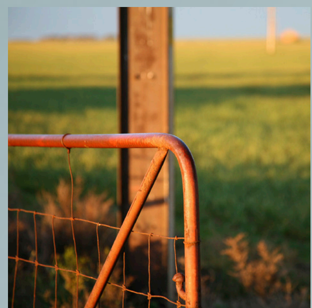
April 2015

Month in Review

HERRON TODD WHITE

Contents



Coming into land

The Australian desire for dirt is both deep rooted and resonant. Land is the tangible foundation of our industry and endeavors. Any property nut knows it's not the structure, but the soil that holds the solid value. Whether you're upon a million acres in the arid centre, or living in a bedsit in Bondi, real estate relies on land.

Excuse the poetic opener but in property, land forms the bedrock base. When valuers run their assessment, the square metreage of the lot features prominently among the numbers. Size, dimension, topography, location and zoning are all attached to the site and these very much determine what sort of structure you can build to house you and yours – or at the very least, your tenants.

Land is also a great gauge of market performance. For example, councils have used it for years as the baseline distribution of rates charges. It's also a terrific way of tracking relativity. One piece of dirt in an estate is chemically very similar to all the others, but apply the physical characteristics and you can start to see why some attract more dollars.

My finals indulgence into romanticism about the soil is that there is a tie that binds our countries culture to acquiring earth. The great Australian dream has always been touted as owning a family home on a quarter acre block, and while this may now be less fashionable, no true blue fair dinkum Aussie would deny their desire to hold title over their own piece of the nation.

Vacant property provides an easy to understand benchmark for locations throughout the nation, so this month, we've decided to studiously indulge the desire for dirt and look at its influence across our wide brown land. We've asked our trusted souls to give a rundown on their vacant site market – where it is, what it costs and how it's performing.

They've studied sale rates, prices and all manner of market drivers. They've dug deep (pun intended) to bring you the definitive take on how vacant land is tracking. It's not just the fringe locations either. Our team has also had a look at infill stock to see how vacant sites stack up in areas already well established by structures.

Commercially, we're on a different train. In this issue, the retail team are stepping up to the plate and dusting off their spikes. It's time for a look at the year ahead in retail – where it's heading and what's firing. The retail sector has seen some reasonable activity after a slow few years, but we drill down to find out how the micro markets are performing.

So there we are. It's time to appeal to the landed among us by taking on vacant property.

When it comes to buying your own patch of soil, please don't put your head in the sand. Our professionals stand ready with a proverbial shovel in hand, prepared to turn over the topsoil to help you find and investment gem. Just call.

Feature

QS Corner - Investment property

Repair vs maintenance

Tax time will be here again before we know it. The 3th of June is looming and the dreaded task of organising finances for the annual trip to the accountant will soon be upon us all. If you own an investment property, the best advice you can receive is that it pays to be organised and it pays to do your homework on what exactly you can and cannot claim against your taxable income. Accounting for every dollar is important and can often save you from paying more than you should.

There are many allowable deduction items you can claim if you rent out your investment property or are a commercial property owner occupier.

One of these is depreciation and an issue that some investors find difficult when claiming depreciation on property is the difference between depreciation and repairs and maintenance.

The Income Tax Assessment Act 1997 allows for the immediate deductions for repairs and maintenance under sub-division 25-10 which states:

1. You can deduct expenditure you incur for repairs to premises (or part of premises) or a depreciating asset that you held or used solely for the purpose of producing assessable income.
2. If you held or used the property only partly for that purpose, you can deduct so much of the expenditure as is reasonable in the circumstances.
3. You cannot deduct capital expenditure under this section.

Deciphering the difference between a normal outgoing expense such as repairs and maintenance and an improvement of a capital nature can often be a grey area.

A repair, broadly speaking, restores the efficiency of function of the property without changing its character and may include restoration to its former appearance, form, state or condition. Repair is restoration by renewal or replacement of subsidiary parts of a whole. Renewal or reconstruction, as distinguished from repair, is restoration of the entirety.

An improvement however, provides a greater efficiency of function in the property, usually in some existing function. It involves bringing a thing or structure into a more valuable or desirable form, state or condition than a mere repair would do. Some factors that point to work done to a property being an improvement include whether the work will extend the property's income producing ability, significantly enhance its saleability or market value or extend the property's expected life.

For example, if you purchase a residential property and paint it before making it available for rent, then this is considered to be an improvement, i.e. capital expenditure. On the other hand, if you owned a residential property and repainted the premises during the course of the tenancy, then this would be deemed to be a repair and therefore an immediate deduction.

There are many ATO related rulings/determinations, legislative references and case references pertaining to repairs and improvements. To effectively ascertain whether works undertaken on property are deemed to be a repair or an improvement, a determinative test on a case by case basis is often required.

Herron Todd White is more than just a property valuation company. We are fully qualified and accredited property advisors in all areas and classes of property. If you or someone you know needs Tax Depreciation advice on your investment property, contact us at tds@htw.com.au. We have fully qualified Quantity Surveyors who are ready to help.

Sources:

Australian Taxation Office - Income Tax Assessment Act 1997 section 25-10

Australian Institute of Quantity Surveyors - Property Depreciation handbook

Commercial

HERRON TODD WHITE COMMERCIAL

New South Wales

Overview

The retail sector has had its struggles over the past few years. From online, overseas competition to increased saving by scared consumers, it's one sector of the economy that has had to work especially hard to keep its head above water. Recent big spends in upgrading retail space suggests things are turning around, so this month, our team will give there opinion on where retail property is heading in 2015.

Sydney

Generally, demand for retail space in Sydney improved through 2014 in line with expectations of a recovery in consumer spending. Retail trading growth in Sydney is being supported by strong population growth and ongoing housing market strength. As a result, increased retailer demand has driven falls in retail vacancy rates across the categories of retail property formats within the market.

However, forward looking indicators for retail spending are showing mixed signals. New South Wales retail turnover, of which metropolitan Sydney is a dominant contributor, grew by 5.2% in the year to January 2015 (ABS, seasonally adjusted). The growth in retail turnover has clearly decelerated in recent months, slowing from annual growth that reached as high as 9.7% in the later months of 2014. Furthermore, the Westpac-Melbourne Institute Consumer Sentiment Index, which is widely regarded as a leading indicator of retail spending, has remained in pessimistic territory (below the 100 index level) for the majority of the 12 months to March 2015. The survey responses used to derive the index indicated that consumers remain cautious about the economic outlook, are weary about upcoming federal budget and taxation decisions and are concerned around job security.

Such indicators present the possibility that the recent improvement in retail spending may become short lived and negatively impact demand for new space from retail operators in Sydney. Meanwhile, sales activity across a wide range of retail formats appears to have improved in the past 12 months. Recent market commentary suggests that buyers have generally become less risk averse and have grown more willing to consider purchases of non-prime and opportunistic retail property assets. Investor optimism appears to have improved for retail property assets, with Sydney's recovery in retail market fundamentals increasing expectations of growth in market rental levels going forward. This improvement in investor confidence has also contributed to the tightening of market yields across the various retail formats.

Looking to the year ahead, Sydney's retail property market is expected to hold relatively stable in 2015. While factors such as steady population growth and low interest rates are expected to support market fundamentals, businesses have continued to express signs of cautious sentiment in the early months of the year, pointing to a moderation in upcoming demand for retail space. Although vacancy levels have improved in the past 12 months, major real estate agencies are reporting that leasing conditions remain challenging in some areas. Given these factors, we expect a stabilisation of market rent and yield levels over the coming 12 months.

The strength of projected population growth is also supportive of demand for recreational facilities in Sydney. The NSW Department of Planning and Environment has forecast the number of residents in Sydney to increase at a rate of 77,800 persons per year between 2011 and 2021.

Canberra

There is very little activity in this sector of the market. The major shopping centres are tightly held and we are not aware of any proposed ownership changes. The ACT Government has recently passed an amendment to the Territory Plan, which will restrict the size of development in local centres CZ4 and mixed use zoned sites CZ5. The former will be restricted to a maximum area of retail of 1,000 square metres and the latter 1,500 square metres. This will effectively keep the major supermarket operators out of locations zoned CZ4 and CZ5. What effect this change will have is uncertain.

Retail operators in the Territory are hurting with a seasonally adjusted decline in expenditure as at the end of January of 1.9%.

This is the worst performance across the nation. Nationally, expenditure rose by 0.2% for this same period.

The bright spot in the market is the anticipated opening of Ikea late this year adjacent to Majura Park close to the airport. How this store will perform in the ACT is unknown but it is anticipated that shoppers will be drawn to the store from across the region.

The last sale in the retail sector was a site in Kingston with an area of 2,715 square metres for $7.35 million in June 2014. The site although indicated as retail has the right of retail on the lower level with 76 dwellings above. It is understood that there are plans for a supermarket on the site and it is anticipated that the residential component will be built to the maximum allowed.

Overall while there is uncertainty about job security in the public sector, retailers will struggle to make ends meet. Retail vacancies even in the major centres are apparent and anecdotally we believe even the major retail centres are prepared to discuss rent concessions with their lessees.

Illawarra

The Illawarra and Southern Highlands retail property market has shown signs of improvement over the past 12 months with an increase in sales volumes, demonstrating improved confidence after a prolonged period of static conditions. Investment transactions have increased as investors are enticed back to the market by yield arbitrage and a common view that the market has bottomed. However, most prudent investors are still driven by good quality assets, strong lease covenants and rental security. There continues to be a large value difference between quality properties with national tenants and comparable properties with local tenants although this gap is expected to narrow over the next 12 months. Low interest rates, a recovery in development site market and the increased buyer depth has resulted in yield compression despite rents largely remaining stagnant. It is our opinion that the local market is heavily driven at present by the low cost of borrowing. The low interest rate environment is converting some tenants into owners and this has the potential to affect rental rates.

Newcastle

Much of our recent discussion on the retail market has been around the potential influence that Newcastle's inner city revitalisation, the truncation of the heavy rail line and GPT/Urban Growth's joint venture in the Hunter Street Mall may have on the retail market. Let's looks forward a little to the end of 2015. What we do know is that construction may not have started on the light rail (NSW State election dependent) and the GPT/Urban Growth development won't have commenced. In fact, it's the humble opinion of this valuer that this development won't go ahead in its current proposed state, i.e. high rise residential towers. Even if the spot re-zoning of these sites is allowed to go ahead, this has to be a market decision and Urban Growth is too late to catch the wave of current levels of demand and the residential unit development boom that's currently underway. The myriad of developments approved and under construction in and around the CBD have seen unprecedented pre-sales and strong investor and owner occupier interest, especially with the new University Campus on its way on Hunter Street.

The property cycle is now moving to its peak in terms of demand and supply levels are continuing to increase. It's unclear when the peak will come, but is most likely to be 2015 or 2016.

Current levels of residential unit demand cannot be sustained into 2018, which would be the earliest potential completion of these towers. Under the current proposal there would be 400 to 500 new residential units in these towers. Newcastle's unit market has a threshold and once the current heated unit market cools, the financial feasibility of such a development will be in question.

The retail offering from GPT, however, is a different story and this will provide the long anticipated and much needed backbone that the inner city needs to anchor the market, bring visitors and shoppers back to the CBD, and, yes, increase the market value of surrounding properties. Rents in the Hunter Street Mall have been in steady decline for many years and even with the fantastic work by groups like Renew Newcastle bringing in new tenants, there are still high levels of vacancy and no real retail draw. There has been a pleasing increase in the number of small restaurants, cafes and bars popping up throughout the CBD, bringing life back to some older buildings and we expect this trend to continue throughout 2015.

Victoria

Melbourne

The strong demand for quality retail assets over the previous 12 months has been driven by three major factors: record low interest rates; the strength of the residential property market; and relatively strong foreign investment. With these factors fairly consistent and demand still surpassing supply we expect that the Melbourne retail market will remain relatively healthy, however as with all property markets we must take a deeper look into the various components in order to gain a thorough understanding of the market.

> Retail spending throughout 2014 remained strong however was contrasted starkly by the subdued consumer sentiment.

This apparent contradiction might be due to the strong residential market throughout much of Melbourne during 2014, which in turn has led to an increase in retail spending especially in the household goods category. Another increasingly popular market segment is food and beverage sales with the café scene an increasingly popular trend in many of Melbourne's suburbs. Retailers in food related categories are expected to have continued strong performance. Based on Australian Bureau of Statistics (ABS) figures, food related spending continues to drive retail spending growth with revenue at cafes, restaurants and takeaway food growing at an annualised rate of 10.1%. In contrast other retail market segments such as department stores have continued to struggle amid intense competition from fast-fashion retailers, which include the likes of H&M and recent entrant to the Melbourne market, Forever 21.

There has been a general increase in purchaser demand for Melbourne retail properties, especially within some markets such as the Melbourne CBD, prime retail strips and large format retailers. Thanks to increased household goods spending, large format retailers have seen an increase in tenant demand. Large format retail assets are a popular choice with investors at the moment based on their relatively high yields and long term growth prospects. We anticipate that the household goods segment will remain strong based on consistent high levels of proposed residential development.

As the economic recovery becomes more prevalent during 2015 we anticipate rents to follow suit and begin to rise. Business sentiment has improved albeit marginally. The improvement of business sentiment is based on greater stability in the retail market and improved retail spending. This in turn should provide the platform for rental levels to increase. Just as 2013 to 2014 saw a drastic increase in the retail space required by fast fashion retailers, we anticipate increased leasing activity from luxury retailers throughout the remainder of 2015. Luxury retailers typically require larger floor plates compared to their domestic counterparts and have the ability to pay substantially higher rental rates.

These foreign retailers have the capacity to pay increased rents to secure prime retail locations and may eventually force some domestic retailers to relocate to secondary retail precincts as the rental levels appreciate in these prime and super prime locations. In line with this increased demand for retail space within the Melbourne CBD, another 9,000 square metres of retail space is expected to be made available by June 2016. The $30 million refurbishment of Australia On Collins, which is being rebranded as St. Collins Lane, will ensure that Melbourne remains a destination of choice for international labels. Vacancy rates in retail strips such as Chapel Street should start to fall over the next 12 months, due to retailers becoming increasingly interested in areas that have strong residential growth. South Yarra for example has experienced a surge in recent times of higher density residential apartments. This growth in population levels has led to increased demand from retail tenants.

Some trends that have appeared in Melbourne retailing look to grow in popularity over the short to medium term. There has been a large influx of foreign retailers entering the Melbourne CBD. Many of the brands are choosing Melbourne and Sydney as their first choice for flagship stores. The growing popularity of Australian CBD retail locations is due to our stable economy, strong tourism, growing numbers of workers in the CBD and many of these international brands reaching market saturation in their home markets. Other trends in the retail market include investing in unconventional retail locations such as airports, universities or hospitals. This can be seen in The Royal Children's Hospital which includes McDonalds and Trampoline Ice Cream. Experiential retailing is a trend expected to increase in the near future. Experiential retailing intends to blur the line between shopping and entertainment in order to provide an offering that internet shopping cannot. The Telstra retail store located in Melbourne Central tested many of the new technologies that have been introduced in the Telstra Discovery store in Sydney, which aims at providing a highly personalised and interactive service.

Foreign investors are no longer sticking with prime and super prime retail assets, due to the high demand and low supply of quality retail assets. Investors both foreign and domestic are becoming increasingly willing to invest in retail assets that represent a higher degree of risk. This is one reason why much of the retail market in Melbourne is currently experiencing yield compression. The recent sale of 166 Russell Street, a four level, 295 square metre retail building confirmed that investors are now prepared to accept sub 4% yields for quality retail assets, selling for $5.01 million on a sharp 3.97% yield. Yield compression in certain Melbourne retail markets is expected to remain throughout 2015.

Current issues facing the retail sector include wavering consumer sentiment, weak wage growth and concerns over unemployment. In contrast, demand for food and hospitality offerings remains strong and if the Australian dollar continues on its downward trend there ought to be a decrease in online spending and an uplift in domestic retail trade. In summary within the Melbourne retail market we anticipate rental growth in super prime CBD locations, vacancy rates in many of Melbourne's retail strips to start to improve and yields for prime retail assets to continue to sharpen.

Echuca

A flurry of activity in recent times has seen multiple sales of properties suitable for either redevelopment or new tenants in Echuca. These include the former Brewery on High Street in Echuca, a corner office/retail site on Pakenham Street, a former service station on High Street and a redevelopment site on Annesley Street. We note that most of these sales have been limited to properties sold with vacant possession. With multiple holdings currently on the market it will be interesting to see if the activity leads to additional supply of office and/or retail space in the town.

Mildura

Mildura's retail sector in general terms remains slow. There are a number of vacant shops in the Langtree Mall and it is evident that some form of rent discounting will be required to attract businesses back into this traditional retail area. Other CBD precincts appear to be doing better in terms of occupancy levels, however rents have been flat and are unlikely to increase in the medium term.

While weak confidence among local retail businesses has led to subdued activity in the traditional retail market, there is greater confidence evident among national retailers who are prepared to pay comparatively strong rents for prime sites.

Two new supermarkets have been constructed in the Mildura region during the past 12 months and the big box retail outlets located along Fifteenth Street continue to enjoy good occupancy levels.

South Australia

Adelaide

Adelaide's retail sector is in the middle of an extended period of difficult and challenging conditions. Testing local economic conditions, in combination with the rising cost of living expenses and unemployment are driving negative sentiment and many are choosing to eradicate debt and consolidate at the expense of retail spending and discretionary spending in particular.

The changing face of retail is also having an impact upon the traditional bricks and mortar retailers, especially those with no online presence, who are suffering as increasing numbers look to purchase via the internet.

There are numerous reasons why online shopping continues to gain in popularity, including convenience, ease of comparing prices, competitive pricing, and in Adelaide especially, online shopping provides access to a significant range of items that are otherwise unavailable in local shops and department stores. Initially, there appeared to be reluctance from some companies to embrace the new way of shopping, however those who don't grow their online exposure have proven to be the first that have been left behind.

Vacancies across all the traditional major shopping strips, including Rundle Mall and Rundle Street in the CBD, Norwood Parade at Norwood, King William Road at Hyde Park and Jetty Road at Glenelg are showing mixed results although all are showing higher than preferable vacancy rates. Although demand for retail tenancies along Adelaide's premier shopping location of Rundle Mall is remaining fairly steady.

To re-iterate from past reports, the retail strips in the suburbs, particularly along King William Road which is known for high end fashion, historically strong retailers are continuing to disappear from this location and long periods of vacancies are being experienced. Similarly, the same effects have been felt along the Parade at Norwood and along Jetty Road at Glenelg. Vacancy rates are increasing mainly for larger tenancies as tenants look to downsize or consolidate and few new tenants enter the market. This climate for downward pressure on rentals is expected to continue in the short term as fashion tenancies are often being replaced by cafes and food tenancies.

In general, sales transactions have been fairly limited, due largely to limited supply, while rental rates and yields continue to soften across most sectors. Many escalations in rentals have been by predetermined mechanisms by a factor of the movement in the Consumer Price Index (circa 2% to 2.5% per annum) or by a fixed increase typically between 3% to 5% per annum. These mechanisms have generally outperformed the market with many rentals still below pre-2007 levels.

Retail figures recently released for the annual spend over 2014 showed an increase in turnover during the year of about 3%, however last year's Christmas and post-Christmas sales results were below expectations. Unfortunately it appears as though the retail sector will continue its struggle for foreseeable future.

Queensland

Brisbane

The Brisbane retail property sector saw steady economic progression in 2014 which we expect to continue throughout the first quarter of 2015. This has resulted in an overall increase in sector confidence. Progression can be partially attributed to the bank interest rate which is at a record low of 2.25% since 4 February 2015. Research conducted by the Australian Bureau of Statistics also shows that Australian retail sales turnover rose by 3.1% in January 2015 compared to January 2014. This figure exemplifies the positive effect the current consumer sentiment has had on the condition of the wider retail property market.

So far since December 2014, investors have shown a strong interest in the sub $5 million market resulting in firming yields. These yields typically range between 6.5% and 7.5% for properties in prime locations, with properties in regional and neighbourhood locations having a higher range of 7% to 8.5%. The discrepancy in the yields of these three types of retail property promotes the importance of location in this asset class. An example of how retail property yields in Brisbane are firming is the sale at 26 Racecourse Road, Hamilton (see table below). On the other hand, retail centres with a higher price point over $5 million are generally achieving slightly softer yields between 7.5% and 8.75%, again depending on the location. A notable sale which occurred recently was the retail centre located at 3 Montpelier Road, Newstead which is also summarised below.

