

NORTHERN NSW MARKET OVERVIEW



- Within the Northern NSW property market sales activity and price has fallen from the incentivised peak at the end of 2009.
- The conclusion of the First Home Buyers Boost, growing cost of living and rising interest rates has seen confidence slide, leading to more conservative spending from households consolidating debts.
- It is anticipated that this market will remain flat over the short term as the market approaches the bottom of its cycle, however, diminishing capital values and the favourable position held by purchasers in the market place will see the market begin to turn.

Overview

The Northern New South Wales (NSW) Region spans 90 kilometres along the coastline, offering a combination of national parks and golden NSW. The area is located between 742 kilometres to 828 kilometres north of Sydney and 110 kilometres to 191 kilometres south of Brisbane. It is typified by quiet beachside communities with undeveloped landscapes, representing a haven for holiday makers and retirees. Recently, improvements to the accessibility of this region has made it possible for residents to utilise the ever expanding employment nodes of the Gold Coast and Coolangatta, but still retain the quieter beachside living that the northern beach towns offer. Access to the region is made possible by the Pacific Motorway, running parallel to the coastline. Ballina offers a domestic airport, while the international airport of Coolangatta is only a short drive north of the region.

Although this region appeals to wide demographic in pursuit of the alluring coastal lifestyle, the diversity and unique qualities within this market necessitates an analysis of four key precincts. These precincts are the Tweed Coast, Ocean Shores Area, Byron Bay Area and the Ballina and Lennox Head Area. The suburbs comprising these regions are listed below.

Tweed Coast: Banora Point, Bogangar, Cabarita Beach, Casuarina, Chinderah, Fingal Head, Hastings Point, Kingscliff, Pottsville, Tweed Heads, Tweed Heads South.

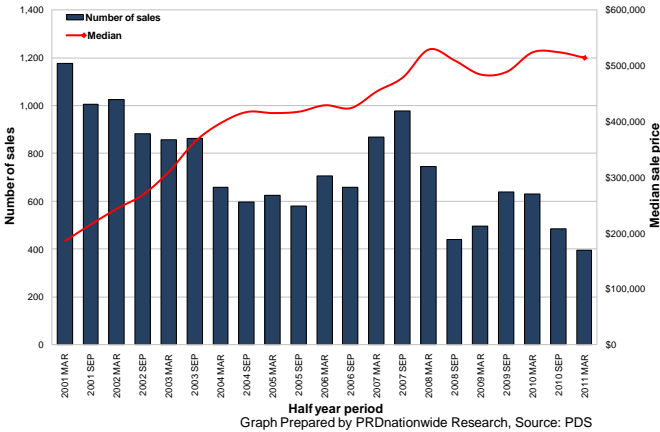
Ocean Shores Area: Billinudgel, Brunswick Heads, New Brighton, Ocean Shores, South Golden Beach.

Byron Bay Area: Byron Bay, Skinners Shoot, Suffolk Park.

Ballina and Lennox Head Area: Ballina, East Ballina, Lennox Head, Skennars Head, South Ballina, West Ballina.

