PASCAS FINANCE

National Property Growth Grid & Charts

"Peace And Spirit Creating Alternate Solutions"

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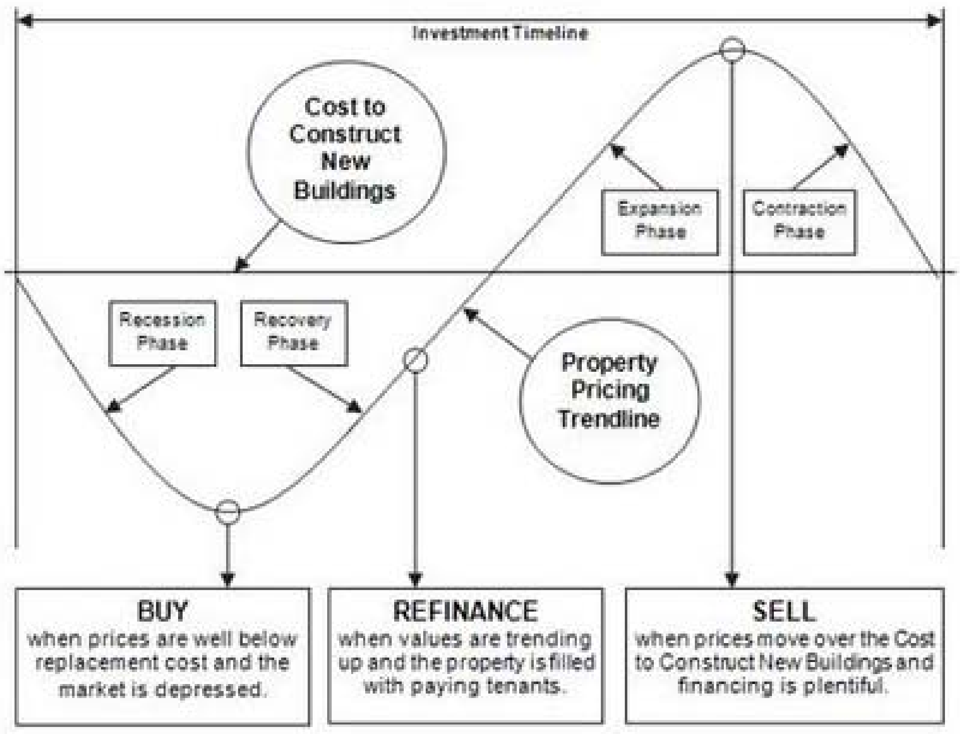
Introduction to Capital Growth Grid:

There are some pointers that provided optimum opportunity for value growth and conversely there are pointers to stagnation.

The sales of four million properties over a fourteen year period pointed out that people simply want to live close to their employment and the ‘toys’ they enjoy. Further, it is the land that appreciates, not the building. Where jobs are being continually created then we have strong possibilities for value growth.

Simple precautions are to avoid the impact of Earth warming. Yes, the Earth surface has warmed by over 1° Celsius from internally and that is melting ice and bringing about a sea level rising of maybe a metre or more. The closer to the equator, the greater the rise.



Economically, the printing of money is artificially inflating values. This could lead to a very serious adjustment in the waiting. This is considered by projections by Harry S Dent. Either way, we proceed to live in the conditions we are in.

The findings are all relative. The data presented here suggests potential value growths that are higher than being experienced presently.

What is presented here is an understanding of relativity. Should values move, then they will do so more strongly from the point of the highest concentration of long term employment growth and the availability of services of a wide range such as education and health services. That is it in a nut shell.

This information is observations from the past and is not to be taken as projections of the future. One is to consider all their options and discern for themselves as to what course of action they may or not take.

Enjoy the journey.

John

National Property Growth Grid

THE NATIONAL CAPITAL GROWTH GRID

IB.005

INVESTING IN RESIDENTIAL INCOME PRODUCING PROPERTIES

Is it possible to estimate the long term growth in the value of houses anywhere in Australia? The short answer is "Yes!"

For the last 120 years the average compound growth rate in the value of homes has been a little over 10% per annum.

As an investor, *you need to target for areas with a 15% compound growth per annum potential.*

Historically there has been about six very small areas within Australia which have achieved these solid results.

Fifteen per cent per annum means that the value of your investment will double in value every five years on average. In ten years it will *double .... double*, that is, it will be fourfold in value.

Per Annum	Zero Year	Five Years	Ten Years
15.0%	**$100,000**	**$200,000**	**$400,000**
12.0%	$100,000	$176,200	$310,600
11.0%	$100,000	$168,510	$283,940
10.0%	**$100,000**	**$161,050**	**$259,370**
9.0%	$100,000	$153,860	$236,740
8.0%	$100,000	$146,930	$215,890
7.0%	**$100,000**	**$140,260**	**$196,720**

This chart demonstrates the impact of a few per cent per annum on your investment, over a ten year period.

For example, if you invest in an area which is growing at 7%, when you could have invested in an area growing at 12%, over a ten year period you will have ripped up approximately $114,000, based on an initial property value of $100,000. On a property initially worth $180,000 then the differential being ripped up will be $205,000.
The Gurus out there say that because we now have a low inflation economy, this kind of growth will not occur. Rubbish! **Property values have always been driven by supply and demand.** Every year there are a lot more of us and every year there is no increase in the available land.

It is interesting to note that between 1962 and 1972 the average annual increase in house prices in Sydney was 11.5%, compared with an inflation rate of 3.3% *(Hooker Nationwide Housing Report).*

Ever hear of the 'Capital Growth Grid'?

Probably not, because it is a term I coined as a result of an amazing discovery I made after spending literally thousands of hours reviewing residential property value movements.

Here are some interesting facts:

o The centre of the capital city is typically where the highest growth in the value of homes occurs.

o As a rule of thumb, when you move out from the centre of the city the value growth will drop down by 1% for every 6 kilometres from the GPO or Central Business District. The further you go, the more you lose! As you move out from the city to the provincial cities along the coast, the growth in values will further deteriorate, until you reach about mid way between the two capital cities. At that point, the growth in values will start to climb until you reach the centre of the next capital city.

Try and imagine a 'spoon' shape spread along the coast lines:

Adelaide	to	Melbourne
Melbourne	to	Sydney
Sydney	to	Brisbane
Brisbane	to	Cairns

You also have the same effect with

Melbourne	to	Canberra
Canberra	to	Sydney

Now imagine the 'spoon' again. As you go inland from the coast you will find that value growth 'spoons' down further in relation to the nearest coast city.

Thus you can now grid the whole of the country in your mind's eye, and be relatively accurate as to the expected growth in value in any city, suburb or town in Australia.

The ***'spooning effect'*** relationships will not change very much over time. A high value growth area does not grow in size, that is, the surrounding area does not catch up.

Where are the highest value growth areas?

Where do people want to live? People simply want to live close to their work. Where are the largest employment sectors? They are the Central Business Districts (CBD's) of the capital cities.

People are willing to pay more for the inner city property to reduce their costs of travel to and from work and reduce the time to go to and from work.

To sustain the premium growth in the value of the homes within the targeted six kilometre zone, you need a feeding stream of jobs. To ensure a long term platform of new jobs you need committed investments in excess of $2 billion in new industrial and commercial projects within this zone now.

The $2 billion will take up to tens years to spend, underpinning that job growth throughout the decade. New jobs result in new housing demands putting pressure on the existing tight market throughout the period of consideration for your investment – ten years. Smaller investment stimulus to jobs will result in spasmodic jumps in housing values – that is speculative. We want stable, strong, long term growth.

Remember that I have qualified the high growth areas to be about 6 km. in radius, and attracting in excess of $2 billion in commercial developments. Within these criteria, we add the associated job creating investment, within the historically high value growth area. How many areas are in Australia to fulfil all that? Not many – in fact there are less than six such areas in Australia, and the land mass of all such areas combined would hardly make a mark on the Australian map!

Bottom line: No **new** job growth .... no **premium** capital growth.

The Higher the Population = The Higher the Cost.

The larger the population mass, the higher the cost of property in the inner city high value growth zone. That is, the larger the city, the higher the cost of central city property. The extreme inner city areas of Sydney and Melbourne are very expensive. This is a reflection of the pressure put on these property markets by the enormity of the population of each of the two cities.

Around those cities, satellite central business districts can raise the growth lines upwards by a about 1.5% compound growth per annum. **However, remember that as you move out from the CBD by a further 6 km. you are forfeiting 1% compound growth per annum for each such sector.** Also, the influence of the satellite central business district covers only a very small area, sometimes less that the suburb in which it is located.

Perth, Adelaide and Brisbane are roughly similar in size.

Question: Which one is achieving the strongest capital growth?
Answer: Brisbane.
Why? Because it has the highest growth rate in jobs and population.

Likewise, Canberra, Wollongong and Gold Coast have similar population bases, but again, the city with highest job creation and population growth is the top performer. Can you guess which one???

Variations From the Average.

Each city has an average recorded sale price, or 'mean recorded sale price of all dwellings', as per the Valuer General's Department or Land's Department of each state. These reports are not valuations, rather they are the results of recorded contracts of sales of homes.

The larger the city, the greater are the variations from the average – the wider the 'variance from the recorded sales mean'. Consequently, the CBD sector growth rate could be substantially higher than that recorded for the whole city, should the city have a large population.

Are Financiers Aware of the Capital Growth Grid?

Of course they are .... in fact their lending policies reflect it! They lend a larger percentage of the valuation of properties close to the CBD, but the percentage will drop off as you move away from the CBD and out to the provincial cities.

So, in their own way, the providers of funds contribute to the strength of the inner city zones by their willingness to lend, and also by their willingness to lend high percentages of the valuation.

Capitalisation Rate – Rent Yields in Different Capital Growth Areas.

As we have already discussed, the growth in the property value deteriorates as it moves further and further away from the GPO. However, the income in the form of rent or business profit is usually higher. **Does this higher rent yield offset the loss of capital gain? No way!**

Commercial properties are valued on their return. The stronger the market and its potential, the higher the capitalisation as a result of expected high growth in the value of the business. Let's use an example to illustrate this: Assume three motels, at three different market values, are generating $100,000 profit:

Location	Capitalisation	Value
Inner City	15.0%	$666,666
20 kilometres out	17.5%	$571,430
500 kilometres out	25.0%	$400,000

Market pressure would see the *inner city motel double in value in less than seven years.* The *provincial city property will take more than ten years to double.* The higher return on the provincial motel will not compensate for the loss of capital growth there.

This ***'spooning effect'*** continues through all types of investment property.

Inner city rents on residential homes are 5% to 7%, with the capital growth over the long term of 12% per annum. Go inland 500 kilometres and the rent yield can be as high as 15% per annum, but your long term capital growth would not reach 7% per annum.

Upward rental movements follow the upward value movements of the residential property, trailing behind by about one year. This relationship between the respective values is why residential leases are often written for short term, enabling frequent reviews.

What Does All This Mean?

All the signs are pointing towards a solid renewal in the property market. The combination of rent yields and projected capital growth make it a viable investment alternative over the long term.

If you intend to invest in property, doesn't it make sense to **maximise** your return?

