

Market movements

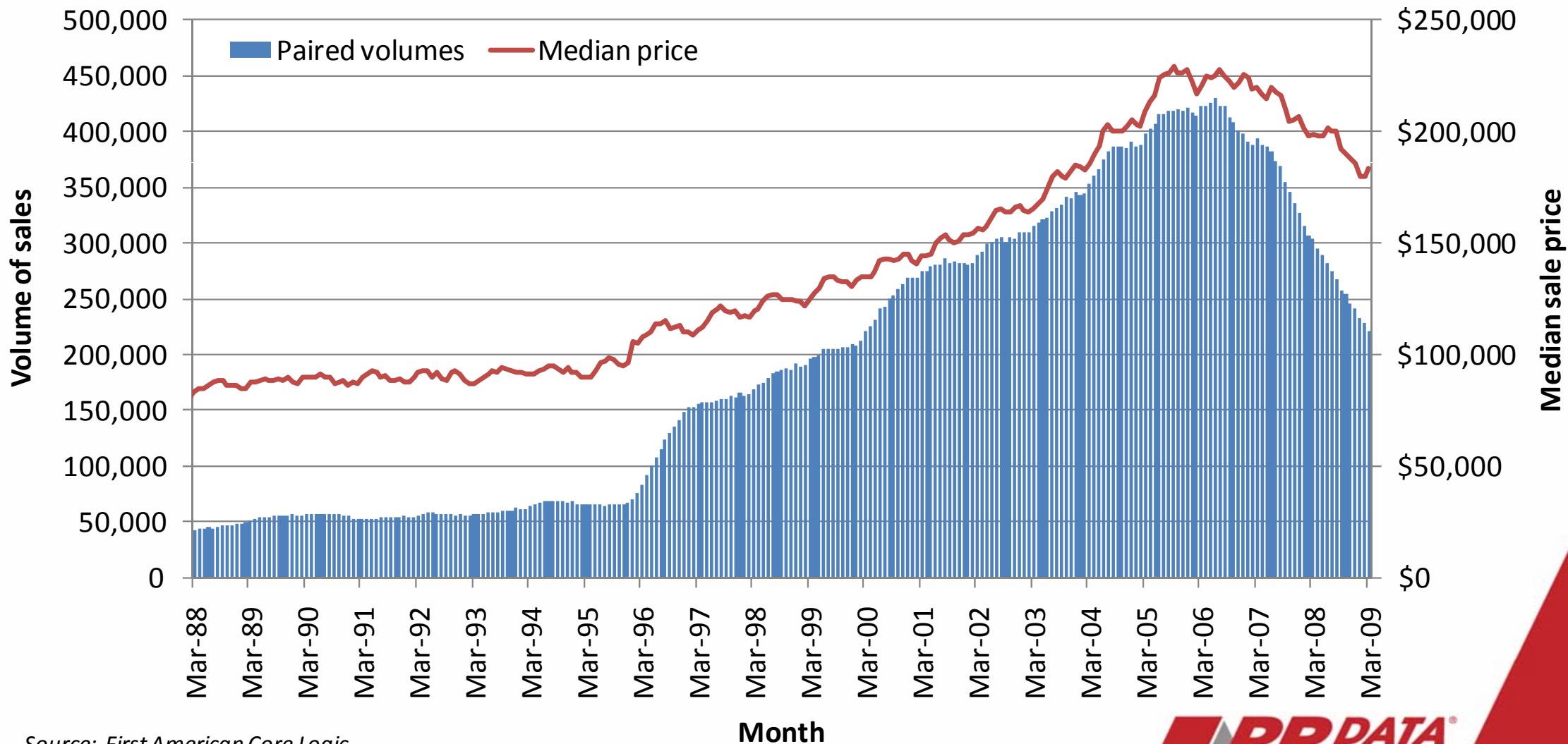


US housing market

Comparing the Australian market to the US is like comparing apples with oranges

- Vastly different financial systems
- Housing market has risen unsustainably over a very long period of time
- Chronic oversupply of housing in the States

Values have plunged 20% from the peak and sales volumes have more than halved.

