
Why Invest in Australia?

Prepared by PRDnationwide Research

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Australia: An Introduction

Overview of Australia

Australia, located south east of Asia in the Southern Hemisphere, is the only nation in the world to govern an entire continent and its outlying islands. At 7,692,030 square kilometres, it is the world's largest island and is the sixth largest nation. It has, however, a relatively small population, which combined with its size, equates to a very small population density of only 2.6 people per square kilometre. The majority of the population is concentrated in state capital cities on the southeast and southwest coasts, while the entire east coast of the continent remains the most popular location for residents and tourists with the sub-tropical climate and coastal waters of this region being the major attraction. The Australian federation consists of six states and two territories as shown in Figure 1. The national capital is Canberra in the Australian Capital Territory (ACT).

The continent of Australia is the smallest, flattest and driest inhabited continent on Earth and is a country of contrasts. It endures a very diverse climate ranging from the tropical regions of the north and sub-tropical coastal regions, through the remote arid interior, to the more temperate regions of the south. It features tropical rainforests, rugged mountain ranges, vast deserts and snowy mountains, but is probably most famous for its unspoilt beaches and the Great Barrier Reef - one of its 14 World Heritage Listed Areas.

Economic Conditions

Australia has had one of the healthiest economies in the world in recent years. It boasts a high growth, low inflation, low interest rate economy, with an efficient government sector, a flexible labour market and a competitive business sector.

Australian GDP growth curbed slightly in 2005, recording 2.6% growth for the year, notably lower than the OECD prediction of 3.5%. However, this has been attributed to the extreme oil prices that were present throughout 2005, which significantly reduced disposable income, weakening public demand. The OECD has forecast Australian annual GDP growth will strengthen in 2006 and 2007 as oil prices moderate and the public adjust to the heightened price of petrol. They predict growth of 3.2% in 2006 and 3.6% in 2007.

Figure 3 shows the average standard variable interest rate in Australia. It has been 11 months since the last rate rise in March 2005 which saw the average variable rate rise to 7.3%.

Exchange rates have grown significantly since they fell below US\$0.50 in March 2001. As figure 4 illustrates they are currently fluctuating around US\$.75.

The labour force in Australia has gone from strength to strength with over 10.03 million people employed. After a year of uninterrupted gains the unemployment rate reached a 29-year low in June 2005 of 5.0%. The rate has since levelled out and as at January 2006 is 5.3%.

Key Statistics (as at December 2005)

