

# PORT STEPHENS

Property Watch®

PRD nationwide



Soldiers Point Road, Salamander 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 March 2012.

## KEY HIGHLIGHTS

- A decline in demand from investors and holidaymakers is compensated by increasing interest from owner occupiers.
- The house market experienced softening in the median price amid stable activity over the past 18 months.
- The Region is experiencing strong growth as infrastructure projects draw nearer to completion.

## PORT STEPHENS MARKET OVERVIEW

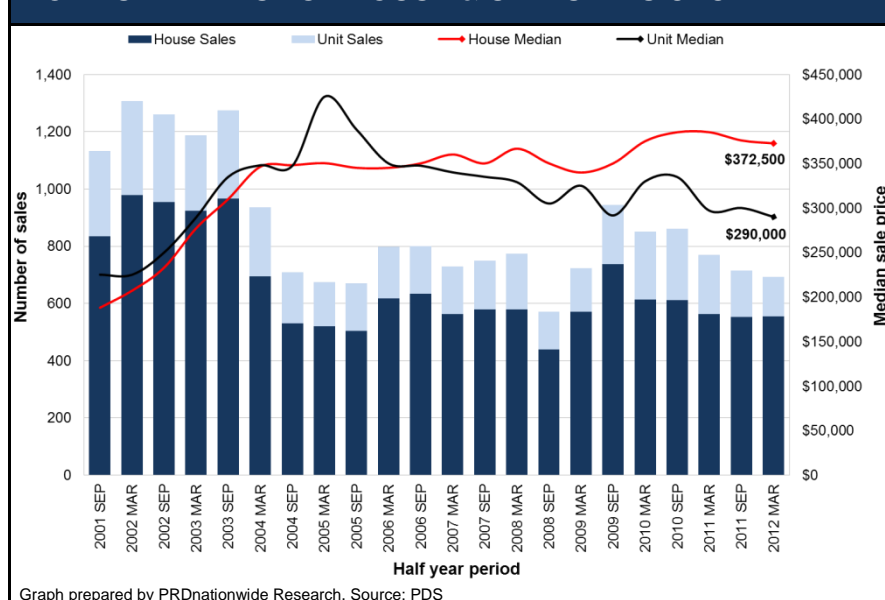
The following Property Watch report is the result of an investigation into the historic and current market conditions of the Port Stephens Local Government Area (LGA).

The nature of the Port Stephens area has changed in recent years. What was considered by Sydneysiders as a sleepy holiday destination has been transformed into a well-rounded community offering local employment and amenities. This demographic transformation from transient to stable population and the impact of the Global Financial Crisis (GFC) of 2008 that forced a sharp contraction in household finances, led to declining demand from investors and holidaymakers and increasing interest from owner occupiers.

Observing the House Price Points chart over the March 2012 half year period, it is evident that a dominant concentration of buyers exists in the \$300,000 to \$399,999 price range. Interestingly, this price range recorded more activity in the March 2012 half year period than in the corresponding period in 2011, while the portion of houses selling under \$300,000 or between \$400,000 and \$499,999 declined. The implication of this concentration in activity has had on the median price is reflected by a 12 month decline of 3.2% in the median price in the year to March 2012. The softer median price comes amid stable activity in the detached house market over the past 18 months, with the March 2012 half year recording 555 settled transactions.

The house rental market continued to strengthen in the 12 months to March 2012, with a median weekly price increasing by 6.5% for a three bedroom house. This signals the demand from locals, with many now employed by the mining industry in the Hunter Valley. The nature of shift work allows residents to enjoy the lifestyle and lower rents offered by the LGA, while maintaining their employment in neighbouring regions.

## PORT STEPHENS LGA HOUSE & UNIT SALES CYCLE



## HOUSE PRICE POINTS

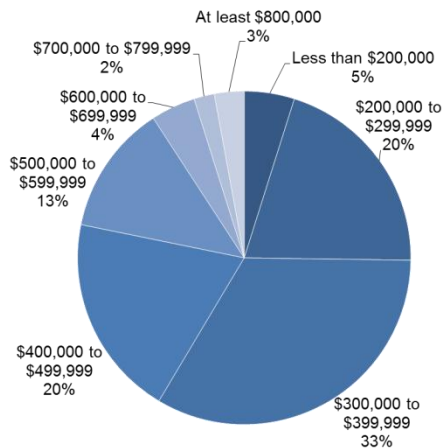


Chart prepared by PRDnationwide Research. Source: PDS

A **125 basis point drop** in the official cash rate and the imminent **end to the first home owner grant** in September is likely to **revive market confidence**, as many would-be buyers are enticed to bring their purchase forward.

