



Bayswater Resort

Deception Bay

Investment Report

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1.0 Executive summary

Bayswater Resort is being released at a pivotal time in the Deception Bay market and in the wider regional context.

As a result of explosive price growth throughout south east Queensland, Deception Bay is enjoying a surge in interest, evidenced by the last few years rapid influx of population.

Despite this activity, the market retains a strong sense of affordability. The market is the most affordable water front suburb in greater Brisbane and also enjoys a significant discount when compared with the neighbouring Mango Hill market (which is home to the expansive North Lakes masterplanned community)

Population growth has had two major effects:

- The market has enjoyed above average price growth (both compared with its own historical growth and also in comparison to other waterfront markets in greater Brisbane)
- After a long history as a detached house market, population pressures have delivered the impetus for a burgeoning medium density market. While still in its beginnings, those few projects which have been released to the market have enjoyed strong response with fast sales rates, good market values and dynamic re-sale growth.

These conditions are anticipated to prevail into the medium term with the Deception Bay market expected to continue to be supported by:

- Strong population growth
- A price advantage over neighbouring markets
- A limited supply of new housing, especially among the medium density attached housing market
- A buoyant rental market
- On-going delivery of economic and lifestyle infrastructure in the local catchment.



2.0 Deception Bay – Suburb Overview

Deception Bay is a mature suburb located just off the Bruce Highway within the Caboolture Shire about 30 kilometres north of the Brisbane GPO. It is approximately 20 minutes from Brisbane's airport and about 30 minutes from the Sunshine Coast.

The area supports a vibrant and growing market, offering a range of urban land uses and access to kilometres of foreshore to Deception Bay. The area also adjoins the dynamic North Lakes masterplanned community offering a town centre, 18 hole golf course and Westfield shopping centre.

2.1 Population

The Caboolture Shire is the 5th fastest growing city or shire in Queensland and the 10th fastest in Australia. The Caboolture Shire has seen the population increase by 4.1% per annum over the last two years.

Deception Bay has been the fastest growing suburb within the Caboolture Shire over the last two years and over the last year it has also recorded the largest increase in population within the Shire. The area has grown by an average of 6.3% per annum over the last two years. The suburb is also growing three times as quickly as greater Brisbane.

Two emerging patterns are forming within Caboolture Shire. Firstly, the increase in 25-44 year old age groups which has increased by a total average of 13.8% and secondly, the increase in 55-69 year olds which have risen by 14% from 2000 to 2004.

This suggests that Caboolture Shire is transforming into a suburb housing two distinct markets, new families and recently retired couples.

2.2 Facilities and Amenities

The Caboolture Shire is home to over 125,000m² of retail space housed within 10 major shopping centres. Two of these centres undertook significant expansion programmes over 2005.

The Caboolture economy also benefits from significant industrial precincts throughout the Shire in Narangba, Caboolture, Morayfield and Burpengary catering to an array of industrial enterprises from major manufacturing, general industry and commercial developments.

There are 75 educational institutions in Caboolture Shire ranging from preschool to senior colleges with six of these located within Deception Bay. The area is also served by several new schools and the recently opened North Lakes State College.

Caboolture also houses two higher educational facilities, the Queensland University of Technology - Caboolture Campus and the Brisbane North Institute of TAFE – Caboolture Campus.

2.3 Economy

The unemployment rate in Caboolture is currently at 7.4% and has been increasing gradually from a historic low of just under 7% in December 2004.

However, looking forward the labour market is showing positive indications marked by:

- An increase in the labour force of nearly 10% between September 2004 and 2005
- An increase in job advertisement indicators with early 2006 showing a 10% improvement over the 2005 result.

Importantly, these indicators show growth in the Caboolture market but also show a defiance of downturns and slowing rates in Brisbane and Queensland figures.

3.0 Deception Bay Market Overview

The Deception Bay house market has shown significant long term price growth with average house values increasing by 7% per annum over the last 15 years.

Price growth performance has been stronger more recently though, with the last five years demonstrating the market growing by 20% per annum.

