INFORMATION MEMORANDUM

MARQUE

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Welcome to the Marque Apartments.

The unveiling of a new development is always an exciting time. We have selected another prime inner city site for our latest project and of course we are being biased when know that this will be the best yet. Caydon Property is committed to selecting the best possible locations for our developments. We study every aspect of who is going to be the customer whether they are an owner –occupier, tenant or investor. It is part of our focus on providing exceptional property to the market.

Our decision to select the Stanley Street site was based on the knowledge that the location, being only two kilometres from the city with all the lifestyle attributes of Smith and Brunswick Streets only minutes away, offers every future benefit for living amenity. We see the enormous potential for the location as a prime inner city residential address now and in coming years.

Caydon as a developer builds our projects as well. We therefore take responsibility for the complete development and are focussed on delivering the completed product in a timely fashion to the highest level of expertise and quality.

We hope you find the information we have provided for your interest in the Marque Apartments relevant and welcome any questions that you may have about the development. Contact our sales and marketing staff for any further details.

Regards

Joe Russo
Director
Caydon Property

PROJECT OVERVIEW

THE DEVELOPMENT

A collection of 95 apartments, made up of 1, 2 & 2 bedroom + study, The Marque represents a contemporary vision for inner-city living.

Built for living, The Marque incorporates outdoor spaces, with many apartments offering generous sized balconies. A Harmony Garden on the third floor further enhances appeal.

Each apartment comes with a stainless steel dishwasher and split system air-conditioning. At least one car-space is allocated to each apartment along with lockable storage. The building offers video monitoring and access card security.

Apartment sizes range from 49.1m^2 to 140.6 m^2 (including external area).

THE LOCATION

The Marque is located on the north side of Stanley Street, approximately 100 metres west of the intersection of Stanley Street and Wellington Street, and 100 metres east of Smith Street, Collingwood.

The area is characterised by a mixture of industrial, commercial and residential buildings.

The dominant built forms is multi-storey, represented by a number of residential conversions of large warehouse buildings to the south of Stanley Street. Recent apartment style development in proximity to The Marque display up to five storeys in built form. There is a small number of single fronted terrace dwellings opposite the site on the northern side of Napoleon Street,as well as immediately west of The Marque in Stanley Street.

The Marque is zoned Mixed Use under the Yarra Planning Scheme. This zone is primarily a residential zone and contemplates a mixture of commercial and residential land use. The building site is also covered by an Environmental Audit Overlay.

THE SITE

The Marque offers a number of site opportunities:

- Excellent northern orientation.
- Two street frontage - offer excellent exposure and outlook.
- Conveniently located amongst a popular activity centre.
- Excellent access to the retail, commercial and a wide range of facilities.
- Superb views of the city are available.
- The site represents a key redevelopment opportunity, in a precinct identified by the council for this scale and type of development.

MARKET OVERVIEW

MARQUE

Collingwood – A Snapshot of The Suburb

51% of the Population is aged between 20-39	Greater Melbourne 30%
59% of the population has never married	Greater Melbourne 35%
36% of the population walk, cycle or catch public transport to work	Greater Melbourne 5%
49% of the population live in flats/apartments	Greater Melbourne 10%
63% of the population rent their accommodation	Greater Melbourne 25%

Collingwood

Introduction and summary (Map and key statistics)

Collingwood is an industrial and residential area. Collingwood is bounded by Alexandra Parade in the north, Hoddle Street in the east, Victoria Parade in the south, and Smith Street in the west. Collingwood is named after Admiral Lord Collingwood, who fought at Trafalgar.

Development of the area dates originally from 1838 when land was subdivided into allotments of about 12 hectares. Settlement intensified after the gold rush, and as the area was exempt from building control laws, many cheap houses were built on small blocks of land. Settlement continued in the 1850s and 1860s, including industries such as a flour mill and wool washing. Employment was concentrated in local factories such as footwear, hats and garment making. The population nearly doubled from 1871 to 1891. The area was the State's second largest brewing centre, with Fosters Brewery constructed in 1888 and the Yorkshire Brewery. A train service from the city was built in 1901, opening Collingwood's factories to a wider workforce. A tram also ran along Johnston Street from 1887 to 1939. Many migrants moved into the area during the 1960s and 1970s. Public housing estates were built from 1958, originally demolishing cottages to build 3 storey housing blocks, but later, between 1967 and 1971, for 20 storey blocks. The population was relatively stable during the 1990s, and then increased slightly between 2001 and 2006, a result of new dwellings being added to the area.

Major features of the area include Collingwood College, St Joseph's Primary School, Northern Melbourne Institute of TAFE (Collingwood Campus), English Language School, Smith Street shopping strip, Dight Street Community Centre and Victoria Police Workshop.

Collingwood:	**Land Area:** 129 hectares	**Density:** 41.99 people per hectare (2006)

Collingwood

Introduction and summary (Map and key statistics)

The 'Key statistics' table presented below contains summary statistics for Collingwood. By default the table displays 2001 and 2006 data as both absolute numbers and percentages (where applicable), along with the change in number between these years.

Key statistics(summary statistics)	Collingwood						
	2006			2001			
Enumerated data	number	%	City of Yarra %	number	%	City of Yarra %	Change 2001 to 2006
Enumerated population, including overseas visitors							
Total population (a)	5,484	100.0	100.0	5,175	100.0	100.0	309
Males (a)	2,721	49.6	49.0	2,630	50.8	48.9	91
Females (a)	2,763	50.4	51.0	2,545	49.2	51.1	218
Overseas visitors	59	1.1	1.1	106	2.0	1.4	-47
Enumerated population, excluding overseas visitors							
Total population (b)	5,425	100.0	100.0	5,081	100.2	100.0	344
Males (b)	2,702	49.8	49.1	2,582	50.9	48.9	120
Females (b)	2,723	50.2	50.9	2,499	49.3	51.1	224
Population characteristics							
Indigenous population	47	0.9	0.4	83	1.6	0.4	-36
Australian born	2,868	52.9	61.2	2,668	52.6	62.2	200
Overseas born	1,867	34.4	27.8	1,817	35.8	29.2	50
Australian citizens	4,076	75.1	79.4	3,948	77.9	82.2	128
Australian citizens aged 18+	3,489	64.3	68.6	3,354	66.2	71.1	135
Institutional population	67	1.2	4.4	72	1.4	4.7	-5
Age structure							
Infants 0 to 4 years	313	5.8	4.9	267	5.3	4.7	46
Children 5 to 17 years	453	8.4	8.1	480	9.5	9.1	-27
Adults 18 to 64 years	4,212	77.6	76.9	3,861	76.2	75.8	351
Mature adults 65 to 84 years	405	7.5	8.9	386	7.6	9.0	19
Senior citizens 85 years and over	41	0.8	1.2	34	0.7	1.3	7
Households and dwellings							
Owned	258	8.5	17.5	313	11.4	22.2	-55
Purchasing	521	17.2	19.7	399	14.5	16.7	122
Renting	1,557	51.3	43.5	1,453	52.9	43.5	104
Households (occupied private dwellings)	2,717	--	--	2,497	--	--	220
Persons counted in households	5,417	--	--	5,105	--	--	312
Average household size (persons)	1.99	--	--	2.04	--	--	-0.05
Total Dwellings	3,036	100.0	100.0	2,745	100.0	100.0	291

Source: Australian Bureau of Statistics, Census of Population and Housing, 2006, 2001, 1996, and 1991.

NOTE: Table totals may not equate with other similar tables due to **randomisation** of small numbers. Please refer to the **specific data notes** for more information.

Collingwood

How old are we? (Age structure)

Derived from the Census question, *'What is the person's date of birth (or age last birthday)?'*

The Age Structure of the population is the most widely used component of the Census. It is an indicator of an area's residential role and function and how it is likely to change in the future. The age structure of a population is usually indicative of an area's era of settlement and provides key insights into the level of demand for services and facilities (as most services and facilities are age-specific).

To get a more complete picture of the demographic characteristics of an area the age structure should be viewed in conjunction with Households and Family types.

Age structureage group (years)	Collingwood						
	2006			2001			
Enumerated data	number	%	City of Yarra %	number	%	City of Yarra %	Change 2001 to 2006
0 to 4	313	5.8	4.9	267	5.3	4.7	46
5 to 11	271	5.0	4.5	253	5.0	5.1	18
12 to 17	182	3.4	3.6	227	4.5	4.0	-45
18 to 24	660	12.2	11.9	653	13.0	12.9	7
25 to 34	1,648	30.4	27.9	1,499	29.8	28.3	149
35 to 49	1,331	24.5	23.0	1,131	22.5	21.8	200
50 to 59	411	7.6	10.4	408	8.1	9.7	3
60 to 69	319	5.9	6.4	308	6.1	6.1	11
70 to 84	248	4.6	6.2	248	4.9	6.2	0
85 and over	41	0.8	1.2	34	0.7	1.3	7
Total	5,424	100.0	100.0	5,028	100.0	100.0	396

Source: Australian Bureau of Statistics, Census of Population and Housing, 2006, 2001, 1996, and 1991.

NOTE: Table totals may not equate with other similar tables due to **randomisation** of small numbers. Please refer to the **specific data notes** for more information.

Analysis of the age structure of Collingwood in 2006 compared to the City of Yarra shows that there was a larger proportion of people in the younger age groups (0 to 17) but a smaller proportion of people in the older age groups (60+).

Overall, 14.2% of the population was aged between 0 and 17, and 11.3% were aged 60 years and over, compared with 13.0% and 13.8% respectively for the City of Yarra.

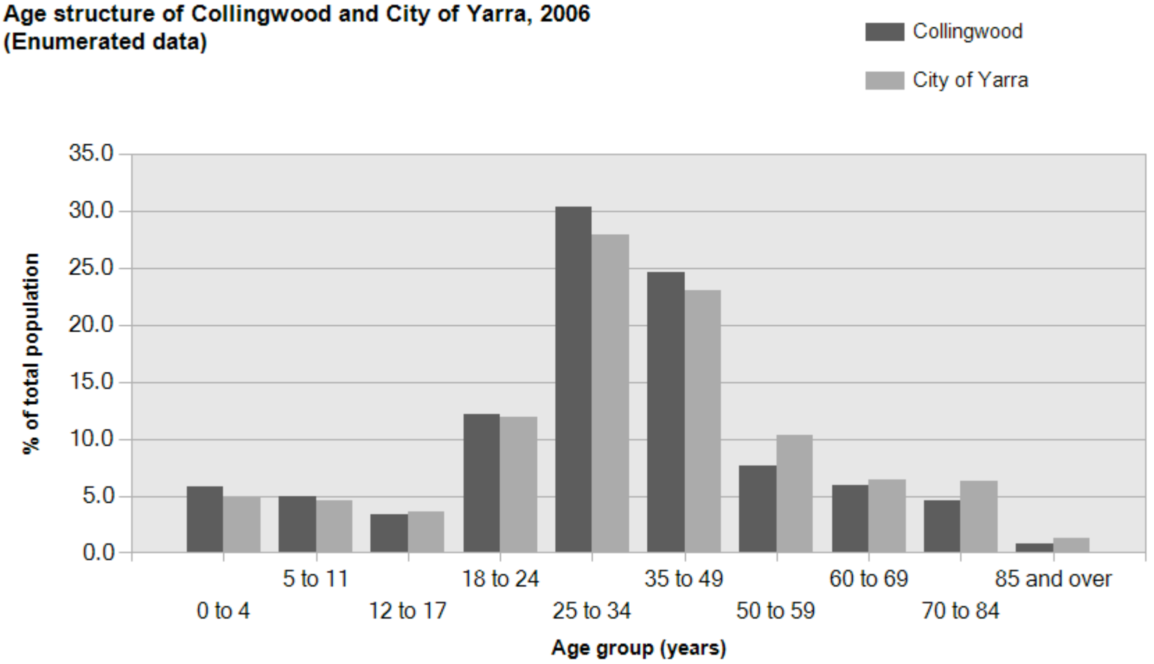
The major differences between the age structure of Collingwood and the City of Yarra were:

- A *larger* percentage of 25 to 34 year olds (30.4% compared to 27.9%), and;
- A *smaller* percentage of 50 to 59 year olds (7.6% compared to 10.4%).

The largest changes in age structure in this area between 2001 and 2006 were in the age groups:

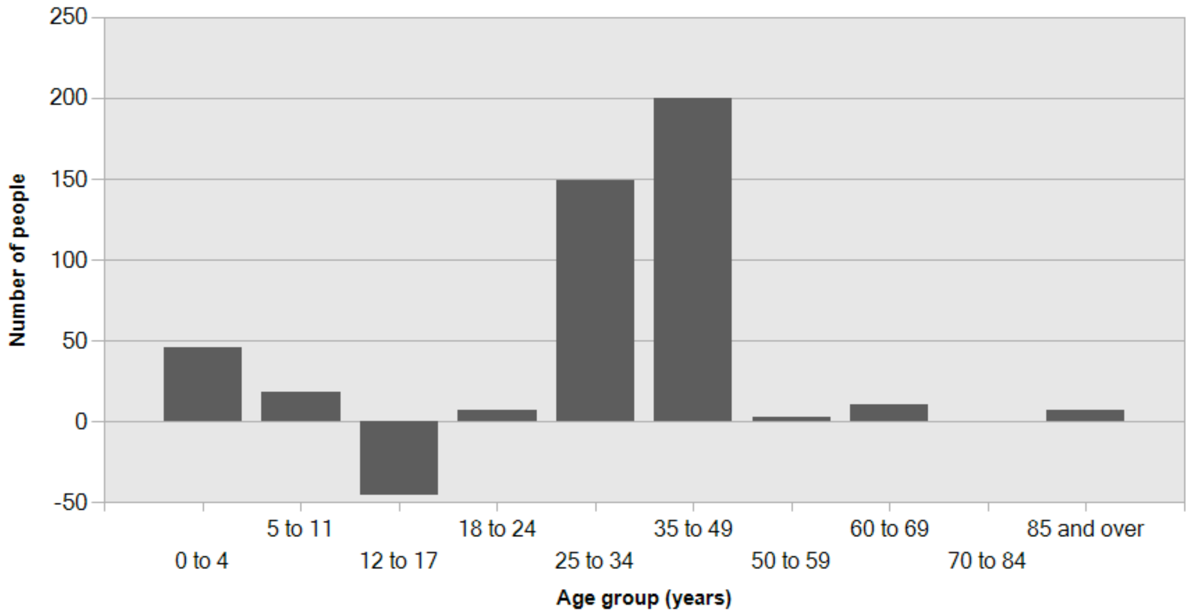
- 35 to 49 (+200 persons), and;
- 25 to 34 (+149 persons).

Age structure of Collingwood and City of Yarra, 2006 (Enumerated data)



Source: Australian Bureau of Statistics, 2006 Census of Population and Housing (Enumerated)

Change in age structure of Collingwood, 2001 to 2006 (Enumerated data)



Source: Australian Bureau of Statistics, 2006 and 2001 Census of Population and Housing (Enumerated)

Collingwood

What is our individual income? (Weekly individual income)

Individual income quartiles

Individual income groups are not comparable over time because of the influences of economic change such as wage level fluctuations and inflation. The income quartile method has been adopted as the most objective method of comparing change in the income profile of a community over time. The income quartile method assumes an even distribution within each income group. Quartiles are calculated from the Melbourne Statistical Division individual income data.

Individual income quartile definitions(Annual income ranges)

	2006	2001	1996	1991
Lowest group	Nil to $10,636	Nil to $9,493	Nil to $7,605	Nil to $6,590
Medium lowest	$10,637 to$24,976	$9,494 to$21,043	$7,606 to$16,177	$6,591 to$14,941
Medium highest	$24,977 to$47,013	$21,044 to$37,847	$16,178 to$29,668	$14,942 to$25,639
Highest group	$47,014 and over	$37,848 and over	$29,669 and over	$25,640 and over

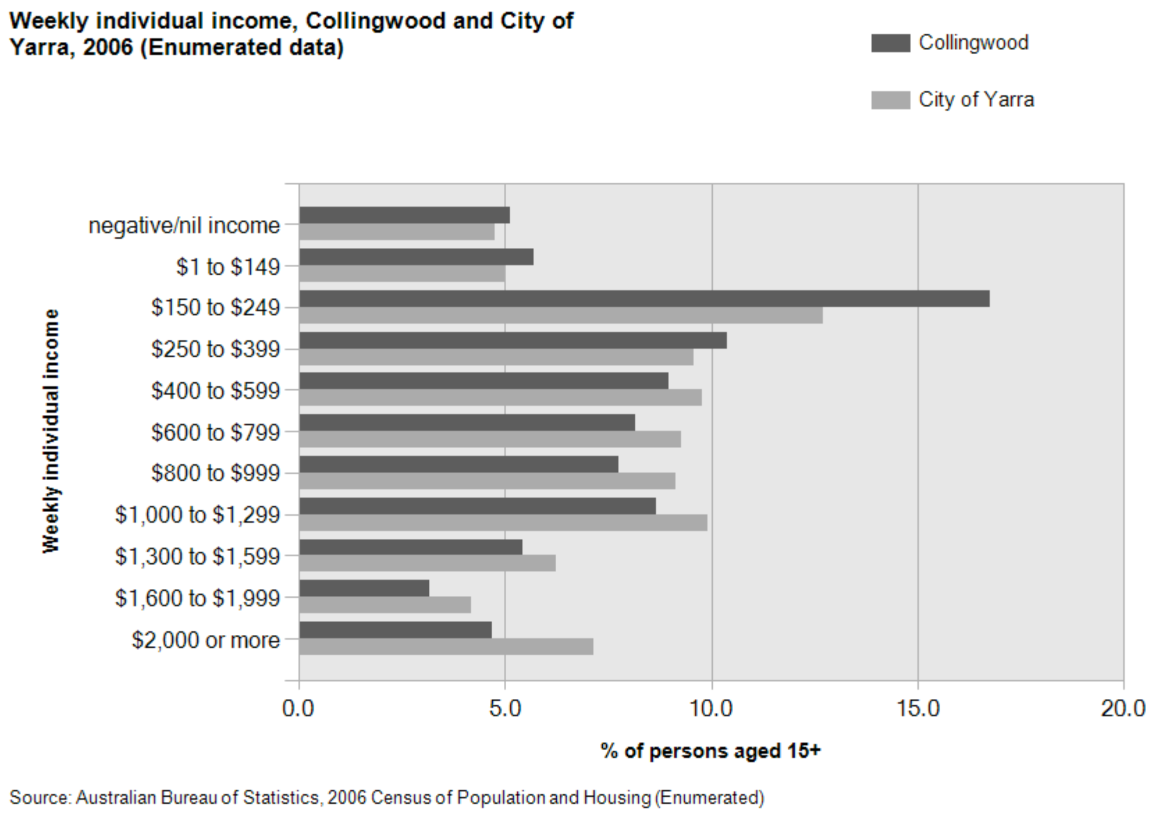
Individual income quartiles (persons aged 15 and over)	Collingwood						
	2006			2001			
Enumerated data	number	%	City of Yarra %	number	%	City of Yarra %	Change 2001 to 2006
Lowest group	951	23.5	19.0	943	25.1	19.6	8
Medium lowest	1,029	25.5	22.0	1,054	28.1	23.5	-25
Medium highest	837	20.7	22.7	771	20.5	22.1	66
Highest group	1,222	30.3	36.3	986	26.3	34.8	236
Total	4,040	100.0	100.0	3,755	100.0	100.0	285

Source: Australian Bureau of Statistics, Census of Population and Housing, 2006, 2001, 1996, and 1991.

NOTE: Table totals may not equate with other similar tables due to **randomisation** of small numbers. Please refer to the **specific data notes** for more information.

Income quartiles allow us to compare relative income-earning capabilities across time. Analysis of the distribution of the population by income quartile in Collingwood compared to the City of Yarra shows that there was smaller proportion of persons in the highest income quartile, but a larger proportion in the lowest income quartile.

The most significant change in Collingwood between 2001 and 2006 was in the Highest group quartile which showed an increase of 236 persons.



Weekly individual incomeincome groups (persons)	Collingwood		
	2006		
Enumerated data	number	%	City of Yarra %
negative/nil income	244	5.1	4.8
$1 to $149	272	5.7	5.0
$150 to $249	798	16.8	12.7
$250 to $399	495	10.4	9.6
$400 to $599	427	9.0	9.8
$600 to $799	389	8.2	9.3
$800 to $999	370	7.8	9.1
$1,000 to $1,299	413	8.7	9.9
$1,300 to $1,599	258	5.4	6.3
$1,600 to $1,999	151	3.2	4.2
$2,000 or more	223	4.7	7.1
not stated	720	15.1	12.3
Total	4,760	100.0	100.0

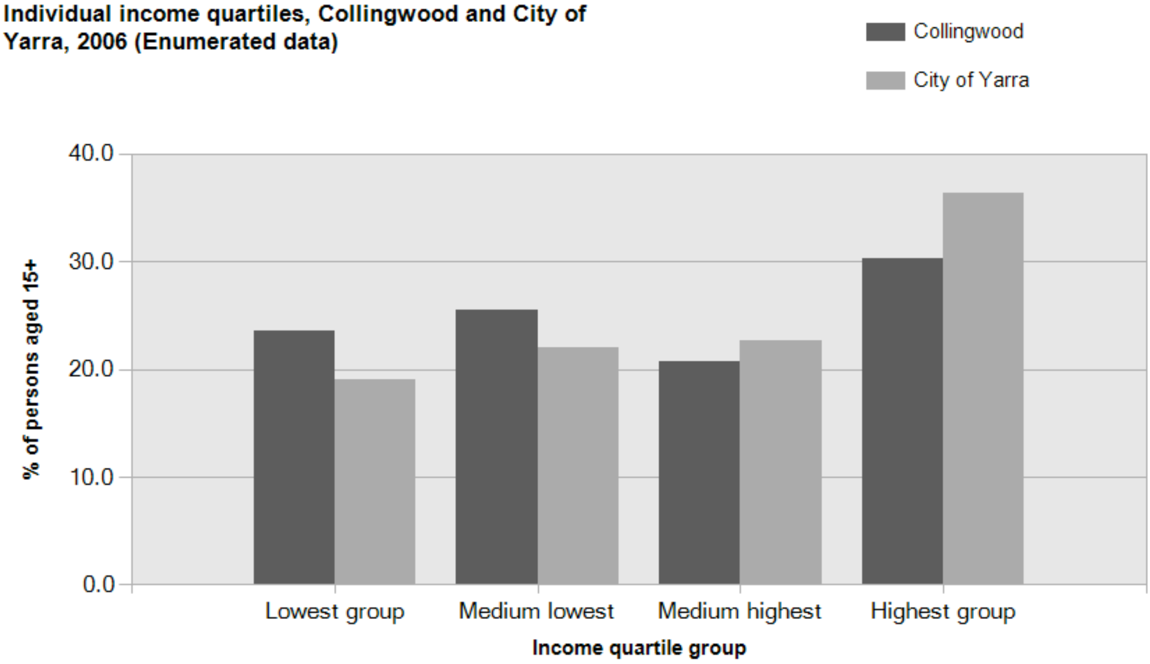
Source: Australian Bureau of Statistics, Census of Population and Housing, 2006, 2001, 1996, and 1991.

