Herron Todd White

Independent Property Advisors

The Month In Review

2012 AUGUST

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Contents

Peace of mind for your property decisions.

Herron Todd White
Independent Property Advisors

Gut feel and Scuttlebutt

'Gossip among the markets'

"Hush hush keep it down now voices carry" Til Tuesday, 1985

The dulcet tones murmur continuously in markets across the world. A misused word or misunderstood term can have ramifications and whilst the most glaring of effects are seen in the equities roller coaster, property is not immune from the proverbial butterfly flapping it's wings in a far off land.

…dispatch, , lie, news, notoriety, report, repute, rumble, scandal, scuttlebutt, story, comment, cry, grapevine, hearsay, news…

Whether it's on a midday soap opera, at the bus shelter or heard on the wire, rumour can have all sorts of flow on. Remember the mistimed reporting of the Queens mothers passing in 2011 and a couple of red faced Australian newsrooms that followed it?

…back-fence talk, breeze, bruit, canard, comment, report, rumble, rumor, scandal…

In the current world order where confidence wears the crown and so many market participants are sitting ready to jump at the slightest twinge of a market change, innuendo and scuttlebutt can set a moggy amongst the birdlife and chaos may well ensue.

…suggestion, supposition, tale, tattle, tidings, whisper, wire, word, skinny, the scoop, buzz…

In our daily professional dealings, property valuers come across all sorts of talk. Most is rationalised reasoning by anyone who is having trouble making sense of how things are playing out, but not all the "good oil" is unrefined. The fact is that most of the talk we hear comes from sources with a finger on the property pulse. We chat everyday with men and women who breathe the property air and are well placed to have an informed opinion on "the buzz".

This month Herron Todd White are getting the lowdown from around the town. We are tabloiding ourselves to the masses by passing on some of the info we've heard. We're going to identify to the best of our ability what talk is true, and which is a touch too amplified.

…earful, fabrication, falsehood, fame, fiction, gossip, grapevine, hearsay, hoax, innuendo, intelligence, invention…

For those in the commercial flow, this month we're looking at the industrial sector. Our commercial doyens are standing near their hypothetical industry water coolers and waiting to see what the chit chat brings. It will be a ready rundown on what happening amongst the industrial types.

…grapevine, hearsay, news, scuttlebutt, talk, whispercall, chatter, inform, natter, rumor , tattle …

So there you have it for now - a bit of a natter on the markets in your patch. While everyone enjoys a good gossip you'd be a sucker for not getting on the blower and checking in with the source that knows the real deal. Your local Herron Todd White office stands ready to either let you in on the scoop, or quash the innuendo.

Enjoy.

Three unsourced online rumours worth noting:

1. ***Walt Disney is cryogenically frozen beneath the Pirates of the Caribbean ride at Disneyland (could be true? Nah.. probably isn't)***
2. ***Elvis is alive and working at your local Ikea in the kitchenware department (Probably true)***
3. ***Mama Cass from The Mamas & The Papas dies by choking on a ham sandwich (False! Turns out it was actually a heart attack music fans)***

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1 August 2012

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Commercial Overview

The industrial sector is all about the numbers. Rents, yields and values. Simple and solid. This month we are ready to let you in on where the industrial markets stand but are also looking to supply some information on what's being said amongst the industry. While not salacious, this month's contributions are definitely interesting.

Sydney

With the exception of a few pockets, the Sydney industrial market has recorded little movement over the first six months of 2012. In the sub-$5 million price bracket, investors remain on the sidelines as low rental yields and a weaker capital growth outlook reduces the demand from purchasers. Above this price bracket, sales demand remains consistent for prime properties with long term leases to national tenants.

In the unit estate market, a high presence of owner occupiers is effectively pricing investors out of the market, with owner occupiers unconcerned with the potential yield of the property. In some cases we have seen sales of tenanted unit estates, which if offered to the market on a vacant possession basis could achieve a higher price. Across the market, equivalent yields have been as low as 5%, as vendors chase owner-occupiers.

Despite this high presence of owner-occupiers there has been a lack of capital growth within the unit estate market over the past 12 months, with interest from owners occupiers generally serving only to maintain capital values. The exception to this has been properties in the southern Sydney market between Alexandria and Mascot and newer strata units located on the Northern Beaches. In southern Sydney continued demand from owner occupiers seeking to be nearby the CBD or Port/Airport is helping to drive capital values, as vendors seek to capitalise on increased demand. On the Northern Beaches a gradual take up of new projects delivered over the past five years has seen values begin to rise. In the past six months we have seen capital values approach $2,500 per square metre, for strata suites sized between 100 and 200 square metres.

Elsewhere in Sydney the performance of the freehold warehouse market remains weak. With the exception of properties with development potential demand has been minimal, as the higher purchase price and low levels of income security restrain the demand for these properties.

Canberra

Similarly to other inland regional cities within Australia, the Canberra industrial market lacks demand from industrial focused occupiers who service both Australian and global markets. As a result, the Canberra industrial market exists only to serve the needs of the ACT economy. Overall demand remains low with minimal residential and commercial construction limiting the demand for industrial property within the capital.

Reflective of the weaker demand for industrial premises within the ACT, there has only been minimal leasing transactions recorded over the first six months of 2012. Unsurprisingly given the lack of leasing transactions, rental growth has been minimal over the past 12 months, with landlords concerned with income security as opposed to rental growth. Industrial properties in Fyshwick remain in the greatest demand, with these properties securing the highest rental rates of the three industrial regions within the ACT. Rental rates for properties within Fyshwick range between $110 to $152 per square metre, with the upper limit of this range generally limited to properties with good exposure favored by bulky goods occupiers.

With occupier demand remaining low and rental growth unlikely over the short to medium term, conditions within the industrial investment market remain stagnant. Similar to other regional industrial locations throughout Australia, investment in the ACT industrial market is driven predominantly by owner-occupiers. In the past 12 months we have seen only limited activity from owner-occupiers, as increased lending costs and an uncertain economic outlook limits interest from these purchasers.

Wollongong

Conditions within the Illawarra industrial market remain subdued as the manufacturing industry continues to struggle and the impact of BlueScope's closure of smelter 3 and OneSteel's closure of its Kembla Grange oil and gas pipe operations appear to be having flow-on effect.

Sale and lease activity remains low with most buyers' owner occupiers in the sub-$1 million range. For example 13 Orangegrove Road, Unanderra sold in May 2012 to an owner occupier for $570,000, showing a rate of $1,425 per square metre of building area. This 2,023 square metre allotment is improved with an older style shed of 400 square metres (20% site coverage). With investment sales few and far between it is difficult to gauge yields. However, most sales are showing analysed yields in the 8.5% to 9.5% range.

....owner-occupiers appear to be filling some of the void left by limited investment demand....

Positives in the industrial market include Nepean Conveyors leasing the former Orrcon site along Berkeley Road, Unanderra. Although a short term lease (2+2 years) it illustrates that there is some demand for large facilities, at the right rent. The Outer Harbour expansion at the Port of Port Kembla continues and Illawarra Coal has recently announced a $1 billion investment at its West Cliff coal mine. This is on top of a $273 million soybean processing and biodiesel production facility and $180 million cement grinding mill in Port Kembla. Combined with the significant capital investment by Gujaret NRE at its Russell Vale colliery, it shows that it is not all doom and gloom in the Illawarra industrial market and some of the lost manufacturing jobs are being created elsewhere.

Southern Highlands

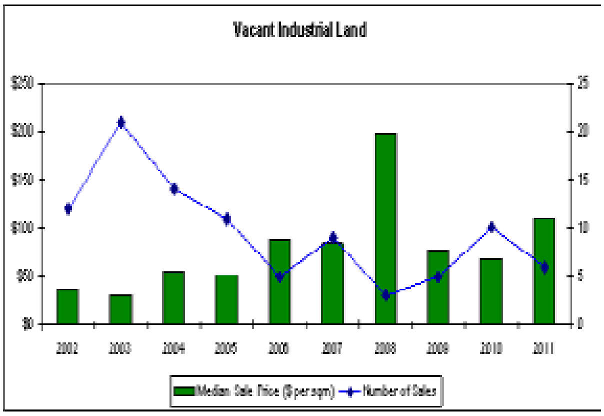
It is apparent the industrial market has softened considerably since the Global Financial Crisis (GFC) and has not fully recovered. The region continues to feel the effects of struggling manufacturing and retail industries. The market for development land has been particularly impacted with very limited demand at present. The local market seems to be held up at present by the mining boom with numerous mines located in the region.

With limited sales to benchmark it is difficult to gauge the impact on improved industrial values. However, given the downward pressure placed on rents and land values in the broader region one would expect this to flow onto capital values. Owner-occupiers appear to be filling some of the void left by limited investment demand, but conditions continue to remain weak particularly in fringe locations where land is plentiful and there is an existing oversupply of improved industrial properties. Weak market conditions are more pronounced in Mittagong and Moss Vale, while Bowral appears stable with some transaction activity reported off Kirkham Road over the few months. Notably, 77 Kirkham Road, Bowral was acquired in March 2012 by an owner-occupier for $507,500, reflecting a building rate of $1,410 per square metre. This irregular shaped 1,941 square metre allotment is improved with an older style 360 square metre masonry block shed/workshop (19% site coverage).

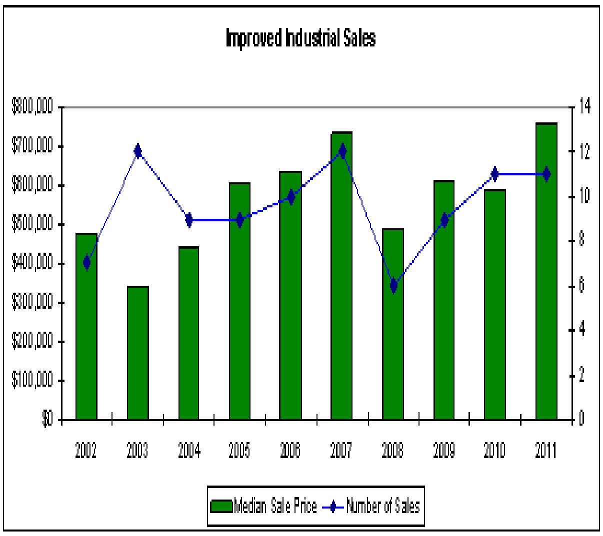
Central, North and West NSW

BATHURST / ORANGE

The industrial property market in Orange is becoming stronger with increasing demand and limited supply. The market continues to be fueled by mining related activities and its flow-on effect into the economy. A summary of industrial activity in Orange is graphed below:



As the supply of level industrial land shortage continues, it is likely that industrial values will increase. Improved sales are graphed below:



The graph indicates an increasing trend in terms of both increasing sale activity and value levels. The fall in 2008 is related to the GFC and reduction in mining related activity at the time.

The markets in Bathurst, Dubbo and surrounding districts remain subdued. There is some optimism with favorable seasonal conditions and increasing mining activity but there is no evidence of increasing values or activity. Rental levels are generally under downward pressure and the markets are dominated by owner-occupiers.

ALBURY / WODONGA

Market conditions within the Albury and Wodonga industrial property sector have generally declined since late 2007/early 2008. Feedback from local real estate agents is that buyers remain more conservative and cautious than before, enquiry remains at reduced levels, and investors maintain hardened views on yields. This is primarily due to a stagnating business environment, limited capital gains prospects (and a potential risk of declining values), and more stringent commercial lending criteria. This has been a similar trend across many other regional towns in southern New South Wales and northern Victoria.

Agents are reporting that older, purpose built manufacturing facilities are very difficult to sell in the current market as there are very few potential purchasers in this sector. On the other hand, there have been numerous sales of smaller workshops and warehouses in the sub $500,000 with demand coming mainly from owner occupiers in the local trade sector. This has been a sub-market in the industrial sector which has performed consistently well over the past two years.

....market conditions within the Albury and Wodonga industrial property sector have generally declined since late 2007/ early 2008....

Industrial investment sales in the region have been as rare as hens teeth, although there have been a small number of properties sold with leases in place. This includes the recent sale of an older, multi tenanted industrial property is South Albury for $487,000 reflecting a yield of 9.7%. In addition, a larger, modern office and workshop facility recently sold in South Albury for $1.75 million reflecting a passing yield of 8.6%. This property was leased to a national tenant with four years remaining on the first lease term. We believe this sale provides a lower benchmark for industrial property yields in the $1 million + price range and shows there is still good demand for investment properties with strong lease covenants in place.

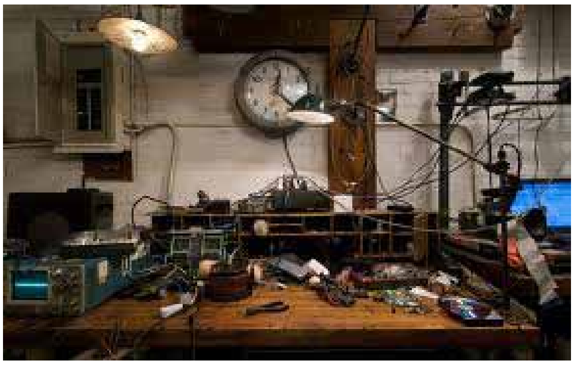
Sales of vacant industrial land have been very slow recently with a sizable oversupply of properties on both sides of the border. This supply and demand imbalance has now flowed through to land values and there is evidence that land values have softened by between 10% to 20% in the past three years.

It is difficult to predict what the future holds for the industrial property market in Albury and Wodonga, however we anticipate that conditions will remain subdued at best into the foreseeable future.

WAGGA

Investment yields for industrial properties have weakened slightly in Wagga Wagga over the last year or so. The market is relatively strong for properties with long lease terms to national tenants. On the other hand vacant properties, properties with anchor tenant leases due to expire, or properties with local tenants have become less attractive.

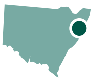
Leasing demand for vacant industrial space is currently slow with a large amount of stock currently sitting on the market. The low demand for industrial space has seen owners with current tenants maintain rents at similar levels at option and market review times so that sitting tenants don't vacate.



The owner occupier market in Wagga Wagga is currently stronger than the investment market but is still fairly slow. While there has been some sales in the past year the market is generally thinly traded at present.

While there has been limited transactions the market for smaller owner occupier style properties appears to be improving. The owner occupier market in Wagga Wagga is currently stronger than the investment market with owner occupiers paying more than investors would for similar properties.

The static nature of Wagga Wagga's industrial market is likely to continue over the short to medium term. The presence of larger manufacturers and freight and logistics companies, as well as the diversified local economy, gives the Wagga Wagga industrial market some resilience that smaller rural centres sometimes lack.



Newcastle

This month we're going to tackle the state of the vacant industrial land market in Newcastle and the Hunter Valley. Land values in industrial estates such as Mayfield West, Cardiff, Tomago and Beresfield have all seen declining values since the peak of the market in 2007. The favourable lender market in the boom period between 2001 and 2007 saw developers oversupplying this market and once the funding dried up, the values had to drop.

In turn as gross realisations dropped (the sum of the market values of the individual completed lots within a development) and development costs continued to rise, the value of development sites has also fallen, considerably in some cases.

In Newcastle, and in particular within recently developed industrial estates such as Cardiff Central, Bennetts Green and Beresfield Freeway Business Park South, a particular cog in the machine that is the property cycle has turned. Significantly reduced industrial land values has brought an uplift in selling rates. Sales of vacant land in the aforementioned estates have been reasonably good. In turn with lower initial capital costs, this may make a previously infeasible project feasible. We then may witness an increase in industrial building development, as long as the core industry stays strong (in this case coal mining in the Hunter Valley).

We don't want to get ahead of ourselves here. The overall industrial land market is weak but it is those land value reductions that may eventually stimulate more buyers in the market and more development. This is the next step in the cycle. However there are of course many outside factors which play a part and should one of any number of possible outcomes occur (for example GFC2 should those European countries go into default) the cycle could come to a grinding halt.

NSW Far North Coast

The industrial market on the NSW Far North Coast remains slow with continued low sales volumes and stable to steadily increasing supply. This trend is likely to continue throughout 2012.

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

This slow performance of the industrial property market continues to be a result of uncertainty in the world financial markets and continuation of reduced market confidence. The recent cuts in official interest rates are yet to have any impact on the commercial market.

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

The industrial market in Byron Bay remains relatively stable, however there continues to be low volumes of sales occurring. Strata titled industrial units within this locality have continued to attract reasonable interest due to entry level investment opportunities (under $300,000) with investors competing with owner occupiers, some of which utilise premises for residential use, albeit illegally.

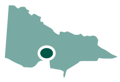
The industrial market in Ballina, Alstonville and Casino remains stable with low volumes of sales occurring.

The Lismore market remains quiet with limited demand and enquiry with increasing levels of supply. Specialist leasing agents report modest enquiry and increasing supply.

There have been several recent sales in Lismore which are summarised in figure 1 below.

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

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



Melbourne

The Melbourne industrial property market is the largest in Australia. It benefits from superior infrastructure with an extensive freeway network providing access to all major industrial hubs. Traditionally it is one of Australia's main manufacturing centres and has approximately 40% of all Australia's shipping accessed through the Port of Melbourne.

The industrial market is divided into five sub-markets being west, north, east, south east and city fringe. The north and west markets have had the largest volume of sales. The west provides the main development market with ample inexpensive land available. It is also the distribution / logistics hub with proximity and access to the port and airport.

Each sub-market is experiencing its own challenges both due to the economy but also because of changing land use and demographic factors.

The ongoing international and national economic troubles have put considerable constraints upon all segments of the market. Debt funding and restricted lending practices, along with reduced confidence levels has slowed new industrial development

Address	Sale Date	Sale Price	Land Area (m^2)	Building Area (m^2)	Yield %	$/m² Building Area	$/m² Land Area
1 Cook St, South Lismore	24/05/2012	$925,000	5,377	2,624	11.57%	$353	$172
67 Elliott Rd, South Lismore	01/06/2012	$425,000	10,370	694		$612	$41

Figure 1

Currently the industrial market remains stagnant with reduced development, along with low sales and leasing activity.

The exception to this situation has been consistent transactions in higher end investment industrial property up to and above $10 million. Counter cyclical private investors, trusts and syndicates linked to Superannuation funds are the main buyers. There are also some major companies expanding or relocating in otherwise difficult times. We are reminded that this is a unique multi speed economy and some companies are doing very well.

The scarcity of new prime industrial facilities built over recent years has seen some rental lift for quality space. Consequently, some major developers are now constructing speculative buildings to meet that demand.

Prime industrial property has tended to maintain levels of value and yields. Yields within the secondary industrial property market have pushed out at around 9% to 11%.

The value of vacant industrial land appears to have softened with some examples of reduced prices. Banks have reduced their appetite for englobo land via reduced debt ratios and exposure.

The industrial market is one of Melbourne's strongest and most active property segments that has shown considerable resilience during previous uncertain times and offers considerable confidence for the future.

Regional Victoria

GIPPSLAND

The lead up to and introduction of the Carbon Tax has contributed to great uncertainty within the Latrobe Valley industrial market which is heavily reliant upon the coal fired power generation industry.

The market is taking a 'wait and see approach' which has resulted in soft to declining market conditions.

MILDURA

Steady as she goes is the trend in the industrial sector in Mildura, however there is now varying trends within the sector. Some recent positive activity includes three national companies agreeing to lease proposed purpose built premises in Mildura, while investor activity for securely leased premises in prime positions has also improved. There is a definite trend by investors away from the share market and bank deposits into real estate investment. A recent auction of a leased auto park industrial complex comprising a service station and six adjoining workshops saw active interest and a sale at auction that showed a passing yield of 8.25%.

Conversely, demand for industrial land, particularly in the fringe locations, has been weak with little sales activity.

Industrial values have remained generally static over the past four years, initially as a result of local (especially the drought - water crisis), national and international (GFC) factors. While the drought is over, future major capital gain is not expected until confidence and local economic conditions improve, while conversely a weakening of economic conditions may soften the market. There are some recent indications that the horticultural sector generally is at the cusp of economic growth and this may have a positive effect on the service industrial sector.

Adelaide

The peak of the Adelaide industrial property sector occurred towards the end of 2008, beginning of 2009. Since then most property types have undergone value contractions and virtually all have experienced a reduction in liquidity. Transaction volumes in both sales and leasing experienced a significant reduction and although activity is still subdued, especially in leasing, there has been a slow improvement year on year since this time. Limited activity in turn has held rental rates and yields stable over the first half of 2012. Demand for industrial land is slow and new supply of this land is not occurring due to insufficient pre-sales and interest from prospective purchasers.

