



Townsville Residential Property Report

APRIL | 2009



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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

The trend of declining sales volumes and stalling median price growth which began in the Townsville residential property market during 2008, has flowed through to the beginning of 2009. Recent activity is concentrated in the bottom end of the market, with houses and units priced up to the mid \$300,000's in reasonable demand. This demand is mainly from first home buyers which have been provided with an incentive in the form of a boost to the First Home Owners Grant effective from October 2008 to 30 June 2009. This policy decision appears to be having the desired effect of bringing forward purchasing decisions that would otherwise have occurred in the future. This is a nationwide trend and is supported by lending data that indicates that the proportion of first home owner loans across the country has increased. According to ABS data, first home buyers comprised 25.4% of all owner occupier housing finance commitments in Australia during December 2008, versus just 17.3% two years ago. The proportion of first home buyers in the market hasn't been at these levels since December 2001. This latest data indicates the combined effect of the government's stimulatory actions combined with improving housing affordability due to falling interest rates and some modest falls in house prices have had a positive impact on property markets around the nation, including Townsville.

With interest rates likely to fall further and housing values remaining flat at best, investor activity is forecast to increase during the year. Residential rental vacancy rates are still at very low levels, and are forecast to remain tight due to low levels of new dwelling commencements. The underlying fundamentals of the Townsville market are still relatively strong despite recent events.

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 2007, the Greater Townsville population grew 2.7% according to the ABS, increasing by 4,529 people to reach a total of 169,484 people. Net migration has been the major driver of recent population growth, reflecting strong employment growth. The Townsville population has grown by 2.7 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.

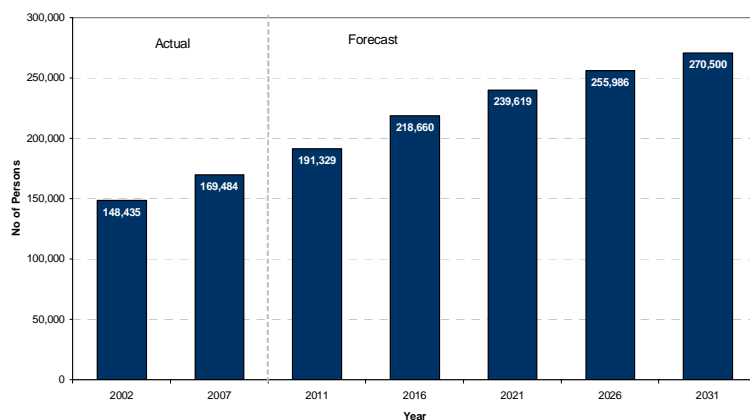
Economic growth

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.

Climate

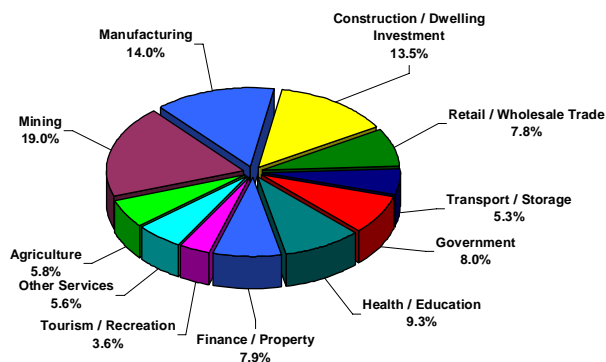
Townsville is located in the dry tropics and enjoys a warm tropical climate with mild sunny winter days and warm to hot summers. Its average maximum temperature ranges from 31 degrees Celsius in summer down to a comfortable 25 degrees Celsius in winter. The average minimum temperature ranges from 24 degrees Celsius in summer to 13 degrees Celsius in winter. Heavy rainfall is usually confined to the hot summer months, with the cooler winter months relatively dry and sunny. The dry and stable climate is advantageous for many industries, however the region also has abundant and secure water supplies, leading the region to be included in the so called "Oasis Change" property hot spots.

Townsville Population Projections 2011-2031



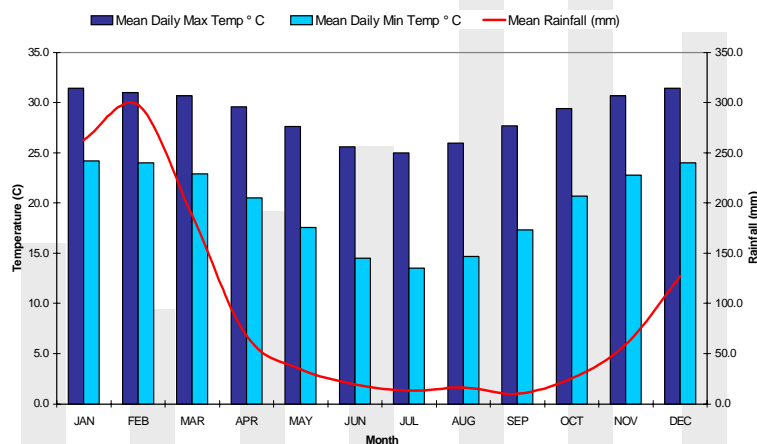
Prepared by PRDnationwide Consulting NQ, Source: ABS & PIFU - Medium Series projections

