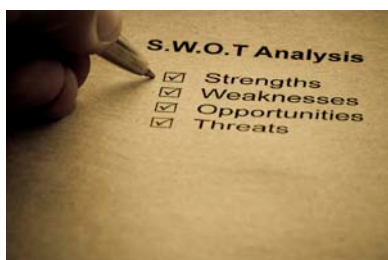


PROPERTY REPORT FEBRUARY 2009

With all the gloom and doom news on front pages in most countries it would be easy to think that NOW would not be a good time to buy into the property market. However one must look closely at the situation in the actual country and not fall into the trap of thinking property is “not safe”.



One important factor to understand is that there is no such thing as an Australian Property Market as what is happening in one state is not necessarily the case in another.



The research done by PR Australian Properties is ongoing to identify at what stage of the cycle each region is in at any given time.

Below is the report from the Australian Bureau of Statistics as at December 08

The next report will be April 09

<http://www.abs.gov.au/AUSSTATS/abs@.nsf/MF/6416.0>

	Sep Qtr 08 to Dec Qtr 08	Dec Qtr 07 to Dec Qtr 08
Established house prices	% change	% change
Weighted average of eight capital cities	-0.8	-3.3
Sydney	-0.3	-4.1
Melbourne	-1.7	-3.2
Brisbane	-1.2	-1.4
Adelaide	0.3	2.0
Perth	-0.9	-6.7
Hobart	-1.0	-3.1
Darwin	1.6	3.8
Canberra	0.7	-4.1

Unfortunately what these reports do not show are the Regional Areas of the country Such as Gold Coast, Ipswich, Paramatta etc which are very often outperforming the rest of the country with rental yields and capital growth BUT are not included in the capital cities analysis.

The Australian economy has not been as battered as UK or USA due to the fact that the current government inherited a \$22bill annual surplus from the Howard days. This enabled them to instigate the A\$52bill stimulus package to help with the correction.

The financial crunch has not been felt as badly due to the fact that Australia has one of the most regulated banking systems in the world and the default rate is less than 1%. Due to the global uncertainty things have slowed in Australia but it is not as dire and as negative as the UK or USA. They have 4 of the top 12 most secure banks in the world which brings stability to the market. Interest rates are now at a 45year low making it an excellent time for borrowing funds.

Like all products and commodities property prices are driven by DEMAND V SUPPLY. Therefore the PEOPLE factor is one which must be understood when investing in Property.

- Where is the population growth?
- What is the income of the population?
- What are the jobs in the area?
- What is in demand and what is the supply both now and for the future?

Australia as at Jan 09 has the highest population growth rate of any OECD country
source ABS WEB SITE

COMPARE	UK	0.3%
	USA	0.9%
	CANADA	0.9%
	NEW ZEALAND	1.0%
	AUSTRALIA	1.7%

One other very different factor when considering Australia is that the housing market is undersupplied, by more than 100,000 homes, unlike USA which is oversupplied at this time.

Property cycles can only be at one place at any time

THE UPTREND, THE PEAK, THE DOWNTURN, THE CORRECTION

It is essential to identify which part of the cycle each region is in when looking for investment. Below is a short breakdown of each region.

WESTERN AUSTRALIA

Perth certainly enjoyed some excellent capital growth from 2003 to 2007 but it has now reached peak and is in downturn phase. The World turmoil has affected the mining industry with Rio Tinto one of the largest employers in this industry laying off many people.

The Australian Government Migration department has given a brief to the mining industry that they are to employ from within Australia, rather than offshore unless they genuinely can not find qualified staff within Australia.

Residential values are trending south across metropolitan Perth, with unit values dropping 1.51% in the three months to September, while house values remained flat, according to Residex.

"House and land sales have decreased to the lowest level in more than a decade, and unfortunately for homeowners and investors in Western Australia's capital, it doesn't appear as though a quick turnaround is on the cards for the short term," says Paul Smith, marketing director at Braxton Chase.

The state government's 15% cut in stamp duty costs failed to provide stimulus to the market, he adds, even when combined with recent interest rate cuts. Lat 2007, Perth actually became the second most expensive city in Australia to buy into but that has now corrected again. This region is downturn.

AUSTRALIAN CAPITAL TERRITORY (ACT)

High wages, employment and population growth have served the ACT's property market well in recent times, but budget initiatives could lead a slowdown in capital growth.

After a couple of months of stagnation, the ACT property market has improved its monthly capital growth rate according to Residex figures, but there appear to be some storm clouds on the horizon as a result of measures announced as part of the Rudd government's first annual budget.

February and March saw minimal or negative monthly growth in ACT for both houses and units according to Residex data, with capital growth rates approaching -1% for both houses and units during March, so April's growth figures of 1.83% for houses and 1.7% for units indicate a significantly improved performance in the territory.

This is a "wait and see" phase for this market.

NEW SOUTH WALES

Rising rents in Sydney and an oversupply in the outer suburbs has left a tale of two markets - one with a booming population crammed into available units, and one with vacant homes and open but expensive land. A drop in interest rates has led to some market changes, though, and experts are saying now is the time to buy.

Sydney peaked after the Olympics. History shows that every Olympic Game city, suffers from an Oversupply afterwards. People get caught up in the furore and investors flock in more than usual. The oversupply has now corrected and this region is worth considering now to catch the rising prices which will occur.

