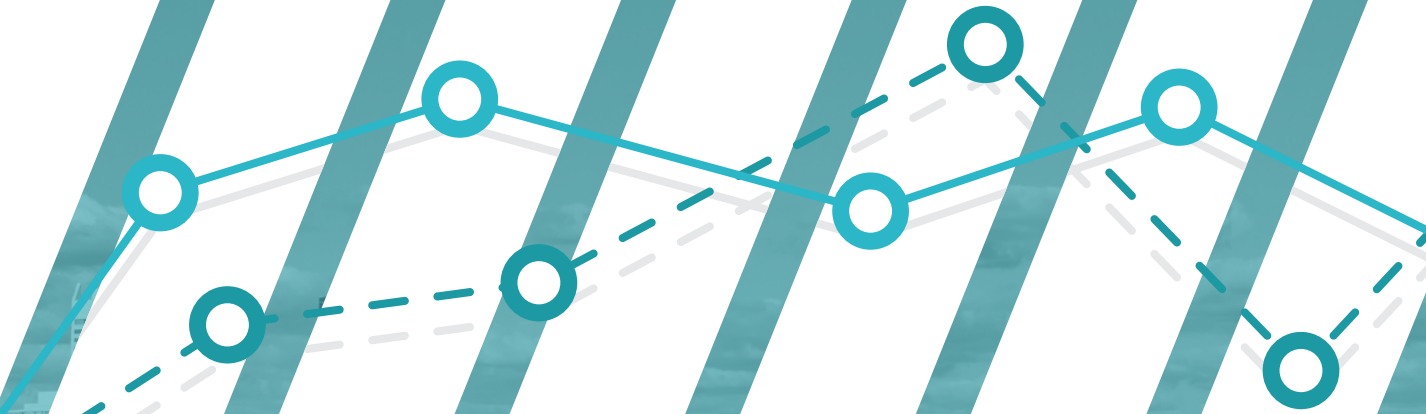


EDITION 16



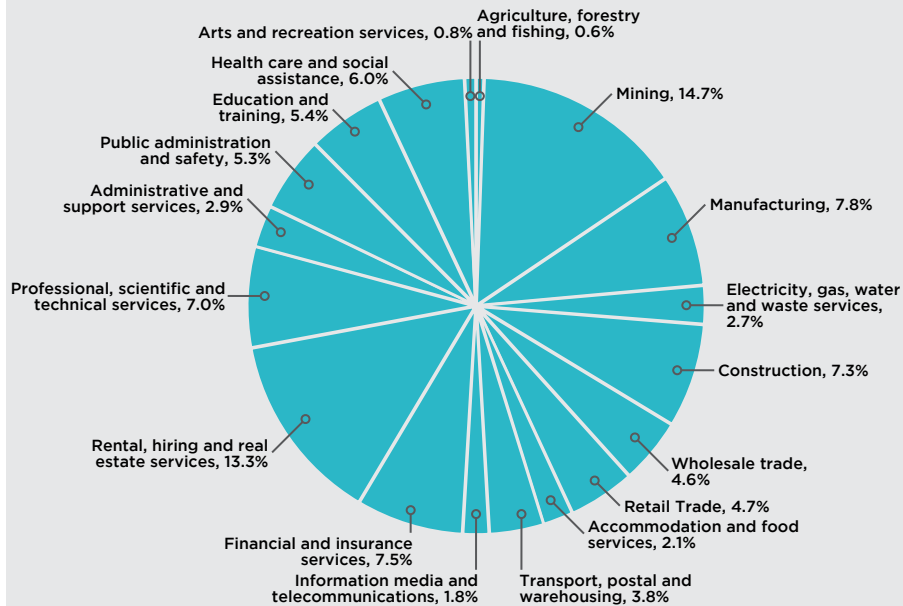
PERTH CAPITAL CITY REVIEW



PERFORMANCE
PROPERTY DATA

PERTH AT A GLANCE

INDUSTRY BREAKDOWN



POPULATION



Current: **2,000,767**
 Current Growth Rate: **0.93%**
 Avg 10 Yr Growth Rate: **2.5%**
 NOM: **13,381**
 NIM: **-12,040**
 Natural: **19,835**

CURRENT MEDIAN

\$513,800 House
 (2.0% ↓) on previous Quarter
\$374,000 Unit
 (-9.0% ↓) on previous Quarter



Average Days
on Market

Houses : **46**
 Units : **74**



LONG TERM COMPOUNDED
GROWTH PA IS **7.50%**
FOR HOUSES & **5.14%** FOR
UNITS.

Houses the last 5 years have
seen -2.05% PA growth, units
-2.95%.



HOUSE
YIELD **3.6%**
 UNIT
YIELD **4.6%**

\$5.0B

Total infrastructure spending is
\$5.0 billion or **\$2426** per
person in **2019**.

Based on major projects worth
\$10 million or more.

UNEMPLOYMENT RATE **6.5%** UNDEREMPLOYMENT RATE **10.4%**

In the current stage of cycle

The Perth house market is showing **Investment Value**.
 It would be best suited to a **Medium Term Hold Strategy**.
 We classify the Perth house market currently as a **Medium Risk**
 investment.

Legend

Medium Term Strategy = **4 to 7 years**
 Long Term Strategy = **10+ years**

EXECUTIVE SUMMARY

KEY INDICATOR 1 - Slightly Negative

MONEY SUPPLY: Is the money supply speeding or slowing?

- State Budget
- Gross State Product V. Median Price Movement
- Economic Benefit V Median House Price
- Business Investment
- WA Mineral Exploration Expenditure
- Infrastructure Spending
- WA Housing Finance- Long Term
- WA Housing Finance- Short Term

KEY INDICATOR 2 - Neutral

CONFIDENCE: Is there confidence in the market?

- Retail Turnover Growth
- Mortgage Arrears
- Unemployment
- Underemployment
- Job Creation Index
- State Job Vacancies

KEY INDICATOR 3 - Positive

AFFORDABILITY: Is the market affordable?

- Affordability Index HOUSE V. Price Movement
- Affordability Index UNITS V. Price Movement
- Price to Income Ratio
- Income to Rent
- FHBs as % of Population

KEY INDICATOR 4 - Slightly Negative

SUPPLY & DEMAND: Does demand exceed supply?

- Population
- WA Population Movement Type
- Population Pyramid
- Foreign Investment
- Airport Arrivals
- Iron Ore V. Median House Price
- Dwelling Approvals V. Population % Change
- Bedroom Approvals V. Population Change
- Vacancy Rate V. Rent
- Stock on Market
- Days on Market

KEY INDICATOR 5 - Slightly Positive

INVESTMENT VALUE: Is there value in this market compared to other markets?

- Current Investment Value - Per Capital City
- Yield V. Interest Rates
- Capital City Long Term Price Comparison House
- Long Term Trends
- Perth V. Sydney HOUSE Price Movement

Positive

Slightly Positive

Neutral

Slightly Negative

Negative

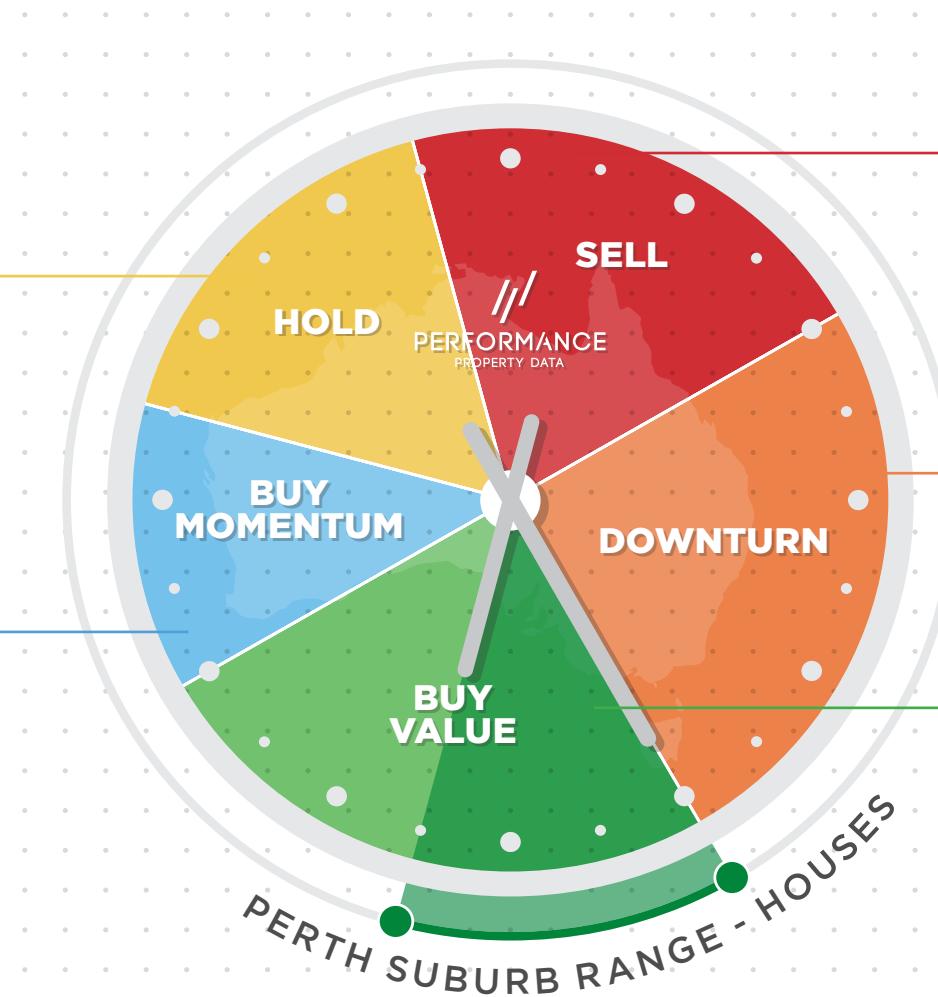
OUR VIEW OF THE PERTH HOUSE MARKET

HOLD

Hold and monitor property in this market. Potential for growth in the short term is predicted but limited. Investing at this stage in the cycle holds extreme risk, due to low yields and aggressive prices.

BUY MOMENTUM

On a macro level the market is at or close to halfway through this growth cycle and demand for quality property is strong and rising. Macro fundamentals are present to support growth in the short term.



SELL

The market has peaked and prices are likely to soften or stagnate in the short to medium term. Consider selling in this market after consultation with your financial planner or property investment adviser.

DOWNTURN

The market is moving through a correction stage. We see minimal growth in the short to medium term.

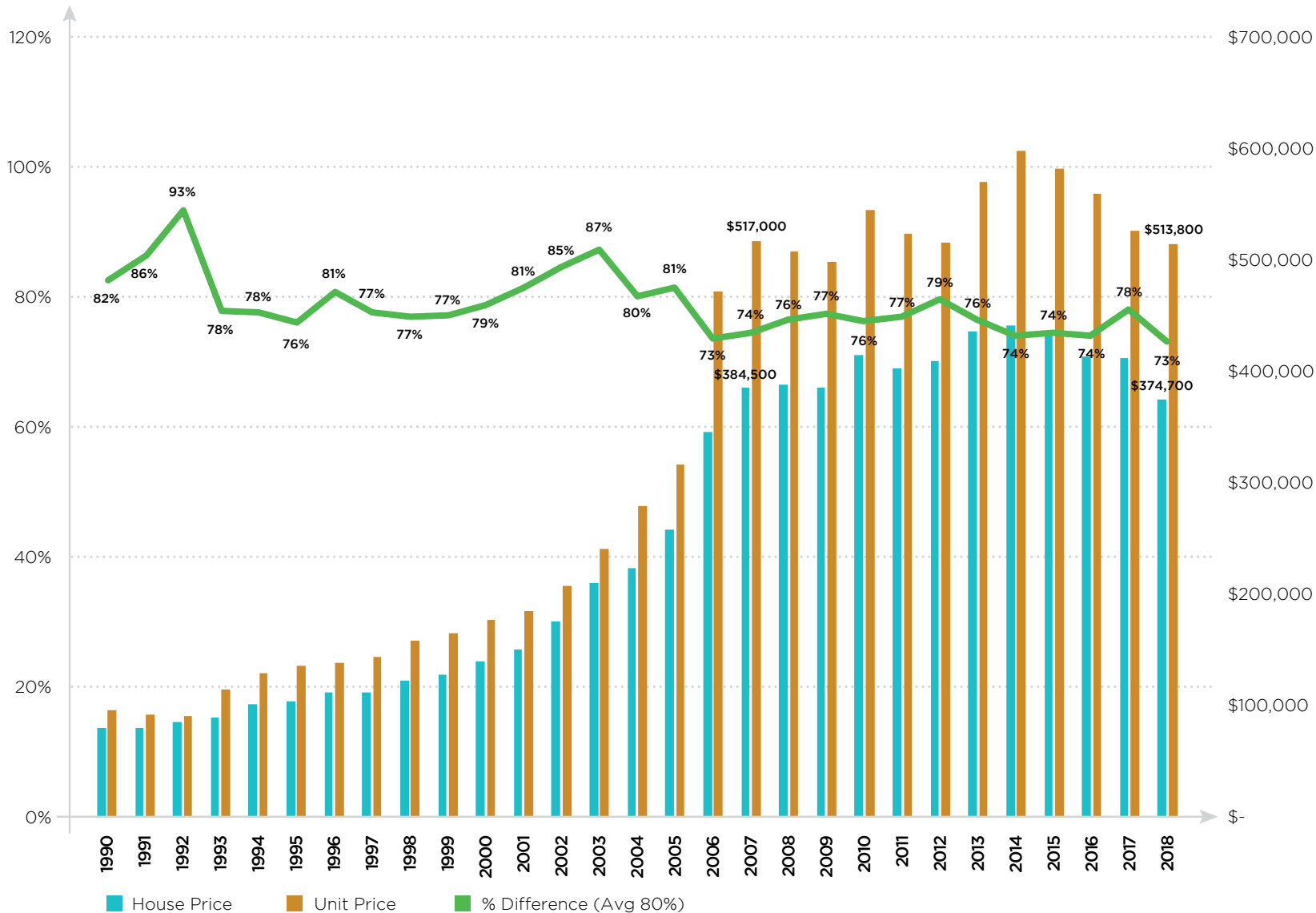
BUY VALUE

This market offers good investment value with macro fundamentals present to support growth in the short to medium term. Buy at the true market bottom to take advantage of the full growth upswing, with cyclical risk at its lowest.

For more information on the Perth market, including individual property and suburb information, call to speak to one of our professional property advisors on 1300 088 932.

PERTH HOUSE V. UNIT PRICE COMPARISON

This graph shows the comparison between house and unit price movements and the percentage difference for each year.



SLIGHTLY
POSITIVE

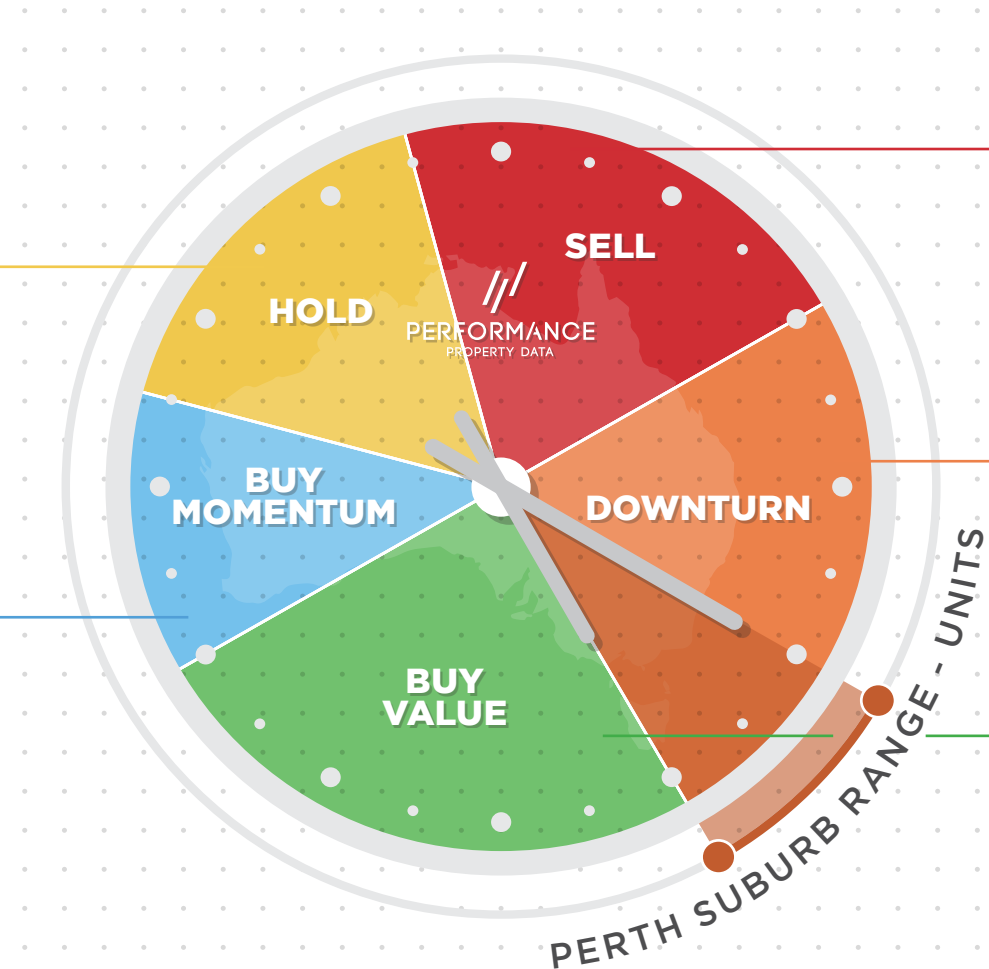
OUR VIEW OF THE PERTH UNIT MARKET

HOLD

Hold and monitor property in this market. Potential for growth in the short term is predicted but limited. Investing at this stage in the cycle holds extreme risk, due to low yields and aggressive prices.

BUY MOMENTUM

On a macro level the market is at or close to halfway through this growth cycle and demand for quality property is strong and rising. Macro fundamentals are present to support growth in the short term.



