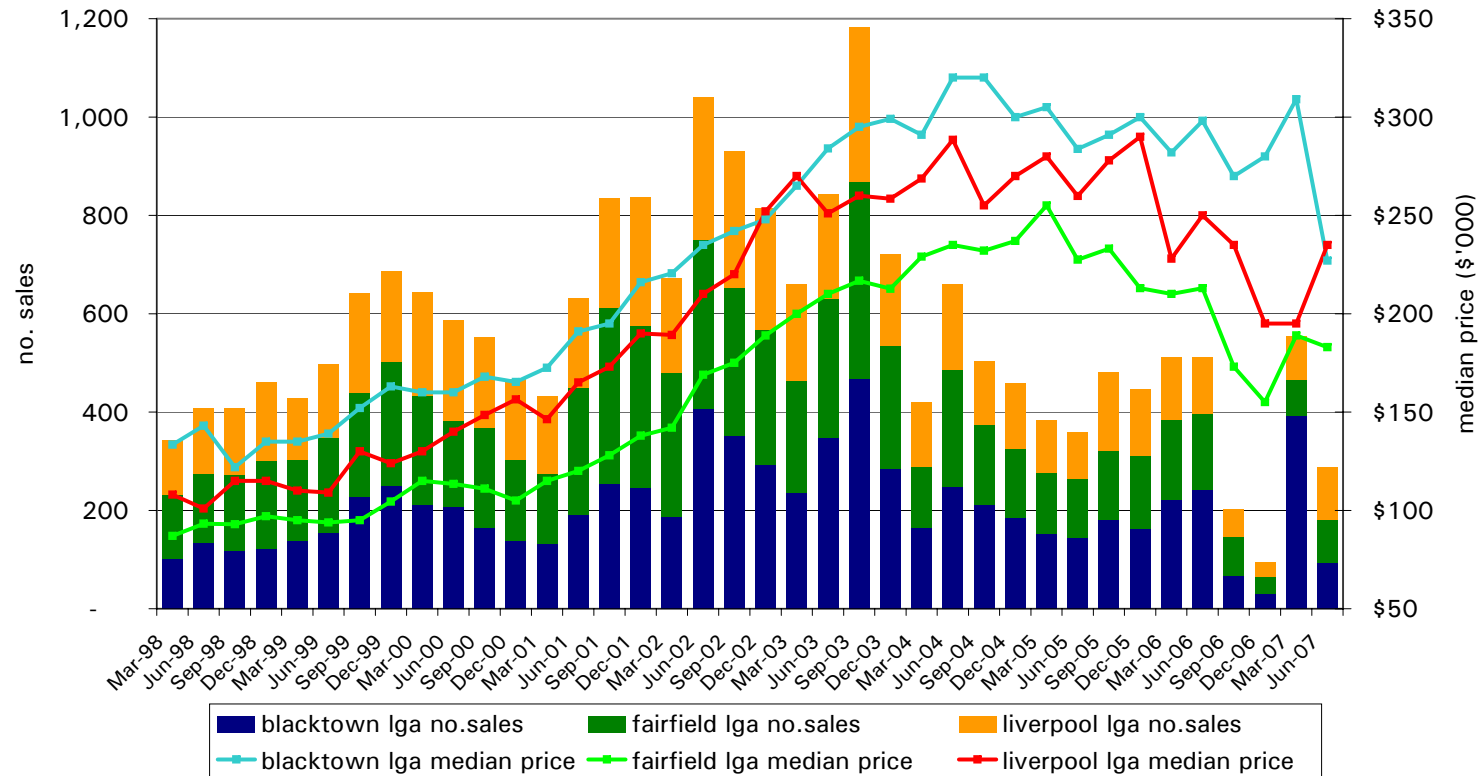
top unit performers



Source: Australian Property Monitor, REINSW

- Units performing well on north side, up 12.06% in last year to \$558,000 for Ku-ring-gai;
- Inner west suburbs improving with growing turnover, Leichhardt up 13.72% to \$520,000 while Strathfield is up 13.04% to \$390,000.

