



## Structural changes impacting residential construction

Structural changes	Impact on residential construction
<ul style="list-style-type: none"> <li>■ Lot costs increasing</li> <li>■ Lot sizes decreasing</li> <li>■ Increase in people per dwelling</li> <li>■ High switching costs</li> <li>■ Higher energy prices</li> <li>■ Affordability</li> <li>■ Service based economy</li> <li>■ Population increasing strongly</li> </ul>	<ul style="list-style-type: none"> <li>■ Higher density living</li> <li>■ Land availability</li> <li>■ More 2<sup>nd</sup> storey detached construction</li> <li>■ Increase in knockdown rebuild market</li> <li>■ Comfort and energy efficiency</li> <li>■ Growth in A&amp;A</li> <li>■ Living closer to work</li> <li>■ Demand will continue to grow</li> </ul>

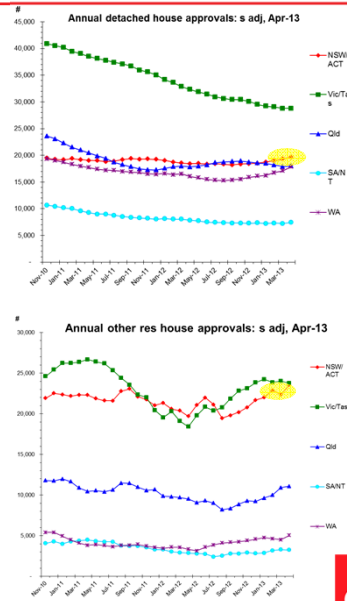
## Residential approvals – recent trends

### Detached market

- Approvals for 12 months ending April 2013 were 91,770 – down 0.8%
- NSW/ACT and WA are experiencing positive trends – increasing by 7% and 11%
- VIC/TAS is down 11% and QLD flat

### Multi Residential market

- Multi res approvals for 12 months ending April 2013 were 66,659 – up 24%
- NSW/ACT and VIC/TAS driving growth, up 20% and 29% respectively
- WA and QLD are also trending up



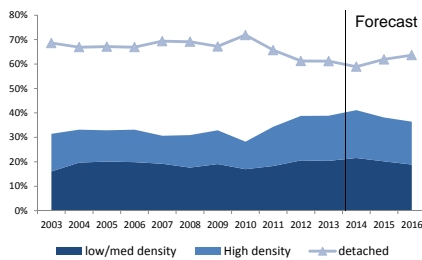
Source: ABS

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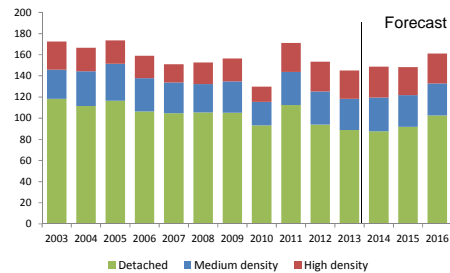
## Detached housing volumes forecast to increase share of residential building volumes

Multi res and detached share of total starts for Aus



Source: ABS and BIS Shrapnel

Total commencements by building segment



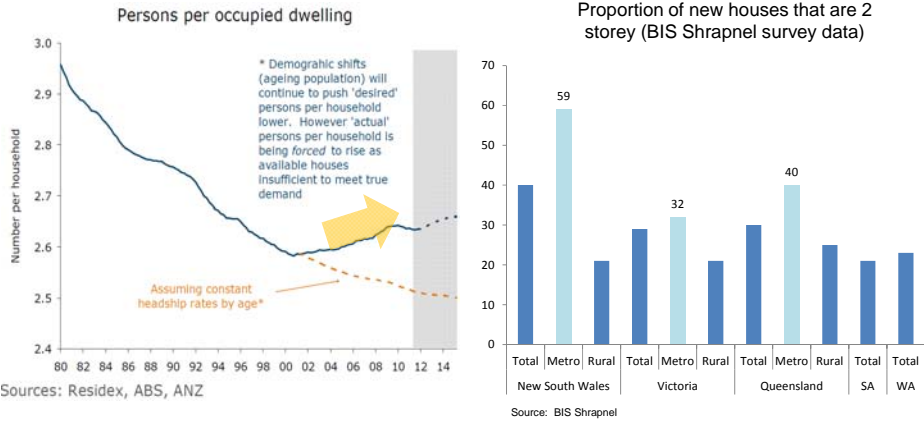
Source: CSR, ABS, BIS Shrapnel and HIA

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## Proportion of two storey houses is increasing

- 80% of Australians still live in detached houses

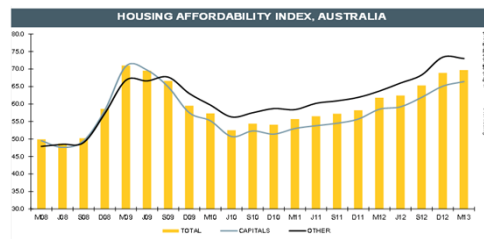


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## Affordability improving

### HIA housing affordability index

- Housing affordability continues to improve increasing by 1% for the March 2013 quarter
  - The index is now 13% higher than in March 2012
  - After deteriorating rapidly in 2009 and 2010, the affordability index has improved for nine consecutive quarters since March 2011
- Improvement in housing affordability driven by:
  - Easing lending rates, against only modest rises in house prices



