An overview of the current market and how housing can be made more affordable

Enzo Raimondo, October 2011

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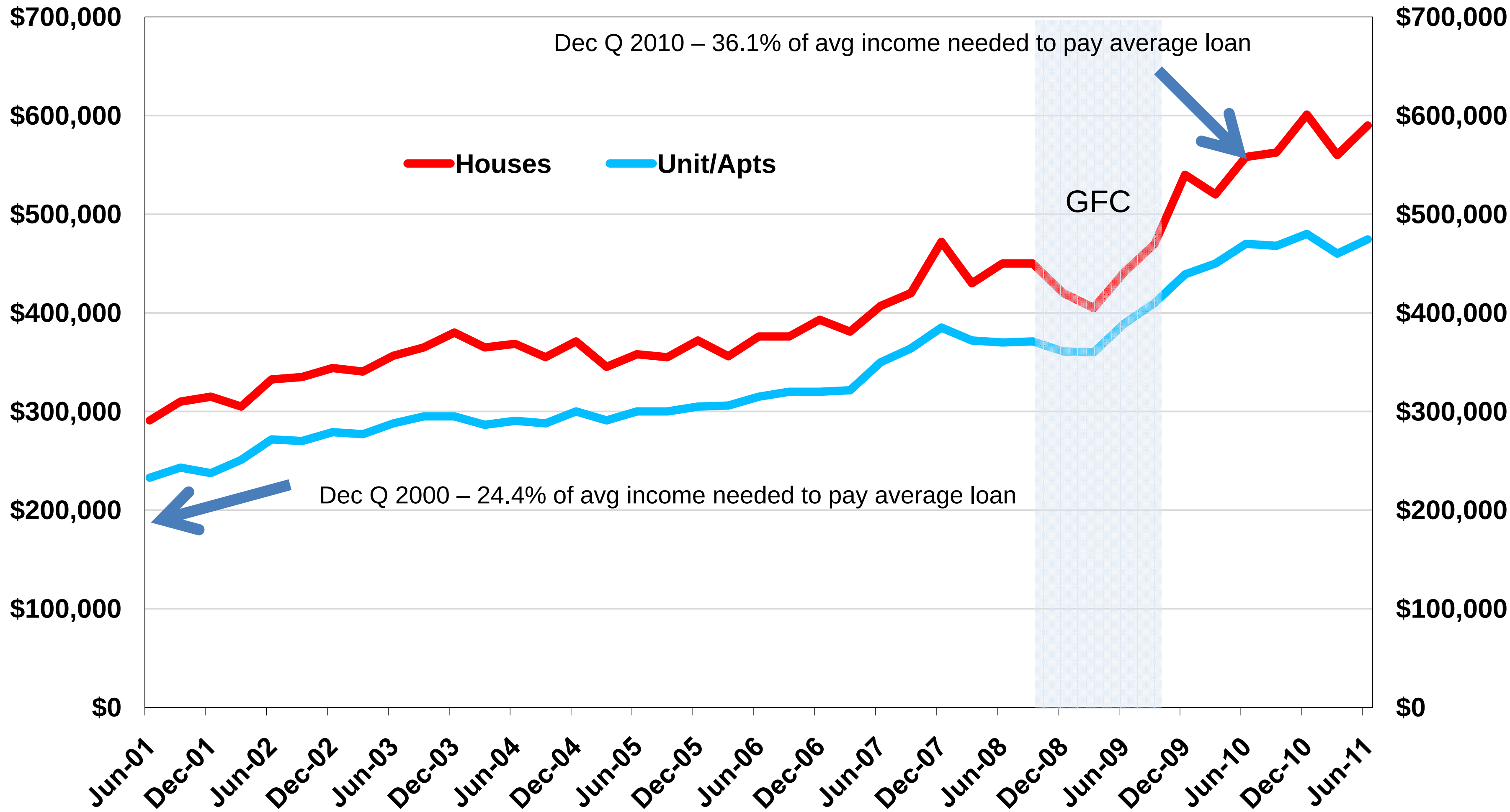
1. Market fundamentals
2. Current market
3. How to make housing more affordable

