



Herron
Todd White

Independent Property Advisors



The Month In Review

2011

DECEMBER



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Peace of mind for your property decisions.



2011 “The Year that Was”

And now, the end is near. We are lowering the curtain on what has been a compelling 12 months. Laughter, tears... and more tears. The past year has dealt more than a few raw hands with just a couple of royal flushes.

As we all begin to sidle up to the Xmas buffet and watch the relatives re-gift ties and hankies, now is the time to have a long hard look at our year in property.

There were plenty of events that collided to make this a year best forgotten by most observers. Natural disasters played their part both personally and financially, but as the world's foremost economy flirts with insolvency, more than a few of us look skyward and utter out loud “Oh come on! What did we do to deserve this as well?!”

The year started with some restrained optimism for most. 2010 didn't really gloss up too much, everyone had settled into the idea that the GFC might be surmountable and there was plenty of sunshine and lollipops around the place as we dug up Australia. Hip Ra 2011! Let the good times roll! Unfortunately the bang for most turned into a whimper and by the end of the year many properties were gasping for breath.

And now is my last chance in 2011 to start whipping a demised equine. Once again confidence has been the key. Whilst I concede we are of course under pressure from the world economy and our fortunes are linked to China's, Australia has indeed been the fiscally fortunate son globally. However we trade on confidence and our cologne is letting us down. Most participants continue to horde, sit and stare waiting for someone else to make their move and until “someone” boldly steps up (or a consistent group of “someones” at least) then it is likely the pattern will remain closed.

It is under conditions such as these that we at Herron Todd White throw ourselves upon your mercy. This year we are following the theme of previous December issues and asking our people around Oz for a recap on the year they had. To make it tough we also asked them to prise open the Month In Review February 2011 issue where they all found their confident calls of what lay ahead for the year. With this document stapled to the desk beside them and 20/20 hindsight, our brave lads and lasses set about seeing just how they went with their crystal ball gazing. No doubt amongst the pages here you will find a few rye smiles from those that got it right, a few run miles from those that got it wrong and quite a few shoulder shrugs from those that got it mostly on the money but fell over here and there.

For the commercially minded, this year's close is a run down on all things retail. Just in time for the hot sales season we give the low-down on how retail has fared. Our observers are raring to give you a play by play on the sector which could prove a terrific negotiation tool come time for present purchases on the high street.

So there you have it dear reader. Another year in the can and are raring to start shooting the opening scene for 2012. We at the Month In Review would like to take the opportunity to wish you all a safe, happy, prosperous and hopefully indulgent season with good cheer and fine times. Travel well and our best wishes to all.

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1 December 2011

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Commercial Overview

The retail sector has been making hard work of it of late. Retail relies on confidence amongst consumers and the impact on markets has been palpable. Flights to safety mean that primary blue chip property buyers can be found with solid tenancies being the core. As the year progressed it appears that the softening for most others had set in.



Sydney

We can't talk about the Sydney retail market in 2011 without at least mentioning the opening of Westfield Sydney City. While technically the centre first opened in December 2010, the majority of the stores including the much hyped 'Zara,' threw open their doors in the first half of 2011. Westfield, coupled with the redevelopment of the Mid City Centre in 2010, has revitalised the Pitt Street Mall precinct, luring high end and international retailers to Sydney. Despite the initial relocation of many prime retailers into the new developments from properties surrounding Pitt Street Mall, super prime retail rents remain firm, with new retailers eager to benefit from location near these new centres.

Outside of the Sydney CBD market, investor interest returned over 2011, with a number of investment grade properties transacting. This heightened activity follows on from a strong 2010, which saw the re-emergence of private investors and property syndicates, previously priced out of the market.

The increase in investor interest has been focused firmly on properties in the five million to \$25 million range, which feature a strong anchor tenant, generally a Woolworths or Coles supermarket. In October the sale of Dee Why Market for \$22 million, on an initial yield of 8.8% and 248 Church Street Parramatta for \$19.55 million, on an initial yield of 7.9%, has reaffirmed the strength of this sector. Outside of this price range, sales activity has been limited.

In the retail strip market, increased vacancy and concerns over the rental growth outlook has restricted the level of demand from investors. Demand from owner occupiers also remains low, with the dual impact of weak retail sales and high lending costs preventing new start ups and limiting expansion plans. There are however a few exceptions to this rule. Quality properties in locations with minimal vacancy remain in high demand. For example a strata retail suite in Potts Point sold for \$850,000, equating to \$9,043 per square metre.

At the top end of the market the dual impact of a lack of properties being actively marketed and a reduction of potential buyers has resulted in a continued lack of property transactions. Over the past 11 months the most expensive retail property sold in Sydney was for (\$42.8 million) Bridgepoint, Mosman. For further information on the Sydney retail market please review the Sydney Retail Market Link located on www.htw.com.au.

Southern Highlands

The Southern Highlands retail market has remained subdued throughout 2011 with most retailers feeling the pinch from weak economic conditions. Although relatively stable, the market has not fully recovered since the Global Financial Crisis (GFC). Current conditions are reflected in the vacant shops now evident along prime strips such as Bong Bong Street in Bowral.

Some notable events throughout the year included the sale of the 4,936 square metre Oxley Mall in Bowral in May 2011 for \$14.75million, which was purchased by Coles Group Property Developments for renovation and expansion. The Centre comprises a 3,076 square metre Coles Supermarket and 1,860 square metre speciality retail, with hardstand car parking for 255 vehicles shared with Wingecarribee Shire Council.

Other developments of note include the 50% acquisition by Charter Hall Retail from Woolworths of Highlands Marketplace, Mittagong in June 2011 for \$23.6million, at an initial yield (excl acq costs) of 8.1%. The sub regional shopping centre comprises 8,241square metre and 790 car spaces. Initially constructed in 2007 is anchored by Woolworths and Big W with 36 speciality retail shops.

In the same precinct, the Highlands Homemaker Centre, which opened in 2008 and comprises 12,500 square metres, 270 car spaces and fourteen outlets including Fantastic Furniture, The Good Guys and Dick Smith Electronics, signed Best & Less as a tenant commencing in November 2011.



Canberra

Over the past 12 months the Canberra retail market has had its up's and downs. At the beginning of the year we witnessed the closure of Brand Depot at Canberra airport, as the centre continued to struggle with rising vacancy. Despite this closure vacancy remains high in the only remaining outlet centre within the ACT, the Direct Factory Outlet in Fyshwick. Given the heightened level of vacancy recorded in both the outlet centres and the subsequent closure of one, it is clear that the demand for discretionary retail is limited within the ACT.

It's not all doom and gloom however. A rise in the demand for food and beverage retailing has resulted in a wave of new and refurbished supermarket projects. Most notably the arrival of Costco into the ACT, in the form of a 13,000 square metre facility and the pre-commitment of Woolworths to the Majura Park shopping centre, has reaffirmed the demand for food and beverage retailing within the capital.

Looking forward, the poor conditions recorded in the retail market in the ACT will likely continue into 2012, as continued weak retail sales limit the demand from retailers for additional space. For more information on the Canberra retail market, please review the Canberra Market Link available on www.htw.com.au under Research Information.



Wollongong

The on again, off again, on again drama surrounding the much anticipated GPT West Keira development best sums up the past year for the Illawarra retail property market. While latest reports suggest GPT has committed to moving forward with the project, many are still sceptical. This mirrors in personality of the current economy with 2011 which will be remembered for its high level of volatility, primarily in the global financial markets. There is no doubt economic uncertainty and volatility have had an impact on the local retail market.

Highlights for 2011 include:

- Commencement of the Stocklands Shellharbour expansion.
- Wollongong City Council looking to revamp Crown Street Mall. The mall is in need of an upgrade, however, the proposal remains stalled (vehicle access has been ruled out). Just get on with it!
- Receiver sale for \$6.1 million of the partially completed Ambience retail/residential development in Fairy Meadow. Acquired by a local consortium, the project is now nearing completion with a revamped marketing campaign underway. We are waiting with interest to see who will anchor the retail space following Coles decision to the project.
- Wollongong City Council purchasing the controversial Quattro development site. While a 1,280 square metre portion of the site, which represents around 12% of the total area, has been sold to a group of Wollongong investors for an undisclosed sum, the remaining portion is to be purchased by Wollongong City Council for \$5.2 million. While the original concept was primarily residential it did contain a substantial retail component. This is likely a short to medium term hold for the council, which intends to turn the property into a budget car park with some existing buildings being leased and undergoing renovations.
- Woolworths gaining approval to build its supermarket in Bulli.
- Aldi opening its new supermarket along Osborne Street in Dapto.

....a rise in the demand for food and beverage retailing has resulted in a wave of new and refurbished supermarket projects. ...

Lowlights for 2011 include:

- NSW Planning Assessment Commission (PAC) rejecting the Gravity development. Proposed to be built over three stages, the development would have included a shopping centre, cinema and hotel on the Dwyers site and residential and office towers on the Oxford Tavern site. The property is now in the hands of administrators McGrath Nicol.
- Valad's Corrimal Central Shopping Centre development stalling, unable to acquire a key piece of land from Wollongong City Council. Valad and the council both tried to sell their share of the site this year, but neither could find a buyer. At this juncture, it is unlikely this development will move forward in the next 12 months.
- Evidence of a rise in vacancies in secondary locations as exhibited by the Herron Todd White survey along Crown Street west. Undertaken in September 2011, our survey indicates a vacancy rate of almost 20% along this corridor.
- Weak retail sales continuing throughout the year with indications of this following into the Christmas period. Recent interest rate cuts have provided some hope this will boost retail sales.



Newcastle

The Newcastle Retail market appears to have stalled under the weight of stock on the market. The GPT owned Hunter Street Mall sites, after being in due diligence and failing to sell to local developers Buildev, have now been marketed as eight separate blocks. One small block was sold to a local owner occupier last month however seven blocks remain on the market with little to no reported interest. Of particular note, the substantial and historic former David Jones Building remains unsold. The large floor plates available however may entice a large retailer should they feel a move to the ailing Hunter Mall warranted. Now that the GPT properties are listed as separate medium sized properties, this is exerting downward pressure on the retail market as a whole. Increasing supply within an already weak market points to only negative growth in the short term.

....retail has been a sector in decline throughout the country and the all important Christmas selling period could make or break struggling retail chains....

While the appeal of the Mall continues to fall, it is also worth noting there are no major retailers located in the centre of the city. Residents from the host of modern unit blocks around Newcastle Beach including the new Avavia and The Royal Development need to travel to Cooks Hill or The Junction major grocery outlet. There appears to be a hole in the market here which requires filling.

The retail market has been a declining sector throughout the country. The all important Christmas sales period could make or break a number of struggling retail chains. We've witnessed some big name retailers depart shopping centres over the last six months. If new tenants are not forthcoming we will not only see a continuation of the slow down of retail development, rental returns will fall and yields will remain high.



NSW Far North Coast

The North Coast of NSW has for some time avoided the boom bust cycle which has been more evident on the Gold Coast, with low levels of supply supported by good demand and enquiry from local owner occupiers and investors alike.

The GFC sparked a reasonably high level of fear and apprehension throughout the market with the inland regional centre of Lismore experiencing lower commercial and retail rentals as landlords tried to secure tenants for the impending crash.

The market generally weathered this initial shock with rents showing falls of 40% recovering to levels 10% to 20% below peaks. These rents have subsequently held since.

The coastal communities of Ballina and Byron Bay have not been adversely impacted. However, with the continued weaker retail sectors there has been a growing and prevalent call in 2011 for a reduction in rentals. Reports are now growing of weaker rents in Ballina while resilience in Byron Bay its resilience has again continued to remain.

Evidence suggests that secondary location rents have seen some falls, however premium location results illustrate rents holding similar levels.

What is becoming more obvious are vacancies in properties which would normally be at the forefront of any fall in rents.

As with 2010, volume of sales were very low so it is proving increasingly difficult to identify the position of the market. Owner occupier space below \$400,000 continues to show remarkably low yields.

The recent sale of the Lismore Westpac Branch on a yield of 8.2% net is indicative of stronger yields in Lismore. Earlier in 2010, the sale of ANZ in Byron Bay showed a yield of 6.4% net, while in Ballina a fully leased premise to a strong local tenant showed a yield of 7.5% net. We also understand recently in Mullumbimby a commercial property comprising multiple retail tenants and three residential flats sold on a yield of 7.2% net (lower end of expectations). These sales would suggest that market yields have firmed although the trend has been consistent across the Far North Coast of NSW, as similar variations between locations would have been expected when the market was stronger albeit at lower yield levels.

We expect the increasing number of Mortgagee in Possession sales will have a significant impact on the market. There are an increasing number of good quality properties which will have a greater impact on the market than the poor quality properties which have been offered previously.



Melbourne

2011 has proved tough for retailers which was evident by a number of closures of several large popular retailers. Clothing retailer Colorado as well as Borders and Angus and Robertson all collapsed in early 2011. The ability of tenants to maintain current rental levels when faced with diminishing turnover may have been a contributing factor to these closures.

Local retailers have also felt the pinch which in turn has begun to hurt landlords. An increasing number of tenants have found it difficult to meet their lease obligations and the Victorian Small Business Commissioner has witnessed a substantial increase in rental dispute resolution enquiries in 2011. Industry sources reveal that the retail sector is struggling through its toughest period since the 1960s. The lacklustre retail sector is perhaps driven by areduced consumer spend coupled by their shift to focusing on reducing debt levels and increasing their savings.

It appears that retailers who are positioned outside the main retail strips with limited exposure are most affected when there is a downturn in retail trade levels. Perhaps one of the hardest hit retail strips has been Bridge Road, Richmond which has traditionally been known for its discount stores and now has to compete with the likes of the Direct Factory Outlets and other large scale suburban shopping centres. The vacancy rate was reported to have risen as high as 10.6% in mid 2011.

Amid the downturn, the exception to the rule is the well placed retailers who are found within prominent strips within Melbourne. Swanston Street in the Melbourne CBD, Glenferrie Road, Hawthorn and Chapel Street, South Yarra are good examples of resilient retail destinations in 2011.

...industry sources reveal that the retail sector is struggling through its toughest period since the 1960s....

Despite the tough retail environment, real estate agents have reported strong transactional activity and Melbourne's appetite for retail property is expected to remain strong in the short term. Prime Melbourne retail is very much still in high demand whilst secondary retail is perhaps harder to lease/sell. For example, 2011 has seen a number of large retail sales including a two level, freehold retail building situated at 269 Swanston Street which sold in March 2011 for \$6.5million reflecting an investment yield of 3.12%. Furthermore, a private investor has purchased Lot 14/55 Swanston Street for \$2.11million which reflected a rate per square metre over the 20 square metre Gross Lettable Area Retail of \$105,500 square meters.

Should consumer spending continue to weaken however, then rents may fall which could lead to a softening in capital values into 2012.



Regional Victoria

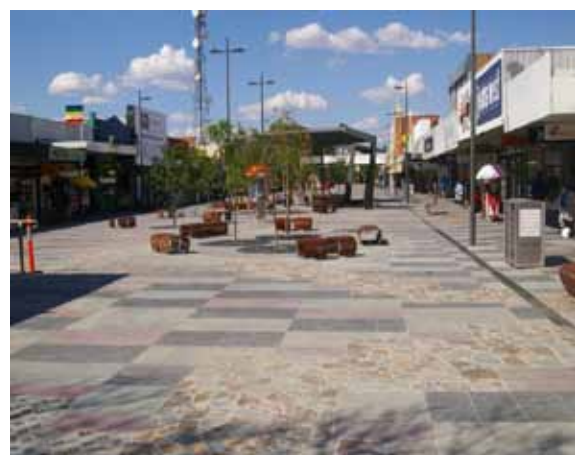
ECHUCA

The commercial market locally experienced difficulties but punctuated by sales of several landmark properties in the Echuca CBD. These included the old Flour Mill, sold with vacant possession, Antonios pizza shop/Lawn bowls leisure wear freehold (passing yield of 7.04%), 209-211 Hare St and a vacant allotment on the corner of Annesley Street and Percy Street which is currently under contract after an extended marketing period. Notably the

Campaspe Shire has received an offer of \$2.38million for a site it previously acquired in May 2006 for \$3.06million. The differential reflects the dynamic of having the Shire as an involved party as opposed to any indication of the market trends.

MILDURA

Local small retailers are advising it is the year they would rather forget. A complete refurbishment of the Langtree Mall, Mildura's retail hub has taken most of the year. This has had a detrimental impact on shopping patterns in the city heart to the advantage of Mildura's Centro regional shopping centre where shoppers have been spared security fencing, the whine of concrete cutters, trucks and dust. As a result of the inconvenience local shops have experienced hardship, and whilst the Mall has now been reopened, shopping patterns have remained sluggish. Stage two of the redevelopment is to shade cover the Mall, to protect against in Mildura's extreme climate. The temperature recorded 38 degrees when the photo of the Mall was taken however it felt more like 43 degrees. As a result all shoppers except the valuer had taken refuge in the shade under the awnings.



There are presently ten vacant shops in the Mall, the highest on record. A number of tenants are asking for rent relief from their landlords due to the present situation.

There is however it appears money in food and grog! Dan Murphys and First Choice are presently constructing large outlets in Mildura. The race is on between the two competing liquor outlets as to who wins the bragging rights and competitive advantage of opening first.

Similarly there are two proposals to build supermarket/specialty shop complexes in the satellite town of Irymple, located seven kilometres from the heart of Mildura. Fishers IGA (owners of 16 supermarkets within 400 kilometres of Mildura) have a planning permit Woolworths however does not. With the town not large enough to support two supermarkets, Fishers may have the advantage.

There is no doubt that the retail landscape in Mildura is shifting from small shops in the traditional central business district (CBD) to the "big box" national retail outlets. There are plans to build a new Coles supermarket, a Lowes hardware complex and a Big W store along Fifteenth Street, approximately four kilometres from the traditional CBD.

This changing landscape is reflected in the activity of retail property investors. Buyers have an appetite for modern, securely leased retail premises, and will buy at yields that reflect the perceived quality of the tenant, rather than the specific location. So a Bunnings store, or a Coles supermarket in Mildura will sell at similar yields to most regional centres, typically in the range of 7% - 7.5%, whereas yields for traditional shops have softened.



Adelaide

The Adelaide retail sector experienced a difficult year in 2011. Consumers tended to be much tighter with their money and more selective about how they spent it. Low consumer confidence, due to unstable international markets, changes in shopping habits, including a significant shift to online shopping paired with a high Australian dollar, made overseas retail, in particular American online sites, quite appealing. As GST is not included in these purchases and many offer free postage. Most of the year was spent assuming that an interest rate rise was on the cards which also contributed to a negative impact on spending habits



With unemployment in South Australia hovering around a quite acceptable 5%-5.5% for most of 2011, and the recent interest rate cut on Melbourne Cup day, there is hope for a slightly more positive year in 2012 for the retail sector.

In line with a very subdued retail sector, sales and leasing activity has been very slow. However the premium retail strips of Rundle Mall and Rundle Street have still performed quite well with vacancies remaining low and yields stable, even in the wake of the closures of Borders

and a number of brand stores owned by the Colorado Group. The vacancies left by these stores in the latter half of the year have now been filled.

Early November saw the opening of the stage three redevelopment of Burnside Village which added 7,300 square metres of new retail space to the existing shopping centre making room for 30 new retailers. Zara has been confirmed as a tenant at the centre to open before the end of 2011 generating much excitement locally, as many of these popular international stores often overlook Adelaide in favour of the eastern states.

....construction is now underway on 'Rundle Place', Harris Scarfe will be joined by Coles to co-anchor the 22,500m² 4 level retail component....

Kmart has signed a long term lease on the site currently occupied by Toys 'R' Us, who will be vacating the CBD altogether – their main store is located at the Gepps X Homemaker Centre. This is one of only a handful of sites large enough to satisfy the floor space required by Kmart with just under 4,000 square metres spread over three levels. Kmart is expected to open in early 2012.

During the year the old Harris Scarfe building at 77-91 Rundle Mall was demolished and construction is now underway on 'Rundle Place', a \$385 million premium office and retail project due for completion in early 2013. Harris Scarfe will be joined by Coles to co-anchor the 22,500 square meters four level retail component which will also include 85 specialty stores and a large food court. Bendigo Bank will occupy the 11 levels of office accommodation. The development will also provide 500 casual car parking spaces.



Brisbane

Continuing economic uncertainty throughout 2011 associated with the long hangover from the GFC and more recently the European debt crisis has caused muted local investment activity in 2011. Overall however Australia has continued to remain relatively well insulated from the worst of the global economic shocks.

On a state level, Queensland is still recovering from the natural disasters of early 2011. Consumer confidence has been depressed and there are still ongoing consumer concerns regarding future finances which are negatively affecting spending patterns. This has had a direct impact on retailers' profits and their subsequent ability to pay rent. The situation in turn has increased vacancies and rental arrears, reducing effective rents and increasing the cash flow risk associated with many retail properties as an investment.

These factors have combined to keep transaction levels relatively flat through 2011.

The Brisbane retail property market is currently reflecting a range of yields dependant upon the price point of the

particular property. The sub \$5 million retail centres have remained in strong favour with private investors with yields remaining relatively firm and ranging between 7% to 8.5%. Typically, lower value centres generate greater competition through a larger pool of purchasers which can result in firmer yields. Alternatively, where there is upside opportunity through either a near term rental reversion, redevelopment, refurbishment or a sought after location a firming effect on yields can also occur.

