QUARTERLY ECONOMIC AND PROPERTY REPORT

QUARTER 3 | 2012

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Economic and Property Overview

Want some positive news? Australia is still the place to be for growth and prosperity. Officially this is the longest spell of growth without a recession that Australia has ever achieved. In fact, 21 years without a recession is a record for any nation. The Reserve Bank Governor recently mentioned Australia's glass is more than half full, even if many people don't see it that way. Consider this- the 1970s saw the popularisation of a measure that was dubbed 'the misery index'. This was the number achieved when combining the unemployment and inflation rates. This measure is at its lowest level in Australia since the 1960s.

Australian based assets have become desirable for central banks across the globe. This has helped prevent a rapid decline of the Australia dollar as global commodity prices have fallen. When comparing the current yield of 10 year Australian bonds to the German equivalent, the Australian bonds deliver twice the German rate. It is no wonder why other countries view Australia as a safe haven. Nowhere has this reassessment of risk been greater than in the Eurozone. In 2005, the Greek and Spanish governments could borrow money through the bond market for roughly the same interest rate as Germany at around 3.1per cent. Financial markets treated the different governments of the Eurozone as if they were the same. Today it costs the Spanish government four times as much to borrow as Germany. The Greek government pays eighteen times more than Germany. The debt crisis has led to a dramatic resetting of interest rates across Europe. Essentially, an investment of €100 in German equities in late 2009 would have grown to €114 today. The same investment in Greek shares would be worth €26.

But how did this affect property? Well the single currency brought very low German interest rates to countries that were used to much higher rates, triggering a boom in house prices. In the 10 years to 2007, Irish house prices almost quadrupled, while Spanish house prices almost tripled. Over the same period German house prices were roughly unchanged. The Global Financial Crisis of 2008 saw the collapse in Irish and Spanish house prices that has wreaked havoc on highly leveraged banks.

There is more positive news domestically, with RP Data's latest figures showing an improvement to dwelling values in most capital cities over the month of June. This could be a direct result of the recent period of falling interest rates. Certainly the fall in rates and the added stimulus from the new budget for low to medium income earners has seen an improvement to retail expenditure. All that is missing from this picture is strong consumer sentiment and buyer confidence, which is likely to return once the volatility overseas ceases.

The first release of the Census 2011 showed that the Australian Bureau of Statistics (ABS) have been over estimating the growth in the Australian population. This oversight will likely have ramifications in other statistical releases from the ABS, such as the Australian unemployment rate. Looking ahead, the ABS will be measuring the population on newly formed statistical areas that do not share geographical boundaries with the previous local government area boundaries. Moving forward it shall be interesting to see how local councils will utilise the new demographical figures which do not correspond to their council area.

Key Facts:

CPI: 1.6%

SVHL Rate: 7.05%

AUS Unemployment Rate: 5.0%

Average AUS Fuel Price: $1.50pl

Confidence

Sentiment remains low

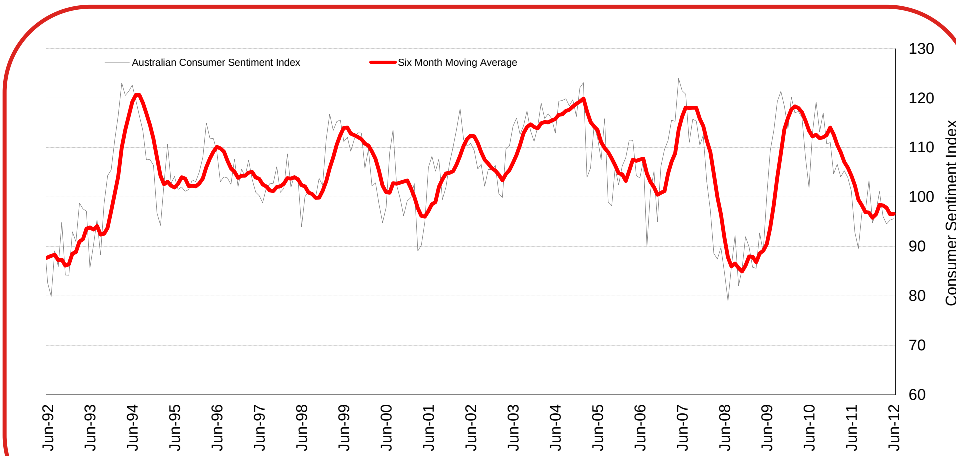
- Consumer sentiment continues to be poor, as the long-term six month moving average Index has remained below the equilibrium of 100 points since mid 2011. However, this six month average Index increased by 0.1 points over the month of June to register 96.6 points. When compared to the previous year, a total decrease of 7.7 points has been recorded.

- On a monthly basis the Australian Consumer Sentiment Index increased further by 0.3 points over the month of June 2012, to record a score of 96.6 points.

- Out of the five states measured for the Index, sentiment decreased the most over June 2012 in South Australia (down 7.4 per cent), followed by New South Wales (down 5.6 per cent). Sentiment increased the most in Western Australia (up 19 per cent), followed by Queensland (up 6.6 per cent). Optimists now outweigh pessimists in Western Australia, with the highest Index score at 107.5 points. Queensland is the only measured state to score below the 100 equilibrium mark, with an Index score of 93.5 points.

- It shall be interesting to view the fluctuations in consumer sentiment now that the long awaited carbon price and minerals tax has been introduced on the 1st of July.

Australian Consumer Sentiment



Prepared by PRDnationwide Research
Source: Westpac/Melbourne Institute, last updated July-2012

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.*

Confidence cont.

International volatility restricts confidence

- Australian business conditions have increased slightly in the month of June as firms reported better sales, but confidence fell to a 10 month low on concerns about the European debt crisis and domestic taxes. Confidence decreased to record -3.0 index points on the NAB Quarterly Index, equating to a fall of 1.8 points.

- Over the June 2012 quarter, business confidence fell in the resource driven states as a likely reflection on the contraction of commodity prices, while it increased strongly in Victoria. Confidence is now weakest in Queensland (at -7) followed by Victoria and New South Wales (both at -4), while highest in South Australia (zero) and Western Australia (-1).

- Confidence declined heavily over the March 2012 quarter in mining (down 18 to -14 points) and manufacturing (down 9 to -10 points). In contrast confidence improved in finance/business/property (up 12 to +2 points).

- The Australian Industry Group has reported that 42 per cent of its surveyed members plan to raise prices immediately following the introduction of the carbon tax.

- The sovereign debt situation in Europe is particularly worrying as Spanish 10-year bonds increased above the seven per cent mark. The ratio of bad loans held by Spanish banks rose to an 18-year high of 8.7 per cent in April. An independent audit of Spanish banks found that they may require up to €62bn in extra funding, in addition to the €100bn of funding already agreed by European authorities. While the Spanish debt is unsustainable, it now appears that Portugal, Ireland and Greece will require full bailouts. Unfortunately Italian bond yields are also increasing and could be the next test for the Eurozone.

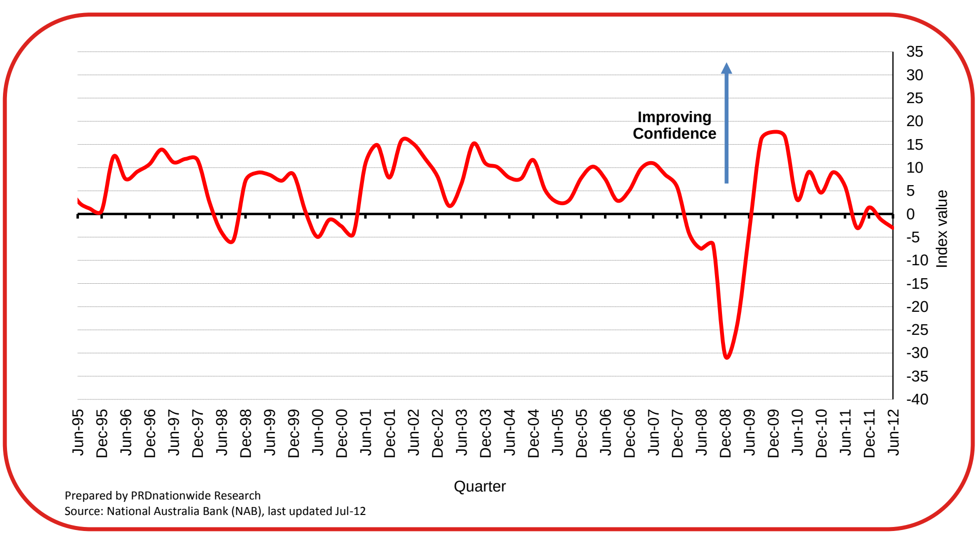
- The People's Bank of China (PBOC) and the European Central Bank both cut rates, while the Bank of England extended quantitative easing by £50 billion. The PBOC is now trying to get both deposit and lending rates to a level that encourages the system to create more credit. This is further evidence of a China slowdown.

