

PROPERTY WATCH®

Fourth Quarter 2011

Canberra

IN BRIEF

- House and unit median price edged higher in the 12 months to June 2011, increasing 0.3% and 0.1% respectively.
- Strong unit capital growth was recorded for the suburbs of Curtin, Phillip and Monash.
- The suburbs of Bruce and Kingston recorded strong unit activity, with their central location attracting investors and owner occupiers.

Area Characteristics and Demographics

The Australian Capital Territory (ACT) is located approximately 280 kilometres south west of Sydney and 670 kilometres north of Melbourne, covering an approximate area of 2,350 square kilometres. Four major highways lead into the area, with a daily rail service to Sydney for those with time on their hands. Canberra, the nation's capital is located in the Northeastern corner of the ACT and accommodates the majority of the population in the region. Designed by the famous architect Walter Burley Griffin in the beginning of the previous century, Canberra is a famous model of the Garden City concept, integrating significant areas of natural vegetation that have earned the City the title of the "bush capital".

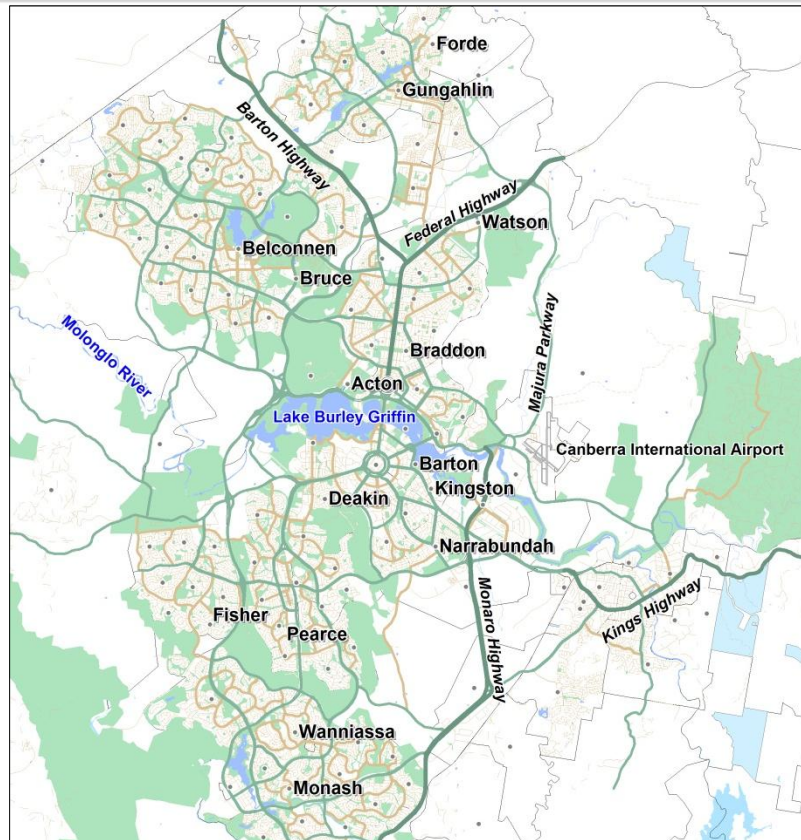
The largest employer in Canberra is the Commonwealth Government which includes the armed forces as well as three major universities. The salaries paid by these bodies position Canberrans as Australia's highest income earners with an average equalized disposable weekly household income of \$1,101 per week. Other major employers include government support such as consultancy firms and the ACT Government.