The majority of activity has been in the sub-$2 million range and is largely driven by owner-occupiers or investors with sufficient funds available that rental returns are not the dominant factor driving the purchasing decision. The price point within this sector can often be sufficiently low that investors with idle funds often purchase properties through their superfunds without utilising borrowed funds and having to allow for the associated costs. While owner-occupiers and investors not driven by rental returns continue to dominate the market, yields will remain at relatively low levels within this sector.

....the peak of the Adelaide industrial property sector occurred towards the end of 2008, beginning of 2009....

As with all commercial property sectors there has been a steady increase in demand for prime quality stock. The industrial sector is no different, however good quality stock, especially in the inner industrial areas close to major transport routes is very tightly held.

In contrast, properties which possess undesirable attributes such as insufficient car parking, low clearance, or difficult access are now more difficult to sell than in previously more buoyant economic times. When offered with vacant possession buyers are not willing to forgo the time and cost of moving to a property that is less than ideal. When the property is offered leased investors are apprehensive to take on the perceived increased risk of vacancy. This dynamic shift is resulting in somewhat of a market rationalisation within the small industrial sector, which given the macro economic climate can be expected to continue for some time.

There is continued speculation over the proposed expansion of the Olympic Dam Mine. BHP are yet to make a final investment decision on the project, however concern has been raised that this project will be shelved as BHP revised down their global expansion expenditure. There remains a concensus among the general public that this project is likely to proceed. The quantum of this project's however expenditure is likely to have a stimulating effect on various market sectors including the industrial property sector and the whole of the South Australian economy.

Brisbane

Moving into the second half of the year it would appear the market has experienced subdued investment activity. The likely cause is the ongoing uncertainty of finance markets and depressed consumer confidence. As a result, the market has experienced stagnation throughout 2012 compared with that of 2011, with remaining outlook being for much the same. Looking back at our previous Month in Review it would seem we are a bit more sombre this time around!

The strength of a property's fundamentals are key in the current market with modern facilities, long term tenants, located in infrastructure rich precincts being the preferred choice for investors. The clear disparity between primary and secondary properties is a direct result of the differing associated risk profiles. As such precincts which are dominated by secondary stock, located in outer lying suburbs have resulted in very little investment activity in 2012.

...the strength of a property's fundamentals are key in the current market with modern facilities....

Although there appears to be little change in investment activity, leasing demand from industries servicing the mining and resource sector is still strong. In particular demand for stock ranging from 1,000 square metres to 2,000 square metres located in the south-western corridor has experienced an increase in transactions of modern style properties given the unrivalled transport infrastructure which services the area.

Keeping an ear to the ground it would seem industry experts are having a tough year, however not all is bleak; there is the possibility of an influx of lease expiries within the next 12 months. Prior to the GFC, new industrial complexes were leased on terms ranging from three to five years. These lease expiries are tipped to create movement in the industrial industry. Given the lack of new development still squeezing vacancy rates even lower, as well as the limited supply of quality industrial product available, tenants may to look for alternative arrangements in the form of purchasing if the building ticks all the right boxes of course.

Gold Coast and Tweed Coast

The industrial market in the Gold Coast is likening to a sputtering motor being revved to get it going. Every now and then, a notable sale or lease gives the market a kick but is not strong enough to get the engine started. The number of sale or leasing transactions (or 'kicks') is not high enough to stop further decline. The decreased number of 'for sale' and 'for lease' signboards in some of the industrial areas is apparent, testifying to a significant leasing up of the vacant spaces that were available in the post GFC period. However, the increase in leasing activity is not translating to uptrend in rental rates but has brought some stability to the market. For strata units and small to medium standalone premises, rentals are being realised at the net rate of $90 to $110 per square metre per annum, this being the prevailing level for the past twelve months. With outgoings for strata units ranging from $15 to $40 per square metres, gross rates could vary from $105 to $150. For larger premises, there are some prospective tenants trying for $70 to $80 per square metre net but are finding some resistance from the landlords.

Many of the new leases are being signed on short terms (usually one year) with similar renewal options but some are with longer options of two to three years. This reflects a cautious level of business confidence and provides the tenant with the option to bail out or proceed to a normal lease term depending on which way the business is heading.

The market for strata units in the established central and southern Gold Coast regions is relatively active with sales, mostly to end users, generally for the affordable $200,000 to $400,000 range. There have been a few sales in the $500,000 to $700,000 bracket, either because they are street front units or larger units of more than 500 square metres. Understandably, the value of the larger units reduced to a rate per square metre are showing a lower rate from $1,000 to $1,400 compared to the $1,300 to $2,000 rate exhibited by the small ones. The Arundel/Biggera Waters/Helensvale corridor was the best performing region in the last quarter with pockets of sales in Molendinar, Southport, Burleigh Heads and Varsity. There have also been sales recorded in the area between Currumbin and Tweed Heads.

The market for freestanding single occupancy or multi-unit premises is still hard ground for sellers with strong competition coming from a substantial number of mortgagee in possession properties. A well located industrial showroom on Olympic Circuit was sold for $800,000 after a lengthy marketing campaign, reflecting about $1,250 per square metre. A multi-tenanted complex at Frinton Street Southport finally sold after several years of marketing for $1.68 million, averaging $1,043 per square metre of lettable floor area. Another multi-tenanted property with 2,414 square metres of lettable area at Traders Way, Currumbin Waters sold for $1.8 million at an auction. This shows an analysed yield of 10.3% and a per square metre rate of $746. Another five unit complex at Barnett Place, Molendinar has been sold for between $1,000 and $1,100 per square metre. For this category of industrial property, the market seems to be sitting at this level at this time, noting that there are still sellers not prepared to accept below $1,400 per square metre.

The Gold Coast northern region seems to fare better when it comes to large freestanding buildings. This is probably because the properties on offer are new, of better quality and appeal to large national companies. The Motorway Business Park in Ormeau is still the preferred location with the most recent sale being 55 Blanck Street, a large tenanted factory of 5,000 square metres with excellent exposure to M1 that was sold for $6.75 million. This represents $1,352 per square metre on gross floor area and an investment yield of 8.7%. The price is not the best that one would expect for a strategically located property but it has been marketed for months and reflects the weak market, limited demand and small number of investors who can afford the large capital outlay. Last year there were two other sales in Motorway Business Park that achieved between $1,200 and $1,400 per square metre. A lower quality building of sheet metal construction within the Lions Industrial Park at Yatala was sold for $1.55 million in June, reflecting $981 per square metre.

There is a still a glut of strata industrial units in the Yatala Enterprise Area. While there has been a steady stream of sales to end users, the achieved prices for this category appear to have fallen to the $900 to $1,300 per square metre level. These are for unit sizes of 200 to 400 square metres.

Also in Motorway Business Park, a 8,452 square metre vacant site was sold in May for $2.09 million or $248 per square metre while a small 1,900 square metre site in the Yatala Industrial Estate is under contract for $234 per square metre. The market for englobo sites is still in over supply but a 40.4 hectare property on Quinns Hill Road managed to achieve $1.92 million in an auction sale. This equates to $48 per square metre on the land area, which is considered to be a good result for the seller, considering that past sales in the same locality were much lower.

....the Motorway Business Park in Ormeau is still the preferred location with the most recent sale being 55 Blanck Street....

All eyes are on the new mayor and his team to turn around the Gold Coast economy. The revival of the Gold Coast industrial market is closely linked to the construction industry and the proposed infrastructure projects mooted if they come into fruition may indeed be the final 'kick' that starts the motor running.

Sunshine Coast

The industrial market on the Sunshine Coast has demonstrated varying indicators over the past 24 months with some strong individual sales still being achieved where the specific property attributes matched a specific purchaser's needs. This trend has been towards owner occupier purchasers, with limited investment sales noted. The available investment sales typically indicate a yield range from circa 8.5% to 10%.

The major issue with the Sunshine Coast industrial market is the high levels of supply available. There has been a substantial increase in vacant industrial land developed during the last upward cycle. A large portion of this stock was absorbed in acquisitions by speculative investors and developers. Demand is now markedly constrained to the point where, in most established industrial estates, supply in developed and recently completed projects far outweighs the current level of occupier demand.

We have summarised the current supply levels as follows:

Centra Park Coolum - 45 developer lots remaining

Coolum Eco Industrial Estate (Government) - 35 developer lots remaining

Yandina Industrial Estate (Government) - 9 developer lots remaining

Nandroya Industrial Estate, Cooroy (Government) - 5 developer lots remaining

Sunshine Coast Industrial Park, Bells Creek (Government) - 66 developer lots remaining

Unnamed Estate, Landsborough - 2 developer lots remaining

Addlington Estate, Landsborough - 9 developer lots remaining

Current Completed Stock Level - 171 developer lots

Further to the above, we have undertaken a search on www.realcommercial.com.au to determine the number of blocks available for resale. Our findings are as follows:

Central Park Coolum - 8 lots

Kunda Park Industrial Estate - 8 lots

Caloundra West/Moffat Beach Industrial Estates - 5 lots

Current Resale Stock Leve -21 lots

Based on the above there are a total of 192 developed lots available for sale in the market.

....the market appears to be set for a period of minimal growth with this level of supply....

The future pipeline of available industrial stock is set to further increase with several englobo sites being marketed across the Sunshine Coast region. Marketing agents of the estates have indicated that demand for vacant industrial sites have reduced with some agents reporting limited interest since the beginning of 2012.

Further to the above we note that the Queensland Government reduced the asking rates for their estates in late 2011 in order to stimulate demand within the estates and generate sales volumes. We also note that Watpac has recently repriced their Centra Park Coolum estate from $150 per square metre to move completed stock and reduce holding costs, which has reportedly resulted in four potential contracts.

The market appears to be set for a period of minimal growth with this level of supply, given limited demand from the traditional construction sector.

Southern Queensland

TOOWOOMBA

The Toowoomba industrial sector has been relatively flat over the past two to three years with limited sales and minimal movement in rents. Most industrial development has occurred in the suburbs of Wilsonton and Torrington to the western outskirts of Toowoomba. A large industrial estate is now being developed at Wellcamp with several large industrial warehouse and factory buildings nearing completion. Allegedly there are further expressions of interest from large operators in this estate. A development application was recently submitted for a private airport at Wellcamp, capable of accommodating larger aircraft than the current Toowoomba airport. Challenging issues will include the proximity to the existing airport and the Oakey aviation airspace. As the available industrial land within Torrington and Wilsonton becomes developed, the appeal of Wellcamp as an emerging industrial centre is likely to grow.

Commercial leasing agents are reporting continued interest from national and multi-national businesses in tenanting vacant industrial warehouses. Inquiries reveal that there is often a significant lag between when inquiries are made and when leases are signed, with the timing often reliant on the progress of large gas and coal projects in the region. There have been a number of industrial properties recently tenanted in the Wilsonton and Torrington area reflecting an upward shift in rental returns due to a shortage of available product and increased demand from tenants. The new tenants are a combination of locally based fabrication businesses requiring additional factory floor space with gantry cranes and national companies servicing the energy sector, establishing a base in close proximity to the Surat Basin.

Central Queensland

ROCKHAMPTON

The industrial market remains steady with little available for rent or sale. Agents report good enquiry but limited stock.

Vacant industrial land sales in Gracemere continue to tick over with more sales achieved in the Gateway Estate. The Gateway Estate is an industrial estate which was constructed in 2007/2008 and runs parallel to the

Capricorn Highway, bounded by Capricorn, Somerset, and Foster Streets. The estate comprises 27 serviced, allotments. Sites vary in size from 2,000 square metres to 4,000 square metres with some larger sites up to 8,000 square metres. The estate has been subject to a national marketing campaign since construction. The estate was placed into receivership during 2011. Prior to the receivers taking possession, there had been only four sites sold. List prices have now decreased and there has been a spate of activity over the past few months. The most recent sale prices reflect $59 to $66 per square metre for the 4,000 square metre sites and up to $80 per square metre for the 2,000 square metre sites.

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

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

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

A Proposed Temporary Local Planning Instrument (TLPI) is currently being mooted by Rockhampton Regional Council. The TLPI is reportedly being implemented recognise market attraction to the new Gracemere Overpass. However the plan has been met by a significant level of public opposition. The final decision is still pending.

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

The Rockhampton market remains tightly held with rental rates ranging from $120 to $180 per square metre gross and few sales recorded through the year so far.

BUNDABERG

Vacant industrial site values have become stagnant and demand is at long term lows after a period of price volatility. There are no new vacant site sales to report. We are aware however that the Queensland Government is preparing to release a further 11 'Food Industry' zoned sites generally ranging between 4,000 square metres to 8,000 square metres on to the market. We envisage a continuation of tough market conditions in the short term considering the large supply of industrial and bulky goods vacant land in Bundaberg.

The tough market conditions have also impacted on improved industrial property. Vacant premises being subject to heavy discounts from speculative buyers and investors for providing potentially lengthy leasing up periods.

HERVEY BAY

The industrial market continues to struggle with little activity across land, leasing and sales.

Some industrial land owners appear to have now begun to lower their prices to attract interest. Two years ago sites were generally asking $100 to $120 per square metre. Now some of these sites are asking $70 to $75 per square metre. With two new stages recently completed at the Hervey Bay Airport Industrial Park creating 16 lots, supply is likely to remain high for some time.

Some leasing activity has resulted in highly exposed premises being leased however the market still generally requires good incentives to commit. In the current market and with the pressure on rental rates, landlords should be willing to negotiate with sitting tenants at lease renewal. If they vacant due to a rental increase, it is likely to be difficult to relet within a short period.

....industrial investment property sales through 2011 showed consistent net yields between a narrow range of 8% to 8.4% for investments in the range of $825,000 to $3.5 million on fairly regular trade....

A recent sale of a single tenanted purpose built industrial building achieved a net yield of 8.55% at a price of $3.2 million which is the highest sale price in this locality for some time.

MACKAY

The industrial property market in Mackay remains relatively strong with steady rental and investment demand. Rental demand for units within the Terminus Business Park at Paget remain stable at net rentals in the vicinity of $190 to $200 per square metre for tenancy areas of 500 to 800 square metres.

Industrial investment property sales through 2011 showed consistent net yields between a narrow range of 8% to 8.4% for investments in the range of $825,000 to $3.5 million on fairly regular trade.

There has been minimal sales activity this calendar year. The market is primarily driven by the coal mining industry and the decline in sales activity can be attributed to a combination of weaker metallurgical coal prices and the introduction of both the Carbon Tax and Mineral Resource Rent Tax from 1 July 2012. The looming introduction of these taxes and potential economic impact of these taxes on the coal industry including employment, development of new mines and continued production in existing 'marginal' mines has been unsettling.

Cairns

The industrial sector in Cairns is relatively small with areas close to the CBD showing the stronger demand. The status quo has remained so far this year with the market having come back from its peak of early 2008. There has been a slowing in the rate of sales and yields have eased back by about 10% to 15% from the record low levels observed at this time. We believe yields for industrial premises at present analyse in the 8% to 9% range, from the 6.75% to 7.25% range evident at the market peak. Commercial agents advise limited availability of good quality stand alone warehouse stock with reasonable demand for these type of premises. Strata titled industrial warehouses are proving more difficult to lease, with most demand being from owner occupiers as opposed to tenants.

Industrial land is more than adequately suppled with about 30 lots available in the Queensland Government subdivision at Woree, albeit they are at ambitious asking prices. However these lots are sized from 2,000 to 3,000 square metres, larger than the typical small owner occupier requires which is more in the 1,000 square metre range.

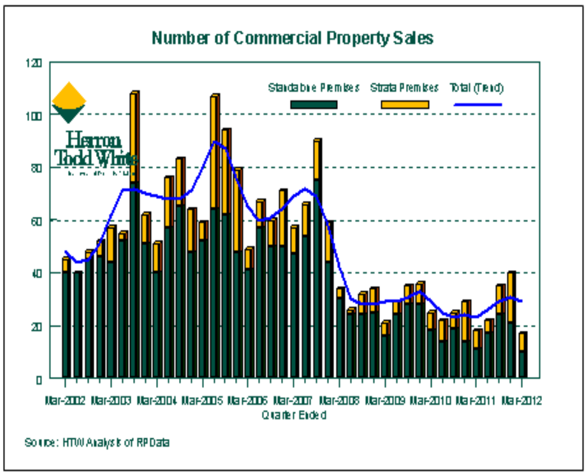
....the industrial sector in Cairns is relatively small with areas close to the CBD showing the stronger demand....

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

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

Townsville

Sales of developed commercial and industrial properties are currently tracking at around 40% of the volumes achieved during 2007. There was a distinct pick-up in activity during the last half of 2011, but this activity does not appear to have carried through to 2012 statistics. The March quarter this year is showing a reversal in sale volumes, but anecdotal evidence suggests that sentiment in this sector remains.



Average yields for mainstream commercial and industrial property appears to be static within the 8.5% to 9.5% range. However the present market is showing a two speed effect as the result of a flight to quality, with properties showing good tenant and lease profiles in stronger demand. In general terms, yields also seem to be about 50 basis points firmer in the industrial sector than in commercial.

Sales of vacant industrial land remain slow with most interest being for improved property coming from owner-occupiers and yield driven investors. To date in 2012, leasing demand has seen some improvement, although coming off a low base. The biggest sale to date has been a transaction of a large improved industrial property showing a yield in the mid to low 8%. This was a purpose built warehouse at Titanium Place, Bohle which is leased to Corporate Express on a ten year term and sold for $6 million.

The industrial property sector is slightly more advanced than general commercial. We consider that mining has again influenced our manufacturing and engineering support service, along with other stimuli including affordability, lease terms and funding.

Darwin

The commercial and industrial property sector in Darwin and the surrounding area has remained quiet stable through the first half of 2012. The market has been starved of transactions, largely being forced with funding issues and a lack of stimulus in the market. The positive investment decision from Inpex was expected to provide a spike particularly in the industrial sector, however this announcement has yet to flow into market deals.

The 'Wow' Sight and Sound Homemaker Centre, located at 798 Vanderlin Drive, Berrimah is the most recent, large transaction within the market place. This property settled for $14.3 million and incorporated a number of large retail tenancies with surplus vacant land. The property is zoned Service Commercial (SC).

The industrial market is still dominated by a large number of strata title office warehouse, facilities. These properties have been preferred by owner-occupiers who appear willing to pay a premium compared to investors seeking a viable return.

Of largest note in the industrial sector has been the release of the new Unimproved Capital Values (UCVs) which are used for rating purposes. The last valuation date was July 2008, with considerable increases in land value seen across the market.

Winnellie – The average percentage increase in UCV for the GI zoned parcels in this locality was 93%.

Berrimah - The average percentage increase in UCV for the GI zoned parcels in this locality was 92%.

....new supply of industrial land across the Perth metropolitan region remains relatively subdued with a lack of incentive to release large lot developments....

The market expectation is that the Inpex announcement will result in overflow work and requirements for industrial space. The vacant land supply has increased, largely at East Arm and Berrimah, which would suggest that any new facilities which need to be built could be accommodated. We would expect that market rents will increase for these new facilities given the relatively high cost of vacant industrial land.

Perth

The new financial year outlook remains positive across the Perth metropolitan area, as there is continued investment spending from the resource sector generating demand from companies for industrial space. At present there is over $138 billion worth of resource projects committed to or under construction in Western Australia according to the Department of Mines and Petroleum, indicating that the demand for industrial space that supply these projects will remain stable.

Based on the strength of the resource sector and the Australian dollar, asset classes that are well located to supply the resource sector have seen a consolidation in values, as businesses well located to major highways, airports and commercial rail terminals have experienced steady demand and stable prices over 2012 so far.

Furthermore, new supply of industrial land across the Perth metropolitan region remains relatively subdued with a lack of incentive to release large lot developments (down 10% since December quarter 2011) due to the high infrastructure costs associated with land release in the outer Perth regions. As a result this has seen land values across the eastern corridor increase marginally and new development primarily driven by pre-commitments due to tighter financial conditions. Jandakot airport is one of the few locations that can cater for large scale investment and it is expected that 40,000 to 50,000 square metres of new industrial stock will be completed annually over the next five years in this precinct.

Additionally, yields on investor purchases for larger scale development have seen healthy returns with passing yields generally upwards of 7.5% which are expected to flow through into the 2012/2013 financial year. This has placed upward price pressure on the rental value of these premises based on the limited supply which is expected to carry through for the remainder of the year. Under these conditions it generally makes these larger assets, despite the high quantum of dollars involved, quite liquid, taking between three to nine months to sell.

