

PROPERTY WATCH®

Second Quarter 2011

Palm Beach Property Market Overview

IN BRIEF

- The house and unit markets both recorded lower sales over the past twelve months, with softening of 28.4% in the house market and 32.7% for the unit market.
- The December 2010 half year period registered a median house price of \$504,975 through 234 transactions.
- The December 2010 half year period registered a median unit price of \$370,000 through 198 transactions.

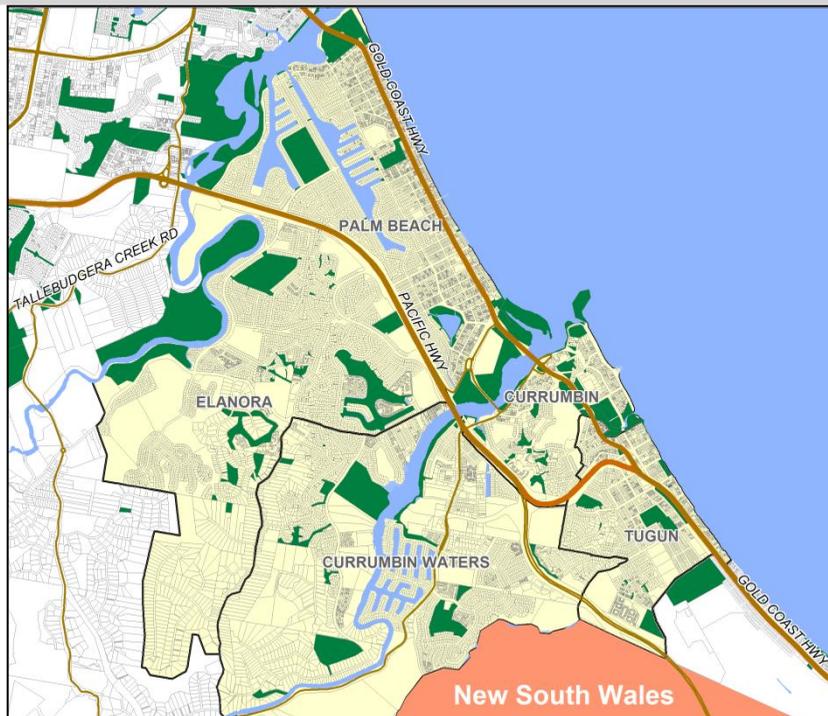
Area Characteristics

The Palm Beach Area is located approximately 20 minutes south of Surfers Paradise and 10 minutes north of the Gold Coast Airport. There are a number of significant natural landmarks such as the Tallebudgera Creek, Currumbin Creek, rainforests, bushland and beautiful beaches housing well known surf breaks, including Palm Beach, Currumbin and Tugun. The local real estate market is comprised of housing stock to suit all tastes and budgets with many located within close proximity to the beach and amenities. For the purpose of this report, the Palm Beach area includes the suburbs of Palm Beach, Elanora, Currumbin, Currumbin Waters and Tugun.

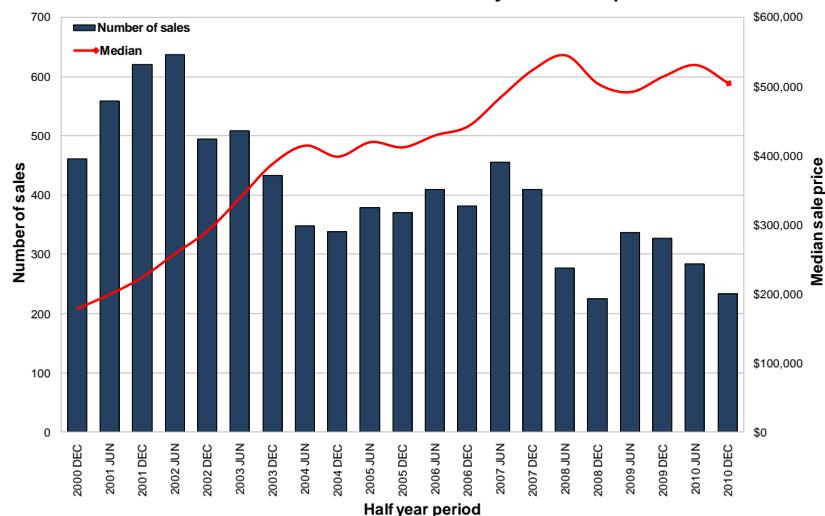
Housing Market

Over the most recent half year to December 2010, the Palm Beach Area housing market has been subdued recording a low volume of sales and decreasing median price when compared to the incentive driven half year to December 2009. This downturn recorded over the past twelve months is attributable to a number of factors including the withdrawal of the First Home Buyers Boost, rising cost of living, increasing interest rates and a record number of properties listed for sale. The culmination of these factors has produced an environment where active buyers are diminishing in line with the competition for dwellings. This has increased the disconnect between vendor expectations and what purchasers are willing to pay. Concurrently as vendors are forced to make consolidations on price to sell, prices in the area have decreased since mid 2010.

