Herron Todd White

Independent Property Advisors

The Month In Review

2012 FEBRUARY

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Contents

Peace of mind for your property decisions.

Herron Todd White
Independent Property Advisors

2012 'The Year Ahead'

Well, well, well – what brave souls we are at Herron Todd White. Once again a new year besets us and back we come, glass jaws jutting forward and ready to take on all comers.

Welcome all to 2012, we hope you've had a reasonable journey getting here. A few of us are sporting bruised portfolios, the odd dislocated yield and a bung capital growth or two as 2011 walks away the victor, arms raised in a "V". But what does not kill us etc, etc, etc.

It has been an extraordinary couple of years ladies and gents. Real estate has always been the dowdy, cardigan wearing cousin of the investment family. True, interest earning cash at the bank has all the joie de vivre of semolina, but property was always reliable, stable and dependable. This good husband of the investment universe has proven somewhat of a philanderer in recent times. It is difficult to recall there ever being such an extended run of reactionary market activity. Uncertainty pervades almost every sector. If a buyer is compelled by a 0.25% upward shift in interest rates to figuratively utter "Whoa there! That's a bit rich for my blood. I fold!", then the question might be asked why they took a seat at the grown ups card table in the first place. Yet our daily discussions with agents either have potential purchasers running barefoot to the hills due to an election being called (two party system people – one of them is going to win) or knocking down each other in a rush as China signs another gazillion dollar contract for our dirt.

Yes, 2012 will be a year of questions, or as former U.S. Secretary of Defence, Donald Rumsfeld, once mused:

"There are known knowns; there are things we know we know.

We also know there are known unknowns; that is to say we know there are some things we do not know.

But there are also unknown unknowns – there are things we do not know we don't know."

… ummm… what he meant I have no idea, but I do know that this month, Herron Todd White are looking to reduce anxiety about the knowns and unknowns - if you know what I mean. Our regular "Year Ahead" issue will hopefully set the scene for your 2012. Our prophetic professionals are gathering their wits and laying it on the line as to what may occur come the next 12 months or so. Also, as regular readers will know, come December we will then ask them to cast a glance back and tell us just how they went in the Nostradamus stakes.

For commercial readers, you lucky lot in the industrial sector get a ready reckoner on where the year may go. The commercial team have formed a ruck and are setting the plays for year to come in this oh-so-delicate of sectors.

Once again, there is only so much cheer we can spread in the pages of the Month In Review so to get the nitty amongst the gritty, give your local Herron Todd White office a call and make sure your eyes are up for the year ahead.

Welcome back and Happy New Annum to you all.

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1 February 2012

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Commercial Overview

2012 will undoubtedly be a challenging year for commercial property, and industrial is a sector certain to be dragged along by the tide. 2011 threw such a dramatic mix of bad news (Europe, falling retail sales, lack of confidence, natural disasters) and good news (mining boom, strength in the Australian economy) that it can be difficult to gauge exactly what's ahead for the coming 12 months. With such good local knowledge, industrial property participants should find this issue of The Month In Review invaluable for keeping abreast of developments over the coming year.

Sydney

Over the past five years the Sydney industrial market has been undergoing a transformation with the upper end of the market moving further away from middle to lower value properties. We expect this trend to continueover the next 12 months. In the last half of 2011 we witnessed an increase in the take up of larger warehouse facilities, with both online retailers and importers seeking larger space. With the number of quality larger warehouses remaining low, rental rates for these properties will likely benefit from some growth over the next 12 months.

At the other end of the market, demand for larger warehouses is relatively non-existent, with industrial users generally unwilling to sacrifice their requirements regardless of the rental discount. As a result we expect that rental rates and letting up periods will continue to be placed under pressure in 2012.

In the unit estate market, low levels of business confidence coupled with the potential for higher business lending costs will limit expansion plans of smaller industrial users. The resulting lack of demand for smaller suites will limit the level of rental growth of unit estate suites over 2012, with the market expected to remain firmly in the hands of owner occupiers.

In the coming 12 months it is forecasted that the industrial market will grow by 317,381 square metres. Much of this supply is however likely to be placed on hold as a lack of pre-commitment reduces the feasibility of these projects. In addition to this there is 758,324 square metres of floorspace which has been granted development approval but has subsequently been deferred.

As is the nature with the industrial market, we expect no significant changes over 2012, with the exception of a significant rise in lending costs. Capital values across all sectors of the market will likely remain unchanged in the coming 12 months.

Canberra

What can we say about the Canberra industrial market over the forthcoming 12 months, that we didn't mention at the beginning of 2011? Not much really. The dynamics of the Canberra industrial market means that volatility is a term generally unknown to local agents.

Over the last six months in 2011 we noticed a reduction in demand, with incentives rising and rental rates falling. This correlated with the slowing of the ACT construction sector, following the end of the last office development cycle. With these falls now behind us and a new lower benchmark set, rents will likely remain largely unchanged during 2012, with a steady housing construction sector maintaining the demand for industrial floorspace.

Unsure about the future direction of the market, we expect investors will continue to remain on the sidelines, unwilling to commit to the lower yields on offer. Owner occupiers will come to the rescue, with many small business owners seeking out the security of owning their own premises, subsequently placing a floor under capital values . The presence of these owner occupiers however, will be threatened if commercial lending rates rise as a result of the expected increase in wholesale funding costs.

If we place on our 'risk adverse' hat we would be cautious of investments featuring short term leases to bulky goods retailers. With retail spending remaining low, increased vacancies within DFO and the redevelopment of Westfield Belconnen in 2011, independent bulky goods retailers may begin to feel the pinch during 2012.

Wollongong

While the title of this edition of the Month in Review is "The Year Ahead", it is hard to comment on the outlook for the Wollongong industrial market over 2012, without first commenting on the issues which impacted the market over 2011. On August 22, 2011 Blue Scope Steel announced they would cease steel manufacturing for export within Australia and would subsequently be closing the No. 6 Blast Furnace in Port Kembla, resulting in the loss of around 800 jobs in the Illawarra.

The shutdown of the Port Kembla furnace will likely to continue to weigh on the market throughout 2012. While the closure will not have a direct impact on the level of supply, with the facilities likely to remain in Blue Scope's hands, the impact upon the support business will no doubt see a reduction in demand for industrial space within the Illawarra. With letting up periods already a concern, any further reduction in demand may result in rental downgrades over the coming 12 months.

Coupled with the shutdown of the Port Kembla furnace, investors remain uncertain about the overall outlook for the broader economy and the direction of the Illawarra commercial market. In addition investors who require yields greater than 9%, have effectively been priced out of the market by owner occupiers, who are willing to pay a premium to secure long term stability. With commercial lending rates predicted to rise, it is unlikely that the industrial market will witness an increase in investor activity over 2012.

However it's not all bad news for the Illawarra; quality properties and properties with strong lease covenants, while scarcely traded, remain in demand and will continue to secure higher capital values over 2012.

Country NSW

The local economies of most regional townships remain steady with improved seasonal conditions after years of drought. A two tier economy is emerging; towns experiencing mining activity benifiting from new economic opportunities and towns' without mining dependence are generally econimically flat.

Orange is experiencing a rental housing shortage, with motel occupancies running at around 90%. A number of proposals have emerged for construction of new motels however there is some conjecture as to their viability.

Construction of the Cadia East Gold Mine in Orange is nearing completion and will become the largest underground mine in Australia, at a cost of approximately $1.9 billion. The expansion will prolong mining in the valley for the next 30 years. Cadia have indicated that construction will finish around in about April 2012 with an estimated 1,000 contract workers being stood down. This should result in more normal market conditions with a permanent mine workforce of around 750 to 800 people. What impact the mine will have remains to unclear.

Coal mining around Mudgee has resulted in the development of a new industrial estate at Ulan. The first stage has sold out with prices around $90 per square meter.

The townships of Cobar, Broken Hill, Narrabri and Gunnedah are also strong due to a mining with an increase in economic activity.

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The opportunities exist in those areas where mining has not previously been active or where new large scale projects emerge. There is speculation of new mines opening near Dubbo which will stimulate the local economy and create opportunities in the industrial and hospitality markets.

Newcastle

With the new year brings uncertainty in the Newcastle and Hunter industrial property market. Having one eye firmly fixed on well publicised global economic troubles, investors are well aware of the continued reliance on the coal trade in Newcastle to prop up the local industrial market.

The Nathan Tinkler owned Hunter Ports' plan for its proposed $2.5 billion coal loader terminal in Newcastle has recently been unveiled. Situated on the former BHP steelworks site, the coal loader will create a new rail link and, remove around 90% of coal trains from residential areas (Hunter Ports claims) reportedly.

Hunter Ports Managing Director Steve van Barneveld explains "a highlight of our plan is to create a new rail corridor through the industrial land adjacent to the Hunter River." This industrial land is currently being acquired for the purpose of this development, effectively lessening some of the over-supply issues in and around Newcastle. The over-supply has seen land values fall consistently since 2008, however in 2012 we expect to see this fall in value flatten out, as land is slowly taken up, with no major releases in the pipeline. The slow rate of take up has been exacerbated by commercial lenders inability to lend speculatively on property without pre-commitments in place.

The general weakening of industrial property values in Newcastle is illustrated by the sale of a fully tenanted complex in the established industrial locality of Cardiff. The property has recently exchanged for $4.3 million. The same property previously sold in April 2007 for $5.2millionindicating a fall in value of 17% and a yield softening of 2.93% since the previous sale.

It's not all doom and gloom in the Hunter industrial market. While values are generally down, Beresfield and Thornton continue to remain the most solid areas locally. The adjoining areas of Beresfield and Thornton are bisected by the New England Highway and located mid way between Newcastle and Maitland. These areas are situated at the intersection of the F3 freeway to Sydney and the New England Highway which provides access to the greater Hunter Valley including mines in Muswellbrook and Singleton. Beresfield remains the number one position for distribution companies in the area due to the ease of access to the above mentioned highways.

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Construction is also well underway on the Hunter Expressway, which is intended to provide a new and more direct route to relieve congestion between the Rutherford, Maitland and Thornton regions and Newcastle, and reduce travel times between Newcastle and Branxton. With projected increases in freight task in this region, an effective connection will provide benefits for regional economic and social activity. The Expressway is due to open in late 2013 and we expect a positive impact on industrial demand for small areas like Kurri Kurri and Branxton.

NSW Far North Coast

The commercial and industrial market on the NSW Far North Coast has generally been slow over the past 12 months with continued low sales volumes and stable to steadily increasing supply. This trend is likely to continue throughout 2012.

As has been the case since 2008, quality generally prevails. The investors are unwilling to speculate on properties with inherent issues without strong returns and or stable tenancies. Quality properties in good locations have continued to show reasonable market interest.

The slow performance of the commercial property market during 2011 has been a result of continuing uncertainty in the world financial markets, continuation of reduced market confidence, and uncertainty as to whether the Reserve Bank will continue to raise interest rates. The recent cuts in official interest rates at the end of 2011 are yet to have any impact of the commercial market.

The market for industrial properties over the past 12 months on the NSW North Coast has been soft, with generally moderate demand in the current economic climate. Large industrial properties are rarely available as they tend to be closely held. Smaller industrial properties are being sought by generally owner occupiers with a smaller investor component.

The industrial market in Byron Bay remains relatively stable, however, there continues to be low volumes of sales. Strata titled industrial units within this locality have continued to attract reasonable interest due to entry level investment opportunities (under $400,000) with investors competing with owner occupiers, some of which utilize premises for residential use albeit illegally.

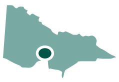
The industrial market in Ballina also remains stable with low volumes of sales occurring. However, recent sales of properties within the second half of the 2011 calender year have indicated falling value levels from the peak market of 2007 to early 2008. This is evidenced by the sale of an industrial property having frontage to a small tidal lake and improved with a modern style, single level industrial warehouse/office building which is sectioned into three components. The sale of $650,000 analyses to a yield of 6.1%, $437 per square metre of land area or $1,083 per square metre of building area. The property was previously purchased in November 2007 for $810,000 and approximately $90,000 was spent on the mezzanine and flat construction. This analyses to a discount of 28%.

The industrial and commercial markets have also been very subdued in the Alstonville, Lismore and Casino areas with very few sales and stable to steadily increasing supply.

Overall, the market for industrial properties will continue to be affected by a soft rental market and increasing statutory outgoings, resulting in owners being forced to accept lower returns on investment.

At this time there has been relatively limited mortgagee sales activity within the industrial and commercial sectors on the north coast. Mortgagee sales have tended to be within the residential sectors in the mid to upper levels of the coastal market. As a reult this has adversely impacted those segments. The industrial and commercial sectors have been well held with less activity and more modest downward pressure. Should mortgagee activity in this sector escalate we believe value levels will be adversely impacted.

In summary, subdued market conditions for the commercial and industrial sector are likely to prevail for 2012 with much dependent upon confidence in consumer demand and lender behaviour.



Melbourne

In an attempt to forecast the potential for the year ahead in the Melbourne Industrial market we have taken a look at its performance over the past year.

2011 Sales and Leasing Activity

The mid sector of the industrial property investment market maintained a steady position throughout 2011. We saw a reasonable volume of transactions with market rentals and capital values maintaining there overall position or slightly increasing.

Some examples of mid level industrial investment sales in the South Eastern Region include 29 Kimberley Road and 1-3 Ausco Place, Dandenong South. 29 Kimberley Road a circa 1997 concrete tilt slab office warehouse sold subject to a 2 year lease with a passing rental of $62,830 per annum net. The sale price of $835,000 reflected a market yield of 7.52%. 1-3 Ausco Place a circa 2000's concrete tilt slab office warehouse unit sold subject to a new 5 year lease with annual CPI rental reviews and a passing rental of $137,561 per annum net. The sale price of $1,650,000 reflected a market yield of 8.34%. The higher yield achieved for this property is reflective of the strata nature of the property, the higher price bracket and a rental rate towards the upper end of an acceptable market range.

There were a number of significant transactions at the upper end of the market in 2011. Major retailers were active in the Western region. Retailer Pacific Brands pre committed to lease approximately 40,000m? of space in Laverton North. National supermarket giant Woolworths leased an existing building of 52,600m? formally occupied by Kmart in Old Geelong Road, Hoppers Crossing, while Kmart moved into a larger 76,735m? facility at Banfield Distribution Centre in Truganina.

Two major 2011 sales in the Western region included a facility occupied by Pacific Brands in the Wyndham Industrial Estate, Truganina. The original developer Vaughn Constructions sold the 44,262m? facility to GIC a sovereign wealth fund wholly owned by the Singaporean Government for $35.50 million reflecting an initial yield of 7.65%. The property was sold with 10 years remaining on the lease and 3% fixed annual rental increases. GIC also purchased a Cadbury facility in the South Eastern region at Greens Road, Dandenong South. The 28,181m? facility sold for $33.24 million reflecting an initial yield of 8.50 %. The property was sold with 8.75 years remaining on the lease and fixed 3.75% annual rental increases.

....in the $5 million dollar plus Industrial Market we are anticipating vacancy levels to decrease....

The combined GIC purchase amounts to $68.74 million reflecting average initial yield of 8.06%. This was a significant international investment and a good indicator of consumer confidence in the Melbourne Industrial Market.

Looking Forward

Looking forward one of the main issues outside of the global economy will be the supply and demand of Industrial land. The Melbourne Industrial market has no shortage of vacant Industrial Zoned Land. The latest estimates have the south east region with around 2,432 hectares of industrial land supply, the western region having around 956 hectares, and the northern region 1,150 hectares.

Owners of industrial land in Melbourne include major developers Salta, Vic Urban, Leighton's, and Australand. A key issue affecting the value of industrial land is the land release strategies of the major players in the market. There is a general awareness amongst the major land holders that a mass release of industrial land would cause industrial land values to fall due to an overwhelming supply. The ability of these companies to absorb holding costs is critical to the industrial market in 2012. If one or two of the major land holders were forced to sell the market could be severely affected.

Generally in the $5 million dollar plus Industrial Market we are anticipating vacancy levels to decrease, and tenant enquiry to increase in 2012. Investors remain the most likely purchasers of property over $5 million; however we expect to see developers and possibly Australian REITS becoming more active in the later half of 2012. Owner occupiers are likely to continue dominating the sub $5 million industrial market.

It is hard to provide an economic outlook for the Industrial Market given the current uncertainty surrounding the European Economy. It is important to remember that the major stakeholders in the Melbourne Industrial Market are established, highly skilled, and have exercised a more cautious approach as a result of the GFC. While initially subdued by the GFC this market showed strong resilience and signs of recovery within a relatively short period of time. We would expect that resilience to continue in response to any immediate challenges the market may face.

Regional Victoria

MILDURA

There are a number of large industrial projects currently on the drawing board in the Mildura region, highlighting the diversity of our economy. The largest one is the construction of a new almond hulling cracking facility at Carwarp, south of Mildura. This $50 million facility is being constructed by Olam International The Singapore based company which, in 2008, acquired the large scale almond orchards developed under a MIS structure by Timbercorp, for a total sum of just under $300 million.

The mining industry came to the Mildura region in the late 1990s. There are now several mineral sand mines operating in the Ouyen, Pooncarie and Balranald districts, and more deposits have been identified. Minerals including rutile and zircon have been found in buried sand dunes, which formed the shores of a now ancient coastline. Mildura has been the logical choice as a base for many contractors who work for the mines, a helping fill demand for existing industrial premises.

The horticultural industry traditionally the backbone of Mildura's economy, has suffered in recent years. This is due to in the first instance to low irrigation allocations and, more recently, a high Australian dollar. Most of the produce from this area requires an above average level of cold storage (such as table grapes, vegetables, etc) processing and packing (wine, almonds, dried fruit and citrus) and logistics facilities.

....the horticultural industry traditionally the backbone of Mildura's economy, has suffered in recent years....

The Mildura region is not only home to Australia's largest citrus packing shed (by volume of fruit handled) but also a number of the nations largest wineries. The combined wine grape crush of the Mildura region represents over 20% of the national crush. This is approximately 15 times the size of the Hunter Valley industry and six times the size of the Barossa industry. While the packing sheds and wineries may not be currently expanding, there is still a lot of maintenance and upgrading undertaken each year, which in turn provides steady work for many local engineering and electrical contracting businesses.

After five years in decline, the 2012 wine grape crush appears to be shaping up as a year when wineries will be chasing fruit, albeit without any great willingness to pay higher prices. It appears the supply/demand equation is shifting towards favouring the grower, and perhaps the industry's fortunes have turned. Time will tell.

Mildura is located on the main Adelaide to Sydney freight route. Consequently we anticipate the transport industry to remain as one of the main economic drivers of the region. There are a number of major freight companies based in Mildura, together with associated truck dealers and repairers, and this industry has demonstrated that it is prepared to invest heavily in both warehouse facilities and truck depots.

Adelaide

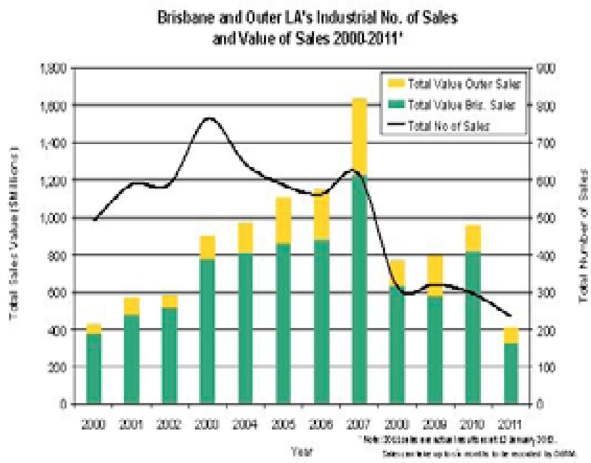
The Adelaide industrial sector is expected to remain steady, with a secondary market slowing in some areas. Negative sentiment, due to continuing economic uncertainty is still having an impact. Current infrastructure improvements to the north south transport corridor, including the South Road Superway and the duplication of the Southern Expressway)making the single direction highway into a dual carriageway) should provide better accessibility to the outer suburban industrial precincts of Adelaide.

The gap between primary and secondary stock is expected to continue growing, as investors look to better quality improvements in order to attract tenants. Secondary stock however, tends to be held by owner occupiers.

Projects associated with, or supporting, the mining sector are expected to create some activity, particularly as the Olympic Dam Expansion project gets closer to completion.

Brisbane

The graph below illustrates the significant decrease in sales volume from the peak of 2007 for industrial property located in Brisbane and surrounding areas. While sale volumes improved throughout 2009 and 2010, they were coming off a very low base and did not rebound to any great extent. 2011 remained weak with sale rates displaying no noticeable improvement. We are of the opinion that the completed sales results for 2011 will be softer than 2010, however this can only be confirmed when the recorded sales data is finalised anticipated by the end of March 2012). While the Australian economy is generally outperforming world economies, the industrial property market is being held back by the current prolonged period of volatility in world equity markets. This is giving cause for a continued lack of confidence within the industrial market and is also limiting new construction activity.



It is important to note that current forecast economic growth rates for Queensland provide an encouraging outlook for industrial activity in Brisbane. Business investment is forecast to improve by 27.75% in 2011 to 2012, as construction of liquefied natural gas (LNG) projects gathers momentum and resources investment grows. Export volumes are forecast to grow at a decade high of 10% in 2011 to 2012, as coal, tourism and agriculture exports recover from recent natural disasters. Economic growth is forecast to strengthen to 5.25% in 2012 to 2013 leading to further growth in business investment, as expected stronger domestic demand allows for non-residential construction to improve. The real level of business investment is forecast to exceed $55 billion in 2012 to 2013, to reach 20% of GSP, the highest share on record (Source: Queensland State Budget Strategy and Outlook 2011 to 2012).

So with industrial activity seemingly likely to increase in Brisbane, where is the growth to be seen and where are the opportunities best sought?

Located adjacent to the International and Domestic Airports, "TradeCoast Central" is one of the premier industrial estates, and it is continuing to develop with increased momentum as road works on the Gateway Motorway and associated infrastructure are now largely complete allowing for increased access to Motorways going both north, south and west of the city. This master planned estate is already home to several major Australian and International occupiers including the Volgren Bus Depot, Bluescope Steel, Followmont Transport, Schnieder/Clipsal, Pacific Brands, Daher Engineering, Energex, EB Games and Reece.

Industrial properties affected by the January 2011 flood event have generally seen both their values and yields soften as a number of tenants have sought to move to "higher ground" whilst other tenants have viewed it as an opportunity to profit from lower rent and/or increased lease incentives offered to place them in flood affected areas. While sales activity remains slow we would suggest that there may be opportunities to acquire flood affected property at reduced sale prices whilst ever vendors remain keen to dispose of these properties. As time goes by the number of vendors keen to dispose of property primarily because of this flood event will be reduced as any perceived imminent risk of flood is generally extinguished from the mindset of purchasers and tenants alike.

