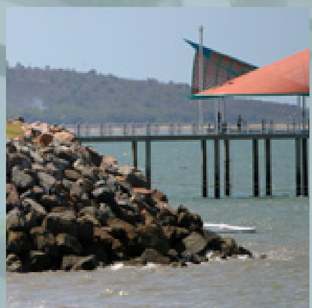
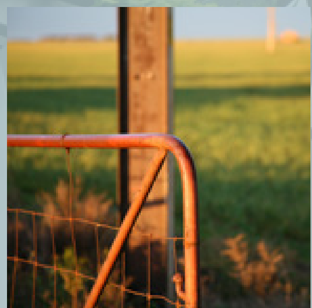
February 2017

Month in Review

HERRON TODD WHITE

Contents





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2017, The year ahead

As we leave behind the debris of last year – it's unexpected poll results, plethora of celebrity passings and economic uncertainties – many would like to think 2017 would have something grand to offer.

It's only natural. There's a cathartic moment that greets the beginning of each New Year. We assign a mental full stop come midnight 31 December and hope the universe will hit it's reset button in preparation for a clean slate. Whole industries have flourished on the idea of new year, new beginnings and new resolutions.

Property is one industry, however, that wakes with it's own hangover come the turning of the clock. The reality is those criteria impacting the market in the closing stages of 2016 will play out in 2017, and while there's traditionally a breather over the festive season, don't expect property to ignore its past.

Expert predictions for the coming year are already as varied as the market itself. Some feel the big southern centres have run their race while others still believe they'll be the outperformers of 2017. There are even observers who're citing our less showy capital cities (yes I'm looking at you Hobart and Adelaide) as the dark horses to watch in 2017 given their more stellar run during the closing stages of 2016.

Other consideration for this 12-months of course include the US election fallout, it's impact on the global economy (e.g. exiting the TPP), the possibility of inflation-fuelled interest rate rises and what this all means for overextended Aussie landlords.

As we've repeated time and again – Australian real estate is a collection of sub-markets. It's a broad range of locations, price points and property types that move to their own groove. With this sort of backdrop, the best way to get a handle on what's happening is to ask local experts with a nuanced view.

It turns out Herron Todd White is the right place to find these folk.

As we've done in years past, February is the moment where we ask our experts to pop on their gypsy garb, gaze upon their property rune stones and let us know what they think about the coming year. It's a rare thing to have valuers make predictions, so best you jump onto it before they go to ground!

Of course we aren't going to let them speak their mind and then just conveniently forget about it. Come December, we'll ask each office to have a look back at these submissions and give us an analysis on how their predictions performed... so this is part one of a long-term test for our experts.

For those of you interested in commercial markets, we're serving up the industrial sector, and it's another chance to look at 2017 in detail. Our professionals are dishing up on where to buy industrial investments that will look good come years end. They've also expanded to let us know where rents are on the up, and, even more importantly, what to avoid. Given you might be feeling toey about the direction of residential markets, this section could well fill the gap.

So there you have it readers – Herron Todd White's wrap on what to expect in 2017 and how to profit from your property decisions. Also, be sure to lock away this month's issue for easy reference come years end, so you can either congratulate or lambast your local Herron Todd White advisor at their Christmas party.

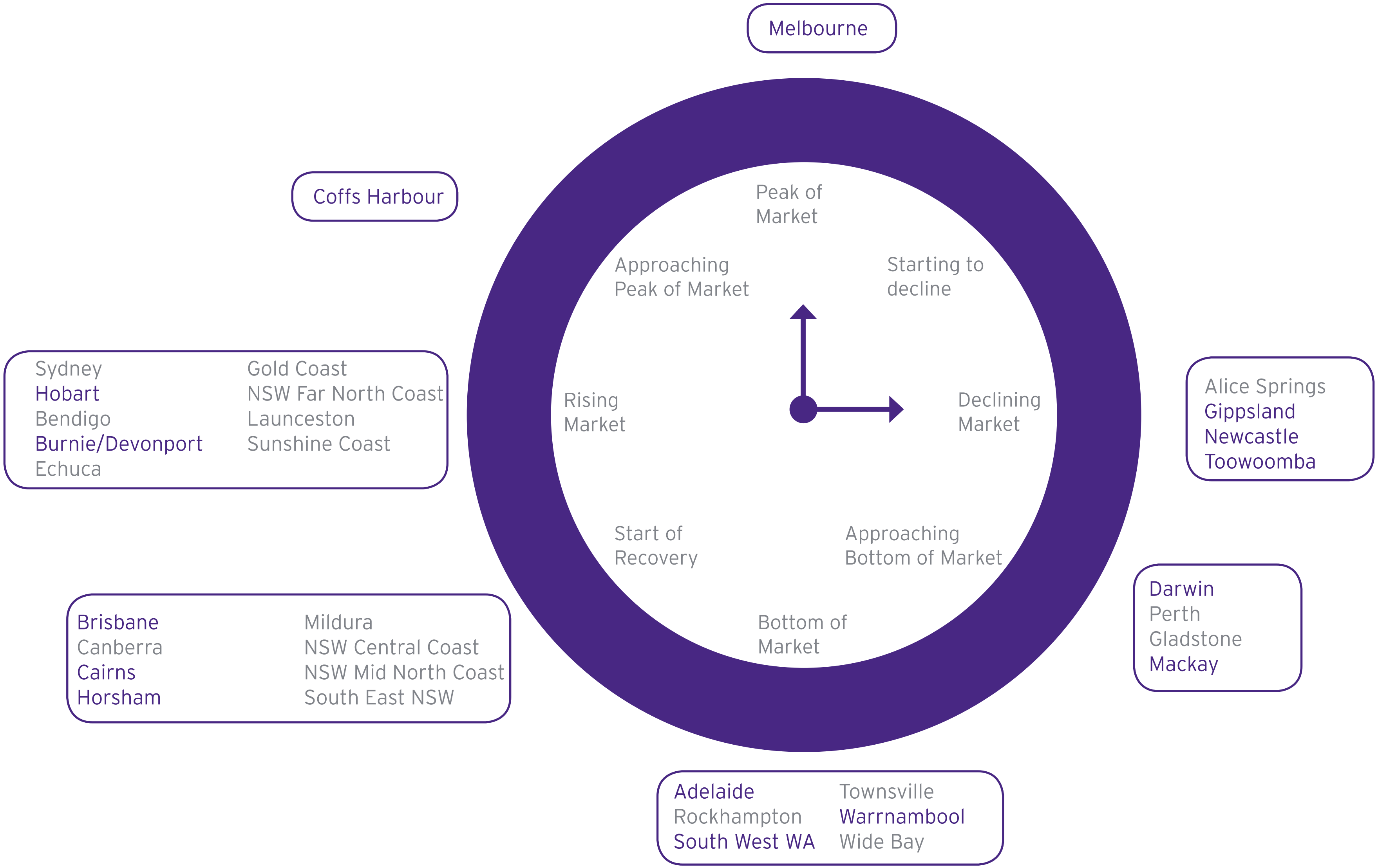
Remember, we're available anytime to get detailed answers on your property questions – just call your local Herron Todd White expert and stay in front of the pack.

Cheers and here's to new beginnings.

Commercial

HERRON TODD WHITE COMMERCIAL

National Property Clock
February 2016
Office



Entries coloured purple indicate positional change from last month.

HERRON TODD WHITE COMMERCIAL

New South Wales

Overview

As a generalisation, many industrial markets were tracking along nicely towards the end of last year. There seemed to be a spurt of interest, particularly among those graduating beyond their residential holdings. But what does 2017 hold in store for the industrial sector.

This month, our experts shed light on where they believe the industrial market will head over the course of 2017. It's a collection of places worth watching, and those best avoided, in order to help you maximise your investment decisions.

Sydney

Investor demand in Sydney for industrial assets remains strong. There is healthy interest from offshore investors in larger scale assets in the west with long term, strong lease covenants and established tenant profiles compressing yields sharply to record sub five to six percent yields. Prime initial yields in the west compressed by a further 15 basis points from June to September 2016 on the back of strong investment volumes.

Owner occupiers have been strong in the Sydney market, particularly in the construction, food retail and technology sectors and primarily driven by record low interest rates. The strong competition for assets has driven capital values higher and has seen yields firm with effective rents across Sydney increasing by an average of 5%. This has seen investors enter the secondary market in the search for higher yields. With prime yields compressing, we anticipate that the spread between prime and secondary industrial assets will tighten over the coming 12 months as investors look for higher performing returns with development upside.

Average rental growth performance is strong, with net effective rents up by 3% year on year, higher than their ten year average growth rate of 2.3%.

Incentives have eased slightly to around 15% over the past six months as a result of this strong demand, however rental pricing remains a significant driver of tenant demand.

Owner occupiers remain dominant in the city fringe, north and south Sydney.

In the strata unit market popular amongst owner occupiers, recent off the plan developments have seen significant increases in capital values rising by over 30% in the past 18 months.

According to NSW Government figures, Sydney will benefit from the largest infrastructure spending of any state in Australia to 2020. An estimated $73.3 billion is slated, including $20 billion dollars in just one year. Budget allocations include approximately $9 billion dollars for rail projects, $2.5 billion dollars on upgrades to Sydney's road infrastructure and over $4.5 billion dollars on health, education, water security and sports infrastructure.

Western Sydney is predicted to be a major recipient of the spend which will place it at the epicentre of Sydney's industrial growth throughout 2017 and beyond. As well as the significant investment in infrastructure, this is driven by the availability of labour and (comparative) availability of land, above trend population growth and corresponding increase in demand for services. Further, the lack of available land in traditional, inner city industrial precincts in areas such as Marrickville, Redfern and Alexandria, due to high land values, rezoning for high density mixed use, residential use and gentrification, places Western Sydney in a prime position for future growth. As an example, from a rental perspective, pricing for an industrial facility in Alexandria is typically $150 to $250 per square metre on a net face basis, however after an office conversion these rents escalate to between $350 and $425 per square metre.

Owner occupiers remain dominant in the city fringe, north and south Sydney.

All things being equal, with the Sydney market being somewhat isolated from the impact of the auto industry shutdown, volatility in the resources sector and mining investment, commodity price volatility and residential property downturn (thus far), we expect industrial effective rents to rise in the next 12 months by between 3% and 5%.

Illawarra

Overall we expect the market to continue on its current trajectory and for the most part remain neutral in 2017. The large scale and heavy manufacturing sector of the market will be the weakest while the strata warehouse and sub $1 million market will be the strongest. We expect to see yields compress further (from the circa 8% to 10% range to potentially the 7% to 9% range) with demand growing for industrial assets underpinned by good quality leases. Demand will waver for higher valued assets and properties with poor lease covenants. We expect to see further development of strata titled business park complexes given current strong owner occupier demand for smaller bays. In addition to low interest rates, the port and construction sector will continue to be the main drivers of this asset class. There will be upside if the mining sector improves and capital investment in this space increases.

Newcastle

There is an interesting balance of market forces at the moment where well tenanted industrial investment properties in well established areas such as Mayfield West and Beresfield are showing strong yields. This is albeit with limited market activity due primarily to limited stock on the market. We're also seeing a little speculative investment sales activity where investors are buying vacant industrial properties, some of which may have been vacant for an extended period, hoping to snag a long term tenant.

Over the past 12 months we've seen a continuation of the downward trend in market rents. This has gone hand in hand with the downward pressure on yields, resulting in a mostly steady prime industrial market. Once an industrial property suffers from poor locational factors, long vacancy combined with aged improvements for example, then this secondary market has seen a continuation of market value reduction over this time.

A special mention here for vacant industrial land on the Central Coast. This is a market that has been severely overstocked since the GFC, however we've seen many estates such as the Somersby Industrial Park come alive over the past two years. One 16 lot land subdivision in Somersby that had no (zero) sales in the eight years from 2008 has now sold out and building activity is coming along nicely. The same can be said for Warnervale. As industrial land has become more scarce there in recent months, land values have shot up as industrial activity takes flight on the Central Coast.

We're expecting a continuation of these trends in 2017, although potentially with a plateau in both falling land prices associated with land in mining areas and rising land prices on the Central Coast.

NSW North Coast

Lismore

Most larger coastal localities are experiencing good demand and enquiry with limited supply putting upward pressure on values from investors and owner occupiers alike. If economic conditions remain unchanged the strength of the market is likely to remain. However, there is some uncertainty within the current market associated with global and national economic conditions and a risk of increasing interest rates. Other than a perfect storm event (such as a GFC) we expect the market at worst is likely to level out as slight increases in interest rates may have a dampening effect but not a catastrophic impact.

If a big event did occur, it would be felt across all localities with coastal localities likely to experience a bigger percentage drop in value. However, if it is a softer decline the coastal localities are likely to stabilise and the impact will be more readily visible in non-coastal localities as the small number of investors will disappear and owner occupiers are likely to be very conservative.

There is potential for an increase in supply of industrial land in Ballina and Byron. Ballina is likely to be a controlled release by Ballina Shire Council, while the Byron Bay expansion is unlikely to be available over the next 12 months.

Coffs Harbour

The industrial market remains stable with steady demand for good quality property in the lower price range being driven by owner occupiers.

Yields are firm, however rental levels are price sensitive with some lease up incentives evident against an oversupply of smaller industrial units. There is a broad variance in rental rates for smaller industrial units due to oversupply and demonstrates some uncertainty in the rental market. There are some larger purpose built owner occupation developments underway or in the approval stage.

The industrial land stock is limited with firming price levels.

The Coffs Harbour industrial investment market demonstrates comparatively firm analysed yields, with a limited offering of prime property. There is a high volume of cashed up local investors seeking to purchase commercial or industrial property and some have deferred to alternative markets due to the lack of available property and the comparatively low yields on offer locally.

We would anticipate a continuation of the prevailing market in the year ahead with any shifts in interest rates being the largest short term influence on the industrial market.

Victoria

Melbourne

The Melbourne industrial market in 2016 saw a continuation of strong investment conditions with record sales activity eclipsing 2015. We consider the market to be at or about the peak of the property cycle and these conditions are expected to continue into 2017. Low interest rates will remain a key driver along with significant infrastructure development and economic growth. We expect the manufacturing and export sectors will continue to improve due to the steady growth in online retailing and the lower Australian dollar.

On the back of this, we expect to see increased demand for large scale warehousing and distribution facilities, particularly in the western suburbs. The proximity and access of the western suburbs to the West Gate Freeway, Princes Freeway and Western Ring Road is a major drawcard for transport, logistics and distribution.

Throughout 2016 there was extensive investment in infrastructure with the major road widening projects to City Link Tullamarine Freeway, Western Distributor Project and the Monash Freeway upgrade at Hallam. Industrial areas within the vicinity of these transportation routes are anticipated to have continued demand.

Rental levels are expected to remain reasonably stable for the first quarter of 2017. Prime face rental rates in Melbourne's industrial outer areas have generally ranged between $70 and $90 per square metre of building area per annum net plus GST, with secondary rates around $50 to $70 per square metre of building area per annum net plus GST.

Incentives are expected to remain reasonably high with larger scale new developments achieving a range of 15% to 35%. Yields have been under increasing downward pressure for prime grade industrial development with yields for secondary development generally steady. This has been underpinned by the current low interest rate environment and investors hunting quality investments and there being limited properties for sale. Vacancy rates are continuing to decrease in comparison with 2016 as tenant demand is increasing to match the supply on offer.

Demand has remained consistent this year in the northern suburb of Epping following the relocation of Melbourne's fruit and vegetable market to Cooper Street in late 2015. This area has seen an influx of speculative development for both standard office and warehouse accommodation and cold storage facilities.

In contrast, neighbouring areas such as Campbellfield have experienced a noticeable decline in capital values and rentals over 2016 which we expect to continue in 2017. The northern industrial property market, specifically in Campbellfield and the surrounding suburbs of Somerton, Coolaroo and Broadmeadows, were dominated by the presence of automotive manufacturing and associated supply chain businesses. With Ford Motor Company, Campbellfield closing its entire car making facilities in October 2016, many owner occupiers in the automotive industry in this region associated with the Ford Campbellfield plant have and will continue to be greatly affected.

Other areas which we consider to be avoided are markets with over supply, vacant older style properties without any development up side and industrial properties with high rental rates yet short WALEs.

Areas of continued demand include the Melbourne Airport precinct west of the Essendon Football Club Training Facility in Tullamarine. Demand for larger warehouses, distribution centres and other transport and logistics facilities is expected to continue to grow in the south east, where developers are listening to and meeting tenant and occupier requirements. Greenfield land available throughout suburbs such as Keysborough, Dandenong South, Lynbrook and Cranbourne West are expected to be sought at moderate levels.

Further opportunities foreseen in the market are properties with solid cash flows underpinned with medium term redevelopment potential.

Echuca

Industrial property is likely to continue on a similar level trajectory unless there is a significant change affecting the major manufacturers in the area. While not industrial per se it is interesting to note several development sales in recent times including two properties on Oglivie Avenue (both allegedly at or around $1 million) along with a residential development site in Echuca West and a development lot in Moama (rumored to be a child care centre) all going under contract in the past two months. In conjunction with anticipated movement on the proposed new bridge there may be some increased activity in the construction sector ahead for 2017.

South Australia

Adelaide

Throughout 2017 the industrial market is expected to continue its adjustment from the core activity of manufacturing to Defence and technology.

The General Motors car manufacturer is set to shut its doors in October 2017, ending 60 years of manufacturing in Australia. The decision by General Motors and the Federal Government's policy shift in supporting the industry, exemplifies the problems facing almost all forms of general manufacturing in South Australia, which is having flow on effects through the entire industrial property sector.

Securing of Defence construction contracts has positive for the market. After the completion of the Air Warfare Destroyer (AWD), the Future Frigates programme will commence in 2020 with an estimated spend of c$35 billion. Following this in 2022 is the Future Submarine project comprising 12 submarines at an estimated spend of c$50 billion. The projects are expected to provide over 2,000 jobs.

In addition, the South Australian Government has significantly increased its expenditure on infrastructure projects. In 2015 and 2016 the budget was $1.8 billion which has been increased to $2.2 billion by 2017 and 2018.

The projects include:

- Darlington Upgrade
- Anzac Highway to Darlington
- River Torrens to Anzac Highway
- Regency Park to Torrens Road
- South Road Expressway
- Northern Connector

The combined effect of the Defence contracts and the infrastructure expenditure is going someway to soften the blow but the fall out to the industrial sectors has been harsh. Agents are reporting extended letting up periods and there is evidence of mortgagee in possession sales.

Some analysists are reporting recovering demand for blue chip investment assets with strong long term lease covenants. This is predominantly the result of a low interest rate environment coupled with the high returns in South Australia de-risking the investments in the long term. We consider that this is likely to continue, however the lack of opportunity with such assets makes it difficult to gauge the depth of demand.

The majority of sales below $5 million are to owner occupiers and there is little likelihood of that changing over the next 12 months.

Anecdotally leasing activity remains subdued with limited activity within the lower end industrial space. The lack of drivers leading to owner occupiers outgrowing space, coupled with low interest rates and the abundance of land is meaning there is little leasing pre-commitments nor speculative construction.

In terms of outlook there are reports that the leasing environment may improve in the short term with some national companies looking to expand locally. However, we consider that this is likely to have a small impact on the overall market which, particularly in the smaller sub $5 million value bracket, will take a long time to gather momentum.

Queensland

Brisbane

In 2016 we saw a decline in industrial sales transactions from the previous year, with the sector remaining robust across occupier and investment markets. Sales volumes would have been comparable to 2015 were it not for the $305 million Ascendas portfolio sale in 2015, which was an isolated transaction. 2017 should be a steady year within the industrial sector from both a leasing and sales perspective. We have seen yields for assets with stabilised income streams compress over the past 12 months, with firming occurring across all precincts, which was previously limited to the TradeCoast and south western corridor. We expect yields for prime buildings with strong leasing covenants to compress further as limited supply of quality stock in prime locations and strong demand coming from unlisted funds, offshore investors and private investors continue to catalyse further yield tightening. Yields for prime industrial assets will typically range between 6.75% and 7.5% for prime buildings and we have seen isolated instances of properties fetching sub 6.75%.

The secondary market showed signs of improvement throughout 2016 and we expect to see further improvement in this space with yields compressing to a range of 7.5% to 9%. As a result of elevated competition for core assets, investment opportunities exist for astute investors to acquire B or C grade properties within core locations and value add through refurbishment or reconfiguration.

After a relatively slow leasing year in 2016, there are promising signs emerging in the tenant and occupier markets with groups seeking to relocate from B and C grade stock to more modern buildings. We expect prime industrial face rents to remain fairly stable throughout 2017 and will typically range between $100 and $130 per square metre with secondary properties fetching rentals of $70 to $95 per square metre. One caveat to the positive outlook for the leasing market is the entrenchment of incentives required to attract long term tenants, particularly in non-core locations. The sub 5,000 square metre market generally requires a minimum of six months to lease up and incentives in the vicinity of five to six months (8.33% to 11.11% based on a five year lease term), whilst larger, multi-tenanted institutional grade assets may require incentives of 15% plus. The spread between prime and secondary rents appears to be widening as increasing lease up periods and incentives are more prevalent in the secondary market due to the difficulty of attracting tenants.

For all industrial stakeholders, the mantra remains the same in 2017 - precincts which offer ease of access to major arterial roads and highways hold a competitive edge over less strategic locations and prime buildings offering higher internal clearances (above nine metres) and drive through or drive around access will be more appealing to occupiers and investors compared to sheet metal buildings with lower clearances and inferior accessibility attributes. One particular sector within the industrial market to emerge in 2015 and 2016 is the workstore complex, which typically offers small strata titled units in the vicinity of 60 to 100 square metres. These types of developments are generally feasible due to the higher than normal gross realisation rate per square metre, however the location is paramount and poor site selection will lead to increased difficulty in selling.

Interest rates continued their downward trend throughout 2016.

A low interest rate environment will continue to support sales and leasing activity within the sector throughout 2017.

In the second half of 2016 we saw a significant increase in leasing transactions being concluded, compared to a very inactive first half. Over the past six months we tracked approximately 185,000 square metres in transactions for facilities greater than 10,000 square metres. This activity has predominantly been driven by warehousing and logistics occupiers. We did expect to see more retail industrial land sales but this market has remained subdued due to restricted lending terms and uncertain economic conditions in Queensland. Many owner occupiers have been reserving capital within their business until the state economic conditions stabilise.

2017 will be a significant year for the occupier market. We are already working with over 275,000 square metres in requirements across both tenant and owner occupier mandates. Demand is coming from groups looking to upgrade their facilities from B and C grade assets into more modern premises with more efficient space solutions, as well as those whose lease expiries are approaching their ten year anniversary. Prime grade investments are scarce and will be highly contested, so the investment opportunities lie within B and C grade where refurbishments and reconfigurations can add value in core locations.

The hot spots in Brisbane will continue to be industrial precincts within a 15 kilometre radius of the CBD with good arterial road connections and access to deep employment pools. Another interesting trend that will be prevalent throughout 2017 is an emergence of transition zone sites where users are finding a zoning uplift above an industrial use. A recent example of this is Harvey Norman's purchase of the Asahi bottling facility for bulk retail use in the MacGregor precinct south of Brisbane.

Summary:

- A busy second half of the year for leasing, mostly warehousing and logistics occupiers
- Retail industrial land sales were expected to fire but were subdued due to economic uncertainty in Queensland and tight lending terms
- A big year coming up for occupier market with B and C grade occupants looking to move up into A grade buildings
- Prime investment properties scarce and highly contested so further yield compression is expected
- Investment opportunities exist in upgrading, value adding or reconfiguring B and C grade buildings within core locations
- Transition zone sites are becoming apparent where industrial uses are being upgraded for retail uses, eg Harvey Norman taking over the Asahi bottling facility for bulk retail use in Macgregor.

Toowoomba

As we roll into the new year, it is timely to review the various industrial markets in the Darling Downs region. Toowoomba is by far the biggest and most substantial industrial sector in the region with continued expansion of two major industrial estates in the outer western suburbs of Wellcamp and Charlton. The driver of development in these suburbs will continue to be the Brisbane West Wellcamp Airport and adjoining Business Park. Proposed expansion of flights carrying fresh agricultural produce direct to Asia later in the year should underpin the industrial and services sector. A local developer's proposed new industrial estate in the western suburb of Torrington with Carrington Road frontage is currently under consideration by Council. The estate will occupy a site of 5.8 hectares with proposed lots commencing from 1,000 square metres up to 4,532 square metres.

The majority of sales activity for established industrial property is occurring in the sub $2 million level, especially in the suburbs of Harristown and Wilsonton. Sales above this level are rare due to a shortage of new industrial tenants moving into the area. Good quality investment properties with strong tenants are highly sought after, however are rarely offered to the market. We would anticipate a continued steady level of sales activity in the Toowoomba area with limited movement in values and rents.

The industrial sectors in a number of western townships including Dalby and Chinchilla are likely to experience some downward pressure on industrial property values as a result of increased vacancy rates for mid to larger sized industrial buildings. In particular, a number of major construction and fabrication companies have closed operations in Dalby over the past six to 12 months with an oversupply of sheds now available for rent or sale. It is perhaps a suitable time for tenants looking to secure their own premises to enter the market, especially as interest rates continue to remain at record lows.

