

INNER NORTH

Property Watch®



Navona – a six townhouse development in Campbell

MARKET INDICATORS

Change from Last	Year	Half Year
UNIT SALES	↓	↓
UNIT MEDIAN	↓	↓
UNIT RENTS	↑	↑
HOUSE SALES	↓	↓
HOUSE MEDIAN	↔	↑
HOUSE RENTS	↓	↑

The indicators depicted above are based on the year ending May 2013. Rental indicators are based on 12 months to March 2013.

KEY HIGHLIGHTS

- Price adjustments in the first half of 2013 resulted in a steady absorption of access stock, which has not yet led to an increase in price.
- First time buyers' participation rate is expected to soften in September as the ACT Government's changes to its First Home Owner Grant come into effect.
- Braddon's strong growth in price and activity were the result of a firm uptake of new stock.

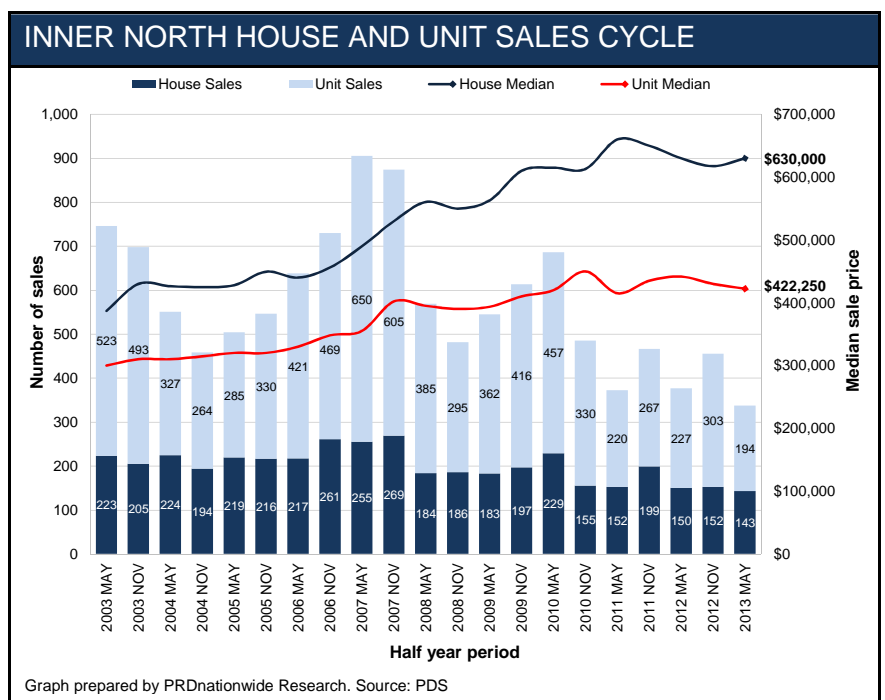
MARKET OVERVIEW

The following Property Watch report investigates Canberra's Inner North house and unit market. Consisting of 11 suburbs located north of Lake Burley Griffin, the region experienced softer conditions in the May 2013 period as political uncertainty had many fearing for their positions after the election. The data is yet to reflect a 50 basis point cut to the cash rate since May, with anecdotal evidence pointing to a contraction in supply amid renewed demand for new and existing product.

The Sales Cycle graph below pointed to a small decline in activity between May 2013 and the corresponding period in 2012. Since May evidence has emerged of an increase in demand, in particular at lower and middle price points. Price adjustments in the first half of 2013 resulted in a steady absorption of access stock, although this has not yet led to an increase in price. The May median house price was similar to the May 2012 period, while the median value of a unit eased by 4.4 per cent to \$422,250.

The current market proved attractive to a mix of local and interstate buyers, with investors and downsizers representing a large share of buyers, while first home buyers activity held steady in the first half of 2013. First time buyers' participation is likely to soften in September as the ACT Government's changes to its First Home Owner Grant come into effect. The changes will see the grant increasing to \$12,500 for new dwellings while funding for existing residences will cease.

According to Allhomes there were 406 properties available for sale across the Inner North in August, equating to approximately six months' worth of stock and highlighting the shortage in supply of houses and units in region.