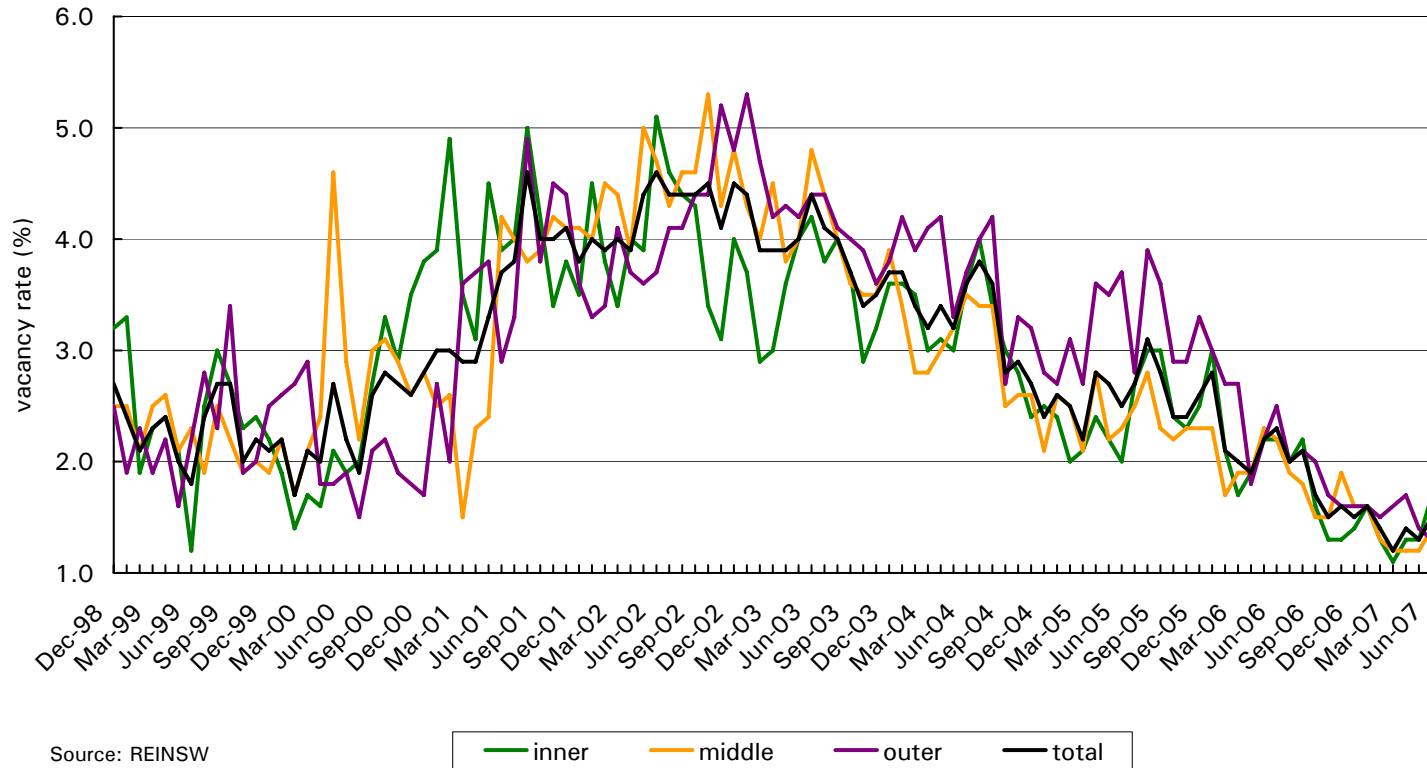
weak unit performers



Source: Australian Property Monitor, REINSW

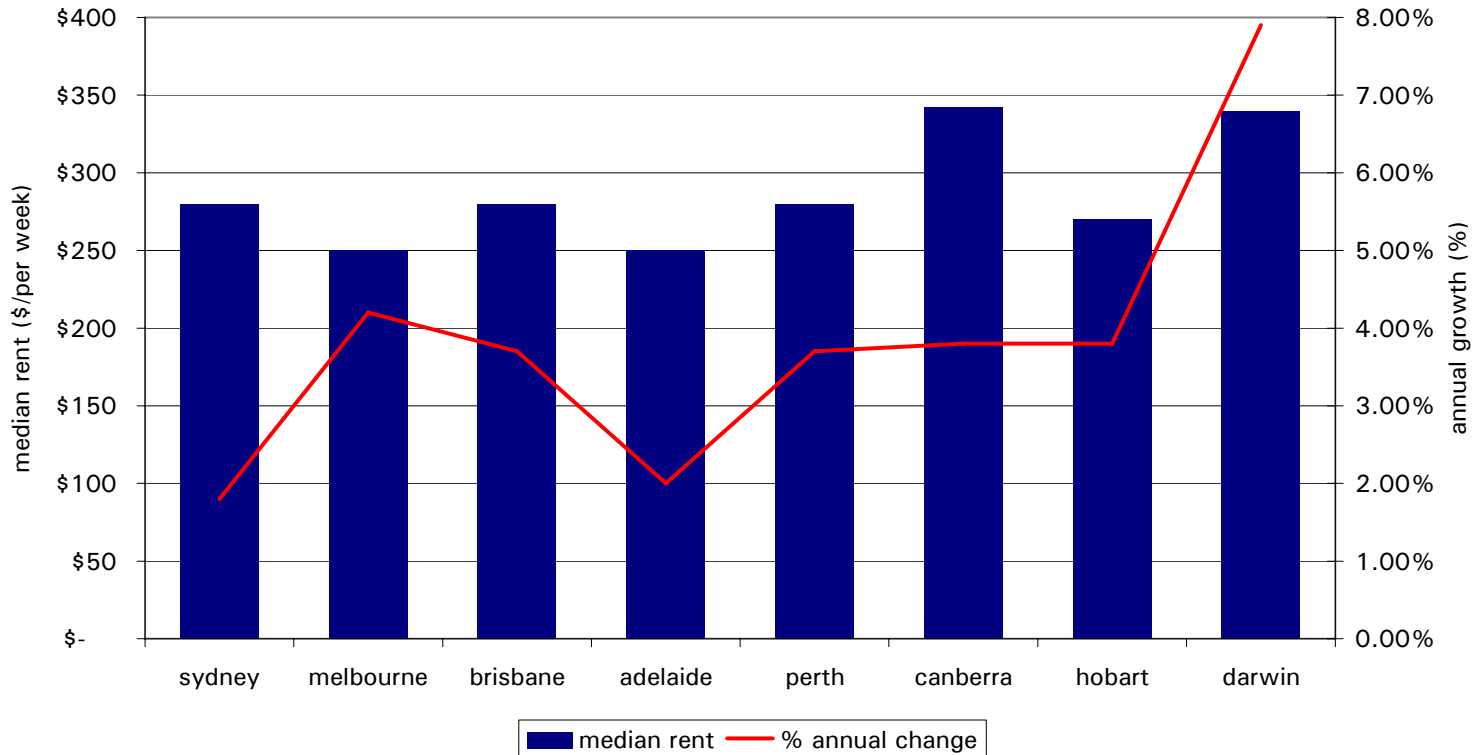
- Similar to housing market, Blacktown unit market been hit, given high supply, down 20.47% in last year to \$220,000 with turnover also down;
- Fairfield falling over last 2-3 years (\$183,000), while Liverpool has been quite volatile.

sydney sd vacancy rates



- No disputing vacancy levels are at historical low rates, not only in the inner ring (1.4%), but also the middle (1.4%) and outer (1.5%);
- This has impacted rents and could be the catalyst for greater investment activity.

