

QUICK STATS

	Change From	
	1/2 Yr.	Yr.
Median Price Houses	↑	↑
Median Price Units	↑	↑
Rents Houses	↑	↑
Rents Units	↑	↑
Vacancy Rates	→	→
Yields	→	↑

* The arrows are trend indicators over the specified time period and do not represent a positive or negative value. (eg., absorption could be negative, but still represent a positive trend over a specified period.)

HOT TOPICS

- Brisbane House Market Tightens Its Belt
- Gold Coast Market Favours Population Growth
- Sunshine Coast Market Remains Affordable
- Tweed's House Market Forecast to Benefit

MARKET OVERVIEW

South East Queensland (SEQ) experienced a stellar 2007: house and unit prices were boosted by the ever increasing population growth, low unemployment, a strong diversified economy and increasing infrastructure. These gains were not limited to SEQ. North QLD also experienced record price growth riding the resource and lifestyle surge.

QLD remains Australia's fastest growing state, with population increasing on average 2.4% pa between 2001 and 2006. An additional 90,000 plus people moved to the sunshine state last year. Those wanting to call QLD home have not been deterred by the 21.5% increase in house prices and 19.21% unit price rise in the year to March 2008. Such population increases add tremendous pressure to an already stressed local building industry. Building approvals have lessened in number in 2008 following interest rate increases, reduced availability of debt and growing construction costs. Nonetheless, housing supply cannot keep pace with demand; the shortfall in the residential market will expand to around eight months of production by the end of the year.

With unprecedented high demand and supply, local governments, especially in SEQ, are restricting the supply of urban fringe land (20km plus from the CBD). Their plan is for higher density "infill" development in existing areas, rather than allowing urban sprawl. Such an ambitious plan locates much of this infill development in areas close to the CBD (Bowen Hills, Woolloongabba and West End), where acquisition rivalry is already high and unit prices are well beyond those on an above-average wage. As detailed in a recent study, Brisbane's target of 160,100 dwellings to be completed by 2026 will mean that nearly 18.5km of infill sites will need to be developed.

The combination of the statistical local areas of Clayfield, Nundah, Albion, Kedron, Bowen Hills, Woolloowin and Grange is a rough estimate of the amount of land required to complete such a plan. Given the increasing construction costs, approval delays and ever growing demand, when such infill sites are released to the market, prices will not be affordable for many looking to buy.

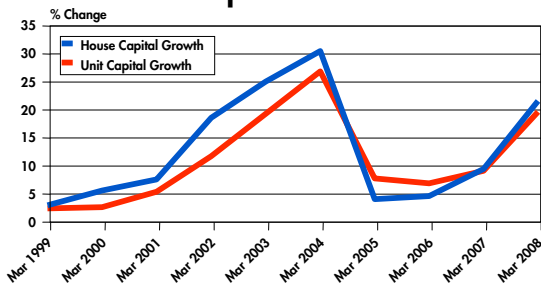
The year to March 2008 has seen properties on the market for longer than in the same timeframe in 2007. What was previously a sellers market rebelling the interest rate rises has changed in 2008 to a buyers market. The new year sees a more educated buyer, one having a better knowledge of the market, pre-approved finance and free of previous housing commitments. Agents have noticed a drop in buyer enquiry and many more houses are for sale than prior to Christmas 2007, predominantly the result of two interest rate rises by the Reserve Bank this year and independent increases by

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lenders. The interest rate rises by banks have been between 0.75% and 0.9% in just four months. This means anyone with a \$300,000 mortgage has to locate an extra \$190 to \$225 a month in 2008 to service their loans.

The winner in SEQ's current market has been the Ipswich and Western Corridor (postcode range 4300 to 4339). This region stood out as the best performer over the year to March 2008, with growth of 25.83%. These suburbs located 20 to 30 minutes from Brisbane's CBD experienced record growth – Goodna up 30.23%, Ipswich up 27.40%, Redbank Plains up 24.47% and Ripley up 31.12%. Such growth is a sign that affordability is lessening in Brisbane's suburbs, causing home buyers to purchase in suburbs further out where a home can still be bought for under \$350,000 and new infrastructure makes travel quicker.

