Residential

HERRON
TODD
WHITE
RESIDENTIAL

National Property Clock
December 2017
Houses

Coffs Harbour
Newcastle
NSW Central Coast
NSW Mid North Coast
South East NSW

Sydney

Toowoomba

Darwin
Perth
Alice Springs
Bundaberg
Emerald
Gladstone
Mackay
Rockhampton
South West WA

Cairns
Hervey Bay
Horsham
Ipswich
Sale
South West WA
Townsville
Warrnambool
Whitsundays

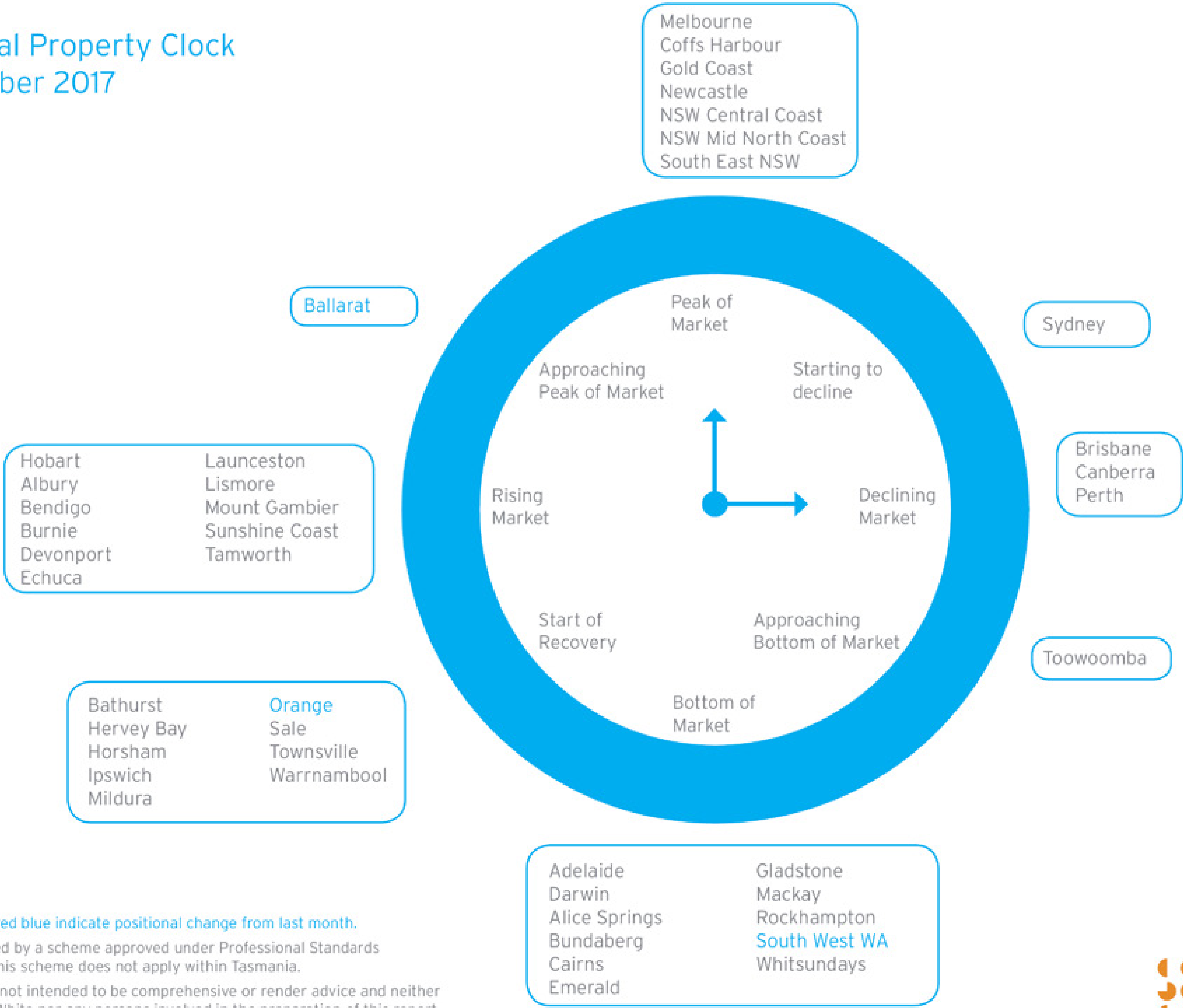
Adelaide
Brisbane
Canberra
Hobart
Albury
Ballarat
Bathurst
Bendigo
Burnie
Devonport
Echuca
Launceston
Lismore
Mildura
Mount Gambier
Orange
Tamworth

Melbourne
Gold Coast
Sunshine Coast

Entries coloured orange indicate positional change from last month.

HERRON TODD WHITE RESIDENTIAL

National Property Clock
December 2017
Units



Entries coloured blue indicate positional change from last month.

HERRON TODD WHITE RESIDENTIAL

Overview

2017 was the year some of our hottest markets decided it was time to take a breather. In addition, there were those sectors that continued to lay dormant while a few even outdid expectations.

This month's residential section looks back at the year in real estate. There's also an opportunity to see how each of offices performed in terms of predictions for property in February 2017.

Sydney

For greater Sydney, 2017 was a year that saw continued growth but at a lower rate than in previous years. Recent months have shown signs of slowing even further. This was widely anticipated and our prediction of slower growth as the year progressed proved correct. CoreLogic's quarterly results as at 31 October 2017 revealed an annual return of 7.7% and a quarterly result of -0.6% for dwellings in Sydney. This annual growth occurred mostly in the earlier months with the last two quarters recording flat to slightly negative growth.

Throughout the earlier months of 2017, demand continued to outstrip supply, keeping the wider residential market buoyant. In more recent months we have seen selling periods extend closer to longer term averages and prices begin to stabilise and even fall in some areas. As the market moves from a seller's market to a buyer's market, the instances of sales results well above asking prices are becoming far less frequent.

All is not lost however. Local agents have noted quality properties are still highly desired and are continuing to record strong results; they are just taking slightly longer to sell with a reduction in the number of interested buyers compared to previous years. We have noticed that below average stock, including properties considered to be in secondary locations, is being hit harder with buyers feeling they have more choice within their budget range.

Eastern Suburbs

The Eastern suburbs generally played out as expected. The year started off very strong with some large price increases in the first quarter compared to the last quarter of 2016. The limited available stock continued to drive the market which resulted in premium prices being achieved in both units and houses up to $3 million.

With so much heat in the market over the past four or so years up until early/mid 2017, it was safe to predict that things were going to cool down at some point. The second half of the year saw a change in market conditions, with auction clearance rates and buyer demand easing but prices in most cases generally holding in value with only some slight decreases noted. The sense of urgency has been removed from the market with buyers being more savvy and cautious in their purchasing decision. A number of properties scheduled for auction are being pulled due to lack of interest, with agents often changing tactics and advertising with an asking price to entice the buyers. Selling agents are advising that if a property is priced too high, it will sit on the market longer and lose momentum. This is different to what was seen at the beginning of 2017 where almost everything was selling at premium prices and reduced days on the market.

Houses in the $1.5 million to $3 million range, which performed strongly at the beginning of 2017, eased in the second half of the year. The units up to $1.5 million sector was also a notable performer which has clearly flattened with investment style units impacted by increased listings on the market and tightening of lender restrictions. Auction clearance rates in the eastern suburbs went from 87.5% in March to 67.1% in November (source: CoreLogic).

2017 proved to be a generally good year for the prestige market in the eastern suburbs. The market saw some steady increases throughout the year with the second half of the year seeing the $4 million to $10 million housing market still performing strongly.

Interest from foreign purchasers has softened, however this market continued to perform well, driven by wealthy local purchasers looking to upgrade and demanding good quality homes in the harbour side locations of Darling Point, Woollahra, Rose Bay and Vaucluse in addition to the beachside locations of Bondi, Bronte, Tamarama, Clovelly and Coogee.

As an example, research shows that in Vaucluse, there were ten house sales of between $5 million and $9 million between 1 September and 14 November which averages at close to one per week in this one suburb alone (source: PriceFinder and RP Data).

75 Ocean Street, Woollahra sold in September for around $13.5 million after being on the market for approximately 23 days.

(Source: PriceFinder)

10 Thompson Street, Tamarama sold in September for around $9.2 million after being on the market for approximately five days.

(Source: PriceFinder.)

Inner West
As predicted, dwellings in the $1.5 million to $3 million range (a section of the market with a high concentration of owner occupiers) started the year off strongly with steady levels of growth and strong demand, continuing where 2016 left off. This appeared to continue for the first quarter of the year. Although we expected growth in this segment to remain steady, a significant change was experienced mid-way through the year. Local agents reported a substantial decrease in the numbers attending open homes as well as a sizeable drop in registered bidders at auctions. This has resulted in some of the lowest auction clearance rates seen since 2015 (source: Domain). Inner west auction clearance rates in September were recorded at 67% compared to 87% over the same period in 2016 (source: Domain). Agents attribute this partly to vendors who are yet to revise their price expectations to be more realistic taking into consideration current market conditions.

The unit market in the inner west did not show much in terms of growth throughout 2017. Popular with investors, this segment of the market was significantly affected by government policy changes around foreign buyers and developers, coupled with tighter lending requirements. As predicted, oversupply issues also continued to put downward pressure on the unit market in some areas, with the record number of development approvals seen in recent years seeing unit complexes reach completion at a time when demand is struggling.

Whilst most inner ring suburbs showed a slowing or stabilising of price growth for the second half of the year, there were also a few examples of declining prices. A dwelling in the popular inner west suburb of Birchgrove, which had very strong growth during the current boom cycle, sold in April 2017 for $1.85 million before being re-listed in October 2017. It recently sold reportedly for $1.7 million after 87 days on the market.

In the developing suburb of Erskineville, an 84 square metre, 2-bedroom, 2-bathroom unit sold on 29 April 2017 for $1.045 million. A similar 2-bedroom, 2-bathroom unit in the complex on the same floor level sold on 18 September 2017 for $1.025 million even though it was five square metres larger. Although it appears to be a small decline, it is perhaps showing early signs of things to come.

Eve complex, Erskineville.

(Source: PriceFinder.)

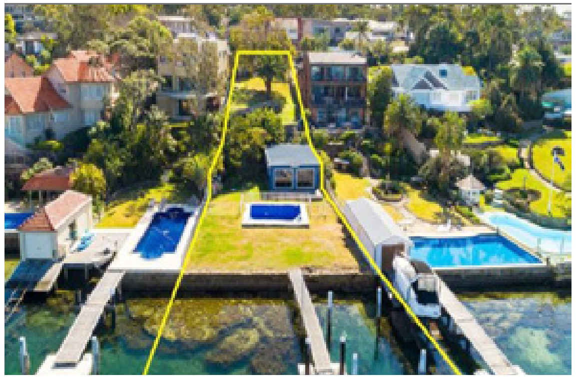
Southern Suburbs
Our prediction for 2017 was for another year of steady growth. Whilst we did see steady growth in the first half of the year, the second half saw signs of a slowing market.

A main driving factor behind the growth in the first half of the year was demand continuing to outstrip supply, while interest rates remaining steady and at historic low levels also contributed to this price growth.

We predicted strong growth for houses in Gymea and Engadine and these suburbs have seen double digit growth over the past 12 months, Gymea up 12% to a median price of $1,332,500 and Engadine up 10.8% to $1.022 million (source: PriceFinder).

We also predicted high quality units in Cronulla to have a strong year and 16 sales above $2 million have occurred to date this year compared to nine in 2016. The median 3-bedroom unit price in Cronulla is $1.597 million compared with $1.38 million a year ago (source: realestate.com.au).

Cronulla houses also recorded strong growth in the year to date with a 12.7% annual growth rate to a median price of $2.22 million (source: PriceFinder). A street to deep waterfront property at 34 Grosvenor Crescent, Cronulla was purchased in September for $3.95 million. The property comprised an easy sloping, partially terraced parcel with a pontoon and boat pen, swimming pool and garage. Unusually the property only provided a relatively small 2-bedroom residence providing the purchaser an almost blank canvas to create their dream home.



34 Grosvenor Crescent, Cronulla.

(Source: realestate.com.au)

The recent approval of Stage 1 of the F6 extension from Arncliffe to Kogarah has generated a lot of media interest. The proposed Stage 2 through to Sans Souci and Stage 3 through the Sutherland Shire will extend the F6 all the way to Loftus. What will be the flow on effect on the housing market? We will have to wait and see.

