

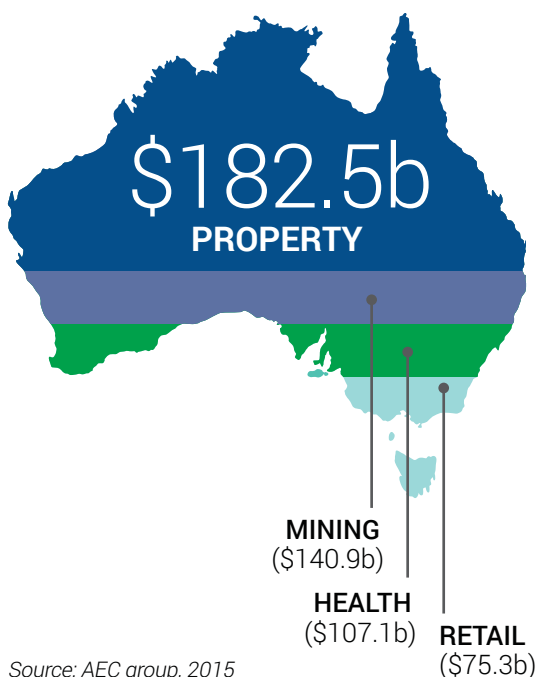
QUARTERLY ECONOMIC SNAPSHOT: SEPTEMBER 2016

AUSTRALIAN ECONOMY: KEY METRICS

Metric	Current year	Prior year
GDP growth	3.3% (as at June 2016)	2.0% (as at June 2015)
Inflation	1.0% (as at June 2016)	1.5% (as at June 2015)
Unemployment	5.6% (as at August 2016)	6.1% (as at June 2015)
Population growth	1.4% (as at March 2016)	1.4% (as at March 2015)

Source: Australian Bureau of Statistics 5206.0, Australian National Accounts: National Income, Expenditure and Product, June 2016; Australian Bureau of Statistics 6401.0, Consumer Price Index, June 2016; Australian Bureau of Statistics 6202.0, Labour Force, Australia, August 2016; Australian Bureau of Statistics 3101.0, Australian Demographic Statistics, March 2016