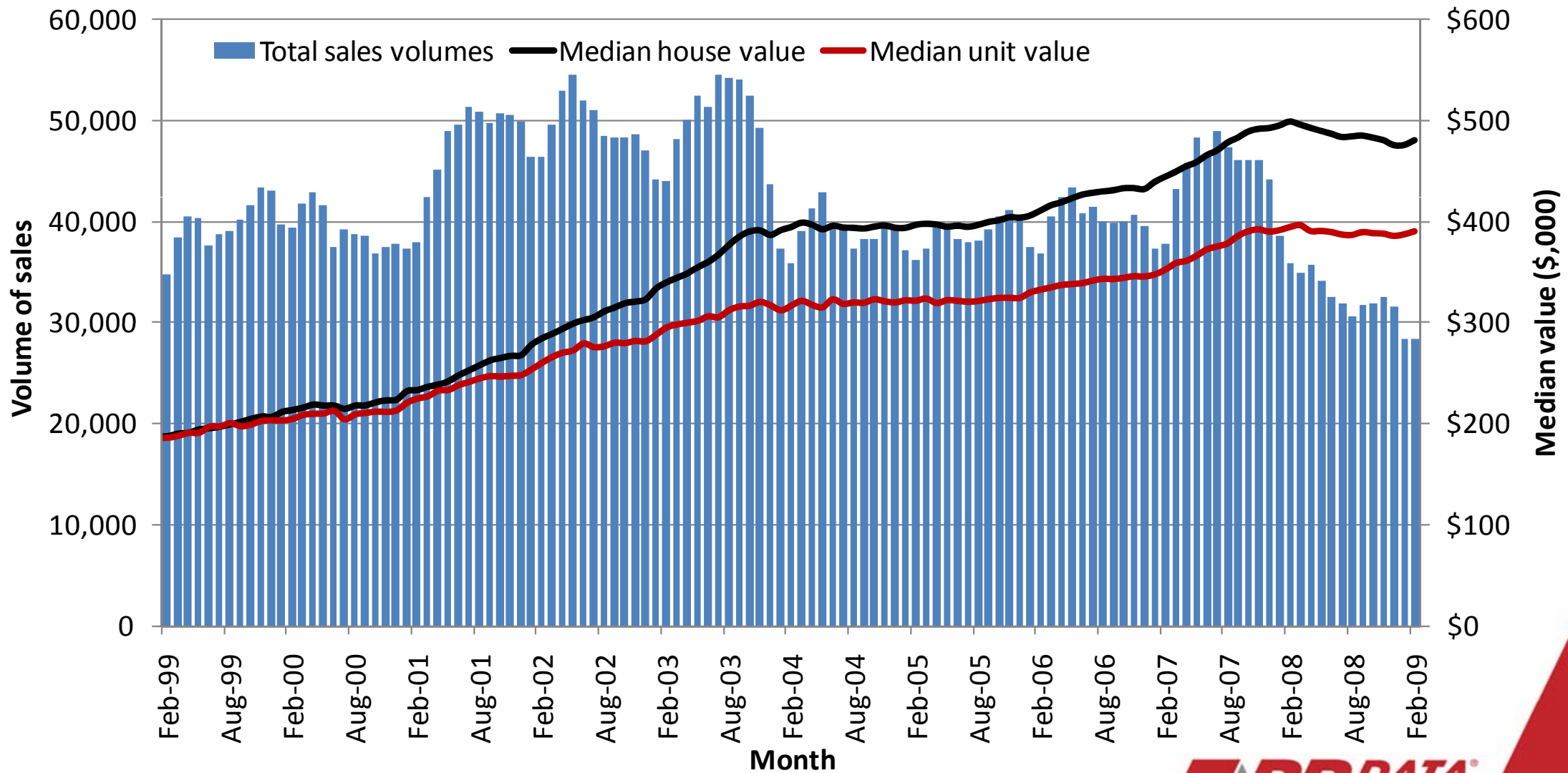


Source: First American Core Logic

Australian housing market

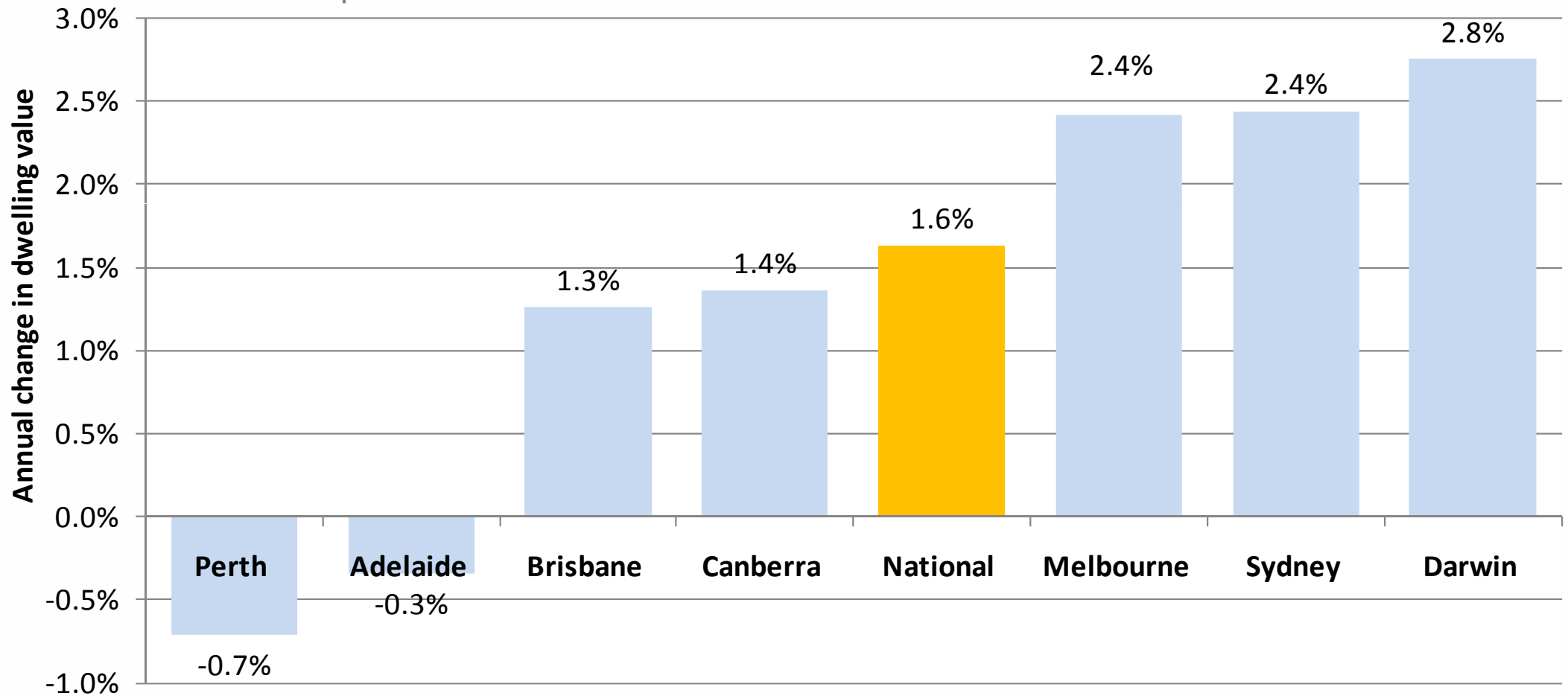
- Modest falls in housing values
- Extremely low rate of mortgage defaults
- Strong financial system

Values fell 4.1% from peak (Feb 08) to trough (Dec 08)



