



Townsville Residential Property Report

AUGUST | 2008



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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". Resident surveys reveal a dramatic increase in the liveability of the region. People are flocking to North Queensland for the opportunities and staying for the lifestyle. The feeling on the ground is that the place has permanently stepped up a couple of gears, but the rest of the country hasn't quite worked it out yet.

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 has worked so hard to earn.

Market summary

Following around five years of strong median price growth, the Townsville region residential property market is finally showing signs of moderating. Sales volumes are down and the number of listings are up, giving some power back to buyer. Yields are up however, as rental rates continue to play catch up with over half a decade of strong price growth. This is providing sound opportunities for investors and will eventually encourage more investors back into the market.

The underlying fundamentals of the Townsville market are sound and should assist in providing some market stability in a volatile national and international environment.

In contrast to some negative market sentiment, a number of local price records have been set in recent months. A single residential lot on Magnetic Island sold for \$1.3m in July 2008. The 1,748 m² lot at 'Nobby Headlands' in Picnic Bay sold to a Melbourne buyer who will build a holiday home on the elevated ocean view lot. A large home at Stanton Terrace in North Ward sold to a local businessman in June 2008 for an undisclosed amount, reported to be in the high \$3m's. This eclipsed the previous record of \$3m for a Castle Hill home sold in August 2007.

In the 2 yrs up to June 2008, 129 house sales over \$750k have been recorded across Greater Townsville. Big ticket sales are no longer confined to the traditional inner city prestige suburbs with 26 suburbs right across Townsville now boasting post \$750,000 house sales.

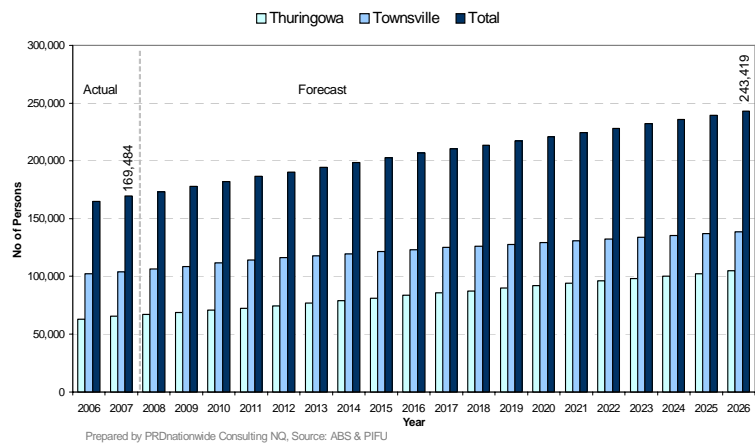
Construction costs remain one of the biggest threats to the market, with material prices continuing to increase at alarming rates. This is more than offsetting any relaxation being experienced in labour costs.

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 (high series) indicating the population is expected to reach over 240,000 people by 2026. Based on the most recent population increase and average dwelling size (persons per household) across Greater Townsville of 2.7 persons, approximately 1,680 new dwellings are required per annum in Greater Townsville to satisfy derived demand for permanent dwellings. 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.

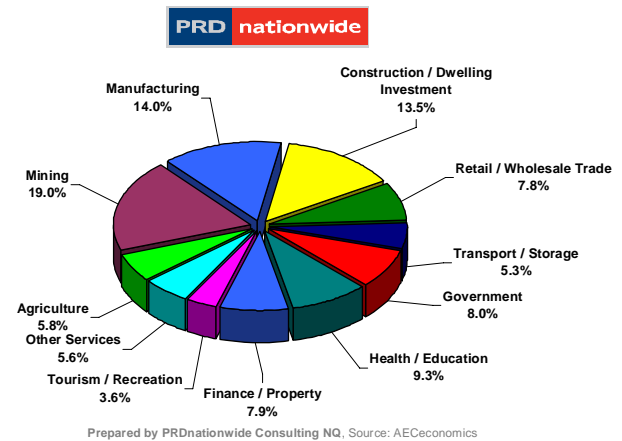
Greater Townsville Projected Population



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.

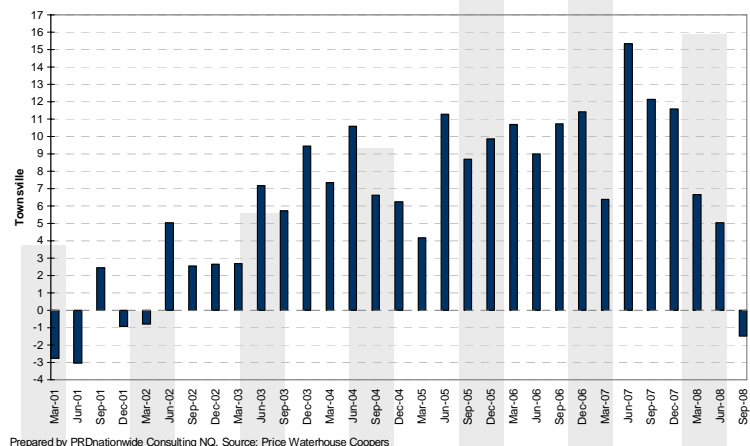
Townsville Region Gross Regional Product 2006-07



Business Confidence

- Pricewaterhouse Coopers conduct a quarterly survey amongst approximately 300 business operators in Townsville regarding their expectations for the quarter ahead.
- The results of the surveys are translated into a change index.
- At 98.5 for the September-08 quarter, the index has dropped 6 points from the previous quarter.
- Turmoil in the global financial markets and falling consumer demand are exacerbating the local situation although according to PWC, most survey respondents expect economic conditions to improve.
- The most significant business challenges include skills shortages and increased supply costs.