PRDnationwide Research has conducted a resale analysis on houses sold within the Palm Beach Area. This analysis takes all houses that were resold within a six month period and averages out all the capital appreciation to give an annual growth figure. The time in which the asset is held for varies, explaining why homeowners who have sold prior to the Global Financial Crisis (GFC) in 2008 saw greater capital growth than those who held onto their houses and sold within the past two years. The analysis has yielded an average annual capital growth of 6.2% per annum for houses sold within the December 2010 half year. However as seen in the Palm Beach Area Historic Average Annual Capital Growth Graph, capital growth has been diminishing since 2006. This was predominant from when the Global Financial Crisis unveiled itself to the market and there was a growing uncertainty in property. Looking at median price over the most recent half year period the Palm Beach Area recorded a 1.9% annual softening, culminating to a median price of \$504,975. Real price decreases in this area over that period are likely to have been stronger than represented in median price as the downturn eventuated midway through the measured period. However, over

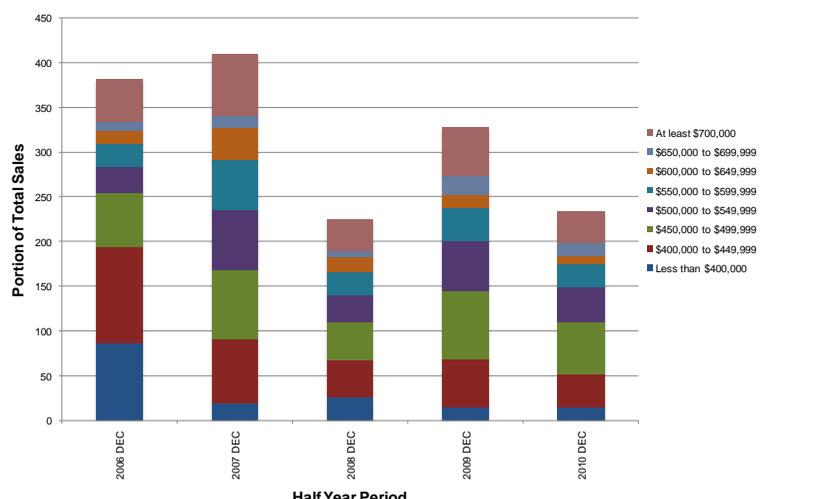


Palm Beach Area House Sales Cycle Graph



Prepared by PRDnationwide Research Source: RP Data & PDS

Palm Beach Area House Price Points



Prepared by PRDnationwide Research Source: RP Data & PDS

the past five years median price in the Palm Beach Area has registered 4.1% per annum, highlighting the growth which occurred during the 2006 to 2007 period.

Sales activity has tapered significantly within the Palm Beach Area registering a 28.4% decrease from the December 2009 half year, where activity levels were propped up by government incentives. On an individual suburb level the strongest softening was recorded within Currumbin Waters registering a 37.7% fall in sales volumes, while Elanora recorded a 35.5% drop. The most active price point during the December 2010 half year was \$450,000 to \$499,999 absorbing 24.8% of the total transactions, followed by the \$500,000 to \$549,999 price point with 17.1% of total transactions. Interestingly the wider economic conditions seem to have impacted more strongly on the higher end of the market with the strongest annual decrease of 35% in sales recorded within the \$700,000 price bracket.

Unit Market

While the Palm Beach Area unit market has recorded its most significant price correction in at least a decade, settled unit transactions have also fallen to its lowest level in as many years. This paints a clear picture of the current economic conditions and the impact on the property market. It also highlights the transition of property into a buyer favourable market with purchasers holding the upper hand in negotiations.

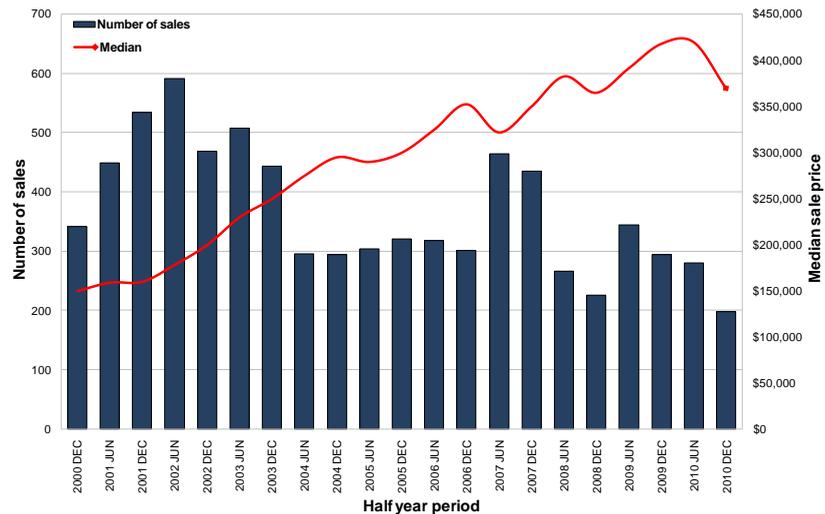
In order to gauge returns realised by unit owners who sold within the six months to December 2010, PRDnationwide Research has conducted a resale analysis. This has revealed an average annual capital growth of 3.2% per annum. This figure has decreased considerably as prices softened consecutively from the GFC. This is supported by the median price recorded during the most recent December 2010 half year of \$370,000. This figure represents an annual softening of 11.5% or \$48,000. Over the longer five year term, median price has still recorded an annual increase of 4.3%, accounting for the strong growth recorded prior to the GFC which unveiled itself during the 2008 calendar year. It is likely that prices will remain subdued for at least the remainder of 2011 as further interest rates perpetuate the shortage of active buyers in the market.