Given the current low supply of new industrial warehousing available throughout Brisbane, as a result of developers being either cautious or unable to source funding for speculative development, we would anticipate that rents and yields for prime warehousing should firm through 2012/13. Both investors and owner occupiers may begin to become more active in the secondary industrial property market as prices, rents and yields have all softened to a level that will encourage market participation.

Gold Coast and Tweed Coast

The construction sector has always been a vital factor in the Gold Coast industrial market. The construction boom during the pre GFC period was the catalyst for the rapid growth and we recall inspecting numerous industrial buildings and strata units that were occupied by tenants involved either directly or indirectly in the construction industry. There were steel fabricators, plasterboards suppliers, door and window manufacturers, cabinet makers, mechanical and electrical contractors, tool and equipment, scaffold and fence hire businesses, builders requiring storage space and many other businesess serviced the building construction industry. Post GFC, construction activity has decreased significantly. One after another, these businesses have either folded, downsized to smaller space or relocated, contributing to the disequilibrium in supply and demand.

Despite the gloom and doom, construction of new buildings has not come to a standstill in the industrial market. Sporadic construction of new standalone industrial buildings from Central to the North Gold Coast has been ongoing despite the large number of vacant premises for sale or lease. A few new strata complexes were also added to the market in Helensvale and Yatala. While take up has been slow and low, over time, resilient local and interstate businesses have gradually absolved the large overhang, resulting in a dwindling stock for sale. Local agents are talking up the positive signs but the market is still beset by cautious buyers, lenders and bargain hunters looking to score on the cheap buys. Putting it another way, there is no rush to buy or build more buildings.

....despite the gloom and doom, construction of new buildings has not come to a standstill in the industrial market....

Among the confirmed sales in the last quarter of 2011 were four freestanding industrial premises in the Yatala Enterprise Area, one in Helensvale and two buildings in Burleigh Heads, with a total sale value of $12.2 million. At Helensvale, a property on Millennium Circuit has finally sold after several years of marketing. The vendor has accepted a price of $1.75 million ($1,690 per square metre on gross floor area) after trying to sell for more than $2 million. At Burleigh Heads, two older industrial premises are confirmed as sold. A 980m? warehouse on Central Drive with very good exposure to passing traffic sold for

$1.498 million while an older multi-tenanted building at Kimberly Road sold for $1.85 million. Both properties exhibited low values of approximately $1,200 to $1,300 per square metre on gross floor area which indicates the market is still moving south for this particular area.

Some sales that occurred in late 2010 and early 2011 had sparked fears that industrial values in the Yatala Enterprise Area would plummet further. However, the latest sales of three investment properties within Access Business Park and Motorway Business Park have brought some stability to this market. At Motorway Circuit Ormeau, a new factory sold ton an investor with a new lease in place, for $3.165 million, reflecting a floor rate of $1,446 per square metre. An older factory at Lahrs Road, Ormeau was sold to the adjoining landowner for $2.1 million or $1,382 per square metre of gross floor area. An investor, who owns a leased property at Central Park Yatala, has invested in another tenanted property at Access Avenue, Yatala for $1.5 million or $1,200 per square metre on gross floor area. The Ormeau sales have equalled the floor rates achieved in early 2010. Nevertheless, there is still instability in the values of vacant sites with vendors under pressure to accept lower than expected prices. Prime sites in Ormeau would battle to achieve above $300 per square metre, an example being a 9,000 square metre site on Lahrs Road which is now asking $240 per square metre.

The sale at Access Avenue plus another sale of a factory at Stanmore Industrial Estate for $1.8 million ($980 per square metre on the gross floor area) did not improve on the $1,060 per square metre sale of a factory at Central Park Yatala achieved in late 2010. The enhanced value for the Access Avenue property was reflective of its superior location.

While the stock for sale appears to be falling, we expect that a significant number of properties will be added to the market by mortgagees in possession this year. If this happens, it will dampen any chances for improvement in values in the coming months. The recent public auctions of industrial properties have also produced dismal results with either no bids or unacceptable low bids. In a few cases, post auction negotiations were necessary to achieve a sale.

The $1 million and below market is still dominated by owner occupiers. Local agents are reporting a reasonable level of demand for strata units of less than 300 square metres or those priced below $300,000. Surprisingly, some have sold in a relatively short time of marketing. There were various sales for $400,000 to $600,000 in Central Gold Coast in the last quarter but it was a struggle for some of the agents.

We have noticed that the number of "For Lease" signs are diminishing, but a search on the internet still produces a significant number of listings. Nevertheless, due to the termination of construction activity, we have been expecting vacancies to shrink in all areas. Throughout 2011, rental rates stabilised at a level of $100 to $110 per square metre per annum net. This is an early sign of a return to equilibrium with landlords gaining a stronger chance of securing a tenant with decreased competition and no compulsion to lower rent. However, it is still too early to expect any increase in lease renewals.

Many locals have high hopes that the selection of the Gold Coast to host the 2018 Commonwealth Games will kick start an upturn in the market cycle. Unlike shares however, the property market is highly inelastic and the rebound may only materialise when the blueprints for the Games infrastructure is unveiled and preparatory works begin. Meanwhile, the ongoing works for the Gold Coast Rapid Transit scheme, as it goes into full steam, will provide an impetus for the return of confidence but the threats of a Euro Zone recession and talk of another global economic crisis may cause ripples of economic instability and prolong the down cycle of the industrial market.

Sunshine Coast

The Sunshine Coast industrial market is likely to remain slow during 2012, with limited local economic drivers.

The industrial market in this region has traditionally been dominated by the local construction industry. This industry has been subdued over the past two to three year period and as a result we have noted a significant slow down in the industrial market.

We have however witnessed some important recent events in the local market, with recent sales to Bunnings at Maroochydore and Coolum, and Masters purchasing a site at Noosaville. This illustrates confidence in the region by national companies which we anticipate may flow through to smaller companies looking to expand into the region.

....the industrial market in this region has traditionally been dominated by the local construction industry....

The largest infrastructure project currently undertaken in the region is the Sunshine Coast Hospital, which has commenced development at Kawana. This is a very large project which will provide work for local trades and supplies in the construction industry on both the site itself, and adjoining commercial sites and for associated work and houses for workers, etc. This is likely to add demand for industrial space into the market.

High levels of land however are still available in the Coolum and Caloundra industrial estates with a new estate to be completed shortly in the Noosa industrial area. This oversupply of land is likely to satisfy requirements over the next two to three year period, based on historical evidence. Therefore value levels are likely to remain depressed over the next 12 months in this sector.

Southern Queensland

TOOWOOMBA

Demand for Toowoomba industrial property in 2012 is expected to remain strong due to increased activity in the Surat Basin energy and mining sectors. Toowoomba is regarded as the closest major city to the energy and mining projects in the Surat Basin, is positioned to benefit from a number of related industries.

Regional towns such as Dalby, Chinchilla, Miles and Roma are located closer to the energy and mining activity and are therefore in a stronger position to accommodate the industries that directly support the sector.

....the precinct primarily provides larger scale end users with the minimum lot size set at two hectares....

The Charlton/Wellcamp Industrial Precinct is located to the west of the city of Toowoomba and is seen as the future location for the growth of the region's industrial development. The location of the industrial precinct was chosen due to its proximity to the Western Railway, the proposed Inland Railroad and the connection point between the Warrego Highway and the planned Toowoomba Bypass, which will also provide a link to the Gore Highway to the south. The precinct primarily provides larger scale end users with the minimum lot size set at two hectares. Construction of the first stage land subdivision in the Charlton/Wellcamp Industrial Precinct is due for completion in May 2012. The development reportedly has pre-commitments from two major poly pipe manufacturers.

Central Queensland

ROCKHAMPTON

Rockhampton's industrial offerings are predominately concentrated around the northern suburbs of Kawana, Park Avenue and Parkhurst with other scatterings located on the fringe of the central business district. Supply of quality industrial buildings for lease and for sale is very low at present. The limited supply has impacted the sales volume during 2011.

Demand remains moderate as agents report increased enquiry from the market for warehouses ranging from 400 to 600 square metres and over 1,000 square metres for lease. A number of industrial sites over one hectare were sold during 2011, many for owner occupation.

During 2012 all eyes are likely to be on Gracemere. Queensland Premier Anna Bligh, on a recent trip to Rockhampton, turned the soil on the Gracemere Industrial Access Project. The project, reportedly worth $50 million in construction, will open up new industrial land parcel in Gracemere through a road and rail overpass.

According to the Queensland GovernmentTRansport and Main Roads, development of the Gracemere – Stanwell Industrial Precinct has been limited due to height restrictions for vehicles crossing the Blackwater Rail Corridor to access the industrial land. They report that there are also safety concerns for heavy vehicle traffic due to insufficient storage room between the rail line and Capricorn Highway. In the past, this has led to many near-miss accidents between rail traffic and heavy vehicles and is a major safety concern for the community.

Land in the Gateway Industrial Estate is currently selling for between $60-$80 per square metre. Construction of new industrial warehouses in the industrial estate located on Somerset Road, has been completed and further development is set to commence during 2012. Two recently constructed high bay warehouses have achieved rents ranging from approximately $130 -$145 per square metre gross. Industrial land is still available for sale and provides 2,000 to 4,000 square metre sites.

Mining will continue to be a major driver of the Rockhampton/Gracemere Industrial Market. It is likely there will be overflow businesses and industries from Gladstone setting up shop in the area as quality industrial and commercial offerings are also close to exhaustion.

BUNDABERG

The Bundaberg industrial market in 2011 was very quiet on all fronts. There have been no recent sales of vacant industrial sites with the exception of a 1.96 hectare commercial industry site sold by receivers. It included five (5) titles and sold at $1.35 million reflecting $69 per square metre. This is well below the prior level when it sold in May 2007 for $2.768 million ($141 [per square metre). This sale is likely to form the benchmark for value levels for commercial industry land until further sales evidence is available.

Owner Occupiers were the prominent purchasers of improved industrial property during 2011 due to the volume of vacant buildings put to the market in forced scenarios. Theses sales indicated value reductions from prior levels in the $900 to $1,000 per square metre to the $700 to $800 per square metre floor area range.

Yield rates appear to have settled between 8% to 9.5% with most properties in the 8.5% to 9% range. In North

Bundaberg a $440,000 property sold at 8% and a $1.74 million property sold at 8.9%.

Good rental evidence to determine market rental rates has become difficult to source. Rentals tend to range fairly widely with incentives and other deals being offered to attract tenants.

Our expectation is that the market will improve in 2012. The Bundaberg industrial market should continue to benefit from the strong demand in Gladstone and opportunities are likely to escalate in 2012. We see the Kensington Airpark Estate being the premier estate for commercial industry development. It is difficult to select other stand out estates however, those with good access to the Bundaberg Ring Road may become more desirable over time.

HERVEY BAY

Supply of industrial space is beginning to decline in Pialba which will hopefully see enquiry increase in the Dundowran and Urangan Industrial Estates. These estates have struggled over the past two years due to the high level of supply and limited demand. Lessors need to be negotiable as competition for tenants still remains strong and incentives have to be offered to attract a perspective occupant. Base prices for vacant industrial land remain around $110 per square metre excl GST in the Dundowran and Urangan estates and strata units are ranging from $1,000 to $1,400per square metre. Owner occupiers have been the most active purchasers over the past six months and a number are tenants purchasing the unit they occupy. There are a number of properties on the market at present and vendors appear to be negotiable on price to clear stock.

A recent proposal for an aircraft service precinct at the Hervey Bay Airport Industrial Estate is positive news for the location and, if achieved is likely to create a much needed upturn in the industrial market. As reported in the Fraser Coast Chronicle on 16 Jan 2012, "The aviation industry is on the verge of injecting $71 million and 1400 jobs into the region. Fraser Coast Regional Council has proposal for a $10 million upgrade to the Hervey Bay Airport selected by Regional Development Australia Wide Bay Burnett to move to full application stage. If the airport development proposal is successful in February, it will draw down $5 million for the project from a total pool of $200 million in Commonwealth funding for regional Australia and match this amount dollar for dollar from its own coffers".

Recently, interest has reveived for Maryborough industrial property such as the Moonaboola Estate north of Maryborough. National transport and logistic companies are now considering this location as a viable stopover for trips between Sydney and Cairns. This enquiry is however yet to translate into sales or leasing.

....there is considered a good supply of land available to the market at present (approximately three years supply at current long term take up rates)....

MACKAY

The Mackay Industrial market was relatively stable throughout 2011, and it appears the beginning of 2012 may be no different. This sector of the market is heavily influenced by the Bowen Basin coal industry. While some indicators point to a further strengthening of this resource sector, there is some concern the current state of the global economy may impact on resource demand and consequently the industrial market in the city.

Mining giant BMA's expansion of the Hay Point Coal Terminal and further construction programs announced for Bowen Basin coal mines will most likely keep confidence relatively strong, barring any worsening of the global economy.

There is considered a good supply of land available to the market at present (approximately three years supply at current long term take up rates). This should keep the industrial land market relatively stable, although there may be potential for value levels to be negatively affected if demand falls.

GLADSTONE

In 2011 we saw signs of improvement in the Gladstone Industrial market due to flow on effects from the commencement of construction of the Liquefied Natural Gas (LNG) projects. Rental levels have not increased over the last 12 months and very few new industrial rentals have occurred. In 2012 we anticipate growth in sales volumes however, there is no certainty.

Cairns

The industrial sector in Cairns is relatively small with areas close to the CBD experiencing the strongest demand. The market has come back from its peak in early 2008, with a slowing in the rate of sales and yields easily back by about 10% to 15% from the record low levels observed at this time. We believe yields for industrial premises at present analyse in the 8% to 8.5% range, from the 6.75% to 7.25% range previously evident. Commercial agents advise limited availability of good quality stand alone warehouse stock with reasonable demand for same. Strata titled industrial warehouses are proving more difficult to lease, with most demand being from owner occupiers as opposed to tenants.

The tight serviced industrial land supply situation that previously existed has been alleviated to some degree with the State Government introducing additional lots to the market at Woree. There are now avaiable around 30 lots with areas of 2,000 to 3,000 square metres available, albeit at ambitious asking prices. Lots of this size are also much larger than what the typical small owner occupier requires which is in the 1,000 square metre range.

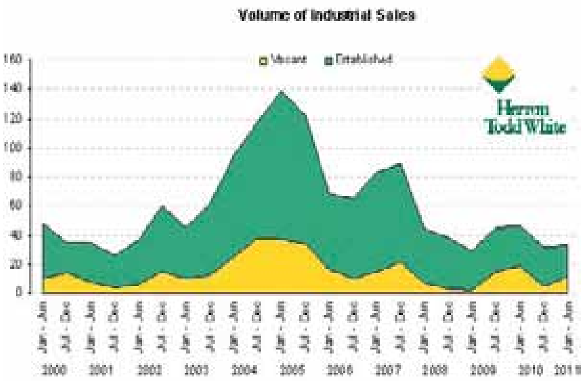
Due to the downturn in the local economy and reduced demand from tenants and purchasers, rents have shown slight decreases over the last three years.

There is limited quality investment stock available for purchase in the Cairns market. This will tend to support values over the short to medium term. The outlook for secondary stock and smaller industrial units is for continued slow activity over the next 12 months or so. A recovery in the vacant industrial land market in Cairns may depend upon a more widespread recovery in the local economy.

Townsville

The year ahead in the industrial sector is likely to experience patchy sales. Good buildings in prime locations with favourable tenancy profiles are those likely to sell, with properties that fail to tick all the boxes are liable to languish in the investor circle.

Townsville's industrial sector has historically ridden on the back of the mining and resources economy experiencing substantial expansion and growth during the two surges through 2002 to 2008, fuelled by the booming mining sector.



After a very slow start in 2011, sales picked up slightly in the second half of the year with the turnaround towards quality property within the manufacturing, warehouse and distribution sectors.

There is currently an abundant level of available established and vacant industrial stock, of which is placing downward pressure on value levels of both established and vacant stock. This is further impacted by the number of properties being offered to the market under duress.

Many commentators tend to agree with industry specialists who predict that resource activity will surge in Queensland over the next two years, which may be a catalyst for the next upswing in our floundering industrial sector.

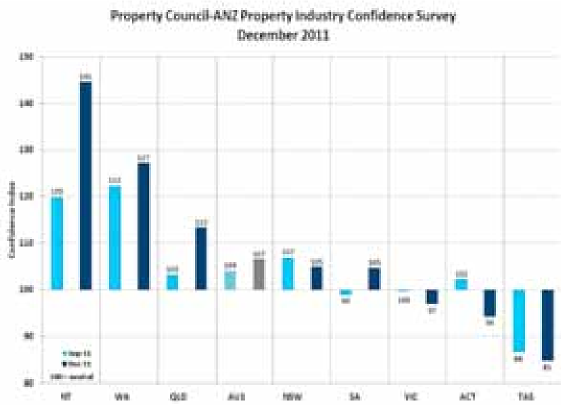
Nevertheless we do not expect there to be any generic increase in value levels over the foreseeable future, due to the current volume of stock available. We may however witness an increase in the sale volumes in the back half of the year.

Darwin

This month, we will address the outlook for the industrial sector in 2012 and, in particular, whether there are any major projects on the horizon or new events likely to affect Darwin's property market.

One project comes to mind having been mentioned from time to time. On 13 January, Inpex at last announced that their $34 billion Ichthys LNG project will base its onshore processing facilities at Blaydin Point, Darwin. In the release, Inpex stated that "Ichthys will truly be an international collaboration. An estimated 3,000 jobs will be needed in Darwin during the peak of construction with a further 1,000 offshore. Once the project is in operation we will require approximately 700 permanent positions".

Inpex has never contributed to the hype about the impact their project this will have on employment in Darwin. It has made clear that a majority of the work will be located offshore and be transported to Darwin. Even so, a December 2011 survey by the Property Council of Australia resolved the Northern Territory to be the most optimistic property domain of all the states. That optimism may not be entirely misplaced, given that Australia's Resources Minister reported that this is the second-biggest investment in a single project in the history of Australia Ichthys also stated in its press release that "all successful tenderers to the Ichthys LNG Project in Australia had to demonstrate how they will maximise the use of Australian products and services". So while the input could represent 18 to 20% of GSP over the next five years, it remains to be seen just how much of that will percolate through to the Northern Territory community.



Source: http://www.propertyoz.com.au/library/PICS%20DEC%20 2011%20CHARTBOOK.pdf

Hidden among all the Inpex hype, the Land Development Corporation quietly continued progressing the development a Marine Services Precinct at East Arm. This precinct has the potential to have a pivotal effect not only on Darwin's industrial property market, but on Darwin's sustainable long term future. We understand an important announcement is imminent.

The Marine Services Precinct relates directly to offshore gas, but is not confined to Inpex. There are many more potentially major projects on the horizon. There is heightened activity right across the NT in mining and energy exploration. For example, the major oil explorer Hess Corporation have bought into Falcon Oil & Gas Limited's Beetaloo Basin project. Although requiring fracking has recoverable reserves estimated to be five times bigger than the Ichthys field. The virtually unexplored Georgina Basin lies below the Beetaloo Basin, and the Southern Georgina, Amadeus, Pedrika, and Wiso basins have even more recoverable gas, but less oil than Beetaloo (9BBO compared to 14BBO recoverable at Beetaloo).

....the unevenness in the performance of the industrial property market is mostly due to locational factors....

Much of this minerals and energy interest is coming from the economic giants to our north: China and Japan. While China has massive gas reserves of its own, Japan does not. So the NT may be able to service Japan's energy needs even further, and the prospect may be realised sooner than generally thought. But as to whether these horizons are near or far, or should or will happen, we cannot say. But they are there, and as the chart above illustrates Territorians are an optimistic bunch, prepared to give things a go.

Perth

The industrial property market in 2011 experienced a mixed year, although values overall held steady. The high growth in the mining sector provided an important impetus to this property market. Businesses involved in manufacturing or servicing this boom sector expanded their operations in order to meet increased demand and achieve higher levels of output. This has shielded this market from the instabilities and volatilities of the global economy that has affected other property market sectors and indeed other asset classes. However businesses dependent on the mining sector are not evenly distributed across Perth's industrial suburbs and consequently some industrial property markets have performed better than others.

It is anticipated that this year will continue similarly, with prime industrial suburbs close to the Perth CBD, or in proximity to major infrastructure such as airports, commercial rail terminals or ports, likely to maintain or increase in value. On the other hand, secondary industrial property markets, particularly those suburbs situated at the fringes of the Perth metropolitan area, are likely to endure subdued demand and potentially further contraction in capital values. Further south, the Mandurah industrial property market appears to be performing well despite its languishing residential property market. This is most likely due to the continued patronage from the south western rural sector that has performed quite well over the 2011 calendar year. Farmers of the southwest not only see Mandurah as a holiday destination, but also a source of inputs required for their agricultural activities and an investment market purchasing both residential and commercial properties.

As already mentioned the strength of Perth's industrial property market is due in part to the growing mining sector. The businesses producing and servicing this sector have largely driven the demand in many suburban industrial property markets, particularly the prime industrial suburbs of Welshpool and Kewdale and secondary suburbs such as Henderson which possesses its own port facilities in addition being close to the Fremantle port. On the other hand, the State's, and indeed the country's two-speed or multi-speed economy has also resulted in difficulties for businesses that focus on the non-mining sector.

Naturally continued demand from China is vital in sustaining the growth of the northwest and many forecasters consider that a slow-down in Chinese economy is inevitable this calendar year. China has effectively bought its way out of the Global Financial Crisis by replacing the softening export markets with the application of policies aimed at increasing local demand and consumption. They did this by way of increased infrastructure and property development that has created more jobs, higher incomes and improved living conditions. However, this cannot continue indefinitely and without its biggest export markets of Europe and the US overcoming their recessionary pressures, the Chinese economy will inevitably have to adjust accordingly. At the present time however, it appears that the major resource companies are not slowing their expansionary aims, which is good news for many of this State's businesses.

The unevenness in the performance of the industrial property market is mostly due to locational factors. Being close to the necessary infrastructure and enabling efficient supply of products to the mining sector is clearly important. The suburbs which lack such attributes tend to comprise businesses which provide products and services to their local populations. Often these businesses depend on a buoyant residential property market, which over 2011 was not the case. Lower residential property values has meant many households have lost access to further credit and increased costs of living has resulted in less spending for other products and services.

For Perth's smaller industrial property market, such as Strata Titled and sub-3,000 square metres stand-alone properties, investor participation has been declining since the GFC. This market segment has almost entirely been driven by owner occupiers. However, to date it has not hindered this segment of the industrial property market. In fact this feature has to a large extent protected it from the price volatilities experienced in other property and asset markets. This is largely because owner occupier buyers purchase for business purposes and acquire properties generally in order to fit the requirements of their operational demands. This has resulted in a dichotomy within this segment, whereby the supply of smaller properties in this segment, accommodation of 350 square metres or less, has increased. Larger industrial properties, on the other hand, are in much shorter supply. Consequently, sale prices reveal rates which vary according to quality rather than size. This characteristic also holds in the industrial rental market with rental rates not varying significantly on size alone. It is not uncommon for larger factory or warehouse units to achieve sale and rental rates higher than their smaller counterparts. Overall we consider that this segment of the market will continue to show limited investor potential, but continued opportunities for owner occupiers. Furthermore with affordability of the sub-350 square metres improving, the opportunities for establishing businesses looking to make their first industrial property acquisitions are increasing.

