

HERVEY BAY AREA

Property Watch®



Urangan Pier, Hervey Bay

HERVEY BAY AREA MARKET OVERVIEW

The following Property Watch report is the result of an investigation into the historic and current market trends of the Hervey Bay Area, which encompasses the suburbs of Urangan, Torquay, Scarness, Pialba, Point Vernon, Eli Waters, Urraween, Kawungan and Wondunna.

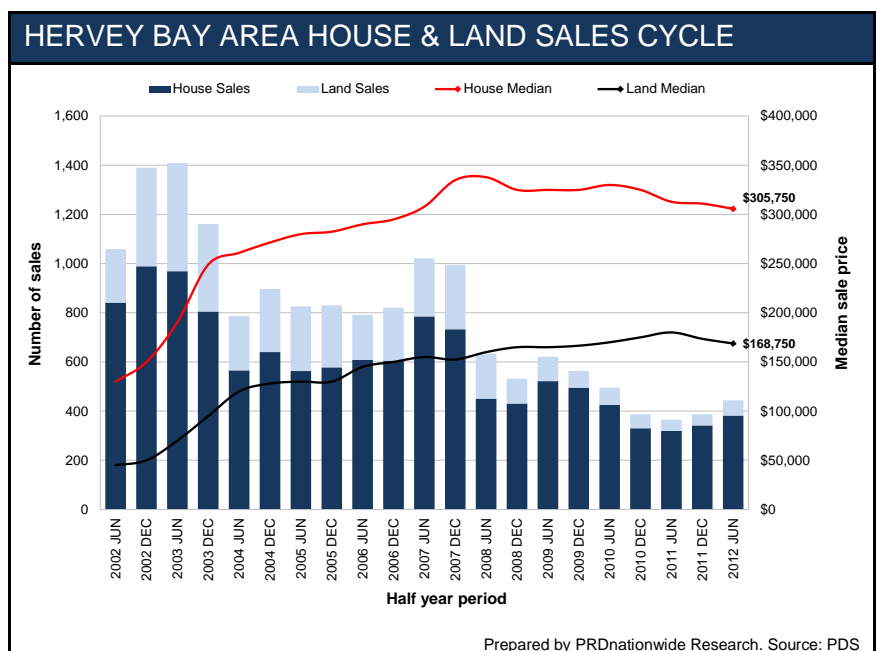
The Hervey Bay Area house market has exhibited positive signs of market stabilisation in the first half of 2012, with sales activity trending back up, albeit steadily. A total of 382 settlements were recorded for the house market during the six months to 30 June 2012, representing a notable increase of 19.7 per cent in the number of transactions from the previous June 2011 half year period. Enquiry levels continue to strengthen on the back of decreasing interest rates (currently 3.25 per cent as at October 2012) with a further cut anticipated by the end of the year. In most cases, lenders have passed on these cuts to their borrowers and have packaged competitive mortgage products for new customers to enhance credit growth.

Increased mortgage affordability has however encouraged many vendors to withdraw their properties from the Hervey Bay Area market, with anecdotal evidence suggesting mortgagee and forced sales becoming far less common in the house market. As a result, stock levels have begun to tighten up which has seen many low quality houses in need of structural upgrades to improvements and appointments (typically ex-rental properties) being met with a greater level of enquiry. Properties in this particular segment until recently would remain on the market for extended periods with little to no interest from the market. However, these properties have become increasingly attractive to opportunistic buyers who have transacted recently on considerably low offers to vendors that reflect the property's condition and the amount of maintenance required.

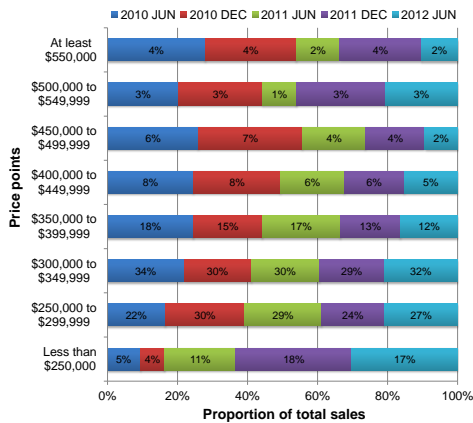
MARKET INDICATORS

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

The indicators depicted above are based on the year ending 30 June 2012, with exception to rental indicators which are based on the year ending 30 September 2012.