Quarterly change dwelling values – all capitals

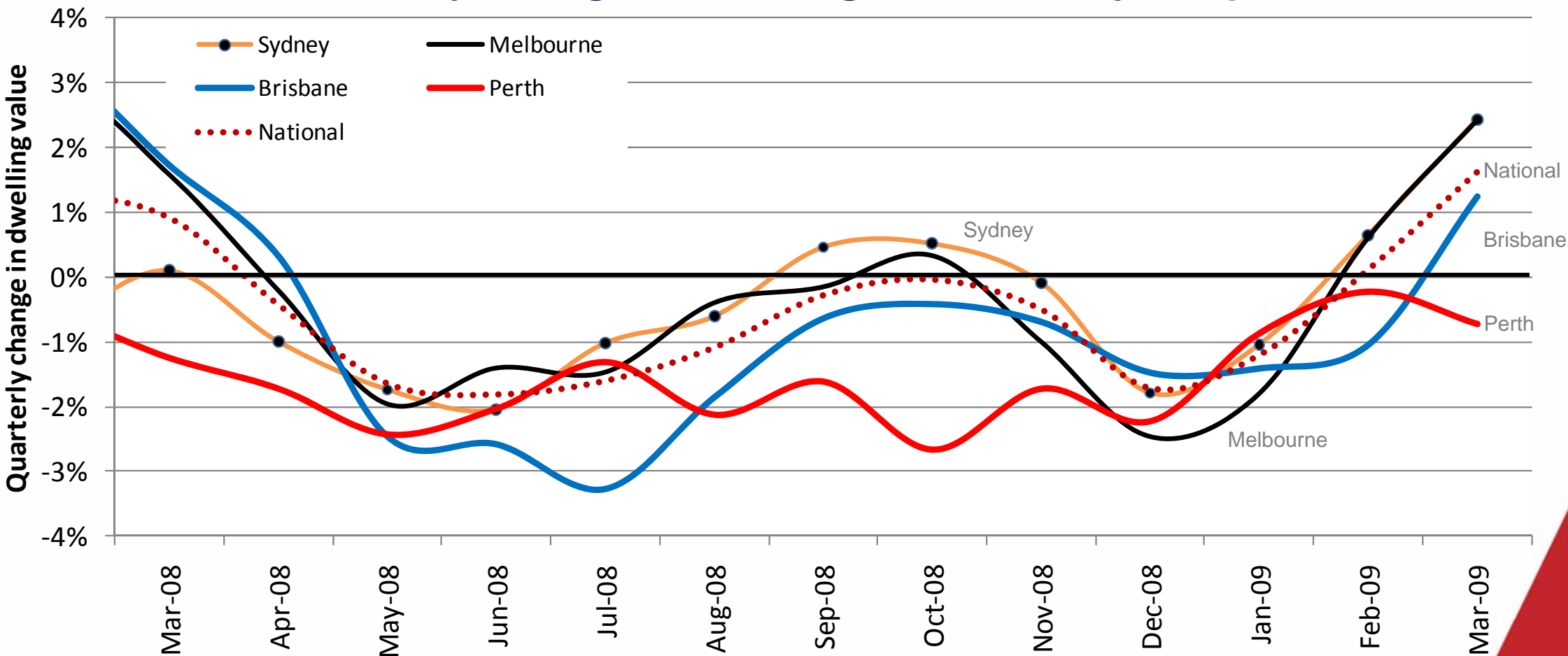
Adelaide and Perth stand out as the only capitals showing a negative result in dwelling change for the March quarter.



Quarterly change dwelling values – major capitals

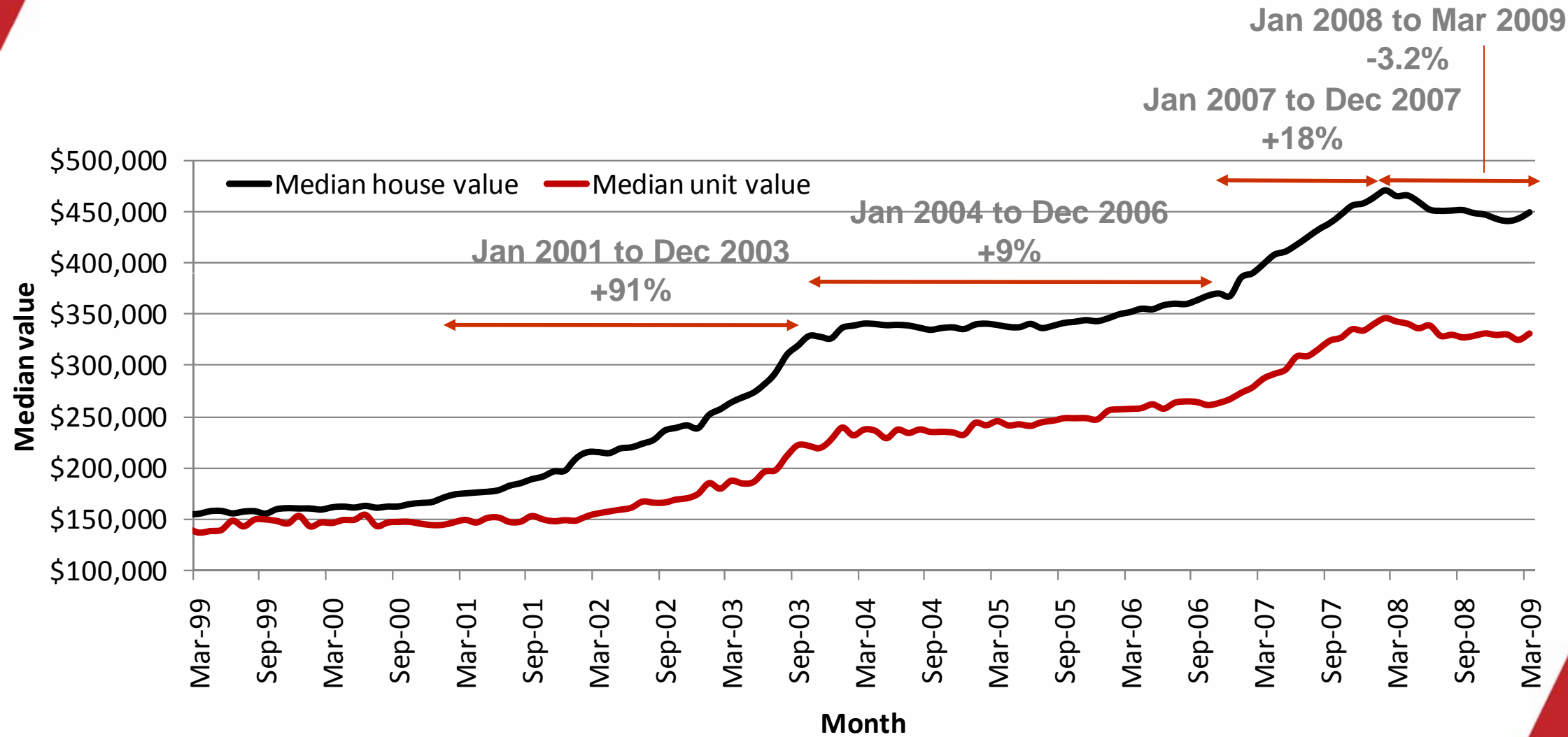
- On a quarter to quarter basis, the major capitals (apart from Perth) have shown a modest improvement in values