Price volatility in this segment is also mitigated by tight lending, with loan-to-value ratios topping at around 65%. This reduces the risks associated with mortgage interest rate movements.

For larger industrial properties the main issue, even following the GFC, has been limited supply. Demand in this segment has continued to outstrip supply. However both investor and owner occupier buyers active in this segment tend to be better informed and clearly demonstrate an unwillingness to buy at any price. Passing yields on investor purchases in this segment reveal healthy returns with passing yields generally upwards of 7.5%. Capital values have tended to rise, although not radically, and this is likely to persist over the course of 2012. These conditions generally make these larger assets, despite the high quantum of dollars involved, quite liquid. Reasonably priced larger industrial properties generally sell between three and nine months. The major price pressure in this segment is in the rental market, as limited supply will continue to place an upward pressure on rates.

Overall external global economic and financial factors will continue to influence the industrial property market, however mostly limited to investor participation particularly at the lower end of the market. For the more marginal segments of this market, particularly those suburbs (dependent on the local economy) situated at the fringes of Perth's metropolitan area it is likely that values will remain flat at best, at least until there is some meaningful recovery in the residential property market. However, the industrial property market possesses a security and stability that few other assets types can match, due to the continued expansion in the State's mining sector, conservative financing, the high level of owner occupation at the smaller end of the market and savvy investors participating in the premium end of the market.

....the medium to long term future of industrial investment in the South West region looks optimistic, with plans for a 500 hectare Preston Industrial Park submitted to the WA Planning Commission....

South Western WA

Looking ahead at the industrial property market for 2012 in the south west of Western Australia it is expected we will see more of the same as was experienced in 2011. 2011 showed a fairly subdued market with a small but steady volume of sales transactions.

The medium to long term future of industrial investment in the South West region looks optimistic, with plans for a 500 hectare Preston Industrial Park submitted to the WA Planning Commission. There are also reports that the Bunbury Port may possibly expand to include future coal exports, a move that would require major infrastructure upgrades and no doubt bolster the industrial market.

However, at the moment there is an (oversupply) of industrial property for lease, particularly in the Bunbury area. This is putting downward pressure on rents and holding back market growth, and could potentially impact values during 2012.

The market is considered to be at, or near, the bottom of its cycle and we do not expect any great market increase during the coming year, at least not while until vacancy levels decrease and while the global economic uncertainty continues.

Nevertheless, the local economy is supported by a number of continued infrastructure and expansion projects these will hopefully build business activity and momentum during 2012, with a corresponding pick up in market activity for the commercial property sector.

If you are looking to buy, make sure the fundamentals of the property are right and be prepared for a possible continuation of the current slow period before market conditions swing back in the seller's favour.

Residential Overview

As we head into another year in the residential market, it is difficult to predict how things will progress. 2011 threw up plenty of challenges with the continuing resources boom counterbalancing poor economic global performance and some lack of business confidence. The challenge is trying to see through the macro and micro indicators and come up with a balanced view on how residential will perform this year. It seems that good local knowledge of each market's different sectors is vital. The big picture view and blanket statements can prove all too general in a market like this current one. It is for this reason that this month's Month In Review could prove the most informative of our "year ahead" issues yet.

Sydney

Expectations for the year ahead in north-west Sydney are generally pretty positive with the residential market expected to remain fairly steady. This area is still growing at a fairly rapid rate with major land subdivisions and new estates in the Hills/Blacktown area (The Ponds, Rouse Hill, Ropes Crossing, Bunya Estate at Doonside) and Penrith (Jordan Springs, Waterside development at Cranebrook, Glenmore Park and Claremont Meadows).

Despite the influx of supply of vacant building lots, it would seem that demand continues to keep up. The first stage of Jordan Springs, on the fringes of Penrith, has been very well received by the market, with further staged releases planned for 2012. The Ponds and surrounds continue to go from strength to strength with sales of improved sites built on 2 years ago showing signs of good levels of capital growth.

We are seeing signs that small investors are continuing to return to the market in good numbers, looking to take advantage of strong rental returns in areas such as Mount Druitt, and possibly spooked by the stock market fluctuations of late 2011.

Best bets for 2012 would be most areas in the west at the lower to middle end of the market. This segment of the market should see steady capital growth and strong rental returns throughout the year.

The Hills acreage/prestige market appears as though it will remain quite stagnant with negative growth a possibility through 2012, so probably one to avoid.

Eastern Suburbs and South

The big influences looming for 2012 on property markets in Sydney are largely dependent on the current economic climate in the USA and Europe. Conditions will be similar to 2011. There is a level of uncertainty across the market with contributing factors such as stamp duty concessions for first home buyers ended and uncertainty about unemployment levels and interest rates.

As a result High end markets such as the Eastern Suburbs will be worst effected if the predicted white collar recession eventuates.

The coming year will still present opportunities in the lower to mid range Eastern Suburbs, as well as mid range dwellings in the Botany Bay, Leichhardt and Marrickville LGAs.

Interesting property news for 2012 includes the proposed Sharks residential/commercial development at Woolooware which is to be determined by the State Government this year.

Work on the light rail extension through the inner west is also due to be completed late 2012/ early 2013 which will result in residents having faster and more direct public transport options direct to the CBD.

In summary market conditions for the first half of 2012 will be subdued as investors/home buyers will be increasingly weary of world economic conditions that may result in unemployment slowly rising in white collar sectors affecting top end property prices. Conversely as interest rates decrease to stimulate the economy investors will enter the market at the lower end on the back of good rental returns.

South West Sydney

The problem the market is facing in 2012 will be how prospective purchasers react to the changes to the stamp duty exemption. This may price out first home buyers who fuel the market in the south west suburbs. The upper range of the market has already stalled with very few high end properties selling in the last 6 months. The unemployment rate will also cause some effect. Some property experts are predicting property prices to fall in 2012.

There is a second 'expert' opinion. With two interest rate cuts in late 2011 and a potential rate cut in February, many are predicting prices to stabalize and grow in late 2012.

Local agents in Western Sydney believe immigration is another possible reason for increase in property value. Areas surrounding Auburn and Parramatta remain popular. With cheaper prices and a central location, foreign purchasers have kept the market strong and is predicted to continually grow in 2012.

In Liverpool and Fairfield areas, the upper range has slowed. However, the properties under the median prices are selling quite well and are also expected to continue in 2012.

....value growth during 2012 can be expected for quality properties in well regarded locations....

Bankstown and Liverpool areas will have the good 'buys' in 2012 with unit prices approximately $200,000-$250,000, providing a good rental return of approximately $300-$340 per week which would represent a solid net yield. Unit sales have been strong in these areas approaching the New Year, despite falling slightly since last year, there has been constant interest and movement with investors taking advantage of the lack of rental options available.

Canberra

Towards the end of 2011 higher supply levels, and lower sale volumes saw the market begin to stabilise from the growth it enjoyed throughout 2010 and earlier.

The market has entered 2012 in a steady position with an outlook of a swing to a buyers market. The increased supply levels of land, houses and units will give more options to potential buyers particularly in the Gungahlin region, which is mainly a mix of affordable and mid-range property.

Value growth during 2012 can be expected for quality properties in well regarded locations, namely inner suburbs close to Canberra's CBD, while growth in outer areas may be limited. Vendors in 2012 can expect longer marketing periods or may need to lower their expectations.

The rental market in 2012 will also see an increase in supply and possible a rise in the vacancy rate. Large unit developments proposed or already completed, and on the market include Axis in Lyneham, Dockside and Bridge Point on the Kingston foreshore, Kingston Place in Kingston and numerous apartment complexes in Gunghalin.

In addition to the higher density unit developments completed and proposed, land releases continue to be scheduled. The district of Gunghalin is the main area of land development with further land releases occurring in the suburbs of Crace and Casey and the planned new suburbs of Moncriett and Kenny. South west of the city in the Molonglo area, land releases are planned and underway with new suburbs Wright, Coombs and new Weston currently being developed. Across the border land releases are planned along with other mixed use property for the new Googong Town Centre.

This years federal budget will be aiming to address the current deficit with potential to impact the government workforce. As a traditional driver behind the Canberra economy, there is a chance there could be less population growth from a smaller migrating workforce. Apart from natural growth, positive population drivers include students starting the new university semester, professional and other private sector workers migrating and construction workers coming to service the strong demand in that sector.

So overall, 2012 is predicted to provide increased supply to the rental and sales markets, a possible rise in the rental vacancy rate and good purchasing opportunities.

The September median prices of $520,000 for houses and $415,000 for medium density property are expected to remain stable.

Wollongong

Here we go into a new year, with uncertainties still present in our market. While 2011 finished with a rush, we now look at what lies ahead in 2012.

In 2012 the Wollongong Local Government Authority (LGA) will focus energy on rebuilding jobs lost from the Bluescope Steel redundancies, the commencement of expansion of the Crown Street GPT shopping centre, the upgrading of Crown Street mall and the completion of the refurbishment of the Bathers' Pavilion.

The Crown Street mall upgrade will commence in 2012 after gaining council approval in December. After 25 years the mall is dated and tired and, as the focal retail strip for the CBD, its overhaul will provide a much needed facelift for both visitors and residents.

We will also see the upgrade of the iconic Bathers' Pavilion on North Beach which, combined with the recently completed Blue Mile pedestrian walk, will bring a modern focus to the main beach area.

(Insert BathersPavilion Photo).

In the south, progress is well underway for the first release of land in the West Dapto Urban Release Area. West Dapto has been identified as a priority new release area for the region and will deliver approximately 290 new sites in the first release. The area is located 12km south of Wollongong and covers an area of approximately 4700 hectares. The release area will provide an additional 17,000 dwellings, 50,000 people and 184 hectares of employment land over the coming decades.

The Shellharbour LGA (approximately 70,000 population) will benefit in 2012 from the long awaited commencement of the boat harbour and marina.

For the month of December 2011, the NSW Office of State Revenue reported that 195 grants were awarded to first home buyers in the Illawarra. This was double the amount for the same period in 2010 due to the NSW State Government's stamp duty exemption for first home buyers ceasing on 1 January 2012.

Local agents reported an increase in enquiries from early October and market activity steadily rose through to December as first home buyers sought to take advantage of the exemption which could save them up to $18,000 for both established and new properties under $600,000 in value. To date January sales have also increased as those who have sold late in 2011 seek new properties. While the stamp duty exemption on established dwellings comes to an end, slowing the rate of first home buyers getting involved in the established real estate market, it is thought that lower interest rates and a continuation of the exemption for new homes will help stimulate a flat new home market in the Illawarra.

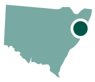
Whether this increased activity in the residential market continues throughout 2012 will be influenced by a number of factors including the global economy and access to funds by developers, jobs creation and growth and a steady interest rate regime.

Infrastructure including the CBD, hospitals, schools, university and train links will continue to drive investors and owner occupier decisions. Suburbs close to these facilities will be in the best position to benifit from positive movement.

....the coastal areas and holiday areas have seen some severe discounting on asking prices where mortgage stress has increased....

At the other end of the scale, older established suburbs, many with perceived social issues and ageing homes will be the also-rans. Until 'gentrification' becomes apparent in these suburbs redevelopment or renovations of older homes will not occur and is therefore likely to continue to stunt growth in house prices.

The upper end is predicted to tread water as investors and holiday home buyers retreat from the market.



Newcastle

The year finished on a high in Newcastle and surrounding areas. Not necessarily viewed from a price point but sales numbers appeared particularly strong with many first homebuyers anxious to buy before the incentives expired at the end of 2011. All sectors of the property industry were frantic; agents buzzing around meeting overworked valuers on site and banks barely keeping up with demand. This activity however was primarily directed towards the lower end of the value spectrum and most property professionals are uncertain as to the future direction of the market.

Most rhetoric in recent media has been around interest rate decreases and reported jobs loses in heavy industry. Another ominous indicator of present sentiment is the recent reports that the big four banks are gearing up for jobs cuts in the new year. The outlook appears especially bleak when coupled with the disquiet over Europe.

The general enthusiasm in the marketplace is at present somewhat lackadaisical with a malaise hanging over retailers and the general public. The interest rate cuts pre-Christmas do not appear to have resulted in the anticipated increase in retail spending. Based on this we would not anticipate an increase in the housing market with households watching their pennies closely. In our opinion the best that can be hoped for locally in 2012 is a holding of values and sales numbers.

First homebuyers may be lucky in 2012 with the compulsion to get into the market not as strong as previous years and the market could be generally described as a buyers market. The coastal areas and holiday areas especially have seen some severe discounting on asking prices in some instances where mortgage stress has increased. These areas include Nelson Bay and surrounds and the northern side of the Port in Tea Gardens and Hawks Nest.

This could be the year of the cashed up barging hunter where there is significant choice on the market and a cheeky offer or two could snaffle a great property well under previous levels of the past three years. It might not be the first cheeky offer, but it could be third or fourth off the list before that desperate buyer is found. Coupled with the generally strong rental market and yields could be attractive in the coming period.

NSW Far North Coast

The residential market in the month of January 2012 remains relatively soft following similar conditions in December 2011. However, real estate agents have reported increased enquiry and sales activity over the January period. The residential market is expected to remain generally slow over the next six to 12 months, primarily due to continuing uncertainty in the world financial markets and overall reduced market confidence. The two recent reductions in official interest rates have yet to provide an indication of having any impact on the overall residential market.

In summary, property values are expected to remain relatively soft to stable. However we could see further pressure on property values due to continuing slow sale rates and also, particularly within the higher priced market, continuing sales of mortgagee in possession properties which are eroding any stability in this section of the market.

It is considered that lenders will remain stringent and tight in their lending policies especially for those properties which carry any form of risk.

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 continuation of softening in demand for the prestige sectors.

....the residential market is expected to remain generally slow over the next six to 12 months, primarily due to continuing uncertainty....

The coming year is likely to be a time of consolidation for the property markets of Lismore, Casino and Kyogle. Following on from a brief reprieve with interest rate cuts in the latter part of 2011, the joy is somewhat tempered by the continuing worrying signs from overseas financial markets and the uncertainty as to how it will affect the local property market. There is also the carbon tax issue to consider and so "how and will it" affect the property market is a pertinent question being asked.

Discussions with local real estate agents indicate that there has been a slight improvement in buyer enquiry due to the expiry of the first home owners stamp duty concession/exemption and recent cut in interest rates. However, the improvement in the enquiry is rather muted as uncertainty still remains supreme in the minds of any prospective purchaser who are cautious about committing large sums of money to bricks and mortar in an uncertain economy.

The general residential markets for the Yamba, Ballina and Lennox Head regions are expected to remain generally steady to sluggish with rates of sale to continue at low levels. However, as with the Lismore and Casino markets, if properties are competitively priced they should sell. On a positive note, we expect rental returns for lower end properties within the coastal areas to be relatively strong for 2012.

The most difficult market fpredicted or 2012 within the coastal regions is considered that of the middle to top end. This market is again being affected by forced sales and this is expected to continue at least for the next six months.

The market within the region of Byron Bay is expected to remain price sensitive. The general comments made by from most agents during 2010 of "It's the quietest year we have had for a very long time" continued into 2011. We consider that it will remain a buyers market with continuing evidence of properties selling at lower levels than previously achieved.

In summary, we expect 2012 to be year of consolidation for the NSW Far North Coast region, with most households looking to reduce debt as much as possible in order to alleviate the inevitable increase in pressure from the cost of living. There will also be a general acceptance of current market conditions by more realistic vendors.

Overall, sales activity is expected to be subdued during 2012. Any vendor selling in the current market will need to be realistic as any thought of testing the market with a slightly inflated asking price will likely be met with derision from potential buyers. 2012 will remain a buyers market and potential purchasers will be on the look out for bargains. Most agents feel that the market is going to pick up as the year moves on.

There are no particular stand out sectors of the property market for the coming year. Mortgagee in possession properties offered for sale at forced sale prices may increase in the first half of the calendar year and these will provide opportunities for prospective bargain hunters, providing they generate the necessary returns to compensate for the risk.

NSW Mid North Coast

Last month we discussed the year that was, now we look forward discussing what 2012 has in store for the Mid north coast property market.

In 2011 the Mid North Coast of NSW experienced gradually falling sale volumes and variable median prices across the regional centers of Port Macquarie, Taree, Forster and Kempsey. We did however see a late surge in the first home buyers market, as new entrants raced to make the cut off for stamp duty exemptions on established homes leading up to the new year.

The glimmer of hope going into 2012 is the recent rate cuts from the RBA, with many economists predicting more to follow. Any further rate cuts will bolster the market and create renewed interest, as well as stimulating buyer activity. Confidence to buy will improve and refinancing options will be considered, ultimately strengthening the property market. The expectation is, as interest rates fall, first home buyers, investors and upgraders will come back to the market and property demand will increase.

We expect the 2012 property market to be more or less a conservative rerun of 2011 we anticipate the majority of activity to be in our local market, concentrated to the lower to mid lower price ranges of the four main regional centers; Port Macquarie, Taree, Forster and Kempsey, to affordable property where loans are more manageable for a wider range of purchasers. For this reason we consider affordable property to be the most likely areas for possible price increases. We expect that the mid level price range will continue to be subdued. The upper end should continue to remain thinly traded, dominated mostly by newcomers to the area such as cashed up retirees from Sydney, and is considered the most risky. We however note that for the astute buyer with the leverage to take advantage there are bargains to be found in this upper end, as mortgage stress forces owners and mortgagees to except reduced offers as a way out. This was demonstrated in a recent sale when a large modern coastal home was purchased for a price significantly below the development cost (total of the land price plus the construction costs).

Our main concerns for 2012 remain as they were in 2011; those sectors with a continued over-supply. these include modern high-rise coastal units, resort style investment property and large coastal land releases outside of the main cities and towns. We expect a continued weakened demand in these areas, resulting in potential significant losses.

One area of concern that remains largely unresolved in our region is that of coastal erosion, with many coastal towns under threat, namely Old Bar. We understand local, state and federal governments are currently working on a Coastal Erosion Management Plan which is yet to be formalised. Local agents advise the most likely plan to be implemented at Old Bar is of a proposed rock retaining wall spanning the land between houses and beach along Lewis Street. While it appears all levels of government are focusing on resolving this erosion issue at Old Bar, the interim risk remains until such action is implemented.

All things considered, we remain faintly optimistic that the ever striking Mid North Coast will continue to attract grey nomads looking for a place to retire and younger people tired of the rat-race, and who will continue to drive the local property market and economy until such time as the global outlook improves.

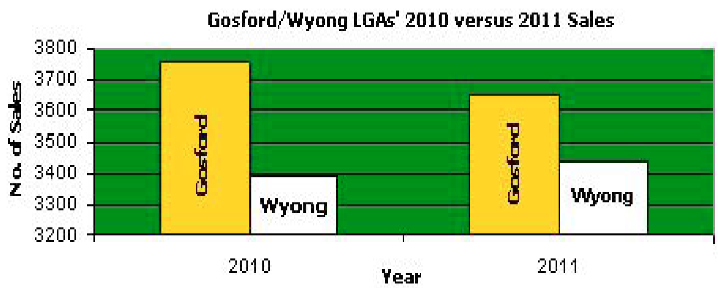
NSW Central Coast

In our last review we reported on the year that was 2011. And what a year it was; with good news in some sectors, while others were less memorable.

We saw a late surge in the first homebuyers market, as new entrants raced to take advantage of up to $24,990 available in the NSW Government's First Home Owner Grant scheme (FHOGS) before it was scaled back. At the other end of the market, we reported that the sales of executive class property had been very quiet, but several sales at the end of the year, including a Central Coast record, changed all this.

Sadly, the number of forced or mortgagee sales was still high. These are a blight on the real estate landscape where many lose and few gain. Surely there has to be a better way of addressing this whole situation.

Statistically, the following graph shows the number of house, unit and vacant land sales that occurred in 2010 and 2011. Interestingly, while fewer sales were recorded in the Gosford Local Government Authority (LGA), the influence of first home buyers resulted in more sales in the Wyong LGA.



More on the First Home Owners Grant Scheme. The region was the sixth highest out of the top 20 areas to claim the benefit. There were a total 872 grants awarded during 2011 which equated to a little over $7.6 million. Our region is the fifth highest recipient out the top 20 areas over the past ten years with a total 10,537 grants awarded for $84.4 million.

The flow on from the grant scheme in all its forms will continue to benefit the region for years to come.

While some may view 2011 as uneventfull in Central Coast real estate, we draw confidence in seeing the region as a diligent student of trends, swings etc. We could conclude that consistency is our best asset, and it is this type of consistency that holds the region in good stead for those who matter most.

That's our summary of 2011. But what do we anticipate for 2012?

When looking forward, our perspective on real estate matters is formed by what has happened in the past. Such is the nature of our industry.

That said, so far as the region is concerned, we can convey with more than a little confidence that;

- The first home buyer market will slow down as a result of the FHOGS being scaled back
- Stable interest rates should see an increase in the sub $400,000 market. This increase may be led by the return of consumer confidence, however we reserve judgment on this pending the release of figures from the retail sector on spending over the Christmas and new year sales period.
- (rental returns and vacancy levels have been stable for several years) real estate agents are seeing more investors return to the market. This should lead to a strengthening of the investment market, particularly in the sub $400,000 market segment.
- An increase in activity is likely in the $400,000 to $650,000 market segment. This will be led by upsizing or upgrading needs following the increased activity seen in the sub $400,000 market.
- High end sales as seen in last few weeks of 2011, might continue (should consumer confidence increase as hoped). This is an important segment of the market.
- There are signs that activity in the renovation and extensions market will increase this year.
- According to the ABS, new home starts fell by 4.1% across Australia in the second half of 2011, seasonally adjusted. Gosford council reports that dwelling approvals fell by 18.4% in their patch, while a 17% decrease was recorded in the Wyong LGA.

This would suggest that demand for vacant land will be low; no joy to be found here unfortunately.

- Reserach into units, townhouses and villas, has highlighted that 427 approvals were granted in Gosford LGA last year. That's a staggering 58% increase over the previous year. This is of concern should they all come on line at the same time, thus causing another glut of units on the market and adversely affecting values for new units and development sites.

  Conversely, approvals in the Wyong LGA were more sedate in 2011 with 76 approvals noted - down by 54% over the previous year. This should auger well for meeting demand and the values of development sites. It is good news for the Shires unit market, which is only just getting back to sensible levels of supply following a number of years of oversupply.

  We hope that developers and lenders don't repeat the mistakes of the past. Research needs to be undertaken into what products are required on the market before starting new projects and advancing funds.

- Sales of rural/residential properties in the region were reasonably static during 2011, with a similar number of sales to the previous year. We can't foresee any changes in this segment.

