

Dubbo Market Overview

IN BRIEF

- Strong employment prospects exist, with mining companies intensifying their activity in the region.
- The median house price declined 4.6% to \$257,500 in the year to September 2011.
- The newly gazetted LEP creates investment certainty for developers, with more residential lots expected to be released in 2012.

Scope

The following report is the result of an investigation into the Dubbo LGA (Local Government Area), which includes the suburb of Dubbo and the surrounding towns.

The Economy

Despite softer economic conditions in Australia and overseas, the Dubbo region has been benefiting from strong investment. The area is known for its rare earth resources, with several mining companies currently moving into the production stage, while others invest in infrastructure to support their operations. The mining activity supports strong retail and agricultural sectors, creating a diverse economy that in turn increases pressure on the retail, industrial and residential property markets.

The Rental Market

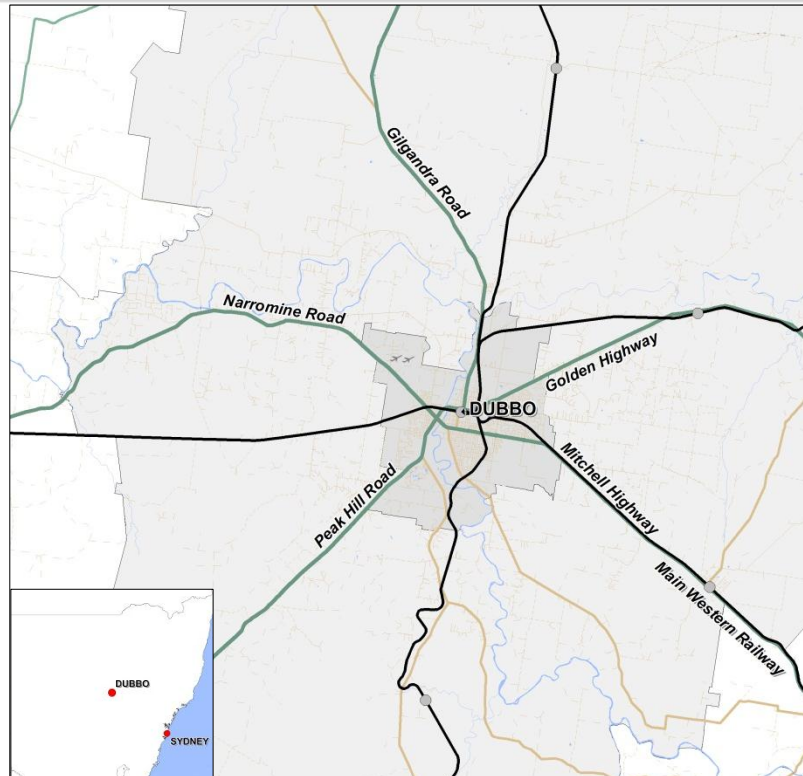
With only a small number of units in the LGA, detached houses account for most of the rental market. In the 12 months to September 2011, the median rent price for a three bedroom house increased by four per cent to \$260 per week, while a two bedroom unit increased 2.9 per cent to a median weekly rent price of \$175. A tighter market in recent months was characterised by high activity and low vacancy rates. Investors are prevalent in the market, seeking dwellings in the lower price brackets with a gross yield of 6.5 per cent plus.

There were 245 houses advertised for rent in the six months to the end of January 2012. Three bedroom houses accounted for the majority of rentals (45 per cent), with four bedroom and two bedroom houses making up 35 per cent and 20 per cent respectively. The median days for a listing to be advertised closed the six month period at 33 for two and three bedrooms and 32 for a four bedroom house, with 44 per cent of houses advertised for a period of four weeks or less.

