Herron Todd White

Independent Property Advisors

The Month In Review

2012 APRIL

www.htw.com.au

1300 880 489




Contents

Peace of mind for your property decisions.




Herron Todd White
Independent Property Advisors

Beacons of a Moving Market.

Avast me hearties, hoist the colours… we're off! But which way to go?!

There are always those trend setters amongst us. They're the first with bigger, better faster, stronger, more. They know the score and you will eat their dust. These are the people who have paddled onto the crest whilst the rest of us look around little stunned, a touch soaked and asking "What just happened?"

Well property markets also have their own smart aleck trail blazers. The suburbs, sectors and property types that pick up the pulse and set the pace. These flashing lights and ringing bells of the real estate market should tell one and all that things are on the move and now is the time to either dive in or run out - if only everyone would listen. It's these market beacons that can be the point man in the ascent or the lead lemming in the downturn.

The trick for us mere mortals is to identify which of these markers are worthy of our attention as we try to sort through the entrails of the market and come up with our hit prediction on what's about to happen. Well this month, our little publication should prove a un-put-down-able show stopper amongst your email masses.

We have managed to wrangle together a whole heap of highly qualified, well informed and entirely active property professionals from around the nation that are set to give away the secrets on how their property markets move. That's right, in this issue of the Month In Review; our fiercely independent staff have taken the time to let you in on what happens in their areas when property prices are on the go. By identifying those sectors, types and suburbs that are ready to telegraph the seismic shift, you are set to benefit.

As you can imagine, one size doesn't fit all when it comes property in Oz. Our very broad nation with its regional areas, CBD centres and long coastlines typically throw up all sorts of scenarios so unless you are in the know locally, it's hard to pick what's happening.

Commercially, this month is all about the office sector and what's in store for 2012. Now the year is well underway, the market is starting to set its trend and our doyens of the office market sector are eager to release the good oil on what's to come.

I shouldn't need to remind you (but I will) that it would be remise not to take advantage of a quiet chat with your Herron Todd White tracker. Just a phone to call any of our specialists will quickly set you on a path towards a safer portfolio while the other Johnny-come-late-lies are still tying their shoe laces.

Now, let's get this vessel underway…

Kieran Clair
Certified Practising Valuer
1 April 2012

kieran.clair@htw.com.au

Tax Depreciation Schedules explained

It is generally estimated that only about 30% of residential investment properties are currently being depreciated, leaving the majority of investors over paying their income tax because they are failing to claim their entitled depreciation.

What exactly is a Tax Depreciation Schedule? Quite simply it is a report that identifies the depreciation for the wear and tear of a property. Similarly to the way that you can claim wear and tear on a vehicle used for income producing purposes, you can also claim the depreciation/wear and tear of your investment rental property against your taxable income.

The Australian Tax Office allows you to depreciate your investment property a certain amount every year, as a deduction against any income generated from the property. These deductions reduce the tax on assessable income and allows you to claim back money that would otherwise be paid to the tax man.

In residential property there are two types of tax depreciation allowances available: the depreciation of Plant and Equipment which relates to items within the building like ovens, dishwashers, carpet, air-conditioning, hot water systems, etc; and Building Allowance, which is for the brick and mortar component of the main building. Depending on when the building was built you can either claim 4% (Jul 1985 – Sept 1987) or 2.5% (Sept 1987 – current) of the historical building capital cost.

The Australian Taxation Office recognises that a Quantity Surveyor is the recognised professional to undertake an assessment of building costs to be used in depreciation. It should be noted that accountants, valuers, real estate agents and solicitors do not have the experience to undertake the preparation of estimates to be used in depreciation schedules. If you are a property investor make sure that you do not miss out on unclaimed depreciation. With all fees 100% tax deductible, the choice is simple.

Herron Todd White employs Quantity Surveyors who are all registered Tax Agents and members of the Australian Institute of Quantity Surveyors, so quality assurance is guaranteed. Our Certified Practising Valuers can also assist with capital gains tax & stamp duty valuations in addition to the standard market valuations.

Simply email your name and contact details to tds@htw.com.au and we will be in touch to either give you a quick quote or answer any questions you may have. If you are a property investor make sure that you do not become just another statistic and miss out on unclaimed depreciation, with all fees 100% tax deductible, the choice is simple.

Commercial Overview

The retail sector continues to battle the rigours of the economy. Could 2012 be the year that things start taking a turn for the better?

This month, our commercial teams have put their heads together and come up with their hit predictions on how their retail markets are likely to develop throughout the year. Now that the post Christmas dust has settled, what's in store for your office area of interest? Read on.

Sydney

With minimal exposure to the resource sectors the Sydney retail market has felt the brunt of the downturn in retail spending. Across Sydney we have noticed a marked reduction in the demand for strip retail premises, with both national and private retailers closing down upon lease expiry.

It's not all bad news however. Continued white collar employment growth and the rejuvenation of the Pitt Street Mall has seen demand from international and premium retailers increase. Since the start of 2011 we have seen the opening of the Louis Vuitton store on George Street, the expansion of the Hugo Boss store on King Street and the opening of Burberry on George Street. These high end retailers who are hoping to increase their presence throughout Australia, have been seeking locations which offer more than a simple shopfront. In the case of Louis Vuitton, the fashion label committed to a complete refurbishment of the former Blacket Hotel, to create a premium two story retail destination. Likewise the Burberry flagship store occupies the heritage listed 343 George Street. With internet retailing now firmly at the forefront of every retailers mind, we expect that luxury retailers will continue to build on 'the retail experience' in a hope to attract consumers into their stores.

Outside of the CBD however, weaker demand has resulted in an increase in vacancy and a subsequent fall in rental rates. Rental rates for properties in traditional prime locations have fallen the most, as retailers with falling turnovers struggle with higher occupational costs.

With the outlook for rental growth expected to remain in the negative, investors are showing little interest in retail assets. We expect this situation to continue over 2012, forcing vendors into accepting higher yields.

Canberra

The Canberra retail market remains in a lull as weaker retail sales limits the demand from retailers. With several chain retailers announcing closures of their underperforming stores, we do not expect an improvement in demand to occur in the coming 12 months.

This fall in retail sales has however, been largely constrained to discretionary items including clothing, electronics and home furnishings. Food and beverage items on the other hand have recorded growth. In the ACT this has largely benefited larger town centres featuring a major supermarket as an anchor tenant, such as a Coles or Woolworths. These properties, while verging on institutional investments, are in high demand as investors seek out the income stability offered by these tenants. Unfortunately these properties are rarely offered for sale, making an assessment of the market difficult.

Furthermore continued population growth is driving demand for retail facilities within the capital. Most recently this has seen an increase in the number of development approvals and site sales for supermarket developments. Including the approval of the Dickson Centre Master Plan, and the $14.38 million purchase of a 21.35ha site in Casey, for the development of the new Casey Centre.

Looking forward, weaker consumer spending is expected to be offset by higher population growth, subsequently driving the take up of these new developments. Market conditions for some group and local centres however, will remain depressed, as consumer preferences continue to favor larger retail formats.

Wollongong

The biggest headline in the Wollongong retail market is GPT's $200 million 6-story West Keira retail development in the CBD, which commenced construction late February 2012. The development will contain 80 specialty shops with a strong focus on food. Locals are hoping it will rejuvenate the CBD and provide impetus for redevelopment of other properties in the area. The project is scheduled for completion in 2014, along with the Stockland Shellharbour expansion which began work in late 2010.

With regards to the markets investment, the most notable sale was for Centro Albion Park in February 2012 for $15.5 million, a yield of 9.57% based on the reported fully leased net income. The agent reported strong interest for this Woolworths-anchored, open air neighbourhood shopping centre. This emphasises that demand is still firm for well located, retail properties with strong lease covenants.

Anecdotally, retail vacancy rates in the region appear to be increasing which is no surprise given the well publicised struggles of the sector. This is particularly evident in secondary locations and at the fringe of some established suburban retail strips. This trend is expected to continue into 2012, leaving landlords with one of two options - reduce the rent or have a vacancy.

We expect more of the same throughout 2012; a market where prime retail properties tend to outperform secondary locations, capped somewhat by weak retail sales and increase in vacancies.

Southern Highlands

The Southern Highlands retail market remained subdued in 2011 and we anticipate more of the same through 2012, as retailers continue to feel the pinch from weak economic conditions. Local agents are reporting lower rental rates for tenants that are exercising renewal options, as landlords look to retain tenants given the amount of space available. Vacant shops are even evident along prime locations such as Bong Bong Street in Bowral. However, the divergence between prime and secondary locations appears is still pronounced.

Central, North and West NSW

Sales activity is restrained in the retail market as a result of limited supply. Most occupants are long standing and quality retail property is rarely offered for sale. When opportunities arise there is strong interest. Evidence of some transactions over the past six months is provided below. These properties all sold as a result of public auctions.

1. 211 Summer Street, Orange sold on a 6.8% yield for $2,220,000. Sale subject to a new 8+6+6 year lease to "Kathmandu" with fixed 4% increases.
2. 66 Lynch Street, Young sold on a 7.9% yield for $600,000. Sale subject to a 5+5 year lease commenced in 2010.
3. 115 Kendall Street, Cowra sold on a 7.9% yield for $800,000. Sale subject to 5+5 year lease commenced in 2010.
4. 86 William Street, Bathurst sold on a 6.9% yield for $2,125,000. Sale subject to a 10+5 year lease commenced in 2009 together with a residential tenancy and rental guarantee for a small office area.

The yields are relatively strong and reflect the strong lease covenants to national organisations. Market evidence indicates similar properties with weaker lease covenants would sell around 100 basis points cheaper.

Newcastle

The Newcastle retail market is in a state of flux at the moment. The volume of sales activity is down due to limited buyer activity. However there is also less stock on the market than three months ago. It appears the seven remaining GPT owned properties in and around the Hunter Street Mall are no longer on the open market. Whether the vendor is waiting out the tough market or is having second thoughts about taking on some form of downsized development in the inner city we can only speculate. Although this Valuer suspects the former to be true.

....sales activity is restrained in the retail market as a result of limited supply....

The decentralisation of retail away from the inner city has been a feature of the makeup of Newcastle for thirty years or more, with every major outlet located at least ten minutes drive from the Harbour. I can't think of another major centre in eastern Australia that doesn't have some form of major shopping centre within, or adjoining the CBD. In the current economic environment, with retail rents and turnover figures decreasing across the country, there doesn't appear to be a developer in the financial position, or a lender with the risk aptitude to take on such an exercise.

The thing that GPT does possess in those un-developed retail sites in Hunter Street is control. The company has the control over who may purchase the sites. If a direct competitor were to show interest in an off market transaction, would GPT allow them the opportunity to build a new shopping centre and be in direct competition to Charlestown Square? Sadly we might be in for a long wait for an inner city retail facelift.

NSW Far North Coast

The current market place for obtaining good quality commercial space within the localities of Lismore, Ballina and Byron Bay is relatively small. There is very limited supply and modest levels of demand. There is a greater supply of older style, single level, walk-up space which tends to be relatively small space occupied by older established business.

Superior, larger commercial space is traditionally dominated by Government and semi-Government entities.

Over the past four years, rents have tended to be steady, generally reflecting movements in CPI due to terms of leases. Market reviews have also tended to follow CPI movements.

....to achieve an increase in supply of office space to meet Government NABERS requirements, additional buildings would need to be built or extensive refurbishments of existing stock would be required....

Government leases for quality commercial space in Lismore and Ballina generally range from $230 to $300 per square metre.

The Building Code of Australia and the recent NABERS (National Australian Built Environment Rating System) appear to be the main drivers of change in the market. Currently, Government tenants are requiring a minimum NABERS rating of 3 1⁄2 and a preference of 4 1⁄2 stars. Government entities may have difficulty in finding space to meet these requirements due to limited supply.

To achieve an increase in supply of office space to meet Government NABERS requirements, additional buildings would need to be built or extensive refurbishments of existing stock would be required. To make these economically feasible, rents need to be significantly higher then current market to create a return which could justify any significant investment. A long term lease would also be essential.

Given current rental levels and the present current economic condition, we would expect the existing stock to remain static. In fact with current weak economic conditions, we are more likely to see a fall in demand which could result in further increases in letting up periods and downward pressure on rents over the next 12 months.

Southern NSW and Northern Victoria

WAGGA

The retail market in Wagga Wagga is currently weak and looks to remain that way throughout the remainer of 2012. In the past 12 months vacancies have increased while demand has decreased. Rental rates have in some cases remained static but as a general rule are expected to decline in 2012 as vacant shops will have to decrease the asking rents and increase incentives to entice tenants. Low yields are still able to be achieved when properties have long leases to national tenants, however yields and lease up periods have increased for vacant and secondary retail shops.

The retail market is thinly traded and only limited sales are expected through 2012. With the tough local economy and the general nervousness over the global economy, it is not expected that the retail market will improve in 2012. So far this year a number of retailers have closed in Wagga Wagga, which in turn will also flow into the retail property market through vacancies and uncertainty regarding a local tenants covenant.

Melbourne

The Melbourne retail property market has provided mixed messages in recent times, with certain retail sub markets performing significantly better than others. Despite recent uncertainty surrounding the economic situation in Europe, limited sales activity within the higher price brackets and pressure on retail trading, Victorian retail has proved resilient when compared with other Australian states. Factors contributing to this strength include low unemployment levels and higher density residential development within activity centres, inner Melbourne and the CBD, which is met by the rising population. These circumstances create a positive environment to drive retailer demand.

Retail trade levels however, are currently under some pressure. This is mostly created by conservatism in many households and overall subdued consumer sentiment resulting in limited spending (and increased savings). This situation has the potential to lead to a reduction in retail rent levels, as retailers may find it tough to fulfil their rental obligations when faced with diminishing trade. Overall, this shift in consumer spending patterns has made it difficult for the retailers located within less frequented and less exposed retail locations. Furthermore, consumers retail spending is sensitive to fluctuations in interest rates. Interest rates remained unchanged at 4.25% in March 2012 and in the current climate, we do not anticipate any increases in the short term.

The current strength of the Australian dollar is also considered to have an impact on retail trade levels within Melbourne. As an example, it can potentially cause a reduction in international students migrating to Melbourne due to Australian education being less affordable and has the tendency to persuade Australian tourists offshore, thus focusing spending overseas.

Australians, in recent times appear to have warmed to the convenience associated with online retailing, which has been another blow to certain retailers, particularly within the fashion category. Retailers will need to adjust their business plans to offer a point of difference and remain competitive when faced with the challenges of the retail environment.

A snapshot of market parameters can be seen below:

Indicative Retail Market Parameters

CBD Retail	Net Rental ($/m²)	Market Yield (%)	Capital Value ($/m²)
Bourke Street Mall	$5,000 - $8,000	N/A	N/A
Swanston Street Walk	$3,000 - $6,000	4.00% - 6.00%	$20,000 +
Other CBD	$400 - $2,500	4.50% - 6.50%	$4,500 - $20,000
Strip Retail	**Net Rental ($/m²)**	**Market Yield (%)**	**Capital Value ($/m²)**
Chapel Street, South Yarra	$1,000 - $1,600	4.00% - 6.00%	$11,000 - $30,000 +
Church Street, Brighton	$400 - $700	4.25% - 6.00%	$6,000 - $17,000
Glenferrie Road, Hawthorn	$500 - $800	4.75% - 6.75%	$6,000 - $15,000
Burke Road, Camberwell	$800 - $1,300	4.25% - 6.00%	$10,000 - $20,000 +
Puckle Street, Moonee Ponds	$400 - $700	4.50% - 6.50%	$5,000 - $15,000
Bridge Road, Richmond	$300 - $700	5.00% - 6.75%	$4,000 - $14,000

Strip Retail

Melbourne is known as being the strip shop retail capital of Australia with each prominent strip encompassing a unique nature and theme. This has been helpful in maintaining the retailing experience of the consumer which has contributed to market strength factors of low vacancy and low yields. Strips with a good tenancy mix anchored by national tenants have performed strongly and have been tightly held with limited sales activity. The retail strips of the inner eastern suburbs of Prahran, South Yarra and Armadale (Hawksburn Village, High Street and Chapel Street) in particular have reported promising transactional activity as well as recent lettings not indicating any deceleration in rental growth. This has perhaps been fuelled by a substantial amount of high density residential development occurring around particular railway stations (South Yarra, Prahran and Windsor).

Conversely, local retailers in less exposed and less frequented locations are struggling, particularly in the fashion category. Once a well regarded fashion strip, Bridge Road, Richmond has witnessed falling rental levels and increasing vacancy. The strip has traditionally been known for its discount stores and now has to compete with the likes of the Direct Factory Outlets and other large scale suburban shopping centres.

CBD Retail

The Melbourne CBD retail market has been characterised of late by record low vacancy rates with industry sources revealing the lowest vacancy in 20 years. This has perhaps been driven by population growth and a substantial amount of residential development, particularly in the northern CBD in the university precinct. Super prime rental levels (i.e. Bourke Street Mall) now sit in the order of $5,000 per square metre to $8,000 per square metre and the location isn't showing any signs of slowing with Zara, Steve Madden and Swarovski entering into new lease agreements. Rental levels within prime retail strips (i.e. Swanston Street) have risen a reported 5.1%, while secondary CBD retail rentals have risen a reported 8.1%.

....the market is characterised by a lack of supply which has driven demand for retail space in the CBD....

The CBD benefits from a large amount of daily visitors and hence most retail tenancies have high exposure to passing foot traffic. Food retailers have taken over fashion in the CBD tenancy mix (as the food category is less exposed to changes in discretionary spending sentiment). Positives for food associated tenancies are proximity to university precincts and well frequented locations with good tenancy mix, and near railway stations. Agents have reported that fashion retailers are negotiating surrender of leases in order to relocate to superior locations and smaller tenancies in order to reduce occupancy costs. Small, well exposed retail tenancy areas are in high demand.

The market is characterised by a lack of supply which has driven demand for retail space in the CBD. There is minimal new / expanded retail development expected in 2012 with the only substantial retail development being "the corner" at Melbourne Central which is now complete. "The corner" is located on the second level of Melbourne Central and is home to a mix of international and local fashion retailers. Despite this development, new supply of retail space remains constrained and is expected to remain this way in the short term. Due for completion in 2014 however, is the redevelopment of the Myer Lonsdale Department Store which will provide a further 200 new retail outlets and 42,250 square metres of retail space.

Outlook Overall

The Melbourne retail market is considered to be two-speed and is expected, overall, to remain relatively soft over the short term as retailers develop new strategies to attract consumers in 2012. With the exception of the well performing precincts as discussed, rental growth is expected to be somewhat limited which could, in turn lead to a softening in capital values. Retail turnover is not expected to pick up dramatically and is anticipated to follow a similar trend to 2011. Retail locations with a varied tenancy mix are expected to be the most resilient retail destinations into 2012.

Herron Todd White
Independent Property Advisors

Regional Victoria

MURRAY RIVERINA

Locally the retail set has been difficult. A new gym has however leased some retail space in Annesley Street which had been vacant since Bendigo Bank vacated some months ago after a temporary tenancy during the renovation of their main premises. The general market is under some pressure but A grade commercial space within the township is generally well performed. The great unknown is the sale of the old IGA site by the Campaspe Shire and any redevelopment that takes place along with the New Nish Street Medical Centre which is nearing completion. Development sites are generally under pressure with few prepared to take on risky proposals in todays marketplace.