With the highest population growth in Australia Sydney will be one that will continue to attract higher rental yields for investors, however property prices are significantly more.

Definitely one to enter into now in areas which have shortage of properties.

SOUTH AUSTRALIA

While the undersupply of new dwellings continues to "cause headaches for renters", it's great news for the landlords when rents are increasing.

"Vacancy rates remain very low at about 1% and this is giving investor's added confidence," Smith says. "This is not the case in all suburbs, with several inner city localities - Docklands, Southbank, and the CBD, for instance - heading towards a potential glut of new units."

Adelaide's residential market drifted lower over the September period with median house prices falling by 0.55% to \$373,000. Units also fell slightly by 0.64% to median value of \$291,500

The Adelaide market has been more affected by what is happening globally. The South Australian Government was very proactive in helping international migrants who were short of federal points by sponsoring them to this state. With the downturn to the mining and commodities industries this will be significantly reduced now. Whilst Dec 08 ABS report still showed a small increase in property prices the next quarter will show a definite downturn.

NORTHERN TERRITORY

Darwin has enjoyed a 14.8% increase over the last five years, whilst the previous 5 years there was minimal growth. The main industries being the Defense forces and a Base for recent oil and gas finds in the Timor Sea, demonstrates that there is not a lot of industries to create employment. With such a low base it will be very easy to move into an oversupply situation. Due to the isolation factor Building costs are much higher and whilst the rental returns are more than the mainland, the actual yield is no greater.

TASMANIA

The Hobart property market has also confounded many commentators with an unusually higher than normal rise in property prices during 2007. The Baby Boomers from Melbourne were really responsible for this increase as they were selling their Melbourne properties and having surplus funds on relocating to Hobart. However reports are now that after 3 years this same group is finding it is "too quiet" and are gradually drifting back to the mainland.

The Hobart apartment market has not performed as well and property values have fallen about 5% over the past year. There is very little development and infrastructure being spent in this state, which is one of the essential ingredients for property to continue to grow.

VICTORIA

Growth in Victorian property prices has slowed since the highs achieved in 2007, but rental yield continue to rise. Melbourne is the manufacturing capital of Australia. House prices improved 0.71% during 2008 (RP Data) however BIS Shrapnel expects the median house price to slip 3% during 2009 with price increased in 2010.

Despite the slowdown in property values, Melbourne's property market has been relatively robust amid the global financial crisis - thanks to its strong fundamentals.

"The reason Melbourne remains so resilient is the demand and supply issues," says Paul Smith, marketing director of property research firm Braxton Chase.

For some time there was a mass exodus of Victorians to other states, in particular Queensland, however the last financial year this changed and there was an increase in international migration into this state. Rental yields increased by \$40 per annum between September 2007 and 2008. There appears to be an over supply of units inner city but the outlying suburbs are not as affected by oversupply.

QUEENSLAND

Queensland set to lead the nation to recovery (*Sunday mail January 4th,09*)

About 1,000 new jobs will be created in Queensland every week this year as growth in the "lucky state" continues to power ahead despite the economic downturn. This is good news when unemployment is one of the main causes for lack of confidence in other regions.

The flood of interstate migrants will continue with the population forecast to increase by 96,000 in 2009. 50,000 jobs will be generated is back up by the latest Melbourne Institute of Applied Economics, which predicts employment Growth of more than 2% in Queensland when other regions are looking at an increase upwards of 5%.

Queensland has enjoyed the highest interstate population growth for over 30 years and this continues to be the case resulting in demand being greater than supply.

Whilst there has been a softening in the market since July 08 and in particular in the upper prestige price range properties, the increase to the first home owners grant by the Australian Government, has caused a shortage of house and land packages under the A\$400,000 price range. Regional areas such as Gold Coast, Ipswich and Toowoomba do not get featured in the capital city indexes, which is why they are so often overlooked.

If demand versus supply is a factor to consider then one must look at the fact that there are 1800 people a week moving to Queensland and with \$17 billion infrastructure being spent Yet a shortage of land in the areas that people are migrating to.

SUMMARY

We are talking to people every day who are sharing with us their concerns about the world affairs. Most of this is entirely unfounded when it comes to the Australian market. On 30th October, 2008, Ric Battellino, The Deputy Governor of the Reserve Bank, commented “the over hang of unsold houses in the US has created downward pressure on house prices as builders and developers have been forced to sell.” THIS is absent in Australia. Rather a shortage of housing here means that there are buyers waiting for better circumstances eg lower interest rates or rising incomes to facilitate the market. This latent underlying demand for housing is a factor which will support the market.

Well interest rates have now reduced to levels not known since the 60's bringing people back into the property market. The Australian Government gives significant incentives for people to invest in property as a means of creating income producing assets therein providing for a financially independent retirement.

On 11th March 2009, The National Housing Supply Council stated the housing crisis could increase tenfold by 2028. In 2008 the housing shortage was around 85,000 dwelling for the demand. In 3 years the number was expected to reach 203,000 and top 800,000 by 2028.

For further information I can be contacted as below.

In the event you would like to receive our quarterly newsletters and reports please email with your details to jenese@prip.com.au

Regards



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