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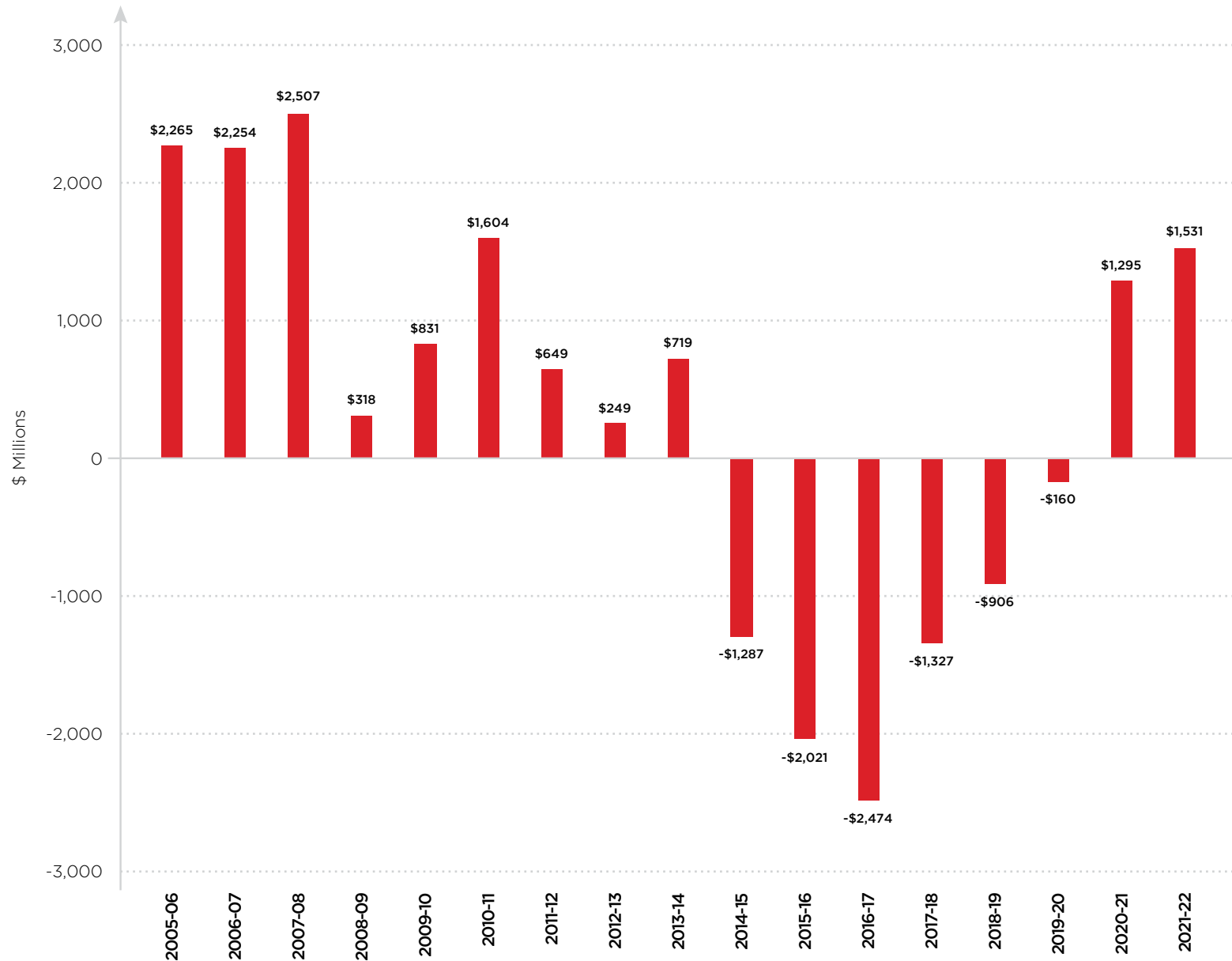
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STATE BUDGET

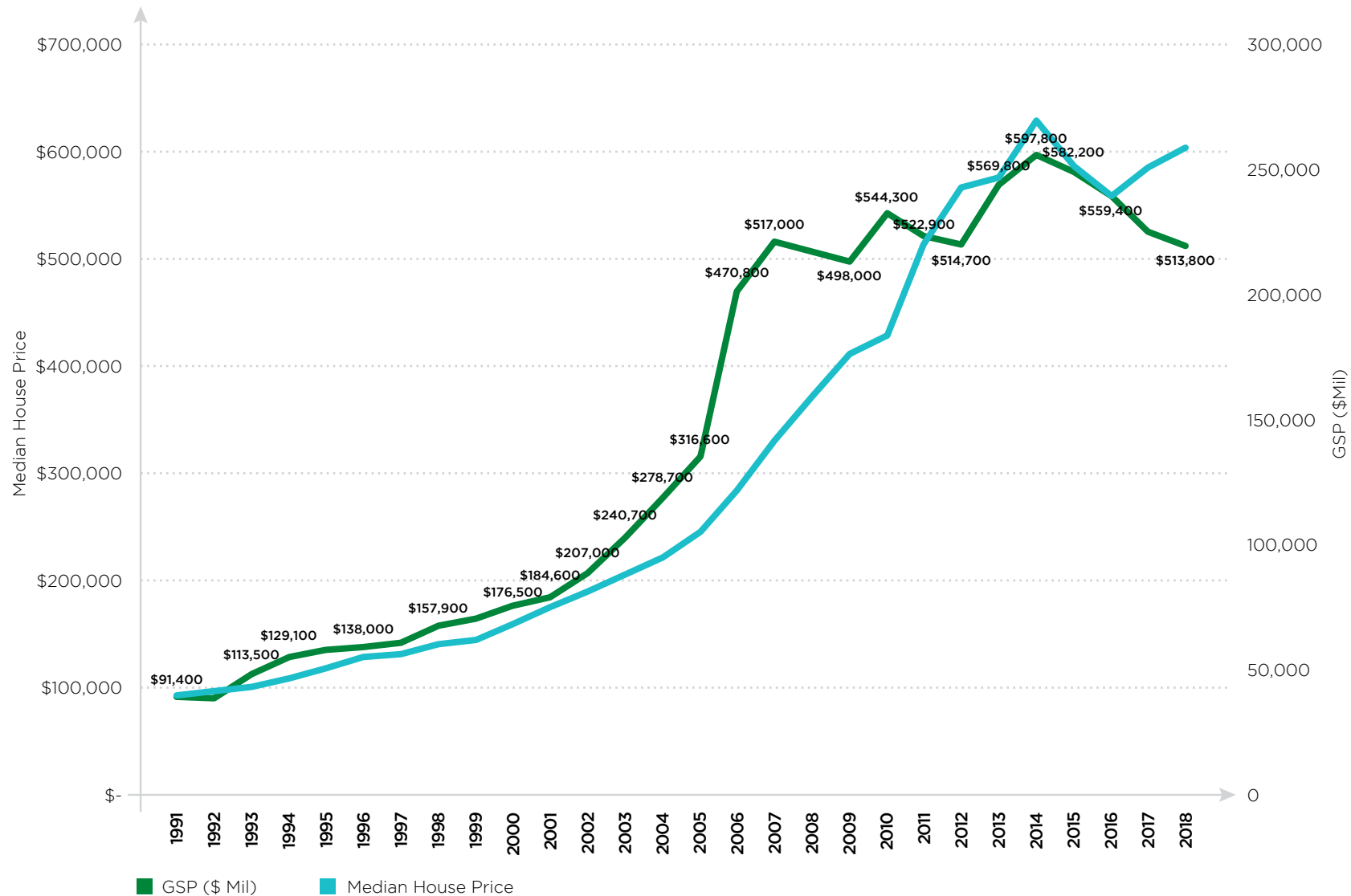
This graph displays the State Government position of either a surplus or deficit.



NEGATIVE

GROSS STATE PRODUCT V. MEDIAN HOUSE PRICE

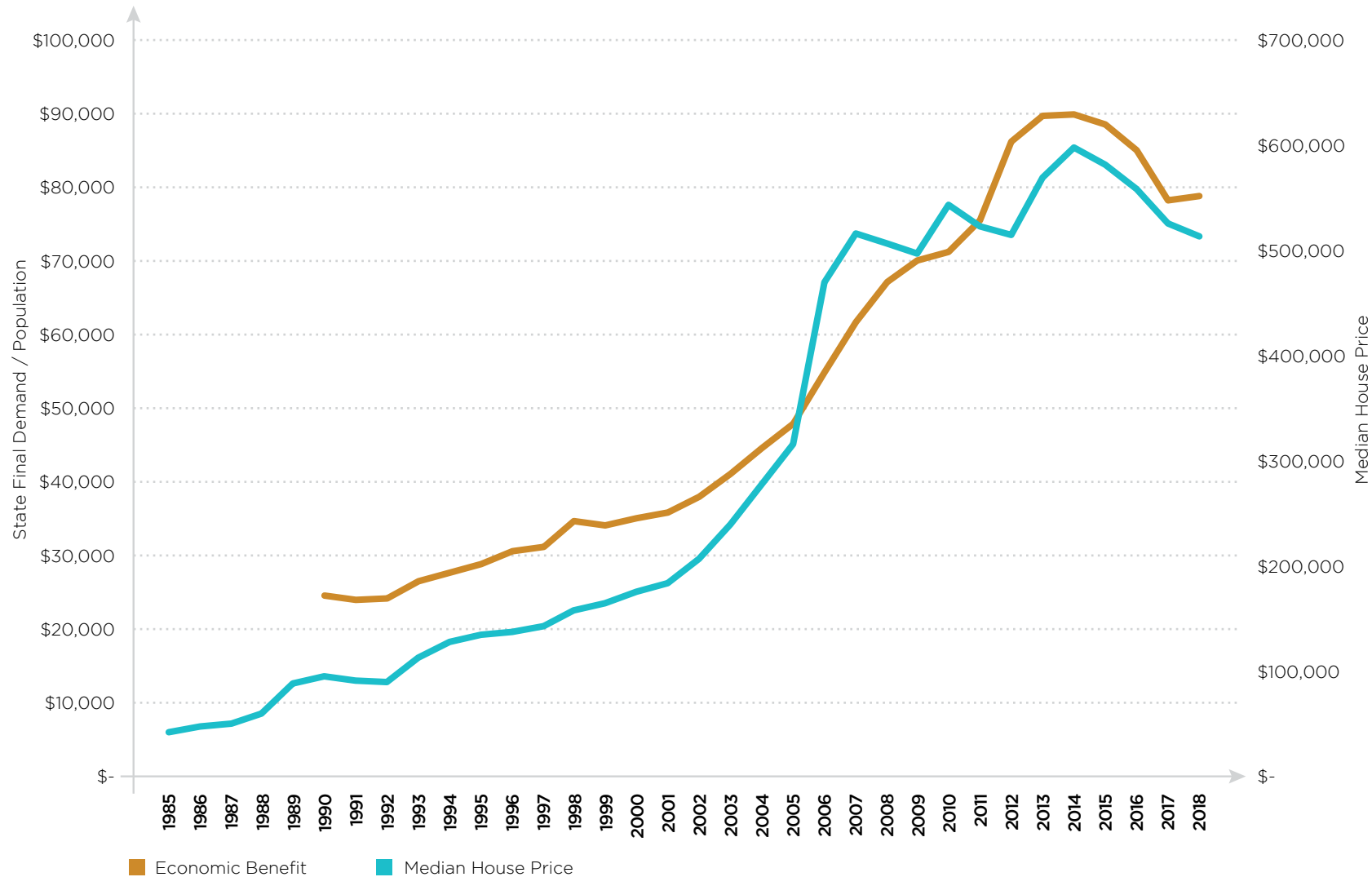
This graph displays Gross State Product charted against the median house price. Gross State Product is the measure of final goods and services produced in the state in a period of time.



POSITIVE

ECONOMIC BENEFIT V. MEDIAN HOUSE PRICE

This graph displays the economic benefit per person against the median house price. Economic benefit is the ratio between State Final Demand for the state and the state's population. State Final Demand measures the total value of goods and services that are sold in the state and is a measure of the state's income.

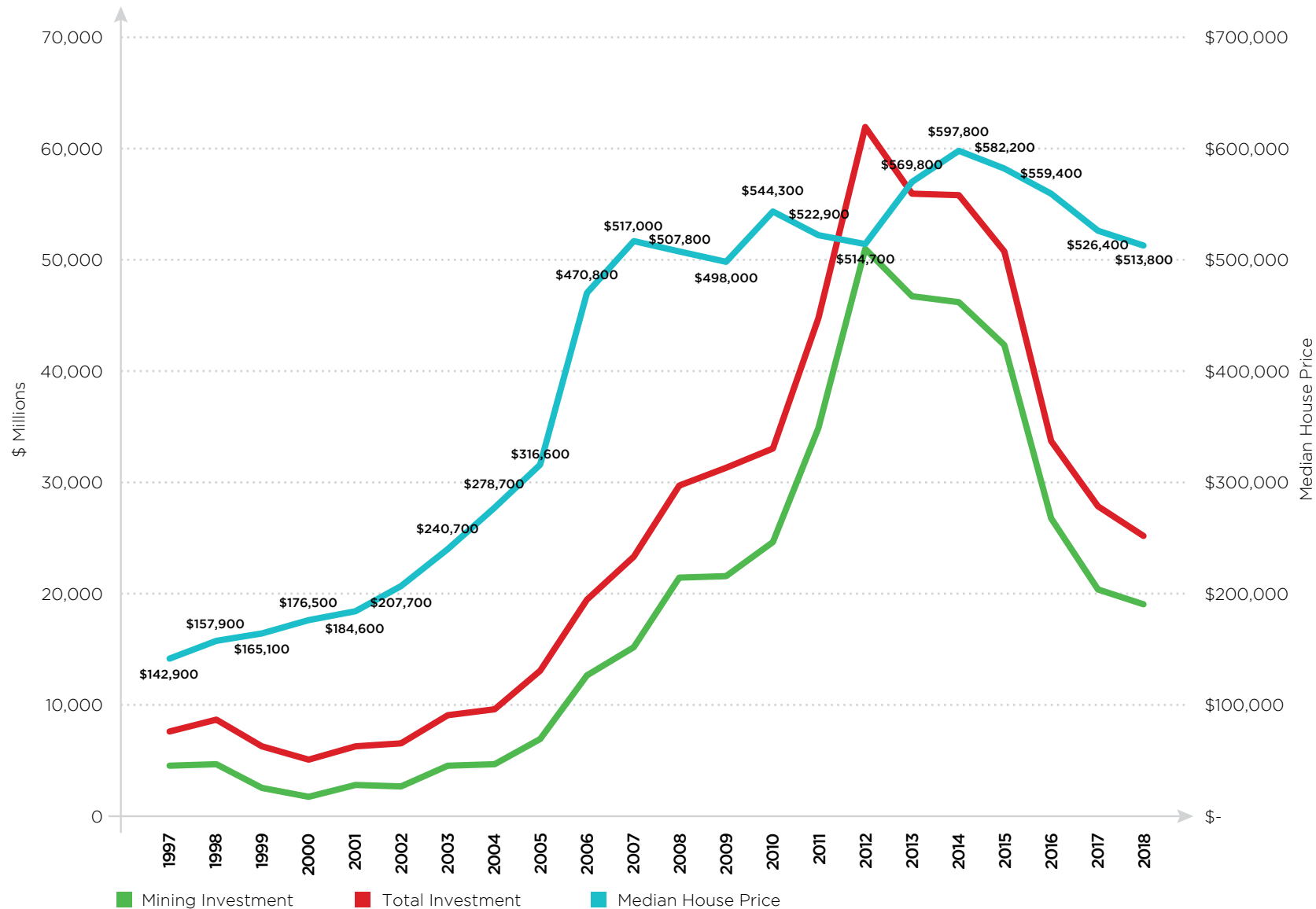


**SLIGHTLY
NEGATIVE**



WESTERN AUSTRALIAN PRIVATE BUSINESS INVESTMENT

This graph displays private business investment into the state charted against the median house price.



NEGATIVE

WESTERN AUSTRALIAN MINERAL EXPLORATION EXPENDITURE

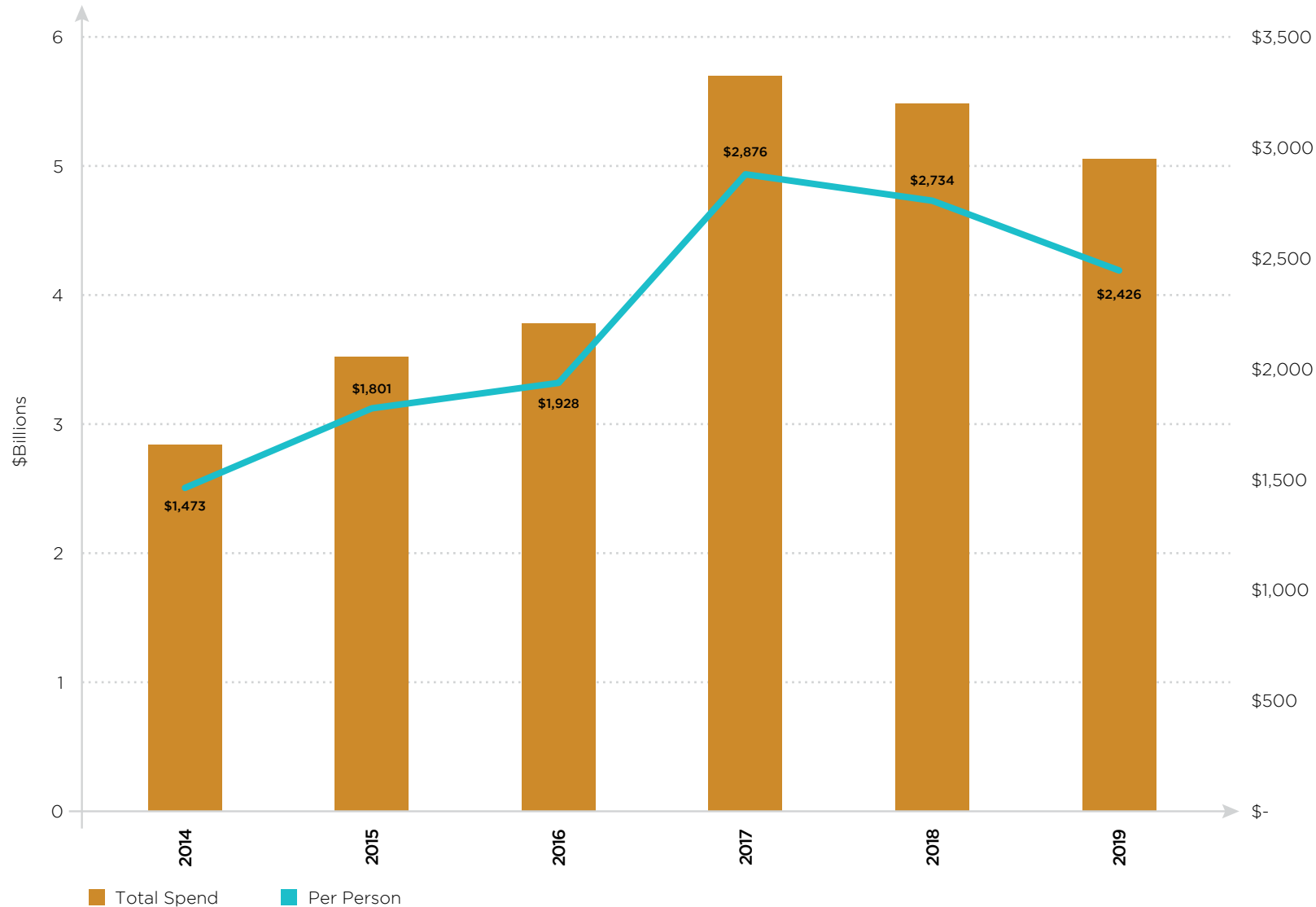
This graph displays the private sector exploration statistics compiled by the ABS for the state.



