

QUARTERLY ECONOMIC & PROPERTY REPORT

QUARTER 2 | 2013



Economic and Property Overview

At the time of writing the Australian Bureau of Statistics (ABS) has estimated that the residential population has surpassed 23 million. This is the result of a growing natural increase rate and a very high intake of overseas migrants. While rapid increases in the population will have its drawbacks, such as placing strain on existing infrastructure, it presents opportunities for Australia to grow and support its aging population, increase its skilled workforce and is a boost to the property industry in general. More residents equates to increased demand for dwellings, rising rental prices and home values. An appealing property market entices investors into the market, which assists with new dwelling development.

Looking towards the economy, the April 2013 release of CommSec State of the States report finds Western Australia as the strongest economy, ahead of the Northern Territory. Western Australia has lead the way on retail trade, population growth and equipment investment. It was second strongest on economic growth, construction work done and housing finance.

The Northern Territory finished top on four indicators: economic growth, unemployment, dwelling starts and construction work done. The Territory was second strongest on retail trade. The ACT economy remains third with the main strengths being dwelling starts and population growth. However, it is weakest on unemployment. New South Wales, Victoria and Queensland follow the ACT and have tracked very similar in terms of economic growth. The final tier (which has widened from the previous report) contains South Australia and Tasmania.

Across all states and territories, trend housing finance commitments are below decade averages. However, commitments in February were above the previous year in three of the measured states and territories.

The outlook for housing construction has improved, through state government grants for new construction and low interest rates. Dwelling starts are above decade averages in five states and territories.

Western Australia's spell at the front of the pack as the fastest growing state has been impressive, but an investment slowdown will soon contract growth out west. With the worst of Queensland's State Government cutbacks likely to be soon over, Queensland could surge ahead to the top. At the bottom end, Tasmania's vicious cycle (with a lack of job gains leading to a lack of retail spending growth) is hitting that state hard, while post-election cost cutting could see growth in the ACT fall back notably in 2013-14.

Federal Treasurer Wayne Swan says the budget revenue has taken a \$7.5 billion "sledgehammer" hit because of the high dollar and lower terms of trade. This is supported by research from the Grattan Institute, which estimates structural changes in the economy are likely to leave governments across Australia facing budget deficits of around four per cent of GDP for at least the next decade.

The Grattan Institute has warned that tax hikes or spending cuts totaling \$60 billion in today's dollars will be needed to bring state and federal budgets back into balance in 2023.

However, Australian government debt as a percentage of GDP, is at 27 per cent, equating to the fifth lowest of the top 20 largest nations, and accounting to four-fifths of the world GDP. The debt is considered quite manageable with a bond rate of 3.4 per cent. Compared to Japan's debt of 237 per cent, Australia is in a much better state. The forecasts for 2013 budget balance shows only South Korea as achieving a surplus, but Russia, Germany and Australia should all record a budget deficits of less than one per cent.

Key Facts:

CPI: 2.2%

SVHL Rate: 6.45%

**AUS Unemployment Rate:
6.0%**

**Average AUS Fuel Price:
\$1.46pl**

Confidence

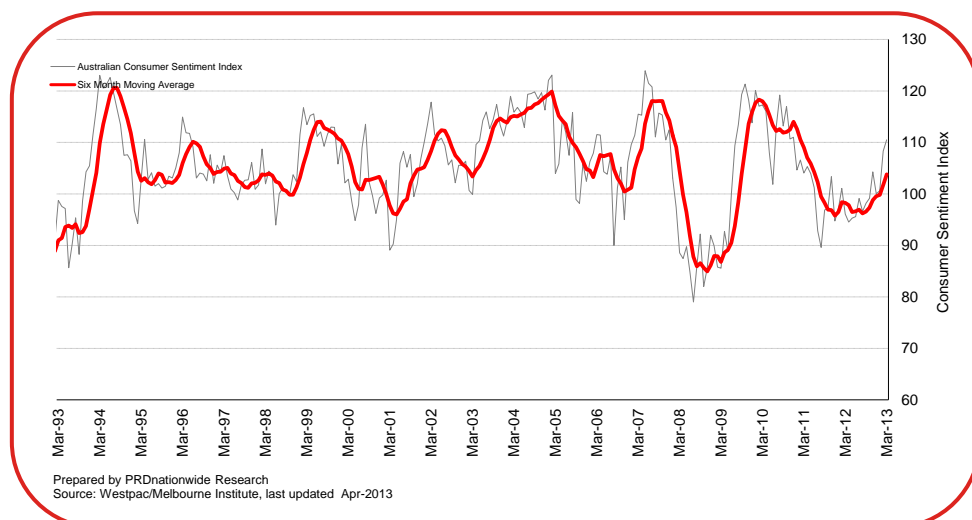
Sentiment soars in early 2013

- The first quarter of 2013 registered a significant improvement in optimism of the Australian Consumer Sentiment Index, recording an Index score at 110.5 points. This is 15 per cent higher than the previous year, and 10.5 per cent better than the final quarter of 2012.
- The long-term six month moving average Index has surpassed the equilibrium mark of 100 points. Over the March 2013 quarter the long-term Index registered 103.8 points, up from 98.3 points in the previous year.
- Optimism was more prevalent over the month of March, as consumer confidence increased a further 2.0 per cent. However, early data released for April shows a fall in consumer confidence of 5.1 per cent to 104.9 points during the month of April 2013. Consumers downgraded their expectations on the future outlook (down 4.3 per cent), with the time to buy a major household item falling by 7.6 per cent and pessimism on the economic outlook increased 4.5 per cent.
- Out of the five states measured during the month of April 2013, sentiment increased the most in Western Australia (up 5.1 per cent), followed by Queensland (up 2.4 per cent). Victoria experienced the greatest decline in sentiment, by 8.2 per cent, followed by South Australia, down by 7.3 per cent. Through the recent increase, optimism is now highest in Western Australia, with an Index score of 113.9 points, followed closely by New South Wales at 113.4 points. Queensland has the lowest Index score at 99.9 points, followed by South Australia, at 108.1 points.
- The Property Council-ANZ Property Industry Confidence Survey released in April recorded a second consecutive rise over the March 2013 quarter, with the Index reaching an 18-month high of 124 points (100 points considered neutral). The survey indicates property professional in Western Australia are the most optimistic, while those in Tasmania and the ACT the most pessimistic.

Australian Consumer Sentiment Graph (right):

- The Consumer Sentiment Index indicates short-run changes to consumer willingness to purchase goods in the forthcoming quarter.
- The Index is based on a monthly survey of 1,200 Australian households conducted by the Melbourne Institute and Westpac.
- It represents current and future perspectives of the broad economic climate and household financial state.

Australian Consumer Sentiment





Confidence cont.

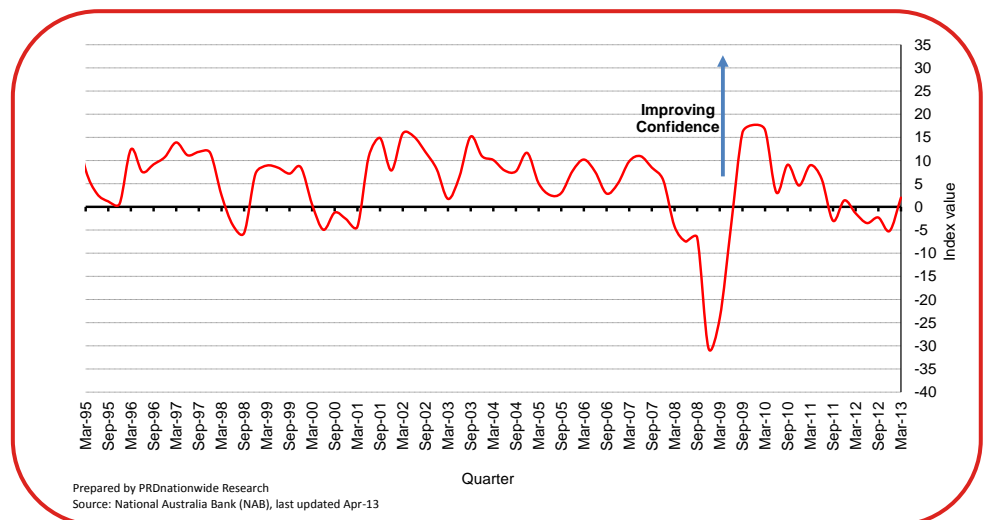
Optimism improves despite international uncertainty

