

**PROPERTY WATCH®**

First Quarter 2012

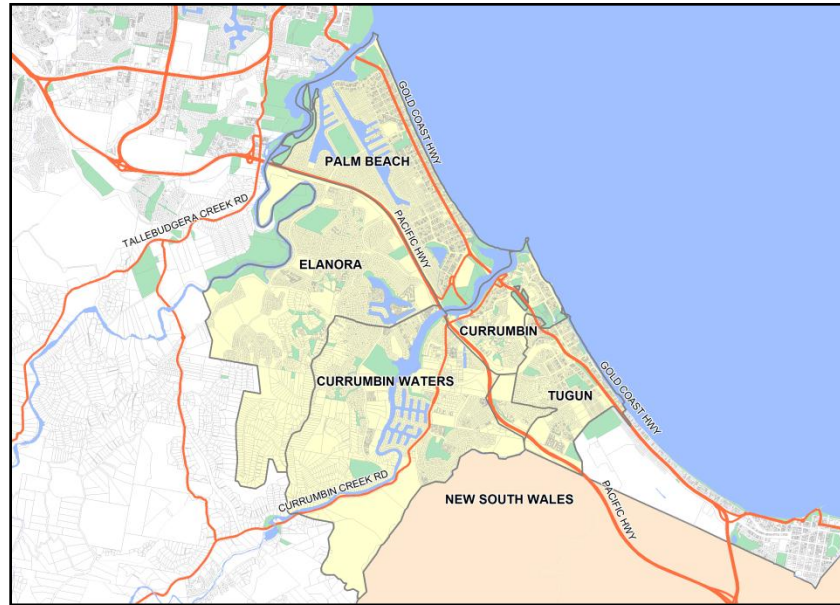
**Palm Beach Market Overview**

**IN BRIEF**

- The Palm Beach Area house and unit market demonstrated a continued softening trend in both median price growth and sales activity, with the house market outperforming the unit market, albeit marginally.
- The unit market has demonstrated comparable capital gains to the house market during the September 2011 half year period to record an average annual capital appreciation of 2.5 per cent, just short of the 4.0 per cent achieved in the house market.

**Scope**

The following Property Watch report is the result of an investigation into the historic and current market trends of the defined Palm Beach study area (hereon referred to as the Palm Beach Area). Analysis provided within this report focuses on highlighting the recent performance of the Palm Beach Area with due consideration of prevailing economic influences. For the purpose of this report, the Palm Beach study area encompasses neighboring suburbs Elanora, Currumbin, Currumbin Waters and Tugun.

