Greater Sydney Rural Lifestyle Properties

Second Quarter I 2011

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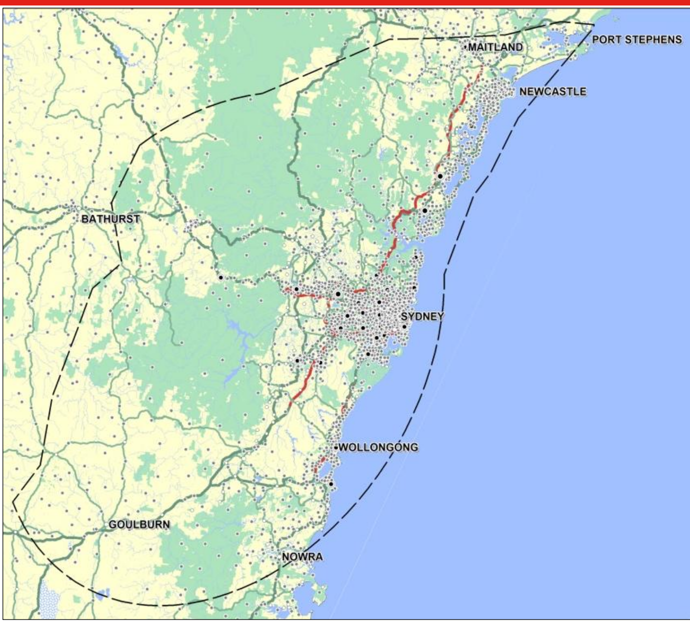

- Rural residential lots of between one and ten acres are common in the Dural and Camden Regions of the Sydney Metropolitan Area.
- Rural lifestyle properties range between 10 to 40 hectares and are generally located further away from Metropolitan Sydney, predominantly in the Hunter Valley and Southern Tablelands.
- Conversion ratios:
  1 Acre = 0.404685 hectares = 4,047 m²
  1 Hectare = 2.47 acres = 10,000 m²

Scope

This report aims to provide an overview of rural lifestyle properties within a two and a half hour drive from the Sydney CBD.

Introduction

Smaller size rural lots have proven to be a popular choice for buyers from both city and country areas. City residents often seek a weekend retreat, normally within two to two and a half hours from Sydney, allowing for recreational and maintenance activities to be done on weekends and during holiday periods. Farmers in country areas may choose to downsize to smaller lifestyle properties offering a similar setting to their former larger farm, but within closer proximity to a town centre. At the same time, residents of larger country towns will prefer to purchase lots within 10 to 20 minute drive from the town centre, offering semi rural lifestyle while still maintaining their employment in town.

For the purpose of this report we made a distinction between two lot size ranges:

'**Rural residential'** properties –lot size ranging between one to ten acres (0.4 to 4 hectares) – these are smaller lots, normally closer to the town centre, offering larger residential lot either in or out of an estate development. Upkeep of animals may be restricted by Local Government legislation, but may suite limited horticultural and viticultural ventures. While normally not a major factor in determining the value of larger rural lots, accommodation is an essential part of 'rural residential' properties, with high quality improvements generally commanding a higher purchase price, in particular in locations close to the Sydney Metropolitan Area.

'**Rural lifestyle'** properties - lot size ranging between ten to 40 hectares. These are larger lots, normally further away from town centres that, depending on the carrying capacity of the land and type of improvements, enable its owners to run a small agricultural operation on the land, such as a hobby farm. Improved type of soil, rainfall and water allocations will lead to a greater carrying capacity, in turn increasing the viability of the land, and ultimately the value of the property.

