

GOLD COAST MARKET OVERVIEW



- The rising cost of living and an increasingly debt averse population has also helped shift the market in favour of discretionary purchasers and investors.
- The absorption of the existing unit supply is dependent on a number of key factors such as interest rates, employment, access to credit and strength of the Australian Dollar.
- The vacant land market on the Gold Coast is currently in the midst of its most subdued period in the last decade registering the strongest fall in sales volumes over the most recent six months to December 2010.

Overview

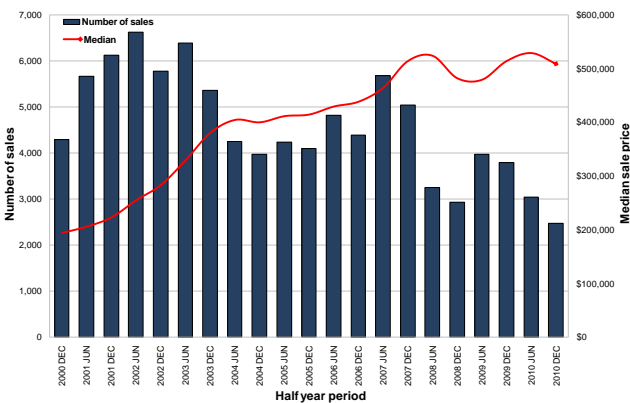
The Gold Coast is a coastal city of Australia located in the southeast corner of Queensland. The Gold Coast stretches from Alberton in the north to Coolangatta in the South. This sundry region is full of contrasts with the coastline stretching for 42 kilometres, renowned for its pristine surf beaches, while the hinterland provides acreage living with panoramic views of the coast and city lights. This market is well known as one of Australia's premiere tourist locations both domestically and internationally. Popular activities in the area tend to revolve around the water including boating, fishing, surfing, SCUBA diving and simply relaxing on the beach. Other attractions include the Conrad Jupiters Casino, a variety of annual festivals and events as well as theme parks including Sea World, Dreamworld and Movie World.

The local real estate market offers a myriad of residential options in-between the ocean and hinterland, from canal estates and island living to affordable markets suitable for first home buyers. In addition, Queensland's second largest commercial office market is located on the Gold Coast creating a strong and diverse economy. The Gold Coast is easily accessible with Queensland's capital, Brisbane, less than an hours drive from Surfers Paradise along the M1 Motorway. Similarly, Queensland Rail operates train services via the Varsity Lakes train station and the Gold Coast Airport which is located at Coolangatta, approximately 22 kilometres south of Surfers Paradise. The Gold Coast economy was previously hinged off the developmental industries of construction, tourism and retail. However, the city has now formed a diverse economy based around marine, education, information communication and technology, food, tourism, creative, environment and sports industries.

The Gold Coast has recorded falling sales volumes and capital values across all its markets over 2010, a trend seen through the majority of Queensland's markets. This downturn is the product of hesitant purchasers, deterred by an economic climate of rising interest rates, tighter lending criteria, the withdrawal of government incentives, falling construction and increasing cost of living. However, as the market approaches the bottom of its cycle, its strengthening rental market will provide strong yields to investors willing to capitalise on discounted prices.

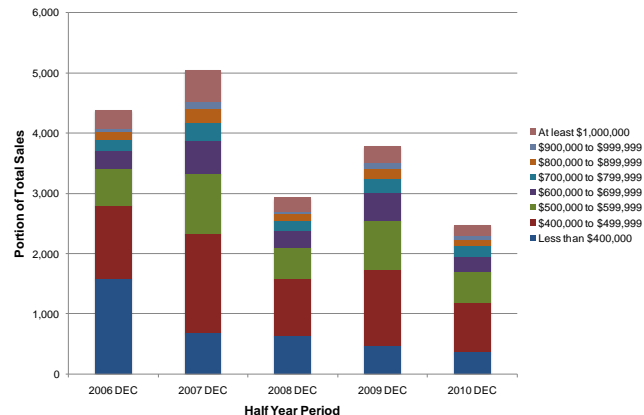
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Gold Coast House Sales Cycle



