

GLADSTONE REGION

Highlight Report®



GLADSTONE LGA HIGHLIGHTS

- While the Gladstone region continues to see millions of dollars commitment from projects that are either completed or under construction as well as projects that are undergoing feasibility studies, the market has softened throughout the 2013 financial year.
- Current large scale projects are providing longevity and a large importance on the regions property markets to accommodate a growing workforce with population projections expecting to near 75,000 over the next three years.
- With the completion of a number of residential projects in the past twelve months, the rental pressures witnessed in 2012 have been eased with decreases as large as \$50/wk in median rental price.
- While employment opportunities in the mining and construction industries continue to underpin strong population growth in the area, anecdotal evidence indicates a resurgence of retirees, sea-changers and south east Queenslanders re-entering the Gladstone LGA property market.

GLADSTONE REGION OVERVIEW

The Gladstone Region Highlight Report analyses the performance of the residential real estate market within the defined Gladstone Local Government Area. The report contains detailed investigations into three sub-markets within the region which include the Gladstone City Area, Tannum Sands Area and Agnes Water Area. Results of these investigations are intended to identify trends and commonalities that exist between each sub-market, though most importantly to gain an appreciation of the underlying drivers of each particular market.

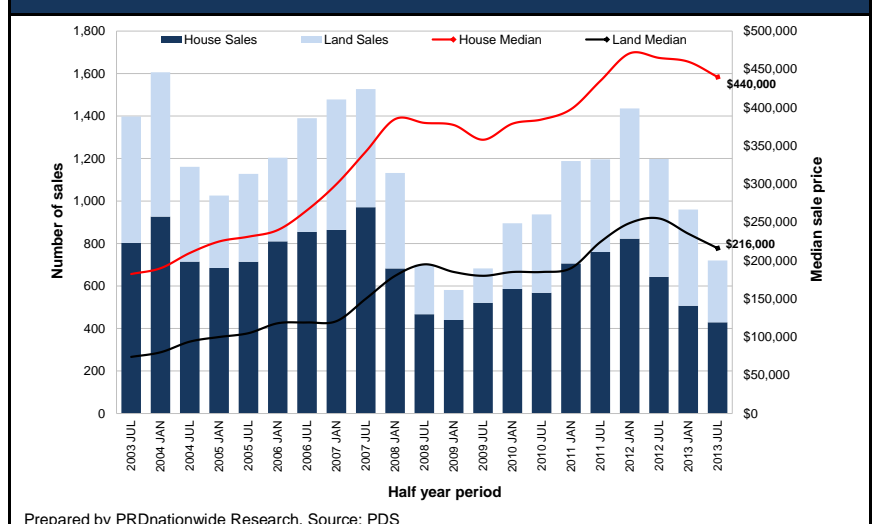
The Gladstone Regional Council is located around 550 kilometres north of the state capital Brisbane and 100 kilometres south-east of Rockhampton. Population figures provided by the Australian Bureau of Statistics (June 2012) signified Gladstone as the third fastest growing Local Government Area in Queensland.

The regions thriving economy is largely attributed to Queensland's largest multi-commodity port, situated on the periphery of the Gladstone City Area. Other core infrastructure including a nexus of rail and highways, the Gladstone Airport, refineries and a list of other production facilities and industrial titles underpin the region as being the most significant resource service centre in Australia.

While the region continues to witness millions of dollars commitment from projects that are either completed or under construction as well as projects that are undergoing feasibility studies, the market has softened throughout the 2013 financial year. Projects that include core infrastructure, major industry, commercial property and land development have all seen small setbacks. That being said, the magnitude and longevity of such projects place a large importance on the regions property markets to accommodate a growing workforce with population projections expecting to near 75,000 over the next three years.

In June 2012, the Gladstone LGA reached historically high rents deeming a large portion of dwelling types unaffordable for the average resident. In the past twelve months an increasing number of completed residential projects have since eased this tension and released of rental pressure to make the Gladstone region more affordable for renters. Paired with the recent median price correction across all markets; now may be the time for the thrifty investor to take a long term approach to residential investment with \$35 billion of projects still in the pipeline to boost the local economy.