- Australian business confidence recovered over the March 2013 quarter to record an Index score of 2.0 points, from -5.2 in December. Domestic political uncertainty and renewed fears of the ongoing European crisis might hinder confidence from rising further in the near future.
- Mining confidence fell dramatically over March, decreasing by 25 points to equate to the weakest score in four years. This reflects the shift of focus towards cost cutting, and softer commodity prices. Confidence improved in the wholesale industry (up 8.0 points), while both construction and recreation & personal services were up 5.0 points. Construction appears to be optimistic about the outlook for dwelling investment, due to an improving housing market.
- Across the states confidence remained fairly unchanged, with Western Australia, Queensland and South Australia becoming slightly more optimistic, while New South Wales and Victoria succumbing to more pessimism. Surprisingly, confidence in Tasmania has improved despite the tough economic conditions.
- Business conditions have fallen to the weakest level since May 2009, at -7 Index points, reflecting weaker trading and employment conditions.
- The NAB is fairly bullish when looking ahead, lifting its forecast of GDP from 2.3 to 2.4 per cent during 2013 and rising to 3.0 per cent in 2014. The NAB has warned that while there are signs that the economy is strengthening, softer commodity prices and a high Australian Dollar is detrimental to activity.

Business Confidence Graph (right):

- The Business Confidence Index indicates expectations of business conditions for the upcoming quarter.
- The Index is based on a survey of approximately 900 small to large businesses in the non-farm sectors and is conducted by the National Australia Bank (NAB).

Business Confidence



Macroeconomic Climate

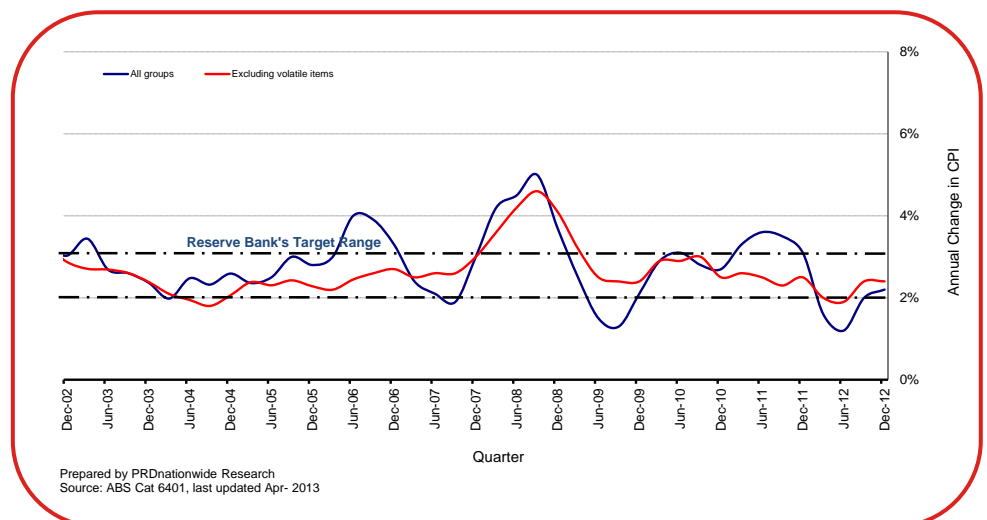
Little inflationary pressure evident

- The December 2012 CPI figures recorded an annual change of 2.2 per cent, equating to an increase from the September 2012 quarter, and is just within the bottom tier of the RBA target range (between two to three per cent).
- The underlying inflation figure (as measured by the RBA) removes volatile items such as fruit and fuel, has remained at 2.4 per cent, down from 2.5 per cent this time last year.
- The Westpac-Melbourne Institute Leading Index which indicates the likely pace of economic activity three to nine months forward, was 4.2 per cent during February 2013, well above its long term trend of 2.8 per cent. About two thirds of the pick up was due to a rally in equities, and a rebound in commodity prices (both which have had recent reversals).
- In Europe consumer confidence improved during April according to the EU Commissions latest survey. That is the fifth consecutive monthly improvement and came despite the crisis in Cyprus. Europe is likely to be in recession till late 2013, while growth in the USA is only moderate, and growth in China is accelerating.
- Early indications for the first quarter of inflation see both headline and underlying inflation remaining below expectations. The six month annualised pace of the RBA's favoured underlying inflation measures is now running at or close to two per cent, the bottom of the RBA's target band. Headline CPI rose by 0.4 per cent in the March quarter, which follows December's 0.2 per cent rise.

Inflation Graph (right):

- Inflation is measured as a change in the Consumer Price Index (CPI), calculated by the Australian Bureau of Statistics as the price of a weighted 'basket' of goods and services which account for a high proportion of expenditure by metropolitan households.
- The Reserve Bank of Australia (RBA) aims to constrain inflation in a long-run target range of 2-3% through the setting of interest rates.

Inflation





Macroeconomic Climate cont.

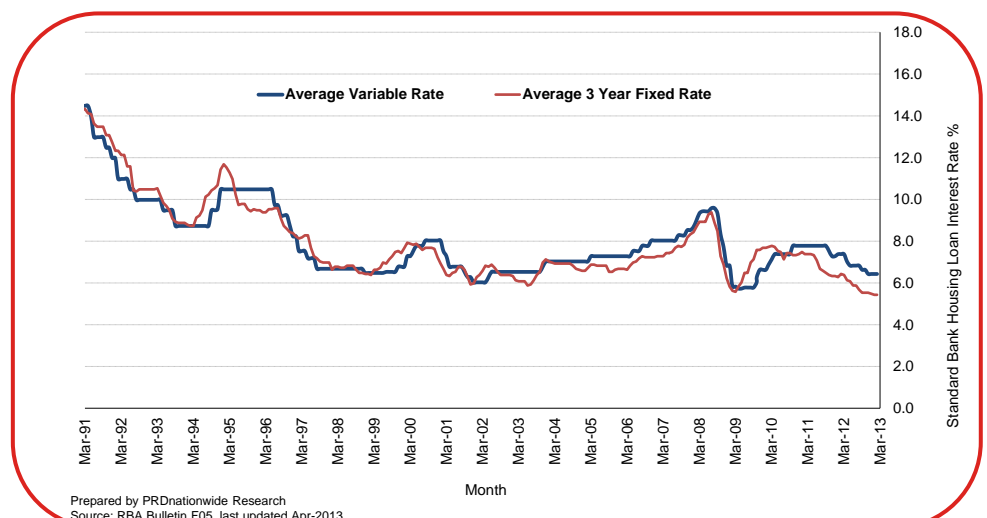
Further rate cuts likely during 2013

- Over April 2013, the Reserve Bank of Australia (RBA) has once again kept the official cash rate on hold at 3.0 per cent. This rate has been left on hold since December 2012, and is on par with the 'emergency rates' experienced during the Global Financial Crisis. The cash rate is now well below the 10 year average of 4.98 per cent.
- Through the stability of the Cash Rate, the standard variable housing loan interest rate remained at 6.45 per cent over the first quarter of 2013.
- The NAB predicts unemployment will rise to 5.75 per cent during 2013 and inflation to remain within the target zone, leaving the RBA with scope for a further two cuts by the end of the year. The NAB sees June and November as possible months where the rate should drop. Westpac also believes that the RBA will cut rates further during 2013.
- Fundamentally, the key reasons for the cash rate cut to remain on hold over the first quarter of 2013 were:
 - I. Australia economic growth is expected to be close to trend, with the resource sector providing the big expenditure, while other sectors experiencing weaker conditions. The RBA expects these other sectors to strengthen once the peak of resource investment passes.
 - II. Global growth is forecast to be a little below average for a time, but the downside risks appear to have lessened over recent months.
 - III. Sentiment in financial markets is much improved compared with the middle of last year.

Housing Loan Interest Rate Graph (right):

- The housing loan interest rate is the average rate of interest being offered by housing lenders. It is higher than the RBA's target cash rate due to lending costs and profit margins.
- Interest rates are set by the RBA, who acts independently of government and sets interest rates with the goal of maintaining inflation in a long-run target range of 2% and 3%. The RBA meets monthly to review the current interest rate and is only required to justify its decision if it chooses to alter the rate.

