

PROPERTY MARKET MONITOR

RESIDENTIAL OVERVIEW - SEPTEMBER QUARTER 2007

CANBERRA



RESIDENTIAL HOUSING AND RENTAL MARKET

The Canberra residential property market has performed well over the past 12-months and all signs indicate that 2008 should be just as encouraging.

There are a number of positive factors that suggest residential demand will remain buoyant in Canberra. It has the lowest unemployment rate in the country and there has been an increase in public sector positions. It is the most affordable place to live in Australia because of higher average incomes and there is 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 \$425,000. This is a slight decline of 0.4% over the September quarter but still represents 8.1% growth over the year.

The Median value for Units and Apartments increased by 3.3% for the quarter to \$346,000. This is an increase of 11% for the 12-month period.

The residential vacancy rate for September was 2.2%. Rental income for 3-bedroom houses remain unchanged at \$350 per week, representing 9.4% growth over the year. The weekly rent for 2-bedroom units increased by 3% to \$340 in September, an increase of 13.3% for the year.

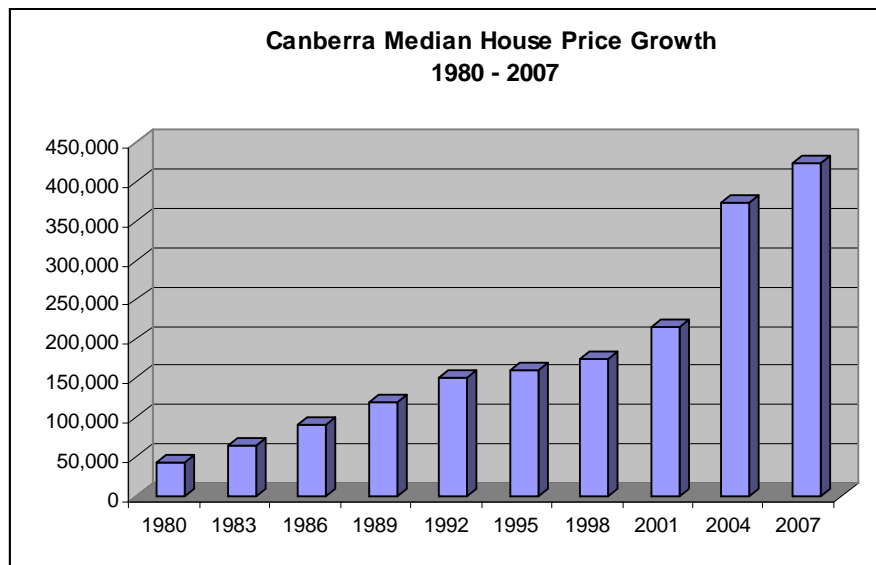
Over the previous year a total of 120 properties have sold with a price tag in excess of \$1 million, 95 of the dwellings were located in the Canberra Central region demonstrating the demand for high quality homes close to the city centre.

Table 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%, jumping from \$158,000 to \$372,500.

Poor affordability, brought about by the considerable price growth during this period, led to a decline in median values in 2005 with house prices falling by 5%. This also coincided with poor employment growth in Canberra during the same year.

The rebound in house prices was underpinned by the net increase of overseas and interstate migration during 2006 and 2007; solid housing growth of 21% was achieved during this period.

Table 1



Source: PMI

Table 2 displays a series of residential Investment performance indicators in Canberra supplied by the Real Estate Institute of Australia.

Table 2

RETURNS %	3 BEDROOM HOUSES	2 BEDROOM UNITS
Annual Yield - June 07	3.4%	4.1%
Quarterly Return - June 07	0.1%	5.9%
Annual Return - June 07	17.1%	17.9%
Ave Return - last 5 years	16.8%	16.2%
Ave Return - last 10 years	14.8%	15.2%

Table 3 illustrates the variation between Median House and Unit prices throughout the States and Territories of Australia. The Real Estate Institute suggests that Canberra has the 4th highest median capital city house price in Australia behind Sydney, Perth and Melbourne.

Table 3

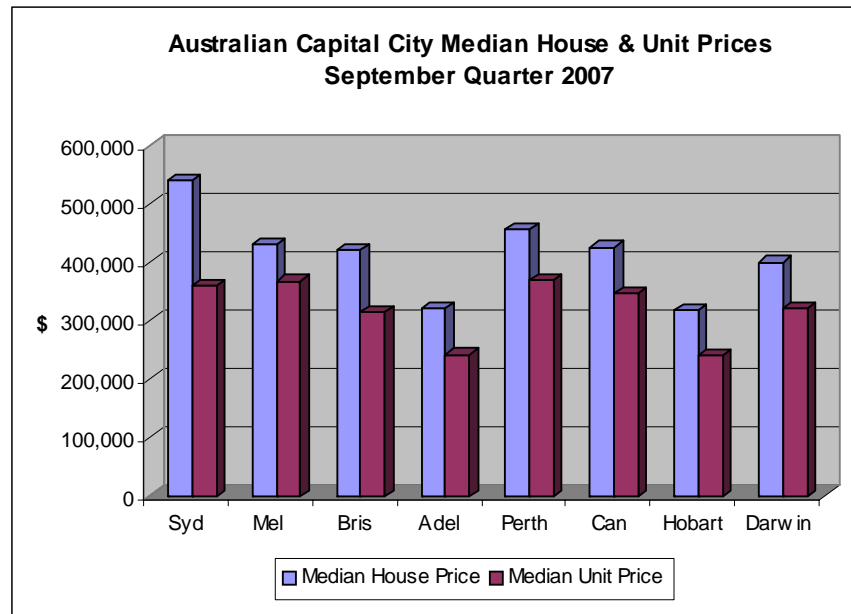


Table 4 provides examples of median values in various regions in Canberra. While the average Australian home loan size for owner occupied housing commitments rose to \$240,300 in September, Canberra claimed the 3rd largest average home loan of all the capital cities with an average mortgage value at \$239,600.

