

PROPERTY MARKET MONITOR

RESIDENTIAL OVERVIEW - SEPTEMBER QUARTER 2007

MELBOURNE



RESIDENTIAL HOUSING AND RENTAL MARKET

Melbourne's residential property market has recorded outstanding growth in 2007, although there are divided opinions that the values are being inflated by the success of the top end prestige market. The top 25 house sales nation wide so far this year include 6 from Melbourne, ranging in price from \$10 to \$18 million, all located in Toorak and South Yarra.

Nevertheless, The Real Estate Institute of Victoria indicates that median values for houses increased by 5.1% to \$431,000 for the September quarter. This is an increase of 9.9% for the year. Units and apartments also recorded strong growth for the quarter at 5.1% taking the median value to \$367,800. This represents an increase of 13.9% for the 12-month period.

The average price paid per week for a 3-bedroom house in Melbourne was \$360 during the September quarter. There was 4% growth over the 3-month period and 10.6% growth over the year.

There were substantial increases recorded in rents for 2-bedroom units. The quarterly median price was \$270 per week, an increase of 3.8% for September and 12.5% growth over the previous 12-months.

Table 1 demonstrates the increase in median house price in Melbourne from 1975 to 2007. Melbourne sustained strong price growth throughout the latter half of the 1990's. Over the seven years to 2003, the median house price rose at an average rate of 13% per annum.

Table 1

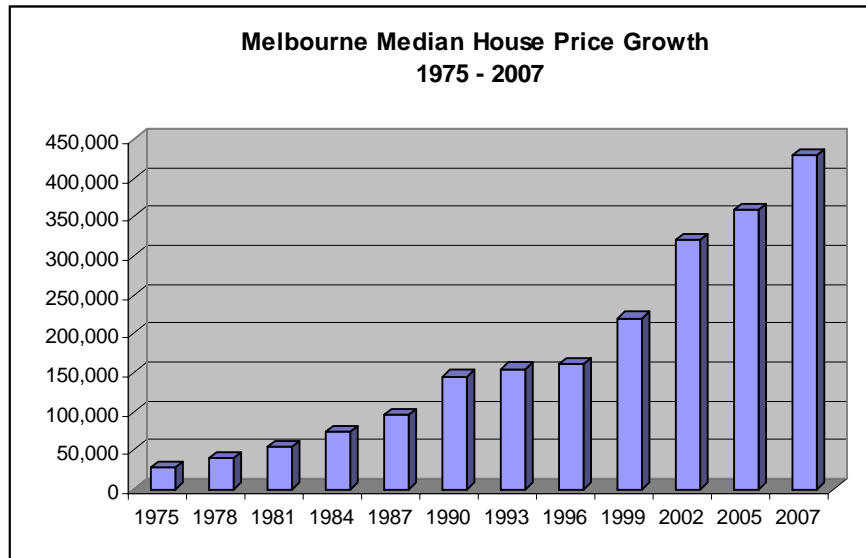
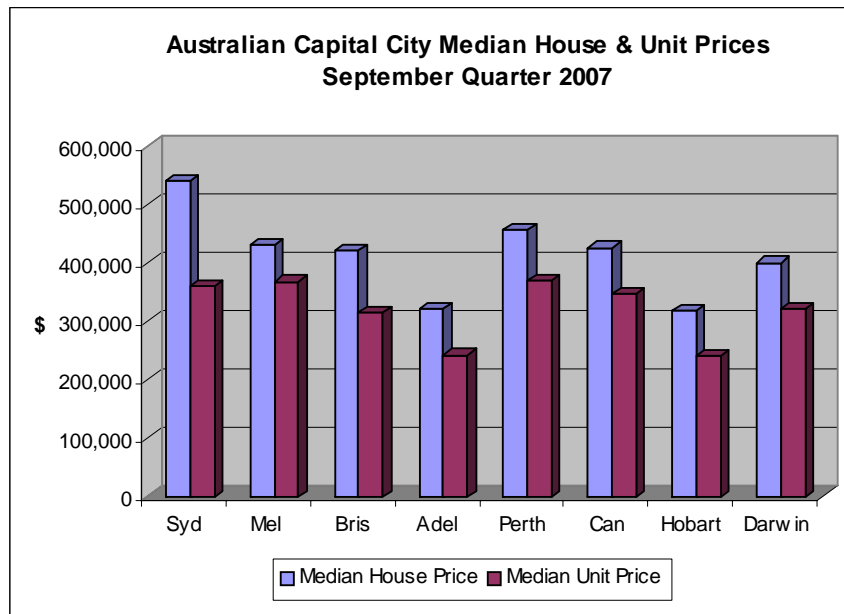


