

PROPERTY MARKET MONITOR

RESIDENTIAL OVERVIEW - DECEMBER QUARTER 2007

CANBERRA



RESIDENTIAL HOUSING AND RENTAL MARKET

The Canberra residential property market continued to perform well through out the last three months of 2007 continuing the trend of the first three quarters of the year.

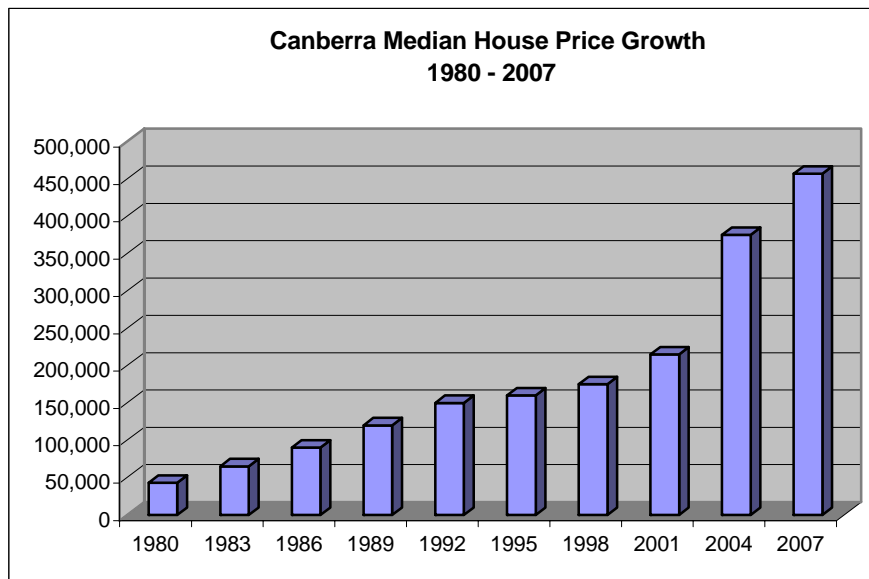
There is a number of varying factors that have us believe residential demand will remain buoyant in Canberra through out the next year. Firstly, it has the lowest unemployment rate in the country of just 2.3% as at January 2008. Since the ACT has the highest median weekly family income in Australia of \$2,228 it is the most affordable place to live. The Australian median family income is \$1,238. There is also a limited supply of residential land restricting the development of new homes entering the market.

Data released by the Real Estate Institute of the Australian Capital Territory indicates that the median house price for Canberra is \$457,000. This is an increase of 2.8% from the September quarter 2007 and it represents a change of 1.1% from December 2006. The Median value for Units and Apartments increased by 2.3% for the quarter to \$360,000. This is an increase of 15.8% for the 12-month period.

Graph 1 illustrates the increase in median house values in Canberra from 1980 to 2007. In the 5-year period from 1999 to 2004 median house prices increased by 136%, increasing from \$158,000 to \$372,500.

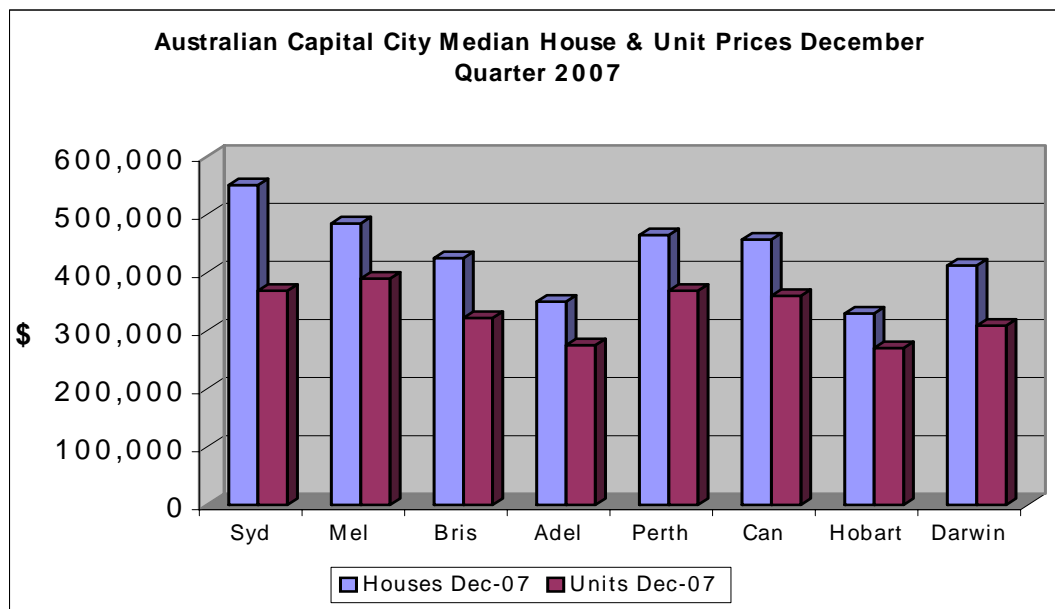
This considerable price growth resulted in poor affordability and this led to a fall of 5% in median values in 2005. At the same time poor employment growth was being experienced. As seen in the graph below, the next two years was much improved with strong growth once again. This was put down to the increase of overseas and interstate migration during 2006 and 2007.

Graph 1



Graph 2 demonstrates the variation between median house and unit prices for the various States and territories around the country. The data from the real Estate Institute shows that Sydney has the highest median House prices across the country and Melbourne has the highest Unit price in Australia.