Townsville Region Gross Regional Product 2006-07



Prepared by PRDnationwide Consulting NQ, Source: AECeconomics

Townsville Climate Averages



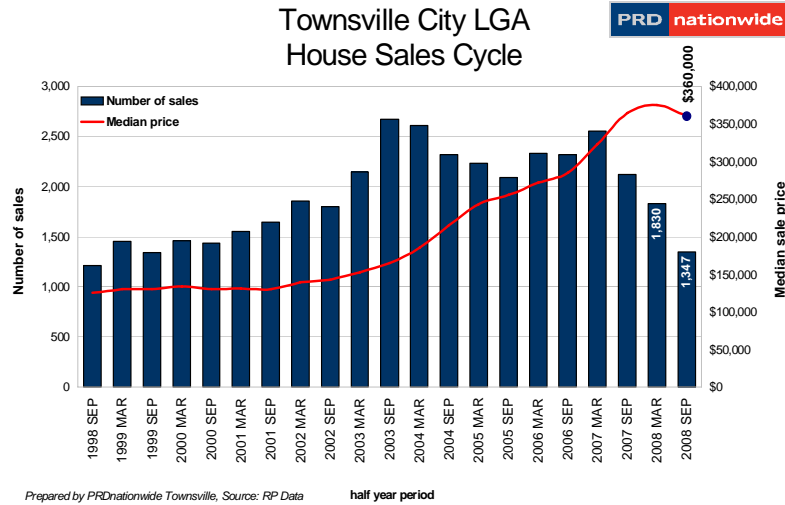
Prepared by PRDnationwide, Source:

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 is now evident. Sales volumes began to decline in 2007, however the rate of decline accelerated during 2008. In the six months to September 2008 sales volumes retracted by 26 per cent compared to the previous six month period (1,347 transactions Vs 1,830 transactions). This level of sales activity is below the ten year average demand of 1,954 sales every six months (3,908 sales per annum). The Townsville median house price peaked in the six months ending March 2008 at \$375,00. For the six months ending September 2008, the median price declined 4.0 per cent to \$360,000, based on 1,347 transactions.

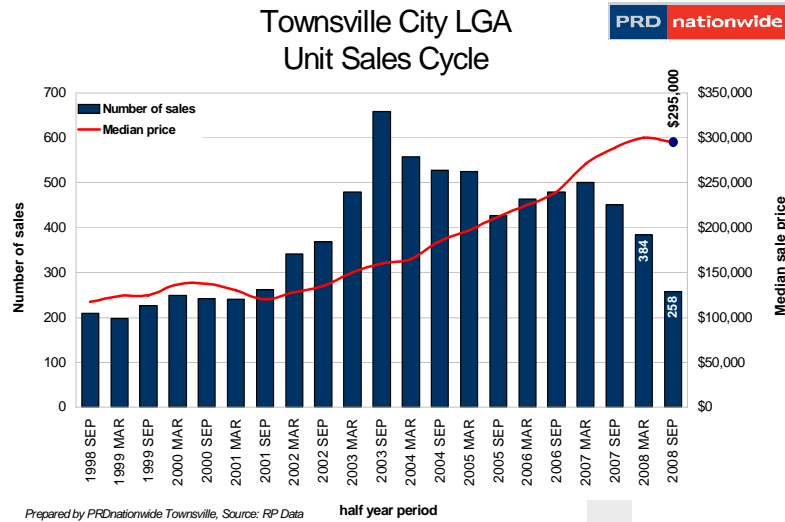
Townsville City LGA House Sales Cycle



Townsville Unit Market

The Townsville unit market also experienced a rapid fall in sales volumes during 2008. Volumes retracted by 33 per cent in the six months to September 2008 when compared to the previous six month period (258 sales Vs 384 sales). This is below the ten average of 392 sales every six months (784 sales per annum). This trend is also reflected in our PRDnationwide Quarterly Townsville Unit Survey, which has shown a retraction of off the plan sales activity during 2008. The median unit price for the six months ending September 2008 was \$295,000, based on 258 transactions. This is 2.1 per cent higher than September 2007 when the median price was \$289,000, however it is 1.6 per cent lower than the median price six months earlier. This is the first period of negative growth for seven years.

