

# Townsville Residential Property Report

FEBRUARY | 2010



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# Introduction

## Area characteristics

Situated on the North Queensland coastline approximately 1500 km north of Brisbane, Townsville is the largest tropical city in Australia and has emerged as one of the most dynamic and livable cities in the country in recent years. The buoyant property market has been driven by strong economic and population growth which has provided a blend of opportunity and stability. Combined with world class infrastructure and recent lifestyle enhancements Townsville has cemented its position as the hub of North Queensland.

Townsville is quickly ascending in the national interest as northern economies and populations boom. Townsville is already the largest independent regional centre in Northern Australia, and is positioned to be the major beneficiary of the continued "rise of the north". Townsville is Northern Australia's centre for public administration, education, research, health services and a wide range of professional services. Furthermore, resident surveys reveal a dramatic increase in the liveability of the region. People are flocking to North Queensland for the opportunities and now staying for the lifestyle. Townsville has developed into a confident and vibrant city, attracting a wide range of new industries and investors who all recognise the growth opportunities the region has to offer.

Following the Queensland Government Local Government boundary reviews, the two former adjoining Local Government Areas (LGA's) of Townsville and Thuringowa merged in March 2008 to form the largest LGA outside of the South East corner of the State. This merger will assist in delivering a clear and concise marketing message and will give the new Townsville City the substantial clout that it deserves.

## Market summary

During 2009 the property market fared much better than many commentators had predicted. PRDnationwide forecast that sales volumes would recover during 2009 but that median price growth would not accompany this. Furthermore, PRDnationwide said that there were many positive factors to support the market during 2009, including historically low interest rates and the first home owners grant boost, however confidence was the missing ingredient. These forecasts proved accurate.

The trend of improving confidence should continue throughout 2010. It is generally perceived that we have passed the bottom of the market, the worst is behind us and that it is now time to get on with things. PRDnationwide expect 2010 to be a reasonable year with continuing increases in sales volumes, driven by investors and owner occupiers and modest gains in median house price growth to return to the market. These forecasts are based on factors including those listed below:

### Population growth

The state government forecasts the population growth for Greater Townsville at an additional 4469 persons per annum over the 18 years from 2008 to 2026. Considering the Townsville average dwelling size is 2.7 persons, this growth equates to an average derived demand of 1655 new dwellings per year needed to house the growing population over the next 18 years.

### Shortage of supply

The Townsville residential market generally has a shortage of supply that is best highlighted by the low residential rental vacancy rates, which are forecast to go even lower, due to lower dwelling commencements and continuing population growth.

### Rental market

Due to lower sale prices and continuing rental rate increases during 2009, rental yields have risen. The gap between yields and interest rates has closed, with many properties now positively geared. This will be a major boost for the investor market during 2010.

# Townsville Economy Overview

## Population growth

Townsville's consistently high population growth will continue to drive dwelling demand in the foreseeable future. In the year ended June 2008, the Greater Townsville population grew 3.0% according to the ABS, increasing by 5,134 people to reach a total of 175,542 people. Net migration has been the major driver of recent population growth, reflecting strong employment growth. The Townsville population has grown by 3.0 per cent per annum over the past five years, with Queensland Government projections (medium series) indicating the population is expected to reach over 270,000 people by 2031. Considering the Greater Townsville average dwelling size is 2.7 persons, this growth equates to an average derived demand of 1,686 new dwellings per year needed to house the growing population over the next 19 years. Forecast demographic changes including a reduction in the number of persons per household (household size) will increase the underlying demand for dwellings even further in future years.

## Economic growth

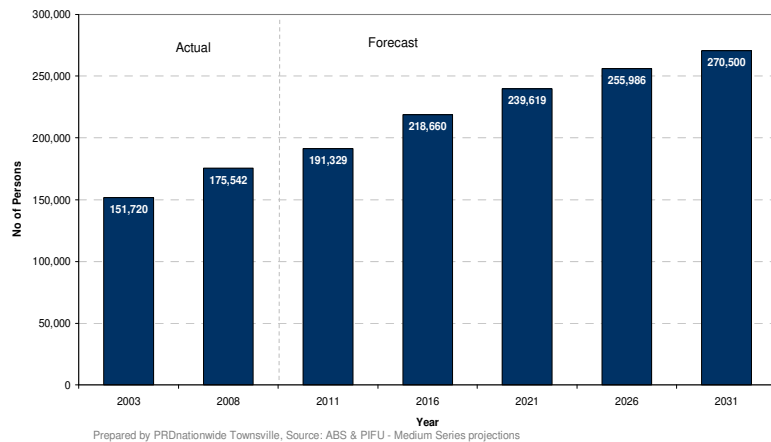
The key to the strength of the Townsville economy lies in its diversity. Contributions are received from many industry sectors, with no one industry dominating the economy. Major contributions are generated from manufacturing, health & education, construction & dwelling investment, retail and wholesale trade and government. According to AECeconomics, Gross Regional Product (GRP) for the northern region increased 7.8% from 2005-06 to 2006-07 to reach 11.87 billion. Townsville is the trade centre for the vast North West Queensland minerals province and the port experienced seventeen years of consecutive trade growth to exceed 10 million tonnes per annum in 2003-2004. Townsville is an internationally significant base metals processing centre and is home to three major metal refineries. Further expansion of the defence forces based in Townsville is also planned, with the relocation of the 3RAR light infantry battalion including 1500 soldiers and support staff, due to move from Holsworthy in Sydney to Lavarack Barracks by 2012.