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

Inflation below target area

- The March 2012 CPI figures recorded an annual change of 1.6 per cent, which equates to a dramatic decrease from the previous quarter of 3.1 per cent, and is well below the RBA target range of 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 the bottom of the target range at 2.0 per cent, and has decreased from the December 2011 quarter by 0.5 per cent to 2.0 per cent.

- The US Federal Reserve extended its "Operation Twist" bond buying programme which is designed to keep interest rates low, until at least late 2014. Operation Twist is where the Federal Bank borrows short dated securities at low interest rates and buys 30 year securities to push down longer-term interest rates, rates that are used for business and housing loans.

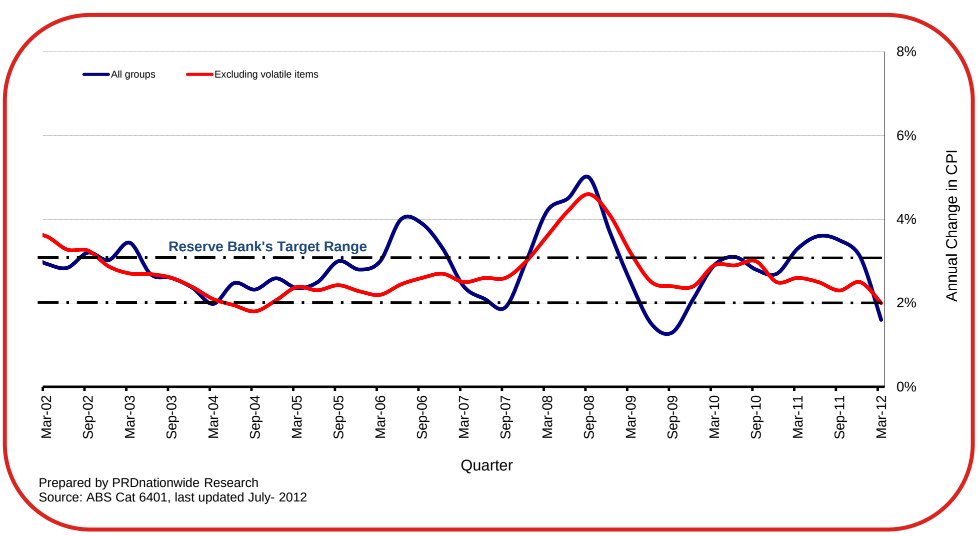
- There is a strong divergence from productivity to wages within Australia. The nation's long-term productivity (output) growth has been 1.7 per cent a year, while the gross domestic product per hour worked has dropped over the past five years to 0.8 per cent year. Within the mining sector, output has increased by 33 per cent, while the number of employees has increased by 207 per cent. Within the utilities industry, output has increased by 12 per cent, while employment has increased by 86 per cent.

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.

RBA moves rates to stimulate market confidence

- The Reserve Bank of Australia (RBA) has once again cut the official cash rate in the second quarter of 2012, with a drop of 0.5 per cent in May and a further 0.25 per cent in June. This equates to an official lending rate of 3.5 per cent and is well below the 10 year average of 5.11 per cent. In total, over the past seven months the RBA has cut the cash rate by 1.25 per cent. It is viewed that the RBA has moved rates back into a stimulatory policy setting.

- The standard variable housing loan interest rate has decreased in the second quarter by 0.35 per cent to 7.05 per cent. While major lending institutions have not passed on the recent rate cuts in full, the standard variable housing loan rate is now 0.3 per cent below the 10 year average of 7.35 per cent.

- While many economists were split whether the RBA would cut the cash rate by 1.0 per cent or 0.5 per cent, the decision to only cut the rate by 0.25 per cent has again shown that the RBA is fairly bullish about the local economy. In fact the RBA stated in its minutes that the recent domestic data had not shown weakening conditions. However, it is aware of the uncertainty in Europe potentially having a spillover affect locally. The NAB predicts a further rate cut in either August or September.

- Essentially, the key reasons for the rate cut in June were :

  I. Commodity prices have declined, which is helping to reduce inflation. Maintaining low inflation over the longer term will, however, require growth in domestic costs to slow as the effects of the earlier exchange rate appreciation wane.

  II. Financial markets have initially responded positively to signs of further progress towards longer-term sustainability in European financial affairs. Uncertainty still looms for other overseas markets including parts of Asia and the US.

  III.In Australia, recent data suggest that the economy continued to grow in the first part of 2012, at a pace somewhat stronger than had been earlier indicated. Labour market conditions also firmed a little, notwithstanding job shedding in some industries; the rate of unemployment remains low.

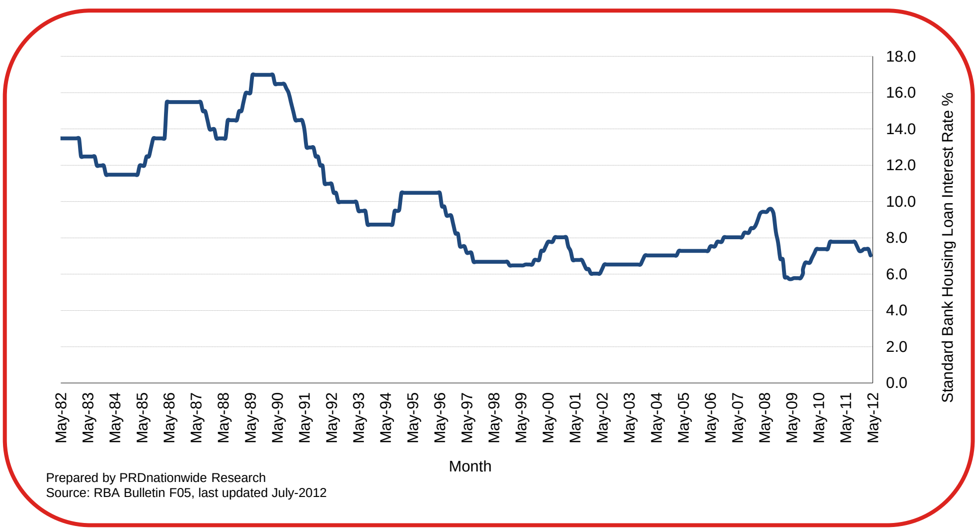
  IV.Interest rates for borrowers have declined, to be a little below their medium-term averages and business credit has increased more strongly in recent months, though credit growth remains modest overall.

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

Australian Dollar is in demand

- During the month of June 2012, the Australian Dollar Exchange Index increased by 3.9 per cent to register an Index value of 76.5, while decreasing 1.7 per cent over a 12 month period.
- After a brief drop in May, the Australian Dollar (AUD) appreciated to above parity with the US Dollar in June, equating to an increase of 4.8 per cent during the month of June 2012. Over the 12 month period ending June 2012, the Australian Dollar has depreciated the most against the Chinese Renminbi (down 6.7 per cent), while appreciating the most to the Euro (up 9.3 per cent).
- Central banks around the world are purchasing Australian dollar denominated assets. This has limited the fall of the AUD to around 3 per cent from its peak even though commodity prices, which are strongly correlated with the Dollar, have fallen globally by 10 per cent. The German Bundesbank, announced its intention to increase its reserve allocation of Australian dollar assets.
- Typically the AUD follows the gains and falls of the commodity market. However, over the past 12 months commodity prices have decreased considerably, while the AUD has remained overall above parity with the USD. It is anticipated that this gap will contract, with the AUD likely to depreciate due to weaker global economic data and lower Australian productivity.
- Australia is attempting to become the third country allowed to directly convert its currency to the Chinese Yuan. This would significantly lower transaction costs for the mining and import sectors. To date, only the US and Japan have such rights. Currently, Australian businesses must convert currency to the US Dollar first, then into the Yuan, a process that increases transaction costs.

