

Tamworth Regional LGA

IN BRIEF

- A strong correlation was observed between activity and the distance of the suburb from the Tamworth CBD.
- House rent prices increased 7.7% to a median of \$280 per week for a 3 bedroom house, while rent for a 2 bedroom unit climbed 10.5% to \$210 per week.

Scope

This report analyses the current trends and performance of the Tamworth Regional Local Government Area's house, unit and vacant land market.

Area Characteristics

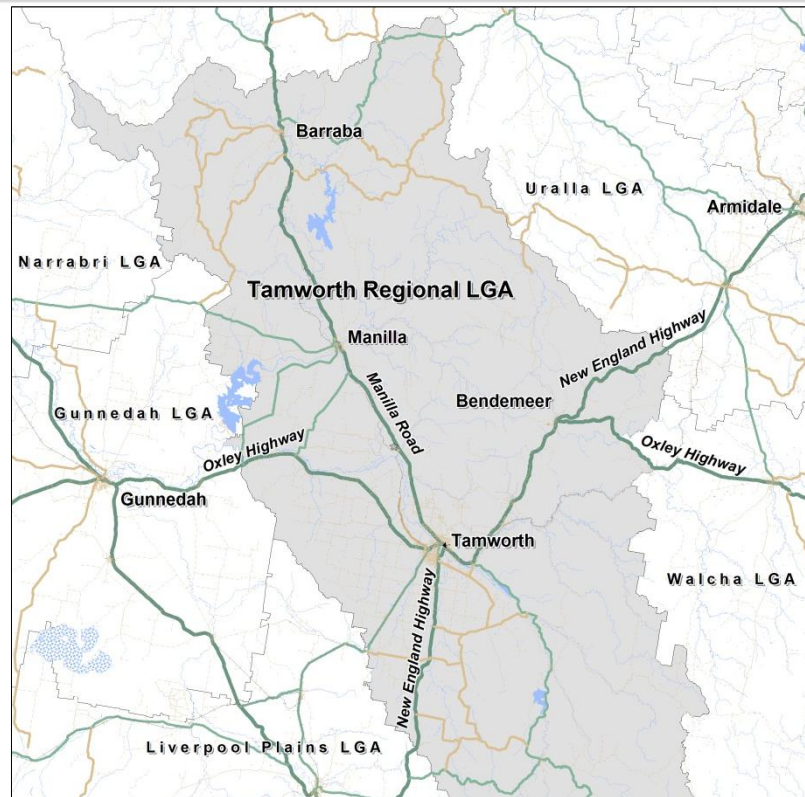
The Tamworth Regional Local Government Area (LGA) is located approximately 300 kilometres north of Sydney within the New England Region of New South Wales. The City of Tamworth is the regional hub situated at the intersection of the Oxley and New England Highways. The residents of Tamworth enjoy a vibrant mix of rural and city lifestyles, with restaurants and pubs located along Peel Street together with retail outlets and cafes, in a region known for its world famous Australian Country Music Awards and the Australian Equine & Livestock Events Centre. The Tamworth Airport provides a vital transport link to Sydney and other regional areas in New South Wales. The number of passengers travelling through the Airport climbed significantly, recording a 14.2 per cent increase in the 12 months to June 2010. Tamworth acts as the regional service centre for the Greater Northern Region of NSW, with the Tamworth Base Hospital, government administration and educational institutions servicing the broader area.

