

Cairns Area Market Overview

IN BRIEF

- The most recent six month period ending June 2011 registered only 837 settled house sales and 350 unit sales.
- It is determined that price growth for houses has stagnated since 2008, where it has reached an equilibrium at \$360,000.
- There has been decline of new bonds in the rental market, while weekly rental prices have remained steady for both house and unit dwelling types.

For the purposes of this report, the Cairns Area encompasses the suburbs highlighted orange in the map to the right. This area stretches from Bellenden Ker in the south and Palm Beach in the north.

Area Characteristics

The regional city of Cairns, is situated in Far North Queensland, approximately 1,700km by road from Brisbane. It serves as the base for those who want to explore Cooktown, Cape York Peninsula and the Atherton Tableland. Tourism is the largest industry for the region with the Great Barrier Reef less than an hour by boat and many other natural wonders such as the Daintree National Park and Cape Tribulation, approximately 130km north of Cairns. Cairns operates as the major commercial centre for the Far North Queensland and Cape York Peninsula Region with access to various amenities including primary and secondary schools, the Cairns Campus of James Cook University at Smithfield and the Manunda TAFE college.

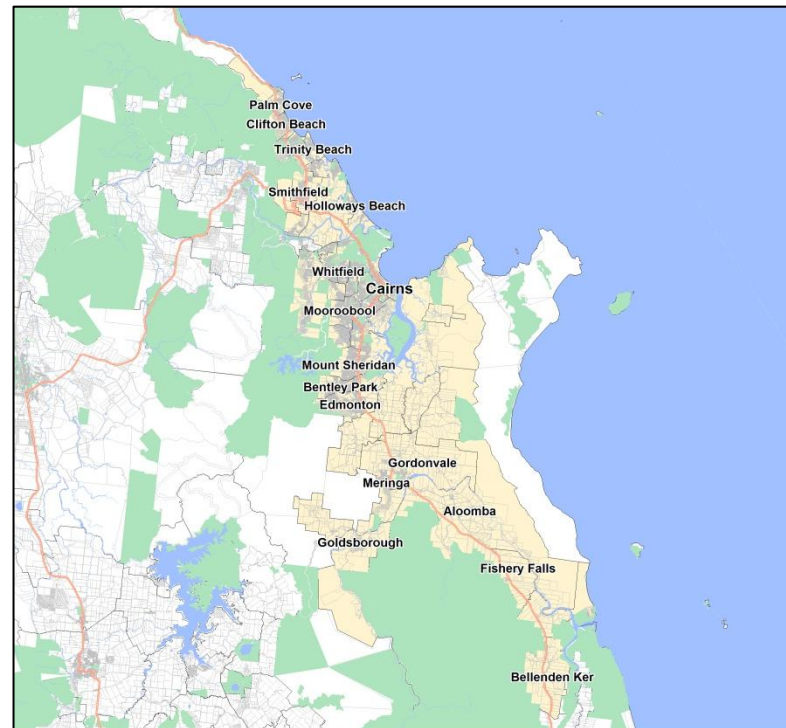
Demographics

Cairns is rapidly expanding, with a population of 156,298 residents according to the Australian Bureau of Statistics Estimated Resident Population at June 2010. This equates to a population growth of 2.5% from June 2009. A high portion of the population is under 15 years of age at 21.6% with only 8.3% of residents aged 65 years and above. Around 70% of the demographic in this region belongs to a family household, indicating that the Northern Cairns Area is a family oriented region. The region is primarily made up of freestanding houses accounting for 71.9% of the total dwellings, with 43% of households earning an income between \$500 and \$1,199 per week. Households are predominately owner occupied, with 61% of dwellings either mortgaged or owned outright, leaving a considerable 39% of the market as rental premises. This proportion of rental properties to owner occupied dwellings is symptomatic of a lively tourism centre, with a heavy investment market driven by strong rents.

