

Consulting Economist's Report for Product Disclosure Statement

Prepared for Peet Funds Management Limited

MacroPlan Dimasi Pty Ltd
20 November 2012

Final Report



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DATE: 8 November 2012

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Contents

1	EXECUTIVE SUMMARY	1
2	VICTORIA	12
2.1	ECONOMIC OVERVIEW	12
2.2	LABOUR FORCE CONDITIONS.....	13
2.3	CONSUMER SPENDING	15
2.4	BUSINESS INVESTMENT	16
2.5	PROPERTY MARKET OVERVIEW.....	18
2.6	AFFORDABILITY	20
2.7	RESIDENTIAL DEMAND DRIVERS	24
2.8	VICTORIAN POPULATION PROJECTIONS.....	28
2.9	INTEREST RATES	29
2.10	CONSTRUCTION COST ESCALATION	29
3	NORTHERN CORRIDOR – CRAIGIEBURN/GREENVALE SUB REGION ...	32
3.1	CONTEXT	32
3.2	DEMAND	34
3.3	SUPPLY	44
3.4	LAND SALES.....	46
3.5	PRICES.....	47
3.6	PRICE POINT AND LOT MIX ANALYSIS	48
4	FORECASTS	51
4.1	METHODOLOGY	52
4.2	POTENTIAL SALES RATES.....	54

1 Executive Summary

Introduction

1. The Consulting Economist (MacroPlan Dimasi) has prepared an economic report for inclusion in a Product Disclosure Statement inviting investments in the Peet Greenvale Syndicate.
2. The Consulting Economist was asked to provide an economic overview of residential indicators to be relied upon in making forward-looking statements in the Product Disclosure Statement, commenting on the supply and demand for residential development and the level of construction activity in the applicable region. Additionally, the Consulting Economist was requested to provide estimates of price growth and escalation of building and construction costs.

Victoria and Melbourne Market Overview

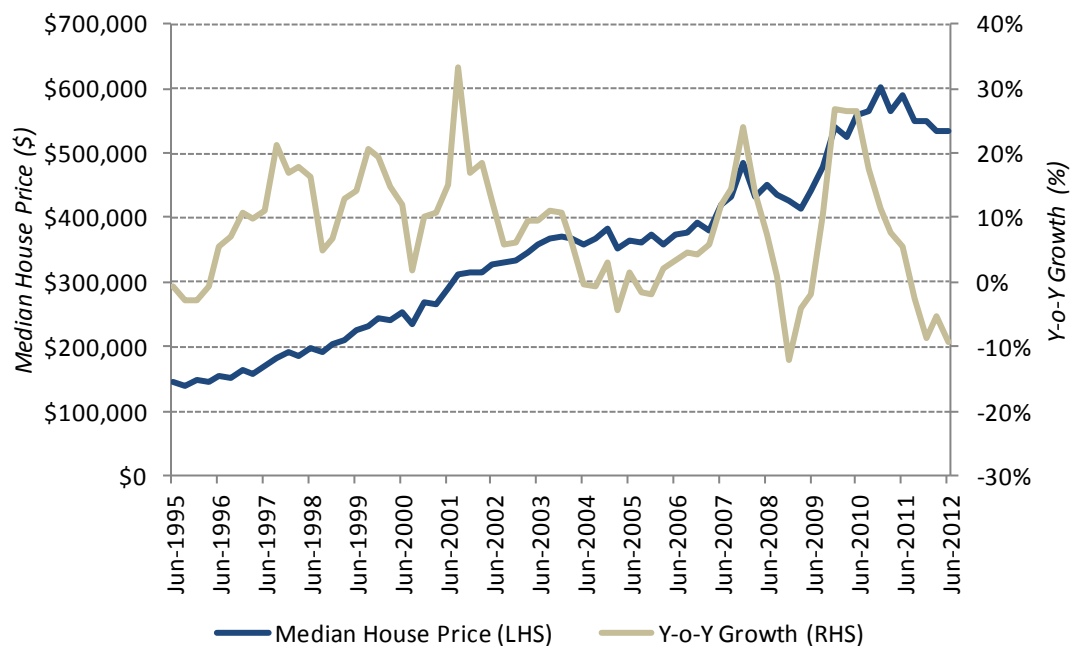
3. Victoria experienced a strong economic rebound post the Global Financial Crisis with 2.5% Gross State Product (GSP) growth in 2010-11, compared to 2.1% nationally. State Government real GSP growth estimates have been revised down for 2011-12 from 2.25% (2011-12 budgets) to 1.5% (2012-13 budget). MacroPlan Dimasi forecasts subdued growth over the coming 18 months, driven by a slowing housing market and slower employment growth. Growth is proposed to recover in the medium term, returning to State Government forecast (above 2% by 2014).
4. Victorian dwelling approvals have slowed following strong performance in the property market post GFC and early 2009, when the First Home Owners Grant was active and interest rates fell. The latest June 2012 quarter however, showed an increase in approvals by 23%. This is partially attributed to the increased First Home Buyers activity prior to the discontinuation of the First Home Buyers grants that occurred on 30 June 2012. It is evident that the provision of grants in the State has played a role in advancing demand as a mechanism for insulating the economy from the fallout associated with the GFC. It is expected that housing affordability supported by a general improvement in market conditions, will see greater activity from the First Home Buyer segment from late 2013.
5. Employment growth slowed to 0.2% in the 2010-11 financial year, a sharp slowdown from the historical average of 2.1%. Employment growth within Victoria is constrained due to the higher \$AUD as well as tightened State budgets reducing spending. Furthermore there have been significant impacts felt across manufacturing and the services sectors. Government cut-backs are expected to result in further job cuts (Victorian Government announced 4,200 jobs cut) over the coming twelve months.

Future employment conditions for the Hume Corridor, where the property is located, are strong and will be supported by policy settings set out in the Hume Economic Development Strategy 2030 that encourage employment generation and self-sufficiency in the region. The development of major town centres, including the Craigieburn Town Centre and the Broadmeadows Activity Centre will support employment growth over the next 20 years.

6. Retail sales have improved nationally in the June 2012 quarter. Retail sales grew faster than expected at 1.4% across Australia (in chain volume measures). In Victoria however, it contracted by 0.15% (in chain volume measures) in the June 2012 quarter.

7. House prices in Melbourne had average year on year growth of 10.1% for the five years leading to September 2011 quarter. Currently house prices in Melbourne have remain flat over the June Qtr 2012. The end result has been a 9.3% fall in Melbourne's median house sale prices over 2011-12. In the first half of 2012, the price has been hovering around \$535,000, with little growth. The median house price in Greenvale in the June Qtr 2012 was \$580,000, this compares to \$480,000 in Victoria and \$350,000 in neighbouring Craigieburn.

Figure 1. **Median House Price, Melbourne (average for the year ending March)**



Source: REIA, MacroPlan Dimasi

8. Strong historical price growth in Melbourne has eroded affordability of home ownership. This has improved over the course of FY 2011/2012 as a correction in house prices was supported by a continuation of wage growth; albeit limited. With relatively flat growth expected through to 2014, affordability should improve further, providing strong incentive for First Home Buyers to make purchasing decisions.

Victoria's population growth returned to its historical average (1.5%) with growth in the year to March 2012 at 1.5%. After recent declines in net overseas migration (NOM) nationally (below 170,000), NOM has made a strong return with 197,200 people for the year ending March 2012. Victoria attracted 48,418 (25%) of this migration, and reached a population of 5.6 million. This exceeds the Department of Immigration and Citizenship (DIAC) forecasts, which stated NOM would return above 200,000 by 2014.

9. The pre-retirement/ retirement age cohort of 55-74 years recorded the largest growth over 2006-2011 with an average annual growth rate of 2.8%, comprising more than 30% of total population growth (26,700 people per annum). Followed by the 25-34 age group – a key first home buyer – growing by 2.2% pa and comprising 20% of all population growth.

Victoria's Estimated Resident Population (ERP) at March 2012 of 5.6 million people is projected by the Department of Planning and Community Development to increase to 6.7 million people by 2031. Metropolitan Melbourne is forecast to capture the majority share (between 75-80 per cent) of this future growth.

10. The Reserve Bank of Australia (RBA) recently reduced the Cash Rate by 0.25 percentage points in October 2012, to 3.25%. Markets are pricing in another cut within the next 6-8 month period. Prior to the recent cut, the RBA had held the Cash Rate as they considered economic performance was running close to trend levels and the inflation level remained relatively low.
11. Although the Cash Rate remains below its medium-term average, variable lending rates are around their average levels. The three year fixed rate has decreased to approximately 6.0%, down from its peaks in late 2009. The variable rate has dropped down to around 7.0%.
12. ABS data indicates that the 2011-12 Victorian CPI change was 1.2%. This rate is substantially lower than the 2-3% band the RBA targets. Inflation by this measure remains relatively flat.
13. Over the long term, construction costs generally maintain a growth average similar to the inflation rate. However this trend has been less stable during the mid to late 2000s. Victoria had been running at near full capacity during the mid to late 2000s, with some markets running at excess capacity (particularly the labour market) during this period. This in turn was driving rapid price growth (consumer prices, wage prices and house prices). The weakening in economic activity over 2008 and 2009 has reduced many of these capacity constraints and allowed for a cooling in consumer and producer prices. This has allowed for key infrastructure projects to be fast tracked, taking advantage of cheaper inputs to construction (oil, steel, cement).
14. Based on the assessment prepared by the Consulting Economist, construction costs have been estimated to increase by 0.5% to 1.5% per year over the period between 2012 and 2015, and around 2.0% to 3.0% per year over the period between 2016 and 2019. There continues to be a significant amount of uncertainty in the global markets and construction costs are expected to fluctuate over time. The Consulting Economist believes this is a fair representation of the escalation in civil construction costs.
15. The recent strong population growth in Victoria has put a significant amount of pressure on existing infrastructure. To alleviate these pressures and prepare for future growth a number of new infrastructure projects are planned. Some of the major infrastructure projects near the subject property include:
 - Roads: There are key road developments with regard to the Hume Corridor: 1) The North-East Link, 2) Aitken Boulevard, 3) M80 Upgrade, 4) Cooper Street duplication, 5) Outer Melbourne Metropolitan Ring Road / E6 Transport Corridor, and 6) Hume Highway Donnybrook Road grade separation.
 - Relocation and redevelopment of Melbourne's Wholesale Fruit and Vegetable Markets and National Flower Centre from Footscray Road in West Melbourne to a new site in Epping. With the aim of redeveloping the market into an efficient and integrated trading environment, the new market precinct is expected to meet future needs for warehousing space, cater for modern logistics and drive over \$1 billion of investment on the site.

Work commenced onsite at the end of 2009 and the new market is scheduled to be fully operational in 2014.

- Regional Rail Link is an estimated \$4 billion investment that will connect Southern Cross Station to Sunshine and eventually connect Sunshine to Werribee with 44 km of twin track , creating a link to significant road and rail links in Melbourne's north.
- MFB (Metropolitan Fire Brigade) Training Facility Craigieburn. Announced in July 2012 by the Victoria Government, this \$109 million project is expected to be operational in 2014. It will provide a specialised emergency service learning and training facility which will occupy half of an 18.6 Hectare site in Craigieburn.

Local Market Analysis

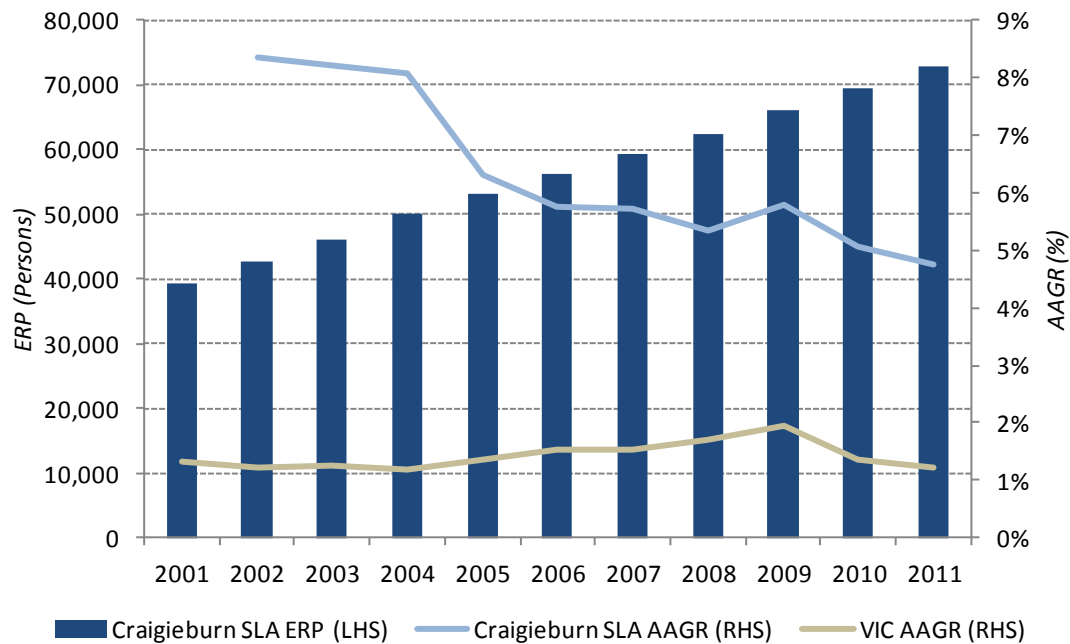
16. Most of the growth projected to take place in the City of Hume, will be focussed around the two primary development fronts in Craigieburn and Greenvale. Greenvale is located approximately 24 kilometres north of the Melbourne Central Business District in the northern half of the City of Hume and will play an important role in supporting future population growth in this growth corridor. The Property is located at 1170 Mickleham Road, Greenvale, also known as Lot A on PS 714625C, being a lot proposed to created by the subdivision of Lot E on PS646719U.

The Hume Corridor of Melbourne is vital to the future development of the Melbourne Metropolitan Region in terms of population and economic growth. Local attributes include:

- Good existing amenity
 - Relative affordability
 - Land availability for residential and employment developments
 - Rail and road infrastructure
 - Large existing population
17. Over the period 2006 to 2011, the population of the Hume Corridor, Hume – Craigieburn SLA (where the Property is located) grew by almost 16,642 people at an average annual growth rate of 5.9%.

As the area has matured, population growth in the Hume Corridor has stabilised in the past decade, from over 8% growth rate per annum in 2001-2004 to around 5% per annum in the last two years. The rate of growth in the Hume Corridor has outstripped the average annual growth rate in Victoria over this period.

Figure 2. Population growth, Hume Corridor



Source: ABS 3235.0 and 3218.0

18. Based on this, The Consulting Economist has forecast an increase of almost 22,376 people between 2012 and 2019 at an annual growth rate of 4.2%. This exceeds the forecast average rate (2.1%) of growth for the Hume LGA during 2011-2021. Reflecting the growth of the Hume Corridor as an affordable entry level property market, the largest forecast increase (2012-2021) in persons (+5,417 people) from any age cohort is expected to be in the 25-34 brackets. This suggests a prevalence of young couple and young family households.

The fastest growing age cohort, in percentage terms, between 2012 and 2021 is forecast to be in the 75-79 age group, with a growth rate of 14.1%; however this comes off a low base of 628 people in 2012.

The second greatest proportion of growth over the period 2012-2021 is forecast to come from those aged between 55-64 (+4,561).

This indicates there may be a future requirement for either an aged care or retirement facility within the corridor. Further analysis would need to be undertaken to determine the validity of this observation.

Figure 3. Hume Corridor Population Projections by Age (Adjusted)

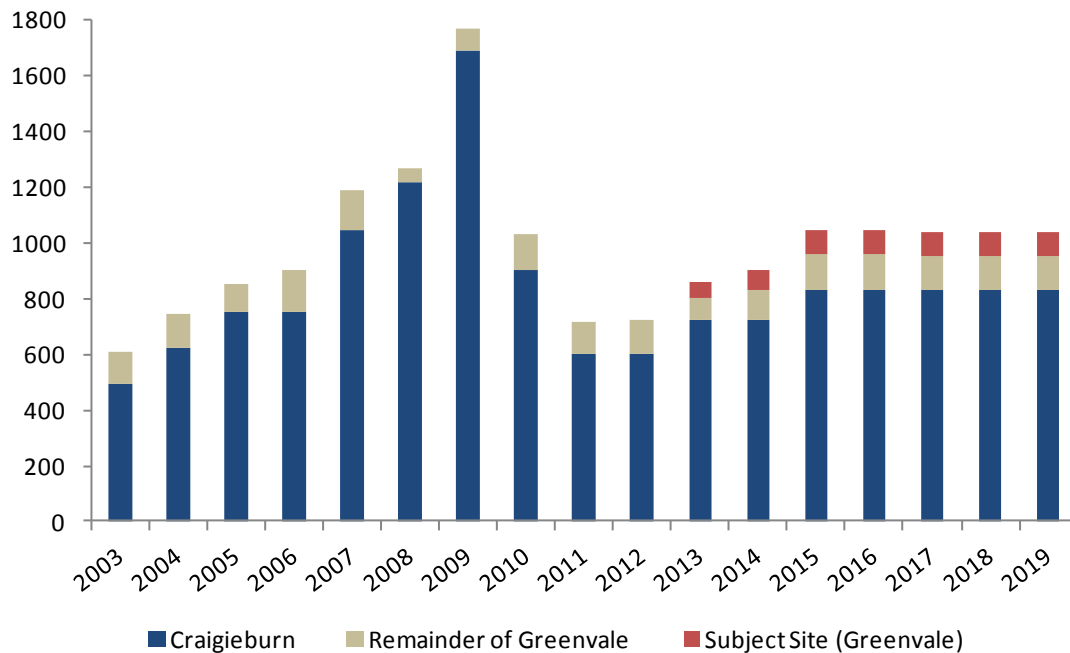
	2012	2016	2021	2012-21	
				No.	% pa
0-4	6,205	6,755	7,810	1,605	2.9%
5-9	6,263	7,019	7,578	1,315	2.3%
10-14	6,413	6,961	7,783	1,370	2.4%
15-19	6,123	7,131	7,700	1,577	2.9%
20-24	5,761	7,196	8,292	2,531	4.9%
25-34	11,881	14,178	17,298	5,417	5.1%
35-44	12,873	13,580	15,169	2,296	2.0%
45-54	10,520	12,793	14,379	3,858	4.1%
55-64	5,725	7,532	10,286	4,561	8.9%
65-69	1,627	2,269	3,008	1,381	9.4%
70-74	1,022	1,481	2,221	1,199	13.0%
75-79	628	915	1,426	798	14.1%
80-84	374	520	816	442	13.1%
85+	291	420	614	323	12.4%

Source: Victoria in the Future (2012), MacroPlan Dimasi (2012).

19. To estimate dwelling demand in the Hume Corridor, the Consulting Economist has provided a revised dwelling forecast for the years 2012-2013 based on the current rate of lot take up in the corridor, rather than adopting the underlying requirement forecast. Expressed demand over this period is likely to continue to be impacted by ongoing weakness in buyer confidence. For this reason we have identified the annual rate of sales during 2003-2007, as being an accurate indication of average per annum sales in periods not considered peaks in the cycle. The Consulting Economist has then adopted the underlying requirement projection for the remaining forecast period. This will also reflect a decline in persons required for the formation of a new dwelling and the increased prevalence of medium density product delivered to both Craigieburn and Greenvale.

