

PROPERTY WATCH®

First Quarter 2012

Warwick Market Overview

IN BRIEF

- Although relatively volatile, the median house price for Warwick achieved positive annual growth of 7.0 per cent in the year to September 2011, and has demonstrated greater long-term average annual growth rates than that recorded for Toowoomba.
- The level of sales activity across the house market has diluted considerably in recent years to record some of the lowest volumes evidenced in over a decade. Conversely, the vacant land market managed to buck this trend to record a notable increase in sales volumes in the six months to September 2011.

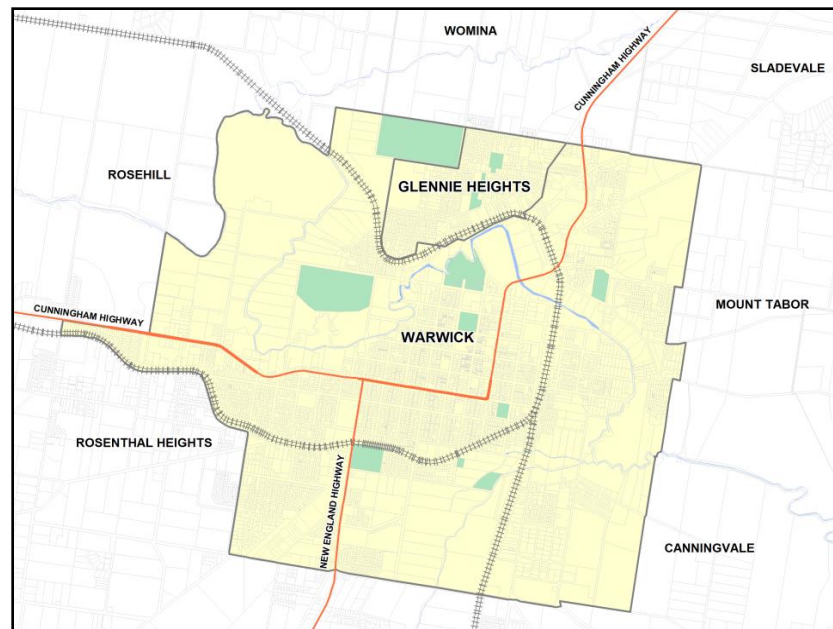
Scope

The following Property Watch report is the result of an investigation into the historic and current market trends of Warwick. The aim of this report is to outline the recent performance of the house and vacant land markets within the defined study area, using neighboring regional center Toowoomba as a proxy to determine relative performance. For the purpose of this report, the Warwick study area encompasses the suburb of Glennie Heights, whereas the Toowoomba study area (referred to hereon as Toowoomba) comprises the suburbs that represented the former Toowoomba Local Government Area.