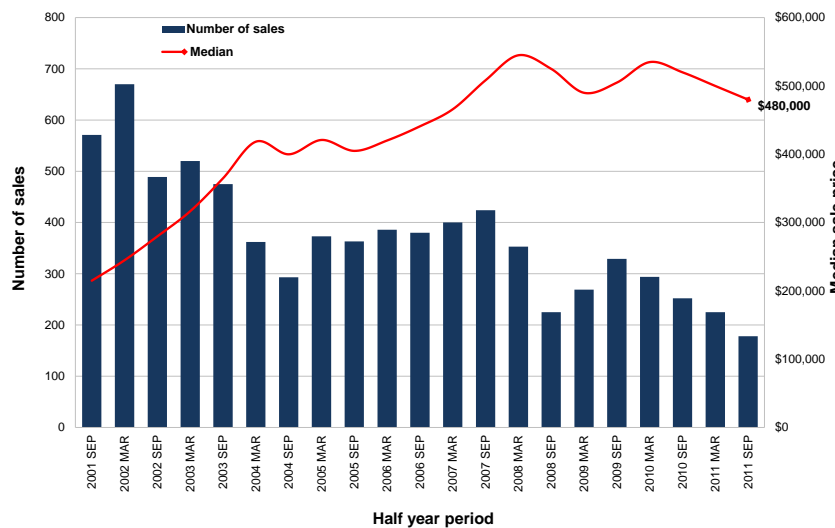


**Palm Beach Area House Market**

Median house prices in the Palm Beach Area have demonstrated a significant, yet gradual, softening since the March 2010 half year period. This trend would have perhaps been less obvious if not for the sudden pickup in sales activity and subsequent median price growth experienced in both the September 2009 and March 2010 half year periods. This period of growth was driven by economic stimulus, low interest rates and favourable buying conditions all of which contributed to a short-term period of unsustainable growth. The median house price recorded for the September 2011 half year period was \$480,000, representing an annual softening of 7.7 per cent from the corresponding September 2010 half year period and a softening of 4.0 per cent from the March 2011 half year period. The five year long-term performance of the house market has recorded a considerably low 1.7 per cent average annual growth, consistent with what has transpired across most suburbs in the Gold Coast. The 10 year long-term performance has naturally provided a superior result to record 8.4 per cent, due to periods of exponential growth leading to the economic downturn experienced in 2008. A resales analysis conducted for house product over the six months to September 2011 has produced an average annual capital appreciation of 4.0 per cent, which was the lowest recorded figure in just over decade and substantially lower than the peak of 21.0 per cent vendors achieved in the March 2004 half year period. This product had an average holding period of almost 10 years.

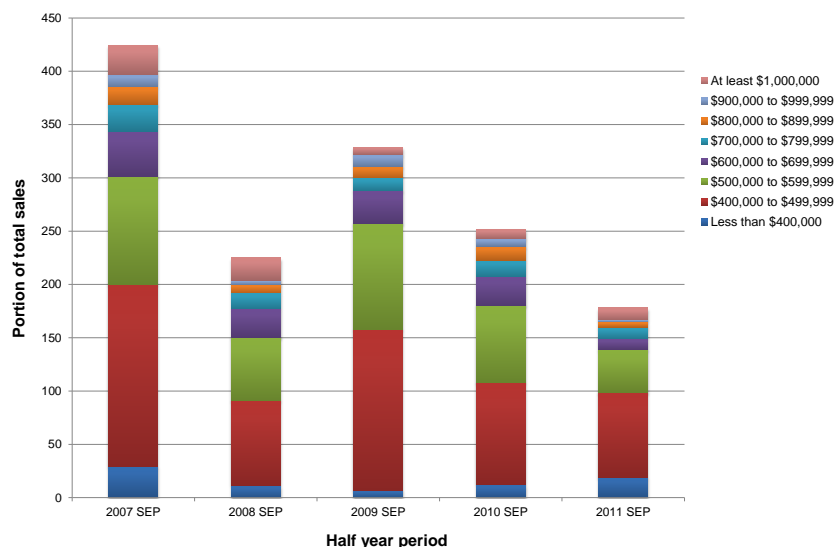
Paving the way for softening median house prices, sales activity since the March 2010 half year period has cascaded towards one of the lowest recorded sale volumes for the Palm Beach Area. During the six months to September 2011, the Palm Beach Area registered a total of 178 transactions, representing a substantial decrease of 29.4 per cent from the level of sales activity recorded in the corresponding September 2010 half year period. With that said, it is quite possible that sales activity has perhaps bottomed out in this most recent six month period, with optimism in the property market showing positive signs of stable recovery. Recent cuts to interest rates (0.25 per cent in November 2011, 0.25 per cent in December and a further reduction anticipated in February 2012), together with the QLD Home Builders Bonus (extended recently to 30 April 2012) and softened property values are likely to re-vamp sales activity at least for the short-term as buyers take advantage of increased affordability and regain confidence in the market.