Investment Market

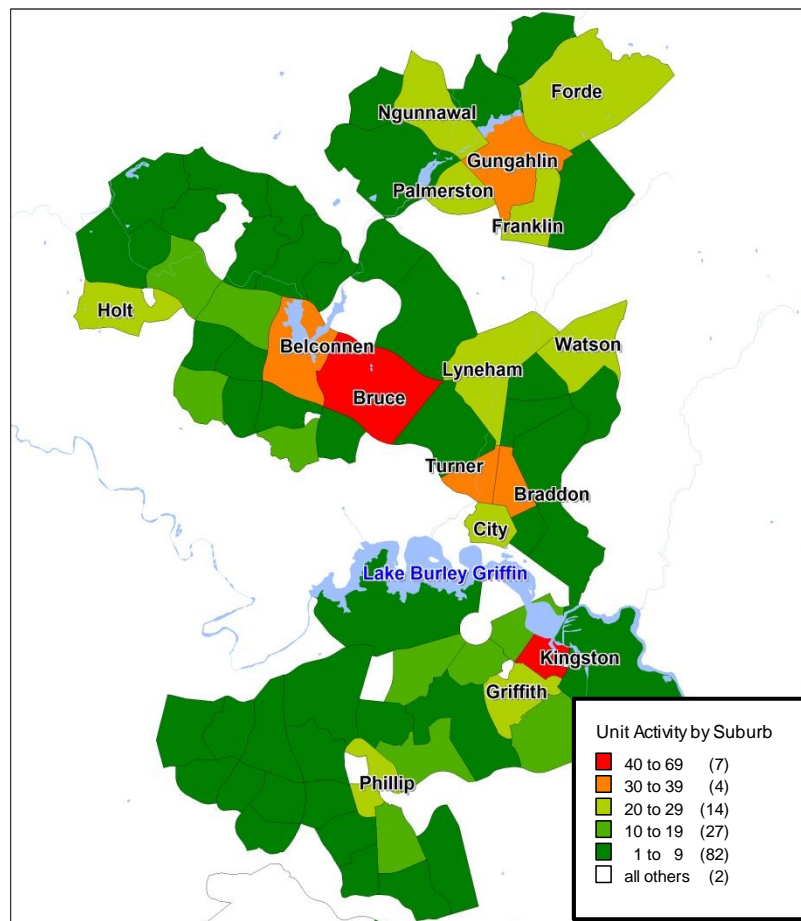
The rental market in Canberra has continued to attract investors, with a good rental yield and a low vacancy rate of 2.5 per cent. Many lower income earners have been priced out of the market over the past three years, following strong increases to house prices, and are likely to remain in the rental market for the short to medium term. Transient contractors, university students and public servants also add to the tenant's mix. Whilst lower income families will have to look for larger accommodation in the outer parts of the city, the transient population is attracted to the amenities offered by the inner city.

The Unit Sales Activity map shows that suburbs including Braddon, City and Kingston are in high demand due to their proximity to employment centres and major transport corridors. The suburb of Bruce experienced one of the highest sales activity in the first half of 2011 as a result of its proximity to the University of Canberra, Lake Ginninderra and the refurbished Westfield shopping centre in Belconnen. Market evidence confirms that a two bedroom apartment will normally yield a gross return of between five to 6.5 per cent.

The median rent price for a three bedroom house in Canberra remained at \$450 per week, with a notable 4.9 per cent increase in the Outer South rents for the 12 months to June 2011. For the same period two bedroom units' rent climbed 2.4 per cent to \$430 per week, with the Outer South region recording a 13.9 per cent increase.



Unit Sales Activity – Six Months to June 2011



Prepared by PRDnationwide Research. Source: PDS

House Market

The Canberra house market proved to be resilient compared with most other residential markets around Australia, with stability in the median price despite a decline in activity. The median price for a house in the ACT stabilised in the year to June 2011 to close the period at \$536,000, representing a 12 month growth of 0.3 per cent. Closing the first half of 2011 with 1,493 house transactions, the region registered a 33 per cent decline from the long term trend recorded over the past five years. When analysing the price point distributions most sales transacted in the \$500,000 to \$599,999 price bracket, accounting for 29 per cent of the market. This was followed by the \$400,000 to \$499,999 bracket, making up 28 per cent. At the higher end of the market houses selling for \$900,000 and above accounted for seven per cent, while at the lower end 10 per cent of houses transacted below \$400,000. Whilst the share of the total market for each bracket remained largely unchanged, activity declined across all price points, with the top two brackets recording a decline in activity equating to 29 per cent each between the June period in 2010 to the same period in 2011. Buyers appear to favour the outer suburbs for houses, with activity in the suburbs of Casey, Ngunnawal, Dunlop, Macgregor and Kambah all showing the highest number of sales.

