

# IPSWICH MARKET OVERVIEW



- Currently what typifies the market is the lack of active purchasers, who for the most part have been deterred by the rising cost of debt and living.
- Settled sales and capital values have softened across all markets within Ipswich over the most recent half year to December 2010.
- Strong fundamentals in Ipswich, the markets affordability and increasing rents should see the market pick up over the medium term.

## Overview

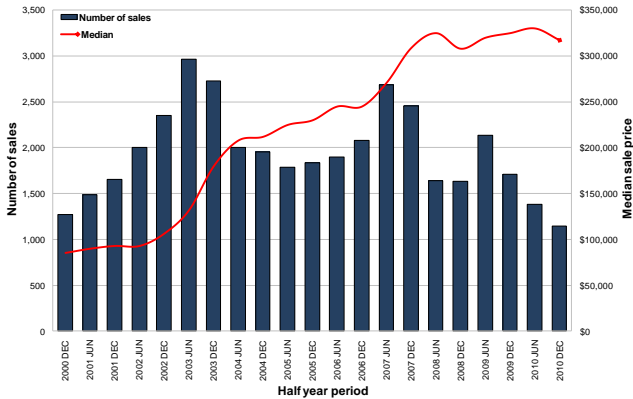
The Ipswich City Local Government Area (LGA) is located approximately 30 kilometres west from the Brisbane CBD and borders the Brisbane LGA to the northwest and Logan LGA to the southeast. As the oldest provincial city in Queensland, Ipswich lays claim to more than 6,000 heritage listed sites and is now the eighth largest city within Queensland. The amalgamation of Queensland LGA's in 2008 saw the region lose part of Mutdapilly, Peak Crossing and Harrisville to the Scenic Rim LGA. Despite the loss of these suburbs, Ipswich City has continued to grow into one of the key regions for development in Queensland.

Within the urban footprint of the Ipswich LGA, rural areas are located mainly in the southern and western edges of the City. Ipswich also boasts 43% of available industrial land in South East Queensland. There is a strong focus on sustainability programs, encouraging key future-oriented industries by the use of existing environmental approaches to management, which also reduces pollution. This was exemplified when Ipswich hosted the inaugural Sustainability Expo, Smart Living 2009.

In terms of the real estate markets performance, there has been little divergence from the trends displayed across the majority of Queensland markets with falling sales volumes and softening capital values. Currently what typifies the market is the lack of active purchasers, who for the most part have been deterred by the rising cost of debt and living. Along with the displaced residents following the January floods, Ipswich's rental market has and will continue to encounter stronger competition which will place pressure on weekly rents. To be succinct it is a buyer's market however purchasers will need to factor in future rate rises which are anticipated through the remainder of 2011. For those who are resigned to the rental market it is expected there will be small increases to weekly rents, as traditionally there are rarely large movements in the value of rents.

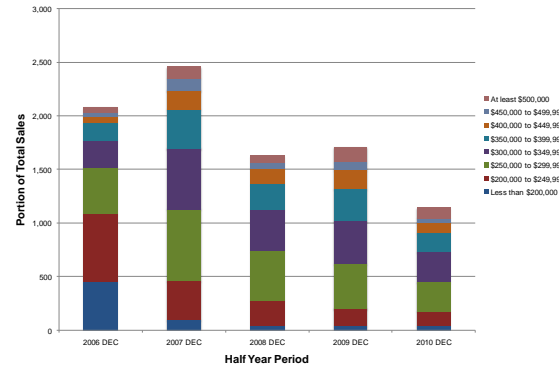
# IPSWICH MARKET OVERVIEW

## Ipswich House Sales Cycle



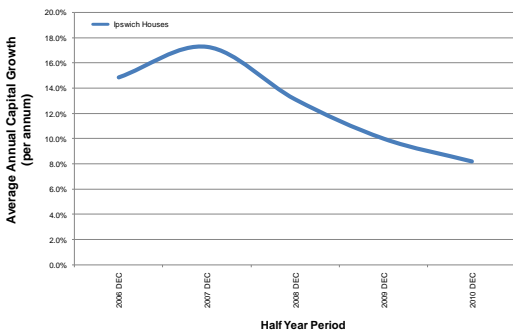
Prepared by PRDnationwide Research, Source: PDS

## Ipswich House Price Points



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## Average Annual Capital Growth



