



The Australian Market and Opportunities

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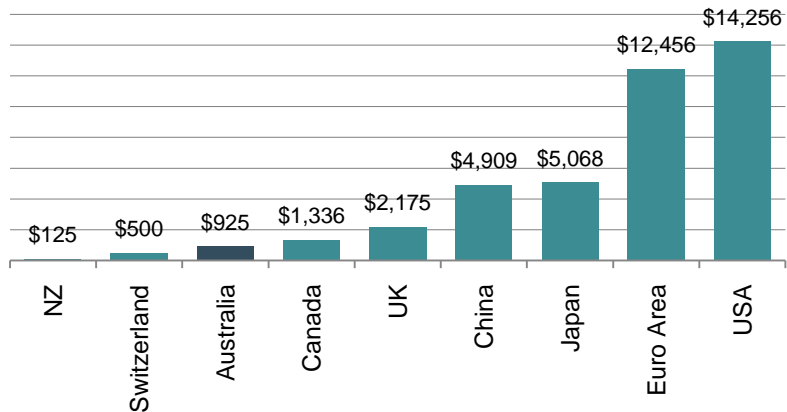


Macro Themes for Australia

- Economic Growth
- Equity Markets
- Debt Markets
- Interest Rate Environment
- Q&A

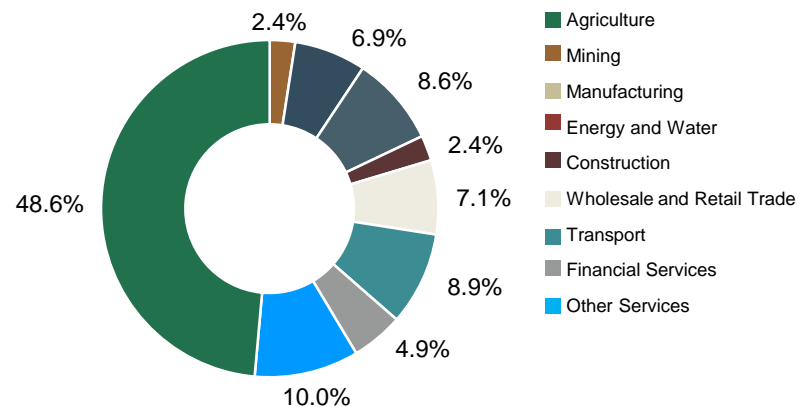
Overview of Australia

GDP Value (US\$billions)



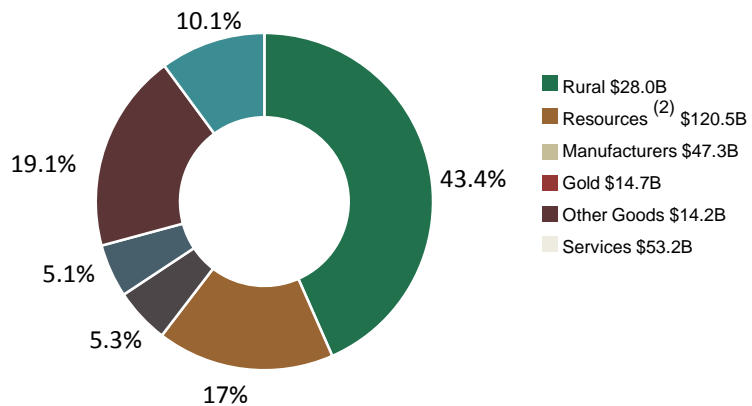
Source: www.tradingeconomics.com August 2010

GDP by Sector (%)



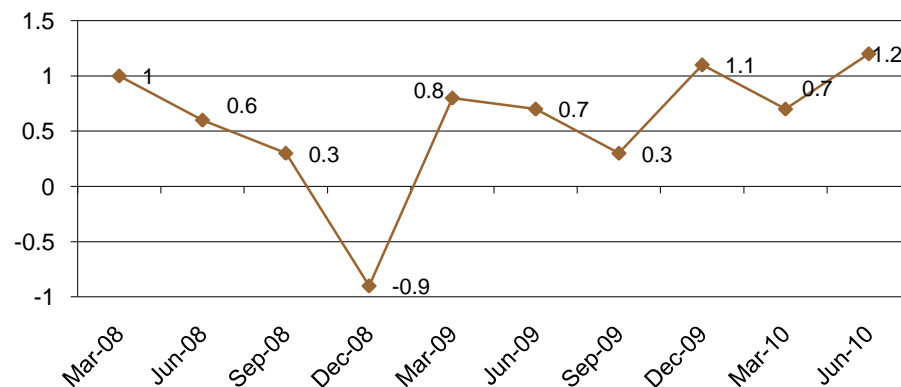
Source: Australian Bureau of Statistics Year Book, 2009 – 10