You can if you invest in the select areas that have consistently shown high returns. My research has detected them, and in this report I have given you a brief synopsis of the key elements. Those elements are:

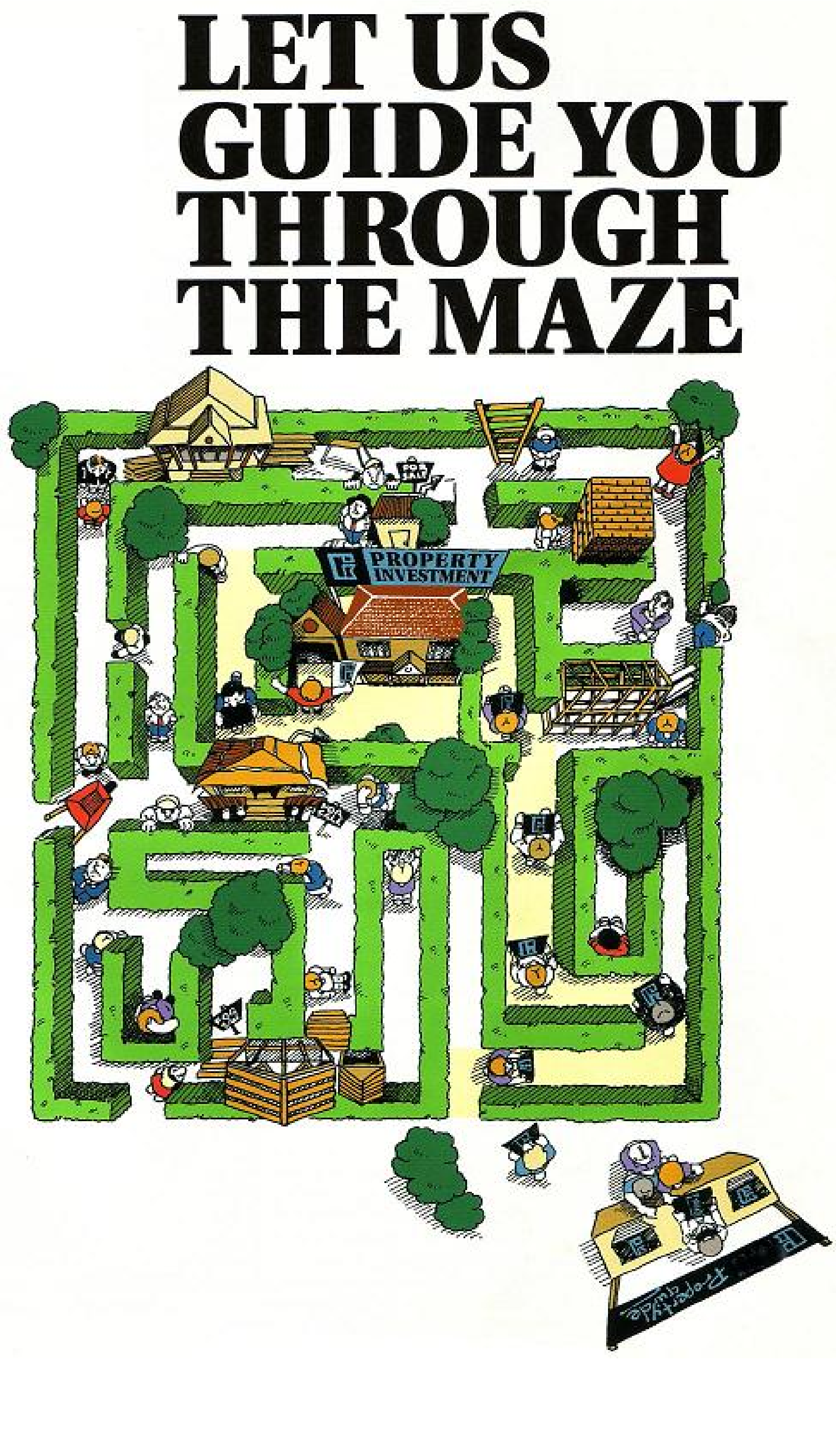
- Location
- Population trends
- Developments (planned and in construction)
- Timing

Timing Is Important.

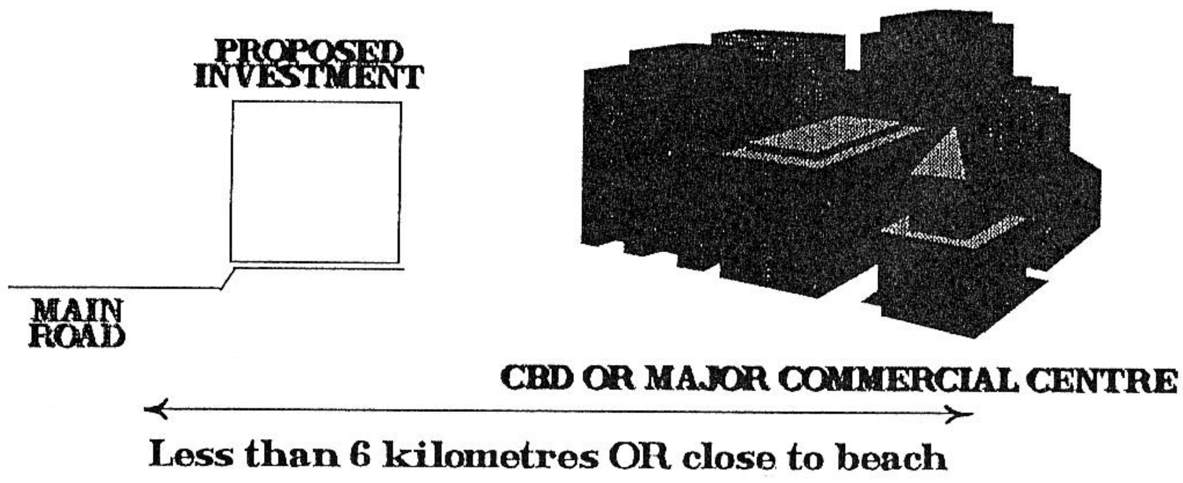
Lower interest rates, disenchantment with other investment options and a significant lowering of the Australian dollar are seeing the property market begin to move. All indications suggest that the time is NOW!

This report has been prepared by John Doel, then being a Chartered Accountant in the 1990s and property analyst for Finance Facilities Pty Ltd. For the past three decades he had been researching property investments throughout the Pacific basin, for companies and private trusts. The past ten years had seen John focus on Residential Income Producing Investment Properties.

National Property Growth Grid Charts



THE LOCATION MAP

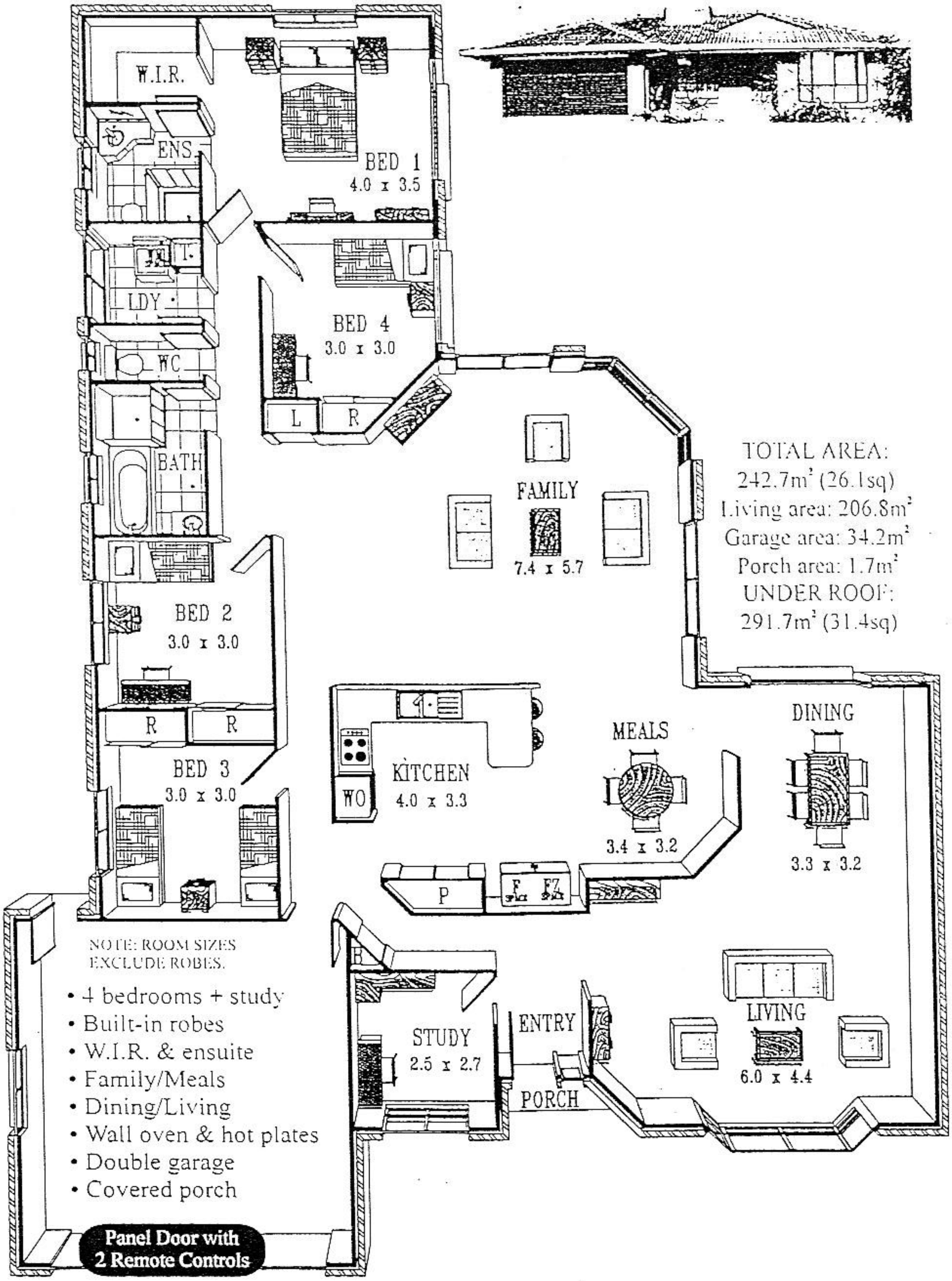


Distance to Public Transport
less than 800 metres

Distance to Shopping Centre
less than 800 metres

Industrial & Commercial Developments
$2 Billion with 6k radius

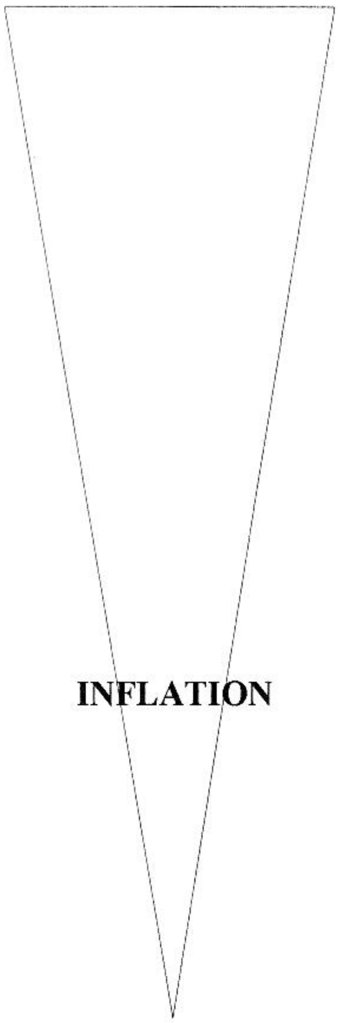
1. POSITION
2. EMPLOYMENT
3. POPULATION TREND
4. DEVELOPMENTS
5. VALUATION TREND
6. TRANSPORT
7. SITE & ZONING
8. RENTALS & AMENITIES
9. OCCUPANCY
10. TIMING


W.I.R.
ENS
BED 1
4.0 x 3.5
LDY
WC
BED 4
3.0 x 3.0
L
R
BATH
FAMILY
7.4 x 5.7
BED 2
3.0 x 3.0
R
R
BED 3
3.0 x 3.0
KITCHEN
4.0 x 3.3
WO
MEALS
3.4 x 3.2
DINING
3.3 x 3.2
P
F
FZ
STUDY
2.5 x 2.7
ENTRY
PORCH
LIVING
6.0 x 4.4
TOTAL AREA:
242.7m² (26.1sq)
Living area: 206.8m²
Garage area: 34.2m²
Porch area: 1.7m²
UNDER ROOF:
291.7m² (31.4sq)
NOTE: ROOM SIZES
EXCLUDE ROBES.
• 4 bedrooms + study
• Built-in robes
• W.I.R. & ensuite
• Family/Meals
• Dining/Living
• Wall oven & hot plates
• Double garage
• Covered porch
Panel Door with
2 Remote Controls

CAPITAL GROWTH OPTIONS

The HIGHER the LAND CONTENT, the HIGHER the CAPITAL GROWTH POTENTIAL.