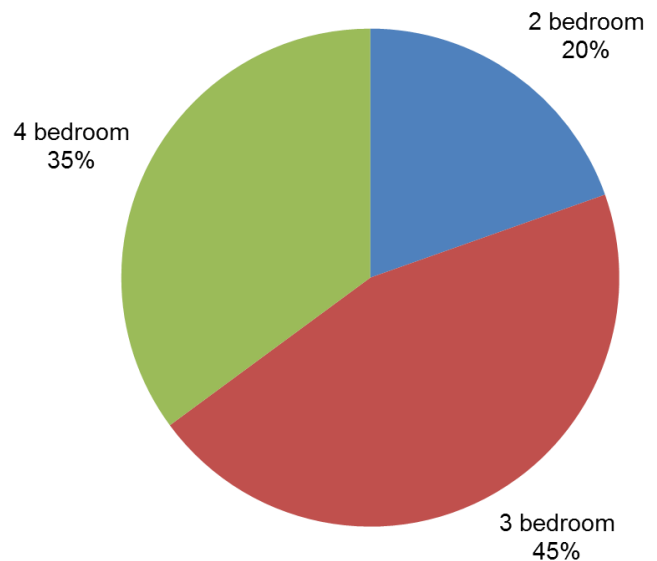
Stock on the Market

As at the end of January 2012 there were 249 houses on the market, with 17 properties for sale at an auction. One and two bedroom houses represented less than four per cent of the market, with three bedroom houses representing 35 per cent. The largest share of the market was represented by four bedroom houses, accounting for 51 per cent. Homes with two bathrooms made up 51 per cent of the house market, with 39 per cent represented by single bathroom dwellings.

There were 72 vacant lots advertised for sale as at the end of January, with an even geographical distribution between north and south land estates.



Houses for Rent – Size Distribution



Graph prepared by PRDnationwide Research. Source: PDS

Dubbo House Rental Market Summary

	2 bedroom	3 bedroom	4 bedroom
Count	48	111	86
Median	\$220	\$265	\$355
Median days listed	33	33	32

Graph prepared by PRDnationwide Research. Source: PDS

Dubbo LGA House Market

2011 marked a return to equilibrium for the Dubbo house market, with the median price declining 4.6 per cent to \$257,500 as at September 2011. The five year average growth of 3.2 per cent per annum represents a minor real long term growth (adjusted for inflation). Activity increased in the September 2011 six month period compared to the same period in 2010, with 347 houses transactions. This represents a seven per cent decline from the five year average of 401 transactions per six month period. Houses in the \$200,000 to \$249,999 price bracket accounted for the majority of transactions, covering almost one third of the market (30 per cent). The house price point graph demonstrates the change in the share of this bracket from the September 2010 six month period, when it accounted for only 19 per cent of the market, pointing to a slight shift towards lower price brackets. Toward the top end of the market houses transacting for \$400,000 plus accounted for 13 per cent of the house stock, four per cent lower than the period in 2010. The affordable end also declined, with the \$100,000 to \$149,999 bracket representing only five per cent of the market, remaining in line with the 2010 figure, but still signifying a substantial decline from 2008 and 2009. Dubbo and the surrounding suburbs accounted for 91 per cent of sales in the LGA, with light activity in Mugga Downs and Wongarbron.

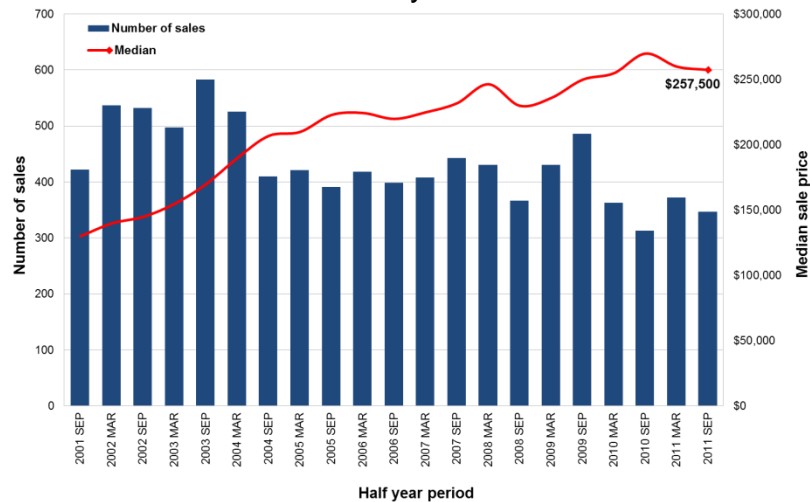
A resale analysis conducted by PRDnationwide Research examined the capital growth achieved by vendors who exited the house market in the six months to September 2011. The analysis revealed an average capital growth of 5.3 per cent per annum, with an average holding period of 8.5 years between resales.