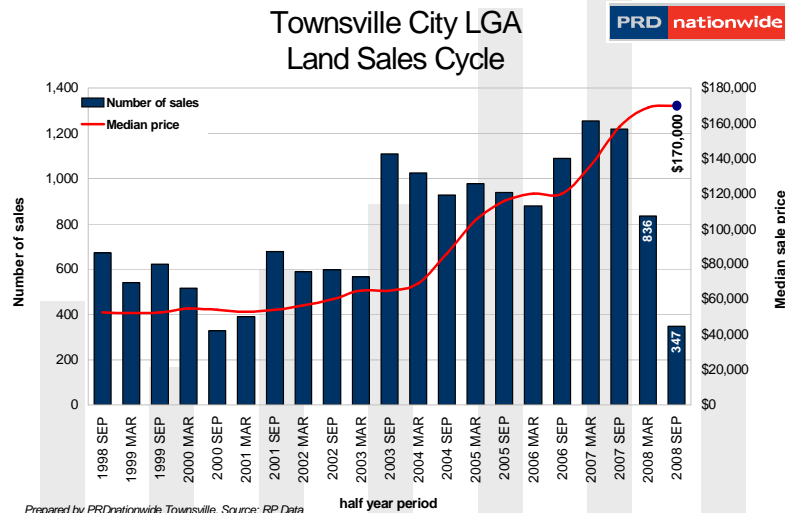
Townsville City LGA Unit Sales Cycle



Townsville Land Market

In a similar trend to the house and unit market, the Greater Townsville land market has experienced a decline in demand in the six months to September 2008. Sales volumes plummeted to just 347 transactions for the six month period, down 58 per cent from the previous six months when 836 sales were recorded. This trend is also confirmed by developer land surveys, which show the lowest levels of sales for some time. The fall in demand is largely attributed to a change in sentiment from builders, who comprise the largest market for vacant residential land. The mass exodus of the builder market has driven the plunge in sales volumes, and a recovery will occur once builders clear their current stock. This is very close to being achieved. Although the median land price has yet to record negative growth, the current level of \$170,000 recorded for the six months ending September 2008 may be the peak of the current cycle. The median land price has grown at extremely strong rates in the last five years, rising from just \$65,000 in September 2003. This change represents annual compounding growth of 21.2 per cent per annum. Proposed new infrastructure charges may place upward pressure on land new land prices in the near future.

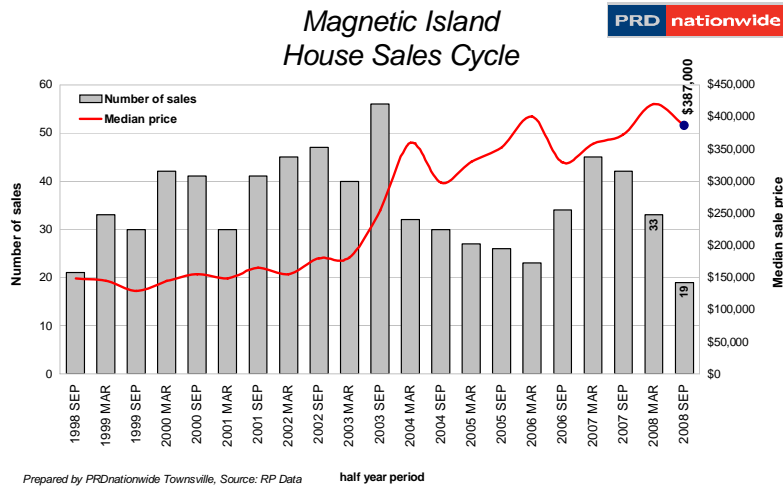
Townsville City LGA Land Sales Cycle



Magnetic Island Property Market Sales Cycles

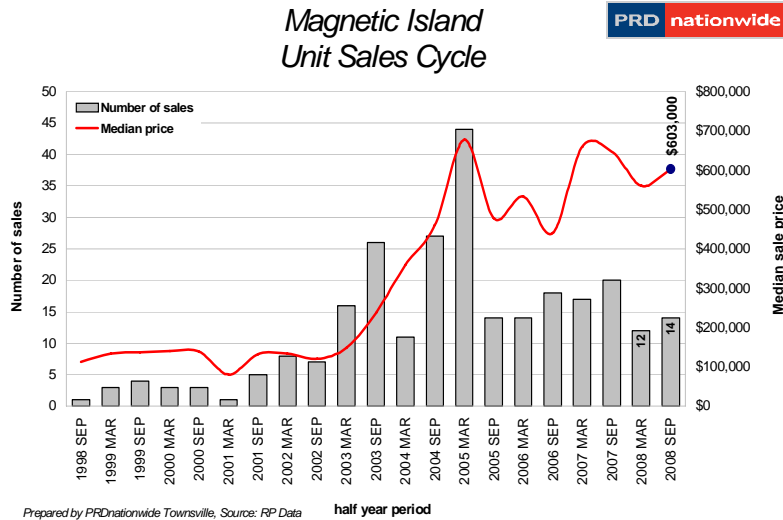
Magnetic Island House Market

Settled sales for all five suburbs on Magnetic Island have been aggregated to produce the sales cycles graphs to the right. Following an increase in activity in the Magnetic Island house market from mid 2006 to mid 2007, sales volumes have declined in the six months to September 2008 with 19 settled sales recorded. The median house price across Magnetic Island in September 2008 was \$387,000, only marginally above the median house price for the broader Townsville City Local Government Area which was \$360,000 for the same period. Median price growth in the last year was 3.9% and over the last five years was 8.7% per annum. Almost 50 per cent of sales during the year ending September 2008 were still less than \$400,000. These figures highlight the affordable nature of property on Magnetic Island, which is the most accessible and well serviced island on the Queensland coast.