POSSIBLE OUTCOME in PREMIUM SECTOR

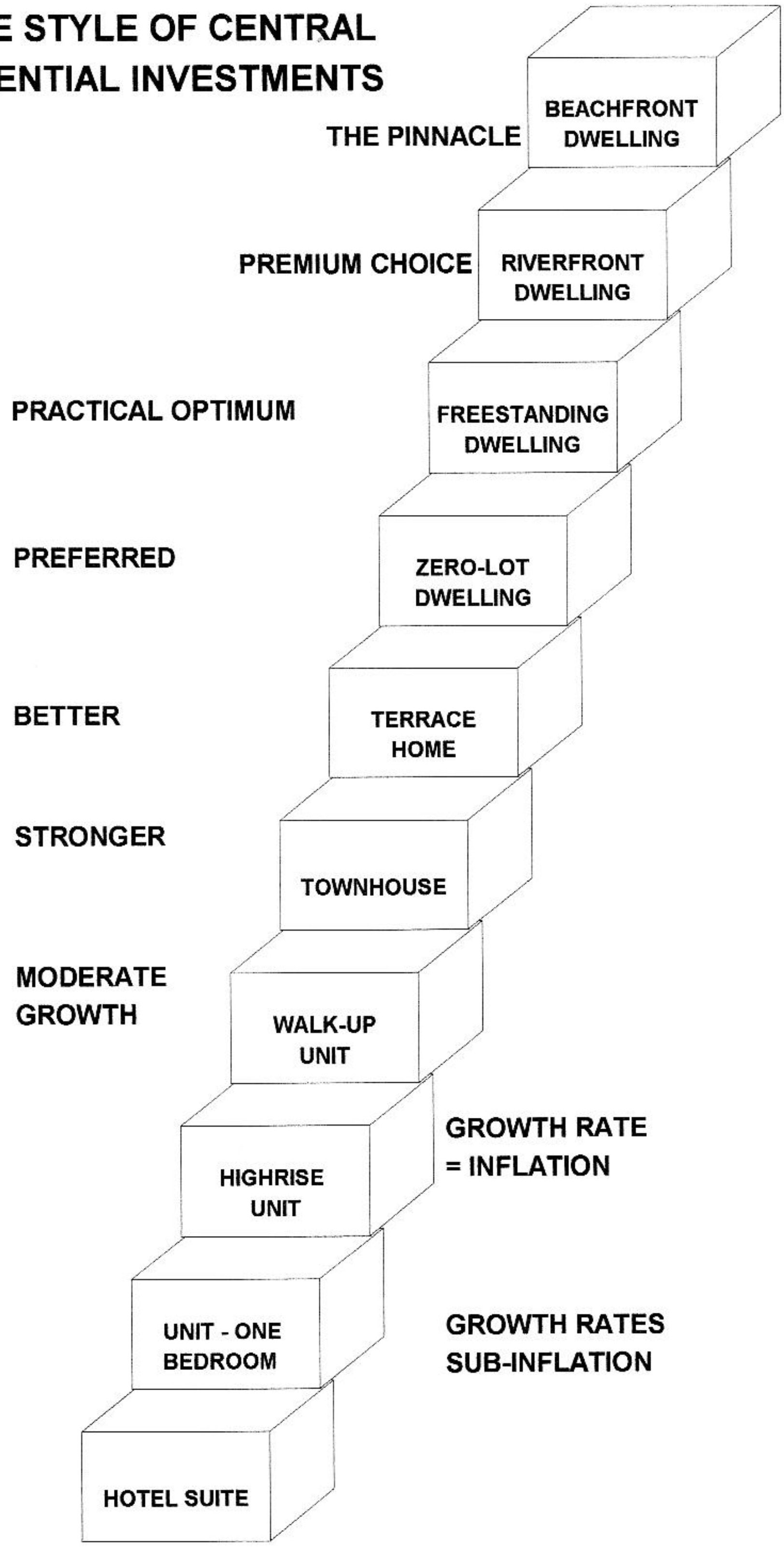


FREESTANDING DWELLING	**12%**
ZERO LOT HOME **TERRACE HOME**	
TOWN HOUSE	**10%**
WALK-UP UNIT	**8%**
HIGH-RISE UNIT	**6%**
STRATA TITLE **HOTEL SUITES**	**SUB-INFLATION**

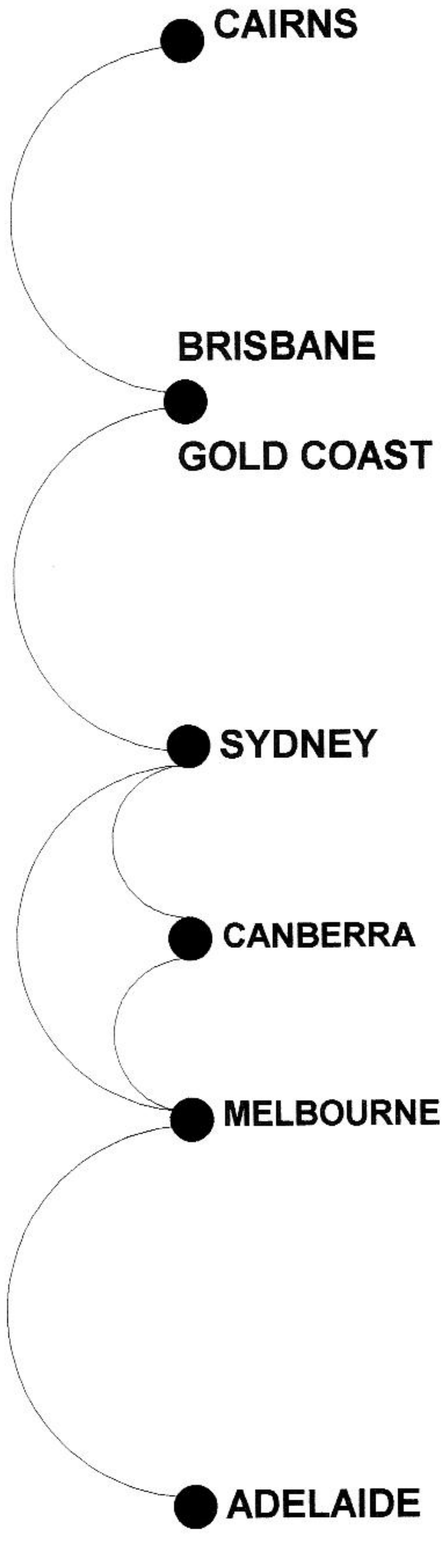
CAPITAL GROWTH OF VACANT LAND EXCEEDS THAT OF FREESTANDING DWELLINGS, in the same premium precinct, by 3% per annum, HOWEVER, VACANT LAND DOES NOT DERIVE ANY RENTAL INCOME nor any INCOME TAX BENEFITS.

Land content drives Capital Growth - the building structure depreciates.

