

BRISBANE PROPERTY MARKET

Key points:

1. The only major city in Australia it's still possible to invest in prime near city (within 5 kms) inner areas at low (below \$7,000) a sq metre prices for new build, amongst the lowest of all developed nations in the world. (Source: Global Property Guide)

2. Areas such as the popular West End offer investors the highest rental yields out of 30 of the world's leading cities. (Source: Global Property Guide)

Full occupancy.

3. Apartments have achieved even higher capital growth than prime London over the past 15 years.

4. Recognized as one of the top ten Asian cities of the future by the London Financial Times fDi Magazine.

5. Brisbane is expected to maintain its position with one of the highest rates of population growth in the nation.

6. Strong economic growth anticipated, together along with Perth, huge benefits from the resources and mining boom

Brisbane is the centre of the fastest growing region in Australia and the powerhouse of South East Queensland. The city contributed nearly one sixth of Australia's growth in gross product from 2001 to 2006, raising its own gross regional product by almost a third over the period, according to the latest State Government gross regional product estimates.

Nearly two hundred mining companies are currently based in greater Brisbane, forming a cluster that represents almost two thirds of the sector in resource-rich Queensland and that underpins the demands of much of Australia and many parts of the world.

Brisbane is an attractive proposition to investors. It combines a diversified economy, an open and supportive business environment, strong research base and robust export capabilities. Added to the mix are strong international links, a multilingual and highly skilled workforce, and the support of a pro-business local government together with a stable political environment.

South East Queensland is one of the fastest growing areas in Australia, and has been able to manage the short-term and long-term impact of the recent flood and to continue to prosper and enjoy sustained growth.

Brisbane remains a significant contributor to the Australian economy and will continue to be driven by its competitive business environment, strong growth, and the expected stimulus through post flood rebuilding, as well as the mining and resources boom.

The floods will provide a boost to economic growth through rebuilding and is expected to last until 2012-13 and total \$11.75 billion (AUD).

The Brisbane property investment market is greatly influenced by Queensland's growing population.

This is putting pressure on supply levels across the state, with more than 160,000 new residents predicted to move to the 'Sunshine State' from interstate in a five year period up to 2015.

The floods have made no difference to this projection, and Brisbane today looks little different from before the floods.

One trend that will happen is suburbs that were “flood free” both in 1974 and in 2011, will become even more desirable and values could soar.

Queensland's population has continued to increase and is currently growing at a rate higher than the National average.

Combine this factor with a large amount of infrastructure and urban renewal projects, and Brisbane will continue to grow significantly.

By 2021, the population of the Greater Brisbane area is projected to be in excess of 3 million residents. Compared to other capital cities, Brisbane is expected to maintain one of the highest rates of growth for the nation.

National Overview

Economic growth strengthened through 2010, after rebounding from the Global Financial Crisis downturn earlier than widely expected, and with damage in Australia nowhere near as bad as some predicted.

In fact, Australia has the best economic prospects in the developed world according to the International Monetary Fund World Economic Outlook. Maintaining stronger growth through the worst of the global financial crisis than any other advanced economy, business and consumer confidence quickly returned to pre-crisis levels. Australian labour markets remain buoyant and our banks are amongst the strongest in the world.

Growth has been buoyed by population growth, expansionary government policy, a recovery in demand for core commodities, low interest rates, strong fiscal stimulus and improved confidence have all helped the initial recovery. Housing investment has also rebounded strongly.

These factors helped stabilise key economic indicators, with measures of both consumer and producer sentiment lifting considerably.

Consumers have seen household wealth rebound.

China's economic growth remains strong, contributing to rising demand and prices for key commodities, particularly benefitting West Australia and Queensland, although the whole country will also benefit.

But the high Australian dollar (against the USD) may adversely impact on the domestic tradeables industries, particularly on manufacturing, tourism and other tradable services.

Although in saying that, the dollar against many currencies, including the SGD, it is not particularly high.

And as the AUD pays the world's highest deposit rates, many people took advantage of this opportunity and purchased the AUD before the current rises, meaning they have their dollars at a reasonable rate.

In addition, property model growth patterns show that it makes little difference what the Aussie dollar rate is to your investment returns, providing you follow certain simple strategies.

Overall economic growth of 2.3% came through in 2009/10.