## Business Confidence Improves

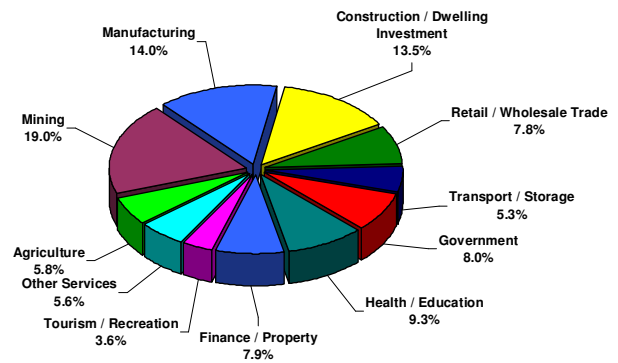
Following a rapid fall during the later part of 2008 and early 2009, confidence is returning to Townsville's business community. The PricewaterhouseCoopers Townsville Business Confidence Change Index returned a score of plus 0.12 for the December-09 quarter. The survey covers the outlook for the quarter ahead.

Optimists outweigh the pessimists, however businesses are adopting a cautious approach. General sentiment appears to be improving, and the benefits of government spending on infrastructure projects is also forecast to positively influence sentiment.

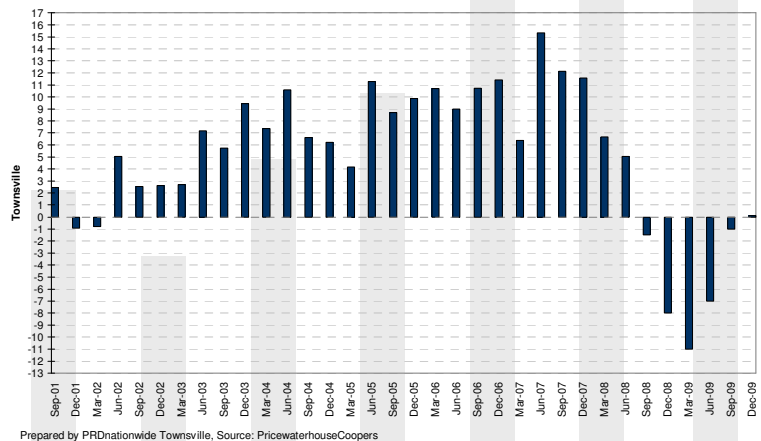
Townsville Population Projections 2011-2031



Townsville Region Gross Regional Product 2006-07



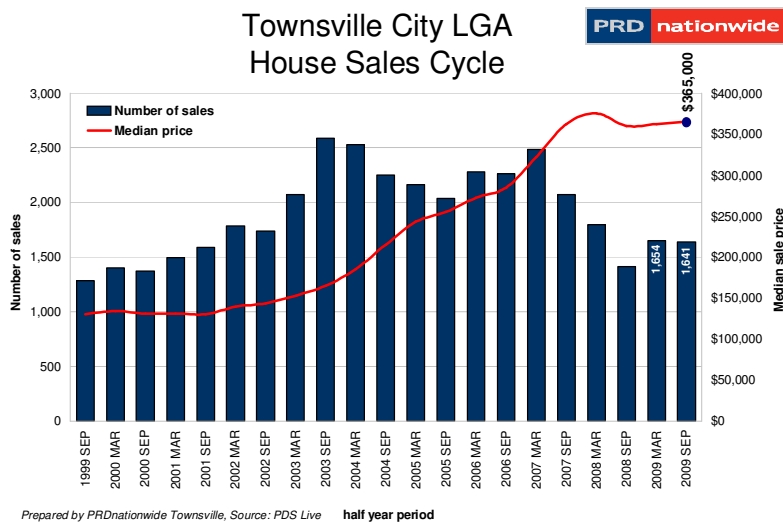
Townsville Business Confidence Index



# Townsville Property Market Sales Cycles

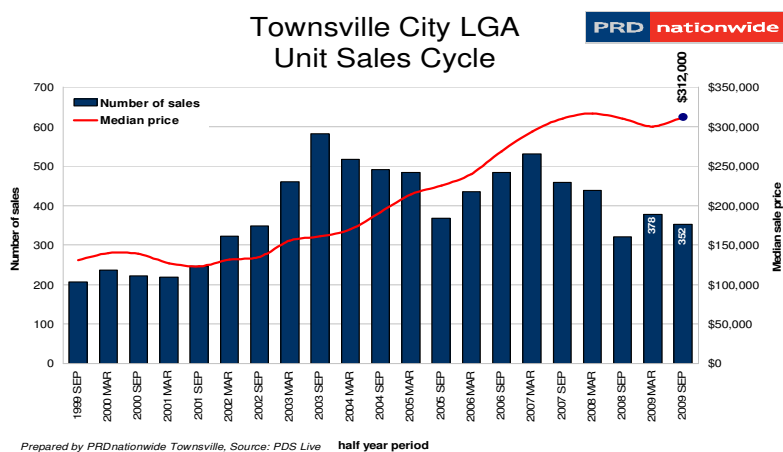
## Townsville House Market

The Townsville house market has experienced strong growth over the past decade as the sales cycle graph indicates, however a significant slowing in both sales volumes and median price growth occurred during 2007 and 2008. Sales volumes bottomed in late 2008, with a recovery taking place from early 2009. In the six months to September 2009, 1,641 transactions occurred, to give an annual total of 3,295 sales. This compares to the previous twelve month total of 3,206 sales. The Townsville median house price peaked in the six months ending March 2008 at \$375,000, before declining to \$360,000 in September 2008. For the six months ending September 2009, the median house price grew by 1.4 per cent to reach \$365,000, based on 1,641 transactions. Median price growth over the past five years has been a solid 11.2 per cent per annum.