THE STAIRWAY OF CAPITAL GROWTH IN THE STYLE OF CENTRAL RESIDENTIAL INVESTMENTS



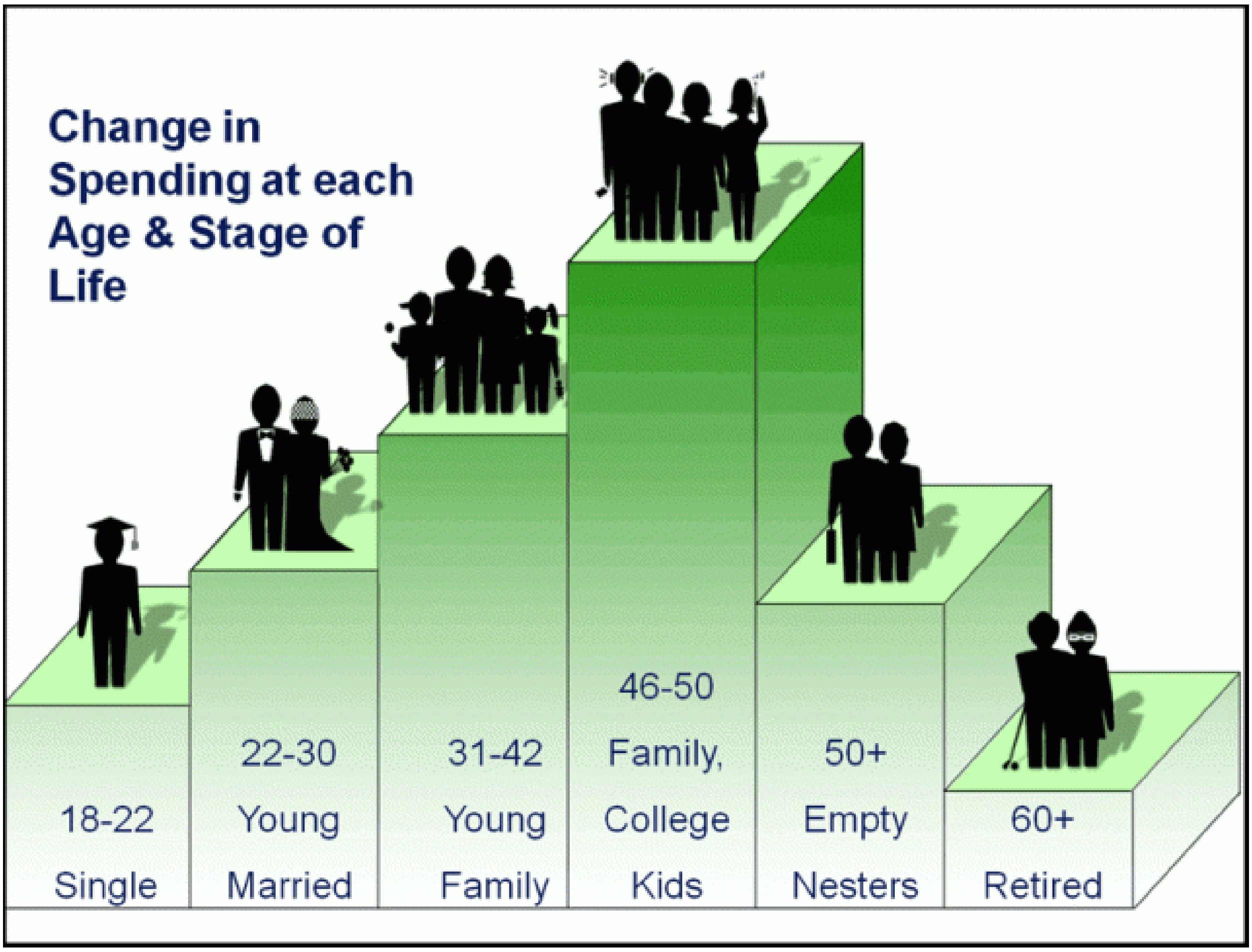
THE NATIONAL CAPITAL GROWTH GRID

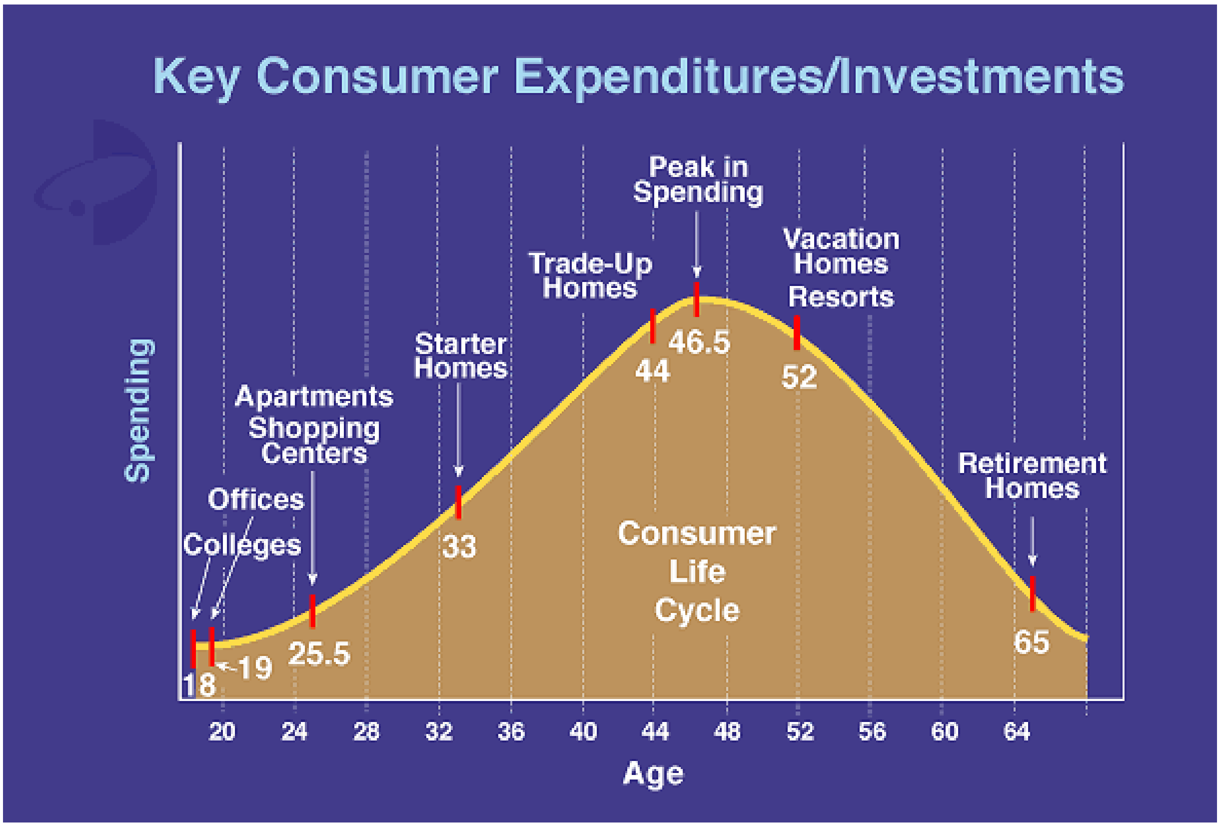


THE CENTRE CORE OF THE CITY WITH THE STRONGEST EMPLOYMENT OPPORTUNITY OFFERS THE LOCATION FOR THE HIGHEST CAPITAL GROWTH IN RESIDENTIAL DWELLING INVESTMENTS

AS YOU GO INLAND THE CAPITAL GROWTH RATE DROPS PROGRESSIVELY AS YOU MOVE FURTHER AWAY FROM YOUR NEAREST COASTAL CITY WITH SUCH CITY BEING THE BASIS DETERMINING GROWTH

PEOPLE WANT TO LIVE WITHIN 6 KILOMETRES OF THEIR JOB!


Change in Spending at each Age & Stage of Life
18-22
Single
22-30
Young
Married
31-42
Young
Family
46-50
Family,
College
Kids
50+
Empty
Nesters
60+
Retired


Key Consumer Expenditures/Investments
Spending
Colleges
Offices
Apartments
Shopping
Centers
Starter
Homes
Trade-Up
Homes
Peak in
Spending
Vacation
Homes
Resorts
Retirement
Homes
18
19
25.5
33
44
46.5
52
65
Consumer
Life
Cycle
20
24
28
32
36
40
44
48
52
56
60
64
Age

PROPERTY LOCATION MAP

Now, with that all said and done, yes, we have needs to attend to and that frequently involves acquiring homes.

Previously, we were little concerned about weather and Earth events, however, as the demands of an ever increasing global population put pressure upon this Earth, our home, then the frequency and intensity of weather and Earth events need to be considered in choosing the location of a family home.

Location Map - Your Home

Preferred age demographic profile within the area for your investment:

Median age 46 = highest value growth
Median age 22 or 60+ lowest growth

CBD or Major Commercial Centre to your home

Less than 6 kilometres

Distance to Public Transport
Less than 800 metres

Distance to Shopping Centre
Less than 800 metres

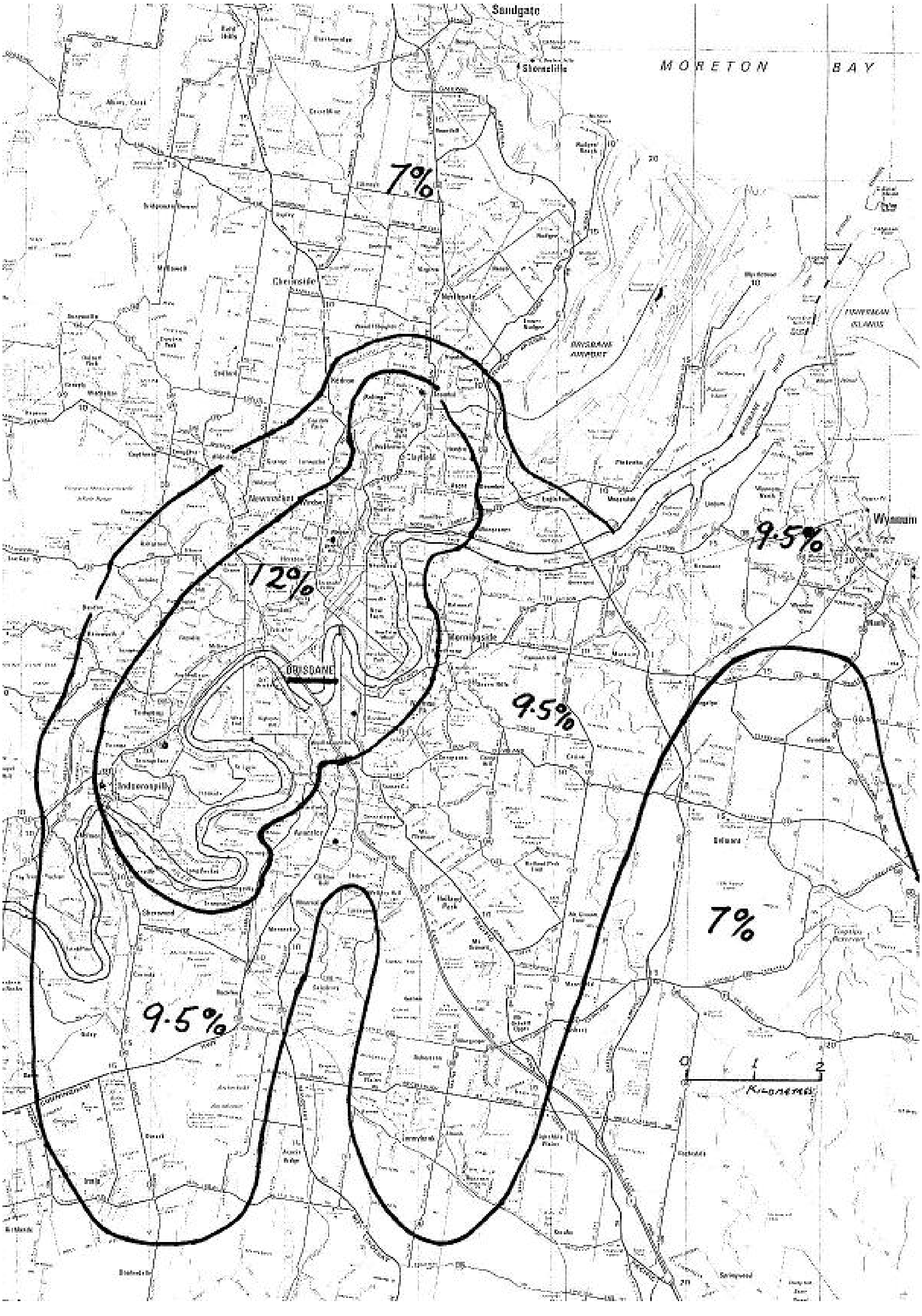
We all would like to live close to our work and living facilities such as entertainment, sports, etc.

Industrial & Commercial Developments in 6 K radius: Greater than $2 Billion
This drives property values as it creates local employment, etc.

1. **Position**
2. **Employment**
3. **Population Trend**
4. **Developments**
5. **Valuation Trend**
6. **Transport**
7. **Site & Zoning**
8. **Rentals & Amenities**
9. **Occupancy**
10. **Timing**