We anticipate yields for established Toowoomba industrial property to remain firm while returns for industrial property in smaller regional townships are likely to soften further over the course of 2017.

Gold Coast

Business as usual….. That is the sense we get reading numerous market research and updates regarding the industrial property market. We generally concur that the current trend of a reasonably well performing market should remain over 2017. Currently wage growth is weak, unemployment and inflation is set to rise along with interest rates, Australia's economic growth will forge on in modesty, but the Gold Coast is a shining beacon in comparison. With land values particularly on the central Gold Coast having significantly appreciated from 2014 to date, we do not envisage any change to this just yet.

Central Gold Coast land values will continue to perform, dominated by owner occupiers winning on the back of the current wave of strong tourism and interstate investment coupled with a glaring undersupply of industrial property in this area. Our prediction is that eventually this will lead to an exhaustion of available properties as current operators are reticent to sell, even at above market prices, there being no suitable alternatives within reach. Ultimately this could steer central and southern Gold Coast operators north to the Yatala Enterprise Area (YEA).

The northern Gold Coast market is a whole different beast as it is essentially removed from the glitz and glamour of the Gold Coast having a far greater contingent of investment properties, more aligned with emerging rather than established population and local economies. That is to say that the north relies more heavily on big business, being positioned to capitalise on its closer proximity to Brisbane.

The abovementioned factors could see a rise in rents and values in the YEA, although this trend would probably not peak in 2017 and with the large stock of englobo industrial land available for development, would likely not result in a significant lift in value levels for a while, particularly as relatively high vacancy rates for industrial properties in Brisbane persist and the rental market being fairly subdued in both the Gold Coast and Brisbane. Nevertheless, supply levels in Brisbane are due to peter out in the near future as projects come to a close. Additionally, the YEA could be further helped along by a rising population – the nearby City of Logan is set to be one of the fastest growing regions in Australia in the coming years.

We do acknowledge the generally volatile forces currently at play in economies over the world. Conversely, industrial property is much less volatile and may prove to be a haven in 2017 for investors sick of the stock market's significant fluctuations and uncertainty. Should a long term approach be taken risk can be mitigated somewhat, especially with prime assets or secondary assets in good locations, particularly on the central Gold Coast.

In short nobody really knows what will happen. Our bet is that industrial property will continue to be a fairly safe investment in 2017. Particularly, we would keep an eye out for any industrial properties on the central Gold Coast where land supply is scarce, which could be refurbished, strata subdivided or further developed – you may just land a winner. Bearing in mind these are limited and highly sought after, patience is the key. The ability to value-add will provide investment returns above the norm for anyone looking outside the box, especially in this highly competitive industrial market.

An interesting example of this is 10 Ern Harley Drive, which was purchased after significant fire damage resulted in part of the buildings being condemned.

The property was purchased by a steel tradesman at a justifiably discounted price of $950,000. The property was sold eight months later for $1.465 million following some structural as well as cosmetic repairs.


BEFORE


AFTER

Sunshine Coast

Over the past 12 months we have seen signs of the industrial market on the Sunshine Coast improving.

Within the established industrial areas of Caloundra, Kawana and Kunda Park we have seen vacancy levels for smaller industrial properties decrease, which has led to a slight increase in rental levels. We also noted a limited supply of industrial stratas in these estates which has led to some increases in value levels. During 2017 we expect this trend to continue on the back of the improved local construction market.

With larger properties in these larger estates we have seen increased demand from investors for properties with strong lease covenants with sales indicating a yield range generally from 7.25% to 8%. We note, this increased demand has been mainly driven from private investors seeking higher returns than other asset types such as the retail market, which for similar value and lease covenants is seeing yields generally sub 7%. This increased demand will continue to occur during 2017 as investors see industrial properties as an alternate investment option.

In regard to vacant land we have seen an increase in sales activity with several sales achieved in Kunda Park, these sales showing an increase in value levels due to the limited supply. We have also seen an increase in sales activity in Coolum Beach with fewer than ten allotments remaining in Watpac's development as well as strong sales recorded in a new development in Noosaville. During 2017 we expect the sales of vacant allotments to continue to tick over, however value levels may not increase, particularly in secondary locations due to overall supply levels in these areas.

Wide Bay

There was positive sentiment in Bundaberg's markets in 2016 on the back of some local projects. Industrial sales demonstrated a steady market in 2016 and this is expected to continue in 2017 in the reasonably liquid price brackets under circa $1.5 million.

The Bundaberg Regional Council's Bundaberg Open for Development scheme could start to result in incentivized development in the rural and agricultural industry sector in 2017.

Gross face rentals are anticipated to remain steady. Based on the current rate of sale for industrial land, vacant industrial land supply is still of concern for vendors which will continue throughout 2017.

Gladstone

The industrial market in Gladstone remains volatile. There is very little sales activity largely attributed to poor market sentiment and lack of confidence for this market sector. The lack of sales activity in the industrial sector in 2015 in Gladstone continued throughout much of 2016. A few sales to owner occupiers occurred in the later half of the year. Many others properties remain on the market after extended sales periods. There has been no appeal of vacant industrial properties to investors in recent times and we consider this will carry through into 2017. Even in light of recent improvements in commodity prices, until there is strong market evidence to suggest that the Gladstone market has reached the bottom of the property cycle, conditions will continue to remain volatile. We consider that buyers will reamain cautious throughout 2017 and there will be little sales activity.

Rockhampton

By the end of 2016 the Rockhampton industrial market had seen most of its activity come from owner occupiers looking to take advantage of the low interest rate environment and speculative investors looking to make counter cyclical investments to position themselves for the next positive market upswing. We have also seen a sharp rise in commodity prices, most notably coking and to a lesser extent thermal coal. This has renewed interest in property generally and industrial property in particular, however it is too early to determine whether this commodity price increase is sustainable and too early for it to have a significant impact on property prices. It is however a good lead indicator. There have been other positive indicators too, with one mothballed mine announcing it would recommence production in 2017 and some support industries openly recruiting to increase work force capacity. This all helps cast a brighter light on 2017 however it is too early for any predictions as to just how bright the year may be.

Mackay

Due to a major downward correction in the industrial leasing market, there is now a substantial difference in the level of demand and the resultant value of genuine industrial investment properties compared to vacant properties sold to owner occupiers.

In 2017 we expect that industrial properties leased to major national or multinational tenants with lease terms of greater than five years will continue to attract sound demand from the national investment market. The achievable yields are relatively attractive compared to metropolitan cities.

By contrast, the sale market for vacant industrial properties has recently undergone a severe downward correction as evidenced by a number of sales in the later half of 2016 where owner occupiers exploited counter cyclical market conditions. The owner occupier market had remained directionless over the past couple of years in the wake of the coal mining construction downturn. We expect that the owner occupier market will consolidate around this new level throughout 2017.

While the recent spike in coal prices is encouraging to market sentiment, it will be the longer term coal price levels that will ultimately determine mining related industrial activity and the subsequent demand for industrial property in Mackay.

Townsville

Throughout 2016, the depressed mining and manufacturing sectors dictated the state of the Townsville industrial markets. Closure of the Yabulu Nickel Refinery did not help local market sentiment. There may be signs of recovery in the investor market, driven by flight of capital from the southern metro markets, but this is in its infancy, and whether it flows through to the broader property market remains to be seen. There is still a high level of vacancy and until this is absorbed, rental growth will remain static keeping yields flat.

Recent activity has shown a lumpy market with the majority of higher value sales being driven by out of town investors seeking better returns compared to the overheated metro markets of Sydney and Melbourne. This renewed activity is likely to continue in 2017 and is seen as the first sign of recovery in an otherwise subdued local market, however local investors remain hesitant.

Yields for commercial and industrial properties are mostly analysing within the 8.5% to 9.5% range, but the average has started nudging lower due to the clean out of high risk assets in the market and a flight to quality as investors focus on properties with strong lease covenants, strong tenant and lease profiles.

Activity in the rental market is likely to remain patchy with prospective tenants still hesitant. We will continue to see incentives as a requirement to entice prospective tenants, a strategy which was largely unseen for this category of property prior to the GFC.

The recent approval of Adani's $22 billion Carmichael Coal Mine and the announcement that Townsville will be its regional headquarters and a fly-in fly-out hub is tipped to have a positive impact on the local economy but the tangible impact this will have on the property market remains to be seen.

Overall the year ahead is likely to see the industrial market gain traction, albeit bolstered by the owner occupier market and prime investment assets with the majority of the market in a holding pattern at the bottom of the market cycle.

Northern Territory

Darwin

2016 was quite a lacklustre year for Darwin's industrial property market. Demand remained sluggish in general and there were no major projects announced which would have stimulated demand to any great extent.

A consequence of this was the very limited volume of industrial property sales throughout the year. The major sale of interest was the disposal by Defence of the decommissioned transmission site at the Eleven Mile. This 75 hectare site enjoys double frontage to the Stuart Highway and in the longer term would be suitable for an industrial subdivision development.

Sales of vacant industrial land remained slow throughout 2016, with developers unable to make projects stack up financially. The construction of Berrimah Industrial Estate's 71 blocks will see increased availability of smaller blocks of industrial land. Most existing subdivisions are of 2,000 square metres or more. The availability of block sizes down to about 1,200 square metres will be attractive to smaller scale businesses that may be in a position to build their own premises at a more affordable price than has previously been possible in Darwin.

The NT Government has designated major project status to a number of projects however the full benefit and multiplier effect of these projects has not been seen yet. Current major projects include:

- Darwin Luxury Hotel project (Darwin Waterfront) construction expected to commence second half of 2017.
- The Port of Darwin is committed to spending $35 million on infrastructure over the next five years (and $250 million over the next 25 years). The Port is also purchasing an additional 34 hectares of land nearby for future expansion.
- The Ship Lift and Marine Industry project (for wet and dry dock ship maintenance) is expected to commence construction in 2017.
- Construction of the 622 kilometre long Northern Gas Pipeline between Mount Isa (Queensland) and Tennant Creek is expected to commence in 2017.
- Construction of the 116 bed, $150 million Palmerston Regional Hospital has commenced and is expected to open in 2018. An expansion of Royal Darwin Hospital is also planned.
- Planning is continuing for other designated major projects such as Ord Stage 3 irrigation development and the Tennant Creek to Mount Isa rail line.

There are a number of other private projects (such as the Gateway and Coolalinga retail centres) and Commonwealth projects (especially Defence at Katherine and Darwin).

This type of infrastructure development will have positive multiplier effects on the NT's industrial sector. However, with much of the construction still some time off, we anticipate industrial property and rental values will be relatively static throughout 2017.

Alice Springs

The commercial sector for Alice Springs has experienced troubled times recently, much like the residential space. Generally low confidence levels, reducing rents and higher relative vacancy levels have troubled this sector, particularly in the retail space.

Anecdotally, shopping centres have been providing strong incentives in order to entice new tenants which is a positive for existing and new operators, however generally speaking, the result has been a shift in where the vacancies are, rather than a reduction in overall vacancy levels.

Incentives are likely to be the story of 2017 in the retail sector, more so than large rent reduction in vacant space, however this may still fill the empty shops and provide more activity.

Owner occupiers have continued to dominate the industrial sector with little change expected in 2017. Short lease periods have been predominant in the sector almost exclusively to smaller operators with lower rent levels and favourable rent reviews available.

Western Australia

Perth

The year begins with a new world order, the inauguration of Donald Trump, a property developer as the President of the United States.

I would like to think that this would mean a boon for the local industrial property sector, however the truth of the matter is that I don't see his appointment having much effect other than to dramatically improve our daily lives with his misquotes, tweets, faux pas, buffoonery and ridiculous policies.

We also will be having a State election and the outcome of that will have more of an impact on the local economy than Mr Trump, unless of course he does, or allows something catastrophic to unfold. The current Barnett Government is committed to spending $8 billion between now and 2020, much of that on road infrastructure upgrades to improve freight transport efficiencies with the road projects including Northlink, Perth Freight Link, Armadale Road upgrade and the $2.2 billion Forrestfield Airport Link rail project. The Freight Link project includes the highly contentious Roe Highway Extension (Roe 8) which has the voters polarised. Should labour win the election, they have indicated that Roe 8, and other projects would be scrapped.

As the local Perth property market is running counter-cyclically to the majority of the eastern states based markets and in particular New South Wales and Victoria, the state could be poised for further negative impacts should those markets change in fortune in 2017.

Western Australia has already seen rents fall across all industrial asset classes from prime to older-grade space, however with more significant diminution in rental values for older stock. There was however a notable decline in achievable rental values across both primary and secondary industrial asset types through 2016 and while we don't predict further significant change in rentals in 2017, unknown factors (eastern states price correction, further easing in Chinese demand for raw products) could come into play to place further pressure on rents.

Thus far, low interest rates have helped to 'balance' the ship so to speak with investors chasing yields and a compression occurring which held up values. However going forward, as the U.S. begins to increase interest rates, we should see yield expectations begin to blow-out.

Much like the Perth office sector, the flight to quality will be the mantra for 2017 in the industrial sector both from investors and tenants' perspective. Businesses are using the current market malaise as an opportunity to upgrade and/or relocate into alternative, often larger, industrial space that better suits their long-term business needs. As tenants have relocated it has also created back fill opportunity in properties which have previously been tightly held for many years.

The second half of 2016 saw an improvement in tenant enquiry, underpinned by occupier demand for existing industrial facilities in the prime industrial precincts (Kewdale/Welshpool/Canning Vale) in particular. Older stock will still attract interest as a recycling opportunity and thus transactions will occur in this section however with little or nominal value attributed to improvements.

Speculative development at this point in the market is almost non-existent and the only real large scale leasing activity and interest is in the core areas surrounding both the Perth Airport and Jandakot Airport.

There was a significant lack of sale activity in the prime industrial sector aside from some institutional portfolio exchanges throughout 2016 and we expect to see that trend roll into 2017. This appears to support our comment earlier with regard to older assets being purchased for recycling (i.e. redevelopment).

While transactions are still likely to occur there is an increasing likelihood of adjustments in vendors' expectations for 2017, especially in light of the downturn in the resource sector and especially in areas such as Henderson which is almost entirely made up of industries linked to the off-shore oil and gas sector. This is an area which will especially feel pain throughout 2017.

Industrial vacancies are becoming an increased risk and particular emphasis must be placed on tenant risk in considering any acquisition.

There remains strong interest in high quality blue-chip industrial investment assets and given the scale of the assets currently being presented, interest will be high. This should carry through the first two quarters of 2017 and, as we've also seen in the past 12 months, potentially see further sale and leaseback activity. Pre-commitment leasing dominated overall prime activity over the past 12 months, mostly due to the size of these facilities being built. The trend has mostly been within emerging industrial precincts where land has been in greater abundance, including Hazelmere and Jandakot Airport. Although many of these projects are now finalising completion, activity could pick up in the first half of 2017 as non-mining sectors start to reposition themselves in response to less volatility in the exchange rate and an improvement in domestic investment.

Residential

HERRON
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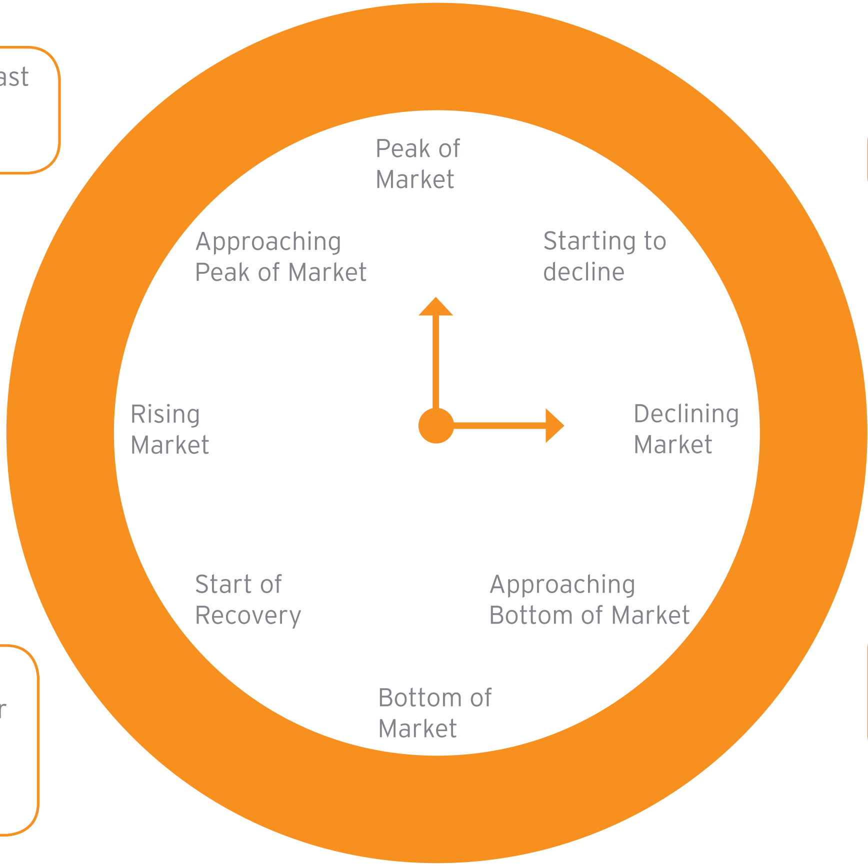
WHITE
RESIDENTIAL

National Property Clock
February 2017
Houses

Coffs Harbour
NSW Central Coast
Newcastle
NSW North Coast

Melbourne
Gold Coast
Ipswich
NSW Mid North Coast
South East NSW
Sunshine Coast

Bendigo
Toowoomba



Adelaide
Sydney
Canberra
Hobart
Ballarat
Bathurst
Burnie/Devonport
Cairns
Echuca
Launceston
Orange
Tamworth

Perth
Alice Springs
Gippsland
Rockhampton

Brisbane
Bundaberg
Emerald
Hervey Bay
Horsham
Mildura
Mount Gambier
Warrnambool
Whitsundays

Darwin
Gladstone
Mackay
South West WA
Townsville

Entries coloured orange indicate positional change from last month.

HERRON TODD WHITE RESIDENTIAL

National Property Clock
February 2017
Units

Melbourne
NSW Central Coast
Coffs Harbour
Gold Coast
Newcastle
NSW North Coast

Brisbane
Ballarat
Toowoomba

Canberra
Perth

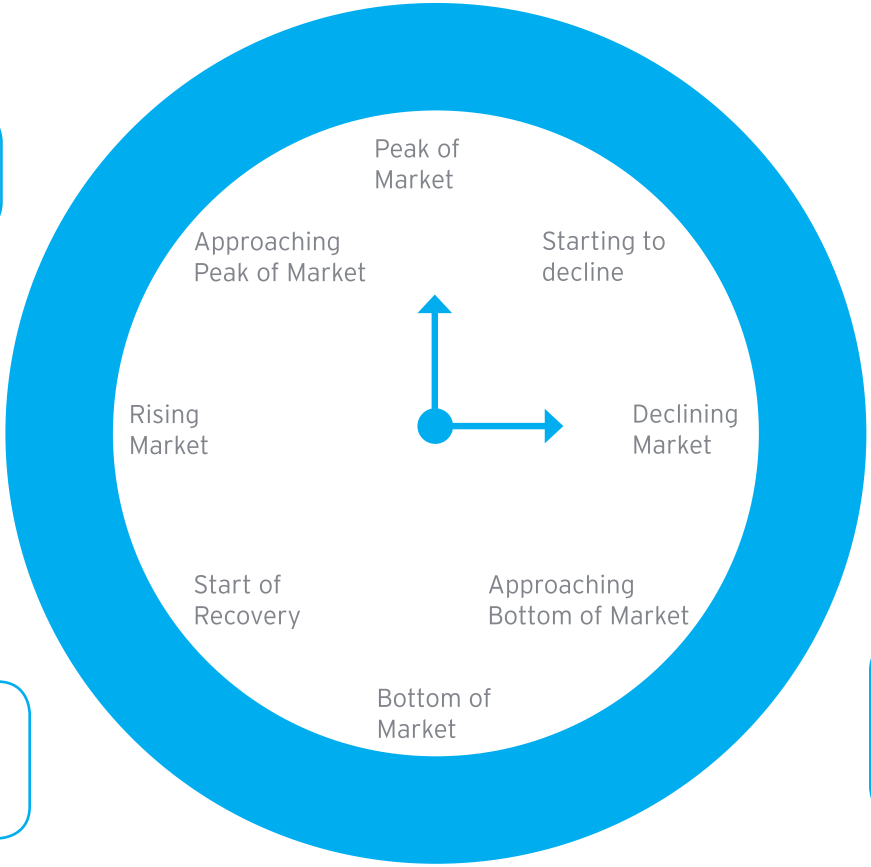
Alice Springs
Gippsland
Gladstone
Mackay
Rockhampton

Adelaide
Darwin
Emerald
South West WA
Townsville
Whitsunday

Bundaberg
Cairns
Hervey Bay
Horsham
Mildura
Mount Gambier
Warrnambool

Hobart
Sydney
Bathurst
Bendigo
Burnie/Devonport
Echuca
Launceston
Orange
Sunshine Coast
Tamworth

Ipswich
NSW Mid North Coast
South East NSW



Entries coloured blue indicate positional change from last month.

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HERRON TODD WHITE RESIDENTIAL

New South Wales

Overview

Last year's market has run it's race but the fallout of local and international events will play out in 2017. The key is to understand your area of interest in detail, and to do that, you need on-the-ground expert advice.

This month, as we do every February, each of our offices provide their thoughts on how the year will progress in their residential market. It's a valuable look ahead that can keep you out front.

Sydney

2016 was a year of contradictions: an unsteady start with much speculation about the future; low investor confidence; higher bank interest rates than the RBA alongside progressively strong clearance rates; short selling periods and continual record breaking of the median price.

The year ahead is predicted to be another year of steady growth. The market in 2016 continued to produce high auction clearance rates regularly above 80% (Australian Economy Extract) across the greater Sydney metropolitan suburbs. This has can be attributed to low stock levels and continued buyer demand.

We expect that this level of demand will continue in 2017 and predicted (possible) interest rate cuts suggest that stable growth will continue throughout the first half of the year and a possible slower second half of 2017. We are predicted to see on average double digit growth in Sydney throughout 2017, however we may see an oversupply of units due to their concentration in certain pockets. New quality stock in blue chip areas appears to be in high demand as does detached dwellings in the $3 million and above price point.

Eastern Suburbs

The eastern suburbs are set to stay strong, especially in the first half of the year with a strong but slower second half of 2017. The market has previously remained strong due to limited stock, high demand and buyer confidence. These factors will continue to support the market through to the end of the year. Detached houses around $1.5 million to $3 million and units up to $3 million are predicted to have a slower growth than previous years. The prestige markets (over $3 million) along the beachside and centrally located suburbs are set to have a slightly higher growth than previous years with stronger buyer confidence. The market saw strong growth in 2016 for North Bondi which had 22.4% growth and Paddington with 16% growth (pricefinder.com.au). We expect that these areas will continue to perform well this year in the over $3 million price point. As the eastern suburbs have had a strong three years of growth recently, there does not appear to be any suburb with an affordable price point.

Worth watching are Potts Points and Bondi Junction. Potts Point has had a decline in the entertainment precinct which has made this area more appealing to young professionals. As the nightclubs and night time entertainment have declined, it has made this area a quieter and slower paced neighborhood. Bondi Junction is still in high demand for young families and professional couples as the suburb is in close proximity to Westfield Bondi, Bondi train station and local amenities and high growth is still predicted.

Inner West

The oversupply of units caused by diminishing yields and possible increased borrower costs could be a major factor for the inner west unit market. In 2016 the suburb of Waterloo's median price fell 0.3% after three years of double digit growth (pricefinder.com.au). This decrease in the median price in developments in the Waterloo area such as Rosebery and Zetland are from a lack of quality and size in each individual unit. As these areas are highly driven by investors, the changes the Australian Prudential Regulation Authority (APRA) made to investor borrowing in 2016 will continue to slow the investor market. The APRA changes slowed investment in these areas more than a highly owner occupied market, such as the detached housing market in the $1.5 million to $3 million price point. We predict strong growth for the detached housing market as high demand and low stock drive the market upwards and push affordable housing further out of reach within this region.

We would expect the $1.5 million to $3 million detached housing market to remain strong with the continued issue of limited supply throughout all suburbs in the inner west. We are seeing many up-sizers active in this price range, especially families who want to remain within the inner west. Traditionally these up-sizers would relocate to further out suburbs that represented far better value. However, these suburbs are now matching price points to the inner west suburbs closer to the CBD mainly due to now been linked by improved infrastructure such as the Inner West Light Rail. Purchasers may get slightly more land by up-sizing to these suburbs, but the gap seems to have closed over the past few years.

Burwood, Strathfield and Homebush are on our watch list for 2017 as unit oversupply and more development proposals are predicted. We have also seen longer selling periods in some of these completed new unit complexes compared to 12 months earlier. There also tends to be a trend towards the construction of smaller, low quality units which heightens the already talked about concerns in this new unit market sector.

Southern Suburbs

Quality dwellings and units are predicted to be stronger performers for the year ahead in the southern suburbs. The end of 2016 saw highly renovated and new high quality properties perform better than older or average stock.