Table 2 illustrates the variation between Median House and Unit prices throughout the States and Territories of Australia. The Real Estate Institute suggests that Melbourne has the 3rd highest median Capital city house price in Australia behind Sydney and Perth.

Table 2



Source: REI

Table 3 and 4 indicate Melbourne's top 10 least and most affordable suburbs based on median values. While the average Australian home loan size for owner occupied housing commitments rose to \$240,300 in September, Melbourne can claim the 5th largest average home loan of all the capital cities with an average mortgage value of \$234,500.

Elsewhere in the country, the average mortgage size was largest in NSW at \$262,800, followed by Queensland at \$240,900 and ACT at \$239,600.

Western Australia recorded an owner occupied housing commitment of \$238,500, Northern Territory's \$212,200, South Australia's was \$194,200 and Tasmania's \$175,000.

Table 3 Melbourne's most expensive suburbs - September 2007

SUBURB	MEDIAN HOUSE SALE PRICE - \$Million
Toorak	\$2.9
Malvern	\$1.8
Brighton	\$1.6
Kew	\$1.4
Balwyn	\$1.3
Camberwell	\$1.2
Hampton	\$1.2
Hawthorn	\$1.1
Elwood	\$1.1
Glen Iris	\$1.1

Source: REIV

Table 4 Melbourne's most affordable suburbs - September 2007

SUBURB	MEDIAN HOUSE SALE PRICE - \$000
Melton	\$214
Broadmeadows	\$216
Werribee	\$218
Cranbourne	\$230
Deer Park	\$231
St. Alburns	\$238
Hampton Park	\$239
Hoppers Crossing	\$240
Meadow Heights	\$245
Sunbury	\$250

Source: REIV

Data released by the Real Estate Institute of Victoria (Table 5), indicate that auction clearance rates reached their highest levels ever in 2007. Current clearance rates are 82%, which is 15% higher than 2006, there were also 30% more auctions conducted this year compared to 2006.

Table 5

YEAR	AUCTIONS	CLEARANCE RATE
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2003	28,230	67%
2004	19,424	57%
2005	21,244	66%
2006	23,257	71%
2007	29,718	82%

Table 6 displays a series of residential Investment performance indicators in Melbourne supplied by the Real Estate Institute of Australia.

Table 6

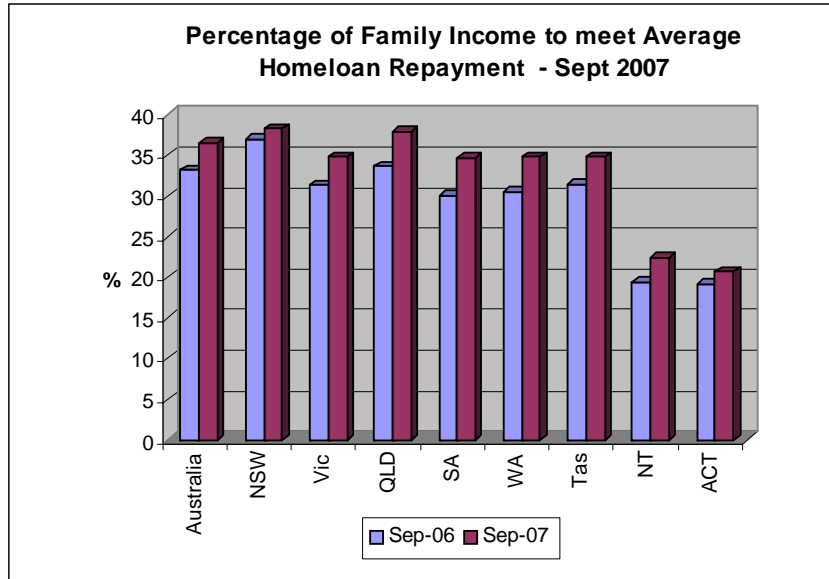
RETURNS %	3 BEDROOM HOUSES	2 BEDROOM UNITS
Annual Yield - June 07	2.5%	3.1%
Quarterly Return - June 07	3.3%	5.9%
Annual Return - June 07	17.1%	18.3%
Ave Return - last 5 years	7.3%	9.2%
Ave Return - last 10 years	12.7%	14.5%

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.