NOTE: Table totals may not equate with other similar tables due to **randomisation** of small numbers. Please refer to the **specific data notes** for more information.

Analysis of individual income levels in Collingwood in 2006 compared to the City of Yarra shows that there was a smaller proportion of persons earning a high income (those earning $1,000 per week or more) but a larger proportion of low income persons (those earning less than $400 per week).

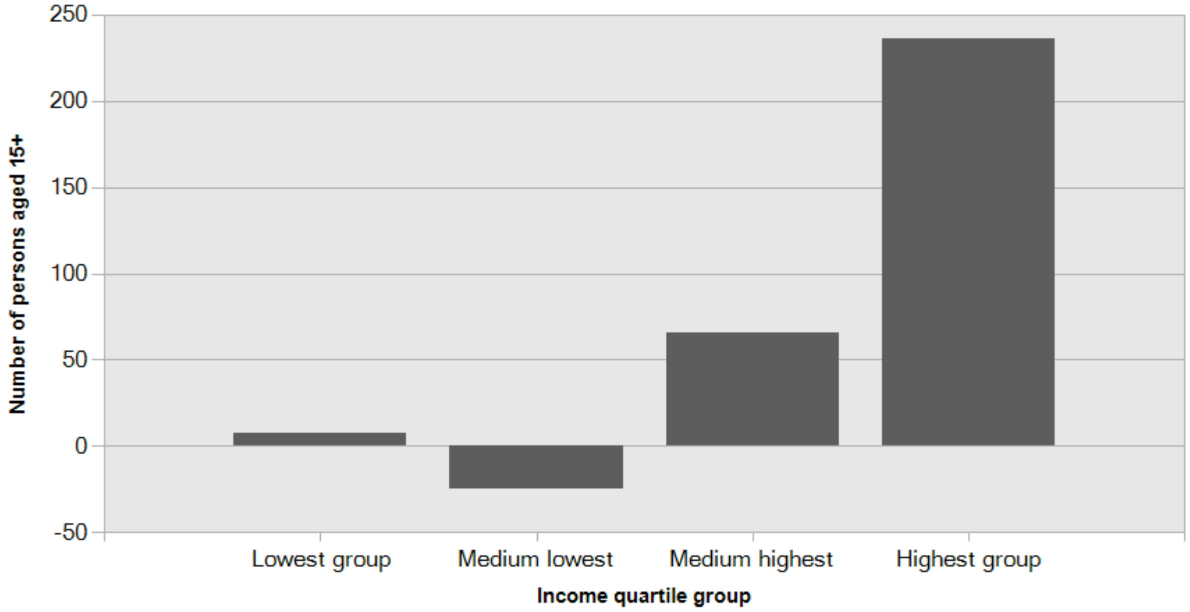
Overall, 22.0% of the population earned a high income, and 38.0% earned a low income, compared with 27.5% and 32.1% respectively for the City of Yarra.

Individual income quartiles, Collingwood and City of Yarra, 2006 (Enumerated data)

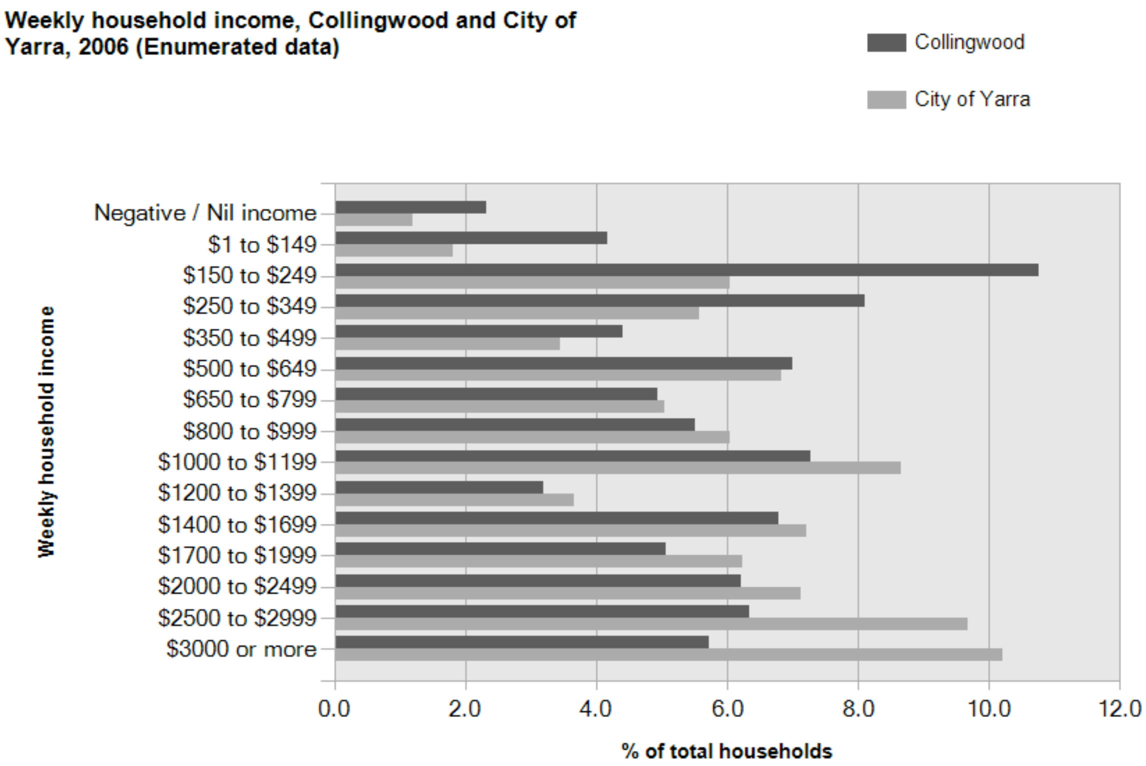


Source: Australian Bureau of Statistics, 2006 Census of Population and Housing (Enumerated)

Change in individual income quartiles, Collingwood, 2001 to 2006 (Enumerated data)



Source: Australian Bureau of Statistics, 2006 and 2001 Census of Population and Housing (Enumerated)



Source: Australian Bureau of Statistics, 2006 Census of Population and Housing (Enumerated)

Weekly household incomeincome groups (households)	Collingwood		
	2006		
Enumerated data	number	%	City of Yarra %
Negative / Nil income	57	2.3	1.2
$1 to $149	102	4.2	1.8
$150 to $249	263	10.8	6.1
$250 to $349	198	8.1	5.6
$350 to $499	108	4.4	3.4
$500 to $649	171	7.0	6.8
$650 to $799	121	4.9	5.0
$800 to $999	135	5.5	6.1
$1000 to $1199	178	7.3	8.6
$1200 to $1399	78	3.2	3.7
$1400 to $1699	166	6.8	7.2
$1700 to $1999	124	5.1	6.2
$2000 to $2499	152	6.2	7.1
$2500 to $2999	155	6.3	9.7
$3000 or more	140	5.7	10.2
Partial income stated	184	7.5	8.4
All incomes not stated	114	4.7	2.8
Total	2,446	100.0	100.0

Source: Australian Bureau of Statistics, Census of Population and Housing, 2006, 2001, 1996, and 1991.

NOTE: Table totals may not equate with other similar tables due to **randomisation** of small numbers. Please refer to the **specific data notes** for more information.

Collingwood

What type of households do we live in? (Household and family types)

Derived from the Census question, '*What is the person's relationship [to each other person in the household]?*'

The Household and Family structure of the population is an indicator of an area's residential role and function (relating to the types of housing markets attracted to the area). It is usually indicative of the area's era of settlement and provides key insights into the level of demand for services and facilities (as most services and facilities are age- and household type-specific).

To get a more complete picture of the demographic characteristics of an area, the Household and Family Type data should be viewed in conjunction with Age Structure data.

Household types (households)	Collingwood						
	2006			2001			
Enumerated data	number	%	City of Yarra %	number	%	City of Yarra %	Change 2001 to 2006
Couples with child(ren) 15 years and under	195	16.7	21.9	163	15.5	21.3	32
Couples with child(ren) over 15 years	56	4.8	9.3	56	5.3	9.8	0
Total couples with child(ren)	251	21.5	31.2	219	20.9	31.1	32
One parent families with child(ren) 15 years and under	182	15.6	7.4	200	19.1	8.9	-18
One parent families with child(ren) over 15 years	107	9.2	8.2	105	10.0	8.3	2
Total one parent families	289	24.7	15.7	305	29.1	17.3	-16
Couples without child(ren)	574	49.1	48.5	451	43.0	46.0	123
Other families	54	4.6	4.6	74	7.1	5.6	-20
Total families	1,168	100.0	100.0	1,049	100.0	100.0	119
One family households	1,143	42.7	47.6	1,034	41.5	47.4	109
Two or more family households	12	0.4	0.5	17	0.7	0.6	-5
Total family households	1,155	43.2	48.1	1,051	42.2	48.0	104
Lone person households	936	35.0	29.7	864	34.7	30.9	72
Group households	321	12.0	13.8	289	11.6	13.3	32
Other not classifiable households	263	9.8	8.5	286	11.5	7.8	-23
Total households	2,675	100.0	100.0	2,490	100.0	100.0	185

Source: Australian Bureau of Statistics, Census of Population and Housing, 2006, 2001, 1996, and 1991.

NOTE: Table totals may not equate with other similar tables due to **randomisation** of small numbers. Please refer to the **specific data notes** for more information.

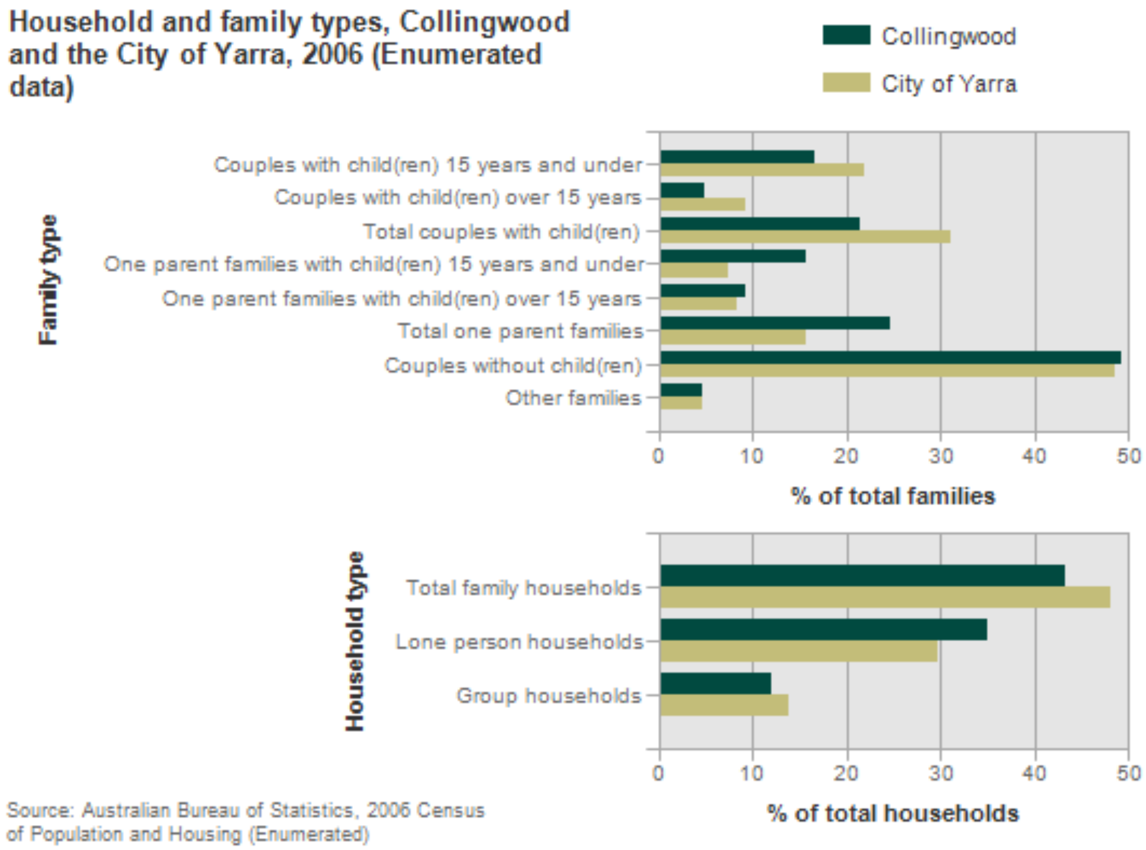
Analysis of the **family types** in Collingwood in 2006 compared to the City of Yarra shows that there was a smaller proportion of couple families with child(ren) but a larger proportion of one-parent families.

The largest change in family types in Collingwood between 2001 and 2006 was:

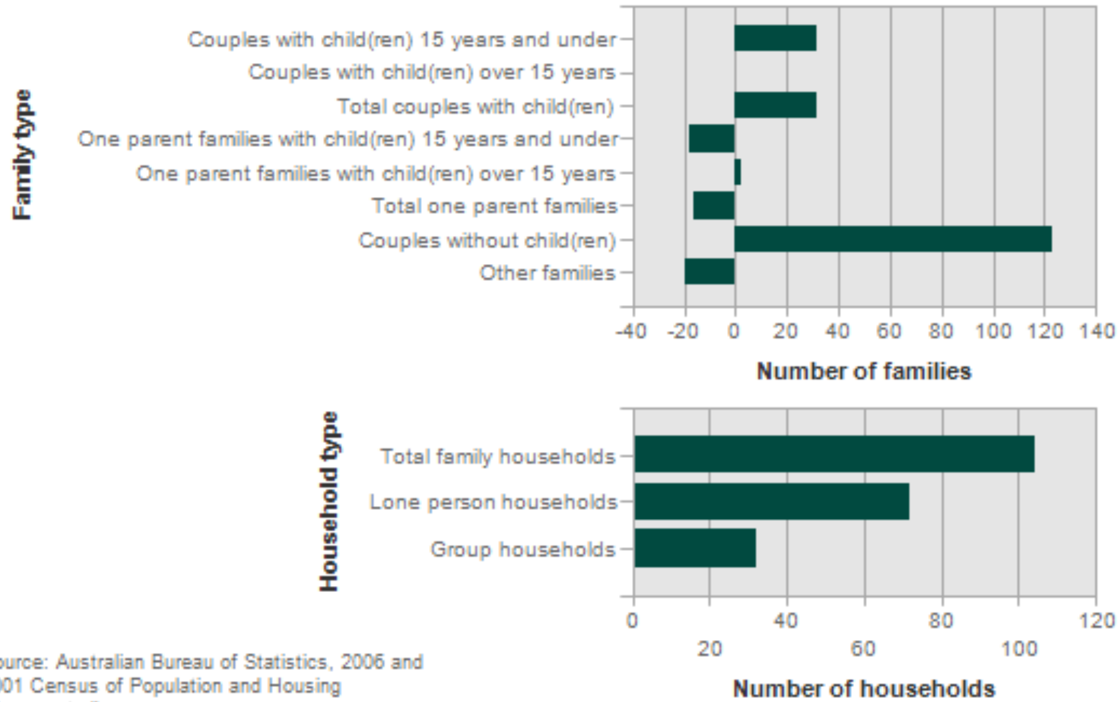
- Couples without child(ren) (+123).

Comparing **Household types** between Collingwood and the City of Yarra in 2006 reveals a smaller proportion of Family households, but a larger proportion of lone person households. Family households accounted for 43.2% of total households in Collingwood while lone person households comprised 35.0%, (48.1% and 29.7% respectively for the City of Yarra).

Between 2001 and 2006 in Collingwood, there was an increase in the number of Family households (104), an increase in lone person households (72) and an increase in group households (32).



Change in household and family types, Collingwood, 2001 to 2006 (Enumerated data)



Source: Australian Bureau of Statistics, 2006 and 2001 Census of Population and Housing (Enumerated)

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Collingwood

Are we owners, renters or buyers? (Housing tenure)

Derived from the Census questions, *'Is this dwelling [owned outright, owned with a mortgage etc]'*, and *'If this dwelling is being rented, who is it rented from?'*

Tenure data, to some extent, provide insights into the socio-economic status of an area as well as the role that the area plays in the housing market. For example, a high concentration of private renters may indicate an area attractive to specific housing markets such as young singles and couples, while a concentration of home owners indicates a more settled area (i.e. less transitory), with mature families and empty-nester household types. Tenure can also reflect built form, with a significantly higher share of renters in high density housing and a substantially larger proportion of home-owners in separate houses, although this is not a mutually exclusive pattern.

In conjunction with other socio-economic status information tenure data is useful for analysing a wide range of issues, including housing market analysis (in conjunction with Household and Family Type data) and for identifying public housing areas.

Housing tenure(households)	Collingwood						
	2006			2001			
Enumerated data	number	%	City of Yarra %	number	%	City of Yarra %	Change 2001 to 2006
Owned	258	9.5	19.1	313	12.5	24.2	-55
Being purchased	521	19.1	21.6	399	16.0	18.2	122
Renting - Govt	704	25.8	10.5	749	30.0	11.4	-45
Renting - Other	831	30.5	36.3	682	27.3	35.5	149
Renting - Not stated	22	0.8	0.9	22	0.9	0.5	0
Renting - Total	**1,557**	**57.1**	**47.7**	**1,453**	**58.2**	**47.4**	**104**
Other tenure type	10	0.4	0.6	59	2.4	2.1	-49
Not stated	382	14.0	10.9	273	10.9	8.0	109
Total	**2,728**	**100.0**	**100.0**	**2,497**	**100.0**	**100.0**	**231**

Source: Australian Bureau of Statistics, Census of Population and Housing, 2006, 2001, 1996, and 1991.

NOTE: Table totals may not equate with other similar tables due to **randomisation** of small numbers. Please refer to the **specific data notes** for more information.

Care should be taken when analysing change over time for 'Owned' and 'Being purchased' categories as changes to the wording of the responses in the Census questionaire between 2001 and 2006 may have resulted in skewed data. Please see the specific data notes for more detail.

Analysis of the housing tenure of the population of Collingwood in 2006 compared to the City of Yarra shows that there was a smaller proportion of households who owned their dwelling; a smaller proportion purchasing their dwelling; and a larger proportion who were renters.

Overall, 9.5% of the population owned their dwelling; 19.1% were purchasing, and 57.1% were renting, compared with 19.1%, 21.6% and 47.7% respectively for the City of Yarra.

The largest changes in housing tenure categories for the households in Collingwood between 2001 and 2006 were:

- Renting - Other (+149 households);
- Being purchased (+122 households);
- Renting - Total (+104 households), and;
- Owned (-55 households).

Collingwood

How much do we pay on our housing rental? (Weekly housing rental)

Weekly housing rental payments 2006

Derived from the Census questions, *'How much does your household pay for this dwelling?'* and *'Is this dwelling [owned outright, owned with a mortgage etc]'*

This data is indicative of the residential role and function of an area and is directly related to the value of residential property of an area. When viewed with household income data it may also be indicative of the level of 'housing stress' households in the community are under.

To enable a comparison of Weekly housing rental repayments in an area over time, Housing rental quartiles have been calculated and presented in the 'Housing rental quartiles tab'.

Weekly housing rental(households)	Collingwood		
	2006		
Enumerated data	number	%	City of Yarra %
$0 to $49	30	1.9	2.8
$50 to $99	402	26.0	12.1
$100 to $139	165	10.7	8.0
$140 to $179	119	7.7	9.2
$180 to $224	155	10.0	10.1
$225 to $274	168	10.9	10.8
$275 to $349	231	14.9	20.6
$350 to $449	128	8.3	15.8
$450 to $549	49	3.2	4.1
$550 and over	27	1.7	3.1
not stated	74	4.8	3.4
Total	1,548	100.0	100.0

Source: Australian Bureau of Statistics, Census of Population and Housing, 2006, 2001, 1996, and 1991.

NOTE: Table totals may not equate with other similar tables due to **randomisation** of small numbers. Please refer to the **specific data notes** for more information.

Analysis of the weekly housing rental payments of households in Collingwood compared to the City of Yarra shows that there was a smaller proportion of households paying high rental payments ($450 per week or more) but a larger proportion of households with low rental payments (less than $140 per week).

Overall, 4.9% of households were paying high rental payments, and 38.6% were paying low payments, compared with 7.2% and 22.9% respectively in the City of Yarra.

Collingwood

How much do we pay on our housing rental? (Weekly housing rental)

Housing rental quartiles

Rental payments are not comparable over time because of the influences of economic change such as inflation. The rental payment quartile method has been adopted as the most objective method of comparing change in the cost of rental housing of a community over time. The rental payment quartile method assumes an even distribution within each payment group. Quartiles are calculated from the Melbourne Statistical Division rental payment data.

Housing rental quartile definitions(Annual payment ranges)

	2006	2001
Lowest group	Nil to $7,980	Nil to $6,504
Medium lowest	$7,981 to$10,753	$6,505 to$8,997
Medium highest	$10,754 to$14,059	$8,998 to$11,880
Highest group	$14,060 and over	$11,881 and over

Housing retal payment quartiles	Collingwood						
	2006			2001			
Enumerated data	number	%	City of Yarra %	number	%	City of Yarra %	Change 2001 to 2006
Lowest group	637	43.2	26.9	677	47.7	27.8	-40
Medium lowest	171	11.6	12.5	163	11.5	13.3	8
Medium highest	215	14.6	14.4	172	12.1	15.3	44
Highest group	451	30.6	46.2	407	28.7	43.7	43
Total	1,474	100.0	100.0	1,419	100.0	100.0	55

Source: Australian Bureau of Statistics, Census of Population and Housing, 2006, and 2001.

NOTE: Table totals may not equate with other similar tables due to **randomisation** of small numbers. Please refer to the **specific data notes** for more information.

Rental payment quartiles allow us to compare relative rental liabilities across time. Analysis of the distribution of households by rental payment quartiles in Collingwood compared to the City of Yarra shows that there was a smaller proportion of households in the highest payment quartile, but a larger proportion in the lowest payment quartile.

The most significant change in Collingwood between 2001 and 2006 was in the Medium highest quartile which showed an increase of 44 households.