Townsville Business Confidence Index



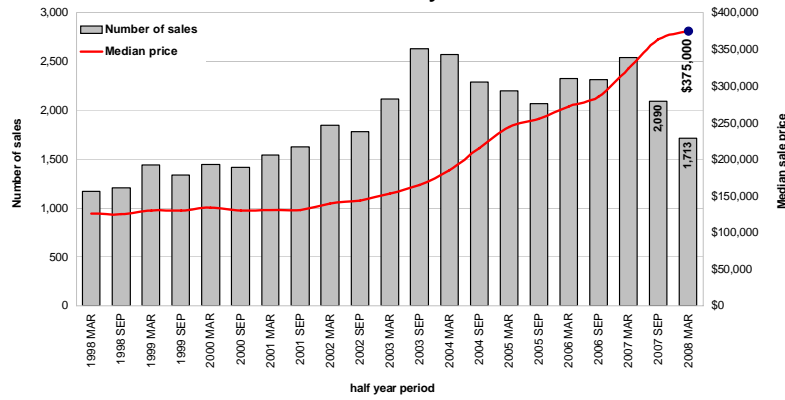
Townsville Property Market Sales Cycles

Townsville House Market

The Greater Townsville house market has experienced solid growth over the past decade as the sales cycle graph below indicates. The median house price for the six months ending March 2008 was \$375,000, based on 1,713 transactions. This median price has grown at very strong rates in the last five years, rising from a mere \$153,000 in March 2003. This change represents annual compounding growth of 19.6% per annum. Growth in the last year was a more moderate but still solid 16.1%.

38,481 transactions were recorded in the ten years ending March 2008, equating to an annual average of 3,848 transactions (1,924 every six months). The annual average over the last five years is 4,546 (2,273 every six months). Sales volumes retracted marginally in the last six month period to 1,713 transactions and current market conditions indicate that activity may remain at slightly subdued levels comparative to recent years.

Greater Townsville House Sales Cycle



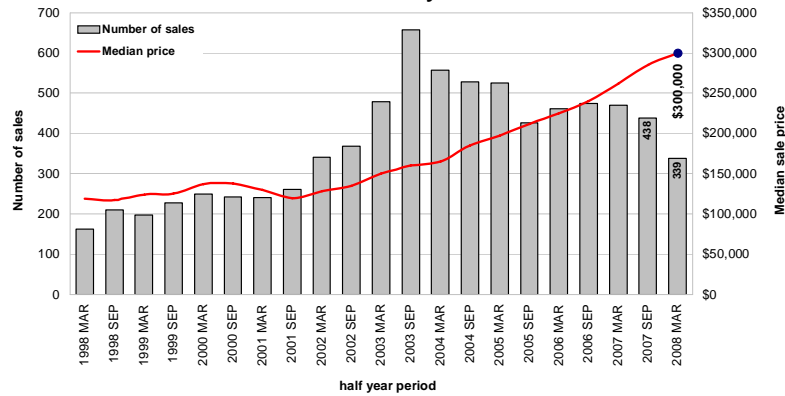
Prepared by PRDnationale Consulting NO. Source: RP Data

Townsville Unit Market

The median unit price for the six months ending March 2008 was \$300,000, based on 339 transactions. This median price has grown at steady but sustainable rates over the last five years, rising from \$150,000 in March 2003. This change represents annual compounding growth of 14.9% per annum. Growth in the last year was a similar level at 14.4%.

7,693 transactions were recorded in the ten years ending March 2008, equating to an annual average of 769 transactions (384 every six months). The annual average over the last five years is 975 (487 every six months). Sales volumes peaked in September 2003, with 658 transactions for the six month period. Sales volumes have declined in the last six month period to 339 transactions. As this is below the historical average and the underlying market fundamentals are still sound, there is likely to be a build up of pent up demand in the medium term.

Greater Townsville Unit Sales Cycle



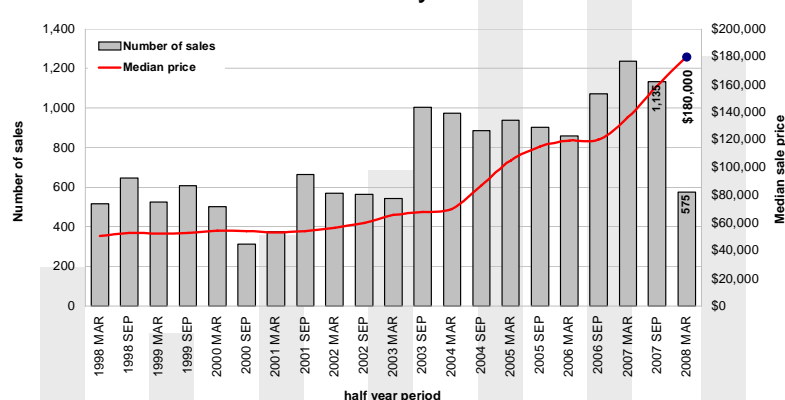
Prepared by PRDnationale Consulting NO. Source: RP Data

Townsville Land Market

In a similar trend to the house and unit market, the Greater Townsville land market has performed extremely strongly over the past decade. The median land price for the six months ending March 2008 was \$1800,00, based on 575 transactions. The market has changed considerably in recent times and median price has grown at very strong rates in the last four years, rising from just \$70,000 in March 2004. This change represents annual compounding growth of 26.6% per annum. Median price growth in the last year ramped up to 32.4%.