Western Sydney
There was continued growth in the outer growth areas of south-west and north-western Sydney with land values generally increasing month on month. So far the cost of land plus improvements is typically supported by the sales of completed products,

however as mentioned earlier in the year, incomplete products that don't include landscaping or internal finishes are more likely to be discounted by the market and may not stack up to the cost outlay by the owner.

Another prediction was the trend for low rental yields to continue. This was again accurate as currently dwellings on average are returning approximately 2.8% with units at 3.8% (source: SQM Research). Evidence that the rental market is struggling in certain areas is highlighted with one developer offering new renters the chance to win a car. Areas at most risk are suburbs with a high concentration of new units such as Carlingford, Wentworth Point and Macquarie Park.

One of our other predictions which proved correct was in relation to investor markets, both locally and abroad, and the challenges they may face in 2017 which we thought would reduce participation in the property market.

The regulatory changes to the local lending market that took place around mid 2017, similar to what we saw in late 2015, included higher interest rates on interest only investor home loans, higher deposit requirements, tighter lending on certain high risk post codes generally aimed at high density units and the overall restrictions on investor lending which was driven by APRA in response to the high levels of household debt and increasing property prices.

On the overseas investor front, foreign investors have found it harder and have been less willing to invest in the market due to the uncertainties surrounding the property bubble. Australian banks have cracked down on lending money to foreign investors, governments on both a state and federal level have introduced higher taxes, including higher stamp duty rates, for foreign investors and some foreign nationals have had tighter restrictions on removing money from their home countries off shore and into the Australian property market.

Given the perfect storm of regulatory changes, lending restrictions, affordability issues and increasing levels of supply particularly in the unit market, we have continued to see many off the plan units struggling, with settlement valuations coming in under the purchase price from the stronger markets in 2015 and 2016. This is more prevalent in areas with a high level of saturation and investor participation.

Northern Sydney

The northern suburbs of Sydney were forecast to continue to record steady growth throughout 2017 and generally this region has continued to move along with the overall Sydney market. In recent months there has been a cooling of the wider market with selling periods extending slightly and less participants resulting in more stable prices.

We did note that areas of concern were suburbs seeing a high supply of high density residential development in a short space of time, with the potential to stunt price growth in the short to medium term.

An example is Asquith on the Upper North Shore, which has seen an influx of high density residential development come online in the past 12 months with more planned for construction. This area is not usually known for high density units and as such may find the local market will flatten for some time as the stock is absorbed. In addition, a large participation of investors will result in the rental market remaining flat as supply will outweigh demand for the short to medium term.

The Lower North Shore has always been attractive to buyers and investors alike, with highly regarded schools, quality property, leafy surrounds and close proximity to the Sydney CBD. Whilst properties closer to the median value are steady, the prestige market appears to have slowed more quickly over the past year. Mosman has recorded nine sales over $10 million to date this year, compared to 15 sales for the full year of 2016, with the majority of the 2016 sales occurring in the latter half of the year.

Canberra

The 2017 residential market saw strong and improving conditions for standard housing and stable conditions for medium density accommodation. Sales records were broken throughout the year in various suburbs. Notable events relating to market activity included commencement of the construction of light rail to link Gungahlin to the city, the marketing and sale of vacant Mr Fluffy blocks in established suburbs, strong sale prices for vacant blocks in developing suburbs and a continuous strong demand for standard residential housing.

The ACT house market saw medium to strong growth over the past year with house values increasing 7.68% from November 2016 to November 2017, owing to a shortage in new dwelling construction and increased market demand. Canberra's inner north, inner south and Belconnen performed the strongest with the highest demand being for properties in the $600,000 to $1.3 million range.

The ACT unit market remained steady with minimal growth owing to a large increase in new unit constructions. Newly constructed complexes such as SQ1 in Greenway, Southport in Greenway, Campbell 5 in Campbell and Trilogy in Phillip have all featured upwards of 300 residential units, increasing the overall market supply significantly. Unit values increased by 2.74% over the November 2016 to November 2017 period. The 1-bedroom unit price entry point in outer suburban areas is currently between $260,000 and $300,000, while the entry point for units in the inner city suburbs is generally between $300,000 and $500,000 depending on the exact location and the quality of the improvements.

Some notable sales which have broken suburb records for Canberra's most prestigious suburbs include a $5.75 million sale in Deakin late in 2017 and a $5.475 million sale in Yarralumla negotiated late in 2016. Both properties provided high quality accommodation in highly desirable, inner south locations. These transactions indicate that Canberra's prestige market is in a strong position.

Overall, the ACT property market saw strong demand throughout 2017 for single residential dwellings which is expected to continue into 2018. The large supply of new units could create problems for unit values and the ACT unit market, although prices have remained steady which is also what is to be expected coming into 2018. Overall market conditions throughout 2017 were considered to be above average.

Illawarra

At the beginning of the year we made a prediction that the residential property market in the Illawarra would continue to strengthen until there were some significant events such as a rise in interest rates or tighter lending regulations. As we push towards the end of the year we can review the market happenings for 2017. The Domain State of the Market report for the September 2017 quarter has the Wollongong, Shellharbour and Shoalhaven annual growth of median house prices at 13.9%, 16.7% and 19.5% respectively. These are the three largest growths experienced in regional NSW.

Dig a little deeper though and for the September quarter the Wollongong median house price decreased 1.9% from $754,000 in June to $740,000. Shellharbour and Shoalhaven had smaller growth than in other recent quarters of 2.3% and 3.7% respectively. Many local agents have advised that the number of people at open homes has decreased and auction clearance rates have dipped. So there has been a noticeable shift in the market in the past two to three months, mainly around Wollongong but also in the Shoalhaven.

In late March 2017 APRA imposed tougher lending restrictions, particularly on interest only loans. Since then, interest rates on interest only loans have increased. While the official cash rate and general mortgage interest rates have remained stable, the tightening lending controls have dampened the market.

New unit construction is continuing in the Wollongong CBD although agents have advised that the rate of off the plan sales has slowed down. That said, developers are still showing confidence in the market with a strong development site sale of 1,938 square metres for $2,244 per square metre. Construction has also recently commenced on 50 units on Flinders Street.

Our early year prediction seems to have been accurate however the crystal ball game will continue to be difficult to play and we will have to get our thinking caps on at the start of 2018.

Southern Highlands/ Southern Tablelands

At the beginning of the year the call was that demand for properties would remain strong close in to the townships across the Southern Highlands at a price point up to $1.5 million.

From a review of sales for the rolling 12 months to 1 November 2017, as predicted the townships of Bowral, Moss Vale and Mittagong have been stand out performers, with access to infrastructure and price point being the main drivers of that growth. The stand out for the year though has been Wollondilly Shire with a 26% growth in average price as we close out the 2017 year.

Location	2016 sales	Price	2017 sales	Price	% var #	% var $
2575	549	$611,847	532	$702,376	-3.10%	14.80%
2576	614	$921,477	497	$1,123,637	-19.06%	21.94%
2577	583	$691,669	519	$820,753	-10.98%	18.66%
2580	1046	$360,120	1,111	$408,381	6.21%	13.40%
Wingecarribee	1882	$743,754	1,647	$870,498	-12.49%	17.04%
Wollondilly	1120	$779,307	1,097	$985,296	-2.05%	26.43%
Goulburn	1049	$366,912	1,117	$412,384	6.48%	12.39%

(Source: Pricefinder)

The observation here is that staged subdivisions such as Bingara Gorge (Lend Lease), having been established now for a number of years combined with a realisation by purchasers of direct access to the Sydney freeway, has put these precincts in the minds of buyers looking not only at affordability but lifestyle considerations.

That being said, the last quarter saw a flattening in the volume of sales and more stock coming to market across the region, resulting in a shift in sentiment to more of a buyer's market. The rental market across the main townships remains tight with a lack of stock driving rent increases of a minimum 10% over the past 12 months. The Highlands property market is heavily influenced by what is happening in Sydney and historically lags that market by six to 12 months.

Looking forward to 2018, with the range of land releases coming on line and proposed throughout the region, we would expect to see a slowdown in the rate of growth for the next 12 months and an increase in the number of sales.

As has been mentioned in earlier versions of the Month in Review, the announcement by the NSW Department of Planning that Wilton Junction has been designated as a priority growth area to accommodate up to 16,500 dwellings across the 4,175 hectare site located off the M5 East Freeway combined with the recent announcement of up to 1,500 new land lots at South Moss Vale (Chelsea Gardens/Coomungie), will see continued major scale development activity across the region over the medium term.

Newcastle

The wider Newcastle market has performed exceedingly well over the past 12 months. By wider we can include north as far as Tea Gardens and Buladelah, west as far as Jerry's Plains and south as low as Doyalson and Morisset. We can let others tell the tale of locations outside these areas.

In these locations not everything moved at the same speed. As an example, Singleton and surrounds are coming off a low base with limited activity for the past few years. Agents are now reporting more activity across the board. This is not yet translating to significant capital growth but sales numbers are picking up. Signs are promising.

In and around Newcastle, signs are more than promising. The market has been on a large upswing for a lengthy time period. A number of localities have seen record sales occurring in suburbs right across town. Suburbs that once could only dream of $1 million sales seem to have a record sale occurring every other week. As an example, Stockton in September had the first $2 million transaction in its history, smashing past the old record by a margin. The story is similar in Broadmeadow which recently pushed the $1 million mark for the first time with a sale at around $1.25 million - not just sneaking past but absolutely powering past and moving away.

Nelson Bay has likewise been a strong performer this year. Oceanside Fingal Bay in particular has seen significant growth and interest. This is likely to be because of the ocean aspect and views instead of the standard port vista enjoyed by the majority of the suburbs in this locality; it just offers a little something different. That by no means denigrates the rest of the bay. Activity has been strong for a period and many purchasers are out-of-towners. It will be interesting to see how the market tracks into the new year on the back of a reported slowdown in the Sydney markets.

All indicators in January this year were that the market was going in the right direction and it has transpired thus over the year. With a shaky political system and plenty of rhetoric over peaking markets, it remains to be seen how the market will cope after Christmas.

NSW Central Coast

At the beginning of 2017, we predicted that it would be a hot year for the NSW Central Coast region where we thought that coming off the 2016 Christmas break, a chance would be provided to take a breath, plan and regroup - but not so.

Even before the revelling had quietened down, the new year kicked off with a bang in the local market - it just took up after the Christmas break where it left off.

Anyone following not just the local market, but the broader market would have been forgiven for thinking of or predicting a slowing down of the market. We have certainly been talking of the end of another cycle in property when we will again see the market slow, prices come back a little before stabilising and picking up again. That's how it has always been, but not so during 2017.

Local real estate agents are divided on where we are heading with some seeing their (and their clients) good fortunes continuing, others just remaining hopeful of the hot market conditions continuing, while others being certain in their resolve of it not lasting much longer. A few (a lot actually) were saying that the only thing they are certain about is that they don't know!

For our part, the market just seems to keep rolling with each new reporting period throwing us a few surprises as to what's moving and by how much.

To us, the signs were present that the market would continue growing locally while ever buyers with the will to enter the property market or buyers looking to expand their portfolios are being squeezed out of the Sydney market. The reason for this of course was that property prices on the Central Coast remained reasonable compared to the Sydney market.

But.... as we approach the year's end, we are noticing a few subtle hints of the market showing signs of a slowdown that only the keenest of observers (like us) are seeing. These signs include a slight increase in queries from lenders and insurers, more deliberation by lenders, the unfortunate return of mortgagee sales, a spike in family law valuations and real estate agents actually having time to attend property inspections with us.

Throughout the year, suburbs spoken about earlier as having been overlooked for the more desirable locations continued to increase in popularity. Older houses with new owners are being renovated, modified and extended. These areas include Narara, Niagara Park and Wyoming.

In previous years, Umina Beach, Woy Woy and Ettalong Beach were the focus of attention. This continued throughout the year, with sale prices being achieved no longer being met with a gasp. We do think though that at some stage, these suburbs will meet a period of price correction - we'll discuss the reasons for this next year.

We thought the popularity and activity in 2017 radiating towards the northern end of the region would occur. It did, with buyers looking to get in early on the next big thing. We also thought (once again) that Budgewoi, Buff Point, Lake Munmorah, Gwandalan and Summerland Point may become popular. They did, but not as much as anticipated.