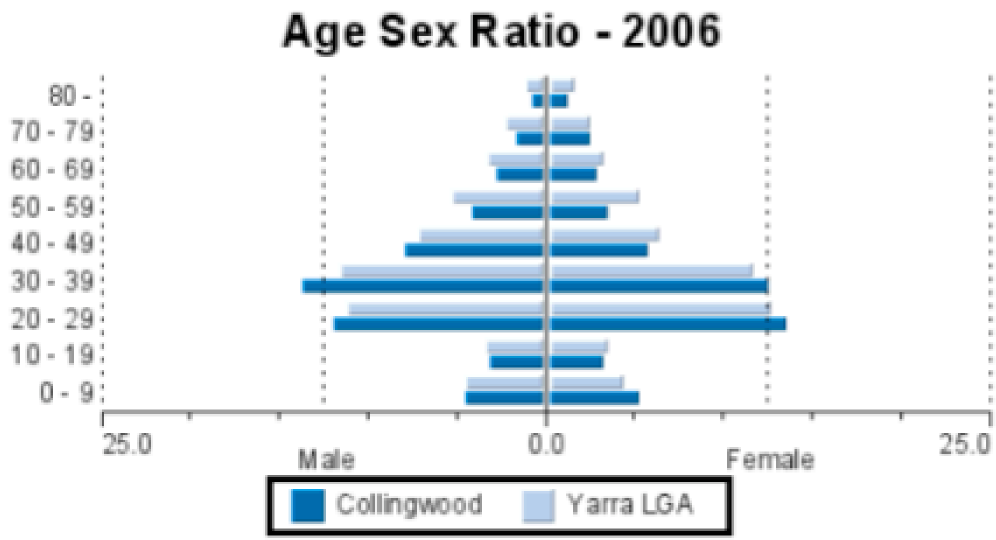
Area Profile

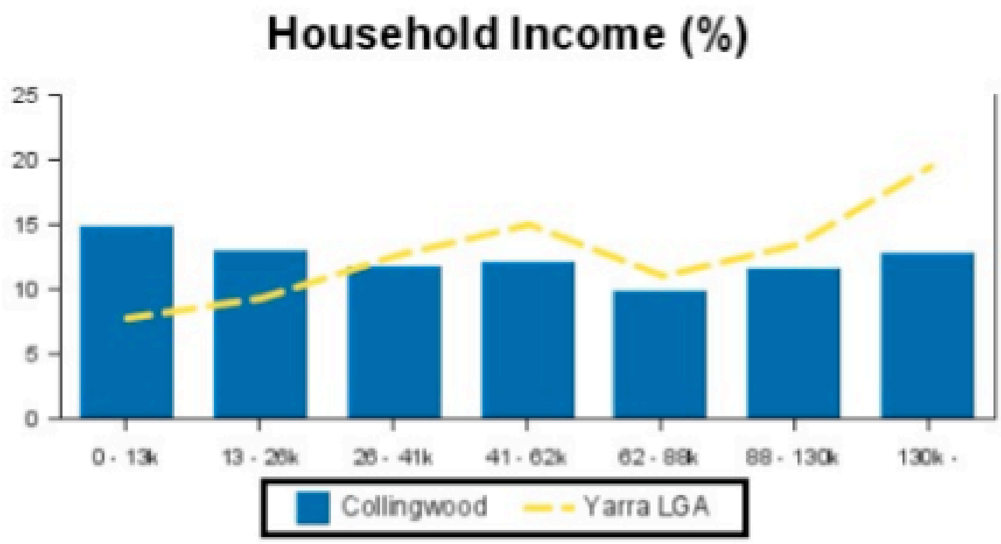
The size of Collingwood is approximately 1 km². There are 2 schools and 2 childcare centres located in Collingwood. The population of Collingwood in 2001 was 5,028 people. By 2006 the population was 5,508 showing a population growth of 10% in the area during that time. The predominant age group in Collingwood is 30 – 39 years.

Households in Collingwood are primarily sole parent and are likely to be repaying between $1000.00 – $1200.00 per month on mortgage repayments. In general, people in Collingwood work in a professional occupation. In 2001, 29% of the homes in Collingwood were owner-occupied compared with 32% in 2006.

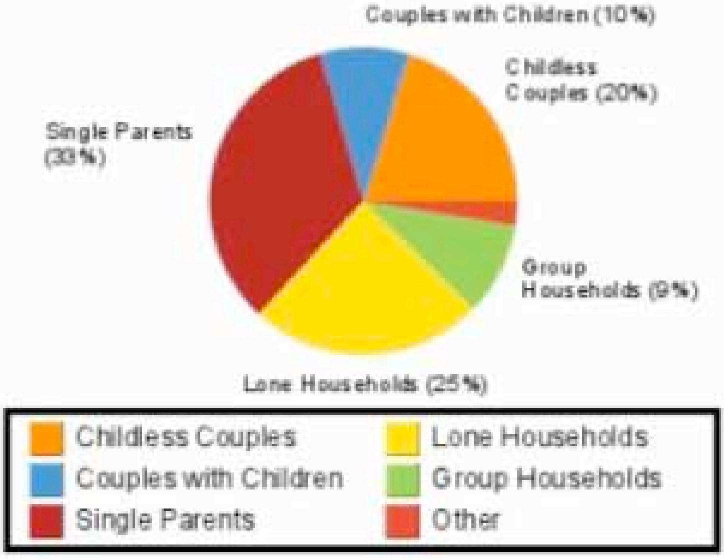
Currently the median sale price of houses in the area is $885,000.

Demographics

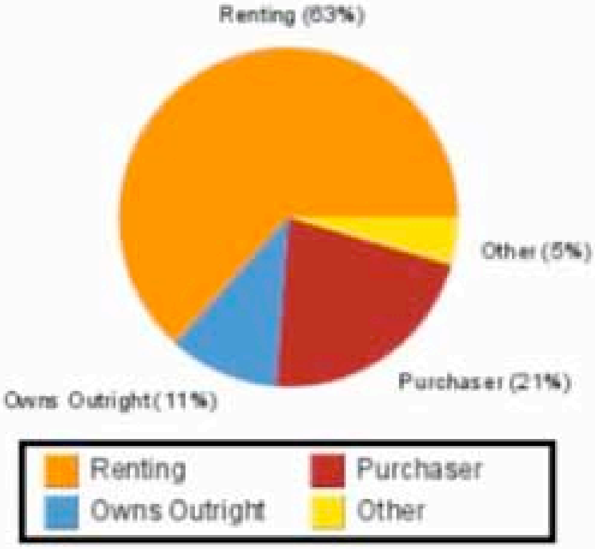




Household Structure

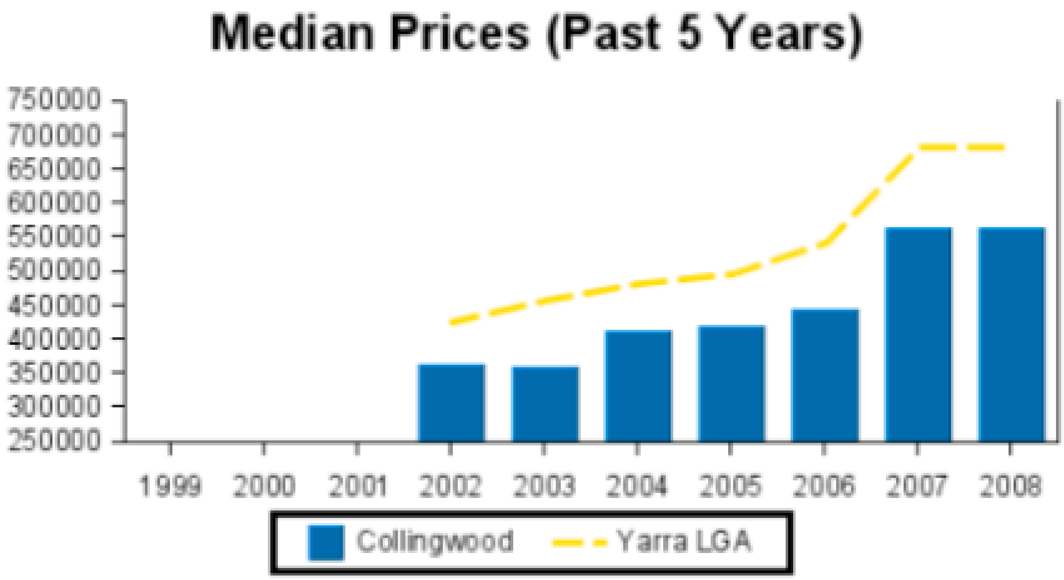


Household Occupancy - 2006



CommonwealthBank

House Statistics



Capital Growth in Median Prices

	Collingwood	Yarra LGA
period	**% Change**	**% Change**
2009	-8.3%	17.5%
2008	-0.4%	0.0%
2007	27.0%	25.6%
2006	5.7%	9.6%
2005	2.2%	2.9%

House Statistics

recent median sale prices

	Collingwood	Yarra LGA
period	median price	median price
January 2009	$ 885,000	$ 566,250
December 2008	$ 885,000	$ 680,000
November 2008	$ 515,000	$ 600,000
October 2008	$ 647,500	$ 661,000
September 2008	$ 565,000	$ 720,000
August 2008	$ 540,000	$ 683,000
July 2008	$ 672,750	$ 664,000
June 2008	$ 830,000	$ 685,000
May 2008	$ 540,000	$ 656,251
April 2008	$ 512,500	$ 680,062
March 2008	$ 510,000	$ 680,000
February 2008	$ 632,500	$ 720,000

Unit Statistics

Capital Growth in Median Prices

	Collingwood	Yarra LGA
period	**% Change**	**% Change**
2009	7.5%	–5.4%
2008	–3.2%	3.7%
2007	14.6%	9.3%
2006	12.3%	7.1%
2005	12.3%	4.5%

Unit Statistics

recent median sale prices

	Collingwood	Yarra LGA
period	**median price**	**median price**
January 2009	$ 350,000	$ 376,000
December 2008	$ 237,000	$ 408,500
November 2008	$ 515,000	$ 515,000
October 2008	$ 376,500	$ 407,500
September 2008	$ 340,000	$ 440,000
August 2008	$ 623,000	$ 417,500
July 2008	$ 360,000	$ 374,000
June 2008	$ 507,000	$ 467,625
May 2008	$ 530,000	$ 395,000
April 2008	$ 437,500	$ 416,500
March 2008	$ 434,000	$ 415,000
February 2008	$ 407,500	$ 443,500

Building approvals

Residential building approval statistics are used in both the public and private sectors as a leading indicator of the general level of economic activity, employment and investment.

Residential building approvals are compiled from permits issued by: local government authorities and other principal certifying authorities; contracts let or day labour work authorised by Commonwealth, state, semi-government and local government authorities, and; major building approvals in areas not subject to normal administrative approval e.g. building on remote mine sites.

A dwelling (or residential building) is defined as:
A residential building is a building consisting of one or more dwelling units. Residential buildings can be either houses or other residential buildings.

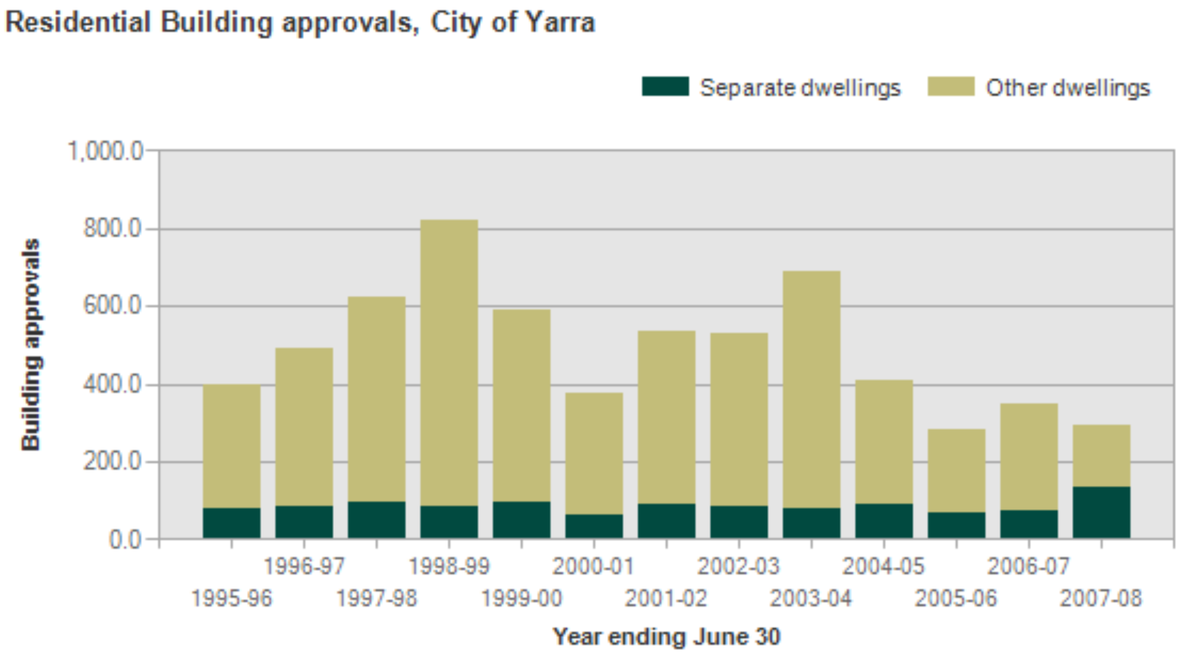
An other residential building *is a building other than a house primarily used for long-term residential purposes. An other residential building contains more than one dwelling unit. Other residential buildings are coded to the following categories: semi-detached, row or terrace house or townhouse with one storey; semi-detached, row or terrace house or townhouse with two or more storeys; flat, unit or apartment in a building of one or two storeys; flat, unit or apartment in a building of three storeys; flat, unit or apartment in a building of four or more storeys; flat, unit or apartment attached to a house; other/number of storeys unknown. The latter two categories are included with the semi-detached, row or terrace house or townhouse.*

Building approvals, City of Yarra				Annual change*		
Year (ending June 30)	Separate dwellings	Other dwellings	Total dwellings	Separate dwellings	Other dwellings	Total dwellings
2007-08	132	161	293	56	-112	-56
2006-07	76	273	349	8	58	66
2005-06	68	215	283	-23	-102	-125
2004-05	91	317	408	13	-293	-280
2003-04	78	610	688	-7	167	160
2002-03	85	443	528	-7	-1	-8
2001-02	92	444	536	32	126	158
2000-01	60	318	378	-37	-176	-213
1999-00	97	494	591	10	-237	-227
1998-99	87	731	818	-8	202	194
1997-98	95	529	624	8	126	134
1996-97	87	403	490	8	87	95
1995-96	79	316	395	--	--	--

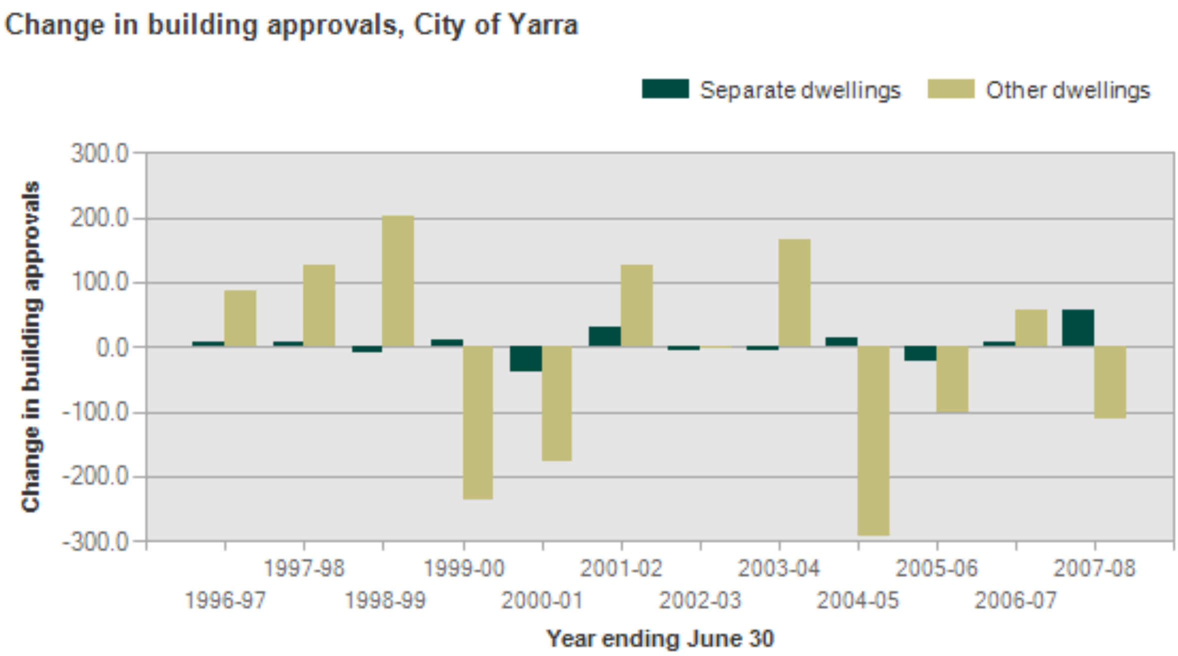
Source: Australian Bureau of Statistics, Building Activity, Australia, (catalogue number: 8752.0 to 8752.7)

* Annual change represents the difference in number from the preceeding year. Negative numbers denote a drop in the number of approvals from the previous year, and positive numbers an increase.

The number of building approvals are driven by activity in the construction industry and fluctuates from year to year. These fluctuations are the result of the short-term nature of many construction projects, and the cyclical nature of the industry. Building activity depends on many factors — interest rates, availability of mortgage funds, government spending, and business investment — that vary with the state of the economy. A recent example of economic changes and their impact on building approvals was the introduction of a Goods and Services Tax (GST) in July 2000. A spike in building activity was seen before the tax was introduced and declines in the months following.



Source: Australian Bureau of Statistics, Building Activity, Australia, (catalogue number: 8752.0 to 8752.7)



Source: Australian Bureau of Statistics, Building Activity, Australia, (catalogue number: 8752.0 to 8752.7)

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APARTMENT 123 EXAMPLE

Loans Australia Pty Ltd - Melbourne

Property Investment Analysis

03-Mar-2009

Prepared for:	Caydon - 03 9416 3400
Consultant:	Stephen McClatchie 1300 855 430
Property:	Apartment 123, 34 Stanley St, Collingwood
Description:	2 Bedroom - 59.4 m2

SUMMARY

Assumptions		**Projected results over**	**10 yrs**
Property value	$470,000	Property value	$841,698
Initial investment	$53,952	Equity	$414,339
Gross rental yield	4.55%	After-tax return /yr	22.11%
Net rental yield	3.35%	Net present value	$244,998
Cap. growth rate	6.00%	**IF SOLD**	
Inflation rate	3.50%	Selling costs & CGT	$121,480
Interest rate	5.50%	Equity	$292,859
Taxable income	$80,000	After-tax return /yr	18.01%

COMPUTER PROJECTIONS

Investment Analysis		**Projections over 10 years**				
End of year	2009	1yr	2yr	3yr	5yr	10yr
Property value	$470,000	498,200	528,092	559,778	628,966	841,698
Purchase costs	$5,062					
Investments	$53,952					
Loan amount	$427,359	427,359	427,359	427,359	427,359	427,359
Equity	$42,641	70,841	100,733	132,418	201,607	**414,339**
Capital growth rate	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%
Inflation rate (CPI)	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%
Gross rent /week	$420	21,403	22,152	22,928	24,561	29,170
Cash deductions						
Interest (I/O)	5.50%	23,505	23,505	23,505	23,505	23,505
Rental expenses	25.86%	5,648	5,846	6,051	6,481	7,698
Pre-tax cash flow	$-53,952	-7,750	-7,198	-6,628	-5,426	-2,032
Non-cash deductions						
Deprec.of building	2.50%	5,311	5,311	5,311	5,311	5,311
Deprec.of fittings	$30,000	6,897	5,311	4,090	2,426	657
Loan costs	$6,249	1,250	1,250	1,250	1,250	
Total deductions		42,610	41,222	40,206	38,973	37,171
Tax credit (single)	$80,000	6,680	6,287	6,012	5,720	3,321
After-tax cash flow	$-53,952	-1,070	-911	-616	294	1,289
Rate of return (IRR)	**22.11%**	**Your cost /(income) per week**				
Pre-tax equivalent	37.80%	**21**	**18**	**12**	**(6)**	**(25)**

Disclaimer: Note that the computer projections listed above simply illustrate the outcome calculated from the input values and the assumptions contained in the model. Hence the figures can be varied as required and are in no way intended to be a guarantee of future performance. Although the information is provided in good faith, it is also given on the basis that no person using the information, in whole or in part, shall have any claim against Loans Australia Pty Ltd - Melbourne, its servants, employees or consultants..

PROPERTY VALUE

The property (or market) value refers to how much the property is worth (i.e. how much you could sell it for). Its book value, on the other hand, refers to how much you have paid for it plus the cost of any immediate renovations.

Property price:	470,000
Renovation costs:	0
Total book value:	470,000
Property market value:	**$470,000**

PURCHASE COSTS

These include your solicitor's conveyancing fees and, where applicable, State Government stamp duty charges. In Australia, stamp duty varies from State to State and is a function of purchase price whereas, in New Zealand, it has been abolished on all property transfers since May 1999. Conveyancing costs may also be dependent on purchase price and may be negotiable. In some States of Australia (e.g. A.C.T.), purchase costs are tax deductible in the first year of the investment, though normally they will only be taken into account in Capital Gains Tax calculations in the year of sale.

Conveyancing costs:	1,000
Stamp duty:	4,062
Total Purchase costs:	**$5,062**

INVESTMENT & LOAN

Your initial investment is usually just the total of all monies outlayed at the time of purchase. These may include contributions toward any, or all, of the costs listed below. The remainder will largely determine the size of the loan. If you have sufficient equity in other property, it is possible to outlay nothing, and actually borrow the lot (i.e. the purchase price, purchase costs, loan costs, any renovation costs, and even additional monies to cover such things as fittings). If you are modelling an investment from some point in time after purchase (e.g. to assess the return on major renovations), your investment might also include the equity you already have built up in the property.

	Investments	**Loan**	**Total Cost**
Property costs:	47,000	423,000	470,000
Renovation costs:	0	0	0
Purchase costs:	5,062	0	5,062
Furniture costs:	0	0	0
Loan costs:	1,890	4,359	6,249
Totals:	**$53,952**	**$427,359**	**$481,311**

CAPITAL GROWTH & INFLATION RATES

Rate of capital growth is your anticipated annual compound rate of increase of the property value. It will undoubtedly vary substantially over the short term, but over the longer term (10 years or more), it has generally been about 2 to 3% above the rate of inflation.

Average rate of inflation (%):	3.50
Average rate of capital growth (%):	6.00

EQUITY

The equity is the difference between the property value and the loan. The equity increases in line with the increasing property value in the case of an interest-only loan. For a principal & interest loan, it also increases with the decrease in the debt.

Projected values over	**5 yrs**	**10 yrs**	**15 yrs**	**20 yrs**
Property value	628,966	841,698	1.126m	1.507m
Loan	427,359	427,359	427,359	427,359
EQUITY	**$201,607**	**$414,339**	**$699,023**	**$1.080m**
Approximate costs if sold......				
Capital Gains Tax	37,378	93,630	165,464	258,897
Solicitor's fees	3,145	4,208	5,632	7,537
Sales commission	17,792	23,642	31,471	41,947
EQUITY (after sale)	**$143,292**	**$292,859**	**$496,457**	**$771,614**

INTEREST COSTS & TYPE OF LOAN

The type of loan can be either interest-only and/or principal & interest. Repayments for interest-only loans, as the title suggests, consist of interest only. Repayments for principal & interest loans include a component of the principal. Interest-only loans are usually of a shorter term (e.g. 3 to 5 years) at which time they are usually rolled-over.