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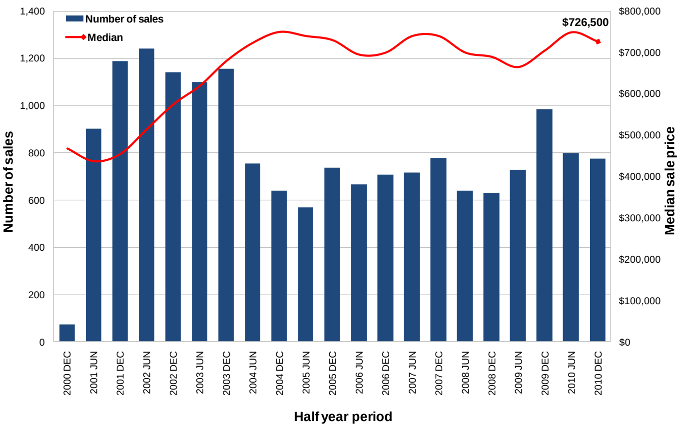
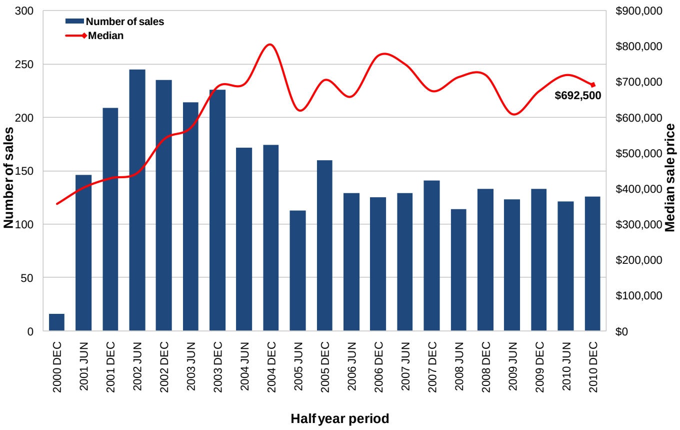
Rural Residential Sales Cycle



Graph Prepared by PRDnationwide Research. Source: PDS

Rural Lifestyle Sales Cycle



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Market Overview

- ‘Rural residential’ properties represent approximately 85 per cent of the total market, with ‘rural lifestyle’ properties accounting for the remaining 15 per cent.
- The activity for both ‘rural residential’ and ‘rural lifestyle’ decreased in the six months to December 2010 compared to the same period in 2009, recording a decline of 21 and five per cent respectively.
- While overall activity remained stable over the past five years ‘rural residential’ properties averaged an increase of 1.1 per cent per annum and ‘rural lifestyle’ properties decreased by 4.7 per cent per annum.
- The sales cycle chart illustrates the effect of the Global Financial Crisis (GFC), with the median price for ‘rural residential’ properties declining between December 2007 and June 2009. The median recovered since, increasing three per cent to $726,500 in the 12 months to December 2010. ‘Rural lifestyle’ properties of between 10 to 40 hectares recorded an increase of 2.6 per cent between December 2009 and 2010 despite a soft performance in the past five years, with the median property selling for $692,500 as at 31st of December 2010.
- The notable difference in the median price between the two lot ranges may be linked to the location of the properties and the quality of the improvements. ‘Rural residential’ lots are often located closer to urban areas, with both the size of improvements and scarcity of land increasing the pressure on prices.

Top Rural Residential Localities

Rank	Suburb	Total Sales 2010	Rural Residential Median	House Median	Median Lot Size (acres)
1	Kenthurst	41	$1,257,500	$1,170,000	4.5
2	Dural	36	$1,650,000	$847,500	2.7
3	Medowie	30	$480,000	$370,000	5.0
4	Londonderry	28	$665,625	$651,250	4.8
5	Burradoo	25	$912,500	$952,500	1.1
6	Bringelly	24	$1,002,500	SNR*	5.0
7	Rossmore	23	$867,000	SNR*	5.0
8	Bowral	22	$905,000	$560,500	1.5
9	Matcham	21	$1,257,500	SNR*	2.7
10	Glenorie	20	$1,287,000	$900,000	5.0

*Statistically not reliable

Top Rural Lifestyle Localities

Rank	Suburb	Total Sales 2010	Price Range Range 2010	Median Lot Size (hectares)
1	Laguna	7	$370,000 - $720,000	16.2
2	Bucketty	5	$150,000 - $605,000	12.9
3	Bungonia	5	$210,000 - $1,000,000	12.3
4	Quorrobolong	5	$491,000 - $875,000	14.2
5	Towrang	5	$185,500 -$ 425,000	16.2
6	Colo Heights	4	$390,000 - $810,000	16.1
7	Kangaloon	4	$1,550,000 - $4,250,000	22.7
8	Kulnura	4	$375,000 - $1,302,500	19.7
9	Marulan	4	$340,000 - $635,000	14.2
10	Orangeville	4	$150,000 - $1,350,000	13.0