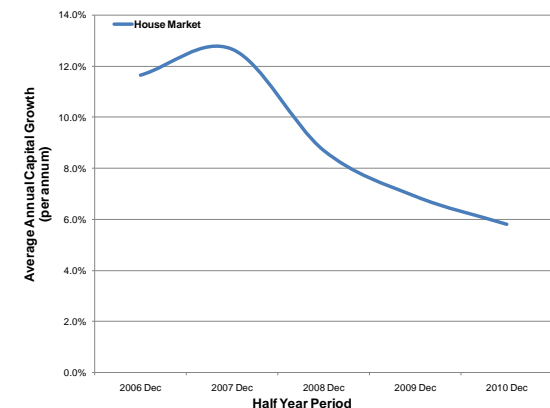
Graph Prepared by PRDnationwide Research, Source: PDS

Gold Coast House Price Points



Graph Prepared by PRDnationwide Research, Source: PDS

Average Annual Capital Growth by Year



Graph Prepared by PRDnationwide Research, Source: PDS

House Market

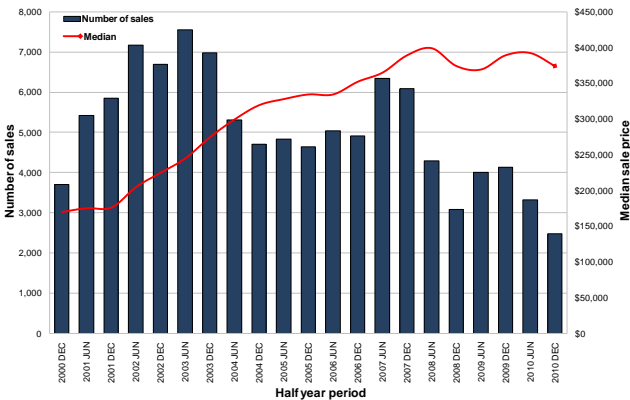
Over the 2010 calendar year the Gold Coast housing market has followed the wider trends seen within the Queensland property market, with decreasing sales activity and median price from the incentive driven 2009 calendar year. This period was propped up by government incentives including record low interest rates, the First Home Buyers Boost which were withdrawn at the end of 2009 revealing the true market conditions. The rising cost of living and an increasingly debt averse population has also helped shift the market in favour of discretionary purchasers and investors. It is anticipated that this market will remain flat throughout the short term, as an inevitable increase to interest rates continues to deter purchasers. However, diminishing capital values and competition in the rental market will provide strengthening weekly rents and ultimately higher yields.

PRDnationwide Research has conducted a resale analysis on houses sold within Gold Coast. To do this, all capital gains achieved from houses sold within a six month period are averaged out to give an annual growth figure for the area. As displayed in the Average Annual Capital Growth Graph, home owners who sold prior to the GFC saw greater capital growth than those who held onto their houses and sold within the past two years, where capital values have softened. Looking at median price movements over the most recent half year period, the Gold Coast has recorded an annual softening of 1%, culminating to a median price of \$510,000.

During the December 2010 half year, the subdued Gold Coast housing market has recorded its lowest level of sales activity in at least the past decade, equating to 2,475 sales. This represents a softening of 35% (1,308 sales) from the 3,783 settled transactions recorded during the corresponding period in 2009. Houses have been the least affected property type on the Gold Coast with much stronger softening's recorded in both units and vacant land. The most active price point during the December 2010 half year was the \$400,000 to \$499,999 bracket, which accounted for 33% of house sales. This was followed by the \$500,000 to \$599,999 price point, which saw a further 20% of total transactions. On an individual suburb level, Upper Coomera has recorded the majority of sales achieving 153 settled transactions, 76% of which registered under the \$500,000 price point. This was followed by Robina and Pacific Pines with 120 and 104 settled transactions respectively. The price points within Pacific Pines during the December 2010 half year remain dominated by the affordable sub \$500,000 market, while in Robina the price points are more evenly distributed.

