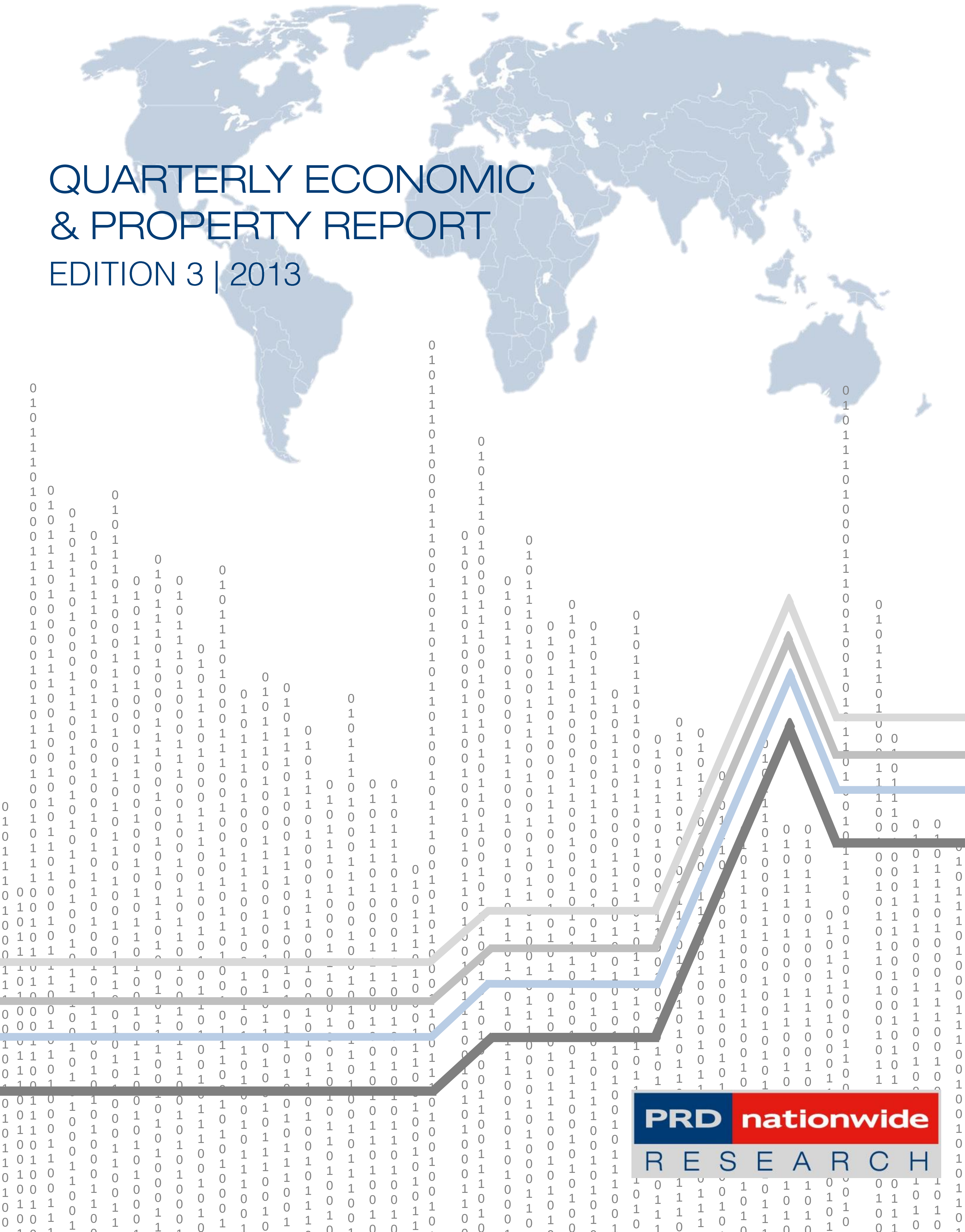
QUARTERLY ECONOMIC & PROPERTY REPORT

EDITION 3 | 2013



PRD nationwide RESEARCH

Economic and Property Overview

Is the glass half full or half empty? Recent releases of economic data will point to reasons for being both optimistic and pessimistic. For example, unemployment is rising in Queensland and looks terrible in Tasmania, but compare it to long-term unemployment, (as recent as the high rates of 1990s) and we are placed into perspective with the glass half full. When observing the real estate market, it also appears to be quite hit and miss. Sydney is heating up with extraordinary auction clearance rates which are pushing towards 80 per cent, while vacancy rates are very tight. The same can be said about Perth and Darwin, even Melbourne has outperformed market expectations. However its not all rosy, with many regions that were considered to be booming now coming off the boil, through increasing stock on the market and larger vacancy rates, resulting in falling values. Just take one look at Mackay and other surrounding regional towns to reinstate a pessimistic outlook.

The Commonwealth Bank of Australia appears to be slightly optimistic when looking ahead in the property market. The Bank tracked dwelling investment at -3.6 points in its Index for the 2011/12 financial year, but predicts this year to be a healthier 1.5 points, and to increase to 7.7 points by the 2013/14 financial year.

Little by little the international economic environment has become less volatile and more stable. Yes, there is still some insecurity, but uncertainty from the larger economies is waning.

After four years of monetary reflation, a depression has been avoided and all global economies are gradually stabilising.
The United States is arguably leading the way through recovery, with recapitalised banking and corporate sectors, a largely deleveraged household sector, sharply lower energy and labour costs, a much reduced fiscal deficit (down from 10 per cent to 4 per cent of GDP), and recently, continuing strong employment growth. These are the key reasons why the US dollar is rising.

Australia, which was kept out of recession by the massive stimulus in China in 2009, is now benefitting from reduced interest rates and a falling exchange rate. While Australia is still subject to movements in China (if the Chinese slowdown turns out to be greater than expected Australia could end up in recession next year), on balance, it should enter 2014 with the promising economic conditions.

Japan is actively trying to recover from 20 years of depression and rising government debt (now about 230 per cent of GDP), by Abenomics (a substantial reflationary effort and currency debasement).

Europe has been stabilising reasonably well, but the recent rising long-term interest rates from the US, combined with consistent problems in Greece and Portugal, have caused some concerns. This has prompted the Euro cash rate to remain where it is for "an extended period". Markets responded and rebounded strongly. Likewise the Bank of England also promised interest rates to be kept on hold till 2015.

Sustained Eurozone growth is not likely, but things have stabilised. Subject to another Eurozone crisis next year, Europe should shortly stop being a hindrance on global growth.

This report aims to provide its readers with balanced information on the key factors that affect the property market. Whether it be that you are looking to buy, sell, rent, or are have an interest in property, the report will assist in keeping you in the know.

So after reading ask yourself, when you look at the glass, do you see it half empty or full?

Key Facts:

CPI: 2.5 per cent

SVHL Rate: 6.20 per cent

AUS Unemployment Rate: 5.5 per cent

Average AUS Fuel Price: $1.51pl

Confidence

Consumer sentiment remains positive in 2013

- The second quarter of 2013 registered a decline of 7.5 per cent in the Australian Consumer Sentiment Index, recording a final Index score at 102.2 points. Optimists only just outnumber pessimists, with an Index score of 100 points representing equilibrium. Compared to the previous year, the Index is now 6.9 per cent higher.

- The long-term six month moving average Index continues to grow above equilibrium. Over the June 2013 quarter the long-term Index registered 104.0 points, up from 96.6 points in the previous year.

- Optimism was more prevalent over the month of June, as consumer confidence rose again from a low of 97.6 points established in May. May's low score was the first time in six months that pessimists outweighed on the optimists. 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 June 2013, sentiment increased the most in Queensland (up 12.8 per cent), followed by Victoria (up 9.2 per cent). New South Wales was the only state to experience a decline in sentiment, decreasing by 1.4 per cent. Through an increase of 5.4 per cent in the Index, optimism is once again highest in Western Australia, with an Index score of 112.1 points, followed by Victoria at 104.2 points. Queensland still has the lowest Index score at 96.2 points, followed by South Australia, at 99.3 points.

- According to the NAB Australian consumer confidence fell by 0.1 per cent in July, continuing the downward trend in recent months. The near-term indicators were all weak: current conditions index -3.2 per cent, family finances year ahead -2.7 per cent, and 'is it a good time to buy a household item' down 1.7per cent. These figures also suggest that Kevin Rudd's return as PM has had little impact on consumer confidence. Consumer confidence has now fallen in three of the past four months, and is now 7.6 per cent lower than March.

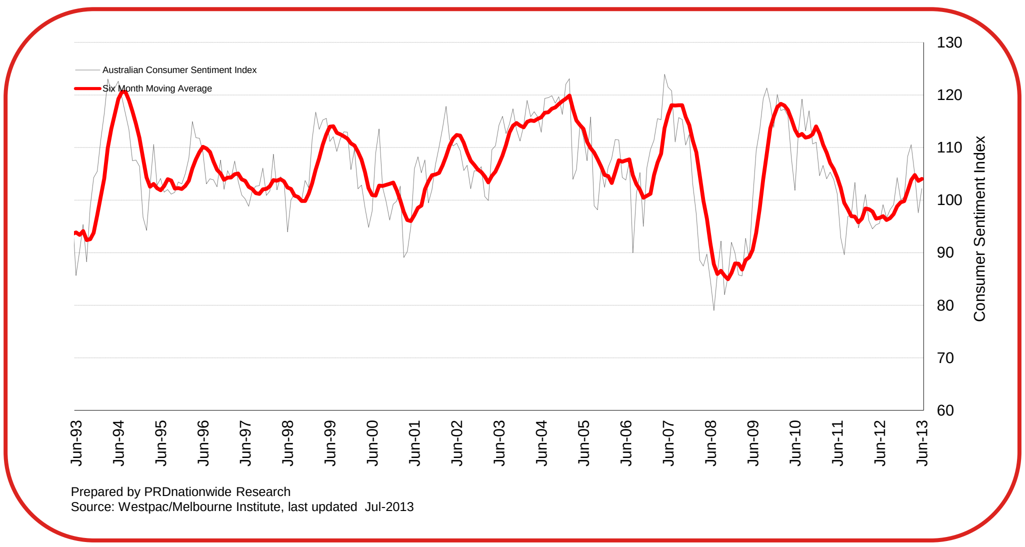
Australian Consumer Sentiment Graph (right):

- *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.

Flat business confidence in June

- Australian business confidence slipped down to equilibrium over the June 2013 quarter to record an Index score of 0.0, down from 1.6 in March.

- Mining became the most pessimistic industry in June, consistent with the slowing in mining investment and further declines in commodity prices during the month. The consumer dependent wholesale and retail industries also appear downcast. However looking ahead, the falling Australian Dollar could spark optimism in many sectors, with manufacturing confidence having already lifted notably. Confidence levels were weakest in mining (-21), wholesale (-9) and retail (-5), while they were least subdued in recreation & personal services (+3) and transport & utilities (+2).