Exports of Goods and Services, 2008⁽¹⁾



(1) Balance of payments basis (2) Minerals and fuels (Source: ABS catalogue 5368.0)

Australian GDP Growth Rate (%)



Source: Reserve Bank of Australia, August 2010

Overview of Australia

- Since the 1980s, Australia has undertaken significant structural reform of its economy including
 - Unilateral tariff reductions
 - Floating the currency
 - Financial services deregulation
 - Increased labour market flexibility
 - Privatization of state-owned monopolies

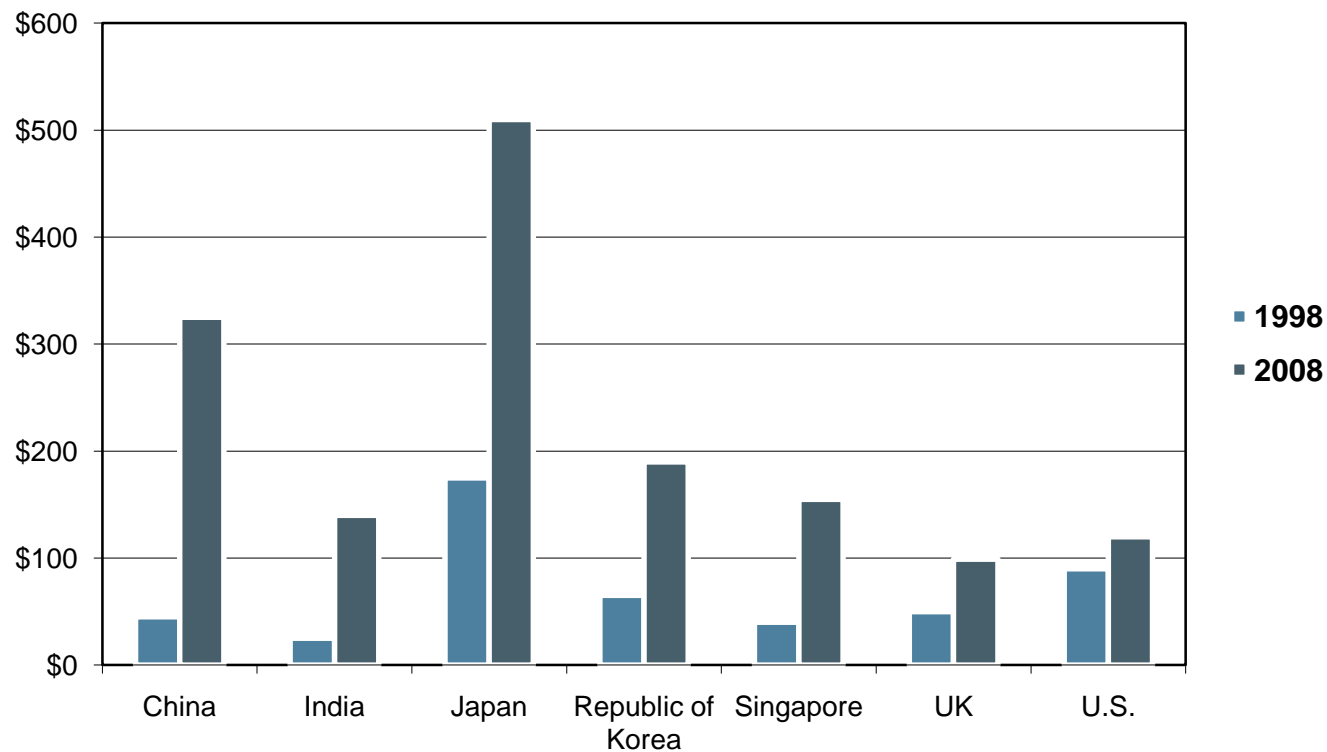


As a consequence, the Australian economy is characterized by

- Strong trade surplus on trade balance
- Relatively low Federal net debt
- Low inflation
- Low unemployment
- Sound banking and financial sector
- Significant investment in and ownership of infrastructure

China: The Right Trading Partner

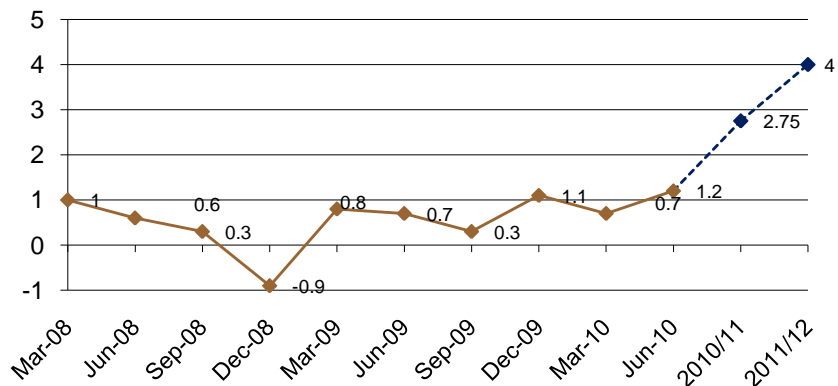
Exports from Australia by Destination (\$m)