The market is nearing a point of undersupply. Although growth in the population and the addition of new dwellings have averaged equivalent figures over the last five years, each are trending in opposite directions. The last two years have seen above average population growth contrast with below average new development approval.

Attached dwellings have shown the greatest fall in new approvals.

Should this trend continue for the next year, it is likely that the market will witness demand outweighing new approvals by some 25% adding greater price pressure to the market.

3.1 New Medium Density Housing Development in Deception Bay

The Deception Bay market has traditionally been a staunch detached house market.

At the time of the 2001 Census, 95% of dwellings in the suburb were detached houses.

Changing demographics, declining affordability and growing diversity in the market have underpinned a maturing unit and townhouse market in Deception Bay:

- Since this time though, nearly 20% of new dwelling approvals have been for attached dwellings.
- The market has averaged 64 sales per annum since 2000, with the average over the last three years, a higher 99 sales per annum. Despite the national market entering a downturn, the volume of sales in 2005 still remained higher (20% above) than the average level of activity.
- The unit and townhouse market has risen from an average 5% of sales in Deception Bay between 2000-2002, to an average of 17% since.

3.2 Market Precedents

The bulk of this sales activity has been achieved within three major projects which have collectively reflected about 85% of unit and townhouse sales in the market over the last five years.

Key characteristics of these projects include:

	Bayview Palms	Astonvilla	Somerset / Bayview Manor / Wynyard Estate
Number of units	68	47	191 (over 3 stages)
Original Developer sales			
Date of release	2000	2004	2003
Marketing period	8/2000 – 11/2002	5/2004 - 6/2005	06/2003 - 02/2006
Resales			
Number	26	3	2
Average gain	13% pa	15.7% pa	2.6% pa
2005 median	\$204,000	\$227,500	\$239,500
Rents			
Current asking rent per week	\$225 - \$250	\$225 - \$250	\$225 - \$250
Asking rent / 2005 median	5.9% gross return	5.3% gross return	5.3% gross return

The three stage Somerset project is especially notable for:

- The fast take up rate and enthusiastic market response – the project averaged 5.6 sales per month since 2003, with the initial release recording over 20 sales per month.
- A strong price escalation through the project with prices being raised by 6.7% each year of the project's marketing activity.
- A high median price point of \$239,500 in the current market.

The implication of this data is that:

- More recent projects have achieved price premiums of 11-17% over the median of the re-sale market.
- More recent projects have seen a narrowing of this price premium but have also experienced stronger demand with improved sales rates.
- Market demand has typically generated gains of an average of in excess of 12% per annum.

3.3 The Rental Market

The rental market in Deception Bay has for the last four years delivered strong returns and achieved significant growth in key markets.

Comparing the median unit price against the median two bedroom unit rent, and similarly, contrasting the median three bedroom house rent with the median house price, shows that over the last four years rental returns have averaged over 5% per annum.

Two bedroom unit rents have increased by 9% per annum to a current median of \$190 per week. Three bedroom house rents have delivered growth in excess of 6% per annum.

Landmark projects and better located and appointed stock achieve premium results over this average (estimated to be in the order of 20%).

A tightening market is also contributing to growth in the market. The rental market in outer Brisbane, encompassing the Caboolture Shire has witnessed the vacancy rate decline from a rate of 3.5% 18 months ago to the current level of about 2%.

4.0 Market Futures - Drivers of Growth

4.1 Population

Deception Bay has been the fastest growing suburb within the Caboolture Shire over the last two years and over the last year also recorded the largest increase in population within the Shire.