We also said the happenings in and around the Gosford City Centre would draw plenty of opinion and we also got this right.

Developers have come back to town with numerous projects completed during the year. Some very good quality developments were completed during the year and as a testament to this, sales rates and prices proved that quality is recognised and rewarded. Commencements seem to be well managed meaning that the potential for a glut of units on the market simultaneously should be avoided, but ever the cautionary ones, we wonder whether the sale prices being achieved at present are sustainable.

In report card terms, we don't think we were far off the mark with our preview of what to expect for 2017.

Primarily, we predicted market growth would continue across the region during 2017, experiencing a high demand from local and Sydney buyers being pushed out of the Sydney market only to land here. As expected (and without too much thought in all honesty), the Central Coast market continued to improve on the ripple effect of Sydney prices.

The first half of 2017 saw continued growth in most localities of the coast, with some focus on the northern end, but a little less than we thought in these historically more affordable areas. The northern end proved to be a popular region for first home owners, many of whom took the opportunity to buy in the more affordable market and profited during 2017.

July 2017 saw the implementation of stamp duty exemption legislation (this isn't something we predicted) and an increased stamp duty for overseas investors. While the latter hasn't significantly impacted the Central Coast market, the stamp duty exemption provided first home buyers with a little more confidence to get their feet in the door. The overall implications of this were not drastic, as the investor market remained strong during 2017 despite the changes.

While the Central Coast remains a popular alternative for Sydney buyers, if auction clearance rates are any indication, we are closing out the year with a little less urgency in the market than earlier in the year with many starting to anticipate some rest and relaxation over the coming Christmas period. Nevertheless, the market remains strong.

NSW Mid North Coast

As predicted we had another strong year throughout the Mid North Coast with most residential market segments performing well. In the first half of 2017, we observed a continuation of the previous year's strong capital growth in residential dwellings, units and vacant land. However with a significant amount of vacant land being released and new dwellings available for purchase, the prediction of a slowing in the growth towards the end of 2017 came to fruition. This was exacerbated with the federal budget announcing changes to residential Tax Depreciation Schedules and banks tightening up on investment lending, which in turn reduced investor activity.

We are still seeing well presented and well located residential dwellings selling quickly for near full price, whilst the other more standard dwellings in some cases are sitting on the market and seeing some price reductions to achieve a sale. This is an indication that some investor impulse buying has cooled and is likely due to increasing vacancies and flat rents off the back of all the new construction.

With additional new subdivisions being released on the outer fringes of Port Macquarie and Lake Cathie, vacant land values are increasing at a slower rate than in the first quarter of 2017. Construction of new dwellings is continuing to be a popular option with the monthly average number of development applications increasing over the past quarter from 89 to 95 (source: Port Macquarie Hastings Council).

So how did we go? In January we predicted "During 2017, it is expected that Port Macquarie will continue to remain one of the fastest growing regional centres in NSW". CoreLogic reported that Port Macquarie saw 9.3% growth in comparison to Newcastle

(12.7%), Bathurst (6.5%), Dubbo (5.3%) and Orange (4.7%) which puts Port Macquarie as one of the best regional performers for the year.

We therefore believe that our optimism for the region in 2017 was well placed and we wish everyone a very merry Christmas and a prosperous new year.

NSW North Coast

Lismore / Casino / Kyogle

At the start of the year, it was postulated that the residential market for 2017 in the Lismore area would continue to firm following the last three months of 2016 where the demand for good quality residential stock improved and real estate agents were desperately seeking new listings. Richmond and Kyogle Shires were expected to remain relatively steady.

Looking back on the year, demand for quality real estate and the estimated selling period of available stock exceeded expectations, particularly during the latter half of the year. The common wail amongst real estate agents from east to west was "we need more listings" as well established and presented properties were quick to be picked up by financially approved purchasers. This was not limited to owner-occupiers and investors but also included first home buyers who had to compete for the available residential stock.

Rural residential real estate markets have remained steady, although not at the same demand level as residential with the exception of well-presented properties with highly valued features such as expansive views, creek or river frontage and high quality improvements which enjoy a greater enquiry level.

It was also noted that there were more incidences of residential property within the Lismore City area breaching the $600,000 - on 11 occasions so far in 2017 according to RP Data sales details. Cue sound of proverbial glass ceiling shattering.

Generally, properties within the $250,000 to $350,000 price bracket were particularly popular in Lismore City for 2017 although superior quality product in the $400,000 to $600,000 bracket improved significantly, thanks in part to the still low interest rate environment.

The flood of March and April 2017 did cause some pause in the market for South Lismore and North Lismore, however during the latter part of 2017, there was a hint of some positivity returning with good quality accommodation having a main floor level above the hypothetical one in 100 year flood level.

For Casino and Kyogle, houses in the $200,000 to $300,000 range received most of the action, however, we did notice an uptick in enquiry for larger rural residential and farmlet properties in the general rural areas close to Casino and Kyogle.

As stated, all potential purchasers were scrambling for the same real estate, whether they were upgraders, newcomers to the area, investors or first home buyers. In fact some first home buyers even contemplated purchasing new build, i.e. buy land in a new estate and build, which could be around $450,000 plus in total outlay.

In summary, we can give the real estate market for 2017 in Lismore, Casino and Kyogle a positive narrative with interest experienced across the board in all property types, however with the main emphasis being that properties needed to be well presented....and when that is in place, the real estate product flew off the shelf quickly!

Ballina /Byron

Residential markets across coastal areas of the north coast continued strongly throughout 2017, with further increases in values experienced throughout most areas. In recent weeks, local agents in Byron Bay have reported a reduction in enquiry which may indicate that the market is stabilising. This could be partly attributed to a slowing Sydney market, as a significant portion of buyers of Byron Bay properties over the past 24 months have been from Sydney.

Lennox Head and Ballina remain strong across most market segments, with three sales of beachside properties transacting in excess of $3 million in Lennox Head since September. Also of note is a recent sale at South Evans Head for $1.225 million which represents the first sale in excess of $1 million in Evans Head. Low levels of stock across most areas continue to place upward pressure on values.

Looking back at predictions made early in the year for the Byron Bay Shire, we can confirm that we were right in what we thought was to come - interest rates remained low with limited supply to market which saw strong growth in the coastal resort towns of Byron Bay and Lennox Head and the surrounding towns.

The market was driven by a lack of supply and strong demand coupled with record low interest rates. Strong interstate money and local buyers trading up were the biggest players in the market. Interstate money has traditionally been poured into the coastal resort towns of Byron Bay, Suffolk Park and Lennox Head for investment driven purposes, however as our national businesses change structure so has the demographic for these areas.

With national businesses allowing a more free and easy work from home environment, people have trended away from the city areas and commute every few weeks or when necessary. Services such as the Ballina/Byron Airport and the Gold Coast airport are within close driving distance of the areas and people are taking advantage of not necessarily having to leave high earning jobs in metropolitan areas whilst still enjoying a coastal (regional) lifestyle.

The Clarence Valley

Over the past 12 months the Yamba and Maclean markets have performed in line with expectations. That is, the market not yet shown any signs of a downturn with buyer interest across all sectors remaining steady due to the Pacific Highway upgrade and overall affordability of the locality compared to neighbouring beach front and prime rural localities. It may even be concluded that the market's performance has exceeded expectations with increases in sale prices of up to 20% over the past twelve months in localities such as Gulmarrad and Townsend. Investor interest has also increased more than expected due to the continued rental returns being achieved and that are expected to be achieved during the finalisation of the highway upgrade. Notwithstanding, the turnover of prestige sales has remained steady with sale prices showing a slight increase but not with the same momentum as the sub $600,000 market. Overall, the housing market in these areas has shown a definite buyer trend to investor properties and granny flat style additions. Put simply, buyers have responded to the increase in rental returns and are trying to capitalize on this inflated period, whilst also bearing in mind safe capital growth investments.

Coffs Harbour

2017 has given us much of the same as we saw in 2016 with what is seemingly an unstoppable market. Predictions of interest rate rises in 2017 obviously fell on deaf ears within the Reserve Bank with no movement experienced. Consumer spending, business investment, real wage growth and economic growth is low despite record low interest rates, thus keeping inflation low and therefore forcing the RBA to keep interest rates low.

The greatest increases in value were experienced at the lower more affordable end of the market with demand outstripping supply in many areas resulting in sales occurring at or in excess of the full asking price and sale periods recorded in days rather than weeks.

This has not been isolated to the main centre of Coffs Harbour but has spread to all areas of the region from the coastal towns of Urunga, Nambucca Heads and Woolgoolga to the country townships of Bellingen, Macksville and Dorrigo all of which have experienced good capital growth.

We have seen a considerable increase in new development primarily centred on new homes with vacant land becoming scarce, a high number of off the plan sales and rising land values. Unit development has also increased although at a lesser rate and centred on the local beachside suburbs of Park Beach, The Jetty and Sawtell. New unit developments are generally of a low rise nature, however two new high rise developments are under construction in Park Beach and central Coffs Harbour.

The prestige market has also seen increased activity mostly within the $1 million to $1.5 million range although we have seen several sales occurring over the $2 million mark which has been a very thinly traded market over recent years. This market is typically driven by the out of town purchaser being generally a high net wealth individual who is limited in the local market.

The rural residential market, traditionally being a more stable or slower moving market, has seen strong increases in activity and values being achieved for well located properties close to Coffs Harbour in areas such as Boambee, Bonville, Karangi, Upper Orara, Moonee Beach, Emerald Beach, Nana Glen and Bucca, generally within the $600,000 to $1.2 million value range.

The market for larger rural lifestyle properties has also firmed off the back of this general market improvement coupled with strong cattle and agricultural prices. Nowhere is this more evident than the hinterland township of Dorrigo were a number of recent sales have occurred in excess of $1 million for 50 to 100 hectare properties.

We consider our prediction of a strong market over 2017 has definitely been achieved throughout the majority of residential sectors not only driven by low interest rates, but in combination with long term growth factors such as lifestyle, transport including the regional airport and the upgrade of the Pacific Motorway (north and south), expanding medical sector and shopping facilities making the Coffs Coast ideal for families and retirees.

With the lack of supply, rapidly rising prices and many buyers missing out on purchases, a sense of urgency and fear of missing out appears to have gripped to market. First home buyers received a government subsidised stamp duty break mid-year which further fuelled demand into the second half of 2017. Economists are forecasting stronger economic growth figures in 2018 and rising international interest rates which would result in higher borrowing costs for local lenders which will be passed on to consumers. The RBA has expressed concern over higher than average rates of borrowing throughout the Australian community. There are concerns that interest rate hike effects on repayments may be too much of a burden for many borrowers (is 7% the new 17%?). These predictions of rising borrowing costs for consumers may see a softening of the investor market and investor mortgage stress resulting in higher supply. As vacant land subdivisions are selling fast off the plan an increase in finished homes and units can be expected in 2018.

However, the local rental market in Coffs Coast remains strong which may defuse any dramatic increases in supply or significant softening of prices.

Bathurst/Orange

The year has panned out pretty much along the lines predicted in the February edition. Prices have risen in most segments or at least remained steady. What has changed are government and APRA policies which have taken out some of the potential irrational exuberance in the investor market which was starting to show signs associated with the fear of missing out. Selling periods are still short but the investor dominance seems to have softened a little. Local builders have continued to be busy and the uptake of new subdivisions has been strong. Unemployment has remained low relative to national levels. Population has grown including migration to the area from around the country and the world. Tourism has continued to be a focus for local governments and there has been continued investment in infrastructure projects including additional railway services, Great Western Highway upgrades, Mount Panorama additions and social events such as the Winter Festival in Bathurst, Halloween Festival in Lithgow and Taste Orange. In all, a year that will be remembered for generally increased prosperity.

Tamworth

2017 has been a good year for the Tamworth market, playing out all but as expected from our February Month in Review. There continues to be stable growth throughout the region in both established and new homes. Vacant land sales continue to perform well with new subdivisions occurring and construction is still occurring at a steady rate, driven by both the owner occupier and investor markets.

We have noticed that in the later part of the year there was a slight decrease in sales of land and construction due to the introduction of the new stamp duty laws for first home buyers. First home owners who found it more financially viable to build now have further options and are often now opting for established homes over new. While this segment has slowed slightly, there has been no evidence of value drops or an over supply of land now available.

Also along the lines of the new first home owner stamp duty exemptions there has been an increase in interest and demand for mid range properties ($300,000 to $500,000) as these now become more affordable to buyers. Coupled with continued low interest rates we believe there is further growth in this segment to come.