Poorly renovated and inferior stock appears to be taking longer to sell and is not achieving vendor expectations. We anticipate that the price gap between new and older stock will widen by the end of 2017.

There is high demand and currently not enough stock to match and therefore potential growth for the $2 million plus unit bracket.

High quality units in the suburb of Cronulla is a market we expect to perform well this year. New units from $2 million with a very high standard finish and with a possible view will potentially be our best performer this year. Main drivers of this unit market are considered to be the shift in lifestyle for downsizers who have sold their family home in a strong market and are now looking for a quality, low maintenance lifestyle in Cronulla to remain in their local area with access to views, the beach and shops.

Although Gymea had a strong 2016, we predict that 2017 will be another year of double digit growth. Gymea has been popular with young families of late, due to the growing café scene, upgrades to the Gymea Bay Road and relative affordability of this location within the Sydney basin. Although the southern suburbs have had strong growth over the past three years, we are still seeing Engadine as a relatively affordable market with a median house price of $950,000 for December 2016 (RP Data).

Western Sydney

2016 was a year that saw continued strong growth throughout western Sydney with Core Logic indicating home values increased approximately 15%. Looking forward into 2017 we believe that values in western Sydney will continue to grow although not at the rates seen in previous years, but this growth won't come without its challenges.

The upside for 2017 is demand is still outstripping supply in many areas.

Values will continue to climb until this changes and regardless western Sydney will always present a more affordable option than its more eastern cousins. The level of investment and infrastructure planned for outer western Sydney will lay the foundation for solid demand for years to come. Investment includes the second airport and surrounding development at Badgerys Creek, the Sydney Science Park in Luddenham and the continued expansion and development surrounding Parramatta.

Possible speed bumps for the western Sydney market include potential interest rate rises by the major banks, lower investment demand as rental yields drop, high supply of residential units and the potential for government regulatory changes disrupting the market, similar to the APRA changes in 2015.

A trend we believe is set to continue throughout 2017 is limited rental growth and low rental yields throughout western Sydney. With more affordable housing combined with low interest rates, many long term renters have left the rental market. Renters purchasing their own homes combined with strong investor demand has resulted in an oversupply of rental properties. If the cost of borrowing were to increase and further investment regulation were to occur the western Sydney market could take a hit as it has been a happy hunting ground for investors of all types over the past few years. With rental yields currently at circa 4% in areas such as Wilmott and Blackett, other areas such as Blacktown are experiencing yields as low as 3%. These tight yields are mostly on the back of a soft rental market and as such may deter many investors.

Within the new subdivisions of western Sydney we have seen building rates increase for the construction of new dwellings. Traditionally for project homes, these costs are fully absorbed based on sales evidence supporting their value. More recently we have seen a trend of incomplete dwellings that are missing various items such as flooring or a driveway return a lower value than the sum of the land and building contract. In addition post contract variations with high profit percentages built in are not returning a dollar for dollar value either. Fully completed or turnkey building contracts with everything included are more likely to return a dollar for dollar value. This is an important consideration when building a new home to ensure you are not caught out paying a large sum expecting instant added value.

Northern Sydney will continue to record steady growth in 2017. Demand in this area is still outstripping supply with the $2 million plus market in hot demand. We have seen some extraordinary sales occurring within Chatswood, such as a $6.5 million sale of a modern home close to Chatswood Chase shops, a substantial result for the area. With prices in this region more volatile than others we believe Chatswood is a high risk area.

Final caution

We have noticed a number of valuations for new units upon settlement not meeting their off the plan prices when purchased during stronger market conditions. We have seen this more commonly in some second tier suburbs in western Sydney and additionally in some pockets of the northern suburbs particularly with concentrated new stock and a distinct difference in value ranges between the new and original older style unit prices. Whilst mostly occurring for overseas buyers, this could trigger a flow of sales post settlement due to difficulties obtaining finance and rental yields not meeting expectations to service mortgage repayments thanks to high investor participation

The areas with the lowest predicted growth for the inner city are the oversupply of new units around the city fringe areas, as it appears there will be less demand and more supply in these areas so more completion for the purchaser dollar. Developments that have been completed to cash in on demand will fall short in quality and therefore appeal to both owner occupiers and potential tenants.

Other areas we believe are at risk of oversupply or heavily investor led include Wentworth Point, Carlingford, Epping, Olympic Park, Macquarie Park and Parramatta. The supply of new units in these areas is well above long term averages.

One thing we can be assured of is that 2017 will offer up some surprises and create headlines. Sydneysiders love their real estate and our market never stays still. Let's hope we are all ahead of the curve and can benefit from the surprises and unexpected gains. The areas we will be watching with the most growth potential appear to be the $2 million plus price bracket which in some pockets will represent land value and opportunity to develop or value add and in some will be properties with a high standard of finish and high appeal to just unpack the family bags. On average, we consider that 2017 will see a steady growth across all areas with buyer confidence generally high.

Canberra

The residential market in Canberra was relatively stable throughout 2016. Market activity declined during the federal election, however record sales suggest a return of confidence in the market which we expect to continue into 2017.

The state election held in October resulted in a Labour win. This win secured the future of the proposed light rail scheme which is now in construction. This will provide a new transport system for Canberra with the first stage connecting North Canberra to the City with stops at Harrison, Franklin, Gungahlin, Mitchell and inner north suburbs. This may have an effect on residential property prices in suburbs serviced by the new transport system.

The Mr Fluffy Asbestos Removal Scheme is continuing into 2017 with more vacant land blocks coming onto the market. Overall the resale of affected blocks was strong in 2016 with the highest sales exceeding $1 million in the inner south suburbs. As a result of these sales there has been a number of dual occupancy dwellings beginning construction that are slowly being introduced to the market.

The number of new apartments coming onto the market has continued to build with more stock expected during the start of 2017. The threat of oversaturation is a very real one and continues to be observed in several market segments including the Flemington Road corridor in Gungahlin and the Belconnen Town centre. There has also been significant apartment growth in Molongolo Valley and Tuggeranong town centre.

There were record sales in the detached housing market for a large number of suburbs throughout the ACT in 2016. There was also significant growth in established suburbs especially in the Woden Valley and inner north. We expect this trend to continue into 2017 in suburban areas of Weston Creek and Woden Valley and regions within close proximity of the light rail network.

There are continuing residential land releases in Canberra's north which is providing a steady supply of new detached housing. Construction of detached dwellings in Moncrieff and Denman Prospect are now entering the final stages with a number of completed dwellings starting to enter the market.

We anticipate 2017 will be a year of flat growth with demand shifting further away from the unit market in most segments and towards new detached houses.

If the economic outlook continues to strengthen, it is possible the Reserve Bank may increase rates, which would have a significant impact on overall affordability.

Illawarra

As the new year commences we find ourselves asking the same question as at the start of 2014, 2015 and 2016. Will the residential market slow down this year? Strong growth commenced in Wollongong in mid 2013 and each Christmas break has failed to dampen the market, with the new year often starting as strong, if not stronger. Demand for stock and sale price increases flowed down the coast to the Shoalhaven which also saw substantial growth in 2016.

Strong buyer competition looks set to continue to drive prices up through the early part of the year.

We believe the major factors that may slow down the market could be interest rate rises along with tighter lending regulations. Until these factors come to light, we predict that the Illawarra residential property market will continue to perform strongly. There is good demand across all price points and locations from basic cheapie $300,000 dwellings in Sanctuary Point through to prestige properties in the Northern Illawarra beach suburbs and Hyams Beach.

2017 will continue to see the marketing or construction of a number of large unit complexes in the Wollongong CBD including Parq on Flinders Street (221 units), Signature on Regent Street (125 units) and Crown Wollongong (317 units) among others. There have been concerns voiced over off-the-plan unit sales in capital city CBDs recently by the major banks and whilst Wollongong doesn't have the same scale, the CBD has had a massive influx of unit supply in the past four years. Any shift in the property market could severely impact these projects with off-the-plan sales stalling and settlement risk increasing.

Construction of the Berry Bypass will continue through 2017 and into 2018 with new passages of road being released when completed. This work is decreasing the travel time between Nowra and Wollongong making the distance between the two locations more convenient. As work progresses it is expected that the property markets will be more closely correlated in the future and Wollongong investors and owner occupiers who are seeking affordability will head to the Shoalhaven in larger numbers with Wollongong median prices continuing to increase.

Southern Highlands

As we kick off 2017 there is an atmosphere of cautious optimism across the Southern Highlands. Buoyed by an 18% increase in average prices to $892,000 for the year to December 2016, the townships of Moss Vale, Bowral and Mittagong have been stand out performers, with access to infrastructure and price point being the main drivers of that growth. What local real estate agents have been saying is that sales activity has been brisk in the face of stock shortage. This has been borne out with a 24% decrease in the numbers of sales year on year to 1,600 properties. It is fair to say the rental market is tight with lack of stock driving rent increases of minimum 10% over the past 12 months.

The Highlands property market is heavily influenced by what is happening in Sydney and historically lags that market by six to 12 months. Accordingly we can expect to see continued strong demand for properties close to the townships at price points up to $1.5 million. Above that price point the market becomes less defined with the choice of residential, rural/residential and lifestyle acreage properties across the villages and hamlets coming into consideration. With respect to range of land releases throughout the Highlands, established precincts such as Darraby Estate, (Moss Vale) Renwick and Nattai Ponds (Mittagong) and Bingara Gorge (Wilton) have seen strong sales over the past 12 months, with further stage releases scheduled for 2017. Likewise the soon to be released subdivisions of Retford Park (Bowral) and Throsby Views (Moss Vale) have seen strong pre-sales activity. The recent announcement by the NSW Department of Planning that Wilton Junction has been designated as a priority growth area has brought the reality of the new township to accommodate up to 16,500 dwellings across the 4,175 hectare site located off the M5 East Freeway a step closer. Other areas earmarked for residential development include Tahmoor and Appin. Closer into the existing townships of Mittagong, Bowral and Moss Vale it is anticipated there will be limited releases of land predominantly restricted to resubdivision of appropriately zoned larger lots.

Regarding infrastructure, the State Government has committed to a $50 million upgrade of the Bowral Hospital in 2017. In September 2016, it called for expressions of interest regarding a public private partnership for the operation of the hospital.

Southern Tablelands

The Goulburn Mulwaree Shire likewise has seen strong sales activity over the course of 2016 with a lift in average price for the calendar year to $502,000 (13%) on 16% less number of sales (991 properties). Buyers from Canberra, Illawarra and investors from Sydney have been prevalent over the past 12 months with this trend expected to continue. Similarly the rural / lifestyle property market has seen an uptick in sales activity together with the resurgence in rural property sales driven by increases in cattle and sheep prices. There have been good land sales in the new and modern residential estates in Goulburn, including the Belmore Estate, Merino Country Estate and the Mistful Park Estate, where there continues to be strong construction activity of new homes. The market in the smaller villages through the region such as Crookwell, Taralga and Gunning is expected to remain steady over the next year.

The rental market in Goulburn has remained steady and agents are reporting good interest from tenants at present, with the trend following the strengthening in prices to return gross yields in the order of 5%.

Newcastle

There is a common conversation at every weekend BBQ in the Newcastle region at the moment. Whether someone is looking to buy or sell or a neighbour is complaining about how many cars are parked in the usually quiet cul-de-sac for a Saturday open home, the discussion regarding the ever growing residential market is bound to be brought up. Speaking on behalf of valuers, who discuss all aspects of property market on the hour every hour, we are witnessing one of the strongest growth periods that Newcastle has ever experienced, across all price points with blue chip property auction properties having multiple competing bidders. This peak in the market has been a constant over the past 24 months now. With current low supply levels we see no early signs of flattening for the early part of 2017.

The CBD of Newcastle is an ever changing environment. With substantial infrastructure development, the changing image of a manufacturing town is creating an extremely diverse town offering inner city university, various businesses, ample residential unit development and tourism. A few major urban renewal projects either nearing completion or set in stone for the near future are the new court house, Newcastle Uni development, Hunter Street mall revitalisation and light rail system to open up the harbour and the CBD. The NSW government also introduced a new public transport system in December 2016, linking bus, ferry and light rail systems.

Given the above commentary on Newcastle CBD, affordable housing is being sought in all suburbs that still have a minimal commute to town. Cameron Park, Fletcher, Maryland and West Wallsend are providing newly built residences within 30 minutes' drive of Newcastle CBD, with current median prices ranging between $520,000 and $700,000.

Port Stephens is a strong getaway destination for families and is enjoying sustained growth and increasing returns after many years of negative growth and over representation of mortgagee in possession sales. This area is now experiencing low supply levels for vacant land in particular, with more families looking to relocate for the lifestyle this area offers. We expect this growth to continue into 2017 however given this area is heavily reliant on tourism, should the bubble burst, there is higher volatility in such markets.

We have spent a fair while highlighting the Singleton situation over the past few years and we haven't seen any signs that will change our commentary in the short term for 2017. Mines significantly scaled back investment in 2014 cutting jobs and costs, which trickled through to the entire economy in and around the town. There are a number of mines that have re-opened or are planning expansion, with employment opportunities re-appearing. However this industry has not recovered and will take well into 2017 before a stronger economy is reflected in house prices.

NSW Central Coast

2016 was a hot year in the Coast's real estate market by anyone's standards and we thought the Christmas break might provide the time to take a breath and regroup, but not so. As the new year kicked off, the market just took up where it left off and it's just as busy.

For a while now, we have been talking of the end of another cycle in property when we can again see the market slow, prices come back a little before stabilising and picking up again. That's how it has always been, but not so or not yet anyway. Local real estate agents are divided on where we are heading with some seeing a continuation of the hot market, others cannot see it lasting much longer and a few (a lot actually) are saying that the only thing they are certain about is that they don't know!

For our part, the market just seems to keep rolling with each new reporting period throwing us a few surprises as to what's moving and by how much. To us, the signs are that the market will continue to grow here locally while ever buyers with the will to enter the property market or buyers looking to expand their portfolios are being squeezed out of the Sydney market. They are finding that property prices on the Central Coast remain reasonable compared to the Sydney market.

At this stage, we see this as a scenario that will continue well into the year.

In the meantime, those suburbs spoken about earlier that have been overlooked for the more desirable locations continue to increase in popularity. Older houses under the stewardship of new owners are being renovated, modified and extended.

These areas include the peninsula suburbs of Narara, Niagara Park and Wyoming. In previous years Umina Beach, Woy Woy and Ettalong Beach have been the focus of attention and continue to be so, but a little less overall such is the pricing now within these suburbs.

In real estate terms, we think of popularity and activity radiating out from a central point and this could well be the year for areas at the northern end of the region. As suburbs go through their cycles and buyers look to get in early on the next big thing, we are thinking (once again) that Budgewoi, Buff Point, Lake Munmorah, Gwandalan and Summerland Point may become popular.

Always sure to draw an opinion is the Gosford City Centre. The developers are back in town with numerous projects completed during 2016 and more under construction. Sales rates are proving the unit market is popular once again. Commencements seem to be well managed meaning that the potential for a glut of units on the market simultaneously should be avoided. Even more encouraging is the quality of the new projects under way with higher standards the norm.

NSW Mid North Coast

This month we are looking at what's in store for the 2017 property market on the mid north coast.

Last month we reviewed 2016 and how it affected our region and we noted that the region is still experiencing increasing values but at slower sale rates (mainly due to a lack of available stock on the market). For the first part of 2017 we expect these conditions to continue.

In the major regional centre of Port Macquarie, the rapidly developing and outlying subdivisions, both to the west of Port Macquarie and along the coastal strip to the south (Bonny Hills and Lake Cathie) are continuing to see rapid expansion with the high demand for residential land during 2016 expected to continue into 2017.

The other coastal towns and villages all along the mid north coast are also experiencing strong demand for land and modern dwellings and this is expected to remain strong and continue to grow in the coming months. However there is a significant amount of vacant land and recently completed dwellings available for sale within these rapidly developing smaller towns and we consider that this expanding market may not be sustainable over the long term and we would anticipate that the growth may slow later in 2017. This current construction boom in some of these smaller towns may result in an oversupply of dwellings and land if demand were to lessen.

During 2017, it is expected that Port Macquarie will continue to remain one of the fastest growing regional centres in NSW for property investment. New housing development continues to be based around the continuing growth of the Charles Sturt University campus, with an increase in the number of house and granny flats being built especially within the adjoining areas to cater for student accommodation.

The construction of the new Pacific Highway between Port Macquarie and Kempsey continues and is expected to be completed in late 2017. Last year demand from construction workers boosted the rental market in Port Macquarie, however we have noticed that rental demand and rates have plateaued and this is expected to continue for the next few months, although the continuing influx of university students will assist the rental market to remain strong.

The higher value, prestige properties and rural residential property markets in the region remain slow but steady, with slow demand combining to produce slowly increasing values.

We have been quite optimistic for the region over the past two years and our optimism continues for the coming year.

NSW North Coast

Lismore / Casino / Kyogle

The residential market for the year ahead in the Lismore area is expected to continue to firm following on from the last three months of 2016 where the demand for good quality residential stock improved and real estate agents were desperately seeking new listings. Richmond and Kyogle Shires are expected to remain relatively steady.

Whilst not at the same demand level as residential, the rural residential real estate market is likely to remain steady in 2017 with the possible exception of very well-presented properties with highly valued features such as expansive views, creek or river frontage and high quality improvements enjoying a greater interest level than 2016.

As in 2016, one area to keep a close eye on in 2017 is the affordable but modern detached duplex unit. Having a smaller footprint area compared to the modern 4-bedroom, 2-bathroom, double garage home on a typical freehold site of 650 square metres plus, not much is really sacrificed. The detached duplex design can vary like any other free standing residence and can possess a similar number of rooms and garaging on a smaller site and smaller open space by employing split level, part two level or two storey designs. More and more people are starting to realise that a large back yard is not a necessity for young couples or mature aged couples with no children or pets.

The prices are generally lower than their larger counterparts and the properties provide good quality improvements and living accommodation. It is now commonplace to note that most corner sites in new residential subdivisions are specifically targeted for this type of development.

Generally, properties within the $250,000 to $350,000 price bracket are likely to be the main price brackets receiving most of the activity in 2017 within Lismore City although the superior quality product within the $400,000 to $600,000 has improved markedly of late and will likely have the same amount of interest well into 2017 (assuming current interest rates remain low).

Casino and Kyogle houses within the $200,000 to $300,000 range will still appeal to the first home owner as they are very affordable at the current interest rate level.

> The most affordable property type will continue to be the older stock of the typical circa 1970s and 1980s 2-bedroom brick and tile units of which few have sold in 2016.

This is likely to continue throughout 2017, however at price levels of $125,000 to $175,000 (depending on whether renovated or not) they still generate a reasonable rent return in areas close to the CBD and major educational facilities such as Southern Cross University. Good buying opportunities may present themselves providing the body corporate fees are kept in check.

We expect the larger rural lifestyle and rural residential property market in Lismore, Kyogle and Richmond Valley to be subject to the vagaries of distance and accessibility as well as maintenance of the land as determinants for the type of buyer. However we are seeing an evolving trend of real estate agents outside of the general area, for example Byron Bay based agents, bringing in potential buyers to the outer area of the Lismore City Council area and achieving improved sale prices for well-presented rural residential properties. As the more traditional sought after areas have become increasingly expensive, these outlying areas of the Lismore City area become attractive.

In summary, we expect the residential property market for Lismore, Richmond Valley and Kyogle Council areas for 2017 to continue with some assurance of stability. Whilst unlikely to see major growth, quiet confidence should remain while couched in the hope that a low interest rate environment remains, even if there are modest rises in bank interest rates.

Ballina /Byron

Market conditions throughout the Ballina Shire remained strong throughout 2016 and there are early signs that the market will remain strong into the first quarter of 2017. Price levels across most market segments are at record levels and stock remains low. Given that price levels are at record levels any further increases in value would appear unlikely in the short term however low stock levels, particularly throughout the sought after beachside localities may result in some further growth in prices.

The lack of stock and strong demand resulted in the Byron Shire area having tremendous growth in 2016 and it is predicted to remain this way into 2017. If interest rates remain low, it will cause demand in the area to become very high, particularly in the coastal resort towns of Lennox and Byron Bay.

The suburbs that are worth watching this year in the Byron Shire include Ocean Shores, New Brighton and South Golden Beach. These have had an entry level pricing point of $500,000 to $1 million for a coastal place for many years and are well sought out on the coast due to proximity to Byron. These appeal to many buyers looking for alternative areas in this patch.

There are no areas in this shire that seem comparatively affordable in today's market. The market for 2017 is set to remain steady or even to rise over time. Mullumbimby seems to be a particular suburb to treat with caution. This is a suburb that has had a very strong price increase in recent years and the worry is that if interest rates rise, it may not be sustainable.

The overall feel for the Byron Shire is that if interest rates and stock levels remain low there will be a strong demand for the area and the markets in Lennox, Byron and Suffolk will have growth, particularly Lennox Head as buyers choose this suburb as a less expensive alternative to Byron Bay.

The Clarence Valley

The overall feel for the Clarence Valley Shire is that it is set to track similarly to 2016. This conclusion can be made because as far as we see it right now, there is no immediate change in the area. There is potential for change due to slowly increasing interest rates which may be damaging and result in a slowing of the local market, however there is increased Government spending in the investment of building major infrastructure, for example, plans to build a second bridge in Grafton and a new jail. This may influence the number of workers and increase real estate prices as access to the bigger cities will be made easier.

The most interesting suburb to watch in the shire would be Grafton. It is situated at the low end of the market which always attracts investors and could be seen to be a good purchasing area. The average price point for a house in this suburb is around $200,000 and is not likely to increase by much in value. Maclean however could see a greater potential in property value increases as there are plans in place to build a new shopping centre and move the highway closer to the town. This may attract new owners to the area and in turn create growth.

The only areas that could be seen as comparatively affordable in the market right now fall under the suburbs of Grafton, South Grafton and Maclean. Everywhere else cannot be classified as affordable in today's economy.

In the Clarence Valley Shire there is no concern that any suburbs need to be treated with caution. The market is quite strong and there is no oversupply. In fact there is a stronger demand in the area and perhaps a slight undersupply in the market.

So looking to the year ahead, any possible decreases in the property market can be attributed to the raise in interest rates by the banks, but as far as we can predict the market will remain much as it is, as there are still workers in the area and no loss of any building structures.

Coffs Harbour
2016 realised significant growth through lower and middle market sectors due to increased demand and diminishing supply fuelled by continuing low interest rates, strong rental market and infrastructure upgrades.

2017 has forecasters predicting interest rate rises which are expected to be moderate off the back of record low levels. January as always has started slowly however initial feedback from local selling agents still report strong levels of demand with selling periods measured in days rather than months. We consider the early part of 2017 will see much of the same with demand slowing as prices reach record high levels and interest rates trend upward. We caution these increased levels of demand may not be sustainable over the long term, making the current market somewhat more volatile. Any decline in economic activity or decrease in market sentiment driven by talks of interest rises could see a softening in the market which could result in downward pressure on values over the short to medium term.

As returns are degraded by continually increasing property prices the lower end will continue to be best performers and more attractive to investors with less capital outlay and higher percentage return.

The one location were prices still appear 'cheap' for a beach side suburb is Sandy Beach were you can purchase an esplanade position (opposite beach reserve) starting at $575,000 to $700,000. This locality is traditionally considered a lower socio-economic area with little infrastructure, however a large 200 lot development is planned for the area coupled with good access and increased services which are offered in the nearby township of Woolgoolga 6km to the north make this a suburb one to watch.

To the south of Coffs Harbour the townships of Macksville and Nambucca Heads are starting to look even better value as prices in Coffs Harbour steadily rise and driving time decrease with the completion of the highway upgrade between Warrell Creek and Urunga.

The rural residential market has also recorded considerable increases in values typically for the well located properties close to Coffs Harbour such as Boambee, Bonville, Karangi, Moonee Beach, Emerald Beach, Upper Orara and Bucca and typically within the $600,000 to $900,000 price range.

There is no surprise that it is this affordable end of the market sector (sub $500,000) which will experience the most activity with prices remaining strong and shortened selling periods.

Vacant Land has become scarce which has seen significant increases in land values coupled with normal building cost increase are seeing premiums paid for new homes.

Typically new homes are at their peak of value upon completion and usually require upward market movement to maintain their value as the property ages. There is a perceived higher risk of reduced value over the short to medium term for property of this type. The combined house and land purchase price is considered to place the theses 'house and land package' at the upper limit of current market parameters for their locality, thus increasing the chance of future price reduction should the market soften over the short to medium term.

Sales evidence within new estates like Sapphire Beach Estate, Mariner Cover (Safety Beach), North

Sandy Beach and Seacrest Estate reflect premiums being achieved for new homes above cost however, should market sediment and conditions soften over 2017 these premiums may deteriorate.

Bathurst/Orange

Property values are likely to keep rising over 2017 continuing a trend from over the past couple of years. As previously it is expected that the larger centres of Bathurst and Orange will see higher percentage growth, along with Lithgow which will continue to attract attention from investors. Central West small acreage properties will continue to increase in value as a reflection of increased wealth in the local area, and also by retirees and families from capital cities having more to spend from the sale of their property. Selling periods will reduce particularly for areas around Lithgow where previously they were longer than average.

