

## PROPERTY WATCH®

Fourth Quarter 2011

### The Hills LGA

#### IN BRIEF

- Both houses and units recorded positive growth in median price for the 12 months to June 2011, despite a significant decline in activity.
- The region recorded a strong increase in the unit rental price, with a two bedroom unit now renting for only \$40 below the median rent for a three bedroom house.

#### Scope

The following Property Watch is the result of an investigation into the house and unit markets within the Hills Local Government Area (LGA).

#### Area Characteristics

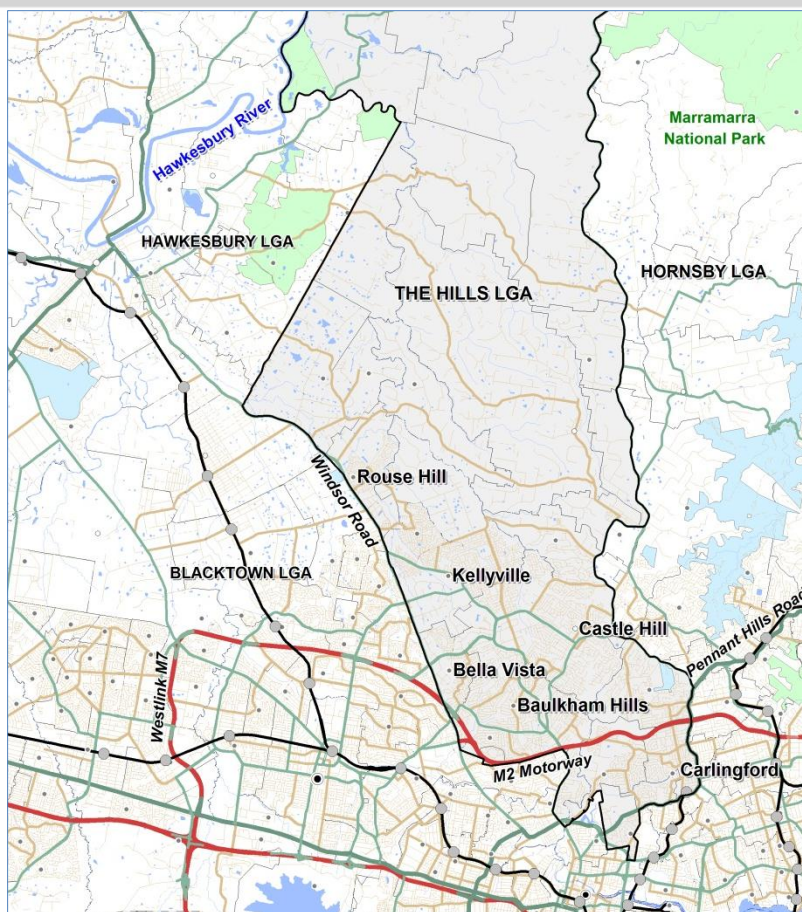
Sydney's Hills Region is located approximately 20 kilometres north west of Sydney's CBD, covering an area of 400 square kilometres. Road transportation to the area is provided through the M2 Motorway and the Westlink M7 while links to the Sydney CBD are provided via CityRail's Northern and Western Lines and by the express Hills Bus Line. The Hills District boasts many quality educational institutions, with over 70 public and private schools located within the region. Major shopping facilities are located in the Castle Hill and Rouse Hill town centres, with supporting services provided at the Norwest Business Park. The Hills recorded one of the state's largest increases in population, equating to an average of two per cent per annum between 2005 to 2010. In June 2010 the LGA was home to 179,716 residents, making it the 10<sup>th</sup> largest in NSW with the fourth largest growth for the year.

#### Infrastructure

The increase in population is concentrated in the southern part of the LGA, with the suburbs of Castle Hill, Baulkham Hills, Carlingford and Kellyville accounting for over two thirds of the region's population. The State Government recently allocated \$314 million to the North West Rail Link project, with a provisional allocation of \$2.5 billion over four years, in a line that will travel through Australia's longest rail tunnel. Also under construction is a \$550 million upgrade to the M2 Motorway, with completion expected in 2013, and the Castle Hill Main Street Project at a cost of \$40 million. Bunnings are constructing new warehouses in Castle Hill and Rouse Hill at a total cost of \$32 million.

