

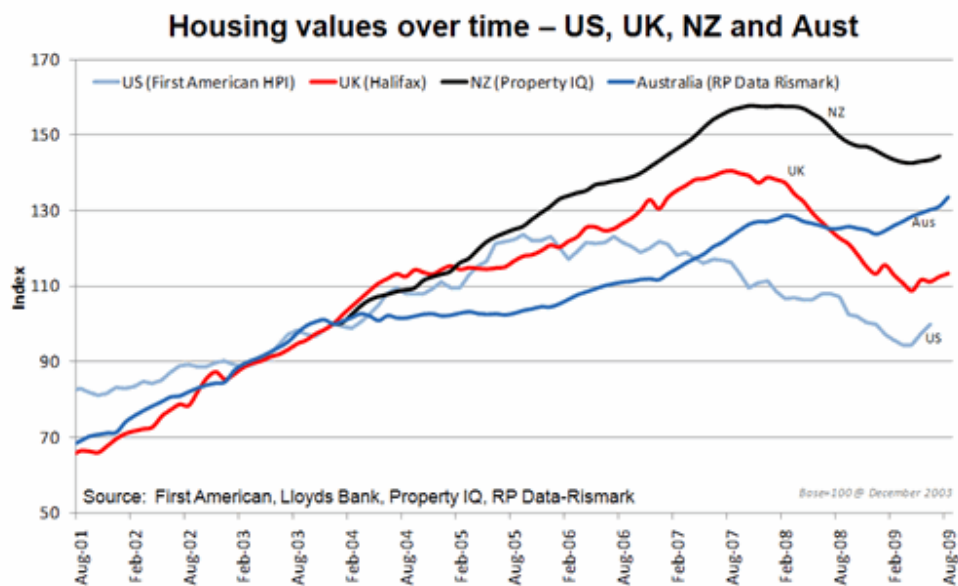
## Australia looking good in global housing stakes

*Australia's property market has defied the downturn and market conditions look healthy compared with international markets.*

The last time RP Data's Property Pulse commented on international markets was about this time last year in response to speculation that Australia's housing market would follow the same downwards trend as the US and UK. At that time we suggested comparing these markets was like comparing chalk and cheese. There were (and still are) fundamental differences such as the strength of Australia's financial sector, the imbalance between Australia's housing supply and demand, our economic outlook and our current monetary environment.

Needless to say, the Australian residential property market weathered the GFC storm quite well with national home values falling by just 3.8 percent from peak to trough. Since values bottomed in December last year national home values have increased a further 3.8 percent beyond the most recent peak.

Finally there is some good news for our most comparable markets. As confidence returns to international markets, housing prices in the US, UK and New Zealand appear to have turned the corner. From peak to trough US house prices fell by 23.6 percent (based on the First American House Price Index), UK prices were down 22.6 percent (based on the Halifax Index), and New Zealand values fell by 9.6 percent (based on the House Price Index from Property IQ). Since hitting the bottom US values are up 5.7%, UK values have improved 4.2% and New Zealand home values are up 1.3%.

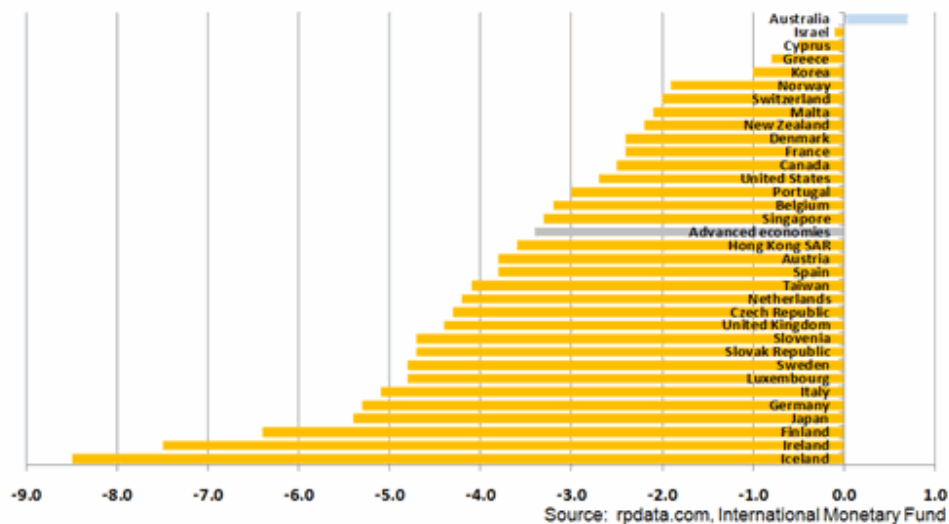


Over the last five years the New Zealand market has provided the best annualised return of the four countries compared. Despite the recent value falls recorded between January '08 and April '09 the New Zealand market has provided an annual capital gain 5.9 percent compared with Australia's annualised capital growth of 5.6 percent. The UK housing sector returned just 0.1 percent per annum and the US provided a negative rate of growth of -1.5 percent per annum.