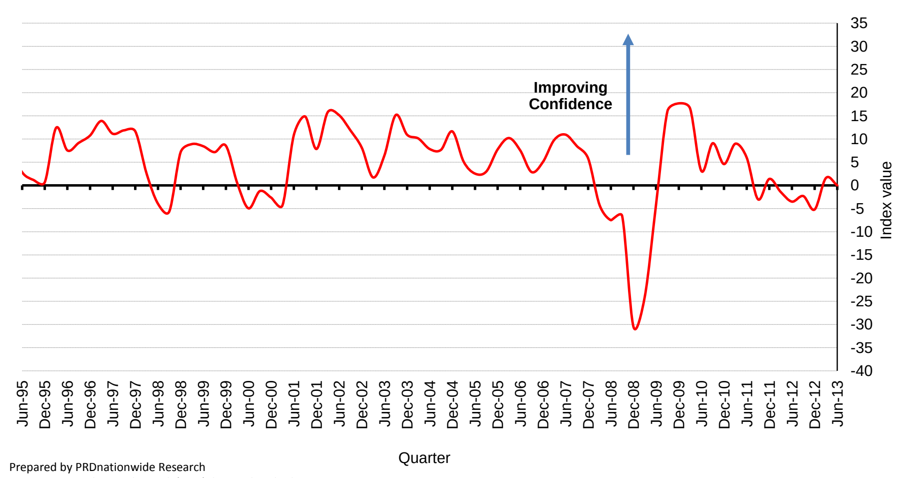
- Across the states confidence remained largely unchanged, softening a little in Western Australia and Victoria. The overall level of confidence was broadly similar across the states, ranging from +2 in Queensland (the only mainland state to report a positive reading) and -4 points in Victoria.

- Business conditions have plummeted to -8 points in June, down from -4 points in May, which was the weakest reading since May 2009. This more than reversed the tentative signs of improvement in April and May. Over the month of June retail, mining and manufacturing conditions collapsed, with retail activity deteriorating to its weakest level in the history of the monthly survey (since 1997).

- Private sector credit growth rose 0.3 per cent in May, in line with market expectations. The growth was mainly in housing credit, up 0.4 per cent. Business credit continued to disappoint, up just 0.1 per cent in May. Personal credit was again negative, down 0.1 per cent. Business credit growth has been slim since mid-2012, reflecting the low levels of confidence and weak investment spending in the non-mining sectors. The RBA has again highlighted the weak demand for credit that is contributing to their easing bias.

- The NAB business survey also showed that despite the two per cent easing of interest rates and a 12 per cent slump in the dollar, business conditions have decreased in June.

Business Confidence



Business Confidence Graph (left):

- *The Business Confidence Index indicates expectations of business conditions for the upcoming quarter.*

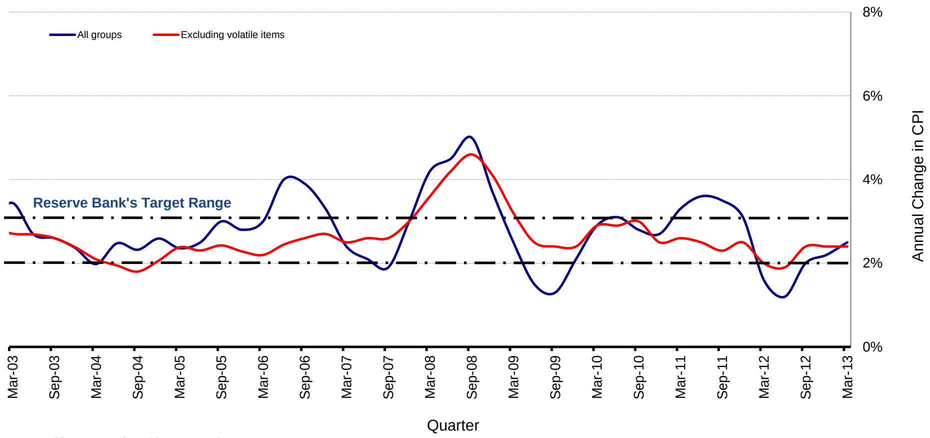
- *The Index is based on a survey of approximately 900 small to large businesses in the non-farm sectors and is conducted by the National Australia Bank (NAB).*

Macroeconomic Climate

Inflation safely within the RBA target range

- The March 2013 CPI figures recorded an annual change of 2.5 per cent, equating to an increase of 0.3 per cent from the December 2012 quarter, which places the rate squarely in the middle 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, up from 2.0 per cent this time last year.

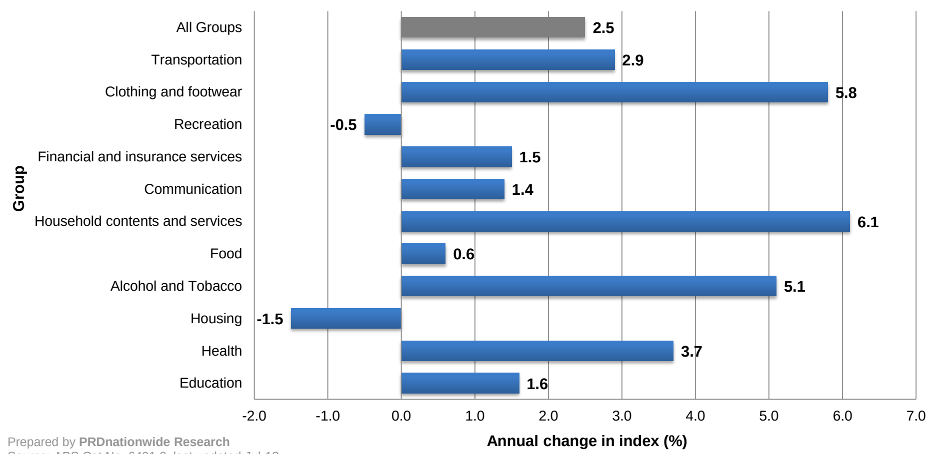
Inflation



Prepared by PRDnationwide Research
Source: ABS Cat 6401, last updated Jul- 2013

- When analysing changes in the CPI over the past 12 months by group, household contents and services increased the most at 6.1 per cent over the quarter, followed by clothing and footwear (up 5.8 per cent) and alcohol and tobacco (up 5.1 per cent). Only two groups experienced a decline in price escalation, with housing falling by 1.5 per cent and recreation softening by 0.5 per cent.
- When observing just the March quarter, the most significant price rises were for new dwellings purchased by owner-occupiers (up 1.7 per cent), pharmaceutical products (up 7.6 per cent), tertiary education (up 6.5 per cent) and tobacco (up 3.7 per cent). The most significant price falls this quarter were for furniture (down 6.8 per cent) and fruit (down 7.0 per cent).

Annual Change in CPI by Group



Prepared by **PRDnationwide Research**
Source: ABS Cat No: 6401.0, last updated Jul-13

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 per cent through the setting of interest rates.*

Macroeconomic Climate cont.

Historically low cash rate

- Over June 2013, the Reserve Bank of Australia (RBA) has once again kept the official cash rate on hold at 2.75 per cent. This rate has been left on hold since the recent rate cut in May 2013, and is now lower than the 'emergency rates' experienced during the Global Financial Crisis. The cash rate is now well below the 10 year average of 4.94 per cent.
- As a result of the decreasing Cash Rate, the standard variable housing loan interest rate has contracted to 6.20 per cent during May and has remained there over the month of June.
- The NAB predicts it would take a material deterioration in the labour market, a flattening out in the outlook for dwelling investment, and/or another factor which prompts them to rework their growth/inflation forecasts lower. If the housing market continues to be responsive, consumers still active, and the labour market remains steady, the RBA will continue to hold firm on any rate changes. However, the NAB macro forecasts are still towards lower risk with expectations of another easing in the cash rate during August this year. It then anticipates the rate to hold at 2.5 per cent for the next 18 months.
- Fundamentally, the key reasons for the cash rate to remain on hold over the month of June were:

I. Commodity prices have declined further but, overall, remain at high levels by historical standards.

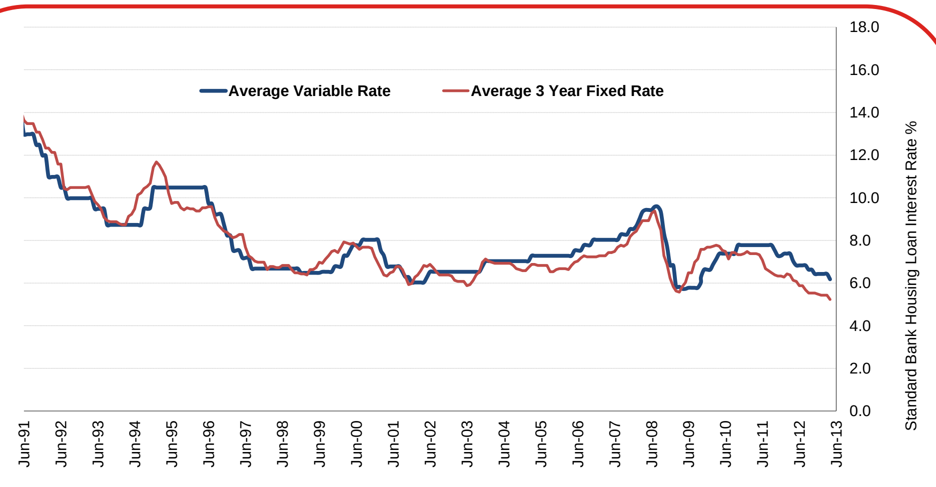
II. Inflation has moderated over recent months in a number of countries.

III. Globally, financial conditions remain very accommodative.

IV. In Australia, the recent national accounts confirmed that the economy has been growing a bit below trend over the recent period.

V. The unemployment rate has edged higher over the past year and growth in labour costs has moderated.

Housing Loan Interest Rate



Housing Loan Interest Rate Graph (left):

- *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 per cent and 3 per cent. 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.*

Foreign Exchange

Expect the AUD to continue slipping

- During the month of June 2013, the Australian Dollar Exchange Index decreased for the third consecutive month, declining by 3.5 per cent to register an Index value of 71.4. Over the course of 12 months, the Index has declined by 6.7 per cent. The Australian Dollar (AUD) has fallen below parity to the US Dollar since May this year, providing some respite for Australian exports. Over a 12 month period ending May 2013 the AUD has decreased by 9.0 per cent against the US Dollar to reach 0.93.

