

PROPERTY WATCH®

Fourth Quarter 2011

Port Macquarie

IN BRIEF

- A softer median house price was evident despite an increase of 1.3 per cent in the 12 months to June 2011.
- House rent prices increased 5.9 per cent to a median of \$360 per week for a 3 bedroom house, while rent for a 2 bedroom unit remained steady at \$230.

Scope

This report analyses the current trends and performance of the Port Macquarie house and unit markets. It also contains a brief overview of the demography and recent infrastructure developments in the region.

Area Characteristics

Port Macquarie is located approximately 300 kilometres north of Sydney and 440 kilometres south of Brisbane, in a region known for its natural beauty, wineries and beaches. The region has one of the most moderate climates in Australia, with temperatures normally ranging between 15 and 30 degrees. Port Macquarie is the regional centre within the Port Macquarie-Hastings Local Council, providing air links to Sydney and Brisbane via the Port Macquarie Airport. The City is located on the crossroads of the Pacific and Oxley Highways which are the main arterial roads in the area, while rail links to Sydney and Brisbane are available on the North Coast Line.

Demographic Snapshot

As at June 2010 the estimated population of Port Macquarie was 44,313 residents, equating to an increase of 1.8 per cent from June 2009, with an average growth of 1.6 per cent per annum between 2005 to 2010. This figure represents a solid increase in population compared to the NSW state average of 1.4 per cent per annum. Port Macquarie is home to one of the state's largest population of residents over 65 years of age, with 23.7 per cent, bringing the average age in the town to 45.

Major Projects

Projects currently under construction in and around Port Macquarie include the construction of a 5.35km realignment of Oxley Highway between Wrights Road and Pacific Highway, aimed at releasing one of the area's bottlenecks. A retail complex is currently under construction near the bus terminal at the corner of Hayward and Gordon Streets which will house a Coles Supermarket, while the first Aldi Supermarket in the area is scheduled to open on Hastings River Drive in March 2012.

Rental Market

The median rent price for a three bedroom house in Port Macquarie increased 5.9 per cent to \$360 per week in the 12 months to June 2011. For the same period the median rent for a two bedroom unit remained unchanged at \$230 per week. These figures are softer than the average for regional NSW, recording growth of 7.7 and 7.9 per cent for a three bedroom house and a two bedroom unit respectively. It is interesting to note that despite an annual decline in lodgment of new bonds, a 19.4 per cent increase was recorded in the June quarter, compared to an average of three per cent for regional NSW.



| Demographic Snapshot | Port Macquarie | Hastings LGA |
|--|----------------|--------------|
| Population 2010 | 44,313 | 76,323 |
| Population 2009 | 43,517 | 75,028 |
| Population growth rate 2009 to 2010 | 1.8% | 1.7% |
| Proportion of people aged 65 years and over | 24% | 23% |
| Proportion of people aged 15 years and younger | 18% | 18% |
| Median age | 45 | 45 |
| Median weekly household income | \$703 | \$679 |
| Median weekly individual income | \$377 | \$361 |
| Average number of people per household | 2.3 | 2 |

Table prepared by PRDNationwide Research. Source: ABS

Median Weekly Rent Prices – June 2011

| Region | 3 Bedroom House | One Year Rental Growth | 2 Bedroom Unit | One Year Rental Growth |
|----------------|-----------------|------------------------|----------------|------------------------|
| Port Macquarie | \$360 | 5.9% | \$230 | 0.0% |
| Greater Taree | \$260 | 4% | \$185 | 2.8% |
| Kempsey | \$250 | 8.2% | \$185 | 2.8% |

Table prepared by PRDNationwide Research. Source: NSW Housing

Market Overview

Despite an overall jubilation about the new downward direction of interest rates, new limitations on the stamp duty exemption will take effect on the first of January and are expected to disadvantage a large majority of first home buyers. Nevertheless, cautious optimism still remains about the Australian economy, 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 by influencing some of the country's largest trade partners in Asia.

House Market

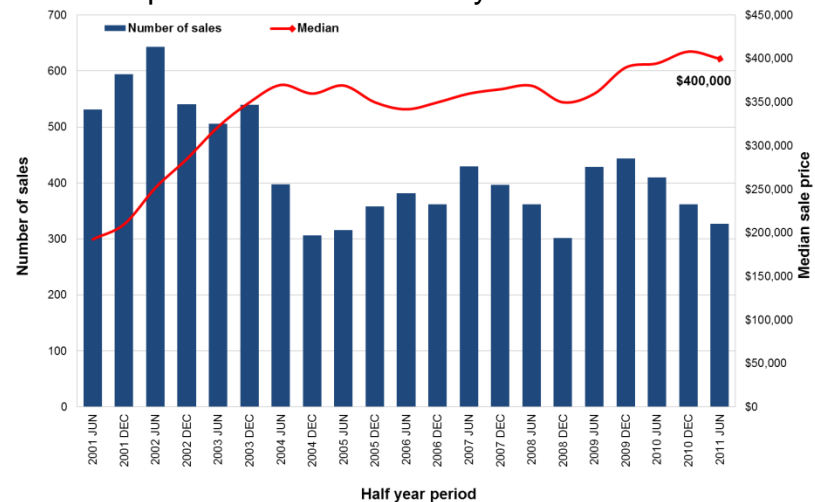
The Port Macquarie house market remained flat over the 2004 to 2009 period, with the median price remaining around \$360,000. The market reacted positively to the 2009 stimulus, with an increase in the median price that continued into 2010. Softer conditions in the first half of 2011 led to a decline in prices, reflected in the median price decreasing 1.3 per cent to \$400,000 in the 12 months to June 2011. The long term growth of 3.2 per cent per annum confirms that the suburb is best seen as a long term investment with steady growth and increasing rent prices. The first half of 2011 recorded the 327 house transactions, representing a 15 per cent contraction from the suburb's long term average and coming 26 per cent below the December 2009 activity. A comparative price point analysis revealed a drop in activity across all price brackets below \$700,000 between June 2010 and 2011. Most houses transacted in the \$300,000 to \$399,999 bracket, accounting for 40 per cent of sales, followed by the \$400,000 to \$499,999 bracket with 31 per cent. Ten houses transacted toward the top end of the market, maintaining the previous year's momentum, while the \$700,000 to \$799,999 was the only bracket to increase by one sale from the June 2010 period. Houses at the affordable end of the market experienced the second steepest decline in activity, dropping by almost 50 per cent to record 31 transactions below \$300,000.