Source: Australian Bureau of Statistics, August 2010

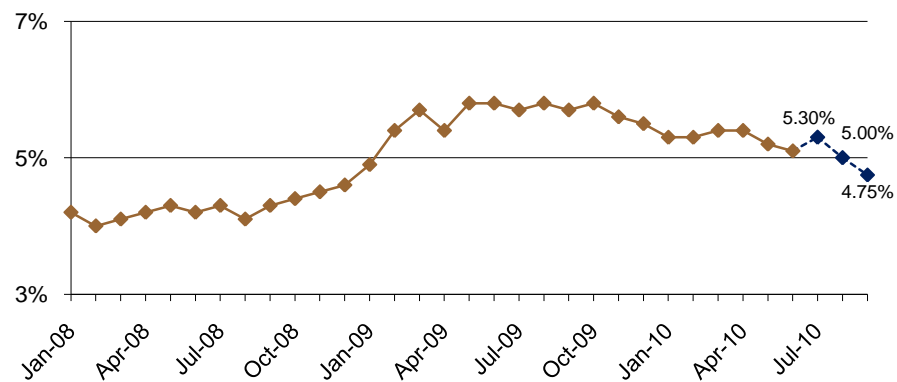
Above Average Growth Forecast

Australian GDP Growth Rate (%)



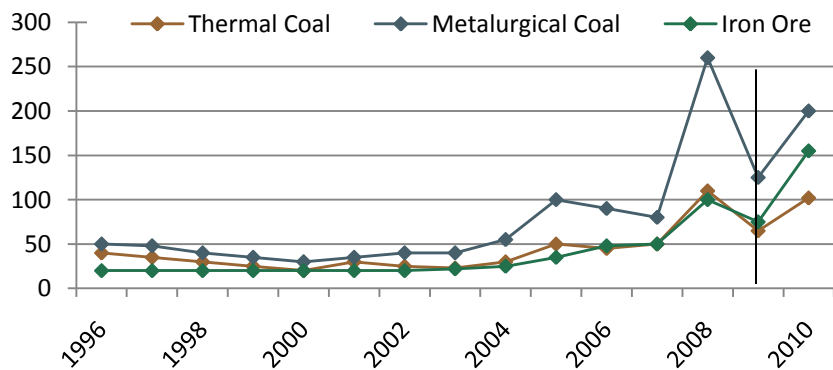
Sources: Reserve Bank of Australia and Treasurer's Economic Statement, July 2010

Australian Unemployment Rate (%)



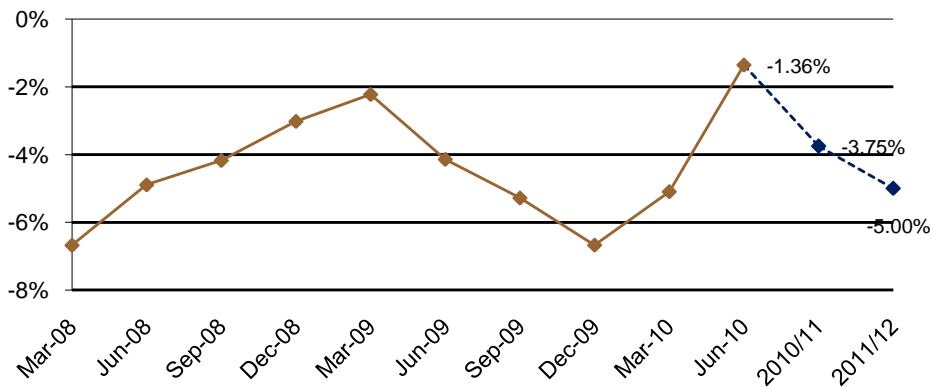
Source: Australian Bureau of Statistics, August 2010