**Palm Beach Area House Sales Cycle**



Prepared by PRDnationwide Research. Source: PDS

**Palm Beach Area House Price Point Distributions**



Prepared by PRDnationwide Research. Source: PDS

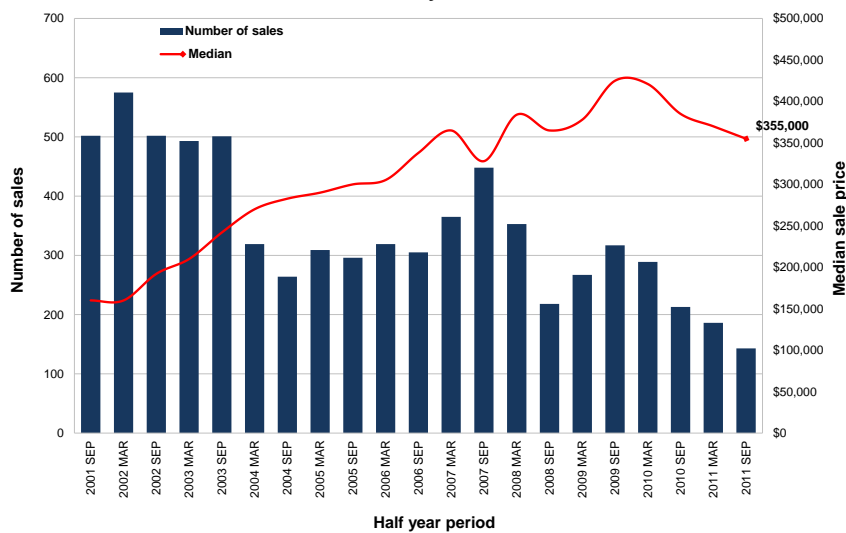
The top three performing suburbs in the six months to September 2011 were Elanora, Palm Beach and Currumbin Waters, achieving sales volumes of 55, 47 and 44 respectively. Palm Beach registered the most sales (117) in the year to September 2011, though failed to sustain the level of activity achieved in the March 2011 half year period, recording a decrease of 33 per cent in activity. In fact, all but Elanora recorded a decrease in sales activity from the March 2011 half year period, which managed to record 10 per cent growth in activity.

Observing the price point distributions over the September 2011 half year period, it can be seen that more than half (56 per cent) of the market had transacted in the sub \$500,000 market, with contractions experienced across all higher price brackets. The evidence elucidates the markets appetite for more affordable offerings partly due to access to finance, and subsequently reductions in property values, as houses shift down a price bracket to meet the market. The shift to more affordable product in recent years underpins the current median price trend recorded for the Palm Beach Area. However, buyers that are currently transacting in the market, whilst still in the hunt for a bargain, have perhaps increased their affordability thresholds enabling them to purchase properties in a higher price bracket, which in turn has implications for stabilising median price growth. Overseas investment in Australia is also showing positive signs of recovery as finance commitments for investors increased by \$500 million in the month of November 2011 to record a total of \$6.6 billion. More specifically, the Gold Coast market is once again proving to be a sound investment option for foreign property investors, with a substantial amount of investment deriving from participants of the Asia-Pacific. The relative political and economic soundness of Australia to that of Europe and the United States has encouraged foreign investors to bank their money in a more secure environment. In addition to this, mass investment in the regions infrastructure has become a sudden priority in preparation for the 2018 Commonwealth Games to be hosted in the Gold Coast, which includes the expansion of nearby Gold Coast Airport.