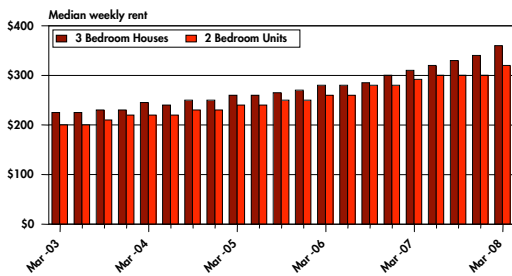
Brisbane House and Unit Capital Growth



Source: Residex/CBRE Research & Consulting (As at March 2008)



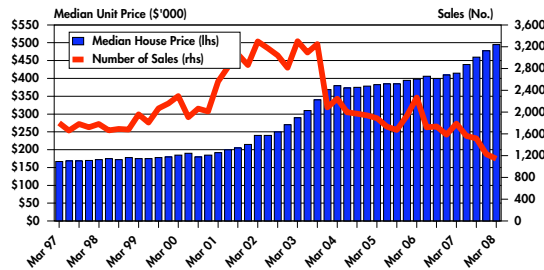
Brisbane Median House and Unit Rent



Source: Residex/CBRE Research & Consulting (As at March 2008)



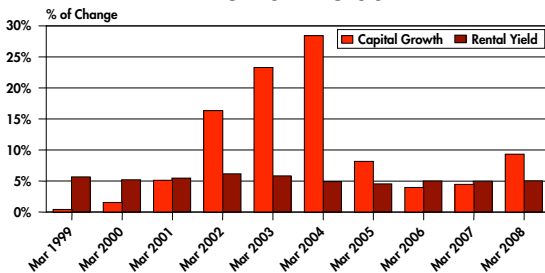
Gold Coast LGA Median House Price and Sales



Source: REIQ/Residex/CBRE Research & Consulting (As at March 2008)



Gold Coast Unit Capital Growth and Rental Yields



Source: Residex/CBRE Research & Consulting (As at March 2008)



BRISBANE

Brisbane's House Market Tightens Its Belt

Brisbane house prices recorded minimal growth for the March 2008 quarter. House prices increased by 3.18% compared to the 5.10% in the previous quarter (December 2007). Strong growth in 2007 produced an annual 21.15% jump in the Brisbane house market over the year to March 2008. Brisbane has a severe shortage of available property relative to demand (both new housing and rental accommodation), and sales volume remained steady over the March quarter. An approximated 11,040 house sales occurred in the March quarter, resulting in a median house price of \$449,000. Given the ever increasing demand and low vacancy rates (2.2% in March 2008), median house rents grew by 14.3% during the twelve months to March 2008 with the median weekly rent for a three bedroom house being \$360. Brisbane's rent is now the second highest of the state capital cities. Brisbane's rental market is witnessing queues at 'open for inspections' for well located properties resulting in the landlord receiving several rental applications often offering increased rent and longer tenancies with annual rent increases agreed.

Brisbane's Unit Market Although Small is Resilient

A 7.29% increase in Brisbane unit prices was observed in the March 2008 quarter, up 19.21% for the year. Brisbane's unit market has grown rapidly in recent years. Areas close to the city that meet lifestyle needs have seen their skylines change as developers introduce large unit projects. These include areas such as West End, Indooroopilly and South Brisbane. Brisbane annual unit sales dropped by 45% compared to the year prior, yet growth was amongst the highest of all capital city unit markets. This growth was no small feat given Brisbane units make up only 25% of the overall residential market. The drop in sales activity combined with nearly three quarters of all sales for the March quarter occurring in the lower price half of the market, could bring to mind the start of a price correction. However, the Brisbane unit median price at \$347,000 is still the lowest of all eastern capital cities. A 14.3% unit rent increase over the year to March 2008 saw rental yields drop to just under 5%. An increase of \$20 per week brought the March quarter rent to \$390 per week, cementing the severe shortage of rental properties in relation to the increasing population and housing demand.