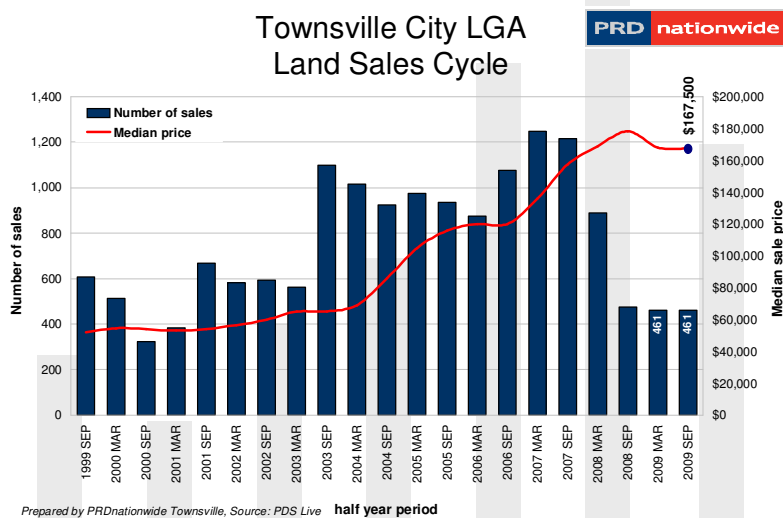
## Townsville Unit Market

The Townsville unit market has experienced a similar trend to the housing market with a fall in sales volumes during 2008, bottoming in the six months ending September 2008 and recovering during 2009. The median unit price for the six months ending September 2009 was \$312,000, based on 352 transactions. This is 0.6 per cent higher than September 2008 when the median unit price was \$310,000. Over the past five years median price growth has been 10.2 per cent per annum.



## Townsville Land Market

Unlike the house and unit market, the Greater Townsville land market has not shown a recovery in sales volumes during 2009. 461 transactions were recorded for the six months ending September 2009, identical to the previous six month period, recording a total of 922 sales for the year ending September 2009. This is well below the ten year average of 1,528 sales per annum. A recovery in sales volumes is expected soon as surplus stock has now been depleted.



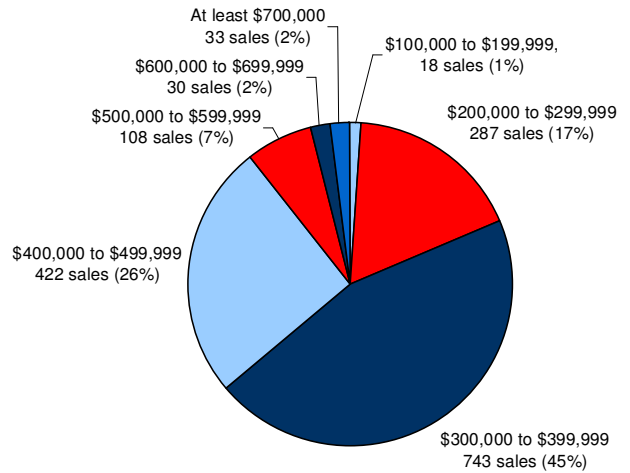
The median land price peaked in September 2008 at \$178,250, and has retracted by 6.0 per cent over the following 12 months to reach 167,500 in the six months ending September 2009. This follows a period of very strong price growth, with the median price growing by 14.3 per cent per annum over the past five years. New infrastructure charges may place upward pressure on new land prices in the near future.

# Townsville Property Market Price Points

## Townsville House Market

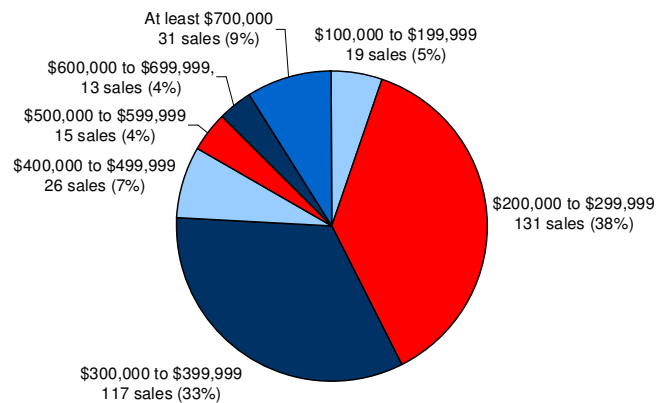
During the six months ending September 2009, the dominant price point was the \$300,000 to \$399,999 bracket, which accounted for 45% of all house sales (down from 49% for the six months ending March 2009). The next highest concentration occurred in the \$400,000 to \$499,999 price point with 26% of all sales (up from 25%). 11% of sales occurred over the \$500,000 price point (up from 9%), showing a larger spread of price points as market conditions improve. Some of the more significant house sales during the six months include a Alexandra St house in North Ward which sold for \$2.15m, a Magnetic Island property in Olympus Crs which sold for \$2.11m, a house in Denham St North Ward which fetched \$1.68m, and a Castle Hill property in The Point which sold for \$1.58m.

## Townsville House Price Points Six months ending Sep-09



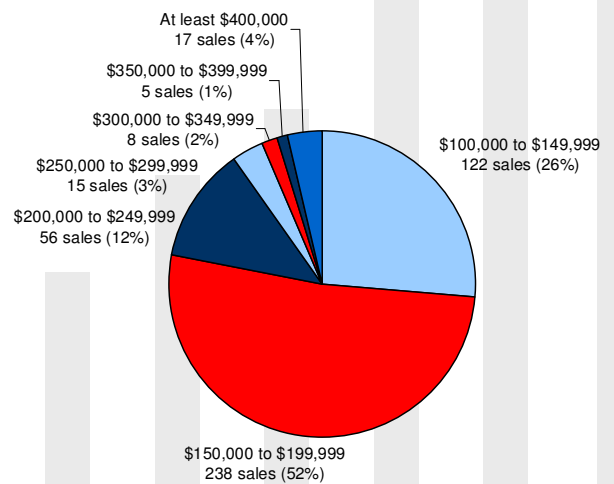
Prepared by PRDnationwide Townsville, Source: PDS Live

## Townsville Unit Price Points Six months ending September 2009



Prepared by PRDnationwide Townsville, Source: PDS Live

## Townsville Land Price Points Six months ending September 2009



Prepared by PRDnationwide Townsville, Source: PDS Live

## Townsville Land Market

The Townsville land market was dominated with sales in the \$150,000 to \$199,999 price point, which represented 52% of all sales for the six months ending September 2009 (down from 54% for they . Sales above \$250,000 accounted for 10% of market activity for the six months to September 2009 (up from 9%). The highest priced land sales included a 600m2 lot in Braemar Crescent on Castle Hill which sold for \$650,000, a 700m2 lot in Toorak Place on Castel hill which sold for \$455,000, an 1100m2 lot on Aspley Drive at Kirwan which fetched \$450,000 and a 600m2 lot in Coorabin Avenue at Douglas which sold for \$445,000.

