

COOLANGATTA AREA

Property Watch®



Greenmount Beach, Coolangatta

COOLANGATTA AREA MARKET OVERVIEW

The following Property Watch report is the result of an investigation into the historic and current market trends of the Coolangatta Area, which encompasses the suburbs of Coolangatta, Bilinga and Tugun.

The Coolangatta Area property market has recorded a historic low in sales activity over a single half year period, with a total of 168 house and unit sales registered in the six months to December 2011. House sales have fallen a notable 44.6 per cent from that recorded in the June 2011 half year period, with unit sales experiencing a more subtle decrease of 8.7 per cent over the same period. Sales volumes for the year 2011 are in fact less than that recorded in 2008 amid the Global Financial Crisis (GFC). At this point in time, economic recession induced significant discounts to luxury properties on the market, prompting financially capable purchasers to transact in the high-end market. The immediate resurgence in the market during 2009 was the result of several influences, in particular, acute property price corrections, extremely low interest rates and ill-directed government stimulus, all of which contributed to a wave of first home buyers and upgraders that are perhaps enduring the burden of further softening in property prices, higher interest rates and the increasing cost of living.

MARKET INDICATORS

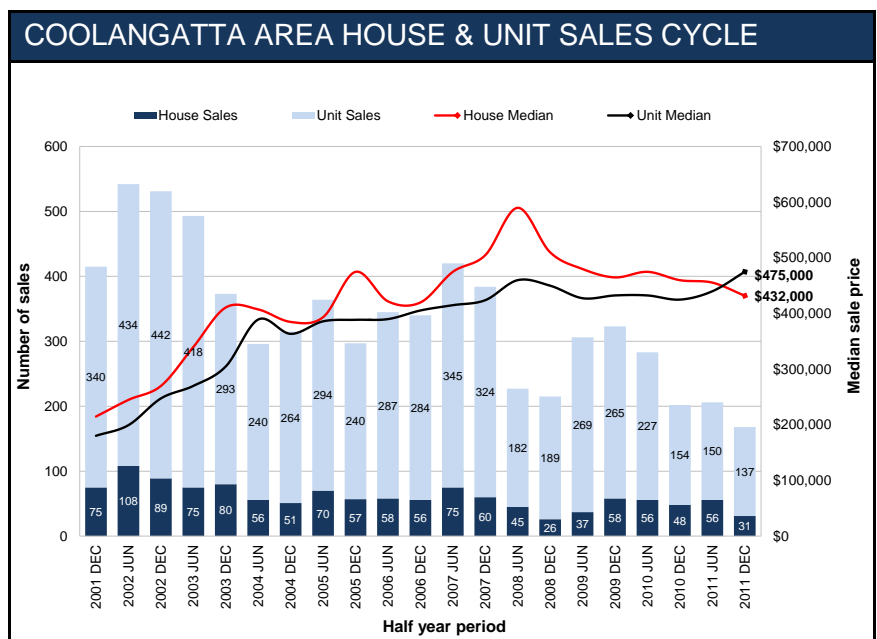
Change from Last	Year	Half Year
HOUSE SALES	↓	↓
HOUSE MEDIAN	↓	↓
UNIT SALES	↓	↓
UNIT MEDIAN	↑	↑
UNIT RENTS	↑	-

The indicators depicted above are based on the year ending December 2011.

KEY HIGHLIGHTS

- Both house and unit sales activity was the lowest recorded in over a decade.
- Significant discounting from high-end unit product has resulted in a resilient median price since the GFC.
- Well priced property with good rental income has provided a catalyst for renewed investor confidence.

Sales activity in recent times underpins the lack of confidence many buyers have in the property market. A majority of active purchasers in the current market have been upgraders; those who have identified and transacted in heavily discounted properties. Interestingly, a 50 basis point decrease in the official cash rate during November and December 2011, together with the extension of the \$10,000 QLD Home Builders Bonus, still wasn't enough to rekindle interest from the first home buyers segment who have been further restricted by tighter lending practices.

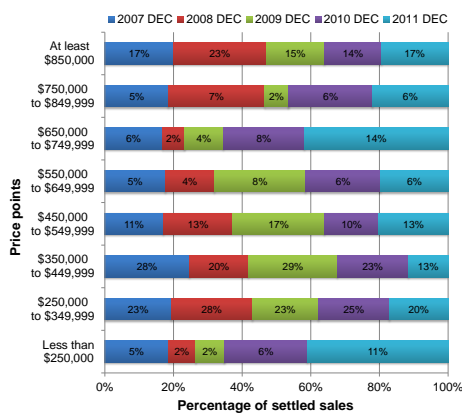


Prepared by PRDnationwide Research. Source: PDS

Ordinary vendors are under **increasing pressure** to price their property in line with **discounted forced sales** in order to sell within a reasonable timeframe.