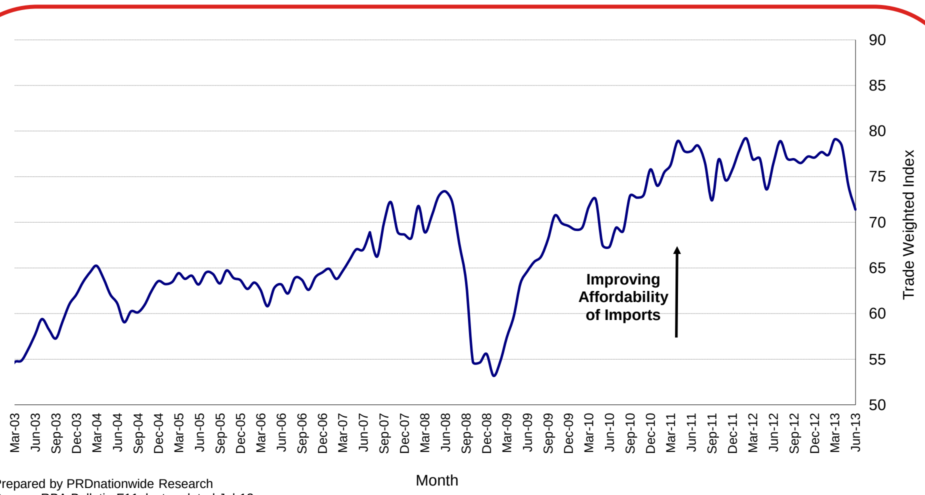
- Over the 12 month period ending May 2013, the Australian Dollar has appreciated the most against the Japanese Yen (up 13.3 per cent), while depreciating the most against the Euro (down 12.3 per cent).

- According to the NAB, the weakening in the mining sector, in terms of investment and commodity prices, has increased negative sentiment towards the AUD. However, the US has discussed the potential for a decrease in the Fed's Quantitative Easing (QE) purchase program later this year. The improving US economy allowed for a USD rally. The AUD, as a dominant carry trade during this period, bore the brunt of the USD's surge. Additionally, concerns regarding China's economy is also weighing the AUD down. The NAB expects the AUD to continue to erode against the USD over the next 18 months.

	Jun-12	Jun-13	% Change
EU Euro	0.81	0.71	4.7%
JP Yen	80.89	91.64	14.9%
NZ Dollar	1.28	1.19	-1.8%
UK Pound	0.65	0.61	5.9%
US Dollar	1.02	0.93	0.2%

Source: RBA Bulletin F11

Trade Weighted Exchange Rate Index



Prepared by PRDnationwide Research
Source: RBA Bulletin F11, last updated Jul-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 comparatively low

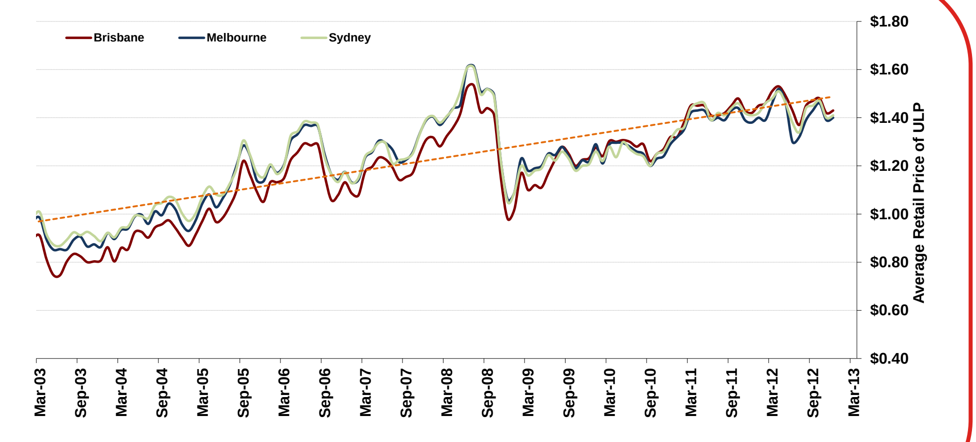
- In dollar value terms, the nation experienced an increase of 3.5 per cent to the average petrol price during the March 2013 quarter. The average price Australians pay at the pump is now $1.51 per litre.

- For the month of March, Melbourne was the capital city where motorists pay the least at $1.44 per litre. The City has experienced a 2.9 per cent increase, the second smallest increase to only to Canberra, which increased only 1.3 per cent to $1.53 per litre. In Darwin consumers continue to pay the most at $1.66 per litre, followed by Hobart at $1.58.

- When compared to other OCED countries, as observed in the Petrol Prices & Taxes graph, Australians pay the fourth least amount at the pump, with taxes only amounting to 35.4 per cent of the total cost. Only residents in Mexico (whose fuel service is nationalised), United States and Canada pay less per litre than Australia.

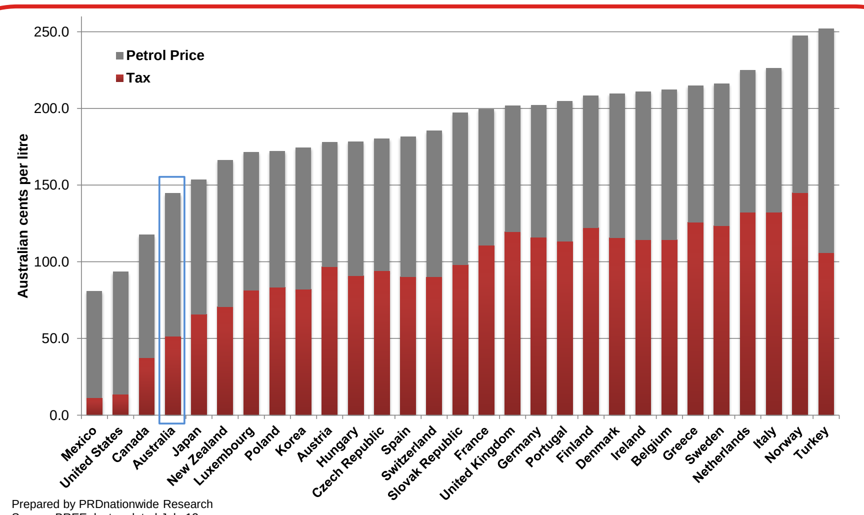
- If tax was removed from the equation, out of the 29 countries measured in the graph, Australia would be placed 20th for most affordable fuel. Tax amounts to an average of 51.2 per cent of the total cost (when removing the low tax rates of Mexico and the US).

Retail Fuel Prices



Prepared by PRDnationwide Research
Source: AAA/Fueltrac, last updated Jul-2013

Petrol Prices & Taxes in OCED- March 2013



Prepared by PRDnationwide Research
Source: BREE, last updated July-13

Retail Fuel Prices Graph (left):

- *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 fall eight per cent year on year

- The month of June 2013 recorded an increase of 1.8 per cent to reach 88.9 Index points. However when compared to the previous year, the Commodity Price Index has fallen by 8.0 per cent. While commodity prices have declined recently, they are still above the longer-term 10 year average of 76.7 Index points.

- NAB expects exports to act as a counterbalance this year, against slowing domestic demand. The current NAB forecast is for a 2.1 per cent point contribution from net exports for 2013, through higher export volumes (e.g. iron ore, LNG) and from falling imports as the peak in resource investment passes. The NAB believes that while export volumes will increase this coming year from iron ore and LNG, and again in 2014-15, the rise in LNG exports will arrive in 2015-16 and beyond. As the sequence of new projects then come into operation, the cumulative rise in LNG exports from 25mt to around 80mt will add around 2.5 per cent to real GDP within the next four to five years.

- The Bureau of Resources and Energy Economics (BREE) Resources and Energy Quarterly details its latest year-ahead forecasts for the commodity export sector. BREE now expect resource and energy exports to fall 8.3 per cent during this financial year, but to recover by 11.4 per cent for the next financial year. Overall, the cuts to resource and energy exports for the current financial year total to around 0.6 per cent of GDP. The global macro condition has contracted, pressuring these markets and BREE has downgraded its global view for this year. That global growth downgrade especially applies to China. BREE expects China's economy to grow by 7.5 per cent for 2013, (down 0.25 per cent). BREE have upgraded their global outlook for next year, through a higher forecast for the Japanese economy, expected to grow by three per cent, stronger than the 1.5 per cent consensus.

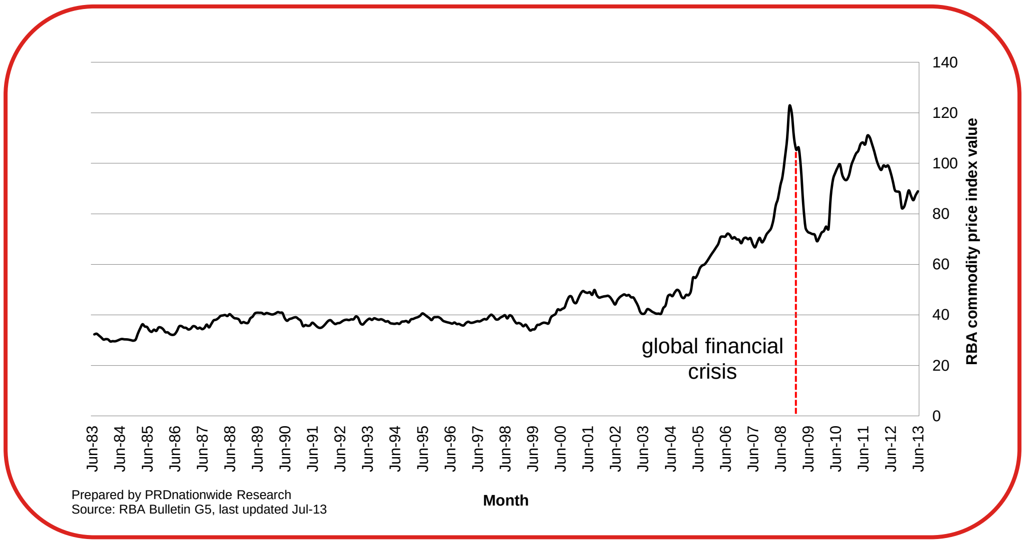
RBA Commodity Price Index Graph (right):

- *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

Unemployment rate remains steady

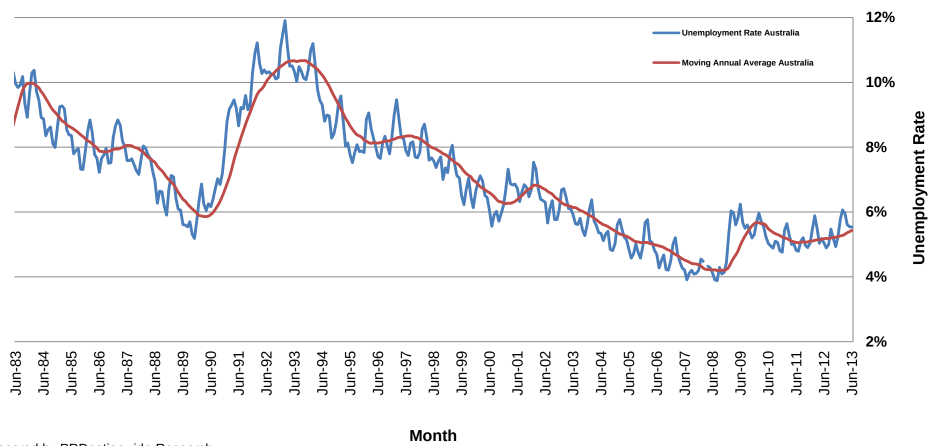
- During the month of June 2013 unemployment remained steady at 5.5 per cent. The moving annual average rate remained at 5.4 per cent, since rising at the beginning of 2013 to 5.3, then 5.4 per cent in April.