GDP Growth	2.6% per annum
Inflation	2.8% per annum
Interest Rate (cash)	5.5%

Source: ABS, Reserve Bank of Australia

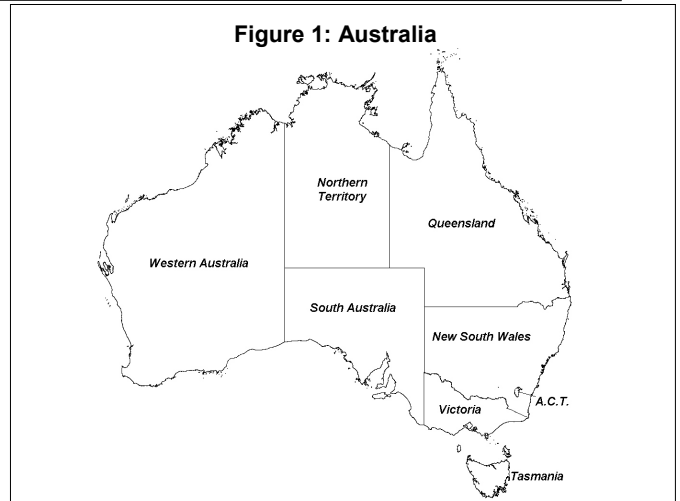
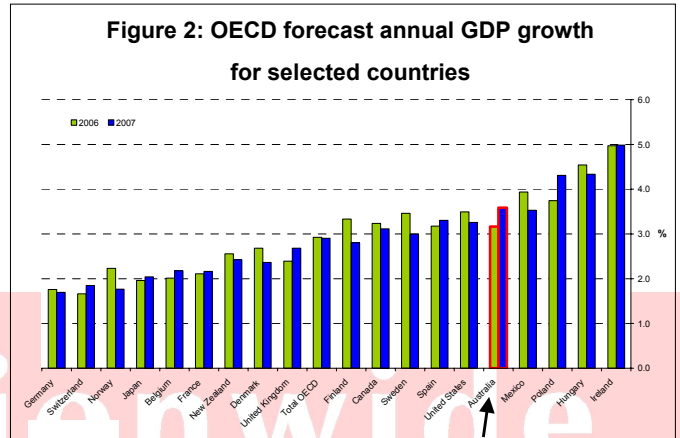
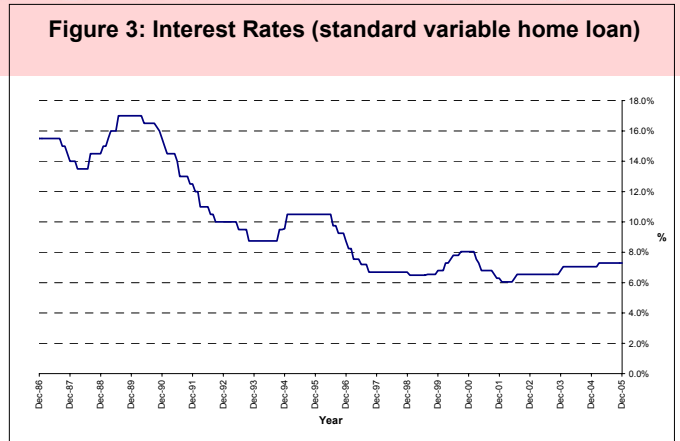


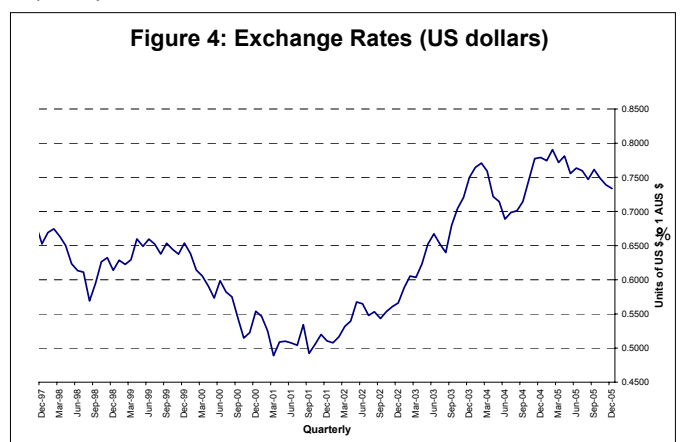
Figure 1: Australia



Prepared by PRDnationwide Research. Source: OECD



Prepared by PRDnationwide Research. Source: Reserve Bank of Australia



Prepared by PRDnationwide Research. Source: Reserve Bank of Australia

The Australian Population

Key Demographics (as at December 2005)

Population	20,497,000
Population growth	1.2% per annum
Median Age	36.6
Median indiv. wkly income	\$549 / week

Source: ABS

Largely due to the sub-tropical climate and coastal lifestyle of the area, many Australians see the east coast of Australia as the ideal place to reside and own their own home. Figure 5 displays Australia's population distribution and, as mentioned, the populace is concentrated on the east coast of the country in particular around Sydney, Melbourne and Brisbane. It is for this reason these cities and regions have the highest property prices and have shown the strongest price and population growth.

Figure 6, using data from the census 2001, groups the categories of dwelling tenure into proportions of the population. It shows that 42% of Australians currently own their own home, with 27% in the process of purchasing one. It also indicates a strong rental market with 28% of dwellings being rented. Of the total number of dwellings 76% are houses and 13% are units.