THE PROPERTY INDUSTRY: LARGEST INDUSTRY IN AUSTRALIA



Source: AEC group, 2015



**1 IN 4
PEOPLE**

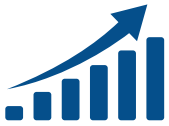
**DERIVE
THEIR
WAGE
FROM THE
PROPERTY
INDUSTRY**



**14
MILLION**

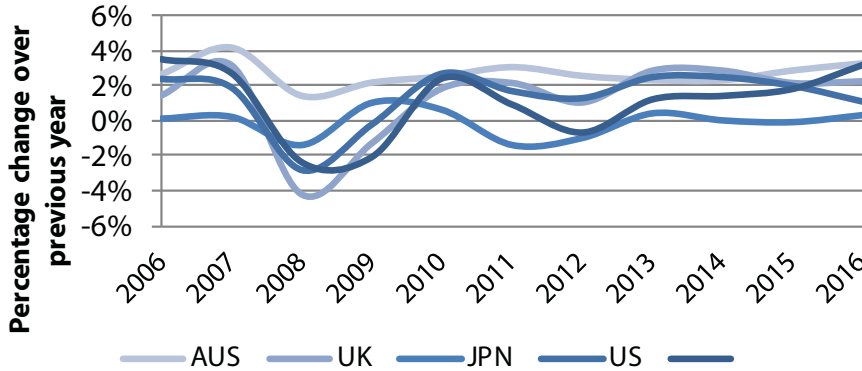
**AUSTRALIANS
HAVE A STAKE
IN PROPERTY
THROUGH
THEIR SUPER
FUND**

AUSTRALIA VS GLOBAL ECONOMIES



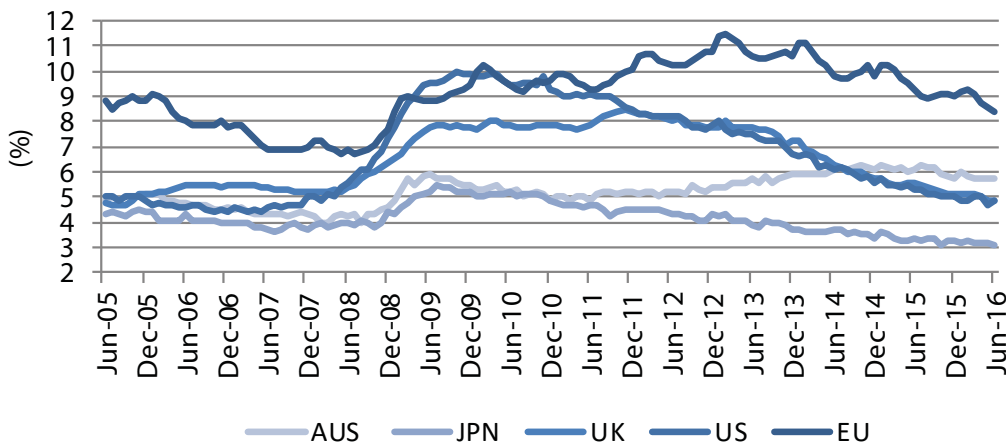
AUSTRALIA IS INTO ITS 25TH YEAR OF UNINTERRUPTED ECONOMIC GROWTH

GDP



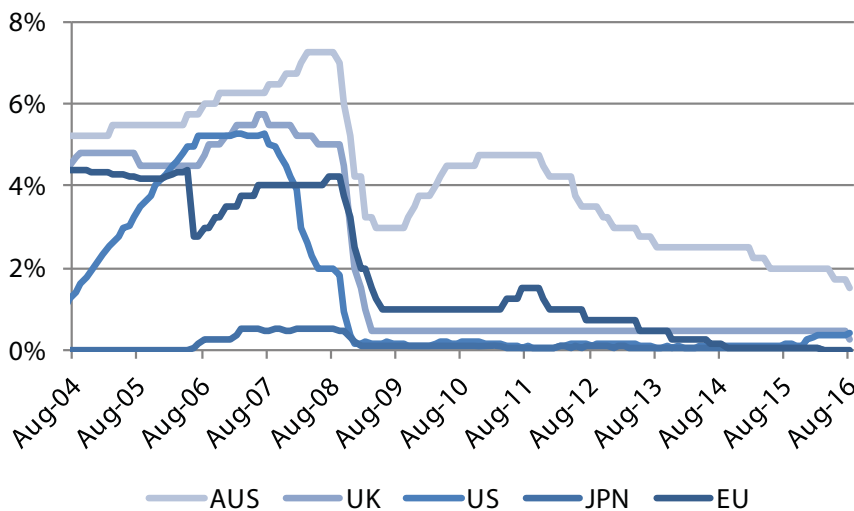
Source: ABS (AUS), Statistics Japan (JPN), Office For National Statistics (UK), US Bureau of Economic Analysis (US), Eurostat (EU)

UNEMPLOYMENT RATE



Source: ABS (AUS), Statistics Japan (JPN), Office For National Statistics (UK), Bureau of Labor Statistics (US), Eurostat (EU)