Housing Loan Interest Rate



Foreign Exchange

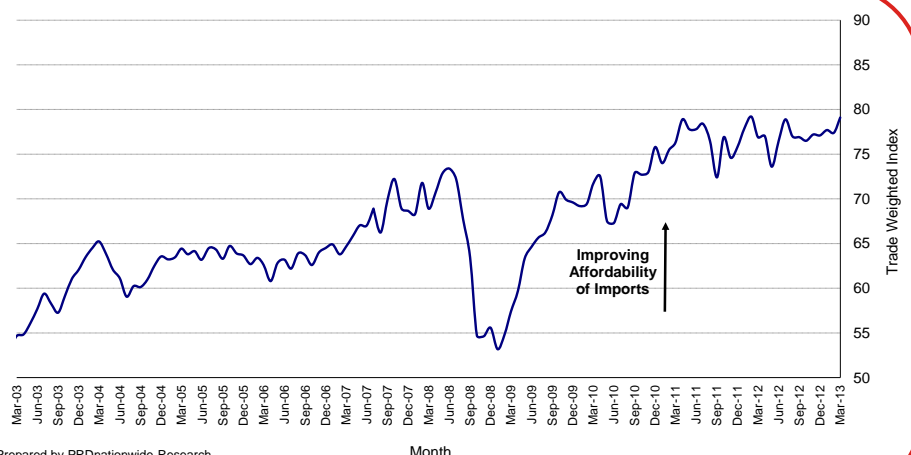
Hurt to remain for exporters during 2013

- During the month of March 2013, the Australian Dollar Exchange Index increased by 2.2 per cent to register an Index value of 79.1, while increasing 2.9 per cent over a 12 month period. The Australian Dollar (AUD) has remained above parity to the US Dollar since January 2011, the longest period the AUD has been so high, and continues to hinder Australian exports. Over March 2013 the AUD increased a further 1.5 per cent against the US Dollar to reach 1.04.
- Over the 12 month period ending March 2012, the Australian Dollar has appreciated the most against the Japanese Yen (up 14.9 per cent), while depreciating the most against the New Zealand Dollar (down 1.8 per cent).
- While over 2012 the AUD typically remained above 0.8 against the Euro, the beginning of 2013 observed a strengthening Euro, decreasing the exchange rate to 0.76. However recent economic trouble resumed in Europe, pushing the AUD higher against the Euro for the month of March to 0.82.
- The NAB Exports Index (representing export conditions for the economy as a whole) increased over March 2013 to an equilibrium score of 0 points. The exports index is now lowest in transport & utilities (-7 points) and manufacturing (-3 points) while highest in mining and finance/ business/ property (both +1 points).

	Mar-12	Mar-13	% Change
EU Euro	0.78	0.82	4.7%
JP Yen	85.34	98.08	14.9%
NZ Dollar	1.27	1.25	-1.8%
UK Pound	0.65	0.69	5.9%
US Dollar	1.04	1.04	0.2%

Source: RBA Bulletin F11

Trade Weighted Exchange Rate Index



Prepared by PRDnationwide Research
Source: RBA Bulletin F11, last updated Apr-13

Trade Weighted Exchange Rate Index (right):

- The trade weighted exchange rate index is compiled monthly by the Reserve Bank and ranks the Australian dollar against the currencies of our significant trading partners.
- Exchange rates directly affect the prices of our exports in foreign trade dollars.

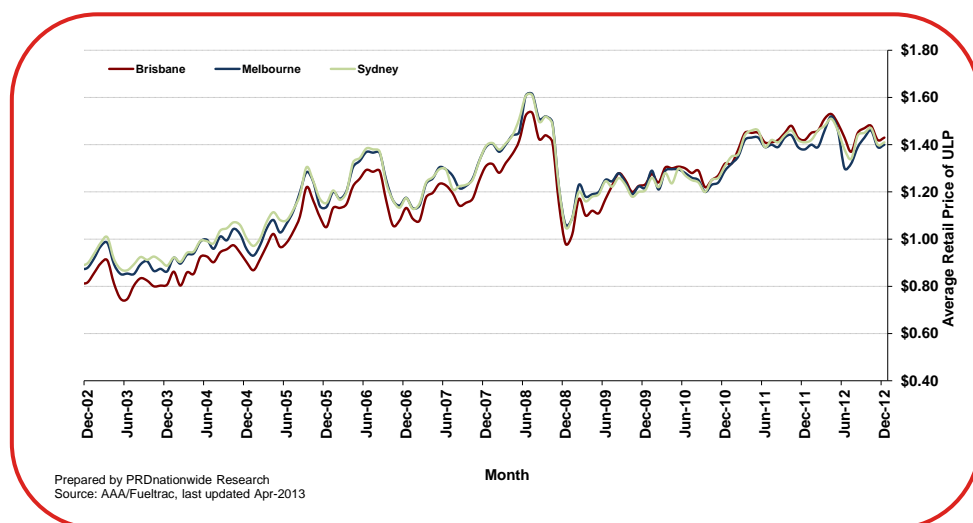


Fuel Prices

Petrol prices increase despite high \$AUD

- In dollar value terms, the nation experienced an increase of 1.8 per cent to the average petrol price during 2012. The average price Australians pay at the pump is now \$1.46 per litre.
- Adelaide was the capital city where motorists pay the least at \$1.39 per litre. The City has experienced a 2.8 per cent decrease over the final quarter of 2012, second only to Perth, in which prices fell 3.4 per cent to \$1.40 per litre. In Darwin consumers continue to pay the most at \$1.60 per litre, followed by Hobart at \$1.54.
- Over the final quarter of 2012, most capital cities experienced a fall in petrol prices with only Canberra rising by 1.3 per cent and Hobart remaining unchanged.
- During the course of the 12 month period, Darwin's petrol prices increased the most at 5.3 per cent, followed by Canberra at 4.1 per cent. Sydney was the only capital city to have experienced no change in petrol prices, while no capital city experienced a decline over the year.
- It appears that the Australian automotive industry is in decline, with the former head of Ford Australia claiming that assembly operations on Australian soil has a time limit. In 2010 vehicle production numbers have fallen by 60 per cent from 2004. Manufacturing automobiles amounts to a reported 35,000 jobs, while retail employed around 65,000 and car maintenance employed 107,000.

Retail Fuel Prices



Retail Fuel Prices Graph (right):

- Sourced from Fueltrac, this chart tracks the average retail price for unleaded petrol across a broad range of suppliers in metro areas.