UNIT PRICE POINTS 6 MONTHS TO MAY 2013

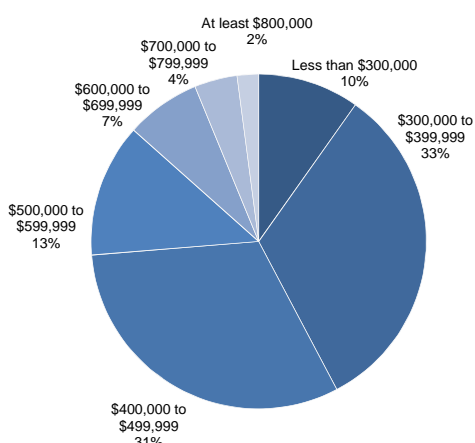


Chart prepared by PRDnationwide Research. Source: PDS

The data is yet to reflect a **50 basis point** cut to the **cash rate** since May, with anecdotal evidence pointing to a **contraction in supply** amid **renewed demand** for new and existing **product**

HOUSE PRICE POINTS 6 MONTHS TO MAY 2013

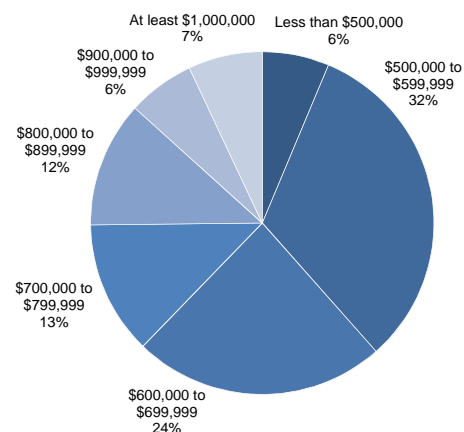


Chart prepared by PRDnationwide Research. Source: PDS

An inspection of the unit price points revealed a large concentration of sales in the \$300,000 to \$399,999 price point, accounting for 33 per cent of transactions. This price point increased by six per cent over the 12 months to May while the share of sales over \$400,000 contracted. Toward the top end of the market the number of units transacting for \$800,000 or more declined by five per cent.

The house price point chart tells a different story, with a five per cent gain for the largest price point of \$500,000 to \$599,999 and for houses transacting between \$800,000 and \$899,999. At the same time the share of house transactions toward the top and bottom ends contracted.

Data from the Real Estate Institute of Australia pointed to a decline in the median house rent in the year to March 2013, while the median rent of a unit firmed. The Inner Central Region experienced a 4.2 per cent rise in the median rent of a two-bedroom unit to \$500 per week, while a one-bedroom unit climbed by a modest 0.8 per cent to a weekly median of \$440.

Investors targeted units offering high rental return. One-bedroom units transacting over the May period offered a gross rental yield between 5.1 per cent and 6.6 per cent, with lower returns for two-bedroom accommodation (4.3 per cent to 6.3 per cent). Most one-bedroom units sold in Braddon (15) and City (11), while Turner accounted for nine sales. Turner recorded the highest number of sales for two bedroom strata accommodation with 14 transactions, followed by Braddon with 11 sales.

The Suburb Performance table confirmed the overall decline in activity. Ainslie recorded the highest number of house sales, followed by Downer and O'Connor. Activity for the top two suburbs remained unchanged between the May 2013 half year and the corresponding period in 2012, despite an increase in the median house price in Ainslie and O'Connor.

Unit performance was less favourable and showed a decline in both activity and median price across all of the largest suburbs, with the exception of Braddon. Braddon's strong price and activity growth was the result of a firm uptake of new stock.

SUBURB PERFORMANCE

Houses	Activity			Median		
	Six months to MAY 2012	MAY 2013	12-month Change	Six months to MAY 2012	MAY 2013	12-month Change
Ainslie	24	24	0%	\$620,750	\$665,000	7%
Downer	24	24	0%	\$594,500	\$595,000	0%
O'Connor	25	23	-8%	\$760,000	\$782,500	3%
Hackett	21	17	-19%	\$635,000	\$617,000	-3%
Watson	21	16	-24%	\$570,000	\$570,750	0%
Units						
Braddon	38	41	8%	\$391,500	\$415,000	6%
Turner	35	33	-6%	\$475,000	\$440,000	-7%
City	28	27	-4%	\$510,250	\$420,000	-18%
Lyneham	54	26	-52%	\$441,500	\$419,500	-5%
Watson	28	20	-29%	\$392,000	\$363,500	-7%

Table prepared by PRDnationwide Research. Source: PDS