BRISBANE CITY

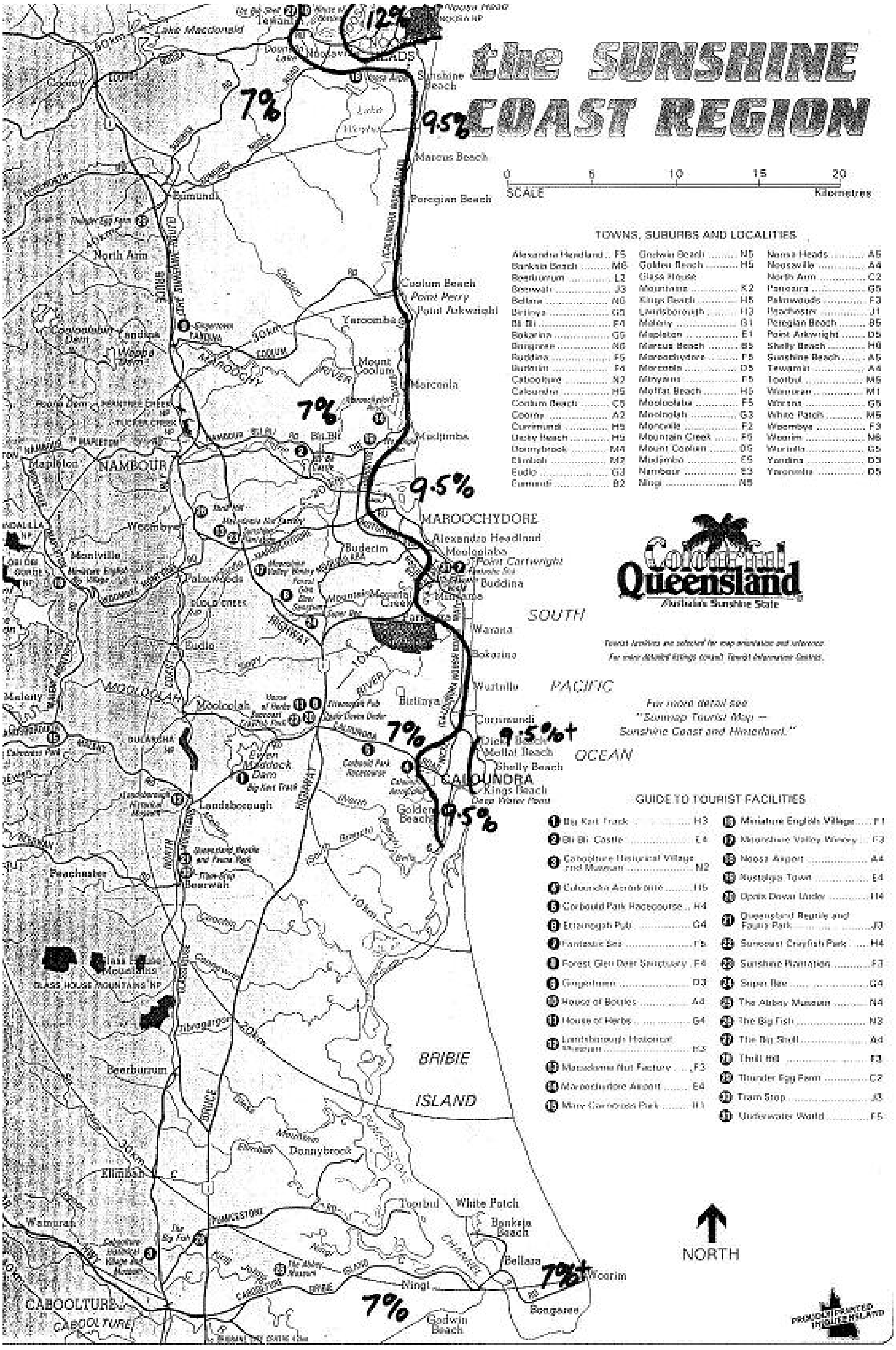
Potential long term annual capital growth is focused upon freestanding homes, maps show relativity to adjoining areas, value growth diminishing as you move further away from employment opportunities. People prefer to live within 6 kilometres of their place of employment.



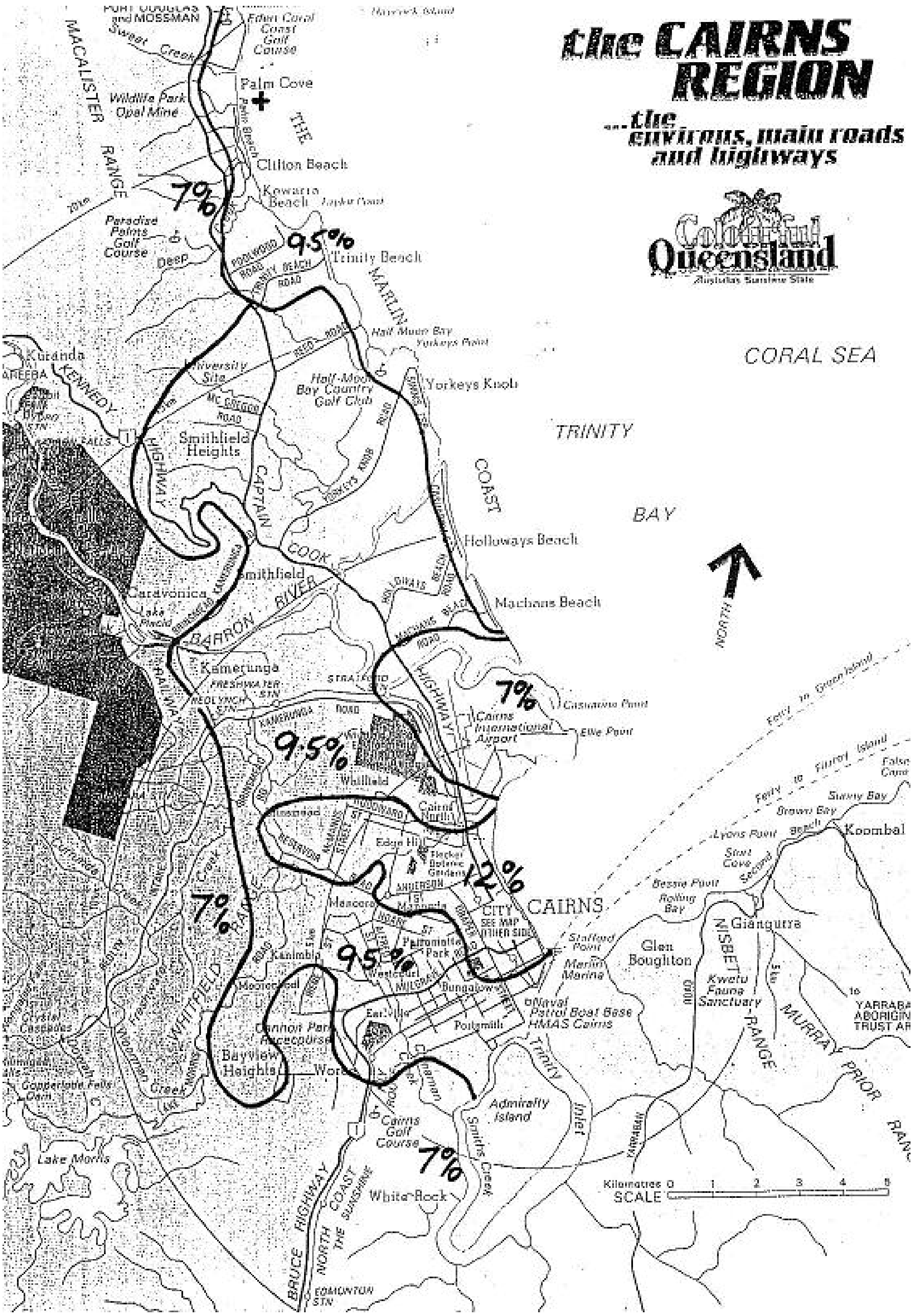
GOLD COAST


the GOLD COAST REGION
SCALE
Kilometres
Colourful Queensland
TOWNS, SUBURBS AND LOCALITIES
GUIDE TO TOURIST FACILITIES
NORTH
9.5%
12%
7%
12%
9.5%
12%+
9.5%
7%
12%
9.5%
9.5%+
7%
9.5%
Coomera Island
South Stradbroke Island
Hope Island
Dreamworld
Sanctuary Cove
Boykambil
Coombabah
Hollywell
Runaway Bay
Biggera Waters
Labrador
Ernest
Gaven
The Spit
Sea World
Molendinar
Main Beach
Southport
Narrow Neck
Nerang
Ashmore
Surfers Paradise
Benowa
Bundall
Sorrento
Carrara
Worongary
Clear Island Waters
Broadbeach
Mermaid Waters
Mermaid Beach
Merrimac
Robina
Miami
Mudgeeraba
Kerrydale
Burleigh Waters
Stephens
Burleigh Heads
Reedy Creek
West Burleigh
Palm Beach
Currumbin Point
Currumbin
Elanora
Tugun
Tallebudgera
Currumbin Waters
Tugun Heights
Bilinga
Ingleside
Tallebudgera Valley
Coolangatta
Kirra
Tweed Heads
NEW SOUTH WALES
QUEENSLAND
Currumbin Valley
Piggabeen
Austinville
Upper Mudgeeraba
Bonogin
Tallai
Gilston
Oxenford
Helensvale
Point Danger