- Unemployment in New South Wales has decreased by five per cent over the month, to 5.3 per cent. Victorian unemployment increased by four per cent to 5.6 per cent. Possible cut backs in mining could be the reason why unemployment continued to increase in Queensland by a further six per cent to 6.2 per cent.

- For the month of March 2013, the nation's lowest rate of unemployment occurred in the ACT at 3.6 per cent, recording another monthly contraction at seven per cent. Tasmania still has a high rate of unemployment, which expanded by 24 per cent to a rate of 8.8 per cent over the month.

- The ABS has reported that the total job vacancies in May 2013 were 138,700, equating to a decrease of 9.0 per cent from February 2013. The number of job vacancies in the private sector was 127,900, a decrease of 9.0 per cent, while the number of job vacancies in the public sector was 10,800, a decrease of 5.0 per cent.

Unemployment Rate



Prepared by PRDnationwide Research
Source: ABS Cat 6202, last updated July-13

- When put into a historical context, Australia's recent unemployment rate of 5.5 per cent is very low. This is when compared to previous downturns, such as the Great Depression (when unemployment rose to 29 per cent) and when compared to other nations such as the US and UK. By observing the graph on Comparative Unemployment Rates, it can be observed that even the recession during the early 1990s had higher Australian unemployment rate of 11 per cent.

- The ANZ job advertisements series for June declined for the fourth consecutive month, after the Index fell 1.8 per cent. Job advertisements are now close to 30 per cent below their most recent peak at the end of 2010 and just eight per cent higher than the lowest level reached during the Global Financial Crisis. Western Australia recorded the sharpest decline among the states, with ads almost 50 per cent lower from a year ago. In contrast, non-mining states New South Wales and South Australia recorded moderation in the pace of decline.

Unemployment Rate Graph (left):

- *Unemployment is calculated as the proportion of people in the labour force that were unemployed and actively seeking work during the survey period.*

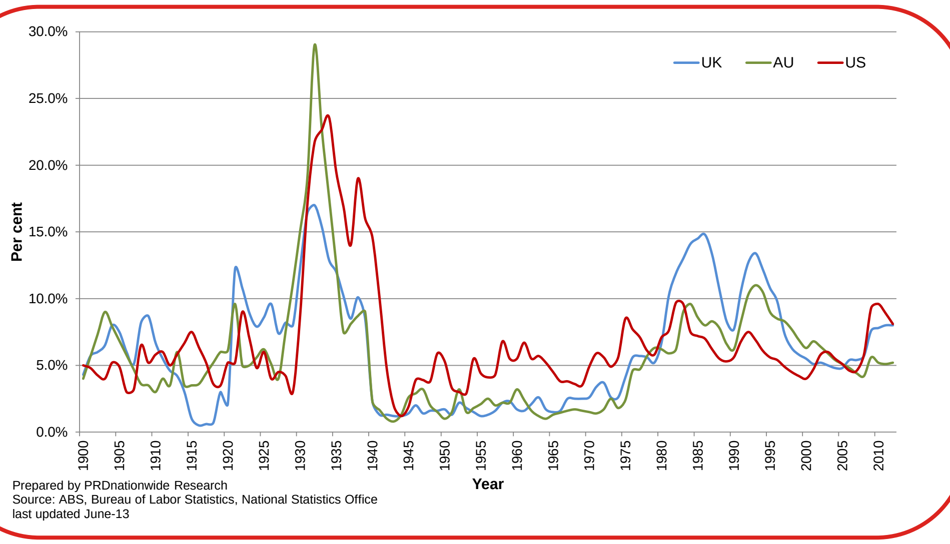
- *The labour force is defined as the number of people aged between 16 and 55 who were either employed or actively looking for work during the survey period.*

- *This graph tracks the unemployment rate on a monthly and moving annual average basis over the last 30 years.*

Labour Market

Professionals driving employment growth

Comparative Unemployment Rates



- The Westpac–ACCI Labour Market Composite, remained negative and suggests that jobs will fail to keep pace with population growth. Labour market conditions are set to remain soft, with the upward trend in the unemployment rate is likely to continue. Manufacturers reduced employee numbers in the June quarter, and plan to lower their headcount again in the September quarter.

- The Roy Morgan measure of unemployment differs from the ABS rate of unemployment, showing unemployment high for the month of May at 9.5 per cent (up 0.2 per cent from the previous month).

- Latest figures from the Department of Education, Employment and Workplace relations (DEEWR) shows the highest rate of unemployment by occupation for the 12 months to February 2013 as labourers (7.1 per cent) followed by machinery operators and drivers (4.6 per cent). Professionals and community and personal service workers increased in employment, by 3.4 and 2.9 per cent respectively.

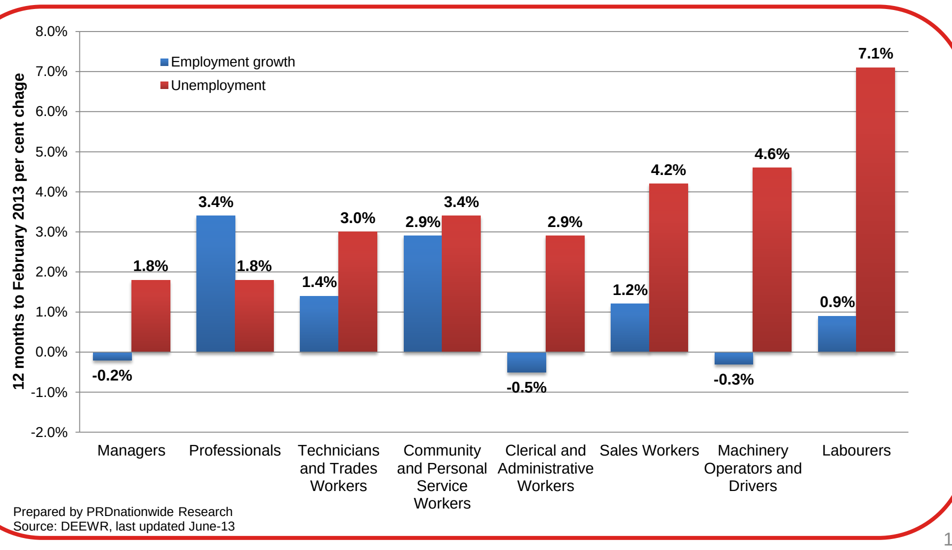
Employment & Unemployment by Occupation Graph (right):

- *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 displays the change in job creation against the jobless rate.*

Employment & Unemployment by Occupation



House Finance

Growth in housing finance improves in 2013

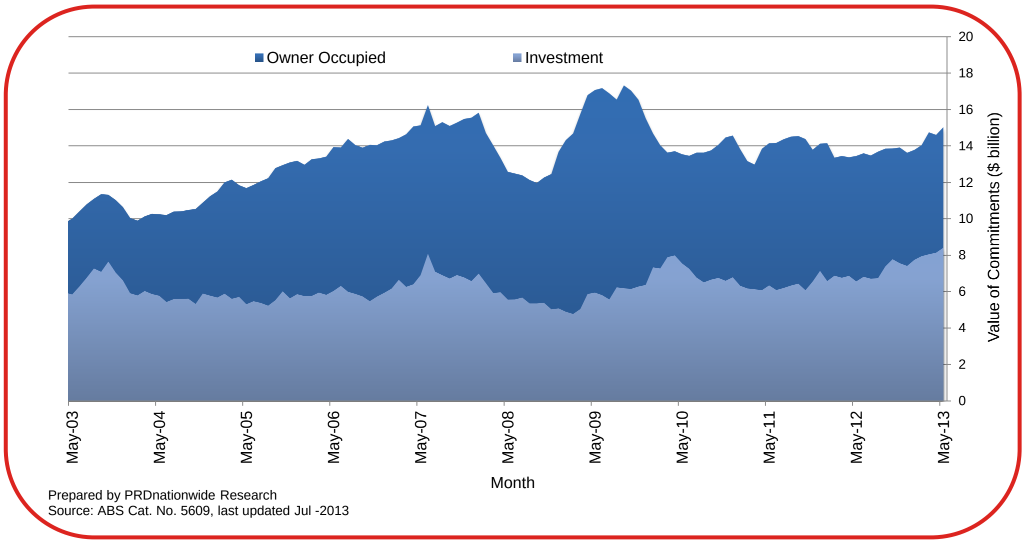
- The gross spend on housing finance was $23.4 billion during the month of May 2013. Compared to the previous year, the total spend has increased by 17.1 per cent, equating to $3.4 billion more. The ABS data showed the number of monthly home loans granted to owner occupiers in May increased a seasonally adjusted 1.8 per cent to 49,636.

- Compared to the previous year, investor spending continued to increase to $8.4 billion (up $1.9 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 $300 million. The investor financed market now amounts to 35.9 per cent of the mortgage property market, equating to an increase of 9.5 per cent in 12 months.

- Owner occupier expenditure increased by $1.6 billion from the previous year to $15 billion.

- The purchase of new dwellings increased over May by 0.7 per cent, while the purchase of established dwellings increased by 2.1 per cent (sourced from seasonally adjusted figures released form the ABS).

Housing Finance Commitments



Housing Finance Commitments Graph (left):

