

MEDIA RELEASE

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For Immediate Release

AUSTRALIA'S RESIDENTIAL MARKET THE PLACE TO INVEST

Residential property looks set for resurgence even if interest rates go up, according to the snapshot of investors and other industry professionals taken in the latest Ashe Morgan Winthrop Property Investors Survey.

Almost 73 per cent of property professionals tipped the residential market to see growth over the next six months, the strongest result in the 11 years of the survey.

In another record for the bi-annual survey, nearly 55 per cent of respondents now prefer investing in residential property over all other property classes. Office property came in second place, being the preferred choice of more than 16 per cent of respondents.

“After the doom and gloom of the past two years, we are now seeing a renewed confidence across the residential markets,” said Ashe Morgan Winthrop director John Winter.

“This widespread confidence comes in spite of the fact that investors are expecting another interest rate rise. Property professionals have clearly already factored a rate rise into their investment plans, so when it happens, there should be no cause for alarm.”

The survey found that just over 71 per cent of property professionals expect an interest rate rise of at least 25 basis points within six months, a figure up sharply from the Autumn (March 07) result.

The 23rd Ashe Morgan Winthrop Property Investors Survey attracted 846 responses from large and small property investors, lenders and advisers. Respondents were quizzed on a range of issues including trends in the residential, office and industrial markets around the country, interest rates and the economic performance of government.

In Queensland, the property industry's bull run appears set to continue. Over two-thirds of Queensland respondents said they intend to invest in property over the next six months, a nation-leading result for the third survey in a row. Over 84 per cent forecast that Queensland's residential market would improve over the coming six months.

“There is an increasing level of confidence among key investors that Queensland's boom will continue because the state's fundamentals are so strong,” said Mr Winter.

“The New South Wales and Victorian property markets have also turned the corner, with the

expectations of property professionals lifting strongly, thanks to increasing demand for property created by economic and population growth.”

NSW witnessed the strongest resurgence in investment intentions: over 64 per cent of the state’s property professionals reported they are likely to invest in property over the next six months. More than 63 per cent of professionals believe the NSW residential market will improve over the same time period.

Investor interest in Victoria also rebounded with more than 61 per cent of respondents saying they are likely invest in property over the next six months. Just over 56 per cent of respondents said they preferred to invest in Victoria’s residential market.

But the picture is very different in Western Australia, where only 58.6 per cent of professionals said they intend to invest in property over the coming six months – the weakest result of the four largest states. Only 48 per cent of professionals preferred to invest in WA’s residential market.

“According to our survey, most property professionals now agree the WA market has reached its peak,” said Mr Winter.

“The state was saturated with investment following the resources boom, and its small size now seems to be limiting further growth.”

In another section of the survey, property professionals gave their assessment of how well the Reserve Bank and Federal Government are managing the economy. Support for the RBA has fallen with just over 62 per cent of professionals rating it as effective in managing the economy, the weakest result since Summer 2001.

By comparison, 73 per cent of respondents rated the Federal Government’s economic management as effective, a figure almost unchanged from six months ago.

“In the lead-up to the election, we have seen the Federal Government widen its performance gap over the RBA as far as property investors and other professionals are concerned,” said Mr Winter.

A full copy of our survey can be downloaded from www.amw.com.au/AMWPIS23.pdf

SURVEY SNAPSHOTS

- Property investment intentions lifted slightly in the last six months: 62.7% of professionals now report they are quite likely or definitely likely to invest in property over the next six months, up 1.3 percentage points on the previous survey.
- Residential property has continued its resurgence as the preferred class of property investment, now enjoying its highest level of support in the 11 years of this survey. 54.9% of respondents said they preferred to invest in residential in the next six months, 1.2 percentage points up on the previous survey.
- The next strongest segment was office property, the preferred choice of 16.2% of respondents, a figure up 1.9 percentage points. 12.4% preferred to invest in industrial property, down 0.9 percentage points. Retail property was almost unchanged at 7.7%.

- The survey found the strongest view on record that Australia will see improvement in its residential market. 72.9% forecast that the residential market would see growth in the next six months, up 6.8 percentage points on the previous survey.
- A lack of suitable stock continues to dominate the minds of property professionals with 26.0% reporting it as their biggest impediment to investing.
- Property professionals are now clearly expecting interest rates to rise in the next six months with 71.1% expecting a rate rise by at least 25 basis points, a figure up 32.1 percentage points on the previous survey.
- Professionals continue to call for restraint on interest rates with 56.3% believing rates should be held steady, almost unchanged from the last survey.
- More professionals now recommend choosing loans with fixed rates: 42.3% of all respondents recommend fixing 41%-51% of loans, up from 34.4% in the last survey. But despite their fall in support, floating rates do remain the preferred option.
- Queensland property professionals lead the nation on intention to invest in property despite a slip of 3.2 percentage points on the previous survey.
- In Queensland, 60.6% believe the property market is improving while just 30.5% say the market is at the peak of its cycle.
- 84.6% forecast that the Queensland residential market will improve in the next six months, up 10.4 percentage points on the previous survey.
- NSW has seen the strongest resurgence in property investment intentions with a total of 64.1% reporting an intention to invest, up 5.8 percentage points.
- 15.1% believe NSW provides the best opportunities for property investment, up 2.4 percentage points on the previous survey and the state's highest level of support since 2004.
- 48.7% reported that the NSW market is improving compared with only 24.3% in the previous survey. Just 22.7% believe the market is at the bottom of its cycle.
- 63.2% believe the NSW residential market will improve in the next six months, up 8.1 percentage points. But NSW still lags behind the other major markets on this indicator.
- There was a strong swing towards office property in NSW