A case in point is the sale of a retail convenience centre located at 1888 Logan Road, Upper Mount Gravatt which sold at auction in April 2011. The centre has a gross lettable area - retail of 735 square metres and a good tenancy mix, including Pizza Hut, Subway, Night Owl, Thirsty Camel Bottleshop and an Indian restaurant. The property had a weighted average lease expiry of 2.09 years and sold for \$2.9 million, which reflected an analysed yield of 7.72%.

Retail centres with a price point over \$5 million are generally achieving softer yields of between 8% to 9%. These centres are typically anchored by at least one major such as Coles, Woolworths or IGA and have strong tenancy profiles and long WALE's. The softer yields are reflective of reduced competition from fewer purchasers and the ongoing tighter lending environment. Other retail assets with higher risk profiles including issues such as multiple vacancies, significant rental arrears and poor tenancy mix are returning yields over 9%.

....looking forward to 2012, we anticipate a continuation of the muted investment activity that has characterised the retail property market of 2011....

A case in point is the sale of the Clontarf Bayside Plaza which sold for \$12.75 million on a passing yield of 9.52%. The centre has a gross lettable area - retail of 2,990 square metres with 23 tenancy areas and tenants including a 7 Eleven Service Station, Subway, Baskin Robbins and a Medical Centre. The centre is well located at the Clontarf end of the Hornibrook Bridge and Deagon Deviation which is the main arterial road linking Brisbane and the Redcliffe Peninsula.

Looking forward to 2012, we anticipate a continuation of the muted investment activity that has characterised the retail property market of 2011, with perhaps increasing transaction levels following any further Reserve Bank interest rate cuts, which are expected in the first quarter of 2012.



Gold Coast and Tweed Coast

2011... A year of opportunity for some, a year best forgotten for many others.

Back in February, we made comments that the market was at its lowest point in years. Notwithstanding this, we could not foresee any miraculous recovery in the immediate future and cautioned people to apply

fundamental investment strategy when considering entering this volatile market.

The benefit of hindsight now shows us that any hope of a recovery in 2011 was wishful thinking. In fact, it seems apparent that the Gold Coast retail market is in even worse shape now than it was 12 months ago.

There are two distinct forms of retail development on the Gold Coast; the densely populated tourist centres such as Surfers Paradise at one end of the spectrum, and the suburban based local centres at the other end of the spectrum. Whilst these two types of retail activity have a vastly different client base, the performance of both is strongly tied into our primary industries of tourism and construction.

The 2011 retail market was typified by reduced consumer confidence and reduced consumer spending. These factors coupled with reduced population growth and the strong performing Australian dollar undermined tourist numbers and also resulted in very little construction activity.

Reduced activity in tourism and construction has an indirect impact on people working within manufacturing, importing, wholesaling, finance, real estate and planning industries, not to mention the direct impact on retailers that solely rely on these markets. With such a broad impact, it is easy to see how the softening of these markets has swept through our community and greatly impacted retail operators throughout the Gold Coast.

It has now been almost four years since the onset of the Global Financial Crisis and it has come to a point where some retailers were forced to exit the market during 2011.

Tourism centres such as Surfers Paradise, Main Beach and Broadbeach have witnessed an increasing vacancy rate during 2011 as more and more small business owners struggled to make ends meet. However, there were also several larger exits from the retail market including DFS Galleria Surfers Paradise, Pulse Pharmacy in Circle on Cavill, and Borders bookstore from Robina Town Centre.

DFS was established in their former premises for 15 years and relied heavily on international tourist dollars and it is understood that the deterioration of this market had a direct impact on their business. On the other hand, the failure of book retailer Borders is not specifically tied to the Gold Coast market, rather it was the result of an overall slowdown across the Australian economy and strong competition by online retailers.



By and large, suburban based retail centres seem to have maintained a status quo over the course of 2011. Landlords however, have been faced with the challenge of downward pressure on rents and increasing vacancy in their specialty stores. As a general observation, suburban based centres that previously had low or no vacancy now have numerous vacancies, and the number of enquiries being made to our office for advice on rental disputes is definitely on the increase.

The 2011 sales market was dominated by sales under instruction by receivers and managers, as more and more owners have been pushed to their financial limit. This has resulted in a greater number of sales during 2011 as vendors are forced to meet the market rather than hold out for better days.

As expected, investment yields have remained soft and buyers continue to be selective in their investment decisions. This highlights the importance of owners maintaining a high quality occupancy mix rather than fighting for the highest possible rent from their sitting tenants.



Sunshine Coast

What can we say about the retail market in 2011, apart from what many retailers are saying. That is, bring on 2012!

The Sunshine Coast region had a dreadful start to the year with wet weather basically wiping out the traditionally strong summer trading period for retailers. This poor start to 2011 resulted in some vacancies entering the market in tourist retail strips across Mooloolaba, Caloundra and Noosa.

The continued high Australian dollar also made holidaying domestically less attractive throughout the year and this further impacted on these locations. During the year we noted almost 10% vacancy in historically tight tourist retail areas such as Hastings Street and Mooloolaba Esplanade.

With the retail market softening and less tourists visiting the region, smaller sectors of the retail market also started

to soften. We noted increased failures for restaurants in the area and a small yield gap begin for restaurant properties, compared to similar properties with a more typical retailer in place, to reflect the added risk for this asset class.

Investors started to come back into the market towards the latter part of the year with a shift in focus to service type locations, such as the old fashioned local convenience centres. We noted a sale of the Mount Coolum Shopping Centre, anchored by an IGA, which achieved a sale price of \$6.1 million with an analysed yield of 9% and a WALE of 2.1 years. Agents reported that interest in this type of asset had improved during the year.

The other strong indicator at the back end of the year, was the re emergence of large companies investing in this region. A large proposed Harvey Norman store has commenced in Wisers Farm, and is due to open in 2012. Bunnings has also purchased two sites in the region for further development. Coles and Woolworths have purchased sites centrally to expand as shopping centres with a Masters site proposed in Noosa.

....we noted a sale of the Mount Coolum Shopping Centre, anchored by an IGA, which achieved a sale price of \$6.1 million with an analysed yield of 9%....

The start to summer has heralded a welcome return of fine weather and tourist operators are predicting a strong summer based on forward bookings. This has helped improve confidence across retail strips with many vacant shops filling for short term tenancies, which landlords are hoping will materialise into longer leases.

In finishing, bring on 2012.



Southern Queensland

TOOWOOMBA

The Toowoomba retail sector improved slightly during 2011, with a moderate level of new development and sales activity.

A number of small retail centres have been developed and refurbished during the year and have generally leased well, with small fast food tenancies achieving up to \$500 per square metre per annum net. Development projects include the "Red Edge Centre" which was completed in early 2011, located on the southern fringes of the CBD, comprising a small IGA and a mix of mostly food tenancies.

The redevelopment of the High Street Plaza located in the eastern suburbs and anchored by Supa IGA recently reached completion. Wilson Shopping Centre is currently undergoing refurbishment with a new stand alone Coles supermarket being constructed. A site on the northern end of Ruthven Street has been amalgamated with a major supermarket based centre proposed.

A number of small retail centres and bulky goods properties are currently on the market and have achieved limited interest to date. Sales currently have been limited to small stand alone buildings to mostly owner occupiers.

Further activity is forecast during 2012 underpinned by the growing resources sector in the Surat Basin and the commencement of some initiatives contained within the CBD Master Plan.



Central Queensland

BUNDABERG

The retail market in Bundaberg has been under pressure in 2011. Vacancy rates have continued to escalate particularly for larger retail showroom premises with asking rental levels in excess of \$50,000 per annum. Vacancy levels in smaller shops in good locations have been far less pronounced however rental levels have generally declined. Vacancy levels in Neighborhood and Suburban Shopping Centers also remain generally low.

The two most significant sales of improved retail assets in Bundaberg have been the Woolworths Shopping Centre in Childers at \$8million indicating an adjusted yield rate in the order of 8.5%. Woolworths had 16 years remaining on the first term of the lease. The other sale is the Bundaberg Home Centre at \$10.4 million indicating an adjusted yield rate in the order of 9.5% to 10.0%. The passing yield is in the order of 8.5%.

....vacancy rates have continued to escalate in Bundaberg particularly for larger retail showroom premises with asking rental levels in excess of \$50,000 per annum....

The two most significant sales of vacant commercial/retail assets have been the sale of a 5.78 hectare site on Johanna Boulevard reflecting \$112 per square meter and a 1.96 hectare commercial/industry site at the intersection of Johanna Boulevard and Commercial Street reflecting \$69 per square meter. Both properties were sold by receivers and reflected significant reductions in value from previously established value levels.

Other sales information remains very limited in the retail sector however yield rates are generally considered to be in the 8.25% to 9.5% range. Lower priced properties below say \$750,000 generally reflects lower yield rates.

HERVEY BAY

Economic conditions such as a high Australia dollar and volatile tourism numbers are having an impact on our local retail market. The lack of discretionary spending in the retail sector is having a significant impact on local business owners with some heavily reliant on the backpacker and tourism markets.

There has been limited sales activity over the past 12 months however Hungry Jacks sold in February for a yield of 6.6% after an earlier purchase in 2008 for 6%. Premises with nationally branded tenants are attracting premiums of up to 1.5% yield compared to locally tenanted investment property.

The major announcement of the year was the purchase of the existing Centro Shopping Centre by Stockland. The purchase included a development application for Stage two and a surrounding 5.5 hectare parcel of land. Stockland have indicated that they expect to begin work on the second stage by July 2012 at a cost of \$130 million. On completion, the centre will occupy about 35,000 square metres and will reportedly be the biggest shopping centre for 500 kilometres from Maroochydore to Rockhampton. The Group have signalled their intentions to keep the development on track by paying the infrastructure charges of \$1.8 million in June 2011.

This project along with the announcement to construct a new 96 bed private hospital has lifted confidence and has recently seen an increased level of enquiry from national food chains looking to establish themselves in the town along with providing a much needed boost to the regions construction industry.



The main prime retail complexes include Eli Waters (for sale), Centro Hervey Bay, Pialba Place, Bay Plaza and Urangan Central. Rental rates within these complexes can range as high as \$900 per square meter for less than 50 square meters down to low \$200's per square metre for large anchor supermarket brands. These rates are generally insular and not achievable in secondary locations or strip shops.

MACKAY

The Mackay retail market is predominantly centred around the major shopping centre precincts. Caneland Shopping Centre has recently completed a major extension growing from 39,000 square metres to 62,500 square metres. The extension includes a Myer, expanded IGA supermarket, and the doubling of speciality stores to a total of 240.

A Woolworths supermarket of 3,200 square metres, ten speciality shops, a takeaway/ fast food restaurant with drive through facilities and Caltex/Woolworths service station has been approved at Boundary Road, Ooralea. Earthworks have commenced on site.

Northern Beaches Central Shopping Centre Stage Two has recently been completed with retailers and tenants

opening their doors to business on the 23 November 2011. Stage Two comprises a Woolworths supermarket, McDonalds and a further 20 speciality stores, with a plan for the existing BI-LO to be converted into a Coles supermarket.

Mackay Regional Council has approved Stages Three and four of the centre, which has been earmarked to become an even greater hub of activity and the third major commercial centre in Mackay. The floor space on completion is estimated to be around 45,000 square metres. Stage Three construction is scheduled to commence in late 2012.

The Marian Town Centre (fronting Anzac Avenue) has been approved. The \$38 million retail, commercial and residential project is scheduled to start construction in 2012 and will feature the largest supermarket west of Mackay with about 15 specialty retailers. The supermarket will comprise approximately 3,200 square metres and the total floor space of the specialty retailers will be up to 2,000 square metres. Discussions are under way with several of the major supermarket operators to secure the anchor tenant.

Retail property is tightly held, with no recent reported sales in the Mackay CBD or major shopping centre precincts.



Townsville

Townsville's retail landscape continued to expand throughout 2011. Major advancements in the \$180million Stockland redevelopment, which will include Myer, now occupies a prominent position at one of Townsville's busiest intersections. This redevelopment is expected to be completed by mid 2012.



The \$56million Flinders Mall redevelopment reached completion throughout the year with several new traders taking up positions since opening. In recent weeks it has also been reported that Willows Shopping Centre is looking at undertaking further extensions on the back of an \$83million extension completed in October 2010.

Throughout the year suburban convenience centres and small scale neighbourhood shopping complexes have continued to pop up in the expanding population areas

of Douglas, Mount Louisa, Idalia, Burdell and Bushland Beach.

As a major blow to the retail sector, the \$200million Flinders Plaza retail/entertainment centre that was planned for the CBD has fallen over after Austexx was placed into receivership. This has left an unattractive 1.6 hectare redevelopment site in the heart of Townsville's CBD on the market.

The most recent significant retail transactions in the Townsville market occurred last year with Coles Group Property Developments acquiring two sites; one in Kirwan and one in Deeragun for a combined value of around \$21million. These two sales, when analysed to rates per square metre, are considered aggressive acquisitions in the current market environment.

....as a major blow to the retail sector, the \$200M Flinders Plaza retail/entertainment centre that was planned for the CBD has fallen over....

Throughout 2011 we have seen an increased trend in construction/expansion of retail property in Townsville, the retail market in general remains soft. Centro Townsville although, a sub-regional centre has been placed on the market by Centro Properties Group, as they look to liquidate assets and restructure. Overall the retail market remains at the bottom of the market.



Cairns

The Cairns property market has, in a word, struggled, during the course of 2011, more so than we envisaged at the start of the year. The market overall appears to be in some type of malaise with buyers lacking confidence to make purchasing decisions. The advent of the Carbon Tax, increases in utility prices, increases in body corporate levies, increases in stamp duty charges and skyrocketing insurance charges, all seem to be causing buyer concern. Demand from investors and first home buyers has been very weak and the market for bottom end houses and units and tourist orientated property has performed poorly. Demand for better quality property in good locations is comparatively good.

The Cairns median house price stood at \$345,000 in September 2011, down 7% on the \$370,000 median house price recorded in September 2010. However property price movements have not been uniform, with property prices typically holding or only mildly reducing in the CBD and adjacent areas, but declining during the last twelve months by up to 10% in many of the outer suburbs.

Difficulties in the market were compounded by two major developers collapsing during the course of the year, these being unit developer Glencorp and land developer CEC, and their stock being sold off under receivership. Though the volume of receiver and mortgagee stock has become a reasonably large force in the market, we do not

regard such stock as flooding the market and depressing prices. Instead in our opinion receiver stock is being progressively sold off in a relatively orderly fashion. For instance over the past two years all of the former Hedley Group stock, involving approximately 170 units in total, has been sold off at only relatively minor discounts to their former asking prices.

Vacancy rates in the rental market have moved back during 2011 from the over-supply situation that was previously evident, to sit within the 'balanced market' range normally accepted as a 3% to 5% vacancy rate. However rental vacancy rates have tended to increase over the last six months, symptomatic of softer population growth, though with considerable divergence between houses and units. Nevertheless the market generally is expected to come under pressure as time progresses because of the lack of new private rental housing development, particularly for new unit development, and the slow state of the investment property market. The trend vacancy rate for houses stood at 2.5% during October 2011, while units recorded a trend vacancy rate of 4.5%. The overall market vacancy rate stood at 3.5%



Darwin

In many ways, 2011 proved to be a year "on hold" for the Darwin commercial property market; "on hold" for the Inpex project, "on hold" for the defence build-up, "on hold" for development of the marine services precinct. We had hoped that this holding pattern would resolve itself during the course of 2011, but it was not to be.

The holding pattern also extended to most commercial industrial property markets. Market activity remained relatively low but value levels held fairly well – certainly better than some of our residential markets.

Our February 2011 issue prognosticated a mid year pick up in demand. This unfortunately has not been realised. Our belief however is that this pick up has merely deferred until 2012 when these major "on hold" projects should start to materialise.

An observation was made in the late 1800's by one of the city's early administrators. Darwin has a magnificent future ahead of it and regrettably always will. To date that statement has arguably been correct, as Darwin has always been on the cusp of capitalising on the strengths of this city and its location. Hopefully 2012 will be a year when real progress is made to benefit the prosperity of the Northern Territory.

We take this opportunity to wish everyone a safe and happy Christmas and look forward to corresponding again the New Year.



Perth

Overall 2011 has not been a year where initial market expectations matched actual performance. Most analysts forecast positive growths on the back of the state's high economic growth and low unemployment. However, few would have anticipated the environmental calamities such as Cyclone Yasi and the Japanese Tsunami, the political disintegration in the oil rich Middle Eastern and North African countries, and of course the economic and financial problems affecting the US and Europe.

The high sovereign debts of the southern European countries and US have impacted on investor confidence, resulting in very high fluctuations in asset prices on equity and financial markets throughout the world. Closer to home, there has been growing concern over China's property market bubble and sustainability of their high economic growth given the issues plaguing their major export markets in Europe and the US. Tensions are increasing between China and the US regarding their respective currency values and their impact on their respective terms of trade.

Despite all these issues, the state's economy has maintained resilience. Demand for our resources from Asia continues to underpin high commodity prices and a strong Australian dollar. The Western Australian economy has sustained unprecedented economic growth rates over recent years, which according to Comsec's "State of the States" (October 2011) publication, indicates that the state's final demand is approximately 28% higher than the decade average, and unemployment (currently 4.2%) continues at very low levels despite an annual population growth of 2.1%. Presently the State's unemployment rate is the lowest in the country.

However, even with the state's economy remaining strong and with low unemployment, growth in retail turnovers have largely not met expectations. Many economists regard Western Australia operating a two-speed economy; where the mining sector continues to boom and other sectors of the economy are experiencing difficulties. The retail and tourist sectors for example that have endured contractions due to escalating costs of living (mostly attributable to hefty rises utility costs), a softening residential property sector and high Australian dollar.



With so many external and internal economic factors

at play, and the varied nature of properties comprising this category, it is not surprising that the retail property market has shown varied performances over the year. Generally prime properties in this class have performed reasonably well having maintained values and solid demand, while sub-prime properties have to some extent languished.

The Perth CBD retail property market has performed better than most, despite the significant additional stock added by new construction. Over 2008 and 2009 approximately 24,000 square meters of new space was added to the Perth CBD. In 2012 approximately 15,500 square meters of new retail space is anticipated. Vacancy rates are generally estimated at below 5.5%. Overall the escalating stock levels have been matched by growing demand.

The contracting office and residential vacancies in the Perth CBD have strengthened confidence that this property segment will continue to attract more space users and in turn investors. To some extent the significant addition of new space has resulted in this market becoming a two tier market with the older developments increasingly being perceived as a "secondary" property market. Property sales in this segment of the market, which are predominantly made up of Strata Titled unit properties, generally have no shortage of willing buyers looking to purchase either leased or vacant properties. Transactions in this sub-market been quite limited although this is due to the lack of supply as these properties are generally very tightly held. Buyers in this segment are price sensitive and are not keen on setting new price benchmarks, hence values have not appeared to move significantly over the course of the year.

....the Perth CBD retail property market has performed better than most, despite the significant additional stock added by new construction....

Interest in the bulky goods retail property market is similarly firm. The tenants of bulky goods properties tend to comprise large national retail companies. Despite most bulky good retailers having endured difficult market conditions over the course of the year, rental rates have generally remained steady. This appears to be due to a limited supply and limited construction and so it is likely that rental rates will rise over 2012. Assets in this category are also tightly held, as they provide relatively high returns with little risk of default. In March this year, the \$6.65million sale of 1429-1433 Albany Highway revealed a passing yield of 7.4%. The property comprises a building area of 2,166 square meters on a 4,658 square meters lot divided into three tenancies including EB Games, Avanti Plus and The Outdoor Furniture Specialist, with a weighted average lease expiry of 3.85 years.

Regional supermarkets continue to be the most competitive retail sector, with owners continually under pressure to refurbish, extend and maintain to ensure a desired tenancy mix. This asset group is limited to institutional investors who have the expertise in managing these assets. There have been no significant sales this calendar year, aside from capital raisings via the establishment of retail trusts.

The most significant sale in 2011 was in July of the sub-

regional size Thornlie Square Shopping Centre which sold for \$21 million, at a passing yield of 11%. The shopping centre which has a GLA of 14,583 square metres was refurbished in 2010 at a cost of \$2.5 million. The property was purchased by a private investor following a lengthy 12 month marketing campaign.

The retail property market has evolved dramatically over recent years, with shopping centres becoming larger and the introduction of bulky goods developments agglomerating a number of larger retailers, which has intensified competition significantly. Consequently older style strip shops and showroom developments are becoming increasingly obsolete. As expected this lower end of the market has had a challenging year. We have noted over the year that these properties require lengthy selling periods and competitive pricing. Buyers in this market tend to possess limited capital and a limited potential in acquiring the necessary finance.

....most retail properties are tightly held and the limited supply has helped to balance the weak demand....

Overall retail property has had a mixed year, however most factors affecting this market are external involving the economic and financial circumstances in the US and Europe. These issues at present appear complex and are likely to remain a concern with investors the world over for some time to come. Under these circumstances it is likely that retail property will continue to feel the impact of cautious investor sentiment. Despite these issues however, owners of these assets continue to benefit from good and reliable returns on their investments.



