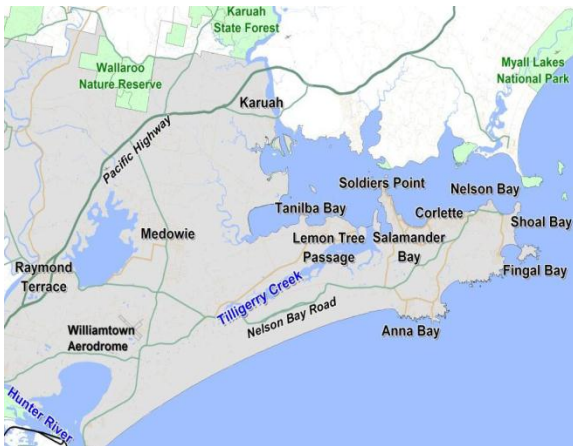




PROPERTY WATCH® REPORT

Port Stephens
Third Quarter 2014



Port Stephens LGA Regional Map

The following Property Watch report analyses the trends and performance of the Port Stephens residential market. Port Stephens is made up of a combination of rural and coastal hamlets all located within the Port Stephens Local Government Area as highlighted in the adjacent Port Stephens Regional Map.

The area sits within NSW's Hunter Region and is located approximately 200 kilometers north of the Sydney CBD and 50km north of Newcastle. The region is easily accessible thanks to the Pacific Motorway as well as close proximity to Newcastle Airport.

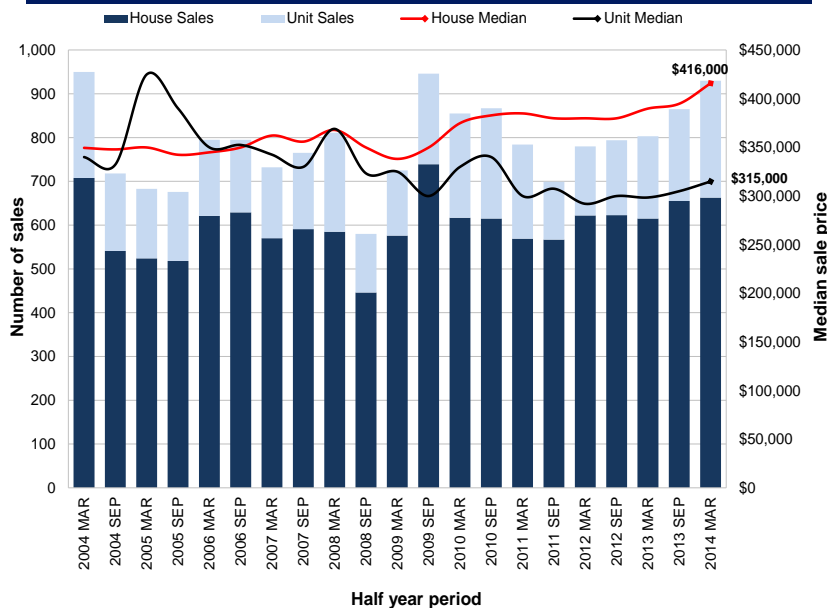
Port Stephens is popular with families, retirees and holiday makers due to the excellent mix of lifestyle and convenience on offer. As such, properties in the area predominately consist of large family homes and beachside units. This Property Watch report will aim to further highlight the regions characteristics, analyse the market and forecast the future trends of the Port Stephens residential market.

The Port Stephens market has recently commenced a growth cycle after a phase of subdued activity. In the annual period to March 2014 the region recorded 447 transactions which represents an annual increase of 6.4 per cent while over the same period median prices have shown a rise of 6.7 per cent. Meanwhile over a 10 year period median prices have grown an average of 1.9 per cent per annum.

The unit market is also showing positive signs after a period of subdued activity with transactional activity up 32 per cent and an increase in median value of 5.7 per cent in since March 2013.

The growth has predominately been fuelled by an increase in retirees, satellite workers and Newcastle Airport staff moving into the area who are attracted to the lifestyle that Port Stephens offers.

