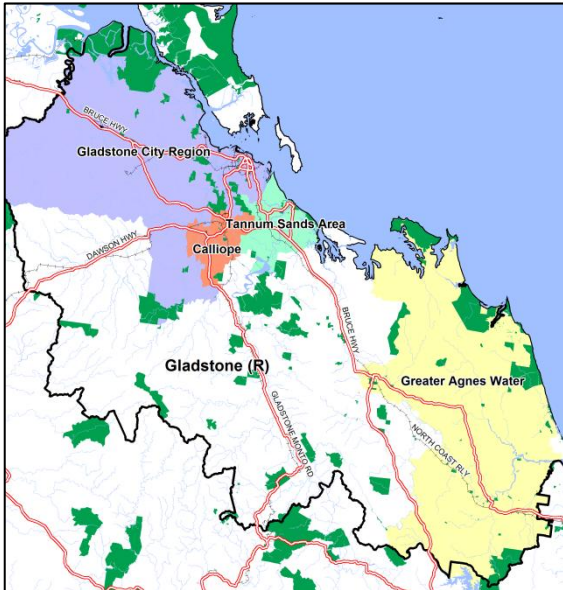


GLADSTONE MARKET OVERVIEW



- The Gladstone Regional Council has made a resounding recovery in its sales activity following the December 2008 half year which represented its softest period in eight years.
- The Gladstone Regional Market has displayed remarkable growth over the past two years off the back of a robust economy and will continue to do so as long as demand for resources and investment into the region remains high.
- The price property over the past three years has registered a gradual softening due to the Global Financial Crisis, interest rate rises and increasing cost of living affecting the purchasing power of households.

Overview

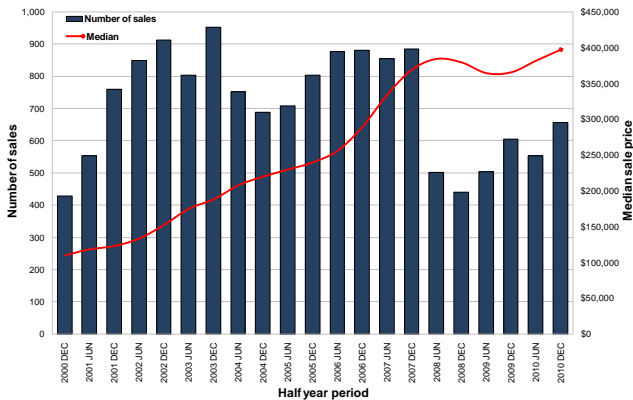
The Gladstone Highlight Report analyses the performance of residential real estate within the Gladstone Regional Council and its various markets. As highlighted in the map to the left, the Gladstone Regional Council has been divided into four main precincts subject to analysis within this report. These include the Gladstone City Region, Calliope Area, Tannum Sands Area and Agnes Water Region.

The Gladstone Regional Council is located around 550 kilometres north of the state capital Brisbane and 100 kilometres south-east of Rockhampton. This Local Government Area (LGA) was formed on the 15th March 2008 as part of an amalgamation between the former Gladstone City Council, Calliope Shire Council, Miriam Vale Shire Council and the Gladstone Calliope Aerodrome Board. According to the Australian Bureau of Statistics, as at June 2010 this region had an estimated resident population of 59,644 residents, achieved through an annual growth of 3.6% from June 2009. Gladstone owes its thriving economy to Queensland's largest multi-commodity port situated in the deep water harbour between the Calliope River in the north and the Boyne River in the south. Furthermore, Gladstone houses two of the world's largest alumina refineries, Australia's largest aluminium smelter and cement kiln and list of other industrial titles.

Gladstone has well developed infrastructure and amenity ranging from a nexus of rail and highways, to popular shopping districts including the Stockland Mall and Centro Gladstone. To cater for the large itinerant population in the region, six kilometres from the centre of the city in the western suburbs is Gladstone Airport, which runs mostly non-stop services to Brisbane Airport. Gladstone also has several primary schools, three high schools, one university campus and Central Queensland Institute of Tafe, Gladstone Campus.