The removal of transfer duty concessions for purchases of established property (by previous owners of property) in August 2011 is believed to have made an impression on sales activity in the six months to December 2011, with vendor asking prices needing to correct to the extent of tax imposed on prospective buyers. The reluctance of many vendors in meeting the market stems from their disposition to weather the storm of softening property values. However, there are a number of over-committed mortgagors that are reconsidering their capacity to service their mortgage among other debt liabilities and have consequently been compelled to list their property on the market. Expectedly, mortgagee possessions have also become more apparent in the current market in addition to deceased estates and divorce sales that typically require faster liquidation. Buyers expect these properties to be significantly discounted, creating the assumption that if an ordinary vendor wants to sell for any reason outside the aforementioned, that they must price their property accordingly to be able to compete. As evidenced by the sluggish sales performance in the December 2011 half year period, many vendors are averse to the thought of revising their expectations, either because they have negative equity on their mortgage or their in a financial stable position that afford them the luxury of time. Currently, the best priced properties are selling within a couple of months whereas others that are considered marginally overpriced can sit on the market for over a year as vendors continually chase the market down.

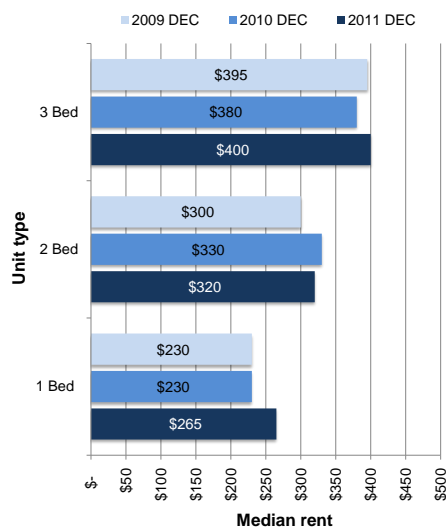
UNIT PRICE POINTS



Prepared by PRDNationwide Research. Source: PDS

Investor interest is showing signs of stable recovery, with PRDNationwide Coolangatta evidencing an increase in enquiry and strong conversion rates from this segment. There is evidence of investors currently achieving some attractive yields on the back of savvy purchasing and solid rents. Observing the Unit Price Points chart over the December 2011 half year period, it can be seen that a considerable portion of properties were purchased in both the sub \$250,000 price range and \$650,000 plus price range, relative to the percentage of volumes transacted in preceding years. Median rents across one, two and three bedroom unit types have demonstrated stagnant to stable growth in the past two years, with prospects for rental growth looking to continue this trend at least for the short term. Properties that are perceived as bargains or good value with either great rental return or improvements which are above average have drawn significant levels of interest from both owner occupiers and investors. Whilst there is a shortage of properties that fall into this category, it is expected that many more will begin to surface throughout 2012, transpiring to increasing sales volumes. With that said, many market participants learnt early this year of the independent discretion of banks in determining mortgage rate movements, which has had negative implications for confidence in the market. However, those with the capacity to purchase with little to no gearing are the fortunate few that will benefit from a lack of competition in the market.

UNIT MEDIAN RENTS



Prepared by PRDNationwide Research. Source: RTA

The Coolangatta unit market registered a total of 102 transactions in the December 2011 half year period, making it the only suburb in the study to record positive growth in sales activity. Notably, it was also the only suburb to record positive median price growth, attributed largely to discounted transactions within the higher price ranges. Tugun registered only 26 transactions, representing an annual decrease of 43 per cent in sales activity. Bilinga registered very few transactions which is understandable considering the size of the property market.

UNIT MARKET ANNUAL PERFORMANCE OVERVIEW						
Suburbs	Dec-10 HY		Dec-11 HY		Annual Change	
	Median Price	Total Sales	Median Price	Total Sales	Median Price	Total Sales
Coolangatta	\$435,000	95	\$487,500	102	12%	7%
Tugun	\$377,500	46	\$375,000	26	-1%	-43%
Bilinga	\$535,000	13	\$490,000	9	-8%	-31%

Prepared by PRDNationwide Research. Source: PDS