

## Australian Capital Territory

### IN BRIEF

- The median house price increased by 14.8% to register \$530,000 in September 2010.
- Large investment in land estates and infrastructure will underpin future growth in the ACT.
- For the past ten years units have been the dwelling of choice in the Inner North region of Canberra, with sales activity often doubling that of house type product.

### Scope

The following Property Watch is the result of an investigation into the house, unit and vacant land markets within the Australian Capital Territory with specific focus on the City of Canberra.

### Area Characteristics and Demographics

The Australian Capital Territory (ACT) is located approximately 280 kilometres south west of Sydney and 670 kilometres north of Melbourne, covering an approximate area of 2,350 square kilometres. Four major highways lead into the area, with daily rail services to Sydney. Canberra, the nation's capital is located in the Northeastern corner of the ACT and accommodates the majority of the population in the region. Designed by the famous architect Walter Burley Griffin in the beginning of the previous century, Canberra is a famous model of the Garden City concept, integrating significant areas of natural vegetation that have earned the City the title of the "bush capital".

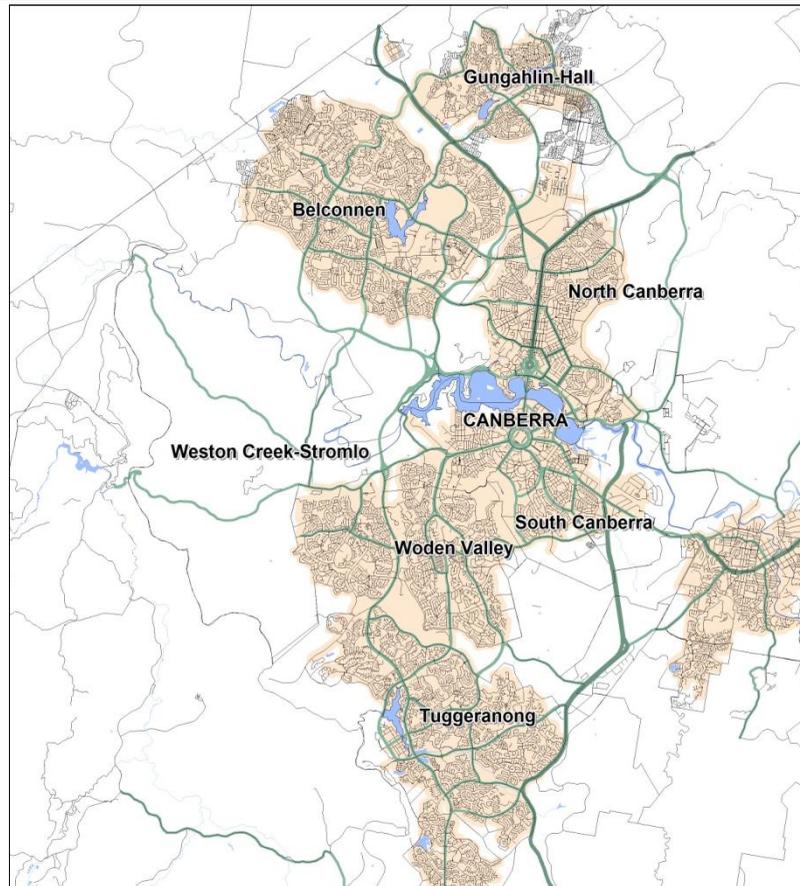
The largest employers in the ACT include Commonwealth Government agencies and three major universities. The salaries paid by these bodies position Canberrans as Australia's highest income earners with an average household income of \$1,509 per week. Other major employers include government support such as consultancy firms and the ACT Government. Canberra is the home of many national corporate headquarters that prefer the ownership of rental units over the use of hotel rooms for their transient staff. According to the latest census data, families, either with or without children make up 60 per cent of households in the ACT, while 28 per cent of are non family households. The high percentage of non families may be attributed to the large population of public servants who work in the ACT but have their family homes elsewhere.

