



JUNEE AREA MARKET OVERVIEW

The following Property Watch report is the result of an investigation into the historic and current market conditions of the Junee Local Government Area.

Junee's location, in close proximity to Wagga Wagga, New South Wales's largest inland city, attracts investors seeking high yielding properties and owner occupiers looking for rural lifestyle and employment opportunities. The diverse economy of Junee, supported by strong rural and education sectors continued to sustain the local housing market over the years, allowing a soft landing after the withdrawal of the government stimulus package in 2010.

Observing the House Price Points chart over the March 2012 half year period, it is evident that a dominant concentration of buyers existed in the \$100,000 to \$149,999 price range. Interestingly, this price range (representing 29% of the market) more than doubled in size from the March 2011 period, while the portion of houses that transacted for \$150,000 or above declined. As a consequence of this concentration in activity, the median house price experienced a 12 month decline of 8.8% in the year to March 2012. The softer median price represented market consolidation, after strong price growth in 2009 to 2011 that may be a result of sales of larger lots in Old Junee and Dirnaseer. The 38 house transactions recorded during the six month period represent a balanced activity and is in line with the five year average of 41 transactions per half year period.

The rental market exhibited strong growth in the 12 months to March 2012, with a median price increasing by 15% to \$230 per week in March. Recent evidence point to gross yields between seven and ten per cent, with an indicative yield (median rent over median house price) of 7.5%. The lower house prices, strong rent prices and lower cost of funds create opportunities for investors, with some rentals beginning to reach parity with debt servicing levels.

MARKET INDICATORS

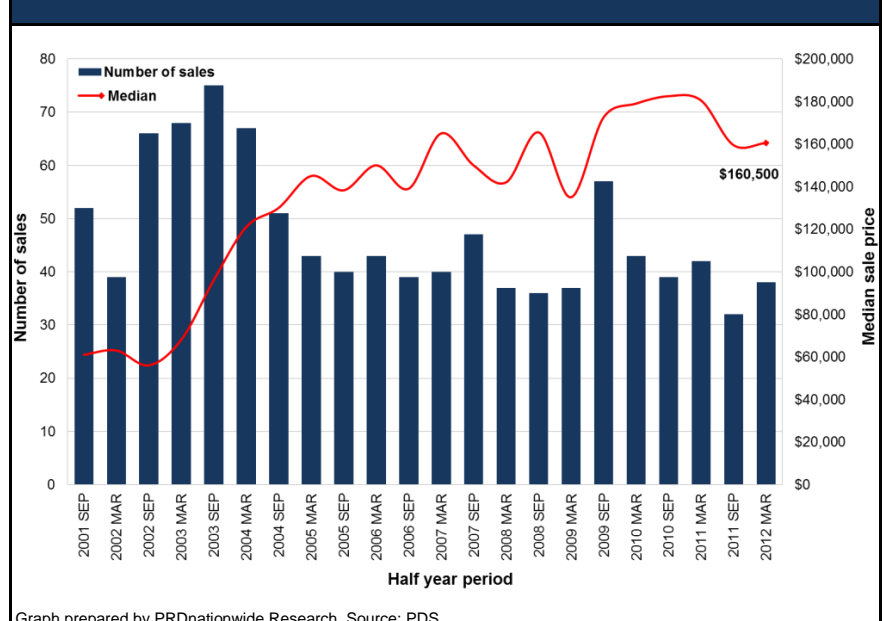
Change from Last	Year	Half Year
HOUSE SALES	↓	↑
HOUSE MEDIAN	↓	↑
HOUSE RENTS	↑	↑
LAND SALES	↓	↓
LAND MEDIAN	↓	↑

The indicators depicted above are based on the year ending March 2012.

KEY HIGHLIGHTS

- Strong capital growth of 8.6% per annum was observed for the area in the six months to March 2012, despite a decline in the median house price
- Rental yields nearing the cost of finance are attracting investors to Junee.
- Vacant lot sales were most susceptible to economic downturn, with five transactions recorded in the six months to March 2012.

JUNEE HOUSE SALES CYCLE



Graph prepared by PRDnationwide Research. Source: PDS

HOUSE PRICE POINTS

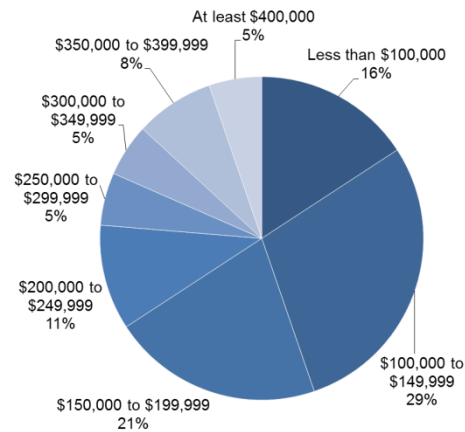
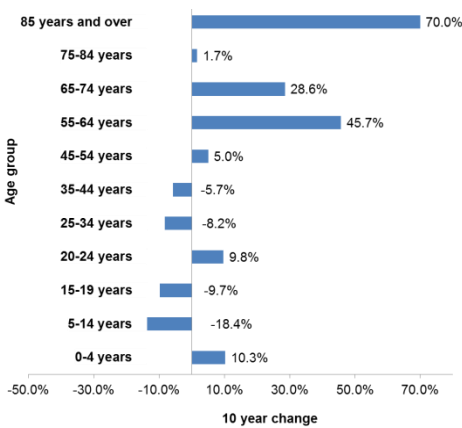