Address	Sale Date	Sale Price	GLAR (m2)	WALE (by income)	Analysed Yield	Rate ($/m2)
26 Racecourse Road, Hamilton	Dec 2014	$3.06m	495	3.15 years	7.21%	$6,182
3 Montpelier Road, Newstead	Dec 2014	$13.5m	3,393	6.89 years	7.75%	$3,979

In conclusion, we believe that on the available evidence the Brisbane retail property market showed steady improvement throughout 2014 which is a positive sign leading into 2015. In our opinion properties in prime locations will continue to be in high demand from tenants and investors alike given the income security these properties offer. However, despite yields firming over the past 12 months for properties in secondary retail locations, they are still considered an inferior asset class and should be analysed and assessed thoroughly by any potential purchaser.

Toowoomba

The Toowoomba retail sector appears to be relatively active with a number of proposed new developments.

QIC has begun works on a $550 million redevelopment of the Grand Central and Garden Town shopping centres in Toowoomba's CBD. The development will include the demolition of the Garden Town Shopping Centre and the former Toowoomba Library building. The expansion will include new discount department stores, new supermarkets and approximately 160 specialty retailers. The development is due for completion in early 2017.

Preliminary works have also commenced on two new food based developments. A small centre anchored by Subway and The Coffee Club is to be constructed on the corner of Ruthven and Alderley Streets in Kearney's Spring. Another proposed new centre located on the corner of Cohoe and Herries Streets in East Toowoomba will include a McDonalds, KFC, café and mini supermarket. Both sites are currently being cleared with construction expected to commence shortly.

Retail rents in general have remained relatively static although market leading rents may be achieved within the proposed new developments.

In general retailers have reported a downturn in retail spending in early 2015 which may be a reflection of a reduction in consumer confidence. This coincides with the recent downturn in the energy sector and a number of job redundancies announced by the major coal seam gas operatives.

The low interest rates have resulted in a strong demand for retail properties by investors. However, the lack of supply of quality, fully leased properties has limited the number of investment sales. The lack of quality investment stock will likely continue in 2015 and could result in a firming of yields if an attractive property is offered to the market.

Gold Coast

It has been a turbulent ride over the past few years, but it feels like the Gold Coast's retail market may finally be reaching cruising altitude.

We have seen a strong start to the year with excellent auction clearance rates and strong sale prices being achieved by all of the major agencies.

The most notable transaction we have seen for many years recently occurred at Connor Street, Burleigh Heads. This landmark retail property sold under the hammer for just under $12 million, reflecting an astonishing 5.4% initial yield.

This sale shows us that despite less than favourable macro-economic conditions for retailers, investors are returning to the fold with a higher sense of confidence than was being witnessed as little as twelve months ago.

Record low interest rates have been a catalyst for many buyers and the prospect of a further decrease over the coming months indicates that existing market sentiment should be maintained for the foreseeable future.

Increased market demand has been primarily focused on the retail market, where the Gold Coast represents good value for money in comparison to many interstate and international markets.

The influx of buyers canvassing the Gold Coast has resulted in notable yield compression for prime assets, however this has not yet filtered through to the secondary asset market, as most buyers are keenly aware of the market risks that are still at play.

Rent sustainability has become less of a concern as most leases have now been adjusted to current market levels, but periodic vacancies will still be an ongoing concern as consumer spending remains at sub-par across the retail market.

Over the course of 2015 we expect to see sales volumes continue to hold strong.

We may also witness some yield compression creeping into the secondary markets as demand builds and quality investment stock dries up.

Notwithstanding these comments, there still needs to be a fundamental shift in consumer spending patterns before any substantial growth will be seen in the rental market. Without this, capital growth will be capped.

Connor Street sale

Gladstone

Most sectors of the Gladstone real estate market are in a recessionary phase and retail market conditions are extremely subdued in early 2015. This is not expected to change for the remainder of the year.

> In early 2015 we consider market conditions to be volatile for all Gladstone market sectors with the potential for further price vulnerability.

The Liquefied Natural Gas (LNG) industry and more specifically the construction phase of the LNG consortiums building (the multi billion dollar gas plants on Curtis Island) is now winding down.

One of six trains has commenced production and shipment of gas. The others will commence the production/export phase in late 2015. The total workforce in Gladstone will be reduced from peak levels and this will have a direct flow on effect to the residential and commercial property markets in terms of rental values, vacancies, sales volumes and prices.

Rockhampton

The retail sector in Rockhampton has remained relatively flat throughout 2014 with vacancies for retail remaining stable for space in both the CBD and inner north areas. Some tenancies that remained vacant for extended periods have since been leased, with owners meeting the market with increased incentives and slightly lower rental levels on some occasions.

We anticipate the market throughout 2015 and for the foreseeable future to continue in much the same vein. We note that retail trade growth for Queensland has been flat for at least the past 12 months and we further anticipate there will need to be consecutive quarters of significant retail trade growth before actions of the participants in the retail property sector lead to market improvement. We consider the current flat market will remain for some time and tenants' demands for incentives will continue to grow.

The Rockhampton Regional Council is actively consulting with CBD stakeholders to find ways to improve the city centre. One area of focus is on helping to improve retail trade. There have been many suggestions and steps are being taken that we anticipate will lead to positive progress being made throughout 2015 and beyond.

Late 2014 saw the opening of the ground floor restaurant of the Empire apartments in Rockhampton's river front accommodation and restaurant precinct. This development provides 952 square metres of restaurant space and anecdotal evidence suggests there has been a very positive customer response.

A new Woolworths supermarket plus 25 specialty shops in Parkhurst (north Rockhampton) has been proposed for some 24 months with an active leasing plan for at least the past 18 months, however the development is yet to commence on the back of what appears to be slow rental demand.

We note that Coles or developers on their behalf have been actively searching for additional premises in both north and south Rockhampton. We are aware of a few sites they have shown some significant interest in however they are yet to publicly announce the acquisition of a suitable site. When they do, we consider this will lift confidence in this sector in Rockhampton.

Townsville

The year ahead for the retail sector is predicted to remain status quo, with new development forging ahead and sales activity remaining static.

The market remains price and yield driven with the sub $2 million market the most active. Properties with strong anchors are reflecting yields in the 8% to 9.5% range with sale volumes still low. Throughout 2014 rental rates continued to see landlords meeting the market by way of strong incentives and inducements rather than any changes to face rents.

This is likely to continue throughout 2015 as the market rebalances.

Projects underway in 2015 include the expansion of Fairfield Central Shopping Centre to accommodate a new Kmart and some 25 specialty stores, the $18 million expansion of North Ward Shopping Village to accommodate a new Coles supermarket and the demolition of two CBD sites to accommodate a new Woolworths supermarket and 110 car parks as part of the five stage City Arcade development.

There remains a number of other retail expansions proposed including Willows Shopping Centre, stage 2 at Stockland's North Shore and stage 3 at Fairfield Central. Other proposed retail developments include the $50 million entertainment precinct across from Stockland Shopping Centre at Aitkenvale, which will include cinemas and restaurants.

The retail landscape will continue to evolve throughout 2015 with some positive headway being made to bring retail back to the CBD with the addition of new developments and concepts, while sales activity is likely to remain static.

Cairns

The Cairns retail market has progressively faded since the start of 2008 as a result of the local economic downturn leading to reductions in consumer and tourism spending. Though we perceive the Cairns retail market to have passed through the bottom of the cycle during the course of 2014, the limited recovery so far means that the retail property market remains relatively flat. It must also be said that retail property sales in Cairns are extremely sporadic, with most sales involving property of mixed use retail / office buildings or tenant buyouts of single premises.

There was an increase in vacancy levels in the retail sector resulting from a number of business closures attributed to the tough economic environment during the GFC. However the increase was only a relatively mild increment to the high levels of long term vacancies in some areas that pre-dated the downturn. High exposure CBD space remains reasonably well occupied, with vacancies most noticeable in the lesser exposure locations and on the CBD fringe. Rents have remained generally stable, showing ranges of $600 to $800 per square metre per annum for prime CBD space and $1,000 to $1,500 per square metre per annum in key tourist precincts such as the Cairns Esplanade. However recent signs are that CBD prime rents are starting to strengthen, which may well be the proof that the market has passed bottom.

Blue chip retail located within the main Esplanade tourist strip as well as the central business district show reasonably low vacancies, although there is also limited demand from new businesses. There remains good investor demand for well leased properties which rarely come onto the market.

Northern Territory

Darwin

The question of the development of the old Woolworths site in Darwin CBD has raised its head again. The property is under new ownership and a development application is being floated to utilise the existing buildings for retail purposes. Such a use would be for the medium term (about seven years) until a major redevelopment of the site could be undertaken. There is some opposition to the medium term use proposal on the basis that it would add to the perennial problem of the lack of CBD car parking as the existing improvements do not lend themselves to provision of car parking at all.

Our view is that having these premises in use in the short to medium term would be a boon for CBD retail. However it would be unrealistic to expect the developer to provide car parking during this time as frankly there is nowhere to put it. It would be much better to have this site in use than sitting idle while its redevelopment is planned. Of course this planning would need to incorporate adequate car parking which could go some way to alleviating the current shortage.

The demographic centre of Darwin continues its inexorable march towards the south-east. The city's current major retail centre of Casuarina is perched in Darwin's northern suburbs and over the next few years will have to compete with new centres closer to population growth areas. We expect there to be stiff competition between the new major centres at Palmerston (Gateway), Coolalinga and possibly Bakewell. This will make life difficult for other existing centres in the south-east corridor such as Palmerston.

> Probably more than any other capital city, retail is concentrated in larger centres rather than smaller retail strip properties and we do not see this trend abating.

Western Australia

Perth

There was approximately $176 million worth of retail property transactions in the year to December 2014, down from $1.277 billion in the previous year and down on the five year average, which sits at $663 million.

In the year to December 2014, 15 properties were sold, down from the previous year of 27 and down on the five year average of 18.

In the Western Australian retail property market only a select few major retail investment properties change ownership in any given period. In the year to December 2014, approximately 73% of the total dollar value of retail properties transacted was valued in the $10 million to $50 million price range.

The private investor purchaser category was the most active in the Western Australian investment market for 2014, purchasing 57% of stock sold. Similarly, the private investor category had the most transactions (eight). Large format retail property sales in Western Australia decreased in volume in the 12 months to December 2014. Savills recorded $21 million worth of retail bulky good property transactions within the state, up from the previous year of $20 million and down on the five year average of $27 million.

In terms of retail activity over the remainder of 2015, there is still muted expansion of both Karrinyup Shopping Centre.

AMP Capital lodged an application with the City of Stirling to develop the northern suburbs centre from a 57,000 square metre site to a 113,000 square metre site. It will include an exterior makeover, new shops and 150 new residential apartments nearby, connected by boardwalks David Jones and Myer department stores would be expanded and a fresh food precinct included. The application will be open to public consultation for 40 days then undergo a 90 day review period. If approved, work could begin late next year and be complete by 2020.

Garden City Booragoon is on the way to becoming Western Australia's largest shopping centre after securing approval from the WA Planning Commission for its $750 million expansion.

AMP Capital, which also owns the 77,220 square metre shopping centre, said the structure plan approval would allow the centre to grow to 120,000 square metres, creating space for new retailers and integrating the complex into its surrounding activity centre.

The proposed redevelopment will include a new restaurant precinct, an expanded David Jones store, new format retailers, a supermarket and fresh food precinct and space for a discount department store.

With shopping centres moving away from traditional formats and blending into activity centres, the development plans would also include a new main street linking the centre with the City of Melville headquarters, a town square and newly located Hoyts Cinema, office space and an initial batch of 120 apartments.

Garden City is rated Australia's third most successful shopping centre in dollars spent on specialty sales per square metre.

The expansion will allow Garden City to leapfrog larger centres Westfield Carousel and Lakeside Joondalup Shopping City, where an expansion is due to finish later this year.

Eastern states based retailers are currently expanding into the Perth Retail market. Retail Zoo - franchisors of Boost Juice, Salsa's, Cibo Coffee and Hatch Chicken Burgers are on the expansion trail as are ASX listed Flight Centre Travel Group controlled entities such as Cruise About, Flight Centre, Raat's and Turner Travel Associates, Student Travel and Corporate Travel.

South West WA

The retail market in the south west of WA appears to have steadied. There are still some retail vacancies along the main retail strips in Bunbury, Busselton and Dunsborough however rents appear to have stabilised.

Local real estate agents Summit Realty and Stocker Preston have recently secured prominent retail locations for their operations in the main streets of Bunbury and Busselton respectively.

A new shopping centre development, with Woolworths as the leading tenant, is nearing completion in the satellite suburb of Dalyellup, just south of Bunbury. Another shopping centre with Coles as the leading tenant, is due to start construction in the Vasse Newtown development to the west of Busselton. This is slated for opening in 2017. When established, these will inevitably pull tenants and shoppers from the Bunbury and Busselton central business areas into these satellite areas.

Margaret River continues to perform well with very low vacancies throughout the town. It is expected that any new developments in the Margaret River central business district are likely to be filled prior to completion as demand remains strong.

Residential

HERRON
TODD
WHITE
RESIDENTIAL

Overview

Give me land, lots of land. Vacant allotments are a terrific gauge of market performance. They provide a source of relativity between locations as well. When discussing property, land is where the money is at so this month, our valuers give a rundown on their vacant property markets throughout the nation.

Sydney

The south west local council areas of Liverpool, Campbelltown and Camden on the fringe of the metropolitan area have seen an enormous amount of land release in the past five years as part of the south west growth corridor.

Many of the new land release estates such as Edmondson Park, Leppington, Carnes Hill and Glenfield are situated in these council areas and are located around growth centres where the improvements to infrastructure such as the South West Rail Link and approval of Badgerys Creek airport will improve accessibility to the region and promote job growth.

Typically these estates offer a standard block size of between 300 and 450 square metres and sell from $300,000 to $450,000. Demand has been very high with many sales snapped up early in the pre-sale period. Agents have even witnessed people camping overnight, either on blocks or at the sales office to purchase the best blocks first.

The north west growth corridor is still in planning stages in comparison with large tracts of land recently rezoned and proposed for subdivision within the Blacktown LGA along Blacktown-Richmond Road. New subdivisions have recently come on line in Marsden Park where work has also commenced on a substantial new business park which will provide employment opportunities in the area.

The emerging market within these estates has been the split contract. This is where the buyer enters into a contract to buy a vacant parcel of land, subject to entering into another contract at the same time to construct a dwelling, an advantage to the purchaser as stamp duty is only paid on the vacant land transfer. However this product has caused many issues with lenders as it appears that the vacant block does not have a stand-alone value because of the requirement to build. The requirement for lenders is to have a valuer provide an "as if complete" assessment especially if the property is to be completed with walls attached to the neighbour's.

The recent interest rate cut will fuel an already increasing demand in this region as an affordable living option as the Inner and middle ring suburbs become more and more out of reach for the general house hunter.

Within the Holroyd LGA and Parramatta LGA we have seen a trend where dwellings with blocks that

comply with council regulations are being knocked down to make way for a duplex subdivision. These basic homes which would be worth much less if on a smaller block have been selling for large amounts due to this subdivision potential and the added appeal of modern duplex residences which are well received on completion.

In the northern suburbs of Sydney from Hornsby to the beaches, large scale land releases as seen in the outer areas are long gone with the only option for buyers being to purchase an older house to knock down and build their dream home.

Larger scale developments can be found around North Kellyville where former semi rural lots have been amalgamated and developed. Prices in these areas start from circa $560,000 for a 450 square metre block. These areas have proven to be popular due to the rise in values of inner suburbs to the east pushing families to look further west to get better value for money and from families already living within the area looking to rebuild and stay within the same zone for schools and access to employment areas.

Vacant land in the inner city is as rare as hens teeth and very hard to come by.

The odd vacant parcel of land close to the inner city in the current market has been extremely popular with a wide variety of opportunities available to capitalise on. With minimal vacant land, many are opting for the older style knock down homes (1950s post war fibro cement sheet dwelling), typically 15 to 20 kilometres from the CBD on seemingly larger land parcels which present potential for subdivision and dual occupancy development. Many small scale or first time builder/developers and mum and dad investors are following the trend of dual occupancy developments.

The most awaited new land release was Greenhills Beach by Lend Lease in the beachside suburb of Cronulla back in 2012. Most lots ranged from level 550 square metre to the odd 680 square metre block with potential ocean views. The market responded well with many lots being snapped up in the early weeks all representing good value and a unique opportunity, selling between $690,000 to $1 million.

Since this initial release, two thirds of the lots have now been built on with the new dwellings ranging from single level project homes to architecturally designed homes with rooftop terraces for ocean views. Some of these homes have since been on-sold with the market responding well and prices ranging from $1.7 million to $2.4 million.

After such a good response to this subdivision, Savelle has recently released Shearwaters Landing, the new land release next to Greenhills Beach. Stage One has been recently released to the market with sales off the plan as the estate is still in construction phase. On completion, this new estate will offer a mix of level building lots, to gently sloping blocks with views.

Six of the most anticipated lots within the initial release went to auction in early March 2015. The blocks ranging from 700 square metres to 800 square metres have direct rear access to Wanda Reserve and uninterrupted views of Bate Bay and Cronulla Beach. As such they have been the talk of the shire, with locals astonished at the results. Auction prices achieved ranged from $2.2 million to the highest at $2.675 million.

Canberra

The past few years has seen a continued level of strong vacant land supply to the ACT residential property market.

Gungahlin has been at the forefront of this expansion, with a number of new suburbs entering the market. With the latter stages of Harrison, Bonner, Forde and Casey nearing completion the market is looking elsewhere for new supply. Within Gungahlin the suburb of Jacka remains relatively untested with Moncrieff just recently hitting the market.

Of all developing locales to hit the market in the past few years, the results seen in the initial land releases through Lawson remain the benchmark. With the initial stage of development nearing settlement, Lawson provides for a central location opposite the University of Canberra with easy access to main transport routes and good elevations. Sale prices reached a staggering $800,000 for a 1,540 square metre block.

The Molonglo region continues to expand with extensive development through Wright and Coombs. Most blocks in this region sit in the 400 to 600 square metre range with asking prices well in excess of $300,000.

While land releases appear to be tapering, the Land Development Agency still has an expanse of available options yet to be exhausted with developments of note to keep an eye on including West Belconnen and the Yarralumla Brickworks.

Wollongong

In the past 12 to 18 months the demand for vacant land in the Illawarra area has increased, with many of the new estates clearing stock which previously lay unsold after development in the mid 2000s.

The main land estates in the Illawarra are all in the south areas, with many in the Shellharbour LGA, and include Flinders, Shell Cove, Horsley, Haywards Bay, Calderwood Valley, Chapel Hill Estate, Jamberoo, Milton Brook, Tullimbar, Whistlers Run, Albion Park and Redgum Estate in Figtree.

The price points for the estates in Horsley and Albion Park are between $250,000 and $300,000. Seacrest Estate, Flinders and Haywards Bay land prices are now between $300,000 and $350,000.

Shell Cove is a relatively new beachside suburb adjoining the historical seaside village of Shellharbour, 17 kilometres south of Wollongong. Shell Cove is surrounded by some of the best surfing beaches in New South Wales in the Bass Point Reserve and Killalea State Park, with bush walking trails and a protected marine park. It has been developed by Australand over some years, with a marina now underway and a golf course already established. Recent sales indicate renewed demand after a lull in the past three to four years.

New land releases in Shell Cove (close to the new marina and harbour) are between $350,000 and $450,000. The new releases are only available by ballot and all are selling at auction.

Overall land sales are very strong across all these land release estates. Many are selling off the plan prior to registration of the Deposited Plan while the subdivision is still under construction, a complete turnaround from three to four years ago when developers struggled to clear serviced lots. For instance, all three stages of lots in the new Alkira estate in Horsley near Dapto have sold and it is currently undergoing servicing. Asking prices increased from around $230,000 in stage 1 to $290,000 in stage 3. It remains to be seen whether the developed product will be equal to land plus construction cost in an on sale of the new dwelling.

Redgum Ridge is a residential subdivision located in Figtree, just to the south of the CBD, a well established suburb developed in the early 1960s with good infrastructure such as schools and shopping. The subdivision consists of 193 lots that will be developed in a total of 15 stages. Recent sale rates generally range from $300,000 to over $400,000, however higher prices have been achieved on lots featuring better aspect and outlooks. Take up appears to be increasing after slow sales during the past three to four years.