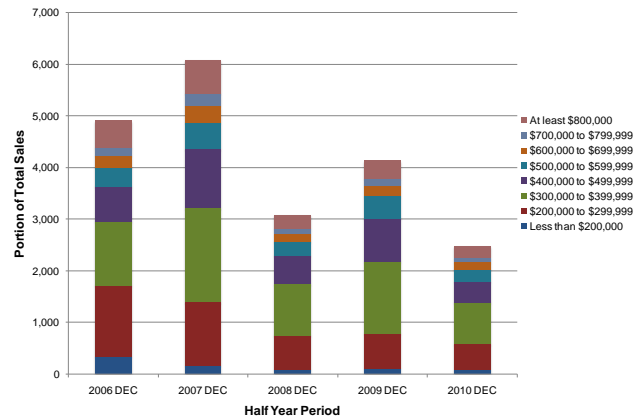
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Gold Coast Unit Sales Cycle



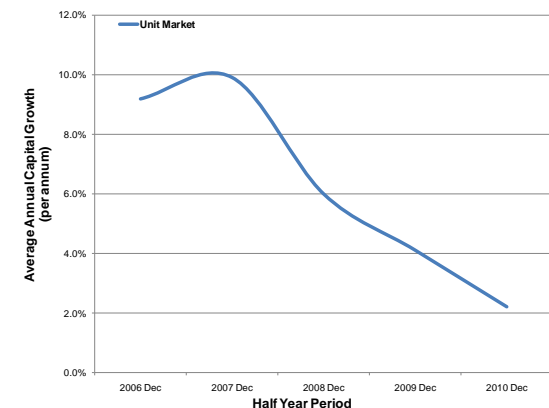
Graph Prepared by PRDnationwide Research, Source: PDS

Gold Coast Unit Price Points



Graph Prepared by PRDnationwide Research, Source: PDS

Average Annual Capital Growth by Year



Graph Prepared by PRDnationwide Research, Source: PDS

Unit Market

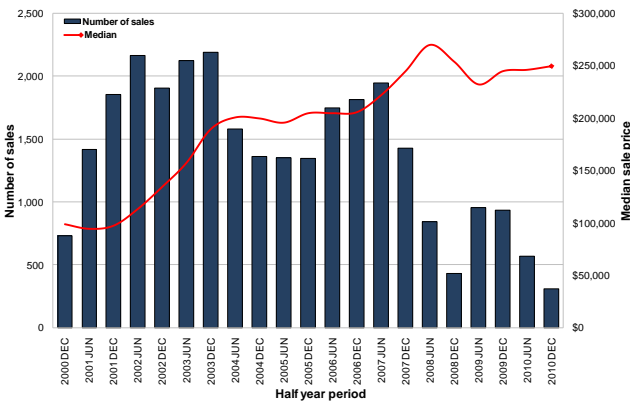
The well publicised oversupply of unit product on the Gold Coast and lack of active purchasers in the market has lead to softer capital values and record low level of sales activity. Currently, the Gold Coast unit market is likely nearing the bottom of its property cycle with stagnating development activity. However, the absorption of the existing unit supply is dependent on a number of key factors such as interest rates, employment, access to credit and strength of the Australian Dollar. A potential kick start for the economy, and one which will be eagerly anticipated, is the announcement of the winning bid for the 2018 Commonwealth Games. Should the Gold Coast be successful, this will see a great deal of investment into the local economy and further boost the regional domestic and international profile.

A resale analysis has been conducted on units sold within Gold Coast during the half year to December 2010 revealing an average annual capital growth of 2.2% per annum. Following the markets peak in 2003, where average annual capital growth was in excess of 20% per annum, average annual capital growth has steadily declined. These softening's were particularly strong following the GFC, as seen in the Average Annual Capital Growth graph, which tracks the returns achieved by home owners who have sold within a half year period. Following the GFC the drop in prices has seen the average annual returns of unit owners diminish considerably from almost 10% per annum in 2007 to 2% per annum over the most recent period. Looking at the median price over the most recent half year, the Gold Coast recorded a 3.8% annual decrease, culminating to a median price of \$375,000. This fall in the median price represents the current market where vendors have to discount prices to make their property more attractive to purchasers.

Sales have softened considerably from the December 2009 half year period by 40%, to record a total of 2,471 settled transactions. This is well below the five year average of 4,368 sales per half year period. The most active price point during the six months to December 2010 was the \$300,000 to \$399,999 market, with 32% of total sales. This was followed by the \$200,000 to \$299,999 market with 20% of total sales, indicating a stronger demand for the more affordable price points on the Gold Coast. On an individual suburb level Surfers Paradise has recorded the majority of settled unit sales, achieving 411 settled transactions. This was followed by Southport and Broadbeach with 279 and 179 settled transactions respectively. Surfers Paradise and Robina have recorded the most significant softening in sales activity, recording 237 and 111 sales less than the corresponding period in 2009.

