Herron Todd White
Independent Property Advisors


# The Month In Review

2012 JULY

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# Contents



Peace of mind for your property decisions.

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# A lazy half million 2012

*"I shave my legs twice a week. It's hard the first time you do it. But I'm very lazy. For a team photo in December I just did the fronts."*

***David Millar ( Scottish Road Racing Cyclist)***

Welcome once more to the annual issue where we kick the butt of a hypothetical lackadaisical fiscal misfit and attempt to get it to contribute to society. We've already reached the year's half way mark and you know that means three things:

1- Retailers are considering unpacking the Christmas decorations to get a start on the season.

2 – There are some mining giants wondering whether a new gold plated Ferrari could be written off as a depreciating asset (20% as soon as you drive it off the lot Sir/Madame)

3- Herron Todd White are going to once again try and make you feel woefully inadequate by suggesting you are the only one in the nation who doesn't have $500,000 just sitting around doing nothing. In relation to this all I have to say is "Welcome to the club my friend!"

A half a mill has become a very persuasive amount amongst most of our markets and that is something we probably wouldn't have dreamt of not so many years back. A combination of lousy international economic performance and confidence zapping job prospects outside of the big digging industries has meant that many markets haven't enjoyed the growth typified by the "property doubles in value every seven years" ethos. If you close your eyes tightly and say three times "There's no place like home" you and Toto may well find that your $500k will land you in something of better quality than that blown in on a tornado.

The fun in spending the hypothetical fistful can be had by everyone, but it takes on an extra dimension when you gather a group of property professionals from around our nation and pose the question to them. Whilst one of our wags suggested you may be able to acquire the Greek Presidential Palace and most of the surrounding suburbs for your lazy half million, the prospects in Australia have been well considered by all our contributors.

*"Let us be lazy in everything, except in loving and drinking, except in being lazy."*

***Gotthold Ephraim Lessing***

To ramp up the interest, we also asked our pundits to look back on last July's issue and see what has happened since our previous attempt at offloading the pretend dollars. This exercise is fairly telling so don't be surprised if some contributors are trumpeting their predictions whilst others appear a bit cagey. It's all in the interests of getting a nice big dose of information.

If you're more than a little interested in commercial, then get ready to dive into the retail sector. We have all our professionals scurrying to lock in an opinion on the mid price market. It's about those investors who are stepping up from the mum and dad level but are well away from the rarefied atmosphere of the Westfield Group. We answer the questions as to what sort of property are they buying and what returns are they expecting at this echelon.

*People who throw kisses are hopelessly lazy.*

*Bob Hope*

So enjoy our attempts to get the itinerant dollars into the field and picking the fruit off the profit tree for you to enjoy. Take it all in and then give us a bell at Herron Todd White. We will have the strategy to make those slothenly spondoolies sweat while you crack the whip from the comfy chair.

Happy EOFY everybody.

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1 July 2012

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QS CORNER

# Tax Deduction for Investment Properties: What can you claim?

Tax time is here. 30 June has come and gone, group certificates are in the mail and the dreaded task of organising finances for the inaugural trip to the accountant is upon us all. If you own an investment property, the best advice you can receive is; it pays to be organised and it pays to do your homework on what exactly it is that you can and cannot claim against your taxable income. Because accounting for every dollar is important and can even save you from paying more than you otherwise would.

The big question is however, do you know what those deductions are and how to claim them? When it comes to renting out your investment property, whether you own the property, are renting out part or all of it or even if you are a commercial property owner occupier, there are many items you can claim for. It is not just those investors who are negatively gearing their investment property that reap all the rewards. Every investor has the same opportunity to claim for tax benefits, you've just got to know what they are.

The most commonly claimed deductions are for the repair and maintenance on capital works to a property, along with managing agents fees, landlord insurance, water and council rates, strata fees (if the property is strata titled) and all directly related expenses suitably associated with the investment. Some costs are tax deductible in the year you incur them, whereas others can be used to reduce your profit, or 'capital gain'. However, you can also claim some interest, legal costs and other expenses associated with the purchase of the investment property.

Claiming depreciation on the wear and tear of your property is one that sometimes slips through unclaimed. As a direct result some investors are missing out on claiming thousands of dollars on their investment property. The concept is the same as claiming depreciation on your car that is used for income generating purposes. A big misconception is that people do not associate the idea of 'depreciation' with property, because as an investor all that you want your property to do is appreciate in value.

While the land component is usually the one that appreciates, the actual dwelling being the bricks and mortar, carpet, blinds and kitchen appliances wear out and depreciate. Its is for this reason the ATO allows owners of investment properties to claim annual deductions for depreciation on their properties.

The best way to have your property correctly assessed for depreciation is to engage a fully qualified and appropriately licensed Quantity Surveyor who is also a registered Tax Agent. Your claim will be in accordance with the ATO's guidelines with the reassurance that a qualified professional is ensuring that all depreciable items are accounted for and not overlooked, therefore maximising your return and reducing the amount of tax you pay.

It is important to do you homework on the tax benefits, rules and guidelines when it comes to property investment. It is important to talk to your accountant or financial advisor, not just at tax time but well before you purchase your investment property, to ensure you will know exactly what your financial options, benefits and risks are.

Herron Todd White are more than just property valuers. We are fully qualified and accredited property advisors in all areas and class of property. If you need Tax Depreciation advice on your investment property please do not hesitate to contact one of our fully qualified Quantity Surveyors at **tds@htw.com.au**.

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## *Commercial Overview*

With the generally flat performance throughout the retail sector, investors have been considering where and when is the best time to invest. The retail market probably has some upside, but it is a foolish soul who goes in blindly.

This month our commercial professionals have taken a look at how the middle markets are performing in the retail sector. This issue paints the picture for those stepping up from entry level investments with a view to the long term.

### Sydney

Like most things property related within Sydney, private investors within the Sydney retail can be categorised into two distinct categories; the wealthy and the incredibly wealthy. Generally the wealthy investors seek out properties in the $2 to $5 million bracket generally found in prime and secondary strip locations, while the incredibly wealthy are active purchasers of supermarket and neighborhood centres.

Starting with the wealthy, we have seen a marked downturn in the number of these investors in the market with the consistently bad news surrounding the retail sector discouraging investment. This downturn in the number of buyers in the market has been met with an untimely increase in the number of properties being listed for sale, as owner occupiers and investors alike seek to exit their investments. Unsurprisingly this has resulted in a marked reduction in capital values, with some re-sales of properties purchased in the last three years recording losses of up to 30%.

The reduction in demand for these retail assets has predominantly been driven by a significant reduction in rental rates and a considerable increase in vacancy rates throughout Sydney retail strips. A recent survey by Herron Todd White revealed that vacancy rates rose across the majority of retail strips reviewed.

Moving onto the incredibly wealthy, we have noted a slight drop in investor interest which was preceded by a period of intense activity following the GFC, with these purchasers becoming the most active within the Australian retail market. Moving on from these times, finance has become increasingly difficult to secure, with lenders generally unwilling to extend finance to centres with higher exposure to discretionary retailing particularly fashion or homewares based stores.

With both investors and financiers becoming increasingly risk adverse, yields have increased significantly for secondary retail centres, with buyers now seeking an additional risk premium to take on the heightened cash flow risk.

Over the coming 12 months we would expect activity from both the wealthy and the incredibly wealthy to remain minimal as the continued uncertainty surrounding the retail sector dampens investor appetite.

### Canberra

With rental growth remaining low, investor demand remains constrained and subsequently transaction volumes have been limited over the past 12 months. Properties located in local centres within close proximity to a major shopping centre remain particularly out of favour, as investors question the viability of these assets over the long term.

Mimicking the conditions in other capital city markets, demand for investment grade properties ($5 million) featuring a food based anchor tenant such as Coles or Woolworths remains high. Cashed up private investors and syndicates have been most active in this market over the past 12 months, with these investors attracted to the exposure to the seemingly recession proof food and beverage market. In the ACT there has been a lack of these properties placed on the market, making it difficult to gauge the exact level of demand for these investments.

At the bottom of the market however, transaction activity has been minimal, with investors concerned about the rental and vacancy outlook for these properties.

## Wollongong

The sale and availability of retail investment properties in the $500,000 price range is scant in the Illawarra region. Most investors are unwilling to compete with owner occupiers that tend to pay a premium above investment value to secure occupancy, and at the same time pushing yields below what most investors would be considered to be an adequate return. The quality of investments in this price range and the current struggles of the retail industry have largely resulted in an absence of investment sales.

There have been investment sales in the $1 million plus price range but typically in prime locations secured by strong leases. Yields for these properties are typically in the 7% to 8% range increasing to 8% to 9% for secondary largely suburban locations.

We forecast little change to current conditions for the remainder of the year. For those with half a million to spend on a retail investment property, we suggest be very selective and conservative with rental projections. For properties in this category, we see this as a buyers market.

## Southern Highlands

The gap between prime and secondary retail properties in the Southern Highlands is substantial with most investment grade retail properties in this region typically over $1 million.

A struggling retail industry and medium/high vacancy rates in secondary locations throughout the region seems to be deterring investors in the $500,000 price bracket with very few sales in the past 12 months. In addition to current vacancies, investors have to compete with owner occupiers who are traditionally more aggressive when making a purchasing decision, placing downward pressure on investment yields. We don't expect things to change too much for the remainder of 2012.

## Central West NSW

The retail property market remains subdued in central west NSW as a result of both reduced supply and demand. There have been little sales or leasing activity to accurately gauge the market. Real estate agents report strong demand for property with strong lease covenants, with activity limited by supply. Conversely properties with vacancies or those requiring capital expenditure or redevelopment are very difficult to sell with limited buyer interest.

The gap in investment yields between well secured national tenanted properties and locally tenanted properties also appears to be widening and investors are looking for greater certainty in their investments with preference for terms of five years or more.

***....the inner Newcastle retail market has been weak for some time....***

The emergence of a two tiered economy continues to strengthen with mining influenced economies such as Orange and Mudgee considerably stronger than other regional markets such as Dubbo, Tamworth and Wagga.

## Newcastle

The Newcastle retail market is looking up at the moment. After years of uncertainty with the state of the GPT owned Hunter Street sites, local papers report that Landcom has signed a deal with the GPT Group to buy two-thirds of its remaining city centre holdings for $20 million.

The Newcastle Herald Reports government land and property developer Landcom and GPT have committed to work together on plans to redevelop four city blocks in the Hunter Street mall precinct into a mix of residential, commercial and speciality retail uses. GPT would retain the other third of its properties.

The effect of this news on mid-range retail buyers in Newcastle at this early stage is unknown. However after the initial disappointment of the GPT withdrawal in 2009, there is sure to be some market skepticism.

The inner Newcastle retail market has been weak for some time. Even preceding the GFC the decentralisation of retail away from the inner city has been a feature of the makeup of this city for many years. Our research indicates that a good quality retail building with a good lease covenant, say a lease expiry of over five years to a national fast food brand, will still produce a sale with a strong yield. However, once that lease expiry comes close and there isn't some degree of surety of tenure the yield can readily expand by 200 basis points or more. It appears the key driver for mid-range investment property is the lease covenant, even more so than location (i.e. regional versus inner city) or quality of the improvements.

With the recent good news the Newcastle retail market may start to show signs of recovery, we suspect this will be a long, slow process.

## Melbourne

The Melbourne retail property market has provided mixed messages in recent times with certain retail sub markets performing significantly better than others. This month we are focusing on the higher price brackets and the purchasers behind these transactions. The $4 million + retail market in Melbourne has become particularly thinly traded outside the prime strips and the CBD. Investors' decision making at this level is heavily influenced by: the existence of an anchor tenant and the security that comes with it; the lease expiry profile of an investment; development prospects; financing ability; and the overall income profile of the investment.

In Melbourne, private investors tend to top out at circa $4 million to $5 million. Beyond this level the market thins out significantly and yields tend to blow out. Historically retail investments above this level have been able to achieve sharper yields, however in more recent times (over the past 24 month period) larger retail investments have witnessed a significant yield jump (in some cases by up to 200 basis points).

Some recent sales of note which highlight this trend are set out below.

| Address | Sale Date | Sale Price | WALE (Years) | Analysed Yield (%) | |
|---|---|---|---|---|---|
| Robinsons Centre, 8 Hatchlands Drive, Deer Park, VIC 3023 | Dec-11 | $6,500,000 | 8.64 | 8.48% |  |
| 136 The Avenue, Sunshine West, VIC 3020 | May-12 | $4,950,000 | 4.30 | 10.10% |  |
| Ground Floor & First Floor, 234 Caroline Springs Blvd, Caroline Springs VIC 3023 | May-12 | $4,322,000 | 8.30 | 9.41% |  |

Properties comparable to the above retail investments which sold in the 2009/2010 market were achieving substantially sharper yields. Sharper yields are still generally achievable, however in the $2 million to $4 million price bracket and within certain well performing sub markets. Large retail transactions in metropolitan Melbourne have been quiet with the exception of several strong freehold results in the Melbourne CBD.

Large retail investments in the upper price brackets are mostly acquired by institutional investors, however stringent lending criteria have knocked some of these buyers out of the market. This has in turn, led to a decrease in competition and a softening in yields. We also note that administrator appointed sales of poorly managed retail investments appear to be on the increase.

Retail spending in Victoria is currently weak. ABS statistics suggest that Victoria retail spending has fallen year on year. This is mostly created by conservatism in many households and overall subdued consumer sentiment resulting in limited spending (and increased savings). Furthermore, our discussions with local retail estate agents note that tenants have reported diminished trade and are seeking rental relief. Overall this shift in consumer spending patterns has made it difficult for the retailers within less frequented and less exposed retail locations. Retail turnover is not expected to pick up dramatically over the short to medium term and is anticipated to follow a similar trend to 2011/early 2012. Retail locations with a varied tenancy mix are expected to be the most resilient retail destinations into 2013. The impact of property management in maintaining good occupancy and achieving sustainable rentals will be a factor which will increase investor appeal.

***....vacancy rates in what has traditionally been Mildura's prime retail area remain high....***

## Regional Victoria

### MILDURA

The redevelopment of the Langtree Mall was contentious both due to the cost (around $4 million of ratepayer's money) and because the outcome polarised local opinion. The extensive use of stone pavers resulted in a relatively stark appearance, which in Mildura's hot summers was viewed as not being conducive to a pleasant shopping experience. Combined with the disruption caused by the construction process, the outcome was that there were 11 vacant shops facing in the Mall at the time that the work was completed earlier this year, and downward pressure on rents.

The addition of some shade structures, combined with some dropping of rents has seen a couple of formerly vacant shops now tenanted, however vacancy rates in what has traditionally been Mildura's prime retail area remain high. This suggests shoppers are continuing to be cautious when it comes to discretionary spending.

Meanwhile at the other end of the spectrum, the growth of supermarkets and big box retailing continues unabated. New Big W and Dan Murphy's outlets located in the Fifteenth Street precinct have just opened, and work on two new supermarkets and extension of an existing supermarket is set to commence in the next six months. Rents for these larger retail properties, which mostly involve national tenants, appear to have held up better than for other small specialised shop properties. It appears inevitable that these larger, national businesses will continue to grow market share at the expense of local type businesses.

## Adelaide

The retail sector has struggled through a very difficult twelve months or so, with little hope for much improvement in the short term. International financial turmoil and low consumer confidence is continuing to have a strong negative impact on discretionary spending and with the Australian dollar back at parity with the US dollar the popularity of purchasing goods from overseas via online shopping sites is harming local retailers further.

The middle range of the Adelaide retail property market is between $1 to $5 million and tends to be the realm of the private investor. Currently this market is very flat and investment has stalled, with transactions well down on five year averages. Vacancy rates have been a bit up and down during 2011 and over the first half of 2012 with the general trend being an increase overall, especially in Rundle Mall, and along The Parade and King William Road, with all recognised retail shopping strips (with the exception of Rundle Street) now with vacancies between 5% to 8%. This is expected to stabalise over the second half of 2012.

Rundle Street continues to be the star performer of the Adelaide retail market with vacancy below 2%. This precinct is dominated by both high end fashion and various specific retail stores along with a wide range of cafés, restaurants and bars. There has not been a sale along Rundle Street for almost three years.

Blue chip investments with secure long term leases to recognisable national tenants, within the mid range of the retail sector are currently the only property within this price range that is still showing any demand. These however tend to be very tightly held and rarely released to market. Yields have remained fairly consistent for this property type at 6% to 8%.

Currently there are numerous retail developments under construction or on the horizon. These are mostly new developments or extensions to existing larger style shopping centres (from neighbourhood to regional) and are anchored by at least one supermarket and possibly a department store as well. New developments include the currently under construction Rundle Place on the old Harris Scarfe's site along Rundle Mall, and out of the city the St Clair Shopping Centre, Walkerville Town Centre, and Brickworks Woolworths development. Extensions include those to Pasadena Green Shopping Centre (which is nearing completion) and yet to commence extensions to Castle Plaza Shopping Centre and all three existing Westfield Shopping Centres' situated at Marion, West Lakes and Tea Tree Plaza.

## Brisbane

The first half of 2012 has seen a marginal increase in investment activity from 2011 in the Brisbane retail property market. Particularly the mid-range investment class of properties in the sub $5 million range, which has seen renewed activity and interest from purchasers.

Some notable recent transactions include:

| Address | Sale Price | Analysed Yeild | Comments |
|---|---|---|---|
| Eagle Junction Shopping Centre 262 Junction Rd Clayfield | $3.9 million | 9.65% | Single level, retail convenience centre which sold part leased to ten tenants with one vacancy. |
| 1396 Creek Rd, Carina | $2.6 million | 9.03% | Single level, retail convenience centre which sold fully leased to eight tenants. |
| 1 Queens Rd Everton Hills | $4.65 million | 9.28% | Two level, mixed use retail and commercial centre which sold fully leased to six tenants. |

The transactions that are occurring in the Brisbane retail property market are reflecting a range of yields dependant on the price point and profile of the particular property. The lower end of the mid range market has remained in favour with private investors with yields remaining relatively firm and ranging between 8% and 9%, while retail centres towards the higher end are generally achieving softer yields of between 9% and 10%.

## Gold Coast and Tweed Coast

What exactly is a mid-priced investment within the Gold Coast retail market?

In recent times, most retail development across the Gold Coast has been developed to target the "mum and dad" investors by providing smaller bite sized investment opportunities.

The next rung up the ladder comprises larger strata title holdings and small multi-tenanted centres typically in the $2 to $3 million price bracket. This is a price point which is slightly out of reach of the typical low end investor and could be deemed as the entry point to the mid-price investment market.