Interestingly, as a result of a change in zoning laws, the Seacreast Estate in Flinders near Shell Cove now allows duplex sites on almost all blocks in the estate. Generally, blocks with a land area of 500 square metres can now be subdivided into a duplex site subject to approval. In effect this should push land prices up in this area.

As indicated above, supply is currently struggling to meet demand for vacant land sales in these new releases. The government incentives for building new homes (stamp duty, etc.) and first home buyers grants combined with low interest rates are continuing to buoy up demand and prices for vacant land.

In fill sites are rare. Generally the highest priced land is located in the northern beaches from Bulli to Stanwell Park. Ocean views and direct beach access naturally score the highest prices.

Vacant residential land for single use residential do sometimes sell, although they are somewhat of a scarce resource across the well established northern suburbs of Wollongong. Vacant land sites are generally sold as one off blocks and often at a premium.

Values range widely depending on the location and specific characteristics of each lot and locale, but we see in our patch that potential redevelopment sites are generally starting to attract greater interest from small developers and mums and dads.

We are seeing a lot of triplex sites being developed in the inner north areas of Gwynneville, Keiraville and Fairy Meadow.

We saw this pattern in the early to mid 2000s as market values increased. Any lot with a good frontage and generally over 700 square metres is being sought after particularly if the improvements add little value.

NSW Central Coast

The availability of new land releases within the New South Wales Central Coast region is an interesting topic for us to consider this month. Those who are familiar with the region will know that the area is undergoing considerable expansion and change and has been for many years. There are a few contributing factors to this, including the region being on the doorstep of the Sydney metropolitan area, the relative affordability in comparison to Sydney prices, the agreeable lifestyle and the variety of housing types available. For those unfamiliar with the region, we hope this snapshot is helpful.

When speaking of new land estate releases, we find the region to be a little undersupplied at present and this is some way from where we have been in the not too distant past. This is particularly the case at the southern end of the region within the Gosford Local Government Area, where not only are there very limited opportunities available for developers to secure land for subdivision, but an apparent lack of will to do so.

For this reason, the main choice at present is the land being developed within the Kings Estate at Terrigal. Stage 1 of the estate has all but sold out and the developer advises that Stage 2 is almost sold out as well. Within the estate, lot sizes and topography vary. Sale and asking prices start from low $400,000 which seems reasonable given the close proximity to schools, shops and the beach.

Stepping outside of the Kings Estate, but remaining in the Terrigal area, we note that sale prices are often below the $400,000 mark, but we caution that some of this land is likely to be expensive to build on.

A smaller subdivision of ten lots in Green Point Gardens in Green Point was released late last year. Green Point is a suburb with good ongoing demand and with limited available vacant parcels, most of these lots were sold by December last year.

The recently completed Ridgeview Estate at Narara has 42 lots, but it appears they have all been sold as well. So apart from the Kings Estate, there are limited, if any new residential estates available on the southern end of the coast. We have however, noticed that construction of a new subdivision has just started at Lisarow. We understand there will be approximately 40 lots overall, but details of asking prices are unknown at this stage.

Naturally though, there have been numerous vacant land sales across the Gosford LGA over the past year. In fact a quick search of our records suggests there have been close to 200 sales, but we hasten to add that quite a few of these are smaller development sites or smaller rural residential sites. Vacant land prices span a wide range and setting aside those sales with indicators of out of line sales, it seems Spencer is the starting point of values at the southern end of the region at $115,000. Spencer is a somewhat isolated community on the banks of the Hawkesbury River and if quiet and isolation with a scenic backdrop suits, then Spencer is well worth investigating. At the other end of the value scale, expect to part with between $600,000 to $1 million for a vacant parcel at or near the beaches. In the suburbs a short drive from the beaches, we generally see vacant land prices between high $200,000 and high $300,000.

Overall though, it must be said that the southern end of the region has limited vacant land opportunities available. In response to this and not surprisingly there seems to be more activity in renovations and extensions by those wishing to trade up or upsize. In the absence of vacant land parcels, developers and smaller investors target those parcels fitting the infill development formula, not particularly good news for first home buyers looking to take advantage of the government grants and incentives available when building new homes.

A short drive to the northern end of the region reveals a slightly different story.

Covering the Wyong Local Government Area, this region has long been the hub of new residential estates, home building activity and young families, particularly so in the Warnervale Release Area. This is the area north of the Wyong Town Centre between the M1 Motorway and Kanwal, Gorokan and North Wyong. It includes the suburbs of Hamlyn Terrace, Woongarrah and Wadalba and the site of the developing Warnervale Town Centre.

Our records indicate that around 50 vacant land parcels have been sold in these locations over the past year with raw statistics from CoreLogic RPData showing a slightly higher number of sales.

This level of sales turnover is well down over previous years and again, indicates a lack of stock in this location. We draw this conclusion on the basis that a search of a popular real estate website contains a number of englobo (undeveloped) sites available for sale at present in these areas with the main marketing theme being along the lines of land banking. In fact there are more englobo sites being marketed than residential parcels ready to build on.

These findings are interesting because the Warnervale Release Area has long been the hub of new development on the Wyong LGA, but it seems obvious and worrying that at present the availability of vacant residential land has dwindled to such low numbers. We would like to say that demand is low, but in the current market we know this is simply not the case. Largely on the back of low interest rates and market confidence, sales activity for improved properties is quite strong at the moment in these localities and has been this way for some time and it would seem a normal course of events to develop and sell land to meet this demand, but at present this does not seem to be case.

Asking prices for the vacant land parcels available in these areas tend to be hovering around the $200,000 mark for standard building blocks of 500 to 650 square metres and this is considered to represent good buying.

Watanobbi is also a developing area which is closer to the Wyong Town Centre. Values across the board tend to be slightly lower in this suburb and we have noted that asking prices for those few vacant land parcels available are around the $170,000 to $200,000 mark.

A little further to the north of Woongarrah and Hamlyn Terrace is the suburb of Blue Haven. This again is a developing suburb with asking prices also hovering around the $170,000 to $200,000 mark. We have noted at least one new estate here with approximately 30 lots available where sale and asking prices appear to be within this range.

These numbers and asking prices have been sourced from popular real estate websites, but we note that a number of development companies hold land stock in most of these areas. It is difficult to estimate the number of properties they have, but they are selling them under house and land package arrangements. For those seeking the convenience of buying a new home, ready to move into with floor and window coverings, driveways and landscaping taken care of, they represent reasonably good value overall, but it must be said that buyers need to exercise care as the quality and inclusions can vary considerably. They are also a good option for investors due to the allowances available.

Further north again lies the suburb of Gwandalan and in recent weeks we have visited a new estate here. It is quite a pretty estate with a gentle fall across it and next to the local primary school. From what we can see, there are about 30 lots in the current stage. A number of these lots have been sold already with further stages of the subdivision planned for development. Sale prices to date have been around the $165,000 to $175,000 mark.

NSW Mid North Coast

This month we look at where land is being developed, the demand and selling prices.

As we have noted in recent reports, the Mid North Coast is showing increasing activity in the residential sector.

> Land sales have increased significantly since last year and It is becoming increasingly difficult to find a vacant block of land at present.

As fast as developers are releasing their lots, they are being snapped up, firstly by builders, then investors and home buyers, with the builders seemingly obtaining the lion's share of newly released lots at present.

The large estate of Sovereign Hills to the west of Port Macquarie is currently developing 83 new sites in its College Rise precinct with development approval for another 378 sites. After a long lead-in period with little interest, this new town appears to be booming with average sale prices of about $203,000.

Estates closer to Port Macquarie are selling out as fast as they come on line, as are the recently developed stages of several estates in Wauchope. The first stage of the new Glenview Park Estate (28 lots) just west of Wauchope sold out quickly with average prices of about $155,000.

The larger coastal towns further south (Harrington, Tuncurry and Forster) are also struggling to keep up with demand for new vacant lots, albeit at a lower level than Port Macquarie.

The increase in vacant land sales has led to an increase in building approvals and seen local builders' workloads significantly increase, which is good to see after a few years of minimal new construction work.

In summary, the high take up of vacant land at present is helping fuel the local building industry with activity increasing rapidly. This in turn is helping the local economy as a whole. Sales of new dwellings are at a five year high with land values increasing in each new stage released as builders and other buyers compete for available land. Hopefully this activity will continue during 2015.

Newcastle

Fern Bay

Fern Bay is a relatively new estate by Newcastle standards. Situated approximately ten minutes drive from Mayfield across the Stockton Bridge, the initial stages started selling in 2007 and 2008 and have been released steadily since. The most recent stages lie close to Stockton Beach and asking prices are over $300,000 for some blocks, whereas the initial selling prices were in the low $200,000 bracket. We notice that of late re-sales in the estate are achieving around $260,000 to $270,000 which seems reasonable. Selling prices for newly built four bedroom homes are generally in the high $500,000 to mid $600,000 bracket. Anecdotally there are a number of houses occupied under DHA leases as Fern Bay is a close distance to the Williamtown Airport and RAAF base.

Cameron Park

Cameron Park is one of the two major expansion areas of Newcastle that have seen significant activity over the past decade or so. The other expansion area, Fletcher, is coming up next in our discussion. Between Cameron Park and Fletcher the sprawl of Newcastle ever westward continues. It won't be too long before more suburbs bang up against the freeway at this rate. The topography of Cameron Park is punctuated by a bumpy elevation and depending on the contour of the block, asking prices were initially quite cheap, especially for the steeper sites that result in a higher build price. While you can still find the odd block for less than $200,000, most asking prices now are northwards of $250,000 for flatter blocks.

Fletcher
Fletcher is the other main release area in and around Newcastle and has any number of different estates slowly interconnecting and entwining to become one large suburb. A recent addition of a large Bunnings down the road in neighbouring Wallsend and a Coles anchored neighbourhood shopping centre have increased the amenity of the area for convenience shopping. Prices aren't too dissimilar to Cameron Park and seem to have followed a similar trajectory over the life of the development. Owners in Cameron Park look down their noses at Fletcher and owners in Fletcher look down their noses at Cameron Park, so you know that it's roughly similar!

Nelson Bay
Nelson Bay after being in the doldrums for a period after the GFC is continuing to shows strong signs of a recovery across the board and the Landcom subdivision in Corlette has shown price growth in the six or so years that it has been selling land. The latest release of Vantage had prices regularly transacting in the $250,000 to $300,000 range. We notice that the newest release only just recently occurred (at the time of writing) with asking prices reduced somewhat to between $205,000 and $250,000. Blocks in this release are all generously sized being predominantly between 650 and 900 square metres.

We could wax on about all the land being released, sold etc in the following locations: Aberglassyn / Rutherford, Heddon Greta / Cliftleigh, Gillieston Heights, Chisholm and we can now add Huntlee to this list. We won't however. If you are a regular reader of this column you are well aware of the drum that we have been beating in these spots. Another month, the same script and the same tale of un-positivity (that is now a word). Just for the sake of completion however, these areas appear to be over saturated with land relative to real demand that is not speculation driven. Until such time as the resource sector rebounds, the demand is likely to remain weak and generally unsupportive of conditions for price growth.

Bathurst
In Bathurst the majority of new land sales are occurring in Kelso which is a locality to the east and the north east of the CBD. Prices range from $140,000 for a standard house block (say 600 to 900 square metres) with recent sales showing $195,000 for slightly larger, better located blocks. Double blocks over 2,000 square metres could fetch about $240,000. A search of RPData shows 38 sales of vacant land blocks in Kelso over the past six months which is quite healthy. $140,000 appears to be the minimum benchmark for a new release in the Bathurst urban region, although land values for developed properties can be less depending on the location, but relatively few would be under the $90,000 mark.

On the western side of Bathurst there have been land sales around Parer Road with views of the Macquarie River for around $180,000 where previously established land values would not have exceeded $150,000. This is indicative of the lack of vacant land available where one can build closer to the CBD.

As far as rural residential subdivisions go the main choices were White Rock and Robin Hill (although there are plenty of other rural residential options outside of a subdivision). I say "were" because a few months ago the advertised last two blocks available in White Rock seem to have sold for $220,000 (4,000 square metres) and Robin Hill has also become very slim pickings with blocks from 4,000 square metres making about $240,000 up to about $350,000 for blocks over one hectare. Do I sense a development opportunity for a new rural residential estate to the south perhaps?

In Orange the majority of new land releases are to the north and west of the CBD. There seems to be no end to the amount of new land development sometimes. Things have certainly slowed from two or three years ago, but not to the point where it might seriously undermine current land values. Most blocks are the standard size and can range from $145,000 to $165,000. Larger blocks around 1,200 square metres are asking $220,000.

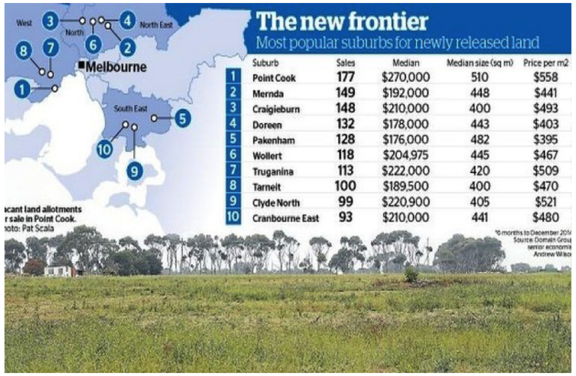
In the rural residential sphere Windera Estate north of Orange has slipped slightly from previous highs, possibly as a result of a change in building standards requirements from the previous developers. It appears the further one goes west the harder time of it rural residential estates have with the market. There is town and there is country and what does rural residential mean anyway? Such seems to have been the case with Alcheringa Estate near Forbes west of Orange. But the punters are keen and there is a new estate on Lower Lewis Ponds Road about 15 kilometres north east of the Orange CBD with blocks of one to four hectares starting at $239,000 asking price. But for me the most interesting subdivision in Orange as a market barometer is on Gorman Road with 4,000 square metre blocks with an asking price of $290,000 and no lack of confidence from those involved that they'll sell.

Victoria

Melbourne

With the government push to encourage housing development, several land estates have been underway. The main service areas exist on the outer fringes comprising of Point Cook, Williams Landing, Craigieburn, Wallan, Melton, Werribee and Pakenham.

The aim of these new estates is to provide a sense of sophistication through developing town centres, creating local employment and health and leisure related facilities such as bike paths. Some estates are even going one step further and providing common facilities such as gyms, pools and tennis courts for exclusive use of estate residents. Point Cook appears to be the most sought after and priciest suburb for land, located approximately 25 kilometres south-west of Melbourne's CBD. On average to purchase in the suburb will cost $558 per square metre, with a typical allotment costing around $270,000. Those unable to afford in the area will be pushed out to areas such as Tarneit with less demand, located 28 kilometres south west with a median price of $470 per square metre and land prices averaging around $189,000 for a standard allotment. Lot sizes in the area are becoming smaller in order to attract first home buyers and young families who are taking up around 75% to 80% of vacant land sales and who are budget conscious buyers seeking the flexibility of building smaller houses on smaller blocks.



	Suburb	Sales	Median	Median size (sq m)	Price per m2
1	Point Cook	177	$270,000	510	$558
2	Mernda	149	$192,000	448	$441
3	Craigieburn	148	$210,000	400	$493
4	Doreen	132	$178,000	443	$403
5	Pakenham	128	$176,000	482	$395
6	Wollert	118	$204,975	445	$467
7	Truganina	113	$222,000	420	$509
8	Tarneit	100	$189,500	400	$470
9	Clyde North	99	$220,900	405	$521
10	Cranbourne East	93	$210,000	441	$480

Source: Fairfax graphic

A rare development in Ascot Vale, located approximately seven kilometres from Melbourne's CBD, has recently been undertaken. Known as the Ascot Chase/Enclave development, the project consists of 400 dwellings on 16 hectares of land located on the boundary of Walter Street, the Walter Reserve, Newsom Street, Stanford Street and Doncaster Street. Features of the development include close proximity to Melbourne's CBD, two hectares of parkland, wetlands, an outdoor amphitheatre and walking and cycling trails. The developers of the estate, Mirvac, are releasing land of approximately 250 to 300 square metres and implementing design guidelines such as requiring a minimum 6 Star NatHERS energy rating. In comparison to the land estates in outer regions, it is evident that Mirvac has undertaken a different approach to provide smaller lots, resulting in a greater amount of lots to be sold off individually.

As these lots are in greater demand due to their proximity to the city less money is spent on advertising. In order for individuals to be aware of such developments they initially are introduced through local council's planning and building sections, as well as the developer's own marketing. Developers such as Mirvac will initially advertise through their own websites as well as emailing prospective buyers on their database. For individuals eager to purchase in such areas it is imperative to stay updated on local council developments as well as register for developers' mailing lists.

Overall, vacant land markets in new estates are performing well with increasing demand evident. Upper Point Cook, one of the newly released estates consisting of 2,000 lots, has been the second fastest selling development in Melbourne, selling out six months ahead of schedule. Due to the ample demand for properties in Melbourne and increasing prices, vacant land markets will not have a major impact on the rest of the market. Rather they provide a foot in the door for first home buyers and young families to purchase a home they potentially would not have been able to afford.

Mildura

There is an adequate supply of suitably zoned land suited to residential subdivision in Mildura, with most of this land located towards the western extremity of the town. After a period of significant developer activity up to around 2011, there has been relatively little activity in recent years, with developers affected by both the GFC and rising costs.

This reduced activity had the affect of reducing supply, and as a result, the average lot price in Mildura over the past two years has risen from $112 to $130 per square metre and the average lot size has reduced from 796 square metres to 735 square metres. Standard lots of 700 square metres are selling for around $95,000. Higher prices are obtained for lots in courts than those situated on feeder or arterial roads.

The improved prices have attracted some developers back into the market and there are a number of subdivisions either recently completed or under construction.

These appear to be selling quickly and it is considered that demand will exceed supply in the short term.

At the other end of the scale there is the opportunity to live on a lot of around 4,000 square metre, with a number of these low density estates located in the Nichols Point and Merbein areas. There has been good demand for the lots in Nichols Point, with prices of up to $155,000 obtained.

There is limited scope for in fill development in Mildura, however one example of a higher density development has involved the subdivision of part of the Mildura golf course into small lots aimed at retirees. This staged subdivision has had strong demand, with prices of around $140,000 obtained for the early lots typically of 400 square metres and prices of over $200,000 now being sought for a later stage containing larger lots.

Echuca

New estates in Echuca are largely limited to west of the township with the final release of Westwood Park Estate and newly completed development of Park View Estate. While there are some limited infill opportunities, these comprise the main area of opportunity for buyers looking to secure smaller scale residential lots. There are a number of larger residential developments including off Wharparilla Drive and further to the east. Typical prices for smaller residential lots are in the order of $135,000 plus, while larger lots can fetch as much as $300,000 depending on location, size and aspect.

In Moama buyers are likely to be spoilt for choice with a number of developments under way including stage 2 of Winbi Estate and the newly completed Murray Bank development. This is likely to be complemented by additional supply of higher density developments off Nicholas Drive and to the eastern fringe of the Lakeview development. Prices typically start at $140,000 for smaller lots through to $200,000 for half acre allotments.

Warrnambool

Warrnambool's vacant land market at present is suffering from oversupply, with multiple residential estates under construction or not yet fully filled. These include the Hollingsworth Estate, South Dennington, Russell Creek Estate, Grange Estate, Toohey Estate, Riverside at Wollaston and Hopkins Ridge Estate, some of which are still in stage 1 or 2 of multi stage developments. Land values range from $125,000 up to $355,000 in these estates, a softening from what we saw 12 to 24 months ago. Approximately 70 hectares of prime river frontage land has just been rezoned General Residential and is currently on the market. In time this will be developed and will continue this trend. This oversupply is not only keeping the vacant land values down in these estates but is creating lower underlying land values in residential estates developed in the 1980s and 1990s.

Queensland

Brisbane

Queensland's capital holds a fortunate advantage over other big Australian cities when it comes to land. While our graduation into fully fledged metropolis continues, we still have one asset that Sydney can't match – the ability to purchase in a major residential estate within a 30 minute drive of the CBD.

Brisbane inner densification obviously means those multi stage projects are moving further and further away, but improved infrastructure and our comparatively low density really does mean that there is plenty of land suited to a comfortable, new detached home.

Most projects are within 14 to 30 kilomteres of Brisbane's centre with plenty of action both north and west.

Head north along the Bruce Highway and projects at North Lakes, Mango Hill, Dakabin and Griffin continue to feed demand. Fitzgibbon Chase, for example, has very right through to 500 square metre lots with pricing from $70,000 to $350,000.