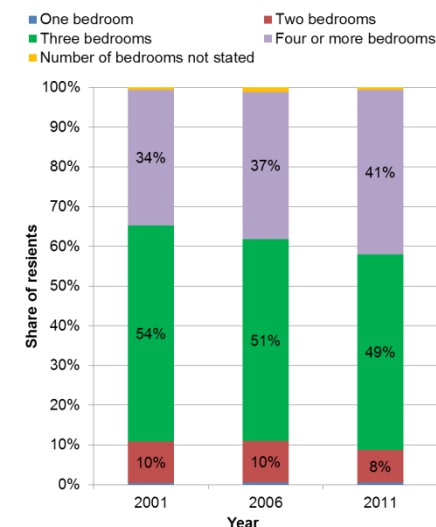
Chart prepared by PRDnationwide Research. Source: PDS

10 YR CHANGE IN AGE GROUPS



Graph prepared by PRDnationwide Research. Source: ABS

SHARE OF RESIDENTS AND NUMBER OF BEDROOMS

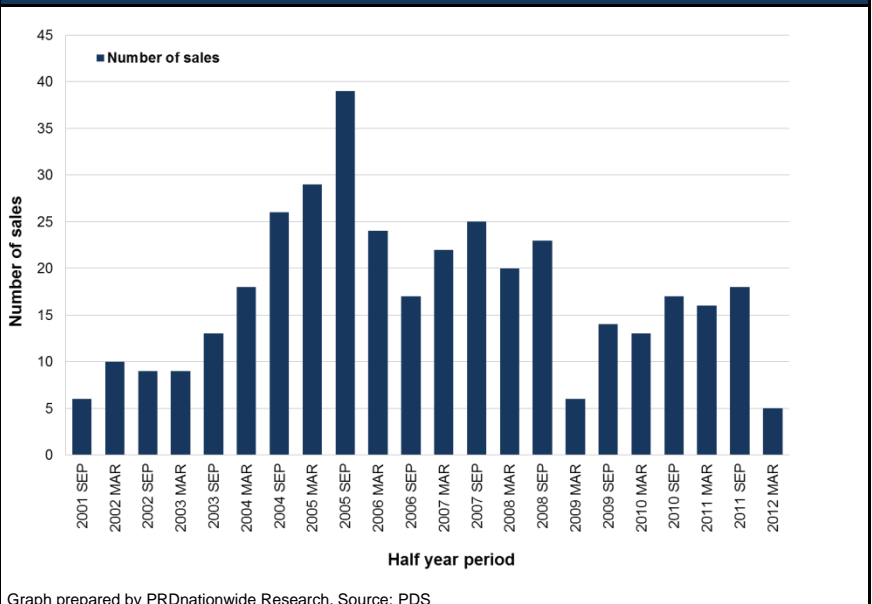


Graph prepared by PRDnationwide Research. Source: ABS

The actual property return is best measured through the capital gains achieved by individual vendors over a period. A resale analysis carried out by PRDnationwide Research revealed a strong capital gain of 8.6% per annum for vendors who sold their house between October 2011 and March 2012. This figure is the highest since the stimulated market of September 2009.

The majority of lots representing the Junee vacant land market are located in the Potts Drive subdivision, offering residential lots with an area up to half an acre. Larger lots can be found in the newly released Kaiser Estate off Olympic Highway on the western side of Junee, with lot sizes ranging between 1 and 1.5 acres. Vacant lot sales are closely related to the state of the economy. In the last 15 years, an economic downturn occurred in the early part of the 2000s, followed by the slowdown of late 2008 to early 2009, triggered by the Global Financial Crisis. Typically characterised by falling employment and rising unemployment, economic downturns dampen buyers' confidence, with products requiring improvement and longer term capital commitments such as vacant land suffering most. Periods of economic downturn are clearly depicted in the Vacant Land Sales Cycle graph, with six transactions in 2001 and 2009 and five sales in March 2012 compared to the long term (10 year) average of 18 sales per six month period.

JUNEE VACANT LAND SALES CYCLE



Graph prepared by PRDnationwide Research. Source: PDS

The latest census data identified significant changes in the population of the Junee area. These changes will have a profound impact on the housing market in the next 10 years. The 10 Year Change in Age Groups graph shows a 70% increase in residents aged 85 years and older, with those aged 55 to 64 years increasing by 45.7%. Simultaneously, the number of residents in younger age brackets declined, with the 5 to 14 years age group exhibiting the largest contraction. A growth in lone households is closely related to the increase in older population, together with a small decline in family households. Interestingly, over the same period, the share of people living in a four bedroom dwelling increased from 34% in 2001 to 41% in 2011. The contrast between smaller households and the increase in the number of bedrooms will create a future challenge to developers and town planners, trying to fill the gap that is being created between larger houses and smaller households.