There are a number of different living arrangements with respect to households in Australia. Figure 7 outlines these in proportions of the population using census data from 2001. It shows that couples with children make up the majority of the market with 54% of households falling under this category. Currently, the average household size is declining and now stands at 2.6, down from 2.9 ten years ago. The number of people remaining unmarried or postponing marriage or children is increasing, resulting in larger numbers of couples without children who now occupy 21% of households. Also, the divorce rate is increasing in Australia, resulting in an increasing number of single parent families (12%) and people living alone (9%).

Figure 8 illustrates the weekly income distribution in Australian households. It shows that 46% of the population earns over \$1,000 per week, which is an increase of over 5% on one year ago indicating healthy growth in employment and wages. The other price brackets (\$1-\$499 and \$500-\$999) shared the remainder with each category representing 27% of the population. Median weekly household income is \$915, up from \$825 five years ago.

Australia's population, like that of most developed countries, is ageing as a result of sustained low fertility and increasing life expectancy. This is resulting in proportionally fewer children in the population. The median age (the age at which half the population is older and half is younger) of the Australian population has increased by 5.8 years over the last two decades, from 30.8 years in 1985 to 36.6 years today.

Also, it is worth noting that of the 20,497,000 residents in Australia, approximately 23% were born overseas. Also, approximately half of the population growth experienced by Australia every year (1.2%) is due to overseas migration.

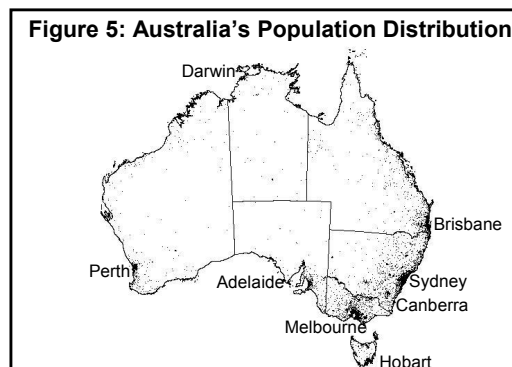


Figure 5: Australia's Population Distribution
Prepared by PRDnationwide Research. Source: ABS

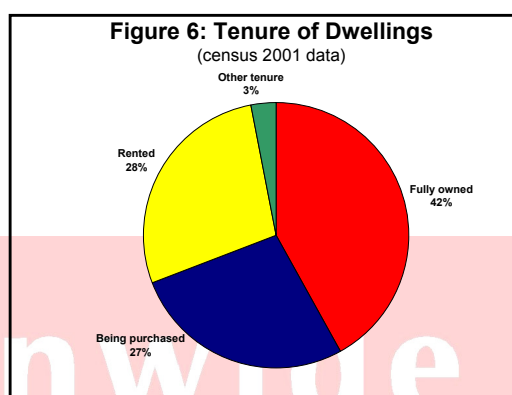


Figure 6: Tenure of Dwellings (census 2001 data)
Prepared by PRDnationwide Research. Source: ABS

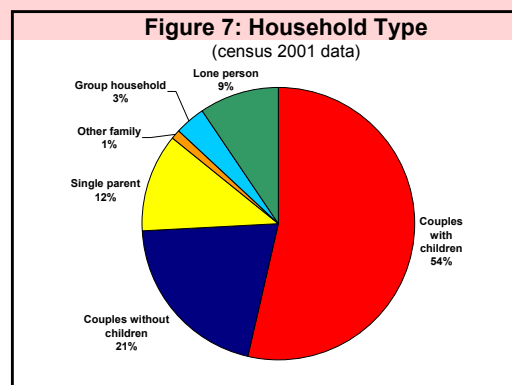


Figure 7: Household Type (census 2001 data)
Prepared by PRDnationwide Research. Source: ABS