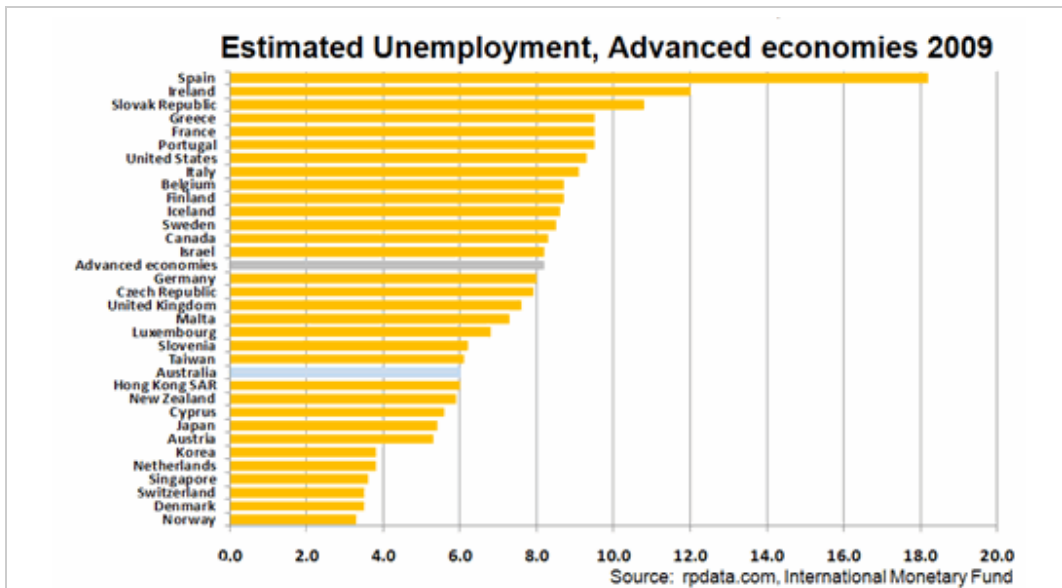
Comparing some of the key factors which are likely to impact on the residential property markets around the nation; it appears that Australia is well placed to record further growth in housing values.

Over 2009 Australia is likely to be the only advanced economy (as defined by the International Monetary Fund) to record a positive growth in the gross domestic product. The IMF estimated in their latest World Economic Outlook that Australian real GDP growth would be 0.7 percent at the end of 2009 before accelerating to 2.0 percent in 2010. This estimate is well above the average for advanced economies where real GDP growth is estimated to be -3.4 percent in 2009 and 1.3 percent in 2010.

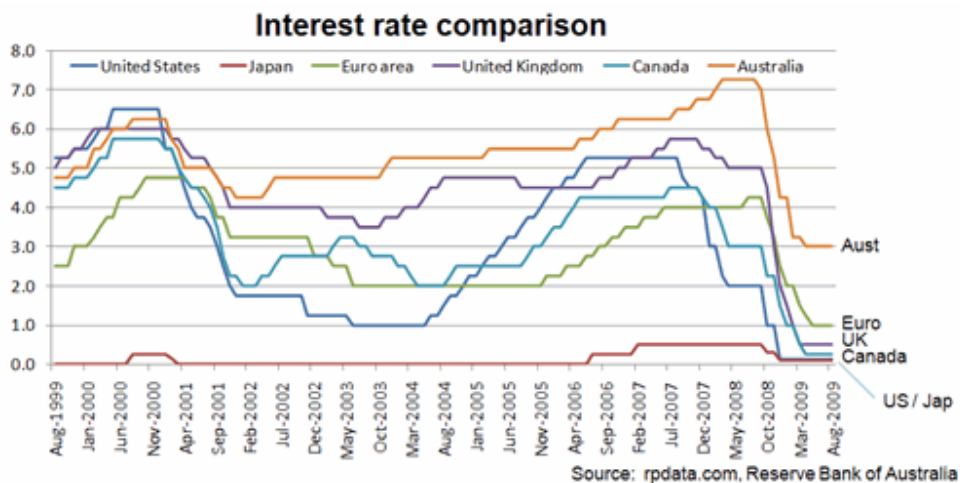
### The recession everyone else had: Estimated GDP growth Advanced economies 2009



Unemployment in Australia is also projected to remain well below the average rate of unemployment forecast for the world's advanced economies. The IMF estimates Australia's rate of unemployment will reach 6.0 percent in 2009 (Australia's unemployment rate is currently 5.8 percent after reaching a low of 3.9 percent in February 2008) and 7.0 percent in 2010 – substantially less than the 8.25 per cent estimated in the Government's May budget and also well below the forecast average rate for advanced economies which the IMF projects to be 9.3 percent by 2010.



Australia's financial markets are also in comparatively healthy shape. Australia's largest banks enjoy a AA rating from Standard and Poor's and mortgage defaults are less than 0.5 percent. Although interest rates are set to rise further, mortgage rates remain well below the historical average of 8.8 percent over the last 20 years. The fact that interest rates are about to rise can be construed as a strong testament to the health of the domestic economy.



There are a variety of other factors that will assist in propelling Australian property values upwards. The disconnect between demand and supply, which has been well documented, will be the primary driver of housing prices over the coming years. This is arguably the most significant difference between the Australian and US housing markets – whilst the US market is well and truly over supplied, the Australian market place is suffering from a lack of new homes being constructed.

The factors outlined above set Australia apart from other countries and provide an insight as to why the domestic real estate market has remained relatively buoyant when compared with other western nations.