

SUNSHINE COAST MARKET OVERVIEW



- When looking to predict the next phase of the cycle, it is anticipated that the Sunshine Coast's recovery will lag behind the Brisbane market.
- Following the Global Financial Crisis which unfolded in 2008, the Sunshine Coast has endured a sustained downturn.
- The most recent volume of settled vacant land transactions represents one of the strongest annual softening's recorded across Queensland.

Overview

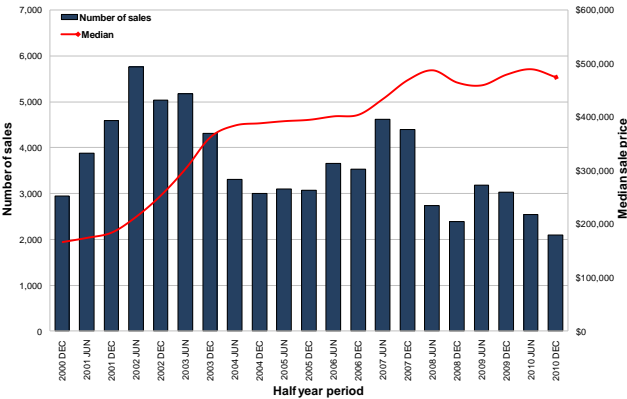
The Sunshine Coast is located in South East Queensland roughly one hour's drive north of Brisbane, the Queensland state capital. The presiding local government authority for the region is the Sunshine Coast Regional Council, which formed as the result of an amalgamation between the Maroochy, Caloundra and Noosa councils. There are many beachside towns and hinterland communities within the Sunshine Coast region, with the most established areas being Alexandra Headland, Caloundra, Coolum, Kawana Waters, Marcoola, Mooloolaba, Noosa, Peregian Beach and Nambour. There are also several mountain villages including Maleny and Montville in the Noosa Hinterland and the Blackall Ranges. In terms of accessibility, the Sunshine Coast is a well serviced area with major highways, frequent train services and a domestic airport located in Maroochydore.

As a highly popular tourist destination in South East Queensland, the Sunshine Coast offers visitors access to internationally renowned beaches and destinations including Noosa Heads, Alexandra Headland, Mooloolaba, Coolum and Kings Beach in Caloundra. This is contrast by the region's unique setting of hinterland communities, each with their own appealing qualities. In terms of the local economy the Sunshine Coast is leveraged off its geography and primary resources. Traditionally the rural sector was the region's central industry, which has now given way to the three prevailing sectors of tourism, construction and retail.

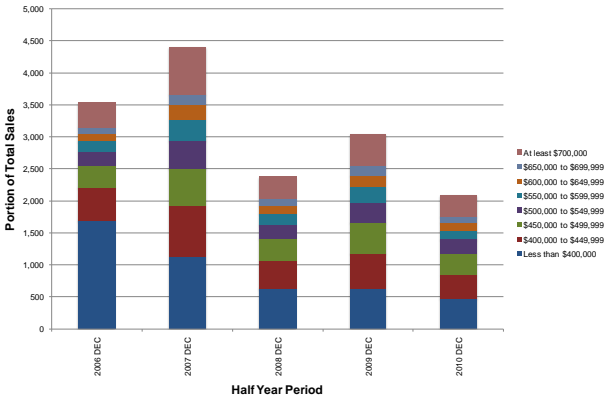
Throughout the Sunshine Coast there has been a strong and sustained downturn characterised by falling sales volumes and softening capital values. Within the current market, a shortage of purchasers, excess stock, rising interest rates and increasing cost of living have deterred a large number of potential purchasers with a growing degree of uncertainty instilled in the market. However, when looking to predict the next phase of the cycle, it is anticipated that the Sunshine Coast's recovery will lag behind the Brisbane market. This is predominately due to the two regions economic ties and the characteristics of holiday markets, which are subject to the discretionary spending and state of the wider economy.