  Pity the poor folk in the Yarramalong and Dooralong Valleys. After fighting off various mining and exploration companies intent on plundering the areas resources over a number of years, it seems regrouping for another fight will be on the agenda this year. A mining company has just made it known they are here again.

  Past actions have had a debilitating effect on values in the area. Although difficult to accept, there may be some economic merit in mining the area. Overriding this however is the stunning scenic beauty and quality amenity that the Yarramalong and Dooralong areas posess.

Let's hope that good sense prevails and the locals can again stave of yet another attack on this slice of paradise.

Mining in these areas is likely to affect values not only in these locations, but it would not be surprising to see a flow on affect on values in nearby areas.

....the first home buyer market will slow down as a result of the FHOGS being scaled back....

Headlines we predict affecting the regions real estate market will include;

- The development of the Gosford City foreshore precinct which gained some momentum during 2011. Otherwise known as "The Landing", it is a major development proposal which has attracted more than its fair share of attention, both for and against. As the not so insignificant issues of funding and final approvals are sorted out, we expect this development to command a lot of media space, such is the scale of the project. Time will be the judge on how it changes the local real estate market.
- The Entrance is to unveil a new Town Centre Masterplan. Although it is essentially still on the drawing board, its key aspects have the potential to revitalise The Entrance through the changes it will introduce. Good news for the local real estate market.
- Umina Beach on the peninsula has been undergoing a transformation over the past several years. A number of national retailers have set up shop, thus providing a new lease on life for the area. But interestingly, little has been spoken about the nationals coming into town and the affect on existing traders, but the proposed establishment of a MacDonalds restaurant has earned the ire of many.

Those on board with the new face of Umina Beach are certainly benefiting and the show of faith by the nationals in Umina Beach has had a positive impact on real estate activity and values.

- Quietly establishing its foothold in the region are technological and medical facilities. If this foothold improves, then further underpinning of the foundations of associated properties in the area is likely.
- 'Coasties' are a proud bunch, further inspired by the way The Mariners (Central Coast Mariners Football Club) are demolishing all competitors put in front of them. A new home for this mighty team is to be built at Tuggerah.

  Appropriately it will be called the Centre of Excellence and while any immediate and tangible impact on real estate values in the area is unlikely, the opportunity to remind everyone that we have an awesome football side must be taken.

  Gracious as always in our winning ways.

There will be more issues and matters that arise during the year, but those covered are ones we anticipate will receive the most attention. Each can also affect the marketplace in some way, to varying degrees.

At the same time last year, we suggested there were no indicators of a 'stand out' segment. Once again we see this being the case for 2012 and we will most likely continue being the star pupil in following market trends and swings.

Southern NSW and Northern Vic

WAGGA

The residential property market in Wagga Wagga declined in the last six months of 2011. This was evident in both the housing values and rentals. The new year has seen an increase in sales activity that appear, at this early stage, to have eased the property value decline.

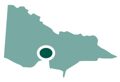
There is however, still some caution with investors wary of a reduction in overseas university enrolments on aa already over supplied rental market.

As new housing construction has also dropped there has been an increase in 'renovators' being placed on and sold to the market. This is evident in the older areas of Central Wagga Wagga and Turvey Park.

....mortgage defaults have been on the increase since July/August 2010 as a result of financial institutions tightening their belts, driven by shareholder demands....

In this early stage of 2011, it appears areas to be cautious of are in the developing suburbs of Tatton, Bourkelands, and to a lessor extent, Glenfield Park. With land still being developed and released, builder incentives have forced existing home owners to be more realistic in their expectations.

To summarise the Wagga Wagga residential market is expected to plateau, and with demand possibly remaining tight, it may only begin to rise when the supply level has lowered. Growth is expected to happen in the later months of 2012.



Melbourne

The Melbourne metropolitan market is considered to be two speed. The inner suburbs are generally out performing the middle and outer suburbs where there is continuing evidence of softening prices.

Auction clearance rates are now generally around 50% to 55%. The RBA has reduced the cash interest rate by 50 basis points in the previous two months, however consumer confidence continues to be low. There is a prevailing sense of uncertainty around the European debt crisis, particularly in the light of the recent down grading to "junk" status of several nations and loss of a "triple A" credit rating by the French.

The Property Council of Australia-ANZ Property Industry Confidence Survey showed Victoria as having the second-lowest mainland capital sentiment. Victorian respondents believe Victoria's economic growth will weaken over the first quarter of 2012. The sentiment appears weakest for Victoria's residential market with the majority of respondents believing the residential values will decrease over the first quarter.

Mortgage defaults have been on the increase since July/August 2010 as a result of financial institutions tightening their belts, driven by shareholder demands.

Future house price expectations have weakened with recent surveys predicting a fall in all states except Western Australia.

In Victoria generally house prices will flatline with some potential downward trends. There are some exceptions becoming evident however.

Residential micro-markets that buck the trend in Victoria do exist and are primarily those that offer an improved lifestyle with developed amenities. Unlike the 1960's and

1970's a far greater percentage of the population is in or approaching middle age, and the lure of the Nimbin existence is no longer as attractive as it once was.

Most of us now, remembering Australia is primarily a population of major city dwellers, require good food, good coffee and a sprinkling of the arts in order to live happily in our dotage.

Within Melbourne and more broadly Victoria areas to watch are considered to be, but not exclusive to,

Melbourne

- Within six kilometres of the CBD, always in demand, traditionally due to population pressures but also infrastructure and amenities etc.,
- Melbourne's northern, eastern and western growth corridors where some pockets will show only modest gain.

Regional

- Regional areas including but not exclusive to, west and north of Melbourne; Geelong, Bendigo, Ballarat and the gold field/spa country of Castlemain.

While it is often expedient to discuss the residential market in terms of median house prices and median fluctuations, real estate values are more category specific, Our continual analysis of sales sometimes contradicts what the media feeds us in relation to the state of the market. The old adage a little information is dangerous" rings very true.

....the number of transactions in the past six months has reduced and demand for housing has softened, due mainly to uncertain economic times....

Case Study Melbourne (Median house prices declining December 2010 to December 2011 for Armadale, eastern Melbourne middle to upper-middle class suburb)

- Fully renovated C1900-1920 medium size 4 bedroom, 2 bathroom double fronted single storey period residences. Value range between $1.25 million to $1.5 million little if any change in value. This analysis does not support the generally held proposition that house prices are declining. Our research suggests properties with particular attributes within specific value ranges are holding their values.

Case Study Regional (Young family wants to buy a home in Melbourne. To purchase a dwelling within five kilometres of the Melbourne CBD will cost between $650,000 to $800,000).

- This will be most likely a single fronted 2 bedroom, 1 bathroom Victorian cottage or terrace style dwelling. As they say "not enough room to swing a cat" in original or dated renovated state.

Castlemain (Provincial town within the goldfields/spa country, 1.5 hours north from Melbourne by freeway or regular commuter trains from the CBD).

Facilities include primary schools and a secondary college, hospital, significant commercial precinct, good restaurants and coffee shops, vineyards, art galleries and plenty of fresh air.

Housing prices within the town range from $250,000 for a modest C1960's 3 bedroom, 1 bathroom dwelling away from but within walking distance to the main commercial precinct, to $350,000 to $450,000 for a modest to renovated period dwelling close to the centre of town.

Numerous Castlemain residents commute by train to Melbourne for work during the week and also take advantage of a country lifestyle and environment.

Expectations of sustained future capital growth in this type of location is positive.

We sometimes fail to realise that for the vast majority of the population the impact of positive or negative market movements on house prices or interest rate movements is not significant, providing we are geared to the longer term and not ever over stretched financially. A conundrum in itself.

Regional Victoria

BALLARAT

Ballarat remains Victoria's largest inland city with a population of approximately 96,000 and the presence of major industries including manufacturing, tourism and agriculture. The relative strength of the local economy has helped hold up the Ballarat residential property market in the past two years at a time when many other locations in Australia have experienced decline.

In 2012 we expect to see the Ballarat residential property market ease back. The number of transactions in the past six months has reduced and demand for housing has softened, due mainly to uncertain economic times. While values do not yet appear to be significantly affected, the reduced demand and volume of sales is expected to flow through to softer values in the medium term, as purchasers have increasing choice of product and more time to make a decision. B grade properties along main roads or properties with poor features are expected to be the worst affected. However, A grade properties are expected to remain relatively saleable in the short term.

An area to watch in Ballarat's residential market is the planned Ballarat West Precinct. The proposed Ballarat

West Employment Zone is expected to accommodate approximately 9,000 jobs and generate in excess of 5 billion dollars in economic output. In turn, the nearby area is expected to undergo significant residential development in the near future as people are drawn to the area for work.

GIPPSLAND

Latrobe and Central Gippsland Region

Early signs are showing that the Latrobe and Gippsland residential markets are remaining stable with the potential for a further slowing of the market.

For Traralgon, Morwell, Moe and Sale the lower end ($300,000 and below) seems steady with generally reasonable demand. However the top end remains slow with properties experiencing prolonged periods on the market and in some cases prices are dropping.

There seems to be a 'tight' feel in the market place, with buyers being cautious, which in-turn is causing the market to stagnate.

Unfortunately we don't feel there are any best bets for our Region in the current market place. It apprears that the market is going to remain slow in the short term future.

On a positive note new residential subdivisions are being created in Sale, Traralgon and Warragul, which will hopefully keep the building industry ticking along. Land prices remain stable with general increases over time due to the demand to build new homes.

In terms of worst bets unfortunately the beach areas such as Golden Beach, Paradise Beach, Loch Sport and Seaspray remain slow, with prices having come back in recent years. Furthermore there are a lot of properties on the market, some for up to 12 to 24 months. However you can still buy a block of land for less than $50,000.

Prediction for early 2012 is a stable market with the possibility of further slowing. Not a positive outlook but we think it is a sign of the times.

East Gippsland Region

For 2012 more of the same is expected for East Gippsland.

Entry level property is expected to stay steady, with buyers cautious in the higher price ranges. The current doom and gloom associated with the global economy is expected to keep a dampener on growth in general.

In this area we have seen patchy performances all around, with some sectors stagnant, while others continue with business as usual. Our tip for moderate growth is the rural residential market, with moderate rises seen in various locations through 2011.

....well presented homes will continue to meet genuine demand from both investors and owner occupiers....

Our theory is that buyers are starting to weigh up the cost of new house and land packages, comparing them with established lifestyle properties and marking them positively, when considering the extra space and features that are often included on these properties.

Areas such as Stratford in Central Gippsland and Nicholson in East Gippsland are examples of this trend, where 18 months ago there were low levels of demand. Now we are seeing some growth with increasing levels of sales activity, while neighbouring towns are slowing.

MILDURA

The residential market in Mildura is predicted to improve slightly following on from a fairly stable 2011. Due to the water crisis and drought from early 2007 to late 2009 the Mildura residential market did not reach the dizzy heights experienced throughout most of Australia during this period. Our market fell during 2007 and has remained fairly stable since. As a result we have been somewhat immune to the more recent market collapses experienced elsewhere. Coming off a soft base the prediction is that the Mildura market will likely improve during 2012.

The bottom end of the market is likely to remain subdued as in many cases first home buyers can afford to by-pass this sector, and there is also an undersupply of buyers in the under $200,000 bracket.

Well presented homes will continue to meet genuine demand from both investors and owner occupiers, and a modest lift in values in the $220,000 to $350,000 bracket is likely during 2012. The upper end market, after experiencing soft activity in recent years is also expected to rebound.

In the past six months we have seen a large number of out of town investors purchasing house and land packages, targeting the rental market from out of town developers. The contract prices of these packages have generally been in excess of local market evidence. These houses will be available for rent in the near future which may soften the presently tight rental market.

2011 saw the third highest rainfall, of over 600mm in Mildura's history. Combined with easing of water restrictions this has improved the presentation of the city. An improved horticultural outlook, growth in mineral sand mining in the region, recent new construction of large commercial and industrial developments and predicted population increase is likely to combine to underpin the residential market. National economic conditions will also have a major influence on this prediction and my crystal ball remains murky in this regard.

Adelaide

The Adelaide residential property market is in general expected to be subdued for the duration of 2012 with relatively low levels of transaction numbers and the possibility of continuing moderate decline in capital values. Global conditions that seemed to create an air of nervousness in the residential market were, we think, primarily responsible for the decline in house values during 2011. These influences are still having an impact locally dampening consumer confidence. In general the ongoing nature of international financial turmoil is tending to make the average homeowner conservative when it comes to making financial decisions, in either buying or selling property.

Further interest rate cuts that are predicted during 2012 may offset this negative market sentiment and property value decline to some extent.

....sales activity is expected to remain slow and volumes low with overpriced property destined to sit on the market for extended periods of time....

On the positive side there is an underlying level of confidence in local markets driven by the impending Olympic Dam expansion, the redevelopment of Adelaide Oval and various other infrastructure projects either already under construction or on the way. This underlying economic confidence has, to an extent, softened the market downturn in South Australia relative to other markets. Unfortunately there is a converse influence at play being the ever increasing cost of living with increasing power and services costs and this will continue to have a significant negative impact on spending habits. There is also some uncertainty surrounding job security at Holden's manufacturing plant in Elizabeth which is currently of concern for the northern markets.

For investors and those taking a long term position, the current market means that there are opportunities for buying at prices that were previously not available. The traditionally popular inner eastern, inner southern and beach side markets are as slow as they have been for at least a decade and this can present opportunities that represent good value for money.

Sales activity is expected to remain slow and volumes low with overpriced property destined to sit on the market for extended periods of time.

2012 may see an increase in investor activity. Vacancy rates increased during 2011 from around 1% to 3% by the end of the year but this level is still considered a low risk so investors will continue to see solid returns. Residential yields are expected to remain stable at around 3% to 5%, with limited short term capital growth.

Brisbane

2011 was a pretty dingy year here in the greater Brisbane village. When we sprinkled real estate with fairy dust and tried to think happy thoughts thus making the market fly, no one quite expected a flood to wash away any skerrick of good luck. Coming off a slowdown was bad enough but confidence is king and he was well and truly dethroned from the get go in 2011.

The upshot for us in Brisbane is that many feel we are coming off a very low base so the signals are that 2012 should be a little firmer. Like the rest of the country, it's fair to say that buyers have rarely been so reactionary in our town. Interest rate cuts in late 2011 didn't filter through until the traditionally stronger January market and, at the time of writing, I can report that some agents are bullish. It seems that the non existent investors are starting to pop up their heads once more and a few are feeling some competition in demand. Whether this is sustainable remains to be seen.

The affordable end of bricks and mortar in south east Queensland has seen some impressive bargains. Rental returns look very good but that is because most vendors have had to drop their expectations and bite the bullet on their sale price. Some agents in the western corridor are reporting that the oh-so-casual shrug of the shoulders that some potential buyers offer when they miss out on a purchase is becoming less convincing. In areas like Durack and Inala, secondary located homes were showing entirely handy rental returns but no one was interested. There has been some turn around here recently and this lower rung entry level property might be just the thing to watch this year, so long as you aren't overextended on the loan.

Another bargain basement area with a little risk attached is those abodes that copped some water in January 2011. Bargain buyers have been looking at some of these properties with hungry eyes including those homes that have remained effectively unrenovated. If you can pick up a tired little thing in Rocklea, spend $20,000 to $30,000 on making it habitable, and then rent it out at a gross of 6% or better, you may find you have a nice little earner in a few years time. The one big caveat is that we must avoid a flood in the next seven to 15 years otherwise your wallflower property is unlikely to snag a dance partner.

In the mid ring sector those owner occupier, solid state, strong fundamental homes are the ones to look out for. Stick with the knitting and go with location. Make sure transport and facilities look good. Maybe somewhere like Kedron will do you some favours this year if you don't get too speculative.

If you're in the high end of town then really there is little joy. Most of the sellers that had their backs to the wall have now had to bite the bullet and meet the market. Others just want to move on and are being realistic. Most of them, however can afford to hold out until better times are upon us. The upshot is that activity and growth are both expected to be subdued in the big end of town throughout 2012.

While there has been some positive press surrounding potential market activity in 2012 already, the highly sensitive and reactionary market we've seen over the past few years makes us less optimistic. We do recognise that given the current bottoming out in real estate, there is plenty of upside potential, but the realist says there are still too many great unknowns floating around. If you expect 2012 to be a year of little excitement in Brisbane then you won't be disappointed.

Gold Coast and Tweed Coast

The Gold Coast is in a state of limbo. We have just had a very good Christmas period but many retailers are reporting the holiday makers are not spending. A local government election is looming and the spin doctors are hard at work. These elections may result in a changing of the guard and hopefully some innovation and fresh action on stubborn and unresolved issues.

The interest rate drops of late 2011, and expectation of further decreases in February and maybe even March (provided lenders pass on the cuts), appear to have spurred on some market action. We have seen an increase in the number of valuations required for contracts of sale by over 10%, however 80% of these are for properties under $500,000.

The local press has been preoccupied with 'days of our mayoral candidates lives', partly built homes on Sovereign Island and whether or not there is going to be a shortage of highrise units.

What everyone really wants to know is -

a) when will the property market bottom, and should I buy in (now)?

b) does the Eurozone crash/break up really affect me?

c) will I still have my job by June?

Both b) and c) relate to 'can I pay my mortgage and other living expenses'. While d) translates to 'there are bugger all building jobs around - should I get a job in the mines'?

Maybe the late January/early February auction season will provide us with a better gauge. Last year only 21% of the 248 properties sold under the hammer. The key agents are talking a better game this year and hopefully they are right.

Central and Northern Gold Coast

The new hospital at Griffith University and light rail infrastructure is well underway and should generate more interest in surrounding areas once completion nears. Any spike in prices resulting from legislative or migration changes would be unlikely until issues are resolved overseas.

The suburbs surrounding Griffith University and the new hospital will see a sustained rental demand and have been amongst the better performers this past year.

The market is not improving and most market segments are affected by the mortgagee sales which are putting downward pressure on values in all suburbs.

While the supply of new homes continues in the northern corridor, there is little chance of good capital gain as they age and compete with new stock. The sub $450,000 house market in Southport, Ashmore and Labrador is seeing increased activity as buyers believe it cannot go much lower. Agents are reporting their best months in years however, they are quick to state the prices achieved are uninspiring.

The $500,000+ unit market from Southport up to Paradise Point will be tough as there is definitely more softening to come. The oversupply of units, softening rentals and increasing body corporate levies and rates makes investment units very unattractive at present.

The prestige waterfront enclaves have two types of sellers: those who have no alternative whoare driving prices, and those who are testing the waters and trying to hold prices up. The circumstances of these vendors is resulting is a huge disparity in prices (eg $3.1 million for a new house on one block verses $3.5 million for a mansion on three blocks). There is very good opportunity to purchase a quality home at below replacement in estates such as Sanctuary Cove and Sovereign Island. This has consequently resulted in big falls in prices for vacant land. For the savy owner occupier, either option present a good opportunity.

....while the supply of new homes continues in the northern corridor, there is little chance of good capital gain as they age and compete with new stock....

Closer to town, waterfront homes in Paradise Waters and beachside houses in Main beach and Mermaid Beach also provide real opportunity for future capital gains.

The highrise unit market appears to now have three distinct sectors: owner occupier, new to five year old holiday, and investment. Prices vary greatly between buildings due to location, size, quality and, body corporate levies. One bedroom units range from $150,000 to $500,000 whilst three bedroom units range from $500,000 to $2million. There are some very good opportunities and many pitfalls in this market, but it is too broad to comment on all the intricacies and specialist advice needs to be sought from Herron Todd White.

Southern Gold Coast and Tweed Coast

The Gold Coast International Airport is shaping up as a hub for fly-in fly-out mine workers. this could potentially increase tourist occupancy, population growth and other economic benefits if miners choose to live, holiday and/or spend their mine dollars within the region.

Completion of the Sexton Hill bypass route – enabling faster, easier traffic flow through a designated RTA black spot and regular Pacific Highway traffic gridlock is due to be completed and should make the Tweed Coast more attractive for commuters. A secondary off ramp from Kirkwood road into the regional retail district of Tweed Heads South is part of this project and will also open up the western side of Tweed and Banora Point.

....service industries, particularly those exposed to property and financial services will continue to experience subdued returns due to uncertainty in the share market....

The repeal of Part 3A of the Environmental Planning and Assessment Act by the NSW O'Farrell government may result in greater local government planning input into major projects in the Tweed. Major projects were previously assessed and conditioned by the NSW Planning Department which drew the ire of many residents, planners and councillors who perceived the decisions to be out of touch with the local community.

Manufacturing and other industries within the region, particularly those exposed to the high Australian Dollar, are likely to continue to suffer due to soft local economic conditions, increasing reliance on cheap imports and an inability to compete on the export market. 2011 witnessed the demise of many local businesses including BASE surfboards, a Burleigh Heads based major surfboard manufacturer which exported globally.

Service industries, particularly those exposed to property and financial services will continue to experience subdued returns due to uncertainty in the share market and a loss of appetite for development projects and investments. At the time of writing, residential sales volumes appear to have recovered from their mid year drought to reach above budget levels for many real estate agencies. However, those volumes are still below early 1980 levels despite the population more than doubling since that time.

An environment of predominantly steady rental levels, combined with decreasing property prices has begun to create opportunities for astute property investors to purchase well located, near self-funding property investments. Within a context of fear and loathing of the share market, decreased bond and term deposit yields and doddering superannuation fund performance, a near self-funding property investment in an established urban location stacks up as one of the better bets available today. We have continued to see evidence of this in recent months and it appears to be set to continue into 2012. Although it may be some time before significant capital growth is realised, an increase in demand for such properties may certainly give the market the kick along it needs while pacifying the frayed nerves of investors brow-beaten by the latest news of the impending eurozone collapse.

There are many properties showing consistent rental returns in good locations. Some areas to note include Palm Beach, Elanora and Tugun.

Ongoing slow conditions and falling prices in beachside suburbs like Salt Village Kingscliff and Casuarina Beach on the Tweed Coast have created the opportunity to purchase beachside property at 2003 prices. The May 2012 completion of the Sexton Hill bypass will improve access and travel times, already assisted by the Tugun Bypass. In the medium term, the eventual completion of long awaited proposed retail projects in Casuarina and Cabarita may finally provide the area with the infrastructure it apparently lacks. Long term, it is also poised to capitalise on the economic and infrastructure benefits that Leda's Kings Forest and Cobaki Lakes developments can bring.

Our worst bets include units with a 'tourist only' occupancy restriction, properties within locales known for their social problems, any property where resales through local agents are substantially lower than current 'new' asking prices and units with substantially high body corporate fees. In short, do your research with an independent local property professional. Don't just believe everything you are told by those providing free advice or with a vested interest in making a sale. You will recover from a mistake on an overpriced fridge, but you may not however recover when you buy the wrong property.

Agents are reporting a reduction in the number of purchasers inspecting open homes, poor numbers at auctions and almost a zero clearance rate on auction day. The number of mortgagee in possession properties are rising. In addition purchasers are hesitant to buy at auction and are typically making offers below the reserve price or even below bids placed at auction. It is definitely a buyers market.

