December 2013

Month in Review

HERRON TODD WHITE

Contents



2013 - The year that was

"And now, the end is near..."
"My Way" Paul Anka, 1969

Ho ho HO-GOLLY GEE! A CHRISTMAS TREE ALREADY!

That's right everyone. For every year there comes a time to zip, and that moment is nigh for 2013.

It has been an interesting, exciting, devastating and unusual year for all sorts of reasons. We have a new Federal Government and our third Prime Minister in 12 months. 2013 marked a government shutdown in the US that had many wondering what sort of system sees the world's biggest super power freeze its own federal working capital. This year there were floods and typhoons and the tragedy of the Boston Marathon. We had the death of Margaret Thatcher and the resignation of a Pope.

Amongst all this the Australian property scene had its silver streak showing. Markets that have lay dormant since the GFC started getting back their old buzz. It really did seem to sneak up and take everyone by surprise around mid-year when a whole lot of action started taking place amongst the capitals. Sydney and Melbourne auction clearance rates hit peak levels above 80% while other capitals rubbed their hands in anticipation.

It's in this climate that our Herron Todd White professionals get the chance to look back on the year that was 2013 and give us their perspective on what exactly happened. As we do with every end-of-year issue, we also ask them to stand starkers before you – proverbially that is! Our contributors have been requested to recheck their predictions from our February issue of the Month In Review. They then lay bare their calls on what they said about the property market's direction for 2013. They are given the task of stripping back their thoughts and letting you, dear reader, know if they were right, wrong or other.

For the commercial guide, our girls and boys of industrial take you on a chaperoned stroll through the past 12 months and let you in on how it all panned out in their areas of interest. Were there locations or price points did better than others? Were there landmark sales are that are worth a mention? Did something surprising happen in the markets? A good old fashion roundup of this year's industrial sector.

So put on your party hat, wear your best pair of shoes and come on over to our end of year celebration where the good folks of Herron Todd White tell you about the year that was.

We at Herron Todd White would like to wish you all a Merry Christmas, a safe and celebratory New Year, and wonderful time all around with family and friends. We look forward to taking care of your property advice in 2014. See you on the other side of the celebrations.

QS Corner - Granny Flat now more in vogue than ever

With investors and home buyers being squeezed out of the market due to increasing property prices and lack of high yielding property stock, granny flats are slowly coming back into vouge. The 'granny flat' which was once the humble abode of grandparents, who wanted to stay close to but not quite in the family home, has now been turned into a very savvy and inexpensive idea for many property investors looking to capitalise on a little extra room in the back yard. Like all things old being new again, the humble granny flat is no longer a shabby converted or unused garage space but it is now a modern, compact and practical residence which promises the idea of additional income as well as affordable housing means.

Granny flats are regularly defined as 'secondary dwellings', meaning they are secondary to the main property on a single block. The dwelling must be self-contained, meaning it has a separate entrance, as well as separate bathroom, kitchen, bedroom, laundry and living area.

Granny flats are also cheap to build. The internet and even television commercials are full of advertisements for granny flats. Depending on the size and overall quality of the property, you will obviously pay more or less for what you decide to build. We recommend you talk to your local property manager about the potential rental return and demand for granny flats in your area.

Unfortunately the opportunity to rent out a granny flat is only available in NSW, Tasmania, the Northern Territory and the city of Fremantle, Perth. Tasmania and NT have more restrictions in place than NSW, so before you even entertain the idea of a granny flat, do your due diligence and liaise with your local council to see what you can or cannot do, in terms of building requirements, minimum land size, etc.

The advantages can certainly stack up if you go about it the right way. One of the main advantages are if you can build your granny flat on the same block as your primary residence or investment property, as this can not only generate additional income and tax advantages but also increase the overall value of your property and potentially turning a negatively geared investment into a neutral or positive one overnight. You should look into getting an updated market valuation after the granny flat has been built to see how much your property has actually increased in value.

While you can build a granny flat out the back of your home and rent it out positively geared, you can also add a granny flat to an existing investment property to increase the yield. In some cases adding a granny flat can turn a negatively geared investment into a neutral or positive geared investment also.

Another fantastic advantage of building a granny flat is the added bonus of claiming depreciation. Since the granny flat is built from scratch and is brand new, it qualifies for full depreciation. A depreciation schedule should also (if it hasn't already) be obtained for the original investment property, or 'primary dwelling' if it too generates assessable income.

For any queries about the tax depreciation benefits of potentially building a granny flat please contact us tds@htw.com.au

Commercial

New South Wales

Overview

The industrial sector has been hard yakka for some time now but there have been a few positives occurring in 2013 around the country. Certainly the federal election brought a bit of confidence to the economy in general, plus the low interest rates kept things interesting. Commercial property overall, and industrial property in particular, was a patchy affair with different locations and price points operating at their own pace.

Sydney

2013 has shaped up to become a pivotal year for the industrial property sector in Sydney and on a national basis. Over the year, indicators suggesting that the industrial market is on its path to recovery continued to solidify. The most recent Property Directions Survey released in October 2013 by the Australian Property Institute, reported a consensus view that all capital city industrial markets along the eastern seaboard have passed their cyclical troughs, with the Sydney market the furthest into an upswing. Quarterly market results by IPD Australia & New Zealand are also supportive of the industrial property market outperforming the other commercial property sectors. IPD's results for the year to September 2013 indicated that industrial assets showed an average increase in total returns year on year to September 2013, while falls were recorded for the office and retail property sectors.

We note several factors that we believe have contributed to the strengthening of the Sydney industrial property market, as well as nationally. These include:

- Increased demand from private investors driven by historically low interest rates; easing of finance constraints; and buyers looking for assets to add to their self managed super funds.
- Increased owner occupier demand as a result of lower business lending costs closing the price gap between rental expenses and commercial mortgage repayments.
- Increased confidence in demand levels with the take-up of speculatively built industrial stock continuing through the year. Several major real estate agencies have reported solid demand for industrial units under 10,000 square metres in building area.
- Increased demand for distribution and warehouse facilities from providers of wholesale/retail goods as a result of the recent rebound in the housing market, and also from increased retail turnover from online operators.

Sales and leasing evidence observed by our business through 2013 showed that there were positive signs emerging for Sydney's industrial property market, although certain submarkets continued to show signs of weak demand. A key observation to highlight is the

dominance of owner-occupier transactions in 2013 across the whole market for assets sold with vacant possession priced under $2 million. We have seen prices being paid by owner-occupiers for properties in this category reach well above prices that would be reasonable for investors. The trend shows strength in owner occupier demand for smaller properties which fit any specific criteria (whether it be functional, location-based, or quality based) set by the prospective operator.

Several purchases of assets in the Western Sydney submarkets showed falls in resale values by up to 20% in some cases, particularly in the outer west suburbs such as Minto and Ingleburn. Our view is that occupier demand has been the weakest in Western Sydney, which presents concerns as the region contains the highest proportion of Sydney's industrial stock. We observed that age and obsolescence issues continued to be the most prominent in the Western Sydney region, coinciding with average sale periods being the longest compared to Sydney's other constituent regions .On the other hand, some sales through the year in Western Sydney showed strong results. A good example is a 6,600 square metre industrial property in Huntingwood, fully leased to a single occupier with a strong tenant profile, which sold for $10.5 million at an initial passing yield of 4.85%.

The industrial property market in South Sydney showed a good level of sale activity, with strata units attracting some of the highest capital value rates we have recorded for Sydney.

We have recorded a sale of a 425 square metre property in Beaconsfield which sold with vacant possession in early 2013, reaching in excess of $4,000 per square metre at an analysed yield of 3.72%.

The Northern Sydney submarket has also performed well with some sale prices reaching levels well above average. A particular sale of note is a vacant 180 square metre office/warehouse property in Artarmon which sold in the middle of the year for over $4,000 per square metre at an analysed yield of 5.45%. We have also noticed an increase in supply in the Northern Beaches submarket but steady demand has supported the increase, with rental rates and capital values generally remaining stable as a result.

Canberra

The Canberra industrial market experienced a lacklustre performance throughout 2013, characterised by low sale volumes and softening yields on the back of increasing supply. The uncertainty leading up to the September federal election was the biggest factor in the poor performance of the industrial sector, with investors holding off on decisions to see what effect the election would have on the ACT's biggest employer the Public Service.

There was a significant increase in vacant industrial land in 2013 from subdivisions occurring in the precincts of Fyshwick, Mitchell, Hume and Beard, which put downward pressure on values. The precinct of Beard (located on the Canberra/ Queanbeyan border) had average sized lots selling in excess of $330 per square metre in 2010. The latest sales of similar size blocks are showing selling rates below $300 per square metre. The government owned New West Industrial Park subdivision in Hume is also reporting limited sales interest.

There were relatively few transactions of larger industrial properties in 2013, with 7-11 Tennant Street, Fyshwick being the most significant. The property sold for $2.475 million and comprises a 2,150 square metre high clearance warehouse on a 5,858 square metre block. The property was sold with a long term lease to Harvey Norman. A private sale in the precinct of Mitchell between landlord and tenant is indicative of confidence returning to the market. The property comprises a 720 square metre high clearance warehouse with mezzanine office component, and sold on an analysed yield of 8.5%.

South East NSW

The South East NSW industrial market remains flat with a general over supply of properties on the market relative to demand. This sees conditions favouring buyers and tenants as has been the case since the GFC. Most sales have been to owner-occupiers with very limited investment transactions and pricing very sticky above the $1.5 million to $2 million range.

In a positive sign the market is bottoming out sales activity has picked up during the year with recent sales in the Illawarra including 17-19 Lady Penrhyn Drive, Unanderra for $1.8 millionreflecting a rate per square metre of building area of $1,200 and passing yield of 10.25% and 30 Lady Penryhn Drive, Unanderra for $810,000 reflecting a rate per square metre of building area of $1,620 (site coverage of

22% and office component of over 50%). The results of the WHK auction of eight industrial properties in the Illawarra should be known in the coming weeks so this will be a real barometer of where the market is truly at as we enter 2014. In the Southern Highlands there has been increased interest in the owner-occupier strata market with several sales in Mittagong generally reflecting rates in the $1,400 to $1,600 per square metre range.

All in all the market probably performed in line with expectations and while not outperforming there is a generally consensus that conditions will continue to modestly improve in the short to medium term.

Newcastle

Industrial property in the Newcastle and Hunter region has had an interesting time in 2013 with a number of conflicting factors leading to a pretty uneventful year. We have seen some positive and negative value movements, depending on which industrial sub-market are looking at.

Well tenanted and well located industrial property has increased in value in 2013. We've seen a few sales, and note there has only been a few, where yields have improved since 2011 to 2012 levels. We've seen an increase in small to mid level investors back into the market and super funds are purchasing owner-occupied property, more so now than a couple of years ago. On the flip side, secondary industrial property, meaning property that is aging, in non-core industrial estates and with short lease expiries are proving very difficult to sell. Marketing periods for this type of property can still be extended with limited buyers being able to pick up some good deals in the current depressed market. In 2013 we've definitely seen prime and secondary markets moving at different speeds and the gap is continuing to widen.

We have seen a few surprises in industrial sales in the year just gone. The most notable and well publicised being the sale of a small industrial building with detached office located on the fringe of the bulky goods precinct in Warners Bay. The agent Daryl Johnson of Ray White Commercial reported 41 inquiries and 11 inspections. "The on-site auction attracted five registered bidders and there was some spirited bidding with 35 separate bids before the property was sold under the hammer". The property sold for $785,000 which was $110,000 over the reserve. This particular sale price is unprecedented in the area and indicates a significant increase in interest for this property type.

Regional NSW

Industrial property markets across regional NSW remains flat, limited by both supply and demand. Mining which was a major driver in markets such as Orange and Mudgee appears to have softened with reduced expansionary activity. Increased vacancies in Orange are placing downward pressure on rental levels.

Sales evidence suggests firming yields in line with interest rate falls however values remain steady with downward pressure on rental levels. Sales in 2013 indicate investment yields in the order of 8% to 9% depending upon the strength of the lease covenant. Owner-occupiers competing in these markets can secure property at or below replacement cost.

Dubbo and Bathurst industrial markets remain flat with a steady supply of industrial land available for sale under $70 per square metre. Relatively speaking this land is cheap and places a ceiling on capital growth in these markets.

There have been announcements of large manufacturing plants in the central west announcing reductions in work force and/or closing operations. These include Electrolux in Orange with over 500 workers being stood down in 2016 together with a reduction of about 110 workers at Simplot and 100 workers at EDI in Bathurst.

NSW Mid North Coast

The commercial, industrial and retail sectors within Port Macquarie have remained weak throughout 2013. There have been lower than average sales volumes throughout the year, increasing vacancies and a lowering of achievable rentals for new leases.

Most sales within the region are of sub $500,000 properties and have generally been to owner-occupiers or existing tenants.

However, all is bleak. Self managed super funds are becoming more active in the commercial investment sector up to about $500,000, with a recent sale of a centrally located retail premises showing a nett yield of 10.6% on a $330,000 café style property.

Larger super funds are still reasonably active in the limited Port Macquarie market if the right property with a good return becomes available.

The Inneslake Shopping Centre recently sold in excess $17 million showing a nett 7.5% yield which is currently tight but there is good expectation of an increase in returns in the short to medium term. This centre is anchored by Coles with over 50% of the smaller retail shops currently vacant. This property has a current DA for a tavern to be located to the front of the site. We also note that the rear undeveloped section of this site of 4.69 hectares, sold in July (prior to the above sale) for $1.95 million to Charles Sturt University for development of a new campus.

In summary, the Port Macquarie-Hastings commercial/industrial sectors have remained weak over the past twelve months, with leasing remaining difficult over all commercial sectors, rising vacancies within both primary and secondary localities within the major towns of the area, and falling rentals for some product.

However the increased interest from SMSF and owner-occupiers may help stimulate the market over the coming year, as investor confidence begins to rise.

Merry Christmas from all of us at Port Macquarie.

Victoria

Melbourne

The Melbourne Industrial property market remained generally stable and in line with inflation for the most part of 2013 although selected areas are currently seeing stronger growth. The prospects for buyers in this sector are stable as Melbourne is in a position to compete for occupiers of industrial property, due to the long term supply of developable industrial land available in an affordable price bracket. Government investment in infrastructure will continue to grow these industrial precincts providing the range of opportunities that buyers will require. It is estimated within the national development pipeline there are 411,000 square metres of large warehouse (+5,000 square metres) floor space under construction with approximately 31% of this occurring in Melbourne.

Melbourne's western suburban industrial market recently experienced a mini cycle.

> After a sustained period of rental growth within the region, it is the preferred location for several AREIT's speculatively developing industrial sites over 6,000 square metres.

In the coming months it is anticipated that 111,000 square metres of industrial space will be delivered in this sub market. Following this development being absorbed rentals softened slightly returning to levels experienced previous to the mini boom.

Secondary industrial yields have tightened over the past 12 months and consequently premiums between primary and secondary industrial properties have softened slightly. The yield spread has tightened by approximately 1% to 2%. This is indicative of more businesses turning to owner occupation rather than renewing their leases due to the current favourable low interest rate investment climate.

The major rezoning of an industrial land holding at Fisherman's Bend in Port Melbourne resulted in a surprising reduction of the city fringe industrial supply. This has seen city fringe suburbs such as Kensington and Brunswick enjoy an increase in values over the past year.

In terms of current activity in the market, a number of major new pre-leases have been signed in the south-east and west markets, including the biggest pre-lease in Melbourne since the 76,700 square metre K-mart pre-lease in Truganina in 2010.

DIY giant Bunnings chose Salta Properties' inland port estate in Dandenong as the site for its new distribution centre. Bunnings will pay a net rental of approximately $70 net per square metre over the 43,000 square metre facility on a ten year lease with two further five year options.

Sales activity has also been on the rise, with 26 sales totalling $361.2 million dollars worth of industrial property (+$5 million) exchanged in the 6 months to September 2013, compared to 11 sales totalling $231 million over the previous 6 months.

Bendigo

Conditions in the commercial office space sector continues to remain tight, with limited new supply within the Bendigo CBD. Investment grade commercial property continues to perform well in Bendigo on the back of this tightness in supply, with investors chasing higher yields as a consequence of the low returns on offer elsewhere in the current low interest rate environment. Conditions in the CBD fringe are more patchy, though confidence locally remains optimistic with the commencement of the $630 million Bendigo hospital project and the removal of federal election uncertainty.

Industrial property conditions remain slow, with limited turnover and extended selling periods particularly evident for larger industrial properties and vacant land. In contrast the sub $350,000 market for industrial property continues to perform well, driven by an undersupply of appropriately sized allotments and developments. Conditions are tougher at higher price points, with lower demand for larger lots and bigger sheds continuing. Conditions in the east Bendigo precinct remain subdued, with limited transactions in recent months and agents continuing to report limited buyer interest.

The lower end of the retail market remains tough, consistent with difficult trading conditions being encountered by many small operators. There has been a slight deterioration in vacancy rates for small to mid size retail property within central Bendigo. However well located larger retail sites continue to be tightly held, with limited vacancy and ongoing interest from national tenants seeking to capitalise on the continuing forecast growth in the region.

In response to ongoing residential development in northern Bendigo suburbs such as Epsom, Ascot and Huntly, Bunnings have announced a second Bendigo store will be constructed on the Midland Highway at Epsom. The $9.3 million development will see an 11,695 square metre outlet developed on the 2.7 hectare site.

Also in the news was the listing of the Bendigo Marketplace Shopping Centre on the CBD fringe. The centre is anchored by Big W and Safeway and turnover for the centre is reported as $203 million. The asking price is a mooted $160 million.

Murray Riverina

The industrial market continues to be the purvey of owner-occupiers with several mortgagee sales in the 2013 calendar year (albeit with relatively low volumes). One large development was recently purchased for $1.1 million by an external buyer and several other sites have undergone development works (predominately by owner-occupiers) showing some resilience - particularly for modern type premises. While there is some activity on this front there is still significant supply of industrial land in both Moama and Echuca which is likely to cap the potential growth of this market segment particularly given the difficulties confronting the food manufacturing sector on account of the high Australian dollar.

South Australia

Adelaide

Adelaide's industrial property sector continues to perform adequately with a slow recovery occurring over the years since the GFC. Investors, both private and institutional, remain interested in Adelaide's industrial sector, in particular in prime grade assets with strong lease covenants, however there has been limited opportunity to acquire these properties across all price points in recent years.

> Sales transactions have been lower over the past 12 months, whereas leasing activity improved over the corresponding time.

The majority of the leasing activity was centred around the inner north western industrial area. The inner north western area incorporating Regency Park, Gepps Cross, Wingfield, Dry Creek and Port Adelaide continues to be Adelaide's most sort after industrial location and as such continues to perform better than all other industrial locations around Adelaide.

However all industrial areas showed increases in leasing activity with the majority of commitments being for smaller lease areas. Rental rates and yields have remained flat for the duration of 2013 for all primary grade stock, whereas secondary industrial stock has tended to be held predominantly by the owner-occupier. Capital values have also remained flat although there has been some decline in the value of secondary stock and it is fair to say that the gap between primary and secondary grade assets continues to widen.

The South Road Superway which commenced construction in April 2011 and has caused significant delays due to road works over the past two and a half years is due to be opened in December. This major infrastructure project costing $842 million provides a 2.8 kilometre elevated road between Port River Expressway and Regency Road and creates a 4.8 kilometre non-stop corridor. The end of road works will provide welcome relief and provide improved access along the north-south corridor.

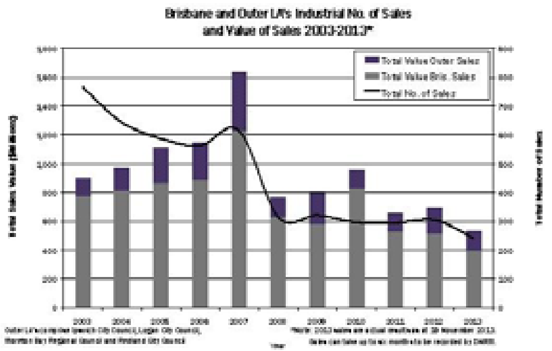
Currently there is a political storm over the next area of South Road to undergo infrastructure improvements. The State Labour government is currently looking to improve the 3.7 kilometre stretch between Torrens Road and Torrens River (western suburbs) which would address both the major intersection with Port Road and the Grange Road intersection. The Federal Liberal Government made an election promise to fund a non-stop stretch of South Road between Flagstaff Road and Ayliffes Road (southern suburbs) incorporating an underpass below Flinders Drive and Sturt Road and connecting to the Southern Expressway. With a State election early next year and Federal funding required to commit to either of these projects it appears as though the outcome of the election may be pivotal in deciding which one of these upgrades gets the go ahead first. We will just have to wait until then to find out.

Other infrastructure improvements currently underway include duplication of the Southern Expressway and improvements to the freight rail line, involving its separation from the passenger line at both Goodwood and Bowden. As well as providing improved access and transport to the industrial zones of Adelaide, these projects in conjunction with the construction of the new Royal Adelaide Hospital and re-development of Adelaide Oval have been important in their own right in stimulating the local economy and supporting local industry. However most of these projects are due for completion by the middle of next year and at this stage it is unclear what will provide the equivalent level of support to the local industrial sector. As a result the industrial sector is expected to continue to perform at current levels into the foreseeable future.

Queensland

Brisbane

The graph below illustrates the significant decrease in sales volume from 2007 to 2008 for industrial property located in Brisbane and surrounding areas. While sale volumes improved throughout 2010 and 2011, they were coming off a very low base and did not rebound to any great extent. 2012 remained weak with the completed sales results not showing any noticeable improvement. While we consider the market to have stabilised, we are of the opinion that the remainder of 2013 will be in line with that of the previous year.