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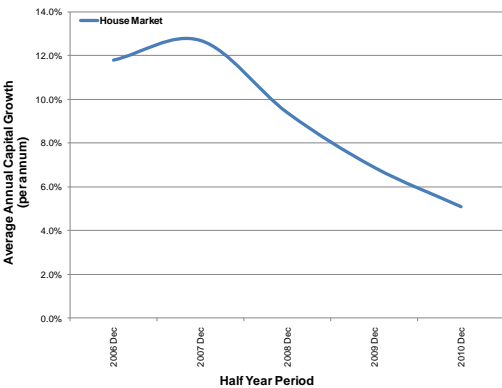
Sunshine Coast House Sales Cycle



Sunshine Coast House Price Points



Average Annual Capital Growth



All Graphs Prepared by PRDnationwide Research, Source: PDS

House Market

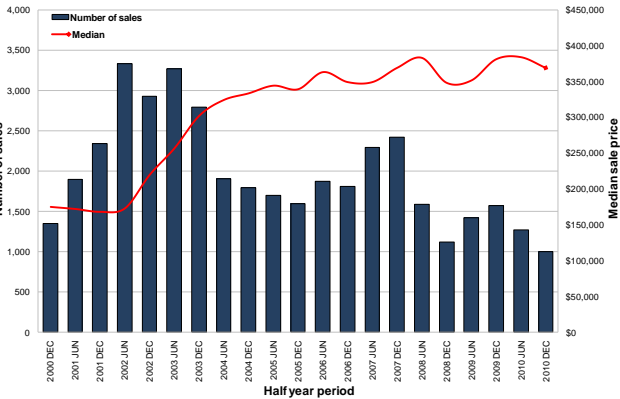
Following the Global Financial Crisis (GFC) which unfolded in 2008, the Sunshine Coast has endured a sustained downturn with the exception of a period driven by government incentives including the First Home Buyers Boost and record low interest rates. Since the withdrawal of these stimuli at the end of 2009, the market has recorded further softening in capital values and its lowest recorded volume of sales in at least a decade. This was perpetuated by an uncertainty within the market, enacted by the rising cost of debt and living which has forced many buyers out of the market. It is expected that the market will remain flat at least until the end of the year, as looming increases to interest rates continue to subdue demand from purchasers. However, the diminishing capital values and a strengthening rental market will in turn increase weekly rents and support higher yields.

PRDnationwide Research has conducted a resale analysis on houses sold within Sunshine Coast. To do this, all capital gains achieved from houses resold 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, those 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. The analysis has yielded an average annual capital growth of 5.1% per annum for houses sold within the December 2010 half year. Looking at median price movements over the most recent half year period, the Sunshine Coast has recorded an annual softening of 1%, culminating to a median price of \$475,000.

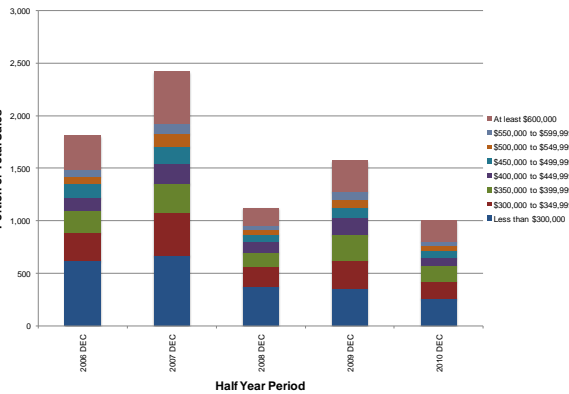
Within the Sunshine Coast, the transition from incentive driven period in 2009 to the six month period ending December 2010 has equated to a 31% softening in sales activity. This has taken the volume of settled transactions on the Sunshine Coast to its lowest level in the past decade, with only 2,089 transactions. Analysis of the most active price points during the December 2010 half year shows 23% of houses transacted within the sub \$400,000 price point. This was followed by the \$400,000 to \$449,999 price point, which saw 17% of total transactions. Over the December 2010 half year, the most significant tightening in sales activity occurred within the sub \$500,000 market. This market has accounted for 51% of the total 12 month decrease in sales activity. On an individual suburb level, Buderim has recorded the majority of sales achieving 192 settled transactions. This was followed by Sippy Downs and Nambour with 83 settled transactions respectively. Buderim also recorded the most significant softening in sales activity recording 110 sales less than the corresponding period in 2009.

