
Why Invest in Australia?

Prepared by PRDnationwide Research

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Australia: An Introduction

Key Statistics (as at November 2004)

Population	20,227,158
Population growth	1.2% per annum
GDP Growth	3.2% per annum
Median Age	34.3
Median indiv. wkly income	\$510 / week
Interest Rate (cash)	5.25%

Source: ABS, Reserve Bank of Australia

Overview of Australia

Australia is the world's largest island with an area of 7,692,024 square kilometres, which is only slightly smaller than mainland USA or about 20 times the size of Japan. Australia has a very low population density, equivalent to only 2.6 people per square kilometre. The majority of the population, however, is concentrated in the urban centres of two widely separated coastal regions in the south-east and south-west of the continent. Figure 1 shows Australia's six states and two territories. The national capital is Canberra in the Australian Capital Territory (ACT).

Australia is the lowest, flattest and, apart from Antarctica, the driest continent. It features a wide range of climatic zones from the tropical regions of the north, through the arid interior, to more temperate regions in the south.

Australia is famous for the remote outback of its interior but with unspoilt beaches, tropical rainforest, rugged mountain ranges and vast deserts, Australia is in fact a country of contrasts. Australia has 14 World Heritage Listed Areas including the Great Barrier Reef and Uluru, more commonly known as Ayers Rock.

Economic Conditions

Australian economic growth moderated in the first half of 2004, however the Australian economy remains very healthy and economic conditions remain favorable. The OECD has forecast Australian annual GDP growth to remain above 3.5% during 2005 and 2006.

Figure 2 shows the average standard variable interest rate for Australia. Two consecutive interest rate rises (the first since June 2002) occurred during late 2003 bringing the average variable rate up to 7.05%.

Exchange rates have shown considerable growth since 2001. Figure 3 shows that the Australian dollar recovered from a low when the Australian dollar was worth less than US\$.50. As at November 2004 the value of Australia's dollar had risen to US\$.78.

Australia's labor force is currently 10.32 million. 72% of Australia's workers are in full time positions, with the remaining 28% in part time roles. Australia's current employment level is at a historic record of 94.7%, which is testament to the strength of the nation's economy.

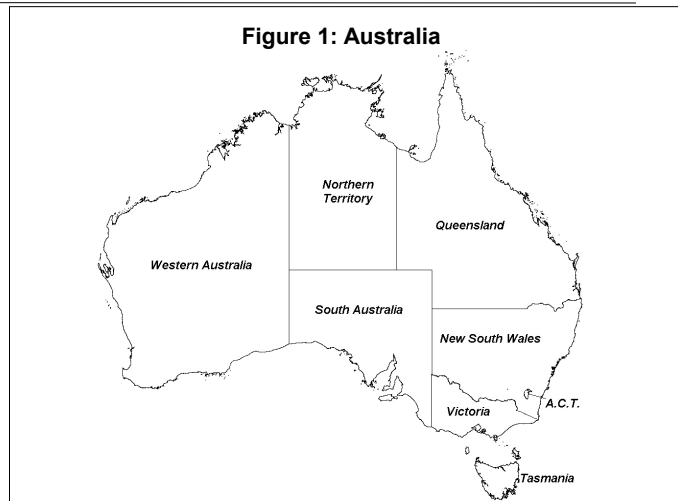


Figure 1: Australia

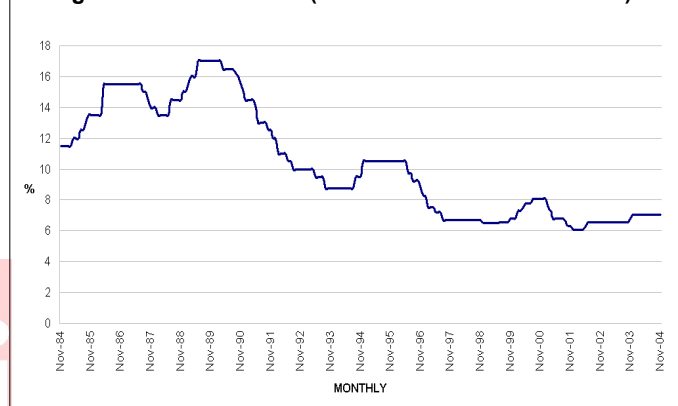


Figure 2: Interest Rates (standard variable home loan)