Demographic Snapshot

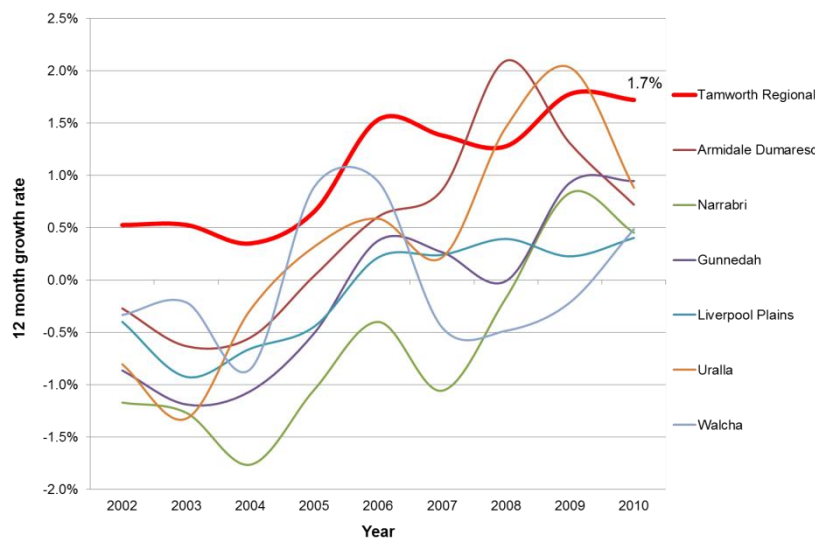
As at June 2010 the estimated population of Tamworth Regional was 59,461 residents, equating to an increase of 1.7 per cent from June 2009, with an average growth of 1.5 per cent per annum between 2005 to 2010. This figure represents a solid increase in population compared to that recorded by neighbouring LGAs over the same period. The sustained growth rate of population is likely to generate demand for houses and units over the next few years.

Rental Market

Low vacancy rates increased the pressure on rent prices through the LGA and particularly around the City of Tamworth. The median rental price for a three bedroom house in Tamworth Regional increased 7.7 per cent to \$280 per week in the 12 months to September 2011. For the same period the median rent for a two bedroom unit increased 10.5 per cent to \$210 per week. These figures translate to a strong rental yield for both houses and units. Whilst the gross yield for a house equated to 5.4 per cent, the yield for units was approximately 5.6 per cent, representing a low risk to investors' capital. Empirical evidence suggests that properties located in suburbs in lower price brackets can yield returns of six per cent plus.



Annual increase in LGA Population



Graph prepared by PRDnationwide Research. Source: ABS

Median Weekly Rent Prices – September 2011

Region	3 Bedroom House	One Year Rental Growth	2 Bedroom Unit	One Year Rental Growth
Tamworth Regional LGA	\$280	7.7%	\$210	10.5%
Northern Tablelands	\$250	4.2%	\$190	8.6%

Table prepared by PRDnationwide Research. Source: Housing NSW

Macroeconomic Overview

Despite an overall jubilation about the new downward direction of interest rates, new limitations on stamp duty exemption will commence 1 January 2012 and are expected to disadvantage the large majority of first home buyers. Nevertheless, cautious optimism about the Australian economy still remains, with a low unemployment rate and strong investment in the mining sector. However, it will remain to be seen how the local economy responds to subdued conditions that prevail in both Europe and the US. These are likely to have direct impact on Australia and its large trade partners in Asia.