## UNIT PRICE POINTS

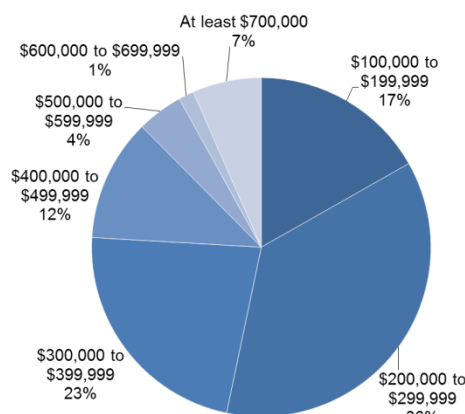


Chart prepared by PRDnationwide Research. Source: PDS

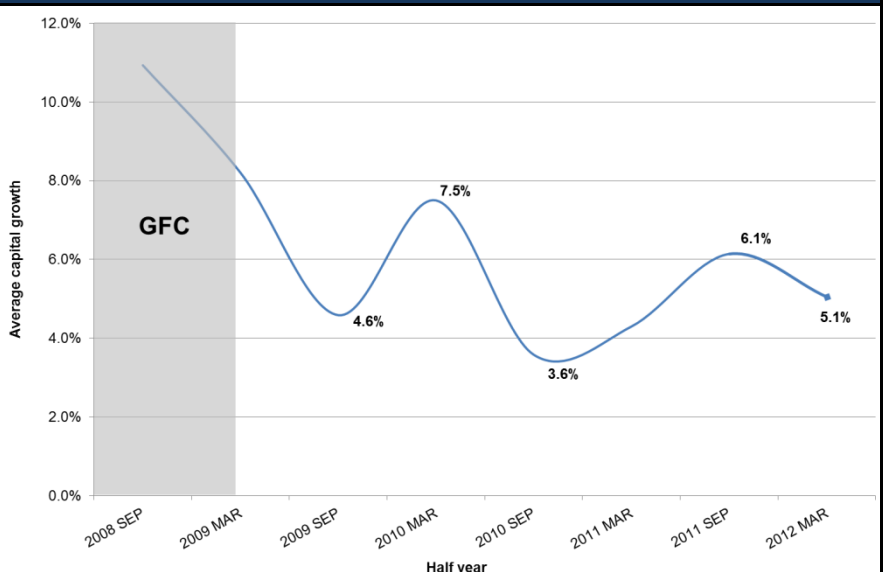
Despite recent news of business consolidation, the Region is experiencing strong growth as infrastructure projects draw nearer to completion. The largest developments are the \$500 million Williamstown Aerospace Park, expected to support 2,000 aviation related jobs. The \$130 million industrial development in Tomago is estimated to create 400 new jobs, with a further 910 jobs expected to be created during construction.

Unit activity has declined over the past two years, with the number of transactions in the six months to March 2012 representing a drop of 34% from March 2011 and 45% below the March 2010 figures. This decline also affected the unit median price, closing the period at \$290,000. The decline in unit sales in recent times is largely attributed to the desertion of both interstate and intrastate investors who have in the past accounted for a significant portion of purchasers in the area. A diluted first home buyers' pool has also contributed to dwindling sales volumes with most enquiry and settlements coming from upgraders and downsizers. With that said, the unit market appears to have bottomed. With a 125 basis point drop in the official cash rate since November 2011 and the imminent end to the first home owner's grant in September, it's likely to expect a revived market confidence, as many would-be buyers are enticed to bring their purchase forward. However, much like the incentive-driven property market of 2009, it is likely that the level of demand from this segment will not be sustained into 2013.

The rental market for units contracted in the year to March 2012, with the median rent for a two bedroom unit declining by 4% to \$260 per week from March 2011. Savvy investors may focus on the fact that rentals are beginning to reach parity with debt servicing levels, with a forecasted upside in capital growth due to declining mortgagee sales stabilises the market as excess stock is absorbed.

The table below provides an overview of the average capital growth achieved by vendors who exited the market in the past four years. It depicts a decline in growth during and right after the GFC and the peaks in the March 2010 and September 2011 half year periods. The capital growth graph proves that despite a decline in the median price, overall returns achieved by recent sales are greater than the gains realised during the same period in 2011.

## PORT STEPHENS UNIT CAPITAL GROWTH



Graph prepared by PRDnationwide Research. Source: PDS

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This report was prepared by PRDnationwide Research. Source: PDS, Housing NSW, Hunter Advantage.

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