

HERVEY BAY AREA

Property Watch®

PRD nationwide



Urangan Pier, Hervey Bay

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 February 2012, with exception to rental indicators which are based on the year ending March 2012.

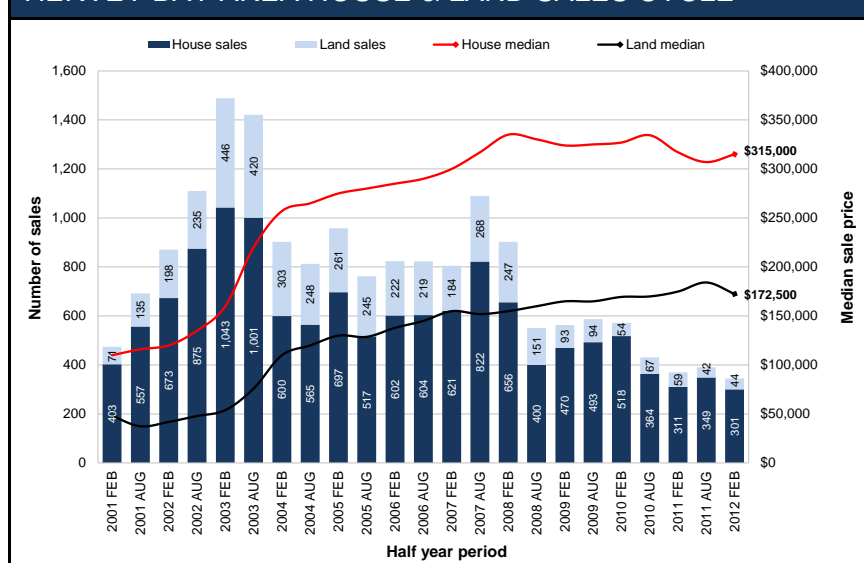
HERVEY BAY AREA MARKET OVERVIEW

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 continues to demonstrate weak sales performance, having recorded just 301 sales in the six months to February 2012. This level of activity represents the lowest volume recorded in over 14 years, with sales decreasing a further 3.2 per cent from the February 2011 half year period. The subdued level of activity in this most recent six month period has resulted from poor consumer confidence in the market. The recent disparity between movements in the official cash rate and variable mortgage rates (triggered by the major banks) and the uncertain political environment leading up to the State and Local Government Elections has made a notable impression on would-be buyers during the February 2012 half year period.

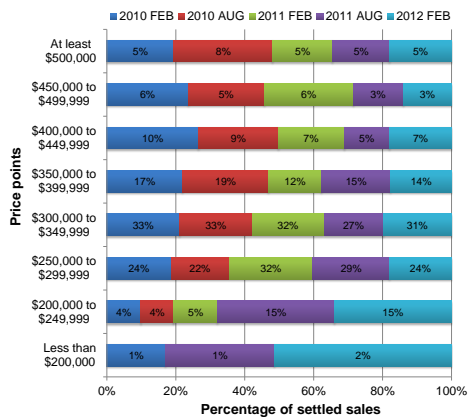
The median price recorded for the six months to February was \$315,000, representing a modest 2.6 per cent increase from the previous six month period which continues to reflect pre February 2007 prices. Observing the House Price Points chart over the page, a notable trend can be identified whereby the percentage of transactions within the higher price brackets has shifted gradually towards the lower end. This is particularly apparent within the \$200,000 to \$249,999 price range over the past five half year periods, when the markets appetite for affordable and perhaps tired property was exacerbated by the phasing out of government stimulus and increasing interest rates post the February 2010 half year period. Currently, housing stock within this price range is quite limited with many buyers quick to seize the opportunity to enter the market.

HERVEY BAY AREA HOUSE & LAND SALES CYCLE



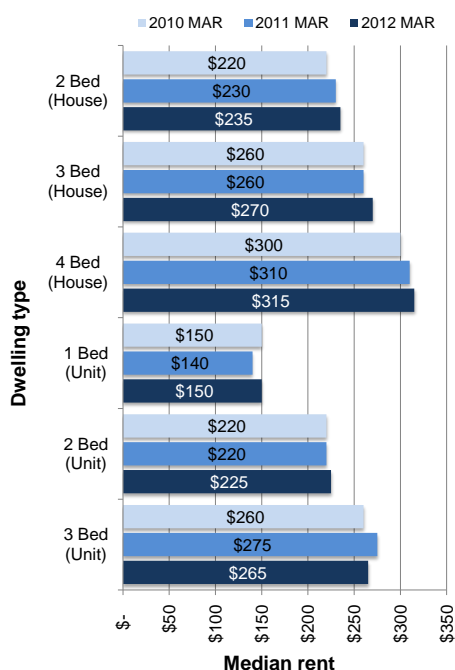
Prepared by PRDNationwide Research. Source: PDS