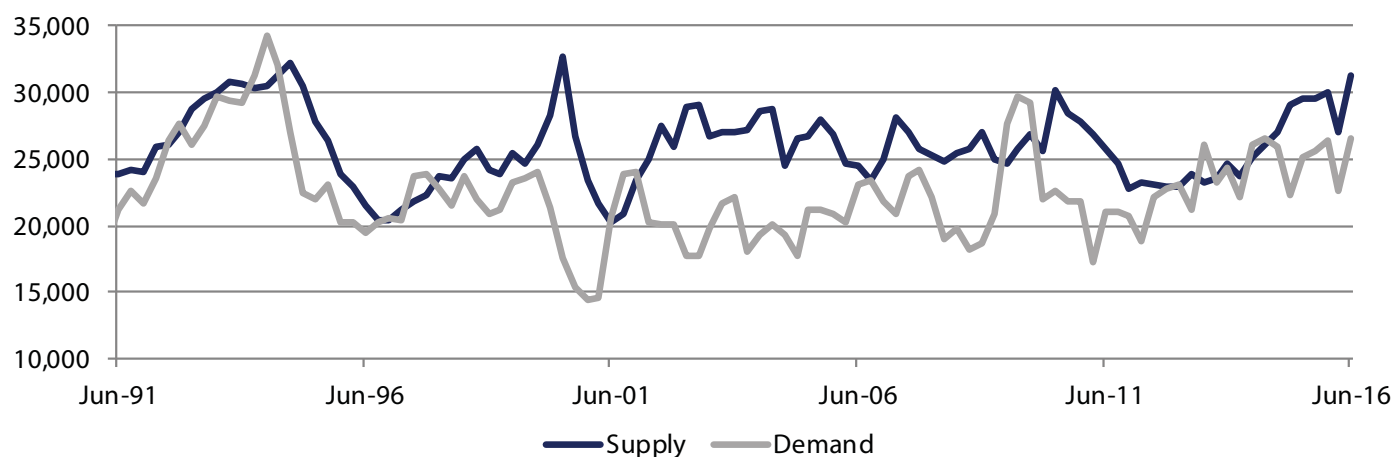
GLOBAL INTEREST RATES



Source: RBA (AUS), Bank of Japan (JPN), Bank of England (UK), Federal Reserve (US), European Central Bank (EU)

AUSTRALIAN HOUSING MARKET

HOUSING DEMAND & SUPPLY



Source: Australian Bureau of Statistics 5609.0, Housing Finance, August 2016; Australian Bureau of Statistics 8752.0, Building Activity, June 2016

FACTORS THAT TYPICALLY CHARACTERISE A HOUSE PRICE BUBBLE ARE **NOT EVIDENT IN AUSTRALIA**

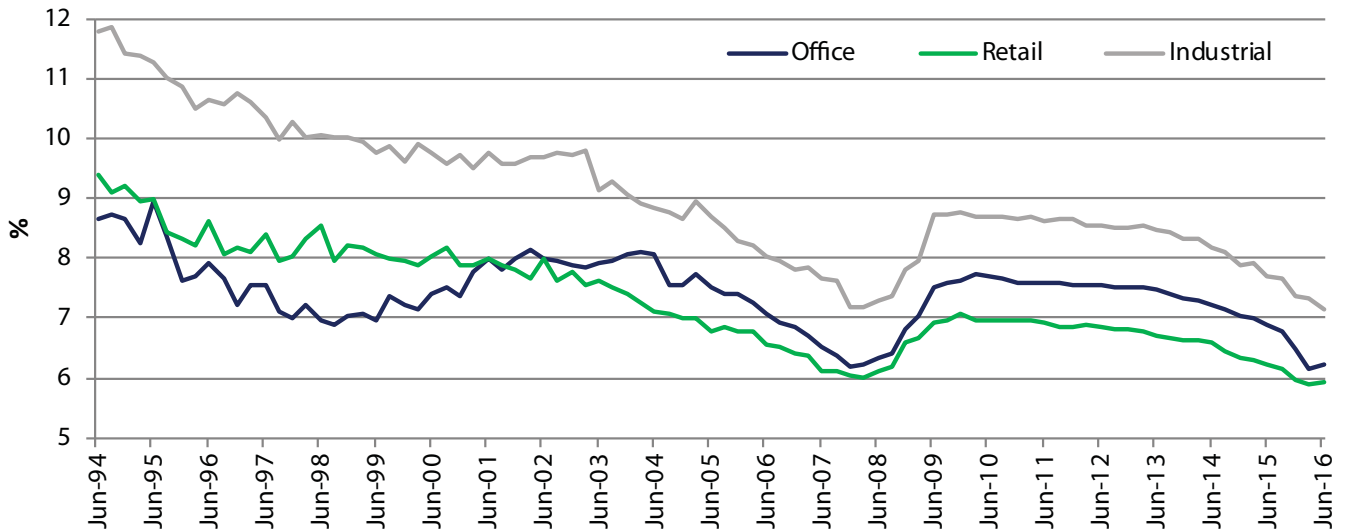
Housing "Bubble" – typical characteristics	Current position in Australia
Unsustainable asset prices	<ul style="list-style-type: none"> Prices supported by underbuilding in previous years leading to pent-up demand for dwellings Dwelling price growth is slowing across the nation Strong lift in construction and decline in rental yields to dampen dwelling price growth
Speculative investment artificially inflates asset prices	<ul style="list-style-type: none"> Investor interest is a rational response to low interest rates, rising risk appetite and the pursuit of yield Investor demand now easing
Strong volume growth driven by relaxed lending standards	<ul style="list-style-type: none"> Minimal "low doc" lending Mortgage insurance for higher LVR loans Full recourse lending Lift in rates for investors as a macroprudential policy response
Interaction of high debt levels and interest rates	<ul style="list-style-type: none"> A high proportion of borrowers ahead of required repayment levels Interest rate buffers built into loan serviceability tests at application Housing credit growth remains at the bottom end of the range of the past three decades.
Domestic economic shock – trigger for price correction	<ul style="list-style-type: none"> Respectable Australian economic growth outcomes Unemployment rate has risen but arrears rates are low