On the other side of the spectrum, smaller industrial properties have seen a decline in investor participation and we are now seeing this segment almost entirely driven by owner-occupiers. The increase in participation from owner-occupiers has to a large extent insulated this particular sub-market.

At present, the industrial sector is outpacing the release of land and the necessary infrastructure is not in place to cater for large industrial developments across Perth. As a result demand is likely to continue for premises' and land situated in more traditional and well connected industrial areas. Based on these factors, as well as the ongoing resource sectors growth, the outlook remains positive yet stable across the Perth metropolitan area for 2012/2013.

South Western WA

The general consensus across all markets is that there is a lack of confidence and an unwillingness to commit to anything long term. Retail businesses are doing it tough across the board with several businesses shutting up shop in the past six months however, retail vacancies are limited in Busselton, Dunsborough and Margaret River.

The new Woolworths development in Busselton is nearing completion and this will no doubt spark some interest in the eastern section of town. There are five retail shops associated with this development of which BWS will occupy two. The other shops have yet to secure any tenants with asking rents well above market rents in the CBD. There is also a new retail development on the Boans site which has yet to secure any tenants even with asking prices well below the Woolworths shops.

The Bunbury CBD however is another case in point where the retail vacancy rates continue to climb. There appears to be a number of reasons for this including increased competition from newly developed shopping centers in the region, the cost and availability of parking in the CBD due to the introduction of parking meters, and the unwillingness of tenants to commit to long term tenancies. However, as yet there has been no sign of any correction in the rental levels.

There is a general consensus that there is an under supply of quality office space across the region, particularly smaller office areas, with office rents beginning to increase particularly in Busselton.

The industrial market appears to be stagnant in Bunbury and Busselton with very little activity and low levels of enquiry. It is evident however that there is also very little available industrial space in the Busselton industrial area while the Vasse industrial area has been slow off the blocks with only a few of the many lots having been developed so far. The announcement of a proposed Woolworth store in the Vasse town centre however may hopefully spark some renewed interest in the locality. The smaller industrial area of Dunsborough has seen a recent land sale and increased enquiry in the rental market although rental levels for the premium locations have reduced significantly from their initial levels.

Residential Overview

Markets rely on the flow of information and the accuracy of what is relayed. It is always best to deal in facts as they come to hand but in an age where information moves as fast as the smart phone can send it, rumour can abound. This week we have a look at the talk we are hearing around our areas and try to give you the facts about how the market is actually playing out.

Sydney

The prestige residential market in Sydney is generally considered to comprise properties with a value in excess of $3 million, with high end prestige considered to be over $10 million, and super prestige property over $20 million.

Prestige residential property has traditionally been concentrated in the Eastern Suburbs, the Lower and Upper North Shore, Northern Beaches, and to a lesser extent the rural residential areas to the north-west of the Sydney area (The Hills district), and the far southern waterfront localities (Sutherland Shire).

As a whole, the Sydney prestige residential market remains fairly stagnant.

Market conditions and value levels weakened significantly for prestige residential property from late 2008 and into 2009 due primarily to the impact on economic and financial stability from the Global Financial Crisis.

In general terms, during late 2009 through to 2011 we noted an increase in both buyer interest and transaction activity through higher values, though it would appear that confidence in the prestige market appears to have again weakened during 2012.

Recent observation shows a reduced number of prestige residential property transactions. Of those properties selling in the current market extended selling periods are common, and generally the norm. Properties sitting at the top end of their respective markets, or of a unique style, are susceptible to an extended marketing campaign, in some instances in the order of six to 12 months, depending on individual home and location.

The previous trend of worst house in the best street and renovate for profit and quick turnover, appears to be a thing of the recent past, with Vendors struggling to attract a suitable number of buyers and generate enough underlying demand to justify both the expense and effort involved.

Throughout 2012, forces including an under performing equities market, continuing instability in global economic conditions, and lower levels of business and consumer confidence continue to foreshadow prolonged weakness in prestige residential market performance.

While it would be a pleasant change to give the prestige residential market a much needed “shot in the arm”, it would appear that the bottom of this market has possibly been reached. It may still be some time before we see any strong growth in buyer demand, confidence, or capital values.

Eastern Suburbs, CBD and CBD-Fringe

Properties below $1.5 million remain fairly stable, with units below $750,000 in the city fringe suburbs such as Redfern, Waterloo and Zetland performing the best. The large number of new unit developments in these areas will dramatically increase the supply of units to these suburbs. Currently however, there appears to be a high level of demand for these types of properties, especially from Asian investors. Despite the recent cuts to interest rates, we expect housing in this price range is to remain steady in the short-term, as buyers remain uncertain about the outlook for the global economy.

Properties above $1.5 million continue to struggle with extended selling periods and decreases in selling prices over the past 12 months. Global uncertainty, a struggling share market and reduced executive remunerations have reduced demand for properties in this price range. This sector is likely to remain weak in the short-term however there are some good buying opportunities for the longer term investor.

Inner-West

The inner-west continues to remain one of the most resilient markets in Sydney. The unit segment, generally below $1 million, has not seen the growth it experienced in previous years. Demand however, remains relatively high. Local agents are now indicating that supply is at a very low level and listings are hard to come by. This is likely as a result vendors holding off selling, due to the perceived weak market.

Properties over $1.25 million have definitely shown signs of slowing, but again quality properties continue to sell well. It is once the price point reaches above $1.75 million that there are signs the market is relatively weak with local agents confirming this sentiment.

North Shore/Northern Beaches

As with most suburbs within inner Sydney, the unit market has remained relatively steady. Agents however are reporting slightly lower prices than those reported this time last year. Buyers within these unit markets are now having the luxuries of time and choice when making their purchases due to market conditions. This has not been experienced in the last couple of years so although steady, we would still consider this unit market segment a buyers market at present.

Higher priced properties, $1.5 million plus, have substantially weakened on Sydney's north shore and northern beaches. This becomes more and more evident the further north you go, with areas such as Avalon and Palm Beach appearing to be struggling the most. Very strong, slightly over-inflated sale prices in 2011 have proven to be just that - over inflated. We have seen resale evidence of declining prices for most of these north shore & northern beaches suburbs in the upper end bracket. Currently, there is no evidence of strengthening within these upper price markets. How long this remains the case, we will wait and see.

Southern Suburbs

In the south, prices for properties below $1 million generally remain fairly stable, with properties priced below $600,000 benefiting from the greatest demand in the past 12 months. There has been strong demand for a new land release at Greenhills Beach near Cronulla with most lots selling between $700,000 and $1 million. The sub $1m property market is likely to remain stable in the next 12 months unless interest rates or unemployment begins to rise.

Properties above $1 million have experienced longer selling periods and lower selling prices over the past 12 months and this looks set to continue in the short-term. Some waterfront properties are selling for well below the original asking price from a year or two earlier.

South-West

In the south-west properties in Fairfield, Liverpool and Bankstown have seen little movement and have remained steady in the past six months. Parramatta is possibly the strongest suburb with brand new units selling fast (e.g. Crown development). Housing prices have remained steady with the lower end of the market (under $500,000) continuing to sell well and we have seen slight improvements most likely helped by the interest rate cuts.

Porperties priced above $500,000 have remained stable. Prospective purchasers remain interested but with the uncertain global economy, auction prices have not hit the heights of 2010.

The Fairfield region has slowed with fewer sales than previous years. Mostly investors or developers have been buying properties on the market with a view to redevelop the land, build duplexes, or build a brand new home.

The Bankstown area has slowed. With not many housing prices under $500,000, it has seen a slower market than anticipated. Agents have advised supply is low and they have had to work hard to achieve their listings.

....poperties above $1 million have experienced longer selling periods and lower selling prices over the past 12 months....

It is believed the market will continue to remain the same for the time being with no further interest rate cuts expected in the next month or two. Agents in these areas have been relying on volume rather than record prices and will continue to look for a quick sale. Auctions have also not performed well with units and lower end houses continuing to be sold via private treaty.

Western Sydney

Despite relatively low interest rates the wider property market in western Sydney (Blacktown, Penrith Blue Mountains, etc.) remains quite static with little movement in value levels during this calendar year.

This can probably be put down to wider economic uncertainty (i.e. carbon tax, uncertainty in Europe). People are generally deciding to be quite measured in their approach to such things as buying and/or selling property.

There does however appear to be an unusual shortage of stock, which traditionally would drive prices upwards. In this instance however, prices seem to be remainingstable.

The one exception to this static situation in Sydney's west is the house and land package market. New estates such as Ropes Crossing and Jordan Springs on the outskirts of Penrith are seeing strong levels of activity, in particular house and land packages. While some of this may be attributed to recent changes in government incentives, this trend was already in place prior to these announcements. Additionally the relative affordability of these packages appears to be putting downward pressure on older properties in surrounding suburbs. For example $370,000 to $400,000 in south Penrith will generally buy you a circa 1970's, single level, 3- bedroom, 1- bathroom, brick and tile home on 550 square metres, which may be partially renovated.

A $430,000 house and land package in Jordan Springs will buy you a brand new 3- bedroom, 2- bathroom single level home with single or double garage on a 350 to 450 square metre block. While the smaller land size may put some buyers off, the demographic buying house and land packages is generally a young professional couple or a couple with a very young family, who view the smaller land size as less maintenance, and thereby increased family/leisure time.

....we have seen a prolonged period of stable growth within the Canberra property market....

In summing up, things are quite static in the west without being in a slump. Other property professionals we are in regular contact with don't expect this to change much during the second half of 2012.

Canberra

In recent years we have seen a prolonged period of stable growth within the Canberra property market. Over the past 12 to 18 months this growth has somewhat slowed, particularly in the outer suburbs. This does not mean there is cause to panic or that property prices are about to plummet. Rather it is the market reacting to the high level of new property (supply) that has entered the market within such a small timeframe.

The Canberra property market is still showing signs of strength. Rental returns remain high and rental vacancies remain low. Good prices are being achieved for quality properties or properties in quality locations. The main driver that appears to be slowing growth or extending marketing periods is the increased choice in the market.

Two years ago marketing periods for properties were short. This is indicative of a booming market. Essentially there were more people looking to buy property than there were properties being put up for sale. With the increase in supply, particularly in the outer suburbs, this has slowly turned and now reached a point where in certain parts of Canberra, particularly sub $500,000 on the north side, there are now more properties on the market than buyers in the market. This has created more choice and resulted in properties taking longer to sell and vendors having to be realistic about the sale price they want to achieve.

What we have seen is a steady transition into a buyer's market. Patient and informed purchasers should expect to see opportunities start to appear in the market. By no means are we expecting property prices to significantly fall at any point in the near future. However we do not expect to see much growth either. Capital growth in property over the past 18 months has been fairly stagnant and this does not appear to be changing any time soon.

Wollongong

In the Illawarra the median price for all sectors in the Wollongong Statistical District (WSD) .fell around 2.3% in the 12 months to March 2011, with standard dwellings falling to $425,000 - according to local researchers IRIS. Units were at $328,000, down 5.5% and land at $265,000, down 2%. Building approvals declined in this period by 60%.

The story on the street appears to be echoing this data, with agents reporting a general slowdown over the WSD. This is either in the form of lack of demand from buyers, or a lack of stock, and sometimes properties remaining longer on the market. This is despite interest rates remaining steady for the past few months.

We have not seen a slackening of demand and can still report healthy sale prices, particularly when compared to the doldrums in 2008-09. However properties seem to be remaining on the market longer if not priced correctly and we are still seeing instances where 'price reduction' is stamped across the advertising for those listed above realistic market expectations.

The best performing sector appears to be north of the CBD for standard dwellings – particularly around Balgownie, Towradgi, Woonona, Bulli and Thirroul. They offer good public transport links and close proximity to the beach, with many also having ocean views if located back from the beach. Under the $800,000 level it appears anecdotally that the buyers are local, with generally no great 'Sydney' influence on the market. At the upper end however, it is not unusual to see a definte Sydney influence in the market. A recent advised sale of a trophy property on Cliff Road around the $4 million mark was reportedly to a Sydney buyer.

There are generally no poorly performing sectors in the area but there are signs of slowing down in the new housing market in the south. With more land planned for the West Dapto region, there could be an oversupply of land in the medium term if not released in a timely manner.

Middle of the road performers are the southern suburbs around Dapto, Albion Park, Barrack Heights – generally holding reasonable value since an uplift from the lows experienced in 2008 and 2009.

In the south Shellharbour and East Warilla are holding values, given their beachside locations. Nearby Shell Cove has had a recent fillip with the long awaited marina gaining approval.

Overall the slowing market may be a consequence of the BlueScope Steel job losses which occurred some months ago, with some confidence being eroded due to prospective long term higher unemployment perceptions.

NSW Southern Highlands

The Southern Highlands residential property market has softened in recent years. Values have declined slightly across all price brackets and are currently considered to be steady. Selling periods have lengthened slightly too. If properties are priced correctly, there is still good demand and they will sell. If properties are over priced or they are situated in secondary locations, there is reduced interest and selling periods lengthen considerably. Conversations will local agents reveal that things are still ticking over, but vendors need to meet the market if they are serious about selling their properties. The rental market is still strong, with rental levels steady to rising and low vacancies. The prestige market is generally slow, with prices having weakened in recent years.

Southern Tablelands

The Southern Tablelands has enjoyed good growth in recent years, especially in Goulburn. This market has peaked and prices are currently considered to be steady. With low unemployment and commuters from Canberra relocating to Goulburn, the rental market is still strong, with good demand for rental properties and low vacancies. Rental levels are steady to increasing. The rural residential property market in Goulburn and the Upper Lachlan (Crookwell-Taragla) regions have slowed in recent months. Values have softened slightly.

Camden and Wollondilly

The residential property market, just south of Sydney is steady. There is good demand for vacant land and good levels of construction activity for new homes, especially in the Camden area. The Wollondilly area has slowed, prices have declined slightly and are now considered to be steady. Selling periods have lengthened slightly.

While we are experiencing a soft market overall, things are generally steady with properties still selling if they are priced correctly.

Central, North and West NSW

BATHURST / ORANGE

The residential property market in the Bathurst / Orange region continues to be steady with signs of modest growth. The regional economy is influenced by the mining sector, therefore this region is out performing other regional areas which are more rural economy based.

There continues to be a rental shortage in the larger regional centres of Orange and Bathurst however this has eased slightly in Orange as mining expansion activity is concluding and contractors are leaving the area.

Investors continue to be hesitant and are demanding greater returns. Recent interest rate reductions are yet to flow through to the property market to any great effect.

Recent weeks have seen a slowing of property sales however it generally slows during winter in this area.

Newcastle

The present market in Newcastle is considered 'patchy'. Local agents are reporting a lack of overall activity with fewer enquiries being made. Traditionally the colder July and August months are slow in real estate terms with many people bunkering down for cold nights while watching the Newcastle Knights making a futile run for the eight by winning one in a row.

There does appear to be some interest though with fresh listings to the market in well regarded areas. Take for example the house next door to the writer of this article. It has just been listed for a very reasonable price (probably a bit cheap in my opinion!) and had its first open home on the weekend. I chose to return home with some groceries at that time and couldn't get a park in my street. While I'm all for seeing fully packed open homes, I'd rather they happened somewhere else!

....local agents are reporting a lack of overall activity with fewer enquiries being made....

A common theme recently has been the strong rental returns and there are precious few "for lease" signs being banged into the ground. Rental agents are continuing to report limited downtime between tenants. These same agents are reveling in the ability to select the tenant from a large prospective pool. If you are slightly unusual in your requirements then you may have difficulty finding rental accommodation. That unusual aspect could be a family with pets or animals. It could also be your desire for short term accommodation for example, while building a house of your own.

A location of concern for regular readers has been the Nelson Bay area and the lack of strength in that market. It might be too early to tell but there may be a small increase in optimism. The number of "for sale" signs being erected has slowed and so we may be in for a period of consolidation. I am not for a second predicting double digit growth but I think we might have seen a pause in the downward spiraling market and an uptick in activity in this location. This includes the suburbs of Salamander Bay, Soldiers Point, Corlette, Anna Bay and Tanilba Bay and environs. As we know the market has been poor in recent times and many people have sold at a loss. Even if purchased prior to 2004, some of those purchasers are losing out with prices today at lower levels.

....if you are slightly unusual in your requirements then you may have difficulty finding rental accommodation. That unusual aspect could be a family with pets or animals....

The market is poised at an interesting juncture. The hotly debated carbon tax has been introduced and so far the world has not caved in around our ears, although no one at the time of writing has received their first power bill. Interest rates have stayed low and there is a growing rhetoric that the economy is not as bad as we believe. Whether we believe that last comment is probably the key to which direction the future market takes. As they say perception is reality.

NSW Central Coast

We access various sources of real estate market monitors in which to gauge firstly, selling prices and other information needed to help us do our job and secondly, statistics to augment what we are saying.

Statistics are a wonderful tool, but relying on one source is almost as dangerous as taking the accuracy of the results given as absolute. And that is why we always look for more than one source, because it is surprising how they vary.

But don't just take our word for it - ask someone else.

Why is this relevant here? Well this month's submission is about what we feel and hear is going on in our local market. We consider ourselves to be up to date on what's happening out there by listening as much as possible, reading the signs, looking at the statistics and interpreting/analysing the real life transactions. We'll even eavesdrop occasionally if it helps us do our job.

Overall we see the local market as being fairly stable at the moment and this has been the case, for the past 18 months (in our estimation). This applies to all brackets of the local market, from high end to low end properties.

At the northern end of the Central Coast in well located areas such as Toukley, Noraville and Gorokan, one can often find a small 2- bedroom, 1- bathroom dwelling in average condition available in the range between $190,000 and $240,000. These are good areas and these prices represent good value for first home buyers at the bargain end of the market.

Newer, superior residential development is available in many other suburbs at the northern end of the Central Coast ranging in price between $280,000 and $400,000. Sometimes it is better buying an older dwelling as most of these tend to be in the more central positions close to schools, shops and beaches.

When asked what drives this market - we put it down to affordability. The New South Wales government has implemented various grants and discounts over the years to stimulate the property market through unstable economic periods - the 2007/08 Global Financial Crisis (GFC) comes to mind.

The First Home Owners Grant (FHOG) has been a successful initiative and has played a key role in sustaining market activity levels within the sub $400,000 market segment range on the Central Coast. This grant currently gives first home buyers an extra $7,000 to assist in purchasing their first property. It might not seem much to some, but first home buyers have responded to it in a positive way stimulating the local low end market.

Statistics have shown slight increases in median house prices from the start of 2012 to the present, with properties within Gosford LGA experiencing a 2% positive growth and Wyong LGA up 3% from 2011 records.

Although the First Home Owners Grant of $7,000 ceases on 1st October for purchasing second hand properties, we consider this will have little impact on the current market. Other market influences are starting to have flow-on effects with the successive RBA interest rate cuts at the end of 2011 and start of 2012 bringing back confidence to the buyers.

The developing suburbs on the Central Coast, noticeably Hamlyn Terrace and Woongarrah are continually growing with a steady supply of new residential properties coming onto the market over recent years. This could shift up a gear with the much anticipated First Home Owners Grant (new homes), due to commence on the 1st October.

It will give first home buyers an extra $15,000 towards purchasing a new home.

With the performance of the individual markets being in positive territory in 2012, we would expect the construction of new dwellings within these suburbs to increase over the next 12 months, courtesy of the FHOG (new home) scheme.

That's the news for the northern end of the coast and if we look at what's happening at the southern, then this months topic covers it well – it's all scuttlebutt and that seems to be what drives this end of the coast.

There has been considerable debate and publicity on a major development opportunity known as 'The Landing' on the Gosford waterfront. While regions equivalent to the Central Coast would embrace such a proposal, the naysayer movement here seems to have control over everything.

....regionally speaking, the news for investors is good with vacancy rates being around the 1% mark....

One may not agree with the scope and size of the proposal or like the proponents, but the economic advantages that would benefit the area appears seems to have been placed at the end of the list. The latest scuttlebutt on this proposal is that it will join the long list of opportunities lost, with backers of the proposal quickly loosing their patience and will.

Meanwhile, those at the southern end of the region at Woy Woy and Umina Beach are quietly going about their business with a stable and strategic upgrade of the business centres, are without controversy. They are enjoying good levels of support and are having fun at the same time. This should translate into strong and sustainable growth in the local economy and real estate values as time passes.

Properties on 'The Peninsula' are predominantly first and second buyer class. An older style 2- 3- dwelling can still be found for around the $300,000 mark with stable to good growth prospects if the current figures are anything to go by.