Throughout 2013 Brisbane has experienced a significant shift in attitude towards the two main categories of improved industrial property being primary and secondary. There is currently stability within the industrial sub $20 million sector. In fact the sharp decline in interest rates to a record low of 2.5% sees the best yield versus cost of money spread in a long time. Industrial development is still very slow with very little development occurring. The main reason for this is the high cost of land making projects unfeasible. Modern assets that are leased on good lease terms to strong tenants are attracting strong interest with a number of transactions occurring. Vacancy levels for secondary stock however are increasing with little sales demand for vacant buildings. Yields since the peak have softened by 1% to 1.75% to now sit at 8% to 8.75% for prime properties. Secondary properties have softened much more to sit anywhere between 9% and 11% and above this for specialised or tertiary property. Since the GFC and subsequent diminution in value of industrial property throughout Brisbane, the market recognises the difference between the two resulting in a clear disparity between them.

Although a softening in yields is widely publicised, rentals in the past three years have remained relatively stable for prime property to sit between $100 and $140 per square metre per annum (assuming a standard office to warehouse ratio of between 10% and 20%). Secondary property however, and as expected, has experienced a decrease in rental value in the order of 5% to 10% and now falls between $70 and $95 per square metre per annum. It is this limited growth in rent from prime properties which is a major factor in the lack of new development being feasible.

Vacancy within the Brisbane industrial market is currently sitting at record low levels as steady tenant demand (an alternative to constructing an owner operated facility) continues to operate in a market relatively devoid of new stock. After agents reported a fairly flat 2011, leasing activity in the final quarter of the year caused the vacancy to reduce quite sharply. This remained throughout 2013 for prime stock. This low vacancy is obviously a direct result from the lack of supply with secondary buildings accounting for the vast majority of the vacant space. The south western corridor and the TradeCoast have, it is reported the lowest vacancy rates throughout Brisbane.

While it is estimated there are numerous investors with the funds to acquire property under $5 million, strict fundamentals are now the driver more than ever. Interest over $5 million is returning to the market with strict criteria; quality building, location, tenant / tenancy mix and WALE / lease term needing to provide attractiveness and security to any interested party.

As far as landmark sales are concerned we have seen two sales break the $20 million price bracket on the south side of Brisbane. These two also managed to break the 8% mark. 131 Mica Street, Carole

Commercial

Park achieved $21 million on a sale and leaseback scenario. This property was sold to an investment fund for an analysed yield of 7.67% while 77 Logistics Place, Larapinta was a development deal, also under a sale and leaseback scenario achieving $21.03 million with a passing yield of 7.82%. Both of these sales had lease terms of at least 10 years explaining the firm yields.

In summary the outlook for the industrial market is positive with an increased amount of activity since the federal election. While the a firming in values is not likely, increased activity is sure to encourage more owner-occupiers and investors to re enter the market.

Gold Coast

At the end of 2012 the Gold Coast City Council introduced the Construction Kickstart Stimulus in an attempt to revive the construction industry which has been in the doldrums in the past few years. Essentially this program gave landowners and developers a window of opportunity to save on the cost of transport, recreation facilities and stormwater infrastructure charges, which was a major bone of contention with the approving authorities for many involved in the property industry. However this offer was for a limited period only – a one year period whereby substantial construction must have commenced from October 2012 to April 2013 for a full 100% discount, with a reduction to 50% discount for construction that started between May and September. This incentive programme has ended with the Council announcing that it is unlikely to reintroduce the programme, having given away opportunity revenue to the tune of $32 million. This substantial amount testifies to its success in generating some reported $900 million of investments in construction projects for the city.

Not surprisingly the Yatala Enterprise Area scored one of the highest number of projects that kicked off as a result of the Kickstart initiatives. Not only does this region have the largest supply of industrial sites in the Gold Coast but many national and international companies are attracted to this area due to its strategic location halfway between the Gold Coast and Brisbane and well supported by a good infrastructure, transport network as well as comparatively cheaper land prices.

As reported in our last review, there was a surge in buying of vacant sites as end-users rushed in to take advantage of the window of opportunity. Now that the window has closed, we have noticed a degree of quietness returning to the market as so far as land sales are concerned. The increased land sales succeeded in checking the fall of land prices for the year, bringing a level of stability to the market but could the ending of the Kickstart programme bring back the falling price trend that was experienced in the previous years? The sight of much construction activity going on at the same time may actually provide a false impression of improving market condition and this may have drawn some investors back into the market.

In the last quarter investors have purchased 100 Lahrs Road for $10.055 million and 17 Octal Street for $3.35 million. Both were sold as fully leased premises. The former shows an analysed yield of 8.66% and a rate per square metre of $1,321 on the total floor area of about 7,700 square metres. The latter, which is a sheet metal clad building of 2,555 square metres, was leased to a blue chip company on a very long lease of 16 years. It has a passing yield of 8% and an analysed yield of 7.06% which obviously reflects the lower risk of security in income and shows a floor area rate of $1,311 per square metre.

Another significant sale of a large property is that of 26 Business Street in Access Business Park that was sold with a lease in place for $3.5 million. Our analysis indicates a passing yield of 8.1% and a rate per square metre on gross floor area of $1,300. While $1,300 per square metre appears to be the fair rate at the moment for larger industrial factories, medium size industrial properties are showing up to $1,465 per square metre of lettable area as exhibited by the sale of 52 Commerce Circuit Yatala for $1.55

million in September. This is an improvement over the $1,000 to $1,300 per square metres that the market was showing in 2012 for similar modern style concrete panel factories. The successful sales of these leased properties that were built by developers have encouraged sellers to ask for higher prices reflecting rates of $1,400 and above. Nonetheless, we believed that prospective buyers, especially sitting tenants who have first rights of refusal, still have the upper hand in the negotiation because the pool of investors is not big enough to move the market forward and many owner-occupiers have begun building their own.

The focus for the year has been on the successful sale campaigns of some large industrial properties that receivers and managers have been trying to dispose of in previous years. Amongst them, a 10-factory complex in Stapylton that sold for $10.025 million and a 7.33 hectare property with a part warehouse, part laboratory and separate office building with 6,157 square metres of total lettable floor area that was reportedly sold within the $10 million to $20 million bracket.

In the past few years market prices have been suppressed by the abundance of mortgagee in possession sales but with their number dwindling the opportunities for bargain hunters are declining. However with property being an inelastic commodity, we expect a patchy period of inconsistent market prices before some form of consistency could appear towards the later part of 2014.

Looking back to the beginning of the year, positive market sentiments were stirred up with news about the Gold Coast Rapid Transit infrastructure project moving to major completion and the wind of change that would come from the proposed Gold Coast cruise terminal and the Evandale cultural precinct. While the cruise terminal is going nowhere, the wining designs for the cultural precinct have been announced and the light rail is delayed. A few cranes have appeared in the skyline and works on the Commonwealth Games Village are reported to have started. The health of the Gold Coast industrial market depends a lot on the construction industry and hopes are still alive of an upturn despite the ending of the Kickstart program.

Sunshine Coast

The Sunshine Coast industrial market has had a fairly slow 2013. The main inhibiting factor on the industrial market is the significant level of oversupply of vacant land on the market with over 120 lots currently being marketed for sale.

Industrial land was overdeveloped by both private developers and also the State Government in and around 2008 and despite significant price reductions, this oversupply remains.

Demand for industrial land has traditionally come from the local market and particularly the construction sector, which is supported by the residential housing market. The residential housing market has been significantly slower than during the early to mid 2000's, and until we see significant construction activity within this sector, the industrial market will remain slow.

Some industrial areas will have different drivers moving forward with the Kawana industrial estate likely to begin to see industries and businesses that will support the new Sunshine Coast Hospital.

This will then transfer some demand to other areas and help to diversify the local industrial market.

Over the second half of the year we begun to see some increased sales activity for smaller industrial stratas, which had seen limited demand during 2011 and 2012. This increase in demand is considered as a positive, as it is typically from local owner-occupiers that have confidence in their businesses. This was also facilitated by continued low interest rates.

Quality assets with strong lease covenants are still sought after within the investment market, though are typically tightly held.

Toowoomba
Commercial agents in Toowoomba have reported a solid year with good leasing enquiry for quality industrial premises and good response for sales campaigns from both owner-occupiers and private investors.

The increase in demand combined with relatively limited supply placed upward pressure on rentals, particularly for properties with overhead gantry cranes and the provision of good hardstand areas. Yields have compressed slightly, with most recent sales showing net yields of circa 9%, with some sub 9%.

Despite increasing viability, there was limited new development throughout the year, with most new projects undertaken being for smaller scale owner-occupier properties.

Developed lots within 7SD Business Park in Harristown, which has been under receivership recently sold out, with most buyers being owner-occupiers.

The Wellcamp Airport being developed by Wagners has made good progress through out the year and is anticipated to be operational by mid 2014. The surrounding industrial estate will be developed post the airport becoming operational.

Within the Surat Basin, the market appears to be stabilising, however market leading rentals have been recorded throughout the year, particularly within the Surat Basin Industrial Park at Chinchilla. The new tenants are all national and international companies servicing the energy sector, with local business unlikely to be able to compete on price.

Rockhampton
Generally throughout 2013 activity has slowed and participants in the property markets have become dominated by the owner-occupiers rather than investors.

During 2013 a $16 million extension and renovation occurred of the Woolworths anchored Allenstown Square neighbourhood centre in south Rockhampton. The expanded centre now includes a greater range of tenants including a Jetts Gym, Reject Shop, Australia Post and Woolworths, but is still experiencing some significant vacancies. Construction of Stage 1 of a Woolworths Masters centre located on the Bruce Highway near the University in north Rockhampton was completed earlier this year. The store provides 13,500 square metres of a home improvement store and Stage 2 offers an additional 4,300 square metres of bulky goods retailing space due for completion in the coming months.

We understand one retail centre in the city is currently under contract. This centre is located in south Rockhampton at a price of just over $5 million. A second in north Rockhampton has recently sold just under $3 million. Both are reported to have sold on passing yields over 10% and neither are anchored by a supermarket chain. These contracts indicate the market is looking to differentiate between the better quality properties with stronger tenants and longer WALE's which have sold at 8.5% to 9% yields

A new two storey office building is under construction in the inner city corner of Archer and Bolsover Streets. The building is expected to be completed in early 2014 and is about 66% let to Suncorp. The balance of this building is available for rent at an advertised rate of $320 per square metre net.

Generally the commercial office market during 2013 has been dominated by owner-occupiers looking to take advantage of low interest rates and the few good buys available as investors exit this market. Most of this owner-occupier activity has been in the sub $750,000 market.

2013 has also seen the completion of a multi story motel managed by Quest. Other major projects under construction include the Empire development and the redevelopment of an inner city heritage listed building to a motel and conference centre. Empire, will provide 138 residential units and about 952 square metres of retail and restaurant space on the ground floor. Both Quest and Empire are located on the banks of the Fitzroy River in a precinct that is continuing to grow. We note the Rockhampton Regional Council have recently closed a tender campaign to sell another 3,282 square metre vacant redevelopment site on the river.

Gladstone

The Gladstone industrial market is intrinsically linked to the ongoing activity within the major liquid natural gas (LNG) projects being undertaken in the region. 2013 was a steady year with a number of sales transactions.

The significant slowdown in the residential market due to peak workforce numbers being reached is expected to have an impact on the industrial market however this slowdown on value is yet to be seen.

This slowdown may lead to a softening in investment yields due to the uncertainty and heightened risk in the industrial property market, which may result in erosion in value levels. An increase in vacancy levels is also likely and we have begun to see evidence of this in the later part of 2013.

Mackay

2013 was a relatively slow year for the industrial property market in Mackay, with very little activity.

The slowdown in the Bowen Basin coal industry appears to have softened demand for industrial property in Mackay. Due to the lack of sales in 2013, the impact of this slowdown on value is yet to be seen.

Understandably, sentiment among investors has deteriorated and there has been very little sales activity of established industrial properties and vacant land.

In 2013 we witnessed a number of large tenants with a national presence executing agreements to lease for purpose built facilities across Paget. This represents a positive, long term commitment to the Mackay industrial property market in a period full of uncertainty.

There is some concern as to the volume of industrial land on the market and/or available to be developed. This supply increased throughout 2013 with the completion of Stage 5 of the Industroplex Industrial Estate and Stage 2 of the City Gates Industrial Estate. The market is cautious about this potential oversupply.

Some developers discounted the sale prices of a small number vacant industrial lots in late 2013 to try and increase sales rates in a period of low consumption.

This discounting however was not widespread.

Overall the industrial property market in 2013 was a mixed bag. Low sales volumes and limited interest from investors, was coupled with long term commitments from astute tenants. The market is unlikely to improve while the coal industry remains unstable.

Hervey Bay

The industrial market in general throughout 2013 suffered from increasing vacancy rates and falling rental rates. Opportunistic investors and owner-occupiers appear to be the most active at present in the sub $750,000 market. Although limited evidence, yields appear to have softened over the past six months achieving yields in the 8.5% to 10% range. The stronger yields are generally for sub $500,000 property which suit a broader buyer profile.

A high level of supply remains for both sale and leasing product with limited demand indicating a strong buyers market with good opportunities across all asset and value levels.

Positive aspects which could influence the market over the next year is the push by Fraser Coast Opportunities for a fly-in-fly-out, Aviation Industry nd Employment Precinct; the Mary River Marine Industry and Employment Precinct and the Fraser Coast Sport and Recreation Event Precinct. Development of these initiatives could help stimulate much needed confidence back into our local industry. Other influences to support growth of Hervey Bay is the current expansion of Stockland Hervey Bay Shopping Centre and construction of a 96 bed Private Hospital.

Townsville

Investment

Sales of developed industrial properties have remained flat over the past year. The market is continuing to build in confidence, and there are buyers around actively looking for property, however are slow to commit in the current market environment. The majority of sales appear to be sub $750,000, and whilst there have been a slight increase in activity in the $3 million to $5 million range; sales are infrequent above this mark. Demand over the past year has stemmed from a broad range of businesses including those engaged in logistics, manufacturing and services.

The current owner-occupier market is around the $600,000 to $750,000 price bracket, with small scale investor product priced from around $1 million. Industrial property priced outside of the owner occupier range and below the investor price band (i.e. $750,000 to $1 million) is the market currently experiencing the most volatility particularly when being offered to the market in vacant possession.

Average yields for mainstream industrial property are nudging down due to the reduced frequency of stressed sales, but are still mostly analysing within the 8% to 9% range. Even though sales to investors remain thin, properties with good tenant and lease profiles are in reasonable demand.

Leasing

Activity within the rental market remains patchy with prospective tenants still hesitant. Activity that is occurring is primarily from tenants tending toward prime grade stock over secondary grade stock due to the cost value of money. Vacancy rates are considered low-medium and have remained unchanged over the past 12 months with prime grade gross rents for warehouses ranging from $120 to $160 per square metre. Secondary grade gross face rents range from $60 to $120 per square metre.

Industrial Land

The market for industrial land (covering both new/ developer land sales as well as re-sales) can at best be described as patchy. Reduced cash flow and an oversupply of developed vacant land are largely contributing to the general lack of demand and reduction in values. Values of vacant land appear to have stabilised at about the $130 to $160 per square metre mark. This is a significant decline from the peak of the market when sales reflected rates of $250 per square metre for similar sized lots – a drop of approximately 40% to 50%.

There was a paucity of new developer industrial land sales during the latest quarter resulting in little change in the quantum of developer industrial lots available. Owner-occupiers continue to drive the market for smaller lots (sub 2,500 square metres) whereas demand for larger lots is primarily driven by larger tenants and owner-occupiers that have specific operational requirements. However, larger lots are generally a more volatile sector given the expense in developing such sites with large buildings and or the significance of associated site improvements.

Cairns

The industrial sector in Cairns is relatively small with areas close to the CBD showing the stronger demand. The status quo has remained so far this year with the market having come back from its peak of early 2008. There has been a slowing in the rate of sales and yields have eased back by about 10% to 15% from the record low levels observed at that time. We believe yields for industrial premises at present analyse in the 8% to 9% range, from the 6.75% to 7.25% range evident at the market peak, though well leased investments to national tenants will still show sub 8%. Commercial agents advise limited availability of good quality stand alone warehouse stock with reasonable demand for these types of premises. Strata titled industrial warehouses are also limited in numbers to both sell and lease.

Industrial land is more than adequately supplied with about 30 lots available in the state government subdivision at Woree, albeit they are at ambitious asking prices. In addition these lots are sized from 2,000 to 3,000 square metres, larger than the typical small owner-occupier requires which is more in the 1,000 square metre range.

Due to the downturn in the local economy and reduced demand from tenants and purchasers, rents reduced after the GFC but have recently begun to claw back some lost ground as the economy has slowly improved.

There is limited quality investment stock available for purchase in the Cairns market. This will tend to support values over the short to medium term. The outlook for the next 12 months should see the market tighten as little new stock has been brought onto the market. A recovery in the vacant industrial land market in Cairns may depend upon a more widespread recovery in the local economy which appears to be underway.

Northern Territory

Darwin

In many ways 2013 will go down as a year of frustration and indecision for the Darwin industrial property market. The year started with the promise of renewed activity due to expected demands for accommodation generated from oil and gas projects. On the whole this demand did not materialise to the extent that was hoped.

It is fair to say that many locals have been frozen out of the supply chain for Inpex. Many smaller local firms have not been able to fulfil the strict accreditation requirements for projects such as Inpex and have therefore not ramped up their productive capacity by way of larger premises.

These larger contracts are being won by national firms. At this stage many of these have not secured their Darwin accommodation requirements and will no doubt attempt to carry out as much work as possible from interstate.

The situation cannot really be blamed on the industrial land supply. At present there is more choice in industrial estates around Darwin than at any other recent time. The advent of Berrimah Business Park, as well as land availability at Wishart Business Park, City Heights and Hidden Valley has meant that developers have had a wider range of choice than before.

Generally speaking there has been limited change in the past 12 months in either capital values or rents in this market segment.

The residential property market benefited considerably through 2013 from the demand for accommodation from oil and gas projects. Conversely the commercial office market remained in the doldrums, mainly due to other factors. The story for the industrial property market in 2013 lies somewhere in between these two.

Western Australia

Perth

The State's resource sector activity softened in 2013 as a result of a continuation of global uncertainty and thus vacancy levels in the Perth industrial market rose with 50% more space being marketed (an extra 100,000 square metres) as at October 2013,in comparison to the same time last year.

Following on, development activity in the industrial sector is limited to pre-committed space with very few, large scale (>2,500 square metres) speculative builds evident in the market. Small scale developments (strata units and developments up to 1,000 square metres) are still occurring, especially within Wangara and Bibra Lake. The end product at the lower end, those strata units circa 200 square metres are being taken up by owner occupiers who are able to out-bid the investor sector.

The majority of the pre-committed space comes from the logistic market and thus, Kewdale, Welshpool and Hazelmere are the locations where design and construct activity is most prevalent, given their proximity to major transport infrastructure, which includes rail and highways and Perth Airport.

Roy Hill Mining's new remote operations centre is complete. The circa 9,500 square metre office and control building is situated on leasehold land at Perth Airport, in close proximity to the proposed new $350 million dollar combined international and domestic terminal building. The Coxon Group, one of Perth's major industrial players have secured a 20 year lease in a deal which not many players in the market could contemplate, given its complexity and level of value.

On the investment front, activity has been down over the past six months. The most recent and significant transaction was the sale of Charter Hall's, Core Plus Industrial Fund for $70.5 million in October. The property, situated at 2 Bannister Road, Canning Vale is a 8.3 hectare building complex, situated on 16.2 hectares of land. The property is as a distribution centre for Coles. The sale reflected a core market yield of 9.5%, which reflects the relatively short WALE of 3 years and the risk associated with finding a large enough tenant to take on such a massive scale building, which is difficult to sub-divide into smaller space.

Owner-occupiers continue to drive the smaller industrial property market, taking advantage of low interest rates, generally good business conditions and a steady supply of stock entering the market.

For investors, core yields remained stable during 2013 with average prime yields from 7.50% to 8.50% generally for property in the sub $10 million bracket. Secondary yields are between 8.75% and 10%.

Industrial rents remained largely unchanged during 2013. Prime average rents are circa $110 per square metre and in secondary industrial locations, the average rents are circa $90 per square metre.

South West WA

Overall market conditions are considered weak for industrial property in the south west of Western Australia. With limited demand, due to low purchaser confidence as investors and business operators face financial constraints and continue to be concerned over the state of the economy.

The slowdown in the construction phase of the mining boom has seen a downturn in larger industrial building activity in the Perth industrial market. It is anticipated that this is likely to have a flow on effect on the local industrial markets. There are some indications that industrial building activity within the south west industrial markets has begun to slow slightly in the past six months and land values have also fallen slightly based on recent land sales.

Demand for industrial rental properties is also considered to have decreased slightly, based on discussions with agents active in the market. There is a reasonable stock of industrial properties currently for lease and as a result extended letting up periods could be expected.

While the market appears at the bottom of its cycle, and prices have generally stabilised, it still remains a buyer's market. There has been only a small volume of sales transactions in 2013, a number of which were mortgagee sales at below market value. This created a false downward trend in values. Buyers appear more willing to bide their time and wait for a bargain.

Residential

HERRON TODD WHITE RESIDENTIAL

Overview

The big capitals couldn't have wished for a better property market present than the past few months. There have been some staggering results in terms of auction clearances and final bids. The turnaround hasn't been a national affair however. Different areas, and the various markets that operate within those locations, all set their own course. It takes a bit of market know-how to read the chart – luckily we're here with the answers.

Sydney

It is times like these that you wish you had the property market 'crystal ball'. The combination of historically low interest rates, very limited stock on the market and increased confidence in the economy has been the catalyst for the growth in the Sydney market for 2013.

When we look back at February and our predictions for the year ahead, we certainly didn't predict such strong growth. We did expect market conditions to improve under the $1 million dollar price point after a lackluster 2012 but we didn't expect the 1% to 15% growth that we have experienced. This rang true across an unpredicted number of Sydney suburbs.

We did foresee the $1 million to $1.5 million price point showing small growth throughout 2013 especially in relation to the traditional well regarded suburbs of the inner west, eastern, northern and southern suburbs. Results really did exceed our prediction though with extremely strong market activity and prices increasing in this price bracket. Again this was evident across all Sydney metropolitan suburbs.