SLIGHTLY
POSITIVE

INFRASTRUCTURE SPENDING V. SPEND PER PERSON

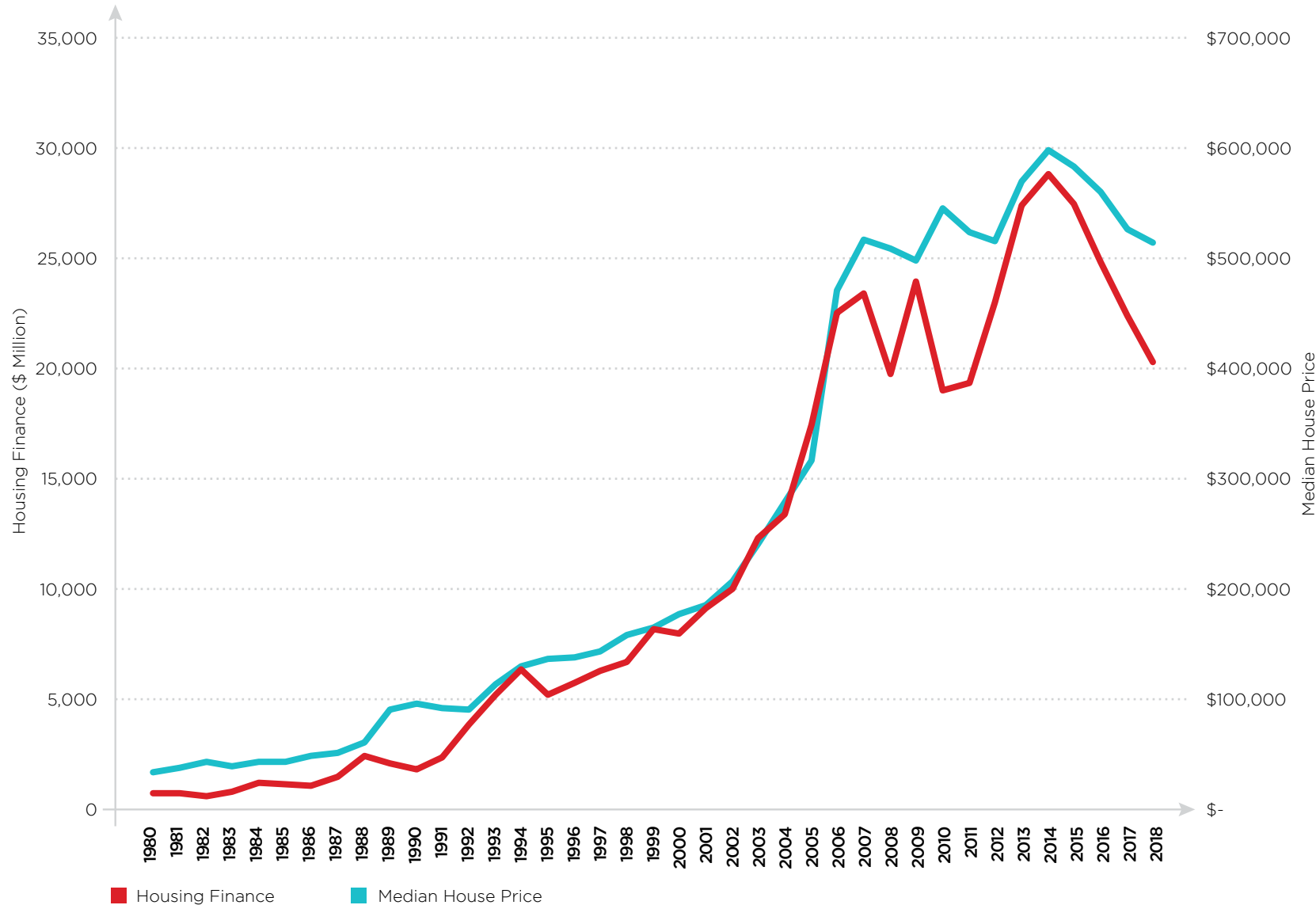
This graph displays the total infrastructure spend on projects over \$10 million and the spend broken down into a per person figure. The average spend per person in Australia is just under \$3,000.



SLIGHTLY
NEGATIVE

WESTERN AUSTRALIAN HOUSING FINANCE - LONG TERM

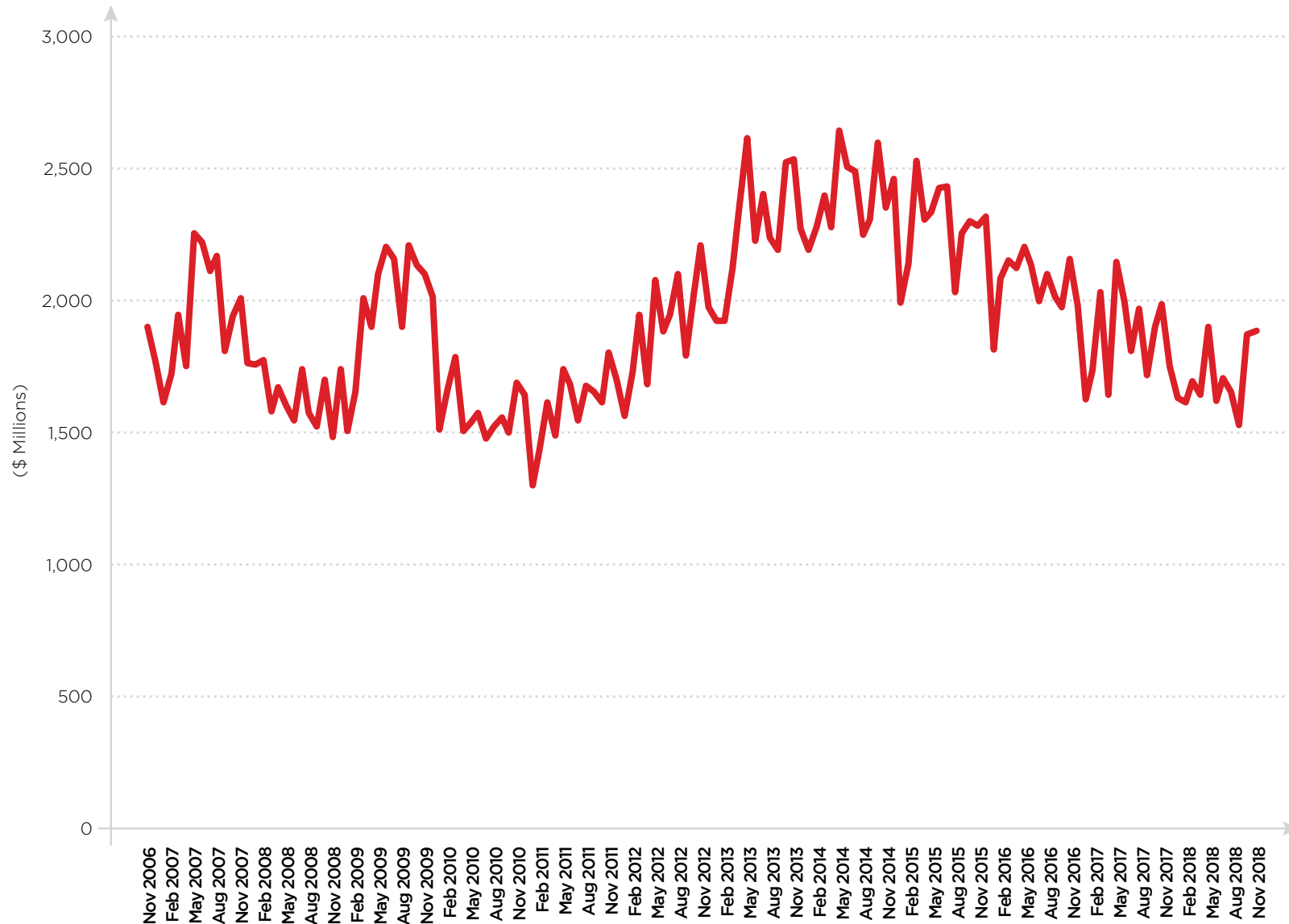
This graph displays the total value of housing finance for the state annualised over the long term versus the median house price.



NEGATIVE

WESTERN AUSTRALIAN HOUSING FINANCE - SHORT TERM

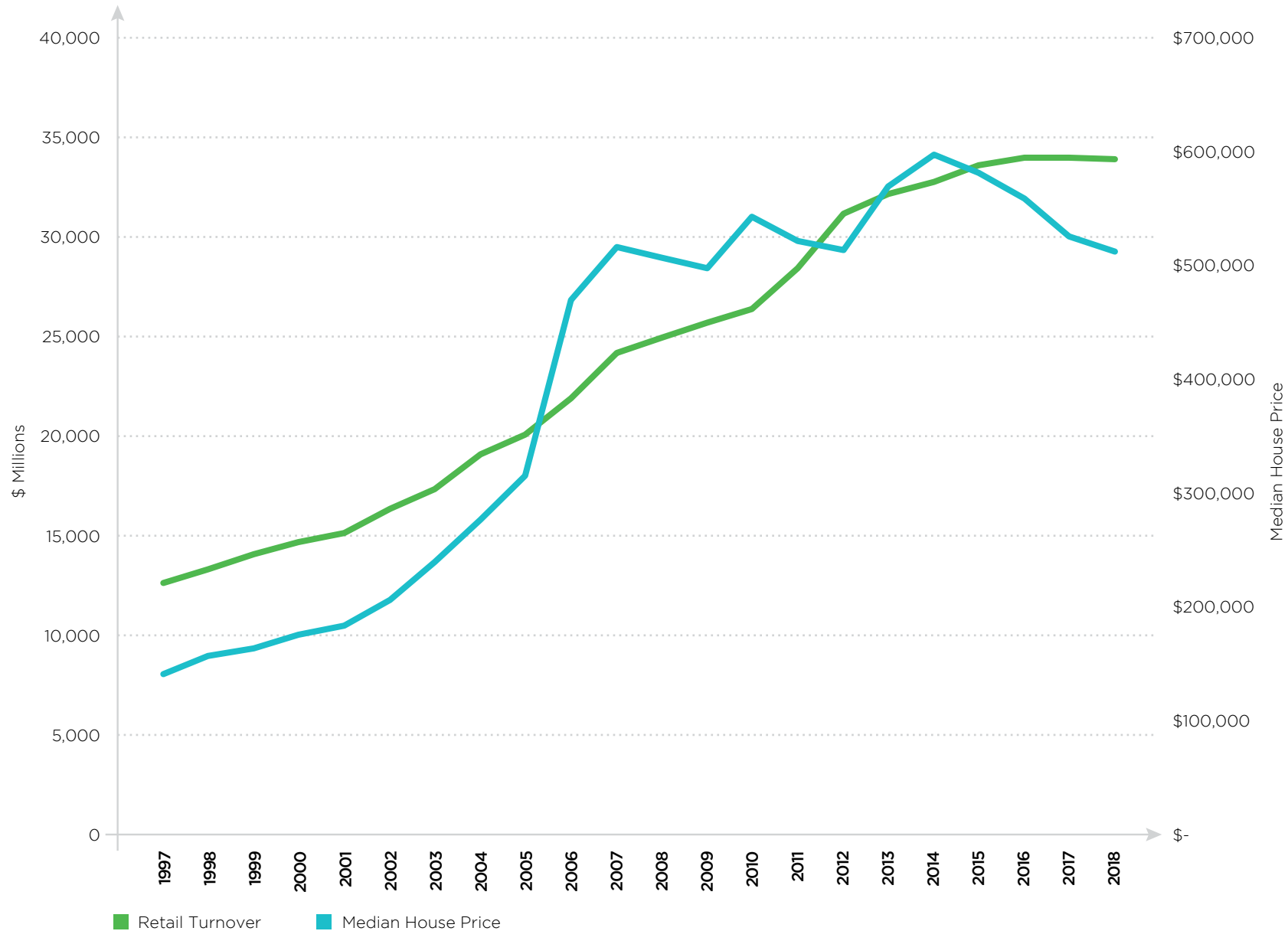
This graph displays the total value of housing finance per quarter for the state in the short term versus the median house price.



NEGATIVE

RETAIL TURNOVER GROWTH

This graph displays levels of retail turnover for the state charted against the median house price.

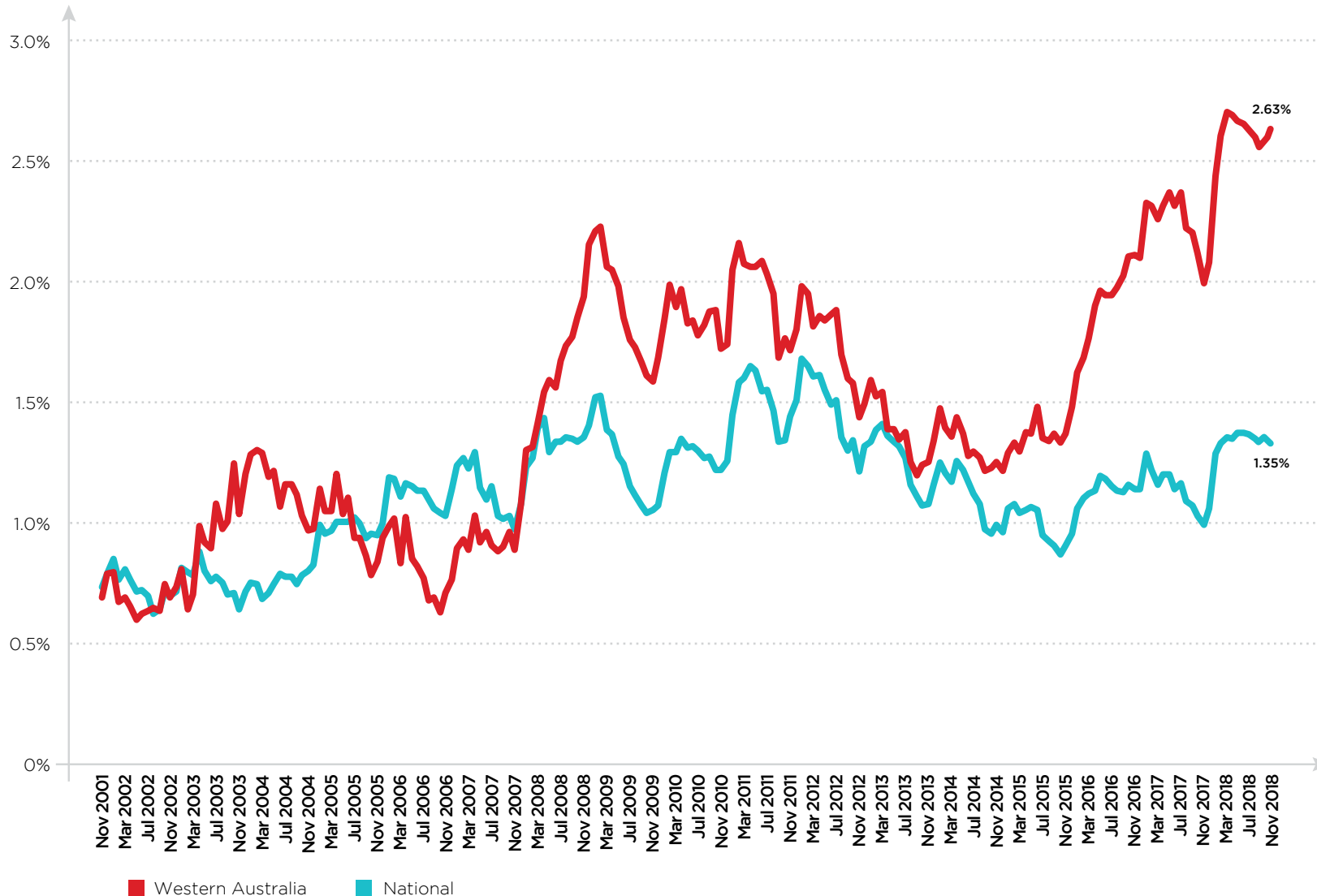


**SLIGHTLY
POSITIVE**



WESTERN AUSTRALIAN MORTGAGE ARREARS

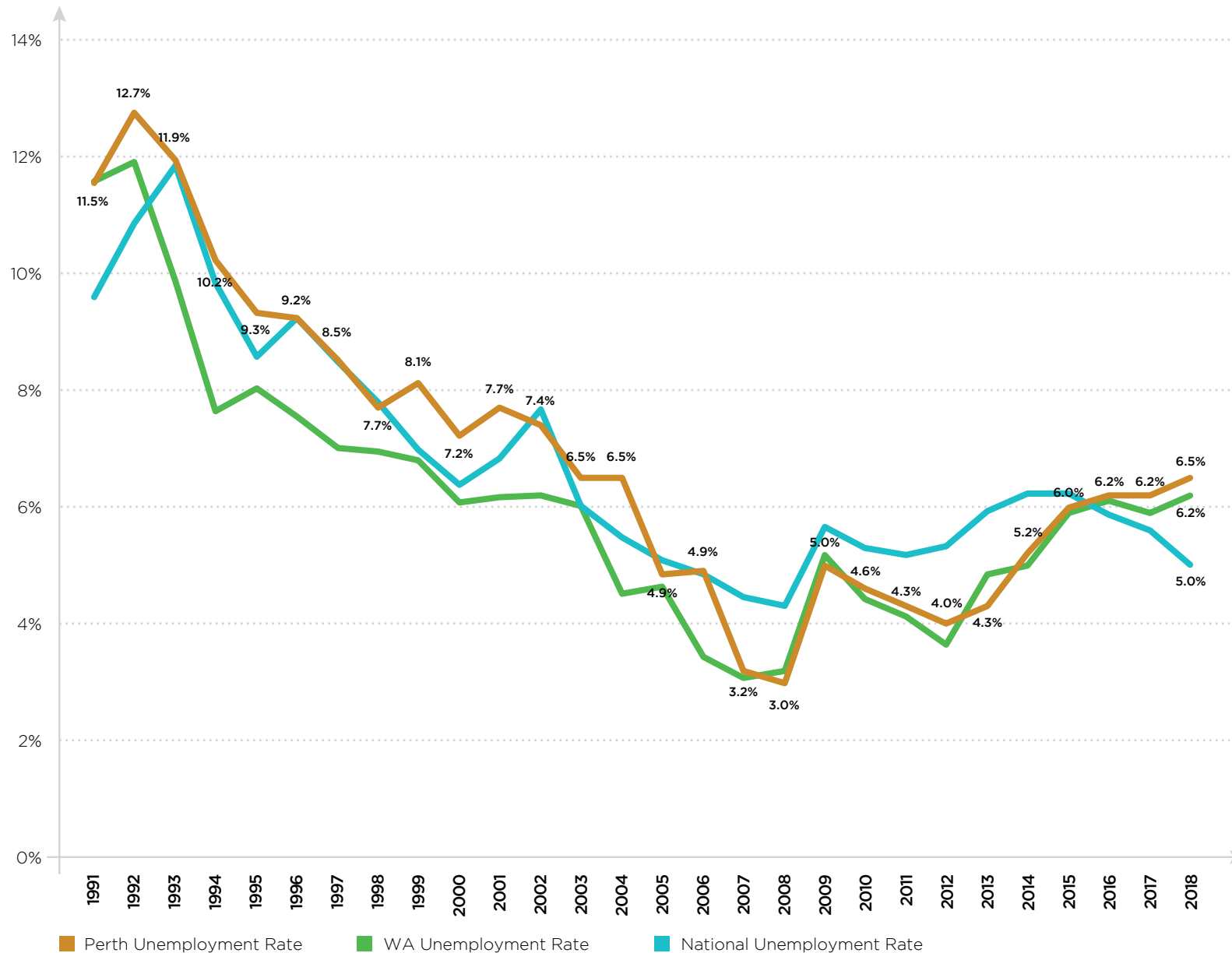
This graph displays the percentage of mortgages that are 30+ days in arrears in the state and Nationally. Supplied by Standard and Poor's Global Ratings.



