

PROPERTY WATCH®

First Quarter 2012

Greater Mudgeeraba Market Overview

IN BRIEF

- Sales activity in both the house and vacant land markets during the six months to September 2011 recorded some of the lowest levels evidenced in over a decade. The unit market managed to buck this trend to record an impressive increase in sales volumes during the same period.
- 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 2.6 per cent per annum, just short of the 3.7 per cent per annum achieved in the house market.

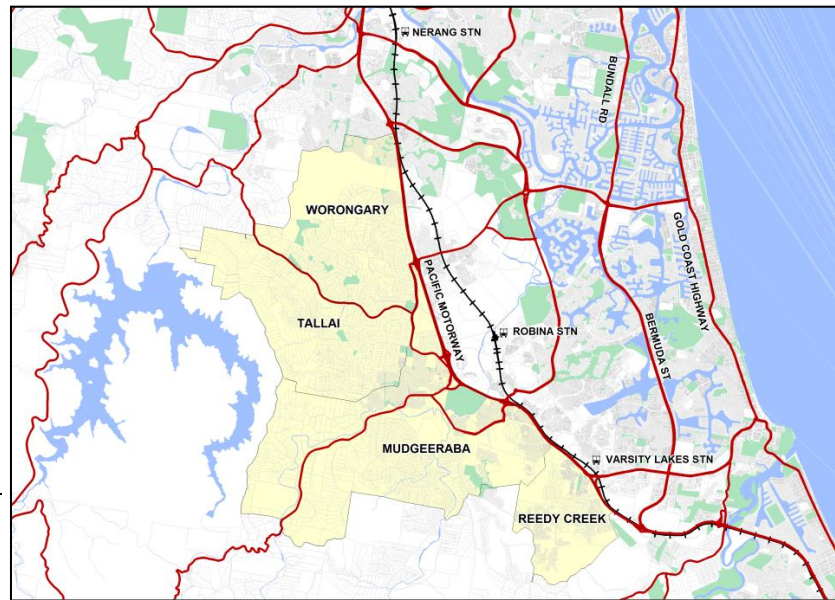
Scope

The following Property Watch report is the result of an investigation into the historic and current market trends within the defined Greater Mudgeeraba Area depicted by the map on the right. The Greater Mudgeeraba Area is situated west of the Pacific Motorway and comprises the suburbs of Worongary, Tallai, Mudgeeraba and Reedy Creek. The aim of this report is to outline the recent performance of the house, unit and vacant land markets within the study area.

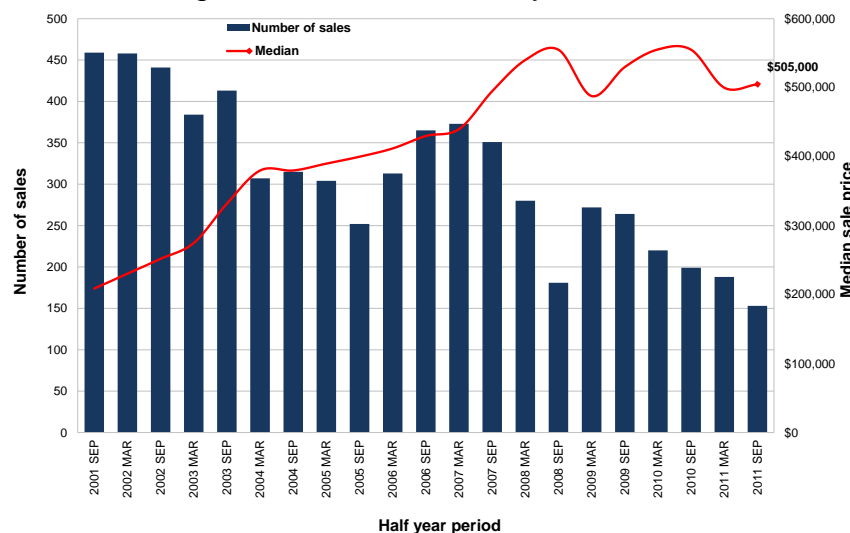
Greater Mudgeeraba House Market

In the year to September 2011, the Greater Mudgeeraba house market has experienced a considerable softening of 9.0 per cent in the median house price which was reminiscent of the 9.6 per cent fall recorded in the year to March 2009 as a result of the economic downturn. The median house price recorded for the September 2011 half year period was \$505,000. The prevailing median house price represents a minor improvement of \$5,000 from the March 2011 half year period, though more importantly alludes to a change in the price trend. This uplift in median price may gain some momentum in the short-term on the basis of gradual improvements to sales activity in the area. With that said, the growth rate for both sales activity and subsequent median price is anticipated to be much slower and more sustainable than that experienced in 2009, in which economic stimulus and low interest rates played a pivotal role in driving sales activity back up and eventually median prices (after the wave of first home buyers diluted from the phasing out of the First Home Owners Boost and increasing interest rates). It is believed that the recent cuts to interest rates (0.25 per cent in November 2011 and 0.25 per cent in December) and a further reduction anticipated for the first quarter of 2012 will together with the QLD Home Builders Bonus (to be phased out 31 January 2012) improve confidence in the market in what will hopefully transpire in increase sales activity.