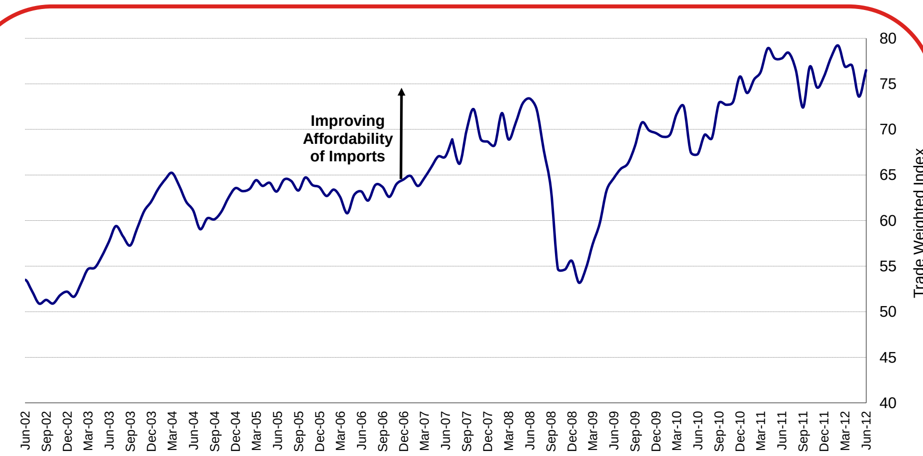
	Apr-11	Apr-12	% Change
EU Euro	0.74	0.81	9.3%
JP Yen	86.33	80.89	-6.3%
NZ Dollar	1.30	1.28	-1.4%
UK Pound	0.67	0.65	-2.1%
US Dollar	1.07	1.02	-5.1%

Source: RBA Bulletin F11

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.*

Trade Weighted Exchange Rate Index



Prepared by PRDnationwide Research
Source: RBA Bulletin F11, last updated July-12

Fuel Prices

Weak demand drives fuel prices down

- In dollar value terms, the nation experienced a decrease of 1.2 per cent to the average petrol price during the month ending May 2012. The average price Australians pay at the pump decreased to $1.50 per litre. During the year petrol prices increased at an average rate of 3.0 per cent across the nation.

- Melbourne continues to be the capital city where motorists pay the least but is now joined by Sydney at $1.46 per litre. Melbourne experienced 5.0 per cent increase over a three month period ending May 2012, while prices in Sydney remained unchanged. In Darwin consumers continue to pay the most at $1.59 per litre, followed by Hobart and Canberra at $1.54.

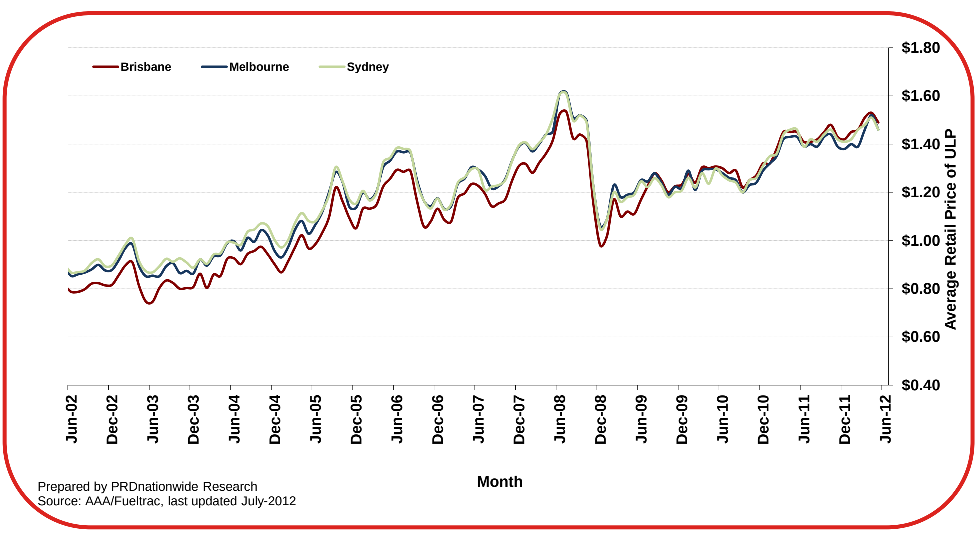
- Over the three month period ending May 2012, all other capital cities (except for Sydney) experienced an increase to petrol prices with Canberra increasing the most at 5.5 per cent. Brisbane experienced an increase of 2.1 per cent, while Hobart increased at 2.0 per cent.

- During the course of the 12 month period, Canberra's petrol prices increased the most at 7.7 per cent, while Sydney experienced the smallest shift for a capital city, with the average price remaining stagnant.

- Recent weaker than anticipated international economic data has assisted in the deterioration of crude oil prices. The price of a barrel of Brent crude oil fell below $90 for the first time in 18 months, over continued worries over global growth. The price for oil in the short term looks fairly bullish, with accumulating inventories and sufficient supply.

- The Harvard Kennedy School has released a recent report that predicts oil production for both crude oil and natural gas is expected to increase from 93 million barrels a day in 2011 to 110.6 barrels a day in 2020. This is a result of an investment boost into exploration and production of $1.5 trillion in 2003.

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 continue to soften

- During the month of June 2012, the Commodity Price Index decreased by 1.7 per cent to reach 97.5 points. When compared to the previous year, the Index has fallen by 10 per cent. Commodity prices are still above the longer-term 10 year average of 72.4 index points.

- Times are changing for the major mining companies with Rio Tinto announcing that they will cut 10 per cent to its services and support, following BHP Billiton's cost conscious comments made earlier in the year. The ongoing global economic uncertainty has made a more volatile environment for commodity trading.

- Chinese manufacturing activity contracted at the fastest rate in seven months to June 2012, driven by falling exports and weak domestic demand. This has had a significant impact to commodity prices, as the high price for iron ore and coal has powered the Australian economy. The Chinese slow down will place a big hindrance to the budget surplus plans for 2012-13.

- According to the AME Group, Australia is the largest exporter of coking coal, with 55 per cent of the total world export volume. China and Japan, the two largest customers for Australian coking coal, import 22 per cent and 18 per cent respectively.

- Looking ahead into the second half of 2012, the moderation in the economic data from China and the US combined with fresh concerns over the Eurozone will likely keep commodity prices low. However, if there is further stimulus spending in both China and the US, expect commodity prices to be pushed higher.

- IBISWorld predicts diamond and gemstone mining revenue will increase by 35.6 per cent over this financial year to reach $509 million. Australia exports 93 per cent of its gemstone and diamond production. It is also predicted that the electricity generation industry will increase its revenue by 28.7 per cent to reach $19.1 billion, as a result of the flow-on effects of the carbon tax.

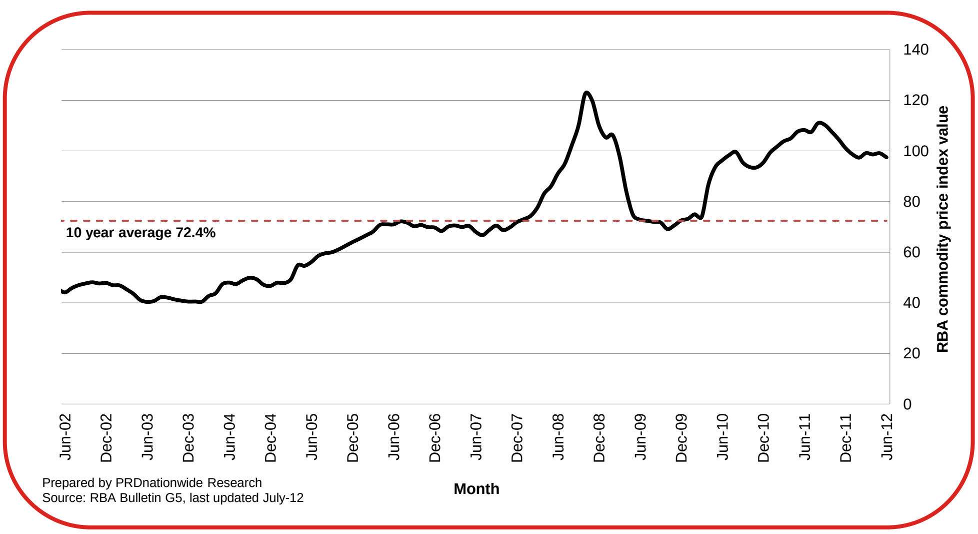
RBA Commodity Price Index Graph (right):

- *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



Construction Market

Construction spend improves while residential contracts

- The national gross spend on construction (other than houses) increased during the March 2012 quarter by 1.0 per cent. When compared to the previous quarter, the gross spend in the March 2012 quarter was at a similarly high level, recording just over $26 million. The overall spend for the 12 month period ending March 2012 was just over $101 million, up 6.3 per cent from the previous year.

