

PORT STEPHENS EAST

Property Watch®



Madison Gardens, Soldiers Point

MARKET OVERVIEW

The following report provides an insight into the Port Stephens Local Government Area (LGA) real estate market, with a special look at the region's eastern suburbs.

The LGA's solid population growth between 2006 and 2011 (7.1 per cent compared to 5.6 per cent for NSW) was buoyed by strong investment in infrastructure and employment. The \$500 million Williamstown Aerospace Park represented the largest development, while the industrial development in Tomago is estimated to create 400 new jobs upon completion. On the eastern side of the LGA Nelson Bay Road is being upgraded to dual carriageway between Bobs Farm to Anna Bay, easing bottlenecks on the region's main arterial road, while the refurbishment of the Salamander Bay shopping centre will enhance the retail mix of the regional precinct, securing Coles, Aldi and Kmart as anchor tenants.

Market activity has increased in the second half of 2012, signalling renewed interests from owner occupiers and investors. The house market recorded 317 transactions in the six months to January 2013, while the unit market recorded 144 sales, representing a 12 month increase of 16.1 per cent. While both house and unit median price softened over the period, an increase in the number of market participants is expected to support higher dwelling prices.

Observing the house price points over the January half year period, the \$300,000 to \$399,999 price point represented 32 per cent of the market, resulting in a median house price of \$395,000; the price point distribution remained mostly unchanged over the past three years as price-sensitive buyers maintained their presence at the bottom and middle parts of the market. The top end, or \$600,000 plus bracket, accounted for 12 per cent of the market, with anecdotal evidence of a renewed interest in the \$1 million plus market. That said, value driven purchasers at the top end forced vendors to meet the market.

MARKET INDICATORS

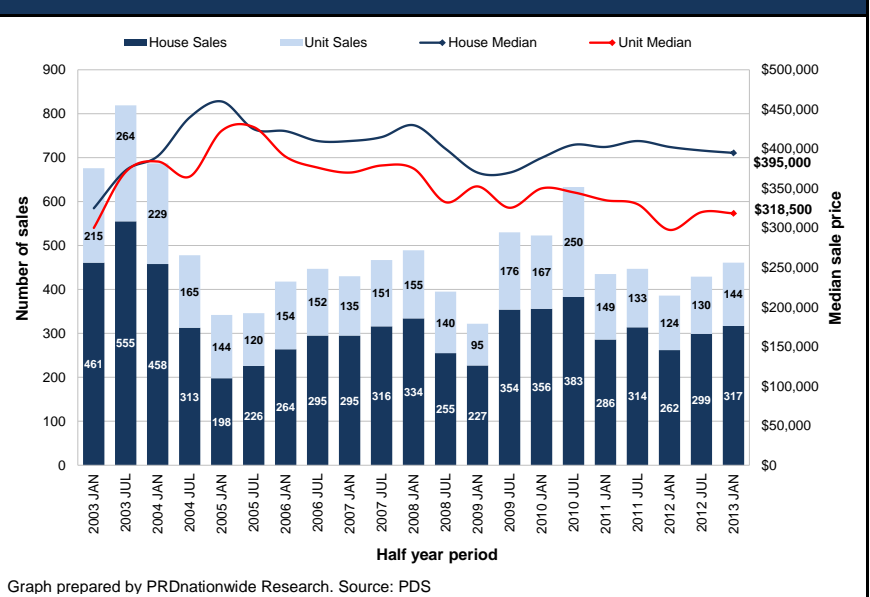
Change from Last	Year	Half Year
UNIT SALES	↑	↑
UNIT MEDIAN	↑	↓
UNIT RENTS	↑	↑
HOUSE SALES	↑	↑
HOUSE MEDIAN	↓	↓
HOUSE RENTS	↔	↔

The activity indicators depicted above are based on the year ending January 2013. Rental indicators are based on 12 months to December 2012.

KEY HIGHLIGHTS

- Market activity has increased in the second half of 2012, signalling renewed interests from owner occupiers and investors.
- A 7.1 per cent growth in median unit price over the 12 months to January reversed a long term decline in price.
- The price of vacant land on the eastern side of the LGA continued to show resilience amid lower transaction numbers.