14,888 transactions were recorded in the ten years ending March 2008, equating to an annual average of 1,488 transactions (744 every six months). The annual average over the last five years is 1,917 (958 every six months). Sales volumes retracted in the last six month period to 575 transactions although there appears to be a large volume of contracts awaiting lot titles before settlement can occur, as demand has run ahead of lot production.

Greater Townsville Land Sales Cycle

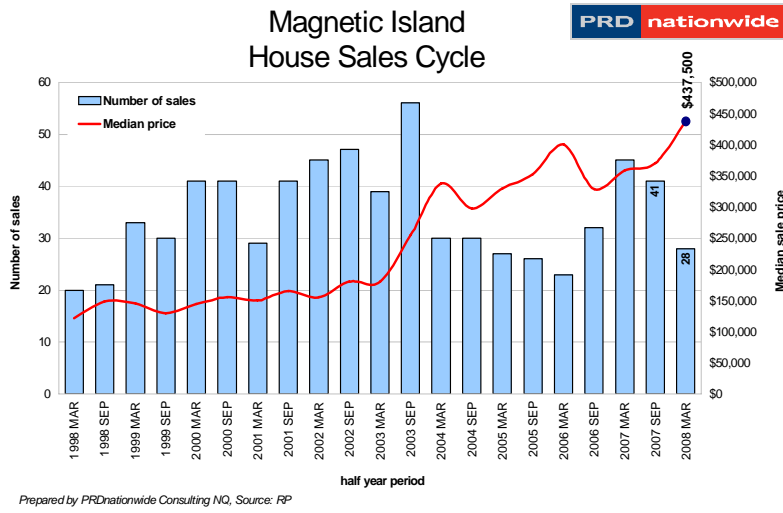


Prepared by PRDnationale Consulting NO. Source: RP Data

Magnetic Island Property Market Sales Cycles

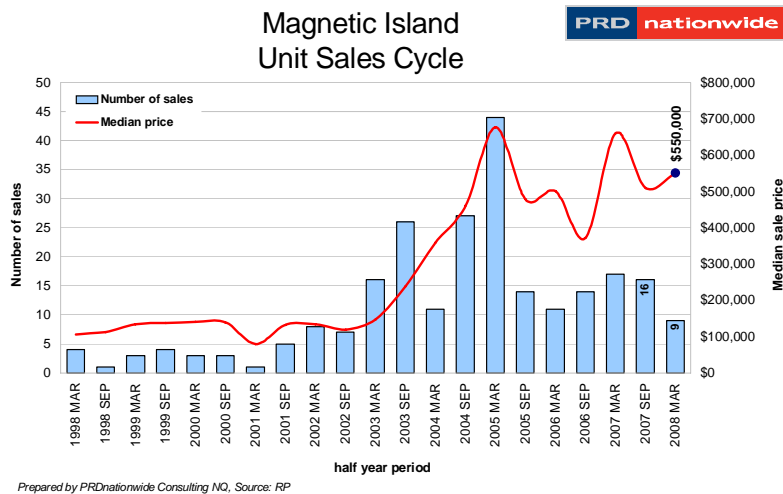
Magnetic Island House Market

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 during 2007, sales volumes fell away again in the six months ending March 2008, with 28 sales recorded. As predicted, however, median price growth has accelerated since September 2007. The median house price across Magnetic Island in March 2008 was \$437,500, now well above the median house price for the broader Greater Townsville area which was \$375,000 for the same period. Median price growth in the last year was 22.2% and over the last five years was 19.4% per annum. Despite this impressive six-month growth from a median of \$370,000 at September 2007, more than 50 per cent of sales during the year ending March 2008 at Magnetic Island 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.