# Townsville Unit Report, March-09 Qtr

## Market Snapshot

- There were 47 unconditional sales of new units across 26 projects in the Townsville market during the Sep-09 quarter.
- Gross sales for the quarter are estimated at \$21.5 m.
- 453 new units were available for sale at the end of the quarter, suggesting 28.9 months supply based on current demand.
- 'Riverlinks Apartments' was again the fastest selling project during the Dec-09 quarter with 13 unconditional sales.

## Overview

The Townsville new unit market slowed during the final quarter of 2009, as investors and owner occupiers took a wait and see approach as the year closed. 47 unconditional sales have been reported for the Dec-09 quarter, down 34 per cent from 71 sales recorded in the Sep-09 quarter. Macro economic conditions are improving however, and the feeling on the ground is one of optimism for the year ahead. In a positive sign, investors and bargain hunters are now active in the market and developers are beginning to explore opportunities for new projects as a shortage of new stock is forecast to be a characteristic of the market in the medium term. Vacancy rates are already showing signs of tightening and this may gain momentum during 2010.

## Survey Analysis

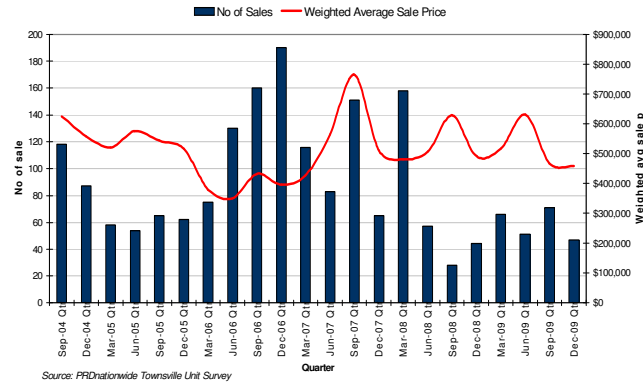
There were 47 unconditional sales recorded during the Dec-09 quarter, down 34 per cent from the 71 sales recorded during the Sep-09 quarter. Townsville City again dominated sales accounting for 46 per cent of all sales, closely followed by Townsville Outer with 43 per cent of market share. Magnetic Island also snared 11% of the sales for the final quarter of 2009. Riverlinks Apartments at Douglas was the fastest selling project for the quarter with a strong result of 13 sales. Other projects to note include 'Soiree' in North Ward with 7 sales and 'Hotel M' on Palmer Street South Townsville with 5 sales.

The level of demand in the Dec-09 quarter suggests 28.9 months supply of new unit stock across the Townsville market at current levels of demand, up from 21.1 months recorded in the Sep-09 quarter. Townsville City had 44.7 months of stock, well up from the Sep-09 quarter level of 21.5 months, while Townsville Outer had only 6.0 months supply based on current demand.

The weighted average sale price moved down marginally from \$467,606 in the Sep-09 quarter to \$458,511 in the Dec-09 quarter, reflecting a concentration of affordable price points in the product mix. Most sales occurred in the \$300,000 to \$399,999 and \$400,000 to 499,999 price brackets, accounting for 83 per cent of all sales for the quarter. In a trend reversal, product intended for short term accommodation or mixed use accounted for only 32 per cent of sales, versus 56 per cent in the Sep-09 quarter, indicating a return of owner occupiers and residential investors to the market.

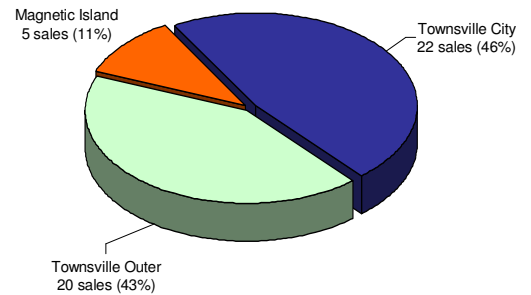
No new projects are expected to enter the market next quarter, however 'Jade' part of the Hedley portfolio is set to re enter the market under direction of receivers Korda Mentha. Affordable product, dispersed throughout the suburbs will be in short supply in the near future.