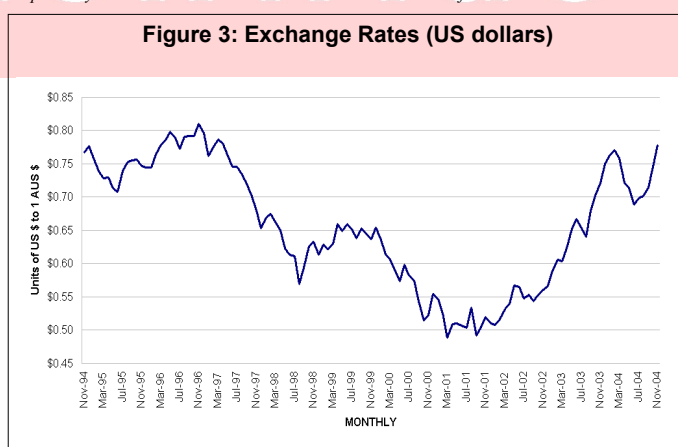


Figure 3: Exchange Rates (US dollars)

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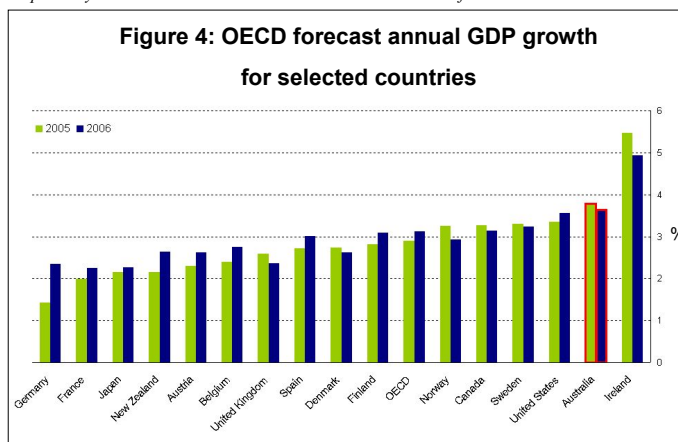


Figure 4: OECD forecast annual GDP growth for selected countries

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The Australian Population

In Australia the demand for dwellings continually outpaces supply as residents pursue the 'Australian dream' of owning their own home. Figure 5 shows the population is concentrated around Sydney, Melbourne and Brisbane, which have the highest property prices and have shown the strongest population growth.

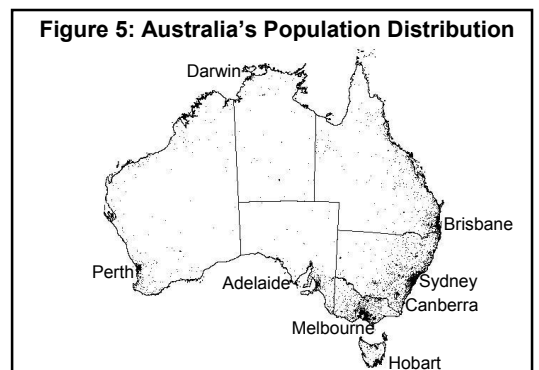
Figure 6 shows 69% of Australians currently own, or are in the process of purchasing, their own home. The rental market is also very strong, with 29% of dwellings being rented, which is related to the popularity of property investment in capital cities and regional centers. The majority of dwellings (76%) are houses and 13% are units.

Figure 7 shows that couples with children make up the largest proportion of households (54%). However, household sizes are declining. Currently, the average household size is 2.6 people. (Ten years ago the average was 2.9 people.) The number of people remaining unmarried or postponing marriage or children is increasing so there are large numbers of couples without children (21%). The divorce rate is also increasing which results in many single parent families (12%) and people living alone (9%).

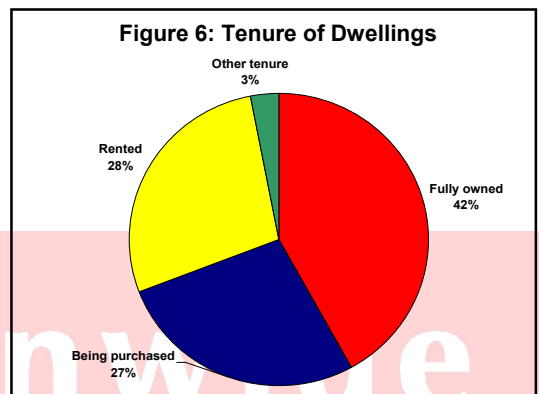
Thirty nine percent of the population earns over \$1,000/week. Figure 8 shows Australia's income distribution. The median weekly household income is \$825. Increasing incomes coupled with low interest rates are encouraging more people to enter the property market. On average, Australians devote \$900 per month to home loan repayments.