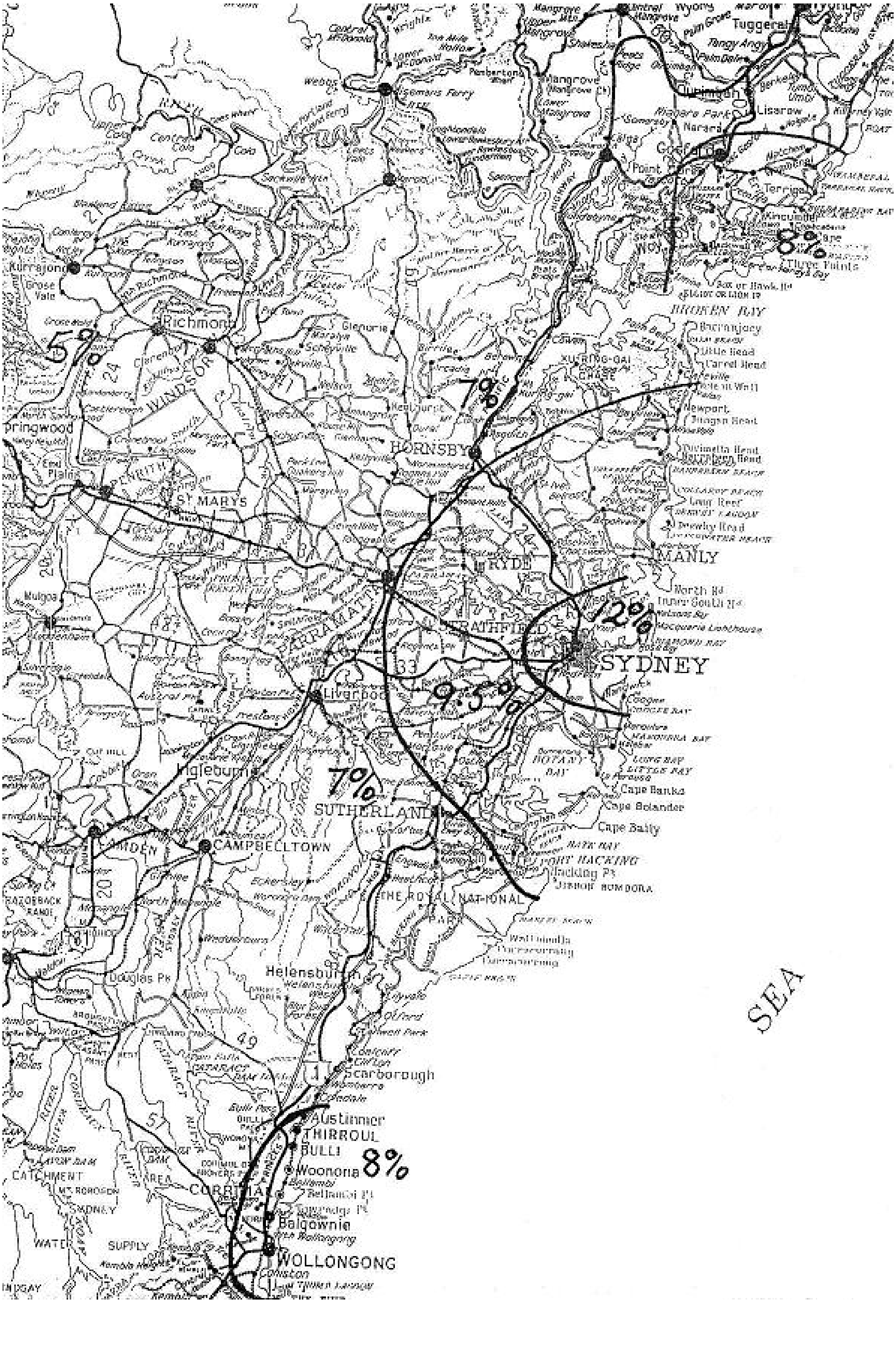
SUNSHINE COAST



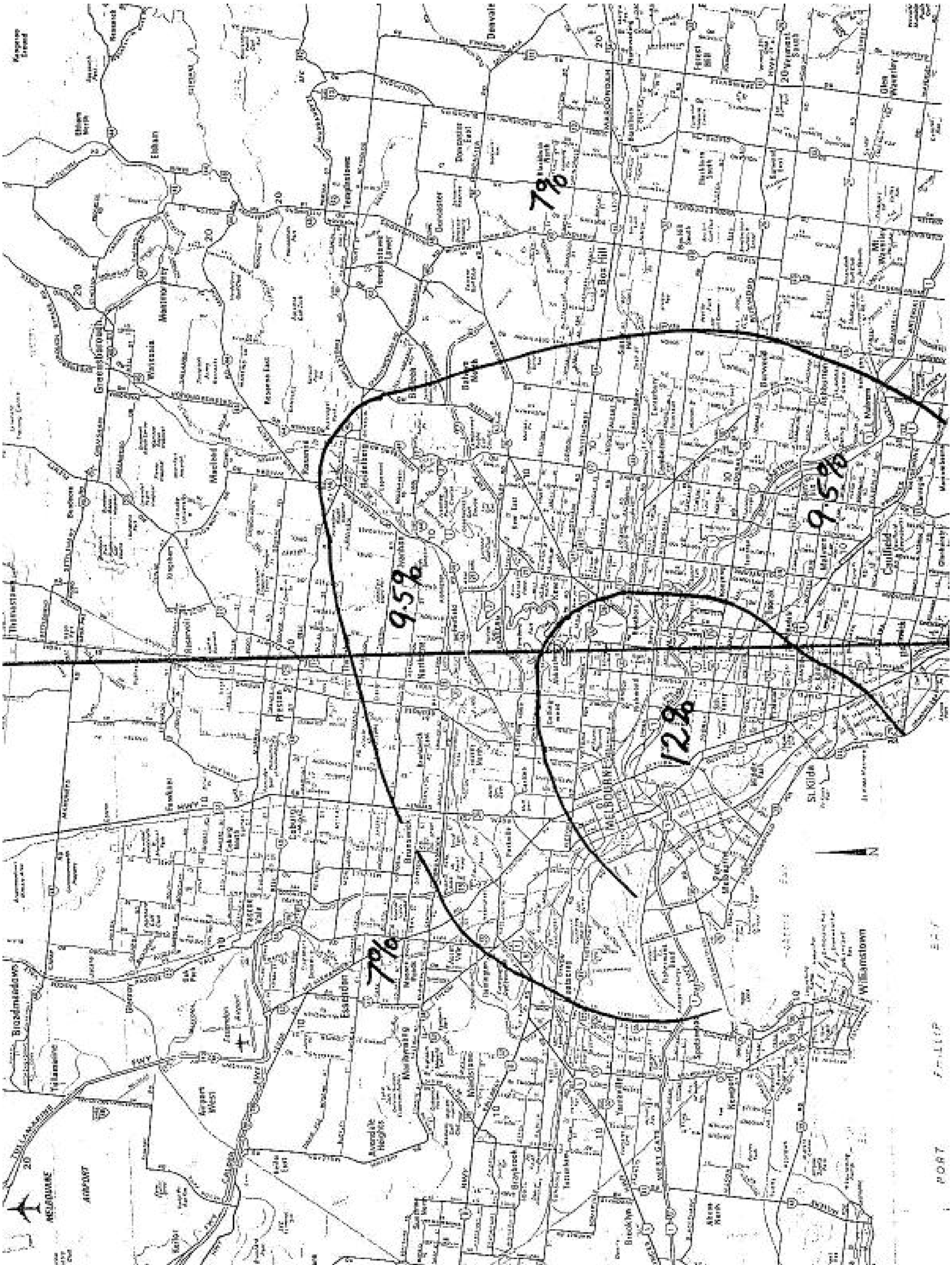
CAIRNS REGION



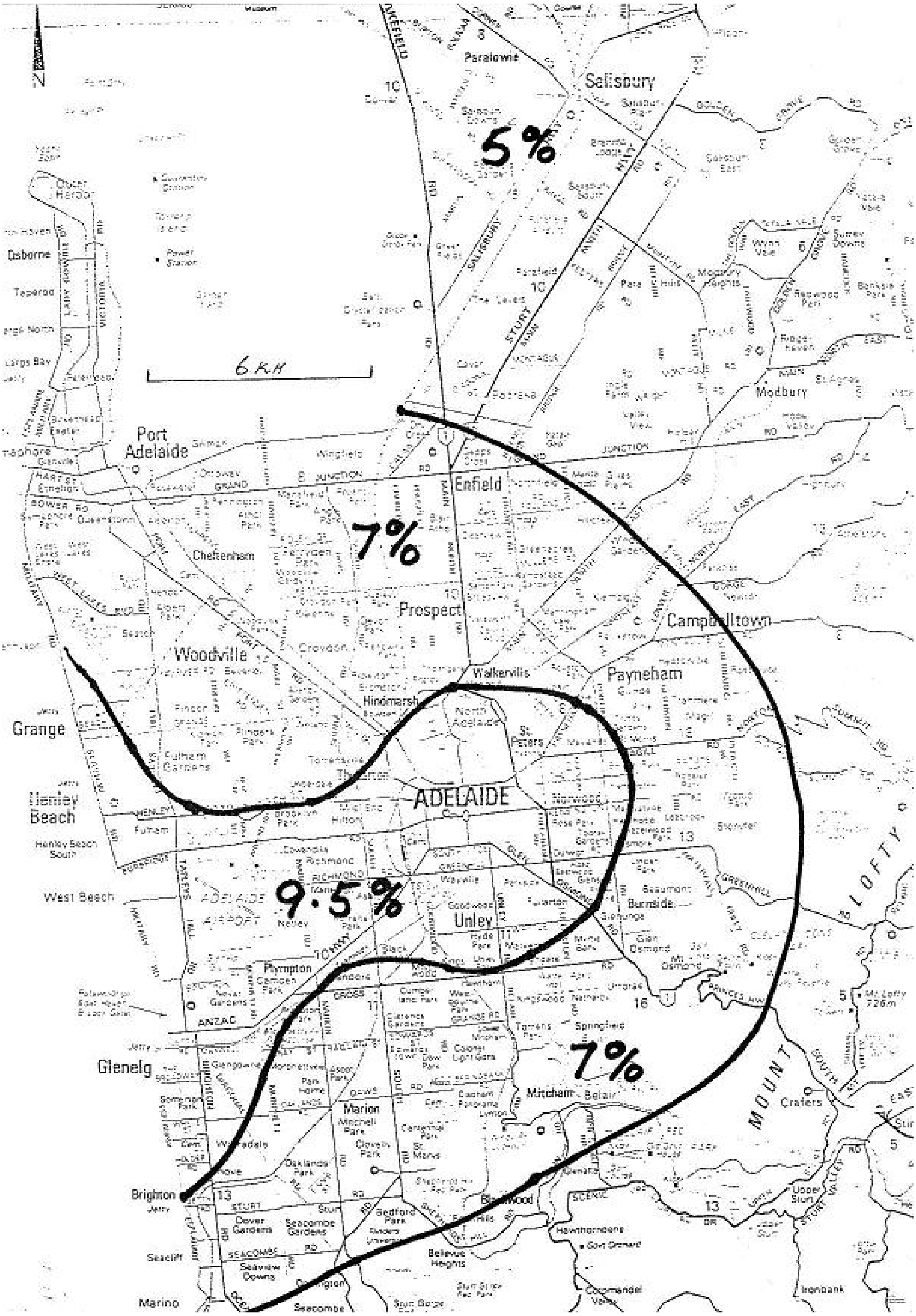
SYDNEY REGION



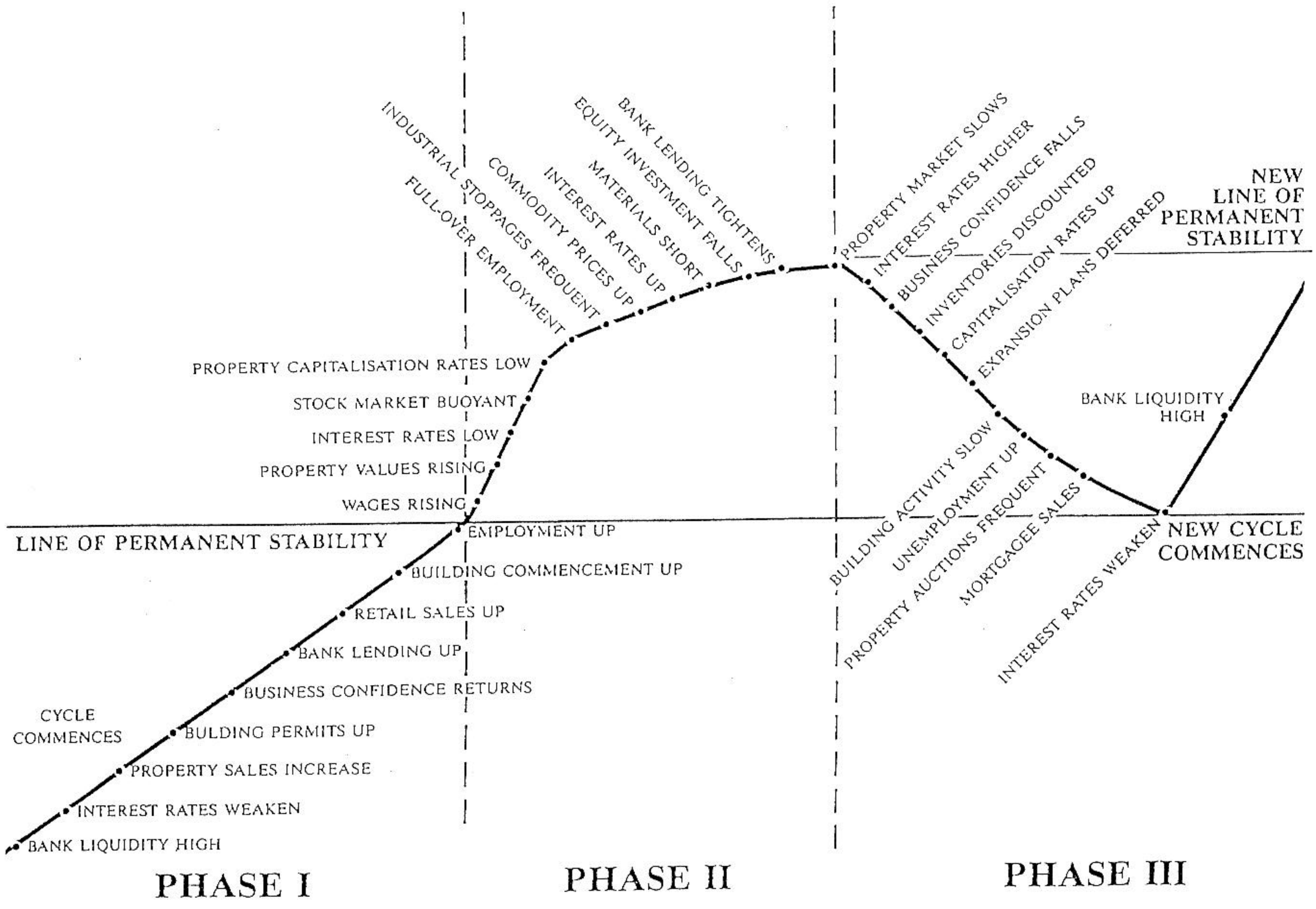
MELBOURNE

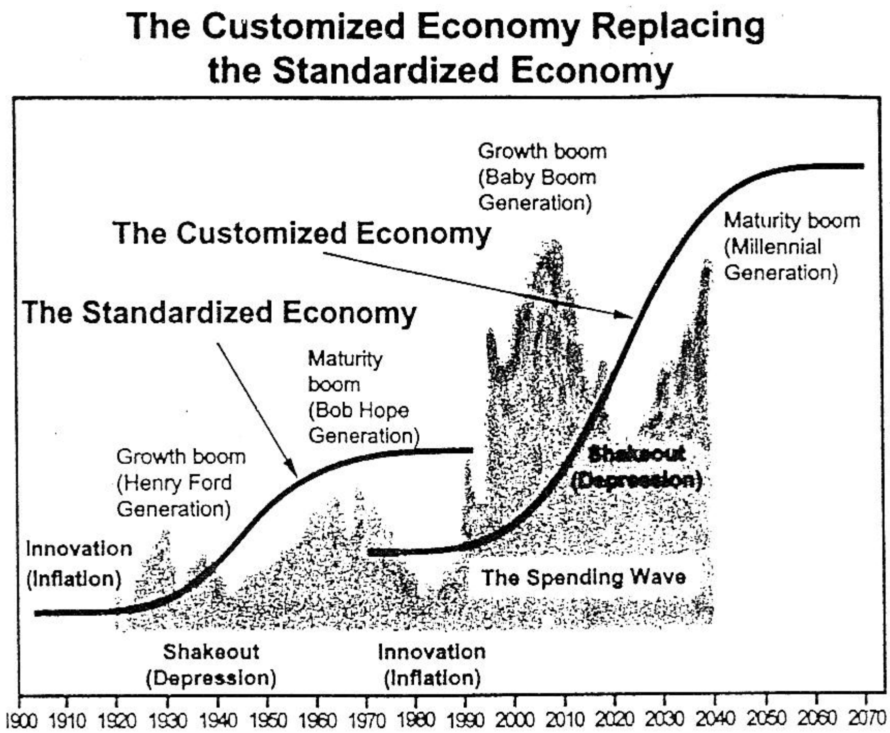


ADELAIDE

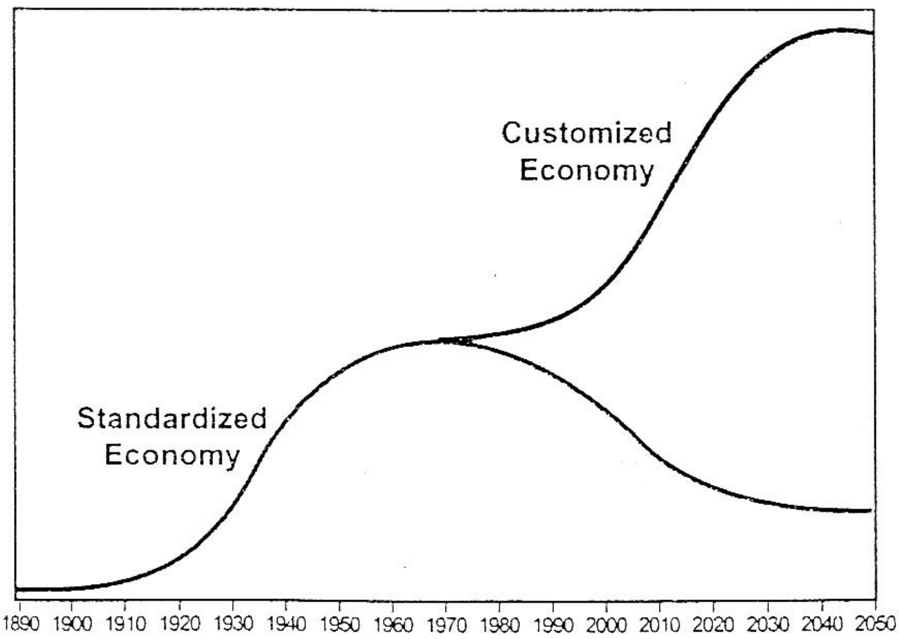

6 KM
5%
7%
9.5%
7%
Salisbury
Paralowie
Modbury
Port Adelaide
Enfield
Cheltenham
Prospect
Campbelltown
Woodville