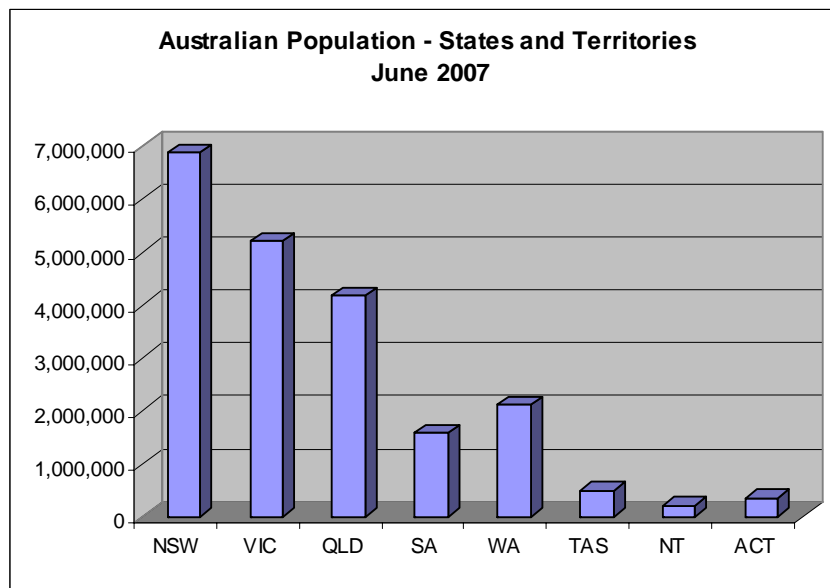
It is more difficult to purchase a home today than it has been over the past 22 years. The progressive decline in affordability and concerns about rate rises are reflected in the lower number of loans taken out in the September quarter compared with the previous quarter. The number of loans decreased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

Victorians required 34.8% of family income to meet average loan repayments in the September quarter. Home loan affordability fell by 1.4% over the quarter and by 6.8% over the year.



POPULATION

Victoria has the 2nd largest population in Australia, estimated at 5,205,200 residents. Over the last year the population increased by 1.5% or 76,900 people. This was the 5th largest percentage gain of all the major capital cities. This includes births less deaths plus net gain through interstate and overseas migration.



OUTLOOK

The residential vacancy rate for Melbourne reached a 25 year low of 1.2% in the September quarter. The residential vacancy rate for suburbs within a 10 km radius of the CBD was 0.7%, compared with 1.4% at the same time last year.

There appears to be a distinct three-tier property market in Melbourne. Well presented properties located within 8 to 10 kms from the CBD are achieving exceptional prices and selling in record times, more often above the asking price.

Middle suburbs located 10 to 25 kms outside of the CBD have recorded stronger growth in 2007, benefiting from the ripple affect of inner city Melbourne activity.

Properties situated 25 to 50 kms from the CBD in the high mortgage belt areas are progressing at a much slower pace. In some areas property prices have stagnated as a result of increasing interest rates and petrol prices. There are regions where there is an oversupply of vacant residential allotments and homes on the market in comparison to current demand.

Melbourne's property market looks set to remain buoyant in 2008. Strong population growth in Central Melbourne is driving residential demand. This is supported by statistics supplied by the Australian Bureau that confirms that three Melbourne municipalities are among the top six growth areas throughout the Nation.

Disclaimer - Past performance is not a reliable indicator of future performance. Any forecasts given in this document are predictive in character. Whilst every effort has been taken to ensure that the assumptions on which the forecasts are based are reasonable, the forecasts may be affected by incorrect assumptions or by known or unknown risks and uncertainties. This information has been produced in good faith and is to be used solely as a general guide. No liability for negligence or otherwise is assumed by Propell National Valuers for any loss or damage suffered by any party resulting from their use of this information.