Australia's population is 20,227,158 with positive growth of 1.2% per annum. Overseas migration accounts for over half of this growth. With citizens from over 200 countries, Australia is a multicultural society. 23% of the resident population were born overseas. Figure 9 shows the top ten countries of origin. The largest proportion come from the United Kingdom (5.46%) and neighboring New Zealand (1.88%).

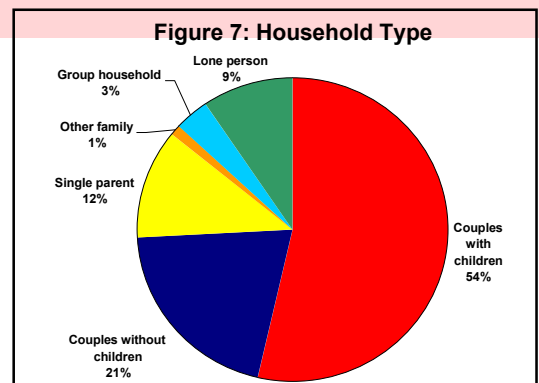
Like most Western countries, Australia has an aging population with 13% over the age of 65. This can be attributed to falling fertility rates and increased life expectancy. The median age is 34.3.



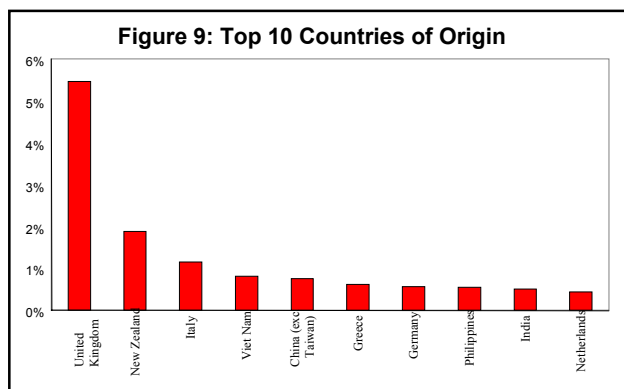
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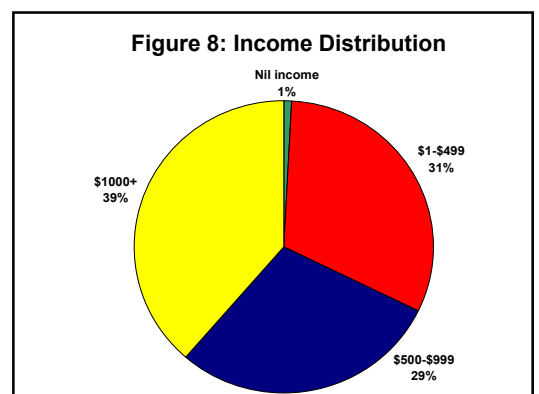
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The Australian Property Market

Capital City Property Markets

The contribution of the real estate sector to recent economic growth reflects the sustained rise in residential prices in most capital cities over the past five years. Sydney, Melbourne and Brisbane have been the strongest performers. Figure 10 shows a comparison of their median house prices.

Sydney

With a population of over four million, Sydney is Australia's largest city. It enjoys a temperate climate with over 340 sunny days each year. Sydney is also Australia's most expensive city with land prices consistently outpacing inflation. Figure 11 shows that house and unit prices have recorded continual growth in prices. The annual compounding growth rate over the five years ending September 2004 was 12.1% for houses and 9.1% for units. Sydney houses currently have a median price of \$505,000 and units have a median price of \$367,000.

Melbourne

Melbourne is Australia's second largest city with a population of over three million. It is a truly multicultural city with over one quarter of its population born overseas. Melbourne's property market has recorded solid price growth, with house and unit prices increasing by 10.2% per annum over the five years ending September 2004. The median price for a house in Melbourne is \$374,000 and the median price for a unit is \$291,000.

