Herron Todd White

Independent Property Advisors

The Month In Review

2012 MAY

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Contents

Peace of mind for your property decisions.

Herron Todd White
Independent Property Advisors

Post Christmas Hangover
'How are we Recovering.'

And so the cycle continues. We travel from one annum to the next, dodging and weaving and trying to get a handle on what's to come based on what has been. There was some turmoil during the past year or so in case you hadn't noticed. A couple of little hiccups… nothing much. Just a few forces of nature, one or two sovereign debt wobbles, a general loss in confidence in politics. A trifling really… so to quote The Joker "Why so serious?".

Well maybe I'm just being a touch facetious. When markets are on the up they appear bullet proof, but right now it seems that when it rains, it pours (or to quote the Tom Cruise flick Cocktail ,"When He Pours, He Reigns". Get it?!).

The point of this opening babble is that we often expect markets to move cyclically and clinically with the rule of thumb being a capital value doubling every 7 years and an average growth rate between 4% and 7% per annum. The truth is that when a few things stack up against you, the equations go out the window and your guess is as good as the next prophet's.

Despite all of this, there is one fairly consistent qualitative observation, and it is that by about March/April each year, the market has shaken off its Christmas and New Year hangover and is setting itself up for the rest of the year. The first few months each year are usually filled with a jockeying for position and by the end of the first quarter or so, most of the starting grid is filled and set to move.

So for this issue we are going to tell you how the chips have fallen now the first four months of 2012 are wrapped up.

The idea is that with no political major turmoil as at right now (1:56pm Sunday 29th April – but I make no promises for tomorrow), with most of the bad overseas economic surprises revealed and factored into equities and with the reserve bank appearing to have wriggle room towards moving interest rates down, there are limited foreseeable reasons as to why the real estate market should soften. This statement is of course subject to pestilence, plague and famine remaining at bay for at least another three months.

This month, each of our offices have shone a light on how their year is going and how the palette is painted for the remainder of the year. By pegging the markets thus far for 2012, we hope to give a mighty heads up to all our readers on what might come for the balance of the annum.

Now we realise that each February our hit predictions are chartered in The Year Ahead issues, but with so much riding on the back of that 'ol grey mare called confidence, we at Herron Todd White felt a finger on the pulse update is warranted.

For those commercialites amongst you, this month is industrial month. Time to get your hands dirty with the hard working sector of commercial real estate. Our industrious industrial industry informants have taken time to down tools and work on their penmanship in order to give up some hard numbers on the sector.

So there you have it readers – time to shine a light on quarter one of 2012 and get set for what's to come. Just don't dally in the dark when it comes to your property portfolio. Get on the blower and let your Herron Todd White professionals direct a beam of brilliance to illuminate your way to the end of 2012.

See you in June.

Kieran Clair
Certified Practising Valuer
1 May 2012

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QS CORNER

Tax Depreciation Schedules more than just for residential properties.

There has always been the misconception that Tax Depreciation Schedules only apply to or are only prepared for residential properties. This could not be further from the truth.

If you own an investment property other than residential real estate which is leased or used for income producing purposes, it is likely that you are eligible to claim for depreciation against your taxable income.

These non-residential properties include commercial, rural, and/or industrial property and includes anything from commercial office space, to retail premises and industrial warehouses and even large rural properties, pubs, clubs and hotels, as long as it generates income it can be depreciated.

Another misconception about depreciating property is an owner occupier cannot claim for depreciation. This is true for residential properties; if the property is the owner's principle place of residence, then they are unable claim depreciation. This rule however does not apply to commercial property, even if the owner of the premises occupies and works out of the same building.

Many owners of commercial property purchase the property in their business name or the name of their self managed superfund and continue to work out of that building by leasing it back to themselves. This more common than initially thought and with the trend towards more people self managing their super funds, the need for Tax Depreciation Schedules should also be in demand.

The Australian Taxation Office defines eligible capital allowances based on the effective life of each item specific to the type of business. This will determine the rate of depreciation according to the items intended use. For instance with commercial properties, staff amenities such as ablution facilities and kitchenettes are regarded as capital allowances (P&E) rather than capital works (which is the case for residential). The difference here being these amenities can be depreciated over a reduced effective life, and therefore provide a greater realised tax benefit in the short to medium term.

In order to maximise non-residential depreciation allowances it is critically important to engage a suitably qualified and experienced inspector, in addition to a quantity surveyor, who is also a registered tax agent, with experience in this field to ensure ATO compliant reports.

Herron Todd White has the necessary experience, qualifications and resources to prepare Tax Deprecation Schedules on ALL property types Australia wide.

For further information or to obtain a quote, please email our Quantity Surveying Division on ***tds@htw.com.au.***

More than just Valuers

Herron Todd White is the largest independent property valuation and advisory group in Australia with over 700 staff and 65 offices nationally.

Although we primarily do valuation work we are more then just valuers, we're property advisers.

We advise on all things property related and have the best property advisers, valuers, quantity surveyors, registered tax agents and economists who can advise on the following;

- **Tax Depreciation Schedules**
- **Building Insurance (replacement costs assessments)**
- **Capital Gains Tax**
- **Stamp Duty**
- **Sinking Fund Forecast Reports**
- **Plant and Equipment Valuation**
- **Mortgage Security**
- **Pre-purchase**
- **Pre-sale**
- **Family / Partnership Settlement**
- **Litigation**
- **Transfer Duty**

If you are interested in any of the above services, please call 1300 880 489 or find us at www.htw.com.au

Remember it is almost tax time, so make sure you have an up to date Tax Depreciation Schedule to maximise the return on your investment property. For all things Tax Depreciation related contact us at tds@htw.com.au.

Commercial Overview

On average the industrial sector continues to bear more than its fair share of tough times in the wake of the current confidence dearth. With owner occupiers appearing to prop up much of the sector, investor buyers seem to be driving a hard bargain when it comes to getting industrial on their balance sheet.

This month's industrial wrap should prove a grand overview for anyone in the sector keen to see if there are some diamonds amongst the rough.

Sydney

The performance of the Sydney industrial market is highly fragmented. At one end of the market institutional properties have returned to favour, with the number of sales transactions increasing, subsequently driving yield compression. In the non-institutional space however, investor demand remains weak with owner occupiers still responsible for the majority of purchases.

In the unit estate market, investor demand remains low throughout Sydney, with potential purchasers unable to secure the yield necessary to justify an investment. A review of unit estate sales across Sydney has revealed that some properties have traded on equivalent yields of less than 5%. The low yields recorded in these sales have come as a result of the high presence of owner occupiers, who are unconcerned with the income potential of the property.

Unsurprisingly there has been little movement in unit estate capital values over the past 12 months, with interest from owner occupiers generally only serving to maintain capital values. Prime properties in the south west, outer south and north have recorded some capital growth, benefiting from increased rental rates.

With demand for existing warehouse properties remaining low within Sydney, rental rates recorded minimal growth over 2012. Properties in the outer south recorded the greatest falls over this period, with average gross rents falling by 3% to 7%, driven by rental falls in both prime and secondary properties.

With the exception of the very top of the market, the number of freehold warehouse transactions remains low, with investors concerned about the rental outlook for these properties. Across the Sydney market, average capital values remain largely unchanged from the values recorded in the first quarter of 2011.

With investor interest remaining low and the outlook for lending costs uncertain, we expect that yields in older properties will come under pressure. While the exact yield expansion is impossible to forecast, we would expect to see a 10 to 25 basis point softening in yields over the coming 12 months.

Canberra

Demand for industrial floorspace within the ACT is highly correlated with construction in both the residential and commercial office sector, with heightened levels of construction increasing the demand for storage and warehouse facilities. With both commercial and residential construction falling over the past three years, demand for industrial space has matched this downturn in the construction sector.

With occupier demand remaining limited, developers are struggling to secure the pre-commitments necessary to justify a development. Over the coming 12 months we have noticed an increase in pre-commitment rates, suggesting an improvement in occupier demand.

Rental rates within the ACT have shown little growth over the past 12 months. Consequently landlords are more concerned with minimising vacancy rather than securing rental growth. Reflecting the uncertain economic conditions, there have been limited leasing transactions in the first three months of 2012.

Reflecting the relative stability of the ACT industrial market, capital values are exhibiting far less volatility than comparable capital city locations. Similarly to other Australian regional locations the market is dominated by owner occupiers who are predominantly driven by interest rate movements as opposed to the investment characteristics of the property. Notwithstanding this relative stability, a decreased number of buyers actively seeking industrial property in the years following the global financial crisis has seen capital values fall across all ACT industrial markets.

Wollongong

Conditions within the Illawarra industrial market deteriorated in 2011 with the announcement of the closure of BlueScope Steel's smelter 3 appearing to have a flow on effect in the market. This drop in confidence has subsequently limited rental growth, with occupiers unwilling to commit to larger space and for long durations. Likewise buyers of industrial properties have remained on the sidelines, with the total value of industrial property transactions falling for the fourth consecutive year. Most transaction activity has been from owner occupiers in the sub $1.5 million range.

The shining light in the industrial market has revolved around development at the Port of Port Kembla with its Outer Harbour project, bolstered more recently with the announcement of a $273 million soybean processing and biodiesel production facility and a $180 million cement grinding mill also in Port Kembla. The developments combined with the ongoing mining boom and significant capital investment by Gujaret NRE at its Russell Vale colliery, demonstrate that it is not all doom and gloom in the Illawarra. What the region needs now is some strong government leadership at the federal and state level, particularly on some key infrastructure projects such as solving the freight rail and the Sydney airport dilemmas.

Southern Highlands

Conditions in the Southern Highlands industrial market remain subdued with a large overhang of properties limiting rental and capital growth and in turn impacting the viability of development land. A struggling manufacturing industry appears to be capping a recovery at present. Weak market conditions are more pronounced in Mittagong and Moss Vale, while Bowral appears stable with some transaction activity reported off Kirkham Road over the past few months.

Central, North and West NSW

The Dubbo industrial market is showing signs of improvement with some increased activity over the past 12 months. There have been five recorded vacant land sales and three improved sales year to date. Vacant land has reflected between $29 per square metre and $62 per square metre while the improved property indicates values of between $340 per square metre to $474 per square metre added value of improvements.

Mining continues to be the main driver in most rural areas with increased activity in the Mudgee Region (Ulan), Parkes, Cobar and Orange.

The Orange industrial market has been strong with eight improved sales and three vacant land sales. Land values have ranged from $63 per square metre to $93 per square metre with current sales not yet settled in excess of $100 per square metre. The improved properties have analysed from $412 per square metre to $1,070 per square metre added value main building improvements. There have been three investment sales ranging from yields of 8.7% to 11.3%, with the higher yield reflecting a high capital value property sold by a mortgagee in possession.

The Bathurst industrial market has improved with three recorded improved sales and eight vacant land sales in the past twelve months. The vacant land ranges from $49 per square metre to $68 per square metre.

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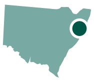
Newcastle

With the first quarter behind us, the Newcastle and Hunter industrial market remains a slow moving beast with limited transactions recorded. Of those sales recorded the figures indicate a further softening of yields in prime industrial areas with any previous hints of an upsurge in activity a mere blip on the radar.

The Nathan Tinkler owned Hunter Ports' plan for its proposed $2.5 billion coal loader terminal in Newcastle has recently been rejected by the State Government. Situated on the former BHP steelworks site, Hunter Ports' claims the coal loader would have created a new rail link and reportedly removed around 90% of coal trains from residential areas. The Hunter Ports project was competing with the $5 billion, 120 million tonne a year Terminal 4 proposal. The terminal, which would be owned by Rio Tinto, Xtrata and other coal companies, requires the dredging of 300 metres of the river to a depth of 15 metres.

The Newcastle Herald reported Hunter Ports managing director Steve Van Barneveld as saying the organisation was considering its response since the rejection, but it would continue to explore options for a coal terminal at Mayfield as this is the "only site that can provide such environmental, social and financial benefits".

The effect on the greater industrial land market is yet to be known, as it remains unclear what will be done with the 100 hectare formed BHP site. However it is unlikely Mr Tinkler's Hunter Ports will go away without a fight on this one.



NSW Far North Coast

The market for industrial properties on the North Coast continues to be soft, with generally moderate demand in the current economic climate. Large industrial properties are rarely available as they tend to be closely held and tend to be sought by owner occupiers / larger local businesses rather than investors. Smaller industrial properties are being sought by both owner occupiers and some investors; however, asking prices need to be realistic in order to achieve a sale.

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

The industrial market in Byron Bay was particularly strong between 2004 and 2007, this was being driven by owner occupiers and investors who were taking advantage of low interest rates to secure their own freehold premises or entry level investments in a rapidly increasing market. This high level of demand saw very strong increases in values due to a shortage in supply.

....the industrial market within Ballina is also currently soft, however buyers in the lower end of the market are still evident....

Currently demand for industrial properties within Byron Bay continues to be soft due to continuing economic conditions and negative market sentiment. Strata titled industrial units within this locality have generally attracted reasonable interest due to entry level investment opportunities (under $500,000) with investors competing with owner occupiers, some of which utilize premises for residential use albeit illegally.

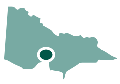
There has been a recent sale of a small strata titled industrial property within Byron Bay. This particular property has a total building area of 195 square metres and was tenanted in two sections with a gross annual income of $21,000. The property was purchased by an investor at an analysed yield of 6.25% and the sale reflected $1,487 per square metre of building area.

The industrial market within Ballina is also currently soft, however buyers in the lower end of the market are still evident subject to the asking prices for stock being realistic. The current soft market conditions within Ballina are supported by the August 2011 sale of a free standing industrial building located on a 1,487 square metres site with a building area of 600 square metres which sold for $650,000 to an intending owner occupier. This same property was purchased in the peak of the market (November 2007) for $810,000 and a further $90,000 was spent for the construction of a mezzanine and caretakers flat. This analysis to a discount of 28%.

Another interesting sale of note within Ballina is the September 2011 sale of a large, free standing industrial building located on a 3,870 square metres site with a building area of 1,900 square metres. The property was sold on a leaseback scenario for $2.5 million which analysed to a yield of 9.12%.

The industrial market within Lismore and its surround also remains soft. A recent sale of a flood affected site in Lismore on a 1,415 square metres site and with a building area of 775 square metres achieved $380,000. This sale analysed to $490 per square metre of building area or $268 per square metre of land area.

Overall, the market for industrial property is currently being adversely affected by a soft rental market and increasing statutory outgoings. Owners are being forced to accept low returns on investment, however there is an expectation in the market that conditions will improve over the coming years. We feel that an improvement to net returns would not necessarily result in uplift in values but would increase investment yields to a more acceptable level.



Melbourne

This month we take a look at the Melbourne industrial markets performance for the year to date.

The industrial property investment market has maintained a steady position in the first quarter of 2012. We have seen a reasonable volume of transactions with market rentals and capital values maintaining their overall position.

Major industrial transactions in early 2012 include a sale in the western region of 70 William Angliss Drive, Laverton North. The modern 4,340 square metre office warehouse sold for $2.7 million reflecting an initial yield of 8.15%. A major leasing deal at 54 Vella Drive, Sunshine West saw Crown Melbourne take up a four year lease on a 3,647 square metre office warehouse at an approximate rent of $60 per square metre.

A major sale in the south eastern region was 8 Dunlop Court, Bayswater. The property comprises a 24,919 square metre older style office/warehouse and a modern office/warehouse of 2,419 square metres. The property sold for $9.5 million reflecting an analysed market yield of 9.45%. A major lease deal in the region at 25-29 Letcon Drive, Dandenong saw Ego Pharmaceuticals take up a five year lease on a 6,676 square metre office warehouse at a rent of $85 per square metre.

Speculative development and tenant demand has started to increase at the upper end of the market. There appears to be a general shortage of premium grade industrial buildings in excess of 3,000 square metres. Approximately 30,000 square metres of new stock has been constructed in the past six months as businesses expand their existing facilities. The shortage of large premium buildings should see new stock levels continue to increase throughout 2012. Investors remain the most likely purchasers of property over $5 million; however we expect to see developers and possibly Australian REITS becoming more active in the later half of 2012. Owner occupiers are likely to continue dominating the sub $5 million industrial market.

Regional Victoria

MILDURA

Steady as she goes is the trend in the industrial sector in Mildura. Some recent activity of three national companies agreeing to lease proposed purpose built premises in Mildura has been evident which is a solid boost for the city, however we note two national furniture outlets closing down.

The large wineries around Mildura have now completed crushing a good quality grape crop. The large citrus packing industry is now six weeks away from commencing packing of the 2012 navel crop, however the export market is presently depressed, caused by the strong Australian dollar and strong competition into South East Asia by South Africa, benefited by a weaker SA Rand.

Adelaide

The Adelaide industrial market appears to be experiencing a period of consolidation. Major expenditure such as the Adelaide Hospital and more pertinently the transport infrastructure expenditure to the north south corridors, specifically the expansion of the Southern Expressway and the South Road Super Highway, is expected to have a positive impact on the industrial market. In addition, as the Olympic Dam expansion becomes closer to being fully secured, even those industries not directly affected by the BHP owned mine will benefit from the quantum of the expenditure and flow through labour and supply shortages.

Within the second half of 2011 this perceived positive outlook has resulted in an increase in sales of industrial properties between $1 million to $3 million despite leasing activity remaining subdued.

A particular transaction of note is that of Coca Cola Amital committing to 35,000 square metres of space in the former Bridgestone factory for use as a distribution centre. Also continuing the theme of sugar based drinks is Schweppes leasing over 12,000 square metres in Wingfield.

A feature of the sub $1 million market is that it generally appears to be reactionary to both rental fluctuations and expectations of improved business activity. This means that any movement in either private investors or owner occupiers will be income led more so than expectation driven. The mid and upper market sectors are agile enough to pre-empt such circumstances, particularly when led by the institutional purchasers. Consequently the lower market hasn't reflected the same, if any improvement in investor demand and leases remain difficult to achieve with incentive use beginning to increase.

