

## Market Update – 25 February 2005

*Significant land bank growth achieved but lower short-term profit expectations in softer market*

- Full year profit before tax to be lower than previous period
- Dividend of 11 cents for FY 2004 targeted to be maintained for FY 2005
- Land bank of developable lots under control increased to 10,500 (approximately 6 years supply) from 8,000 last year
- Medium to long-term outlook remains favourable

### **Profit Outlook**

AVJennings Homes Limited has completed a review of prospective end of financial year sales outcomes and is now in a position to advise that it expects a full year profit before tax for the year to March 31, 2005 to be around 40 per cent of the profit recorded for the year to March 31, 2004 (\$97.7 million).

The Company's first half was impacted by delays arising from obtaining development approvals deferring the commencement of major projects, particularly in Victoria. The second half of FY2005 has also been affected by a significant softening of demand, especially in New South Wales.

However, a positive macro-economic environment, coupled with strong population growth, will drive demand for new housing in the medium term. As a result the Company still sees market fundamentals as favourable.

The majority of the development approval issues have now been resolved. Consequently, previously delayed projects will commence development and sales in the more favourable conditions forecast for FY2006. Project details appear in the attached schedule.

Sales recognised for FY2005 are likely to be some 1,100 allotments of land, or land with houses on them. Significantly higher levels of sales are forecast for future years as the projections in the following table show.

| <b>Five Year Forecast Sales from Existing Projects<br/>(Lot equivalents)</b> |               |               |               |               |               |
|--|---------------|---------------|---------------|---------------|---------------|
| <b>State</b>   | <b>FY2006</b> | <b>FY2007</b> | <b>FY2008</b> | <b>FY2009</b> | <b>FY2010</b> |
| QLD  | 484           | 703           | 433           | 111           | 57            |
| NSW  | 487           | 471           | 297           | 327           | 400           |
| SA   | 358           | 312           | 168           | 150           | 96            |
| VIC  | 520           | 979           | 736           | 690           | 573           |
| <b>Total</b>   | <b>1,849</b>  | <b>2,465</b>  | <b>1,634</b>  | <b>1,278</b>  | <b>1,126</b>  |

The Company is continuing to acquire new projects with the current softer market conditions assisting this goal. The sales from these targeted acquisitions, when added to the above sales from existing projects, should see total sales continue to grow throughout the forecast period.

### **Dividends**

Due to the favourable medium to long-term prospects for the Company, the Board is targeting to at least maintain its full year dividend, which for 2004 was 11 cents, fully franked.

The Company anticipates that it can grow this dividend in future years.

### **Land Bank Growth**

As announced in the Company's half-year results in November 2004, AVJennings is significantly growing its developable land inventory so it can capitalise on opportunities for the medium to long-term.

This land bank growth is progressing ahead of schedule, and a number of recent acquisitions (in Victoria's southeast growth corridor and Queensland) mark a series of steps in the Company's objective to increase total developable lots to 16,000 within four years.

Last year the Company had 8,000 developable lots throughout Australia. With these recent acquisitions, it now has some 10,500 lots under its control.

The Board and Management remain committed to delivering on the growth of the Company in order to deliver sustained earnings growth and dividends and this is supported by the Company's strong balance sheet position.

### **Further information:**

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**PROJECT SCHEDULE**

**VICTORIA**

| Project                        | Type               | Status  | Remaining Lots * |
|--------------------------------|--------------------|---------|------------------|
| The Chase, Berwick             | Land               | Zoned   | 895              |
| Lyndarum, Epping North         | Land               | Zoned   | 1,256            |
| Riverdale, Mernda              | Land               | Zoned   | 594              |
| Bellevue, Epping               | Land               | Zoned   | 254              |
| Officer                        | Land               | Unzoned | 575              |
| Montpellier Gardens, Burwood   | Integrated Housing | Zoned   | 166              |
| Kingston Place, Springvale Sth | Integrated Housing | Zoned   | 66               |
| Maidstone                      | Integrated Housing | Unzoned | 138              |
| Other                          | Land               | Zoned   | 3                |
| <b>Total Remaining Lots*</b>   |                    |         | <b>3,947</b>     |

**NEW SOUTH WALES**

| Project                         | Type                      | Status  | Remaining Lots * |
|---------------------------------|---------------------------|---------|------------------|
| Elderslie                       | Land                      | Zoned   | 546              |
| Spring Farm                     | Land                      | Zoned   | 185              |
| Hamlyn Terrace                  | Land                      | Unzoned | 460              |
| San Merino, Prestons            | Land                      | Zoned   | 107              |
| Settlers Reach, Wadalba         | Land                      | Zoned   | 133              |
| Louisiana Belle, Hamlyn Terrace | Integrated Housing        | Zoned   | 61               |
| Waterford (JV), Bankstown       | Integrated Housing        | Zoned   | 109              |
| Treetops, Quakers Hills         | Integrated Housing        | Zoned   | 84               |
| Other                           | Mainly Integrated Housing | Zoned   | 419              |
| <b>Total Remaining Lots*</b>    |                           |         | <b>2,104</b>     |

**QUEENSLAND**

| Project                        | Type               | Status     | Remaining Lots* |
|--------------------------------|--------------------|------------|-----------------|
| Regatta Waters (JV), Oxenford  | Land               | Zoned      | 155             |
| Parklake (JV), Maudsland       | Land               | Zoned      | 164             |
| Rushwood, Thornlands           | Land               | Zoned      | 91              |
| Kinross Road, Thornlands       | Land               | Unzoned    | 226             |
| Cunningham Rise, Goodna        | Land               | Zoned      | 263             |
| Halpine Lakes, Mango Hill      | Land               | Part Zoned | 506             |
| Parklands Blvd, Caloundra      | Land               | Unzoned    | 142             |
| Central Parklands, Mt. Ommaney | Integrated Housing | Zoned      | 119             |
| Creek Road, Carina             | Integrated Housing | Zoned      | 91              |
| Other                          | Mainly Land        | Zoned      | 31              |
| <b>Total Remaining Lots*</b>   |                    |            | <b>1,788</b>    |

**SOUTH AUSTRALIA**

| Project                        | Type                     | Status  | Remaining Lots * |
|--------------------------------|--------------------------|---------|------------------|
| Springbank Waters (JV), Burton | Land                     | Zoned   | 237              |
| Murray Bridge                  | Land                     | Zoned   | 235              |
| Huntfield Heights 1 & 2        | Land                     | Zoned   | 355              |
| Huntfield Heights 3            | Land                     | Unzoned | 327              |
| Northgate                      | Land                     | Zoned   | 105              |
| Other                          | Land, Integrated Housing | Zoned   | 88               |
| <b>Total Remaining Lots*</b>   |                          |         | <b>1,347</b>     |

\*Sites subject to certain contract conditions excluded