The $1.5 million up to $3 million price bracket has seen increased activity, and although not booming like the lower end of the market, it has improved more than we had predicted. Lower North Shore suburbs such as Mosman and Cremorne have finally seen the market turn after a very weak period in 2012. This is also true in the eastern suburbs which had also experienced a less than impressive 2012.

We mentioned the suburbs of Waterloo and Zetland, comprising newly developed, high density unit development in our February commentary. Our prediction for 2013 of moderate growth was understated. Like all other properties in this price bracket unit sales have gone from strength to strength. We have seen developers increasing new unit prices on a weekly basis due to the demand, with the result being some extremely high prices (not all supportable I might add). Demand has been increasing steadily from the local investor market with stronger demand coming from overseas investors.

Our predictions for 2013 were for steady growth throughout the low to mid end of the market with

limited growth throughout the top end of the market in greater western Sydney. Our predictions were mostly in line with what unfolded.

We also mentioned that there would be continued interest in the house and land package sector. This is still the case with the Lakeside release within The Ponds in the north west growth corridor having people camping out to secure a spot. In August the Gabriels Run release within Gledswood Hills in the south west growth centre sold 90% of land within the opening weekend.

Some areas that surprised us with high sale prices and short marketing periods were Castle Hill, North Rocks and Carlingford, in Sydney's Hills region. These suburbs are popular with families as they possess quality schools, quiet neighborhoods and close proximity to shopping and transport hubs. Local agents report strong demand with limited stock across all property sectors including units and prestige homes within these regions with Castle Hill in particular benefitting from the commencement of the long awaited north west rail link.

As a whole the prestige residential market (generally considered to be those properties over $3 million Sydney metro wide) is considered to have remained relatively weak during the early part of 2013.

Forces including an under performing equities market, continuing instability in global economic conditions, and low levels of business and consumer confidence generally prevented any significant increase in market confidence in this sector.

However traditional prestige residential localities across the Sydney metropolitan area have generally shown an increase in transaction activity and early signs of emerging confidence during mid to late 2013.

We would consider this is reflective of a general perception that the bottom of this market has been reached, combined with improvements in the share market, the implementation of the Significant Investor Visa, and cheaper Australian dollar.

While we note the official cash interest rate was reduced to 2.5% in August 2013, being a new record low, having stimulated significant activity and growth in lower residential market value ranges, we consider interest movements have reduced impact upon prestige residential market performance.

Sales of note in the top end of the prestige residential market during 2013 include –

Altona – sold during March for $52 million. The 8-bedroom, 7-bathroom Point Piper harbour front home, with expansive harbour, Harbour Bridge, Opera House, and City Skyline views, and extensive waterfront facilities, previously sold in 2002 for $28 million, a Sydney residential record at that time.

"Bang and Olufsen House" – sold during July for $33.5 million. The Point Piper harbour front home dubbed "Bang and Olufsen House" due to a design resembling a hi-fi sound system, comprises 5-bedrooms, and previously sold in 2006 for $24 million.

Additional reported high-end sales include a substantial semi-modern Darling Point harbour front estate for around $30 million, a Bellevue Hill non-water front estate for around $30 million, and a Rose Bay harbour front reserve home for low $30 million.

Overall the surprise for 2013 was the size of the growth across Sydney. While interest rates and stock levels had been low for a number of months prior we were not expecting the size of the growth. RPData notes that houses and units in Sydney have enjoyed a rise of 11.4% in the median value in the past 12 months.

In conclusion we under-estimated the strength of the 2013 metropolitan Sydney property market. We were not the only one, with selling agents and owners alike very surprised at the growth we have experienced. The most interesting aspect is that this strength was experienced across all Sydney suburbs, not just limited to certain areas. If only we had that crystal ball.

Canberra

Throughout 2013 the market has continued to trend at a relatively steady pace. A reduction in interest rates earlier in the year spurred some activity in the market before the federal election and change of leadership stabilised market sentiment.

As expected supply in the last year has remained strong with developments such as Molonglo Valley in Woden/Weston and Springbank Rise introducing new stock on to the market.

This new supply has been met with stable demand, with buyers opting for new, quality properties over older or more unique properties.

New unit developments that have been completed throughout Canberra in 2013 include Altitude, Manhattan on the Park, The Astin Apartments, Eclipse, Vista and Centro and have had a significant impact on the unit market, particularly that of older developments. As expected capital growth in the unit market has remained limited, with primary growth in the market seen through properties located in more established, quality locales.

This increased supply across Canberra has impacted on the rental market. As predicted we have seen rental prices become very competitive, particularly in the unit market which has seen the greatest increases in stock over the year.

Overall 2013 has been a year of stable growth in particular market segments, with the unit market feeling some effects brought on by strong supply levels. As predicted this has been due to the conservative nature of the federal election and quality new and established stock being favoured over outliers in the market, which have seen little to no growth and have generally held their prices.

South East NSW

Illawarra

2013 has seen the Illawarra property market exceed most expectations. Strong sales activity and limited property new supply has resulted in some near record auction results and sale prices. The increased confidence in the market has been aided by continued low interest rates and with the federal election out of the way, investors are moving back into the market.

At the start of the year we tipped the market would recover from the slow year that was experienced during 2012. However we could not have predicted just how well the market would perform in 2013. We indicated that the federal election would dampen the market, as it has in the past, however this did not eventuate and the market activity continued without abatement.

Land sales in Shell Cove, Flinders and Brooks Reach Horsley have continued to increase both in terms of volumes cleared and prices.

Unit sales in the Wollongong CBD area have also remained strong with units selling off the plan in new developments, something we haven't seen in a few years.

The upper end of the market (properties over $1 million) has also showed some activity with many properties selling at, if not above asking/reserve prices. We thought that the unstable employment climate in the Illawarra might create some caution in the property sector. Although this continues to be a concern, particularly in regard to the manufacturing and mining sectors, it appears not to have (as yet) impacted the market.

Again we predicted at the start of the year that developers would come back into the market and start developments that were previously shelved. This has occurred, with most developments achieving good pre-sales.

Auction results have been very positive with a high turnover rate and many selling on auction day. Given the current buoyant state in the Illawarra market, with prices rising in a few weeks, auction is currently the preferred sales regime. Agents have also advised that properties previously on the market without success during late 2012 are now selling in 2013 at close to asking price.

Overall the performance of the Illawarra property market has been very strong in 2013. Confidence is high with not only owner-occupiers but also and

most importantly, investors driving the market. Unfortunately first home owners appear to be chasing their tails, with developers and investors more than taking up the running in the market, particularly in the inner ring.

Some pundits are recognising an old trend.

With the very strong Sydney market during 2013, there has been upwards pressure on the Illawarra market.

A combination of factors, lower price point, enviable coastal lifestyle, combined with improving local amenity and relatively short commute to Sydney, is luring many to the Illawarra region. This has been seen before and we generally lock in for a wild ride when Sydney booms. Where it will stop is difficult to predict.

Southern Highlands

After a period of reporting steady and in some cases declining prices over 18 to 24 months it is pleasing to note that the lower end of the Southern Highlands market has started to increase over the past several months. Local real estate agents have confirmed that the enquiry rate is definitely up, auction clearance rates are on the increase and many properties that have sat on the market for awhile have mostly been sold. Unfortunately there is a lack of stock! (properties to sell).

An interesting trend has been the re-emergence of investors and a decline in first home buyer activity. The middle to upper end of the market has been steady, however with renewed interest from buyers. Selling periods have shortened somewhat.

From our predictions earlier in the year, that the market had been steady to weakening and we had hoped that there would be a turnaround, we are pleased to report that this is happening. Major factors in this revival are affordability, lifestyle, low interest rates and the federal election now behind us.

Southern Tablelands

After experiencing good growth from 2009 to 2012, the regional city of Goulburn saw a stabilising period in early to mid 2013. Our prediction was that this trend would continue for the whole of 2013. We are please to report that we are wrong on this prediction.

The Goulburn market has also seen another increase in prices. As the Canberra market declined, the Canberra buyer withdrew from the Goulburn market and was replaced by investors. First and second home buyer activity is still strong in Goulburn. Retirees are also very active buyers.

The Crookwell market had experienced some growth in recent years and remains steady.

We consider the rural residential property market weakened slightly over the last year or so and remains steady.

Newcastle

How did we go with our prediction column of earlier this year? Lets cherry pick the relevant parts and rate our performance.

"Should this sense of calm continue into 2013 and interest rates continue to remain low, we should expect to see consistent activity across most market segments. This has been particularly apparent at the top and bottom ends of the market."

Well interest rates did remain low and growth in and around Newcastle generally has been nothing short of spectacular. This is tempered with demand side issues in the Hunter Valley that rely on a flagging mining sector for jobs and growth.

"The beach side suburbs of Merewether, Bar Beach and The Hill are traditionally regarded as the prestige suburbs of Newcastle and in the last 12 months have had several sales over the $2 million mark."

Big tick with this one and further we report that this year alone these suburbs have seen five (5) sales over $3 million against zero in 2012 (two of these have exchanged but as yet have not settled). This highlights the strength at the upper end of the market with clear evidence that buyers are in place and willing to pay $3 million plus. It is also interesting to note that there is one property presently on the market for $4.95 million although it has yet to sell.

"At the other end of the market positive signs have been observed. Suburbs which have traditionally been regarded as the bargain locations have shown solid activity and an overall increase in achieved sale prices ... while cheap properties are still available in these areas, it is now not possible to find properties for under $200,000 where once it was common."

This definitely remains true with entry level prices creeping steadily higher. It could be said that it's now difficult to find a full house and land product in Newcastle and surroundings for less than $225,000. Anything below that would be considered a knockdown rebuild scenario. We are aware that there are generally exceptions to the rule but we are generalising here. It's also worth noting that rental returns at this bottom level of the market are also reasonably robust.

"Similarly, Mayfield has also appreciated and is showing signs of gentrification. Once another bargain suburb, Mayfield has benefited by being ringed by the more prestigious suburbs of Waratah, Georgetown and Tighes Hill. Where it was once possible to buy in to Mayfield for under $300,000, these opportunities are drying up".

Like the previous paragraphs the prices achieved should now read north of $350,000 with properties available under this level likely compromised in some way. The lower to mid price points in Newcastle over the past 12 months have been a success story from an increasing price point of view.

"Further up the Hunter Valley there continues to be large amounts of land released in new subdivisions such as Aberglasslyn, Rutherford, Gillieston Heights and Cliftleigh. However we have had recent reports from local agents in the area that the rental market is softening... there has been no major dip in the market to date, but should the demand for Hunter coal diminish, there could be significant repercussions to this part of the market."

This one we are most proud of in the office (from a pride in our profession point of view, not from the perspective of wanting any market to struggle). We picked it early and the downward trajectory of the rental market has been severe and seems to have caught many people off guard. Readers of past columns will realizse where we are coming from and this won't come as any surprise to them. At last count the rental market had reduced by up to $70 per week in some instances with many properties currently available for lease and sale.

"On the other hand, a major bypass road from the Sydney-Newcastle Freeway to Branxton (east of Singleton) is expected to be completed by the end of 2013 and this may have a significant impact on the townships between Newcastle and Singleton."

This one is still a work in progress as it is still scheduled to open this year, but as yet hasn't, what has happened is that many workers have already finished up and this has contributed to a weakening of demand for property in the locality.

"Returning to the Newcastle CBD, apartments at this location should perform well over the next twelve months."

Again this one was an easy prediction to make and like the other properties in Newcastle this one is true. Growth has been steady and uptake of existing stock has been strong with resale's showing some growth.

So overall a pretty solid year from the Newcastle office on predicting what was to happen. We however feel that the prediction column for 2013 will be much more difficult to predict. Stay tuned.

NSW Mid North Coast

Well 2013 is nearing its end and finally we are starting to see some optimism in the residential market throughout some sectors along the mid north coast.

The year started slowly with low sales and values through most market segments. However over the past three months we have finally begun to see some increases in both sales and values in some segments of the market.

Sale rates and to a lesser extent values, have started to increase for the low to medium price range properties with agents now reporting a lack of stock to sell.

Builders are reporting increasing demand for new dwellings and we have noticed the residential estates in coastal towns (especially Port Macquarie and Harrington) are starting to show significant increases in dwellings under construction. Other coastal villages are currently hampered by a lack of new vacant land available, although we have noticed some new estates beginning to be developed and existing estates opening up new stages.

As mentioned in previous reports, after little progress during the past three years the Sovereign Hills Estate located west of Port Macquarie and which will eventually become an entire new township, is finally starting to develop this year. Work is now underway on the second stage, with new dwellings starting construction. The renewed interest has been helped by the recent development of a display village and from government incentives/rebates for land purchases.

Unfortunately at the upper end of the residential market values have continued to remain at best static and extended selling periods still the norm.

In review, 2013 has seen the residential market starting to firm in the latter stages of the year with higher selling rates, both by private treaty and at auction for the lower and medium market segments, with only the higher prestige properties remaining weak.

We wish you a very Merry Christmas and hopefully a prosperous 2014 from all the staff at our Port Macquarie and Taree offices.

Central NSW

What a year it has been for us here on the Central Coast of New South Wales. In previous times, "the Coast" was a place for retirees and holidays. While there are still a few wonky hips and visitors in their new holiday clothes to be seen, the coast has certainly progressed. With each passing year we see a new dynamic settling in.

Aside from being well informed throughout the year, our regular readers and subscribers get the chance at the end of each year to see how we fared in our early predictions. It's also a good chance for us to assess ourselves.

At the beginning of 2013 we put our heads together and came up with predictions for the year ahead; some we think were safe while others we a bit bold. Let's see how we went.

We said;

"There will be an increase in new home starts toward the middle and second half of the year".

Although new home starts were present and according to the ABS rising over previous reporting periods, the numbers didn't reach the level we were thinking. Setting aside the normal disruptions that can affect the residential home building industry, we have to be honest and say - FAIL.

"Continued stability in the sub $400,000 market as the perceived return of consumer confidence returns".

The first half of the year lived up to our expectations and the market was going exactly where we thought it would. RPData indicates that March, April and May were particularly strong in the Gosford LGA and appearing to rise more in the latter half of the year in the Wyong LGA. It will be interesting to see the results of the last quarter, because from our perspective things went berserk and this end of the market soared.

I think we got this one mostly one right - PASS

"Rental returns and vacancy levels have been stable for several years now and real estate agents are seeing more investors return to the market. This should lead to a strengthening of the investment market, particularly in the sub $400,000 market segment".

Happy with these comments - PASS

"An increase in $500,000 plus market segment. If consumer confidence returns, the pent up demand for something bigger and better should see the $1.5 million market gain some momentum in the latter part of the year".

Yes and yes to both parts of these comments, particularly toward the end of the year on the back of the price surge seen in the sub $400,000 market - PASS

"The renovation and extensions market didn't increase as much as we thought in 2012, but we are seeing signs of increased activity here and 2013 might be the year of the renovator".

Much the same as our comments for new home starts, not what we expected - FAIL

"We have received increased enquiry from developers for units, townhouses and villa sites and this might translate into some new activity in 2013. We have previously noted that approvals for new units were substantial in 2011 and we only hope they don't all commence at the same time."

We have seen the property development market making a return through the year. Numerous development site sales have been recorded and values are on the rise at the cheaper end of this segment - PASS

We tipped the markets at Umina Beach/Woy Woy and the Warnervale release area which includes Hamlyn Terrace, Woongarrah, Warnervale and Wadalba would be busy and got this right. These areas are seeing a lot of activity, particularly in the sub $500,000 market and provide very good buying.

Our comments on Avoca Beach being the dark horse in the local market didn't eventuate. While property sales strolled across the line, it was hardly a contest and we'll just have to revisit this one next year.

Country NSW

As we reflect on the 2013 residential property market, we have seen a lift occur in the later part of the year.

Up until the federal election in September the market was static in terms of sales activity. Values had also been flat or continuing to decline in some areas.

Then like a horse bolting the agents reported very strong enquiry from mostly out of town investors who are buying any income producing property. Some are purchasing multiple properties such as blocks of flats, units and dwellings, and ranging in value from $160,000 to $400,000.

There are some purchasers/investors buying sight unseen, solely relying on internet information. These buyers are deciding to buy and presenting offers based on a rate of return of around 6% or more. At this stage there has been no noticeable lift in overall market values. This is likely to occur while demand is strong and once the available property stock is depleted.

Victoria

Melbourne

The Melbourne property market, in line with expectations, has experienced overall steady growth throughout the year.

Melbourne continues to recover and has reached a new median house price peak of $595,500 for the September quarter in contrast to $518,500 for the same period last year, indicating an annual increase of 14.9%. The house price index for Melbourne also shows steady recovery rising by 4.7%.

The combination of the RBA's decision to keep interest rates low, continued strong immigration and international investment has contributed to increased sales activity for the year. The market has also benefited from increased demand from self managed super funds and small movements in the return of the first home buyer market.

With building activity being in decline since the last quarter of 2012 this year has proven to show a steady recovery with increased number of building approvals having a seasonally increased trend of 18%.

Consumer uncertainty this year has been mainly driven by the unemployment rate increasing by 1.2%, downturn in the manufacturing industry with major car manufacturer Ford announcing its production plant closures in Broadmeadows and Geelong, and the potential policy changes as a result of the September federal election. Despite the effects of consumer uncertainty the rate of annual housing finance experienced 11.5% growth over the same period last year.

(Source: Domain.com.au)

Auction clearance rates have demonstrated strong demand with clearance rates at 72% year to date and 'Super Saturdays' resulting with the majority of properties selling at auction with only 16% passed in compared with 26% last year. This has indicated a market with high demand in line with growth predictions.

Inner city suburbs of Melbourne were predicted to perform well throughout 2013 with buyer activity on the increase with Brunswick and St Kilda expected to perform well. The Brunswick house market has performed well with steady growth while units have remained flat. St Kilda however, has not performed in line with expectations, demonstrating a flat market with no marked increases. The prestige market was expected to perform well, and in line with expectations. Suburbs showing strong growth include Balwyn, Balwyn North, Brighton East and Ascot Vale.

Footscray has continued to consistently demonstrate strong growth recording a 12.6% increase in the median house price for the September quarter. This has mainly been attributed by the redevelopment and increased infrastructure within the area. The biggest growth experienced this year has been within the $700,000 to $1 million price bracket which has seen third time home buyers upgrading into bigger homes.

(Source: http://wsmmelbourne.blogspot.com.au)

Residential

Ballarat

The year 2013 has displayed steady but low volumes of sales in the Ballarat region with signs of optimism from buyers and investors in recent months on the back of low interest rates. The area of greatest activity and hype in the Ballarat region in 2013 has been the new Western Growth Precinct with Ballarat's newest suburb of Lucas being formed from what used to be a vacant paddock. A significant amount of building in this area has seen the first seven stages of the Lucas development opened and over 200 blocks sold. The Lucas commercial precinct opened in September with a Safeway, Pharmacy, Bakers Delight and number of other specialty shops commencing trade. Development in this area is expected to continue as the suburb begins to become more established.

Traditionally low volumes of sales within the greater Ballarat region has seen selling periods for properties asking over $400,000 increase slightly throughout the year. The most commonly traded properties remain those in the $200,000 to $300,000 price bracket with some signs of growth in sections of this market segment. Poorly presented properties remain difficult to sell and investors are on the hunt for bargain prices or motivated vendors. Agents report a significant increase in buyer interest since the federal election but buyers remain cautious and values remain stable.

Bendigo

With regional unemployment remaining below the national average, historically low mortgage interest rates, continuing strong population growth within the region and optimism about the economic flow on effects of the $630 million Bendigo hospital project, the residential property market continues to perform well. Well located and priced properties are enjoying short selling periods and strong interest, particularly in the CBD fringe areas such as North Bendigo, Flora Hill, Kennington and Quarry Hill. Residential land sales to owner-occupiers have picked up, with new residential estates such as Rubicon Rise at Jackass Flat and Marong Links showing strong sale rates. However sales of house and land packages to investors have slowed, which has seen supply of rentals decline as the supply which hit the market earlier in 2013 has been gradually absorbed with fewer completions coming online.

Work is slowly progressing on plans to clean up central Bendigo's biggest bomb site, the former Gillies Pie Factory on Garsed Street. The subject of ongoing vandalism in recent years, significant amounts of asbestos have been removed from the site, with stage two of the cleanup about to commence. The owners of the site are working with the council and e+ Architecture to complete a residential and commercial development on the site.

Murray Riverina

A review of commentary from the start of the year shows that activity in the lower end of the market ($275,000 to $350,000) was strong leading into the start of 2013. This activity carried into the 2013 calendar year and grew to incorporate properties of higher value ($500,000 to $600,000). In combination with ongoing low interest rates, a change of government and a relatively stable global economy it appears as though the local market has firmed with a substantial volume of stock being snapped up in the 2013 year leaving many agents scrambling to find listings. The unit market has been fair with limited potential for demand to outstrip supply given the number of builders who can put together developments at relatively low cost on the basis that they are constructed during down time from building private dwellings.

Queensland

Brisbane

Brisbane looked set to be a very flat performer through the first half of this year. While no one was concerned about a fall in market performance, we still appeared to be treading water. It has been a slow slog since 2008 with the January 2011 flood knocking the wind out of the markets sail. For 2013, we had hoped to see some improvement, but January to June showed only a mild heartbeat.

Post June, there was a change in the wind. The beat has been growing stronger. While we have been watching some wild times in Sydney and Melbourne with their high auction clearance rates punctuated by high bidders exceeding vendor reserves by tens of thousands of dollars, Brisbane has remained confidently cool. Our team reports no galloping price gains, but sale volumes are up and buyers are competing. Most agents you engaged for a chat in October and November were lamenting the lack of available stock, with more than a couple finding it hard to keep the listings book topped up.

So what of our calls from back in February this year? Well we're pretty pleased with our opening paragraph which states there's promise for 2013, but the chance of gallivanting growth is thin. Spot on Herron Todd White Brisbane! There continued to be interest in the market but it was waiting for something big to happen.

