

LOWER NORTH SHORE UNIT REPORT

Property Watch®



St Leonards apartments

MARKET INDICATORS

Change from Last	Year	Half Year
UNIT SALES	↓	↓
UNIT MEDIAN	↑	↑
UNIT RENTS	↑	↑

The activity and median indicators depicted above are based on the year ending June 2012.

KEY HIGHLIGHTS

- Strong construction activity in Chatswood will increase the suburb's unit stock by 32% to overtake Mosman as the locality with the highest number of apartments in the Lower North Shore.
- Resilience at the top end of the market was achieved by the supply of diverse and unique product that was met by strong demand from downsizers.
- The supply of new units priced from \$415,000 (1 b/r) and \$585,000 (2 b/r) has led to a significant decline in stock selling at the bottom end of the market.

MARKET OVERVIEW

This report is the result of an investigation into Sydney's Lower North Shore unit market. It provides an insight into the existing and future apartment stock in the Lane Cove, Mosman, North Sydney and Willoughby Local Government Areas (LGAs).

Strong construction activity in Chatswood will increase the suburb's unit stock by 20% to overtake Mosman as the locality with the highest number of apartments in the Lower North Shore. The approximately 2,200 apartments currently under construction in the four LGAs will add approximately 870 units to the market, assuming 60% selling off-the-plan. The new unsold stock will increase the stock on the market by 29% given the 12 months to June 2012 activity level, and has the potential to extend selling period for new and existing stock. The 1,250 unit transactions recorded in the half year to June represented a decline of 23% from the June 2011 period. Transaction volumes equated to almost half (47%) of the December 2009 period, when government stimulus generated strong levels of activity.

PRDnationwide research calculated the number of years it will take to absorb the units currently being developed under two scenarios:

- 12 months to June 2012 activity level
- Five year average activity level

The calculation revealed that units currently under construction in Chatswood will take 1.2 years to clear assuming the first scenario and 1.9 years under the second scenario. Crows Nest came second under both scenarios, with one year to clear the projected 81 unsold units currently in development (1.3 years under the second scenario). Lane Cove, Greenwich and North Sydney unit supply pipeline is expected take less than 12 month to clear given the 12 month activity to June, but greater than one year under the five year average scenario. The number of new units for sale in the remaining suburbs is not expected to have material impact on the market.

LOWER NORTH SHORE UNIT SALES CYCLE

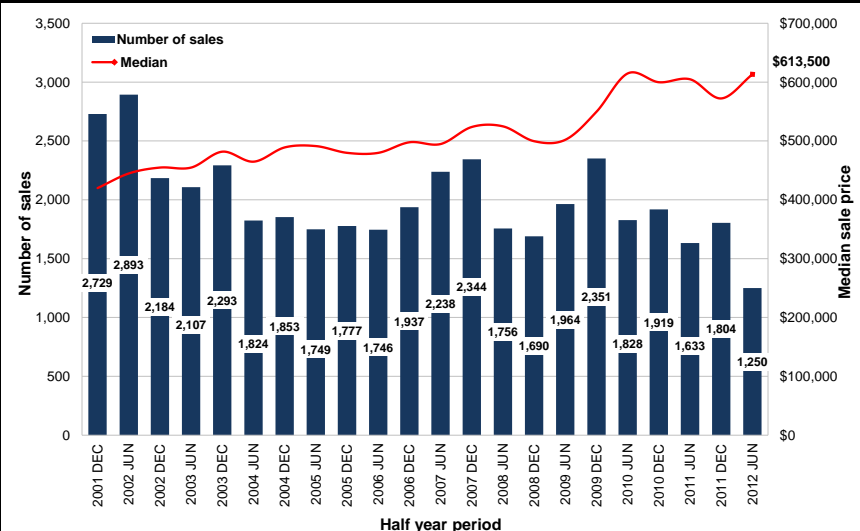


Chart prepared by PRDnationwide Research. Source: PDS

UNIT PRICE POINTS

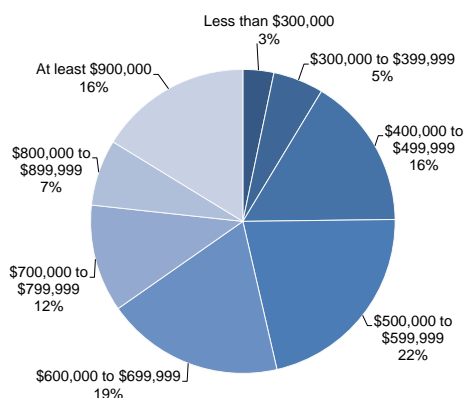


Chart prepared by PRDnationwide Research. Source: PDS

Downsizers targeted large **apartments** in close proximity to their previous house, enjoying the **security** and **low maintenance** offered by medium density dwellings.