Once within this market the size, intensity and price point will vary significantly providing a range of investment opportunities. The bulk of mid market properties would be considered to fall within the range of $3 to $10 million, with the number of properties (and buyers as well) tapering off significantly above $10 million.

In a nutshell, this market segment appears to be performing quite well with a notable increase in sales volume over the past 12 months in comparison to the last financial year. It goes without saying that the value levels are down in comparison to preceding years, however it is the significant increases in yield levels that are making this class of investment appealing to mid price investors.

Buyers that are within this market primarily comprise high wealth individuals and small investment consortia; owner occupiers are more or less ruled out of this market, providing a level playing field for investors to apply fundamental investment principles and battle it out with like minded buyers.

***....the media appears to be putting forward a more positive portrayal of the Gold Coast commercial market which may persuade more investors to re-enter the market....***

This being the case, particularly within the retail market, value levels are very much driven by rental and yield comparisons as opposed to the owner occupied market where direct comparison and affordability is king.

The more notable mid-market investment sales that have occurred in recent times are outlined below:

- Angel Place, Main Beach – sold at auction in March this year for $5.6 million reflecting an initial yield of 6.84% and an analysed yield of 7.7%. While considered to be a firm yield for the Gold Coast market, Main Beach would typically reflect yield levels 1% to 1.5% firmer than a typical suburban retail investment.
- Bayrose Plaza, Scarborough St, Southport – sold in December 2011 for $3.1 million reflecting an initial yield of 9.63% and an analysed yield of 9.28%. An older style retail centre in a fringe position of the Southport CBD.
- Miami One, Gold Coast Highway, Miami – recently reported as selling for circa $14 million reflecting an initial yield of around 10.9%. A beachside neighbourhood shopping centre anchored by a Coles Supermarket.

Notwithstanding the recent increase market activity, buyers still remain cautious and conservative in their purchase decisions. The underlying risk profile of any property has become a fundamental consideration and the short term income security (also referred to as WALE) is an important measure for financiers.

As of late, the media appears to be putting forward a more positive portrayal of the Gold Coast commercial market which may persuade more investors to re-enter the market in the short/medium term. However, we believe this is unlikely to result in a notable firming of investment yields for the foreseeable future.

## Sunshine Coast

The mid range retail market on the Sunshine Coast is dominated by mainly local investors and self managed super fund purchasers. This market has been relatively inactive over the past three years until mid 2011, when vendors in some locations begun to re position some property.

Since that time we have noted a range of sales across the Sunshine Coast. Recent sales include:

93 Karawatha Drive, Mountain Creek – An approximate 20 year old convenience shopping centre in an established residential location. The complex comprises six tenancies and approximately 550 square metres with all tenancies leased at the date of sale. The sale price of $1.95 million indicated a yield of circa 9%.

Unit 9 "Peregian Boardwalk", Peregian Beach – A 36 square metre strata titled unit within a modern local commercial centre opposite the beach sold with a local café tenant in place for $310,000, which indicated an approximate yield of 7.5%.

Unit 1 "Ann Street Place", Nambour – A 548 square metre strata titled unit within a modern complex in the main retailing area of Nambour sold with two tenants in place for $2.15 million indicating a yield of approximately 10.4%.

These sales indicate a fairly broad yield range and this is typical for the Sunshine Coast region with yields heavily impacted by location, use, value level and lease profile. These sales though are fairly representative of the overall lower to mid range retail market, which typically sees yields ranging from about 7.5% to about 10.5%.

We have noted a continued softening in asking prices for retail properties in traditionally strong strips due primarily to the softer tourist numbers noted in the area. This is likely to continue while tourism struggles on the Sunshine Coast on the back of the high Australian dollar.


## Southern Queensland

The mid price retail investment market in Toowoomba consists mainly of neighbourhood shopping centres and stand alone bulky goods/retail warehouse type properties.

The yields achieved in this market segment can vary greatly depending on:

- Location – higher yields in smaller regional towns;
- Tenancy detail – premiums paid for national tenants and for long term leases;
- Retail type – convenience type retail more popular than bulky goods – mostly due to reduction in discretionary retail spending.

There have been a number of sales of note in this market segment over the past six months. These sales include:

- The "Red Edge on James" shopping centre – sold for $7.5 million at an analysed net yield of 7.9%.
- Part of the "Harvey Norman Centre" (Amart All Sports and Sam's Warehouse) sold for $6.4 million reflecting a net yield of 9.4%.
- "Portadown Hotel and First Choice Liquor Barn" – currently under contract for $4.15 million reflecting a net yield of 7.95%.

There also appears to be activity in the regional areas with the IGA in Oakey recently selling for $6.1 million (9.5% analysed yield) and the Coles anchored shopping centre in Gatton and the new Woolworths shopping centre in Chinchilla recently being listed for sale.

## Central Queensland

### ROCKHAMPTON

There are two main clusters of retail in Rockhampton with the main concentration located in the Stockland Centre on the highway. Stockland have invested heavily in the region over the past two to three years. Their portfolio now extends from retail to residential and includes the newly redeveloped Stockland Shopping Centre which comprises 160 specialty stores and is anchored by Coles, Woolworths, Kmart and Big W as well as a 276 ha englobo parcel which they acquired at the end of 2010 for residential development.

Rockhampton's middle investors generally comprise a range of buyers including graziers looking for 'off farm' investments, small business owners as well as 'out of towners' seeking stable cash flow in a strong, diverse region.

Over the past few years we have seen a number of buyers purchase aged, commercial properties in and around the CBD to revamp and either occupy (either solely or partly) or purely for investment.

Notable refurbishments include the ex-Post Office building which is a prominent heritage listed building located in the heart of the CBD. The property has undergone major refurbishment and now provides mixed retail and professional offices.

There have been some notable moves within the CBD over the last few months including Rees R & Sydney Jones' relocation to their new premises in Denham Street. The new premises provides a larger floor plate and presents the opportunity for the firm to consolidate its growing practice under one roof. The building provides a modern fit out and an upgrade in technology. The National Bank are also in the process of moving their operations to the newly constructed premises at the corner of East and Fitzroy Street. This will also provide a consolidated location for Agribusiness, Business and Retail banking functions. Both of these relocations leaves large vacancies in prominent buildings located in the CBD. Both buildings are available for lease.

***....Rockhampton's middle investors generally comprise a range of buyers including graziers looking for 'off farm' investments, small business owners as well as 'out of towners'....***

Rockhampton's coffee culture has had an enormous boost over the past 12 months with the addition of three new coffee shops in the East Street Mall Precinct. The new starters include The Giddy Goat, Moo Latte and Deganis. The Giddy Goat will shortly be expanding into the neighbouring building by opening a wine bar. This will breathe a new lease of life into an aged prominent building in the city centre.

Other notable renovations include the refurbishment of the Rock Building Society's head quarters in Bolsover Street and the demolition of the Grand Hotel.

Other news in the retail space include the redevelopment of the Allenstown Shopping Centre which is due to commence shortly. This is a $16 million redevelopment which will include the addition of approximately 2,400 square metres of retail space. The works will include refurbishment of the existing centre including Woolworths. The new tenancy mix will include the addition of two mini-major tenants.

## BUNDABERG

The mid price sector of the retail property market provides opportunity for buyers to achieve higher yields in Bundaberg. The lower end of the market appeals to a broader market and bargains are harder to come by.

Mid sector sales that have taken place in recent history in the Bundaberg region have included:

- The Bundaberg Homemaker Centre – sold in July 2011 for $10.4 million reflecting a yield of 9.5% to 10% and $1,077 per sqaure metre of lettable area.
- Sams Warehouse complex – sold in November 2009 for $3.43 million reflecting a yield of 9.75% and $1,012 per square metre of lettable area.
- Childers Woolworths complex sold in July 2011 for $8 million reflecting a yield rate of 8.5% to 9% and $2,427 per square metre of lettable area.

Two service station properties (land only) leased to Woolworths for 15 years sold recently in Childers and Bundaberg for $1.1 million and $965,000 respectively. These sales reflect yield rates of 6.7% and 7%.

## HERVEY BAY

The volatile tourism industry is still having a considerable impact on our local retail market. With winter upon us, we will soon begin to see the local caravan parks fill up with visitors from southern Australia escaping the cold. The next three months will also see the humpback whales enter the bay. This period is generally a good time for the retail industry.

***....majority of leases currently being negotiated are generally for shorter terms of one or possibly two years with market reviews at options....***

There continues to be very little activity in the retail market due to its current volatility. Although there is no evidence, other commercial property appears to be achieving 8.5% to 10% yields for investment property across the Fraser Coast. The lower yields are generally for sub $500,000 property.

Maintaining occupancy during this time is a key focus for some landlords who are happy to lower rental rates to ensure the tenant can afford the space and furthermore continue to pay rent until conditions improve. Any vacant retail space is proving difficult to lease. A majority of leases being negotiated are generally for shorter terms of one or possibly two years with market reviews at options.

## MACKAY

The Mackay retail market is predominantly centred around the major shopping centre precincts. Caneland Shopping Centre completed a major extension in 2011, growing from 39,000 square metres to 62,500 square metres. The extension includes a Myer, new Coles supermarket, and has doubled the speciality stores to a total of 240 overall.

A number of retail tenancies in the Mackay CBD have become vacant since late 2011. The Mackay CBD is increasingly becoming a commercial centre, rather than the retail centre it previously was, as more shoppers now flock to the air-conditioning and modern facilities of the large shopping centres.


A Woolworths supermarket of 3,200 square metres, tenspeciality shops, a takeaway/ fast food restaurant with drive through facilities and Caltex/Woolworths service station has recently been completed at Boundary Road, Ooralea.

Northern Beaches Central Shopping Centre Stage Two was completed on 23 November 2011. Stage Two comprises a Woolworths supermarket, McDonalds, a further 20 speciality stores, and the existing BiLO has now been converted to a Coles supermarket. Mackay Regional Council has approved Stages three and four of the centre which has been earmarked to become an even greater hub of activity, and the third major commercial centre in Mackay. The floor space on completion is estimated to be around 45,000 square metres. Stage Three construction is likely to begin in late 2012.

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

Construction of a new bulky goods 'supa centre' has commenced on a 10.783 hectare aggregation on the north western corner of Holts Road and Mackay-Bucasia Road at Richmond, approximately seven kilometres north of the CBD.

The approved 'supa centre' is to contain a 13,000 square metre Masters Home Improvement Store, which is to be the centrepiece of the proposed Homemaker Supa

Centre. The overall size of the centre is expected to be approximately 40,000 square metres. The first stage will reportedly comprise the Masters store and an additional 8,000 square metres of lettable area.

Retail property is tightly held. A large bulky goods retail centre has recently been sold, with a second currently under contract.

Demand for large retail and commercial investment property was subdued throughout 2011 and we expect it to remain relatively flat through the second half of 2012, as the financial and commercial property markets continue to reflect the broader economic uncertainty.

### GLADSTONE

There has been little activity in the commercial/retail market in Gladstone since the global financial crisis. The announcements of the LNG projects which have begun construction have livened up the residential market. This heightened activity is yet to trickle through to the commercial/retail market. Activity is fairly limited with very few sales in recent years. Yields have not yet improved.

## Cairns

The Cairns local investor retail market sustains interest levels of up to around $3 million and generally tapers off by $5 million, while the mid price market carries through to about $15 million. However retail property sales in Cairns are extremely sporadic, with most sales involving retail property being of mixed use retail / office buildings or tenant buyouts of single premises.

The Cairns retail market has progressively faded since the start of 2008 as a result of the local economic downturn leading to reductions in consumer and tourism spending. Though we now perceive the Cairns retail market to be at or near the bottom of the cycle, the slow state of the economic recovery in Cairns means that the retail property market has remained remain flat.

During 2009 to 2010 there was increase in vacancy levels in the retail sector resulting from a number of business closures attributed to the tough economic environment. However the increase was only a relatively mild increment to the high levels of long term vacancies in some areas that pre-dated the downturn. High exposure CBD space remains well reasonably occupied, with vacancies most noticeable in the lesser exposure locations and/or on the CBD fringe. Rents have generally been static, showing ranges of $600 to $1,000 per square metre per annum for prime CBD space, and $1,000 to $2,500 per square metre per annum in key tourist precincts such as the Cairns Esplanade.

***....during 2009 to 2010 there was increase in vacancy levels in the retail sector resulting from a number of business closures....***

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

## Townsville

The retail market in Townsville continues to sit at the bottom of market cycle with numbers of sales beginning to increase slowly off a very low base.

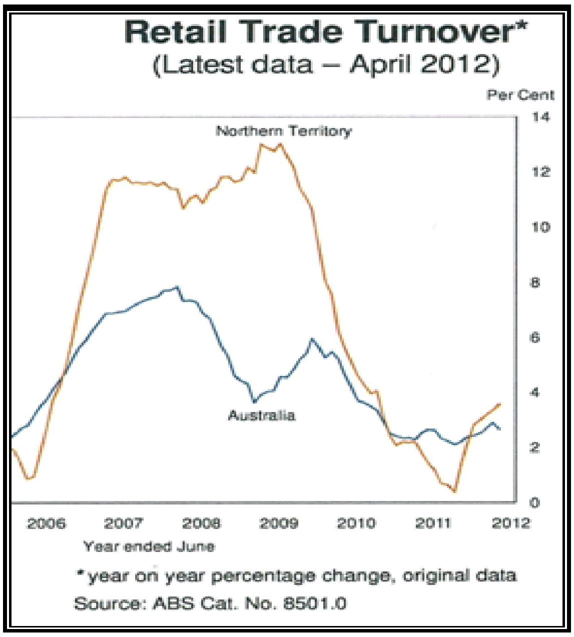
Our mid range retail consists mostly of commercial/retail strip developments, neighbourhood retail centres and strata titled commercial/retail suites.

Over the past twelve months there has been several sales of commercial/retail properties with the majority being sold in vacant possession to intending owner occupiers. These sales include a mix of stand-alone buildings with high profile exposures and strata titled suites in the inner city.

There has been limited activity within the neighbourhood retail centres over the past 12 months with these investments generally being tightly held due to income profile from established tenancy mix. The most recent transaction of a neighbourhood retail centre was the sale of the Wulguru Convenience Centre back in November 2011. There are several centres currently for sale however there remains a mismatch between vendor and purchaser expectations in this sector of the retail market.

## Darwin

While the word "abuzz" has rarely been a word that immediately springs to mind when Darwin's retail property market is mentioned, it did apply in the period prior to the GFC. After that and to date, only the last two letters of that word were needed to describe it.




Lately however, there have been some stirrings under the sheets. Not yet enough to start anything new being erected, but enough to stretch our quantity surveying colleagues to the limit. While there is some retail property in that mix, the majority is residential.

In addition to Coolalinga Mall, there are rumours of two other major impending retail projects, neither of which we can confirm at this stage except to say that one is north of the CBD and the other east. While the CBD has new retail developments planned along the Mall, the owners intend to keep them. The development of the CBD's plum site, on the corner opposite the Mall, is still uncertain. The only sure thing is that it would have to include a retail component.

However we can confirm that the big boys in oil and gas have now hit town: state final demand rose 7.2% last quarter. Logically the multiplier effects of their expenditures should affect the retail property sector. The question we have been asked to address is directed to the middle retail property market. While not much is happening, how should middle size investors position themselves for what lies ahead?

The Territory's population grew by almost 10% 2006-2011, and the crystal balls of the economic forecasters are tipping its economy will grow at an average of 4.4% over the next five years. Yet retail property includes new vacancies at one of Darwin's traditional bulky goods hubs, the Jape Homemaker Centre, and an anchor tenancy location in the strategically located The Zone bulky goods centre at Berrimah. Despite those vacancies there is new retail accommodation being planned both in Jape Homemaker Centre and alongside, and The Zone has the Berrimah Business Park developing alongside. But these do not provide a lot of stock for medium-sized retail property investors to invest in.

A clue, Any such investors would be well advised to remember that retail operates rather like gravity: providing the basics are in place, the bigger the centre the more it attracts to it. So medium-sized retail property investors should position themselves in or on the ant trails to and from such potential major developments. They might also want to take a close look at where all those residential erections are to be. Time to look under the sheets!

This will be my last month in review work for a period, as I am taking up some consultancy work in Timor Leste for a few months and entrusting commercial valuation work to the rest of the Herron Todd White Darwin team.

## Perth

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

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

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

***....despite the difficult retail trading environment, rents within the Perth CBD appear to have held firm, attributed to a lack of new retail space and a growing population....***

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

Overall the increasing challenges facing the retail market particularly in suburban areas have subsequently seen the increase in lease up periods and regularity of incentives to entice a tenant. These challenges are likely to see continued restraint from mum and dad investors within this category.

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

Herron Todd White
Independent Property Advisors



## Residential Overview

The nation has seen an interesting period over the past year with markets reacting to a number of pressures from mining booms to European busts. One of the most useful tests of performance is to benchmark each year by how much you dollar will buy.

This month we have tackled our annual mid year Lazy Half Million issue and the results show that market performance has varied as much as the landscape.

*As independent valuers, we encourage individuals who are looking to invest in property to be informed when it comes to their decision making. Obtaining an independent valuation is one part of the process. In terms of researching the fundamentals of property investing, www.facebook.com/yourpropertyinvestmentmentor is one website that provides free access to property investment experts, plus strategies, tips and tools to help investors better understand the property investment process and current market trends.*

## Sydney

**South West**

With $500,000 to invest it becomes a question of what are the primary motivations for  your investment ? Are you a retiree looking for income generation? Or are you a mum and dad investor seeking capital growth over the long term.

For those seeking a rental income units in Lakemba/Wiley Park remain in strong demand from renters but so far remain off the radar or even out of favour of investors and owner occupiers. Two bedroom units in this location can be secured for as little as $250,000 giving the buyer the opportunity to buy two and still come in under the magic $500,000 threshold. Rents for these units range from $300 to $320 a week, giving an investor a gross annual income of $32,240, equating to a gross yield of 6.4%.

For those not yet reaching pensioner-hood and seeking capital growth, $500,000 can secure a dwelling on a 600 square metre parcel of land. While not likely to go up in price overnight, this represents a good long term investment given the lack of land supply within Sydney.

In the current market it is a very good time to buy. Units are at lower prices however the rental incomes are still quite strong in the south west. Brand new dwellings are now a good buy in Campbelltown / Liverpool areas with the new grant in place for first buyers boosting demand.