The region will continue to attract people and businesses from western areas as climate change sees an increase in extreme heat conditions, and from capital cities looking for better affordability. While the investors will continue to seek the higher returns in the area, this will reduce as values increase.

While vacant land sites are currently in good supply, the number available will decrease over the year as houses are constructed, although it is not expected that more will be needed before the end of 2017.

Tamworth

The overall feel for 2017 in the Tamworth market is one of confidence. With vacant land demand remaining strong and a noticeable increase in land values throughout 2016 it is expected that this trend will continue. Established dwellings continue to sell well and as the town continues to grow opportunity for investment increases.

The developing parts of Calala and North Tamworth are worth watching as they are more aimed at owner-occupiers resulting in good demand for resale of new properties. The mid range ($300,000 to $500,000) will be the price point to watch as low interest rates continue. With the increase in new housing, the more tightly suburbs of East and North Tamworth will be worth watching with their older federation style houses and typically larger blocks attracting higher prices due to their location and difference to the modern developments.

The Tamworth region continues to expand with all sectors of its economy performing well. With increases in the agricultural sector, education sector and industrial sector, there continues to be good opportunity for employment.

The suburbs of Hillvue, South Tamworth and West Tamworth are providing affordable housing while still remaining within a respected locale. The driving force behind this is the lack of vacant land in these areas.

Parts of West Tamworth are currently experiencing an increase in subdivisions that are being used for housing commission or affordable housing. While providing cheap housing it is having a negative affect on the surrounding development.

2017 is shaping up to be a good year for the Tamworth region. With several new residential, commercial and industrial developments having just started or given approval there is a strong sense of confidence in the market after having come off the back of a strong performing 2016.

Victoria

Melbourne

Inner city suburbs such as Port Melbourne, St Kilda, South Yarra, Richmond, Carlton and Fitzroy are worth watching to see if they maintain the capital growth shown over the past few years. In particular, established apartments offering functional floor plans and superior living areas are expected to grow due to their attractiveness compared to new off the plan stock. With the continuing development of large apartment complexes outside the Melbourne CBD, these apartments are usually marketed for lower than off the plan apartments and often provide a superior product.

The Melbourne apartment market however is one that should be treated with caution as the threat of oversupply looms large, with the RBA warning that the rush of apartments scheduled for completion in the next couple of years will constrain price growth and also impact rents. There is also the increased risk of off the plan apartments not settling upon completion.

The inner north western apartment market should be treated with caution due to the large amount of supply particularly in the suburbs of North Melbourne, West Melbourne, Travancore and Parkville. This concern may be contributing to softening values. While North Melbourne had unit capital growth of 5.2%, there was negative capital growth in unit prices in West Melbourne of -19% (Core Logic, 2017). It will be interesting to watch the performance of this submarket over the year ahead as more supply is released on to the market.

Through 2016 we saw substantial growth in property prices throughout Melbourne's south eastern corridor and the trend is expected to continue leading into 2017.

Suburbs such as Seaford and Carrum saw median house prices grow 5.8% and 8.3% respectively in 2016, with Seaford's median house price increasing an impressive 17.2% in the September 2016 quarter alone. The area is popular with younger families and retired couples especially, due to its close proximity to the Frankston rail line, Frankston Freeway and Peninsula Link whilst also being well serviced with local amenities, shopping precincts, schools and beaches. With the appeal of the region anticipated to continue, it is expected that property prices will also continue to rise well into 2017.

The adjoining suburb of Frankston North is also expected to continue its momentum into 2017. The suburb was originally one of the largest housing commission precincts in Australia and many of the original brick veneer dwellings still exist. Low median house prices and larger land sizes have made this area popular with first home buyers and even investors looking to demolish and subdivide. Whilst the suburb has struggled to shake its stigma as being a rough area, its popularity is certainly on the rise. Median house prices grew 8.8% in the September 2016 quarter and although the growth in Frankston North isn't as substantial when compared to its neighbouring suburbs, it has been steady in the past and is expected to continue into 2017.

Median House Price – Frankston North

Source: REIV

We expect there to be steady activity and growth within the outer eastern suburbs, however, it is possible that uncertainty in the market caused by international political decisions may result in activity being marginally subdued in comparison to 2016.

Residential

We expect that downsizers will continue to cash in on larger blocks as the supply of development sites reduces, particularly in areas such as Croydon, Mooroolbark and Kilsyth. Ringwood North is perhaps another suburb worth watching due to its proximity to Eastlink and Eastland shopping centre, as well as access to good schools. The suburb continues to increase in popularity among up-sizers and families.

Larger blocks with subdivisional potential in the outer eastern suburbs tend to be considerably more affordable than blocks on the outskirts of the middle eastern suburbs such as Ringwood East. Additionally homes located in the far outer eastern suburbs such as Coldstream still represent good value, especially for those not required to be close to transport links or the rail network. Croydon South is also a suburb that tends to be relatively affordable and is therefore also a suburb that is likely to experience higher than average growth this year as first home buyers rush to take advantage of the record low interest rates.

Apartments in suburbs such as Croydon and Mooroolbark tend to be relatively affordable but buyers should be cautious about the quality of finish on many of these newly constructed buildings. However, it could be argued that the majority of these apartments are built for the investor market and therefore affordability would tend to be the overriding factor rather than quality. We believe that the resale value of these apartments may be adversely impacted in the future as a result of the below standard quality of fittings and fixtures.

In Melbourne's north we should see continued good growth in suburbs such as Hadfield and Fawkner and we expect this trend to continue due to their proximity to the CBD (approximately 15 kilometres) and being serviced by two train stations. Another major reason we expect these suburbs to perform well is due to the unaffordability in suburbs in the inner north such as Brunswick, Northcote and Thornbury. Currently the median house price for Hadfield is $650,000 and for Fawkner it is $614,000.

Mernda is a suburb worth watching in 2017. Although the outer north east suburb only experienced moderate growth (6.5%) in 2016, the introduction of a railway extension from the South Morang station should result in further growth.

In 2016 we saw a large increase in demand for properties in Sunshine, 11 kilometres west of Melbourne's CBD. The median house price grew $172,000 or 25.5% to $847,500 from the start of the year to December 2016. It will be interesting to watch if this price growth spills over into surrounding suburbs such as Sunshine North over the next 12 months. With a median house price in Sunshine North of $654,500 and $613,250 in Ardeer (Core Logic, February 2017) these price points are well below that of the hotspot of Sunshine and it will be worth observing if this gap closes during 2017.

Further west, the new Caroline Springs V-Line train station and line duplication between Melton and Deerpark is opening in February 2017. Serving Caroline Springs as well as the adjoining suburbs of Burnside, Plumpton, Taylors and Hillside, this is a major infrastructure boost to this western growth corridor of Melbourne and is highly anticipated. It is expected to be used by 1,500 people per day rising to 4,800 per day in 2020 (PTV, 2016).

The outer western suburbs such as Wyndham Vale, Werribee, Tarneit and Truganina still provide affordable entry in to the current property market.

The median sale price in December 2016 for Wyndham Vale was $416,000, Werribee was $455,000, Tarneit was $530,000 and Truganina was $478,000 (Core Logic, 2017). Development is occurring at a rapid pace in this area and there are many large estates at various stages of construction. The population of Truganina is forecast to double to 40,000 by 2036 while that of Tarneit will almost triple to 89,417 in the same period (Wyndham City Council, 2017).

Gippsland

2017 will see regions of Gippsland on the move and other regions stagnate.

Sale

Discussions with local real estate agents indicate that 2017 has started off surprisingly with an increase in buyer interest and sales. The expansion of the East Sale RAAF Base is increasing confidence in the local area. Rental vacancies in 2016 were at higher than usual levels, but 2017 is showing signs of investors coming back into the market. Sale could be the surprise packet of 2017.

Traralgon/Morwell/Moe

The Latrobe Valley has come through a tough period. The forthcoming closure of Hazelwood Power Station has put some negativity in the market. Morwell seems to be the hardest hit with evidence of pricing at lower levels than 2014 and 2015, however rental returns are still at a high upwards of 8%. Traralgon new construction is still in good demand, so whilst there is come negativity, Traralgon may be a good buyer's market at the moment with some good quality affordable properties on the available.

Warragul/Drouin

The Baw Baw region continues to grow. New housing is in high demand and land prices have increased in the past six to 12 months. A lot more workers are commuting to Melbourne and agents are selling properties quickly. There is evidence of increase in values in short term periods.

Koo Wee Rup/Lang Lang/Nyora

These areas have been a real surprise packet, with fast growth and strong demand. Land prices have increased from $180,000 to $240,000 in a 12 to 18 month period. Cranbourne and Peninsula buyers are becoming more interested in these regions. Rural residential small acreage parcels in Nyora are increasing in value.

East Gippsland

Bairnsdale will see continued average sales volume and demand ahead. For Paynesville, 2015 was a good year, 2016 an average year and average volume is expected in the year ahead. Lakes Entrance is showing better than five year average sales volume ahead. Overall East Gippsland has average to better than average sales volume.

Phillip Island

Phillip Island and the Bass Coast has seen relatively stagnant prices over the previous few years. Predictions for price level growth in this area are regarded as positive with minor price growth over the past six to 12 months. New housing coming on to the market in 2017 on Phillip Island, mostly around Cowes, may limit price growth as supply is seen to be keeping up with demand.

Recent press and news stories describing the Bass Coast and Phillip Island as affordable beach side living in comparison to other traditional destinations for Melbourne holidaymakers may result in increased demand and could have a positive impact on price growth.

An increase in interest rates is the most concerning factor with a large number of holiday homes and holiday rentals in this locality. Demand for a second residence or holiday home may decrease if the cost of borrowing increases.

Echuca

Land sales in Echuca Moama were strong throughout 2016 and this is likely to continue in 2017 amid tight supply for existing housing stocks. Most agents continue to report strong demand for top end properties with numerous off market transactions occurring and several very strong sales, particularly well presented high quality holdings on the north side of the river.

It will be interesting to see how new land products coming onto the market will be received, particularly to the west of Echuca and further development in Moama. Notably there appears to be less premium for larger style blocks with strong sales over $500,000 being achieved for standard residential lots in the more sought after high residential developments.

Ballarat

There has been a strong start to 2017 with agents reporting minimal downtime for the Ballarat residential market during the Christmas and New Year period. The market is expected to perform well in 2017 with continuing population growth in the region.

It is expected that the upper echelons of the market will continue to perform well with demand continuing to exceed supply for good quality properties.

Period style housing in this market continues to be highly sought after. Areas in particular that will perform well in this sector are Lake Wendouree, Newington, Ballarat Central, Buninyong and lifestyle properties.

The lower end of the market is expected to remain static with little growth. Rental markets in these lower sectors are likely to continue to perform well with good returns.

Values in Delacombe and Winter Valley are expected be static for the foreseeable future with an over supply of vacant land coming to the market and numerous new estates.

Ballarat East and Redan have potential to show growth through gentrification in the lower end of the market. These suburbs show growth potential with high volumes of period style housing currently at affordable levels. They also benefit from proximity to services and the city centre.

Overall, the Ballarat residential market is expected to perform well and in line with 2016 trends.

Horsham

The Horsham residential market certainly has room for improvement in 2017 coming off a sluggish 2016, however, above average harvest yields produced this season may instil some confidence back into the region and the property market.

Despite the better rural season, the market is expected to remain slow at the top end with a limited buyer pool in this price range. We hope to see an increase in the volume of sales within the owner-occupier market ($300,000 to $400,000). Local agents are already reporting an increased buyer interest this year in comparison to the same period last year, however we expect prices to remain relatively stable within this price bracket. Unit prices are likely to remain stable with interest from both investors and people looking to downsize. The rural residential market will again be closely watched with a low volume of sales and high volatility expected.

Mildura

The Mildura economy has picked up in the past few years, largely attributed to stronger returns being experienced by our local farming sector. Producers of table grapes, citrus and almonds in particular have reinvested their profits by expanding their farms and upgrading machinery. This investment has filtered through the wider economy.

The improved conditions have contributed to the housing market in Mildura continuing to tick along steadily. While capital gains have been modest over the past one to two years, there has been some growth evident, particularly for family homes in the $300,000 to $550,000 segment.

We expect that 2017 will see a continuation of this trend. Buyers are a mix of people moving to Mildura for either employment or retirement and locals looking to upgrade to more substantial homes. Buyers in this segment are looking for 3- or 4-bedroom, modern homes in better locations. The presence of well designed outdoor living areas remains on the top of buyers' wish lists.

Meanwhile, the most noticeable increase in value has been for vacant land. The cost of completing land subdivisions has increased in recent years, however developers have managed to recoup these cost rises through a combination of smaller lot sizes and higher sale prices. $100,000 is becoming the norm for a

700 square metre serviced lot in Mildura and larger, rural residential lots in preferred areas are now selling for over $150,000.

Values in outlying towns generally track below Mildura, with the exception of Irymple and Gol Gol. These two satellite towns are within 8 kilometres of Mildura, have good amenities and are popular with families. There are a number of residential subdivisions currently under way in these two towns which are expected to satisfy demand for new housing in these areas in the short term.

Rents have risen modestly during the past year or so and it appears that the rental market is relatively evenly balanced at the moment. We expect this situation to continue throughout 2017 as a result of the relatively large number of rental homes constructed in recent years.

Warrnambool

Warrnambool has had little growth in the median house price over the past six year period. The oversupply of vacant residential land within Warrnambool is believed to be haltering the growth and we can expect much the same for the coming year.

Similar to 2016 it's expected that Central Warrnambool will remain the strongest performer in 2017, with high levels of demand and limited supply, driving the increase in capital and shortening of days on the market.

North Warrnambool and Dennington are expected to remain the affordable pockets and are suited to first home buyers and families. Alternatively areas comprising 1950 to 1980 built dwellings, such as Merrivale and West Warrnambool, should be treated with caution, inspite of relatively good rental returns.

Prestige real estate exceeding $750,000 is expected to continue to hold its value in 2017. Extended marketing periods generally apply in this sector, which is due to limited buyers. Agents however, report realistically priced properties are generating satisfactory interest and in some cases sell in relatively short time frames.

Queensland

Brisbane

Brisbane property has been a bit of a heartbreaker over the past few years, offering so much promise, but failing to live up to the hype – and anyone hoping 2017 would prove to be "The Year of the Brissie" will probably be disappointed again.

The hoodoo continues to be employment-fuelled interstate migration and, truth be told, we can't see anything on the economic horizon to suggest southern buyers will start heading here in droves.

That's not to say we should be ignored – on the contrary, Brisbane is one of the country's most forgiving capital city markets. There are very few disappointed long-term buyers in our sunshine-state's big city, provided they stuck with the fundamentals and bought the right property in the right position at the right price. With this historic performance as a foundation, there are opportunities to get into Brisbane and hold tight that will leave you feeling very satisfied with your decision come a market cycle or two.

Inner-city property continues to be our strongest performer. Agents report a reasonable start to the year and if you're hoping to get into some of our really cool café suburbs such as Paddington, Bulimba, or Woolloongabba, don't expect to find much under $700,000 as a low buy-in for a modest detached house. While these areas will continue to offer great potential, make sure you seek good quality property with strong tenant appeal for the best long-term results.

Middle ring addresses are experiencing some capital gains fuelled by the affordability wave, and steady growth over 2017 is likely in locations such as Kedron and Wavell Heights. You're still in the $600,000-plus price points in order to buy something decent, but as long as the land size and position are appealing, then there's solid real estate to be had.

One of the surprise performers over the past few months has been fringe suburbs. There is a continued shift towards house-and-land packages – particularly from investors scared off by the threat of a looming unit oversupply. While no-one is calling a boom for this once very sleepy sector, activity has been strong. Our team are also noting gains in the western corridor towards the Ipswich region as facilities and infrastructure continue to attract business and residents. Some of the bigger estates in this patch are seeing 30 to 40 land sales per month – and most developers would call this a roaring success.

Prestige property has seen a bit more media attention of late too. In many ways, this sector operated outside the constraints impacting other price points due to many high-end buyers being cashed up and immune from interest rate variations. When the right buyer meets the perfect property, record prices can result. We will probably see a few more of these benchmark sales occur in 2017.

At the risk of saying "more of the same from 2016 into 2017"… it really is more of the same from 2016 into 2017. There is one area where we'll vary our opinion from previous years.

Herron Todd White Brisbane has always been keen on well located second hand units as a strategy for those trying to get a foot on the market. They usually offer an affordable option in a great location, and while capital gains aren't always mind blowing, good tenant demand ensures you can continue to service the mortgage without too much stress. There is, however, a very real oversupply risk looming for investor units in our city as new stock struggles to find demand. This is having a negative flow on to our traditionally solid second-hand unit market. If you buy investor-grade unit stock in particular – new or old – please tread with caution in 2017.

Despite these modest predictions, we still say, "Come on up you Sydneysiders and give Brisbane a go!" because we could use the help.

Oh, and by the way – the old excuse that summer is too hot here in Queensland just doesn't hold up any longer. While we've been complaining about temperatures hitting the low 30 degrees, most other capital cities have been touching into the 40 degrees this summer, so you might as well head north for our more temperate climate and successful football team.

Toowoomba

2017 looms as an interesting year for the Toowoomba market. 2016 saw a slowing level of sales activity and some value stabilisation following the boom period from 2014 into mid 2015.

Toowoomba is currently a hub for major infrastructure projects including the Toowoomba Second Range Crossing road construction, potential expansion of the Stage Two Acland Coal Project and the imminent completion of QIC's Grand Central Shopping Centre extension.

In terms of the residential housing market, it is expected that values may remain relatively stable throughout 2017 despite these projects.

The rental market is in a balanced situation with vacancy rates of around 3% keeping investors interested in the region, albeit at a lower level than in 2013 to 2015.

Key development areas include the suburbs of Glenvale, Cotswold Hills, Torrington, Kleinton, Highfields and Westbrook with a mix of owner occupier and investor orientated estates under development or planned.

Smaller lots than the traditional 600 square metre to 1,000 square metre parcels are being developed with limited sales evidence to date available to provide an indication of market acceptance for these smaller lots.

There is a concentration of small lots, units and duplex buildings in Glenvale which could result in an oversupply of product in the short to medium term.

Further west of Toowoomba, the towns of Chinchilla, Miles and Roma which all went through a significant growth phase during the coal seam gas infrastructure boom between 2011 and 2014 have suffered from the withdrawal of workers. The flow on effect has resulted in the oversupply of units, duplexes and 4-bedroom houses and limited associated rental demand.

Increased mortgagee in possession sales activity has been noted with value regressions in excess of 50% over the past three to four years in some instances. On a positive note, values in these towns are returning to more sustainable levels that are reflective of their rural based economies.

Gold Coast

The outlook for 2017 is very positive with the majority of agents reporting a great start to the year with limited good quality stock listed for sale. The new estates in the growth corridor to the northern and north-western end of the Gold Coast continue to release land and increase prices and there is more talk in northern New South Wales of the larger estates coming to the market this year. So let's take a look at the different predictions by locality:

Northern Gold Coast

Overall, excluding external economic factors that could negatively affect property values, 2017 is predicted to track much the same as 2016 for the northern Gold Coast and Southern Logan property markets. Strong infrastructure investments including the recent upgrade of Exit 54 and the scheduled commencement of construction of Westfield's Coomera Shopping Centre should ensure that demand from both investors and owner occupiers remains strong.

With the abovementioned infrastructure in the suburb of Coomera, naturally Coomera would be a suburb that could be worth watching throughout the year. Property types vary from semi-modern 2-bedroom units starting in the mid $200,000s to prestige canal front dwellings achieving prices up to $1.8 million. Coomera Waters is the premier estate in this suburb and is favoured by owner occupiers. Rental demand is likely to remain steady to strong with the construction workforce required to complete the impending shopping centre likely to look for accommodation nearby. Additionally, the adjoining suburb of Pimpama is likely to experience a flow on effect.

Pimpama is largely dominated by investment stock, with many new estates either under construction or nearing completion in 2016. With such large quantities of rental properties coming on to the market there is a chance of an oversupply if the new stock is not leased within a reasonable letting period. Unfortunately, the majority of these house and land packages are sold to investors at rates above market value, which in turn can lead to the purchaser experiencing a loss if the property has to be sold. With there being very little difference aesthetically between these investment properties, prices can drop significantly if a large number are to come on to the market at the same time.

Southern Logan experienced a large increase in investor activity in 2016, largely due to the entry level price point of properties. Again, providing the economy continues to tick along at a reasonable pace, this investor interest is likely to continue. A single unit dwelling priced in the high $200,000s is always going to look appealing to a Sydney investor where the average house price is over $1 million. Additionally, Southern Logan is starting to gain traction with owner occupiers who have been priced out of suburbs closer to Brisbane, which is likely to continue throughout 2017 as Brisbane property prices continue to perform well.

North-West Gold Coast & Southern Logan

The north-west Gold Coast and southern Logan area is one of the largest growth areas within south-east Queensland with a number of satellite cities now gaining momentum and newer residential estates moving in to a more mature phase with established infrastructure, schools and local amenities.

The growth area of Upper Coomera continues to be underpinned by the investment and interstate market with these buyers accounting for the majority of vacant lot purchases and house and land sales. This market saw vacant land prices increase during the second half of 2016, with larger lots coming on to the market, which hadn't been offered in this area for some time. Over the coming year, this market should be treated with caution as these prices may be reaching their peak.

The Government increased the First Home Buyer's Grant to $20,000 during the latter part of 2016 which encouraged more construction activity, however with price levels increasing in this area, it is becoming extremely difficult for first home owners to purchase or build new product and are we are seeing these buyers moving further west to the satellite cities of Yarrabilba and Flagstone at Jimboomba.

Second hand product in the M1 growth corridor remains strong. Although sales and pricing is not growing as rapidly as the new product market, we believe this market will remain stable over the coming year.

The Beenleigh and Edens Landing locality has seen an exponential growth in sales volume over the past six months specifically. Prices have increased steadily as the majority of purchasers are local owner occupiers or savvy investors who are aware of the market.

Agents in this market are expressing concern about the lack of supply in the Windaroo and Mount Warren Park locality, which will drive sales to record prices in the coming months. We may also see patches of this area redeveloped to respond to the demand.

The western growth estates of Yarrabilba and Jimboomba are continuing to develop land and register lots at large volumes. The on-site agents at Yarrabilba were reporting up to 50 lot sales per month and they see this not falling off this year. Again, this will become price sensitive as the estate matures and purchasers have a choice between the options of buy and build or buy established.

Rental vacancies in Yarrabilba are high as tenants get to the end of a lease term and move to a new house for the same or cheaper rent. Owners are being forced to reduce rents but even then it is difficult to secure a long term tenant. We see this becoming an issue particularly with the investment market within the estate.

The Flagstone estate at Jimboomba has had a period of activity and facilities coming on board this year include the medical centre and major sports field. There is extensive work being carried out on the bridge which is due for completion in the coming months. The future passenger railway line will generate increased demand over the next couple of years as the commute to the Brisbane region is easier and this will underpin demand.

Gold Coast West
It is expected that prices will remain steady for at least the first half of 2017 primarily due to low interest rates and limited stock levels. Agents continue to report low levels of available stock and vendors being unsure when to list their property as they try to pick the top of the market. Due to strong demand, the $450,000 to $650,000 dwelling market in Carrara, Nerang, Oxenford, Pacific Pines and Maudsland will be worth watching to see if prices increase albeit mildly. Equally the $300,000 to $450,000 townhouse, villa and duplex market in Oxenford, Pacific Pines and Maudsland is expected to remain strong.

Carrara and Nerang are generating interest due to infrastructure being constructed for the Commonwealth Games. The suburbs of Oxenford, Pacific Pines and Maudsland continue to benefit from additional and improved roads and commercial development adding greater convenience and amenity for residents.

The rural residential markets in and around Tamborine and Beaudesert continue to experience steady rates of sale although prices have not increased greatly. Lifestyle and additional employment opportunities in and around these areas continue to underpin demand.

Older pockets of Nerang and Highland Park remain comparatively affordable due to perceived social stigma and proximity to train lines and the M1 motorway.

As always the higher price point dwelling and rural residential properties over $850,000 that saw sharp rises over the previous one to two years ought to tracked to ensure that value levels are sustained. Land values should also be tracked.

Discussions with agents reveal that stock levels will be the main issue for 2017. It is expected however that values and confidence will remain steady provided no significant fluctuations in interest rates or unemployment occur. Growth as witnessed in 2015 and 2016 is not expected.

Southern Gold Coast/Tweed Shire
Overall, it is predicted that the residential property market for the Southern Gold Coast and Tweed areas will continue to improve slightly throughout 2017. At present, it is quite common for a property to be sold within its first three weeks on the market and more often than not, properties are attracting multiple offers from multiple parties within this timeframe. This shows demand is currently outweighing supply which in turn is pushing values upwards. Prices and values have been on an upward spiral since 2012 and this looks set to continue unless demand steadies and the supply of properties to the market increases.

Housing in affordable locations such as Murwillumbah and Elanora have seen dramatic increases within the past six months and are showing no signs of levelling any time soon. Entry level housing in Murwillumbah has increased from approximately $300,000 to around $325,000 to $340,000 within the past six to nine months. Elanora has also seen an increase in entry level housing from $475,000 to $550,000 since the beginning of 2016.