Bulk Commodity Prices



Source: RBA Index of Commodity Prices, August 2010

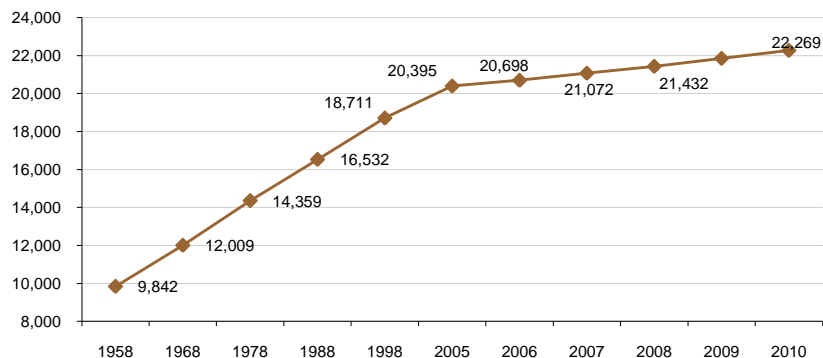
Australian Current Account Deficit (% of GDP)



Source: Australian Bureau of Statistics, August 2010

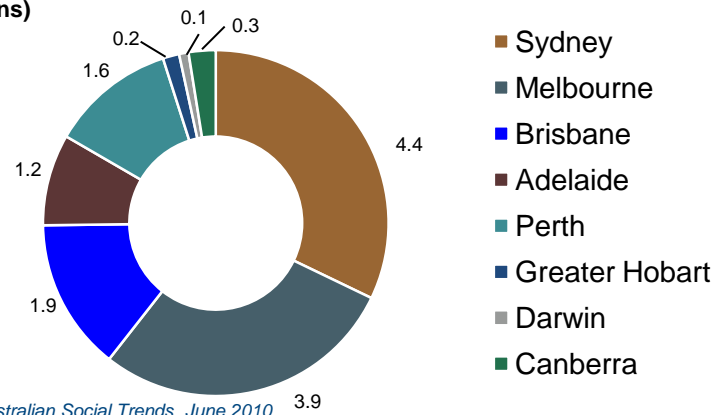
Urbanised Population, Strong White-Collar Jobs Growth

Population of Australia (000's)



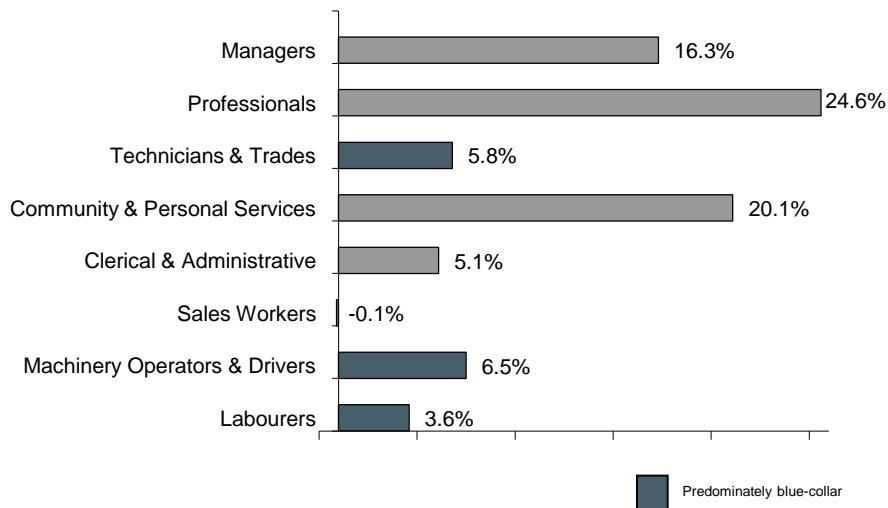
Source: ABS Australian Social Trends, June 2010

Population of Australian Cities (June 2008)
(millions)

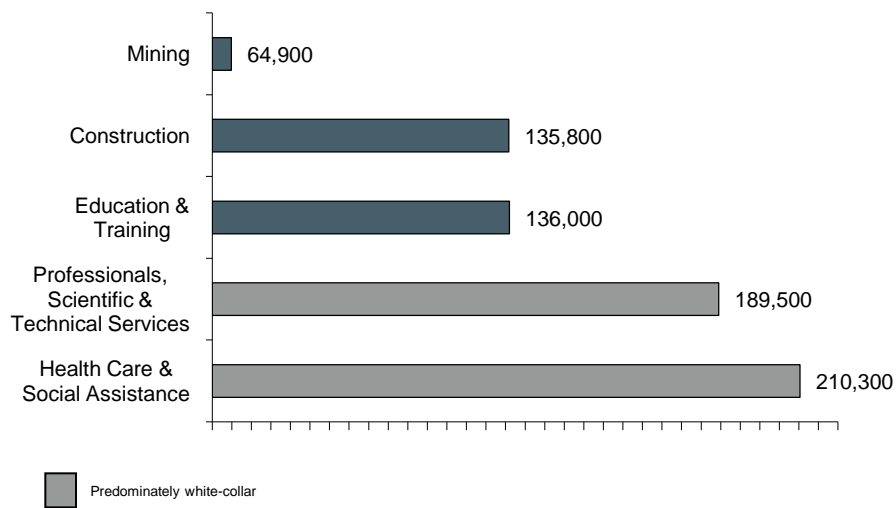


Source: ABS Australian Social Trends, June 2010

Employment Change by Occupation
(% change: 5 years to Feb 2010)