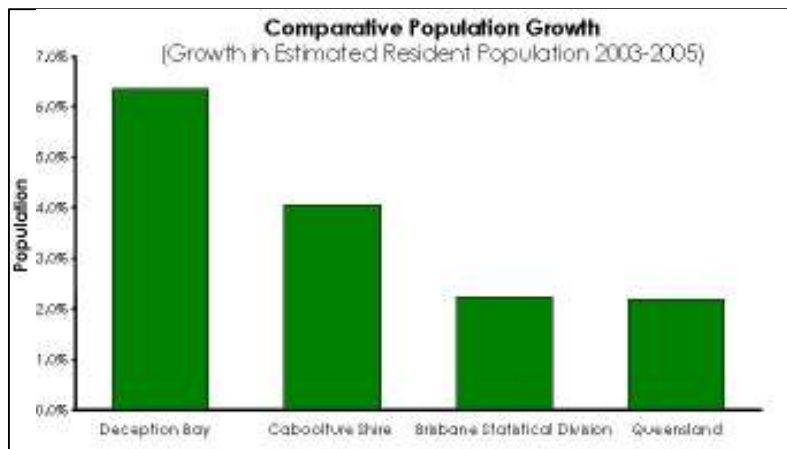
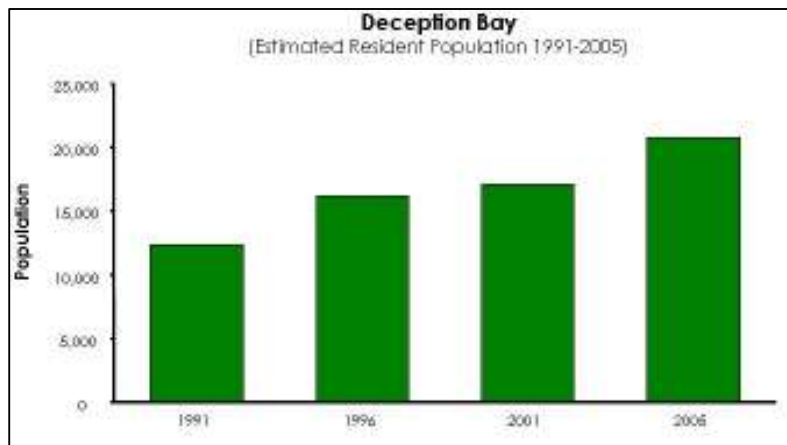
The area's population has grown by an average of 6.3% per annum over the last two years. This translates to approximately 1,200 new residents per annum and demand for about 450 new homes in the area per year.

This rate of growth dwarfs the growth of the Caboolture Shire which has seen the population increase by 4.1% over the same period. Over the last two years, with just 15% of the population growth of Caboolture Shire, Deception Bay has managed just short of 25% of the Shire's population growth.

The suburb is also growing three times as quickly as greater Brisbane.

Despite Brisbane and Queensland experiencing below average population growth in 2005, the Deception Bay market continues to achieve an enviable growth rate with the last year seeing the population grow by over 50% above the long term average.

This growth has seen the suburb's population swell to approximately 21,000 residents, making the area roughly the same size as the city of Mt Isa.