Using the State Governments population forecast, Victoria In Future (VIF), underlying requirement to cater for population growth results in demand for an additional 8,318 dwellings over the period 2012-2019. Alternatively using MacroPlan Dimasi revised forecast that accounts for several periods of reduced total lot sales in the corridor, population growth would require 7,818 new dwellings.

Figure 4. Dwelling requirement per annum, Hume Corridor



Source: Price Finder / MacroPlan Dimasi

20. Land sales activity in Greenvale has been modest over the past decade when compared to the neighbouring suburb of Craigieburn, which has seen a significant amount of development and subsequent amenity. Land sales in Greenvale in the 2011-12 financial year totalled 119; above the average recorded over the previous five years. This is less than the peak of 146 recorded in FY 2006-2007; however this result is likely to reflect a number of unsettled sales. From this peak, sales in Greenvale have declined each year to FY 2009-2010, whilst they were generally rising in Craigieburn. This is likely to reflect a lack of diversity brought about by too few competing estates in Greenvale and possibly some buyer leakage to a more affordable Craigieburn. It is also important to note that this period of sales activity was impacted by a significant drop in available supply. This is highlighted by the higher levels of sales achieved in 2011/2012 as new supply was introduced to the suburb.
21. Land sales in Greenvale over the past 10 years have averaged 11% of the total Greenvale/Craigieburn residential lot sales. This proportion dropped significantly (average of 4%) during the 2008-2010 financial years, primarily due to a reduction in available supply and buyers' preference for more affordable stock in Craigieburn, post GFC. More recently, with the addition of new supply Greenvale has recaptured a greater proportion of the corridors sales (17%). This is greater than the average proportion of sales (15%) achieved during the 2003-2008 period.
22. In 2011, the median land price in Greenvale was \$255,000, down from \$298,000 in FY 2010-2011. The historical land price growth in Greenvale has been around 4.6 per cent per year since 2002. Despite significant average year on year price growth in Craigieburn over the past decade, prices in Greenvale remain on average 31% higher.

Local Area Future Prospects

23. Analysis of various indicators in the local area (prices, sales and lots released), including both the suburb of Greenvale and the Hume Corridor, suggest a robust local property market in sound economic times that has considerable potential over the long term. The Consulting Economist considers however that the Greenvale housing market has been difficult to interpret in recent times. The suburb has had limited variety in supply and therefore diversity of offer. The delivery of a number of development fronts and price points can encourage diversity in product type that can meet the needs of a range of market segments. This situation is starting to change however, with a number of land holders progressing plans to deliver new stock to the market.

Currently, take up rates in Greenvale are around 119 lots per annum (or approximately 17% of the total Hume Corridor). However historical take up rates in Greenvale partly reflects:

- Establishing market
- Land sales activity characterised by small releases;
- Limited amount of zoned land for significant development.

With three prominent developers currently in the process of delivering new supply to Greenvale, the historic constraints to sales activity listed above will be diminished.

24. Greenvale has experienced price growth since 2003, however has recently recorded a steep decline in FY 2011-2012 (approximately 14%). There are two primary reasons for this: A drop in sales activity and the likelihood of discounting; and a greater proportion of smaller / lower priced product. Future growth in land prices will be underpinned by:
- Land sales in the Greenvale region benefiting from a level of demand transfer from the surrounding suburbs outside of Hume as the established housing market firms and buyers view escalating prices as a catalyst to purchase new housing stock from a growth area development because of the perception they represent greater value.
 - Construction of the Craigieburn Town Centre (50,000 square metres) in Craigieburn, opening in 2013, comprising of three supermarkets and two Discount Department stores. This is likely to drive land sales in Greenvale in the short and medium term (2011-2020).
 - While Greenvale will face competition from land releases in Craigieburn and Mickleham, the Consulting Economist anticipates that the Greenvale land supply market will grow significantly above historical rates over the short and medium term based on the factors outlined above.
25. The Syndicate is likely to have a higher rate of lot sales over the life of the development than past projects due to:
- A range of lot sizes and product types can be delivered due to proximity to the new Craigieburn Town Centre; high amenity sites.

- Significantly improved amenity is expected to be established locally and regionally over the next decade.
- Proximity to the future development of the Broadmeadows Activity Centre and related employment will also improve the attractiveness of the location, particularly to white collar workers with higher incomes.
- New diversity in residential product brought about by additional new supply.

The Property provides the opportunity for both land and house and land packages that are accessible to a range of market segments, namely:

- First homebuyers;
- Investors;
- Cash – out market for 50+ year olds; and
- Downsizers.

26. On this basis, the Consulting Economist anticipates that the Greenvale land supply market will be sufficiently supplied over the short and medium term. The following assumptions have been applied:

Greenvale attracts around 170-180 dwellings per year (25% of total dwellings in the Hume Corridor) over the period 2013. While this is above the average land sales in Greenvale over the past five years (107 land sales per year), this estimate reflects the variety and additional new supply that is expected to be offered in the corridor and the improving amenity offered by contemporary estates. In addition, the Property achieves a 35% market share of all sales that take place in Greenvale based on just three significant competitors operating in the suburb. This would attract 60 sales over 2013.

Greenvale maintains a 25% share of total corridor sales in 2014, as the suburb will offer a greater share of the total supply in the corridor. In addition, the Property captures approximately 40% of all Greenvale sales as development at Providence nears completion. This would attract around 220-225 dwellings for 2014. This would attract 79 sales to the property in 2014.

Greenvale maintains a 25% share of total corridor sales during 2015-2019 and with an expected increase in expressed demand, the corridor will attract 255-265 sales p.a. based on a 40% Greenvale market share. This would attract 104 sales p.a. to the estate over this period.

It is important to note that a low base scenario has been considered whereby Greenvale only captures 20% of the total corridor sales and the Syndicate achieves 35% market share in 2013 and 40% thereafter. This would result in the following outcome:

The Property achieves 48 sales in 2013, 72 sales in 2014 and approximately 83 year during 2015-2019.

27. Based on our assessment, land price growth of between 2.0 – 5.0% per cent per annum for Greenvale over the period 2012-2019 is reasonable. This estimate allows for little to no growth in 2012 before an escalation that is marginally above half the long term average in 2013 (2.5%). Over 2014/2015, land prices are then forecast to escalate by 4.5%, broadly in line with the ten year average (4.6%), as buyer confidence returns and demand is expressed through higher take up rates within the corridor. The average rate of escalation during 2016-2019 is forecast to be 5.0%.

Figure 5. Land price escalation, Greenvale

Suburb	2012	2013	2014	2015	Average rate of growth 2016-2019
Greenvale Land Price Escalation	0	2.5	4.5	4.5	5.0

Source: Price Finder / MacroPlan Dimasi

The forecast rates of escalation provided in this report applies to the property with its current lot mix, however there is an opportunity to achieve a higher rate of escalation on the rate per square metres by increasing the mix of smaller lots (i.e. between 400-450 Square metres). This trend has been observed since 2010 in Craigieburn where the average lot sizes have been decreasing while lot prices have experienced marginal growth.

The Consulting Economist believes these forecasts and the assumptions behind them are reasonable.

Forecasts

28. The forecasts and projections in this report are based on assumptions about circumstances and events that have not yet transpired and they are therefore subject to variations that may arise as future economic and market factors actually occur. As a result, we cannot provide any assurance that the forecasts and projections contained in this report will be achieved.

Key assumptions made to undertake the forecasts include:

- The Victorian economic growth outlook and housing market performance will be subdued over at least the coming 18 months prior to recovery around 2014/15.
- RBA Cash Rate will average between 3.25% and 3.5% between 2012 and 2014.
- No additional major development not identified already is assumed to occur within Greenvale/Craigieburn over the next 2 years.
- Greenvale achieves an increased proportion (moving from the long term average of 11% to 25%) of the Hume Corridor land sales market from 2013 due to a range of factors outlined above.
- Lot price ranges for the Property aren't significantly higher than comparable product in Greenvale.
- Analysis of the Subdivision Concept Plan depicts approximately 437 residential lots.

- Land sales for the property commence in second half of 2013 calendar year.
- The Property capturing around 35-40% of the Greenvale land sales market over the life time of the Syndicate.
- The Consulting Economist considers that there is a reasonable basis for making each of these assumptions.

29. The information in the economic report is incorporated by reference into this Product Disclosure Statement. The Syndicate will provide a full copy of the economic report free of charge to any person who requests a copy during the offer period.

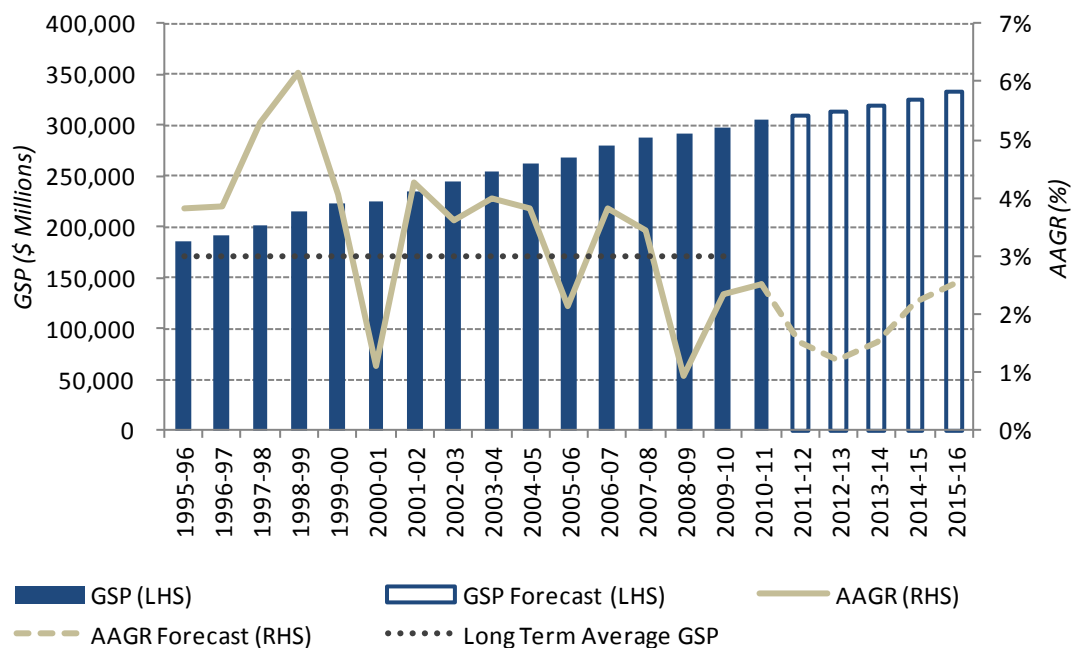
Disclaimer

30. MacroPlan Dimasi Pty Ltd has consented to the inclusion of this report in the Product Disclosure Statement but is not providing advice about a financial product, or the suitability of the investment as set out in the Product Disclosure Statement. Such an opinion can only be provided by a person who holds an Australian Financial Services Licence. MacroPlan Dimasi does not hold such a licence and is not operating under any such licence in providing this report. We have been retained by Peet Funds Management Ltd and no other party to provide this report. We do not have a financial interest in Peet Funds Management Limited or Peet Ltd and have provided this report solely in our capacity as an independent professional adviser. We have received a fee of **\$22,700 plus GST** for our professional services in providing this report.

2 Victoria

2.1 Economic overview

Figure 6. **Annual Gross State Product, Victoria, Chain Volume Measures, Original, Annual**



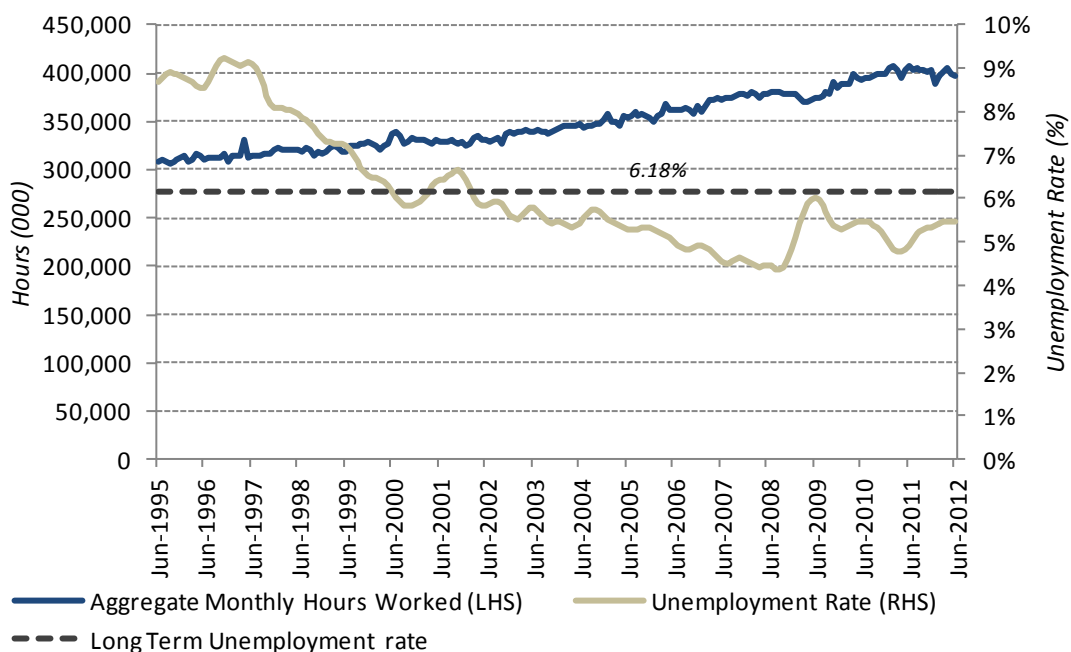
Source: ABS 5220.0, Victorian Budget (2012-13, MacroPlan Dimasi (2012)

Following years of outperformance, the Victorian economy has entered a period of growth that is broadly in line with the long term trend.

- Strong economic rebound post GFC with 2.5% GSP growth in 2010-11, compared to 2.1% nationally.
- State Government real GSP growth estimate revised down for 2011-12 from 2.25% (2011-12 budget) to 1.5% (2012-13 budget).
- MacroPlan Dimasi forecast subdued growth over the coming 18 months driven by a slowing housing market and slower employment growth.
- Growth to recover in medium term, returning to State Government forecast (above 2% by 2014).

2.2 Labour force conditions

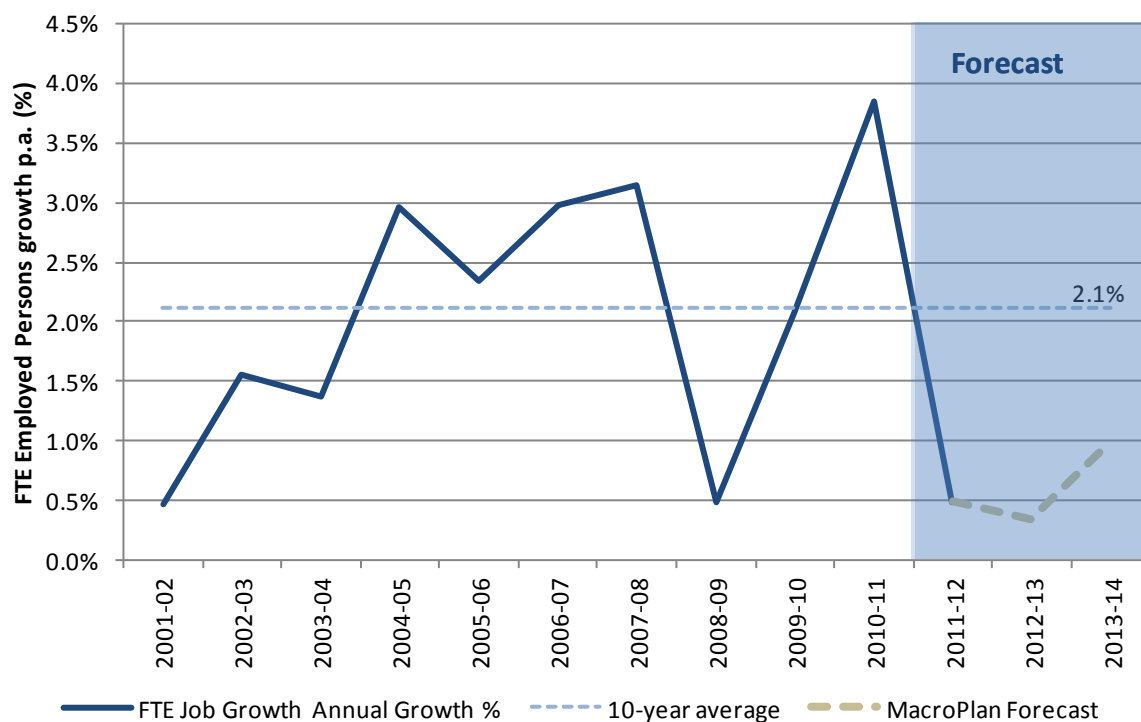
Figure 7. **Labour Force Conditions – Aggregate Hours Worked And Unemployment, Victoria, Seasonally Adjusted, Monthly**



Source: ABS 6202.0

- Aggregate hours worked peaked in April 2012 and have since declined. This has resulted in an increase in overall hours in June 2012 quarter exceeding the March quarter (which contains holiday period lows) by 1.26%.
- Unemployment rate was 5.5% at June 2012, up from historic lows experienced for several years.
- Victoria recorded the 3rd highest unemployment rate in the nation, just ahead of South Australian and Tasmanian economies.
- Weekly income growth fell following strong growth up until March quarter: -1.75% for June quarter, below historical average (1.00%).
- Slower employment growth placed pressure on the result. Particularly in the Victorian economy which has been impacted by the high AUD, global uncertainty, and a constrained budget.

Figure 8. Employment Growth Forecasts, Victoria, Annual

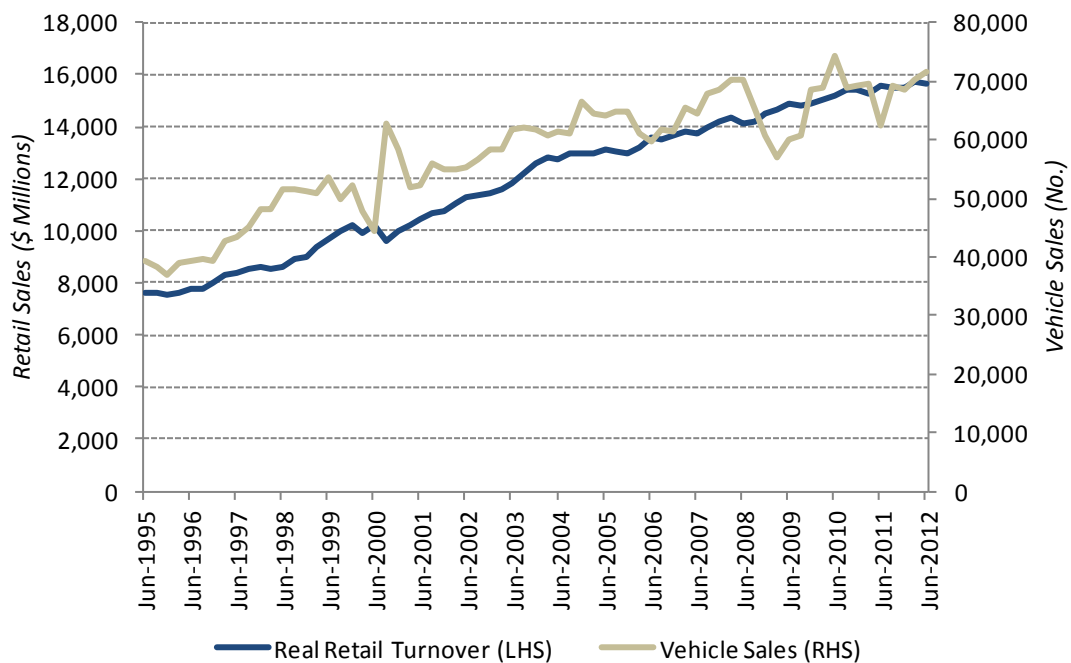


Source: ABS 6202.0, MacroPlan Dimasi (2012)

- Full Time Employment (FTE) growth slowed to 0.2% in the 2010-11 financial year, a sharp slowdown from historical average of 2.1%.
- MacroPlan Dimasi expects that the 2011-12 growth rate to be broadly in line with the previous year's result.
- Employment growth is constrained due to structural adjustments to higher AUD as well as tightened State budgets.
- Impacts being felt across manufacturing and services sectors.
- Government cut-backs expected to result in further job cuts (Government announced 4,200 jobs cut). State GST revenue fell short \$2 billion p.a. compared to levels recorded in 2010.