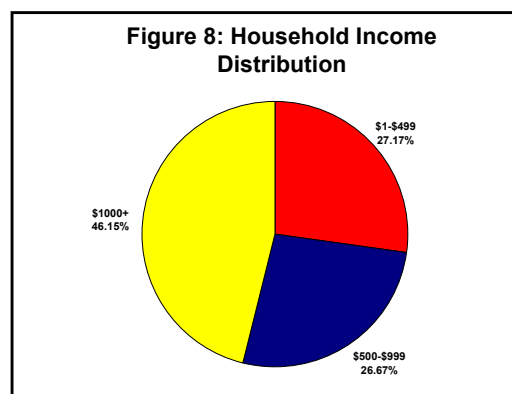


Figure 8: Household Income Distribution
Prepared by PRDnationwide Research. Source: ABS

The Australian Property Market

Property Markets by State/Capital City

Australia's economic strengths, cultural diversity and appealing environmental and geographical characteristics make it a very attractive property investment destination. So attractive in fact, that the east coast of Australia has recently undergone a substantial property boom. As can be seen in Figure 10, prices in Sydney, Melbourne and Brisbane all experienced significant growth, before stabilising in early 2004.

Sydney

With a population of over four million, Sydney is Australia's largest city. With a median house price of \$471,000 at September 2005, it is also Australia's least affordable city, with property prices entering a high growth phase shortly after the turn of the century. Prices have undergone annual compounding growth of 10.2% over the last five years. When the east coast stabilised in 2004 however, Sydney experienced a correction and has fallen 6.2% since March 2004.

Melbourne

Melbourne is Australia's second largest city with a population of over 3.5 million. It is Australia's multicultural capital with over one quarter of its population born overseas. Melbourne has also experienced substantial price growth with house prices rising 11.1% per annum over the last five years. Apart from a minor fluctuation in September 2004, house prices have been steady since the end of the boom and the median house price at September 2005 is \$315,000.

Brisbane

Brisbane is often referred to Australia's most liveable city. With its appealing sub-tropical climate and proximity to pristine beaches, property in the region has been in high demand, which has seen the median house price more than double from \$170,000 in 2000, to \$360,000 in September 2005. This equates to an annual compounding growth rate of 16% over the last five years, however prices have plateaued since the end of the boom remaining unchanged since June 2004.

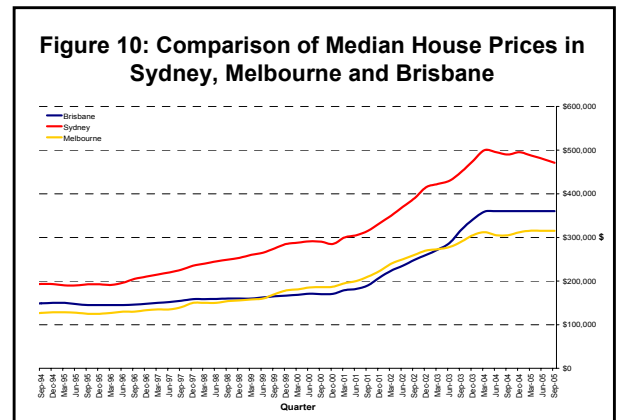
Elsewhere in Australia, the resource and commodity boom has fuelled property prices in Perth and Darwin in particular with prices currently experiencing substantial growth.

