New South Wales Regional Cities 2012

Property Research Report

PRD nationwide

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Our People

Oded Reuveni-Etzioni – Research Analyst

After contracting for a project marketing group, Oded joined the PRDnationwide Research team in 2010 as the New South Wales Research Analyst. Since then Oded has been driving research in areas ranging from the Sydney residential market to foreign ownership of prime agricultural land across NSW. Oded is a regular real estate market commentator, with appearances in both the visual and written media.

Aaron Maskrey – Research Director

Aaron is responsible for the strategic coordination of the national residential research division and management of the research team which comprises of four employees throughout Australia. The Division provides research statistics, reports and up to date market intelligence to 120 franchise offices, and has become a leading group in consultancy for property research. Aaron has enhanced the company's share of voice in the media and has become one of the most quoted commentators on the Australian property market today. Aaron came from a management and analysis role with a previous international employer, bringing a keen eye for statistical analysis and drive for innovation providing PRDnationwide with a unique strategic advantage.

About PRDnationwide Research

PRDnationwide's research division provides reliable, unbiased, and authoritative property research and consultancy to clients in metropolitan and regional locations across Australia. Our extensive research capability and specialised approach ensures our clients can make the most informed and financially sound decision about residential and commercial properties.

Our People

Our research team is made up of highly qualified researchers who focus solely on property analysis.

Skilled in deriving macro and micro qualitative information from multiple credible sources, we partner with clients to provide strategic advice and direction regarding property and market performance. We have the added advantage of sourcing valuable and factual qualitative market research in order to ensure our solutions are the most well considered and financially viable. Our experts are highly sought after consultants for both corporate and government bodies and their advice has helped steer the direction of a number of property developments and secured successful outcomes for our clients.

Our Knowledge

Access to accurate and objective research is the foundation of all good property decisions.

As the first and only true knowledge based property service company, PRDnationwide shares experience and knowledge to deliver innovative and effective solutions to our clients. We have a unique approach that integrates people, experience, systems and technology to create meaningful business connections. We focus on understanding new issues impacting the property industry; such as the environment and sustainability, the economy, demographic and physical shifts, commercial and residential design, and the future implications around such issues based on historical data and fact.

The Evocities Project

An Overview

The Evocities campaign is a local and federal government funded initiative encouraging people to live, work and invest in seven of New South Wales's leading regional cities. By choosing to focus on Energy, Vision and Opportunity (EVO) the government aims to help capital city dwellers move to a regional city, with benefits that include a 'lower cost of living, strong career and business opportunities and an enhanced lifestyle'.

According to the evocities website, the campaign has led to the relocation of 275 people in its first year of operation, with 400 capital city dwellers planning to make the move in the next 12 months.

While the Evocities website quotes traffic congestion, noise pollution and lack of community as the key reasons Sydneysiders should relocate to an Evocity, feedback from other media outlets suggests that a lack of employment, distance from Sydney and crime rates are large deterrents to the move .

A diversified economy is crucial to the creation of a major regional centre. The presence of several sectors of employment such as government, agriculture, manufacturing and tourism equates to a diversified local economy and hedges against a downturn in any one industry.

Typically, the local housing market in a regional centre is considered to be very affordable compared to Sydney's prices, with the highest house median price of the seven regional centres (Orange at $324,500) still 51% below that of Sydney (at $657,000).

Crime has heightened in some regional areas but in most cases is only isolated to certain areas within a city. The old policies that created these areas have subsided, with the state government now selling both existing dwellings and vacant land in formerly government housing estates to owner occupiers, often with an associated covenant preventing them from becoming rental properties.

Remoteness from Sydney was a secondary concern, mainly by residents who felt that moving to a regional city will not meet all their entertainment needs. It is exacerbated by inefficient passenger rail links and limited flights to the capital cities.

Economic Overview

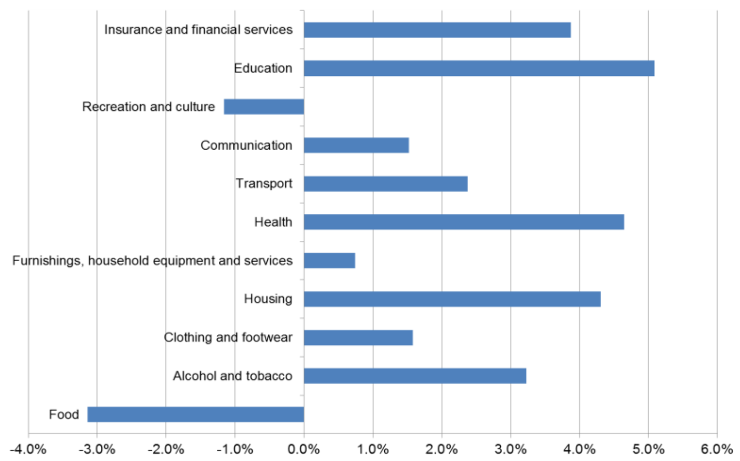
Consumer Price Index

The March 2012 Consumer Price Index (CPI) figures recorded an annual change of 1.6 per cent, which equates to a dramatic decrease from the previous quarter of 3.1 per cent, and is well below the RBA target range of two to three per cent. The underlying inflation figure, as measured by the RBA removes volatile items such as fruit and fuel, remains inside the target range but has increased marginally from the September 2011 quarter by 0.2 per cent to 2.5 per cent as at the end 2011.

The highest price increases in Sydney were in education and health groups, increasing by 5.1% and 4.6% respectively in the 12 months to March 2012. The Food and Recreation groups declined for the period, bringing the CPI increase across all groups to 1.6%, which equates to the Australian average. The recorded increase in CPI to March 2012 was the lowest since 2009 and amounts to half the rate recorded for the year ending March 2011.

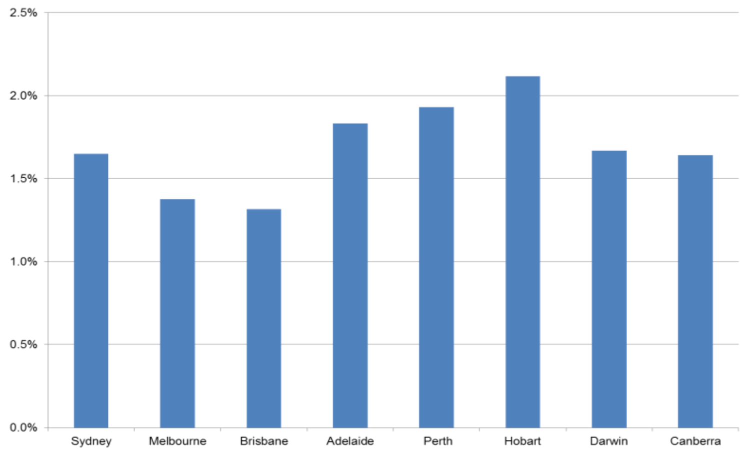
When comparing the capital cities Sydney ranked fourth for the 12 month period ending March 2012, with Adelaide, Perth and Hobart all recording CPI increases between 1.8% (Adelaide) and 2.1% (Hobart). Brisbane experienced the lowest increase, with an average of 1.3% across all groups. It is expected that the headline CPI increase will be impacted by the introduction of the carbon price later on this year, which is predicted to add a further 0.7%over the year.

Sydney Consumer Price Index by group, March 2012



Prepared by PRDnationwide Research Source: ABS Cat. No. 6401

Capital City 12 month increase in Consumer Price Index, March 2012



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Economic Overview cont.

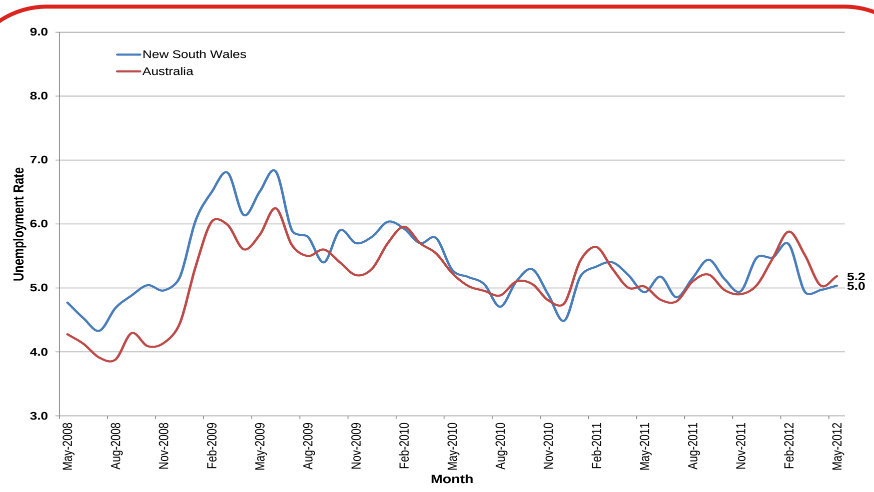
Unemployment

During the month of May 2012 unemployment increased to 5.2% and is just above the longer-term five year average of 5.0%. Since the turn of the year unemployment has remained stubbornly above 5.0%. When looking at the moving annual average, the rate increased to 5.2%.

Since 2005 the unemployment rate for New South Wales has on average remained above the national rate, reaching a peak at 6.8% over the month of March 2009. This rate has remained steady for the most recent month of May 2012 at 5.0%, with the rate now on below the national average at 5.0%.

The ABS Jobs Vacancies data displays a tight labour market, with a marginal rise of 0.7% in February, following a 3.4% rise in the fourth quarter of 2011. The ANZ Job Ads Index also increased in February by 3.3%, after increasing by 7.5% in January.