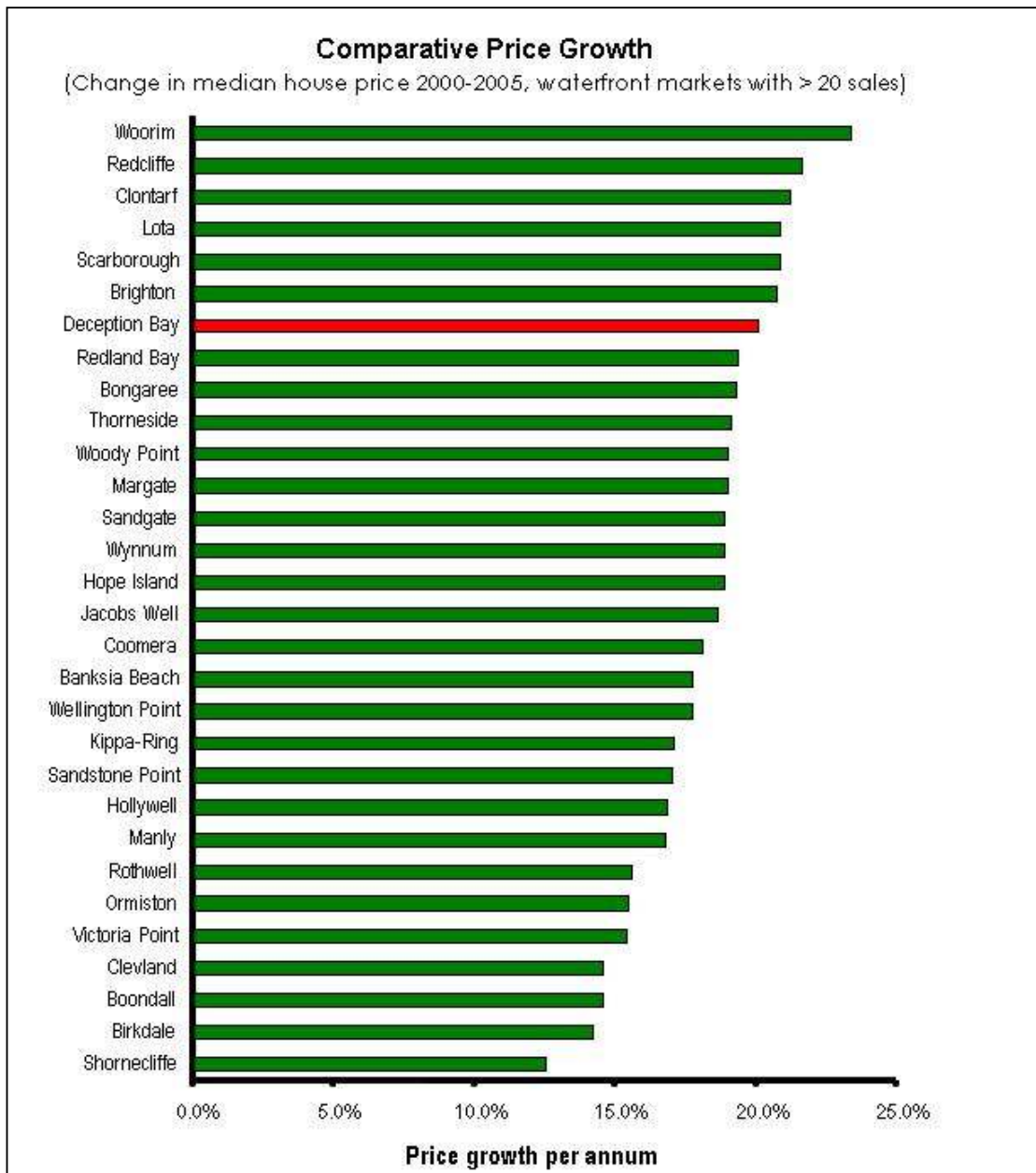
4.2 Historic Performance

Deception Bay has witnessed above average price growth over the medium term.

Since 2000, the median house price in the area has grown by an average of just over 20% per annum.

Again across the range of suburbs, the average performance was in the order of 18.5%, with Deception Bay appearing in the top one third of suburbs.

Growth in the markets median price has been accompanied by growth in the strength of the market for properties in excess of \$250,000. From recording just 1% of sales in 2001, the over \$250,000 market now accounts for over 40% of house sales in Deception Bay.



4.3 Affordability

Despite growing faster than most waterfront areas, Deception Bay retains a strong affordability advantage. The median house price in Deception Bay for 2005 was \$235,000.