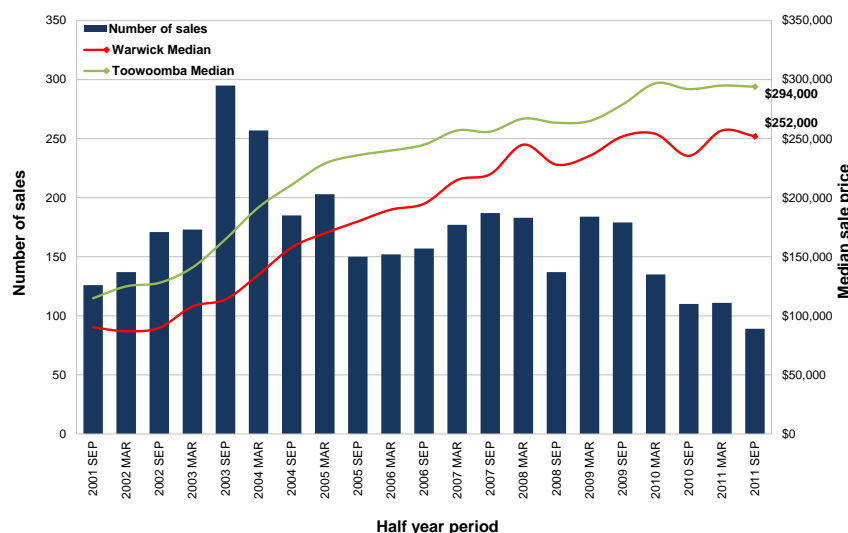
Warwick House Market

In the year to September 2011, the Warwick house market has demonstrated a notable bounce back in median price to record an increase of 7.0 per cent, after the slump which occurred in the year to September 2010. The median house price recorded for the September 2011 half year period was \$252,000, representing a minor softening of 1.9 per cent from the highest recorded median price of \$257,000 in the March 2011 half year period. It is anticipated that the median house price will continue this trend as the implications of subdued sales activity begin to manifest in the market. With that said, recent reductions to interest rates (0.25 per cent in November 2011 and 0.25 per cent in December 2011) and a further reduction anticipated within the first quarter of 2012 may provide enough inducement to improve current sales volumes, and perhaps stabilise median price growth at least for the short term.

Observing the house sales cycle graph to the right, median prices since the economic downturn in 2008 have displayed obvious year to year fluctuations. The troughs evident in the graph reflect the trends experienced across most regional and metropolitan markets in Queensland over the past three years, particularly those which have had no direct influence by the resource boom. The Toowoomba house market managed to buck this trend, to record considerable growth in median house price during this period. The resilience of the Toowoomba market is credited to the consistency and sustainability of price growth over the past decade. Surprisingly, not even the extent of the January 2011 floods could deter positive price growth in Toowoomba, albeit marginal. Despite Toowoomba's outperformance in this regard, Warwick has in fact achieved superior average annual price growth over the long term. The five year average annual growth rate for Warwick was 5.4 per cent, 1.5 per cent greater than that recorded for Toowoomba. Similarly, the ten year average annual growth rate for Warwick was 10.8 per cent, 0.8 per cent greater than Toowoomba. A resales analysis conducted for both Warwick and Toowoomba has revealed home owners who exited the market over the six months to September 2011, achieved an average annual capital growth of 6.4 per cent and 5.3 per cent per annum respectively. The average holding period for this product was just over eight and a half years for Warwick and five and a half years for Toowoomba.

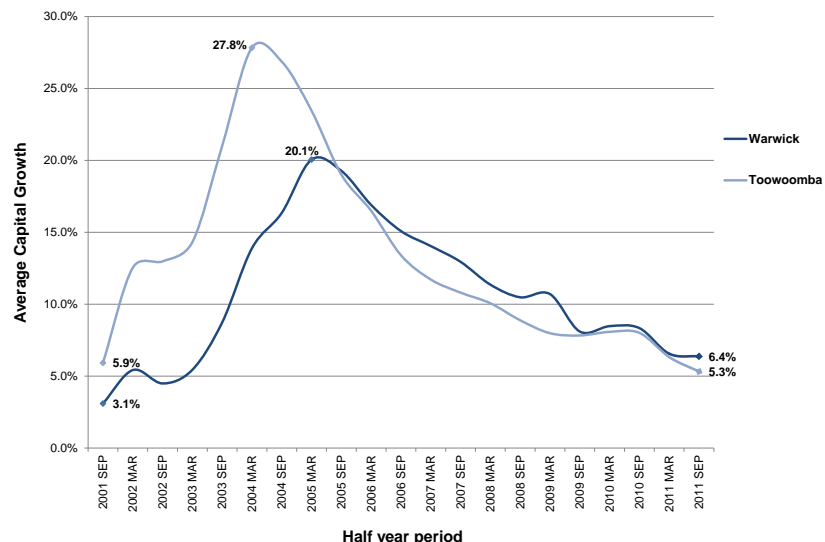


Warwick House Sales Cycle



Prepared by PRDnationwide Research. Source: PDS

Average Annual Capital Growth Comparison



Prepared by PRDnationwide Research. Source: PDS

The Capital Growth graph illustrates the Warwick market imitating the Toowoomba market with an approximate one year lag time. However, since the March 2005 half year period, Warwick has demonstrated marginally superior capital gains, attributed largely to the gross outperformance of the Toowoomba market in the March 2004 half year period.

