

1. Demand

Population Growth Statistics

Melbourne's population is expected to increase by one million people between 2006 and 2020 (Source: ABS).

"Melbourne's growth of 93,500 people was the largest of all Australian capital cities in 2008-09." (Source: ABS, Media Release, 30 March 2010).

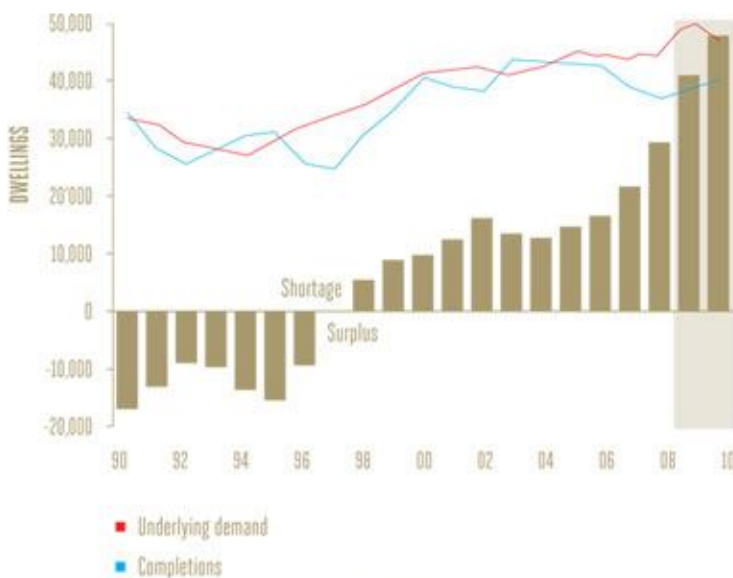
Population Growth Drivers

- Liveability
- Rising immigration
- Baby boom
- Lifestyle seeking Generation Y young professionals
- Educational facilities attracting domestic and international students
- Business epicentre (Victoria generates 30% of Australia's food and farming output, home to the automotive industry, home to the nation's busiest seaport and transport hub, home to five of Australia's ten largest companies)
- Events capital

2. Supply

It is estimated that almost 50,000 new dwellings are currently required to meet the underlying demand for housing in Victoria. Strong demand has been driven by surging net migration into Victoria with Melbourne's growth of 93,500 people over the past year (June 2008-June 2009) the largest of all Australian capital cities. At the same time, new dwelling completions have been constrained by the fallout from the Global Financial Crisis. A severe deficiency in dwellings has put upward pressure on property prices with the average price of units and apartments in Melbourne increasing by 47% over the past five years to December 2009. The increasing shortfall of dwellings has also pushed more people into rental. Over the past two years rental vacancy rates have averaged just 1.1% for properties within 4km of the CBD, well below the balanced market rate of 3% explaining soaring rental increases (Source: REIV).

SUPPLY VS DEMAND - VICTORIA



Source: ABS, ANZ Economics & Markets Research, REA, REIV & Savills

3. Price growth

A severe deficiency in dwellings has put upward pressure on property prices with the average price of units and apartments in Melbourne. Over the past 5 years apartments have increased by an impressive 47%, outperforming houses. Investors who are renting their apartments to tenants have received a strong gross property return of 11.5% per annum. (Source: REIV, January 2010)

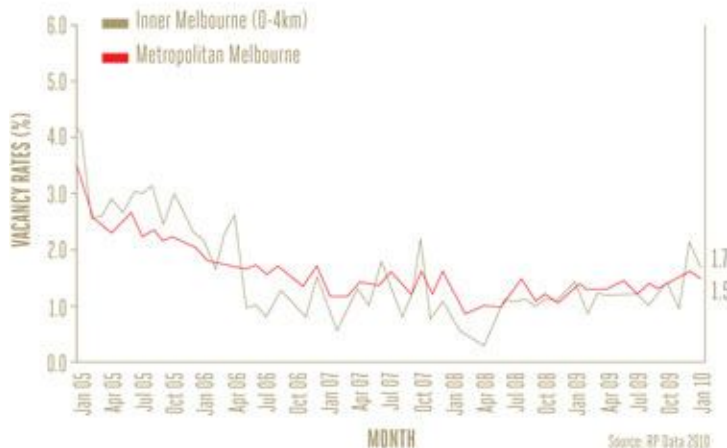
MELBOURNE UNIT SALES CYCLE



4. Vacancy rates

The shortfall of supply is evident in the vacancy rates within inner Melbourne. Over the past two years (January 2009-10) rental vacancy rates have averaged just 1.1% for properties within 4km of the CBD, well below the balanced market rate of 3% explaining soaring rental increases.

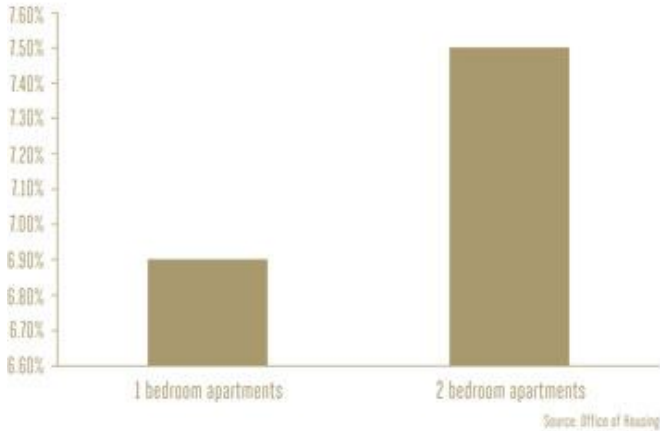
VACANCY RATES



5. Rental rate growth

Over the 12 month period ending April 2010 median rental rates for apartments within inner Melbourne increased significantly. Rental rates for 1 Bedroom apartments increased by an impressive 6.9% whilst 2 Bedroom apartments experienced 7.5% growth.

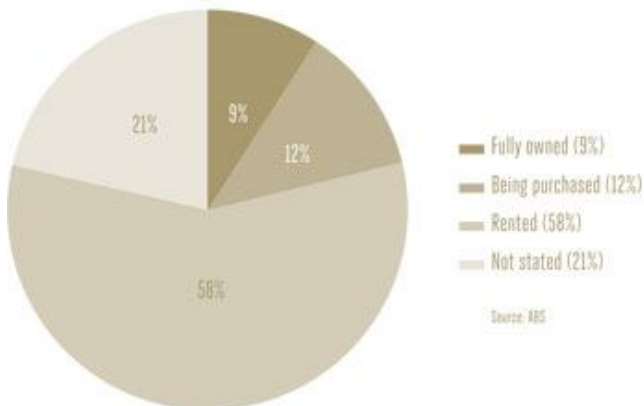
RENTAL RATE GROWTH - INNER MELBOURNE FOR 12 MONTH PERIOD ENDING APRIL 2010



6. Tenure

58% of residential dwellings within inner Melbourne are occupied by tenants.

TENURE INNER MELBOURNE



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