GLADSTONE LGA HOUSE & LAND SALES CYCLE



AGNES WATER AREA



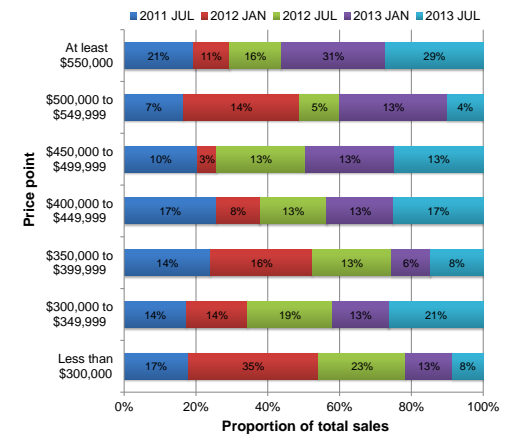
The Agnes Water Area includes the suburbs of Agnes Water, Seventeen Seventy, Round Hill and Captain Creek. The Agnes Water Area residential property market has recently benefitted indirectly from the natural resource influence in the Gladstone LGA, however anecdotal evidence has suggested that a mix of retirees, lifestyle sea changers and a return of buyers from south-east Queensland have returned. This paired with certainty in the federal government has provided increased consumer and developer confidence to local market.

The Agnes Water house market has registered an annual increase of 2.3 per cent increase over the past five year to close July 2013 at \$430,000. Despite fluctuating heavily due to price point and sales instability the market has continued an upward median price trend. Reportedly, the Agnes Water Area house market is currently oversupplied with stock with a limited number of buyers on the scene. However, with the aforementioned migration as well as the region entering a growth phase with new developments (Seaspray, Shores by 1770 and Point View) coming online the Agnes Water Area can expect to see a reinvigorated housing market heading toward 2014 and beyond.

In the period since January 2009 the Agnes Water Area house and vacant land markets, despite some short term volatility, have both remained steady in terms of median price and sales growth. In this period, the house and vacant land seasonal trend chart displays that Agnes Water has established a trend that smaller lots (less than one acre) are becoming more popular during the summer period while acreage house and land, has thrived during the winter period.

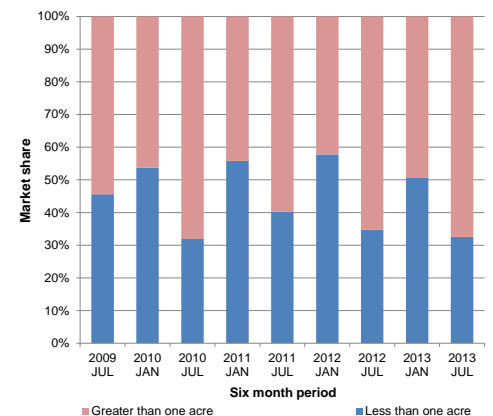
In the five year period to July 2013 the Agnes Water vacant land median price market registered a negative 3.7 per cent decline and 6.0 per cent drop in transactions to close with the modest median price of \$188,000. Activity in the Agnes Water Area vacant land market has been rather stagnant since the onset of the economic downturn in 2008, with the median price slowly trending back up to pre-2007 levels. Land sales (which include vacant town land parcels and acreage properties) have historically accounted for a large percentage of the local market, a trend which slowly reaching parity with the demand for investment property influencing market dynamics.

HOUSE PRICE POINTS



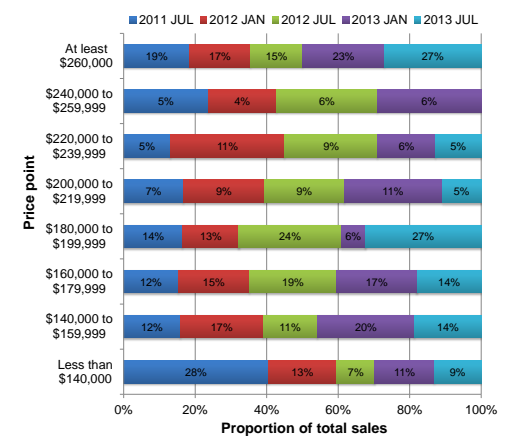
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HOUSE & VACANT LAND SEASONAL TREND