House Market

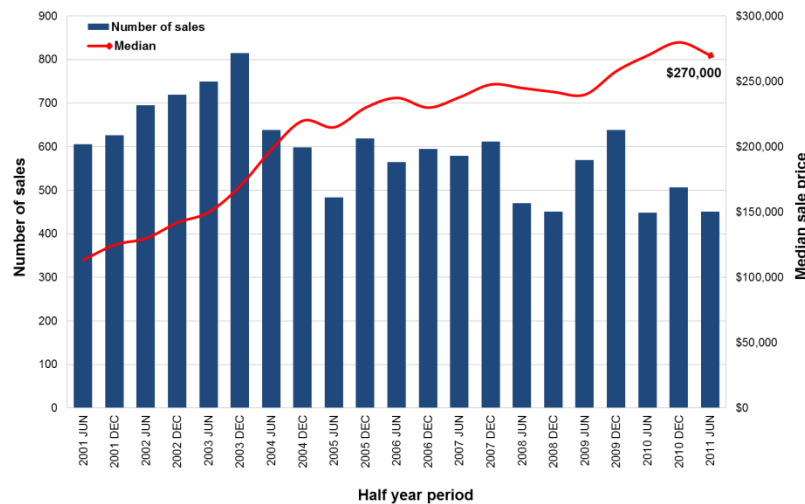
The Tamworth Regional house market recorded a slow and steady increase over the 2004 to 2009 period, with the median price edging to \$240,000 in June 2009. The market reacted positively to the 2009 stimulus, with an increase in the median price that continued into 2010. House prices met softer conditions in the first half of 2011 which led to a decline in prices, reflected in a median price of \$270,000 in June 2011. The first half of 2011 recorded 451 house transactions, representing a 15 per cent contraction from the LGA's long term average and coming 29 per cent below the December 2009 activity. A comparative price point analysis revealed that whilst the \$200,000 to \$249,999 price point continued to represent the majority of sales, transactions in the \$250,000 to \$299,999 bracket increased by 14 per cent, with a shortfall of one transaction from its adjacent bracket. Houses transacting toward the top end of the market maintained the previous year's momentum, while the affordable end of the market experienced a 14 per cent increase in activity to record 41 transactions below \$150,000 over the period.

PRDnationwide Research conducted a resale analysis for house sales over the six months to June 2011. The analysis revealed that houses achieved an average annual capital appreciation of 4.7 per cent per annum, with an average holding period between sales of six years. The results indicate that despite a flat growth in median price, vendors who exited the market during the period still enjoyed a stable annual growth for their assets.

Unit Market

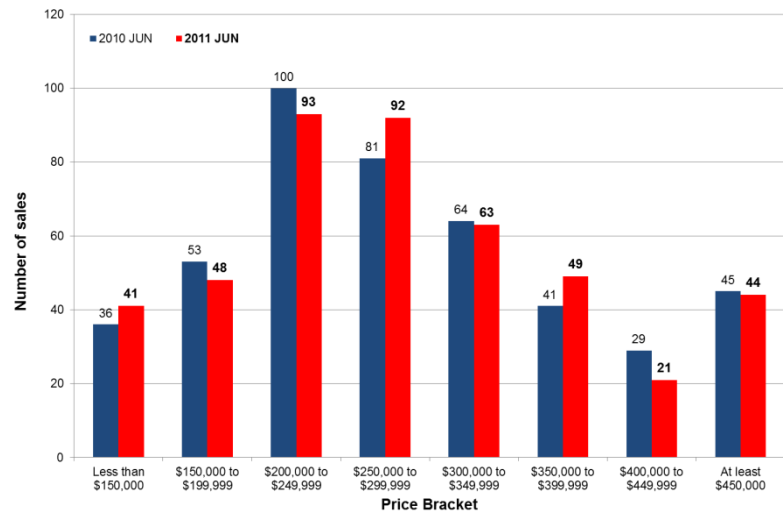
The Tamworth Regional unit market experienced stronger growth to that of the house market, with the median price increasing 3.2 per cent to \$196,000 in the 12 months to June 2011. The past five years have shown an average growth rate of 4.1 per cent per annum, suggesting a better long term price growth for medium density dwellings over detached houses. Activity drifted lower in the period, declining by 25 transactions between the June 2010 and 2011 periods to record 28 transactions in the first half of 2011. Over the past five years, units averaged 45 sales per six month period, with most transacting in the suburbs of South Tamworth and North Tamworth each recording an average of 10.3 sales per six month period. A price point analysis confirms that most units transacted in the \$150,000 to \$199,999 price bracket, making up 36 per cent of sales for the six month period. The analysis also suggests that four units transacted under \$150,000, while an additional four sold for \$300,000 plus. South, East and North Tamworth accounted for a combined 68 per cent of unit sales.