MILDURA

It appears that there is still a good appetite for supermarkets, with recent planning approval for a new Coles and a new independently owned IGA supermarket in the Mildura region. Woolworths are also understood to be planning to expand and modernise one of their two existing Mildura supermarkets, finally redeveloping an adjoining vacant site which has been an eyesore for many years.

Both Coles and Woolies have also recently completed additional stand alone liquor outlets.

While the Coles' developments have been established by private developers, recent Woolworths developments have been internally funded, and we will be interested to see if Woolworths decide to eventually sell their new Dan Murphy and Big W outlets.

At the other end of the spectrum, the smaller, traditional retail outlets in Mildura's central business district appear to be feeling the pinch. There are ten vacant shops in the recently revamped Langtree Mall. Sales activity has been virtually non existent within the mall in recent times.

Meanwhile, Mildura's café and restaurant scene remains active, and we continue to see new cafes spring up. While internet shopping may be eroding the sales for many traditional retailers, consumers still seem willing to enjoy dining out experiences.

Adelaide

The Adelaide retail sector continues to face difficult times. Fashion, dining and recreation retail trade figures in particular have fallen noticeably over the past 12 months, however discretionary spending in general has been tight. Unfortunately with the current state of affairs in Adelaide it appears as though the situation will remain this way for a while to come. Currently the biggest impact upon discretionary spending is the ever rising cost of living. Adelaide has the most expensive electricity in the country, water rates have increased sharply and a recent interest rates rise by the banks, amongst other increasing living costs, means the amount of money leftover is in the kitty is decreasing.

Consumers are becoming tighter with their purse strings and more selective about how they spend their money. On-line shopping is becoming more popular, especially when, in many cases, the same product can be purchased from overseas at a significant saving compared to purchasing the product locally. The strength of the Australian dollar also helps. Adelaide consumers are also turning to the internet to access better retail markets and more choice as when it comes to Adelaide, in comparison to the eastern states, the variety and brands available are very limited.

In line with a very subdued retail sector, sales and leasing activity has been very slow. However the premium retail strips of Rundle Mall and Rundle Street have still performed adequately with limited vacancies and stable rents.

....there is still a good appetite for supermarkets, with recent planning approval for a new Coles and a new independently owned IGA supermarket in the Mildura region....

There has been an increase in vacancies along King William Road and The Parade. With current conditions it is predicted that there will be increases in vacancies in shopping precincts in general and that this may put downwards pressure on rental rates during 2012.

Unfortunately the introduction of the carbon tax in the middle of the year probably comes at a very bad time for the already struggling sector.

Brisbane

The first quarter of 2012 has seen a continuation of the muted investment activity from 2011 in the Brisbane retail property market. This is due in part, to the ongoing uncertainty of finance markets, depressed consumer confidence and the Queensland State Election which was held on 24 March.

Transactions that are occurring in the Brisbane retail property market are reflecting a range of yields dependant on the price point and profile of the particular property. The sub-$5 million market has remained in strong favour with private investors with yields remaining relatively firm and ranging between 7.5% and 8.5%. Retail centres with a higher price point over $5 million are generally achieving softer yields of between 8% and 9% due to the current difficulties associated with obtaining finance for assets at this price point.

Typically, centres selling on firmer yields will provide opportunity for rental reversion, redevelopment or refurbishment, whereas centres selling on softer yields are generally reflective of their vacancy levels, lease profile, rental arrears status or poor tenancy mix.

Gold Coast and Tweed Coast

Steady as she goes.

This seems to be the general direction for the Gold Coast retail market over the course of 2012.

The last half of 2011 played witness to an increased volume of retail sales ranging from small strata title holdings through to larger neighbourhood shopping centres. Four years on from the GFC, most owners have come to the realisation that the market has taken a turn for the worse and is unlikely to improve in the short term. Similarly, prudent investors have recognised this opportunity to secure properties at investment yields that were previously unattainable in the retail market.

....expect the current sales volumes to remain steady over the course of 2012 as more properties are being taken (or are forced to be taken) to the market....

Outlined below is a selection of retail sales which outlines some of the market activity that has occurred in recent times:

- Executive Drive, Burleigh Waters - 62 square metre strata unit sold for $240,000 reflecting an initial yield of 8.2%.
- Broadwater Avenue, Hope Island – 75 square metre strata unit leased to Subway which sold for $504,000 reflecting an initial yield of 7.54%.
- Victoria Avenue, Broadbeach – 159 square metre unit leased to Bank of Queensland which sold for $1,000,000 showing an initial return of 10.21%.
- 15 Cavill Avenue, Surfers Paradise – 49 square metre strata unit leased to Ray White Project Marketing sold for $2,360,000 which reflects a record floor area rate of $59,000 per square metre and an initial yield of 6.3%.
- Nerang Mall – 8,692 square metre centre anchored by a Woolworths supermarket reportedly sold for $23,400,000 in early 2012 reflecting an initial yield of around 10.5%.
- Hope Island Shopping Centre – 5,509 square metre centre anchored by a Coles supermarket reportedly sold for $25,400,000 in early 2012 reflecting an initial yield of around 8.6%.

It can be seen from the above that yield levels will vary significantly and are strongly influenced by the market's perception of rent sustainability and vacancy risk; both of these factors are closely related to the key driver of location, location, location.

We expect the current sales volumes to remain steady over the course of 2012 as more properties are being taken (or are forced to be taken) to the market. At this early stage in the year there is a broad range of retail investment opportunities on the market; these include but are not limited to:

- 45 Cavill Avenue – 3 level CBD building including a two level tourist shop and upper level offices.
- Broadwater Avenue, Hope Island – mixed use development including a 7-Eleven service station and McDonalds restaurant.
- Bronberg Plaza, Slatyer Avenue, Benowa – 15 tenancy neighbourhood shopping complex anchored by IGA and a 7-Eleven service station.
- Angel Place, Tedder Avenue, Main Beach – 10 retail shops located within the heart of the Main Beach retail and dining precinct.
- Gallery Vie, Varsity Paradise Varsity Lakes – 17 strata titled retail units comprising a mix of vacant and leased investment opportunities.
- Southport Central Retail – A variety of leased and vacant retail shops located within the heart of the Southport CBD.
- Miami One Shopping Centre – 26 tenancy neighbourhood shopping centre anchored by a Coles supermarket, having a passing net income of circa $1.75 million.
- Reflections at Coolangatta Tower Two – 7 strata titled retail units (5 leased, 2 vacant) currently available individually or in one line; expressions of interest have recently closed for other retail 19 units in this building however the results of the campaign are unknown at this stage.

The above properties alone represent a gross realisation of up to $60 million, representing significant investment opportunities to a range of buyer profiles from owner occupiers and small self-managed superannuation funds, through to high wealth individuals and investment consortiums.

We caution however, that 2012 will not come without its challenges. Tenant retention is likely to be a continuing issue going forward and owners should be willing to accept reduced rental levels if existing lease agreements were struck four or five years ago.

Sunshine Coast

The retail market on the Sunshine Coast had a very bumpy ride during 2011. Our retail market has primarily centred on the main tourist retail strips of Noosa and Mooloolaba and with the drop in tourist numbers, these traditionally strong retail areas were negatively affected. We saw significant vacancy, tenant changeovers and drop in rental levels in these areas over the past 12 months.

An outlook for the year ahead is likely to see a greater emphasis on local centres with these fairing far better over the past 12 months. Overall tenant turnover and downward pressure on rental levels has been lower in these types of centres and locations that cater to the local population base for services rather than tourist retail trade.

The significant infrastructure surrounding the new hospital at Kawana will also offer retail opportunities with Stockland looking to begin marketing sites within their designated town centre shortly. These areas will help service not just the hospital but also the local Kawana Island and Birtinya communities that have grown substantially over the past five years.

The Coolum market is an interesting case study with a mix of tourist dominated retail strip along the esplanade and two significant shopping centres in separate areas. A Woolworths anchored centre in a fringe location, surrounded by existing and potential growth residential areas, has been marketed for approximately six months with many potential buyers indicating concern surrounding the specialty tenants and their rental levels.

Coles have recently completed their new supermarket and refurbishment of the existing centre in Birtwill Street, which is the traditional local centre for the township. This area is undergoing further regeneration with a small service station being completely rebuilt and the local Hotel also submitting plans to Council for a redevelopment of their site adjoining the Coles centre. Vacancy in this area of the town is lower and rental levels have generally been maintained over the past two years.

The tourist retail area along the esplanade is generally considered to be slow with a number of vacancies in place for over six months. A number of stratas in this location have also been placed on the market over the past few months. The end result will be interesting, with yields from three years ago around 7%, however these are more likely to be in the 8% upwards range now.

Southern Queensland

TOOWOOMBA

The Toowoomba retail sector appears to be relatively active with a couple of recent sales reported and a number of new developments planned.

The first sale of note was the Red Edge shopping centre which sold for $7.5 million at an analysed net yield of 7.9%. The second sale was part of the Harvey Norman Centre in Kearneys Spring for $6.4 million. This property was leased to Amart All Sports and Sam's Warehouse and reflected a net yield of 9.4%.

Retail development currently under construction includes a new Coles supermarket at the Wilsonton Shopping Centre, a Masters Hardware in Kearneys Spring, a new takeaway food precinct at Highfields Shopping Centre and the Super Rooster Centre in North Toowoomba.

...the Toowoomba retail sector appears to be relatively active with a couple of recent sales reported and a number of new developments planned....

Development approval has also recently been granted for a new neighbourhood shopping centre in Drayton and the construction of a Dan Murphy's liquor store at the Wilsonton Hotel. We also note recent development Applications lodged for the Northpoint neighbourhood shopping centre in North Toowoomba and for QIC's proposed redevelopment of Grand Central and Gardentown in Toowoomba's CBD.

Central Queensland

HERVEY BAY

The volatile tourism industry and high Australian dollar are still having a considerable impact on our local retail market. The success of a recent push from other tourist locations such as Rainbow Beach and Airlie Beach to attract the tourist dollar will be critical to the future growth prospects for retail in this region.

There has been limited sales activity over the past 12 months to gauge market acceptance for yield rates. Anecdotally evidence indicates premises with nationally branded tenants are attracting premiums of up to 1.5% yield compared to locally tenanted investment property.

Hervey Bay is eagerly anticipating the commencement of Stage 2 of the Stockland Shopping Centre (previously Centro). Stockland have indicated that they expect to begin work on the second stage by July 2012 at a cost of $130 million dollars. On completion, the centre will occupy about 35,000 square metres and will be reportedly the biggest shopping centre for 500 kilometres from Maroochydore to Rockhampton. The Group have signalled their intentions to start the development on track by paying the infrastructure charges of $1.8 million in June 2011. This project, along with the announcement to construct a new 96 bed private hospital, has lifted confidence and has recently seen an increased level of enquiry from national food chains looking to establish themselves in the town along with providing a much needed boost to the regions construction industry.

....anecdotally evidence indicates premises with nationally branded tenants are attracting premiums of up to 1.5% yield compared to locally tenanted investment property....

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

Cairns

The Cairns retail market has progressively faded since the start of 2008 as a result of the local economic downturn leading to reductions in consumer and tourism spending. As we now perceive the Cairns retail market to be at or near the bottom of the cycle, the slow state of the economic recovery in Cairns means that the retail property market has remained flat during 2011. It must be also said that retail property sales in Cairns are extremely sporadic, with most sales involving retail property being of mixed use retail / office buildings or tenant buyouts of single premises.

Recent months have seen an increase in vacancy levels in the retail sector resulting from a number of business closures attributed to the tough economic environment. However the increase has only been a relatively mild increment to the high levels of long term vacancies in some areas that pre-dated the downturn. High exposure CBD space remains well occupied, with vacancies most noticeable in the lesser exposure locations and/or on the CBD fringe. Rents have generally been static, showing ranges of $600 to $1,000 per square metre per annum for prime CBD space, and $1,000 to $2,500 per square metre per annum in key tourist precincts such as the Cairns Esplanade.

Plans have been announced construct a new $85 million shopping centre in the Cairns CBD, anchored by Woolworths. The 27,000 square metre Central Park Market development will be built in Spence Street, opposite the existing Cairns Central Shopping Centre. The new centre will add to two other retail developments also underway, these being a $50 million extension to the Mt Sheridan Plaza shopping centre, and a $20 million Woolworths Masters Hardware centre in Portsmith.

Townsville

Over the past few months, we have seen a flurry of retail/commercial sales that have been absent from our market over the past few years, however, this being said, our retail market is still at the bottom of the market cycle.

One of the most recent sales was the announcement that Stockland has purchased Centro Townsville for a reported $36.5 million. Centro Townsville is located diagonally opposite the Stockland Shopping Centre in Aitkenvale, which is currently undergoing a $180 million expansion to provide for the arrival of Myer to Townsville. Centro Townsville is a sub-regional shopping centre anchored by Kmart and Coles with Commonwealth Bank and 25 other specialty stores. Selling agents reported that they fielded over 100 buyer enquires for the property.

On a smaller scale, the Wulguru Convenience Centre sold in November 2011 for $2.1 million. This centre comprised nine individual tenancies offering a good mix including a newsagency, butcher, pharmacy, post office, etc. This centre is located on the south western entrance to Townsville linking with the Flinders Highway, which is the vehicular access route to western Queensland.

We have also seen the 1.6 hectare amalgamated CBD site, that was acquired in 2007 for a proposed $200 million retail plaza, begin selling off. The proposed joint venture project fell into receivership last year with the site being offered to the market 'in one line' or 'individually'. Several individual properties from this amalgamation have since sold including the 5,000 square metre Dimmeys site, which reportedly sold to a Melbourne interest for $3.5 million and two properties with a total of 4,000 square metres, sold to owners of the adjoining Plaza Hotel for a proposed car park for hotel guests. These properties sold for a fraction of the prices paid during the acquisition period.

In Palmer Street, arguably Townsville's premier restaurant strips, we have seen the recent sale of two strata titled retail/commercial spaces within ground levels of multi residential developments. One of these included the ground level of Gateway on Palmer, which sold for $1.03 million with part of this space to be used for a new steakhouse franchise Ribs and Rump.

Over the past few years sales of retail/commercial property have been few and far between, with a revival in sale volumes picking up over the past few months. It would appear that vendors are starting to meet purchaser expectations with properties that have been on the market for a while starting to transact at prices below original vendor expectations. The year ahead is likely to remain rocky, with sale volumes coming off a very low base.

Darwin

This month we have been asked to look at Darwin's retail sector in terms of what is looking good and what isn't, and what major projects there are on the horizon.

The Territory's retail volatility is a bit like a puppy's running around its owner. It is graphically highlighted below:

Source: Territory Economic Review (TER) March 2012

That makes planning difficult, and also makes discerning what is good and what isn't difficult as well. These difficulties are compounded by events interstate. For example, the Wow! outlet here was trading well, but has been placed into receivership by events interstate. On the other hand, another prominent bulky goods outlet has closed elsewhere in Darwin for reasons which we understand to be unrelated to anything interstate. When combined with the strength of the Australian dollar, the increasing geographical boundlessness of retailing via international multichannel retailing further compounds that difficulty.

The TER also points out that reading material and food retail spending went up by over 20 percent, and pharmaceuticals, cosmetics and toiletries went down by a similar percentage. I guess that means that your typical Darwinian these days will be found reading a book in a restaurant, looking and smelling quite unusually unappealing. So much for statistics, then.

The major projects on the horizon are clearer than such statistical extrapolations. A major event is about to take place on Darwin's retailing geography; the Coolalinga Mall is about to begin construction, with completion slated for late 2013. The retail part of the development is to provide a gross lettable area retail of around 20-30,000 square metres on the 10 hectare site. It is premature to say who they are, but there are to be two majors, and negotiations are at various stages for about six mini majors, and about 75-80 other specialty tenants. So the total area of the centre still depends upon pre-commitments. While we cannot say who the majors are, we can say that Myer is not one of them. We understand that if Myer does come to Darwin, it will be to Darwin's retailing Fort Knox, Casuarina Square.

....the impact upon retail values will vary; there are too many sectors to generalise across them, except to say that there could soon be more major winners than losers....

Other retailing forces are circling more around Darwin's peri-urban areas rather than Casuarina or the CBD. The impending arrival of the Inpex Workers Camp at Howard Springs could have an effect for its short term, and perhaps longer if it is afterwards required for other such projects. For the longer term, the arrival of US Marines combined with the build-up of our own military here could also impact upon the Robertson Barracks to Berrimah area's retailing strengths. We have heard that Woolworths had been looking in that same general location regards its hardware initiative, as well as closer to Palmerston. So it is in that general area – Berrimah to Coolalinga – where some major chess pieces are being quietly moved around.

In the period to 2015-16, the NT Government anticipates that the demand for workers is to increase by 25,500 people (only 5,500 of which relate to Inpex). That is about a 25% rise in the Territory's workforce in four years! They will need to be housed, and they will need to be serviced by retail outlets. Largely because of GFC engendered financial constraints, many plans that were on the drawing board that could have addressed that demand were shelved. Consequently, apart from The Avenues development and Coolalinga Mall, there is not a lot happening that could meet such a demand.

The impact upon retail values of all of the above will vary; there are too many sectors to generalise across them, except to say that there could soon be more major winners than losers, in contrast to the recent sad end of some retailers here.

Herron Todd White
Independent Property Advisors

Perth

The retail industry as a whole softened during 2011 and early economic indicators point towards another year of further consolidation. Western Australia's much trumpeted resource sector boom has so far failed to flow through towards the tills.

Despite the difficult retail trading environment, rents within the Perth CBD appear to have held relatively stable, attributed to a lack of new retail space and a growing population who turn to the city to live, work and play. The lack of supply will however change over the course of the year as a number of major projects such as Equus, City Square and Raine Square come online. Furthermore, the strength of the retail property market within the Perth CBD is likely to be further challenged as deregulation of Sunday trading for suburban retail is expected as early as the end of this year.

The enactment of Sunday trading is likely to be a major boost to the suburban retail sector. The effects on rent however is unclear as many retailers, particularly in the discretionary purchases sector, continue to struggle. Rents within smaller suburban shopping centres have now stagnated and in some cases decreased. This is particularly apparent in the Rockingham and Peel region as retail property manager's report increasing rates of rents in arrears particularly in smaller strip shops as the local economy deteriorates in line with falling home values.

On the other hand, rents in large suburban shopping centres appears to be on the rise with some agents reporting an increase of up to 30%. These rent increases are generally calculated based on turnover, which essentially exposes the conundrum facing retailers as price conscious consumers force down margins and new labour laws increase the cost of trading. As such, the long term viability of excessive rental increases will have to be questioned at the risk of further eliminating participants from the industry.

Looking ahead, further challenges can be expected as consumers continue to reassess their financial positions in light of prolonged uncertainty within the local and global economy. However the real test for the industry will be its resolve to counter the emerging threat of a higher Australian dollar and growing popularity of online.

South Western WA

Looking ahead at the retail property market for the year 2012 in the South West region of Western Australia, it is expected we will see a continued period of subdued activity.

During 2011 and 2012 to date there has been very few sales occurring. Most retail properties are tightly held and the limited supply has helped to balance the weak demand.

For the most part, business performances in the small retail sector have been poor. As a consequence, rental rates and demand for retail space has fallen while vacancy rates have increased. This relates to both the Cape region which relies heavily on tourism and the Bunbury region which is more influenced by mining and port activities.

There has been very little recent retail development across the Cape region and the outlook is for a continued subdued market, reflecting low levels of demand and supply, and general uncertainty brought on by the prolonged instability of the international financial markets.

....looking ahead, further challenges can be expected as consumers continue to reassess their financial positions in light of prolonged uncertainty within the local and global economy....