Quarterly change in dwelling values – major capitals



House and unit values over time

Brisbane house values have increased by



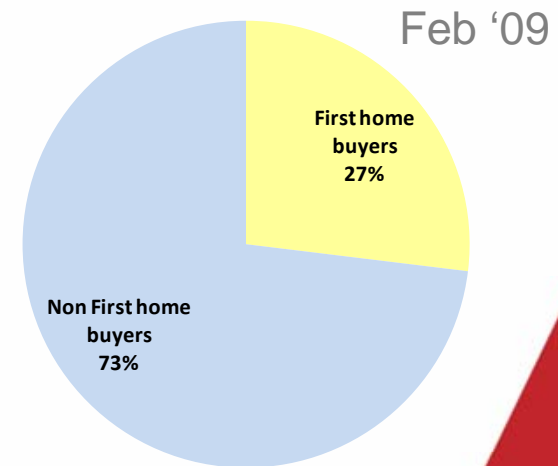
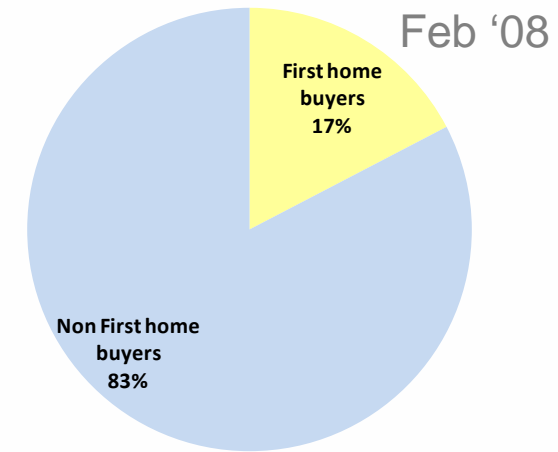
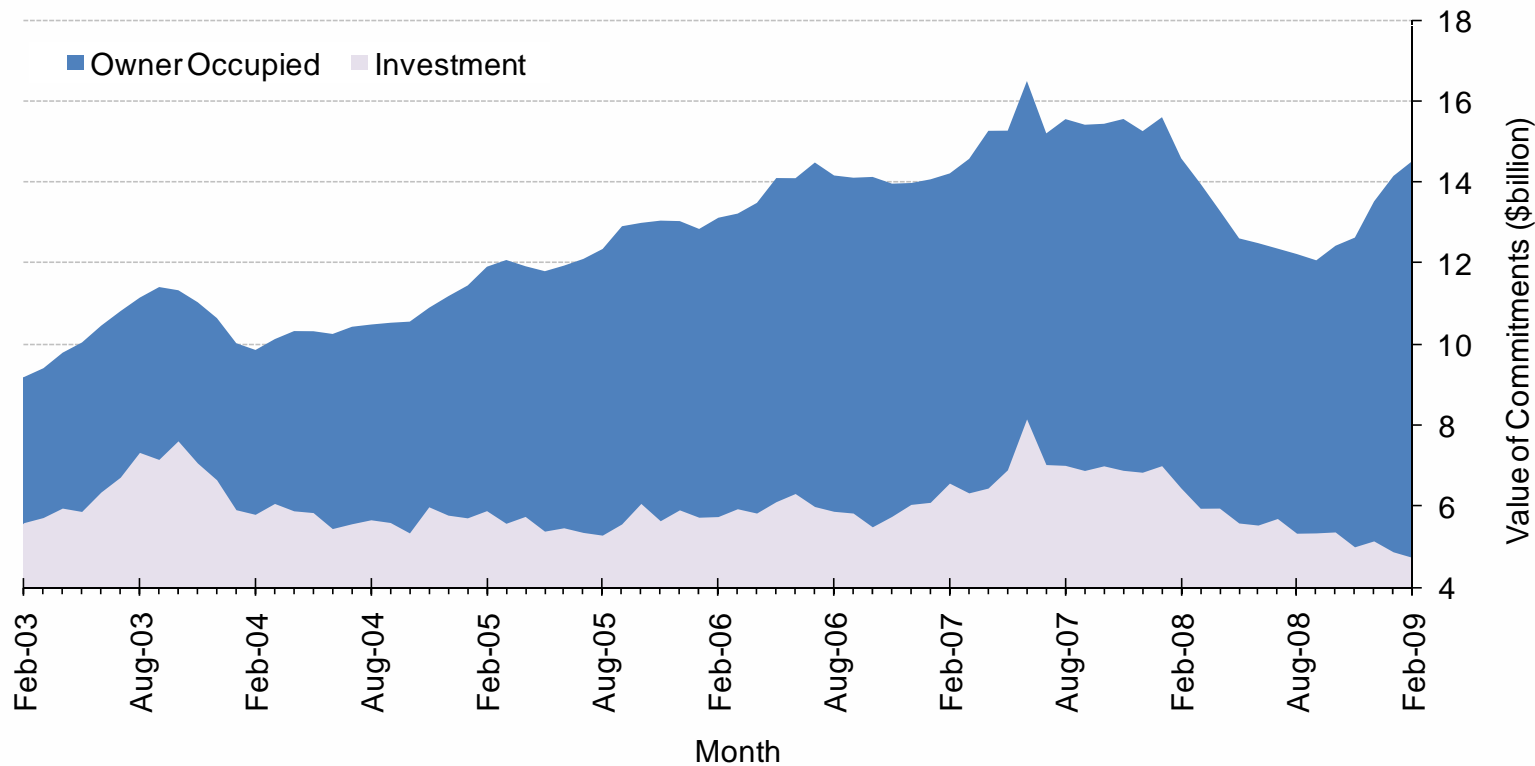
Housing finance

Australia

Owner occupier loans have risen sharply while investment loans continue to trend downwards.

The increase in owner occupier loans can be attributed entirely to a 36% increase in first home buyer numbers over the last 12 months.