- According to the Australian Industry Group Australian (AI Group) Performance of Construction Index, the construction industry continued to contract in June, with the biggest decline recorded in the building of new apartments. The overall Index remained broadly unchanged at 34.8 points, well below the 50 point equilibrium. The Index has now been contracting for 25 straight months, reaching its lowest reading of 28.9 points in February 2009.

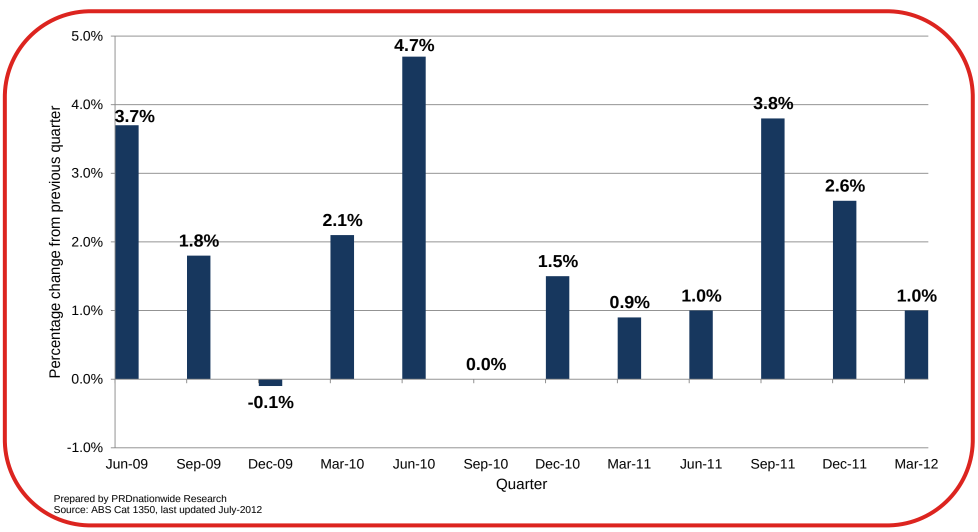
- The number of multi-residential dwellings units approved has increased by a substantial 58.7 per cent in May, to register 6,197 (seasonally adjusted) approvals and was up by 45.4 per cent compared to the previous year. This was largely driven by a few significant projects in New South Wales, Victoria and the Australian Capital Territory and are being influenced by the end of home buyer incentives in New South Wales and Victoria in June. The South Australian government announced the abolition of stamp duty for the next two years for buyers of apartments in either Adelaide or North Adelaide. In Perth, where housing affordability has become crucial, the local council has encouraged single first home buyers to look at apartments.

National Construction Gross Spend Graph (right):

- *The construction industry is one of the driving areas in the economy, having a significant contribution to GDP and a multiplier effect on the activity in other industries. Indicators of price movement of construction outputs will be a valuable tool in economic analysis.*

- *Construction industry output price indexes are being developed to measure changes over time in the price of new construction outputs, other than houses.*

National Construction Gross Spend



House Finance

Stable owner occupier spending

- The gross spend on housing finance was $20.2 billion during the month of May 2012. Compared to the previous year, the total spend has decreased by 1.5 per cent, equating to $300 million less. Since the stimulus fuelled market of 2009 and 2010, which saw low interest rates, the average monthly spend on housing has been $20.6 billion.

- Investor spend fall slightly to $6.6 billion, and is just under the average of $6.7 billion for 2012. For the month of May 2012, investor financial commitment decreased by $300 million.

- During the month of May 2012, owner occupier spend remained unchanged at $13.6 billion. Approximately 32.5 per cent of the property market is now investor financed and is expected to increase as rental yields across the nation continue to become more attractive.

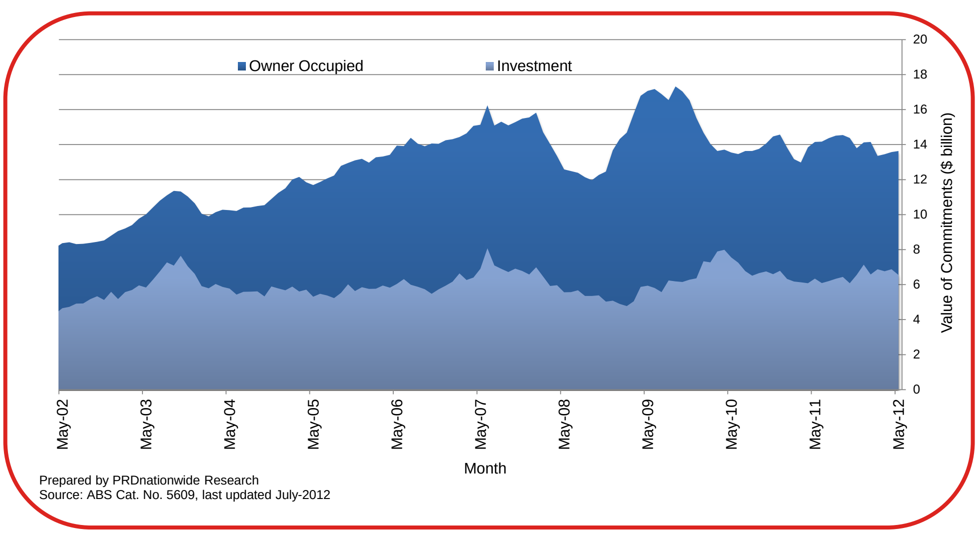
- Increases in house finance were recorded in Western Australia, Victoria and Queensland. New South Wales recorded the largest decrease, falling by 2.6 per cent.

- The number of first home buyers as a percentage of total owner occupied housing commitments increased 17.8 per cent in May, compared to 16.8 per cent in April.

- Although it might be too earlier to see the results, by observing the recent house finance data from the ABS, it appears the cut to interest rates in May has not yet stimulated the property market.

- Japanese banks are ascertaining whether to enter into the Australian home lending market to compete with the big four banks, which currently account for 90 per cent of the market. Sony Bank is the latest to be linked with making a push into the $1 trillion mortgage market with Mitsubishi UFJ, Sumitomo Mitsui Financial Group and Mizuho Group also considering entering this market.

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.*

Labour Market

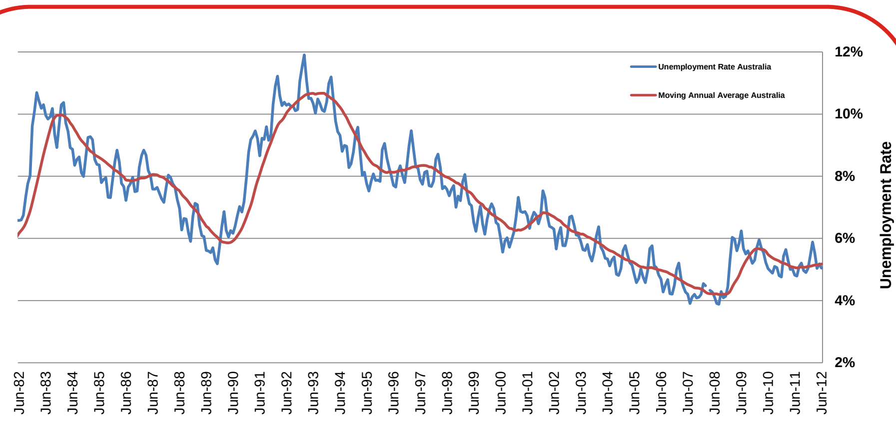
Long-term unemployment increases

- During the month of June 2012 unemployment decreased to 5.0 per cent and is on par with the longer-term five year average. Since the turn of the year unemployment has remained stubbornly above 5.0 per cent. When looking at the moving annual average, the rate has increased to 5.2 per cent, equating to the first shift in the rate for over a year.
- For the month of June 2012, the nation's lowest rate of unemployment occurred in Western Australia at 3.6 per cent, a rate that has decreased by 0.3 per cent from the previous month. Tasmania continues to have the highest rate of unemployment at 7.0 per cent, up 0.8 per cent over the month.
- Unemployment in New South Wales increased by 0.1 per cent to 5.1 per cent during the month of June, while Victorian unemployment decreased by 0.2 per cent to 5.3 per cent. Unemployment in Queensland has decreased over the month by 0.7 per cent to 5.1 per cent.
- Roy Morgan Research recorded a large1.5 per cent increase in its unemployment rate to 9.7 per cent in the month of June 2012. There is an increasing level of disparity between the Ray Morgan rate of unemployment and the RBA rate, which on average would only be a 2.2 per cent difference, has now increased to 4.6 per cent.
- The Dun & Bradstreet sentiment survey for the June quarter revealed that half of the surveyed companies are expected to be damaged by the minimum wage rise of $17 per week, the high Australian dollar and the carbon tax. Employment plans have fallen to a 12 month low, while long term investment plans also were subdued for the year ahead.
- DEEWR's Monthly Leading Indicator of Employment has fallen for the sixth consecutive month in June 2012. This confirms that employment is likely to continue to grow more slowly than its long-term trend rate of 1.7 per cent per annum in coming months. In comparison, cyclical employment has fallen for sixteen consecutive months.
- The ANZ Job Advertisement Index declined again in June by 1.2 per cent, following a fall of 2.6 per cent in May.
- The gains in the US labour market appears to have halted, with the number of Americans making new claims for weekly unemployment benefit rising to its highest level since December on a monthly average basis. The unemployment rate has now been unchanged for three months and employment growth has been weak for four.

