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**We're Not Saying It's The Best Place To Invest In Real Estate
BUT Why Is Melbourne Property Doing So Well?**

There are two themes that are resonating through property markets and will continue to do so. One is housing shortages. The second is interest rates. Without question, these are the two drivers that matter for investors going forward.

You could be forgiven for feeling that there is another boom around the corner. The turnaround in the housing market is truly remarkable. Sydney in the last 6 months has provided more growth than was achieved in the last 24 months. Melbourne continues to outpace all markets (except Darwin) on a 12 month basis. The latest data from the Real Estate Institute of Victoria (REIV) revealed Melbourne's median house price rising by a stunning 13% to \$441,875.

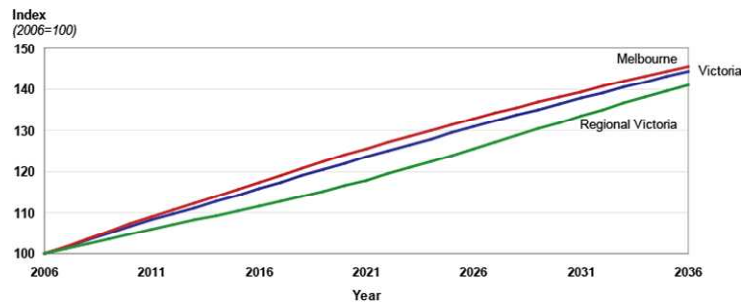
Population growth

Melbourne's population surge is set to continue well into the next decade according to Victoria In Future Report (see chart below). Further, The Age reported recently that Melbourne will add 70,000 residents each year for the next five years making it the highest urban growth area in Australia.

The data commissioned by the Residential Development Council firmly supports the view that Melbourne will have a significant under-supply of homes by 2013.

Figures produced by Matusik Insights indicate that Melbourne will need 29,000 a year for the next five years a figure which suggest that alternative housing solutions will be required such as houses on smaller lots, townhouses, villas and apartments.

Projected population growth: Victoria, Regional Victoria and Melbourne 2006-2036



Source:



Melbourne record auction clearances

Reflecting the strong rise in consumer confidence and the prevailing low interest rates, auction clearance rates in Melbourne continue to record high rates with the most recent rate being in excess of 85%. As shown in table below, clearance rates are occurring on significantly higher volumes indicating an established, rising trend.

The REIV Weekly Auction & Sales Results, Market Overview released on Sunday 30 November 2009 showed a total of 547 of the 642 auctions reported to the REIV sold resulting in a clearance rate of 85 per cent.

The report said that, unlike other weekends this year there were more auctions scheduled than the comparable weekends over the last three years. The fact that the clearance rate remained above 80 per cent for the 16th weekend in a row removes any remaining questions about the strength of the market this year.

It was reported that REIV chief executive Enzo Raimond had said that the Melbourne property market had moved from “healthy” to “strong” on the back of low interest rates and first home buyer incentives.

Capital expenditure booms in Melbourne

Victoria is at the centre of an investment surge. Business investment surged over 2009, nearly all of it accounted for by an astonishing 20 per cent rise in

Melbourne.

Private capital expenditure in Victoria is now at its highest on record, even after adjusting for inflation. The figures have supported the overall in the national accounts which were released early September which showed an above expected growth in the Australian economy with economists suggesting that investment was coming as the impact of the Government's infrastructure stimulus package is only beginning to be felt.

Business capital expenditure, September quarter (\$million)

Victoria ▲ \$802
Western Australia ▲ \$445
Tasmania ▲ \$57
South Australia ▼ \$16
NSW ▼ \$40
Northern Territory ▼ \$303
Queensland ▼ \$407