South Western WA

Overall the retail property market in the south-west of Western Australia has been subdued during 2011 with very few sales occurring. Most retail properties are tightly held and the limited supply has helped to balance the weak demand.

Like many areas around the country, business performances in the small retail sector have been poor. As a consequence, rental rates and demand for retail space has fallen, with most retail markets in the towns of the south-west having experienced increased vacancies during the year. This is particularly evident in the Bunbury CBD where currently there are a higher number of vacancies than experienced for quite some time. At present, prime street front shops in Bunbury's CBD can be rented for \$250 per square metre net per annum.

Of highlight in the area is the Treendale Shopping Centre in Australind, currently under construction, due to open late 2011 / early 2012. See attached picture. Stage One of the all new district centre will total 7,297 square metres. It will consist of 3,493 square metres for Woolworths Supermarket and Liquor plus 22 specialty stores comprising an approximate further 3,800 square metres of retail space and parking for over 450 cars.



Residential Overview

No one really expected 2011 to see record breaking growth in the residential sector, however general expectation was that a slowly bubbling market would be a fine thing for the coming twelve months. Unfortunately for most the impact of overseas economies and the ongoing lack of confidence has translated into real estate softening. There may well be some bright lights on the horizon where major projects and infrastructure looked set to prop up prices, but the overall feeling is of markets underperforming.



Sydney

North West / Western Sydney

2011 saw the market generally stabilise in the north west and greater western Sydney. Interest rates remained stable and as a result the market remained relatively strong, although in general value levels appeared to stabilise. Despite the move by the Reserve Bank to reduce the overnight cash rate by 0.25% in November, we are yet to see an up tick in buyer interest or transaction volumes.

The Winners:

In the north west and greater western Sydney region the first home buyers market eased off slightly as increased lending costs limited the affordability of many properties. The slack has however, been taken up by small "mum and dad" investors re-entering the property market in search of increased rental yields. While exact investor motives are unknown, the volatility in the equities markets coupled with continued rental growth, is likely swinging the investment pendulum in favour of property investment. Whatever the reason, local real estate agents have noted there has been an increase in the number of investors seeking property at the lower end of the market, with buyers hoping to take advantage of good rental returns and future capital growth.

In relation to our predictions at the start of the year, upon reflection the market proved to be more robust than we gave it credit for. Whilst activity and value levels stabilised, the market did remain fairly strong with agents reporting a better than expected year.

South and South West Sydney

Investors returned to the market following the Global Financial Crisis and have renewed interest in the lower range of the market. In recent weeks, local agents have advised of a significant increase in the level of inquiries from first home buyers investigating unit market opportunities before the stamp duty concession rules change next year and apply only to new homes.

The Bankstown and Liverpool areas have seen good 'buys' with unit prices selling in the range of \$200,000-\$250,000, providing a good rental return of around \$300-\$340 per week which represents a solid net yield. Unit sales have been strong in these areas approaching the end of the year. Despite falling slightly since 2010, there has been constant interest and movement with investors taking advantage of the lack of rental options available.

The low supply of new rental properties is leading to acceleration in rents creating further pressure on those who wish to enter the property market for the first time. Many young people are now effectively priced out of Sydney property ownership, their only options being to purchase a cheap unit or rent.

The mid to high price range has seen a decline in interest and sales as is evident in Bankstown, Fairfield and Liverpool. In these areas the market has decreased since October 2010. Unit prices in the past twelve months appear to have out performed houses, with potential purchasers awaiting further rate cuts before plunging into the market.

Auction clearance rates for residential properties in Sydney have been low and below expectations. 2010 saw high clearance rates for properties with prices soaring in the south west and some suburbs achieving record prices. 2011 has witnessed a dramatic change with reduced buyer interest and prices decreasing throughout the year.

It appears the interest rate cut on Melbourne Cup Day has come too little too late for 2011 to recover.

....the Sydney market outperformed the greater Sydney Metropolitan as the demand for inner city living remains significantly high....

Further interest rate cuts, along with the lack of stock, may see the South West market return to the prices achieved in 2010. However because of our markets the entry costs of a first home in Australia is now beyond many first home buyers (because our markets have moved beyond the growth in wages). With the impending carbon tax, mining tax, increase in energy, petrol and food prices, many investors are concerned about where the economy is headed.

Eastern Suburbs and Inner West

The inner west and eastern suburb property markets went from strength to strength for the first half of 2010. The strong market activity continued well beyond expectations, eventually cooling off as interest rates crept up, around the onset of winter. As 2011 rolled in the market stabilised and remained strong throughout 2011. The spring property market is coming into bloom with an abundance of property and solid auction clearance rates for 2011. Entry level property prices have increased due to pressure from the Governments stamp duty grant which expires on the 1st Jan 2012 and solid rental returns for units and houses.

Reflecting on our predictions at the start of the year, interest rates remained unchanged which kept the market quite stable but remained stronger than expected. The Sydney market outperformed the greater Sydney Metropolitan as the demand for inner city living remains significantly high. Expect Sydney to continue to lead the pack with Australia’s highest house prices but also more encouragingly with Australia’s most resilient housing market throughout the remainder of 2011.



Canberra

Canberra’s property market – how did we go?

- SWING TO A BUYER’S MARKET
- SUPPLY INCREASE IN GUNGAHLIN
- SUPPLY INCREASE IN BELCONNEN
- LIMITED GROWTH IN OUTER AREAS
- LONGER SELLING PERIODS
- LOWER VENDOR EXPECTATIONS



Compared to previous years there has been a major swing towards a buyers market. Sales listing figures have significantly increased from last year with Gungahlin, Belconnen, North and South Canberra providing the key areas of increased supply. Gungahlin, the newest region

under development continues to provide the first home-buyer market with a mix of affordable and mid-range property.

The median price in Canberra remains steady at \$520,000 for standard residential housing compared to \$510,000 at the same time last year. Medium density property on the other hand has increased by 7% to \$415,000 on the back of major new developments in the Inner South. Vendors throughout Canberra have been forced to lower their price expectations given increased supply and softer consumer sentiment, a reflection of world financial markets and local political uncertainty.

As predicted, the rental market in 2011 has seen an increase in supply, due mainly to the completion of larger unit developments, in particular, ‘Oracle’ in Belconnen, ‘Verve’ in Bruce and ‘Kingston Place’ in Kingston. However, reported population growth of 1.8% has resulted in a continued tight vacancy rate and steady rents, providing investors with gross returns of 5% to 6%.



Wollongong

Unpredictable. Not a word that a valuer likes to hear in regards to a market they work within. Unfortunately for valuers in Wollongong however this has been how 2011 has fared. A series of events, both on a local and national scale have plunged the region into a state of uncertainty.

Over the past 12 months we have gradually seen a shift in the property market to the Illawarra region, to a more stable growth phase. Due to potential for rising interest rates and uncertainty throughout the local economy in 2009 and later in 2010, it appears that there is uncertainty in the market and buyers are becoming more fussy. The Bluescope Steel redundancies announced mid year will have a detrimental affect on the local jobs market and the economy.

Local agents tell us that there is more caution in the market, and at present it is difficult to price properties. For properties priced under \$500,000 however the market is still strong in most areas. Above \$600,000 sales are thinly traded, and properties are taking some time to see. At the top end, above \$850,000 and over \$1million, buyers have the upper hand at present. Trophy properties are still sought after however, but sales are slowing.

Throughout 2011 the Illawarra property market has generally been dominated by owner-occupiers who are predominantly “mum and dad” buyers looking to secure the family home in the mid-tier price range. There have been benefits across the board from Helensburgh through to Kiama, with this change in focus to the mid-tier price range.

...fill follow in 2012 when the Liberal State Government changes the rules....

IRIS reports that the median prices for houses in the Wollongong LGA grew from \$419,000 in 2010 to \$450,000 for the same period in 2011. Units also increased slightly, from \$338,000 to \$349,000. There were minimal increase in the median prices in the Shellharbour and Kiama LGAs. This change in market dynamics means that vendors are achieving only slightly stronger prices for their properties, but there is prolonged time on the market with less stock.

These slowing market conditions have encouraged many investors back into the market over the last six to 12 months. Renewed confidence in the economy, coupled with strong rental returns has seen investors returning to the area. They have predominantly focused on the inner CBD areas of Wollongong and fringe suburbs of the CBD such as Gwynneville, Keiraville and Fairy Meadow. This is due to the close proximity of these suburbs to the University, which allows a strong tenant profile for investors, good rental returns and low vacancy rates.

The strengthened demand in 2009 and early 2010 also encouraged a number of developers to return to the market and/or bring projects back on-line that they had previously shelved.

Sales of development sites, scarce throughout 2007 to 2010 have, started a resurgence. The lack of demand coupled with oversupply of new prestige units over the past few years saw this market sector soften from 2005 to 2010. However, this oversupply appears to have been absorbed and there are a few new unit developments being offered for sale in the Wollongong CBD. There are a handful of new sites with development approval about to commence, and many more in the pipeline. With more units coming onto the market in early 2012 in the CBD area, the strength of the new unit market will be tested.

For the first home buyer, unpredictable conditions will follow in 2012 when the Liberal State Government will change the rules to only offer a grant on new dwellings (in a bid to stimulate construction and new land supply). This is unlikely to stimulate the new home sector to a large degree in the Illawarra, where we are already seeing land plus construction cost not equaling the end market value in some markets. The policy change will affect the prices of existing stock in the sub \$500,000 range with first home buyers forced to select new rather than old properties if they want to benefit from the grant.

It is becoming clear though that if interest rates stay on hold and the global economy does not transition into conditions which test credit availability, we will see continued stability in the housing market throughout all market sectors in the Illawarra area in 2012. However, the big uneasiness in this region is local jobs, and while a dark cloud hangs over the availability of well paid manufacturing jobs in the Illawarra, there will be

uncertainty in the local economy, affecting real estate prices in all sectors.



Newcastle

This year has been relatively bleak on the positive news front. We have had some of the following occur in no particular order except maybe somewhat chronologically as I think of them:

- Earthquakes at the beginning of the year and again just recently.
- Civil unrest in middle eastern countries stressing out the majority of the western world who are reliant on middle eastern oil.
- Civil disobedience and rioting in England. (not sure of the difference between civil unrest and civil disobedience but I’m sure there is a political distinction)
- Various “occupy” protests in many cities around the world.
- Justin Beiber broke out both musically (debatable) and through endorsements with Proactive.
- European woes which I’ll leave simply at that so I don’t have to list Ireland, Iceland, Greece, Portugal, Spain and Italy separately. Although I wouldn’t be adverse to separating out Italy for the pure comedy gold that is Silvio Berlusconi. He seems to have comfortably surpassed Vladimir Putin as the goto guy for one-liners which is extraordinary when you think about it.
- A pure smorgasbord of new and proposed taxes.
- Interest rates potentially increasing / Interest rates actually decreasing.
- New Zealand winning the Rugby World Cup. Nothing would have sparked more violence anywhere in the world if that didn’t occur.
- Figs – those that know, know. For those that don’t you are truly blessed. If you don’t know about our figs I implore you to resist the urge to Google “Newcastle and Figs”.

That’s quite a list of stuff that has happened. What does all this mean in a wider property context in the Newcastle / Hunter / Port Stephens areas?



It means a genuine lack of confidence on behalf of buyers. There is a noticeable change in the behavior of buyers over the past 12 months. *woefully tortured metaphor warning ahead.* Previously some potential purchasers, especially first home buyers were anxious and worried about "missing the boat" or even "that ship has sailed". The reality is that the boat has remained firmly anchored to the dock, the engine hatch is open and a grubby mechanic with a combination spanner sticking out of his back pocket is muttering something about an import model and parts being hard to get. I could go on for a few more sentences but you get the picture.

Sales numbers are down pretty much across the board in all LGA's in our area. Anecdotally sales agents are reporting a lack of property on the market. Driving around the suburbs and country towns we see plenty of colourful signs from various purveyors of fine homes. This appears to be at odds with what agents are saying but I think what they are actually conveying is that there is a lack of accurately priced homes on the market at present. Many vendors are still holding out for prices which purchasers are no longer willing to pay. We are seeing extended marketing periods across most types of property. In Nelson Bay in particular we have seen wide spread discounting and 12 month marketing periods for some prestige properties, so it appears that the landscape has changed considerably. Many vendors have yet to recognise this.

The Christmas / New Year period is traditionally a quiet time of year for the residential property market and we do not envisage being any different in 2011, in spite of the recent interest rate decrease. If anything this might filter through to the retail sector with people using the indisposable income for presents and family over purchasing property. These bills will come due in February which could lead to a postponement of the all important (for us anyway) property purchase.



NSW Far North Coast

The 2011 residential market for the NSW North Coast can be summarised as being relatively soft. This description falls in line with our market prediction from February of this year, in which we stated that the market was 'expected to remain generally slow over the next six to 12 months, primarily due to continuing uncertainty in the world financial markets; expectations of future interest rate rises; and overall reduced market confidence together with the recent flooding in areas of Queensland and Northern New South Whales dampening consumer confidence'.

The flooding events in Queensland, and to a lesser extent Northern NSW, did have some impact on the market, however this was mostly short lived. The main impact on the property market is 'sentiment'. The continuing uncertainty in world financial markets, including the European debt crisis continues to fuel this negative market sentiment.

....our prediction was that 'the lower end of the market is considered to remain stable with the mid to upper end of the market considered to be the most vulnerable

The one recent positive has been the 25 point drop in official interest rates in early November 2011. This may result in more stability entering the market place. As stated in our February prediction, the market has been affected by the threat of increasing base interest rates and bank interest rate margins. It is too early at this stage to provide any evidence of improved market sentiment due to the recent rate drop.

We discussed the possibility of seeing 'some pressure on debt levels if interest rates continue to rise throughout 2011 which may possibly see a weakening in property values'. This has not occurred at a significant level, however, there is still ongoing pressure on debt levels within the North Coast, even taking into account the recent 25 point drop in official interest rates.

Lenders continue to remain generally stringent in their lending policies, particularly for those properties which carry any form of risk.

Our prediction was that 'the lower end of the market is considered to remain stable with the mid to upper end of the market considered to be the most vulnerable together with a softening in demand for the prestige sectors'. This has proven to be correct with the lower end market remaining stable and the prestige market providing evidence of softening in demand.

The residential markets for Casino and Lismore regions did show continued softening over the year and we envisage this to continue in the near future. However, it remains that properties which are competitively priced are still considered to remain saleable with little tolerance in the market for properties which are unrealistically priced.

Rental markets for Casino and Lismore were predicted to remain soft, particularly for the upper end of the rental market, and this continues to be the case.

The general residential markets for Yamba, Ballina and Lennox Head regions were predicted to 'remain generally steady to sluggish with rates of sale to continue at low levels. However, if properties are competitively priced they should sell'. This has occurred and we expect this same market pattern to continue. The Ballina and Lennox Head regions were considered to show a continuation of a stagnant market and this has continued throughout the year. However, it is interesting to note that there has been increased sales activity in recent months.

At the beginning of the year, there was little activity occurring within the region of Byron Bay. General comments from most agents at the beginning of the year

were "It's the quietest year (2010) we have had for a very long time". At the beginning of the year, most agents felt that the market was going to pick up as the year moved on. This did not occur and the market has remained generally soft. However, there has also been an increased volume of sales occurring in recent months.

The Byron Bay residential and rural residential property market has also been affected by increasing numbers of 'forced sales' which are impacting value levels. This is particularly the case for the mid to top end of the market.



NSW Mid North Coast

2011 on the Mid North Coast (MNC) of NSW has generally seen gradually falling sale volumes and variable median prices for differing regional centers (Port Macquarie, Taree, Forster and Kempsey). This trend is typified by Port Macquarie's results, if we showcase the second quarter in consecutive years for houses between \$250,000 and \$1million. In 2010 there were 177 recorded sales with a median price of \$405,000 while in 2011 there have been only 152 sales with a median of \$397,500.

With 2010 ending on a fairly unpleasant note when the RBA unexpectedly raised the official interest rate on Melbourne Cup Day, it appears this pessimistic attitude was carried into 2011. With the continued global uncertainty and the RBA making no rate moves until very recently, 2011 has seen many people sitting on their hands waiting for more certainty and stability to return to the market. This uncertainty would prove the biggest influence on the local property market throughout 2011.

At the beginning of the year we predicted that the majority of activity would be concentrated to the lower to mid-lower price rangers for each of the main regional centers with the mid level price range to be subdued and the upper end to be thinly traded. This prediction has proven to be generally correct with agents relaying that most of the activity has been at the lower end. Additionally last month's edition of the MIR highlighted the limited number of prestige property sales this year to date.

Taree houses were the shining light on the Mid North Coast with ever increasing volumes and median price from the final quarter of 2010 to the second quarter of 2011 reaching 63 sales and a median price of \$250,000.

This could be a result of investors chasing the lower median prices and higher than average rental yields. We have of late noted the mid level price range, such as in Taree West begin to weaken and prestige property in greentaree has remained a concern through-out the year.

We have in the past expressed our concerns about modern high rise coastal units and overall we found this section of the market to have been the hardest hit in 2011. In Forster in particular, we have seen increasing numbers of modern units in possession of the mortgagee, with owners having to accept reduced offers to achieve sales.

One of the big positives in 2011 for the Mid North Coast has been the commencement, continuation and completion of major infrastructure projects. Particularly road infrastructure, which assists in reducing the travel time to the Mid North Coast from other regional centers.

Further south in the Hawks Nest and Tea Gardens area, mid priced single residential dwellings remains fairly stable with a slight weakening in the volume of sales from 2010 into 2011. There is one main peak, this being the fourth quarter, where sales volumes nearly double due the holiday traffic.

Looking back at the year, the Mid North Coast property market has ended in a less slightly positive position than we had expected. Although still generally healthy. The glimmer of hope going forward is the recent rate cut from the RBA with more expected and as interest rates fall, investors and first home buyers will come back to the market and property demand will increase.



NSW Central Coast

Attending social and networking functions is part of our every day working life. They provide an excellent opportunity to obtain the insights and thoughts of our associates and peers. From this we can gauge the sentiment of the consumer that is present in all of us.

Such sentiment can be expressed in the positive, neutral and negative. At the beginning of 2011, there was a distinct level of neutrality in what to expect from the year. Generally we found this sentiment to continue throughout 2011.

Although we have only reached mid November, and a little short of the years end, the sentiment and level of activity in the real estate sector leads us to declare that 2011 has been a largely uneventful year.

"we are back to where we were five years ago in terms of sales volumes"

This comment appears to be confirmed when we look at a sample of sales volumes for 2011 (to date) over the previous year. RP Data has proven an excellent source of information on real estate matters and using the information they make available, we have put together the following statistics on the next page;

Vacant Land Sales	2011 Sales	2010 Sales	Variation	Median Values
Gosford LGA	145	182	-20%	+9.25%
Wyong LGA	207	411	-50%	+8.8%
Residential Dwelling Sales				
Gosford LGA	2059	2601	-21%	-3%
Wyong LGA	2094	2468	-15%	-2%
Residential Unit Sales				
Gosford LGA	745	968	-23%	-1.5%
Wyong LGA	446	510	-13%	-7%
Dwelling Sales over \$3m				
Gosford LGA	4	9	-55%	+9%
Wyong LGA	1	0	-	-
Dwelling Sales \$2m to \$3m				
Gosford LGA	11	10	+10%	-4%
Wyong LGA	0	0	-	-
Dwelling Sales \$1m to \$2m				
Gosford LGA	83	63	+31%	+7%
Wyong LGA	6	12	-50%	+24%
Dwelling Sales \$500k to \$1m				
Gosford LGA	534	727	-36%	+3%
Wyong LGA	173	208	-20%	-0.5%
Dwelling Sales \$285k to \$400K				
Gosford LGA	778	1012	-30%	Even
Wyong LGA	893	1099	-23%	Even

Conclusion

- A reduction in land sales in the Wyong LGA of 50% indicates the slowing of building activity
- Compared to last year, sales volumes are generally down by approximately 20% across all sectors and price bands. It is also down by 5% to 10% looking back a further three years.
- Interestingly, sales volumes this year are close overall to the numbers five years ago in 2006. Accordingly, it could be said that we are back to where we were five years ago in terms of sales volumes.
- The segments that have shown the least activity during 2011 include dwelling sales of between \$1million and \$2million and vacant land sales, especially in the Wyong LGA, along with dwelling sales over the \$3million mark in Gosford LGA.
- A surprise though is a 31% increase in sale volumes of dwellings in the \$1m to \$2m price band in the Gosford LGA

Observations

At the beginning of 2011 we speculated that the ups and downs seen in the proceeding years would continue and that it would be a year where cautiousness ruled new entrants and consolidation would be foremost in the minds of existing owners and investors. As the end of the year draws closer, we believe that this was indeed the case as shown in the statistics.

The reasons for this can be interpreted in a number of ways and we shall leave that to the theorists.

But as with all statistics, they should always be taken in context with what matters most and from our point of view, the bottom line is the rise or fall in property values. To this end, we have found that;

1. The overall median value of residential units fell by 1.9% in the Gosford LGA over the past year and close to 5% to the value it was five years ago.
2. The median value of units in Wyong LGA fell by 7% during 2011 and again close to 5% to the value it was five years ago.
3. Median values for dwellings in Gosford LGA fell by 3% during 2011 to be about the same it was five years ago.
4. Median Values for dwellings in the Wyong LGA saw a dip of just under 2% during 2011 and about 4% to what it was five years ago.