2.3 Consumer spending

Figure 9. **Consumer Spending – Retail Turnover And Vehicle Sales, Victoria, Seasonally Adjusted, Quarterly**

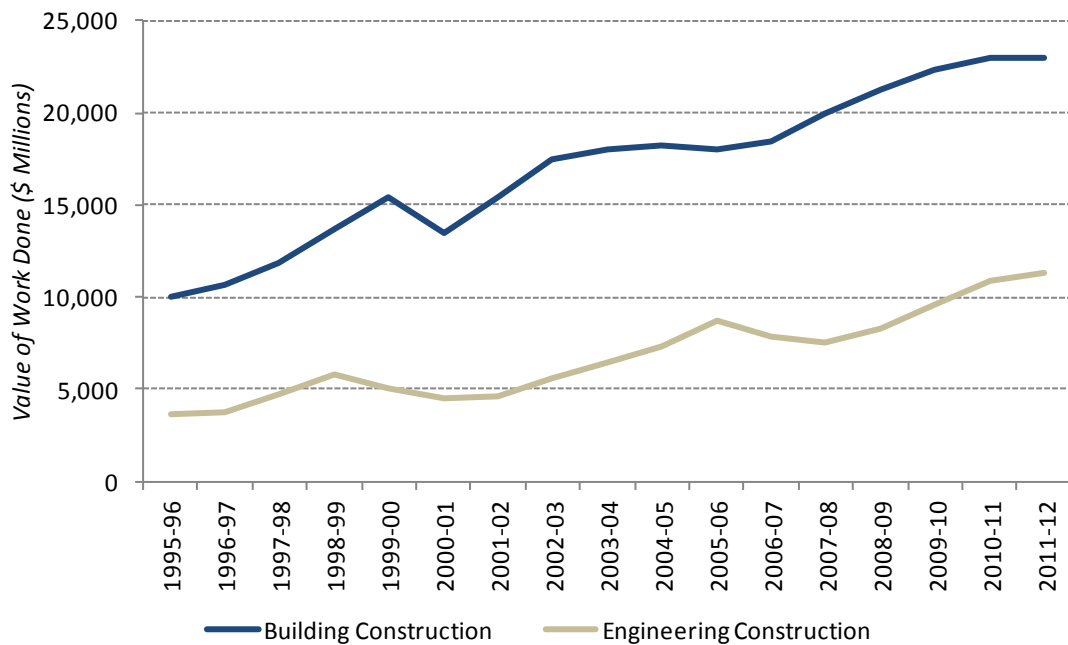


Source: ABS 8501.0, ABS 9314.0

- Retail sales have improved nationally in the June 2012 quarter. Retail sales grew faster than expected at 1.4% across Australia (in chain volume measures). In Victoria sales contracted by 0.15% (in chain volume measures) over the June quarter.
- The improvement in retail nationally does not necessarily reflect improved sentiment but rather is a response to government handouts for schooling and the carbon tax. A key component to overall retail growth has been in motor vehicles. Motor vehicle sales increased by 1.8%.

2.4 Business investment

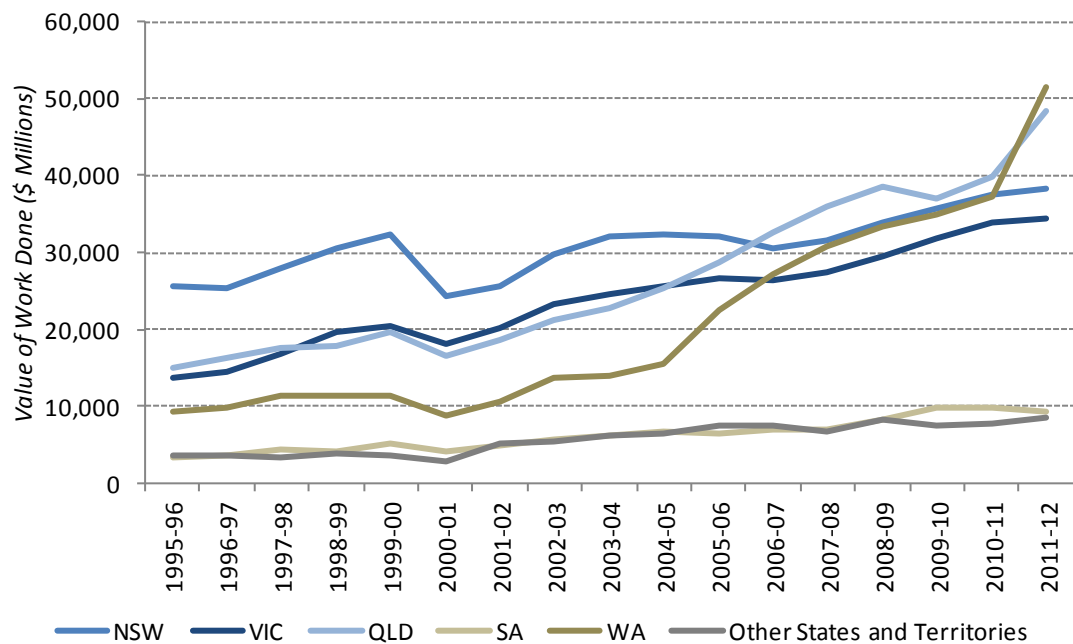
Figure 10. **Value of Work Done – Building and Engineering Construction, Victoria, Chain Volume Measures, Seasonally Adjusted, Annual**



Source: ABS 8755.0

- The Victorian economy has experienced a slowing in overall business investment since 2009, illustrated in the chart above. Global economic uncertainty is resulting in a more cautious environment for private and public expenditure.
- The reduced economic stimulus, particularly associated with declining State Government expenditure will impact on employment and hence household spend. The overall flow on impacts associated with this are uncertain, however it's likely to result in more challenging conditions for the property market.

Figure 11. Value of Work Done, Australia, Chain Volume Measures, Seasonally Adjusted, Annual



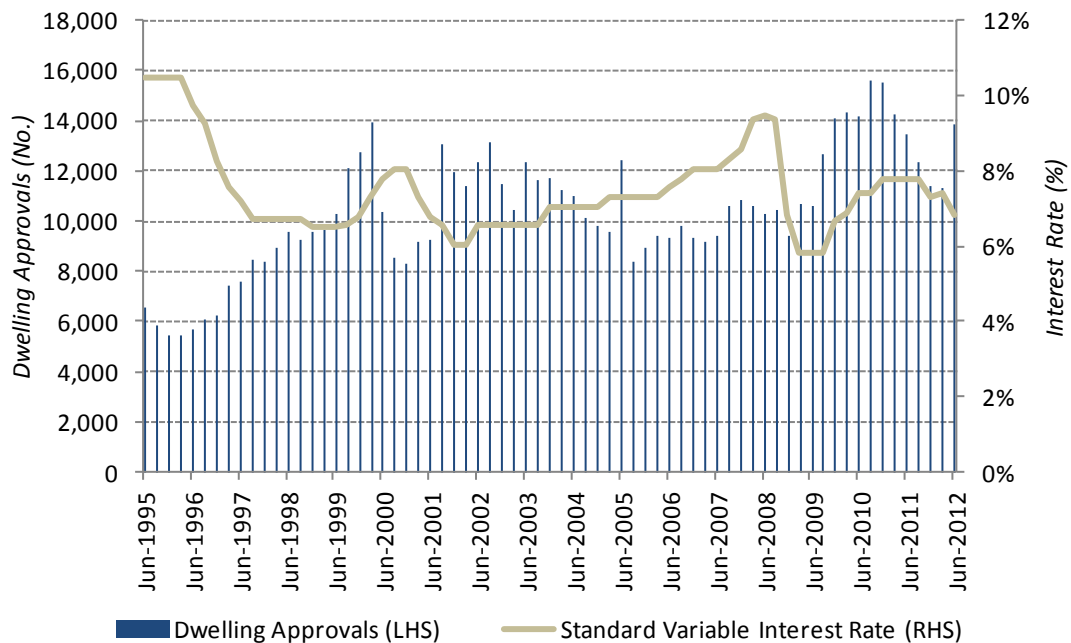
Source: ABS 8755.0

- As shown in the chart above, whilst Queensland and Victoria have seen sharp increases in the overall dollar value of construction work completed, Victoria has flattened between 2011 and 2012.
- The impact of the carbon tax has had a significant impact on Victorian manufacturing and resource sector based businesses. Furthermore the high Australian dollar has also had significant impact on Victorian businesses which are trade exposed. The combination of these factors is seeing a transitional phase across many sectors, and in the intermediate term impacting on employment and hence the property markets.

2.5 Property market overview

Housing Activity

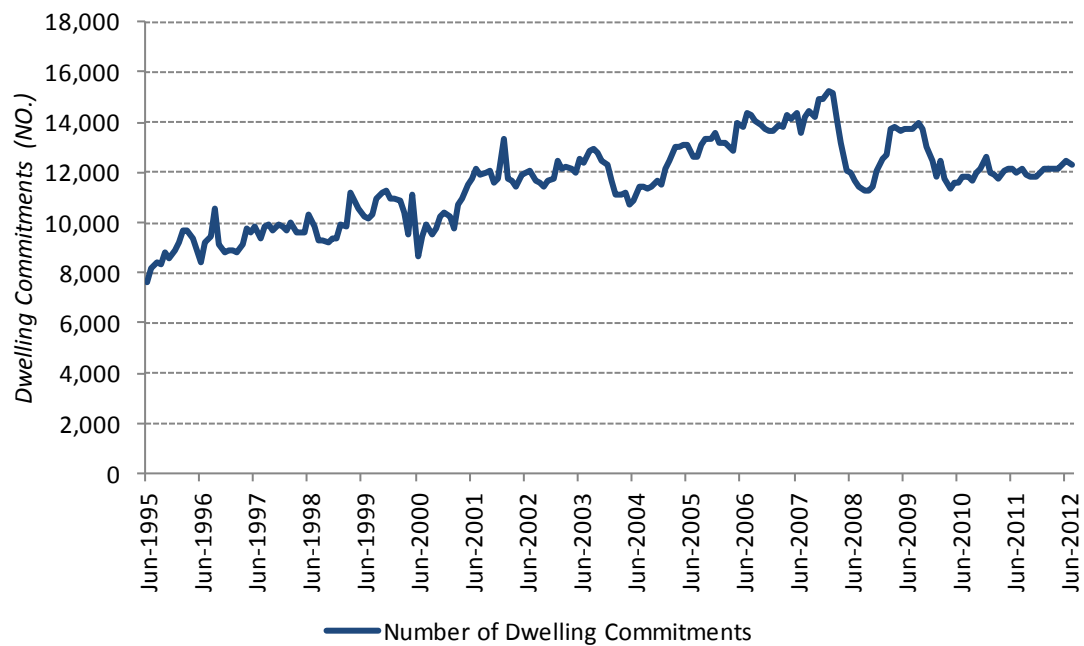
Figure 12. **Housing Activity – Approvals And Standard Variable Interest Rate, Victoria, Seasonally Adjusted, Quarterly**



Source: ABS 8731.0, RBA

- Dwelling approvals have slowed following strong performance in the property market post the GFC and early 2009, when the First Home Owner Boost was active and interest rates fell. The latest quarter (June 2012) however showed an increase in approvals by 23%. This is partially attributed to the increased First Home Buyers activity prior to discontinuation of First Home Buyers grants.
- Dwelling commencements in Victoria fell by 7.9% in the March 2012 quarter and have sat just below historic average levels. Dwelling occupancy rates in 2011 in Victoria were 88.7%, down from 89.7% in 2006.
- The share of detached dwellings to other dwelling types (e.g. units, town houses, apartments) reduced in Victoria from 61% to 51%. In the Inner Central Business District region medium/ higher density approvals drove much of the demand for new dwellings in Melbourne. Melbourne Central Business District, Richmond, Brunswick and South Yarra have played particularly important roles in this regard.

Figure 13. **Number of Dwelling Commitments, Owner Occupied Housing, Victoria, Original, Monthly**



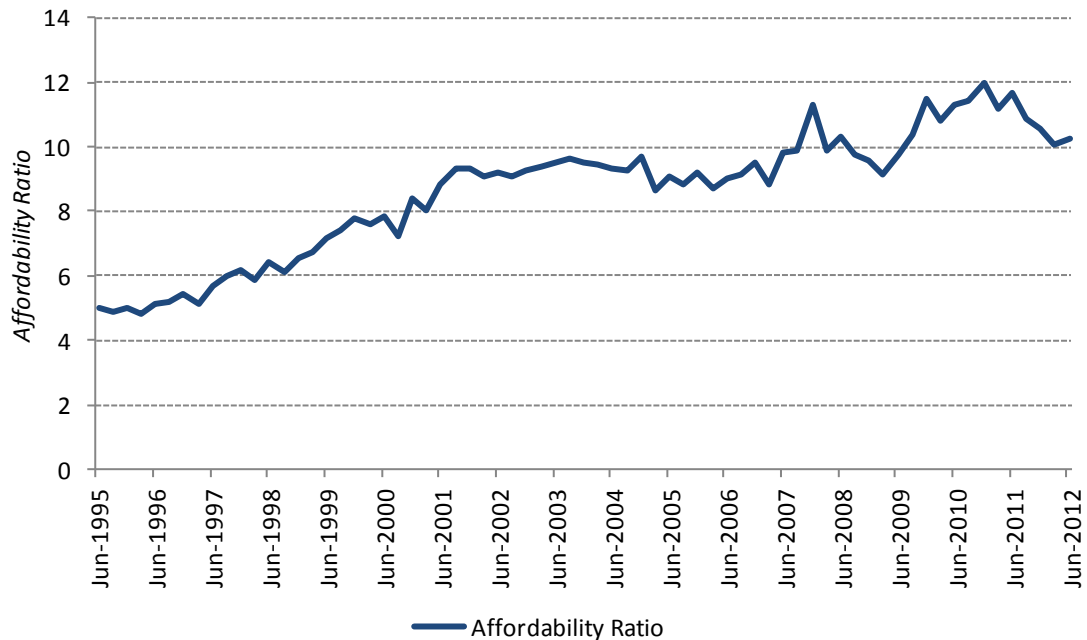
Source: ABS 5609.0

Housing finance

- Dwellings financed spiked up in June 2012 quarter by 13.3%.
- Total dwellings financed year to June 2012 was 150,176 (below the historic average).
- First home buyers returned to the market in June 2012 prior to end of the First Home Owner Grants (19.3% of total dwellings financed).
- The discontinuation of first home owner grants expected to dampen demand for new dwellings from first home buyers beyond June.
- Average home loan sizes increased steadily for all home buyers in Victoria over 2009-10 financial year and hovered about \$280,000-\$285,000 in the last two years.
- Average home loan sizes have since flattened and declined in 6 months leading to March 2012 quarter, followed by a spike in loan size in June 2012.

2.6 Affordability

Figure 14. Affordability Ratio, Victoria, Original, Quarterly

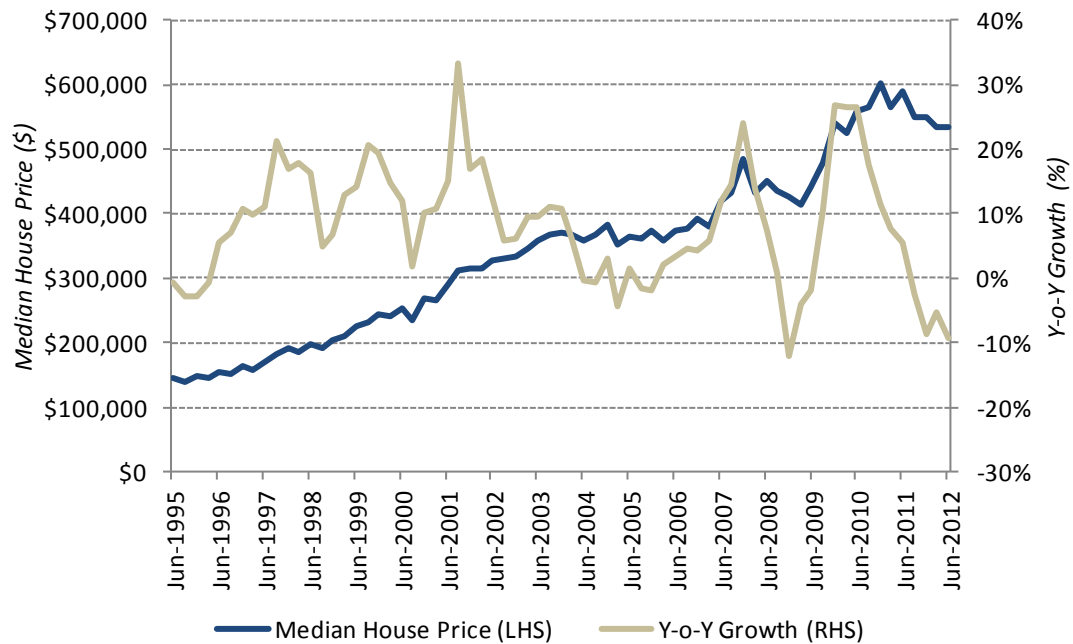


Source: ABS 6302.0, REIA REMF 1

Affordability overview

- Strong historical price growth in Melbourne has eroded affordability, however this is likely to improve over the coming twelve months as house prices remain flat and wage growth occurs.
- Affordability has stayed above the long term average since September 2009 quarter, positioning Melbourne as the second least affordable capital city, just behind Sydney.