If you prefer a large scale, integrated project where a major shopping centre, schools, a commercial hub and other facilities are all part of the master plan, take a look at North Lakes where blocks from 350 square metres to 800 square metres generally range from $180,000 to $290,000. There's even the chance to buy duplex allotments if you're keen on trying on one of these for size – a product that's normally considered fairly rare in the outer suburbs.

Demand in these projects is strong – they're fairly affordable, have all necessary facilities and are geared towards long term growth on a major transport corridor. In fact, the North Lakes project is nearing completion and has found demand driving a sale rate well beyond expectation – so much so that they've increased prices in their final stages by $40,000 per block.

In other localities, projects are positioned throughout our Western corridor with Redbank Plains, Springfield Lakes and Ripley all featuring. Redbank Plains projects have 400 square metre sites priced at approximately $150,000, while the large Springfield Lakes community offers blocks from 300 square metres to 500 square metres priced between $180,000 and $220,000.

Ripley is a touch further out in a westerly direction which is traditionally an area with its fair share of large sites. Estates here now offer 230 square metre to 700 square metre lots from $135,000 to $195,000. While these small blocks might look like a good option for first timers wanting to buy a home, truth is they're appealing mostly to the investor taking a punt on a strengthening south east Queensland market.

Brisbane property buyers like their space and there appears to be good levels of demand for dirt at the moment. Of course, this is in keeping with a general market upturn since the start of 2015. The key is to watch supply. Another tip is to ensure when buying into a project, you stay on the fringe of the more densely populated suburbs. This is the best method of keeping your value strong and seeing demand in the location improve over the long term.

Toowoomba

Toowoomba's residential market continues to demonstrate strong levels of activity with interest from both owner occupiers and investors. Absentee investors have been a strong driver of the market, however agents are reporting reduced interest from this sector.

The residential vacancy rate now sits at a 2.9%. We point out that this represents a 60% increase in the vacancy rate over the past 12 months where it previously hovered around the 1.8% mark. This result can be attributed to the high levels of construction activity undertaken across the western suburbs throughout 2014.

House and land sales remain steady with infrastructure projects such as the QIC Grand Central / Garden Town redevelopment, the West Brisbane

Wellcamp Airport and the proposed Second Range Crossing sustaining the momentum of the market and counteracting the effects of the easing resource sector.

Traditionally, vacant land in Toowoomba has been constrained by limited supply. The market was dominated by one prominent local developer for many years, however more recently, private developers have entered the market with focus around the western suburbs of Glenvale, Harristown, Cranley, Mount Kynoch and Cotswold Hills.

The eastern areas of the city are more tightly held with the physical boundary provided by the Toowoomba Range limiting supply.

Demand for land in the suburbs of Middle Ridge, Kearneys Spring and Rangeville has traditionally outweighed supply with re-sales often occurring at significantly higher prices than original developer sales.

The median sale price for vacant land in Toowoomba has increased from $160,000 in 2013 to $175,000 in 2014. This number can vary significantly depending on which estates settle during the data capture period as there is a significant difference in values across the city. Land sales in infill estates generally attract premium prices as they are often purchased for unit development.

Middle Ridge recorded the greatest percentage increase with values rising by up to 38% from 2013 to 2014. The western suburbs now accommodate small lot estates, ranging in size from 150 square metres through to around 600 square metres. The smaller lots are new to the Toowoomba market and to date, sales of this product have been primarily to investors as part of house and land packages.

Tweed Coast and Southern Gold Coast

There are a number of current residential land estates available for buyers in this area including Miramar and Seaside estates at Casuarina/Kingscliff, Seabreeze and Black Rocks at Pottsville, Palm Beach Heights at Elanora and The Observatory, Kingsmore and Varsity Heights estates at Reedy Creek.

Each estate offers a different style of product and prices have strengthened in each of the estates over the past 18 months. Agents who market properties in the estates now have a shortage of supply and increased demand for the land.

For example, there were a number of sales of vacant allotments (non beachfront) in Casuarina in 2012 and 2013 in the early to mid $200,000s, however the reduced stock available (significant construction at present) and increased demand have seen prices rise towards the $400,000 mark (some selling above).

A sale of note is 35 Daybreak Boulevard at Casuarina which is a beachfront parcel of 945 square metres. It was sold from the developers (Villa World) in January 2014 for $625,000 and re-sold in November 2014 for $775,000, a price hike of $150,000 in 11 months (24% increase within a year)!

On the southern Gold Coast, there is a new developing residential estate at Tallebudgera known as Hidden Valley which is relatively small (only 25 lots of 600 square metres), however, this is the first A type subdivision in many years as the majority of surrounding properties are on allotments greater than 2,000 square metres. Lots are selling quickly in the estate and the majority of buyers are from the local area.

In regard to infill land markets in the southern Gold Coast patch, there is a limited number of opportunities remaining and the only option is to head west.

Central/Western Gold Coast

Most of the central and western areas of the Gold Coast are established areas with very few sites available. The biggest new estate in this area is the Gilston Green estate.

Prices there two years ago were stable at around $200,000 up to $230,000 for local buyers. Non-local investors were paying $245,000 plus for the land portion of a house and land package.

Since late last year the market has strengthened with locals competing with non-local investors and prices now start at around $255,000.

A new residential precinct within the Royal Pines Golf Course Estate at Benowa has recently commenced marketing, offering single residential and duplex sites. Our office has so far valued only one duplex site of 588 square metres under contract to a Chinese buyer for $540,000 which was not supported. This site backs onto a new supermarket currently in the initial stages of construction with the earthworks started. Previously duplex block sales were achieving around $520,000 for 800 square metres in a superior position within the estate.

Northern Gold Coast

Up in Pacific Pines we are seeing new estates selling house and land packages to mainly foreign investors. The land is selling for between $225,000 and $235,000 which is at local market levels. We note that construction costs for the improvements have been analysed out after making allowances for garaging, patios and ground improvements to over $1,600 per square metre of living area for a single level brick dwelling which is excessive and should be around $1,100 per square metre.

Heading further north to Pimpama and two of the major estates are Meadows and Gainsborough Greens. Sales activity has skyrocketed over the past six months in these estates as market conditions continue to improve and as infrastructure in the area is also improved.

Mid last year land in these estates was selling at around the $200,000 mark for a 450 square metre allotment however we have seen an increase in prices of between 5% and 10% over the past 12 months.

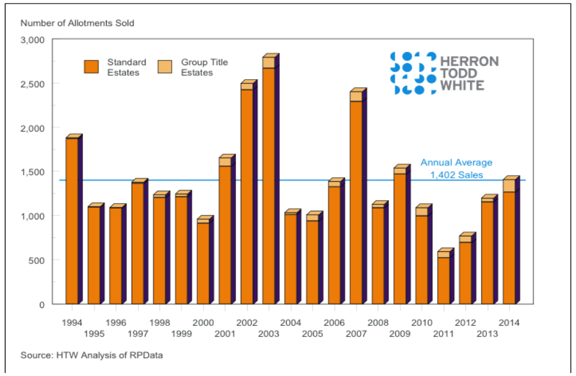
Buyers in the area are a mixture of investors and owner occupiers however we are seeing mainly owner occupiers buying up in the Gainsborough Greens estate.

Residential land on the Gold Coast is one of the better performing sectors of our market. Sales activity has improved and value levels have also risen. Record low interest rates and the return of southern migration has only helped this market segment and hopefully it continues just as strongly through 2015.

Sunshine Coast

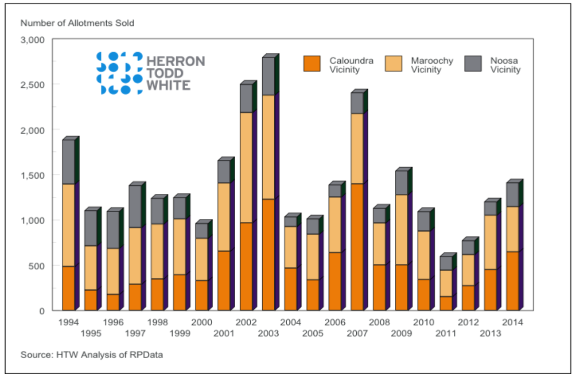
The land market on the Sunshine Coast has improved significantly. The graph below shows the number of sales of new residential allotments on the Sunshine Coast in recent years. It highlights the cyclical history of allotment sale numbers. New allotment sales reached a peak of around 2,800 sales per annum in 2003, but subsequently contracted to a 20 year low of approximately 600 sales in 2011. The market has been steadily rebuilding since 2011, reaching approximately 1,400 allotments sold in 2014.

Number of New Residential Allotment Sales on the Sunshine Coast



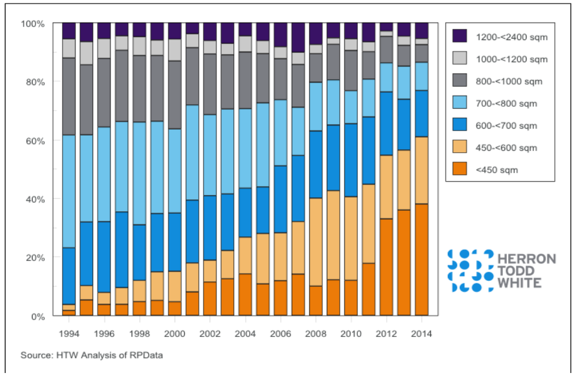
The graph on page 33 shows the number of sales of new residential allotments per annum in each of the three Sunshine Coast vicinities. It indicates a significant shift in the locational pattern of new allotment sales over the period, away from the Noosa vicinity towards the Caloundra vicinity.

Location of New Residential Allotment Sales on the Sunshine Coast



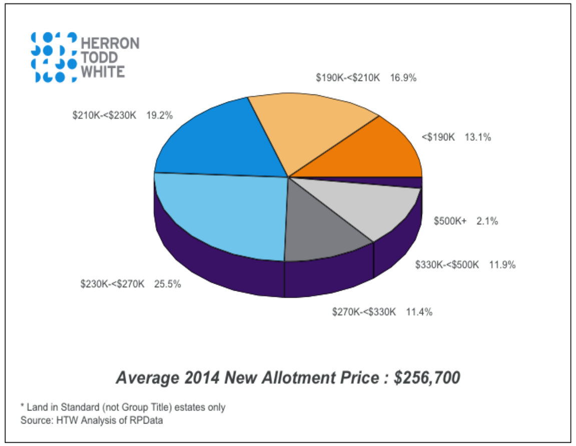
The biggest shift in the land market is the breakdown of allotment sizes for new vacant residential allotments as seen in the below graph. It shows that while the market sustains a broad spectrum of lot sizes, ranging from sub 450 square metre allotments up to large lots from 1,200 to 2,400 square metres, sales of new allotments of less than 450 square metres have grown as a proportion of total new allotment sales to become the most common category by far of new allotments sold over the past three years. The average size of new vacant residential allotments sold has reduced over the period shown from 802 square metres in 1994 to 586 square metres in 2014.

Lot Sizes of New Residential Allotment Sales



Subsequently this reduction in lot sizes has allowed developers to provide more affordable land. The graph shows the delineation of price ranges for new vacant residential allotment sales in 2014. The average allotment price across the entire new allotment market in 2014 was $256,700, somewhat above the $231,500 median new allotment price as a result of the extended tail of new allotment prices into the $500,000 plus category. Whilst there is significant clustering of land sales in the sub $300,000 price categories, the strength of the other categories indicates that the Sunshine Coast land market maintains a wide spectrum of price points.

Price Brackets of New Residential Allotment Sales in 2014



Hervey Bay

Construction activity in Hervey Bay has picked up over the past twelve months which has supplemented good steady demand for house and land packages from both interstate and intrastate purchasers. Feedback from local builders is very positive, with optimistic market sentiment contributing to ongoing new building contracts. The volume of vacant land sales seems to have improved in the surrounding localities of Nikenbah, Dundowran Beach and River Heads. Sale prices for vacant sites are still considered to be reasonable overall with excess stock slowly being absorbed. Some sites offering ocean views which back onto a nature reserve that precedes the beach (in Dundowran Beach), have achieved prices over $400,000 in recent times.

The main estates located close to schools and medical precincts appear to dominate buyer demand. The next stage of the centrally located Hervey Bay Heights estate in Kawungan has recently been completed, with prices reported to start from $160,000 up to $195,000. Sales of completed dwellings within the next stage of Augustus on the fringe of Urraween have been sluggish over the past two months, however look to be improving.

Bundaberg

There are a number of newish estates in the Bundaberg region that are attracting interest with steady sales of vacant land.

The third stage of the Fairways estate at Bargara has seen vacant lots selling at around $170,000 for average lots of about 800 square metres.

The Views estate at Bargara has average size lots of 800 square metres selling for $155,000.

The latest stage of Belle Eden at Ashfield on the eastern edge of Bundaberg city is selling vacant lots for the mid $170,000s. Edenbrook in the established suburb of Norville is selling the remaining vacant lots of around 1,012 square metres for $180,000.

Branyan near the river in Bundaberg is an estate that has developed smaller lot sizes and is not very well received by the local market with mostly investor sales to southern purchasers.

Sales in the Bundaberg area seem to have increased in volume with upward pressure expected when current stocks are exhausted.

Gladstone

You are spoilt for choice when it comes to vacant land in the Gladstone region!

There are multiple large estates in Gladstone city, most of which are situated along Kirkwood Road between the Dawson Highway and Gladstone Benaraby Road. Investors appear to have largely retreated from the market and the primary focus from land developers is on owner occupiers. There is very strong competition in the residential land market given the weak demand for a high supply of residential lots. As a consequence market depth is limited.

Values for vacant land have fallen since the buoyant 2010 to 2012 period and now appear to be in a more realistic and compressed range of approximately $190,000 to $220,000 across a broad range of modern residential estates.

While there is high risk associated with developing further stages of residential lots, most developers in Gladstone appear to be carefully monitoring market conditions and releasing small sub stages comprising a smaller volume of lots.

Rockhampton

After surviving Cyclone Marcia the Rockhampton region is getting back to business. While there were some properties affected by the cyclone our focus for this month is land. Land, land, land and more land. Needless to say apart from a few trees and other minor debris most vacant land in the area is waiting and ready to be built on.

Land sales in the region have been fairly steady throughout 2014 and into 2015. Within Rockhampton itself there are two main areas in which land is available and both are in the northern suburbs. Norman Gardens has been the main focus throughout the last decade and Parkhurst is now offering a number or options and is taking over as the major growth corridor for Rockhampton.

Norman Gardens has traditionally been developed with standard block sizes of around 700 to 800 square metres and some blocks up to 1,000 square metres. A number of new developments have been actively producing small lots of around 400 square metres and these have mainly been targeted to investors with some locals also enjoying less land to look after. Prices start from approximately $160,000 and range up to $200,000.

On the other side of the river there has been a number of land sales scattered around the hillside suburb of The Range in the mid to high $200,000s. These allotments are very scarce and the limited land available within the southern suburbs results in higher pricing. A small unique Group Titles subdivision is offering land from the mid $170,000s for blocks of approximately 500 square metres.

Developers along the Capricorn Coast are providing great opportunity to those looking for land in the cooler coastal climate with a large number of options available.

The majority of land ranges from 700 square metres to 900 square metres in size with some offering water views. Prices start in the mid $150,000s albeit without the water view. A number of developments also provide options of larger land sizes offering a rural residential lifestyle with allotments of around 4,000 square metres.

Finally Gracemere has continued to feel the effects of the mining downturn with land sales being relatively slow in this area. Land is available within a number of estates offering general house blocks from 700 square metres ranging in price from mid $110,000. These lots are offering a lower price point for those still looking to build in the area.

Mackay

The Mackay market has been feeling the effects of the mining industry slowdown, with falling property prices across the region. Land has not been missed in the down turn, with falling sales volumes and reducing values across almost all estates in Mackay. Building approvals across Mackay are also falling with reductions over the past three quarters of data.

We have very different levels of estates in Mackay, ranging from estates in the northern beaches which are primarily marketed toward house and land package buyers (mainly for investment product) through to estates such as Mira Flores, Richmond Hills and Shoal Point Waters which are marketed primarily toward owner occupiers.

Values in these estates have fallen between 10% and 20% on the back of reduced demand. Modern estates are now offering buyer inducements in the form of cash backs, building grants and the like to secure sales.

It is not uncommon to find sales in these estates at below $200,000 which was virtually unheard of 18 months ago.

These falling values have had a bigger flow on effect to outerlying towns and suburbs such as Marian and Mirani in the Pioneer Valley and Sarina and coastal villages to the south. Values in these towns rose significantly higher than Mackay from 2010 to 2013 as people looked for more affordable options, however have now fallen back to similar levels as 2010.

Whitsundays

You are spoilt for choice in the Whitsundays for land. You can choose between a gated estate known as Villa Britannica with all lots having ocean and island views and selling in the low $300,000s or you can head out to the Whitsunday airport and buy a lot and build your dream home with a plane hanger. This is also a gated estate where lots are also available around the low $300,000.

If it is acres you want, then Whitsunday Acres has lots starting from as low as $170,000.

You also have an ocean front 23 lot subdivision known as the Cove located at the Port of Airlie. These lots are only now ready to build on with only eight lots left. These started at $445,000 up to $1.2 million.

Or if it's out of town you want with the rural residential lifestyle lots than there are sales for two plus hectares starting from $150,000 at locations like Strathdickie, Gregory River, Mount Marlow, Sugarloaf and Woodwark.

Or if it's a steep sloping lot in or around Airlie then prices start in the low $100,000 to the middle to high

$100,000 There is also land available around a new proposed golf course.

We have all tastes covered in the Whitsundays.

Townsville

Vacant land sale volumes tapered during the course of 2014 to a level of around 60 sales per month as at December 2014 compared with 72 sales as at December 2013. Current land sale volumes reflect a lack of buyer confidence in the market stemming from the subdued economy, as well as the wide price differential between new versus existing houses retarding the economics of new house construction.

Currently the largest land estate in Townsville is Stockland's North Shore development, which is taking place in Burdell along the northern beaches corridor. This estate has been well received by the market with significant infrastructure and services provided and ongoing commercial expansions. This development offers a range of product from small lots to larger traditional sized allotments with extensive paths and parks.

Other developments offering a smaller lot sized product include Greater Ascot at Shaw and The Village in Oonoonba. Greater Ascot has land from around 350 square metres, while The Village has land under 150 square metres. The lot size offering at The Village means price entry can be very affordable, providing the opportunity for development of a unit sized house with a small amount of land and no body corporate fees.

Fairways Residential is a master planned golf course community at the Townsville Golf Course in Rosslea. Lots within this estate range from 350 square metres to 800 square metres with price entry from $215,900. This estate is located about three kilometres from the city centre.

Over the past 12 months, we have seen an increasing trend in duplex sites being offered within developing land estates as demand from investors for this style of product increases. Typically we are seeing two by 3-bedroom layouts providing a dual income stream or flexibility for owner-occupation on one side while still deriving an income from the other side.

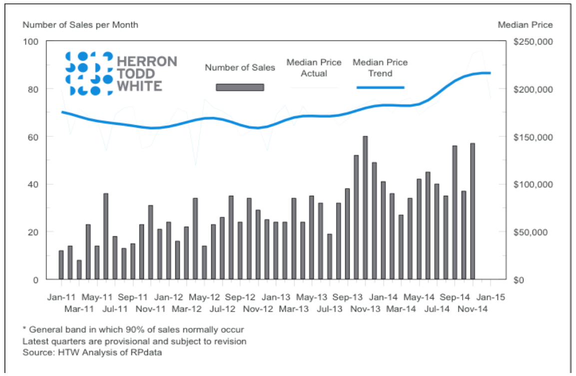
Median vacant land prices have remained consistently within the $155,000 to $165,000 band over the past three to four years and shown a dead flat 'trend in the trend' of around $160,000. There is pressure for land prices to rise to offset higher costs of production, but it remains to be seen whether increased costs will be recoverable in the current price sensitive market. Affordable stock is the key to sales on the back of low demand.

Cairns

The Cairns residential land market is progressively rebuilding from five years of lean demand for new residential allotments. Monthly sales volumes are now averaging around 40 per month, more than double the 15 sales per month of early 2011 but still only a fraction of the 100 sales per month we regard as the normal market.