Regionally speaking, the news for investors is good with vacancy rates being around the 1% mark. This has been the case for some time now, but it's not so great for renters, with competition for rentals being keen and an upward trend in asking rents being observed.

NSW Mid North Coast

The current state of the market along the Mid North Coast of NSW is considered a mixed bag depending on what statistics you are reading and whom you are talking to. Generally speaking, since the end of 2009, we have witnessed around two and a half years of pessimism and uncertainty. This has resulted in fewer sales transactions occurring across the board, though most market segments are yet to see any noticeable weakening in prices.

The increase in sales activity we witnessed in the last quarter of 2011 gave some cause for optimism, however most markets have again now slowed significantly and the winter chill has set in. Some hope exists for an increase in buyer activity following recent interest rate cuts, though by and large this is yet to be seen and wider economic conditions appear still dampening the level of consumer optimism.

From our observations, we are finding sales activity to be more concentrated to the lower to mid-lower price ranges of the four main regional centers (Port Macquarie, Taree, Forster and Kempsey). Inversely, the upper end markets of these regional centres, along with the sparser populated areas such as smaller villages/towns, are more likely to have seen even fewer sales.

A good illustration of why we are having mixed thoughts on the market can be had from looking at sales activity (or lack of) in the Great Lakes region so far in 2012. We are finding sales in Tuncurry of 2 bedroom 1980's units in the $200,000 plus price range have slowed significantly as have sales of houses priced $350,000 plus. These market segments represent a good portion of the Tuncurry property market and their weakening gives cause for concern. We then look at the upper end market which we would suspect to be more volatile and note against our expectations Tuncurry has seen two sub $900,000 sales occur this year, while both Forster and the Coomba Bay area have achieved two circa $1 million houses this year.

Overall our expected outlook for the market in the short term is a continuation of the current trend (i.e. soft sales volumes) however with median price levels being maintained until stronger confidence returns. We may again witness a mirror like flurry of short term sales activity very in late 2012 as buyers fed up with sitting on the sidelines make a quick end of year move.

NSW Far North Coast

The residential market in the month of July 2012 remains relatively soft following similar conditions throughout the first half of the year. The residential market still remains slow due to continuing uncertainty in the world financial markets and continued overall reduced market confidence. The recent reductions in official interest rates have yet to provide any indication of having any impact on the overall residential market.

Property values are expected to remain relatively soft to stable. We have seen further pressure on property values due to continuing slow sale rates and also, particularly within the higher priced market within Byron Bay, continuing sales of 'mortgagee in possession' properties which are eroding any stability in this section of the market.

The lower end of the market remains stable. The mid to upper ends of the market still remain vulnerable together with a continuation of softening in demand for the prestige sectors.

For the markets of Lismore, Casino and Kyogle discussions with local real estate agents indicate that there has been a slight improvement in buyer enquiry. However, the improvement in the enquiry is rather muted as uncertainty still remains supreme in the minds of prospective purchasers who are cautious about committing large sums of money to 'bricks and mortar' in an uncertain economy.

The general residential markets for the Yamba, Ballina and Lennox Head regions continue to remain generally steady to sluggish with rates of sale continuing at low levels. However, as with the Lismore and Casino markets, if properties are competitively priced they do sell.

The most difficult current market remains to be the coastal regions within the middle to top end. This market continues to be impacted by 'forced sales' and there has been a noticeable increase in these types of sales within the past three months. This is also expected to continue at least for the next six months.

In summary, the general NSW Far North Coast region residential market appears to one of consolidation, with most households looking to reduce debt as much as possible in order to alleviate the inevitable increase in cost of living pressures. There has also been feedback from agents of a general acceptance of current market conditions by more realistic vendors.

Overall, sales activity remains subdued and any vendor selling needs to be very realistic as any thought of testing the market with a slightly inflated asking price will likely be met with derision from potential buyers. As such, it remains a buyers market with potential purchasers continuing to be on the look out for bargains.

However, it is interesting to note that some real estate agents have reported increased enquiry and sales activity over the July period. Most agents also feel that the market is going to pick up as the year moves on.

Southern NSW and Northern Victoria

ALBURY / WODONGA

The local residential property market has seen a slowing of sales and consequently falling values over the past few years. While the low to mid range properties have been ticking over there has been subdue sales volumes particularly in the higher end (over $400,000).

This lack of demand has meant that vendors have had to attract potential buyers by maximising the presentation of their property. In a raising market that is running hot buyers are not able to negotiate the same and have to accept a property in less than prime condition or risk missing out.

....in Wodonga continued building has been going on despite the ending of attractive incentives from the Victorian Government....

The recent Reserve Bank rate drops have not had the desired effect that some had hoped for in stimulating the property market. Job security is one factor that is influencing buyer decisions. Investors are not in the market with the same intensity of a few years ago. Rental income growth hasn't transpired as predicted at the end of 2011. There are many vacant properties available to lease and demand is flat.

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

It will be interesting to see the uptake of new rebate incentives announced recently for NSW. There is certainly renewed development of subdivisions in the Thurgoona area particularly.

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

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

WAGGA

Presently in Wagga Wagga the market is weakening and has been for the past nine to12 months. This is being felt at the high end of the market the most, where houses that have been on the market for two to three months continue to be marketed and lay dormant with very little interest due to optimistic price expectations.

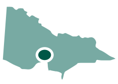
Properties that are priced right are selling and selling quickly. The properties at the higher end of the market are priced out of the market in some instances.

Currently we are in a market that heavily favours the buyer and this is evident across the board where purchasers are buying properties at good price levels. The only loser in some cases are the vendors as they are not achieving the same prices of the highs of 2008/2009 although this is to be expected under the current market conditions.

Factors contributing to this include construction of new homes versus buying an established home. As Wagga Wagga grows more land is being released in Estella, Boorooma and the new Lloyd West subdivision which is currently being developed. This land release is having an impact on values as new houses flood the market driving older property values down. There certainly seems to be a 'why buy a dream home when you can build a dream home' mentality at present.

At the lower end of the scale a suburb like Mount Austin/ Tolland is recording a steady volume of sales for standard 3- bedroom, 1- bathroom dwellings. These properties are only on the market for as little as three weeks and are being snapped up – due to the strong rental market in the city where a house, which can be purchased for between $180,000 and $240,000 rents from between $240 to $270 per week. The lower to middle end of the property market offers good rental returns and houses in this market are being purchased for that one purpose.

Currently with interest rates decreasing, there are opportunities for potential investors to enter the market at an affordable level with good returns on investment and the potential for capital growth in the years to come.



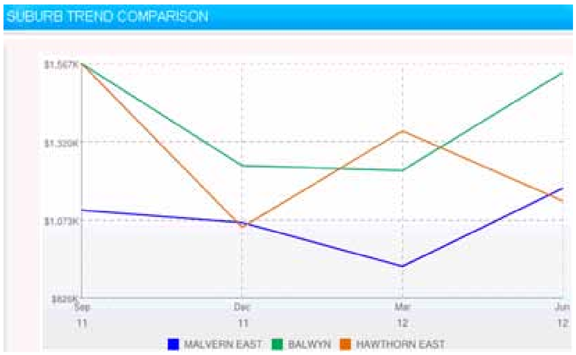
Melbourne

Property prices in Melbourne have generally shown steadying signs over the past few months after experiencing a decline early in the year. The general consensus from property professionals and research data is that REIV data indicates median house prices have remained steady at $535,000 in the past quarter, which is 5% down on the year. Consecutive rate cuts not seen since the GFC are starting to take effect in the market, which is one of the main reasons why the market has shown signs of steading over the past quarter. Consumer confidence within the market is still low due to local and global economic uncertainty, but signs are evident that consumer confidence is slowly improving.

With another rate cut not on the agenda, property professionals advise the market should continue to steady and possibly show slight signs of growth in the near future. Supply and demand for Melbourne's residential property market indicate it is predominantly a buyer's market as consumers have the opportunity to 'shop' around for longer for a better product at a better price. Houses sold through private sale have recorded an increased median price of 2.1%, while those sold at auction have seen a 2% drop. This reflects buyers willingness to be conservative and adopt a wait and see approach when it comes to auctions, resulting in a low clearance rate of 60% for the June quarter. Agents are indicating many vendors are still dreaming of post GFC property prices and are unwilling to settle for much less, even though market conditions have softened considerably since then. This is leading to extended marketing times as properties are sitting on the market for much longer than usual as buyers are being smart, knowing very well the majority of properties aren't worth what they were 12 months ago.

Residential rental vacancy rates have slightly dropped down from 2.2% to 2%, this will create more competition in the rental market.

Property professionals working the outer suburbs indicate there is an oversupply of new homes in the area which is driving prices down. Inner suburbs such as Brunswick, Fitzroy and Richmond have a price sensitive market that is two speed. The affordable range of households below the $750,000 mark are still showing a strong amount of demand and moderately steady competition, while homes that are in the bracket above $1 million dollars are experiencing a softening market with steady to slightly declining prices.



http://www.realestateview.com.au/portal/propertydata?rm=medianprice&state=victoria&suburb=malvern%20east&postcode=

Affluent Melbourne suburbs showed the greatest amount of volatility relating to median house prices in the June quarter. Malvern East and Balwyn experienced considerable growth not seen since post GFC with median house prices increasing in the June quarter by 26.7% and 26.2% respectively. Yet suburbs including Hawthorn East, Glen Iris and Kew experienced considerable decrease in median house prices, recording decreases of 21.1%, 15.7% and 13.5% respectively, however these figures may be partly attributed to a smaller spread of sales from the previous quarter.

http://en.wikipedia.org/wiki/Malvern_East,_Victoria

Waverley Road, Malvern East, current growth suburb in metropolitan Melbourne

Regional Victoria

GIPPSLAND

Central Gippsland Region

Recently in the Wellington/Latrobe region market activity has been very flat. Three months ago there appeared to be a burst of sales activity, albeit at a lower price level than seen previously.

In the interim, agents have been reporting things as 'patchy' - a good week here, a slow week the next. Over the last month most agents have been reporting low levels of sales and enquiry.

The effect of lower interest rates does not seem to have filtered through as yet. Generally, buyers seem to be in a very cautious mode. The print media has recently reported that Australians are saving money at the highest level for approximately 40 years and the local conditions certainly reflect this at present.

East Gippsland Region

The residential market is static and while prices have not generally declined, the volume of sales for improved and unimproved properties has reduced with evidence of a buyer's market emerging.

Our coastal and lakeside locations are still fluctuating and the current conditions are presenting some good buying opportunities.

BALLARAT

The Ballarat residential property market remains relatively buoyant despite subdued levels of business and consumer confidence. The most recent interest rate cut has maintained investor interest in the low end markets up to $300,000, with very few properties on the market for under $200,000 as competition in this price bracket remains strong.

....values in the Ballarat area remain relatively stable with low vacancy rates and a reasonable demand in most market segments....

Mid to upper end markets predominantly owner-occupied remain thinly traded with limited activity and slightly longer selling periods evident in recent months.

The new build and off the plan market has slowed with less activity in recent times as investors concentrate on core established areas. Home owners also are reluctant to move and are choosing to instead save or pay down existing debt.

Generally, values in the Ballarat area remain relatively stable with low vacancy rates and a reasonable demand in most market segments. However, other regional markets such as Stawell and Ararat are undergoing tough times at present with a number of major employers ceasing work in these areas. Crocodile Gold's recent announcement of the planned closure of the Stawell Gold Mine at the end of 2013 is likely to result in approximately 300 job losses. The recent halt to works at the Ararat Prison, caused by the voluntary administration of the project builder St Hilliers Construction, has affected approximately 45 directly employed workers and up to 400 sub-contractors this is likely to create space in the local rental market as workers move to find work elsewhere.

MILDURA

The agent's cry is that "there is never been a better time to buy and the only way that the market will go is up, so get in now before you miss the boat". There may be a lot of logic to this spiel but only time will tell.

A high number of houses on the market and soft buyer activity have seen a lengthening of average selling periods and static values, with softening evident in some sectors.

Investors have been active in the local market but are continuing to shy away from buying older and cheaper dwellings, notwithstanding the relatively good rental returns. New brick veneer dwellings in the $250,000 to $300,000 range are attractive to investors and offer yields of over 5.5%.

Tight credit conditions have restricted the volume of activity and have also limited the ability of some local developers to undertake residential subdivisions. It is possible that a shortage of serviced lots will occur in the near future. This has the potential to both increase prices for serviced lots and also reduce building activity.

Adelaide

We don't like to be all doom and gloom about the current position of the Adelaide residential property market, however there is some feeling that conditions could be close to the worst experienced in the last 25 years. Market activity is at very low levels and is very slow. Buyers are nervous and non-committal and this is unfortunately being compounded by the traditional winter lull.

So it is safe to say that it is officially a 'buyer's market'.

The feeling is that the impact of these recent, very difficult conditions are yet to manifest in capital value reductions.

However if sentiment doesn't improve in the next few months then there is the potential for a further retraction in property values.

Predictions were that as 2012 progressed the property market may start to show signs of improvement; mainly as increased activity first and then potentially as capital growth as the market started to recover and that any interest rate cuts would aid this recovery. However the official cash rate has been cut by 1.25 % since November last year (and although this has not been passed on fully by the banks) it appears as though interest rate cuts alone are currently not enough to generate interest in the property market.

The drag of negative sentiment is just too strong at the moment. Yes, international finance is in a mess, but the concern currently is very local with the average South Australian feeling the financial burden of spiralling electricity and water rates, thanks respectively to the introduction of the carbon tax and the new desal plant. And there is certainly major concern over the flow-on effect to the cost of all goods and services due to the significant increase of these fundamental services – because we all know that at the end of the day these costs are always passed on to the consumer.

....parts of the market are being driven by stressed sales and many purchasers have a vulture like mentality....

Unfortunately the significant spike in the June unemployment figures for South Australia, up 1.2% to 6.4% another hit to local consumer confidence and the uncertainty surrounding the Olympic Dam Expansion Project including when and if it will become reality is not helping either.

It is interesting to note that even in the current buyers market investors do not seem to be very active and appear to be adopting an equally cautious approach.

To end on a slightly more positive note, the traditional well located inner and beachside suburbs are more affordable than they have been in past few years and there are buyers that are taking advantage of current conditions by looking to purchase into these or adjacent areas where previously this opportunity was out of reach. Due to this interest quality property within these areas is tending to sell much faster than other property types especially when priced to meet market expectations.

Brisbane

The murmurings here in south east Queensland are mostly revolving around the resurgence of the investor. They've been a bit scarce of late and must be getting a bit cold and lonely under their rock. We in Brisbane have been having a hard time coaxing them out but it appears the most effective bait came with the lower interest rates. Anchor that to a stamp duty concession for owner occupiers and even the non investors have shown a little keenness.

A chat with our local agent had seen all sorts of depression sneaking into their dealings. A sullen downward look and heave of the shoulders would often follow our question "So… how is the market going for you?" with regular monotony. However most are now looking a bit more gleeful. It appears that the interest rate relief had already started playing a small part in proceedings by bringing in some investors who had been waiting in the wings. Mostly buyers are now recognising that vendors who don't have to sell have probably hit bottom of their asking prices. Couple that with a reasonably strong rental market across the board and hey presto… sales!

The other news was that some owner occupiers were in the throes of negotiations but were not keen to put their monika on the contract until June 30 had passed. At that time a new stamp duty concession meant a healthy saving of around $7,000 for those who qualified. This seemed to be a pretty good motivation for having pent up demand prior to the end of financial year, and a small boom in sales come the first week of July.

As a brief and gross generalization, the talk across the board is that sub $500,000 property is now looking a bit stronger. It starts to slow down a bit up until about the $800,000 mark and then pretty much halts. If you're priced about the magic million it looks like you need to work a bit harder to make a sale.

Other calls around the traps include a rise in the amount of secondary stock available. Main road frontage, backing onto train lines, low lying and unattractive are all there for the taking. One of our crew even saw a nice big dwelling with city views but fronting a very busy road sell at $650,000. Sounds cheap from where I sit.

Amongst the other markets with scuttlebutt are those set to benefit from recent infrastructure upgrades. The fine folk of Carindale are salivating at the thought of the shopping centre's expansion and the perceived upswing to their property values but this may be pie in the sky. On a broader note the opening of the airport link toll road and tunnel should finally see some of those northern suburbs become a little more accessible to the CBD. It has been a while coming but reports thus far are positive on the reduced travel times.

With the change to the state government and a new climate of austerity surrounding the Liberal's agenda, many localities are waiting to see if some of Labour's the long promised infrastructure might go on hold indefinitely. If new busways and routes are set a aside, some of the struggling southern suburbs may feel like it's another kick in the markets teeth.

As with most innuendo and lowdown, only time will tell how things will play out. Right now everyone wants to see more confidence and it feels like it might be just around the corner for some. Unfortunately it is yet to arrive.

Gold Coast and Tweed Coast

Nearly all facets of the Gold Coast property are the topic of discussion when a valuer enters the room. Questions and opinions are openly aired, along with forecasts and theories about where the market is and where it is heading. Valuers clearly cannot be expected to predict the future when not even the economists seem to know in which direction the market is heading. As a result, the API mortgage security valuation report template has even been recently changed to provide commentary on the 'recent market direction' rather than 'next two to three years to account for this.

So where are we at.... I think the bottom! Apparently I have said so before and teased by one national paper for it. But ask any valuer and they will confirm that prices for a property the majority of buyers can afford, and would be happy to live in, appear to have stabilised.

Sure, parts of the market are being driven by stressed sales and many purchasers have a vulture like mentality while seeking bargain buys or reading 'sale by mortgagee'. But a buyer's market presents opportunities for those brave enough to dip a toe in. Rents appear to have held reasonable well, with only a small reduction for less sought after properties, which leads to good investment opportunities.

Mortgagee in possession (MIP) sales continue to dominate the record lows in almost all property categories and on average we inspect/value two or more properties per day that have either gone MIP or are under threat. Anecdotally, we wonder how much more mortgagee stock is due to be presented to the market before September 30, which is the end of the banks' financial year. Depending on the volume, this could result in more pain for sellers but good opportunities for potential buyers.

Premium prices are only being achieved for those properties with good presentation, high standard of appointments and in the preferred street positions/ aspects of a suburb. Properties that have negative issues are being quickly passed over by potential purchasers and investors.

The up to $450,000 residential dwelling price point remains reasonably robust. Our research reveals the sub-$500,000 price bracket accounts for 80% of sale transactions.

Approximately 15% of sales have been between $500,000 and $750,000, while only 5% have been attributed in the next bracket up to $1 million. This middle market/second home buyer market has stagnated because most of the purchasers have something to sell first - a bit like the chicken and the egg, except no one wants to hold both.

The prestige market is particularly tough with less than 5% of the contract coming through our office being for properties over $1 million, properties which are selling well below previous sale levels. One such recent sale I came across this week was that of a prestige lake front property situated to the security gated complex at 40 Cotlew St East reportedly selling for $1.135 million having previously transacted for $1.7 million in 2004. Other than the attributes of the property itself, prices being achieved are a result of vendor circumstances. Below are sales of two very similar luxury properties in the same month in 2012 that have achieved prices over $600,000 apart:

5-bedroom, 6-bathroom, basement carpark. Sold $1.675 million.

5-bedroom, 6-bathroom, basement carpark. Sold $2.3 million.

In talking with the numerous agents a somewhat conflicting message comes through. Some agents are reporting busy enquiry and sale volumes and others report quiet activity. My interpretation is that those agents selling in the sought after areas inside the M1 close to schools, shops and the water (be it the Broadwater, ocean, canal or river) are doing much better that those areas to the west. As an observation the market has been brutal to the real estate agents and many have left the industry. Those that are left operating appear to be those that were also active before the boom and very successful during the pre GFC days.

It is my opinion that it is not so much what or where you buy, it is how well you buy. This is clearly not a market to be auctioning a property unless a result is urgent and price is not the driver. If you are a buyer, this is the market to attend and make cheeky bids.

Some developers holding excess stock are re-pricing in an attempt to meet the market and possibly enrich their cash reserves for future projects as a number of development sites now represent very good value for those who can afford to them. An example of this is Raptis company Emandar Group which has recently cut prices in its Paradise Island unit complex, Sentosa Waters, by as much as $120,000.

In relation to the two-tier market for marketed investment property, we are still seeing numerous uninformed buyers (mostly from out of town) paying well over market levels through mainly investment seminars or developer 'roadshows'. After all the national press and television current affairs stories, we are amazed at the number of investors who believe what they are told without investigating the facts for themselves. While there is a premium for new property, it is minor in comparison to the overpricing these buyers are contracting at.