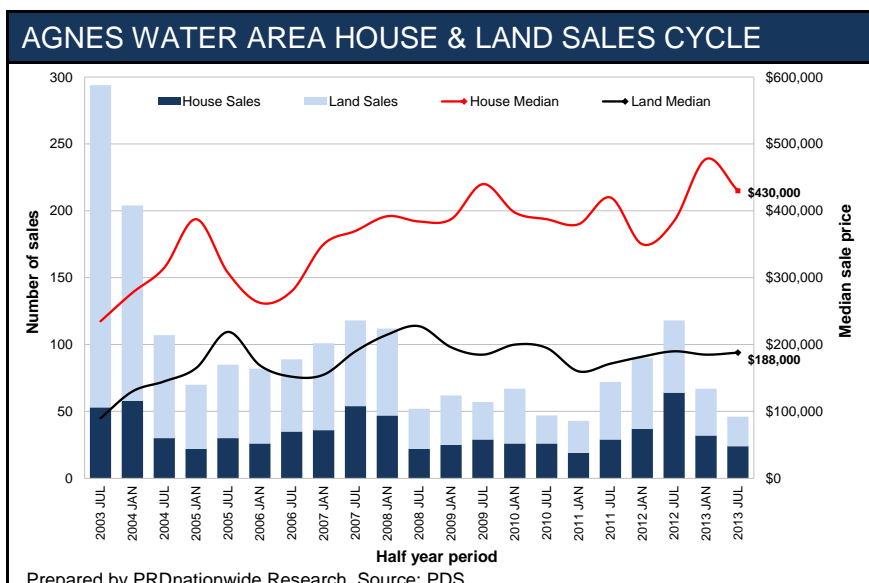


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VACANT LAND PRICE POINTS

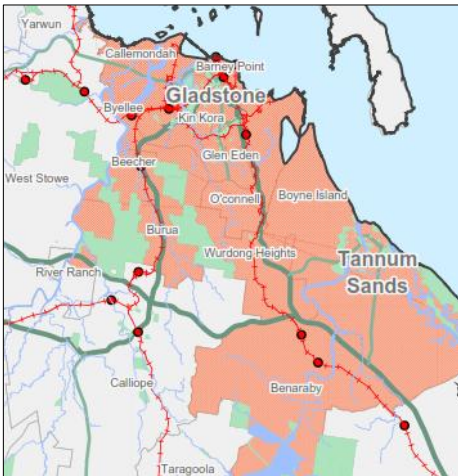


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GLADSTONE AND TANNUM SANDS AREAS



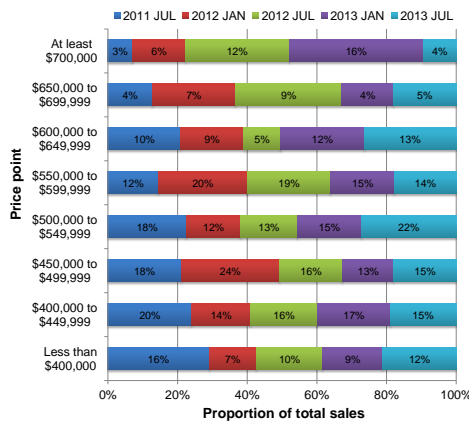
TANNUM SANDS AREA

The Tannum Sands Area is defined by the suburbs of Tannum Sands, Boyne Island and Benaraby. The Tannum Sands Area property market has experienced a notable regression over the twelve month period to July 2013, recording a 3.1 per cent decline in median sale price which is largely due to the decline in house transactions. Despite maintaining a five year annual growth rate of 1.1 per cent, the Tannum Sands Area house market recorded 78 sales in the six month period concluding July 2013, down 32 per cent on the five year average of 106 sales per half year period.

The House Price Point chart provides evidence of decreasing affordability in the area, with all the sub \$450,000 price points contracting since the July 2011 half year period. The 3.1 per cent correction in median price evidenced in the past 12 months has been largely due to the increase in high end housing recorded during 2012 before returning to its historical levels in the first half of 2013. The \$450,000 to \$549,999 price range is where a majority of transactions occurred during the six months to July 2013 registering 37 per cent market share.