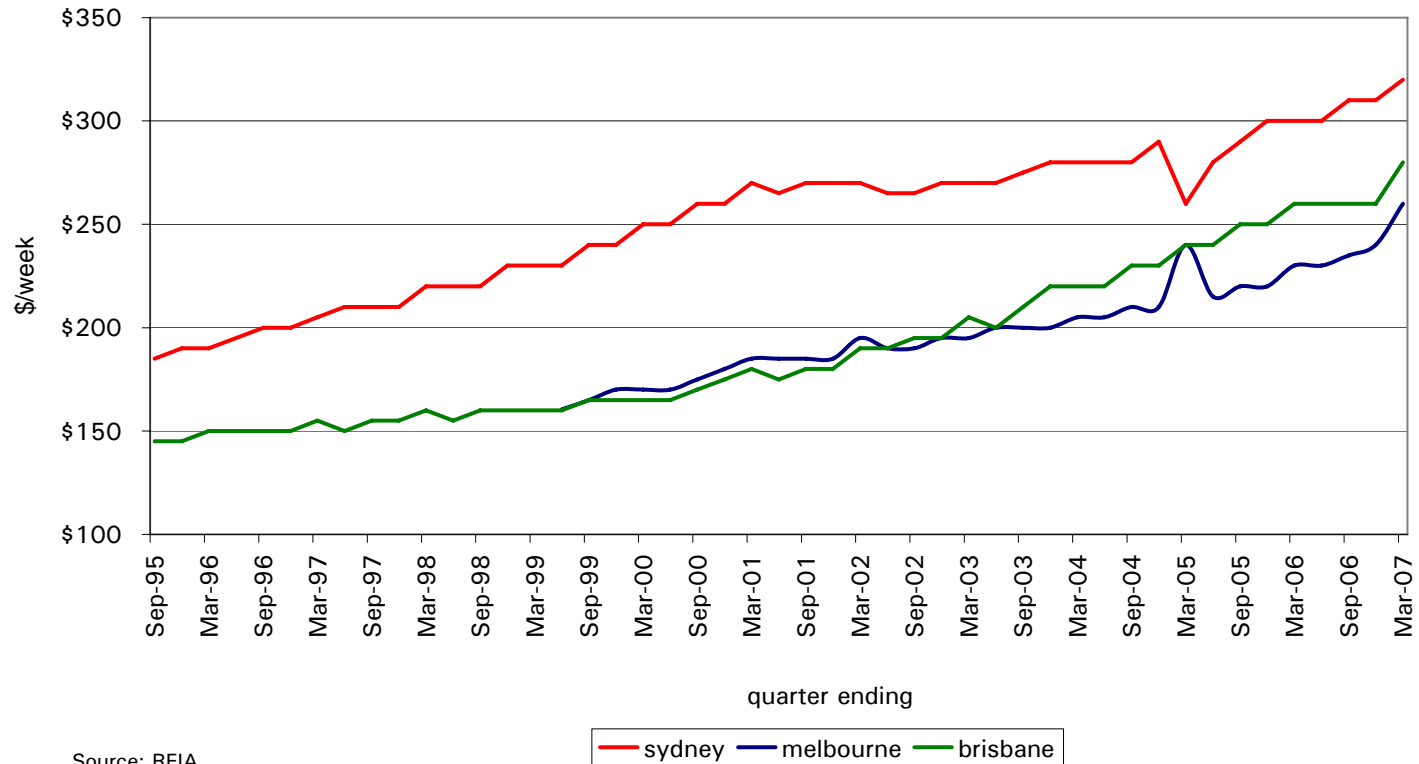
house rents (3 bed)