Palm Beach has been a strong performer for the past three to four years and also looks to continue to improve with a number of new residential developments planned along with new restaurants, cafes and bars to be opened in 2017. An entry level house in Palm Beach is now mid $600,000, whereas the same style of product could have been purchased for mid $400,000 at the bottom of the market in 2011 and 2012 showing an increase of possibly up to or around 150%. This market continues to perform strongly and there are no signs of it easing off. If anything 2017 has started stronger than the last six months of 2016.

Other than new residential developments coming on line, there is not a great deal of infrastructure planned for the southern Gold Coast, however there is talk that the plans to extend light rail to the airport are being brought forward which will more than likely have short term negative effects with roadworks, road closures and resumptions, however long term it will benefit and complement the area by connecting the airport and central and northern areas of the Gold Coast with a lot more ease than available at present.

Sunshine Coast

The Sunshine Coast property market finished 2016 pretty well with sale volumes for the year being strong and in some areas exceeding our expectation of the growth in values. Growth within the residential property market on the Sunshine Coast is expected to continue this year with a number of factors likely to fuel demand for housing.

Dwelling sales within the coastal corridor between Maroochydore and Caloundra, particularly the sub $700,000 price range, are expected to continue with increased demand as a result of the much anticipated opening of the Sunshine Coast University Hospital. The opening is expected to continue to improve market sentiment, particularly along the southern coastal strip between Maroochydore and Caloundra. This is also expected to have a major impact on the rental market within these areas.

Stocklands Aura development, located to the south of Caloundra, is continuing to generate interest from both owner occupiers and investors. In addition preliminary earthworks have recently commenced at Palmview which will provide the Sunshine Coast with another large scale residential land subdivision within relatively close proximity of the new hospital and the centres of Caloundra and Maroochydore.

Preliminary earthworks have also commenced at Oceanside which is the only significant undeveloped greenfield site remaining between Maroochydore and Caloundra. Once completed this development will comprise a mix of single unit dwellings, medium density residential units and a small retail and restaurant precinct.

Construction within the Maroochydore CBD has commenced and once completed will provide a business and entertainment hub for residents and tourists alike. The expansion of the Sunshine Coast airport and runway extension has had federal government funding approved with the private partnership yet to be announced. Once completed independent assessments value the economic benefit of the upgrade at $4.1 billion in the 20 years after it opens.

The northern coastal areas of the Sunshine Coast and the prestige markets in the Noosa area are expected to continue to see some growth throughout 2017. The strong markets and confidence of Sydney and Melbourne and more locally Brisbane areas are having a direct positive impact in the area. The lack of vacant land and new subdivisions are also helping to underpin these areas.

Units are predicted to lag behind the housing market throughout 2017, however stock levels of all types of property are expected to remain relatively low which will place upward pressure on prices in some areas.

The majority of residential development particularly in the new larger estates is primarily targeted towards the entry level market with residential lots getting smaller to improve affordability.

2016 also saw a large increase in investor product in new estates, particularly the introduction of dual key dwellings comprising an attached 1- or 2- bedroom unit. The resale market for this type of product is still relatively untested with limited sales through local agents occurring in 2016. A significant portion of new house and land packages within these estates has also been marketed and sold to investors, both local and interstate. The main concern in future is the balance between the number of owner occupiers and investors. Also the APRA policy to curb investment lending will continue to have an effect on the Sunshine Coast market.

On the back of a strong 2016 and the continued momentum being created by the number of infrastructure projects, 2017 is expected to be another good year for the Sunshine Coast.

Bundaberg

The residential market for both houses and units has remained flat with a slight reduction in values over the past 12 months with overall confidence being subdued. Sales data indicates a contraction in the number of sales making it a buyer's market at present. The rental vacancy rate has reduced from 6.3% to 4.5%. The Bundaberg economy has had a $10 million injection with the Bundaberg Sports and Community Centre and the Rubyanna Wastewater Treatment Plant being built.

The Knauf Plasterboard manufacturing plant at the port is still under construction. As these developments progress, confidence in the market should lift throughout 2017.

This year with confidence improving, we believe that we are in for some positive movement in values after a number of relatively flat years.

Gladstone

There has been much debate over the past couple of months about where the Gladstone property market is sitting. It seems every man and his dog has an opinion on where the market is situated and where we are headed!

2016 definitely was a tough year for Gladstone. While the market has been declining for the past four to five years, it all seemed to come to a head in 2016.

Despite the years of negative publicity regarding the Gladstone market, the past few months have heralded many positives. We are no longer all doom and gloom and it is unlikely that values will drop any further. Yes, it appears we have hit the bottom of the market!

There have been some telling signs including significantly increased sales and leasing activity especially in the bottom end of the market (sub $200,000). Also rental levels appear to have stabilised for most market sectors.

The key driver at present is the affordability of property in the Gladstone region. Value levels are the lowest they have been in over a decade. We are seeing more and more transactions that represent very good value for money. Most established housing products are worth below replacement cost which has definitely been a factor in the increased activity. While this is good news for the established housing sector, the trend in new construction activity is still declining as in most cases it is cheaper to purchase an existing modern home than it is to buy land and build.

While we expect that over the course of 2017 the market will stabilise for established housing, there are concerns that the unit market may take a little longer. The market for suburban townhouses and inner city apartments is still considered volatile given the significant supply built in the past ten years.

2016 was also a tough year for the local economy and the employment markets. All construction on the Curtis Island LNG plants ceased. Major employers in the region also made significant redundancies. Local small businesses were not immune either with many longstanding businesses closing up shop in 2016.

While we may be at the bottom of the market, it is likely to take a while for us to see any uplift in values. The Gladstone region vacancy rate still sits at approximately 8% indicating there is still an oversupply of product. The vacancy rate is slowly dropping however until it is at least halved, there is unlikely to be any pressure put on the rental market and rental levels.

Mortgagee in possession activity is also still increasing. 2016 saw a significant increase in the number of mortgage defaults in the Gladstone region. With the possibility of increasing interest rates this year from major lenders, we suspect these properties will continue to roll in during 2017.

While not everything looking forward into 2017 is positive, we can at least say we are finally on the track to a healthier property market in Gladstone. We hope that come the end of 2017 our predictions were not too far off!

Emerald

The Central Highlands region is starting to look a lot more positive off the back of rising coal prices and increased employment opportunities in the region. Moranbah is leading the charge with a jump in value up to 20% over the past three months for some market segments. Clermont is coming second and Emerald in third place where we have seen a jump of $20,000 in some segments and movement in some price ranges where there was no activity. While coal prices stay up or continue to rise history shows it drives employment and values begin to firm. It may surprise some but it's been five years since the downturn started. In 2016 we saw values level. 2017 has started off with level to firming values, renewed confidence and employment opportunities. All this is taking place and the Adani project has not commenced construction yet. If the Adani project starts on top of what is already a strengthening mining sector then we may see a significant spike in values. How far values will rise all depends on the strength of local employment generated from the resource sector, but for now it appears we are on the upward property cycle. Many say we will never again see the prices experienced in the last boom which peaked in 2011 and 2012 and proved to be unsustainable. Are we at the start of a small upward cycle or a big boom? Only time will tell as our market is very sensitive to the coal market which drives our employment.

Rockhampton

2017 brings with it a more positive outlook than has been evident over recent years. This may see the bottom of the property cycle realised in Rockhampton and region.

We consider this is largely due to the recent improvement of the mining industry, driven by recent announcements by Adani Coal, increased commodity prices and improved perception of job security across associated service industries.

This positivity on top of what are (comparatively) affordable housing prices and low interest rates is hoped to generate some activity in our local markets and stabilise value levels.

The last quarter of 2016 also saw a tightening of rental vacancy rates in Rockhampton. Should this reduced rate become a trend or even merely stabilise at this lower point (around 4.5%, down from around 6.5%), it will enhance the investor sector of the market (sub $250,000).

For these reasons, we would expect the lower end of the market to be the sector to watch. Generally it is this sector that needs to stabilise first before a market recovery can be anticipated.

Sectors which may warrant more caution during 2017 will continue to be modern housing estates wholly marketed to non-local investors as house and land package deals. In recent years, we have seen land in this type of estate marketed and sold with inflated land contracts. As the region's attractiveness to investors improves, so too will the number of sales with these inflated land prices in selected areas.

Rockhampton's riverfront continues to evolve, with another unit complex in the early stages of construction now.

The Gallery Stage 1 (of two stages) is to provide thirty 2- and 3-bedroom apartments plus a ground floor restaurant. Approximately 40% of the units in Stage 1 are currently under contract.

Another riverfront complex, Skyview has also recently been introduced to the market, offering a boutique development of thirteen 2- and 3-bedroom apartments with river views. Prices range from $449,000 to $799,000.

Mackay

I hope all the avid Mackay followers had a fantastic Christmas and new year and now look toward the year ahead. I have to admit, the last few years I have dreaded writing the year ahead predictions, but this year I have a renewed sense of optimism that the worst may be behind us and that the Mackay residential market will stabilise. We saw an increase in sales volumes throughout the back end of 2016, rental vacancies fell throughout the year and a general sense of optimism returned to the Mackay economy. Prices for metallurgical coal rose in late 2016, the mining sector appears to be strengthening and Adani's Carmichael Coal project is getting closer to fruition. Other projects in and around Mackay include the Mackay Ring Road Project, Eton Range Bypass and Vines Creek Bridge with construction commencing this year. Other small projects include a new fire station in Mackay city and upgrades to the Mackay showgrounds. All of these and other smaller projects will increase employment opportunities and benefit the entire Mackay economy.

In saying all this, the Mackay residential market isn't expected to show any real signs of improvement in terms of value in the first half of 2017. We think there will be a consolidation of values during this time and that sales volumes will continue to be strong in early 2017. The key to any movement in values will be buyer sentiment. There has been negative buyer sentiment in Mackay over the past few years. We have seen this sentiment start to change during the last half of 2016, leading to higher sales volumes across the residential market, albeit at value levels not seen in Mackay in over ten years. This is seen as a possible predictor that the market has reached the bottom. Only time will tell if this negative sentiment can be reversed during 2017.

Whitsunday

Happy new year to all! The Whitsunday region has everything needed for a positive year ahead.

Hamilton Island: After an extended period of adversity, the market on Hamilton Island has recently begun to improve on the back of the lower Australian dollar improving domestic and international tourism and the strong property markets in Sydney and Melbourne fuelling investment. It is expected that this market will continue to prosper over the coming year.

Airlie Beach and surround area

The past 12 months have seen an increase in international and domestic tourism which is seen as a positive for the local economy and employment. The market appears to have levelled and is stable at present on the back of the increased optimism in the tourism industry. There was success in sales at the upper end of the local market late in 2016 and it is expected that this will continue. Agents advise that vacant land sales are on the increase in new subdivisions and builders have work well into 2017. All in all it is anticipated that the property market will show nothing but positivity in the coming year.

Townsville

No bones about it, 2016 has been a tough year for Townsville as its economy hit bottom and the property market travelled sideways at best. Hopefully though, the worst is now behind us with a stronger outlook for 2017.

We are already seeing new signs of a property market turnaround, albeit largely anecdotal rather than statistical at this stage, but it will certainly be pleasing to see the market rise again above the depths of 2016. Townsville's residential property market has stabilised and with confidence now starting to improve, the market is poised for future recovery. The market right now is fragile and remains positioned at the bottom of the cycle.

Throughout 2017, the residential market is likely to continue ticking over with purchases being made by intending owner occupiers, with some signs of activity re-emerging in the investor market. We are likely to see further stabilisation in transactions with the market poised to enter a recovery phase during 2017 as confidence increases.

The housing market has seen a stabilisation in volumes and median sale price and this is likely to continue throughout 2017. The market is likely to remain suburb selective, with interest in most mid to inner suburbs, but some hesitancy in the outer areas or suburbs with perceived social issues.

The unit market is likely to remain status quo for the first part of the year at least, reflecting ongoing buyer aversion, low levels of investor activity and a lack of new units being brought to market with supply of new developer units now at a seven year low.

Like the unit market, the land market is likely to remain slow heading into 2017 with a lack of new home buyer confidence and the economics of new versus existing housing continuing to retard new home construction.

The rental market remains in an over-supply situation with the latest survey indicating an overall trending vacancy rate of 5.6%. The year ahead will hopefully bring some relief to the rental market seeing the vacancy rate return to a more balanced situation. There are a number of large commercial projects to commence construction this year within the local area and with an increasing level of business confidence and a rise in the number of jobs being advertised in the region, hopefully this will lead to stronger population growth and more job security, which should aid in reducing the number of vacancies.

Overall the year ahead should see improving market conditions, although somewhat suburb selective, as Townsville attempts to rise from the depths of 2016.

Cairns

2016 was a fairly lacklustre year for the Cairns property market, characterised by steadily declining volumes of sales and minimal growth in prices.

Even though solid fundamentals are in place with low rental vacancy rates, no obvious oversupply in any market sector and continued improvement in tourism, the Cairns property market remains hampered by a continued lack of confidence and optimism.

Plans have recently been announced by Syrian billionaire Ghassan Aboud to invest $200 million to redevelop the Rydges Tradewinds Hotel on the Cairns waterfront and to build a new 200-room hotel at the corner of Lake and Aplin Streets in the CBD. In addition, sales in the $550 million Nova City development by World Class Land, a subsidiary of Singaporean listed company Aspial, have now been launched. These developments may be the catalyst the Cairns economy and Cairns property market needs to overcome the announcement fatigue created by the numerous other projects that have not managed to get out of the ground over the past few years. If successful they will inject much needed confidence into the city.

The performance of the Cairns economy and Cairns property market in 2017 will be dependent to a large degree on the above projects commencing. If no large projects get out of the ground we envisage little change and 2017 may well be a carbon copy of 2016 with slow but consistent sale rates, tight rental vacancies and a constrained finance environment.

South Australia

Adelaide

Local agents are reporting continued low levels of stock in city fringe, locations within ten kilometres of the city and in beachside locations. Demand for quality housing in these areas seems set to continue if lower supply levels prevail. There is also continuing activity from developers within suburbs that have undergone zoning changes in recent times such as the Campbelltown and Prospect areas. The outlook for 2017 will largely hinge on any potential interest rate increases and in the northern suburbs, the upcoming closure of the Holden manufacturing plant. Recent media reports have discussed the increasing levels of consumer debt and the high levels of investor activity versus diminishing activity in the first home buyer market segment. Future interest rate decisions will further influence these levels of activity.

Segments worth watching this year are: detached housing in the suburbs of Welland, West Hindmarsh, Renown Park and Devon Park where improved infrastructure is in place; Edwardstown in the southern suburbs (eight kilometres from the CBD); Christies Beach and Seaford (beachside southern suburbs); and quality properties under $500,000 within ten kilometres of the CBD as these are increasing in scarcity.

Welland, West Hindmarsh, Renown Park and Devon Park are all situated within close proximity to solid performer suburbs such as Allenby Gardens, Croydon and West Croydon. These suburbs provide an opportunity for purchasers attempting to enter the latter suburbs but at a more affordable price point. These areas are gentrifying, have increasing levels of in-fill development occurring as well as renovations and upgrades of older, character style housing. The Torrens to Torrens project which is upgrading a large section of South Road will further improve access to these areas and increase appeal to potential purchasers.

Edwardstown is in proximity to the increasingly popular areas of Clarence Gardens and Daw Park and is currently undergoing large levels of in-fill development. Driving through this suburb at the moment, there are a number of dwellings being demolished to make way for higher density, modern housing. The suburb is well serviced and has access to a number of arterial roads, providing good vehicle access to the north and south of the city as well as the CBD.

Christies Beach and Seaford, in particular, provide more affordable opportunities than the neighbouring suburb of Port Noarlunga. The recent electrification of the Seaford railway line has further improved access to this area. The Southern Expressway also provides good access to the Adelaide CBD which will be further enhanced via the Darlington upgrade currently underway. There are increasingly improved facilities in these areas, as there is increasing development in the area, both in-fill and in the Seaford Meadows South development.

Areas such as Happy Valley and Reynella East still provide affordable detached housing under $450,000 which is comparatively affordable compared to many sections of the market.

Land release prices in suburbs such as Penfield and the Gawler area continue to increase. Buyers should be aware that there is quite a high level of stock available of housing that is less than five years old. Quite often a premium is being paid for a new product, when a similar dwelling is available in the same suburb, albeit slightly older.

There is increasing construction of apartments in the Adelaide CBD and given the relatively stagnant values in this market segment, this type of property should be treated with caution.

Adelaide is still the most affordable mainland capital city on a median house price basis. Ongoing infrastructure projects such as the Torrens to Torrens road upgrade, O-Bahn tunnel works and Darlington upgrades are providing continuing employment opportunities for the state and improved facilities for the public. Potential interest rate increases may influence the state's outlook but at this stage of the year, Adelaide residents in particular are enjoying the Tour Down Under and looking forward to Mad March. We would expect some increased activity in the market leading into February.

Tasmania

Some economic commentators are forecasting increased growth in the property market throughout the greater Hobart and Launceston regions. Hobart in particular has the tightest vacancy rates in the country, a more controlled housing supply pipeline and increased migration and tourism, and is on track to be Australia's best performing capital city property market in 2017.

Buyer's agents have reported an increased interest in the property market throughout the greater Hobart region and have observed first hand growth of 8% to 10% from January to December 2016. Some of the buyer's agents are predicting buyer activity further intensifying and forcing stronger growth throughout 2017.

The strong population growth in Tasmania has been reported to be the main driver behind the performance of the Hobart housing market.

Should the increased interstate migration and booming tourism levels continue we believe this will continue to create stronger growth throughout not only 2017 but also for the next few years.

Recent reports in the media have mentioned that due to the increase in tourism throughout the state, many investors are purchasing properties to be used for short term holiday accommodation as they are able to offer competitive accommodation rates which in some cases offer a greater return compared to long term rental accommodation.

Many local real estate agents throughout the greater Hobart region have reported a shortage of stock which is driving shorter selling periods and higher sale prices as demand continues to outweigh supply. 2017 may be the year we see an increase in properties going to auction due to many properties having multiple offers only a few days after being listed. Taking properties to auction may increase the sales price achieved as it will allow further time for interested parties to discuss their options prior to rushing in with an offer in fear of missing out had the property not been offered for auction.

Throughout the greater Hobart and Launceston regions centrally located suburbs that contain a good range of facilities, larger infrastructure such as shopping centres, educational and health institutions and public transport tend to be popular with renters and purchasers alike and are viewed as having the best capital growth potential.

Southern Region

Within the greater Hobart region the suburbs worth watching are Moonah, Glenorchy and Berriedale which are all suburbs within a 15 kilometre drive of the Hobart CBD. Within the $300,000 to $400,000 range a larger family home can be purchased in these areas consisting of 3- to 4-bedrooms and in most cases being constructed of brick veneer with lockup garages. The size of the houses within this price range would be between 140 and 240 square metres and the land size would range from 500 to 900 square metres. Kingston is another suburb worth watching throughout the year. Kingston is located on the southern outskirts of Hobart in the fast growing municipality of Kingborough. While residents of Kingston have a longer commute to the city, it is a fast growing, well-serviced suburb located between Hobart and the Huon Valley. The median sale price based on recent sales in this suburb was $388,000. For this price in Kingston you could expect to purchase an older style 160 square metre home on just under 700 square metres of land.

Northern Region

In the north of the state, Newstead is a popular suburb to keep an eye on. Newstead is an established residential suburb of Launceston located approximately three and a half kilometres from Launceston's centre and is popular with families due to its proximity to the city and its facilities.

The median sale price based on recent sales in this suburb was $325,000. For a touch above the median price at $340,000, you could expect to purchase an older style, 140 square metre house on just under 600 square metres of land.

North West Region
The Devonport region is the largest population centre in Tasmania's north west and is located approximately 100 kilometres north-west of Launceston. The median price of recent sales was $227,000, for which you could expect to buy an older style, 150 square metre house in Devonport on a block just under 800 square metres.

Northern Territory

Darwin

The residential property market in the greater Darwin region experienced a fairly difficult 2016. Nothing immediately on the horizon signals a strong 2017, however there are some early signs of recovery.

Sales volumes are starting to flow back into the market, construction levels of new apartments has eased, land supply appears to be slowing and rental and vacancy rates appear to have stabilised.

Increased sales volumes and buyer activity have been seen through the established locations of the northern suburbs and Palmerston, along with entry level inner suburban locations in the final months of 2016. With stamp duty exemptions and FHOG introduced across all property types, we would expect this to continue through the early stages of 2017.

> Infrastructure projects are what have brought about the spikes in the Darwin property market.

Conocco Philips in the mid 2000s and Inpex in the early 2010s are the two most recent. Looking forward to 2017, there isn't a new large project which is likely to kick start our market. Instead we consider that there will be a number of smaller projects from the new Territory Government, the Commonwealth Government and from private enterprise that will simmer the market along. Defence projects in Darwin and Tindal, Palmerston Hospital, large retail centres and the Darwin Port with Landbridge will be some of the drivers in the local economy that will flow through to the residential space. Jobs and employment always encourage residential investment in the Top End.

We think that Karama and Malak are shaping as two hotspots for 2017. Entry level housing in these two northern suburbs is back under $400,000. We think that this is an excellent option for first home owners or upgraders coming out of a unit. While the property will require some work, it is an affordable alternative to a brand new home in competing suburbs, and whilst we as a society have turned to the brand new, shiny and hottest new thing there is something to be admired about starting with a smaller family project and slowly building from there.

The Darwin CBD always attracts a huge amount of attention in the property media, however 2017 looks as though it will be a quiet year, certainly by comparison to the past decade. As at early February 2017 there are a limited number of cranes in the CBD, with a very small number of projects in the construction pipeline. This will continue to stabilise the rental market by not dumping further supply into a relatively soft market. For the first time in a few years it will give the CBD an opportunity to have a breather and consolidate.

Unfortunately there are no crystal balls sitting on our shelf, however we think that 2017 will be a settling year in the residential market with a smaller number of projects and lacking any great drivers for growth. With interest rates at record lows it appears a good opportunity to tidy up an existing portfolio or enter the market for the first time.

Alice Springs

After several months of uncertainty and low confidence levels in the Alice Springs residential space, it is likely that we should see further stabilisation throughout 2017. In the unit market, which has seen the most volatility, we have now had two years of price reductions that has reduced the ten year compound annual growth rate for median prices for this segment to 4.06% in the December quarter 2016 from 7.57% in the same period in December 2014, a much more sustainable level. Similarly the house segment for the December quarter indicated a ten year compound annual growth rate of 5.29% down from 6.15%, a lower drop however this segment has experienced less volatility in recent times.

Of greatest interest will be the older style, circa 1980s 2-bedroom unit segment which has been hardest hit with significant price drops of up to 30%

over 2014 and 2015 from the highs of 2010 and 2011. We have seen a few more sales in this segment (unit sales were at 158 in the year to December 2016, up from 134 in the previous period) providing some indication that some level of confidence is returning.

We note that while this segment should still be treated with caution for investors with rent levels still showing reductions, for first home buyers, price levels in some cases are at 2009 levels, showing a great opportunity to enter the market.

Western Australia

Perth

We begin 2017 with a great deal of caution as to what the year will bring. On the surface, there appears to be a lot of trepidation and a lack of consumer confidence in the local market, although this is somewhat segmented.

According to the Real Estate Institute of Western Australia, total listings on market currently sits at 14,444 properties, a slight decrease from the same time last year. Listings on market peaked in March 2016 at 15,200 and has hovered in the low 14,000s since. Traditionally, a balanced market is considered to be in the order of 12,000 listings.

The median sale price has tracked a very similar course, beginning 2017 at $520,000, being a slight decrease from the $533,000 reported at the same time last year.

The rental market begins the year with a 6.6% vacancy rate, up a full percent on the same time last year.

These statistics reflect the softening conditions experienced throughout 2016 and we consider that they are likely to continue throughout 2017.

However, there are some positives to be taken out of the current market conditions.

Firstly, the widely reported end of the mining boom is old news. It doesn't sell newspapers anymore. The market has become accustomed to bad news, hence there is no shock value left in these headlines. In November 2016, Rio Tinto announced that they were cutting more jobs in their iron division, widely reported to be up to 500 jobs. This headline caused barely a ripple to the wider market, as it has become commonplace for many firms to reduce the number of employees on their books and replace them with a contracted workforce for various financial reasons.

Secondly, the state election is due to occur on 11 March. Thankfully, this will be over and done with early in the year, removing another aspect creating uncertainty in the market. The main benefit however, is that elections bring a flurry of promises, incentives and capital works. Whilst the current state deficit is likely to lead to a more subdued round of political promises, there will still be plenty. The political campaigns are well underway, with both parties announcing capital works programs and it is likely the Federal Government will assist the incumbent Liberal party with some more cash sweeteners.