Figure 15. Median House Price, Melbourne, Original, Quarterly

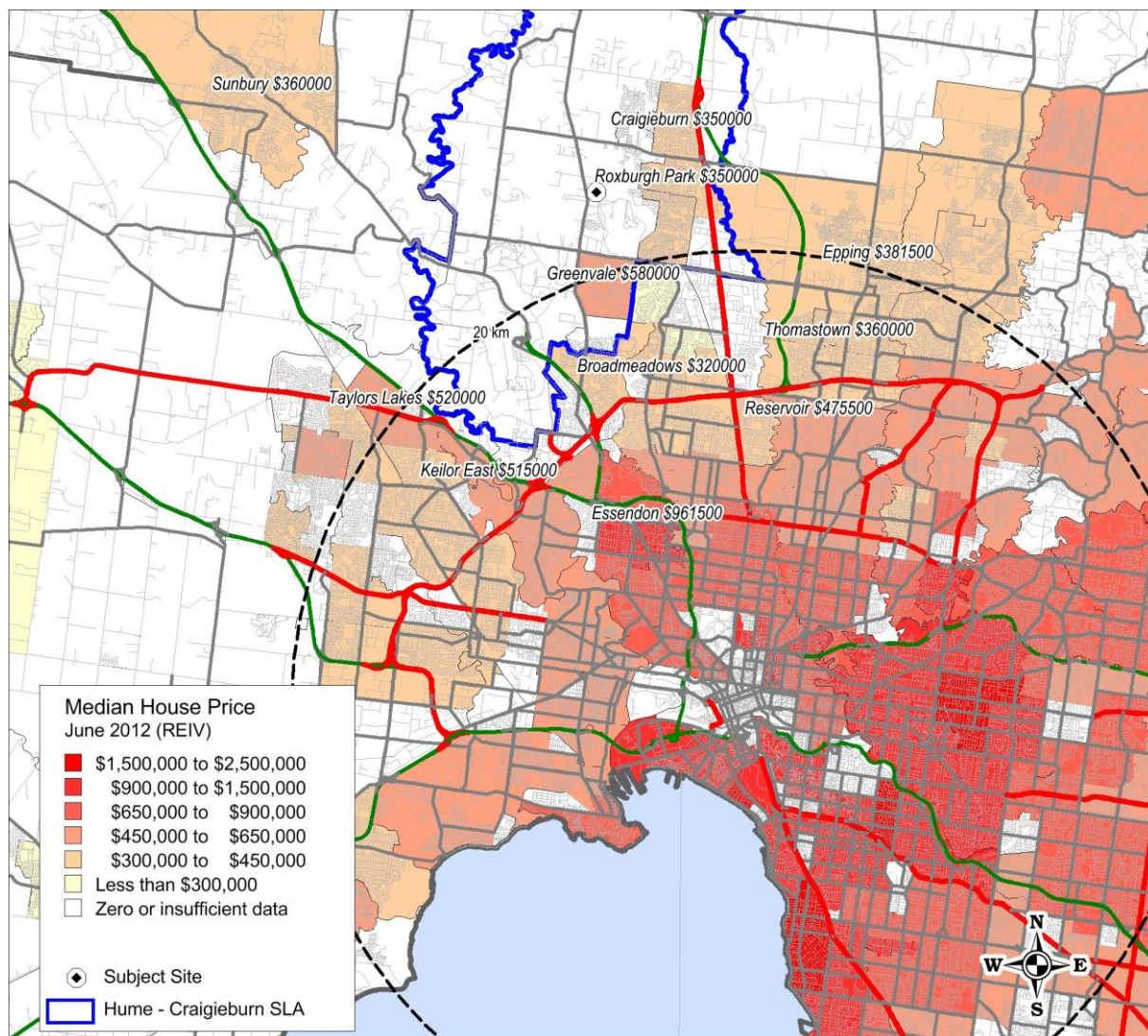


Source: REIA REMF 1

Median prices

- House prices in Melbourne have remained flat over the March to June 2012 quarter. The end result has been a 9.3% fall in Melbourne's median house sale prices over 2011-12 recorded as the largest fall across the country.
- In the first half of 2012, the median house price has hovered around \$535,000, with little growth.
- The median house price in Greenvale in the June 2012 quarter was \$580,000, this compares to \$480,000 in Victoria and \$350,000 in neighbouring Craigieburn.

Figure 16. Median House Price, June 2012



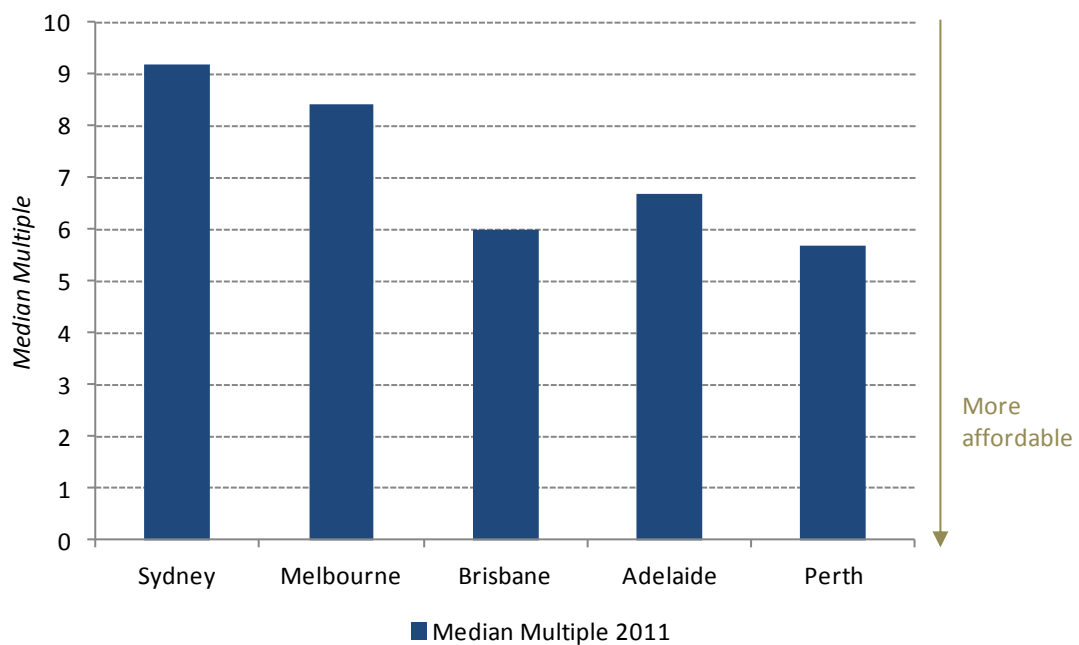
Source: REIV (2012), MacroPlan Dimasi(2012).

Housing Affordability

In understanding the relative affordability of a region, the Consulting Economist has used a measure referred to as a “median multiple”. Developed by international housing research company, Demographia, and used in their international city comparison on housing affordability, the median multiple calculates the ratio between the value of median house prices and median household incomes.

The 2011 Demographia Housing Affordability Survey has estimated that Melbourne has a median multiple of 8.4 compared with 9.2 in Sydney and 5.7 in Perth. This shows that Melbourne is one of the most unaffordable locations when compared with other cities in Australia.

Figure 17. **Median Multiple – Housing Affordability, Melbourne Compared With Selected Capital Cities, 2011**



Source: Demographia

2.7 Residential demand drivers

Population growth

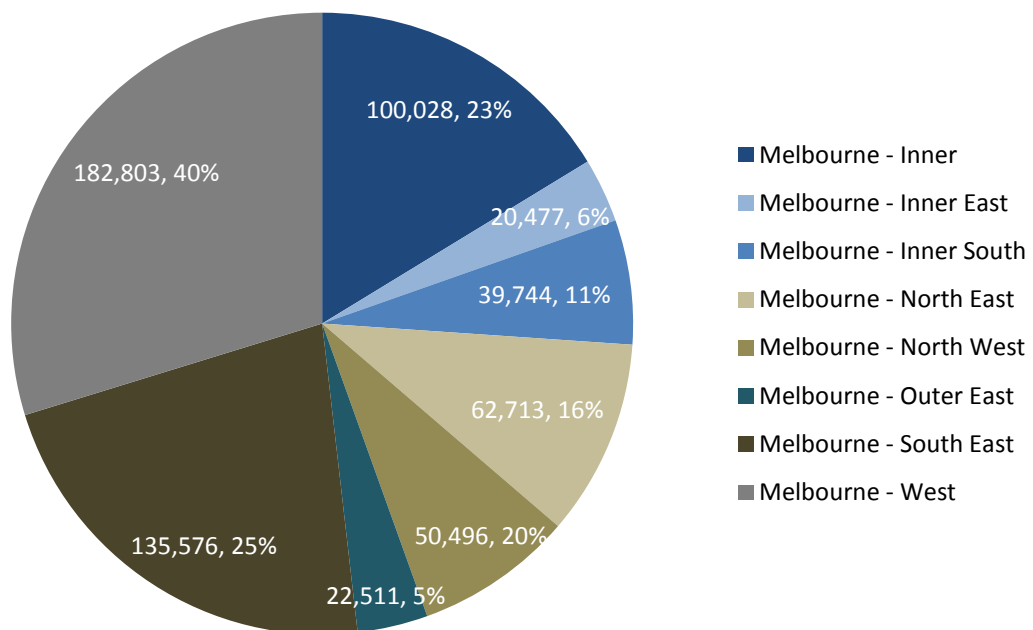
Victoria's estimated resident population at June 2011 was 5.53 million people. In the ten years to 2011, Victoria had the second largest growth of all states and territories, after Queensland, with a population increase of 729,800. The state grew by 15% over this period, equal to Australia as a whole.

The Greater Melbourne area contains 75 per cent of Victoria's population and contributes greatly to state-wide growth. Between 2001 and 2011, the population of Greater Melbourne grew by over 647,200 people to reach 4.17 million residents by June 2011.

The capital city of Melbourne grew by 18% over the decade, which was faster than the average of Australia's capital cities (17%).

Growth in the outer suburbs of Greater Melbourne contributed the most to Victoria's population growth in the ten years to June 2011. In most cases, growth in the outer suburbs reflects Greenfield development activity. Within Greater Melbourne, the fastest growing SA4s also had the largest growth. Melbourne - West increased by 182,800 (40%) over the ten years to 2011 to reach 638,900. In the same period, Melbourne - South East (up 135,600 people or 25%), Melbourne - North East (62,700 or 16%) and Melbourne - North West (50,500 or 18%) also had strong growth.

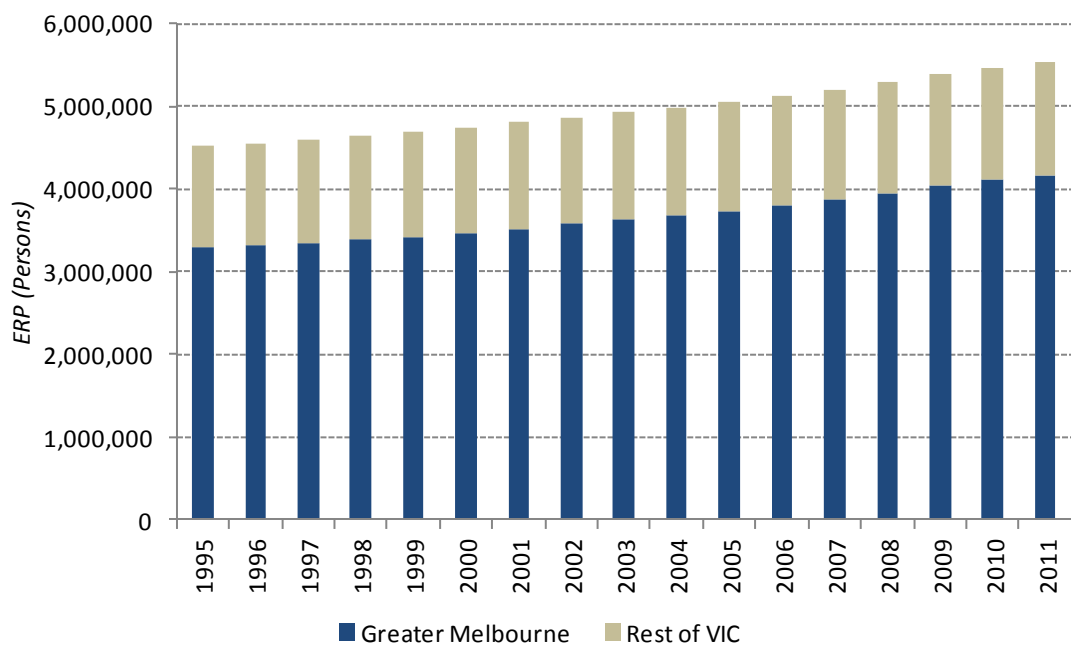
Figure 18. Distribution Of Population Growth, Melbourne, 2001-2011, At June 30



Source: ABS 3218.0

- Victoria's population growth returns to historical average (1.5%) with growth in the year to March 2011 at 1.5%.
- The Department of Immigration and Citizenship (DIAC) outlook for future growth is a steady return to historical trends driven by recovery in Net Overseas Migration (NOM).
- Victoria was the fourth fastest growing state/territory in December 2011 quarter.
- The pre-retirement/ retirement age cohort of 55-74 years recorded the largest growth over 2006-2011 with an average annual growth rate of 2.8%, comprising more than 30% of total population growth (26,700 people per annum).
- Followed by the 25-34 age group – key first home buyer – growing by 2.2% pa and comprising 20% of all population growth.

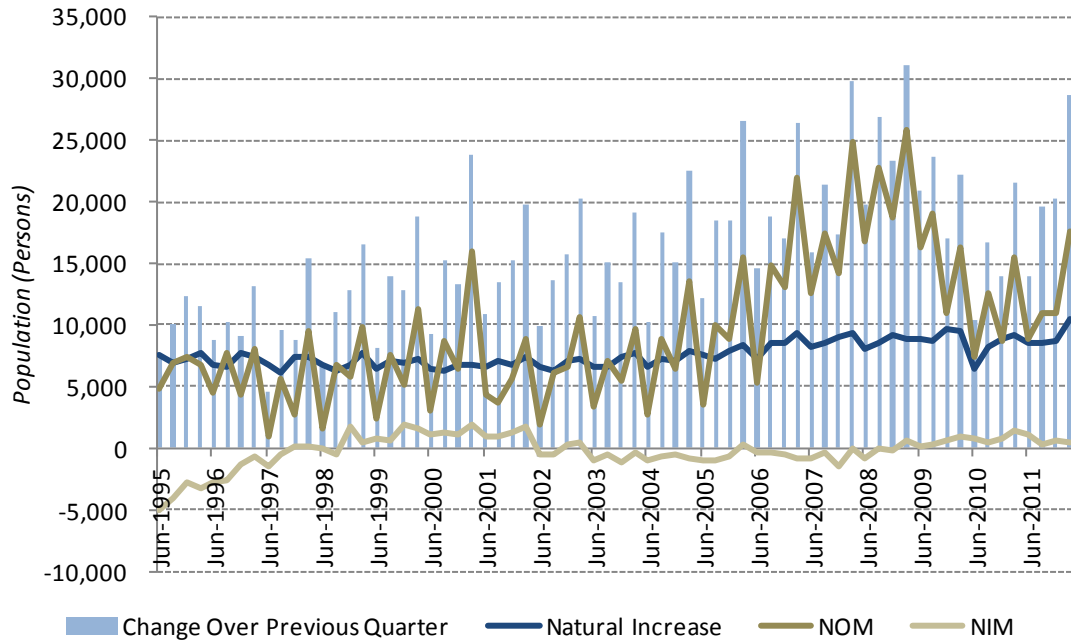
Figure 19. Historical Population, Victoria, 1995-2011, At June 30



Source: ABS 3218.0

Migration Trends

Figure 20. Components Of Population Growth, Victoria, Original, Quarterly



Source: ABS 3101.0

- After recent declines in net overseas migration (NOM) nationally (below 170,000), NOM has made a strong return with 197,200 people year ending March 2012. Victoria attracted 48,418 (25%) of this migration, and reaches 5.6mill.
- This exceeds the Department of Immigration and Citizenship (DIAC) forecasts, which stated NOM would return above 200,000 by 2014.

Major projects Victoria

- Melbourne Metro 1 (former East West Rail Tunnel, \$40 million) is in the planning stages with construction expected to commence in 2012 for completion in 2018.
- Regional Growth Fund (\$1 billion) will spend the first \$500 million in the next 4 years including \$26 million in 2012 to a number of institutions such as Deakin University, the University of Ballarat, and Western Water.
- Peninsula Link is a 27 kilometre four lane connection between the Frankston Freeway-EastLink Interchange at Carrum Downs and the Mornington Peninsula Freeway at Mount Martha. Once completed, Peninsula Link will reduce travel times between Carrum Downs and Mount Martha to around 17 minutes, a saving of up to 40 minutes (\$849 million, due in 2013)
- Regional Rail Link is a major new rail line that will separate regional trains from metropolitan trains, increasing capacity and reliability (\$4.31 billion, due in 2015)
- Latrobe Valley HRL Dual Gas Station (\$1.2 billion) in Morwell to commence construction in 2011 to be complete by 2013.
- Macarthur Wind Farm development (\$850 million), the largest wind farm in the Southern Hemisphere, is currently under construction and is expected to be complete in early 2013.
- Energy and mineral projects at advanced stages worth \$2.8 billion mainly comprising of the \$2.5 billion Kipper and Turrum Gas Fields developments in the Gippsland Basin currently under construction with production to start in 2012 and 2013 respectively.

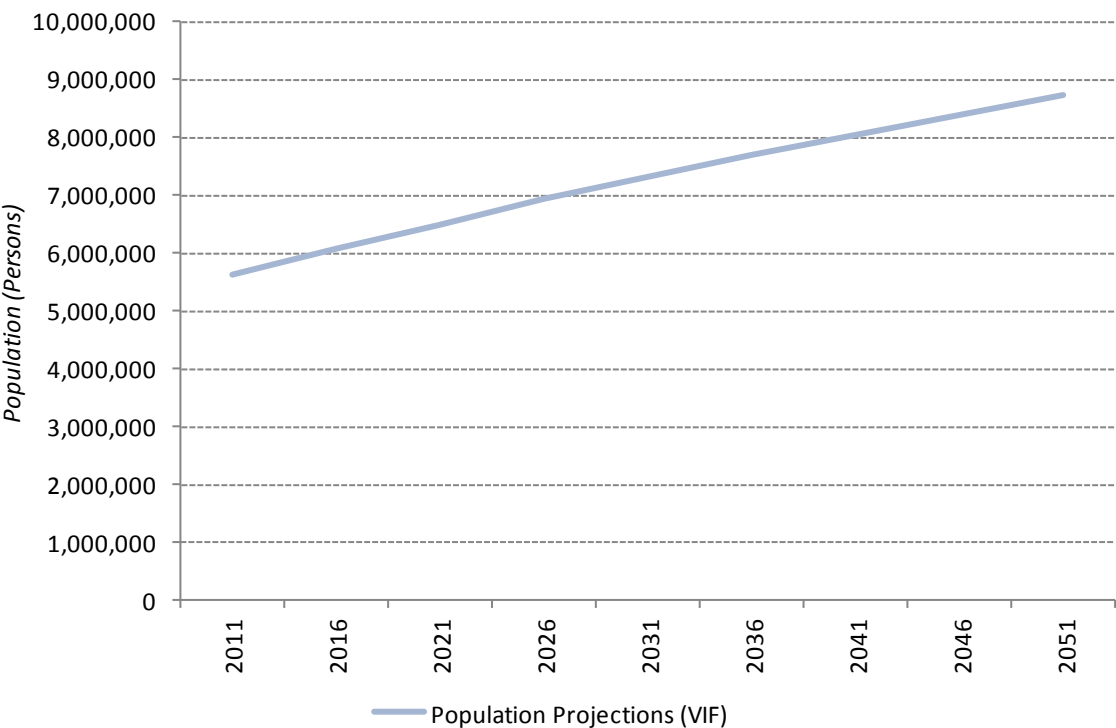
2.8 Victoria and Melbourne Projections

Population projections

According to the ABS, Victoria's ERP at March 2012 was 5.6 million people. The Department of Planning and Community Development has projected this to increase by approximately 1.3 million people to 6.9 million people by 2031.

Metropolitan Melbourne is forecast to capture the majority share (75 per cent) of this future growth.