Perth

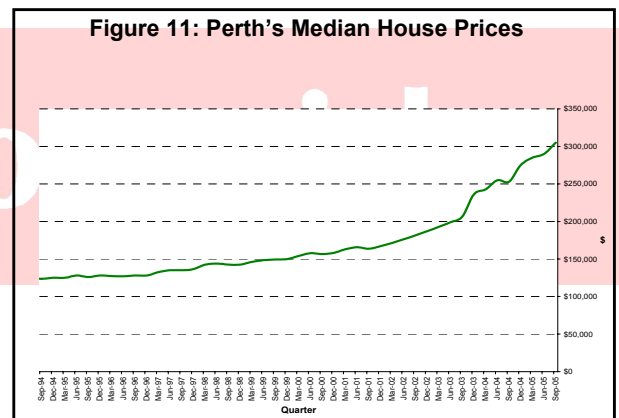
Perth, as the capital of Western Australia, is the gateway to the abundance of physical resources found in this state, which, due to the current boom in this industry, has seen its property market recently experience considerable growth. House prices have experienced annual compounding growth of 9.2% over the last decade, however the key statistic is that house prices increased 20.5% in the year to September 2005. The median price for a house in Perth is \$305,000 as at September 2005.

Darwin

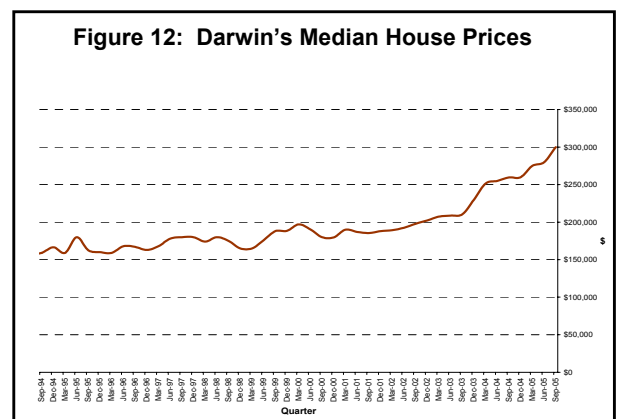
Darwin, like Perth, has recently undergone substantial growth largely due to the booming resource and commodity sector. The median price for a house in Darwin is currently \$300,000 as at September 2005, with an annual compounding growth rate of 6.3% evident over the last decade. However once again, the telling statistic is that of the growth rate over the last year, which in the case of Darwin is a notable 15.5%.



Prepared by PRDnationwide Research. Source: REIA



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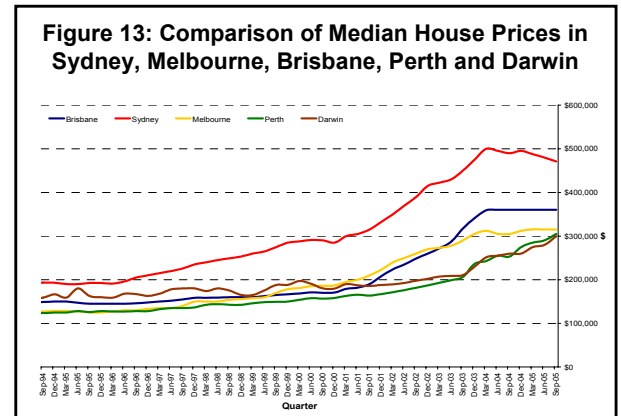
Why Invest in Australia?

Conclusion – Why invest in Australia?

Australia, with its low interest rates, low inflation and high growth, has a very efficient and resilient economy which has avoided the economic downturn suffered in recent years by many OECD countries. This impressive economic performance, combined with appealing environmental and geographical characteristics, cultural diversity, a desirable climate and an overall high standard of living make Australia a very attractive property investment destination.

After coming out of the growth phase, the east coast of Australia is now approaching the bottom of the market. Demand has finally slowed to meet supply creating an equilibrium which has given buyers a degree of negotiating power alleviating them from their previous obligation of being “price-takers”. Now is a good time for buying into this market and positioning for the future growth phase.

Based on current trends and key economic indicators, the Perth and Darwin property markets are considered to provide a healthy investment opportunity. As is illustrated in Figure 13, Perth and Darwin median house prices are approaching those of the east coast cities, and median prices are still trending upwards. As mentioned earlier these markets are being fuelled by a booming resource industry with substantial growth experienced over the last year in particular.



Prepared by PRDnationwide Research. Source: REIA

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