NEGATIVE

UNEMPLOYMENT

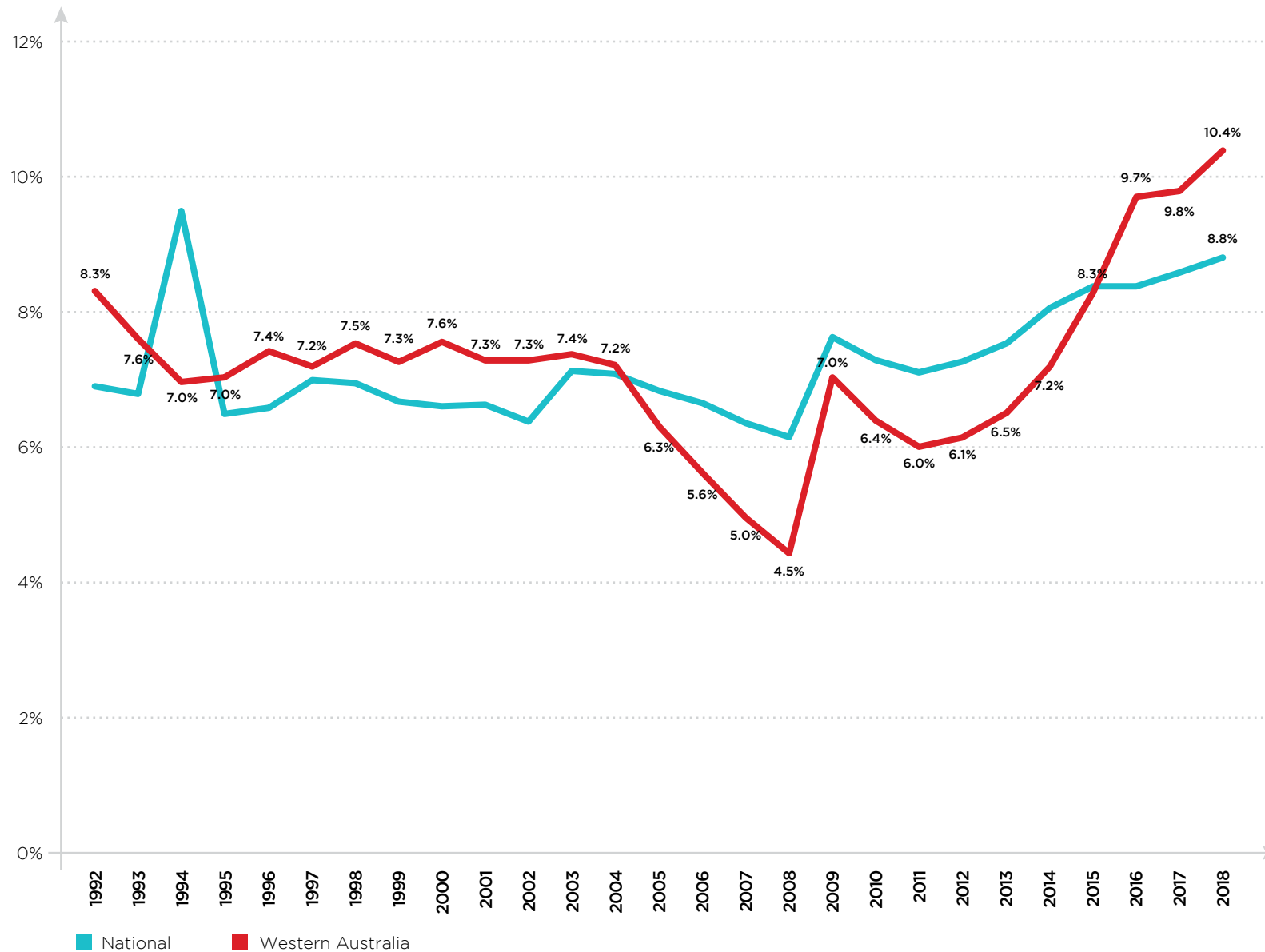
This graph displays the unemployment rate for metro, state and national as a yearly average and the current, most recent rate.



SLIGHTLY
NEGATIVE

UNDEREMPLOYMENT

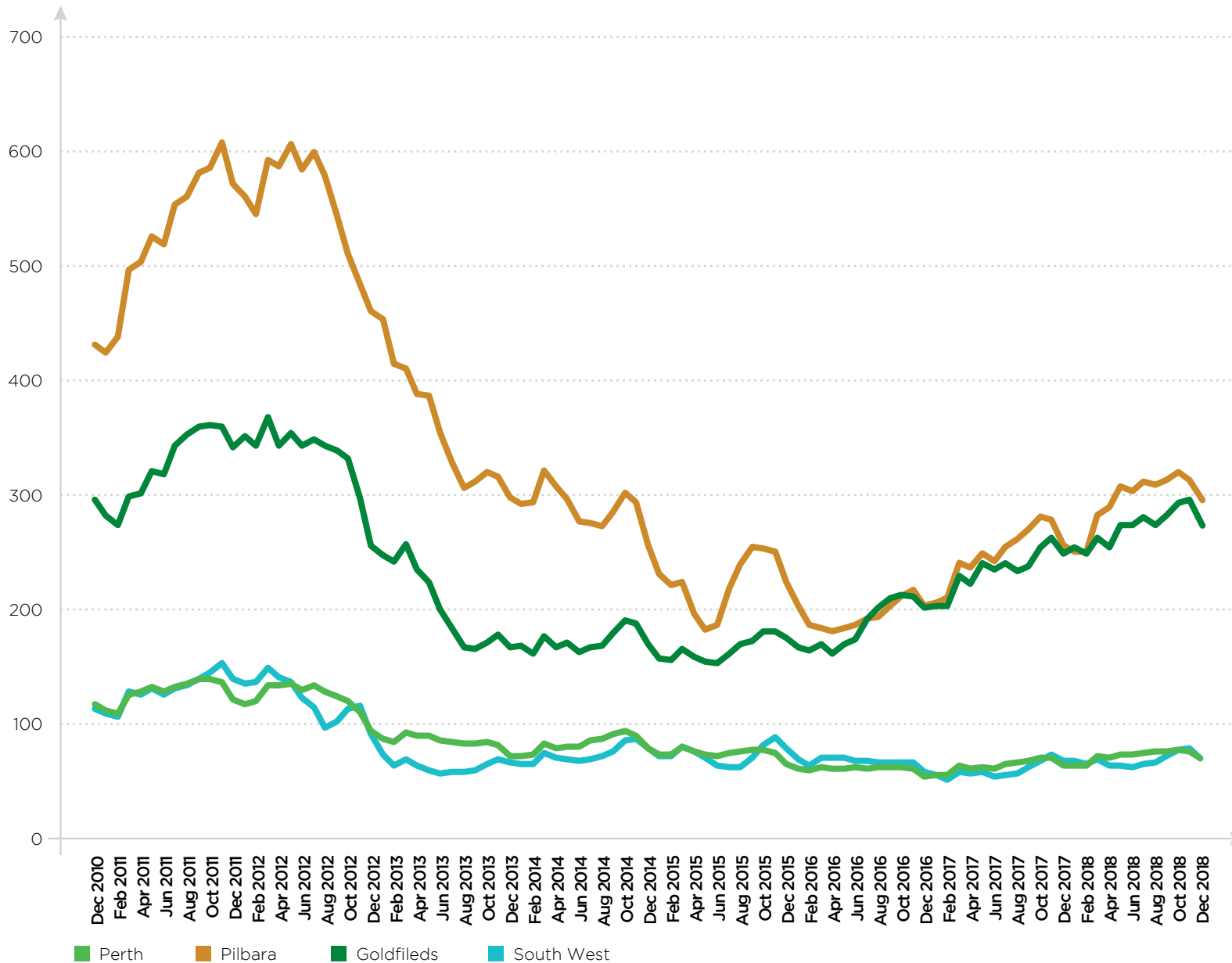
This graph shows the relationship between the state and national underemployment rate as a yearly average from 1985 and the current, most recent rate.



NEGATIVE

JOB CREATION INDEX

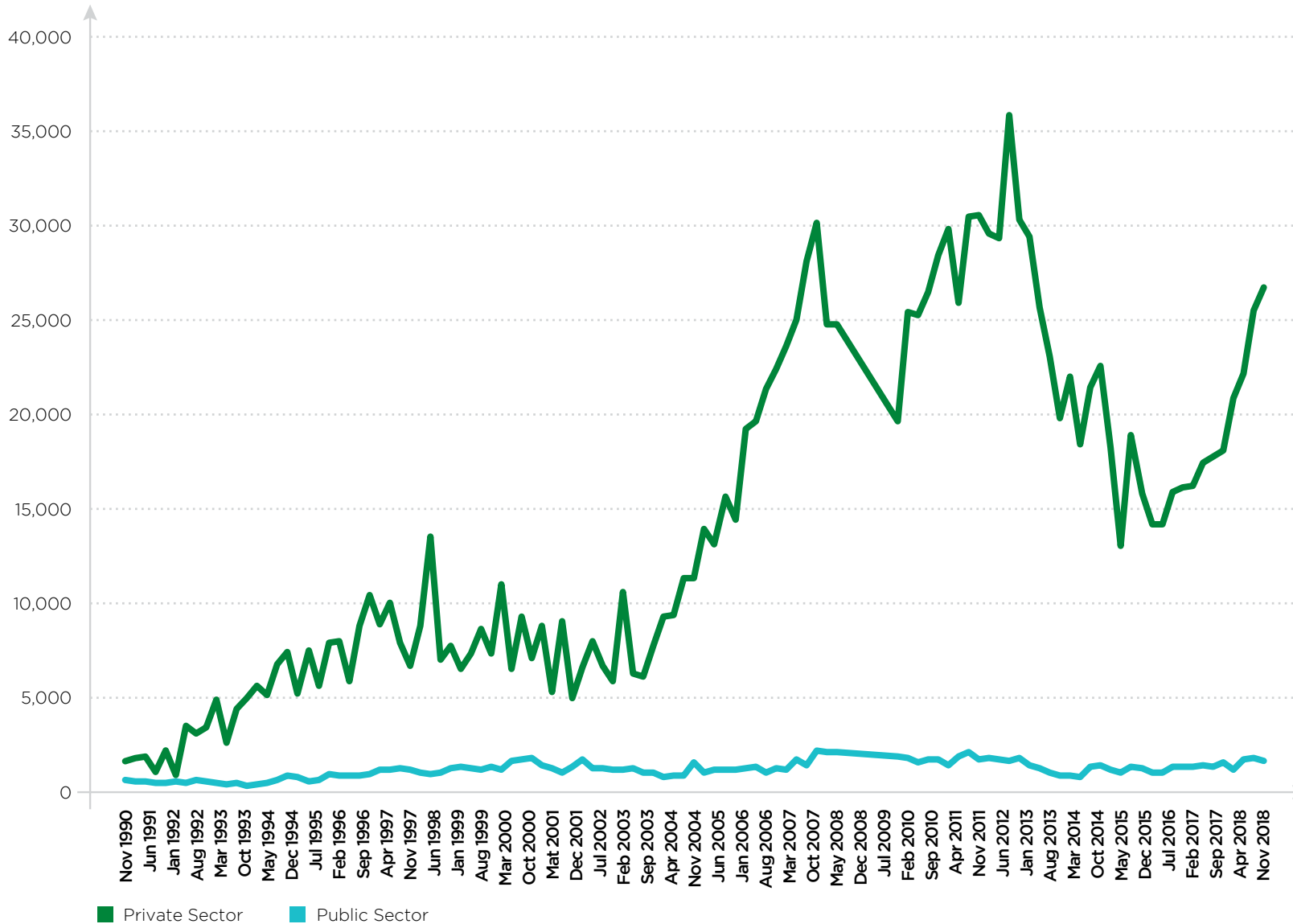
This graph shows the internet vacancy index for online job advertisements on the three major job boards.



SLIGHTLY
POSITIVE

STATE JOB VACANCIES - PRIVATE & PUBLIC

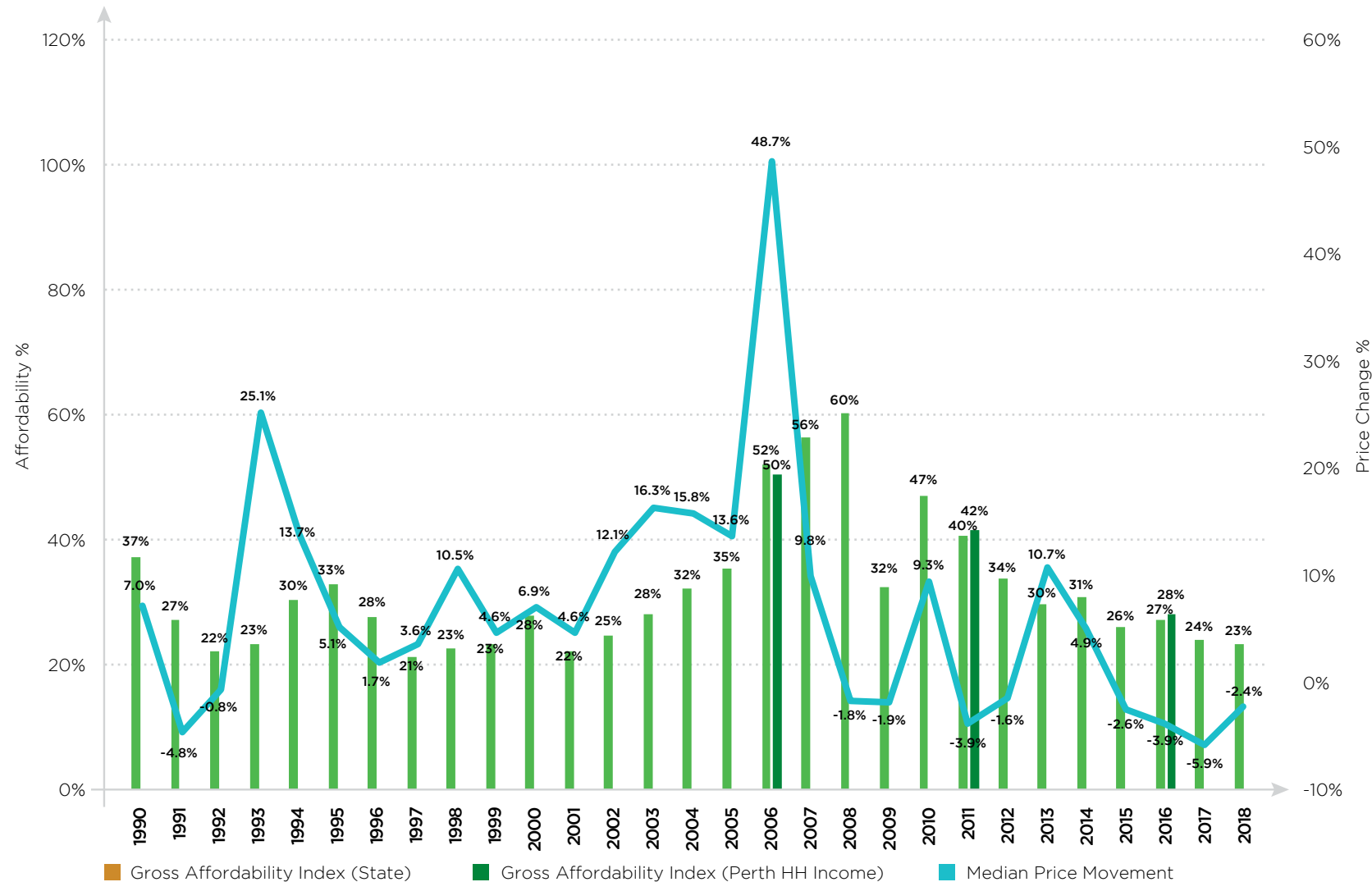
This graph displays the ABS figure for the number of jobs created in the private and public sectors state wide.