Sales activity during the six months to September 2011 registered a total of 153 transactions, representing a softening of 23.1 per cent in the level of sales activity recorded in the September 2010 half year period. This level of activity has not been recorded in over a decade and is also 28 sales less than that recorded in the September 2008 half year period. Observing the price point distributions over recent years, it can be seen that there has been a contraction in the \$550,000 plus market, suggesting the market has shifted towards more affordable housing options. For example, activity in the sub \$450,000 market accounted for 32 per cent of total sales in the September 2011 half year period, as opposed to 22 per cent recorded for the previous September 2010 half year period.

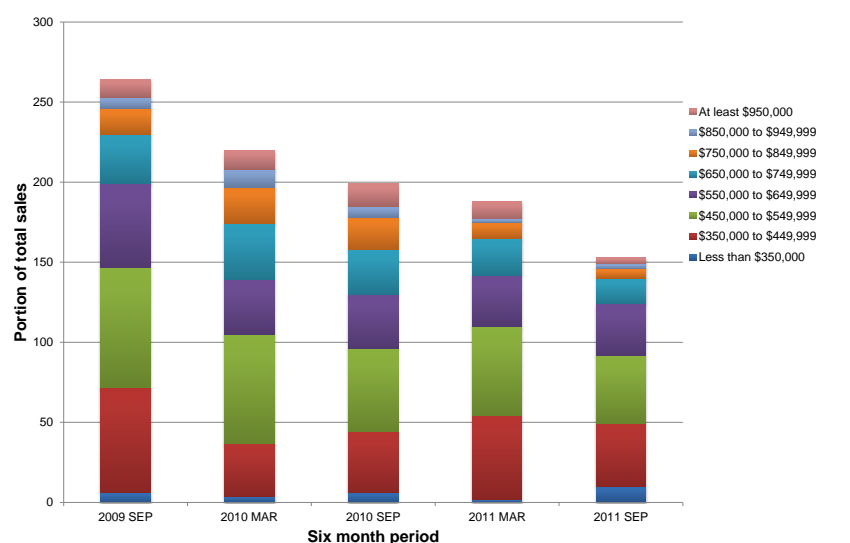


Greater Mudgeeraba House Sales Cycle



Prepared by PRDNationwide Research. Source: PDS

Greater Mudgeeraba House Price Point Distribution



Prepared by PRDNationwide Research. Source: PDS

This trend is further evidenced by the comparative outperformance of Mudgeeraba with regards to both the number of sales recorded and resilience to negative changes to sales activity during the year to September 2011. Sales activity in Mudgeeraba will continue to dominate the market share in the area at least in the short term, and despite greater volumes of new stock entering the market via Reedy Creek, relative affordability is what will continue to drive sales activity in Mudgeeraba. A resales analysis for house product over the six months to September 2011 has achieved an average annual capital appreciation of 3.7 per cent, the lowest recorded figure in just over a decade. This product had an average holding period of just over eight years.

Greater Mudgeeraba Unit Market

The Greater Mudgeeraba unit market is predominately held within the suburbs of Mudgeeraba and Reedy Creek, accounting for 87.2 per cent of the total 47 sales recorded over the September 2011 half year period. This level of sales activity represents a notable increase of 38.2 per cent from the corresponding period in 2010 where 34 sales occurred, and has fallen short of the five year average sales rate by just four transactions. In the year to September 2011, the median unit price decreased 3.1 per cent to record a final median price of \$304,000. The prevailing median price is on par with that recorded in the September 2009 half year period, at a time when the first home buyers segment dominated the market (50 per cent of sales recorded in the sub \$300,000 market). Similarly, the market appears to have an appetite for more affordable product as evidenced by the re-emergence of activity in the sub \$300,000 market. Sales activity overall, though particularly within this market, is believed to increase further in the short term as buyers begin to take advantage of reductions to interest rates, new government incentives, and more favourable buying conditions. The implications this trend will have on median house prices for unit product in the area will more than likely demonstrate stagnant growth in the short to medium. A resale analysis for unit product over the six months to September 2011 has calculated an average annual capital appreciation of 2.6 per cent per annum, which is comparable to that achieved in the house market during the same period. This product had an average holding period of just under seven and a half years.