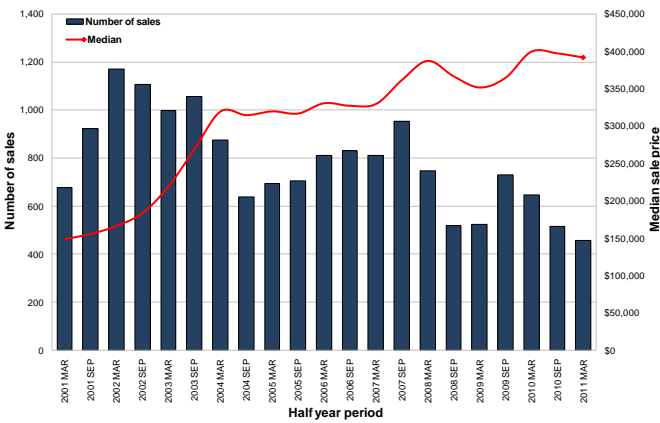
NORTHERN NSW MARKET OVERVIEW

Northern NSW House Sales Cycle



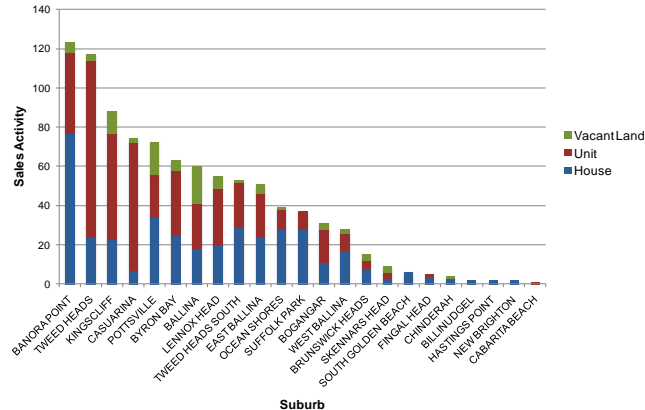
Graph Prepared by PRDnationwide Research, Source: PDS

Northern NSW Unit Sales Cycle



Graph Prepared by PRDnationwide Research, Source: PDS

March 2011 Half Year Sales Breakdown



Graph Prepared by PRDnationwide Research, Source: PDS

Northern NSW Market

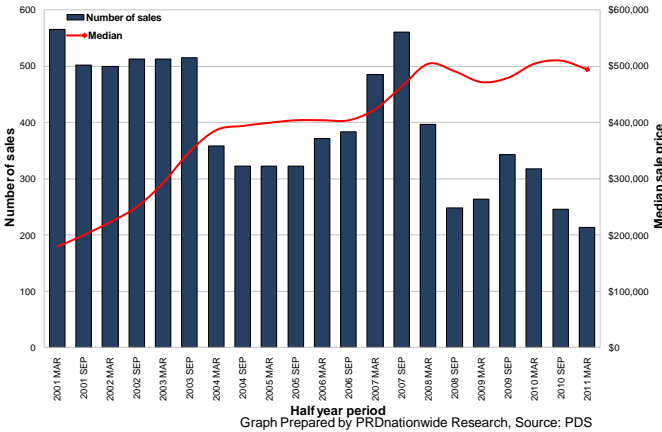
Within the Northern NSW property market sales activity has fallen from the incentivised peak at the end of 2009. During this period the market saw sales propped up by record low interest rates and the First Home Buyers Boost which was subsequently withdrawn at the end of 2009. The conclusion of the increased grant, growing cost of living and rising interest rates has seen confidence slide, leading to more conservative spending from households consolidating debts. This has had a strong effect on sales volumes translating into modest price falls for the Northern NSW market. Although not reflected in the house sales cycle graph, sales from the March 2011 half year have continued to be weak as speculation about the state of the global economy and the movement of interest rates has subdued demand. It is anticipated that this market will remain flat over the short term as the market approaches the bottom of its cycle, however, diminishing capital values and the favourable position held by purchasers in the market place will see the market begin to turn. It is unlikely that growth will mimic the unsustainable level experienced prior to the 2007 market peak with a moderate growth rate a more probable scenario.

Over the six months to March 2011, real estate transactions in the Northern NSW market have fallen 34.4% (492 sales) to register 937 house, unit and land sales. The majority of transactions were for units accounting for 48.7% of sales, while houses accounted for a further 42.2%. The constitution of sales reflects the prevalence of unit type properties in the area and also the popularity of this property type in this coastal region. Over the past 12 months, the unit market has proven to be the most robust with only a 29.5% drop in sales compared to the 43% fall recorded in land sales and 37.4% drop in house sales.

Sales activity is at the lowest recorded levels since 1994. Ultimately this has caused vendors to revise their expectations of price and make consolidations in order to contract a sale. The house and unit markets have both recorded a 1.9% fall in median price over the past 12 months, which will vary among the different markets of the Northern NSW region.