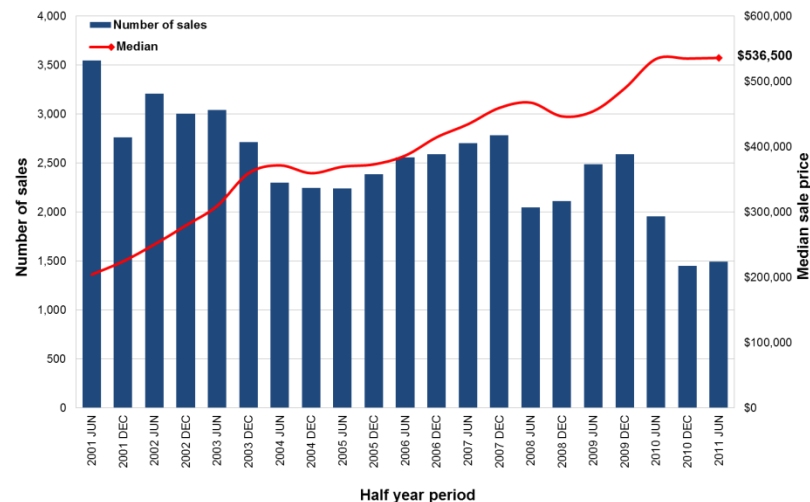
In order to ascertain the returns to vendors who exited the market in the first half of 2011, PRDnationwide Research has undertaken a resale analysis of all houses sold within the period. This study yielded an average annual capital growth of 7.5 per cent per annum, with an average holding period of 8.4 years. Suburbs showing robust average capital appreciation include Deakin (12.9 per cent per annum), O'Connor (12 per cent) and Duffy (11.4 per cent).

Unit Market

The undersupply of units over the past two years led to an influx of development around the ACT's town centers. Strong demand for inner city apartments led to a large number of developments that are now either complete or close to completion and appear to have returned the market to a supply/demand equilibrium. The median price for a unit in Canberra closed the June period at \$420,000 representing a 0.1 per cent growth from 2010, stemming from a total of 912 transactions. A decline of 30 per cent in sales from the June 2010 half year is an indication of a slowdown in the market, although a large percentage of apartments were bought off the plan and may not be present in the data. A price point analysis revealed that most units transacted in the \$300,000 to \$399,999 and \$400,000 to \$499,999 price brackets, with each accounting for 35 per cent of sales. Many of the buyers in these brackets are investors seeking solid yields. The majority of the buyers toward the top end of the market were owner occupiers, with units selling for \$700,000 plus equating to seven per cent. Anecdotal evidence confirms that buyers are largely in control over sales in this bracket, with vendors having to reduce prices in order to meet the market.

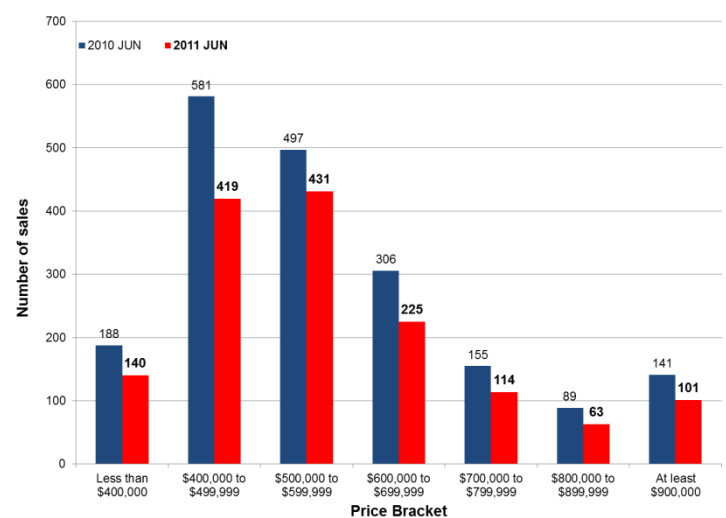
A resale analysis was conducted to ascertain the average capital growth within each suburb. The analysis identified that the suburb of Kingston, the most active suburb for the June period, averaged a growth of 5.4 per cent per annum. The second most active suburb was Bruce with an average of 6.2 per cent. The suburbs averaging strong annual capital growth of 10 per cent plus were Curtin with 13.8 per cent, Phillip (11.8 per cent) and Monash (10.1 per cent per annum).