2011 Market Segments



One interesting point is that dwelling and unit sales in the sub \$400,000 category, including vacant land sales, accounted for around 50% of the overall number of property sales on the Central Coast. This confirms reports from real estate agents that first homebuyers and investors are sustaining the market.

The residential unit market lived up to our expectations as the most volatile of the various market segments. Values were erratic as this market struggles to gain stability after the oversupply situation we have been experiencing over the past several years. Good buying was regularly seen in this segment.

High Value and Executive Property Market

Activity in the high end and executive property segment is always a good indicator of how the real estate market is traveling. We thought it would be a quiet year in this segment and this was certainly the case with sales activity was well and truly down.

“another two or three business reporting periods without controversy, and boards left intact may stimulate this segment once again”

No sales in this segment were recorded in the Wyong LGA and only four confirmed sales above \$3million were noted. These sales occurred in Pearl Beach, Killcare, Avoca Beach and Forresters Beach. However, we have only

reached mid November and reports are coming in of a further two sales in this segment at Saratoga and Pearl Beach.

This sector is seen as no less vulnerable and reactive to the same market pressures that affects the other sectors of the real estate market. The perception that the higher income levels found in high value and executive property households guarantees higher levels of immunity to financial pressure may need to be revisited.

We offer that the slowing in this sector is more likely a result of the erratic supply of funds being made available through the major lenders. Exposure and risk models may have undergone a regime of adjustment.

The result, it appears is that owners in this segment seem to have largely opted to delay the sale of their properties until the market improves, rather than take a hit. It could be said that another two or three business reporting periods without controversy and boards left intact may stimulate this segment once again.

Mortgage Sales

Unfortunately, mortgagee sales have once again been all too common on the Central Coast.

Advertisements of these mortgagee sales include “must sell, under instructions to sell” ect which are regularly seen in the advertising material on the coast.

The Central Coast region has been “red flagged” by the lenders for some time now for closer monitoring. This year, we have seen a steady flow in valuations being provided to mortgagees finding it necessary to carry out a forced sale. Bearing in mind that we are just one of a number of valuation firms present on the Central Coast, our in house records indicate that 44 individual instructions for mortgagee in possession valuations from various lenders have been received to November. As to whether all these valuations led to a forced sale we are unable to say.

This is even with the previous year where we received 45 such instructions. The number of these forced sales would indicate that the Central Coast real estate market, particularly in the “mortgage belt” areas, is vulnerable as owners struggle with mortgage payments and living costs.

.... it appears is that owners in this segment seem to have largely opted to delay the sale of their properties until the market improves....

It has often been said however, that a bargain can be secured at a mortgagee sale and data coming through the system on prices achieved (or not achieved) has sometimes been more than a little surprising, and disconcerting.

Last Word

As the year draws to a close, we like to provide a broad snapshot of lowest and highest selling prices, median values and shift over the previous year for randomly selected coast suburbs.

This year would read as follows;

Suburb	Type	Low	High	Median	Shift Over 12 Months
Avoca Beach	House	\$340,000	\$4.35m	\$572,500	+0.44%
Budgewoi	House	\$170,000	\$825,000	\$290,000	-4.7%
Ettalong Beach	Unit/ Villa	\$120,000	\$862,500	\$340,500	-4.6%
Gosford	Unit	\$178,000	\$434,000	\$267,000	-1%
Green Point	House	\$330,000	\$1.01m	\$430,000	No Change
Jilliby	Lifestyle	\$575,000	\$1.085m	\$670,000	-7%
Kanwal	House	\$180,000	\$550,000	\$287,500	-7.25%
Kilarney Vale	House	\$153,500	\$730,000	\$310,000	-3%
Killcare	House	\$412,500	\$1.62m	\$775,000	-9.35%
Killcare Heights	House	\$450,000	\$1.345m	\$590,000	+7%
Kincumber	House	\$240,000	\$760,000	\$370,000	-4%
Lisarow	House	\$236,000	\$610,000	\$409,500	-2.25%
Ourimbah	House	\$260,000	\$568,000	\$343,000	-16%
Matcham	Lifestyle	\$720,000	\$1.75m	\$960,000	-12.7%
Terrigal	House	\$341,000	\$1.65m	\$559,375	-1%
Terrigal	Unit	\$248,000	\$1.325m	\$495,000	-7.5%
The Entrance	Unit	\$160,000	\$770,000	\$310,000	-4%
Umina Beach	House	\$257,000	\$985,000	\$360,000	-5.25%
Woy Woy	Unit/ Villa	\$190,000	\$575,000	\$319,000	+7%
Wamberal	House	\$318,000	\$2.1m	\$537,500	+0.07%
Woongarah	House	\$297,000	\$580,000	\$398,000	-8.5%
Wyong	House	\$180,500	\$610,000	\$290,000	-1.3%
Wyong	Unit	\$165,000	\$300,000	\$199,000	Unreliable data

This table is purely statistically based and is intended to provide an overview of how the Central Coast real estate market has performed during 2011.

It would seem the star performer is Killcare Heights with a general increase in median value of 7%. This is not surprising, Killcare Heights is a diverse suburb and in our view, underrated. Somewhat surprising to us is that the rural lifestyle property market in Matcham showed the most significant drop in the median price at 12.7%. This suggests that trading slowed during 2011 with a resulting shift in affordability levels.



Southern NSW & Northern Victoria

LEETON

Most in our patch would describe 2011 as hard work. Demand has been hot and cold, values struggled to remain at existing levels due to high levels of stock and vendors battled with meeting the market. There were no real winners this year but those who felt the least pain were the middle and entry level markets and as

expected those who hurt the most were the higher end. Our predictions at the start of the year were reasonably accurate although the entry level market performed lot better than anticipated. Rising rentals and a lack of rental stock is contributing to improved sales volumes in the entry level market. Sales volumes have improved towards the end of the year showing signs that recovery is on its way. All players are not getting too excited as the road to recovery is going to be a long, slow haul.



Melbourne

Properties in Melbourne with views, large amounts of land or with a very high quality of finish have continued to perform reasonably well, while those without specific attributes have struggled to obtain the prices that were achieved during 2010. Indications are that properties with proximity to key infrastructure such as public transport, the CBD and retail amenity remain reasonably well supported.

The current demand for Melbourne prestige residential properties generally originates from both local and overseas high net worth individuals. The prestige residential market has partly mirrored the sub million dollar market with relative overpricing resulting in stagnancy in some suburbs.

Market Winners

According to the Spring 2011 Real Estate Institute of Victoria's median house prices release, the suburbs which have shown strongest capital growth in the quarter to end September 2011 include Hawthorn East and Balwyn.

These are are of Melbourne that have weathered the storm better than others and are generally situated within a five to ten kilometre radius of the CBD e.g. Prahran, Albert Park and Richmond especially for properties in the sub \$1 million band. This is particularly the case for good solid properties that have no detrimental characteristics, but also offer a more unique nature including for example period features.

As a result of this, a small percentage of vendors are reducing their asking prices, whilst others have been surprised by the out performance of some properties. The current cycle appears to be entering a levelling phase, with purchasers now having more leverage over vendors in the sales process.



Market Losers

Those suburbs in prestige locations which have recorded a percentage drop in median capital values include Malvern and Elwood. However, the percentage drop in Elwood may have been as a result of a healthy June quarter reflecting a median above trend since 2009. Malvern appears to have experienced a drop in the median price in the September quarter compared with historical medians since 2009 which was ultimately responsible for the significant percentage change of 26.86%.

The more densely populated suburbs located closer to the CBD, of Newport, Maidstone, South Yarra and Flemington are suffering on average a 5% to 10% decrease on 2010 levels due in part to the coming on stream - and increased building - of multi-unit developments .

Predictions

The inner-Melbourne residential building boom threatens to persist into the medium term. At face value, the unprecedented supply pipeline suggests a potentially destabilising influence on market outcomes. Investing in apartments is a strengthening trend. As house and townhouse prices rise to levels outside of affordability, lifestyle choices are made and apartments slot in neatly to fill the void through owner occupied or renting.

Hotspots for 2012 include Braybrook – Houses, Carlton – Units, Heidelberg West – Houses, Kingsville – Units, Travancore – Units. In addition, major infrastructure projects such as the 'Agrificio' Biosciences Research Project at the LaTrobe University's Bundoora campus, due for completion in 2012, will attract additional students to surrounding suburbs and drive demand for accommodation in that locale.

....investing in apartments is a strengthening trend, s house and townhouse prices rise to levels outside of affordability....

As Melbourne continues its dramatic increase in population growth and with the gap between supply and demand widening, many fundamentals are in place to ensure that property prices remain stable in most suburbs and across most property brackets. The national average for population growth is around 2% with Melbourne exceeding other capital cities at around 2.8% meaning the growth in Victoria outstrips other states, placing a higher demand on finding somewhere to live.

Events impacting the market

The past 12 months have been challenging for the Melbourne market in general. REIV data shows that as at mid November 2011, clearance rates at auction were 54% compared with 67% at the same time in 2010, despite the fact that spring is historically the best time to sell property. This is not the kind of clearance rate one generally expects in November. In addition the interest rate cut on Melbourne Cup Day, together with very cheap fixed rate home loan offers available, does not seem to have to improve the situation.



Regional Vic

ECHUCA

The Echuca/Moama residential and rural residential sectors remain fairly subdued with only moderate demand and higher than normal supply volumes available to the market. There has been some downward correction in pricing and levels of value during the first part of the year while many agents reported stronger than normal winter trading periods suggesting that the market stabilised somewhat during that period. Cue a decline in the global confidence and agents are now reporting that buyers are becoming increasingly selective with more conditional sales. Levels of value would be best described as flat to soft with the odd resale showing some decline while several others have shown increases relative to when they were sold for example in 2008.

GIPPSLAND

Gippsland

Overall the Gippsland property market has slowed in the previous 12 months with lower demand and lower sales turnover. Properties are experiencing prolonged periods on the market, with sales turnover slow and prices dropping. However, the Traralgon market is considered to be more stable than other areas of Gippsland.

Sale/Maffra

The property market in Sale/Maffra has slowed in the previous three to six months with low demand. This in turn is affecting sales turnover. The slowest point of the market is the upper end with properties marketed over \$400,000 experiencing prolonged periods on the market.

Morwell/Moe/Churchill

The Morwell/Moe/Churchill property market is considered to be stable with minimal movement in prices in the previous three to six months. The upper end remains slow however the lower end continues to remain consistent.

The rental market remains strong with low affordable housing achieving between 6.5% and 7.5% returns.

The Carbon Tax issue is causing some concern with the future of Hazelwood Power Station for the area. The affect of this is unknown at the moment.

Traralgon

The Traralgon property market continues to remain stable. However due to high vacant land prices the upper end of the market seems to be 'bucking the trend' with the previous three to six months indicating an increase in demand for two year to five year old homes in the range of \$400,000 to \$550,000.

The lower and middle end of the market remains stable with minimal movement in prices in the previous three to six months.

The rental market remains consistent with returns of approximately 5.5% to 6.5% in the lower to middle range of the property market.

90 Mile Beach Areas

The property market remains slow with no movement in the previous nine to 12 months. We estimated a downturn in values of between 5% and 10% in the previous two years to three years. These areas comprise a high supply of properties however very minimal demand. Properties are experiencing prolonged periods on the market, in some cases 12 months plus.

Vacant land prices have not moved in recent times.

....the Gippsland property market has slowed in the previous 12 months with lower demand and lower sales turnover....

Latrobe Valley

Overall prices remain stable for established homes in the Latrobe Valley. However vacant land prices have increased slightly in the previous nine to 12 months. We believe this is due to the increasing high prices of residential vacant land within the cities and towns of the Gippsland Region.

East Gippsland

Heading toward the end of 2011, it could be said that the East Gippsland market has had a solid, if unremarkable level of activity over the last twelve months. Following on from a strong 2010, market activity has eased somewhat to a level where there is still reasonable enquiry and activity, but at a much reduced level.

Lower end properties in the \$180,000 to \$230,000 price range are still moving steadily, where properties in the higher ranges for each area have stalled.

We are starting to see reductions in asking prices in the higher ranges in most districts, which has taken some time to filter through after the general pessimism we have seen emanate from capital city markets.

Demand for vacant allotments in new subdivisions in our region has been the big winner in 2011 in terms of activity and while price growth has not been as strong as 2010, there has still been steady demand for these properties.

The current general mood of uncertainty due to various domestic and international economic issues has kept buyers in a cautious mindset.

MILDURA

Our main predictions at the start of the year were that the tight housing rental market may flow through to a modest lift in values in the “mid range” housing market and that the easing of water restrictions may see greater interest in the larger rural residential lots that surround Mildura.

Looking back it is evident that the rental market has remained tight, but that we are yet to see any significant lift in values. Sales evidence suggests most classes of residential property have “flat lined” for the past two years, and it is too early to gauge whether the recent reduction in interest rates will have any positive effect. The number of sales occurring each month is still slightly down on the level being achieved in the period up to 2006/2007. While this may be partly attributable to a tighter lending environment, it also points to a level of caution from the buyer.

....where most residential areas of Australia has suffered a downturn in values Mildura has stayed static....

While Mildura does have a relatively broad economic base, the fact remains that one of our main industries, irrigated horticulture in wine grapes and citrus in particular, has continued to languish. This has also affected the downstream processing, freight and contracting businesses, resulting in slower employment growth for the district. While mining has taken up some of the slack, we expect to see relatively flat market conditions extend into 2012.

In the past six months we have seen a greater than normal number of out of town investors purchasing house/land packages targeting the rental market from out of town developers. The contract prices of these packages has generally been in excess of local market evidence.

What is evident is that where most residential areas of Australia have suffered a downturn in values Mildura has stayed static. This is due to the fact that the region has suffered in previous years.



Adelaide

2011 was a very slow year for the Adelaide residential property market, being dominated by large numbers of properties on the market, low numbers of sale transactions, prolonged time on the market and vendor discounting, with agents reporting the slowest conditions for 20 years. These factors combined to cause a decline in property value of around 2%-5% overall.

With buyers holding the upper hand, those with available money had the opportunity to secure a favourable purchase. Those that purchased property at the peak of the market however, in late 2007 or early 2008 ‘pre GFC’, and, were compelled to sell during 2011, probably didn’t fair so well.

Overall Adelaide remains quite a stable market and whilst the decline in values is not insignificant, the last decade did experience annual increases in value of around 5 to 10%. At some stage the cyclic nature of the property market deems that there is going to be some correction occurring.

Vacancy rates, which have been at very low levels of about 1% for the first half of 2011 have now increased to about 3%. It is speculated that this could be due to vendors unable, or unwilling (to drop their price) to sell their properties, renting them out instead.

Whilst our predictions were around the mark, we overlooked mentioning some of the issues associated with oversupply in the outer northern and southern suburbs. However the unexpected interest rate cut (early predictions for 2011 were for one or two interest rate rises) may ease pressure a little. Otherwise the rate cut is not expected to have much impact on our market at present – maybe just free up a little money to spend on the Christmas shopping!



Brisbane

Could the person in charge of 2011 please excuse themselves from the room and let the rest of us get on with sorting out the mess?

This year in very early January, there were plenty of us SE Queenslanders coming off the warm summer buzz of Christmas and New Year with a sense of hopeful optimism that 2011 would end in generally better shape than it started. Well let the record show that if we intended to start from a low base, we may have overachieved somewhat. 13th January 2001 saw the waters rise and take over the region with devastating consequences. Whilst the scale of personal tragedy cannot be ignored, the fallout has gone on to give the local market a kick in the teeth and we have yet to fully heal.

At the time of our February 2011 issue of Month In Review, the flood had already hit so we were aware that the impact was underway in real estate. We stated rather prudently at the time that the market needed to play out a little because the effect on prices was really yet to be quantified. As it turned out, discounts ranged from about 10% to around 25% depending on the level of inundation or inconvenience. As the year progressed,

we saw more and more bargain hunters willing to take the risk on relatively cheap flood effected property. Whilst it can't be said that prices for these properties have rebounded during the year, there does seem to be growing acceptance amongst buyers that any future flood might be better managed.

We predicted that the sellers of riverfront prestige heavily flooded properties may as well sit tight because it was going to be hard to make a sale, and on that front we seem to have been right. The situation was not helped along by the specter of GFC Mark II flagged by sovereign debt woes in the U.S. and Europe. The result has seen most prestige property sold at prices well below expectations. Some have resold within a twelve to eighteen month period at a discount.

We also noted the increase in demand for labor would translate into a possible rental boom. Well rentals did remain strong however we may have been a touch overoptimistic in our rental growth predictions.

We were not backing the horse that said flood free property would get a premium thankfully. Whilst flood free sites remain the most desirable, the market across the board has been generally slower and it's difficult to think of a sector that has seen any head turning capital growth over the past year. Investor property in particular took a beating as the double whammy of the flood zone and the global economy proved too much for the speculators.

Perhaps there was one area that saw some adaptability revolving around affordability. The big master planned estates with established infrastructure and progressive stages took the opportunity to decrease land sizes, increase densities, lower prices and try to stimulate a little love amongst cautious buyers. While results didn't set the world on fire, they were at least steady.

On the flipside the upgrade market was dead. With affordability the key in a market lacking confidence, anything aspirational was out of favour. Think acreage in some of the more affluent areas. This sector just failed to fire and discounts over the course of the year were common. This area is definitely one that feels the pinch whenever discretionary spending is limited.

All of us at Herron Todd White Brisbane Residential would like to wish you and yours a very Merry Christmas and Happy New Year.



Gold Coast and Tweed Coast

If the Gold Coast residential market of 2011 were a novel it certainly wasn't written by Ben Elton. There has not been too much going on to laugh about. Likewise there was no sign of John Grisham there either. Not much intrigue or any conspiracies. There has not been anything that could be described as adventurous, so Tom Clancy misses out too. So who wrote our story in 2011? Given that things started out relatively peacefully, with a certain degree of normality and ended up scaring the pants off most of us in the residential sector, the credit should go to none other than Stephen King.

Looking at our SWOT analysis from the beginning of the year we can see where we went right and where we went wrong in our assessment of 2011.

Strengths

As far as the strengths of the Gold Coast are concerned, the Coast didn't quite live up to expectations. Or, another way of looking at it might be to argue that the strength of the Gold Coast prevented an even worse decline in the residential market than actually occurred.

What is known is that the tourism and construction sectors underperformed. The Aussie dollar is still high lessening the spending power of international travellers, with domestic spending remaining restrained. Construction, a major Gold Coast employer and driver of the market, is flat and there has been little impact from the Bligh government's new home owner's grant/stimulus package announced mid-year. It's fair to say our strengths let us down a little this year, more as a result of wider economic circumstances than local.

...if the Gold Coast residential market of 2011 were a novel it certainly wasn't written by Ben Elton. There wasn't too much going on to laugh about....

Weaknesses

The supply of land, units and housing, as predicted was a problem in 2011. This was particularly evident in the unit sector. In spite of no new major projects commencing there is still an oversupply of new and near new unit stock washing around in the market. Unit values have continued to slide over the course of 2011 driven down by a combination of liquidators/receivers holding too much stock, a lack of confidence amongst buyers and a steady supply of mortgagee sales.

Land and established house values have also declined over the course of 2011 but to a lesser extent. Again, the growing number of mortgagee in possession sales is a worrying trend, from their impact on property values and as an indicator of the wider economic troubles impacting the Gold Coast.

Opportunities

At the start of the year openings for first home buyers and sales of liquidators units were identified as opportunities in the market and broadly speaking, they remain so. While the residential market is slow and daunting to some buyers (particularly inexperienced first home buyers or first time investors), taking a long term view of real estate, there is very good value in purchasing residential property in the current market. Opportunities to buy in a market as low as this only come around rarely.

Looking at the market from a different perspective, consider this: If investing now, would you rather buy a duplex in Southport and get a steady return of 4% or 5% or would you prefer to buy shares in a stock market saturated with talk of the sovereign debt crisis in Europe? How about investing in Italian bonds? They are showing an 8% return at the moment. Personally, compared to other forms of investment, bricks and mortar seem a pretty good bet for now.

Threats

Interest rates were identified as a threat at the start of 2011. As it turns out, we didn't receive an increase, but we didn't get any relief either! (not until November anyway.) For most of the year we were kept guessing about what was going to happen each month. It seemed that one month rates were tipped to go up, the next month they were tipped to go down. All that speculation seemed to add uncertainty and a lack of direction to a market that was in need of some stabilisation. The effect at the end of the day was the same: Buyers held off from committing to a purchase.

A possible inflationary impact from the cost of rebuilding from the floods in December 2010 and January 2011 was identified as a possible threat to the Gold Coast market, however as it turns out this failed to materialise. If anything, the rebuilding of the flood effected suburbs may well have kept many in the building sector employed at a time when residential construction and land development was at a low ebb.

In conclusion and retrospect, some issues that were raised at the start of the year panned out more or less as predicted, while others should have just been panned!

....taking a long term view of real estate, there is very good value in purchasing residential property in the current market....



