

LAKE MACQUARIE

Property Watch®

PRD nationwide



**The Shearwater development,
Warners Bay**

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 May 2012.

KEY HIGHLIGHTS

- Limited supply of developable land and sales of new apartments is expected to bring the median unit price above that of a separate house in the near to medium term.
- A recently approved building in Warners Bay is set to change the scope of development in the area.
- A surge in sales to first home buyers is expected to boost activity in September, as the expiration of the First Home Owner's Grant draws near.

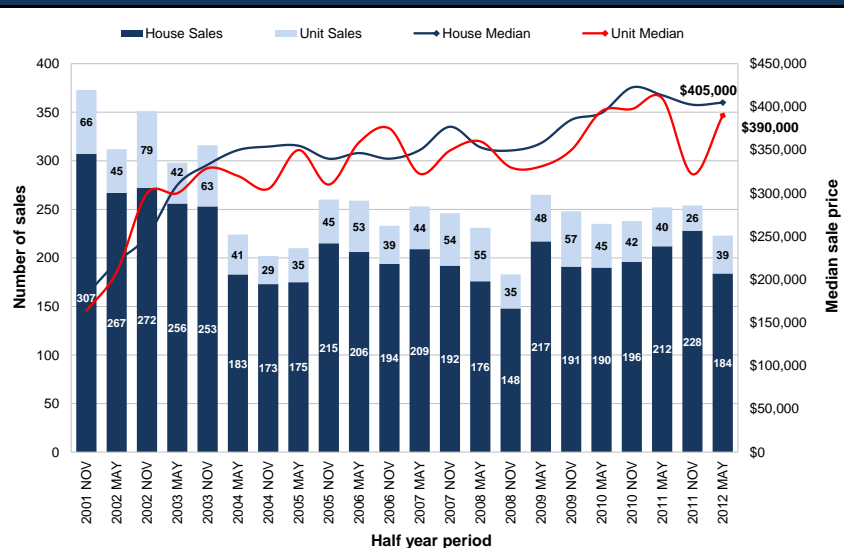
LAKE MACQUARIE NORTH OVERVIEW

This report is an investigation into the northern side of the Lake Macquarie Government Area's residential real estate market. It interprets the current and historical house and unit markets, and includes an update about the region's investment environment. The area, corresponding to the 2282 and 2284 postcodes, is a family oriented location, providing residents with an affordable lakeside lifestyle and an easy access to employment in nearby Cardiff Industrial Estate, the Newcastle Port and the Hunter Valley.

House activity declined in the six months to May 2012 after increasing during the three preceding periods. The decline, equating to 13.2% from the 2011 half year was in line with a subdued activity across NSW. The northern part of the LGA, traditionally characterised by detached houses, has experienced a densification in recent years, with the construction of units, villas and townhouses. Unit activity remained on par over the 2012 May period compared to the same period in 2011, after softening in the November period.

The development process has mostly been limited to small-scale projects on a single block, or by amalgamating an adjacent lot to allow the construction of up to 20 units or townhouses. That said a recent approval for a building in Warners Bay is set to change the scope of development in the area. The three to five storey Shearwater building on King Street will deliver 94 residential units, along with a large retail space on ground level. In approving the project, the local council indicated its intention to see more medium density development in the centre of town, allowing easy access to the nearby shopping and recreational facilities.

LAKE MACQUARIE NORTH HOUSE & UNIT SALES CYCLE



Graph prepared by PRDnationwide Research. Source: PDS

The number of **investor** enquiries is expected to **increase**, driven by **rising rent** prices, short leasing periods and low vacancy rates.