Payneham
Grange
Hindmarsh
Walkerville
Henley Beach
ADELAIDE
Norwood
West Beach
Unley
Burnside
Glenelg
Marion
Mitcham
Crafers
Brighton
Blackwood
Seacliff
Marino
MOUNT
LOFTY

THE REAL ESTATE VALUE CYCLE





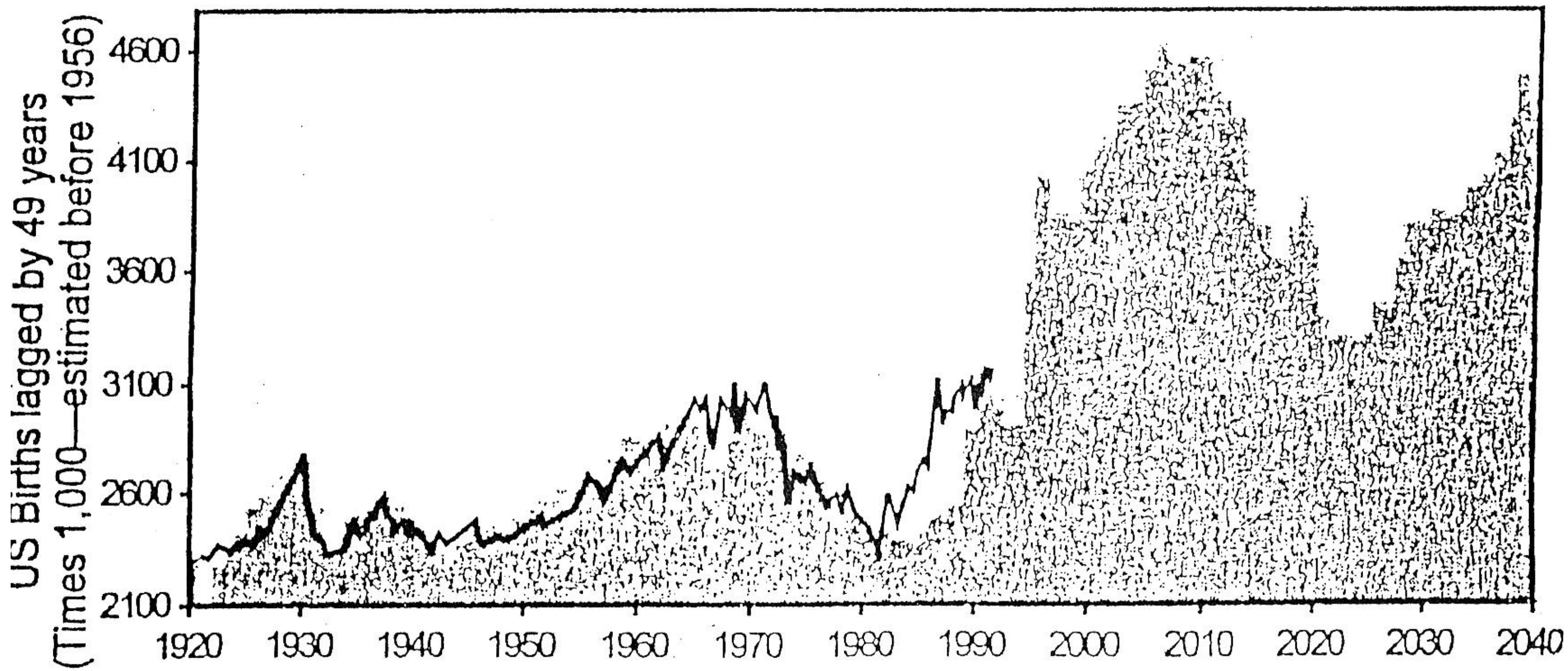
Integrating the Spending Wave with the S-Curves of the Standardized and Customized Economies



The Customized Economy that has been forming over the declining Standardized Economy

