

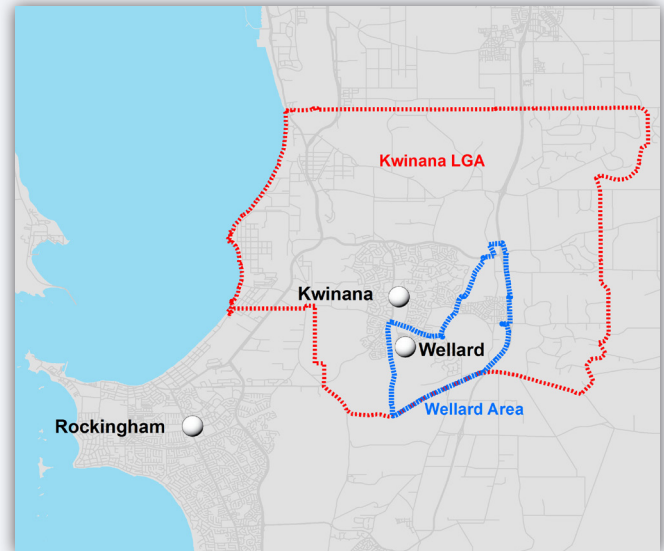


Wellard Investor Report

Wellard Overview

Wellard is located within the south-west coastal strip of Perth's metropolitan region, 37km to the south of the CBD. The 'Wellard Area' has been based on the ABS Bertram-Wellard Statistical Area 2, which focuses around newer estates in Bertram and Wellard.

This fast growing community is located within the City of Kwinana, which is the one of the fastest growing municipalities in WA averaging 4% population growth over the last decade. Wellard is less than a 5 minute drive from the Rockingham and Kwinana Centres which are continuing to receive high levels of public and private investment. The Wellard community will include The Village at Wellard Town Centre with a major supermarket and a range of retail and services. More importantly, the suburb is based around a train station with strong access to key destinations including Perth (less than 30 minute train journey), which will drive demand in the future.



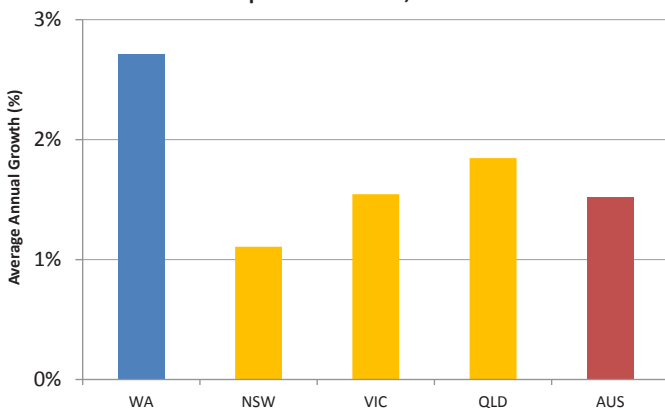
Greater Perth and Western Australia Economic Overview

Both Western Australia and Perth are benefiting from a structural uplift in mining, energy and resource investment in Australia. The investment cycle in WA's mining sector is now in full swing in spite of recent media coverage regarding a potential slow down in mining investment. New capital expenditure by mining companies climbed (6.6%) over the year to June 2013 and now topping \$48b. To put this into context, it is now more than double the peak of the last boom (Dec 2008) with many of these projects already under construction. It is anticipated these projects will continue to create employment opportunities as they move into the operation and maintenance phase. This has and will continue to underpin strong growth in the Western Australian economy. The Gross State Product (GSP) of WA has experienced above average growth since 2005-06 and has

supported both employment and population growth. Currently, WA has one of the lowest unemployment rates in the country, at 5% in August 2013. Similarly, WA has had the highest population growth rate of all major states since 2006, averaging 2.7% per annum. This growth has been from a combination of strong fertility rates and inward migration from interstate and overseas, including US, UK, New Zealand and South East Asia.