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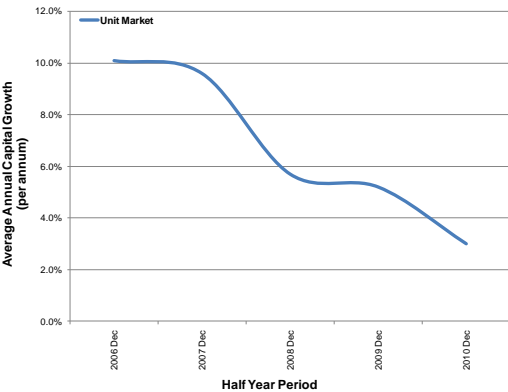
Sunshine Coast Unit Sales Cycle



Sunshine Coast Unit Price Points



Average Annual Capital Growth



Unit Market

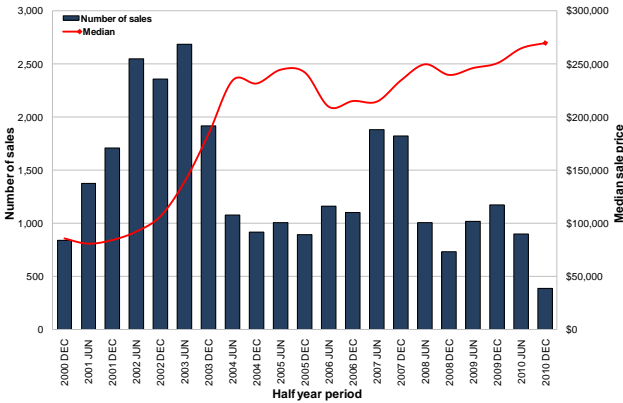
Currently, the Sunshine Coast unit market is likely at the bottom of its property cycle after entering into a downturn following the GFC. Similar to the housing market, after a brief period of respite driven by the government stimulus, this market has also come to record its lowest level of sales activity in over ten years, and further softening in capital values. It is expected that demand for units and houses will remain sparse until the end of the year as the anticipated increases to interest rates continue to put a dampener on the market. Furthermore, as an indication of an upturn in the market, it is most likely that the Sunshine Coast's recovery will lag behind the Brisbane market. This is due to the economic ties between the regions and the characteristics of holiday markets, which are hinged on the spending patterns of the wider economy.

A resale analysis has been conducted on units sold within Sunshine Coast during the half year to December 2010. This analysis has revealed an average annual capital growth of 3.3% per annum. Similar to the house market, units have recorded decreasing returns from 2008 when capital values began to decline, diminishing the overall returns achieved by unit owners. Looking at the median price over the most recent half year period, the Sunshine Coast has recorded a 3.1% annual decrease, culminating to a median price of \$370,000. This fall in the median price represents the discounting of values by vendors in the pursuit of making a sale. Essentially, the market is such where sellers are having to compete to sell, while purchasers are enjoying the upper hand in negotiations.

Sales activity has also softened considerably from the December 2009 half year period by 36%, to record a total of 1,000 settled transactions. This is slightly greater than the 31% softening recorded in the house market. Over the most recent period there has been a marked contraction within sub \$400,000 price point which has accounted for 50% of the total decrease in sales for the period. Interestingly, there was also a significant contraction within the \$600,000 market accounting for 17.5% of the markets contraction. The most active price point during the six months to December 2010 was the sub \$300,000 market with 26% of total sales. This was followed by the \$600,000 plus market with 19.5% of total sales. On an individual suburb level, Maroochydore has recorded the majority of settled unit sales, achieving 151 settled transactions. This was followed by Mooloolaba and Noosa Heads with 89 and 71 settled transactions respectively. Maroochydore also recorded the most significant softening in sales activity, recording 105 sales less than the corresponding period in 2009.