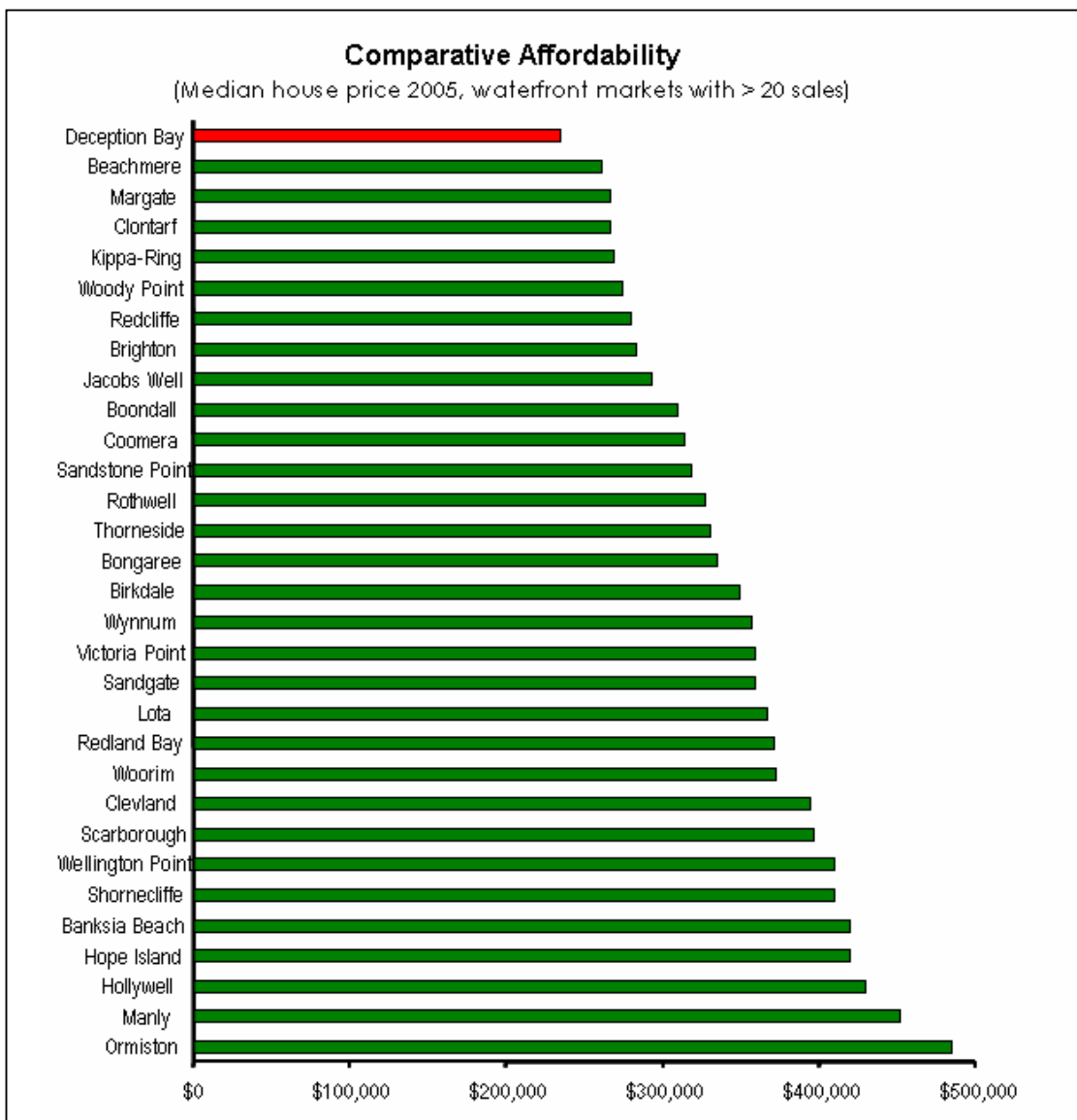
This price establishes the area as the most affordable waterfront suburb in greater Brisbane.

The Deception Bay price point of \$235,000 reflects a price at about two thirds the average house price across the more than 30 waterfront suburbs of greater Brisbane.

The average house price across these areas in 2005 was \$365,000.

Interestingly, Deception Bay also recorded the strongest demand in 2005 of all these markets at 456 sales (the average result was 152 sales).

The Deception Bay market has also been one of the most dynamic over the last five years, with increased demand seeing 18% more sales occurring in the market in 2005 compared with 2000. By contrast, the average difference across the 32 waterfront suburbs analysed, was a reduction in sales of 10% over the last five years.



4.4 Infrastructure

The Deception Bay market is poised to benefit from the ongoing lifestyle development which is an integral part of the adjacent North Lakes development that spans over 1,000 hectares.