Generally the Bunbury retail industry had held up better than the Cape region industry post GFC through 2008 to 2010 with a history of quite low vacancy rates. However the continued weak consumer sentiment has now taken its toll on the Bunbury industry with a higher number of vacancies and premises currently for lease. This is occurring particularly in the CBD where debate continues over the effect of recently installed paid parking, but also for bulky goods type outlets in the mixed business precincts. The outlook is for a declining market.

Residential Overview

The residential property market has been operating in an unusual environment over the past few years. It has been pulled by a myriad of influences and, as a result, sectors within sectors are performing at differing speeds. Add to that, our broad national landscape and you start to see why one size doesn't fit all when it comes to how real estate throughout the country functions.

This month, we have taken on the remarkable exercise of identifying exactly where markers telegraph market movements throughout the regions. This month's issue is a real inside look for any non-local operator on what to watch when you're thinking about investing in any area's real estate.

Sydney

Sydney Inner Ring

Capital values in the Inner Ring generally reflect a 'Stone in the pond. Generally price movements ripple from the CBD and inner city out to the western suburbs. Affordable gentrified suburbs with good proximity to the city, transport/amenities and infrastructure are the first to feel the market revival. Most recently we have seen established properties in Redfern, Surry Hills, Newtown and Erskineville benefit from this trend.

Different sectors telegraph a market revival in our areas. Investors within $500,000 to$1 million, looking for strong rental returns with close proximity to the city as well as First home buyers (units) and up graders (house/ terraces), entry level dwellings ($700,000 - $800,000) as well as units ($350,000 +) are the first price points to start moving forward.

Affordable well located units in most of the areas we cover are being looked upon as favourable due to the increasing rental returns. Traditional/period homes of good quality are also extremely popular within the inner suburbs. When the market softens, generally high end properties in our area, such as the eastern suburbs,feel the downturn.

Abbotsburry

South West

Market movement in the south western suburbs are usually driven by the older style unit developments with single and double bedroom units selling very fast. Due to the lack of water and city views, the suburbs to first achieve a revival are the ones with la arge shopping centre or small CBD locations such as Parramatta or Bankstown. Regional shopping centres, train stations and consistent job opportunities continue to keep these areas in demand even in quieter market conditions.

Parramatta is seen by locals as the City of the West. Parramatta continues to rise in value, despite small dips in prices when the market takes a turn for the worse, it has dramatically risen over the last five to eight years.

Investors and first home owners are a good indication of market revival out in the south western suburbs. There are still good purchases under $300,000 in Fairfield and Liverpool which tend to sell quite quickly.

Currently the higher end of the market ($650,000 upward) has slowed. These properties are popular when the market is booming, when potential purchasers sell their own properties at a higher price, compared to what they had purchased for, and are looking to upgrade.

The suburb of Abbotsbury is a good example of this. In 2010, there were quite a few architecturally designed homes that had sold above $800,000. According to local agents, this was triggered by a 'hot' market, where long time owners decided it was a great market to sell and upgrade their properties. Today's market has seen somewhat of a sharp decline with fewer properties selling over $800,000. Despite one or two unique properties that do sell, prospective purchasers are scarce in this price range, possibly scared off by potential interest rate increases, loss of jobs, etc.

Canberra

The Canberra residential property market has remained steady since the GFC back in 2008. HTW research supports this trend with the median prices for houses ($505,000) and units ($416,000) as at the December quarter 2011 and houses ($500,000) and units ($399,000) for the same quarter 12 months earlier. These statistics show a stable residential market over the 12 month period. Currently there is a high supply of properties for sale, with buyers having more choice. However there is still activity occurring in all sections from the entry level first home buyer, investor, family trading up to the high net worth prestige property purchaser.

The residential market in Canberra can be described as a 'stone in the pond' style model, radiating from the inner suburbs close to the CBD to the outer lying suburbs, and then onto the surrounding regional areas. This can be attributed to the public service workforce and private sector professionals requiring accommodation in close proximity to employment centres and the CBD. This demand drives the local market and generally radiates out. Families looking for more affordable property in close proximity to services drive the markets in the outer lying suburbs. Rural residential areas nearby, such as Bungendore, Yass and Goulburn tend to follow the trends occurring in the local Canberra market.

....the residential market in Canberra can be described as a 'stone in the pond' style model, radiating from the inner suburbs close to the CBD to the outer lying suburbs....

Government policy and future elections have a major impact on market movement, and investor interest also provides a good indication of how the property market is travelling. There is generally more volatility or market change in the entry level first home buyer bracket and the top end prestige market while middle range property tends to remain stable.

Opportunities will exist in 2012 across most regions of Canberra for people looking to enter or re-enter the ACT property market. Investors should look for properties close to amenities while owner-occupiers looking for affordable options can choose from established outer suburbs or new developing suburbs in Canberra's north.

Wollongong

Located 90km south of Sydney, Wollongong experiemces the effects of the Sydney market, albeit slightly delayed. The only tip we have for in the Illawarra, or those who are trying to predict the future, is observe the Sydney Market, and you can be sure that Wollongong will follow. The Illawarra market plays follow the leader, and Sydney is the leader. The market trends occurring throughout Sydney, will be followed by the Illawarra is about six to 12 months later. This isn't to say that the Illawarra doesn't have its own indicators, it's just that the proximity of Sydney and its commutable distance is a telling factor.

Local indicators such as unemployment rates, infrastructure projects and the regional economy all drive the Illawarra market. Generally in the Illawarra we see that in a rising market there is an initial movement in the low priced suburbs - the fibro belt. When there is a sustained increase in prices for the lowest priced commodity there is a push along to the middle and eventually the higher price brackets.

Going the other way - when times get tough, the upper end is the first to notice the market trend down. This eventually filters down to the lower end but takes some time as people will shift their buying preferences down to the next level if the upper end vendors hold on to higher price expectations and remove their properties from the market.

Older units in Wollongong and North Wollongong are a good market indicator as there is plenty of stock and it is well located in the CBD and near the beach and university. In the upper end bracket we generally see the far northern suburbs close to Sydney and Kiama in the south start to feel the pinch first.

Market revival can be shown by investors re-entering the market accompanied by government grants to assist first home buyers. For example, towards the end of 2011 we saw a flurry of activity in the $300,000 to 450,000 range as the NSW First Home Owners Grant drew to a close on December 31. Competition among buyers was hot and houses sold quickly in this price range. The market in the area is driven by a mix of owner-occupiers and investors. With a diverse range of market sectors the value range within the region is similarly divided.

One of the more affordable suburbs in the area is Cringila where the buy-in price is approximately $200,000. This buys an older style dwelling on a standard size block of land (500 to 700 square metres).

The higher end of the market place is primarily based on the northern suburbs of the region (e.g. Thirroul, Austinmer, Coledale, Scarborough) where the $1.5 million to $2 million range buys a substantial property with direct ocean views and generally represents the top of the market.

This diverse range of property values allows for a wide range of demographics and socioeconomic groups that have varying earning capacities.

The higher echelon of the market place in the Illawarra region is dominated by dual income families, many of which have one or both parents working in Sydney and commuting on a daily basis. This group of property owners is less affected by interest rate rises and the escalating costs of living. Within the market place, we are seeing very few mortgagee in possession sales at the higher end of the value range.

Although there has been limited capital growth at the higher end there seems to be few distressed vendors at this level. Most property owners in this market sector have been able to hold onto their properties until the market place recovers from the low phase of the cycle and once again sees some capital growth.

With interest rates currently remaining stable, the investor driven market in the Illawarra area is still fairly steady, with rental returns remaining strong.

Southern Highlands

The Southern Highlands is approximately one and a half hours drive south-west of Sydney. This market generally follows the fortunes of the Sydney market in a delayed ripple affect. The prestige market is also affected by the Sydney prestige market.

In a downturn, we generally see the upper end of the local market weaken first, then the downturn filters down through the middle and lower sections of the market. A general indicator is lengthening selling periods and lower volumes across all price brackets. In an upturn, the opposite is evident, shortening selling periods and high volumes.

Another good sign is investors being more active in the property market. With rental levels on the rise and low vacancies, more investor activity is apparent. In terms of property specific indicators of a good market, generally modern/renovated properties in good locations, close to shops and town centres will always attract good interest from prospective purchasers. However if there is limited interest, this is a good sign of a faltering market.

Southern Tablelands – Goulburn Area

Goulburn has enjoyed good capital and rental growth in the last few years. The main driving factor here is the realisation in the market that Canberra is within one hours drive. Canberra is a major regional market with at least 50% of the workforce in public sector employment.

People working in Canberra are relocating to Goulburn and commuting to work each day. The low unemployment and strong rental market is also attracting the Sydney investor. Additionally the water pipeline, sourcing water from the Southern Highlands, has essentially drought-proofed the City of Goulburn. Goulburn is showing signs of a continued upturn.

....the top end of the market is fragile and if a downturn in the local or national economy occurs these properties can see large divergences in value from previous sales taken in better times....

Generally the top end of the market in Goulburn sits under $600,000, with very few transactions at this level. Entry level is $150,000 for an older style semi or a 1960s fibro in the public housing areas. The Goulburn market has sat stagnant for many years, but in the past 12 months, due to the stable local economy and the Canberra influence, we have seen the market move around 15% over most of the sectors.

The top end of the market is fragile and if a downturn in the local or national economy occurs these properties can see large divergences in value from previous sales taken in better times.

Herron Todd White
Independent Property Advisors

Newcastle

Key Economic indicators Newcastle style

How do we know when things are on the slide? Is it the increased number of articles in the local paper from agents saying how strong the market is? Is the increased profile of Gerry Harvey bleating about online retailing? Or is it the discussion moving from how brilliant Wayne Bennett is to how our front row has 'deficiencies?

All key indicators are right there which may point to tougher times in the future.

The first key indicator is the increased chatter from agents 'talking up the market'. This occurred throughout 2011 and there has been a significant falloff in this rhetoric in the early parts of 2012. Some agents, and I can't name them less the Real Estate Agents Association (or whatever they are called) sends a hit squad out to silence them. Picture six athletic looking mountains of pure muscle dressed head to toe in a black suit with a slit for their fierce white pupils to show through, rappelling down the side of a Ray White office, crashing through the sheer glass window and landing with catlike grace in a low crouch with a Rambo styled knife clenched aggressively between a set of perfect chompers. I digress somewhat but the gist is more than one agent has indicated to me on site that things aren't as rosy as it might appear in house selling land, which goes against every natural born instinct of said agent!

The main confession from the agent is that it's much harder to sell a house now than it was 12 or 24 months ago. What could be described as a sellers market as recently as 2010 is now firmly in the buyers market category (not everyone would call it a sellers market back then, but there were instances of properties selling above list price which to my mind is near enough). A number of properties which have sold recently have been on the market for quite some considerable time and the discount from original asking price is immense. A recent valuation conducted by us in Tea Gardens revealed two sales which had sold from around $1.4 million. Superb you say? Both were originally asking over $2 million when we traced back the history on the market.

....one of the requirements of a valuation for lending purposes is to include at least three sales within six months and 10% of our ascribed value....

Many of the stories emanating from agents these days bemoan the lack of interest rate movement downwards. This ties up with our second indicator. I call this the Gerry Indicator. It's a pretty immediate indicator with next to no lag time. When sales of TV's and BluRay players falter, Gerry is quickly on the news imploring and beseeching the Government to do something about it. He castigates the online retail scene and spews force an amazing amount of hostility to online retailers and even throws in the GST as a red herring. We couldn't get a clearer message about the quality of the economy and the likely activity out there in the market place. When people stop spending on Harvey Norman type "essentials" you can almost draw a direct line to the housing market and a reduction in activity there.

We have seen this in the Newcastle / Port Stephens area of the past year or so. Sales numbers have fallen right away with fewer people willing to commit to the large purchase of a house unless their own personal situation is deemed secure. People in the current climate are rightly worried about job security and those that are secure in their jobs are not expecting any significant wage growth in the next 12 months. In almost all suburbs the sales numbers have fallen off. One of the requirements of a valuation for lending purposes is to include at least three sales within six months and 10% of our ascribed value. In almost all suburbs this has been impossible in recent times, which is a hugely telling indicator. When sales numbers fall, the market either follows or remains stagnant for a period of time. We are at that point.

If I can highlight one thing. If you are a cashed up investor looking for an opportunity then they are most defiantly out there. There are numerous stories from purchasers who have given the right cheeky bid at the rate time to the right vendor and picked up a bargain. Some of them are mortgagee in possession properties but many of them are vendors taking things into their own hands before the bank comes knocking. It is impossible to highlight one suburb where this may be occurring. In all honesty it would probably be easier to name a suburb where this wasn't occurring.

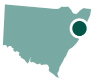
It is also worth pointing out the opposite situation is also much in evidence; the vendor who hasn't figured out the market is a different beast to a few years ago. When you arrive on site you are greeted with a "markets booming" type comment before your laser measurer is switched on. As a follow up you will be advised that there are no comparable sales, generally "mine is better than all these other properties out there". It hasn't occurred to them that the reason there are no comparable sales (or relatively few) is that the market has fallen. This is one of the reasons why there is a lag between sales volume and median prices rising or falling. The house used in this example will either eventually be reduced to meet the market, or more than likely cycle through agent after agent who "just doesn't know how to sell my property".

NSW Mid North Coast

Along the Mid North Coast of New South Wales, the residential market is currently considered weak. The main cities and towns are recorning fewer sales numbers however with no evident falls in values to date. Outside of these areas, in the smaller inland/coastal villages and towns, we are seeing even fewer sales numbers recorded, with demand even weaker still.

For our region, we feel the key areas highlighting a good/ bad market are the following:

- Sales of development sites. A majority of these type of sites (such as for new high-rise units, townhouses, proposed land sub-divisions), are currently sitting vacant, often having been this way for over five years. Sales are currently scarce, with a number of the larger sites placed in receivership over recent years, and limited interest by purchasers. This current market is considered bad, and if viewed as a crystal ball it offers no overall market upswing within two years.
- Construction of New Large Scale Developments. Interlinked with the aforementioned development sites, there is just a handful of large scale developments currently underway. This is a result of tightened lender funding for this sector, increased selling periods together with potentially weakened gross realisations being achieved. Likewise this market is illustrative of that there will be no immediate market upturn.
- Vacant land sales. By and large the number of vacant land sales is down throughout our region. In Kempsey sales have virtually come to a standstill, while in the past 12 months there has been only one vacant land sale in each of Crescent Head, Hat Head and Lake Cathie. The long heralded Sovereign Hills development, just inland of Port Macquarie, has recently opened with just a handful of display homes constructed and an estimated 2,200 blocks of land unsold. This weak market typifies tightened consumer spending together with a bleak outlook for the local building industry.
- Purchasing holiday houses. Following the GFC, the luxury acquisition of weekenders were predominantly put on hold as tightened household spending set in. Typifying this is the limited number of sales of units in South West Rocks, and the fact there has not been a sale recorded above $700,000 in Pacific Palms since April last year. This weakened market could suffer even further still and has a volatile outlook. We do not anticipate any upswing in this sector until an overall market recovery is underway.
- Sales of multi-tenanted residential flats buildings. Over the last twelve month period, we have observed sales within this investor driven market returning consistent gross yields between 6.41% and 7.66%. This market is considered reasonable at present. Sales show investors are still active, and provide a good indicator of what they are currently demanding.
- Prestige house sales. Despite the pervading gloom, in the last six month period we have seen some good prices being realised at the very upper end of the market, indicating no significant weakening of house prices. Take for example a $950,000 house facing the Manning River in Taree, a $1.075 million house near Burgess Beach at Forster or a $1.2 million house overlooking Lighthouse Beach at Port Macquarie. This market indicates that currently all is not doom and gloom. However it may be possible that the bottom of the market has not yet been reached or maybe, just maybe that the worst has come and gone.



NSW Far North Coast

Both historically, and from a more general perspective, the NSW Far North Coast residential property markets upturns and downturns have always lagged behind what was occurring in the nearby south east Queensland property market by approximately two years. This was evidenced in the last 'boom' period. The south east Queensland market began showing signs of an upturn in 1998 and this continued into early 2008. The first initial signs of an upturn on the North Coast property market was in approximately the year 2000. It is interesting to note that the 'boom' period ended for both localities in early 2008. However, this was largely due to the impending GFC and its resulting wide impact on the national residential marketplace.

In defining 'stone in the pond' market movements, with either upturns or downturns radiating from a certain market or locality, there are various opinions held. One 'stone' on the North Coast of NSW is considered to be the higher priced, prestige residential market and in particular the Byron Bay prestige residential property market. This particular locality has a historically close relationship with the Sydney residential market. That is, when the Sydney market is moving forward, this is generally commensurate with the Byron market. When the Sydney prestige property market contracts, so does the Byron Bay prestige market. This has been evident during the recent upturn and downturn.

....following the GFC, the luxury acquisition of weekenders were predominantly put on hold as tightened household spending set in....

This ripple effect then transfers from the Byron Bay prestige market down to the mid and lower priced markets. It was noted during the last boom period that when this occurred, there became a definite anomaly between the mid-priced Byron Bay market ($450,000 to $1 million price bracket) and the surrounding townships/ localities of Suffolk Park, Mullumbimby and Ocean Shores. This occurred for a period of approximately one year, before the residential values began increasing in these surrounding townships and suburbs, resulting in a further ripple effect.

Another opinion held in relation to defining 'stone in the pond' market movements, is that upturns or downturns radiate from the lower end of the market. This has been evident within the Lismore region (including Casino). When the lower or bottom end of the market begins to either firm or soften, this has a rippling effect through to the other mid and higher priced sectors of the market.

This was recently evident during the period of 2009 to 2010. In order to minimize the impacts of the GFC, the Federal Government introduced stimulus measures that increased buyer enquiry and market activity in the lower priced market. This resulted in as ripple effect on to the mid and higher priced sectors of the market.

However, the lower priced market segment was somewhat artificially inflated in an otherwise soft economic and real estate climate. The governments removal of the stimulus packages (which occured in line with increasing interest rates), this resulted in a reduction of market values for lower priced product which has flowed through to the mid and higher priced sectors of the market.

In terms of being able to telegraph a market revival, there a two signs to look for in relation of the NSW North Coast property market. The first is the prestige market. Historically, when this market experiences increased buyer enquiry and market activity, then this is can be a sign of possible market revival which can flow onto other sectors of the market. The other sign to look for is the lower end of the market and, in particular, evidence of increasing investor activity within this segment of the market.

In terms of being able to telegraph a market downturn, the general sign to look for is market resistance for 'secondary' properties in all segments of the market or decreased buyer enquiry and market activity within the rural residential market.

The NSW North Coast residential property market continues to be affected by the threat of interest rate rises and funding issues, along with a sluggish performing local economy which relies heavily on tourism, rural industries, retail and construction, increasing unemployment and reducing consumer confidence. All these factors have impacted buyers appetite for purchasing real estate.

These factors have resulted in sales volumes and prices continuing to fall. However, as we are all well aware, the property market is cyclical and we look forward to some of the local signs discussed which indicate that things are on the up, rather than on the slide.

Southern NSW and Northern Victoria

ALBURY/WODONGA

The local residential property market has been on a slow slide in respect to values for the past 18 months. While the low to mid range properties have been ticking over, there has been subdue sales volumes particularly in the higher end (over $400,000).

This lack of demand has meant that vendors have had to attract potential buyers by maximising the presentation of a property. In a raising market that is running hot, buyers are not able to negotiate and are usually required to accept a property in a less than prime condition, as someone else may take it from under them.