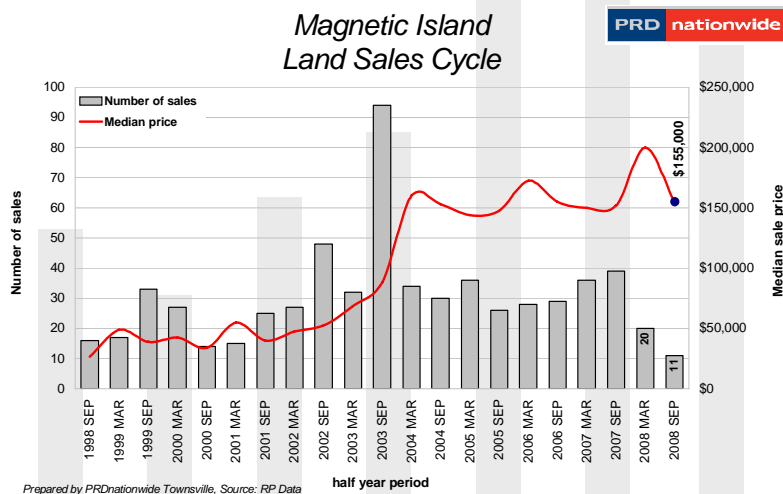
Magnetic Island Unit Market

Prior to 2003, unit sales volumes on Magnetic Island were minimal and median prices were very low. Post 2003, new unit projects, mainly concentrated in and around the Nelly Bay Harbour, commenced and sales volumes and prices lifted dramatically. 233 settled sales have now occurred since March 2003, which is a major achievement and market changing milestone. Since the peak of activity in late 2004/ early 2005, median prices show some volatility due to the mix of product in the market and the relatively small sample size of settled transactions. The median unit price was \$603,000 in September 2008, however this is based on only 14 transactions, therefore needs to be treated with caution. The median price has retracted by 6.9% in the last year, however has recorded five year growth of 20.5% per annum. Unit projects completed in recent years include: The Docks (13 units), Waters Edge (4 units), One Bright Point (124 units), Peppers Blue on Blue stage 1 (101 units) and Beachside (20 units).



Magnetic Island Land Market

Magnetic Island land sales have averaged 31 transactions every six months over the last decade. The median price in September 2008 retracted to \$155,000 based on 11 transactions, making Magnetic Island land more affordable than the Townsville mainland, which recorded a median price of \$170,000 in September 2008. Median price growth over the past five years has been 11.8% per annum. A broad range of land types is now available on Magnetic Island, from prime marina front lots with private pontoons, exclusive beachfront and ocean view lots, through to affordable traditional sub divisions. Scarcity will drive capital growth in the future as demand outstrips the finite supply of developable land.



Townsville Unit Report, December-08 Qtr

Market Snapshot

- There were 44 unconditional sales of new units across 27 projects in the Townsville market during the Dec-08 quarter.
- Gross sales for the quarter are estimated at \$21.6 m.
- 579 new units were available for sale at the end of the quarter, suggesting 39.5 months supply based on current demand.
- 'Riverlinks Apartments' was the fastest selling project during the Dec-08 quarter with 19 unconditional sales.

Survey Analysis

The level of demand in the Dec-08 quarter suggests 39.5 months supply of new unit stock across the Townsville market at current levels of demand, down from 59.8 months recorded in the Sep-08 quarter. Townsville Outer had 11.0 months of stock, down from 47.3 months, while the City area had 106.1 months supply, up from 50.1 months in the Sep-08 quarter.

There were 44 unconditional sales recorded during the Dec-08 quarter, up 57% from the 28 sales recorded during the Sep-08 quarter. Townsville Outer dominated sales accounting for 59% of all sales, compared to Townsville City with 25% of sales and Magnetic Island with 16% of sales. 'Riverlinks Apartments' in Douglas was the fastest selling project with 19 unconditional sales recorded for the quarter. The affordable price points and convenient location close to JCU and The Townsville Hospital drove this strong result. Other projects to note include 'One Bright Point' on Magnetic Island with 7 sales, 'Yarrowonga Village' at North Ward with 6 sales and 'Itara' at Riverway with 4 sales.

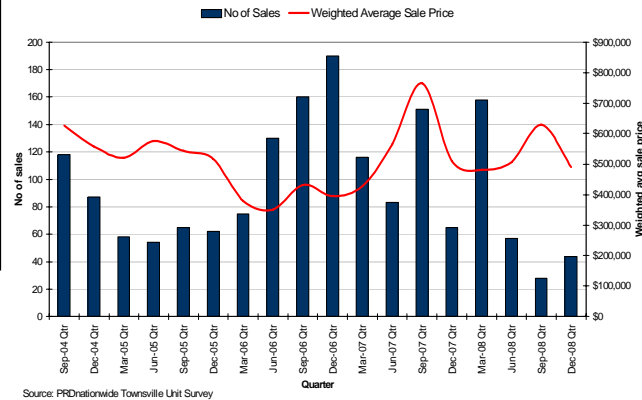
The weighted average sale price moved down from \$628,571 in the Sep-08 quarter to \$490,909 in the Dec-08 quarter, reflecting the concentration of value seeking buyers in the market. Almost all sales were for projects intended for permanent residential use, apart from the Magnetic Island sales.

During the quarter construction was completed at 'Gateway on Palmer' with titles issued on 22 December 2008 and settlements occurring from December 23. Only two contracted apartments did not settle.

New projects in the pipeline that may be ready to report sales next quarter include 'Harbourside Hotel' (140 units) and 'Harbourside Residences' (22 units) and 'Jazz on Palmer' (74 units). 'Santai Resort' (100 units) and 'Santai Residences' (43 units) have been removed from the survey following the appointment of voluntary administrators by the developer Resortcorp, in early March 2009.

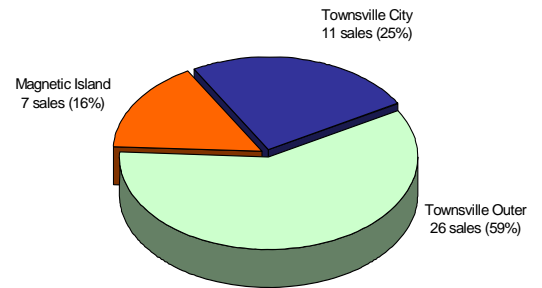
With a further decrease in new unit commencements, continuing low vacancy rates, rising rents and decreasing interest rates, demand is forecast to pick up during 2009 as owner occupiers and investors are enticed back into the market. Activity is likely to remain concentrated in the lower price points in the short term.

