



The Jade Apartments on Sussex Street

MARKET INDICATORS

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

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

KEY HIGHLIGHTS

- Demand for new CBD apartments was strong in the first half of 2013.
- Sydney's Days on Market analysis revealed a good turnover of stock.
- Several overseas investors who purchased a residential unit to accommodate their children went on to further invest in residential and commercial properties in Australia.
- Residential construction in the 2000 postcode is currently concentrated south of Druiitt Street, with the exception of Eliza on Elizabeth Street near Hyde Park.

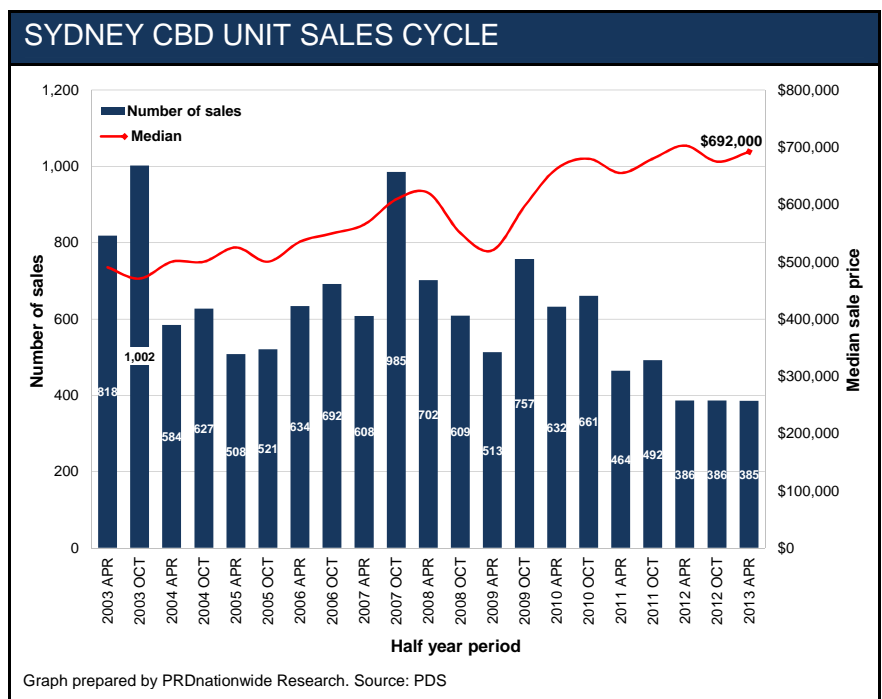
MARKET OVERVIEW

The following Property Watch report is the result of an investigation into the Sydney CBD unit market. The market includes the precincts of Dawes Point, Haymarket, Millers Point, Sydney and The Rocks within the 2000 postcode. Demand for new CBD apartments was strong in the first half of 2013 with investors and owner occupiers opting for one and two bedroom units, while sales of existing units remained subdued.

The Unit Sales Cycle graph pointed to steady activity over the 18 months to April 2013, with 385 transactions in the most recent period. New apartments selling off-the-plan are yet to be included in the data and are expected to boost the April 2013 six month result, with five new projects in various stages of development adding 383 units to the existing stock. New apartments lifted the median price from the October six month period, closing the April half year at \$692,000.

According to Cordell, residential construction in the 2000 postcode is currently concentrated south of Druiitt Street, with the exception of Eliza, a 19-apartment development on Elizabeth Street near Hyde Park. Haymarket accounted for the highest number of units under development, with the Quay, a 240 mixed use development on Quay Street, and the Hing Loong Apartments, a 47 apartment project on the corner of Dixon and Little Hay Streets.

The current market proved attractive to a mix of local and overseas buyers, with the latter often using a 20 to 30 per cent deposit and finance the balance using local financial institutions. Anecdotal evidence pointed to strong demand for one or two bedroom apartments, allowing buyers to alternate between an investment and owner occupation. Several overseas investors who purchased a residential unit to accommodate their children while they attended university used it as a conduit to further investment in residential and commercial properties in Australia.



UNIT PRICE POINTS 6 MONTHS TO APRIL 2013

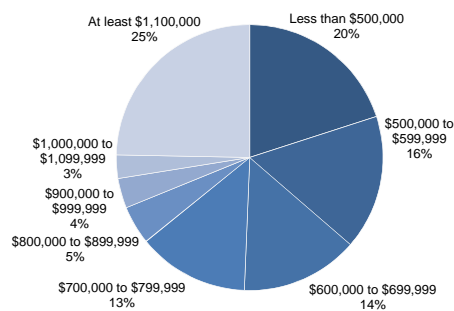


Chart prepared by PRDnationwide Research. Source: PDS

A **positive** outlook for **Sydney** is backed by an accommodative **mortgage rate** environment and the **improved** investment in **real estate**, as other asset classes exhibit low returns or volatility