....a new style of building is emerging, more akin to a large city scene, which is compact terraced town houses....

With the cost of building on the rise and the difficulties experienced with selling, we have observed a trend towards renovating and extending dwellings. In Albury this is particularly evident in Forrest Hill and East Albury. Both suburbs have older 1950s dwellings, most on elevated sites with city views available. They are also located close to the CBD and are obtaining high values in relative terms to new builds.

In Wodonga there has been more building going on due mainly to more attractive incentives from the Victorian Government. A new style of building is emerging, more akin to a large city scene, which is compact terraced town houses on very small sites of less that 300 square metres. They are part of master plan developments such as The Elm's Estate and White Box Rise.

The sales price levels for these are quite high considering the floor area offered. However purchasers are content to not have to maintain a large lot and instead enjoy the local shopping and parks that are being developed.

As suburbs age they go through a cycle when new dwellings are highly desirable. Then as tastes and needs in housing evolve over time they become more obsolete, and with that, a lowering of relative value to newer estates.Unless the location warrants renovation and investment.

WAGGA

This month we experienced some heavy rainfall that resulted in near record flood levels in and around towns of the Riverina. Up until that point the market appeared to have plateaued in the city of Wagga Wagga after six to 12 months of values declining.

The decline appeared more evident in the developing suburbs of Glenfield Park, Tatton, Estella and Bourkelands where investors are more prevalent whilst the established areas of central Wagga Wagga, Kooringal, Turvey Park, North Wagga and Lake Albert appeared to decline at a lesser rate.

While the centre of Wagga Wagga did not flood, it is too early to tell whether the surrounding area floods will have a further detrimental effect on the perceived value plateau experienced earlier in the year. However North Wagga Wagga should feel some large short term decline as it was heavily damaged by the flood water and finance may also be difficult to obtain.

Melbourne

The Melbourne residential market has shown mixed returns over the past 12 months, with inner city suburbs remaining steady in early 2012 while the outer suburbs continue the slowing trend of 2011. Overall median house prices in metropolitan Melbourne eased slightly in 2011 although regional Victoria showed some growth in values. Latest auction results show a clearance rate consistent at around 60%, however the overall auction clearance rate in 2011 at 56% was the lowest in the past four years. Vacancy rates appear to be easing after historical highs in the later half of 2011, with metropolitan rents stable over 2011 and some growth in regional rents. These factors may have the effect of enticing investors to re-renter the market.

The outer western suburbs such as Point Cook and Melton are currently characterised by a flood of new residential allotments to the market with limited demand and rebates again being offered to purchasers. Building prices have not come back, and buyers are showing a preference for two to three year old dwellings at reduced prices.

Demand and auction attendance continues to be strong in inner city suburbs, with the likes of Brunswick and Carlton performing strongly. Brunswick continues to be a popular location due to its relatively affordable pricing and close proximity to the CBD together with its cosmopolitan retail, cafes and bars. On the other side of the city, suburbs such as Prahran and Elwood are showing good signs with strong recent auction results and steady prices.

First home owners are now beginning to return to the market however are exercising caution in the properties they consider purchasing. The inner city apartment/unit market is steady, with a notable new development having recently settled. The 'Zen' tower comprises a 48 level apartment development on the northern CBD fringe and is currently the highest residential tower in the Melbourne CBD. The development provides an aggregate of 427 apartments with the lower levels being smaller style 1- and 2-bedroom apartments with a separate foyer and common facilities. The upper levels are larger style 2- and 3-bedroom apartments with superior finishes geared towards the owner occupier market. The rental market has responded positively to the development with lower level apartments also appealing to first home buyers.

The prestige price bracket is showing some signs of movement with a handful of properties selling, although these have generally been at significantly discounted prices as vendors become more realistic about the need to meet the market. A recent example is a sale in Middle Park of a substantial property which was originally marketed in 2011 at an asking price around $5.5 million. There was limited interest at this price level, so the owners reconsidered at the start of 2012 and the property eventually sold for approximately $3.6 million.

Many buyers in late 2011 and early 2012 may have been holding back in anticipation of widely expected cuts to interest rates. With the major banks signalling their independence from the RBA by increasing rates, buyers now must make a decision on their intentions.

Regional Victoria

BALLARAT

Like most traditional markets, the Ballarat residential property market is largely driven by infrastructure, planning, amenity and return on investment. Owner occupiers generally place amenities and proximity to infrastructure at the top of their priorities list, while investors look for rental returns and capital growth created by new infrastructure, planning and property features. This creates sub-markets throughout the region and suburbs. For example, the suburb of Lake Wendouree is predominantly owner occupied and has some of Ballarat's most expensive housing. This is due to the close proximity to the Lake for walking, running and water sports and the close proximity to schools, shops and CBD. Generally, property values soften as the distance from these features, such as the lake, shops or CBD increase. Similarly, this is seen in other suburbs and towns as distance to amenities increase. Proximity to the Ballarat CBD continues to remain important.

....owner occupiers generally place amenities and proximity to infrastructure at the top of their priorities list, while investors look for rental returns and capital growth created by new infrastructure, planning and property features....

Although Ballarat maintains solid inner wealth through manufacturing, health services and agriculture, there has always been a strong investor market which tends to drive a large portion of the residential growth in the region. Areas such as Lake Wendouree, Soldiers Hill and Newington are thinly traded and tend to maintain steady value patterns as outer suburbs grow and become more or less expensive. The modern outer suburbs of Lucas, Alfredton, Sebastopol and Delacombe continue to be developed to new housing and estates, which are largely filled by young families and investors. It is these outer suburbs that are generally hardest hit by government announcements, interest rate movements and economic uncertainty, due largely to the high loan to value ratios and relatively generic product in the $200,000 to $350,000 price range. It is this market volatility in these areas that makes them a good indicator for the greater region.

In a softening market, as buyers become more hesitant, property type begins to significantly impact purchasing decisions. Features such as street appeal, access and the detached/semi-detached nature of a property begin to create larger price variances and impact marketing periods. Traditionally, detached homes with good access are preferred.

SALE

Latrobe Valley/Central Gippsland

Overall the Latrobe Valley and Sale residential markets are more 'on the slide' than 'on the up'. The areas first to feel a market revival are usually the stronger locations of Central Sale, East Sale, and central Traralgon.

The areas first to be impacted by a market downturn are rural lifestyle properties and beach properties, due to factors such as distance and petrol. Coastal areas such as Loch Sport, Golden Beach and Paradise Beach markets have come back approximately 5% to 10% in recent years.

First home buyers have gradually fallen away and even new housing demand is not as strong as it was. In the house and land package option where some properties are put back on the market, vendors are struggling to achieve the original house and land building cost.

....the areas first to be impacted by a market downturn are rural lifestyle properties and beach properties, due to factors such as distance and petrol....

Overall the market is flat. We are currently in a market softening environment, with high supply of housing but lower buyer demand.

East Gippsland

The East Gippsland market has a number of indicators that affect market sentiment.

Each town or region is impacted in different ways by various factors in the micro and macro economic climate. For example, regions such as Paynesville, Lakes Entrance, Golden Beach and Loch Sport all have a strong holiday home sector which reacts to the general well being of the economy or otherwise.

The more affordable end of this sector is especially reactive to economic conditions. This is seen in particular in the current slow market in the Loch Sport and Golden Beach area, with regards to the current uncertain conditions.

Other areas are affected by the fortunes of strong local industries. Maffra's fortunes often seem to fluctuate in sync with the dairy industry. In the past Bairnsdale has been reliant on the farm sector as a confidence measure, although with the expansion of industry outside the agricultural area in the past ten years, this factor is not as pronounced.

Timber towns, such as Heyfield and Orbost, are heavily reliant on the timber industry such take a lead from changes in fortune in this industry. Accordingly most towns in our region have a rise in confidence whenever projects are announced that will bring new employment to the area.

MURRAY RIVERINA

Most agents in the residential space are reporting a 'steady as she goes' marketplace – sales are tough to achieve but realistic vendors are selling at levels considered to be flat to slightly up on those achieved in recent history. Notably the influence of Melbourne buyers is less pronounced at the moment, likely as a consequence of uncertainty surrounding their market and the global economic climate more generally.

MILDURA

To assess the beacons of a moving market you need the market to move. Unfortunately the Mildura residential market has remained static for over four years, so there is little evidence to allow up to report market movements this month.

The first noticeable change in an upward swing would be an increase in the volume and price of sales of vacant lots in the new estates in Mildura. This, as well as house land packages, is a good litmus test of local confidence.

The isolated town of Ouyen is heavily dependent on mining and farming. Any variation in the fortunes of these two industries has a quick effect on the local residential real estate market.

Adelaide

The Adelaide residential property market remains subdued. Conditions that prevailed during 2011 have been much the same over the first few months of 2012, with large numbers of properties on the market, properties taking a long time to sell and very low transaction volumes overall. Capital values, which corrected by around 5% to 10% during 2011, may still continue to gradually decline over 2012. However, it is very difficult to make predictions especially in market conditions where activity is so depressed.

If we have to select an area or sector that gives the best indicator of where the market will head next, then within the Adelaide residential market one would look towards the 'extremities' or the outer northern and outer southern suburbs.

The outer northern suburbs, including Elizabeth and Salisbury, and outer southern, including Morphett Vale and Seaford, represent the lower price range housing of Adelaide and is the realm of the first home buyer. These areas tend to be characterised by generic 3- bedroom detached dwellings. Being working class areas, in turn, they are the areas that are most sensitive to financial change and are affected strongly by cost of living expenses and the unemployment level.

In our experience these outer areas tend to be the first market to slow when the going gets tough, but are also the first market to return when financial pressure starts to ease. Regardless of the direction, the movement of the outer markets then pulls the adjacent middle and then inner suburbs of Adelaide in the same direction, so a flow on effect is experienced from the outer suburbs back towards the city.

Brisbane

The great South East property market is typical of the "pebble in a pond" scenario. As soon as the tremors start moving wavelike from the inner city suburbs, you just know that the outer areas are set to follow suit at some future date and like the proverbial body of water, the force tends to dissipate with distance. You can be sure the best gains will always be made in the centre and not on the fringes.

With this in mind, the typical beacons of an ever rising would be anything within a 5km circle of the CBD centre. This is where the prime dirt resides. It's the surest bet of future capital growth when the upswing comes so everyone wants to get in early on the rising market and take advantage of what's in store.

The more affordable sectors and properties in New Farm or West End are cases in point. Rental is solid, supply of the cheaper stuff is relatively limited and demand from buyers is always reasonable. A solid second hand unit in a softer market is not so hard to come by amongst the "For Sale" listings. There are plenty of young professionals keen to live in these areas and those with the wherewithal will try and take advantage when they see a market turn. As the young jet setters start moving in, tenants either begin moving away or tracking rises in their weekly rent. The solution is to move further out. When Brisbane runs hot, you can almost see the crest travelling.

....when confidence leaves the market, the outer suburbs often suffer first....

Another unit area worth watching is around the Auchenflower/Toowong locale. Here there are a number of cheaper, modest quality 1970's and 1980's units with good size bedrooms all close to facilities and only a brisk morning stroll into the CBD. You can find stock in the low $300,000's that would be just fine. This is the stuff which will get a solid run on during the upswing.

For detached housing, the lower end stuff in inner localities like Paddington, Red Hill or Woolloongabba probably telegraphs things to come. Whilst real estate is still fairly tightly held, sub $700,000 is the first to rise. At present there are certainly enough listings for buyers to check out and as long as you steer away from main roads and train line frontages, you will find the dirt with the most potential.

As far as our prestige sector, well it is well and truly tied to confidence of the broader economic kind. These operators are not so much fazed by moving interest rates as they are by stock market fluctuations. This last downturn was easily tracked through the ASX and it matters not whether your sitting atop a mountain in the lush end of the western suburb rural residential market, or gazing wistfully from your penthouse abode and admiring your fellow CEO's house on Hamilton Hill, the upper end will move en masse along with the rising economy.

When it comes to slowdowns, we at Herron Todd White have noticed that the trend is reversed. When confidence leaves the market, the outer suburbs often suffer first. Rising unemployment results in residents having trouble making their mortgage repayments and this doesn't bode well for the softer socio economic areas in fringe localities. There are also plenty of investors floating around these markets and when things turn sour, quite a few will dispose of their portfolio before disposing of the family home.

As long as the Brisbane region continues to consider the CBD as its ultimate centre, the real estate market will revolve around it. This may evolve into something different as other potential SE Qld centres of commerce develop, but this change would have to be considered a long term prospect at best.

Gold Coast and Tweed Coast

Market cycles are one of the main talking points of those interested in the property market; from amateur investors and would-be first home buyers; to professional valuers, developers and real estate agents; to sophisticated investors with multiple property portfolios. Everyone would like to get the jump on their competition when the market is on the up and equally be the first to rein in their spending when the market goes into decline.

What is certain is that the market will always move in cycles. What is not certain is when, where and by how much! If we all knew that, life for the property buyer/seller would be a bed of roses.

Observing changes in the market can give a property buyer a valuable advantage when moving in on a market or location before the competition arrives but getting it right can be difficult.

Being able to spot trends and changes in the market direction on the Gold Coast is as much as a black art as it is a science. There are many factors which influence the property cycle between the Tweed and Logan Rivers. Some factors impact small sectors of the market while some have a much broader impact on the market.

....the lesson for buyers is to consider future scenarios, good and bad, for a project at settlement and to not buy only in "the here and now"....

The Gold Coast has one of the more diverse ranges of property types in Australia as well as one of the most volatile markets. The extremes between peaks and troughs in the market are far more pronounced and keenly felt than in many other markets around the country: When times are good, on the Gold Coast they're great, but when times are tough, on the Gold Coast they are grim. This makes knowing when and where to strike all the more important.

The Gold Coast market is very hard to predict most of the time however past experience with "boom and bust" suburbs and cycles can give us some insight on what to look for.

The obvious hot topic at the moment is the high rise unit market in Southport, Surfers Paradise and Broadbeach. This is a very depressed market at present, particularly for new and near new stock. A new, major project can take up to 5 years to complete from concept to completion and the prudent buyer should know that buying "off the plan" in the midst of a property boom (which is often when most major construction projects are proposed and funded) may have adverse consequences four or five years later at settlement if the market has taken a turn for the worse, as it has at present.

The lesson for buyers is to consider future scenarios, good and bad, for a project at settlement and to not buy only in "the here and now". The further into the future you have to look, the more uncertain you will become! Consider whether the market will be able to sustain the proposed number of units from your project as well as competing projects in the area. Will the rental and tourist market keep up with the supply of new stock? Will the market improve or decline (eg; if interest rates are currently historically low, are they likely to increase before settlement and hit the market, or vice versa)?

Large land subdivisions can offer buyers some insight into looming changes in the market. Most large privately owned and publicly listed land developers spend a great deal of time and money researching their markets. In anticipation of a looming increase in the market, land developers will step up construction of roads and infrastructure to bring more land on line. As the market /sales slow down, developers will slow down the construction and release of new stages in their estates. They may also start offering "freebies" or incentives to move stock that is slow to sell. So next time you are checking out your local broadacre subdivision, observe the construction activity going on in the next stage.

There are some outside influences which offer buyers a clue as to when market conditions could be about to move. One good example of this was the post GST federal government home owner's grant of $7,000 which was later doubled to $14,000 for new homes. This was an undeniable boost to the market which kick started the property boom on the Gold Coast during the early 2000's. Bear in mind that any incentive, be it government or developer inspired, is only in place to boost an otherwise flagging product/market. They wouldn't pay it if they didn't have to! Before you buy just to take advantage of some form of incentive, do your homework first. Ask yourself if the market could or will survive at that level should the incentive be removed? Has it been inflated beyond its true value?

When its boiled down, prudent property investors buy/accumulate when most people are selling and sell when most people are buying. Property as an investment (as opposed to a place to live) has, and always should be an investment for the medium to long term. The floors of the mortgagee's auction rooms are littered with the financial remains of "smart" investors that gambled and lost trying to make money out of real estate in the short term without first considering the position and direction that the property market was heading.

The Market Today

Market sentiment remains subdued as vendors and potential purchasers cautiously await the Reserve Banks monthly interest rate decisions and the subsequent reactions of the banks.

The question at the forefront of most peoples thinking is: 'When will the market hit the bottom and start to rebound'? Depending on who one talks to, the answer varies significantly. Anecdotal evidence suggests that the State Governments removal of stamp duty concessions for primary place of residence is also adding an extra barrier for those wanting to enter the property market. The concession for those building a new home is resulting in additional sales, however the investor market seems to be the segment attracted by this type of product. We note that there are a larger number of interstate purchasers for this property type who appear to be attracted by the perceived value of a brand new house and land.

Discussions with valuers and real estate agents indicate that there are an increasing number of transactions as vendors begin to accept that it is currently a 'buyers-market' on the Gold Coast.

Many agents are now unwilling to take on property listings if they consider vendor expectations to be unreasonable. There still remain a large number of properly owners who are of the belief that their property has increased in value over the last three to five years. Whilst this maybe the case in other states ie. Melbourne Sydney there is a clear weight of evidence indicating that in the vast majority of instances, this is not the case on the Gold Coast.

Prudent buyers continue to purchase 'counter-cyclically' with the aim of divesting when the market improves. The most consistent market segments are the price points of $160,000 to $200,000 for one bedroom units usually located in Southport, Surfers Paradise and Chevron Island: being close to shops and amenities. Two and three bedroom duplex units remain popular in older/ established localities with prices ranging from $240,000 to early $300,000's. The $350,000 to $450,000 price bracket continues to offer good value with freestanding dwellings in good locations attracting strong interest. Family homes surrounded by schools, shops and east of M1 freeway up to $800,000 are also attracting buyer interest.

In closing, our market appears to be bumping along the bottom and looks likely to continue to do so for a few years.

Sunshine Coast

Over the first three months of 2012 there has been a new feeling in the market on the Sunshine Coast. A bit more of a positive vibe is present as people have become increasingly more likely to do things with a bit more confidence, sensing the bottom of the market must be close.

What we are talking about is the return of activity in the market place. In our office, our valuers are noticing many more sales are occurring. This is ringing true when we cross reference this with the feedback that we are receiving from agents and how they have been experiencing more enquiry. Properties are starting to move again. The big caveat is that it is only for properties where there has been a decline in values and the buyers are getting a perceived bargain.

One major advantage is that this increased volume of sales is helping to absorb a number of the pressured vendors / properties, allowing them to exit of the marketplace. These pressured properties have really created some confusion throughout 2011, so we're hoping that once these properties have been removed from the market, then values will stabilise and we can return to some normality.

....more of a positive vibe is present as people have become increasingly more likely to do things with a bit more confidence, sensing the bottom of the market must be close....

The big question that we are asked is, are we at the bottom of the market?

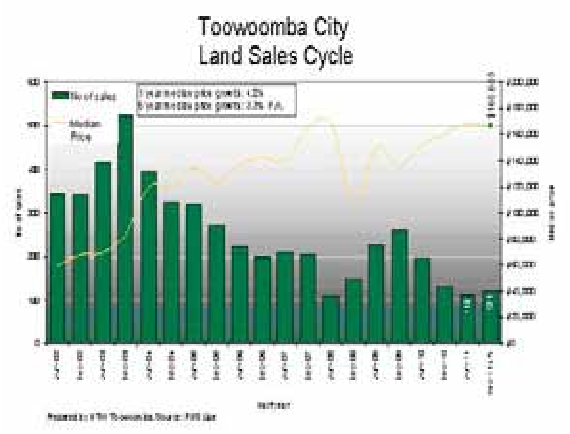
Well, it is still too early to tell. Mortgagee in possession activity continues to be significant with thehigh levels of supply for property in general. There is still confusion, however this is slowly being addressed, by the increased volume of sales acting as a guide for purchases.