Quarterly Sales



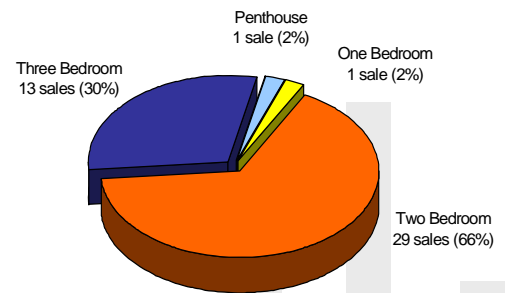
Sales Volumes

Based on units sold during Dec-08 quarter



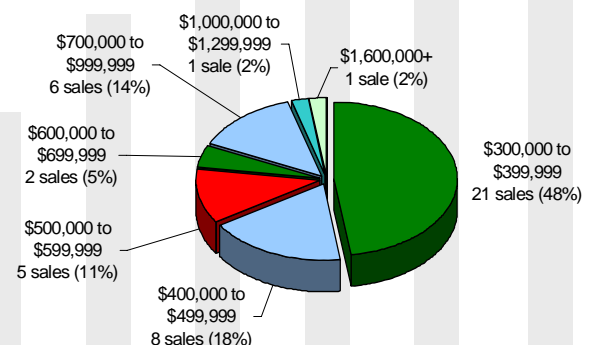
Unit Type

Based on units sold during Dec-08 quarter



Price Points

Based on units sold during Dec-08 quarter



Townsville Unit Report, December-08 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-08 Qtr	Weighted Avg Sale Price	Approx gross sales Qtr	Marketing Company	Developer	
Townsville City												
4 Oxley St	North Ward	Awaiting	Permanent Residential	4	1	3	0	\$0	\$0	Ray White Tvl City	Westcon Site Management Pty Ltd	
Altitude	City	Underway	Permanent Residential	46	27	19	0	\$0	\$0	Benchmark Developments	Benchmark Developments	
Bluewater Residences	North Ward	Underway	Permanent Residential	6	1	5	1	\$1,150,000	\$0	PRDnationwide	Rockpool Developments	
Central (Stage 1)	City	Completed	Permanent Residential	95	41	54	1	\$550,000	\$550,000	Honeycomes Property Group	Honeycomes Property Group	
Central (Stage 2)	City	Awaiting	Permanent Residential	70	35	35	0	\$0	\$0	Honeycomes Property Group	Honeycomes Property Group	
Eclipse on Little St	Belgian Gardens	Underway	Permanent Residential	12	4	8	0	\$0	\$0	John Gribbin Realty	Perry McDonald Constructions	
Fulton Gardens (Metro Tower)	North Ward	Underway	Permanent Residential	27	10	17	0	\$0	\$0	CPR Townsville Holdings Pty Ltd	CPR Townsville Holdings Pty Ltd	
Gateway on Palmer	South Tvl	Underway	Mixed Use	112	80	32	0	\$0	\$0	PRDnationwide	Quantum Group	
Jade #	North Ward	Underway	Permanent Residential	93	30	63	0	\$0	\$0	Hedley Group	Hedley Group	
Jazz on Palmer	South Tvl	Underway	Permanent Residential	74	n/a	n/a	n/a	\$0	\$0	Smith & Elliott	Thompson Property Group/Opus Capital	
Mariner's Peninsula - The Stanton Apartments	City	Underway	Permanent Residential	101	98	3	1	\$1,600,000	\$1,600,000	Ferry Property/Mirvac	Mirvac	
Number 98	North Ward	Completed	Permanent Residential	25	20	5	1	\$850,000	\$850,000	Lancini Group	Lancini Group	
Soiree	North Ward	Underway	Permanent Residential	24	11	13	0	\$0	\$0	Real Way	Gedoun Constructions	
Solarus (Tower 1)	South Tvl	Underway	Permanent Residential	73	57	16	0	\$0	\$0	Ferry Property	Glen Alpine	
Solarus (Tower 2)	South Tvl	Awaiting	Permanent Residential	46	0	46	0	\$0	\$0	Ferry Property	Glen Alpine	
T1 Stage 1 #	City	Underway	Permanent Residential	55	49	6	0	\$0	\$0	Hedley Group	Hedley Group	
The Dalgety	City	Underway	Mixed Use	117	89	28	1	\$450,000	\$450,000	Ferry Property	Fortia Funds Management	
Vue	City	Underway	Permanent Residential	20	2	18	0	\$0	\$0	Remax	Fortia Funds Management	
Yarrowonga Village (Stage 3)	North Ward	Underway	Permanent Residential	36	18	18	6	\$450,000	\$2,700,000	Lindona Developemnts Pty Ltd	Lindona Developments Pty Ltd	
Summary - 19 Projects				1036	573	389	11	\$559,091	\$6,150,000			
Townsville Outer												
Itara (Stage 1)	Condon	Underway	Permanent Residential	52	28	24	4	\$850,000	\$3,400,000	Honeycomes Property Group	Honeycomes Property Group	
Oasis Apartments	Garbutt	Underway	Permanent Residential	26	16	10	1	\$450,000	\$450,000	Benchmark Developments	Benchmark Developments	
Precinct Apartments	Cranbrook	Underway	Permanent Residential	20	10	10	0	\$0	\$0	Benchmark Developments	Benchmark Developments	
Quadrant #	Wulguru	Underway	Permanent Residential	56	56	0	2	\$300,000	\$600,000	Hedley Group	Hedley Group	
Riverlinks Apartments	Douglas	Underway	Permanent Residential	58	19	39	19	\$350,000	\$6,650,000	Gribbin Realty		
West End #	West End	Underway	Permanent Residential	42	30	12	0	\$0	\$0	Hedley Group	Hedley Group	
Summary - 6 Projects				254	159	95	26	\$426,923	\$11,100,000			
Magnetic Island												
One Bright Point	Nelly Bay	Completed	Mixed Use	124	90	34	7	\$621,429	\$4,350,003	Meridien	Meridien	
Peppers Blue on Blue Resort	Nelly Bay	Completed	Mixed Use	101	40	61	0	\$0	\$0	Eureka Funds Management	Eureka Funds Management	
Summary - 2 Projects				225	130	95	7	\$621,429	\$4,350,003			
TOTAL DEVELOPMENTS - 27				1,515	862	579	44	\$490,909	\$21,600,003			