Market fundamentals

Metro Melbourne 10 yr Median Prices



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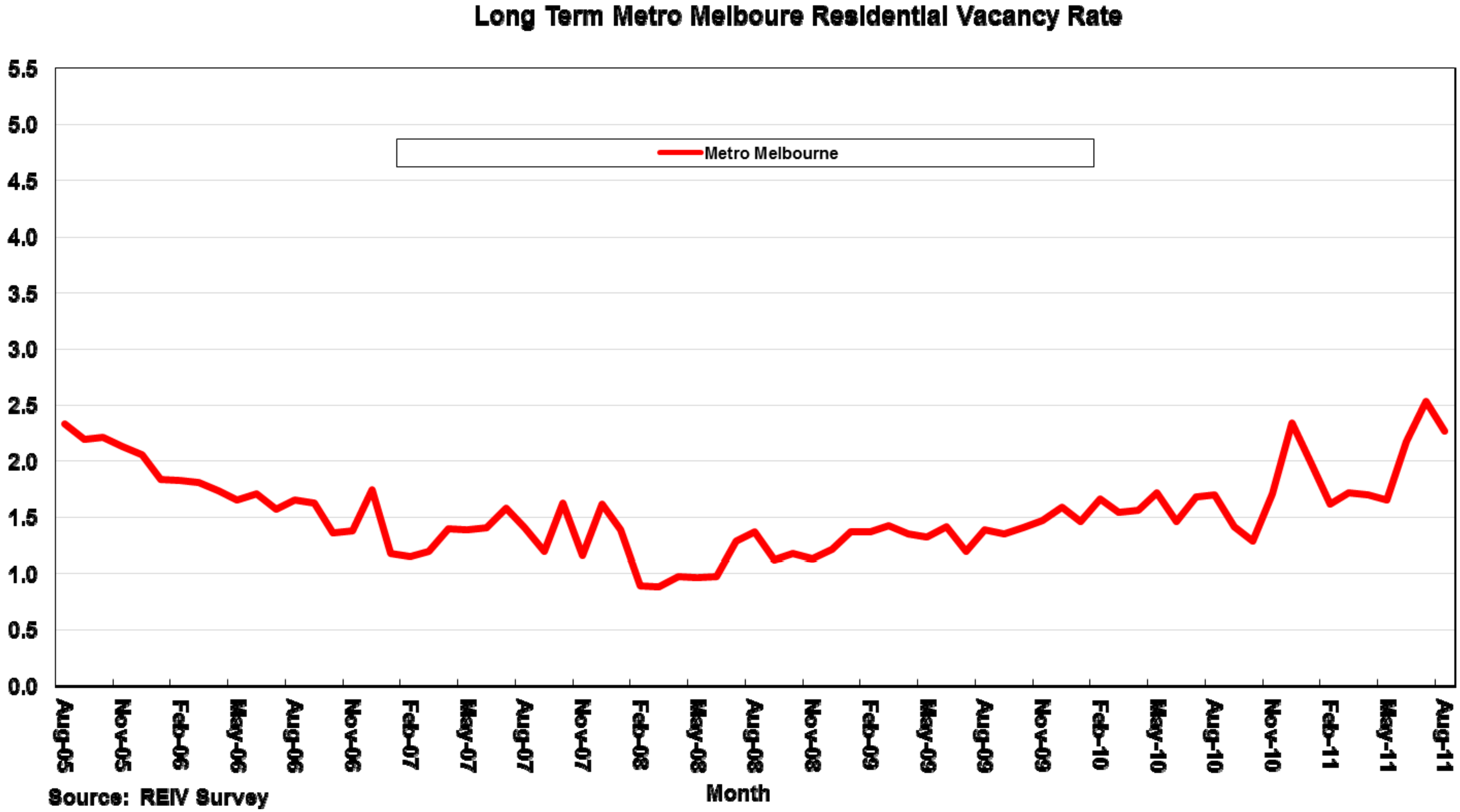
Vacancy Rates