- *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.*

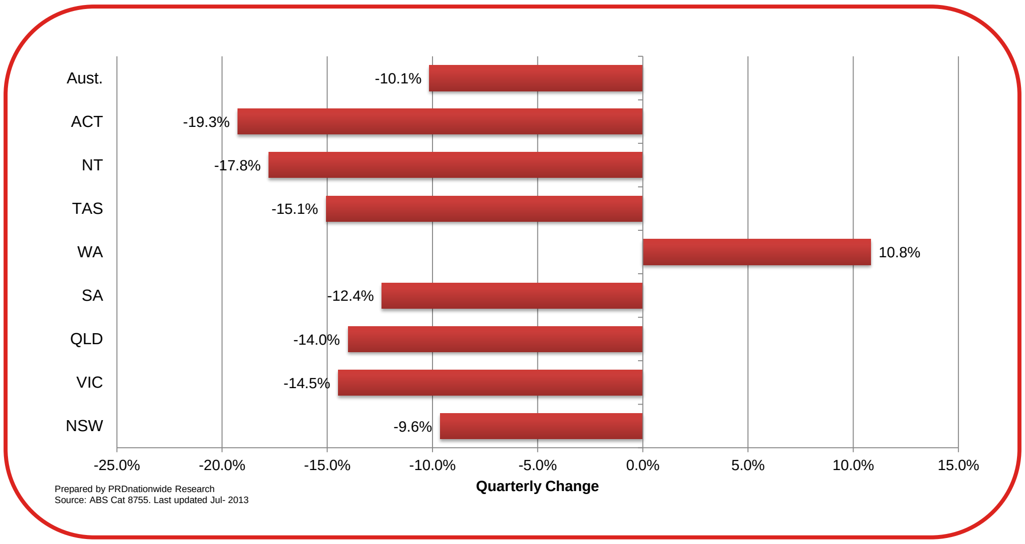
Construction Market

New residential construction increased the most in Western Australia

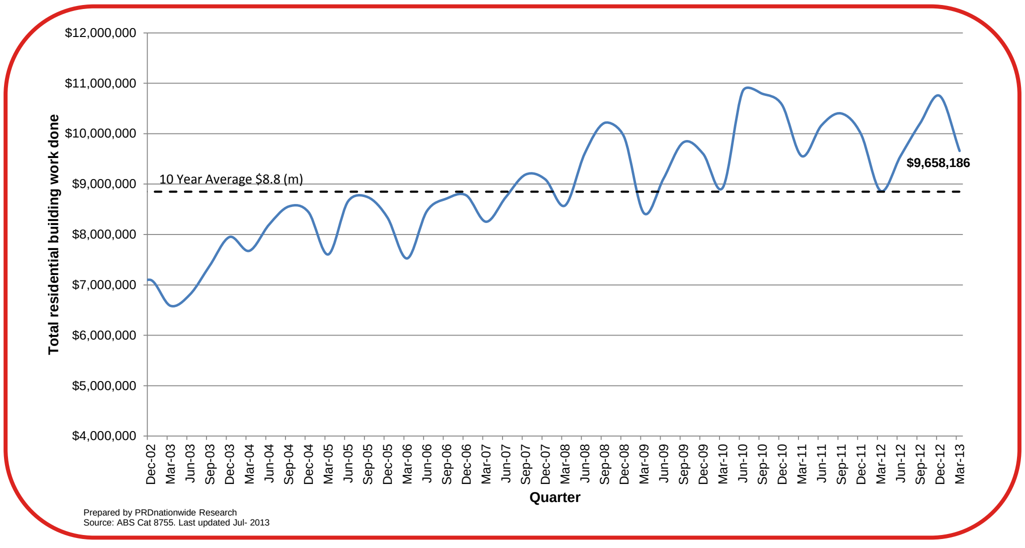
- During the March 2013 quarter, the national total value of residential construction work completed decreased by 10.1 per cent to reach just over $9.65 million. However when compared to the previous year, a raise of 9.0 per cent occurred.

- On a state by state basis, new residential construction increased only in Western Australia (up 10.8 per cent), while decreasing in all the other states and territories. Residential construction decreased the most over the quarter in the ACT (down 19.3 per cent), the Northern Territory (down 17.8 per cent), and Tasmania (down 15.1 per cent).

Change in the Quarterly Value of Residential Construction by State



Total Quarterly Value of National Residential Construction



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 per cent of the value of both building and engineering work done during the quarter.*

Stock Market

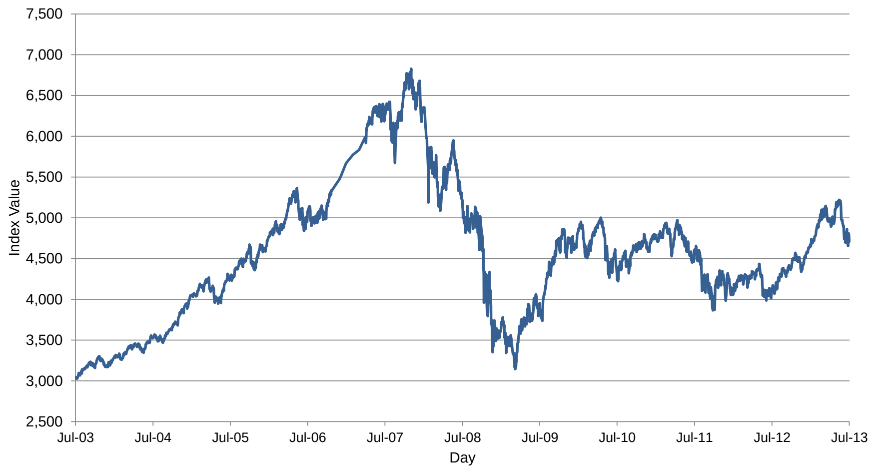
Australian share market softens as US looks towards austerity

- The month of June has seen the Standard & Poor's ASX 200 decline on the improvements made during May. The Index softened to an average 4,778 points during June, equating to a decrease of 6.6 per cent from the average registered in May.

- Fading optimism over the progress of economic recovery in China and ongoing speculation about whether the US Federal Reserve would wind back its bond buying scheme weighed on the Australian equity market.

- The US Federal Reserve is in the middle of buying $US85 billion worth of bonds a month, resulting in one of the main reasons that several global equity markets have climbed to recent all-time highs. However as the markets continue to rise, the US Federal Reserve Chairman, Ben Bernanke, made a statement about winding back the $US85 billion per month bond buying program. The expectation that the US will adopt tighter monetary policy has investors in Europe a little rattled and looking to the central banks for guidance and confidence.

S&P / ASX 200



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

S&P / ASX 200 Graph (left):

- *The S&P/ASX 200 is recognised as the primary investable benchmark in Australia. The index covers approximately 78 per cent of Australian equity market capitalisation. 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

Dwelling approval rate increases the most in South Australia

- The total number of dwelling approvals declined during the month of May 2013 by 11.4 per cent, equating to 1,532 more approved dwellings. However when compared to the previous year, approvals have decreased by 1.1 per cent.

- On a state-by-state basis, South Australia recorded the highest increase in dwelling approvals during the month of May, representing an increase of 49.7 per cent from the previous month. Victoria registered the largest number of dwelling approvals, at 4,451, amounting to 29.8 per cent of the total dwellings approved for the month.

- The seasonally adjusted estimate of the value of total building approved rose 4.2 per cent in May following a fall of 3.4 per cent in the previous month. The value of residential buildings fell 0.2 per cent following a rise of 4.0 per cent in the previous month. The value of non-residential buildings rose 10.0 per cent following a fall of 11.6 per cent in the previous month.

- According to the Housing Industry Association (HIA), the national construction industry rate of contraction slowed in June, with positive trends emerging in a number of key areas. The latest Australian Industry Group/Housing Industry Association Australian Performance of Construction Index lifted by 4.2 points in June to 39.5, pointing to the slowest rate of decline in four months (a score below 50 indicate a contraction in the industry with the distance from 50 indicative of the strength of the decline). The lift in activity was most pronounced for the apartment, house building and commercial construction sub-sectors. This pattern was also evident for new orders with contraction slowing in all sub-sectors other than engineering construction which fell sharply (by 13 points to 27.5) signaling a further scaling back in the work pipeline in this sub-sector. Overall the new orders index remained unchanged at 34.8. Input costs (while still expanding) declined 6.8 points.

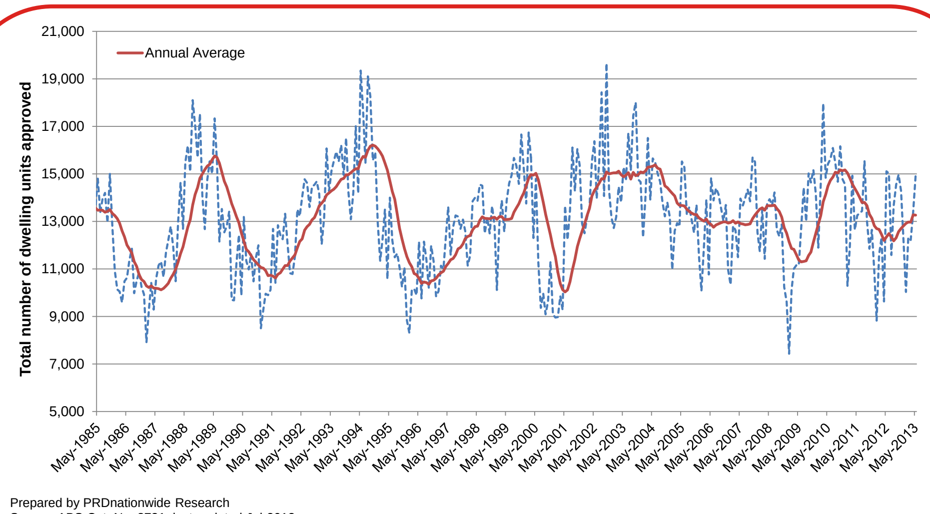
Dwelling Approvals Graph (right):

Dwelling approvals indicate the number of new dwellings that have been approved for:

- *construction of new buildings;*
- *alterations and additions to existing buildings;*
- *approved non-structural renovation and refurbishment work; and*
- *approved installation of integral building fixtures.*

A moving yearly average is used to filter out seasonal fluctuations in the number of dwellings commenced.

Dwelling Approvals



Prepared by PRDnationwide Research
Source: ABS Cat. No. 8731, last updated Jul-2013

Dwelling Market Cont.

Best Time to Buy Index score in Queensland

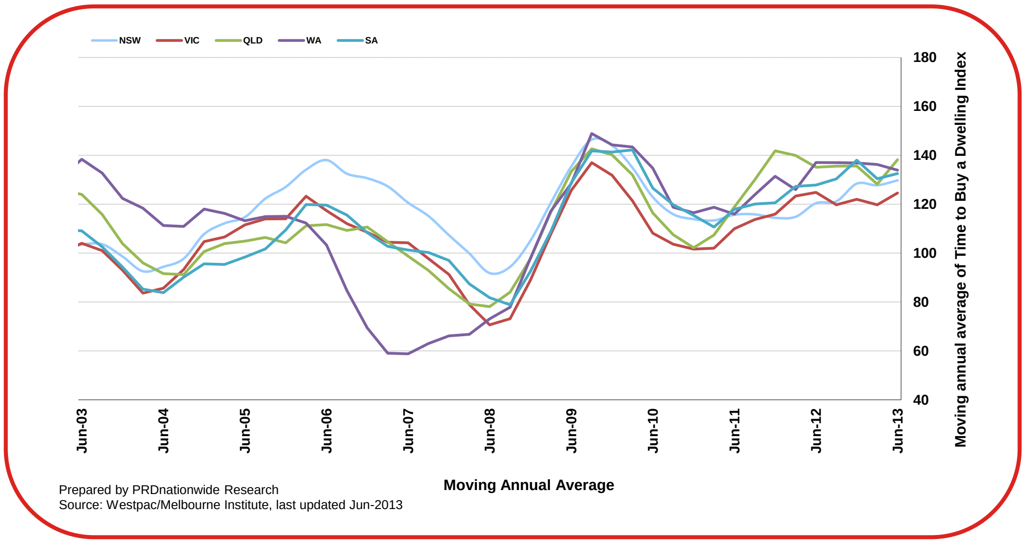
- Over the June 2013 quarter, the Time to Buy a Dwelling Index significantly increased in all states, with Queensland rising the most at 55.4 per cent, followed by South Australia at 31.7 per cent and Victoria at 31.3 per cent. Western Australia experienced the smallest increase at 18.5 per cent, while New South Wales rose by 19.0 per cent.

- Queensland now has the highest Index value at 155.0 points, followed by Victoria at 147.2 points. The lowest Index score was registered in New South Wales at 134.9 points.