Commodities Prices

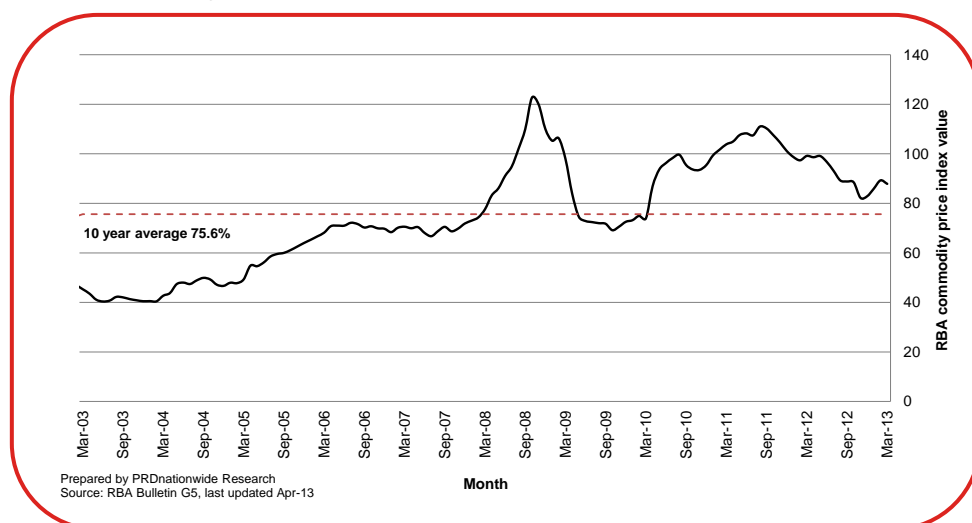
Commodity prices contract in March

- Despite the month of March 2013 recording a decrease of 1.6 per cent to reach 87.9 index points, the Commodity Price Index has increased over the quarter against the wider trend of fall prices. When compared to the previous quarter, the Index has risen by 6.1 per cent. Commodity prices are still above the longer-term 10 year average of 75.6 index points.
- Uncertainty in commodity prices have increased through wavering demand. From a peak experienced in February 2013, iron ore prices have fallen by 15 per cent. The average price for iron ore has decreased to \$131 per tonne, down 7.7 per cent over the month. The average price of coal shipped from Newcastle decreased 3.5 per cent. Global steel production has continued to grow in early 2013, driven by Chinese production.
- Looking ahead, the NAB predicts China's new leadership to continue to ensure growth in its economy modestly accelerates throughout the first half of 2013. Iron ore prices are expected to ease as new supply outstrips steel production. Contrary to iron ore, the price of coking coal is anticipated to increase modestly over this year.
- China coal import data showed thermal coal imports rose 25 per cent to 16mt in March 2013. Reports suggest Australia lost some of its market share to Indonesia as a supplier of high rank coal in March. China's coking coal imports declined about 14 per cent to 4.6mt in March, with most of the declines owing to a 28 per cent drop in Australia's exports to China. The coking coal price, down 15 per cent in two months and very close to its big low of late last year. Coking coal represents 12 per cent of Australia's terms of trade. Thermal coal another seven per cent and its contracts recently fell 17 per cent. Gold is another seven per cent and it recently fell 15 per cent. Iron ore is a further 25 per cent of the Terms of Trade and has fallen 15 per cent from February highs. The dollar has gone down and up but is back to where it was in February. This effectively cancels out the bulk commodity bounce we enjoyed after last September's fall and in the circumstances of a looming mining bust, it could be a rate cut trigger sooner rather than later.

RBA Commodity Price Index Graph (right):

- Primary commodities account for more than half of Australia's export earning.
- The Reserve Bank's Commodity Price Index provides an indicator of primary commodity price movements. The index includes 17 commodities with separate weightings, the highest of which are coal, gold and iron ore.
- High commodity prices are one of the primary drivers behind Australia's robust economy, influencing real estate prices particularly in Western Australia, Northern Territory, Northern Queensland and as of late South Australia. Coupled with the resource industry boom, employment and population growth follow, which spurs demand for housing and rental accommodation, particularly in neighbouring resource rich regions.

RBA Commodity Price Index





Labour Market

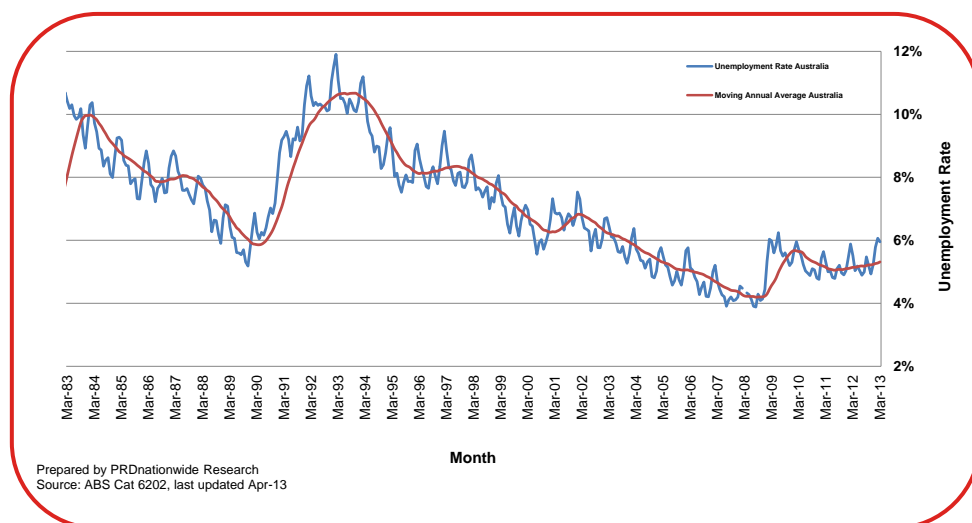
Soft employment conditions increase

- During the month of March 2013 unemployment decreased to 6.0 per cent, representing a monthly contraction of two per cent. The moving annual average rate has increased to 5.3 per cent at the beginning of 2013 and is expected to rise as 2013 progresses.
- For the month of March 2013, the nation's lowest rate of unemployment occurred in the Northern Territory at 4.7 per cent, recording no change over the month. Tasmania's high rate of unemployment softened by four per cent over the month and is now at 7.4 per cent.
- Unemployment in Queensland continues to increase, with the month of March increasing by four per cent to register 6.5 per cent. Unemployment in New South Wales remained at 5.8 per cent for the second consecutive month, while Victorian unemployment decreased to 6.0 per cent from 6.1 per cent.
- The NAB has reported that employment conditions have softened over March in transport & utilities (down 3 points) manufacturing, finance/ business/ property (all down 2 points). Not a single industry has reports an improvement in conditions over the month.
- The ANZ job advertisements series for March showed job advertisements declined once again, after the Index fell 1.5 per cent during March. However, job advertisements are now modestly higher than their levels three months ago.
- The Roy Morgan measure of unemployment shows a different picture to that of the ABS unemployment rate, with the month of March remaining at a high 10.8 per cent.
- The ABS has reported that the total job vacancies in February 2013 was 155,300, equating to a decrease of 6.0 per cent from November 2012. The number of job vacancies in the private sector was 144,300 in February 2013, a decrease of 6.0 per cent from November 2012, while the number of job vacancies in the public sector was 10,900 in February 2013, a decrease of 10. per cent from November 2012.
- The latest quarterly ABS employment report showed that public administration and safety (government employment) shed nearly 19,000 jobs (-2.6 per cent) in the year to February 2013, which was one of the largest retrenchments of any industry in Australia

Unemployment Rate Graph (right):

- Unemployment is calculated as the proportion of people in the labour force that were unemployed and actively seeking work during the survey period.
- The labour force is defined as the number of people aged between 16 and 55 who were either employed or actively looking for work during the survey period.
- This graph tracks the unemployment rate on a monthly and moving annual average basis over the last 30 years.

Unemployment Rate



House Finance

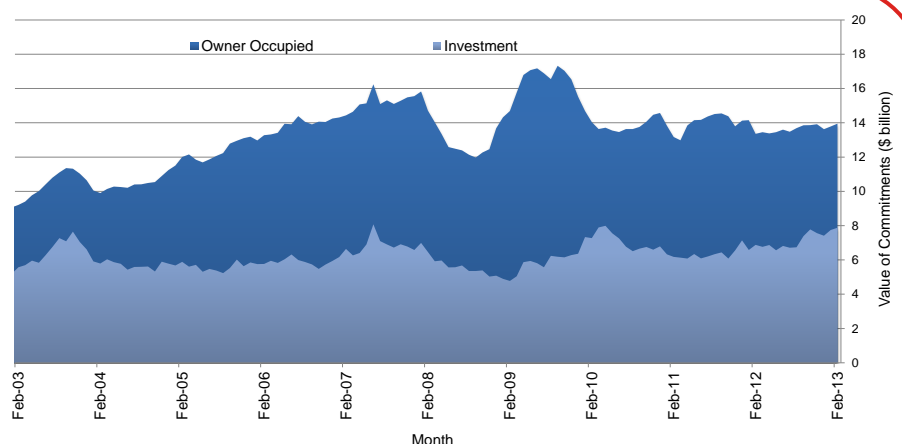
Housing finance grows in early 2013

- The gross spend on housing finance was \$21.8 billion during the month of February 2013. Compared to the previous year, the total spend has increased by 7.9 per cent, equating to \$1.6 billion more. The ABS data showed the number of home loans granted to owner occupiers in February increased a seasonally adjusted 2.0 per cent to 45,423.
- According to the NAB, activity from domestic and foreign investors is increasing. There is a marked improvement in demand for new property. Inner city remains the most preferred location for new buyers, but tight credit and affordability are cited as significant constraints.
- Compared to the previous year, investor spending grew slightly to \$7.9 billion (up \$1 billion) and is above the ten year long-term average of \$6.3 billion. For the month of February 2013, investor financial commitments improved by \$200 million. The investor financed market now accounts to 36.1 per cent of the mortgage property market, equating to an increase of 2.1 per cent in 12 months.
- Owner occupier expenditure increased by \$600 million to \$13.9 billion from the previous year.
- The purchase of new dwellings increased over February by 0.6 per cent, while the purchase of established dwellings increased by 2.1 per cent (sourced from seasonally adjusted figures released from the ABS).