The standing Liberal government recently announced changes to the First Home Buyers Grant, whereby the grant will be restricted to new dwellings only, with a $5,000 increase for contracts entered into before 31 December 2017. Various builders and unit developers have already reported a significant increase in buyer enquiry since the announcement of changes to the grant and this is likely to kickstart a very subdued construction industry. The more important effect however is likely to be the ability for unit developers to shift more affordable inner city units that have been sitting vacant post construction. The grant does not apply to vacant land, hence developers specialising in off the plan products or spec built houses are likely to be the large winners. Given the choice of a house and land package 30 kilometres from the CBD or a 2-bedroom inner city apartment for the same price, buyers are likely to head to the city in larger numbers than usual - use the grant and buy a product that is built, ready to move into. It makes sense. The large caution that we offer to the lending industry is that incentives and rebates are likely to be rife, whether it be furniture packages, vouchers, holidays or the like. We would always prefer to see price being the incentive - it makes for a much cleaner, more transparent market place for all.

The negative effect of the grant will be the established, traditional first home owner suburbs. These areas will face stiff competition from new developers who have the ability to offer attractive incentives to first home buyers. Sellers of established properties in areas such as Clarkson in the north, Baldivis in the south and Seville Grove in the south-east are likely to struggle to attract first home buyers.

For those owners in these areas affected by the post resource boom increase in unemployment rate, unfortunately 2017 is likely to see a significant increase in mortgagee in possession activity. Reduced values through 2015 and 2016 have led to many instances of negative equity, which is likely to be exacerbated as interest rates climb in the second half of the year.

Donald Trump. This is the big unknown. Hopefully by the time the state election is out of the way, the direction of the Trump government will become clear, being either an increased demand for resource products from nervous foreign entities or a broad period of financial uncertainty. Time will tell!

Putting all of the above aside, there remains a significant portion of the population that has stable employment, have either been paying down debt or increasing savings and are in position for some bargain hunting. We are likely to see some micro bursts of activity in certain areas as these buyers scramble for quality products. Areas on the watch list include Willetton, Bull Creek and Rossmoyne in the south and Carine, Duncraig and Karrinyup in the north.

We also expect an increase in speculative developer and investor activity, reflecting the lack of a premium currently being paid for these sites. We expect an increase in activity in Cloverdale, Cannington, St James, and Queens Park in the south-east and Morley and Balga in the north.

It would also not be an unlikely scenario that the current flurry of activity in Melbourne and Sydney leads to an increased focus on the comparative affordability of Perth - it has become extremely attractive in terms of value for money, with the added attraction of its proximity to Asia.

In summary, we expect an oversupply of established housing stock sub $1 million, particularly in the outer suburbs, a significant increase in apartment and off the plan villa transactions sub $500,000 and scattered upgrade and speculative investor activity as the market attempts to pick the bottom of the cycle.

Will we hit the bottom of the cycle in 2017? Possibly, but if we do, we would expect it to be late in the year. In saying that, we do not expect a significant reduction in values overall. We consider that the worst is over, with small fluctuations likely to occur throughout the year. Our prediction would be a median sale price at the end of the year in the order of $510,000.

Is there good buying in the market place today? Absolutely, but research and local knowledge are the keys.

South West WA

Overall the residential property market in the South West of WA has weakened with reduced demand and values, however the market is quite mixed with some particularly sought after properties holding their values. The volume of sales generally remains reasonable with adequate stock movement in most localities.

The top end of the market continues to be soft with an overall weak demand. The exception is that there does seem to be reasonable demand for well-located properties that present to a high standard. The rural residential market is also continuing to slow with the majority of sales being below $1 million. This market is experiencing extended selling periods.

Rents have fallen but are starting to stabilise while building activity has weakened.

The slow down in the state resource sector, continued weakness in the Perth property market and general uncertainty of the WA economy has promoted a downturn throughout the South West WA real estate market. The extent of the downturn ranges from mild to moderate depending on the location and property type.

As always is it difficult to predict future market conditions however we expect the year ahead could be more of the same or that the market may bottom out and stabilise.

There are no significant drivers to suggest values will increase and there is limited demand from international buyers to spur the market as has been seen in some other parts of Australia.

The WA State Government has increased the first home owner's grant from $10,000 to $15,000 for 2017. This is viewed as maybe having a stabilising effect but unfortunately the increase is unlikely to be high enough to overcome the negative factors influencing property values, for example the State's high unemployment.

We would recommend caution as some market segments are in decline and it remains unclear if the market has bottomed out.

Esperance

Before looking at the crystal ball for the year ahead, a quick recap on the year just passed may assist in providing some indications for the months to come.

After a reasonably subdued start to 2016, market activity did improve towards the middle of the year and then tapered off for a very quiet close. Sales over a variety of value ranges were noted, particularly above $1 million which saw sales for the first time in a couple of years. Values over all price ranges and property types in the broader Esperance townsite have remained reasonably consistent however selling periods have lengthened compared to previous years.

Vacant land sales remained stable with supply slowly diminishing. Values have remained consistent with the preceding year and shown some minor improvement in the localities now seeing a shortage in supply.

So, to the year ahead. At the risk of sounding like a broken record, much of the same is the prediction for 2017. A number of properties over all price ranges and property types are available for sale however demand is also relatively stable within all markets and sales are occurring, albeit at a slower pace with a reasonable consistency in values. As with all areas, accurately priced property is attracting sound demand and typical selling periods are still less than six months.

The market prediction for the smaller centres in the broader Esperance region are more difficult to gauge. Hopetoun, 200 kilometres west of Esperance, has seen a substantial decline in values over the past five years with a combination of excessive oversupply of land, very low sales volumes and uncertainty of employment in the region all contributing factors. The land is slowly beginning to be absorbed and improved residential values at present appear to have stabilised within a typical range of between $220,000 and $320,000. Sales volumes are still very low and there is a large amount of property available on the market. It is likely if sales volumes do not improve there may still be some downward correction to come as vendors who have had property listed for an extended period become more anxious to quit this market.

The small mining town of Norseman, 200 kilometres north of Esperance, has had an interesting 2016 and will likely have an interesting 2017. Norseman Gold mine, the main employer in the town, went into a care and maintenance program in June 2014 with most staff laid off and the town largely emptied. This is on the back of massively declining values since 2012 due largely to uncertainty over the future of the mine.

Since July 2014 however, the volume of sales in Norseman has been particularly strong, especially noting the overall size of the market. Values are very low with a 4-bedroom home in a generally good condition likely to sell for less than $50,000 and typical sales for older homes in varying conditions ranging between $20,000 and $40,000. It has been suggested Norseman provided the most affordable housing in the country and this could well be correct and be a reason that sales volumes are improving. As to whether any capital growth may occur, it is unlikely until the local economy can stabilise with either the current mine re-opening or new publicised mining ventures in the region gaining some momentum.

Rural

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Overview

Welcome to the first 2017 edition of the national rural market outlook.

We hope all our clients and readers have enjoyed a safe and happy festive season and are looking forward to what 2017 brings.

The photo beside was taken recently flying out of Dubbo and while the scale makes it a little hard to see, the dots in the middle of the picture look like little gold pieces on a carpet. They are in fact the reflection of the western sun setting on many now full dams in the region which is really like gold to primary producers. We often talk about the sentiment of the market and the simple reality is that the weather and timing of when it arrives really do drive the market and for many regions we have seen now three or four good to very good years in a row, (think WA grain for example). The impact these consecutive seasons have to the family balance sheet and therefore sentiment and confidence cannot be under estimated and while the dams in many places are full following the winter and spring rain of last year, we are reminded again with the recent hot weather, areas missing out on storm rain and as yet no large scale seasonal break in Queensland, that things can turn quickly.

So what does the next 12 months have in store?
Well for many the answer and our review of the 2016 and look into 2017 will be covered in our annual market updates in Melbourne and Brisbane the first week of March. The Melbourne event is closed, however there are seats available for the Brisbane event and if you are interested in attending please contact Elyce Bensilum at elyce.bensilum@htw.com.au or phone 07 3319 4401 where you can purchase tickets to the event at 6:45 AM on Friday, 3 March at the Royal Inn on the Park, Brisbane.

Some of our team have had and are still on a break so the submissions this month are a bit light on but this will build in February.

Contact
Tim Lane, National Director – Rural
Ph 07 3319 4400

South West Victoria

The level of confidence is always the key to the rural property market. In general terms the farming sector in south west Victoria apart from dairying commences the new year in positive terms coming off the back of a good last half of 2016.

We predict continued strong investment in agriculture through 2017, with influencing factors including the following:

- no indication of an easing of the record market prices for beef and prime lamb.
- there is abundant feed in the paddocks and reserves of hay have been replenished.
- interest rates to borrow from banks remain cheap.
- limited stock of good property being put to the open market for sale.
- for large scale grazing holdings domestic purchasers beating off foreign purchasers.
- Government policy is favourable to the rural industry.

The values for rural property are predicted to peak in late 2017.

With specific reference to the dairying sector, there is a small glimmer of hope in the wider dairying industry which should show the start of recovery with current levels unlikely to change through 2017.

Contact
Angus Shaw - ph: 03 5332 7181

Gippsland

The rural market has been stable over the previous few years, however there have been some recent sales in the Bass area which indicate that there may be an increased interest in the rural small holding market for properties in the ten hectare to 80 hectare range.

Western Gippsland has seen increased interest in rural small holding lots with the completion of the Pakenham racecourse appearing to increase demand for horse blocks or grazing properties. The forecast closure of metropolitan racecourses may also increase demand for these lots.

Overall the rural market in western and southern Gippsland region is seen as stable with the potential for price growth over the next 12 months.

Contact
Kirk Dalziell - ph: 03 5143 1880

Echuca

Strong seasonal conditions undoubtedly drove demand through the tail end of 2016 and this is likely to drive demand into 2017 particularly in the cropping sector which achieved significantly above average yields across most district (notwithstanding below average pricing). One of the quiet performers has also been most classes of water which continues to recover in price notwithstanding a falling allocation market. This has seen general security water surge to $1,275 per megalitre (including allocation) according to some local agents while Victorian Goulburn water seems to be hovering around the $2,600 to $2,750 per megalitre mark.

Contact
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Mildura

Confidence levels in the local rural sector have strengthened considerably during the past two years and we expect this improved confidence to continue to be reflected in both a higher number of property transactions and higher values. What is remarkable is that this confidence has spread to almost all of the rural industries found in our region.

A lower Australian dollar, improved export access to some key Asian markets, low interest rates and generally good seasonal conditions have seen growers of table grapes, citrus and almonds generate strong cashflows in successive years.

Wine grape growers, after enduring terrible commodity prices for a decade, are expecting prices to improve by around $50 per tonne in the current harvest and are hoping that this will be the start of a steady increase over the next few years.

With respect to our local horticultural industries, it needs to be remembered that the current stronger conditions follow the very difficult conditions experienced between 2007 and 2013. Property values fell considerably during this period, and the initial improvement was a bit of a catch up.

Dryland farmers have just harvested a near record crop. While grain prices have been dismal, many growers benefited from stronger prices for canola and pulse crops which has helped improve their average per hectare returns.

Graziers in the far west of NSW have continued to benefit from very strong meat and wool prices, with agents reporting strong demand being shown for any grazing properties listed for sale. The current strong returns are however contributing to a very tight supply of grazing properties being listed for sale.

In the last half of 2016, there were three sales of substantial table grape enterprises, with the buyers being two separate international investment funds and a recently listed Australian agribusiness company. Analysis of these sales indicates that table grape vineyard values have risen by over 25% during the past two to three years.

There has also been significant sales activity in smaller family farm sized table grape vineyards, with buyers being mostly existing growers seeking to expand. Interestingly though, a number of buyers of these smaller vineyards have been fruit exporters, motivated by a desire for vertical integration. It will be interesting to see whether this trend continues or these non traditional buyers pull back, wary of also assuming the production risk.

Contact
Shane Noonan - ph: 03 5021 0455

Southern Queensland

Well Christmas has come and gone for another year and now it is back to the grindstone.

Unfortunately the anticipated break in the season that everyone was hoping for over the Christmas period is yet to eventuate. Whilst there is still some time for the break to occur prior to the end of summer, the rural sector in general is becoming more and more anxious by the day. This anxiety has been heightened by the ongoing heat wave effects that are currently being felt across southern Queensland, impacting across all facets of the rural sector. Those lucky enough to have been able to plant a summer crop on good subsoil moisture will be able to hang on for a bit yet, however many crops planted on marginal moisture are perhaps already past the point of no return.

We have had the opportunity to make a few calls to clients in order to ascertain how their 2016 winter crops went. Whilst the end result was generally positive, the season did fall away towards the end. Feedback provided indicates that the harvest went as smoothly as could be expected and that wheat in general yielded upwards of 2.5 tonnes per hectare. Chick peas however were somewhat disappointing only yielding up to half of the wheat returns. Grain producers at present are very short on subsoil moisture so the likelihood of a late sorghum or an early winter crop is remote at best. That however can change in the space of a couple of weeks.

The cattle market continues to be the one bright spot on the horizon and although it has settled down somewhat, it is still very high by historical standards. The EYCI is currently back about 10% from the peaks of 725 cents per kilogram in August 2016 and all indications are that it should remain strong for some time yet. This retraction was necessary and if it were to fall a bit further over the course of the next couple of months, it would not necessarily be a bad thing as the peaks were not sustainable.

In summary the above is a very basic snapshot of the issues facing the rural sector at present and unfortunately it paints a very sobering picture. Widespread rain is required across much of south-eastern Australia now otherwise some tough decisions may have to be made all round.

So where does that leave the rural property market? In previous Months in Review we have talked about a growing confidence within the sector. No doubt that confidence is still evident, however at this time of the year we normally expect to see agents sending out a good cross section of date claimers of forthcoming sales and auctions. This year we are yet to see this and it may be that we will not until the season breaks. We do however expect to see continued confidence in the industry over the medium term.

Let's hope we see that break before too long as we would much rather write in a more positive tone. Happy new year everyone and here's to a successful and prosperous 2017.

Contact
Doug Knight or Stephen Cameron Ph: 07 4639 7600

Central Queensland

There was a relatively large number of cane farm sales in 2016 due to improved market sentiment caused by higher sugar prices. Values remained generally firm. Prospects for value growth through 2017 appeared likely up until milling reliability prevented the 2016-17 crop from being fully harvested. It has been reported that approximately $20 million of crop has been left to stand over after one of the longest crushing seasons in history.

Growers who had hoped to expand in 2017 will now be reconsidering because of lower returns from the 2016–17 crop and expected lower yields from the 2017–18 crop due to follow on effects from the most recent crushing season. Milling reliability is a now a major concern to cane farmers and will be a critical issue to farm values in the years ahead.

Contact
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Northern Territory

The rural sector in the NT welcomes 2017 in a very positive fashion, with a promising start to the wet season and very good commodity prices generally, bringing an air of confidence which will hopefully result in increased activity and investment.

In the pastoral sector, strong live export prices are still being experienced out of Darwin and other northern ports. Although it would appear that most NT properties changed hands in the course of 2015/6, there are in fact a number of properties still on the market. We are aware of at least three pastoral lease transactions to have exchanged not only in the Top End but also in the Centre, and hope to report on these once they are finalised.

Additionally, the purchase of Phoenix Park at Katherine by the Hancock Group has seen renewed interest in larger freehold blocks with good highway access, which are suitable for depot blocks, especially for owners of more remote pastoral leases that do not have good access. Again, we will provide details once these properties have settled.

Many of these types of properties also have horticultural potential. Through 2016, the sandalwood industry continued to show its dominance in this sector, purchasing and developing more country. The latest sale of Early Storms in the Douglas Daly district further consolidated this trend. Early Storms had previously been a very productive melon farm, however its conversion to sandalwood is indicative of changing land uses in this district.

The emergence of the sandalwood industry is also part of the reason for an increasing focus on water allocations in the NT. At this time, we are not aware of any arm’s length sales of water licences between properties in the NT, however as investment in horticulture increases, it is expected that demand for water will increase. Over time, we expect to see the value of water allocations in the NT become much more important to the same extent seen in irrigation areas in southern states.

The NT has an abundance of water and an abundance of land but there are relatively few places where good quality soil types and reliable water intersect. Certainly the NT Government wants to ensure that the mistakes of over allocation of water licences which occurred in other jurisdictions is not repeated here. We therefore see that the limited amount of allocated water will become more valuable over time, possibly at a faster rate than the land on which it is used.

Contact
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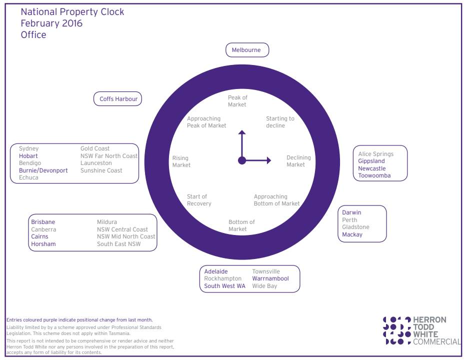
Property Market Indicators

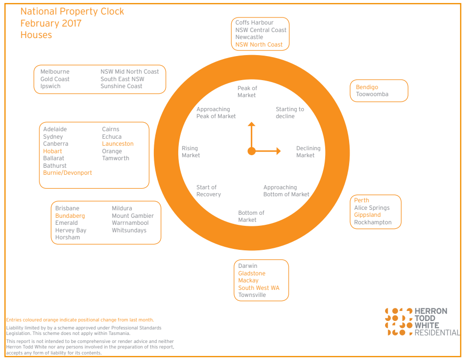
HERRON TODD WHITE

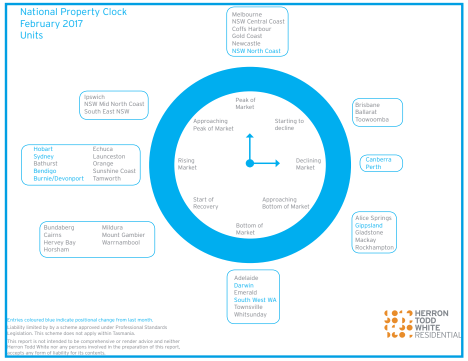
Disclaimer

This publication presents a generalised overview regarding the state of Australian property markets, using property market risk-ranking scales. It is not a guide to individual property assessments, and should not be relied upon.

Herron Todd White accepts no responsibility for any reliance placed on the commentary and generalised information. Contact Herron Todd White to obtain formal, specific property advice on any matters of interest arising from this publication.





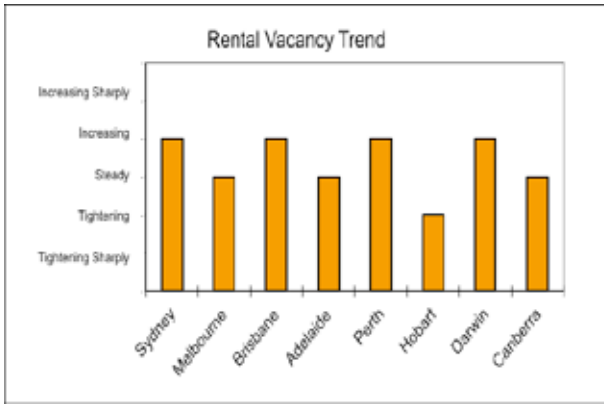


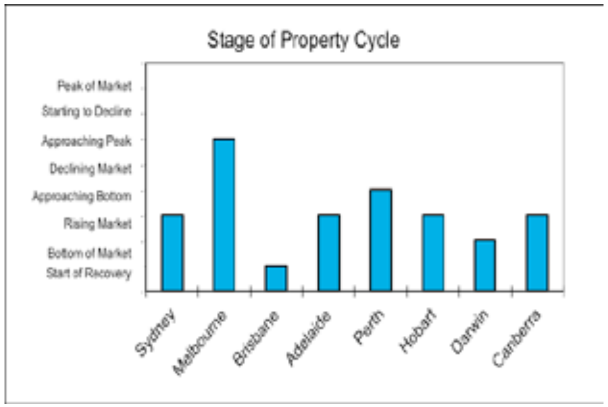
Capital City Property Market Indicators - Houses

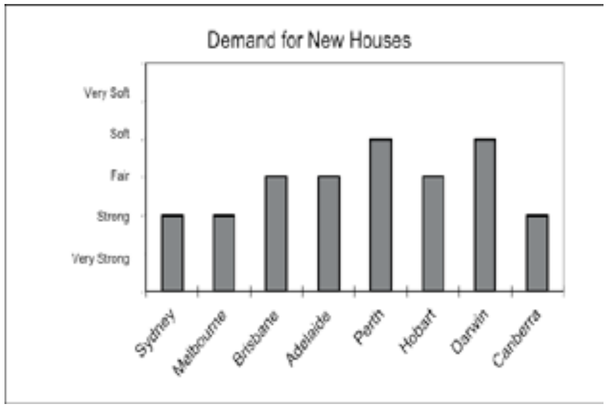
Factor	Sydney	Melbourne	Brisbane	Adelaide	Perth	Hobart	Darwin	Canberra
Rental Vacancy Situation	Over-supply of available property relative to demand	Balanced market	Balanced market	Balanced market	Over-supply of available property relative to demand	Balanced market	Over-supply of available property relative to demand	Balanced market
Rental Vacancy Trend	Increasing	Steady	Increasing	Steady	Increasing	Tightening	Increasing	Steady
Demand for New Houses	Strong	Strong	Fair	Fair	Soft	Fair	Soft	Strong
Trend in New House Construction	Increasing	Steady	Increasing strongly	Increasing	Declining	Declining	Increasing	Increasing
Volume of House Sales	Steady	Declining	Steady	Steady	Steady	Steady	Steady	Steady
Stage of Property Cycle	Rising market	Approaching peak of market	Start of recovery	Rising market	Approaching bottom of market	Rising market	Bottom of market	Rising market
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Occasionally	Occasionally	Occasionally	Occasionally	Occasionally	Almost never	Almost never	Occasionally

Red entries indicate change from previous month to a higher risk-rating

Blue entries indicate change from previous month to a lower risk-rating





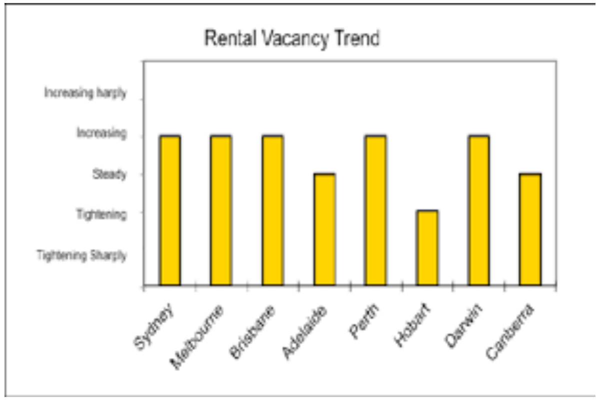


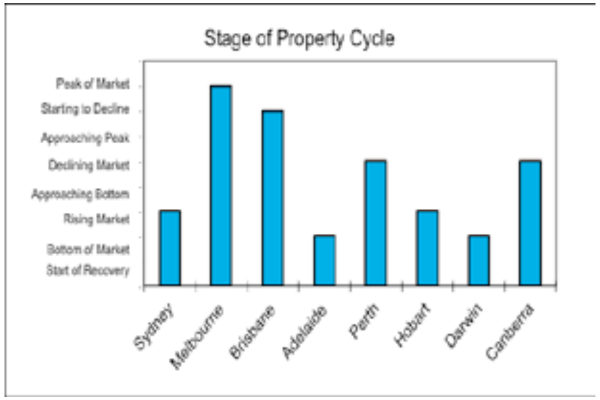
Capital City Property Market Indicators - Units

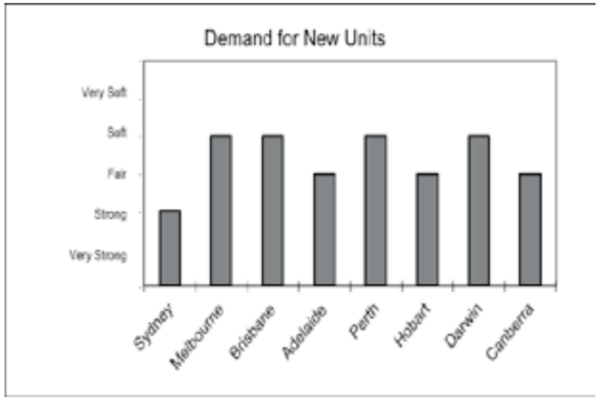
Factor	Sydney	Melbourne	Brisbane	Adelaide	Perth	Hobart	Darwin	Canberra
Rental Vacancy Situation	Over-supply of available property relative to demand	Over-supply of available property relative to demand	Over-supply of available property relative to demand	Balanced market	Over-supply of available property relative to demand	Balanced market	Over-supply of available property relative to demand	Over-supply of available property relative to demand
Rental Vacancy Trend	Increasing	Increasing	Increasing	Steady	Increasing	Tightening	Increasing	Steady
Demand for New Units	Strong	Soft	Soft	Fair	Soft	Fair	Soft	Fair
Trend in New Unit Construction	Increasing	Steady - Increasing	Declining	Increasing	Declining	Declining	Increasing	Increasing
Volume of Unit Sales	Steady	Declining	Declining	Steady	Declining	Steady	Steady	Steady
Stage of Property Cycle	Rising market	Peak of market	Starting to decline	Bottom of market	Declining market	Rising market	Bottom of market	Declining market
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Occasionally	Occasionally	Almost never	Almost never	Occasionally	Almost never	Almost never	Frequently