GOLD COAST

Gold Coast's House Market Favours Population Growth

With a population of almost 600,000 the Gold Coast has the sixth largest population in Australia. For a region whose economy is based on tourism its residential market outlook is positive. However, 2008 has seen an increase in properties on the market, with average enquiry levels but stable sales volume. Houses located in the Southport region experienced a 4.22% capital increase in the March 2008 quarter, resulting in a median house price of \$507,000. Additionally, houses located in the Surfers Paradise region had a 3.88% price increase over the quarter to push the median house price just below \$600,000 (\$594,500). Whilst we have experienced a number of interest rate rises in the past twelve months, investors still appear to be active on the Gold Coast. The median rent for a three bedroom home ranges between \$400 to \$450 per week, increased slightly from the December 2007 quarter.

Gold Coast's Unit Market

The Gold Coast's unit market achieved growth of 8.7% over the year, with 4.1% of this occurring in the March 2008 quarter. Such growth resulted in a median unit price of \$363,500 for the quarter. Unit sales dropped dramatically during the March quarter with 230 fewer units being sold than last quarter. Evidence indicates the drop in sales is due to a lack of suitable properties on the market at the lower price end, while an oversupply exists at the higher end. Unit rents increased a further \$20 per week during the March quarter, with the median rent for a two bedroom unit being \$350 per week, \$30 a week more than Brisbane units. The Gold Coast remains a lifestyle choice for many new residents. This has resulted in an increase in the population which in turn has a positive long-term effect on the residential market.

SUNSHINE COAST

Sunshine Coast's House Market Ticks Along

As with the Gold Coast, QLD's Sunshine Coast is seeing an influx of properties being advertised for sale in local agent's windows. Despite more properties on the market and buyers having a wider variety of choice, sales dropped by almost 350 houses in the March 2008 quarter. This decline may have been due to house prices having increased 5.20% for the quarter resulting in a median house price of \$478,000. With mixed news, Sunshine Coast buyers appear to have lost the urgency to buy. The recent interest rate rises and tightening credit environment are producing a "wait and see" market on the Sunshine Coast. Affordable properties and those in prime locations (beach front, river front and Hinterland views) continue to remain sought after. Due to healthy population increases resulting in a shortage of supply, demand for rental properties remains strong with upward pressure on rents being felt. Over the March quarter, rent for a three bedroom house increased \$20 per week, producing a median weekly rent of \$370 – the most affordable rental region in SEQ.

Sunshine Coast's Unit Market Produces a Mixed Bag

Thus far, 2008 has showed a steady in the unit market on the Sunshine Coast. Investment units in secondary locations are still suffering with some developers introducing creative selling techniques in an attempt to move their product. There is always a market for affordable accommodation, but unfortunately a decrease in sales is not aiding future new unit stock development. The unit market over the year to March 2008 produced a mixture of results with some suburbs recording strong capital growth (Maroochydore up 9.65%) and others seeing little or negative growth (Pelican Waters down 1.21%). This assortment of results produced a March quarter median unit price in Caloundra of \$403,000 (up 5.23%), Mooloolaba (up 8.19%) to \$371,000, Noosa Heads (up 2.84%) to \$667,500 and Kawana (up 8.38%) to \$255,000. Unit rents also showed varying results with some suburbs decreasing \$5 to \$10 per week (Coolool Beach, Caloundra, Noosaville and Mooloolaba) compared to similar sized increases in Dicky Beach, Kawana and Maroochydore. Overall the median rent for units on the Sunshine Coast remained relatively stable during the March 2008 quarter at \$280 per week.

TWEED REGION, NSW

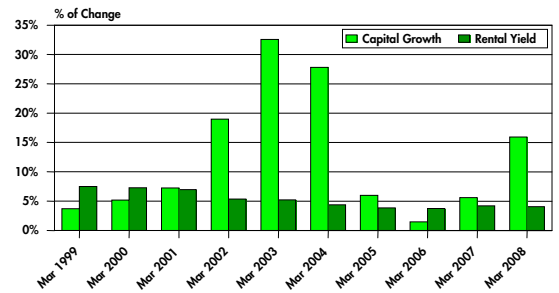
Tweed's House Market Forecast to Benefit