Housing Finance Commitments

Housing Finance Commitments Graph (right):

- Housing finance commitments track the volume of finance commitments made by significant lenders to individuals for the purchase of housing.
- This graph tracks the value of loans approved for both owner occupiers and investors.





Construction Market

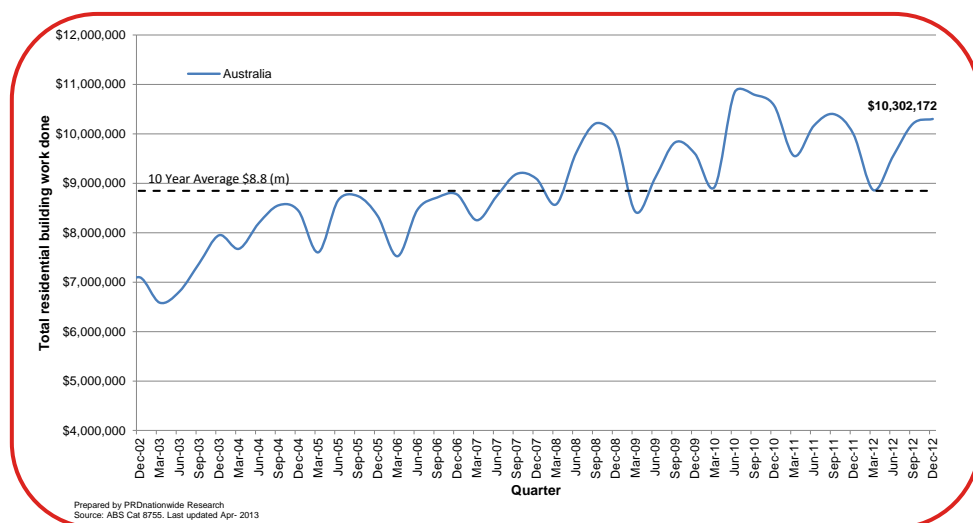
New residential construction increased the most in the Northern Territory

- During the December 2012 quarter, the national total value of residential construction work completed increased by 0.9 per cent to reach just over \$10.3 million. This is the third consecutive quarter where spending has increased in construction, resulting in a year on year rise of 3.1 per cent.
- The Federal government will continue with its affordable housing scheme with a plan to commence 6.3 million affordable housing units, while 4.7 million will be completed in 2013 (down from seven million starts and five million completions planned last year).
- On a state by state basis, new residential construction increased the most over the December quarter in Northern Territory (up 11.4 per cent), followed by Queensland (up 8.4 per cent) and New South Wales (up 1.5 per cent). Construction decreased over the quarter in Tasmania (down 11.1 per cent), the ACT (down 9.7 per cent), and Western Australia (down 6.6 per cent).
- Over the course of the 12 month period ending December 2012 the Northern Territory experienced the largest increase in the total value of residential construction, at 20.9 per cent, while Tasmania contracted the greatest at 26.0 per cent.

National Residential Construction Graph (right):

- This data provides an early indication of trends in building and engineering construction activity. The data are estimates based on a response rate of approximately 85% of the value of both building and engineering work done during the quarter.

Total Quarterly Value of National Residential Construction



Stock Market

Australian share market strengthens

- Then end of March and into the beginning of April 2013 observed a slight decrease on the improvements made over the end of 2012 to the Australian Securities Index. During this period the Index softened to below 5,000 points, the first time since early February 2013.
- During early 2013, the ASX 200 pushed past the 5,000 point mark for the first time since the wake of the Global Financial Crisis. Certainly improvements in local confidence has helped as conditions overseas have remained uncertain.
- The Index increased its monthly average value during March 2013 to reach 5,041 points, up from February's average of 4,999 points, resulting in an increase of 0.9 per cent over the quarter.

S&P / ASX 200



Prepared by PRDnationwide Research
Source: Standard & Poors, last updated Apr-2013

S&P / ASX 200 Graph (right):

- The S&P/ASX 200 is recognized as the primary investable benchmark in Australia. The index covers approximately 78% of Australian equity market capitalization. Index constituents are drawn from eligible companies listed on the Australian Stock Exchange. This index is designed to address investment managers' needs to benchmark against a portfolio characterized by sufficient size and liquidity.
- The S&P/ASX Australian Index is a real-time, market capitalisation weighted index that include the largest and most liquid stocks in the Australian equity market listed on the Australian Stock Exchange (ASX).

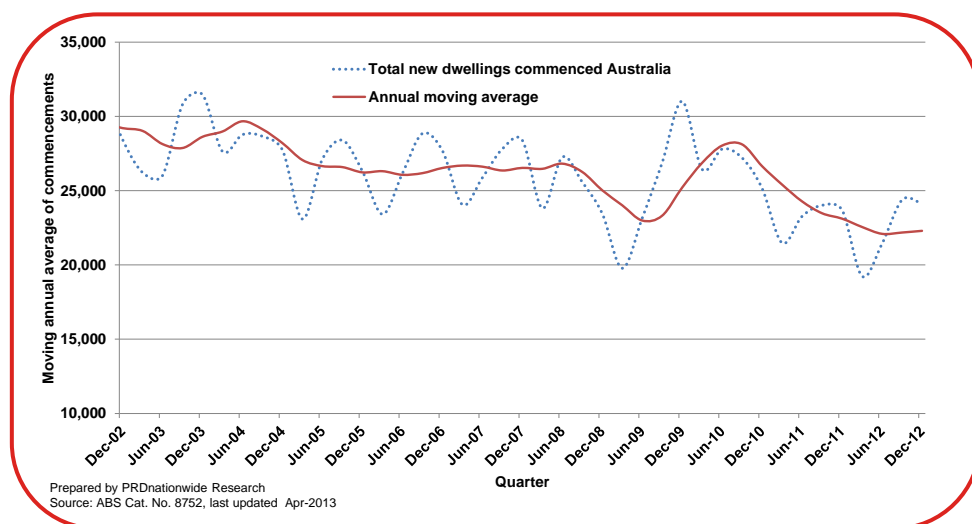


Dwelling Market

Victoria records largest number of housing starts

- The total number of dwelling commencements declined during the December 2012 quarter by 0.9 per cent, equating to 216 less new homes commenced for the quarter. However when compared to the previous year, commencements have increased by 1.9 per cent.
- On a state-by-state basis, Victoria continued to record the highest number of dwelling commencements during the December quarter, representing 30.3 per cent of all dwellings commenced nationally. Queensland followed with 19.6 per cent and New South Wales contributed with 18.7 per cent of commencements.
- Over the December quarter, only South Australia and Western Australia recorded increases in the amount of dwelling units commenced, rising by 35.2 and 8.9 per cent respectively. The Northern Territory, and ACT registered the largest declines in commencements, with a 21.5 and 19.9 per cent decrease.
- The ABS Building Activity update for the December 2012 quarter shows a 2.3 per cent decline in new home commencements from an improved September quarter. The December quarter posted a decline of 2.3 per cent in aggregate dwelling commencements. There was a decline in the number of multi-unit dwelling commencements of 4.7 per cent, while the count of detached dwelling commencements was consistent with the previous quarter. The second half of 2012 can be characterised as a reasonable rather than poor performing period for housing starts. Housing starts were still at a recessionary level in four states in 2012. There are signs that New South Wales and Western Australia are on a path to recovery, and the strong December quarter result for the recessed South Australia market is encouraging. In contrast, the signals for the remaining states and territories are weak.

Dwelling Commencements



Dwelling Commencements Graph (right):

- Dwelling commencements indicate the number of new dwellings that have commenced their construction phase.
- A moving yearly average is used to filter out seasonal fluctuations in the number of dwellings commenced.

Dwelling Market Cont.