An example of this is 400 square metre vacant land in parts of the northern Gold Coast which are being sold to investors for up to $210,000, when a block the same size can be purchased in Seaside City at Kingscliff within 300 metres of the beach for $160,000. Yes, there are differences in location and proximity to workplaces, but both locations are likely to still require a commute of possibly 30 minutes.

Scenic Rim

Yarrabilba is quickly becoming the estate to watch. As the developer continues to release small stages of the estate, there are small increases in price coming through as well. With land starting at $122,000 (within the latest release) for a 324 square metre lot and a house and land package as low as $268,000 these offer attractive buys to both the first time buyer and investor. The introduction of an NRAS credited builder into the estate has also given investors a good reason to focus attention here.

Agents report that there is definitely an increase in buyer activity since the drop of stamp duty from 1 July with some properties even having multiple contracts presented. The activity seems to be in the under $500,000 price point with these vendors moving through the price brackets and hopefully (fingers crossed) spurring on activity in higher figures.

It seems that there has been a number of cashed up buyers sitting back and watching the market as agents report a number of these sales in the past month. One sale of note is a 6.45 hectare property on Tamborine Mountain under contract for $1.3 million. The house is architecturally designed with untouched natural rainforest, definitely a unique piece of real estate. The purchasers didn't seem concerned with the 1 July stamp duty decrease as it was contracted in late June.

Mortgagee in possession properties are still appearing in the market and these sales are definitely below the perceived market value at the time. There has been mixed results at auctions for these properties as purchasers are sometimes unable to secure finance approval prior to the auction, therefore decreasing the number of bidders on the day. Some results do show that auction can get the best result, with a four acre property on Tamborine Mountain going to auction at the end of June with all interest indicating a sale price in the mid $300,000's come auction day the property sold under the hammer for $400,000. The property was in a good quality street, on a good quality block, with a shed, dressage arena and good horse fencing. The infrastructure is also already in place for a dwelling including sewerage system and water tanks; the purchasers just need to build the house to complete the property.

....agents report that there is definitely an increase in buyer activity since the drop of stamp duty from 1 July....

Rural land seems to be still declining as potential buyers start adding up the cost to improve a property, not just with the house but all of the associated improvements such as stables, sheds, fencing and water infrastructure. Agents are reporting lenders are still cautious with regard to the mid size rural properties.

Lenders are reporting more feet through the door for loans and it seems to be the smaller building societies and non-majors that are benefitting from low interest rates and competitive packages as the more personalised service is given as a reason to switch.

Sunshine Coast

Well it is amazing what a little bit of leadership and confidence does to a property market. With the change in both the local and state governments and some positive talk, we on the Sunshine Coast have experienced an increase in activity. Buyers have started to jump off the fence, and really get involved.

The major economic driver that we have been harping on, the Sunshine Coast Hospital, has commenced with construction already up to the fourth floor of the private hospital. Also, the 'public-private partnership' contract has been signed between the State government and Exemplar Health for the circa $1.8 billion public Sunshine Coast University Hospital which is to be built over three stages, the first beds due to be open by 2016. This major piece of the infrastructure, combined with the new mayor talking about helping business and creating jobs has to be good locally.

These developments have led to a change in the mindset of buyers. They have become more active as agents have reported significant increases in enquiry. This is particularly noticeable in the sub-$500,000 housing market, with buyers having more confidence in their own situations and thereby prepared to make decisions.

Activity has also improved in the $900,000 plus housing market however not to the same level. Buyers in this market sector appear to be more comfortable as the values appear to have fallen to a level (below replacement cost) they believe is a 'good buying' opportunity.

The unit market is and still remains typically slow. Some investors have started to return however, it is still a bit of a hard slog in this space. The rental market is still quite strong and our thoughts for investors are they should be looking at a property with good rental returns with a view to hold the property for the longer term (five to ten years). We believe that values will remain fairly flat for some time before any significant levels of capital growth become evident, hence taking the longer term approach.

The question that we are consistently asked is, "have we seen the bottom yet?" Well, it is probably too early to tell however, the increase in activity is a good sign that it may not be far away. We don't believe that there will be an instant increase in capital values, nor do we believe that our population growth will explode. We do believe however that solid foundation work has begun. That should hopefully bode well for a strong future on the Sunshine Coast.

Southern Queensland

TOOWOOMBA

The first signs of a recovery….? Too early to say but a number of Toowoomba agents are reporting increased buyer and sales activity in July after coming off a slow period during the first half of 2012. Anecdotally, the main driver for this resurrection in activity is the re-establishment of the stamp duty exemptions.

This appears to have prompted the return of first home buyers as agents report increased activity in the lower end of the market in Toowoomba, in the $200,000 to $300,000 price bracket.

….as of this month, in a boon for the local economy, Toowoomba finally has a direct, daily flight to Sydney on Dash-8 type aircraft….

One major local agency is reporting increased activity in the prestige sector, which starts around the $800,000 mark in this region. It would appear there is growing confidence in some sectors, namely the mining and finance/professional services industries on a local level, which may have re-ignited activity in the upper price brackets.

The prestige market in this region however generally remains flat and there are numerous homes listed for sale that represent good buying if purchasers are prepared to wait for a market recovery. Vendors in the prestige sector are suffering from limited buyer enquiry and extended selling periods, coupled with significant price reductions over the past two years. Those that are forced to sell are likely to realise significant value reductions in the vicinity of 10% to 20% below prices achieved in 2007 through 2010.

Toowoomba may now be starting to slowly feel the flow-on effects of the mining and resource boom in the Surat Basin to the west, as a number of recent transactions in Toowoomba have been associated with workers employed in this area.

As of this month, in a boon for the local economy, Toowoomba finally has a direct, daily flight to Sydney on Dash-8 type aircraft, saving at least two and a half hours each way as travellers no longer have to travel to Brisbane for departures. This is seen as a major coup for local business as traditionally, the lack of adequate air services in Toowoomba has impeded new investment in the region.

The daily Sydney flights are expected to further expose the Surat Basin to investment and this could lead to increased property activity in Toowoomba and the surrounding region.

Central Queensland

ROCKHAMPTON

How is the Rockhampton residential market performing? Although the median sale price for a home in Rockhampton has remained steady at about $290,000, sales activity in the first quarter of 2012 has shown early signs of improvement, specifically in the under $350,000 price range. In a market dominated by investors, buyers in the lower end of the market are still enjoying low vacancy rates and increasing rent returns at an affordable price.

The Capricorn Coast has also shown slight improvement since the start of the year, however the median sale price on the coast has also remained steady during this period at about $390,000.

Sale volumes in Gracemere (located ten kilometers south of the City of Rockhampton) has remained steady so far this year, however median sale prices have reflected an improvement up from $330,000 to $365,000.

The influence of the booming Gladstone market (110 kilometers to the south of Rockhampton) may have contributed to some of the improvement currently being experienced. This improvement however, may not be sustainable in the short term due to the fact that the Gladstone market is softening with reduced sales volumes since January and stabilising sale prices and rental returns.

The middle market sector appears to be remaining steady in Rockhampton and the Capricorn Coast. The top end of the market (above $600,000) is still struggling with extended selling periods and the reduction of list prices. This is also a fact for the Capricorn Coast unit market.

BUNDABERG

The Bundaberg housing market has remained somewhat steady by volume of sales during the previous six months. We have seen between a 5% and 10% decrease in value, however with the recent stamp duty changes, local agents say sales activity is beginning to strengthen with confidence amongst buyers, particularly investors, heating up.

Over 85% of the sales in the last 56 months took place in the less than $400,000 range. More than half of the sales from the previous six months occurred in the $1,000,000 to $300,000 range.

The relative affordability and lifestyle of the Bundaberg region continues to draw the attention of purchasers.

....the middle market sector appears to be remaining steady in Rockhampton and the Capricorn Coast....

HERVEY BAY / FRASER COAST

The Fraser Coast region continues to remain subdued with most market activity being sales of affordable lower priced properties. Sales of mid and higher priced properties continue to remain limited. Agents have been reporting patchy demand with occasional periods of good interest. Many seem to have become somewhat more optimistic in more recent months. Some agents reported that they had a number of buyers waiting for the stamp duty changes of 1 July before submitting offers although this also indicates the fact that buyers have ample choice and appear in no hurry to commit. Most agents reported enquiry generally focused on the more affordable properties which in Hervey Bay tend to be established homes ranging from $250,000 to $325,000 and in nearby Maryborough being homes under $250,000.

The region remains affordable by national standards with some limited continuing investor interest. Local investors have been opportunistically purchasing throughout the current downturn however some agents in both Maryborough and Hervey Bay have indicated investors from outside the area seem to be slowly returning to the market, attracted by the low prices and stable rental demand. For example in Maryborough there have been numerous sales in 2012 of modest but sound older timber homes in the $160,000 to $190,000 price range with most homes achieving rents of in excess of $200 to $240 per week.

GLADSTONE

It is very difficult to gauge where the Gladstone residential market is heading. After approximately 12 months of strong capital growth and high rental returns, market activity began to soften in November 2011. More recent market transactions have indicated a decline in market values. Our enquiries with several local agents indicate that listing prices have dropped by as much as 20% with around 5% drop in actual selling prices. With the ever increasing amount of competition coming onto the market, we consider that further market correction may occur.

As discussed in previous editions of the Month in Review, one of the main influences over the market were the number of workers required to construct the LNG plants and other major projects being developed in Gladstone. According to recent data, the peak workforce of around 8,000 workers is expected around the end of 2013/early 2014.

Approximately 5,300 fly-in fly-out workers will eventually be housed on Curtis Island in workers camps. These camps are being built progressively. A further approximately 3,800 rooms are planned on the mainland (number of persons unknown).

The number of people in fully operational workers camps will relieve significant stress off the Gladstone rental market. This has already been displayed in some cases. Recently Bechtel (major construction company building the gas plants) reportedly handed back 125 rental houses and units to the rental market, temporarily flooding the rental market. Agents are reporting that rents have stabilised and that vacancy rates have increased slightly. Furthermore, a local inner city motelier has advised that occupancy rates have dropped by approximately 30% on the back of more and more workers being housed in camps on Curtis Island.

Other than workers accommodation camps we are aware of the following proposed accommodation in Gladstone:

- In the order of 1,061 allotments are currently under construction or close to construction.
- Approximately 120 units currently under construction in Gladstone. A further 849 units have development approval from Gladstone Regional Council but have not yet commenced construction.
- A new 60 room motel (Mercure) adjoining Yarralla Sports Club on O'Connell Street, Barney Point is nearing completion.

The above indicates a huge supply of accommodation which will be bought to fruition over the next couple of years to combat the accommodation demand for workers in relation to major industrial projects in Gladstone.

This stock if not absorbed by the market, will potentially result in price discounting for end lots/houses/units and in turn impact upon the value of development sites.

At this stage it is difficult to predict the affect on the market moving forward, however we believe that there are increased market risks at this stage of the property cycle for Gladstone and purchasers should be acting with caution.

Cairns

The Cairns residential property market remains located at the bottom of the property cycle. Even though the volume of sales has been increasing over the past twelve months, prices remain weak due to property price reductions and higher than normal proportions of low-priced mortgagee in possession sales. Property demand from investors and first home buyers is weak and the market for bottom end housing and tourist orientated property is performing poorly. Demand for better quality houses and units in good locations is still reasonably solid up to around $600,000 but then tapers off reasonably quickly. The recent stamp duty concessions and RBA interest rate reductions may provide a small amount of stimulus to the local property market, but we still expect soft property market conditions to remain throughout 2012.

....property demand from investors and first home buyers is weak and the market for bottom end housing and tourist orientated property is performing poorly....

The median house price trend stood at $338,000 in May 2012, a 3.9% reduction since May 2011, due to the combination of property price reductions and a market shift towards lower priced housing.

However the good news for investors is that vacancy rates for rental property have tightened considerably in recent months. The market now sits well beneath the balanced market range normally accepted as a 3% to 5% vacancy rate, and is moving into the sub-2% severe shortage level. The rental market is expected to experience continued pressure during the remainder of 2012 because of the lack of new private rental housing construction and the slow state of the investment property market. Housing rents typically increased by around $10 a week during 2011-12, and are set to rise by a further $20 a week during 2012-13.

The combination of:

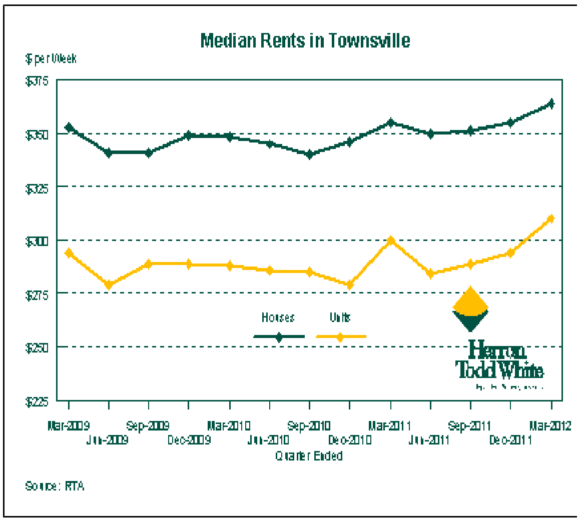
- sales volumes starting to increase;
- limited new construction;
- low rental vacancies and prospective rental increases;
- better affordability (lower prices and interest rates);

are providing the pre-conditions for a return to market vibrancy, but so far it has been slow progress.

Townsville

Townsville's residential property market remains at the bottom of market cycle. Past residential property cycles indicate factors which contribute to the stimulus of the market and include falling vacancy rates, rising rents, population growth and low interest rates.

These property triggers appear to be returning to the residential market throughout 2012 with vacancy rates tightening significantly over the past 12 to 18 months to be trending below 2%. As a result of these tightening vacancy rates, rental rates have been on the increase, increasing $10 to $15 per week over the March 2012 quarter.



The RBA interest rates are at their lowest level since November 2009 and median house values have dipped to $360,000 as at March 2012, down from $378,000 in December 2009. Sale volumes are on an increasing trend, although currently 35% less then the volumes experienced in 2007.

There remain positive signs in the residential market with agents selling properties and brokers writing loans. It is still very much a buyer's market driven by opportunistic purchasers.

Our expectation is for the market to continue with a consolidation phase during 2012, but its imminent recovery will still be a gradual process. The current high activity in the residential sector is positive although the duration is questionable and potentially reflective of a small swelling in sentiment rather than a bubble.

Tasmania

The Tasmanian market on a whole continues to lack the confidence required to underpin a genuine recovery. This is not helped by the recent rise in unemployment and continued negativity surrounding the general state of the economy and state budget. The lack of new home starts and market activity has recently prompted a number of calls from construction and real estate industry bodies for some form of stimulus. This is however something which the state government hardly appears to be in the position to be able to support financially and would really only be a short term fix. While the reduction in interest rates is also welcomed, it does not appear to have stimulated any notable change in market activity.

At the moment there appears to be a real mixed sentiment amongst all sectors of the market ranging from those unwilling to 'make a move' until things play out, to the optimistic few that see the current situation as an opportunity to enter the market or grow an existing portfolio or purchase their first home. We continue to speculate when the market will actually bottom. A decline in the amount of available stock in some suburbs is a possible indicator that vendors are pricing their properties to meet the market or withdrawing the property from sale in favour of renovating the current home (particularly given the transaction costs associated with selling). Generally it appears that most people have realised that the property market has fallen and this does mean that even their property might not be worth what they paid for it a few years ago.

....a decline in the amount of available stock in some suburbs is a possible indicator that vendors are pricing their properties to meet the marke....

A recent upward trend in vacancy rates appears to have prompted the rental market to undergo a price adjustment. Previously the continually low vacancy rate has protected rents from any falls in line with property prices. Feedback from property managers, landlords and tenants has indicated that asking rents have had to be readjusted to attract tenants and incentives such as a couple of weeks rent free are being used. For some landlords this has prompted them to undertake some sprucing up of their properties such as new carpets, painting etc. (don't forget to claim this on your tax depreciation schedule). At the moment it appears as though this rental value adjustment is similar to that of property prices in that those rentals which are well presented and well located will maintain rental values or fall at a slower rate to those which have been somewhat neglected.

Placing further downward pressure on these rents is the increase in supply of rental properties being made available by those relocating and choosing to lease rather than sell their property. This trend has become particularly notable in those areas which have seen significant declines in value; hence investors are unwilling to realise that decline. In our opinion we will not see these markets bottom until the yield being reflected from a property is at a high enough level to prompt the interest of investors. The other big factor in stemming this decline is stopping the migration of people out these markets, which is unfortunately easier said than done.

While it would seem everything is doom and gloom there are some positive developments occurring within Tasmania. In what appears to be the result of the re-configuring of the Tasmanian economy, the agricultural sector is seeing the benefit of a number of developments and infrastructure projects coming to fruition which will (all going to plan) support and promote investment within the agricultural sector.

Darwin

Darwin's residential property market over much of 2012 has received a boost from consumer confidence due to the Inpex LNG project being announced in December 2011. This accompanied by multiple reductions in interest rates, numerous cash injections into the local economy through announcements of several other large infrastructure projects and increased consumer spending has alleviated some of the economic stress in the Top End after a somewhat flat economic period.

Darwin's improved economic standing is evident in a few areas of the property market including the upper end of the unit/townhouse market ($800,000 plus), where sale prices have had limited capital growth and sales throughout 2011 were few and far between. There have been several big sales such as; $1.9 million in Old Admiralty House, The Esplanade and $1.1 million on East Point Road, Fannie Bay. Several units in 130 Esplanade and in the Evolution complex on Gardiner Street have also transacted supporting increased market activity. The uptake of these apartments and many others, the decline in rental vacancies and the subsequent increase in rents, show an increase in confidence in the Top End and its property sector.

Moreover, since the announcement of the INPEX project the selling periods for the majority of residential properties have decreased dramatically with many properties selling within two to four weeks of being on the market. A few of these residential properties have sold in under a fortnight. The increased pressure on Darwin's property sector and moreso rentals, may have been under estimated although INPEX has planned to construct a workers village at Howard Springs just outside Darwin, which will house 2,800 workers. This will however not accommodate the families of these workers nor the workers of ancillary businesses to the project.

The property professionals of Darwin are unsure as to the affect these increases will have on property prices in the Top End as Darwin is already facing affordability issues therefore any price increases may put the residential property market further out of reach for property investors. There is no doubt the residential property market in the Top End is moving forward however the peak of which is yet to be seen.

Perth

A Few Storm Clouds Brewing

Across the 2012 year so far, Perth has seen median dwelling prices stabilise, as turnover continues to rise in both the housing and multi-residential sectors although the latter is still some 25% below average levels reflecting weak investor confidence in the market.

Growing first home buyer activity that helped kick start the upswing has continued to increase and has now unleashed trade-up buyers to move up in the market. However this flow on effect to increased activity in the upper end of the market is yet to happen. HTW Perth has noticed an increase in buyer enquiry from both first home and trade-up buyers, with agents in some areas reporting 15 plus enquires at most home opens and multiple offers being put forward to sellers.

As at July 11th, total listings for the Perth metropolitan Region sat at 11,784 (REIWA), which is the first time since the 2007 boom that listings have slipped below the equilibrium level of 12,000, indicating that there may be some supply pressure in the lower and middle markets in time. At this same time reported sales have been showing a steady increase as the market is returning to average turnover levels with the help of our first home and trade-up buyers. Whilst this is a positive sign that confidence is returning to the established dwelling market, there are a few storm clouds brewing around housing supply in Perth.

Following the introduction of the new Building Act on 2nd April 2012, there has been a significant reduction in building approvals during the June quarter. In April, building approvals slumped 46.7%, which means that buyers are now turning to the established housing market and stock numbers are falling. If this persists, there will be a fall in new dwelling starts for the June and September quarters which will ultimately lead to a supply imbalance that will, in turn, put pressure on the established housing market. The knock-on effect will ripple through the existing residential housing market and put pressure on both buyers and renters for the latter half of 2012.

The rental market across the Perth metropolitan area saw another increase over the year taking the median overall rent to $420 per week and the house median rental at $430 per week as at June 2012. This increase is not surprising as the Perth metropolitan region experienced a 24% fall in properties available for lease at the beginning of the year which led to supply pressure across the sector inviting the vacancy rate to slide to 1.8%.

For the month of July, current rental listings for the Perth metropolitan region sat at 2,667 (REIWA) which indicates that the supply situation is improving and in time may see a higher stabilisation of prices. However, our valuers are witnessing very nervous renters with regards to further tightening of prices and report a lack of supply around the central sector of Perth. Furthermore, some property managers were reporting an average of 20 plus applications for rental properties in these suburbs.