HOUSING AFFORDABILITY INDEX AUSTRALIA							
Median Dwelling Price	Interest Rate	Monthly Mortgage Repayment	Average Weekly Earnings*	Qualifying Income	Affordability Multiple	Affordability Index	
\$	%pa	\$	\$	\$			
Mar Qr 11	487,800	7.12%	3,068	87,659	120,320	1.39	55.7
Jun Qr 11	488,100	7.04%	3,066	87,543	120,287	1.37	56.5
Sep Qr 11	470,000	7.05%	3,007	86,832	120,281	1.35	57.2
Dec Qr 11	475,800	6.80%	2,972	85,317	118,886	1.32	58.2
Mar Qr 12	458,100	6.61%	2,834	79,368	113,366	1.62	61.8
Jun Qr 12	467,000	6.45%	2,812	79,158	112,468	1.60	62.4
Sep Qr 12	461,000	6.03%	2,686	79,158	107,442	1.53	65.3
Dec Qr 12	461,000	5.84%	2,633	72,392	105,315	1.46	68.9
Mar Qr 13	463,000	5.67%	2,604	72,392	104,145	1.43	69.7

\*Annualised

Source: HIA

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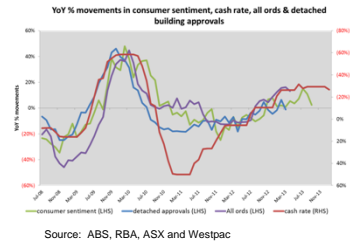
## Cash rate and consumer confidence

### Cash rate and consumer confidence

- The cash rate at 2.75% - lowest level for over 50 years
- Strong correlation of detached housing approvals with movements in the cash rate, the All Ords index and consumer confidence

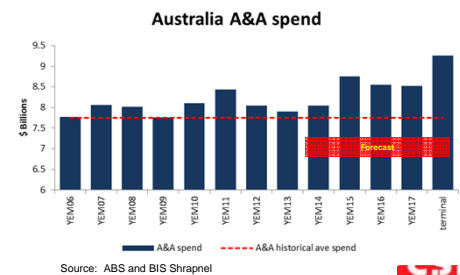
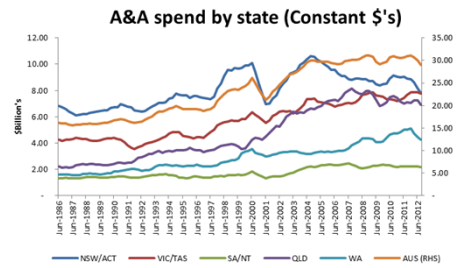
### Time to buy dwelling index

- Time to buy a dwelling index has been trending upwards
  - Over the past year, the index has improved by 21%.



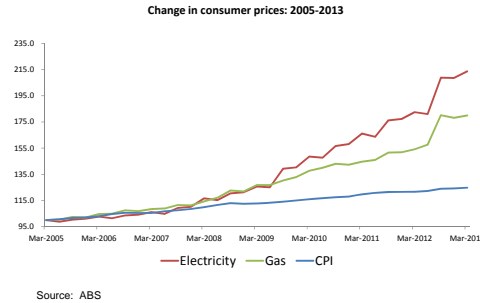
## A&A remains an attractive segment

- The A&A renovations segment totals over \$30bn annual spend
  - Accounts for over 40% of all residential building spend
  - Has slowed in line with consumer confidence
  - Segment served by Big Box retailers (retail hardware) still growing
- The A&A market for large projects (>\$10k) is around \$8bn pa



## Energy prices will continue to increase above CPI

- Retail electricity prices have increased by 70% in the last 4 years (14% CAGR) and gas prices by 42% (9% CAGR), 3-4x faster than CPI
  - Retail electricity prices are driven by wholesale price (~40%); network charges (~50%)
- Significant capacity shortfalls in gas
  - Qld is forecast to hit capacity in 2014;
  - NSW in 2015/16, and
  - Vic in 2015/16
- Gas shortages are very real



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## Implications for CSR

<p><b>Improve existing businesses</b></p> <ul style="list-style-type: none"> <li>■ Further rationalisation industry capacity</li> <li>■ Aligning businesses to structural changes in the market</li> <li>■ Restructure of Viridian - #1 priority</li> </ul>	<p><b>Multi-residential</b></p> <ul style="list-style-type: none"> <li>■ Favourable mix of performance and value-added products and solutions</li> <li>■ Hebel systems increasing exposure</li> <li>■ Gyprock, Bradford systems</li> </ul>
<p><b>Energy efficiency</b></p> <ul style="list-style-type: none"> <li>■ Increase penetration of value added glass</li> <li>■ Bradford Energy Solutions - residential and commercial expertise</li> </ul>	<p><b>Lighter, faster, easier to build</b></p> <ul style="list-style-type: none"> <li>■ Innovation in systems, prefabricated walling systems</li> <li>■ Systems for higher density</li> </ul>

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