### Infrastructure

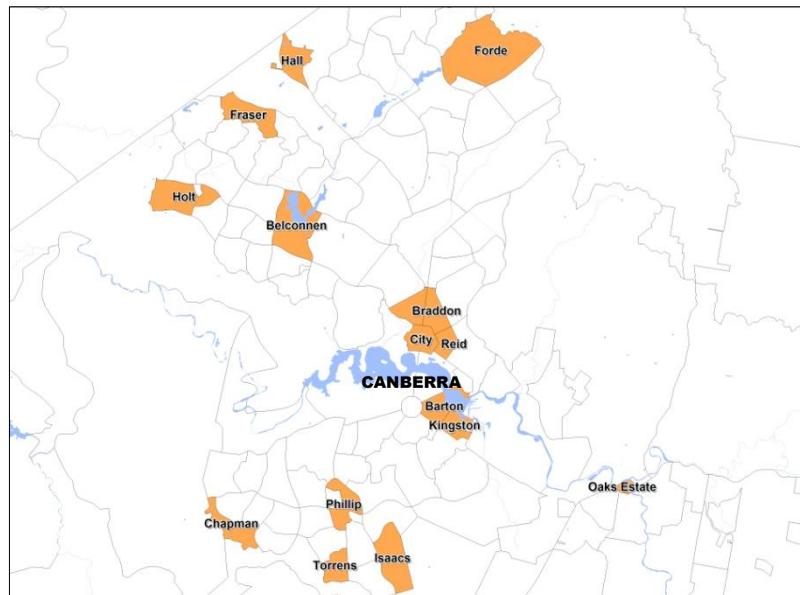
Multi-million dollar investments are in the pipeline for the ACT. Currently in the design stage are the new suburbs in the Molonglo Valley and North Gungahlin regions and the expansion of the Canberra Hospital in Garran, each exceeding \$500 million in value. Under construction is the new ASIO building in North Canberra, and a \$130 million land subdivision in Macgregor West.

### Rental Market

Vacancy rates remained below two per cent in 2010 maintaining the upward pressure on rental growth. High rental return and strong historical capital growth attract a balanced mix of locals and interstate investors to the ACT market. The median rent for a house in the ACT was \$488 per week, representing a 3.7 per cent growth from December 2009. For the same period the median rent for units climbed 6.3 per cent to \$420 per week. The factors contributing to this higher median include higher average weekly incomes and an undersupply of houses and units.



### ACT's Highest Rental Share Suburbs



Prepared by PRDnationwide Research. Source: ABS

### Median Weekly Rents – December 2010

LGA	3 Bedroom House	2 Bedroom Unit
ACT	\$488	\$420

Prepared by PRDnationwide Research. Source: RP Data

**House Market**

The ACT house market experienced strong and steady growth since the beginning of the century, as is demonstrated in the house sales cycle chart to the right. The market remained flat during the Global Financial Crisis to experience a strong recovery in 2010, recording a median price of \$530,000 in September 2010. This represents an increase of 14.8 per cent over the 12 month period. Closing the September 2010 six month period with 1,331 transactions, the region recorded a 49 per cent decline in sales activity from September 2009, and a 57 per cent decline from the long term sales volumes recorded over the past five years. When analysing the price point distributions, most sales transacted within \$400,000 to \$499,999, accounting for 31 per cent of total transactions. This was followed by the \$500,000 to \$599,999 price bracket, making up 25 per cent of the market. At the higher end of the market houses selling for \$1,000,000 and above accounted for four per cent, while at the lower end 10 per cent of houses transacted below \$400,000. The suburb of Kambah topped the sales list, registering 70 transactions, or 5.3 per cent of the total sales for the six month period. It was followed by Ngunnawal with 57 transactions and Dunlop where 54 houses transacted, accounting for 4.1 per cent of sales for the September half year period.

In order to ascertain the returns to vendors who exited the market, PRDnationwide Research has undertaken a resale analysis of all house product sold within the six months to September 2010. This study has yielded a strong average annual capital growth of nine per cent per annum. This product was held for an average period of 7.9 years.

