

Personal Investor Viewpoint...Is Property the Answer?

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BIG PICTURE: PROPERTY MARKETS

- Residential investment property market about to hit skids
- First home grant “kicker” waning
- Yield and tenants are the key
- Borrowing against house to invest the most talked about subject between consenting adults
- Vacancy rates historically high... interest rates rising
- Principal place of residence solid

BUFFET'S COMMANDMENTS

Renowned US investor Warren Buffet has 5 basic rules

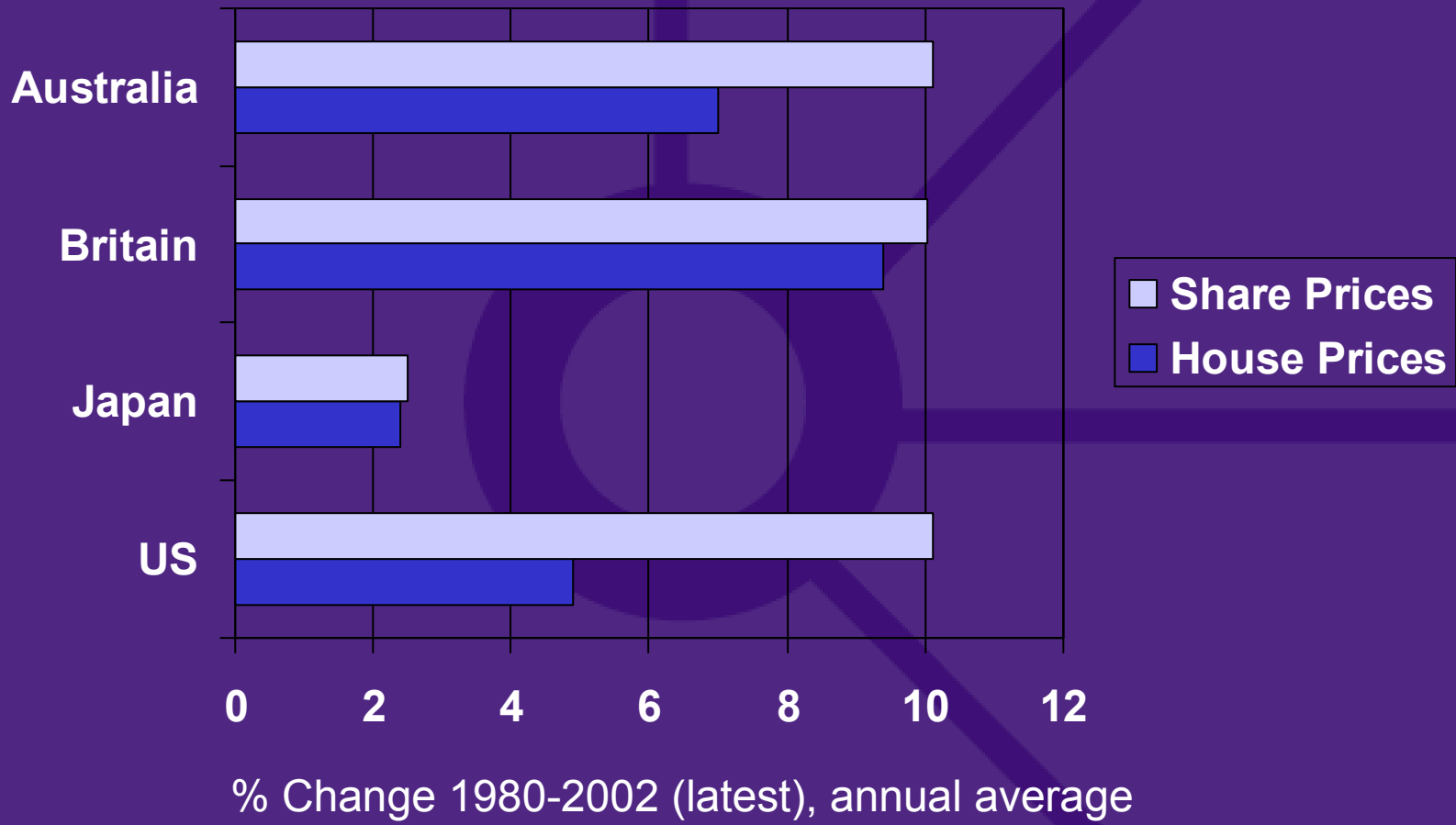
1. Do I understand the business?
2. Is it run by people I admire and trust?
3. Does it have a sustainable competitive advantage?
4. Is it the right price?
5. If yes to all the above, sign the cheque.

Stick to quality and spread your investments over a broad range of companies and you'll be on the right track.

THE NEW FINANCIAL TERMINOLOGY

- In America, EBITDA now stands for ...
Earnings Before I Tricked the Dumb Auditor
- EBIT means... *Earnings before Irregularities and Tampering*
- C-E-O... *Chief Embezzlement Officer*
and C-F-O... *Corporate Fraud Officer*
- N-A-V... Changes from Net Asset Value
to*Normal Andersen Valuation*
- And E-P-S... *Eventual Prison Sentence*

PROPERTY VS SHARES



CURRENT INVESTOR MYTHS

- Sharemarket will not rebound
- Sharemarket is at the bottom and double digit returns are on the way back
- Property boom will never end
- Growth is the primary return

BIG PICTURE: THE AGEING POPULATION

	1999	2021	2051
65 year olds	2.3m (12%)	4.2m (19%)	6.5m (25%)
Over 85 year olds	210,000 (1.3%)	480,000 (2.2%)	1.3m (5%)
Centurions	2,500		38,000

- In 2012 the first of the Baby boomers turn 65
- Average life expectancy is 86 for women and 81 for men

BIG PICTURE: Sydney Property Drivers

- Record high affordability... twice as affordable than 1989
- Land shortage... 8000 lots this year... 5900 next year
- Trend to apartment living... rise from 6 to 12% over next 10 years (currently 20% in comparable cities)
- Generation-X gets into property market

BIG PICTURE: Sydney Property Warnings

- High... and climbing... vacancy rates
- Impact of rising unemployment
- Don't expect an 80's and 90's-style boom
- Decline in traditional "investor-style" 60's, 70's or 80's built property.

BIG PICTURE: Sydney Property Tips

- Only invest in modern apartments
- Good tenants are gold
- Invest near transport
- Lifestyle... beachfront... will boom

PROPERTY: Sydney

- Strongest prices are top-end properties in water suburbs and strong branded inner-city fringe apartments
- The North-West sector of Sydney has been identified as the main area for middle market housing growth in Sydney with residential land expected to peak there in 2005

PROPERTY: Sydney

- First home buyers effect:
 - Median house prices increased slightly over the past 12 months reflecting sales of lower priced property to first home buyers
 - Potential of negative impact on demand for established dwellings from first home buyers, due to the increased grant of \$7,000 for first home buyers of new homes
 - Unit prices have increased significantly over the last 12 months
- Sales in outer ring suburbs made up 62% of total house sales for the June 01 quarter
- Rental vacancies increasing slightly