Beaudesert Valley/Scenic Rim

The Kooralbyn Resort is due to settle in July this year which will provide a much needed boost to employment in the Kooralbyn Valley. The new owners have successfully relocated the 'urban footprint' to enable future residential subdivision near the resort. For a number of years the resort has lay dormant with only the golf course being maintained and used by locals.

Speculation over the Bromelton Estate continues; awaiting the confirmation of the railway upgrade. There are now talks of a passenger train line from Beaudesert to the Brisbane CBD which would open up the area with regard to commuting time and accessibility. This has only been mooted in recent months and there hasn't been any official word given and previous attempts have not eventuated.

The Scenic Rim Regional Council is keeping a cap on development approvals with each project only receiving approval for 100 houses at any one time. This will help the with the current slow market conditions and ensure that an oversupply of new housing doesn't flood the market. Developers are lowering their land prices in line with current slow activity with a number of recent projects offering house and land packages for under $300,000.

Vacant land continues to help underpin property in the Scenic Rim locality, however, over recent months, there has been some mortgagee in possession sales of improved properties at, or just above, land value.

2011 had seen the emergence of marketing companies move into the Beaudesert area as developers use the proposed Bromelton Estate to generate interest and market properties as having good 'capital growth'.

Although interest levels at auctions comes mostly from other agents and property industry professionals, real estate agents continue to suggest auctions are a good way to gauge where a property sits with regards to perceived value. These campaigns often result in the vendor accepting low offers due to the time the process takes and the lack of interest, along with old adage that 'your first offer is often your best'.

The rural market is currently being tested with the release of the Atkinson Gore Group amalgamation at Canungra being offered for tender as part of the receiver's process. The properties associated with the Seven Hills development tender closed in December. The agent has reported there hads been good enquiry with a number of offers received. Sale prices for these lots are low and offer purchasers the opportunity to buy good quality rural grazing land at drastically reduced value levels compared to the peak in 2008. Situated only 40 minutes from Surfers Paradise, these lots are well situated for price growth if and when the market improves.

....rents in sought after locations will continue to be firm and could increase....

We believe that the property market in the Scenic Rim will remain fairly stagnant for the rest of the year with possible further decreases across most sectors. Levels are back to those recorded in 2006 with the majority of agents predicting a quiet but steady year ahead. As more mortgagee in possession properties hit the market, the mood is to hold on until there are signs of a recovery. Only sell if you have to. Don't forget however, that if you buy and sell in the same market, the next person is generally in the same position as you.

The investment style property is possibly the most likely sector to decrease in value over the coming year as investors look for cheaper, second-hand options rather than buying new. The $10,000 building grant has helped spur on new construction, however purchasers are now looking at the overall picture and the benefits of buying established property with landscaping, fencing, driveway, sheds etc already in place. The established house market offers good value for money over building at the moment.

The ***new satellite city of Yarrabilba*** commenced construction towards the end of 2011. This will provide an array of housing options from medium density to standard residential. Lend Lease is proposing to incorporate a pedestrian friendly town centre where motorised vehicles will be excluded, promoting a village atmosphere that is environmentally aware. Civil works have begun on Stage 1 and it is anticipated that the land will be released in the coming months.

Predictions for 2012

Rents in sought after locations will continue to be firm and could increase. If you own a five bedroom house in a good location you will be knocked over in the rush. But fringe areas and poorly maintained property will be soft.

Property prices will level out within the first half of the year and then remain generally flat. Demand for property should see improvement over 2011 levels, notwithstanding a few hiccups along the way.

People will continue to save their money and economise as much as possible. After a brief spot of hysteria at the boxing day sales, retail spending will be subdued.

The eurozone will break down, creating panic, restrictions in spending and an economic dead zone. It will start recovering reasonably quickly as people stop worrying about what could happen and concentrate more on getting on with their business and their lives as the smoke clears. This could last three to six months.

There will be changes in state and local government in Queensland and the Gold Coast. New policy directions and their outcomes will start slowly as there will be much work to be done.

The Australian government and the Reserve Bank will continue to believe that the mining boom will make everyone live like Elvis.

There will be at least one more interest rate reduction, although we really need at least two more before the furrowed brows of those living outside of Sydney, Canberra and Melbourne begin to soften.

Sunshine Coast

There already is one major positive that has helped our market outlook for the year, as opposed to this time last year. Now I would like everyone to 'touch wood' collectively. We are not under water and have blue skies! To look where we think we could be heading, lets have a quick recap.

The Sunshine Coast economy is dependant on construction and tourism and both of those industries have been weak since the GFC though the accommodation industry has been reporting improving occupancy over the past few months and Christmas has also been strong. Maybe this news is a sign of some new green shoots.

Home construction has been poor because of the difference in price between existing and new. Some estates are beginning to be re-priced down to stimulate sales and improve competitive pricing for builders.

Unit projects have been difficult to make work so there is little hangover stock remaining.

....Sunshine Coast economy is dependant on construction and tourism and both of those industries have been weak since the GFC....

The prestige market has fallen in the vicinity of 30% and most other markets have fallen 10% to 20%. Values are now at 2004 to 2005 levels so relative affordability is improving.

With the uncertainty from the natural disasters in early 2011, the remainder of last year had been tough in the property sector, with turnovers down on 2010 and values to easing. Mortgagee activity picked up through 2011.

There are early signs that buyers are sensing the bottom of the market is near. We are likely to experience the bottom through 2012 with increasing turnovers, though values are not expected to improve. THey are more likely to stabilize rather than continuing to ease with improvement not expected until 2013.

So, with good weather and high occupancy numbers, there seems to be a more positive feel in the market at present. Agents have reported significant levels of inquiry and buyers interested given the improvement in affordability. There are good opportunities if you are out in the market place hunting for them.

The major infrastructure project which will coincide with an expected recovery for the Sunshine Coast is the $2.03 billion University Hospital at Kawana. The first stage of the private hospital has begun ground works and major hospital works are to begin in 2013 for completion in 2016. This project, when completed, will create some 3,500 jobs of which some 2,500 are expected to be new.

Also the continued canvassing by the council run airport for flights in and out of mining employment hotspots, such as Central Queensland and the Surat Basin, will bode well for the future.

Finally we don't believe that 2012 will set any records, but at least it will be better than 2011.

Southern Queensland

TOOWOOMBA

2012 starts off the back of one of the worst performing years in recent memory for all sectors of the property market across the Darling Downs region. The impact of the January floods and economic uncertainty stifled growth in 2011 except in the mining towns of Chinchilla, Miles and Roma, and to a lesser extent Dalby.

These are major centres servicing the Surat Basin, which is a hive of activity with coal seam gas exploration and coal mining activities growing at a rapid rate. These areas have all seen significant increases in land values as demand is being driven by speculative investors from outside areas looking to cash in on the shortage of rental properties and high rents currently paid by mining and gas companies. Multiple new housing options are being developed, particularly in Chinchilla, aimed at the investor market with tenants comprising workers associated with large natural resource companies. New dwellings that comprise four bedrooms plus four ensuited bathrooms with a central kitchen/living area and small lounge room are being rented on a fully furnished, per room basis with rentals ranging from $500 per week to $1700 per week per dwelling.

Lot 9 Layne Crescent

These properties are available to buy in the late $400,000 to high $500,000 price range, which represents a significant jump in value when compared to similar sized, conventional dwellings with four bedrooms and two bathrooms. The high rents provide a high level of return on investment in the short term, however the sustainability of these rents and purchase prices is yet to be seen.

Toowoomba continues to demonstrate subdued growth with the shortage of land in the prime residential areas of Middle Ridge placing positive pressure on land values. Land on the western side of town in Glenvale and Harristown is in greater quantity and is subject to lower levels of buyer interest. Developers in these areas are reporting sales activity that is dominated by outside builders that are providing budget priced, four bedroom, two bathroom dwellings that would appear to be marketed at the investor market and first home buyers.

Glenvale

The outlook for 2012 is generally positive with value growth anticipated in the Surat Basin and particularly Chinchilla, Miles and Roma. Toowoomba does not appear to have capitalised on the growth to the west and we consider there to be limited growth in 2012. The market sub $400,000 should continue to demonstrate the highest sales volumes, while the upper price brackets may still be slow until global economic stability returns.

While the local economy is underpinned by a strong labour force with three large hospitals, numerous public and private schools, Oakey and Cabarlah Army bases and the University of Southern Queensland, some large private employers continue to struggle with another major employer closing its operation in January. The mines are attracting skilled labour from the region, which comes at the expense of local businesses. High wages in the mining sector cannot be match by local industry and many business operators are reporting lack of skilled labour as a key issue for economic growth in Toowoomba in the foreseeable future.

IPSWICH

As we enter 2012 it is a good time to cast our minds forward and make our predictions for the year ahead.

As we finished 2011 the Ipswich housing market had been subdued with sales volumes at levels not seen since the late 1990's. This had an impact on price levels with values generally falling across all residential property classes. Looking forward in 2012, we anticipate reduced values, in particular around the $180,000 to $250,000 range, will result in an increase in sales volumes. Whilst we predict volumes will grow it is unlikely we will see any real increase in values.

The higher value sector of the Ipswich market, over $400,000 has seen limited activity throughout 2011 and this trend is expected to continue into 2012 with limited sales volumes and steady to slightly reducing values.

Newly built four bedroom, two bathroom houses constructed for the investment market continue to grow as a sector. Resales in this market of two to three year old stock are expected to continue to reflect significant reductions in value upon resale in the first two to five years.

Overall the residential property market in Ipswich is expected to be slightly better in 2012 with a probable increase in sales volumes. However, this will be tempered by steady to slightly negative capital growth.

Central Queensland

ROCKHAMPTON

Historically the big influences in Central Queensland have been the coal mines located in the Bowen Basin. We consider that this influence will continue through 2012 for the western towns of Moranbah, Dysart, and Emerald.

Mining has always been a factor with regard to confidence in the residential market of the City of Rockhampton, however we believe that during 2012 this influence may be overshadowed by the effects of industrial development in the nearby city of Gladstone.

....the largest supply of available land in the Rockhampton region is currently located in the town of Gracemere....

A number of LNG projects currently under construction in Gladstone have been the catalyst for significant activity in the local residential market. The demand for housing in the city has attributed to an upward trend in values of approximately 15% since the start of the 2011. Numerous new subdivisions are under construction to try and keep up with the demand for residential land. For the investor, vacancy rates are less than 1% and rents are constantly on the rise due to the lack of supply of accommodation.

As first home buyers are starting to be priced out of these markets, nearby towns and cities such as the City of Rockhampton, are starting to benefit from potential purchasers searching for a more affordable option. Due to the fact that Rockhampton has over the past years reflected low vacancy rates (2% to 4%), and is only 110 kilometres to the north of Gladstone, there is potential for future growth in this region in 2012.

The largest supply of available land in the Rockhampton region is currently located in the town of Gracemere. This area is located 10 kilometres south of Rockhampton and provides an affordable alternative to those people working in Gladstone who are willing to travel for one hour to get to work.

BUNDABERG

Talks are in progress between key stakeholders for direct flights from Bundaberg to mining areas (i.e. the fly-in/ fly out miners we are reading and hearing about in the local news.)

....the last 12 months has been quite stable in the Bundaberg region....

Some pundits are saying the increased interest in the area is due to these talks. If the direct flights do come online it will certainly be financially viable for workers in these areas to purchase property and live in a place like Bundaberg which is, at the moment, still quite affordable. We anticipate that if these flights come to fruition we will see an increase in property prices as a result.

The last 12 months has been quite stable in the Bundaberg region with low volumes of sales early on, coupled with a 5% to 10% decrease in values. However in the last three months we have seen an increase in the volume of sales which we believe will lead to an increase in values as demand rises, particularly as out of town workers are priced out of the areas that they currently work in.

We see coastal areas predominently benefiting from any increase in values, with moderate increases across the board as we are still an affordable place to live.

HERVEY BAY

The property year ahead for the Fraser Coast is hopefully full of confidence, strength and good sales results. Future developments for the region look promising, with Stockland Stage 2 Shopping Centre and St Stephens Private Hospital due to start next year.

The Stockland Group purchased the existing Centro Shopping Centre for approximately $70 million, which included a development application for Stage 2 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 dollars.

St Stephens Private Hospital has secured funding from the federal government for $47.1 million dollars to build a new private hospital opposite the Hervey Bay Hospital. The entire development will cost approximately $100 million dollars, with St Stephens contributing the balance. Construction work is set to commence in May 2012 and is expected to create 300 permanent jobs that include catering staff, cleaners, nurses and medical specialists.

Maryborough will also benefit directly from a large contract from the Western Australian Government for electric trains, which are due for delivery in 2013, therefore work should be commencing shortly.

The Fraser Coast region is being actively marketed by the council to mining companies to entice a 'fly-in fly-out' workforce. The council is keen to negotiate with airlines to arrange flights, in an attempt to settle miners and their families in the region. Northern mining towns are currently running very low on the supply of housing stock, and the Fraser Coast may be seen as a viable alternative. If this was to go ahead, the property market (and economy) would receive a significant boost across all market sectors.

The Blue Energy gas company revealed in July 2011 that they had secured an environmental authority for two mining permits across the Maryborough Basin. Final government approval is currently being finalised, with exploratory work expected to start later this year.

The possibility of mining within the area would generate significant economic benefits and provide a much needed 'industry' presence to sustain employment and increase the disposable income for residents. This injection of funds would then flow through the community to the construction sector, allowing further growth for new housing and infrastructure. It is quite difficult to comment on the likelihood of the mine coming to fruition in these early stages, and will be dependent on the results of the exploratory work if the government gives final approval.

The direction of the property market still remains uncertain despite these announcements, and seems largely dependent on domestic and global economic conditions. Reduced confidence and pessimism in the community continues to dampen market sentiment, however properties are still selling for realistic vendors who accept current market conditions.

Real estate agents have reported that the majority of property sales are now occurring within the $200,000 to $350,000 price bracket with. Enquiry is evenly spread across local, intrastate and interstate areas, with consistent interest in house and land packages as opposed to vacant land. The rental market remains tight, with only a 1% to 3% per cent vacancy rate. Unfortunately the unit market in Hervey Bay is still considered to be oversupplied with little demand and therefore remains stagnant.

Given the cautious approach in current markets, it is difficult to forcast any real turnaround in property values for some time to come. Even with the proposed new developments, confidence does take time to gather momentum and influence property values. Interest rate cuts is a positive for the region along with the extension of the building boost. Overall, given current economic conditions and global uncertainty, the property market is expected to remain flat, with prices set to stabilise and not fall any further. It is anticipated that the market is at the bottom of the cycle, with a slower than usual recovery pending domestic and global economic conditions.

MACKAY

Welcome to 2012. I hope all dedicated readers had a fantastic Christmas and new year and are looking forward to the year ahead. As always, we will give our predictions on the forthcoming year.

Well, what a difference 12 months can make. This time last year, we were in the midst of one of the wettest spring/ summer periods in Mackay, our southern neighbours of Rockhampton and Bundaberg were flooded and the year ahead consisted of more pessimism than optimism.

Now that we enter 2012, the rain has stopped and the region has dried out. Building projects which were held up due to the weather have progressed full steam ahead. We have Caneland expansion completed, the Northern Beaches Shopping Centre near completed and the expansion of the Mackay Base Hospital is well advanced. Large expansion projects in the Bowen Basin are in full swing as is the expansion of the Hay Point coal loading facility.

This has partly led to a dramatic shortage in rentals across Mackay, which has in turn, resulted in fairly steep rental increases across all sectors. This increase in rentals and tightening in vacancies has seen the sub $450,000 market in Mackay increase in activity both with investors and owner occupiers who want to escape the rental market. We have also seen an increase in vacant land sales and new housing construction. The dry weather coupled with the governments building boost appear to have assisted this market segment gain some momentum.

It's not all bright news however. We have seen at the top end market some sales and resales which have shown reduction in value levels from the peaks of 2007 to 2008. The $750,000 and above market still appears to be hard going.

So now the tricky part; what lies ahead for the year? We see the sub $450,000 market continue to be active throughout the first half 2012 as there appears to be no solution to the tight rental market. The extension of the government building boost should assist in keeping new home constructions progressing in the short term. However the end of the grant, and a possible increase in land availability, may slow this sector by the second half of the year.

The top end market is difficult to predict. A recent sale in Northview Gardens estate of a large two storey executive style dwelling showed a reduction of around 9% from the original purchase in late 2009.

Overall, there is a general optimistic feeling in Mackay as we look forward into 2012. However, any global economic turbulence or uncertainty throughout 2012 may impact on the Bowen Basin mining sector, which will have a major effect on all Mackay markets.

GLADSTONE

At the time of this going to print, there was much talk in the press about the latest global economic forecasts and the possibility of a second GFC of which no economy would be able to avoid.

We face challenging times working within the Gladstone market. How can the majority of Australian regions and the world be facing such doom and gloom when the small Gladstone market is booming! Over $50 billion worth of LNG infrastructure is being developed in Gladstone. The Gladstone market has struggled to keep up with demand over past months and it is not expected to ease up anytime soon. Various reports (unconfirmed) suggest several thousand workers are to arrive in Gladstone over the coming months. Vacancy rates have been close to nil for most of 2011 and the shortage of land and housing has forced values up across the area.

Gladstone has always been a big boom bust town where the commencement of large projects have resulted in surges in demand during construction, followed by periods of lower demand and market volatility.

Completion of the LNG plants are scheduled for early 2015. Work force numbers will decrease prior to this. Peak work force numbers are expected to be in town from mid 2012 to late 2013. Several thousand 'fly-in fly-out' workers are to be housed in workers camps on Curtis Island however many people will still require housing in Gladstone itself. Following the completion of the infrastructure for the LNG plants, accommodation demand in Gladstone is expected to decrease dramatically and an oversupply is likely.

We expect the peak of the market to coincide with peak workforce numbers in town. This is difficult to predict as values have already increased substantially from when the LNG plants were first given the green light by the Federal Government.

....there is a general optimistic feeling in Mackay as we look forward into 2012....

In 2012, we predict activity to remain high and demand to stay very strong across all residential property types. Values are already at record high levels and although the demand will be there, we are unsure just how much higher prices will go and for how long they can be sustained.

Cairns

The Cairns residential property market remains steadfastly at the bottom of the property market cycle, and while there is light at the end of the tunnel, we are not expecting big things to happen in the market during 2012.

Conditions in the local economy are slowing getting better, but it is taking a long time for these to filter into improvements in consumer confidence which is needed to resurrect the local property market. The building industry also remains at a low ebb, with a dearth of new housing construction projects inside Cairns, particularly of units.

However one comfort factor is that vacancy rates for rental property have tightened further over the past twelve months. According to our Herron Todd White Rent Roll Survey, vacancy rates for houses have come down from a trend level of 4.% in December 2010 to 2.2% in December 2011, while those for units have come down from 4.8% to 4.1% over the same period. In addition the December quarter saw average rents show an increase, rising by about $7 per week compared to September. Tight rental market conditions, rising rents and affordable property prices will provide the pre-conditions for the market to enter modest recovery mode during the next twelve months.

Townsville

After the lack lustre year of 2011 in the residential property market, what can we expect for 2012?

Rental vacancy rates remain tight with our December Rent Roll Survey showing a trending vacancy rate of 2.6% compared with a vacancy rate of 3.4% for the same period in 2010.

Townsville has recently welcomed 1,500 soldiers and families from the third Battalion Royal Australian Regiment as they relocate to Lavarack Barracks. This boost in population, along with Townsville's already consistently strong population growth and the ramping up in mining industry sectors, are all positive signs economically for our area.

....we have seen over the later part of 2011 an increase in the number of new units and house and land packages being sold under the NRAS scenario.....

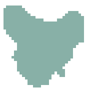
The year ahead may see an increase in the number of self managed retirees entering our markets with good opportunities to buy and vacancy rates low offering some opportunity for a safer haven to the current volatile stock market. There will be a number of new land estates which may come to market during the year, including The Village at Oonoonba, Greater Ascot and Rocky Springs.

The volume of NRAS (National Rental Affordability Scheme) product in our market is expected to increase during 2012 as developers and investors seek the security of Commonwealth and State Government tax free incentives. We have seen over the later part of 2011 an increase in the number of new units and house and land packages being sold under the NRAS scenario.

In the established housing market over the later half of 2011, opportunistic purchasers ruled as the residential property markets languished. Sales were on the rise, but prices were in decline. Large amounts of mortgagee/ receiver stock coming on the market relative to the numbers of buyers, plus an overhang of other properties for sale, meant that vendors had to offer a discount on initial price expectations to achieve a sale in the current market conditions. Anecdotal evidence suggests that this pattern has carried over into the start of 2012. In our view this represents the pre-conditions needed for the market to restart in earnest, but there is an abundant amount of stock to clear before the higher levels of turnover start impacting on prices.

We see that the unit market, particularly for established product will continue to struggle as a result of negative feeling surrounding skyrocketing strata insurance costs. This is bringing considerable angst to investor returns in this sector. An inquiry into these skyrocketing insurance costs is due to commence in January with the outcome of the hearings a highly anticipated topic in the local market.

Our outlook for 2012 is for the market to consolidate and start to rebuild, but this will be a gradual process, not a rapid rebound.



Tasmania

Firstly, welcome all our readers to 2012 – in what we are calling the year of consolidation.

The primary positive influences within the Tasmanian market are expected to be the falling interest rate environment and ongoing tight rental market. Both of these are attractive qualities for the participation of investors in the market. However, this interest could also be equally countered by continued capital growth stagnation or falls and a slowing of rental increases as the rising cost of living continues to erode tenant disposable income. After an expected period of absence following the increased grant, valuers are starting to see some first home buyers re-enter the market, no doubt buoyed by low interest rates and price readjustment in some markets.

There is certainly no shortage of negativity within the Tasmanian market at present which is having a major impact on consumer sentiment. Continued economic

Herron Todd White
Independent Property Advisors

uncertainty and concerns surrounding job security (particularly in the public sector) has combined with cost of living increases to well and truly dampen growth. This has been reflected in numerous statistics with the most recent including falling building approvals and employment figures. A migration of the workforce out of the state and the lack of any real population growth will likely extend the impact of this uncertainty beyond the short term.

Given the above our recommendation for the safest option for purchasers (both owner occupiers and investors) remains the strongholds of the inner city and more desirable well serviced suburbs surrounding major centres. That's not to say these areas will perform particularly well, but should hold value and remain more attractive during any downturn. Those investors confident of no further capital value falls ,may find now is the perfect time to enter the market, with lower confidence levels and first home owners providing limited competition for entry level housing in popular suburbs. Whilst returns may be higher in other locations (including lower socio economic areas), the downside is any future capital value falls are expected to impact greater in these areas.