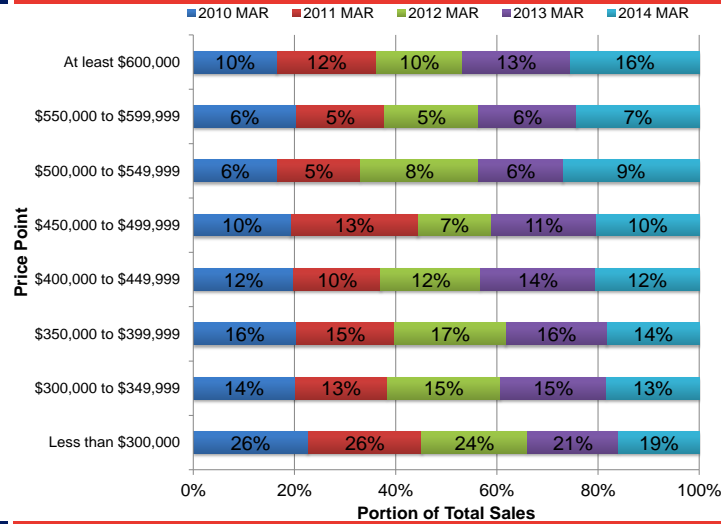
House & Unit Sales Cycle



“AFTER A PHASE OF SUBDUED GROWTH PORT STEPHENS IS SET FOR AN UPSWING”

- Harrison Hall, PRDnationwide Research Analyst

Port Stephens House Price Point Chart

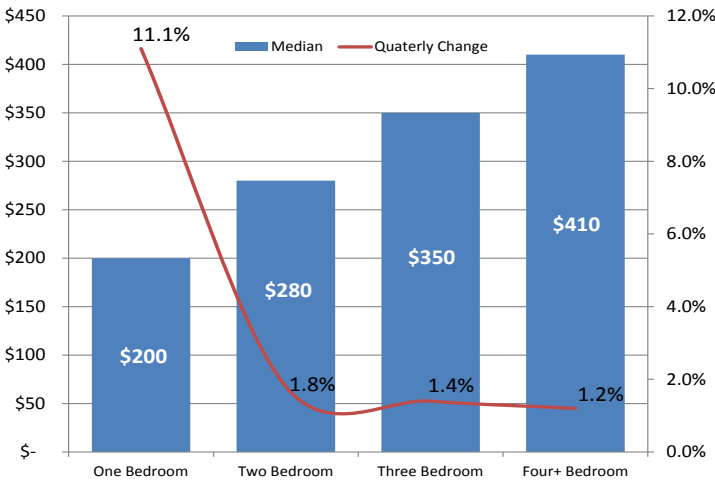


The Port Stephens price point chart indicates the shifts in house prices across the area over the past five years. Overall the lower price points are shrinking, the middle of the market is remaining relatively level while the higher end of the market is increasing in popularity.

The price point that dropped the most in activity was the \$300,000 and below range which dropped 7 per cent since 2010. The decline is due to affordable stock rising in value after increases in demand which has resulted in properties being pushed into higher price points.

The price point that increased the most was the \$600,000 and above range which over five years has grown a positive 6 per cent. All of the other high price points also reported growth however at a lower rate.

Port Stephens Rental Analysis

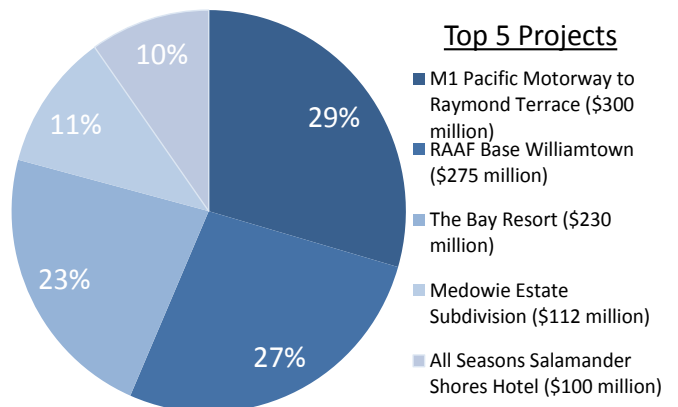


The metro Port Stephens rental market, similar to the Port Stephens median sales prices, has recorded sound growth recently. As at March 2014 median rents registered \$315 per week which is a rise 3.8 per cent over the previous quarter.

The strongest growth can be found in the one bedroom market which increased by 11.1 per cent since March 2013. It is believed that one bedrooms have increased in popularity due to a rise in lone households in the region.

The rental data indicates an approximate yield of 4.5 per cent which is typical of the NSW Central Coast. The mix of reasonable yield and high capital growth prospects should make it a solid investment opportunity particularly over the medium to long term.

Port Stephens Development Pipeline



Port Stephens is already well established however there is continual investment in new projects which should see growth moving forward. Currently there is over \$1.7 billion worth of development in the pipeline with a healthy mix of public infrastructure, commercial and residential developments planned or recently completed.

Highlights include a \$300 million upgrade to the Pacific Motorway which should improve access to Sydney while upgrades to the RAAF base at Williamstown should help to fuel job growth. There are also a number of residential and hospitality projects in the pipeline including the \$230 million The Bay Ecotourism Resort and the \$112 million Medowie Estate Subdivision.

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