Sales activity during the six months to September 2011 registered a total of 89 transactions, representing a softening of 19.1 per cent in the sales volumes recorded in the September 2010 half year period. Similarly, Toowoomba recorded a softening of 19 per cent over the same period of time. This level of activity for both areas has not been recorded in over a decade and underpins a declining trend observed since the March 2009 half year period where government incentives and favourable buying conditions contributed to a short lived come back in sales activity from the economic downturn in 2008. It is believed that sales volumes may have bottomed out in the six months to September 2011, and that current market conditions will encourage upward or at least stagnant growth into the future. Observing the price point distributions in the six months to September 2011, it can be seen that there has been a minor contraction in the \$250,000 to \$299,999 market, which combined with an expansion of activity in the sub \$200,000 market, underpins the declining median price trend. The bulk of transactions for the September 2011 half year period occurred within the \$250,000 to \$299,999 price bracket (27 per cent), whereas the bulk of transactions for the September 2010 half year period occurred within the \$200,000 to \$249,999 price bracket (33.5 per cent).

The area distribution chart to the right highlights a notable difference in lot sizes between Warwick and Toowoomba. A large majority of houses that sold in the year to September 2011 for Warwick were above 1,000sq m, unlike Toowoomba which recorded a majority of sales in the 600sq m to 699sq m range. The chart supports anecdotal evidence that suggests property values for Warwick are, in the main, underpinned by the size and quality of the dwelling, whereas values for Toowoomba are underpinned by superior access to a wider range of services and amenity afforded by living in a more established and significantly larger regional centre. This is important to consider when making like for like comparisons between the two regional centres that vary in many circumstances. More than anything, the chart provides an interesting insight to the urban formation of both regional markets.