Canberra House Sales Cycle



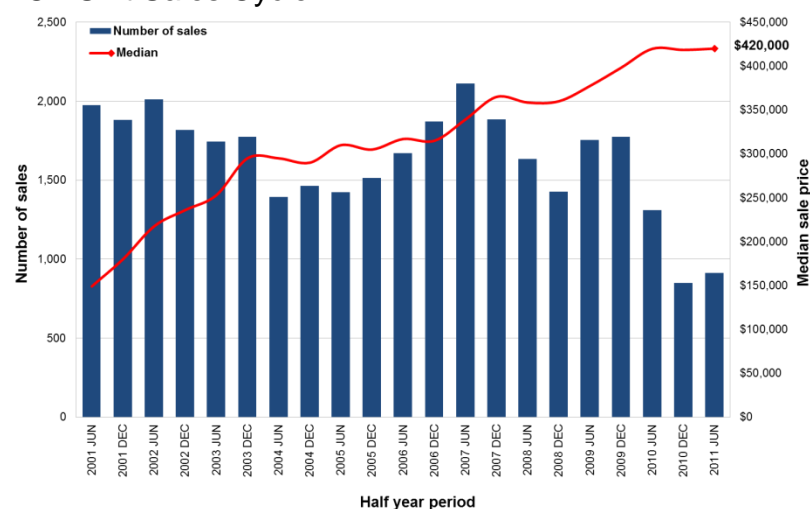
Prepared by PRDnationwide Research. Source: PDS

House Price Points – Six months to June 2010 and 2011



Prepared by PRDnationwide Research. Source: PDS

ACT Unit Sales Cycle



Prepared by PRDnationwide Research. Source: PDS

The Inner City

The following is an overview of Canberra's Inner City. The Inner North area includes the suburbs to the north of Lake Burley Griffin, west of Mount Majura, south of Mount Ainslie, and bounded to the north by the Barton Highway and Federal Highway. The main suburbs in the Inner South are Barton, Deakin, Kingston, Manuka, Red Hill and Yarralumla.

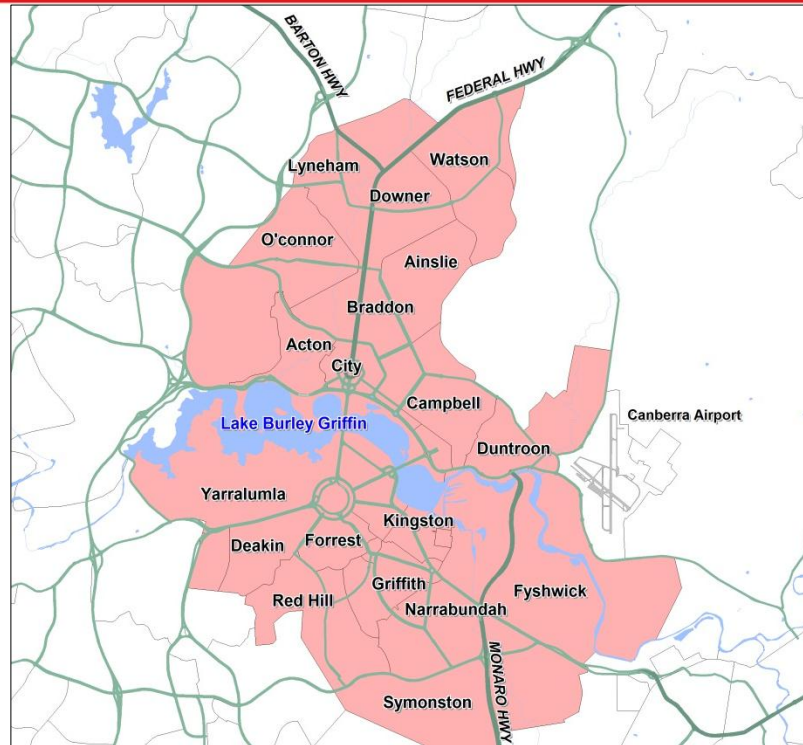
Unit Market

Units represented 61 per cent of total sales in Canberra's Inner City over the first half of 2011. Since June 2000, when unit sales activity surpassed that of separate houses for the first time, units have become the Inner City's dwelling of choice. The Inner City median unit price softened in the six months to June 2011 to a figure of \$465,000, representing a 12 month decline of 1.1 per cent. This figure represents a change in trend against the longer term growth of 5.3 per cent per annum, indicating a return to stability after a period of strong growth over the past three years. A price point analysis revealed that most transactions (38 per cent) occurred in the \$400,000 to \$499,999 price bracket. Sales at the \$900,000 plus bracket accounted for seven per cent, increasing in size from the June 2010 period, while a decline in activity was recorded toward the bottom end. The region's sales activity peaked in June 2007 where over 1,000 units transacted for the half year period. Since then market activity declined to 321 transactions in the six months to June 2011. Most activity concentrated in the suburb of Kingston, accounting for 21 per cent of Inner City transactions, and Braddon, recording 36 transactions or 11 per cent of the unit market.