When the first home owners grant was removed earlier in 2012 we still witnesses quite a steady stream of purchasers buying their first property. With the new grant in place in July 1 2012, the market should pick up with first home owners targeting units and new dwellings.

Capital growth is not what it used to be in the past with many suburbs and areas seeing substantial growth over the past ten years. It does appear with the rental incomes still quite high, it is ideal motivation for invertors to return to the market.

Properties to be wary of include new units in Parramatta. A new example is V by Crown development in Parramatta. Purchasers are being charged a massive premium for these units being brand new. 1- bedroom units are reportedly selling for $450,000 to 480,000 which is comparable to one year old 2- bedroom units within the same vicinity.

**City and Eastern**

With $500,000 to invest members of our team would opt to buy a 1- or 2- bedroom unit, preferably with parking and within close proximity to the city. Units in the inner west as well as around Redfern/Waterloo/Zetland areas are of particular interest.

It is a good time to buy in these areas because they offer strong rental returns with low vacancy rates. What's more, the market has softened resulting in the ability to achieve good purchase prices.

This sector of the market is expected to perform well as rent demand for inner city units remains high. Going forward these areas will increase in desirability especially because of an increase in first home buyers trying to enter the market at the lower price brackets.

In the short term, yield is the best motivator as rents continue to rise, as well as the fact we have had two successive interest rate drops lowering investors holding costs. Capital growth is expected long term as these areas are still going through periods of gentrification and are in high demand.

In regard to our July 2011 submission commenting on units within close proximity to the CBD, these recommendations were some of the strongest performers in comparison to most sectors in the market. As a result there is nothing we would have changed and have similar recommendations this year.

***....rents have increased slightly with the original dwelling attracting $350 per week....***

**Western Suburbs**

12 months ago we touched on an emerging trend in Sydney's outer western suburbs, the granny flat phenomena. this involves investors purchasing circa 1960's to 1970's dwelling on 650 to 700 square metre allotments and erecting granny flats on the rear of the allotment, thus creating two separate tenancies. At the time this style of development was a trickle. It could now be best described as a flood. So much so, that at the risk of being boring it is again our recommendation for 2012.

To reiterate from last year, this is mainly taking place in The Penrith Council area although it has started to creep into neighbouring Blacktown Council area. Typically the investor is paying somewhere between $280,000 to $330,000 for the existing dwelling and between $60,000 to $80,000 for the granny flat depending on whether the floorplan is a studio, 1- bedroom or 2- bedroom. Often the original dwelling will require a spruce up costing in the vicinity of $25,000.

One year on and the rents have increased slightly with the original dwelling attracting $350 per week and the granny flats up to $250 per week. This is seeing rental returns come in anywhere between 6.5% and 7.5%. Vacancy rates are reported as being practically 0%.

In the last couple of months we have seen a few 3-bedroom granny flats enter the market in the preliminary stage.

So 12 months on these 'granny flat' developments are still considered the best investment from a rental return basis in the western suburbs. As mentioned last year however, the market remains mainly untested from a resale point of view, with investors adopting a long term strategy.

## Canberra

With the end of financial year approaching it is time to review the status of the market from this time last year to compare and determine if last years market predictions had some weight to its argument.

Market evidence indicated that Canberra was transitioning to a softening market and this has continued throughout the year. As predicted, rental yields and returns were expected to remain strong (5% to 6% in the outer suburbs, 4% to 5% in the inner suburbs), with the characteristics that govern this strength continuing.

These include having good appeal and a close proximity to:

* Major town centres
* Universities
* Transport corridors
* Public transport
* Popular shopping, café and restaurant cores
* Business districts for employment
* The Australian Institute for Sport

As an investor I would be looking towards units primarily located close to Canberra's CBD such as Turner (starting circa $400,000 for a modern unit with good fitouts). These units will currently command a yield of 4% to 5%.

Up north among the newer suburbs of Gungahlin such as Bonner, Crace and Casey, provide affordable housing as with new and upcoming transport infrastructure and civil infrastructure (child care and shopping facilities).

The current market sentiment is displaying characteristics of a 'buyers' market. It is seen as a good time to purchase such properties, given you have done some prudent research. There is also a large number of units coming online (Woden Green, Belconnen, Flemington Drive) causing an increase in supply which may continue a softening of unit values and some competition in rents in the short to medium term.

External factors such as macro and micro financial uncertainty just raise a question that an interested person should take into account. At this point in time is property the best investment compared to alternative markets?

## Wollongong

On the whole, last year saw strong capital growth in the Wollongong residential market with a large number of properties selling for above the asking/reserve price. So far in 2012, the market has levelled off, with below average auction results and extended sale periods becoming the norm. Last year we predicted the following:

- Land values in Shell Cove to be pegged back as a result of further land releases.
- The northern suburbs to continue to increase in value and demand.
- Shellharbour Village, Kiama, Minnamurra and Werri Beach will show good capital growth.

Vacant land sales in Shell Cove have continued to sell at a steady rate, at or near the asking price. We have however,noticed a trend where land prices and improvement values are not converting into market value, indicating vacant land values are overheated. With more land releases expected for 2012, we predict land values will remain steady. The NSW government is introducing a sweetener in first home buyer grants and stamp duty concessions for new property which will give some buoyancy to the market.

The northern suburbs continue to show good capital growth. In particular the suburbs which are close to beaches, shops and train stations are highly sought after. New land releases at McCauleys Beach have tended to sell well at under $500,000 in most cases. The market is still untested with completed homes in this area, but market values will become evident as they come onto the market in the next six to 12 months.

As noted last year, Shellharbour Village down south has shown good capital growth with further price rises expected in 2011, as demand for property close to beaches and local shops continues to hold firm. An older house can still be purchased for around $450,000 in the Village which represents good buying, particularly with continued talk and prospect of the marina development likely to boost demand in the area.

The Wollongong LGA investor with a lazy half million to outlay has a number of options in 2012.

Although demand for the area has eased in recent times, Towradgi, Fairy Meadow and East Corrimal just north of Wollongong CBD still represent good buying for under $500,000. For this price an older home can be purchased relatively close to the beach. From an investment perspective good capital gains coupled with high rental returns can be found in Fairy Meadow, with the suburb benefiting from the expansion of the University of Wollongong, Innovation Campus and an improvement of public transport to and from the suburb. It is also close to the F6 freeway to Sydney.

We have seen a levelling of prices recently for 3- bedroom villas and townhouses in Balgownie. We see these as good buying now for around $400,000 to 450,000, depending on quality and location.

Within Wollongong City itself, 2 bedroom units are still a good option for under $500,000. Despite the number of future unit developments in the pipeline, we predict there will be a gap in the market in the medium price units, between $350,000 and $500,000. 2- bedroom units will also provide good rental returns for the investor with a circa $350,000 unit receiving up to $400 per week in rent.

## Southern Highlands

In line with the greater trend throughout Sydney and the Illawarra, the market in the Southern Highlands remains steady, with buyers and sellers alike having more confidence with a levelling of interest rates in the first half of 2012.

In Bowral under $500,000 will generally limit buyers to modern townhouses generally priced between $400,000 to $450,000. For those seeking a detached option, a savvy buyer could secure a semi-modern project home in East Bowral, with 4- bedroom houses selling for between $420,000 to $450,000. Quality houses in East Bowral generally secure rental rates between $400 to $500 per week, equating to a gross yield between 5.2% and 5.7%.

The Southern Tablelands offers more choices and affordability to potential investors with lower price entry levels than the Highlands.

Goulburn, with a population of around 25,000 has a steady workforce and is well located close to Canberra and Sydney and on a major highway. Due to the high real estate prices in Canberra and Sydney, the city is seeing renewed interest from investors purchasing their investment properties in Goulburn especially from Canberra buyers. Another growing trend in recent years is people purchasing/renting in Goulburn and commuting to Canberra where a stable employment base still exists.

***....a savvy buyer could secure a semi-modern project home in East Bowral, with 4- bedroom houses selling for between $420,000 to $450,000....***

Depending on dwelling/land size and the quality of the home, values of modern project style dwellings in Goulburn range between $330,000 and $450,000, and generally attract rentals of $350 to $450 per week, representing a gross yield of around 5%. For those seeking capital growth, older style dwellings sell for between $250,000 and $320,000, suggesting that significant value uplift may be possible through renovation.

A real option in Goulburn for the savvy investor would be to purchase multiple residential units or townhouse/villa properties for between $150,000 and $200,000 each and rent them out for between $150 to $200 per week. An investor could purchase two or three of these properties for under the half million. This market has shown good capital and rental growth earlier this year and is now considered to be steady.

## Newcastle

Yet another issue of the Hunter MIR rolls around and it is the $500,000 special. Given that since the last time we attempted this column precious little has occured from a growth or loss perspective, it was tempting to use the old 'cut 'n paste' special. What we said last year still holds true unless we got it wrong ……….. (cut to us frantically checking last years words for boneheaded mistakes). Let's have a look to see what transpired.

Cooks Hill, The Junction, Merewether fall outside that price bracket by and large. CHECK nothing has changed here. We give that the big tick.

Hamilton South, Adamstown and New Lambton showing great capital growth. CHECK still occurring although possibly seen to be slowing in recent times with fewer transactions occurring. Still we'll claim it.

Carrington and Stockton. Showing good returns and growth. CHECK. If anything Stockton might have elevated itself to the next level now having transcended the $500,000 barrier for most moderate homes. There is still some stock to be found in the $400,000 to $500,000 bracket, however it's generally older in need of some work or worth demolishing. Stockton may benefit from the new supermarket being constructed in Medowie, although this may be more wishful thinking when considering the logistics. One of the issues of Stockton has been the isolated nature to infrastructure, including supermarkets. The closet supermarket has been Mayfield, which is about a 15 minute drive through traffic. Medowie is about the same distance north, however the route is generally free from congested traffic.

***….great returns are still prevalent for under $500,000 properties due primarily to the ongoing strength of Newcastle University at Callaghan….***

Waratah, Georgetown and North Lambton are good areas to move into. CHECK this one is definitely still true, many properties can be bought for under $500,000 that are decent and offer good strong rental returns due to the proximity towards Newcastle and the University. We feel like claiming double points for this one.

Birmingham Gardens and Jesmond. We're going to go ahead and give this the big CHECK. Great returns are still prevalent for under $500,000 properties due primarily to the ongoing strength of Newcastle University at Callaghan. Some envelope pushing investors look to buy 4- bedroom homes and turn them into 6- to 8- bedrooms and rent them on a room basis to students. Although the rental returns are higher (as are the management costs), it is however important to ensure that the right approvals are in place otherwise you might find a nasty surprise when the bank comes to value the property and you find its still valued as a 4- bedroom home.

Well that was lucky wasn't it. All proved correct and all comments made last year are still considered relevant.

A couple of trends to add into the potpourri of the Hunter Market are the generally tightening rental situation and the first home buyers incentives coming back for under construction homes. The rental market has been at historical lows for a few years now with vacancy rates of 1.5% resulting in rental rates increasing significantly in that period. What this means for investors is that now returns are strengthening with capital growth still limited. We don't see this scenario changing in the short term.

*Tomaree Street, Shoal Bay*

With the recent state budget doubling the first homebuyers grants for constructing property we will see an increase in the number of homebuyers constructing their first homes. These properties fall somewhere between $375,000 TO $500,000 depending on the size of the property being built and how many extras are included in the build. Ducted air and full landscaping start to push this amount close to that $500,000 territory. Tanilba Bay AND Raymond Terrace offers some good properties at the lower end of that range with good proximity to Williamtown RAAF allowing some strong rental returns. Aberglasslyn, Gillieston Heights, Cliftleigh et-al have finished new houses staring around $400,000 moving up. Fletcher and Cameron Park push the $450,000 mark. These of course are generalisations with variations in all locations.

Fern Bay is a new subdivision just north of Stockton and house and land in there now has moved past the $500,000 threshold with some land around the $275,000 price point with some movement either side of that. Add on a house worth $250,000 puts you just over. There have been a number of sales in this estate at $600,000 plus with again proximity to Williamtown RAAF helping rental returns.

## NSW Central Coast

If you have access to $500,000 with the need to spend it, then take a close look at the NSW Central Coast region – you might be surprised at the benefits of buying here. The region has long been recognised for its lifestyle choices in close proximity to Sydney, but combine this with the excellent real estate opportunities and you won't want to leave.

The region is roughly broken into two parts, the northern and southern ends. Today, we intend to give our readers a sample of what type of real estate is on offer for $500,000.

**Northern End**

This is included in the Wyong Local Government Area (LGA). Real estate prices are as diverse as the properties found here. Look for older style dwellings in places like beautiful Blue Bay or trendy Norah Head. Circa 1975, 3- to 4- bedroom, single garage homes can be found here and we think this represents good buying.

Newer areas like Woongarrah, Hamlyn Terrace, Wadalba are loaded with good value homes in and around the $500,000 mark. These are essentially young family areas with 4- bedrooms, double garage on good sized blocks. These are the areas which stand to benefit from future infrastructure projects courtesy of a progressive council. The government's new first home buyer scheme that commences in October is also likely, we hope, to play a big role in these areas. Early risers and the astute will certainly benefit here.

Summerland Point and Gwandalan are toward the northern most reaches of the region before heading into the dark side of the Lake Macquarie LGA. They are areas that have threatened to do big things in real estate terms and although they are yet to realise their potential, further development planned in and around these areas may just provide that kick start. A watching brief is definitely recommended here.

Away from houses and into the unit market, The Entrance bore the brunt of the market downturn with a number of developers left stranded with surplus stock. They had to sacrifice values and profit to rid themselves of the unwanted unit stock. Those who have purchased units here over the past two years have done well - in fact, $500,000 could have easily bought two new units at one stage.

The supply side of the unit market has just about sorted itself out and we are now seeing some solid purchases of good units, with views, close to the beach and lake for still less than $500,000. If you can keep purchases of units below this level of expenditure, then we recommend it. The Entrance is a lovely spot and very popular with day trippers and holiday makers from Sydney.

**Southern End**

The southern end takes in the Gosford Local Government Area. It's a funny LGA which seems to have been undergoing an identity crisis for some time now. Many love the area for what is already in place while others are calling it the land of lost opportunities.

Which side of the fence you want to be on is an entirely personal choice and we respect both opinions. The squeaky wheel movement seems to have the upper hand at the moment, but we can feel a groundswell rising from those minded on the economic future of the area.

Unlike the elected members of our LGA, the true leaders carrying the future of the region's southern end are the ones buying real estate and with $500,000 to spend they have choices.

***....in this current buyers market there has been an increase in the number of properties listed for sale, and owner occupiers with $500,000 to spend have ample opportunities available....***

The southern most part of the region will find places like Umina Beach, Woy Woy and Ettalong. And this is where the action is. For $500,000, you can buy a modern 3- to 4- bedroom home with garaging and change left over. These areas saw high sale volumes in the last round of first home buyer incentives and with the new initiatives starting, we agree with the agents who are predicting purchases with knock down and rebuild occurring.

'The Peninsula' is reinventing itself. It's going from the one time sleepy area, where every Sydneysider had an old aunty/uncle or grandparent living here to a vibrant, progressive and eager community. Both the business leaders and residents here are having loads of fun.

Away from The Peninsula, places like Narara, Lisarow, and Davistown still have real estate for $500,000 and under. In fact, this level of spend is toward the upper end of values. As property values rise, these are areas are well worth looking at, particularly for investors where returns above 4.5% are regularly achieved.

Housing in these areas is generally older style, but the astute will still find modern dwellings in places like Terrigal and Erina, but they are somewhat rare.

## NSW Mid North Coast

Spending $500,000 in any of the regional centers on the Mid North Coast of NSW will usually go a considerable way further compared to major cities around Australia. Typical recent median house prices in the main regional centers are approximately: $400,000 for Port Macquarie; $375,000 for Forster; $215,000 for Taree and $200,000 for Kempsey. Bearing this in mind, $500,000 will usually buy a good size modern house or unit.

In Taree and Kempsey the most premium of houses on small acreage can be acquired for $500,000. In Port Macquarie and Forster, your typical modern brick house with 4- bedrooms, 2- bathrooms, double garage and swimming pool can be purchased for $500,000 though usually outside of premium locations such as amongst the canals.

In this current buyers market there has been an increase in the number of properties listed for sale, and owner occupiers with $500,000 to spend have ample opportunities available. This greater bargaining power might mean taking advantage of those requiring a sale, or obtaining a property which was worth more than $500,000 a few years ago.

Given a significant number of buyers are sitting on the sidelines, serious question marks should be asked if now is the right time to be buying. Gazing into our crystal ball reveals the murkiness of an uncertain market. Is it best to hold off on purchasing for a year? Given that it appears house prices are more likely to go sideways or down rather than up, our conclusion for owner occupiers with $500,000 to spend is that unless you see a bargain, go and sit on the fence for a year and invest your money elsewhere in the short term.

***....the Melbourne residential market is remaining steady in the short term, mainly caused by a steadying in the population growth....***

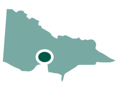
Last year we focused on investors and recommended they buy multiple properties in the low to medium price ranges, due to a greater likelihood of lower vacancy rates, higher yields and better potential for capital growth. With twelve months having passed, our thoughts concerning the best investment properties remain largely the same.

In Port Macquarie and Forster we still like those pre 1980's style house priced $270,000 to $340,000 and close to either the town centre or beaches. With the remaining $160,000 to $230,000 we would seek to acquire a pre 1980's 2- bedroom unit within the same location parameters.

Last year we also noted the Forster modern high-rise unit market $400,000+ was significantly oversupplied and we cautioned bargain hunter investors that capital growth might be slow. This has proved correct with only a handful of modern unit sales occurring this year.

In Taree or Kempsey, the lower to medium price ranges enable even greater buying power and investors with $500,000 to spend could easily acquire three to five separate properties. At these locations we still are in favour of the old adage 'location, location, location' and would look to acquire two houses. In Taree West we like the look of houses in and around Ritchie Crescent priced around $225,000. In West Kempsey there appears to be some good buys in the $200,000 price range particularly for older style character houses. Investors seeking four or five properties for their portfolio can acquire former Department Housing property for around $100,000 and attain above average yields. This type of investment however appears to have lost favour in recent months.

Our conclusion for investors with $500,000 to spend is less straightforward. As we see less risk associated with the lower end of market, sitting on the fence might not be the best option for you.



## Melbourne

The Melbourne metropolitan market is currently considered two speed. The inner suburbs are generally outperforming the middle and outer suburbs where there is continuing evidence of softening prices. Auction clearance rates are now generally around 60%.