The big picture – metro

Year	Total sales (res, house, unit)	Total Auction sales	Auction sales %	Change in median %
2010	78,519	24,079	31	20.4
2009	95,752	19,796	21	7.4
2008	84,060	18,051	21	3.1
2007	109,755	26,718	24	11.3
2006	87,211	17,811	20	5
2005	87,188	14,784	17	-2.3
2004	81,014	13,035	16	2.2
2003	93,313	22,790	24	7.5
2002	97,288	25,801	27	11.7
2001	105,540	27,210	26	19.8
2000	88,906	19,684	22	-

Metropolitan Melbourne SOURCE: VG, REIV

The big picture - Victoria

Year	Total sales (res, house, unit)	Total transaction value
2010	104,704	$62B
2009	127,078	$56B
2008	111,865	$48B
2007	143,731	$58B
2006	116,908	$43B
2005	118,133	$42B
2004	112,063	$39B
2003	128,293	$40B
2002	133,780	$34B
2001	141,756	$31B
2000	119,575	$24B

Victoria SOURCE: VG,

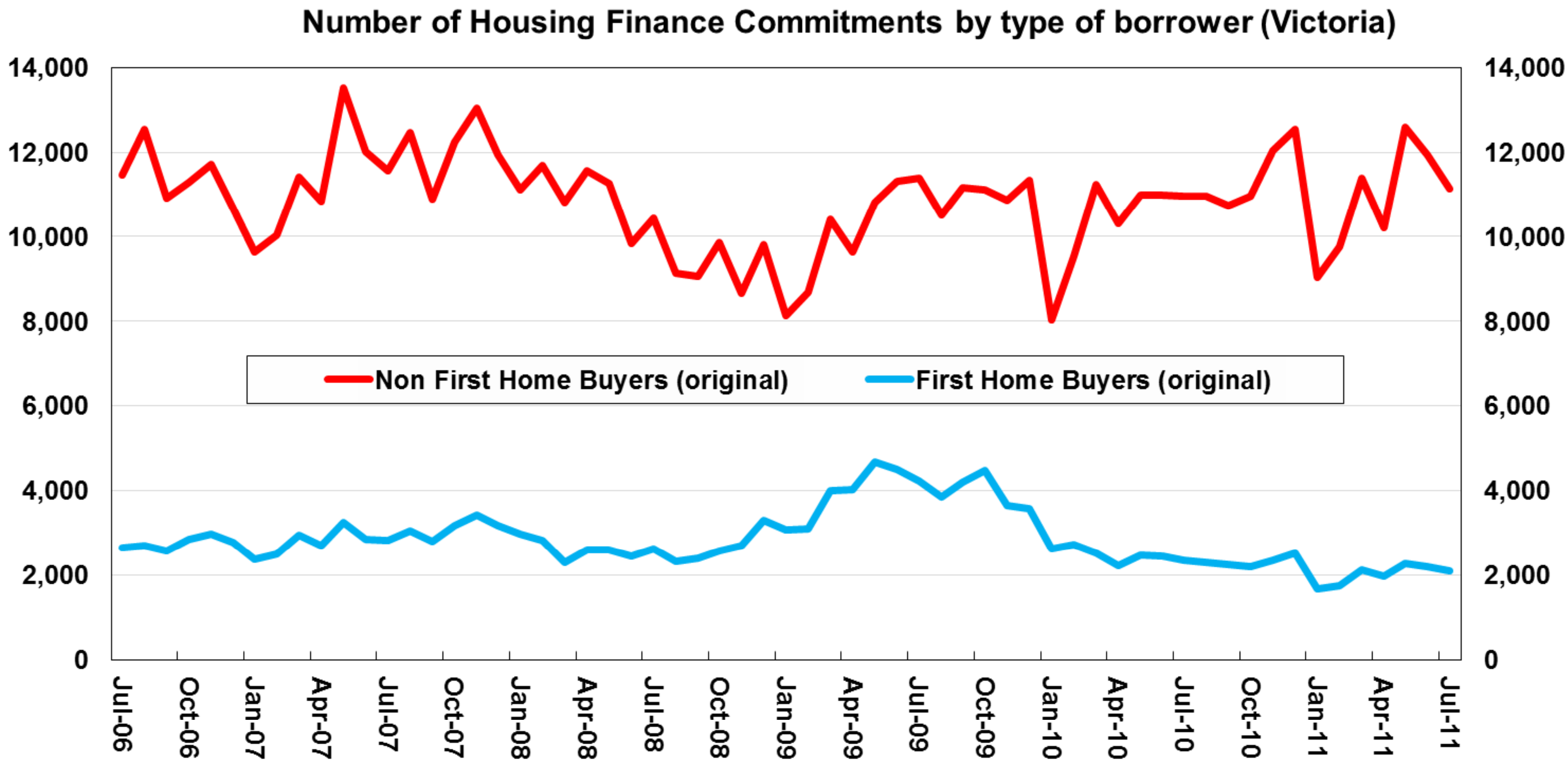
Summary

Volume of sales is looking to be lower than 2010

Metropolitan wide around 20 per cent

According to the VG last year was one of low transactions

But affordability is keeping first home buyers out



Source: ABS Cat No.

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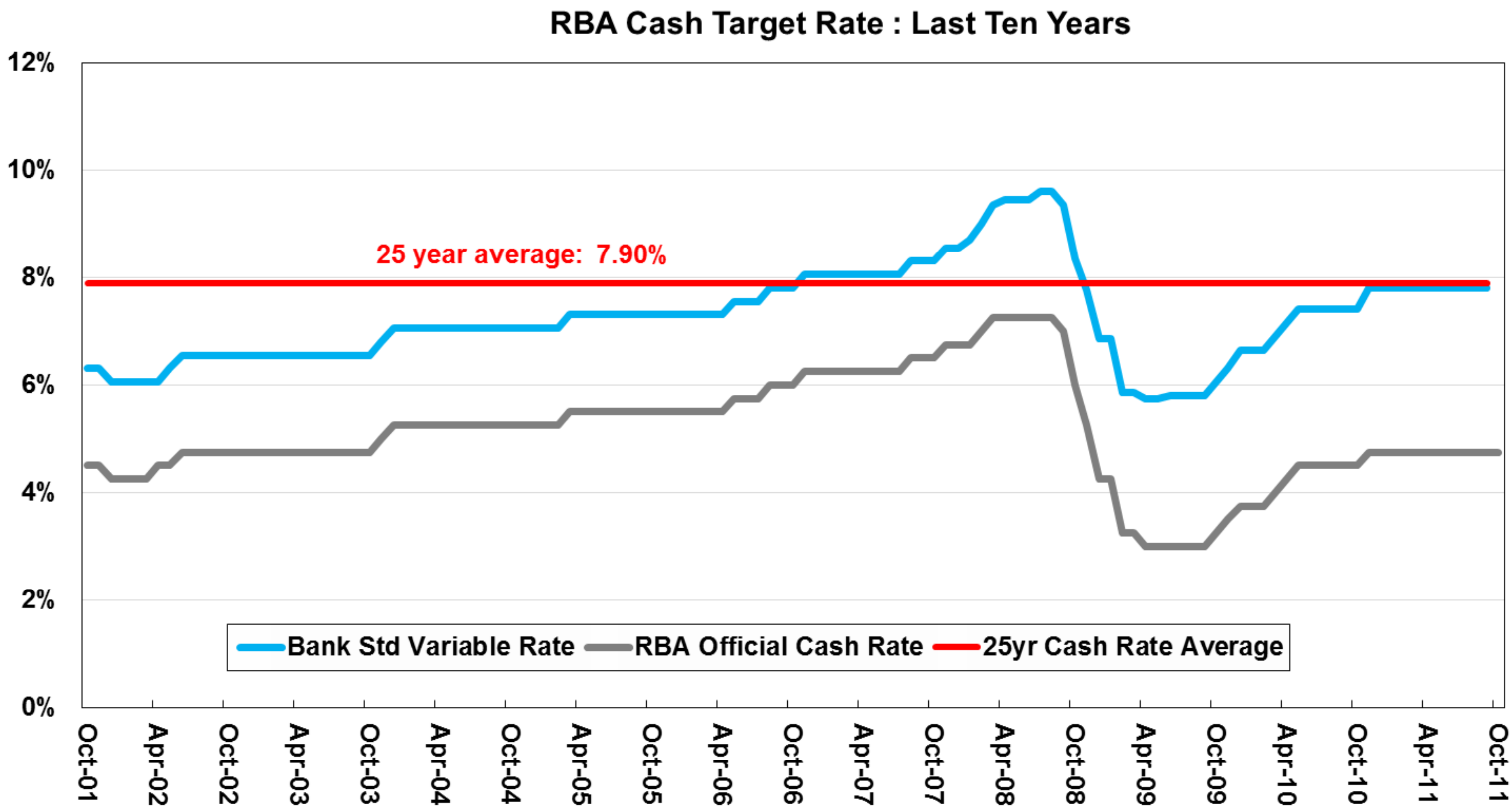
Interest rates stable