#### Rental Market

Strong demand for rental stock is apparent in the Hills area, as home buyers confidence remains low. Rent prices continued to increase in the year to June 2011 with the median rent for a three bedroom house increasing 6.4 per cent to \$500 per week. Rent prices for a two bedroom unit climbed 12.2 per cent in the year to June, with a median price of \$460 per week. The strong increase in unit rental price (only eight per cent below the median house rent) may be related to the low maintenance nature of apartments and townhouses, making them an attractive choice for young professional. A comparative rental analysis shows that rental prices in the Hills District experienced stronger increases than neighbouring LGAs in the year to June 2011.



#### Most Active Suburbs (Houses) – June 2011 Six Months

Suburb	Number of Sales June 2010 Half Year	Number of Sales June 2011 Half Year	Median Price June 2010	Median Price June 2011	Change in Median Price
Castle Hill	281	195	\$739,999	\$770,000	4.1%
Kellyville	180	180	\$670,000	\$675,000	0.7%
Baulkham Hills	198	169	\$624,250	\$625,000	0.1%
Carlingford	68	69	\$727,500	\$735,000	1.0%
Beaumont Hills	98	66	\$660,000	\$705,000	6.8%
North Rocks	51	62	\$652,500	\$732,500	12.3%
Bella Vista	59	40	\$850,000	\$791,000	-6.9%
Glenhaven	54	39	\$900,000	\$915,000	1.7%
Kenthurst	32	27	\$1,180,000	\$1,050,000	-11.0%
Dural	18	23	\$811,500	\$825,000	1.7%

Table prepared by PRDnationwide Research. Source: Housing NSW

#### Median Weekly Rent – June 2011

LGA	3 Bedroom House	One Year Rental Growth	2 Bedroom Unit	One Year Rental Growth
The Hills	\$500	6.4%	\$460	12.2%
Hornsby	\$520	4.0%	\$430	4.9%
Blacktown	\$360	2.9%	\$340	9.7%

Table prepared by PRDnationwide Research. Source: Housing NSW

## House Market

The 2006 Census puts detached houses at 86 per cent of total dwellings in the Hills LGA. The data indicates a 12 month growth of 2.4 per cent to a median price of \$702,650, despite a small decline in price in the first half of 2011. Activity in the region also declined, with 1,002 transactions compared to the long term average of 1,143 per six months period. The price point index suggests that most houses transacted in the \$600,000 to \$699,999 price bracket, accounting for 27 per cent of sales. Whilst properties selling for \$1,100,000 plus represented eight per cent of the market, more affordable stock below \$500,000 only accounted for five per cent. Further analysis acknowledges that the majority of price brackets recorded a drop in activity, while the \$700,000 to \$799,999 recorded a four per cent increase and the \$900,000 to \$999,999 bracket remained unchanged. The suburb of Castle Hill recorded the highest number of sales for the first half of 2011, with 195 house transactions, followed by Kellyville with 180 and Baulkham Hills with 169. Dural and North Rocks recorded an increase in sales between June 2010 and 2011, while a significant drop in activity was recorded in Oatlands (-43 per cent), Beaumont Hills (-33 per cent), Bella Vista (-32 per cent) and Castle Hill (-31 per cent).

To ascertain the returns achieved by home owners who sold their house during the first half of 2011, PRDnationwide Research conducted a resale analysis. It revealed an average annual capital appreciation of four per cent per annum, with an average holding period of six years. The analysis also ranked the suburbs by capital growth, with Northmead ranked the highest with an average capital growth of 7.6 per cent for the June 2011 period. It was followed by Glenhaven with six per cent and Rouse Hill averaging growth of 4.9 per cent per annum.