Rental Market

Vacancy Rates to Remain Tight

- 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 1.5% in September 2008, down from 2.6% in June 2008.
- This is the lowest level in regional Queensland apart from Toowoomba which recorded a vacancy rate of 1.2%.
- Vacancy rates are widely predicted to be under pressure throughout 2009 due to lower dwelling commencements.

Residential Vacancy Rates

LGA	Sep-08	Jun-08	Change
Townsville	1.5%	2.6%	-1.1%
Cairns	4.6%	3.8%	0.8%
Mackay	2.1%	1.5%	0.6%
Whitsunday	2.3%	2.6%	-0.3%
Sunshine Coast	3.1%	3.2%	-0.1%
Gold Coast	3.2%	3.7%	-0.5%
Greater Brisbane	1.7%	2.1%	0.4%

Source: REIQ

Rental Rates Continue to Climb

- 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 December 2008 the Residential Tenancy Authority held a total of 9,850 bonds for houses and 6,479 bonds for units in Townsville.
- Across Townsville, rents have increased around 12% over the year ending December 2008.
- The median rent on a 4 bedroom home was up \$40 per week in the former Townsville area and in the former Thuringowa area.
- 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 \$440 per week for 3 bedroom units in the inner city postcode of 4810 followed by \$420 per week for 4 bedroom houses in the 4811 postcode (Predominantly due to Fairfield Waters).
- The largest gains were experienced in the middle ring postcode of 4812 where 3 bedroom homes rose by \$80 to \$380 per week and outer areas in postcode 4817 where 3 bedroom units rose by \$70 per week to \$350 per week.
- Further modest rises in rental rates are expected due to tight vacancy rates and a decrease in new dwelling supply.

North Qld Median Weekly Rents

PRD nationwide

Dwelling Type	Area	Dec Qtr 08 Rent (\$)	Dec Qtr 07 Rent (\$)	1 Yr Change %	1 Yr Change \$
2 bed units	Townsville Area	\$290	\$250	16.0%	\$40
2 bed units	Thuringowa Area	\$250	\$240	4.2%	\$10
2 bed units	New Townsville City LGA	\$280			
2 bed units	Cairns City LGA	\$260			
2 bed units	Mackay Regional Council	\$280			
3 bed units	Townsville Area	\$405	\$350	15.7%	\$55
3 bed units	Thuringowa Area	\$340	\$280	21.4%	\$60
3 bed units	New Townsville City LGA	\$380			
3 bed units	Cairns City LGA	\$350			
3 bed units	Mackay Regional Council	\$420			
3 bed houses	Townsville	\$335	\$300	11.7%	\$35
3 bed houses	Thuringowa	\$330	\$290	13.8%	\$40
3 bed houses	New Townsville City LGA	\$330			
3 bed houses	Cairns City LGA	\$315			
3 bed houses	Mackay Regional Council	\$380			
4 bed houses	Townsville	\$400	\$360	11.1%	\$40
4 bed houses	Thuringowa	\$380	\$340	11.8%	\$40
4 bed houses	New Townsville City LGA	\$390			
4 bed houses	Cairns City LGA	\$365			
4 bed houses	Mackay Regional Council	\$490			

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 March 2009, weekly domestic seat capacity into Townsville is estimated at 15,079 seats, down from 17,630 seats in December 2008.
- This 14.4% decrease is largely seasonal and has been driven by decreased capacity on Jetstar and Virgin Blue flights.
- Qantas hold the highest market share with 6,828 seats (50 flights), followed by Virgin Blue with 5,488 seats (41 flights), then Jetstar with 2,763 seats (15 flights).
- Total weekly flights into Townsville in March 2008 is 106, comprised of 91 from Brisbane (down from 102 in December-08), 12 from Sydney (unchanged) and 3 from Melbourne (unchanged).
- Virgin Blue are commencing four new routes from April 6 with daily return services from Townsville to Gold Coast, Cairns, Canberra and Rockhampton. This has the potential to boost visitor numbers to the City and has been welcomed by Townville leaders.