Sunshine Coast

This time last year we had a feeling that the Sunshine Coast was starting to recover. Confidence was returning and with that a reasonable level of sale activity. Then, once again, it started to go 'pear shaped'.

In 2010, it was interest rate increases that put the brakes on. In 2011, Mother Nature thought she would have a go, and caused some of the worst natural disasters experienced in Queensland for some time with the floods in January, and cyclone Yasi.

An indication of how the Sunshine Coast fared throughout the first half of 2011 can be seen in our analysis of first-quarter sales on the Sunshine Coast. We look at this quarter as this is typically one of our busiest periods, with many holidaymakers taking in the Christmas/January holidays and Easter. In 2007 the total number of transactions reached just in excess of 4000. In 2008, the total number of transactions fell to just below 3000, with there being a slow decline to 2010 where transactions reached 2500. In the first quarter of 2011, the full impact of the natural disasters was felt with transactions falling to just 1167.



These natural disasters have also had a major impact in the two main sectors on the coast being the building and tourism industries. Under employment levels have increased significantly, with many of the coast workforce looking further afield for opportunities. Anecdotally, the mining sectors through both Central Queensland and the Surat Basin have become popular with job seekers with two weeks on / two weeks off at attractive pay rates. Reconstruction projects for both the floods and cyclones have also drawn away a number of tradespeople.

One of the opportunities for the Sunshine Coast Council and the council run airport is to source flights in and out of these employment hotspots, because as long as their families stay on the Sunshine Coast, then valuable money will be poured back into the local economy.

There have been a few headlines in the national newspapers talking about the Sunshine Coast property market and the major declines that have been experienced, particularly in the prestige markets in Noosa Heads. Ironically these headlines have assisted in promoting the coast with a number of agents reporting that the volume of non local buyers has increased. They can see value returning.

We feel that the property market is at or near the bottom. There are good opportunities available to get into the marketplace, in particular, to buy in areas where properties are usually tightly held. But as we said last year, be prepared to buy a property for a long term investment, as capital growth will remain subdued over the coming years. Lets just all hope that Mother Nature and the world economy in general are kind to us throughout 2012.



Southern Queensland

TOOWOOMBA

This calendar year we saw the market slow earlier on with some regression in values right across the board. The number one factor again which underpinned our market was affordability.

Looking at the different segments; the first home buyer segment is currently looking more positive than earlier this year. Recently we witnessed an increase in volumes but values remain static. Some regression was evident for properties which were poorly presented, in secondary localities or required maintenance.

The \$400,000 to \$500,000 segment showed the same trends as above, and the upper and prestige segments still remains slow with limited turnover.

Volumes of vacant land sales have softened mainly due to the downturn in construction. Developers reported that buyers were withdrawing their interest from new developments however there was still good interest to warrant development.

The volume of home loans for new dwellings continues to be soft but recently we are seeing a run of construction valuations which hopefully will continue. In our office we are receiving numerous valuation requests to value turn key investment type house and land packages. It appears that intra and inter-state investors are looking at the potential growth for our local region on the back of the mining and energy sector. Our primary concern is that the cost of land and the cost of construction may not equate to market value. Many of these projects are using non local builders who factor in travel and accommodation into their costings. Most local builders continue to be very competitive and their finished product is suited to the local market.

Rentals increased \$5 to \$15 over the 2010/2011 Christmas period with all agents currently reporting limited supply.

The suburbs which showed the best growth were those in close proximity to services such as schools, parks and shopping. This included the eastern suburbs and those in close proximity to the CBD. The western suburbs showed some of the biggest regression in values which raises the question of a two speed market.



East Toowoomba	4.8%
Wilsonton	-10.2%
Middle Ridge	-0.6%
Harlaxton	-12.8%
Highfields	1.6%

All things considered our prediction for Toowoomba was on target. The market remains variable however sale volumes have recently strengthened which may be the result of renewed confidence in addition to the prosperity and work availability in our agricultural, mining, energy, construction and commerce sectors which continues to maintain household income.

IPSWICH

With the end of the year approaching fast we reflect on the year that was in Ipswich and surrounds. In February our key predictions for 2011 were:

- The market will soften
- Any rise in the local market will be linked to the prosperity of the Australian economy as a whole
- The affect of the January floods will be reflected in limited demand for affected properties.

So, how did we go???

2011 has been the year of living cautiously with market sentiment and consumer confidence at record lows. A strong Australian dollar and stable interest rates for most of the year has seen sales volumes drop and buyers adopt a wait and see approach.

The impact of mortgagees taking possession of properties and auctioning has been on the increase with the "Helmsman" auction of the Aspire Apartments being the most notable property auction of the year. As expected mortgagee sales have seen modest returns achieved at auction with a large proportion of properties selling by negotiation after auction.

.... 2011 has been the year of living cautiously with market sentiment and consumer confidence at record lows....

Sales of flood affected properties have been limited with those selling being significantly lower in value than 'dry' properties. Those being sold in an unrenovated condition being particularly harshly treated by the market.

2011 has been a tough year for property in the area with lack of demand being at levels not seen for many years. However, the Reserve Bank of Australia announced a 25 basis point reduction in rates in November and at the time of writing we are starting to see interest and activity gain momentum. Is this the silver lining to end 2011 or perhaps the start of more cuts to come? We hope so. Although it still remains, as predicted in February, the fortune of the Ipswich property market is linked to the performance of the Australian economy as a whole. Which is reflective of the stable multi-dimensional economy and demographic that is Ipswich.



Central Queensland

ROCKHAMPTON

The year that was. After the January 2011 major flood event which affected the lowlying suburbs of the City of Rockhampton and surrounding rural/rural residential land, we predicted that these suburbs would become less attractive to owner/occupiers and investors. Our conclusion was that a reduction in sales volume and values would follow.

Sales information for the year since February 2011 for one of the worst affected suburbs, Depot Hill, reflects the fact that only eight sales have occurred with a median sale price of \$136,500. If we compare this information to the sales for Depot Hill for the same period during 2010 (prior to the flood) at 16 sales with a median sale price of \$183,500, our prediction appears to be correct.

.... a number of prestige unit developers on the Capricorn Coast have discounted list prices to stimulate activity in the market....

We were of the opinion that the balance of the market would remain steady, however due to the continuing uncertainty regarding interest rates and the local economy recovering from regional flooding, the residential market under \$300,000 and located outside of the flood affected suburbs, also reflected a drop in activity.

Something that wasn't predicted earlier this year was a drop in interest rates on Melbourne Cup Day and an increase in government incentives in the latter part of the year for owner/occupiers and investors to build or buy a brand new home valued up to \$600,000. Together with continuing low vacancy rates throughout the region, investors are still a major force in the market.

We also note that early in the year a number of prestige unit developers on the Capricorn Coast discounted list prices to stimulate activity in the market. This has had a dampening on both the unit market as a whole and the top end residential market in Yeppoon and Emu Park. Downward pressure has also been generated by the fact that this top end of the residential market is competing with residential markets all along the Queensland coast.

HERVEY BAY

Overall, 2011 proved to be a sluggish year for residential sales across the Fraser Coast region with the volume of sales unlikely to match 2010 figures. As predicted, affordable housing has remained the most sought after, with consistent demand for turn-key 'house and land' packages in the sub \$400,000 range, in the suburbs of Urraween and Wondunna. If there was a 'biggest loser' in the region, this would most likely go to vacant land

sites situated within established subdivisions, which have experienced minimal interest and have remained on the market for extended periods of time.

Surprisingly, there have been some steady sales along The Esplanade in Hervey Bay throughout the middle of the year, with prices commencing in the mid \$500,000 range. To date, there have been 30 sales for the Hervey Bay and surrounding region (4655 postcode) above \$500,000 this year. In 2010, 74 sales were achieved in the same price bracket, indicating that this type of property is in low demand due to a declining market confidence and uncertain economic conditions.

The supply of residential units has gradually reduced throughout the year with some developments selling stock at discounted prices. Comments earlier in the year noted that some recovery might be in sight after the Peppers Mortgagee sale, and this appears to have been correct. As the gradual supply of units is absorbed over time (hopefully throughout 2012), demand should resurface and stimulate new development activity.

MACKAY

Welcome all to our last column for this year. In this column we look back over 2011 and review where we were and where we have come to. What a difference 12 months can make! At the beginning of the year, the majority of Mackay residents were developing webbed feet on the back of huge rainfall totals (3.3m between September and March!). Our southern neighbours of Rockhampton and Bundaberg experienced massive flood devastation. Our cane harvest in 2010 was in tatters with over 1 million tonne left as standover.

In February we made the following observations..."So overall, while the market is expected to stay relatively flat through the first half of 2011, we think that the latter half of 2011 shows promise and will gain some momentum."

This prediction appears to have come to fruition. While it took the first six months of the year to dry out, the Mackay market appears to be gaining that momentum. The Canelands expansion has been completed (even saw Jennifer Hawkins at the opening!), the Base Hospital and Northern Beaches shopping centre expansions are well under way, the Bowen Basin mining expansion is commencing, as well as the Dalrymple Bay and proposed Dudgeon Point expansion.

The dry weather over winter and spring and the new homes grant appears to be doing its job with increased building figures through the second half of the year. The numbers are still well down on the peak but encouraging none the less.



Vacancy levels are below 1% putting enormous pressure on rent levels, which have seen a steady increase over the last few months. Local agents are reporting the sub \$450,000 market is very active at present, partly due to this rental pressure. It is almost cheaper to pay off a dwelling than rent in this price range. The reduction in interest rates should also assist this market segment.

So overall, not too bad a year when put into context with falls in property across the capital cities and some of our regional counterparts. The economy of Mackay and Bowen Basin is holding strong, with a fairly bright outlook over the short to medium term. The only downside is the already high values in Mackay, with median values over \$400,000 being the highest of the major regional centres in Queensland.



At this point, I would like to take the opportunity to thank all of our loyal and dedicated clients and readers for their support over the year. We wish you all a safe and merry Christmas, and look forward to our continued relationship into the future. Kindest Regards, the Mackay Team.

GLADSTONE

At the beginning of 2011 we predicted a very buoyant year for the Gladstone property market. And buoyant it has been!

12 months after the BG Group made its Final Investment Decision (FID) regarding its \$18billion QCLNG project, Gladstone has seen a whirlwind of activity.

Further major announcements since have included:

- GLNG (Santos, Petronas, Total and Kogas) made its \$16billion FID in January 2011 for its LNG plant on Curtis Island.
- APLNG (Origin and ConocoPhillips) made its \$14billion FID in July 2011 for its LNG plant on Curtis Island.
- The FID for the \$2.5billion Wiggins Island Coal Export Terminal (Stage 1) was made in September 2011.

It seemed that with every new announcement, renewed interest in the market was found and values and activity jumped.

In the last 12 months:

- Volume of sales for units/townhouses and dwellings has dramatically increased.
- Land values in modern estates have increased by approximately 25%.
- Dwelling values have risen approximately 10% across the board. Higher percentage increases have been

seen in lower priced products whereas high priced/prestige products above \$700,000 have only risen marginally.

- Vacancy rates have consistently remained below 1%.
- Strong yields are continuing to attract investors to the Gladstone residential market with rental values still improving.
- Demand for accommodation in Gladstone and surrounding areas is far greater than supply.



Townsville

Overall, Townsville's residential property market performance throughout 2011 is best described as lack lustre.

Sale volumes and overall demand took a battering in the first quarter of the year impacted by record rainfalls, Cyclone Yasi and to a lesser extent the floods in south east Queensland. Demand and sale volumes rebounded in the second quarter of the year with the data to August 2011 indicating that the volume of sales are trending at levels slightly above a similar time last year, however the median sale price has reduced.

The winners in the market throughout the year were cashed up buyers. These buyers were a mix of owner occupiers and investors with strong purchasing strategies of making 'silly' offers and being unemotional enough to walk away unless they are getting it for a perceived 'steal'.

We have also seen investors seeking a certain level of security offered by government leases, with increased interest in both NRAS (National Rental Affordability Scheme) and DHA (Defence Housing Authority) property. In these circumstances buyers have been willing to pay the premium for the DHA product or accept the NRAS terms for the investment certainty.

....sales volumes and overall demand took a battering in the first quarter of the year impacted by record rainfalls, cyclone Yasi and to a lesser extent the floods in South East Queensland....

The losers in the market were Magnetic Island and inner city units. Price fracturing in these sectors bought about by developers going into receivership saw product being offered to the market at significantly reduced prices or on 'make an offer' terms. The volume of this product has placed downward pressure on unit stock that is not under forced sale circumstances being offered to the market.

The secondary level lower socio economic suburbs and the first home buyer markets were also big losers during the year. The volume of product on the market under forced sale conditions in these areas coupled with mortgagee in possession stock resulted in driving prices down.

On a positive note, the residential rental market has tightened further throughout the year to be trending at under 3% with upward pressure being placed on rental rates. Rental rates for both houses and units are trending at rates slightly above those in 2010.



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 now perceive the Cairns retail market to be at or near the bottom of the cycle, the slow state of the economic recovery in Cairns means that the retail property market has remained flat during 2011. It must be also said that retail property sales in Cairns are extremely sporadic, with most sales involving retail property being of mixed use retail / office buildings or tenant buyouts of single premises.

This year saw Lend Lease become the sole owner of the Cairns Central shopping centre after paying \$261 million to buy the 50% stake held by former joint owner Westfield. This sale, which took place in October, represents the first major retail property transaction of any significance in Cairns since the \$29 million sale of the Raintrees shopping centre in October 2008. Two retail developments also commenced construction during the year, these being a \$50 million extension to the Mt Sheridan Plaza shopping centre, and a \$20 million Woolworths Masters Hardware centre in Portsmith.

This year has seen an increase in vacancy levels in the retail sector resulting from a number of business closures attributed to the tough economic environment. However the increase has only been 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 well occupied, with vacancies most noticeable in the lesser exposure locations and/or on the CBD fringe. Rents have generally been static, showing ranges of \$600 to \$1,000 per sqm per annum for prime CBD space, and \$1,000 to \$2,500 per sqm per annum in key tourist precincts such as the Cairns Esplanade.



Tasmania

When writing for the "Year Ahead" article in the February Month in Review the outlook for the Tasmanian economy was not particularly bright. Consequently our overall opinion of the property market going forward was for stagnation in values with the possibility for retractions in some markets and price brackets. The extent of this impact was dependant on whether the economic situation continued to decline in Tasmania, in particular the continued uncertainty surrounding the future of the forestry industry.

Pleasingly there has been some positive news over previous months. According to ABS the October 2011 unemployment rate is currently 4.9%, reduced from 5.7% in February. Furthermore, following the closure of a number of major employers and plants in the north west of the state, the approval for the development of a \$70 million dairy development was also a welcome announcement. However, these small pockets of good news have been well and truly outweighed by the negativity surrounding the continued efforts of the state government to improve the state's financial position. These measures have included significant budget cutbacks and hiring freezes across all departments, restructuring of workforces and the offering of voluntary redundancies. Particularly concerning to the public is the ever emotional issues of cutbacks to health and education, with these areas receiving significant media scrutiny and coverage. Further to this, issues surrounding the development of the Gunns pulp mill and forestry sector generally continue to remain clouded.

...the market is not immune to the economic situation and the general 'feeling' of people is that of caution....

The impact of these events on the property market has been in line with our predictions earlier in the year. A broad stroke review of the market reveals that values have continued to remain stagnant throughout the year with very modest or little growth. Whilst selling periods have extended in some localities, as we stressed earlier well presented properties in strong locations are continuing to sell and hold value. Those below this standard are also continuing to sell, however possibly after some negotiation.

The market is not however immune to the economic situation and the general 'feeling' of people is that of caution. Those within the market that are slightly more optimistic are seeing this as an opportunity to capitalise on and purchase property which may have been subject to a price retraction. Given vacancy rates in both Launceston and Hobart continue to remain low, the purchase of a residential investment property is becoming increasingly more attractive. The recent reduction in interest rates and possibility of further cuts may provide the shot in the arm that the market needs to improve sentiment until the economic situation improves.

HTW Tasmania would like to extend its best wishes to everyone for the festive season, and looks forward to seeing you all in 2012.





Darwin

2011 has been a trying year for the residential property market across metropolitan Darwin. The first half of the year was marked by very low turnover and discounting in most market segments. The second half of the year has shown increased turnover, but sale prices have remained depressed and further discounting has occurred in some areas. Many transactions are now at early 2009 prices and some attached or semi-detached prestige properties are experiencing indefinite 'on the market' periods, while new price equilibriums are established. Other pockets of detached dwellings have maintained low to moderate growth over this period.

So is this what was expected by Herron Todd White Darwin at the start of 2011? Yes and no. We predicted in February that the year would show no overall price growth and maybe some discounting. However, the market segments that have experienced the greatest losses this year were somewhat unexpected. Whilst Palmerston appears to have more or less stabilised after a year of steep price reductions, Darwin's traditionally stable northern suburbs have experienced significant price volatility. This effect has been more pronounced in the entry level to mid-range suburbs and less so at the upper end of this market segment. Previous sharp price reductions have been at least partially attributed to a lack of investor activity (such as CBD units and Palmerston dwellings), but the northern suburbs are a traditionally an owner/occupier dominated market. We also note that the supply rate of alternative accommodation in the northern suburbs through new subdivisions (previously Lyons and now Muirhead) remains very slow and high land and build costs leaves these properties out of many purchasers' reach. These considerations point to some good buying opportunities for families or investors who are confident about Darwin's future prospects.

One predictably bad performer of 2011 was prestige units. In February we discussed the recalibration of several unit developments across Darwin in order to supply a larger ratio of one and two bedroom units. These developments are mainly still under construction and already had large amounts of pre-sales in order to obtain initial finance. This lack of new supply has not increased demand for three bedroom prestige units and there is still a huge amount of available stock and very low turnover, especially now that detached properties in Darwin's inner suburbs (Stuart Park, Bayview) have come back and can compete at similar price levels.

So, what next? This depends on purchaser confidence, which itself depends on the national and international economy, interest rate movements and Inpex, the large Japanese LNG project. An investment decision is expected by early next year, although the current community consensus is that it will proceed. We consider that in the unlikely event of the project not proceeding, it would have significantly more effect than the positive announcement, which has already at least partly been accounted for in property prices across Darwin.

US President Barack Obama has also just this week announced a permanent presence of up to 250 US troops in Darwin, rising to 2,500 US troops over a five year period. The effect on the property market of this announcement is fairly negligible, as the troops will be housed in barracks, but it does assist Darwin in forming an international presence and stronger national purpose. With several other potential mining projects and the live export industry back in action (albeit somewhat wounded) we consider that Darwin could be an interesting market to keep an eye on in the coming year.



Perth

When we entered 2011, we were optimistic about the year ahead, hoping that the worst of the effects of the GFC were behind us. Little did we know! Whilst European financial markets remain fragile (to say the least), China continues to tick along, providing some security for resource rich states such as Western Australia.

Our prediction for 2011 was "The volume of properties listed for sale is likely to increase in the first quarter before a gradual reduction created by an increase in activity later in the year". In reality, listings peaked at 17,760 in March 2011 and have reduced to 14,959 currently. However, this reduction has not been the result of an increase in activity, rather sellers removing stock from the market.

The market remained subdued throughout the year, and rather than seeing a clear base to the market, we are still debating whether we have seen it yet. The general consensus is that if we aren't at the bottom yet, we should be very close to it. The median sale price reduced a further 7.6% this year to \$453,000 from a peak of \$505,000 in March 2010.



The big market winners in 2011 were investors, who witnessed a continual decline in vacancy rates to just 2.8% in conjunction with upwards pressure on rents. According to REIWA, the median Perth rental has increased 6.8% through 2011 to \$395 per week. We continue to hear

anecdotal evidence of well above average rent returns in the inner city apartment market, where the target for investors is the lucrative 'fly in fly out' brigade.

The so called 'big losers' of the market were the unfortunate people that ran out of time and had to realise their loss. These came from a large cross section of the market, with some of the worst effected being land speculators that purchased large parcels of land throughout 2006 and 2007 along with other large losses realised in both the premium and first home buyer markets. We have seen a large increase in mortgagee activity, particularly in suburbs on the urban fringe and in the Peel region.

Overall, the best performing suburbs of 2011 are difficult to judge due to the figures being affected by sluggish sales activity. There is no clear pattern to the highest growth suburbs reported by REIWA, with a mixture of hills suburbs and more premium riverside and coastal suburbs.

The fundamentals appear to be favourable as we come to the end of 2011, with sales activity starting to increase, stock on market reducing, tightening vacancy rates and strong net migration. Whilst the first quarter of 2012 will more than likely remain subdued, we remain cautiously optimistic that the market will return to mild growth.

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Rural – Market Directions

Overall market conditions have improved modestly over the last month with the expected increase in spring listings. Whilst sales volumes in most areas have improved it has been from a relatively low base. The fundamentals of the market are now relatively entrenched.