HOUSE PRICE POINTS

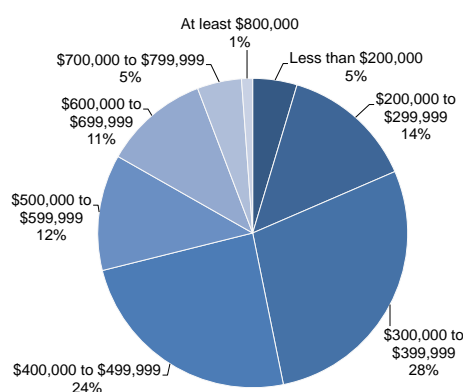


Chart prepared by PRDnationwide Research. Source: PDS

UNIT PRICE POINTS

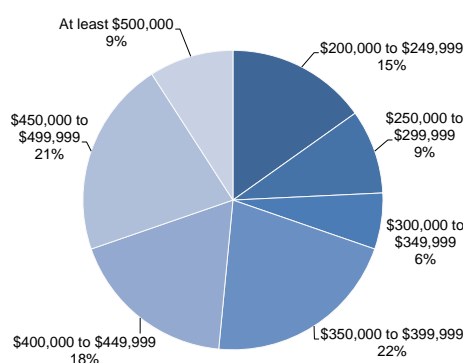


Chart prepared by PRDnationwide Research. Source: PDS

Recently, residential dwellings have been purchased by a mostly local mix of buyers including first home buyers and upgraders, with a stable interest from retirees who prefer the 2282 postcode for its amenities, including the Centro Shopping Centre and Esplanade cafes. The share of house transactions between \$300,000 and \$399,999 increased in the 2012 May period while the adjacent price point (\$400,000 to \$499,999) eased, leading to a small decline of 2.1% in the median price of a house. The median figure of \$405,000 recorded at the end of May 2012 represented a five year average growth of 3.0% per annum. Warners Bay accounted for 45 of transactions for the six month period, followed by Eleebana with 39 and Speers Point with 27. A surge in sales of existing homes to first home buyers will further boost activity in September, as the expiration of the First Home Owner's Grant draws near.

Sales of home units in an Albert Street building in Warners Bay brought the suburb to the top of the unit sales list, accounting for 23 of the 39 transactions for the six months to May 2012. A concentration of unit transactions in the \$350,000 plus range led to a strong recovery from the November 2011 median unit price. However, the \$390,000 median remained 4.9% below the May 2011 figure. The small transaction volume for strata-titled dwellings in Lake Macquarie North has resulted in median price volatility over the past 12 months. However, it is likely that the increase in the supply of new apartments will result in a higher median price for units over the near term. With only a limited supply of developable land, it is also expected that the median unit price will exceed that of a separate house in the near to medium term.

The table below summarises the performance for the most active suburbs in the Lake Macquarie North region over the 12 months to May 2012. It highlights the performance of houses in Warners Bay, recording higher activity in the 2012 May period despite a softer median price. The unit market, concentrated in the suburbs of Warners Bay and Speers Point recorded a decline in activity between the two periods. However, the softer activity is the result of a slow market in the November 2011 six months with a recovery in the May half year.

HOUSE AND UNIT ACTIVITY – YEAR TO MAY 2012

Suburb	Year to May 2011		Year to May 2012		Annual Change	
	Median Price	Total Sales	Median Price	Total Sales	Median Price	Total Sales
House						
Warners Bay	\$440,000	109	\$395,000	111	-10%	2%
Eleebana	\$535,000	92	\$537,500	87	0%	-5%
Speers Point	\$445,000	58	\$420,000	56	-6%	-2%
Unit						
Warners Bay	\$380,000	55	\$405,000	37	7%	-33%
Speers Point*	\$437,500	19	\$507,500	9	16%	-53%
Teralba*	\$365,000	2	\$264,167	5	-28%	150%

* PRDnationwide Research requires a minimum of 15 sales to establish a credible median price.

Table prepared by PRDnationwide Research. Source: PDS

A smaller share of rental properties in the Lake Macquarie LGA compared to the state's average indicated of a mostly owner occupied region with a high level of home affordability. In the 12 months to May 2012 strong demand for rental properties has led to significant increases in rental prices for units and houses, with a particular increase in the median rental price for a single bedroom unit, rising 8.1% to \$200 per week. Other indicators for the strength of the market include short leasing periods and a low vacancy rate of 1.4% in the 2282 area, and 0.7% for the 2284 postcode. The rise in rents and stable dwelling prices are expected to increase enquires from investors in the second half of 2012.

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

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