The softening in settled unit sales within the Palm Beach Area is substantially higher than houses recording a 32.7% fall over the 12 months to December 2010. This has equated to a final volume of 198 sales for the period. The bulk of these transactions have occurred at the higher end of the market with 23.2% of sales transacting for at least \$500,000, a decrease of 28% from the December 2009 half year. This was followed by the \$300,000 to \$349,999 price bracket which recorded 19.7% of sales through a softening of 20% from the December 2009 half year period. The price bracket which has absorbed the strongest softening in sales activity over the year was \$400,000 to \$449,999, which has recorded a softening of 63% in sales activity over the 12 months to December 2010. This was followed by the \$450,000 to \$499,999 price point with a 44% drop in sales. On an individual suburb level, the suburb of Palm Beach has transacted the highest level of sales at 111, over the December period. This equates to a decrease of 9% from the previous December half year. Tugun has attracted the second highest level of transactions with 44 sales, however this registered the strongest softening with 59% less transactions than the previous December period.

Prepared by PRDnationwide Research. Source: RP Data & PDS and the ABS. For further details contact: Josh Brown, Research Analyst, Ph: (07) 3026 3357 or Email: joshbrown@prd.com.au or visit our website at www.prdnationwide.com.au/research.

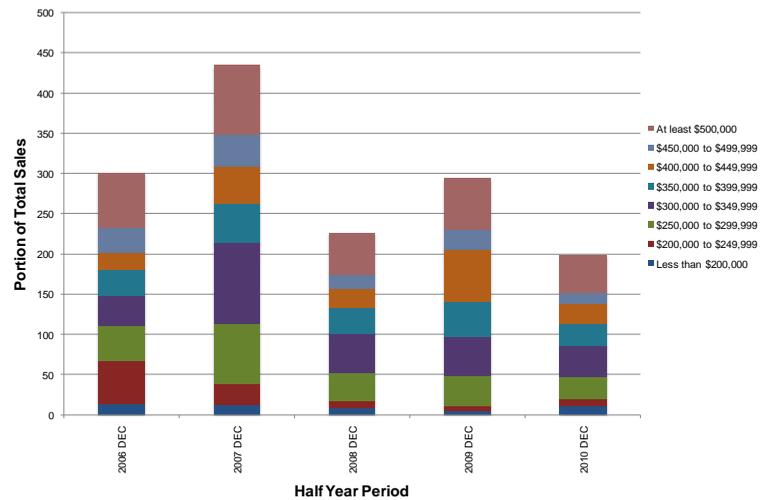
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Palm Beach Area Unit Sales Cycle Graph



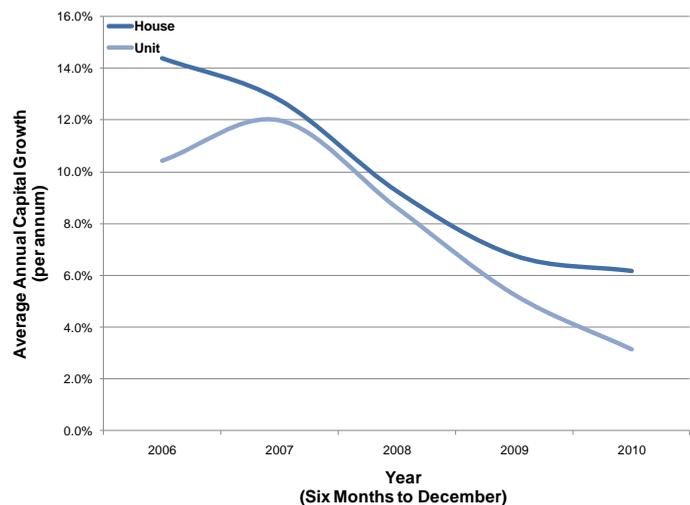
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Palm Beach Area Unit Price Points



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Palm Beach Area Historic Average Annual Capital Growth



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