Loan type:	I/O Yrs 1-40
Interest rate (yr 1) (%)	5.50
Loan:	$427,359
Loan costs (written off over 5 yrs):	$6,249
Monthly payment:	$1,959
Annual payment:	**$23,505**

RENT

The potential annual rent is simply the rent per week times 52. The actual annual rent must account for any period that the property is vacant. Annual rents are assumed to increase in line with inflation.

Rent per week:	420
Potential annual rent:	21,840
Vacancy rate (%):	2.00
Actual annual rent:	**$21,403**

ANNUAL RENTAL EXPENSES

These are all the real operating costs associated with the investment property with the exception of loan interest payments. The first cell of the spreadsheet represents the expenses expressed as a percentage of the potential annual rent. As a guide, expenses could vary anywhere from 13% to 30%, depending on the maintenance and whether a professional property management agent is used. For holiday letting, with higher vacancies, the percentage can be more than 50%.

Normal Expenses:	
Agent's commission (7.00%):	1,498
Letting fees:	420
Rates:	981
Insurance:	550
Maintenance:	400
Body corporate:	1,799
Special expenses:	0
Total expenses:	**$5,648**
Normal expenses as % of annual rent (%):	25.86
Net yield or Capitalisation rate (%):	3.35

PRE-TAX CASH FLOW

These are all of the monies that flow out of your pocket before tax is taken into account. Normally, it would represent the gross annual rent less interest and rental expenses. This will vary if interest or expenses are capitalised or rents used directly to reduce the loan.

Year		**1yr**	**2yr**	**3yr**	**5yr**	**10yr**
Rent		21,403	22,152	22,928	24,561	29,170
Cash invested	53,952	0	0	0	0	0
Principal		0	0	0	0	0
Interest		23,505	23,505	23,505	23,505	23,505
Expenses		5,648	5,846	6,051	6,481	7,698
Pre-tax cash flow	**$-53,952**	**$-7,750**	**$-7,198**	**$-6,628**	**$-5,426**	**$-2,032**

DEPRECIATION ON THE BUILDING

This represents the capital allowance on the construction costs.

Property value:	$470,000
Construction costs:	$212,431
Depreciation allowance rate (%):	2.50
Depreciation allowance:	**$5,311**

DEPRECIATION OF FITTINGS (diminishing value method)

Item	Value	Rate (yrs)	Depreciation
General fittings	30,000	22.99	6,897
Total	**$30,000**		**$6,897**

LOAN COSTS

In Australia, the loan costs are written off over the term of the loan (or five years, whichever is the lesser).

Establishment fees (0.14% of loan):	600
Mortgage insurance (1.02% of loan):	4,359
Mortgagee's solicitor's fees:	1,000
Registration of mortgage:	95
Registration of title:	115
Search fees:	80
Total loan costs:	**$6,249**

TOTAL TAX DEDUCTIONS (Cash & Non-Cash Deductions)

These include both "cash" (e.g. interest, rental expenses) and "non-cash" (e.g. depreciation) deductions.

Year	1yr	2yr	3yr	5yr	10yr
Interest	23,505	23,505	23,505	23,505	23,505
Expenses	5,648	5,846	6,051	6,481	7,698
Deprec.-building	5,311	5,311	5,311	5,311	5,311
Deprec.-fittings	6,897	5,311	4,090	2,426	657
Loan costs	1,250	1,250	1,250	1,250	0
Total deductions	**$42,610**	**$41,222**	**$40,206**	**$38,973**	**$37,171**

TAX CREDITS & AFTER-TAX CASH FLOW

The after-tax cash flows are all of the monies that flow in or out of your pocket AFTER tax is taken into account. They represent the PRE-tax cash flow LESS any tax credits (or tax refunds). In this analysis, it is assumed that the investor has obtained a tax variation from the Taxation Office and thus the tax refunds are credited for the same year in which they are based.

Year	2009	1yr	2yr	3yr	5yr	10yr
Pre-tax cash flow	-53,952	-7,750	-7,198	-6,628	-5,426	-2,032
Tax credits		6,680	6,287	6,012	5,720	3,321
After-tax cash flow	$-53,952	$-1,070	$-911	$-616	$294	$1,289
Cost /(income) per week		**$21**	**$18**	**$12**	**$-6**	**$-25**

INTERNAL RATE OF RETURN

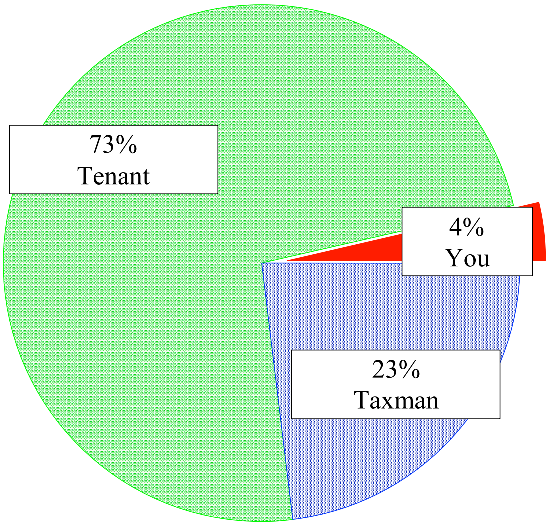
The internal rate of return (IRR) is the method of calculating the return on a series of cash flows where the time factor is taken into account. To understand it, think of the money you are outlaying on your investment property as being deposited in a bank account, with interest added each year. In this case the "deposits" are represented by the after-tax cash flows

Year	2009	1yr	2yr	3yr	5yr	10yr
After-tax cash flow	$-53,952	$-1,070	$-911	$-616	$294	$1,289
Equity						$414,339

The total amount in your "account" (including interest) at the end of the period is the equity ($414,339) in the investment property. The IRR (22.11%) represents the effective "interest rate" that you have received, but with one important difference - because the interest remains in the property, it is not taxed. To receive an equivalent return from bank interest, you need to get 37.80% before tax.

If the property were to be sold at the end of the period, the after-sale equity would be reduced to $292,859 after taking account of selling costs and capital gains tax and the IRR after the sale would be 18.01%.

Who pays the cost (1st year)?



Projections over 25 years

Year	Interest costs	Rental expenses	Total cost	Rent (tenant)	Tax credit (taxman)	Cash (you)
1yr	$23,505	$5,648	$29,153	$21,403	$6,680	$1,070
2yr	$23,505	$5,846	$29,351	$22,152	$6,287	$911
3yr	$23,505	$6,051	$29,555	$22,928	$6,012	$616
4yr	$23,505	$6,262	$29,767	$23,730	$5,831	$206
5yr	$23,505	$6,481	$29,986	$24,561	$5,720	$-294
6yr	$23,505	$6,708	$30,213	$25,420	$4,968	$-175
7yr	$23,505	$6,943	$30,448	$26,310	$4,518	$-380
8yr	$23,505	$7,186	$30,691	$27,231	$4,100	$-640
9yr	$23,505	$7,438	$30,942	$28,184	$3,703	$-945
10yr	$23,505	$7,698	$31,203	$29,170	$3,321	$-1,289
11yr	$23,505	$7,967	$31,472	$30,191	$2,945	$-1,664
12yr	$23,505	$8,246	$31,751	$31,248	$2,575	$-2,072
13yr	$23,505	$8,535	$32,040	$32,342	$2,203	$-2,505
14yr	$23,505	$8,834	$32,338	$33,474	$1,829	$-2,964
15yr	$23,505	$9,143	$32,647	$34,645	$1,448	$-3,446
16yr	$23,505	$9,463	$32,967	$35,858	$1,062	$-3,952
17yr	$23,505	$9,794	$33,299	$37,113	$665	$-4,479
18yr	$23,505	$10,137	$33,641	$38,412	$258	$-5,028
19yr	$23,505	$10,492	$33,996	$39,756	$-160	$-5,600
20yr	$23,505	$10,859	$34,363	$41,148	$-591	$-6,193
21yr	$23,505	$11,239	$34,744	$42,588	$-1,037	$-6,807
22yr	$23,505	$11,632	$35,137	$44,078	$-1,495	$-7,447
23yr	$23,505	$12,039	$35,544	$45,621	$-1,969	$-8,108
24yr	$23,505	$12,461	$35,965	$47,218	$-2,579	$-8,674
25yr	$23,505	$12,897	$36,401	$48,871	$-3,323	$-9,146


(%)
Who pays the costs (10 years)
100.00
90.00
80.00
70.00
60.00
50.00
40.00
30.00
20.00
10.00
0.00
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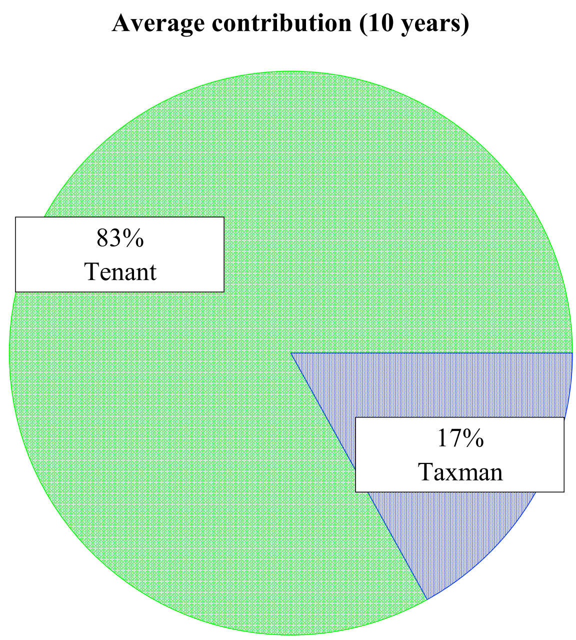
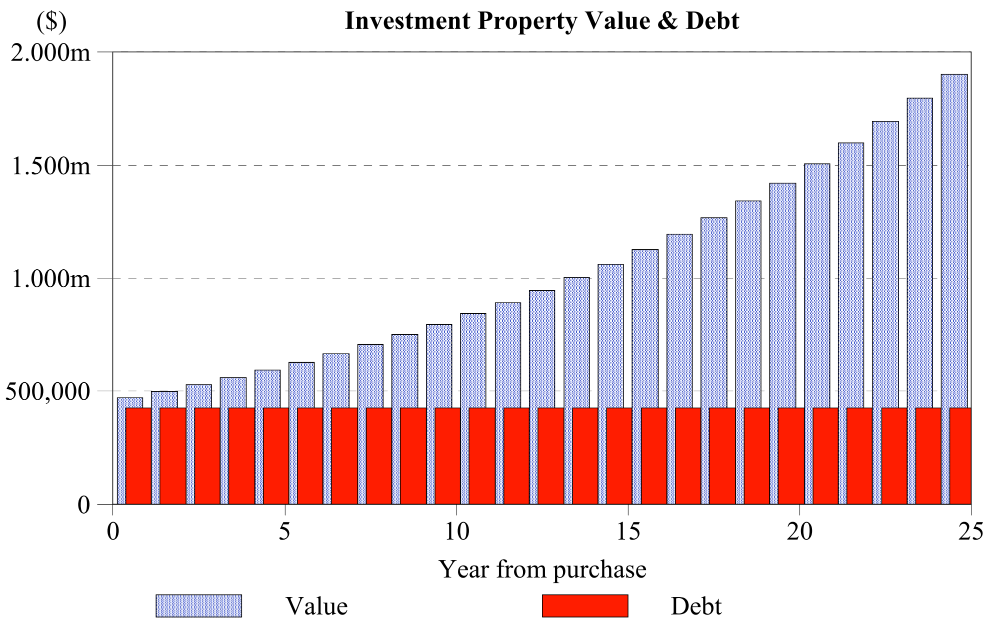
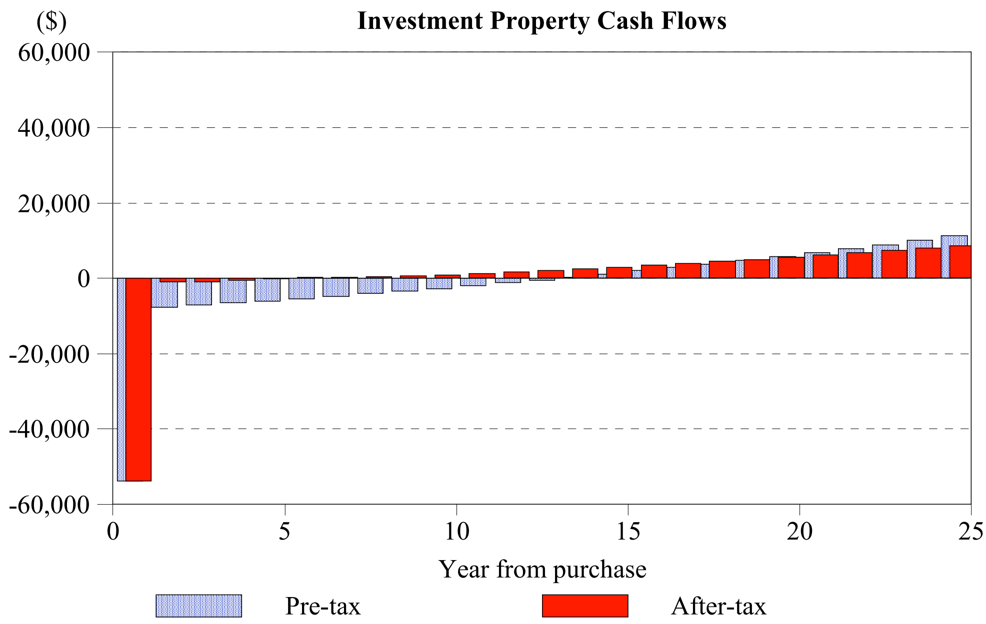
10
Year from purchase
Tenant (83%)
Taxman (17%)
You (0%)


Average contribution (10 years)
83%
Tenant
17%
Taxman



Property value & debt projections over 25 years

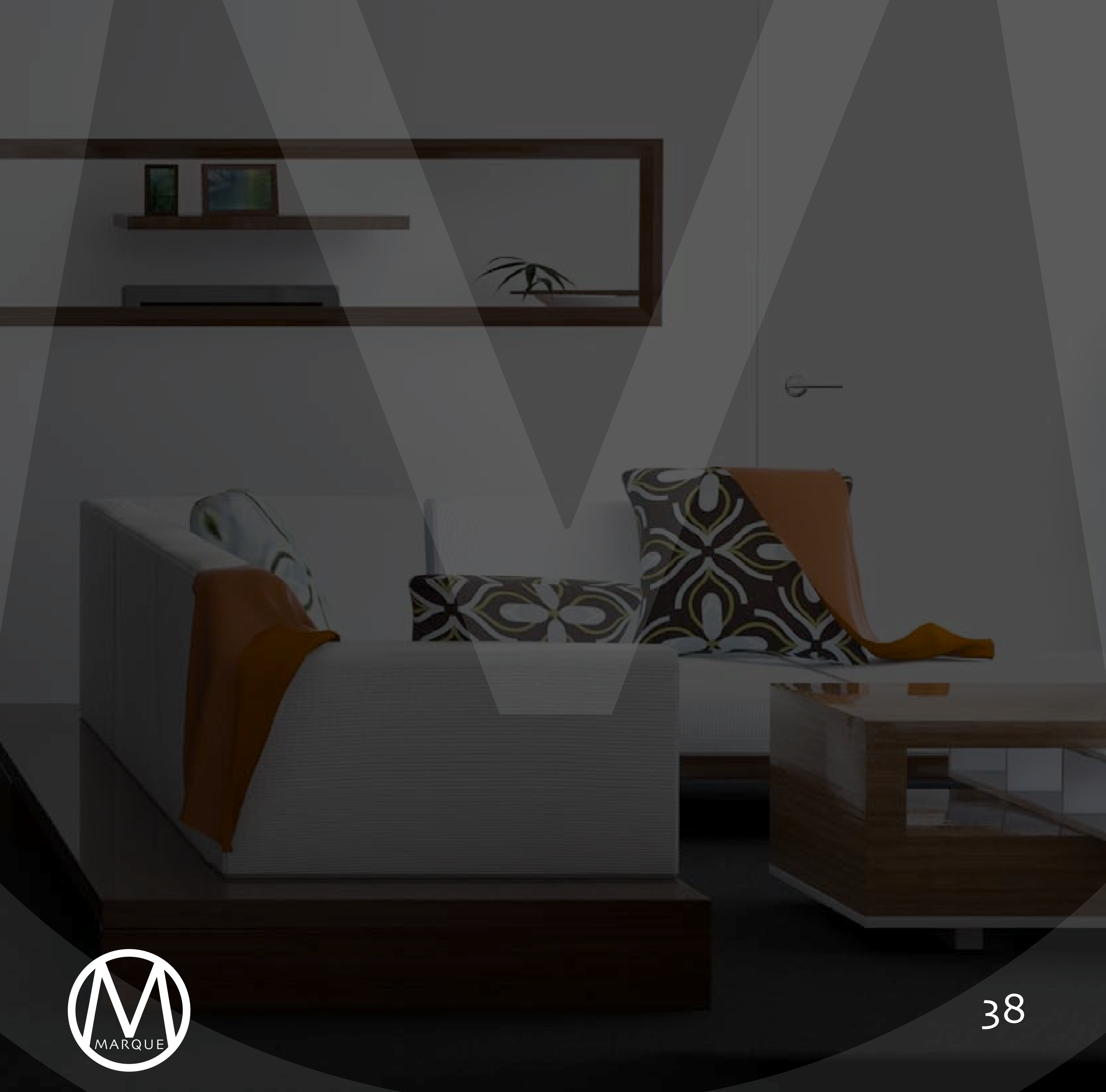
Year	Growth rate	Property value	Amount owing	Equity
		$470,000	$427,359	$42,641
1yr	6.00%	$498,200	$427,359	$70,841
2yr	6.00%	$528,092	$427,359	$100,733
3yr	6.00%	$559,778	$427,359	$132,418
4yr	6.00%	$593,364	$427,359	$166,005
5yr	6.00%	$628,966	$427,359	$201,607
6yr	6.00%	$666,704	$427,359	$239,345
7yr	6.00%	$706,706	$427,359	$279,347
8yr	6.00%	$749,109	$427,359	$321,750
9yr	6.00%	$794,055	$427,359	$366,696
10yr	6.00%	$841,698	$427,359	$414,339
11yr	6.00%	$892,200	$427,359	$464,841
12yr	6.00%	$945,732	$427,359	$518,373
13yr	6.00%	$1.002m	$427,359	$575,117
14yr	6.00%	$1.063m	$427,359	$635,266
15yr	6.00%	$1.126m	$427,359	$699,023
16yr	6.00%	$1.194m	$427,359	$766,606
17yr	6.00%	$1.266m	$427,359	$838,244
18yr	6.00%	$1.342m	$427,359	$914,180
19yr	6.00%	$1.422m	$427,359	$994,673
20yr	6.00%	$1.507m	$427,359	$1.080m
21yr	6.00%	$1.598m	$427,359	$1.170m
22yr	6.00%	$1.694m	$427,359	$1.266m
23yr	6.00%	$1.795m	$427,359	$1.368m
24yr	6.00%	$1.903m	$427,359	$1.476m
25yr	6.00%	$2.017m	$427,359	$1.590m



Cash flow projections over 25 years

Year	Rental income	Loan payments	Rental expenses	Pre-tax cash flow	Tax credit	After-tax cash flow
				$-53,952		$-53,952
1yr	$21,403	$23,505	$5,648	$-7,750	$6,680	$-1,070
2yr	$22,152	$23,505	$5,846	$-7,198	$6,287	$-911
3yr	$22,928	$23,505	$6,051	$-6,628	$6,012	$-616
4yr	$23,730	$23,505	$6,262	$-6,037	$5,831	$-206
5yr	$24,561	$23,505	$6,481	$-5,426	$5,720	$294
6yr	$25,420	$23,505	$6,708	$-4,793	$4,968	$175
7yr	$26,310	$23,505	$6,943	$-4,138	$4,518	$380
8yr	$27,231	$23,505	$7,186	$-3,460	$4,100	$640
9yr	$28,184	$23,505	$7,438	$-2,758	$3,703	$945
10yr	$29,170	$23,505	$7,698	$-2,032	$3,321	$1,289
11yr	$30,191	$23,505	$7,967	$-1,281	$2,945	$1,664
12yr	$31,248	$23,505	$8,246	$-503	$2,575	$2,072
13yr	$32,342	$23,505	$8,535	$302	$2,203	$2,505
14yr	$33,474	$23,505	$8,834	$1,135	$1,829	$2,964
15yr	$34,645	$23,505	$9,143	$1,998	$1,448	$3,446
16yr	$35,858	$23,505	$9,463	$2,890	$1,062	$3,952
17yr	$37,113	$23,505	$9,794	$3,814	$665	$4,479
18yr	$38,412	$23,505	$10,137	$4,770	$258	$5,028
19yr	$39,756	$23,505	$10,492	$5,760	$-160	$5,600
20yr	$41,148	$23,505	$10,859	$6,784	$-591	$6,193
21yr	$42,588	$23,505	$11,239	$7,844	$-1,037	$6,807
22yr	$44,078	$23,505	$11,632	$8,942	$-1,495	$7,447
23yr	$45,621	$23,505	$12,039	$10,077	$-1,969	$8,108
24yr	$47,218	$23,505	$12,461	$11,253	$-2,579	$8,674
25yr	$48,871	$23,505	$12,897	$12,469	$-3,323	$9,146

APARTMENT 127 EXAMPLE



Loans Australia Pty Ltd - Melbourne

Property Investment Analysis

03-Mar-2009

Prepared for:	Caydon - 03 9416 3400
Consultant:	Stephen McClatchie 1300 855 430
Property:	Apartment 127, 34 Stanley St, Collingwood
Description:	1 Bedroom + study - 50.1 m2

SUMMARY

Assumptions		**Projected results over**	**10 yrs**
Property value	$395,000	Property value	$707,385
Initial investment	$49,328	Equity	$351,885
Gross rental yield	4.55%	After-tax return /yr	21.20%
Net rental yield	3.32%	Net present value	$204,079
Cap. growth rate	6.00%	**IF SOLD**	
Inflation rate	3.50%	Selling costs & CGT	$101,760
Interest rate	5.50%	Equity	$250,125
Taxable income	$75,000	After-tax return /yr	17.18%

COMPUTER PROJECTIONS

Investment Analysis			**Projections over 10 years**			
End of year	2009	1yr	2yr	3yr	5yr	10yr
Property value	$395,000	418,700	443,822	470,451	528,599	707,385
Purchase costs	$4,312					
Investments	$49,328					
Loan amount	$355,500	355,500	355,500	355,500	355,500	355,500
Equity	$39,500	63,200	88,322	114,951	173,099	**351,885**
Capital growth rate	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%
Inflation rate (CPI)	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%
Gross rent /week	$353	17,989	18,618	19,270	20,643	24,517
Cash deductions						
Interest (I/O)	5.50%	19,553	19,553	19,553	19,553	19,553
Rental expenses	26.66%	4,893	5,064	5,242	5,615	6,669
Pre-tax cash flow	$-49,328	-6,457	-5,998	-5,524	-4,525	-1,704
Non-cash deductions						
Deprec.of building	2.50%	4,431	4,431	4,431	4,431	4,431
Deprec.of fittings	$28,000	6,437	4,957	3,818	2,264	613
Loan costs	$5,516	1,103	1,103	1,103	1,103	
Total deductions		36,417	35,109	34,146	32,966	31,266
Tax credit (single)	$75,000	5,805	5,194	4,720	4,489	2,801
After-tax cash flow	$-49,328	-652	-804	-804	-36	1,097
Rate of return (IRR)	**21.20%**		**Your cost /(income) per week**			
Pre-tax equivalent	30.94%	**13**	**15**	**15**	**1**	**(21)**

Disclaimer: Note that the computer projections listed above simply illustrate the outcome calculated from the input values and the assumptions contained in the model. Hence the figures can be varied as required and are in no way intended to be a guarantee of future performance. Although the information is provided in good faith, it is also given on the basis that no person using the information, in whole or in part, shall have any claim against Loans Australia Pty Ltd - Melbourne, its servants, employees or consultants..