PORT STEPHENS EAST HOUSE & UNIT SALES CYCLE



Graph prepared by PRDnationwide Research. Source: PDS

HOUSE PRICE POINTS

SIX MONTHS TO JANUARY 2013

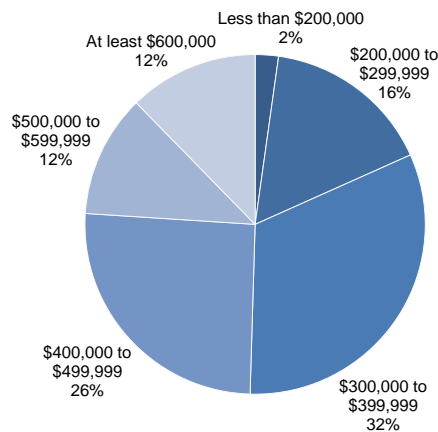


Chart prepared by PRDnationwide Research. Source: PDS

UNIT PRICE POINTS

SIX MONTHS TO JANUARY 2013

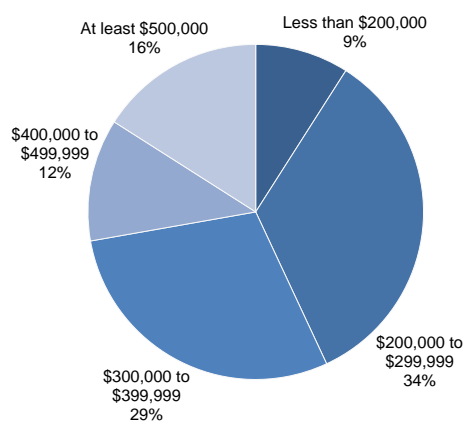


Chart prepared by PRDnationwide Research. Source: PDS

MEDIAN RENT PRICE

5 YEAR CHANGE

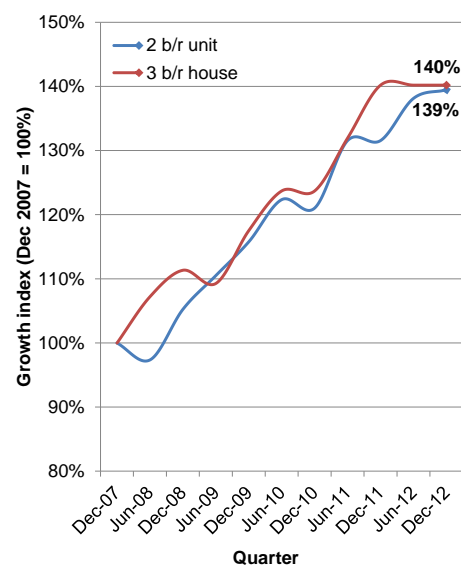


Chart prepared by PRDnationwide Research. Source: Housing NSW

Most houses transacted in the suburbs of Nelson Bay, Corlette and Salamander Bay, collectively accounting for 53 per cent of house transactions over the six month period.

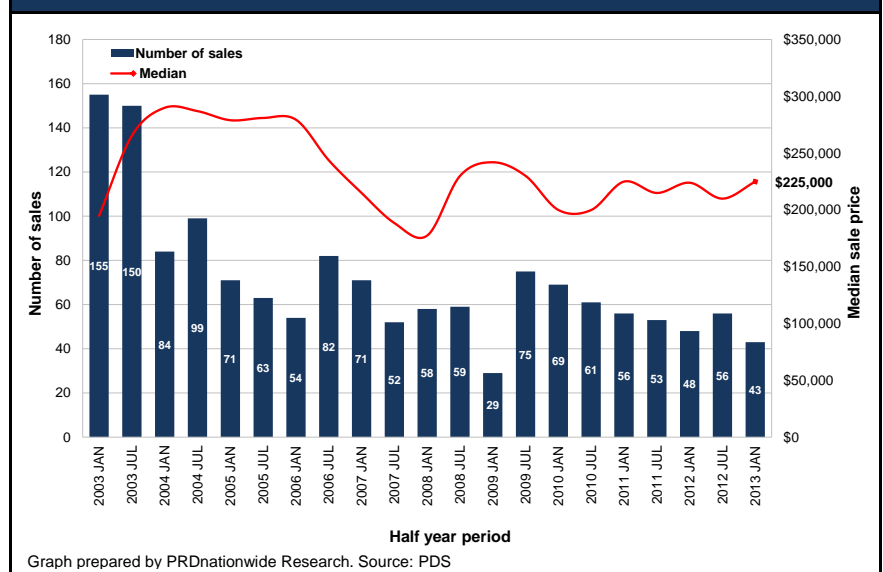
A 7.1 per cent growth in median unit price over the 12 months to January reversed a long term decline in price but left the five year average at a negative 3.2 per cent per annum. A number of price-sensitive investors were entering the market, seeking to combine income and lifestyle as they purchased holiday rental units. The increase in affordability for strata-titled properties provided opportunities for investors, with one bedroom apartments selling from \$118,000 to \$280,000. The median price for all units closed the period at \$318,500.

Unit activity concentrated in the \$200,000 to \$299,999 price point, accounting for more than one third (34 per cent) of transactions. This price point significantly increased over the past three years, as many properties shifted down from the higher \$300,000 to \$399,999 bracket.

The rental market exhibited mixed performance in the 12 months to January 2013, with the median rent price for all houses increasing by 5.7 per cent, but little change in the rent price of a three bedroom house over the period. New residents to the area elected to rent in the short term, while settling in a new job and registering their children to the local schools, before committing to purchase a property. The median rent for a two bedroom unit increased by six per cent to \$265 per week in the January half year period, culminating in a five year growth of 39 per cent.

The price of vacant land on the eastern side of the LGA continued to show resilience amid lower transaction numbers. Of the 43 registered lot transactions through the January half year 14 sold in Corlette and 10 transacted in Nelson Bay. In Corlette, Landcom's Vantage Estate remained the region's most active land release, complemented by a 13 single-level house development in Oasis Close, Soldiers Point and by Nelson Bay's Shoal Landing. Outside of the Corlette area land remained scarce, with large subdivisions failing to advance past the planning stage. With a decline in demand for vacant land since 2009, it is unlikely that any large land releases will be introduced in the near term. The situation will maintain current pricing levels as buyers seeking to build a new home are faced with a diminishing selection of lots.

PORT STEPHENS EAST VACANT LAND SALES CYCLE



Graph prepared by PRDnationwide Research. Source: PDS