....within the second half of 2011 the perceived positive outlook has resulted in an increase in sales of industrial properties between $1 million to $3 million....

It also appears that some industrial property has not fully escaped the depressed state of the retail sector. Those industrial properties offering mixed use of showroom and office seem particularly difficult to tenant.

So while the mid-market is indicating a stronger long term outlook, owners within the lower sector will need to maintain realistic.

Berri

2012 has seen a predictably slow start to industrial sales and leasing activity throughout the Riverland. 2011 saw a number of major sales occur including the former Fletchers Freighters site on the Old Sturt Highway, Berri, the former National Foods premises on Hughes Street, Berri and the former BP Fruits packing shed at Cashmore Avenue, Loxton.

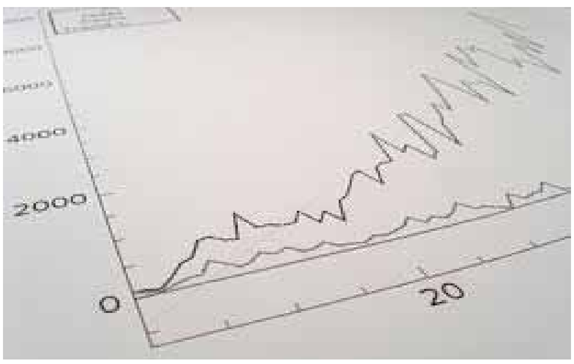
Of the three major sales in 2011, two were to owner occupiers, which is where we believe the majority of interest and potential transactions will come from in 2012. The investor market is limited throughout the Riverland at the moment due to high vacancy rates and low levels of potential lessee's. Many potential purchasers, both owner occupiers and investors, are still finding it difficult to obtain finance unless they are able to input substantial equity into the initial transaction.

Brisbane

While we consider the market to have stabilised, there appears to be more confidence in early 2012 which has filtered into the industrial market, more so in established industrial precincts. Demand from tenants has not been matched by additional supply with the lack of suitable alternatives which has resulted in the level of vacant space available fall to a record low. As a result investors and owner occupiers have begun to be more active in the secondary industrial property market.

Following a significant take up in stock in the first quarter, industrial rents are showing signs of regaining some bounce. The TradeCoast precinct (Eagle Farm, Hamilton, Pinkenba, Lytton, Morningside, Murarrie and Hemmant) has tightened up particularly in the last couple of months. Top quality stock in Eagle Farm in particular, is quite scarce especially freestanding buildings with a high corporate office component. This region is one of the premium industrial precincts in Brisbane; it is near the Brisbane International and Domestic Airports making it popular for manufactures and distributors deciding to lease instead of buying. As a result of the increased leasing activity and the lack of prime buildings either under construction or available for lease, secondary stock is dominating the market. Furthermore large secondary buildings which have been on the market for quite some time have been taken up in the first quarter and this trend is likely to remain.

Vacancy within the Brisbane industrial market is currently sitting at record low levels as steady tenant demand continues to operate in a market relatively void of new stock. This low vacancy is a direct result from the lack of supply with secondary buildings accounting for the vast majority of the vacant space. As previously mentioned the quality of stock is heavily dominated by secondary buildings, with only a small percentage of prime stock remaining in prime corridor locations. This vacant secondary space ranges from sites with extremely low utility through to highly functional, although older accommodation options.



Prime accommodation accounts for 30% of the available stock, although given the relative lack of new supply over the past two years, most of this is within existing buildings rather than brand new stock. The current available prime space, is concentrated in the south and TradeCoast markets, with only limited prime available stock in the north and south–east. Given the increased level of leasing and investor inquiry in the first quarter, this record low in vacancy is predicted to remain at these levels unless a spike in development occurs, which in our opinion is not likely in 2012.

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The beginning of 2012 witnessed a sharp increase in not only transaction volumes but in the level of interest from owner occupiers seeking stock in the sub $3 million price point. Given the low levels of prime accommodation, there seems to be interest from owner occupiers looking at buying a property to occupy at the end of their lease term rather then electing to stay in their existing accommodation. However, a portion of owner occupiers who are seeking to upgrade or expand their facilities will need to continue to pursue design and construct projects or fragment their holdings across smaller buildings. Industrial assets with secured long term tenants are still the preferred asset of private investors wanting to maintain a healthy portfolio. Given the strong absorption in the leasing market in the first quarter, investment activity is to set to remain steady. Overall there is still a degree of cautiousness out there but activity is increasing as people are getting on with business.

Flood hit industrial properties in Brisbane's south-west are beginning to fill with tenants. Good quality properties which have been recently refurbished are being offered at cheaper rentals. Businesses with stock which can be easily moved or will not be affected by water, view these low rents as an opportunity.

Given the limited supply of quality industrial product available for lease, many tenants may continue to look for alternative arrangements in the form of secondary grade buildings at cheaper rents. This is also likely to flow through into the owner occupier market. Although investors are still acting with discretion, overall the industrial activity and the industrial property market in Brisbane has good prospects moving into the second quarter.

Gold Coast and Tweed Coast

While we cannot report any genuine improvement in the industrial market on the Gold Coast so far this year, our most recent discussions with local agents would suggest that both leasing and buyer enquiry levels are improving.

The writer has personally prepared three valuations for purchase mortgage finance since the start of January

2012. The majority of work that we are doing at the moment is for refinance, receivers, rental negotiations and litigation.

As has been noted in previous articles, the Gold Coast depends, to a large degree, on tourism and construction. Both sectors have been hit hard and continue to suffer. It would be an over exaggeration to say that the market has stalled but the number of sales has most certainly plummeted.

Having been through a market something like this before, we have the impression that everybody is waiting for something to happen. There are just too many reasons for investors and buyers to do nothing. You cannot make a mistake by doing nothing. Go to a property auction and see many examples of this.

....the overall property market on the Gold Coast will remain subdued until all of the bad news, bad owners and bad debts are flushed out of the system.....

However, the world has not stopped. There have been sales. Just not many. As an example of this, we have researched the number of sales of industrial units in Burleigh Heads since 1 October 2011.

Burleigh Heads is a very popular and well established industrial location at the southern part of the Gold Coast close to the Pacific Motorway. We have chosen industrial units as a barometer as they represent entry level real estate. It is where a small business might start and what a small investor might buy. There have been 15 recorded sales of units in Burleigh Heads since 1 October 2011.

To put this into context, there were:

- 121 sales of similar units in the same suburb in 2007;
- And 48 in 2010.

So, when is it all going to end?

In our opinion, the overall property market on the Gold Coast will remain subdued until all of the bad news, bad owners and bad debts are flushed out of the system.

We are in this for a while.

But what opportunities there are for cashed up buyers!

In our opinion, we are probably still in a declining market. A savvy purchaser will have little competition and a great deal of choice. This could be the chance of a lifetime.

Sunshine Coast

The state of the industrial market on the Sunshine Coast is dependant upon the location and type property.

Vacant land remains in an oversupply situation in emerging and secondary industrial precincts. Value levels have remained stable however sales volumes have been very limited. An oversupply situation will be present in the market for some time with little to no value growth available until buyer demand increases and stock levels reduce.

Vacant land in established markets such as Kunda Park and Caloundra has seen very limited turnover.

Investment grade buildings are achieving yields in the order of 9% depending upon the quality of the tenant. There are a couple of new listings with good quality tenants recently offered for sale.

Transactions have increased for smaller industrial stand alone buildings especially within the central Sunshine Coast. These buildings have been predominantly purchased by owner occupiers or SMSF investors and tend to reflect notional yields in the order of 8.5%.

Industrial units are very dependant upon location and the amount of competition within the local market. Rates higher than $2,000 per square metre are being achieved for small units within new developments in areas with limited supply.

The market is likely to remain soft for the remainder of 2012.

Southern Queensland

The Toowoomba Industrial sector is relatively stable, with some minor increase in demand evident from owner occupiers, but limited interest and activity from investors. In early 2012 we have seen an increase in supply of built product available for sale or lease. Rental rates are stable, however are close to the maximum levels reached during 2008. Outgoings have generally increased, resulting in a softening of yields and a reduction in capital values in some cases. The limited investment sales are showing net yields ranging from 8.75% to 9.75%.

Supply of industrial land is limited, particularly in the 4,000 to 10,000 square metre range. Most sales activity is occurring in the 7SD Business Park in Harristown, with 1,200 to 1,400 square metre lots selling for approximately $135 to $145 per square metre.

Construction on Stage 1 of Witmack Industry Park in Charlton has commenced, where lots range from two hectares. Commitments have been received from two poly pipe manufacturers servicing the CSG sector, with construction of the respective complexes being well advanced.

The outlook for the Toowoomba industrial market is for demand to continue to steadily grow, with a corresponding minor increase in rentals and firming of yields. Industrial land pricing is likely to come under pressure due to limited supply in the 4,000 to 10,000 square metre range.

Central Queensland

ROCKHAMPTON

The industrial market has remained steady during the first quarter of 2012. Supply remains low with very limited properties available for sale or for rent. Overall there were few sales during 2011 in the industrial market, again due to limited supply stocks.

There has been some activity in the market for larger allotments (around one hectare) over the past 12 months. Sales of larger industrial sites have been reflecting between $65 to $110 per square metre of land. Sales include two sites in Chappell Street, one which sold for $1.34 million in April. This is a 1.14 hectare site which reflects approximately $118 per square metre of land area. The purchase is reportedly for owner occupation. The second site sold for $1.05 million later in 2011. This is a one hectare site. The sale reflects approximately $105 per square metre.

Smaller sites currently reflect between $130 to $150 per square metre for 2,000 to 4,000 square metre sites.

In terms of rental availability there are a number of newly constructed, tilt panel warehouses with floor areas ranging from 400 to 800 square metres. These including small office and mezzanine levels available for rent ranging from $140 to $165 per square metre gross. At these levels, the Rockhampton industrial market is still a long way behind our other regional counterparts including Townsville, Gladstone and Mackay.

Vacant industrial land sales in Gracemere continue to tick over with more sales achieved in the Gateway Estate. The Gateway Estate is an industrial estate which was constructed in 2007/2008 and runs parallel to the Capricorn Highway, bounded by Capricorn, Somerset, and Foster Streets. The estate comprises 27 serviced, allotments. Sites vary in size from 2,000 to 4,000 square metres with some larger sites up to 8,000 square metres. The estate has been subject to a national marketing campaign since construction. The estate was placed into receivership during 2011. Prior to the receivers taking possession, only four sites have sold. List prices have now decreased and there has been a spate of activity over the past few months. The most recent sale prices reflect $59 to $66 per square metre for the 4,000 square metre sites and up to $80 per square metre for the 2,000 square metre sites.

Three warehouses have been constructed in the estate over the past 12 to 18 months. One warehouse was constructed by Pacific National for owner occupation and two others have been constructed and leased to national companies associated with the mining industry. Achieved rentals levels are approximately $130 to $140 per square metre gross. This is in line with those achieved in industrial areas of Rockhampton.

Property in this general locality will become far more accessible upon completion of the Gracemere Overpass which is currently under construction. The overpass is being constructed at the junction of the Capricorn Highway and Malchi-Nine Mile Road. Some existing level crossings at Somerset Road and Malchi-Nine Mile Road will be removed once the overpass is completed.

In line with this, land located south of the Capricorn Highway in Gracemere has been earmarked for industrial development to address the acute shortage of medium and high impact industrial land available in the region. This precinct has been identified due to its geographical location, proximity to transport corridors, existing industrial land and trunk infrastructure including water, waste water and roads.

....vacant industrial land sales in Gracemere continue to tick over with more sales achieved in the Gateway Estate....

A proposed Temporary Local Planning Instrument is currently being mooted by Council. The instrument is reportedly being implemented to recognise market attraction to the new Gracemere Overpass. However the plan has been met by a significant level of public opposition. The final decision is expected by the end of April.

The construction of the overpass is likely to see further future support for industry in the area and an increase in demand for industrial property in this locality in Gracemere. However, this is difficult to predict with any certainty.

BUNDABERG

The Bundaberg industrial market has made a very slow start to 2012 with very limited activity. The most recent sale of a significant industrial property was in November 2011 at $1.075 million with vacant possession. It is a good corner property but with aged buildings. The sale reflects $630 per square metre of building area and $226 per square metre of site area as improved. Yield rates appear to have settled in the 8% to 9.5% range with most properties being in the 8.5% to 9% range. However good, clean sales of investment properties have not been forthcoming.

....due to the oversupply of land, there appears to be an increasing trend of developers/owners approaching potential occupants to construct a purpose built building rather than lease existing stock....

HERVEY BAY

The Hervey Bay industrial market remains slow with limited interest. Owner occupiers appear to be the most active with existing tenants entering into negotiation to purchase rather than exercising lease options. To date this year there have been some sub $500,000 sales of strata units and late last year there was a sale of a partly improved site in Pialba for $830,000 reflecting $204 per square metre of land area as improved. Rental rates appear to have stabilised from their downward trend however supply still remains high which increases risk of a further reduction.

Due to the oversupply of land, there appears to be an increasing trend of developers/owners approaching potential occupants to construct a purpose built building rather than lease existing stock. In some cases, this has resulted in rental rates above market parameters being achieved. Unfortunately these properties have then not been well received by the investor market highlighting the risk that the rent is high and tenant may vacate at the end of the initial term.

MACKAY

The Mackay industrial market is centred primarily on the suburb of Paget and plays an important role in servicing the Bowen Basin coal industry. There are a number of secondary estates throughout the region which also provide minor support to the mining industry however also play an important role in servicing the requirements of the local population (e.g. mechanics, panel beaters, metal fabrication, builders, etc).

The large majority of sale and rental evidence occurs in Paget. Over the past six months the area has seen a reduction in available tenancies with a total of approximately 2,900 square metres currently vacant. This is considered relatively low and insufficient to meet demand in the medium term. Proposed development which is under construction or advertised to commence in the short term equates to a further 9,381 square metres.

The lack of available space appears to be causing some upwards pressure on rent values. It is considered that the extent of this is dependant on the construction of additional stock. There is no shortage of vacant industrial land available for development although the appetite for speculative development has been depressed over the past few years and this has partly been the cause of a reduction in developed stock levels.

Investment yields have remained relatively stable and range from 8% to 8.75% for modern stock. Older or less desirable stock has generally ranged above 8.75%.

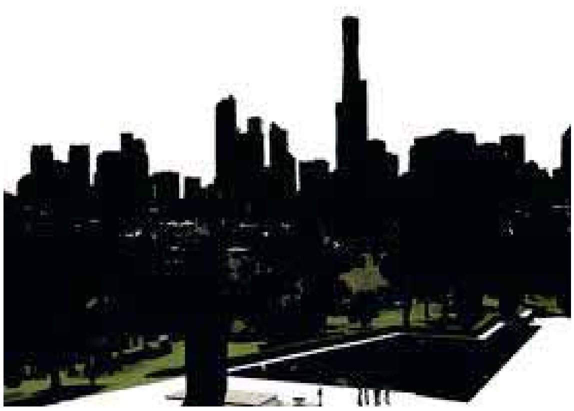
Cairns

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

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

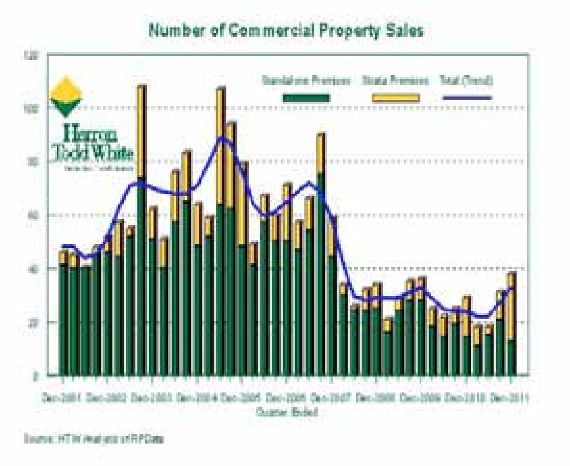
Due to the downturn in the local economy and reduced demand from tenants and purchasers, rents have shown slight decreases over the past three years.

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



Townsville

While sales of developed commercial and industrial properties are at a fraction of the levels observed over the 2003 to 2007 period, there was a distinct pick-up in activity during the last half of 2011. Our investigations show a near doubling of sales during the last half of 2011 compared with sales during the first half of the year.



During the first half of 2012, anecdotal evidence suggests that industrial sales are outstripping commercial sales with the majority of activity in the sub $2 million bracket.

There would also appear to have been a pick-up in the leasing side of the industrial market during the first quarter of 2012, with more leasing transactions taking place along with a market correction resulting in softening rents.

Unlike a number of other regional centres, Townsville has a relatively stable economic base with mining, education, defence and other industries all contributing to the economy making it an attractive area, particularly under the current bottom of market conditions.

Darwin

There was a flurry of enquiries about industrial properties after the go-ahead for the $34 billion Inpex project was announced at the beginning of the year. While the window shopping continues, it largely fizzles out before it translates into sales. So while the turnover results for both the last quarter of 2011 and the first quarter of 2012 for all the Northern Territory's industrial sales were the highest since 2007, this cannot yet be interpreted as a full market recovery. To illustrate, in complete contrast to 2011's end quarters, the middle quarters of 2011 were the lowest since 2007 (Source: NT Government). Such is life when there is only a small base of statistical evidence to try to interpret.

On balance, based on these criteria, sales volumes in 2009, 2010 and 2011 were only between 50% to 60% of those attained at the height of the market in 2007, and little better than those in the slow years at the beginning of the century, when people were casting about to see who should turn out the lights in Darwin.

However, while the overall volume of sales declined markedly since 2007, overall values did not. Some did, some stayed the same, and some increased, but none of them spectacularly so in any direction.