Red entries indicate change from previous month to a higher risk-rating

Blue entries indicate change from previous month to a lower risk-rating





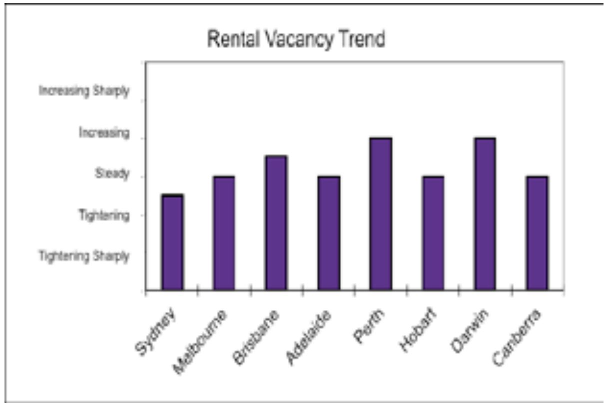


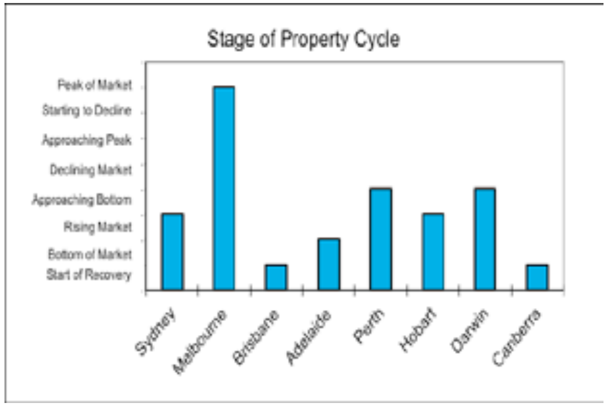
Capital City Property Market Indicators - Industrial

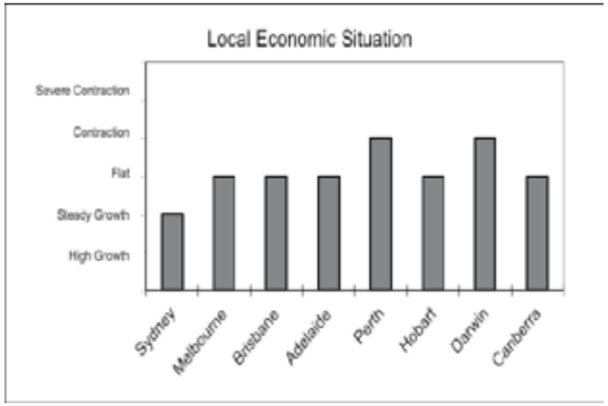
Factor	Sydney	Melbourne	Brisbane	Adelaide	Perth	Hobart	Darwin	Canberra
Rental Vacancy Situation	Shortage of available property relative to demand - Balanced market	Over-supply of available property relative to demand	Balanced market - Over-supply of available property relative to demand	Over-supply of available property relative to demand	Over-supply of available property relative to demand	Over-supply of available property relative to demand	Over-supply of available property relative to demand	Over-supply of available property relative to demand
Rental Vacancy Trend	Tightening - Steady	Steady	Steady - Increasing	Steady	Increasing	Steady	Increasing	Steady
Rental Rate Trend	Stable - Increasing	Stable	Declining - Stable	Declining	Declining	Stable	Stable	Stable
Volume of Property Sales	Increasing	Steady	Increasing - Steady	Declining	Declining	Declining	Declining	Steady
Stage of Property Cycle	Rising market	Peak of market	Start of recovery	Bottom of market	Approaching bottom of market	Rising market	Approaching bottom of market	Start of recovery
Local Economic Situation	Steady growth	Flat	Flat	Flat	Contraction	Flat	Contraction	Flat
Value Difference between Quality Properties with National Tenants, and Comparable Properties with Local Tenants	Small	Significant	Small - Significant	Large	Large	Significant	Large	Large

Red entries indicate change from 3 months ago to a higher risk-rating

Blue entries indicate change from 3 months ago to a lower risk-rating







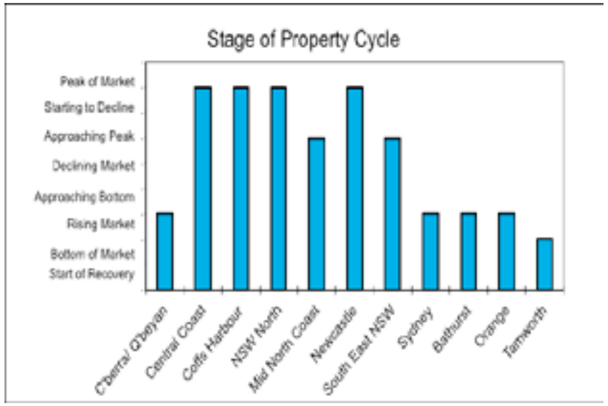
Market Indicators

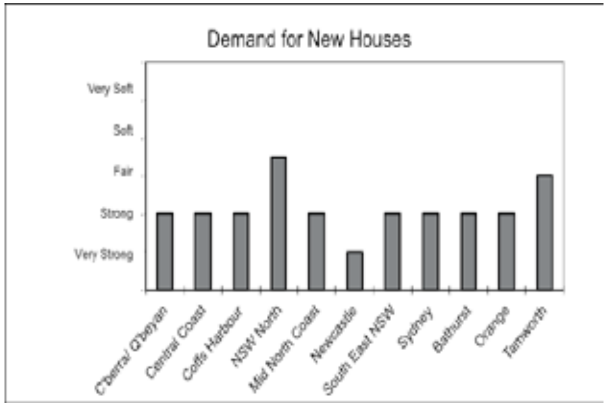
New South Wales Property Market Indicators - Houses

Factor	Bathurst	Canberra	Central Coast	Coffs Harbour	Far North NSW	Mid North Coast	Newcastle	Orange	South East NSW	Sydney	Tamworth
Rental Vacancy Situation	Shortage of available property relative to demand	Balanced market	Shortage of available property relative to demand - Balanced market	Shortage of available property relative to demand	Shortage of available property relative to demand - Balanced market	Shortage of available property relative to demand - Balanced market	Balanced market	Shortage of available property relative to demand	Balanced market	Over-supply of available property relative to demand	Balanced market
Rental Vacancy Trend	Tightening	Steady	Steady	Steady	Steady	Steady	Tightening	Tightening	Tightening - Steady	Increasing	Steady
Demand for New Houses	Strong	Strong	Strong	Strong	Soft - Fair	Strong	Very strong	Strong	Strong	Strong	Strong
Trend in New House Construction	Steady	Increasing	Increasing	Increasing	Declining - Steady	Increasing	Declining	Steady	Increasing	Increasing	Steady
Volume of House Sales	Increasing	Steady	Steady	Steady	Increasing	Declining	Increasing	Increasing	Steady	Steady	Increasing
Stage of Property Cycle	Rising market	Rising market	Peak of market	Peak of market	Peak of market	Approaching peak of market	Peak of market	Rising market	Approaching peak of market	Rising market	Rising market
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Occasionally	Occasionally	Frequently	Almost never	Occasionally	Occasionally	Almost always	Occasionally	Occasionally - Frequently	Occasionally	Occasionally

Red entries indicate change from previous month to a higher risk-rating

Blue entries indicate change from previous month to a lower risk-rating





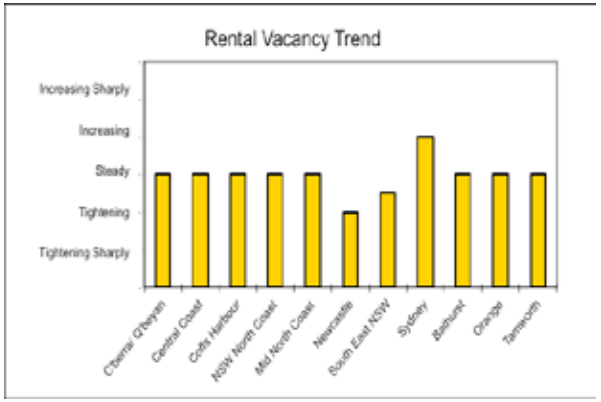
Market Indicators

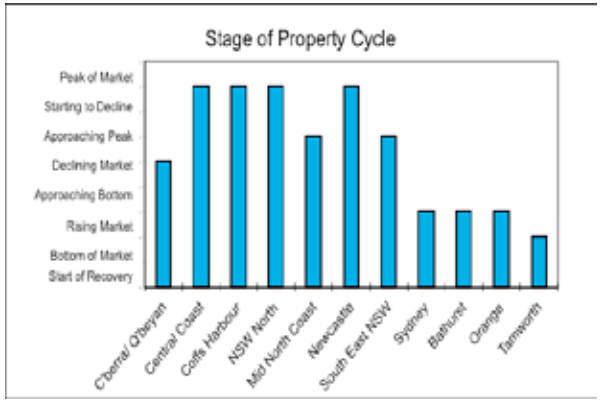
New South Wales Property Market Indicators - Units

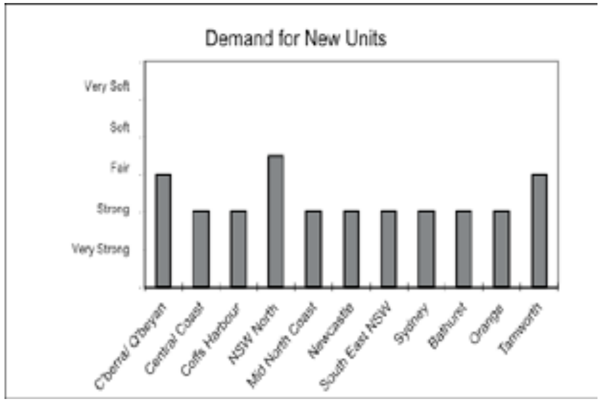
Factor	Bathurst	Canberra	Central Coast	Coffs Harbour	Far North NSW	Mid North Coast	Newcastle	Orange	South East NSW	Sydney	Tamworth
Rental Vacancy Situation	Balanced market	Over-supply of available property relative to demand	Shortage of available property relative to demand	Shortage of available property relative to demand	Shortage of available property relative to demand - Balanced market	Shortage of available property relative to demand	Balanced market	Balanced market	Balanced market	Over-supply of available property relative to demand	Balanced market
Rental Vacancy Trend	Tightening	Steady	Steady	Steady	Steady	Steady	Tightening	Tightening	Tightening - Steady	Increasing	Steady
Demand for New Units	Strong	Fair	Very strong	Strong	Soft - Fair	Strong	Strong	Strong	Strong	Strong	Soft
Trend in New Unit Construction	Steady	Increasing	Steady	Increasing	Declining - Steady	Increasing	Declining	Steady	Increasing	Increasing	Declining
Volume of Unit Sales	Steady	Steady	Increasing	Steady	Increasing	Declining	Increasing	Steady	Steady	Steady	Steady
Stage of Property Cycle	Rising market	Declining market	Peak of market	Peak of market	Peak of market	Approaching peak of market	Peak of market	Rising market	Approaching peak of market	Rising market	Rising market
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Occasionally	Frequently	Frequently	Occasionally	Occasionally	Almost never	Almost always	Occasionally	Occasionally - Frequently	Occasionally	Occasionally

Red entries indicate change from previous month to a higher risk-rating

Blue entries indicate change from previous month to a lower risk-rating







Market Indicators

New South Wales Property Market Indicators - Industrial

Factor	Canberra	Coffs Harbour	Far North NSW	Mid North Coast	Newcastle	South East NSW	Sydney
Rental Vacancy Situation	Shortage of available property relative to demand - Balanced market	Over-supply of available property relative to demand	Shortage of available property relative to demand - Balanced market	Balanced market	Over-supply of available property relative to demand	Balanced market - Over-supply of available property relative to demand	Shortage of available property relative to demand - Balanced market
Rental Vacancy Trend	Tightening - Steady	Steady	Tightening - Steady	Steady	Increasing	Steady	Tightening - Steady
Rental Rate Trend	Stable - Increasing	Stable	Stable - Increasing	Stable	Declining	Stable	Stable - Increasing
Volume of Property Sales	Increasing	Steady	Steady	Steady	Declining	Increasing	Increasing
Stage of Property Cycle	Rising market	Approaching peak of market	Rising market	Start of recovery	Declining market	Start of recovery	Rising market
Local Economic Situation	Steady growth	Flat	Steady growth	Flat	Contraction	Steady growth - Flat	Steady growth
Value Difference between Quality Properties with National Tenants, and Comparable Properties with Local Tenants	Small	Significant	Significant	Small	Large	Significant	Small

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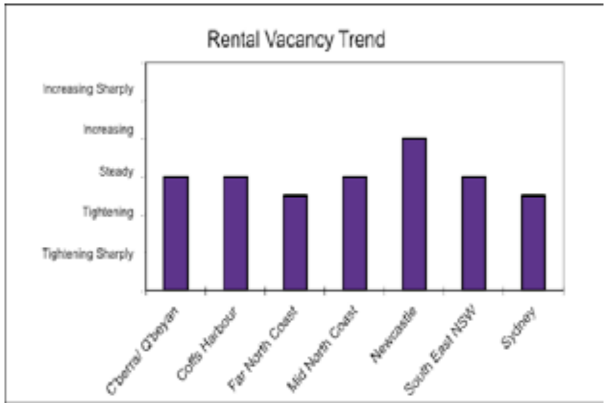
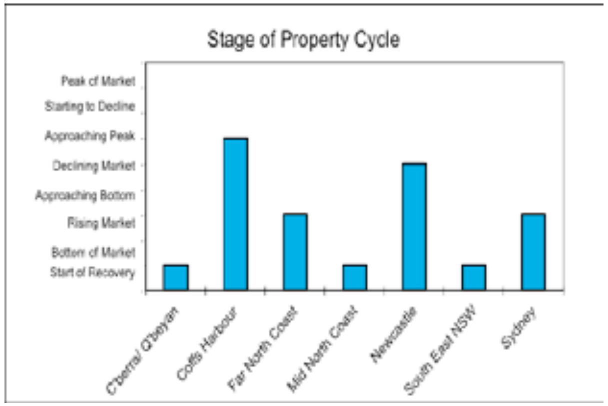
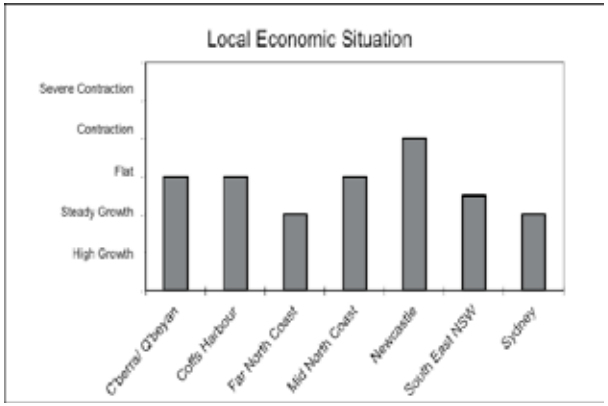
Blue entries indicate change from 3 months ago to a lower risk-rating







Market Indicators

Victoria/Tasmania Property Market Indicators - Houses

Factor	Ballarat	Bendigo	Echuca	Gippsland	Horsham	Melbourne	Mildura	Warrnambool	Burnie/ Devonport	Hobart	Launceston
Rental Vacancy Situation	Balanced market	Over-supply of available property relative to demand	Balanced market	Over-supply of available property relative to demand	Balanced market - Over-supply of available property relative to demand	Balanced market	Balanced market	Balanced market	Over-supply of available property relative to demand	Balanced market	Over-supply of available property relative to demand
Rental Vacancy Trend	Steady	Steady	Steady	Increasing	Steady	Steady	Steady	Steady	Steady	Steady	Increasing
Demand for New Houses	Fair	Fair	Strong	Fair	Fair	Strong	Fair	Fair	Fair	Strong	Fair
Trend in New House Construction	Steady	Steady	Increasing	Steady	Steady - Increasing	Steady	Steady	Steady	Steady	Increasing	Steady
Volume of House Sales	Steady	Steady	Increasing	Steady	Increasing - Steady	Declining	Steady	Steady	Steady	Increasing	Steady
Stage of Property Cycle	Rising market	Starting to decline	Rising market	Approaching bottom of market	Start of recovery	Approaching peak of market	Start of recovery	Rising market	Starting to decline	Rising market	Approaching bottom of market
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Almost never	Frequently	Occasionally	Occasionally	Almost never	Occasionally	Almost never	Almost never	Frequently	Occasionally	Occasionally

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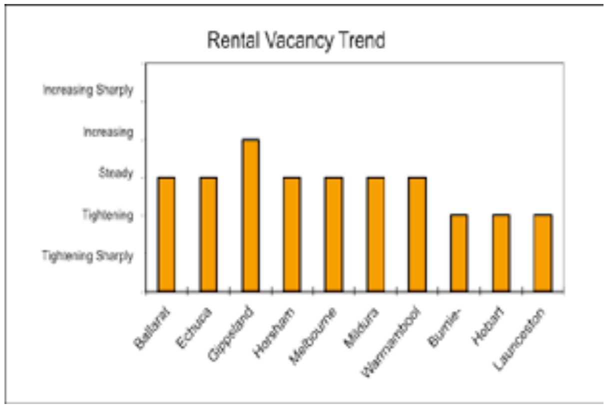

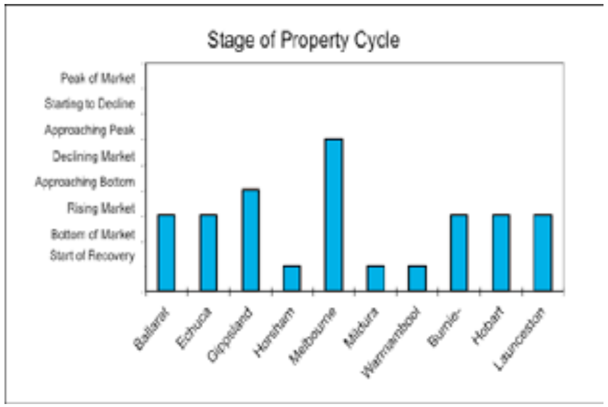

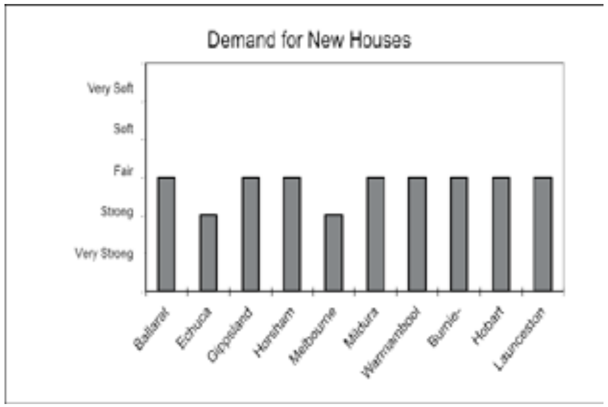

Market Indicators

Victoria/Tasmania Property Market Indicators - Units

Factor	Ballarat	Bendigo	Echuca	Gippsland	Horsham	Melbourne	Mildura	Warrnambool	Burnie/ Devonport	Hobart	Launceston
Rental Vacancy Situation	Balanced market	Over-supply of available property relative to demand	Balanced market	Over-supply of available property relative to demand	Balanced market - Over-supply of available property relative to demand	Over-supply of available property relative to demand	Balanced market	Balanced market	Over-supply of available property relative to demand	Balanced market	Over-supply of available property relative to demand
Rental Vacancy Trend	Steady	Steady	Steady	Increasing	Steady	Increasing	Steady	Steady	Steady	Steady	Increasing
Demand for New Houses	Soft	Fair	Fair	Fair	Fair	Soft	Fair	Soft	Fair	Fair	Fair
Trend in New House Construction	Declining	Steady	Steady	Steady	Steady - Increasing	Steady - Increasing	Steady	Declining	Steady	Steady	Steady
Volume of House Sales	Increasing	Steady	Steady	Steady	Increasing - Steady	Declining	Steady	Increasing	Steady	Steady	Steady
Stage of Property Cycle	Starting to decline	Rising market	Rising market	Approaching bottom of market	Start of recovery	Peak of market	Start of recovery	Starting to decline	Rising market	Rising market	Approaching bottom of market
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Occasionally	Occasionally	Almost never	Occasionally	Almost never	Occasionally	Almost never	Occasionally	Occasionally	Almost never	Occasionally

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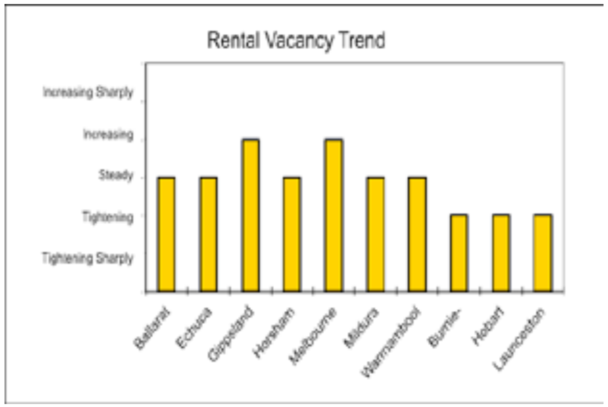

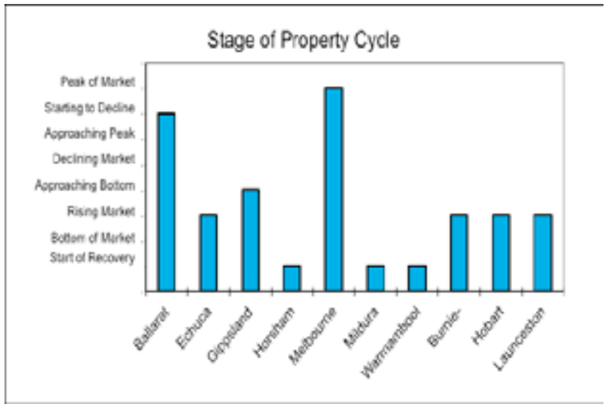

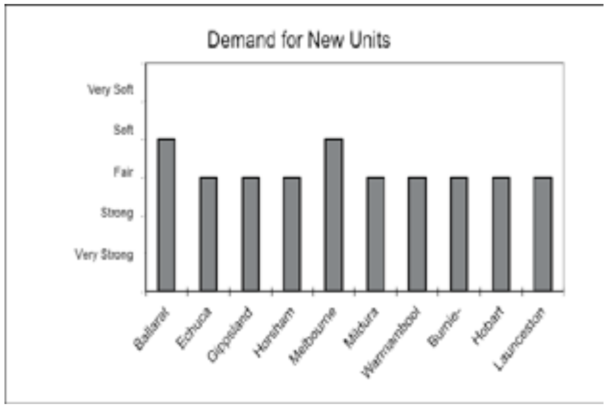

Market Indicators

Victoria/Tasmania Property Market Indicators – Industrial

Factor	Bendigo	Echuca	Gippsland	Melbourne	Mildura	Burnie/ Devonport	Hobart	Launceston
Rental Vacancy Situation	Balanced market	Balanced market	Over-supply of available property relative to demand	Balanced market	Balanced market	Over-supply of available property relative to demand	Over-supply of available property relative to demand	Over-supply of available property relative to demand
Rental Vacancy Trend	Steady	Steady	Steady	Steady	Steady	Steady	Steady	Steady
Rental Rate Trend	Stable	Stable	Declining	Stable	Stable	Stable	Stable	Stable
Volume of Property Sales	Steady	Steady	Declining	Steady	Steady	Declining	Declining	Declining
Stage of Property Cycle	Rising market	Rising market	Declining market	Rising market	Rising market	Rising market	Rising market	Rising market
Local Economic Situation	Flat	Flat	Contraction	Flat	Flat	Flat	Flat	Flat
Value Difference between Quality Properties with National Tenants, and Comparable Properties with Local Tenants	Large	Small	Significant	Large	Small	Significant	Significant	Significant

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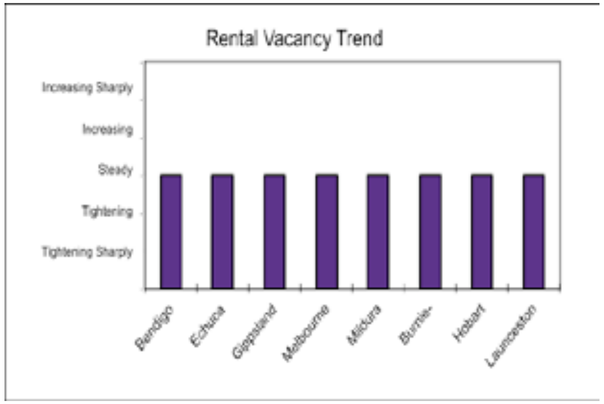