- According to the Westpac-Melbourne Institute Survey of Consumer Sentiment, family financial conditions improved in all states except New South Wales over the 12 month period ending June 2013. Conditions deteriorated in New South Wales by 6.4 per cent, to 76.3 points. The largest increase was felt in Victoria (up 27.2 per cent) followed by South Australia (up 13.4 per cent) and Western Australia (up 11.4 per cent). Queensland experienced the smallest increase of 10.6 per cent. Western Australia now has the best family financial conditions, at 97.7 Index points, followed by Queensland at 92.3 points. New South Wales has the worst conditions at 76.3 Index points.

- The latest Property Council of Australia-ANZ Property Industry Confidence Survey reveals that sentiment has decreased to 121 during the September quarter (from 124 in June). While surveyed house price and residential building activity expectations eased modestly in the September quarter, it remains positive. Sharply improved housing affordability combined with interest rates set to remain at low levels for an extended period has lifted buyer confidence. House prices have lifted in all capital cities in 2013. Auction clearance rates continue to be significantly high, indicating solid home buyer demand for listed stock, particularly in Sydney and Melbourne. Positive homebuyer sentiment and improved market fundamentals support a solid outlook for home price growth in the year ahead, particularly in Sydney and Perth.

Time to Buy a Dwelling Index



Time to Buy a Dwelling Index Graph (left):

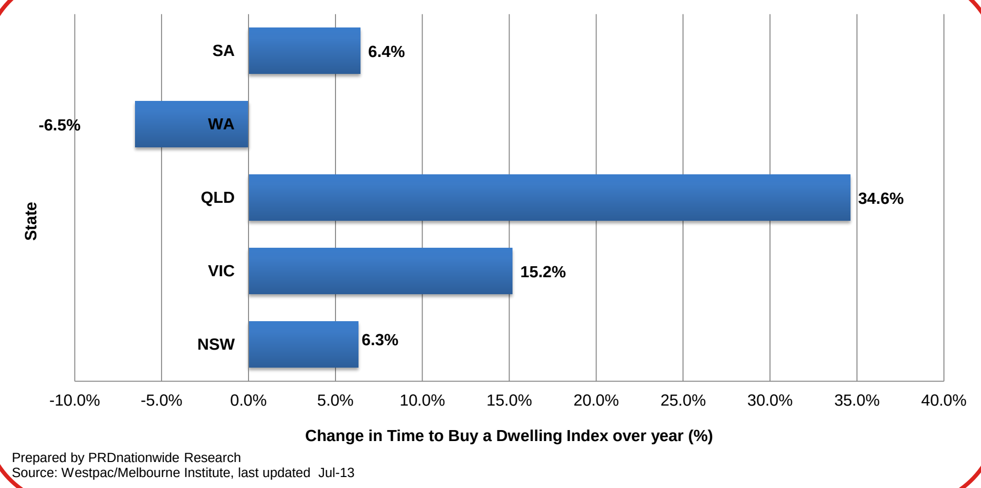
- *The Time to Buy a Dwelling Index indicates short-run changes in consumer sentiment regarding whether it is a good time to buy a dwelling.*

- *It is a component of the Melbourne Institute's Consumer Sentiment Index which is undertaken monthly.*

Dwelling Market Cont.

Western Australia observes decline in Time to Buy Index

Annual Percentage Change in Time to Buy a Dwelling Index



- According to the NAB Quarterly Australian Wellbeing Index of June 2013, Australian wellbeing improved in the second quarter despite the softer economic conditions. NAB's Australian Wellbeing Index measured 6.6 points over the second quarter, up from 6.2 points during the first quarter. All survey questions (satisfied life, worthwhile life, happy yesterday and not anxious yesterday) experienced an increase. Overall wellbeing improved in almost all demographic categories, except in the $75,000 to 100,000 income group, defacto couples, widowed people and labourers. Significantly, there was a notable fall in those expressing very low wellbeing and an increase in those rating wellbeing high.

- According to the report, in June wellbeing was typically highest for those:
  - ✓ living in Western Australia
  - ✓ residing in rural towns or the bush
  - ✓ earning over $100,000
  - ✓ aged over 50 (male or female)
  - ✓ married
  - ✓ with children
  - ✓ living in a household with 2 people
  - ✓ well educated
  - ✓ retired
  - ✓ in professional employment

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 rise during the first half of 2013

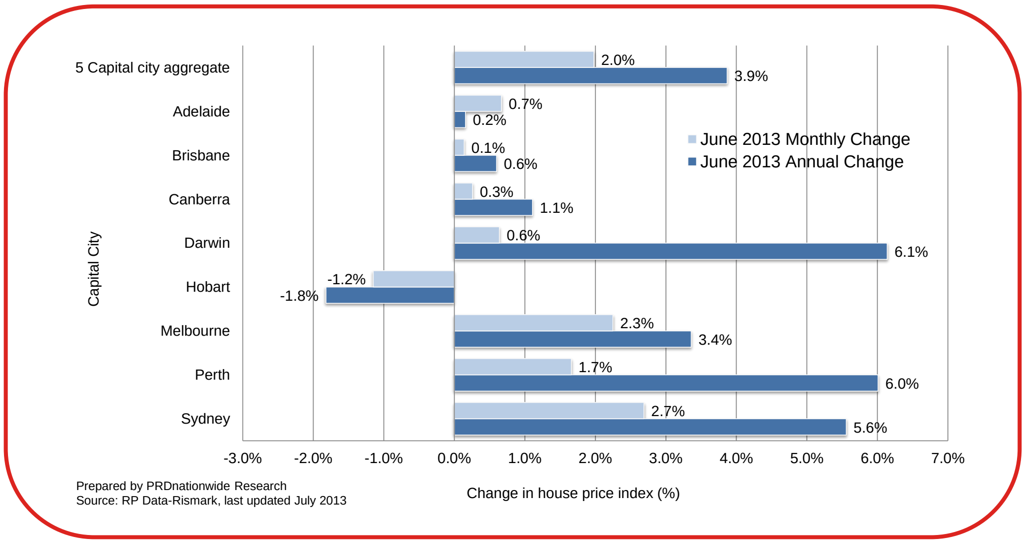
- According to the RP Data-Rismark Combined Capital Cities Index, the combined city aggregate experienced an annual change of 3.9 per cent to June 2013. Over the course of the month, the city aggregate rose 2.0 per cent. Over the course of the year, the largest improvement occurred in Darwin rising 6.1 per cent, followed closely by Perth, up 6.0 per cent and then Sydney, up 5.6 per cent. Hobart was the only capital city to have recorded a contraction in home values, falling by 1.8 per cent.

- On the whole, monthly changes in the Index were much more conservative, with the greatest increase occurring in Sydney (a rise of 2.7 per cent), followed by Melbourne (up 2.0 per cent).

- While Darwin had been an extremely hot market, it appears that this could be passing, as the month of June only registered an increase of 0.6 per cent, while another hot market Perth, only recorded a monthly change of 1.7 per cent. Both well below the registered growth in values over the past 12 months.

- According to RP Data, the number of total listings on the market compared to the previous year has reduced for all capitals cities except Darwin and Canberra. There is almost 30 per cent less listed for sale in Sydney, while 17.4 per cent less in Brisbane and 13.3 per cent less in Perth. Listings for sale have increased by 3.7 per cent in Darwin and 4.1 per cent in Canberra.

RP Data – Rismark Dwelling Home Value Index   Change by Capital City



RP Data – Rismark Dwelling Home Value Index Graph (left):

- *The graph to the right measures an annual & monthly change in dwelling values of the capital cities.*

Home Affordability

Low level of first home buyers in the market

- Home loan affordability has increased yet again, with the quarter ending March 2013 experiencing a rise of 1.8 per cent to 33.5 Index points. Looking longer-term, this equates to an improvement from the previous 12 month period by 7.0 per cent.

- Most states, except Western Australia and Tasmania, registered an improvement in the Index, with the largest increase occurring in the ACT, at 7.6 per cent, followed by the Northern Territory at 5.1 per cent. Western Australia decreased by 2.6 per cent, while Tasmania also contracted by 1.8 per cent. Over the quarter, Victoria recorded a marginal increase of 0.8 per cent, while New South Wales improved by 4.3 per cent.

- Affordability continues to be highest in the ACT, with an Index score of 57.7, followed by the Northern Territory (recording 49.1), while the least affordable state is New South Wales (29.0 points) followed by South Australia (32.7 points).

- The average Australian household requires 29.9 per cent of the family income to service a home loan. Queensland families require approximately 27.9 per cent, while Victoria requires 30.2 per cent. The ACT requires the least amount, with 17.3 per cent and New South Wales requires the most, at 34.5 per cent of the average family income. According to the REIA, the proportion of family income required to meet the average rental payment has increased during the March 2013 quarter to 24.4 per cent (up from 23.9 per cent in December).

- The number of new finance commitments to first home buyers decreased 22.5 per cent during the March 2013 quarter. Compared to the previous year, this equates to a decrease of 21.3 per cent. The average first home buyer loan increased by 1.0 per cent over the quarter, compared to an increase of 4.1 increase during the previous year. First home buyers amounted to 14.5 per cent of the owner-occupier market, compared to 16.5 per cent during the December 2012 quarter. This equates to the lowest level since the June 2004 quarter.

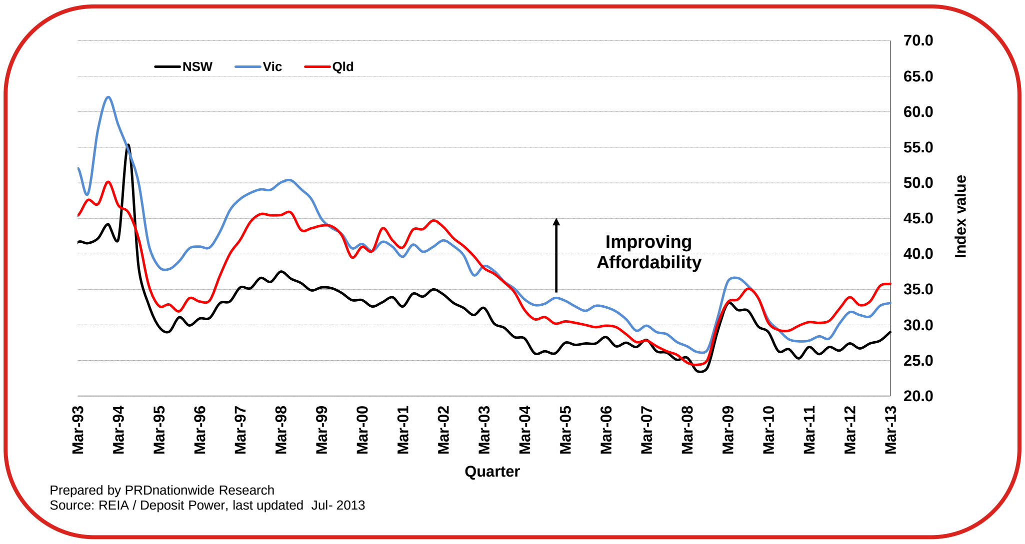
Home Loan Affordability Index Graph (right):