Unemployment Rate



Prepared by PRDnationwide Research Source: ABS Cat. No. 6202

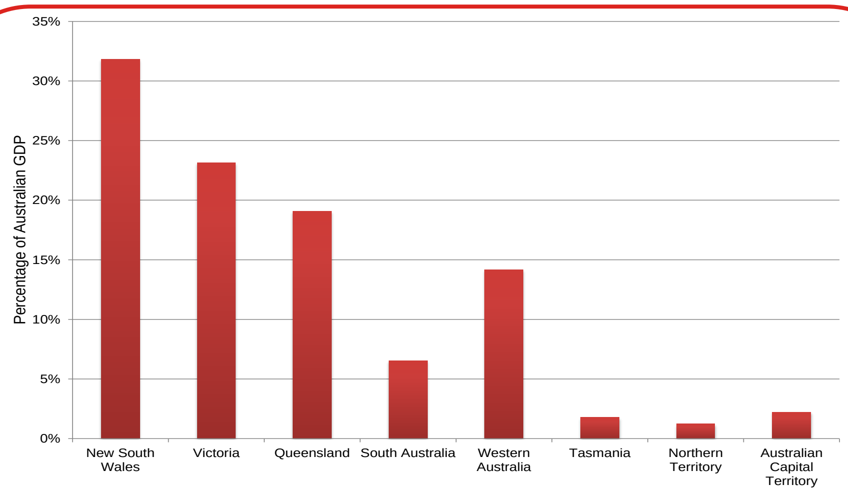
Economic Overview cont.

Gross State Product

New South Wales remained the largest contributor to the Australian economy, accounting for just under one third (32%) of Australia's Gross Domestic Product (GDP), with $420 billion for the year ending June 2011 followed by Victoria at $306 billion. The 12 month growth in Gross State Product (GSP) of 2.2% in June was stronger than the state's five year average growth of 2% per annum, but below that of Western Australia (3.5%), the ACT (2.8%), Victoria (2.5%) and South Australia (2.4%).

On a per capita basis, NSW ranked fourth with a GSP of $57,828, behind resource-based states and territories such as Western Australia ($80,858) and the Northern Territory ($70,961) and in front of states with similar population (such as Victoria at $54,774). The state's GSP per capita was shy of the Australian average of $58,811.

States' share of GDP, year ending June 2011



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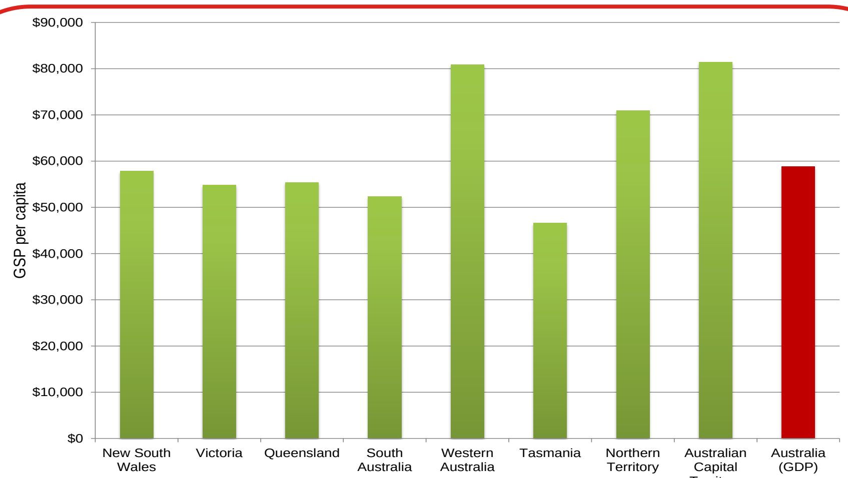
GSP per capita, year ending June 2011



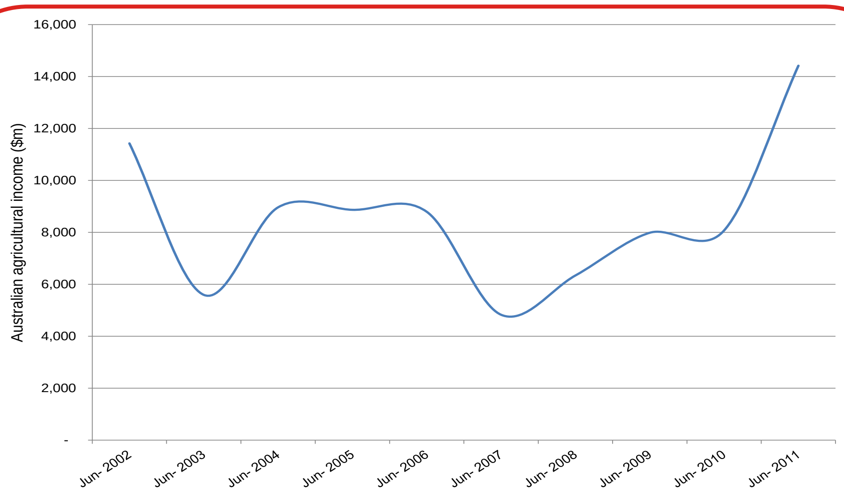
Prepared by PRDnationwide Research Source: ABS Cat. No. 5220

Economic Overview cont.

Agricultural Production and Income

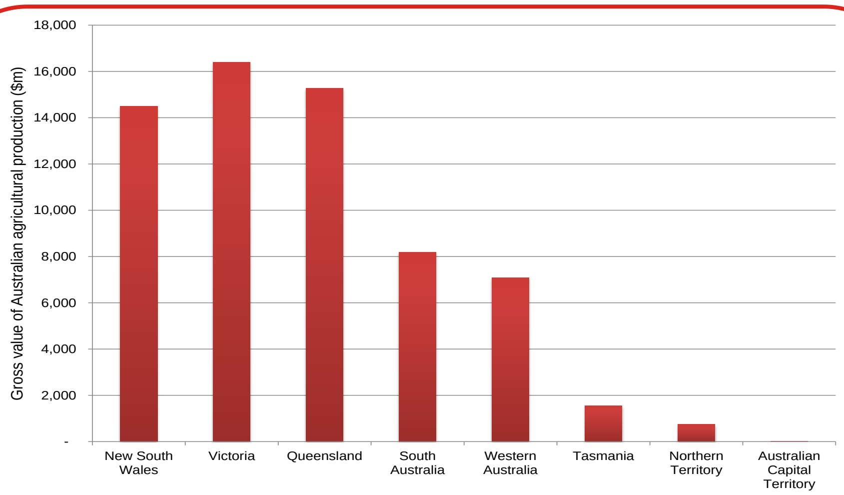
Favourable seasonal and economic factors since 2007 led to a sharp rise in the Australian agricultural income, increasing by 79% in the year to June 2011. New South Wales's gross value of agricultural production increased by 32% in the year ending June 2011, with the state now recording the third highest gross value of agricultural production in Australia, after Victoria and Queensland.

Australian agricultural income



Prepared by PRDnationwide Research Source: ABS Cat. No. 5220

Gross value of agricultural production, year ending June 2011



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Economic Overview cont.

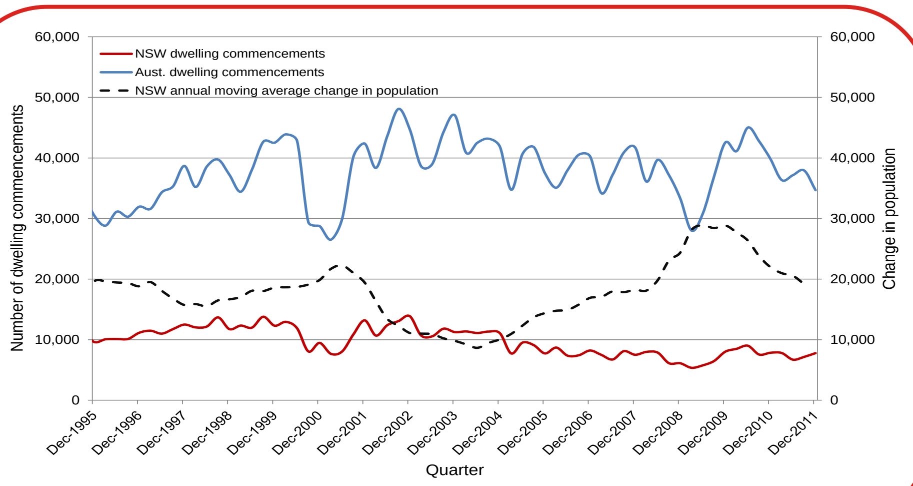
Dwelling Commencements

The total number of Australian dwelling commencements drastically decreased during the December 2011 quarter by 8.6%, equating to 3,245 less new homes for the quarter. When compared to the previous year, commencements have decreased by 13%.

Over the past decade, dwelling commencements in New South Wales have declined, averaging just over 11,000 commencements per month in the first half of the decade, then falling to an average 7,500 in the second half. During this time, growth in the rate of the New South Wales population increased, enlarging the difference between the numbers of dwellings to the state population. While growth in the population has declined since the end of 2009, there is still a distinct lack of dwellings evident to cater to the current growth.

Larger Australian developers have commented on the amount of 'green tape' put in place by the Federal Government, costing millions of dollars. Requests have been made for the environmental approval process to be given back to State Government, in an attempt to streamline the process.

Dwelling Commencements



Prepared by PRDnationwide Research Source: ABS Cat. No. 8750

Economic Overview cont.