Cairns has a mainstream residential land market that starts at around $130,000 and extends through to around $350,000. The median land price stood in trend terms at $216,000 in January 2015. The median land price has escalated significantly in the past six months, firstly because of raw price increases and secondly because sales activity has grown faster for the medium to upper priced estates, thereby dragging up the average and median. Sales in entry level estates remain relatively slow due to the dearth of first home buyers in the market.

Cairns Land Market Activity



Residential

At last count there were 43 different land estates in Cairns with lots under construction or for sale, and a number of others going through the development approval or pre-construction phases. However there has been only a handful of estates that actively met the market during the lean market years. With the revival in the market over the past two years, many (but not yet all) of the previously dormant estates have come back to life.

Most of the land available over the past three to five years has been titled lots, but we are now starting to see lots being introduced once again to the market off the plan, a phenomenon not seen for some time. This comes as new lot development, which has been especially quiet over the past five years, is now starting to ramp up again as market conditions improve.

South Australia

Adelaide

The majority of new land releases and estates in South Australia tend to be in the outer suburbs and generally aimed at first home buyers. Currently first home buyers are eligible for a $15,000 grant for new homes on property of up to $575,000 in total value.

> A quick search on the internet for available land returns what appears to be a wide choice of estates with house and land packages and vacant allotments for sale, especially in the outer northern suburbs, 30 plus kilometres from the CBD.

Two of the newest releases to the north are Springwood at Gawler East and the soon to be released The Green at Virginia. This is in addition to the significant number of land releases already on offer in Parafield Gardens, Munno Para/Munno Para West, Blakeview and Andrews Farm/ Davoren Park.

Springwood was released in November last year, and is located two kilometres east of the township of Gawler with the benefit of having easy access (via car) to its established services and infrastructure. Springwood covers 219 hectares and will accommodate around 2,500 dwellings once complete. The majority of the allotments on offer are considered low maintenance with five options available ranging from 128 square metres up to 400 square metres with the price ranging from $71,000 to $177,000. There is a traditional block available which is around 450 to 600 square metres and costs between $179,000 and $200,000. At the moment vacant allotments within this estate are being sold with free levelling and retaining, which could save the purchaser up to $30,000.

The Green at Virginia is one of three outer northern locations which has recently been re-zoned to residential use. The first stage is for 186 homes and construction is expected to commence in the latter part of this year. The ten year project which is expected to deliver 700 homes once complete will see the population of Virginia triple in size.

Most properties within these estates are sold as house and land packages. Large developers sell generic style housing with the standard accommodation being a 3-bedroom, 1 or 2-bathroom detached dwelling with an equivalent area of around 120 to 150 square metres on allotments of around 200 to 250 square metres. The packages start from around $275,000 to $300,000. Building costs are $1,100 to $1,200 per square metre for a base house and externals and $1,500 per square metre fully finished. With the constant supply of new land being released to market this large selection of available land in the outer northern suburbs is starting to show distinctive signs of oversupply. Demand has slowed and extended selling periods are starting to occur. In an effort to increase market share it has become apparent that there is an increase in incentives being offered by developers. Cash backs are becoming more common again with land sales and as such the reported sales price can be inflated due to these cash backs at settlement.

While this market is aimed at the first home owner, it is currently being driven by investor groups, accountants and private superannuation funds chasing high rental returns and depreciation benefits. Currently gross returns are around 6% to 8% and are among the highest in the metropolitan area. Yields are sitting above the long term average for the Adelaide market. Vacancy rates are also holding low however caution applies to future rental returns due to potential oversupply, not to mention local economic conditions and the recent increases in the unemployment rate. With investor activity coming from both interstate and international buyers with limited local knowledge it is important to obtain good advice and do your homework when it comes to investing. There are a number of examples where properties have been contracted at levels well above other local sales. It is also worth noting that astute purchasers can find established near new dwellings within these new subdivisions ready to move into and some at below land and building cost. The expectation is for very limited capital growth in the short to medium term in most of these new estates.

Literally at the other end of the metropolitan area, down in the outer southern suburbs, land around the Seaford and Aldinga areas has seen increasing demand over the past two years, probably in the order of 10%. This can be directly attributed to two major infrastructure projects that are now completed. Firstly the duplication of the Southern Expressway which has noticeably improved travel times to the area and secondly the extension (and to a lesser extent the electrification) of the train line from Noarlunga to Seaford has improved public transport accessibility. These suburbs are also located close to the southern beaches.

Land value in the outer southern suburbs is slightly higher than in the outer northern suburbs, however the southern areas are easily outperforming the equivalent northern suburbs when it comes to demand.

As an example over the past three years land prices in Seaford Meadows have increased by approximately 15% with a 300 square metre site increasing from $125,000 to $130,000 back in 2012 to approximately $150,000 to $160,000 today. As a rough comparison $150,000 to $160,000 could buy an allotment of around 400 to 450 square metres in the new Springwood Estate at Gawler East.

St Clair is a 64 hectare development located around eight kilometres west of the city on the former Cheltenham racecourse site. Once complete this infill estate will supply around 1,200 new homes. It is distinct from the outer metropolitan land releases due to its proximity to the city and the fact that it is surrounded by established suburbs. St Clair benefits greatly from being close to existing shopping centres and café and dining precincts with metropolitan beaches only five kilometres away. As a result this is reflected in the land price and first home owners looking for detached dwellings within this subdivision have fairly limited options available. People began moving into completed homes back in 2011. The St Clair Village Shopping Centre, which is anchored by a Coles supermarket with numerous specialty shops and 300 car parks, opened in 2013. The new train station to service the area is complete, providing a direct link into the CBD and greenways, designated bike paths, which stretch from the city to Port Adelaide are close to completion. Further works will extend these greenways to Outer Harbour and add a path to the coast at Grange. Within St Clair blocks of land are generally offered for sale without restrictions on which builder to use and timeframe to build. Allotments range in size from around 250 to 500 square metres, with 275 square metre allotments currently for sale for $350,000. This price bracket for land is likely to deter the majority of investors where rental return is their investment objective. This estate is not characterised by house and land packages. Purchasers can buy land and then develop the site with their own choice of dwelling. The cost to build can therefore vary considerably. Some of the allotments may be considered to be over capitalised while others may benefit from capital gains (due to lower building costs). With the exception of those highly capitalised properties St Clair is likely to show capital gains over the medium to long term. This is mostly due to the location of the estate (proximity to CBD and beaches), access to public transport and overall local amenity. Demand for vacant land within St Clair appears to have been slowly improving in recent times.

In the middle to inner suburbs there is very little land coming on line. Developers are more likely to buy an existing dwelling and then subdivide and develop with dwellings as they are unable to make an acceptable return by buying and subdividing and then selling the land only. If land becomes available there is generally good demand and interestingly prices in some instances for vacant sites can be higher than similar size sites with dwellings due to these improvements needing to be removed to allow development to occur.

Due to the limited nature of in-fill sites in the middle and inner suburbs our expectation is that well located allotments are likely to continue to remain in demand and as such see a relatively consistent increase in value especially in the medium to long term.

Mount Gambier

In the Mount Gambier area, there are five main land estates, all located north of the city centre. The largest has been created by Empak Homes. This estate has been divided into two separate estates, Attamurra Heights and Attamurra Fairway Estate. These estates are located on the north eastern boundary of Mount Gambier in the area known as Worrolong. The two divisions combined have approximately 200 new residential allotments with asking/selling prices ranging from $100,000 to $165,000. The other main land estates are The Meadows (north eastern boundary), Rosaville Estate (north western boundary) and Corriedale Heights (north).

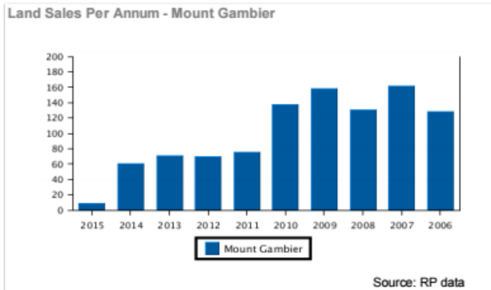
The allotments generally range in size from 600 square metres to 1,200 square metres and are primarily aimed at people wanting to build a family home. There are some smaller allotments of less than 600 square metres available in The Meadows starting at around $60,000. Most allotments with a land size less than 1,000 square metres are selling for less than $105,000 in these divisions. Larger allotments of up to 1,250 square metres are typically in the $105,000 to $120,000 bracket. However, land values are typically higher in the Attamurra Fairway Estate because of the golf course locality and views. Prices range from $112,000 to $165,000 for stage 1.

Land sales within the region are steady, however have slowed down within the past year. In 2013 the Government was offering the builders grant however, this Government incentive has now been reduced, resulting in less land sales.

The majority of the land estates within the Mount Gambier region are similar, however Empak Homes constructs retaining walls and levels their blocks. In addition the Attamurra Fairway estate is situated on the golf course and a 12 month playing membership is included.

It is hard to determine, but we believe there could be as many as 200 vacant residential allotments currently on the market. There is an oversupply of land available in Mount Gambier and many of these lots have had extended selling periods. Vacant residential allotments in The Lakes Park division (southern edge of Mount Gambier) have been on the market since 2010, with only four blocks selling to date.

In 2010, the Mount Gambier City Council realigned the council boundaries to increase its designated area. When this occurred more land became available and much of it is now zoned residential, meaning that there will be more opportunities in the future for developers to create additional land divisions. It does appear as though the oversupply of vacant residential land in the Mount Gambier region will continue in to the foreseeable future.



Tasmania

Hobart and Launceston

Continuing improvements in Tasmania's economic trends (for example, an unemployment rate equivalent to levels recorded in 2011 with the rate more closely aligned to national unemployment levels) bodes well for an optimistic economic outlook.

Demand for vacant land within the past year in Tasmania has been steady, the most likely driver of this demand being those taking advantage of the First Home Builders Boost (FHBB) grant.

The $30,000 grant commenced in November 2013 and was reduced to $20,000 from 1 January 2015. Land prices in some subdivisions across the state have seen increases which could be attributed to developers capitalising on the FHBB market.

Higher sales volumes of residential vacant land on Hobart's eastern shore particularly in Old Beach, Sorrell and Howrah would indicate it is popular with first home builders. Vacant blocks in Old Beach and Howrah have been purchased from $70,000 and up to $170,000 for larger parcels. In Sorrell which is a longer commute to the city, parcels of land have been purchased within the range of $95,000 to $175,000. Brighton, a northern suburb of Hobart located approximately 27 kilometres from the city centre has also experienced higher volumes of vacant land sales. It is an affordable suburb with vacant land sale prices starting from $55,000.

Residential land sale volumes over the past twelve months in the state's north-west have been strongest in regions near to the Mersey River in the townships of Latrobe and Spreyton, the popular north-west holiday spots of Port Sorell and Shearwater and the largest population centres, Devonport and Burnie. During the past year in Latrobe single residential blocks have sold from $65,000 with larger lifestyle blocks selling up to $200,000. In the Port Sorell and Shearwater areas single residential blocks have sold from $85,000 with larger lifestyle blocks selling up to $220,000. In the Burnie area single residential blocks have sold from $24,000 with acreage selling for $300,000.

In Tasmania's north the adjoining suburbs of Riverside and Legana which overlook the Tamar River, St Leonards and the satellite villages of Hadspen and Perth are areas where the largest volumes of vacant residential land sales have occurred during the past year. Residential vacant land prices in Riverside and Legana range from $70,000 for a single block up to $265,000 for larger, lifestyle blocks. Prices achieved in Perth over this same period range from $80,000 for single residential blocks to $145,000 for larger blocks, while in Hadspen sales have occurred from $90,000 up to $145,000.

The scheduled, staged reduction of the FHBB in June 2015 is a potential pitfall for the first home buyer segment, vacant land sales and the construction industry.

Northern Territory

Darwin

The market for vacant land sales in the northern suburbs of Darwin and Palmerston has continued to perform strongly over the past two years. As at March 2015 there are currently six green field developments selling vacant land, including:

- Muirhead (Darwin's northern suburbs)
- Durack Heights (Palmerston)
- Johnston (Palmerston)
- Zuccoli (Palmerston)
- Bellamack (Palmerston)
- Coolalinga (Rural residential)

On a macro level the above mentioned green field developments have performed strongly and have been well received in the market. This growth is primarily driven by a lack of affordable housing in the

greater Darwin area with the Territory Government unlocking large parcels of Crown land and re-zoning the land for residential purposes. However, recent subsidy shifts by the Territory Government no longer offering grants to first home buyers purchasing existing dwellings has pushed this segment of the market to purchase off the plan dwellings and has further enhanced the absorption rate of vacant land. This growth in the vacant land market is further supported by the INPEX Ichtys project and a number of employees residing in the Palmerston area due to the ease of access to the Ichtys site and the high rental rates in both Palmerston and Darwin.

Each estate is at varying levels of development. Some estates such as Johnston and Bellamack located in the Palmerston area are nearing completion with all vacant lots sold. Originally the Johnston development offered large lots ranging from 700 square metres to 1,000 square metres plus with the price point centering on $300,000. However, as the development progressed, the lot sizes decreased to 600 square metres to 800 square metres to meet a new segment of the market, such as first home buyers and purchasers utilising the affordability scheme. Prices for vacant land now range from $275,000 to $330,000. The Johnston development also released a number of multiple dwelling and medium density sites that have since been developed into townhouses and four storey unit blocks.

The neighbouring estate of Zuccoli has followed in a similar fashion to Johnston and has released large lots to market at the start of development. Stage 1 has been developed by Urbex who also developed separate stages of the Johnston development. Stage 1 centred on lots between 600 square metres to 1,100 square metres with prices starting at $230,000 and moving upward of $360,000 and were well received in the market. As the development has progressed into stage 2, Brierty has taken over the tender and the price point has shifted as the lot sizes have decreased. Lots of 600 square metres and under are now being offered to the market with prices ranging from $200,000 to $260,000.

The other major land release in the Palmerston area is Durack Heights, now in stage 9b of 12 land releases. The estate is considered to be the superior land release in the Palmerston market and has targeted middle income earners who are on their second or third mortgages and empty nesters who have capitalised on the strong growth of the market in the rural residential area and are wanting to down size. Land in this development centres on $250,000 with land area varying between 250 square metres and 600 square metres, however premium blocks can fetch upwards of $330,000 with land area that exceeds 700 square metres. The Durack Heights development is considered to be superior due to its location near arterial access roads, some sites offering Darwin city views and the strict building covenants in place on the development.

Further south of Palmerston the major land development is in the rural residential community of Coolalinga. The development offers relatively homogenous lot sizes between 800 and 900 square metre lots that range in value between $310,000 and $380,000. They are zoned as multiple dwelling sites and are primarily of duplex construction. The single residential stock range from $210,000 to $300,000 per lot and both the multiple and single development sites have been well received in the market. The developers, Gwelo, have also bought a number of medium density stock to the market and have developed unit blocks on these sites and are currently in the process of developing a commercial precinct.

> This development has performed beyond expectations and has been well received in the market.

Looking more closely at the Darwin market, the only development currently offering vacant land is in Muirhead which is located in Darwin's northern suburbs. Smaller lots in the development centre on 450 square metres and are at the $290,000 price point with larger lots starting at 729 square metres and $360,000 with a small number of larger lots starting at 4,000 square metres and prices starting at $600,000. The development is in close proximity to the Royal Darwin Hospital and Charles Darwin University with strict building covenants and has appealed to the middle to high income earner and second and third time purchasers.

Although these developments have all performed strongly there is still a demand for vacant land in the Darwin and Palmerston areas due to the increasing costs of living in the Territory and the incentive for consumers to commit to new builds. This has created more land release in the Darwin area as the Territory Government is currently in the process of re-zoning Berrimah farm for future development and will bring a large number of vacant lots to market.

Alice Springs

In the Alice Springs market, the most recent land release at the new suburb of Kilgariff is now taking shape with lots in Stage 1a all sold for between $167,500 and $180,000 for single dwelling zoned lots and three multiple dwelling lots selling for between $180,000 to $250,000. These lots are situated south of The Gap and provide a lower entry point in the land market than is available in the main town boundaries, such as Mount Johns which generally sell for $235,000 to $300,000 or further out at Larapinta or Stuart where lots have been selling for $240,000 to $245,000.

The release of land at Kilgariff is proposed to eventually provide up to 400 lots with future plans including a school and commercial lots. The lots have been released by Northern Territory Government's Land Development Corporation and are aimed at providing affordable housing. This will be a welcome relief for those who have been otherwise unable to build in the established suburbs.

Western Australia

Perth

Land sale volumes have fallen considerably across all estates in the Perth metropolitan area. Sales agents have reported a significant fall in enquiries during December 2014 and January 2015 and a general increase in enquiries during February 2015.

Most estates have begun the process of addressing the softening in market enquiries with an increase in incentives, usually in the form of a cash rebate, voucher to a major white goods retailer or some other form of incentive usually associated with landscaping or fencing. This is usually seen as the precursor to the next step of reducing the actual asking price of the lot itself in order to stimulate demand.

As is typical with most Australian capital cities, the urban sprawl continues however the cost of producing a lot in Western Australia is significantly higher than in other states with infrastructure and labour costs playing a major factor. Hence, lot sizes have reduced to areas considered borderline unreasonable with some estates far from the Perth CBD (i.e. more than 35 minutes commute) less than 400 square metres, leaving the community with little effective infrastructure to off-set the reduced amount of outdoor space.

A specific example of lot activity is provided below relating to the area of Baldivis, an emerging residential south of Perth.

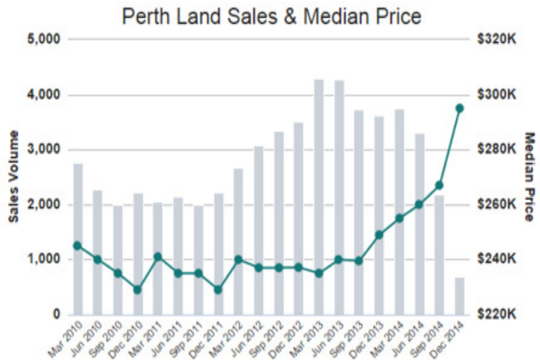
The most recent State Lot Activity Report issued by the Western Australian Planning Commission is dated September 2014 Quarter which indicates the following:

- During the September quarter a total of 9,886 proposed lots were lodged for approval across the state, including 1,797 in the City of Rockingham. This adds to the 2,055 residential lots already under assessment within this local authority;
- Within the September 2014 quarter, a total of 267 lots were conditionally approved within Baldivis ranking it number one in the state. Further, this adds to the 1,022 lots already conditionally approved in the preceding 12 month period.

Our investigations have revealed a number of large scale estates currently underway or in the process of gaining approval which are likely to provide future supply to an already over supplied market. Our discussions with selling agents and developers of these estates confirm that throughout the 2014 calendar year extremely strong demand prevailed however in the last two months of 2014 and leading into 2015, this demand softened considerably.

The graph below details Perth land sales and median price of the Perth metropolitan area between 2010 and December 2014. It is evident that there has been a steady decrease in the volume of sales from March 2014 to December 2014, with the December result being the lowest number of sales over the period by quite a considerable margin.

Not a lot can be read into the median price increase over the corresponding period (March 2014 to December 2014) especially in the context of the small number of sales which occurred in the December quarter.



South West WA

Demand for vacant land in the south west of Western Australia is strong. For an extended period of time there has been an undersupply of vacant land and it has only been in the past twelve months that developers have really started to release land to quench the demand and capitalise on strengthening values.

Following the Global Finical Crisis many developers throughout the south west stopped releasing land. This was on the back of a considerable drop in land values and also high development costs. Consequently the profit margin was eroded and we saw land developers exiting the market. Over the following years the population in the south west continued to grow and as such demand for new housing started to strengthen.

However, there was very little land available throughout the south west apart from an oversupply in Margaret River, which was struggling from a lack of industry to support jobs. So throughout the course of 2014 developers started to once again release land and we have now seen new subdivisions in the localities of Yalyalup, West Busselton, Vasse, Dalyelup, Eaton, Australind, Dunsborough and Kealy. The influx of land to the market has seen the demand to supply balance improve.

Current entry point into these estates ranges from $150,000 to $250,000 depending on the size and location of the property. As these lots are now starting to sell strongly there is consequently a flow on effect to the building industry. With this increase in demand building contracts have now firmed and started to increase after numerous years of hard competition between builders vying for the limited market.

Smaller lot developments in the new subdivisions have become popular due to their affordability and it is anticipated that a move away from large homes to smaller, better appointed homes on small blocks, with limited gardens and the ability to lock and leave will be a trend going forward.

Overall it is likely that the demand for vacant land will still be strong in the short term until the equilibrium between demand and supply has been met.

