



The
National
Property
Research
Co.

Gladstone Owner Occupier Brief

Walker Corporation
March 2014

Gladstone Overview

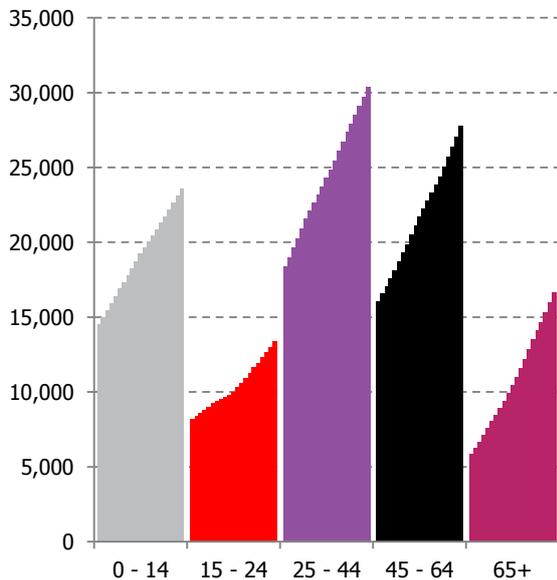
The Gladstone property market currently presents some very good opportunities for buyers, particularly owner occupiers. The heat of the buying frenzy that has occurred over the last couple of years from the investor segment of the market has now largely abated.

The rapid growth that has been experienced in Gladstone over the last couple of years has provided a range of new services, facilities and improvements for Gladstone including roads, shopping centres, schools, recreational areas and new residential development with many being the equal of those found in capital cities.

Growth Outlook

In Gladstone there has been a high level of investment in port and resource industry infrastructure which has created a boom over the last few years while projects were being constructed. Going forward, larger cities such as Gladstone that also support the operational phases of these projects will continue to prosper with strong long term population growth forecasts as shown in the chart below.

**Population Projections for Gladstone LGA
2011-2031**



Source: ABS

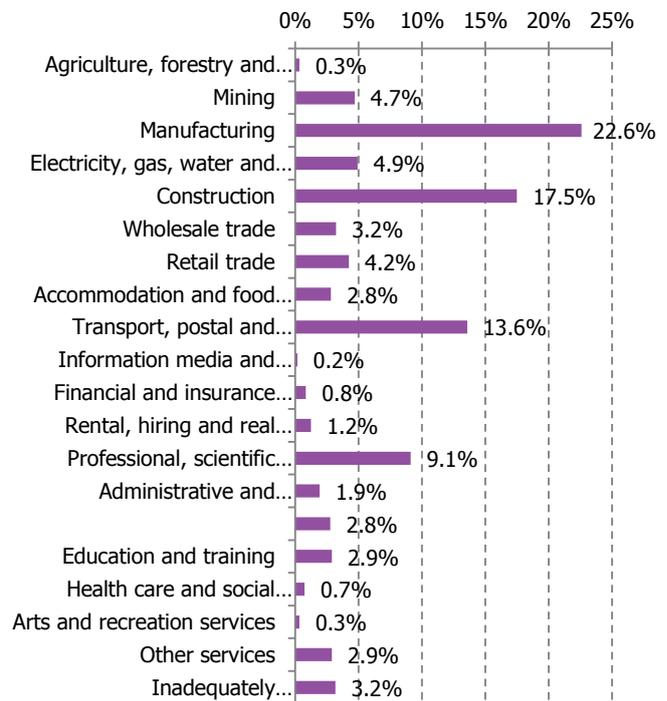
Overall the total population in 2011 was estimated to be 62,986 and is projected to increase to 111,685 by 2031 a change of 77% or 3.9% per year which is very high compared to most cities around Queensland and Australia.

Taking into account an average of 2.96 persons per dwelling in Gladstone, this scale of population increase would provide demand for an additional 16,452 dwellings for the region within the next 20 years.

The unemployment rate for the Clinton/New Auckland SA2 and Telina/Toolooa SA2 area was 3.5% as of September 2013. This is well below the State average of 5.9% and again demonstrates the strong underlying fundamentals of Gladstone.

Employment by Industry

Source: ABS



The chart above of employment by industry shows that only 4.7% of the labour force is employed directly in Mining with the Manufacturing, Construction, Transport and Professional services industries all large employers in Gladstone. There is an expectation that the professional services roles will continue to expand around the completion of the LNG plants combined with the potential expansion of QER's oil shale refinery expansion.