Interest Rates

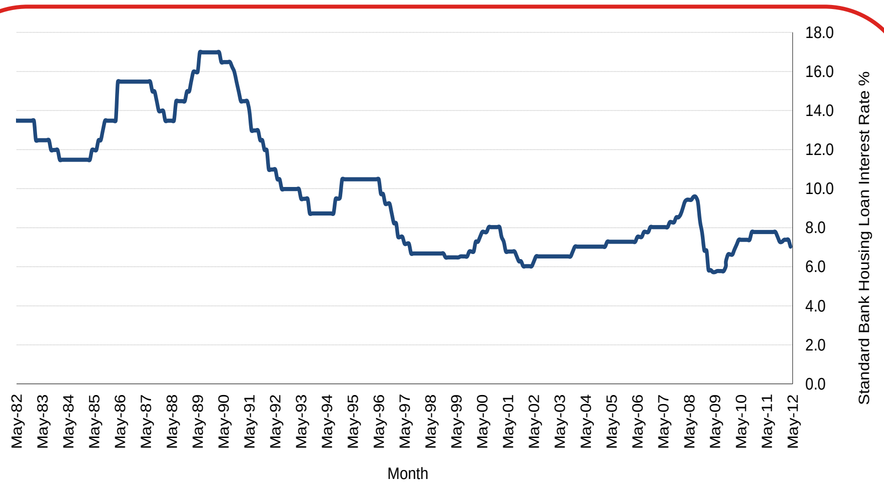
The RBA has reduced the official cash rate by 25 basis points to 3.5% in June 2012. It has citied that uncertainty surrounding the future economic positions of international markets has increased, with recent negative signals suggesting a further weakening in Europe's economy, a growing concern regarding the US recovery and a further moderation in Chinese growth. Meanwhile, the exchange rate has declined over recent weeks, reflecting lower commodity prices, heightened risk aversion and expectations of lower interest rates. Financial market sentiment has deteriorated over the past month and the local share market has shed all its hard won gains during 2012 over the past two weeks. In Australia, both households and businesses continue to exhibit a degree of precautionary behaviour, which may continue in the near term. A spate of weak economic data indicates further struggle for the domestic property market, with a continued softening in house prices, despite signs of stabilisation around the turn of the year.

The standard variable home loan rate has decreased to 7.05% for the month of May 2012, and is expected to fall further with the recent declines to the cash rate.

The RBA has consistently said banks have a just cause when they argue their margins have been eroded by rising funding costs. The RBA takes this into account during its own rate deliberations. The RBA has also stated that official rate would be a full percentage point higher if the banks had simply been passing on official rate movements.

The Federal Budget seeks to encourage foreign bank competition to directly target the big four Australian banks. The rate of interest withholding tax (IWT) paid by foreign bank branches which borrow from their overseas head office will fall from 5.0% to 2.5% in 2014-15, and then be phased out entirely in 2015-16. Meanwhile, the IWT for other financial institutions that borrow from foreign financial institutions or offshore retail deposits will fall from 10.0% to 7.5% in 2014-15, and 5.0% in 2015-16. The government says the measure will help local subsidiaries and branches of foreign banks to access cheaper offshore funding from their parents, ultimately putting more competitive pressure on the major banks.

Housing Loan Interest Rate



Prepared by PRDnationwide Research Source: RBA Bulletin F05

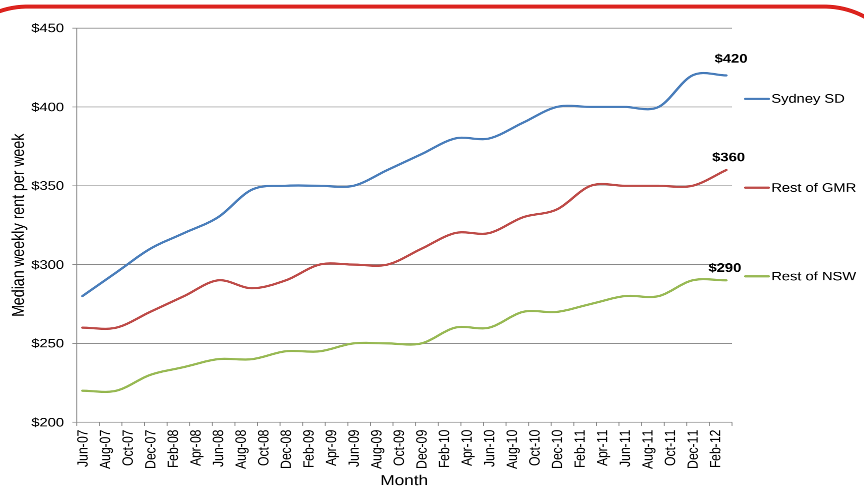
Economic Overview cont.

Rents

All residential rental categories in rural NSW experienced increases in the average weekly rent for new bonds over the March 2012 quarter. The greatest change was in the price of three bedroom dwellings, with the median price increasing by 4.4% from the March 2011 quarter.

The median rent for a two bedroom unit outside the Greater Metropolitan Region increased by 10% to $220 per week. The median rent for a three bedroom house increased by 5.5% to $290. The highest median weekly rent for a two bedroom unit was in the Byron Local Government Area (LGA) at $395 per week and the highest rent for a three bedroom house in regional NSW was in Queanbeyan at $460. The North Central Plain, Upper Murray and Lachlan regions shared the lowest median weekly rent for a two bedroom unit at $150, while Berrigan in the state's Riverina Region recorded the lowest median weekly rent for a three bedroom house at $195.

Median Weekly Rent for New Bonds, Three Bedroom House



Prepared by PRDnationwide Research Source: Housing NSW

Albury

Overview

The City of Albury is located on the Victorian border 462 kilometres southwest of Sydney and 260 kilometres northeast of Melbourne in New South Wales's Riverina region. The location of Albury near the midway point between Brisbane, Sydney, Melbourne and Adelaide has led to a steady increase in population over the years. Manufacturing is the largest sector in Albury, generating over $470 million in value-added activity each year. healthcare and social assistance, government, retail and construction are other major contributors to the local economy. The Australian Taxation Office has its major administrative centre located in the City, while other notable companies include O'Brien Transport and the Australian branch of the Apex Tool Group. The City of Albury is the third largest Local Government Area (LGA) in this report, with 51,359 residents. The region experienced slow growth in population in the 12 months to June 2011 (0.7%), with the average five-year growth of 1.2% per annum remaining marginally below the NSW average (1.4% per annum).

Air links are available to Canberra, Sydney and Melbourne through the local airport.

A high unemployment rate of 8.2% was measured in Albury in December 2011, ranking it at the top of the unemployment scale for the NSW major regional cities. In May 2012 there were 137 jobs available in the greater Albury area, with most in the healthcare and medical field (26), hospitality and tourism (15) and trades and services (13).

Crime has been decreasing in the Albury LGA over the past five years, recording an average decline in violent offences of 5.4% per annum. Property related offences have declined by 14.4% in the 24 months to December 2011 and contracted by an average of 4.9% per annum in the five years to December.

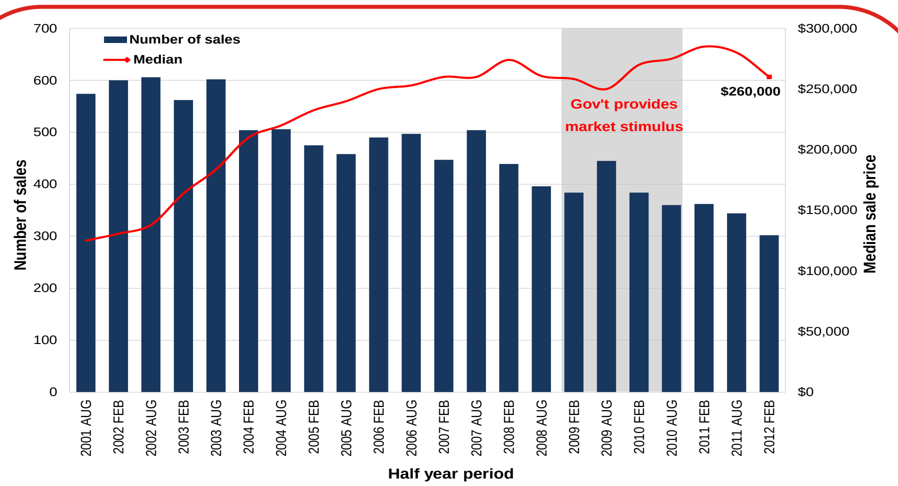
Albury cont.

The House Market

The Albury house market experienced a steady decline in activity from the highs of 2002 and 2003, closing the February 2012 half year period at 302 transactions. The figure represents a 12 month decline of 17% and is 32% below the August 2009 period, where government stimulus and low interest rates led to a strong activity. The median price of a house in Albury climbed to $285,000 in February 2011 before declining to close the February 2012 period at $260,000.

The drop in the median price was largely affected by the $200,000 to $299,999 price point, which increased from 34% of the market in the February 2011 period to 40% in February 2012. Over the same time period the $300,000 to $399,999 bracket contracted from 29% in 2011 to 22% in 2012. The suburb of Lavington captured the majority of sales, with 60 transactions representing 20% of the market. The number of transactions in Lavington remained steady while all other suburbs of Albury experienced a decline in transaction numbers.

Albury House Sales Cycle



Prepared by PRDnationwide Research Source: PDS

The Rental Market

The Albury rental market is tightening, with the number of properties available for rent declining as rent prices increase. The median rent for a house increased by 3.7% to $280 per week between March 2011 and March 2012, while the median unit rent climbed by 8.1% to $200 per week. The suburb of Lavington represented the largest rental market in the region, with 49 houses and 48 units available for rent in the March quarter.

The number of properties available for rent in the suburb declined by 34% in the 12 month period, while the rent increased by 10.2% and 9% for houses and units respectively. The median rent price in East Albury increased by 15.4% to $300 per week, while rental stock declined by 21%. The only suburb to buck the trend was West Albury, where stock increased from 19 houses in 2011 to 23 houses in the March quarter in 2012, while the rent declined 8.3% to $275 per week. The decline in properties for sale is likely to maintain the pressure on rent prices in the near term.