We also predicted a general improvement in sale volumes but limited dollar gains which, once again, showed pretty good foresight on our part.

Our final February 2013 sentence reads:

"Prices have stagnated for close on six years now and things have never really felt so affordable, but it's going to take some sort of stimulation to rev the engine."

It seems that in Brisbane, the catalyst was the continued low interest rates and a convincing Federal Election result. Since we installed the new government, most of the action has been taking place with quality stock the first to move - another one of our predictions to come in on the money. Good quality stock close to the city has been the stuff to sell fastest with inner suburbs showing great promise. Even the semi-prestige to prestige end has been well represented with $1 million dollar homes in areas like Paddington and New Farm well and truly finding interested parties. The middle ring suburbs have been firing pretty well at the end of this year too. Once again, no galloping capital gains, but certainly plenty of attendances at auctions and open homes.

Our pebble-in-the-pond market means the outer suburbs are still to get in one the action. While those areas with good services and facilities saw steady sales, no one is falling over themselves just yet.

Perhaps this is something we'll be addressing again in 12-months' time.

We at Herron Todd White Brisbane would like to extend our warmest holiday wishes to all our clients and Month In Review readers. Have a safe and wonderful festive season.

Ipswich

Three words to describe the Ipswich property market over the past three years would be depressive, subdued and potential.

Anyone who has purchased a property in the past five years will be saying it's it's depressive. Chances are, their property value has gone backwards. Investors will be saying the market is subdued. While more astute investors will be saying the market has potential. So, what has actually happened in 2013?

In February this year, we made the following predictions for the year ahead:

- 2011 flood affected properties to be more accepted in the market.
- Prices to remain stable for the year.
- Springfield rail line to have a positive impact on the market.
- Increased confidence in the market.
- Sales volumes to increase.
- Values expected to plateau with increases unlikely.

The properties that were affected by the 2011 floods have now been accepted back into the market. The majority of these properties are being purchased by investors as they are showing high rental returns, strong yields and great potential for future capital growth.

In general prices have remained stable. However in the latter part of the year we have seen signs of slight price increases. This is due to a higher demand and an increase in buyer confidence.

The Springfield rail line opens in early December and is still expected to have a positive impact on the market.

There has been an increased sign of confidence in the market. This is evidenced by increased demand and competition for good quality property and significantly shorter selling periods.

While it was unlikely, we are now seeing very slight increases in values in the market. This of course is a very welcome change after a long period of regression.

It appears that the market is no longer subdued or depressed and we are through the bottom of the property cycle.

In 2013 we have seen an increase in buyer confidence, demand for properties, shorter selling periods and in some circumstances, buyers paying above list price for higher demand properties. If all this continues 2014 should be a great year for the Ipswich property market.

Gold Coast and Tweed Heads

It seems that the south east corner of Queensland has shown promising signs of a recovery over the past 12 months, and in particular the last three months. Sale volumes are up and the lower sector of the market is pushing through as home owners upgrade through the market segments.

Southern Gold Coast/Tweed

In hindsight (isn't that a wonderful thing), 2013 proved to be a better year than the majority of us thought, in terms of improvement in value levels for the majority of the residential real estate market.

Comments made in the February 2013 MIR, included;

"The latter half of 2012 saw the volume of properties on the market reduced as well as selling periods which has helped to stabilise values. There is plenty of demand for residential dwellings in the sub $500,000 bracket, and great opportunities for those looking to upgrade and capitalise on losses on the sub $1 million waterfront market".

And that "2013 will be a better year than 2012 for residential real estate" on the southern Gold Coast and Tweed Coast. The concluding theme at the start of the year was that the market had 'bottomed out' and could not be worse than 2012".

By February 2013 there were already positive signs that 2013 would be an improvement on 2012.

As it is now towards the end of 2013, we can look back and see that it was quite a good year as compared to the previous decline in values since the GFC, mainly attributable to lower interest rates and improved confidence levels both on a macro and micro level.

> There has been an improvement in value levels across most sectors from 1-bedroom units to prestige properties up to 10%.

Less desirable properties are mostly selling in less time; however there has generally not been an improvement in value levels.

A fully renovated/extended dwelling on a dry block at Burleigh Waters is reportedly currently under contract for $990,000. The same property last sold in August 2012 for $922,000 with minimal improvements undertaken since last sold.

A 2-bedroom duplex unit at Palm Beach is reportedly under contract for $320,000. Most comparable units were selling late last year and earlier this year between $270,000 and $300,000.

The lower end of the market remains most active with the majority of sales occurring in the under $500,000 price bracket. There has been an improvement in values for well-located house properties in central locations up to $1 million.

With interest rates at record low levels, and other favourable factors such as the strength of the capital city markets, and infrastructure/building works projected for the Gold Coast, the general consensus is that the market can only improve from this point.

Gold Coast Central

Following on in the same theme, 2013 has been a complete turnaround in the central areas of the Gold Coast, with price increases across all property types (vacant land, units and houses) and a substantial increase in sales volumes in the second half of the year. This has been caused by the reduction of interest rates, shortage of stock and government leadership change. Properties that are priced right have now been receiving multiple offers within the first week of being on the market. For example 5 St Andrews Avenue, Surfers Paradise (pictured below) was on the market for a week before it sold for $675,000 which was $25,000 above the asking price; the property received six offers before it sold. Potential buyers are now missing out on a few properties and are now finding a property they like and are submitting offers close to the asking price or even the exact asking price.

Figure 1 5 St Andrews Avenue Surfers Paradise

In Pacific Pines a substantial price increase was seen in a matter of months. For example 19 Barradeen Circuit (in picture bottom left) sold for $462,500 in April 2013 and 21 Barradeen Circuit sold for $485,000 in July 2013. Both houses are very similar, being the same size and both having pools on the same street.

Figure 2 19 Barradeen Circuit

Figure 3 21 Barradeen Circuit

The unit market has seen less of an increase in demand compared to houses, although we started to see more investors entering the market again for units in Surfers Paradise, Broadbeach and Mermaid beach under $500,000.

Northern Corridor
It seems like a bit of a trend, as the market conditions have shown a marked improvement on the northern corridor with sales agents reporting decreases in time on the market and a slight upward pressure on prices.

Whereas in 2012, where there was an oversupply of stock, 2013 has seen the opposite occur with many agents reporting a shortage of stock. The majority of sellers have come to grips with losses in property value sustained since the boom times of pre 2008 and have adjusted asking prices accordingly. This in conjunction with record low interest rates has stimulated activity across all residential property sectors.

House and land packages in the $400,000 to $500,000 price bracket in this area are still being marketed and sold to interstate investors at inflated prices in many estates which are not recoverable on the market. More thorough research into the local market by possible purchasers would be an invaluable asset when looking to buy a brand new investment property. For the relatively small cost of an independent valuation, the purchaser can be spared a rather large loss in capital value. It is not uncommon for some building contracts and vacant land contracts being upwards of 10% of what is considered to be market value.

The majority of activity has occurred in the sub $500,000 bracket which usually comprises a typical family house with 4-bedrooms, 2-bathrooms and a double lock up garage. However buyers for higher quality property have also started returning to the market. Coomera Waters for example, has seen an increase in interest in the $500,000 to $700,000 bracket.

All in all, 2013 has been a positive year for residential property in the northern corridor.

Scenic Rim and Logan Areas
Agents are reporting even less quality stock than at the start of the year. In February, the prediction that "with the increase in buyers and limited stock, all the indicators are there for some movement in price or at least better terms for vendors". This prediction has run true for most market segments, although the mortgagee in possession and larger rural properties are still selling at below replacement cost.

There has been no upward movement in value levels in the rural sector over the past 12 months with some sale prices showing a further softening in sale prices achieved. Agents are still attributing this to the lending criteria for the larger land holdings with no recent changes in lending policies from this time last year. They also note that purchasers are typically from the local area, with a very limited number of properties being sold to purchasers relocating from more urban localities.

Yarrabilba is continuing to attract investors and home occupiers and Lend Lease has steadily increased the vacant land price through the latest stages in line with demand. There are now over 450 lots that have been released with options or contracts on almost all allotments. There are now a number of completed dwellings selling to local purchasers which indicate that the price points between buying land and building and buying a newly constructed dwelling are very close.

The offering of cashbacks and incentives is still apparent in a number of estates, however as demand starts to outweigh stock levels, these have become less over the past months. Developers are now moving away from the larger cash incentives and offering landscaping packages on completion of the home or other "value add" items to a property.

Scenic Rim Council is reporting that they are moving ahead with the Bromelton development and have recently signed off on the road network infrastructure agreement outlining who is responsible for which roads in the area. The Beaudesert market still remains steady and some agents are attributing this to the delay in the actual construction works associated with the Bromelton precinct.

The lower market segments seem to be showing good signs of recovery toward the latter part of this year with a more positive outlook moving into 2014. This should flow through the market segments and this is starting to be seen in the middle price brackets.

In the over $700,000 market, buyers remain particular with their preferences, however are still negotiating heavily to obtain a perceived bargain. We are seeing a few emotive purchases and some vendors of unique properties willing to wait that little bit longer to set the new benchmark.

There is still no 'urgency' being shown in any of the market sectors at the moment.

Gold Coast Central/Northern Area
2013 has seen the start of the real-estate recovery in areas from Ashmore to Hope Island; a positive turnaround from previous years.

The housing market is a different place than to what it was just six months ago, with an increase in sale volume for properties under $500,000 and agents advising properties selling closer to list price. Local real estate agents who look after Parkwood, Arundel and Molendinar are running out of stock, with agents resorting to letter box drops to attract new listings.

An example of the changing real estate market is 2 Dubbo Court, Helensvale which sold in May 2013 for $300,000. The property presented in below average condition and sold with some minor defects. The dwelling was tidied up, with the minor defects repaired (repainted and new laid carpet) and is currently under contract as at 31 October 2013 for $383,000. The dwelling was on the market for 25 days with an asking price of $395,000. Values in the areas mentioned above are seeing a slight increase from earlier in the year, with a 10% increase in some cases.

Sunshine Coast
Well its been a while coming, but having our primary residential markets begin to show value growth instead of sliding (since early 2008) has been welcome through 2013.

In the under $500,000 housing market sales volumes began to increase through 2012 but value growth was fairly limited. Volumes increased through 2013 and there have been modest value growth of around 5% (up to 10% in places like the beachfront suburbs) and listings are becoming tighter. Rental demand remains strong with rental growth more or less maintaining gross yields above 5% so investors have been returning with the sniff of some capital growth potential.

The middle markets are seeing increased sales but are currently slightly behind the curve for value increases and there is value for money below $1 million at well below replacement cost.

The prestige market has found a floor after substantial value losses post peak and is now seeing some value increases on increased demand in specific areas. Values are typically substantially below replacement cost and we are seeing some old houses on good sites knocked over and new home building.

Rural residential in all price ranges has been slower to respond and there is some serious value for money in the middle market.

The land market has been responding to the increased demand for housing and with value increases for established stock closing the gap on new house and land packages, there has been increased home building.

The units market has been the slowest to respond with only limited overall volume increases in sales. Even at the cheapest end there has been limited value growth and gross yields remain good, often 6% plus with limited vacancies.

Units in managed complexes have had real returns drop with increasing levies and this is now beginning to redress with increased visitation to the coast on the back of the dollar below parity supporting domestic tourism.

There has been increased demand for close to beach units in small complexes by owner-occupiers and investors and values are increasing as the listings dry up.

Owner-occupiers (and future owner-occupiers who will rent till they retire) have been picking up larger size units at well below replacement cost values ($750,000 to $1,750,000) putting a floor under this market. The over $2 million market remains very thinly traded.

Toowoomba

The year of 2013 demonstrated positive growth in the property market as we anticipated after a stable 2012. There has been evidence of some value growth and signs of future growth in the short to medium term future, particularly in the sub $500,000 price bracket. Consumer confidence is steadily increasing as we see more investors, first home buyers and renovators active within the Toowoomba market. A search of realestate.com and reports from local agents has revealed that there has been a considerable increase in houses on the market particularly in the second half of 2013 which indicates considerable growth in sales activity when compared to 2012.

The prestige housing market is beginning to show signs of recovery from what has been a very slow market particularly throughout 2012. In 2013 we have seen eight dwelling sales in excess of $1 million in 2013 which demonstrates a positive improvement in sales activity when compared to 2012 which saw a total of four sales over $1 million.

The most recent sale over $1 million in Middle Ridge is a circa 2010, two storey contemporary style, 4-bedroom, 3- bathroom dwelling. Features include open plan kitchen and dining, formal lounge, games room, deck and family room, indoor pool, three bay shed and extensive landscaping on a 8.75 hectare site.

64-74 FLAGSTONE CREEK ROAD, MIDDLE RIDGE

The vacant land market has continued to be dominated by a prominent local developer. The majority of sales activity has occurred in the western suburbs of Glenvale, Kearneys Spring, Cotswold Hills and Middle Ridge as anticipated. With few englobo development sites left within the parameters of the Toowoomba city, future developments are expected in these western suburbs or in satellite suburbs such as Westbrook and Highfields. The new estates are sparking the interest of absentee investors in the western suburbs such as Glenvale and Cotswold Hills with house and land packages as Toowoomba is continued to be advertised as a 'investment hotspot' as the gateway to the Surat Basin through various media outlets.

The unit market has continued to show growth in terms of price and volume. A combination of higher density allocations implemented in the amendment of the new Toowoomba Regional Council Planning Scheme and discounted infrastructure has provided an opportunity for small scale development across Toowoomba. There are approximately 300 units that are proposed, approved or under construction. Throughout 2013, the number of proposed unit developments has demonstrated consistent growth. While construction has appeared to have slowed down, the amount of proposed developments suggests that there could be a spike in new unit construction in 2014.

Rockhampton

Looking back on the year that was, 2013 has thrown a few surprises our way here in the Rockhampton region, particularly our investor market:

- Earlier predictions of the Gracemere market holding steady have been proven to be too optimistic in the later half of 2013. Gracemere had been experiencing growth off the back of industrial expansion in the City of Gladstone (located 110 kilometres to the south). The Gladstone market became quite volatile throughout the year with sale volumes and prices reducing significantly. This has resulted in a slowing of the Gracemere residential market with a large proportion of the workforce from Gladstone leaving the area. Over recent months the number of vacant dwellings in Gracemere has increased with vacancy rates increasing to as high as 10%. A number of tenants are not renewing leases, or only renewing at a reduced weekly rental. Some landlords are offering incentives such as free rent periods or free fuel to entice tenants.
- Further to the increased vacancy rates in Gracemere, Rockhampton itself has also seen an increase in vacancy rates over recent months, yet to a much lesser extent. Currently sitting just under 4%, the Rockhampton vacancy rate has increased from our usual 2% to 3% since the June quarter.

Something not so surprising has been our owner-occupier sector of the market including new unit developments on the southern bank of the Fitzroy River and new residential estates in the growth corridor of North Rockhampton:

- Generally typical owner-occupier properties have been holding a steady level of value throughout 2013 as predicted. At the start of the year, we had anticipated an increase in market activity at price levels in excess of $600,000 and this has been proven, particularly in recent months with three properties reported as under contract at prices ranging between $800,000 and $1.75 million. These reported contracts are in our prestige suburbs The Range and Frenchville.
- Riverfront unit complexes Empire and Southbank on Victoria have begun construction, with a strong number of presales in each complex; and Oshens on the Capricorn Coast is nearing completion with limited units remaining available to the market.
- North Rockhampton has seen an influx of residential land coming to the market with further land releases at Forest Park and Paramount Crest together with Varsity Park, The Sanctuary, North Ridge and Crestwood being offered to the market. These lots range in size from approximately 450 square meters to approximately 1,000 square meters and are being developed with varying quality homes. There has been some investor activity in Varsity Park and North Ridge in particular, with a significant number of generic "house and land" packages offered.

It is expected the owner-occupier sector of the market has remained more stable than the investor market as a result of low interest rates and our relative affordability in comparison to other regional areas.

The Capricorn Coast market has remained relatively steady throughout the year, with the exception of the prestige dwelling and existing unit market sectors remaining slow. The preference for level, easy to build on vacant allotments has become more pronounced over sloping blocks with views.

Mackay

This month we look back on "the year that was" and with benefit of 20/20 hindsight, we review the predictions we made for the year ahead back in February and see if the crystal ball still has a few years left in it!

This year was quite a difficult year for Mackay property, on the back of the resource industry slow down, one Mackay hasn't seen in quite a few years.

Our first prediction "We think that the first half of the year will see the residential market remain fairly static." Correct! The market remained very subdued during the first half of 2013 with lower sales volumes.

This was on the back of volatility in the mining sector having a direct result on the Mackay residential market.

Our second prediction "The whole market hinges on the mining industry and how long the current downturn lasts. Predictions of increased coal prices and possible expansion projects coming back on line toward the middle of the year would see some activity return to the market, and we think that the second half of 2013 may show some signs of growth, mainly in sales volumes." Not quite correct! The predications of when the mining industry might recover seemed to be a moving target all year. In February, the consensus was around May and June things would pick up, but this date then blew out further into the year, then it would be the post election euphoria and change of government that would kick the mining industry into gear and in turn have a positive impact on the Mackay market. Unfortunately this has not happened to date. The Mackay market has continued in the subdued fashion all year.

Our last prediction " In the later half of 2012 rental vacancies began to rise, with rental levels falling slightly in the latter half of 2012 in line with the slow down of the mining industry. It is considered this sector may not improve in the short term, particularly as there is a large number of new dwellings purchased as house and land packages to the investor market that are due for completion over the next six months. This will put pressure on rental vacancies and levels, if the supply outstrips demand, particularly in the first half of this year." Absolutely correct. We saved our best for last! Mackay has seen vacancy rates jump from below 1% in 2011/2012 to now being in excess of 6% with higher vacancy rates attributed to areas of the northern beaches. Rental values have reduced significantly on the back of this weakening demand and large increase in supply. Decreases in rental values have been as much as 30%, although it must be said that during late 2011 and 2012 rental values increased by almost the same amount.

Overall it's been a challenging market in Mackay in 2013. As stated a number of times in this column, the Mackay market is heavily influenced by the resource industry and Bowen basin mining activities. Here's hoping for a better 2014 and this so called post election euphoria we were promised finally turns up.

Lastly, we wish all our clients a safe and happy Christmas and look forward to working with you again in 2014. All the best, from the Mackay Team.

Gladstone

In February 2013 we predicted there would be no capital growth throughout the coming year and that that there was potential for further decline. This is now considered an understatement with value levels having decreased by up to 20% throughout the year in 2013 and vacancy rates have more than doubled which started at 3.7% in January and increased to 7.9% in October. The increase in vacancy rates is attributed to the oversupply of new housing and unit stock. Peak construction workforce for LNG plants on Curtis Island was reached in mid 2013. The nearly 10,000 strong workforce is expected to start to decline early to mid 2014.

Over the course of 2013 we have seen a change in the market dynamics with investors no longer being the primary driver in the residential market.

There are now opportunities for first or second home buyers to enter or re-enter the market. The local market now comprises of more than half of sales occurring and does not support project marketed investment stock of new dwellings and units.

Bundaberg

After stating the market had bottomed, predicting a typical, steadily growing residential property market, the weather intervened and what a volatile year it turned out to be.

The event which greatly affected the Bundaberg market was the unprecedented record floods which occurred in February 2013. Damaged flooded dwellings sold for as low as $42,000. The majority of buyers were looking to repair their properties and sell to realise an immediate profit. Other buyers were looking to repair and rent the properties, as the rental market in Bundaberg increased rapidly at this time due to the lack of properties for rent. Some home owners have still not been able to move back into their flood damaged homes as renovation works have yet to be completed.

The longer term impact of the floods has been a gradual increase in sale prices of flood damaged properties as more and more buyers believe there are capital gains/profits to be made on these properties. The rental market has remained high and has not fallen back to pre-flood levels.

As predicted at the start of the year, the Bundaberg market is showing signs of growth with an increase in the volume of sales and some properties reflecting increases in sale prices.

Hervey Bay

The Fraser Coast region has consistently maintained good steady demand for low to mid priced stock throughout the year, with some higher sales filtering through over the past six months. The excess of unit stock in Hervey Bay appears to be slowly dissipating, however prices are still very low across the board. Esplanade property is considered to be very good buying, with most sales falling between $400,000 to $650,000. There have been some high sales within Dundowran Beach (on the fringe of Hervey Bay), with some achieving $900,000 which is encouraging. Rental demand is reasonably high for the area, with rents steadily climbing coupled with very low vacancy rates.

Construction activity has continued at a steady pace throughout the year, with the Stockland Shopping Centre extension reportedly ahead of schedule and due to open mid 2014 (for Kmart and Coles). Overall, the region remains optimistic with some agents reporting excellent quarters, with a steady sales demand from both intrastate and interstate buyers. The Fraser Coast Regional Council is aiming to introduce a planning scheme which may be enacted in the not too distant future.

Townsville

Our prediction for 2013 did not see any surprises with the market continuing its process of consolidation. Median house price reduced from a median price in January 2013 of $360,000 to $344,000 in September 2013. This reduction in median price is the result of compositional changes with the cheaper end of the market picking up rather then declines in individual value levels.

Buyers continue to retain the upper hand with vendors experiencing another hard year. Demand however is increasing with a surge of activity in the lower priced markets over the second half of the year signalling a start of recovery.

The outer lying suburbs are still struggling somewhat, with supply in these areas remaining high.

Over the course of 2013 we have seen the inner city unit market that was hampered by new stock/ developments under receiver sale, being cleared out. A number of new unit developments in both the inner city and suburban markets have commenced construction, with the majority of these developments being tailored to the investor market.

Rental vacancy rates have risen since the start of the year when they sat at around 2.75% to be trending around 4.4% at the end of October. We have seen an increasing number of break leases in the rental market over the year as people leave the city for work, vacate the rental market and enter the owner-occupier market or due to affordability concerns leading to share housing situations and NRAS product.