PROPERTY VALUE

The property (or market) value refers to how much the property is worth (i.e. how much you could sell it for). Its book value, on the other hand, refers to how much you have paid for it plus the cost of any immediate renovations.

Property price:	395,000
Renovation costs:	0
Total book value:	395,000
Property market value:	**$395,000**

PURCHASE COSTS

These include your solicitor's conveyancing fees and, where applicable, State Government stamp duty charges. In Australia, stamp duty varies from State to State and is a function of purchase price whereas, in New Zealand, it has been abolished on all property transfers since May 1999. Conveyancing costs may also be dependent on purchase price and may be negotiable. In some States of Australia (e.g. A.C.T.), purchase costs are tax deductible in the first year of the investment, though normally they will only be taken into account in Capital Gains Tax calculations in the year of sale.

Conveyancing costs:	1,000
Stamp duty:	3,312
Total Purchase costs:	**$4,312**

INVESTMENT & LOAN

Your initial investment is usually just the total of all monies outlayed at the time of purchase. These may include contributions toward any, or all, of the costs listed below. The remainder will largely determine the size of the loan. If you have sufficient equity in other property, it is possible to outlay nothing, and actually borrow the lot (i.e. the purchase price, purchase costs, loan costs, any renovation costs, and even additional monies to cover such things as fittings). If you are modelling an investment from some point in time after purchase (e.g. to assess the return on major renovations), your investment might also include the equity you already have built up in the property.

	Investments	**Loan**	**Total Cost**
Property costs:	39,500	355,500	395,000
Renovation costs:	0	0	0
Purchase costs:	4,312	0	4,312
Furniture costs:	0	0	0
Loan costs:	5,516	0	5,516
Totals:	**$49,328**	**$355,500**	**$404,828**

CAPITAL GROWTH & INFLATION RATES

Rate of capital growth is your anticipated annual compound rate of increase of the property value. It will undoubtedly vary substantially over the short term, but over the longer term (10 years or more), it has generally been about 2 to 3% above the rate of inflation.

Average rate of inflation (%):	3.50
Average rate of capital growth (%):	6.00

EQUITY

The equity is the difference between the property value and the loan. The equity increases in line with the increasing property value in the case of an interest-only loan. For a principal & interest loan, it also increases with the decrease in the debt.

Projected values over	**5 yrs**	**10 yrs**	**15 yrs**	**20 yrs**
Property value	528,599	707,385	946,640	1.267m
Loan	355,500	355,500	355,500	355,500
EQUITY	**$173,099**	**$351,885**	**$591,140**	**$911,319**
Approximate costs if sold......				
Capital Gains Tax	31,367	78,275	138,743	217,355
Solicitor's fees	2,643	3,537	4,733	6,334
Sales commission	15,031	19,948	26,528	35,333
EQUITY (after sale)	**$124,057**	**$250,125**	**$421,137**	**$652,297**

INTEREST COSTS & TYPE OF LOAN

The type of loan can be either interest-only and/or principal & interest. Repayments for interest-only loans, as the title suggests, consist of interest only. Repayments for principal & interest loans include a component of the principal. Interest-only loans are usually of a shorter term (e.g. 3 to 5 years) at which time they are usually rolled-over.

Loan type:	I/O Yrs 1-40
Interest rate (yr 1) (%)	5.50
Loan:	$355,500
Loan costs (written off over 5 yrs):	$5,516
Monthly payment:	$1,629
Annual payment:	**$19,553**

RENT

The potential annual rent is simply the rent per week times 52. The actual annual rent must account for any period that the property is vacant. Annual rents are assumed to increase in line with inflation.

Rent per week:	353
Potential annual rent:	18,356
Vacancy rate (%):	2.00
Actual annual rent:	**$17,989**

ANNUAL RENTAL EXPENSES

These are all the real operating costs associated with the investment property with the exception of loan interest payments. The first cell of the spreadsheet represents the expenses expressed as a percentage of the potential annual rent. As a guide, expenses could vary anywhere from 13% to 30%, depending on the maintenance and whether a professional property management agent is used. For holiday letting, with higher vacancies, the percentage can be more than 50%.

Normal Expenses:	
Agent's commission (7.00%):	1,259
Letting fees:	353
Rates:	819
Insurance:	550
Maintenance:	400
Body corporate:	1,512
Special expenses:	0
Total expenses:	**$4,893**
Normal expenses as % of annual rent (%):	26.66
Net yield or Capitalisation rate (%):	3.32

PRE-TAX CASH FLOW

These are all of the monies that flow out of your pocket before tax is taken into account. Normally, it would represent the gross annual rent less interest and rental expenses. This will vary if interest or expenses are capitalised or rents used directly to reduce the loan.

Year		**1yr**	**2yr**	**3yr**	**5yr**	**10yr**
Rent		17,989	18,618	19,270	20,643	24,517
Cash invested	49,328	0	0	0	0	0
Principal		0	0	0	0	0
Interest		19,553	19,553	19,553	19,553	19,553
Expenses		4,893	5,064	5,242	5,615	6,669
Pre-tax cash flow	**$-49,328**	**$-6,457**	**$-5,998**	**$-5,524**	**$-4,525**	**$-1,704**

DEPRECIATION ON THE BUILDING

This represents the capital allowance on the construction costs.

Property value:	$395,000
Construction costs:	$177,252
Depreciation allowance rate (%):	2.50
Depreciation allowance:	**$4,431**

DEPRECIATION OF FITTINGS (diminishing value method)

Item	Value	Rate (yrs)	Depreciation
General fittings	28,000	22.99	6,437
Total	**$28,000**		**$6,437**

LOAN COSTS

In Australia, the loan costs are written off over the term of the loan (or five years, whichever is the lesser).

Establishment fees (0.17% of loan):	600
Mortgage insurance (1.02% of loan):	3,626
Mortgagee's solicitor's fees:	1,000
Registration of mortgage:	95
Registration of title:	115
Search fees:	80
Total loan costs:	**$5,516**

TOTAL TAX DEDUCTIONS (Cash & Non-Cash Deductions)

These include both "cash" (e.g. interest, rental expenses) and "non-cash" (e.g. depreciation) deductions.

Year	**1yr**	**2yr**	**3yr**	**5yr**	**10yr**
Interest	19,553	19,553	19,553	19,553	19,553
Expenses	4,893	5,064	5,242	5,615	6,669
Deprec.-building	4,431	4,431	4,431	4,431	4,431
Deprec.-fittings	6,437	4,957	3,818	2,264	613
Loan costs	1,103	1,103	1,103	1,103	0
Total deductions	**$36,417**	**$35,109**	**$34,146**	**$32,966**	**$31,266**

TAX CREDITS & AFTER-TAX CASH FLOW

The after-tax cash flows are all of the monies that flow in or out of your pocket AFTER tax is taken into account. They represent the PRE-tax cash flow LESS any tax credits (or tax refunds). In this analysis, it is assumed that the investor has obtained a tax variation from the Taxation Office and thus the tax refunds are credited for the same year in which they are based.

Year	**2009**	**1yr**	**2yr**	**3yr**	**5yr**	**10yr**
Pre-tax cash flow	-49,328	-6,457	-5,998	-5,524	-4,525	-1,704
Tax credits		5,805	5,194	4,720	4,489	2,801
After-tax cash flow	$-49,328	$-652	$-804	$-804	$-36	$1,097
Cost /(income) per week		**$13**	**$15**	**$15**	**$1**	**$-21**

INTERNAL RATE OF RETURN

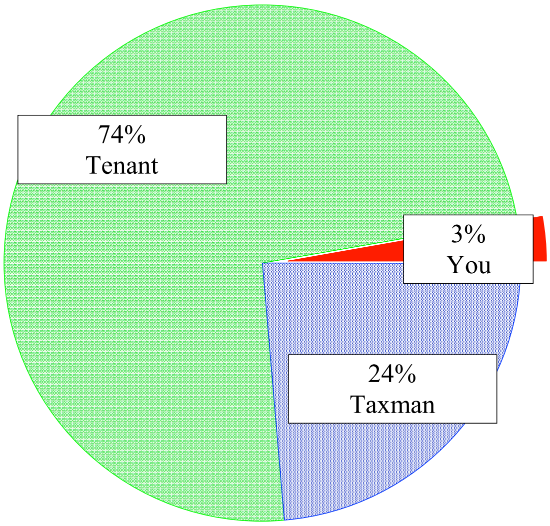
The internal rate of return (IRR) is the method of calculating the return on a series of cash flows where the time factor is taken into account. To understand it, think of the money you are outlaying on your investment property as being deposited in a bank account, with interest added each year. In this case the "deposits" are represented by the after-tax cash flows

Year	**2009**	**1yr**	**2yr**	**3yr**	**5yr**	**10yr**
After-tax cash flow	$-49,328	$-652	$-804	$-804	$-36	$1,097
Equity						$351,885

The total amount in your "account" (including interest) at the end of the period is the equity ($351,885) in the investment property. The IRR (21.20%) represents the effective "interest rate" that you have received, but with one important difference - because the interest remains in the property, it is not taxed. To receive an equivalent return from bank interest, you need to get 30.94% before tax.

If the property were to be sold at the end of the period, the after-sale equity would be reduced to $250,125 after taking account of selling costs and capital gains tax and the IRR after the sale would be 17.18%.

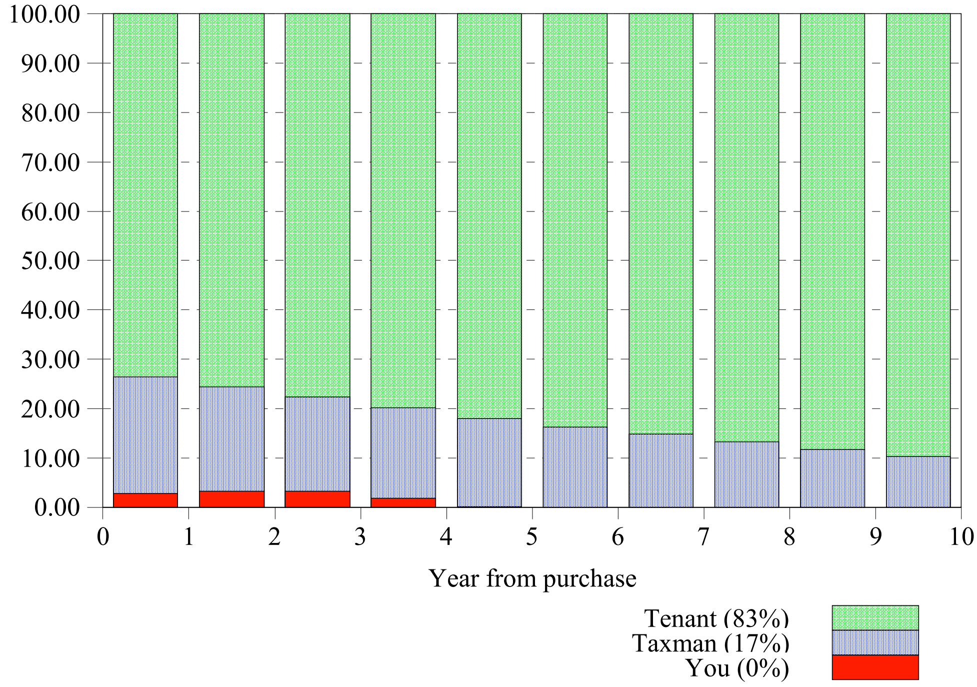
Who pays the cost (1st year)?



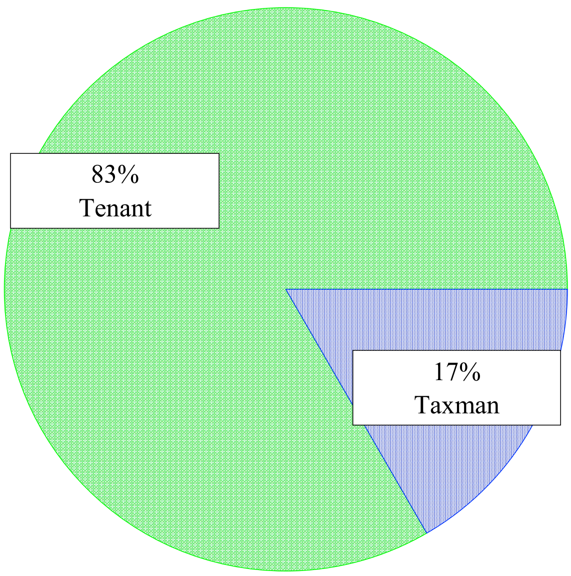
Projections over 25 years

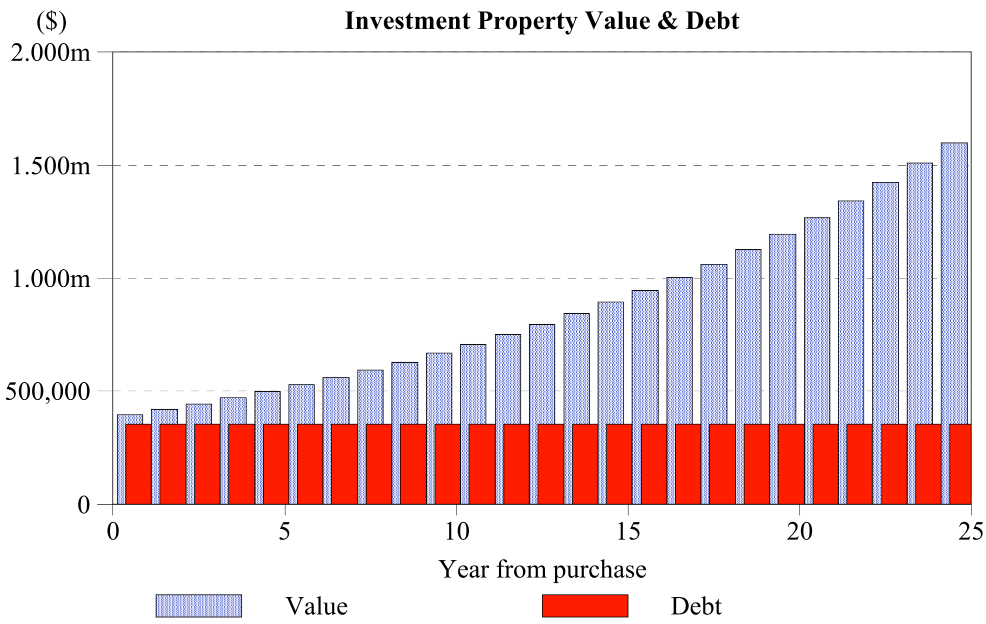
Year	Interest costs	Rental expenses	Total cost	Rent (tenant)	Tax credit (taxman)	Cash (you)
1yr	$19,553	$4,893	$24,446	$17,989	$5,805	$652
2yr	$19,553	$5,064	$24,617	$18,618	$5,194	$804
3yr	$19,553	$5,242	$24,794	$19,270	$4,720	$804
4yr	$19,553	$5,425	$24,978	$19,945	$4,570	$463
5yr	$19,553	$5,615	$25,168	$20,643	$4,489	$36
6yr	$19,553	$5,812	$25,364	$21,365	$4,113	$-114
7yr	$19,553	$6,015	$25,568	$22,113	$3,830	$-375
8yr	$19,553	$6,226	$25,778	$22,887	$3,468	$-577
9yr	$19,553	$6,443	$25,996	$23,688	$3,128	$-820
10yr	$19,553	$6,669	$26,221	$24,517	$2,801	$-1,097
11yr	$19,553	$6,902	$26,455	$25,375	$2,483	$-1,403
12yr	$19,553	$7,144	$26,696	$26,263	$2,170	$-1,737
13yr	$19,553	$7,394	$26,946	$27,182	$1,857	$-2,093
14yr	$19,553	$7,653	$27,205	$28,134	$1,543	$-2,472
15yr	$19,553	$7,921	$27,473	$29,119	$1,225	$-2,870
16yr	$19,553	$8,198	$27,750	$30,138	$901	$-3,288
17yr	$19,553	$8,485	$28,037	$31,192	$570	$-3,725
18yr	$19,553	$8,782	$28,334	$32,284	$231	$-4,181
19yr	$19,553	$9,089	$28,642	$33,414	$-118	$-4,655
20yr	$19,553	$9,407	$28,960	$34,584	$-476	$-5,148
21yr	$19,553	$9,736	$29,289	$35,794	$-846	$-5,659
22yr	$19,553	$10,077	$29,630	$37,047	$-1,228	$-6,189
23yr	$19,553	$10,430	$29,982	$38,344	$-1,623	$-6,738
24yr	$19,553	$10,795	$30,348	$39,686	$-2,030	$-7,308
25yr	$19,553	$11,173	$30,725	$41,075	$-2,450	$-7,899

Who pays the costs (10 years)



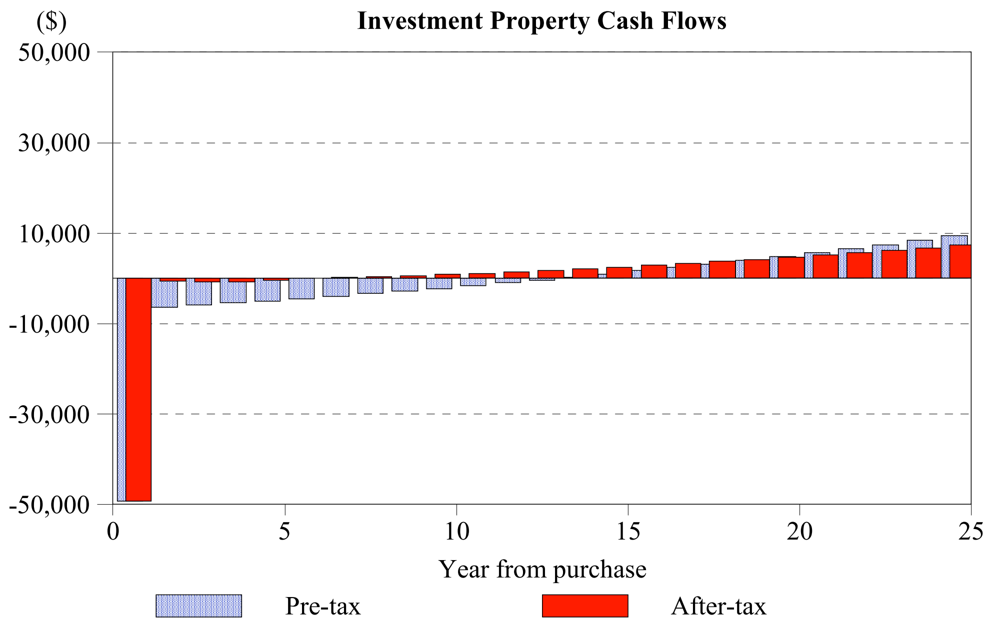
Average contribution (10 years)





Property value & debt projections over 25 years

Year	Growth rate	Property value	Amount owing	Equity
		$395,000	$355,500	$39,500
1yr	6.00%	$418,700	$355,500	$63,200
2yr	6.00%	$443,822	$355,500	$88,322
3yr	6.00%	$470,451	$355,500	$114,951
4yr	6.00%	$498,678	$355,500	$143,178
5yr	6.00%	$528,599	$355,500	$173,099
6yr	6.00%	$560,315	$355,500	$204,815
7yr	6.00%	$593,934	$355,500	$238,434
8yr	6.00%	$629,570	$355,500	$274,070
9yr	6.00%	$667,344	$355,500	$311,844
10yr	6.00%	$707,385	$355,500	$351,885
11yr	6.00%	$749,828	$355,500	$394,328
12yr	6.00%	$794,818	$355,500	$439,318
13yr	6.00%	$842,507	$355,500	$487,007
14yr	6.00%	$893,057	$355,500	$537,557
15yr	6.00%	$946,640	$355,500	$591,140
16yr	6.00%	$1.003m	$355,500	$647,939
17yr	6.00%	$1.064m	$355,500	$708,145
18yr	6.00%	$1.127m	$355,500	$771,964
19yr	6.00%	$1.195m	$355,500	$839,612
20yr	6.00%	$1.267m	$355,500	$911,319
21yr	6.00%	$1.343m	$355,500	$987,328
22yr	6.00%	$1.423m	$355,500	$1.068m
23yr	6.00%	$1.509m	$355,500	$1.153m
24yr	6.00%	$1.599m	$355,500	$1.244m
25yr	6.00%	$1.695m	$355,500	$1.340m



Cash flow projections over 25 years

Year	Rental income	Loan payments	Rental expenses	Pre-tax cash flow	Tax credit	After-tax cash flow
				$-49,328		$-49,328
1yr	$17,989	$19,553	$4,893	$-6,457	$5,805	$-652
2yr	$18,618	$19,553	$5,064	$-5,998	$5,194	$-804
3yr	$19,270	$19,553	$5,242	$-5,524	$4,720	$-804
4yr	$19,945	$19,553	$5,425	$-5,033	$4,570	$-463
5yr	$20,643	$19,553	$5,615	$-4,525	$4,489	$-36
6yr	$21,365	$19,553	$5,812	$-3,999	$4,113	$114
7yr	$22,113	$19,553	$6,015	$-3,455	$3,830	$375
8yr	$22,887	$19,553	$6,226	$-2,891	$3,468	$577
9yr	$23,688	$19,553	$6,443	$-2,308	$3,128	$820
10yr	$24,517	$19,553	$6,669	$-1,704	$2,801	$1,097
11yr	$25,375	$19,553	$6,902	$-1,080	$2,483	$1,403
12yr	$26,263	$19,553	$7,144	$-433	$2,170	$1,737
13yr	$27,182	$19,553	$7,394	$236	$1,857	$2,093
14yr	$28,134	$19,553	$7,653	$929	$1,543	$2,472
15yr	$29,119	$19,553	$7,921	$1,645	$1,225	$2,870
16yr	$30,138	$19,553	$8,198	$2,387	$901	$3,288
17yr	$31,192	$19,553	$8,485	$3,155	$570	$3,725
18yr	$32,284	$19,553	$8,782	$3,950	$231	$4,181
19yr	$33,414	$19,553	$9,089	$4,773	$-118	$4,655
20yr	$34,584	$19,553	$9,407	$5,624	$-476	$5,148
21yr	$35,794	$19,553	$9,736	$6,505	$-846	$5,659
22yr	$37,047	$19,553	$10,077	$7,417	$-1,228	$6,189
23yr	$38,344	$19,553	$10,430	$8,361	$-1,623	$6,738
24yr	$39,686	$19,553	$10,795	$9,338	$-2,030	$7,308
25yr	$41,075	$19,553	$11,173	$10,349	$-2,450	$7,899

APARTMENT G2 EXAMPLE

Loans Australia Pty Ltd - Melbourne

Property Investment Analysis

03-Mar-2009

Prepared for:	Caydon - 03 9416 3400
Consultant:	Stephen McClatchie 1300 855 430
Property:	Apartment G2, 34 Stanley St, Collingwood
Description:	Studio - 40.1 m2

SUMMARY

Assumptions		**Projected results over**	**10 yrs**
Property value	$310,775	Property value	$556,551
Initial investment	$67,515	Equity	$307,931
Gross rental yield	4.56%	After-tax return /yr	16.91%
Net rental yield	3.26%	Net present value	$161,657
Cap. growth rate	6.00%	**IF SOLD**	
Inflation rate	3.50%	Selling costs & CGT	$80,108
Interest rate	5.50%	Equity	$227,823
Taxable income	$65,000	After-tax return /yr	13.56%

COMPUTER PROJECTIONS

Investment Analysis			**Projections over 10 years**			
End of year	2009	1yr	2yr	3yr	5yr	10yr
Property value	$310,775	329,422	349,187	370,138	415,887	556,551
Purchase costs	$3,470					
Investments	$67,515					
Loan amount	$248,620	248,620	248,620	248,620	248,620	248,620
Equity	$62,155	80,802	100,567	121,518	167,267	**307,931**
Capital growth rate	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%
Inflation rate (CPI)	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%
Gross rent /week	$278	14,167	14,663	15,176	16,257	19,308
Cash deductions						
Interest (I/O)	5.50%	13,674	13,674	13,674	13,674	13,674
Rental expenses	28.00%	4,048	4,189	4,336	4,645	5,517
Pre-tax cash flow	$-67,515	-3,555	-3,201	-2,834	-2,062	117
Non-cash deductions						
Deprec.of building	2.50%	3,548	3,548	3,548	3,548	3,548
Deprec.of fittings	$28,000	6,437	4,957	3,818	2,264	613
Loan costs	$1,890	378	378	378	378	
Total deductions		28,085	26,747	25,754	24,509	23,352
Tax credit (single)	$65,000	4,384	3,807	3,332	2,600	1,678
After-tax cash flow	$-67,515	829	606	498	538	1,795
Rate of return (IRR)	**16.91%**		**Your cost /(income) per week**			
Pre-tax equivalent	24.68%	**(16)**	**(12)**	**(10)**	**(10)**	**(35)**

Disclaimer: Note that the computer projections listed above simply illustrate the outcome calculated from the input values and the assumptions contained in the model. Hence the figures can be varied as required and are in no way intended to be a guarantee of future performance. Although the information is provided in good faith, it is also given on the basis that no person using the information, in whole or in part, shall have any claim against Loans Australia Pty Ltd - Melbourne, its servants, employees or consultants..