Dubbo LGA Vacant Land Market

The new Dubbo Local Environmental Plan (LEP) was gazetted in November and provides for an extra 1,620 hectares of land for residential use, including additional land for housing near the village of Wongarbron east of the city of Dubbo. The LEP creates certainty for land developers who were holding off on their plans. Vacant land transactions in the LGA continued to decline in the September 2011 six month period, closing two years of falling activity. PRDnationwide Research expect the new investment environment created by this planning instrument to increase the activity in 2012 and beyond. The median price of a vacant lot in the LGA closed the September half year at \$126,500 despite subdued activity. The median price increased by a significant 10 per cent from September 2010, largely as a result of large lots transacting on the outskirts of Dubbo. The five year average growth of -0.1 per cent per annum suggests that the median price will not be able to maintain this level into the future.

Of the 66 lot transactions during the period, half transacted in the \$100,000 to \$149,000 price bracket. Towards the top end of the market five lots transacted for \$350,000 plus, while at the lower end eight lots sold for less than \$50,000. Over half of the lots sold during the period were small residential lots, varying in size between 500 to 1,000 square metres. Larger lots (1,000 to 4,999 sq m) represented 27 per cent of the market, while lifestyle lots sized 10,000 and above represented 13 percent. Dubbo accounted for 82 per cent of the market, with 54 lot sales, while five sales were recorded in the suburb was Wongarbron.

Dubbo LGA – House Sales Cycle



Graph prepared by PRDnationwide Research. Source: PDS

House Price Points - Six Months to September

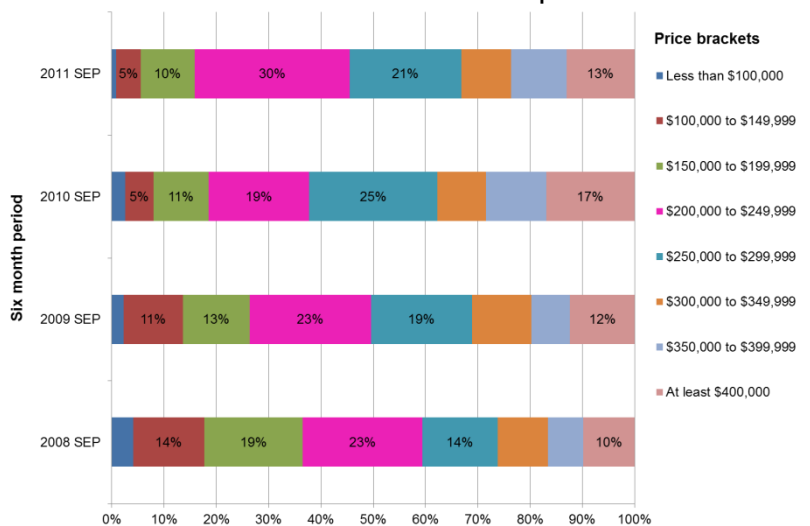
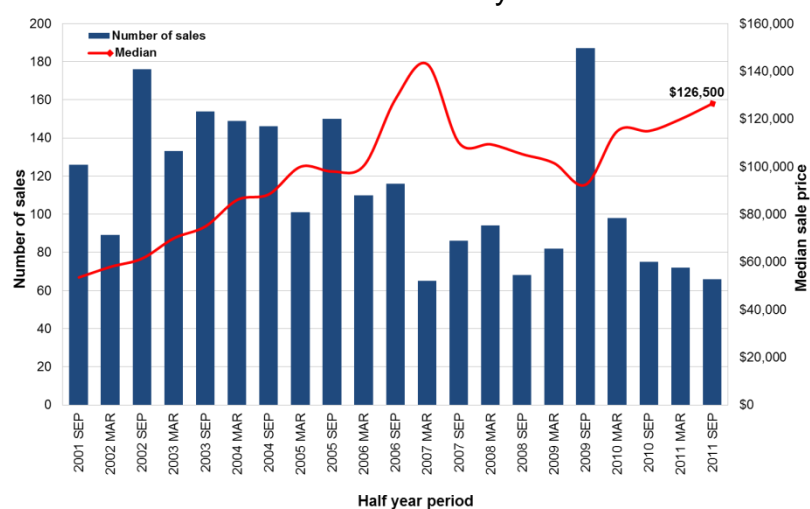


Chart prepared by PRDnationwide Research. Source: PDS

Dubbo LGA – Vacant Land Sales Cycle



Graph prepared by PRDnationwide Research. Source: PDS

Prepared by PRDnationwide Research. Source: PDS, Housing NSW, REINSW and the ABS. For further details contact: Oded Reuveni Etzioni, Research Analyst
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