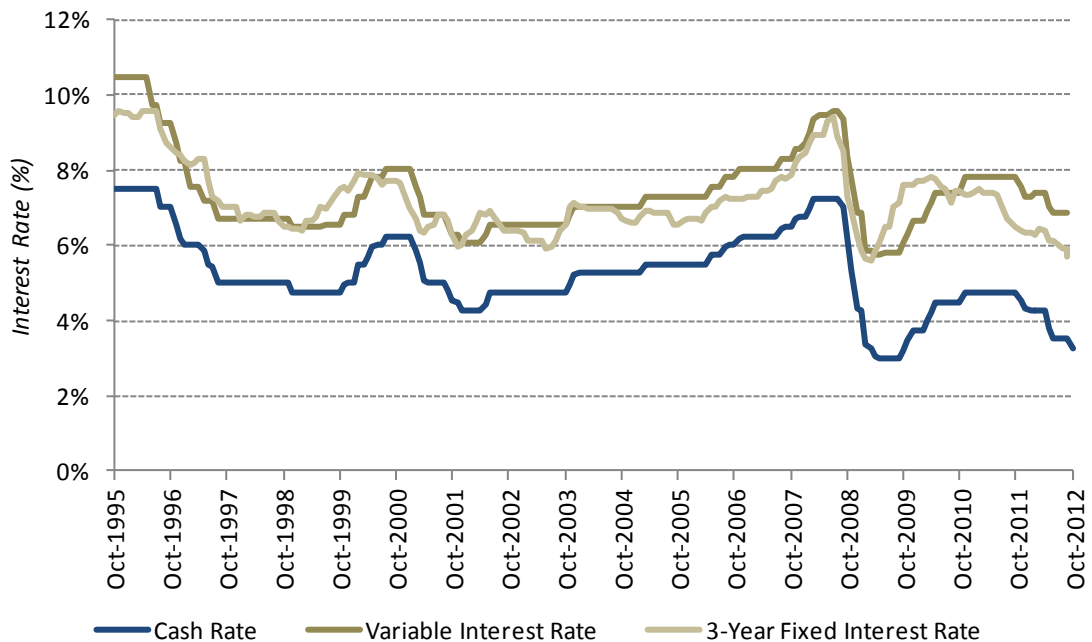
Figure 21. **Population projections, Victoria**



Source: Department of Planning and Community Development (DPCD) / MacroPlan Dimasi

2.9 Interest rates

Figure 22. Interest Rates, Australia, Monthly



Source: RBA

The Reserve Bank of Australia (RBA) have recently reduced the cash rate by 0.25 percentage points in October 2012, to 3.25%. A second rate cut is likely within the coming months. Prior to the recent cut, the RBA held rates as they considered economic performance as running close to trend levels and the inflation level relatively low.

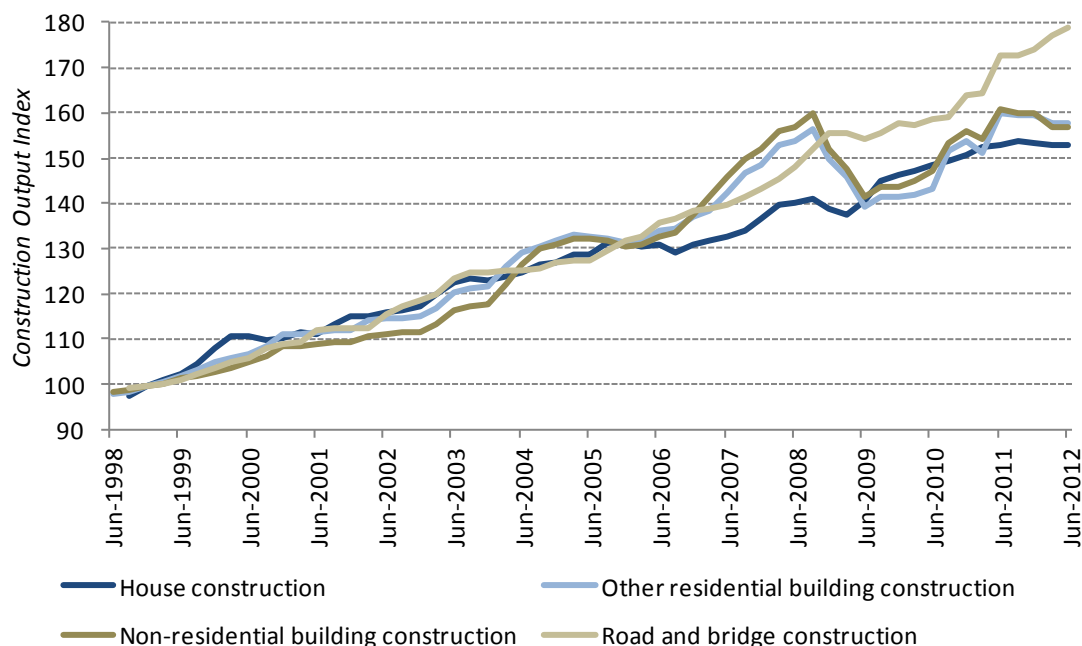
Although the cash rate remains below its medium-term average, variable lending rates are around their average levels. The three year fixed rate has decreased to close to 6% down from its peaks in mid 2008, while the variable rate has fallen back down to around 7.00%.

Weakening economic and employment conditions are evident across the nation. Inflation is relatively flat. The ABS data indicates that 2011-12 CPI change was 1.2%. This rate is substantially lower than 2-3% band the RBA targets.

Employment will be an important indicator to monitor going forward. The flow on impacts of the current poor economic conditions is yet to be fully reflected in the housing market. As a result it is expected that the RBA would further reduce the rates late 2012/early 2013.

The rate of recovery in the housing market will be dependent on continued strong migration levels into the state, and the housing demand it generates. It is expected that after one (potentially 2) further interest rate cuts, the RBA will move back towards the medium term average.

Figure 23. Construction Output Indexes, Victoria, Original, Quarterly

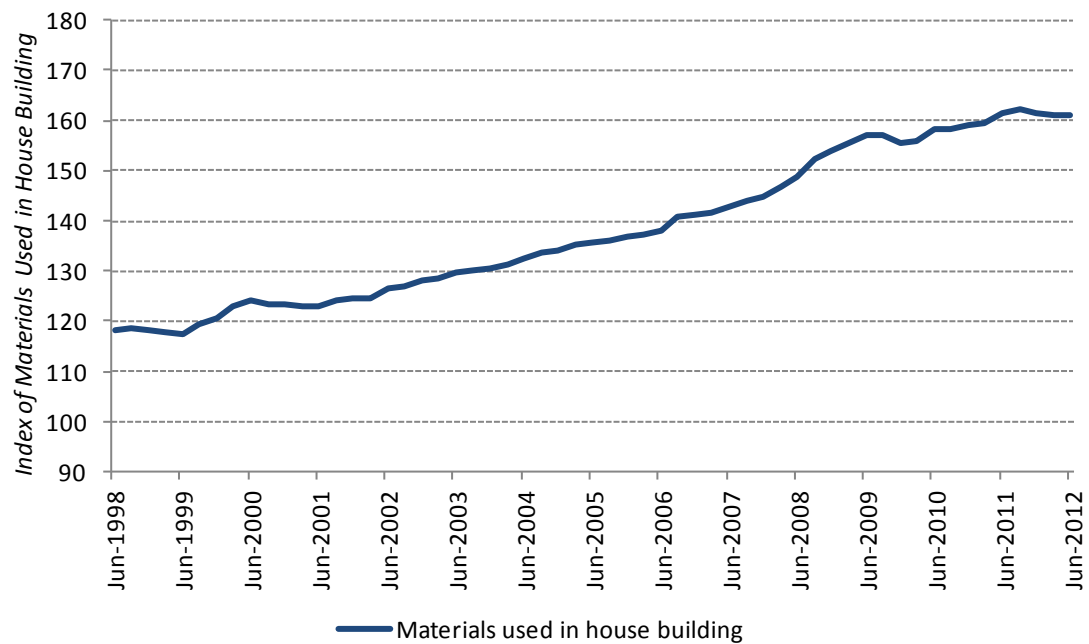


Source: ABS 6427.0

Over the long term growth, construction costs generally maintain a growth average similar to the inflation rate. However this trend has been less stable during the mid to late 2000s. Victoria had been running at near full capacity during the mid to late 2000s, with some markets running at excess capacity (particularly the labour market) during this period. This in turn was driving rapid price growth (consumer prices, wage prices and house prices). The weakening in economic activity over 2008 and 2009 has reduced many of these capacity constraints and allowed for a cooling in consumer and producer prices. This has allowed for key infrastructure projects to be fast tracked, taking advantage of cheaper inputs to construction (oil, steel, cement).

This cooling in producer prices is illustrated in the above figure. The three construction output indexes of “House construction”, “Other residential building construction” and “Non-residential building construction” have remained flat, particularly since early to mid 2011. The road and bridge construction index on the other hand has continued to increase strongly due primarily to committed road and infrastructure projects.

Figure 24. Material Uses In House Building, Victoria, Original, Quarterly



Source: ABS 6427.0

The chart above outlines the Victorian Index of Materials Used in House Building, indicating a flattening in growth in producer costs over recent times, particularly between 2011 and 2012. The weakening labour market conditions forecast for 2013 could potentially result in a flattening trend eventuating.

MacroPlan Dimasi expects that construction costs will return to higher levels of growth once labour market conditions tighten beyond the two year horizon.

3 Hume Corridor - Greenvale/Craigieburn

The Hume Corridor of Melbourne plays an integral role to the future development of the Melbourne Metropolitan Region in terms of population and economic growth. Locational attributes include:

- Good existing demand from locational amenity
- Relative affordability
- Land availability for residential and employment developments
- Rail and road infrastructure
- Large existing population

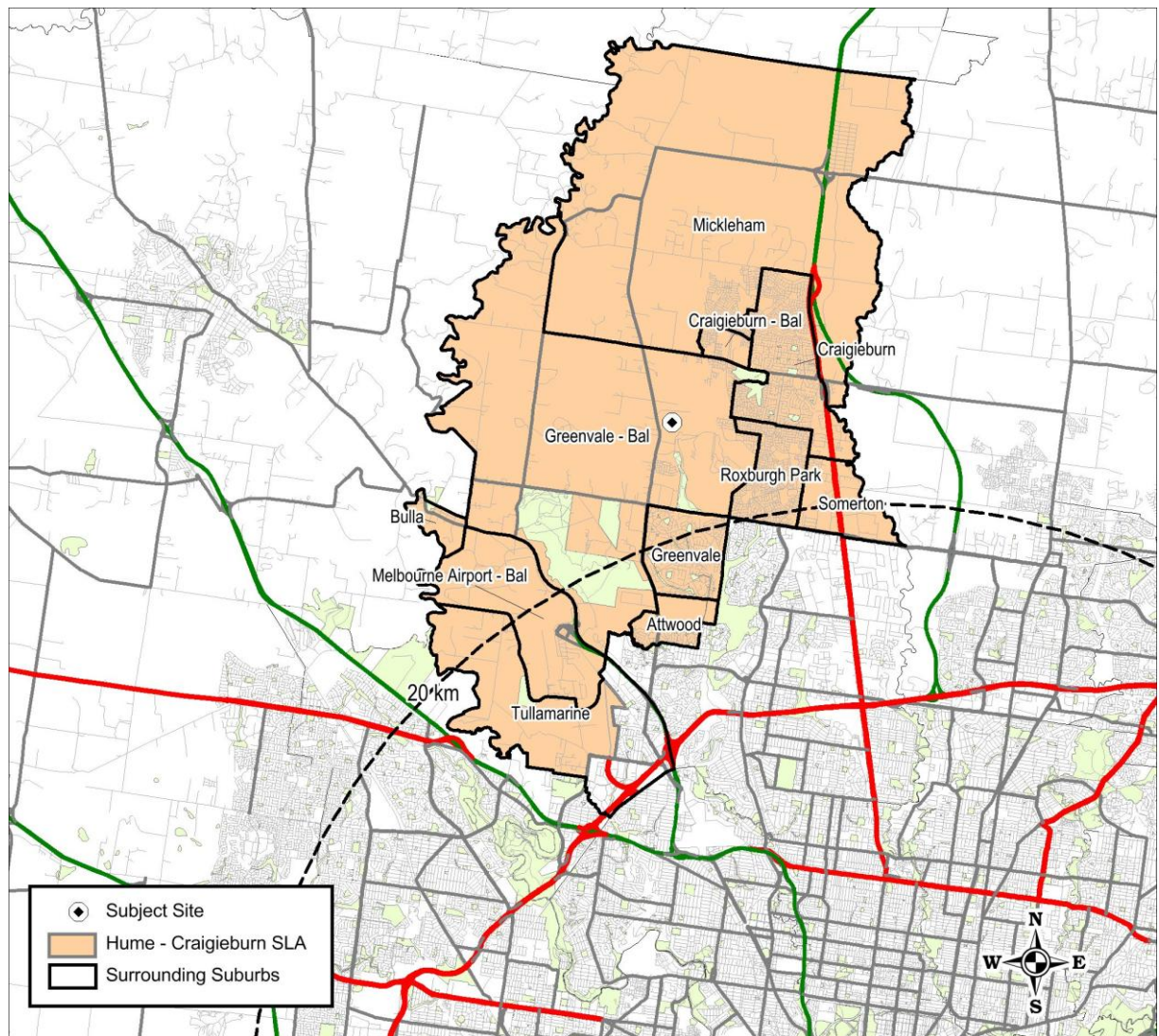
Most of the growth projected to take place in the City of Hume, will be focussed around the two primary development fronts in Craigieburn and Greenvale. Greenvale is located approximately 24 kilometres north of the Melbourne Central Business District in the northern half of the City of Hume and will play an important role in supporting future population growth in this growth Corridor. The Property is located at 1170 Mickleham Road, Greenvale, also known as Lot A on PS 714625C, being a lot proposed to be created by the subdivision of Lot E on PS646719U

3.1 Context

For the purpose of this analysis we have defined the Hume Corridor as the Hume Craigieburn (C) - Statistical Local Area (SLA). This northern Hume Corridor forms part of the Hume Local Government Area. Within the Hume Corridor there are 9 suburbs. These are:

- CRAIGIEBURN
- GREENVALE
- ROXBURGH PARK
- MICKLEHAM
- OAKLAND JUNCTION
- YUROKE
- SOMERTON
- ATTWOOD
- BULLA

Figure 25. Geographic Definitions



Source: MacroPlan Dimasi

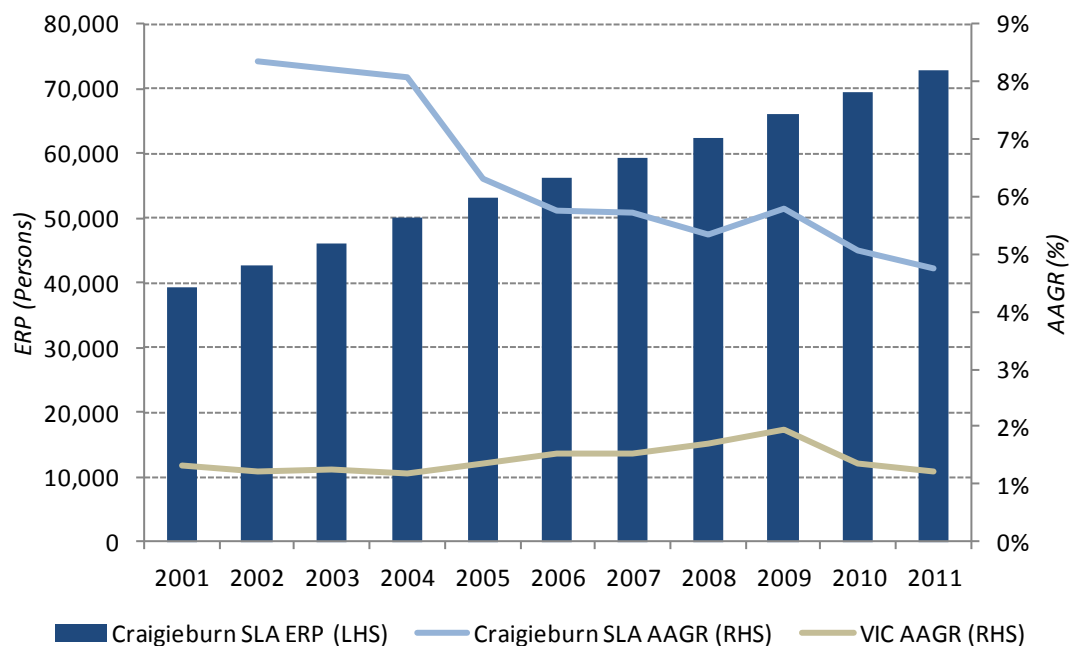
3.2 Demand

3.2.1 Population growth

Over the period 2006 to 2011 the population of the Hume Corridor – Craigieburn SLA (where the Property is located) grew by almost 16,642 people at an average growth rate of 5.9%.

As the area has matured, population growth in the Hume Corridor has stabilised in the past decade, from over 8% growth rate per annum in 2001-2004 to around 5% pa in the last two years. The rate of growth in the Hume Corridor has outstripped the average annual growth rate in Victoria over this period.

Figure 26. **Population Growth, Craigieburn SLA, 2001-2011, At 30 June**



Source: ABS 3235.0 and 3218.0

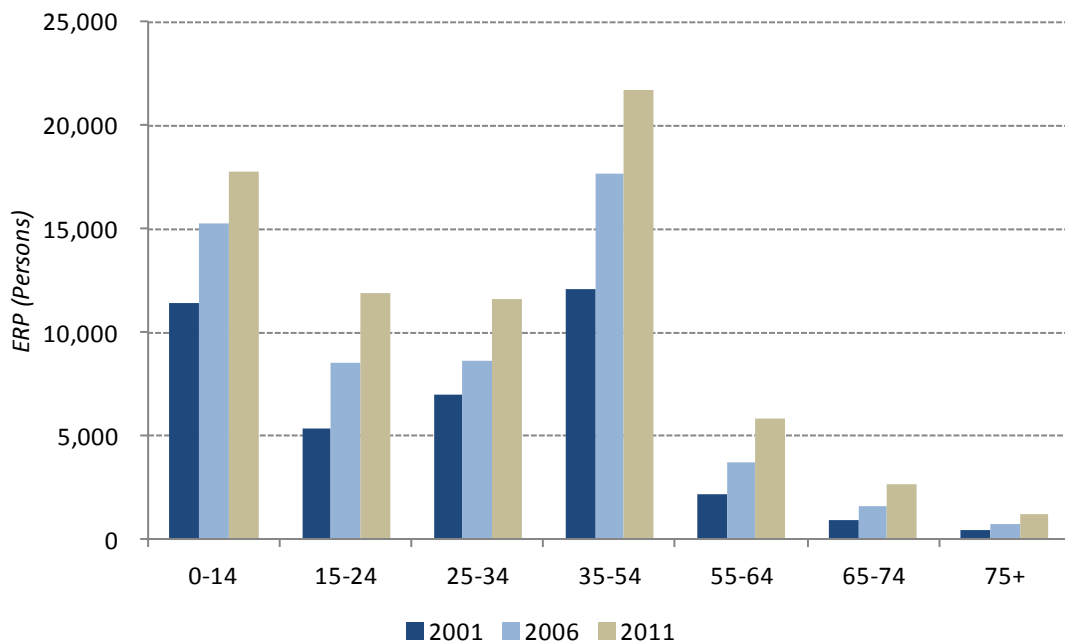
Market Segment Growth by Age Group

The Hume Corridor - Craigieburn SLA has a very young population with 24% of people in 2011 aged between 0 and 14, less than 2% of the population aged over 75.