HOUSE PRICE POINTS



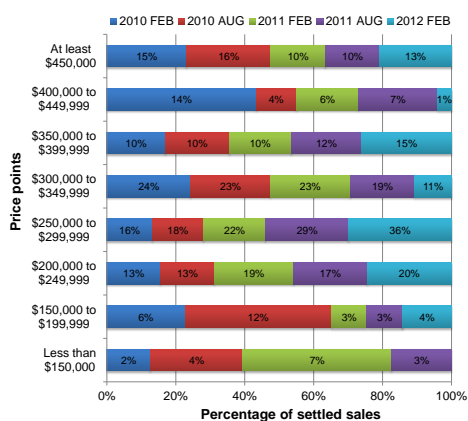
Prepared by PRDnationwide Research. Source: PDS

MEDIAN RENTS – 4655 PC



Prepared by PRDnationwide Research. Source: RTA

UNIT PRICE POINTS

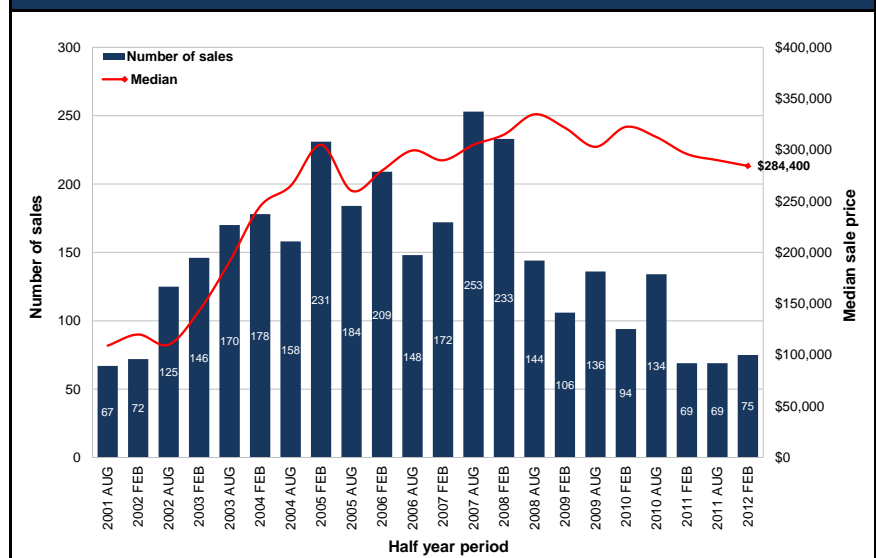


Prepared by PRDnationwide Research. Source: PDS

The Hervey Bay Area Unit market has proven to be more volatile than the house market with regards to both sales volume fluctuations and median price stability. Softening capital values subsequent to the economic downturn in 2008 was influenced by the oversupply of stock available in the market, with injections of new stock continuing to drive prices down. This trend is reiterated by a fall in the median price since the August 2008 half year period (with exception to the bolstering effect of the stimulus period), as the market gradually corrected to market expectations. The result of this correction is transpiring to excellent value in the unit market, though is placing pressure on the house market to rectify the extent of the price differential.

Liken to the house market, the Unit Price Points chart indicates a shift in the percentage of transactions to the lower end, specifically in the sub \$350,000 range. Interestingly, there was also a modest increase in the \$450,000 and above price range, most likely the result of heavy discounts to higher end property enticing buyers back into a price range that has struggled to move during 2011.

HERVEY BAY AREA UNIT SALES CYCLE



Prepared by PRDnationwide Research. Source: PDS

Anecdotal evidence suggests there is a growing level of enquiry for property to buy or rent deriving from northern areas such as Gladstone, Rockhampton and Mackay. More specifically, people working in mining or related industries or those looking to escape the excessive cost of living in mining centric regions are more frequently considering Hervey Bay, attracted by the affordable housing and lifestyle benefits on offer. Median rents across the house market had achieved an average annual growth rate of 1.0 per cent over the past three years to March 2012, whereas median rents across the unit market recorded an average annual growth rate of only 0.3 per cent. Despite a relatively flat rental market, the recent 0.5 per cent drop to interest rates has rekindled interest from investors, who are looking to capitalise on bargain buying with an outlook for long term rental growth and capital appreciation.

Currently, well-presented, well-valued homes in most locations but particularly those closer to the beach and Esplanade were quick to move. With that said, activity in the market is believed to remain subdued throughout 2012 and until such time more of the above product becomes available. It is expected that an increasing number of vendors will succumb to the markets expectations in order to sell within a reasonable timeframe, which in turn will validate positive signs for the area's property market. However, many would-be buyers may be sitting on their hands in anticipation of the new State Government's policy to reinstate transfer duty concessions on the 1st of July 2012.

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