....the rental market across the Perth metropolitan area saw another increase over the year taking the median overall rent to $420 per week....

The outlook for the 2012/13 financial year is an interesting one, given stock levels in both the rental and ownership market are diminishing, a hold up of construction due to the Building Act changes and an overall positive sentiment for households to buy established dwellings. There could be some upwards supply price pressure in the latter part of 2012. However, since the Global Financial Crisis it seems most households are more focused on reducing or repaying debt and the dreams of over extending oneself in the property market are far gone. With this change in sentiment it is expected that prices will remain relatively stable in the short term, however turnover will continue to rise.

South Western WA

So, what's the goss in the market? Continuing on from earlier in the year, sales are generally rolling along fairly steadily. There are the usual ups and downs with a traditional lull felt in June as the end of the financial year approached, but July has picked up again with one agent reporting seven sales personally this month so far.

While this is all fairly positive, it is still generally at the lower end of the market (under $400,000) where most of the transactions are taking place.

It appears that the built up demand from the last several years is driving the sales and a general feeling that prices won't get much lower. We are seeing prices similar to the end of 2005 start of 2006, so well off the peaks of mid 2007.

There are two major movements affecting the south-west currently with the end of the Worsley expansion approximately 1,500 staff are moving on to other projects. This has freed up the rental market particularly at the higher levels and for furnished properties. We had reason to experience this first hand when our roof relocated itself to the lawn in the last storm, so we needed furnished accommodation at short notice. Despite two dogs and two cats we had the option of four properties within a day and if we were pet free more would have been on offer.

The second more positive outcome, or possibly as result of the Worsley wind down, has been the commencement of a bus service twice a day for FIFO workers, starting in Dunsborough, travelling through Bunbury and up to the Perth Airport. This, coupled with approval being given for more flights from Busselton, can only make it easier for more workers to call this part of the world home, while working away in the mines.

While at risk of being the perpetual optimist, the medium term future for the area is looking promising.

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Rural – Market Directions

Another spike in world grain prices and strong sugar prices are the two stand-out positive influences which may result in uplift in investor confidence in their respective property markets, assuming those commodity prices remain elevated and at least average yields are achieved. Current seasonal conditions for the winter crop are generally favorable in most districts.

Predictions of a return of the El Nino climatic event to Australia later in the year; a rebounding Austranian dollar; a world awash with debt and anemic or lower economic growth forecasts for the non-Asian economies; together with concerns about Australia's economic outlook (post the mining boom) and our political setting, are all factors which to varying degrees are likely to retard confidence levels in the agri-property sector generally. In the northern Australian beef pastoral zone the relatively high industry debt levels when coupled with the uncertainties flowing from Indonesia's reduced intake of live cattle and their recent implementation of a 5% tariff, continue to adversely impact on confidence levels.

While there has been much recent debate about the need or desirability/impact of increased foreign investment in Australian farmland (the elephant in the room) it is not that increased foreign investment/capital is undesirable. It is more the fact that capital, be it debt, equity, local or foreign sourced will/should only be attracted to farmland investment and development projects if the expected return on capital (ROC) appropriately reflects the risks and volatility associated with achieving those returns. In recent years, generally speaking, the ROC on Australian farmland assets has not been adequate to attract what some experts suggest should be the necessary pool of capital. This along with the appropriate management platform to operationally run these assets will see this market possibly take longer to develop than at first view. Agricultural production is a relatively high risk business requiring astute management (and a good dose of luck!), due to commodity price volatility and seasonal/climatic variability and the difficulties of optimising production at times of higher commodity prices.

It could be argued that in recent years the ROC achieved on Australian farmland investment has not been adequate to justify increased investment and hence property prices have generally been recalibrating. Farm indebtedness, rising costs, variable commodity and currency prices and production results have all contributed to this outcome. The impact on the value of rural markets nationally across various commodity classes is reflective of these factors and supporting a "rebalance of investment".

The good news is that most regional areas have reported good seasonal, and in some cases un-seasonal rains which will further underpin the production outcomes for this year's crops. With the higher base commodity prices many will be looking forward, but wary after two rain affected harvests. The grazing sector like wise appears to have a quite confidence building however cheque books remain close to back pockets in the main with many properties not attracting bids at auctions nationally.

Where will the capital come from for the next round of purchases remains a key question and this source may well provide the next indicator to value drivers for the rural market.

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1 August 2012

Northern NSW

Continued wet conditions.

Sugar Cane

A cane farm at Dulguigan near Murwillumbah that was put to auction on the 20th of June has been sold on a walk in walk out basis. Sales evidence at Condong and Harwood sugar mill areas indicates a reduction in land values.

Continued wet conditions are testing the patience of industry participants. Growers are keen to prepare paddocks for planting but conditions are too wet. In many cases harvesting conditions are marginal due to the wet ground conditions.

Growers are awaiting advice as to the possible sale of the sugar mills and part refinery.

Cattle

A 711 hectare cattle grazing property with subdivision approval north of Tabulam is to be put to auction on 26 July 2012.

Summer Cropping

An 83 hectare cropping property south of Lismore is to be put to auction on 26 July 2012.

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

A month is a long time as far as seasons, attitude and outlooks, for last months MIR I reported that many farmers were worried that we were heading back into drought conditions. Well, since then many areas have experienced at least 25 millilitres of rain and some areas have received up to 100 millilitres. Because the soil moisture profile was near full, many crops which were starting to suffer moisture stress are now suffering from water logging. What a difference a month makes. At this stage farmers in some areas are finding it difficult to get onto country to spread urea and spray weeds, and many are hoping for a couple of weeks of dry weather so that they can get back onto country to be able to apply cropping inputs and control weeds, rye grass, etc.

....there have been no substantial new offerings to the market at this stage, however the next market test will be the auction of 'Donna Valley' at Holbrook....

Due to high rainfall in some catchments, there has been some flooding below water storages. As predicted last month landowners were becoming concerned about the high level of water storages and were advocating releasing water over a long period to drop the levels of the almost full storages. This was not done, and when there were significant rainfalls above some storages water had to be released quickly (up to 32,000 ml per day from Hume), and this caused some downstream flooding.

On the rural property side of things, there have been no substantial new offerings to the market at this stage, the next market test will be the auction of 'Donna Valley' at Holbrook. This is the home of the well known Donna Valley Limosin Cattle Stud.

At this stage in the growing season most farmers are pretty happy with things. Recent widespread rainfall has revived ailing crops, the soil moisture profile is full, and water storages are full or near full - before the annual snow melt has started. The price of wheat has increased to more than $300 per tonne, and canola is over $550 per tonne. Provided follow up rain is received the season should end up with some big smiles all round.

Hume Weir on 20 July 2012 approximately 98% capacity

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Regional Victoria

Dryland Cropping

Some good rains finally arrived in early July and the countryside has transformed from previous dusty paddocks into green establishing cereal crops. Up to 2 inches (50mm) of rain fell over several days in the area. Further positive news for farmers in this sector is the recent surge in world wheat prices due mainly to the worsening drought conditions in the United States. The current $300 per tonne for APW (only six times in the previous 45 years has it been over $300 per tonne) is significant particularly noting that the Australian dollar is trading well above parity at the moment.

Wine Grapes

The round up of the 2012 Australian Wine Grape Season has been summarised in the recently released "2012 Winegrape Purchases: Price Dispersion Report", prepared by the Australian Wine & Brandy Corporation.

This report summarises the wine grape intake and the average prices paid for fruit delivered to the largest Australian wineries (approximately 80% of total purchases). The reported 2012 average purchase price of $457 per tonne is the first rise in five years and compares to $413 per tonne in 2011, $464 per tonne in 2010, $527 per tonne in 2009 and $717 per tonne in 2008.

All varieties showed higher returns from the previous depressed levels of 2011 and further emphasises that there are some positive signs in this sector.

The average prices paid in the Sunraysia region show white wine levels of $306 per tonne for Chardonnay (up from $235 per tonne in 2011); $232 per tonne for Colombard ($188); $333 per tonne for Sauvignon Blanc ($307) and $494 per tonne for Pinot Gris ($427). The main red varieties showed $397 per tonne for Cabernet Sauvignon ($311); $381 per tonne for Merlot ($278); $353 per tonne for Shiraz ($285) and $378 per tonne for Pinot Noir ($336). Winemakers in this region have reported that the quality of grapes is "probably the best in 20 years".

Planning

The Victorian State Government has recently announced sweeping changes and reforms to State Planning guidelines with some positive news for Mildura particularly for the 'intensive inner' Farming Zoned areas. The most positive reform announced is a move to allow individual Councils the discretion to set minimum lot sizes for Farming Zone land. Whilst the current 40 hectare minimum lot size will remain as the default size the move is welcome to those wishing to build a house on land less than 40 hectares and is likely to result in a firming of land values in some of the Farming Zoned areas. The default lot size in the Rural Living Zone is to be reduced to 2 hectares from the current 8 hectares.

The proposed reforms are viewed as promoting growth in agricultural activity and more importantly allows council to adopt planning requirements to local circumstances which will hopefully result in attracting and retaining population in rural locations.

There have been no significant rural sales noted in the past month in the region.

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Central NSW

CENTRAL TABLELANDS AND SLOPES

Overall the rural property market during the recent period has been quiet with limited sales activity since the start of winter. This is not unusual with the main selling period occurring during the spring. Seasonal conditions are relatively good and consequently when spring does arrive the presentation of the properties listed for sale are expected to be very good.

While there has been limited sales activity, value levels on the NSW Tablelands and Slopes for standard size good quality family farming properties appear to be holding. The buyer profiles remain as being predominantly existing industry landholders looking to expand. Non local high income rural investors / lifestyle buyers are still not overly active in the market and as a result the pool of buyers is relatively small. Confidence levels are a mixed bag with the high Australian dollar making Australian rural export comparably expensive to trading partners over the past 12 months. This has seen a reduction in the value of rural commodities for the majority of products over the past 12 months, with the exception of beef. This, combined with tight lending policy from many of the finance lending institutions, has reduced the desire and ability of many landholders to acquire additional land capital.

A counter to this is that seasonal conditions over the past two to three years have improved considerably from the drought and as a result producers are rebuilding and expanding. Dry conditions overseas are also improving the outlook for this years returns for wheat and canola in particular.

....confidence levels are a mixed bag with the high Australian dollar making Australian rural export comparably expensive to trading partners....

Overall the rural property market on the NSW Tablelands and Slopes appears to be in a holding pattern. With spring approaching we foresee an increase in sales activity, albeit from a low base, and values for good quality holdings should hold, although secondary quality holdings could be under downward value pressure. Larger scale corporate buyers, while they remain in the market, are becoming more discerning in their approach and as a result premiums that have been achieved in the past for large aggregations appear less likely to occur in the future.

Contact:

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DUBBO

The overall picture of sales and market value at present continues to be segregated on seasonal lines with the areas of Coonamble and Walgett still receiving moderate to reasonable levels of interest from both the family farming interests and corporate level interest. Whilst there have been a number of larger properties offered to the market recently such as "Buddah Station" without a result as yet, we are aware of offers from the corporate sectors on these holdings which indicate that value levels are currently steady. However, for properties outside of these Coonamble, Walgett and to some extent the north east of Dubbo areas the balance of this market is driven by local landholders and larger family farming interests looking to expand and our experience at present is that their appetite for risk is quite subdued and this is reflected in the volume of sales currently being registered throughout large areas of the Central and Western Division of New South Wales. Many of the sales that have occurred outside of these more active areas are the product of an adjoining landholder seeking to secure neighbouring holdings.

Southern Queensland

The continuing sporadic rainfalls throughout the Darling Downs and parts of Western Queensland where reports of above 75 millimetres have been recorded have been generally welcomed. Good moisture profile, backed up with recent rainfalls has now provided an excellent strike. The combination of rising grain prices and the potential of solid yields will undoubtedly provide some welcome confidence this season. APH2 wheat delivery Dalby is currently around $340 per tonne, up around $80 per tonne from March prices. The cattle market has remained quite steady although yarding numbers have been down due to the recent wet conditions.

Overall the rural market within the Southern Queensland area continues to remain quite soft with very little activity across the board. There is the perception that low buyer confidence is continuing to hamper any market recovery which is further compounded by the increasing number of Mortgagee or Receiver instigated properties entering the market. Those properties are not isolated to any one geographical area or market segment. This is highlighted by properties such as 'Glenelg' a 4,407 hectare property located in the tightly held Taroom area, 'Earlwood' a 4,144 hectare mixed farming property with a 2,400 SCU approved feedlot near Glenmorgan and 'Dalkeith' a 15,419 hectare grazing block to the north-east of St George just to name a few currently listed.

One market sector that we believe has faired better within the current property market is the good quality broadacre or irrigated Inner Darling Downs holdings. There has been another strong market indicator of the strength of the market with the sale of 'Poplar Farm' a 456.6 hectare dryland farming block to the south of Jondaryan. The holding is positioned within a well regarded farming precinct of deep self mulching 'Waco' clays soils. The property sold at auction for $3.2 million reflecting $7,008 per hectare overall.

Other perspective sales coming onto the market specifically within the Goondwindi Region include 'Rugby' and 'Warratoo' to the north-west a 4,533 hectare mixed irrigated cotton, grain and cattle operation and 'Mobandilla' and 'Kinggumbilla' an established 5,443 hectare irrigation property with 7,200 megalitres of allocation 30 kilometres to the west of Goondiwindi. The sale of these holdings will provide excellent guidance going forward.

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Northern Queensland

This season has been an interesting one. This last month good rainfall fell in the Basalt, Flinders River catchment, Julia Creek and parts of the Gulf of Carpentaria. Then in June for two or three days, good rain fell across North Queensland. Again in May, the same thing happened. Just a couple of days each month with significant falls of rain.

In some districts (Lower Gulf, Basalt, Charters Towers, Cloncurry, etc) this unseasonal rain is a blessing with graziers having fresh green pick for their cattle. Unfortunately for those on the Mitchell Grass Downs there are mixed reports of the effects of the last rain event. In some instances there was enough rain to keep the Mitchell Grass green. For some though, the grass has gone black and lost its nutrition due to the cooler temperatures and not enough rain.

....due to the unusual season, some graziers are only just finishing their first rounds of mustering....

For most this unusual season has been good. For some, the last rainfall event was not needed!

Property sales are occurring steadily. There is a chance that cattle station sale numbers this year will end up in the mid to high teens across North Queensland. At this stage there have been 12 stations go under contract (one or two are due to settle shortly). It seems that this year the market is favouring private negotiations as the medium for putting deals together.

Of the sales that have occurred this year, the analysed value rates for each country type, for its location, level of water and fenced improvement appears to be starting to show adequate perspective for each respective country type. This is a vast improvement from the uncertain period that has prevailed in recent years. The tyranny of uncertainty has caused many an industry stakeholder much concern in recent years!

It's sad to hear that the live export market has not rationalised as well as the property market has. Hearsay comments around the traps are that the proposed next boat out of Townsville has been cancelled due to Indonesia's decision to put in place a 5% import tariff on their cattle imports. The north Australian cattle industry does not need this after enduring the initial 350 kilogram cap on weights and the results of the ban. Luckily for some a boat is leaving from Karumba while this article goes to press.

The end of the year is nigh though. Yet due to the unusual season, some graziers are only just finishing their first rounds of mustering! The weaners from the first round have been in very good condition. Many graziers have their wet and dry cows segregated for the end of year lick programme already.

From the North Queensland team,

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Central Queensland

Extensive rainfall across the Fitzroy Basin catchment area has seen a winter run in the Fitzroy River which is an unusual mid year observation, and contrasts the Bureau's

predictions for the return of El Nino. This at least in the short term will provide a water supply security and a full moisture profile.

Sales activity has been steady across most of the region with follow on purchases from mine expansions providing the only transactions at values above about $3M. This has absorbed some stock from the market which would otherwise remain.

"Cerberus" located 40km west of Marlborough and comprising 8,280ha of mainly developed scrub and forest was recently passed in at auction. The property is now listed for sale at $7.5M which indicates $905/ha ($365/ac) or around $3,400/AE at the asking prince.

"Macanda" located just west of Moura will provide a gauge on current market conditions if sold, being previously sold in 2009. The 2,517 hectare property has a frontage to the Dawson River with water entitlements.

Due to the above average seasonal conditions in the recent 2 – 3 years, water transactions of substantial size in the Fitzroy Basin area have been scarce. However here have been some recent purchases by Sunwater of medium security allocation with values reflecting around $1,900/ML. Further to this resource industry stakeholders have also purchased water at higher values as well as a holding charge as part of the extended settlement period.

Contact:

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Northern Territory

The Indonesian government has recently decided to issue 98,000 live cattle import permits for the second half of the 2012 calendar year. This is in stark contrast to the 193,000 head permits that were granted in the corresponding period of 2011.

Adding further to the industry's woes, Indonesia has also imposed a 5% tariff (retrospective to January 2012) on live cattle imports.

Despite these factors, we note that the current Darwin price is hovering around 200 cents per kilogram. It would appear that there are difficulties sourcing sufficient cattle at present despite this price level. Anecdotally, many producers appear to be looking to alternative markets

The proposal by the Australian Agricultural Company (AAC) to establish an abattoir in the Top End has been moved a little closer to fruition. Settlement for the 601.1 hectare site at Livingstone (in the Darwin rural area) was effected earlier this month.

....there has been very little movement in pastoral property sales in the Top End over the past month....

AACo have also announced that they have reached an agreement with the traditional owners to manage two adjoining cattle stations in the Kimberley. Leopold Downs and Fairfield total 4,856 square kilometres north of Fitzroy Crossing and form a good commercial scale pastoral operation. We expect further announcements in regards to this over the next month or so. It signals a move by AACo into Western Australia, which has traditionally been heavily reliant on live export for an economically viable market.

There has still been very little movement in pastoral property sales in the Top End over the past month, although we hope to be able to report on market activity in the Kimberley shortly. The two adjoining properties Riveren and Inverway in the Western VRD region went under the hammer this month, but at the time of writing, remained unsold. We also note the upcoming auction of Killarney, a substantial operation in the VRD, which if sold, could signal a new benchmark for pastoral property in the area.

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South Western WA

As the London Olympics are now imminent, dairy farmers in the UK are taking to the streets to protest against a price reduction which will see many potentially lose their businesses and homes. I am sure many Australian dairy farmers will be sympathetic to their cause, as local dairy farmers continue to struggle to make their own dairy operations pay.

This month has seen the Australian Bureau of Agricultural and Resource Economics and Sciences (ABARES) Conference held in Margaret River WA. The event was reportedly well attended by a broad spectrum of people involved in the rural industry. The Conference Commodity Report issued projected real farm cash incomes in Western Australia for 2011/12 to increase for the sheep and grain industry as they decrease for the beef and dairy industry, which I am sure does not come as a surprise. This, together with the recent increase in grain prices resultant from poor crops in the US, gives some positivity for the sheep and grains industry, which in turn may bring some confidence back into the wheatbelt regions and increase demand for farming properties.

Rain has continued to fall in July throughout the majority of the agricultural regions giving well needed growing season rainfall to many producers.

On the south coast a well known rural real estate company has recently auctioned two agricultural properties in Albany WA. The auctions were well attended and both properties went under the hammer. This is an encouraging sign as it has been reported that a number of auctions held over the past 12 months have been poorly attended and the properties have been passed in.

The rural lifestyle market in the south west of Western Australia continues to be quiet, however, offers are still being made if the asking price is right. We have been informed that 40 hectares of grazing country in the Cowaramup region has recently sold for $16,250 per hectare which is considered to reflect a 15% to 20% reduction in value from the 2006/7 peak.

This will be my last edition as I am heading back to the northern hemisphere to rear my family in North Yorkshire. I hope that my monthly ramble has been of some information to someone and that you have at least enjoyed the very basic weather report. I wish you all the best in your future endeavours and hope that Australia's agricultural industry continues to battle in spite of the overnment and natural disasters that plague the industry.