Source: REIA
*March 2007 quarter

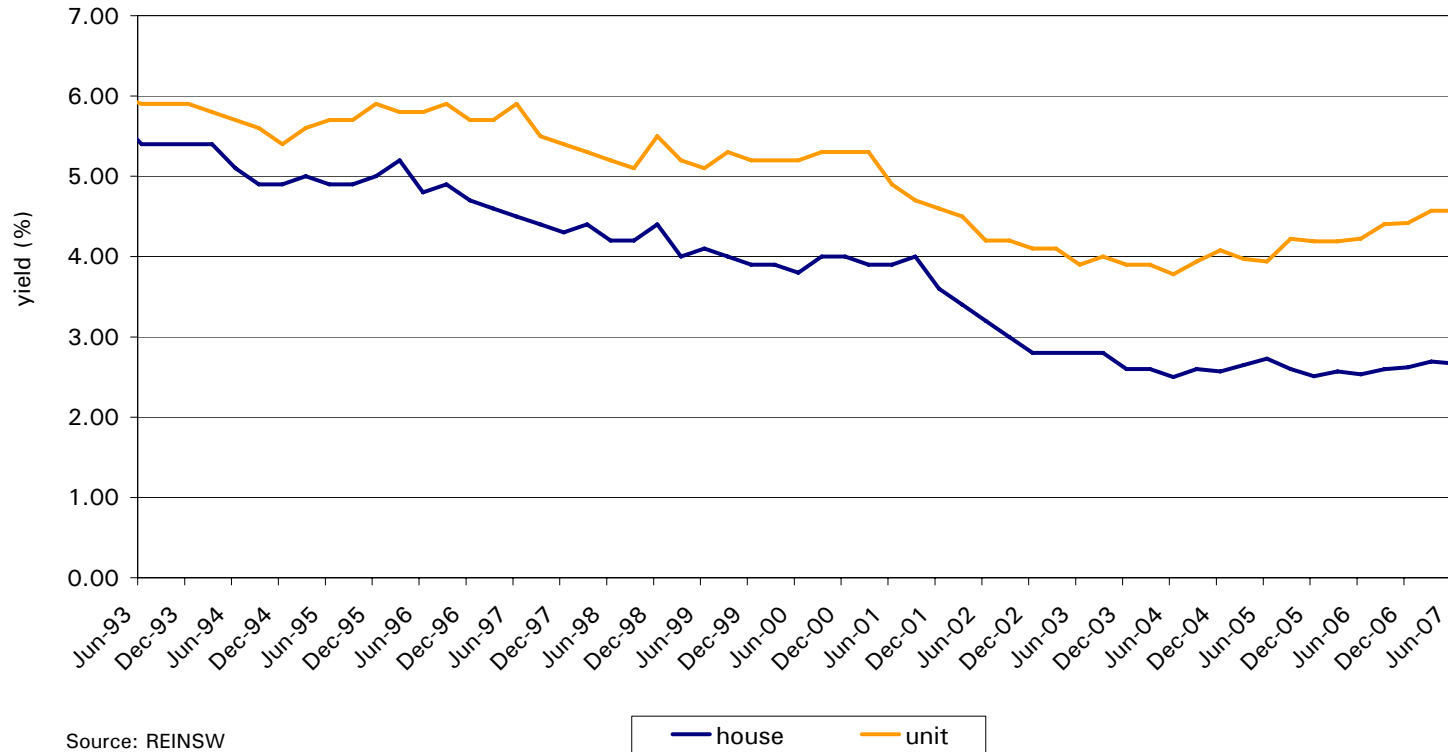
- House rents across the country, show similar trend, Sydney one of the lowest growing at 1.8% last year;
- Darwin well ahead with 7.9% growth, Melbourne also high showing 4.2% growth to \$250/week.

unit rents (2 bed)



- Looking to units, current Sydney average sees rents at \$320/week, up 6.67% in last year;
- Brisbane up 12.00% last year, however Melbourne charging up by 13.04% to \$260/week in last 12 months.

sydney sd yields



- Given this growth in rents, and compression of median prices, yields particularly for units have improved;
- House yields have maintained over last three years to current 2.67%, with units a high 4.57%.

thank you