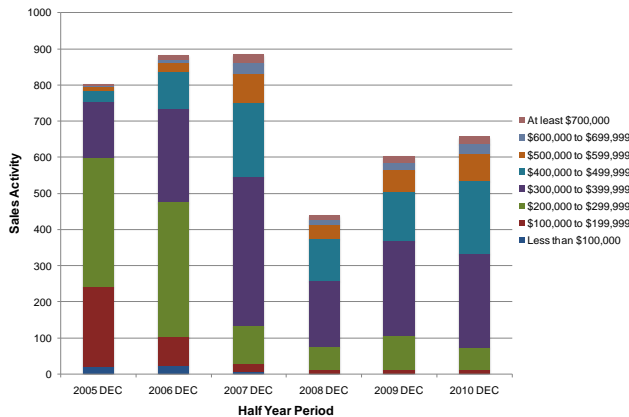
GLADSTONE MARKET OVERVIEW

Gladstone LGA House Sales Cycle



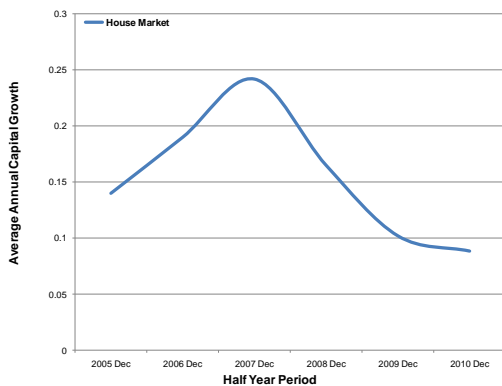
Graph Prepared by PRDnationwide Research, Source: PDS

Gladstone LGA House Price Points



Graph Prepared by PRDnationwide Research, Source: PDS

Average Annual Capital Growth



Graph Prepared by PRDnationwide Research, Source: PDS

House Market

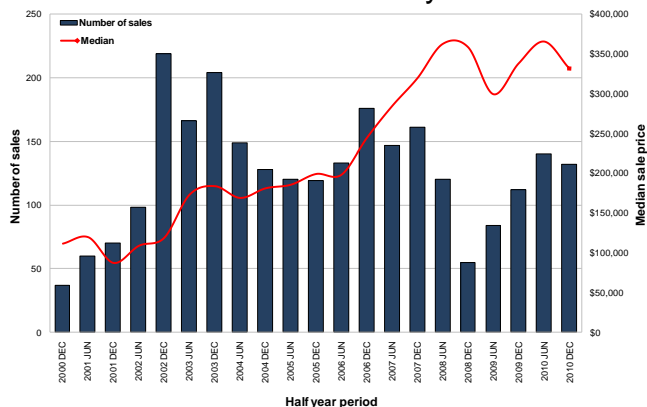
The Gladstone Regional Council has made a resounding recovery in its sales activity following the December 2008 half year which represented its softest period in eight years. This increase in sales has defied a national trend of falling sales activity over the December 2010 half year and was a direct product of receiving the world's strongest foreign investment for a city in 2010, supporting high employment and maintaining confidence within the local market. Despite increasing interest rates and the withdrawal of government incentives the market has been a stand out performer within the Queensland region. However, with less active purchasers trawling the market, the general affordability and realistic expectations of vendors has also played a part in the recovery.

PRDnationwide Research has conducted a resale analysis on houses sold within the Gladstone Regional Council. 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. This indicates that while sales activity has been strong, capital values have softened. Over the most recent half year to December 2010, houses that sold within the Gladstone Region returned an average annual capital growth of 8.8% to successful vendors. Looking at median price movements over the most recent half year period, Gladstone recorded a median price of \$398,000.

Throughout the December 2010 half year, the Gladstone housing market recorded its highest level of house sales in the past three years with 657 sales. This represents a growth of 9% (53 sales) from the 604 settled transactions recorded during the 2009 December half year. The most active price point during the December 2010 half year was the \$300,000 to \$399,999 bracket, which accounted for 40% of house sales. This was followed by the \$400,000 to \$499,999 price point, which saw a further 31% of total transactions. On an individual suburb level, Clinton recorded the highest number of sales achieving 81 settled transactions, 47% of which registered within the \$300,000 to \$399,999 price point. This was followed by Tannum Sands and Calliope with 60 and 59 settled transactions respectively. The dominant price point during the December 2010 half year within these suburbs was the \$400,000 to \$499,999 price point.