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



Prepared by PRDnationwide Research
Source: ABS Cat 6202, last updated July-12

Stock Market

Subdued stock market in 2012

- On the whole, the Australian Securities Index has remained stable since the turn of the year, but is significantly below the average Index score achieved 12 months prior with a fall of 9.3 per cent. The Index decreased its monthly average value during June 2012 to reach 4,065 points, down from May's average of 4,208 points, equating to an decrease of 3.4 per cent over the month.

- The RBA has mentioned in the latest bulletin that the portion of household assets held in equities has more than halved from 18 per cent to 8 per cent.

- Over the past financial year, resource shares have performed the worst, along with IT and consumer discretionary stocks, while defence sectors, utilities and health shares all performed strongly.

- Similar to 2011, global growth is falling short of expectations in 2012. A result of the subdued growth in 2012 was a 15 per cent correction to the All Ordinaries, while 2011 experienced a 23 per cent decline. Over May 2012, there has been a 10 per cent decline in the Index and has since experienced flat growth. Economic growth had previously reignited through the assistance of central banks. So far in 2012, assistance has not been as forward in coming (apart from a limited extension from the US Federal Bank) which has accelerated the fall in commodity prices.

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).*

S&P / ASX 200

Superannuation

Contributions dip over the quarter

- Superannuation contributions over the March 2012 quarter totalled $20.1 billion, equating to an decrease of 2.2 per cent. Employers contributed $16.926 billion (84 per cent) and members contributed just over $3 billion (15 per cent). Other contributions, which include spouse contributions and government co-contributions, totalled $137 million.

- Total superannuation assets increased by 2.2 per cent during the quarter to $1.38 trillion. During the March 2012 quarter, industry funds' assets increased by 7.3 per cent, corporate funds' assets increased by 6.4 per cent, public sector funds' assets increased by 6.3 per cent, retail funds' assets increased by 5.2 per cent and self-managed superannuation funds' assets increased by 4.9 per cent.

- Australians are missing $17.4 billion in lost superannuation, equating to more than the big four banks' six month profits combined. This is however, a 14 per cent reduction from $20.2 billion in 2009 to 2010.

- The Productivity Commission has suggested that Fair Work Australia or another independent body decide on the default fund for workers who do not nominate a superfund. Currently unions or employers have this choice, with industry funds often the largest beneficiary. This could be an important shift when considering every eight out of ten Australians do not select their super fund.

Superannuation Contributions Graph (right):

- *The APRA Annual Superannuation Bulletin comprises statistics on the superannuation industry which have been prepared from the following sources:*

I. *superannuation returns submitted to APRA*

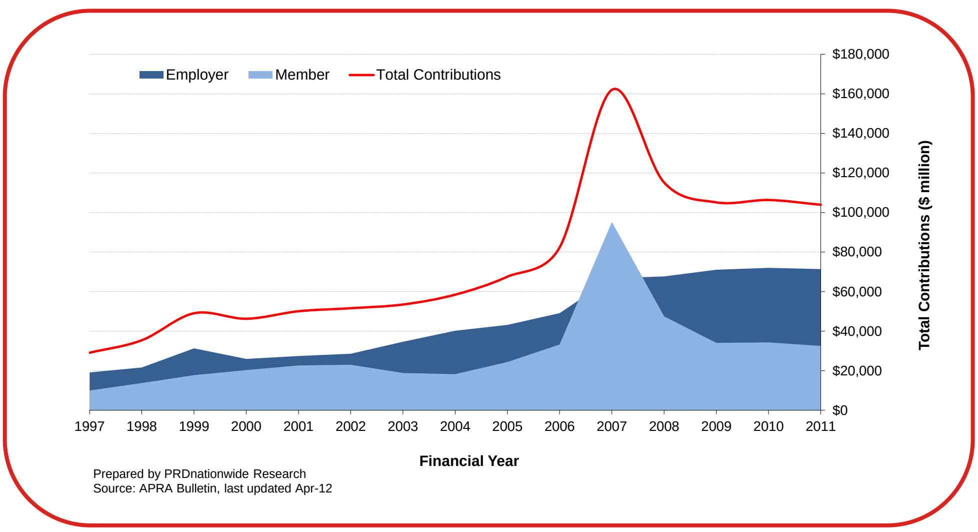
II. *data from quarterly returns submitted to APRA by select exempt public sector superannuation schemes in Australia.*

III. *data provided by the ATO on self-managed superannuation funds*

IV. *returns submitted to APRA under the Life Insurance Act 1995 by registered life companies in Australia*

V. *returns submitted to APRA by retirement savings account (RSA) providers*

Superannuation Contributions



Home Affordability

Affordability rallies in Q1 2012

- The Home Loan Affordability Index has continued to increase since mid-2011, with affordability increasing by a further 0.9 points in the March 2012 quarter to an Index score of 31.3 points.

- Over the quarter the majority of the states felt an increase in affordability, with only Western Australia and the Northern Territory experiencing a fall in the Index. Victoria, Queensland, and South Australia, all recorded an increase of 1.6 points, while Western Australia decreased the most by 2.3 points. When compared to the previous year, the state that experienced the largest growth in affordability was Victoria, increasing by 14.4 per cent. The ACT experienced the smallest increase at 1.3 per cent to register 54.6 points.

- The average Australian household requires 32 per cent of the family income to service a home loan. Queensland families require approximately 29.5 per cent, while Victoria requires 33.1 per cent. The ACT requires the least amount, with 18.3 per cent and New South Wales requires the most, at 36.5 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 slightly during the March 2012 quarter to 24.8 per cent.

- The 2011 Census displayed an interesting insight to housing affordability. When comparing the national median dwelling price in August 2011 to the annual household income, it showed that the typical Australian home costs 6.3 times the average annual income, up from 6.1 times in 2006.

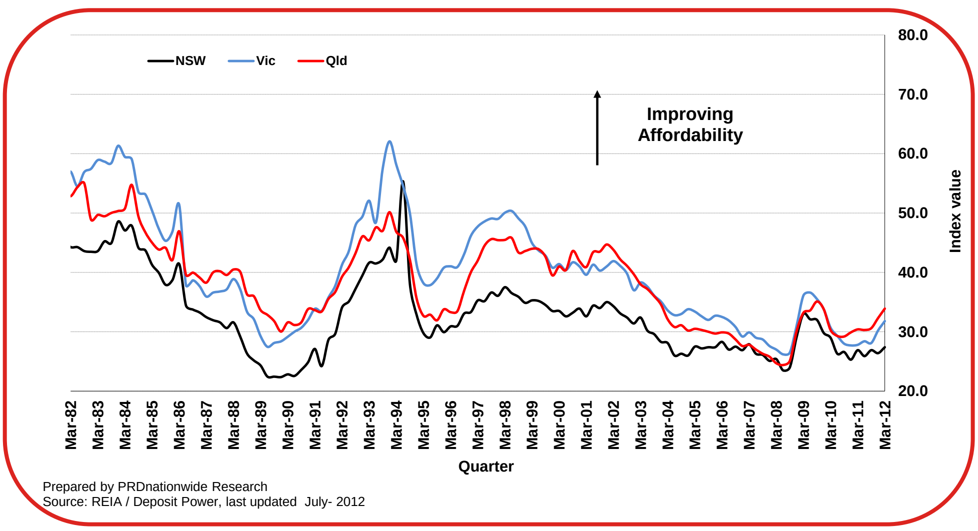
Home Loan Affordability Index Graph (right):