Brisbane

Brisbane is often referred to as Australia's 'most livable' city. It enjoys a tropical climate which dictates the lifestyle of its 900,000 residents. Demand for property in the city has been underpinned by strong population growth fuelled mainly by interstate migration. Figure 13 shows that Brisbane's median house price rose from \$142,000 in 1999 to \$302,000 in September 2004 which equates to an annual compounding growth rate of 16.3%. Brisbane's median unit price rose from \$135,000 in 1999 to \$229,000 in September 2004 – an annual compounding growth rate of 11.1%.

Conclusion – Why Invest in Australia?

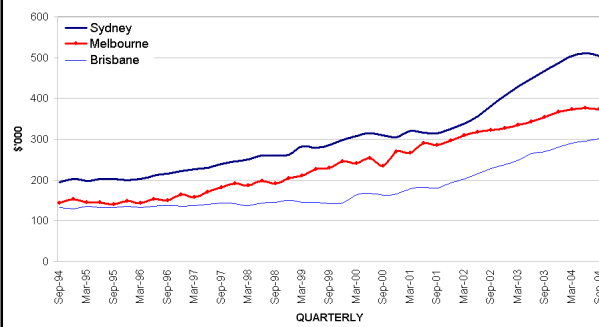
Australia's resilient economy has avoided the economic downturn experienced by many OECD countries during 2001 and 2002. It boasts consistently strong GDP growth, stable interest rates, rising exchange rates, record high levels of employment and a low rate of inflation.

The property market greatly contributed to this impressive economic performance. Positive population growth, declining household sizes and rising incomes ensures that demand for dwellings constantly outpaces supply and prices continue to rise. Capital cities along the east coast have been the strongest performers.

Australia offers many diverse living options and is truly multi-cultural society.

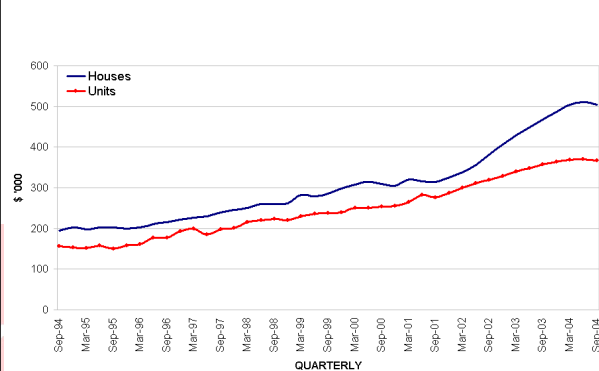
Based on historical trends in the property market and key economic indicators, the Australian property market is considered to be a sound investment opportunity.

Figure 10: Comparison of Median House Prices in Sydney, Melbourne and Brisbane



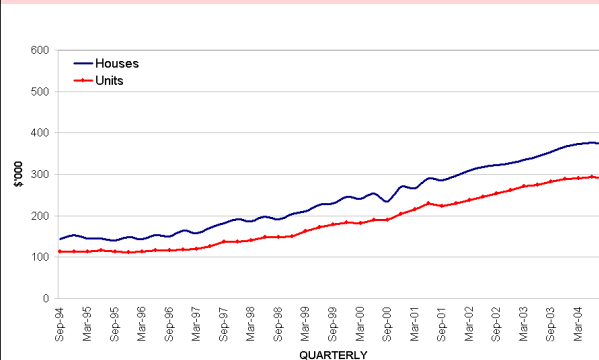
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Figure 11: Sydney's Median House and Unit Prices



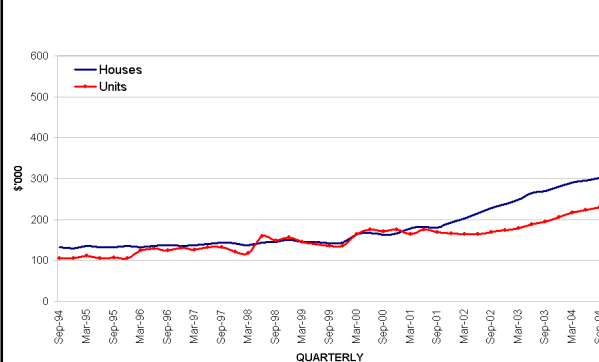
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Figure 12: Melbourne's Median House and Unit Prices



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Figure 13: Brisbane's Median House and Unit Prices



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