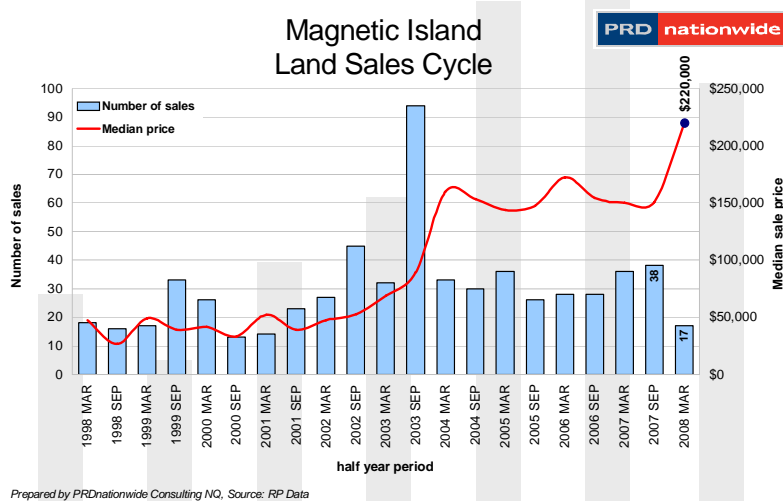
Magnetic Island Unit Market

Prior to 2002, unit sales volumes on Magnetic Island were minimal and median prices were very low. Post 2002, new unit projects commenced and sales volumes and prices lifted dramatically. 205 settled sales have now occurred since June 2003, which is a major achievement and market changing milestone. Since the peak of activity in March 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 \$550,000 in March 2008, based on 9 transactions. The median price has retracted by 16.7% in the last year, however has recorded five year growth of 30.0% per annum. Unit projects completed in recent years include: The Docks (13 units), Waters Edge (4 units), One Bright Point (124 units) and Peppers Blue on Blue stage 1 (101 units).



Magnetic Island Land Market

Magnetic Island land sales have averaged 30 transactions every six months over the last decade. The median price in March 2008 rose to \$220,000 based on 17 transactions. Median price growth over the last year was an astounding 46.7%, while five year growth has been a strong 26.2% 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. The main land estates include 'Island Crest', 'Sandals' and 'The Forts' at Horseshoe Bay, 'The Beach' and 'Nobby Headland' at Picnic Bay and 'The Moorings' at Nelly Bay harbour. Scarcity will drive capital growth in the future as demand outstrips the finite supply of developable land.

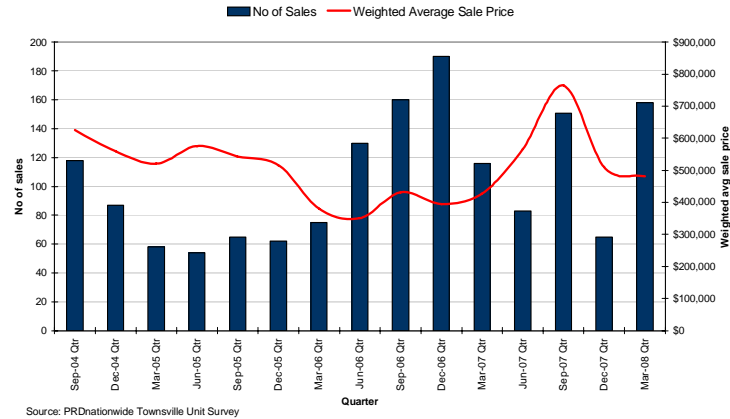


Townsville Unit Report, March-08 Qtr

Market Snapshot

- There were 158 unconditional sales of new units in the Townsville region during the March-08 quarter.
- Gross sales for the quarter are estimated at \$75.95m.
- 482 new units were available for sale at the end of the quarter, suggesting 9.2 months supply based on current demand.
- Hedley's 'Quadrant' was the fastest selling project during the March-08 quarter with 54 unconditional sales.

Townsville New Unit Market Quarterly Sales



Overview

The Townsville new unit market experienced a new lease of life during the March-08 quarter, to record one of the highest levels of sales in the past three and a half years. The sales spree was largely attributed to the stellar performance of the Hedley Group's three new affordable projects 'West End', 'Quadrant' and 'Jade'. These were the only new projects to enter the survey with 15-29 Paddington Tce being the only project to sell out during the quarter. The astounding result was achieved despite softening consumer sentiment and a general market downturn, demonstrating the resilience of the Townsville market.

Analysis

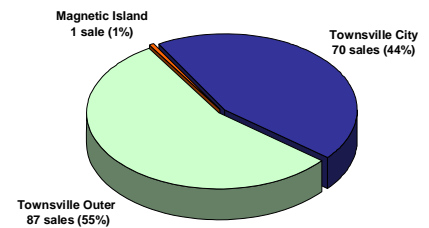
The level of demand in the March-08 quarter suggests 9.2 months supply of new unit stock across the Townsville market at current stock levels, down from 20.7 months recorded in the December-07 quarter. Townsville Outer had a low 1.5 months of stock, down from 3.7 months, while the City area dropped to 14.7 months from 26.0 months supply in the December-07 quarter.

There were 158 unconditional sales recorded during the March-08 quarter, up 143% from the 65 sales recorded during the December-07 quarter. Townsville Outer dominated sales accounting for 55% of all sales, compared to Townsville City with 44% of sales. Hedley Group's 'Quadrant' was the fastest selling project with 54 unconditional sales recorded for the quarter. Other strong performers were Hedley Group's 'West End' and 'Jade' each with 30 sales, while Honeycombes Property Group's 'Central' (Stage2) recorded an impressive 18 sales. Inner City project 'Vue' had 10 contracts rescinded and now has 18 near completed apartments to sell at new list prices.

The weighted average sale price moved down further from \$510,000 in the December-07 quarter, to \$480,696 in the March-08 quarter. Only 7% of sales recorded in the March-08 quarter were for projects intended for short term accommodation or mixed use projects, while the balance of 93% were for permanent residential use. New projects in the pipeline that may enter the survey next quarter include: Precinct (20 units), Oasis (26 units), Solarus Tower 2 (46 units) & Fulton Gardens (Metro Tower) (27 units).