POSITIVE

AFFORDABILITY INDEX (HOUSE) V. PRICE MOVEMENT

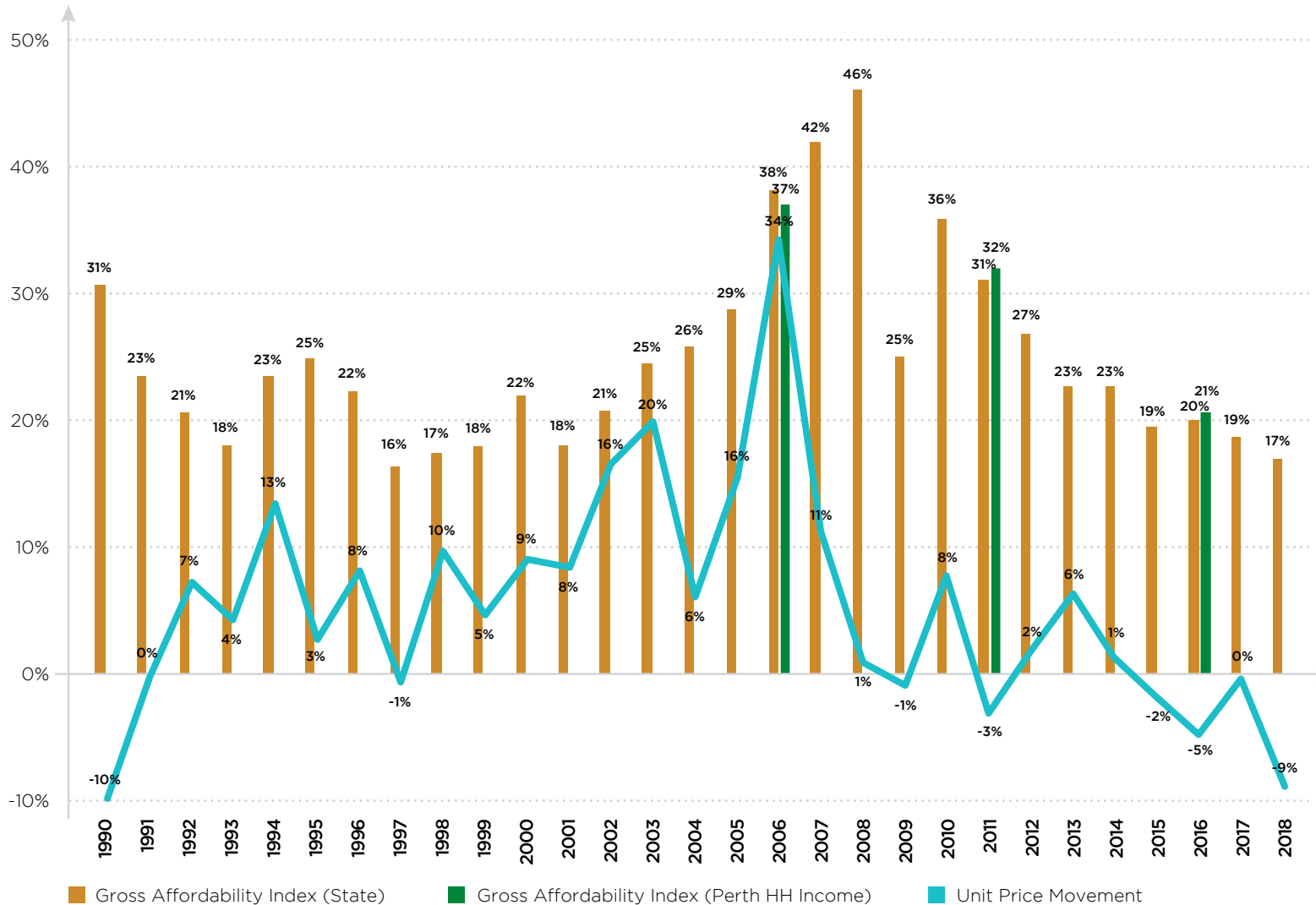
This graph displays the relationship between affordability and its impact on house price movements. The Affordability Index (AI) is calculated using the median price, median income, assuming an LVR of 80% and the current interest rate. PPA's AI is a measure of the average mortgage repayments versus the average income.



POSITIVE

AFFORDABILITY INDEX (UNIT) V. PRICE MOVEMENT

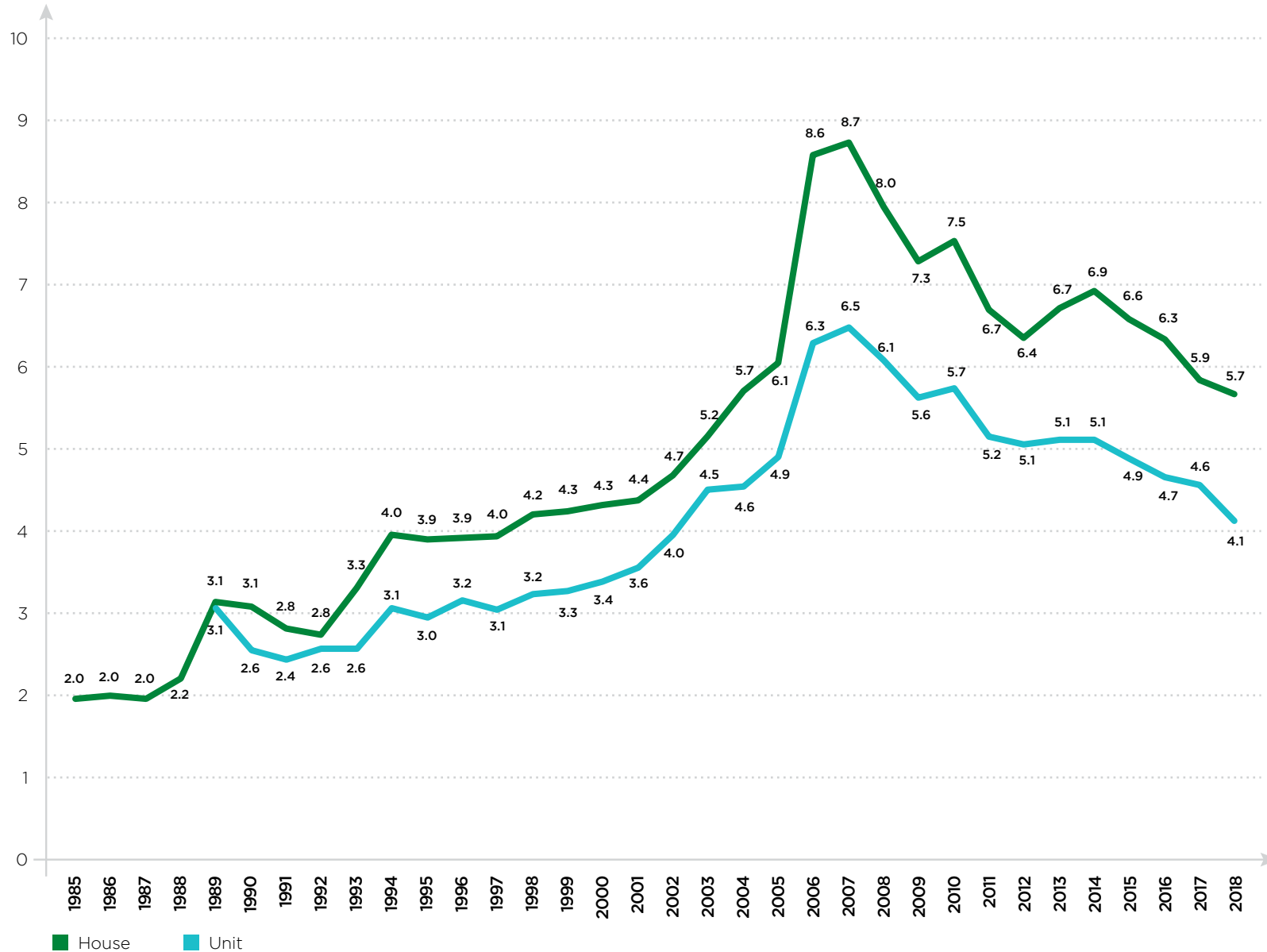
This graph displays the relationship between affordability and its impact on unit price movements. The Affordability Index is calculated using the median price, median income, assuming an LVR of 80% and the current interest rate. PPA's AI is a measure of the average mortgage repayments versus the average income.



POSITIVE

PRICE TO INCOME RATIO

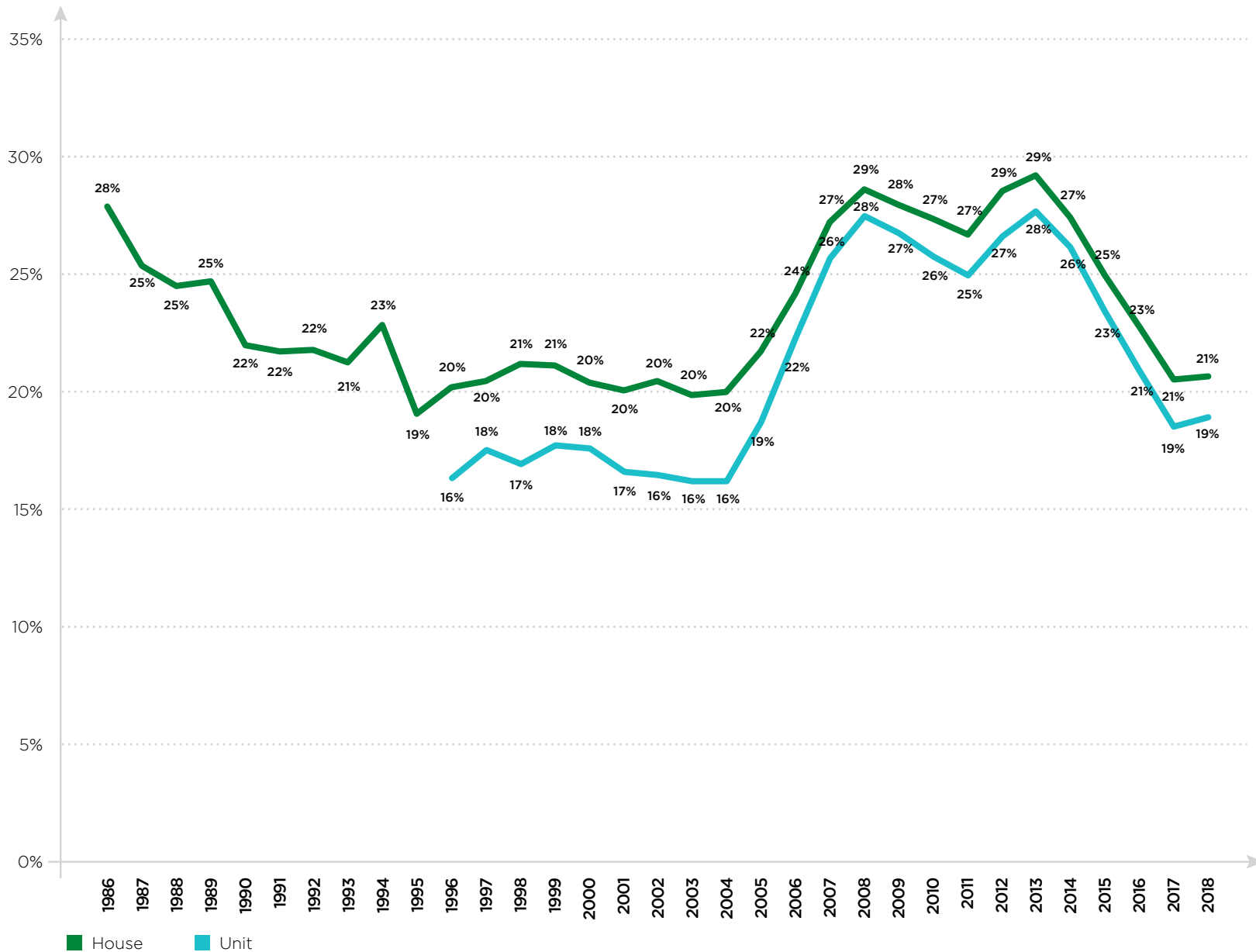
This graph displays the price to income ratio which is the relationship between the median house price and the average annual income. This also represents the average time taken to save a 20% deposit when assuming 20% of the average wage is saved.



POSITIVE

INCOME TO RENT

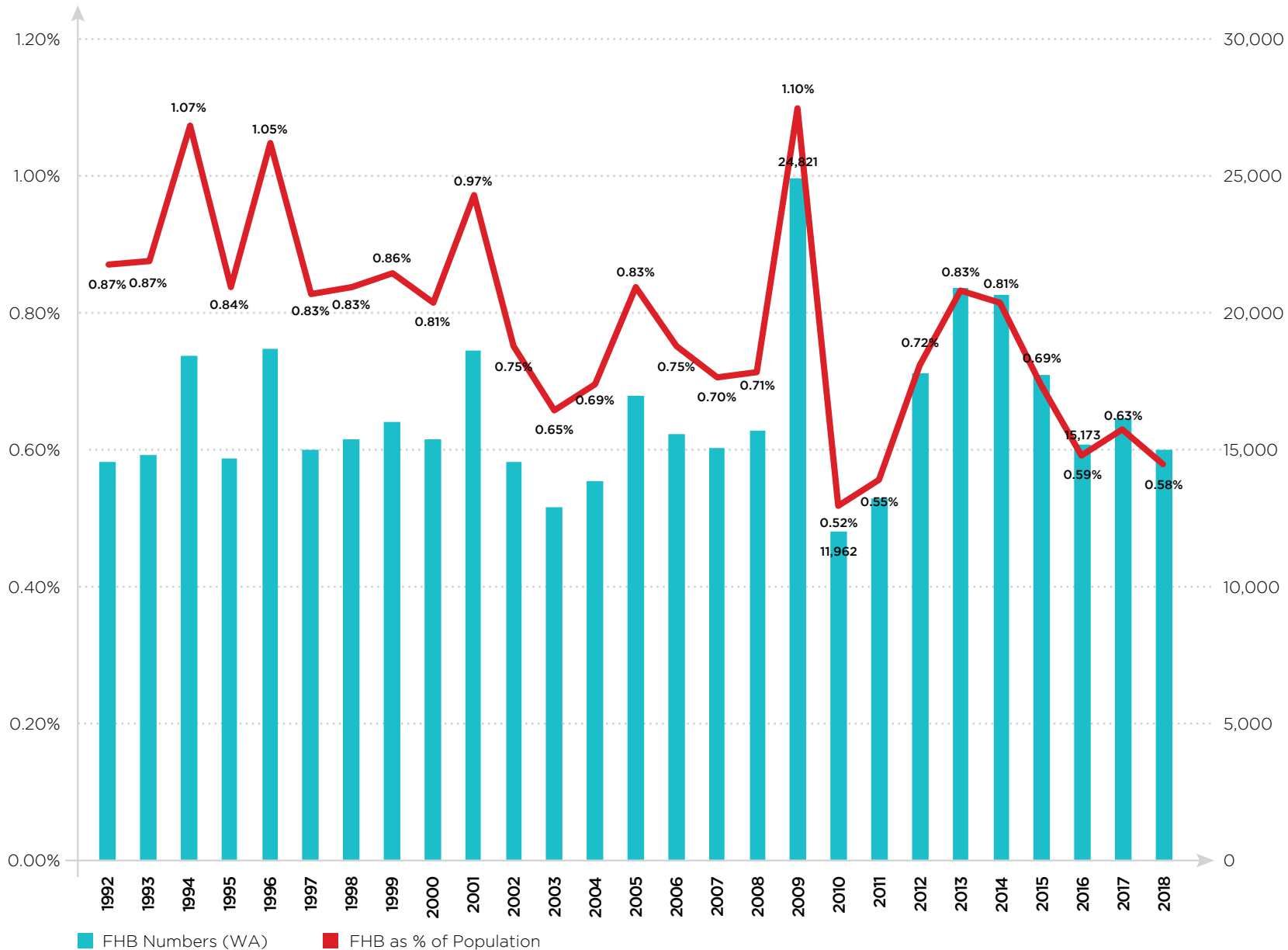
This graph demonstrates the percentage of the average wage that goes towards paying the median rent.



POSITIVE

FHBS AS A % OF POPULATION

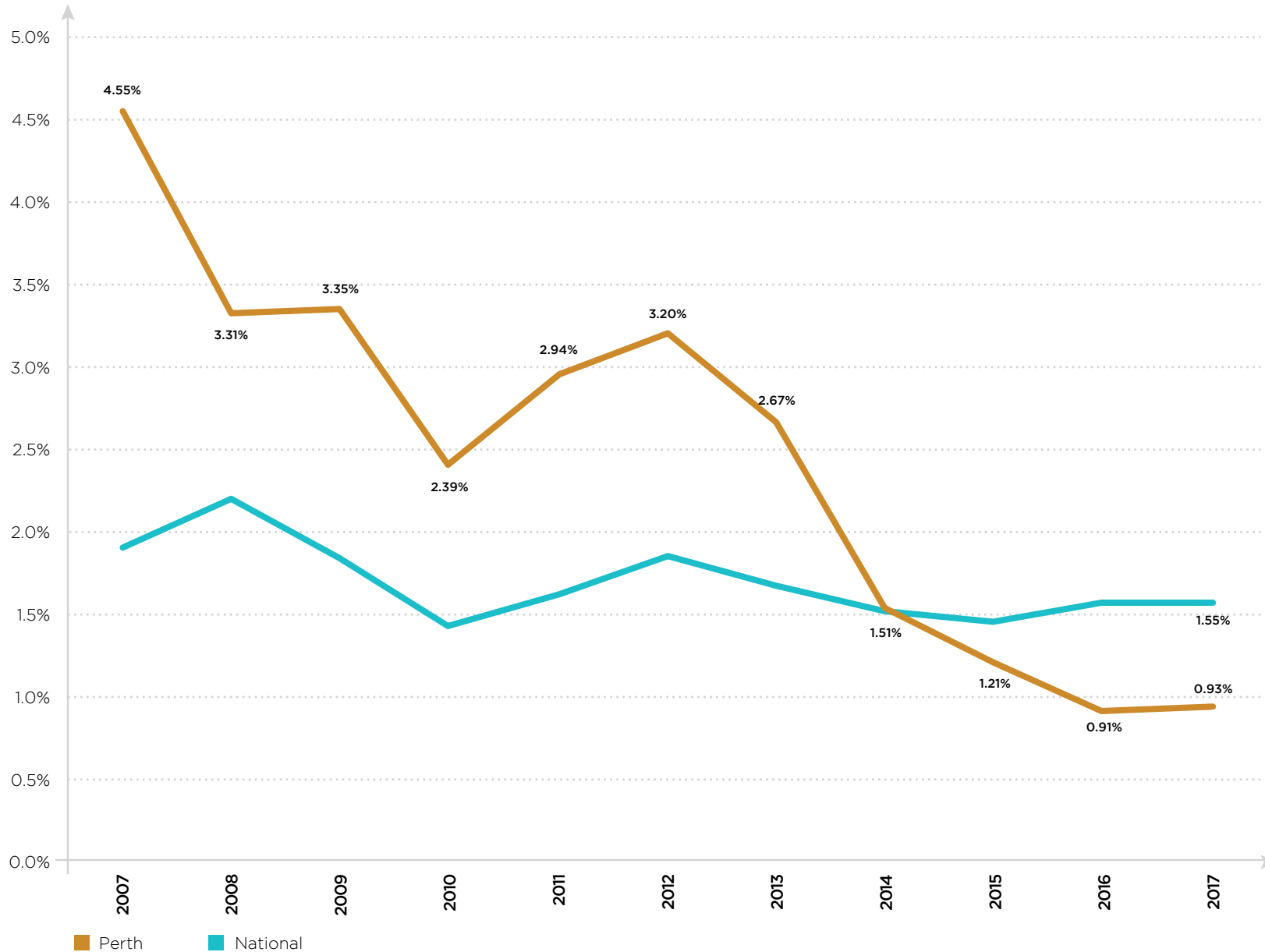
This graph shows the percentage of first home buyers (FHB) relative to the state population.