What has been far more spectacular are predictions such as 20,000 new jobs being created over the next five years in the NT (the total number employed in the NT is only about 125,000). Already the NT has Australia's lowest unemployment rate, so where these people and their families are to come from, and how they are to be housed and otherwise serviced, is still undetermined. There are other positive indicators, such as the Property Council of Australia finding the Darwin property industry to be the most optimistic of all. Access Economics has been making bullish predictions for a long time now, but recently these predictions have seemed to be like that pot of gold at the end of the rainbow.

Except that they aren't. Inpex is signed and sealed and will be delivered, and there are other global scale players hovering about who will play a part in Australia becoming the world's largest LNG exporter, which is being predicted to happen before the end of the decade. Inpex's Sean Kildare puts it this way: "This is Darwin's century. The economic development that got Australia on its feet and got us going - that happened in the southern half of this country. That was last century. Above the Tropic of Capricorn is what's going on now and Darwin has the central, iconic role to play".

....while the overall volume of sales declined markedly since 2007, overall values did not....

A pivotal part of such a future had its first sod turned in April – ShoreASCO's $110 million Marine Supply Base. It is to be built by MacMahon Contractors Pty Ltd on a vacant 8.55 hectare site near East Arm Wharf, and is due to be completed by late 2013. It will be used by Shell in relation to its FLNG behemoth, and Inpex, ConocoPhillips and others for servicing and supplying their offshore gas rigs. What with Defence expenditure as well, the industrial market here is rather like dung beetles watching a large herd of elephants approach: not doing a lot, a tad nervous about being squashed, but slavering in anticipation and ready to pounce when the opportunity presents itself.

Perth

The industrial property market has carried on largely in a similar vein to the previous year. Values have remained largely steady across the Perth metropolitan region on the back of a booming resource sector.

While the growth experienced within the sector has largely shielded this market from the instabilities and volatilities of the global economy that has affected most asset classes, businesses dependent on the mining sector are not evenly distributed across Perth's industrial suburbs. Consequently some industrial property markets have performed better than others.

Prime industrial suburbs being close to the Perth CBD or in proximity to major infrastructure such as airports, commercial rail terminals or ports have largely seen a consolidation in values.

Secondary industrial property markets however continue to endure subdued demand and in some cases further contraction in values. In particular, the greater Rockingham and Mandurah region continue to languish as the market suffers from subdued demand which is further driving a contraction in values.

Land users in these regions are primarily focused on servicing the local population, which have also experienced declining values in their homes. Despite the state economic condition remaining quite buoyant on the back of the mining boom, there is little flow on from this sector to the local economy.

Since the GFC, smaller industrial properties such as strata titled and sub 3,000 square metre stand-alone properties have seen a decline in investor participation. This market segment has now been almost entirely driven by owner occupiers. This increased participation from owner occupiers has to a large extent insulated this particular sub market in the context of the wider industrial market.

This has resulted in a dichotomy within this segment, whereby the supply of smaller properties in this segment, accommodation of the size of 350 msquare metres or less has increased, whereas larger industrial properties are in much shorter supply.

For larger industrial properties the main issue even following the GFC generally has been limited supply. Demand in this segment has continued to outstrip supply; however both investor and owner occupier buyers active in this segment tend to be better informed and clearly demonstrate an unwillingness to buy at any price.

Passing yields on investor purchases in this segment generally reveal quite healthy returns with passing yields generally upwards of 7.5%. Capital values have tended to rise although not radically and this is likely to persist over the course of 2012. These conditions generally make these larger assets, despite the high quantum of dollars involved, quite liquid. Reasonably priced larger industrial properties generally sell between three and nine months. The major price pressure in this market segment is in the rental market, as the limited supply will continue to place an upward pressure on rates.

....prime industrial suburbs being close to the Perth CBD or in proximity to major infrastructure such as airports, commercial rail terminals or ports have largely seen a consolidation in values....

Overall external global economic and financial factors will continue to influence the industrial property market, however mostly limited to investor participation particularly at the lower end of the market. Secondary industrial areas and properties located on the fringes of the Perth metropolitan which are dependent on the local economy are likely to experience largely subdued activity.

South Western WA

The broad industrial property market in the South West of Western Australia has remained fairly steady during the first months of 2012, albeit subdued, with only a small volume of sales transactions recorded.

Prices for established industrial property appear reasonably stable but vacant land sales remain more volatile with mixed prices.

A recent investment sale in Bunbury Davenport Industrial precinct for $1.8 million comprised semi modern, purpose built premises leased to a national tenant till 2016 with a five year option which showed a 6.99% yield on the passing net rent.

Overall it is still considered a buyers market with supply exceeding demand. There is a general over-supply of industrial property for lease, particularly in the Bunbury area which is putting some downward pressure on rents and holding back market growth.

Residential Overview

There is no denying that it takes a couple of months into most new years before the market settles into a rhythm of sorts. By the end of April, both buyers and sellers start to define their positions and a real sense of how the market is performing comes to light.

This month's issue is a ready guide across the nation as to how the residential market is shaping up for the remainder of 2012.

Sydney

South West Sydney

Older style units in the Liverpool/Fairfield/Holroyd areas have been performing well with demand from both investors and first home buyers. Affordable units are in high demand despite the market in general slowing down. Duplexes are selling quite well in the Bankstown region. these appear very popular as it is more affordable than a single dwelling and has decent land area.

Vacant land parcels in a new subdivision called Elizabeth Hills have been selling quite quickly at good prices due to the lack of vacant land sales within Cecil Hills. Cecil Hills is a prestige area in the Liverpool Council area with vacant lots scarce and more likely to be of larger scale and higher price. The Elizabeth Hills establishment allows for lower to medium income owners to live in such a sought after area.

On the contrary, demand for properties in the higher end of the market in Liverpool/Fairfield has completely dropped off, as prospective buyers remain hesitant to pursue purchases. Evidence shows that properties over $800,000 require an extended selling period – with no security that the property will even then sell.

It appears both macro and micro economic factors have had an impact on our real estate market. With banks moving outside of the official RBA cycle, it is expected that potential purchasers will likely remain on the sidelines for the foreseeable future.

North West Sydney

Vacant land sales in new estates have been the best indicator for steady growth over the past year. These estates are located in suburbs such as Ropes Crossing, Llandilo (Jordan Springs Estate), Cranebrook (Waterside Estate), Glenmore Park (Glenmore Ridge Estate) and The Ponds. There has also been steady demand for smaller sized parcels at the Bunya Estate which is located in the Bungarribee Precinct of Doonside.

One of the reasons for this healthy demand in these estates is affordability. The total cost of purchasing land and constructing a 3- to 4- bedroom project home in the Penrith estates (Waterside, Jordan Springs, Glenmore Ridge) may range from $400,000 - $500,000. This is attractive to first home owners, investors and second home owners. Estates located within Blacktown / Doonside (The Ponds and Bungarribee) are ranging slightly higher between $550,000 to $700,000, attracting (but not limited to) second home owners.

Secondly, more and more people seem to be attracted to the planned community aspect of these estates. Generally these estates include a new school, parklands and shopping facilities.

Government incentives are another factor for this increased demand. While many incentives have been wound back there are still good incentives to purchase vacant land and new dwellings if you are a first home buyer.

With further planned subdivisions and new estates in the North West Growth Centre which is within the boundaries of three Local Government Areas (LGA)- The Hills, Blacktown and Hawkesbury, it would appear as though this trend is sustainable. If buyers are looking to purchase vacant land in one of these estates we would consider it advantageous to buy land already released, as premiums are generally paid for properties in the 'next/ new release'.

While not performing badly, we have definitely seen a vast drop in the number of first home buyers in the market for existing homes. This may be due to the winding back of incentives which is affecting the bottom end of the market. However this is being propped up to a degree with the resurgence of the small investor.

It would appear uncertainty in the wider global economy may be having some effect, as well as political matters in Australia, as the wider property market appears to be in a holding pattern with values generally remaining static.

CBD, Southern and Eastern Suburbs and North Shore

Properties under $1 million are performing well, with 1- and 2- bedroom units in close proximity to the CBD, and/ or transport infrastructure are providing solid returns for investors as rents continue to rise.

Houses under the $1 million mark in the Inner West, Sutherland Shire and Lower North Shore are all performing steady to sound. Suburbs that are attractive to first home buyers and young families have fared well in the post GFC recovery. Properties above this mark are struggling with this market yet to recover from the impact of the GFC. With high-end consumers still uncertain about global economic stability, a decrease in bonuses paid to top earners and a tightening of lending standards by the banks, these markets may continue to struggle throughout 2012.

At present buyers who are upgrading to larger homes in prestige areas over the $1.5 million mark should find good buying opportunities with little competition. Investors should be able to capitalise on rising rents to purchase properties that return above average rental yields.

In general consumers are still cautious which is limiting the performance of the overall market. This is due in part to negative media coverage until such time that the journalists pick up on signs of recovery and start to report positive news. Political issues including the introduction of the carbon and mining taxes continue to have a negative impact on consumer confidence, which is placing further downwards pressure on the residential housing market for both homebuyers and investors. Furthermore, with the government about to deliver their May budget, with promises to return the federal budget to surplus within the year, it's more than likely many will continue to watch their pennies in line with government spending.

Canberra

The Canberra residential market has continued to remain stable in the New Year with slightly extended marketing periods and steady auction clearances.

The bulk of supply that has come online in this period has been in the Gungahlin region. The lower end of this market, such as units within the price point of $300,000 to $400,000 and dwellings $380,000 to $450,000, have not seen the short-term growth that was once evident in the Canberra market.

South of the city, most of the new supply is being released in Googong and Molonglo with strong demand for properties in both regions.

Rental vacancies are still low, with the traditional new year influx occupying a significant number of properties in the early months of the year. This initial rush for rental properties traditionally quietens with a stable level of supply and demand in the rental market throughout the remainder of the year.

....suburbs that are attractive to first home buyers and young families have fared well in the post GFC recovery....

Good results are still occurring in well located properties, close to the city or major town centres. This performance is sustainable in the short to medium term, but possible changes in the Federal Government could have adverse impacts on an already savvy market.

Wollongong

Like most other NSW markets, the Illawarra saw a flurry of activity towards the end of 2011 as first home buyers looked to take advantage of the NSW State Government stamp duty exemption which ceased on 1 January 2012. This delayed the typical Christmas hangover by a month as the December rush spilled over into January.

A quiet couple of months have followed while people holiday and take advantage of the warmer weather. However starting towards the end of March and through April we are able to see some signs of where the market will head for the year.

Supplementary land releases in Thirroul, Horsley, Flinders and Shell Cove threaten to over saturate the new home market however the continuation of stamp duty exemption on new homes along with lower interest rates helps to stabilise these areas.

The Illawarra has seen some growth in the past 12 months in all sectors, but there is a sense in the market that things are levelling out – particularly in the section of the market above $800,000.

Affordable housing had a blip from the lows of two to three years ago , but there are still suburbs where it is possible to get something in the sub $300,000 range. In this sector you are looking at well located 2- to 3- bedroom units or townhouses, or older 1960 to 1970's dwellings generally in the southern suburbs. This is genuine first home buyer territory. Suburbs such as Berkeley, Warrawong, Dapto and Unanderra are represented here. All are good locations with access to public transport and close to employment centres. But properties (standard dwellings) under $300,000 are now drying up.

In the Shellharbour LGA there are still some older houses under $300,000 however these are getting hard to come by. This is a big change from two to three years ago when properties could still be bought for under $200,000. We all wish we had bought some then.

As usual it is always the lower end of the market that moves first and sees the better percentage increase in value. Never forget the low end of a market in the better located suburbs. You will be a clear winner when the whole market moves.

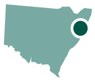
The mid range has remained strong during the last year and we have seen the $600,000 to $850,000 range display a bit more strength – depending on suburb of course. This is the second home buyers sector and those who bought late in 2008 have seen some genuine increases, particularly around the northern beaches. Suburbs such as Figtree, Keiraville, Balgownie, Corrimal, Woonona and Towradgi have also experienced some good growth in values in this time.

....loss of manufacturing jobs in the past 12 months will have an effect on the economy this year if jobs cannot be found elsewhere for the displaced workers and families...

Above $800,000 the depth of the buyer drops off, but there is still reasonable activity. Over $1 million we are still seeing some good sales but it is thinly traded – and trophy properties are usually the more sought after if presented well. The major influences in this sector are cashed up local business people and interstate investors, including Sydney buyers looking for an upmarket house close to the beach but within commuting distance to Sydney. Bulli, Thirroul, Austinmer, Coledale and Stanwell Park are all attractive to this buyer sector. The inner area around Mount Pleasant and Balgownie are also included in the more southern parts near the CBD, with three houses over $1 million sold recently.

Traditionally a strong Labor area, the Illawarra still suffers from a lack of white collar job opportunities. The major employers, apart from jobs destined for Sydney commuters are in the mines and steelworks. Loss of manufacturing jobs in the past 12 months will have an effect on the economy this year if jobs cannot be found elsewhere for the displaced workers and families. Both the State and Federal Governments, in our view, should look to boost the opportunities for tertiary level employment in this area by decentralising some public sector jobs. This would provided a stimulus for the economy through a knock on effect to the building and retail sectors.

Overall the Illawarra property market has remained quite steady, especially in the low and mid range while both the prestige and affordable markets appear to have eased. Moving forward, the outlook for the Illawarra property market appears to be in a steady but not spectacular growth mode.



Newcastle

What is the state of the market at present? It seems to be the same story that we have been telling for the past 12 months or so. The first home buyer's product that is well priced is still selling as strong as it always was. Most agents have a similar line when you meet them on site at this price point.

"I could sell 20 of these tomorrow if only I had them". What, you need a translation to cut through here? Alright here we go, what the agent actually means is:

"If I had a tidy house not needing much in the way of work by a purchaser, that is located amongst other reasonable quality homes and MOST importantly is priced right in the market, I could find a buyer within the usual expected selling period of up to a couple of months". The key is the "priced right" part of this definition. We are seeing a lot of properties which are priced too high, where the vendors have not stayed abreast of the market. These properties are not selling and they are losing the freshness to the market.

One area which appears to be booming is the rental market where strong growth is being seen especially up the valley area around Singleton, Cessnock, Broke and Maitland. Many properties are renting out by the room to mining interests and record rentals are being achieved. Given that capital growth is still somewhat stagnant, this equates to higher yields for investors. The quality of some of these rental properties is questionable with some really poor properties achieving good rentals.

At the upper end of the market things are quieter and we are seeing a lot of discounting taking place in order to sell a dwelling. Whether this is incorrectly priced properties in the beginning or whether the market has fallen quicker than the price expectations can keep pace, it is difficult to say. This is evident in many waterfront properties where discounting runs to many hundreds of thousands of dollars. Some of these selling periods are over 12 months.

We are generally seeing transactions holding up across the board. It is definitely quieter but not significantly so and its not all doom and gloom. The rental boom that is occurring is generally the highlight of the market and the closer to the mines or educational facilities the better. There is also the construction of the Hunter Expressway which will make the mining areas more accessible to the Newcastle and the Port areas which may also benefit the marketplace.

NSW Central Coast

Information overload is where we are heading in the first quarter of 2012, such is the seemingly endless release of new information, data, studies, results and predictions. All this so soon after Christmas can't be good for us.

Similar to the national economy, our minds are in a 'two speed' state. On the one hand, trying to move past the Christmas hangover, and taking in all this information on the other.

For some, living on the NSW Central Coast of New South Wales is like having Christmas every day. This may be true, but lets put the fruit punch down, remove the silly party hat for a moment and take a quick look at what's happened in the first quarter 2012.

First let's look at the basics. How did sales volumes and median prices fair compared to Q1 2011? The following table gives us a broad overview.

Sales Volumes	Qtr1-2011	Qtr1-2012	+/-
Central Coast	1,216	1,076	-11.5%
Gosford LGA	608	507	-16.6%
Wyong LGA	608	569	-6.4%

Median Sale Price	Qrt 1-2011	Qtr1-2012	+/-
Central Coast	$755,250	$695,000	-8%
Gosford LGA	$423,750	$375,000	-11.5%
Wyong LGA	$331,500	$320,000	-3.4%

The tables illustrate falls in both the volume of sales and median price across the region and within both Local Government Areas. Some may interpret this as a less than flattering result, but if we looked at other regions across the state then we suspect that a similar result would be found.

Closer to the ground, our own statistics suggest that the Central Coast market has been slow and steady.

We continue to see that properties in the sub $400,000 market are still selling quite well, which is a bit surprising given the scaling back of the first home buyers scheme. It tends to suggest that although the first home buyers haven't disappeared, the investment market is back again in this segment, but considering the demand for rentals is still strong, this isn't such a surprise.

What areas are performing well? Areas that comprise the most sub $400,000 properties are contained in the Wyong LGA and include the suburbs of San Remo, Halekulani, Buff Point, Gorokan and Toukley. Those in the Gosford LGA include Woy Woy, Umina Beach, Narara and Niagara Park.

We have noticed that sales volumes over the $400,000 mark are still generally slow and spasmodic, but a long way from being dead. There doesn't appear to be any standout market segments or localities once we exceed $400,000. The most difficult market segment at present seems be in and around the $800,000 mark with limited sales being noted.

There are sales occurring above and below this segment along the coast, but again, they are spasmodic.

Of surprise is the underperformance of waterfront areas in the Wyong LGA, particularly Budgewoi, Charmhaven, Gorokan and Toukley, where quite noticeable falls in values have been noticed. We suggest a keen eye be kept on these areas because when market confidence returns, these areas are most likely to benefit the most.

....we continue to see that properties in the sub $400,000 market are still selling quite well....

With so much attention being directed to retail and the share market, the focus on real estate has not been so intense and we see this as a good thing. It will allow the real estate market to settle down and take its own direction. Interest rates however, are constantly under scrutiny by the media. This and the circus we call politics affects the real estate market, but we don't seem to be hearing or seeing any adverse reaction in the marketplace to these and it may be a case that the public is indifferent to the shenanigans going on and just getting on with the business of their own lives.