Those major projects within the state which continue to develop or are the ones to watch include:

- $400 million wind farm project at Musselroe in Tasmania's north east
- Dairy plant expansion in Tasmania's north west
- Countering of Beaconsfield Gold Mine closure with slated development of Nickel mine in the area
- Rio Tinto marketing for sale the Bell Bay Plant
- Continued speculation regarding the survival of Gunns and proposed pulp mill
- The continued speculation surrounding Triabunna mill under new "green owners"
- Doubt surrounding the Harvey Norman Devonport development
- Major redevelopment in Hobart CBD including Myer site and Hospital upgrades

The success or failure of many of these projects will most likely result in impactsto both local and state governments.

Darwin

The long awaited Inpex LNG deal was signed on the dotted line Friday 13 January which will mark the beginning of the biggest project in Northern Territory history (and the second largest investment in a single project in Australia's history). Work will begin immediately on the $34 billion Japanese LNG project which will take five years to build. It is reported that about 3000 workers will be needed to construct the project and a further 700 long term jobs will be created. Construction will include the inshore facilities, including two LNG trains, a liquefied petroleum gas plant, a condensate plant, a jetty and a 300-megawatt power station. Within the three months building up to the signing of the Inpex deal we have witnessed a surge in turnover of property sales (reducing the previous buyer's market situation) with consumer confidence in the market place continuing to grow.

The flow on effect from the Inpex project to the residential property market is believed to come as a push for increased values. Agents are predicting a 10% to 15% rise in property prices in the first two years of the gas project. Not only that, agents are also expecting rental properties could increase by 10 per cent, even though the majority of construction workers will be housed in a purpose built village at Howard Springs. Previous sharp price reductions over the past year and a half have been at least partially attributed to a lack of investor activity (such as CBD units and Palmerston dwellings). With renewed investor confidence we predict that the Darwin residential market will see increasing property demand, particularly for detached dwellings in Darwin's northern suburbs and the Palmerston area.

....between 2003 and 2010 residential property prices in Darwin more then doubled on the back of the Conoco-Phillips Wickham Point gas project....

At the end of last year the US President Barak Obama announced a permanent presence of up to 250 US troops in Darwin, rising to 2,500 US troops over a five year period. The impact of this announcement on the property market is considered to be minor, as the troops will be housed in barracks, but does assist Darwin in forming an international presence and stronger national purpose. The NT economy will also be boosted by several other projects, including the new prison and detention centre.

Between 2003 and 2010 residential property prices in Darwin more then doubled on the back of the Conoco-Phillips Wickham Point gas project. This resulted in one of the highest median capital city house prices in Australia. Due to affordability issues it is unlikely that this rate of growth could be seen again. However, growth rates may surpass other capital cities and yields remain comparatively competitive. With the final Inpex deal signed and other projects currently underway, it is fair to say that the Darwin property market has taken a turn for the better with a positive outlook for 2012.

Perth

The fundamentals that affected real estate markets throughout Australia in 2011 have been well documented, However, the Western Australian economy continued to perform strongly, underpinned by the rapidly expanding resource industry, We would expect this to have a positive affect on the Perth residential market through 2012.

The size of the resource industry in Western Australia is staggering. According to the Department of State Development, Western Australia contributed 46% of Australia's total merchandise exports in 2010/11, more than New South Wales, Victoria and Queensland combined. Exports of iron ore alone rose by 69% to $57 billion and accounted for 51% of the states exports, whilst LNG exports rose by 32%.

The strength of the resource industry is underpinning continued positive net migration. According to the Australian Bureau of Statistics (ABS), the population of Western Australia grew by 2.4% in the 2010/2011 financial year, which was the highest growth rate in the country. The flow on effects of this are witnessed in the rental vacancy rate which decreased by a further 0.6% to just 2.8%, whilst the median rent increased almost 7%.

Further more, the state unemployment rate remained at 4.3% throughout the last quarter of 2011, a full percent lower than the national average.

The unrelenting growth within the resource industry is straining labour markets, with the average wage increasing 10.4% in the previous year, whilst the national average wage increased by a mere 4.9%.

All of these factors have been building, during a period when the Perth residential housing market has slumped, with the median price currently sitting at $453,000, a decrease of 7.6% through 2011 and well below the March 2010 peak of $505,000.

The recent interest rate reductions by the RBA have created a spike in activity, and we are receiving reports from various lenders of an increase in pre-approval activity. Residential listings decreased in the September quarter, the third quarter in a row and we would anticipate a further decrease in the December figures.

With forecasts of a further rate reduction in February, our opinion for 2012 is quite bullish. However, it all depends on consumer sentiment which is intrinsically linked to the woes of the United States and European financial markets.

So, now that we have built up the argument as to why 2012 should be a positive year, where and what would we recommend?

As sales activity slowed throughout 2010/2011, developers were hesitant to reduce asking prices and instead resorted to incentives to stimulate some activity. However at some point in time supply was bound to slow. A key concern has been the increasing median land values throughout the Perth metro area, while the Perth median sale price for established properties has continued to decline. In many fringe areas, it is currently more cost efficient to buy newly established properties compared to traditional land and construction contracts.

According to the State Lot Activity listed on the WA Planning website, the September quarter of 2011 shows a 1% reduction in proposed land development applications and a 14 % reduction in proposed residential lots, indicating smaller developments and reduced risk for developers.

The total Residential final approvals throughout the Perth Metropolitan Region showed a massive 51% of all approvals for the September quarter being across only 15 suburbs. These suburbs which are renowned for being popular with first and second home buyers, and are generally situated on the urban fringe. We believe that these areas will be slow to recover. However, supply may become an issue in better located estates and values may fluctuate with any increase in demand. Suburbs around Cockburn Central remain attractive.

As interest rates decline, we would anticipate investors to re-enter the market to take advantage of solid demand, particularly in inner city localities. Demand remains very strong for furnished apartments and is expected to remain so in the short term. The apartment market in Terrace Road in the Perth CBD is very active and has low vacancy rates. Slightly further affield, near city suburbs such as South Perth, Como, Mt Lawley and Mt Hawthorn are all showing signs of good activity.

....the recent interest rate reductions by the RBA have created a spike in activity, and we are receiving reports from various lenders of an increase in pre-approval activity....

Similarly, we anticipate an increase in first home buyers activity through 2012. Affordability has been a key concern recently, however increasing rental values and decreasing interest rates will act as a catalyst for this segment. We do not consider there to be any necessity for further assistance for first home buyers, as previously this has overheated this segment rapidly, and often does more damage than good in the long term. The real bargains for first home buyers are in the established housing market.

Areas which have suffered the worst over the previous two to three years include the Mandurah Marina, coastal apartment developments and the Western Suburbs and we are not convinced that confidence has returned to this market. They appear to represent good buying, and the brave may well be richly rewarded. However for those that were badly affected during the GFC, the scars of large amounts of debt are yet to heal.

All in all, we consider 2012 has the potential to be a good year for the Perth residential housing market however, there are still plenty of reasons to be cautious. Will banks pass on further interest rate cuts? Will Greece falter? Will the Euro fade into non-existence? What will the US elections bring? As with all investment decisions, weigh up the pro's and con's, find a strategy that suits your personal situation and always seek professional, independent advice.

South Western WA

So here we are at the time of year when we get the chance to predict what may happen in our region over the course of the next 12 months.

As fairly optimistic chaps, we seem to have reached the bottom of the market, at least in the traditionally better suburbs, and this, along with the interest rate cuts and the money flowing from the big projects up north, may stir the market along a bit.

There has been considerable talk of the infrastructure spending in Western Australia of $50, $60 or $70 billion dollars on different projects over the last few years. Finally we seem to be getting some of the money spent on the ground, which can only be good for confidence and the general state of the market.

So, my positive hope and thought is that this year will bring the end of a falling market and at least stability, with the possibility of some small rises across the board.

The possible exception to this may be the beachside holiday home markets of Busselton and Dunsborough, as I am not sure whether the confidence will extend to the ultimate luxury of a second house just for holidaying.

Reports from agents working in this market over Christmas have not suggested a big run of visitors falling in love with the destination and deciding this is where they want to purchase, so that market may remain in the doldrums for some time yet.

The great unknown and potential down side in all of this is how the world economy is going to fare over the course of the year. If Europe goes belly up in a major way, taking the rest of the world with it, then all bets may be off and we could see a further decline in house prices as confidence goes out the window.

So there you have my prediction, a bob each way, but if I was really pushed I would say at least some stability with a very moderate rise in values over the course of the year.

Have a good one in 2012.

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Rural – Market Directions

Despite Australia being a land of wide variances (land of milk and honey, drought, fires driving rain, etc), it seems that the message in the rural sector is much the same throughout Australia. These being few sales of note, caution, tight fisted financiers and farmers going through recovery periods after natural disasters such as flood and drought. However, there are some bright spots that may indicate that some rural sectors are turning around and may be on the cusp of recovery.

Northern Australia still appears to be flattened after the Indonesian live export debacle and the recent announcement of a significant slashing of imports of live cattle from 520,000 to 280,000 per annum. As this trade was a northern Australian staple the flow on effect in confidence will be felt for some time; Frank Peacock from the Darwin office is just not quite sure which area will be most affected. Sales of pastoral country in northern Australia has been very slow over the last 18 months or so, and the one sale that has occurred shows a significant fall in value since the previous sale of the property in 2006.

Ron Greenland from the Cairns office reports that values have dropped and remain depressed for most country in far north Queensland (FNQ), but the extent of the drop is hard to gauge as there are very few sales taking place. There have been no sales in some FNQ areas since 2009 - a valuers nightmare. Ron further reports that there are a high proportion of mortgagee in possession or forced sales in the Mareeba Dimbulah Irrigation area and potential buyers have plenty to choose from. Prices for prime agricultural land in the "Golden Circle" near Tolga have remained firm.

Moving further south, Roger Hill at Townsville reports a very flat market, with only around 15 sales across the region and only three sales west of the Great Dividing Range.

Further south again, Steve Cameron at Toowoomba reports that there is a large mortgagee in possession influence in southern Queensland, however, there appears to be a general improvement in the market for broadacre and irrigated farming properties on the Inner Downs. There have been a few transactions taking place, albeit at reduced values from the peak in late 2007/early 2008.

Crossing into northern NSW, Robin Gardiner reports that the season has remained above average in his area, and whilst the rural commodity market remained fairly buoyant, the broader property market remains subdued. Robin suggests that perhaps rural investors are looking to diversify their investments to include a variety of property types that are capable of producing a range of agricultural commodities, so that the seasonal and price variations and risks are minimised. It is clear that protein consumption is increasing world wide, and this protein needs to be produced somewhere. Australia is better placed than many countries to meet this increasing demand.

Into central NSW, Scott Fuller reports a fairly positive outlook with active buyer interest, and properties selling, as well as the area experiencing an above average season. In addition there is some moderate flooding and water storages are full, which will result in high water allocations. The interest by potential buyers in rural properties in central NSW seems to be across the board for well regarded areas, however it is not the case for less desirable areas where demand is weaker.

David Sullivan at Bathurst on the Central Tablelands of NSW reports a positive end to 2011 with properties now selling to existing local land holders as opposed to city based investors/lifestyle buyers. There is very strong demand for rural lifestyle properties around Orange, and the outlook for rural properties in the Central Tablelands is likely to remain steady. There are positive local influences such as good seasons, high commodity prices and the local mining activity, but these positive aspects are balanced by outside influences uncertainty regarding the national and global economies

Southern NSW and north east Victoria have experiences a moderate harvest (with low prices), and they now appear to be settling in to a more normal summer weather pattern. Due to poor cereal crop prices many farmers are starting to increase livestock numbers to ensure that their risks are spread across several commodities. There have been some interesting property sales including "Mount Falcon" in the Upper Murray, "Collendina Station" near Mulwala and "Morebringer" near Howlong, the latter two both fronting the Murray River. Water storage levels are starting to drop as the irrigation season is well under way to the west of Albury.

There appears to finally be a bright spot in south west NSW and north west Victoria, with the wine grape crush under way and wineries chasing fruit, albeit at relatively low prices. A low price is probably better than tipping the fruit out on the ground. The outlook for wine grapes is looking brighter than it has for many years. There have been some sales of wine grape properties as well as the sale of a large dried fruit vineyard. A favourable cereal harvest has been completed in the Mallee, with some weather interruptions and some grain downgraded due to weather damage.

....Over in WA agents are reporting increased buyer interest in rural holdings, but most buyers are taking a cautious approach to buying decisions and this is resulting in a quiet rural property market....

Across the continent to WA, David Able at Bunbury reports that the harvest was interrupted by rain and localised flooding, however a bumper crop was harvested with some downgraded grain. Agents are reporting increased buyer interest in rural holdings, but most buyers are taking a cautious approach to buying decisions and this is resulting in a quiet rural property market.

Around Australia the rural sector is experiencing a variety of fortunes. Lets hope that commodity prices remain high or increase, good seasons are forthcoming, debts incurred over the last few years of drought can be repaid, and the agricultural sector can move forward with confidence.

David Shuter Ph: (02) 6041 1333

1 February 2012

Northern NSW

Most of inland northern NSW continues to experience above average seasonal conditions. Our major public water storages are either full or approaching full capacity with Spilt Rock Dam at 48% being the only storage that is below 90%.

While livestock and wool commodity prices are all trading relatively strongly (despite a strong Aussie dollar), the broader property market remains subdued. In particular the number of buyers in the pastoral sector for property priced over $2 million remains low. This reflects ongoing concerns about, restricted access to funds and the high cost of livestock together with the ongoing diminished appetite for increased debt within the sector. Activity in the cropping sector is a little stronger but focused largely on prime land.

There have been mant articles written over the past two years on the topic of world food security, our capacity to feed the world and its impact on the demand for prime agricultural land in Australia and elsewhere. It would appear that many of the early movers, with access to large pools of agri investment funds, have identified cash cropping as the more immediate beneficiary of possible sustained increases in protein related commodities. No doubt they see the prospect for increased world grain consumption in the intensive animal industry (chicken, pork and beef) as a fundamental positive driver of grain prices in the next decade, and are prepared to invest accordingly. Should their forecasts be correct, it is likely that the grass fed protein sector (pastoral sector) will also be a beneficiary as their cost of production may well become proportionally lower (and margins become higher), if world grain prices do escalate.

It would appear appropriate therefore that investment in a mix of both the cropping and pastoral sector would be an appropriate investment strategy, rather than a singular focus. Perhaps we may also see increased investment in feedlots and poultry farms over the medium term to enable vertical integration and improved economies of scale in the protein sector generally. Whatever production system investment is made, the biggest hurdles to achieving appropriate investment returns (apart from the usual constraints of seasonal variability) appear to be rising input costs (fuel, labor, chemicals and fertilizer), the cost of debt and the availability of appropriate levels of skills and capital.

The next upswing in the rural property market is only likely to occur when it becomes clearer that protein related commodity prices are definitely tracking north with less volatility than over the past couple of years. If and when that occurs it is likely that increased investment in large scale cropping and pastoral property will occur (due to larger entities/funds' access to capital). this will be followed shortly thereafter by increased investment in smaller operations by existing family based enterprises (who find it more difficult to access capital), assuming we don't have another serious credit freeze.

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Southern NSW

ALBURY

Harvest is well and truly over in southern New South Wales and north east Victoria. A higher percentage of the harvest was reasonable, with yields generally falling between 2.5 tonnes per hectare and 4 tonnes per hectare, but a much the grain was downgraded to feed due to weather damage. The other disappointment was the prices paid, which were as low as $125 per tonne delivered and there were not many reports of prices over $145 per tonne delivered. These price levels were a far cry from feed wheat prices in late 2010 and early 2011, which were hovering around $170 and $195 per tonne delivered. Many farmers in this area are now starting to look towards other forms of agriculture such as fat lambs, wool and cattle as there is no money in cropping at the current low prices for cereals.

The weather in this area has settled into a normal summer pattern of fairly hot days and nights ,which are not quite so hot. There has been little or no rain since mid December and we are told that the La Nina effect is decreasing. Summer rainfall has mixed blessings in this area with beneficial effects in the valley areas of the north east (Mitta, Upper Murray and Kiewa Valleys), but detrimental effects in the more open cropping and grazing country. The detrimental effects come in the form of increased weed problems, fly struck sheep, increased parasite burdens and problems associated with cereal and small seed harvest.

....recent sales of pastoral stations in the southern part of the western division of NSW shows strong levels which further emphasises the recent favourable seasons....

There have been some interesting sales in southern New South Wales including the sale of "Morebringer" between Albury and Howlong for $4.3 million. This property fronts the Murray River, comprises 526 hectares and comprises mainly river flats and terrace country. "Collendina Station" sold at auction for $7.05 million in November. This property comprises 1276 hectares with an historic two storey homestead, river and underground irrigation water and several cottages and outbuildings. "Deltroit Station" near Mundarlow east of Wagga Wagga was also offered for sale but has not yet sold. This property comprises 2550 hectares of Murrumbidgee River country, an historic home in a six hectare garden, and an estimated carrying capacity of 30,000 DSE.

The level of water storages are starting to fall as the irrigation season gets under way. Hume is at 78% of capacity, Dartmouth at 75% and Eildon at 95%. Allocations in the Murray Darling Basin are mainly at 100% for both high and general security water, so the irrigation season looks pretty good at this stage.

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Regional Victoria

MILDURA/SUNRAYSIA

In 2011 Mildura experienced its highest rainfall at 658mm, in the town's 120 year history, which is more than double the annual average of 293mm. This follows a 2010 rainfall total of 597mm. Prior to this there was a decade of below average rainfall including a major drought.

The dryland cereal grain growers have completed a favourable harvest in the Mallee region with only some slight weather interruptions. Grain quality and quantity has generally been above average so, it's disappointing that grain prices are so flat at present. Every spare cubic metre of grain storage space is filled at present as growers await an improvement in prices. Confidence in a favourable season saw many farmers for the first time plant extensive areas of canola in the Mallee and the results were very favourable in a region that previously was considered too dry and harsh for oilseed production.

Recent sales of pastoral stations in the southern part of the western division of NSW shows strong levels which further emphasises the recent favourable seasons and the current confidence in the grazing sector.

After more than five years of decline, the 2012 wine grape crush appears to be shaping up as a year when wineries are chasing fruit, although without any great willingness to pay significantly higher prices. It appears as though the supply/demand equation is reaching a balance after nearly ten years of oversupply. Perhaps the industry's outlook is appearing brighter. Anecdodal evidence from limited winegrape vineyard sales shows firmer levels than sales recorded over the past three years, suggesting the sector is on an upward medium trend. Grape crops are looking great and favourable weather over the next two month harvesting period will be important following 2011's dismal rain affected a poor quality crop.

The table grape harvest is now in full swing with most Menindee Seedless having been picked and some Crimson and Thomson Seedless hitting the supermarket shelves from this region. Quality is excellent and growers are nervously watching the skies. Opening of exports into China will help the industry, although the strength of the Australian dollar is not assisting this export market. There are a number of new table grape vineyards being established in the region, combined with major redevelopment of new plantings to existing vineyards. This is a very good litmus test of the industry's positive outlook.

A large drip irrigated dried fruit (Sultana) vineyard of 200 hectares at Nangiloc, 45 km south of Mildura has recently been contracted with settlement due at the end of January. The property is one of the largest dried fruit vineyards in the Sunraysia region and has been subject to high management levels. The pending sale excludes water share and after deduction of improvements, crop and an insurance claim, shows a level of $20,500 per hectare for quality established vines on 'state of the art' Shaw swing arm trellis. This shows renewed strength in the dried fruit sector, influenced by a large undersupply for quality dried fruit and increasing fruit prices.

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Central NSW

Once again good rainfall has fallen across the central and western areas of New South Wales promoting unseasonable summer growth and causing general disruption to late harvest activities. Despite the negative impact of these rainfall events on winter cereal harvesting, the general positive influence of current seasonal conditions is seeing continued interest in the rural property market in the central western and western areas of New South Wales.

There continues to be a number of corporate entities still searching for parcels of land to add to their portfolios. As this article goes to press, another large Central West holding has gone under contract to a major corporate interest with major holdings in the Central West area at the $1,500 per hectare level. This property is approximately 40% dryland cultivation with the balance good open grazing country. This holding has good grain handling facilities and was carrying a substantial body of feed.

Complementing this corporate interest is adjoining land holder interest which has resurfaced with the recent positive seasonal conditions. An 850 hectare property approximately 30km north-west of Dubbo has recently gone under contract at $2,500 per hectare overall. This property is well improved with two homes, good shedding with quality red loam and chocolate loam soils present. After accounting for the value of the improvements on the property this sale equates to $2,000 per hectare for general dryland cultivation country.

While there has been good levels of interest in well regarded areas, those properties perceived to be in less desirable areas and have perceived soil or improvement issues are receiving far less interest in the market place at present.

With further moderate flooding currently passing through the Darling River system, most irrigation storage reservoirs have been filled and watering activities are currently well underway. These current flows should ensure there is sufficient water in storage to complete all planted areas. This augers well for the current season and general expected cash flows.

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Southern Queensland

This year's summer crops have now been sown and generally within the Inner Downs, we have seen an increase in the areas planted to dry-land cotton. Although late December was considered disappointing regarding predicted rainfalls, the sporadic early January falls, especially within the southern Darling Downs, have provided confidence to those planting this season. Confidence of those farmers has firmed up, hoping to capitalize on this seasons planting. The weakening commodity price of sorghum, now sitting under $200 per tonne, will ultimately influence the end result of this confidence.

Widespread rainfalls over southern Queensland has also freshened up the grazing country, after severe winter frosts greatly reduced the quality of pastures. The cattle market also remains strong with the Cattle Market Index sitting around 214. One could be forgiven for thinking that the overall agri market is strong. The international impacts on local financial markets, the need for debt consolidation and general uncertainty are still playing havoc with the ability of properties to sell at sound values.

....widespread rainfalls over southern Queensland has freshened up the grazing country, after severe winter frosts greatly reduced the quality of pastures....

The local market has shown some signs of improvement for broadacre and irrigated farming holdings on the Inner Darling Downs. We are aware of the sale of the aggregation of 'Arlington' and 'Antrim', located within the Norwin area to the east of Cecil Plains. The properties, comprise good quality broadacre and irrigated cropping country recently settled at a combined value of $5.7 million. These appear to be very sound values. We expect that with a continuing improvement in seasons, there maybe a shift in demand towards similar comparable properties. This is however highly dependent on the grains and cotton industry having an overall good 2012 summer harvest.

The property Campbell's, located south-west of Pittsworth within the Tummaville area recently sold after auction for reportedly low $4 million. The sale was a mortgagee transaction which highlights the current market conditions for those properties under pressure to achieve a sale. Earlier sale records indicated the property was previously purchased in 2007 at the peak of the market for $5 million, reflecting a regression of between 10% to 20% on the price previously paid. Overall there has been a general increase in the number of properties listed for sale under mortgagee direction. This is a concern as it may hamper any market recovery in the short term, especially in those areas where there is a general oversupply of property currently available. Despite this, these scenarios do provide opportunities for those actively within the market seeking further country.