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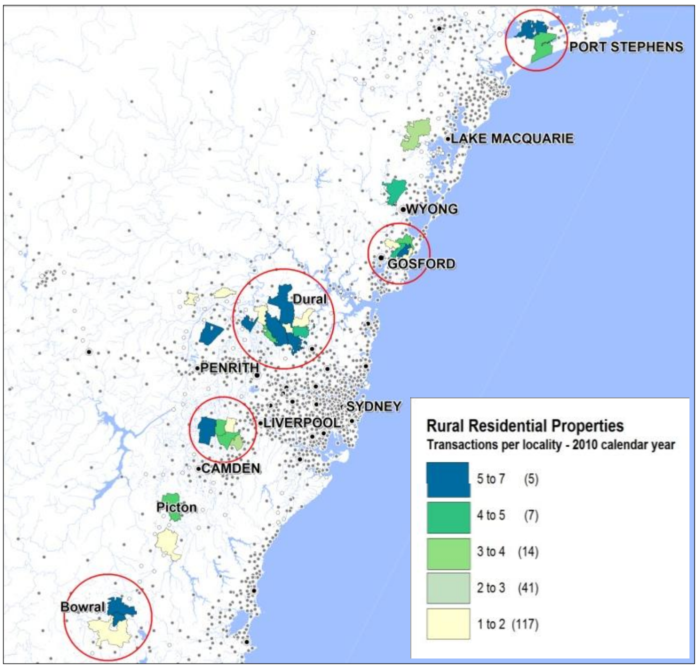
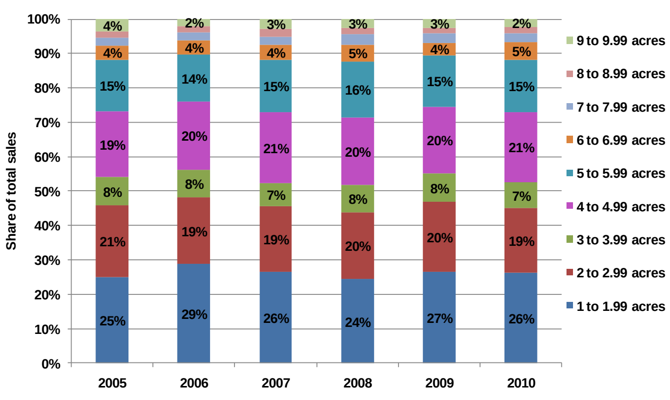
Top Rural Residential Localities - Number of Sales for 2010 Calendar Year



Rural Residential Market

- The map identifies five clusters of 'rural residential' lots within a two an a half hour drive from Sydney. The clusters are Port Stephens, Gosford, Dural, Camden and in the Southern Highlands.
- The lot size distribution chart shows that smaller lots have traded more heavily than larger lots over the past six years, with lots between one and two acres accounting for 26 per cent of the total market. The following size brackets are between two and three and between five and six acres, each accounting for 20 per cent, with lots between four and five acres proving to be less in demand. Demand also diminishes towards the larger lot sizes, with those ranging between nine and ten acres representing only two per cent of the market.
- The land size for 'rural residential' properties remained largely unchanged over the past six years. The two noticeable shifts in land sizes were at the six to seven acre bracket, averaging an increase of ten per cent per annum over the past six years and increasing its share from four to five per cent of total sales. For the same period the top bracket of nine to ten acre properties declined from 47 transactions in 2005 to 35 in 2010.