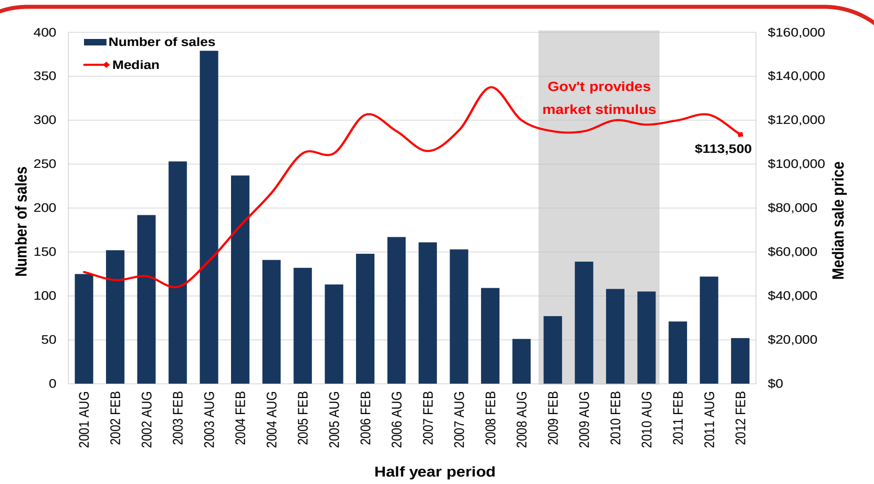
Albury cont.

The Vacant Land Market

Slow vacant land activity has dominated the Albury market over the past four years, with the February 2012 figures pointing only marginally higher than to lows recorded during the Global Financial Crisis of 2008. The median lot price closed the February 2012 period at $113,500, representing a 5.4% decline from the February period in 2011. The median stems from 52 land transactions compared to 71 sales in the February 2011 half year.

Activity declined across most suburbs, with the exception of Thurgoona, with 23 transactions in February 2012 against 21 sales in the February 2011 half year period. New land estates currently selling in Thurgoona include Spring Park and Wirlinga Park Estate. Sales towards the affordable end of the market increased, with lots selling for less than $100,000 climbing from 11 in 2011 to 16 in the February 2012 half year period, while the number of lot selling between $150,000 and $199,999 halved. The $100,000 to $149,999 bracket remained the largest price point, representing 56% of the vacant land market.

Albury Vacant Land Sales Cycle



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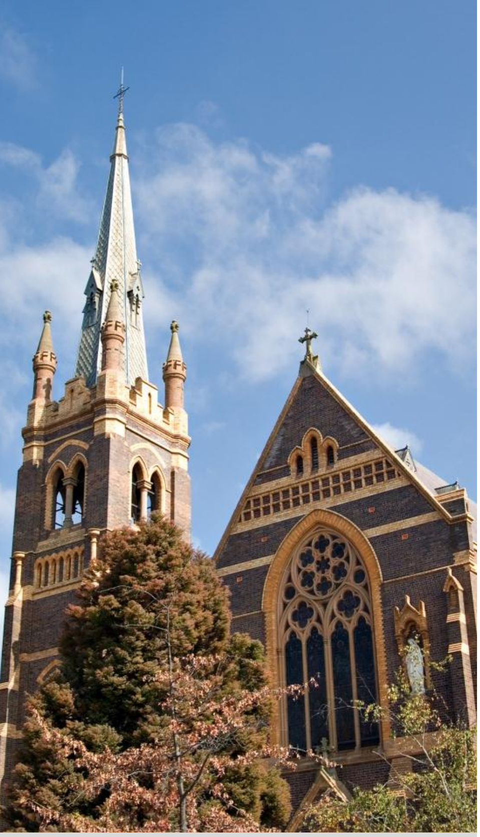


Armidale

Overview

Recording the smallest population among the seven regional cities the Armidale Dumaresq Local Government Area is located 375 kilometres north of Sydney and 362 kilometres south of Brisbane in the New England Region of NSW. The number of residents in the LGA has been increasing since 2004 and recorded an average growth of 1.1% per annum in the five years to June 2011 compared to 1.4% per annum for the state. The current population in Armidale is 26,000 residents.

Air links to Brisbane and Sydney are provided by the Armidale airport.

The City's December 2011 unemployment rate (5.9%) was somewhat higher than the NSW average of 5.6% and represented a small increase from the December 2010 figures (5.8%).

Education is the largest employer in Armidale, with the University of New England, TAFE and other institutions providing over 2,000 jobs. Retail trade and the healthcare sectors followed, collectively employing 2,350 residents. Head offices located in Armidale include those of Jobs Australia and the ABS Building Society Ltd. However, in number terms, the University of New England, the New South Wales state and local governments and the local hospital provided the largest number of jobs. In May there were 50 jobs advertised online for the Armidale Dumaresq region, with jobs in accounting, hospitality, tourism and healthcare most in demand.

The crime levels in the region are falling, with the December 2011 figures indicating an average five year decline of 8.5% per annum in property offences. In the 24 months to December 2011 Armidale property related crime rates shrunk by an impressive 27.2%. The region ranked well on motor vehicle theft (119th in the state), while liquor related offences such as consumption of alcohol in public by minor and licensing legislation offence were common (9th in the state).

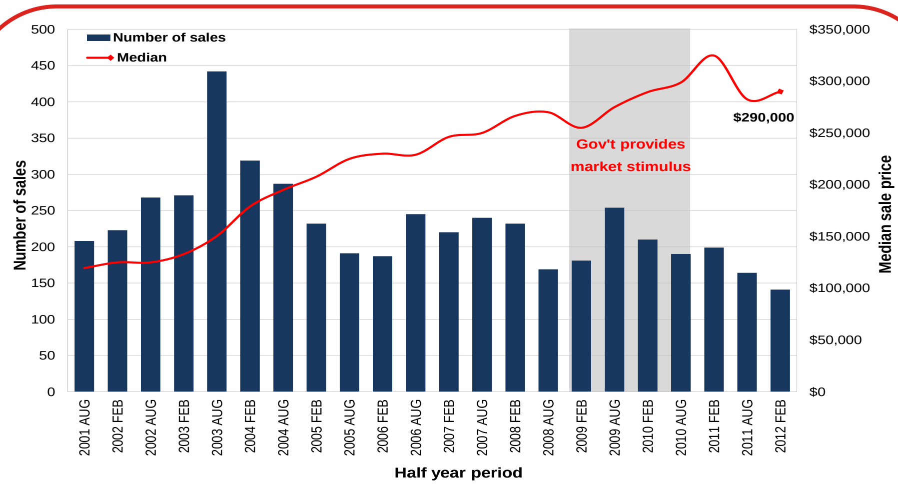
Armidale cont.

The House Market

The Armidale Dumaresq market has seen a decline in activity since the highs of 2009, when low interest rates and government stimulus persuaded many to enter the market. Activity in the six months to February 2012 was the lowest since 1996, with 141 house transactions representing a decline of 29% from February 2011 (199 sales) and 44% below the highs of August 2009 (254 sales). In contrast, the median price continued to increase in the 10 years to February 2011 and responded well to the government incentives in 2009 and 2010.

The house market corrected in 2011 but stabilised in the six months to February 2012 at a median price of $290,000. A look at the different price points reveals a 12 month decline in the number (and share) of properties selling above $400,000 and an increase in lower price brackets. The $200,000 to $299,999 price point represented the largest number of sales in both the 2011 and 2012 February half year, while the lower bracket of sales between $100,000 and $199,999 increased by four transactions to represent 14% of the house market. There was little activity toward the top and bottom ends of the market, with one transaction below $100,000 and one above $700,000 (a drop of 7 sales from 2011). All house sales for the period took place in Armidale City.

Armidale House Sales Cycle



Prepared by PRDnationwide Research Source: PDS

The Rental Market

The supply of rental properties increased in the 12 months to March 2012, with the number of units available for rent rising from 18 in the March quarter in 2011 to 28 in 2012. The number of houses for rent increased from 110 listings in March 2011 to 132 listings in the quarter ending March 2012. The median house rent for the region climbed by 7% to $342.5 per week, while the median rent for a unit declined by 10% to a weekly figure of $230.

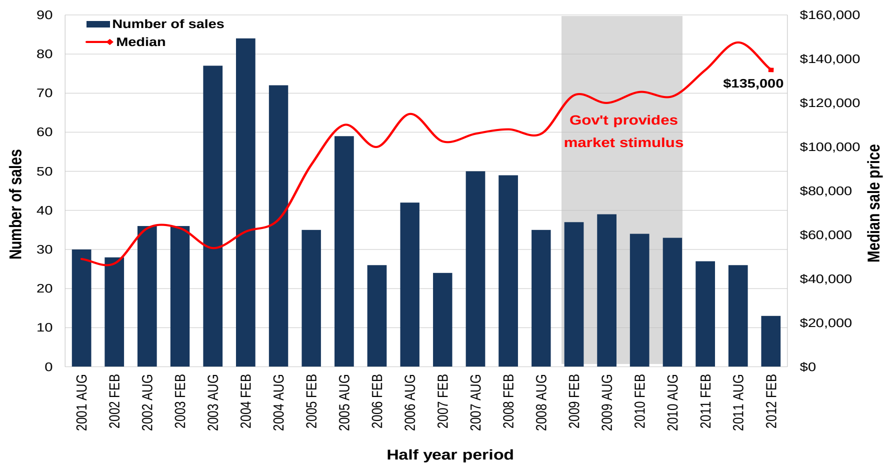
The indicative rental return for houses, based on a median price of $290,000 is above 6%. This figure represents a strong return for investors.

Armidale cont.

The Vacant Land Market

The land market in the Armidale Dumaresq LGA experienced a significant decline in activity in the six months to February 2012, in line with the rest of the residential land markets in the region. Only 13 lots with an area of 20 acres or less transacted in the region in the six month period compared to 30 transactions for the same period in 2011. The median price of a lot remained unchanged from 2011, closing the February 2012 period at $135,000 after increasing to $147,000 in the August 2011 half year. However, the median price should be treated with caution as it relies on a small number of transactions. Sales in Armidale City accounted for the majority of sales, with a spread across all parts of the City including Ben Venue, Newling and Grandview Estate in Duval.