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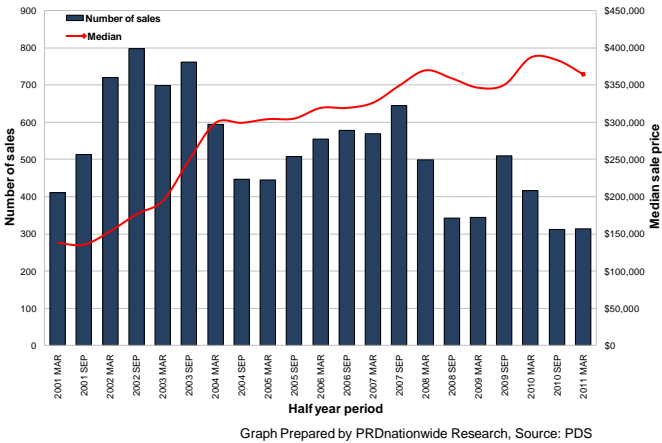
Tweed Coast House Sales Cycle



Tweed Coast Market

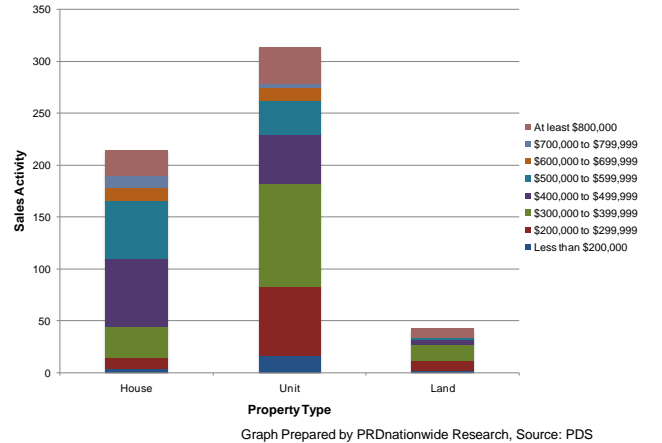
Similarly to the Northern NSW Region, the Tweed Coast market is in the midst of its most subdued period in a least a decade, characterised by record low sales volumes and falling median price. Over the six months to March 2011, real estate transactions in the Tweed Coast market have fallen 30.9% (256 sales) to register 570 house, unit and land sales. This market has recorded a smaller decline than that seen in the Northern NSW Area, indicating that demand is holding up better than other markets, most likely as a result of the appeal of the region. The majority of transactions comprised unit sales which accounted for 55.1% of total sales for the period, while houses accounted for a further 37.5%. This reflects the dominance of the unit market in this region. Over the past 12 months, the unit market has again recorded the slowest fall in sales with a 24.5% drop as compared to the 54.3% drop recorded in land sales and 32.7% drop in house sales.

Tweed Coast Unit Sales Cycle



As buyers remain dormant in the market, there has been a weakening in the value of property in the region. The unit market has seen the strongest decrease in median price over the 12 months to March 2011, with a 5.8% decline to record a final median price of \$365,000. The house market has recorded a fall of 2% to register a median price of \$365,000. Although all property types have experienced falling values as a result of the Global Financial Crisis (GFC), long term growth over the past five years from the March 2006 period still remains positive. Over this period houses have recorded 4.1% growth per annum, while units recorded 2.7% per annum.

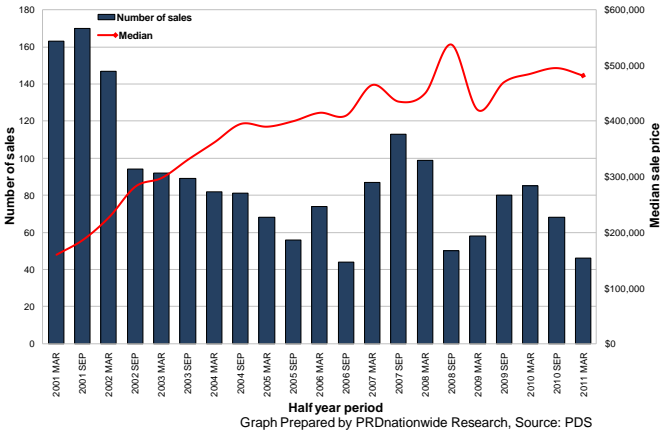
March 2011 Half Year Price Points



In terms of the price point distributions over the 12 months to March 2011, the majority of houses sold within the \$400,000 to \$599,999 price bracket accounting for 57% of total house sales. The unit market has seen the bulk of its transactions occur within the \$200,000 to \$399,999 price point at 52.5% of sales. Similarly, land has seen 59.5% of sales transact within the \$200,000 to \$399,999 price point.