NEGATIVE

CHANGE IN POPULATION

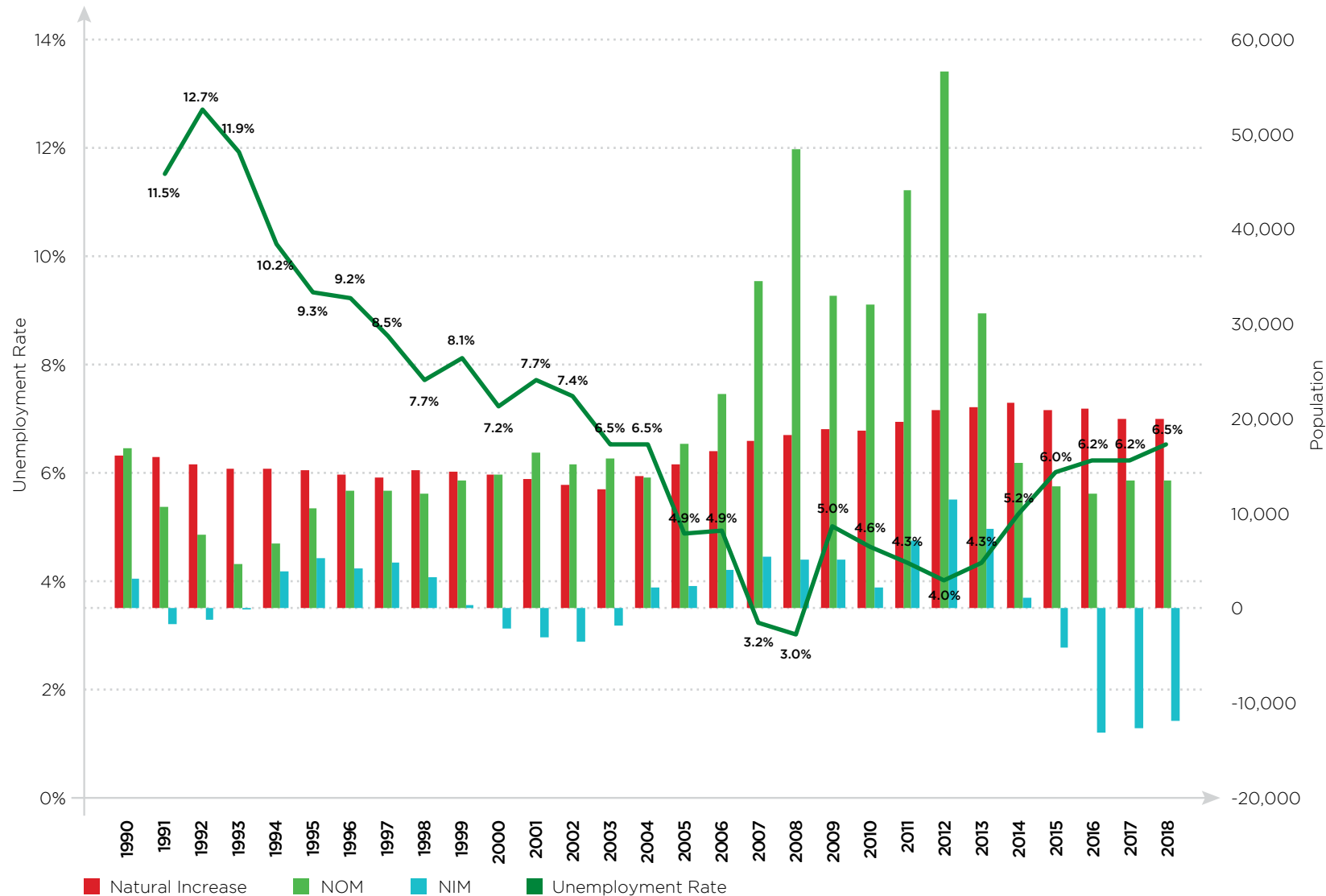
This graph shows the percentage change in the population growth rate for the city, state and Australia.



SLIGHTLY
NEGATIVE

WESTERN AUSTRALIA POPULATION MOVEMENT TYPE

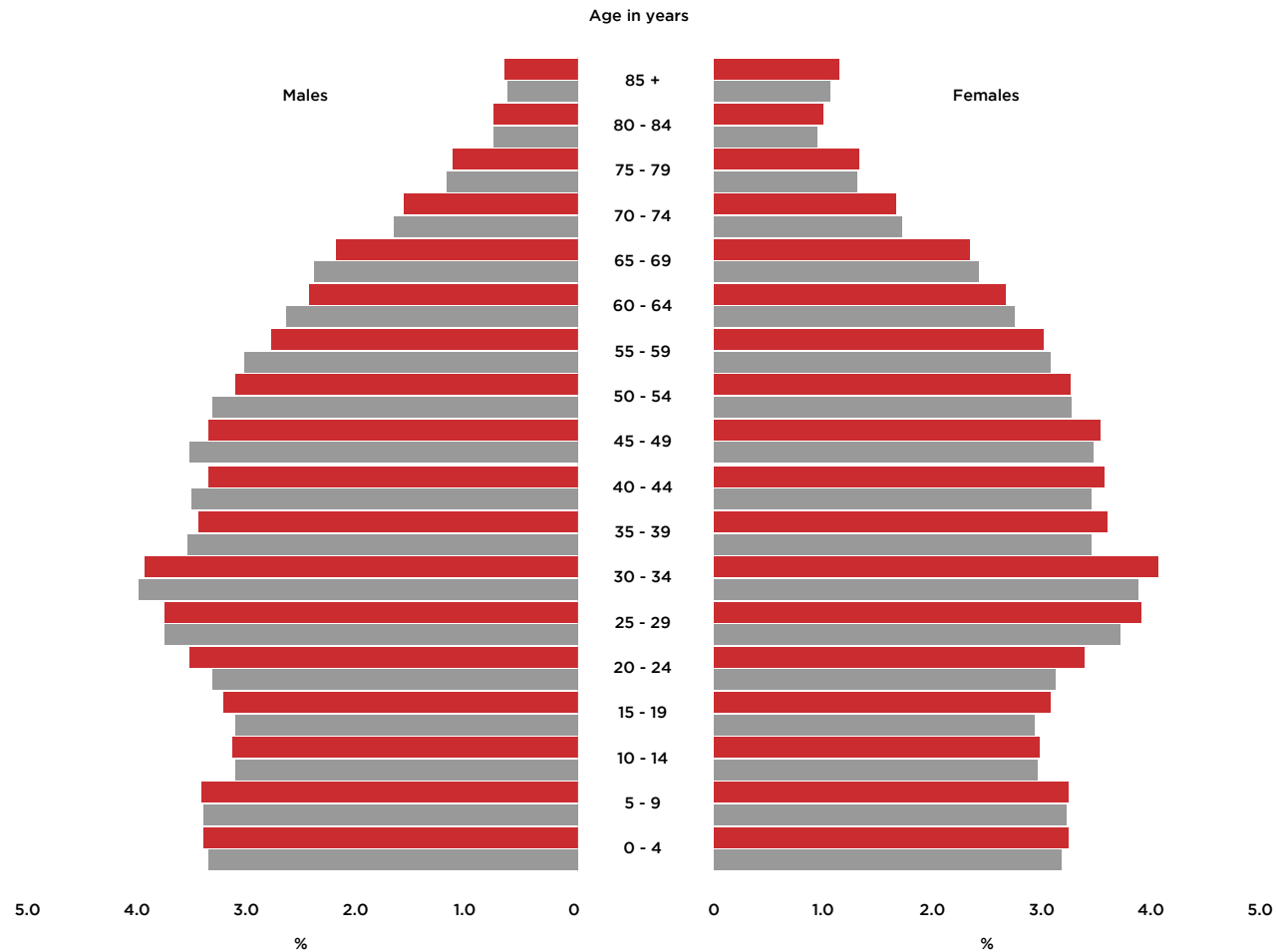
This graph demonstrates the breakdown of Natural Increase, Net Overseas Migration (NOM) and Net Interstate Migration (NIM) for the state.



NEGATIVE

POPULATION PYRAMID

The population pyramid demonstrates the breakdown of the different ages and sex percentages of the population. The dominant consumer base of a population is the 35 to 49 age brackets and ideally we like to see the preceding age brackets larger as they age to replace the existing group.



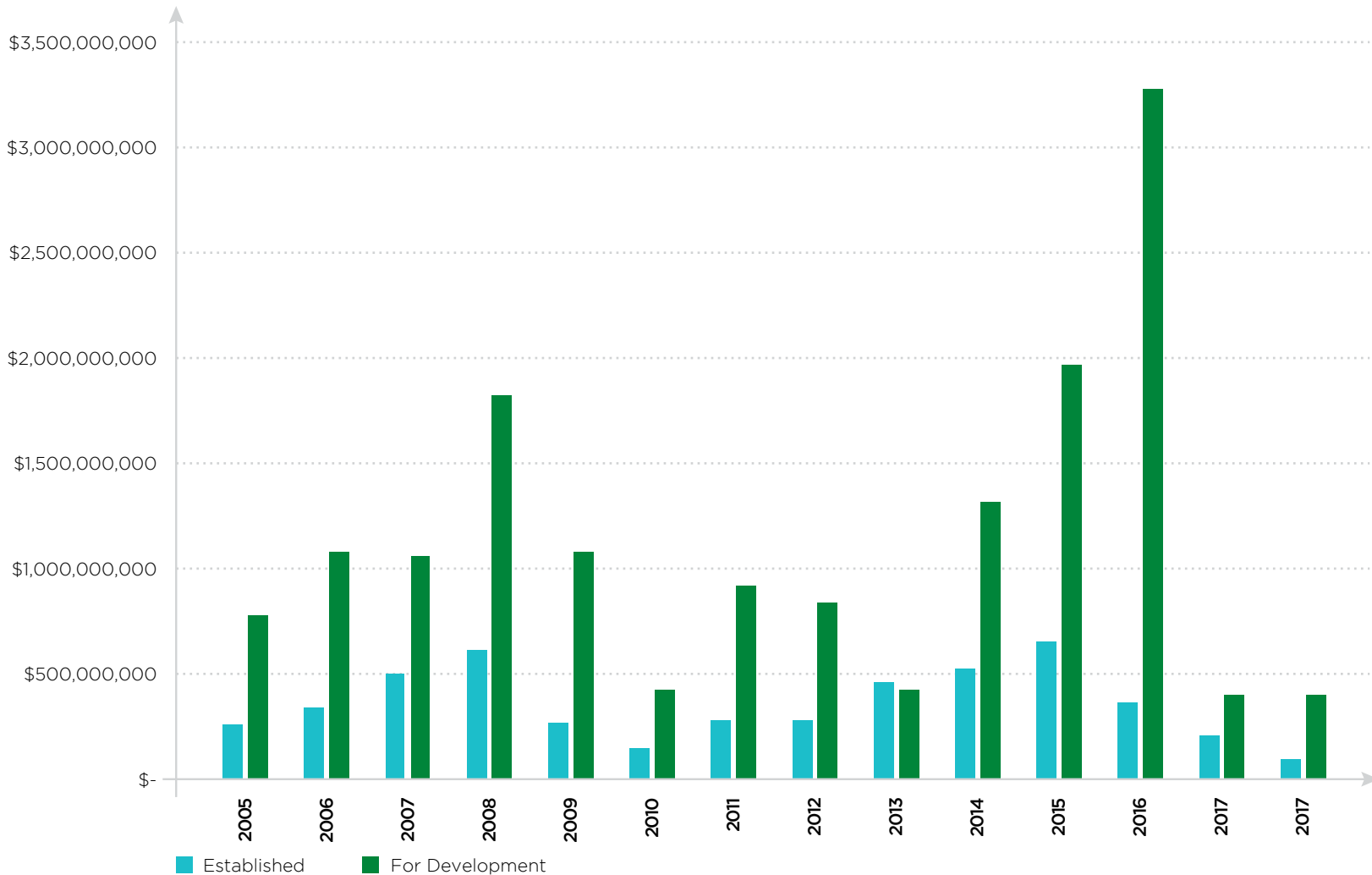
Source: Australian Bureau of Statistics, Census of Population and Housing, 2016 (Usual residence data)
Compiled and presented in profile.id by .id, the population experts.

■ Greater Perth ■ Western Australia

POSITIVE

FOREIGN INVESTMENT APPROVALS - NEW V. ESTABLISHED PROPERTY

This graph shows the amount of foreign investment approvals for the state's residential market since 2005. Approvals are broken down into established property and developed/for development.

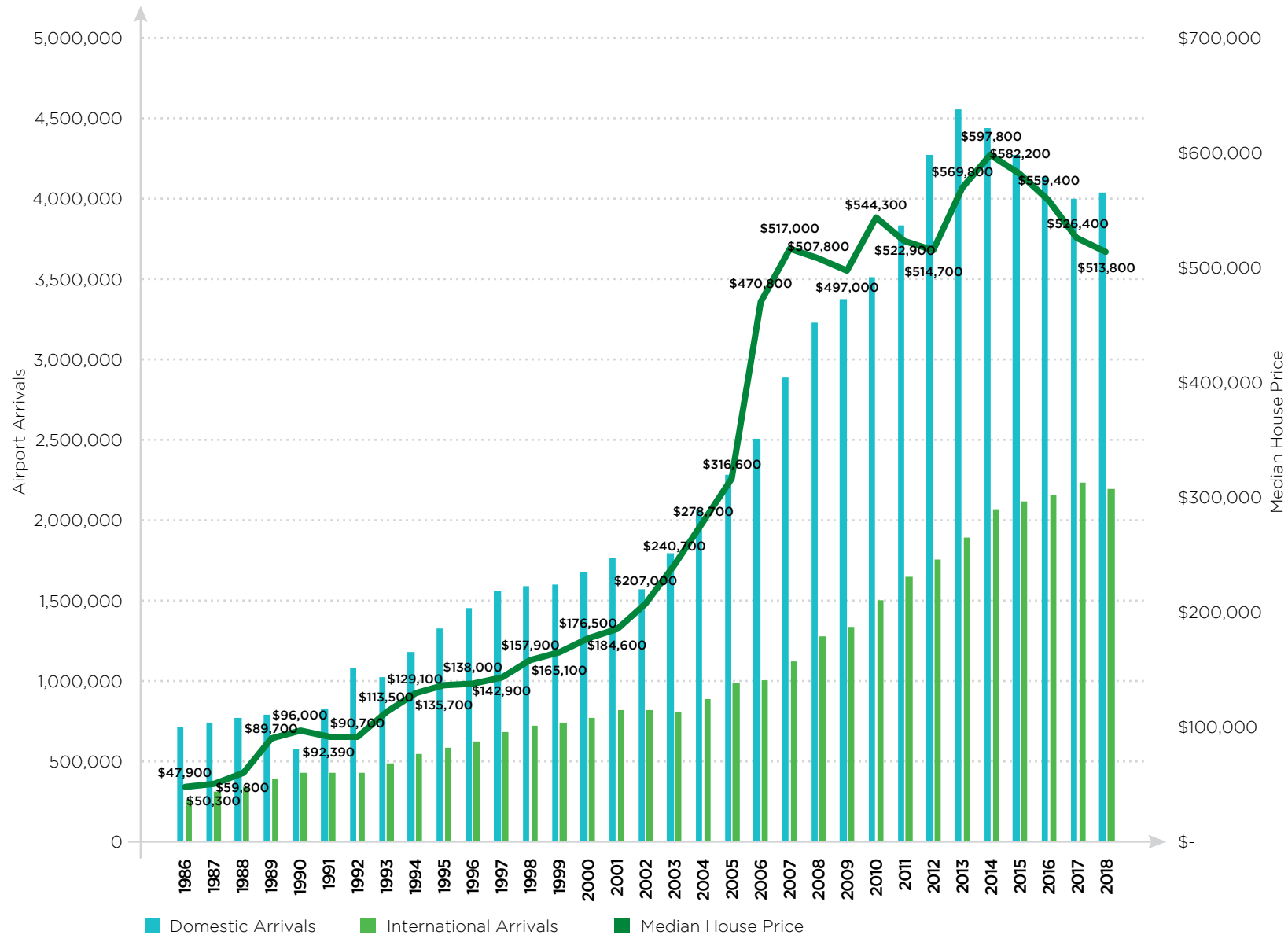


POSITIVE

PERFORMANCE
PROPERTY DATA

AIRPORT ARRIVALS

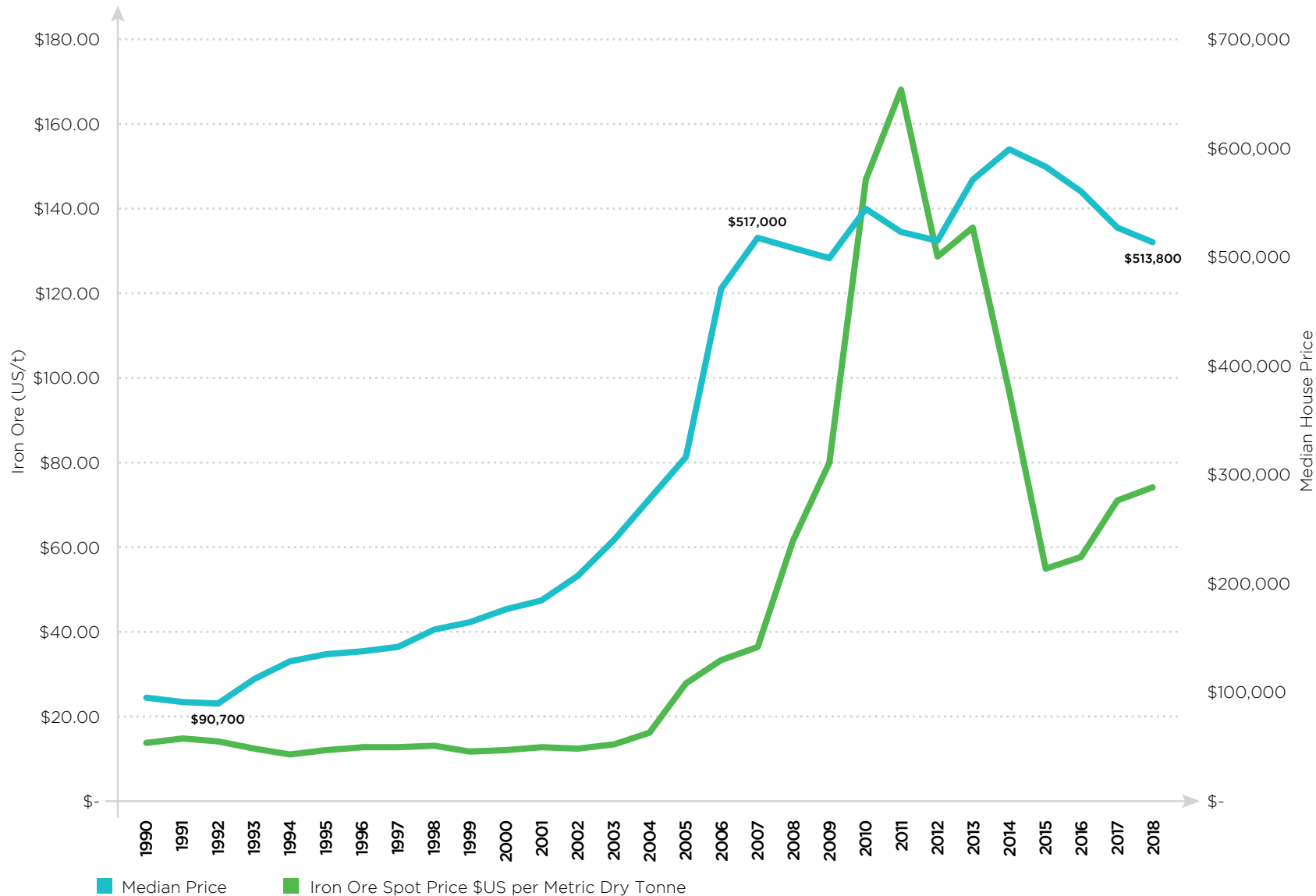
This graph shows the numbers for International and Domestic arrivals into the city's airport from 1986 plotted against the median house price.