Armidale Vacant Land Sales Cycle



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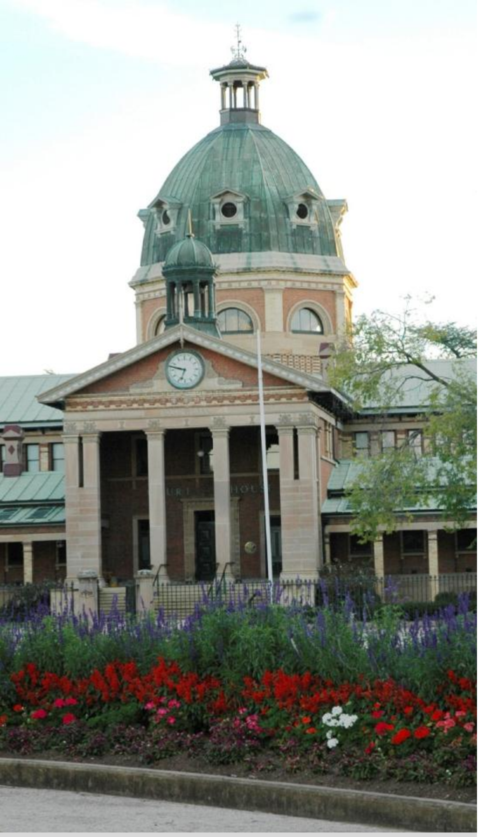


Bathurst

Overview

Of the seven regional centres covered by the report Bathurst is the nearest to Sydney. Located west of the Blue Mountains, the Bathurst City Council is home to 40,187 residents, with a population that increased by an average of 1.3% per annum in the five years to June 2011 compared to a state average of 1.4%. Best known for its car racing track at Mt Panorama, Bathurst offers a diverse economy, where the retail, manufacturing and education sectors are the largest employers. A large public sector in the City includes the Department of Fair Trade and the Department of Land and Property Management Authority. A low unemployment rate of 4.9% (December 2011) is a further indication of the strength of the local economy. Trades and services, education and manufacturing employees were most in demand as of May 2012.

One flight per day is available with REX to and from Sydney.

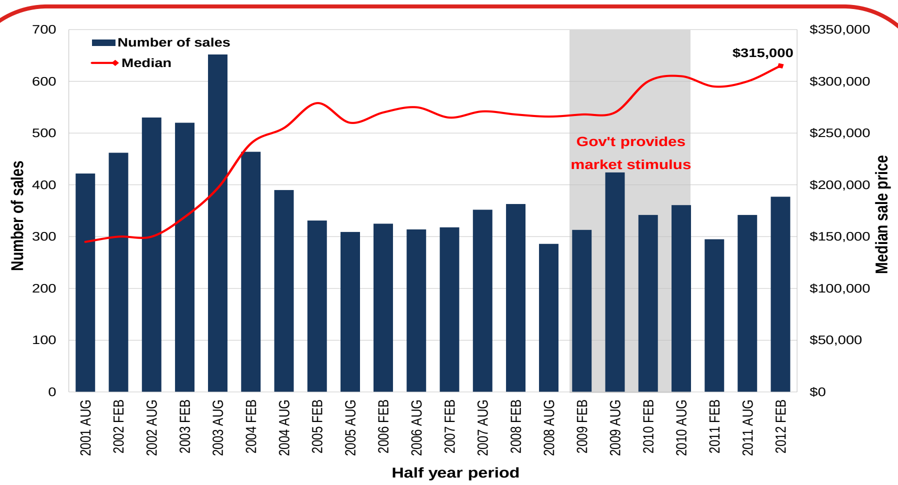
Crime levels in Bathurst Regional LGA have remained unchanged in the five years between January 2007 and December 2011. The City does not rank in the state's top ten for any type of offence, with stealing from a retail shop registering as the most common offence (number 17 in NSW). Motor vehicle theft was the most uncommon offence in the region.

Bathurst cont.

The House Market

Contrary to most other regional markets, the Bathurst Regional market appears to be accelerating, exhibiting growth in both activity and median price. The February median price of $315,000 is second only to Orange and represents a 12 month growth of 6.8%. This strong result stems from the sale of 377 houses over the six month period, equating to an increase of 28% from the February 2011 period. The increase in the median price is largely associated with the transactions of new houses in Kelso, which accounted for 22% of sales in the LGA in the six months to February. The share of properties selling in the $300,000 to $399,999 and $400,000 to $499,999 increased from 2011, collectively accounting for 48% of the house market in February 2012. The lower brackets of $100,000 to $199,999 and $200,000 to $299,999 declined in size while toward the bottom end of the market, the share of houses selling for less than 100,000 remained steady at 1%.

Bathurst House Sales Cycle



Prepared by PRDnationwide Research Source: PDS

The Rental Market

The median rent in Bathurst continued to climb, despite an increase in supply of houses for rent. The median rent for a house in the LGA closed the March 2012 quarter at $320 per week, representing a 10% increase from March 2011. The number of houses available for rent increased by 31% from the 2011 period, with 167 houses available for rent in 2012. The number of units available for rent edged down from 43 in the March quarter in 2011 to 41 in 2012. The demand for medium density accommodation led to a 12 month increase in the median rent, closing the period at $230 per week.

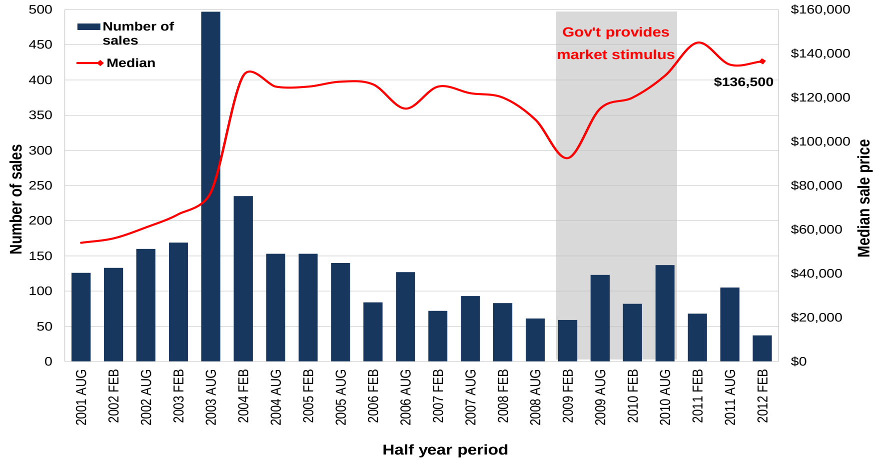
Bathurst cont.

The Vacant Land Market

Vacant land activity remained subdued over the past five years, with notable peaks during the August periods in 2009 and 2010. Thirty seven vacant land transactions were recorded during the half year period ending February 2012, with a decline of 46% from the same period in 2011. The sharp increase in the median land price during 2009 to 2010 is linked to the prevailing low interest rates and government stimulus. After peaking at $145,000 in February 2011, a decline of 5.9% was recorded to a median price of $136,500 in 2012.

Most lots transacted in the $100,000 to $149,999 price point, representing 38% of the market compared to 50% 12 months prior. A contraction was also recorded in the $200,000 to $249,999 bracket, while lots selling for less than $100,000 increased from 7% in 2011 to represent 22% of the market in the February 2012 period. Further analysis reveals the link between price points and lot size and explains the sharp increase in median price over the past five years. While the share of smaller residential lots declined between August 2009 and February 2012, the share of lots (1 hectare plus) increased from 8% of the market in 2009 to 22% in 2012.

Bathurst Vacant Land Sales Cycle



Prepared by PRDnationwide Research Source: PDS

Dubbo

Overview

The Dubbo City Council is a regional centre, servicing the Central West and North West parts of New South Wales. The region, located 302 kilometres north-east of Sydney provides services to a catchment area exceeding 120,000. Despite softer economic conditions in other parts of the state, the Dubbo region has benefited from strong investment. The area is known for its rare earth resources, with several mining companies currently moving into the production stage, while others investing in infrastructure to support their operations. Mining activity supports strong retail and agricultural sectors, creating a diverse economy that in turn maintains pressure on the retail, industrial and residential property markets. According to the local council the largest employment sectors in the town are retail trade, healthcare and education. Manufacturing is also an important employment sector, with Dubbo's meat producer – Fletcher's International Exports basing its head office in the City. Another organisation with a head office in Dubbo is the State Water Corporation.

Qantas Link and REX operate regular flights to Sydney and Broken Hill.

The low unemployment rate of 4.3% is below the NSW average and all other regional centres covered by this report. At the time this report was written the mining, resources and energy sectors topped the jobs ad list with 240 listings in Dubbo and the Central West.

The Dubbo LGA grew by 1% in the 12 months to June 2011 to reach a population of 42,108. The figure was marginally below the state's average of 1.1%, but compared favourably with the neighbouring LGAs, which generally recorded a decline in population.

Dubbo has experienced a reduction in crime rates in recent years, with an average decline for property related offences of 2.7% per annum between 2007 and 2011. Dubbo ranked first in the state for the breach of bail conditions offence and last of the seven cities in 'other theft' which includes stealing from a place other than a residential dwelling (such as temporary accommodation, business / commercial premises etc.).

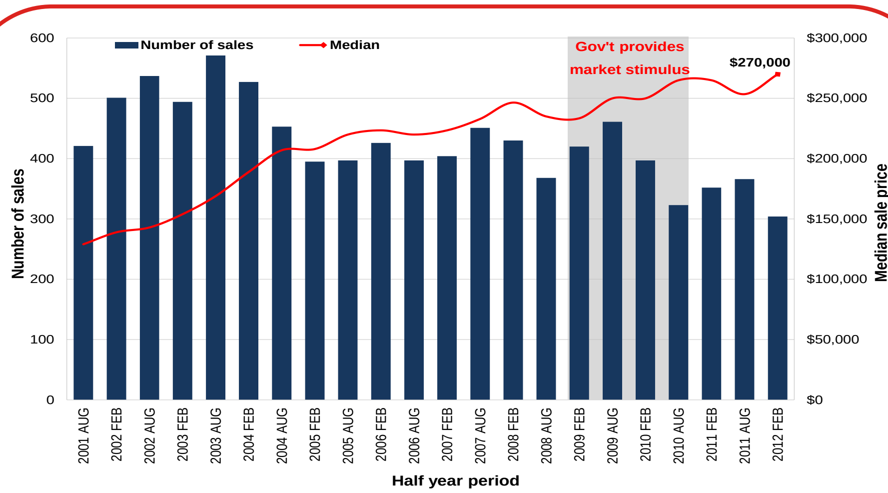
Dubbo cont.