Overall during the last quarter of 2013 we have seen the residential market move into the start of recovery however the change in pattern and pace of the market is occurring at a very slow pace.

Cairns

Our February 2013 article surmised that the Cairns residential property market was showing tentative signs of consolidation that would continue during 2013. In addition, the local economy was said to be progressively improving, but taking a long time for those improvements to resurrect the local property market.

Our February predictions were absolutely correct, though if anything, the economy has been slower to recover than we would have expected, while the property market has been quicker. As announced in our October CairnsWatch bulletin (see www.cairnswatch.com.au), we formally advanced our perception of the Cairns market from the bottom of the market cycle to the start of recovery phase in that month. Most suburbs are no longer buyers markets and are moving into equilibrium between buyers and sellers. Prices are also starting to rise, stock is depleting and previously unsellable stock is starting to move. The Northern Beaches market, and Yorkeys Knob in particular, is being spruiked up by the proposed $4.2 billion Aquis resort development, which although still prospective at this stage is nevertheless stimulating market activity and prices.

There has been little change in the Cairns median house price during the course of 2013, with the September 2013 median house price trend standing at $358,000 compared to $359,000 in January 2013. Our interpretation here is that, although there have been some individual price rises, their impact on the median has been negated by compositional change from the cheaper end of the market recovering faster than the more expensive.

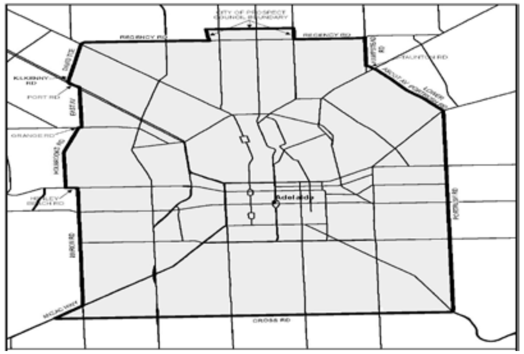
South Australia

Adelaide

At the start of the year we anticipated that there may be a slight improvement in the residential property market during 2013 and this has been the case with the first green shoots of recovery appearing towards the second half of the year.

The lengthy lead up to the federal election definitely impacted upon the market with the first half of the year being very subdued, as anticipated. Throughout this period on a month to month basis capital values fluctuated both up and down and even two interest rate cuts did little to stimulate the market with sales volumes remaining at low levels.

However once the votes were counted and the new government instated it appeared as though there was a noticeable increase in buyer interest, which we also anticipated. Increasing use of auction as the sales method and an improvement in auction clearance rates also occurred and we do consider these as the first signs of improvement in the market and not just due to the seasonal increase that generally occurs in spring.



Other indicators of improving sales conditions are the number of days on the market and vendor discounting rates that have been contracting slightly in recent months. The number of sales transactions occurring is also starting to increase.

At this stage improvement in our residential property market is yet to translate into any significant capital growth however slight growth in the last few months contributed to an approximate 2% increase in capital value over the past 12 months. However capital values still remain below the peak of the market which occurred in 2010.

Even though there has been signs of the market improving there has definitely been a reluctance by many potential sellers to chance the current conditions, which are still considered to favour purchasers. This has resulted in low levels of stock on the market. With less choice of property available during 2013 rather than compete and drive prices up many buyers chose to wait it out in the hope that more property would come onto the market - however for this to occur someone had to give, and it appears that this was the sellers as in recent times new property listings in the real estate pages and online have started to increase, a sign that some confidence is starting to return to the property market.

Job security which we flagged as a major issue for 2013 unfortunately held true. The State unemployment rate which hovered around the 6% mark for the first half of the year has increased by approximately 1% in July up to 7.1%. This is the highest it has been since the start of 2002. It has improved slightly since then to now be 6.6%, however, this is nearly 1% more than the national unemployment rate. Along with job security cost of living continues to weigh heavily, with South Australia paying some of the highest electricity and water rates in the country. Both of these issues continue to impact upon Adelaide's residential property market.

We anticipated that our best performing areas would be the inner suburbs, and while the inner eastern and inner southern suburbs tended to perform reasonably well comparative to other locations lack of quality stock held these areas back. Discerning buyers dictated that capital growth was fairly muted, however properties in the more popular locations priced to transacted in a timely period.

Our worst performer forecast was the outer northern suburbs where we believed government incentives would preference new construction at the expense of established dwellings. This area does appear to be experiencing an oversupply and a slight increase in mortgagee sales as rising unemployment and cost of living takes its toll. Capital values continued to show some minor correction during 2013.

The $1.5 million plus property market presumably performed much better than expected this year, with increasing sales volumes and reasonably fast transaction times.

This end of the market contracted significantly during 2010 to 2012 and it appeared that this year buyers were taking advantage of well priced high quality, high amenity property located in some of Adelaide's most prestigious suburbs.

The Housing Construction Grant which provides $8,500 for any newly constructed dwelling was extended for six months and is now due to finish at the end of the year. The off-the-plan apartment concession provides stamp duty concession for any off the plan apartment up to $21,300 located within the City of Adelaide, Bowden Urban Village or Park 45 at Gilberton. In October the area was extended to include all suburbs bounded by Regency Road, Portrush Road, Cross Road and Marion Road/ Holbrooks Road (see map- Source: Revenue SA). This change occurred specifically to support the rezoning of areas along main arterial roads close to the inner city to allow multistorey medium to high density housing as part of the 30 Year Plan for Greater Adelaide. As anticipated it is not without opposition from local residents.

Mount Gambier

After looking into our crystal ball at the beginning of the year to give you our insight into 2013, the time has now come to reflect on the year that has been with any surprises to be noted. Our year has been as surprise packed as knowing you're walking into your own surprise birthday.

As predicated the market did not significantly improve in 2013. Sales numbers have struggled to pick up throughout 2013 remaining similar to the preceding couple of years. A buyers market is still present and there is still pressure on values. With Adelaide oval nearing completion thanks to the forward sale of our harvesting rights we still have employment uncertainty and a property market which has as much momentum as the Labor party heading into the 2013 election.

Although there have been many stimulating factors such as falling interest rates, a change of government and government incentives still available, the local market has continued to void any strong recovery. These factors have influenced some people investing and entering the market, however they have not been able to kick start the market into a full recovery. This is mainly due to the region struggling with employment uncertainty since the forward sale of the harvesting rights. Until the region sees some economic growth and consumer confidence we will continue to see a buyers market and pressure on property values.

- Lower value properties under $200,000 have seen pressure on values and longer listing times. Properties between $200,000 and $300,000 have the highest amount of sales for the year so far and are the most sought after price range. Prestige properties in the region are tightly held and if offered on the market most often have extensive listing times.
- Summing up on the year, although no surprises to the market were present, it shows the market is stable and there is room for a recovery as many property markets are beginning to show signs of throughout Australia.

Tasmania

Hobart / Launceston

In Tasmania the 2013 year opened in a subdued state in respect to both economic and residential property markets. The year has continued along the same vein with the unemployment level increasing by over 1% with the north of the state being particularly hard hit. As reported by the government, re-structuring of the forestry industry and the conclusion of the federal government's Building Education Revolution have been major factors in Tasmania's declining employment opportunities.

While employment prospects have declined it was reported during the last quarter that housing sales volumes were on the rise. Areas that have responded the most include Sandy Bay and Kingston in the south, central Launceston in the north and Wynyard, Ulverstone, Penguin and Somerset in the north west. Capital growth declines in the recent past combined with a strong rental market and low interest rates has focused some investors eyes on strong gross residential property yields.

The First Home Buyer Boost (FHBB) which was referred to in January did not spark significant stimulus within the construction industry that was hoped for. From the 7th of November, 2013 the state government has increased the FHBB to $30,000 for those purchasing a newly constructed home or builders of new homes. The programme has been extended to 31st December 2014 in a further effort to stimulate the construction industry. As previously suggested the most notable building activity has occurred in areas where land can be purchased at or below $100,000.

In the latter stages of 2013 some of the state government initiatives designed to create job opportunities (announced in December 2012) have now been implemented which will continue into 2014 with more initiative projects set to commence in 2014 across the state.

The 2013 year dawned in a subdued state but is winding up with a more optimistic sentiment as increasing sales volumes in some areas indicate. Further interest rate cuts during the year, a change in Federal Government and State Government stimulus efforts to create employment opportunities have all been factors likely to have underpinned a more positive sentiment. With a State election to be held before the end of May next year and commencement of several proposed economic initiatives it remains to be seen if 2014 will bring the economic punch Tasmanian's hope for.

Northern Territory

Darwin

Back in February we were asked to predict what would happen in the property market this year, and this month we take a look back to see how well (or not so well) we managed to crystal ball the rest of 2013.

2012 was a very strong year for capital growth in the NT, and we had predicted that because of factors such as INPEX, the lack of supply in the region along with a huge demand for housing, that we would continue to see good continued growth throughout the year. And to a point we were correct, with the early months showing values improving. However the last half of the year has seen a stabilisation of values due to affordability and developments being released to help ease some of the undersupply issues, especially in the unit market.

According to REINT's RELM, for the year ending September 30, inner Darwin median house price rose 5.7%, northern suburbs (Sanderson) 6.9% and Palmerston 4.4% respectively. The unit market saw an increase of 6.8% for inner Darwin, a 2.8% rise for northern suburbs and a 12.4% jump in Palmerston.

Secondly we predicted the price of rent to carry on moving up. This has been the case in inner Darwin where over the past quarter the median rent for 3-bedroom houses has gone up 16.9% to $863.00 per week, yet in the northern suburbs (Sanderson) saw just a 1.7% increase and Palmerston a 1.6% increase. This is probably linked to the fact that inner Darwin is a hotspot for investors and there is still a shortage of houses for rent around the city.

Darwin's overall average weekly rental for a 3-bedroom house has risen by 12.4% to $671.00 per week for the year ending 30th September and the 2-bedroom unit average weekly rent climbed by 5.2% to $487.00 per week.

The stabilisation in rents is most likely due to the fact that the developments that are adding around 800 units to the markets are being completed and we are beginning to see the gap between supply and demand closing. But we are yet to see if there will be enough stock to keep rents on hold in the future, or if demand will continue to rise, along with weekly rent.

And the final prediction we made was that affordability would start to become an issue. This has been the case in the Top End. As mentioned in earlier Month In Reviews, Darwin has become one of the most expensive cities to live, not only in Australia, but in the world. Numeo in September put out statistics that showed that Darwin was the 12th most expensive city on earth to live in. With the median 3-bedroom house price of $887,500 and the abolishment of stamp duty concessions for first home buyers, it is increasingly difficult to get your foot on the ladder in and around Darwin, which is disappointing for all of those who are starting out in real estate investment, or looking for their first home.

Western Australia

Perth

The Perth residential property market has had an improbable year. We have seen increases in value across the different sectors of the property market, none more so than the first home buyers market which has driven the rest of the market. Whilst Perth has roared ahead, the Pilbara market has languished.

The residential dwelling construction pipeline in Perth is at its highest since 1988, some 27.4% higher than 12 months ago. Western Australia's population has grown 3.5% on average from December 2012, which is double the rate of expansion than the rest of Australia. Hopefully, there aren't too many Queenslanders coming into the state.

As a result, Perth's median house price has hit a record of $535,000, fuelled by a resurgence of buying close to the city and the continued strength of the first-homebuyer market. The Real Estate Institute of Western Australia's snapshot for the three months to November shows the market has rebounded from a big slump in turnover in the September quarter to surge past the previous record of $525,000, set in the three months to June.

The average number of days a property sits on the market has fallen throughout the year to currently sit at 49 days, down from 61 days, twelve months ago. The number of listings has also fallen across the year as take up is stronger than supply.

Figures show that residential weekly rental has however fallen 2% and given that dwelling construction is on the rise, interest rates are low, and this should not be a surprise.

Outside of Perth, the Pilbara market continues to experience challenges with soft demand and a large supply of recently complete product sitting on the market. Rents have fallen, in some cases by as much as 50%. And as that market is largely driven by return, naturally value soon follows. The market is normalising as a result of frenetic activity by the state government's development arm, LandCorp who have been actively pumping stock into not only the housing markets but also the industrial markets, especially in towns like Karratha, South Hedland and Newman.

Back in Perth, the UDIA reports that developers have been generally unable to bring enough lots onto the market and in some cases, the disparity between demand and supply has forced up the price of available lots by as much as 15% during the previous quarter.

With increasing values, comes caution. We should be well aware of the malaise in the Pilbara property market as well as continued uncertainty in the global markets of Europe and the US. The frenetic activity and rising market is making Perth much more unaffordable. With interest rates unlikely to fall any further, we may begin to see an increase in rates in 2014, which may lead to an increase in delinquent mortgage activity.

South West WA

As we come to the end of the year, we get the chance to reflect on how close to the mark our predictions were in February. This year it appears we were reasonably close, in that indications are the market has bottomed and the property market is starting to improve and stabilise. This has been driven from the bottom of the market, with sales to $500,000 being in the majority. As the year progressed, we did however see larger numbers of higher-priced properties selling.

> Agents have been reporting throughout the year a considerable increase in buyer activity, with many agencies declaring "this is the best couple of months we have had in years".

The buyers have been prepared to commit (as opposed to what was happening in previous years), mainly on the back on of an increase in confidence within the overall market.

Our predictions were that this year was going to be a 'spill over' year. That, as long as the Perth market continues to improve with good returns on investment properties and a distinct rental shortage, there is likely to be some drift to the regions. Evidently this has occurred, as throughout the year the purchaser profile has started to change from being a market driven by FIFO relocating to the region, to a market which sees the return of first home buyers, investors and holiday home purchasers, particularly from the Perth metropolitan region.

Further, we have seen an increase in building activity as was predicted in the February edition. Throughout 2013 the new housing market has been very slow as evidenced by significant incentives being offered by most of the project builders. While many of these incentives still remain, the new home market has started to rebound on the back of an overall decline in the available stock of established homes, coupled with several new land releases.

So a reflection on the year that has been reveals our predictions were reasonably close, as the market has moved forward with confidence to a market that appears to be on the upwards swing of the property cycle.

Esperance

Broadly speaking, the Esperance district fared generally well over the course of 2013 with strong stability in the rural sector underpinning the stability in the town. Sales volumes were low but steady in the first half of the year with a stronger finish to residential, industrial and rural markets in the latter months.

Vacant land sales continued to improve in volume with minor improvement in values as supply has gradually decreased. We have moved from an oversupply situation to a more balanced ratio of late.

Castletown is the largest residential area within Esperance and sales for older properties have typically ranged between $300,000 and $350,000 with newer properties $400,000 to $450,000 at the beginning of the year. While the older properties have remained static, turnover has been consistent and there is stability in this market. The newer improved properties however have seen some growth in values from the beginning of the year with regular transactions in excess of $500,000 as well as strong sales volumes for a market of this size.

In other parts of Esperance of note, West Beach has had a stable year with a number of sales in excess of $600,000, some vacant land sales with good ocean views ranging between $365,000 and $715,000, an improved sale at $900,000, with one sale recorded at $1.45 million. A number of properties over all price ranges are available for sale however demand

appears equally sound with further properties in the higher price brackets currently under contract. As with all areas, accurately priced property is attracting sound demand and typical sale periods are less than six months.

At the other end of the scale, Nulsen has some of the most affordable housing in the district, if not the state, with values in free fall for a while from early $200,000s down to mid $100,000s over the course of about 12 months from mid 2011 to mid 2012. This market stabilised during 2013 with sales volumes increasing in the latter months. The rental market is very strong at present and investors are realising the return on property in Nulsen is exceptional when compared to other areas. Typical value ranges in Nulsen now range between $160,000 and $220,000.

Rural residential property has again been at its erratic best with a wide diversity in the standard of improvements leading to side variations in values. Market activity over the course of the year was quite stable for a market of this size with improved property sales ranging from lows of $365,000 to one sale at $1.175 million. Underlying land values have stabilised and marginally improved over the year much in line with the standard residential market.

So once again, very much a consistent effort for the year in both sales volumes and values. Harvest is winding up early this year with a great season so there is a small hope there may be an end of year splurge on some good quality property to round off the calendar year.

Rural

HERRON TODD WHITE RURAL

Overview

This month I have asked the team to provide a wrap on the 2013 year in review and importantly have a look forward into the next year and give our readers their thoughts.

Not surprisingly the 2013 year in many regions has seen a consolidation of values in the market with activity slightly improved from the previous two years, although there is a higher degree of under pressure sales being reflected. The sales in the Northern Territory have provide a line now for those who were looking to enter the market and it appears to be reflecting an adjustment from the 2007/08 peak in the order of 35% to 50% depending on location, state of development and exposure to the live export market.

As we move further south and into Queensland, the trend continues and there is an analysis of the gulf region completed by Roger Hill that highlights the movements in the market in the past ten or so years which is very interesting. In some cases property values over the past 10 years could be said to have stood still when looked at in a point to point review, but this does not reflect the real market which saw values increase significantly and retract in the past three or four years during this overall timeframe.

Most of the team have commented that they see 2014 as a year where it may start to define the next chapter in the rural landscape and activity could be sound without any value increases to be generally seen across the board. I also note comments recently in the South Australian market place by selling agents which reflect the same views of so it appears generally the agricultural sector is still in the transition phase in the market place.

One trend that has continued to be highlighted is the buyers are doing more homework on the sustainable earnings to be derived from properties and only prepared to bid to a level that meets financier and owners new return parameters. The longer term impact on the market values from this is not yet clear.

I had the chance to pop across to WA last week and it was great to hear the reports of the harvest which for many has provided much needed relief. Yields, protein generally and current prices have all supported what will be the largest value harvest on record. I would suggest many bankers will also be pleased but also there will be some high debt paydowns which may see some parties start to look over the fence for opportunities. A rush to acquire properties however would not be expected.

The Herron Todd White team recently caught up at our national staff conference and it was a great opportunity to listen to some great external and internal speakers about their views of the market and what is expected of their valuers in the market. Herron Todd White has worked hard to develop processes to improve our valuations for clients and also ensure we have the right people doing the right jobs. This focus will continue into 2014 and I look forward to speaking with clients about our future plans.

With Christmas on the horizon, I would like to thank all our clients for their valued support for this year and the continuation of this in 2014. Next year also represents the 25th anniversary of the Herron Todd White Rural brand in the market and we are planning a celebration of that milestone with a function on the 27th February in Brisbane. This will be a great opportunity to bring our key clients and staff from across the country together for a great night and will also for next year incorporate our national update in lieu of the annual breakfasts in Melbourne, Sydney and Brisbane.

Finally, I would like to thank the team for there efforts for this year. As a group the rural team are very passionate and proud of what we deliver. We all look forward to a break over the festive season then 2014 with allot of enthusiasm.

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Southern Queensland

At the beginning of 2013, we predicted the following:

- Issues of 2012 will still be evident in 2013.
- We will see a continuation of a high Australian dollar.
- Expected escalation in costs to continue.
- Political uncertainty throughout much of the year with an election and a possible change of government towards the end of the year.
- We anticipated more receiver instigated sales during 2013.

In summary, unfortunately much of the above came to fruition.

Our wish list for 2014 is as follows:

1. Lower Australian dollar to underpin our exports.
2. Consistent rainfall patterns to put downward pressure on stock feed prices but also to provide some certainty to commercial grain harvest yields going forward.
3. Sound transactional based evidence that the market has bottomed. This will install much needed confidence into the market sector and should start to underpin values going forward.
4. Both the mining/gas industries and land owners coming together to establish a workable set of guidelines around the ability of these industries to co-habitate.

Unfortunately the general feeling is that many of these are unlikely to occur. While the seasons can break at any time and often do, we still expect to see the Australian dollar to remain stubbornly high. It is hoped that the change of government will assist in cutting a lot of red tape going forward.

In regards to the property market, we do expect to see more market transactions in 2014. However, unfortunately we still feel there is some pain to be felt yet. While there is no real evidence to suggest the market will continue to fall, there is no evidence yet to suggest that any activity that does occur in 2014 will underpin the market. Unfortunately we see a nervous start to 2014 but hope a change in seasons will bring some joy.

Central Queensland

The end of 2012 rounded out what had been a very quiet period in the Central Queensland rural property market, where very few sales transactions were recorded over the preceding 36 months.

Into 2013 we have seen a marked increase in sales volumes across nearly all rural property classes, the majority of which were influenced by mortgagees looking to consolidate their books.

Many of the purchasers have been dispossessed land owners who had been bought out at premiums by resource companies; we have also seen some notable purchases of high end properties by overseas corporate investors which seem to be circling this space. Earlier in the year there was also a number of purchases, mainly in the western and northern areas of Central Queensland, where graziers from the harder hit drought areas further west and north were purchasing grass.

The market seems to have quietened in the final quarter of this year, with many lenders reporting minimal transactions and activity. Looking towards 2014 we anticipate there will be a continued trend whereby lenders are faced with a difficult decision on whether to provide further assistance to distressed clients despite their continued decline in debt to equity ratios, or whether to put some of these distressed assets to the market.

Certainly 2014 is shaping to be a very interesting period which could potentially define the course of the Central Queensland property market for the coming years, and that's just assuming there is a return to average seasonal conditions.

Northern Queensland

This year has been challenging to say the least.

In recent months there has been positive sentiment surrounding the cattle market. Unfortunately these undertones come following a drought, highly geared debt positions and therefore the property market cycle remain in the ‘buyers market’. It could be said that the North Queensland Grazing property clock is still around the six o’clock position.

Six cattle stations that sold this year were resales. These sales were: New Victoria Downs, Culloden, Langlovale, Woodlands and Dover. Their previous sales were within the last nine years.

On a simple interest basis, these sales show variations from their initial purchase of +10% to -27%. Factors affecting this variation not only include the period between the initial purchase (which includes the market cycle) and subsequent sale, but condition (including grass) and infrastructure investment during the term.

A second analysis of this information has been to analyse the annual compound (year on year) factors for each sale. The change in this regard provides a range from +2% to -5% returns to the owners over that period. The average being -2%.