According to the REIV statistics, the Melbourne residential market cycle peaked in 2010 with an increase in the median house price of approximately 18% from $465,000 in 2009 to median house price of $550,000 in 2010. However the trend from 2010 to 2011 has shown a decrease of 1.8% to produce a median house price of $540,853. So far for the March quarter 2012 the median house price is $535,000 which shows a 0.9% increase on December quarter 2011 of $530,000. Auction clearance rates have dropped from 66% in March 2011 to 62% for the March quarter 2012.

This shows the Melbourne residential market is remaining steady in the short term, mainly caused by a steadying in the population growth and an improvement in the supply of new homes. However consumer confidence continues to be low with weaknesses in Europe and a slowdown in China the main cause for concern with a cut to interest rates in July highly unlikely.

The Melbourne office submitted predictions in 2011 as to where buyers may invest $500,000 to maximise growth. Our choices selected were predominantly the more affordable properties such as Langwarrin, Footscray, Werribee and Caroline Springs. However statistics for 2012 have indicated a steady decline on the median house prices within these localities. The above suburbs were heavily reliant on the first home buyers market and with a decline in consumer confidence combined with an increase in unemployment, demand for properties within these pockets are struggling.

*Sydney Road, Brunswick, looking south to Melbourne's central business district*

With $500,000 in our pockets and a will to purchase property we would return to the old adage of location location location and look to purchase a property within ten kilometres of the central business district (CBD). We feel that the suburbs of Brunswick, Brunswick East and Brunswick West tick a lot of the boxes when looking to get maximum capital growth and good rental return. Furthermore Brunswick and surrounds has a lot of apartments available for sale below the $500,000 mark.

More specifically we would look to purchase a 1- bedroom 1- bathroom apartment built within the last five years, or perhaps an older style (10 to 25 years old) 2- bedroom apartment. Brunswick and the surrounding suburbs is among one of the best suburbs in Melbourne served by public transport with a train line and tram service running into to the CBD, further enhancing and strengthening the suburbs desirability.

## Regional Victoria

### GIPPSLAND

**Central Gippsland**

Since July 2011 the Gippsland market has slowed and is currently stable. We don't anticipate major changes to the market in the coming months. We think it will be a slow to steady recovering year.

On the upside if a buyer had $500,000 to invest then it is probably not a bad time to buy as it is definitely a buyers market.

The top end prices are coming back and a nice established home or modern new home are probably at their lowest price point in 18 months. With properties on the market for extended periods it might not be a bad idea to consider the higher end.

On the flip side the market might be slow but rents are generally staying stable or even increasing, with returns varying from 5.5% to 7% throughout the Latrobe Valley and Wellington Shires. So a couple of investment properties for this money might be a consideration.

The third option is to sit and wait and see what happens, but you may miss out in this slow market.

**East Gippsland**

A number of opportunities are currently presenting themselves within the East Gippsland market at this time. Our local area, along with many others is currently experiencing a slowdown, particularly in the higher end of the market, with agents reporting patchy levels of enquiry.

With this in mind, someone who has come by a spare $500,000 could do well in the longer term purchasing a higher end property in most of our major centres. Property located close to the lakes or beach with good water views has come within reach of a buyer with this type of budget.

Often our coastal and lakeside locations have shown a fluctuating nature and the current conditions are presenting some good buying opportunities.

Alternatively, slower conditions have affected values in some of the newer subdivisions, particularly in Bairnsdale. Within these modern subdivisions there has been reasonable demand for rental properties, showing returns of up to 7.5%. There exists potential for both capital growth and income from modern homes within these newer areas.

### BALLARAT

Five hundred thousand dollars allows a purchaser to buy a home anywhere in Ballarat and the surrounding areas with the large majority of homes in the region situated under this price point. However the size, quality and features of the property purchased will differ substantially. A number of questions need to be asked. Are you looking to invest for the future or buy a substantial family home for the children? You could purchase three to four residential units in the outer suburbs and profit from a healthy 6% to 8% return, two modest homes to rent out and renovate, a swanky modern townhouse in a central location or a large modern family home in the suburbs or on a couple of acres out of town. What do you want? Take your pick. Under current market conditions the properties over $350,000 appear to represent the best buying with less buyers in this market segment, more homes to choose from and more time to negotiate. While, the market for properties under $350,000 remains relatively strong with good interest from owner occupiers and investors alike.

***....coastal and lakeside locations have shown a fluctuating nature and the current conditions are presenting some good buying opportunities....***

### MILDURA

A lazy $500,000 will buy a lot of house in Mildura – and for any investors with the good fortune to be looking for a home for $500,000, our recommendation would be to look at buying either two modern townhouses, each on around 350 square metres lots, or two older 3- bedroom homes, on larger lots of say 700 square metres. With a tight rental market pushing rents up in the past 18 to 24 months, it is likely that a gross rental return of 6% can be had.

The recent release of the latest census data shows that while Mildura's economy has slowed in the period since about 2007, population growth has continued at a rate of around 0.8% per annum. We see no reason why this population growth won't continue at a similar rate, with the conclusion that the rental market will remain tight.

House and unit values have been flat in the past three years, in common with much of Australia's residential property market. Predicting when the next wave of capital gain will occur is difficult, however it is likely that global confidence levels will have as much to do with any recovery as will local issues, such as the strength of our rural industries or local infrastructure projects. Low interest rates and strong rental returns will compensate the lack of gain for some investors.

## Adelaide

The Adelaide residential property market remains much the same as it was 12 months ago – which is somewhere near or around the bottom of the cycle. The Adelaide population has more or less come to terms with the fact that the market is now quite different than during the first decade of the new millennium and has accepted that property values have decreased by around 10% since the end of 2010. Adelaide is definitely a buyers market.

Last years recommendations focused on best buying for medium to long term capital growth and as the market hasn't changed over that last year this is still the focus for any investment. In the current climate there is little, if any prospect of capital growth in the property market expected over the next 12 months.

So with half a million in our pocket there were various options to select from.Fast forward to mid 2012 and our options remain the same. With this amount of money you could look at purchasing an apartment located within the city, a small house, maisonette or unit in the inner suburbs or a standard dwelling in the suburbs about 7km from the CBD.

Any of these options should return a yield of around 3% to 5%, and whilst vacancy has been on the increase over the last year or so to now be around 3.5%, this is still within acceptable levels.

***....with this amount of money you could look at purchasing an apartment located within the city, a small house, maisonette or unit in the inner suburbs....***

Our preference last year was to look for a cottage, maisonette or larger unit located in the inner eastern or inner southern suburbs including Norwood, Unley or Parkside and immediately adjacent suburbs. These suburbs remain very popular for both owner occupiers and tenants due to their close proximity to the CBD and well established local facilities and services, in particular the popular shopping and dining precincts of The Parade and Unley Road.

We still believe that this option should provide the best combination of rental return and capital growth in the medium to long term. Historically these suburbs have always shown solid capital growth over the longer time periods and, in the short term, the popularity of these locations may be advantageous when it comes to securing a tenant.

Unfortunately consecutive interest rate cuts over the last couple of months are more than likely going to be counteracted by recent announcements of significant increases to electricity, gas and water rates. This is in combination with ongoing concerns over international financial turmoil and impending implementation of the carbon tax scheme all which are likely to have little, if any positive impact on the local property market.

## Brisbane

Half a mill is looking pretty attractive to a number of sellers in SE Qld at present. After a few years of listings that lounge around waiting for a suitable suitor willing to match the vendor's expectations, it now appear that sellers are open to the idea of meeting the market.

$500,000 has actually become a significant price point in what appears to be the first signs of a market picking up. More than a few agents in the mortgage belt and outer investor areas have said that they are seeing more buyers now entering the market below $500k. The plus half million mark continues to be slow for these agents so it look like buyers looking to park their money in a bricks and mortar investment are drawing a mid million dollar line in the sand.

Looking back on the 2011 issue, there was a touch of pessimism amongst our ranks about the soft market but we were all about the idea that it was now a seemingly good time to get in on some property. We were, in part, right. If you did spend half a mill in July 2011 you probably aren't living in a world of hurt now… but by the same token there hasn't been any grand upside either. As usual, well positioned property with good fundamentals has faired best. Of course post the January flood not much was happening, so those wet areas are probably the ones that have done best.

Now we're a year later and the market has been flat so the advice remains mostly the same. There is good opportunity available to the astute buyer.

Example 1 is the mid ring suburbs with post war, average quality housing such as Salisbury. $425,000 to $475,000 will surely land a comfy 3 bedroom, 2 bathroom house on an 800sqm block with enough facilities to keep the resident happy. With solid rental from the nearby uni and hospital, investors won't have any trouble finding tenants and the long term prospects remain good.

Another market to consider is East Brisbane. Entry level workers cottages – and we mean entry level – with 2 bedroom, 1 bathroom configurations are there at or below the $500,000 mark. The suburb is frighteningly close to the CBD and facilities abound. Renters are readily available so the upside is once again a good thing. If you'd like something a little bit more flash in the same suburb then look to a circa 2000 unit of 2 bedroom, 2 bathroom layout for around the $425,000 to $450,000 mark. They rent at about $440/week and have all the bells and whistles within walking distance.

$500,000 will also land a detached post war 3 bedder in Camp Hill or Coorooparoo on a 600sqm block. Once again facilities are around the corner, renters are keen to be there and you money is looking good for a long term future sale.

Finally, if you really must be within a stone's throw of the big city lights, maybe West End or Dutton Park might be your thing. You can see the warm glow of the city just over the horizon from your 2 bedroom, 1 bathroom second hand unit for a tidy $370,000. Just make sure you stay in the flood free zones and are ready to rent at around the $370/week mark, and you should be right.

So there it is. Whilst the Brisbane market continues to skip along the bottom like a flat stone spinning, there are bargains to be had. While we aren't ready to call a rocketing short term gain just yet, there is every indication that the medium to long term is looking a little rosier so now might be time to get that lazy $500,000 working.

## Gold Coast and Tweed Coast

There is no doubt that the 'gloom and doom' mentality that is eating into the residential market's confidence at present is impacting on property values. The Gold Coast market continues to drag the chain as house, land and unit values slide further in 2012.

With tourism and construction down, these two staples of employment on the Gold Coast have had a broad impact on the local economy. As small businesses and trades suffer, there has been a significant increase in the number of mortgagee in possession and bankruptcy/liquidators sales on the Gold Coast throughout 2011 and 2012. These range from second hand 'mum and dad' homes right up to large scale developers projects.

A lazy half million can go a long way at a mortgagee auction and it is this market that bears closer scrutiny for a prudent investor. While some may see this as being opportunistic in taking advantage of the misfortune of others, whether you buy the property or not, it is guaranteed the mortgagee wants a sale and wants it with a reasonable degree of urgency, so why not throw your hat into the ring?

***....the longer a mortgagee property stays on the market, the worse the bargaining position of the mortgagee becomes....***

On the plus side, buying a property from a distressed vendor (ie mortgagee or bankruptcy administrator) often means that the buyer can purchase a property below its normal market value, sometimes well below. This can be possible because the distressed vendor has few options when negotiating a sale.

Administrators and mortgagees owe a duty of care to dispossessed owners to achieve the highest price possible. However in being compelled to sell, the distressed vendor is negotiating from a weakened bargaining position in that (unlike a normal vendor) they cannot withdraw the property from the market if the offers to purchase are not to their liking. They just have to press on and get the best price they can.

The longer a mortgagee property stays on the market, the worse the bargaining position of the mortgagee becomes as a result of the accrual of interest on the debt and the cost in maintaining the property in a saleable condition. This means that if you have pre-approved finance or for the lucky few cash; you are in a strong bargaining position. A fair offer, cash unconditional with a short settlement would be a very attractive proposition for a distressed vendor. This puts you at an advantage over other buyers who may want to offer a higher price but are unable to offer terms that are as attractive. How many buyers are there who would be buying subject to finance or subject to sale or settlement of other property or wanting a long settlement?

Many mortgagee properties are auctioned in order to properly and thoroughly expose the property to the market, and at an auction cash is king. Even if the bidding doesn't make it to the reserve, as the highest bidder you have first right to negotiate following the sale giving you the edge over those buyers that can't, or won't, bid at auction. Our research shows that many of these properties will be sold at up to 10% less than the reserve on auction day.

May was the busiest month for sales under $500,000 since November last year. We counted a 50% increase in the number of valuations for purchase finance. We also expect July to be a strong month - with activities from buyers who have been waiting for the owner-occupier stamp duty concession to be re-instated.

It is the right time to invest in good quality, centrally located Gold Coast property in the under $500,000 price bracket. Some central suburb examples are as follows:

1. 177 Burleigh Street, Burleigh Waters is under contract for $475,000. Comprises a 1985 brick and tile dwelling with 3- bedrooms, 1- bathroom and 1- car garage, on

610sqm land. Fair condition. Current rent $450 per week. Previously sold 06/07 for $487,800.

2. 5 Wagin Court, Mermaid Waters is under contract for $460,000. Comprises a 1984 brick and tile dwelling with 4- bedrooms, 2- bathrooms and double carport, on 690sqm land. Reasonable condition. Rental approximately $470 per week.
3. Unit 4/7 Orvieto Av, Mermaid Waters is under contract from $325,000. Comprises a 1989 renovated townhouse unit with 3- bedrooms, 2- bathrooms and tandem basement carspace. Small complex with water views. Anticipated rental is $425 per week.
4. Unit 11/2103 Gold Coast Hwy, Miami is under contract for $314,000. Comprises a 2002 lowrise unit with 2- bedrooms, 2- bathrooms, set back from highway. Estimated rental is $330 per week.

That's the good news.

On the flip side, there are a few do's and don'ts when buying property from a mortgagee or administrator.

**Don't** forget your due diligence. Pest and building inspections are a must, as in all property purchases but particularly so in mortgagee sales. When under financial pressure prior to surrendering their property to a mortgagee, regular home maintenance can be neglected by owners. This can lead to serious problems such as termites, long term neglect, drainage issues, etc. Some owners facing eviction by a mortgagee often vent their frustration through the malicious damage of their property, so buy with your eyes wide open. Know how much you may have to spend bringing a property back up to speed.

In the current market, with limited short term capital gain likely, the main factor in purchasing an investment property is strength of rental demand, which generally remains firm for centrally located housing and units in small complexes. When analysing returns on unit investment, serious consideration must be given to body corporate fees, which seem to be ever increasing.

***....pest and building inspections are a must, as in all property purchases but particularly so in mortgagee sales....***

**Do** read the contract of sale. Seek qualified legal advice. Carry out the appropriate searches. **Don't** rely on Uncle Fred who once upon a time nearly passed his conveyance exam. Many mortgagees will insert non-standard clauses into the sale contract to protect their position. They will often sell a property with known defects and insist on a sale 'as is-where is' with no warranties as to known or unknown issues which may affect the property. Make sure you are happy with the terms and conditions offered.

**Do** keep an open mind. Some properties that look terrible and have had a hard life are screaming out with potential, some that look or sound great can end up as lemons no matter how much hard work is put into them. Any valuer who has been around for a while could point out a number of properties in their area that seem to be cursed with misfortune such a history of distressed sales and/or poor quality makeovers.

**Do** keep your perspective. Just because a property is being sold by a mortgagee, doesn't make it a bargain. If it's on a main road, next to a train line, under a flight path, full of defects, etc., it may not be the bargain you think it is. Conversely, the property may be in a tightly held area or have particularly strong attributes which leads to strong competition amongst buyers. The mortgagee may achieve a very good sale price as a result.

**Do** obtain a valuation of the property. What could be of greater benefit than spending a few hundred dollars which might end up saving you tens of thousands or more? A Herron Todd White valuation can give an overview of the pros and cons of a mortgagee property you might be interested in from a position of independence and impartiality.

At any auction, the skill of the auctioneer and agent lies in talking the bidders into "just one more bid mate, you've nearly got it". So knowing the market value of a property before it goes to auction or before entering negotiations with a mortgagee (which will have obtained advice from their own registered valuers) will give you the ability to bid or make an offer with confidence in what can be a pressure cooker situation.

## Sunshine Coast

After a number of years of the market falling on the Sunshine Coast we are finally experiencing an increase in sales since about November last year. These are most noticeably in the under $500,000 housing market, and very much less so in the unit market which remains tight.

Now we are not seeing any increases in value yet and it may still be too early to say the bell has rung for the bottom of the market. It is most probable that the market will plateau then bounce along the bottom for a while before we see increases in value, but you would have to think there will be capital value increases over the next three or so years given most assets will be down 15% to 20% from peak and prestige assets significantly more.

One of the big drivers in the local economy is the Sunshine Coast University Hospital with the first stage commenced and the second, larger stage beginning in 2013. When completed in 2016, this two billion plus dollar piece of infrastructure will be the largest employer on the Sunshine Coast and should help stimulate property demand across the coast, of course rippling out from its location in the centre of the Kawana strip.

Therefore, if you can get one, a home under $400,000 east of the Nicklin Way which are largely underpinned by land value could perhaps see some good capital gains, and these currently return near 5% gross.

The rental market will have to pick up a bit, and it should over time, to support the new and near new 4- bedroom, 2- bathroom, 2- car garage stock in the Birtinya and other near to hospital areas. These currently are in the just over $500,000 range but returning about 4.5% gross, though there is little or no builder margin at current prices.

The unit market remains tight and increasing body corporate fees are affecting the way buyers, whether investors or owner occupiers, see this market. This is particularly the case for the larger, managed complexes who are also suffering from lower holiday rental returns with the high Australian dollar encouraging overseas holidays.

***....we have witnessed regression of values in all segments but is more prominent for secondary localities....***

There are plenty of walk up units in walk to beach locations in small complexes with lower fees which represent good opportunities for young couples for a first home at prices below $300,000, with some examples under $250,000. Gross yields are just over 5% typically. You will find these around Caloundra and Mooloolaba to Maroochydore.

Putting aside all the bad press and scare mongering out there, it just 'feels' like a good time to buy. You can buy properties in good areas at well below replacement costs. That is surely a scenario that will hold you in good stead into the future.

## Southern Queensland

### TOOWOOMBA

In answering the question "Where would I put $500,000 in the short, medium and long term?" we would suggest property primarily in the eastern suburbs close to the Toowoomba CBD. Statistical evidence suggests annual growth around 5% is currently being achieved with the average dwelling selling at $450,000.

Last year we suggested investing in the eastern suburbs and it has shown to be a safe bet in times of uncertainty. Like last year property located in Campbell, Godfrey, Arthur, Anderson, Mayes, Boyden, Simlar and Connell Streets just to name a few, or other streets within a stones throw of Fairholme College, Toowoomba Grammar, Mater Dei Primary and Miyamiya Child Care were, and still are, sought after localities.