NSW Mid North Coast

In general throughout 2011 we saw a weakening of sales activity in the main cities and towns, although in the last quarter of the year we saw sales volumes were at their highest in around 12 to 18 months. Buyer caution was the key restraint to sales activity in 2011 and the final quarter's flurry could have been a result of vendors and purchasers losing their patience and finally leaving the sidelines.

Each new year traditionally begins with a slowdown in residential sales activity which lasts for approximately six weeks, 2012 has proved to be no different. However following this period we have seen a return to the cautious days of 2011.

This return to a weakening in residential sales volumes has resulted in continued lengthy sales periods. Local agents confirm a slowing of buyer enquiry. While from our research it appears market values are largely holding, the decline in the volume of sales may be preceding a reduction in property values in the near future.

....the upper end of the residential market continues to be the most difficult market at present

Our research has found that in the regional centres the best performing housing markets are for the lower end property, where median prices have been steady with steady volumes since 2009 peaks. We have found a most notable weakening in the upper price brackets, where it appears some marginal reductions in values might be occurring. This is despite some good prices still being achieved such as $950,000 for a house facing the Manning River in Taree, a $1.075 million house near Burgess Beach at Forster and a $1.35 million house overlooking Lighthouse Beach at Port Macquarie. Typifying the weakened sales activity, we have seen only prestige canal front sales occur in both Forster and Port Macquarie this year, while the number of listings in this market category begins to mount.

In the last couple of months we have also witnessed some sales of development sites including a 7 1/2 acre residential sub-division at Forster. Sales of this type possibly indicate developers' perception of a potential market upswing in 12 to 18 months, and gives us further cause to consider all is not doom and gloom.

NSW Far North Coast

The residential market for the first calendar quarter of 2012 has continued to remain relatively soft. This is following on from similar conditions in December 2011. However real estate agents have reported increased enquiry and sales activity over the first quarter period, particularly for the lower priced product. The residential market is expected to remain generally slow over the next six to nine months, primarily due to continuing uncertainty in the world financial markets and overall reduced market confidence.

In summary, property values for the first calendar quarter of 2012 have remained relatively soft to stable. However, any further volatility in either the financial markets or increase in interest rates could see further pressure placed on property values. This is due to continuing slow sale rates and also, particularly within the higher priced market, continuing sales of 'mortgagee in possession' properties which are eroding any stability in this section of the market.

Generally lenders are also remaining stringent in their lending policies. The continuation of tighter lending policies, especially for those properties which carry any form of risk, has been more noticeable.

The lower end of the market has continued to remain stable. There have been signs of 'green shoots' within the lower priced residential markets such as within the township of Casino, with agents reporting increased enquiry from potential purchasers. There have been 'green shoots' noticed over the entire North Coast region, with most sales activity over the first calendar quarter occurring within the lower priced brackets. These 'green shoots refer more to localities or property pricing brackets that have had in increase in sale rates.

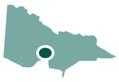
Overall the mid to upper end of the residential market has continued to be soft, with slow rates of sale. These two markets are considered to be the most vulnerable to further softening of values. The mid priced bracket within the coastal townships of Yamba, Evans Head, Ballina, Lennox Head, Byron Bay and Ocean Shores has been the toughest market to achieve a sale result within. There continues to be low rates of sale occurring within the mid priced bracket and high volumes of available stock.

The upper end of the residential market continues to be the most difficult market at present. Within Byron Bay there continues to be a large number of properties listed for sale with asking prices greater that $1 million. The salability of some of these properties continues to be affected by high asking prices (vendor expectations not in line with the current market tolerances) and an increase in the number of 'forced sales', which is placing pressure on property values. However, we have also noticed several prestige properties currently being marketed on behalf of the mortgagee or receiver appointed that are priced to meet the market yet are still difficult to sell.

However in saying this, there have been four reported sales within the prestige sector of Byron Bay for greater than $4 million within the first calendar quarter. Three of these sales are prestige rural residential properties located within the localities of Possum Creek, Coopers Shoot and St Helena. The fourth property is one of the most prestige homes located on Marine Pde, within the Wategos Beach precinct of Byron Bay. It is yet to be seen if these recent sales of high value prestige properties will result in a more sustainable rate of sale or it is just a 'glitch' in the overall market.

In summary, although property values in general for the first calendar quarter of 2012 have remained relatively soft to stable, there have been signs within both the lower and upper prestige markets that bide well and are mildly promising for the market.

Overall sales activity is expected to be subdued for the balance of 2012 and any vendor selling in the current market would need to be very realistic as any thought of 'testing' the market with a slightly inflated asking price will likely be met with derision from potential buyers. The balance of the 2012 calendar year will most likely remain a 'buyers market' and these potential purchasers will be on the look out for bargains.



Melbourne

Last year nervous sentiment from both vendors and purchasers saw a dramatic reduction in available stock and transactions, with a decline in median values of up to 6% based on Australian Bureau of Statistics. 2011 saw the fewest house sales in Melbourne in over ten years. Despite a noticeable softening in market conditions in 2011, the first few months of 2012 has seen a return in confidence and an increase in median house price values.

The western municipality of Wyndham, which incorporates the developing suburbs of Point Cook, Truganina and Tarneit has reported to be the fastest growing population corridor in Australia. Competing developers are luring new home buyers in the form of cash rebates and enticing bonuses including 'free' landscaping and home theatre systems. Such kickbacks appeal to this market demographic, typically first home buyers, young families and overseas migrants on low to middle incomes.

Rebates have become a common condition with standard land contracts and have been noticeable in south eastern suburban estates such as Mirvac's Harcrest Estate in Wantirna South at the former Austral Bricks site on Stud Road. Residential allotments of between 350 and 500 square metres are selling for between $1,000 and $1,100 per square metre of site area, and purchasers are receiving rebates of $10,000 in the event of early settlement. The take up of residential vacant land in this estate has been strong with the recent release of Stage 3. Wantirna South is a developing suburb of Melbourne and the demand for quality house/land packages and vacant allotments has proven popular within competing estates including Metricon's Evergreen on Cathies Lane. The recent release of Stage 1 of this estate saw the majority of the allotments sold and we will soon see the early release of Stage 2.

The Docklands is approximately 50% through its 25 year master plan. The suburb has had a chequered history since the initial residential tower was completed in 2000. The three principal developers are MAB (New Quay), Lend Lease and Mirvac (Yarra's Edge) each with their own 'peninsula' being developed.

....rebates have become a common condition with standard land contracts and have been noticeable in south eastern suburban estates such as Mirvac's Harcrest Estate in Wantirna South at the former Austral Bricks site on Stud Road....

Of concern from a market value viewpoint is the emergence of basic quality apartment developments located on secondary sites. The majority are marketed towards investors with the apartments commonly being 1- bedroom or 1- bedroom plus study. The study is commonly marketed as a seond bedroom complete with a bed placed on the floorplan, however the room provides no natural light or windows and while technically may have space for a bed, can't be classed as a bedroom from a planning perspective.

The recent completion of Harbour One (H1) saw prices of virtually the same apartments with variances of up to $100,000. The development is set back from the harbour and will have a portion of the harbour views built out by a neighbouring tower. The agent in many cases was an investment group who purportedly received large commissions for signing up purchasers, many of who were investors subject to FIRB approval.

Regional Victoria

GIPPSLAND

Latrobe Valley/Central Gippsland

In describing the current residential markets for the Sale and Latrobe Valley regions, unfortunately the word we use is 'flat'.

After experiencing the traditional post Christmas/New Year slowdown, come April the market is still remaining slow. Properties are experiencing extended times on the market and inturn this is causing prices to drop. We are definitely experiencing a buyers Market.

The low end market ($300,000 below) is still maintaining stable values, however the top end ($400,000 plus) is where the market has specifically slowed.

The re-sale of house and land packages from 2009/2010 is causing grief, with buyers experiencing a loss with properties selling below their original house and land package costs.

In a slowing market, location is still your best bet. Inner and eastern Sale tend to hold prices in a slow market as does central Traralgon.

In our opinion we feel the market won't change much and remain slow for the 2012 period. So maybe it might not be a bad time to consider buying. Especially with the possible RAAF Base expansion in Sale.

East Gippsland Region

The East Gippsland market has staged something of a comeback over the last four to six weeks with buyers making a return to the market. Overall the market is still somewhat patchy, with most of the sales activity occurring in the more affordable price range. After a slow December/January, local agents have reported an upswing in levels of enquiry and sales activity. The high end of the market is still slow in general, but we have still seen the occasional sale.

Buyers and sellers seemed to have adapted to recent economic conditions with reductions of 10% to 15% from asking price to selling price being seen regularly, suggesting that vendors are meeting the current market.

We have seen increased interest from buyers who are either cashed up or financially secure who are taking the opportunity to purchase investment properties, including new constructions. These buyers are taking advantage of favourable buying conditions and include a number of puchases made from outside the local area.

BALLARAT

The Ballarat residential property market remains steady. The beginning of the year saw sales volumes increase significantly into February from the lows of December, but still no record breaking prices are being achieved. Sales volumes have begun to taper off slightly but values appear to remain stable in most areas.

Market segments that still appear to be performing well include homes and units in the lower to middle end of the market up to $300,000. Properties in this bracket have maintained relatively stable sales volumes with investors and renovators the main purchasers. Stand alone dwellings in the $200,000 to $250,000 bracket in established areas are the most strongly contested.

....investors are continuing to shy away from buying older and cheaper dwellings, notwithstanding the relatively good rental returns....

The market for dwellings over $400,000 and rural residential property has slowed with a limited number of recent transactions as these markets are more traditionally owner occupied. This hesitant approach of owner occupiers is likely to be due to uncertainty around interest rates, job security and household expenditure which would be eased slightly by any future and welcome rate cuts. There have only been a handful of sales of property in the top end of the market at$700,000 plus.

The local Ballarat market remains hesitant after a number of job losses from major manufacturing firms in the first part of the year. These job losses along with uncertainty surrounding interest rates are expected to maintain a subdued market over the short term.

Looking forward, investors are expected to become the largest market influence over the next few months with good rental returns, low vacancy rates and significant infrastructure planning being the key drivers.

MILDURA

The residential market so far in 2012 has continued on in a similar trajectory to how 2011 panned out. Sales volumes appear to have declined slightly, however values for most classes of property have remained stable.

A higher than normal number of sales of higher valued properties (anything over $500,000) was negotiated in March. This is not thought to be a sign of an emerging trend, more a case of a number of buyers moving to Mildura at the same time. Some of these properties had been on the market for some time, and sold between 7% and 15% below the vendor's initial expectations.

Investors are continuing to shy away from buying older and cheaper dwellings, notwithstanding the relatively good rental returns. Modern, brick veneer dwellings can still be purchased for less than $250,000, and not surprisingly investors are willing to bypass the sub $175,000 segment, mainly due to higher maintenance costs.

Lenders and finance brokers are reporting that tougher credit criteria are limiting the ability of some buyers to be as active as was the case leading up to the GFC. Tighter credit conditions have also discouraged or restricted the ability of some local developers to undertake residential subdivisions, and it is possible that a shortage of serviced lots will be apparent within six to 12 months. This has the potential to both increase prices for serviced lots but also reduce building activity, which would have a negative flow on effect to the local economy.

We note recent demographic statistics that have revealed close to a 1% increase in the region's population in the 2011 period.

Adelaide

There is really nothing new to report on within the Adelaide residential property market – which remains subdued. The conditions that started towards the end of 2010 and continued throughout 2011 have prevailed over the first quarter of 2012 and are expected to remain stable for at least the next six months.

Current uncertainty surrounding global markets and closer to home the ever increasing cost of living – noticeably electricity and water rates, are having a significant impact on consumer confidence. With Adelaideans being traditionally conservative in nature, many are reluctant to risk selling their property in the current market or to increase debt by purchasing a new property. This has translated into significantly low sales figures since the end of 2010. Other factors that are impacting upon uncertainty and consumer confidence are the current unpredictable nature of interest rate movements and general concern about job security. The impact that the introduction of the carbon tax will have will be played out over the second half of 2012. While a lot of the predictions are unfortunately for a negative impact overall, we'll just have to wait and see.

Extended selling periods and excess stock on the market has been contributed to by vendors failing to come to terms with current conditions and having unrealistic price expectations. Those unwilling to reduce their asking price are often making the decision to put their property onto the rental market, which appears to have been directly responsible for an increase in the vacancy rate during 2011.

Property values have experienced a decline of around 5% to 10% during the last twelve months, with the possibility of contracting slightly further before the end of 2012.

It is very difficult to pinpoint any specific location or suburb that may have faired worse than other areas. In this market more likely variations are occurring at an individual property level. In general some of the more outer suburbs may have noticed slightly larger declines in values due to high numbers of properties of the same type on the market.

Berri

The volume of residential sales remained low during the first four months of 2012, with the majority of the transactions taking place at the lower end of the market, typically below $250,000. While there are some regular sales above this level, they have generally been on the market for a substantial time frame and are transacted at well below vendor expectations.

There is an abundance of residential property currently listed for sale throughout the Riverland, thereby providing prospective purchasers with a large selection of property options and increasing competition for vendors. The current global economic uncertainty and the associated position of financiers relating to the provision of finance has limited the ability of potential purchasers to access finance for residential property transactions, which has had a negative impact on the local property market.

....the volume of residential sales remained low during the first four months of 2012, with the majority of the transactions taking place at the lower end of the market....

For the most part, land sales have been mostly resilient to the downturn in the property market, however in the past six months there is evidence that larger rural residential land holdings are decreasing in value. The recent small block irrigators exit grant has increased the supply of vacant land, formerly disposed as a horticulture use. This has caused a reduction in value as there is simply not the demand for this volume of land in our current market.

Rental levels and demand for rental property remain strong, particularly in the sub $200,000 price bracket where reasonable returns are being achieved. The perceived lack of capital growth in the short to mid term is limiting the number of investors willing to participate in this market segment.

Brisbane

As the year opened, all but the most lion hearted were treading cautiously here in SE Qld. There had been some buzz late in 2011 fuelled mostly by a couple of interest rate cuts and a feeling of "how could things get much worse?" So it seems, somewhat strangely, that a general malaise about how low values had fallen resulted in optimism amongst many buyers about the upside potential.

So how have things actually faired in the last four months? Agents report patchy progress, but on balance they have been more encouraged since we hit the new year. Many described their "best months for some time" during February and March. The upshot seems to be this vendors have reached their bottom price and buyers are now willing to meet them. Most sellers who had to get out of the market come-what-may have done so. If not, they have found alternative strategies and decided to hold onto their dirt until the next upswing. Buyers who were putting in substantially discounted offers on properties are finding there is now limited but real competition. As a result if they want to secure some real estate, they do have go beyond their ridiculously low dream price and get a little dose of reality. The outcome has been more sales volume but prices remain flat. For example, sub $1M in good locations is doing just fine and if you're a first home buyer within 10 to 15km of the CBD, then you'll probably find there is a little more competition to secure some real estate.

A component of the confidence equation is job security. Areas servicing professional people with good job security have probably formed the solid base of the Brisbane market so far this year. Well located suburban centres where land is scarce and the city is not far away have traded well in the first quarter of 2012. Most of the buyers expect that they will see capital growth in these areas but also agree that it is a long term prospect. We seem to have shaken the 10%+ per year capital growth expectation that 2003 and 2007 embedded in the psyche for so long.

For those localities further away from the CBD with affordable housing, the job security issue is also rearing its head, but in a bad way. These areas contain a work force that is more susceptible to downturns and, as such, it appears buyers are a little less eager to punt on owning their own home just in case they get a tap on the shoulder. Mortgages require a big commitment and you want to be sure that your pay packet is going to arrive each month before you say "yes" to the bank. There has probably been an increase on sale numbers in these areas, but it is not as convincing as with the suburbs closer in.

For the big money property, performance has been flat. This sector appears impervious to interest rate movements. Sellers who needed to liquidate post 2008 mostly have and those left appear to be suiting themselves regards whether they sell or not. Buyers are out there but are also generally smart enough not to set new record prices so there seems to be a real "sit and wait" approach in the sector.

So there it is. With the year well underway, a state election behind us and most of the economic gloom factored into the equities market, most expect property to have fallen about as far as it's going to, Nobody is predicting this year to see blinding capital growth but buyers and sellers are generally willing to meet at a price – something that seemed nigh on impossible six months ago. Patience will probably be the buzzword of the 2012 Brisbane property market.

Gold Coast and Tweed Coast

There are presently great buying opportunities in all price brackets and property market types with strong sales volumes below the $500,000 price range within most of the Gold Coast region.

There have been substantial reductions in values throughout the area with notable corrections in the more modern estates and unit complexes. The prestige market has been hardest hit but values have generally declined in all sub-market categories (e.g. a Hope Island property selling circa $600,000 below its 2006 $1.5 million purchase price).

The lower end of the valuation echelon is being driven by the mortgagee in possession and 'stressed' vendor sales with potential buyers having a 'vulture like' approach to their negotiating. One unit selling for $525,000 well down from its 2010 purchase of $990,000. Properties with any perceived problem/issue will quickly be passed over in a market with large volumes of listed properties. The more favourable purchases appear to be transactions where the buyers have 'tapped' into the stressed category with many of those purchases being at circa 2004 to 2005 value levels.

....it is our conclusion that - opportunities are not so much reliant on the locality or the features of the property, but more on the methodology adopted to identify, research and negotiate on the most stressed vendor listed properties....

We are aware of numerous properties being sold below replacement cost. One property reportedly built for $600,000 sold at auction for $425,000. Generally demand has declined the most for those areas and properties that are the furthest from central Gold Coast.

The rental market has seemingly remained strong making return on investment (ROI) more favourable. Property managers are reporting high demand on properties that are located and presented well. Some property managers of lower end housing complexes have however, reported an apparent high exodus of blue collar workers who have vacated their rented properties in search of work in other cities such as Ipswich.

