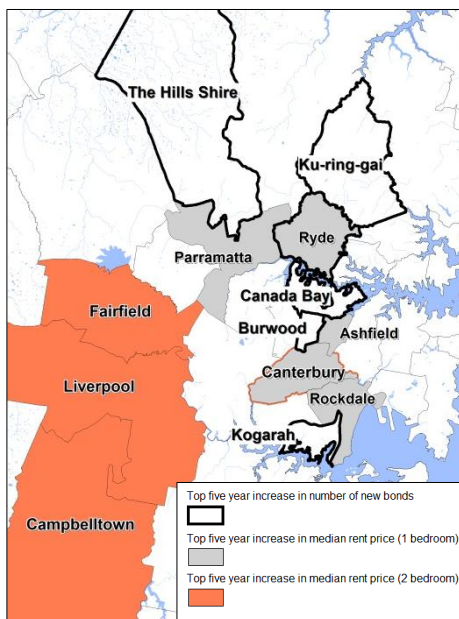


# RENTAL MARKET OVERVIEW

## Units



### SYDNEY REGION



Top increase in unit rent price and the lodgement of new bonds

**Strong lodgement of new bonds in the Ku-Ring-Gai LGA indicates a shift in tenants demand from inner to middle and outer parts of the Sydney GMR.**

### SYDNEY GREATER METROPOLITAN REGION

Significant changes in rent prices and the number of new bond lodgements are often good indicators for investors who search for areas with strong demand for rental properties and solid rental returns. PRDnationwide Research analysed the most recent government rental data and identified the areas experienced the highest growth over the past five years. The research covered medium and high density dwellings in the Sydney Greater Metropolitan Region (GMR) which includes the Sydney metropolitan area, the Hunter and the Illawarra.

Strong gains in the median rent price of a one bedroom unit was recorded in the middle and outer rings of the Sydney Metropolitan Region, with the Canterbury Council median rent increasing by an average 11.8% per annum over the five years to December 2011. The Ku-Ring-Gai Local Government Area (LGA) recorded strong average five year growth of 22.6% per annum for the lodgement of new bonds as a result of tenants moving into new apartments on and near Pacific Highway and Mona Vale Road.

Interesting to note that one bedroom apartments were no longer confined to inner city suburbs, and are now important components in new developments in middle ring council areas like Canterbury and Rockdale, with affordability being the most likely reason for this shift.

Strong growth in rent prices was recorded in the Fairfield, Liverpool and Campbelltown City Council areas, where the median rent for a two bedroom unit increased by 10 per cent or more per annum since December 2006, due to the supply of new medium density stock. In the City of Liverpool, demand for units was also attributed to a strong growth in population, equating to an average of 2% per annum in the five years to June 2011, compared to 1.1% per annum for NSW as a whole.

	Local government area	5 year increase in median rent p.a. (1 b/r unit)	5 year increase in median rent p.a. (2 b/r unit)	5 year increase in # of NEW bonds p.a. (all units)	5 year increase in # of TOTAL bonds p.a. (all units)
TOP 5 YR INCREASE IN RENT (1 B/R)	Canterbury	11.8%	10.0%	-6.6%	-1.4%
	Rockdale	10.9%	7.7%	-1.2%	0.1%
	Parramatta	9.9%	8.4%	-1.0%	3.4%
	Ashfield	9.7%	9.0%	-4.8%	-1.4%
	Ryde	9.5%	8.2%	1.6%	0.9%
TOP 5 YR INCREASE IN RENT (2 B/R)	Campbelltown	SNR	12.6%	-4.4%	3.7%
	Fairfield	9.3%	11.4%	-3.6%	0.5%
	Liverpool	SNR	10.3%	-4.1%	3.3%
	Maitland	SNR	10.0%	2.3%	2.6%
	Canterbury	11.8%	10.0%	-6.6%	-1.4%
TOP 5 YR INCREASE IN # OF NEW BONDS (ALL B/R)	Ku-Ring-Gai	SNR	9.5%	22.6%	15.9%
	Cessnock	SNR	8.4%	12.2%	9.6%
	Maitland	SNR	10.0%	2.3%	2.6%
	Baulkham Hills	SNR	7.7%	2.1%	4.3%
	Lake Macquarie	5.2%	6.1%	2.0%	1.0%
	Ryde	9.5%	8.2%	1.6%	0.9%
	Kogarah	SNR	8.4%	1.3%	-0.4%
	Canada Bay	6.2%	7.7%	1.2%	5.1%
	Burwood	8.5%	6.7%	1.0%	-0.4%

Prepared by PRDnationwide Research. Source: Housing NSW

## Infrastructure and mining projects draw new employment to the Hunter and creating pressure on rental prices in the Region.