The rural lifestyle market (five to 60 hectares) has seen very strong growth this year from those after a lifestyle change and those after equine suitable properties close to town. Due to the increased number of events at the Australian Equine and Livestock Events Centre in town, there has been a noticeable premium being paid for acreage close to town with equine infrastructure. These properties are still being sold to people who want a residential house, but with the added bonus of being able to have their horses.

Overall the market has performed as expected with only slight changes due to the introduction of new legislation. All sectors of the market traded as expected with steady growth and no sectors behaved unexpectedly.

Albury/Wodonga

The Albury-Wodonga market seemed to be in harmony in 2017, enjoying buoyant conditions across most market segments in the suburban areas and the strength of the rural residential/lifestyle market showing continued growth and demand. Staged residential land releases continued in both states and new display home villages kept builders busy, with land values and building costs on the rise. The change to APRA policies was evident in a slow down in out of town investment in new projects, however many first home owner and upgraders still opted to construct a dwelling. Local builders also reported being booked well in advance for large scale renovations of character dwellings in central Albury and central Wodonga and this demand was also evident for dwellings brought to market fully renovated. The lift in Wodonga started with the low end of town and has had a knock on effect in the mid range with market awareness and expectations quite high. The prestige market has seen reduced selling periods as value for money and general confidence in the region remains encouraging. While many farm retirees came into town looking for the downsize, locals and tree changers headed out of town chasing the rural lifestyle dream with a willingness to purchase land and build or snap up the established rural residential properties. A few hectares out of town is often the end game for regional property climbers, which was definitely a driver for market activity in the area this year. The Albury market continues to have its usual in vogue areas with gentrification of central areas well advanced, whereas central Wodonga has had the market activity this year in preparation for more dwelling improvements and subdividing of larger allotments.

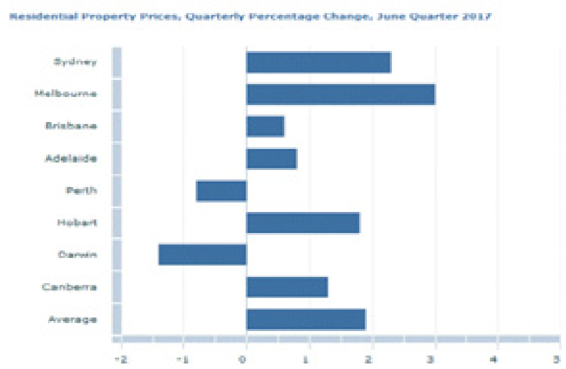
The national housing affordability conversation places Albury-Wodonga and other strong regional centres in sharp focus as an affordable option, which seemed to be explored by market aware locals entering or investing in their home town and migrators from metropolitan areas and out of town investors also key players. Overall the market was solid as expected and with the Hume Dam at capacity, green grass aplenty and interest rates remaining low, a good year was not surprising but welcome nonetheless.

Victoria

Melbourne

This year has been another strong year for Melbourne with continued population growth exceeding previous expectations and development continuing, largely concentrated in the inner ring. Development in the outer ring suburbs has also progressed quite significantly in an effort to tackle the affordability issue within already established suburbs.

The Melbourne residential property price index rose 3% from the March 2017 quarter to the June 2017 quarter, a continuing upward trend in 2017, however the market appears to have flattened considerably in the September quarter of 2017 from the boom period experienced in recent years.



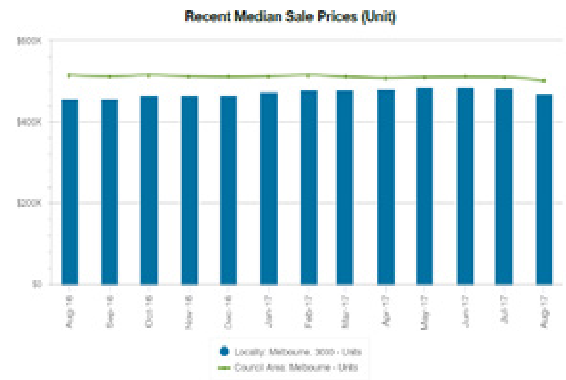
(Source: Australian Bureau of Statistics)

The market within the inner ring of Melbourne (up to ten kilometres from the CBD) continued to grow exponentially with several new developments coming to completion in 2017 and over 1,600 new apartments being added to Melbourne's CBD so far in 2017. As we stipulated towards the beginning of the year, vacancy rates have continued to tighten to 1.8% as the demand for inner city living has remained strong and rental growth has increased, up to almost 2% in the second quarter of 2017. The warnings of an oversupply of strata units at the start of the year have been quelled to some degree, with Melbourne's strong population growth continuing to meet the supply of new off the plan apartments. Sale volumes in the latter half of the year have slowed in line with investment demand and tougher lender policies, as well as regulations for investors which have affected the supply of new apartment towers, as pre-construction purchase requirements are unable to be met by some developers.

At the start of the year we commented on low interest rates driving the property market, though recently more prudent lending to investors in the market has seen a significant flattening in most property classes. The strong foreign investment in the CBD apartment market has continued throughout the year with legislation recently introduced in an effort to subdue foreign investment in Melbourne's highly contested market. However, the effects of these new legislative requirements will be seen further into 2018.

We have also seen a moderate growth in northern middle ring suburbs, both in established suburbs such as Craigieburn and newer surrounding suburbs such as Mickleham and Kalkallo. These suburbs are still mainly attracting young couples and families and recently arrived migrants looking for affordable yet spacious housing options, with 3- and 4-bedroom detached dwellings being the most common. The reported median price for houses in Craigieburn in the third quarter of 2017 is $540,000, a 22.7% rise year on year (source: REIV).

Inner northern suburbs such as Brunswick and Northcote continue to be popular with young professionals, childless couples and cashed up families, but are also increasingly attractive to downsizers and empty nesters, who are willing to move from larger estates to townhouses and boutique apartments closer to the city. Median house prices in Brunswick have reportedly increased by 21%, reaching $1.27 million, while units have relatively stayed at the same price level. Meanwhile, in Northcote both houses and unit prices have risen by approximately 3% (source: REIV).



(Source: Corelogic RP Data Professional)

The outer south-east market performed strongly throughout 2017 with significant price growth observed over the past 12 months. This has been evident in both new estates and established areas. This rate of growth is considered to be stronger than most people would have anticipated. The driver is seen to be a combination of low interest rates, strong population growth and affordability in comparison to the inner and middle established areas. This affordability has led to an increase in demand from buyers priced out of older established areas. The key drivers include the proximity to schools, parks and shopping centres, road linkages and employment centres along with the attraction for buyers of owning a new or as new home.

The land market of outer south-eastern Melbourne including land within new estates such as Delaray and Berwick Waters (Clyde North) demonstrates perhaps the strongest price growth within the study area. The recent land transactions recorded show price growth of 45% to 49% over a 14 month period *(source: Realestate, 2017)*.

Address	21 Merrin Circuit, Clyde North	71 Castillo Avenue, Clyde North
Estate	Berwick Waters	Delaray
Size	400 m2	400 m2
Sale date	12/09/2016	13/08/2016
Price sold	$259,000	$231,900
Resale date	17/11/2017	25/10/2017
Price resold	$386,250	$336,221
Return	$127,250	$104,321
Price change (14 month)	49%	45%

The outer eastern suburbs of Melbourne experienced moderate growth throughout 2017 with people opting for bigger blocks rather than proximity to the CBD. Croydon Hills was in the top four average visits per year (source: Realestate.com) with home buyers being pushed further and further out in 2017. At the start of the year, Ringwood was touted as a suburb to watch and has experienced considerable financial growth and appeal throughout 2017, with an increase of 4.9% on median sale prices in the area. Ringwood North has seen growth of 9.5% throughout 2017 as the median sale price in the area as of August was $935,000. The rapid increase in price in these outer suburbs is starting to force buyers towards lower grade off the plan apartments in the outer east.
At the start of the year we speculated on the poor quality of apartments being erected in the outer east, which is an investor driven market, which could potentially affect resale value.

Melbourne's inner western suburbs have remained relatively stable throughout 2017.

At the start of the year we suggested neighbouring suburbs to Sunshine would be worth watching and while they haven't met the median prices of Sunshine and Sunshine North, they have still had considerable capital growth. The Sunshine median house price in December 2016 was $847,500 for a 4-bedroom house and grew to $886,500 in late 2017, a 4.6% increase. Sunshine North and Ardeer had median house prices in December 2016 of $654,500 and $613,250 for a 4-bedroom house and grew to $687,500 and $659,000 in late 2017, a 5.04% and 7.46% increase respectively.

As anticipated, the western growth corridor of Melbourne has continued to be one of the predominant areas of both population and development growth in 2017. Both the north-western suburbs such as Melton and Rockbank and the western suburbs such as Tarneit, Truganina and Wyndham Vale have been popular with young migrant families and first home buyers. At the start of 2017, the speculation that growth would continue in the outer western suburbs has held and we are continuing to see development occurring at a rapid pace with new estates and land releases in existing estates coming onto the market regularly.

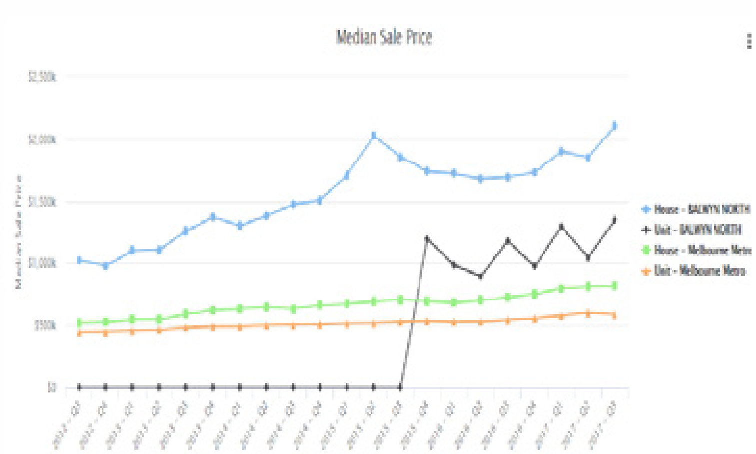
The prestige residential market in the cities of Boroondara and Stonnington experienced continual growth from February. This was evidenced by strong auction results in February and March combined with a sprinkling of auction results well in excess of expectations. Lack of stock was the main contributing factor for these high results.

The market appeared to level out in May. Many valuation reports started adopting higher market risk ratings to cater for this. Anecdotally, agents were reporting a decrease in the number of attendees at open for inspections and auctions. We have the opinion that the prestige market had plateaued which appeared to coincide with a withdrawal of national and international Asian buyers. In July, the Chinese government introduced more stringent conditions on their nationals taking money out of the country.

Over the winter months, prices continued to stabilise. There was concern that the spring market, which traditionally experiences an increase in volume of sales, would put downward pressure on prices. This did not eventuate. There have been some record volumes of sales occurring in this time and prices for land and A-grade properties, such as 16 Stanley Grove Canterbury which sold for $5.908 million in November, continue to drive market prices up.

Stats/figures:

- Toorak values suggest they could be approaching their peak. A highly sought after address at 1 Heymount Close, Toorak on over 2,000 square metres of land sold in May for $17.6 million. It was suggested that the purchaser bought to demolish and rebuild in the medium to long-term, so the sale represented mostly land value.
- 75 Leura Grove, Hawthorn East sold in May 2016 for $3.02 million. 69 Leura Grove sold in November 2017 for $3.4 million. The properties were similar sized allotments and both sales are considered land value.



Graph shows Balwyn North median house price continues an upward trend from Q1 this year (source: REIV).

Ballarat

The Month in Review filing system here at HTW Ballarat is well overdue for an overhaul, but after an inordinate amount of time sifting through the dusty recesses of our sent items, our predictions for the year which is rapidly coming to a close were located.

After a quick read, it appears that although not earth shattering, our predictions have in general been accurate.

To summarise, we proffered that quality period dwellings in quality locations would do well, as would lifestyle properties. We also contended that second tier green field estates would remain static and that there was good growth potential for period properties in second tier suburbs close to the city.

Reflecting on the piece, there were a couple of unforeseen occurrences. As above, we expected the top tier residential market to grow, but were not so bold as to predict the bull which bestrode Sturt Street in 2017. There were double the amount of residential properties sold above $1.25 million which did not have frontage to Lake Wendouree in 2017 as there were in 2016. (Source: RP Data). The why however is always more instructive that the what. So why was this?