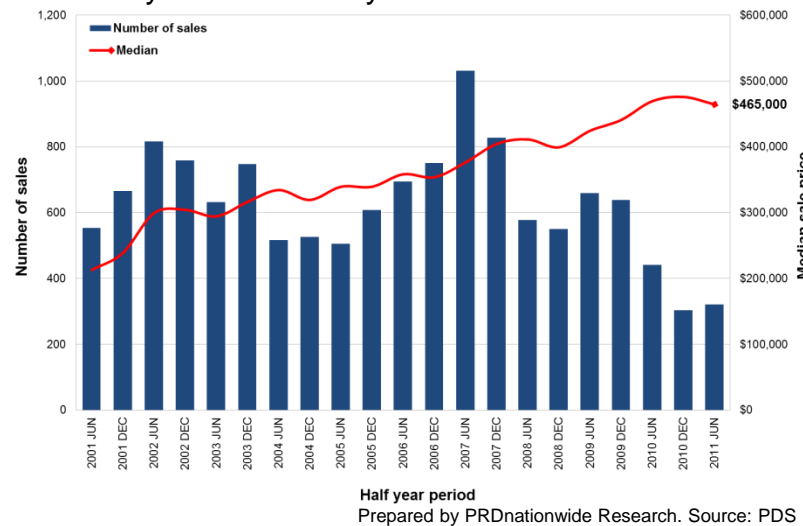
House Market

Over the six months the June 2011, 133 houses transacted in the Inner North, with the balance of 72 houses transacting in the Inner South. The median price for the region closed the June 2011 period at \$740,000, representing a decline of 2.4 per cent over the same period in 2010 and bringing the five year annual median growth to 7.6 per cent per annum. House sales activity decreased 35 per cent from 313 transactions in June 2010 to 205 in the June 2011 half year period. The Inner North suburb of Ainslie registered the highest number of transactions for the period (31) followed by Downer (22), while 18 transactions in Griffith represented the highest house activity in the Inner South.

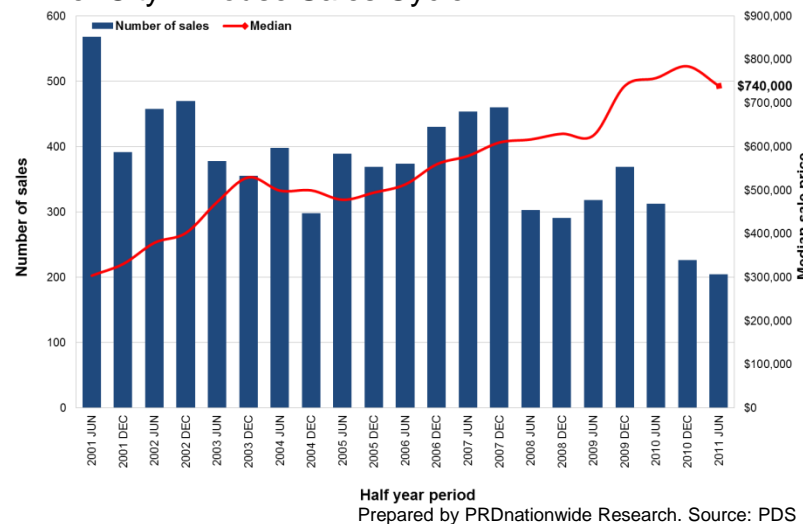
In order to better understand the recent price behavior of houses in the region, PRDnationwide analysed all house transactions during the June 2011 half year period. The analysis revealed that most Inner City houses transacted above \$1,100,000, accounting for 20 per cent of sales. This was followed by the \$600,000 to \$699,999 bracket, representing 19 per cent of sales. The Inner South accounted for the majority of sales towards the top end of the market, with the suburbs of Griffith, Yarralumla and Deakin recording the largest number of sales in the \$1,100,000 plus bracket.



Inner City– Unit Sales Cycle



Inner City – House Sales Cycle



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