Greater Mudgeeraba Vacant Land Market

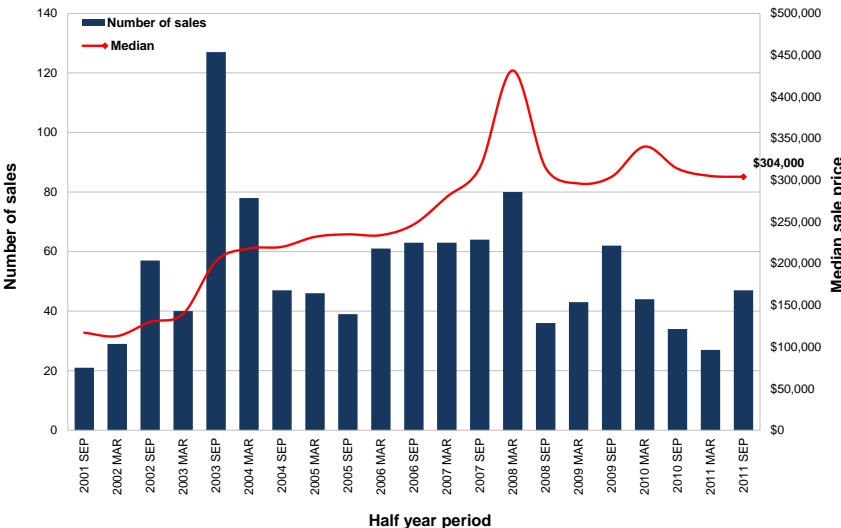
The Greater Mudgeeraba vacant land market has registered only 15 transactions in the six months to September 2011, and just 12 transactions in the March 2011 half year period. The level of sales activity during the year to September 2011 is historically one of the worst years recorded for the area. The implications of Global Financial Crises to the vacant land market in 2008 were severe; resulting in a 78 per cent decrease in sales activity during the year to September 2008. Since 2008, developer activity has struggled to regain any momentum; demand for house and unit product have recorded extremely low levels, englobo parcels are harder to come by in the area and access to debt, which remains the number one issue have all contributed to poor investment activity, hence the lack of sales recorded in the year to September 2011. As evidenced by the vacant land sales cycle to the right, median prices have fluctuated considerably since the drop in sales activity recorded in 2008. In fact the two most recent half year periods hardly provide a reputable median due to the lack of sales during both periods. PRDnationwide Research requires at least 15 sales to substantiate a reliable median, with the September 2011 half year period barely meeting the criteria.

Suburb Performance For September 2011 Half Year Period

Suburb	Median Price		Activity	
	Sep-11	Annual Change	Sep-11	Annual Change
Mudgeeraba	\$ 385,000	-6.1%	177	-3.3%
Reedy Creek	\$ 635,000	-3.8%	67	-17.3%
Worongary	\$ 482,500	-13.8%	66	-33.3%
Tallai	\$ 670,000	-3.0%	31	-44.6%

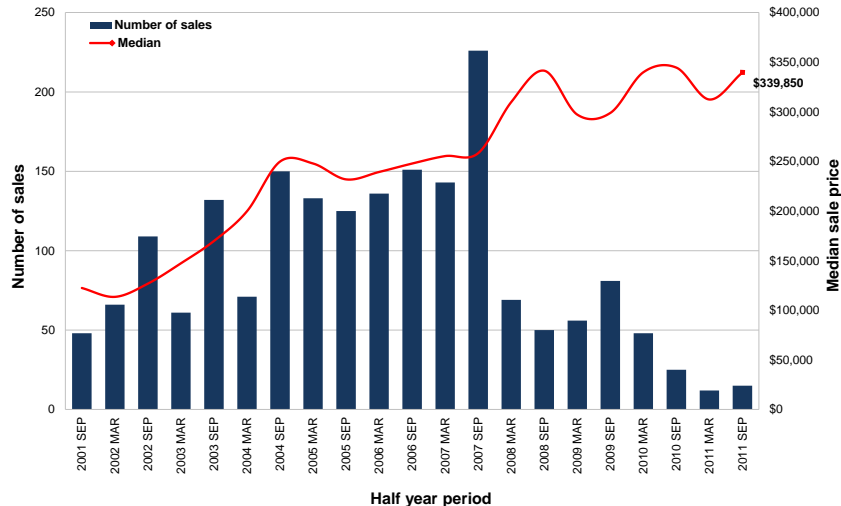
Prepared by PRDnationwide Research. Source: PDS

Greater Mudgeeraba Unit Sales Cycle



Prepared by PRDnationwide Research. Source: PDS

Greater Mudgeeraba Vacant Land Sales Cycle



Prepared by PRDnationwide Research Source: PDS