- *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



Dwelling Market

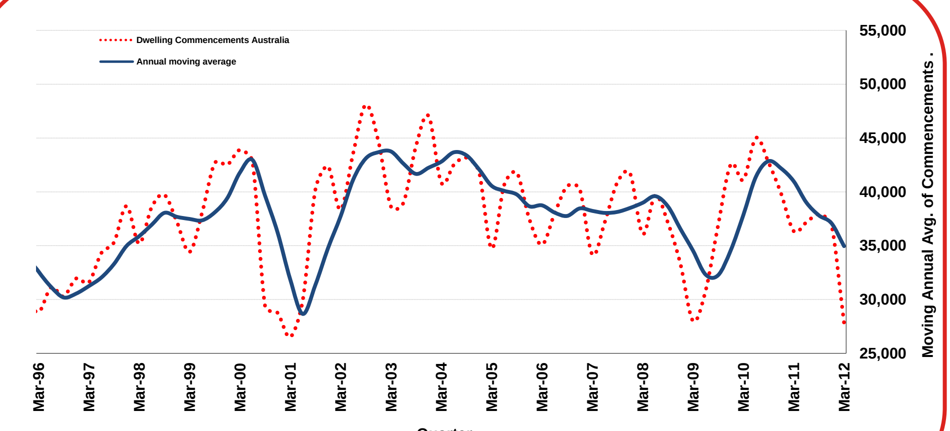
New dwellings plummet

- The total number of dwelling commencements drastically decreased during the March 2012 quarter by 24.6 per cent, equating to 9,096 less new homes for the quarter. When compared to the previous year, commencements have decreased by 23.5 per cent.
- On a state-by-state basis, Victoria continued to record the highest number of dwelling commencements during the March quarter, representing 37 per cent of all dwellings commenced nationally. Queensland followed with 19 per cent and New South Wales contributed with 17 per cent of commencements.
- The least amount of dwellings commenced for a state during the first quarter of 2012 was the Northern Territory (down 27.8 per cent to 192), followed by Tasmania (down 24 per cent to 492).
- As a result of the 2011 Census, the number of households recorded was considerably less than previous estimated, from 8.7 million down to 7.8 million. This overestimation will in large affect the housing shortage quantity, as the National Housing Supply Council (NHSC) predicted there will be shortfall of 369,000 homes by 2016.
- The latest figures to be release by the ABS have shown that building approvals has increased by 27.3 per cent over the month of May 2012. Victoria lead the way, with an increase of 31.8 per cent. Dwelling approvals increased in Western Australia (up 24.8 per cent) South Australia (up 16.2 per cent), Queensland (up 10.3 per cent), New South Wales (up 25.1 per cent), ACT (up 27.5 per cent) and Northern Territory (up 21.5 per cent). Only in Tasmania did the number of approvals fall, decreasing by 12.1 per cent.

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.*
- *Nationally, the annual number of dwelling commencements have been on a downward trend since Sep-04 (earlier in NSW and VIC).*

Dwelling Commencements



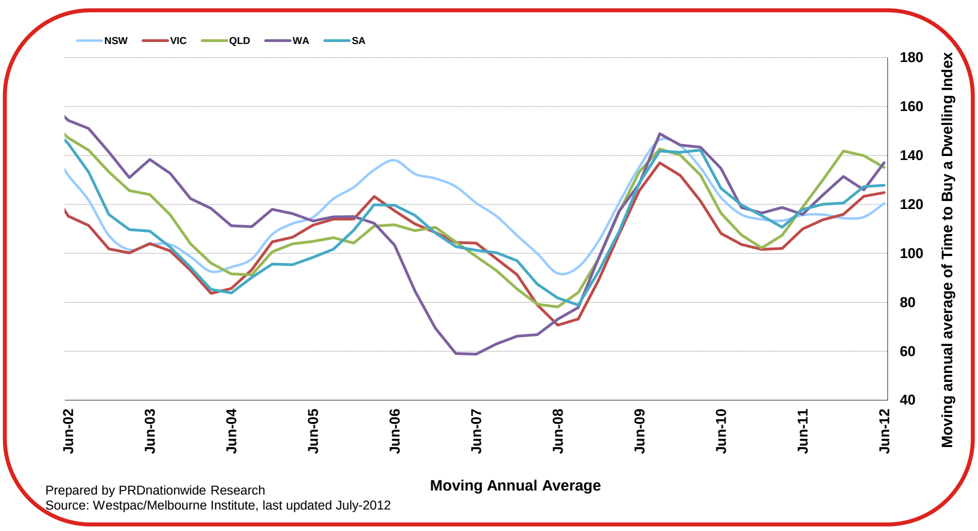
Prepared by PRDnationwide Research
Source: ABS Cat. No. 8750, last updated July-2012

Dwelling Market Cont.

Best buying in Western Australia

- Over the June 2012 quarter, the Time to Buy a Dwelling Index significantly decreased in Queensland (by 14.2 Index points) and South Australia (by 4.7 Index points), while increasing in New South Wales, Western Australia and Victoria.
- For the June 2012 quarter Western Australia registered the highest Index value at 144.4 points, an increase of 44.4 per cent from the previous year. The lowest Index score was registered in Queensland at 115.3, while the Index improved in New South Wales (to 126.9 points) and Victoria (to 127.8 points).
- According to the Westpac-Melbourne Institute Survey of Consumer Sentiment, family financial conditions improved over the 12 month period ending June 2012 in three of the five measured states, with the largest increase felt in Western Australia (up 40.2 per cent) followed by New South Wales (up 8.8 per cent) and Queensland (up 3.7 per cent). South Australia experienced a steep decline of 25.3 per cent, while Victoria fell 2.9 per cent. Indications for the coming 12 months show a strong decrease in South Australia (forecasted to fall 26.1 per cent) while Western Australia could rise by 10.4 per cent.

Time to Buy a Dwelling Index



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.*

Home Prices

Home values advance in June

- According to the RP Data-Rismark Dwelling Price Index, all capital cities, except for Darwin and Canberra, experienced a decline in value over the 12 month period ending June 2012. On average, property values have fallen by 3.8 per cent, with the largest declines felt in Melbourne (-6.6 per cent) Hobart (-5.2 per cent) and Brisbane (-4.7 per cent). Perth and Adelaide only experienced a slight decrease of 1.4 and 2.4 per cent respectively. Darwin experienced an increase of 0.2 per cent, while Canberra increased the most at 1.3 per cent.

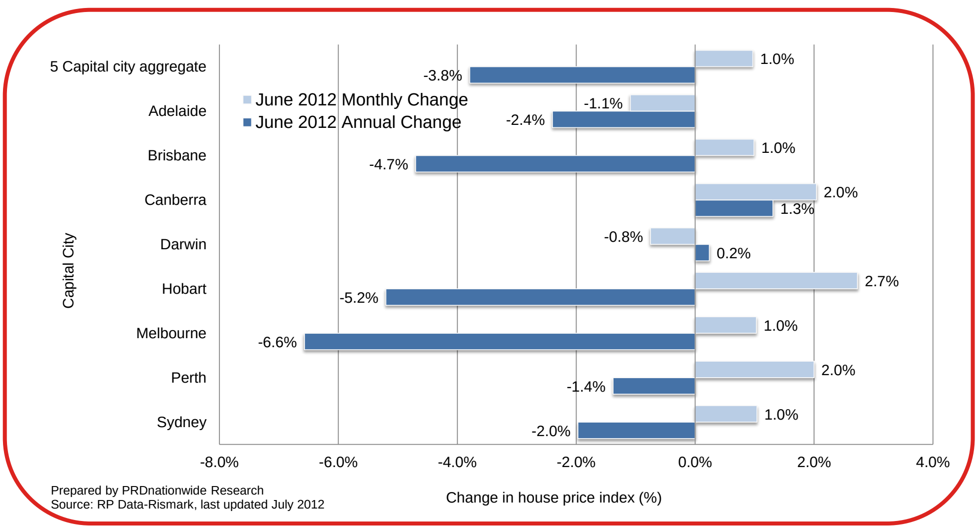
- It is surprising to find that when observing changes in home values over the month, most capital cities have experienced positive growth, with only Adelaide and Darwin experiencing a small decline at 1.1 and 0.8 per cent respectively.