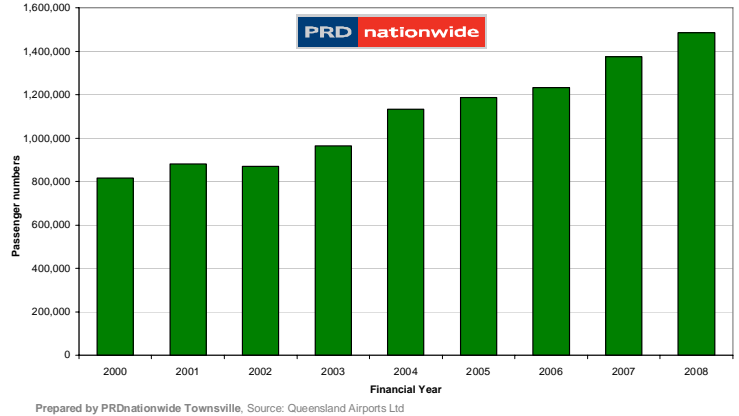
Visitor Numbers

- The Townsville region hosted 885,000 domestic overnight visitors in the year ending June 2008, comprising mainly of intrastate visitors.
- The visitor profile is shared almost equally between holiday (293,000), visiting friends and relatives (VFR) (300,000) and business visitors (214,000), spreading the risk and not relying on any one market sector, as do some of the neighbouring regions.
- Domestic visitors account for 86% of all visitors to the region.
- Interstate visitors account for 17% of domestic visitors yet account for 27% of visitor nights.
- Total expenditure by visitors in the year ending September 2008 was \$555 million.

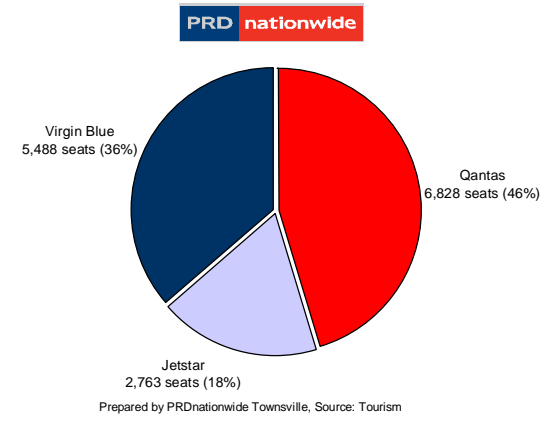
Accommodation Performance

Recent tourism statistics show room occupancy rates across Townsville hotels motels and serviced apartments decreased slightly between the year ending September 2008 and 2007, from 73.65% to 71.75%. An increase in the average room rate offset the slightly lower occupancy rate however, with revenue per available room (REVPAR) increasing by a solid 6.8% over the year. September is the best performing quarter of the year due to seasonal influences. Townsville had 2,264 rooms as at September 2008. An increase in supply may test occupancy rates in subsequent quarters.

Townsville Airport Passenger Movements



Airline Share of Seat Capacity Townsville March-09

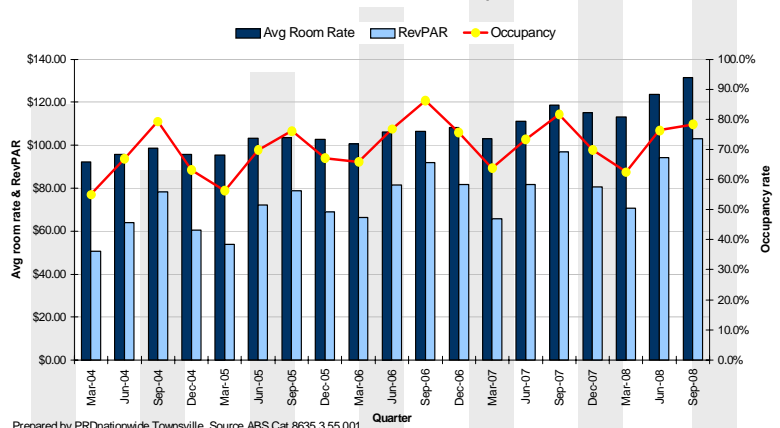


Townsville Region YE Sep-08 Tourism Visitation Highlights

	Total Vistors	Holiday	VFR	Business	Expenditure
Domestic overnight	885,000	293,000	300,000	214,000	\$555m
Annual change	↓ 20%	↓ 23%	↓ 16%	↓ 33%	↓ 7%
International overnight	148,000	124,000	15,000	n/p	\$81
Annual change	↑ 6%	↑ 6%	↔ 0%	n/p	↓ 11%

Prepared by PRDnationwide Townsville, Source: Tourism Queensland

Townsville LGA Hotels Motels & Serviced Apartments



Macroeconomic Climate

Inflation on the way down

- 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-08 CPI figures recorded an annual change of 3.7% which is just outside of the RBA's target range.
- Quarterly inflation was 0.3% down, compared to the 1.2% rise in the September-08 quarter.
- The underlying inflation figure as measured by the RBA is also on the way down, recording growth of 4.1% over the year. Underlying inflation removes volatile items such as fruit and fuel.
- Continued falls in consumer and business confidence are likely to reduce inflationary pressure further, however due to the global financial crisis, the focus has shifted from attempting to control inflation via interest rates, to stimulating demand and economic activity.
- March 2009 CPA data is scheduled to be released on 22/04/2009.