The House Market

The Dubbo house market eased with the withdrawal of government stimulus at the end of 2010 but closed the February 2012 half year higher at a median price of $270,000, representing a 12 month growth of 1.9%. The growth lifted the five year average to 3.9% per annum. Activity moderated in the six months to February 2012 in line with other regional markets. The 304 house transactions during the period represented a 13.6% decline from the same period in 2011.

The share of houses transacting in the $200,000 to $299,999 price point increased from 38% in 2011 to 48% in February 2012. The other notable price point was between $300,000 and $399,999, accounting for 24% of sales. The largest decline in sales was observed in the $100,000 to $199,999 price bracket, with a drop of 37 transactions from the February 2011 period. Dubbo and the surrounding suburbs accounted for 93% of sales in the LGA, with little activity in Mugga Downs and Wongarbon.

Dubbo House Sales Cycle



Prepared by PRDnationwide Research Source: PDS

The Rental Market

A sharp decline in the number of rental listings in Dubbo is a further indication of the tight rental market in the City. The median rent for houses increased to $285 per week in March 2012, compared to $265 in March 2011. The median rent for a unit in Dubbo increased to $190 per week, equating to a 12 month increase of 5.5%.

The median rent stemmed from 138 houses for rent in the March 2012 quarter compared to 255 in 2011, while the number of units available for rent tightened by five listings to 29. The demand for accommodation is set to intensify with a strong private and public investment pipeline attracting construction employees to Dubbo.

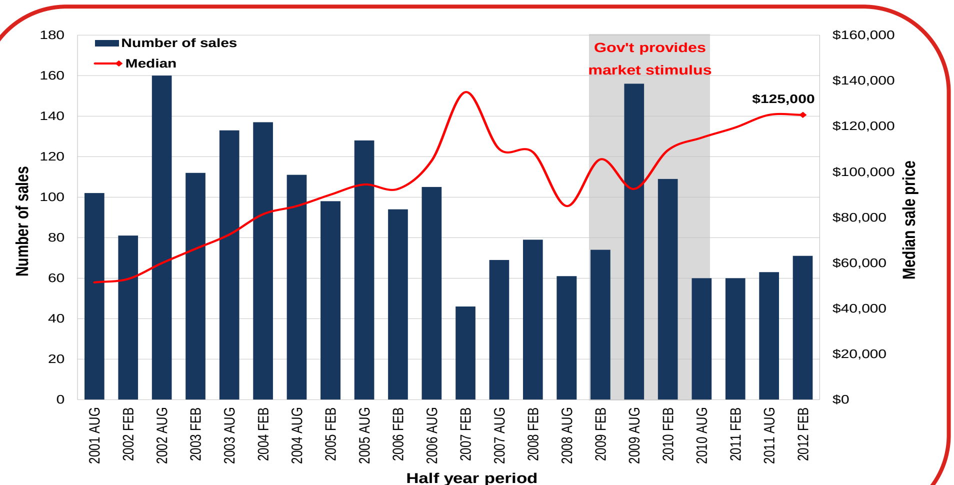
Dubbo cont.

The Vacant Land Market

The new Dubbo Local Environmental Plan (LEP) was gazetted in November 2011 and provides for an extra 1,620 hectares of land for residential use, including additional land for housing near the village of Wongarbon east of the City of Dubbo. The LEP creates certainty for land developers who were holding off on their plans. Vacant land transactions continued to edge up in the six months to February 2012, with 71 transactions for the period, compared with 60 transactions for the same period in 2011. The median price of a vacant lot in the LGA closed the February half year at $125,000, representing a 4.6% increase from February 2011.

Of the 71 lots transacting during the period, more than half (54%) transacted in the $100,000 to $149,000 price bracket. Toward the lower end of the market 27% of lots sold for less than $100,000, compared to 13% in the six month period in 2011. Sales in Shetland Avenue and Loch Lomond Way in the Delroy Park Estate jointly accounted for 14 sales, with Catherine Drive in the Rosewood Grove Estate registering 11. The top five streets, which also include Artesian Court and Askernish Drive collectively accounted for almost half (48%) of vacant land sales for the six month period.

Dubbo Vacant Land Sales Cycle



Prepared by PRDnationwide Research Source: PDS

Orange

Overview

The City of Orange is located 206 kilometres west of Sydney, in the state's Central West region. The economy in the Local Government Area, traditionally based agricultural, has in recent years diversified into the wine, tourism and mining industries. A low unemployment rate of 4.5% is an indication for the strength of the local economy. Information obtained from the Orange City Council identified government health services and Newcrest Mining as the largest employers in the Region. The NSW Department of Education and Training and Department of Prime Industries (DPI) provide 1,370 jobs, with the DPI basing its head office in Orange. The Electrolux whitegoods factory located in the City accounts for 600 manufacturing jobs.

The Orange LGA recorded a 2% increase in population in the 12 months to June 2011. This figure represents the highest population growth outside the Sydney Greater Metropolitan Area, with 40,062 residents now calling Orange home. While most regions in this report recorded softer growth in population over the 12 month period, Orange's figures show the opposite, with a stronger 12 month growth compared to an average annual growth of 1.5% between 2006 and 2011.

The LGA experienced a significant increase in both violent and property offences over the five years to December 2011, with the most significant offence being theft from retail stores, although the offences are limited to the main retail area. On the other side of the scale the region ranked favourably in transport regulatory offences (fare evasion and smoking, drinking or using offensive language on a train), possibly due to a limited rail traffic through the City.

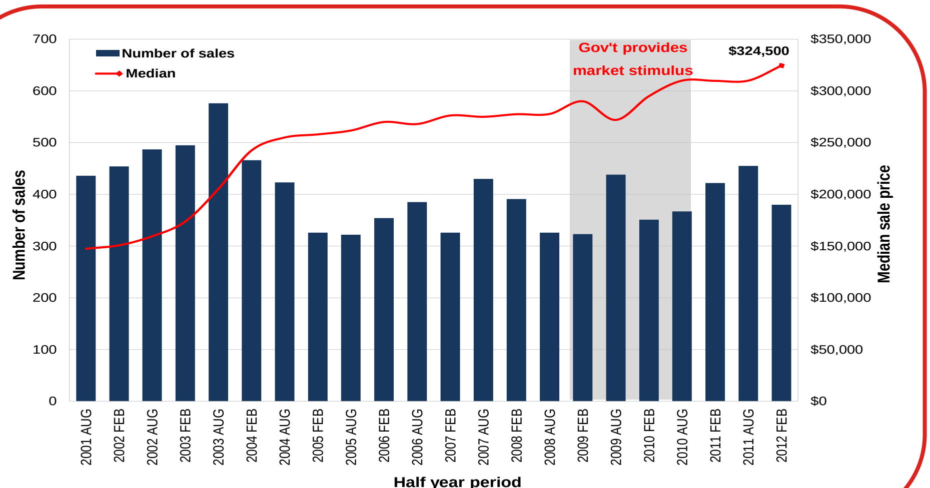
Orange cont.

The House Market

A buoyant economy continued to support the Orange house prices in the 12 months to February 2012, recording a 4.8% increase from February 2011 to a median price of $324,500. A closer look at the different price points revealed a decline in the lower brackets and an increase in the middle brackets. The decline in the share of sales was most evident in the three price points capturing sales below $300,000, with the $200,000 to $299,999 bracket decreasing by 28 sales between the February 2011 and 2012 half year periods.

The bulk of houses transacted in the $300,000 to $399,999 price point and accounted for 38% of the market. The overall activity declined for the first time since February 2010, with 380 transactions in the February 2012 half year compared to a five year average of 388 sales per six months.

Orange House Sales Cycle



Prepared by PRDnationwide Research Source: PDS

The Rental Market

Orange continues to draw mining-related population, with a robust rental market increasing returns for investors while at the same time becoming out of reach for many locals. The strong demand for rental accommodation is apparent by the median rent for a three bedroom house increasing by 20% to $360 per week in the 12 months to March 2012. The indicative median house rental yield was 5.6% compared with only 5.3% for nearby Bathurst.

Solid demand for units led to a 12 month increase of 33% in the median rent of a two bedroom unit to $320 per week. Rent prices now take up 36% of the average household income, with figures of 30% commonly regarded to represent rental stress. This situation puts many locals out of the market and increases the pressure on government housing.

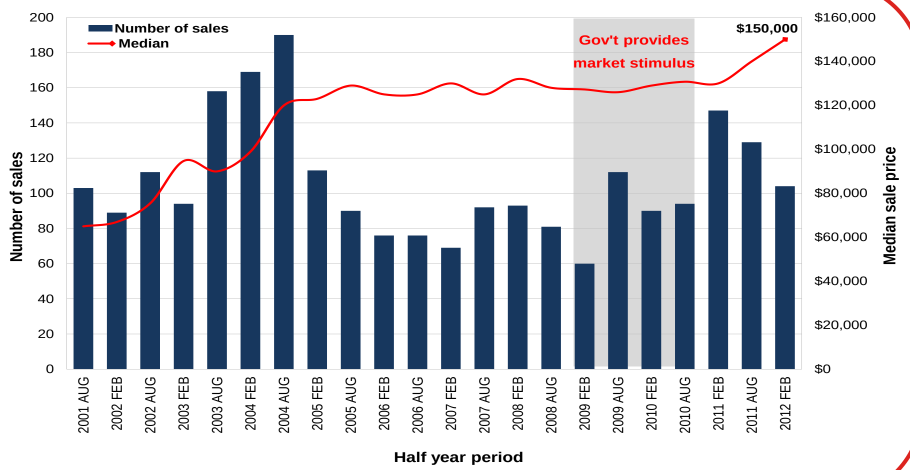
Orange cont.