- Good quality property values are holding, whilst values of secondary quality properties are still under downward pressure.
- Although commodity prices (overall) remain positive and seasonal conditions across Australia are consistently better than they have been for some years land values remain stable to soft. This in part can be explained by the over inflated market through the period 2005 to 2008.
- Corporate interests are the dominating market force at present. It is being reported that there is still approximately four thousand billion dollars worth of funds set aside for additional rural land purchases in Australia by corporate entities with some of these being sovereign funds.
- Rural based urban investors in the sub \$5million segment are very difficult to find and have been relatively inactive since 2008.
- Farming family operations have not been overly active, due to a lack of cashflow and tighter lending guidelines and also a general consensus that land values may fall further. The mood in this regard is changing slightly as a majority of areas have experienced good seasonal conditions and relatively high commodity prices.
- A general realisation that rural land, as the underlying asset in rural production, has been inflated and that expectations for short to medium capital growth is limited. This is having an impact on what people are prepared to pay.
- Uncertainty in the irrigation market remains as the Murray Darling Basin Plan is yet to be formalised.

The last month has seen harvest commence or even be completed in parts of Australia with mixed results. Stronger yields have been associated with the south while recent price downgrades and lower than average

protein has taken the gloss off the harvest to a degree. Some areas are also experiencing difficulties with wet conditions.

A snapshot around the country over the last month includes:

- The release of expressions of interest for 15,203 hectares in the Ord district in Western Australia will no doubt generate high levels of interest.
- Water storage in the majority of irrigation catchment areas throughout the country are relatively high and therefore the outlook looks strong for the summer irrigation cropping season.
- There has been a minor increase in sales activity over the last month.
- The Sandalwood industry continues to encroach into traditional irrigation areas in northern Australia.

Expectations for the remainder of the year are relatively solid and we should see a number of transactions occurring between now and Christmas. Looking further into 2012 movement in rural land property values will be largely determined by seasonal conditions and whether or not buyers have the confidence levels to meet current asking prices.

David Sullivan Ph: (02) 6334 4650

1 December 2011



Northern NSW

Currently desperately needs warm to hot drier conditions.

Sugar Cane

The crush was completed at the Condong Sugar Mill on Friday 11th November with a total harvested crop of about 312,000 tonnes of sugar cane. This is the lowest tonnage at Condong Mill since 1965. Harwood and Broadwater mills are disappointingly expected to complete the harvest in mid December. Current tonnages are about 495,000 and 610,000 tonnes respectively for the Harwood and Broadwater mills. Plant cane is very

good at Condong but wet conditions have impacted the Harwood and Broadwater mill area plantings and ratoon cane. However recent warm to hot drier conditions are favouring growth.



There has been little activity in land sales.

The Australian sugar industry's three research and development organisations are reportedly merging and the Bureau of Sugar Experiment Station (BSES) at Bundaberg is expected to close. Plant breeding is scheduled to be undertaken at Mackay. NSW growers are concerned with not only the future for the breeding of sub tropical sugar cane varieties suitable to NSW but the agronomic extension services that were provided by BSES.

Macadamias

The Indian market for Macadamia nuts has become more available as the Indian authorities have modified arrangements that specifying nuts do not need to be fumigated but can be heat treated for pests. However the 100% import tariff to India remains in place.

Cattle

Excellent grazing conditions continue. A sale by private treaty of a good quality well improved cattle grazing property with cropping/fodder conservation potential near Kyogle indicates \$6000 per breeding cow plus improvements.

Summer Cropping

Some soya bean planting has commenced. Summer croppers are desperate for a break from the wet conditions experienced over recent years that have significantly reduced crop yields. Cropping properties are difficult to sell at present as a result of previous poor seasons.

General

Purchasers remain cautious with the background of global economic uncertainty and volatility also contributing to local specific issues. The 'buyers market' continues.

The Clean Energy Act 2011 is still not well understood by market participants.

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Southern NSW

Harvest has just started in southern New South Wales and north east Victoria, with most canola on the ground and harvesting under way. Prices are a bit disappointing, yields are about average, but protein is down from average. The season did not finish strongly in some areas with a period of about six or eight weeks around late flowering that prevented maximum protein and grain fill, but it has certainly been a vastly better season than many in the last ten years, and better than the season to the north and west of us. It will still be a couple of weeks before barley harvest starts as fairly cool weather is predicted for the next week with some light rainfall. In the last week many areas received between 20 and 40mm of rain so that will assist grain fill for wheat and barley crops.

Few properties are being offered for sale which is unusual for this time of the year as most rural properties are placed on the market during spring - in particular in spring when properties are the best they have looked for a long time.

"Collendina Station" is up this week at auction and it will be interesting to see the result.

"Deltroit Station" at Mundarlo near Wagga Wagga is also on the market and will be auctioned on the 15th December. "Deltroit" is a 2,550 hectare property with an estimated carrying capacity of 30,000 DSE, and has an historic homestead in a six hectare garden alongside other historic buildings including an old Cobb & Co staging post. This will be another interesting result if there is one.

Certainly all the indications are that the market is, at best, flat and not a lot of interest from "mum and dad" purchasers. Most interest seems to be coming from corporate buyers if properties can be aggregated, or alternatively are large enough in their own right to attract corporate interest.

...few properties are being offered for sale which is unusual for this time of the year as most rural properties are offered for sale during spring....

Water storages are still full, or near full, and the irrigation season is about to go into full swing. The Murray Darling Basin Plan is due for release, but there have been so many "leaks" that there are not likely to be many shocks or surprises. Eildon is currently at 99% of capacity, Hume at 93% and Dartmouth at 73%. All looks good for the irrigation season with most high reliability and high security allocations at 100% and low reliability and general security allocations at between 55% and 80%. All that is needed now is increased cereal grain prices and everything will be sweet.

Contact:

David Shuter Ph: (02) 6041 1333



Central NSW

Continuing consistent rainfall, good pasture growing conditions and a general area of optimism is leading to a moderate increase in sales enquiries and activities albeit from a low base in the Central Tablelands. The recent auction of a Blayney property attracted six genuine bidders and whilst the property did not sell, the pass in price still reflected an improvement in market conditions. A number of forthcoming auctions will provide an indication if purchasers are willing to meet vendor expectations in the current season or if they will continue to hold back for softer values. Whilst the market remains difficult in relation to sales activity it should be noted that if seasonal conditions deteriorate or sheep and/or beef prices fall significantly, activity will no doubt slow to a greater degree than what currently is being experienced.

....continuing consistent rainfall, good pasture growing conditions and a general area of optimism is leading to a moderate increase in sales enquiries....

The value between good quality properties and secondary quality continues to grow. Properties that require expenditure in relation to pasture development, fencing and water infrastructure are particularly hard to sell, unless sold at a discount to reflect the associated cost to bring the property up to a district average in relation to infrastructure.

Contact:

David Sullivan Ph: (02) 6334 4650



Central West NSW

The market in the central west and western areas of NSW continue to give conflicting signals with agents indicating that it is difficult to gain interest in some holdings. The attempted sale of "Nulty" at Bourke and "Wirchillaba" south of Cobar are a case in point. There continues to be a good level of corporate interest in the sheep wheat belt with negotiations underway on a number of holdings that if successful, will indicate value levels after the period of high activity in the market last year.

The current seasonal conditions appear to be a repeat of last years wet harvest with most properties being effected or delayed.

Contact:

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Regional Victoria

ECHUCA

2011 witnessed an increase in overall sales levels with significantly more transactions throughout the district than during 2010, reflecting improvements in water storages and outlooks for most commodities. There was a strong bias to cropping properties during the first half of the year off the back of strong yields in the 2010/11 season for those able to get their crops off. The tail end of the year has seen a flurry of activity in smaller scale dairy farms and outblocks which have been absent for an extended period.

We note that the water market has eased significantly over the past 12 months. This is on the back of improved water storages, variations to the Federal Government buy backs and uncertainty surrounding the Murray Darling Basin Plan which has been delayed several times after the ill fated "guide" was released.

Hopefully this cropping season will finish well and allow producers to get their crop off for the upcoming harvest and enter 2012 with a couple of good seasons under their belts!

\$1.2billion of federal funding through the Northern Victorian Renewal Project is likely to see further aggregation and purchases in the northern irrigation district as NVIRP endeavours to undertake reconfiguration works.

Contact:

David Leeds Ph: (03) 5480 2601

MILDURA

Fortunately most areas surrounding Mildura have missed the storms of recent weeks as the harvest for dryland farmers is in full swing in the Mallee region of Victoria south west of NSW. Reports filtering in indicate above average yields, however the recent world wheat price slump has been a blow to this sector. On farm storage is looked upon as critical in anticipation of improving prices in the first half of 2012.

A further blow to the horticulture sector in the region has been that the dried fruit processor, Clyne Foods, has been placed in receivership. Whilst based in Warracknabeal the company has packing sheds in Mildura and two large horticultural properties at Merbein (10kms from Mildura) and in nearby Pomona in NSW. It presently has more than 200 contracted Sunraysia and Riverland growers who are owed significant payments from last years harvest. In recent days the State Government has thrown a lifeline to the company by appealing to the financiers to allow the company to process the upcoming Sunraysia harvest. The 2012 harvest is tipped to be very good at this stage in comparison to the flood ravaged season last year which was one of the main contributors to the collapse of Clyne Foods who struggled to source fruit to meet its supply contracts.

There has been a couple of interesting sales in the region including a major Victorian water allocation sale and a large horticultural holding in the South Australian Riverland.

- Grampians Wimmera Mallee Water GWM Water recently conducted its first ever auction of "Headworks Growth Water". 7,000 ML was sold of which 6,975 ML was sold to the Donald Mineral Sands owner Astron Limited for just under \$18 million (\$2,571/ML). The annual water allocation is for a period of 25 years. The revenue generated is put towards funding of the Wimmera-Mallee Pipeline Project. Another batch of Growth water will be auctioned in early 2012.
- A large vineyard of 418 hectares in the SA Riverland, 'Qualco West' was recently reported as sold to an adjoining owner (Chinese interests) for \$10.6 million. Australian Vintage Limited has been a long term tenant of the property under a lease at a strong rent that has five years until expiry and this enhanced the price intended to be paid. The 510 ha holding has 418 ha planted to vines. A permanent water allocation of 2,244 ML was included in the sale.

Contact:

Shane Noonan Ph: (03) 5021 0455

....crop yields and quality have been mixed with reports of minimal prime hard wheat coming from properties in the broader Roma region....



Southern QLD

The past month has seen a transition of seasons into summer with many local farmers having commenced or finished harvest. Crop yields and quality have been mixed with reports of minimal prime hard wheat coming from properties in the broader Roma region. Generally protein levels have been down following a wet start to the year and recent storm rains. The local cattle market has remained buoyant as restockers and processors compete coming into the Christmas period.

The local rural property market has responded favourably with a number of transactions over the past two months for properties of varied enterprise and capital value. These include "Amaroo" west of Roma comprising 3,365 hectares of mixed cattle grazing and cropping country with extensive structural improvements which sold for circa \$4 million bare. In addition, "Berrima" comprising approximately 1,397 hectares positioned within a tightly held area north east of Roma has reportedly sold to an established local grazier for circa \$2,100 per hectare. These two sales are considered strong when compared to the general market which has seen moderate to substantial reductions since the peak periods of 2007/2008. This indicates that values are holding for the better quality properties in the more tightly held areas.

We are also advised that there are several sales in negotiations within the Mount Abundance area to the south-west of Roma. Further west there was the sale

of "Rosevale Station" at Wyandra comprising 53,100 hectares of mixed grazing country which sold at auction to a local purchaser for a reported figure of \$2,015,000.

The increase in local property transactions may be a sign or renewed confidence in the rural market on the back of good seasonal conditions and improved cash flows. We are optimistic that this will be sustained whilst favourable conditions and commodity prices continue.



Contact:

Digby Makim Ph: (07) 4671 5300



Northern QLD

Grazing Industry:

Burdekin Downs, a good class grazing property capable of running around 2,000 head and located within the Charters Towers/Dalrymple area went to auction. It attracted several active bidders and has gone under contract post auction. Details as to purchase price are at present confidential. One sale does not set a market but this sale which was not a duress sale does support the notion that there are still prospective purchasers prepared to pay competitive prices for good country.

Cane Growing

Burdekin – Several irrigation properties have sold in the Dalbeg area for the establishment of a sandalwood plantation. Several other cane farms are under contract but yet to settle. These sales do show that there is still some interest left for the BRIA and Home Hill/Ayr irrigation lands and it is felt that these sales will also support the existing general level of values when fully analysed. It is also rumoured that another property, irrigated non cane land, is also close to settlement.

Herbert – The cane harvest is complete and so on to 2012. Overall most growers are relieved to have the crop off and to start fresh with worked ratoons and good levels of fertilizer in preparation for the next season. Te beilife is that to be better than the 2010 and 2011 seasons combined.

The proposed new mill for the Herbert area has had the Development Application forwarded for Ministerial consideration and decision. So we will soon know

if the Herbert River Region will benefit from around \$400,000,000 invested into the local sugar industry.

....Sun Water has again stated that economically the Water for Bowen Scheme is unviable to construct and as such there are no plans for any further supply to Bowen....

Horticulture

A 736 hectare established irrigation property in Bowen is going to auction on 24th November. This large farm previously used for cane and horticultural crops and with a water allocation of 469 megalitres may prove to be the barometer for the larger areas of the Bowen horticultural property market.

The tomato season finished a little ahead of time with a new debilitating disease, believed to have originated from the Bundaberg area, providing further angst among growers. Again like the cane growers of Ingham, on to better things in 2012.

Sun Water has again stated that economically the Water for Bowen Scheme is unviable to construct and so there are no plans for any further supply to Bowen. The multi-millions of dollars to be spent at Abbot Point in developing Australia's largest coal export port may force the government to rethink the scheme as vast amounts of water will be required for coal dust suppression in the proposed large storage coal piles.

Townsville recently hosted an AgInvest Forum with the assistance of DEEDI. At this forum some of the long term Northern Regional Developments were discussed. These topics included the potential for investment into irrigation from the Flinders River in the Richmond and Flinders Shires and the prospect of development along the Gilbert River. There were also discussions about non cane investment in the Burdekin River Irrigation Area. Crops like Cassava and an associated starch factory and ethanol plant did hold the interest of some parties. The conference did provide an opportunity to discover the many ongoing projects and wish list infrastructure requirements required for the north region to achieve some of its untapped potential.

Contact:

Roger Hill; Denis Schy and Jason Searston

Ph: (07) 4724 2000



Central QLD

As the 2011 calendar year winds down, we look back at a year which has been historically quiet for the Central Queensland Region in terms of genuine rural property sales. The only significant non mining sales activity over the past few months has been the confirmation that "Ok Station" (8,186ha) located west of Moranbah has sold for \$11.5million to an keen purchaser. This

property previously sold for \$11.1million in 2008. "Ok Station" is renowned as one of the top scrub blocks in Central Queensland. There has been considerable mining acquisitions taking place over the past 12 months and we expect to see these displaced land owners reentering the market in 2012.



There has been a steady number of smaller sales ticking over across central Queensland which gives some indication that there are certainly still interested purchases in the market at the right price. "Bettong Park" (992.45ha, 8km north of Banana) and "Ellis Camp West" (2,295ha, south Bauhinia) were tested at auction over the past few weeks, but failed to reach their reserve price, it is reported that negotiations to settle a deal are still in progress. A number of Central Queensland properties are set to go to auction leading up to Christmas including "Renlew" (2,140ha, 50km north of Taroom), and "Rookwood" (8,600ha, 100km north-west of Rockhampton). There is expected to be sound competition for these quality properties as we head into the festive season.

Contact:

Will McLay Ph: (07) 4927 4655



Northern Territory

On the 8th of November the Ord River Irrigation Area (ORIA) in Western Australia's East Kimberley region (Kununurra) reached a milestone with the release for expressions of interest of 15,203 hectares across three areas within this expanding but remote farming valley in Australia's far north. Proposals to purchase have been requested for 7,400ha in the area currently under construction known as the Goomig Farm Area. The main roads and supply channel construction currently underway to this new farming area is part of the Western Australian and Federal Governments \$415million Ord-East Kimberley Development Plan. The Goomig Farm Area is offered as 16 development-lease allotments ranging from 60 to 839 hectares. The lots will be convertible to freehold survey strata allotments once development conditions have been met, and common property (including irrigation channels, etc) will be managed by a body corporate.

In addition to the 7,400 hectares above, 1,700 hectares of land on the Ord River's West Bank (a mix of sandy, loamy, red and black soils) and 6,000 hectares of land towards the east of the Goomig Farm Area on Knox Plain have been released for expressions of interest. The Ord West Bank and Knox Plain areas are offered to the market as

a longer term development option given that statutory planning and environmental approvals would need to be tackled by the new owner before development could begin.

The surrounding ORIA currently comprises approximately 14,000 hectares of irrigation land (mostly Cununurra and Aquitaine clays under furrow irrigation) which has been developed and expanded since the construction of the Diversion Dam at Kununurra in 1963. Lake Argyle (10,763GL and with a surface area of 70,300ha when full) was opened in 1972 and provides the highly reliable irrigation supply to the ORIA and the planned expansion areas. Crops currently grown in the ORIA include chia, hybrid seed, melons, mangoes, pumpkins, cotton, rice and sandalwood. We understand that this release of land has attracted serious investigation from other countries in "our region" who are reportedly investigating opportunities for large scale irrigated agriculture. We understand that one of the acquisitions being targeted is for around 6,000 hectares to be developed for sugarcane which has successfully been grown in the ORIA in the past. Given the profile of some interested parties to date, the issue of global food security appears to be a driving force.

In addition to the 15,203 hectares above, we are aware of at least two other privately owned and potentially irrigable areas of freehold land (with a combined area in excess of 8,000ha) within the general ORIA locality that could potentially come into the mix offered to the market.

Sales activity in the ORIA has been stifled over the last two years by a combination of the general impacts of the GFC, but also the tight supply for irrigable land, and a two tier market dominated by the Indian sandalwood industry which has potentially locked out sales of the ORIA's better irrigation country to traditional crop growers. The top price paid for developed black soil irrigation country in the ORIA was reaching \$10,000 to \$12,000 per hectare two to three years ago. With development costs for unimproved (but serviced) irrigation country at around \$4,500/ha, plus the cost of achieving approvals and then costs to build main service infrastructure (river pumps, main supply channels and access road upgrades) for the Knox Plain and West Bank areas, it will be very interesting to see who buys what proportion of land in the latter and for how much? The sales of lots in the Goomig Farm Area will set the benchmark. Herron Todd White will keep you all up to date in future months, as one of the largest land releases in Australia for a long time gradually takes shape.



Oria Street 2

Contact:

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Comparative Property Market Indicators - November 2011

The following pages present a generalised overview of the state of property markets in Capital City New South Wales/ACT, Victoria/Tasmania, Queensland and South Australia/Northern Territory/Western Australia locations using financing risk-rating scales. They are not a guide to individual property assessments.

For further information contact Rick Carr, Research Director, Herron Todd White, on (07) 4057 0200, or by email on rick.carr@htw.com.au

Comparative Analysis of Capital City Property Markets



To discuss the applicability of the Capital City indicators to individual properties or situations, contact your local Herron Todd White office:

Sydney	(02) 9221 8911
Melbourne	(03) 9642 2000
Brisbane Commercial	(07) 3002 0900
Brisbane Residential	(07) 3353 7500
Adelaide	(08) 8231 6818
Perth	(08) 9388 9288
Hobart	(03) 6244 6795
Darwin	(08) 8941 4833
Canberra	(02) 6273 9888

Comparative Analysis of New South Wales/ACT Property Markets



To discuss the applicability of the NSW/ACT indicators to individual properties or situations, contact your local Herron Todd White office:

Albury	(02) 6041 1333
Bathurst	(02) 6334 4650
Canberra/Queanbeyan	(02) 6273 9888
Dubbo	(02) 6884 2999
Gosford	1300 489 825
Griffith	(02) 6964 4222
Leeton	(02) 6953 8007
Mudgee	(02) 6372 7733
Newcastle/Central Coast	(02) 4929 3800
Norwest	(02) 8882 7100
Sydney	(02) 9221 8911
Port Macquarie	1300 489 825
Tamworth	(02) 6766 9898
Tweed Coast	(02) 5523 2211
Wagga Wagga	(02) 6921 9303
Wollongong	(02) 4221 0205
Young	(02) 6382 5921

Comparative Analysis of Victorian/Tasmanian Markets



To discuss the applicability of the Victorian/Tasmanian indicators to individual properties or situations, contact your local Herron Todd White office:

Gippsland (Sale/Traralgon/Bairnsdale)	(03) 5143 1880/ 03 5176 4300/ (03) 5152 6909
Bendigo	(03) 5480 2601
Melbourne	(03) 9642 2000
Murray Mallee (Swan Hill)	(03) 5032 1620
Murray Outback (Mildura)	(03) 5021 0455
Murray Riverina (Echuca/Deniliquin)	(03) 5480 2601/ (03) 5881 4947
Wodonga	(02) 6041 1333
Hobart	(03) 6244 6795
Launceston	(03) 6334 4997

Comparative Property Market Indicators - November 2011

The following pages present a generalised overview of the state of property markets in Capital City New South Wales/ACT, Victoria/Tasmania, Queensland and South Australia/Northern Territory/Western Australia locations using financing risk-rating scales. They are not a guide to individual property assessments.