SLIGHTLY
POSITIVE

IRON ORE PRICE V. MEDIAN HOUSE PRICE

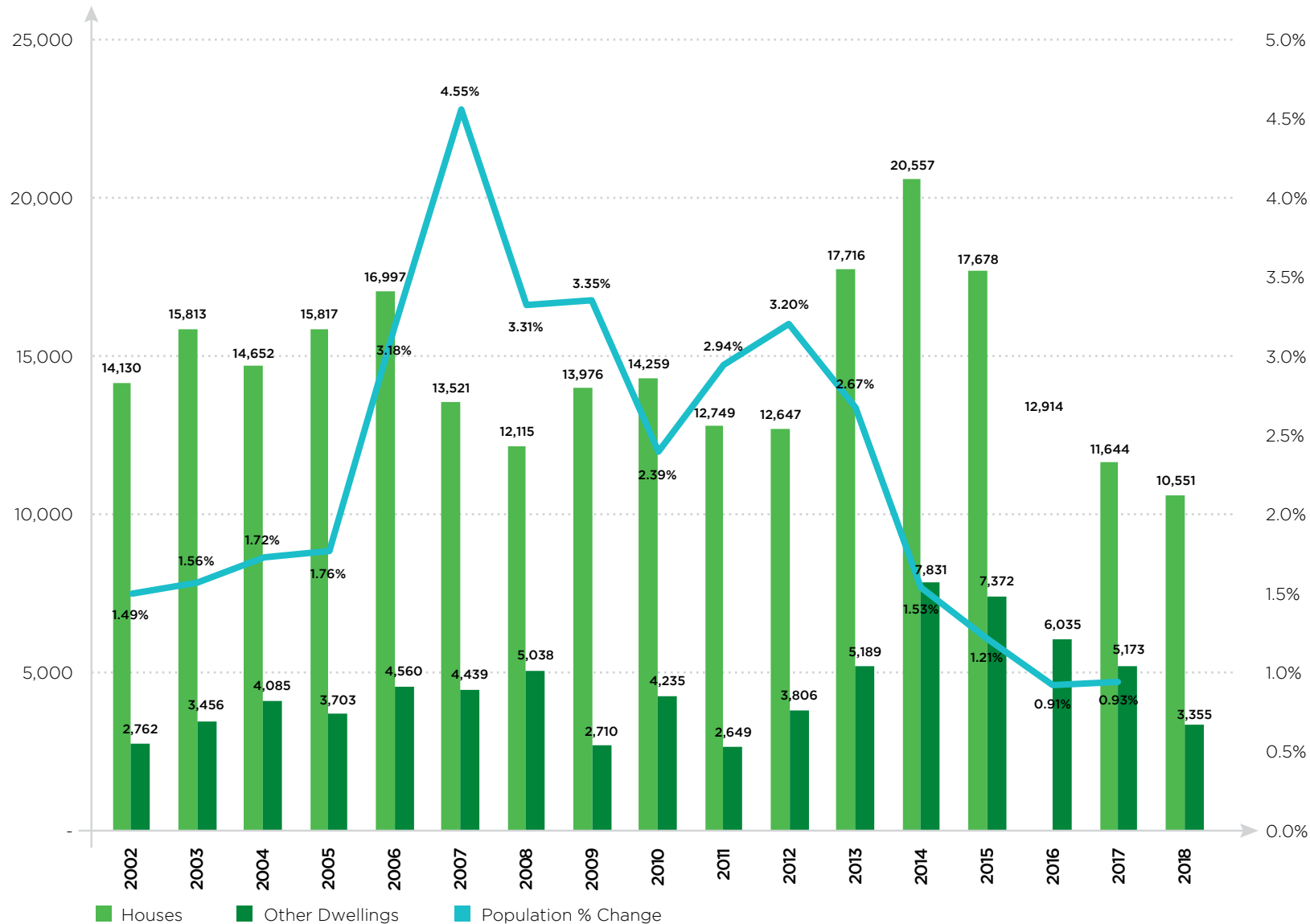
This graph displays the relationship between the iron ore price and median house price.



SLIGHTLY
POSITIVE

DWELLING APPROVALS V. POPULATION % CHANGE

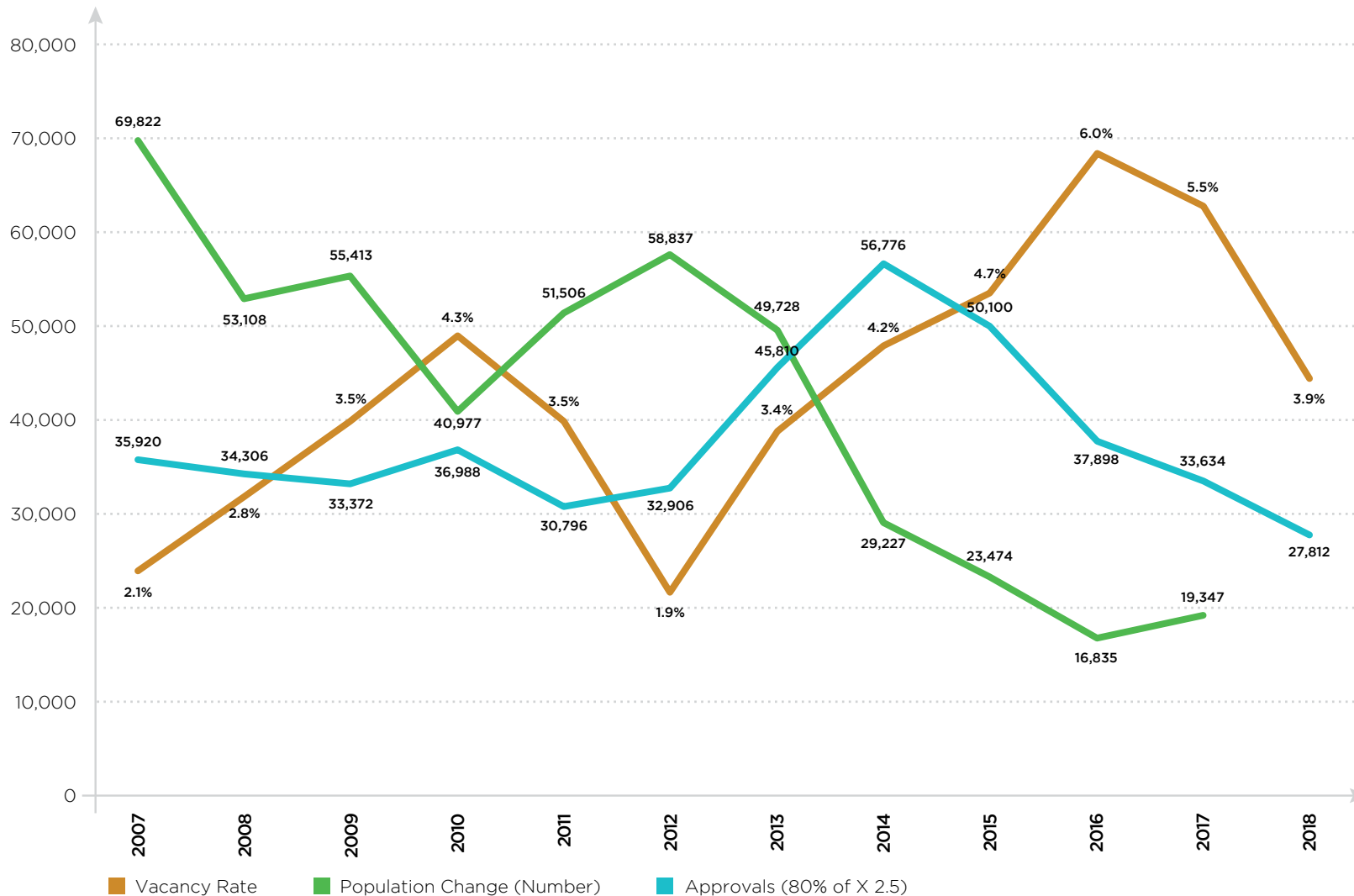
This graph shows the relationship between population growth and dwelling approvals in the Greater City region.



POSITIVE

BEDROOM APPROVALS V. POPULATION CHANGE

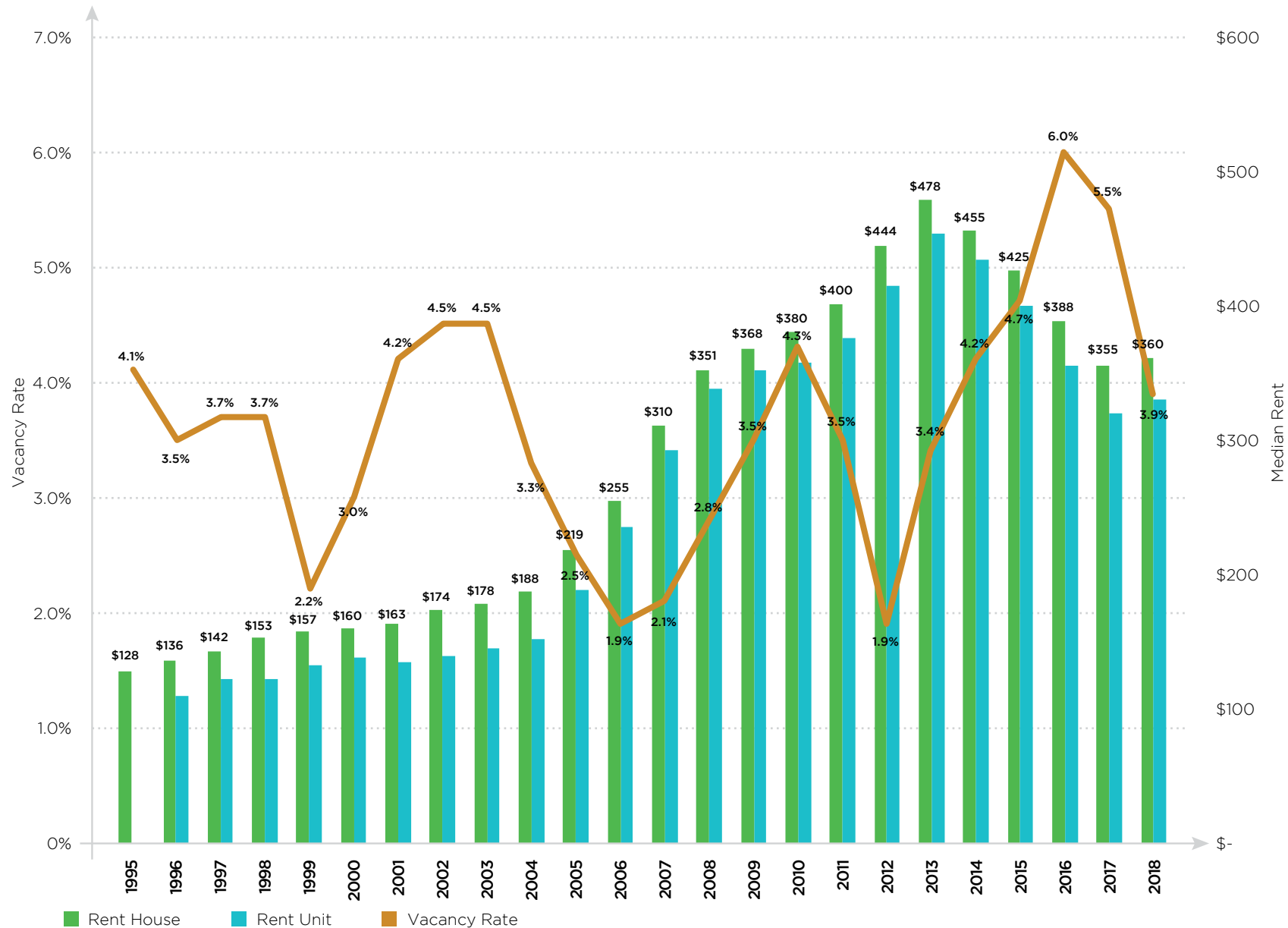
This graph shows the relationship between the assumed number of bedrooms being commenced, the change in population numbers and the vacancy rate. PPA calculates this assuming 80% of approvals commence, and multiplying by the average household size of the city.



SLIGHTLY
NEGATIVE

VACANCY RATE V. RENT

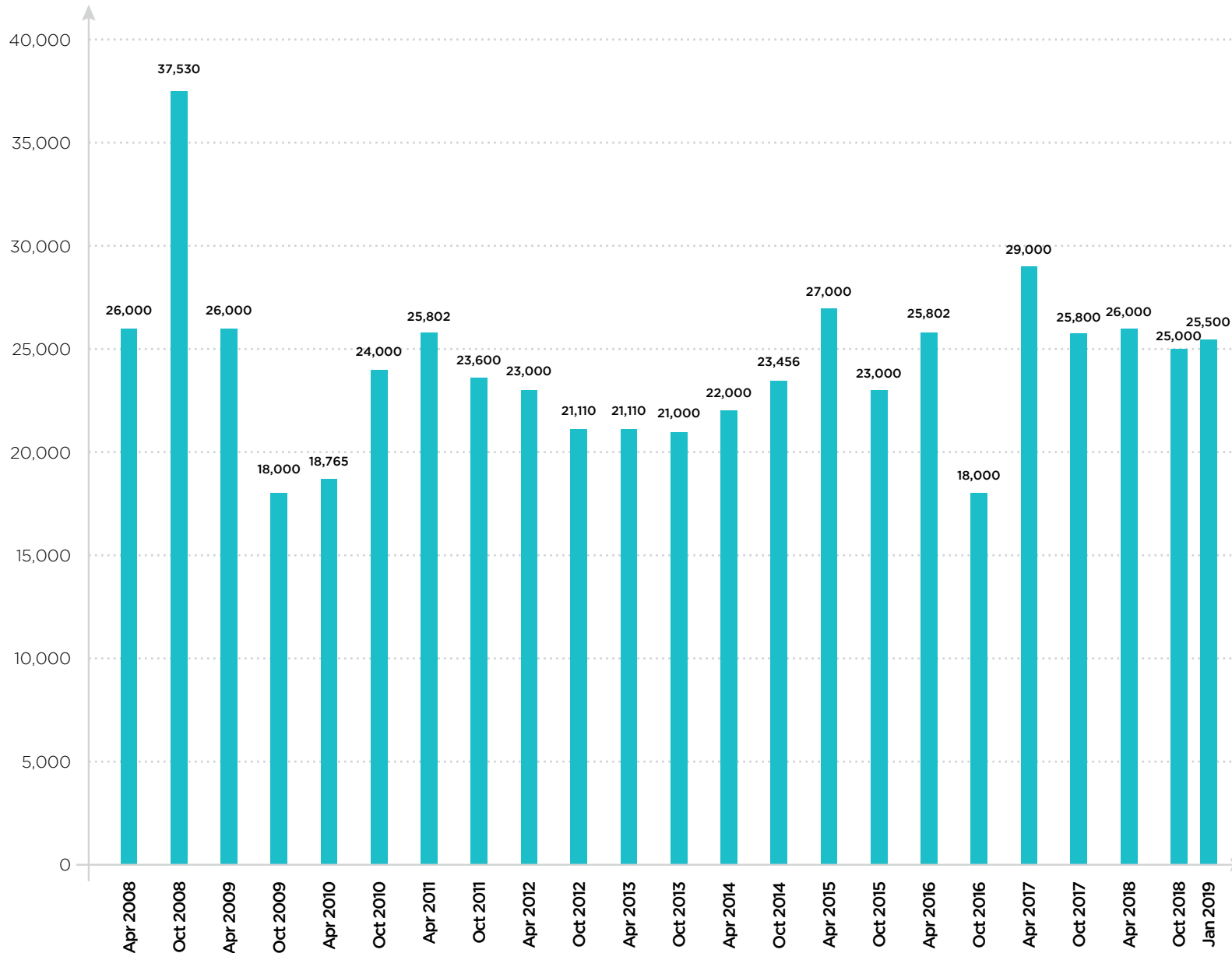
This graph displays the relationship between rental growth for both houses and units and the vacancy rate.



SLIGHTLY
NEGATIVE

STOCK ON MARKET

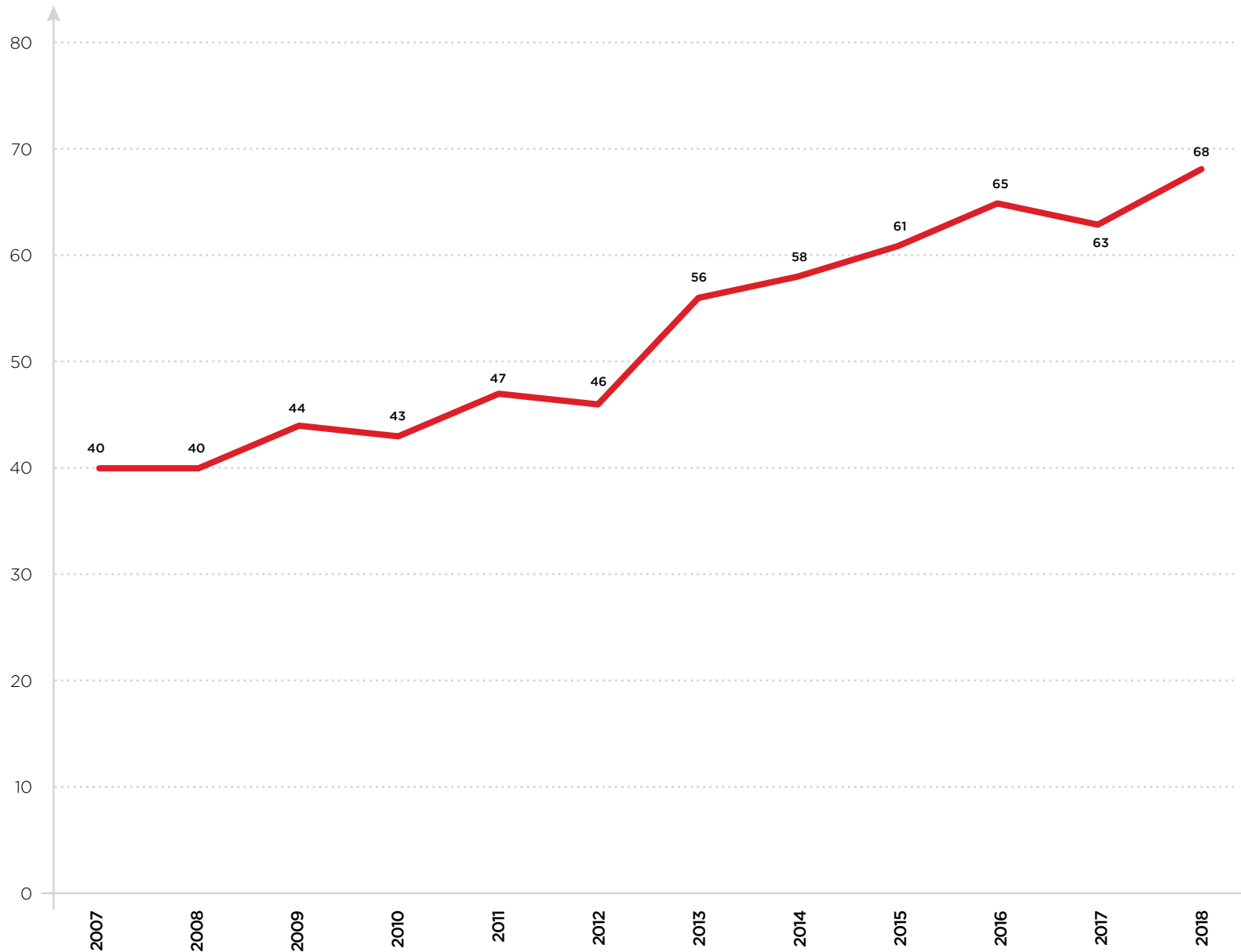
This graph displays the average days on market and stock on market.



