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Bimet Lodge Apartment Component – Apartment Mix

There has been a clearly defined change in the mix dynamic of Apartment developments in Newcastle over the past 18 months. This is in response to market demands for a product that had not been readily available in any significant quantities previously. One bedroom apartments have become a popular and high demand residential accommodation option for the following reasons;

- Their price point is one that generally the majority of people can afford
- They provide an accommodation solution for a variety of purchaser types
- They are treated as a security with mortgage insurance provided they are a minimum of 50m² internally
- They are an attractive alternative to Leasehold Aged Care
- There is an identifiable undersupply of new 1 bedroom apartment stock in the marketplace

The purchaser demographics we believe will be catered for with Bimet Lodge are as follows;

Retirees

This development is the perfect alternative to independent living options that are offered by retirement villages without ten percent deposit forfeiture. Importantly the family will be supportive of Mum and/or Dads purchase as Capital Gain 100% benefits the owner. The amenity of National Park opposite, Market Town Shopping Precinct and Aldi to the North West, The Junction Shopping Village to the South and Darby St, Cooks Hill to the East all within flat or level walking distance is irresistible. Public transport is readily accessible and Hamilton Ambulance Station is 5 minutes drive.

Owner Occupiers

Self explanatory and will range in age from 20 – 50 years, looking for low maintenance lifestyle within close proximity to amenities identified above. This will also include those people from outside the Newcastle Region who work in Newcastle during the week and then return home of a weekend to their family. This is a growing market.

Investors

Returning to the market as vacancy rates for residential property are at all time low levels. Buying new has Stamp Duty and Taxation benefits for the investor. This will also include parents of children attending Newcastle University who want to guarantee accommodation over the term of the Degree and also have some ongoing influence over their children.

First Home Buyers

Still in the market, however not as aggressive with a combination of rising interest rates, more stringent lending criteria from financial institutions and reduction in the Government bonus reducing their capacity to purchase. A significant number have also purchased over the past 3 years.

The Newcastle Market

The apartment market in Newcastle has seen the delivery of a number of 1 bedroom apartments in the preceding two years to meet a pent up demand for this product. Developments such as Arvia on the corner of Watt and Shortland Esplanade Newcastle, Grand Central Apartments on Scott St, Newcastle and The Chifley in Honeysuckle have all proven to be popular delivering small m2 apartments including significant numbers of 1 bedroom apartments. Take up rates have also been strong.

Harbour Pier, on the corner of Wharf Rd and Merewether Streets and The Royal on King St both offered 1 bedroom apartments that were sold out on release with a number of purchasers unable to secure this type of apartment due to lack of supply. These developments were released over the past 3 years.

The apartment mix within developments has changed to reflect both market conditions and market dynamics. The retreat of Mirvac from the next stage of The Royal due to their view that the market for 3 bedroom apartments in Newcastle is super saturated particularly in the \$1M+ price range and there is pressure on 2 bedroom apartments in the \$650k+ price range is evidence of this change. Indeed they did endeavour, with limited success, to convert some of their 3 bedroom apartments into a 1 bedroom and two bedroom apartment. Lee Harbour also experienced difficulty in clearing the balance of their unsold apartments, which comprised 2 and 3 bedroom apartments, upon completion of the project. Significant adjustments in price were required to enable the apartments to be sold. During the same period Arvia, Grand central Apartments and The Chifley were achieving strong take up rates.

There is also strong anecdotal evidence in the market over the preceding 3 years confirming that prices have receded for 2 and 3 bedroom apartments in many apartment developments that are recognised as modern/new by 20%-25% when people are re-selling their apartment.

Bimet Mix

The design and product mix in Bimet has been created to appeal to the current market and purchaser requirements as well as future markets. The design also has the flexibility that allows for the consolidation of apartments to create a 2 bedroom apartment should someone require so. There are 2 and 3 bedroom apartments in the product mix as well. This consolidation has occurred previously in The Essington, Azura, and The York and may have well occurred in other developments I am not aware of.

In summary

The Bimet Lodge Apartment component will satisfy a marketplace that is seeking quality residential product with amenity by delivering an accommodation product that is in high demand across a broad purchaser spectrum and is currently undersupplied.

A handwritten signature in black ink, appearing to read 'Andrew Walker', written over a large, stylized, hand-drawn triangle.

Andrew Walker

Street Real Estate