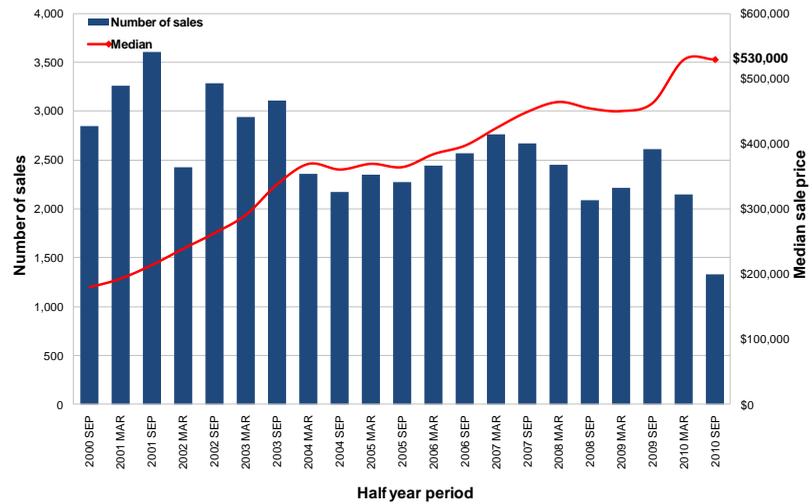
**Unit Market**

The undersupply of units in the past two years led to an influx of development around the ACT's town centers. Strong demand for inner city developments led to projects such as the Apartments in Acton and the redevelopment of the Kingston foreshore, expected to yield 1,700 apartments over the next few years. The median price for a unit in the ACT was \$415,000 representing a 7.8 per cent growth from 2009. The median stemmed from a total of 846 transactions. A decline of 55 per cent in sales from the September 2009 half year emphasizes the shortage in stock, but may also highlight the shift to apartments bought off the plan where the sale is only registered upon settlement and is not included in the available data. A price point analysis revealed that most units transacted in the \$350,000 to \$399,999 price bracket, accounting for 26 per cent of sales. At the lower end of the market units selling for less than \$300,000 equaled to six per cent, while towards the top end of the market units selling for \$600,000 plus equaled to 11 per cent.

**Vacant Land Market**

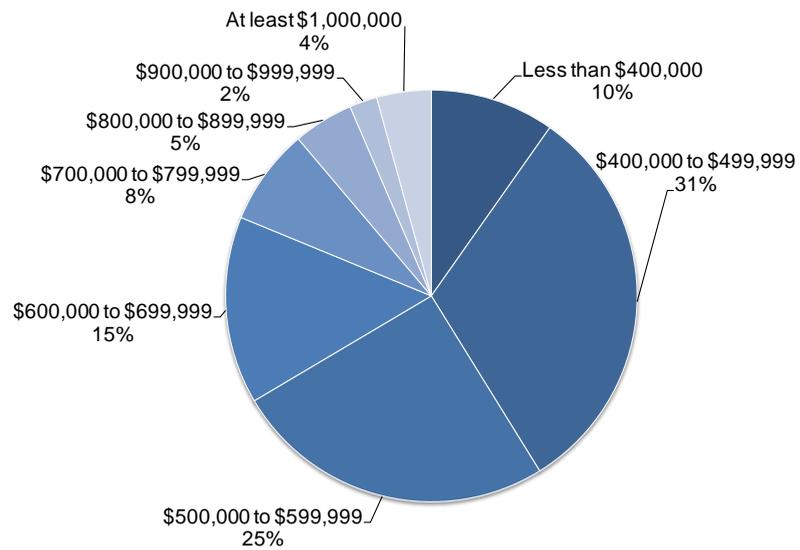
The two main land release areas of Gungahlin in the north and Molonglo Valley in the west of Canberra are master planned communities that will ultimately house over 100,000 residents. The ACT recorded a median land price of \$240,000, stemming from 147 sales for the six month period to September 2010. This figure represents significant softening from the spike in sales recorded over the 12 months to March 2010, when a record 743 blocks transacted during a six month period. It is expected that land activity level will increase in coming years as lots in new land subdivisions are released into the market. Topping the sales list were the suburbs of Casey with 50 registered sales, Forde with 26 and Bonner recording 20 lots for the period.