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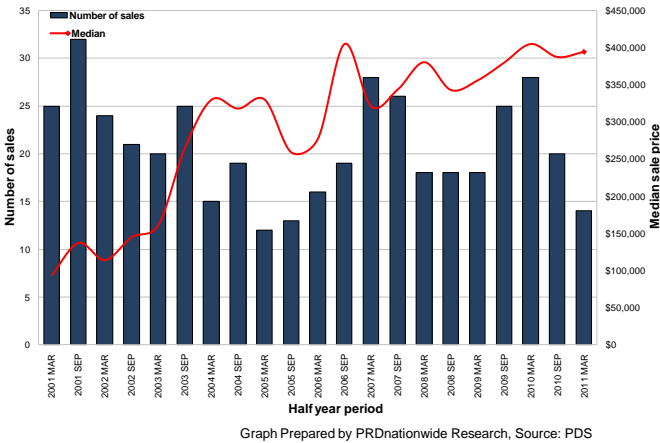
Ocean Shores Area House Sales Cycle



Ocean Shores Area Market

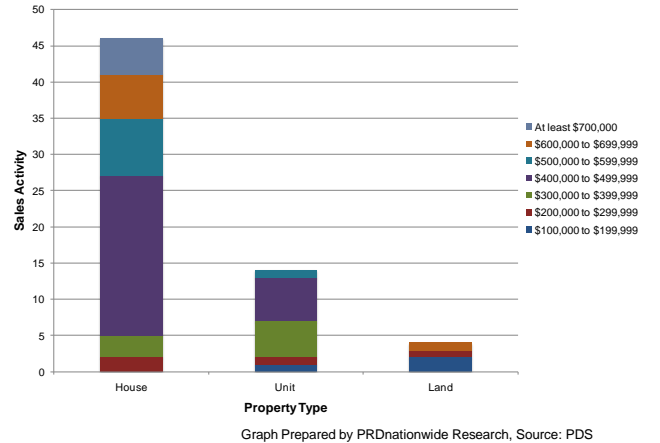
The Ocean Shores market represents the most undeveloped area in the Northern NSW Region. As such, this market has a smaller portion of units than the other more developed regions and holds a stronger potential to become more established in the future providing strong returns for long term purchasers. It can be expected that the Ocean Shores market is also approaching the bottom of its property cycle with record low sales volumes and declining values. As the market stabilises it is anticipated that sales volumes will strengthen at a moderate pace preceding price growth. Over the six months to March 2011, total property transactions in the Ocean Shores market have fallen 51.9% (69 sales) to register 64 house, unit and land sales. The vast majority of sales were houses which accounted for 71.9% of total sales for the period, while units accounted for a further 21.9%.

Ocean Shores Area Unit Sales Cycle



Property values in the Ocean Shores market has been more resilient than other markets in the region. However, this could be partial explanation for the stronger softening in sales with vendors reluctant to make concessions on price to achieve a sale. The unit market has seen the strongest decrease in median price over the 12 months to March 2011, with a 2.6% decline to record a median price of \$394,500. The house market has recorded a marginal drop of 0.6% to register a median price of \$481,895. Following the GFC there has been a fall in values for all property types, although long term growth over the past five years from March 2006 highlights the returns achieved prior to 2008. Over the past five years houses have recorded 3.0% growth per annum while unit have recorded 7.3% per annum.

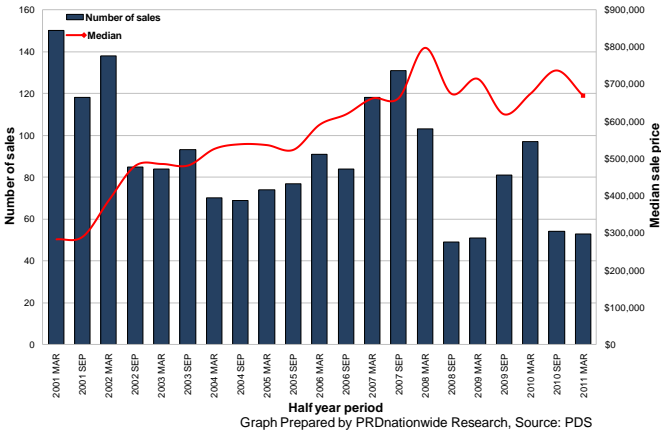
March 2011 Half Year Price Points



In terms of the price point distributions over the 12 months to March 2011, the majority of houses sold within the \$400,000 to \$499,999 price bracket accounting for 47.8% of total house sales. The unit market has seen the bulk of its transactions occur within the \$300,000 to \$499,999 price point at 78.6% of sales, while the land market saw 75.0% of sales transact under the \$300,000 price point.