Esperance

There is nothing really exciting to report in the vacant land space in Esperance. At present there is a good balance between supply and demand and consistency in underlying land values. This has improved somewhat on the situation two to three years ago when an oversupply on the back of falling demand due to the GFC saw sales volumes fall and underlying values decline in the vicinity of 15% to 20%. Over the intervening time, the oversupply has been gradually soaked up with values returning to previous levels.

There are only two main, small estates in the town at present and supply is quite well controlled. The next logical subdivision to bring on line is also Shire owned, as is one of the two existing estates, and their plans are to release limited lots over a prolonged time period to keep the balance between supply and demand as equal as possible.

En-globo land is held privately in the area however there are no known plans to develop in the short term due to the combination of cost and time period for disposal of lots. Hence, in this area at least, en-globo lots are largely linked to the lifestyle market with commensurate values, notwithstanding the long term potential they may have.

Vacant lots are interspersed throughout the older established residential areas of town.

We have noticed in particular over the preceding twelve months an increase in sales of these lots, which generally are within closer proximity to Esperance town centre and amenities. Values paid reflect the locational attributes combined with the size differences as these older lots are generally larger than those in the newer estates.

Within the broader region, Hopetoun has a massive oversupply of vacant land, both single residential and rural residential. Land values have declined significantly over the preceding five years as some developers have placed a substantial number of lots on the market even after the decline in demand was known. The current supply could take years or even decades to soak up unless some new long term sustainable industry becomes established in this area. The most recent evidence suggests this market may be stabilising after a long term downward trend however based on current sentiment, not even the most optimistic of forecasters could suggest there are any prospects for underlying land values to improve over anything but the very long term.

Rural

HERRON TODD WHITE RURAL

Overview

We are already one quarter down and the year has flown past. Our team are busy finalising another round of year end reporting for our clients and we have recently held two out of three Herron Todd White Rural market updates. The third is due to be held in Sydney on April 16. Last week also brought 30 of our 45 rural valuers from across the country together for two days to discuss many aspects of the rural property market and our business. Our main focus over two days was "how can we do things better" for our clients in the next five to ten years. We covered of things like timeliness, quality, level of assessment required for individual client need, other services offerings within the property solutions area and more.

The room heard from guest speakers in banking and risk and also received an informative update from an investment manager about the market place for agriculture, commeniting on the opportunities but also the issues with transactional activity being implemented. The market is full of talk about opportunities, including the new FIRB thresholds in place, feeding the global demand for protein, the three new free trade agreements and plenty more. All of these are pointing to a positive outlook for the sector. We were reminded however, that the investment will only flow when all the fundamentals of a good investment, (e.g. verifiable data, an operational management structure, understanding of markets for product etc.) are all in place. This takes a lot of time and man hours and in many cases yields no outcome. How this will be unlocked for the benefit of the market overall will be an interesting story to follow and we need to be conscious that some major sales in some regions will not necessarily represent the broader market for assets outside the corporate scale and therefore off the investment money radar.

Overall it was two days well spent and I look forward to our clients seeing the benefits of this evolve throughout the year.

The attendance of the majority of our team nationally coupled with the their local knowledge and supported by our systems and governance, highlights the coverage Herron Todd White has in this space.

Herron Todd White Rural prides ourselves on delivery of quality work, however acknowledge there is always room for improvement. With the team we have across the country and the energy and understanding of the rural sector, I believe we are well placed to step up another gear in the market place.

Central and West NSW

The continuing dry times and associated lack of surface irrigation entitlements within the Macquarie and Lachlan Valleys again highlights the importance of having bore water as part of the overall property mix if available. Currently river irrigators would be frustrated with their lack of available irrigation entitlements especially when such attractive rates for cotton are available. Discussions with large producers recently indicate that when cotton prices rose to $420 to $450 per bale this became a profitable scenario for them. Now with cotton prices at $500 per bale plus there would appear to be a very profitable season unfolding.

While there can be some reluctance and resistance to the utilisation of bore water due to the higher extraction costs this must be tempered with scenarios such as the current situation where irrigators without bore entitlements will possibly have a zero production this season, while producers who have large bore entitlements can now forward sell into the 2018 season at levels of $500 plus per bail.

As we have experienced in previous seasonal cycles where there has been limited to no surface water allocation within valleys there would be an expectation that demand for bore water would increase significantly and hence there would be an expectation of growth in values. This has not happened in previous seasonal cycles and again we are seeing this played out. In the lower Macquarie aquifer area a tender was called for approximately 800 megalitres of bore entitlement through a local agent. This tender closed approximately two weeks ago and while the exact figure is currently confidential we believe that the achieved value is well below that of other recent sales. We believe the achieved value was between $400 and $500 per megalitre. This would appear to be very good buying for the local irrigator who purchased this entitlement. We can only imagine the interest that would be present for general security entitlements within the Macquarie River system advertised at between $400 and $500 per megalitre. This is rather perplexing especially in the current climate where these allocations will enable continued production and profit levels to be achieved. Of course this is only applicable to those irrigators who have developed bores in place within the aquifer that the entitlement belongs to. While we recognise this would be a smaller pool of potential purchasers than a general security entitlement within the Macquarie River system we believe that sufficient interest and numbers of irrigators exist to create a firmer market than appears to exist at present.

While general values for well located bores with acceptable history of use and production capacity are generally $600 to $800 per megalitre for the Macquarie and Lachlan Valleys, values in other areas are significantly above this such as in the lower Lachlan where horticultural crops with higher overall end-use values dictate that higher prices can be paid for the water required to produce that crop. In aquifers in northern sections of New South Wales achieved bore water values appear to be well above these and generally we would expect if this dryer phase in our overall seasonal influences continues, we would see some improvement and increase in the perceived value of bore entitlements.

For producers located on a river who also have access to irrigation bore supplies we believe these properties are in the box seat and will have the capabilities of accessing cheaper surface water on a temporary basis when available while having surety of supply from the bore entitlements.

On a different note we recently had cause to revisit valuations undertaken in the mid-1990s and it was interesting to note that the value placed on developed irrigation (flood irrigation) country at the time was between $1,800 per hectare and $2,250 per hectare. As those irrigators who were having valuations undertaken in the 1990s before the separation of land and water would know, properties were valued on Green hectares back then rather than as we do now where we apply a separate value for the land and for the associated water. Therefore it can be slightly difficult to compare apples with apples. Green hectares incorporated both the value of the land and the water wrapped up together. Generally speaking in 2015 within the Macquarie Valley values have not changed much for developed flood irrigation. What has happened is that the introduction of the Water Management Act 2000, which was not actually introduced until 2004, separated the water asset from the associated parcel of land that it was originally assigned to. Since the separation of these two assets, i.e. the land and the water, there has been a distinct growth in the water asset as opposed to the developed irrigation country.

Essentially we have seen base underlying dry land cultivation values grow ever closer to developed irrigation country values. Of course we are not saying there has been zero growth in developed irrigation country values however the underlying growth rate of irrigation country has not matched that of the dryland cultivation country values within the same area.

NSW Central Tablelands

The market for larger rural properties of commercial scale in the Central Tablelands remains generally steady. Rural real estate agents are reporting a slight increase in buyer interest in limited areas. It appears that this interest is being met by existing stock and we are not yet seeing a shortage in supply that, at this level of demand, would lead to a marked upward movement in value levels.

The Central Tablelands lifestyle and small farm market also appears to be experiencing some stabilisation following a period of elevated activity in late 2014 and early 2015.

Despite this general softening, there appears to be consistent buyer interest in the large recreational bush block market in parts of the Central Tablelands. We are aware of a number of February and March 2015 sales in the Neville, Oberon and Trunkey Creek areas of densely timbered bush blocks ranging from approximately 475 hectares to 1,700 hectares.

These sales provide evidence of relatively keen demand from city based recreational buyers who are demanding large timbered recreational blocks that provide good hunting, fishing, camping or weekender utility. These buyers are discerning and focus on blocks that feature appealing river or creek frontage. Poor access and remoteness do not appear to deter buyers in this market. Such buyers are making purchasing decisions on a lump sum basis, with little regard to $ per hectare values and appear to prefer a price range between $275,000 and $400,000.

NSW North Coast

The NSW North Coast is enjoying very good warm growing conditions at present.

Sugar Cane

The NSW Sugar Milling Co-operative Limited has announced to growers the possible sale of a half share in the sugar mill assets to Manildra. This entity will combine the milling assets with the refinery as a half share owned by NSW Sugar Milling Co-operative Limited and Manildra.

Macadamias

Released 2015 harvest pricing is $4.40 standard commercial and $5.80 per kilogram organic nut In shell at 10% moisture and 33% saleable kernel recovery. There are some anecdotal reports of locked in prices of $4.65 per kilogram for standard commercial nut in shell. Continued Chinese demand for nut In shell is believed to be contributing to this commodity price rise from the 2014 favourable pricing of $3.50 per kilogram for standard commercial nut in shell.

A 37.29 hectare macadamia farm with about 4,000 macadamia trees and about 1,500 olive trees at Clunes has sold for $1.884 million. This farm has a very good quality residence.

There are definite signs of increased interest in macadamia farms.

Summer cropping

Soya bean crops generally appear to be in good condition. Soya bean prices are positive with prices quoted at this stage up to around $700 per tonne edible grade delivered to silos.

A summer cropping property between Casino and Kyogle has sold in two separate lots. A 55.68 hectare lot sold for $590,000 and a 40.95 hectare lot sold for $500,000. These sales broadly indicate $9,000 to $10,000 per hectare for good quality partly laser levelled arable cropping land.

Grazing

There are generally excellent pasture conditions and strong prices at present. Recent cattle price increases have pleased graziers with stock to sell. The ex-Great Southern Plantations properties put to tender have generated some strong interest.

Echuca

The market for dryland cropping country in Echuca, Moama and surrounding districts has experienced an increase in activity over the past twelve months albeit coming off a low base in an area which is traditionally very tightly held. The increase in sales activity has resulted in significantly increased land values across the board.

Most of the purchasers in these transactions are established district farmers with manageable debt levels or who are cashed up after recent crop successes and have seen opportunity to expand to achieve economies of scale. The most sought after properties are those with the prime soil types being the deep friable red loam soils and these have seen significant capital appreciation over recent years. Lesser quality country with poorer soil types are less sought after and achieve significantly lower values per hectare, take longer to sell and have appreciated at a much slower rate.

Mildura/Sunraysia

The weather has been kind to the area over the past month and while table grape harvest continues, the wine grape harvest will be completed by the end of March.

The 2015 wine grape harvest has seen good quality at above average levels, unfortunately it's a case of another year and more pain for Sunraysia wine grape growers. Messages from the wineries are that for most reds varieties this year, supply exceeds demand while white varieties are in shorter supply. This is a reversal of the supply position of two years ago.

Prices offered by wineries are being touted as being the worst in nearly ten years. It is hoped that 2016 will see an improvement in prices with export opportunities for wine possibly opening up as the Australian dollar is at a six year low against the US dollar.

Conversely the almond industry continues to enjoy a growth phase. On the back of the crippling drought in California, which is the world's dominant almond-producing region, and the rise in consumer demand for almonds, Australia is experiencing a $500 million almond industry boom.

The 2015 Australian almond crop harvest has commenced and it is expected to produce yields at record levels. The recent boom follows on from the significant increase in prices paid to growers which increased from $5 per kilogram in 2011 to $8.70 last year, and is expected to firm further for the current season.

Local listed specialist almond grower Select Harvests announced this week that it is moving to sell more of the farmland it owns to global pension funds and long-term investors in an effort to lower debt and free up capital for expanded almond production. It was reported that Select Harvest is looking to sell and lease back established and proposed greenfield almond orchards on three of the horticultural properties it purchased last year: the 2,000 hectare Amaroo near Paringa, South Australia; 730 hectare Mullroo at Lake Cullulleraine, west of Mildura; and 650 hectare Mendook at Euston, NSW.

We are aware of a recent significant sale to overseas interests at Simaloo South Australia of a 1,869 hectare property at a sale price reportedly to be around $44 million. It comprises 510 hectares of mature almond plantings, 908 hectares of potential almond land and 450 hectares of cereal dryland.

In addition there have been some recently settled sales of dryland farming land in the Millewa and Mallee which have shown slightly firmer values from previous levels in 2013 and 2014.

The water market has also firmed over the past couple of months with reports that the larger parcels offered have met with strong demand. Firm demand for water from both the Murray and the Murrumbidgee systems is noted and little rain recorded in the region has resulted in increased water usage which has also seen a firming of the spot (or temp) water market.

Current levels reported by Ruralco Water (17 March 2015) show:

- NSW Murray High Security trading for up to $2,100 per megalitre up from $1,720 per megalitre in March 2014;
- Victorian Murray High Reliability trading up to $1.850 per megalitre ($1,450 per megalitre in March 2014); and
- temporary spot price for Murray water in both states is trading at around $120 per megalitre, up from $85 per megalitre in March 2014.

Southern Queensland

As the tropical rainfall season draws to an end, many landholders are nervous about the outlook of the winter season ahead. The summer rainfalls have been very patchy to date with many properties especially in the southern borders and western Queensland regions experiencing below average rainfalls. To many in southern Queensland, Tropical Cyclone Marcia was a non-event and the predicted falls did not eventuate. Cyclone Nathan did not provide a reprieve to inland regions either. The outlook of a further six to eight months of dry conditions is looking grim. Much of the country grazing country has now "hayed off".

The fundamentals within the beef industry are considered positive with strong cattle prices, falling Australian dollar (US$0.76) and low interest rates. However the lack of farm returns in recent years would appear to be impacting the confidence and liquidity of the marketplace. This is demonstrated by the auction of Oakwood, a quality 28,300 hectare property to the west of Augathella. Marketed by GDL Real Estate, the property had a number of registered bidders on the day, but failed to achieve a starting bid and was passed in at a vendor's bid. We understand negotiations are continuing.

Generally activity across the region has been a slow start for the 2015 year. We are aware of a pending private sale of 1,944 hectares on the Roma-Taroom Road being a semi open Brigalow scrub holding running onto the Dawson River. The property is reported to have achieved circa $1,800 to $1,900 per hectare. We are also aware of a mixed irrigated farming and grazing 1,026 hectare property to the west of Dalby having 475 megalitres of water entitlements. The property achieved in the sub $2.35 million value range.

Recently a number of enquiries have been made, regarding the opportunities through vegetation offsets or carbon farming initiatives (CFI). The rapid expansion of the coal seam gas industry throughout the Surat Basin and associated export pipeline infrastructure has necessitated the need for those operators to seek vegetation offsets on private lands. Alternatively landholders are assessing the option of registering CFI's through the sequestration of carbon. Both types of agreements are effectively registering a covenant on title and for vegetation offsets can remain on title for between five and 30 years and up to 99 years for CFI's. The common question asked is "what is the impact on the property's value?" In each case they need to be assessed on individual merits however some of the impacts that need to be considered are the term of the agreement, who is responsible for managing the agreement, what are the real impacts to the existing business operation and what other risks should be considered. They need to be considered by the landholder but also financiers, where a full understanding of the agreement needs to be considered to effectively underwrite their mortgage position going forward. From a valuation consideration the market is relatively immature and thus it can be difficult to provide supporting basics for the assumptions considered. However as the market moves forward, it will identify the acceptance of such projects.

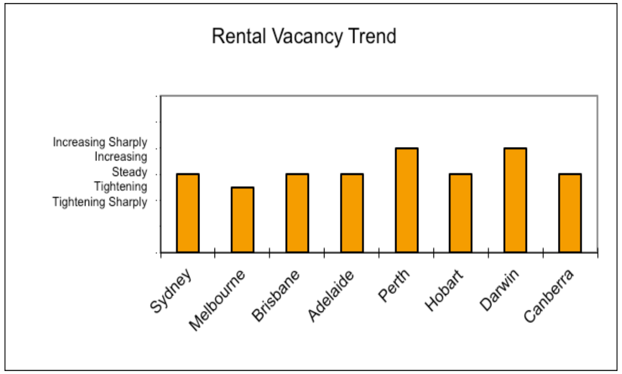
Should a landholder, financier or purchaser have a need to understand the potential impacts of any offset on a property an "Environmental Valuation" can be undertaken in conjunction with the normal valuation process and, Herron Todd White can assist you in this valuation determination. As mentioned above however each case is unique and needs to be assessed on the merits of the offset obligation being considered.

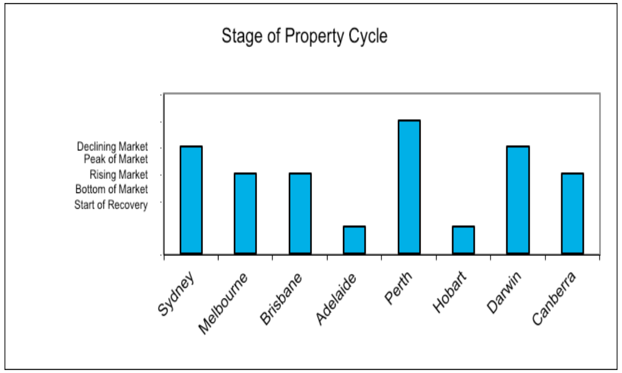
Capital City Property Market Indicators - Houses

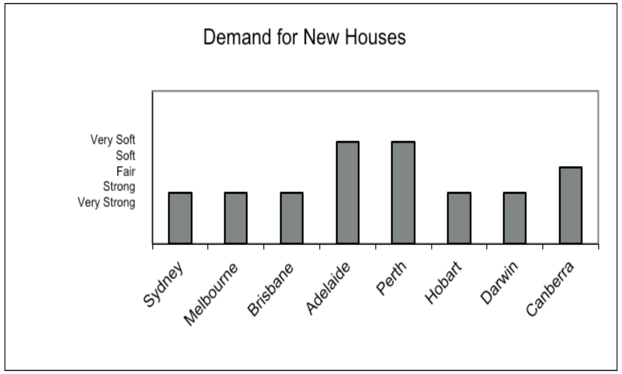
Factor	Sydney	Melbourne	Brisbane	Adelaide	Perth	Hobart	Darwin	Canberra
Rental Vacancy Situation	Balanced market	Balanced market	Balanced market	Balanced market	Over-supply of available property relative to demand	Balanced market	Balanced market	Balanced market
Rental Vacancy Trend	Steady	Tightening -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

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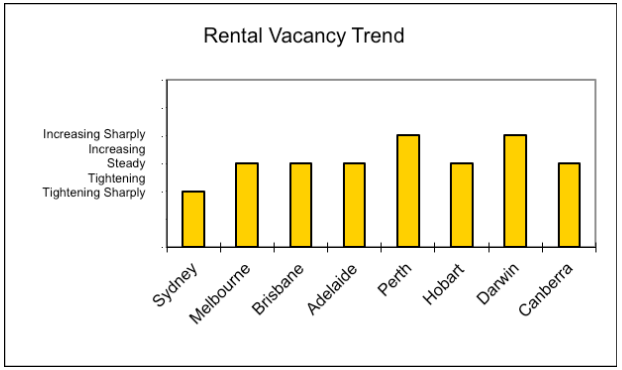

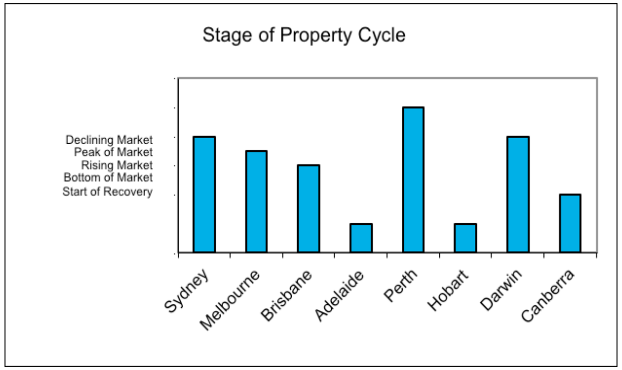

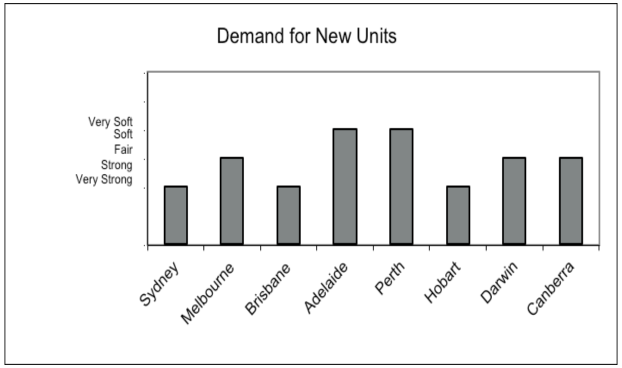

Market Indicators

Capital City Property Market Indicators - Retail

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

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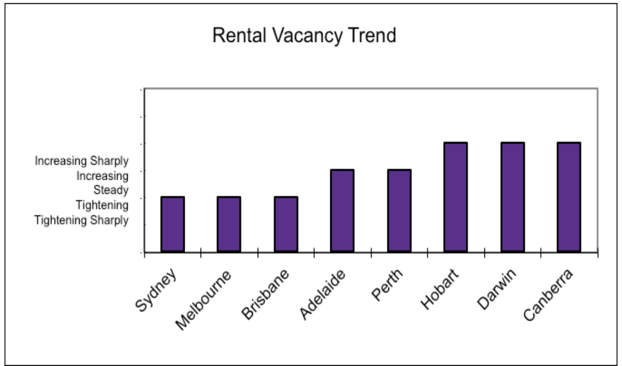