The local economy has remained vibrant, underpinned by the traditional triumvirate of manufacturing, education and health services. State and local governments have continued to market the area successfully.

There was a feeling among those in the know that there were sections of Ballarat which were perhaps undervalued when compared to locations in similar cities such as Bendigo and Geelong. It could be argued that 2017 has seen this perceived gap close and there have been further advances in train services to Melbourne.

But no man or market is an island and without doubt, the strongest driver of the top tier Ballarat market is the strength of the Melbourne residential market. A continuing and growing stream of purchasers with a family, a career and a gutful of trying to purchase a home in the suburbs to nurture them all continue to venture west, past Melton to Ballarat, a city with an old soul, a rebellious streak, a strong heart, a timeless face and detached 3-bed 2-bath at the right price.

We were similarly unable to find in our tea leaves the strength of the Wendouree market. This area has historically been a second or third tier suburb offering basic accommodation to middle and low income households. While the area has not seen Collingwood style gentrification, its popularity and population has seen significant growth over the year. Agents have reported that large amounts of retirees and investors have been active in the market seeking affordable property with good access to amenities and good rental returns.

The vacant land and new dwelling markets in the new estate area of Lucas, Alfredton and Winter Valley have had mixed fortunes. Lucas and to a lesser extent Winter Valley appear to have now gained a critical mass and have really gathered some pace in the year due to the opening of Delacombe Town Centre and further commercial spaces at Lucas.

Vacant land and new dwelling sales in the estates have been strong with modest value increases.

There is an emerging second tier in the green field estate market in Ballarat. 2017 saw several new estates open and begin to market and sell lots. These include Champions Estate, Winterfield, Pinnacle and Ballymanus. Values in these areas are static but the large supply means they are under negative pressure. The next 12 months will give a good indication of the ability of the market to absorb the supply.

The rural lifestyle market has been the final big winner of the year. Areas close to town such as Invermay, Brown Hill, Mount Helen and Buninyong have seen significant growth. The popularity of this type of property has burgeoned in the past five years and the growth in the market has reflected this demand. Critically, there is very little rural residential land remaining in the popular areas and so like any asset with limited supply we expect this trend to continue.

The strugglers for the year have been second grade dwelling and townhouse stock in areas such as Sebastopol, Mount Pleasant and some sections of Canadian. These properties also suffer from an over supply issue. The supply has slowed but it will take some time to see capital growth in these dwellings.

Echuca

The residential market has shown no signs of slowing down in a year of further tightening and an increase in off market sales as agents have multiple buyers interested in property before it hits the market. In many instances this results in the asking price or a touch stronger being achieved. This is consistent across almost all market segments with tightening market conditions spreading into rural residential holdings which historically required marginally longer selling periods. Land sales west of Echuca have been well received amid limited competing supply while Moama has continued to see significant development. Nevertheless there is still an imperative to having properties listed correctly with older stock at secondary locations probably being the only slight drag on the market. Builders are busy and the market is likely to stay tight for some time, particularly the rental market on the back of commencement of the second bridge.

Mildura

A look in the rear vision mirror for 2017 shows that there weren't too many surprises in the residential market for Mildura. As we forecast at the start of the year, demand remained strong for better standard homes and for vacant residential lots. The decision of both the Victorian and NSW state governments to continue attractive first home builder's grants assisted with the latter segment.

The sector which seems to have received the strongest demand and the highest capital gain is large lot rural residential housing, with buyers snapping up the available properties on lots of around 2,000 to 5,000 square metres in locations within a ten kilometre radius of Mildura. Buyers of these properties have generally been families wanting room for sheds or swimming pools. We have also continued to see migration of families and retirees to Mildura with many of these buyers able to afford better standard homes.

Values of lower standard homes have tended to remain stagnant.

The most expensive sale for the year in Mildura was for a home in Cambridge Terrace, which sold for over $1.3 million. This property occupies a 1,600 square metre lot, was built to a very high standard and included very good ancillary improvements. Meanwhile, the highest sale in the area outside Mildura was for a property at Boeill Creek with very appealing frontage to the Murray River which sold for $1.2 million. This property is located approximately 15 kilometres from Mildura and included improvements suited to horse enthusiasts.

Rental demand remained strong during 2017 and it appears that we continue to have a fairly evenly balanced rental market.

Queensland

Brisbane

Ahoy there Brisbane fans!

We know! Our city seemed to sit back and take wallflower status when it came to capital growth this year. While larger cities revelled in their enormous gains, anyone speculating in the Brisbane market appeared to have little to show apart from reasonable yield and boring performance.

This, however, is only a half-truth because it doesn't recognise the rich tapestry that is Brisbane's property markets. We had some highlights and some lowlights but all in all, our sunshine city saw good performance for anyone who followed the fundamentals of property investing.

First the lowlights, and the darkest shadow cast across our town has been inner-city high-rise unit construction. To be more specific, it was investor stock.

We warned anyone who cared to listen over the past few years attached units with little appeal for owner-occupiers would be troublesome and 2017 seems to be the annum where the rubber finally hit the road. Falling unit pre-sales entrenched themselves firmly in the early part of the year. Many developers started mothballing projects that hadn't yet begun – or sold off sites that couldn't turn a profit.

We've started to see falling prices bite in this sector now, with resales of off-the-plan purchases demonstrating just how far the values have softened.

If you did look to make your mark with an owner-occupier style unit, the pain was a little less severe. Certainly, attached housing overall was tough to own in 2017, but at least with a good size 2- or 3-bedroom apartment offering the sort of amenity owners love to enjoy, your potential buyer base was wider and option to sell stronger.

There was also bad news flowing onto second hand unit stock in our mid and outer ring. Extended selling periods, price discounts and difficulties finding tenants effected this sector, as a result of the new unit overbuild. Most smart owners made sure their good tenants stayed happy. This allowed them to hold onto their investment and wait for the inevitable market turn around.

Now for some good news – look beyond the unit gloom and you'll find Brisbane is hitting it straps for well-positioned housing.

We've started seeing a turnaround in some key economic indicators – particularly towards the end of this year. Employment is strengthening in Brisbane and with a number of impressive infrastructure projects coming out of the ground, it would be nice to see much of our population continue to enjoy gainful employment.

Another great number worth watching is our net interstate migration number which is enjoying a steady resurgence on the back of housing affordability, lifestyle and predicted jobs growth.

While none of this has fuelled a rush, 2017 revealed exactly how affordable we are in comparison to those southern cities. A recent set of numbers released by CoreLogic revealed Brisbane's most affordable suburb within a 10 kilometre radius of the CBD was Rocklea with a median price of about $400,000. The same analysis of Sydney showed its most affordable was Tempe with a median of $1.2 million. At one-third of the price, it's easy to see why southerners will continue to have an eye on our homes.

Another reason to not feel too bad for Brisbane is that quality, detached family homes, particularly in great school zones, close to transport and lifestyle facilities continued to feel the love. Demand for this stock is high and sellers weren't missing out on great prices.

Looking back on our hit predictions from the February issue of Month In Review and we're going to score ourselves a nine out of ten this year.

We correctly picked continued strength in reasonable quality property in blue-chip suburbs. A tick there. Our office also said mid ring suburban housing would see steady gains citing Kedron and Wavell Heights among the ones to watch. These probably did a touch better than expected for the right style of home.

We predicted the rise in house-and-land prices on the fringe. This has come to pass in many respects. In one of our biggest projects – North Lakes – the finalisation of development will tighten supply. Also, towards the end of the year, agents were reporting too many buyers, not enough stock.

We also said the prestige sector could expect a bit more action too. In fact the sentence from February reads:

"We will probably see a few more of these benchmark sales occur in 2017"

As if on cue, a clifftop mansion at 1 Leopard Street, Kangaroo Point broke Brisbane's residential property record in 2017, selling $18,488,888 million in five weeks. The sale beat the previous record of $14 million paid for Aaron Avenue, Hawthorne by Gina Rinehart in 2014. Given this sale among other great results, I think we were on the money with our prestige prediction.

We also saw the potential bad flow on to second hand unit stock back in February so we're giving ourselves a gold star on this call as well.

Overall – 'steady as she goes' Brisbane rang true for most sectors in 2017.

Toowoomba

Toowoomba has been fortunate to benefit from major infrastructure projects including the Toowoomba Second Range Crossing, the completion of QIC's Grand Central Shopping Centre extension and the imminent Inland Rail Project.

As predicted in February, despite these major infrastructure projects, the Toowoomba and surrounding suburbs residential market has continued to remain relatively stable throughout 2017 following a slowing level of sales activity in 2016. This followed the peak experienced throughout 2014 and into mid 2015. Although sales activity has been steady across the board, the market has continued to be multi-speed and property specific. There has been little consistency with variations in sale prices and buyer interest making it difficult to determine well performing suburbs and specific property types.

In 2016, an oversupply of new residential product emerged (particularly units), which led to a slight increase in vacancy rates, a reduction in rental rates and subsequent exit of absentee investors. Sales volumes retracted in an orderly fashion and median prices passed their peak. Throughout 2017 a balance appears to have emerged with vacancy rates continually falling from an average of 3.5% across 2016 to 2.3% as at October 2017. The median house price appears to have plateaued at approximately $370,000 while the unit median price has slowly declined to approximately $305,000.

The infrastructure projects are believed to have assisted in holding vacancy rates low with many employees living in the Toowoomba area during the construction processes.

As mentioned in February, the key development areas for new housing included the suburbs of Glenvale, Cotswold Hills, Torrington, Kleinton, Highfields, Cambooya and Westbrook with a mix of owner-occupier and investor orientated estates under development or planned. Smaller lots than the traditional 600 to 1,000 square metre parcels have also been developed in Toowoomba and the acceptance of this small lot product appears to be growing.

West of Toowoomba, the towns within the Surat Basin have experienced significant decline across the board following the decline of the construction phase of the mining and gas boom. These towns are all either regressing currently or have reverted to levels which are more aligned with their predominantly rural based economies. As such, local employment factors are now contributing to the trends witnessed in each of these towns. Rental rates and sale prices have declined significantly following the oversupply situation, however appear to be stabilising and interest in dwellings is being experienced from owner-occupiers. A significant over supply situation remains in the unit market which continues to place downward pressure on this sector. The Roma market is relatively inactive and downward pressure appears to remain while Dalby is showing good signs of stabilisation with a strong occupancy rate leading to positive movement in rents.

In general there were no surprises in the Toowoomba market and predictions made at the beginning of the year appear to have been relatively accurate. We give our predictions a score of 8 out of 10!

Gold Coast

Our predictions from the February Month in Review generally panned out well in 2017 across the entire Gold Coast.

2017 started as it left off in 2016 - strong across nearly all property segments and sales numbers and sales prices both being strong. However, by early to mid-year there appeared to be a general slowdown in sales numbers but with values remaining strong and heated. Real estate agents reported conflicting situations from suburb to suburb and from month to month as sales activity started to become patchy. Generally values stabilised across most of the lower to medium property segments as opposed to the more sought after locations that have continued to improve.

Western suburbs had a noticeable and unpredicted increase in investment from first home buyers.

Central west (Nerang, Carrara, Pacific Pines, etc.) maintained consistent value levels and sales volumes throughout the year, particularly properties below $500,000 and everything priced reasonably selling within a few weeks.

Murwillumbah was affected by the aftermath of Cyclone Debbie with severe flooding in the area in March and April 2017. The caused a bit of a negative stigma in the market with limited transactions since in any flood affected areas, however properties in flood free locations have continued to improve strongly over the year.

The northern Gold Coast growth corridor and southern Logan region steadily improved or was generally stable during the course of 2017. This region provides affordable housing options for first home owners, owner-occupiers and investors, which fuelled the volume of sales over the year. Sales agents active in the rural residential market in the western regions such as Jimboomba and Logan Village reported improved growth and shorter marketing campaigns.

Positive factors included continued low interest rates, interstate migration mainly from NSW and Victoria, first home buyer's grants, market perception of the impending Commonwealth Games providing some confidence, marginally improved unemployment, shortage of residential vacant land parcels and the light rail system with stages going to Helensvale in the north and plans for Stage 3 to go to Burleigh Heads.

Negative factors included macro events such as US elections creating economic doubt, tightening by the Chinese government on international property investment and oversupply of new and developer units in the circa $300,000 to $650,000 bracket.