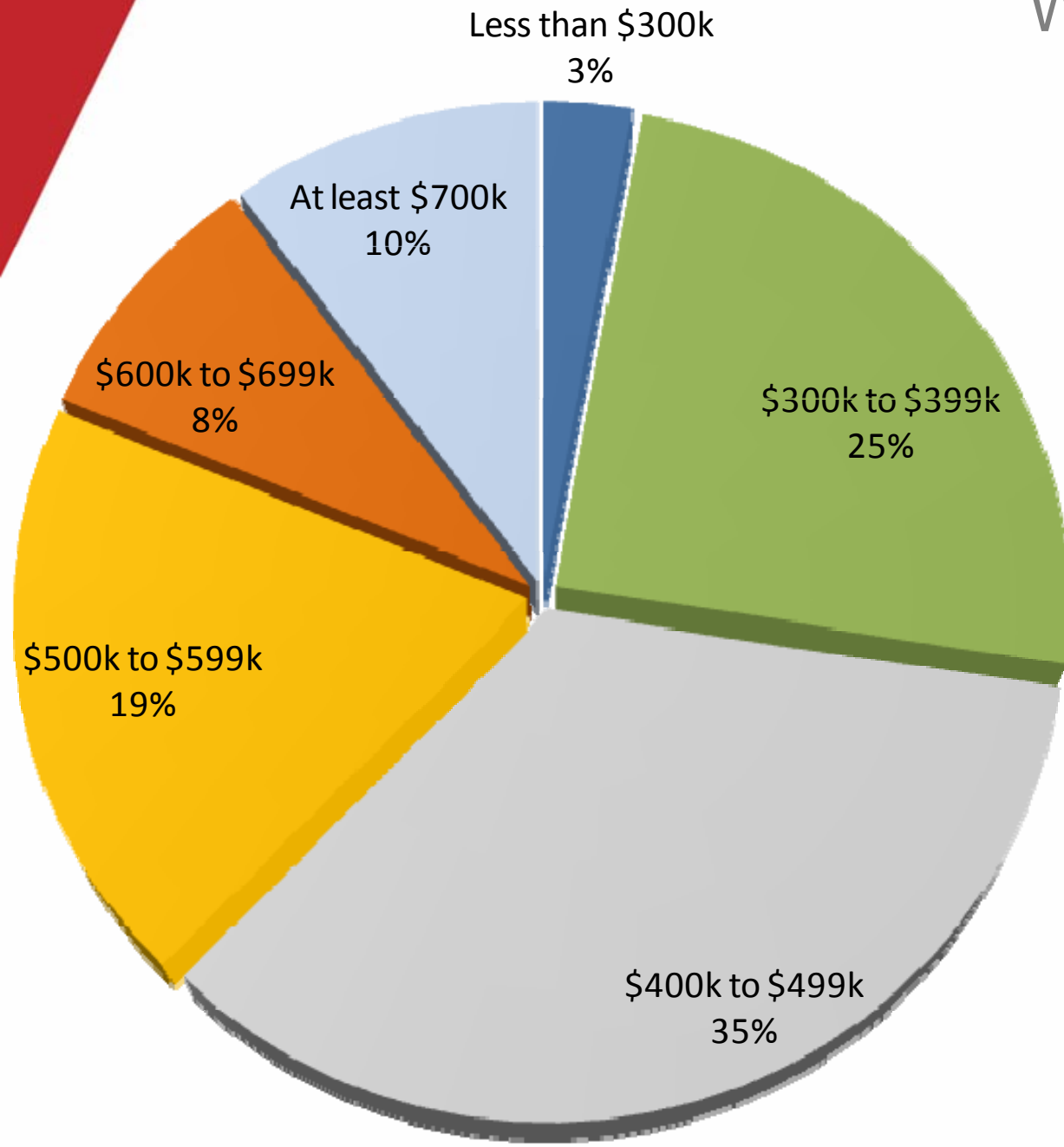
Value of housing finance commitments *Owners occupiers v Investors*



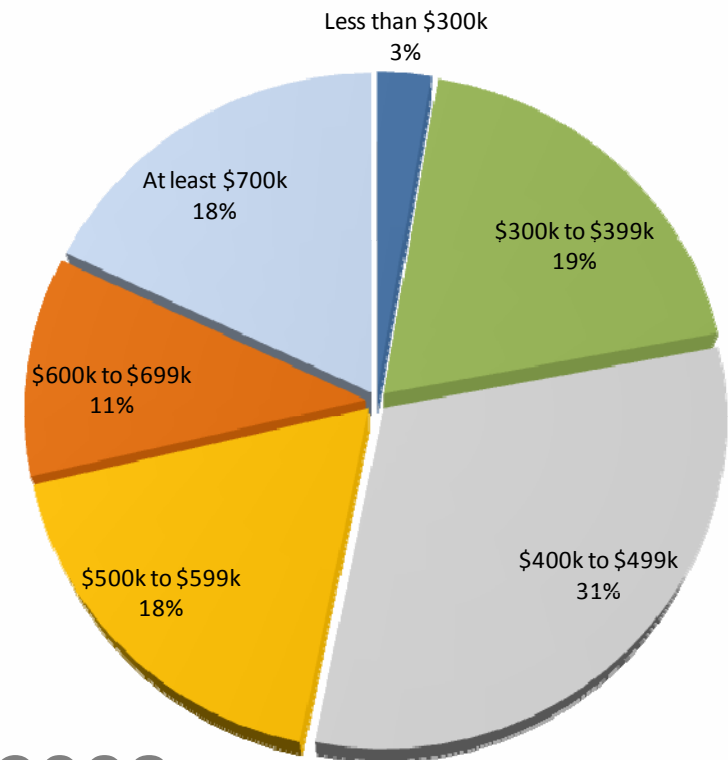
Where is the market activity? *Brisbane Houses*

62% of houses sold in Brisbane had a price tag less than \$500,000

Last year only 53% of house sales were under \$500k.