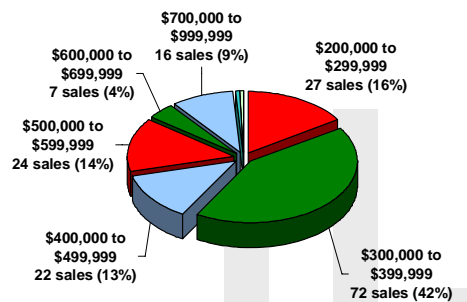
Sales Volumes

Based on units sold during Mar-08 quarter



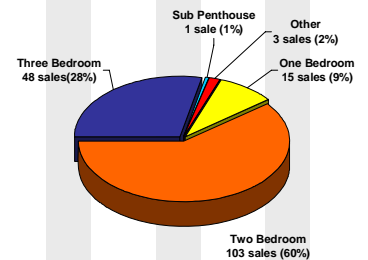
Price Points

Based on units sold during Mar-08 quarter



Unit Type

Based on units sold during Mar-08 quarter



Townsville Unit Report, March-08 Qtr

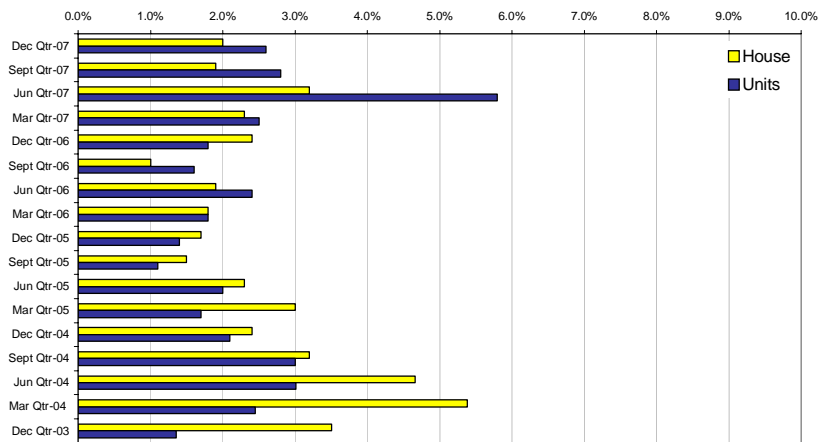
Townsville New Unit Market Sales Analysis of Recent Market Activity										PRD	nationwide
Development	Suburb	Construction Status	Intended Building Use	Total Units	Sold to date	Avail for sale	No. Sold Mar-08 Qtr	Weighted Avg Sale Price	Approx gross sales Qtr	Marketing Company	Developer
Townsville City											
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	Mixed Use	46	23	23	0	\$0	\$0	Coldwell Banker	Benchmark Developments
Bluewater Residences	North Ward	Underway	Permanent Residential	6	0	6	0	\$0	\$0	Ferry Property	Rockpool Developments
Central (Stage 1)	City	Underway	Permanent Residential	95	38	57	3	\$383,333	\$1,149,999	Honeycombes Property Group	Honeycombes Property Group
Central (Stage 2)	City	Underway	Permanent Residential	70	26	44	18	\$394,444	\$7,099,992	Honeycombes Property Group	Honeycombes Property Group
Eclipse on Little St	Belgian Gardens	Underway	Permanent Residential	12	4	8	0	\$0	\$0	PRDnationwide	Perry McDonald Constructions
Element on Gregory #	North Ward	Underway	Permanent Residential	42	41	1	3	\$450,000	\$1,350,000	Hedley Group	Hedley Group
Empyrean	North Ward	Completed	Permanent Residential	7	5	2	1	\$650,000	\$650,000	Lancini Group	Lancini Group
Gateway on Palmer	South Tvl	Underway	Mixed Use	112	79	33	5	\$530,000	\$2,650,000	PRDnationwide	Quantum Group
Jade #	North Ward	Underway	Permanent Residential	93	30	63	30	\$566,667	\$17,000,010	Hedley Group	Hedley Group
Mariner's Peninsula - The Stanton Apartments	City	Underway	Permanent Residential	101	97	4	-2	\$0	\$0	Ferry Property/Mirvac	Mirvac
Number 98	North Ward	Underway	Permanent Residential	25	18	7	5	\$770,000	\$3,850,000	Knight Frank	Lancini Group
Riva	South Tvl	Underway	Permanent Residential	48	n/a	n/a	n/a	\$0	\$0	Knight Frank	Thompson Property Group/Opus Capital
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	51	22	8	\$825,000	\$6,600,000	Ferry Property	Glen Alpine
Solarus (Tower 2)	South Tvl	Underway	Permanent Residential	46	n/a	n/a	n/a	\$0	\$0	Ferry Property	Glen Alpine
T1 Stage 1 #	City	Underway	Permanent Residential	55	44	11	4	\$550,000	\$2,200,000	Hedley Group	Hedley Group
The Dalgety	City	Underway	Mixed Use	111	83	28	4	\$987,500	\$3,950,000	Ferry Property	Fortia Funds Management
Vue	City	Underway	Permanent Residential	20	2	18	-10	\$0	\$0	Remax	Fortia Funds Management
Watermark	North Ward	Completed	Permanent Residential	46	45	1	0	\$0	\$0	PRDnationwide	Crackers Corporation
Yarrowonga Terraces	Belgian Gardens	Completed	Mixed Use	8	8	0	1	\$650,000	\$650,000	Ferry Property	Fairstone Investments
Summary - 21 Projects				1044	606	344	70	\$673,571	\$47,150,001		
Townsville Outer											
Itara (Stage 1)	Condon	Underway	Permanent Residential	52	22	30	1	\$650,000	\$650,000	Honeycombes Property Group	Honeycombes Property Group
Paddington Tce (15-29)	Douglas	Completed	Permanent Residential	8	8	0	2	\$450,000	\$900,000	Ferry Property	Parsons Constructions
Oasis Apartments	Garbutt	Underway	Permanent Residential	26	n/a	n/a	n/a	\$0	\$0	Coldwell Banker	Benchmark Developments
Precinct Apartments	Cranbrook	Underway	Permanent Residential	20	n/a	n/a	n/a	\$0	\$0	Coldwell Banker	Benchmark Developments
Quadrant #	Wulguru	Underway	Permanent Residential	56	54	2	54	\$300,000	\$16,200,000	Hedley Group	Hedley Group
West End #	West End	Underway	Permanent Residential	42	30	12	30	\$350,000	\$10,500,000	Hedley Group	Hedley Group
Summary - 6 Projects				204	114	44	87	\$324,713	\$28,250,000		
Magnetic Island											
One Bright Point	Nelly Bay	Completed	Mixed Use	124	83	41	0	\$0	\$0	Meridien	Meridien
Peppers Blue on Blue Resort	Nelly Bay	Completed	Mixed Use	101	48	53	1	\$550,000	\$550,000	PRDnationwide	Eureka Funds Management
Summary - 2 Projects				225	131	94	1	\$550,000	\$550,000		
TOTAL DEVELOPMENTS - 29				1,473	851	482	158	\$480,696	\$75,950,001		