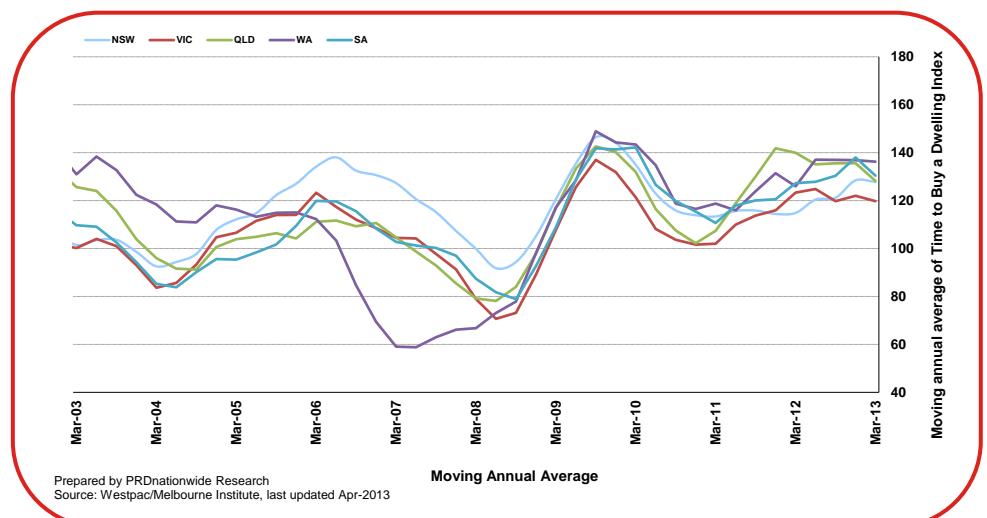
Time to Buy Index dramatically falls in Queensland

- Over the March 2013 quarter, the Time to Buy a Dwelling Index significantly contracted in all states, with Queensland falling the most at 33.3 per cent, followed by South Australia at 26.1 per cent. Western Australia decreased by 23.7 per cent, while New South Wales also declined by 21.3 per cent. Victoria was the state to experience the smallest decline over the quarter, by 11.5 per cent.
- Western Australia now has the highest Index value at 113.9 points, closely followed by New South Wales at 113.4 points. The lowest Index score was registered in Queensland at 99.9 points.
- According to the Westpac-Melbourne Institute Survey of Consumer Sentiment, family financial conditions improved over the 12 month period ending April 2013 in all of the five measured states, with the largest increase felt in Queensland (up 84.0 per cent) followed by Victoria (up 27.4 per cent) and New South Wales (up 18.9 per cent). Western Australia experienced the smallest increase of 1.6 per cent. Queensland now has the best family financial conditions, at 98.8 Index points, followed by Western Australia at 95.0 points. New South Wales has the worst conditions at 72.4 Index points.
- The latest Property Council of Australia-ANZ Property Industry Confidence Survey reveals that sentiment has increased to an 18 month high, driven by increased confidence in the housing market and easing financing conditions. The Index shows for the March 2013 quarter confidence increasing from 107 to 124 points, the second consecutive quarter of growth.
- The NAB Residential Property Index increased sharply (up 8 points to +35) as more property professionals reported capital and income growth. Western Australia continued to lead the pack, while Victoria improved during tougher conditions. According to the survey, national house prices increased 0.4 per cent during the first quarter of 2013, with prices rising in all states except Queensland (-0.4 per cent). Western Australia is the most optimistic state, predicting prices to increase by 3.8 per cent, followed by Victoria (2.4 per cent) and New South Wales (2.2 per cent). The weakest outlook for a state now resides with Queensland at 1.3 per cent.

Time to Buy a Dwelling Index Graph (right):

- The Time to Buy a Dwelling Index indicates short-run changes in consumer sentiment regarding whether it is a good time to buy a dwelling.
- It is a component of the Melbourne Institute's Consumer Sentiment Index which is undertaken monthly.

Time to Buy a Dwelling Index



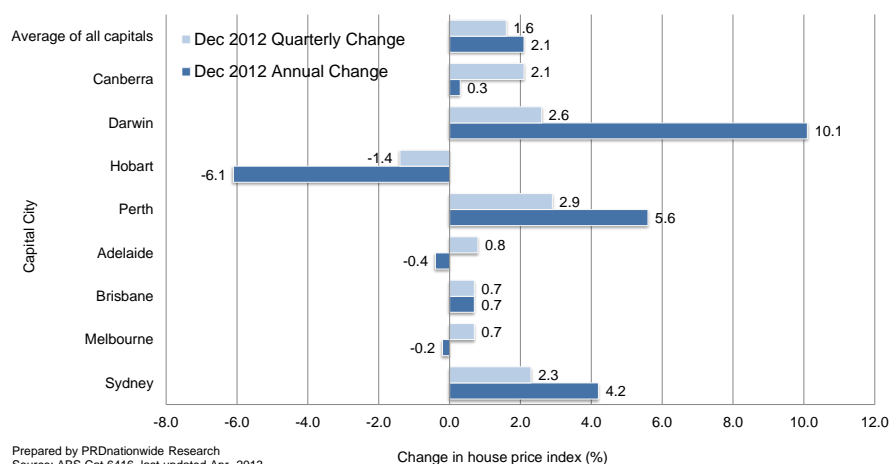


Home Prices

Home values rise during the final quarter of 2012

- According to the ABS House Price Index, only Hobart, Adelaide and Melbourne registered a fall in value over the 12 month period ending December 2012. On average, capital city property values have increased by 2.1 per cent, with the largest improvement felt in Darwin (10.1 per cent), Perth (5.6 per cent) and Sydney (4.2 per cent). This reflects the largest rise for the Australian average since the final quarter of 2010.
- When observing changes to the Index over the December 2012 quarter, most capital cities have ceased decreasing house values, with only Hobart experiencing marginal declines.
- House prices increased the most in Perth over the December quarter, by 2.9 per cent, followed by Darwin at 2.6 per cent.
- Looking ahead, the RP Data-Rismark Combined Capital Cities Index improved by 1.3 per cent over the month of March, while over the 12 month period ending March 2013, home values improved 2.36 per cent..
- The Westpac-Melbourne Institute Consumer House Price Expectations Index increased sharply during April, to the highest level observed since July 2010. The index refers to the net percentage of respondents expecting prices to rise and those that expect prices to fall. During April 2013, the Index increased from +26.7 in January to +53.9 in April. After a period of uncertainty, Australian consumers appear to be convinced that house prices are on the way up. All states recorded a rise in the Index, ranging from a significant change in Victoria (+54 points) to a steady rise in South Australia (+11 points) and Queensland (+9 points). Consumers in Western Australia and New South Wales have the most positive outlook for house prices, rising 31.4 points and 18.5 points respectively, to equate to the highest Index scores registered (WA at 82.4 points and NSW 62.4 points).

ABS House Price Index Change by Capital City



ABS House Price Index Graph (right):

- The graph to the right measures an annual & quarterly change in house prices of the capital cities.