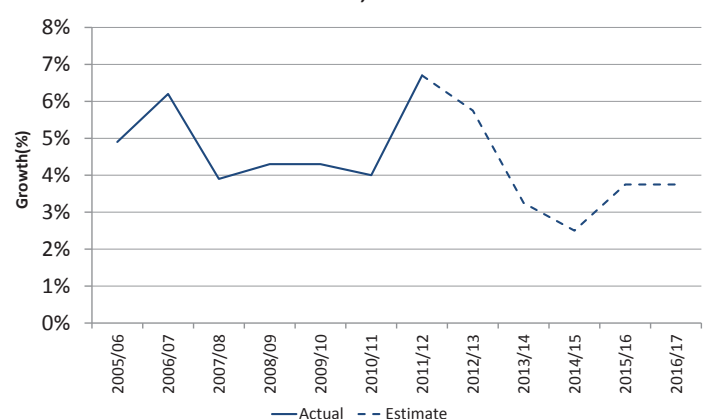
Greater Perth has had one of the most dynamic housing markets in Australia. Since 2004, established house prices in Greater Perth have increased over 100%, despite the GFC and subsequent market environment. This is well above the 43.6% increase across all Capital Cities, demonstrating the dynamism of the Greater Perth market.

Annual Population Growth, 2006 to 2012



Source: ABS Regional Population Growth Cat No 3218 (2013)

Gross State Product, Western Australia

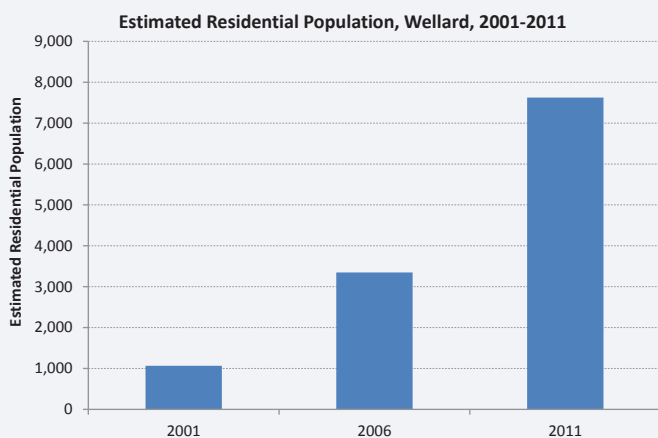


Source: ABS National Accounts Cat No 5220, WA Treasury (2013)

Population and Demographics

RPS has explored the population and demographics of the Wellard region at the most recent census. Some of the key demographic findings of the region are as follows:

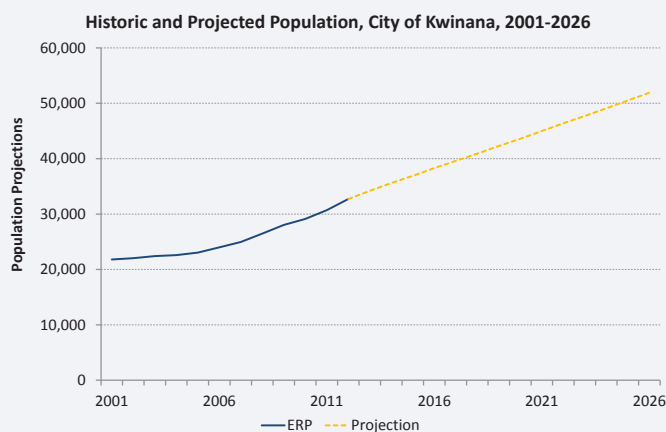
- Population of 7,624 in 2011 - growth of 22% yearly since 2001;
- At present the largest age group are 'young workers' aged 15-39, with this group comprising 47% of the population;
- 67% were born in Australia, which is higher than the Perth metropolitan average which sits at 59.6%. Relatively large and growing proportions were from England and New Zealand;



Source: ABS Census (2011)

- The unemployment rate in the area was very low at 4.3%, below both the Perth (4.8%) and WA (4.7%) averages; and
- Average individual income for residents was \$56,120 - on par with the metropolitan Perth average (\$57,088) with the closing gap indicating a trending affluent area in comparison.

These demographics indicate a continued change in the area from a blue-collar housing market to a younger working demographic with growing affluence. The growth in population combined with increasing affluence will likely lead to an increase in demand for higher quality housing options such as that provided in Wellard.