Central and Southern Gold Coast

The central to southern Gold Coast has seen steady activity over the past six (6) months although demand has softened slightly following the Christmas/New Year period.

The majority of demand in this region has been sub $500,000. However good buying opportunities in waterfront locations such as Surfers Paradise, Broadbeach Waters and Bundall/Sorrento between the $500,000 to $800,000 price range have also been very active.

The Gold Coast should see some investors return back to the property market with;

- the recent announcement of the Commonwealth Games (2018);
- the light rail (due to open 2014);
- the construction of the new Gold Coast hospital;
- rental prices remaining firm while property prices have softened (better return on investment).

Many older high-rise unit complexes in Surfers Paradise and Main Beach are currently undergoing extensive renovation works (replacing balaustrading, window frames, treating concrete cancer, refurbishing the lobby and repainting the exterior). Special levies have been imposed on the owners (well in excess of $30,000 per unit) on top of rising body corporate fees. These issues will and have deterred a lot of buyers especially investors as returns on investment (ROI) are poor.

....buyers should be most cautious of developer sales, properties with environmental issues and especially the over supplied unit market....

Investors are most likely to invest in more modern complexes where the body corporate fees are circa $50 to $60 per week. Established modern townhouse units, located in close proximity to either the beach, public transport or shopping centres are probably the pick as over the past 12 to 24 months rentals have remained firm but property prices have typically softened by 10% to 15%.

Northern Gold Coast

Generally speaking the best predicted capital gain opportunities will be in those properties that have good proximity to the Broadwater. These include the those suburbs stretching from south to north along the Broadwater coastline, namely Southport, Labrador, Biggera Waters, Runaway Bay, Hollywell and Paradise Point. These suburbs have long been recognised as having limited new land release opportunity. Older style dwellings on 'Residential B' allotments (duplex zoned or multi-unit approved) will have predicted strong future marketability and capital gain growth once developers, builders and investors renter the market, as was seen prior the global financial crisis in 2006 and 2007. These once in demand properties have taken significant reductions both in demand and value.

Another identified area for family and investor consideration are those dwellings with proximity to the new Southport Hospital and Griffith University, notably being the semi-modern estates of Parkwood, Molendinar and Arundel. Real estate agents report good rental returns and good buyer demand despite the very fragile market. These are good family areas with semi-modern contemporary dwellings selling in the $425,000 to $525,000 range. These typical dwellings afford brick and tile construction, 4- bedrooms, 2- bathrooms, double garaging and swimming pool upon 650 square metre to 850 square metre allotments.

Agents are also reporting positive buyer enquiry on Southport properties tracking along the new light rail system, with properties best advantaged by having walking proximity to the proposed transit stations. These properties are mainly in older areas and opportunities approximate between the $350,000 to $475,000 range.

Buyers should be most cautious of developer sales, properties with environmental issues and especially the over supplied unit market.

There is a significant glut in the unit market with recent and reported developer 'fire sales' being conducted. We note one prestige Paradise Point complex in February 2012 started advertising their unsold stock at levels reportedly 40% lower than levels they were marketing/selling in 2011. An example we have identified is a 2-bedroom unit that was sold in 2010 for $750,000 with a superior upper level unit with the same floor plan and aspect being sold in 2012 for $575,000.

Overall, it is considered that the Northern Coast property market to be an excellent buyers market with many listings, stressed vendors and fewer approved buyers. However despite the very fragile market conditions there are still large numbers of vendors/real estate agents seeking unrealistic prices on listed properties. We are still seeing some buyers paying as much as $200,000 more than prudent purchase levels. The worst examples include those purchasers that already own a property in the area and have unrealistic expectations around their own property value, often unaware themselves of how low the market has fallen.

Buyer diligence is still required in identifying the best opportunities by filtering the facts and negotiating well. We are aware that many diligent buyers are seeking proper registered valuations and using the valuation as a powerful negotiation tool. We strongly recommend that registered valuations be sought prior to entering into a sale contract so that the interest of the purchaser is protected and the best opportunities in this volatile market can be determined and negotiated.

Scenic Rim/Beaudesert Region

Vendors are looking more closely at what their dollar will buy and taking a more equity based approach to the selling process as they realise that everyone is in the same situation. Negotiations are still starting from a low offer, but the enticement of low interest rates has vendors more willing to reduce their expectations and fix their rates on their new purchase.

Vacant land sales were given a boost with the release of the first precinct of Yarrabilba.

Yarrabilla Earthworks

The open day saw a good turnout with a number of information sessions held and approximately 100 people at each one. Land started at around $118,000 for a 300 square metre lot with house and land packages priced under the $300,000. Reportedly nearly 20 contracts were signed on the day, with potential purchasers being a broad mix of investors, owners and down-sizers. While the development is still in its infancy with civil works being started, it gives the promise of big things with shopping precincts, taverns and schooling facilities.

Rural residential properties are still proving slow to move as purchasers are opting for similar improvements on smaller lots. Anything up to around one hectare and priced under $550,000 is generating interest with some good buys for large properties to be found if purchasers are willing to put in a bit of hard work and effort into landscaping and tidying up.

Large rural acreage is proving difficult to sell and there doesn't seem to be many buyers looking.

It seems that the Jimboomba, Logan Village and Buccan localities have done well during the first three months of this year, with the majority of contracts being seen in these areas. While being relatively close to Brisbane (within 45 minutes) and other major shopping and facilities, these areas offer the rural residential feeling with land sizes typically up to five acres.

The market seems to have stabilised with regard to pricing and contracts and while there are some good buys around, the circumstances of the sale play a major part i.e. health related issues, mortgage stress (although there does seem to be less of this lately as owners are re-financing and fixing for three years at or under 6%), marriage/partnership settlement. Agents appear optimistic about the next six months as enquiry remains steady and at levels higher than late last year.

Sunshine Coast

There is a feeling on the Sunshine Coast that the property market is starting to generally unwind. Sale volumes have improved from this time in 2011 but let's face it, it couldn't have gotten much worse. One of the main reasons for this is that values have dropped to levels that have created interest.

Firstly looking at the dwelling market, good sale volumes have been achieved from all areas on the Sunshine Coast. However, there has been particular interest from coastal regions. Essentially buyers have been looking in areas which previously had been tightly held. Along the beachside areas of Kawana, Coolum and Sunrise Beach activity has improved with the ability to purchase property at good value (sub $400,000 to $500,000). Areas around the proposed Sunshine Coast Hospital have been of particular interest. In the hinterland areas that price point has fallen with homes sub $400,000 being snapped up.

....there is a level of optimism on the Sunshine Coast....

In the unit market the year has kicked off with greater numbers of sales, but this is still a slow market and buyers are largely only minded to pony up if the price is sharp. Values are still heading south though falls are slowing, and there is no sense yet that the bottom is nigh.

The prestige market has been one of our most affected markets where declines have been greatest. These have generally been in the 20% to 30% vicinity, with discount larger in some cases. However, this is very location and property specific, as there have been some results that have shown minimal declines. As we have previously mentioned in other MIR's, the adverse press that we have received through some of the national papers have acted as advertising for this sector of the market. Agents are reporting good enquiry with a number of results being achieved when vendors have met the market.

All in all, there is a level of optimism on the Sunshine Coast. We have had a change of state government and will have changes in our local government. There is a little bit more confidence out there with decisions finally being made. We're not sure if we are at the bottom yet, however with the increase in activity, it may not be far away.

Southern Queensland

TOOWOOMBA

With the first quarter of 2012 now behind us, the Toowoomba property market appears to remain relatively flat in terms of volume and median price. Notwithstanding, agents are reporting an increase in inquiry with stronger numbers through open houses. Buyers however have the ability to maintain strict buying criteria given the volumes of stock on the market at present. It would appear that renovated timber dwellings in the eastern areas including Mt Lofty, Rangeville and East Toowoomba are still sought after and appear to be 'bucking the trend' in terms of strong buyer inquiry and firming values.

Tourist Road 3

Mary Street"

Homes on acreage holdings (circa 4000 square metres) in Middle Ridge are transacting in the $500,000 to $975,000 price range with some good buys observed in this area in the first quarter of 2012. Three circa 1980's dwellings on one acre lots have transacted in the $500,000 to $650,000 price range, which represents good buying given the substantial, albeit slightly dated nature of these dwellings and the significant underlying land value components.

Stenner Street

Anecdotally, the recent State Government election result appears to have aroused confidence in the local property market, however the full impact on sales volumes is yet to play out. As with most regional centres, sales activity can be sensitive to changes in monetary policy, however the Reserve Bank's decision to keep interest rates on hold can only be perceived as a positive for the local market at this stage.

Central Queensland

ROCKHAMPTON

First quarter numbers for 2012 in the Rockhampton region indicate that the best performers are modern, newly constructed dwellings providing standard accommodation in the town of Gracemere, ten kilometres south of the City of Rockhampton (house and land packages), and homes under $350,000 throughout Rockhampton.

The majority of the buyers are investors who may have been priced out of the Gladstone market; however they can still take advantage of affordable homes in a locality with low vacancy rates. This growth might only be sustained during the construction stage of major projects located in Gladstone (110 kilometres south-east). These buyers need to be wary of higher than standard commissions and inflated land purchase prices.

The prestige house market throughout the region and the unit market on the Capricorn Coast are the low performance groups. The top end house market above $600,000 has seen reductions in both sales volume and prices over recent years. The current market is regarded to be an investors market which has less influence at this level of value.

Over the past 12 to 18 months the prestige unit market on the Capricorn Coast has been affected by developers heavily discounting prices to stimulate sales activity. Consequently this reduction in market value has flowed on through the unit market as a whole and extended selling periods.

BUNDABERG

The volume of sales in the lower end of the market has increased as Bundaberg has some of the lowest average house prices in Queensland.

The prestige unit market is slow with evidence of falling sale prices.

There appears to be an increase in the volume of mortgagee in possession sales.

The Agnes Water market is starting to increase in sales volumes due to its proximity to the Gladstone and hence mining areas.

HERVEY BAY

The Fraser Coast residential property market has seen some volatility in recent months. There are currently increased levels of competition in most markets, placing downward pressure on values.

The level of supply of 2- to 3- bedroom units remains high and values are volatile. Anxious vendors and mortgagees are lowering prices to clear stock which continues to negatively impact the market. A number of unit developments have recently held auctions and tender processes under instruction from the Mortgagee with value levels declining significantly from original purchase prices paid in 2005 to 2007. Generally, now as each new mortgagee sale occurs, it sets a new bottom of the market value benchmark. There are still a significant number of units for sale, which until sold heightens the risk that values may continue to fall.

....house and land packages, of turn key product appear to be doing well, with a number of interstate investors purchasing....

Park residential property appears to be slow to move with potential purchasers having again, a large volume of properties to consider with buyers expecting extensive ancillary improvements and large dwellings in the sub $600,000 range. Vendors that are under pressure to sell are typically at the mercy of opportunistic buyers with discounting usually being required to affect a sale.

Generally any property outside the scope of a standard, well presented dwelling in a good location for less than $350,000 can expect extended selling periods and increased marketing costs.

House and land packages, of turn key product appear to be doing well, with a number of interstate investors purchasing. Interest rate cuts late last year may have influenced the increase in new building approvals and number of sales in the region in recent months. The end of the $10,000 Queensland Givernment Building Boost

Grant on April 30th may spark a few last minute contracts. The recent Queensland state election, interest rates remaining stable and more vendors meeting the market are affecting increased numbers of sales. Although this has not completely resulted in a rising market, agents are generally positive, reporting increased levels of confidence returning to the market.

MACKAY

The Mackay market has been travelling along quite nicely during the first quarter of 2012. The rental market appears to have gained a lot of momentum in this period with vacancies running well below 1%. This has led to pressure on rentals with an increase across all property types over the past six months. This in turn has put pressure on the sub $450,000 market with all agents reporting increased demand and activity in this sector, mainly from owner occupiers trying to escape the escalating rental trap and investors who are slowly returning to the market. As yet market values haven't started to increase on the back of this demand.

The Queensland Governments Building Boost Grant appears to have done its job in Mackay with vacant land sales and building approvals increasing dramatically since October. A relatively dry summer has meant building projects have been in full swing, including completion of Canelands Shopping Centre and the completion of the Northern Beaches Shopping Centre expansion.

GLADSTONE

The Gladstone property market has steadied over the last quarter. Publicly available information now indicates a potential huge supply of accommodation which will be bought to fruition over the next couple of years to combat the accommodation demand for workers in relation to major industrial projects.

Despite this information, there are still many unknown factors surrounding workforce numbers and it is difficult to establish cumulative workforce and housing demand with any accuracy based on the information available to date. The LNG projects are the most significant in terms of projected workforce. The peak demand is projected to be in late 2013 to early 2014. It is further noted that other projects are likely to proceed in the future and that construction schedules and associated workforce figures are likely to continue to change.

Cairns

The Cairns market remains at the bottom of the cycle. That said, the market appears to be consolidating from a dismal 2011, with sales volumes so far this year creeping up and prices at least for houses steadying. Our latest figures indicate a median house price in Cairns of $343,000 during February 2012, only marginally different from the $345,000 median house price recorded in August 2011 but still a sizeable drop compared to the $364,000 median house price recorded twelve months ago in February 2011.

The unit market also appears to be lifting in volumes though prices are being affected by higher strata insurance costs. Investor buyers in particular appear to be factoring these higher costs into the rental return equation and continuing to drive prices lower in order to maintain yields.

The land market in recent months has been influenced by a large volume of receiver sales of both developer and consumer stock, selling at up to 30% discount to their former list prices. According to our Residential Land Survey, the number of new residential allotments sold in Cairns totalled 249 during 2011, a drop of 41% compared to the 420 lots sold during 2010, and 84% compared to the 1,583 lots sold at the peak of the market in 2007. Our belief is that Cairns land market volumes have reached bottom and are due to slowly recover, but that land sales for 2012 will still be relatively low.

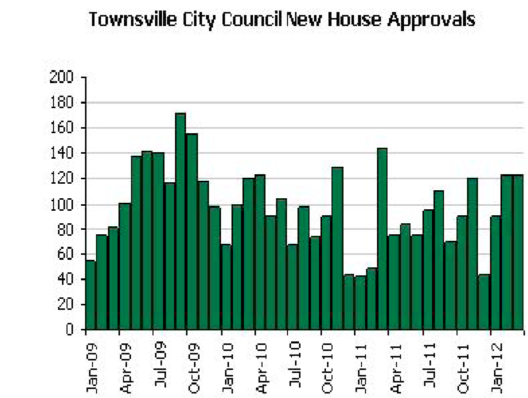
....publicly available information now indicates a potential huge supply of accommodation which will be bought to fruition over the next couple of years to combat the accommodation demand for workers in relation to major industrial projects....

Townsville

Unlike previous years, we have had an unusually busy start to 2012 with refinancing work rating high on the list of jobs. The actual level of market activity appears to be typical for this time of the year as the post Christmas relocations take place. When we look back 12 months ago Townsville was recovering from a prolonged wet season and cyclone Yasi. Therefore the start to 2012 has been an encouraging one for the industry.

The $300,000 to $400,000 price bracket would appear to be where the majority of market activity is occurring in the early part of 2012, with first home buyers active in the market along with both vendors and purchasers capitalising on the $10,000 building boost. Anecdotal evidence suggests that the time on market has reduced and there remains competition amongst vendors to secure sales, while purchasers are remaining cautious.

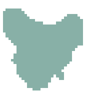
The level of new home building activity has been bolstered by the building grant and the NRAS housing scheme, particularly in the northern beaches corridor.



Source: TCC Bulding and Approvals

Buyers should be aware that we are seeing an increase in the number of loaded building contracts with excessive commission payment payable. We therefore suggest buyers should be diligent in their process of seeking builders.

The start to 2012 has been encouraging and this process of consolidation is expected to continue throughout the year.



Tasmania

Overall the first quarter of the calendar year has seen the Tasmanian market stabilise to maintain steady sales, although it is still very much a buyers market. Anecdotal evidence has suggested some improvement in enquiry numbers, however this has yet to translate into any real reductions in stock levels. We are still seeing evidence of property's purchased in the last two years which have resold for the same or less than the previous purchase price.

The confidence of the market continues to be impacted by the steady follow of negative news. This includes but is not limited to:

- Contracting state budget;
- Ongoing debate and uncertainty surrounding the state's forestry industry;
- Announcements surrounding employment at Bell Bay.

The above has been coupled with an increasing unemployment rate which has now increased to 7.2% and decreasing employment opportunities. Given the above, the much talked about two speed economy is particularly evident within Tasmania. A cut for the last two rate decisions is just what the doctor would have ordered to help the situation that the Island state currently finds itself in.

One of the few positives to have emerged recently is the increased activity being experienced in the higher price brackets of the Launceston market, with Valuers seeing an increase in the number of sales in properties priced above $800,000 on reduced selling periods.

Darwin

A pretty basic state of the market submission this month, but the key is to keep it current and try and make the observations about the causes and effects of 2012.

The greater Darwin property market has performed very well during the first quarter of 2012. Sections of the market are characterised with strong buyer interest, good auction results, low vacancy rates and increased rental demand. 2011 was a particularly lean year for the market, with most market sectors contracting. The positive final investment decision in December for the $35 billion Inpex gas project added much needed confidence to what was a struggling market place.

The sectors of the market that have been the best performing in the first quarter of 2012 are the markets which were hardest hit during 2011. Sales turnover and activity throughout Palmerston has increased, including vacant land through Bellamack and dwellings in the established suburbs. The northern suburbs have also performed well, again with increased turnover and a slight increase in price, particularly at the entry level and middle tier of the market. Muirhead, the latest land release by Investa and DHA, has hit the market with land settling and house construction beginning in recent weeks. The early stages of the subdivision have been completed very well with an attractive streetscape and layout.

....sections of the market are characterised with strong buyer interest, good auction results, low vacancy rates and increased rental demand....