## Unit Market

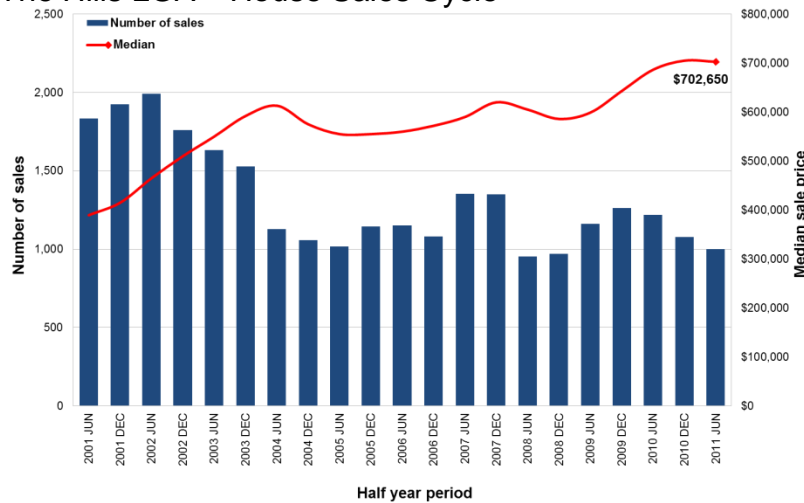
Over the past five years units and town houses averaged 24 per cent of total dwelling sales, with notable peaks that correspond to first home buyers activity. The median price of a unit in the Hills District declined slightly from the December 2010 period but still recorded a positive 12 month growth of one per cent in June 2011. Activity declined in line with the median price, with 269 units transacting in the June 2011 period. This represents a drop of 27 per cent from the June 2010 period and is 46 per cent below the December 2009 peak. The price points distribution confirms the downward trend in activity, with the largest bracket of \$450,000 to \$499,999 price bracket recording a 27 per cent drop in activity from the June 2010 period. The most aggressive decline was recorded in the \$400,000 to \$449,999, decreasing from 85 sales in 2010 to 52 in 2011. The smallest decline was recorded in the \$500,000 to \$549,999 bracket with a four per cent decline. Castle Hill and Baulkham Hills experienced the highest number of sales, despite a drop in activity of 31 per cent and 23 per cent respectively. Dural was the only suburb to maintain its activity levels, recording 10 unit sales for the June period in both 2010 and 2011.

The recent cut in the cash rate is certainly good news for the region, which forms part of Sydney's 'mortgage belt'. However, it will remain to be seen if it will boost buyer's confidence or merely allow those who over borrowed to pay off existing loans.

Prepared by PRDnationwide Research. Source: PDS, REINSW, Housing NSW, BCI Australia and the ABS. For further details contact: Oded Reuveni Etzioni, Research Analyst  
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## The Hills LGA – House Sales Cycle



Graph prepared by PRDnationwide Research. Source: PDS

## Unit Price Points – Six Months to June 2011

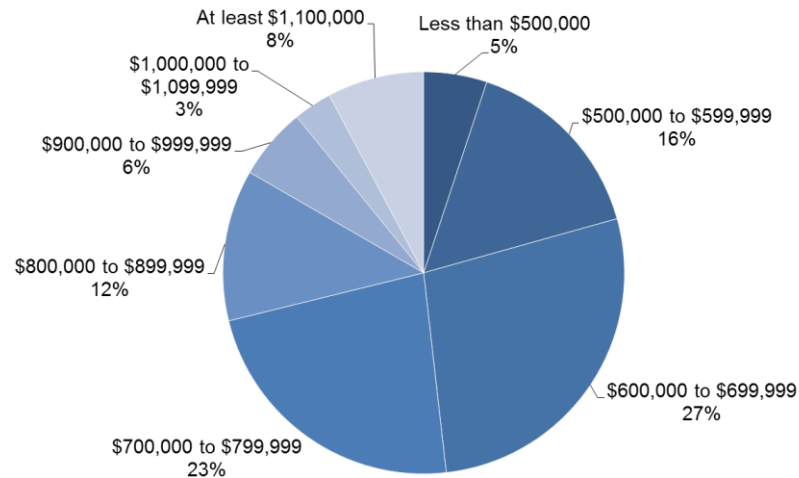
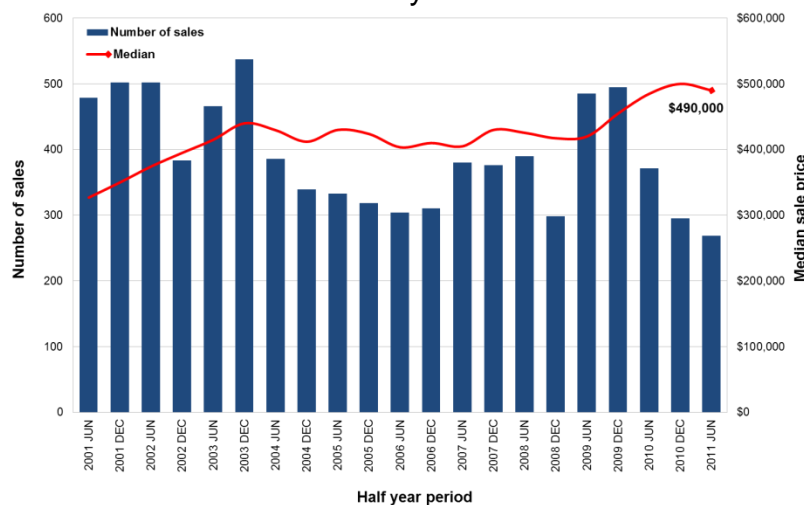


Chart prepared by PRDnationwide Research. Source: PDS

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