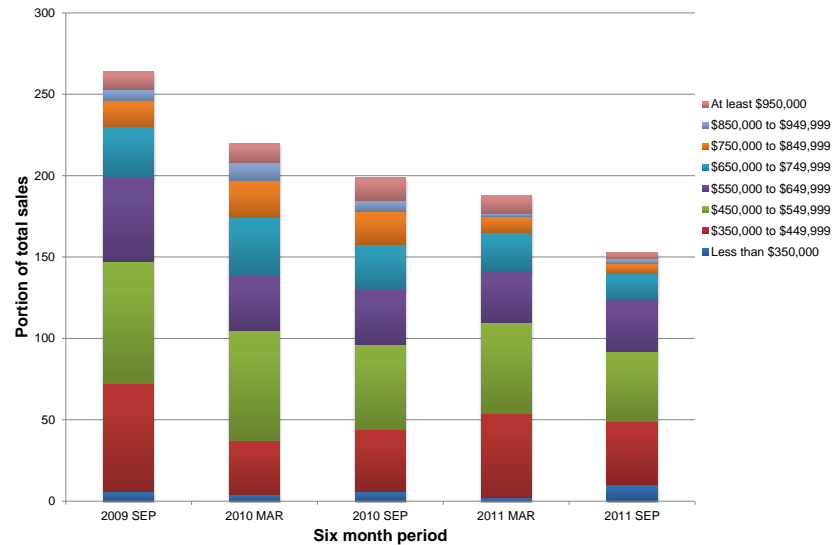
Warwick Vacant Land Market

The Warwick vacant land market has demonstrated, in the main, consistent positive growth in median price over a five year time horizon, recording an average annual growth rate of 6.1 per cent per annum. The ten year growth rate is even more impressive, recording a growth rate of 13.6 per cent per annum. In the year to September 2011, the median vacant land price had increased marginally by 1.0 per cent to record a final median price peak of \$100,000. It is anticipated that the prevailing median price will be sustained into the future on the back of reduced interest rates, a likely extension of the Home Builders Bonus and supply of affordable vacant land. The Warwick vacant land market has registered a total of 36 transactions in the six months to September 2011. This represents 20 per cent uplift in sales activity from that recorded in the September 2010 half year period and 50 per cent from that recorded in the March 2011 half year period. Whilst sales volumes have improved in recent times, the vacant land sales cycle to the right illustrates periods of short-term troughs occurring after periods where sales activity has peaked most likely due to strong development activity in those periods and high levels of underlying demand.

Prepared by PRDnationwide Research. Source: PDS Live and ABS. For further details contact: Robert Matta, Research Analyst, Ph: (07) 3026 3357 or Email: robertmatta@prd.com.au, Robert Koremans, Principal from PRDnationwide Warwick on (07) 4661 2122 or visit our website at www.prdnationwide.com.au/research.

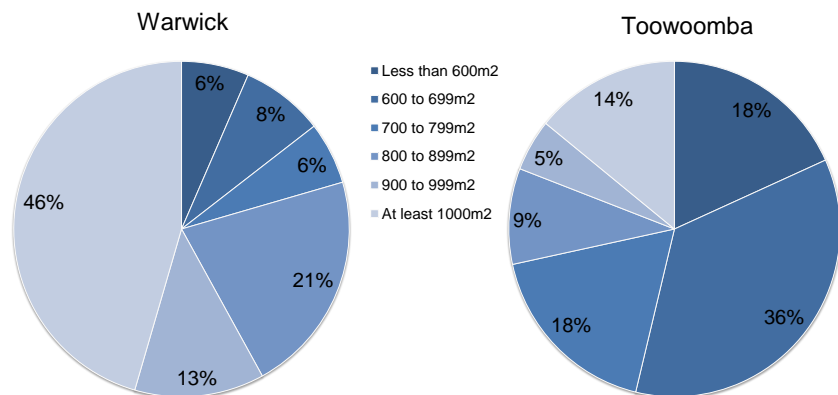
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Warwick House Price Point Distributions



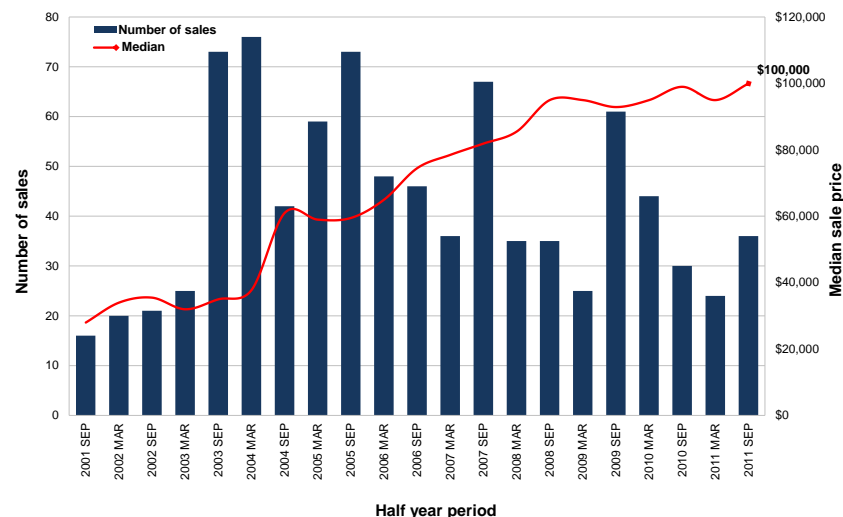
Prepared by PRDnationwide Research. Source: PDS

Year to September 2011 Dwelling Area Comparison



Prepared by PRDnationwide Research Source: PDS

Warwick Vacant Land Sales Cycle



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