- A recent study by Barclays Economic Research portrays a diverse picture for house prices around the world. House prices are rising in Germany and Austria, but remain stagnant in the US, UK and Australia and are weakening in China and the Netherlands. Australian house prices are likely to remain flat during 2012 to 2013 with a recovery expected as international economic conditions and domestic growth prospects improve. A combination of low unemployment, rising personal savings and strong domestic financial institutions continue to underpin the housing market and imply that a dramatic decline to values are unlikely. BIS Shrapnel has confirmed that the fundamentals throughout Australia are beginning to favour an improvement in residential market conditions. Barclays predicts that in both the US and Germany, a combination of low price-to-income ratios and low interest rates are leading to healthy levels of affordability, which are expected to translate to respectable house price gains in coming years. It is no surprise that the report predicts prices to continue to decline in the rest of the Eurozone, with sharp falls in markets such as Ireland and Spain.

RP Data-Rismark Dwelling Price Index Graph (right):

- *The chart to the above measures an annual period change in house prices of the capital cities.*

RP Data-Rismark Dwelling Price Index Change by Capital City

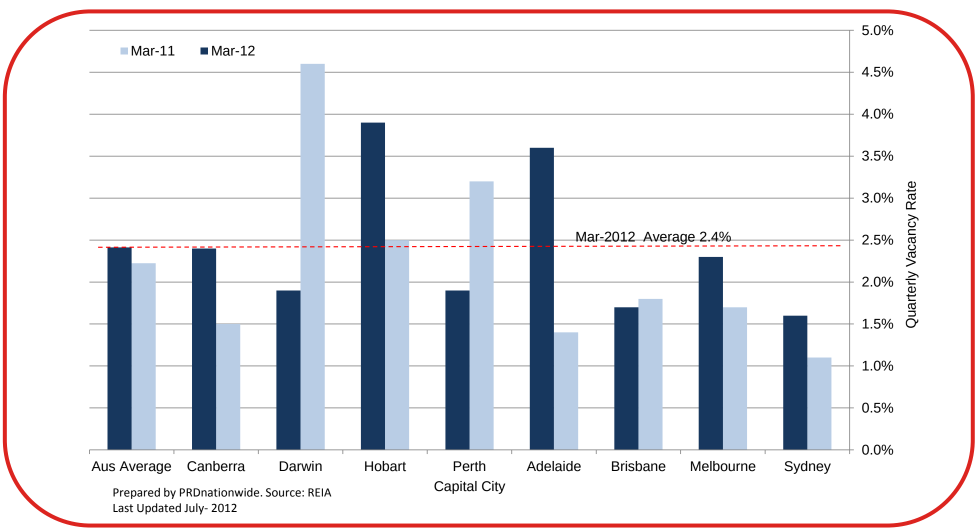


Rental Market

Capital city vacancy rate stabilises

- The Australian average vacancy rate contracted to 2.4 per cent over the most recent March 2012 quarter. Sydney remains the tightest rental market with a 1.6 per cent vacancy rate, followed by Perth and Darwin at 1.9 per cent.
- Three capital cities experienced a marginal decrease in vacancy rates over the quarter, with Darwin leading the way through a decline of 1.4 per cent, followed by Brisbane (-0.6 per cent) and Perth (-0.4 per cent). Vacancies expanded the most in Hobart, by 0.8 per cent and now has the highest vacant rate at 3.9 per cent.
- Darwin maintains the highest median rental price for a standard three bedroom house at $559 per week, through a substantial increase of 6.9 per cent over the quarter. Adelaide remains the most affordable city to rent in, with a median rental price of $325 per week.
- Rental prices for a standard three bedroom house in Melbourne, Sydney and Hobart have remained steady over the March 2012 quarter. The Australian capital city average increased to $405 per week, equating to a 2.2 per cent shift over the quarter.
- According to the Australian Property Monitors Rental Price Series, the national median weekly asking rent for houses remained steady over the March 2012 quarter, with units decreasing by 1.1 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

Modest consumer spending set for 2012

- After a weak finish to the year in 2011, retail expenditure has increased on a monthly basis. The most recent month of May 2012 recorded an improved 0.5 per cent increase to the total retail turnover.

- Over the 12 month period ending May 2012, Australia's annual change in retail expenditure increased 3.6 per cent from the previous year, aided in large by the increase in spending through the month of May.

- Resource rich Western Australia continued to spend well above the national average to incur the greatest increase in retail spending over the 12 month period ending May 2012, with a 9.9 per cent surge, followed by Northern Territory at 5.1 per cent. All states recorded an increase in spending, with Tasmania registering the smallest growth at 0.3 per cent.

- It appears consumers were wiling to spend more in cafes, restaurants and takeaway food services, as the industry received an increased 8.5 per cent in expenditure throughout a 12 month period ending May 2012. This was followed by other retailing, registering an annual growth of 6.0 per cent.

- Department stores was the only industry to experienced a softening over 12 months, by declining 0.3 per cent from the previous year. Clothing and soft good retailing, as well as household good retailing only managed slight increases to expenditure, increasing by 0.9 per cent and 0.7 per cent respectively.

- The recent Budget appears to have already impacted low to medium income earning households, with boosted demand for retail and service providers across the country, helping to shift (albeit momentarily) consumer behaviour.

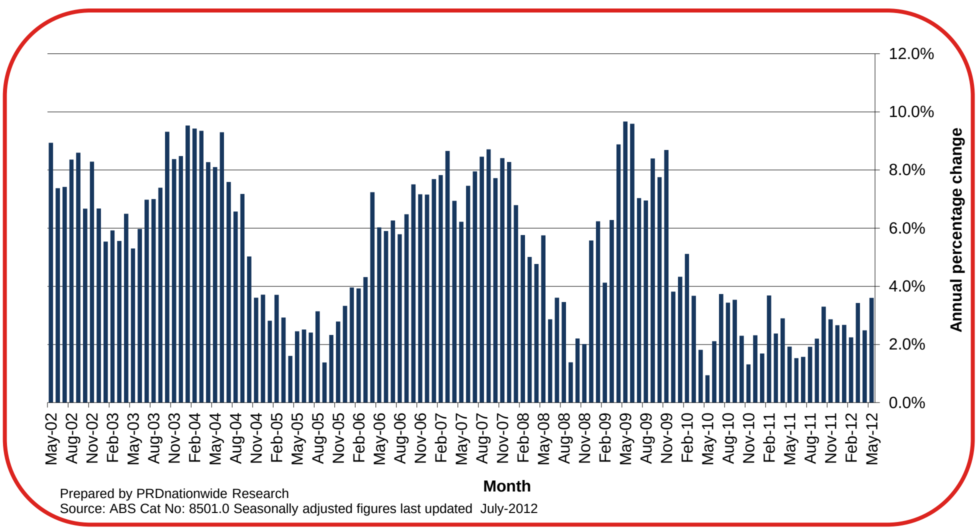
Annual Change in Retail Expenditure Graph (right):

- *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 Cont.

Western Australia on track to become the destination of choice

- The number of net migrants entering Western Australia continued to increase at an exponential rate of 113.8 per cent over the 12 month period ending December 2011. The state recorded a net 2,812 new residents, which equates to the second largest number of net residents entering a state (behind Queensland).

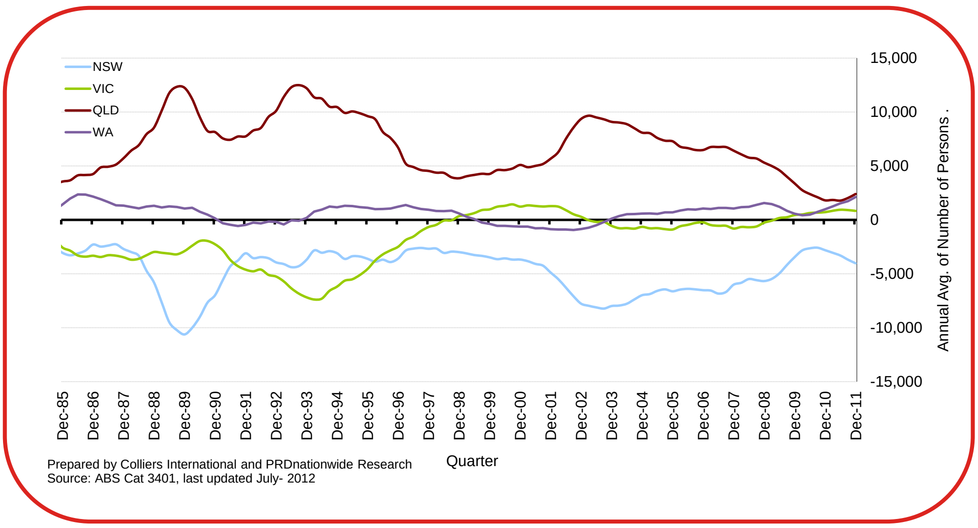
- Queensland net migration has increased once again, with 3,289 new interstate migrants during the December 2011 quarter. This high level of growth has not been experienced since mid-2009.