The Vacant Land Market

The North Orange's William Maker Drive subdivision is one of the largest land releases currently under way in Orange. Other land release areas are located next to the Wentworth Golf Club on the western outskirts of the City. The median price paid for vacant land increased sharply to $150,000 in February 2012, which is likely to be the result of sales in higher price points in the new land estates.

The six monthly activity declined by 29% from the corresponding period in 2011, recording 104 transactions in the February 2012 half year. However, the softer activity remained above the five year average of 100 transactions per six month period. A price point analysis revealed a decline in the number of transactions under $150,000 and increase in the size of the $150,000 to $199,999 bracket, to represent 50% of sales in the six months to February 2012.

Orange Vacant Land Sales Cycle



Prepared by PRDnationwide Research Source: PDS

Tamworth

Overview

The second largest inland City in NSW, Tamworth is a major centre for the New England Region and provides many of the services for the surrounding towns. The Tamworth town centre, located 310 kilometres north of Sydney is the main centre for the Tamworth Regional LGA covering 9,893 square kilometres. Retail is the largest employment sector in Tamworth, while other important sectors include healthcare, manufacturing, and education and training. A large equine industry is located on the southern side of the City, with a modern equestrian centre on Goonoo Goonoo Road. Recent suggestions by the local council for the subdivision of land to meet the needs of the industry have received mixed reviews from the community. In recent times the amenities offered by Tamworth also helped the City attract mining employees from the Gunnedah region who prefer to live in a larger country town despite a long commute to work each day. Tourism is a growing industry in Tamworth, with the local Country Music Festival drawing over 50,000 people to the City every January. Tamworth recorded an unemployment rate of 6.3% in 2010, which compares unfavourably with most other regional centres covered in the report.

Daily flights to Sydney and Brisbane are available through the Tamworth Regional Airport.

Stable growth in the population over the past five years led to the development of new shopping precincts and advanced the real estate and other industries in the LGA. Tamworth Regional averaged a 1.5% per annum increase in population in the five years to June 2011, ranking it at the top for the regional centres together with Orange. The recent population data by the Australian Bureau of Statistics estimated the population in the LGA at 60,167 residents.

Tamworth's growing population has led to an increase in crime rate, with a large increase in the non-property related offences (violent offences) between 2007 and 2011. While non domestic violence offences are limited to the town centre, domestic violence was most apparent in West Tamworth. Crime levels remain a top concern for the local council, which has recently tabled a petition with the state parliament. The LGA ranked best on motor vehicle theft and worst on 'offensive conduct' offences.

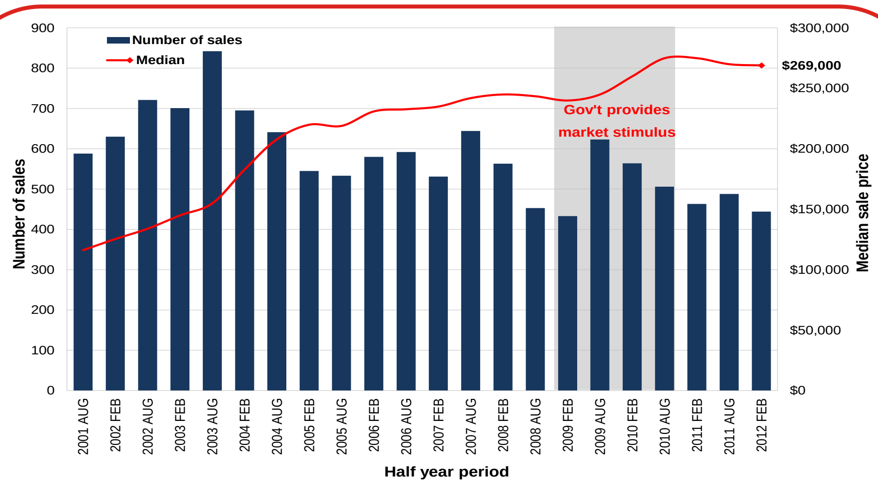
Tamworth cont.

The House Market

The robust conditions present after the Global Financial Crisis did not prevail in 2011, with the market experiencing a measured decline in the final quarter of 2011 and first quarter of 2012. Tamworth Regional closed the February 2012 six month period at a median house price of $269,000, representing a 12 month decline of 2.2%. Activity declined from the February period in 2011 with 444 house transactions, well below the five year average of 518 transactions per six month period. South Tamworth and Hillvue represented 13% of the market each, while East Tamworth accounted for 12% of sales.

Properties transacting in the $200,000 to $299,999 price point accounted for 43% of transactions, while approximately two thirds (66%) of the lots in this price bracket were residential lots with a land size smaller than 1,000 square metres. Other notable price points include the $300,000 to $399,999 bracket, with 105 transactions or 24% of the market. Toward the affordable end of the market houses selling between $100,000 and $199,999 accounted for 18%, with a further 2% transacting below $100,000.

Tamworth House Sales Cycle



Prepared by PRDnationwide Research Source: PDS

The Rental Market

Low vacancy rates increased the pressure on rent prices through the LGA and particularly in the suburbs surrounding the Tamworth town centre. The median rental price for a house in Tamworth Regional increased 3.6% to $290 per week in the 12 months to March 2012. For the same period the median rent for units increased by 7.9% to $240 per week.

Whilst the indicative gross yield for a house equated to 5.6%, the latest unit figures revealed a yield of approximately 7%, offering good opportunities for investors.

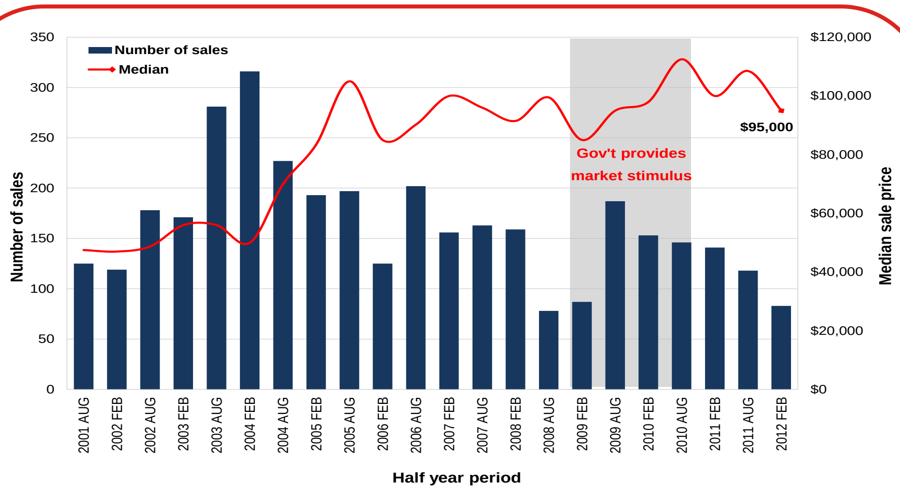
Tamworth cont.

The Vacant Land Market

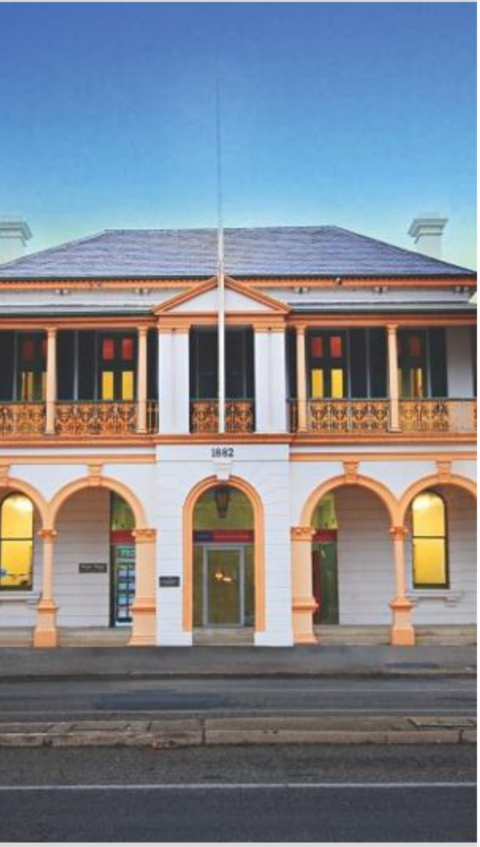
A fall in activity since August 2009 points to a soft vacant land market in Tamworth. Transactions for the February 2012 half year were 37% below the five year average of 132 sales per six months. The median lot price broke the $100,000 mark in the August 2010 period but has been on a declining trend since. More recently, the median price softened by 5% to $95,000 in the 12 months to February 2012.

Most houses transacted between $50,000 and $99,999, representing 41% of sales for the February half year in both 2011 and 2012. The share of properties transacting for less than $50,000 increased to 12% while more expensive lots transacting between $150,000 and $199,999 recorded a slight decline.

Tamworth Vacant Land Sales Cycle



Prepared by PRDnationwide Research Source: PDS



Wagga Wagga

Overview

Wagga Wagga's location, on the main transport route between Sydney and Melbourne, and its function as the administration centre for the wider Murrumbidgee region have helped the City to become NSW's largest inland city, with a population of approximately 63,906 residents. Healthcare and social assistance, retail trade and food industries are the City's largest sectors of employment, supported by strong financial and public administration industries. There are several training and government organisations located in Wagga which include a large Charles Sturt University campus, the Riverina branch of the Department of Education & Training, and substantial Army and RAAF bases.

