

# PORT STEPHENS

Property Watch®



Salamander Shores, Salamander Bay

## MARKET INDICATORS

Change from Last	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 July 2012. Rental indicators are based on 12 months to June 2012.

## KEY HIGHLIGHTS

- Strong long term growth in rent prices was recorded for houses and units.
- Little residential development was noted amid heavy investment in civil and retail infrastructure.
- A decline in activity was observed toward the top and bottom end of the market, with an increase in the size of middle price points.

## PORT STEPHENS MARKET OVERVIEW

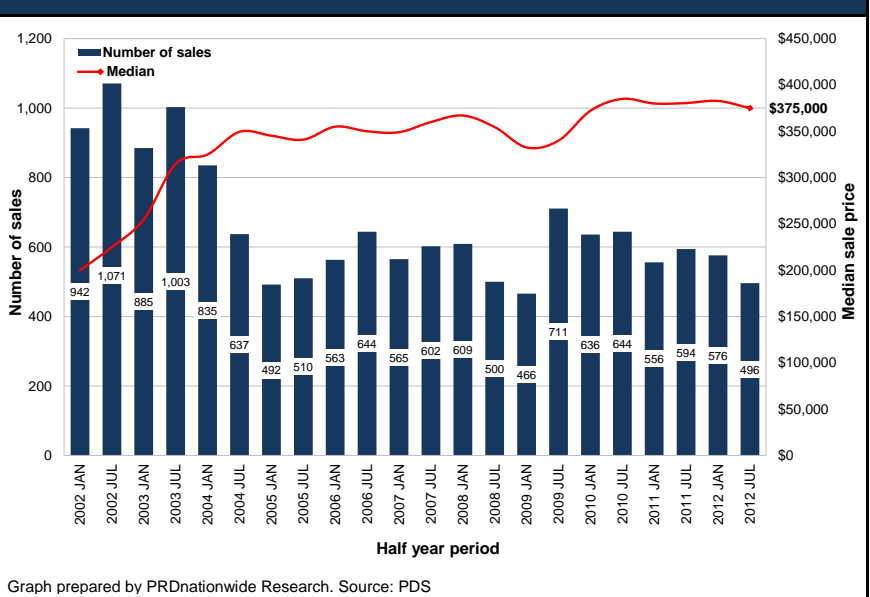
The following report is the result of an investigation into the historic and current market conditions of the Port Stephens Local Government Area (LGA).

The region's solid increase in population between 2006 and 2011 (7.1% compared to 5.6% for NSW) was buoyed by strong investment in infrastructure and employment. The \$500 million Williamtown Aerospace Park represented the largest development, with plans to support 2,000 aviation related jobs. The \$130 million industrial development in Tomago is estimated to create 400 new jobs, with a further 910 jobs expected to be created during construction. On the eastern side of the LGA the refurbishment of the Salamander Bay shopping centre will enhance the retail mix in the regional precinct, with Coles, Aldi and Kmart as anchor tenants.

Little residential development was noted, while the most substantial tourist accommodation project was the development of Birubi Beach Resort in Anna Bay. The \$15 million resort will deliver approximately 200 strata-titled holiday apartments together with a conference centre and dining facilities. The holiday unit market has been going through consolidation, with assets sold to clear post Global Financial Crisis debt. However, the LGA's 1,100 units represented less than 5% of the housing stock with only a marginal impact on the broader market.

The rental market continued to strengthen in the 12 months to June 2012, with a median weekly rent price increasing by 6.3% for a three bedroom house. The increase was consistent with the average growth recorded in the past five years. Locals, many of whom employed by mining-related industries in the Hunter Valley, were able to enjoy the lifestyle and lower rents offered by the LGA while maintaining their employment in neighbouring regions. The median rent for a two bedroom unit increased by 5% to \$263 per week in the 12 months to June 2012, representing a slight decline from a strong five-year average of 7.8% per annum.

## PORT STEPHENS LGA HOUSE SALES CYCLE



Graph prepared by PRDnationwide Research. Source: PDS

### HOUSE PRICE POINTS CHANGE JULY 2007 TO JULY 2012

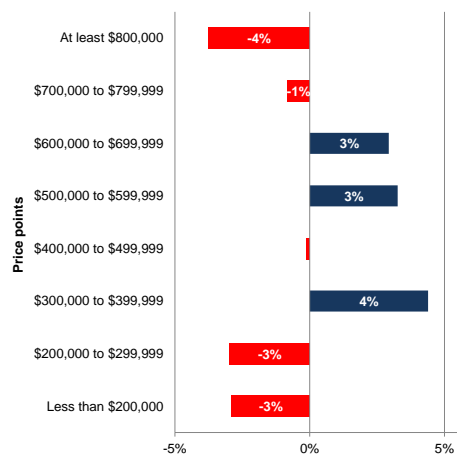


Chart prepared by PRDnationwide Research. Source: PDS

The introduction of the **First Home Owner Grant** and a cut to the cash rate are likely to **stimulate** new **construction** activity in the region.