Generally we have witnessed regression of values in all segments but is more prominent for secondary localities, properties which are in poor condition or those that require maintenance.

The following chart for the suburb of East Toowoomba is considered to show good growth which is also supported by recent known sales evidence. The additional chart for the suburb of Rangeville on the left is a typical example of what we are experiencing in other Toowoomba suburbs.



*Source PDS*

Well presented and maintained character homes are keenly sought after by both buyers and agents. Agents are relentless at marketing within this suburb, looking for a property to sell which is primarily a result of shorter marketing periods and increased buyer interest.

Historically spring time has been the busiest time for listings. Old character homes are best shown in the warmer months, and being an older suburb, owners tend to want to show off their gardens.

Investors buying older timber homes need to keep an eye out for short term maintenance issues, such as restumping, when they are negotiating the purchase price. But we have witnessed good gains being made from a quick bathroom, kitchen, floor covering and paint makeover for those investors who are more hands on.

Moving forward with the GFC behind us and the positive impact we are seeing from the mining and energy sector further to the West, this trend should continue for the foreseeable future.

## IPSWICH

A lazy half million? In the Ipswich market this places you at the upper end of the property spectrum and opens a broad horizon of opportunities.

For the owner occupier $500,000 buys you a good quality modern brick home on acreage on the fringes of Ipswich in suburbs such as Deebing Heights and Karalee. These suburbs have seen regressions in value in recent years and for the astute investor offers the opportunity to live in a good quality home with the potential for good capital growth in the next five to ten years.

For the pure investor looking for a cash flow based investment Ipswich is your land of opportunity. Ipswich offers good quality older homes in the $200,000 to $250,000 range that will rent for $230 to $280 per week. This sort of investment represents a gross yield range of 5.5% to 6% which sits positively in comparison to other residential based investments.

A third option would be to purchase a duplex in Ipswich. Good quality duplexes in established suburbs sell between $300,000 and $500,000 and generally show gross returns of 5.5% to 6%. This is similar to single dwellings although with duplexes you have the added benefit of two (2) incomes streams that lessen the risk of vacancies.

In a near regional market such as Ipswich $500,000 can buy a lot for the investor and as the above demonstrates there are good opportunities for those seeking long term capital growth or those seeking strong cash flow.

# Central Queensland

## ROCKHAMPTON

The median sale prices in Rockhampton and surrounding regional residential markets have remained steady over the past 24 months. Sale volumes in the under $350,000 price range appear to have improved in the first half of 2012 due to buyers enjoying affordable investment houses and low vacancy rates. However the top end of the market (above $500,000) is still struggling with most buyers being owner occupiers. We consider this trend will continue.

Currently a buyer with $500,000 at their disposal can buy a comfortable onground 4- bedroom dwelling in either Rockhampton or the Capricorn Coast. The prospect of capital growth is considered to be limited in the short term. Vacancy rates in the region have remained low over recent years, and rental returns have been on the increase during this time. Investors are still the major players in the current residential market throughout the region.

The prestige housing and coastal unit markets have suffered over recent years with extended selling periods and reduced list prices required to secure a sale. There may be an opportunity for an astute buyer to benefit from both capital growth and rental return in the long term. Older properties in popular areas of Yeppoon and Rockhampton are still available, with some of these properties benefiting from water or city views.

## HERVEY BAY

A lazy half million can go a long way in the Fraser Coast region at the present time. There is a large variety of property to choose from in the sub $500,000 with higher priced stock experiencing extended selling periods. The property market is still considered a buyers market in all sectors given the limited demand and cautious consumer sentiment.

Large executive homes with extensive ancillaries set out on lots up to 4,000 square metres within a few minutes to the beach are selling in the $450,000 to $540,000 price bracket. Esplanade property has also retracted in the last few years, with one Point Vernon dwelling selling for $400,000 providing a circa 1980 home with 3- bedroom, 2- bathroom accommodation.

## MACKAY

Ah, the lazy half million, unfortunately in the Mackay region it doesn't get you as far as the other coastal centres in Queensland. Mackay is a very prosperous coastal city which has enjoyed the spoils of a booming mining sector. So what can you get for the lazy half million? Pretty much the same you could last year, although you may have to be a quicker this year to secure!!

Rentals in the Mackay area have grown strongly over the past six months, resulting in increased demand for the sub $450,000 market from owner occupiers trying to escape the rental trap and keen investors trying to cash in on the rental increases.

***....the prestige housing and coastal unit markets have suffered over recent years with extended selling periods and reduced list prices required to secure a sale....***

$500,000 in the Mackay market can still get you a new and fairly large executive style home in the Northern Beaches suburbs of Blacks Beach, Eimeo, Rural View or Bucasia and in the newer area of Ooralee to the south. For the same price, new but smaller, 3- to 4- bedroom homes could be acquired in the inner northern suburbs of Glenella/Mount Pleasant.

Older style dwellings in all the established suburbs of Mackay can be found under $500,000. Investment alternatives include older style '2 x 2 bedroom' duplex properties in suburbs such as Mount Pleasant and Andergrove, which would provide slightly higher rental returns compared to executive style housing. These older style duplexes are currently selling from $400,000 to $500,000. This is still seen as an attractive proposition, with vacancy levels traditionally low, and with good rental levels.

With median house prices just over $400,000, it is considered that $500,000 and under will still buy you an older, established good quality dwelling in the suburbs located closer to Mackay's CBD. If new houses are your go, then as stated above, the Northern Beaches provide an opportunity for modern on-ground rendered 4- bedroom dwellings for up to $500,000. This is fairly similar to last year, with value levels in Mackay fairly static over the past 12 months.

***....a large number of residential properties have now come onto the market which in some instances has resulted in reductions in value to achieve a sale.....***

The difficulty in Mackay is that most new land subdivisions from the CBD to Rural View are now well in excess of $200,000, and with building prices among the highest on the Queensland coast, most of the new dwellings in these locations are in excess of $500,000.

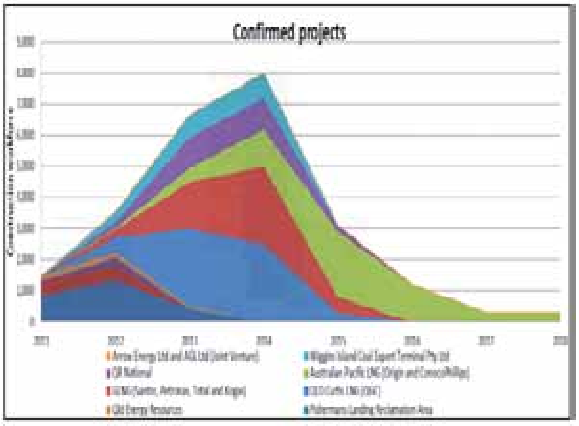
## GLADSTONE

At this stage last year, most residential property sectors in the Gladstone region had already experienced huge capital growth for the previous nine months and we did not foresee this growth to be sustained. Although the growth continued until late 2011, market conditions have now stabilised despite estimations of the peak workforce numbers estimated to be between late 2013 to early 2014.

A large number of residential properties have now come onto the market which in some instances has resulted in reductions in value to achieve a sale.

The large supply of accommodation expected to be delivered over the next couple of years to combat the accommodation demand for workers in these major industrial projects is considered to be a contributing factor to the overall lack of confidence being displayed at present. Consequently we highlight the potential for market correction following the construction of major LNG projects and therefore do not foresee further large increases in capital growth.

The following graph has been prepared by CQ University and illustrates the projected construction workforce for the confirmed projects. The peak construction workforce of approximately 8,000 is clearly illustrated at the end of 2013/early 2014.




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. It is further noted that other projects may proceed in the future and that construction schedules and associated workforce figures are likely to continue to change.

## Cairns

In July 2011 our thoughts were that a $500,000 property investment in Cairns would have secured a well located modern executive style suburban dwelling, or alternatively an above average quality unit in the Cairns CBD, located on the mid to upper levels of a near new high rise unit development.

Since July 2011 the Cairns market has experienced reduced prices and a $500,000 budget would have even greater purchasing power in today's market as it did 12 months ago. With Cairns still very much a buyers market, the purchaser or investor at this price level would find a large range of sectors, styles and locations available to choose from. It would be hard to spend $500,000 on a brand new CBD unit, as there would be only a handful available due to the lack of current construction, but there is likely to be a good supply of near new established CBD units available at this price point.

The $500,000 mark in the Cairns market is relative to the current median price level of around $343,000 for an established house and $257,000 for a new unit.

With Cairns still at the bottom of the residential property cycle investors will need to be prepared to hold for the long term and pay close attention to rental income returns in the meantime.

Herron Todd White
Independent Property Advisors



## Townsville

As we revisit the question of if I had $500,000 to invest? we consider where in the Townsville property market would this money be best spent.

As in 2011 we see the CBD unit market as an area that provides good opportunity for both capital growth and yield over the medium term. The oversupply of new unit stock that was evident over the past few years has started to be absorbed due to heavy discounting by receivers. Our HTW unit survey indicates that the stock levels of new developer inner city units has come down from 253 units as at March 2011 to around 165 units as at March 2012.

Over the past 12 months we have seen the $56 million Flinders Mall redevelopment come to completion, along with the confirmation of two new office towers being constructed in the CBD. Although there are a number of new inner city unit developments proposed, there is only one development currently under construction. Therefore over the short to medium term, as the existing new unit stock continues to be absorbed, we may see a shortage of new constructed stock on the market.

When investing in the CBD unit market there is the question of whether you put the whole $500,000 into a larger 3- bedroom unit, or would you opt for a smaller 1- and 2- bedroom unit in the low $300,000's and invest the balance elsewhere. Asking prices of the new developer units are significantly below the original list prices when the developments started construction making it very much a buyers market.

Other areas discussed included Condon and Kirwan purely for capital gains purposes, with yields firming as a result of softer prices and the tightening vacancy rates caused rents to start rising. Idalia and Douglas are also considered on a capital gains basis with modern houses also offering some tax depreciation benefits. Currajong and Gulliver appeal due to their central location with a number of older homes in original condition being offered at low entry price points with potential for renovation.

The Townsville residential property market is undergoing a rental squeeze with vacancy rates currently trending below 2%, median rents are on the rise, sale volumes have started an upward trend and median house prices remain soft. Now represents a good opportunity for investors to take notice of the fundamentals of our local market.

## Tasmania

Upon reading our contribution for the 2011 MIR lazy half million edition a strange sense of déjà vu occurred. This could probably be explained by the fact that everything we wanted to write for the article this year had been written last year and the year before that, such is the fast pace of the Tasmanian property market. Briefly recapping this previous advice;

- For the Launceston market a $500,000 budget will allow the purchase of a fringe CBD property, outer surrounding rural residential property or two circa $250,000 properties in surrounding suburbs within 10 to 15 minutes of the CBD. Up to three or possibly four properties could be purchased in the low socio economic suburbs, however capital outlay and undesirable tenants are highly likely.
- For the Hobart market once again fringe CBD and inner suburbs are both the most attractive options for allocating the entire budget to one property. This budget should allow the purchase of a modern or newly built home in the urban mortgage belt suburbs. Two to three properties could be purchased in Dodges Ferry, Carlton or Primrose Sands, however fair rental returns and capital growth should be expected. Similar to Launceston three or even four homes could be purchased in low socio economic suburbs, once again capital outlay and undesirable tenants are highly likely.

So what has changed since July 2011? The economy was not in the best shape last year. Unfortunately we have probably seen a further deterioration, particularly in the key indicator of unemployment which is currently at 7.3%, compared to 5.4% this time last year (ABS). The impact of this weaker economy has been evident in the reduction of capital values for some time however this weaker market is now becoming evident in the investment market. Landlords in both the Hobart and Launceston market are reporting a need to decrease rental levels or use one or two week rent free incentives to attract new tenants. This apparent decline in demand has been supported by an easing in the vacancy rate to 4.3%. Generally speaking yields have however remained steady. This is primarily due to the fact that capital values have already seen some retraction. Broadly speaking these still remain in the range of 5% to 6% gross.

***....we have seen a further deterioration, particularly in the key indicator of unemployment which is currently at 7.3%, compared to 5.4% this time last year (ABS)....***

An obvious benefit of the current state of the market is in the increase of affordability of investment properties and consequently to opening of new markets for spending the $500,000 budget. The price or value for money of homes in the stronger suburbs surrounding Hobart and Launceston are now becoming very attractive to investors who have one eye on current rental levels and the other fixed on possible future capital growth potential.

A good example of such a property transacted recently in the suburb of Prospect Vale. This particular property was built in the late 80's of low maintenance brick and colorbond construction with 4- bedrooms, 2- bathrooms and 140 square metres of living. While having a slightly dated kitchen and bathrooms, they remained very functional. Located in the popular and very well serviced suburb of Prospect Vale it is also enjoys the benefit of a detached double garage, single carport and decent size flat backyard. A property of this nature was attracting a rental of approximately $320 per week and transacted for $280,000 showing a gross yield of 5.9%. Assuming the property market completes its current cycle and capital growth returns, properties such as this example will be well placed to capitalise on any growth in the market and in the meantime should be representative of a low maintenance consistent rental earner.

## Darwin

Over the last half of 2011 the residential property market remained subdued with price contractions of between 10% and 15%. The first half of 2012 performed positively, largely on the back of the final investment decision for the $34 billion Inpex LNG project, increasing sales volumes, sales prices, increasing rents, and shorter sale periods with some properties being on the market for merely 24 hours. This led to vacancy rates in the March quarter of 2012 dipping to 1.9%, 2.7% lower than the same period last year. These factors have pushed the market from a buyer's market this time last year, to slightly better conditions for vendors in the Top End.

With the announced Inpex project and speculation of further foreign investment in Darwin on the horizon, the general consensus is residential rents will increase dramatically and therefore have a positive effect on capital value. However we do predict the contraction experienced over the past 12 to 18 months may be rectified in the near future. That being said, with Darwin remaining in somewhat of a housing bubble, it remains to be seen the extent of capital growth that will be experienced. This also makes answering the $500,000 question a little harder as $500,000 in the Top End does not go far.

CBD apartments in Darwin are also receiving a well needed dose of supply in the entry level segment of the market, with numerous projects commencing construction after long periods of stagnation. The recently completed, Zest Apartments on Gardiner Street relieves some of the increasing demand pressure. Also, several other new entry level inner city unit complexes are currently being received well by the market through off the plan purchases. One in particular features units with 2- bedrooms, 2- bathrooms, common swimming pool and gym all within walking distance to the CBD with prices starting from mid $400,000. This appears to be good buying.

We predict the optimum purchase for a prudent investor with $500,000 would be those properties that will gain good rental yields such as the new entry level CBD units on offer. Moreover, the older unit/townhouse stock in the fringe CBD suburbs also prove to be good buying with new leases surpassing 5% gross yields. There is also good buying in houses within the Palmerston region. This area is situated approximately 20 minutes from the CBD and provides for larger living with potential for capital growth. The positive Palmerston figures are also due to this area being the hardest hit over the past 12 to 18 months.

## Perth

The half million dollar mark is fast becoming the barometer of sorts on the health of the Perth residential property market. This is due in part to the fact that the median house price in Perth has consistently hovered in and around the $500,000 price category since 2010.

So how did we do over the past 12 months?

For a start, the Perth median price declined 3.3% in the year to March 2012 and currently sits at $469,000. It's no secret that the current state of the global economy and the prevailing uncertainty surrounding the nation's two speed economy is largely to blame for the market's continued lacklustre performance.

On a brighter note for investors at least, is that this decline in the market has subsequently seen some suburbs slip into the half million category. A case in point would be those smaller and more dated apartments in South Perth. Slowing demand and rapidly rising rental rates are beginning to show strong yields for the investor seeking a strong cash flow investment.

Investors preferring the capital gains route will be better served sniffing around the Wilson, St James and Bentley areas. These suburbs generally receive strong demand from tenants and also offer the opportunity for redevelopment within the short to medium term.

Other areas of note include the Belmont, Cloverdale and Kewdale areas where demand for rental properties from the State's 'fly-in fly-out' workforce is strong. The area's proximity to the Perth Airport and city make this area among the most undervalued places to invest within the Perth area of metropolitan. Furthermore, generous density allowances and a cooperative council mean that many properties within this area offer good short to medium term redevelopment prospects.

Overall, the decline in values experienced over the past 24 months and the rapid rise in rental rates have contributed to an increase in yields. With the mathematics beginning to add up for investors and barring a worsening global economy, the prospects appear to be good particularly within the lazy half million price category.

## South Western WA

I wrote last year saying that what you can buy for $500,000 hadn't changed much from the year before, and to save time, I could cut and paste what I wrote at that time. Unfortunately the same lack of enthusiasm in the market, at this price point still exists. On the bright side, at least the bottom end of the market is busier than it has been for some time. Busier in this case means more sales but as fast as they sell they are replaced by others on the market so there is no evidence as yet of price movement.

We can only surmise that as time goes on and all the people living in the lower price houses sell, then they will want to move up the scale to something closer to the $500,000 mark. The only problem with this is that every time there seems to be some confidence returning to the market, some crises overtakes Europe, the US or China and the wobbles return.

I note that last year, predictions were made of a much better year in 2012 and as I noted above, this seems in part to be happening with some properties in the upper end of the market also moving, but the middle seems stuck.

As to where I would invest $500,000 in the property market, I would still be going back to the traditional favourites of South Bunbury and West Busselton. These areas still remain popular and there is no reason to think this will change over time so as a good safe bet it can't be all bad.

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## Rural – Market Directions

Feedback throughout the regions vary quite considerably. Good rains in South Queensland/ Northern New South Wales and Western Australia are leading to an exceptional winter and spring, however further south it remains quite patchy with areas still not having received vital winter rains.

The property market generally remains subdued, however we are seeing increased activity in Receivership sales in Southern Queensland whilst the Federal Government is still actively buying up water in New South Wales. AACO continues to press ahead with its $83 million abattoir project at Darwin which will be good news for the Northern Territory especially after the 2011 Live Export Debacle.

More properties/aggregations will be put to market for various reasons over the coming months and it is hoped future Month In Reviews will have some good news on this front. The same however cannot be said with the recent release of the revised Murray Darling Basin Plan (MDBP) as our Mildura office reports below.

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1 July 2012

## Northern NSW

Mixed weather conditions prevailed with drier weather in late May and early June but this was punctuated by very heavy falls of rain over the June long weekend.