Graph 2



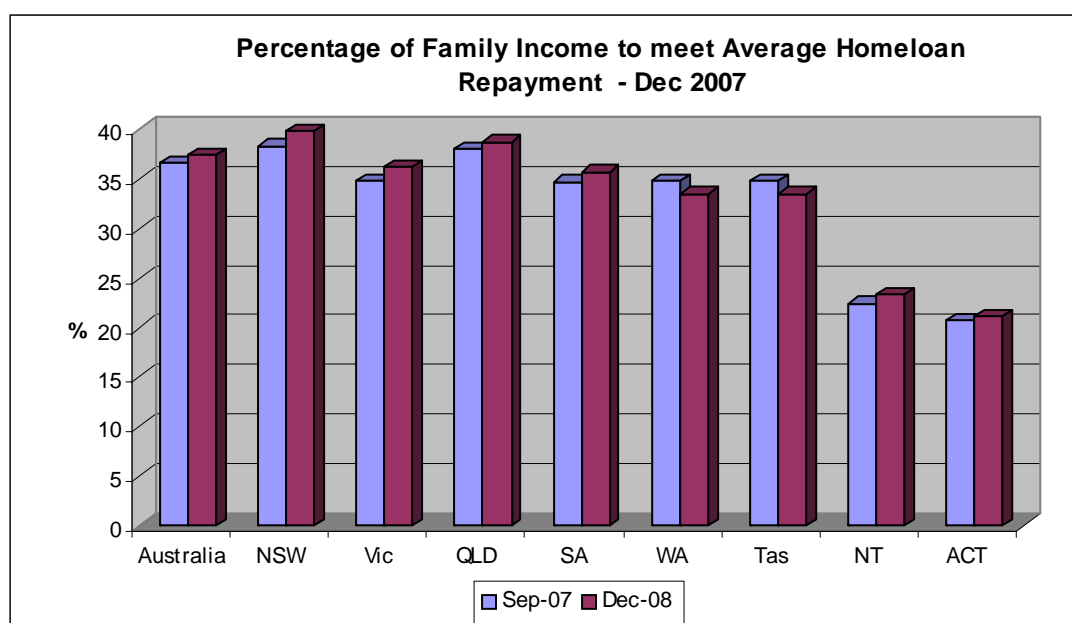
HOMELoAN AFFORDABILITY

In Australia, the proportion of family income that borrowers require to meet average home loan repayments is now at 37.4% for the December quarter 2007. This is the highest level of family income required to meet repayments in 22 years.

In the ACT, 21.1% of family income is required to meet average home loan repayments. It has already been said that the Act enjoys the highest median weekly family income in Australia of \$2,171, compared with the Australian median weekly family income of \$1,228. Home loan affordability fell by 2.1% over the quarter and by 6.7% over the year. The proportion of rent to income was 16.6%.

Graph 3 demonstrates the difference in Home loan affordability between the various States and Territories throughout Australia. Western Australia and Tasmania are the only two states to have an improvement in affordability.

Graph 3

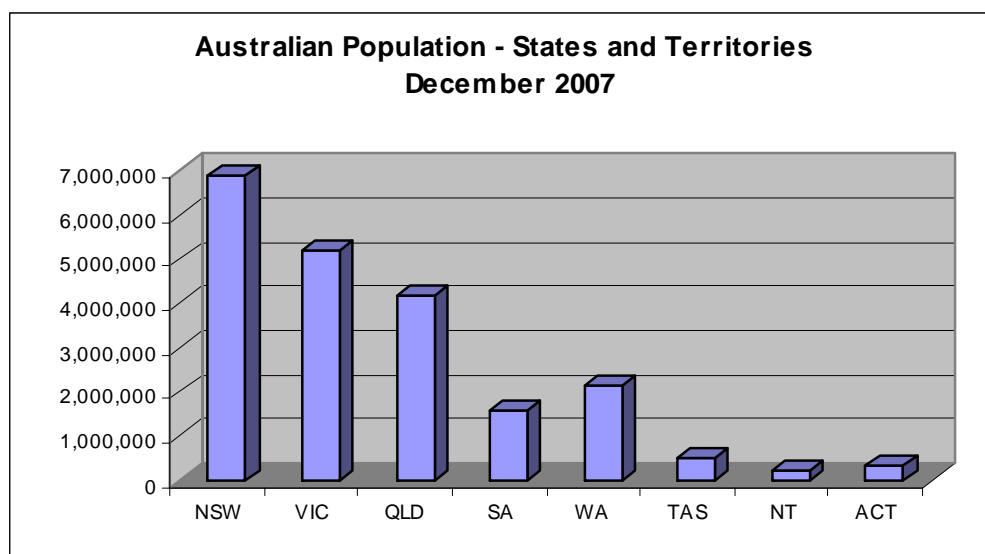


Source: REIA

POPULATION

The Australian Capital Territory has the 2nd smallest population in Australia, and is estimated to have 340,300 residents. Over the last year the population increased by 1.5% or 5,200 people. This was the 3rd largest percentage gain of all the major capital cities; this includes births less deaths plus net gain through interstate and overseas migration.

Graph 4



Source: ABS

Graph 4 above displays the population levels for each of the States and Territories. The Australian population grew to 21,097,100 people over the last 12 months. This represented a 1.5% increase or, an increase of 318,500 people.

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