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Comparative Analysis of Queensland Property Markets



To discuss the applicability of the Queensland indicators to individual properties or situations, contact your local Herron Todd White office:

Brisbane Commercial	(07) 3002 0900
Brisbane Residential	(07) 3353 7500
Bundaberg/Wide Bay	(07) 4154 3355
Cairns	(07) 4057 0200
Emerald	(07) 4980 7738
Gladstone	(07) 4972 3833
Gold Coast	(07) 5584 1600
Hervey Bay	(07) 4124 0047
Ipswich	(07) 3282 9522
Mackay	(07) 4957 7348
Rockhampton	(07) 4927 4655
Sunshine Coast (Mooloolaba)	(07) 5444 7277
Toowoomba	(07) 4639 7600
Townsville	(07) 4724 2000
Whitsunday	(07) 4948 2157

Comparative Analysis of South Australia/Northern Territory/Western Australian Property Markets



To discuss the applicability of the South Australian/Northern Territory and Western Australian indicators to individual properties or situations, contact your local Herron Todd White office:

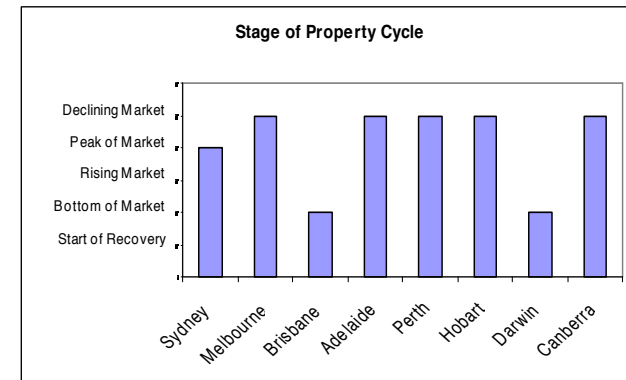
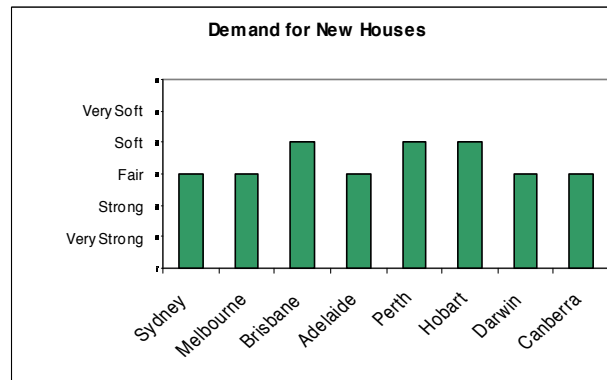
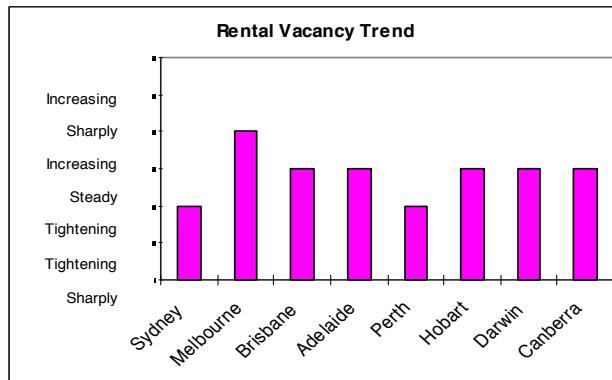
Adelaide	(08) 8231 6818
South West WA (Bunbury/Busselton)	(08) 9791 6204/ (08) 9754 2982
Perth	(08) 9388 9288
Darwin	(08) 8941 4833

Capital City Property Market Indicators as at November 2011 – Houses

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

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

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

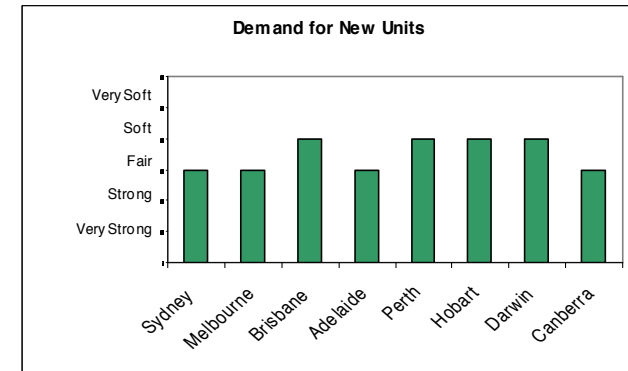
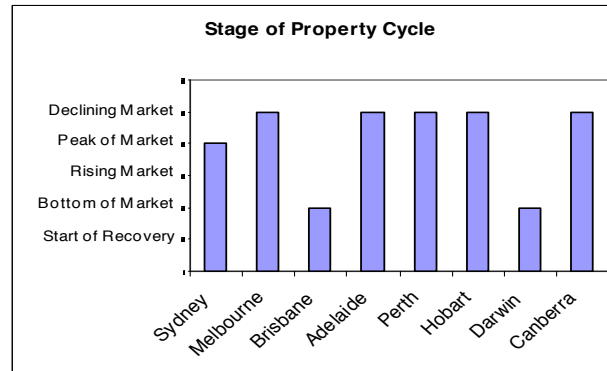
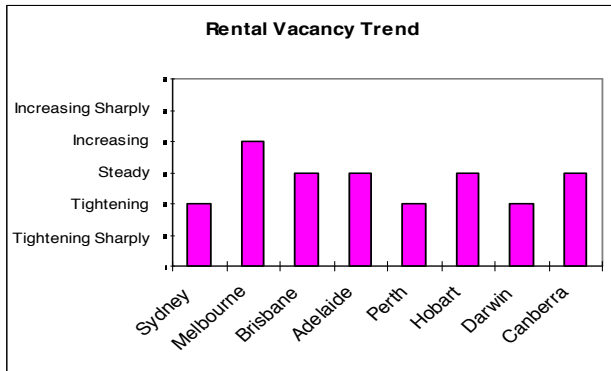


Capital City Property Market Indicators as at November 2011 – Units

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

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

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

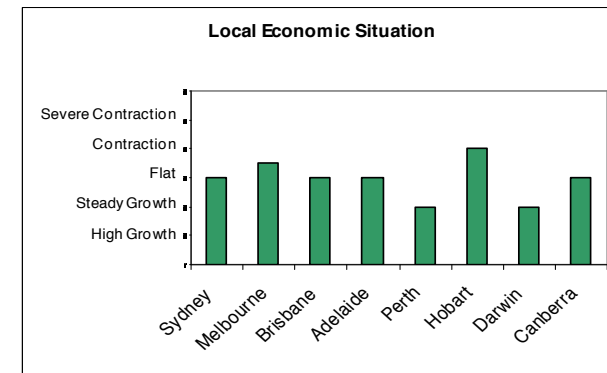
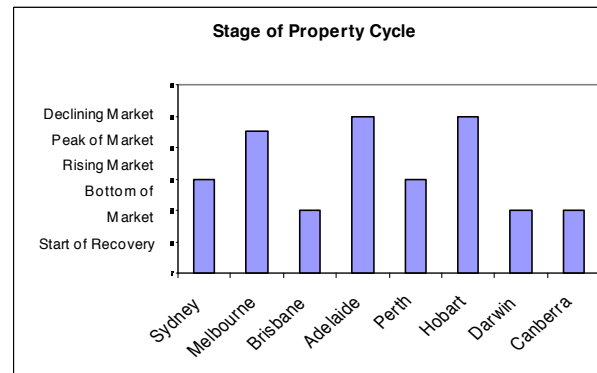
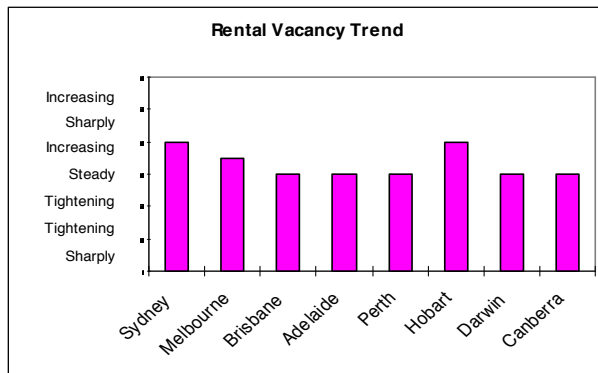


Capital City Property Market Indicators as at November 2011 – Retail

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

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

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

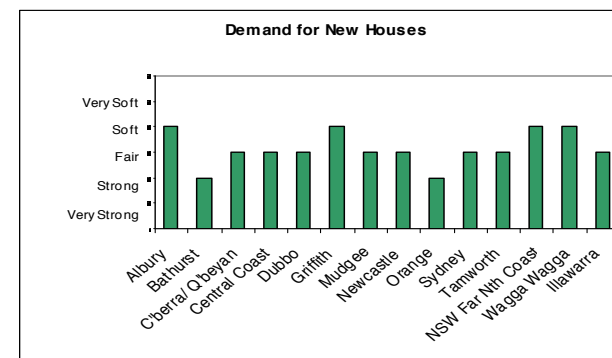
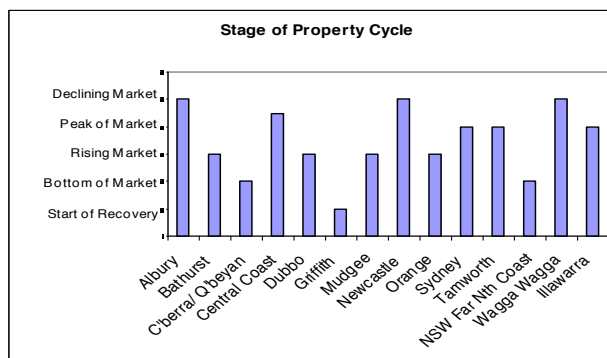
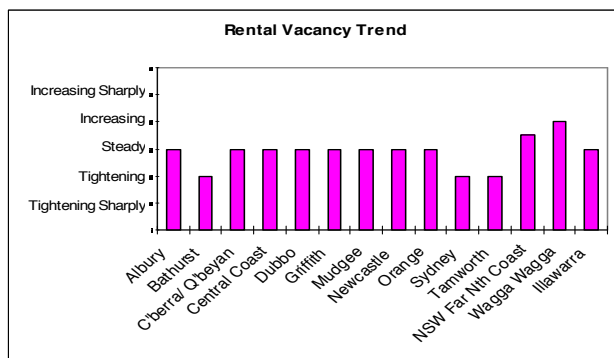


New South Wales Property Market Indicators as at November 2011 – Houses

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

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

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

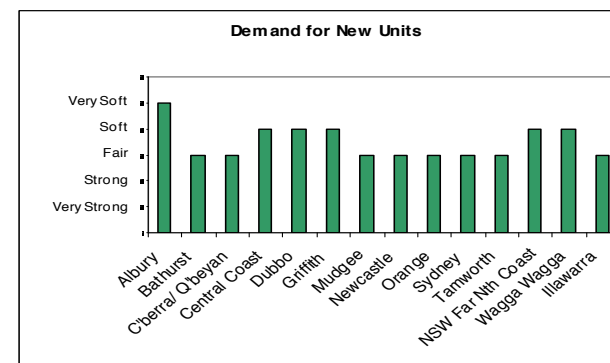
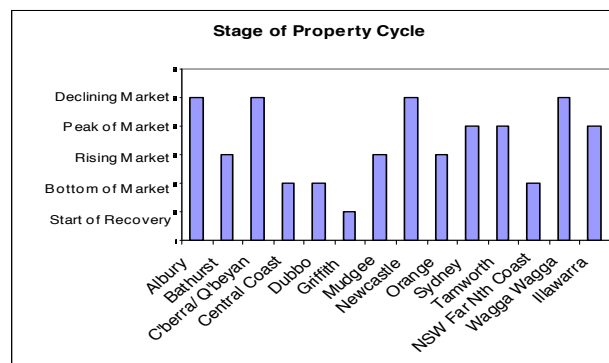
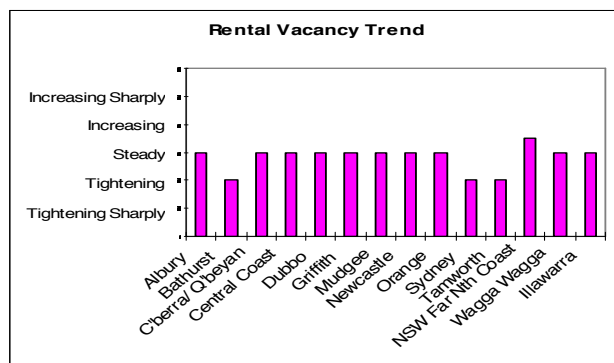


New South Wales Property Market Indicators as at November 2011 – Units

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

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

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

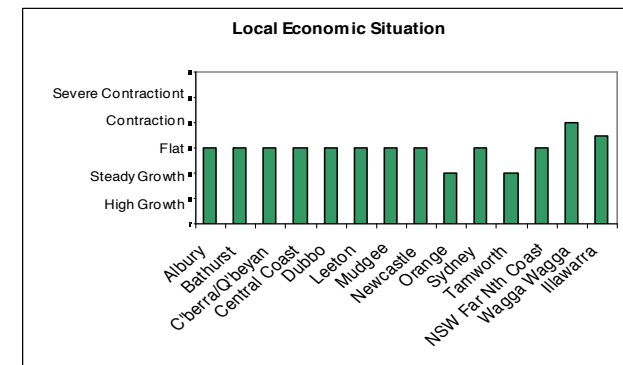
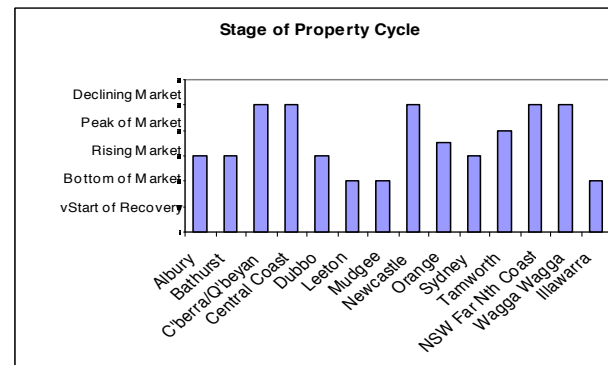
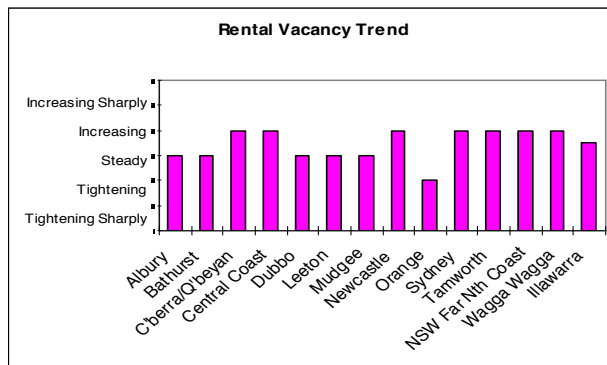


New South Wales Property Market Indicators as at November 2011 – Retail

Factor	Albury	Bathurst	Canberra/Q'beyan	Central Coast	Dubbo	Griffith	Mudgee	Newcastle	Orange	Sydney	Tamworth	Tweed Coast	Wagga Wagga	Wollongong
Rental Vacancy Situation	Balanced market	Balanced market	Over-supply of available property relative to demand	Over-supply of available property relative to demand	Balanced market	Over-supply of available property relative to demand	Over-supply of available property relative to demand	Over-supply of available property relative to demand	Shortage of available property relative to demand - Balanced market	Balanced market	Balanced market - Over-supply of available property relative to demand	Over-supply of available property relative to demand	Over-supply of available property relative to demand	Balanced market
Rental Vacancy Trend	Steady	Steady	Increasing	Increasing	Steady	Steady	Steady	Increasing	Tightening	Increasing	Increasing	Increasing	Increasing	Steady - Increasing
Rental Rate Trend	Stable	Stable	Declining	Declining	Stable	Stable	Stable	Declining	Increasing	Stable	Declining - Stable	Declining	Declining	Stable
Volume of Property Sales	Steady	Steady	Declining	Declining	Steady	Declining significantly	Steady	Declining	Steady	Steady	Declining	Declining significantly	Declining	Steady
Stage of Property Cycle	Rising market	Rising market	Declining market	Declining market	Rising market	Bottom of market	Bottom of market	Declining market	Rising market - Peak of market	Rising market	Peak of market	Declining market	Declining market	Bottom of market
Local Economic Situation	Flat	Flat	Flat	Flat	Flat	Flat	Flat	Flat	Steady growth	Flat	Steady growth	Flat	Contraction	Flat - Contraction
Value Difference between Quality Properties with National Tenants, and Comparable Properties with Local Tenants	Significant	Small - Significant	Significant	Significant	Small - Significant	Large	Significant	Significant	Small - Significant	Very large	Significant	Significant	Significant	Significant

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

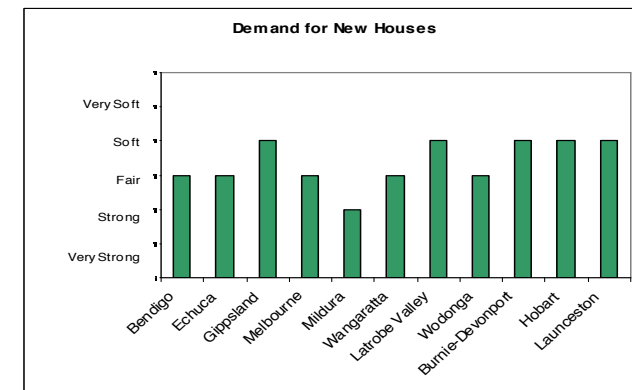
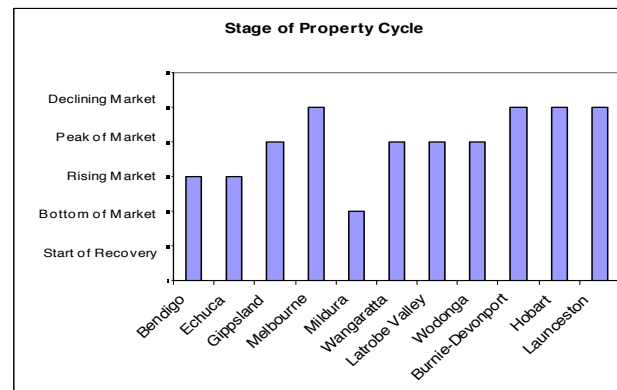
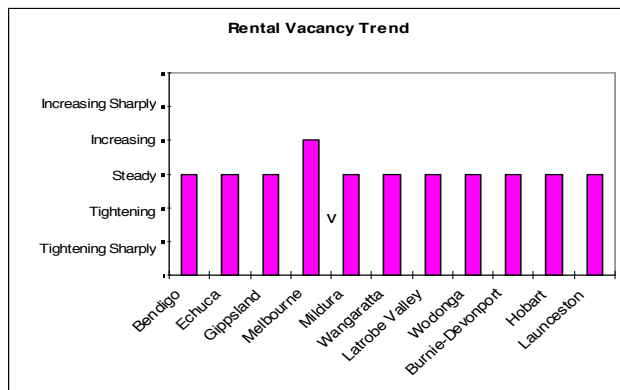


Victoria/Tasmania Property Market Indicators as at November 2011 – Houses

Factor	Bendigo	Echuca	Gippsland	Melbourne	Mildura	Wangaratta	Latrobe Valley	Wodonga	Burnie/Devonport	Hobart	Launceston
Rental Vacancy Situation	Balanced market	Balanced market	Balanced market	Balanced market	Balanced market	Over-supply of available property relative to demand	Balanced market	Over-supply of available property relative to demand	Shortage of available property relative to demand	Shortage of available property relative to demand	Shortage of available property relative to demand
Rental Vacancy Trend	Steady	Steady	Steady	Increasing	Steady	Steady	Steady	Steady	Steady	Steady	Steady
Demand for New Houses	Fair	Fair	Soft	Fair	Strong	Fair	Soft	Fair	Soft	Soft	Soft
Trend in New House Construction	Steady	Steady	Declining	Steady	Declining	Declining	Declining	Declining	Declining	Declining	Declining
Volume of House Sales	Steady	Steady	Declining	Increasing	Steady	Declining	Declining	Declining	Declining	Declining	Declining
Stage of Property Cycle	Rising market	Rising market	Peak of market	Declining market	Bottom of market	Peak of market	Peak of market	Peak of market	Declining market	Declining market	Declining market
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Almost never	Almost never	Occasionally	Occasionally	Occasionally	Almost never	Occasionally	Almost never	Occasionally	Occasionally	Occasionally