### Quarterly Sales



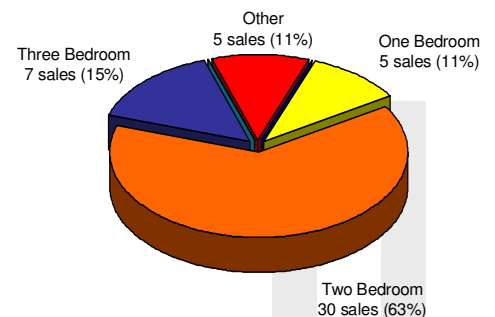
### Sales Volumes

Based on units sold during Dec-09 quarter



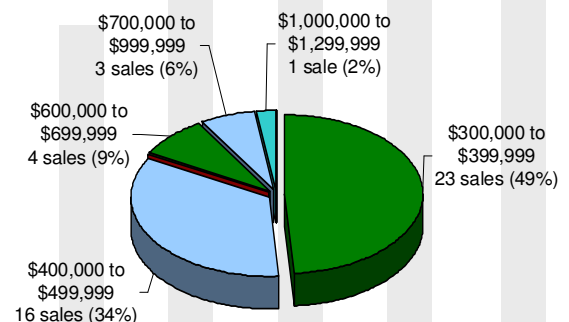
### Unit Type

Based on units sold during Dec-09 quarter



### Price Points

Based on units sold during Dec-09 quarter



# Townsville Unit Report, Dec-09 Qtr

Townsville New Unit Market											PRD nationwide	
Sales Analysis of Recent Market Activity												
Development	Suburb	Construction Status	Intended Building Use	Total Units	Sold to date	Avail for sale	No. Sold Dec-09 Qtr	Weighted Avg Sale Price	Approx gross sales Qtr	Marketing Company	Developer	Developer or Financier Controlled
<b>Townsville City</b>												
4 Oxley St	North Ward	Awaiting	Permanent Residential	4	1	3	0	\$0	\$0	Ray White Tvl City	Westcon Site Management Pty Ltd	Developer
Abode	South Townsville	Underway	Permanent Residential	50	11	39	2	\$450,000	\$900,000	PRDnationwide	CMF Australia Ltd	Developer
Altitude	City	Underway	Permanent Residential	46	25	21	0	\$0	\$0	Benchmark Developments	Benchmark Developments	Financier
Bluewater Residences	North Ward	Completed	Permanent Residential	6	2	4	0	\$0	\$0		Rockpool Developments	Developer
Central (Holborn Apartments - Stg 2)	City	Underway	Mixed Use	70	63	7	2	\$350,000	\$700,000	Honeycombes Property Group	Honeycombes Property Group	Developer
Eclipse on Little St	Belgian Gardens	Completed	Permanent Residential	12	4	8	0	\$0	\$0		Perry McDonald Constructions	Developer
Fulton Gardens (Metro Tower)	North Ward	Completed	Permanent Residential	27	20	7	0	\$0	\$0	CPR Townsville Holdings Pty Ltd	CPR Townsville Holdings Pty Ltd	Developer
Gateway on Palmer	South Tvl	Completed	Mixed Use	112	93	19	3	\$650,000	\$1,950,000	PRDnationwide	Quantum Group	Developer
Hotel M	South Tvl	Completed	Short term	54	20	34	5	\$450,000	\$2,250,000	Total Project Marketing	Pointon Hotel Group	Developer
Jade #	North Ward	Underway	Permanent Residential	93	30	63	0	\$0	\$0	Hedley Group	Hedley Group	Financier
Mariner's Peninsula - The Stanton Apartments	City	Completed	Permanent Residential	101	98	3	0	\$0	\$0	Ferry Property/Mirvac	Mirvac	Developer
Mariner's Peninsula - Foreshore Homes	City	Completed	Permanent Residential	4	2	2	0	\$0	\$0	Ferry Property/Mirvac	Mirvac	Developer
Number 98	North Ward	Completed	Permanent Residential	25	25	0	1	\$650,000	\$650,000	Lancini Group	Lancini Group	Developer
Soiree	North Ward	Completed	Permanent Residential	24	18	6	7	\$450,000	\$3,150,000	Real Way	Gedoun Constructions	Developer
Solarus (Tower 1)	South Tvl	Underway	Permanent Residential	73	59	14	0	\$0	\$0	Ferry Property	Glen Alpine	Financier
Solarus (Tower 2)	South Tvl	Awaiting	Mixed Use	46	0	46	0	\$0	\$0	Ferry Property	Glen Alpine	Financier
The Dalgety	City	Underway	Mixed Use	117	90	27	0	\$0	\$0	Ferry Property	Fortia Funds Management	Developer
Vue	City	Completed	Permanent Residential	20	2	18	0	\$0	\$0	Remax	Fortia Funds Management	Financier
Yarrowonga Village (Stage 3)	North Ward	Completed	Permanent Residential	36	29	7	2	\$450,000	\$900,000	Lindona Developmemnts Pty Ltd	Lindona Developments Pty Ltd	Developer
<b>Summary - 19 Projects</b>				<b>920</b>	<b>592</b>	<b>328</b>	<b>22</b>	<b>\$477,273</b>	<b>\$10,500,000</b>			
<b>Townsville Outer</b>												
Itara (Stage 1)	Condon	Completed	Permanent Residential	52	30	22	0	\$0	\$0	Honeycombes Property Group	Honeycombes Property Group	Developer
Oasis Apartments	Garbutt	Completed	Permanent Residential	26	21	5	0	\$0	\$0	Benchmark Developments	Benchmark Developments	Financier
Precinct Apartments	Cranbrook	Underway	Permanent Residential	20	16	4	3	\$350,000	\$1,050,000	Benchmark Developments	Benchmark Developments	Financier
Riverlinks Apartments	Douglas	Completed	Permanent Residential	58	49	9	13	\$350,000	\$4,550,000	Gribbin Realty		Developer
West End	West End	Underway	Permanent Residential	42	42	0	4	\$350,000	\$1,400,000	Hedley Group	Hedley Group	Financier
<b>Summary - 5 Projects</b>				<b>198</b>	<b>158</b>	<b>40</b>	<b>20</b>	<b>\$350,000</b>	<b>\$7,000,000</b>			
<b>Magnetic Island</b>												
One Bright Point	Nelly Bay	Completed	Mixed Use	124	93	31	2	\$850,000	\$1,700,000	Meridien	Meridien	Developer
Peppers Blue on Blue Resort	Nelly Bay	Completed	Mixed Use	101	47	54	3	\$783,333	\$2,349,999	Eureka Funds Management	Eureka Funds Management	Developer
<b>Summary - 2 Projects</b>				<b>225</b>	<b>140</b>	<b>85</b>	<b>5</b>	<b>\$810,000</b>	<b>\$4,049,999</b>			
<b>TOTAL DEVELOPMENTS - 26</b>				<b>1,343</b>	<b>890</b>	<b>453</b>	<b>47</b>	<b>\$458,511</b>	<b>\$21,549,999</b>			

# Rental Market

## Vacancy Rates on the Rise

- The REIQ conduct a bi annual survey to determine residential vacancy rates in Local Government Areas across Queensland.
- Townsville vacancy rates are calculated by using information provided by local real estate agents.
- The number of vacant properties on rent rolls divided by the total number of rental properties available determines the overall vacancy rate.
- Residential vacancy rates across Townsville were 2.7% in September 2009, down from 3.4% in March 2009.
- This is still one of the lower level levels in regional Queensland.
- Vacancy rates have been widely predicted to ease due to softer economic conditions, however lower dwelling commencements may be contributing to tight rates in some centres.