CHANGES IN MORTGAGE DEMAND Q2 2012 to Q2 2013

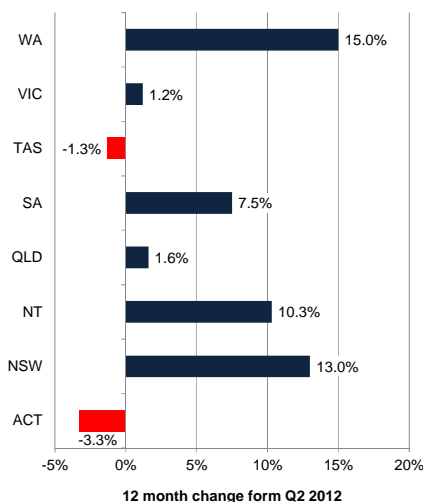


Chart prepared by PRDnationwide Research. Source: Veda

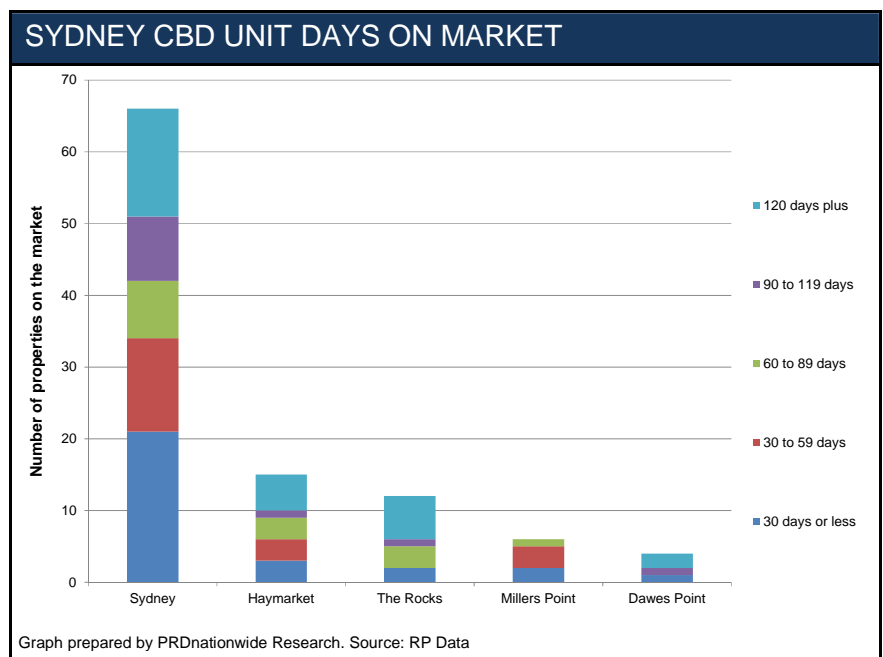
The Department of Housing's March rental data pointed to little change in rent prices for the 2000 postcode. The median rent for a one-bedroom apartment recorded a weekly figure of \$600 per week, representing a 12 month growth of 1.3 per cent. For the same period the median value for a two-bedroom unit remained unchanged at \$800 per week.

The gross rental yield for one-bedroom apartments ranged between 4.5 per cent and 6.6 per cent for properties under \$1,000,000, with similar returns for two-bedroom accommodation. The current lending rates allowed investors who put down a large deposit to recover most of their annual expense from their tenants.

While rental return was important, investors often based their investment on the long-term capital growth. PRDnationwide Research conducted a resale analysis to ascertain the average annual growth achieved by vendors who sold in the April 2013 half year period. The analysis revealed an average appreciation of 3.1 per cent per annum, with an average holding period of 6.5 years. The moderate capital growth and higher rental yield compared to inner city suburbs outside the city centre was consistent with the traits of CBD investment.

Observing the Unit Price Point chart explained the recent April 2013 price strength, with 25 per cent of stock selling toward the top end of the market, compared to 22 per cent in the corresponding period in 2012. Properties transacting for \$800,000 or less exhibited strength, while the \$800,000 to \$900,000 price point contracted.

The Sydney precinct recorded the highest number of units available for sale in the first half of 2013. The table below highlighted the '30 days or less' bracket as the largest for the precinct, suggesting a good turnover of stock. Only 23 per cent of the stock was advertised for a period of 120 days or more, compared with 33 per cent for Haymarket and 50 per cent for units in The Rocks.



Graph prepared by PRDnationwide Research. Source: RP Data

A positive outlook for Sydney is backed by an accommodative mortgage rate environment and the improved investment in real estate, as other asset classes exhibit low returns or volatility. The June quarter recorded the highest 12-month increase in the volume of mortgage enquiries since June 2010, with the *Veda Consumer Credit Demand Index* pointing to a 12 months growth of 13 per cent for New South Wales. The figure reaffirms the market's strength.