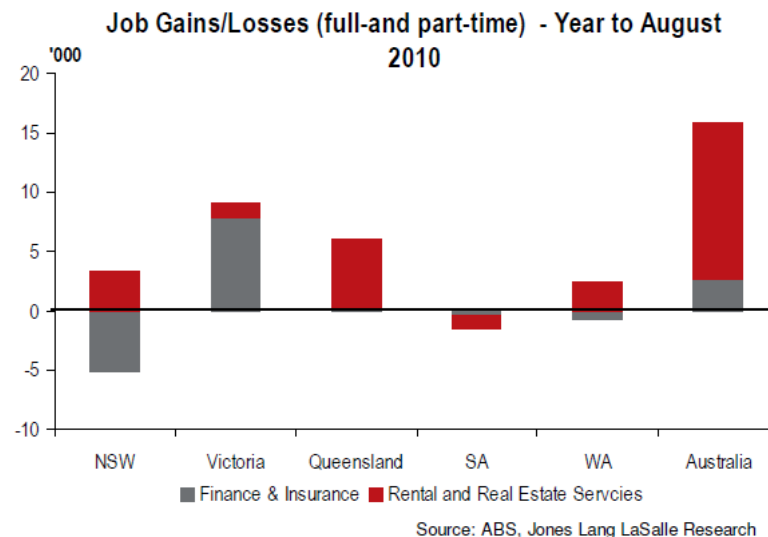
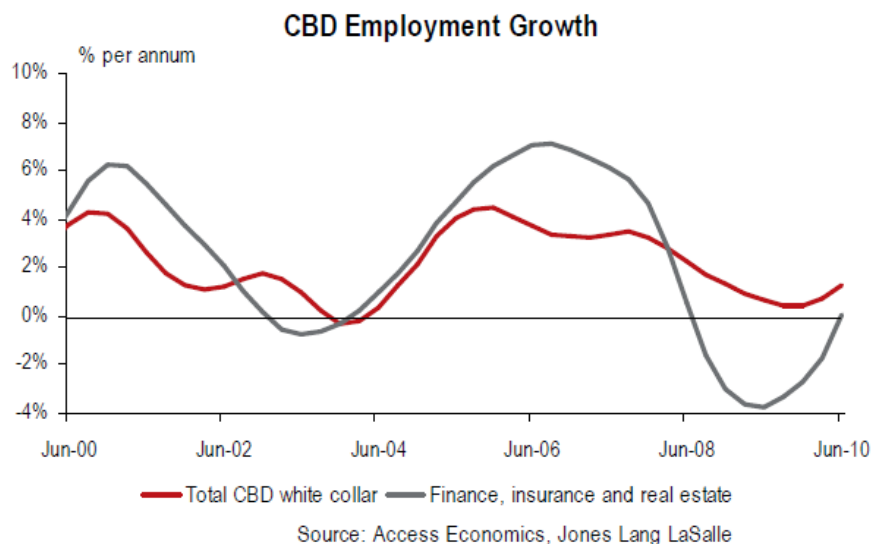
Employment Change by Growth Sector
(Number of new jobs: 5 years to Feb 2010)



Source: Department of Education, Employment and Workplace Relations

Labour and white collar employment

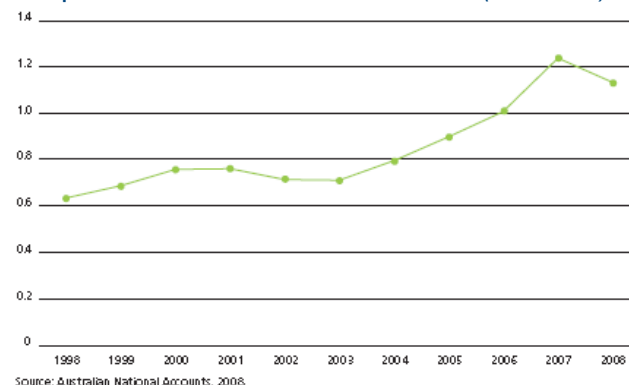
- After trough in early 2009, employment in Finance, Insurance, Rental and Real Estate (FIRE) sectors improving
- Predicting a faster recovery than the early 1990s downturn
- Strength in FIRE employment sectors key to driving demand for CBD office space



Australian Superannuation System

- Superannuation is a compulsory retirement program in Australia.
 - Employers are required by law to pay an additional 9% of employee's salaries and wages into a complying superannuation fund
- After more than a decade of compulsory contributions, Australian workers have over \$1.177 trillion in superannuation assets, more money invested in managed funds per capita than any other economy.
 - Projected to exceed \$3 trillion by 2018 and \$7 trillion by 2028¹
- Approximately 10% of annual fund flows into superannuation funds is directed into property investment (listed and unlisted).