The prestige, detached dwelling market has continued to remain steady. This section of the market doesn't experience the volatility of the mortgage belt locations, with many more properties being owner occupied and tightly held. Additionally it also appears to be more insulated in down turns, and slower to react when the market is booming.

The CBD is still a very interesting case. Rental demand has increased dramatically. The increased number of workers coming to the region to capitalise on the resources boom, coupled with the seasonal change has reduced the number of properties available for rent at what is considered an 'affordable' price. Throughout Q1 there have been building completions and we note that C2 on the esplanade and the Zest apartments on Gardiner Street are nearing completion, which is a positive sign for the CBD. We also note that building works have started on a number of projects which have remained stagnant for some period of time.

Moving forward throughout 2012 we expect a stabilisation of house prices. We consider that rental rates are likely to be the big mover. With more workers coming to town, corporate leases and increased demand we expect that landlords will experience rental growth and favourable conditions.

Perth

The Perth property market has over the last quarter experienced somewhat of a consolidation as real estate agents across the Perth metropolitan region report an increasing sales rate and a decline in stock levels.

The median price for the Perth metropolitan area increased 0.4% in the 3 months to December 2012 to $462,000. In comparison to the 5.7% falls over the preceding 12 months, this minor gain is largely seen as a sign that the market is at or near the bottom of the economic cycle. This has been further evidenced by an increase in sales activity particularly from "First Home Buyers"

According to REIWA, sales during the March 2012 quarter achieved a total of 2,933 applicants for the First Home Owner's Grant. This is the highest point since March 2012 which was shortly after the now discontinued First Home Owners Grant Boost was announced.

Alongside first home owners, investors have begun accessing the market as a result of strong rental appreciation across the Perth Metropolitan region. Preliminary figures released by REIWA reveals that the median rent increased by 10% to $425 per week in the 12 months to March 2012.

....the median price for the Perth metropolitan area increased 0.4% in the 3 months to December 2012 to $462,000....

Suburbs with good access and amenities within a 10 kilometre radius of the Perth CBD appear to be the main beneficiaries of this as vacancy rate fell from 1.9% in January to 1.6% in March. Discussions with property managers reveal that it is no longer uncommon to receive in excess of 15 applications to rent with prospective tenants willing to pay above asking rents to secure a property.

Such practices are however unsustainable in the long term. With key economic indicators pointing towards a further rate cut by the Reserve Bank within the short term which may entice tenants into purchasing thus releasing some pressure on the rental market. In the meantime, a strong rental market and steady interest rate is likely to see more investors emerge as yields become more attractive.

On the flip side, the Peel region continues to languish with the median price falling a further 3.8% in the 3 months to December 2011 and a total of 9.9% during the last year. As the local economy centres around servicing the local population there appears to be little flow on from the State's resource sector boom.

Finally, predicting the market moving forward remains inherently difficult in light of continued uncertainty surrounding the mining tax, carbon tax and to an extent the world economy. However, the signs of recovery are slowly emerging.

South Western WA

Well, hopefully the Christmas hangover is well and truly behind us and the chocolate migraine is also a thing of the past.

For the first time in a long while the market seems to be on the improve, particularly at the lower price levels. This seems to be a general trend, not just in the larger city centres of Bunbury and Busselton, but also spreading out to the smaller towns such as Capel.

The prices do not appear to be moving, but activity has certainly kicked up a notch. One larger local agency isreporting sales for March of approximately 45 properties, which is well up on the 30 odd per month they had been achieving over the last year or so.

There appears to be some pent up demand to buy, with potential purchasers not wanting to step in until the market hit the bottom. With the pre-Christmas interest rate reductions and some stabilisation in Europe and the US, these buyers (both first time and others) seem to be deciding the time is now. The higher rentals may also be encouraging potential buyers to commit as well.

So, as we look forward to the up coming year, there may just be some light at the end of the tunnel provided another shock doesn't send confidence back into the doldrums again.

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Herron Todd White
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Rural – Market Directions

Welcome to the May edition on the Rural Month In Review. With only one month to go until the end of Financial Year, time is slipping by!

Most of this month's contributions from around Australia report a mix of information which include:

- Northern Territory - continued issues with the live export market. Patchy wet season and limited property market activity;
- North Queensland - successful auction of Cassilis for $14.5 million near Richmond which shows about $263 per hectare improved (bare). Mount Hope and Fariveiw are the next auctions;
- North Queensland - short discussion on debt and business issues;
- Western Australia - subdued property market activity in the wheatbelt;
- Southern Queensland/Northern New South Wales - cotton yields up and picking about to start, apparent positive change emerging in the property market sentiment; and
- Southern New South Wales and North Eastern Victoria - positive news in the property market with corporate and 'mum & dad' farms being well received by the market with more potential buyers looking around. Also, water storages are unusually full due to the floods.

We trust that you will enjoy reading these 'snip bits' to keep you updated on the state of the market in each area.

Roger Hill Ph: (07) 4724 2000

1 May 2012

Southern NSW

We appear to have turned the corner as far as sales activity in southern New South Wales and north east Victoria goes. There has been reasonably strong demand for some time for larger properties that are being purchased by the corporate and investment sector, with several large properties selling in the last part of last year and early 2012. Due to a number of factors - good seasonal conditions, a great start to 2012, fairly strong commodity prices, greater confidence in the market, etc, some of the mum and dads farms are now starting to sell. Some of these properties have been sitting on the market for a long time (up to three years). Now there is a lot more optimism around, these places are being inspected and some are selling. In many cases vendors are still finding it hard to accept that values have fallen over the last three or four years and many are still trying to aim for prices that can no longer be achieved. Those that have met the buyers market have been selling their properties.

The selling season in this area is usually autumn and spring, so we are now going into a quieter selling time. Agents however are starting to report better responses to advertisements, with potential purchasers actually going to the trouble of inspecting properties. This is a new turn of events as it has been very quiet on the sales front, with many properties listed for sale but very few being inspected and even fewer selling.

The area is slowly recovering from the March severe flooding that caused so much damage. In fact it is now quite dry and farmers are looking for a bit of rain to be able to sow crops into moisture laden soil. There is plenty of sub soil moisture, but the top is now needing rain. Oats sowing is pretty well finished, canola sowing has started and then it will be followed by barley and wheat.

The water storages are unusually full at this time of the year. We are heading towards the end of the irrigation season about now and water storages are usually depleted as water is released. However due to the flooding of much of the irrigation areas and very little irrigation taking place, and extremely high rainfall in March over most of the upper catchments, storage dams are near full. Dartmouth is currently at 88% (61% last year) and is expected to spill for only the second time since it has been built - very spectacular; Hume Dam is at 88%, Eildon at 89%, and the Murrumbidgee storages are in the high 80% and early 90% levels. Most of the annual rainfall in this area falls between April and October, so it looks like the storages will fill and spill over winter - great news for the irrigators in late 2012 and early 2013.

All in all things look pretty good in this area. Good early start to the season, plenty of sub soil moisture, plenty of green pasture, storages near full, and crops starting to come out of the ground.

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Regional Victoria

There has been little activity in the rural scene over the past month. The wine grape harvest has all but wound up whilst the fresh fruit table grape harvest is also nearing completion.

The dry land sector is waiting for some significant rainfall to allow growers to commence their cereal cropping programs, noting that traditionally in the Victorian Mallee and northern Mallee areas the trigger to commence sowing has been around Anzac Day.

It is tipped that after large areas of Canola were sown successfully in 2011 that a significant greater area will be sown this year due mainly to very good sub surface moisture levels and better pricing differential compared to traditional wheat and barley. However the Grains Research and Development Corporation (GRDC) have issued a warning on the risk of Blackleg Disease wiping out significant areas of crop. The disease survives in stubble and the GRDC have specifically warned growers against sowing Canola on Canola.

The local water market continues to remain weak with little demand outside government buybacks. There is presently a Government tender (budget not revealed) asking for expressions of interest from local growers wishing to sell their water shares and at what price. It is expected that the value range will be between $1,500/ML up to $1,800/ML. The tender will close shortly and results known in 4 weeks.

Sales activity over the past month include the significant sale of the former CSIRO Research station at Merbein South 15 kilometres west of the Victorian provincial city of Mildura. This 35.4 hectare site has extensive buildings including a dwelling, large modern office-administration-conference centre, laboratories, several other buildings, sheds, glasshouses and extensive bitumen paving and car-parking areas. The balance land comprises approximately 29 hectares of irrigable land which is partly developed to vines and citrus. Included in the sale was a 109 ML Victorian High Reliability Water Share.

A dryland cereal cropping farm (1,658 ha) in the Millewa district 65 kms south west of Mildura recently sold after auction for almost $1 million. Approximately 1550 ha of the land is arable cropping land with an even mix of good sandy loam soils and heavier type country. Improvements were very basic. The sale showed $642/ha for the better sandy loam country which is in line with value levels of sales in 2010 and 2011 for this area.

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Southern Queensland

The summer in our region has finished well and we are now closing in on the commencement of the cotton picking season. All evidence would suggest that yields will be up however the returns are very much at the forefront of everyone's thinking. As at 19 April 2012 the 2012 cash price was $447 per bale with the 2013 and 2014 prices $437 per bale and $442 per bale respectively. This is barely a break even scenario on an average yield.

We are now seeing quite a significant increase in property listings as is traditionally the case for this time of year. It is acknowledged that there is quite a deal anxiousness among vendors due to both national and international issues and the strength of the Australian dollar. However there is a line of thought that has started to emerge over the last one to two months that we are maybe starting to find some bottom in the market. Early days yet, but discussions with agents would suggest that in their opinion activity is starting to trend up. The mood in our opinion has definitely improved since the end of 2011, but still uncertainty exists. As such, a lift in values is still not expected anytime soon. However for that to ultimately occur activity must be evident. We are seeing good evidence of institutional investors/ corporates entering the market with their eyes set firmly on the quality farming country of the Inner Downs i.e. the Bongeen and Jimbour Plains.

....as at 19 April 2012 the 2012 cash price was $447 per bale with the 2013 and 2014 prices $437 per bale and $442 per bale respectively....

Post 2000 the driver behind the value escalation was the grazing industry, specifically quality central Queensland Brigalow scrub country. If we are to see a main driver post 2012, we believe it to be the quality farming country of southern Queensland/northern New South Wales. It is however a delicate position at present. Supply and demand must remain relative to each other. An over supply of properties onto the market during the course of the next six months or so will be of no benefit to the market in general.

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Northern Queensland

The first round of mustering is in progress for many graziers. Typical for this time of the year the Queensland Cattle Market Index is taking its seasonal downward trend as cattle come onto the market.

Its certainly good to see there is good green feed in the basalt areas to the north of Charters Tower as well as the Hughenden and Richmond areas. The good seasonal condition and grass will certainly provide graziers with options for keeping cattle if it suits their business.

The consensus is that the business of beef is going well. How good ones business is though, is how much debt one might take on. For those with a good business, debt is a good tool, for those businesses with narrow margins then debt may not be a good tool.

It is interesting to note that there is a 'chit chat' shift across the north whereby the comments are that the enterprise must pay for the property. This is a positive and healthy paradigm.

This is a notable shift away from the comments during the boom which were along the lines of the property (price growth) paying for everything – development and balance sheet returns!

Given that this shift in general 'chit chat' is coming through, then rational decisions can be made within the respective business as to identifying the enterprise position and plan for a future direction.

....overall there has been an increase in sale activity in the Central Queensland rural property market activity....

At a similar time in this paradigm shift in North Queensland it is noted that there are property sale contracts starting to appear as well. The prices of some country types have certainly rationalized in recent years to a level that can be paid for by the enterprise operated thereon in the present business environment.

There are some concerns being raised regarding the closures of feedlots and possibly processing facilities in southern market areas. It could be said that these are the 'thunderstorms on the horizon' for the national industry. The ongoing strength of the Australian dollar is possibly starting to affect our ability as a nation to compete on the global scene. We are forever reminded that we are an export driven economy.

On the property scene though, there has been a successful auction of Cassilis to the south of Richmond and Mount Hope will have gone under the hammer by the time this Month in Review is published. The marketing agent for Mount Hope reported good interest in the Belyando property. We look forward to reporting on that auction.

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Central Queensland

Overall there has been an increase in sale activity in the Central Queensland rural property market activity; however this is principally driven by the resources sector through mine resumption and infrastructure compensation. Non mining related buyers are scarce as the industry still feels the affects of the Global Financial Crisis and associated impacts to finance markets.

The recent sale at auction of 'Rosedale' (26km south-west of Baralaba) proves as an example of current conditions, reaching $6.75 million including water allocation, stock and plant, with competition from multiple bidders. The block comprises predominately good quality brigalow and softwood scrub country, and shows an improved land value of around $1,094 per hectare or around $3,400 per adult equivilent.

There has been a good flow of sales in the central highlands area, although again many of these sales are in some form underpinned by resource activity. In many cases smaller blocks, handy to Emerald and Capella have been well received by the market at values below about $3 million.

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Northern Territory

While the clouds may be clearing after a very patchy wet season across the Top End, they are still well and truly gathered over the live export market. The Indonesian trade, which is the backbone of this industry, is still nowhere near the levels it experienced during the peak in 2010 and it continues to be a long road to recovery for many producers and exporters.

On the rainfall front, Darwin has received a total of about 1800mm this wet season which is well below the 2010/11 wet season record. However, across the Top End, rainfall has been quite erratic this year.

There has been relatively little market activity for pastoral property throughout the NT over the past month. We note the listing for sale of Western Creek, a 1,026 square kilometre pastoral lease property (part of which is on a term basis) on the Sturt Plateau south-west of Katherine. It is advertised for sale with 5,134 commercial grade Brahman cattle and 1,015 stud Brahmans. The level of interest in this property should be a good gauge as to the current level of demand for pastoral property generally.

Next month we hope to report on more market based activity, with a number of offerings currently available on the market.

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South Western WA

Wheat Belt

The property market in the Western Australian wheat belt remains subdued with a small number of purchases occurring. In the majority these are larger neighbours expanding existing operations and smaller operators exiting the industry. The majority of producers are preparing for seeding and waiting for the break in the season to get going.

South West

It has been reported that farmers, to a certain extent, are back in the market after being pushed out in the years leading up to the global financial crisis by over inflated values being paid by lifestyle purchasers. A dairy farm south of Busselton has been split up and it is reported that 200 hectares of the property have been purchased for, in the region of, $10,000 per hectare by a buyer with farming interests. This, in contrast to 2006/07, would have been likely to have fetched $15,000 per hectare paid by a lifestyle purchaser. The perceived reduction in value is indicative of the general downward trend in demand the property market is experiencing as a whole. It also highlights the difference in values paid by the lifestyle market and the agricultural market where the productive capacity and relative earning capacity are the major factors driving the purchase.

South Coast

Unconfirmed reports have come in from the south coast of corporate and overseas buyers continuing to seek out the consolidation of agricultural land holdings within districts to meet their reported needs. These purchasers are reported to be targeting the higher more reliable rainfall areas where they can obtain economies of scale by amalgamating existing farming properties.

Overall the agricultural property market remains very subdued with limited purchaser activity and a continued over supply of properties on the market.

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Comparative Property Market Indicators - May 2012

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

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Comparative Analysis of Capital City Property Markets

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Wodonga	(02) 6041 1333
Hobart	(03) 6244 6795
Launceston	(03) 6334 4997

Comparative Property Market Indicators - May 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:

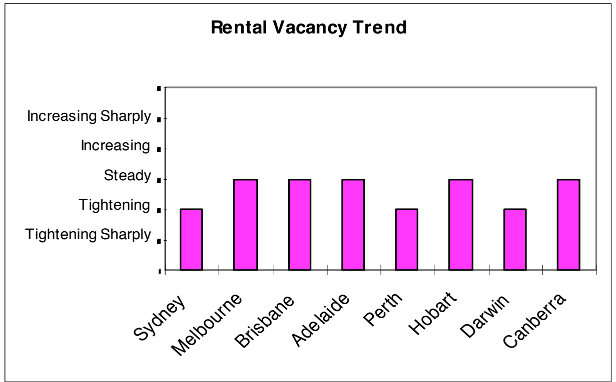
Adelaide	(08) 8231 6818
South West WA (Bunbury/Busselton)	(08) 9791 6204/ (08) 9754 2982
Perth	(08) 9388 9288
Darwin	(08) 8941 4833

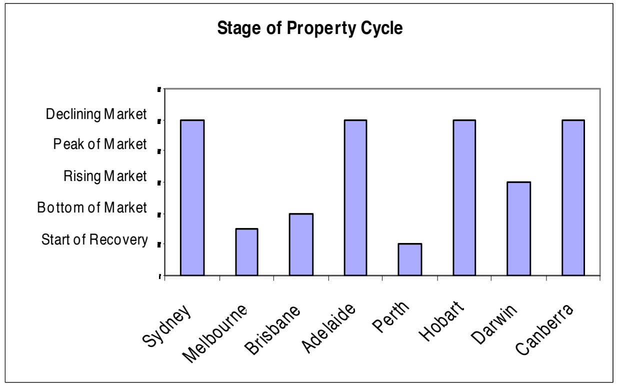
Capital City Property Market Indicators as at April 2012 – Houses

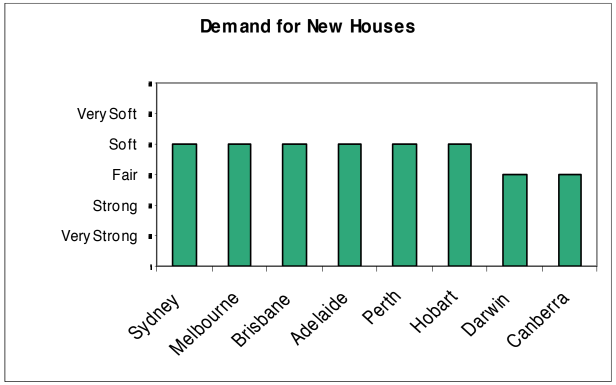
Factor	Sydney	Melbourne	Brisbane	Adelaide	Perth	Hobart	Darwin	Canberra
Rental Vacancy Situation	Shortage of available property relative to demand	Shortage of available property relative to demand - Balanced market	Balanced market	Balanced market	Shortage of available property relative to demand	Shortage 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	Increasing - Steady	Steady	Declining	Steady	Declining	Increasing	Declining
Stage of Property Cycle	Declining market	Start of recovery - Bottom of market	Bottom of market	Declining market	Start of recovery	Declining market	Rising market	Declining market
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Occasionally	Occasionally	Occasionally	Almost never	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