Inshort, the market is still incredibly tough. There is just a glimmer of hope that, the rot is starting to stop remembering the market on the Sunny Coast has been in decline for some four years now.

Southern Queensland

TOOWOOMBA

With the Toowoomba market currently described as 'flat', signs of recovery can be difficult to identify. Traditionally, a surge in vacant land sales can lead to a market recovery in the Toowoomba region. However, the short supply of land in the city tends to provide sporadic sales volumes as land is brought on to the market in stages.



New home construction, which has been slow in Toowoomba since January 2011, is another indicator of market strength. Local builders are now looking at western towns in the Surat Basin for work as competition for new home construction work in Toowoomba increases.

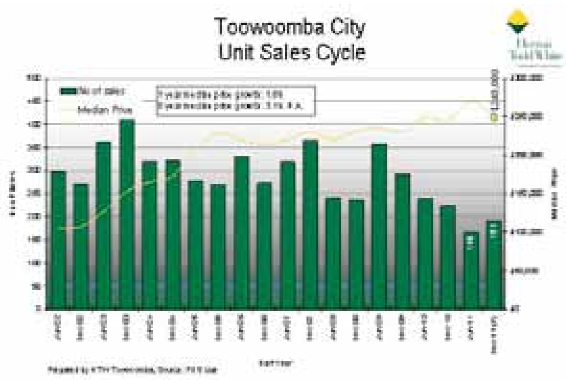
In a regressing or slowing market the lower price points, in the sub $300,000 price bracket, dominate sales activity. Home owners look to more affordable, renovator style dwellings in slower markets as opposed to stepping up into larger, more modern or fully renovated colonial homes.

The suburbs of Newtown, Rockville, Glenvale and Wilsonton generally see a higher proportion of sales during slow or regressing markets, as their lower price points become attractive to cautious buyers. Homes in the $500,000 and above price brackets suffer from reduced activity with significant value reductions noted in some sections of the prestige market (>$800,000) since the peak of the market in 2008 and 2009.

A leading indicator of a recovery will be activity in the prestige market, namely East Toowoomba, Middle Ridge and Rangeville, where sales volumes and buyer enquiry are at long-term lows. While we do not anticipate any significant turnaround in this sector in the next 12 to 24 months, we believe the prestige market currently represents good value and may see a splurge in buyer activity once broader economic conditions and consumer confidence strengthens.

We note the recent sale of a prestige dwelling in East Toowoomba which has just transacted for $2.5 million, after previously selling for $2.8 million in August 2009. This is after the vendor is reported to have spent approximately, $250,000 in renovations since purchase.

The unit market of Toowoomba is generally trending up in terms of median price, but sales activity is well down from the peaks of 2003 and 2007. Prestige, villa and high rise units in East Toowoomba, Middle Ridge and Rangeville are hard to move at present with sales activity dominated by 2- bedroom sales in Kearneys Spring, Newtown, Darling Heights and Glenvale.



Satellite areas in the vicinity of 20 plus kilometres from the centre of Toowoomba generally are the first to suffer from a decline in the market. Towns such as Kingsthorpe, Gowrie Junction, Cambooya and Helidon have been slow in the past 12 to18 months, despite speculative house and land developers being attracted to these areas.

These Developers are constructing new, 4 bedroom, 2- bathroom dwellings that are being bought off the plan by interstate investors based on rental return, with contract prices in excess of what locals are prepared to pay. Developers are attracted to these areas given their comparatively low land costs, however the rental market would not appear to be able to support the expected level of rental returns given the strong supply of this product and comparatively low demand.

Central Queensland

ROCKHAMPTON

Historically the beacons of a moving market in the Rockhampton region have not been strictly based on a geographical location, but on price points. However due to recent large industrial projects under construction in the city of Gladstone (110km to the southeast), recent signs of recovery have also become evident in residential areas which are still easily accessible to Gladstone. Investors who have been priced out of the Gladstone market are looking towards Gracemere (located 10km south of Rockhampton) and suburbs located south of the Fitzroy River as an affordable alternative. We consider the recovery is still in its infant stage and may not be sustained for a lengthy period of time. Completion of the project construction period will have an effect on activity in these areas.

For the balance of the Rockhampton residential market, we consider indications of recovery/softening are still based on price points, usually starting with detached dwellings in the mid to lower range (<$350,000). The flow-on effect of any future recovery for the mid to top end of the market may take considerable time due to the reduced number of buyers positioned in these higher price brackets. Investors have been a driving force in the Rockhampton market for a number of years due to consistent low vacancy rates throughout the region.

BUNDABERG

This month we are investigating what the key indicators are when the market is starting to pick up. In Bundaberg the sign is when the affordable homes, like 1950s 3- bedroom timber weatherboard, begin to sell with increasing demand. We then see a flow on effect to the 3- to 4- bedroom brick with ensuite and double garage as people look to upgrade. With this upgrade comes the next upgrade to the more unique homes on river frontage or ocean frontage .We also see a more geographic spread of market demand and increase of sales in the better located rural towns.

HERVEY BAY

The Fraser Coast region has recently seen an optimistic confidence return to the market. Agents believe that most buyers perceive the region as good value for money, and this may have been spurred on with the new fly-in fly-out charter flights commencing out of Hervey Bay during the last month. Buyer enquiry has picked up across all sectors of the market, with Gladstone and Mackay residents showing a particular favourability to the reasonable property prices and relaxed lifestyle of the Fraser Coast.

The property market in the region is largely dependent on economic factors at both a micro and macro level. Unemployment still lies between 8% and 9%, however there seems to be steady interest in upskilling programs for possible mining employment to reduce these figures. There are several large projects yet to begin in Hervey Bay and Maryborough, with the pending economic effects to hopefully lift confidence further across the board, and stimulate the market.

GLADSTONE

Gladstone is an industrial town and the announcement of large projects causes the market to spike. History has shown that the Gladstone property market has cycles of high demand with the commencement of large projects and during construction. This is then followed by periods of lower demand as these large projects finish. When the market is on the rise, suburbs within Gladstone are generally the first to increase in value, followed by areas surrounding Gladstone such as Calliope, Boyne Island and Tannum Sands. When the market is on the decline, areas surrounding Gladstone are often the first to feel the impact. Modern residential areas tend to be popular in either scenario, as they make up the majority of buyers ,and in a rising market investors are looking to purchase modern properties that are easy to maintain.

Cairns

The Cairns market has a number of elements which, while generally moving in sympathy with each other over the longer term, do have their individual cycles and influences.

As a sweeping generalisation, the northern beaches area of Cairns performs most strongly when population migration is it its strongest. This area is a favoured location for southern lifestyle migration. For this reason, the Northern Beaches tends to support an older population demographic than the rest of Cairns, particularly 'empty nesters' as a result this area sees higher property values than the Cairns average. Interestingly the strongest property values on the Northern Beaches are in the outermost suburb of Palm Cove, indicative of the improving amenity appeal of the beaches the further out from the city.

....the rapidly expanding southern suburbs of Cairns are more of a locals market and investor territory, made up of typically younger demographic and a higher proportion of young families....

Near city suburbs of Cairns such as Cairns North, Edge Hill, Whitfield and Freshwater, are typically regarded as 'lead indicator' suburbs of Cairns. These suburbs show a higher degree of immunity to downturns in the Cairns market and conversely, perform strongly during times of strong economic growth. Popular mid-market suburbs such as Bayview Heights, Earlville, Mooroobool, Kanimbla, Brinsmead and Redlynch, are a second tier indicator with similar characteristics.

The rapidly expanding southern suburbs of Cairns are more of a locals market and investor territory, made up of typically younger demographic and a higher proportion of young families. Property-wise, these areas tend to be the swing areas of Cairns, with property price cycles more exacerbated than the Cairns average.

Townsville

The beacon of light that indicate a turn coming into our local residential market, historically sent from the Sydney, Melbourne and Brisbane markets. When these markets are in full flight, Townsville is historically approaching a shift in market cycle.

The first market to move in the area is typically Magnetic Island, as southern investors turn their attention to this tourism oriented location. Following a bottom of market cycle, prices and the lifestyle on Magnetic Island are attractive to these investors.

From there we historically exhibit the 'stone in the pond' style of market movement, radiating from North Ward, Belgian Gardens and the inner city localities outwards. Detached housing is the first sector to move followed by land and units.

As the southern property markets heat up, investors able to leverage more equity from their properties look to the Townsville market. From there a wave of activity driven by investors, owner occupiers and first home buyers alike drives sale volumes higher. As the market continues to heat up the 'herd' mentality sets in as people jump on the property wave afraid of missing out.

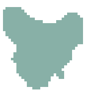
....properties requiring work typically display higher volatility in periods of market slowdown, particularly during times of low interest rates, when buyers are able to borrow more money to purchase a property that has already been renovated....

In times of market slowdowns, the last two cycles have effectively exhibited a 'tap turned off' model. It has not been a gradual downturn filtering through suburbs, but rather a blanket reaction across the board. Secondary suburbs have typically been impacted the most during these periods.

Houses in the secondary suburbs have historically shown higher capital price growth from bottom of market to peak as they are coming off a lower base, however they also show a higher decrease in value. As more desirable locations again become affordable, demand for these secondary areas falls away significantly.

Properties requiring work typically display higher volatility in periods of market slowdown, particularly during times of low interest rates, when buyers are able to borrow more money to purchase a property that has already been renovated.

Our market is currently at the bottom of the market cycle, with first home buyers and budget home buyers active. The market has picked up at least in sentiment if not in actual activity over the past three to six months, although there is still a lot of stock on the market.



Tasmania

The Tasmanian market experienced a significant increase in demand in the early 2000's. This was primarily driven by the introduction of the First Home Owners Grant (FHOG) on 1 July 2000, followed by the arrival of mainland investors in large numbers who identified the investment opportunities Tasmanian housing stock offered. The limited supply of existing housing was unable to meet the demands of the sudden influx in purchasers. During this period it was the lower end of the market which drove growth and was the first to reflect the significant increases in value in a 'bottom up' trend. Demand subsequently shifted to higher priced markets as owner occupiers upgraded.

We have previously highlighted the current downturn experienced by the Tasmanian market and the price readjustments that have followed. We have observed the these readjustments impacting upon the market are similar in fashion to those during the boom. Once again it was a 'bottom up' trend whereby the lower end of the market was the first to reflect price readjustments. A lack of demand for entry level stock led to fewer sales and increased selling periods. The FHOG increasing to $14,000 brought forward purchasers in the first home buyer market by at least a coupl of years. Furthermore a lack of confidence and a tightening of lending all influenced the weakening of demand. The result of all this was a lack of sales in the investor and first home buyer markets which led to a decline in upgrade purchasers and subsequently a lack of demand for those higher priced markets.

The above two examples highlight for us one of the key indicators of market movements – the relative stock levels in a given location. Demand for a product at anyone time will fluctuate throughout the market cycle. This increased or weakened demand will only begin to affect markets when the stock levels in that market are disproportionate. Currently within Tasmania we are observing stock levels in markets ranging from up to four years in some instances, 12 months in most Launceston suburbs, with the best market at the moment being central Hobart showing six months. Obviously with so much stock it is easy to see how a market begins to see some price readjustment.

Conversely, once sufficient demand begins to return market, we will see these stock levels begin to reduce and potentially flag an improvement in market conditions. Given the previous 'bottom up' trends you could point to the return of first home buyers and investors to the market as an indicator of recovery, however given the current increased stock levels it will take some time for this supply to be absorbed to healthier levels. The impact of current economic conditions within the state will need to see some improvement before any recovery is likely.

Darwin

Over the past 12 months, in most 'Month in Reviews', we have commented on the slow down of the general Darwin property market. This slow down has resulted in values holding steady at best, or more likely declining between 10% to 15% across most sectors. This is in stark contrast to the previous three to five years where values experienced substantial year on year growth.

When the downturn commenced, the suburbs in the satellite city of Palmerston were the first to feel the effects, and arguably the hardest hit. This area is best described as being the 'mortgage belt' of the Darwin market and had experienced unsustainable growth for some time.

Prestige units in Darwin's CBD were also hit extremely hard in the softening market conditions. Several large unit complexes all came onto the market at the same time. Fortunately some developers have had the ability to hold onto a large portion of stock so as not to flood the market. However despite this, limited demand has seen price reductions for owners needing to liquidate.

Overall the past downturn has been the result of a slow down in the local economy, rising affordability issues, tightening of bank lending policies and a slowing in activity by interstate investors. It appears as though confidence has now returned to the market with properties selling much quicker than six months ago. Although this is yet to result in increase in values across all sectors, initial indicators appear positive.

It is not surprising that the first sector of the market to show signs of recovery have been suburbs in Palmerston. Durack is one such suburb which suffered some of the largest declines in values and rents. However sales over the past few months indicate both owners and investors are returning and values are bouncing back. The latest quarterly statistical report put together by the Real Estate Institute of Northern Territory shows volumes of sales have increased over 50% in the December 2011 quarter as opposed to the 12 months prior.

The prestige market still appears to be dominated by surplus supply and this is unlikely to change in the foreseeable future. There have only been approximately five to ten sales of units above $950,000 over the past 12 months. Surprisingly, the two most recent of these sales which have occurred in this calendar year appears to indicate that buyer sentiment is somewhat stronger than 12 months prior.

....overall the past downturn has been the result of a slow down in the local economy, rising affordability issues, tightening of bank lending policies and a slowing in activity by interstate investors....

In summary, given the relatively small nature of the Darwin market, all sectors seem to enjoy similar percentage increases in value when times are booming. At the same time they all suffered some decline in values during the last 12 months. Mortgage belt suburbs suffered the greatest percentage in declining values however were the first to show signs of recovery when the market recovered.

Perth

Investors and homeowners alike can be forgiven for deserting the Perth residential property market over the past 12 months as values continued to erode in some suburbs. This has subsequently led to a somewhat unremarkable year in terms of activity. However, there are signs of optimism creeping back into the market as selling agents report increasing interest and improving turnover of housing stock.

Apart from an increase in sales turnovers, understanding the mechanics of your local market is a great way of ensuring you're not left behind whichever way the market turns.

A great case in point is the first home owner" markets in areas such as Butler, Ellenbrook and Baldivis which are traditionally reliant on variables such as job security, interest rates and price. The majority of purchasers in such suburbs are presently part of the rental market and would generally be enticed to buy at roughly the cost to rent. In light of stabilising interest rates, developers are beginning to offer smaller blocks and homes at critical price points targeted squarely at renters.

As these developments slowly catch on it is likely to have an impact on the rental market, which in turn affects the investor market. The relatively stable cost of borrowing and a tightening rental market has seen an increase in investor activity particularly at the lower end (<$500,000) as a result of attractive yields. Notably, older near city apartments in suburbs such as Victoria Park and Maylands are becoming increasingly popular among young city dwellers who rely extensively on public transportation.

Not quite as interlinked, but not entirely detached, is the 'Upgrade' market. This market relies on a wider range of factors ranging from the local economy, global economy, education, lifestyle, prestige, bargains and more importantly equity in their own home. Such suburbs are traditionally located within close proximity to the city, coast or picturesque country side.

A stabilisation in interest rates and improvements in the European economy will subsequently draw participants into the market, albeit with some trepidation, into the suburbs of Applecross, Mount Pleasant, and Hillarys. While the volume of sales appears to be on the rise, high levels of supply means that growth in values are unlikely to trend upwards quickly. Such movements are generally expected on the back of sustained growth within the first home owner and investor markets feeding equity growth and subsequently into the upgrade market.

As with all things, the basic mechanics of the property market can be traced back to the simple economics theory of supply and demand with all markets and segments intertwined as variables feeding into a larger picture.

South Western WA

Confidence Our market is being driven by this magic concept which is in turn being driven by a number of factors, not the least of which is media coverage.

I have spoken to a number of real estate agents over the last few days and they all seem to have had a good end of year, through into January. I am attributing this to the two consecutive months of interest rate falls, giving the purchasers the confidence that the cost of borrowing was not going to go up any time soon. However as we now know, there was a rate rise and it seems that this may have reversed the confidence train. Recently the Westpac confidence survey was released, showing a marked decline in the levels of confidence. The analyst in the report suggested that this was as a direct result of the interest rate increase.

So, for a beacon of what is going to happen in the market we only need to watch the news or open a paper to find out about the latest European crisis or wobble in China. The perception gained from these sources then flows very rapidly into confidence, or a lack thereof, regardless of the fundamentals of the property market such as rental returns or capital growth.

Another guide used by a local agent as to what will happen in the near future is the number of visitors to home opens. For that particular agent, these dropped sharply after the latest interest rate rise.

In terms of what locations provide the best insight into what is going to happen, I look back to the boom days. Back then where the rapid rise in property values flowed out from Perth to the larger towns and cities, starting in the more desirable suburbs before working through to the less sought after areas. The 'wave' then moved to the smaller towns and rural areas. The same lag applied in reverse when things slowed down with the country towns being the last to see prices start to drop again.

So, in essence when looking for pointers as to what is going to happen in the South-West region of Western Australia; it all starts in Perth, and that probably came about with the latest media release.