Rental Market

Vacancy Rates Set to Tighten

- Each quarter the REIQ conducts a survey to determine vacancy rates in local government areas across Queensland. Townsville/Thuringowa 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.
- Vacancy rates of houses was 2.0% in the Dec-07 Qtr, up slightly from 1.9% in the Sep-07 Qtr.
- Vacancy rates of units fell to 2.6% in the Dec-07 Qtr, down from 2.8% in the Sep-07 Qtr.
- Vacancy rates are widely predicted to be under pressure throughout 2008.
- As of the start of this year the REIQ have discontinued their quarterly survey and have reverted to a biannual survey. The next survey covering the June-08 half year will be released during September-08.

Greater Townsville Vacancy Rates



Prepared by PRDnationwide Consulting NQ

Source: REIQ

Rental Rates Playing Catch Up

- 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.
- Across Greater Townsville, rents have increased around 12% over the year ending June 2008.
- The median rent on a 4 bedroom home was up \$40 per week in Townsville and \$30 per week in Thuringowa.
- 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 \$410 per week for 3 bedroom units in the inner city postcode of 4810 followed by \$400 per week for 4 bedroom houses in the same postcode.
- The largest gains were experienced in the middle ring postcode of 4814 where 3 bedroom units rose by \$60 to \$340 per week and the outer suburbs in postcode 4815 where 4 bedroom houses rose by \$50 per week to \$350 per week.
- Further rises in rental rates are expected as rents are still catching up with the strong median price rises of the past six years.
- This is being compounded by tight vacancy rates and a drop in new dwelling supply.

Median weekly rents Townsville and Thuringowa



Dwelling Type	Area	Jun Qtr 08 Rent (\$)	Jun Qtr 07 Rent (\$)	1 Yr Change %	1 Yr Change \$
2 bed units	Townsville Area	\$260	\$230	13.0%	\$30
2 bed units	Thuringowa Area	\$230	\$200	15.0%	\$30
2 bed units	New Townsville City LGA	\$250			
3 bed units	Townsville Area	\$380	\$350	8.6%	\$30
3 bed units	Thuringowa Area	\$290	\$260	11.5%	\$30
3 bed units	New Townsville City LGA	\$380			
3 bed houses	Townsville	\$320	\$280	14.3%	\$40
3 bed houses	Thuringowa	\$310	\$275	12.7%	\$35
3 bed houses	New Townsville City LGA	\$320			
4 bed houses	Townsville	\$390	\$350	11.4%	\$40
4 bed houses	Thuringowa	\$360	\$330	9.1%	\$30
4 bed houses	New Townsville City LGA	\$370			

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 travel market. 1,374,000 passengers passed through the Townsville airport in the year ending June 2007, representing a change of 11.4% from 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 August 2008, weekly domestic seat capacity into Townsville is estimated at 16,188 seats, up from 13,860 in March 2008.
- This 17% increase (2,328 seats) is driven by increased capacity on Qantas, Jetstar and Virgin Blue Brisbane to Townsville flights.
- Qantas hold the highest market share with 6,750 seats (52 flights), followed by Virgin Blue with 5,544 seats (33 flights), then Jetstar with 3,894 seats (22 flights).