The 35-54 year old segment has the largest proportion of the total population in the Corridor, accounting for almost 30% of the total. This age group has also experienced the largest growth over the last decade, by adding 5,582 people during 2001-06 and another over 4,052 during 2006-11 (a total of 9,634 in 2001-11). This is followed by 15-24 year olds (6,602), 0-14 year olds (6,398) and 25-34 year olds (4,631) in the period of 2001-11.

The age profile of the Hume Corridor suggests there is a strong market for traditional family homes. While not a large share is currently in the 55+ market, it is expected to emerge over the next 20 years as the population ages and the 35-54 year old group start to age in place. This is likely to result in demand for new housing market, including demand for smaller and easier to maintain lots.

Figure 27. Population Growth By Age, Craigieburn SLA, At 30 June



Source: ABS 3235.0 and 3218.0

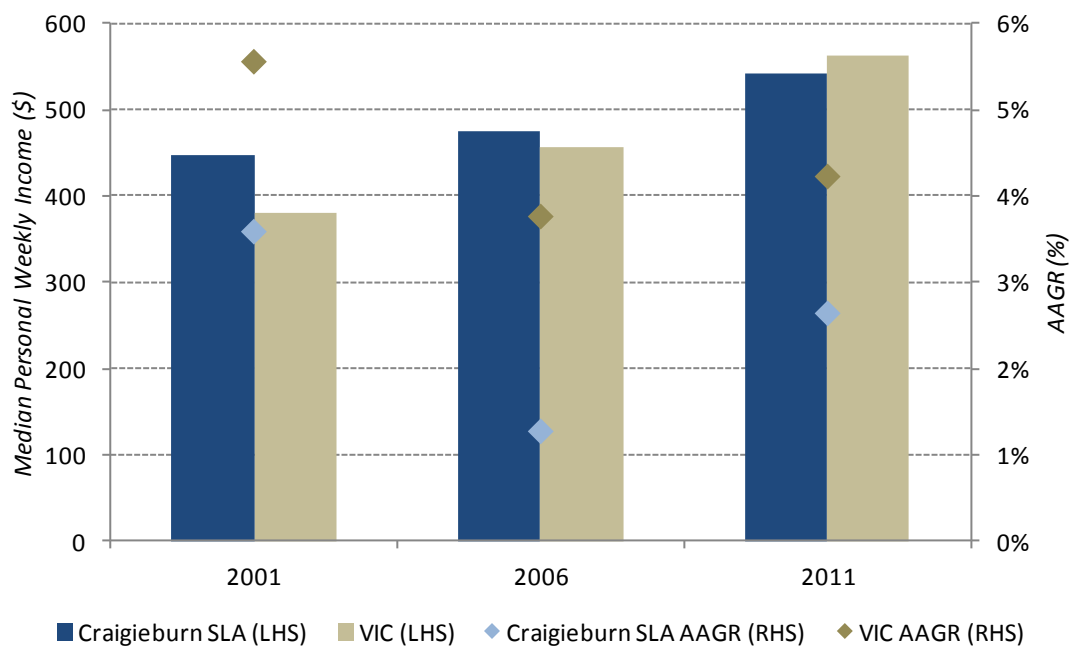
3.2.2 Income and employment conditions

Income

The latest available income data for small areas such as the Hume Corridor has been sourced from the ABS Statistics for 2011.

On average, the population in the Hume Corridor earned a gross personal weekly income of \$541 in 2011; up from \$475 in 2006. Over the period 2001 to 2011, the average annual growth rate in average gross personal weekly income in as the Hume Corridor was 2.0 per cent. This rate was less than the average for Victoria (4.0 per cent) over the same period.

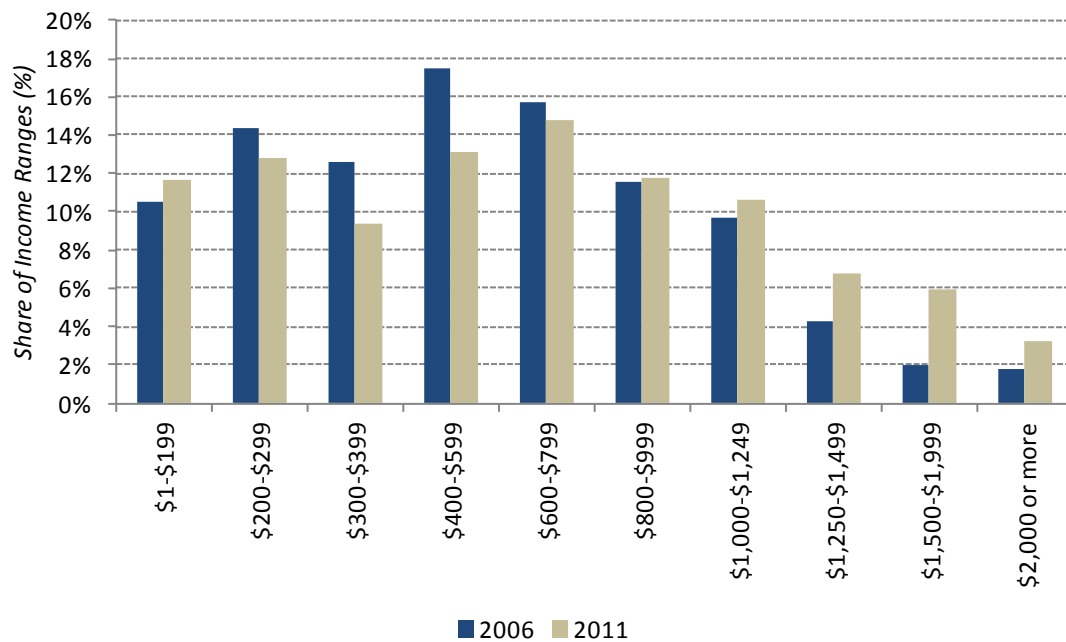
Figure 28. Median Personal Weekly income, Craigieburn SLA



Source: ABS 5673.0, MacroPlan Dimasi (2010).

For the Hume Corridor, the proportion of those in the lower and medium income groups fell between 2006 and 2011. Over the same period, the proportion of wage and salary earners in the higher income brackets has increased. This has particularly been the case for those earning more than \$1000 per week; the proportion of wage and salary earners in this category increased from 15 per cent in 2006 to 22 per cent in 2011.

Figure 29. Share Of Weekly Personal Income Ranges, Craigieburn SLA



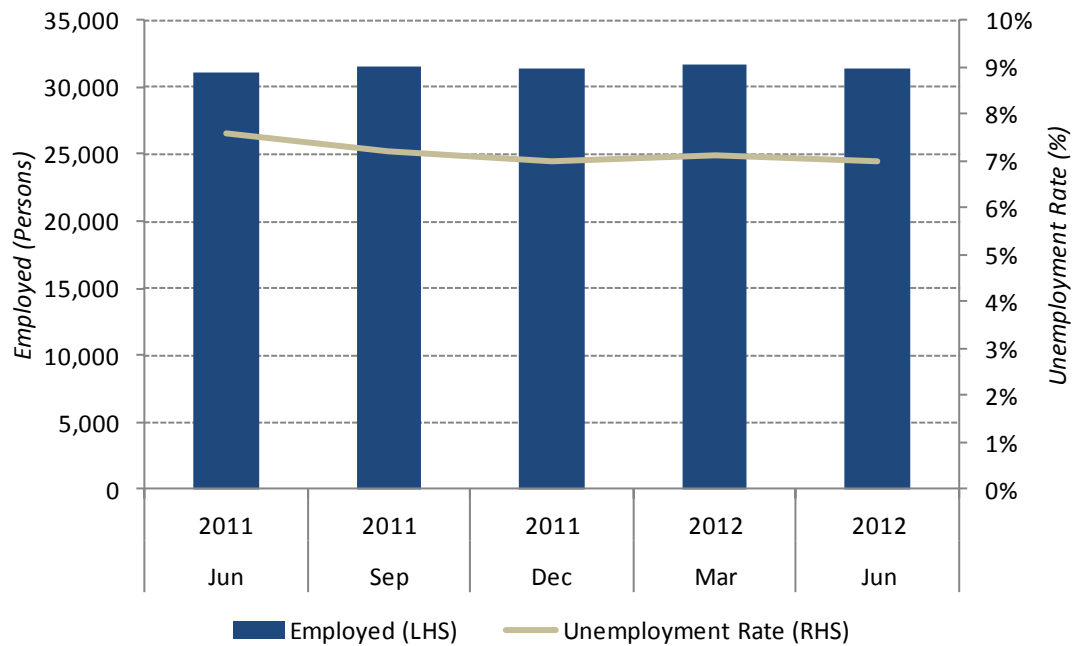
Source: ABS 5673.0, MacroPlan Dimasi (2010).

Employment

The number of persons employed in the Hume Corridor increased by 1.3% from 31,051 in June 2011 quarter to 31,447 in the June 2012 quarter, while quarter-on-quarter change shows a 0.9% decrease compared to the March 2012 quarter. A subdued economy, impacted by high AUD, global uncertainty and a constrained budget, was largely responsible for this poor employment market condition.

The unemployment rate in the Hume Corridor declined slightly from 7.6% in June 2011 quarter to 7.0% in June 2012 quarter. While this is higher than the Melbourne average (5.4% in June 2012 quarter), the Hume Corridor's higher unemployment rate is partially a result of the participation rate in manufacturing and related industries which have seen a decline on staff numbers.

Figure 30. Employment Conditions, Craigieburn SLA, Jun 2011 – Jun 2012, Quarterly



Source: Department of Employment, Education & Workplace Relations Small Area Data (2012), MacroPlan Dimasi (2012).

Future employment conditions for the Hume Corridor are strong and will be supported by policy settings set out in the Hume Economic Development Strategy 2030 that encourage employment generation and self-sufficiency in the region. The development of major town centres, including the Craigieburn Town Centre and the Broadmeadows Activity Centre will support employment growth over the next 20 years.

3.2.3 Residential Activity

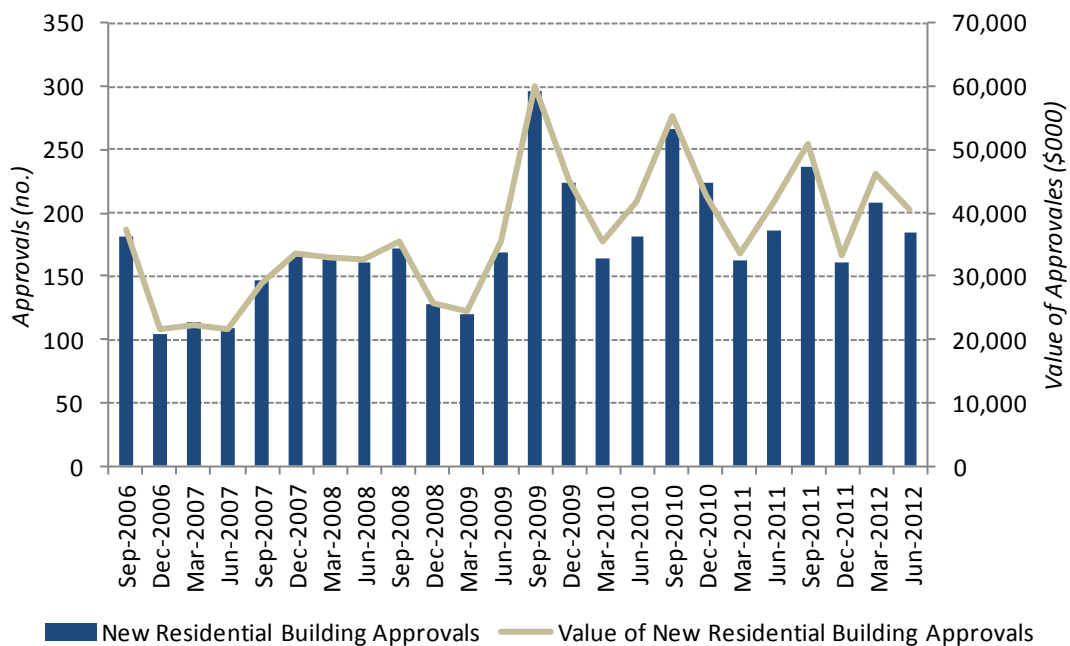
Total new residential approvals

Residential activity in the Hume Corridor has fluctuated in the last few years due to the impact of the global financial crisis and the overall economic uncertainty.

Whilst the most recent building approvals figures have shown a slight decrease in the number of new residential building approvals, the three month average of 185 recorded in June 2012 quarter is still relatively strong in light of historical figures. It can be compared to the three month average of the period from Sep-2006 to Jun-2012 of 176 approvals.

This recent trend of strengthening residential activity in the Hume Corridor is further emphasised by the average value of building approvals over the period, which has consistently increased since March 2009 quarter albeit with fluctuations. The three month average value of new residential building approvals in June 2012 quarter was \$40,375,000 which was above the average over the Sep-2006 to Jun-2012 period.

Figure 31. **New Residential Building Approvals, Craigieburn SLA, Three Month Average, Sep 2006 – Jun 2012, Quarterly**



Source: ABS 8731.0

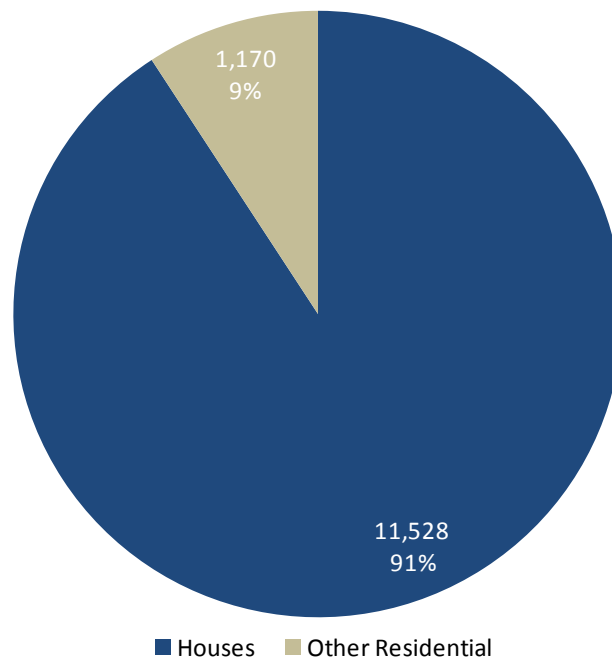
Composition of Activity

Residential activity in the Hume Corridor is dominated by single houses, with 11,528 or 91% of the new residential building approvals granted between Sep-2006 to Jun-2012 categorised in this group.

There were an additional 1,170 building approvals for medium and high density residential buildings over the same period. The demand for these higher density building types arises mainly around town centres.

In 2012, medium and high density residences made up 15% of all new residential building approvals, which represents a slight increase on the longer term average of 9%.

Figure 32. **Composition Of Residential Activity, Craigieburn SLA, Sep 2006 – Jun 2012**



Source: ABS 8731.0

3.2.4 Locational Demand Drivers

Infrastructure projects

A number of significant infrastructure projects are planned or are presently under construction within the Hume Corridor, including current and proposed road extensions and major facility projects.

The recent strong population growth in Victoria has put a significant amount of pressure on existing infrastructure. To alleviate these pressures and prepare for future growth a number of new infrastructure projects are planned. Some of the major infrastructure projects include:

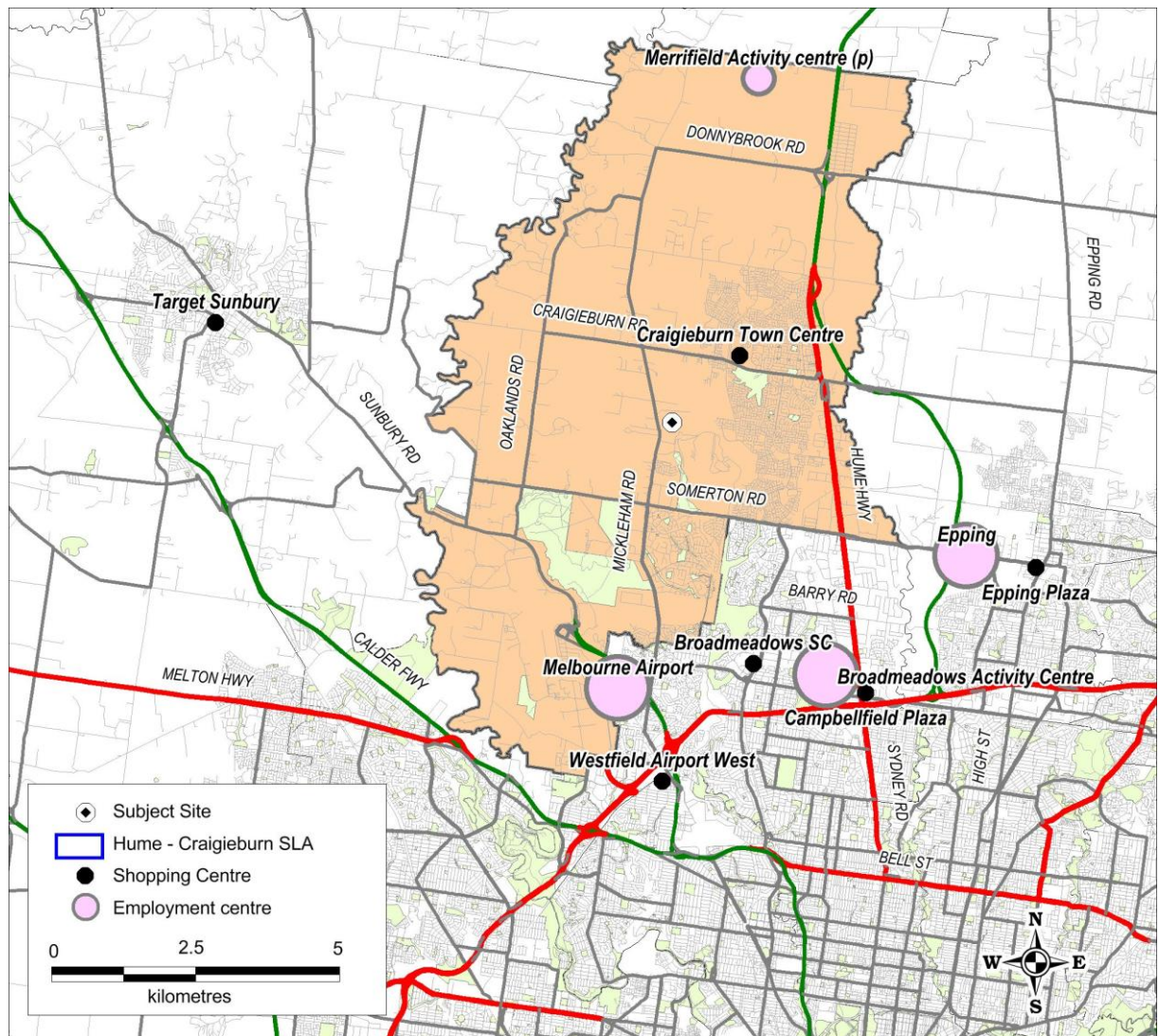
- **Roads:** There are key road developments with regard to the Hume Corridor: 1) The North-East Link, 2) Aitken Boulevard, 3) M80 Upgrade, 4) Cooper Street land duplication, 5) Outer Melbourne Metropolitan Ring Road / E6 Transport Corridor, and 6) Hume Highway Donnybrook Road grade separation.
- **Relocation and redevelopment of Melbourne's Wholesale Fruit and Vegetable Markets and National Flower Centre** from Footscray Road in West Melbourne to a new site in Epping. With the aim of redeveloping the market into an efficient and integrated trading environment, the new market precinct is expected meet future needs for warehousing space, cater for modern logistics and drive over \$1 billion of investment on the site. Work commenced onsite at the end of 2009 and the new market is scheduled to be fully operational in 2014.
- **MFB (Metropolitan Fire Brigade) Training Facility Craigieburn.** Announced in July 2012 by the Victoria Government, this \$109 million project is expected to be operational in 2014. It will provide specialised emergency services learning and training facility which will occupy half of a 18.6ha site in Craigieburn.