Median house prices in the Tweed area have recorded continued healthy increases of 17.6% for the year to March 2008. According to the NSW Department of Housing, the December 2007 quarter median house price (non-strata) was \$486,000. (Latest data available) The Tweed and lower Gold Coast areas are expected to benefit in 2008 with the much anticipated Tugun Bypass opening on 2 June – more than six months ahead of schedule. CB Richard Ellis predicts, once the bypass opens, residential prices on the Tweed Coast are likely to increase substantially. If history is an indicator, similar predictions for the Gold Coast were made back in 2000 with the opening of the M1 Pacific Motorway from Brisbane. The new four-lane bypass will allow Brisbane residents to access the Tweed Coast in just over an hour, travelling directly down the M1 without passing through a single traffic light. An estimated 46,000 vehicles will use the bypass each day opening the area up further for more residential development. House rents are also set to increase with investors realising the holiday market potential.

Tweed's Unit Market

With more traffic comes more people. The Tweed regions unit affordability is predicted to attract investors. Unit prices have already increased over the past year after savvy market hunters snapped up any bargains that remained. Unit prices have increased 7.4% and rents have also followed suit. The median unit price was \$350,000 for the December 2007 quarter. (Latest available data) The weekly median rent for a two bedroom unit was \$270 for the March 2008 quarter, an increase of \$10 per week. A note of caution – with increased demand and a new hot spot discovered, supply could outstrip demand, halting or even decreasing unit price growth looking forward. There is an estimated 1,900 new units planned in the Tweed LGA over the next five years, with the majority located along the coast in suburbs such as Tweed Heads, Kingscliff and Casuarina. Not all proposed unit developments will be constructed with some being deferred or abandoned for various reasons.

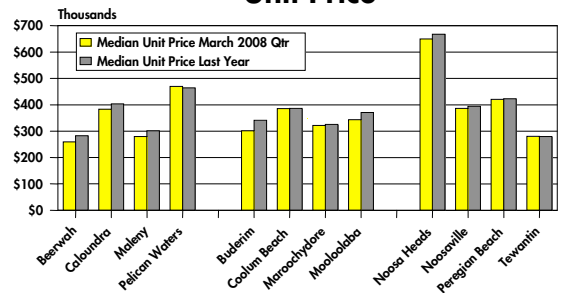
Sunshine Coast House Capital Growth and Rental Yields



Source: Residex/CBRE Research & Consulting (As at March 2008)



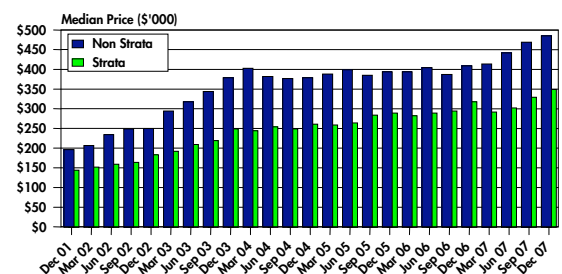
Sunshine Coast Suburb Median Unit Price



Source: Residex/CBRE Research & Consulting (As at March 2007 & March 2008)



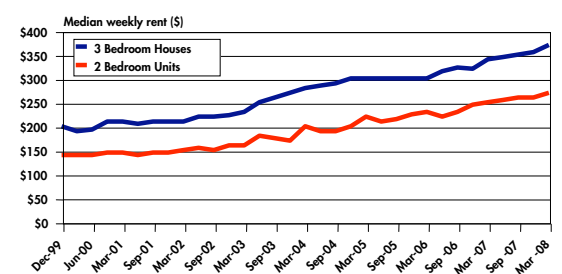
Median House and Unit Prices Tweed Heads & Tweed Coast



Source: NSW Department of Housing/CBRE Research & Consulting (As at December 2007 - latest data available)



Median Rent Indicators Tweed Heads & Tweed Coast



Source: NSW Department of Housing/CBRE Research & Consulting (As at March 2008)



MARKET OUTLOOK

Given the south-east corner's expected population growth, the residential market is likely to retain its recent stabilised status over 2008. With SEQ's population set to increase by approximately 1.2 million people by 2026, the housing imbalance between supply and demand is likely to continue. This imbalance is likely to play a critical role with residential prices and rents.