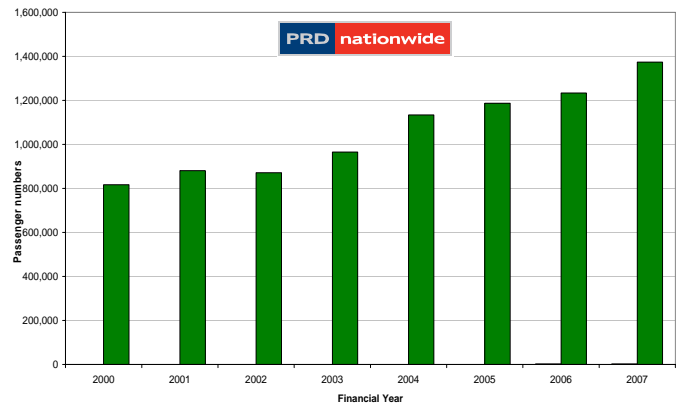
Visitor Numbers

- The Townsville region hosted 1,098,000 domestic overnight visitors in the year ending December 2007, comprising mainly of intrastate visitors.
- The visitor profile is shared almost equally between holiday (395,000), visiting friends and relatives (VFR) (362,000) and business visitors (296,000), spreading the risk and not relying on any one market sector, as do some of the neighbouring regions.
- Domestic visitors account for 88% of all visitors to the region.
- Interstate visitors account for 17% of domestic visitors yet account for 33% of visitor nights.
- Total expenditure by visitors in the year ending December 2007 was \$615 million.
- The short break drive market has reached a five year high.

Accommodation Performance

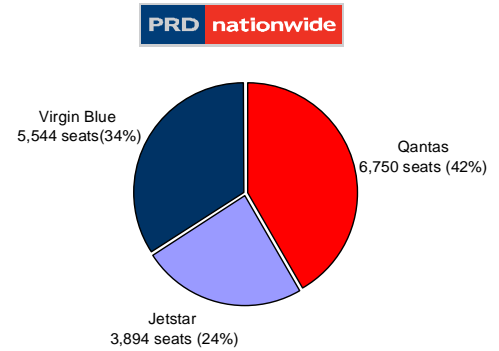
Recent tourism statistics show room occupancy rates across Townsville hotels motels and serviced apartments decreased slightly between the year ending December 2006 and 2007. An increase in the average room rate offset the slightly lower occupancy rate however, with revenue per available room (REVPAR) increasing slightly over the year. September is the best performing quarter of the due to seasonal influences. The increase in tourist numbers, and the way that Townsville has marketed itself to the rest of Australia has encouraged developers to start planning and constructing more business and leisure hotel towers in the central Townsville area, supplying much needed quality accommodation to an expanding market.

Townsville Airport Passenger Movements



Prepared by PRDnationwide Consulting NQ, Source: Queensland Airports Ltd

Airline Shares of Seat Capacity Townsville August -08



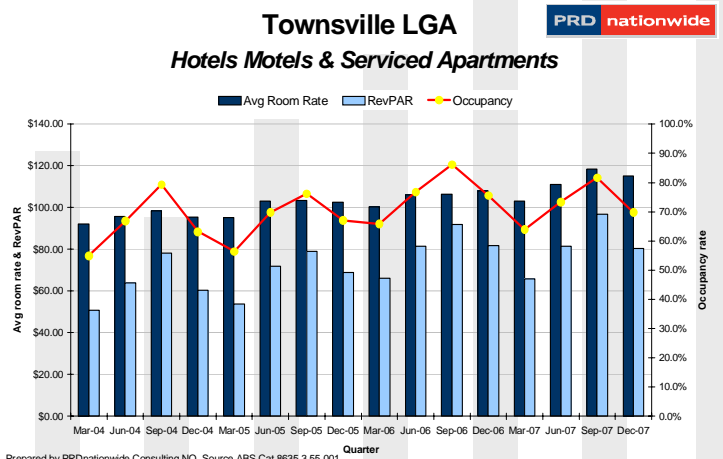
Prepared by PRDnationwide Consulting NQ, Source: Tourism

Townsville Region 2007 Tourism Visitation Highlights

	Total Visitors	Holiday	VFR	Business
Domestic overnight	1,098,000	395,000	363,000	296,000
3 year trend	↑ 4.80%	↑ 7.20%	↑ 4.70%	↑ 8.30%
International overnight	157,000	132,000	16,000	n/p
3 year trend	↑ 3.00%	↑ 3.30%	↓ 2.00%	n/p