Prepared by PRDnationwide Research, Source: PDS

## House Market

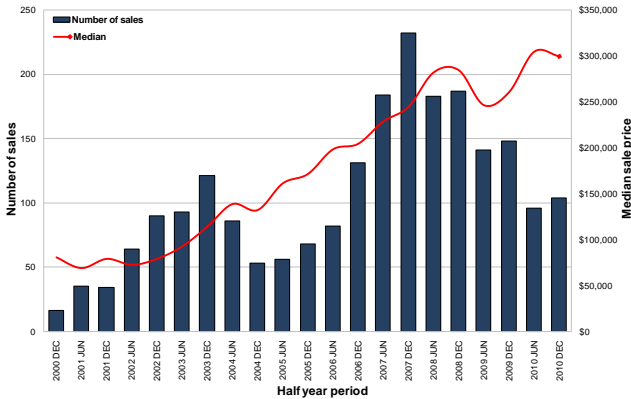
The house market in Ipswich expanded significantly from 2001, displaying exceptional growth in the median price until the unravelling of the Global Financial Crisis (GFC) in 2008. This downturn was the first to be felt in the market over the past decade, with settled transactions contracting and capital values beginning to stabilise and decline. Most recently over the 2010 calendar year, there has been consecutive interest rates rises, the withdrawal of the First Home Owners Boost and rising cost of living. This has equated to a sense of uncertainty being felt within the property market and also an aversion to debt. It is likely that this sentiment will be sustained at least until the end of the year as looming increases to interest rates continue to subdue demand from purchasers. This has transpired into a strengthening in demand for rental premises, which in turn will increase weekly rents.

PRDnationwide Research conducted a resale analysis on houses sold within Ipswich. 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 in 2008 saw greater capital growth than those who held onto their houses and sold within the past two years, as capital values softened. The analysis yielded an average annual capital growth of 8.1% per annum for houses sold within the December 2010 half year. Looking at the median price over the most recent half year period, the Ipswich Area recorded a 2.4% annual softening, culminating to a median price of \$317,250.

Settled transactions have softened consecutively from the June 2009 period which saw record low interest rates and government incentives driving market activity. Over the most recent half year period, Ipswich recorded its lowest volume of house sales in the past decade equating to 1,146 transactions. This level of sales represents an annual softening of 32%. Analysis of the most active price points during the December 2010 half year shows 25% of houses transacted within \$300,000 to \$349,999. This was followed by the \$250,000 to \$299,999 price point which saw 24% of total transactions. Over the December 2010 half year, the most significant tightening in sales activity occurred within the sub \$400,000 market. This market has accounted for 73% of the total 12 month decrease in sales activity. On an individual suburb level, Springfield Lakes has recorded the majority of sales achieving 100 settled transactions. This was followed by Redbank Plains and Raceview with 95 and 65 settled transactions respectively.

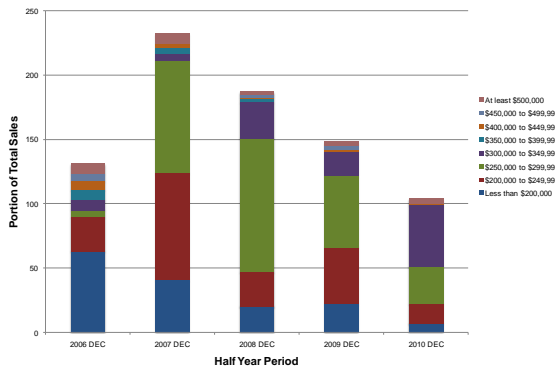
# IPSWICH MARKET OVERVIEW

## Ipswich Unit Sales Cycle



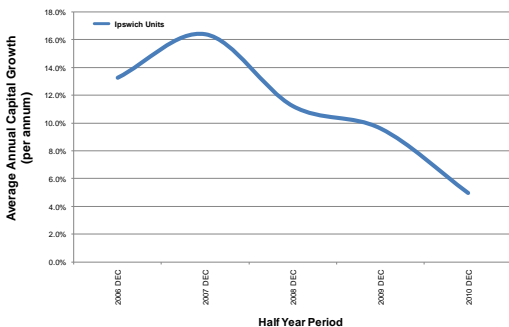
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## Ipswich Unit Price Points



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## Average Annual Capital Growth



Prepared by PRDnationwide Research, Source: PDS

## Unit Market

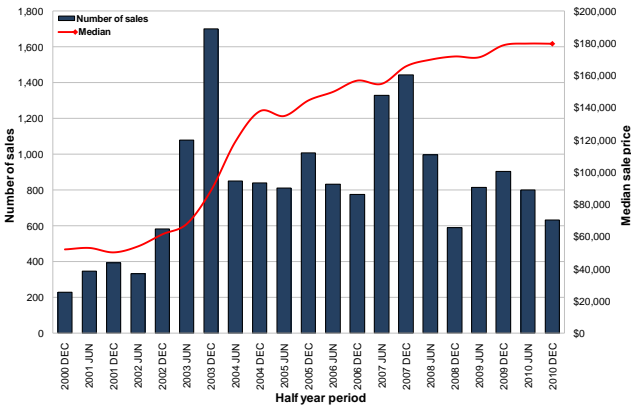
The Ipswich unit market expanded significantly from 2005 as a number of new residential unit developments came online. During the period from 2002 to 2008, this market has also experienced significant price growth as demand for low maintenance residences increased significantly. However the market has entered into a period of correction from 2008, as the unsustainably strong price growth reached a peak and the GFC acted as the catalyst placing this market into a downturn. From 2008 sales activity and capital values have fallen significantly, with stricter lending criteria, rising costs of living and the increasing cost of debt leading to tighter demand. It is expected that the demand should remain sparse until the end of the year as the anticipated increases to interest rates continue to put a dampener on the market. However strong fundamentals, the markets affordability and increasing rents should see the market pick up over the medium term.