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Far North Queensland

Durin 2011 rural property prices across all sectors remained depressed. While there is widespread sentiment amongst agents and farmers that values have dropped the exact extent of price declines is hard to quantify because of the dearth of transactional evidence in a number of areas. Examples of this include: the area between Cardwell and Cairns where in 2011 there has was only one genuine sale of a viable cane farm and on Cape York Peninsula where there has not been a genuine sale of a pastoral property since 2009. From a valuer's perspective, this situation makes it very difficult to value in these areas.

We would expect that sales volumes will pick up in 2012 as opportunistic purchase opportunities arise and as mortgagees become more prevalent in the market. Oversees corporate buyers have also been active, with Asian interest recently acquiring land in the Tully area and also purchasing the pastoral property 'St Ronans' at auction in December for $4 million. We also understand that dairy farms on the Atherton Tablelands are currently being studied.

Prices in the Mareeba-Dimbulah Irrigation Area have come back markedly across 2011 with a high number of properties on the market. There is downward pressure on horticultural properties here due to a high volume of either mortgagee in possession or forced sales. This has created a situated where buyers can pick and choose properties and we have seen offers made well below recent valuations in many situations. Therefore a number of sales of horticultural properties for sub $500,000 and indeed viable farms can be acquired for under $800,000. The release to the market of a number of former tree farms in the Cardwell, Tully, Innisfail areas have had a similar effect on grazing land values, with a small pool of buyers experiencing a wide variety of choice. We would therefore expect land values for this coastal grazing country to remain depressed into the short term.

Prices for prime agricultural land in the Tolga 'golden circle' area have remained firm with a number of private transactions occurring in the second half of 2011. Grazing values on the tablelands for fattening country have come back during 2011 but not to the same extent as coastal areas.

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Northern Queensland

Early rains before Christmas were a blessing for many graziers. While there have been incidences of three day sickness, in general the cattle have been in good condition and going forward over the Christmas new year period. The traditional wet season period is breaking now with the monsoonal trough entering our region. Cattle across the region should do very well this season.

Cattle prices remain up on last year so the positive song plays on. A similar tune was being played last year. This was however, not to be the case . The live export trade issue was only one issue that cattlemen had to deal with.

One of the immediately notable changes that the industry implemented was a shift in bull breeding preference. For many years some prominent graziers have been cross breeding to maximise hybrid vigour. Last year there was a noticeable gap paid for flat backed bulls than for their Bos indicus cousins!

....cattle prices remain up on last year so the positive song plays on....

The speed in which graziers sought to lead change in this challenging business environment was quite remarkable. Given that that this year has started well, calves from the bulls purchased last year will start hitting the ground later in 2012.

The north Queensland grazing property market showed signs of value rates softening for some country types and locations. Sale volumes were down to around 15 sales across the region last year. About half of these were in the Einasleigh, Forsayth, Mt Surprise and Georgetown areas. The Charters Towers area came in just behind the northern area.

In the years up until mid 2008, the Mitchell Grass Downs country often accounted for about half of the north Queensland property sale volumes. In 2011 there were only two sales on that landform and only three sales west of the Great Dividing Range.

With confidence in the season and cattle prices, it is hoped that the year pans out well.

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Northern Territory

The old year closed and the new year opened with a bit of action in the Northern Territory. Around Christmas, the Peanut Company of Australia (PCA) clinched a deal with the Kununurra (East Kimberley) based Indian sandalwood company Tropical Forestry Services (TFS) who contracted to buy their Katherine based portfolio of properties (bare) for a figure in excess of $13 million (bare). The publicly reported deal is subject to finalisation of the Water Allocation Plan (WAP) for the Oolloo aquifer (one of the NT's highest yielding ground water resources) from which much of the aggregation draws its irrigation water. The WAP is reportedly due within the coming weeks.

Interestingly, TFS have the largest plantation of Indian sandalwood in the world at around 5,000 hectares planted, on the black, cracking clay plains of the Ord River Irrigation Area at Kununurra. The expansion into the Katherine district with its well drained, red sandy loams is an interesting development by TFS The Complany has obviously invested significant research into determining the suitability of the Indian sandalwood tree (which comprises the most expensive hardwood in the world) irrigated on the lighter red soils in Kununurra, it is flood irrigated on the black country and it is understood that TFS has trialled drip irrigation on red country). TFS made a successful transition from Managed Investment Scheme (MIS) to wholesale investment source in 2011 securing its balance sheet (and hence property buying power!) with a US$150 million senior notes issue which was supported by key global investors. The PCA aggregation comprised 8,365 hectares "Taylors Park" (approx. 5% irrigated, 21% cultivation plus chained country, clearing permits and water licence, to be verified); 3,357 hectares "Eagle Park" (2% irrigated, 6% cleared and water licence, to be verified) and 494 hectares "Florina Road" (43% irrigated, high security water licence). The aggregation had been on the market for over two years.

Although this is an early sign that some confidence may be coming back to the agricultural land market in the NT, the likely sale to TFS, who publicly state that they are in land acquisition mode, may bare little comfort to other vendors of farming properties in the region as TFS appear to have been one of few prospects who had the buying power, knew pretty much what were after, and were actively looking.

In other news, 4,379 square kilometre breeder block "Murranji Station" near Elliot (south of Daly Waters) has sold to a local pastoralist for $5.5 million (bare) after failing at auction in Brisbane in November (2011). The property is reasonably well located close to the Stuart Highway and sitting between the Barkly Tablelands and the VRD which are the Territory's two main corporate pastoral districts. The property sold previously for $5.42 million (bare) in October 2006, and since then the property has been transformed with significant capital investment including station buildings, many new bores and paddocks. The sale reflects a fall in market values since the original purchase date when market conditions were much stronger.

Indonesian live export update

It remains too early at this stage to determine which of northern Australia's live export regions will be affected most (Northern Queensland, Top End NT or the Kimberley WA) by the Indonesian Governments December 15 announcement. Indonesia stated that it plans to almost half the number of permits issued next year for Australian live cattle imports by slashing the present 520,000 imports a year to 280,000. There have been no property market transactions to indicate the impact the quota restrictions may have on investor confidence. Land agents currently marketing northern cattle stations have reported to Herron Todd White that the already strained market confidence that was easing with the reopening of the trade post suspension, has probably taken a hit. However, they have no evidence to show the latest news from Indonesia has resulted in a withdrawal of any interest shown to properties they are marketing to date. Nevertheless, the fundamentals that created the Indonesian live export market remain in place and there remains an increasing demand for protein across SE Asia with growth in affluence and spending power. This has been evidenced in the recent high values paid for export cattle to Indonesia.

Contact:

Frank Peacocke Ph: (08) 8941 4833

South Western WA

Rain stopped play in WA.

As per the cricket season, the harvest in Western Australia has been well under way for the past couple of months. During this period rain events in early December resulted in localised flooding throughout areas of the southern wheat belt which temporarily halted harvest. With the 2011/12 harvest proving to be a bumper crop as predicted, the summer rain events have resulted in some sprouting, causing a number of producers to receive downgrades in quality with low Hagberg Falling Numbers. This is considered to have tarnished the ultimate cereal grower's goal of high yields, high quality and high prices but two out of three this year is a good result for many. On a positive note, the summer rains have brought much needed moisture to soils which have suffered from drought conditions for the past three years and this will be of significant benefit when seeding the 2012/13 crop.

The rural property market remains quiet, which is a result of the delayed harvest as producers wait for all the crops to be in the bin so that they can take stock, count the coffers and plan for the future. The global financial situation is also considered to be having an impact on the Western Australian rural property market, with finance proving more difficult to obtain as the credit / debt crisis in the US and Europe continues. Agents have recorded an increase in enquiries however, as predicted, purchasers are taking a cautious approach and the market is likely to remain slow for the remainder of the summer, with an increase in activity predicted for the Autumn / Winter months.

I hope that 2012 will prove to be a healthy, productive and prosperous year for all.

Contact:

David Abel Ph: (08) 9791 6204

Comparative Property Market Indicators - January 2012

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 - January 2012

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

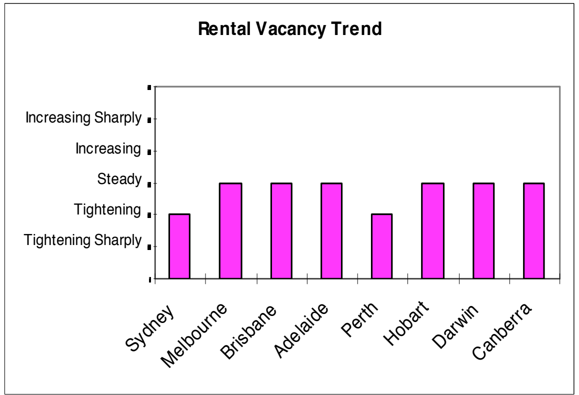
To discuss the applicability of the South Australian/Northern Territory and Western Australian indicators to individual properties or situations, contact your local Herron Todd White office:

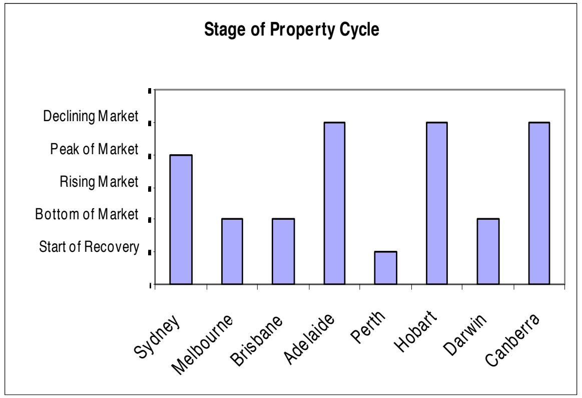
Adelaide	(08) 8231 6818
South West WA (Bunbury/Busselton)	(08) 9791 6204/ (08) 9754 2982
Perth	(08) 9388 9288
Darwin	(08) 8941 4833

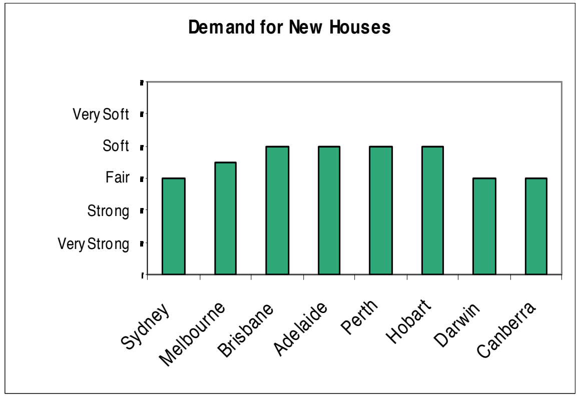
Capital City Property Market Indicators as at January 2012 – Houses

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



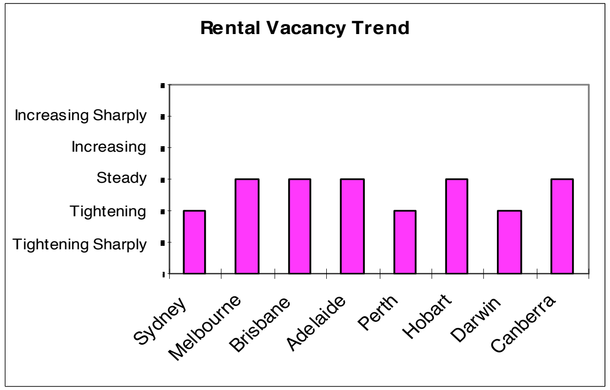


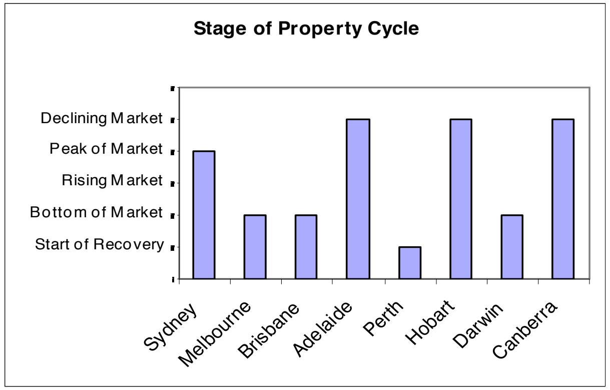


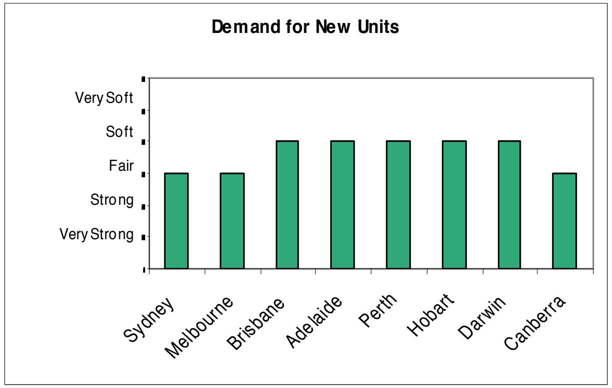
Capital City Property Market Indicators as at January 2012 – Units

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





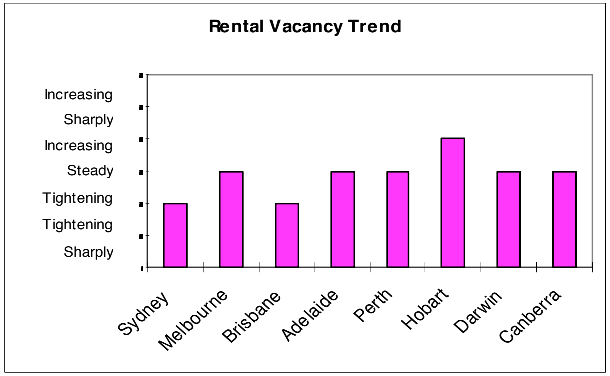


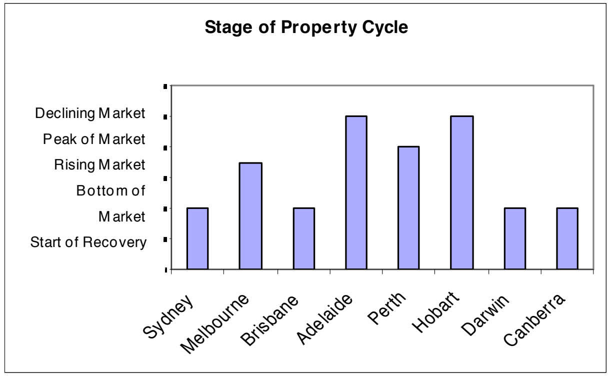
Capital City Property Market Indicators as at January 2012 – Industrial

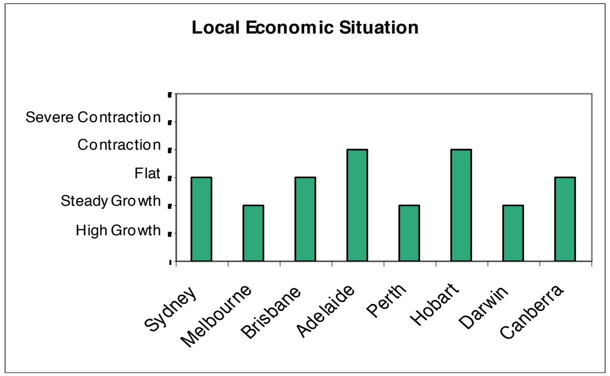
Factor	Sydney	Melbourne	Brisbane	Adelaide	Perth	Hobart	Darwin	Canberra
Rental Vacancy Situation	Over-supply of available property relative to demand	Balanced market	Over-supply of available property relative to demand	Balanced market	Balanced market	Over-supply of available property relative to demand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

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

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







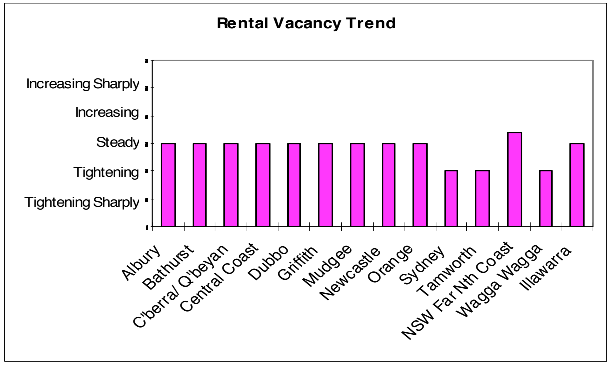
Herron Todd White
Independent Property Advisors

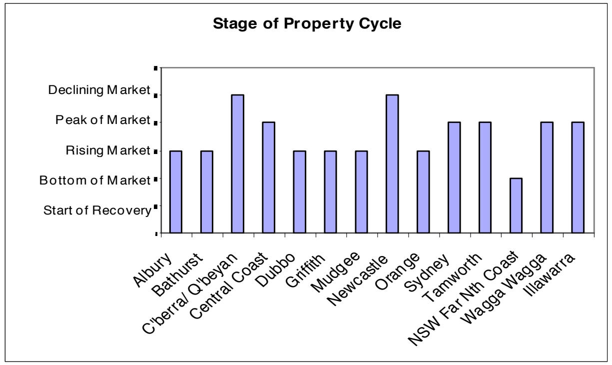
New South Wales Property Market Indicators as at January 2012 – Houses

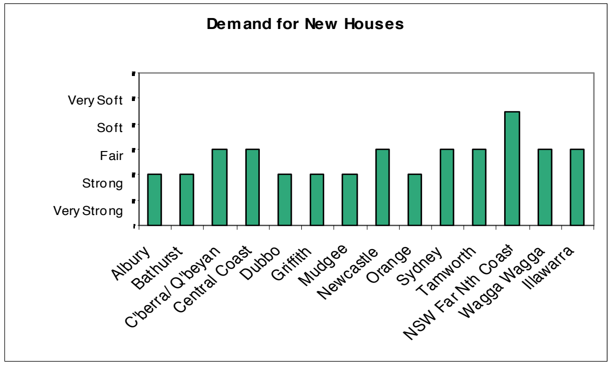
Factor	Albury	Bathurst	Can-berra/ Q'beyan	Central Coast	Dubbo	Griffith	Mudgee	New-castle	Orange	Sydney	Tam-worth	Tweed Coast	Wagga Wagga	Wollon-gong
Rental Vacancy Situation	Severe shortage of available property relative to demand	Severe shortage of available property relative to demand	Balanced market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

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 January 2012 – Units

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

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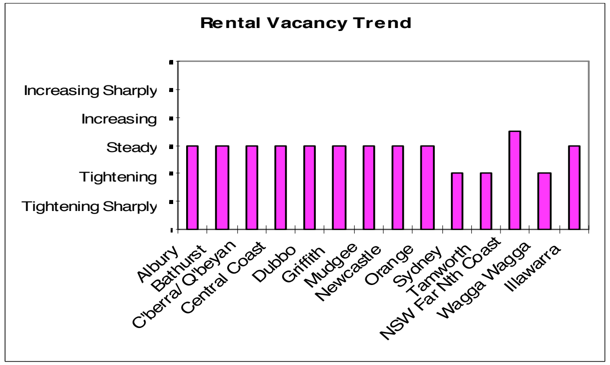

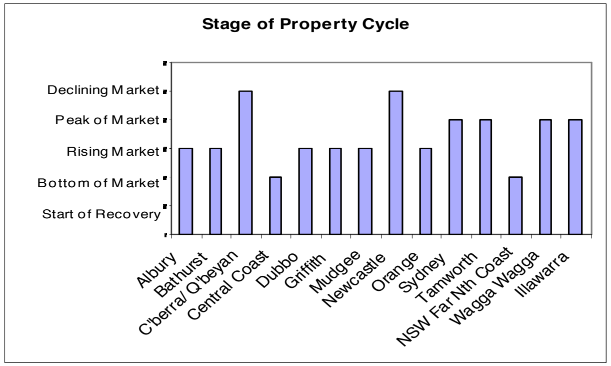

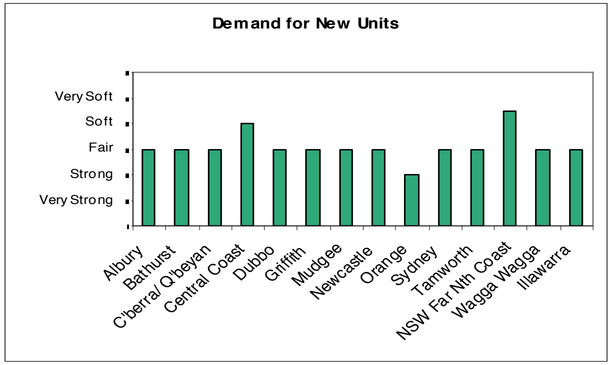

New South Wales Property Market Indicators as at January 2012 – Industrial

Factor	Albury	Bathurst	Can-berra/ Q'beyan	Central Coast	Dubbo	Griffith	Mudgee	New-castle	Orange	Sydney	Tam-worth	Tweed Coast	Wagga Wagga	Wollon-gong
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	Over-supply of available property relative to demand	Balanced market	Balanced market - Over-supply of available property relative to demand	Over-supply of available property relative to demand	Over-supply of available property relative to demand
Rental Vacancy Trend	Steady	Steady	Steady	Increasing	Steady	Steady	Steady	Steady	Tightening	Tightening	Increasing	Steady - Increasing	Increasing	Steady
Rental Rate Trend	Stable	Stable	Stable	Declining	Stable	Stable	Stable	Stable	Increasing	Stable	Declining	Declining - Stable	Declining	Stable
Volume of Property Sales	Steady	Steady	Steady	Declining	Steady	Declining significant-ly	Steady	Declining	Steady	Declining	Declining	Declining	Declining	Declining
Stage of Property Cycle	Rising market	Declining market	Bottom of market	Declining market	Rising market	Bottom of market	Bottom of market	Declining market	Rising market	Bottom of market	Peak of market	Bottom of market	Declining market	Bottom of market
Local Economic Situation	Flat	Flat	Flat	Flat	Flat	Flat	Flat	Flat	Contrac-tion	Flat	Steady growth	Flat - Contraction	Contraction	Flat
Value Difference between Quality Properties with National Tenants, and Comparable Properties with Local Tenants	Significant	Significant	Significant	Significant	Significant	Large	Significan t	Large	Small - Significant	Significant	Small	Significant	Significant	Significan t

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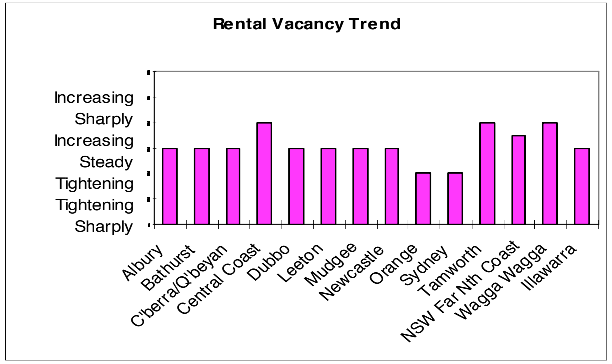

