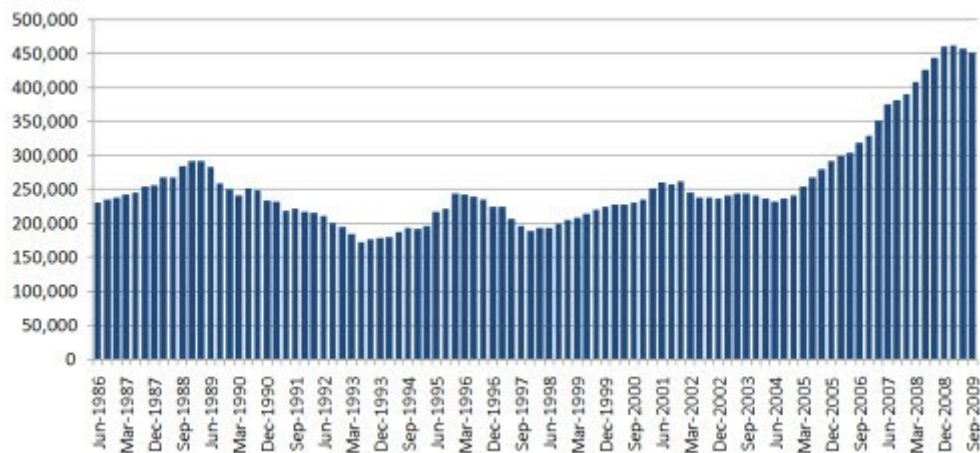


Population breaks the 22 million mark

Australia's ongoing population boom is creating opportunities as well as challenges.

During the September quarter Australia's residential population broke the 22 million mark. Fuelled by one of the highest population growth rates in the Western world, the number of Australian permanent residents was estimated to be 22,065,671 persons; 451,876 more than at the same time last year.

Annual change in Australia's population



Population growth is an important indicator for the property market. At the macro scale, population growth is a default measure of housing demand. Put simply, more residents equate to a larger requirement for housing. The ongoing high rate of population growth is half of the reason why Australia has an ongoing shortage of housing.

Based on the average household size of 2.6 persons, the latest population growth figure equates to a requirement for around 173,800 new homes over the year to September 2009; a target that the building sector is falling well short of. The latest dwelling commencements data shows that as a nation, over year to September, we have only commenced construction on 129,400 new dwellings – about one third lower than what is needed.

In fact, the undersupply is actually worse than that. Factoring demolitions and second homes into the equation adds a further 23% to the equation (in a speech last year by Deputy Reserve Bank Governor Ric Battellino estimated that 15% of new dwellings constructed are to replace existing homes and a further 8 percent are likely to be second homes – refer to the 'Are we building enough dwellings' section of his speech here: <http://www.rba.gov.au/speeches/2009/sp-dg-251109.html>).

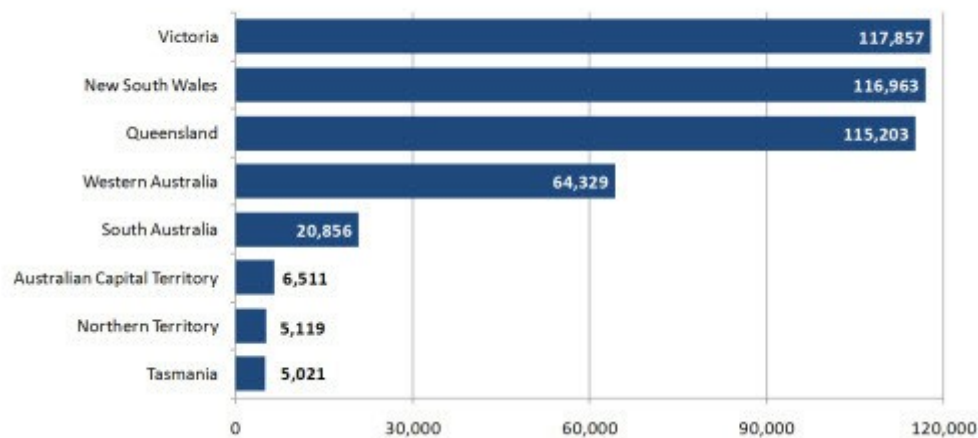
The primary driver of population growth in Australia remains overseas migration which accounts for about 65% of the nation's overall growth. The remaining component of population growth is the natural increase (births minus deaths). Despite the number of overseas settler arrivals trending downwards last year, net overseas migration to the country remains exceptionally high. This is largely due to fewer long term residents deciding to leave Australia thanks to our comparatively healthy economic conditions. The number of long term resident departures has been trending downwards since peaking in March 2008, which has more than offset the lower number of new overseas settler arrivals.

Components of population change



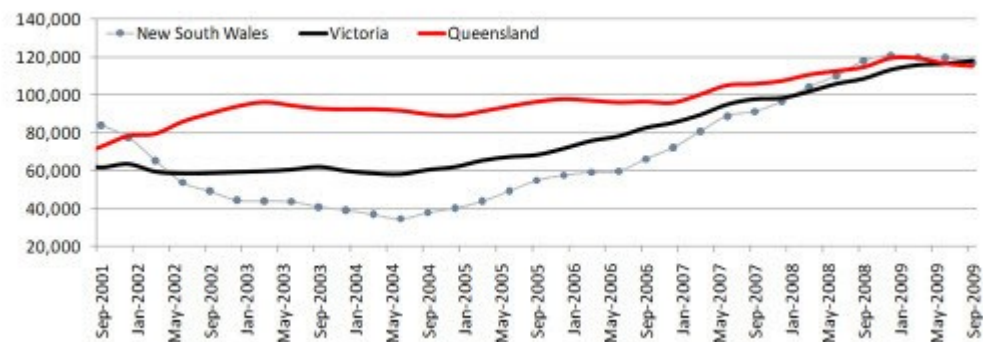
On a regional basis, the Eastern Seaboard states continue to record the highest number of new residents. Victoria, New South Wales and Queensland account for 78% of Australia's overall population growth over the year to September 2009.

Change in estimated number of residents – state by state



In September there was a changing of the guards, with Victoria taking the lead as the state with the highest level of population growth over the 12 month period. Since the ABS records began for this series of population growth (1981), this is the first time that Victoria has outgrown Queensland and New South Wales (even though it is by the barest of margins – Victoria's population grew by just 0.8% more than New South Wales over the year).

Annual change in population – NSW v Vic v Qld



Looking at the speed of population growth, it is Western Australia where the population is growing the fastest. Over the year the population of Western Australia increased by 2.9

percent – well above the national average of 2.1%.

There are opportunities and challenges that become apparent with a consistently high rate of population growth. From a positive sense, population growth creates economic stimulus. More people means more demand for Australian goods and services. Also, with an ageing population and baby boomers moving into retirement, population growth provides more tax payers rather than higher taxes amongst a smaller pool of working Australians.

The real challenge, however, is ensuring Government policy is aligned with population growth. That means ensuring a strategic population growth strategy is in place, major infrastructure developments and upgrades run in parallel with population increases and enough strategically located and developable land is released to accommodate our growing cities.