Wagga averaged a population increase of 1.4% per annum between 2006 and 2011 and 0.8% in the 12 months to June 2011. The LGA increased by 516 persons between 2010 and 2011, compared to the surrounding LGAs recording a maximum increase of 41 residents (Tumut Shire) or a negative 12 month change (Greater Hume Shire, Gundagai, Coolamon, Lockhart).

The crime figures in Wagga Wagga have been stable over the past five years, with a slight decline in thefts between 2007 and 2011. The LGA ranked at number four in the state for 'prohibited weapons offences' (i.e. possession of firearm without a license, modifying a firearm) but achieved a favourable ranking on transport regulatory offences.

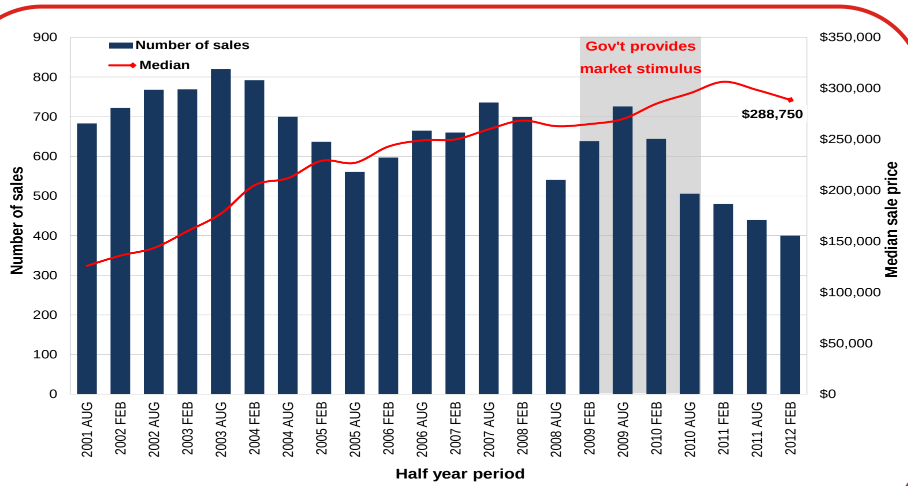
Wagga Wagga cont.

The House Market

A possible oversupply of the standard four bedroom house led to softer housing conditions in 2011, which have also prevailed in the first quarter of 2012. With most vendors not under pressure to sell, activity for detached houses remains subdued, as sellers wait for the market to improve. However, vendors who are willing to accept market prices are experiencing shorter selling periods than the average 144 days on the market. House activity softened by 17% from February 2011, with 400 transactions in the six month period, and remained 31% below the five year average of 580 transactions per half year.

The median house price declined by 5.8% between February 2011 and 2012, to a figure of $288,750. The long term growth recorded over the past five years closed the December period at an average of 2.9% per annum. A price point analysis revealed that the majority of houses transacted in the $200,000 to $299,999 range, accounting for 41% of the market. Homes selling for $500,000 plus accounted for 7% of the market, compared to 11% in the six months to February 2011.

Wagga Wagga House Sales Cycle



Prepared by PRDnationwide Research Source: PDS

The Rental Market

The median rent price for a house in the LGA closed the March 2012 quarter at $325 per week, while the advertised rent for a unit increased by 4.2% to $250 per week in the 12 months from March 2011. There were 542 houses and 147 units available for rent in the City during the quarter, with both figures representing an increase from the March quarter in 2011. It is expected that the supply of rental properties will remain at surplus in the short term, keeping growth in rent prices to a minimum.

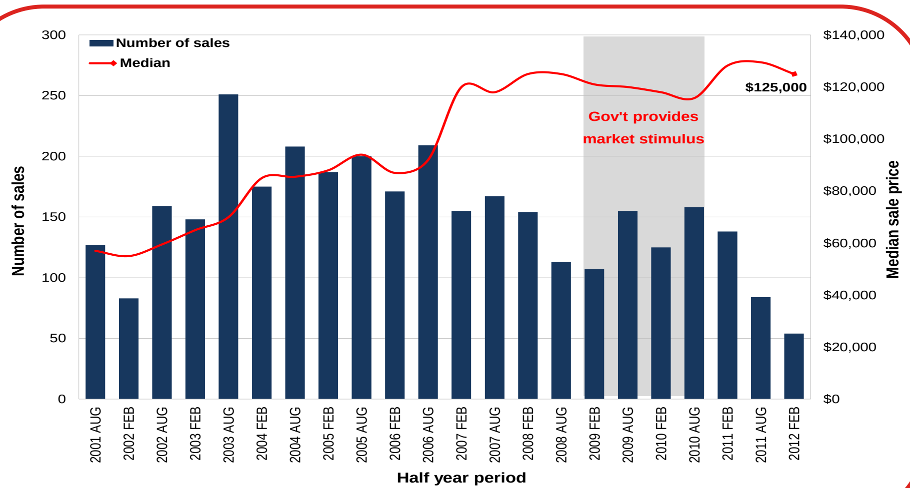
Wagga Wagga cont.

The Vacant Land Market

The Wagga median land value edged lower amid a drop in activity. The February 2012 half year period recorded a median lot price of $125,000, representing a 12 month decline of 2.5%. Sales in new estates in Bourklands, Tatton and Boorooma/Estella accounted for 45% of the activity. A land size analysis revealed that in the past three years most vacant land transactions in the Wagga Wagga LGA were for residential lots with an area of between 750 sq m to 1,000 sq m, accounting in February 2012 to 36% of the market.

The share of larger lots between one hectare (2.47 acres) and 20 acres declined to 8% during the Global Financial Crisis, but increased since to account for 15% of the market in February 2012.

Wagga Wagga Vacant Land Sales Cycle



Prepared by PRDnationwide Research Source: PDS

Recommendations

Our research highlights the variance in the performance of non-coastal regional centres across NSW. While the economies of cities such as Orange and Dubbo are boosted by the mining industry, other areas such as Tamworth and Bathurst benefit from having a diversified economy. The main issue of employment remains on top of the agenda for both councils and residents in country areas, with a limited number of corporations choosing to base their head offices in regional cities. It is suggested that government incentives may be considered to boost employment in inland centres. Incentivising major corporations to relocate their head office to a regional city would improve the flow of qualified employees to regional communities and achieve the aim of initiatives such as Evocities.

Crime levels have been steady or declining in most of the regional centres covered by this report, but remain a concern for some. However, government initiatives are in place to dismantle crime hotspots by promoting private owner occupation in former government housing estates. A link was noted between strong increase in population in cities such as Tamworth and Orange, and the increase in crime levels. A possible cause may be the police's slow adaptation to larger population numbers, with the debate about adequate police numbers likely to make headlines over the next few months.

The distance to Sydney and other capital cities, best measured in time rather than distance, has seen an overall decline over the past decade due to an increase in competition between airlines. Virgin Australia and the Wagga Wagga based Regional Express (REX) currently run regular flights to four of the seven regional centres covered in the report, with other cities supported by Qantas Link.

NSW Regional Cities

Summary Table

Local Government Area	Pros	Cons	No. house sales Feb-12 six months	Feb-12 median house price	Annual growth
Albury	• Central location is an advantage for transportation companies • Falling crime rates • Tightening rental market	• Comparatively high unemployment • Distance to Sydney (and Melbourne) • Subdued real estate market	302	$260,000	-8.8%
Armidale	• Central location between Sydney and Brisbane • Falling crime rates • Strong rental return for investors	• A concentrated economy with high reliance on education and retail sectors • Slow increase in population	141	$290,000	-10.7%
Bathurst	• Diversified economy • Distance from Sydney • Strong house market • Stable crime levels	• Diminishing affordability in house and land markets	377	$315,000	6.8%
Dubbo	• Affordable land and house market • Solid growth in rent prices • Diversified and growing economy • Declining crime rate • Low unemployment	• Distance to Sydney	304	$270,000	1.9%
Orange	• Strong and diversified jobs market • Robust housing market • Strong population growth • Comparatively close to Sydney • Strong rent returns	• Crime remains a challenge • Declining affordability	380	$324,500	4.8%
Tamworth	• Strong rental yield • Affordable land / home and land packages • Diversified economy	• Relatively high unemployment rate • Crime rate • Distance from Sydney	444	$269,000	-2.2%
Wagga Wagga	• Stable/ falling crime rates • Diversified economy	• Oversupply of properties • Distance from Sydney	400	$288,750	-5.8%

Our Offices

PRDnationwide Dubbo
152 Brisbane Street, Dubbo NSW 2830
P: 02 6885 0555
E: dubbosales@prd.com.au
W: www.prddubbo.com.au

PRDnationwide Orange
120 Summer Street, Orange NSW 2800
P: 02 6393 5700
E: orange@prd.com.au
W: www.prdnationwide.com.au/orange

PRDnationwide Tamworth
Shop 1/287 Peel Street, Tamworth NSW 2340
P: 02 6763 7000
E: property@prdtam.com.au
W: www.prdtam.com.au

PRDnationwide Wagga Wagga
53 Fitzmaurice Street, Wagga Wagga NSW 2650
P: 02 6923 3555
E: info@prdwagga.com.au
W: www.prdwagga.com.au

Prepared by PRDnationwide Research.

Source: PDS, RP Data, ABS, NSW Bureau of Crime Statistics and Research, RBA, DEEWR, New South Wales Parliamentary Library, Housing NSW, City of Dubbo Council, City of Orange Council, evocities.com.au

For further details contact:
Oded Reuveni-Etzioni, Research Analyst
P: 02 9257 0254
E: odedetzioni@prd.com.au

New South Wales Regional Cities 2012 Property Research Report

This report provides an in-depth analysis into the property market trends and performance of regional cities within New South Wales. The report gives particular focus on the individual regions where the NSW Evocities is schemed; in the town centres of Albury, Armidale, Bathurst, Dubbo, Orange, Tamworth, and Wagga Wagga.