## Residential Vacancy Rates

LGA	Sep-09	Mar-09	Change
Townsville	2.7%	3.4%	-0.7%
Cairns	3.9%	5.1%	-1.2%
Mackay	2.4%	2.5%	-0.1%
Sunshine Coast	6.2%	3.9%	2.3%
Gold Coast	3.2%	3.4%	-0.2%
Greater Brisbane	3.9%	2.6%	1.3%

Source: REIQ

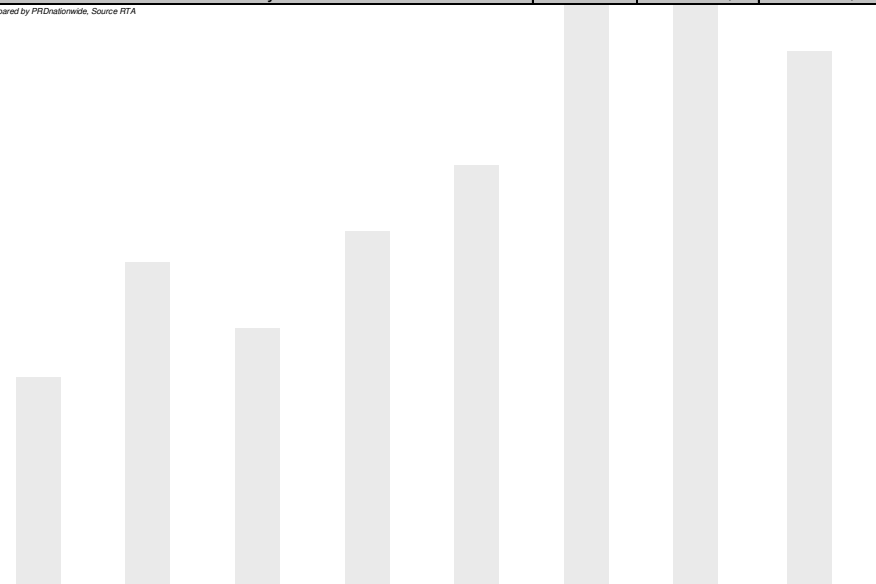
## Rental Rates Begin to Plateau

- Analysis of new rental bonds lodged with the Residential Tenancy Authority (RTA) is the basis of the median weekly rents information.
- The median rents are calculated for different types of dwellings in major centres throughout Queensland.
- In September 2009 the Residential Tenancy Authority held a total of 10,031 bonds for houses and 6,663 bonds for units in Townsville.
- Across Townsville, rents have increased around 1.4% over the year ending September 2009, however the quarterly change shows an average increase of 2.3%.
- Analysis of median weekly rentals by postcode shows that Magnetic Island offers the most affordable housing, while the inner city areas in the 4810 postcode are generally the least affordable.
- The highest median rent of all dwelling types was \$460 per week for 3 bedroom units in the inner city postcode of 4810 followed by \$400 per week for 4 bedroom houses also in the 4810 postcode.
- The largest gains were experienced in the outer area in postcode 4817 where 2 bedroom units rose by \$30 per week to \$280 per week and upper ross suburbs in postcode 4815 where 3 bedroom houses rose \$15 per week to \$315 and 3 bed flats rose \$25 per week to \$310.
- Further moderate growth in rental rates is expected due to limited new dwelling starts.

## North Qld Median Weekly Rents

Dwelling Type	Area	Sep Qtr 09	Jun Qtr 09	Sep Qtr 08	Qtr Change		1 Yr Change	
		Rent (\$)	Rent (\$)	Rent (\$)	%	\$	%	\$
2 bed units	Townsville Area	\$280	\$270	\$270	3.7%	\$10	3.7%	\$10
2 bed units	Thuringowa Area	\$265	\$240	\$250	10.4%	\$25	6.0%	\$15
2 bed units	New Townsville City LGA	\$280	\$265	\$265	5.7%	\$15	5.7%	\$15
3 bed units	Townsville Area	\$390	\$380	\$400	2.6%	\$10	-2.5%	-\$10
3 bed units	Thuringowa Area	\$320	\$320	\$285	0.0%	\$0	12.3%	\$35
3 bed units	New Townsville City LGA	\$370	\$350	\$380	5.7%	\$20	-2.6%	-\$10
3 bed houses	Townsville	\$320	\$320	\$330	0.0%	\$0	-3.0%	-\$10
3 bed houses	Thuringowa	\$320	\$320	\$320	0.0%	\$0	0.0%	\$0
3 bed houses	New Townsville City LGA	\$320	\$320	\$320	0.0%	\$0	0.0%	\$0
4 bed houses	Townsville	\$395	\$395	\$400	0.0%	\$0	-1.3%	-\$5
4 bed houses	Thuringowa	\$360	\$370	\$370	-2.7%	-\$10	-2.7%	-\$10
4 bed houses	New Townsville City LGA	\$375	\$380	\$380	-1.3%	-\$5	-1.3%	-\$5

Prepared by PRDnationwide, Source RTA



# Townsville Tourism Overview

## Townsville Airport Arrivals

Passenger movements through the Townsville airport have continued to grow on the back of the strong business and leisure travel market. 1,484,901 passengers passed through the Townsville airport in the year ending June 2008 representing an increase of 8.2% the previous year. Increased capacity and domestic competition coupled with the strong economic and tourism growth is likely to see strong growth in the future.