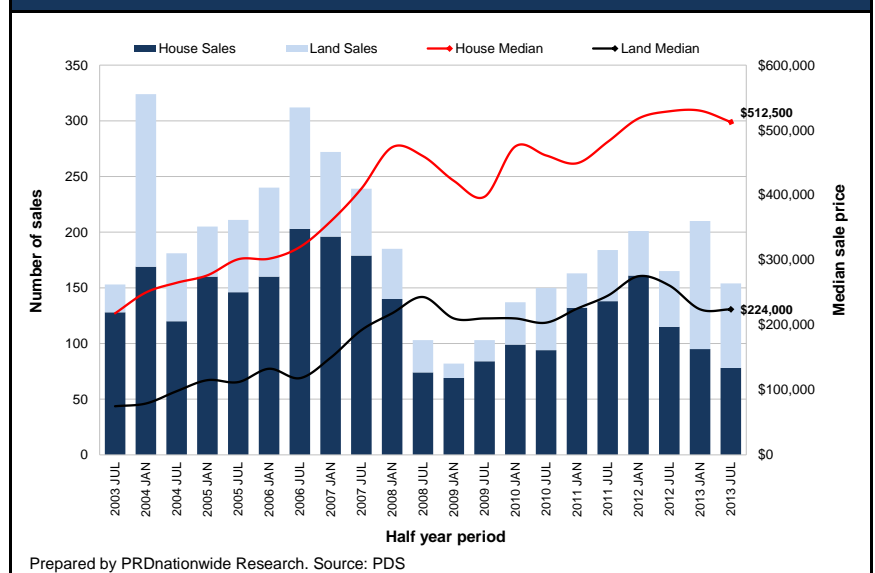
With the Tannum Sands Area registering three consecutive six month periods of diminished sales activity since the increasing trends witnessed post-Global Financial Crisis, it is by no surprise that the median price has flattened to close the July 2013 period at \$512,500. The solid performance of both the house and land markets through to 2011 has made it all the more difficult for development velocity to continue, that being said, Economic Development Queensland backed projects such as Tannum Blue have provided examples of continual development within the Tannum Sands Area. Tannum Blue, a state government's Priority Development Area will provide at completion approximately 1,500 residential dwellings as well as the shops, schools, restaurants and cafes required to maintain a flourishing economic hub just 20 minutes from Gladstone City.

HOUSE PRICE POINTS



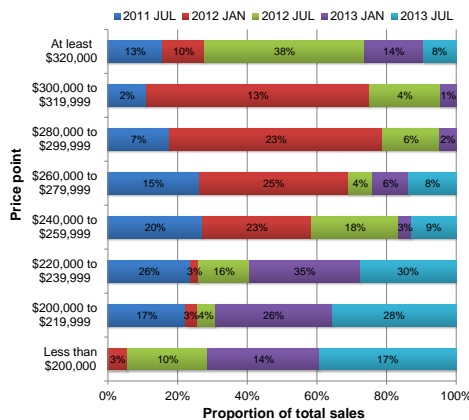
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TANNUM SANDS AREA HOUSE AND LAND SALES CYCLE



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VACANT LAND PRICE POINTS



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The Tannum Sands Area vacant land market has registered a total of 191 sales during the annual period to July 2013, almost double the five year average of 96 vacant land transactions. Despite the increasing interest of vacant land within the Tannum Sands Area, the median price has yet to record a positive outcome closing the half year period to July 2013 at \$224,000. Since peaking in the January 2012 period, the Tannum Sands median price has returned to a sound state due to the 75 per cent of transactions under \$240,000 in the past twelve months.

GLADSTONE CITY AREA

The Gladstone City Area comprises of the suburbs including the established Gladstone City and neighbouring suburbs right through to the newer estates in the south-west boundary. Collectively, these suburbs represent the urban footprint of the Gladstone region's core.

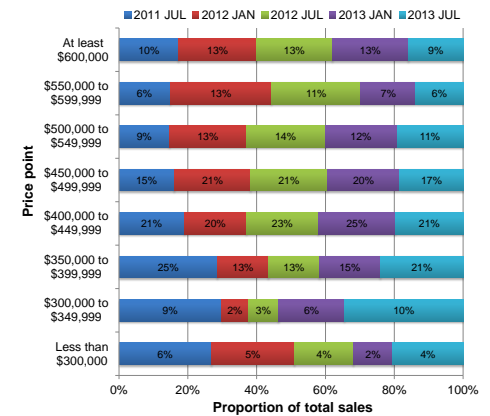
The Gladstone City Area property market has experienced a continued decrease in activity during the six months to July 2013, most notably in the land market (which accounts for both vacant parcels and new house and land packages). The house and land markets registered 253 and 125 transactions respectively in the six months to July 2013, representing a dramatic 24 and 37 per cent decrease in activity on the five year averages of 335 (house) and 200 (land) transactions.