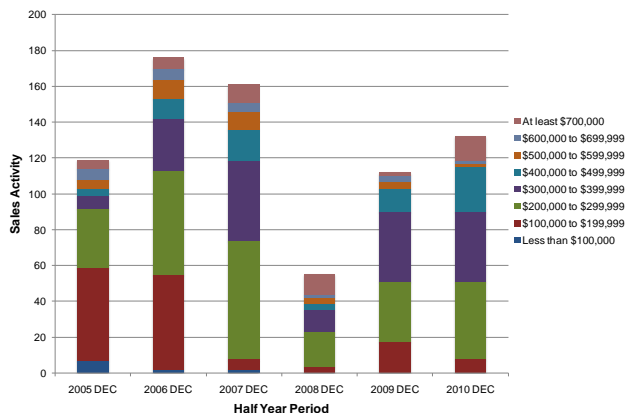
GLADSTONE MARKET OVERVIEW

Gladstone LGA Unit Sales Cycle



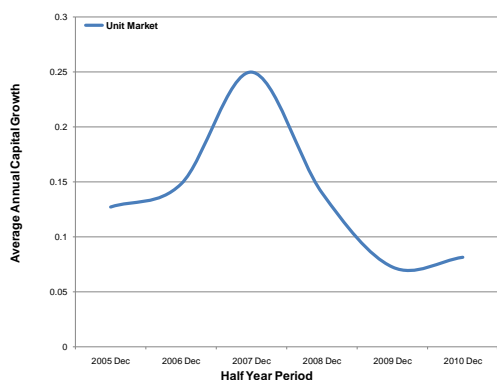
Graph Prepared by PRDnationwide Research, Source: PDS

Gladstone LGA Unit Price Points



Graph Prepared by PRDnationwide Research, Source: PDS

Average Annual Capital Growth



Graph Prepared by PRDnationwide Research, Source: PDS

Unit Market

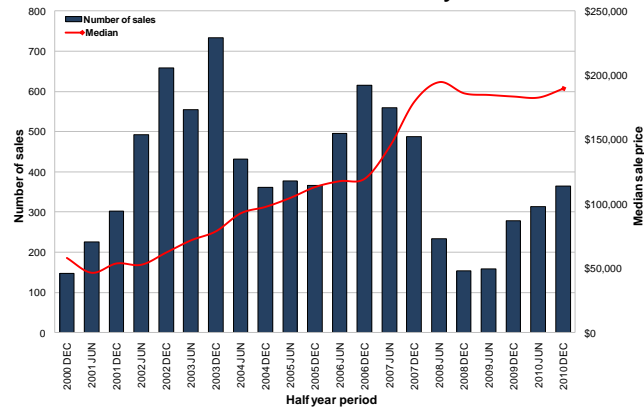
The Gladstone unit market has been impacted by the local market conditions in a similar fashion to the house market, with increasing volumes of sales from a market low during the December 2008 half year. However, there has been a noticeable drop in sales throughout the second half of the 2010 calendar year coinciding with the surprise rate rise in November 2010. Regardless, the Gladstone unit market has displayed remarkable growth over the past two years off the back of a robust economy and will continue to do so as long as demand for resources and investment into the region remains high. In light of the disparity in sales growth between Gladstone and the remaining areas of Queensland, Gladstone has also seen competition among vendors selling their property to a smaller base of purchasers. This has arisen from rising interest rates, increasing cost of living and uncertainty surrounding the future of the global economy which still has the potential to be felt on our shores.

A resale analysis has been conducted on units sold within the Gladstone Regional Council during the half year to December 2010 revealing an average annual capital growth of 8.1% per annum. Capital gains within the Gladstone unit market peaked during 2007 where per annum returns were far in excess of 20%. Following the Global Financial Crisis in 2008, average annual capital growth steadily declined until 2009, dropping from 25% per annum to 7.2% per annum. Since then capital growth has seen a slight increase to record the 8.1% registered over the December 2010 half year. Looking at the median price over the most recent half year, the Gladstone Regional Council recorded a 1.9% annual softening in values, culminating to a median price of \$332,200. The decrease in median price has occurred as vendors are forced to discount their prices in order to meet the market to make a sale.

Unit sales comprised only 11.5% of total property sales during the December 2010 half year, the lowest of all property types. This equates to 132 sales for the period, resulting from an annual growth of 18% (20 sales). The most active price point during the six months to December 2010 was the \$200,000 to \$299,999 market, with 33% of total sales. This was followed by the \$300,000 to \$399,999 market with 30% of total sales. There has been strong increases in sales activity within the \$400,000 to \$499,999 and \$700,000 plus market each recording an additional 12 and 11 sales respectively. On an individual suburb level Gladstone City recorded the majority of settled unit sales, achieving 48 transactions. This was followed by West Gladstone and Agnes Water with 20 and 18 settled transactions respectively.