The rollout of infrastructure throughout the North metropolitan Corridor is likely to positively impact the competitiveness of the region and therefore have the potential to increase the market share of the Hume Corridor compared to other parts of the Melbourne metropolitan area.

Economic and employment nodes

The Department of Planning and Community Development (DPCD) has identified a number of opportunities to support higher levels of employment and therefore higher levels of employment self-sufficiency. Opportunities include a range of planned and constructed centres; including Employment Centres (Broadmeadows/Epping/Melbourne Airport) and a Regional Town Centre (Craigieburn) within the Hume Municipality. This is illustrated in the figure below.

Figure 33. North Sub Region, Centres Network



Source: MacroPlan Dimasi

The development of these centres could have a strong impact on population growth in the North sector which could see population growth increase above historical trends.

There exists a strong relationship between population and employment growth in any new development. The two components are inherently interconnected by a range of factors. For example:

- Population growth and associated expenditure creates demand for retail, cafes and restaurant, health and community, education; child care and other population-related services. This creates employment opportunities in these industries;
- Population growth provides people of working age and with skills and characteristics attractive to employers; and
- Availability of employment opportunities are a major driver of population growth in a region.

By integrating a mix of uses into centres throughout the North Sub Region and creating a critical mass of activity, the attractiveness of the Sub Region is enhanced. This will provide significant retail, urban form and accessibility related amenity that can provide a catalyst to population growth relative to comparable developments (to the south); and encourage the take up of dwellings throughout the Corridor. This is considered an essential element to growth front and centre development.

Therefore, the successful delivery of key centres in the North Sub Region is likely to improve the Sub Region's historical market share of the Melbourne Metropolitan Region.

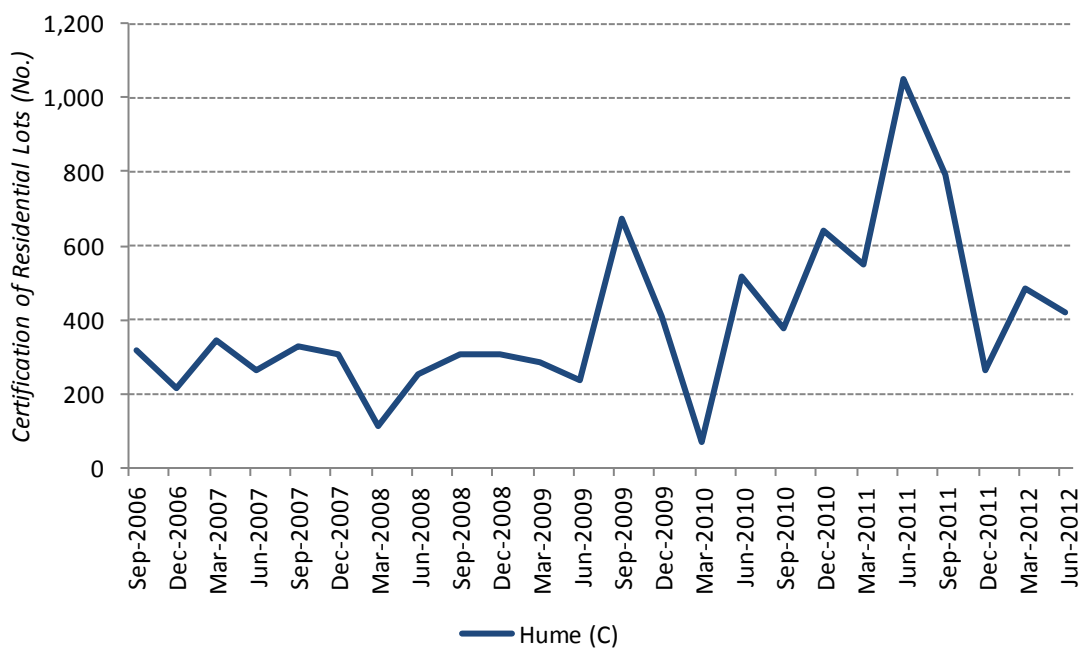
3.3 Supply

Recent supply conditions

The Hume Local Government Area (where the subject site is located) has contributed, on average, about 6 per cent annually to Melbourne's new residential development (post-June 2002 production).

Despite strong population growth over the past decade, residential lot production in the Hume LGA has fluctuated with a declining bias between 2002 and mid 2010. Additional First Home Owners Grants (FHOG) provided by the government in the wake of the GFC generated increased demand for residential lots in the corridor between 2008-2009, resulting in a strong reaction from property developers within the corridor, who released the greatest quantum of residential lots (1,052) since the June quarter in 2003. This compares to the ten year average of 429 per quarter. More recently the number of quarterly lots released has fallen to be broadly in line with the ten year average (429).

Figure 34. Final Lot Certification, Hume



Source: Residential Bulletin - DPCD (2012), MacroPlan Dimasi (2012).

Future Supply Overview

The Hume Corridor has several active developers and multiple lot releases planned over the next 10 years. The current growth front is focussed around Greenvale, Mickleham and Craigieburn. As supply diminishes over the long term the development front will shift further north to Beveridge, Kalkallo and Lockerbie.

Developers in the Greenvale/Craigieburn region include Peet Ltd, Stockland, Pask, Australand, Villawood and Places Victoria. The Greenvale area has historically been dominated by Peet Ltd with the development of Greenvale Lakes, whilst Stockland has the greatest land holdings in Craigieburn, following the completion of Delfin Craigieburn. The corridor has a vast cross section of product targeted at a diverse buyer profile. Greenvale has typically supplied the market with above corridor average size lots and significantly higher price points. This is likely to be a result of developers placing a premium on lots within proximity to more established residential areas such as Roxburgh Park.

There has been two new developments to launch since Greenvale Lakes (Peet Ltd) to launch in Greenvale; these include the Pask Groups 450 lot estate (Providence) in 2011 and Australands Greenvale Gardens. More recently, developers with major land holdings in the corridor have commenced the process of bringing new estates to market. In Greenvale this includes the Ardan (Peet Ltd) estate, whilst in Craigieburn; new estates include Trillium (Villawood), Aston (Peet Ltd) and Craigieburn (Places Victoria).

The sequential delivery of other estates within both Greenvale and Craigieburn will create significant competition for the property. It is anticipated that competitive pricing strategies will prevail in times of a slowing property market and at times competing estates in the corridor will offer incentives to buyers to stimulate demand.

From a supply perspective, as development in the area intensifies due to releases from Peet Ltd, Villawood, VicUrban and Australand, the Consulting Economist considers that the Greenvale region will benefit from increased buyer enquiry within the growth corridor

The Consulting Economist's analysis also shows that due to the rapid provision of new amenity in Craigieburn, buyers are less likely to distinguish Greenvale as having a higher level of amenity than Craigieburn and subsequently may not attach a price premium on residential lots. It is anticipated that competing developments in Greenvale will offer a greater proportion of smaller lots in their lot mix, creating a higher lot yield rather than discount larger lots.

3.4 Land Sales

Land sales in Greenvale in FY 2011-2012, represented 17 per cent of all land sales in the Hume Corridor.

Figure 35. Land Sales Overview, Craigieburn and Greenvale, FY 2011-12

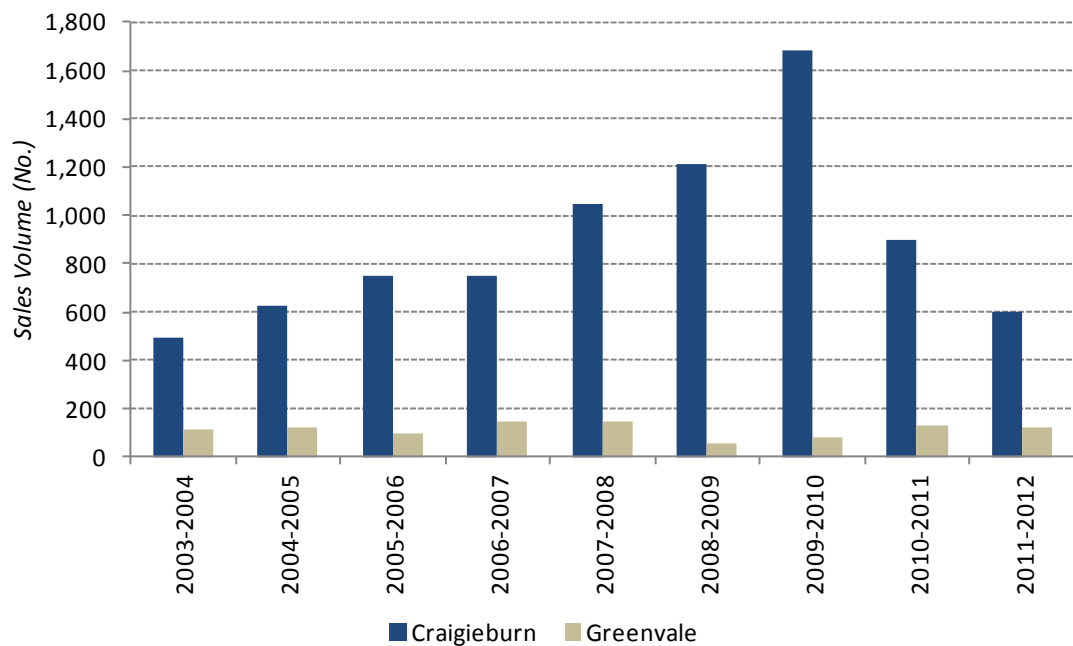
Sales Volume	Craigieburn	Greenvale
2011-2012	600	119
<i>Average (2007-12)</i>	<i>1,089</i>	<i>107</i>
<i>Average (2003-12)</i>	<i>897</i>	<i>113</i>

Source: Price Finder / MacroPlan Dimasi

Land sales activity in Greenvale has been modest over the past decade when compared to the neighbouring suburb of Craigieburn, which has seen a significant amount of development and subsequent amenity. Land sales in Greenvale in the 2011-12 financial years totalled 119; above the average recorded over the previous five years. This is less than the peak of 146 recorded in FY 2006-2007; however this result is likely to reflect a number of unsettled sales. From this peak, sales in Greenvale have declined each year to FY 2009-2010, whilst they were generally rising in Craigieburn. This is likely to reflect a lack of diversity brought about by too few competing estates in Greenvale and possibly some buyer leakage to a more affordable Craigieburn. It is also important to note that this period of sales activity was impacted by a significant drop in available supply. This is highlighted by the higher levels of sales achieved in 2011/2012 as new supply was introduced to the suburb.

Land sales in Greenvale over the past 10 years have averaged 13% of the total Greenvale/Craigieburn residential lot sales. This proportion dropped significantly (average of 4%) between the 2008-2010 financial years, primarily due to a reduction in available supply and buyer's preference to more affordable stock in Craigieburn, post GFC. More recently, with the addition of new supply in Greenvale the area has recaptured a greater proportion of the corridors sales (17%). This is greater than the average proportion of sales (15%) achieved during the 2003-2008 period.

Figure 36. **Historical Land Sales Volume, Craigieburn And Greenvale, FY 2003/04-2011/12**



Source: Price Finder, MacroPlan Dimasi

3.5 Prices

In 2011, the median land price in Greenvale was \$255,000, down from \$298,000 in 2008. The historical land price growth in Greenvale has been around 4.6 % p.a. since 2002. Despite significant average year on year price growth in Craigieburn over the past decade, prices in Greenvale remain on average 31% higher.

Figure 37. **Median Land Price Growth, Craigieburn And Greenvale, FY 2003/04-2011/12**

Median Sales Price	Craigieburn	Greenvale
2003-04	\$ 104,900	\$ 170,000
2011-12	\$ 194,500	\$ 255,500
AAGR (2003-2012)	7.1%	4.6%

Source: Price Finder, MacroPlan Dimasi

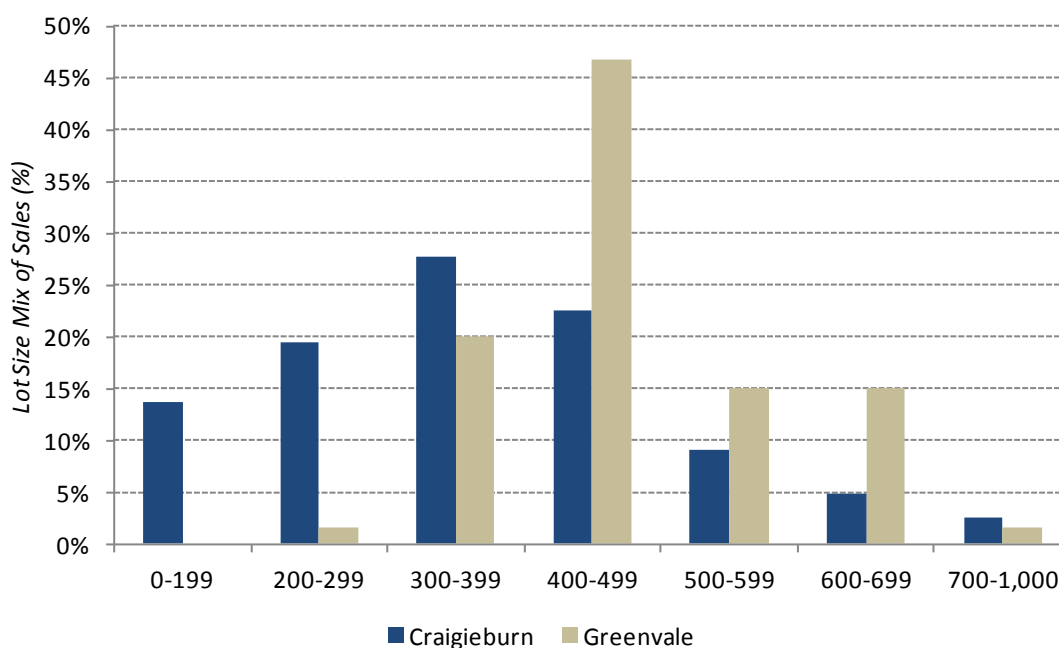
3.6 Price point and lot mix analysis

Lot Mix

Despite the suburbs of Greenvale and Craigieburn operating adjacent to one another, there are significant variations in price points and lot mix's contained within the existing estates. Analysis of historic sales suggests that the largest proportion of product sold in Craigieburn was in the range of 400-499 Square metres (46.7%), while sales of residential lots within this range in Greenvale only formed 22.5% of total sales. Also reflecting this variation in product type, Craigieburn's proportion of sales in the 300-399 Square metres ranges was 27.7%, which compares to 20% in Greenvale. Craigieburn in recent times has experienced a greater proportion of lots released that are below 200 Square metres range. This has resulted in 13.7% of total sales coming from this range over FY2011-12. Greenvale had no sales recorded in this range over the same period.

The trend towards increased proportions of smaller stock is expected to continue into the future with new developments in Greenvale and Craigieburn delivering smaller lots and townhouse product within the catchment.

Figure 38. Lot Mix Of Land Sales, Craigieburn And Greenvale, FY 2011-12



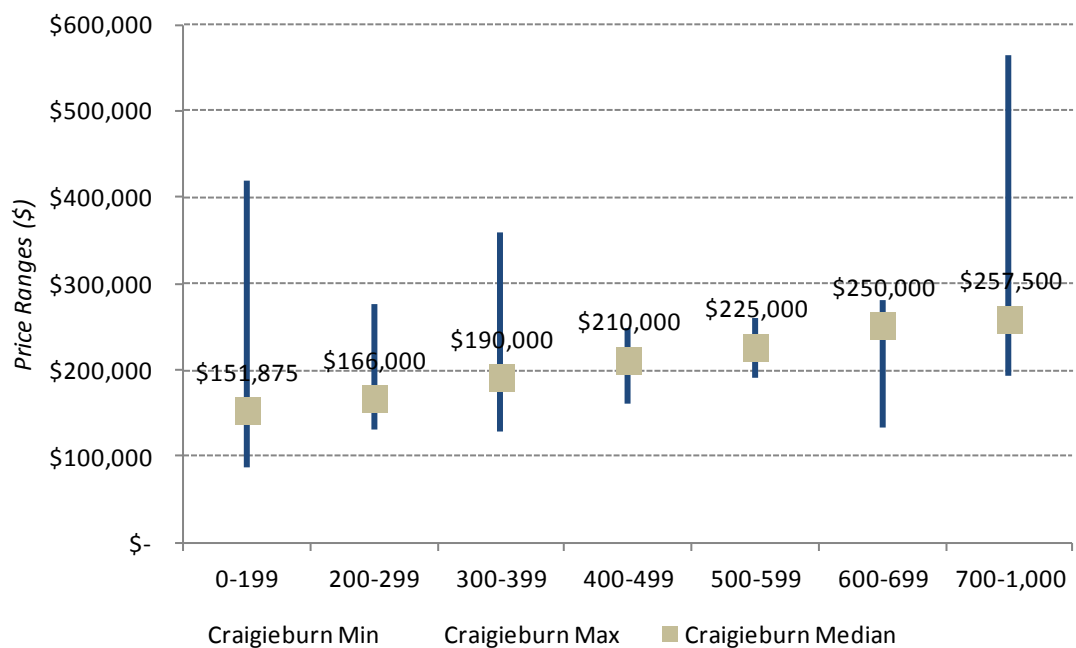
Source: Price Finder, MacroPlan Dimasi

Lot mix and price points

The figure below presents price points for different lot mixes in Greenvale and Craigieburn. The median land price for 300-400 Square metres lots is around \$233,000. Based on this analysis, The Consulting Economist outlines the following price point parameters for Greenvale:

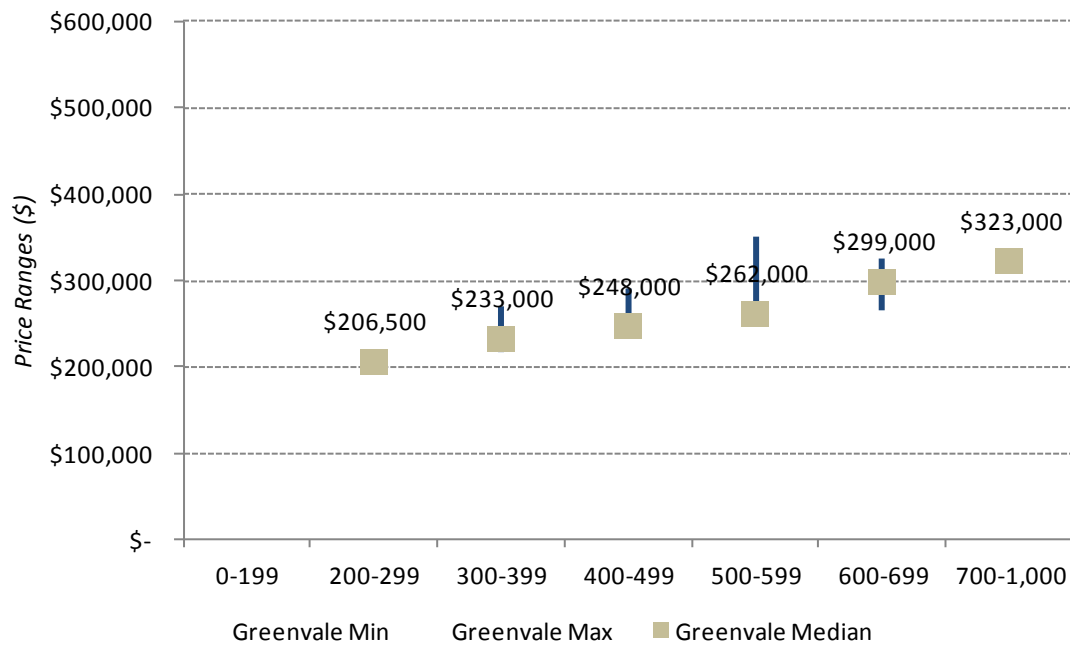
- 300-400sqm lots at \$218,000 to \$269,000 (Greenvale)
- 400-500sqm lots at \$233,000 to \$290,000 (Greenvale)
- 500-600 sqm lots at \$255,000 to \$350,000 (Greenvale)
- 600-700sqm lots at \$265,000 to \$325,000 (Greenvale)

Figure 39. Median Land Price Growth, Craigieburn, FY 2011-2012



Source: Price Finder, MacroPlan Dimasi

Figure 40. Median Land Price Growth, Greenvale, FY 2011-2012



Source: Price Finder, MacroPlan Dimasi

4 Forecasts

This section presents the Consulting Economist's forecasts of:

- Potential sales rates achievable by the Syndicate and Property.
- Land price escalation for the Greenvale/ Northern Melbourne Corridor over the period 2012 to 2019;

The forecasts and projections in this section are based on assumptions about circumstances and events that have not yet transpired and they are therefore subject to variations that may arise as future economic and market factors actually occur. As a result, the Consulting Economist cannot provide any assurance that the forecasts and projections contained in this report will be achieved.