Elsewhere in the country, the average mortgage size was largest in NSW at \$262,800, followed by Queensland at \$240,900. Western Australia recorded an owner occupied housing commitment of \$238,500, Victoria's average mortgage was \$234,600, Northern territory \$212,200, South Australia's \$194,200 and Tasmania was \$175,000.

Table 4

REGION	MEDIAN HOUSE PRICE \$	MEDIAN UNIT PRICE \$
Canberra Central (Inner North & South)	\$532,000	\$330,000
Woden & Weston Creek	\$449,900	\$300,000
Belconnen & Gungahlin	\$379,000	\$298,000
Tuggeranong	\$395,000	\$310,000

HOMELoan AFFORDABILITY

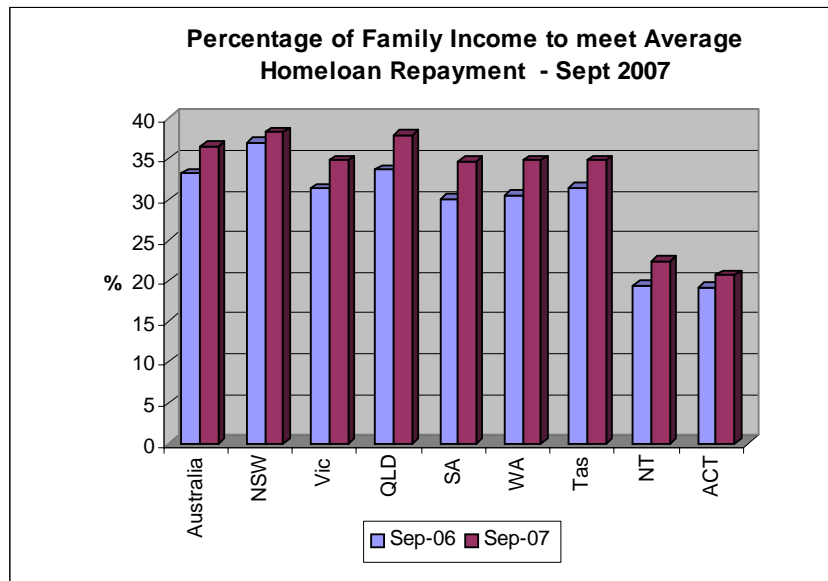
In Australia, borrowers need 36.6% of their family income to meet average loan repayments. Home loan affordability deteriorated by 2.2% over the Quarter and by 8.1% over the year.

It is more difficult to purchase a home today than it has been over the past 22 years. The progressive decline in affordability and concerns about rate rises are reflected in the lower number of loans taken out in the September quarter compared with the previous quarter. The number of loans decreased in all States and Territories except the Northern Territory.

In the ACT, 20.7% of family income is required to meet average home loan repayments. 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 1% over the quarter and by 8.3% over the year.

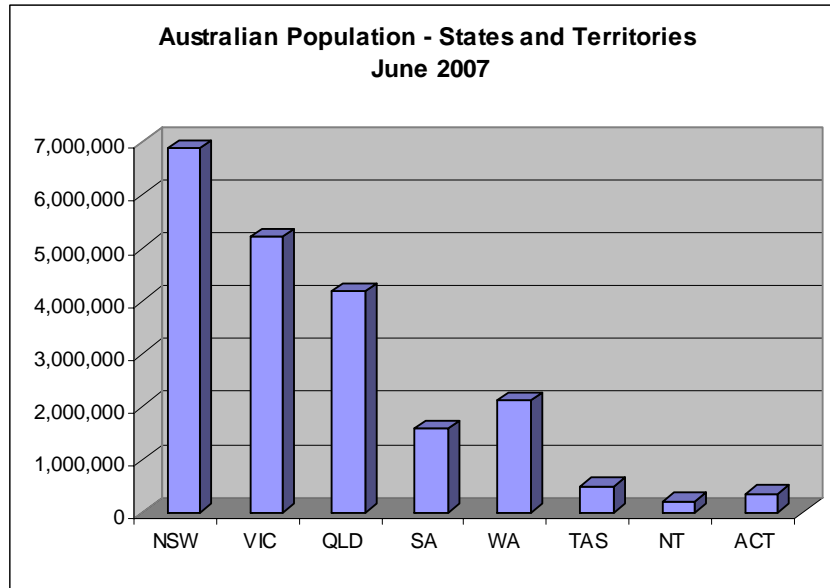
Table 5 demonstrates the difference in Home loan affordability between the various States and Territories throughout Australia. The ACT remains the most affordable place to live because of their much higher average family income.

Table 5



POPULATION

The Australian Capital Territory has the 7th largest population in Australia, estimated at 339,000 residents. Over the last year the population increased by 1.7% or 5,600 people. This was the 4th largest percentage gain of all the major capital cities; this includes births less deaths plus net gain through interstate and overseas migration.



The Australian population grew by 1.5% over the last 12-months, an increase of 315,700 people. Natural increase and net overseas migration contributed 44% and 56% respectively.

The rate of dwelling construction in the ACT is well below underlying demand. Predictions indicate stock deficiency will continue to increase, placing further pressure on a tight residential property market.

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