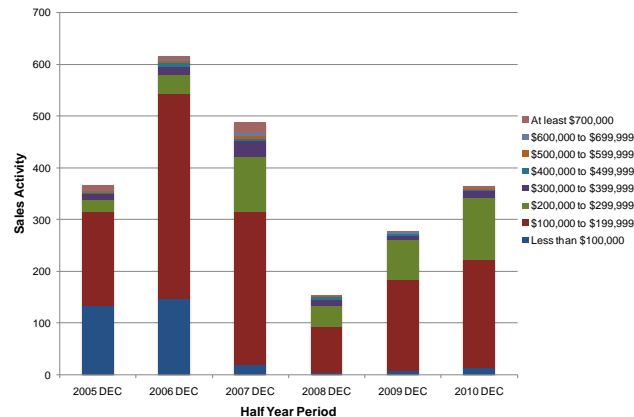
GLADSTONE MARKET OVERVIEW

Gladstone LGA Land Sales Cycle



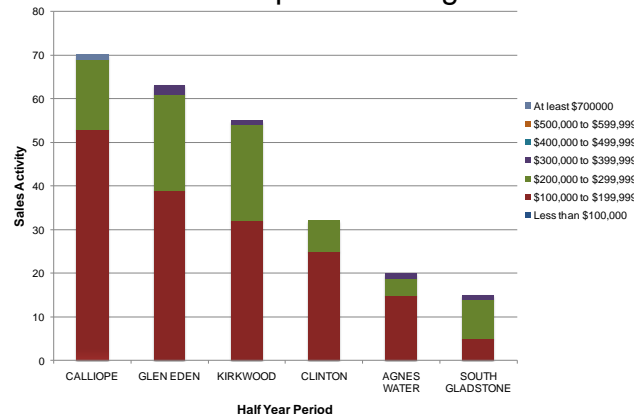
Graph Prepared by PRDnationwide Research, Source: PDS

Gladstone LGA 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

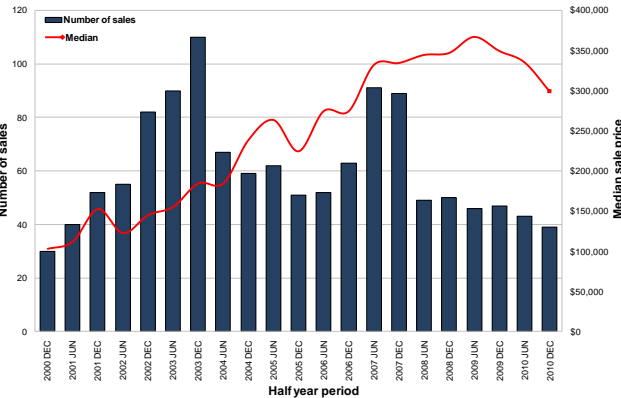
The vacant land market in the Gladstone Regional Council has made the strongest recovery of all property types after recording a prolonged period of record low sales stretching over the twelve months to June 2009. Most recently, sales activity over the half year to December 2010 resembles market levels consistent with the 2004 to 2005 period. This expansion in land sales has been spurred on by foreign investment and a strong local economy supporting the ability of residents to purchase property, but this has been held predominately within the \$100,000 to \$299,999 price range. This highlights the affordability of vacant land in the region. The price of vacant land throughout the past three years has been stable, registering a gradual softening as interest rates and cost of living affect the purchasing power of households. However, as long as vendors continue to maintain realistic expectations of the market, sales activity will continue to strengthen.

The latter half of the 2010 calendar year has seen a marginal improvement in median price driven by a stronger increase in sales above \$200,000. This increase has equated to an annual growth of 3.4% to record a median price of \$190,000.

Settled vacant land transactions over the December 2010 half year have recorded the largest increase with an exceptional growth of 31% (86 sales) since the December 2009 half year period. This increase has taken total vacant land sales to 364, the strongest level of settled transactions recorded in the past three years. The most popular type of vacant land transaction throughout the most recent period has been lots priced within the \$100,000 to \$199,999 price point within the 800m² to 2,049m² lot size range, which has accounted for 72 sales. In terms of the price point distributions, there have been good performances across all market segments, however the \$100,000 to \$199,999 price point has absorbed the bulk of sales activity with 208 (57%) of the total 364 transactions. This was followed by the \$200,000 to \$299,999 price bracket, which achieved 119 (33%) of total sales. On an individual suburb level, Calliope recorded the majority of settled transactions with 60 sales. The bulk of these sales occurred within the \$100,000 to \$199,999 price point. This was followed by Glen Eden and Kirkwood, with 63 and 55 settled transactions respectively.