The North Lakes Town Centre is designed to operate as a hub of retail and commercial activity and provide a focus for entertainment, recreation and socialisation for a catchment extending to the middle ring suburbs of Brisbane.

Already in this area, the wider community has been delivered:

- An 18 hole Graham Marsh-designed championship public access golf course, rated as one of the 25 best in Australia.
- Westfield North Lakes, a 26,000m² shopping centre encompassing some 104 retailers including Coles, Target, Aldi and 17 dining outlets.
- Pine River Shire's Pathways project, comprising of North Lakes' Library, Learning and Aquatic Centre and the North Lakes Retirement Resort, combining:
 - State-of-the-art library.
 - Leisure centre with pools and indoor gymnasium.
 - Education and training centre.
 - Village green.
 - Meeting function space.
- Outside the shopping centre, 36 hectares of land are earmarked to provide commercial services, food services, health, professional and personal services and employment opportunities.
- North Lakes is also planned to include a major Mixed Industry and Business Area (MIBA) of 55 hectares which will be a major employment destination.
- In total, North Lakes on completion is expected to generate employment for up to 13,000 residents.

It is important to note that the provision of this infrastructure has had significant impact on median house prices of the Mango Hill and Deception Bay markets.

Between 1990-1995, the median house price ratio between Mango Hill and Deception Bay was equal.

In 2005, the median house price in Mango Hill is greater than 50% more expensive than Deception Bay. While a price premium should be expected within the North Lakes estate, it is thought that the current price differential is extreme, with the more affordable Deception Bay market likely to benefit from its relative affordability.

5.0 Bayswater Resort

5.1 Project Overview

Bayswater Resort consists of 60 townhouses and villas, enhanced by a range of lifestyle facilities set amid a secure gated estate, 600 metres from the foreshore of Deception Bay.

There are five home styles in the estate, encompassing both single and two storey designs, and with types ranging from two to four bedrooms.

Amenities which add to the Bayswater environment include:

- Resort style pool
- BBQ / Recreation area
- Fully landscaped grounds
- Security gating
- Easy access via pathway to the shopping facilities across the road

The project is to be launched over three stages, with the first release scheduled to include 23 homes.

A summary of Stage One includes:

Type	Number	Levels	Beds	Baths	Internal Area sqm	External living & courtyard	Garage sqm	Price
Spinnaker	7	1	2	2	82.6	75.4	20.8	\$239,900
Sorrento	8	2	3	2.5	103.4	59.0	21.2	\$289,900
Nautica	7	2	3	2.5	106.1	53.6	20.9	\$289,900
Average	*	*	*	*	97.6	60.5	20.9	

Note: Stage One also includes an on-site manager's residence and office

5.2 Project Positioning

The project is the fourth major estate to be developed in Deception Bay and continues the pattern of single and two story townhouses which have been the foundation of the growth of sales activity in the market.

This pricing is consistent with movements in the market:

- Pricing in the Somerset Park estate increased by 7% per annum. New stock sold in 2005 reflected an average price of \$239,500. Applying the typical growth rate would suggest 2006 prices would average \$256,000.
- Re-sales of stock in the Astonvilla project have grown by an average 15.7% per annum since the project's settlement. Based on an average value of \$227,000 in 2005, near new product in this project would reflect an average of \$263,200 in 2006.
- The Bayview Palms project has also experienced strong price growth in the recent past, averaging 13% per annum. Increasing the 2005 median value (\$204,000) by this factor would indicate an expected 2006 average of \$230,000. (Note: Bayview Palms is significantly older than the other developments).

5.3 Project Summary

The Bayswater Resort project has been designed to address the current state of the Deception Bay market, reflecting:

- The dominant demand from small first home buyer households and downsizing empty nester home owners
- The region's demand for affordable housing and tentative steps towards increased housing density

While also maintaining those key characteristics which have paced the success of earlier medium density development in the area:

- Appropriate pricing compared with existing house and townhouse stock in the area
- An underlying ability to deliver strong rental returns and
- Bringing something new to the market by incorporating more contemporary design and finish.

Site Plan