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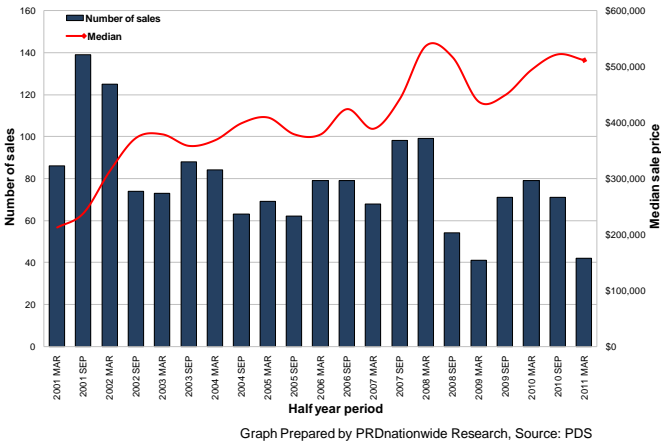
Byron Bay Area House Sales Cycle



Byron Bay Area Market

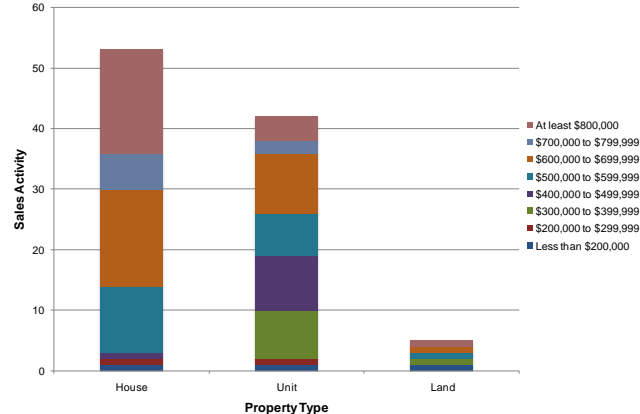
The Byron Bay market has followed a similar trend to the greater Northern NSW market, with a recovery period facilitated by the Government stimulus throughout the second half of 2009. This was followed by a significant drop in transactions as the First Home Owners Boost was withdrawn, interest rates started increasing and cost of living was rising. This has affected falling prices as fewer buyers mean that vendors must become more competitive when selling. However, with such low sale volumes and price corrections, it is perceived that the market is approaching the bottom of its cycle which will lead to improving sales activity and median price. Over the six months to March 2011, property transactions in the Ocean Shores market have totalled 100 house, unit and land sales. This equates to a decrease of 46% (84 sales) from the corresponding period in 2010. The majority of sales were houses which accounted for 53% of total sales for the period, while units accounted for a further 42%.

Byron Bay Area Unit Sales Cycle



Over the six months to March 2011 property values in the Byron Bay Area have begun to slide as buyer confidence recedes and vendors are forced to revise their expectations of price. Despite this, the unit market has still recorded a 12 month growth in median price of 3.4% per annum to reach a median price of \$512,000, making it the most exclusive market in the Northern NSW Region. On the other hand Byron Bay Area houses have registered a softening of 0.7%, culminating to a median price of \$670,000. This was also the highest median price for a house market in the Northern NSW Region.