2009

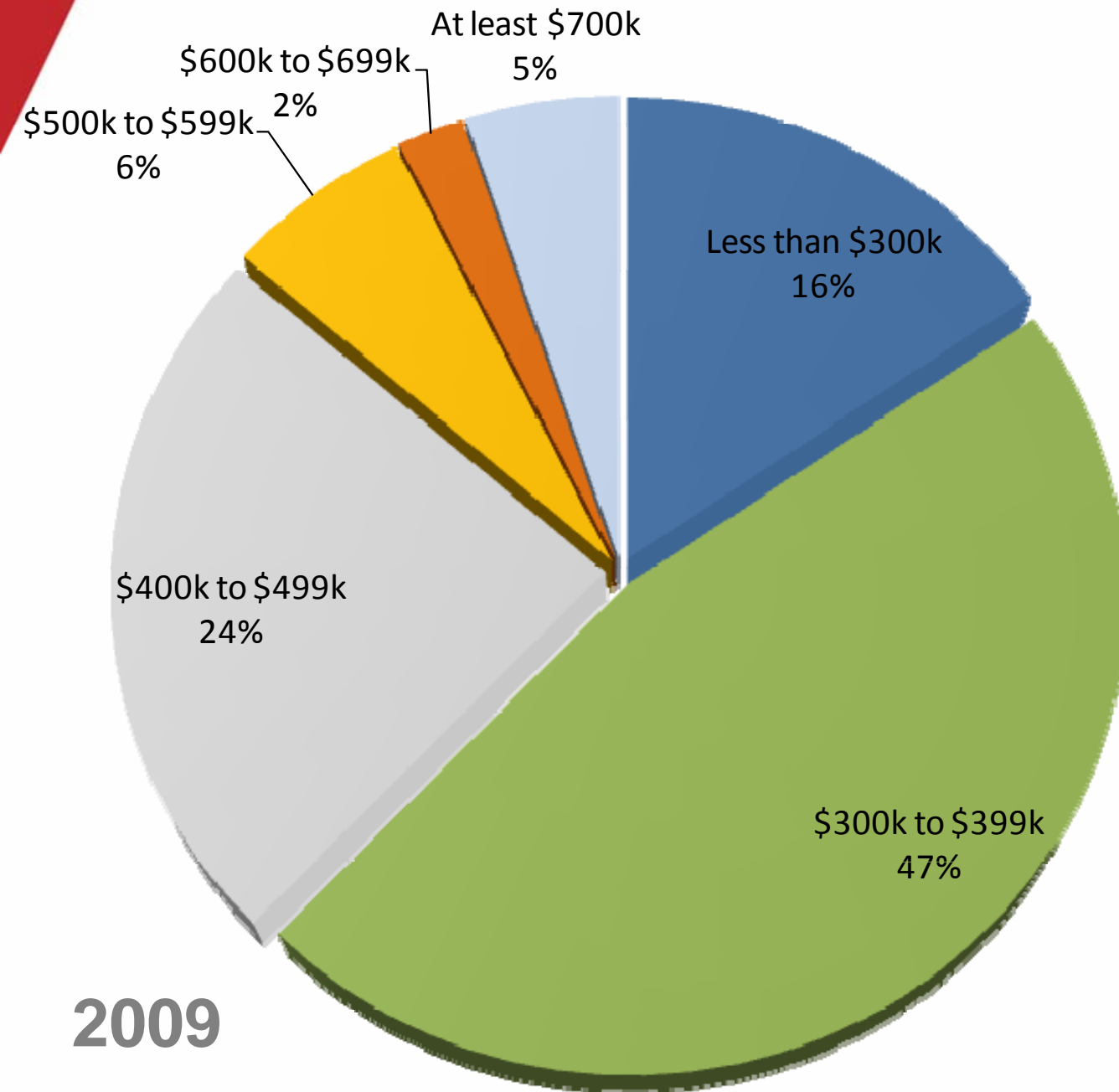


2008

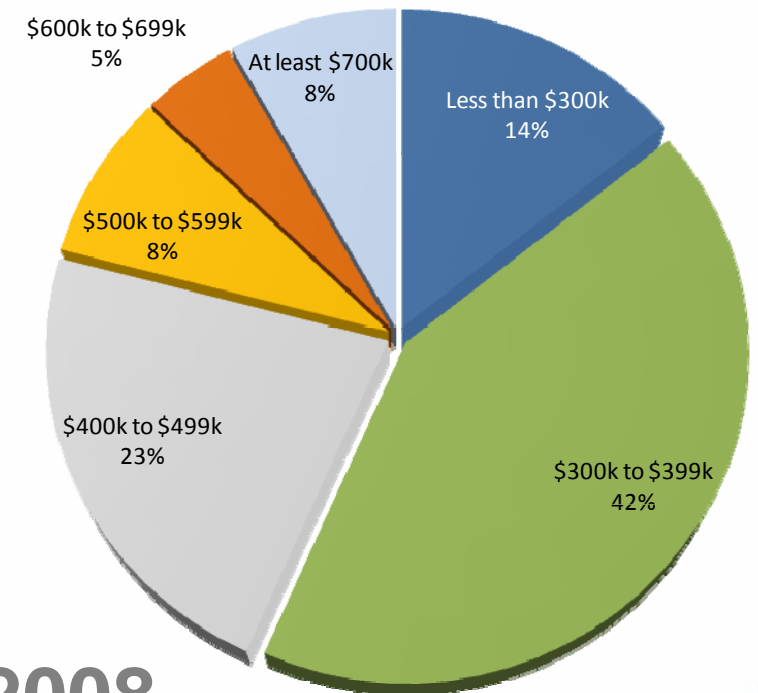
Where is the market activity? *Brisbane Units*

62% of units sold in Brisbane had a price tag less than \$400,000

Last year only 56% of unit sales were under \$400k.