Herron Todd White
Independent Property Advisors

Contacts

Office	Phone	Email
Adelaide, SA	08 8231 6818	admin.sa@htw.com.au
Albury/Wodonga, NSW/VIC	02 6041 1333	admin.albury@htw.com.au
Bairnsdale, VIC	03 5152 6909	admin.bairnsdale@htw.com.au
Ballarat VIC	03 5332 7181	admin.ballarat@htw.com.au
Bathurst, NSW	02 6334 4650	admin.regionalnsw@htw.com.au
Bendigo, VIC	03 5480 2601	admin.bendigo@htw.com.au
Berri, SA	08 8582 4841	admin.berri@htw.com.au
Brisbane Commercial, QLD	07 3002 0900	bris.admin@htw.com.au
Brisbane Residential Offices, QLD	07 3353 7500	brisbaneresidential@htw.com.au
Brisbane – Rural Queensland, QLD	0417 753 446	david.hyne@htw.com.au
Bunbury, WA	08 9791 6204	admin.bunbury@htw.com.au
Bundaberg/Wide Bay, QLD	07 4154 3355	admin.bundaberg@htw.com.au
Busselton, WA	08 9754 2982	admin.busselton@htw.com.au
Cairns, QLD	07 4057 0200	admin.cairns@htw.com.au
Canberra, ACT	02 6273 9888	admin.canberra@htw.com.au
Darwin, NT	08 8941 4833	admin.darwin@htw.com.au
Deniliquin, NSW	03 5881 4947	admin.deniliquin@htw.com.au
Dubbo, NSW	02 6884 2999	admin.regionalnsw@htw.com.au
Echuca, NSW	03 5480 2601	admin.echuca@htw.com.au
Emerald, QLD	07 4980 7738	admin.emerald@htw.com.au
Gladstone, QLD	07 4972 3833	admin.gladstone@htw.com.au
Gold Coast, QLD	07 5584 1600	admin.gc@htw.com.au
Goondiwindi, QLD	07 4671 5300	admin.goondiwindi@htw.com.au
Gosford, NSW	1300 489 825	admin.gosford@htw.com.au
Griffith, NSW	02 6964 4222	admin.griffith@htw.com.au
Hervey Bay, QLD	07 4124 0047	admin.bundaberg@htw.com.au
Hobart, TAS	03 6244 6795	admin.hobart@htw.com.au
Ipswich, QLD	07 3282 9522	admin.ipswich@htw.com.au
Launceston, TAS	03 6334 4997	admin.launceston@htw.com.au
Leeton, NSW	02 6953 8007	admin.leeton@htw.com.au
Mackay, QLD	07 4957 7348	admin.mackay@htw.com.au
Melbourne, VIC	03 9642 2000	admin.melbourne@htw.com.au
Mildura, VIC	03 5021 0455	admin.mildura@htw.com.au
Mornington Peninsula	03 9642 2000	admin.melbourne@htw.com.au
Mt Isa	07 4727 2000	admin.townsville@htw.com.au
Mt Gambier	08 8725 2630	admin.mountgambier@htw.com.au
Mudgee, NSW	02 6372 7733	admin.regionalnsw@htw.com.au
Newcastle, NSW	02 4929 3800	admin.newcastle@htw.com.au
Norwest, NSW	02 8882 7100	admin.norwest@htw.com.au
Perth, WA	08 9388 9288	admin.perth@htw.com.au
Port Macquarie, NSW	1300 489 825	admin.portmacquarie@htw.com.au
Rockhampton, QLD	07 4927 4655	admin.rockhampton@htw.com.au
Roma, QLD	07 4622 6200	admin.roma@htw.com.au
Sale, VIC	03 5143 1880	admin.sale@htw.com.au
Southern Highlands	0412 141 100	admin.southernhighlands@htw.com.au
Sunshine Coast (Mooloolaba), QLD	07 5444 7277	admin.ssc@htw.com.au
Sydney, NSW	02 9221 8911	admin.sydney@htw.com.au
Tamworth, NSW	02 6766 9898	admin.regionalnsw@htw.com.au
Toowoomba, QLD	07 4639 7600	admin.toowoomba@htw.com.au
Townsville, QLD	07 4724 2000	admin.townsville@htw.com.au
Tralagon, VIC	03 5176 4300	admin.tralagon@htw.com.au
Tweed Heads, NSW	07 5523 2211	admin.nc@htw.com.au
Wagga Wagga, NSW	02 6921 9303	admin.wagga@htw.com.au
Whitsunday, QLD	07 4948 2157	admin.mackay@htw.com.au
Wollongong, NSW	02 4221 0205	admin.wollongong@htw.com.au
Young, NSW	02 6382 5921	admin.regionalnsw@htw.com.au

Visit us at www.htw.com.au for past issues of this publication

Rural – Market Directions

The rural landscape over the last month has been dominated by weather. A late wet season in the north and extensive flooding in the southern NSW and Victoria has had mixed blessings. Whilst there has been damage to crops and property, for dryland farmers it has seen soil profiles filled and for irrigators it has seen dams and reservoirs filled. Nationally most areas have enjoyed good seasonal conditions however the SOI has dipped and the BOM have predicted that the current 'La Nina' weather phase would appear to be drawing to a close.

An overview of key issues with rural markets nationally is summarised as follows:

- Most regions have enjoyed favorable summer weather.
- In northern pastoral markets the future of live cattle export is still a concern with a proposed abattoir for Darwin currently being considered.
- The high Australian dollar has impacted on a number of industries including wine producers.
- Corporate buyers (overseas and local) would appear to be more prevalent in many markets.
- Mining companies have been actively purchasing land for mine or infrastructure development .
- Most rural property markets remain subdued with values back from historic highs.

Rod Greenland Ph: (07) 4057 0200

1 April 2012

Far Northern NSW

Consistent showers and rain have prevailed over the month.

Sugar Cane

Sugar cane crops in the Condong and Harwood mill areas were the most affected by the January floods. Some relatively small areas of late plant and late cut ratoons have died. The crop for the most part has been set back by the wet conditions.

A sale of a good quality cane farm subject to a share farming agreement at Tumbulgum in the Condong mill area indicates a land value of around $11,000 per hectare which is well down on the peak in the market.

There are anecdotal reports of a number of sugar cane farms in the Condong Sugar Mill area that were not listed for sale but have now been purchased 'in–one–line' by an investor.

Macadamias

There appears to be excellent prospects for a good macadamia harvest in 2012. The harvest has recently commenced.

There have been some sales of macadamia farms over the past few months. Mostly they have been smaller lifestyle rural purchases.

Cattle

Excellent grazing conditions continue.

"Billarimba Station" a 2132 hectare cattle property 32 kilometres east of Tenterfield with a stated carrying capacity of 450 breeding cows is for sale by tender closing 29 March 2012.

"Newbold Grange" a 372 hectare cattle property with Clarence River frontage and historic homestead located northwest of Grafton is listed for auction on 28 March 2012.

The above properties will give some indication to the strength of the cattle property market on the NSW north coast.

Summer Cropping

Some soya bean crops in the lower floodplain areas have been destroyed by the flooding. This is particularly evident in the Tweed River flood plains. Crops in the flood free areas present in good condition.

General

Purchasers remain cautious with the background of global economic uncertainty and volatility also contributing to local specific issues. The 'buyers market' continues. There however remains some niche industry buyer's with very specific requirements that are however, actively seeking to purchase rural property.

There are media reports of the NSW Aboriginal Land Council applying for petroleum and gas exploration licences near Murwillumbah and Grafton.

Contact:

David Sullivan Ph: (02)6621 8933

Southern NSW

LEETON

After a fairly normal, but somewhat cool summer the Murrumbidgee region and upstream catchments experienced an extreme rainfall event with up to 200mm falling in a 24 hour period. This followed falls of between 50mm and 75mm a few days earlier. This rain caused extensive overland flooding throughout a region which normally would expect between 300mm and 400mm of rainfall per annum. Similar rainfall in the upstream catchments have filled our major storages and these are overflowing sending major flood flows down the Murrumbidgee River. Summer crops throughout the region, including grapes, citrus, rice and cotton are under water and depending on how long they are inundated, will determine how much is lost.

Apart from this the rural real estate markets are slow across the region, with a number of properties more recently listed for sale by auction over the coming few months. Many of these are being sold under pressure from financial institutions and will undoubtedly be good buying.

Thelangerin station at Hay sold late last month. Listed to go to auction the property sold prior to the NSW National Parks and Wildlife Service. Rumoured to have sold at around the $270 per hectare mark, the exact price has not yet been confirmed. The property consists of approx 20,000 hectares of saltbush grazing and river flats fronting the Lachlan River north of Hay at One Tree.

Contact:

Peter Gunn Ph: (02)6953 8007

ALBURY

It never rains, but it pours! In my last MIR I suggested that the weather patterns had returned to the anticipated of warm days and cool nights with the occasional rainfall event in this area. I couldn't have been further from the eventuality. We have had massive rainfall events that have caused severe flooding along most of the rivers and streams in southern NSW and north east Victoria. The floods are now slowly heading west and causing major flooding as they go. The country to the west of Albury and Wagga is quite flat so the water takes weeks to head to the sea in South Australia, and the floods cause a lot of damage as they go. Because the land is so flat water sits on large areas for a long time and most vegetation is killed. There will be significant damage caused to pastures, early sown crops, viticulture and horticulture. There is also massive damage to infrastructure such as roads, railway lines, etc including personal property, and houses etc.

Albury and the Murray Valley below Hume Dam is not as badly affected. Irrigation water had been released from Hume Dam over the last three months or so and the weir level had dropped to around 65% of capacity. The massive rainfall in the upper catchment area of the Murray has quickly almost filled the Hume Dam and it is now somewhere near 90% full. The level of the Dam increased 3% in one day.

....we have had massive rainfall events that have caused severe flooding along most of the rivers and streams in southern NSW and north east Victoria....

There is little activity in the rural property market in southern NSWand north east Victoria. There is reasonably strong interest from the corporate and sovereign sectors in properties that are, or can be, aggregated to form a large property, but there is little interest in 'mums and dads' farms. The interest in larger corporate type properties has meant sales or potential sales of properties worth in excess of $5 million have occurred. However there are not many properties that fall into the corporate category in this area unless several properties are aggregated to be offered as one.

This whole area now needs a month or more with no rain so that if can dry out, and farmers can start sowing cereal crops and pastures.

Contact:

David Shuter Ph: (02) 6041 1333

Regional Victotia

MURRAY RIVERINA

Full reservoirs and heavy rainfall appear to be consolidating confidence levels in the broader region with a steady stream of sales in districts which had been stagnant for an extended period. These have been particularly pronounced in the fringe irrigation areas where sales rates have improved significantly on where they were two to three years prior, and enough demand to produce an odd 'strong' result. The effect of recent floods in the Numurkah/Nathalia/Barmah region is yet to be ascertained. The experience from flooded areas out of the 2011 floods suggest that the following years season is generally pretty strong, while the Murray River is once again running 'a banker' with black flood waters.

Contact:

David Leeds Ph: (03) 5480 2601

MILDURA/SUNRAYSIA

There has been little activity in the rural scene over the past month. The wine grape harvest is winding up, and as reported last month, the quality has been quite good and prices appear to be slightly improved from last year. There appears to be some renewed 'cautious' optimism in this sector, although a substantial recovery in prices is unlikely while the exchange rate is so unfavourable for exporters.

The fresh fruit table grape harvest is in full swing and apart from some rain in early March, the weather has been almost perfect, with good crisp mornings and mild sunny days. The later, premium varieties are currently being picked with Thomson Seedless, Crimson Seedless and Autumn Royal in good demand with markets and prices being paid bringing smiles to growers. Demand for Red Globe however has struggled on both the domestic and export markets.

The almond prices are not as rosy, and while growers are reporting high yields, the high Australian dollar is eating into grower returns.

On a brighter note, it has been reported that a new dried fruit processor, Murray River Organics (MRO), will become the region's third dried fruit processor after buying the former Clyne Foods processing plant. Clyne Foods, which was placed in receivership in October 2011, had established a niche market for organic dried fruits. The new company is aiming to be the largest producer of organic dried fruit in Australia, and is hoping to capitalise on the strong national and international demand for organically grown dried fruit.

The recent heavy rainfall in the main catchment areas of the Murray and Darling River systems is forecast to result in high flows converging at the junction of the two rivers at Wentworth in late April - early May. While no significant local flooding is expected, the high rivers will spill over into the many lake beds and flood plains which adjoin the Murrumbidgee and Darling Rivers and the Anabranch of the Darling River. This will open up the possibility of dryland cropping (into a full moisture profile) for many landholders in 2013.

There have been no significant sales in the horticultural, dryland or pastoral sector over the past month.

Contact:

Shane Noonan Ph: (03) 5021 0455

Southern Queensland

The rural market within the Southern Queensland area is continuing to provide no sign of recovery. The inner and western downs are now in full swing of harvesting those summer grain crops. The recent rains however have again inhibited machinery to access those fields across the board. It has also created issues for those horticulture growers within the Lockyer Valley with mould effecting produce. From the last edition, western Queensland was again experiencing significant flooding throughout the Maranoa district. The damage generally appears to have been concentrated to those townships and along the various tributary systems. The overall impact from those rainfalls will have a positive impact to a wider rural area, with significant flows throughout the channel country and east towards those outer Darling Downs.

....at present the rural market across the board remains steady, however we are seeing an increase in the level of interest towards both grazing and farming properties....

Cotton crops are still weeks off harvesting however it is expected to be a bumper crop across the board. Although yields across the farming commodities have been excellent on the backing of exceptional seasons, this has not necessarily translated to increased activity within the property market. Any perceived market confidence is being stifled by concerns surrounding the continuing high Australian dollar, weakening commodity prices and the impacts from foreign monetary and stability of overseas markets. Those concerns are also being compounded by rising fuels costs, farm input costs and the ability to source and attract suitable labor. There is no doubt that the booming mining industry has attracted a wide range of both skilled and non skilled workers from the surrounding area.

At present the rural market across the board remains steady, however we are seeing an increase in the level of interest towards both grazing and farming properties. We expect that the majority of that interest is from potential purchasers that are 'feeling the waters'. With the perception of the increase in the number properties placed on the market under duress or under receivership will again soften market confidence. However such scenarios may also increase market interests with the potential of those properties providing opportunities to acquire at a reduced level.

Contact:

Stepehn Cameron Ph: (07) 4639 7600

Doug Knight Ph: (07) 4639 7600

Far North Queensland

After having no discernable wet season across January and February, the wet season has arrived late across Far North Queensland with a vengeance during March with heavy falls and flooding occurring across a number of areas. The absence to date of cyclones in the Coral Sea has pleased coastal banana and cane farmers as many producers cannot afford any more lost income. There is still a plethora of ex-forestry properties on the market along the Cassowary Coast and this has continued to depress rural markets and indeed the affordability of rural land in this area is starting to affect demand on the Atherton Tablelands.

Pastoral areas have had widespread rainfall and we are aware of several sales in the gulf area currently being progressed albeit are still confidential. This is somewhat unusual as sales are normally transacted during the dry season. These sales if completed will show a further easing in the market however this activity along with a flurry of sales late in 2011 would suggest we may see increased activity in this sector during 2012.

Contact:

Rod Greenland Ph: (07) 4057 0200

Northern Queensland

Significant rain events have occurred between the lower Gulf of Carpentaria to Corfield and then east to Townsville. Rain had been patchy over this region until now. There is a band of country from Burketown to Boulia which has not had the rain that the rest of North Queensland has experienced.

Grazing

The cattle market has begun its seasonal roller coaster ride with the typical March downward trend. Maybe the recent rain will hold the market steady for the short term! Last year there were more sales on the eastern side of the Great Divide than on the west. At this stage of 2012 it would appear that the western side of the Great Divide is where the action is, particularly the Mitchell Grass Downs area.

Sales evidence in this recent period on the Downs country confirms an adjusted value range for that market area. There are a number of blocks under negotiation at this point in time which are within this range. At this stage the increase in negotiation activity has not transpired into an increase in values.

Pending auctions in April, on the western side of the Great Divide in North Queensland, include Cassilis, Pihala and Fairview. It will be interesting to see the outcome of these auctions, the properties that are under negotiations and the one that has already sold were sold via private treaty.

There is a noted increase in mining lease activity. We have noticed that some land holders are accepting the offers of the acquiring party without having their offer of compensation checked by their Solicitor and a Registered Valuer. It is suggested that people are made aware that affected parties have the right to these offers being examined, with any reasonable cost of this exercise being a claim for reimbursement against the mining company.

Sugar Cane

In the Herbert River region, Ferry Real Estate confirm that the Great Southern portfolio being sold in the Ingham area has had a complete dispersal, with the exception of one property which does have offers being taken to receivers. It is believed that all farms sold will go back into sugar production. These farm purchases if not taken up by Wilmar (the mill operator), do show that there is continued interest within the cane industry despite the average age of cane growers being well in their 60's.

....pending auctions in April, on the western side of the Great Divide in North Queensland, include Cassilis, Pihala and Fairview....

Burdekin Region

This does remain one of the premium sugar cane growing areas of the state. Mill operators continue to be active in acquiring plantation style areas or consolidated areas where possible. The crop for 2012 is very promising and to date there has been little adverse weather conditions to impact on the crop.

Horticulture

The Bowen region is showing signs of another promising year. The rainfall to date has ensured groundwater supplies. Sales within the region have continued on a steady basis for such a small area. Once this years veges go into the ground there will be a better gauging of what the growers expect for 2012.

General Comment – Bowen

Nearby Abbot Point is in the process of being developed as the largest coal exporting port in the world. The Federal

Minister has extended the decision making process by about another 12 months so that the development and the associated shipping movements can be reviewed on how they may impact upon the Great Barrier Reef. Such a development will have a major impact on sleepy old Bowen.

The wet season has eased over the last few weeks with many graziers desperate for more water to fill dams and bolster pasture for the winter months. In some areas it is a little grim for this time of year. There is however another six to eight weeks to go until the end of the wet season so hopefully rain will fall as required.

The Charters Towers Bull Sale was a major success despite some buyers having to be ferried in by chopper as a result of flooded causeways and river crossings.

Since last month the reliable word is that several small downs blocks to the west have either gone to contract or are at the serious negotiation end of the process. These sales will form the platform for 2012 values for the downs area – provided the sales meet the right criteria for application.

The banks continue to service the grazing sector and it would appear that they have money available and want to do business. At the other end of the spectrum there are graziers seriously making an attempt to control and reign in debt.

....the wet season has eased over the last few weeks with many graziers desperate for more water to fill dams and bolster pasture for the winter months....

The cane growers of the Hinchinbrook area, and to some degree the Burdekin growers, have had four seasons of poor returns, both crop wise and income wise. As a result some growers are experiencing financial pressures. Small additional areas used for cane are now being listed for sale by some growers in order to alleviate some financial pressure and provide the farmers with some type of cash flow to help them through to the 2012 harvest. The 2012 crop is looking reasonable.

These difficulties may be compounded further in the Hinchinbrook area by the marketing of 12 properties from the failed Great Southern Plantations. The sale of these properties does have the potential to lower grower's property value expectations across the district should a sell at any offer decision be adopted later in the marketing campaign. The total of 12 farms is a considerable number to lot to be absorbed by the local Ingham market.

The proposed new mill for the Ingham area has passed the Ministeral approval stage and now the proponents are busy trying to push the project to a start date.

The Bowen area has experienced some reasonable horticultural land sales within the last few months. There appears to be some confidence back in the area and security has been increased across the board at the seedling nurseries. There will be no poisoned seedlings this coming season and if the weather and Mother Nature are kind to our growers the eastern states will be able to again purchase quality products from the region.

Horticulture in general from Ingtham to Bowen, with crops from watermelons to tomatoes, also has an air of confidence although there are some concerns about ongoing poor returns from markets. The heavy crops of melons and pumpkins do require a dry period around the time of picking so that machinery and trucks can get into the paddocks at the time of harvest/picking.

The ongoing irrigation projects for the Flinders River and Gilbert River areas continues with the State Government study just being released prior to the election campaign. With little established infrastructure in the immediate area the parties/landowners still have several issues to be addressed before major irrigation investment follows. These schemes could prove to be low cost entry points for interested parties, but there is always a large risk with any new venture. We will continue to update our readers on this irrigation development.

2012 holds high expectations for many primary producers in the North Region. The barra season opens shortly and so 2012 also holds great expectations for most fisher.

Contact:

Denis Schy Ph: (07) 4724 2000

Central Queensland

Good rains have been received right across Central Queensland which will offer a good start to the winter months, providing buoyancy to the cattle market and cash flows.

The market again remains subdued but for mining activity which over the past 12 months has been the major player in the rural land market.

Since the beginning of last year well over $200 million has been spent on land acquisitions by miners in the Isaacs Regional Council area alone, while around $100 million worth of mining related transactions have occurred in the Central Highlands Council area over the same period, with further settlements reported to come.

This along with other acquisitions and compensation payouts for the numerous infrastructure projects across the region should provide an element of stability in this market, particularly for better quality properties, as disposed land owners look for suitable replacement land.

Contact:

Will McLay Ph: (07) 4927 4655

Northern Territory

There have been no new confirmed sales of pastoral property in the NT this month, although a recent press release by land agents Ray White Rural confirms that "Tanumbirini Station" (5,001 square kilometres located in the Gulf Region) contracted for sale in early March to English entity, Thames Pastoral Pty Ltd. The deal has yet to settle therefore analysed details of this landmark sale (the first major cattle station sale north of Tennant Creek in the NT since Rockhampton Downs in 2009) remain confidential.