Unemployment peaked at a low 5.8% during 2009—well down to what was initially expected during the worst of the Global Financial Crisis—before improving even further to 5.1% by September 2010.

Economic growth is expected to lift to 3.8% in 2010/11, propelled by a pickup in the level of residential construction in terms of work done over the previous year.

Nevertheless, a large national housing shortage which developed over the past few years is likely to remain at a high level across most states, particularly Queensland and NSW.

The pace of economic growth should accelerate with investment in the resource sector expected to continue to increase as newly announced projects ramp up, meaning the future in Australia for business and investment looks bright.

Brisbane's investment property market:

Brisbane is a city transformed:

Generating phenomenal energy, the economic and population growth outstrips all other Australian capital cities. This is fuelled by high levels of business investment and the largest public infrastructure spending program in Australia's history.

A very competitive building sector and still reasonable home and land prices mean that Brisbane real estate is currently more affordable than Sydney and Melbourne, creating opportunities for investors.

Some areas near the river and city centre, such as the West End

However, the median house price in Brisbane is tipped to hit \$1 million within seven years, according to a report on The Sunday Mail dated 13 March 2011.

These projections are based on detailed suburb-by-suburb analysis of the changes in values over the past five years by the Real Estate Institute of Queensland.

Currently, just five of Brisbane's 138 suburbs have a median price of \$1 million-plus but by the end of this decade, more than three-quarters of suburbs will carry a seven-figure price tag.

Positive impact on building sector as a result of the floods:

The 2011 floods will likely create a negative impact on buyer sentiment during the first quarter of 2011.

However, it is believed that this will only be a short term effect, and will not have a major impact on Brisbane's real estate prices in the calendar year of 2011.

Whilst there may be varying opinions about the impact on GDP, Brisbane can expect to see stimulus in its economy and growth through the reconstruction of parts of the city damaged by the floods. Investment in infrastructure had contributed significant economic activity throughout 2010, and the infrastructure, construction and building sectors will attract additional investment in 2011.

Spikes in the construction sector are expected as infrastructure and property is repaired, including roads, rail, bridges, ferries, houses, businesses, energy and sewerage networks.

Industry forecasters, IBISWorld forecast that from April 2011, the floods will provide a boost to economic growth through rebuilding and is expected to last until 2012-13 and total \$11.75 billion (AUD)

Population Growth – A major property price booster

The rate of growth – more than a quarter of all of Australia's population growth over the next 25 years is expected to be in the region from Noosa to Coolangatta – will push Brisbane house prices up.

All those extra people will need somewhere to live – 575,000 new homes will need to be built in the next 20 years, according to the State Government's South-East Queensland's Regional Plan.

The State Government's Regional Plan legislates against sprawl *and 80 percent of the land in South-East Queensland will be protected from urban development.*

This means that the land prices can only go up, as land remains scarce while demand for new homes increase.

Look for a brand new home, on reasonable sized land, under \$500,000, near schools, shops, parks and ideally near a train line, and where the Government is earmarking infrastructure.

Economic Outlook

The Government estimates that 475,000 new jobs will be needed to support the extra population over the next two decades.

Credit ratings agency Standard and Poor's has singled out Queensland's 'excellent financial management' and 'very strong and diversified economy' in its latest assessment of the state's finances, reaffirming Queensland's AA+ credit rating.

1. Brisbane has been a significant contributor to the Australian economy, with South East Queensland being one of the fastest growing regions in the country. The impact of the flood on its growth is nothing more than a kink as the city promptly bounces back to action. Its long term growth has not been affected but the floods, in fact, the expected post flood stimulus will be a boost to the local economy with the rebuilding of new infrastructure and homes.
2. Riding on the energy boom, Brisbane will continue to enjoy massive injection of government funds to ramp up mining-related civil construction. According to a BIS Shrapnel analysis, annual mining-related civil construction, including mines, ports, railways and other mining infrastructure will nearly double between 2010 and 2014 to around \$57 billion, led by massive new LNG projects in Queensland and Western Australia, and major expansions to coal and iron ore capacity.
3. Brisbane has one of the highest population growths in Australia. This will not change in the foreseeable future.
4. Relatively affordable cost of land and a very competitive building sector translate into more affordable housing.
5. However, all these will change as the population continues to growth and the local economy gets stronger.