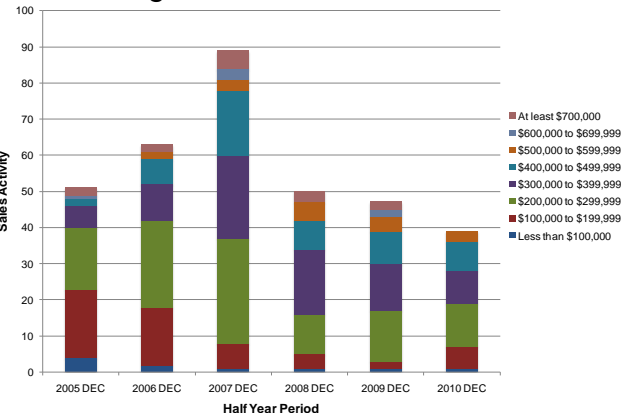
GLADSTONE MARKET OVERVIEW

Greater Agnes Water House Sales Cycle



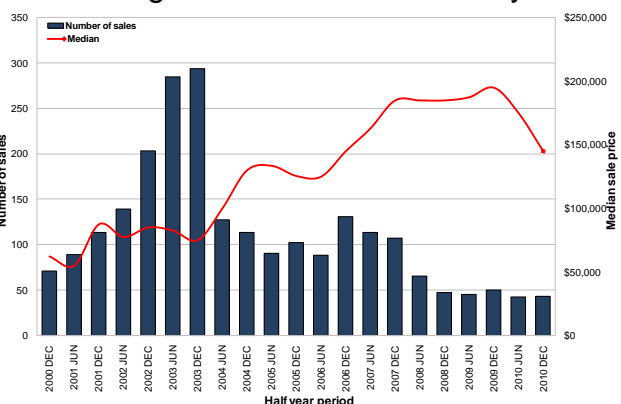
Graph Prepared by PRDnationwide Research, Source: PDS

Greater Agnes Water House Price Points



Graph Prepared by PRDnationwide Research, Source: PDS

Greater Agnes Water Land Sales Cycle



Graph Prepared by PRDnationwide Research, Source: PDS

Greater Agnes Water House & Vacant Land Market

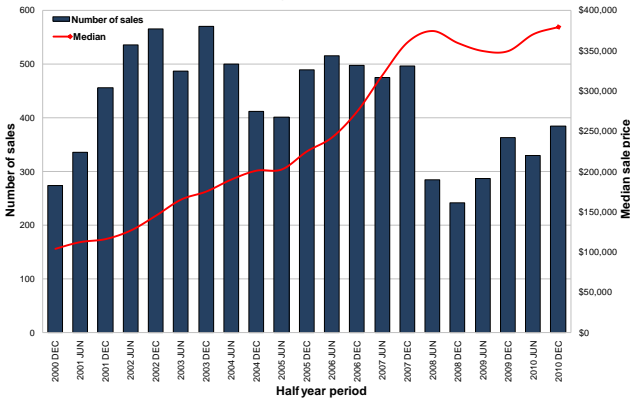
The Greater Agnes Water Region occupies a large portion of the southern end of the Gladstone Regional Council and houses the most affordable market of all four precincts. This region has not performed as strongly as other markets with sales activity remaining subdued for both houses and vacant land from 2008 to 2010. This has occurred as the bulk of employment opportunities and investment is centred on the Gladstone Area, driving strong outcomes in these markets. This market is positioned as a recreational and holiday destination within the wider region and in light of its performance relative to the regions closer to Gladstone City, would have to have provided one of Queensland's strongest performing holiday markets. This has occurred as a result of the robust economy within Gladstone Regional Council. The majority of this regions market is held in the suburb of Agnes Water and also Miriam Vale.

The house market has seen an annual decrease in median price associated with a declining premium market of houses sales above \$600,000. This has equated to an annual softening of 14.3% of \$50,000 taking median price to \$300,000 over the December 2010 half year. Over the period sales activity has fallen by eight sales to record a total of 39 transactions, the lowest recorded volume of sales since the December 2000 half year period. When analysing the price point distributions, there has been a steady performance in sales activity below \$300,000 while activity above this price point has contracted within all price ranges. Throughout the December 2010 half year, the majority of sales registered within the suburb of Agnes Water with 15 settled transactions. This was followed by the suburbs of Miriam Vale and Deep Water which recorded seven and four transactions respectively.

The vacant land market has moved along a similar trend to the house market with slower sales and decreasing median price as sales above \$200,000 decline. As a result of minimal activity above this price point, the median price has dropped 25.6% or \$50,000, to record the most affordable median price in the Gladstone Regional Council at \$145,000. Over the December 2010 six month period, the Greater Agnes Water Region has recorded an annual decrease of seven sales resulting in a total of 43 sales. The \$100,000 to \$199,999 price point has been the most active recording 63% (27 sales) of total sales, with the majority of these sized over 10,00m² accounting for 18 transactions of the 27 sales. The suburb of Agnes Water accounted for 20 sales during the December 2010 half year while Miriam Vale saw 8 sales.