**ACT House Sales Cycle**



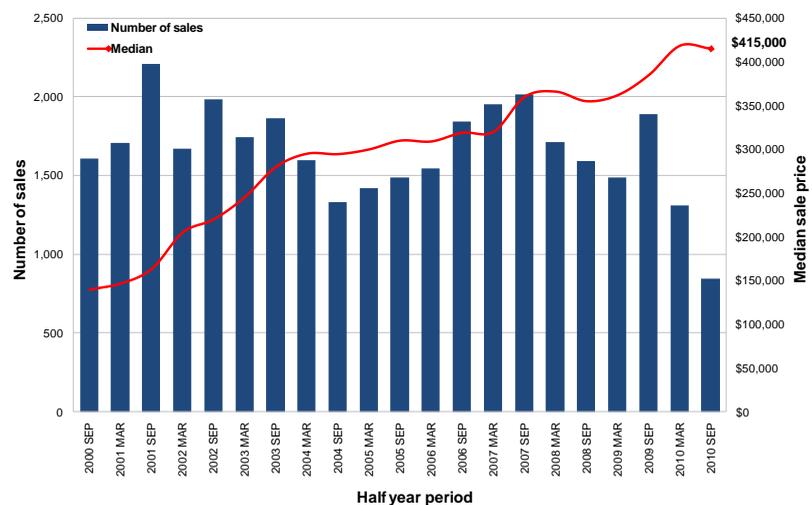
Prepared by PRDnationwide Research. Source: PDS Live

**ACT House Price Points**



Prepared by PRDnationwide Research. Source: PDS Live

**ACT Unit Sales Cycle**



Prepared by PRDnationwide Research. Source: PDS Live

## The Inner North

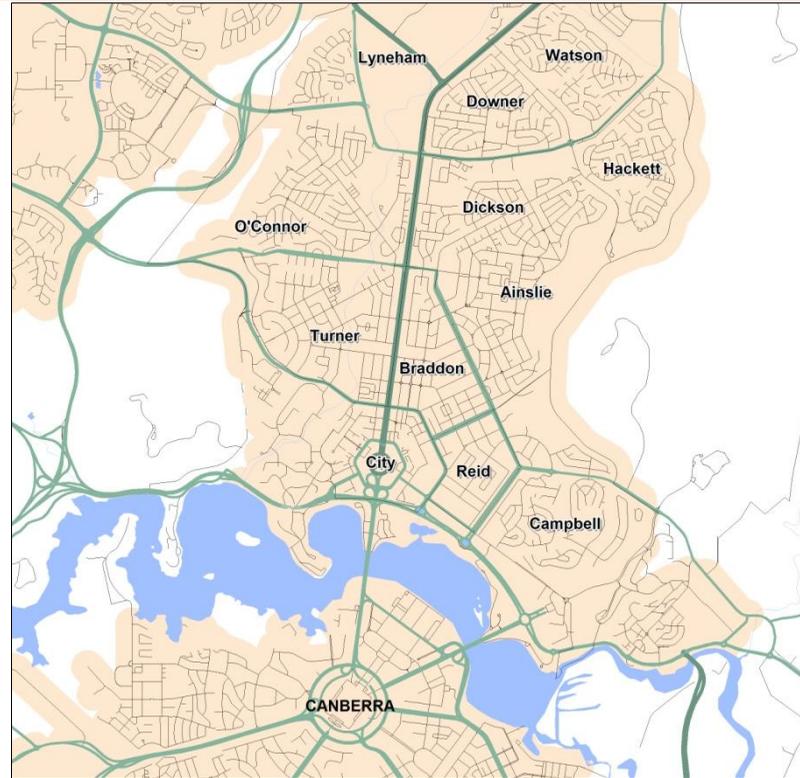
Comprising 14 suburbs, 19,115 dwellings and housing 42,113 residents, the Inner North of Canberra has some of the oldest dwellings in the district, many built in accordance with Walter Burley Griffin's designs. It is bounded by Lake Burley Griffin to the south and the Barton and Federal Highways to the north. The area is home to institutions such as the ANU and the Australian War Memorial.