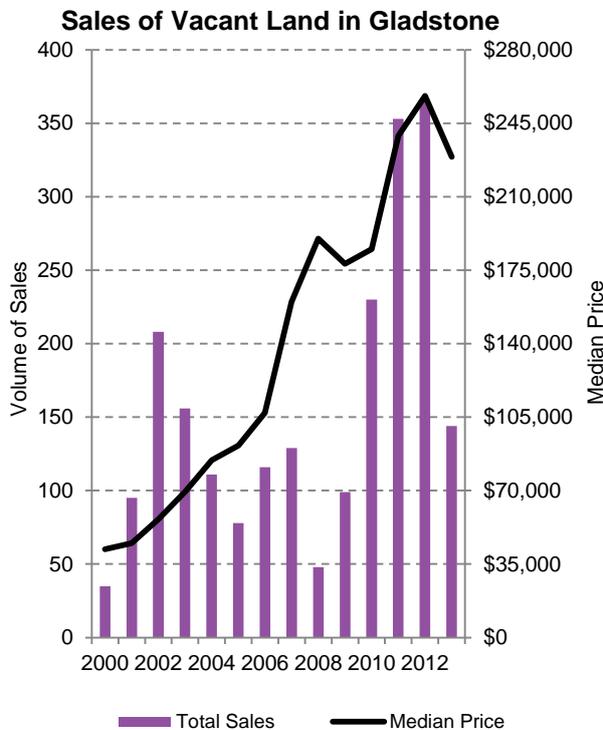
The key to Gladstone's future will be the economic and industrial diversification. A declining Australian Dollar combined with low interest rates should see sound conditions for the city's enduring evolution.

Property Market

The Gladstone property market has recently emerged from a period of frenzied investor buying that was driven by very high rental yields. This demand for investment properties saw prices increase and many owner occupiers put their property buying plans on hold as competition from the investment sector priced many properties out of local purchasers perception of value for money. This has now changed with a substantial correction having occurred in 2013.

With the investor segment of the market significantly reduced now, many house prices are back below those seen in 2011. When these conditions are shared with record low interests rates and low unemployment, this is a very good environment with prospects for buyers in Gladstone. Owner occupiers who do not have to consider rental yields and vacancy rates are in the best position to buy. Combined with this is the broad level of choice that currently exists. This situation is being eroded by developers stopping production and buyers negotiating deals.

The chart below shows the volume of sales and median price for vacant land within Clinton, New Auckland, Kirkwood and Telina between 2000 and 2013.

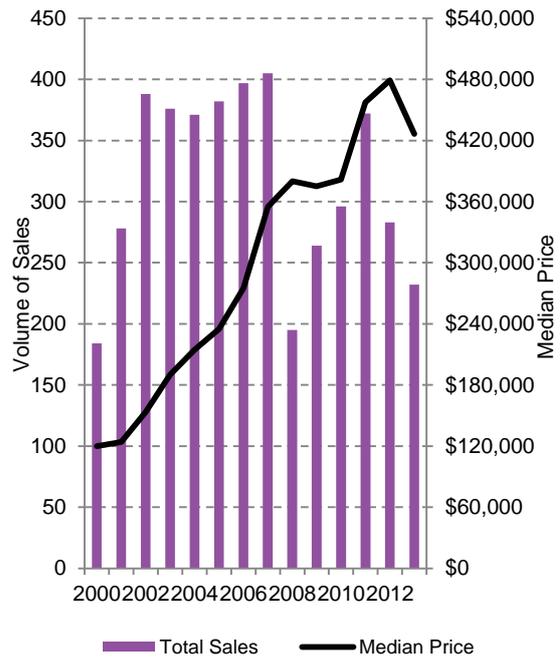


Source: PriceFinder and NPR Co.

The data shows that from the peak in 2012 to 2013 there was a 63% decline in the number of vacant land sales and an 11% drop (\$30,000) in the median price from \$258,000 to \$228,950. This makes vacant land currently at its cheapest since sometime between 2010 and 2011.

The chart below shows that for established houses, the data shows that from the peak in sales in 2011 to 2013 there has been a 38% decline and an 11% drop in prices.

Sales of Established Houses in Gladstone



Source: PriceFinder and NPR Co.

According to local agents the feeling is that with these falls in prices the market has reached the bottom, with signs of some return to growth expected in the near future. There is also a general consensus among most economic commentators that interest rates are unlikely to fall further based on comments from the RBA. Add to this the fact that development activity has slowed considerably means that additional oversupply has largely been mitigated and we expect to see prices stabilise.

The key take out is that those prospective purchasers looking to buy new now have a good choice with sound economic conditions and low interest rates. Gladstone's economy is sound based on billions of dollars of investment in infrastructure. One major announcement could see the current supply taken up very quickly.

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