There were mixed predications about how the Gold Coast property market would behave over 2017 with some predicating a sharp fall, some predicting stabilisation and others predicting a continued strengthening.

Some of the main property market segments can be summarised as follows:

Vacant residential parcels: There has been a general shortage of good building parcels in most estates. Land sales have been very strong with sales prices reflecting in the order of 15% increases.

Units: ($200,000 to $650,000): Decreased sales volumes with developers now offering incentives and large sales commissions to real estate agents.

General detached dwellings (typical family homes): $500,000 to $900,000: Slowdown in volumes with stabilised price points at increased strong price levels.

Rural residential: A poor performer with low volumes of sales and marginal increase in values. Demand and values for rural residential properties in the northern corridor appear to be improving.

Prestige units: ($750,000 to $3 million). Strong with circa 10% improvement in values.

Prestige market: (i.e. dry, golf course and canal/ water front properties $1.2 million to $5 million): Very strong with circa 15% to 20% improvement in values.

Suburbs with good proximity to Gold Coast beaches such as Palm Beach, Broadbeach, Miami and Burleigh Heads have seen continued strengthening values, as much as 35% over the past three to four years.

Interstate and international buyers continued to be a significant investor component. Chinese buyers appeared to slow down, however seem to be back now with a reported increase in buyers also coming from Vietnam. New Zealand investors are also significant, however perhaps not as strong as in previous years. Most sales seem to be localised investors buying up and improving their own personal homes or improving investment portfolios with first home buyers strongest in the western Gold Coast suburbs.

The biggest surprise is how well the prestige market and beach suburbs are now performing with values pulling further away from lower property brackets and other non-beach locations.

A notable sale was 3 Anzac Parade, Burleigh Heads, which is currently under contract for $1.025 million. This is an older style, knock down house on a medium density zoned site. It previously sold in 2007 for $647,000, resold in December 2016 for $950,000 and has now resold with the sale price representing land value only. The property is suitable for a duplex style redevelopment which has been a very popular style of development for local developers in recent years, however with land prices being so high, the level of profit for the project has been minimised as the cost of the project continues to rise, although the value of the completed duplex units does not appear to be improving as quickly as the land prices.

Large new housing estates such as Yarrabilba have sprung up in the northern corridor. These estates were seen as affordable opportunities for first home buyers and investors with land selling well below the established areas of the Gold Coast. We are now seeing some worrying signs in some of these estates with properties slow to resell and high rental vacancies. An example of a resale was that of 14 Orb Street, Yarrabilba. This property is currently under contract for $372,500, purchased by a local Yarrabilba buyer for less than cost. The property comprises a circa 2016, 4-bedroom, 2-bathroom dwelling with a two car garage of 36 square metres, living area of 149 square metres and outdoor area of 26 square metres. It is situated on a regular shaped 400 square metre, level block with no significant views. The land was purchased in March 2016 for $167,000. The building contract in 2016 was $220,000 (total land and build cost of $387,000). The property was listed on 11 September 2017 for $380,000. The sales agent reported that only three people viewed the property during the marketing campaign.

There have been some conflicting signals with the market becoming heated in some segments and stabilising in most other areas and brackets. The confidence in the prestige market appears to be what will lead the way as we go forward.

Sunshine Coast

The Sunshine Coast property market in 2017 has continued on from where 2016 left off. Activity has been good with increases in values experienced in most areas. The market has started to experience some issues that we are going to have to work our way through.

The significant sales recorded throughout the market in the first half of the year has had the effect of lowering the stock levels. Whilst the upward movement in prices has helped to encourage vendors onto the market, stock levels continue to remain relatively low. Good if you are in the market.

Another factor affecting the market in the second half of the year was the impact of APRA's policy changes to investor lending. These changes have effectively limited the number of interest-only investor loans, thus putting the brakes on the investor market.

With Sydney, Melbourne and in part Brisbane markets performing well over a number of years, significant amounts of interest and in effect buyers have been looking to relocate to or invest in Sunshine Coast property. Let's face it - with the strong values in the southern capitals, our property in some cases is pretty cheap especially given what's on offer.

We were experiencing most of the activity at the entry levels of the coast property markets and in particular along the coastal stretches and areas close to amenities. Well the good news has moved upward through the higher value levels as well as to the inland areas. Upgraders have been active as well as the influx of people to the coast. As we have mentioned, we do not believe there have been any main problems with this market other than limited stock levels that has effectively curbed sale volumes.

The unit market has been somewhat similar to the housing market in that entry-level properties have tended to perform pretty well. There have been a few more unit complexes under construction over the year. From all reports the well designed and finished units are having a good level of market acceptance. There has also been a bit of an increase in the larger permanent style units and also larger townhouse and small lot housing on the back of empty nesters wanting to downsize.

The rural residential market has continued to see good improvement and has gained some good momentum. Confidence in the better quality properties in the $750,000 to $1.5 million price range has been improving.

The prestige residential market has also continued to strengthen. As mentioned this market is closely related to the southern markets of Sydney, Melbourne and Brisbane so at the moment has been pretty good. Buyers in this segment are certainly purchasing for a position or lifestyle choice and in quite a number of cases is the future retirement home and principal place of residence. The majority of activity in this market is occurring up to the $2 million mark running right along the coast from Caloundra up to Noosa.

2017 has been another good year in the property market across most sectors on the Sunshine Coast. With the hospital finally opening and a number of good long term projects such as the Sunshine Coast Airport Runway extension and Sun Central (New Maroochydore CBD), there are exciting times ahead.

Hervey Bay

The Fraser Coast showed some positive signs of a recovery throughout 2017, with values making slight increases in some price points and rising demand particularly for property over $500,000. This has been the case in Maryborough also with a noticeable increase in sales of property over $350,000. Renovated Queenslanders finished to a high standard are now fetching between $350,000 and $450,000 which is a welcome change to the minimal activity over the past five years. Sales of blocks of flats in Maryborough have routinely attracted gross yields of between 5% and 9%. The buildings are typically older dated properties in need of refurbishment, tenanted to long term residents. Rents appear to have now steadied after a period of slow increases throughout the year for both Hervey Bay and Maryborough.

Selling prices for Esplanade property in Hervey Bay have improved with a number of properties selling between $900,000 and $1.4 million, which has not been experienced for many years. The continued house and land packages throughout the numerous estates in Hervey Bay appears to have slowed during the latter part of this year. The supply of these new homes seems to be meeting demand with little excess stock available. Local brokers report that first home buyers are still few and far between now that the local council incentives have been concluded. Most agents indicate that buyers in the region are a mix of locals, interstate and intrastate residents. Overall the future is looking optimistic for the area with the expectation that values will grow at a slow to gradual pace in the near future.

Bundaberg

The Bundaberg residential market stayed relatively flat with a slight decrease in both volumes and price. The rental vacancy rate is hovering on about 4%. We predicted at the start of 2017 that there would be increased confidence in the region and that this would translate into an increase in values. Unfortunately this has not been the case.

With mortgage rates at all time lows, it is a mystery as to why the market has not begun moving upwards.

The key to the area is that Bundaberg is very affordable.

Emerald

Values across the Central Highlands region stabilised in 2017. In Emerald, Clermont and Moranbah, values firmed slightly and rental vacancy rates tightened across the region. Employment demand in the resource sector is currently strong off the back of sustained higher coal prices. A quiet confidence has returned to the resource sector with some reporting a skilled labour shortage already. This in turn has started a recovery in the property market with median house prices on the rise along with rent increases. Potential purchasers are even enquiring about available vacant land (not seen for five years) and a few new houses are starting to pop up. All in all the optimism is rising and the negative sentiment and low business confidence is finally starting to shift with all indicators pointing in the right direction for a much more positive future over the next few years if coal prices remain at current levels or better.

Gladstone

Overall, 2017 was the most positive we have seen our market perform in nearly five years. Most property sectors have now bottomed out and stabilised and we have even seen some evidence of an increase in values. Sales activity has been strong for most of the year with buyers very aware of the great affordability the region represents. Affordability is currently the driving force for the Gladstone region market.

Good quality existing stock is attracting multiple offers and significantly reduced days on the market. This has also led to an increase in new construction activity. Owners and upgraders are opting to build their forever home due to record low land values.

Mortgagee in possession sales appear to comprise about 30% of all sales and while the number of repossessions has not declined, most stock appears to sell in a reasonable time frame providing they are priced appropriately.

In February we reported that the vacancy rate sat at 8% indicating there was still an oversupply of product. We further stated that until that rate was at least halved, there was unlikely to be any change in rental values. Fast forward to the end of 2017 and the vacancy rate sits at 3.5% indicating the rental market is nearly balanced. Already over the later stages of this year, we have seen a slight uplift in rental levels across most property sectors.

Rockhampton

At the start of the year, we reported a more optimistic outlook for the residential property market in 2017 in comparison to previous years. At the time, this optimism was based on a general improvement in mining and associated service industries, affordable house prices and low interest rates.

As the year panned out, these factors did attract more to the property market with volumes increasing slightly towards the latter half of the year. Some of these transactions were those holding off during the bottom end of the market, probably due to a wait and see approach, prior to committing. Owner-occupiers have been the primary players in the market, particularly so for those moving into family sized homes of around the $450,000 to $550,000 mark.

The lower end of the market (sub $250,000) has not improved as much. This market is typically driven by investors, which there is a current lack of, possibly due to a reduction in rental income and a tightening of lending conditions. On a more positive note, there has been a drop in vacancy rates from an average of 6.5% to a consistent 4.5% in the second half of the year. We do find though that there is a time lag between a drop in vacancy rates and an improvement in the investor market.

Reflecting on the year that was, there are a few additional factors which have affected our market.

These include major projects which started later in the year by both the Livingstone Shire Council and the Rockhampton Regional Council to improve the liveability factor in our region. These projects include the foreshore and town centre revitalisation developments in both Yeppoon and Rockhampton. The developments are currently in various stages of completion, however certainly helped to improve the outlook in the latter half of this year.

Probably the most significant event has been the lead up to and then the naming of Rockhampton as the FIFO hub for the Adani Carmichael mine. It is reported that approximately 1,100 FIFO workers are to be located in the Rockhampton region for the two year construction period. Post construction, this workforce is expected to be reduced to approximately 625.

Overall the Rockhampton region property market performed largely in line with what was anticipated coming into 2017 and the last month or so has even provided some added bonuses to end the year in a better overall position than this time last year.

Mackay

It's that time of the year again, where we get to look back and see how accurate our crystal ball gazing was in February when we wrote "The Year Ahead."

In February we wrote..."The Mackay residential market isn't expected to show any real signs of improvement in terms of value in the first half of 2017. We think there will be a consolidation of values during this time and that sales volumes will continue to be strong in early 2017. "

Nailed it!! The Mackay residential market has shown solid sales rates not only in the early stages of 2017, but right through the year. Values did stabilise through the year and appear to be at the bottom of the market with some early indications of slight increases across the back end of 2017.

However, the gains (if any) have only been slight. There are still a number of hurdles the Mackay market will need to overcome before we see any material or substantial growth in values. Firstly, 4740 still appears to be a swear word with some of the banks, with harsher lending policies still in effect. Also, the downturn in the market saw significant value loss, with the average loss in value of dwellings being around $100,000 and higher. This in turn has eroded a lot of equity for potential purchasers. A common theme from local agents and punters is they would love to buy in this market, however due to the drop in value of their existing house don't have the deposit or ability to purchase.

In February we wrote..."There has been negative buyer sentiment in Mackay over the past few years. We have seen this sentiment start to change during the last half of 2016, leading to higher sales volumes across the residential market, albeit at value levels not seen in Mackay in over ten years. This is seen as a possible predictor that the market has reached the bottom. Only time will tell if this negative sentiment can be reversed during 2017."

There has definitely been a swing in buyer sentiment throughout 2017. It appears the penny has dropped that the market had reached the bottom, with buyers who were holding off now entering the market. There appears to be a number of factors leading to this increased confidence not only in the residential market but in the general Mackay economy. The rise in price of metallurgical coal and continued record production has seen employment opportunities in the resource sector improve dramatically in the past 12 months. Also major infrastructure projects such as the Eton Range Bypass, new fire station and Mackay Ring Road Project to name a few, plus the increased employment opportunities linked with repairs from cyclone Debbie have also contributed. Couple that with record low interest rates and the ingredients were there for the stabilisation of the residential market.