**Sugar Cane**

The sugar cane harvest was expected to commence at Condong Sugar Mill on 19 June but this will be delayed due to wet ground conditions. The three north coast sugar mills expect a crush of a total of 1,015,000 tonnes which is more than 50 % less than NSW industry records.

A cane farm at Dulguigan near Murwillumbah was put to auction on the 20th of June but was passed in.

The 'closed' sale process of the NSW Sugar Milling Co-operative Limited assets being three sugar mills and a half share in the Harwood sugar refinery is apparently approaching voting by the members.

If sold this will be a continuation of the trend in Queensland of the sale of milling and refinery assets mostly to foreign interests.

**Macadamias**

Wet conditions have delayed macadamia harvesting. The heavy rainfall on the June long weekend has resulted in some nuts being washed away into gullies and they will not be able to be picked up.

**Cattle**

Cattle breeding properties continue to sell in the region. 'Mundoo' a 418 hectare cattle breeding property between Kyogle and Casino has sold for $2 million with a carrying capacity believed to be about 300 breeding cows.

**Summer Cropping**

Harvesting of soya bean crops is near complete. Crushing bean prices are around $500 per tonne delivered to the silo. Soya beans planted into raised beds were the best yielding crops.

**General**

Generally soft market conditions. Market participants in the sugar cane, cropping, macadamia and horticultural industries are desperate for a run of more normal drier seasons.

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## Southern NSW

There are many worried frowns on farmers faces in southern NSW at present as the whole area is fast heading back into drought conditions. There have been no significant rainfalls in this area for several months now.

Farmers have stopped dry sowing and the window for the sowing cereal crops is fast closing.

Most cereal crops should be up and growing by now, but many of the crops that were dry sown have either not struck, or have very patchy strike rates and farmers are now wondering which way to go. Start dry sowing again and hope for rain? Wait until it rains enough to have sufficient soil moisture to strike the seed? Forget about sowing and retain the seed for next year and hope for a better season?

The early sown crops are looking reasonable as they had enough soil moisture to get them going, and in fact some grazing varieties have been grazed for a month or more. However even the early sown crops are suffering moisture stress which has not been helped by some heavy morning frosts. Rain is badly needed in the next week or two.

***....many of the crops that were dry sown have either not struck, or have very patchy strike rates....***

It looks like my prediction of more interest in the rural property market may have been a bit premature. I reported last month that "Ulladulla" at Holbrook sold well, and the next big test for the market would be "Aberfeldy" at Holbrook. Well .... there was no interest from potential bidders at the "Aberfeldy" auction 13th June, and the property passed in on a vendor bid (and the only bid) at $6.4 million. The listing agents are hoping to sell the property to one of the many who inspected the property prior to the auction. There have been few other offerings of note to reach the market. Sales have been occurring at figures well below the peak of early 2008 as the gap between vendor expectations and potential purchaser offerings are closing.

There could be some interesting developments on the irrigation front. Dartmouth is now 85% full (82% this time last month) and Hume Dam is 95% full (87% this time last month), and there are very real concerns that there will have to be large releases of water from both storages if we receive the usual winter and early spring rainfalls and snow melts. The storages are filling quite quickly with only minor rainfalls in the catchments, and we haven't even started the wettest part of the year yet. If we receive the usual rainfall in winter and early spring then it is quite likely that Dartmouth will spill and that will cause flooding along the Mitta River. Water from Dartmouth fills the Hume Weir, so if Dartmouth spills there will have to be significant releases from the Hume Weir which may flood farms downstream from the Hume. This in many ways is great as it means plenty of water in storage for the irrigators to the west of Albury, but there may be some flooding problems associated with these full or near full storages.

The next month will tell the story for a lot of agricultural production in this area. If we get some decent rainfalls croppers will get busy again, but if we don't see any rain in the next couple of weeks we will see some purse strings starting to tighten again.

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## Regional Victotia

### MILDURA

It appears that it has rained everywhere apart from north west Victoria and south west New South Wales. Seasonal conditions have become critical for the dryland cereal cropping sector with the growers looking to the skies for some much needed rain. Over the past seven to eight weeks less than five millimetres has fallen over the general Millewa and Mallee regions and as every week passes the expectations of an average season are dwindling.

The Citrus harvest is well under way and growers again have a very good crop with good size fruit. But as was the case last year growers are set to face significant losses due mainly to limited export demand with the continuing high Australian dollar significantly impacting this industry. It was reported recently that the largest citrus packing shed in the Riverina is expecting to dump up to 25% of navel oranges that it handles, for cattle feed. The juice factories are presently unwilling to take the fruit highlighting the downturn in fresh fruit demand.

The concern and frustrations due to the 'failure' of the revised Murray Darling Basin Plan (MDBP) to deliver constructive outcomes has resulted in 26 councils in Victoria and New South Wales to form 'The Riverina and Murray Regional Organisations of Councils' (RAMROC). The main concern of RAMROC centres around the failure to address the fundamental issues in regard to the impact to rural communities and agriculture production under the proposed plan. RAMROC are arguing for a more balanced plan that considers social, environmental and economic outcomes and not to focus solely on environmental targets. It appears the acceptance of an MDBC plan in regional Australia is some way off yet.

It has been reported that Tandou Ltd and Select Harvests Ltd, two of our region's largest irrigators and water holders, participated in the most recent Federal government buyback, selling a combined 25 GL of water (25,000 Megalitres) for a total of around $37.4 million.

Tandou were subsequently reported as saying that they "were pleased with the outcome, and were hoping to replace the volume of water sold by purchasing cheaper water during the coming 12 months". This appears to highlight the potential for large players in the water trading business to bulk up small parcels of water, purchased from distressed vendors, in the expectation of making a profit from their subsequent sale to a government agency.

Sales activity in the local region has been quiet which is typical for this time of year. A large almond operation however near Robinvale has been placed under contract. The property comprises over 400 hectares of seven and eight year old almonds, however full details cannot be divulged at this stage.


A small (16ha) winegrape vineyard near Mildura sold at auction during June for a higher than expected $18,750 per hectare. The sale, which did not include any irrigation entitlement, suggests that we may be seeing some renewed confidence in an industry which has been in the doldrums for much of the past decade. Local growers are confident that grape prices will improve in 2013, and that wineries will purchase all the fruit that they can grow.

Two smaller pastoral stations, Wendalpa (20,305 hectares) and Yandaroo (8,288 hectares) just north of Broken Hill were sold separately at auction in late June to two new entrants into the grazing game at good firm levels. Up to 18 bidder registrations were taken on the day which illustrate the demand for Western Division holdings at present, riding on the back of the best seasons for many years.

- **Wendalpa**, which has a mix of Barrier range and rolling downs country but was poorly improved and maintained. It was knocked down at just shy of $36 per hectare.
- **Yandaroo**, which comprised open plains blue bush and Mitchell grass country with reasonable structures, was highly sought after and was knocked down at $96 per hectare.

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## Southern Queensland

To date the region in general has received very good unseasonal rain which has set up most operations for both a very good winter and and exceptional spring. Wheat planting is well underway whilst there have also been some opportunities to harvest water for next summer's cotton crop.

We are now starting to see an increase in market activity several of which are unfortunately Receivership sales. One such property currently on the market is Glenelg at Wandoan. It went to auction last week, but passed in for $3.9 million.There were 12 registered bidders with the opening bid at $2.8 million. It is now on the open market at a higher but undisclosed figure and it is hoped that a result will be acheived in the coming weeks.

***....wheat planting is well underway whilst there have also been some opportunities to harvest water for next summer's cotton crop....***

RM Williams has also decided to sell their Mirage Plains Aggregation at Cunnamulla. The property comprises some 43,000 hectares and includes 480 hectares of developed pivots, 4,000 hectares of potential irrigation and 8,100 hectares of dry land farming, all underpinned by 32,800 megalitres of Warrego River Water Rights. It will be a barometer for the industry and will set a benchmark for values in the region if it should sell. Tenders for the holding close on the 2nd August.

Doondi at St.George comprising 6,814 hectares including 645 hectares of established irrigation and 1,848 hectares of farming country failed to sell on the 25th May and is now on the market for $10 Million. It has in excess of 10,000 megalitres of storage and is supported by 470 megalitres of supplemented water and 4.785 megalitres of unsupplemented water.

Future newsletters will provide an undate on these three sales

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## Northern Territory

Australian Agricultural Company is pressing ahead with its project to build a new abattoir at Livingstone, just south of Darwin. They have announced that the acquisition of the site, a 600 hectare block just off the Stuart Highway, has been negotiated.

The property is being purchased for $13.275 million which will form a part of the cost of the $83 million project. While AACo will seek equity partners, it is prepared to go it alone to ensure the project proceeds. The abattoir will process about 180,000 head once in full production. A conditional development permit has been issued.

The history of the NT is littered with failed abattoir projects and it is to be hoped that by tapping into demand from our near neighbours, that these problems can be avoided. Certainly the re-establishment of an abattoir in the Top End will improve marketing options for local producers.

The pastoral property market remains quite subdued. At the time of writing, Bunda Station had just failed to sell at auction. This 1788 square metre pastoral lease on the Buntine Highway southwest of Katherine was offered with a 8000 head commercial herd and 2900 head stud herd. It is hoped that a sale can be negotiated over the next few weeks to set a benchmark for values in the area.

On another front, we hope to be able to report shortly on the sale of a Kimberley pastoral lease, with negotiations expected to be completed next month.

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## South West Western Australia

As Margaret River starts to flow again, the wine industry in the South West of Western Australia has had some positive news with the sale of the well known Clairault Vineyard / Winery. The winery was sold to an American purchaser John Streicker, who is also understood to own other vineyards in the region. The Clairault vineyard is one of the oldest in the region, having been originally planted in 1976, and the property also includes a restaurant, cellar door, 200 tone winery and a residence.

The winery is situated on the main wine tourist route of Caves Road in the heart of the Margaret River region and this was one of the main attractions for the buyer. The Clairault name has been developed into a very strong brand and has enjoyed much success at many prestigious wine shows over the years. The sale price is understood to be $14.5 million dollars including stock, brand and plant and equipment. This is considered to be good news for the local wine sector which has been struggling now for some years.

In the wheat belt the majority of regions have had some welcomed and sometimes destructive rain events as seeding programs are being finished. The market remains quiet with the anticipation of another good season or failure weighing heavy on the minds of all involved in the industry.

# Comparative Property Market Indicators - Insert Month HERE 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

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| Whitsunday | (07) 4948 2157 |

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

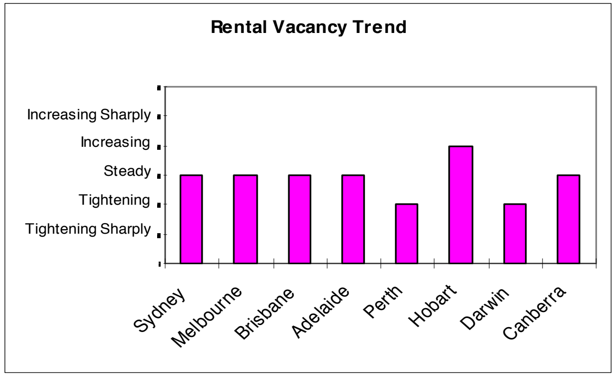
To discuss the applicability of the South Australian/Northern Territory and Western Australian indicators to individual properties or situations, contact your local Herron Todd White office:

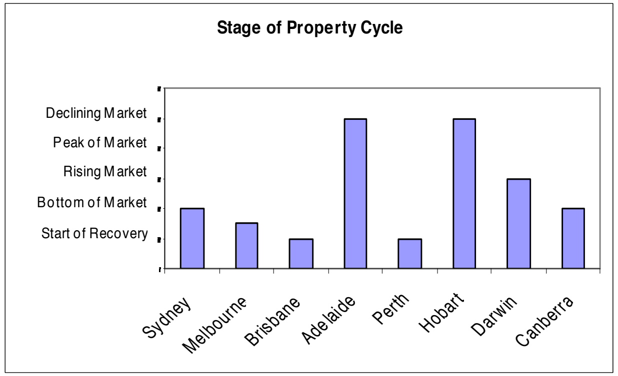
| | |
|---|---|
| Adelaide | (08) 8231 6818 |
| South West WA (Bunbury/Busselton) | (08) 9791 6204/ (08) 9754 2982 |
| Perth | (08) 9388 9288 |
| Darwin | (08) 8941 4833 |

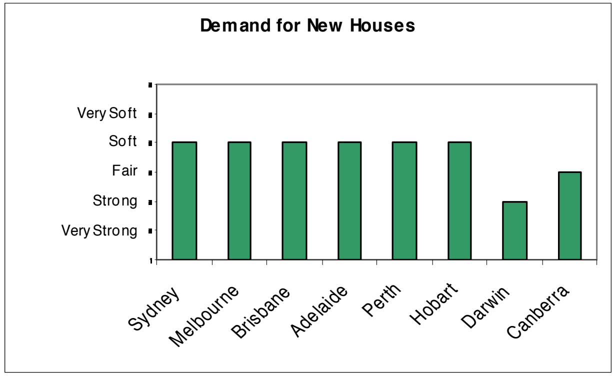
## Capital City Property Market Indicators as at June 2012 – Houses

| 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 | Over-supply of available property relative to demand | Severe shortage of available property relative to demand | Balanced market |
| Rental Vacancy Trend | Steady | Steady | Steady | Steady | Tightening | Increasing | Tightening | Steady |
| Demand for New Houses | Soft | Soft | Soft | Soft | Soft | Soft | Strong | Fair |
| Trend in New House Construction | Declining | Steady | Steady | Declining | Declining | Declining | Increasing | Steady |
| Volume of House Sales | Steady | Steady | Steady | Declining | Steady | Steady | Increasing | Declining significantly |
| Stage of Property Cycle | Bottom of market | Start of recovery - Bottom of market | Start of recovery | Declining market | Start of recovery | Declining market | Rising market | Bottom of 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*



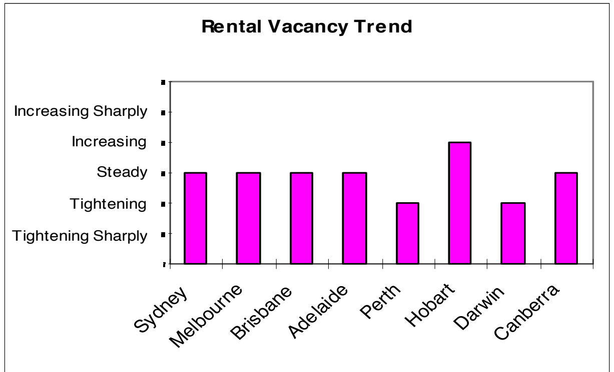



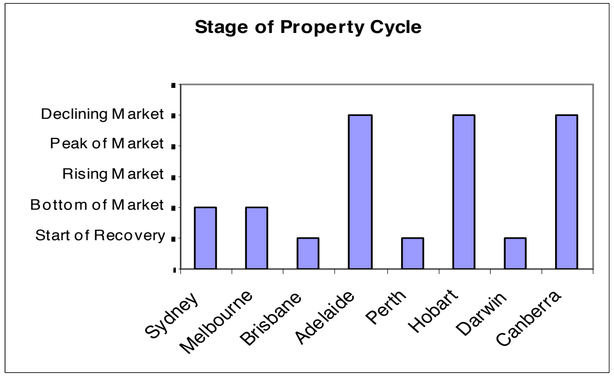
## Capital City Property Market Indicators as at June 2012 – Units

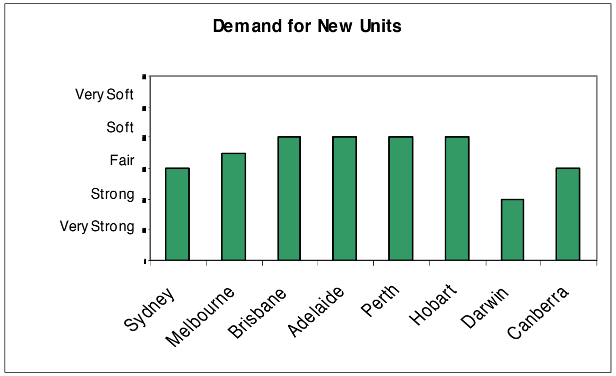
| Factor | Sydney | Melbourne | Brisbane | Adelaide | Perth | Hobart | Darwin | Canberra |
|---|---|---|---|---|---|---|---|---|
| Rental Vacancy Situation | Shortage of available property relative to demand | Balanced market | Balanced market | Balanced market | Shortage of available property relative to demand | Over-supply of available property relative to demand | Severe shortage of available property relative to demand | Balanced market |
| Rental Vacancy Trend | Steady | Steady | Steady | Steady | Tightening | Increasing | Tightening | Steady |
| Demand for New Units | Fair | Soft - Fair | Soft | Soft | Soft | Soft | Strong | Fair |
| Trend in New Unit Construction | Steady | Increasing | Steady | Declining | Declining | Declining | Increasing | Steady |
| Volume of Unit Sales | Steady | Steady | Steady | Declining | Steady | Steady | Increasing | Steady |
| Stage of Property Cycle | Bottom of market | Bottom of market | Start of recovery | Declining market | Start of recovery | Declining market | Start of recovery | Declining market |
| Are New Properties Sold at Prices Exceeding Their Potential Resale Value | 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*



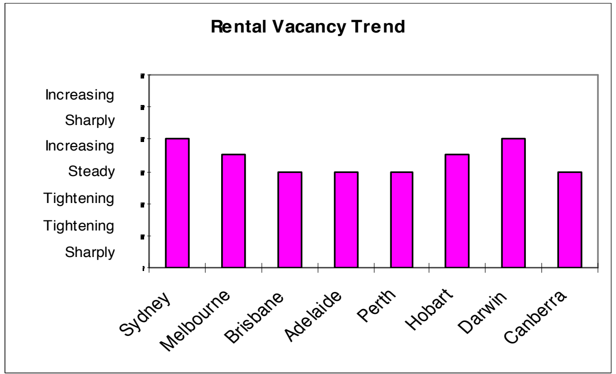



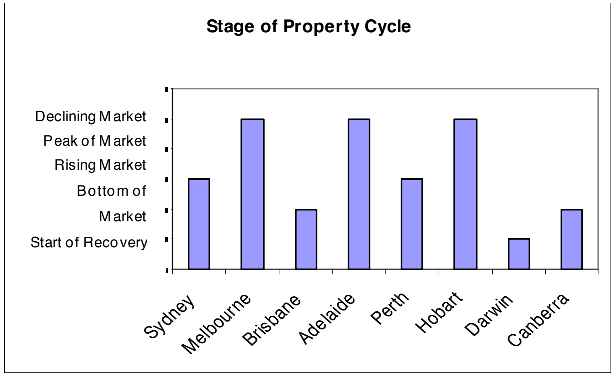
## Capital City Property Market Indicators as at June 2012 – Retail