The Gladstone City Area registered a continual 9.3 per cent per annum median price growth over the past decade despite witnessing a correction of 7.5 per cent in the year to July 2013. Historically the median price has generally run concurrently with the sales activity cycle spurred by employment opportunities in the natural resource and construction industries which have underpin strong population as well as residential market growth in the area.

The long term growth of the property market has most recently been attributed to the booming resource industries in the Bowen and Surat Basins. Substantial projects such as the Curtis Island LNG facility have remained the catalyst for the continual investor interest, with many looking to capitalise now on the opportunity for solid capital growth and attractive rental yields with increased affordability in house, unit and land markets over the past twelve months.

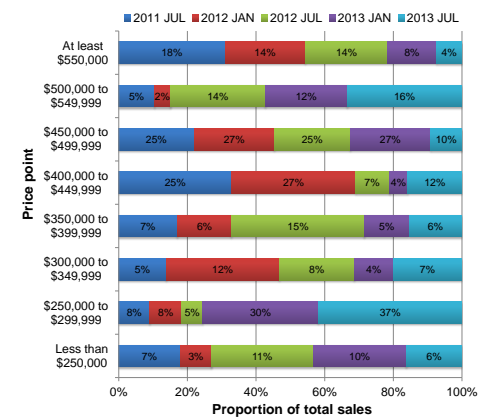
The Gladstone City Area unit market has also failed to sustain the exploding uplift in activity experienced during 2010/2011, registering a total of 67 transactions in the July 2013 half year period, a consistent number with the corresponding five year period although down on the peaks recorded throughout the 2010/2011 period spurred by higher yielding rental properties due to the fly in, fly out component within the Gladstone City Area. This being said, the unit market has evened out providing a good opportunity for the long term investor with a correction in median price closing the July 2013 half year at \$320,000 comparably down an enormous 31.2 per cent on the July 2012 median price.

HOUSE PRICE POINTS



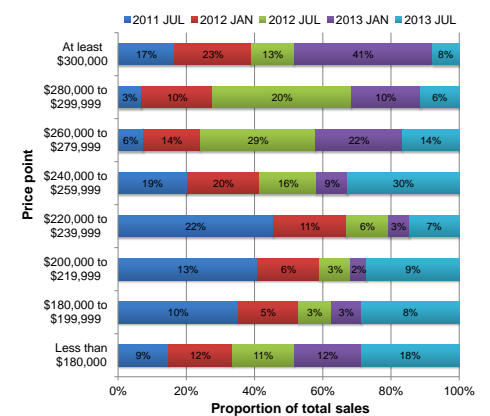
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UNIT PRICE POINTS



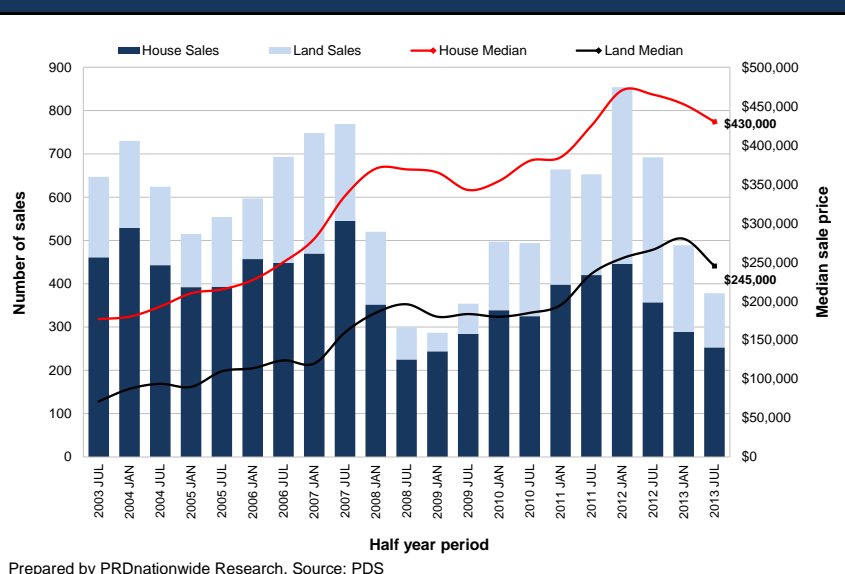
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VACANT LAND PRICE POINTS