HOUSE PRICE POINTS

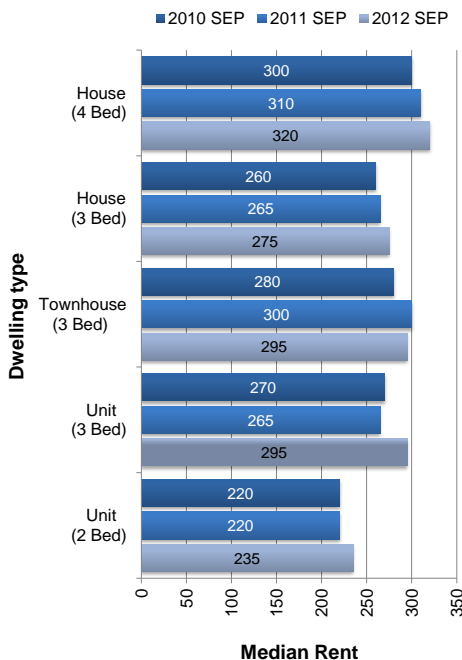


Prepared by PRDnationwide Research. Source: PDS

Property on the market that buyers perceive as overpriced is not meeting with any genuine interest until a notable price reduction is evidenced. The only exception to this is if the property is well presented and generally located closer to the beach; properties that fit this profile (across all price brackets) are in high demand with sustained competition enabling many vendors to achieve realistic price expectations. Observing the House Price Points chart since the June 2012 period, there has been a marked increase in the proportion of sales within the sub \$250,000 price range. There has also been a contraction in purchasing activity across the higher end price brackets (\$350,000 plus) which together has led to a stable correction in the median price.

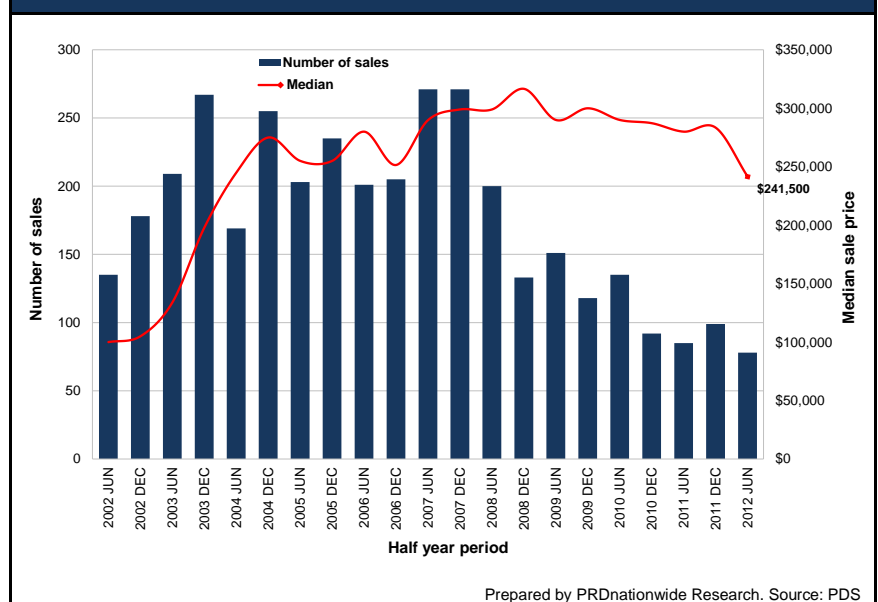
Land subdivisions continue to be developed and there is a considerable amount of new housing under construction taking into account the size of the Hervey Bay Area property market. Almost all of these new subdivisions however are located a reasonable distance from the beach and Esplanade and demand is always highest for properties closer to the beach. Competitive pricing has ensured sustained demand for new houses in the market supported by a fall in prices and an increase in settled land transactions over the year to 30 June 2012.

MEDIAN RENTS – 4655 PC



Prepared by PRDnationwide Research. Source: RTA

HERVEY BAY AREA UNIT SALES CYCLE

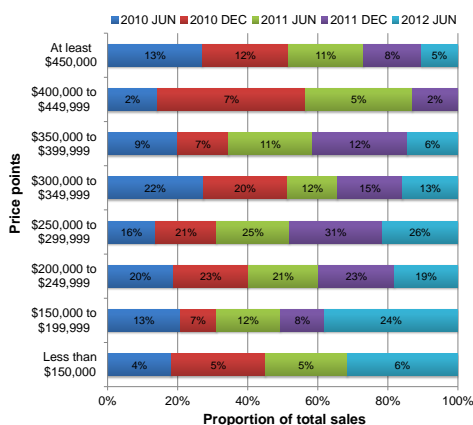


Prepared by PRDnationwide Research. Source: PDS

The Hervey Bay unit market has not fared as well in the first half of 2012, recording the lowest volumes in just over a decade. Despite an acute fall of 13.8 per cent in the median price from the June 2011 period, volumes remain subdued in what is an oversupplied unit market (units, townhouses and Esplanade apartments). The Unit Price Points chart indicates a substantial increase in buyers' appetite for a bargain in the market, particularly within the \$150,000 to \$199,999 price range. Very few buyers are entertaining the higher end of the market compared to two years ago, with the availability of stock on the market providing would-be buyers with many options and increased bargaining power. With that being said, most of this oversupply is now within the higher end of the market where vendors experience the most difficulty in meeting the market due to the heavy discounting required, especially for a timely sale. This has transpired to poor sales volumes in the market which may take years to recover.

The rental market has performed well over the past two years, particularly three bedroom units. The unit market (including townhouses) increased by 7.1 per cent on average since the September 2010 quarter, followed by 6.2 per cent in the house market. Excessive rents in the mining regions have also forced many families that are not receiving the big pay packets to move to areas such as Hervey Bay where rents are still affordable, adding to the demand for rentals.

UNIT PRICE POINTS



Prepared by PRDnationwide Research. Source: PDS