**Palm Beach Area Unit Market**

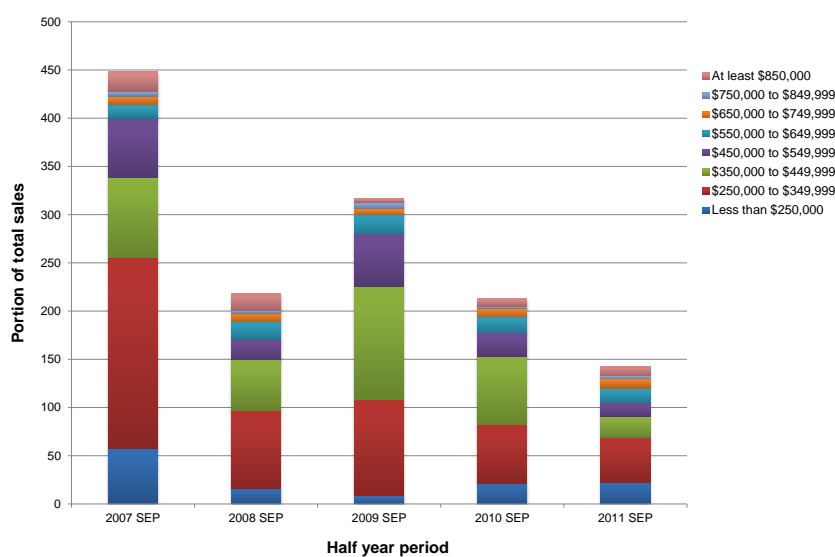
The Palm Beach Area unit market has mimicked the trends experienced in the house market, with record low sales volumes and considerable softening in median house prices. In the six months to September 2011, the unit market recorded a median price of \$355,000, representing a softening of 4.1 per cent from the March 2011 half year period and a softening of 7.8 per cent from the corresponding September 2010 half year period. Interestingly, there was only 0.1 per cent difference in median price growth recorded for the unit and house market over both the year and half year periods. The five year long-term average annual growth rate for the unit market was 1.0 per cent, short 0.7 per cent for that recorded in the house market. The ten year long-term annual growth rate was 8.3 per cent, a marginal 0.1 per cent short of the house market and further reiterating the similarity between both markets performances, short and long term. Sales activity for the September 2011 half year period registered a total of 143 sales, resulting in a decrease of 32.9 per cent in sales volumes recorded in the corresponding September 2010 half year period. Observing the unit market sales cycle, it is easy to identify the consistency between the peaks and troughs illustrated in both the unit and house markets, which suggest the performance of both markets had been shaped by the very same influences, but more importantly had been influenced to the same extent at the same time. A resales analysis conducted for unit product over the six months to September 2011 has produced an average annual capital appreciation of 2.5 per cent, which was 1.5 per cent lower than that recorded for the house market. However with that said, the unit market has, in the main, kept in song with what has been achieved in the house market. This product had an average holding period of almost nine years.

**Palm Beach Area Unit Sale Cycle**



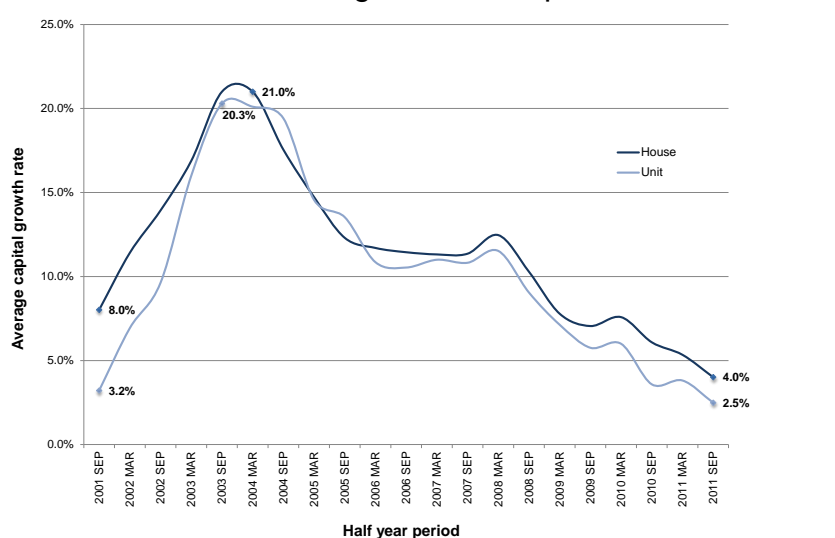
Prepared by PRDnationwide Research. Source: PDS

**Palm Beach Area Unit Price Point Distributions**



Prepared by PRDnationwide Research Source: PDS

**Palm Beach Area Average Annual Capital Growth**



Prepared by PRDnationwide Research Source: PDS

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, Michael Power, Principal from PRDnationwide Palm Beach on (07) 5534 6044 or visit our website at [www.prdnationwide.com.au/research](http://www.prdnationwide.com.au/research).

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