Source: Commonwealth Bank of Australia

AUSTRALIAN COMMERCIAL PROPERTY MARKET

CAP RATES

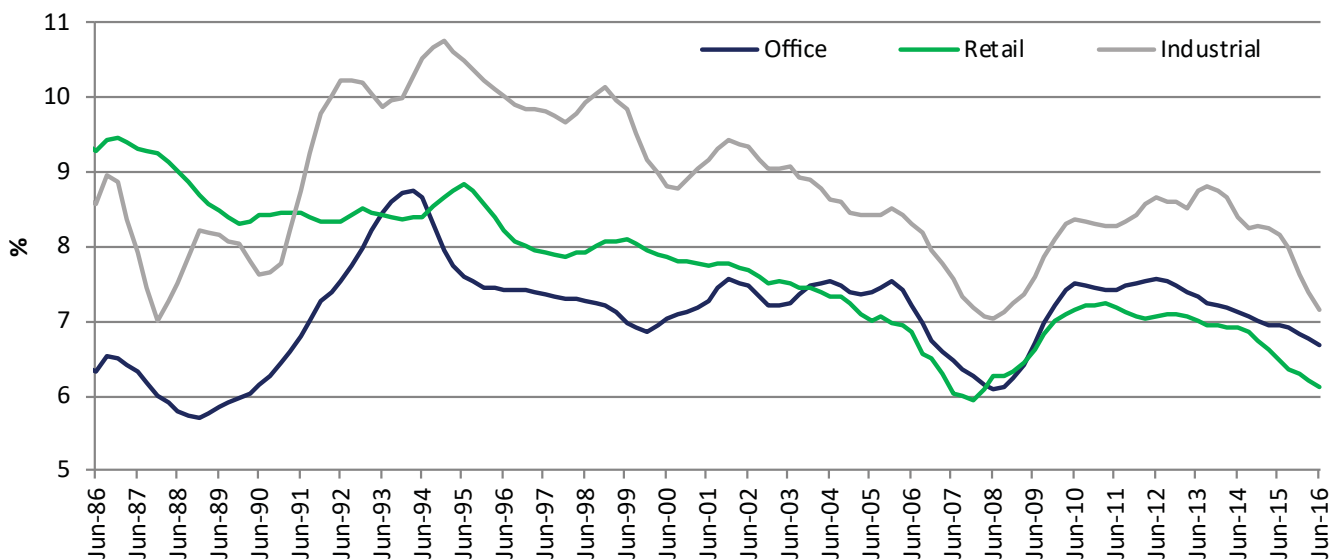
Capitalisation rate - ratio of Net Operating Income (NOI) to property asset value



Source: IPD Australia Quarterly Digest, June 2016

INCOME RETURNS

Income return - the percentage of the total return generated by the income from property



Source: IPD Australia Quarterly Digest, June 2016

Data correct as at: 10 October 2016