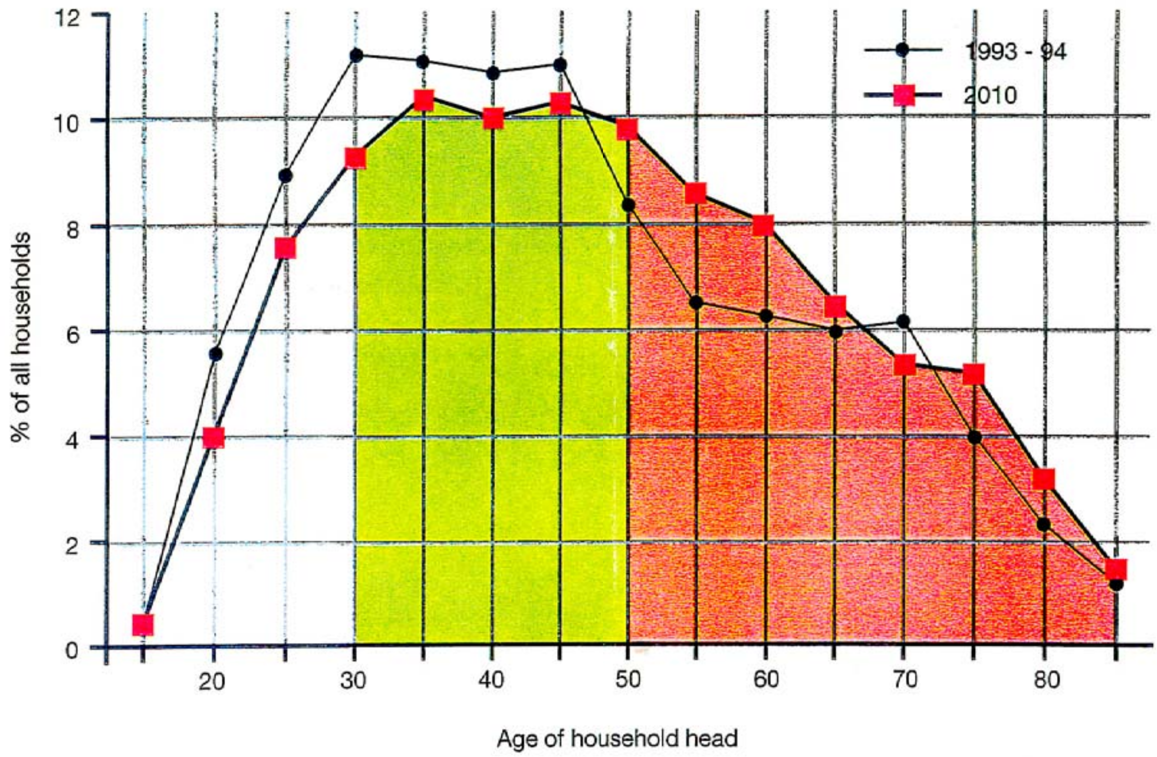
The Spending Wave extended

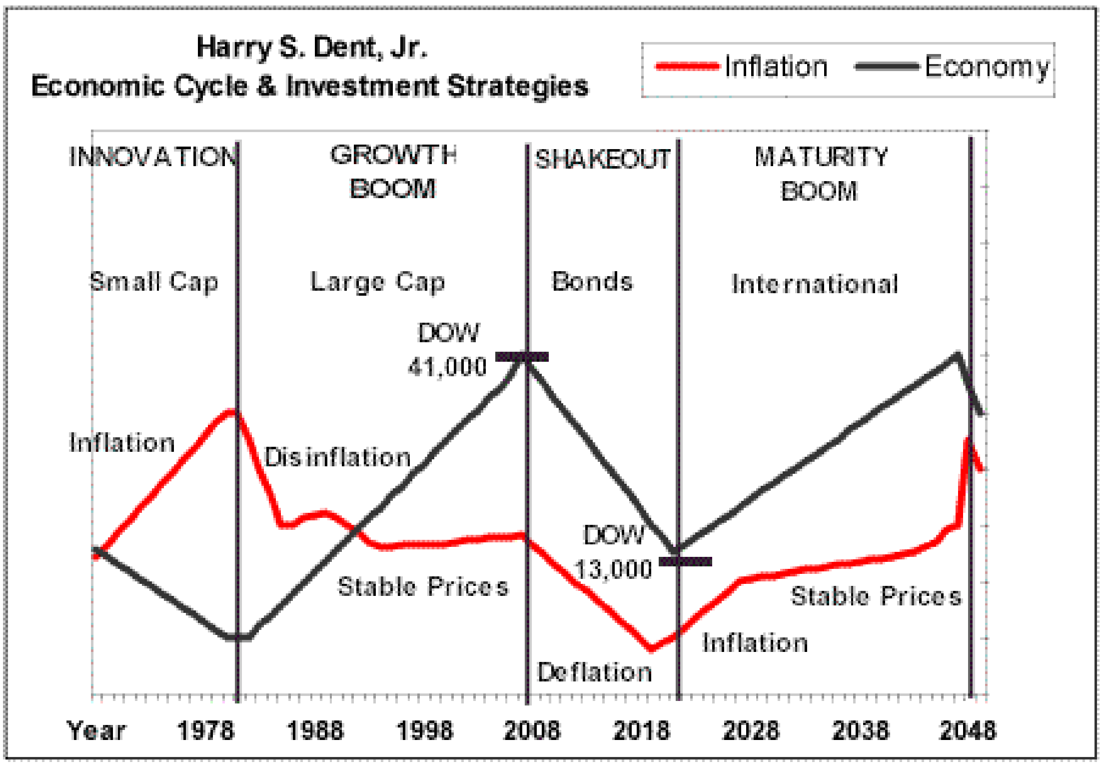
The 49 – Year Economic Forecast

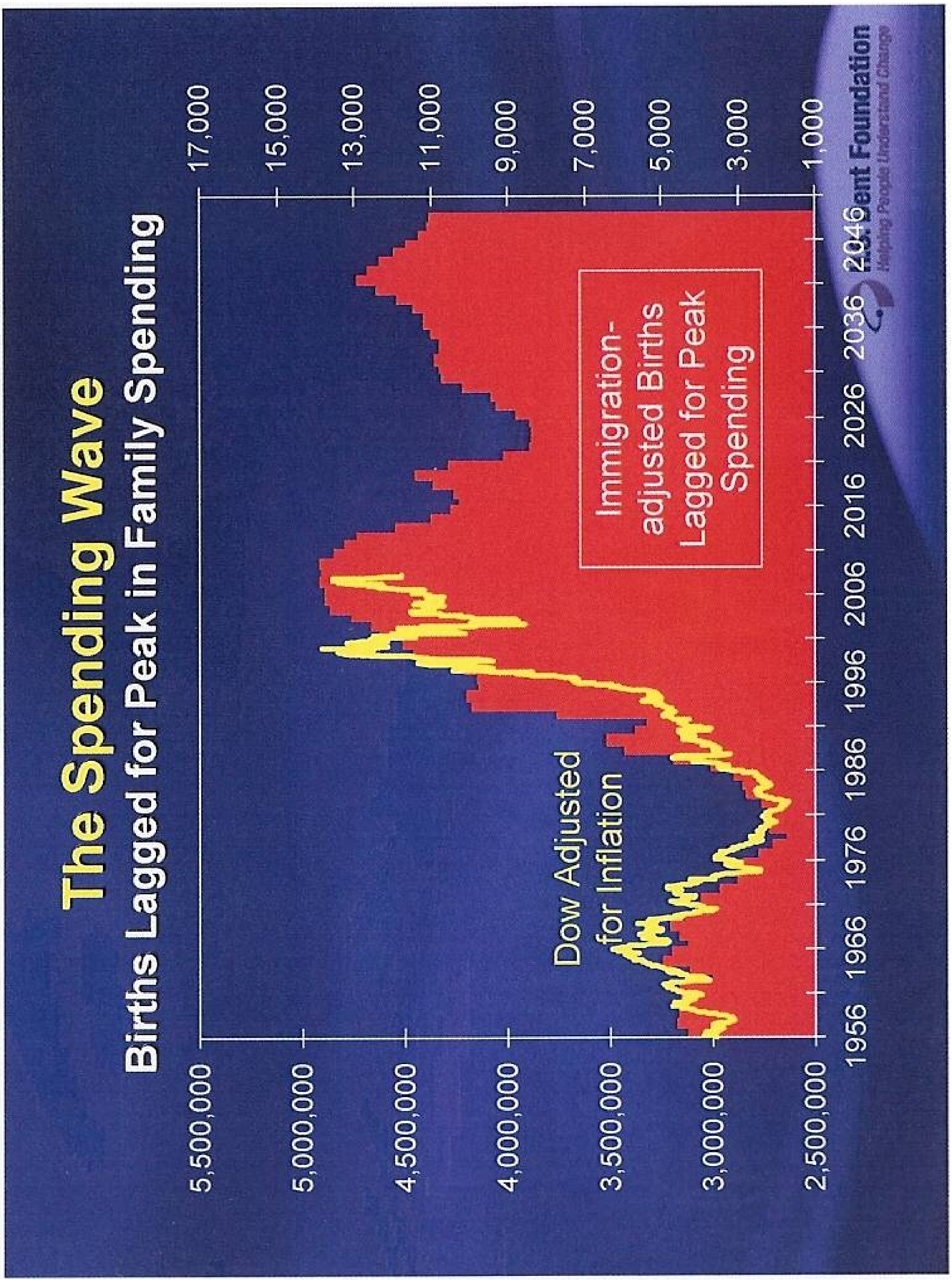


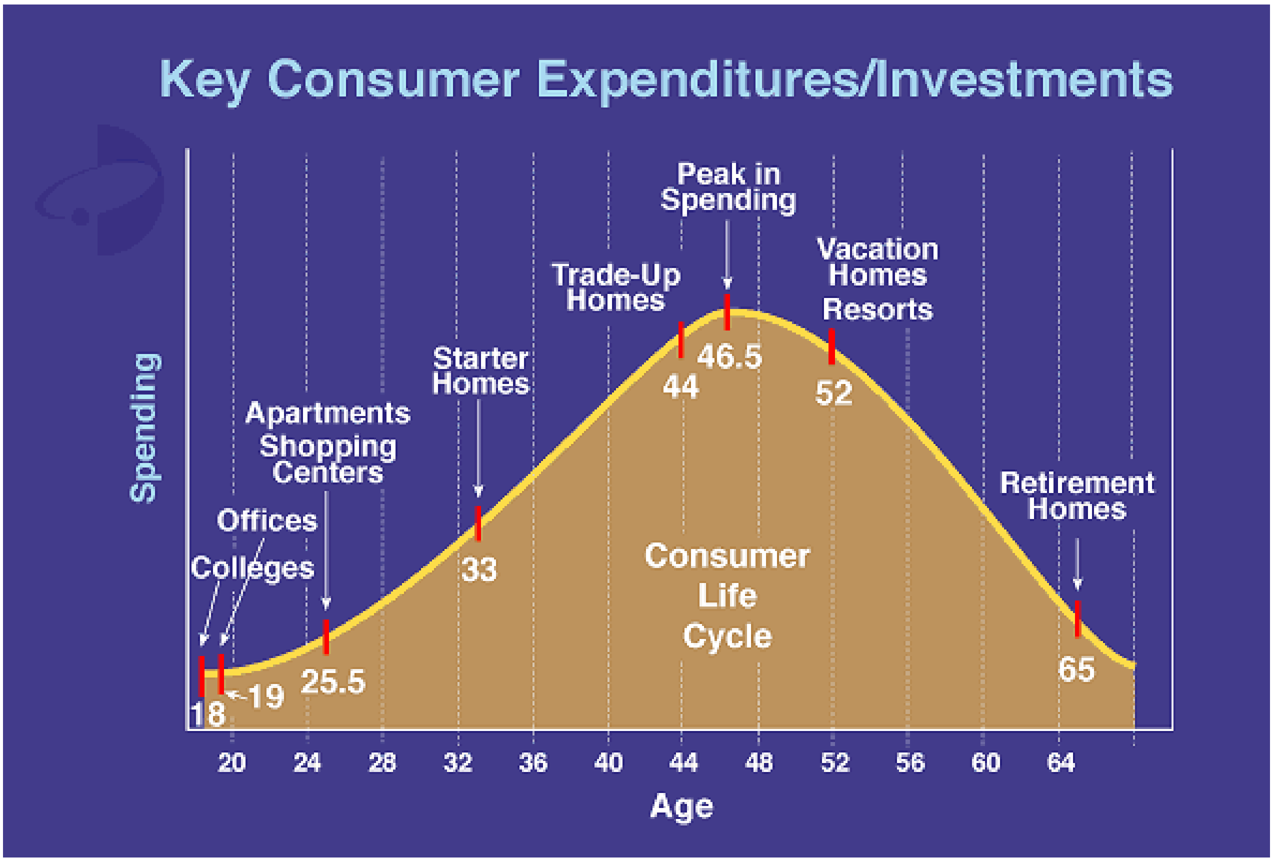
Australia joined the USA, Canada and New Zealand to have the largest baby boom birth cycles in the Western World following World War II. As a result these countries should boast the greatest booms in the coming decades as their baby boom generations approach their peak in spending. Using the Standard & Poors 500, adjusted for inflation, as a broad indicator of economic health, you can see how well the 47-49 birth rate projection tracks with the movements of the economy right back to 1920 (S&P 500 being the dark line and the shaded area being birth rates projected 49 years forward).

Forecast Proportion of all Households by age of Household Head, 1993-94 and 2010






The Spending Wave
Births Lagged for Peak in Family Spending
5,500,000
5,000,000
4,500,000
4,000,000
3,500,000
3,000,000
2,500,000
17,000
15,000
13,000
11,000
9,000
7,000
5,000
3,000
1,000
1956 1966 1976 1986 1996 2006 2016 2026 2036 2046
Dow Adjusted for Inflation
Immigration-adjusted Births Lagged for Peak Spending
Foundation
Helping People Understand Change


Key Consumer Expenditures/Investments
Spending
Peak in Spending
Trade-Up Homes
Vacation Homes Resorts
Starter Homes
Apartments Shopping Centers
Offices
Colleges
Retirement Homes
Consumer Life Cycle
18
19
25.5
33
44
46.5
52
65
20 24 28 32 36 40 44 48 52 56 60 64
Age


Labor Force Growth/Inflation Forecast
Annual Labor Force Growth
3,000,000
2,500,000
2,000,000
1,500,000
1,000,000
500,000
74-75
80-82
90-91
86
Inflation
19 Year-Olds Minus
62 Year-Olds
on a 2-Year Lag
Annual Inflation (%)
18 16 14 12 10 8 6 4 2 0 -2 -4 -6 -8 -10 -12 -14
1950 1970 1990 2010 2030

Chart 2