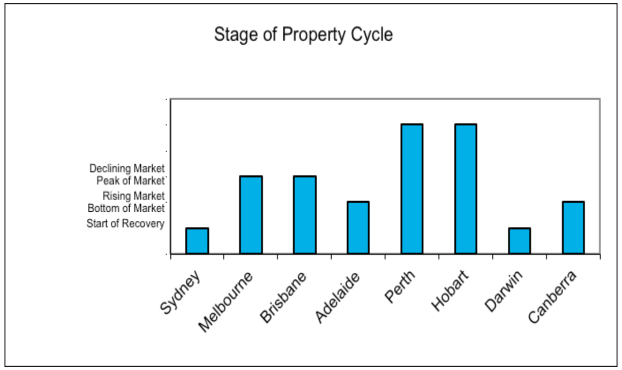

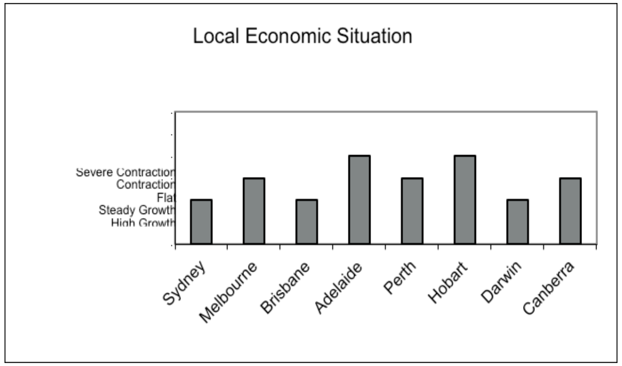

Market Indicators

New South Wales Property Market Indicators - Houses

Factor	Albury	Bathurst	Canberra/ Q'beyan	Central Coast	Dubbo	Griffith	Mudgee	New-castle	Orange	Sydney	Tam-worth	North Coast	Wagga Wagga	Wollon-gong	Coffs Harbour
Rental Vacancy Situation	Shortage of available property relative to demand	Over-supply of available property relative to demand	Balanced market	Severe shortage of available property relative to demand	Shortage of available property relative to demand	Shortage of available property relative to demand	Severe shortage of available property relative to demand	Shortage of available property relative to demand	Over-supply of available property relative to demand	Balanced market	Balance d market	Shortage of available property relative to demand - Balanced market	Balanced market	Balanced market	Balanced market
Rental Vacancy Trend	Steady	Steady	Steady	Tightenin g sharply	Steady	Steady	Tightenin g	Tightenin g	Steady	Steady	Tighteni ng	Tightenin g - Steady	Steady	Tightenin g - Steady	Tightenin g
Demand for New Houses	Strong	Fair	Fair	Very strong	Strong	Fair	Strong	Strong	Fair	Strong	Fair	Soft	Strong	Strong	Strong
Trend in New House Construction	Steady	Steady	Steady	Increasin g strongly	Increasing	Steady	Increasing	Increasin g	Steady	Steady	Steady	Steady - Increasing	Increasin g	Increasing	Increasing
Volume of House Sales	Steady	Steady	Increasing	Increasin g	Steady	Increasin g	Steady	Steady	Steady	Declining	Steady	Increasing - Steady	Steady	Increasing	Increasing
Stage of Property Cycle	Bottom of market	Start of recovery	Rising market	Rising market	Peak of market	Start of recovery	Rising market	Peak of market	Start of recovery	Peak of market	Rising market - Peak of market	Bottom of market	Start of recovery	Rising market - Peak of market	Start of recovery
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Occasion-ally	Frequently	Almost never	Almost never	Occasion-ally	Occasion-ally	Occasion-ally	Very frequently	Frequentl y	Occasion-ally	Occasio nally	Almost never - Occasion-ally	Occasion-ally	Occasion-ally	Almost never

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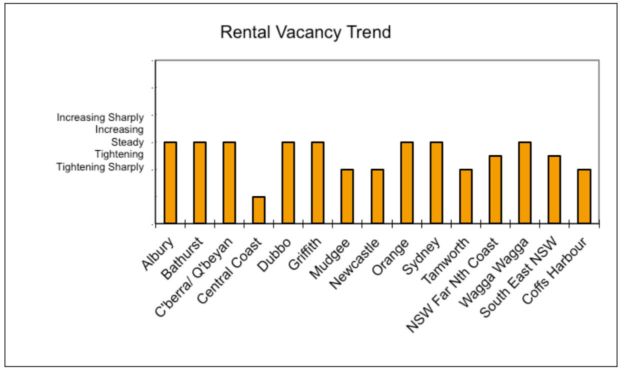
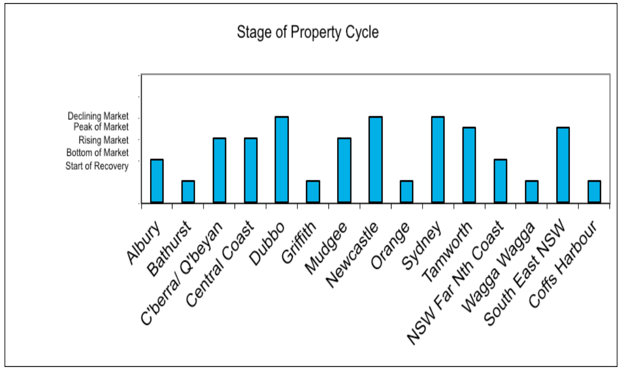
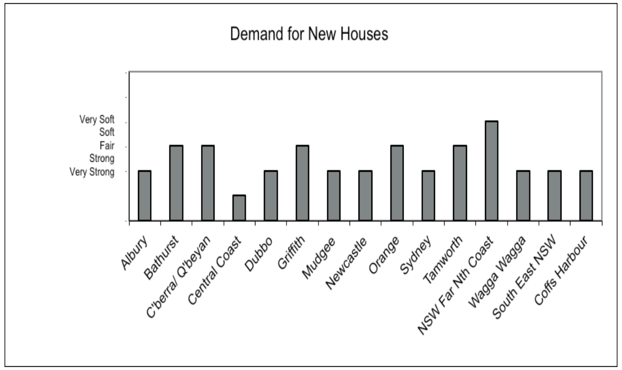
Blue entries indicate change from previous month to a lower risk-rating







New South Wales Property Market Indicators - Units

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

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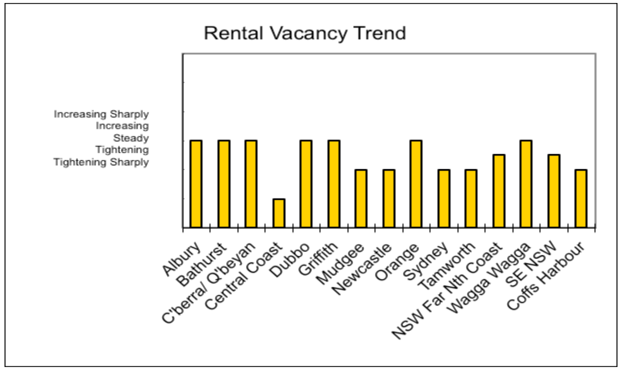

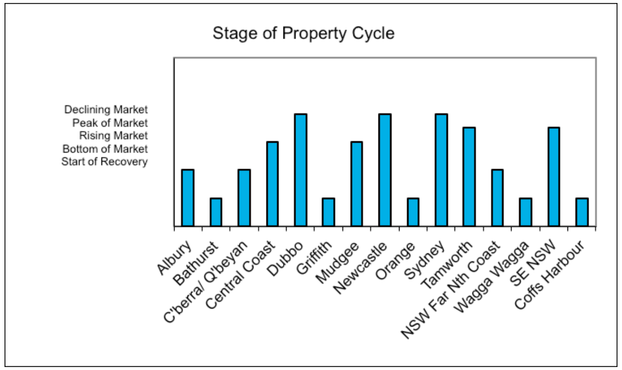

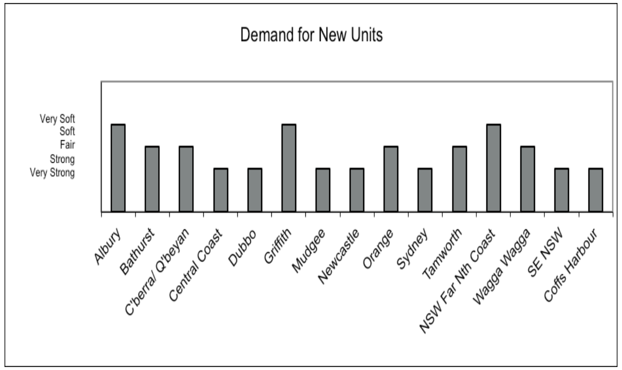

New South Wales Property Market Indicators – Retail

Factor	Albury	Bathurst	Canberra/ Q'beyan	Central Coast	Dubbo	Griffith	Mudgee	New-castle	Orange	Sydney	Tam-worth	North 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	Balanced market	Balanced market	Over-supply of available property relative to demand	Balanced market	Balanced market	Balanced market	Balanced market	Over-supply of available property relative to demand	Over-supply of available property relative to demand	Over-supply of available property relative to demand	Balanced market - Over-supply of available property relative to demand	Over-supply of available property relative to demand
Rental Vacancy Trend	Increasing	Steady	Increasing	Steady	Steady	Steady	Steady	Steady	Steady	Tightening	Increasing	Steady	Steady	Steady	Steady
Rental Rate Trend	Declining	Stable	Declining	Stable	Stable	Stable	Stable	Stable	Stable	Stable	Declining	Stable	Declining	Stable	Declining
Volume of Property Sales	Steady	Steady	Steady	Steady	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	Rising market	Declining market	Start of recovery	Peak of market	Bottom of market	Bottom of market	Bottom of market - Rising market	Rising market
Local Economic Situation	Flat	Flat	Flat	Flat	Flat	Flat	Flat	Steady growth	Contraction	Steady growth	Contraction	Flat	Flat	Flat	Steady growth
Value Difference between Quality Properties with National Tenants, and Comparable Properties with Local Tenants	Significant	Small - Significant	Significant	Significant	Significant	Significant	Significant	Significant	Small - Significant	Significant	Significant	Significant	Significant	Significant	Significant

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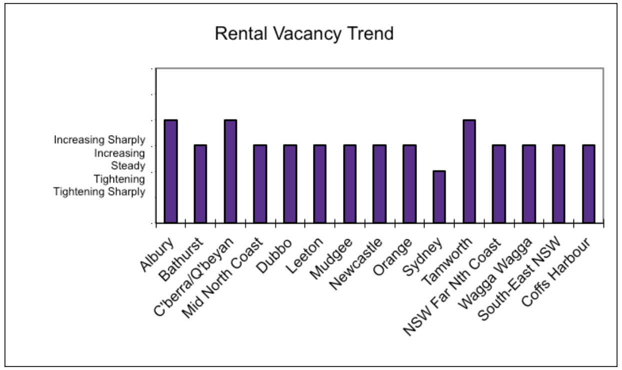

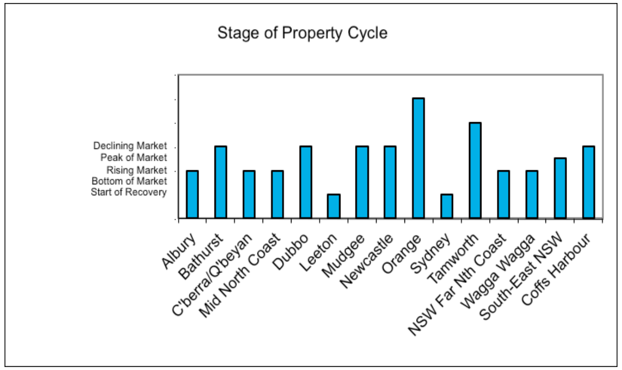

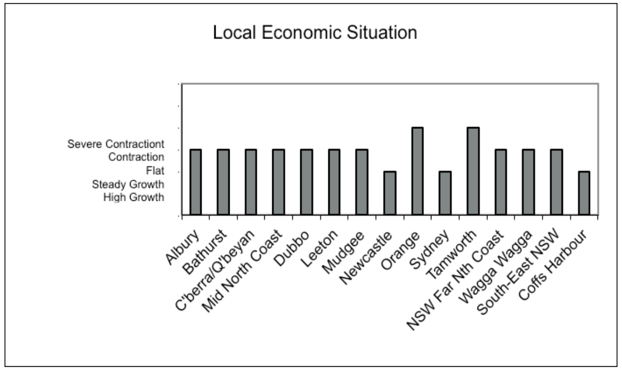

Market Indicators

Victoria/Tasmania Property Market Indicators - Houses

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

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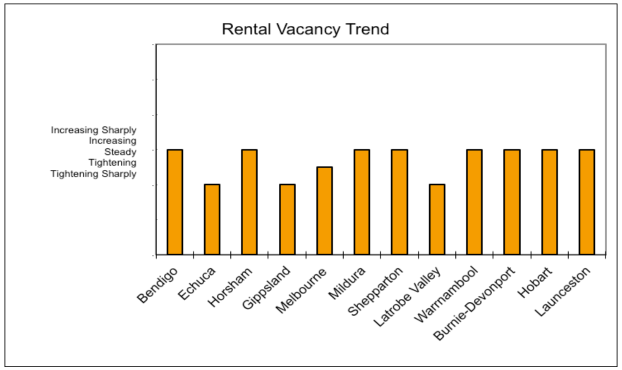

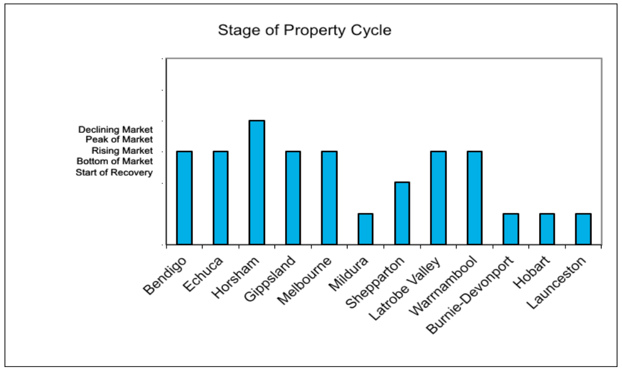

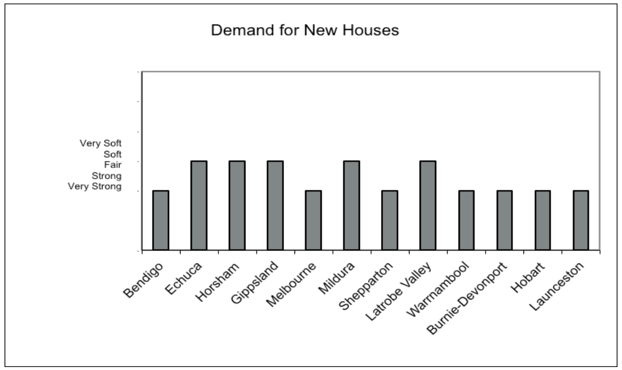

Market Indicators

Victoria/Tasmania Property Market Indicators - Units

Factor	Bendigo	Echuca	Horsham	Gippsland	Melbourne	Mildura	Shepparton	Latrobe Valley	Warrnambool	Burnie / Davenport	Hobart	Launceston
Rental Vacancy Situation	Shortage of available property relative to demand	Balanced market	Balanced market	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	Balanced market	Balanced market	Balanced market
Rental Vacancy Trend	Steady	Steady	Steady	Tightening	Steady	Steady	Steady	Tightening	Steady	Steady	Steady	Steady
Demand for New Houses	Strong	Fair	Fair	Fair	Fair	Fair	Very soft	Fair	Strong	Strong	Strong	Strong
Trend in New House Construction	Steady	Steady	Steady	Steady	Increasing strongly	Declining	Increasing strongly	Steady	Increasing	Steady	Steady	Steady
Volume of House Sales	Increasing	Steady	Steady	Increasing	Increasing	Steady	Declining	Increasing	Steady	Increasing	Increasing	Increasing
Stage of Property Cycle	Rising market	Rising market	Peak of market	Rising market	Rising market - Peak of market	Start of recovery	Bottom of market	Rising market	Rising 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	Occasion-ally	Occasionally	Almost never	Occasionally	Occasion-ally	Occasionally	Occasionally	Occasion-ally	Occasionally

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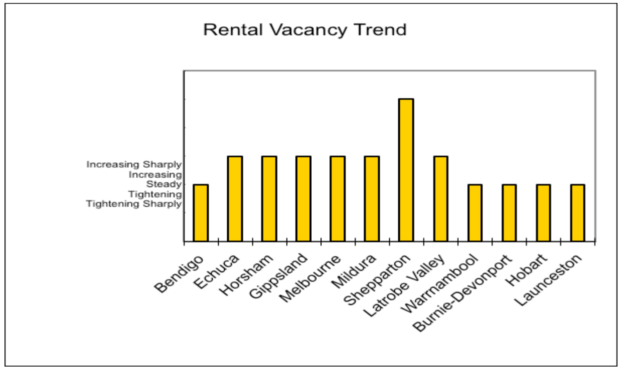

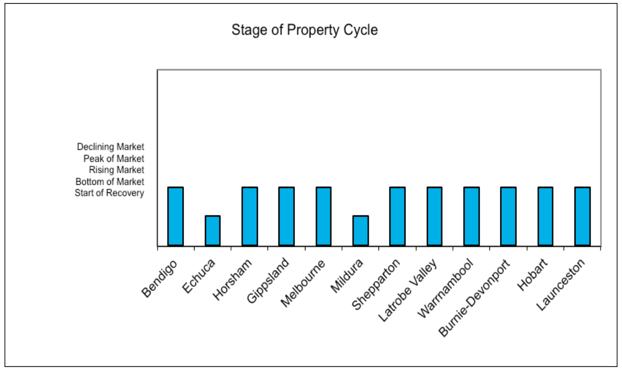

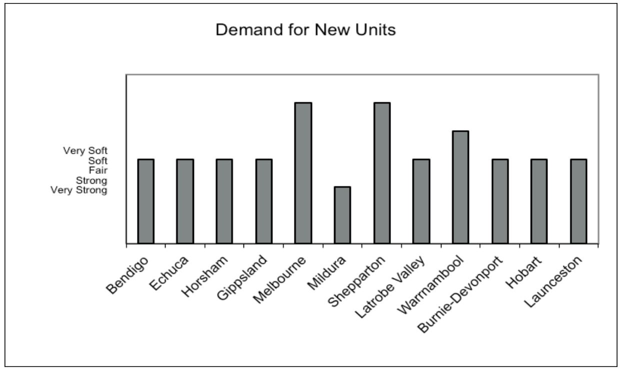

Market Indicators

Victoria/Tasmania Property Market Indicators - Retail

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

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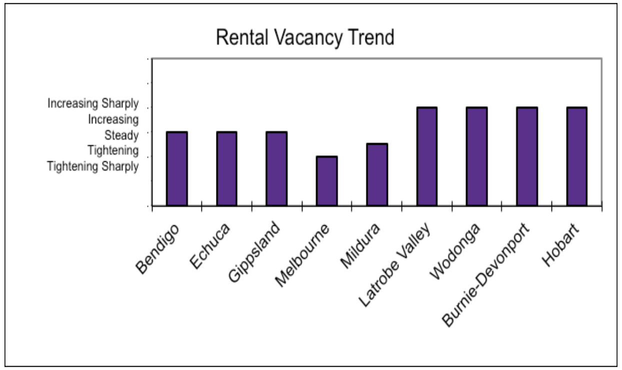