## Airline Seat Capacity

- In December 2009, weekly domestic seat capacity into Townsville is estimated at 14,787 seats, down from from 15,079 seats in March 2009 (includes interstate services and intrastate flights from Brisbane only).
- This decrease is largely seasonal and has been driven by decreased capacity on Jetstar and Virgin Blue flights.
- Qantas now hold the highest market share with 6,416 seats (47 flights), followed by Virgin Blue with 5,608 seats (42 flights), then Jetstar with 2,763 seats (15 flights).
- Total weekly flights into Townsville in December 2009 is 104, comprised of 82 from Brisbane (down from 91 in March-09), 12 from Sydney (unchanged), 3 from Melbourne (unchanged), and 7 from Canberra (up from 0).
- Jetstar are commencing daily flights to Melbourne from July 2010.

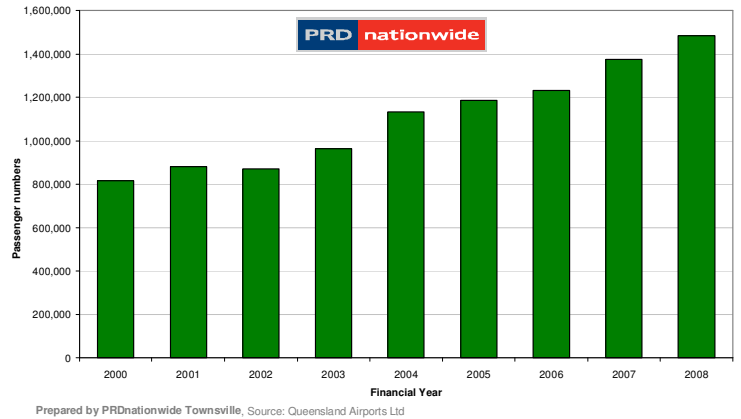
## Visitor Numbers

- The Townsville region hosted 807,000 domestic overnight visitors in the year ending September 2009, comprising mainly of intrastate visitors.
- The visitor profile is shared almost equally between holiday (316,000), visiting friends and relatives (VFR) (198,000) and business visitors (232,000), spreading the risk and not relying on any one market sector, as do some of the neighbouring regions.
- Domestic visitors account for 85% of all visitors to the region.
- Interstate visitors account for 17% of domestic visitors yet account for 26% of visitor nights.
- International source markets are concentrated in Europe (UK, Germany and balance of Europe).

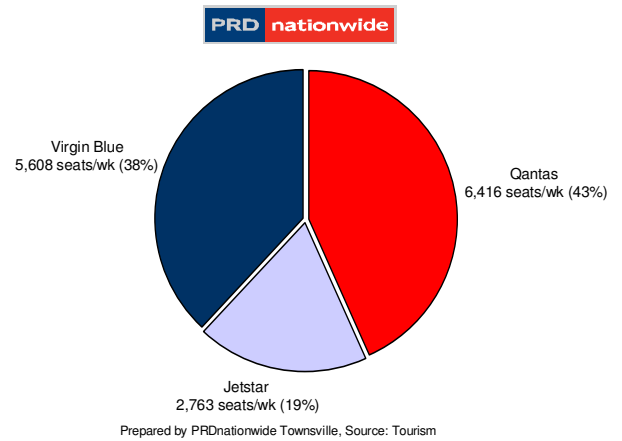
## Accommodation Performance

Recent tourism statistics show room occupancy rates across Townsville hotels motels and serviced apartments decreased slightly between the year ending March 2009 and 2008, from 71.85% to 69.05%. An increase in the average room rate offset the slightly lower occupancy rate however, with revenue per available room (REVPAR) increasing by 3.6% over the year. The March-09 quarter recorded poor results however, with both occupancy rates and room rates down from the March-08 quarter. This was forecast by PRDnationwide, due to a surge in new supply. Room numbers increased 12% from 2,192 in March-08 to 2,455 in March 2009, providing an additional 263 rooms.

## Townsville Airport Passenger Movements



## Airline Share of Seat Capacity Townsville December-09

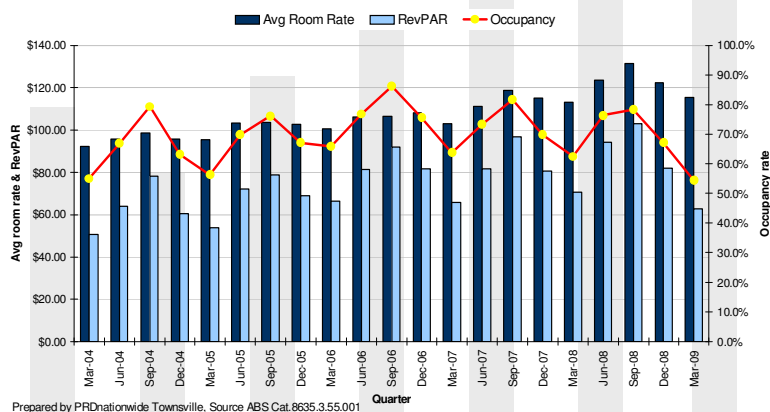


## Townsville Region YE Sep-09 Tourism Visitation Highlights

	Total Vistors	Holiday	VFR	Business
Domestic overnight	807,000	316,000	198,000	232,000
Annual change	↓ 9%	↑ 8%	↓ 34%	↑ 8%
International overnight	147,000	117,000	21,000	n/p
Annual change	↓ 1%	↓ 6%	↑ 40%	n/p