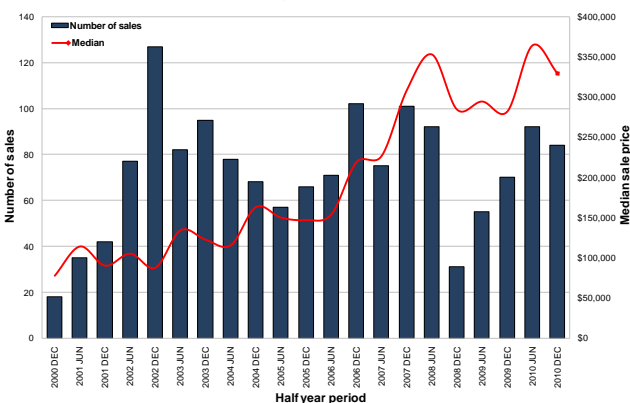
GLADSTONE MARKET OVERVIEW

Gladstone City Region House Sales Cycle



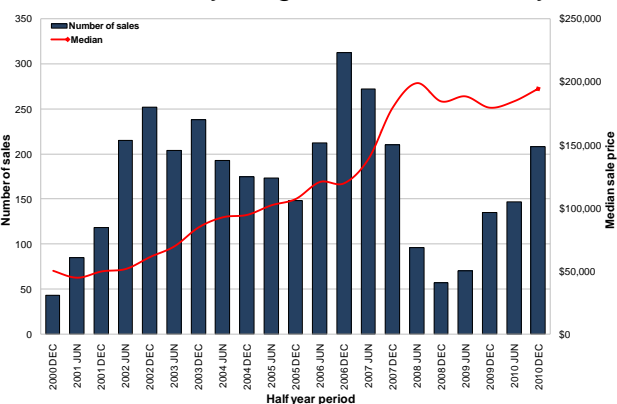
Graph Prepared by PRDnationwide Research, Source: PDS

Gladstone City Region Unit Sales Cycle



Graph Prepared by PRDnationwide Research, Source: PDS

Gladstone City Region Land Sales Cycle



Graph Prepared by PRDnationwide Research, Source: PDS

Gladstone City Region House, Unit & Vacant Land Market

The Gladstone City Region has enjoyed strengthening sales activity across all its property variations, supported by realistic vendor expectations. This has ultimately led to lower capital gains for properties sold within the December 2010 half year period, with peak profitability over the past ten years recorded within the 2007 December half year. As the hub of employment, amenity and investment in the region, Gladstone City's real estate market performance is a result of the strength of the local economy, but also its general affordability. The future of this market is set to look bright given it is underpinned by strong fundamentals and has performed incredibly well in one of Queensland's softest periods over the past decade.

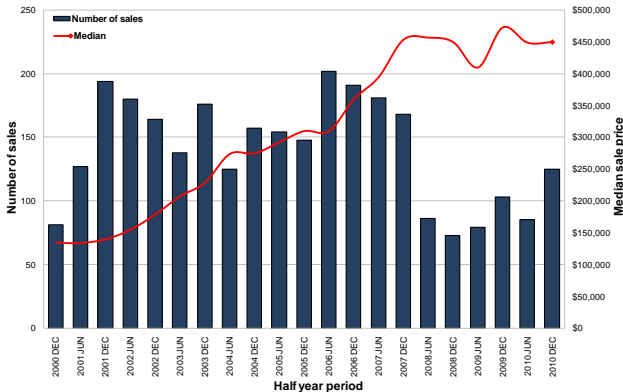
The house market has recorded an increase of 8.6% in median price over the twelve months to December 2010 taking final median price to \$380,000. This rise has occurred as a result of a bolstering in sales above \$400,000 over the period. Sales activity has increased by 6% or 22 transactions to record a total of 385 sales for the period. The price point distributions during the December 2010 half year has shown the majority of sales occurring within the \$300,000 to \$399,999 price point accounting for 50% of sales. The bulk of house sales were seen in the suburb of Clinton with 81 transactions in total. This was followed by the suburbs of West Gladstone and New Auckland which recorded 59 and 55 transactions respectively.

The unit market has seen a large portion of sales occur within the premium \$700,000 plus market which has pushed median price to record a very strong annual growth of 16.8% over the past year. This has equated to a median price for the December 2010 half year of \$330,000. Sales activity within this market has increased 20% recording 84 sales throughout period. The majority of these sales transacted within the \$200,000 to \$299,999 price point which saw 32 of the total 84 transactions, followed by the \$300,000 to \$399,999 price point with 27 sales.