Source: RBA

Current market

The Melbourne residential median house price was $590,000 in the June Q 2011.

This represented an increase of 5.4 per cent since the March Q 2011 and an 5.7 per cent increase since the June Q 2010.

The September Q medians will released in just over a week, expect small decline

Melbourne Market Year to Date

	Total auctions reported	Total sold	Clearance rate (%)	Total reported private sales	Total - Value
2011	20,954	12,077	58	20,089	$18.5B
2010	22,750	17,033	75	22,755	$23.2B
2009	14,440	11,757	81	26,568	$18.3B
2008	19,891	13,088	66	20,942	$16.5B

Sales volume

*** Year to Date updated to 03 October 2011**

19 per cent lower than 2010
16 per cent lower than 2009
6 per cent lower than 2008

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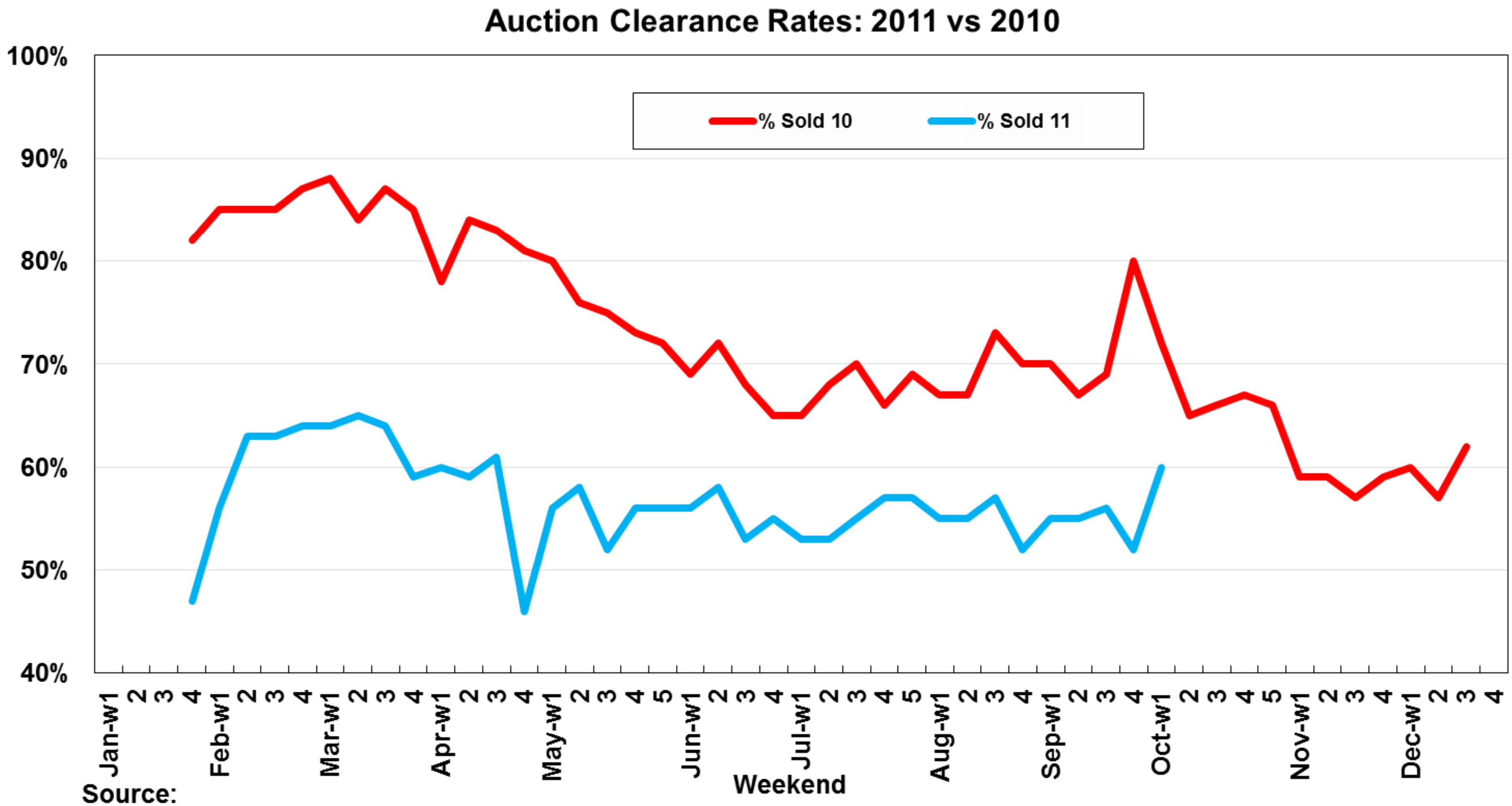
Clearance rates v 2010