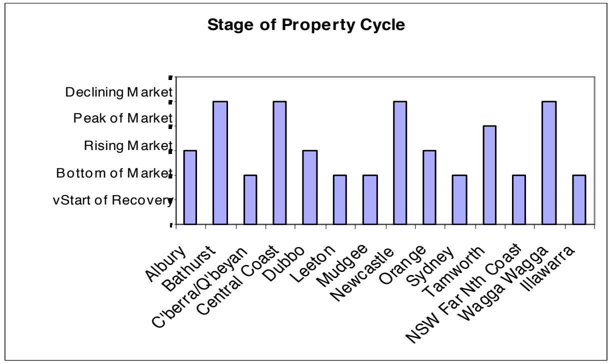

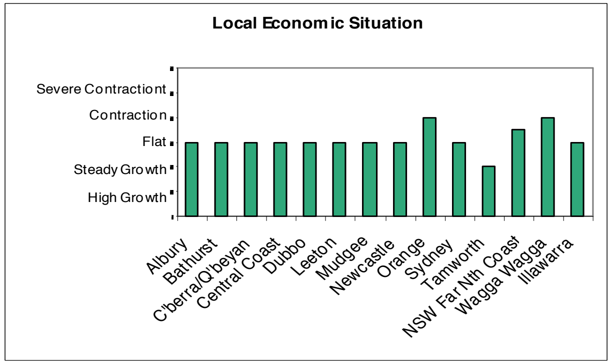

Victoria/Tasmania Property Market Indicators as at January 2012 – Houses

Factor	Bendigo	Echuca	Ballarat	Gippsland	Melbourne	Mildura	Latrobe Valley	Wodonga	Burnie/Devonport	Hobart	Launceston
Rental Vacancy Situation	Balanced market	Balanced market	Shortage of available property relative to demand	Balanced market	Shortage of available property relative to demand - Balanced market	Balanced market	Balanced market	Over-supply of available property relative to demand	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	Tightening	Steady	Steady	Steady	Steady	Steady	Steady	Steady	Steady
Demand for New Houses	Fair	Fair	Soft	Fair	Soft - Fair	Fair	Fair	Fair	Soft	Soft	Soft
Trend in New House Construction	Steady	Steady	Steady	Steady	Steady	Declining	Steady	Declining	Declining	Declining	Declining
Volume of House Sales	Increasing	Increasing	Declining	Declining	Declining	Steady	Declining	Declining	Declining	Declining	Declining
Stage of Property Cycle	Bottom of market	Bottom of market	Declining market	Declining market	Bottom of market	Bottom 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	Occasion-ally	Occasion-ally	Occasion-ally	Almost never	Occasionally	Occasion-ally	Occasionally

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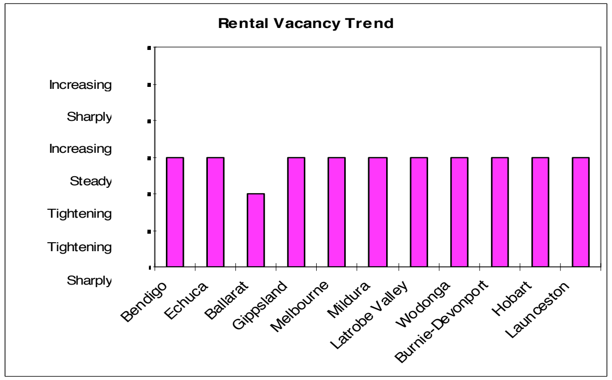
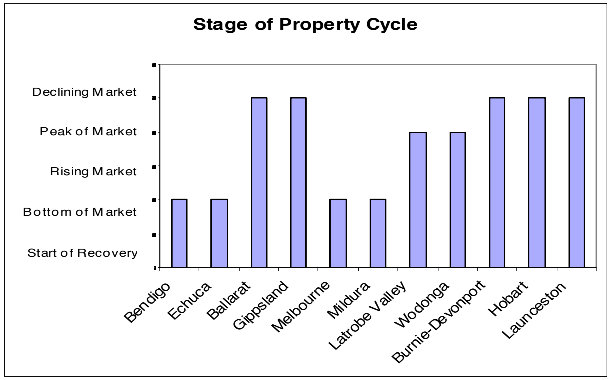
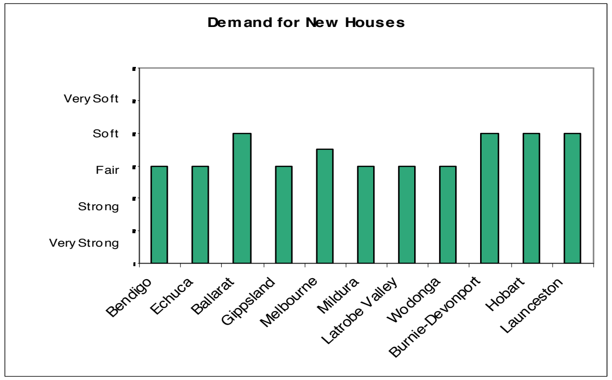




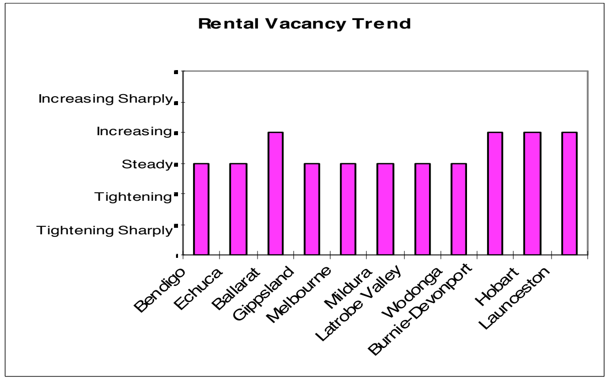


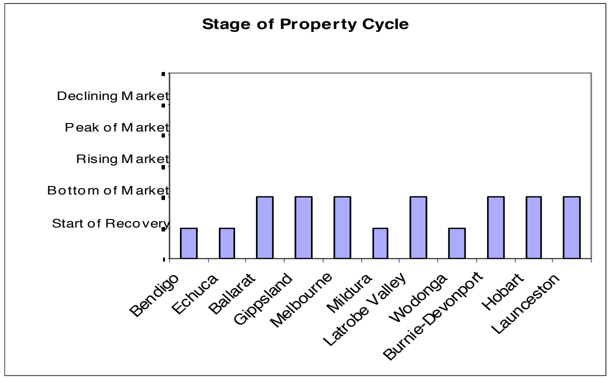
Victoria/Tasmania Property Market Indicators as at January 2012 – Units

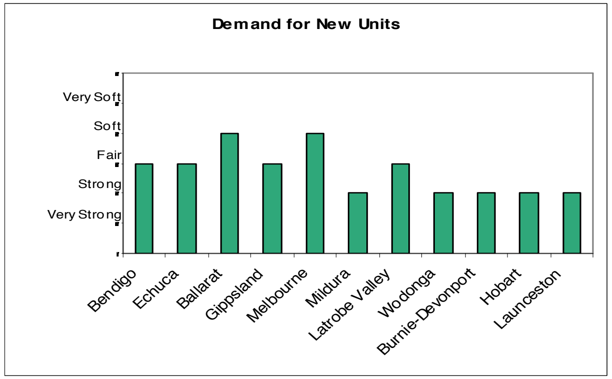
Factor	Bendigo	Echuca	Ballarat	Gippsland	Melbourne	Mildura	Latrobe Valley	Wodonga	Burnie/Davenport	Hobart	Launceston
Rental Vacancy Situation	Balanced market	Balanced market	Shortage of available property relative to demand	Balanced market	Balanced market	Shortage of available property relative to demand	Balanced market	Balanced market	Shortage of available property relative to demand	Shortage of available property relative to demand	Shortage of available property relative to demand
Rental Vacancy Trend	Steady	Steady	Tightening	Steady	Steady	Steady	Steady	Steady	Steady	Steady	Steady
Demand for New Houses	Fair	Fair	Soft	Fair	Fair	Fair	Fair	Fair	Soft	Soft	Soft
Trend in New House Construction	Steady	Steady	Steady	Steady	Increasing	Declining	Steady	Declining	Declining	Declining	Declining
Volume of House Sales	Steady	Steady	Declining	Declining	Declining	Steady	Declining	Declining	Declining	Declining	Declining
Stage of Property Cycle	Bottom of market	Bottom of market	Declining market	Declining market	Bottom of market	Bottom 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 January 2012 – Industrial

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

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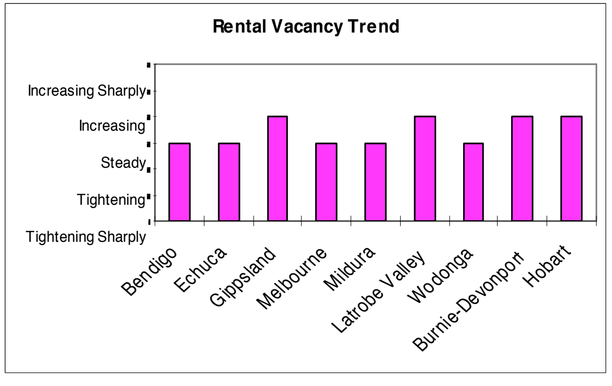
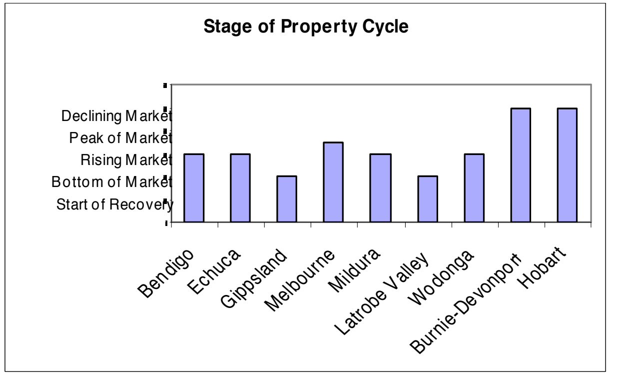
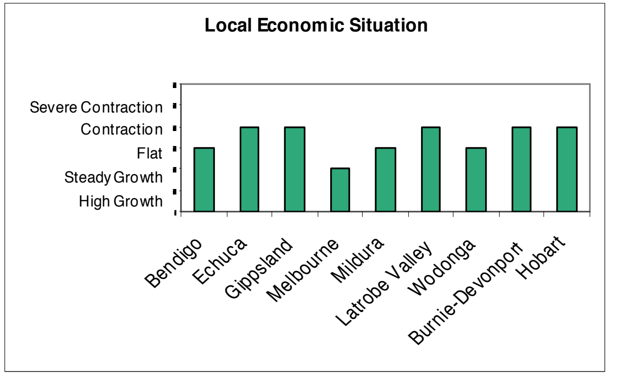
Blue entries indicate change from 3 months ago to a lower risk-rating







Queensland Property Market Indicators as at January 2012 – Houses

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

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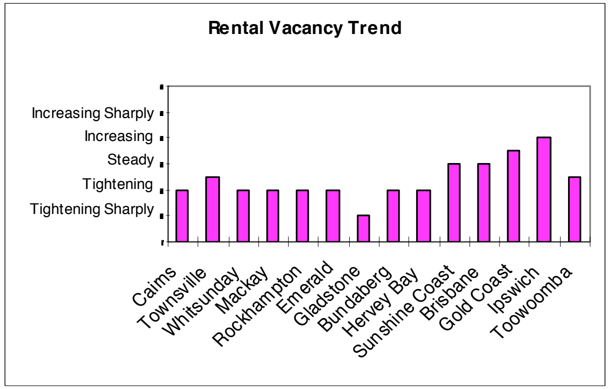
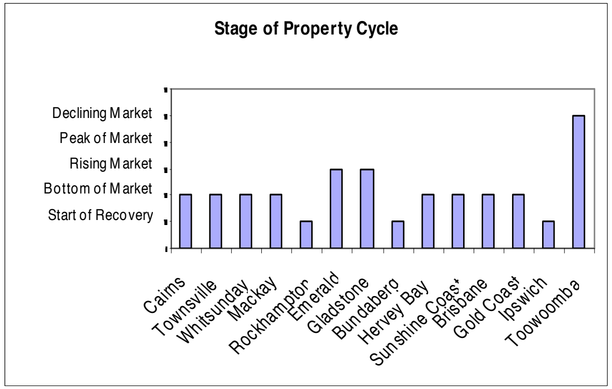
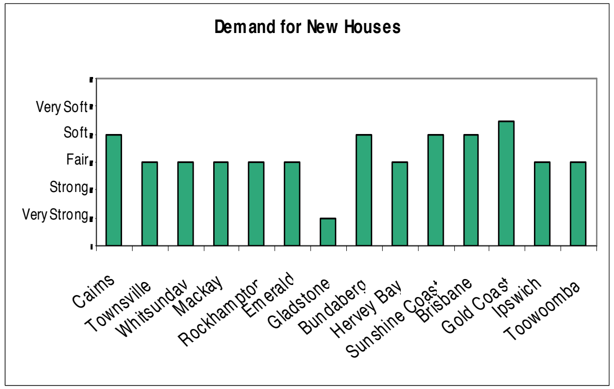
Blue entries indicate change from previous month to a lower risk-rating







Queensland Property Market Indicators as at January 2012 – Units

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

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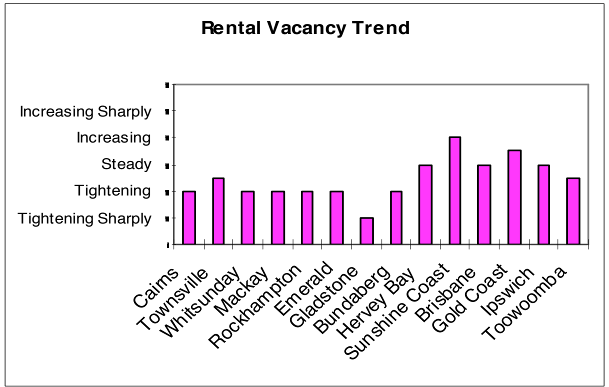
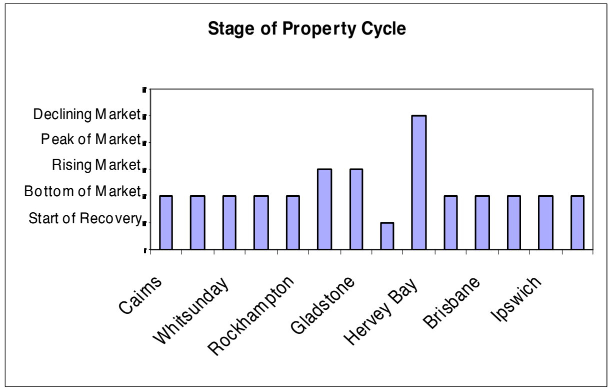
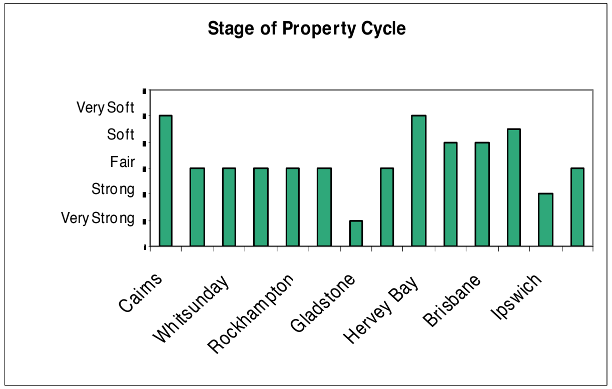
Blue entries indicate change from previous month to a lower risk-rating







Herron Todd White
Independent Property Advisors

Queensland Property Market Indicators as at January 2012 – Industrial

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

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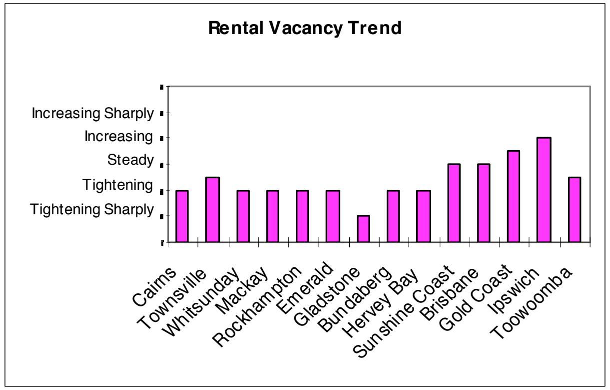
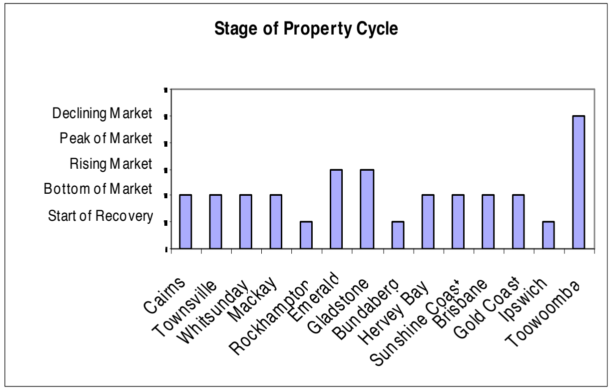
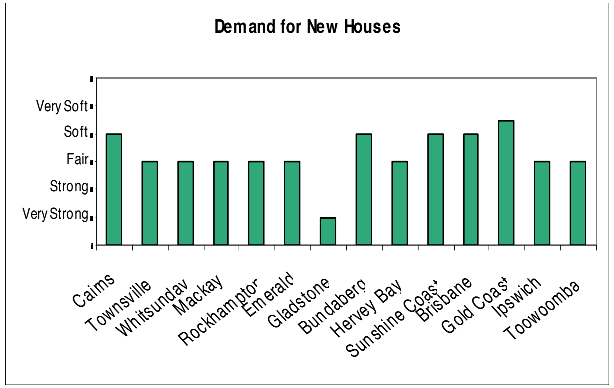




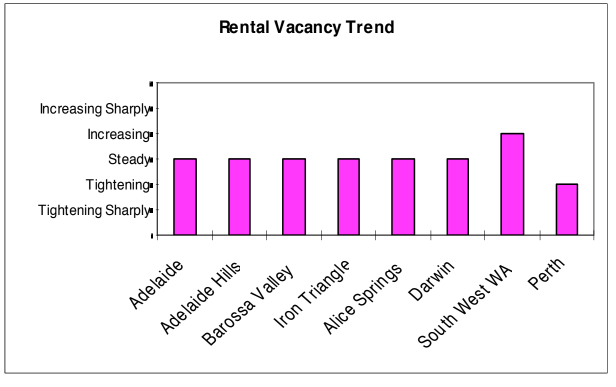


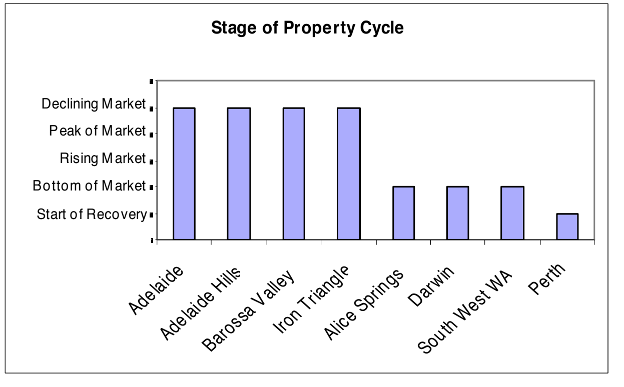
Northern Territory, South Australia & Western Australia Property Market Indicators as at January 2012 – Houses

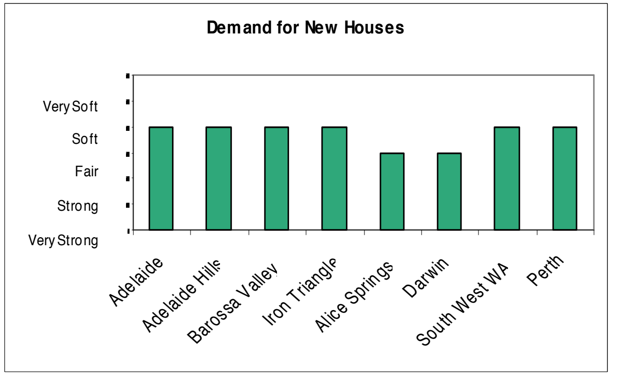
Factor	Adelaide	Adelaide Hills	Barossa Valley	Iron Triangle	Alice Springs	Darwin	South West WA	Perth
Rental Vacancy Situation	Balanced market	Balanced market	Balanced market	Balanced market	Balanced market	Balanced market	Balanced market	Shortage of available property relative to demand
Rental Vacancy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

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

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



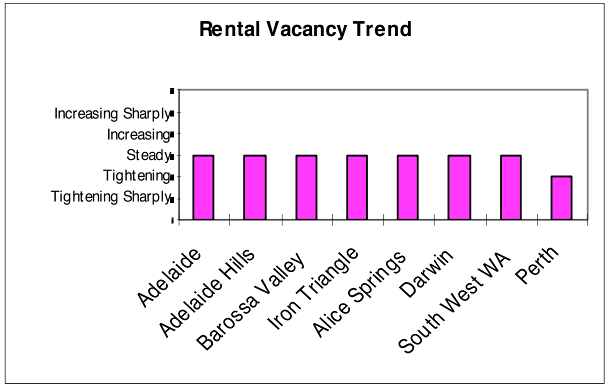


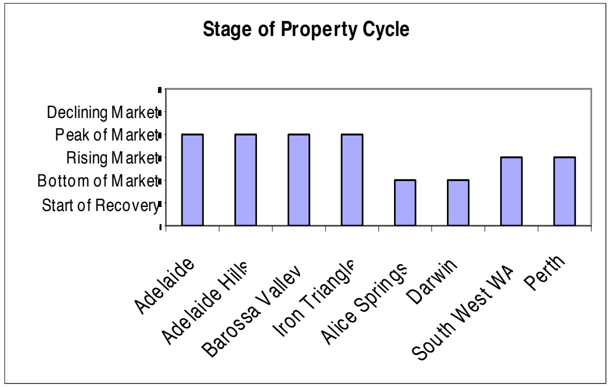


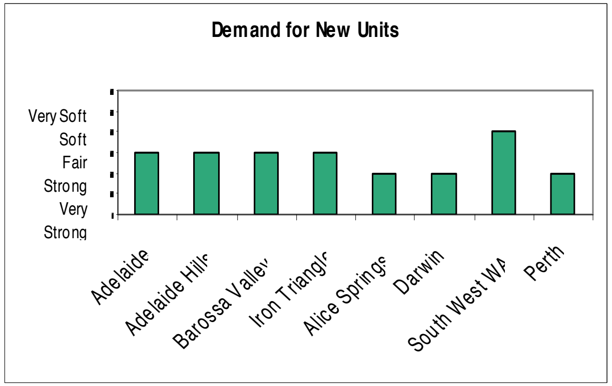
Northern Territory, South Australia & Western Australia Property Market Indicators as at January 2012 – Units

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

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







Northern Territory, South Australia & Western Australia Property Market Indicators as at January2012 – Industrial

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

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

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