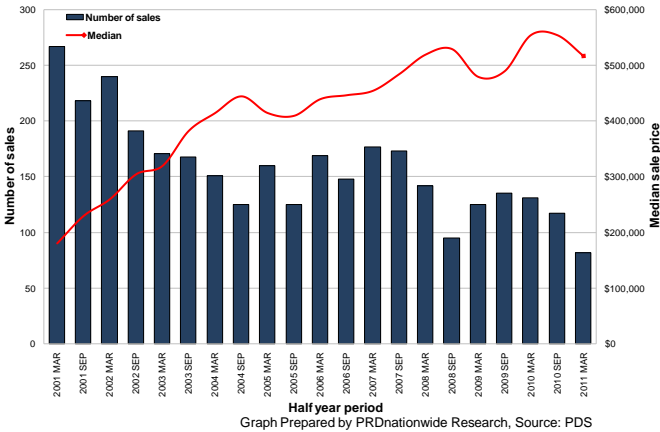
March 2011 Half Year Price Points



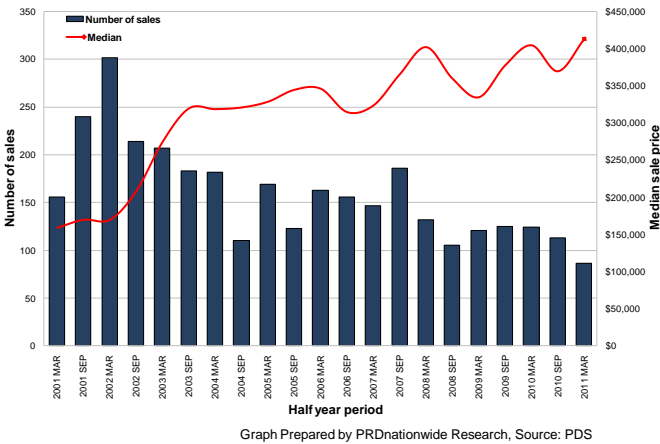
In terms of the price point distributions over the 12 months to March 2011, the majority of houses sold for at least \$800,000 accounting for 32.1% of total house sales. This was followed by the \$600,000 to \$699,999 price point which saw a further 30.2% of house sales. The unit market has seen the bulk of its transactions occur within the \$300,000 to \$699,999 price point at 81% of sales, while the land market saw an even distribution of sales.

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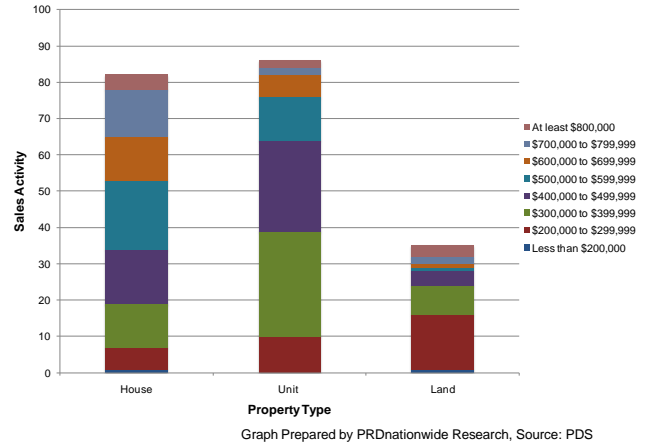
Ballina & Lennox Head Area House Sales Cycle



Ballina & Lennox Head Area Unit Sales Cycle



March 2011 Half Year Price Points



Ballina & Lennox Head Area Market

The Ballina and Lennox Head Area market has progressively softened since recording a peak in activity during the six months to March 2002 where 628 property sales were recorded. This drop in transactions has predominately occurred in the housing market which has hit its lowest volumes of transactions on record from 1994. The unit market has enjoyed a sturdier platform, however this still has recorded its lowest sales since the March 1997 half year period. This presents an opportunity to purchasers to capitalise on the buyer favourable conditions with historically low interest rates and proof that the market, despite recording its lowest level of transactions, has held its value well. The primary catalyst for this low volume of sales being recorded is a lack of buyer confidence, arising from the growing cost of living and debt, with seven consecutive increases to the cash rate since October 2009.

Over the six months to March 2011 property values in the Ballina and Lennox Head Area have started to dip as buyers exiting the market prompts less competition, leading to a slowing in price. The house market has recorded a 12 month decline of 6.8% in median price equating to a final median of \$517,500. Unit values however have been more robust registering a 2.1% increase in median price culminating to a median price peak of \$413,500. These median prices are the second strongest recorded in the Northern NSW market.

In terms of the price point distributions over the 12 months to March 2011, the distribution of house sales was comparatively even signifying a diversity of stock within the market. The most active price bracket was \$500,000 to \$599,999 which saw 23.2% of house sales. This was followed by the more affordable \$400,000 to \$499,999 price point which saw a further 18.3% of house transactions. The bulk of unit transactions were absorbed between the \$300,000 to \$499,999 price point with 62.8% of total unit sales. The land market saw 65.7% of sales transact within \$200,000 to \$399,999.