Key assumptions made to undertake the forecasts include:

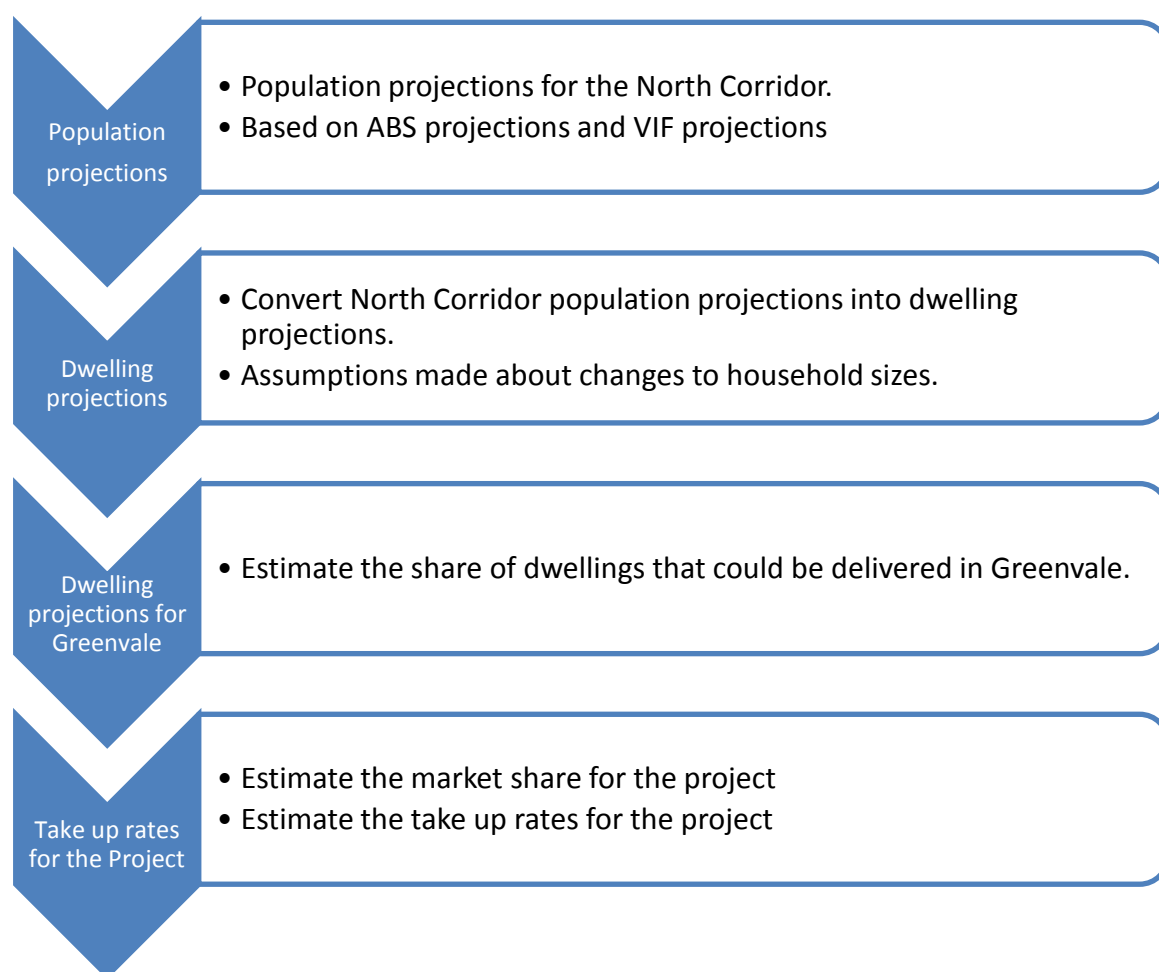
- The Victorian economic growth outlook and housing market performance will be subdued over at least the coming 18 months prior to recovery around 2014/15.
- RBA Cash Rate will average between 3.25% and 3.50% between 2012 and 2014
- No additional major development not identified already is assumed to occur within Greenvale/Craigieburn over the next 2 years.
- Greenvale achieves an increased proportion (moving from the long term average of 11% to 25%) of the Hume Corridor land sales market from 2013 due to a range of factors outlined above.
- Lot price ranges for the Property aren't significantly higher than comparable product in Greenvale.
- Analysis of the Subdivision Concept Plan depicts approximately 437 residential lots.
- Land sales for the property commence in H2 2013.
- The Property capturing around 35-40% of the Greenvale land sales market over the life time of the Syndicate.
- The Consulting Economist considers that there is a reasonable basis for making each of these assumptions.

4.1 Methodology

4.1.1 Potential sales rate

The diagram below describes the general approach used by the Consulting Economist in its potential sales rate forecasts.

Figure 41. Population projections based forecast



Source: MacroPlan Dimasi

The key input into this methodology is the population projections estimated by the ABS. These projections by the ABS make assumptions of fertility (birth rates), mortality (death rates) and migration and are primarily based on historical patterns and trends specific to each area. While the assumptions are formulated on the basis of an assessment of demographic trends, there is no certainty that any of the assumptions will be realised. In addition, the ABS projections do not take into account possible future changes in non-demographic conditions.

4.1.2 Price escalation methodology

Whilst forecasting property values assumes a wide variety of factors and conditions, sustained increases in population should assist in placing a floor under significant price deflation over the next year despite the recent downturn in economic conditions. Other factors will also impact prices including interest rates and the capacity of the industry to convert approvals and commencements into completions. However, the availability of land and timing on delivery of stage releases will play a key role.

The Consulting Economist has estimated the long term price growth based on a predictive methodology that takes into account historical trends and the property cycle in the market and projected population growth rates. The long term projections are where we expect the suburb to be in the future, all other things being equal. It is noted that there are a vast number of factors that cannot be allowed for by this predictive analysis. This analysis however provides a reasonably accurate guide based on historical trends.

4.2 Potential Sales Rates

4.2.1 Population Forecasts: Hume Corridor

The Consulting Economist has used the Victoria in the Future (VIF 2012) population forecasts as a base to project forward the population of the Hume Corridor (Hume-Craigieburn SLA).

Based on this, the Consulting Economist has forecast an increase of almost 22,376 people between 2012 and 2019 at an annual growth rate of 4.2 per cent. Reflecting the growth of the Hume Corridor as an affordable entry level property market, the largest forecast increase (2012-2021) in persons (+5,417 people) from any age cohort is expected to be in the 25-34 brackets. This suggests a prevalence of young couple and young family households.

The fastest growing age cohort between 2012 and 2021 is forecast to be those aged between 75-79 with a growth rate of 14.1%; however this comes off a low base of 628 people in 2012.

The second greatest proportion of growth over the nine years to 2021 is forecast to come from those aged between 55-64 (+4,561).

This would indicate that there may be a future requirement either an aged care or retirement facility within the corridor. Further analysis would need to be undertaken to determine the viability this use.

Figure 42. **Hume Corridor Population Projections by Age (Adjusted)**

	2012	2016	2021	2012-21	
				No.	% pa
0-4	6,205	6,755	7,810	1,605	2.9%
5-9	6,263	7,019	7,578	1,315	2.3%
10-14	6,413	6,961	7,783	1,370	2.4%
15-19	6,123	7,131	7,700	1,577	2.9%
20-24	5,761	7,196	8,292	2,531	4.9%
25-34	11,881	14,178	17,298	5,417	5.1%
35-44	12,873	13,580	15,169	2,296	2.0%
45-54	10,520	12,793	14,379	3,858	4.1%
55-64	5,725	7,532	10,286	4,561	8.9%
65-69	1,627	2,269	3,008	1,381	9.4%
70-74	1,022	1,481	2,221	1,199	13.0%
75-79	628	915	1,426	798	14.1%
80-84	374	520	816	442	13.1%
85+	291	420	614	323	12.4%

Source: Victoria in the Future VIF (2012), MacroPlan Dimasi (2012).

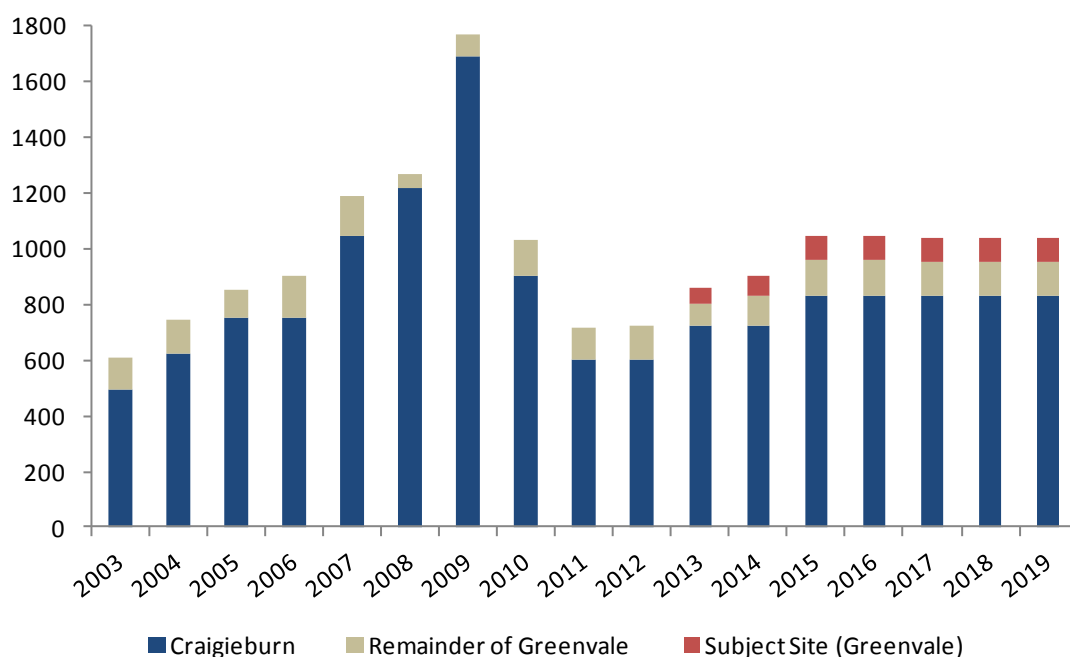
4.2.2 Dwelling forecasts: Hume Corridor

A household formation assumption is required to estimate the future underlying dwelling requirement in the Hume Corridor. The household formation rate refers to the number of persons for each additional dwelling. MacroPlan Dimasi has adopted a household formation rate of 2.9 people per house, based on VIF household projections when estimating future underlying dwelling requirements at the sub-region level to 2026.

To estimate dwelling demand in the Hume Corridor, the Consulting Economist has provided a revised dwelling forecast for the years 2012-2013 based on the current rate of development take up in the corridor, rather than adopting the underlying requirement forecast which appears overstated. Expressed demand over this period is likely to continue to be impacted by ongoing weakness in buyer confidence. For this reason we have identified the annual rate of sale between 2003-2007, as being an accurate indication of average per annum sales in periods not considered peaks in the cycle. The Consulting Economist has then adopted the underlying requirement projection for the remaining forecast period. This will also reflect a decline in the number of persons required for the formation of a new dwelling and the increased prevalence of medium density product delivered to both Craigieburn and Greenvale.

This estimate is applied to the population growth identified in the table above (22,376). This population growth results in demand for an additional 8,318 dwellings over the period 2012-2019 using the VIF underlying requirement forecast, or alternatively a total of 7,818 new dwellings using MacroPlan Dimasi revised forecast that accounts for a several periods of reduced total lots sales in the corridor.

Figure 43. Dwelling requirement per annum, Hume Corridor



Source: Price Finder / MacroPlan Dimasi

4.2.3 Dwelling demand in Greenvale

Greenvale

Currently, take up rates in Greenvale are around 119 lots per annum (or approximately 17% of the total Hume Corridor). However take up rates in Greenvale partly reflects:

- Establishing market
- Land sales activity characterised by small releases;
- Limited amount of zoned land for significant development

With three prominent developers currently in the process of delivery new supply to Greenvale, the historic constraints to sales activity listed above will be diminished.

The Consulting Economist considers that the market size in Greenvale may have an opportunity to expand and draw a greater proportion of the corridors total demand; due to the addition of new supply that offers a variety of housing lifestyle options and creates product diversity. This will be supported by:

- Construction of a Town centre (50,000 square metres) adjacent to Highlands Estate, due for completion in 2013, comprising supermarkets and two Discount Department Stores. This is likely to drive land sales in Greenvale in the medium term (2013-2015).
- The ongoing development of Broadmeadows as an employment node will benefit Greenvale, which is approximately 8kms to the south.
- Despite increased competition in the corridor, the additional developments will provide a diverse offer to land buyers and aid in drawing market share from Craigieburn.

On this basis, the Consulting Economist anticipates that the Greenvale land supply market will be sufficiently supplied over the short and medium term. The following assumptions on sales at the Property have been applied:

- Greenvale attracts around 170-180 dwellings per year (25% of total dwellings in the Hume Corridor) over the period to 2013. While this is above the average land sales in Greenvale over the past five years (107 land sales per year), this estimate reflects the variety and additional new supply that is expected to be offered in the corridor and the improving amenity offered by contemporary estates. In addition, the Property achieves a 35% market share of all sales that take place in Greenvale based on just three significant competitors operating in the suburb. This would attract 60 sales in 2013.
- Greenvale maintains a 25% share of total corridor sales in 2014, as the suburb will offer a greater share of the total supply in the corridor. In addition, the Property captures approximately 40% of all Greenvale sales as development at Providence nears completion. This would attract around 220-225 dwellings for 2014. This would attract 79 sales to the property in 2014.

- Greenvale maintains a 25% share of total corridor sales during 2015-2019 and with an expected increase in expressed demand, the corridor will attract 255-265 sales p.a. based on a 40% Greenvale market share. This would attract 104 sales p.a. to the estate over this period.
- It is important to note that a low base scenario has been consider whereby Greenvale only captures 20% of the total corridor sales and achieves 35% market share in 2013 and 40% thereafter. This would result in the following outcome:

The Property achieves 48 in 2013, 72 sales in 2014 and approximately 83 during 2015-2019.

- The Consulting Economist considers that there is a reasonable basis for making each of these assumptions.

The figure below summarises the underlying requirement for the corridor by housing product type.

Figure 44. **Craigieburn SLA Dwelling Estimates**

Total Underlying Dwelling Demand (per annum)	2012-16	2016-21	2021-26	2012-26
Forecast	1,042	1,036	1,074	1,051
Total Underlying House Demand (per annum)	2012-16	2016-21	2021-26	2012-26
Forecast (ABS)	865	860	891	872
Total Underlying Other Res Demand (per annum)	2012-16	2016-21	2021-26	2012-26
Forecast (ABS)	147	146	152	148

Source: Victoria in the Future (VIF 2012) / ABS / MacroPlan Dimasi

Take up rates for the Property

The Syndicate is likely to have a higher rate of lot sales over the life of the development than past projects such as Greenvale Lake because:

- A range of lot sizes and product types are likely to be delivered
- Significantly improved amenity is expected to be established locally and regionally over the next decade.
- Proximity to the future development of the Broadmeadows Activity Centre and related employment will also improve the attractiveness of the location, particularly from white collar workers with higher incomes.

The Property provides the opportunity to provide land and house and land packages that are accessible to a range of market segments, namely:

- First homebuyers
- Investors

- Cash – out market for 50+ year olds
- Downsizers

On this basis, the Consulting Economist considers that the Property will benefit from the established amenity provided by previous development in the growing Hume Corridor; and maintain a strong market share within Greenvale. There is expected to be three significant developments active during the life of the property. Based on our analysis we consider that the Syndicate could capture between 35% and 40% of the Greenvale land sales market. Based on this analysis an average take up rate of around 60-65 lots in 2013, 85-95 lots in 2014; and increasing to 100-105 land sales per year over the period 2015 to 2019.

The market share assumed for the Property is lower than that achieved by former Greenvale Lakes Estate due to the relative lack of competition in Greenvale over the past decade.

We think this forecast and the assumptions behind it are reasonable.

4.2.4 Price forecasts

31. Based on our assessment, land price growth of between 2.0 – 5.0% per cent per annum for Greenvale over the period 2012-2019 is reasonable. This estimate allows for little to no growth in 2012 before an escalation that is marginally above half the long term average in 2013 (2.5%). Over 2014/2015, land prices are then forecast to escalate by 4.5%, broadly in line with the ten year average (4.6%), as buyer confidence returns and demand is expressed through higher take up rates within the corridor. The average rate of escalation during 2016-2019 is forecast to be 5.0%.

This also takes into account the level of competition in the catchment and the relatively competitive pricing landscape. Additionally, there has been a trend towards smaller lots and accessible price points that seek to overcome challenges associated with affordability and the removal of the first home buyers grant (FHOG).

The forecast rates of escalation provided in this report applies to the property with its current lot mix, however there is an opportunity to achieve a higher rate of escalation on the rate per square metre by increasing the mix of smaller lots (i.e. between 400-450 Square metres). This trend has been observed since 2010 in Craigieburn where the average lot sizes have been decreasing while lot prices have experienced marginal growth.

Figure 45. Land price escalation, Greenvale

Suburb	2012	2013	2014	2015	Average rate of growth 2016-2019
Greenvale Land Price Escalation	0	2.5	4.5	4.5	5.0

Source: Price Finder / MacroPlan Dimasi