A supply of new units priced from \$415,000 (one bedroom) and \$585,000 (two bedrooms) has led to a significant decline in stock selling at the bottom end of the market. The share of units transacting for less than \$300,000 halved over the past five years to represent 3% of the market in the first half of 2012. Most units transacted in the \$500,000 to \$600,000 price point, representing 22% of the market with further 16% selling toward the top end of the market (\$900,000 plus). The resilience at the top end was achieved by supply of diverse and unique product that was met by strong demand from downsizers.

Units were purchased by investors, first home buyers and downsizers. While the first two groups required properties at lower price brackets, downsizers in the area often targeted larger apartments. Doing so allowed them to remain close to their previous house while enjoying the security and low maintenance offered by medium density dwellings. First home buyers activity is expected to increase with the introduction of the new First Home Owner Grant (New Homes). The award will provide \$15,000 to purchasers of new apartments on top of existing savings of up to \$20,240 in stamp duty. The combined amount represents 6.4% of the cost of a \$550,000 unit (maximum amount eligible for a full stamp duty exemption).

LOWER NORTH SHORE UNIT CONSTRUCTION PIPELINE

Suburb	Median price		Activity			Units under construction (August 2012)
	Jun-12	12 month change	5 year average p.a.	Jun-12	12 month change	
Mosman	\$640,000	4.7%	262	183	-27.1%	33
Chatswood	\$606,950	-1.7%	193	124	-21.5%	927
Neutral Bay	\$667,500	15.1%	169	122	-5.4%	
Cremorne	\$677,500	-2.5%	160	104	-30.7%	29
North Sydney	\$560,000	-2.6%	100	73	-33.6%	310
Wollstonecraft	\$633,000	2.1%	107	70	-27.1%	
Artarmon	\$587,000	-0.5%	85	66	-10.8%	18
Lane Cove	\$517,000	2.4%	96	63	-24.1%	353
Lane Cove North	\$511,000	3.4%	96	61	-44.5%	
Cammeray	\$655,000	4.8%	80	52	-23.5%	41
St Leonards	\$620,500	5.8%	113	52	-31.6%	69
Waverton	\$725,500	-17.3%	33	30	-14.3%	
Milsons Point	\$896,000	1.8%	52	28	-6.7%	
Crows Nest	\$585,000	6.4%	61	27	-58.5%	202
Kirribilli	\$880,000	16.6%	46	26	-35.0%	
Greenwich	\$555,000	2.8%	31	25	-7.4%	131

Table prepared by PRDnationwide Research. Source: PDS, Cordell

UNIT RENT PRICE JUNE 2012

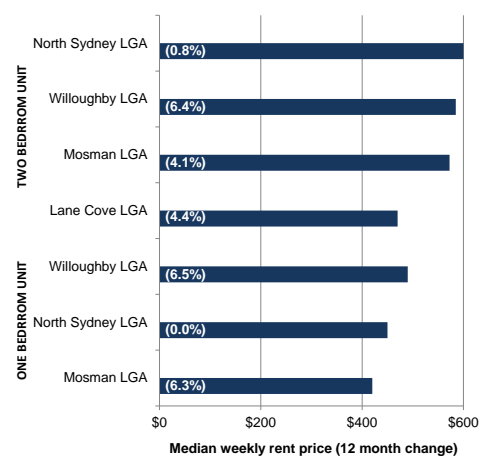


Chart prepared by PRDnationwide Research. Source: Housing NSW

Investors favoured units transacting at the bottom end of the market. These were studios or one bedroom apartments in existing buildings or purchased off-the-plan. Their target market was young professional tenants seeking well-located properties. Anecdotal evidence reveals that buyers often did not require car accommodation was often not required if the property was supported by a high-frequency rail or bus service.

The indicative yield for the region (median rent over median price) ranged between 4.4% for the North Sydney LGA and 4.8% for the Willoughby LGA. The highest median rent price was recorded in North Sydney, with a median rent of \$600 per week for a two bedroom unit. Not surprisingly the Mosman and Willoughby LGAs, comprising of the region's largest apartment markets, recorded the highest increase in median rent for a one bedroom unit over the 12 months to June 2012. One bedroom units in Willoughby recorded a 6.5% increase, while Mosman achieved a 6.3% rise in median rent price.