### Unit Market

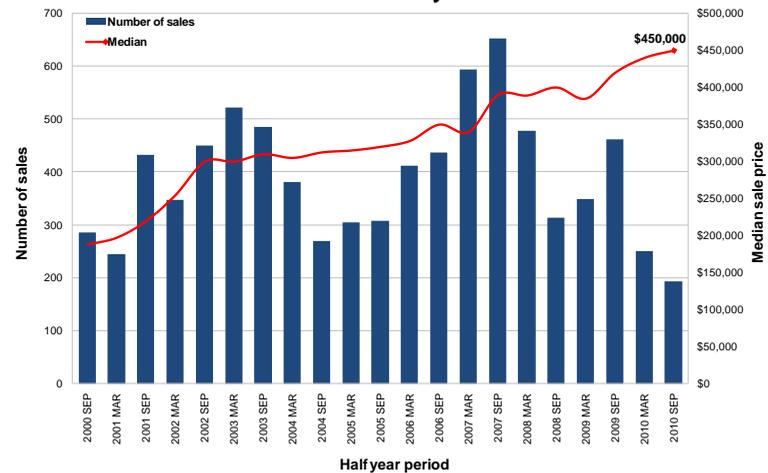
According to the latest Census data units represented 29 per cent of dwellings in the Inner North, with townhouses and terraces accounting for 16 per cent of dwellings. The September 2001 half year was the first time units sales activity surpassed that of separate houses. Since then, unit type product has been the Inner North's dwelling of choice, doubling the number of house transactions in five different half year periods. The Inner North median unit price climbed to \$450,000 in September 2010, representing a 7.1 per cent growth. This was in line with the longer term growth for the area, indicating a sustainable demand for inner city living in Canberra. A price point analysis revealed that most transactions (22 per cent) occurred in the \$350,000 to \$399,999 price bracket. Sales at the \$600,000 plus bracket accounted for 18 per cent, pointing to strong demand for top end stock, while at towards the bottom end, eight per cent of units sold below \$300,000. Sales activity for the region peaked in September 2007 where 652 units transacted for the half year period, since then market activity declined to record 193 transactions in the six months to September 2010. Most activity concentrated in the suburb of Braddon, accounting for 21 per cent of transactions, and Canberra City, recording 40 transactions, or 20 per cent of the unit market.

### House Market

Over the past five years the suburbs of Watson, O'Connor and Ainslie jointly averaged 49 per cent of house sales in the Inner North. The median price for the region closed at \$695,000 in September 2010, representing a very strong 17.8 per cent increase over the same period in 2009, taking the five year annual median growth to 9.1 per cent per annum. In order to better understand the recent price behavior of houses in the region, PRDnationwide analysed all house transactions that took place in the September 2010 half year period. The analysis revealed that most Inner North houses transacted within the \$600,000 to \$699,999 price bracket, accounting for 29 per cent of the sales. This was followed by the \$700,000 to \$799,999 price bracket, representing 24 per cent of the sales. Towards the top end of the market, seven per cent of sales occurred at or above \$1,100,000 while at the bottom end, houses selling for less than \$500,000 accounted for three per cent of transactions. Sales activity decreased 39 per cent from 212 transactions in September 2009 to 129 in the September 2010 half year period. This could indicate an affordability issue where first home buyers are squeezed out of the market, while second and third home buyers purchase in the higher price bracket, leading to an increase in the median price.

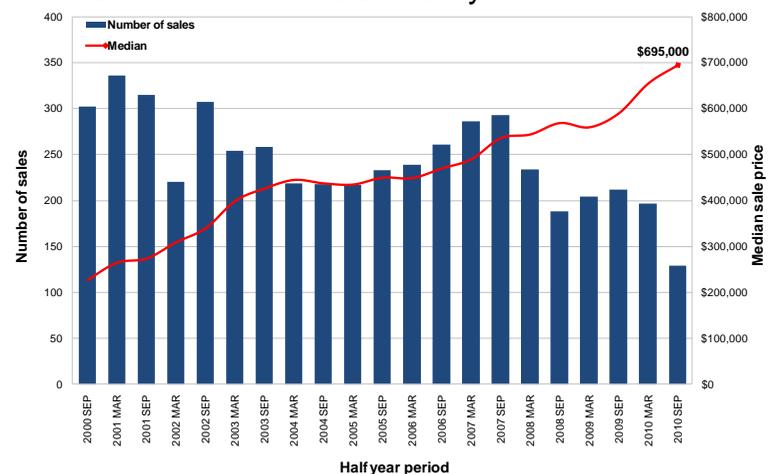


**North Canberra – Unit Sales Cycle**



Prepared by PRDnationwide Research. Source: PDS Live

**North Canberra – House Sales Cycle**



Prepared by PRDnationwide Research. Source: PDS Live

Prepared by PRDnationwide Research. Source: PDS Live, Housing NSW, BCI Australia, RP Data and the ABS. For further details contact: Oded Reuveni Etzioni, Research Analyst  
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