NEUTRAL

AVERAGE DAYS ON MARKET

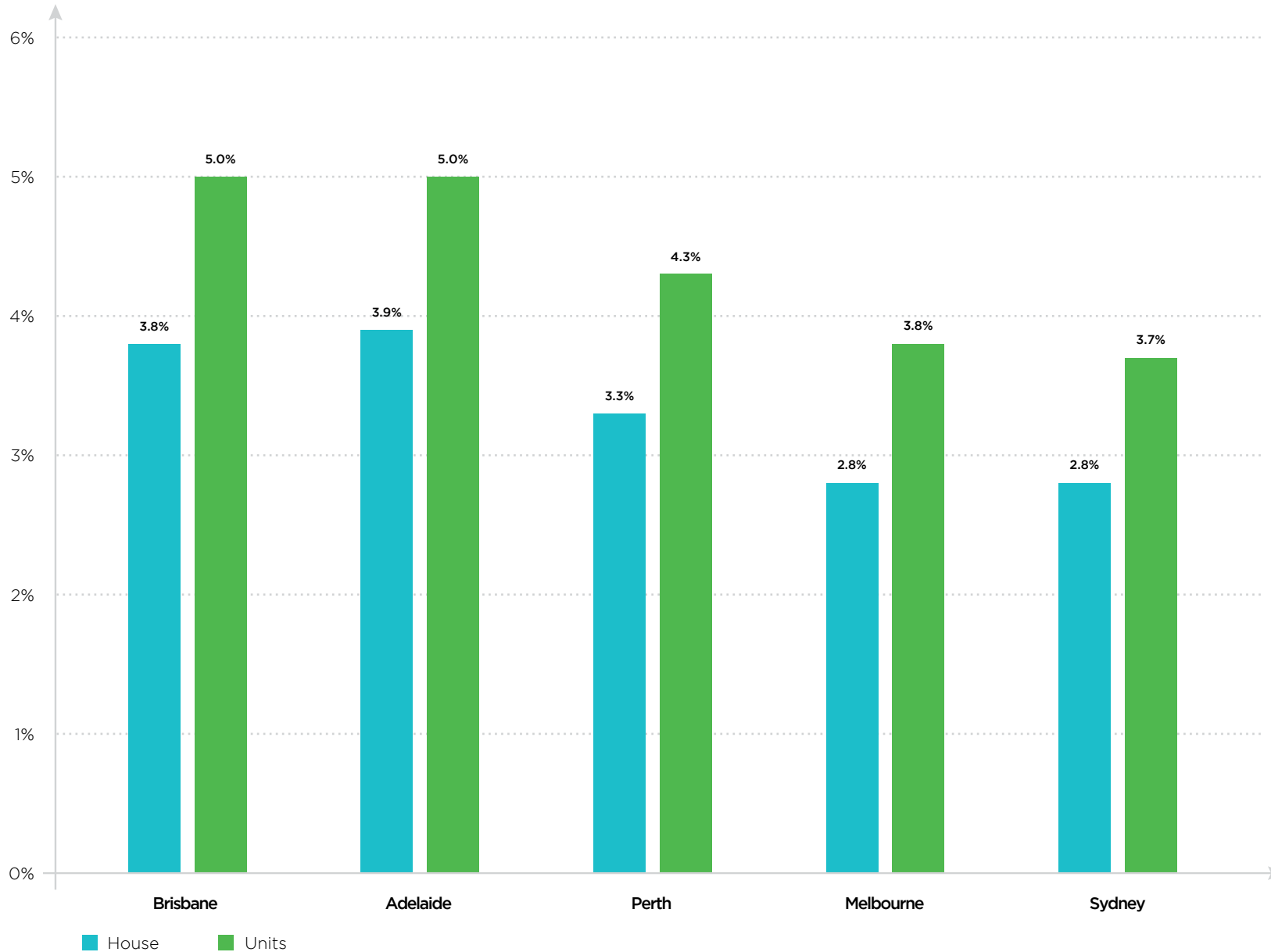
This graph displays the trend for the average number of days on the market.



NEGATIVE

CURRENT INVESTMENT VALUE

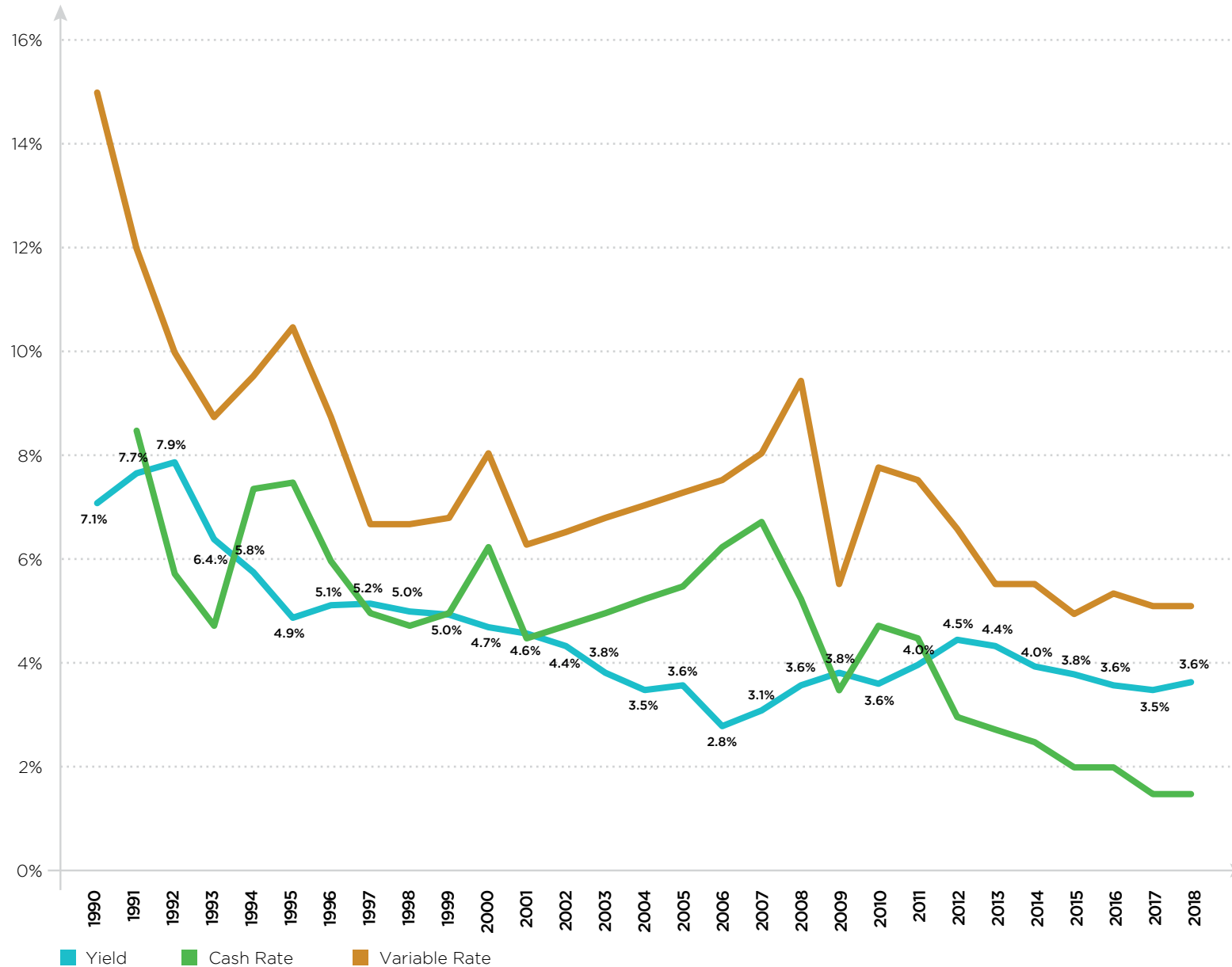
This graph compares the gross yield for houses and units in each of the five major capital cities.



NEUTRAL

YIELD V. INTEREST RATES

This graph displays house and unit yields against the variable and cash rates.



NEUTRAL

CAPITAL CITY LONG TERM PRICE COMPARISON (HOUSE)

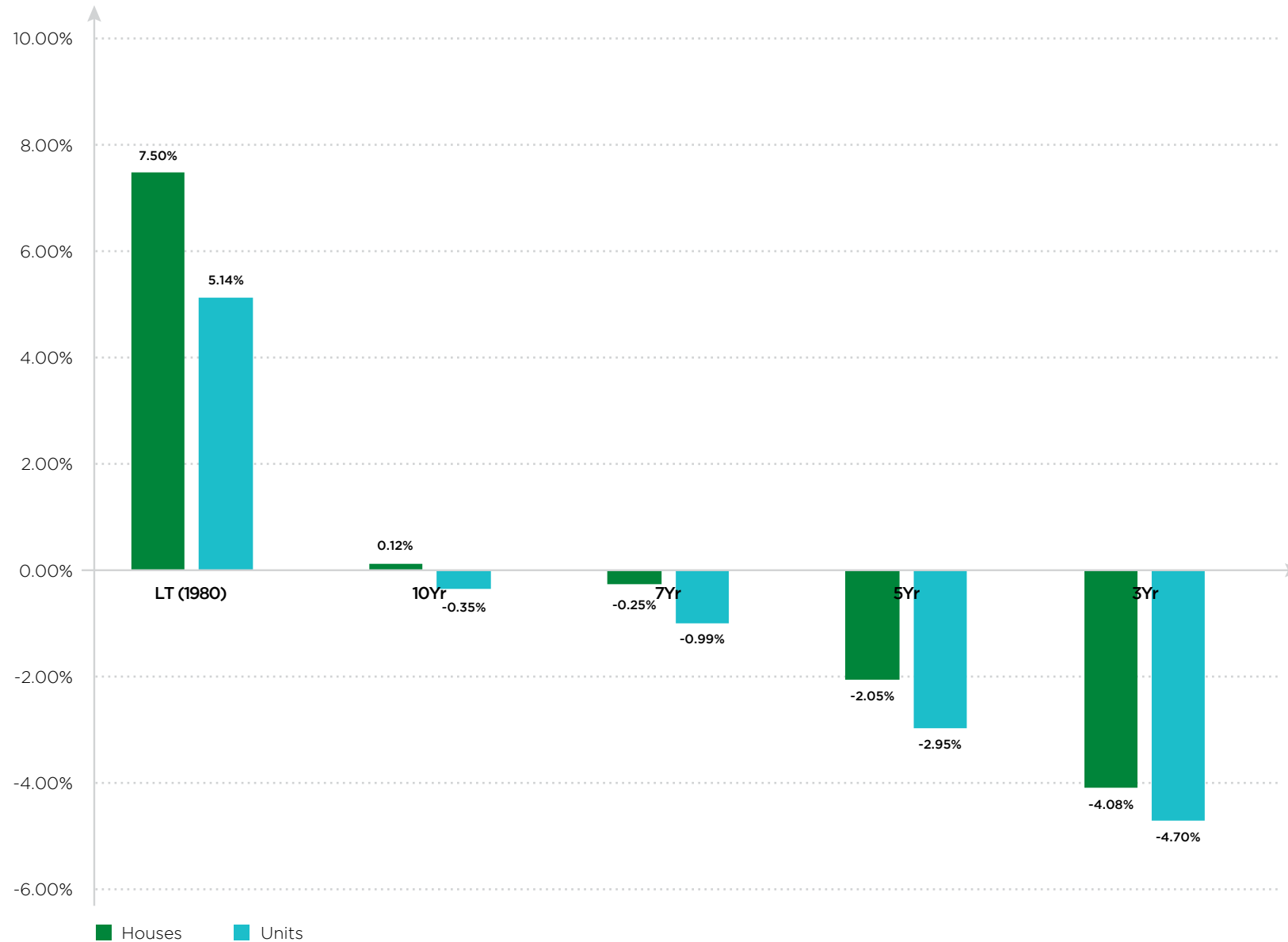
This graph displays the median price relationships between the five major capital cities in Australia over the last 10 years and since 1980.



POSITIVE

LONG TERM TRENDS

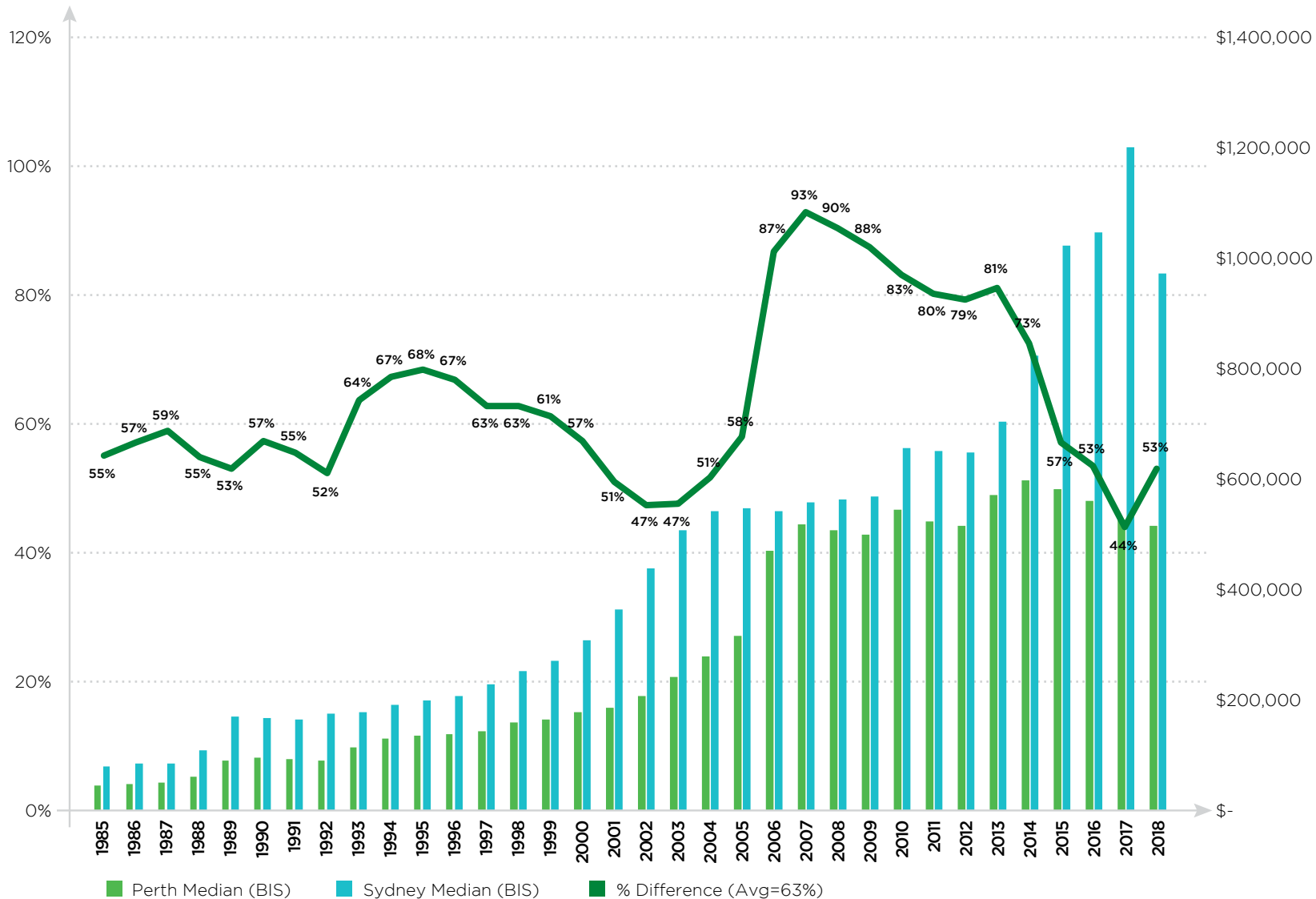
This graph displays the annual compounded growth rates for houses and units over the long term, and the last 10 years, 7 years, 5 years and 3 years.



POSITIVE

PERTH V. SYDNEY HOUSE PRICE MOVEMENT

This graph shows a relationship between the Perth median and the Sydney median and the percentage difference between them for each year.



POSITIVE

WHY USE US?

INVESTMENT PHILOSOPHY

PERFORMANCE PROPERTY ADVISORY IS A DYNAMIC PROPERTY FIRM PROVIDING PROPERTY ACQUISITION SERVICES ACROSS AUSTRALIA. OUR FIRM IS COMPLETELY RESEARCH DRIVEN AND WE APPLY A SOUND COUNTERCYCLICAL INVESTMENT APPROACH.

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Our objective is not to buy you a property. Purchasing a property is the last step in our considered and thorough process.

Our mission is to understand and satisfy your needs - financial or emotional, in a low risk and efficient manner. Our objective is to build you wealth through sophisticated property investment. We believe in everything we do because we treat your investment portfolio like it was our own.

OUR PROCESS

RESEARCH

Macro Micro Property

ACQUIRE

Find Assess Negotiate

MANAGE

Property Management

REVIEW

Annual Portfolio Review

ADVISE

Hold Improve Dispose

PERFORMANCE PROPERTY ADVISORY SERVICES

- Property Acquisition
- Property Management
- Portfolio Review
- Sales Advisory / Vendor Advocacy

DATA SOURCES:

- Australian Bureau of Statistics
- BIS Shrapnel
- Residex
- SQM Research
- CoreLogic RP Data
- Foreign Investment Review Board
- Australian Trade & Investment Commission

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