Superannuation Assets at June 30 (A\$ trillion)



Asset allocation of default investment strategy

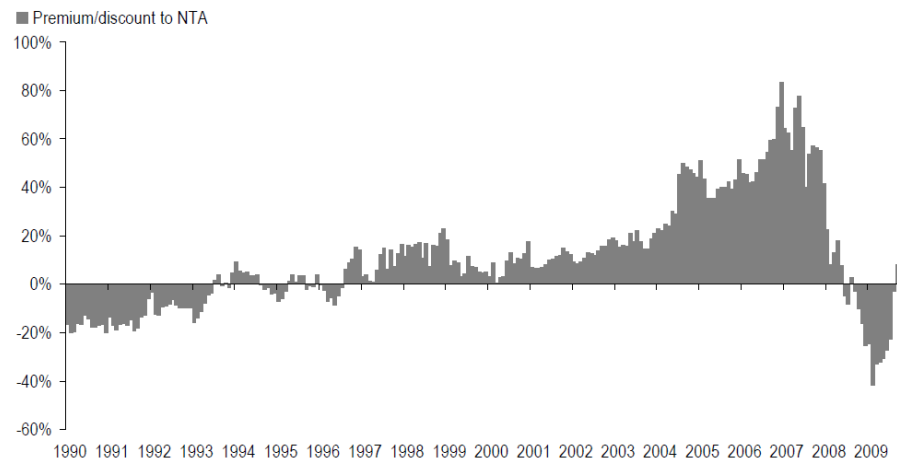
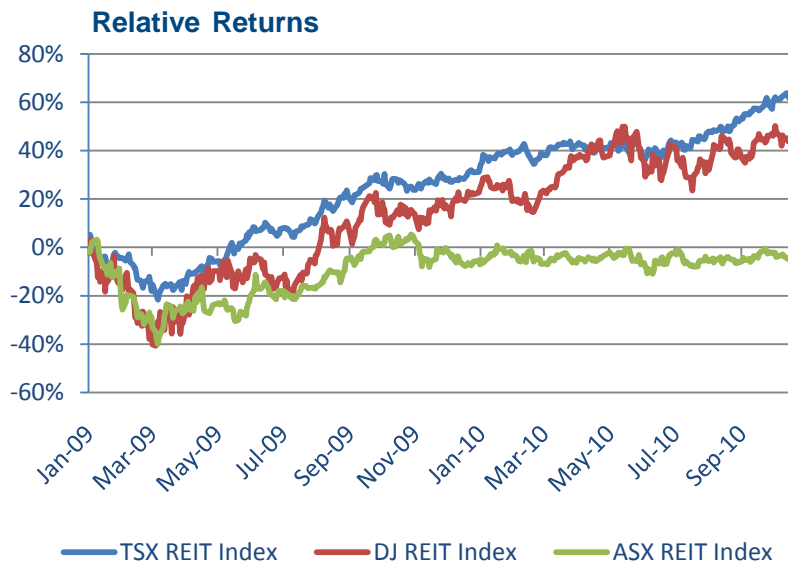
	Corporate	Industry	Public sector	Retail	Total
<i>Proportion of assets</i>					
Australian shares	31%	28%	28%	25%	28%
International shares	26%	21%	25%	19%	22%
Listed property	3%	3%	3%	4%	3%
Unlisted property	6%	10%	7%	3%	7%
Australian fixed interest	13%	7%	5%	12%	8%
International fixed interest	6%	5%	8%	5%	6%
Cash	8%	6%	13%	24%	12%
Other assets	6%	20%	13%	8%	14%
Total	100%	100%	100%	100%	100%

^a Funds may have more than one default investment strategy, in which instance the largest default strategy is generally reported. Where there is no default strategy, funds may report the strategy of the largest option or the strategy of the whole fund.