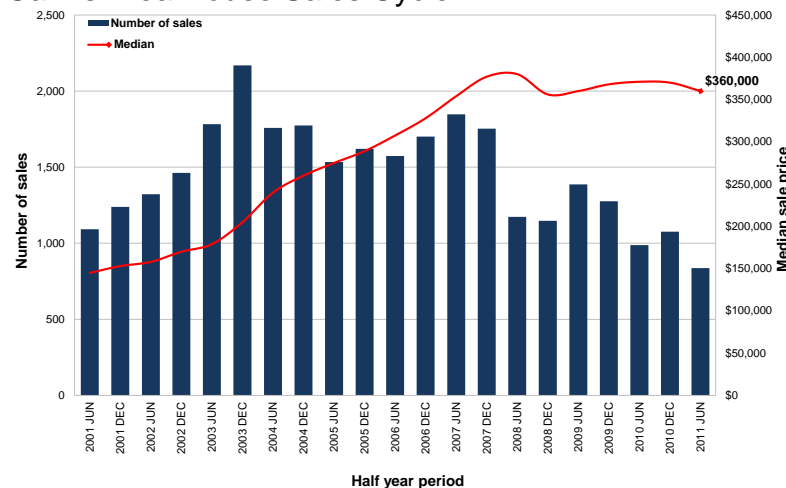
Housing Market

The Cairns Area house market appears to have experienced an overall decline in activity since 2007. Over the past three years house sales have averaged 1,126 transactions per six months, with the most recent six month period registering only 837 settled sales. The declining rate of sales over this period can be attributed to the fall in domestic and international tourism, a slowdown in construction, Cyclone Yasi, and the volatile economic environment overseas. These factors have all contributed to weakening sentiment in the market. However, throughout 2011 interest rates have remained steady, preventing confidence from falling further. Recently in November, the Reserve Bank of Australia has softened the official cash rate, an action that should improve sentiment in the overall property market.

When analysing the Cairns house market closer, it is revealed that

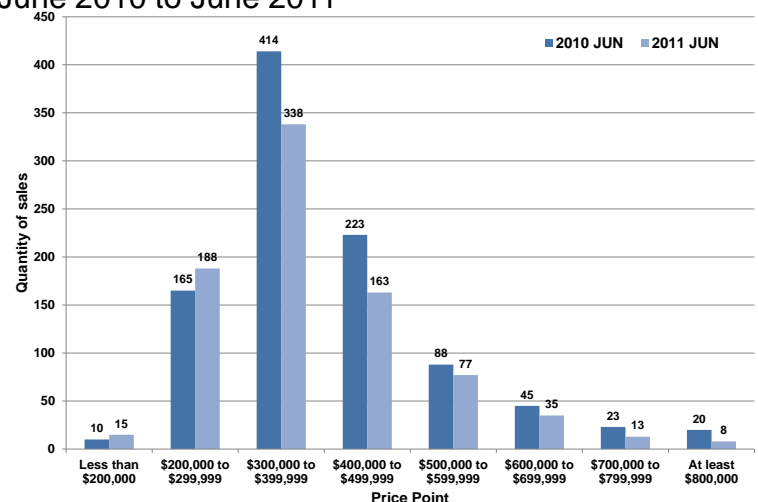


Cairns Area House Sales Cycle



Prepared by PRDnationwide Research. Source: PDS

Cairns Area House Price Points Comparison June 2010 to June 2011



Prepared by PRDnationwide Research. Source: PDS

Mount Sheridan experienced the most transactions for a suburb over the first half in 2011, with 73 sales. This was followed by Edmonton (64), Redlynch (59) and Bentley Park (52). The suburb to experience the greatest increase in activity was Yorkeys Knob, increasing by 100 per cent (five sales), followed by Kuranda at 22.2 per cent (four sales).

The median price recorded for the Cairns Area over the first half of 2011 was \$360,000, a three per cent decrease from the previous year. Looking longer term, the ten year growth rate is an impressive 9.5 per cent per annum. However, when observing the Cairns Area House Sales Cycle, it is determined that price growth has stagnated since 2008, where it has since reached an equilibrium. Looking closer into the Cairns Area house market, the most affordable suburbs by median price were Manoora (\$240,000) and Manunda (\$260,000), while the highest medians were sustained in Kanimbla (\$495,000) and Freshwater (\$450,000).

Over the first half of 2011, buyers favoured houses inside the \$300,000 to \$399,999 price bracket, with 40 per cent of total sales. This was followed by the \$200,000 to \$299,999 bracket, with 22 per cent. Compared to the first half of 2010, there has been a noticeable shift in the affordable end of the market, with an increase of 16 per cent in the number of sales below \$300,000. Overall, activity trends over the past five years have been stable, recording only minor shifts within the price brackets.

A resale analysis was undertaken to ascertain the average annual returns received by homeowners who exited the Cairns Area house market over the six months to June 2011. On the whole, the Cairns Area market sustained an average annual capital growth of 3.6 per cent per annum with an average holding period of 7.2 years.

Unit Market

The Cairns Area unit market has continued to experienced softening in activity during the first half of 2011. For the first time in just under a decade, the unit market registered activity well below 400 sales per six month period, with the first half of 2011 recording 350 settled sales. This equates to a significant decline from the first half of 2010 at 28 per cent. The majority of sales in the six months period ending June 2011 occurred in the \$100,000 to \$199,999 or the \$200,000 to \$299,999 price brackets, with 40 and 37 per cent of the total unit market respectively.