The vacant land market has seen the strongest recovery in sales, assisted mainly by the \$200,000 to \$299,999 price point, which has lead to an annual increase in median price of 8.3%. Median price recorded over the December 2010 half year has increase to \$195,000. As a percentage of sales recorded during the December 2009 six month period, sales have increased over the year by 54% to record 73 transactions over the December 2010 half year. The bulk of these sales have occurred within the \$100,000 to \$199,999 price point absorbing 55% of total transactions for the period. This was followed by the \$200,000 to \$299,999 price point with 37% of sales.

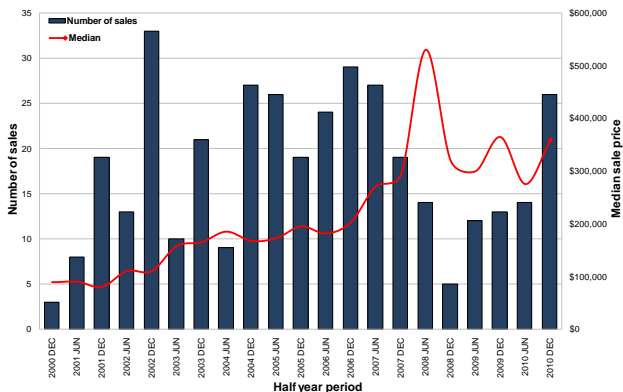
GLADSTONE MARKET OVERVIEW

Tannum Sands Area House Sales Cycle



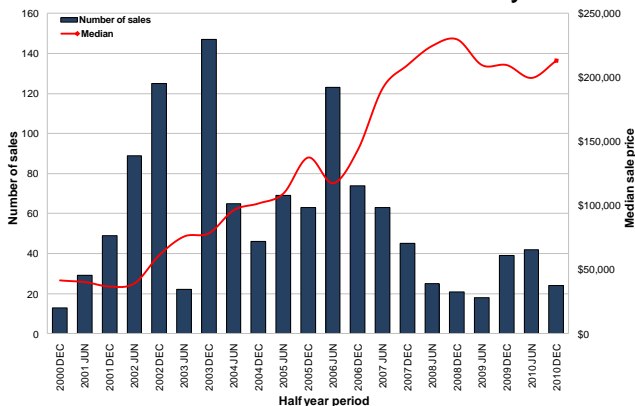
Graph Prepared by PRDnationwide Research, Source: PDS

Tannum Sands Area Unit Sales Cycle



Graph Prepared by PRDnationwide Research, Source: PDS

Tannum Sands Area Land Sales Cycle



Graph Prepared by PRDnationwide Research, Source: PDS

Tannum Sands Area House, Unit & Vacant Land Market

Despite a slow start to 2010, the Tannum Sands Area residential property market has performed well in its house and unit markets, with vacant land struggling to gain traction towards the end of the year. Due to this market's location and proximity to amenity, it has recorded the most premium median prices for all property types, which may explain stronger performances registered in more affordable areas.

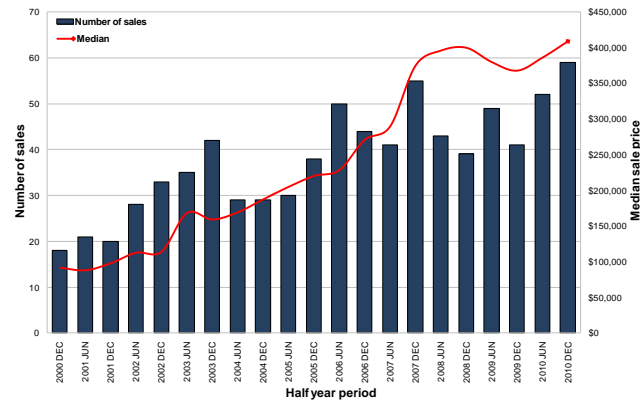
The median price for houses throughout the December 2010 half year period recorded a softening of 4.9%. This has pushed the final median to \$450,000 for the period. Over the same period, sales activity has increased by 21% or 22 transaction to record a total of 125 sales for the period. These sales predominately transacted within the \$400,000 to \$499,999 price point which saw 46% of total sales. This was followed by the \$500,000 to \$599,999 price point with 22% of sales. The suburbs of Tannum Sands and Boyne Island saw the majority of house sales with 60 and 55 transactions recorded respectively.

The unit market in the Tannum Sands Area represents a small portion of sales activity within the market. However, over the most recent December 2010 half year period this market has expanded significantly to record 26 sales, an annual increase of 100% or 13 transactions. Median price over this period has recorded \$359,000. This has fluctuated significantly over the past 3 years as low sales volumes have caused median price to shift erratically. The most active price point over the December 2010 half year period was the \$400,000 to \$499,999 bracket which has accounted for 10 sales. This price point has increased from just one sale recorded over the corresponding period in 2009.