Nevertheless, Herron Todd White understand that the negotiations resulted in a price reflective of current softer market conditions. By all accounts it was a well researched investment by an foreign buyer whose basis for investment is the longer term fundamentals of grass fed protein on a large scale to supply increasing demand for beef, particularly throughout Asia. We understand that the capacity to improve production through further infrastructure development was (as it is for most potential buyers of pastoral in the NT) a significant motivation for the purchase. The press release indicates that "Tanumbirini" sold with approximately 28,000 head of mixed cattle in place and this enhanced the saleability of the property.

The "Tanumbirini" deal has taken place amidst trying times for Top End cattle producers who have in recent years sold the predominant portion of their turn-off to Indonesia. The Indonesian trade minister continues to reiterate the country's quest for self sufficiency in beef and states that in 2012 Indonesia intends to import around half the number that were permitted into the country from Australia in 2011. However, in late March the forecast 60,000 permits were increased to around 125,000 for the second quarter of 2012, which is at least some positive news in a very difficult market for pastoralists and exporters alike to budget for. While this increase buys a bit more time for shipping companies, it is a quota that is likely to be filled very quickly given that herd numbers in the north are still oversupplied for this market.

As the dry season approaches and supply increases, the forecast is for further downward pressure on live export cattle prices. Interestingly, the self enforced tightening of supply has pushed beef prices up in Indonesia by a reported 10% to 15%. In any case, northern pastoralists are again doing their sums on selling onto the domestic market and the lower returns that will result due to freight. If this scenario continues to play out, and northern pastoral incomes continue to fall, more northern stations are likely to come onto the market in coming months.

Meanwhile, the proposed thousand (plus) head per day abattoir in Darwin, which is seen by a growing number of pastoralists as a partial solution to dwindling demand from Indonesia, appears to be nearing some kind of final investment decision. Press reports indicate that the developer (AACo with major shareholder IFFCO - who have the abattoir experience from India) has placed an end of March deadline for the NT and Federal Government to pledge support for infrastructure funding (road access and port related upgrades). If this support should not be forthcoming then the abattoir, which will kill predominantly older cows and cull-bulls for markets in the US and Asia, may be scrapped.

It remains very difficult to determine the likely impact of a major abattoir like this on the northern pastoral property market. This is given the failure of NT abattoirs in the past, versus the optimism shared by many that the IFFCO backed proposal will somehow be different. But in the current situation (with a volatile Indonesian export future) there is the hope that the abattoir will at leased be another market option.

Contact:

Frank Peacocke Ph: (08) 8941 4833

South Western WA

As the sun continues to shine into the autumn months the rural property market in Western Australia continues to be subdued. The record harvest delivered in yields but not in quality. Therefore farmers who may have been considering growth or purchasing this year, and were showing some interest in properties prior to harvest, appear to have left the market. Agents have reported that there is an abundance of properties on the market and this is partly being generated by financial pressure to exit the industry. This high level of supply, and low level of demand, has resulted in Western Australia being in a real and apparent 'buyers market' situation with purchasers being in a position to seek out bargains, which is predicted to result in downward pressure on values.

The saving grace for many cropping farmers this season will be that although summer rain had a negative affect on the quality of the 2011/12 crop, the resultant subsoil moisture will aid in the establishment of the 2012/13 crop. The livestock farmers have also had a very welcome top up to dams which have been dry for the past number of drought periods.

On a more positive note, Woolworths have recently opened a $31 million meat centre in Bunbury in the south west of the state, which will no doubt bring some positive sentiment to the Western Australian beef and lamb industry.

Contact:

David Abel Ph: (08) 9754 2982

Herron Todd White
Independent Property Advisors

Comparative Property Market Indicators - MARCH 2012

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

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

Comparative Analysis of Capital City Property Markets

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

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

Comparative Analysis of New South Wales/ACT Property Markets

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

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

Comparative Analysis of Victorian/Tasmanian Markets

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

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

Comparative Property Market Indicators - MARCH 2012

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

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

Comparative Analysis of Queensland Property Markets

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

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

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

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

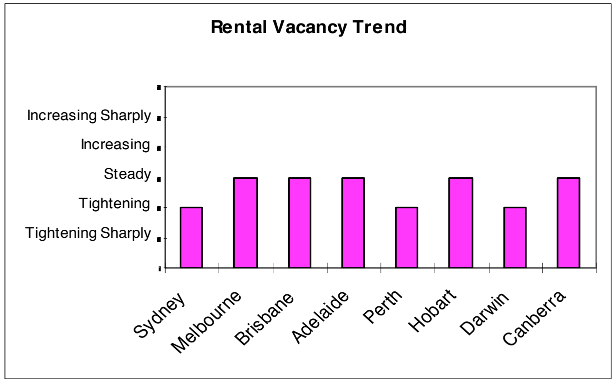
Adelaide	(08) 8231 6818
South West WA (Bunbury/Busselton)	(08) 9791 6204/ (08) 9754 2982
Perth	(08) 9388 9288
Darwin	(08) 8941 4833

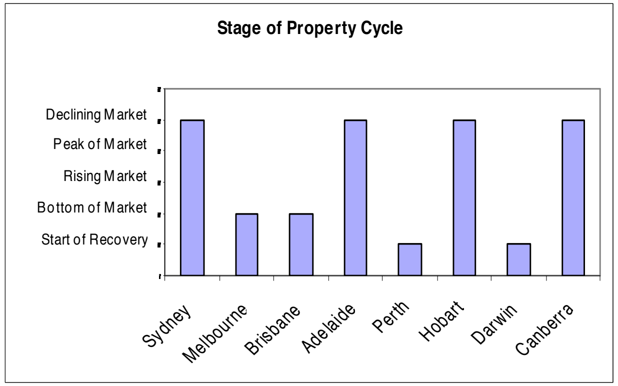
Capital City Property Market Indicators as at March 2012 – Houses

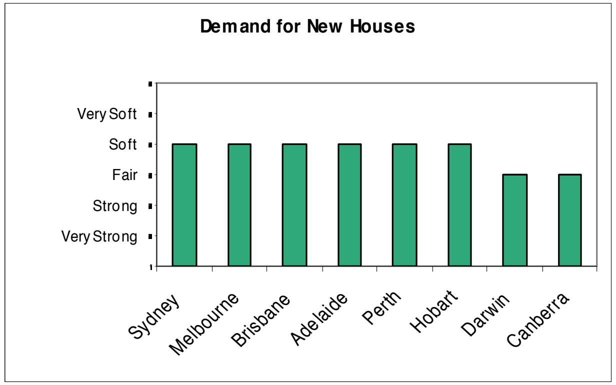
Factor	Sydney	Melbourne	Brisbane	Adelaide	Perth	Hobart	Darwin	Canberra
Rental Vacancy Situation	Shortage of available property relative to demand	Shortage of available property relative to demand - Balanced market	Balanced market	Balanced market	Shortage of available property relative to demand	Shortage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

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

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



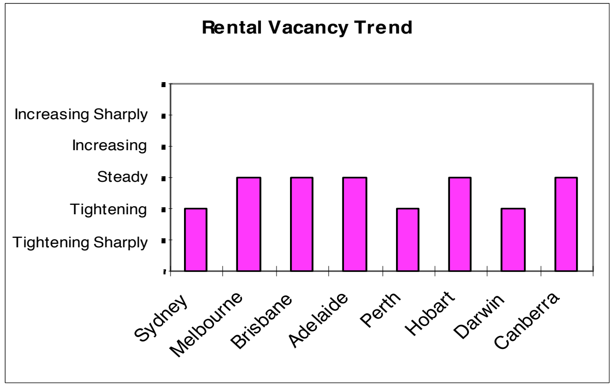


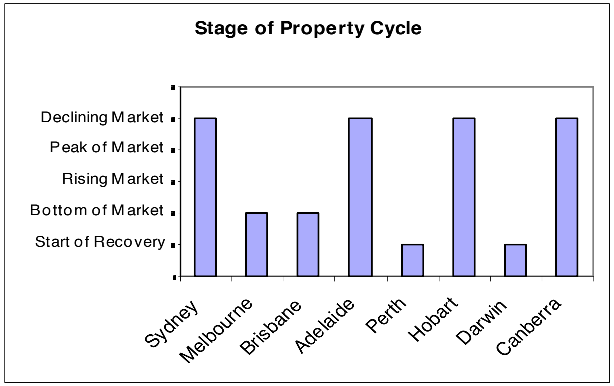


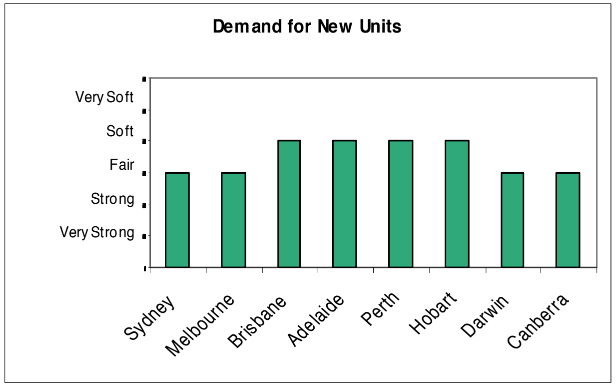
Capital City Property Market Indicators as at March 2012 – Units

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

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



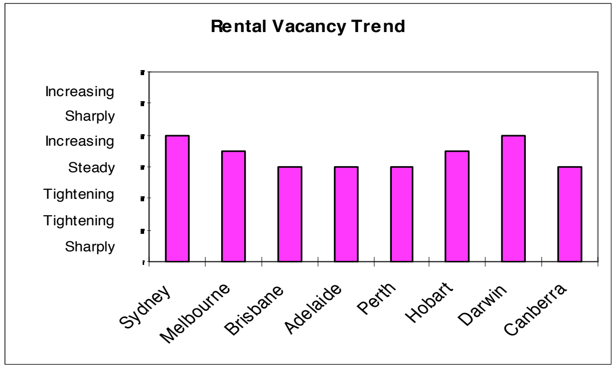


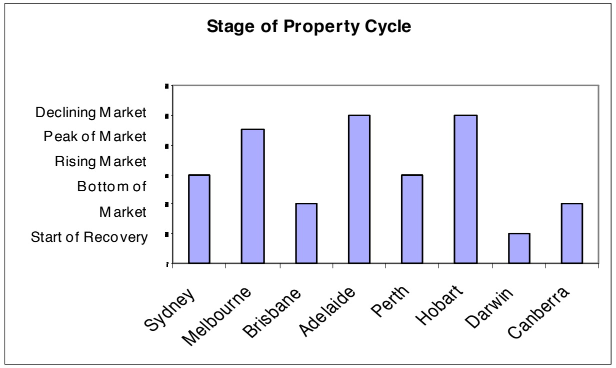


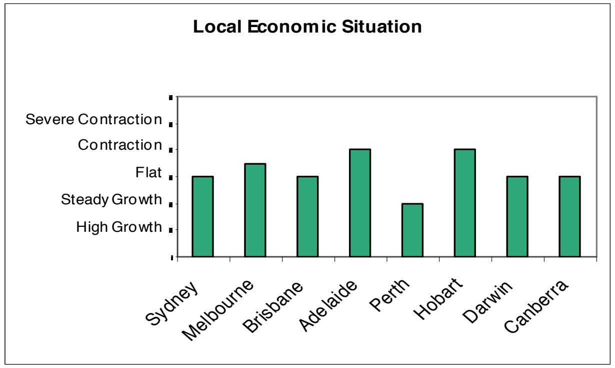
Capital City Property Market Indicators as at March 2012 – Retail

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

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





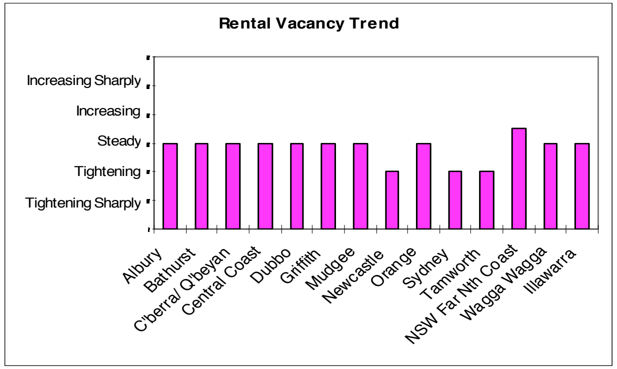


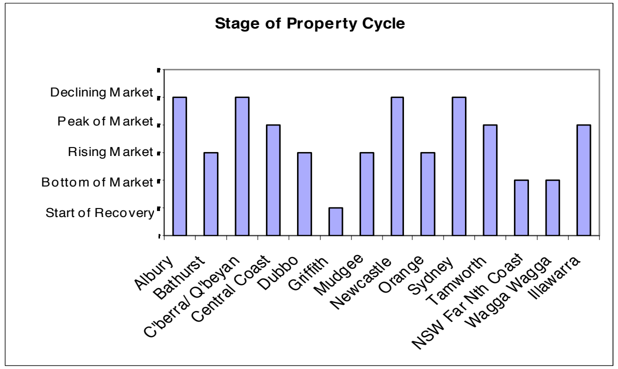
Herron Todd White
Independent Property Advisors

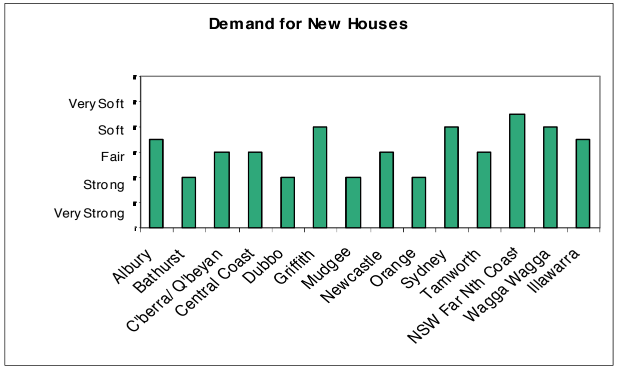
New South Wales Property Market Indicators as at Mcrah 2012 – Houses

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

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





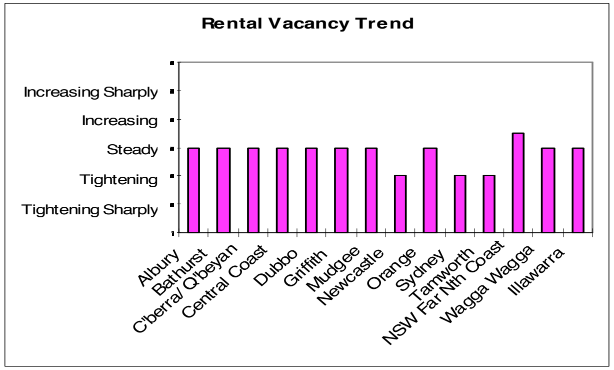


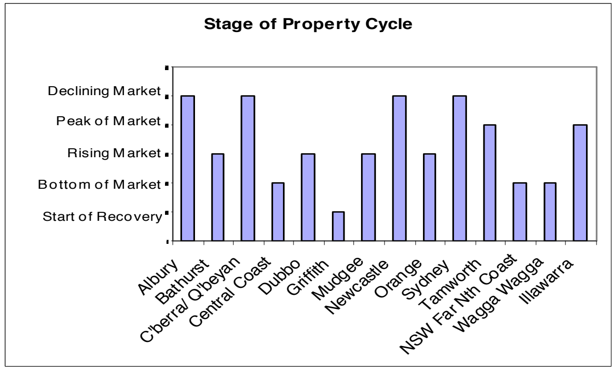
Herron Todd White
Independent Property Advisors

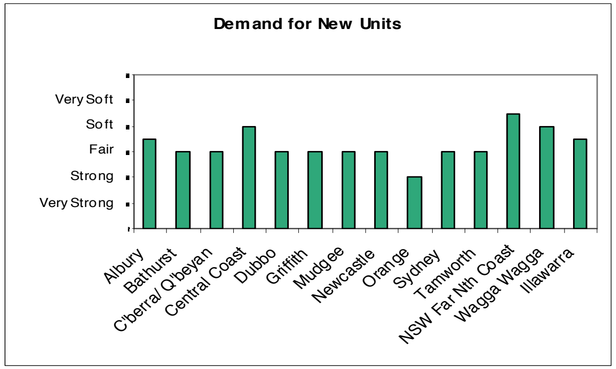
New South Wales Property Market Indicators as at March2012 – Units

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

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



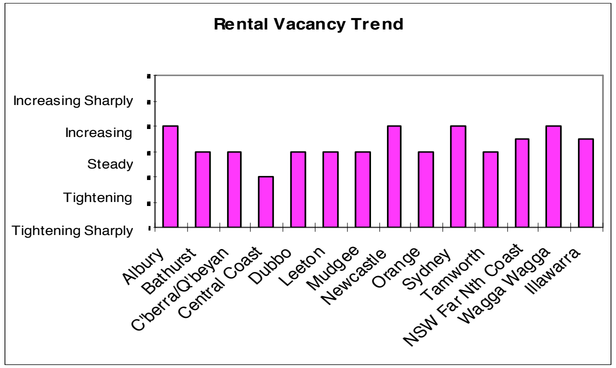


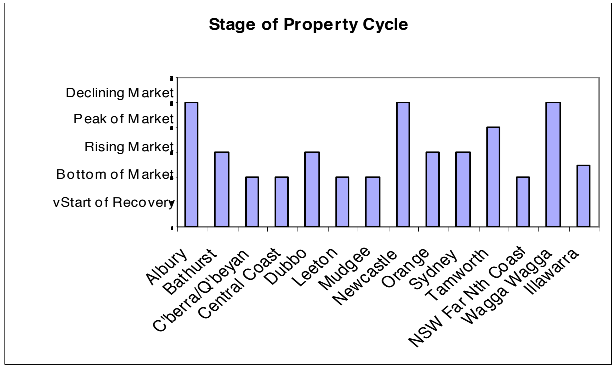


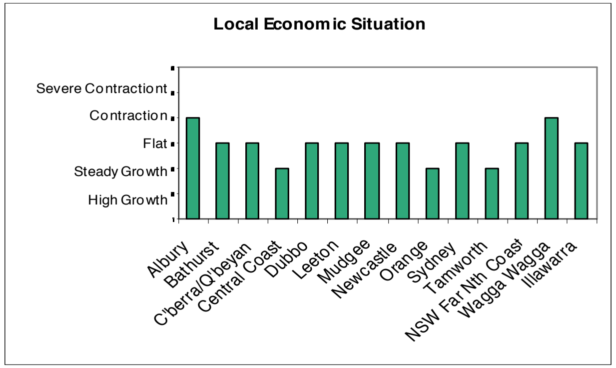
New South Wales Property Market Indicators as at March 2012 –