Looking closer into the Cairns Area unit market, the suburb of North Cairns has encountered the most activity during the six months ending June 2011 with 42 (12 per cent) of the total 350 settled transactions. This was followed by Trinity Beach with 34 sales (10 per cent). The most affordable suburbs by median price were Holloways Beach (\$159,000) and Woree (\$167,000), while the highest medians were sustained in Palm Cove (\$325,000) and Trinity Beach (\$266,000). A resale analysis on unit stock sold over the June 2011 half year period has yielded an annual average capital growth of 1.2 per cent per annum, with an average holding period of seven years.

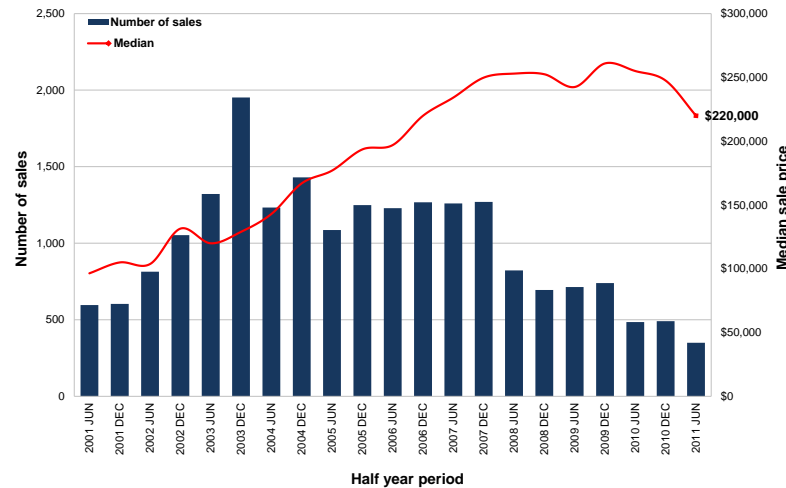
Rental Market

The median weekly rental price for a standard three bedroom house in the Cairns Area has not shifted over the past three years, remaining steady at \$300 for the September 2011 quarter. New rental bonds have declined over the past year by four pre cent. Standard two bedroom units has also declined in new bonds, by 11 per cent from the previous year, with no change in the weekly median rent at \$250.

Prepared by PRDNationwide Research. Source: PDS and the ABS. For further details contact: Aaron Maskrey, Research Analyst Ph: (07) 3370 1702 or Email: aaronmaskrey@prd.com.au, or visit our website at www.prdnationwide.com.au/research.

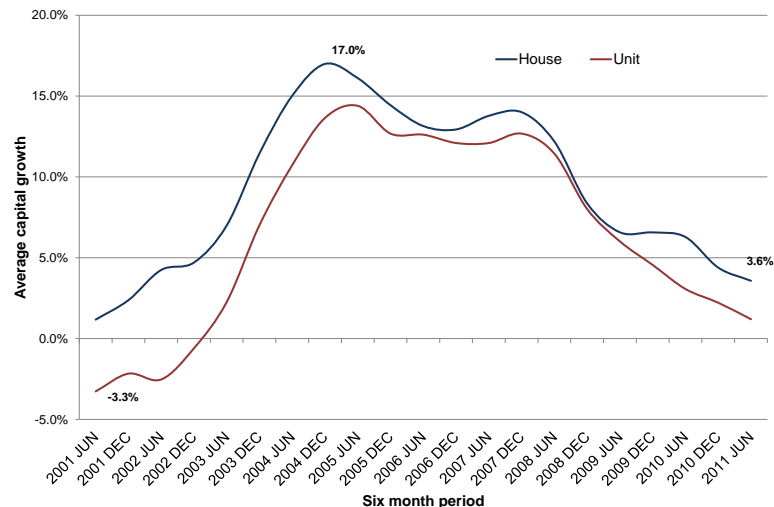
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Cairns Area Unit Sales Cycle



Prepared by PRDNationwide Research. Source: PDS

Cairns Area Average Capital Growth



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Top Sales Suburbs For June 2011 Six Month Period

Suburb	Median Price			Sales Activity			Dwelling Type
	Jun-11	Jun-10	Change	Jun-11	Jun-10	Change	
Mount Sheridan	\$340,000	\$352,000	-3.4%	73	92	-21%	House
Edmonton	\$315,000	\$350,000	-10.0%	64	89	-28%	House
Redlynch	\$412,000	\$413,000	-0.2%	59	59	0%	House
Bentley Park	\$323,500	\$343,000	-5.7%	52	57	-9%	House
Brinsmead	\$400,000	\$410,000	-2.4%	45	56	-20%	House
Cairns North	\$260,750	\$314,000	-17.0%	42	81	-48%	Unit
Trinity Beach	\$266,000	\$282,500	-5.8%	34	50	-32%	Unit
Manunda	\$168,500	\$215,948	-22.0%	30	38	-21%	Unit
Palm Cove	\$325,000	\$300,000	8.3%	25	29	-14%	Unit
Manoora	\$170,000	\$202,750	-16.2%	24	36	-33%	Unit

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