1. Source: Deloitte

Equity Markets

- Unlike North American markets, Australia A-REIT sector performance over the past 12 months has been relatively flat
- Due mainly to higher interest rates and concerns over exchange rates
- For the first time since the early 1990's, A-REITs are trading at a meaningful discount to NTA
 - Lack of funding (and associated cost of debt) has kept M&A activity low
 - Signs this may be changing beginning to appear

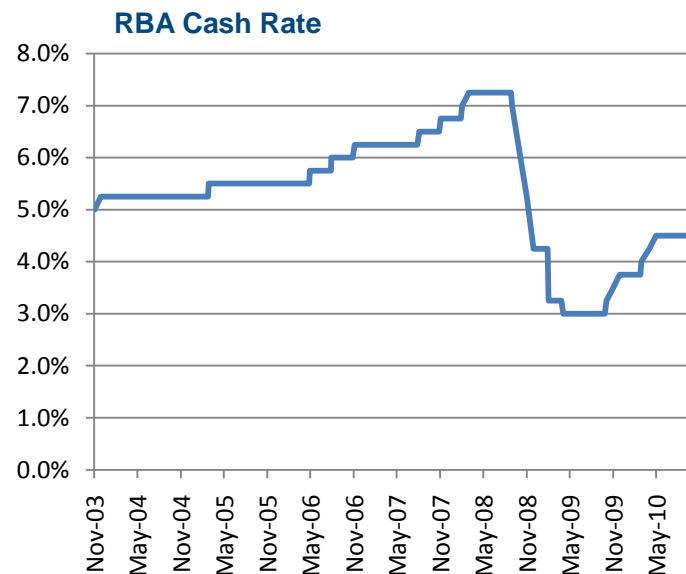
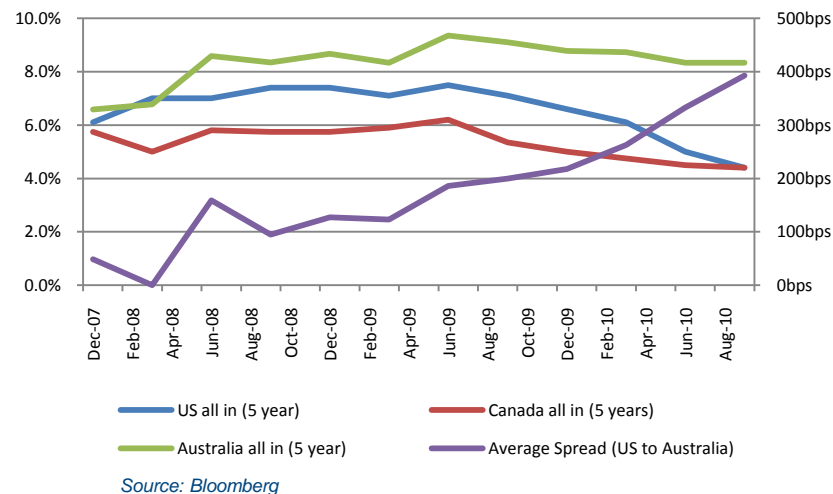


Source: J.P. Morgan estimates.

Australian Debt Markets

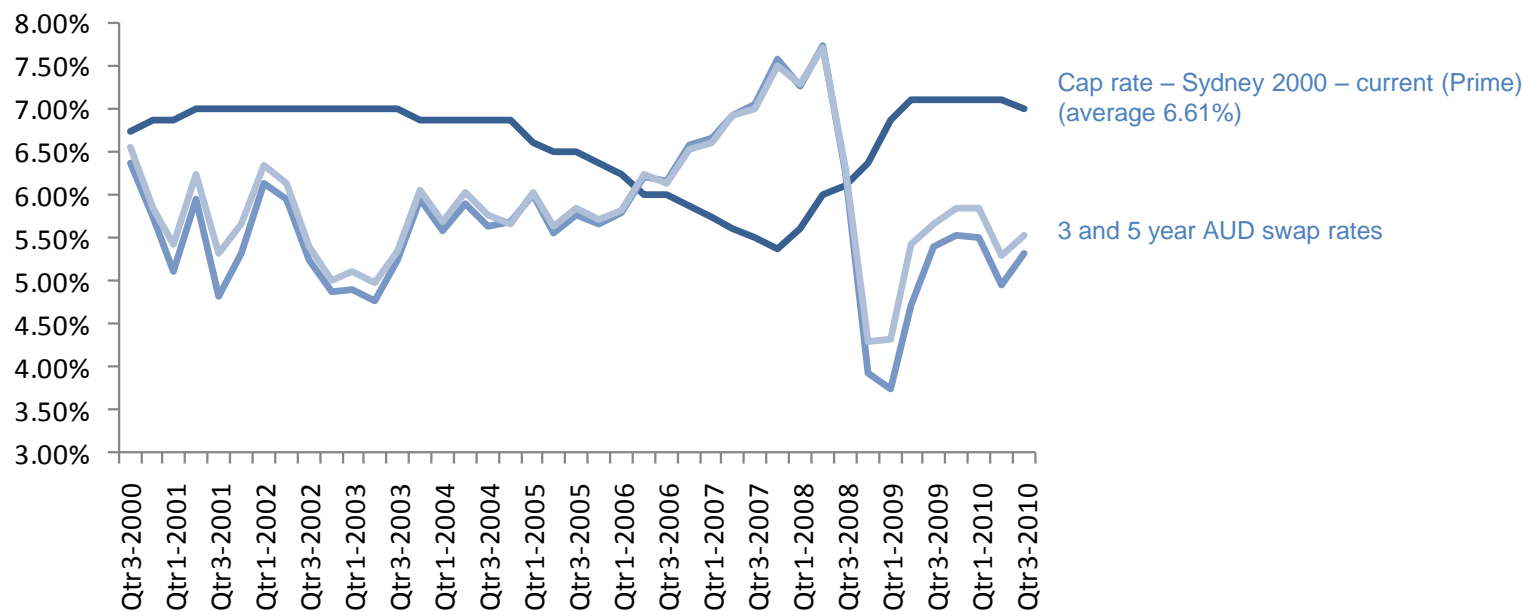
- In North America, interest rates are now at 20-year low
 - Rates are forecasted to increase by 70-100 bps by the end of 2011
 - Market rates are approximately 4.25% for 5-7 years mortgages