6. Undersupply. It has been estimated by the Housing Supply Council that Queensland is undersupplied by around 56,000 homes. See graph at the end of this report.

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For a number of years, the pressure for redevelopment of the South Brisbane Riverside and West End are has been growing. The area has significant investment potential due to being a highly desirable place for living, working and visiting due

to its close proximity to the Brisbane CBD and surrounding assets such as the Brisbane River, South Bank, the Cultural Precinct, parklands and Boundary Street.

Positive impact on building sector as a result of the floods:

The 2011 floods will likely create a negative impact on buyer sentiment during the first half of 2011, creating buying opportunities for investors to buy at prices under \$7,000 a sq metre.

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CONCLUSION

The median price Brisbane house, which reflects all areas, all the houses, including very old ones, is around \$440,000. Of course, the range can be up to the millions of dollars, from a low \$200,000 or thereabouts. One virtually guaranteed way of investing is to find an area that has houses for sale around the median house price (give or take 20%) but is a better than average area or offers better than average prospects.

Brisbane property, through all the economic cycles, recessions and downturns, high interest rates and high unemployment periods returned excellent growth to investors, with capital growth in average houses recording to 230% capital growth over the past 15 years. (Source: Residex Brisbane House Price Data)

Queensland is on the brink of an economic revival, driven by the flood reconstruction program, infrastructure spending by the government, and by the expansion of the resources sector.

Mining companies and companies in charge of the infrastructure are currently employing people in the thousands, and in the 12 months to December 2010 Queensland attracted the highest percentage of new migrants relative to its population.

There is no reason to think the past 15 years growth will not be repeated with a carefully selected property in the right location.

That's means scouring the market for new apartments at prices around \$7,000 a sq metre internal, and look for areas within 5 kms of the city centre.

Also make sure your apartment, even if a one bedroom has a car park and importantly a good balcony size, which is favoured because of the balmy Queensland climate. Tenants definitely pick units with good balconies.

As most of Brisbane is flat, with no real water view as such, views are not as important for investors as they are in other cities.

Certain areas in Brisbane are very attractive currently for investment opportunities, offering potential for strong capital growth as well as high rental yields.

In fact, data from Global Property Research shows that currently parts of Brisbane such as West End can offer some of the highest rental yields available anywhere in the world.

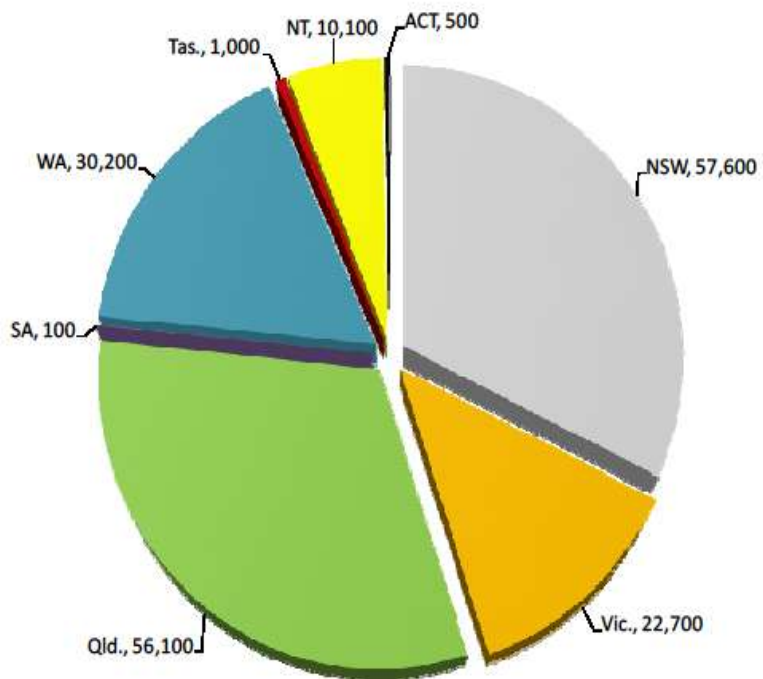
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Shortage of Housing Supply

Based on cumulating undersupply, the Housing Supply Council estimates the Australian residential market currently has 178,400 too few dwellings.

The Council estimates Victoria to be undersupplied by 22,700 homes.



Source: RP Data, National Housing Supply Council 'State of Supply' Report 2010

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