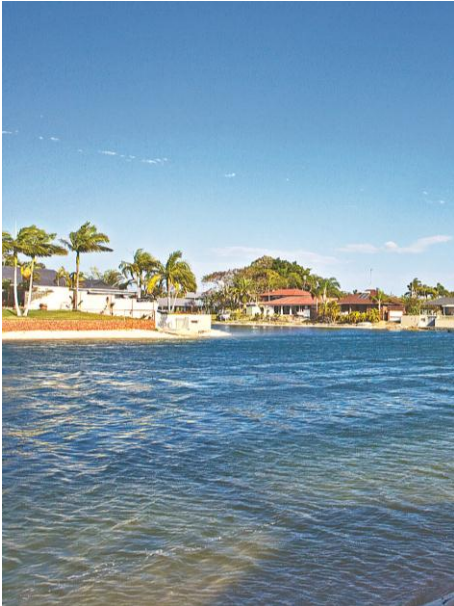


TWEED HEADS AREA

Property Watch®



Residences on the canal, Tweed Heads

MARKET INDICATORS

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

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

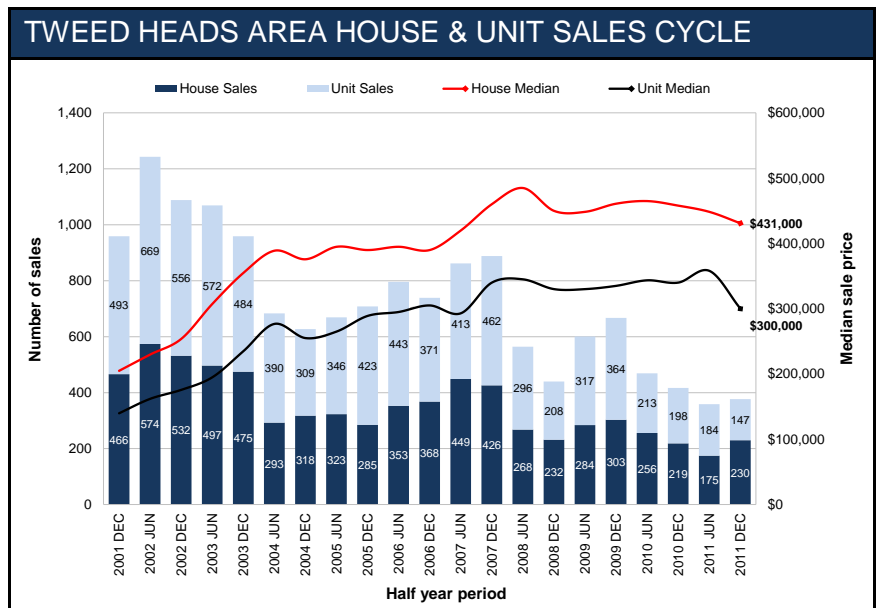
KEY HIGHLIGHTS

- A surge in house sales activity contributed to a stronger end of year market performance during 2011.
- Tweed Heads and Banora Point continue to dominate sales volumes across both house and unit markets.
- Confidence in the market is showing signs of improvement in 2012.

TWEED HEADS AREA MARKET OVERVIEW

The following Property Watch report is the result of an investigation into the historic and current market trends of the Tweed Heads Area, which encompasses the suburbs of Tweed Heads, Tweed Heads South, Tweed Heads West, Terranora, Bilambil, Bilambil Heights and Banora Point.

The Tweed Heads Area property market has endured one of its toughest years on record in 2011, registering relatively low sales volumes on the back of poor buyer confidence and tighter lending practices. This trend has in fact been comparable within many non-mining based regions across the country, especially tourism centric coastal areas. With that said, the December 2011 half year period recorded greater sales volumes than the preceding June 2011 half year period, demonstrating a positive yet stable improvement in the market. This improvement is the result of relatively strong sales activity in the house market during the back end of 2011, as unit sales continued to soften to historically low levels.



Prepared by PRDnationwide Research. Source: PDS

The Tweed Heads Area house market registered a total of 230 settled transactions in the six months to December 2011, representing 5.0 per cent uplift in sales from the corresponding period in 2010. On the other hand, the unit market registered only 147 settled transactions over the same period, representing a 25.8 per cent decrease in activity from the corresponding period in 2010. As evidenced by the House and Unit Sales Cycle above, the ramifications of the economic downturn that transpired in 2008 were only short-lived as extremely low interest rates, government stimulus and moderate corrections to property values contributed to an immediate recovery in the market. However, this only exacerbated the inevitable repercussion of a property market bust, as the rise in interest rates, unemployment and the cost of living placed increasing pressure on the capacity of many over-committed homeowners to service debt.

Buyers' appetite for more **affordable property** is growing every year, with the **majority of sales** recorded during the six months to December 2011 transacting in the **lower price points**.

