PORT MACQUARIE

Property Watch®

PRD nationwide

The Broadwater Village, Port Macquarie

MARKET INDICATORS

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

The indicators depicted above are based on the year ending July 2012. Rental indicators are based on 12 months to June 2012.

KEY HIGHLIGHTS

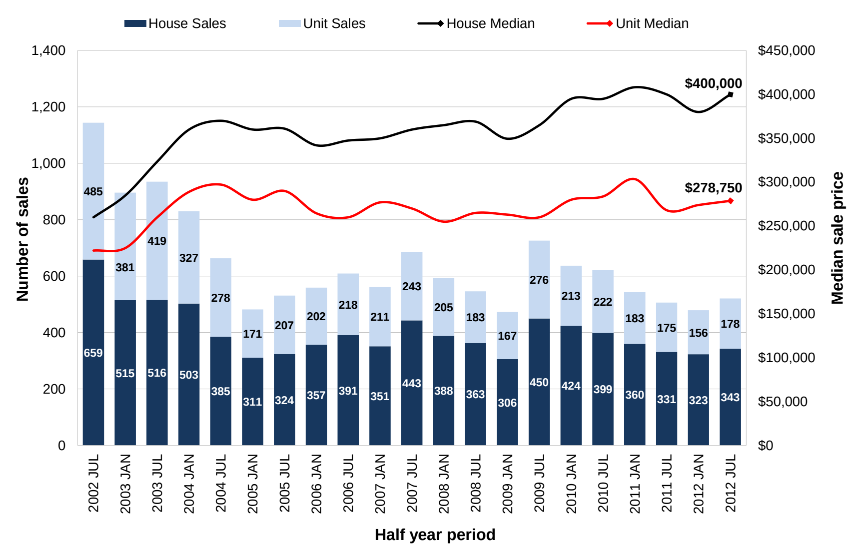
- The spring selling season has recorded an increase in the number of properties on the market, leading to a marginal improvement in sales activity.
- Port Macquarie recorded a September vacancy rate of 1.5%, making it one of the tightest rental markets in coastal NSW.
- The average capital growth for both houses and units declined over the 18 months to July 2012.

MARKET OVERVIEW

This report is the result of an investigation into the house and unit markets of Port Macquarie, corresponding to the 2444 postcode. Market conditions have softened since 2009, when government stimulus and low interest rates enticed buyers to purchase. More recently, the spring selling season has recorded an increase in the number of properties on the market, leading to a marginal improvement in sales activity. In October 2012 the average time on the market in Port Macquarie was 22 weeks for units and 27 weeks for houses.

The outlook for the Port Macquarie market remains positive, with an increase in rent returns expected to stimulate investor activity. However, prices and activity are expected to only marginally benefit from a low interest rates environment, as only one quarter (25.9%) of dwellings were owned with a mortgage.

PORT MACQUARIE HOUSE & UNIT SALES CYCLE



Graph prepared by PRDnationwide Research. Source: PDS

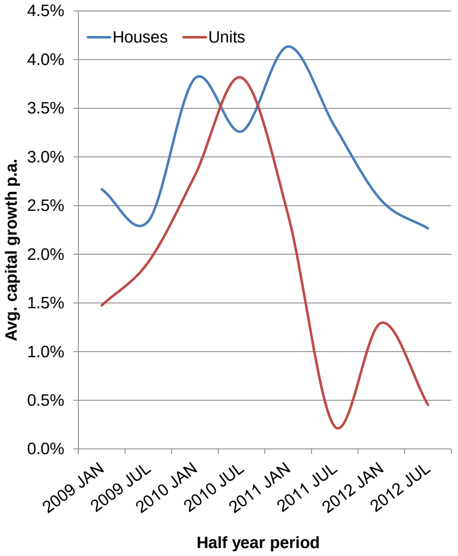
The investment market

The rental market offset the decline in activity, with a 31% increase in the median rent price for units and houses over the past five years. In June 2012 a two bedroom unit recorded a median rent of $250 per week, while a three bedroom house closed at a median weekly rent of $360. The median unit rent climbed 8.7% in the year to June, while the median rent for a house remained unchanged.

Vacancy levels were low creating shortage in quality residences in the city. Port Macquarie recorded a September vacancy rate of 1.5%, making it one of the tightest rental markets in coastal NSW.

Gross yields for a two bedroom unit ranged from 2.9% for an apartment in Park Street to 9.0% in Flynn Street. A current median unit yield of 5.3% proved insufficient for investors, although projected growth in rent prices may change this situation in the medium term.