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Comparative Property Market Indicators - July 2012

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

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

Comparative Analysis of Capital City Property Markets

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

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

Comparative Analysis of New South Wales/ACT Property Markets

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

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

Comparative Analysis of Victorian/Tasmanian Markets

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

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

Comparative Property Market Indicators - July 2012

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

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Comparative Analysis of Queensland Property Markets

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

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

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

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

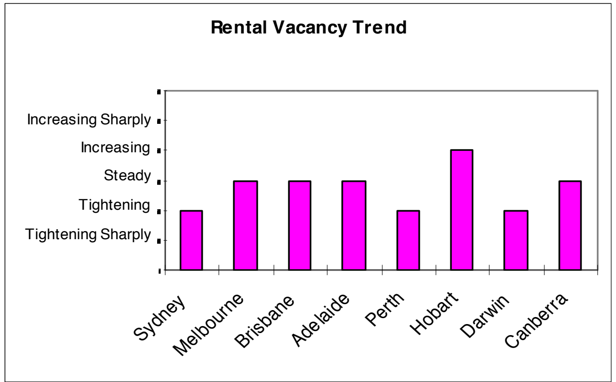
Adelaide	(08) 8231 6818
South West WA (Bunbury/Busselton)	(08) 9791 6204/ (08) 9754 2982
Perth	(08) 9388 9288
Darwin	(08) 8941 4833

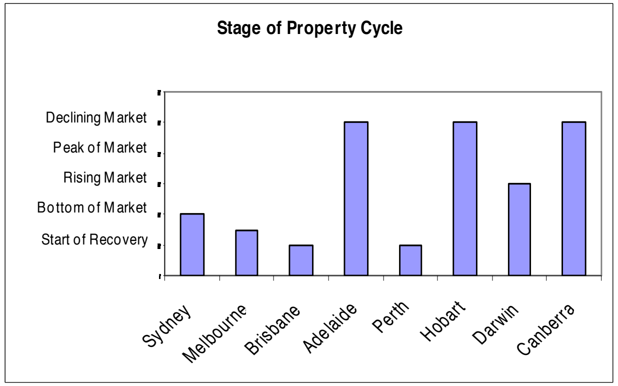
Capital City Property Market Indicators as at July 2012 – Houses

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	Tightening	Steady	Steady	Steady	Tightening	Increasing	Tightening	Steady
Demand for New Houses	Fair	Soft	Soft	Soft	Soft	Soft	Strong	Soft
Trend in New House Construction	Increasing	Steady	Steady	Declining	Declining	Declining	Increasing	Steady
Volume of House Sales	Steady	Steady	Steady	Declining	Steady	Steady	Increasing	Steady
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	Declining market
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Occasionally	Occasionally	Occasionally	Almost never	Occasionally	Occasionally	Occasionally	Occasionally

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

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





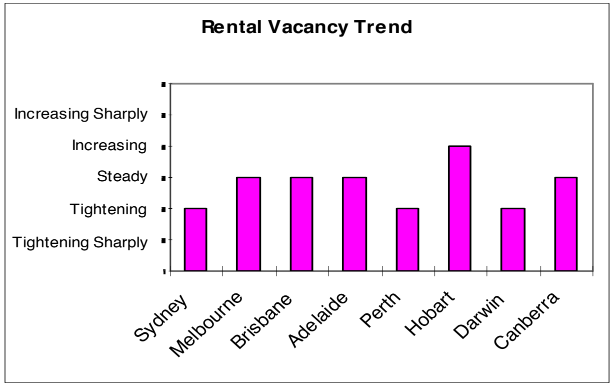
Herron Todd White
Independent Property Advisors

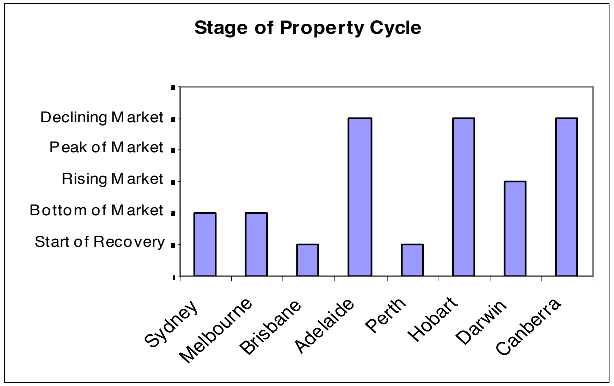
Capital City Property Market Indicators as at July 2012 – Units

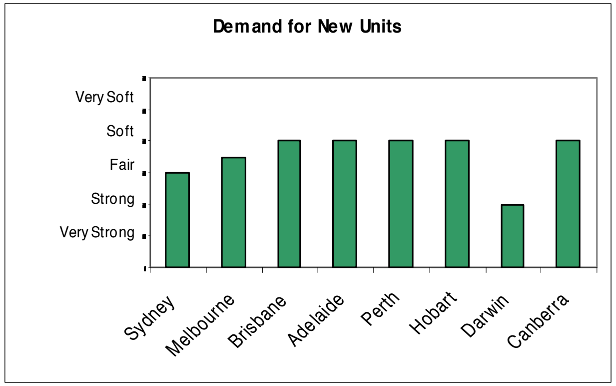
Factor	Sydney	Melbourne	Brisbane	Adelaide	Perth	Hobart	Darwin	Canberra
Rental Vacancy Situation	Shortage of available property relative to demand	Balanced market	Balanced market	Balanced market	Shortage of available property relative to demand	Over-supply of available property relative to demand	Severe shortage of available property relative to demand	Balanced market
Rental Vacancy Trend	Tightening	Steady	Steady	Steady	Tightening	Increasing	Tightening	Steady
Demand for New Units	Fair	Soft - Fair	Soft	Soft	Soft	Soft	Strong	Soft
Trend in New Unit Construction	Steady	Increasing	Steady	Declining	Declining	Declining	Increasing	Steady
Volume of Unit Sales	Steady	Steady	Steady	Declining	Steady	Steady	Increasing strongly	Steady
Stage of Property Cycle	Bottom of market	Bottom of market	Start of recovery	Declining market	Start of recovery	Declining market	Rising market	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





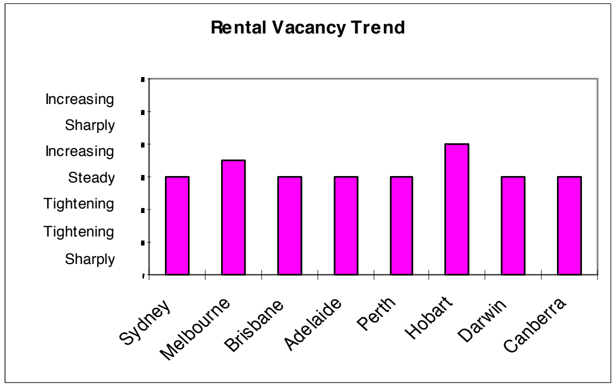


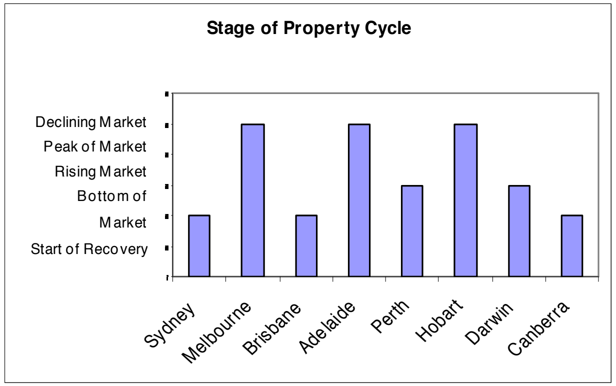
Capital City Property Market Indicators as at July 2012 – Industrial

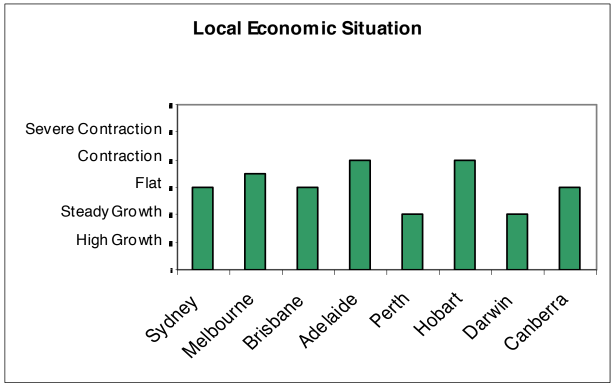
Factor	Sydney	Melbourne	Brisbane	Adelaide	Perth	Hobart	Darwin	Canberra
Rental Vacancy Situation	Over-supply of available property relative to demand	Balanced market - Over-supply of available property relative to demand	Balanced market	Balanced market	Balanced market	Over-supply of available property relative to demand	Balanced market	Over-supply of available property relative to demand
Rental Vacancy Trend	Steady	Steady - Increasing	Steady	Steady	Steady	Increasing	Steady	Steady
Rental Rate Trend	Stable	Declining - Stable	Stable	Stable	Stable	Declining	Increasing	Stable
Volume of Property Sales	Steady	Steady - Declining	Steady	Declining	Steady	Declining	Steady	Steady
Stage of Property Cycle	Bottom of market	Declining market	Bottom of market	Declining market	Rising market	Declining market	Rising market	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	Significant	Small - Significant	Significant	Small	Significant	Significant	Significant	Significant

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

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





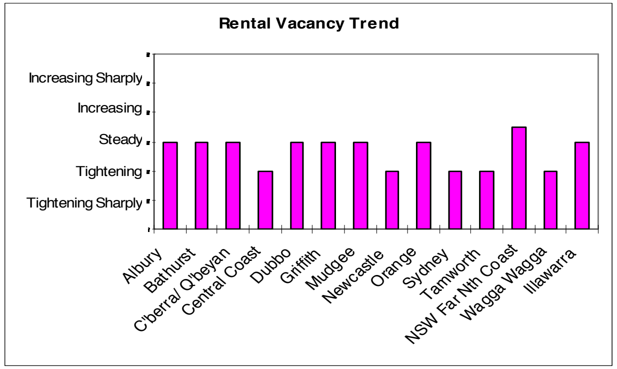


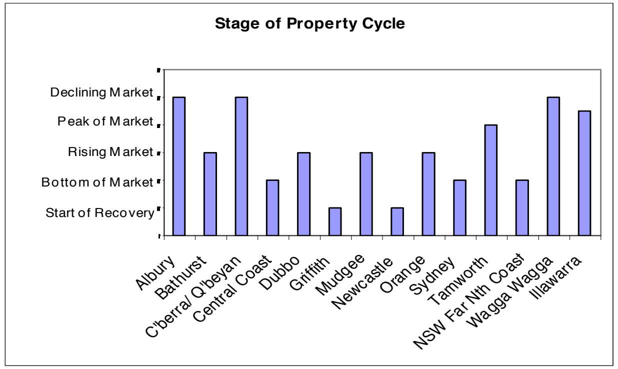
New South Wales Property Market Indicators as at July 2012 – Houses

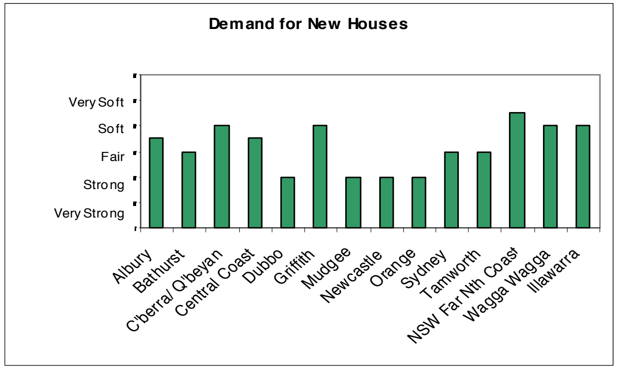
Factor	Albury	Bathurst	Canberra/ Q'beyan	Central Coast	Dubbo	Griffith	Mudgee	Newcastle	Orange	Sydney	Tamworth	Tweed Coast	Wagga Wagga	Wollongong
Rental Vacancy Situation	Shortage of available property relative to demand - Balanced market	Shortage of available property relative to demand	Balanced market	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	Tightening	Steady	Steady	Steady	Tightening	Steady	Tightening	Tightening	Steady - Increasing	Tightening	Steady
Demand for New Houses	Soft - Fair	Fair	Soft	Soft - Fair	Strong	Soft	Strong	Strong	Strong	Fair	Fair	Very soft - Soft	Soft	Soft
Trend in New House Construction	Declining	Increasing	Steady	Declining - Steady	Steady	Steady	Steady	Increasing	Increasing	Increasing	Steady	Declining	Steady	Declining - Steady
Volume of House Sales	Steady - Declining	Steady	Steady	Steady	Increasing	Increasing	Increasing	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	Rising market	Bottom of market	Peak of market	Bottom of market	Declining market	Peak of market - Declining market
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Occasion-ally	Occasion-ally	Occasion-ally	Almost never - Occasion-ally	Occasion-ally	Occasionally	Occasionally	Occasion-ally	Occasion-ally	Occasion-ally	Occasion-ally	Occasion-ally	Occasion-ally	Occasion-ally

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

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







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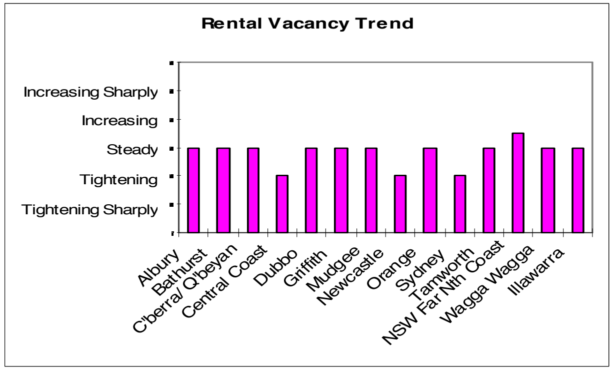
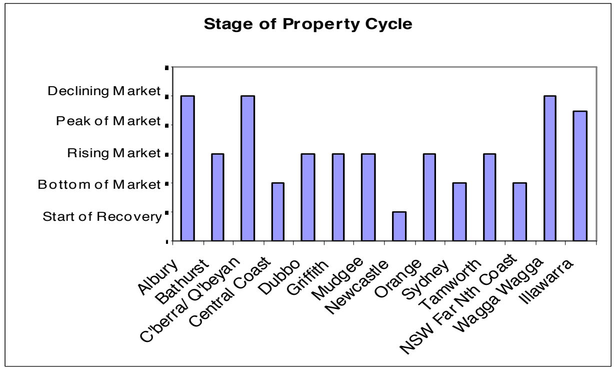
New South Wales Property Market Indicators as at July 2012 – Units

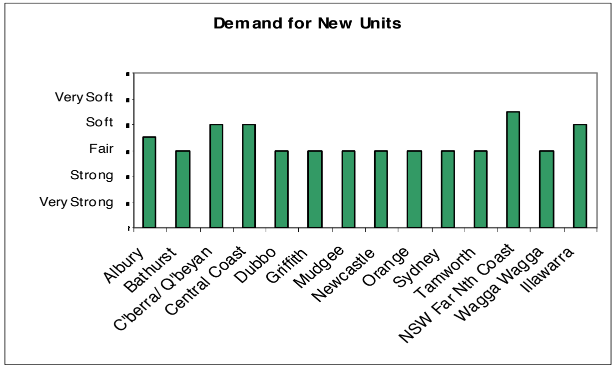
Factor	Albury	Bathurst	Can-berra/ Q'beyan	Central Coast	Dubbo	Griffith	Mudgee	New-castle	Orange	Sydney	Tam-worth	Tweed Coast	Wagga Wagga	Wollon-gong
Rental Vacancy Situation	Shortage of available property relative to demand - Balanced market	Shortage of available property relative to demand	Balanced market	Shortage of available property relative to demand - Balanced market	Shortage of available property relative to demand	Shortage of available property relative to demand	Shortage of available property relative to demand	Severe shortage of available property relative to demand	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	Tightening	Steady	Steady	Steady	Tightening	Steady	Tightening	Steady	Steady - Increasing	Steady	Steady
Demand for New Units	Soft - Fair	Fair	Soft	Soft	Fair	Fair	Fair	Fair	Fair	Fair	Fair	Very soft - Soft	Fair	Soft
Trend in New Unit Construction	Declining significantly	Steady	Steady	Declining	Steady	Steady	Steady	Steady	Steady	Steady	Steady	Declining	Steady	Declining - Steady
Volume of Unit Sales	Steady - Declining	Steady	Steady	Steady - Declining	Steady	Steady	Steady	Steady	Steady	Steady	Steady	Declining	Steady	Steady
Stage of Property Cycle	Declining market	Rising market	Declining market	Bottom of market	Rising market	Rising market	Rising market	Start of recovery	Rising market	Bottom of market	Rising market	Bottom of market	Declining market	Peak of market - Declining 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



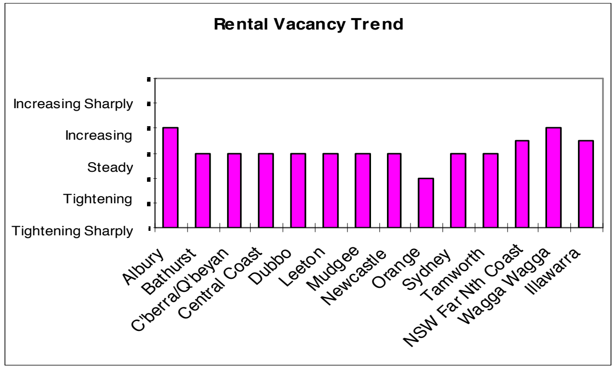


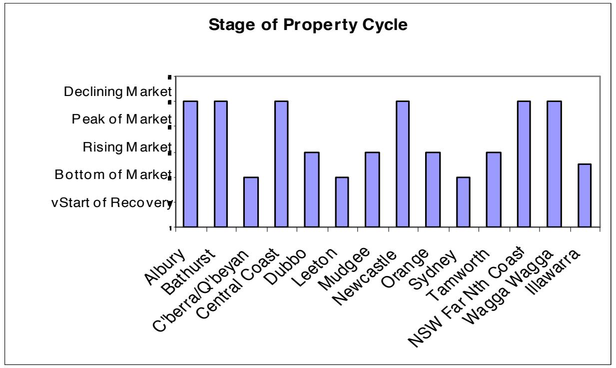


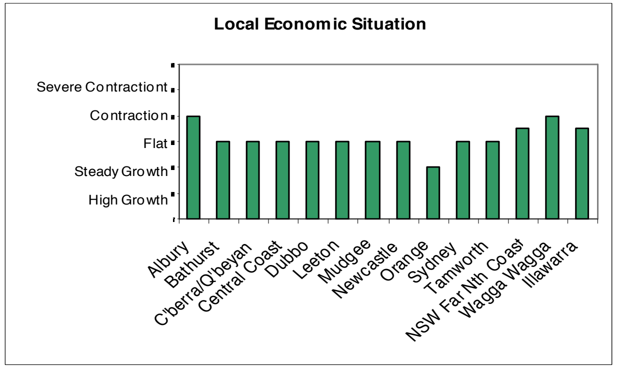
New South Wales Property Market Indicators as at July 2012 – Industrial

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





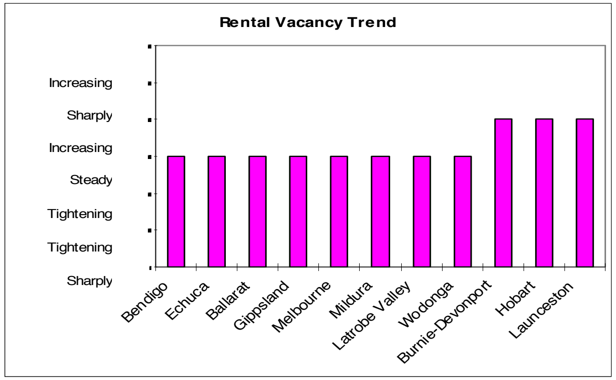


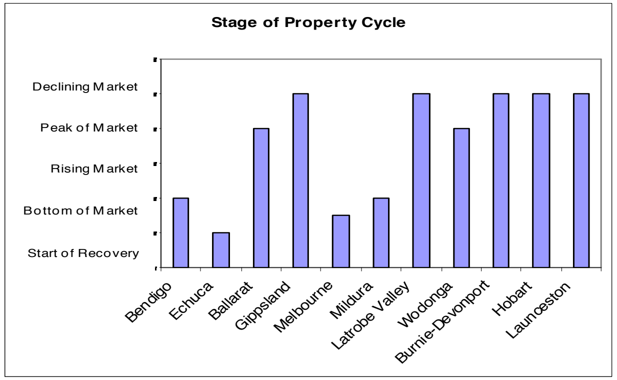
Victoria/Tasmania Property Market Indicators as at July 2012 – Houses