A resale analysis has been conducted on units sold within Ipswich during the half year to December 2010. This analysis has revealed an average annual capital growth of 4.9% per annum. Similarly 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 Ipswich recorded a 14.9% annual growth, culminating to a median price of \$300,000. This growth however does not represent increasing capital values, rather it reflects a significant drop in sales occurring within the sub \$300,000 market and an increase in sales transacting between \$300,000 and \$349,999.

Sales activity has also softened considerably from the December 2009 half year period by 30% to record a total of 104 settled transactions. This is slightly less than the 33% softening recorded in the house market. Units within Ipswich account for the lowest proportion of residential property sales equating to only 6% of total transactions within the six months to December 2010. Over the most recent period there has been a marked contraction within sub \$300,000 price point which has accounted for just 28% of total sales for the period. This has occurred in conjunction with an expanding \$300,000 to \$399,999 price point which saw 46% of sales. On an individual suburb level, Carole Park has recorded the majority of settled unit sales, achieving 24 settled transactions. This was followed by Brassall and Goodna with 15 and 13 settled transactions respectively.

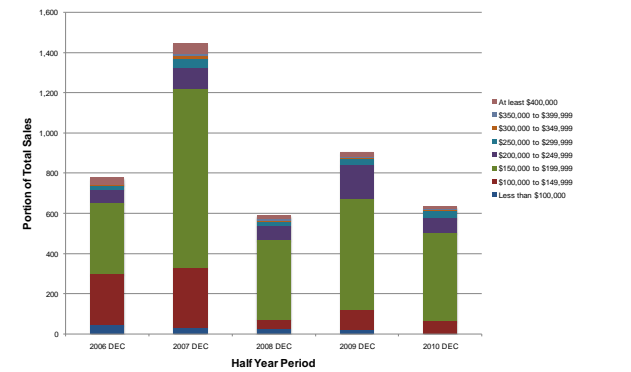
# IPSWICH MARKET OVERVIEW

## Ipswich Vacant Land Sales Cycle



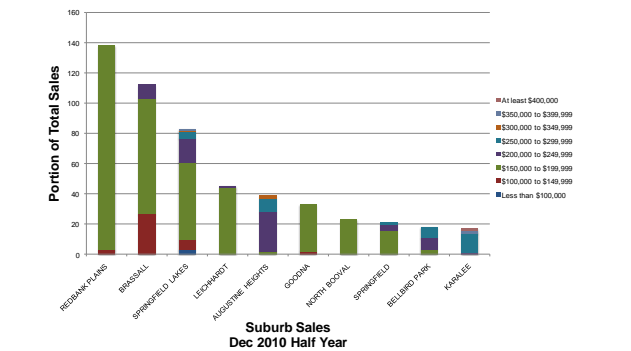
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## Ipswich Vacant Land Price Points



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## Price Points of Top Performing Suburbs



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## Vacant Land Market

Vacant land in Ipswich is heavily leveraged off masterplanned communities including the renowned Springfield Masterplanned Community, which was crowned the world's best at the FIABCI Prix D'Excellent Awards. These large-scale developments play a vital role in the local economy and provides a variety of housing options to suit most tastes and budgets. Over the most recent six months to December 2010, sales activity has fallen significantly in line with increasing interest rates, the withdrawal of the First Home Owners Boost and the rising costs of living. This has prompted potential purchasers to sit on their hands rather than purchase in an uncertain market. Capital values have also softened as the decreased number of active purchasers in the market has forced vendors to make consolidations on their asking price in order to make a sale.

Looking at the median land price over the most recent six month period, Ipswich recorded marginal annual growth at 0.5%, to register a median price of \$179,000. This growth does not reflect increasing capital values in a down market; instead this reflects the significant drop in sales occurring within the sub \$250,000 market, which has recorded 97% of the fall in transactions. To highlight the strong growth recorded over the past ten years, vacant land in Ipswich has recorded an annual median growth of 13.2% per annum.

Settled vacant land transactions have fallen 30% since the December 2009 half year period to record a total of 104 transactions. This is on par with the 30% softening recorded for Ipswich units and slightly less than the 33% recorded for the house market. Sales activity over the most recent six months to December 2010 has fallen to the peak GFC levels seen in the December 2008 period when economic uncertainty was at its peak. In terms of the price point distributions, there have been contractions across almost all market segments, particularly the sub \$250,000 price point. The most active price point during this period however, was the \$150,000 to \$199,999 price point which has accounted for 69% of total sales activity. This was followed by the \$200,000 to \$249,999 price bracket, which achieved 12% of total sales. On an individual suburb level, Redbank Plains has recorded the vast majority of settled transactions at 138 sales. Almost all these sales were sold within the \$150,000 to \$199,999 price point. This was followed by Brassall and Springfield Lakes, with 112 and 83 settled transactions respectively.