- *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

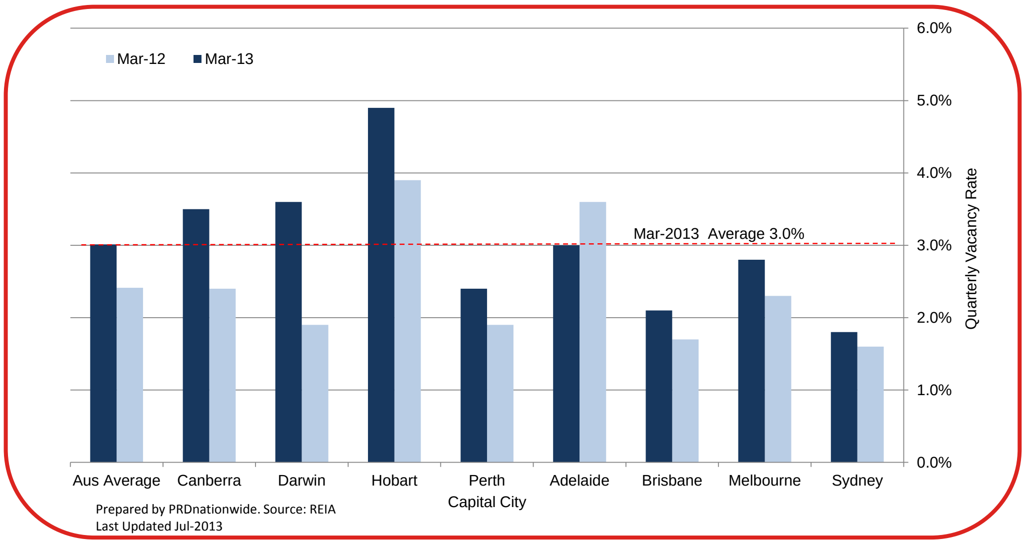
Vacancies continue to rise

- The Australian average vacancy rate increased to 3.0 per cent over the most recent March 2013 quarter. Sydney is now the tightest rental market of all capital cities, with a 1.8 per cent vacancy rate, followed by Brisbane at 2.1 and Perth at 2.4 per cent.

- Over the quarter vacancy rate rose the most in Darwin and Perth up by 0.5 per cent each, while Sydney and Adelaide contracted the most by 0.1 per cent.

- It comes as no surprise to find the Sydney market the tightest rental market (again) of all capital cities. Its market is very tight, accelerating growth in both rental and sale prices. Further north, as the mining investment peak passes, shifts in the rental market are being felt throughout regional Queensland. What were once very hot markets in Mackay, Agnes Waters, Tannum Sands, Rockhampton and Gladstone are now facing an expanding rate of vacancy through softer demand. Expect rental prices in these mining affected regions to decline accordingly.

Quarterly Vacancy Rates



Quarterly Vacancy Rates Graph (left):

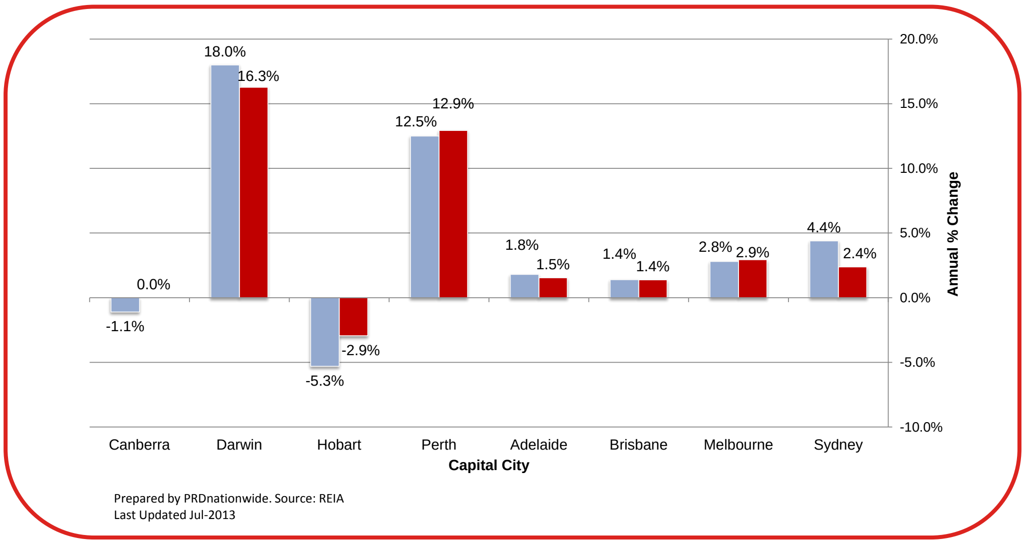
- *An industry benchmark for vacancy rates is considered to be 3 per cent. Vacancy rates lower than 3 per cent indicate strong demand for rental accommodation, whilst rates higher than 3 per cent reflect an oversupply of rental accommodation.*

Rental Market cont.

Large price increases to Darwin rents

- Weekly rental prices for a standard three bedroom house have remained steady in Melbourne (at $350) but have increased in Sydney (to $430) and Brisbane ($365). The Australian capital city average increased to $426 per week, equating to a 2.5 per cent rise over the quarter.
- Darwin maintains the highest median rental price for a standard three bedroom house at a very high $650 per week, through an increase of 1.9 per cent over the quarter. Adelaide and Hobart are now the most affordable cities to rent in, with a median rental price of $330 per week.

Annual Change to Median Rent Prices



- According to the REIA, the median weekly rental price for a two bedroom unit is $40 more than a three bedroom house. The Sydney median has increased over the quarter by 2.4 per cent. While units in Sydney typically command a price premium due to a lack of supply and location, Darwin units are now hold the highest median weekly price, at $471 through growth of 16.3 per cent over the first quarter of 2013. The median rental price for a unit in Perth also increased substantially, at 12.9 per cent to $450 per week.
- Hobart was the only capital city to experience a contraction in the median weekly rental price for a unit, declining by 2.9 per cent to $270 per week.
- According to the REIA, the March 2013 quarter provided Darwin with the largest annual net yield for detached houses, at 4.6 per cent. This was followed closely by Canberra at 4.1 per cent, while Melbourne and Sydney recorded the smallest yield at 2.7 per cent each. Canberra registered the largest net yield for two bedroom units, at 4.7 per cent, while Melbourne recorded the smallest at 3.4 per cent.

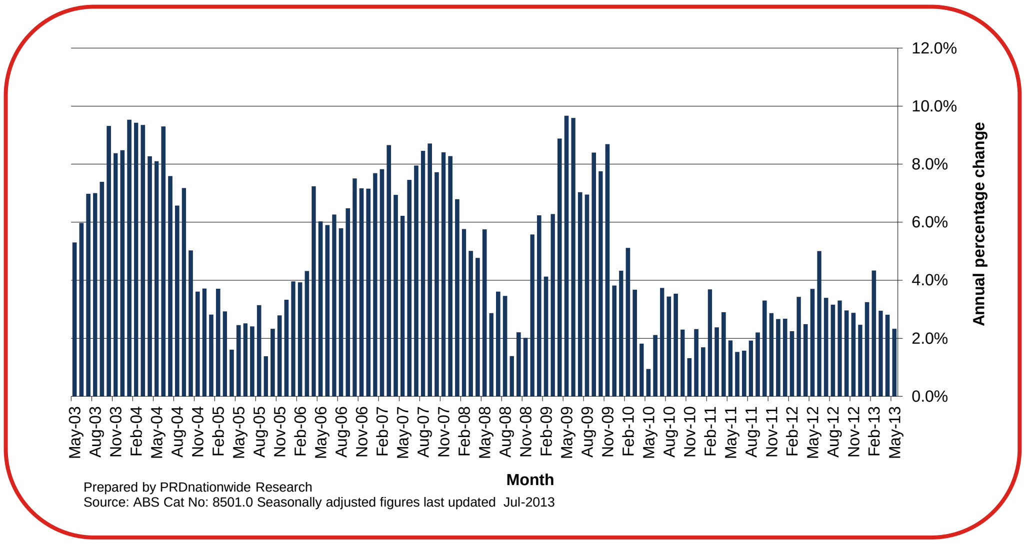
Retail Trade

Spending growth minimal in May but could improve throughout 2013

- Retail expenditure slumped once again in May, down 0.5 per cent from the peak experienced in February 2013. However on an annual basis, during the 12 month period ending May 2013, retail expenditure increased by 2.33 per cent.

- Over the 12 month period, shoppers have been out in force in Western Australia and Queensland, with growth in expenditure of 4.7 and 4.2 per cent respectively. Once again, South Australia and Tasmania recorded a contraction in spending, declining by 0.4 and 1.6 per cent respectively. Over the month ending May 2013, Australia's change in retail expenditure marginally increased by 0.1 per cent.

Annual Change in Retail Expenditure



- Spending had rebounded during the first couple months of 2013, with retailers commenting on 'green shoots' within the industry, encouraged investors to consider retail stocks. However, with the recent release of May's expenditure figures, shares in the major retailers, including Myer and David Jones, fell once again.

- For the year to May 2013, Australians spent around $13.7 billion with online retailers. This level is equivalent to 6.1 per cent of the spending in the traditional bricks and mortar retail sector (excluding cafés, restaurants and takeaway food for a like-to-like comparison) in the year to April 2013.

- Pessimists, such as Citi analysts, stated the figures were sluggish and the outlook remains grim. However, Commonwealth Bank claims the sector was poised to benefit from the fall in the Australian dollar over recent weeks, encouraging Australians to holiday domestically rather than overseas and reducing the attraction of spending money online with foreign retailers. Household disposable income has also been boosted from interest rate cuts.

Annual Change in Retail Expenditure Graph (left):

- *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.*

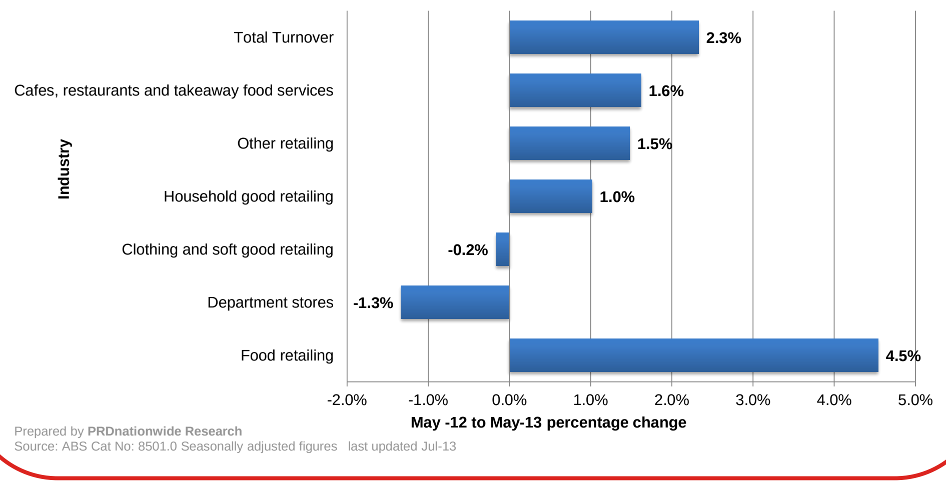
Retail Trade cont.