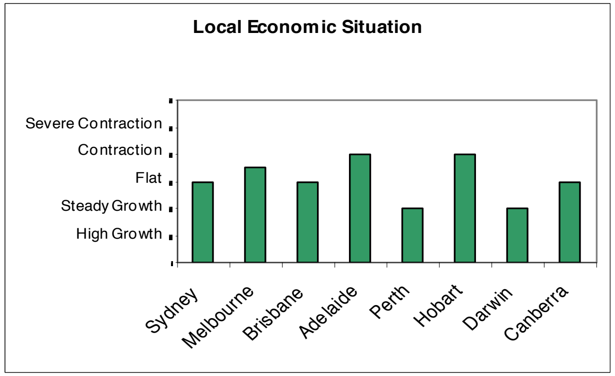
| Factor | Sydney | Melbourne | Brisbane | Adelaide | Perth | Hobart | Darwin | Canberra |
|---|---|---|---|---|---|---|---|---|
| Rental Vacancy Situation | Over-supply of available property relative to demand | Balanced market - Over-supply of available property relative to demand | Balanced market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

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

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



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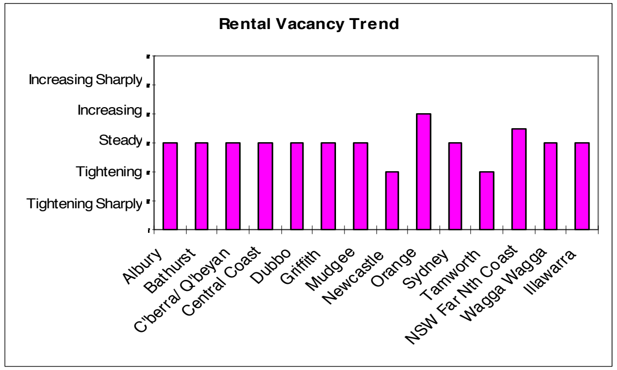
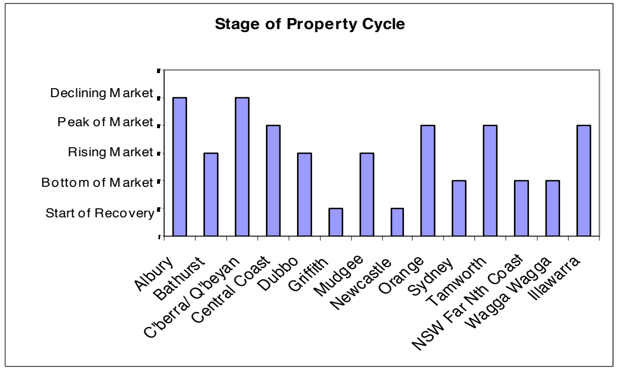
## New South Wales Property Market Indicators as at June 2012 – Houses

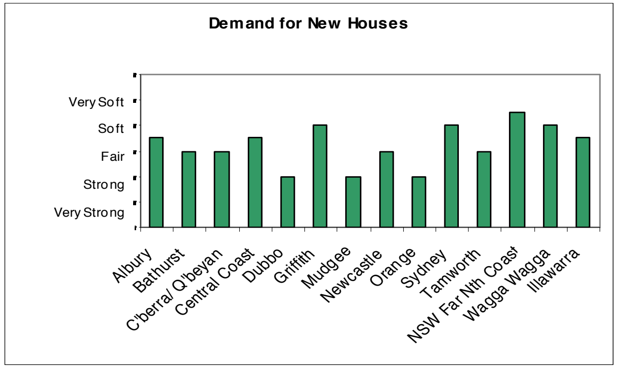
| Factor | Albury | Bathurst | Canberra/ Q'beyan | Central Coast | Dubbo | Griffith | Mudgee | Newcastle | Orange | Sydney | Tamworth | Tweed Coast | Wagga Wagga | Wollongong |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Rental Vacancy Situation | Shortage of available property relative 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 | 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 | Balanced market - Over-supply of available property relative to demand | Balanced market | Balanced market |
| Rental Vacancy Trend | Steady | Steady | Steady | Steady | Steady | Steady | Steady | Tightening | Increasing | Steady | Tightening | Steady - Increasing | Steady | Steady |
| Demand for New Houses | Soft - Fair | Fair | Fair | Soft - Fair | Strong | Soft | Strong | Fair | Strong | Soft | Fair | Very soft - Soft | Soft | Soft - Fair |
| Trend in New House Construction | Declining | Steady | Steady | Declining - Steady | Steady | Steady | Steady | Steady | Steady | Declining | Steady | Declining | Steady | Steady |
| Volume of House Sales | Steady - Declining | Steady | Steady | Steady | Increasing | Increasing | Increasing | Steady | Steady | Steady | Steady - Declining | Increasing | Steady | Steady |
| Stage of Property Cycle | Declining market | Rising market | Declining market | Peak of market | Rising market | Start of recovery | Rising market | Start of recovery | Peak of market | Bottom of 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 | Occasionally | Almost never - Occasionally | Occasionally | Occasionally | Occasionally | Almost never | Occasionally | Occasionally | Occasionally | Occasionally | Occasionally | Occasionally |

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

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



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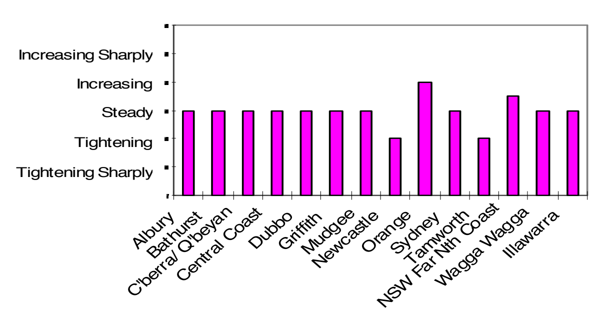
## New South Wales Property Market Indicators as at June 2012 – Units

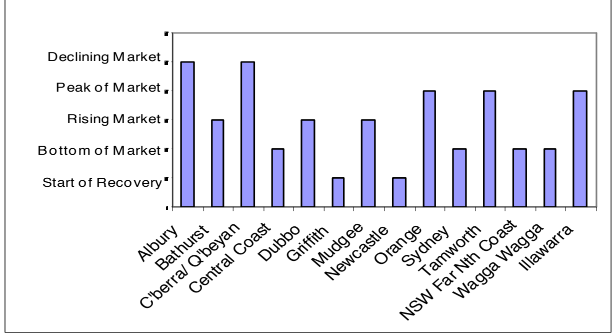
| Factor | Albury | Bathurst | Can-berra/ Q'beyan | Central Coast | Dubbo | Griffith | Mudgee | New-castle | Orange | Sydney | Tam-worth | Tweed Coast | Wagga Wagga | Wollon-gong |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Rental Vacancy Situation | Shortage of available property 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 | 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 | Balanced market - Over-supply of available property relative to demand | Balanced market | Balanced market |
| Rental Vacancy Trend | Steady | Steady | Steady | Steady | Steady | Steady | Steady | Tightening | Increasing | Steady | 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 | Steady | Steady | Steady | Steady | Declining | Declining | Steady |
| Volume of Unit Sales | Steady - Declining | Steady | Steady | 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 | Start of recovery | Peak of market | Bottom of 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 | Frequently | Occasion-ally | Occasion-ally | Occasion ally | Occasion-ally |

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

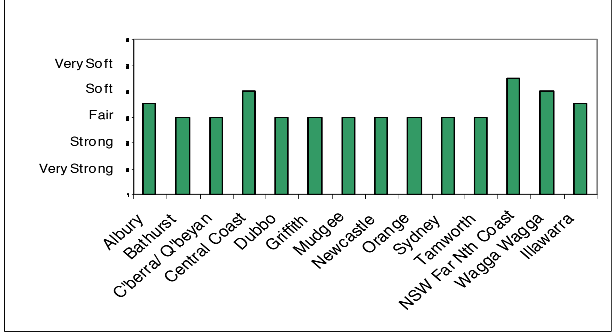
*Blue entries indicate change from previous month to a lower risk-rating*



**Rental Vacancy Trend**



**Stage of Property Cycle**



**Demand for New Units**

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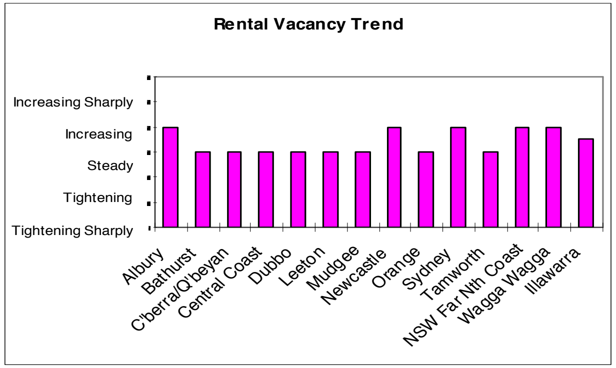
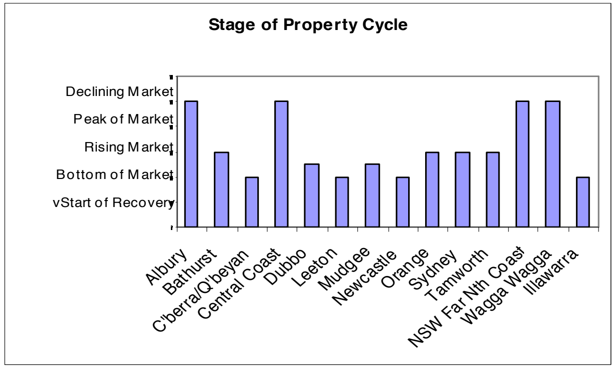
## New South Wales Property Market Indicators as at June 2012 – Retail

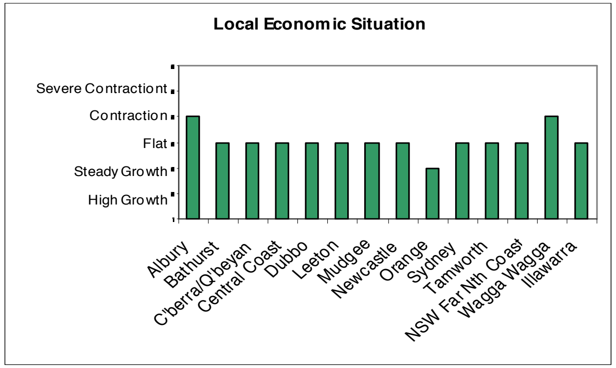
| Factor | Albury | Bathurst | Can-berra/ Q'beyan | Central Coast | Dubbo | Griffith | Mudgee | New-castle | Orange | Sydney | Tam-worth | Tweed Coast | Wagga Wagga | Wollon-gong |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Rental Vacancy Situation | Large over-supply of available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

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

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



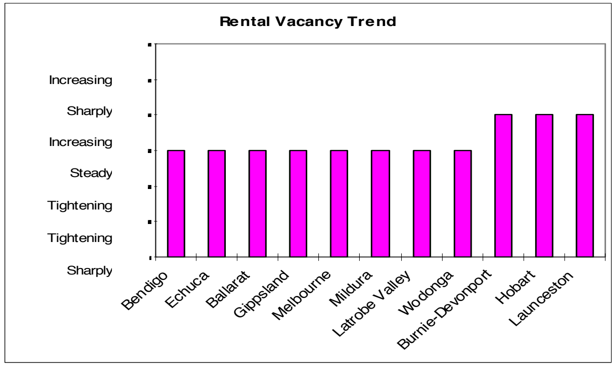



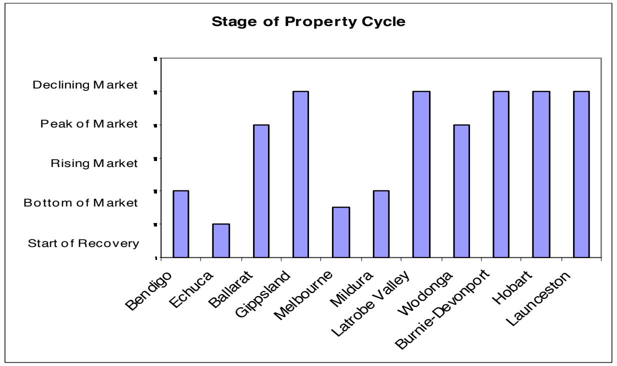
## Victoria/Tasmania Property Market Indicators as at June 2012 – Houses

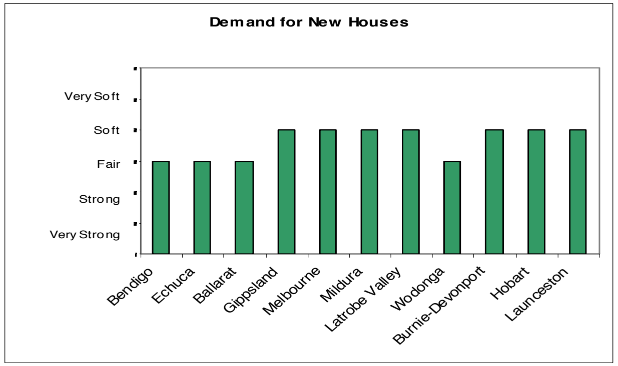
| Factor | Bendigo | Echuca | Ballarat | Gippsland | Melbourne | Mildura | Latrobe Valley | Wodonga | Burnie/Davenport | Hobart | Launceston |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Rental Vacancy Situation | Balanced market | Balanced market | Shortage of available property relative to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

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

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



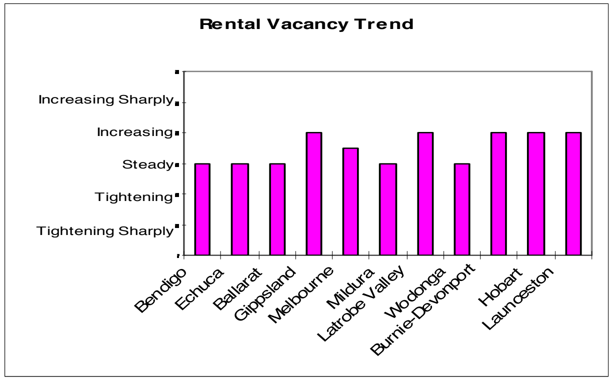



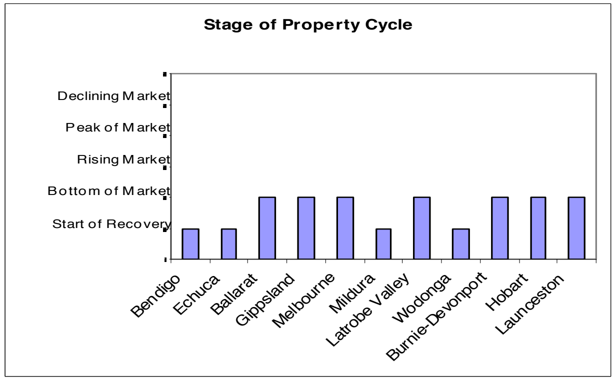
# Victoria/Tasmania Property Market Indicators as at June 2012 – Units

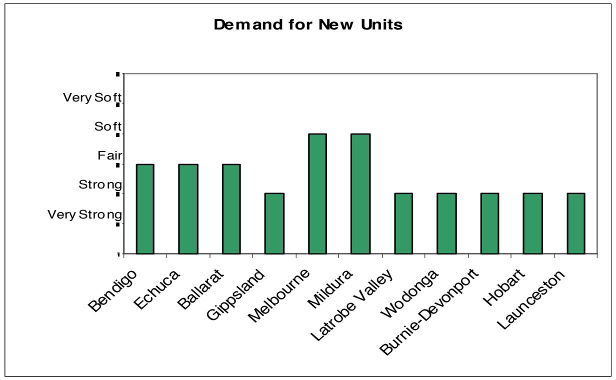
| Factor | Bendigo | Echuca | Ballarat | Gippsland | Melbourne | Mildura | Latrobe Valley | Wodonga | Burnie/Davenport | Hobart | Launceston |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Rental Vacancy Situation | Balanced market | Balanced market | Shortage of available property relative to demand | Balanced market | Balanced market | Shortage of available property relative to demand | Balanced market | Balanced market | Over-supply of available property relative to demand | Over-supply of available property relative to demand | Over-supply of available property relative to demand |
| Rental Vacancy Trend | Steady | Steady | Steady | Steady | Steady | Steady | Steady | Steady | Increasing | Increasing | Increasing |
| Demand for New Houses | Fair | Fair | Fair | Soft | Soft - Fair | Fair | Soft | Fair | Soft | Soft | Soft |
| Trend in New House Construction | Steady | Steady | Steady | Declining | Increasing | Increasing | Declining | Declining | Declining | Declining | Declining |
| Volume of House Sales | Steady | Steady | Declining | Declining | Steady | Steady | Declining | Declining | Steady | Steady | Steady |
| Stage of Property Cycle | Bottom of market | Start of recovery | Peak 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*



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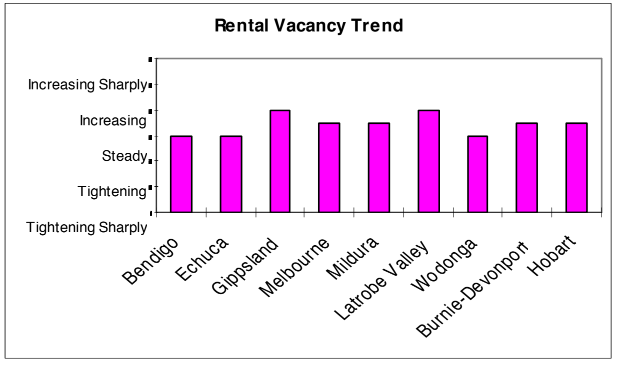
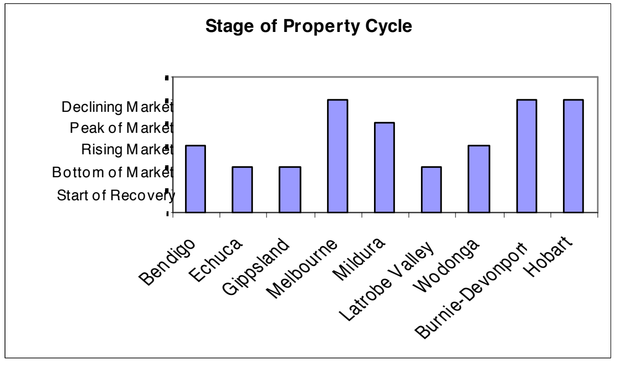
## Victoria/Tasmania Property Market Indicators as at June 2012 – Retail