Rural Residential Change in Price Points



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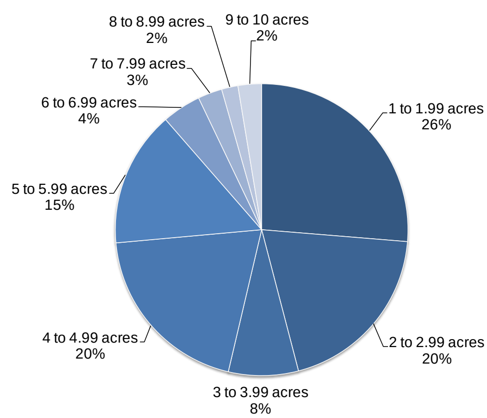
Rural Residential Price Points 2005 - 2010



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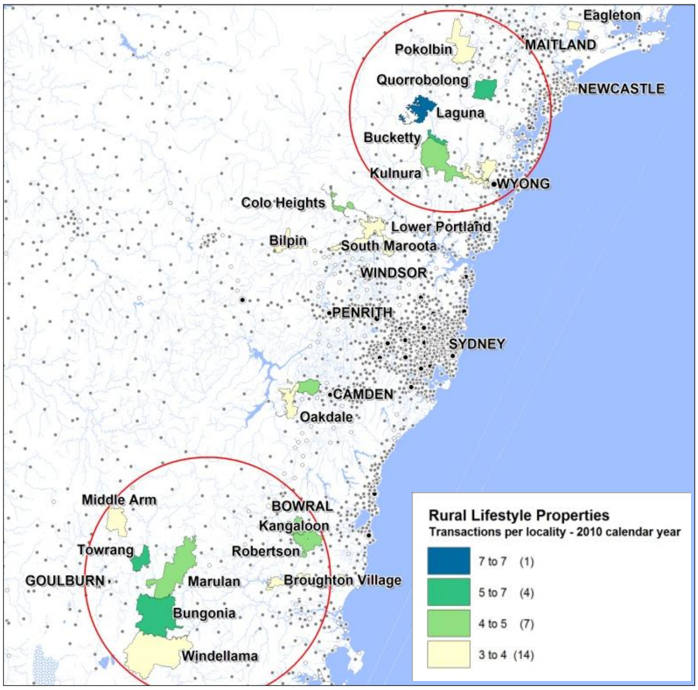
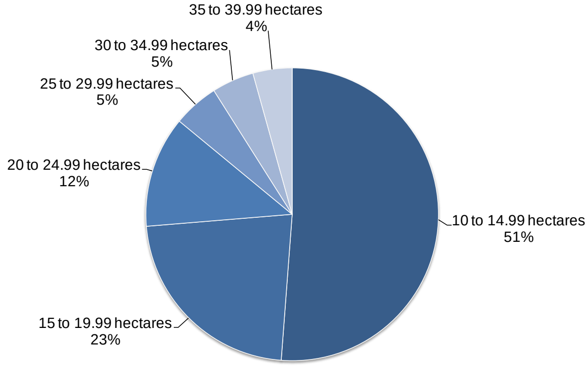
Top Rural Lifestyle Localities - Number of Sales for 2010 Calendar Year



Rural Lifestyle Price Points 2005 - 2010



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Rural Lifestyle Market

- A size bracket analysis reveals similar trend to that of the ‘rural residential’ lots with smaller lots representing the majority of transactions. Lots between 10 and 14.99 accounted for 51 per cent of the market, with the bracket sizes shrinking for larger lots. Lots ranging between 35 to 40 hectares represented only four per cent of the ‘rural lifestyle’ market.
- Laguna, in the Hunter Valley recorded the highest number of sales with seven lots between 10 to 40 hectares transacting in 2010, closely followed by Bucketty to the South. Closing the top ten list is Orangeville near Camden, with a median lot size of 13 hectares.
- The land size brackets largely remained unchanged between 2005 to 2010. Notable changes occurred in the 15 to 19.99 hectare bracket, recording an overall increase in activity to 2009 and a sharp decrease in 2010. Toward the top end of the market properties between 30 and 34.99 recorded an average decrease of eight per cent per annum, with the 35 to 40 hectares bracket decreasing from 16 sales in 2005 to nine in 2010, an average of nine per cent per annum.
- The highest activity during the 2010 calendar year occurred in the Hunter Valley Region and around the Southern Tablelands Highlands.
- A geographical distribution comparison between ‘rural lifestyle’ and ‘rural residential’ properties shows a natural correlation between lot sizes and their location in relations to Sydney. While smaller lots can be found within a 30 to 50 kilometre radius of the Sydney CBD in areas like Dural and Camden, ‘rural lifestyle’ become scarce in those areas, and are generally located further north toward the Hunter Valley and northwest toward Richmond.

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