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Melbourne's current hotspots – prices (quarter)

	Jun-11 Median	Mar-11 Median	Quarterly Change
Mount Eliza	$795,000	$660,000	20.5%
Brighton	$1,790,000	$1,508,500	18.7%
Essendon	$1,050,000	$900,000	16.7%
Melton	$312,500	$273,000	14.5%
St Albans	$440,000	$387,500	13.5%
Northcote	$916,500	$817,500	12.1%
Mitcham	$615,000	$577,500	6.5%
Preston	$630,000	$592,250	6.4%
Berwick	$505,000	$476,625	6.0%
Wheelers Hill	$700,500	$663,000	5.7%

Best capital growth next 5yrs $1M+ (Houses)

Albert Park	Carlton	Hampton	Middle Park
Alphington	Caulfield	Hawthorn	Mont Albert
Armadale	Caulfield North	Hawthorn East	Parkville
Beaumaris	Eaglemont	Ivanhoe	Sandringham
Black Rock	East Melbourne	Kangaroo Ground	South Melbourne
Brighton	Elsternwick	Kew	South Yarra
Brighton East	Elwood	Kooyong	St Kilda West
Camberwell	Essendon	Malvern	Surrey Hills
Canterbury	Glen Iris	Malvern East	Toorak

As published in The Age Spring Domain Property Review

Best capital growth next 5yrs between $1M and Melbourne median (houses)

Abbotsford	Collingwood	Maribyrnong	Prahran
Ascot Vale	Fairfield	McKinnon	Princes Hill
Ashburton	Fitzroy	Moonee Ponds	Richmond
Balaclava	Fitzroy North	Newport	Seddon
Brunswick East	Flemington	North Melbourne	Spotswood
Burnley	Hampton East	Northcote	St Kilda
Carlton North	Highett	Oakleigh	St Kilda East
Caulfield South	Hughesdale	Ormond	West Melbourne
Clifton Hill	Kensington	Pakenham Upper	Williamstown
Coburg	Kingsville	Port Melbourne	Windsor
			Yarraville

As published in The Age Spring Domain Property Review

Best capital growth next 5yrs sub Melbourne median (houses)

Aspendale Gardens	Footscray	Point Cook
Caroline Springs	Gembrook	Roxburgh Park
Cranbourne East	Gowanbrae	St Andrews
Cranbourne West	Greenvale	Tarneit
		Taylors Hill