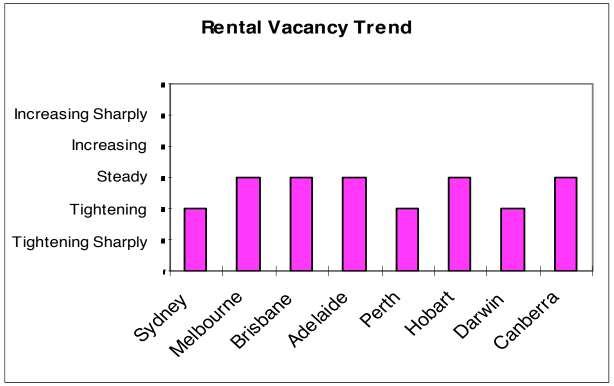


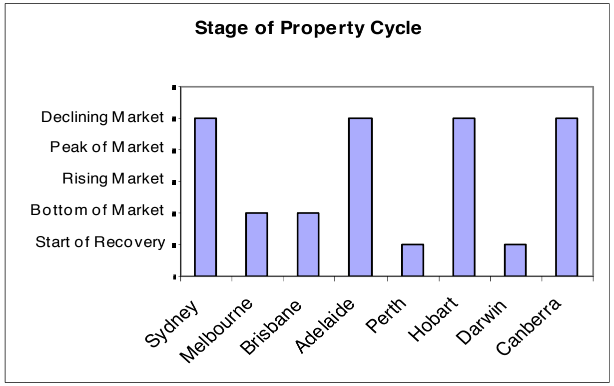
Capital City Property Market Indicators as at April 2012 – Units

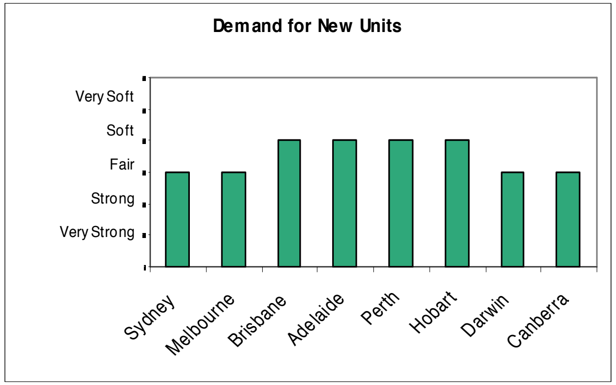
Factor	Sydney	Melbourne	Brisbane	Adelaide	Perth	Hobart	Darwin	Canberra
Rental Vacancy Situation	Shortage of available property relative to demand	Balanced market	Balanced market	Balanced market	Shortage of available property relative to demand	Shortage of available property relative to demand	Shortage 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	Increasing - Steady	Steady	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	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



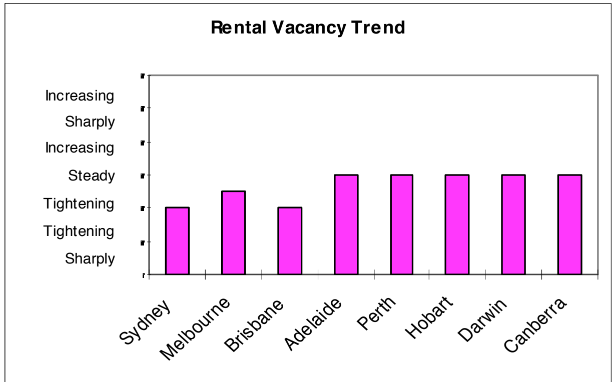


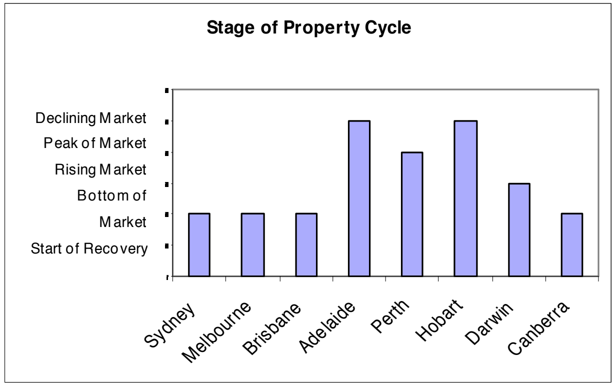


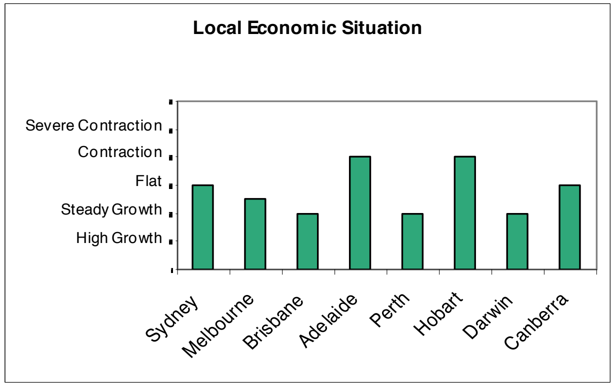
Capital City Property Market Indicators as at April 2012 – Industrial

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

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



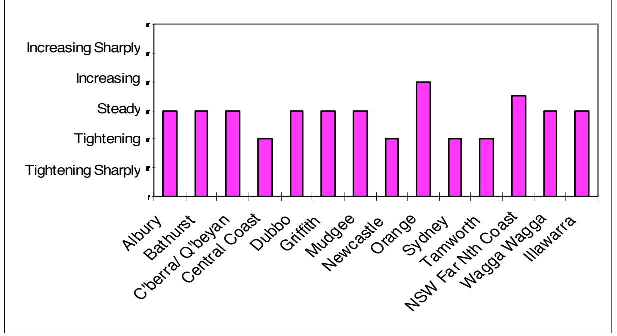




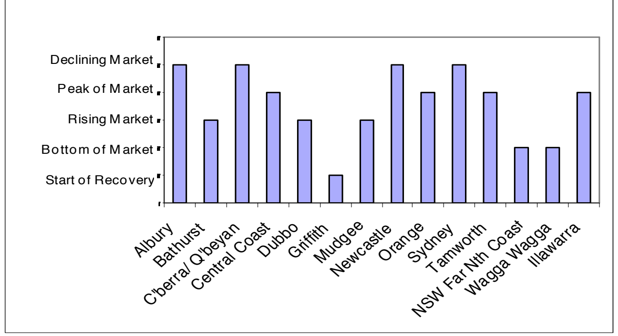
New South Wales Property Market Indicators as at April 2012 – Houses

Factor	Albury	Bathurst	Canberra/ Q'beyan	Central Coast	Dubbo	Griffith	Mudgee	Newcastle	Orange	Sydney	Tamworth	Tweed Coast	Wagga Wagga	Wollongong
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	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	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	Tightening	Steady	Steady	Steady	Tightening	Increasing	Tightening	Tightening	Steady - Increasing	Steady	Steady
Demand for New Houses	Soft - Fair	Fair	Fair	Soft - Fair	Strong	Soft	Strong	Fair	Fair	Soft	Fair	Very soft - Soft	Soft	Soft - Fair
Trend in New House Construction	Declining	Increasing	Steady	Declining	Steady	Steady	Steady	Steady	Steady	Steady	Steady	Declining	Steady	Steady
Volume of House Sales	Steady - Declining	Steady	Declining	Steady - Declining	Increasing	Increasing	Increasing	Steady	Steady	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	Peak of 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	Occasionally	Occasionally	Almost never	Almost never - Occasionally	Occasionally	Occasionally	Occasionally	Occasionally	Occasionally	Occasionally	Occasionally	Occasionally	Occasionally	Occasionally

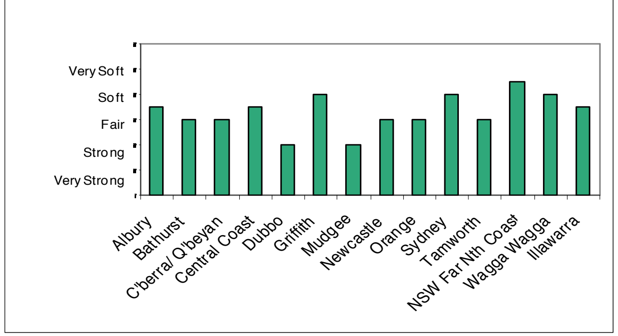
Red entries indicate change from previous month to a higher risk-rating   *Blue entries indicate change from previous month to a lower risk-rating*



Rental Vacancy Trend



Stage of Property Cycle



Demand for New Houses

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New South Wales Property Market Indicators as at April 2012 – Units

Factor	Albury	Bathurst	Can-berra/ Q'beyan	Central Coast	Dubbo	Griffith	Mudgee	New-castle	Orange	Sydney	Tam-worth	Tweed Coast	Wagga Wagga	Wollon-gong
Rental Vacancy Situation	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	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	Increasing	Tightening	Tightening	Steady - Increasing	Steady	Steady
Demand for New Units	Soft - Fair	Fair	Fair	Soft	Fair	Fair	Fair	Fair	Fair	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	Steady	Declining	Steady - Declining	Increasing	Steady	Increasin g	Steady	Steady	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	Peak of 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	Occasion-ally	Almost never	Occasion-ally	Occasion-ally	Occasion ally	Almost never	Occasion-ally	Very frequently	Occasion-ally	Occasion-ally	Occasion ally	Occasion-ally

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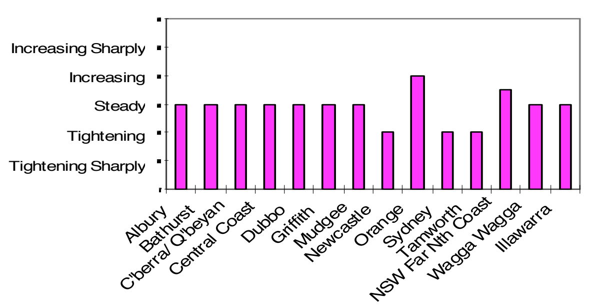
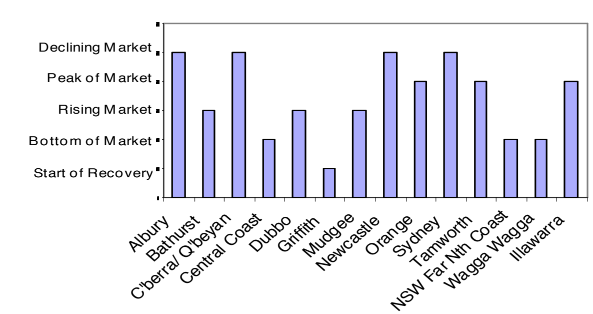
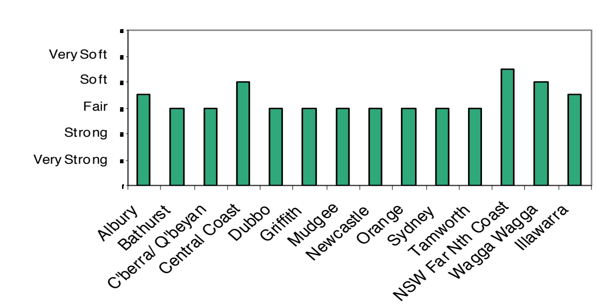
Rental Vacancy Trend



Stage of Property Cycle



Demand for New Units



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Independent Property Advisors

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

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

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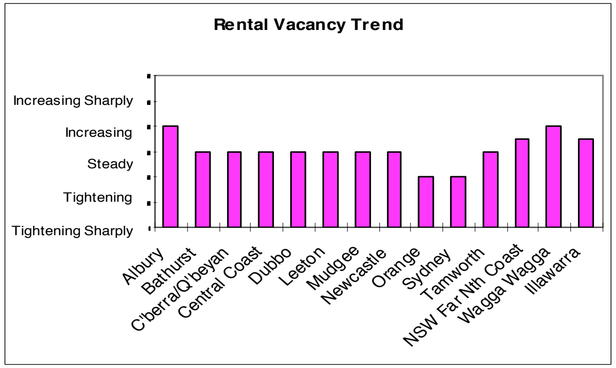
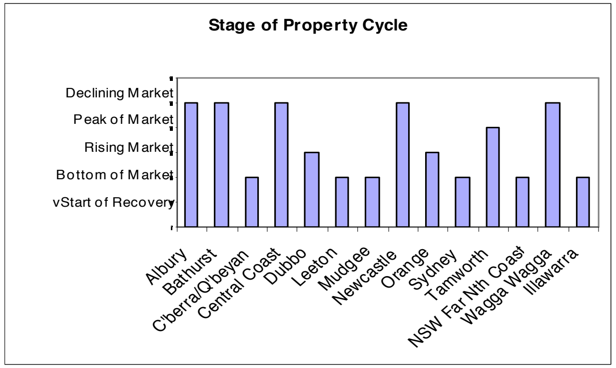
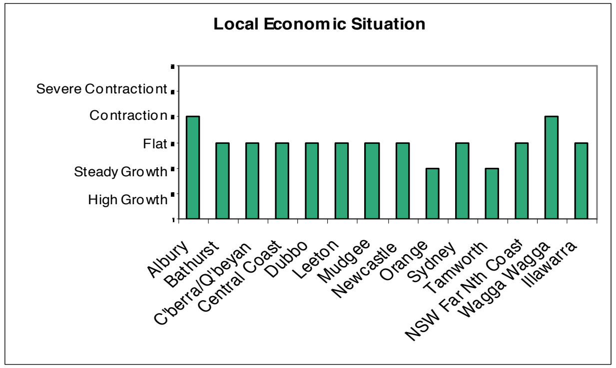
Blue entries indicate change from 3 months ago to a lower risk-rating







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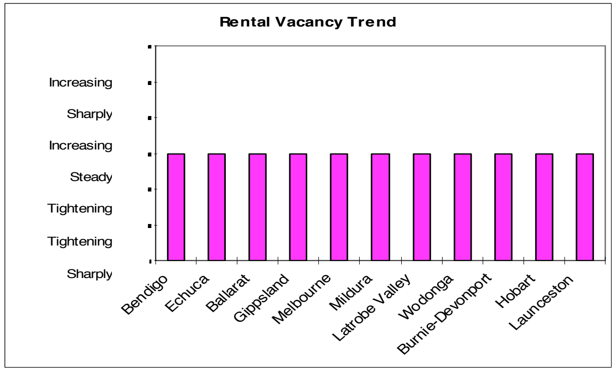
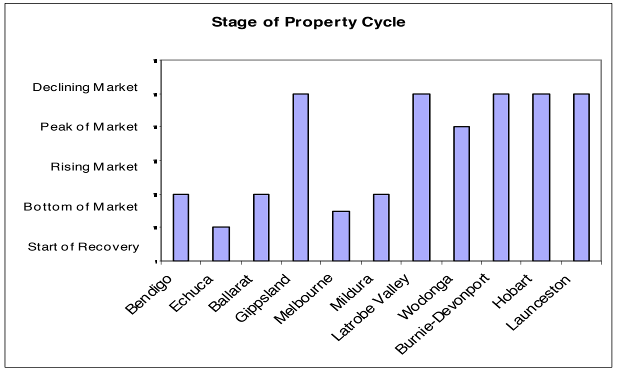
Independent Property Advisors

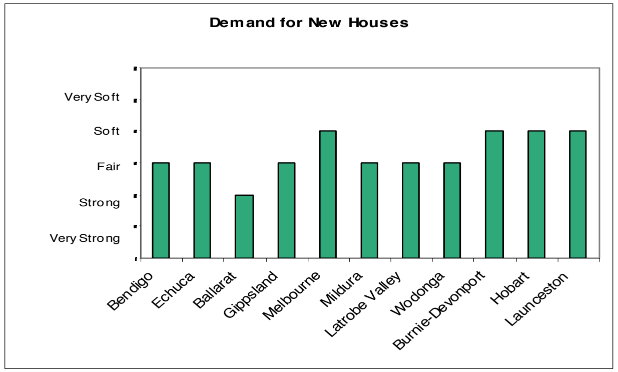
Victoria/Tasmania Property Market Indicators as at April 2012 – Houses

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	Steady	Steady	Steady	Steady	Steady	Steady	Steady	Steady	Steady
Demand for New Houses	Fair	Fair	Strong	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	Increasing - Steady	Steady	Declining	Declining	Declining	Declining	Declining
Stage of Property Cycle	Bottom of market	Start of recovery	Bottom of market	Declining market	Start of recovery - 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	Occasionally	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*



