

PROPERTY MARKET MONITOR

RESIDENTIAL OVERVIEW - DECEMBER QUARTER 2007

DARWIN



RESIDENTIAL HOUSING AND RENTAL MARKET

Given Darwin's small population and its isolation, Darwin continues to be a stand out performer in the residential market. This can be attributed to the mining, tourism and defence industries.

Figures released by the REIA show that the Median house price for Darwin had increased by 3.1% up to \$412,500 for the last three months of 2007 from the September quarter 2007. This was an increase of 11.5% from the December quarter 2006.

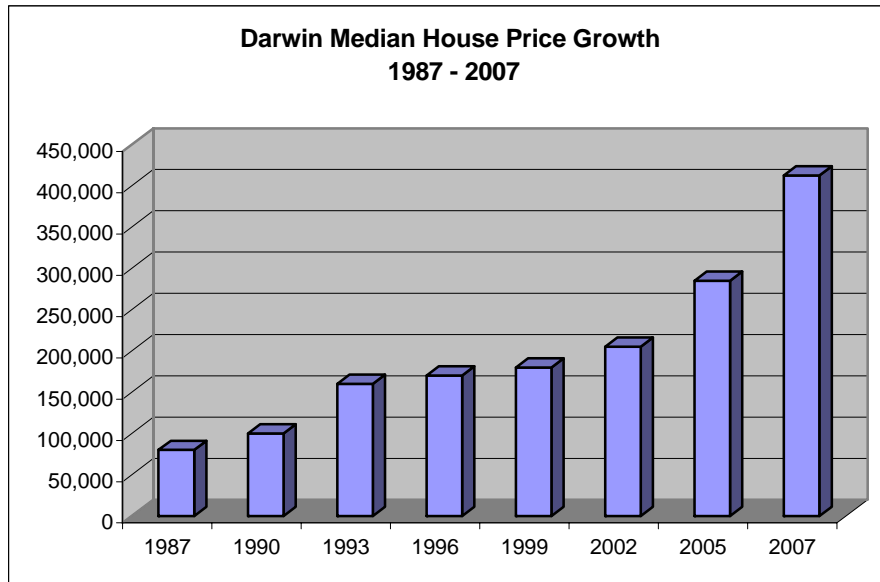
On the other hand, the median price for Units and Apartments fell by -3.5% from the September quarter 2007. Having said this the median price had still increased by 3% for the year.

The demand for inner city living has been continually increasing and as a result renting in Darwin is now more expensive than buying. Darwin is experiencing the highest rents in Australia at the present time. In the December quarter the proportion of family income needed to meet rent payments was 26.1%. This was compared with 23.3% needed for home loan repayments.

Graph 1 demonstrates the increase in median House price in Darwin from 1987 to 2007. The substantial growth in house prices over the last seven years can be explained by strong

economic conditions in the Northern Territory, led by the mining and investment resource boom.

Graph 1



The improved economic conditions have been the force behind the growth in employment and wages. Due to these strong economic conditions many people are being attracted to Darwin from not only interstate but also overseas. Not only are people moving to Darwin but also fewer people are leaving the state for interstate locations. This has meant that housing stock levels have fallen and this can explain the price growth that has been experienced.

Darwin has been known for its higher residential vacancy rates compared to the rest of Australia because of its passing population. Previously, small variations in net interstate migration have had a significant effect on vacancy levels.

It is expected that capital investment will continue at high levels with the allocation of major funding by the Government for housing, education, hospitals and defence. Figures from the Construction Forecasting Council show that spending on residential construction of new houses and units/Apartments in Darwin is expected to grow by 50% and 31% respectively, over the next 5 years