PRDnationwide Research conducted a resale analysis for house sales over the six months to June 2011. The analysis revealed that the suburb achieved an average annual capital appreciation of 3.9 per cent per annum, with an average holding period between sales of six years and six months.

Unit Market

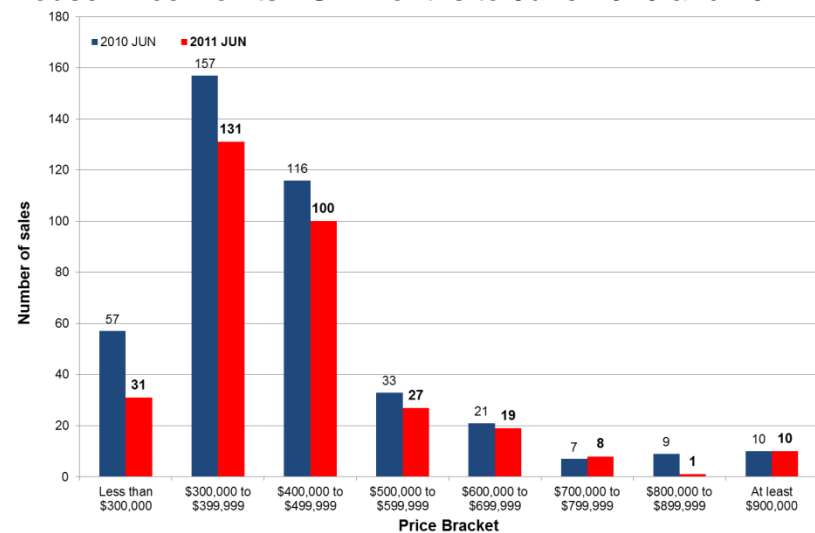
The Port Macquarie unit market experienced softer growth to that of the house market, with a 5.3 per cent decline in the median price to \$270,000 in June 2011. Sales activity also drifted lower in the June period, recording a 12 month decline of 28 per cent to 157 transactions. A price point analysis confirms that most units transacted in the \$200,000 to \$249,999 price bracket, making up 22 per cent of sales for the six month period. The analysis also suggests that 29 units or 18 per cent of the total stock sold under \$200,000, while toward the top end 11 per cent of units sold for \$500,000 plus. Units on Stewart Street and William Street recorded the highest number of sales at the top bracket, followed by properties in Mort, Hollingworth and Clarence Streets.

Port Macquarie – House Sales Cycle



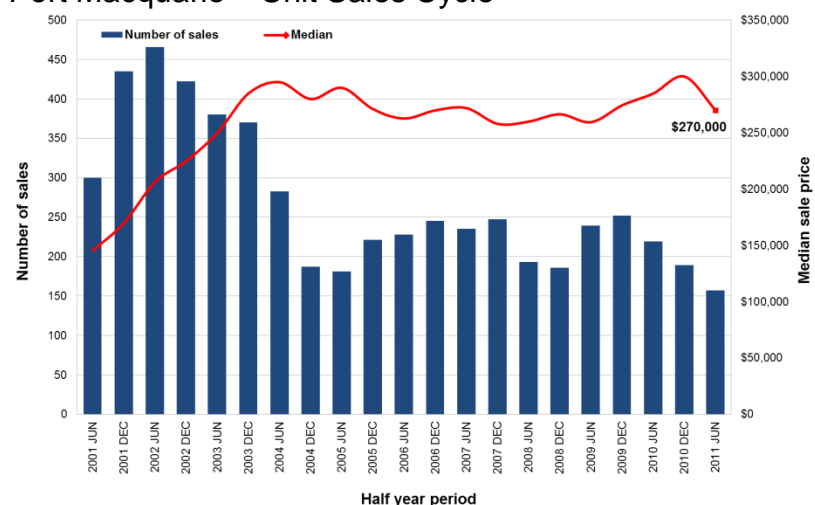
Graph prepared by PRDnationwide Research. Source: PDS

House Price Points - Six Months to June 2010 and 2011



Graph prepared by PRDnationwide Research. Source: PDS

Port Macquarie – Unit Sales Cycle



Graph prepared by PRDnationwide Research. Source: PDS

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