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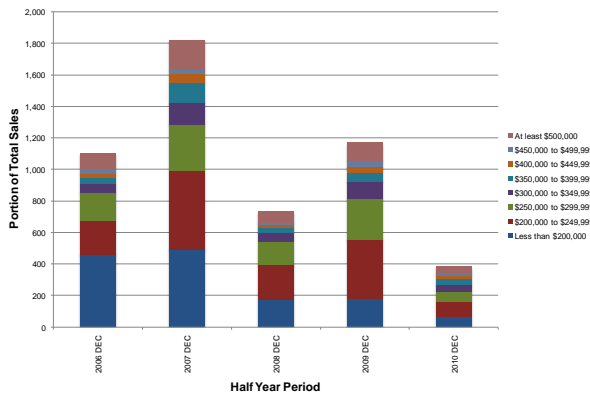
Sunshine Coast Vacant Land Sales Cycle



Vacant Land Market

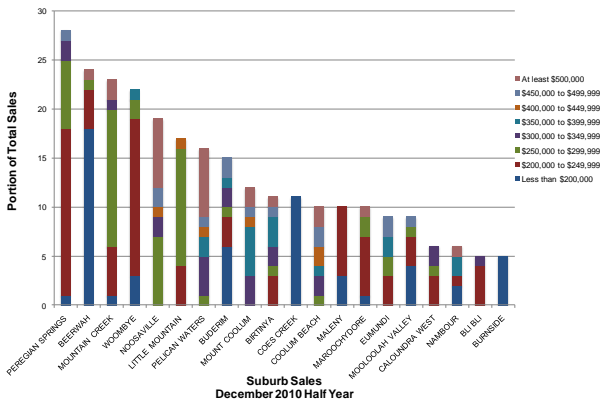
The vacant land market is currently in the midst of its most subdued period since at least the early 1990's and was also the most adversely affected property type over the most recent six months to December 2010. While the Vacant Land Sales Cycle graph has shown the median price of vacant land has reached a peak of \$270,000 over the most recent six months, it is most likely that the actual value of land has decreased. This perceived growth in median price has come as sales activity within the lower price points contracted at a stronger rate than the higher price points, pushing the median sale value higher. The recent downturn can be attributed to increasing interest rates, the withdrawal of the First Home Owners Boost and the rising costs of living. With further interest rate rises and the strong Australian Dollar, it is expected that an upturn within the market is not anticipated over the short term.

Sunshine Coast Vacant Land Price Points



Looking at the median land price over the most recent six month period, the Sunshine Coast has recorded an annual growth of 7.6%, to register a median price of \$270,000. As highlighted in the first paragraph, this does not reflect increasing capital values particularly under the current market conditions, rather this reflects a significant drop in sales occurring within the sub \$300,000 market. This price bracket has accounted for the vast majority of the total drop in sales activity.

Price Points of Top Performing Suburbs



Settled vacant land transactions have fallen a staggering 67% since the December 2009 half year period to record a total of 384 transactions. This level of settled transactions is likely to represent one of the strongest softenings recorded across Queensland and has far exceeded the sales activity recorded during the peak of the GFC seen in the December 2008 period. In terms of the price point distributions, there have been contractions across almost all market segments, however the strongest has been absorbed within the sub \$300,000 market which accounted for 75% of the total drop in sales. Despite this strong fall in settled transactions the \$250,000 to \$300,000 market recorded the bulk of sales activity recording 24% of total sales for the December 2010 half year. This was followed by the \$250,000 to \$299,999 price bracket, which achieved 17% of total sales. On an individual suburb level, Peregian Springs recorded the vast majority of settled transactions at 28 sales with the bulk occurring for within \$200,000 to \$249,999. This was followed by Beerwah and Mountain Creek, with 24 and 23 settled transactions respectively.