The following table provides a summary of this sale information and includes resales history whereby the subsequent sale occurred since mid 2008. The sale prices are based on the bare of livestock, plant and equipment basis.

Over the period the range of simple interest variations are from +35% to -44%. For the year on year annual compounding returns to investors the range is from +5% to - 19%. The average being about -4%.

The average of -4% is in contrast to the rapid rates of capital increases of about +18% annual average of resales from a similar analysis which we did back in the 2008/09 financial year of resales from the year 2000 to measure the extent of the boom.

Station & sale price (Bare of cattle, p&e)	Years between resales	Annual compound change	Simple interest change
New Victoria Downs	2	-2%	-4%
Culloden	5	-5%	-24%
Langlovale	9	1%	10%
Woodlands	6	-5%	-27%
Dover	4	2%	10%
Hereford	7	-6%	-36%
Somerville	4	-7%	-26%
Narolla	4	-8%	-28%
Inorunie	4	-5%	-18%
Yarrabung	6	5%	35%
Lancewood	4	-14%	-44%
Bullock Creek	4	-19%	-56%
Goldsborough	6	4%	23%
Christmas Creek	7	3%	21%
Crewkerne	1	-7%	-7%
Hilltop	1	0%	0%

Certainly, many investors in rural land would rather see a narrower spread than from -4% to +18% annualised compound variations, however the bulk of the range is on the positive side of the equation over the longer period. This is a positive for the long term investment profile of North Queensland Grazing property.

For the year ahead, there are continued challenges facing the Northern Queensland Grazing Property market. These challenges are as a result of the need for gaziers to re stock (wet season dependent), highly geared balance sheets and the need for operating capital.

The current low cost of capital (interest rates) are in the favour of those who are refinancing or borrowing to raise new debt.

For those who were able to keep back heifers and protect the breeder herd numbers this year, then they will benefit in the next year or two to come as their calving rates return to the norm and allowing their herds to rebuild and build sale stock numbers.

Given the trials and tribulations of this year and the challenges in the road ahead, it would appear that it may take a year or two until balance sheets and business profiles are in a position to move the property clock upwards from the '6' area through the 7 O'clock mark and recover towards the '8 or 9'.

Far North Queensland

The past 12 months has been relatively quite across all rural sectors with sales volumes down and a large proportion of transactions being forced sales. Apart from drought conditions in Western Queensland, commodity outlook has had a major bearing on sentiment most notably in the sugar cane and cattle markets where the short term outlook for prices is hard to justify large capital outlays on real estate. Other commodities where recent or forward pricing has been more favourable such as bananas, avocadoes and dairy have seen more favourable sentiment and there have been transactions occurring in these sectors of the market.

It would appear that much of Far North Queensland has received an early wet season with good rainfall recorded in most areas across November. This could see some renewed interest in rural property particularly in the pastoral areas albeit ongoing uncertainty with live export markets is still a cause for concern.

A summary of rural property value trends over the I\ past 12 months in broad terms is as follows:

Cane - Cassowary Coast	⤓
Cane - Tablelands	-
Cane - Gordonvale	-
Mixed cropping - Golden Triangle	-
Banana Land - Tablelands	-
Banana Land - Cassowary Coast	⤓
Grazing - Pastoral Zone	⤓
Grazing - Tablelands	-
Grazing - Cassowary Coast	⤓

The above assessment is based on a combination of market sales, reported sentiment and prevailing asking prices and should be viewed as a broad gauge only. Throughout 2013 the Cassowary Coast continued to experience difficult market conditions across all sectors compared to the Tablelands region where the market has proven more robust.

Murrambidgee Irrigation Area

The market in the MIA over the past 12 months has remained fairly static. Limited sales have occurred and we have seen the re-entry to our region of overseas investors as well as local buyers. Sales which have occurred to local buyers are for existing farmers looking for expansion blocks. The market is still tough and has been dominated across all sectors by mortgagee sales throughout the year. Water allocations for this irrigation season remain tight with low general security water allocations acting to reduce broadacre summer crop plantings and dampen the recovering market.

The outlook for 2014 is most likely a similar story. The strong Australia dollar will continue to overshadow our horticultural markets and the continued influence of lender pressure to reduce farm debt will slow the recovery.

Murray Riverina

A review of our internal sales database shows that transactions locally were generally at the lower end of the market (sub $1 million) with several notable sales including:

- Resale of part of the land at Benjeroop purchased as part of the Lower Loddon Flood buyback

- The mineral reserve basin at Tresco
- Woodsome Lees - a vineyard with Murray River frontage and approximately 80 hectares of vines
- Billabidgee and Warawool earlier in the year
- Kularoo at Jerilderie

One notable trend through the tail end of the year has been an increase in activity particularly to the NSW areas after a period of relative inactivity. It will be interesting to see how various segments perform given good price signal in the dairy industry, an average sort of year for the croppers (mainly for those unaffected by frosts) and ongoing challenges for the viticulture and horticultural sectors. It is worth noting that most agents are reporting good levels of enquiry at the moment.

Mildura / Sunraysia

This month's task is to review the 2013 markets and trends and looking forward into what may occur in 2014.

A constant in the media throughout the year has been the presence of foreign investment into Australian agriculture. Overseas interests appear to be closing in GrainCorp and the Warrnambool Cheese & Butter businesses. More locally we have some significant sales of some large almond holdings which are outlined below.

The wine grape sector, after several years of decline did take a positive step in the 2012 and 2013 vintages with increased demand from wineries resulting in improved prices for some varieties. However a higher than expected vintage in 2013, combined with tough export markets has combined to see downward pressure once again on the Chardonnay and Gordo varieties in particular. Prices for red varieties appear to have held up better. Reports of widespread frost damage during October in many regions may result in a lighter vintage in 2014 and any significant fall in the Australian dollar may improve export returns, but on the whole we see little evidence of a revival in 2014.

The table grape sector ended up a relatively good year in 2013. The early and mid season fruit prices were disappointingly low, however by the end of the season saw export buyers in a frenzy chasing quality fruit resulting in an average season or better for most growers. The good news in this sector has been the burgeoning Chinese market for Australian fruit. The Australian Table Grape Association reported that in 2013 table grapes exported directly into China exceeded 400 containers this year (up from 11 last year) with the expectation that well over 1,000 containers will be directly exported into China by 2015. Any sustained devaluation of the $AUD against the green back and other currencies would benefit this sector moving into the next harvest. Value levels for good standard table grape properties have shown a relatively sharp increase over the past 12-18 months and with the current confidence levels we consider at least for 2014 that these levels will be consolidated.

Australian dried fruit growers have battled the past decade with six to seven years of drought and then two very wet summers which had an impact on the quality of fruit produced. Compounding the problems has been the continuing high Australia dollar which has culminated in exports being less competitive and opened the Australian market up to cheaper imports which have continue to impact on the local industry. Returns to growers in 2013 were hit with a drop in prices of between $100 and $200 per tonne to around $2,000 per tonne for high grade dried Sultanas. There remains some optimism in this sector with the recent fall in the Australian dollar and the early signs are for a heavy crop in 2014.

The citrus industry is another industry which had been in the doldrums for many years with grower's experiencing low returns. However it appears that the industry has finally 'turned the corner'.

During 2013 large quantities of Australian navels and easy peel varieties have been exported to Asian markets including China and South Korea.

Additionally the North American market is back on Australia's agenda, noting that this market was severely affected in recent seasons by the flooding of cut price fruit into that market from Chile. The 2013 season was the third year that Australian citrus have been legally sold to China (from zero fruit exported in 2010 to around 8,000 tonnes in 2013) and Citrus Australia expect China's growing middle class will result in China being Australia's biggest export market in the next five to ten years.

Japan remains our most important export market with around 35,000 tonnes exported; however the growth in China has given this sector a boost. Of some significance in this region, after many years of trees being pulled out, is that large areas of mostly Afourer and other easy peel varieties of citrus together with some Avocado plantings have occurred in our region during 2013. Moving ahead the momentum gained through 2013 and the confidence shown by industry leaders should result in a year of consolidation in this sector in 2014.

The almond industry has proven to be one of the fastest growing agricultural sectors in Australia and 2013 has seen plenty of activity particularly in north west Victoria which it is a major industry. Olam Orchards Australia, which produces around 50% of Australia's Almonds, has recently announced the sale of its 12,000 hectares of orchards in the Sunraysia region for a reported $200 million. Under the agreement Olam will lease back the orchard land, trees and infrastructure for 18 years and will continue to own the water rights to the land. It will also retain the $60 million highly automated almond processing plant at Carwarp, just south of Mildura which opened in 2013. The 15,000 square metre building will operate all year round and by 2016 the company expects to process 40,000 tonnes of kernels from the above orchards. Of further interest is Olam's announcement that they will partner a US company to install a 35 megawatt power station adjacent to their plant, which will burn almond hulls as well as grape marc and local straw.

Further news in the almond sector was the announcement in November 2013 that Select Harvests Ltd has purchased a $12 million holding in the South Australian Riverland region. The sale includes the 2014 crop which has an estimated yield of 800 to 900 tonnes.

Another major development in the Carwarp area was the commencement of the worlds most advanced photovoltaic power station comprising 40 sun-tracking mirror dishes installed by Silex Systems with the solar power generated flowing into the national grid. The State and Federal Government supported 1.5 megawatt facility will undergo a one year performance assessment period and if the facility operates as expected then it is proposed to expand the operation to a full scale $400 million, 100 megawatt solar power station project making it one of the largest in the country.

Water - In the February 2013 edition of MIR we reported that Victorian High Reliability Water Shares (Murray system), were being trading around $1,420 per millilitre, and that NSW Murray River High Security water was being traded at around $1,650 per millilitre for NSW High Security water. These levels eased slightly throughout 2013 on average and are presently trading for around the $1,375 per millilitre (Vic) and $1,600 per millilitre (NSW).

The temporary water prices over the past 12 months have fluctuated from below $20 per millilitre, to current levels of around $85 per millilitre with an expectation that they may rise further the longer it remains dry.

Water storage levels in the Murray-Darling Basin (MDB) Southern Basin are reported to be at 86% of total capacity. Irrigators in the Sunraysia region once again have access to a full allocation for the current 2013/14 season.

Dryland cereal growers are well into harvest as we write this and after a promising start to the season the lack of rainfall in the latter part of the growing season along with some late frosts did affect yields in some areas. Whilst some areas are reporting to have very good harvests it is countered by as many with average to below average yields.

On a brighter note in the second half of 2013 there have been a number of sales throughout the region which have shown stable levels and little movement in value levels from the previous 12 to 18 months and

it is considered that this trend is likely to continue for 2014.

The pastoral scene in the lower western and Western Division of NSW has remained relatively firm over the past 12 months with several sales showing levels similar to slightly stronger that that of previous levels. The year has been relatively dry and areas around Broken Hill and south are in search of a good downpour of rain. Travelling around and inspecting properties it is obvious that there has been a significant swing to the drought resistant breed of sheep which are more tolerant to the conditions. The ever increasing numbers of goats have provided many graziers with additional income from trapping and selling of the feral goats which combined is considered a contributing factor in value levels remaining firm. However the dry conditions are beginning to bite as agents report that over 30,000 head of sheep have been sold out of the Broken Hill area in recent weeks and a further 20,000 are listed for sale at the Yelta sale for December. We consider that this market may have peaked and that value levels are likely to remain static or be slightly weaker moving into 2014.

Station and property sales to occur during 2013 include Billa Downs, Coolamon Station, Quambi Station, Harriedale Station, Lock Lilly Station, Chibnalwood Station, Marma Station and Mandelman Station to name a few. It is also noted that the historic 56,093 hectare Collinsville Station, north east of Burra in South Australia was recently passed in at auction for $3.5 million with negotiations continuing.

Compliments of the season to all our readers and see you again in 2014.

Southern NSW

The 2013 winter crop harvest is now in full swing with mixed reports with regard to yields. Most farmers were expecting an above average year, however the unusually late frost which occurred at a critical time in mid October impacted various regions including the Corowa, Albury and Holbrook districts. Unfortunately the frost has rendered some cereal and canola crops uneconomical to harvest with some affected farmers opting instead to cut crops for hay. However the properties which escaped the frost are generally reporting solid yields which should result in a profitable year for these enterprises given solid grain and canola prices.

While the late frost has resulted in a below average year for some farm operators focussing on crop production, there still appears to have been an general lift in farm confidence through the local agricultural sector since the start of 2012. This is mainly due to reasonable seasonal conditions, generally solid commodity prices, the easing of the Australian dollar and importantly the low interest rate environment.

Farmer confidence in both the local dairy and Viticultural sectors have also increased over the past 12 months with the oversupply of grapes easing and the farm gate price of milk firming. The current 100% water allocations in the VIC Murray (High Reliability), VIC Goulburn (High Reliability) and NSW Murray (General Security) has provided the dairy sector with confidence going forward, however the lack of rainfall over the past four months has resulted in high demand for both allocated and temporary water which is drawing down storage levels in Hume Dams at 82% (95% this time last year).

The mindset has begun to change for the more profitable farm operators who have previously focussed on consolidation and paying down debt and now considering expansion of existing operations by acquiring neighbouring farms or diversifying into other regions. This has resulted in a general increase in sale volumes with two good examples being the Holbrook / Culcairn / Corowa districts and the Junee / Temora districts.

Activity from corporate entities has continued throughout the year and appear to be seeking two distinct property classes including large scale dryland cropping properties in the Riverina stretching between Albury and West Wyalong and large and modern dairy farms through the Murray Valley Irrigation Area. As a result a two speed market has now emerged;

1. Smaller farms appealing to local operators and;
2. Larger scale operations appealing to corporate entities.

It appears the later are generally willing the pay a premium in comparison to local farmers. There is evidence that values have firmed over the past 12 to 24 months for large scale operations partly due to the competition which has emerged between the five major broadacre cropping funds operating in the region, while there has been no noticeable upward trend in values for smaller operations with values remaining fairy stable in this sector.

Most of the spring stock in the higher rainfall cropping and grazing regions including Corowa, Albury, Holbrook and across to Rand have now sold and there is now a shortfall of farms still on the market. Should demand continue at current levels in 2014, we anticipate a general uplift in values throughout these areas in the coming year.

Country NSW

The pastoral scene in the lower western and western division of NSW has remained relatively firm over the past 12 months with several sales showing levels similar to slightly stronger that that of previous levels. The year has been relatively dry and areas around Broken Hill and south are in search of a good downpour of rain.

Travelling around and inspecting properties it is obvious that there has been a significant swing to the drought resistant breed of sheep which are more tolerant to the conditions. The ever increasing numbers of goats have provided many graziers with additional income from trapping and selling of the feral goats which combined is considered a contributing factor in value levels remaining firm. However the dry conditions are beginning to bite as agents report that over 30,000 head of sheep have been sold out of the Broken Hill area in recent weeks and a further 20,000 are listed for sale at the Yelta sale for December. We consider that this market may have peaked and that value levels are likely to remain static or be slightly weaker moving into 2014.

Station and property sales that occured during 2013 include Billa Downs, Coolamon Station, Quambi Station, Harriedale Station, Lock Lilly Station, Chibnalwood Station, Marma Station and Mandelman Station to name a few. It is also noted that the historic 56,093 hectare Collinsville Station, north east of Burra in South Australia was recently passed in at auction for $3.5 million with negotiations continuing.

Northern Territory

The past four weeks in the NT rural property market have certainly been eventful. Following on from the sale of La Belle Downs/Welltree in late October for $27.1 million which was the first receiver sale in the NT for at least the last five years, Maryfield (near Larrimah) has now reportedly contracted for sale to a Territory pastoralist who will make good use of this highway fronting block to gain wet season access and enhance his cattle marketing options. This property was sold mortgagee in possession. Although sale price details are still confidential we are aware that it reflects a significant fall from the last price paid for Maryfield back at the peak of the market in 2009 (the drop is similar to the 40 per cent plus fall indicated by La Belle/Welltree).

We are also aware of another Southern Alice Springs cattle station to have contracted for sale to an established Central Australian pastoral outfit. Again, details remain confidential but the sale (at around $700/AE bare) reflects the growing confidence pastoralists in this region have in their ability to remain viable by servicing their well established and generally loyal markets in Southern Australia (particularly Adelaide) and also increasingly to overseas markets.

We also understand that two more stations being marketed by receivers in the NT are very close to selling. One of these is in the Top End and the other a couple of hours north of Alice. The marketing agents report a combination of many bargain hunters at one end and at the other, a number of serious contenders who are doing a good job of brewing up some competitive tension in the market, and this looks likely to yield a sale within the next week or two.

As each sale happens in the NT, the market is gaining a firmer view of where pastoral values have finally come to settle. This type of confidence is likely to be enough to convince others to take the plunge into the market and further sales are expected in the next six months, particularly after the wet in the traditional selling season. BUT (and its a big BUT), having said all this, the recent Australia/Indonesian "spying fiasco" has thrown in a very big spanner. All of a sudden, in the blink of an eye, the future of the live export industry to Indonesia, by far our biggest cattle market, the mounting confidence I just spoke of above has again been seriously eroded. Marketing agents of stations in the Top End tell me that a good number of buyers have very quickly withdrawn from acquisition mode at this new revelation, and are content to now sit back and think about it all again.

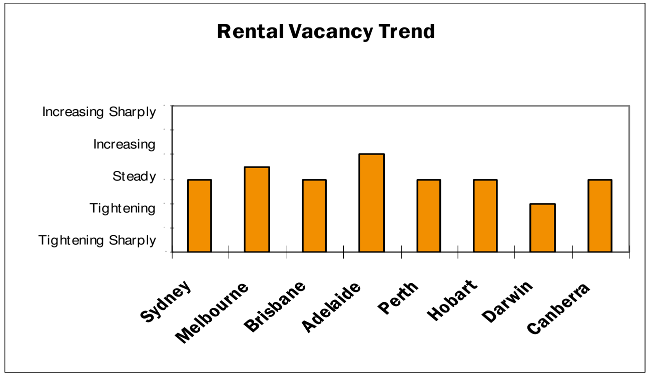
Yep, just what we all needed. So it's back to keeping a close eye on this politically driven space as it will now guide any perceptions the market has about the future of the northern pastoral industry, its inherent risks and the perceived impact on rural property values.

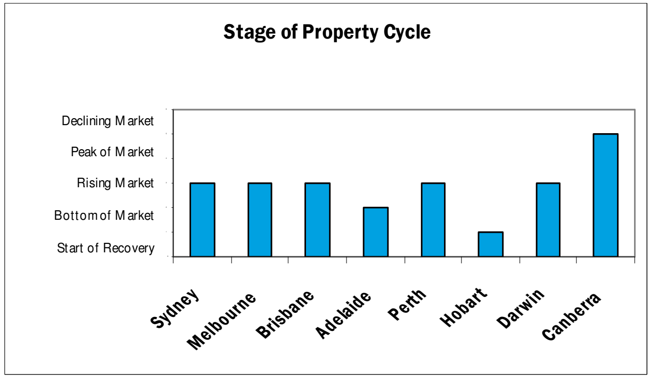
Capital City Property Market Indicators - Houses

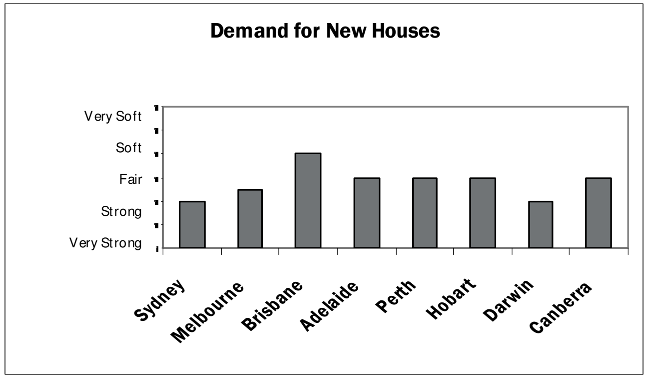
Factor	Sydney	Melbourne	Brisbane	Adelaide	Perth	Hobart	Darwin	Canberra
Rental Vacancy Situation	Shortage of available property relative to demand	Balanced market - Over-supply of available property relative to demand	Balanced market	Balanced market	Shortage of available property relative to demand	Balanced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

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

Capital City Property Market Indicators - Units

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

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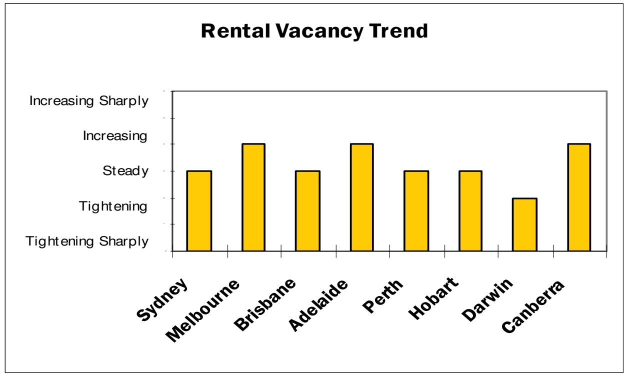