Tamworth Regional LGA – House Sales Cycle



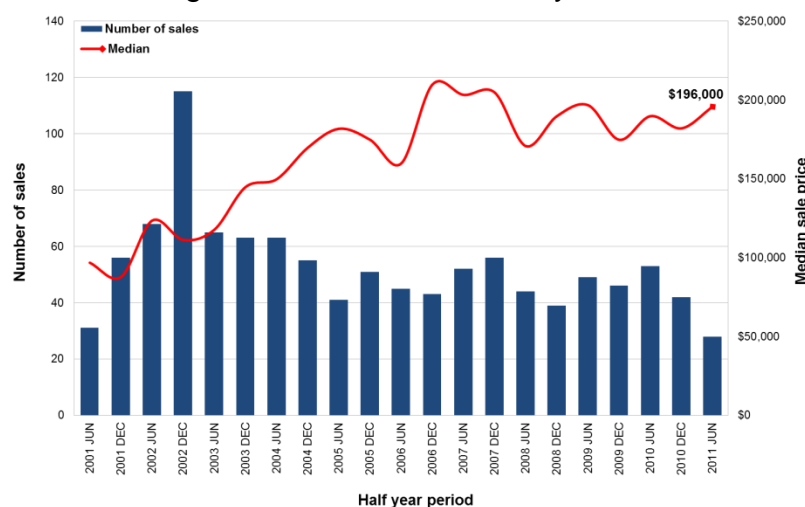
Graph prepared by PRDnationwide Research. Source: PDS

House Price Points - Six Months to June 2010 and 2011



Graph prepared by PRDnationwide Research. Source: PDS

Tamworth Regional LGA – Unit Sales Cycle



Graph prepared by PRDnationwide Research. Source: PDS

Vacant Land Market

Values of residential sites in the LGA remained constant between 2007 and the end of 2009, and increased in the 18 months to June 2011 to a median price of \$115,000, despite a drop in activity. Looking at the longer term, the average value of a vacant lot in the LGA increased by 3.5 per cent per annum over the past five years. Overall 114 residential sites transacted in the first half of 2011, representing an 18 per cent decline from the same period in 2010. The median lot size recorded for the period was 4,002 sq m (just under one acre).

To better understand the size of lots transacting in the LGA PRDnationwide Research conducted a lot size distribution analysis for vacant lots transacting in the first half of 2011. It revealed that most lots sizes ranged between 450 to 1,000 sq m, accounting for 33 per cent of sales. Larger lots of between 1 to 20 hectares accounted for 26 per cent of vacant land transactions, while semi rural lots sized 20 hectares plus accounted for 12 per cent.

Total Activity by Suburb

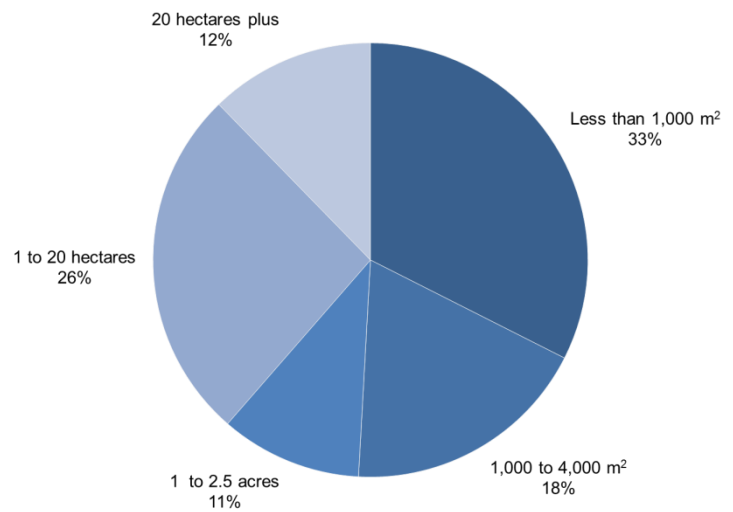
The most active suburbs in the Tamworth Regional LGA are highlighted on the topographic map. The map indicates that in the first half of 2011 the most active suburbs were South and East Tamworth, recording 67 and 63 transactions respectively. There appears to be a strong correlation between activity and the location of the suburb, with the top five most active suburbs located within a five kilometre radius of the Tamworth CBD. Further afield, the towns of Kootingal, Manilla and the suburb of Calala recorded activity of between 11 to 25 transactions each for the period.