### HUNTER REGION



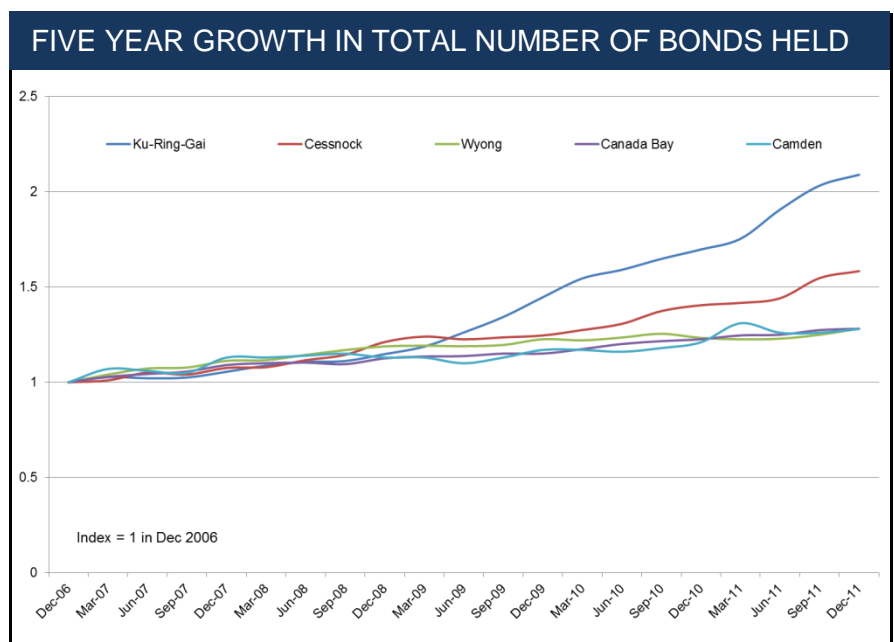
**Top increase in unit rent price and the lodgement of new bonds**



The City of Sydney recorded the highest rent price for both one and two bedroom units, with a median rent of \$500 and \$670 per week respectively. The City represents the largest unit rental market in NSW, with 30,139 government rental bonds held as of December 2011. Sydney was closely followed by the Waverley LGA with a weekly rent price of \$488 (one bedroom unit) and \$630 (2 bedroom unit). Other LGAs to appear in top 10 highest rent price lists were Woollahra, Canada Bay and North Sydney, which represents the third largest unit rental market in the state, with 11,359 government-held bonds.

Outside of the Sydney Metropolitan Area, both Cessnock and Maitland LGAs recorded a significant increase in the lodgement of bonds for strata-titled dwellings, with Maitland also recording one of the strongest five year average growths at 10% per annum for a two bedroom unit. The growth stems from large infrastructure projects that draw a transient population of construction workers, and from mining employees relocating to the Hunter and choosing to rent in the short term. The highest rent price was paid in the Newcastle LGA, where a two bedroom apartment recorded a median rent of \$320 per week. The City of Wollongong made up the largest rental market outside the metropolitan area, with 7,244 bonds held at December 2011.

The growth in the total number of bonds held depicted in the graph below and highlights the performance of the top five GMR LGAs over the past five years. The graph indicates that while the Wyong, Canada Bay and Camden all had stable growth in the number of rental bonds held, the Cessnock and Ku-Ring-Gai regions have experienced robust increases in rental accommodation over the period, and in particular over the past three years. The number of bonds held in the Ku-Ring-Gai LGA more than doubled since 2006, while Cessnock's bonds have increased by 58%.



Prepared by PRDNationwide Research. Source: Housing NSW

Given the strong growth in rent prices in the middle and outer rings of Sydney and regional areas of the GMR, and the increasingly restrictive rent prices in Sydney's inner ring, it is likely that lenders will continue their support for medium density developments in areas that until recently represented higher investment risk. This in turn will ensure that developers maintain a full project pipeline in the outer and regional parts of the GMR.