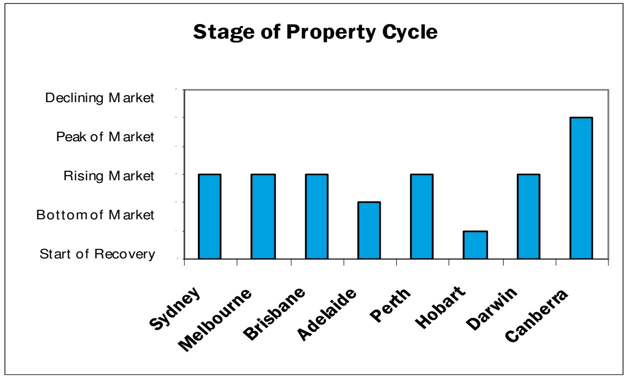

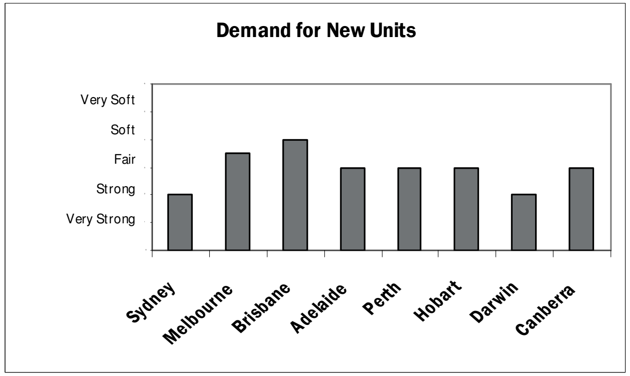

Capital City Property Market Indicators - Industrial

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

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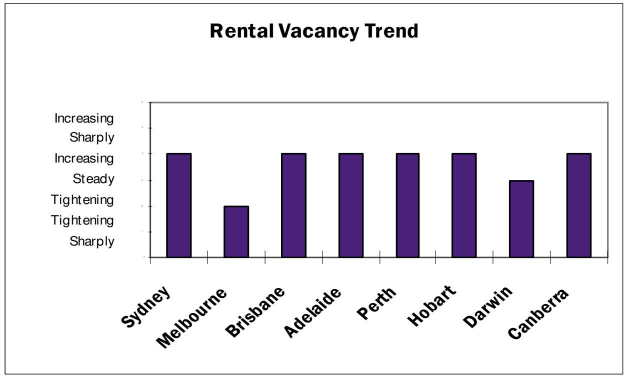

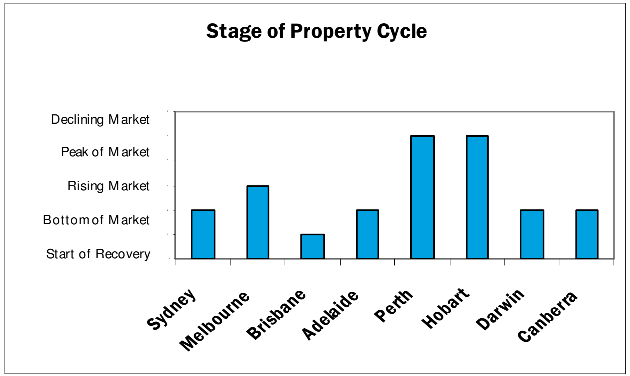

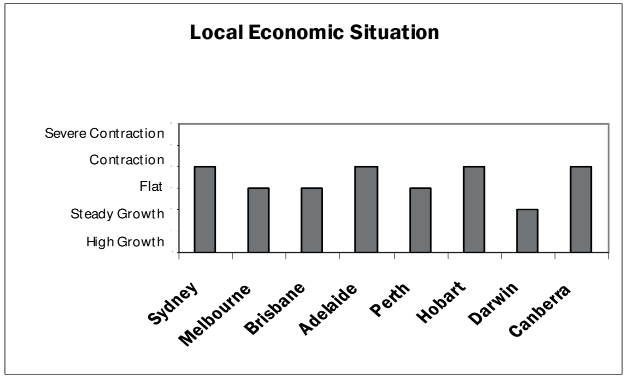

Market Indicators

New South Wales Property Market Indicators - Houses

Factor	Albury	Bathurst	Canberra/ Q'beyan	Central Coast	Dubbo	Griffith	Mudgee	New-castle	Orange	Sydney	Tam-worth	Tweed Coast	Wagga Wagga	Wollon-gong	Coffs Harbour
Rental Vacancy Situation	Shortage of available property relative to demand	Balanced market	Balanced market	Balanced market	Shortage of available property relative to demand	Shortage of available property relative to demand	Balanced market	Severe shortage of available property relative to demand	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	Over-supply of available property relative to demand
Rental Vacancy Trend	Tightening	Steady	Steady	Steady	Tightening	Steady	Steady	Steady	Increasing	Steady	Tightening	Tightening - Steady	Steady	Steady	Steady
Demand for New Houses	Fair	Strong	Fair	Fair	Strong	Fair	Fair	Fair	Fair	Strong	Fair	Soft - Fair	Fair	Strong	Soft
Trend in New House Construction	Increasing	Increasing	Steady	Steady	Increasing	Steady	Steady	Declining	Steady	Steady	Steady	Steady	Steady	Increasing	Declining
Volume of House Sales	Increasing	Increasing	Steady	Increasing	Increasing	Increasing	Steady	Steady	Declining	Increasing	Steady	Increasing - Steady	Steady	Increasing	Steady
Stage of Property Cycle	Start of recovery	Rising market	Declining market	Rising market	Rising market	Start of recovery	Rising market	Start of recovery	Peak of market	Rising market	3.4	Start of recovery - Bottom of market	Bottom of market	Rising market	Bottom of market
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Occasion-ally	Occasion-ally	Almost never	Occasion-ally	Occasion-ally	Occasion-ally	Almost never	Occasion-ally	Occasion-ally	Occasion-ally	Occasionally	Almost never	Occasion-ally	Frequently	Almost never

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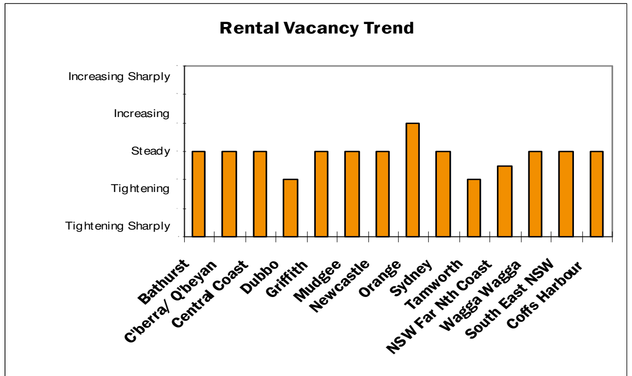

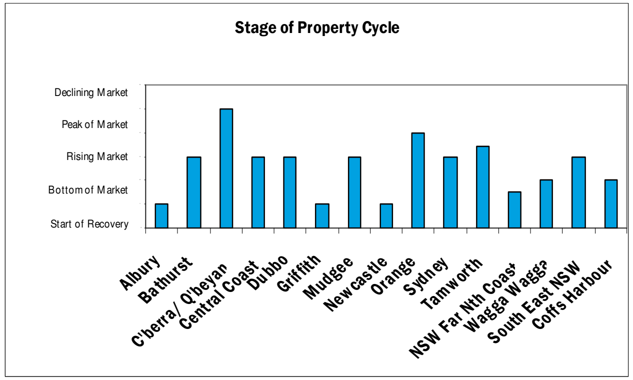

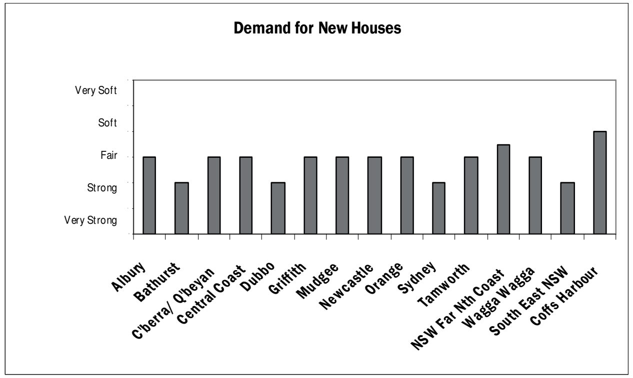

Market Indicators

New South Wales Property Market Indicators - Units

Factor	Albury	Bathurst	Canberra/ Q'beyan	Central Coast	Dubbo	Griffith	Mudgee	New-castle	Orange	Sydney	Tam-worth	Tweed Coast	Wagga Wagga	Wollon-gong	Coffs Harbour
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	Shortage of available property relative to demand	Balanced market	Balanced market	Severe shortage of available property relative to demand	Over-supply 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	Over-supply of available property relative to demand
Rental Vacancy Trend	Tightening	Steady	Increasing	Steady	Tightening	Steady	Steady	Steady	Increasing	Steady	Tightening	Steady	Steady	Steady	Steady
Demand for New Units	Soft	Fair	Fair	Fair	Strong	Soft	Fair	Soft	Fair	Strong	Fair	Soft	Fair	Strong	Very soft
Trend in New Unit Construction	Declining	Steady	Declining	Increasing	Increasing	Declining	Steady	Declining	Steady	Steady	Steady	Declining - Steady	Steady	Increasing	Declining
Volume of Unit Sales	Increasing	Increasing	Steady	Steady	Increasing	Steady	Steady	Steady	Declining	Increasing	Steady	Increasing - Steady	Steady	Increasing	Steady
Stage of Property Cycle	Start of recovery	Rising market	Declining market	Bottom of market	Rising market	Start of recovery	Rising market	Start of recovery	Peak of market	Rising market	Rising market - Peak of market	Start of recovery - Bottom of market	Bottom of market	Rising market	Bottom of market
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Occasion-ally	Occasion-ally	Almost never	Frequently	Occasion-ally	Almost never	Almost never	Occasion-ally	Occasion-ally	Frequently	Occasionally	Almost never	Occasion-ally	Frequently	Almost never

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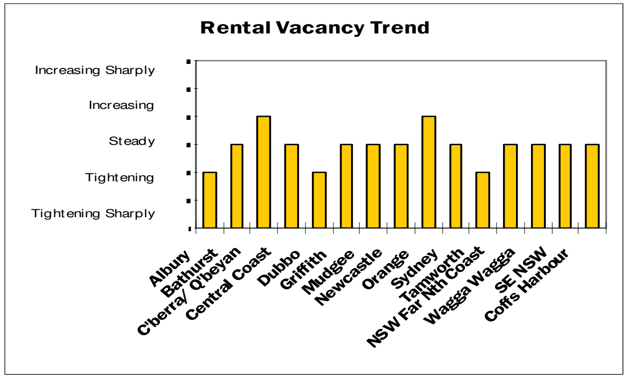

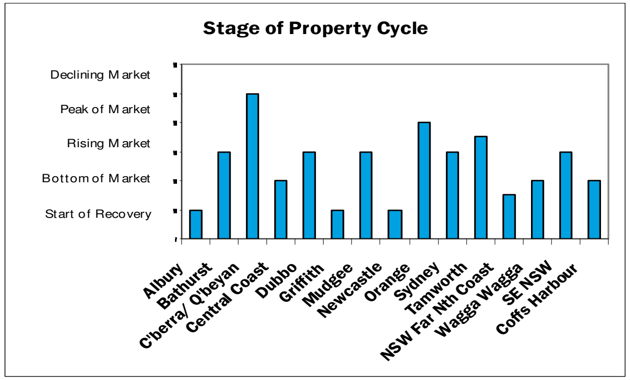

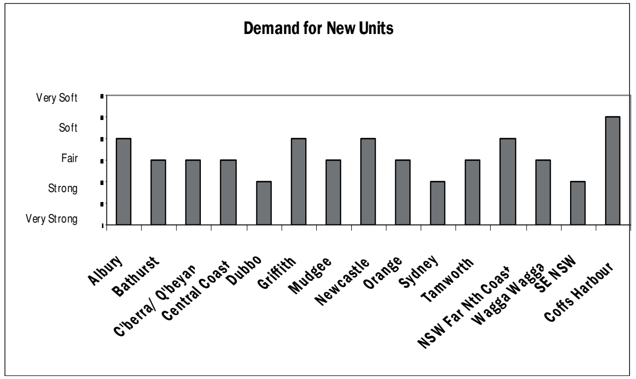

Market Indicators

New South Wales Property Market Indicators - Industrial

Factor	Albury	Bathurst	Canberra/ Q'beyan	Central Coast	Dubbo	Griffith	Mudgee	New-castle	Orange	Sydney	Tam-worth	Tweed Coast	Wagga Wagga	Wollon-gong	Coffs Harbour
Rental Vacancy Situation	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	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	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	Increasing	Steady	Increasing	Increasing	Steady	Steady	Steady	Steady	Increasing	Increasing	Increasing	Steady	Steady	Steady	Steady
Rental Rate Trend	Declining	Stable	Stable	Declining	Stable	Stable	Stable	Stable	Declining	Stable	Stable	Stable	Declining	Stable	Declining
Volume of Property Sales	Steady	Steady	Steady	Declining	Steady	Steady	Steady	Increasing	Steady	Increasing	Steady	Steady	Steady	Increasing - Steady	Steady
Stage of Property Cycle	Bottom of market	Rising market	Bottom of market	Bottom of market	Rising market	Start of recovery	Rising market	Start of recovery	Declining market	Bottom of market	Rising market - Peak of market	Bottom of market	Bottom of market	Bottom of market	Bottom of market
Local Economic Situation	Flat	Contraction	Contraction	Flat	Flat	Flat	Flat	Flat	Contraction	Contraction	Flat	Flat	Flat	Flat	Flat
Value Difference between Quality Properties with National Tenants, and Comparable Properties with Local Tenants	Significant	Significant	Large	Significant	Significant	Significant	Significant	Large	Small - Significant	Significant	Significant	Significant	Significant	Large	Small

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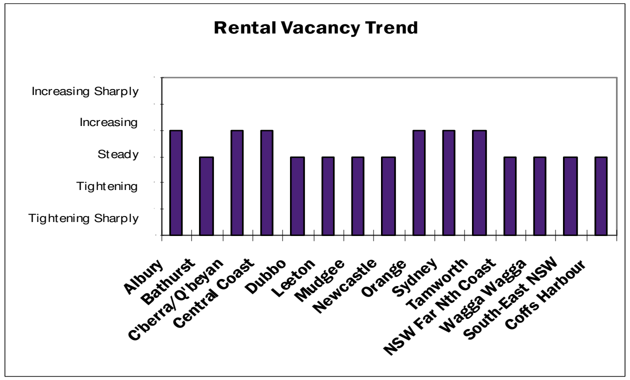
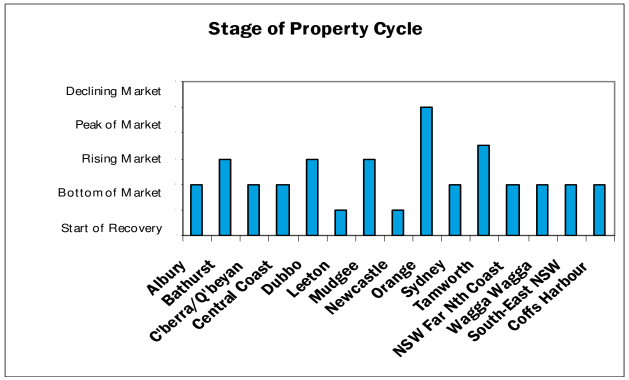
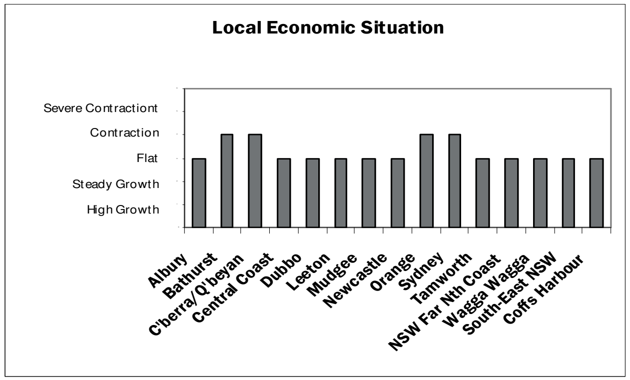






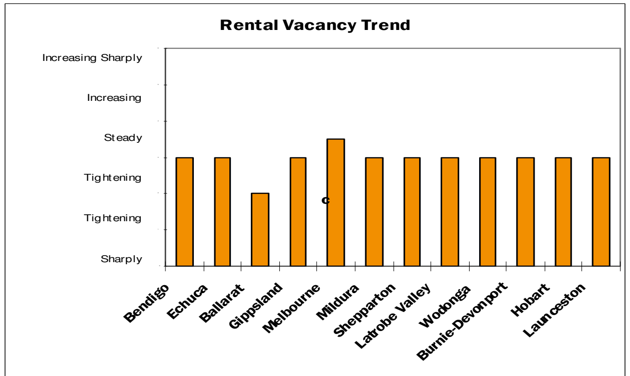
Market Indicators

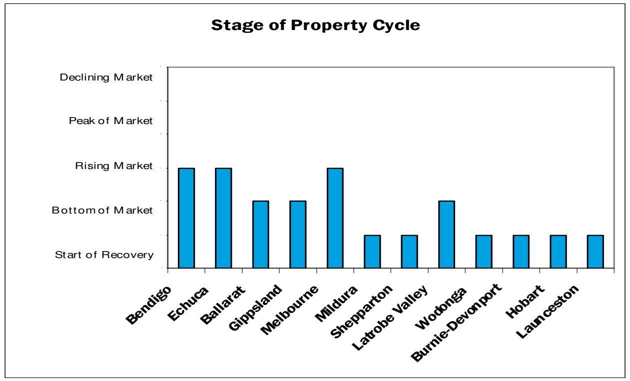
Victoria/Tasmania Property Market Indicators - Houses

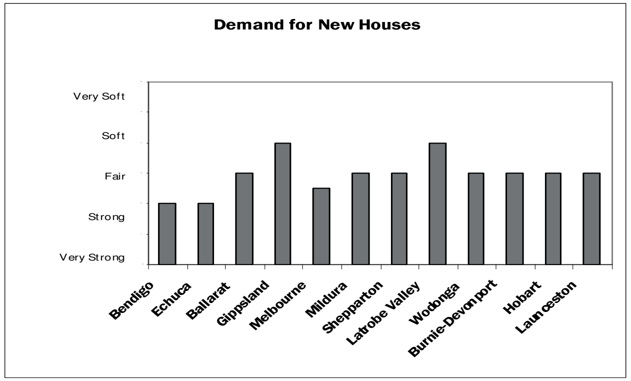
Factor	Bendigo	Echuca	Ballarat	Gippsland	Melbourne	Mildura	Shepparton	Latrobe Valley	Wodonga	Burnie / Davenport	Hobart	Launceston
Rental Vacancy Situation	Shortage of available property relative to demand	Balanced market	Over-supply of available property relative to demand	Balanced market	Balanced market - Over-supply of available property relative to demand	Balanced market	Balanced market	Balanced market	Balanced market	Balanced market	Balanced market	Balanced market
Rental Vacancy Trend	Steady	Steady	Tightening	Steady	Steady - Increasing	Steady	Steady	Steady	Steady	Steady	Steady	Steady
Demand for New Houses	Strong	Strong	Fair	Soft	Fair - Strong	Fair	Fair	Soft	Fair	Fair	Fair	Fair
Trend in New House Construction	Increasing	Increasing	Steady	Declining	Steady - Increasing	Declining	Steady	Declining	Steady	Increasing	Increasing	Increasing
Volume of House Sales	Increasing	Increasing	Increasing	Steady	Declining	Increasing	Increasing	Steady	Increasing	Increasing	Increasing	Increasing
Stage of Property Cycle	Rising market	Rising market	Bottom of market	Bottom of market	Rising market	Start of recovery	Start of recovery	Bottom of market	Start of recovery	Start of recovery	Start of recovery	Start of recovery
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Occasionally	Occasion-ally	Occasion-ally	Occasionally	Occasionally	Occasion-ally	Occasionally	Occasion-ally	Occasion-ally	Occasionally	Occasion-ally	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

Victoria/Tasmania Property Market Indicators - Units

Factor	Bendigo	Echuca	Ballarat	Gippsland	Melbourne	Mildura	Shepparton	Latrobe Valley	Wodonga	Burnie / Davenport	Hobart	Launceston
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	Shortage of available property relative to demand	Shortage of available property relative to demand	Balanced market	Balanced market	Balanced market	Balanced market	Balanced market
Rental Vacancy Trend	Steady	Steady	Tightening	Steady	Increasing	Tightening	Steady	Steady	Steady	Steady	Steady	Steady
Demand for New Houses	Strong	Fair	Fair	Soft	Soft - Fair	Fair	Very soft	Soft	Soft	Fair	Fair	Fair
Trend in New House Construction	Steady	Steady	Steady	Declining	Increasing strongly	Declining	Increasing strongly	Declining	Declining	Increasing	Increasing	Increasing
Volume of House Sales	Increasing	Steady	Increasing	Steady	Declining	Increasing	Declining	Steady	Steady	Increasing	Increasing	Increasing
Stage of Property Cycle	Rising market	Rising market	Bottom of market	Bottom of market	Rising market	Start of recovery	Bottom of market	Bottom of market	Bottom of market	Start of recovery	Start of recovery	Start of recovery
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Occasion-ally	Almost never	Occasion-ally	Occasionally	Occasionally	Almost never	Occasionally	Occasion-ally	Occasionally	Occasionally	Occasion-ally	Occasionally

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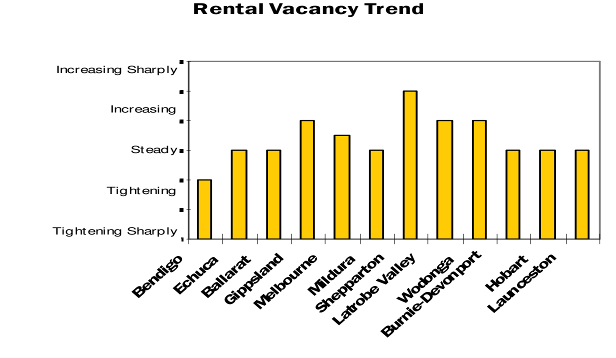
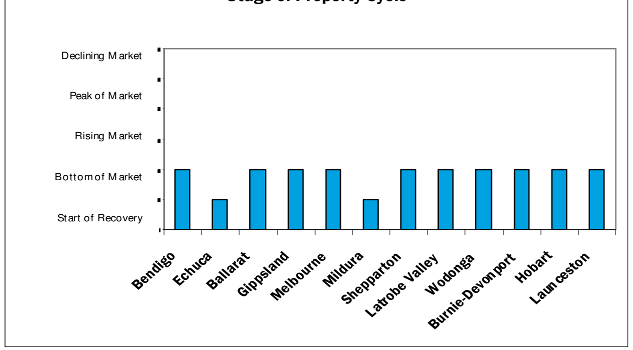
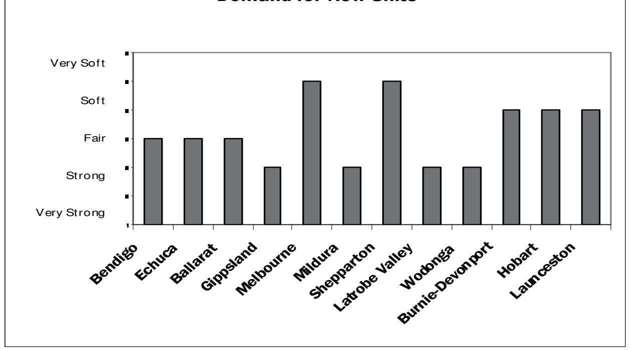