### MEDIAN RENT PRICE 5 YEAR CHANGE

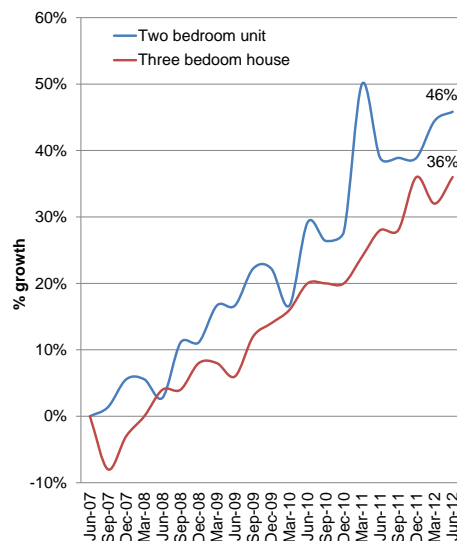


Chart prepared by PRDnationwide Research. Source: RBA

### Houses

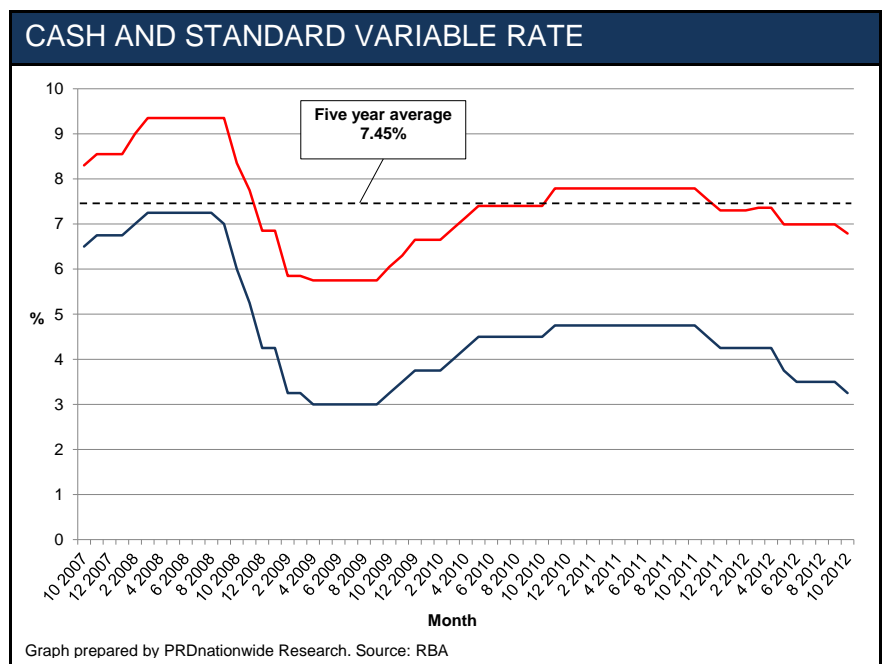
The house market, representing 82% of dwellings in the Local Government Area remained stable over the past three years, with no material increase in prices despite a steady population growth. Most houses transacted in the western side of the region, with Raymond Terrace and Medowie accounting for 36% of sales in the July six month period. On the eastern side Corlette, Nelson Bay and Salamander Bay accounted for 25%.

Activity declined from the July 2009 peak to 496 transactions in the six months to July 2012, closing the period 14% below the five year average. The softer conditions were in line with other coastal and urban markets across the state. Little change was observed in the median house price, declining by 1.3% to \$375,000 in the 12 months to July 2012.

The long term changes of the different market segments are depicted in the House Price Points chart. The chart revealed a decline in house activity below \$300,000, suggesting that detached dwellings in this price range have increased in price and are now included in higher price brackets. Simultaneously, the decline in sales over \$700,000 was likely the result of contraction in household finances and a decline in high end investment. Softer conditions at the top and bottom ends were partially offset by sales in middle price points, with the \$300,000 to \$399,999 bracket increasing by 4% during the period. This concentration in activity has led to a long term growth of 3.9% between July 2007 and July 2012, despite the recent decline.

Twenty six per cent of houses transacted in the sub \$300,000 market during the July half year period, representing opportunities for first home buyers and investors. First home buyers may also take advantage of the recently-introduced First Home Owner Grant (New Homes). The new scheme, combined with a low interest rate, is likely to improve sale and potentially stimulate the development of new houses and units in Port Stephens.

The graph below illustrates movements in interest rates over the past five years. The October cut to the cash rate brought the standard variable rate to 6.8%. The rate remained below the five year average in 2012, with another cut expected before the end of the year. The gap between the cash and standard variable rate has increased since the GFC, with the banks citing financing costs for not passing on the entire cut. As a result the Reserve Bank (RBA) may have to further ease monetary policy until the stimulus permeates the whole economy.



Graph prepared by PRDnationwide Research. Source: RBA