Prepared by PRDnationwide Townsville, Source: Tourism Queensland

## Townsville LGA Hotels Motels & Serviced Apartments



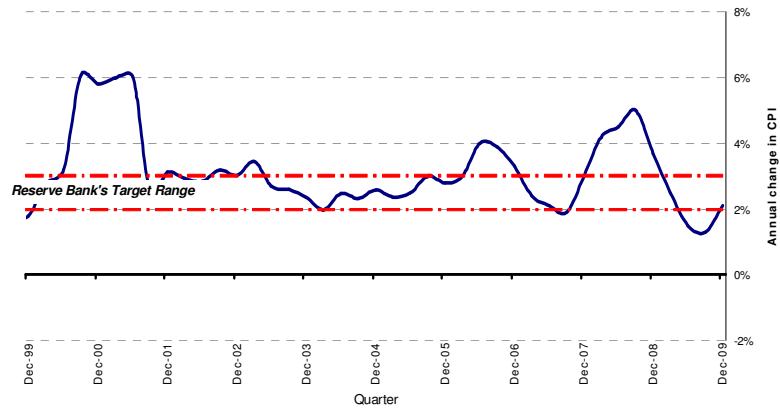
# Macroeconomic Climate

## Inflation Under Control – for now

- The Reserve Bank of Australia (RBA) aims to constrain inflation in a long-run target range of 2-3% through the setting of interest rates.
- The December-09 CPI figures recorded an annual change of 2.1% which is well within the RBA's target range.
- Quarterly inflation was 0.5% up in the December-09 quarter, compared to a 1.0% rise in the September-09 quarter.
- The underlying inflation figure recorded a slightly higher figure of 2.4% over the year. Underlying inflation removes volatile items such as fruit and fuel.
- Improvement in consumer and business confidence are likely to place upward pressure on inflation again soon.
- Commentators are concerned about the effect of the 2009 stimulus on inflation during 2010.

## Inflation

PRD nationwide



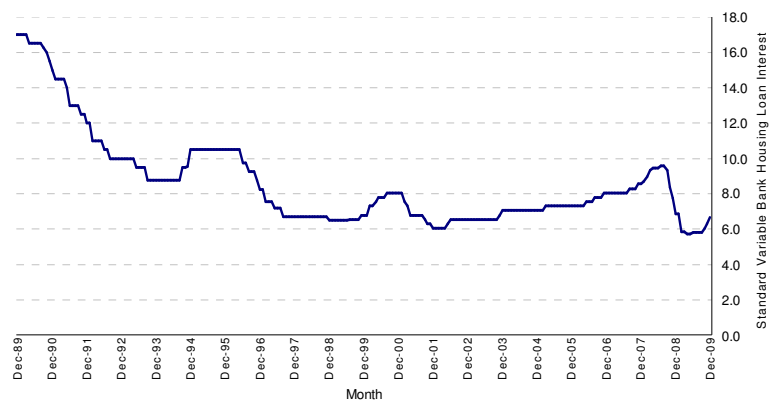
Prepared by PRDnationwide Townsville  
Source: ABS Cat No: 6401.0, last updated January-10

## Interest Rates on the Rise

- The housing loan interest rate is the average variable rate of interest being offered by housing lenders. It is higher than the RBA's target cash rate due to lending costs and profit margins.
- Interest rates are set by the RBA, who acts independently of government and sets interest rates with the goal of maintaining inflation in a long-run target range of 2 - 3%. The RBA meets monthly to review the current interest rate.
- The RBA increased the cash rate to 3.75% at its December-09 meeting, the third consecutive rise of 0.25%.
- The major lenders have raised interest rates higher than the levels of the RBA, due to allegedly higher lending costs.
- The Australian economy has performed much better than expected during the global financial crisis and the RBA believe that the recovery will continue, therefore the bias is towards rate rises during 2010.
- The market is factoring in some rate rises during the next twelve months, however all eyes on China. Any faltering of the recovery in China may lead to a reassessment of global economic growth and a possible reversal of the current stance of the RBA.

## Housing Loan Interest Rate

PRD nationwide



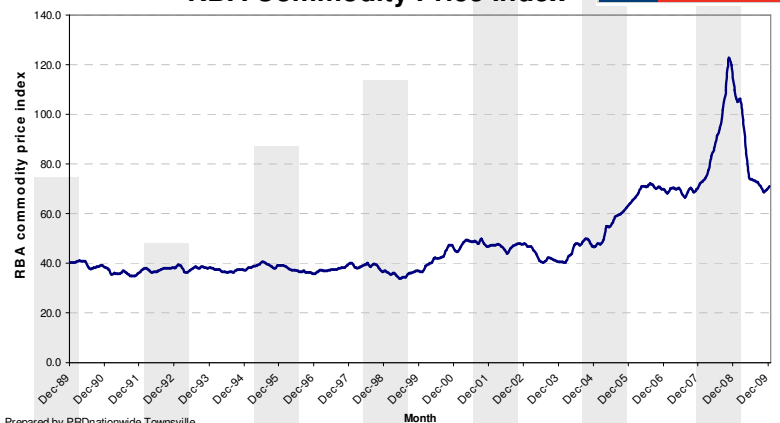
Prepared by PRDnationwide Townsville  
Source: RBA Bulletin F05, last updated January-10

## Recovery for Commodities Pricing

- The RBA's Commodity Price Index provides an indicator of primary commodity price movements.
- The index includes 17 commodities with separate weightings, the highest of which are coal, gold and iron ore.
- Commodity price growth decreased for much of 2009, however the last quarter saw a modest recovery.
- A recovery in China has played a major role in rising export volumes, and pricing is now catching up.
- With exports now equivalent to almost 25 per cent of GDP, developments in export prices can have a significant influence on economic activity.
- In recent years, the importance of commodities in Australia's total exports has increased, due in part to the rapid industrialisation of emerging economies in Asia.

## RBA Commodity Price Index

PRD nationwide



Prepared by PRDnationwide Townsville  
Source: RBA Bulletin G5, last updated January-10

**PRD nationwide**

Prepared by **PRDnationwide Townsville**

Source: ABS, AECeconomics, Bureau of Meteorology, Townsville City Council, PRDnationwide Townsville Quarterly Unit Survey, Midwood Queensland Investment Report, Pricewaterhouse Coopers, PDS Live, RPData, Queensland Airports Ltd, Tourism Queensland, REIQ, RTA, RBA.

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