The stabilisation (in some locations and market segments) of the SEQ residential market currently being experienced leads CB Richard Ellis to believe recent large price increases may not be sustained when incomes are not rising. The median multiple figure suggests possible fallout may be imminent, with a settling of prices in the newer outer suburbs, over the short to medium term.

On the other hand, supply is likely to remain limited thanks to persisting supply inadequacy (more developable land needs to be released). The current demand levels are causing people to queue up for land with developers "soft releasing" projects due to enquiry levels, this is a good indication that there is a supply shortage and current prices for new stock may be sustained.

In short, 2008 is going to prove to be an interesting year.

Brisbane residential market activity has slowed in 2008 with agents reporting increased supply and a reduction in demand from last years boom type conditions. This has led to longer selling periods (typically 6-8 weeks for well priced properties) and a larger number of properties on the market. Agents are reporting buyers being more selective and some vendors having unrealistic price expectations because of a false belief that values in 2008 have continued to increase at 2007 levels.

The lower end of the Brisbane market, (under \$400k) seems to have reasonable levels of demand, although reduced from 2007 levels with relatively stable prices. The inner city ring (5km around Brisbane) appears to be stronger than other market segments, with slightly higher levels of demand particularly for good quality properties. The prestige property market sector remains steady for good quality property, although with margin calls and tighter lending restrictions 2008 has seen a reduced level of demand.

CB Richard Ellis predictions for 2008 are for a period of consolidation with a more moderate chance of growth throughout the greater Brisbane area, compared to 2007. Due to an ongoing lack of supply of new property, coupled with a growing population and steadily increasing rents, price growth will depend on suburb locality in 2008.

The **Western Corridor** has experienced a slowing down of sales activity and demand over the past three months and values in the sub \$400,000 bracket have softened to levels equal to those in September/October last year (5-8% softening from the height of the market in Nov/Dec).

Homes in the middle and upper class areas seem to still be attracting interest in the \$800,000 to \$3 Million value range, many selling in a relatively short period of time; however interest rate pressures remain and appear to be slowing the market down.

Collingwood Park, a suburb located within the Western Corridor between Brisbane and Ipswich, is currently the centre of media attention regarding its history of coal mining and the subsequent affects of collapsing tunnels resulting in subsidence in some existing residential developments. It is far too early to quantify the extent that these events will have on local values, however it is reasonable to assume that selling periods will be substantially longer in these suburbs, values will soften and financiers will require additional comment from Valuer's on the risks inherent to land.

The **Gold Coast** residential market is slowing. The southern end of the Gold Coast has seen a steady demand for units under the \$400,000 price range, with housing having somewhat slowed and values remaining stationary. The northern end of the Gold Coast has slowed as values remain static due to reduced market movement, coupled with general activity around the Gold Coast's median prices.

The **Tweed** residential market has slowed as a result of economic conditions and interest rate rises in early 2008. This slowing has resulted in a reduction in buyer enquiry, with agents reporting increased stock levels and extended sales periods. There has been a loss of buyer confidence, particularly in the investor market, with the sales rate of units in the region dropping dramatically. The market remains owner-occupier driven with well-located properties still in demand. However, there are a reduced number of potential purchasers in the marketplace. The investor-based unit market has slowed significantly over the past three months. This is compounded by the fact that many units in the region are holiday rentals, and the market has been running at average levels of occupancy only.

The **Sunshine Coast** region has experienced a softening in buyer enquiry during the first quarter of 2008 with local agents reporting selling periods extending to the more traditional market of three to four months. Prices seem to be reasonably static with no real significant price growth within any particular market sector.

The region has witnessed a change with the amalgamation of the three former Caloundra, Maroochy and Noosa shires to the new Sunshine Coast Regional Council. Population growth above the national average will ensure steady to strong demand for the coast's residential market due to migration choices, made up of both the green and seachange lifestyle considerations.

For the second quarter of 2008 CB Richard Ellis anticipates little change with a 'business as usual approach' to market conditions.

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