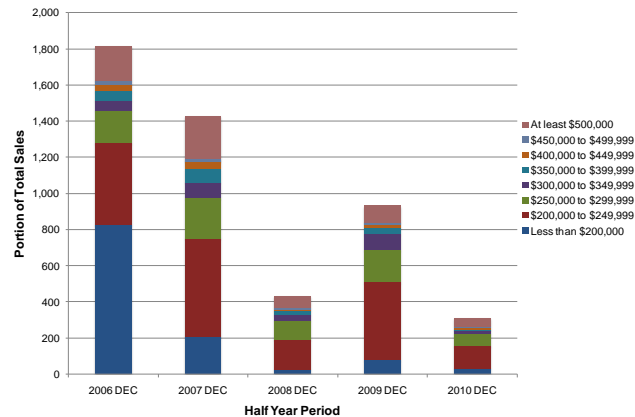
GOLD COAST MARKET OVERVIEW

Gold Coast Vacant Land Sales Cycle



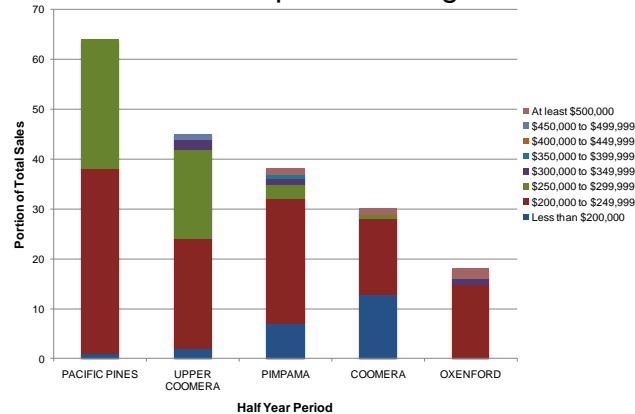
Graph Prepared by PRDnationwide Research, Source: PDS

Gold Coast Vacant Land Price Points



Graph Prepared by PRDnationwide Research, Source: PDS

Price Points of Top Performing Suburbs



Graph Prepared by PRDnationwide Research, Source: PDS

Vacant Land Market

The vacant land market on the Gold Coast is currently in the midst of its most subdued period in the last decade registering the strongest fall in sales volumes over the most recent six months to December 2010. Vacant land in this region is primarily released from master planned communities, which facilitated by the First Home Buyers Boost over 2009. However, since its removal, sales activity has dwindled. This downturn can also be attributed to increasing interest rates and the rising costs of living, which have given rise to an uncertainty and apprehensions surrounding property. The Vacant Land Sales Cycle graph shows the median price of vacant land has remained steady over the past 12 months; yet the reality is that values have most certainly retreated. This perceived median price is the result of a significant contraction in the lower end of the market pushing the median price (middle sale value) higher.

Looking at the median land price over the most recent six month period, the Gold Coast has recorded an annual growth of 2%, to register a median price of \$249,800. As highlighted above, this does not reflect increasing capital values rather a change in the dominant purchasers within the market.

Settled vacant land transactions have fallen a staggering 67% since the December 2009 half year period to record a total of 307 transactions. This level of settled transactions is the lowest volume of sales recorded throughout the past ten years, and registers well under the five year average of 1,096 sales per half year. In terms of the price point distributions, there have been contractions across all market segments, however the strongest has been absorbed within the sub \$200,000 to \$249,999 market which accounted for 49% of the total annual drop in sales. This market still holds the majority of transactions accounting for 41% of the total sales over the half year to December 2010. This was followed by the \$250,000 to \$299,999 price bracket, which achieved 23% of total sales. On an individual suburb level, Pacific Pines recorded the majority of settled transactions with 64 sales. The bulk of these sales occurred within the \$200,000 to \$249,999. This was followed by Upper Coomera and Pimpama, with 45 and 38 settled transactions respectively.