This consolidation has not only been associated with sales, but rental values and vacancy rates also improved throughout 2017. Rental vacancies started the year at around 7% and based on latest REIQ figures, halved by the end of the year.

My opening statement last year I think summed up our attitude and thought process at the start of the year... "I have to admit, the last few years I have dreaded writing the year ahead predictions, but this year I have a renewed sense of optimism that the worst may be behind us and that the Mackay residential market will stabilise." Nailed it!!

Townsville

Throughout 2017, Townsville's residential property market progressed to the start of recovery phase as sentiment continued to consolidate. Even so, the market remains fragile with the housing sector continuing to advance more noticeably than the land and unit markets.

We have seen positive market drivers including a relatively sustained period of business positivity, increased sentiment surrounding the mining sector and increased jobs growth and falling unemployment during the course of 2017, with the trend in the number of jobs being advertised in October 2017 for the Townsville region increasing by a healthy 34% compared to the same period in 2016.

The housing market is highly suburb selective with reasonable turnover levels in the sought after mid to inner suburbs, but slow sales in the outer areas and suburbs with perceived social issues. The market is being driven by owner-occupiers including a number of first home buyers. The unit market has seen a slight increase in trend terms in sale volumes however volumes remain at low levels compared to recent years.

Our HTW Monthly Rent Roll Survey indicates that the rental vacancy rate tightened considerably throughout 2017. Population growth is a big driver of the rental market, with growth over the past four years being at below the long term average growth rates. With a number of large scale projects either commencing in 2017 or readying for commencement, workers from out of town are being attracted to the region, which has assisted in reducing the vacancy rate. The overall trending vacancy rate has reduced from 5.61% in January 2017 to record a trending vacancy of 3.9% as at October 2017.

Cairns

Conditions in the Cairns tourism industry are revitalising significantly from the tough conditions experienced in the aftermath of the GFC. The improvement in tourism conditions initially stimulated a revival of upgrades and extensions in the industry, particularly in the accommodation and reef vessel sectors. However 2017 saw the first new developments of significance take hold, with construction commencing on three new large hotels in the Cairns CBD. Concomitant with this, the Cairns region has seen a 7.7% uplift in employment during the past twelve months and its unemployment rate has declined to 5.6%.

You would think that these improvements would have produced a significant boost in local property market sentiment, but so far they haven't. The overall level of residential sales activity has remained in a steady state throughout 2017 and Cairns can be best described as a static market. There has been steady demand for appropriately priced residential property, but overall, prices and volumes have been flat. Median trend prices for properties sold in the month of October 2017 came in at $405,000 for a house, $205,000 for a unit, and $212,000 for a block of land.

Pressures have been maintained in the rental market during 2017 as a result of tight rental vacancy rates. The trend rental vacancy rates for October 2017 stood at 1.8% for houses, 2% for units and 1.9% overall. The low rental vacancy rates have seen rents mildly increase, with the weighted average median rent increasing over the latest twelve months from $390 to $400 per week for houses and from $280 to $290 per week for units.

South Australia

Adelaide

Based on Real Estate Institute of South Australia data, the change in median price between September 2016 and September 2017 for the predictions for 2017 are as follows:

- West Hindmarsh: 11.03%
- Edwardstown: 3.14%
- Seaford: 4.96%
- There were no sales in the September 2017 quarter in Welland or Devon Park.
- Christies Beach: 0.72%

This may indicate that the market in this area has slowed somewhat after previous periods of higher growth.

Renown Park data indicated that the median price had decreased by 5.34%. This is based on only four sales which is a very small sample size.

The Adelaide market has continued to remain stable on the whole with performance differing greatly depending on location.

The market has moved in a way that was expected. Lower supply in inner city areas has resulted in increased demand. Areas which offer a larger number of properties on the market have remained stable.

Demand for character style dwellings in proximity to the CBD has continued to remain high due to low stock levels.

Detached housing remains the dominant property type in Adelaide although there has been increased construction of townhouses and apartments in locations such as Prospect and Campbelltown. Although there are increasingly fewer properties below $500,000, particularly close to the CBD, Adelaide remains the most affordable mainland capital city on a median house price basis.

Top performers over the September 2016 to September 2017 period were Toorak Gardens (50.37% change), Dernancourt (29.82% change) and Moana (29.08% change) (source: reisa.com.au). Toorak Gardens is a sought after suburb two kilometres east of the Adelaide CBD. It typically incorporates high quality character style dwellings in an appealing location with close proximity to local services and facilities. Dernancourt is further from the CBD (approximately 12 kilometres) but still offers a range of housing at varying prices particularly for first home buyers seeking to enter the market. Interestingly, Moana is adjacent the suburb of Seaford which we noted as a prediction suburb for 2017. It is an increasingly popular beachside suburb situated approximately 36 kilometres from the CBD. It is well serviced by the Seaford railway line.

Activity from first home buyers remains fairly stable with owner occupiers and investors still active in the market.

There has not been a shift in the dominant buying demographic in the Adelaide market.

The Torrens to Torrens Roadway and the Darlington upgrades are still underway. Whilst this is causing short term issues for local residents, we envisage that these projects will provide improved access for the north-south corridor and improved access to the CBD for southern suburbs residents. The O-Bahn tunnel project in the eastern parklands is nearing completion. This will help alleviate traffic issues from the north-eastern suburbs by taking O-Bahn buses off the road between the O-Bahn track and Grenfell Street. These projects are also continuing to provide employment opportunities for the state and improved facilities for the public. Interest rates have remained on hold with the state's outlook remaining stable in the short term.

O-Bahn Project Update October 2017

Views looking east to the southern side of the tunnel and view inside tunnel

(source: infrastructure.sa.gov.au)

Sales of note for this year:

Fitzroy House located in the city fringe suburb of Fitzroy.

Sold June 2017 $5.55 million

The property comprises a circa 1882 bluestone mansion with original timber-panelled ballroom. The property overlooks the North Adelaide Parklands and includes a six car garage, coach house, floodlit north/south tennis court, swimming pool and substantial cellar on a 2,508 square metre allotment. The property was built for South Australian Federalist Sir Josiah Symon and incorporates approximately 800 square metres of living over two levels. (source: realestate.com.au)

(Source: realestate.com.au)

Woodley House in the eastern suburb of Glen Osmond

Sold April 2017 for $3.005 million

The property comprises a circa 1845 bluestone mansion on a 5,891 square metre allotment. The property includes up to six bedrooms, north facing conservatory and tennis court. The property also enjoys views of the city (source: realestate.com.au).

(Source: realestate.com.au)

Prospect Road, Prospect

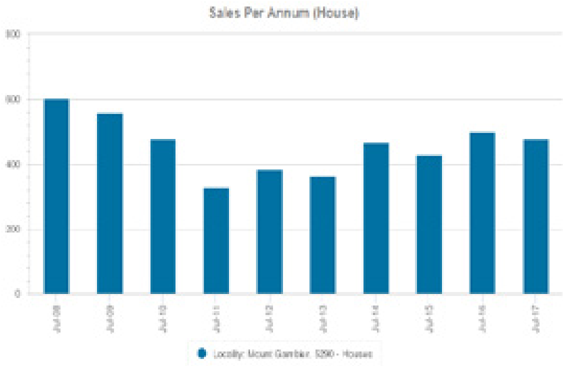
Sold April 2017 for $3.2 million

The property comprises a large land holding of 1,765 square metres with a large character style dwelling, tennis court and in-ground swimming pool. The property is located approximately five kilometres north of the CBD and has been rezoned Urban Corridor in recent years. This zoning allows for a broad range of potential uses including retail, office or high density residential. Although improved with high quality dwelling and ancillary improvements, the property was sold as a development site which offers short to medium term leasing opportunities with potential for future redevelopment (source: realcommercial.com.au).

(source: realcommercial.com.au)

Mount Gambier

The market in Mount Gambier has remained relatively stable throughout 2017, as demonstrated in the graph below. There was a significant drop in 2011, however an increase in sales can be seen in recent years. Whilst the market has remained stable, there are still no economic indicators that look to improve the current economic state to an extent which could see house sales volumes rebound to the 2008 and 2009 levels shown,



The $200,000 to $250,000 price range is affordable and it's where the most number of house sales occurred throughout the year. A house within this range appeals to families and they are generally of good quality, including 3- or 4-bedrooms, 2-bathrooms, a double garage under the main roof and a pergola area, situated on 700 to 800 square metres.

Throughout 2017 there has been an increase of properties that have achieved a value within the $300,000 to $450,000 price range. There were few dwellings purchased under $150,000 or over $500,000. Dwellings under $150,000 are generally in less sought after locations and have limited market activity. Units are often within this price range. Dwellings over $500,000 are at the top end of the market and have a reduced market segment.

With the $200,000 to $250,000 and $250,000 to $300,000 price ranges being the most popular, buyers throughout the year have been a mix of first home owners and families. These price ranges are affordable for those looking to enter the market and suit the needs of families too.

There were a number of rural living properties that sold throughout the year that made good money, which was surprising. One of these is listed below.

226 Lange Road, Yahl - $950,000

A circa 1990 brick, 5-bedroom, 1-bathroom dwelling situated on 32.37 hectares

Overall, at the beginning of the year we expected that 2017 would be a similar year to 2016. This turned out to be correct, however we did see a slight increase in sales in the upper range.

Tasmania

Well we all but nailed it! Last February we suggested continued population growth would persist in placing upward pressure on pricing in both Hobart and Launceston. What we did not pick was the strength of the resurgence.

The overall upswing in the general economy, especially growing retail sales figures, strong tourism and continued falling unemployment, gave an end result greater than predicted growth in both of the two major cities and also recovery and capital growth in many other regional areas including Devonport.

Hobart was the stand out performer, up 13% year on year overall and higher in many inner ring suburbs. The stand out sale was a $6.5 million transaction for a dual title river front holding on Sandy Bay Road.

Many interstate investors and SMSFs are active in this market. With the popularity of Airbnb, many holdings that would otherwise have been available to the permanent rental market are now not; vacancy rates are at near zero, especially inner city. We thus have rising rentals, rising capital growth and returns still around 5%.

Holiday coastal townships are also now back in favour. Historic favourites such as Orford, Bicheno, Coles Bay, St Helens and Binalong Bay along the east coast have had agents smiling again.

Northern Territory

Darwin

2017 has proven to be a difficult year for all participants in the greater Darwin residential market, however as we approach Christmas there are some green shoots popping through. Unit prices have continued to decline on the back of significant supply through 2015 and 2016, extensive land supply has placed pressure on exiting housing markets and the looming completion of the construction phase of the Ichthys project is drawing nearer. According to RPData, 53% of all unit sales through June 2017 were sold at a loss from the previous sale price. This clearly highlights the pain being felt in the market place. The green shoots in the market place are in the detached housing market. REINT data as at September 30, show that sales volumes are up 6.7% year on year, so while there is a large decline in value we are starting to see the market tick over again, as in previous recoveries it all starts with sales volumes.

For the first time in as long as the writer can recall, there won't be any tower cranes in the sky at Christmas in the Darwin CBD. The residential construction industry has slowed significantly, which has come on the back of less enquiry from interstate investors (currently active in Sydney and Melbourne), difficult financing conditions, and the years of previous supply. So looking forward, this will ease the pressure on the existing unit stock without further supply to an already saturated market.

Vacant residential land has continued to hit the market place through 2017. The final stages of Muirhead in Darwin's Northern Suburbs have reached the market. Zuccoli continues to provide a mix of small to medium sized allotments in Palmerston, and the Halikos constructed development of NorthCrest in between Darwin and Palmerston has provided a new supply of allotments with titles expected in very early 2018.

The Palmerston market has seen a number of changes through 2017, First home owners are increasingly moving into brand new house and land packages, with the availability of small residential allotments circa 300 square metres. First Home Owners are choosing a house and land package against the previous preferred strata title duplex or townhouse option. This has left the strata unit market in a precarious position in Palmerston, with limited population growth and a strong supply of dwellings, the unit market has suffered heavily.

The population in Darwin remains relatively transient and renting remains a very popular option. RPData shows that rental yields in Darwin for both units and dwellings remain the strongest in the country, a position which has long been held. As at October 2017, gross rental yields are sitting at 5.8% for Darwin, compared to Sydney of 3.1% and 2.9% of Melbourne, so while the capital values are down in a relatively low cost financing environment, Darwin remains a viable investment option.