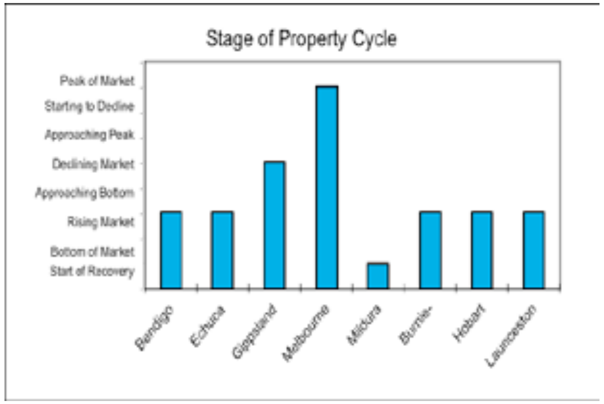

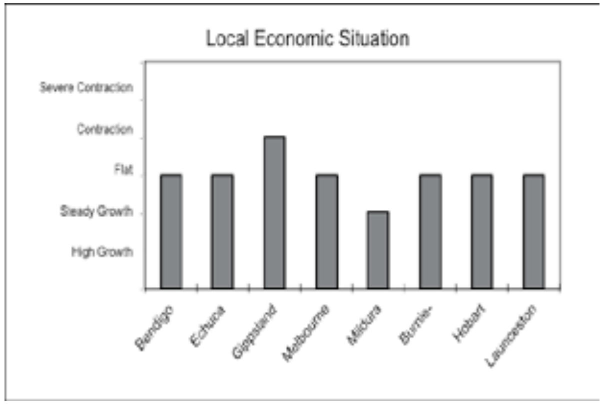

Market Indicators

Queensland Property Market Indicators - Houses

Factor	Cairns	Townsville	Whit-sunday	Mackay	Rock-hampton	Emerald	Gladstone	Bundaberg	Hervey Bay	Sunshine Coast	Brisbane	Ipswich	Gold Coast	Too-woomba
Rental Vacancy Situation	Shortage of available property relative to demand	Balanced market - Over-supply of available property relative to demand	Balanced market	Balanced market - Over-supply of available property relative to demand	Over-supply of available property relative to demand	Balanced market	Over-supply of available property relative to demand	Balanced market	Balanced market	Balanced market	Balanced market	Balanced market	Shortage of available property relative to demand	Balanced market
Rental Vacancy Trend	Steady	Steady	Tightening	Steady	Tightening	Steady	Tightening	Steady	Steady	Steady	Increasing	Steady	Tightening	Steady
Demand for New Houses	Soft	Fair	Fair	Fair	Soft	Very soft	Soft	Fair	Soft - Fair	Strong	Fair	Fair	Strong	Soft
Trend in New House Construction	Declining	Steady	Steady	Steady	Declining	Declining	Declining	Steady	Increasing	Increasing	Increasing strongly	Increasing	Increasing	Steady
Volume of House Sales	Declining	Steady	Steady	Increasing	Declining	Increasing	Increasing	Declining	Increasing	Steady	Steady	Steady	Steady	Declining
Stage of Property Cycle	Rising market	Bottom of market	Start of recovery	Bottom of market	Approaching bottom of market	Start of recovery	Bottom of market	Start of recovery	Start of recovery	Approaching peak of market	Start of recovery	Approaching peak of market	Approaching peak of market	Starting to decline
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Occasion-ally	Almost never	Almost never	Occasion-ally	Occasion-ally	Occasion-ally	Occasion-ally	Almost never	Occasion-ally	Occasion-ally	Occasion-ally	Occasion-ally	Occasion-ally	Frequently

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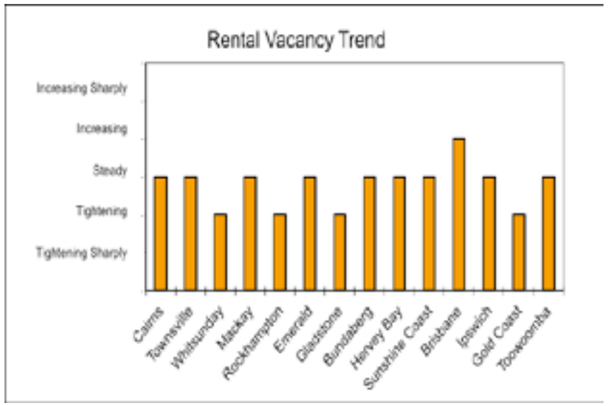

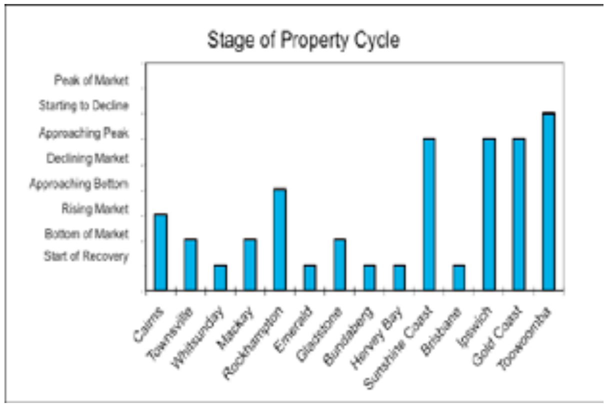

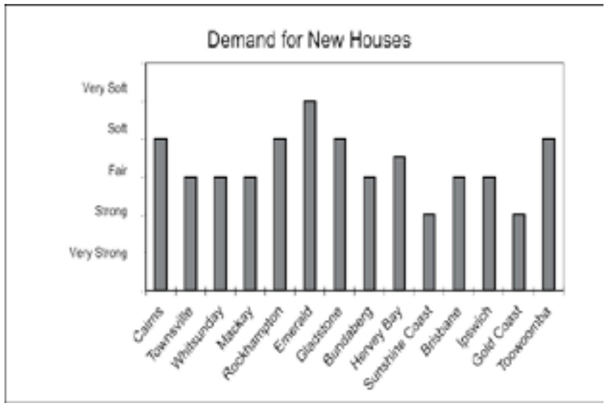

Queensland Property Market Indicators - Units

Factor	Cairns	Townsville	Whit-sunday	Mackay	Rock-hampton	Emerald	Gladstone	Bundaberg	Hervey Bay	Sunshine Coast	Brisbane	Ipswich	Gold Coast	Too-woomba
Rental Vacancy Situation	Shortage of available property relative to demand	Large over-supply of available property relative to demand	Balanced market	Over-supply of available property relative to demand	Balanced market	Over-supply of available property relative to demand	Large over-supply of available property relative to demand	Balanced market	Balanced market	Balanced market	Over-supply of available property relative to demand	Balanced market	Balanced market	Over-supply of available property relative to demand
Rental Vacancy Trend	Steady	Steady	Steady	Steady	Tightening	Steady	Tightening	Steady	Steady	Steady	Increasing	Increasing	Steady	Increasing
Demand for New Units	Very soft	Soft	Very soft	Soft	Soft	Very soft	Soft	Soft	Fair - Strong	Fair	Soft	Fair	Soft	Soft
Trend in New Unit Construction	Declining	Declining	Declining significantly	Declining	Steady	Declining	Declining	Steady	Steady	Increasing	Declining	Increasing	Increasing	Declining
Volume of Unit Sales	Declining	Declining	Steady	Steady	Declining	Steady	Increasing	Declining	Increasing - Steady	Steady	Declining	Declining	Steady	Declining
Stage of Property Cycle	Start of recovery	Bottom of market	Bottom of market	Approaching bottom of market	Approaching bottom of market	Bottom of market	Approaching bottom of market	Start of recovery	Start of recovery	Rising market	Starting to decline	Approaching peak of market	Peak of market	Starting to decline
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Occasion-ally	Almost never	Almost never	Occasion-ally	Almost never	Occasion-ally	Occasion-ally	Almost never	Occasion-ally	Occasion-ally	Almost never	Occasion-ally	Frequently	Occasion-ally

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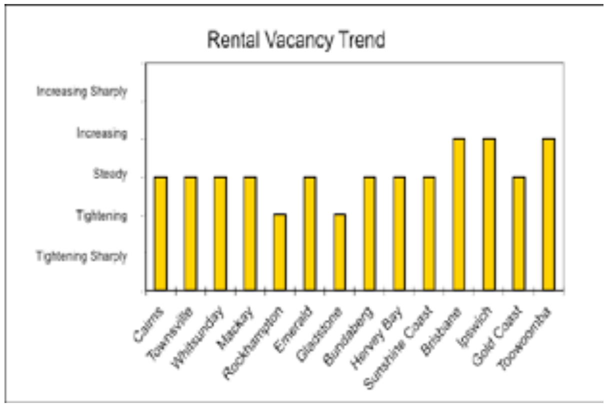

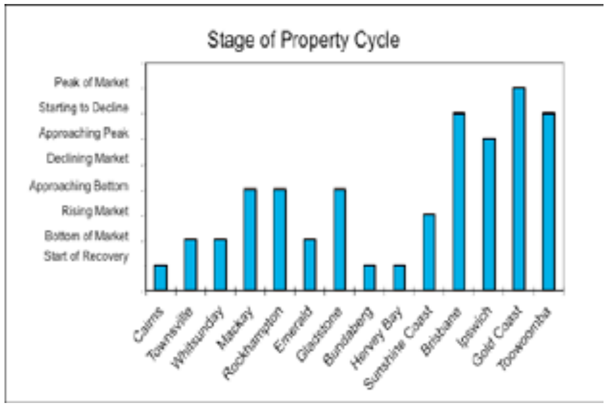

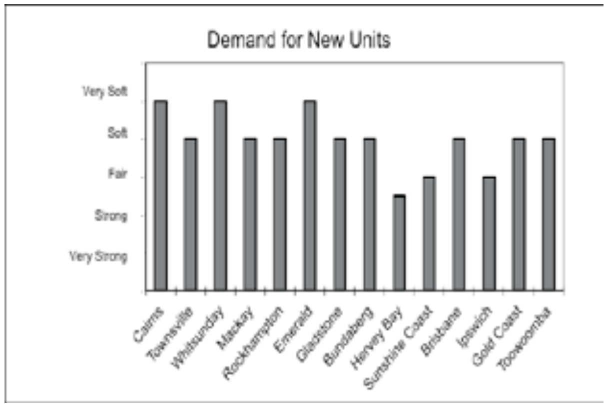

Market Indicators

Queensland Property Market Indicators - Industrial

Factor	Cairns	Townsville	Mackay	Rockhampton	Gladstone	Wide Bay	Sunshine Coast	Brisbane	Gold Coast	Toowoomba
Rental Vacancy Situation	Balanced market	Balanced market - Over-supply of available property relative to demand	Large over-supply of available property relative to demand	Balanced market	Over-supply of available property relative to demand	Balanced market - Over-supply of available property relative to demand	Shortage of available property relative to demand - Balanced market	Balanced market - Over-supply of available property relative to demand	Balanced market - Over-supply of available property relative to demand	Balanced market
Rental Vacancy Trend	Steady	Steady	Increasing	Steady	Steady - Increasing	Steady	Tightening	Steady - Increasing	Steady	Steady
Rental Rate Trend	Stable	Stable	Declining	Declining	Declining - Stable	Stable	Stable - Increasing	Declining - Stable	Stable	Stable
Volume of Property Sales	Steady	Steady	Steady	Steady	Steady - Declining	Steady	Steady	Increasing - Steady	Steady	Declining
Stage of Property Cycle	Start of recovery	Bottom of market	Approaching bottom of market	Bottom of market	Approaching bottom of market	Bottom of market	Rising market	Start of recovery	Rising market	Declining market
Local Economic Situation	Flat	Flat	Steady growth	Flat	Flat	Flat	Steady growth	Flat	Steady growth	Flat - Contraction
Value Difference between Quality Properties with National Tenants, and Comparable Properties with Local Tenants	Small	Significant	Large	Significant	Significant	Significant	Significant	Small - Significant	Significant	Large

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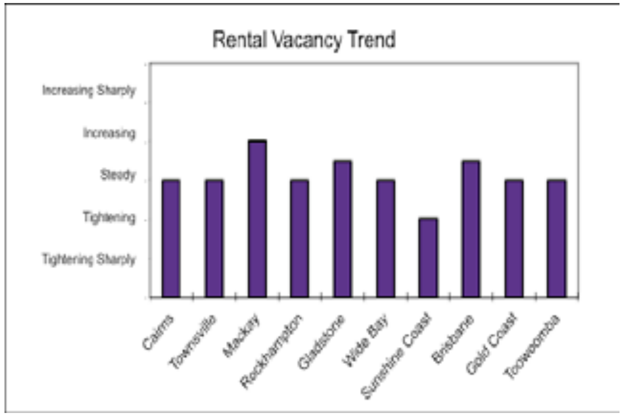

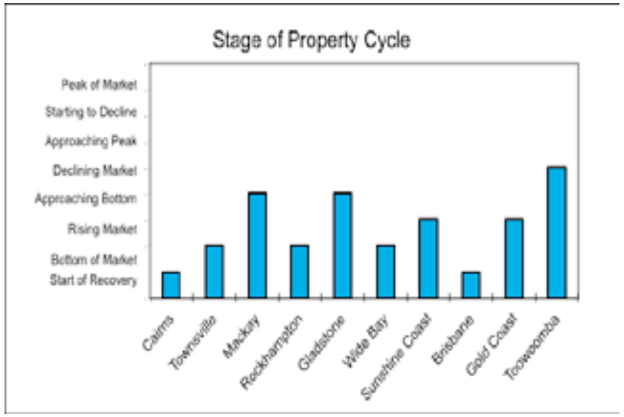

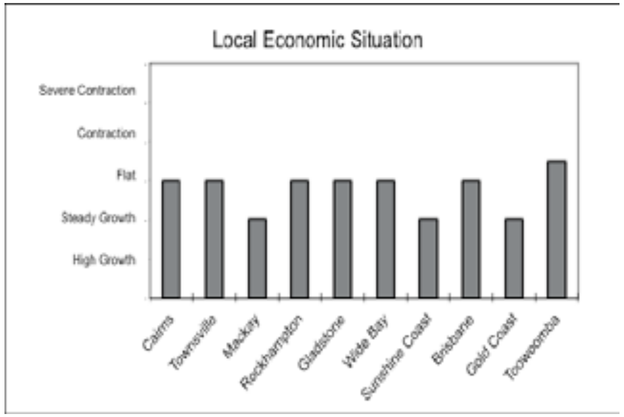

Market Indicators

Northern Territory, South Australia & Western Australia Property Market Indicators - Houses

Factor	Adelaide	Adelaide Hills	Barossa Valley	Iron Triangle	Mount Gambier	Riverland	Alice Springs	Darwin	Perth	South West WA
Rental Vacancy Situation	Balanced market	Balanced market	Balanced market	Balanced market	Balanced market	Shortage of available property relative to demand	Balanced market	Over-supply of available property relative to demand	Over-supply of available property relative to demand	Balanced market
Rental Vacancy Trend	Steady	Steady	Steady	Steady	Steady	Steady	Steady	Increasing	Increasing	Steady
Demand for New Houses	Fair	Fair	Fair	Fair	Fair	Fair	Fair	Soft	Soft	Soft
Trend in New House Construction	Increasing	Increasing	Increasing	Increasing	Steady	Steady	Steady	Increasing	Declining	Increasing
Volume of House Sales	Steady	Steady	Steady	Steady	Steady	Steady	Steady	Steady	Steady	Steady
Stage of Property Cycle	Rising market	Rising market	Rising market	Rising market	Start of recovery	Stable	Approaching bottom of market	Bottom of market	Approaching bottom of market	Bottom of market
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Occasionally	Occasionally	Occasionally	Occasionally	Occasionally	Occasionally	Almost never	Almost never	Occasionally	Almost never

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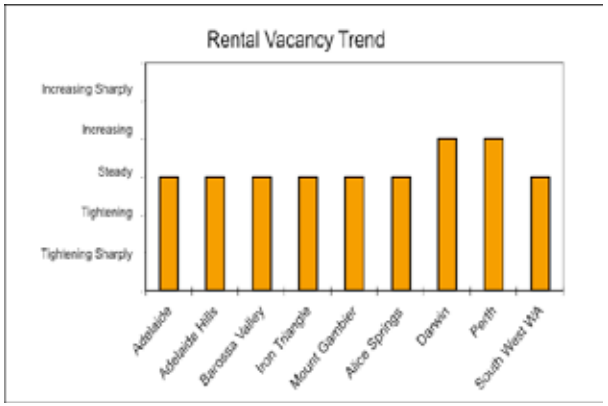

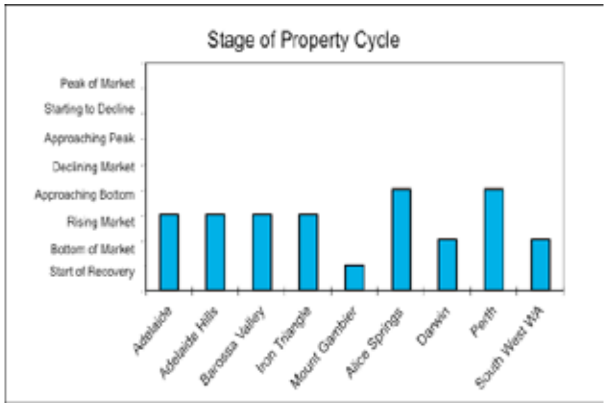

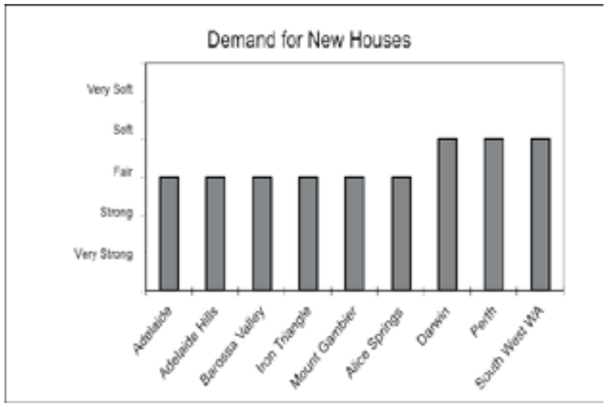

Market Indicators

Northern Territory, South Australia & Western Australia Property Market Indicators - Units

Factor	Adelaide	Adelaide Hills	Barossa Valley	Iron Triangle	Mount Gambier	Riverland	Alice Springs	Darwin	Perth	South West WA
Rental Vacancy Situation	Balanced market	Balanced market	Balanced market	Balanced market	Balanced market	Shortage of available property relative to demand	Balanced market	Over-supply of available property relative to demand	Over-supply of available property relative to demand	Balanced market
Rental Vacancy Trend	Steady	Steady	Steady	Steady	Steady	Steady	Steady	Increasing	Increasing	Steady
Demand for New Units	Fair	Fair	Fair	Fair	Soft	Soft	Fair	Soft	Soft	Soft
Trend in New Unit Construction	Increasing	Increasing	Increasing	Increasing	Steady	Declining	Steady	Increasing	Declining	Increasing
Volume of Unit Sales	Steady	Steady	Steady	Steady	Steady	Steady	Steady	Steady	Declining	Steady
Stage of Property Cycle	Bottom of market	Bottom of market	Bottom of market	Bottom of market	Start of recovery	Stable	Approaching bottom of market	Bottom of market	Declining market	Bottom of market
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Almost never	Almost never	Almost never	Almost never	Occasionally	Almost never	Almost never	Almost never	Occasionally	Almost never

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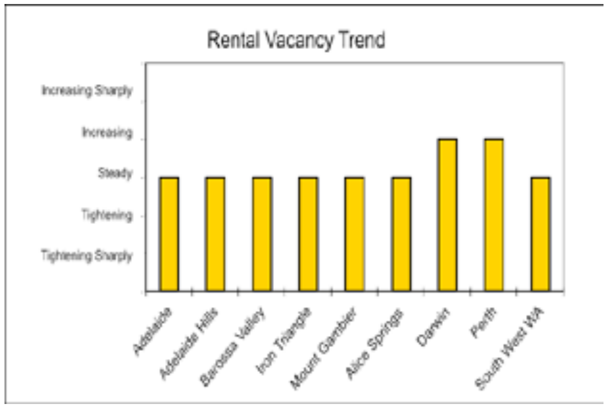

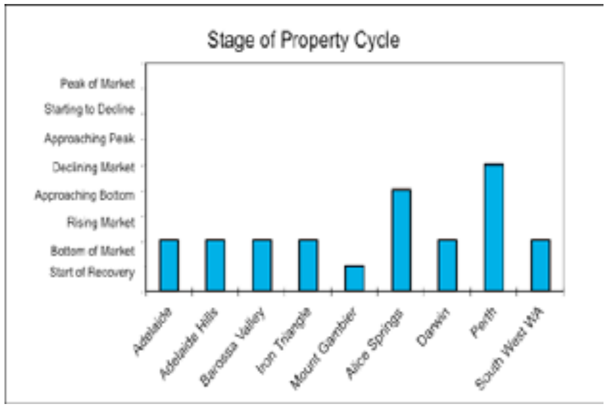

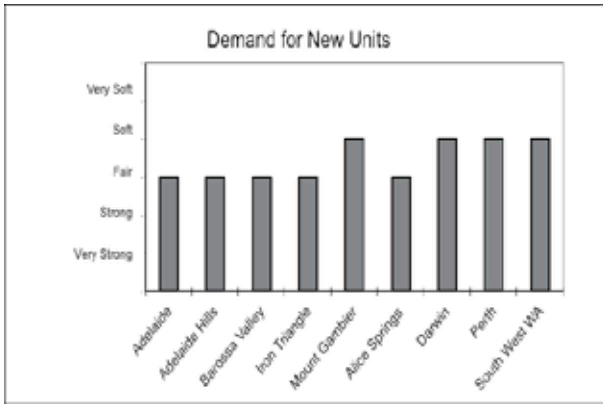

Market Indicators

Northern Territory, South Australia & Western Australia Property Market Indicators - Industrial

Factor	Adelaide	Adelaide Hills	Barossa Valley	Iron Triangle	Riverland	Alice Springs	Darwin	Perth	South West WA
Rental Vacancy Situation	Over-supply of available property relative to demand	Over-supply of available property relative to demand	Over-supply of available property relative to demand	Over-supply of available property relative to demand	Large over-supply of available property relative to demand	Over-supply of available property relative to demand	Over-supply of available property relative to demand	Over-supply of available property relative to demand	Over-supply of available property relative to demand
Rental Vacancy Trend	Steady	Steady	Steady	Steady	Steady	Steady	Increasing	Increasing	Increasing
Rental Rate Trend	Declining	Declining	Declining	Declining	Stable	Declining	Stable	Declining	Declining
Volume of Property Sales	Declining	Declining	Declining	Declining	Steady	Steady	Declining	Declining	Declining
Stage of Property Cycle	Bottom of market	Bottom of market	Bottom of market	Bottom of market	Bottom of market	Declining market	Approaching bottom of market	Approaching bottom of market	Bottom of market
Local Economic Situation	Flat	Flat	Flat	Flat	Flat	Flat	Contraction	Contraction	Contraction
Value Difference between Quality Properties with National Tenants, and Comparable Properties with Local Tenants	Large	Large	Large	Large	Large	Small	Large	Large	Small

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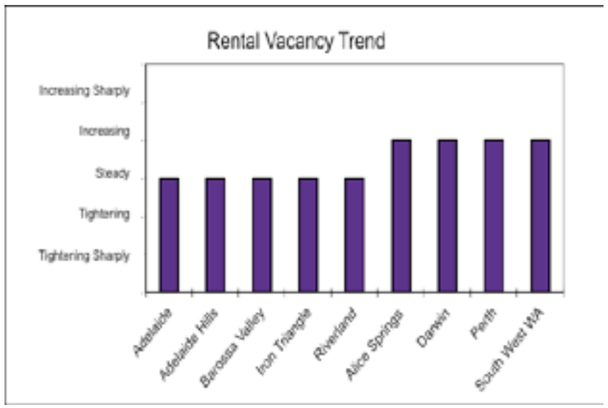
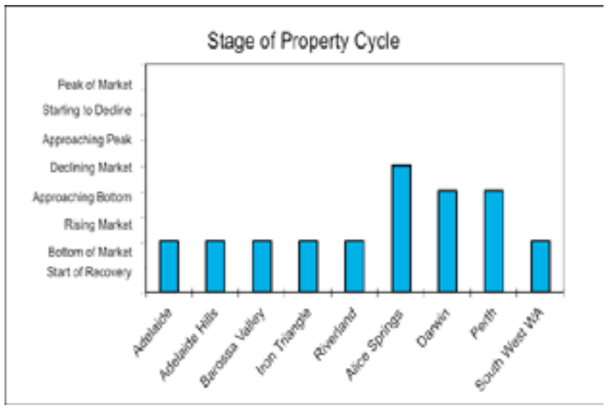
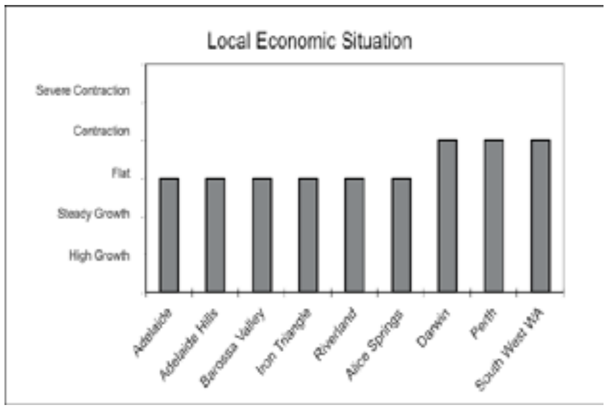
Blue entries indicate change from 3 months ago to a lower risk-rating







Market Indicators

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