Home Affordability

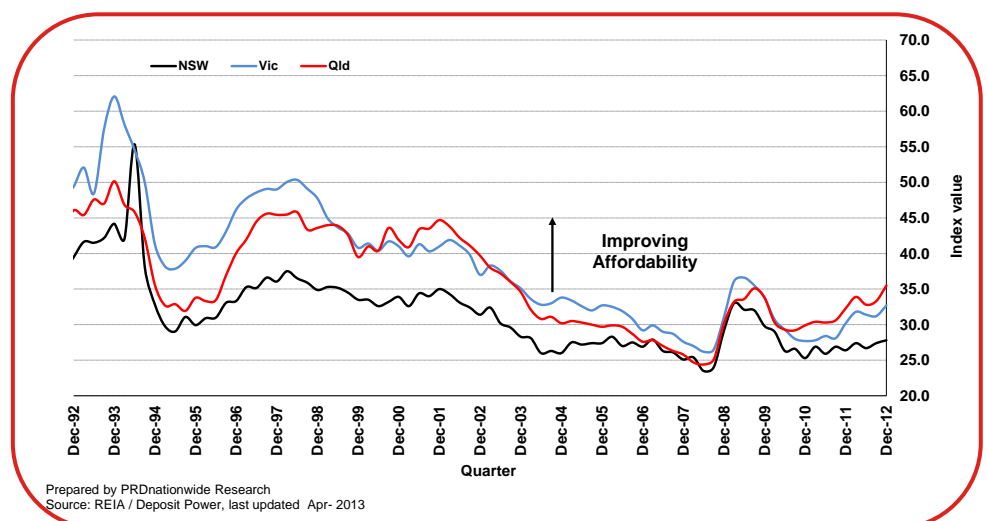
Home loans become more affordable

- Home loan affordability has increased yet again, with the quarter ending December 2012 experiencing a rise of 4.4 per cent to 32.9 index points. Looking longer-term, this equates to an improvement from the previous 12 month period by 5.7 per cent.
- All states, except the ACT, registered an improvement in the Index, with the largest increase occurring in Queensland, at 9.9 per cent, followed by South Australia at 8.9 per cent. The ACT was the only state or territory to record a decrease in the Index, contracting by 0.2 per cent. The Northern Territory increased the smallest, rising by only 3.5 per cent.
- Affordability continues to be highest in the ACT, with an Index score of 53.6, followed by the Northern Territory (recording 46.7), while the least affordable state is New South Wales (27.8 points) followed by South Australia (31.8 points).
- Over the quarter, Queensland and Western Australia increased at the largest rate (up 6.6 per cent each), followed by Victoria (up 4.8 per cent). The smallest increase in affordability occurred in the ACT (up 1.1 per cent) and South Australia (up 3.6 per cent).
- The average Australian household requires 30.4 per cent of the family income to service a home loan. Queensland families require approximately 28.1 per cent, while Victoria requires 31.4 per cent. The ACT requires the least amount, with 18.7 per cent and New South Wales requires the most, at 36.0 per cent of the average family income. According to the REIA, the proportion of family income required to meet the average rental payment has decreased during the December 2012 quarter to 23.9 per cent.

Home Loan Affordability Index Graph (right):

- The Home Loan Affordability Index measures average loan repayments against median wages and tracks these values over time.
- Continued price growth in the property market without an accompanying rise in income saw a long period of decline in the home loan affordability index across the nation.
- The Home Loan Affordability index commenced its rapid descent during 2002. After a short leveling between 2004 and 2006, affordability levels have again continued to trend downwards.

Home Loan Affordability Index



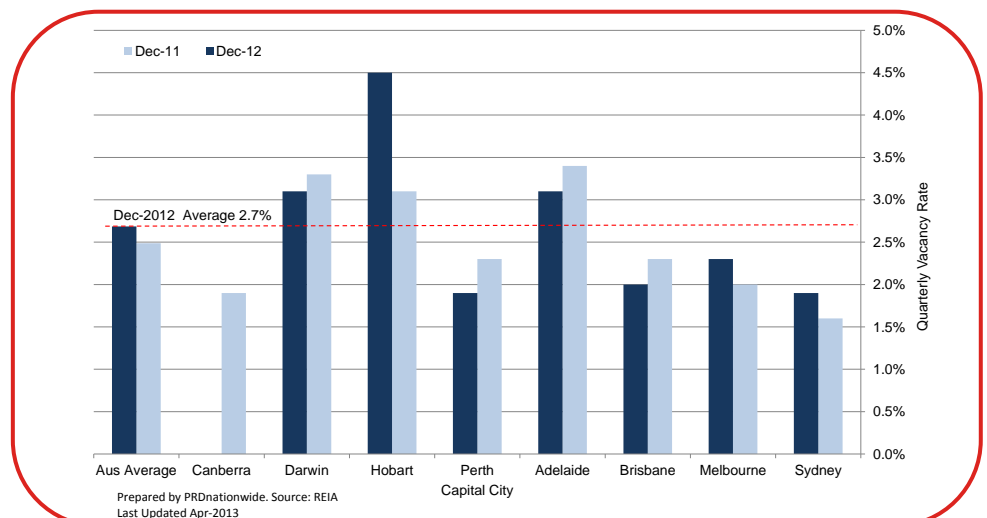


Rental Market

Vacancies rate loosens over December 2012 quarter

- The Australian average vacancy rate increased to 2.7 per cent over the most recent December 2012 quarter. Sydney and Perth are both the tightest rental markets of all capital cities, with a 1.9 per cent vacancy rate, followed by Brisbane at 2.0 and Melbourne at 2.3 per cent.
- Vacancies expanded the most in Darwin, by 1.6 per cent, while Sydney contracted the most by 0.6 per cent.
- Darwin maintains the highest median rental price for a standard three bedroom house at a very high \$638 per week, through an increase of 6.9 per cent over the quarter. Adelaide is the most affordable cities to rent in, with a median rental price of \$320 per week, followed by Hobart at \$325.
- Rental prices for a standard three bedroom house in Brisbane and Sydney have remained steady over the December 2012 quarter, at \$360 and \$420 per week, while Melbourne increased to \$350. The Australian capital city average increased to \$415 per week, equating to a 1.7 per cent rise over the quarter.
- According to the REIA, the December 2012 quarter provided Darwin with the largest annual net yield for detached houses, at 4.6 per cent. This was followed by Perth at 3.9 per cent, while Melbourne recorded the smallest yield at 2.6 per cent, followed by Sydney at 2.7 per cent. Darwin registered the largest net yield for two bedroom units, at 4.6 per cent, while Melbourne recorded the smallest at 3.4 per cent.

Quarterly Vacancy Rates



Quarterly Vacancy Rates Graph (right):

- An industry benchmark for vacancy rates is considered to be 3%. Vacancy rates lower than 3% indicate strong demand for rental accommodation, whilst rates higher than 3% reflect an oversupply of rental accommodation.

Retail Trade

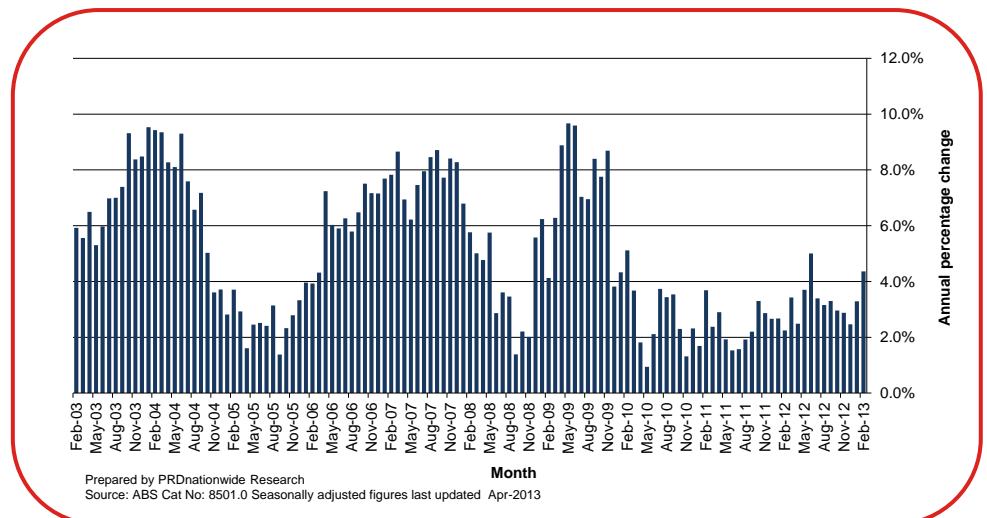
Consumers increase their spending as sentiment rises

- Retail expenditure had its third highest increase from year on year turnover, since the beginning of 2010. During the 12 month period ending February 2013, retail expenditure increased by 4.36 per cent.
- While Western Australia continues to spend above the national average for the 12 month period ending February 2013, the rate at which the state has increased its expenditure has subsided to 6.9 per cent. Despite the contraction in expenditure, Western Australia maintains the state with the largest growth in retail spending, followed by Queensland at 6.1 per cent, and the ACT at 57 per cent.
- Only South Australia and Tasmania recorded a decrease in spending, declining by 0.5 and 1.6 per cent respectively.
- Over the month ending February 2013, Australia's change in retail expenditure increased 1.3 per cent.
- Food retailing amounted to the largest increase in expenditure throughout the 12 month period ending February 2013, at 5.4 per cent. This was followed by clothing and soft good retailing, registering an annual growth of 5.2 per cent.
- Other retailing was the industry to register the smallest increase in expenditure (at 1.5 per cent) over the past 12 months to February 2013.
- The NAB stated that the recent boost in retail sales might have come from price cutting, at the expense of profits. Retail prices fell at an annualised pace of 0.7 per cent, despite strong sales being recorded for January and February.
- Low rates, rising household wealth and a housing construction upturn are expected to support a pick-up in household consumption. The HSBC expects that the drag from household balance sheet consolidation and rising household saving may have ceased. Given the low level of household consumption as a share of GDP, there should be room for it to increase.