PROPERTY VALUE

The property (or market) value refers to how much the property is worth (i.e. how much you could sell it for). Its book value, on the other hand, refers to how much you have paid for it plus the cost of any immediate renovations.

Property price:	310,775
Renovation costs:	0
Total book value:	310,775
Property market value:	**$310,775**

PURCHASE COSTS

These include your solicitor's conveyancing fees and, where applicable, State Government stamp duty charges. In Australia, stamp duty varies from State to State and is a function of purchase price whereas, in New Zealand, it has been abolished on all property transfers since May 1999. Conveyancing costs may also be dependent on purchase price and may be negotiable. In some States of Australia (e.g. A.C.T.), purchase costs are tax deductible in the first year of the investment, though normally they will only be taken into account in Capital Gains Tax calculations in the year of sale.

Conveyancing costs:	1,000
Stamp duty:	2,470
Total Purchase costs:	**$3,470**

INVESTMENT & LOAN

Your initial investment is usually just the total of all monies outlayed at the time of purchase. These may include contributions toward any, or all, of the costs listed below. The remainder will largely determine the size of the loan. If you have sufficient equity in other property, it is possible to outlay nothing, and actually borrow the lot (i.e. the purchase price, purchase costs, loan costs, any renovation costs, and even additional monies to cover such things as fittings). If you are modelling an investment from some point in time after purchase (e.g. to assess the return on major renovations), your investment might also include the equity you already have built up in the property.

	Investments	**Loan**	**Total Cost**
Property costs:	64,045	246,730	310,775
Renovation costs:	0	0	0
Purchase costs:	3,470	0	3,470
Furniture costs:	0	0	0
Loan costs:	0	1,890	1,890
Totals:	**$67,515**	**$248,620**	**$316,135**

CAPITAL GROWTH & INFLATION RATES

Rate of capital growth is your anticipated annual compound rate of increase of the property value. It will undoubtedly vary substantially over the short term, but over the longer term (10 years or more), it has generally been about 2 to 3% above the rate of inflation.

Average rate of inflation (%):	3.50
Average rate of capital growth (%):	6.00

EQUITY

The equity is the difference between the property value and the loan. The equity increases in line with the increasing property value in the case of an interest-only loan. For a principal & interest loan, it also increases with the decrease in the debt.

Projected values over	**5 yrs**	**10 yrs**	**15 yrs**	**20 yrs**
Property value	415,887	556,551	744,790	996,698
Loan	248,620	248,620	248,620	248,620
EQUITY	**$167,267**	**$307,931**	**$496,170**	**$748,078**
Approximate costs if sold......				
Capital Gains Tax	24,735	61,525	109,324	171,355
Solicitor's fees	2,079	2,783	3,724	4,983
Sales commission	11,932	15,800	20,977	27,904
EQUITY (after sale)	**$128,521**	**$227,823**	**$362,145**	**$543,834**

INTEREST COSTS & TYPE OF LOAN

The type of loan can be either interest-only and/or principal & interest. Repayments for interest-only loans, as the title suggests, consist of interest only. Repayments for principal & interest loans include a component of the principal. Interest-only loans are usually of a shorter term (e.g. 3 to 5 years) at which time they are usually rolled-over.

Loan type:	I/O Yrs 1-40
Interest rate (yr 1) (%)	5.50
Loan:	$248,620
Loan costs (written off over 5 yrs):	$1,890
Monthly payment:	$1,140
Annual payment:	**$13,674**

RENT

The potential annual rent is simply the rent per week times 52. The actual annual rent must account for any period that the property is vacant. Annual rents are assumed to increase in line with inflation.

Rent per week:	278
Potential annual rent:	14,456
Vacancy rate (%):	2.00
Actual annual rent:	**$14,167**

ANNUAL RENTAL EXPENSES

These are all the real operating costs associated with the investment property with the exception of loan interest payments. The first cell of the spreadsheet represents the expenses expressed as a percentage of the potential annual rent. As a guide, expenses could vary anywhere from 13% to 30%, depending on the maintenance and whether a professional property management agent is used. For holiday letting, with higher vacancies, the percentage can be more than 50%.

Normal Expenses:	
Agent's commission (7.00%):	992
Letting fees:	278
Rates:	638
Insurance:	550
Maintenance:	400
Body corporate:	1,190
Special expenses:	0
Total expenses:	**$4,048**
Normal expenses as % of annual rent (%):	28.00
Net yield or Capitalisation rate (%):	3.26

PRE-TAX CASH FLOW

These are all of the monies that flow out of your pocket before tax is taken into account. Normally, it would represent the gross annual rent less interest and rental expenses. This will vary if interest or expenses are capitalised or rents used directly to reduce the loan.

Year		**1yr**	**2yr**	**3yr**	**5yr**	**10yr**
Rent		14,167	14,663	15,176	16,257	19,308
Cash invested	67,515	0	0	0	0	0
Principal		0	0	0	0	0
Interest		13,674	13,674	13,674	13,674	13,674
Expenses		4,048	4,189	4,336	4,645	5,517
Pre-tax cash flow	**$-67,515**	**$-3,555**	**$-3,201**	**$-2,834**	**$-2,062**	**$117**

DEPRECIATION ON THE BUILDING

This represents the capital allowance on the construction costs.

Property value:	$310,775
Construction costs:	$141,929
Depreciation allowance rate (%):	2.50
Depreciation allowance:	**$3,548**

DEPRECIATION OF FITTINGS (diminishing value method)

Item	Value	Rate (yrs)	Depreciation
General fittings	28,000	22.99	6,437
Total	**$28,000**		**$6,437**

LOAN COSTS

In Australia, the loan costs are written off over the term of the loan (or five years, whichever is the lesser).

Establishment fees (0.24% of loan):	600
Mortgagee's solicitor's fees:	1,000
Registration of mortgage:	95
Registration of title:	115
Search fees:	80
Total loan costs:	**$1,890**

TOTAL TAX DEDUCTIONS (Cash & Non-Cash Deductions)

These include both "cash" (e.g. interest, rental expenses) and "non-cash" (e.g. depreciation) deductions.

Year	1yr	2yr	3yr	5yr	10yr
Interest	13,674	13,674	13,674	13,674	13,674
Expenses	4,048	4,189	4,336	4,645	5,517
Deprec.-building	3,548	3,548	3,548	3,548	3,548
Deprec.-fittings	6,437	4,957	3,818	2,264	613
Loan costs	378	378	378	378	0
Total deductions	**$28,085**	**$26,747**	**$25,754**	**$24,509**	**$23,352**

TAX CREDITS & AFTER-TAX CASH FLOW

The after-tax cash flows are all of the monies that flow in or out of your pocket AFTER tax is taken into account. They represent the PRE-tax cash flow LESS any tax credits (or tax refunds). In this analysis, it is assumed that the investor has obtained a tax variation from the Taxation Office and thus the tax refunds are credited for the same year in which they are based.

Year	2009	1yr	2yr	3yr	5yr	10yr
Pre-tax cash flow	-67,515	-3,555	-3,201	-2,834	-2,062	117
Tax credits		4,384	3,807	3,332	2,600	1,678
After-tax cash flow	$-67,515	$829	$606	$498	$538	$1,795
Cost /(income) per week		**$-16**	**$-12**	**$-10**	**$-10**	**$-35**

INTERNAL RATE OF RETURN

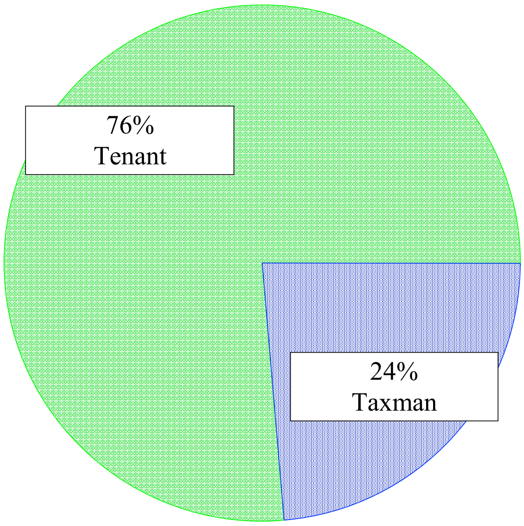
The internal rate of return (IRR) is the method of calculating the return on a series of cash flows where the time factor is taken into account. To understand it, think of the money you are outlaying on your investment property as being deposited in a bank account, with interest added each year. In this case the "deposits" are represented by the after-tax cash flows

Year	2009	1yr	2yr	3yr	5yr	10yr
After-tax cash flow	$-67,515	$829	$606	$498	$538	$1,795
Equity						$307,931

The total amount in your "account" (including interest) at the end of the period is the equity ($307,931) in the investment property. The IRR (16.91%) represents the effective "interest rate" that you have received, but with one important difference - because the interest remains in the property, it is not taxed. To receive an equivalent return from bank interest, you need to get 24.68% before tax.

If the property were to be sold at the end of the period, the after-sale equity would be reduced to $227,823 after taking account of selling costs and capital gains tax and the IRR after the sale would be 13.56%.

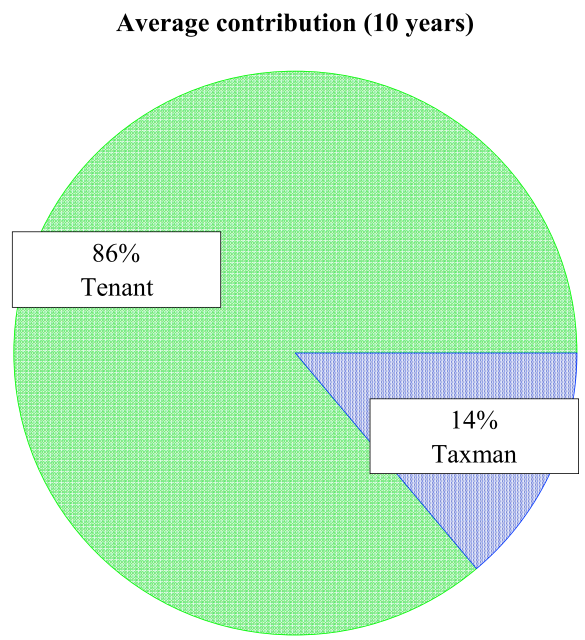
Who pays the cost (1st year)?

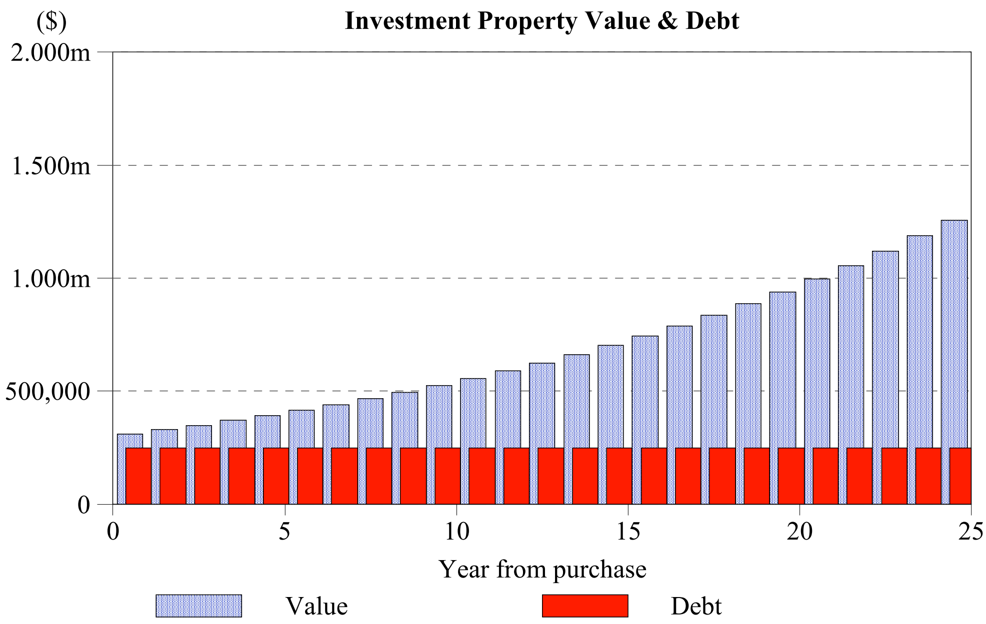


Projections over 25 years

Year	Interest costs	Rental expenses	Total cost	Rent (tenant)	Tax credit (taxman)	Cash (you)
1yr	$13,674	$4,048	$17,722	$14,167	$4,384	$-829
2yr	$13,674	$4,189	$17,863	$14,663	$3,807	$-606
3yr	$13,674	$4,336	$18,010	$15,176	$3,332	$-498
4yr	$13,674	$4,488	$18,162	$15,707	$2,936	$-481
5yr	$13,674	$4,645	$18,319	$16,257	$2,600	$-538
6yr	$13,674	$4,807	$18,481	$16,826	$2,189	$-533
7yr	$13,674	$4,976	$18,650	$17,415	$1,930	$-695
8yr	$13,674	$5,150	$18,824	$18,024	$1,965	$-1,165
9yr	$13,674	$5,330	$19,004	$18,655	$1,948	$-1,599
10yr	$13,674	$5,517	$19,191	$19,308	$1,678	$-1,795
11yr	$13,674	$5,710	$19,384	$19,984	$1,420	$-2,020
12yr	$13,674	$5,909	$19,584	$20,683	$1,167	$-2,267
13yr	$13,674	$6,116	$19,790	$21,407	$918	$-2,535
14yr	$13,674	$6,330	$20,004	$22,156	$669	$-2,821
15yr	$13,674	$6,552	$20,226	$22,932	$418	$-3,124
16yr	$13,674	$6,781	$20,455	$23,734	$165	$-3,444
17yr	$13,674	$7,019	$20,693	$24,565	$-94	$-3,778
18yr	$13,674	$7,264	$20,938	$25,425	$-358	$-4,129
19yr	$13,674	$7,519	$21,193	$26,315	$-629	$-4,493
20yr	$13,674	$7,782	$21,456	$27,236	$-908	$-4,872
21yr	$13,674	$8,054	$21,728	$28,189	$-1,194	$-5,267
22yr	$13,674	$8,336	$22,010	$29,176	$-1,490	$-5,676
23yr	$13,674	$8,628	$22,302	$30,197	$-1,795	$-6,100
24yr	$13,674	$8,930	$22,604	$31,254	$-2,111	$-6,539
25yr	$13,674	$9,242	$22,916	$32,348	$-2,436	$-6,995

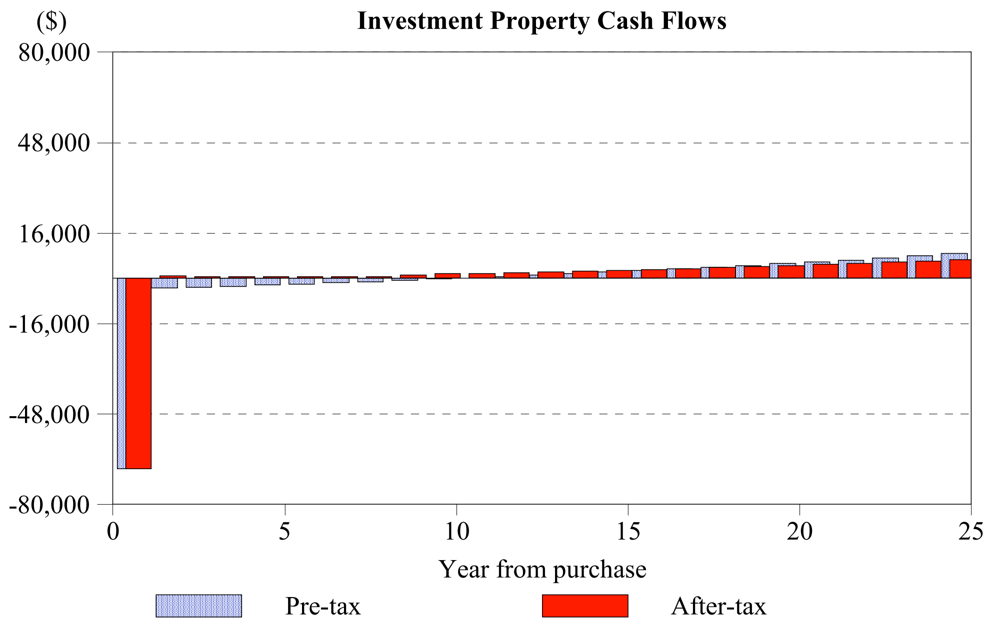

(%)
Who pays the costs (10 years)
100.00
90.00
80.00
70.00
60.00
50.00
40.00
30.00
20.00
10.00
0.00
0
1
2
3
4
5
6
7
8
9
10
Year from purchase
Tenant (86%)
Taxman (14%)
You (0%)


Average contribution (10 years)
86%
Tenant
14%
Taxman



Property value & debt projections over 25 years

Year	Growth rate	Property value	Amount owing	Equity
		$310,775	$248,620	$62,155
1yr	6.00%	$329,422	$248,620	$80,802
2yr	6.00%	$349,187	$248,620	$100,567
3yr	6.00%	$370,138	$248,620	$121,518
4yr	6.00%	$392,346	$248,620	$143,726
5yr	6.00%	$415,887	$248,620	$167,267
6yr	6.00%	$440,840	$248,620	$192,220
7yr	6.00%	$467,291	$248,620	$218,671
8yr	6.00%	$495,328	$248,620	$246,708
9yr	6.00%	$525,048	$248,620	$276,428
10yr	6.00%	$556,551	$248,620	$307,931
11yr	6.00%	$589,944	$248,620	$341,324
12yr	6.00%	$625,340	$248,620	$376,720
13yr	6.00%	$662,861	$248,620	$414,241
14yr	6.00%	$702,632	$248,620	$454,012
15yr	6.00%	$744,790	$248,620	$496,170
16yr	6.00%	$789,478	$248,620	$540,858
17yr	6.00%	$836,846	$248,620	$588,226
18yr	6.00%	$887,057	$248,620	$638,437
19yr	6.00%	$940,281	$248,620	$691,661
20yr	6.00%	$996,698	$248,620	$748,078
21yr	6.00%	$1.056m	$248,620	$807,879
22yr	6.00%	$1.120m	$248,620	$871,269
23yr	6.00%	$1.187m	$248,620	$938,463
24yr	6.00%	$1.258m	$248,620	$1.010m
25yr	6.00%	$1.334m	$248,620	$1.085m



Cash flow projections over 25 years

Year	Rental income	Loan payments	Rental expenses	Pre-tax cash flow	Tax credit	After-tax cash flow
				$-67,515		$-67,515
1yr	$14,167	$13,674	$4,048	$-3,555	$4,384	$829
2yr	$14,663	$13,674	$4,189	$-3,201	$3,807	$606
3yr	$15,176	$13,674	$4,336	$-2,834	$3,332	$498
4yr	$15,707	$13,674	$4,488	$-2,455	$2,936	$481
5yr	$16,257	$13,674	$4,645	$-2,062	$2,600	$538
6yr	$16,826	$13,674	$4,807	$-1,656	$2,189	$533
7yr	$17,415	$13,674	$4,976	$-1,235	$1,930	$695
8yr	$18,024	$13,674	$5,150	$-800	$1,965	$1,165
9yr	$18,655	$13,674	$5,330	$-349	$1,948	$1,599
10yr	$19,308	$13,674	$5,517	$117	$1,678	$1,795
11yr	$19,984	$13,674	$5,710	$600	$1,420	$2,020
12yr	$20,683	$13,674	$5,909	$1,100	$1,167	$2,267
13yr	$21,407	$13,674	$6,116	$1,617	$918	$2,535
14yr	$22,156	$13,674	$6,330	$2,152	$669	$2,821
15yr	$22,932	$13,674	$6,552	$2,706	$418	$3,124
16yr	$23,734	$13,674	$6,781	$3,279	$165	$3,444
17yr	$24,565	$13,674	$7,019	$3,872	$-94	$3,778
18yr	$25,425	$13,674	$7,264	$4,487	$-358	$4,129
19yr	$26,315	$13,674	$7,519	$5,122	$-629	$4,493
20yr	$27,236	$13,674	$7,782	$5,780	$-908	$4,872
21yr	$28,189	$13,674	$8,054	$6,461	$-1,194	$5,267
22yr	$29,176	$13,674	$8,336	$7,166	$-1,490	$5,676
23yr	$30,197	$13,674	$8,628	$7,895	$-1,795	$6,100
24yr	$31,254	$13,674	$8,930	$8,650	$-2,111	$6,539
25yr	$32,348	$13,674	$9,242	$9,431	$-2,436	$6,995