The vacant land market within the Tannum Sands Area has recorded slowing sales activity over the December 2010 half year as values continue to decline. Over the most recent six month period median price registered \$213,500. Sales activity has also fallen to record 24 sales following the incentive driven half period in 2009, which saw record low interest rates and government incentives driving activity within the affordable price points. The bulk of sales within the December 2010 half year were recorded within the \$200,000 to \$299,999 price bracket which saw 15 sales, followed by the \$100,000 to \$199,999 price bracket with six sales. Boyne Island recorded the most sales throughout the period with nine transactions followed by Benaraby with eight sales.

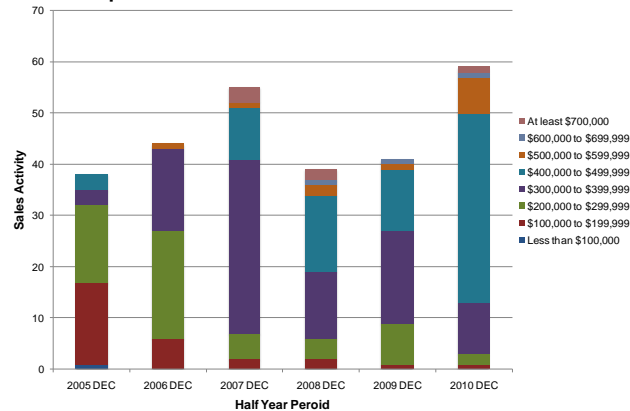
GLADSTONE MARKET OVERVIEW

Calliope House Sales Cycle



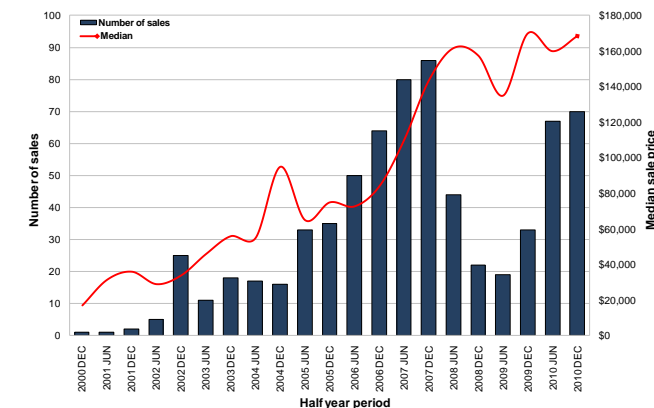
Graph Prepared by PRDnationwide Research, Source: PDS

Calliope House Price Points



Graph Prepared by PRDnationwide Research, Source: PDS

Calliope Vacant Land Sales Cycle



Graph Prepared by PRDnationwide Research, Source: PDS

Calliope House & Vacant Land Market

The house and vacant land market within the suburb of Calliope have both grown significantly from 2005. This has been particularly evident within the housing market which has trended toward continuous growth, recording its strongest period of sales over the December 2010 half year along with a peak in median price. The vacant land market tightened in line with the Global Financial Crisis in 2008 when developer finance became sparse and was subject to strict lending criteria. However, over 2010 vacant land sales has resumed to the strong levels seen prior to 2008, seemingly in line with the release of available land.

The house market has continued its strong performance posting its largest number of settled transactions on record. This growth in sales activity was recorded in all price points above \$400,000, while sales activity below this market contracted. This has caused median price to portray a strong increase over the year at 11.1% equating to a median price of \$409,000 for the period. Settled sales have increased by 44% (18 sales) over the past year to record 59 transactions during the December 2010 half year period. Analysis of the price point distributions has revealed there has been a softening of 14 sales below \$400,000 while activity above this price point has increased significantly by 32 transactions for the period. Throughout the December 2010 half year, the majority of sales registered within the \$400,000 to \$499,999 price point at 63% (37 sales) of total sales. This was followed by the \$300,000 to \$399,999 with 17% of sales.

While the house market has appeared to come out of the GFC relatively unscathed, the vacant land market saw sales activity plummet. Over the past 12 months this market has recovered strongly with marked increases in sales volumes to register 70 settled sales. Median price has softened over the year by 0.9% to record \$168,500. Over the December 2010 six month period, the most active price point was the \$100,000 to \$199,999 price bracket which has accounted for 78% (53 sales) of total sales. This price point has expanded significantly from the corresponding period in 2009 where 29 sales were recorded. In terms of the most popular lot size ranges, the majority of transactions have occurred within the 0m² to 799m² comprising 27 sales in total. The larger 4050m² to 40,499m² also accounted for a large number of sales at 22 transactions.