- The rate of interstate migrant growth has slowed in Victoria since mid-2011. Approximately 559 net migrants decided to call Victoria home during the December 2011 quarter, equating to a decrease of 35.3 per cent from the previous year.

- New South Wales still records the highest outward migration of residents nationwide. During the December 2011 quarter a net outward migration of 5,084 residents shifted to other states, equating to a decline of 35.5 per cent from the previous year.

- South Australia continued to lose residents, with 572 net residents departing during the quarter, while the ACT increased a net 416 interstate migrants.

Net Interstate Migration



Net Interstate Migration Graph (right):

- *Net interstate migration tracks the net population change in each state attributable to interstate migration.*

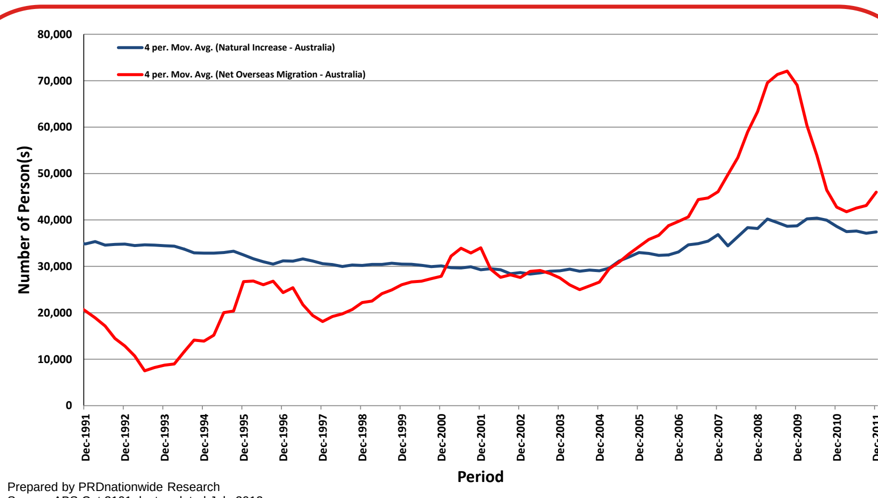
- *Net interstate migration figures fluctuate with the seasons, so a moving yearly average is shown to filter out these changes.*

Demographics

Net international migrant numbers increased

- The number of births in 2011 has decreased from the previous year, with 4,696 less newborns equating to fall of 3.0 per cent. The sharp rate of decline in the number of immigrants entering Australia over the past year has stopped, with Australia realising three consecutive quarters of increases in the rate of net international migrant growth. The most recent quarter experienced a 33.3 per cent increase from the previous year. Overall, Australia increased its population by 12,882 net migrants in 2011 from the previous year. Over the December 2011 quarter, the majority of the overseas migrants tended to take up residence in New South Wales (30 per cent), followed by Victoria (24 per cent) and Western Australia (22 per cent).

Population Growth



Prepared by PRDnationwide Research
Source: ABS Cat 3101, last updated July-2012

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.*

Census 2011

Key insights

- According to the Census 2011, the Australian population was just over 21.5 million (last estimations are just over 22.5 million) with 50.6 per cent women and 49.4 per cent men. The median age has risen to 37 with 13.8 per cent of the Australian population now aged over 65, equating to an increase of 11.3 per cent from 1991.

- Population growth is at 1.4 per cent, one of the highest for a developed nation. Migration is crucial to this growth, typically adding an intake of nearly 200,000 migrants a year. This equates to a contribution of 61 per cent of population growth since the 2006 Census, or about 1.2 million people. The natural increase contributed just under of 750,000 persons.

- The focus on skilled migration over the past five years has resulted in a much younger profile of arrivals, compared with the Australian born population.

- There is a large divergence of Australia's growth and prosperity that is seen throughout the new Census numbers. For example, population growth is fastest in the likes of Western Australia and Queensland, with Western Australia accounting for all but one of the top ten fastest growing towns in Australia over the past five years.

- Although Australia's population growth has been good, averaging 1.4 per cent per annum over five years, (up from 1.3 per cent over the preceding five years) the Australian Bureau of Statistics has been overestimating the size of the nation. The new estimate residential population of 22.3 million people in the June quarter of 2011 reflects a downward revision of almost 300,000 people, or seven per cent.

- The number of people who own their home outright has declined from 34 per cent to 32 per cent, while the number of renters has increased by two per cent to 30 per cent.

- Throughout Australia, only 14.6 per cent of all dwellings are apartments, equating to a decline from the previous Census of 0.1 per cent. Sydney has the largest concentration of unit stock, at 27.6 per cent of total dwellings, compared to 16.6 per cent in Melbourne and 12.8 per cent in Brisbane.

- The median weekly household income increased by 20 per cent to $1,234, but is still less than the 31 per cent increase experienced in the previous census.

- Typical household rent has increased 49 per cent, while the average household mortgage payment has increased by 38 per cent. In this time, family income has grown by just 20 per cent.

- Astute investors will be aware the attraction of the big cities was confirmed with the latest Census. The combined population of Sydney, Melbourne, Brisbane and Perth grew by 9.9 per cent between 2006 to 2011, to reach 12.2 million, while the rest of Australia grew by only 6.3 per cent.

- The Census also confirms that investing in mining towns can be volatile, with a highly transient population. A typical Australian suburb would register less than five per cent of people on Census night a 'visitor', while mining towns registered over 30 per cent.

About PRDnationwide Research

PRDnationwide's research division provides reliable, unbiased, and authoritative property research and consultancy to clients in metro and regional locations across Australia. Our extensive research capability and specialised approach ensures our clients can make the most informed and financially sound decisions about residential and commercial properties.

Our Knowledge

Access to accurate and objective research is the foundation of all good property decisions. As the first and only truly knowledge based property services company, PRDnationwide shares experience and knowledge to deliver innovative and effective solutions to our clients. We have a unique approach that integrates people, experience, systems and technology to create meaningful business connections We focus on understanding new issues impacting the property industry; such as the environment and sustainability, the economy, demographic and psychographic shifts, commercial and residential design; and forecast future implications around such issues based on historical data and fact.

Our People

Our research team is made up of highly qualified researchers who focus solely on property analysis. Skilled in deriving macro and micro quantitative information from multiple credible sources, we partner with clients to provide strategic advice and direction regarding property and market performance. We have the added advantage of sourcing valuable and factual qualitative market research in order to ensure our solutions are the most well considered and financially viable.

Our experts are highly sought after consultants for both corporate and government bodies and their advice has helped steer the direction of a number of property developments and secured successful outcomes for our clients.

Our Services

PRDnationwide provides a full range of property research services across all sectors and markets within Australia. We have the ability and systems to monitor market movements, demographic changes and property trends. We use our knowledge of market sizes, price structure and buyer profiles to identify opportunities for clients and provide market knowledge that is unbiased, thorough and reliable.

Our services include:

- Advisory and consultancy
- 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

"We set industry benchmarks when partnering with our clients to answer key questions and solve complex issues in the residential development arena."

Our Research Reports

Property Watch® Reports

Over 130 snapshots of various areas around Australia, as well as specific reports on property topics of interest such as resale growth, infrastructure planning, luxury properties, and supply and demand.

Highlight Reports

Major annual reports examining the macro and micro economic information of larger catchment areas within select city, rural, and coastal regions.

Quarterly Economic and Property Report

Produced quarterly to examine economic and property trends nationally.

Niche Reports

Covering topical subjects such as mixed use and transit oriented developments, marina berths, waterfront property and luxury property markets.

Suburb Reports

Detailed demographic and sales information for statistical local areas (suburbs) in Queensland, New South Wales, Victoria, and Australian Capital Territory.

Residential Unit Reports

Quarterly reports based on primary research into the sale of new units within major metro and coastal cities identifying trends and opportunities.

Research Consultancy Service

We set industry benchmarks when partnering with our clients to answer key questions and solve complex issues in the residential development arena.

Our specialised consultancy service adds value to our clients' business by identifying the best means for gaining a competitive advantage. We have extensive experience in providing advice on virtually every type of residential property and the issues and considerations that surround them.

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