Food retailers lead growth in expenditure

- Over the 12 month period, shoppers have been out in force in Western Australia and Queensland, with growth in expenditure of 4.7 and 4.2 per cent respectively. Once again, South Australia and Tasmania recorded a contraction in spending, declining by 0.4 and 1.6 per cent respectively. Over the month ending February 2013, Australia's change in retail expenditure marginally increased by 0.1 per cent.

- Food retailing amounted to the largest increase in expenditure throughout the 12 month period ending May 2013, at 4.5 per cent. This was followed by Cafes, restaurants and takeaway food, recording an annual growth of 1.6 per cent. Contractions in expenditure were felt in department store retailing (down 1.3 per cent) and clothing and soft good retailing (down 0.2 per cent).

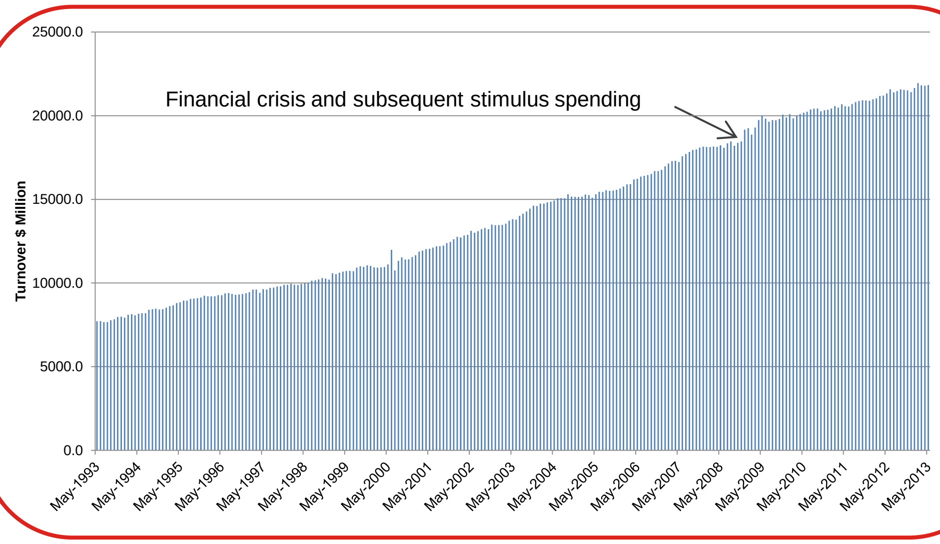
Annual Change in Retail Expenditure by Group



- When observing the longer-term graph of Total Retail Expenditure, the amount of continual growth becomes evident over the past 20 years.

- The drop in expenditure growth is also clear during the financial crisis of late 2008, but so too is the quick pick up through the stimulus spending period that followed.

Total Retail Turnover



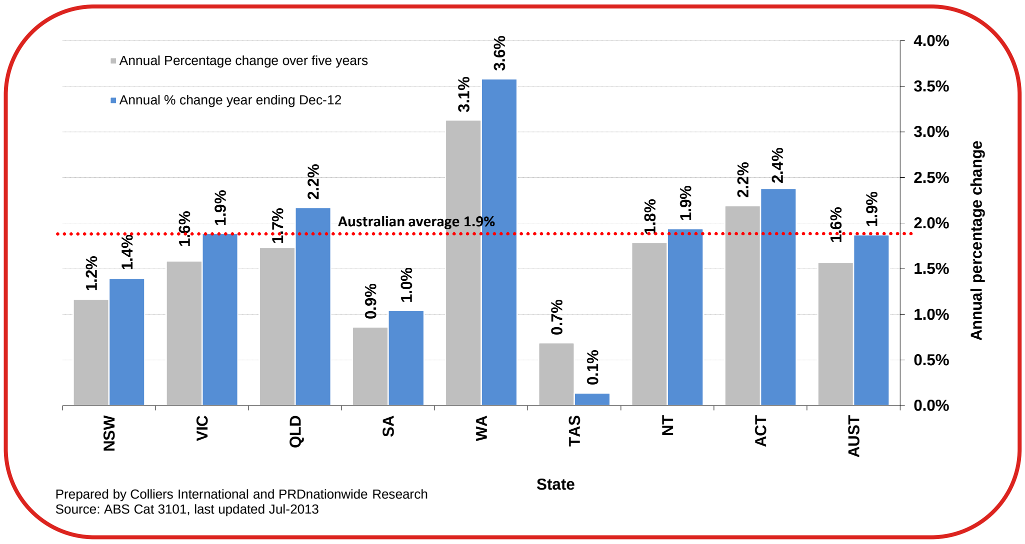
Demographics

The rate of population growth continues to heat up

- As at December 2012, the Australian population was estimated to be at 22.9 million residents, resulting through an increase of 1.87 per cent over a 12 month period. This equates to an increase of 421,012 new residents in the 12 months to December 2012 from the previous year. Throughout 2012, the rate of Australians growth in the population has continued to climb, and is now the highest it has been since September 2010.

- The rate of growth in Western Australia continues to expand at a rapid pace, as its population increased over 12 months by 3.58 per cent. The ACT followed through an increase of 2.38 per cent, while Queensland recorded growth of 2.17 per cent. Tasmania was the state/territory to have registered the smallest amount of growth, at 0.14 per cent. Both New South Wales and Victoria recorded stronger population growth than their longer-term five year averages, at 1.40 per cent and 1.89 per cent respectively.

Population Growth



- Surprisingly, the final quarter of 2012 observed a contraction in the rate of net migrants entering Australia. This rate declined by 24.1 per cent but still equated to 53,895 new net residents from overseas. Just under a third (29.8 per cent) of overseas migrants are relocating themselves in New South Wales. Victoria followed with 24.4 per cent, then Western Australia at 21.8 per cent. Combined, the ACT, Northern Territory and Tasmania amount to only 1.7 per cent of the total new international migrants.

- Over the 12 month period ending December 2012, the natural increase of Australia rose marginally by 0.2 per cent. The rate has increased the most in the Victoria, up 23.8 per cent from the previous year, followed by New South Wales, up 15.6 per cent. Queensland, Tasmania and South Australia all experienced a decline in the natural birth rate of 0.9 per cent, 42.2 per cent and 4.1 per cent respectively.

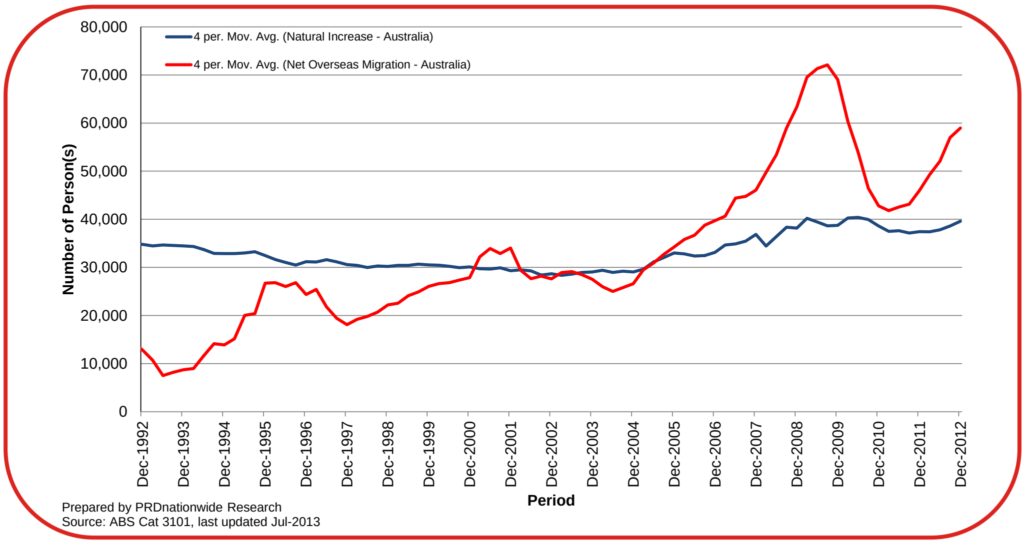
Population Growth Graph (left):

- *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.

Western Australia & Queensland favoured by interstate migrants

Components of Population Growth

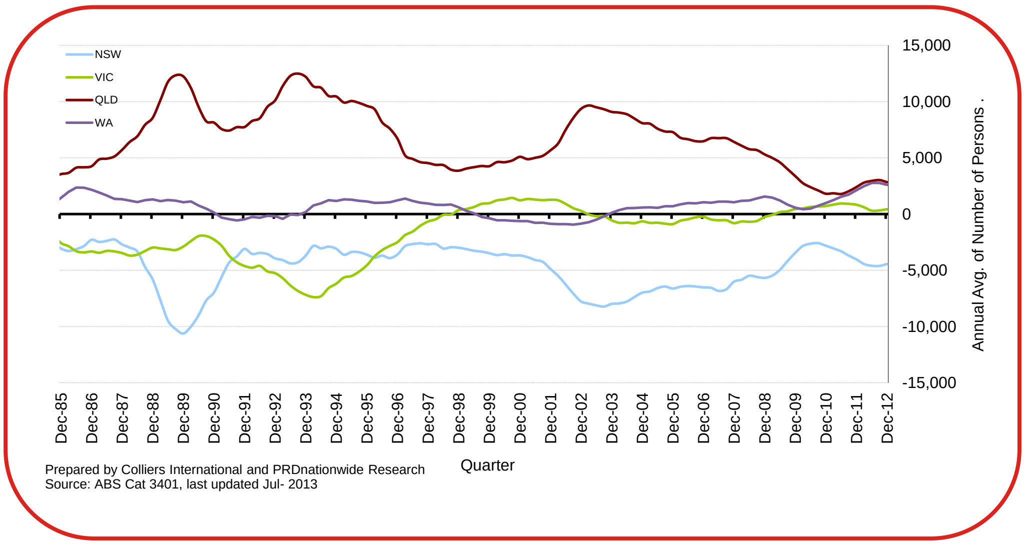


- Over the December 2012 quarter, Queensland received the largest number of net interstate migrants out of any state or territory, at 2,539 new net residents. Compared to the previous 12 month period, this has equated to an fall of 22.8 per cent. Western Australia is the second largest growing state in terms of net residents moving into the state, at 2,138 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 4,397 migrants.
- Victoria improved on attracting new net migrants to the state, with 996 (up 78.2 per cent) over the December quarter. This is an improvement on the previous September quarter, where the state registered a net migration of 352 new net residents. South Australia experienced a net loss of 1,376 net residents departing during the quarter, while the ACT increased a net 1,590 interstate migrants. Tasmania and the Northern Territory continue to shed residents, at 710 and 780 less migrants respectively 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.*



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

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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.

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

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

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

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

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