Annual Change in Retail Expenditure Graph (right):

- Retail spending figures are estimated by the ABS based on the Retail Business Survey conducted monthly amongst 4,350 retail and selected service businesses.
- The annual change in retail spending indicates how active consumers are in the marketplace and the degree to which consumers are willing to spend.
- The seasonally adjusted figures are used to smooth out seasonal factors associated with this data.

Annual Change in Retail Expenditure

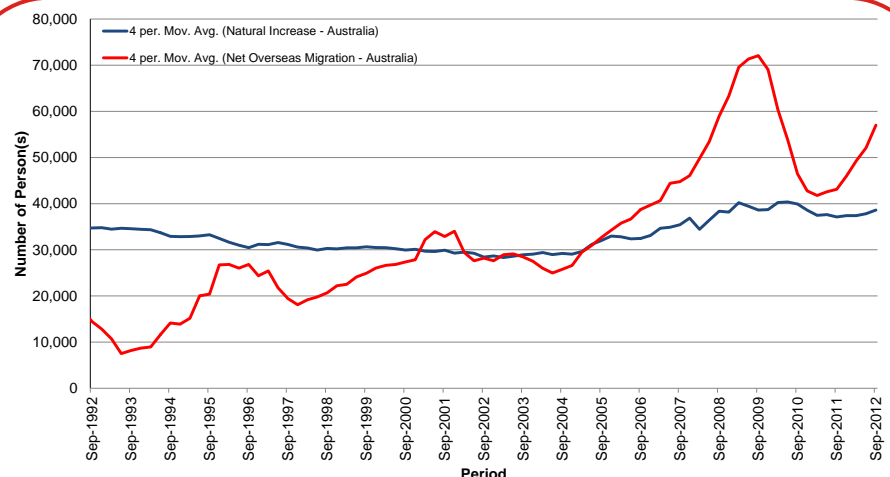


Demographics

Rapidly growing Australian population

- As at September 2012, the Australian population was estimated to be at 22.8 million residents, resulting through an increase of 1.7 per cent over a 12 month period. Australia increased its population by 382,481 net migrants in the 12 months to September 2012 from the previous year.
- Western Australia continues to expand its population at a rapid pace, increasing the total number of residents over 12 months by 3.45 per cent. Queensland followed through an increase of 2.03 per cent, while the ACT recorded growth of 2.0 per cent. Tasmania was the state/territory to have registered the smallest amount of growth, at 0.11 per cent. Both New South Wales and Victoria recorded stronger population growth than their longer-term 10 year averages, at 1.19 per cent and 1.71 per cent respectively.
- The swift increase in the rate of growth of overseas migrants continues to climb. There was a 44 per cent increase in the amount of new migrants from overseas on the previous year, with the majority of migrants, at 36 per cent, locating themselves in New South Wales. Victoria followed with 24 per cent, then Western Australia at 22 per cent. Combined, the ACT, Northern Territory and Tasmania amount to only 3.1 per cent of the total new international migrants.
- Over the 12 month period ending September 2012, the natural increase of Australia rose by 9.3 per cent. The rate has increased the most in the ACT, up 32 per cent from the previous year, followed by Victoria, up 17.3 per cent. Both Tasmania and South Australia experienced a decline in the natural birth rate of 30.8 per cent and 17.2 per cent respectively.
- The Australian tourism market continues to improve with 6.2 million visitor arrivals for year ending February 2013, equating to an increase of 5.0 per cent relative to the previous year. There were 1.1 million visitor arrivals to Australia during the two months to February 2013, an increase of 4.0 per cent relative to the same period of the previous year. There were 604,600 visitor arrivals during February 2013, an increase of 9.1 per cent relative to the same period of the previous year.

Population Growth



Prepared by PRDNationwide Research
Source: ABS Cat 3101, last updated Jan-2013

Population Growth Graph (right):

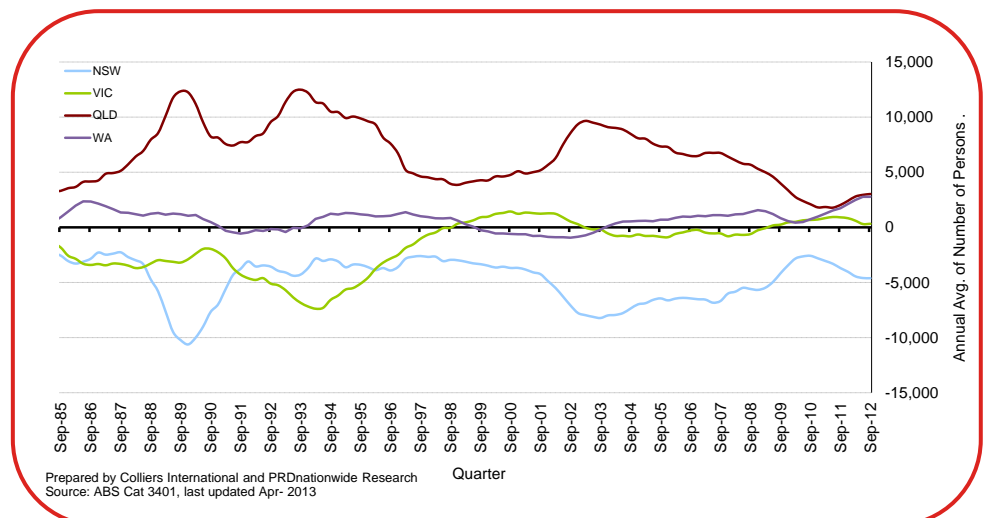
- Population change tracks the change in population across the states and territories of Australia. Population growth is seen as the key driver of demand for housing.

Demographics Cont.

Queensland popular with interstate migrants

- Over the September 2012 quarter, Queensland received the largest number of net interstate migrants out of any state or territory, at 2,973 new net residents. Compared to the previous 12 month period, this has equated to an increase of 11.6 per cent. Western Australia is the second largest growing state in terms of net residents moving into the state, at 2,008 new residents.
- New South Wales, South Australia, Tasmania and the Northern Territory continued to experience negative growth in the total net interstate migration. The state to experience the largest exodus of net migrants was New South Wales, at 3,856 migrants.
- Victoria continued to track closely to equilibrium, with only 352 net migrants entering the state over the September quarter. This is an improvement on the previous June quarter, where the state registered a net migration of 87 less residents.
- South Australia experienced a net loss of 847 net residents departing during the quarter, while the ACT increased a net 108 interstate migrants. Tasmania and the Northern Territory continue to shed residents, at 564 and 174 less migrants over the quarter.

Net Interstate Migration



Net Interstate Migration Graph (right):

- Net interstate migration tracks the net population change in each state attributable to interstate migration.
- Net interstate migration figures fluctuate with the seasons, so a moving yearly average is shown to filter out these changes.

Featured Property For Sale

Current listings from PRDnationwide

55 Maud Street Geelong, VIC
Slice of History

Secure a piece of history with this significant heritage listed building. The former Geelong Grammar School was built in 1857/58. Gothic Tudor Style, rendered bluestone and slate roofed property consisting of 47 rooms including a large kitchen and dining/conference room, three bathroom facilities and back garden.



Contact Laurie McGovan m: 0412 167 677

[View Online](#)

28 Rutledge Street Coolangatta, QLD
Deceased Estate

With sensational never to be built out views and prime position on top of Coolangatta hill this is an opportunity that you don't want to miss!! This 2 story home comprises 3 bedrooms, 2 bathrooms and multiple living areas up stairs and a self-contained granny flat down stairs. The front veranda takes in the panoramic views to Surfers Paradise and beyond.



Contact Jason Abbott m: 0418 727 977

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Email research@prd.com.au

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Our services include:

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- Market Analysis including profiling and trends
- Primary qualitative and quantitative research
- Demographic and target market analysis
- Geographic information mapping
- Project Analysis including product and pricing recommendations
- Rental and investment return analysis
- Competitive project activity analysis
- Economic indicators
- Social research, including focus groups

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Property Watch® Reports

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