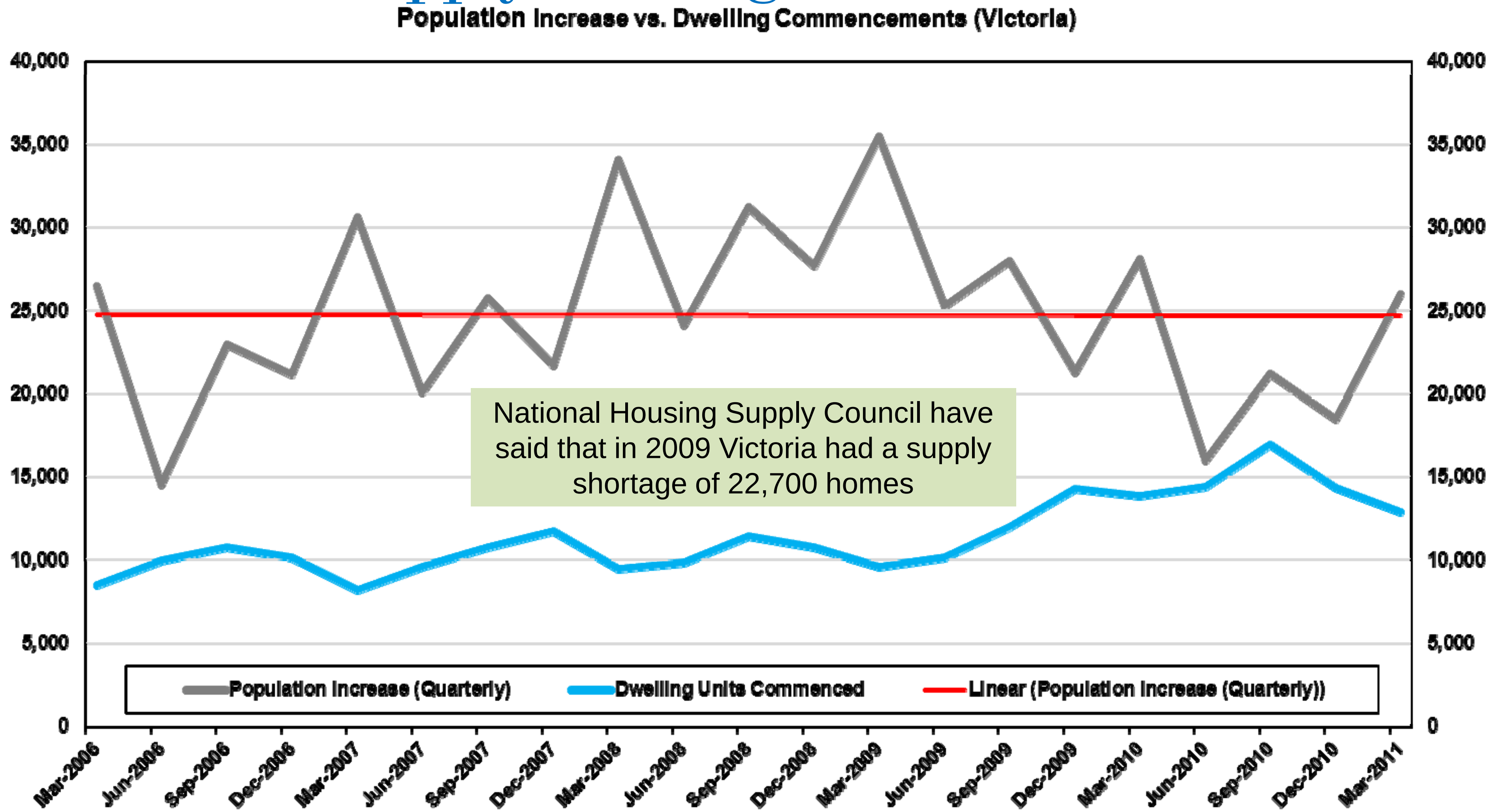
As published in The Age Spring Domain Property Review

Making housing more affordable

Why its not a bubble

	Dec Q 2000 - Dec Q 2005	Dec Q 2005 - Dec Q 2010
Number of dwelling units Commenced (Vic)	225,859	221,535
Net Migration (Vic)	328,844	480,473
Change in median house price	38%	62%

Supply shortage in Victoria



Source: ABS Cat No. 3101.0 and 8752.0

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Keys to more affordable housing

- Increase supply
  - Will help owner occupiers and renters
  - Now and into the future
- Reduce stamp duty
  - Now higher than it was 5 and 10 years ago
- Improve assistance for first home buyers
  - Stamp duty cuts welcome
  - Need increase to Grant from $7,000