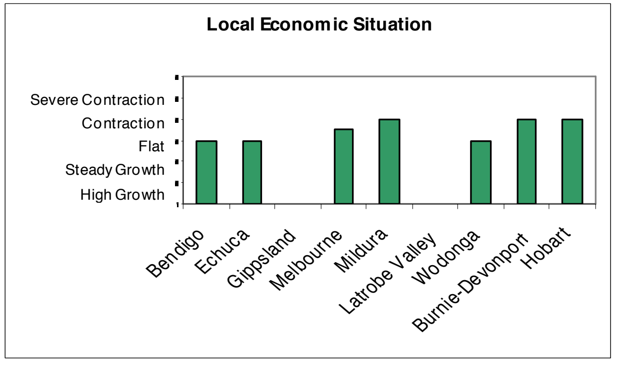
| Factor | Bendigo | Echuca | Gippsland | Melbourne | Mildura | Latrobe Valley | Wodonga | Burnie/ Davenport | Hobart | Launceston |
|---|---|---|---|---|---|---|---|---|---|---|
| Rental Vacancy Situation | Balanced market | Balanced market | Over-supply of available property relative to demand | Balanced 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 | Balanced market - Over-supply of available property relative to demand | Balanced market - Over-supply of available property relative to demand | Balanced market - Over-supply of available property relative to demand |
| Rental Vacancy Trend | Steady | Steady | Increasing | Steady - Increasing | Steady | Increasing | Steady | Steady - Increasing | Steady - Increasing | Steady - Increasing |
| Rental Rate Trend | Stable | Stable | Declining | Declining - Stable | Declining | Declining | Stable | Declining - Stable | Declining - Stable | Declining - Stable |
| Volume of Property Sales | Steady | Steady | Declining | Steady - Declining | Declining | Declining | Steady | Declining | Declining | Declining |
| Stage of Property Cycle | Rising market | Bottom of market | Bottom of market | Declining market | Bottom of market | Bottom of market | Rising market | Declining market | Declining market | Declining market |
| Local Economic Situation | Flat | Flat | 0 | Flat - Contraction | Contraction | 0 | Flat | Contraction | Contraction | Contraction |
| Value Difference between Quality Properties with National Tenants, and Comparable Properties with Local Tenants | Small | Significant | Small | Small - Significant | Significant | Small | Significant | Small | Small | Small |

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

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



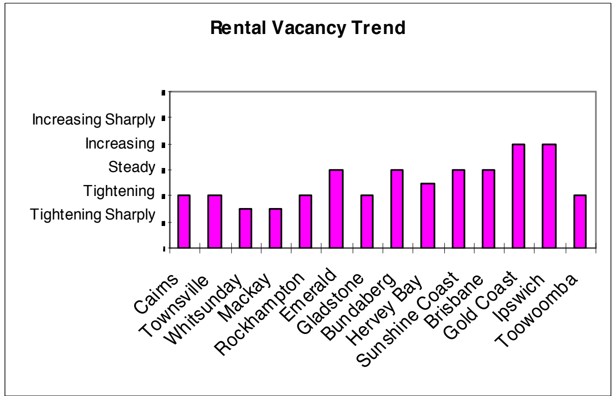



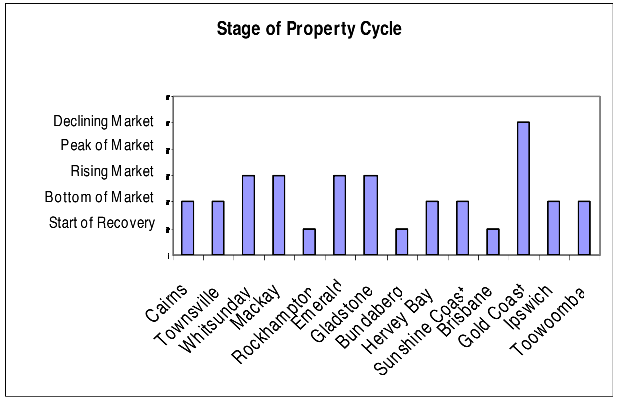
## Queensland Property Market Indicators as at June 2012 – Houses

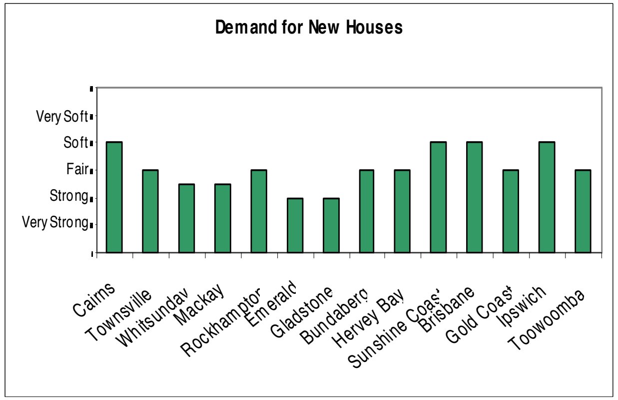
| Factor | Cairns | Towns-ville | Whit-sunday | Mackay | Rock-hampton | Emerald | Glad–stone | Bunda-berg | Hervey Bay | Sun-shine Coast | Brisbane | Gold Coast | Ipswich | Too-woomba |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Rental Vacancy Situation | Shortage of available property relative to demand | Severe shortage of available property relative to demand | 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 | 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 | Tightening sharply - Tightening | Tightening sharply - Tightening | Tightening | Steady | Tightening | Steady | Tightening - Steady | Steady | Steady | Increasing | Increasing | Tightening |
| Demand for New Houses | Soft | Fair | Fair - Strong | Fair - Strong | Fair | Strong | Strong | Fair | Fair | Soft | Soft | Fair | Soft | Fair |
| Trend in New House Construction | Increasing | Steady - Increasing | Steady - Increasing | Steady - Increasing | Steady | Increasing | Increasing | Steady | Declining - Steady | Declining | Steady | Steady | Steady | Steady - Increasing |
| Volume of House Sales | Increasing | Increasing | Increasing | Increasing | Steady | Steady | Steady | Declining | Increasing - Steady | Steady | Steady | Increasing | 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 | Start of recovery | 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 | Occasion-ally | Occasion-ally | Occasion-ally | Almost never | Occasion-ally | Occasion-ally | Occasion-ally | Frequently | 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*



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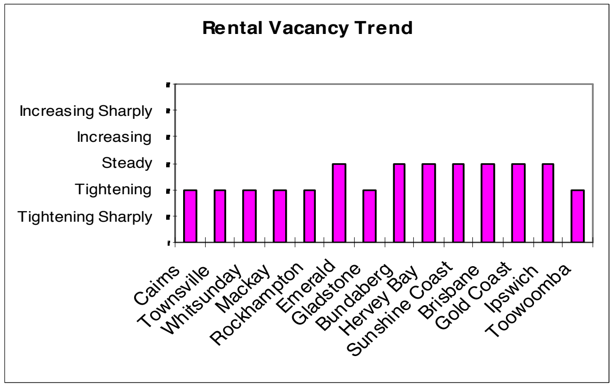
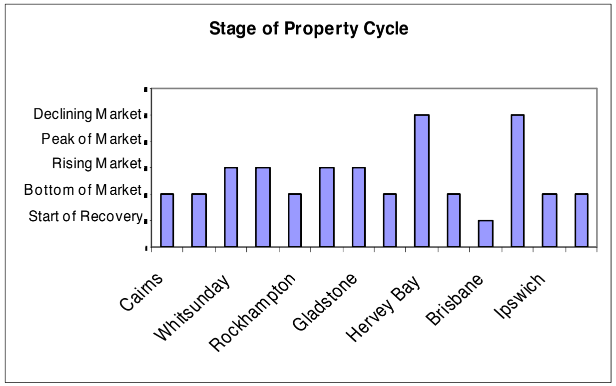
## Queensland Property Market Indicators as at June 2012 – Units

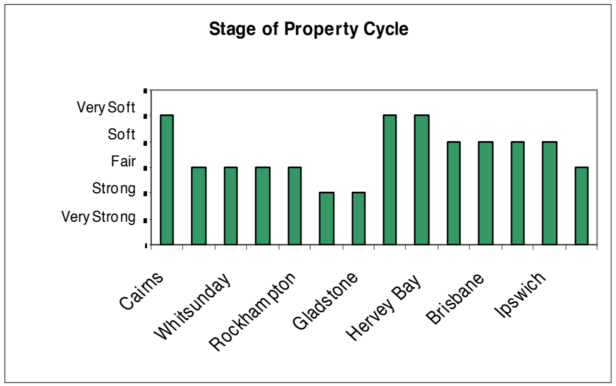
| Factor | Cairns | Towns-ville | Whit-sunday | Mackay | Rock-hampton | Emerald | Glad-stone | Bunda-berg | Hervey Bay | Sun-shine Coast | Brisbane | Gold Coast | Ipswich | Too-woomba |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Rental Vacancy Situation | Shortage of available property 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 | 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 | Shortage of available property relative to demand |
| Rental Vacancy Trend | Tightening | Tightening | Tightening | Tightening | Tightening | Steady | Tightening | Steady | Steady | Steady | Steady | Steady | Steady | Tightening |
| 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 | Steady | Increasing | Steady | Steady |
| Volume of Unit Sales | Increasing | Increasing | 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 | Start of recovery | 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 | 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*



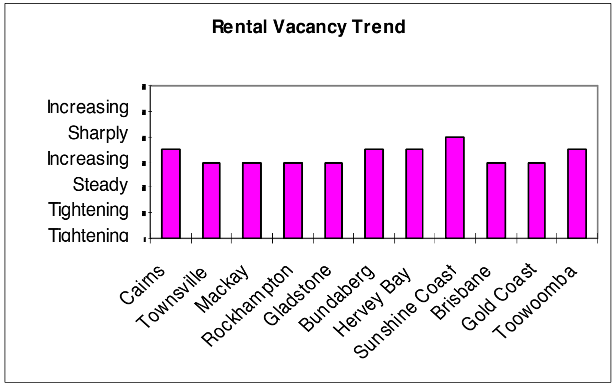



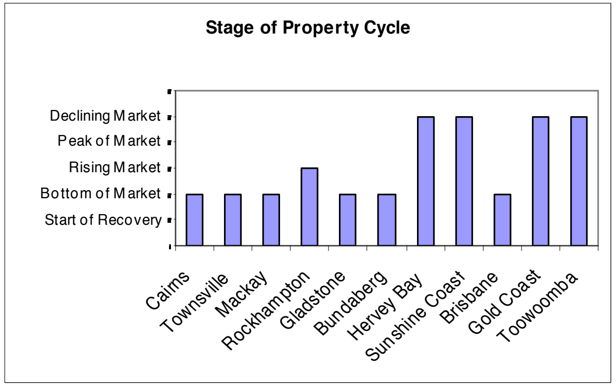
## Queensland Property Market Indicators as at June 2012 – Retail

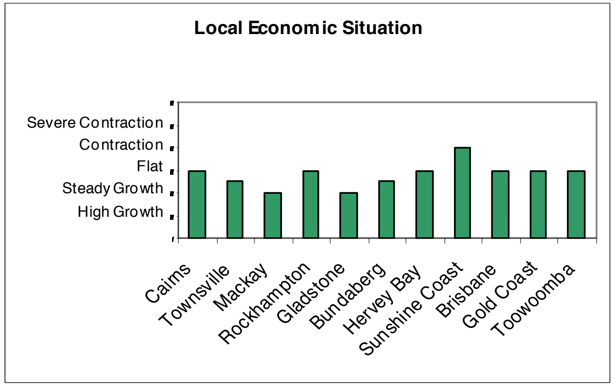
| Factor | Cairns | Townsville | Mackay | Rock-hampton | Gladstone | Bundaberg | Hervey Bay | Sunshine Coast | Brisbane | Gold Coast | Too-woomba |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Rental Vacancy Situation | Balanced market - Over-supply of available property relative to demand | Balanced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

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

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



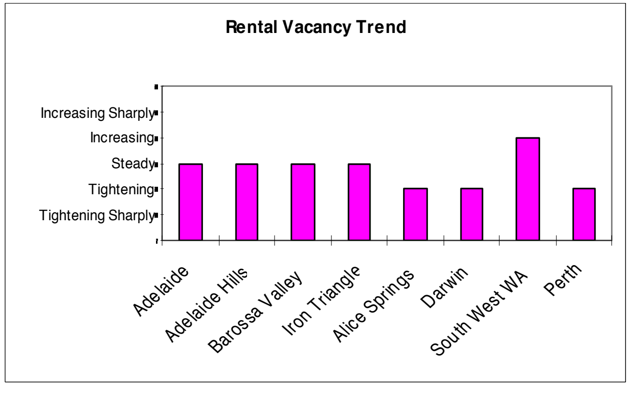



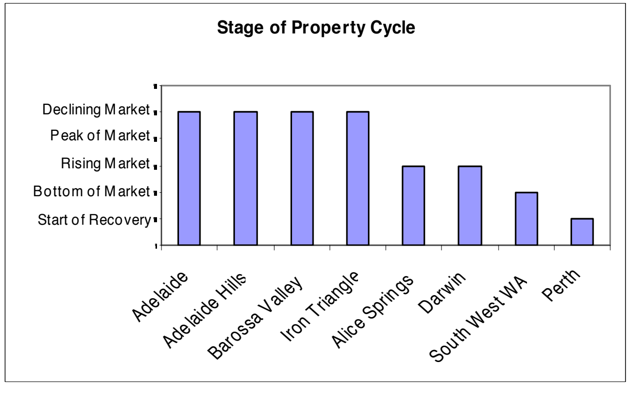
## Northern Territory, South Australia & Western Australia Property Market Indicators as at June 2012 – Houses

| 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 | 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 |
| Rental Vacancy Trend | Steady | Steady | Steady | Steady | Tightening | Tightening | Increasing | Tightening |
| Demand for New Houses | Soft | Soft | Soft | Soft | Strong | Strong | Soft | Soft |
| Trend in New House Construction | Declining | Declining | Declining | Declining | Increasing | Increasing | Steady | 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*

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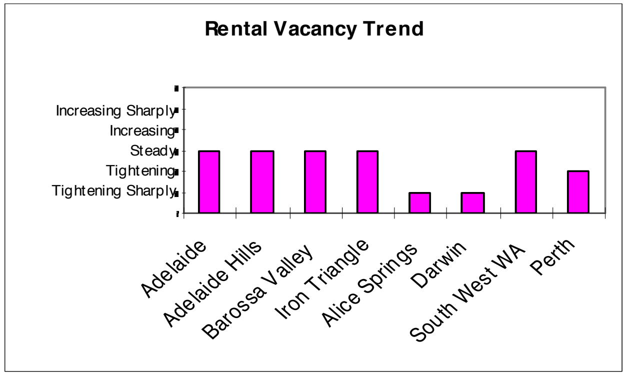
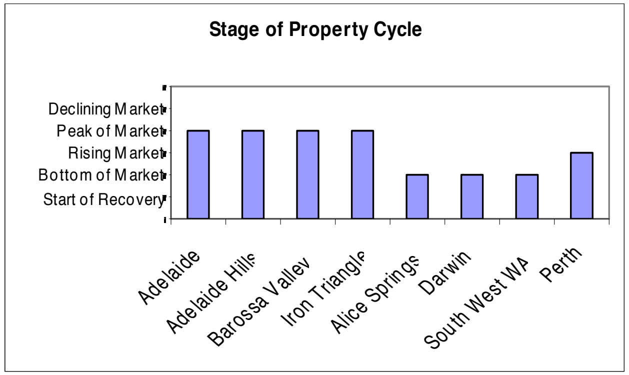
## Northern Territory, South Australia & Western Australia Property Market Indicators as at June 2012 – Units

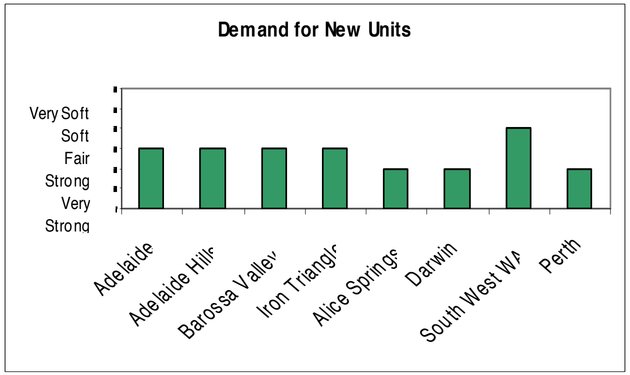
| Factor | Adelaide | Adelaide Hills | Barossa Valley | Iron Triangle | Alice Springs | Darwin | South West WA | Perth |
|---|---|---|---|---|---|---|---|---|
| Rental Vacancy Situation | Balanced market | Balanced market | Balanced market | Balanced market | Severe shortage of available property relative to demand | Severe shortage of available property relative to demand | Balanced market | Shortage of available property relative to demand |
| Rental Vacancy Trend | Steady | Steady | Steady | Steady | Tightening | Tightening | Increasing | Tightening |
| Demand for New Units | Soft | Soft | Soft | Soft | Strong | Strong | Soft | Soft |
| Trend in New Unit Construction | Declining | Declining | Declining | Declining | Increasing | Increasing | Steady | 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 June 2012 – Retail

| Factor | Adelaide | Adelaide Hills | Barossa Valley | Iron Triangle | Alice Springs | Darwin | South West WA | Perth |
|---|---|---|---|---|---|---|---|---|
| Rental Vacancy Situation | Balanced market | Balanced market | Balanced market | Balanced market | Balanced market | Balanced market | Shortage of available property relative to demand | Balanced market |
| Rental Vacancy Trend | Steady | Steady | Steady | Steady | Increasing | Increasing | Steady | Steady |
| Rental Rate Trend | Stable | Stable | Stable | Stable | Stable | Stable | Stable | Stable |
| Volume of Property Sales | Declining | Declining | Declining | Declining | Increasing | Increasing | Declining | Steady |
| Stage of Property Cycle | Declining market | Declining market | Declining market | Declining market | Start of recovery | Start of recovery | Bottom of market | Rising market |
| Local Economic Situation | Contraction | Contraction | Contraction | Contraction | 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*