The difficult year that has been endured through 2017 for the market was not unexpected, business confidence (locally) is down and residential construction and investment activity tracks so closely to the overall performance of the economy. The positive signs are the increased sales activity and while for many participants these sales are confirming a loss, it does provide opportunities for first home owners and there has been a marked reduction in cost of living pressures. So while it has been a hard year, we can head into the Christmas break with a firming confidence of what is to come.

Alice Springs

Well it's been another quiet year in the Alice Springs residential space, however as predicted earlier this year we have seen the market continue to stabilise throughout 2017. Notably, we have seen transaction numbers increase off the lows of 2016 (363) up to 401 sales for the 12 months to September 2017. While these number are well off the peak levels of 700 plus in the years up to 2009, at lease it's a move in the right direction.

As expected the bounce in sales numbers came from single dwelling sales, rather than units, which continued to show a reduction within this segment, the poorest performer in recent times, and now has a compound annual growth rate in the median unit price of 2.95%, compared to the single dwelling market at 4.7%.

We have seen first home buyers make a tentative return to the market, although not in any great numbers. Subsequent home buyers still dominate the market, investors are still in a minority and new dwelling demand is still at generally low levels.

Overall it was a generally flat year, with our predicted continued stabilisation playing out as thought and an improvement on 2016.

It was a different story for Tennant Creek however, which continued to decline in 2017 after successful performances up to 2014. The median (12 months) price to September 2017 showed the third consecutive year of declines, this time with a drop of 10.78%. In this location there have been fewer investors and the home occupiers only out for the bargains.

Western Australia

Perth

The year was expected to bring us more stable market conditions overall, with some pockets of upgrade activity being countered by minor corrections in the established, sub $1 million housing market and an increase in mortgagee sales activity throughout the year. In response to changes to the First Home Buyer Grant, a significant increase in apartment and off the plan villa transactions was expected. Lastly, we forecast a median sale price of $510,000 at year's end.

Our predictions played out to be fairly close to the mark for the most part. We underestimated the role that lending restrictions would play in the established housing market for first home buyers and the effect that would have on the remainder of the market. We also assumed that interest rates were likely to rise in the latter half of the year. Thankfully interest rates have remained low but the first home buyer market has been interesting to say the least.

Our expectations of significant improvements in the volume of unit sales was incorrect, due to a large number of issues discussed later in this article. Sales volumes are down 17% in comparison to the previous year. Established house sales also experienced a decline, with transaction volume being some 20% lower than 2016. Interestingly, the median land price rose by 20% from the September quarter, reaching a figure of $300,000 although this corresponded with a 75% fall in transactions. Last year's statistics surprised us with a similar result and was subsequently corrected after all final adjustments had been made and we expect a similar correction this year.

Close to our predictions, the statistics for the September quarter provided an unadjusted median house price of $499,000, down from $520,000 last year. After adjustments, the median price is expected to land slightly higher at $515,000 according to the Real Estate Institute of WA – just $5,000 off our prediction.

It is safe to say that Perth is experiencing positive signs of stability, supported by improvements across most key indicators of market performance. Consistent market conditions over the June and September quarters seem to have boosted the confidence level of our inhabitants. Six months of market stability has also given many an answer to the everlasting question, has the market hit rock bottom? We can now say that a significant decrease in property values would cause jaw dropping reactions – we believe we are at or have already seen the bottom of the market in most areas, with some exceptions.

Aligned with our predictions, established housing below $1 million is still experiencing soft market conditions, but there has been an improvement in activity in many areas. We have seen a very interesting mix of activity in the established mortgage belt, but buyers appear to be extremely price sensitive, causing a solid link between listing price and level of activity. Properties listed at or slightly below actual value often attract multiple offers. Established housing sub $1 million was predicted to remain in oversupply, although the trend has tightened more than our expectations. As of the week ending 7 November 2017, there were 14,494 properties listed for sale. Listings are down 4% from the same time last year and the sales proportion of property type has remained almost identical. Average selling days have increased slightly over the past year reaching an average of 70 days, which is an increase of three days from the September quarter.

Outer suburbs such as Baldivis and Alkimos are experiencing declining activity at an increased speed. According to realestate.com, Baldivis has approximately two years of supply sitting on the market with a current sales activity rate of just 5.6%. Market activity in Alkimos is even worse, sitting at around 3.6%, however the suburb is not oversupplied to the same extent. We have also seen a significant increase in mortgagee in possession activity across the whole metropolitan area, although the bulk of these have been concentrated in outlying, more traditional first home buyer areas such as Ellenbrook, Baldivis, Clarkson and Byford.

Mandurah is also a prime example of the varied buyer demand we are currently experiencing. Upgraders are willing to pay reasonable prices for high end properties in good locations as well as high quality rural properties loaded with ancillary improvements. In the meantime, conventional dwellings have suffered declining values of between 5% and 10% over the last year along with limited sales.

The reluctance of first home buyers to embrace apartment living has remained strong for most of the year. Apartment and off the plan villa transactions were expected to increase as a result of changes to the First Home Buyer Grant, however sales are down from last year's September quarter. In more recent weeks however, the inner city has shown positive signs of improvement, demonstrated by increasing numbers of people attending home opens along with often multiple offers being received. The demand applies to newly constructed apartments where anything constructed pre 2010 is struggling. It is evident that further price corrections are needed in order to improve demand.

The largest and somewhat most concerning aspect of the market throughout the year, was that rather than first home buyers being tempted by brand new, well priced inner city apartments, quite often they found they still couldn't afford to purchase these properties, or to be more accurate, they could not secure finance. They also could not raise the correct deposit for established housing, hence the only market left was the house and land package market. What we witnessed throughout 2017 and what has been one of the largest influences on the market as a whole is that incentives by developers in land estates and from building companies themselves often combined to be the ONLY way many buyers could enter the market. The issue with this is that much of this activity is in areas that are already chronically oversupplied and the result was that there was reasonable demand for a house and land package, but almost no buyer demand for a one year old dwelling. Buyers could only secure funding by relying on various incentives buried within contracts (and sometimes as a side contract) and many developers and builders are very happy to help such buyers navigate such a finance approval process. Given the fragile nature of such borrowers, the rate of mortgagee activity in these areas rose dramatically during the year and dare we say it, continues to rise now.

On a brighter note, we have certainly seen micro bursts of activity in sought after areas as a result of improved consumer confidence, with such activity concentrated on traditional upgrade or aspirational areas. In particular, prestige areas such as Cottesloe, Dalkeith and North Beach along with other traditional upgrade areas are experiencing impressive rises in property values. Cottesloe is taking the lead with an 18.5% rise over the last year. It is safe to say that we are, for the first time in several years, witnessing a shortage of supply in such areas. Buyers have started to realise that they can afford to upgrade, but most importantly, they have gained the confidence to upgrade. The fear of missing out on a bargain has also played a part in the sudden improvement of activity. The heavy jump in demand has already led to increases in property values in many locations.

The rental market started off the year with a 6.6% vacancy rate and was expected to remain high throughout 2017. Not far from our predictions, the September quarter came back with a slight increase to 6.9%, down from 7.3% in the previous quarter. During this period, house rents fell by 8% to $350 and unit rents by 7% to $325. The gap between rent for units and housing is decreasing at an increasing pace. There are 9,359 properties currently listed for rent in comparison to 10,570 last year. The average unit rental price in relation to the median unit price has remained relatively stable providing a yield of 4.28% for this September quarter in comparison to 4.23% last year. Housing provided a slightly lower average return of 3.6%, compared to 3.8% last year.

In summary, the overall market has stabilised over the past 12 months, providing positive signs for Perth's property market. As predicted in our February article, Perth is experiencing significant variations of activity. Values are up by up to 18.5% in some areas, while others are still significantly oversupplied and subject to increased supply due solely to the vagaries of the finance options to a significant portion of the market. Properties within more sought after areas are in high demand from upgraders and we have already seen significant increases in property values in some areas. Established suburbs have remained in oversupply, however for the right price, it is not rare to see multiple offers according to our valuers. During the past few weeks, we have seen increasing interest in inner city apartments, mainly by first home buyers.

Overall, our February predictions played out quite well and we would give ourselves a score of eight out of ten.

Esperance

The year still doesn't seem like it has really got started yet and we are at the end of it already. Market activity over this year for our region had small bursts of activity interspersed with little to no action that seem to have dragged on too long. That said, values on the whole have remained quite consistent over the year. There is a train of thought that we are seeing the results of the strong performance in our agricultural sector with solid returns now over a prolonged period, the upshot of which is investment is occurring in the broader rather than local economy.

Improved residential sales in the broader Esperance townsite have again covered all value ranges. The lower valued area of Nulsen has seen a relatively good volume of sales with a wide spread of values from $85,000 to $270,000 which is an improvement on recent years when $200,000 was a ceiling that could not be broken. The adjoining suburb of Sinclair has similarly seen a sound volume of sales for what is a small locality but quite under rated with some good quality established housing close to local shopping and schools.

West Beach and Castletown are the main residential areas in town and have also seen a wide variation in realised values. Older homes in need of renovation and modernising are very affordable and give potential purchasers the ability to get into these localities and improve values through refurbishment programs. Values for these are typically in the higher $200,000s through to the mid $300,000s. Newer, more modern homes are stable through the mid $400,000 to mid $600,000 value range.

Rural residential property has been regularly traded with a reasonable volume for a market of this size. Values again vary considerably with a mix of accommodation ranging from substantial homes and infrastructure to habitable sheds. There has generally been a sound level of consistency in rural residential values now for some time. Larger rural lifestyle properties have also seen some minor activity. Very few of these properties are ever available on the market and tend to attract sound demand when listed.

Within the broader south-east region of Western Australia, there has been some cautiously encouraging activity. Firstly, the small mining town of Norseman, approximately 200 kilometres north of Esperance, saw the local mine closed and placed in a care and maintenance program in 2014. The uncertainty within the town resulted in values falling away considerably however over the course of this and the preceding calendar year, sales volumes have improved with possibly the highest number of sales seen for some time. Values have also improved albeit coming off a very low base. A contributing factor is the affordability for low income earners to have their own home - there are not too many places you can purchase and live in a home for less than $50,000.

Hopetoun and Raventhorpe, 200 kilometres west of Esperance, were hit hard by BHP opening up their mining operations and just as quickly closing them all at the same time as the GFC hit. Values initially skyrocketed, a massive supply of property hit the market and then it all fell apart. However, the latter half of last year and into this year saw some improvement in sales volumes and at last some minor recovery in values including in the chronically oversupplied rural residential sector. The mine has again been placed in a care and maintenance mode however general sentiment is that the market can cope with this and more recent transactions are so far holding up.

So all up, a sound if somewhat subdued year in this region. We can only hope the next big thing will arrive soon to give us the kick start we need to get firing again and this time next year there can be much more to report. Wishing you all the best for the festive season and the year ahead.

South West WA

In early 2017, we predicted that the year would see a bottoming out of the residential market and values stabilising. On the whole this has pretty much come to fruition. With the market being very quiet and low sales number across the region it was a tough time for agents and many agents called this as being the bottom of the market.

Sales numbers have picked up in the past few months to be more representative of long term averages however values are yet to show any significant movement. Listings are hard to come by and properties need to be priced appropriately or they will stagnate on the market. Buyers are more educated than ever and are not prepared to pay above market value.

There still appears to be a good level of demand for beachside properties particularly in Busselton and Dunsborough however the top end of the market i.e. above $1.5 million is still quiet with very few transactions.

The major residential development Dunsborough Lakes has been quiet however is expected to run out of stock soon which may place upward pressures on values. Vasse, Newtown, Provence, Brookfield, Treendale, Millbridge and Dalyellup are all continuing to expand with limited movement in values.

The rural residential market in Yallingup and Margaret River experienced a lot of activity mid year as would be expected with the green fields aplenty and there have been a number of significant sales which will keep the median prices up. However there are only a few small subdivisions providing new stock in this sector which could place upward pressures on values.

The rental market was weak early on in the year with high vacancies and falling rental values however it has picked up more recently which is often the case in the later part of the year and current vacancies are very low, putting upward pressure on rental values.

One notable exception has been Withers. Significant competition has entered the market and values have fallen in Withers with the State Housing Commission (SHC) deciding to sell a relatively large number of properties in Withers. This is reportedly part of their reconcentration project. The process is to relocate existing tenants, refurbish and prepare homes for sale. It is reported that 25 tenancies are to be relocated to other areas. The SHC sold at least six properties between March and November 2017 with several more currently under contract with prices ranging from $175,000 to $195,000.