Source: ABS Regional Population Growth (2013), WAPC WA Tomorrow (2012)

Community Facilities and Investment

The following outlines just a few major public and private investments proposed for Wellard:

Wellard Square Shopping Centre – located within The Village at Wellard, will be the focal activity centre for the area and will include a Woolworths supermarket, cafe, medical centre, pharmacy, and 16 other specialty retailers. It is expected to be completed by November 2014.

John Wellard Community Centre – the recently opened facility provides space for community groups and events to be held.

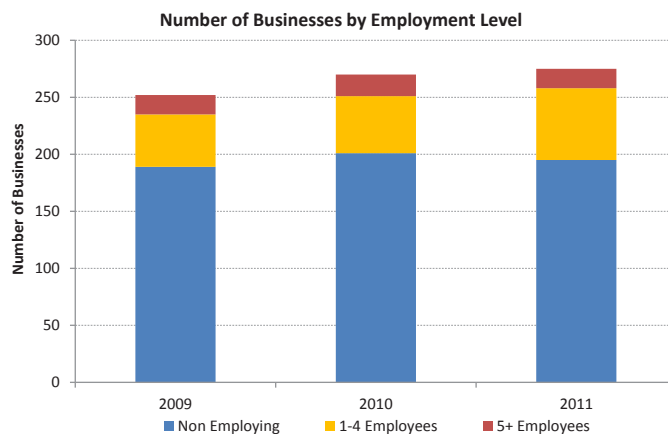
Schools and Parks – within an 800m walk of the train station, there are a number of planned community facilities and services including two primary schools, a high school and sporting fields.

Wellard Train Station – the station provides strong access to the north and south via the Mandurah Line. The train has direct access to Rockingham within 5 minutes, and Perth within 30 minutes.

Kwinana and Rockingham – Kwinana is one of the fastest developing employment hubs in metropolitan Perth. On top of the vast employment occurring in the area, there are currently \$2.7 billion in projects either under construction or in the application phase across both Kwinana and Rockingham. This will result in increased employment in the area and increase surrounding amenity.

Business and Economic Activity

Business activity in the Wellard area has remained strong despite a tough economic climate over recent years. The number of non-employing businesses make up a large proportion of activity in the area, however, there is a growing level of small employing and larger businesses. It is likely that the number of employing businesses will jump considerably over the coming years as more commercial and employment lands are delivered in the area to serve the growing residential catchment. This will include a diverse range of employment including construction, retail, commercial and services.



Source: ABS National Regional Profile Cat No 1379 (2013)

Perth Housing Market Trends

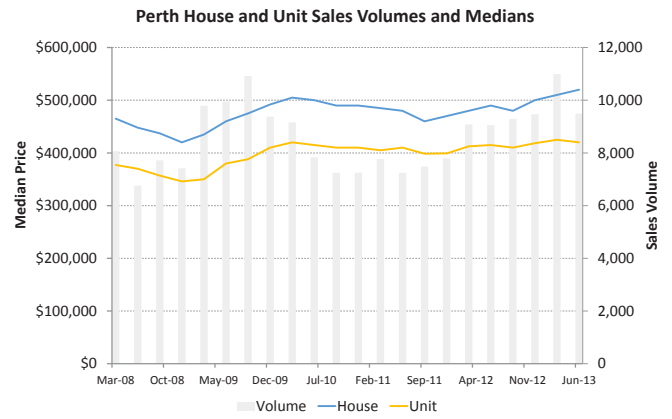
The Perth housing market has continued to strengthen since its 2008 low and a following correction in 2011.

RPS believes there are a number of significant fundamentals which are underlying the Perth residential market which are largely explained by the two charts to the right.