2009



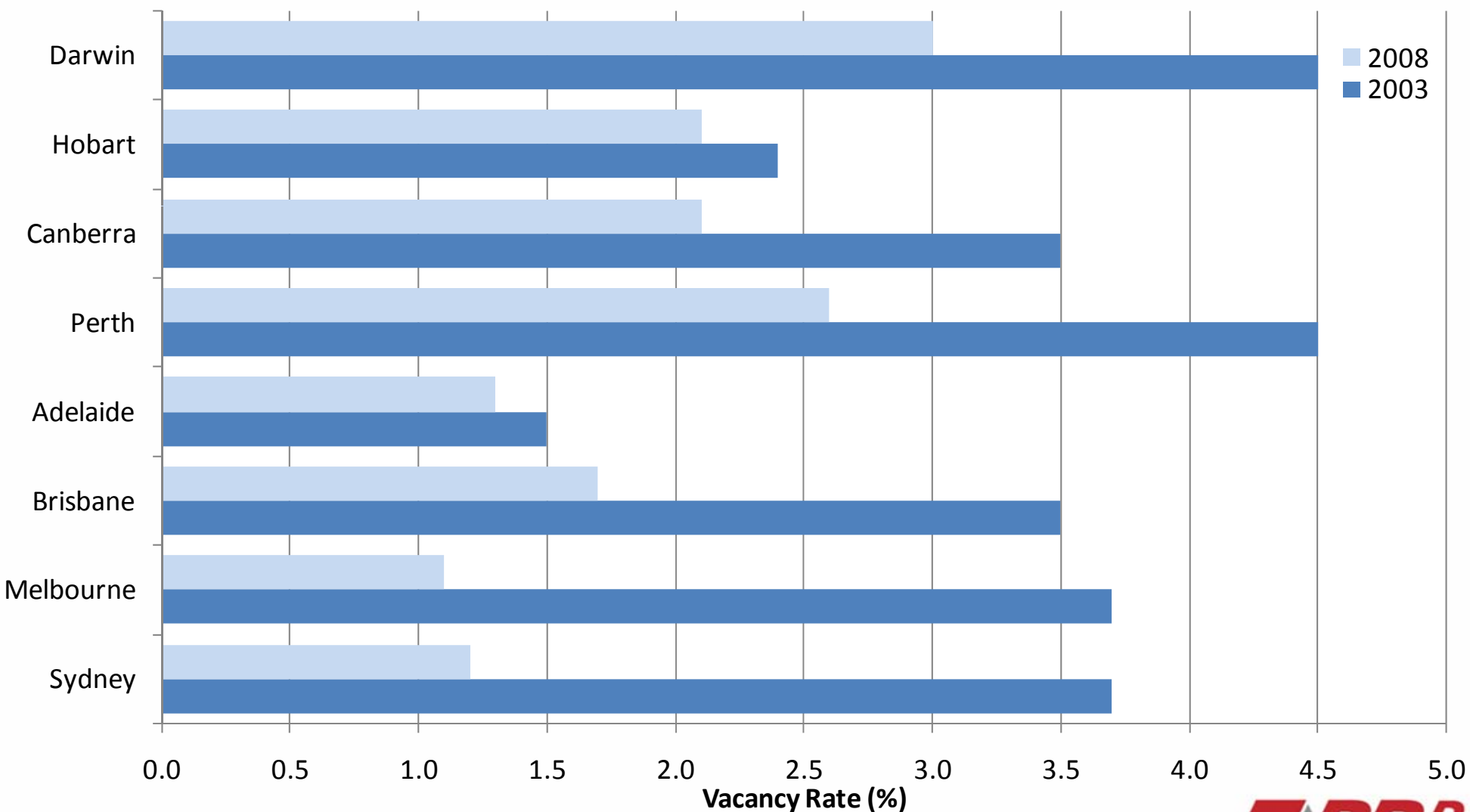
2008

Vacancy rates remain low, but may lift during 2009

Vacancy rates across the major capitals are sub 2%.

With more first home buyers moving out of rental accommodation there may be some pressure removed from the rental market.

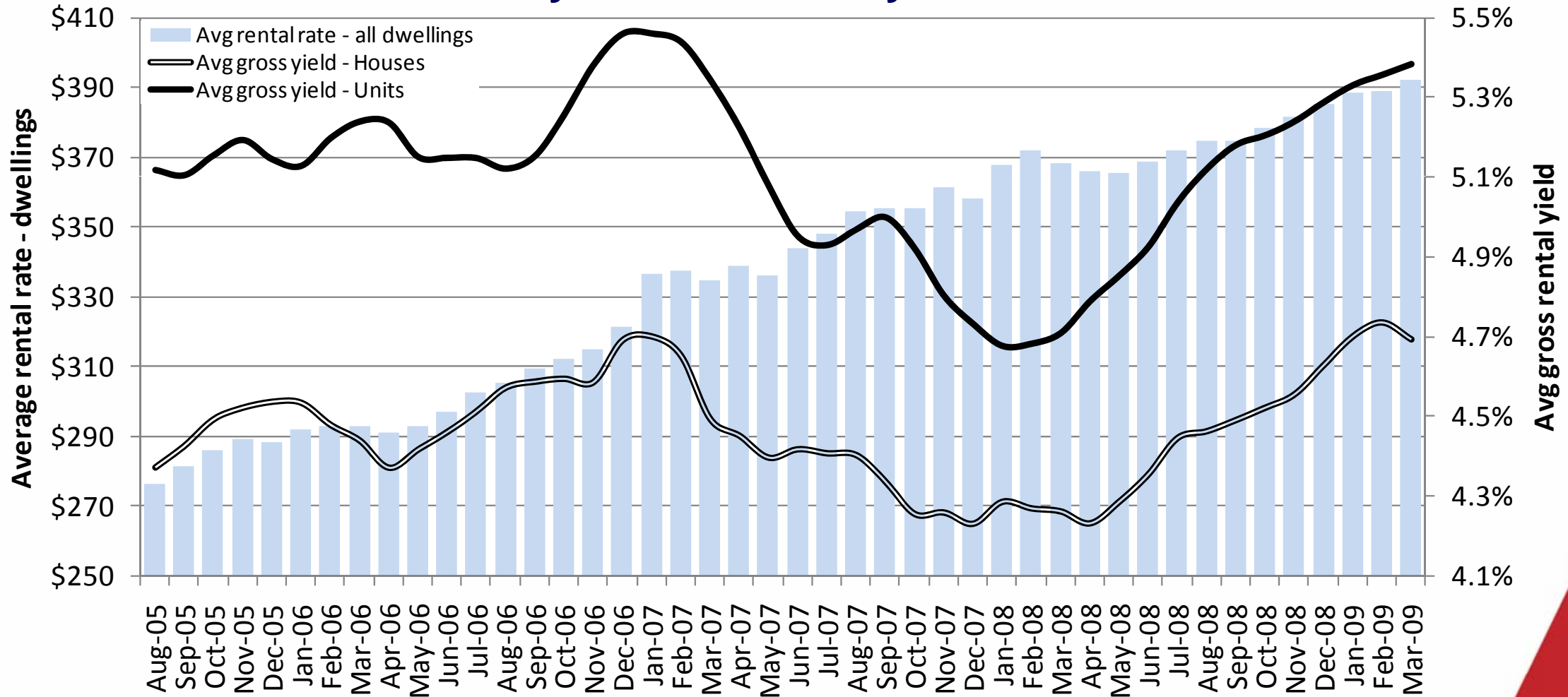
Vacancy Rates



Rental rates and rental yields up

Brisbane rents have increased by 6.6% over the year to March 09 (10% over the previous year and 14% the year before that)