FINANCIAL ANALYSIS

Level	Unit No.	Area Int.	Area Ext.	Total	Accomm.	Car park	Est. Wkly Rental	Entl. Ratio	Est. Body Corp	Est.Stamp Duty 20%	Full Stamp Duty	Stamp Duty Savgs.	Council Rates (2008 Base)
Grnd	1	48.4	9.4	57.8	1 Brm	1	331	81	1406	3062	15310	12248	765
Grnd	2	40.1	9.2	49.3	Studio	1	278	68	1181	2470	12349	9879	638
Grnd	3	40.1	9.4	49.5	Studio	1	278	68	1181	2470	12349	9879	638
Grnd	4	66.8	15.5	82.3	St. & 1 bed	1	447	109	1900	4361	22807	18445	1045
Grnd	5	48.5	9.4	57.9	1 bed	1	335	82	1425	3112	15560	12448	776
One	101	69.8	41.8	111.6	2 bed	1	501	122	2128	4962	26410	21448	1175
One	102	59.1	40.4	99.5	St. & 1 bed	1	416	101	1767	4012	20710	16698	970
One	103	50.1	33	83.1	1 bed	1	389	95	1653	3712	18910	15198	905
One	104	67	41.7	108.7	2 bed	1	478	116	2033	4712	24910	20198	1121
One	105	70.4	7.1	77.5	2 bed	1	487	119	2071	4812	25510	20698	1143
One	106	48.5	9.2	57.7	1 bed	1	335	82	1425	3112	15560	12448	776
One	107	43.5	9.2	52.7	studio	1	309	75	1311	2812	14060	11248	711
One	108	58.6	9.2	67.8	St. & 1 bed	1	402	98	1710	3862	19810	15948	938
One	109	58.6	9.2	67.8	St. & 1 bed	1	402	98	1710	3862	19810	15948	938
One	110	43.5	9.2	52.7	studio	1	309	75	1311	2812	14060	11248	711
One	111	48.5	9.2	57.7	1 bed	1	335	82	1425	3112	15560	12448	776
One	112	48.5	9.2	57.7	1 bed	1	335	82	1425	3112	15560	12448	776
One	113	43.5	9.2	52.7	1 bed	1	309	75	1311	2812	14060	11248	711
One	114	59	9.4	68.4	St. & 1 bed	1	407	99	1729	3912	20110	16198	949
One	115	72.2	11.4	83.6	2 bed 2 bath	2	532	129	2261	5312	28510	23198	1250
One	116	74.2	14	88.2	2 bed 2 bath	1	501	122	2128	4962	26410	21448	1175
One	117	61.7	15.1	76.8	2 bed	1	427	104	1814	4137	21460	17323	997
One	118	50.5	14.8	65.3	1 bed	1	326	79	1387	3012	15060	12048	755
One	119	55.6	14.8	70.4	St. & 1 bed	1	389	95	1653	3712	18910	15198	905
One	120	55.6	14.8	70.4	St. & 1 bed	1	398	97	1691	3812	19510	15698	927

Level	Unit No.	Area Int.	Area Ext.	Total	Accomm.	Car park	Est. Wkly Rental	Entl. Ratio	Est. Body Corp	Est.Stamp Duty 20%	Full Stamp Duty	Stamp Duty Savgs.	Council Rates (2008 Base)
One	121	50.5	14.8	65.3	1 bed	1	335	82	1425	3112	15560	12448	776
One	122	61.8	15.1	76.9	2 bed	1	429	104	1824	4162	21610	17448	1002
One	123	59.4	11.2	70.6	2 bed	1	420	102	1786	4062	21010	16948	981
One	124	47.1	9.9	57	1 bed & st	1	340	83	1444	3162	15810	12648	787
One	125	52.8	7.8	60.6	1 bed	1	349	85	1482	3262	16310	13048	808
One	126	52.8	7.8	60.6	1 bed	1	349	85	1482	3262	16310	13048	808
One	127	50.1	10.4	60.5	1 bed & st	1	353	86	1501	3312	16560	13248	819
One	128	68.7	10.3	79	1 bed	1	478	116	2033	4712	24910	20198	1121
One	129	65.9	48.4	114.3	2 bed	2	514	125	2185	5112	27310	22198	1207
Two	201	69.8	13	82.8	2 bed	1	492	120	2090	4862	25810	20948	1153
Two	202	58.9	12.5	71.4	St. & 1 bed	1	407	99	1729	3912	20110	16198	949
Two	203	50.1	9.2	59.3	1 bed	1	353	86	1501	3312	16560	13248	819
Two	204	67	13.2	80.2	2 bed	1	469	114	1995	4612	24310	19698	1099
Two	205	70.4	7.1	77.5	2 bed	1	492	120	2090	4862	25810	20948	1153
Two	206	48.5	9.2	57.7	1 bed	1	340	83	1444	3162	15810	12648	787
Two	207	43.5	9.2	52.7	studio	1	313	76	1330	2862	14310	11448	722
Two	208	58.6	9.2	67.8	St. & 1 bed	1	407	99	1729	3912	20110	16198	949
Two	209	58.6	9.2	67.8	St. & 1 bed	1	407	99	1729	3912	20110	16198	949
Two	210	43.5	9.2	52.7	studio	1	313	76	1330	2862	14310	11448	722
Two	211	48.5	9.2	57.7	1 bed	1	340	83	1444	3162	15810	12648	787
Two	212	48.5	9.2	57.7	1 bed	1	340	83	1444	3162	15810	12648	787
Two	213	43.5	9.2	52.7	studio	1	313	76	1330	2862	14310	11448	722
Two	214	59	9.2	68.2	2 bed	1	411	100	1748	3962	20410	16448	959
Two	215	50.9	11.4	62.3	St. & 1 bed	1	358	87	1520	3362	16810	13448	830
Two	216	42.9	6.2	49.1	1 bed	1	309	75	1311	2812	13510	10698	711

Level	Unit No.	Area Int.	Area Ext.	Total	Accomm.	Car park	Est. Wkly Rental	Entl. Ratio	Est. Body Corp	Est.Stamp Duty 20%	Full Stamp Duty	Stamp Duty Savgs.	Council Rates (2008 Base)
Two	217	61.7	10.4	72.1	2 bed	1	431	105	1833	4187	21760	17573	1008
Two	218	50	10.2	60.2	1 bed	1	331	81	1406	3062	15310	12248	765
Two	219	55.6	10.2	65.8	St. & 1 bed	1	393	96	1672	3762	19210	15448	916
Two	220	55.6	10.2	65.8	St. & 1 bed	1	402	98	1710	3862	19810	15948	938
Two	221	50.5	10.2	60.7	1 bed	1	340	83	1444	3162	15810	12648	787
Two	222	61.8	10.4	72.2	2 bed	1	438	107	1862	4262	22210	17948	1024
Two	223	59.4	11.2	70.6	2 bed	1	425	103	1805	4112	21310	17198	992
Two	224	47.1	9.9	57	1 bed & st	1	344	84	1463	3212	16060	12848	798
Two	225	52.8	7.8	60.6	1 bed	1	353	86	1501	3312	16560	13248	819
Two	226	52.8	7.8	60.6	1 bed	1	353	86	1501	3312	16560	13248	819
Two	227	50.1	10.4	60.5	1 bed	1	358	87	1520	3362	16810	13448	830
Two	228	69.1	10.3	79.4	2 bed	1	483	118	2052	4762	25210	20448	1132
Two	229	65.9	7.6	73.5	2 bed	1	483	118	2052	4762	25210	20448	1132
Three	301	69.8	13	82.8	2 bed	2	510	124	2166	5062	27010	21948	1196
Three	302	58.9	12.5	71.4	St. & 1 bed	1	411	100	1748	3962	20410	16448	959
Three	303	50.1	9.2	59.3	1 bed	1	362	88	1539	3412	17110	13698	841
Three	304	49.8	10.2	60	St. & 1 bed	1	353	86	1501	3312	16560	13248	819
Three	305	63.3	74.1	137.4	2 bed	2	532	129	2261	5312	28510	23198	1250
Three	306	55.5	43.7	99.2	St. & 1 bed	1	434	106	1843	4212	21910	17698	1013
Three	307	67.5	43.4	110.9	2 bed	2	523	127	2223	5212	27910	22698	1229
Three	308	57.2	16.1	73.3	St. & 1 bed	1	411	100	1748	3962	20410	16448	959
Three	309	77.9	11.2	89.1	2 bed & St	2	537	131	2280	5362	28810	23448	1261
Three	310	68.1	64.1	132.2	2 bed	2	554	135	2356	5562	30010	24448	1304
Three	311	69.7	23.2	92.9	2 bed	2	478	116	2033	4712	24910	20198	1121
Three	312	69.7	30.3	100	2 bed	2	483	118	2052	4762	25210	20448	1132

Level	Unit No.	Area Int.	Area Ext.	Total	Accomm.	Car park	Est. Wkly Rental	Entl. Ratio	Est. Body Corp	Est.Stamp Duty 20%	Full Stamp Duty	Stamp Duty Savgs.	Council Rates (2008 Base)
Three	313	68.7	19.7	88.4	2 bed	2	532	129	2261	5312	28510	23198	1250
Three	314	65.9	7.6	73.5	2 bed	2	505	123	2147	5012	26710	21698	1186
Four	401	69.8	13	82.8	2 bed	2	532	129	2261	5312	28510	23198	1250
Four	402	59.1	12.5	71.6	St. & 1 bed	1	416	101	1767	4012	20060	16048	970
Four	403	50.1	9.2	59.3	1 bed	1	367	89	1558	3462	17410	13948	852
Four	404	49.8	10.2	60	St. & 1 bed	1	358	87	1520	3362	16810	13448	830
Four	405	63.9	32.8	96.7	2 bed	1	474	115	2014	4662	24610	19948	1110
Four	406	57.3	14.6	71.9	St. & 1 bed	1	416	101	1767	4012	20710	16698	970
Four	407	77.9	10.2	88.1	2 bed & St	2	550	134	2337	5512	29710	24198	1294
Four	408	81.2	28.7	109.9	2 bed 2 bath	2	577	140	2451	5812	31510	25698	1358
Four	409	60	19.8	79.8	1 bed	1	425	103	1805	4112	21310	17198	992
Four	410	81.8	19.9	101.7	2 bed 2 bath	2	577	140	2451	5812	31510	25698	1358
Four	411	65.9	7.6	73.5	2 bed	2	510	124	2166	5062	27010	21948	1196
Five	501	67.3	8.6	75.9	2 bed	2	505	123	2147	5012	26710	21698	1186
Five	502	71.6	23.6	95.2	2 bed	2	537	131	2280	5362	28810	23448	1261
Five	503	86.9	30.9	117.8	2 bed 2 bath	2	639	156	2717	6512	35710	29198	1509
Five	504	65.6	30.6	96.2	2 bed	2	523	127	2223	5212	27910	22698	1229
Five	505	58.3	9.5	67.8	St. & 1 bed	1	425	103	1805	4112	21310	17198	992
Five	506	67.3	45.3	112.6	2 bed	2	568	138	2413	5712	30910	25198	1337
Five	507	86.1	54.5	140.6	2 bed 2 bath	2	702	171	2983	7212	39910	32698	1660
Grnd.		128.7						140	2445	5797	31420	25623	
Grnd.		81.9						89	1556	3457	17380	13923	

MARQUE

caydon
PROPERTY

MARQUE

Welcome to Caydon Property

A developer that creates quality projects in superior locations.

We are committed to excellence in every aspect of construction and design to create developments that stand the test of time.

We believe in delivering every project with the utmost professionalism, integrity, reliability and flair, and most clearly we are prepared ask - "what is important to you?"

Why a Caydon Property?

We design and construct our own projects and therefore have control and input into every single aspect of the design elements, fixtures and quality finishes, producing a quality building which is a great place to live or will be a strong performing investment is important to both ourselves and our clients.

Our team has over 50 years experience in delivering exceptional developments that offer all the benefits of modern living requirements.

A Caydon Property will help make your future a more successful experience.

Caydon Property designates the highest priority to the following elements:

- ***Inner City***
  This is where the future generations will always want to live
- ***Lifestyle***
  We think about how people will benefit by living in our developments
- ***Design***
  We offer solutions to make living a better experience
- ***Location***
  Selection of sites that offer linkages to every aspect of your needs
- ***Growth***
  The natural outcome for quality property
- ***5 Star Efficiency***
  We adhere to a responsible outcome for the environment

Caydon project locations

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Past

93 - 95 Union Road, Ascot Vale

Live the latte lifestyle in these architectural designed apartments.
There are 17 apartments and 4 retail shops close to Victoria University and with trams virtually at the doorstep.

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Past

455 High Street, Northcote

Apartments and 2 retail shops were constructed over 3 levels in this excellently located, contemporary development within the vibrant Northcote community.

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Past

Luxe Apartments *9 - 13 OConnell Street, North Melbourne*

Forty brilliantly located apartments within walking distance to Vic Market, hospitals and universities.
The Luxe apartments offer a lifestyle with everything that living in the heart of Melbourne has to offer .

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Past

4 York Place, Fitzroy

This 3-level apartment complex, in a strategic location, was architect-designed to deliver a highly contemporary lifestyle and was finished and fitted to a high level of luxury.

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Present

Noir Apartments   Burwood Road, Hawthorn

www.noirstyle.com.au

To be completed in April 2009:
51 Contemporary one and two bedroom apartments over 6 levels

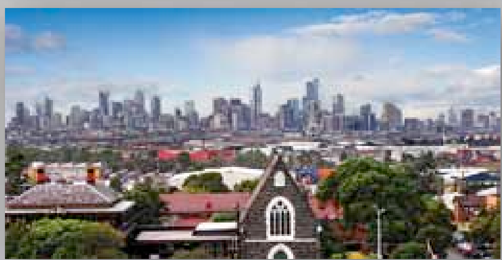
Present

axiom apartments

Hopkins Street, Footscray

www.axiomapartments.com.au

Currently Under Construction:
81 large one and two bedroom apartments over seven levels.



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Future

Richmond - Cremorne

Caydon has selected a prime site on the Yarra River to create a classic contemporary development that will utilise the superb river aspects over South Yarra, Toorak and Richmond with vistas all the way to the CBD.
This project will offer outstanding living attributes that have never been available in Melbourne. With every linkage available at your doorstep we will be keeping updates coming.

INTERLANDI MANTESSO ARCHITECTS

ARCHITECTURE + INTERIOR DESIGN

SELECTED PROJECTS

R
RESIDENTIAL

H
HOUSES

H
HOSPITALITY

M
MASTERPLANNING

A
ALPINE

C
COMMERCIAL

H
HEALTH

MARQUE

.preamble

Interlandi Mantesso Architects was founded in Melbourne in 2003 - bringing together over 30 years experience of creating and crafting environments.

IMA's relationships with clients and industry peers are of primary importance in the production of buildings that are value-adding and lasting. The practice is committed to completing high quality projects to schedule and within budget.

The practice's portfolio is characterised by legibility, innovation and a rigorous approach to design. The buildings are designed to have spatial and organisational clarity to reflect the activities within them. IMA's dedication to high quality design is paramount, regardless of budget. This level of design excellence has placed the practice at the forefront of the building and property industry.

IMA excels in the field of project feasibility, yield studies, site analysis and concept design. The practice successfully applies this knowledge to many project types and contexts. In addition, the practice believes in its responsibility for its work to sustainability. As a result, IMA is regularly appointed for their ability to adapt and respond to complex, sensitive projects and sites.

IMA's portfolio of completed buildings covers sectors in residential and housing, hospitality, retail, offices and master-planning, and includes work in Victoria, South Australia and Queensland.

The practice uses the latest CAD technology to design, document and disseminate information. In addition, IMA has established business and project management procedures to manage projects with confidence. Its team of architects, interior-designers and documenters maintain a high level of expertise to stay ready and flexible to achieve project outcomes. Such practices ensure IMA's continued success in the design and procurement of projects that realise not only its own objectives, but those of the client.

IMA believes in creating environments for the celebration of living, working and playing.

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CONCEPT & IDENTITY

IMA's reputation has grown from its innovative approach to design. Our work is developed from first principles: there is no imposition of a predetermined in-house style. Every scheme is unique and each design is tailored to the specific needs of the context and program. This avoidance of a formulaic approach is evident in the wide range of building types we design, the materials we use and the forms that the buildings take.

With a broad portfolio of projects, IMA has the benefit of being able to draw from our extensive knowledge of the various sectors. Where requirements are more particular, we collaborate with specialist firms to establish an appropriate design solution.

PLANNING CONSENT & BUDGET

IMA has a reputation for assisting to obtain planning consent in difficult situations by working creatively with sensitive sites. Much of our work in Melbourne deals with areas of special planning control, including conservation areas and listed buildings. We have in-depth experience of consultations and negotiations with a wide range of statutory and advisory bodies.

Many of our completed projects are located within dense inner-city precincts or in areas of historic interest. We make use of our strong relationship with the various consulting bodies, combined with our understanding of how to deliver a project that respects a sensitive site, to help secure planning consent.

Given that buildings are frequently subject to financial constraints, the client's budgetary restrictions are considered at the outset of a project. We are experienced in handling modest budgets which very often have complex project briefs.

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CLIENT RELATIONSHIP

At IMA, our most successful projects are achieved when we have a strong working collaboration with the client to ensure that the operational and functional objectives are met or exceeded, and the client's aspirations are expressed in the architecture.

From the outset, we work closely with the client through a series of structured interviews and workshops using quantifiable outcome methodologies to fully understand their strategic plan, the function space program and to identify all programmatic opportunities.

TEAM & COLLABORATION

IMA recognises that our abilities lie in the knowledge-base gained over many years from numerous projects. Key personnel are resourced to provide input into specific projects as required.

Teamwork is the foundation of the design process. The key to a successful building project is to assemble a team with the requisite skills and personalities. Once in place, this team will manage all the people and processes involved in the realisation of a project.

IMA are able to produce high-profile signature buildings, but we understand that each and every project has different priorities and strengths. We work closely with the client to develop a brief that accommodates their specific needs. Often, there might be various ways a scheme can successfully synthesise the myriad of functional requirements together, so we will provide the client with different options.

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PROCUREMENT & DELIVERY

It is not only a strong design aesthetic that makes our buildings successful. IMA provides a complete architectural service: from feasibility studies and planning applications through tendering for construction, negotiating with the preferred tenderer, and contract administration during the construction phase. Speed of response, flexibility to change resources and swift problem-solving are priorities.

ENVIRONMENT

ESD principles incorporated into the design need to reflect the performance criteria appropriate for the building and the aspirations of the client. The brief incorporating ESD principles, can be developed through discussions with IMA so that initiatives are appropriate, valuable, and integrated; and where suitable factored into the design and thus protected for future implementation.

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Tony Interlandi

Tony Interlandi is a founding director of Interlandi Mantesso Architects.

He has developed particular expertise in the fields of project feasibility, yield studies, site analysis and conceptual design which ensures any proposals are market focused and viable from the onset. Such an approach has produced developments which have gained ready market acceptance from the public and our clientele, whilst achieving a high level of support by planning authorities from the planning and design perspective.

Tony has worked in the architectural field since 1973 on a broad range of projects including many multi residential developments, industrial and commercial developments.

Tony takes responsibility for monitoring design standards across all projects within the office.

John Mantesso

John Mantesso is a founding director of Interlandi Mantesso Architects.

Having graduated from Melbourne University in 1981, he began a two-man architectural office. By the mid 80's, it grew into a medium-sized practice operating from the emerging precinct of South Melbourne and undertook a number of substantial projects in the retail and commercial sectors.

John has had extensive experience in a broad range of projects including residential, commercial, healthcare and retail with particular emphasis on the procurement of quality hospitality related projects throughout Victoria and across Australia.

John has also had a long and continuing involvement with Victoria's alpine region having successfully completed some of the finest snow field developments. These include the landmark Mt Buller Chalet Hotel and many other residential and commercial facilities which have provided benchmarks for excellence in alpine complexes.

John's hands-on approach to each of his projects has established a reputation for the delivery of appropriate design solutions within designated functional and financial requirements.

Robert Ficarra

A founding partner of IMA, Robert has eighteen years of professional experience, including six years alongside Tony Interlandi, prior to forming Interlandi Mantesso Architects.

Robert graduated from Deakin University School of Architecture in1988, and also spent two years as a part-time design tutor at Deakin University, School of Architecture.

Robert has a broad range of architectural experience, including periods as an architect in London and Brisbane working on a multitude of projects.

Robert plays an active role in all major projects as facilitator, to ensure productivity is maintained at the highest level. His underlying role is as office director, where his commitment and input enables the office to continue developing within a warm and inspiring environment.

Robert maintains a continuous relationship with major clients, a point of contact to assure the architectural service provided is on schedule at all times. His hands-on approach, coupled with his vast experiences offer the assurance of a quality project.

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PRESS & MEDIA

Domain RENTALS

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FROM the Miele kitchen appliances to the basement car parking for two and the double-sized upstairs bedrooms, each space of this townhouse rings true to its "modern" tag. Downstairs, via a neat and well-lit entry, is a spacious living and dining area that curves in an L-shape to a light-filled kitchen. Honey-coloured floorboards add a glossy finish and forge a natural connection between this area and the back courtyard that is accessed through large, sliding glass doors just beyond the dining space. A separate powder room is set aside for guests at ground level. Upstairs are the two bedrooms. Both have built-in wardrobes, one being a walk-in. A central bathroom can be accessed from the main bedroom. There is also space for a work desk on the landing. Kew's High Street shops are just a scamper away, as is the tram line. The bond is $2384.

SUSANNAH PETTY

The good old Collingwood

Renters can expect edgy living in converted warehouses, writes **Susannah Petty**.

DESPITE the enormous football mythology that surrounds the Collingwood name, as a suburb Collingwood is rather small.

Just north of the city between Abbotsford and Fitzroy, Collingwood is a spot with little room for football ovals, but it does have plenty to offer renters seeking edgy indoor sanctuaries.

Converted warehouses are a large part of the streetscape, especially between Wellington and Smith streets. Dionne Wilson, of Harcourts Real Estate, says that in the past four years there has been a noticeable rise in the number of new apartments, particularly along Hoddle Street and the much quieter Stanley Street.

Houses — mostly old terraces — do exist, although they are usually owner-occupied.

"I'm finding most rentals are either warehouses or apartments less than five years old," Ms Wilson says.