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

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

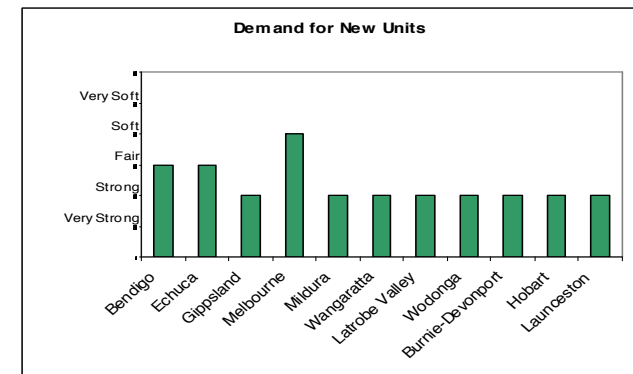
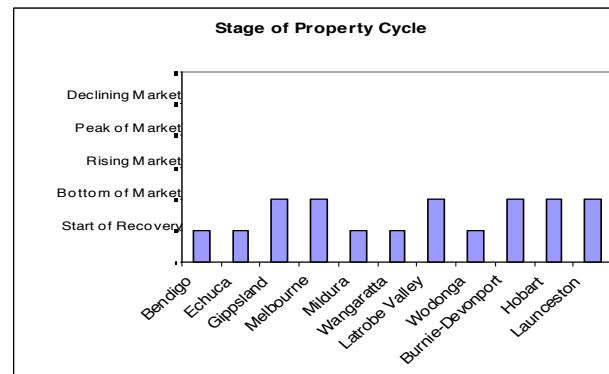
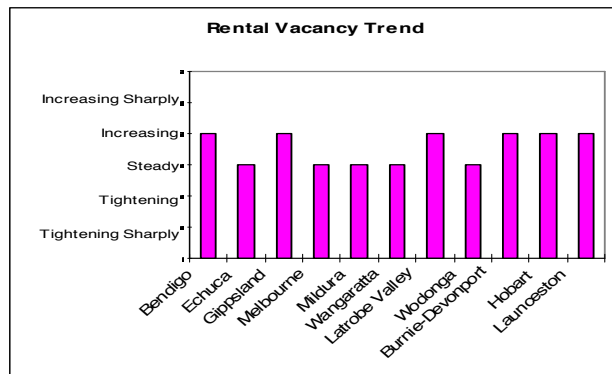


Victoria/Tasmania Property Market Indicators as at November 2011 – Units

Factor	Bendigo	Echuca	Gippsland	Melbourne	Mildura	Wangaratta	Latrobe Valley	Wodonga	Burnie/Darwin	Hobart	Launceston
Rental Vacancy Situation	Balanced market	Balanced market	Balanced market	Balanced market	Shortage of available property relative to demand	Balanced market	Balanced market	Balanced market	Shortage of available property relative to demand	Shortage of available property relative to demand	Shortage of available property relative to demand
Rental Vacancy Trend	Steady	Steady	Steady	Increasing	Steady	Steady	Steady	Steady	Steady	Steady	Steady
Demand for New Houses	Soft	Soft	Soft	Fair	Fair	Fair	Soft	Fair	Soft	Soft	Soft
Trend in New House Construction	Steady	Steady	Declining	Increasing	Declining	Declining	Declining	Declining	Declining	Declining	Declining
Volume of House Sales	Steady	Steady	Declining	Steady	Steady	Declining	Declining	Declining	Declining	Declining	Declining
Stage of Property Cycle	Rising market	Rising market	Peak of market	Declining market	Bottom of market	Peak of market	Peak of market	Peak of market	Declining market	Declining market	Declining market
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Almost never	Almost never	Occasionally	Occasionally	Almost never	Almost never	Occasionally	Almost never	Occasionally	Occasionally	Occasionally

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

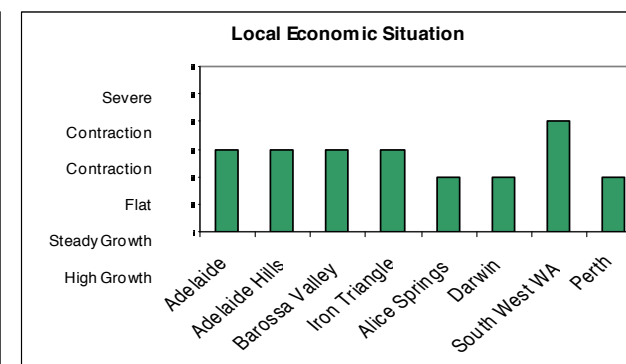
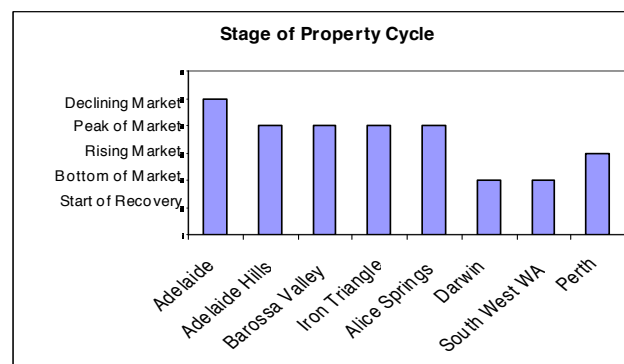
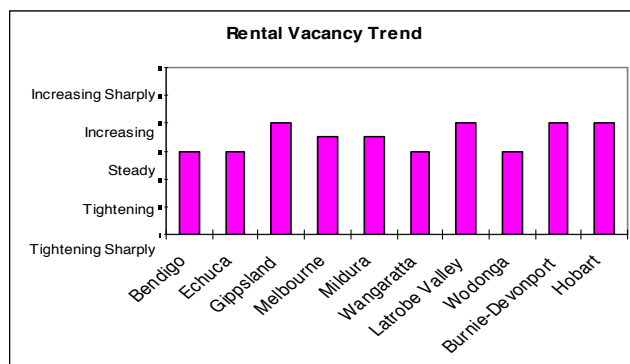


Victoria/Tasmania Property Market Indicators as at November 2011 – Retail

Factor	Bendigo	Echuca	Gippsland	Melbourne	Mildura	Wangaratta	Latrobe Valley	Wodonga	Burnie/Davenport	Hobart	Launceston
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	Over-supply of available property relative to demand	Over-supply of available property relative to demand	Over-supply of available property relative to demand
Rental Vacancy Trend	Steady	Steady	Increasing	Steady - Increasing	Increasing	Steady	Increasing	Steady	Increasing	Increasing	Increasing
Rental Rate Trend	Stable	Stable	Stable	Declining - Stable	Declining	Stable	Stable	Stable	Stable	Stable	Stable
Volume of Property Sales	Steady	Steady	Declining	Steady	Declining	Steady	Declining	Steady	Declining	Declining	Declining
Stage of Property Cycle	Rising market	Rising market	Declining market	Peak of market - Declining market	Bottom of market	Rising market	Declining market	Rising market	Declining market	Declining market	Declining market
Local Economic Situation	Flat	Flat	Contraction	Flat - Contraction	Severe contraction	Flat	Contraction	Flat	Contraction	Contraction	Contraction
Value Difference between Quality Properties with National Tenants, and Comparable Properties with Local Tenants	Small	Small	Small	Small - Significant	Significant	Significant	Small	Significant	Small	Small	Small

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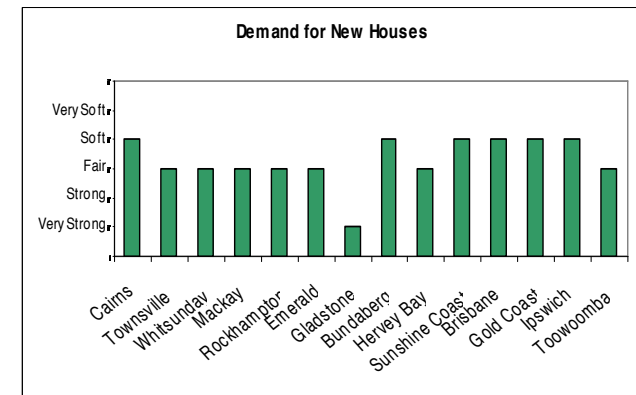
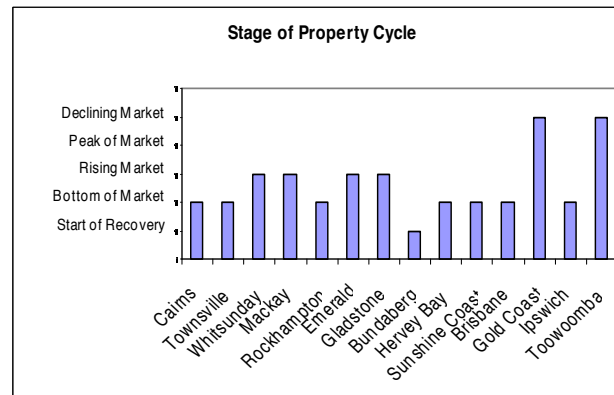
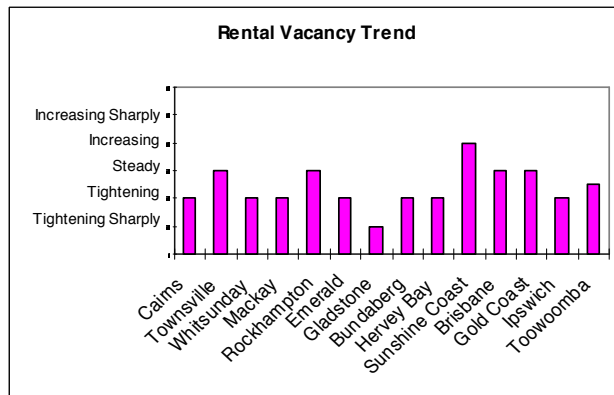


Queensland Property Market Indicators as at November 2011 – Houses

Factor	Cairns	Townsville	Whitsunday	Mackay	Rockhampton	Emerald	Gladstone	Bundaberg	Hervey Bay	Sunshine Coast	Brisbane	Gold Coast	Ipswich	Toowoomba
Rental Vacancy Situation	Shortage of available property relative to demand - Balanced market	Balanced market	Shortage of available property relative to demand	Shortage of available property relative to demand	Balanced market	Severe shortage of available property relative to demand	Severe shortage of available property relative to demand	Shortage of available property relative to demand	Balanced market	Shortage of available property relative to demand	Balanced market	Shortage of available property relative to demand - Balanced market	Balanced market	Shortage of available property relative to demand
Rental Vacancy Trend	Tightening	Steady	Tightening	Tightening	Steady	Tightening	Tightening sharply	Tightening	Tightening	Increasing	Steady	Tightening	Steady	Tightening
Demand for New Houses	Soft	Fair	Fair	Fair	Fair	Fair	Very strong	Soft	Fair	Soft	Soft	Soft	Fair	Fair
Trend in New House Construction	Steady	Steady	Steady - Increasing	Steady - Increasing	Declining	Steady	Increasing	Declining	Declining	Declining	Increasing	Steady	Steady	Steady - Increasing
Volume of House Sales	Steady	Steady	Steady	Steady	Declining	Steady	Steady	Steady	Steady	Steady	Steady	Steady	Steady	Steady
Stage of Property Cycle	Bottom of market	Bottom of market	Rising market	Rising market	Bottom of market	Rising market	Rising market	Start of recovery	Bottom of market	Bottom of market	Bottom of market	Bottom of market	Bottom of market	Rising market
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Occasionally	Occasionally	Occasionally	Occasionally	Occasionally	Occasionally	Occasionally	Almost never	Occasionally	Occasionally	Occasionally	Occasionally	Occasionally	Occasionally

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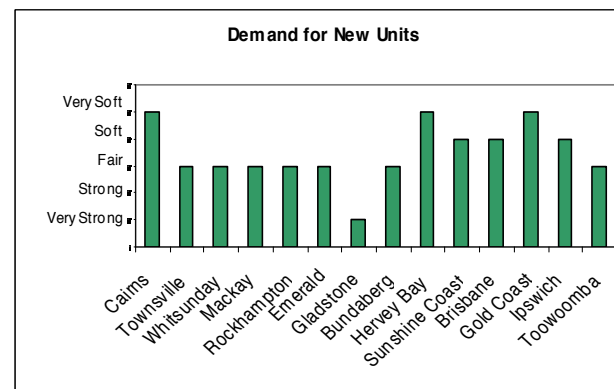
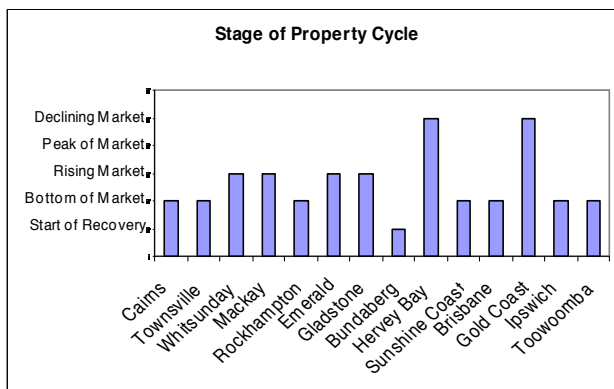
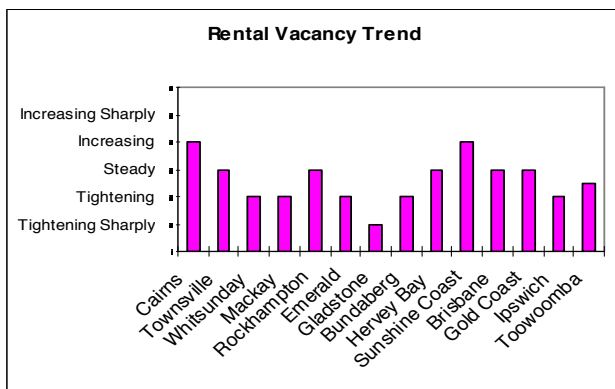


Queensland Property Market Indicators as at November 2011 – Units

Factor	Cairns	Townsville	Whitsunday	Mackay	Rockhampton	Emerald	Gladstone	Bundaberg	Hervey Bay	Sunshine Coast	Brisbane	Gold Coast	Ipswich	Toowoomba
Rental Vacancy Situation	Balanced market	Balanced market	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	Severe shortage of available property relative to demand	Balanced market	Balanced market	Shortage of available property relative to demand	Balanced market	Balanced market	Shortage of available property relative to demand	Shortage of available property relative to demand - Balanced market
Rental Vacancy Trend	Increasing	Steady	Tightening	Tightening	Steady	Tightening	Tightening sharply	Tightening	Steady	Increasing	Steady	Steady	Tightening	Tightening - Steady
Demand for New Units	Very soft	Fair	Fair	Fair	Fair	Fair	Very strong	Fair	Very soft	Soft	Soft	Very soft	Soft	Fair
Trend in New Unit Construction	Declining	Steady	Steady	Steady	Steady	Steady	Increasing	Declining	Declining significantly	Declining significantly	Increasing	Declining significantly	Declining	Steady
Volume of Unit Sales	Steady	Steady	Steady	Steady	Declining	Steady	Steady	Steady	Declining	Declining	Steady	Declining significantly	Declining	Steady
Stage of Property Cycle	Bottom of market	Bottom of market	Rising market	Rising market	Bottom of market	Rising market	Rising market	Start of recovery	Declining market	Bottom of market	Bottom of market	Declining market	Bottom of market	Bottom of market
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Occasionally	Occasionally	Occasionally	Occasionally	Almost never	Occasionally	Occasionally	Almost never	Occasionally	Occasionally	Occasionally	Frequently	Frequently	Frequently

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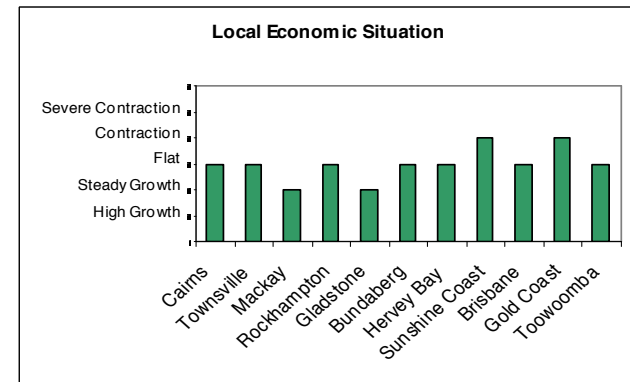
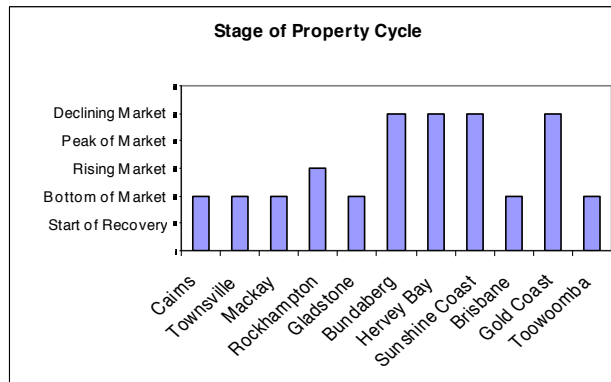
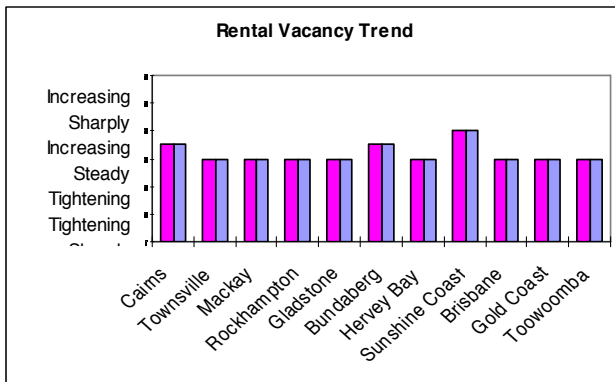


Queensland Property Market Indicators as at November 2011 – Retail

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

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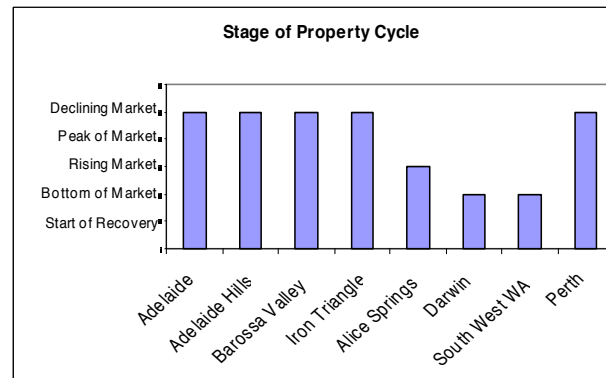
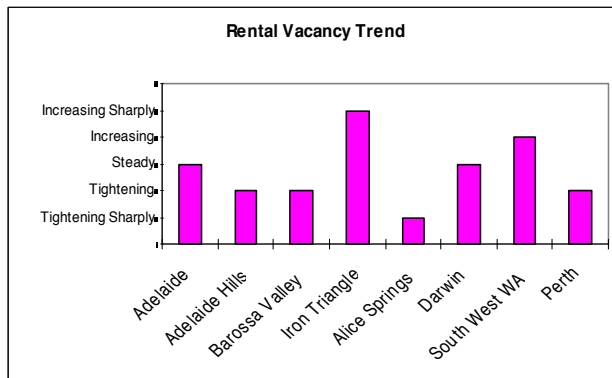


Northern Territory, South Australia & Western Australia Property Market Indicators as at November 2011 – Houses

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

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

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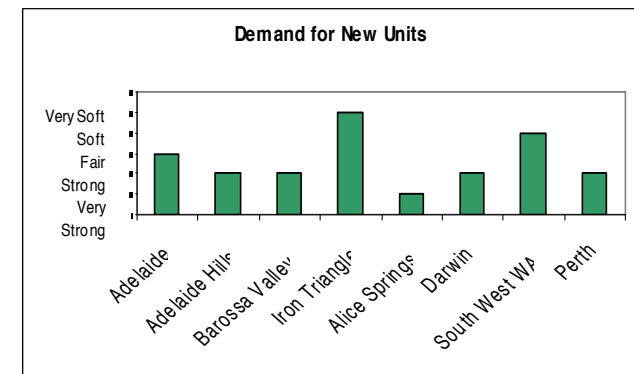
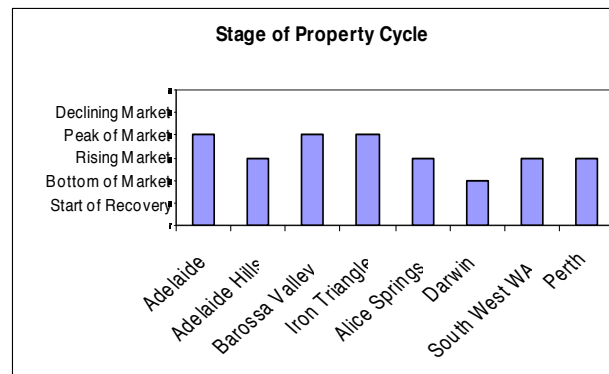
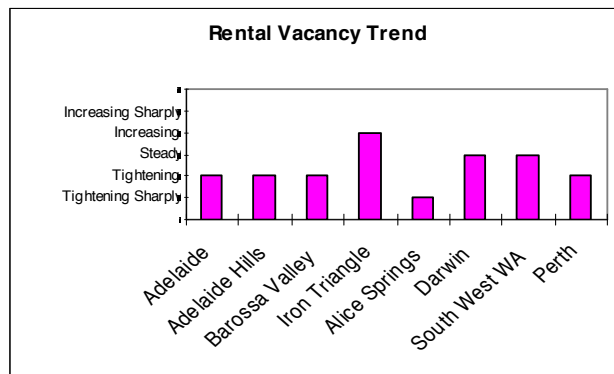


Northern Territory, South Australia & Western Australia Property Market Indicators as at November 2011 – Units

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

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



Northern Territory, South Australia & Western Australia Property Market Indicators as at November 2011 – Retail

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

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