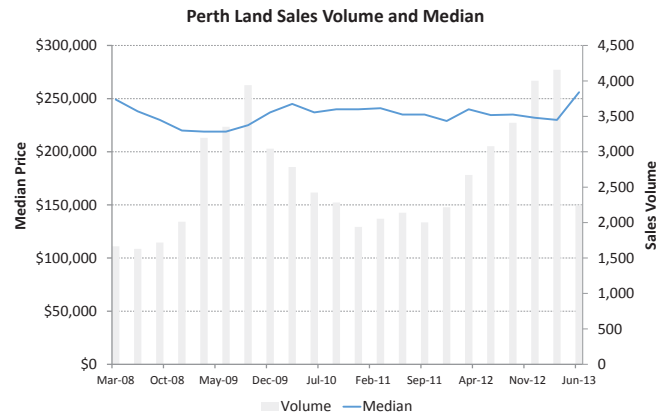
There has been a pickup of median house and unit prices despite an overall increase in volumes which points to a demand driven housing market. In the most recent quarter, there has been a drop of volumes, which has largely been driven by a lack of available property for sale. This has occurred at the same time as a jump in both house and land values which indicates an increasing number of buyers in the market with a relative fall in the available supply.

It is also understood that the appetite of developers has returned to the market seeking future development parcels. This delayed response will likely mean a lag in available residential supply for the market in the short to medium term leading to a stable or growing market.

The indicators above, along with a low interest rate economy, relatively low vacancy rates and high rental returns will likely see the continued entry into the market of home-buyers and investors over the coming years.



Source: REIWA (2013)



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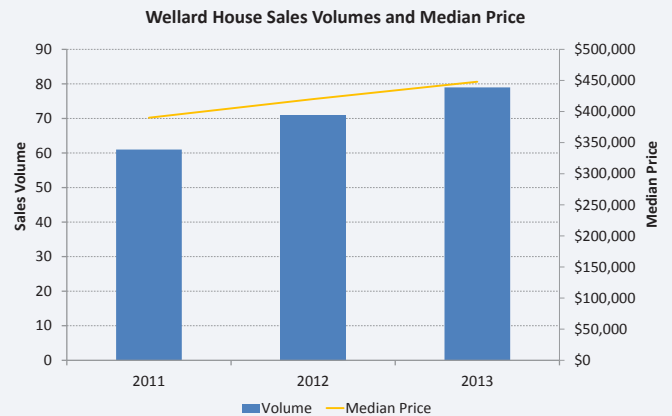
Wellard Housing Market Trends

Wellard is home to a newly developing property market which to this point has been based around separate dwelling stock, but like other nearby train station locations, is moving to have a mix of separate, semi-detached and apartment product.

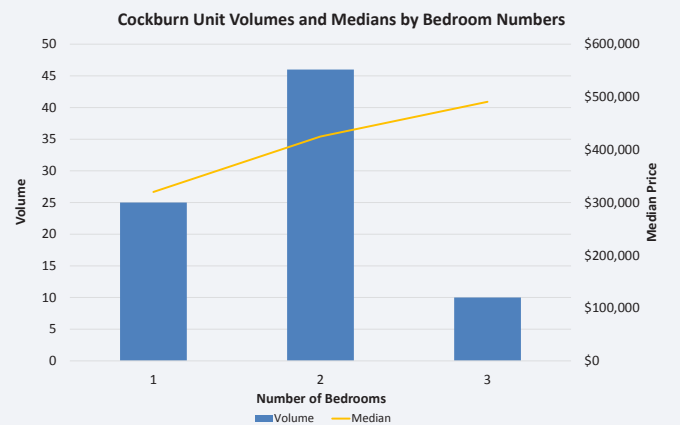
Recent sales history outlines a consistent flight to quality into Wellard with the median house price jumping \$60,000 in under two years. Sales volumes for the year to date in 2013 have already eclipsed the previous years as a result of the suburb becoming more well noted in the southern growth corridor.

While house prices continue to increase in the area, there is currently no unit/apartment product on the market. As such, in terms to understand the unit market in a maturing nearby train station based community, RPS has examined the median prices and sales volumes of the new unit product at Cockburn Central. It is anticipated that the quality of apartments will be equivalent to that of Cockburn.

The analysis shows the medians of different size apartments in Cockburn, with the median 1-bed unit starting at \$320,000. This starting price has increased since 2008 which is expected to be the trend in Wellard as the amenity surrounding the train station increases.