Prepared by PRDnationwide Consulting NQ, Source: Tourism Queensland

Townsville LGA Hotels Motels & Serviced Apartments

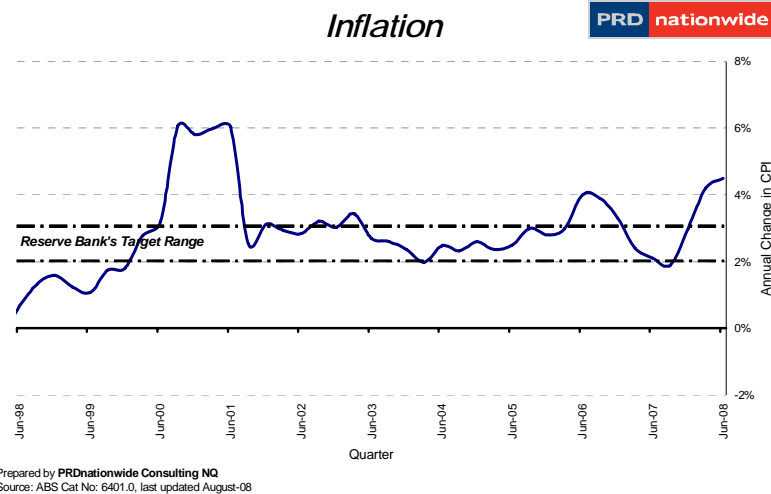


Prepared by PRDnationwide Consulting NQ, Source: ABS Cat.8635.3.55.001

Macroeconomic Climate

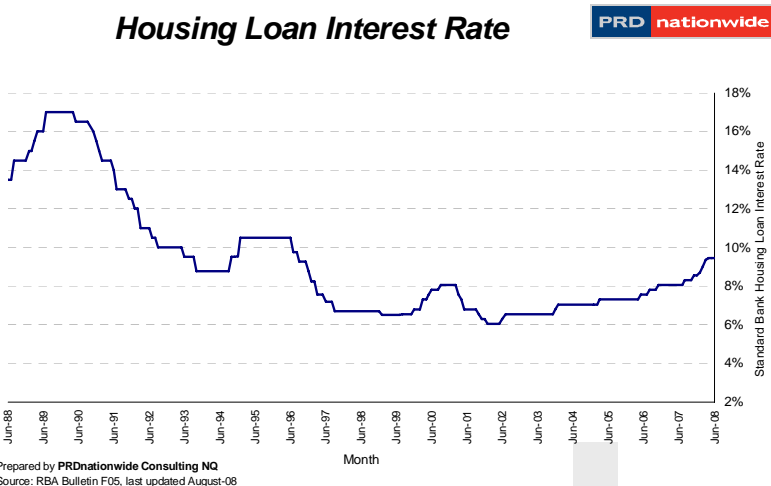
Inflation forces RBA to adjust interest rates again

- Inflation is an increase in the Consumer Price Index (CPI), calculated by the Australian Bureau of Statistics as the price of a weighted 'basket' of goods and services which account for a high proportion of expenditure by metropolitan households.
- 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 June-08 CPI figures recorded an annual change of 4.5% which is well above the RBA's target range.
- Quarterly inflation was 1.5%, up from the 1.3% recorded during the March-08 quarter.
- The underlying inflation figure as measured by the RBA was the worrying figure again however. Underlying inflation removes volatile items such as fruit and fuel. Underlying inflation increased by 4.2% over the year, placing further pressure on interest rates.
- Recent trends indicate that consumer and business confidence are trending downwards, which reduces inflationary pressure.



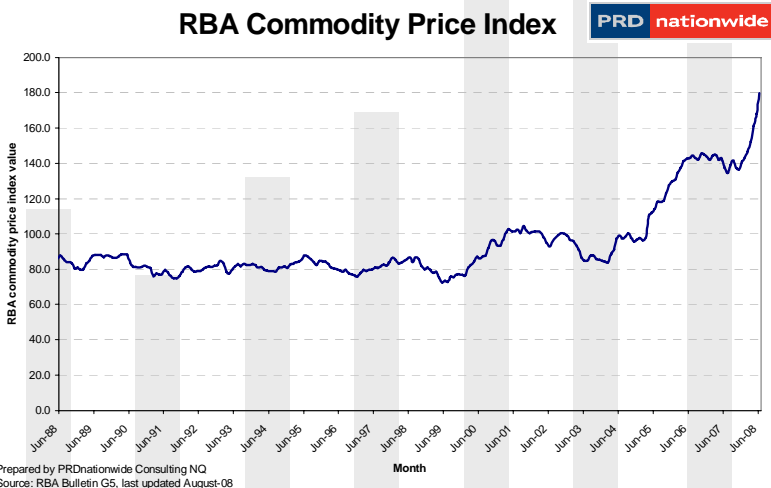
Interest rates up to highest level since October 1996

- 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, the RBA have left interest rates on hold during the June-08 quarter, leaving the cash rate at 7.25% and the average standard variable home loan at 9.45% at the end of June 2008.
- The RBA has raised its key rate by a half percentage point this year, while retail banks have increased lending rates by a full percentage point because of their own increased borrowing costs.
- Despite slowing demand, inflation is expected to continue its rise, dampening any immediate cuts in interest rates. However, the market is factoring in moderate rate cuts by the end of the year or early 2009.



Commodity prices climbing

- The RBA's Commodity Price Index provides an indicator of primary commodity price movements.
- Primary commodities account for more than half of Australia's export earnings.
- The dramatic rise in commodity prices can be seen from this index, particularly since June-04. During this period, the commodity price index has increased by 81.3%. The index is up 30.5% in the last year.
- Townsville is the largest non ferrous metals ports in the world, due to it's proximity to the vast north west Queensland minerals province and the establishment of three metal refineries in the city.



PRD nationwide

Prepared by **PRDnationwide Townsville**

Source: ABS, AECeconomics, Townsville City Council, PRDnationwide Townsville Quarterly Unit Survey, Midwood Queensland Investment Report, Pricewaterhouse Coopers, RP Data, Queensland Airports Ltd, Tourism Queensland, REIQ, RTA, RBA.

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