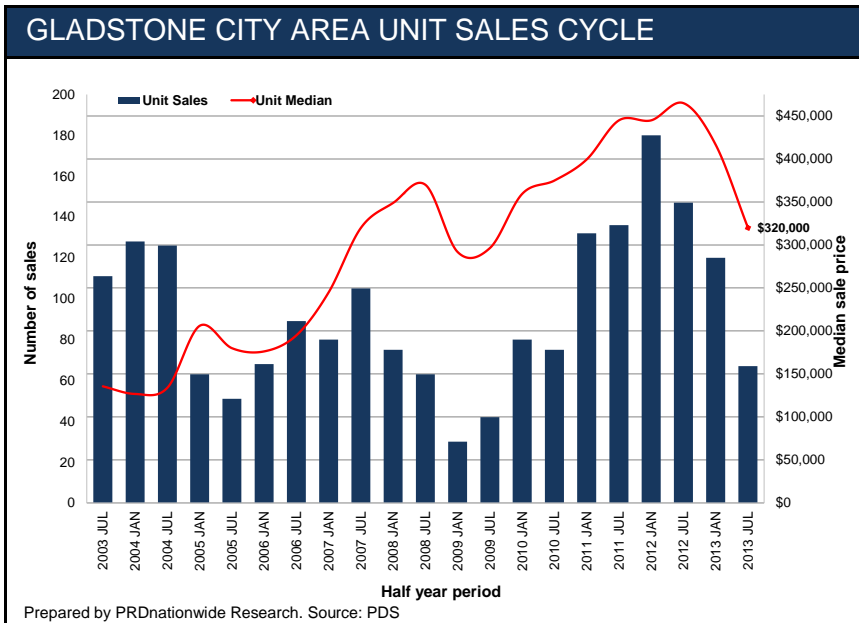


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GLADSTONE CITY AREA HOUSE AND LAND SALES CYCLE



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The Gladstone City Area’s rental market moving into 2013 has settled with a large number of fly in, fly out workforce now residing in recently established mining and construction campsites resulting in many investors being forced to lower rental price expectations in order to secure a tenant on a reasonable lease. Evidence of the limited term resident shortfall seen over the last 12 months can be demonstrated through the annual change across median rents by dwelling type with single bedroom units the only dwelling type that witnessed a median increase, of only three per cent.

The Gladstone City Area house rental market reported the largest annual decline to median price with two and four bedroom houses recording declines of 11 and 8 per cent. 3-bedroom houses maintained a \$520/wk asking rent recorded in June 2012.

The Gladstone City unit and townhouse market experienced the largest correction in median rental price as 3-bedroom units recorded a 20 per cent (\$120/wk) adjustment. Two and three bedroom townhouses recorded 15 and 10 per cent corrections in asking rents to finish the June 2013 period returning \$400/wk and \$520/wk respectively.

Despite the rental price correction witnessed in past 12 months, high yields can still be achieved in the current market, though investors must be diligent to buy at the right price, and buy something that has competitive tenant appeal.

Dwelling Type	Median Rental Price (\$)			Avg. Annual Growth 2011-13	
	2011 JUNE	2012 JUNE	2013 JUNE	Rental Price (%)	New Bonds (%)
UNIT 1 BED	220.0	300.0	310.0	18.7	0.0
UNIT 2 BED	300.0	420.0	420.0	18.3	22.5
UNIT 3 BED	400.0	600.0	480.0	9.5	24.2
THOUSE 2 BED	300.0	470.0	400.0	15.5	54.9
THOUSE 3 BED	450.0	580.0	520.0	7.5	98.3
HOUSE 2 BED	330.0	450.0	400.0	10.1	-6.7
HOUSE 3 BED	380.0	520.0	480.0	12.4	5.2
HOUSE 4 BED	470.0	650.0	600.0	13.0	20.3

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