Rental Vacancy Trend



Stage of Property Cycle



Demand for New Units

Market Indicators

Victoria/Tasmania Property Market Indicators - Industrial

Factor	Bendigo	Echuca	Gippsland	Melbourne	Mildura	Latrobe Valley	Wodonga	Burnie/ Davenport	Hobart	Launceston
Rental Vacancy Situation	Balanced market	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	Steady	Steady	Increasing	Tightening	Steady	Increasing	Increasing	Increasing	Increasing	Increasing
Rental Rate Trend	Stable	Stable	Stable	Stable	Declining	Declining	Declining	Declining	Declining	Declining
Volume of Property Sales	Steady	Steady	Declining	Steady	Steady	Declining	Steady	Declining	Declining	Declining
Stage of Property Cycle	Rising market	Start of recovery	Bottom of market	Rising market	Bottom of market	Bottom of market	Bottom of market	Declining market	Declining market	Declining market
Local Economic Situation	Steady growth	Flat	Contraction	Flat	Flat	Flat	Flat	Contraction	Contraction	Contraction
Value Difference between Quality Properties with National Tenants, and Comparable Properties with Local Tenants	Small	Small	Small	Large	Significant	Small	Significant	Small	Small	Small

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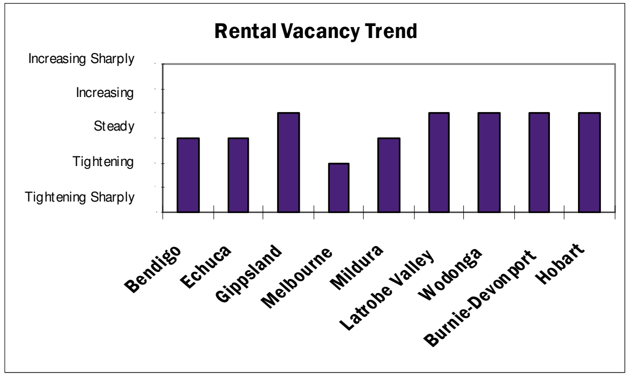
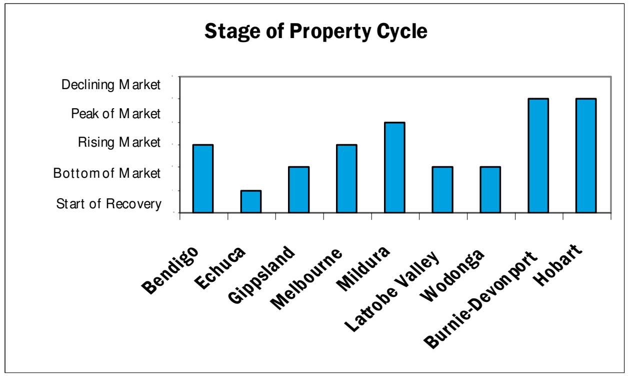
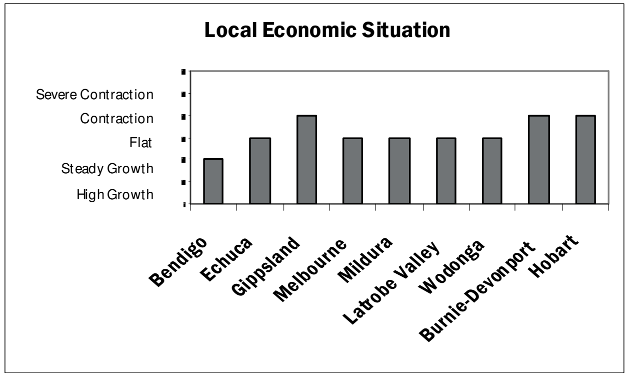






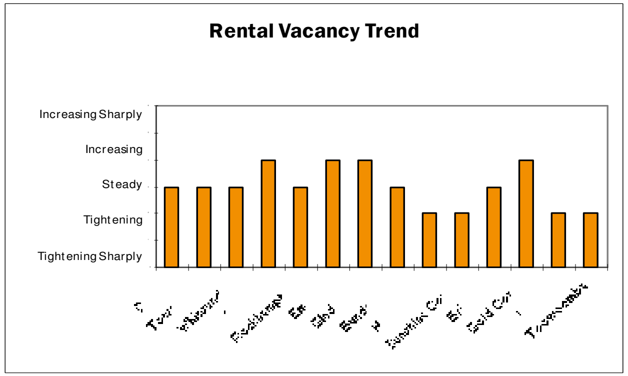
Market Indicators

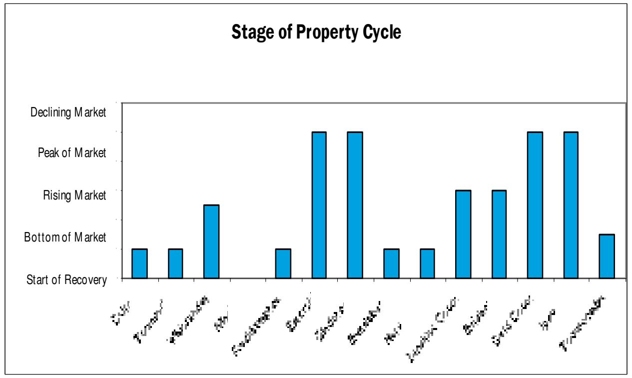
Queensland Property Market Indicators - Houses

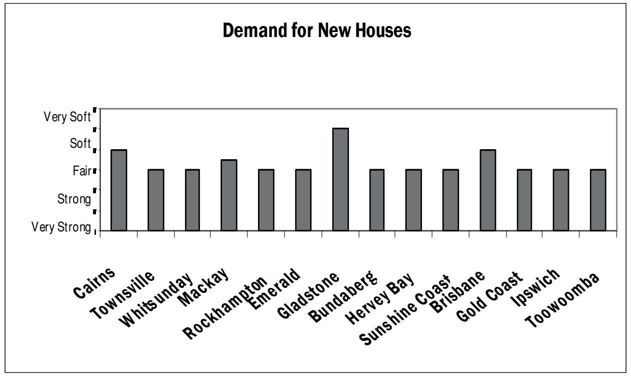
Factor	Cairns	Towns-ville	Whit-sunday	Mackay	Rock-hampton	Emerald	Glad–stone	Bunda-berg	Hervey Bay	Sunshine Coast	Brisbane	Gold Coast	Ipswich	Too-woomba
Rental Vacancy Situation	Shortage of available property relative to demand	Balanced market	Shortage of available property relative to demand - Balanced market	Balanced market - Over-supply of available property relative to demand	Balanced market	Over-supply of available property relative to demand	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	Balanced market	Shortage of available property relative to demand	Shortage of available property relative to demand
Rental Vacancy Trend	Steady	Steady	Steady	Increasing	Steady	Increasing	Increasing	Steady	Tightening	Tightening	Steady	Increasing	Tightening	Tightening
Demand for New Houses	Soft	Fair	Fair	Soft - Fair	Fair	Fair	Very soft	Fair	Fair	Fair	Soft	Fair	Fair	Fair
Trend in New House Construction	Increasing	Steady	Steady	Steady	Steady	Steady	Declining	Increasing	Steady	Steady - Increasing	Steady	Steady	Steady	Declining
Volume of House Sales	Increasing	Increasing	Steady	Steady - Declining	Steady	Steady	Declining	Increasing	Steady	Increasing	Increasing	Increasing	Declining	Increasing - Steady
Stage of Property Cycle	Start of recovery	Start of recovery	Bottom of market - Rising market	Static	Start of recovery	Declining market	Declining market	Start of recovery	Start of recovery	Rising market	Rising market	Declining market	Declining market	Start of recovery - Bottom of market
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Occasion-ally	Occasion-ally	Almost never - Occasion-ally	Occasion-ally	Occasion-ally	Occasion-ally	Very frequently	Almost never	Occasion-ally	Occasion-ally	Occasion-ally	Frequently	Almost always	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





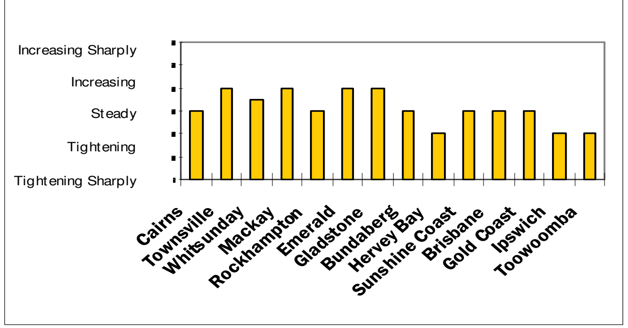


Market Indicators

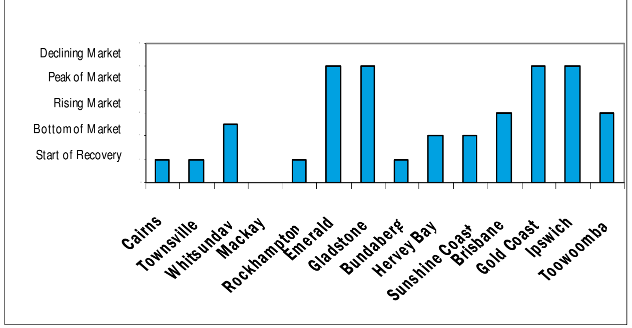
Queensland Property Market Indicators - Units

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

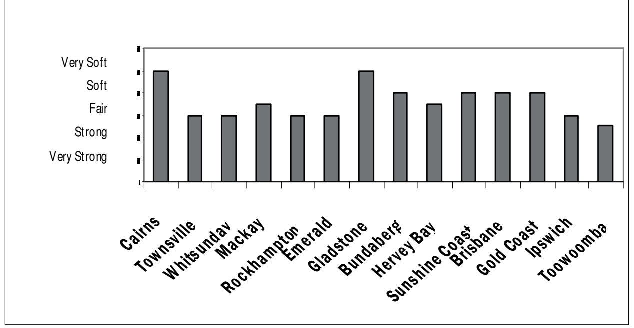
Red entries indicate change from previous month to a higher risk-rating *Blue entries indicate change from previous month to a lower risk-rating*



Rental Vacancy Trend



Stage of Property Cycle



Damand for New Units

Queensland Property Market Indicators - Industrial

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

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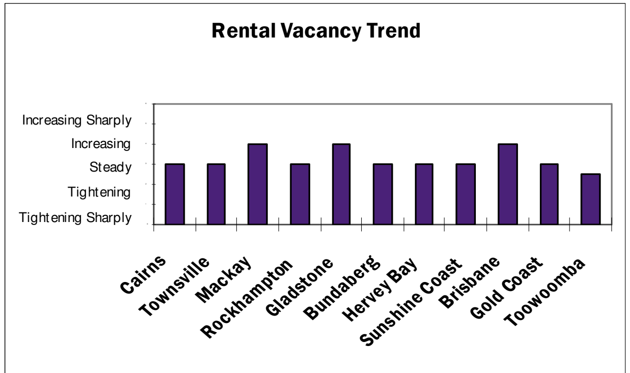
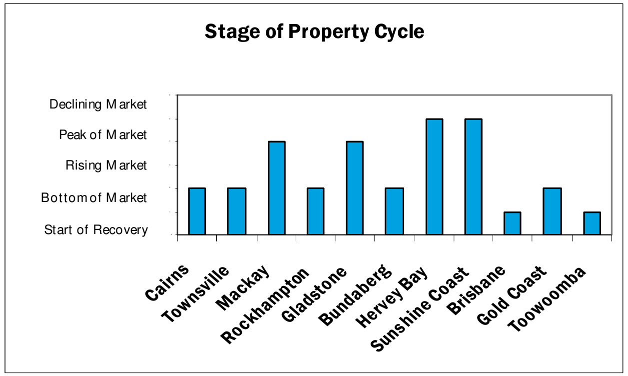
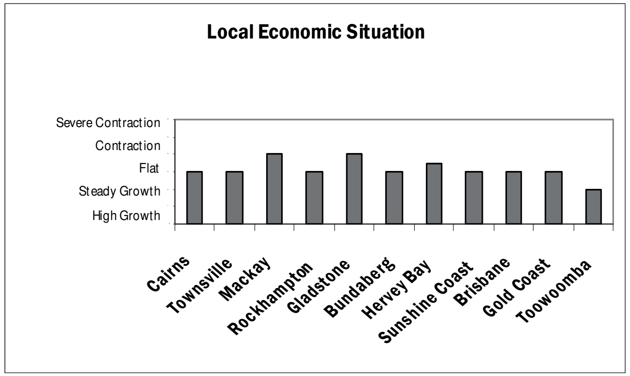






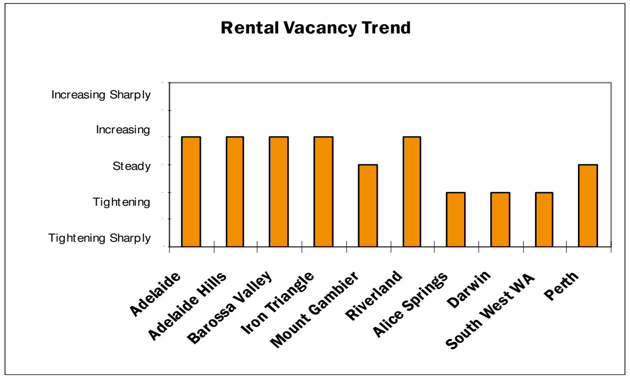
Market Indicators

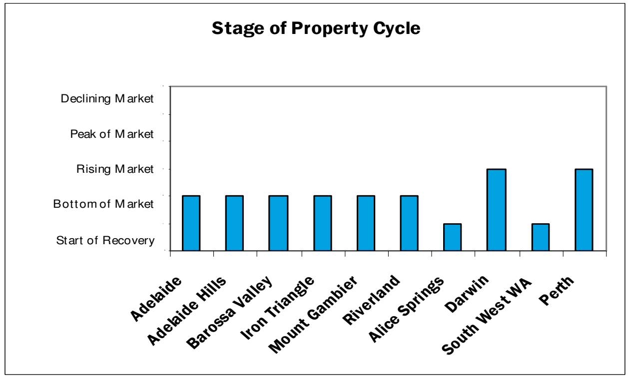
Northern Territory, South Australia & Western Australia Property Market Indicators - Houses

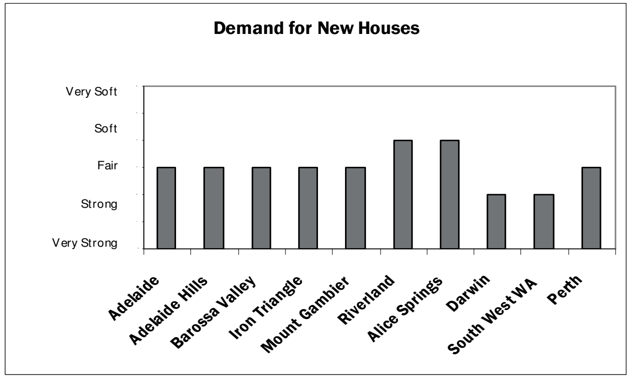
Factor	Adelaide	Adelaide Hills	Barossa Valley	Iron Triangle	Mount Gambier	Riverland	Alice Springs	Darwin	South West WA	Perth
Rental Vacancy Situation	Balanced market	Balanced market	Balanced market	Balanced market	Balanced market	Shortage of available property relative to demand	Balanced market	Severe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

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

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

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

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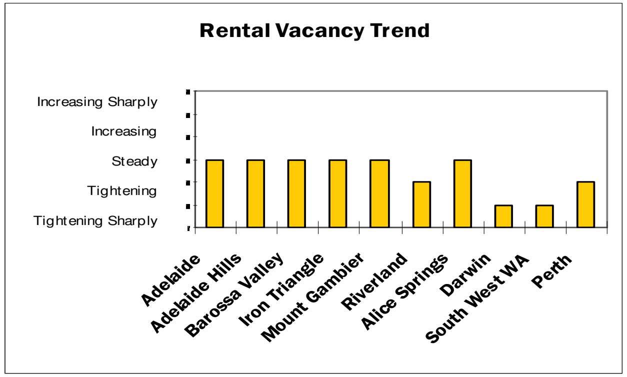

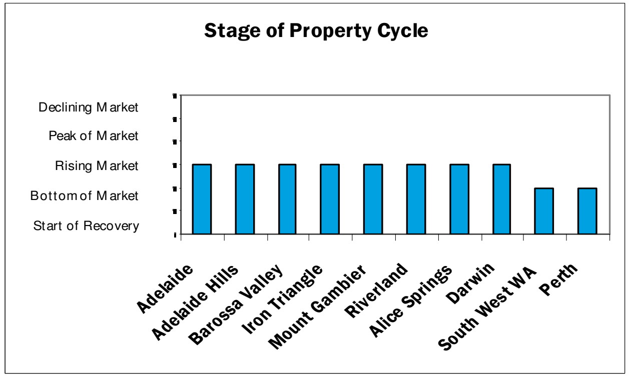

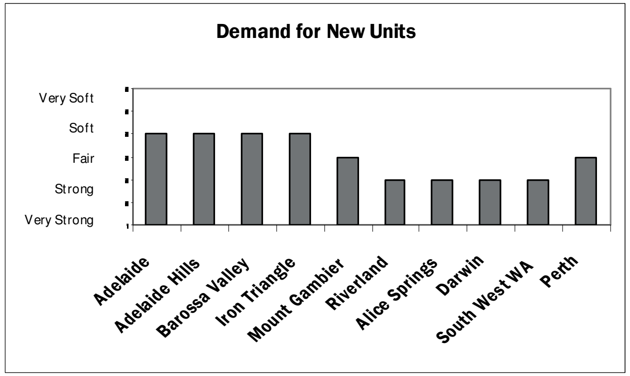

Market Indicators

Northern Territory, South Australia & Western Australia Property Market Indicators - Insert Commerical

Factor	Adelaide	Adelaide Hills	Barossa Valley	Iron Triangle	Riverland	Alice Springs	Darwin	South West WA	Perth
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	Increasing	Increasing	Increasing	Increasing	Steady	Steady	Steady	Increasing	Increasing
Rental Rate Trend	Declining	Declining	Declining	Declining	Stable	Stable	Stable	Declining	Declining
Volume of Property Sales	Increasing	Increasing	Increasing	Increasing	Steady	Steady	Steady	Declining	Increasing
Stage of Property Cycle	Bottom of market	Bottom of market	Bottom of market	Bottom of market	Bottom of market	Bottom of market	Bottom of market	Bottom of market	Declining market
Local Economic Situation	Contraction	Contraction	Contraction	Contraction	Flat	Steady growth	Steady growth	Contraction	Flat
Value Difference between Quality Properties with National Tenants, and Comparable Properties with Local Tenants	Small	Small	Small	Small	Large	Large	Large	Small	Significant

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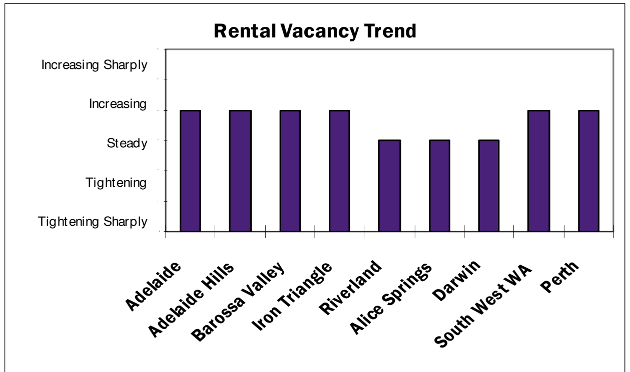

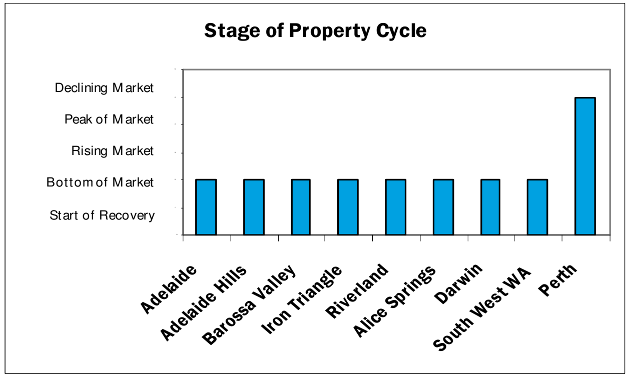

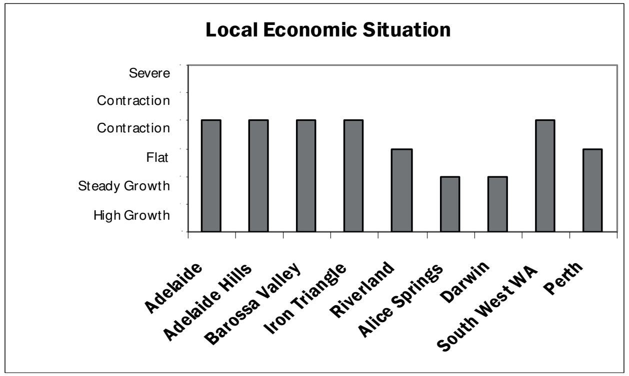

Market Indicators

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