Source: RP Data (2013)



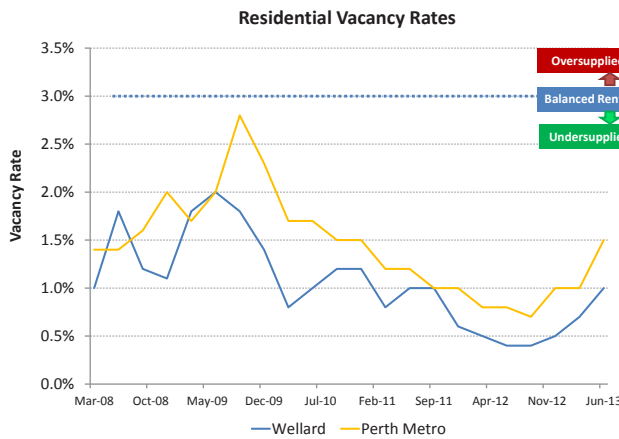
Source: RP Data (2013)



Wellard Investor Report

Rental Vacancy Rate

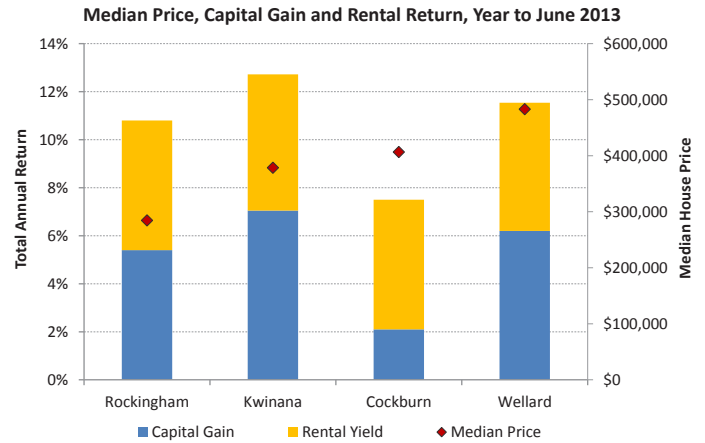
The rental vacancy rate for an area provides a strong indication of the market balance for residential dwellings. RPS has compared vacancy in Wellard to the Perth average to gain an understanding of the general market balance of the area. Vacancy rates are still very low and remain lower than the 3% 'balanced market' vacancy level, and indicates future strength in the investor market. Wellard's low vacancy rate is in large part due to quality product and demand for housing nearby local employment.



Source: SQM (2013)

Rental Yields and Overall Returns

The chart below compares Wellard returns and median values to other surrounding suburbs and the broader south-west corridor. It should be noted that the data below does not include any unit stock within Wellard. The rental yield in the area is strong and median house prices remain above the average due to dwelling types and quality of new product. It is anticipated with an increase in smaller product, that capital gains and rental yields in the area will increase strongly in the medium term.



Source: Residex (2013), REIWA (2013)

RPS Wellard Suburb Outlook

While Wellard is a newly growing suburb, there are some very strong fundamentals to the area which will likely lead to increased demand to live in the area and continued increases in median prices and rental returns. The new high amenity suburb is based around a train station which typically leads to above average price growth and strong yields. The early delivery of The Village at Wellard shopping centre will further drive demand in the area and is expected to boost residential sales rates further and increase the pace of development in the area.

Furthermore, the continued growth in employment lands in the south-west will continue to lead to low vacancy rates in the area as people seek to live close to their place of work. The quantum and diversity of employment in the region means that the economy has strong fundamentals unlike other growth areas in wider Perth. The continued expansions to the Kwinana and Rockingham Centres will also increase demand and prices into the future. This will combine with the high amenity community to underpin strong future demand and price growth in the area over the medium to long term.

About Economics at RPS

RPS is an international consultancy providing world-class local solutions in energy and resources, infrastructure, environment and urban growth. Our Economics team is well positioned to undertake comprehensive analysis of a range of business, community and government issues and projects. Our key areas of expertise include:

- Urban Economics
- Socio-Economics
- Economic Development
- Regulatory Economics
- Corporate Strategy and Advice

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