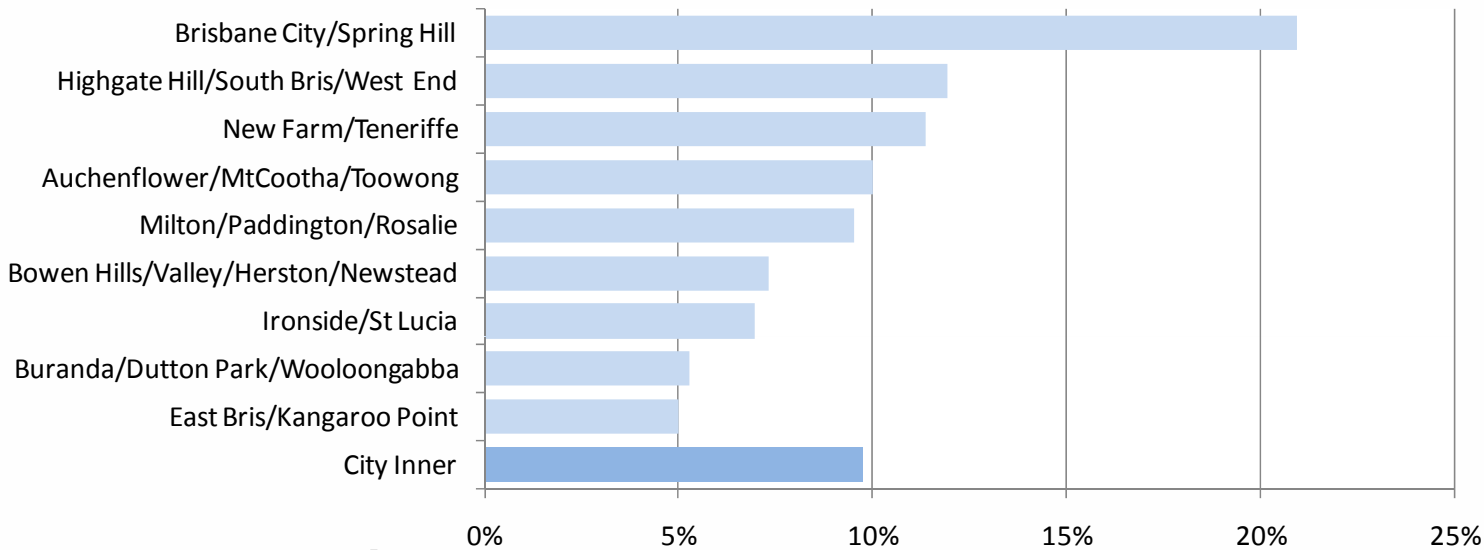
Gross rental yields and weekly rents – Brisbane



Rental rates – Brisbane's inner city suburbs

Brisbane inner city rents have risen 9.8% for houses and 9.1% for units.

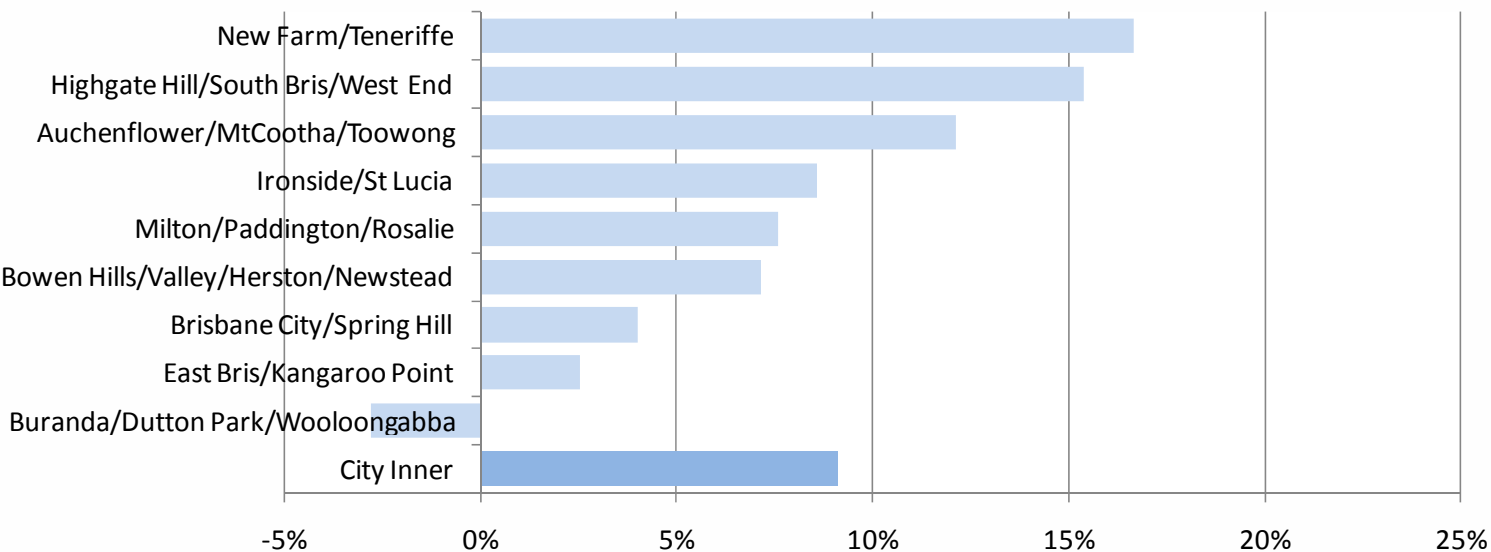
3 bedroom houses



South Brisbane / West End rents for 3 bedroom houses are up 11.9% or \$50/week over the year ending March 09.

Median rent for a 3b house is now \$470/week

2 bedroom units



South Brisbane / West End rents for 2 bedroom units 15.4% or \$60/week over the year ending March 09.

Median rent for a 2b unit is now \$450/week

Where to from here...?



Where to from here?

- At a broad scale housing markets have stabilised during the first quarter of 2009
 - Affordable markets have shown modest growth
 - Affluent markets have shown the largest declines
- Rental rates and investor yields have improved markedly over the last two years, however growth in rental rates is now leveling
- For a wide ranging recovery in market conditions there needs to be dramatic improvement in consumer confidence
- The most significant obstacle to an increase in consumer confidence is now the expectation of higher unemployment.
- Interest rates likely to fall at least another 50 basis points, providing a further boost to affordability