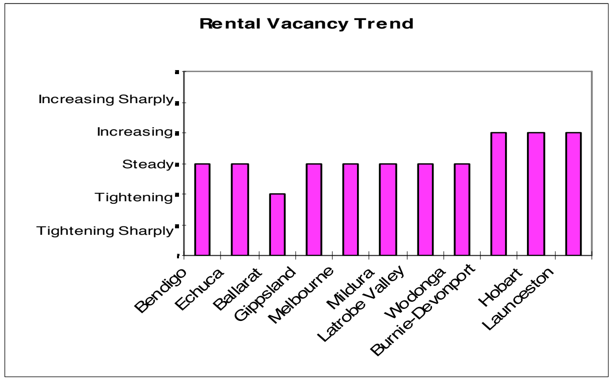


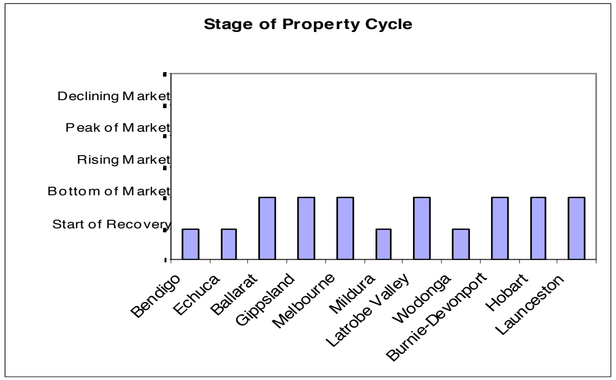


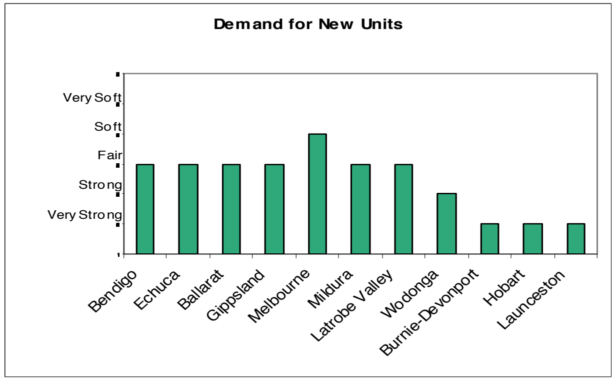
Victoria/Tasmania Property Market Indicators as at April 2012 – Units

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	Steady	Steady	Steady	Steady	Steady	Steady	Steady	Steady	Steady
Demand for New Houses	Fair	Fair	Strong	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	Increasing - Steady	Declining	Declining	Declining	Declining	Declining	Declining
Stage of Property Cycle	Bottom of market	Start of recovery	Bottom of 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 April 2012 – Industrial

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

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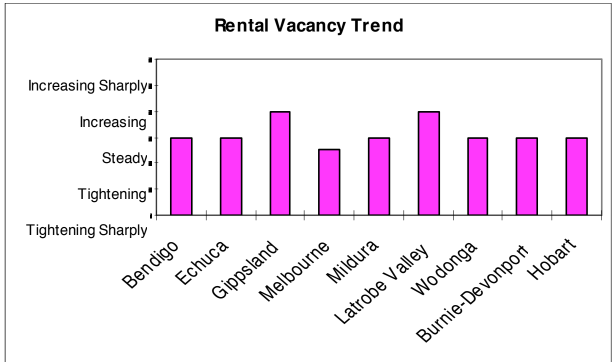
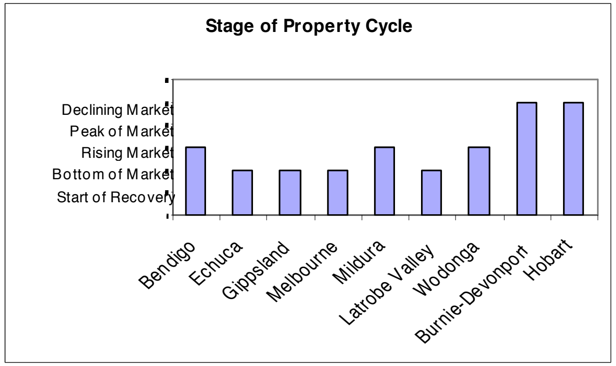
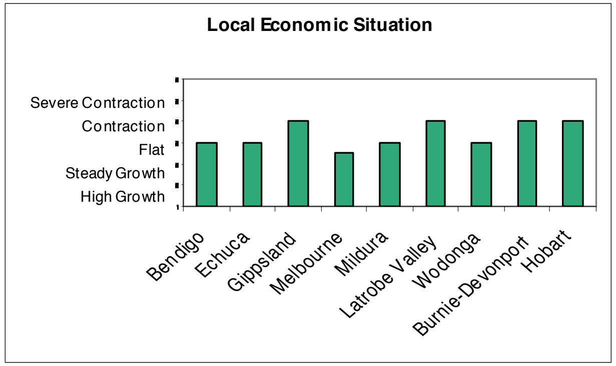
Blue entries indicate change from 3 months ago to a lower risk-rating



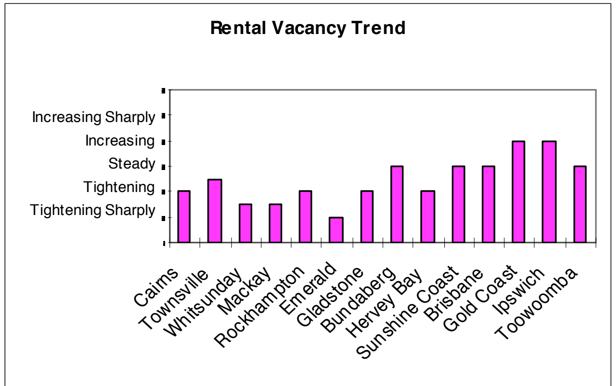


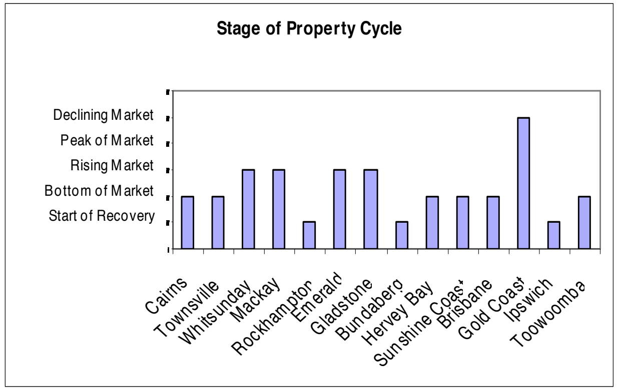


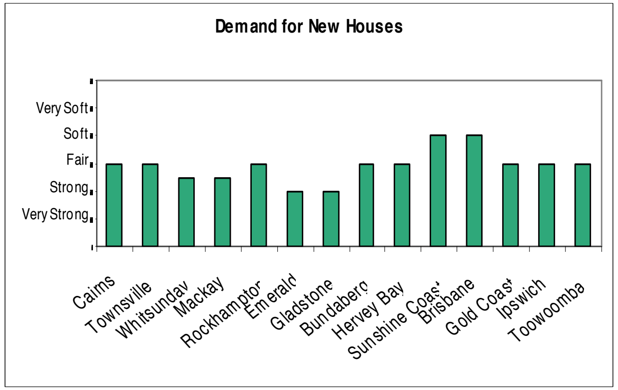
Queensland Property Market Indicators as at April 2012 – Houses

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





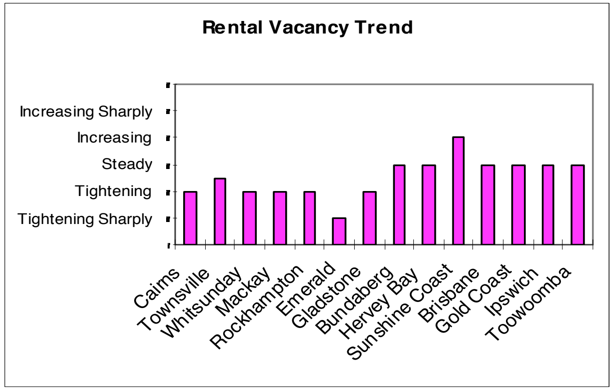


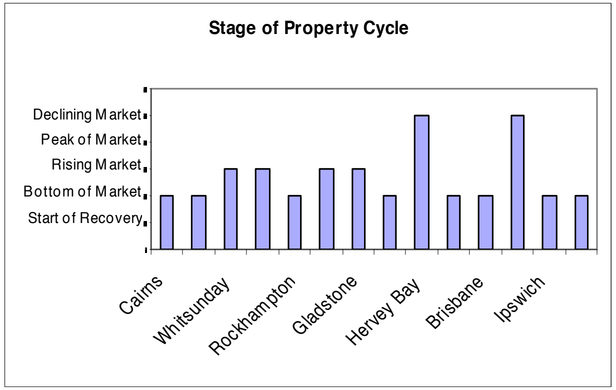
Queensland Property Market Indicators as at April 2012 – Units

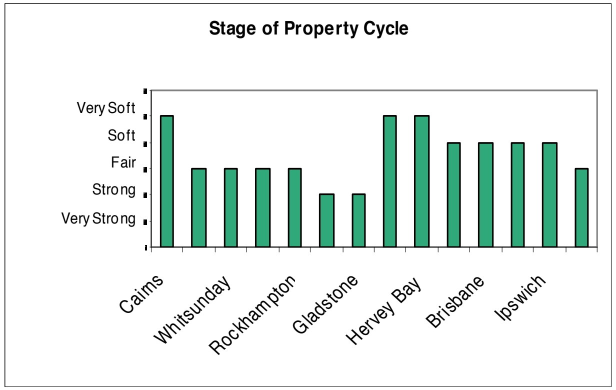
Factor	Cairns	Towns-ville	Whit-sunday	Mackay	Rock-hampton	Emerald	Glad-stone	Bunda-berg	Hervey Bay	Sun-shine Coast	Brisbane	Gold Coast	Ipswich	Too-woomba
Rental Vacancy Situation	Balanced market	Shortage of available property relative to demand - Balanced market	Shortage of available property relative 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	Balanced market	Balanced market	Balanced market	Balanced market	Balanced market	Balanced market
Rental Vacancy Trend	Tightening	Tightening - Steady	Tightening	Tightening	Tightening	Tightening sharply	Tightening	Steady	Steady	Increasing	Steady	Steady	Steady	Steady
Demand for New Units	Very soft	Fair	Fair	Fair	Fair	Strong	Strong	Very soft	Very soft	Soft	Soft	Soft	Soft	Fair
Trend in New Unit Construction	Declining	Steady	Steady	Steady	Steady	Increasing	Increasing	Declining significantly	Declining significantly	Declining significantly	Steady	Increasing	Steady	Steady
Volume of Unit Sales	Steady	Steady	Steady	Steady	Declining	Steady	Steady	Steady	Increasing - Steady	Steady	Steady	Increasing	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	Declining 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	Very frequently	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



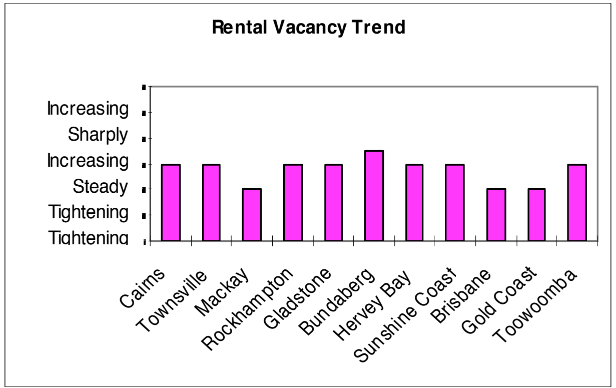


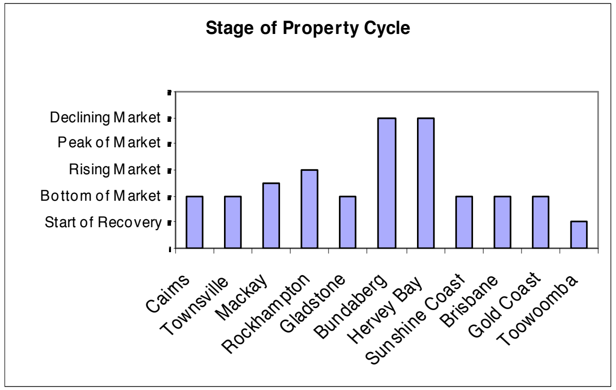


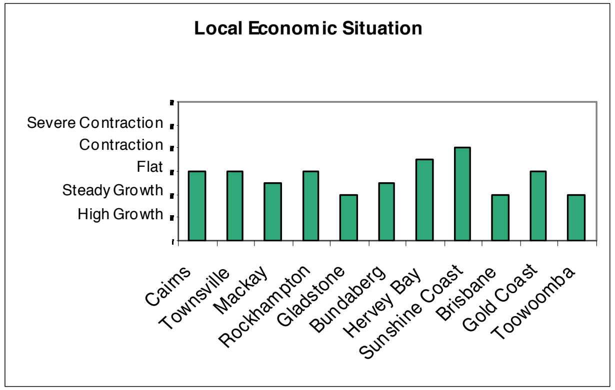
Queensland Property Market Indicators as at April 2012 – Industrial

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



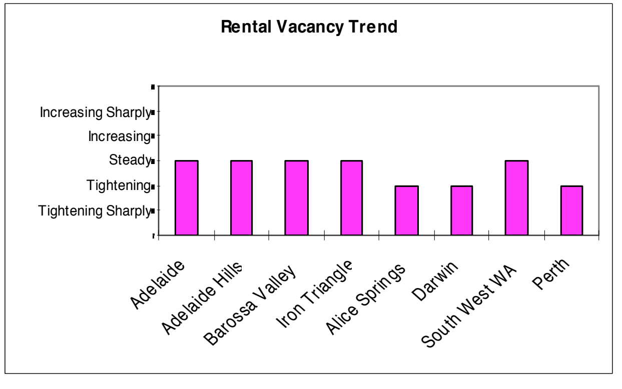


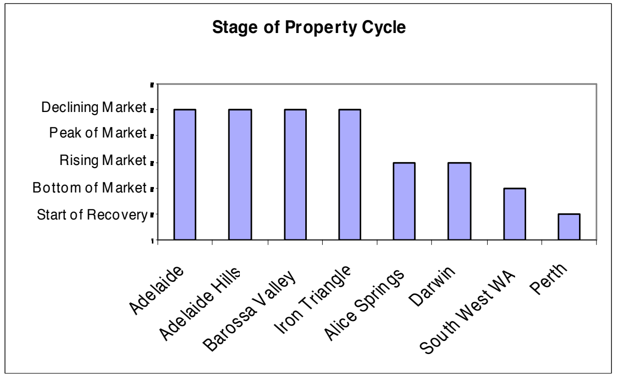


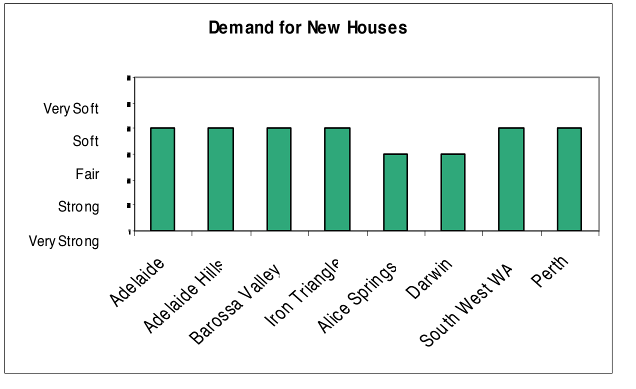
Northern Territory, South Australia & Western Australia Property Market Indicators as at April 2012 – Houses

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	Balanced market	Shortage of available property relative to demand
Rental Vacancy Trend	Steady	Steady	Steady	Steady	Tightening	Tightening	Steady	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	Increasing	Steady
Stage of Property Cycle	Declining market	Declining market	Declining market	Declining market	Rising market	Rising market	Bottom of market	Start of recovery
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Almost never	Almost never	Almost never	Almost never	Occasionally	Occasionally	Almost never	Occasionally

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



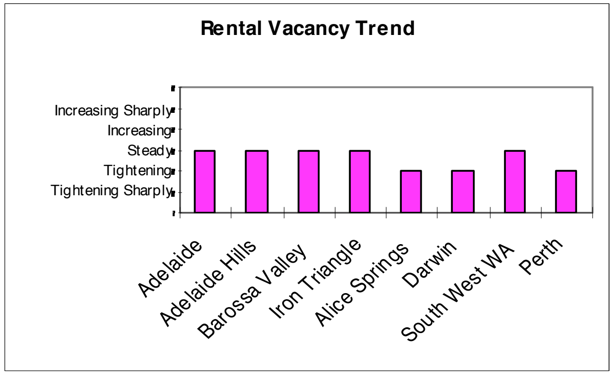


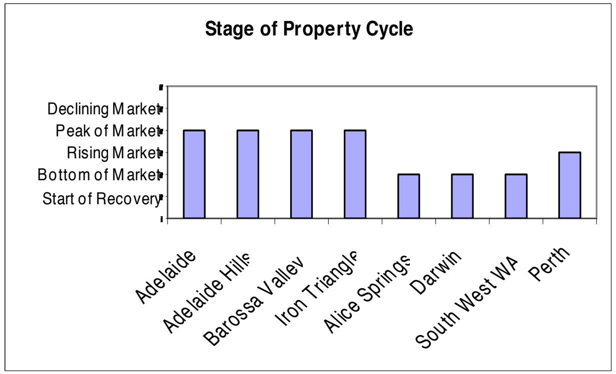


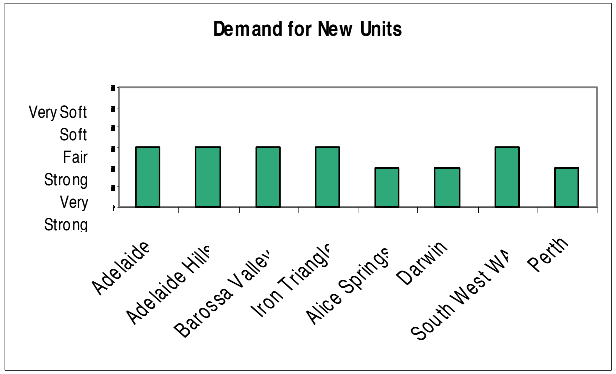
Northern Territory, South Australia & Western Australia Property Market Indicators as at April 2012 – Units

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	Balanced market	Shortage of available property relative to demand
Rental Vacancy Trend	Steady	Steady	Steady	Steady	Tightening	Tightening	Steady	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	Increasing	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 April 2012 – Industrial

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

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

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