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

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





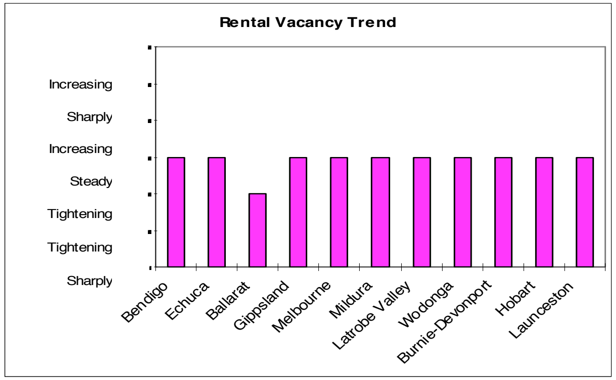


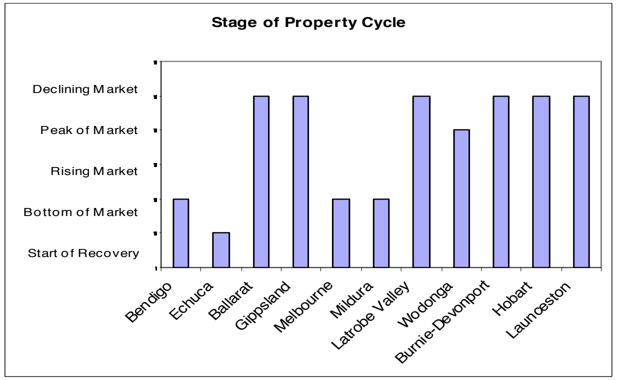
Victoria/Tasmania Property Market Indicators as at March 2012 – Houses

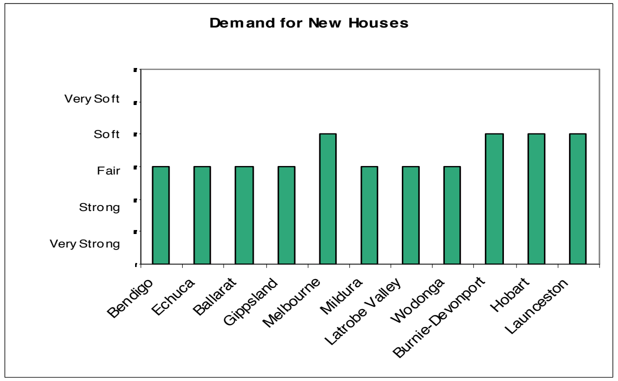
Factor	Bendigo	Echuca	Ballarat	Gippsland	Melbourne	Mildura	Latrobe Valley	Wodonga	Burnie/Davenport	Hobart	Launceston
Rental Vacancy Situation	Balanced market	Balanced market	Shortage of available property relative to demand	Balanced market	Shortage of available property relative to demand - Balanced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

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

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



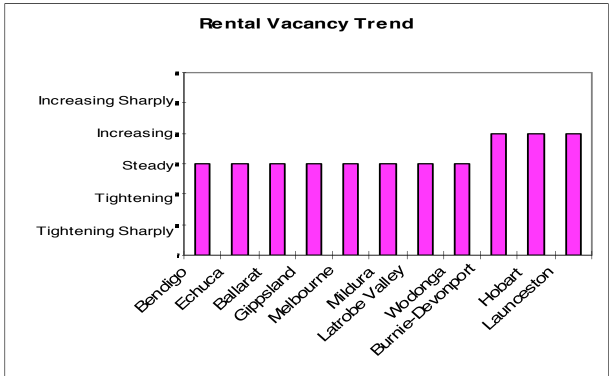


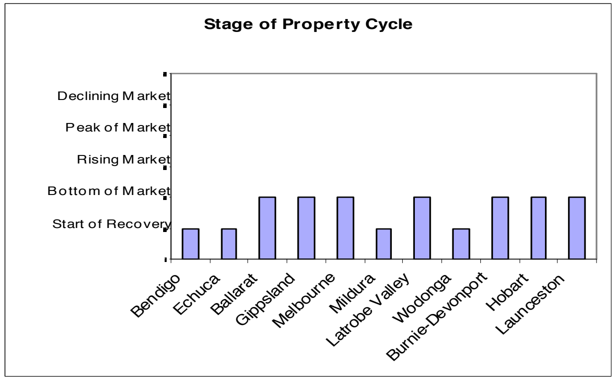


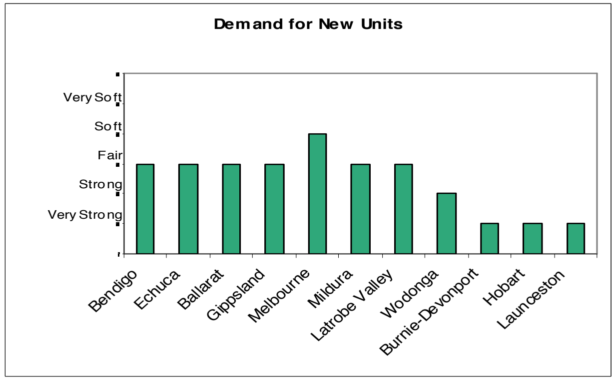
Victoria/Tasmania Property Market Indicators as at March 2012 – Units

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

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





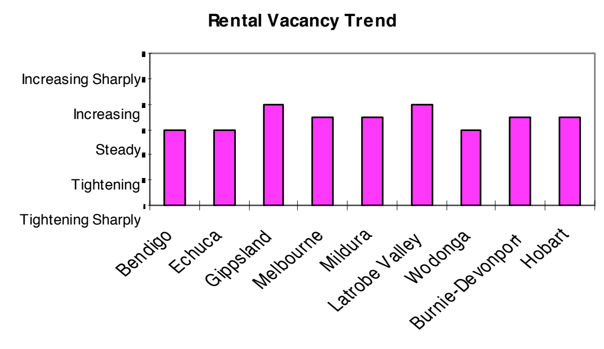


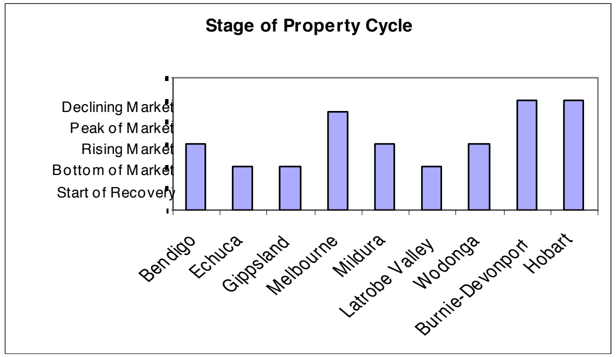
Victoria/Tasmania Property Market Indicators as at March 2012 – Retail

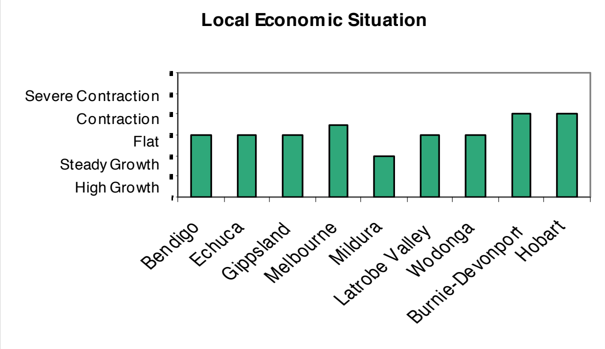
Factor	Bendigo	Echuca	Gippsland	Melbourne	Mildura	Latrobe Valley	Wodonga	Burnie/ Davenport	Hobart	Launceston
Rental Vacancy Situation	Balanced market	Balanced market	Over-supply of available property relative to demand	Shortage of available property relative to demand - Balanced market	Over-supply of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

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

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



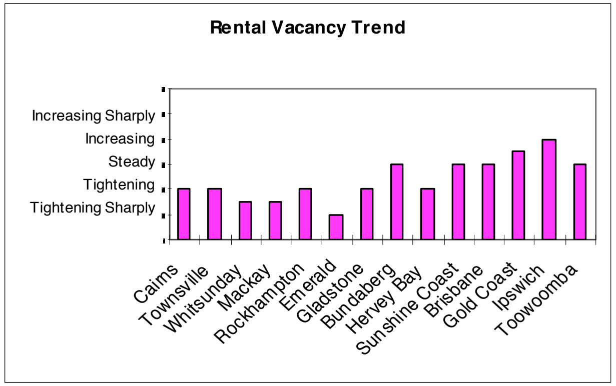


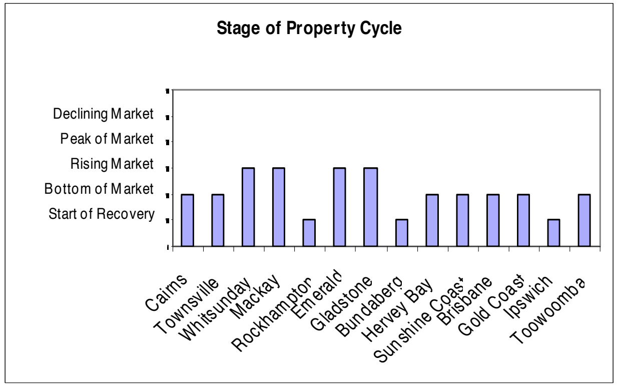


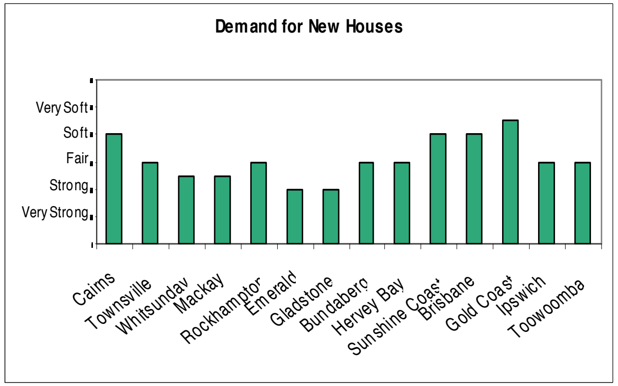
Queensland Property Market Indicators as at March 2012 – Houses

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

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



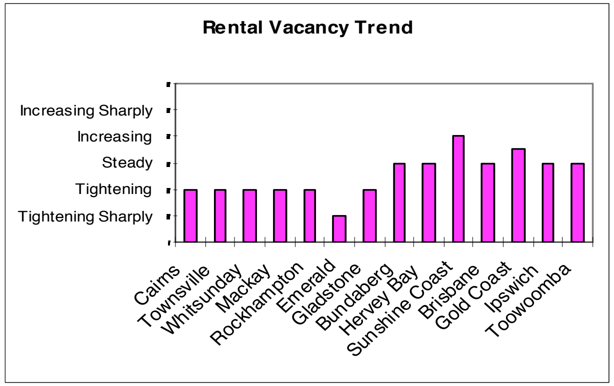


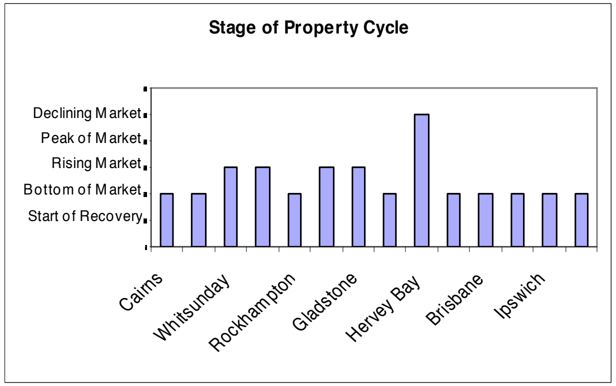


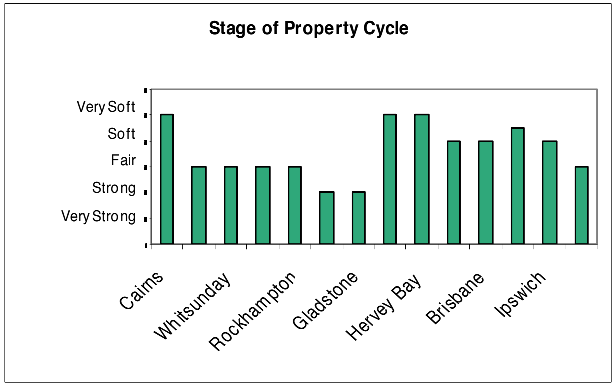
Queensland Property Market Indicators as at March 2012 – Units

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

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



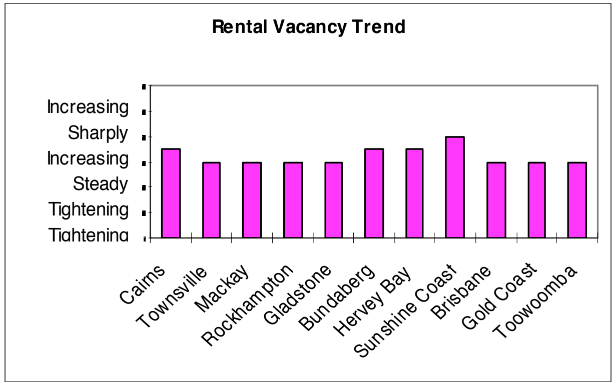


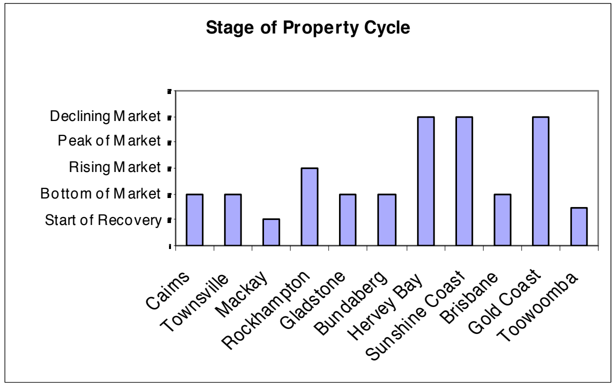


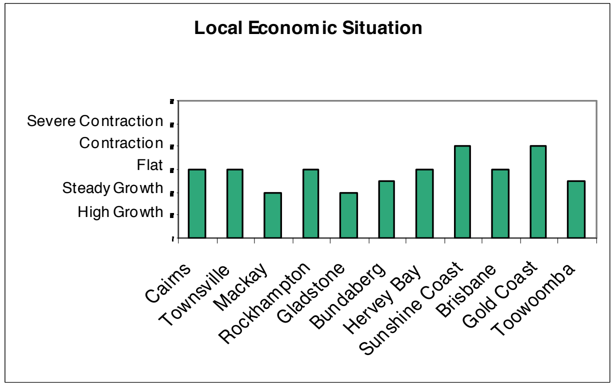
Queensland Property Market Indicators as at March 2012 – Retail

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

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





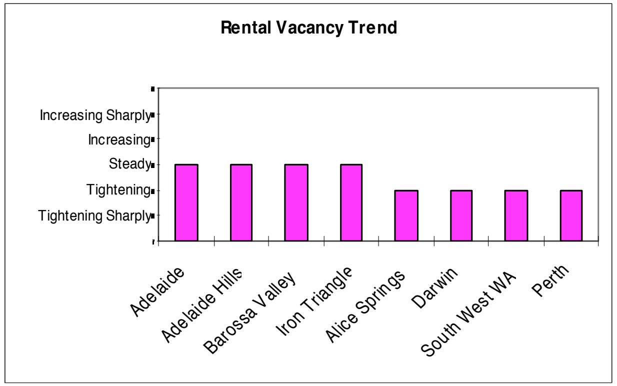


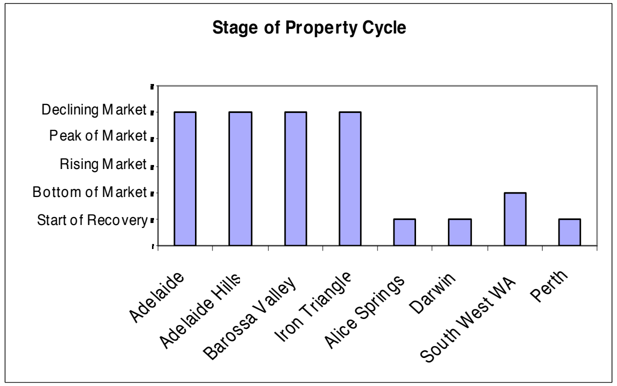
Northern Territory, South Australia & Western Australia Property Market Indicators as at March 2012 – Houses

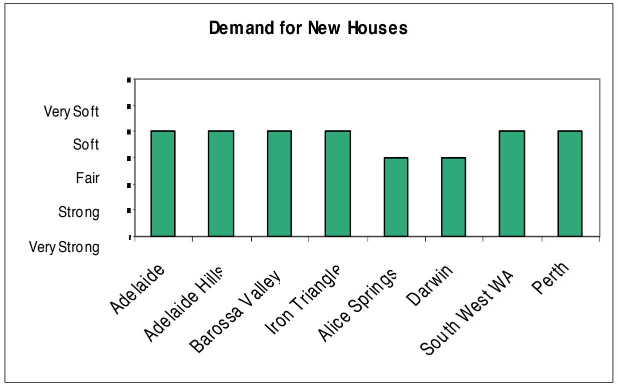
Factor	Adelaide	Adelaide Hills	Barossa Valley	Iron Triangle	Alice Springs	Darwin	South West WA	Perth
Rental Vacancy Situation	Balanced market	Balanced market	Balanced market	Balanced market	Shortage of available property relative to demand	Shortage of available property relative to demand	Shortage of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

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

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





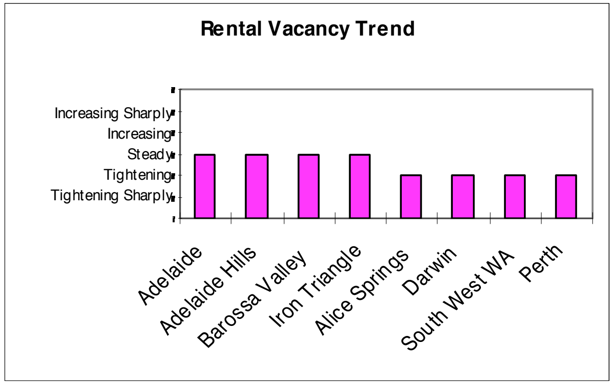


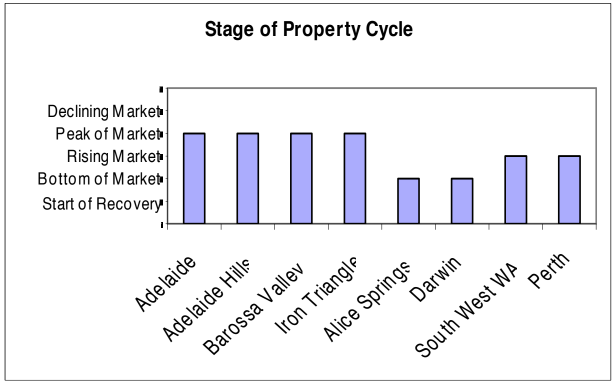
Northern Territory, South Australia & Western Australia Property Market Indicators as at March 2012 – Units

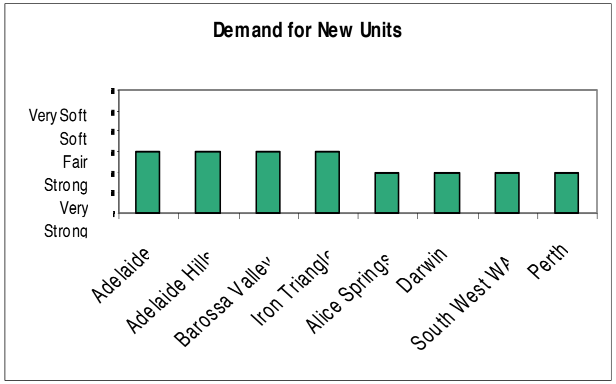
Factor	Adelaide	Adelaide Hills	Barossa Valley	Iron Triangle	Alice Springs	Darwin	South West WA	Perth
Rental Vacancy Situation	Balanced market	Balanced market	Balanced market	Balanced market	Shortage of available property relative to demand	Shortage of available property relative to demand	Shortage of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

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

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







Northern Territory, South Australia & Western Australia Property Market Indicators as at March 2012 – Retail

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

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

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