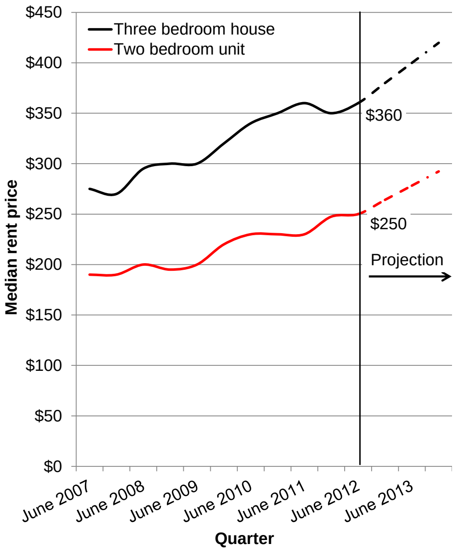
HOUSE & UNIT CAPITAL GROWTH



Graph prepared by PRDnationwide Research. Source: PDS

The **outlook** for the Port Macquarie market remains **positive**, with an increase in rent **returns** stimulating investor activity

RENTAL PRICE GROWTH



Graph prepared by PRDnationwide Research. Source: Housing NSW

Units

Unit activity increased in the 12 months to July for the first time since January 2010 but remained at a deflated level which often precedes government stimulus. The absence of first home buyers and investors, commonly the most active participants in the unit market, has been the main reason to the low activity. Unit sales increased by 3.6% from July 2011, with 178 units transacting in the July 2012 half year period, but remained 9.2% below the five-year average activity.

PRDnationwide research conducted a resale analysis to ascertain the average capital growth achieved by vendors who sold in the past three years, as can be seen in the House and Unit Capital Growth graph. The graph shows a slow unit capital growth over the past three years, with units registering lower growth compared to that of houses in all but the July 2010 period.

The median unit price climbed to $278,750 in the six months to July, representing a four per cent increase from the July 2011 figure. The increase in middle price points in the 12 months from July 2012 was offset by a decline in activity under $200,000 and over $700,000.

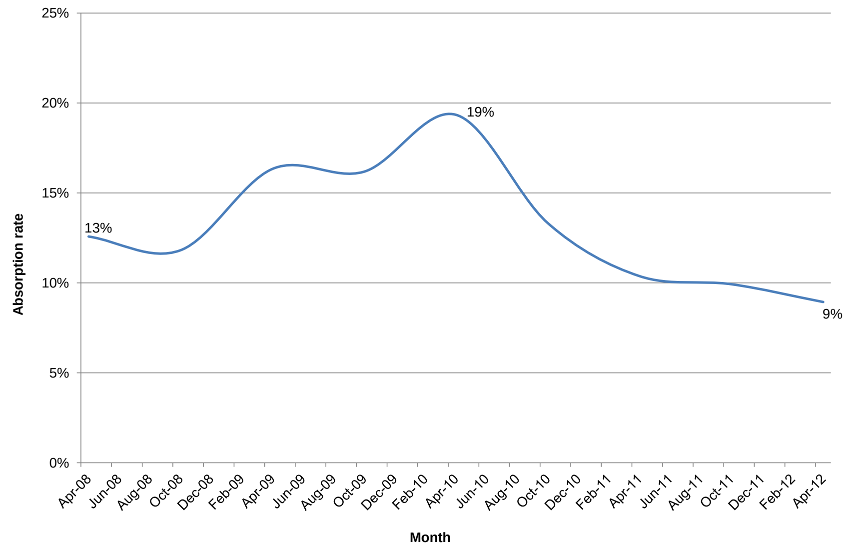
Houses

House activity peaked in July 2009 followed by five periods of a decline in sales. The 343 house transactions in the July period compared with 331 in July 2011, suggested that the market may be near the bottom. The median price of a house remained at $400,000, with no change from July 2011. Four transactions in the $1 million plus price point offset sales in the $300,000 to $399,999 bracket where most houses (36 per cent) transacted.

The House and Unit Capital Growth graph revealed that after peaking at 4.1% per annum in January 2011 house capital growth decline in the 18 months to July 2012, closing the period with an average growth of 2.3% per annum.

The absorption rate graph below measured the number of houses and units that sold during a calendar month against the stock advertised for sale. The graph points to a fall in absorption of dwellings in the past four years. While 19% of advertised stock was absorbed (sold) in April 2010, the figure declined to nine per cent in April 2012, with a total of 73 transactions against 817 properties advertised for sale. The stalemate between buyers and sellers was backed by anecdotal evidence from the field, which shows that buyers' offers were often rejected due to inelastic vendors' price expectations.

ABSORPTION OF PROPERTIES ADVERTISED FOR SALE



Graph prepared by PRDnationwide Research. Source: PDS, SQM

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This report was prepared by PRDnationwide Research. Source: PDS, ABS, Housing NSW, SQM.