- Australia which continues to experience economic growth has been raising interest rates to address inflation concerns
 - First major economy to begin raising short-term interest rates
 - 7 increases since October 2009
 - Pre-emptive 25bps increase in Nov 2010
 - 400+ bps spread between the cost of financing in Australia and North America



Historical Comparison of Capitalisation and Interest Rates

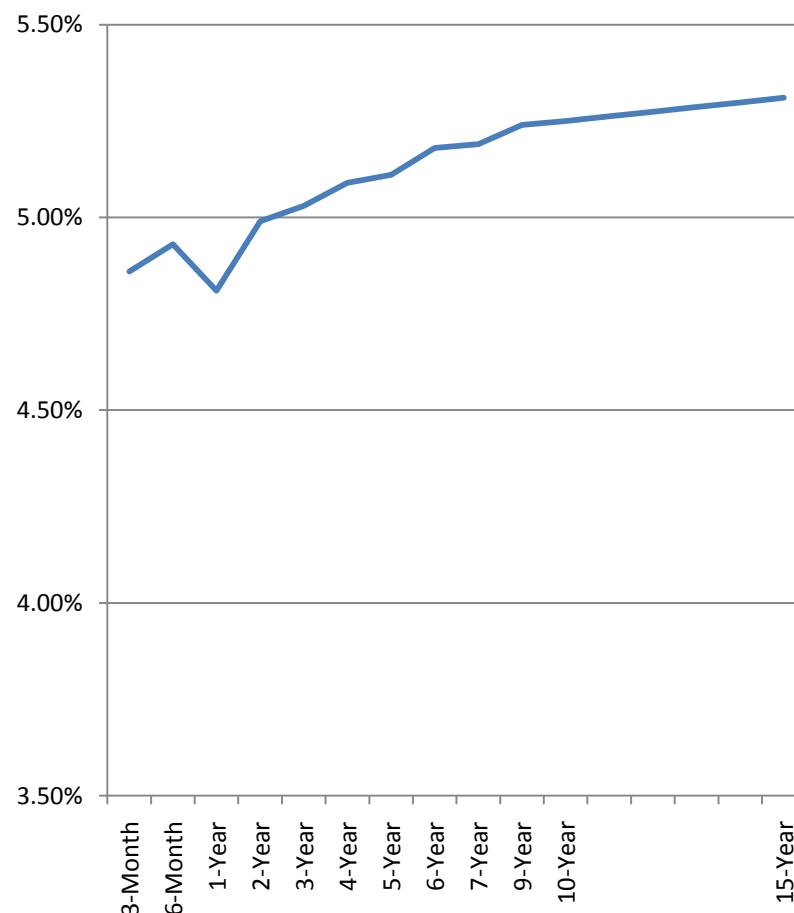
- Since 2000, the average spread between prime Sydney cap rates and the prevailing 5 year swap rate is ~70 bps.
- At the end of Q3, the difference was 150bps after peaking in Q1 2009 at 256bps



Sources: JLL research and Bloomberg

Australian Term Financing Environment

- Property market historically financed primarily in the bank market
- During 2008/2009, capital availability restricted and duration was limited by the bank sector to typically 3 year financings
- In addition to the significant influx of equity capital, the market has reacted by seeking diversification of capital sources
- Bank financing for stabilised property now returning to 5 years in duration with some evidence up to 7 years
- Domestic bond market increasing activity with evidence of increased term
- CMBS / structured finance market nearly non-existent for property



Source: Bloomberg

Q&A