

7 November 2008

Australian Securities Exchange
Exchange Centre,
Level 4,
20 Bridge Street,
Sydney NSW 2000.

Dear Sir / Madam,

FIRST QUARTER UPDATE

Please find attached our first quarter update for release to the market.

Yours faithfully,



**Paul Freedman,
Company Secretary**

FIRST QUARTER UPDATE - 7 NOVEMBER 2008

- **Markets responding to interest rate cuts and government initiatives**
- **Over 230 presales in Melbourne for delivery in H2**
- **Long term bank funding in place**
- **Successful equity raising via the dividend reinvestment plan**

This report provides an update on the company's activities and performance for the first quarter of FY2009.

Whilst the national property market has been subdued due to difficulties on global financial markets and declining affordability, recent cuts to interest rates, the increase in the first home buyer grant and other Federal and State government initiatives have stimulated demand in the first home buyer sector.

During the first quarter, the company commenced construction at two of its new Melbourne residential projects and has now contracted over 230 presales with delivery of the titles for these stages expected in the second half.

The company recently completed a small equity raising by way of an underwritten dividend reinvestment plan, successfully raising \$5.4m. Together with its 3 year evergreen corporate bank facility (which the bank has recently agreed to extend until September 2011) and separate project facilities, the company has funding in place for all of its development projects.

As previously advised, the FY2009 construction and settlement program is heavily weighted to the second half. If market conditions don't improve, the full year profit for FY2009 is expected to be significantly lower than in FY2008.

The company is well placed to take advantage of an upturn in market conditions with a good product range available and recognizes the lack of housing stock in all metropolitan markets will underpin a recovery.

Further earnings guidance will be provided when there is greater clarity regarding market conditions.

Western Australian residential projects

The Western Australian property market experienced weak demand during the first quarter, although activity differs markedly from sector to sector.

The release of the Helena Valley Private Estate project was keenly received by the local market resulting in 35 presales, approximately half of the project, in the first few weeks following the launch. Construction is under way and titles will be delivered during the second half.

In addition, Cedar Woods' first land syndicate - in Wellard, a new town only 30 minutes by train and car from the Perth CBD - will commence later this month. The first stage has recently been launched and funding is in place to complete the first stage of approximately 100 lots.

Sales at the company's major project in the northern corridor, The Kestrels, have been steady during the first quarter, however conditions have been more difficult in Baldivis and Mandurah, both in Perth's south west corridor.

Built form

The company's Waterline Apartments project at Halls Head, in Mandurah, WA was completed at the end of the 2008 financial year. This project comprises 18 luxury apartments and a future 'Dome' café situated in a prime location, providing uninterrupted views over Halls Head Beach.

With one third of the apartments sold, the company has 12 remaining apartments available for sale. The apartment market in Mandurah is currently weak although buyer enquiry is still encouraging and the company is well positioned for a market recovery with an excellent product range.

The first stage of a series of luxury waterfront homes at Mariners Cove Canals is progressing well, with 6 of the first 8 homes already pre-sold. Known as 'The Landings', these premium homes will continue to be marketed and developed during FY2009 and the first stage is expected to be completed in the second half. A second, 6-home stage is now under way for delivery in FY2010.

Victorian projects move further ahead

Despite the weakening market in Victoria, strong sales activity has continued at the company's Melbourne projects.

Since its successful launch in March 2008, the company's new project at Williams Landing has seen strong buyer demand with 220 lots now presold to the public and to builders for the builders' display village. Approximately two thirds of these sales are scheduled to settle in FY2009.

Construction on the first two stages is well underway with settlements scheduled in the fourth quarter of FY2009.

Also in Melbourne, the company recently launched a 600 lot residential estate known as 'Carlingford' at Lalor in the city's northern suburbs. Over 110 lots have been pre-sold from the initial three stages. Construction has commenced and the first lots are expected to settle in the fourth quarter of FY2009.

As a result of these pre-sales, the company has already met its FY2009 sales target for its Melbourne projects.

The company's Footscray development, 'Banbury Village', will be launched later in FY2009. Just 6 kilometres from the Melbourne CBD, this project will become a 250 dwelling development, to include a range of townhouses, apartments and terrace housing.

Outlook

Whilst property markets have been subdued in the first quarter, recent cuts to interest rates and various government initiatives have stimulated demand in the first home buyer sector which traditionally is the first sector of the market to experience a recovery as conditions improve.

The lack of housing stock in all metropolitan markets will underpin a recovery that should commence as financial markets stabilize and as interest rate cuts translate to improved housing affordability.

The company's presales are due for delivery in the latter part of the financial year, and accordingly the profit for the year will be substantially delivered in the second half.

In the absence of improved market conditions, the profit for FY2009 is expected to be significantly lower than in FY2008 and a profit forecast will be provided when there is greater clarity regarding market conditions.

The company is well placed to take advantage of improved market conditions, with a good product range and sufficient stock levels and has a large bank of presales in place, particularly at its Melbourne projects.

For further information please contact:

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