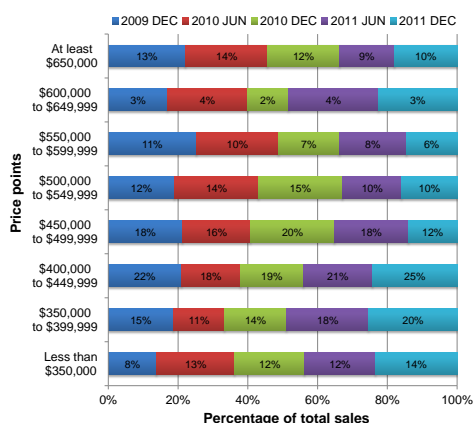
The removal of concessions to stamp duty for first home buyers of established properties came into effect in January 2012. With an undersupply of newer estates in the Tweed Heads Area house market, the implications of this removal may defer this buyer group from making a notable impression to sales activity at least for the first quarter of 2012. With that said, a combination of decreasing interest rates (50 basis points over November-December 2011), further softening in property values and subsequent increased affordability, has improved confidence in the market. Many buyers are beginning to take advantage of a stronger purchasing power position, negotiating a price which they believe compensates for the risk of taking on a mortgage in today's uncertain economic environment. This has translated into a larger percentage of sales transacting in the mid to lower end price ranges than in previous years, especially in the unit market where the discounts have been the greatest.

It is anticipated that sales will continue to improve, albeit gradually, as more realistically priced property comes to market, attracting interest from not only end users (which have been the dominate buyer segment since the GFC) but investors as well. This however will be contingent on inflationary pressures during 2012, as the cost of funding for many lenders continues to dictate mortgage rates irrespective of movements in the official cash rate. It is important to note that even though mortgage rates increased during the first quarter of 2012, they are still historically very low. Unfortunately, any upward shift in mortgage rates will put pressure on loan serviceability and affordability, which may in fact deter many would-be buyers from entering the market in fear of further increases.

Observing the Price Point Distributions Charts over the December 2011 half year period, 59 per cent of house sales transacted in the sub \$450,000 price range, and a remarkable 72 per cent of unit sales transacted in the sub \$350,000 price range. This is evidence that market participants will only entertain properties that are well-priced, have demonstrated substantial discounts after prolonged listing periods or represent a strong investment value proposition. So long as vendors continue to revise their price expectations to meet the market, sales volumes will continue to improve. The underlying problem here is that many vendors, especially those in negative equity will instinctively be more reluctant to re-evaluate their listing. Consequently, this inaction results in less affordable stock on the market and longer listing periods that continue to chase the market down.

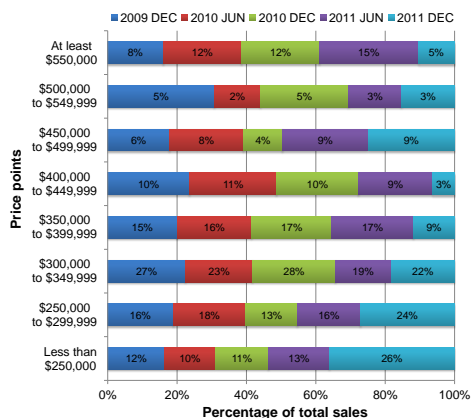
The table below provides an overview of the top performing suburbs that recorded transactions in the December 2011 half year period. The annual change in sales activity (by suburb) in the house market compared to the unit market reiterates the enduring underperformance of the unit market over the past year.

HOUSE PRICE POINTS



Prepared by PRDnationwide Research. Source: PDS

UNIT PRICE POINTS



Prepared by PRDnationwide Research. Source: PDS

SUBURB PERFORMANCE FOR THE DEC 2011 HALF YEAR							
TYPE	Suburbs	Dec-10 HY		Dec-11 HY		Annual Change	
		Median Price	Total Sales	Median Price	Total Sales	Median Price	Total Sales
HOUSE	Banora Point	\$465,000	95	\$435,000	101	-6%	6%
	Tweed Heads	\$593,375	20	\$490,000	35	-18%	75%
	Tweed Heads W	\$420,000	23	\$382,500	26	-9%	13%
	Tweed Heads S	\$367,000	35	\$392,500	24	7%	-31%
	Terranora	\$504,000	20	\$533,500	22	6%	10%
	Bilambil Heights	\$447,500	24	\$407,500	20	-9%	10%
UNIT	Tweed Heads	\$370,000	87	\$310,000	58	-16%	-33%
	Banora Point	\$362,500	50	\$327,500	41	-10%	-18%
	Tweed Heads S	\$323,500	28	\$280,550	32	-13%	14%
	Tweed Heads W	\$262,500	31	\$215,000	15	-18%	-52%

Prepared by PRDnationwide Research. Source: PDS