Infrastructure

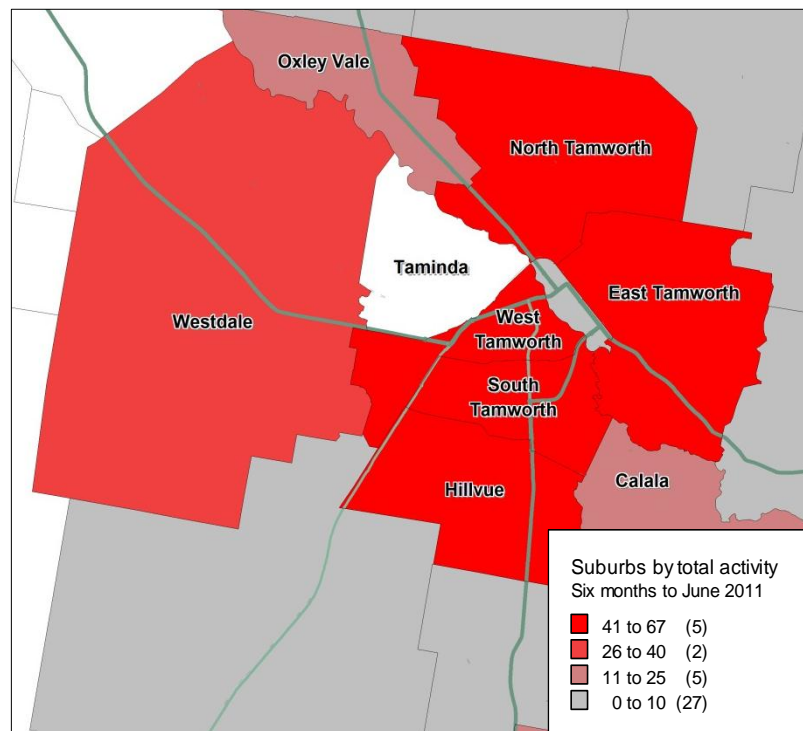
Several infrastructure projects are currently under way in the Tamworth Regional LGA, representing a total investment of approximately \$90 million. Notable projects around the City of Tamworth include the construction of the New England and North West Regional Cancer Centre at the Tamworth Base hospital. Retail developments include the redevelopment of the Southgate shopping centre in South Tamworth, with a new Coles Supermarket as an anchor tenant. The new Bunnings Superstore currently under construction in Taminda is set to replace the existing outlet in Tamworth, with a flow on effect on jobs and the construction business. Currently in the pipeline is the redevelopment of the Base Hospital, with construction expected to commence in 2012 / 2013, and the Eastpoint shopping complex development that will house a new Woolworths, liquor store and specialty shops on the corner of Marius and Hill Streets in Tamworth.



Land Size Distribution – Six Months to June 2011



Tamworth Regional LGA's Most Active Suburbs – Six months to June 2011



Suburb / Town	House Activity	Unit Activity	Total Activity
South Tamworth	59	8	67
East Tamworth	57	6	63
West Tamworth	52	2	54
Hillvue	52	1	53
North Tamworth	37	5	42
Westdale	27		27
Oxley Vale	24		24
Kootingal	22	1	23
Manilla	20		20
Calala	16	3	19

Map and table prepared by PRDnationwide Research. Source: PDS

Prepared by PRDnationwide Research. Source: PDS, BCI, Tamworth Regional Council, Housing NSW and the ABS. For further details contact: Oded Reuveni Etzioni, Research Analyst Ph: (02) 9257 0254 or Email: Odedetzioni@prd.com.au or visit our website at www.prdnationwide.com.au/research.

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