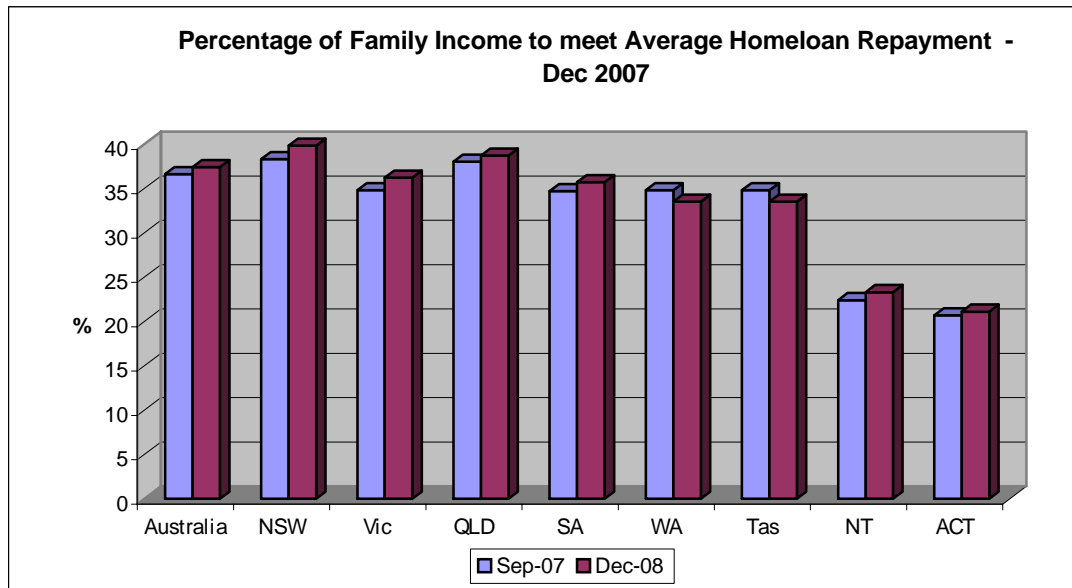
HOMELoAN AFFORDABILITY

In Australia, the amount of family income that borrowers need 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 Northern Territory, 23.3% of family income is now required to meet average loan repayments. Over the December quarter home loan affordability fell by 3.6% and from the same time in 2006 it fell by 7.9%.

Graph 2 displays the difference in Home loan affordability between the various States and Territories throughout Australia. It can be seen that Tasmania and Western Australia are the only two states to see an improvement in affordability. Northern Territory has the second lowest levels of family income needed to meet the average homeloan repayments behind the ACT.

Graph 2

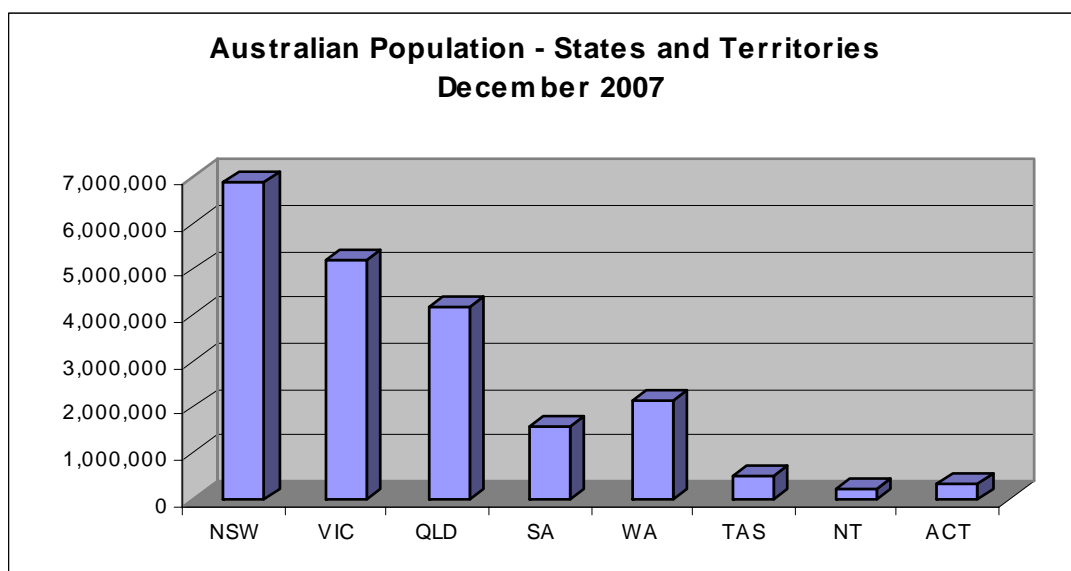


Source: REIA

POPULATION

Northern Territory has the smallest population of all the States and Territories estimated at 216,500 residents. Last year the population increased by a healthy 2.2% or 4,600 people. This was the second equal largest percentage gain throughout Australia, along with Queensland.

Graph 3



Source: ABS

A good number of property experts have reservations about the northern Territory residential property market. They believe that prices have already peaked and it's not far away before a downturn is experienced.

The latest housing and unit median prices seem to tell a different story. With strong employment opportunities in the mining and tourism industries set to continue, this should attract people to Darwin keeping the demand levels for residential housing high.

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