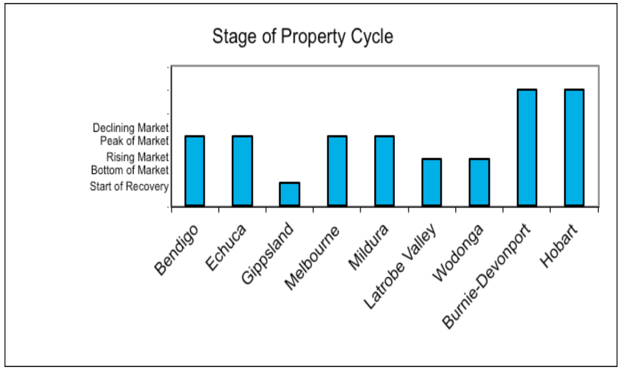

Queensland Property Market Indicators - Houses

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	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	Balanced market	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	Balanced market
Rental Vacancy Trend	Increasing	Steady	Steady	Increasing	Increasing	Steady	Steady	Steady	Tightening	Tightening	Steady	Tightening	Tightening	Steady - Increasing
Demand for New Houses	Soft	Soft	Fair	Soft - Fair	Fair	Very soft	Soft	Fair	Fair - Strong	Strong	Strong	Very strong	Strong	Strong
Trend in New House Construction	Increasing	Steady	Steady	Declining - Steady	Steady	Declining	Steady	Steady	Steady - Increasing	Increasing	Increasing strongly	Increasing	Increasing	Increasing
Volume of House Sales	Increasing	Steady	Steady	Steady	Declining	Declining	Increasing	Increasing	Increasing - Steady	Increasing	Steady	Increasing strongly	Steady	Steady
Stage of Property Cycle	Start of recovery	Start of recovery	Bottom of market - Rising market	Declining market	Bottom of market	Declining market	Bottom of market	Start of recovery	Start of recovery	Rising market	Rising market	Rising market	Rising market	Rising market - Peak of market
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Occasion-ally	Occasion-ally	Almost never - Occasion-ally	Frequently - Very frequently	Almost never	Occasion-ally	Occasion-ally	Almost never	Occasion-ally	Occasion-ally	Occasion-ally	Very frequently	Frequently	Frequently

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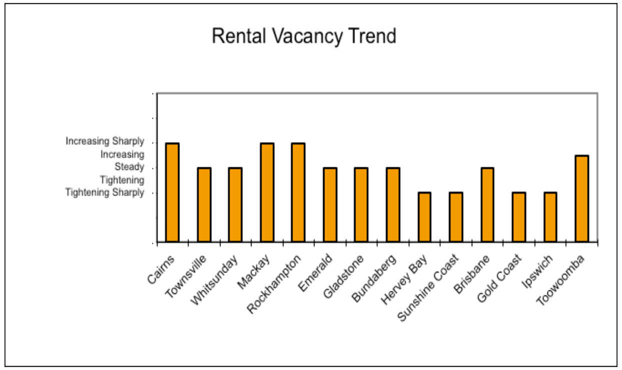
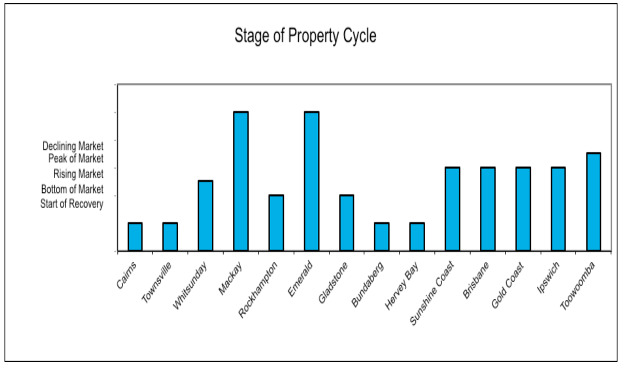
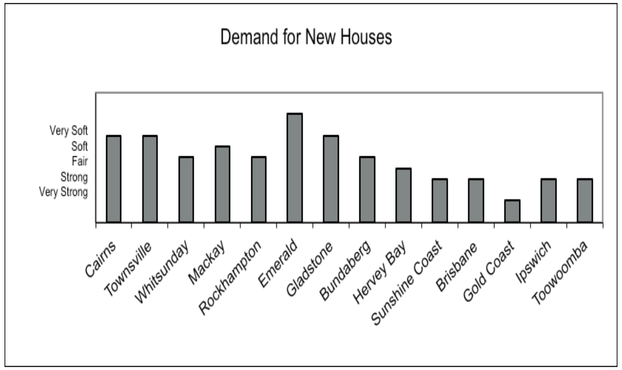


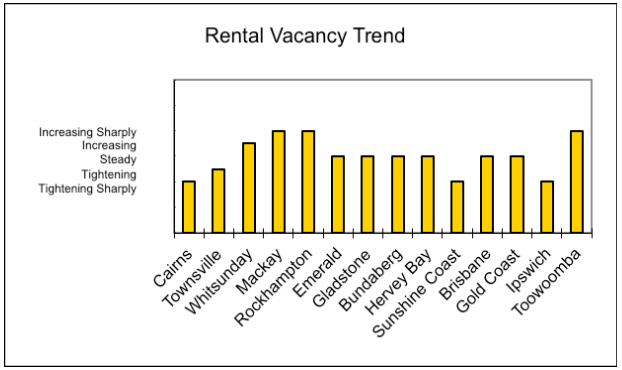


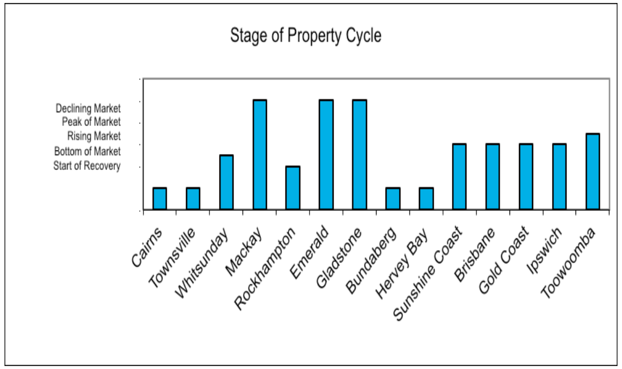


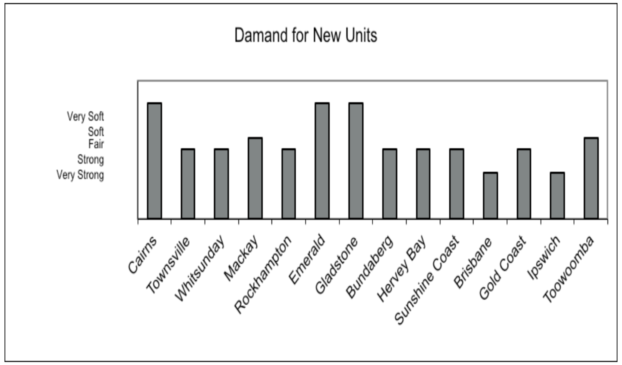
Queensland Property Market Indicators - Units

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	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	Large over-supply of available property relative to demand	Over-supply of available property relative to demand	Balanced market	Shortage of available property relative to demand - Balanced market	Balanced market	Balanced market	Balanced market	Shortage of available property relative to demand	Balanced market - Over-supply of available property relative to demand
Rental Vacancy Trend	Tightening	Tightening - Steady	Steady - Increasing	Increasing	Increasing	Steady	Steady	Steady	Steady	Tightening	Steady	Steady	Tightening	Increasing
Demand for New Units	Very soft	Fair	Fair	Soft - Fair	Fair	Very soft	Very soft	Fair	Fair	Fair	Strong	Fair	Strong	Soft - Fair
Trend in New Unit Construction	Declining	Steady	Steady	Declining - Steady	Increasing strongly	Declining significantly	Steady	Steady	Steady - Increasing	Increasing	Increasing strongly	Steady	Increasing	Increasing
Volume of Unit Sales	Increasing	Steady	Steady	Steady	Steady	Declining	Steady	Steady	Increasing - Steady	Increasing	Steady	Increasing - Steady	Steady	Steady
Stage of Property Cycle	Start of recovery	Start of recovery	Bottom of market - Rising market	Declining market	Bottom of market	Declining market	Declining market	Start of recovery	Start of recovery	Rising market	Rising market	Rising market	Rising market	Rising market - Peak of market
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Occasion-ally	Occasion-ally	Occasion-ally	Frequently - Very frequently	Almost never	Occasion-ally	Very frequently	Almost never	Occasion-ally	Occasion-ally	Occasion-ally	Frequently	Frequently	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*







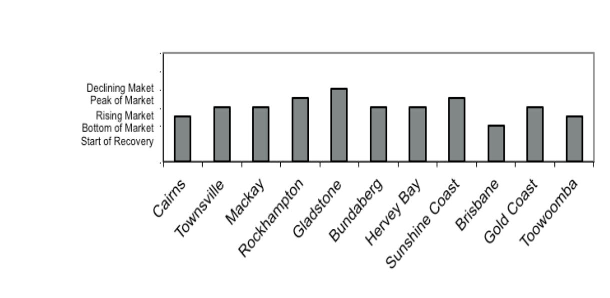
Market Indicators

Queensland Property Market Indicators - Retail

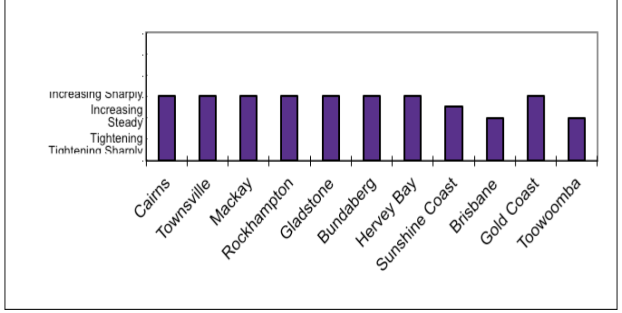
Factor	Cairns	Townsville	Mackay	Rock-hampton	Gladstone	Bundaberg	Hervey Bay	Sunshine Coast	Brisbane	Gold Coast	Too-woomba
Rental Vacancy Situation	Balanced market - Over-supply of available property relative to demand	Balanced market	Over-supply of available property relative to demand	Balanced market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

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

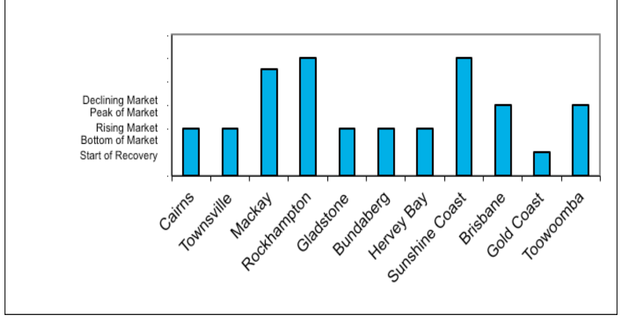
Blue entries indicate change from 3 months ago to a lower risk-rating



Local Economic Situation



Rental Vacancy Trend



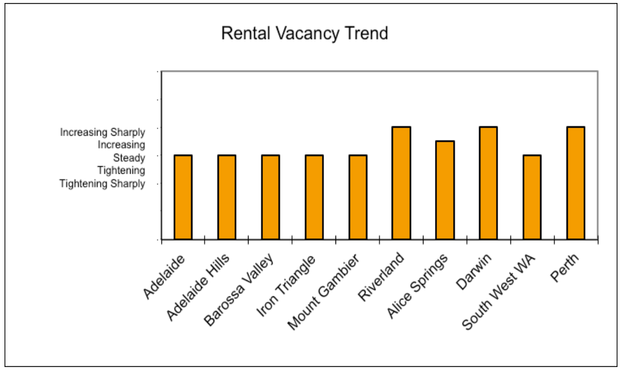
Stage of Property Cycle

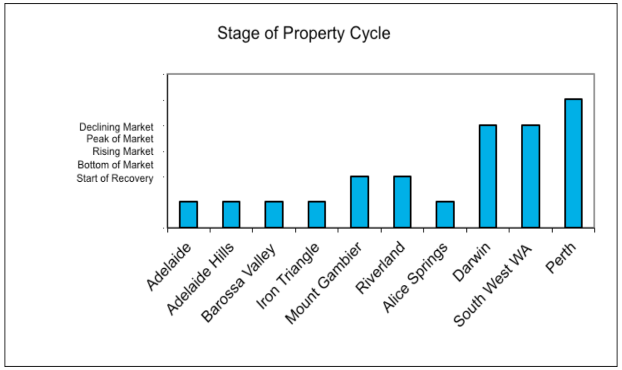
Northern Territory, South Australia & Western Australia Property Market Indicators - Houses

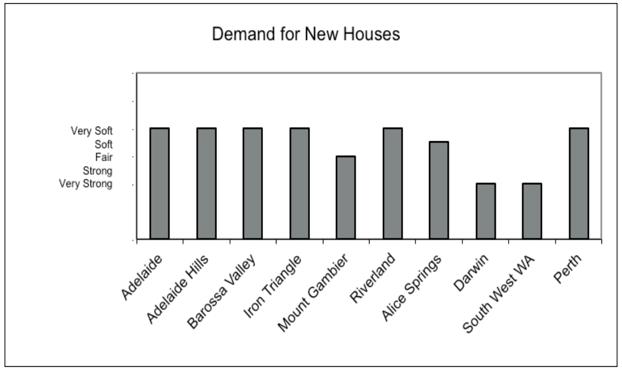
Factor	Adelaide	Adelaide Hills	Barossa Valley	Iron Triangle	Mount Gambier	Riverland	Alice Springs	Darwin	South West WA	Perth
Rental Vacancy Situation	Balanced market	Balanced market	Balanced market	Balanced market	Balanced market	Shortage of available property relative to demand	Over-supply of available property relative to demand	Balanced market	Balanced market	Over-supply of available property relative to demand
Rental Vacancy Trend	Steady	Steady	Steady	Steady	Steady	Tightening	Steady - Increasing	Increasing	Steady	Increasing
Demand for New Houses	Soft	Soft	Soft	Soft	Fair	Soft	Soft - Fair	Strong	Strong	Soft
Trend in New House Construction	Steady	Steady	Steady	Steady	Declining	Steady	Steady - Increasing	Increasing	Increasing	Steady
Volume of House Sales	Steady	Steady	Steady	Steady	Steady	Steady	Steady	Steady	Steady	Declining
Stage of Property Cycle	Start of recovery	Start of recovery	Start of recovery	Start of recovery	Bottom of market	Bottom of market	Start of recovery	Peak of market	Peak of market	Declining 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	Almost never

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







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	Over-supply of available property relative to demand	Balanced market	Balanced market	Over-supply of available property relative to demand
Rental Vacancy Trend	Steady	Steady	Steady	Steady	Steady	Tightening	Steady - Increasing	Increasing	Steady	Increasing
Demand for New Units	Soft	Soft	Soft	Soft	Soft	Soft	Soft - Fair	Fair	Strong	Soft
Trend in New Unit Construction	Steady	Steady	Steady	Steady	Declining	Steady	Steady - Increasing	Steady	Steady	Steady
Volume of Unit Sales	Steady	Steady	Steady	Steady	Steady	Steady	Steady	Steady	Steady	Declining
Stage of Property Cycle	Start of recovery	Start of recovery	Start of recovery	Start of recovery	Bottom of market	Bottom of market	Start of recovery	Peak of market	Peak of market	Declining 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	Almost never

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

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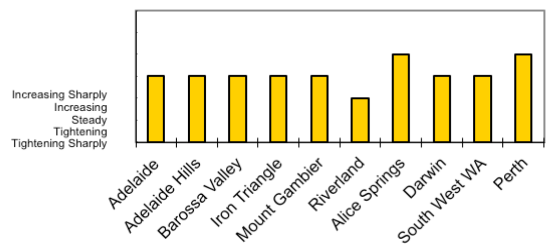
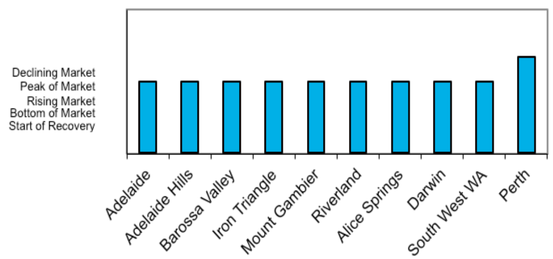
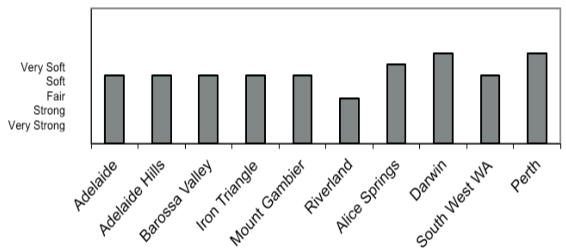
Rental Vacancy Trend



Stage of Property Cycle



Demand for New Units



Market Indicators

Northern Territory, South Australia & Western Australia Property Market Indicators – Retail

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	Balanced market - Over-supply of available property relative to demand	Balanced market	Over-supply of available property relative to demand	Over-supply of available property relative to demand
Rental Vacancy Trend	Steady	Steady	Steady	Steady	Steady	Steady - Increasing	Increasing	Steady	Steady
Rental Rate Trend	Stable	Stable	Stable	Stable	Stable	Declining - Stable	Stable	Stable	Stable
Volume of Property Sales	Declining	Declining	Declining	Declining	Steady	Steady	Declining	Declining	Declining
Stage of Property Cycle	Bottom of market	Bottom of market	Bottom of market	Bottom of market	Bottom of market	Start of recovery	Start of recovery	Bottom of market	Declining market
Local Economic Situation	Contraction	Contraction	Contraction	Contraction	Flat	Flat - Contraction	Steady growth	Flat	Flat
Value Difference between Quality Properties with National Tenants, and Comparable Properties with Local Tenants	Large	Large	Large	Large	Large	Small	Significant	Small	Significant

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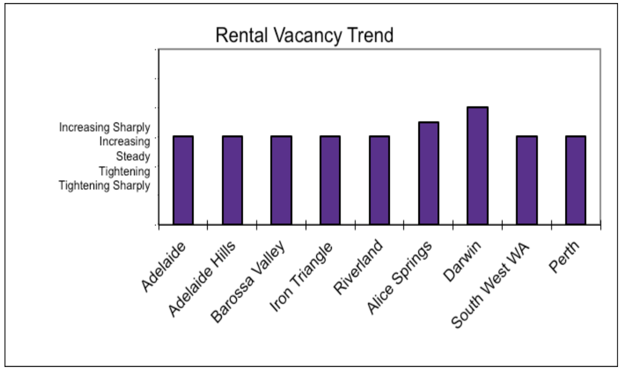

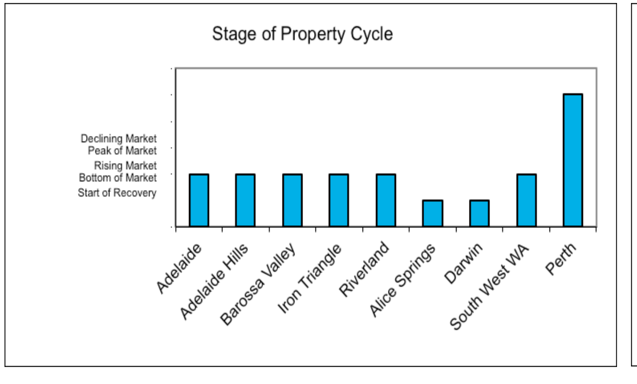

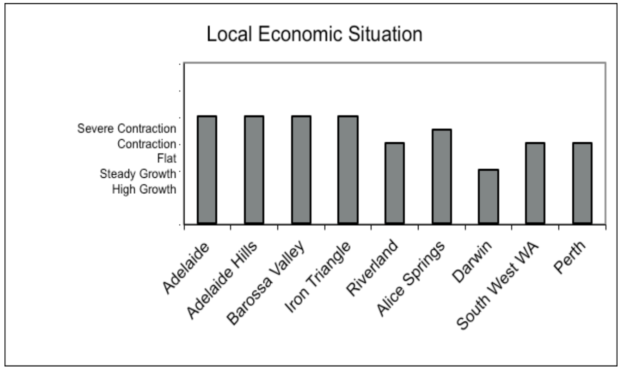

Market Indicators

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