RBA slashes interest rates to a seven year low

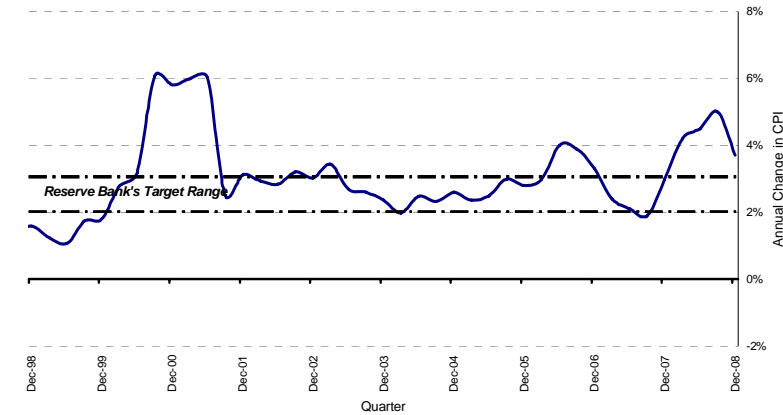
- The housing loan interest rate is the average rate of interest being offered by housing lenders. It is higher than the RBA's target cash rate due to lending costs and profit margins.
- Interest rates are set by the RBA, who acts independently of government and sets interest rates with the goal of maintaining inflation in a long-run target range of 2 - 3%. The RBA meets monthly to review the current interest rate.
- Following a 25 basis points rise in March-08, taking the cash rate up to 7.25%, the RBA have responded to the financial crisis and looming global recession decisively, slashing interest rates by 0.25% in September-08, a full 1.0% in October-08, 0.75% in November-08, another full 1.0% in December-08, and most recently another full 1.0% in February-09, reducing the cash rate to just 3.25%.
- Due to higher borrowing costs, the banks have not passed on the full reduction, with the average standard variable home loan reducing from 9.6% at the end of July 2008 to 6.85% in January 2009.
- The market is factoring in further minor cuts during 2009 with some commentators expecting the cash rate to bottom at around 3.0% by mid 2009.

Commodities come off the boil

- The RBA's Commodity Price Index provides an indicator of primary commodity price movements.
- The index recorded a 1% decrease in Dec-08, and is widely tipped to decline further, with resource based commodities in particular coming under pressure.
- A rapid decline in Chinese economic growth is impacting on demand for resources, and subsequently the strong growth seen in commodity prices appears to be over for the current cycle.
- A weaker Australian dollar may assist in supporting the level of commodity exports, partly counteracting the effects of decreasing global demand.

Inflation

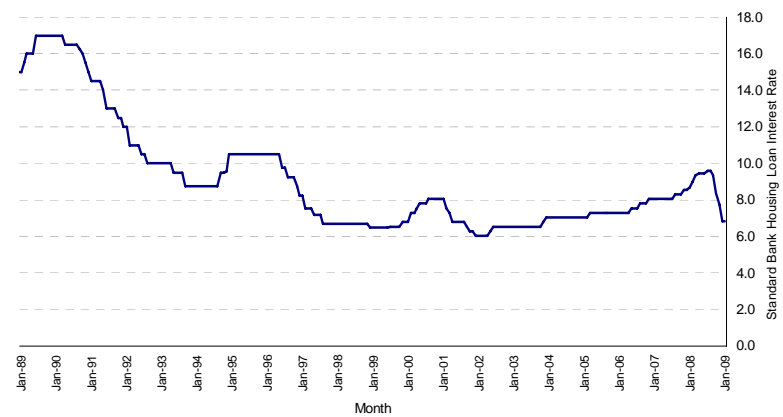
PRD nationwide



Prepared by PRDnationwide Townsville
Source: ABS Cat No: 6401.0, last updated February-09

Housing Loan Interest Rate

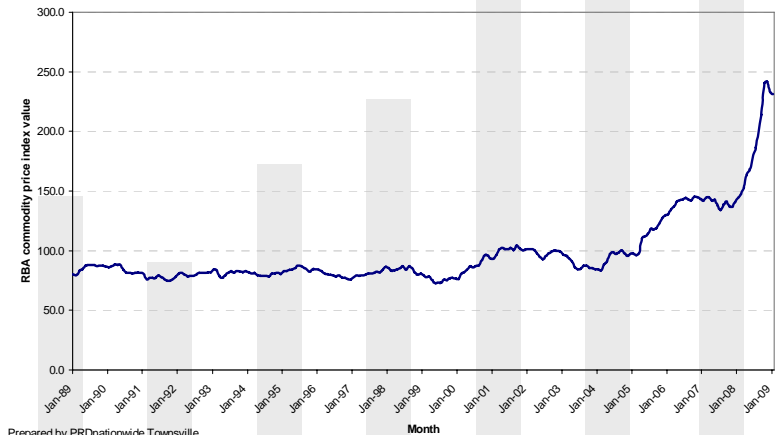
PRD nationwide



Prepared by PRDnationwide Townsville
Source: RBA Bulletin F05, last updated February-09

RBA Commodity Price Index

PRD nationwide



Prepared by PRDnationwide Townsville
Source: RBA Bulletin G5, last updated February-09

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, RP Data, Queensland Airports Ltd, Tourism Queensland, REIQ, RTA, RBA.

For further details please contact: **Dean Dederer, Research & Special Projects Manager, Ph: 07 4759 9103 or deandederer@prd.com.au**

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