As such, Collingwood's streets have a somewhat muted air. Many of the buildings have basic, functional facades that suited the long-gone factories and storage spaces. Inside, however, the style of living spaces ranges widely.

"You might have something that's one-bedroom, very rustic and with an earthy feel right through to something that is a whole building on its own," Ms Wilson says.

Generally, though, she says the larger converted warehouses are owner-occupied and it's the smaller ones that make it on to the rental lists. "You're mainly looking at Laminex kitchens, stainless steel appliances. They look nice and clean and are quality, but not high-end."

This no doubt suits most interested renters, says Hocking Stuart's Nicole van den Dungen, who are largely young professionals. She says students rarely rent in Collingwood, nor is it an area that suits older people.

Prices can start at $250 a week for an old, one-bedroom apartment, Ms van den Dungen says. For a warehouse, expect to pay $400-plus a week.

Ms Wilson puts the starting point in the "high 200s" for a small apartment, ranging to about $330 a week for a newer one-bedroom apartment, $360 for a basic two-bedroom, and $450-plus for something larger and modern.

She says some warehouse apartments have leased for more than $1000 a week. A property with views of the city is likely to command a premium.

Echoes of the past: Collingwood Town Hall. PICTURE: ANDREW DE LA RUE

Ys are for yield
By Monique Wakelin
March 4, 2009

PORTFOLIO POINT: Getting the best returns means choosing the right investment property, and that means understanding factors affecting the market.

Now we appear to be approaching the end of the rate-cutting cycle, it's timely to consider the implications of rate cuts and the other outstanding stimulus for property investors: tight rental conditions.

As I move around the market, the renewed strength is evident with strong demand from owner-occupiers and investors for properties, and encouraging clearance results in Sydney and Melbourne last weekend. Restricted supply means lower and middle-priced sector properties are not changing hands and demand in these areas is now building well ahead of supply.

I am observing investors returning to the market, and while low, stable interest rates and the possibility of a better price outlook are key factors, firm rents and high rental demand is the other. Across Australia, the paucity of turnover in the established market is exacerbating poor rental supply, as is the continued undersupply of new land and dwellings.

While yields of 4–5% for investment properties and vacancy levels of less than 2% are often quoted, what drives yields is not widely understood. Understanding yield cycles will help you navigate the market in the coming months in light of dynamic conditions.

Demand for rental properties within a local area is an obvious and a strong determinant of rising rents, as tenants typically want to live close to the functional and lifestyle necessities in appealing buildings and pleasant streets. In these areas rents are up as much as 12% compared to 12 months ago. Other drivers include:

- The cost and availability of finance
- Investor confidence
- Sales turnover
- Professional, social and cultural issues specific to particular cities and precincts

Finance plays a crucial role in generating supply and therefore the direction of rental yields. For developers, the cost of capital directly influences project feasibility and their confidence. Investors wishing to invest in the established market are similarly affected. Higher interest rates play a major role in diminishing supply and increasing rents, but as rates fall and funding becomes more affordable investors should, theoretically, become more active, increasing the rental supply and balancing out the rental market.

The wildcard in the current climate is investor confidence. Investors and developers are cautious. This suggests that the supply of rental accommodation is not likely to rise quickly or strongly enough to cause rental yields to drop or vacancy levels to rise appreciably with the next six to 12 months. For investors then, it means they have the unusual and concurrent luxury of higher yields and very affordable finance, at least for a while.

The outlook for rents is best in suburbs where tenants are less apt to compromise on their preferred area than price. Parochial preferences vary from city to city but are more pronounced in Sydney, partly because the harbour cuts the city in two, making travel across town more time-consuming. Sydney also has Australia's highest proportion of transient workers and single and couple households, typically less prepared to compromise on location than on price. Rental yields in widely favoured suburbs of Sydney tend to rise more rapidly than other parts of the city.

Continues...

The preference for certain areas and the improvement in funding from lower interest rates was underlined for me by Sydney real estate agent John McGrath. He says: “If you’re a buyer or tenant in Parramatta, the median price for a unit is $306,000, the mortgage payment will be $331 a week while average rent for a Parramatta apartment is $335 a week. In many areas around Sydney, it’s now cheaper to own than rent.” (To read more on the expanding range of properties now offering positive cash flow opportunities, see Positive investment territory widens.)

In Melbourne, the Yarra River plays a lesser but similar role in dividing the city, but this emphasis has faded over the past 20 years. Home buyers and renters are now more willing to compromise on location to stay within their preferred price range. Similarly, in other Australian cities, the shift towards the CBD is driven by proximity to functional and lifestyle aspects rather than parochial allegiance.

Generation Ys are now the largest group of tenants moving into the tighter rental market; 57% of Gen Ys now live outside the parental home and they are shifting demand direction.

Loretta Truscott, manager of Jellis Craig’s property management division in Melbourne, says: “We see one-bedroom apartments with courtyards under $500 a week renting extremely well. Properties with broadband are favoured.”

Mark McCrindle, principal at McCrindle Research, says: “Property investors should remember is that Gen Ys are starting their independent life at 24, with a substantial HECS debt. They often have a budget that will only fund a frugal lifestyle, but they see remaining connected to each other via technology as a necessity, not a luxury.”

Property investors should always consider how to improve their rental returns as part of their investment strategy. More immediately, investors will be pleased to know the yield direction for property bought in 2008 and 2009 is firm.

When purchasing an investment property, consider – generationally – where the greatest pool of tenants is coming from and ensure the property meets their needs or can be inexpensively modified to do so. As Truscott says: “When I advise clients, I show them how a $30,000 renovation of a kitchen and bathroom can attract increased rent of $100 a week; that’s a return of 17.3% on the $30,000 renovation expense!”

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Positive investment territory widens
By Christopher Kohler
March 4, 2009

PORTFOLIO POINT: Cheap finance and strong rentals mean a growing number of suburbs hold the prospect of positive investment returns.

Lower interest rates and higher yields have expanded the potential hunting grounds for investors in the residential property market, with 641 of Australia's 15,500 suburbs now offering yields of 5.5% or better, according to new research from RP Data.

As official cash rates sit at 3.25% and variable mortgage rates hover around 6%, rental yields at 5.5% are attractive to investors. Within that group of suburbs a growing number – currently about 74 – offer the prospect of yields higher than interest rates.

When talking about a house that costs $500,000, investors would need a gross rental yield of 7.5–8% to get positive gearing. (For apartments, the level is a little lower.) About 47 suburbs offer the prospect of such yields, a number RP Data expects might double within two months.

Variable rates are about 5.5–6% at the moment and the best fixed home loan rates are between 5.64% and 5.95% for a three-year loan and 6.1% and 6.44% for a five-year loan.

Many economists believe that after six cuts, the Reserve Bank left rates on hold this week to keep its powder dry for more difficult times ahead. Gerard Minack of Morgan Stanley Australia believes Australia's cash rate, now at 3.25%, will ultimately bottom at 2%, suggesting variable mortgage rates could fall to about 4.75% (see Here comes the hard part).

A typical suburb that has the potential of being positively geared is Berala, in Sydney's south-west. There have been 79 house sales in Berala in the past 12 months, for a median price of $410,000, a figure that has grown by 5.1% in a year. The median advertised weekly rental for this suburb is $355, making the gross rental yield 4.5%.

At nearby Lakemba, 58 properties have been sold in the past year, for a median price of $380,000, up 3.5% in 12 months. Lakemba's median advertised weekly rent is $400, which translates into a gross rental yield of 5.5%.

Outside the major urban centres, mining towns are emerging as places of value; ironically these same towns were overpriced less than two years ago.

Dysart, 968 kilometres north-west of Brisbane, is offering keen rent-to-purchase price ratios at the moment. The town is the service centre for the Norwich and the Sarji coal mines. Most mining town real estate hinges almost entirely on how the mine is doing.

Therefore the layoffs in mining – especially the coal sector – are putting mining town investment into a risky category.

Cameron Kusher from RP data suggests investors stay closer to the cities. "It's always been risky to invest in mining towns but now more so than in the last five years," he says. "A large layoff in a mining town can halve the property value, if not more."

Cheaper finance and stronger rentals are improving the figures in most cities for investors, except Adelaide, which has always been affordable and growth has slowed in recent years, and Darwin, which has the strongest gross rental yield in Australia.

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Says Kusher: “The current conditions of low interest rates and value falls across property – which pale into insignificance compared with falls across the stockmarket – would suggest that during 2009 there will be a resurgence of investor activity in the market.

“Lower-priced properties are performing the strongest, with significant interest in this market as first-home buyers are encouraged into the market via the increase in the first-home buyer’s grant. On the flip-side, properties with a price tag of more than $1 million are at the greatest risk in 2009.”

Kusher believes that about 900 suburbs could fit the positive cash flow criteria by the end of the year.

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Housing case just got stronger
By Monique Wakelin

PORTFOLIO POINT: Lower interest rates and the stimulus package make property an even more compelling investment.

Far from plunging, diving or sinking fast, property prices are holding up. What's more, with interest rates now at their lowest since 1968 after the RBA's generous 1% cut yesterday, the resilience of the local property market has been strengthened.

As I said last week, I have never seen a better time for getting started in the investment property market (see Property's positive window opens …). Now, with variable mortgages below 6% (Westpac's variable rate is at 5.9%) smart investors should pay more attention to the hard numbers and less attention to scaremongering headlines.

The first thing I ask myself when I see a headlines such as 'Housing market set to crash' is about the analyst's understanding of property. Many investment house analysts know a lot about share and bond markets, but few have experience in residential property. And this is not a recent phenomenon, it is a long-established pattern. So to inform today's investors, let's take a brief trip down memory lane.

It's September 2002 and UBS Warburg has just predicted "Australian house prices set to fall 36% in three years". Great fodder for headlines and talkback radio but not a ripple from those in the know, because their theory boiled down to one simplistic assertion: what goes up must come down. This is a reasonable approach to many things, but is not a sound basis for understanding property investment trends. So how did the prediction work out? Well since then, the national median house price has gone up 49.8%.

Three years before in 1999-2000, there was the great GST debate: with the introduction of the new tax, how far would house prices fall? In the media, the consensus was for a 10–15% fall, but instead the median Sydney house price soared 30% in the following 12 months, while in Melbourne house prices rose 22%.

And then there was 1995. I had just opened the doors of my own business Wakelin Property Advisory only to be greeted with the BRW cover bellowing, "House prices dive – where investors and home owners will be hardest hit". Low inflation, interest rates and a "demographic shift", it seems, were conspiring to push prices down, and investment research group FPG was warning geared property investors they faced the possibility of substantial negative returns, and advising them to "diversify into other financial markets".

Extraordinary isn't it, for FPG to consider property part of the financial markets. I wonder how many investors took their advice and diversified into the boom story of the time, Asian share markets, instead of investing in say a Perth three-bedroom house for the median price of $125,400, which is worth $460,000 today, or a similar house in Brisbane at $132,500 in 1995 and worth $420,000 today? What about a house in Melbourne worth $147,000 in 1995 and $421,000 today, or in Sydney at $199,200 worth $505,000 today? I wonder which decision proved the wisest?

So just how many of the screaming headlines and the "analysts" behind them have proved right over the years? And how many of them have been made accountable? None that I can recall. Because while these would-be experts march in, declare disaster and sneak away when it all proves wrong, the reality remains that well selected residential property, despite the "research", has been at least as good an investment as any other you care to name.

Which brings me to a recent report from consultants Demographia, predicting that a comparison of median house prices and incomes shows Australia's housing bubble is about to burst. The report repeats a familiar line: "Sooner or later, the inherent instability that characterises virtually all bubbles will lead to house price declines in Australia."

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Demographia's logic is reasonable, but the way it was reported was not. New Zealand, Ireland, Britain, and Canada declined 5–8%, because a sharp increase in residential construction was followed by a recession, and for the same reason proved even more severe in America, where prices have fallen 15–20%. But even these numbers are not what they appear. Some cities, such as Charlotte, South Carolina (–5.3%) and Denver (–4.3%) have seen much smaller declines.

What wasn't well reported was Demographia's central reason for the difference between cities: the different approaches to town planning. Where urban sprawl is contained prices go up, where it isn't, prices fall, as they did in Los Angeles (–26.9%). Dr Shlomo Angel, author of Demographia's report, puts it this way: "The more stringent the restrictions … the more likely house prices are to increase. And when residential land is very difficult to come by, housing becomes unaffordable."

This makes interesting reading for Australia's investors, as all state governments have policies designed to combat urban sprawl. These restrictions on land and housing supply are the reason why Australia's property market is not magnetically drawn to a crash.

But I wouldn't have known this reading or watching the news.

So my prediction is that when well selected residential property emerges yet again as the most secure and rewarding medium to long-term investments, the analysts and headline makers won't come out with retractions or corrections! Of course, I'd love to see them take accountability for their stories, especially to the investors who took their advice at face value and lost out. But then history has a way or reasserting itself, doesn't it.

If you're a serious investor, consider residential property in the light of strong rents and falling interest rates making investing extremely affordable.

On top of these factors, you have to combine the positive aspects of the government's second stimulus package: refinements of the early boost to first home owner grants will enliven the markets, while massive assistance to home renovation will improve the quality of our housing stock.

The proposed 20,000 new public housing/defence force dwellings will more than likely limit the growth of the gap between supply and demand in both the rental and owner-occupier sectors but at only 10% of the national shortage, I don't believe it will have a significant impact on investors' forward strategies or outcomes. Further, the federal opposition looks set to oppose the new package so its implementation is uncertain.

But the facts speak for themselves: the stockmarket fell 50%, the housing market fell 3%; interest rates are at their lowest level in 39 years and we are enjoying rising rental yields. Property investing fundamentals have rarely been so strong. Don't let it pass you by.

Monique Wakelin is co-founder of Wakelin Property Advisory, a Melbourne-based independent property acquisition and advisory company, and co-author of Streets Ahead: How to Make Money from Residential Property.

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Take property's long view
By Monique Wakelin

PORTFOLIO POINT: Trends over six months or more give a clearer picture of what's happening in the property market than a single month's figures.

How much can be read into a single month's property figures? Commentators had plenty to say about November's 12.8% fall in building approvals, shown in ABS figures released last week, but I believe in taking a longer view – at the patterns set over six months or more. By November 2008, new house approvals were 27% lower than for the same month in 2007, but most striking of all was the "other dwellings" category, mainly new apartments, which were down 50.2% on a year earlier.

Looking through the month by month figures tells me apartment construction has been following its normal seasonal pattern: approvals started to slow in April and began to slide abruptly by August. Much of this slowdown can be explained by the cancelling of some inner city projects (see Housing's good-ish news). The numbers reveal the full extent of the pain in the construction industry, particularly those companies most active in the apartment sector. The extent of this slowdown unveils a growing opportunity for investors, because just as apartment construction grinds to a halt, interest from first-home buyers is surging.

The government's boosting of the First Home Owner Grant in October last year had immediate effect, with applications jumping to 5385 in November 2008. In the same month, Australia's largest mortgage broker, AFG, enjoyed an 18% jump in new home loans. First-home buyers accounted for 22% of borrowers, almost double the 11.5% average of the previous year. First-home buyer owner-occupied loans are now at their highest level since January 2002. And if you're still in doubt, consider Westpac-Melbourne Institute's 'Time to Buy a Dwelling Index', which rose 39.4% between September and December 2008.

The extent of this surge leaves me in little doubt that while other buyers of new homes and apartments are standing back first-home buyers are stepping up in big numbers; they are the key to the fortunes of the building industry and the property market in 2009, the only bright spot in an otherwise timid economy. Although construction is down overall, demand for new dwellings in the first-home buyer sector will stimulate construction activity, safeguarding both the wider property market and employment in the construction industry.

Without this induced demand, the construction industry would be in dire trouble and the overall property market would probably be in decline; it ended the year fairly flat. Research by the Real Estate Institute of Australia shows first-home buyer activity had dropped 17% before the government's October intervention, which explains why REIA president Noel Dyett is urging the federal government to extend the scheme beyond its scheduled June 30 expiry.

There are many reasons the government will listen to the property and construction industries: there are thousands of construction jobs in marginal seats across Australia; and investment in housing represents a substantial chunk of private investment in the Australian economy, so any significant fall will take the overall investment numbers and confidence down with it.

But the federal government's biggest concern is the impact a falling property market would have on consumer confidence and the wider economy. Housing Minister Tanya Plibersek has broadly hinted that the grant would be extended, just as I predicted in the Eureka Report in October 2008.

While the fundamentals of the market remain sound, I have no doubt that the first Labor federal government in 12 years will do everything it can to protect property prices from a US-style fall. At this stage of the cycle, encouraging first home buyers is just the right magic to put into our housing and economic pudding.

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Aspiring home owners may be underpinning the market, but they have no interest in living in a vast concrete box high above a city street. They are taking their increased taxpayer dollars and using them to buy new homes on the urban fringe or established apartments in inner and middle suburbs. But these types of properties are not being built quickly enough to meet the new demand and, with housing and apartment construction looking decidedly anaemic, our housing market looks set to continue being undersupplied.

For investors, this makes property's direction in 2009 fairly clear. The surge in first-home buyer demand, together with much lower interest rates, falling construction and flat house prices, has crystallised the floor of the market. Supply, crippled by builder and financier uncertainty, is seeing one type of buyer interest rebounding due to increased grants, low interest rates and still reasonable employment outcomes. The factors above, which encourage first-home buyers to buy, are therefore the key to overall market stability and indicators investors should to watch for the direction of the market, particularly the sector below $600,000. If one or more of these factors deteriorates, so will the prospects for 2009.

Beyond 2009, the outlook is for the consequences of our current building slowdown to meet with our long-term new housing demand. As I've alluded to in previous columns, while the increased first-home owner grant solidifies the sub-$600,000 market, it will almost certainly undermine housing affordability in the long term. As such, it's a Band-Aid for a weakening economy, not a cure.

It's just over a year since everyone in the property industry was talking about the "affordability crisis", and we'll soon be back on course to creating the next one. Not great news for homebuyers in the long run, but potentially good for astute investors both now and well down the track.

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Melbourne picks up the property baton
By Monique Wakelin

PORTFOLIO POINT: Melbourne looks best placed of the Australian capitals, and expect property priced below $600,000 to lead a revival.

Why, in the face of the economic slowdown and dire predictions from other commentators, do I remain optimistic about the property market? Last week we got a brief insight into the key factors driving the property market and they make for some interesting reading.

The Australian Bureau of Statistics, for example, reported that after seven consecutive monthly falls, housing finance increased in October by 1.9%. Then there was the Westpac-Melbourne Institute's December survey of consumer sentiment, which showed an improvement of 7.5 points. The biggest rise was among mortgage holders, up 11% compared to 1.6% for tenants. Also out last week was the latest national jobless figure, up just 0.1% to 4.4%, indicating a resilient labour market, and that businesses are reluctant to shed staff they struggled to find just six months ago.

The improvement in consumer sentiment in particular reflects that lower interest rates and fuel prices are making households about $580 a month compared with just three months ago. This and the effect of the $1.5 billion first home owner grant is the key to the underpinning of prices in the lower end of the market, and behind my call in early October that the market is bottoming, or is at least very close.

So given this, is the whole property market set to improve? Probably not. It's the under $600,000 sector market that's most likely to benefit and the top end likely to be weakest in 2009.

In 2009, indicators point to continuing tough times for higher income earners, unlike the 1990s slowdown when lower income earners bore the brunt. The result is a marked increase in the number of $1 million-plus houses on the market all over the country. Take the blue-ribbon Melbourne suburb of Brighton, for example. In early November 2007, it had 38 For Sale signs posted on properties; one year on the number was 142, some of which could not find a buyer.

In 2009, we can expect this weakness in the top end to continue as newly upwardly mobile couples delay entering this market. The longer this demographic continues the "wait and see" sentiment, the longer the supply/demand equation will remain tilted towards buyers in this sector.

The same applies in resort regions, where I expect an abundance of holiday homes for sale in areas such as the Central Coast of NSW, the Gold Coast in Queensland and Portsea/Sorrento on the Mornington Peninsula in Victoria – along with broad price declines.

For the middle section of the market, between $600,000 and $1 million, the outlook is more robust, but not without a sense of nervousness. The outlook for employment remains fair and many middle-income earners have felt a reprieve due to lower mortgage repayments. If the economy experiences no more than a relatively mild slowdown, this market will remain strong, but large falls in employment will retract demand in this sector and affect prices.

In the inner and middle suburbs, affordable family houses up to $1 million and well-positioned apartments will benefit from first-home buyers and from investors, who I expect to increasingly use their super funds to purchase. Expect small rises in demand and prices in 2009 in these areas.

Reading RP Data's All Dwellings Results for the year to October, I see some evidence of a nationwide pattern starting to emerge within the context of regional variations. This year, Melbourne looks the best-placed for performance, leading the major cities in auction clearances and average days on market for properties and second in median price performance, up 0.2% in the year to October 2008.

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The Sydney market, down 1.9% to October 2008, will be a little slower to recover, with the global economy's negative influence stronger on "trophy" houses and the weak domestic economy more keenly felt in the outer suburban fringe and "exurb" areas of the Central Coast and the Illawarra.

Mining exerts a greater influence in Perth than in any other capital, so this city is likely to see further price declines, as the dramatic rises of 2007 deflate with the resources slump. Perth's median price was down 4.8% in the year to October. Expect to see the oversupply of $1 million-plus houses continue, dragging down Perth's median.

Adelaide's median price was up 3.5% in the year to October, surprising some by becoming the best-performing major city in 2008. Its outlook for 2009 remains robust in all areas except the top end. In Brisbane, the median price is down 1.7% in the year to October, but good buying opportunities should emerge in the mid-priced sector, particularly three-bedroom family houses in the middle suburbs priced from $500,000 to $650,000.

Regional areas offer affordable entry points but at the risk of less predictable price and rental vacancy performance than metropolitan areas. Provincial centres within two hours of capitals, such as Wollongong, Geelong and Toowoomba, should fare solidly in 2009, mostly experiencing flat price and rental outcomes. Centres overly dependent on one or two industries to sustain economic activity are the ones most likely to feel the pinch in 2009. Mining towns, the great beneficiaries of the resources boom, are likely to exemplify this because of the fall in commodity prices and subsequent demand for labour.

In 2009, some investors will succumb to the bargain mentality and invest in trophy houses, holiday homes and penthouse apartments in high-rise developments, ostensibly because reduced prices will make these properties appear good value. They are taking a considerable risk as these properties are likely to fare poorly over the next three or four years.

In a nutshell, 2009 will be a year of cyclical opportunity and bargain price traps for unwary investors. This year's fall in interest rates from 9.4% to 6.9% has delivered a significant income boost to households on a typical mortgage, something like $6000 in after-tax dollars a year. The real benefits of this will flow through to middle Australia and first-home buyers contemplating their first mortgage.

My well-worn adage doesn't change! It's one and two-bedroom apartments priced under $600,000 and compact houses under $1 million in the inner and middle metropolitan areas of economically diverse cities that will provide the best future growth in the context of a fairly flat year.

Because property is a long-term journey, smart buying next year will provide the platform for maximising growth in the next few years before the cycle moves towards its next upturn. And move, it surely will.

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