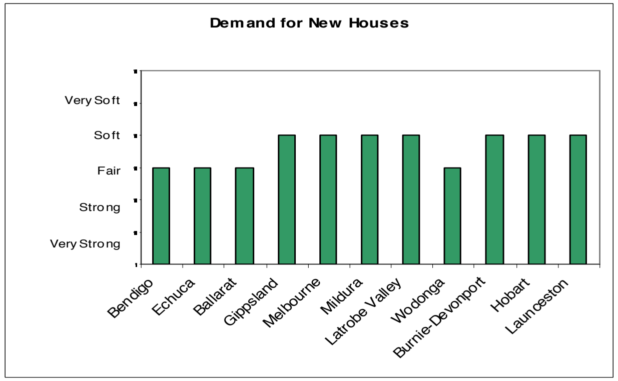
Factor	Bendigo	Echuca	Ballarat	Gippsland	Melbourne	Mildura	Latrobe Valley	Wodonga	Burnie/Davenport	Hobart	Launceston
Rental Vacancy Situation	Balanced market	Balanced market	Shortage of available property relative to demand	Balanced market	Shortage of available property relative to demand - Balanced 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	Declining	Declining	Steady	Steady	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 July 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	Declining	Declining	Increasing	Steady	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

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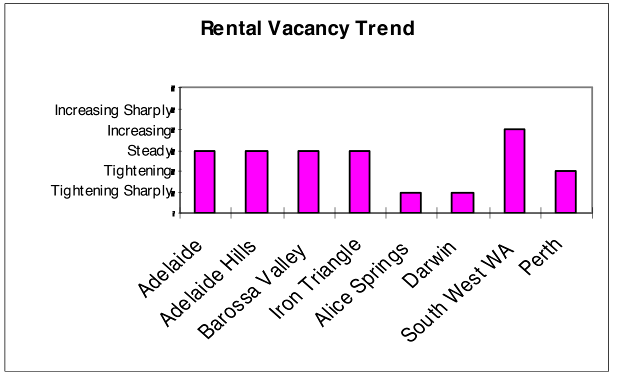
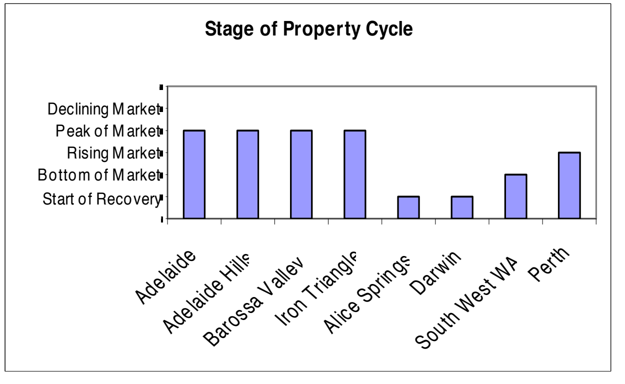
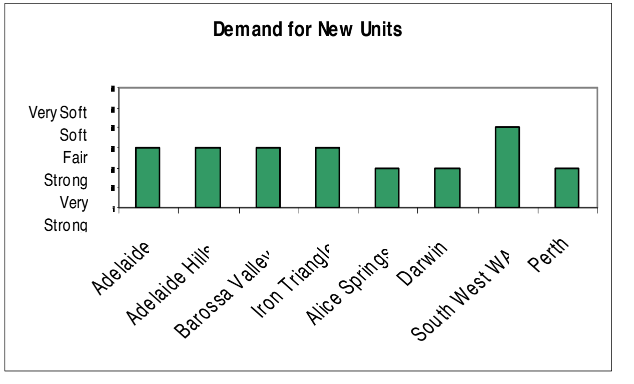
Blue entries indicate change from previous month to a lower risk-rating







Victoria/Tasmania Property Market Indicators as at July 2012 – Industrial

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

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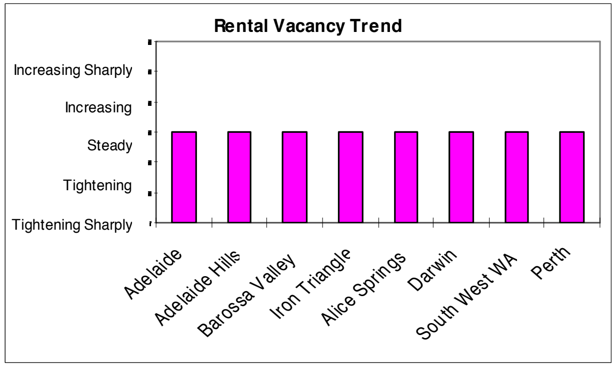
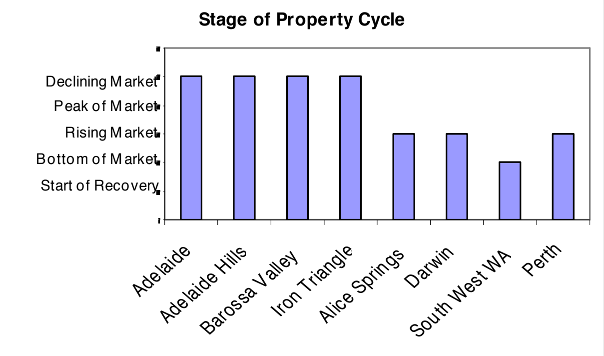
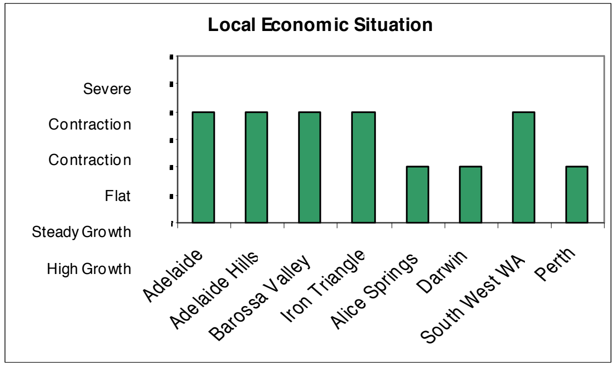
Blue entries indicate change from 3 months ago to a lower risk-rating





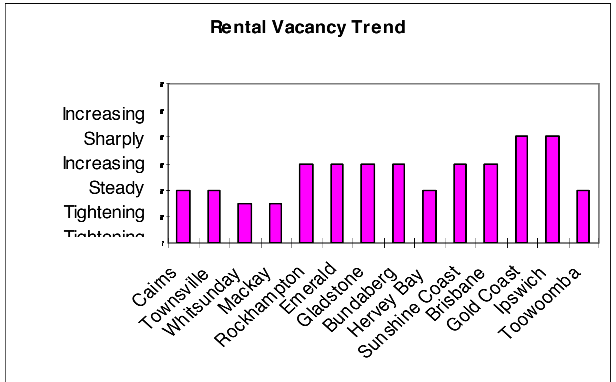


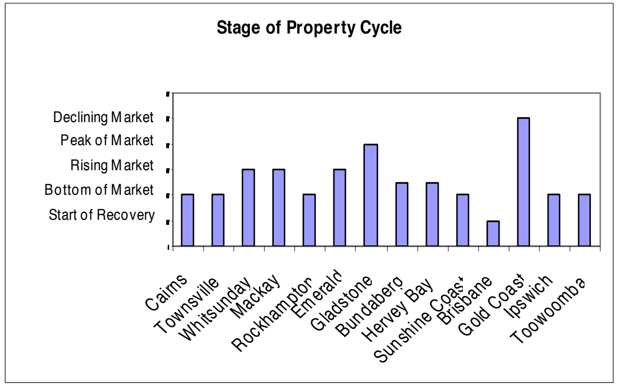
Queensland Property Market Indicators as at July 2012 – Houses

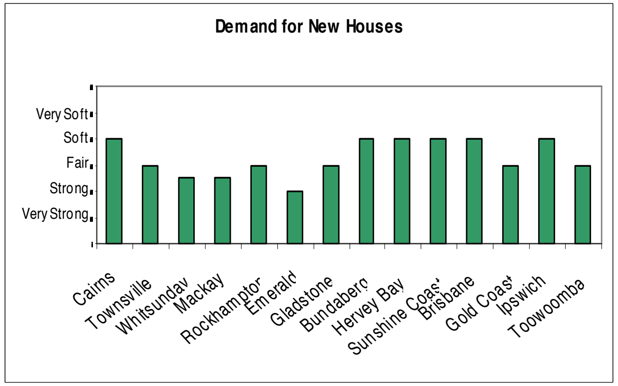
Factor	Cairns	Towns-ville	Whit-sunday	Mackay	Rock-hampton	Emerald	Glad–stone	Bunda-berg	Hervey Bay	Sun-shine Coast	Brisbane	Gold Coast	Ipswich	Too-woomba
Rental Vacancy Situation	Severe shortage - Shortage of available property relative to demand	Severe shortage of available property relative to demand	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	Balanced market	Balanced market	Balanced market	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	Steady	Steady	Steady	Steady	Tightening	Steady	Steady	Increasing	Increasing	Tightening
Demand for New Houses	Soft	Fair	Fair - Strong	Fair - Strong	Fair	Strong	Fair	Soft	Soft	Soft	Soft	Fair	Soft	Fair
Trend in New House Construction	Steady	Steady - Increasing	Steady - Increasing	Steady - Increasing	Steady	Increasing	Steady	Steady	Declining - Steady	Declining	Steady	Steady	Steady	Declining
Volume of House Sales	Increasing - Steady	Increasing	Increasing	Increasing	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	Peak of market	Bottom of market - Rising market	Bottom of market - Rising 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

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

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







Herron Todd White
Independent Property Advisors

Queensland Property Market Indicators as at July 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	Balanced market	Balanced market	Balanced market - Over-supply 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	Tightening	Steady	Steady	Steady	Steady	Steady	Steady	Steady	Steady	Steady	Steady
Demand for New Units	Very soft	Fair	Fair	Fair	Fair	Strong	Fair	Soft	Very soft	Soft	Soft	Soft	Soft	Soft - Fair
Trend in New Unit Construction	Declining	Steady	Steady	Steady	Steady	Increasing	Steady	Steady	Declining significantly	Declining	Steady	Increasing	Steady	Steady
Volume of Unit Sales	Increasing - Steady	Increasing	Steady	Steady	Declining	Steady	Steady	Increasing	Steady	Steady	Steady	Increasing	Steady	Steady
Stage of Property Cycle	Bottom of market	Bottom of market	Rising market	Rising market	Bottom of market	Rising market	Peak of market	Bottom of market - Rising market	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	Almost never	Occasion-ally	Occasion-ally	Almost never	Occasion-ally	Occasion-ally	Occasion-ally	Very frequently	Very frequently	Occasion-ally

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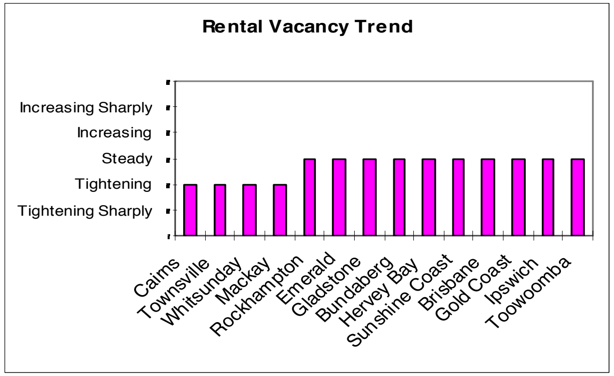
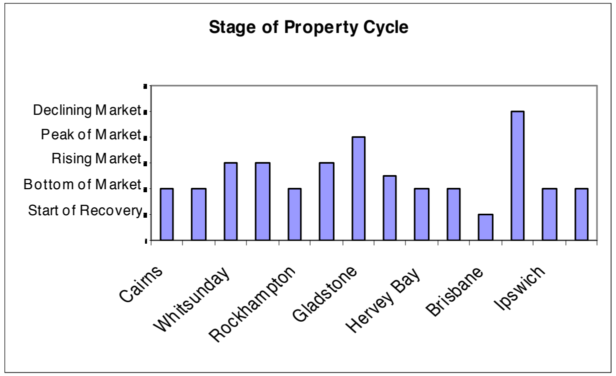
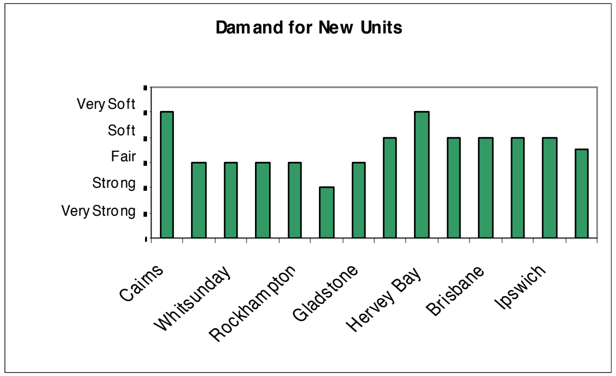
Blue entries indicate change from previous month to a lower risk-rating







Herron Todd White
Independent Property Advisors

Queensland Property Market Indicators as at July 2012 – Industrial

Factor	Cairns	Townsville	Mackay	Rock-hampton	Gladstone	Bundaberg	Hervey Bay	Sunshine Coast	Brisbane	Gold Coast	Too-woomba
Rental Vacancy Situation	Balanced market - Over-supply of available property relative to demand	Balanced market	Shortage of available property relative to demand	Balanced market	Balanced market	Over-supply of available property relative to demand	Over-supply of available property relative to demand	Over-supply of available property relative to demand	Balanced market	Over-supply of available property relative to demand	Shortage of available property relative to demand - Balanced market
Rental Vacancy Trend	Steady	Steady	Steady	Steady	Steady	Steady - Increasing	Steady	Steady	Steady	Tightening	Tightening
Rental Rate Trend	Declining - Stable	Stable	Stable	Stable	Stable	Declining - Stable	Stable	Declining - Stable	Stable	Stable	Stable - Increasing
Volume of Property Sales	Steady	Steady	Steady	Steady	Steady	Declining	Steady	Steady - Declining	Steady	Steady	Increasing
Stage of Property Cycle	Bottom of market	Bottom of market	Start of recovery	Rising market	Rising market	Declining market	Declining market	Declining market	Bottom of market	Bottom of market	Start of recovery - Bottom of market
Local Economic Situation	Flat	Flat	Steady growth - Flat	Flat	Steady growth	Steady growth - Flat	Flat - Contraction	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	Significant	Small

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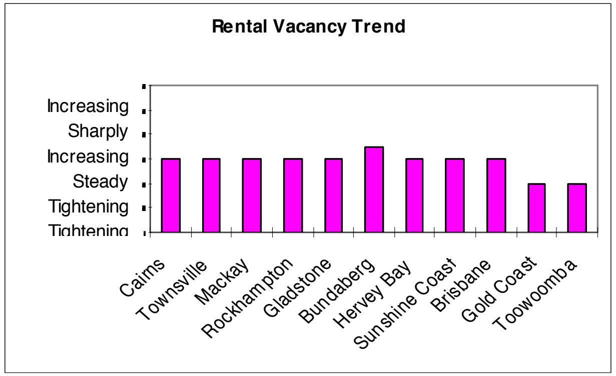
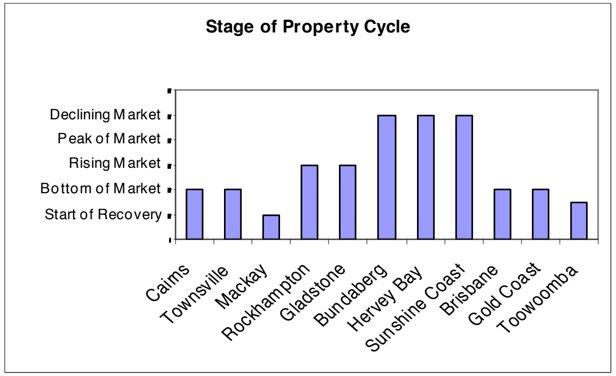
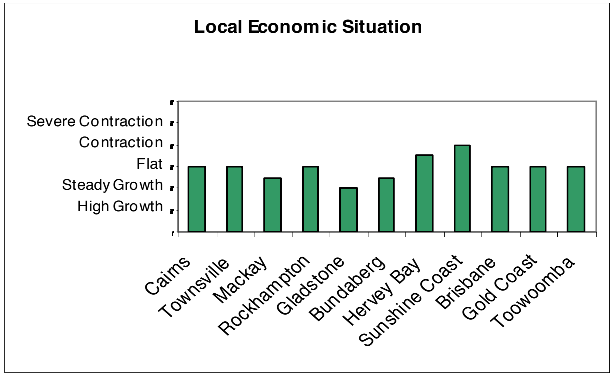




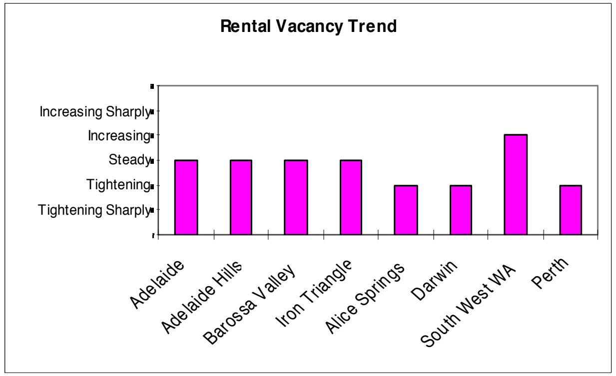


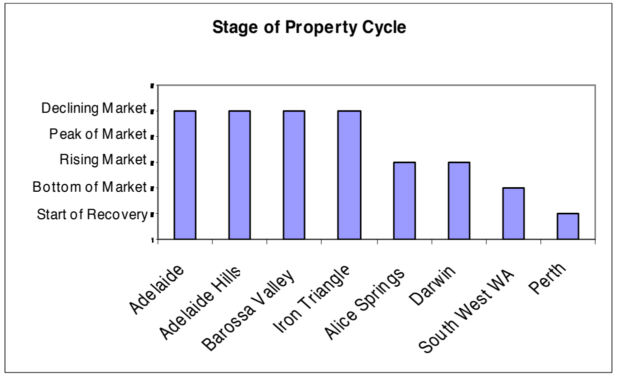
Northern Territory, South Australia & Western Australia Property Market Indicators as at July 2012 – Houses

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

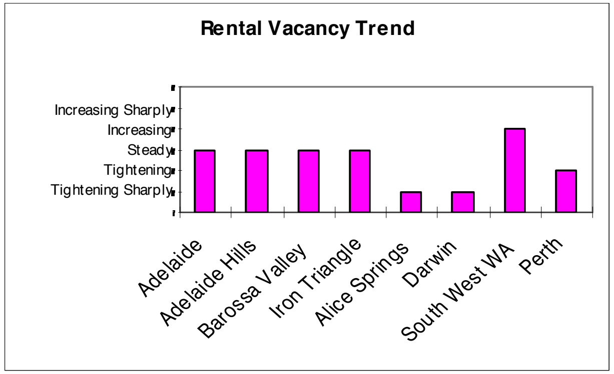


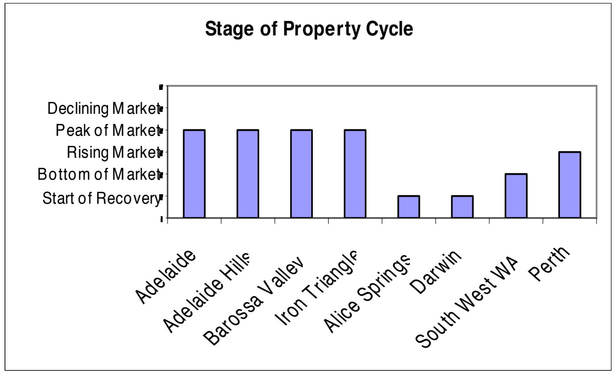


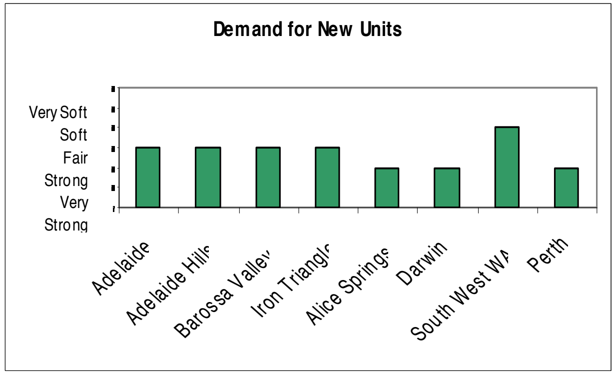
Northern Territory, South Australia & Western Australia Property Market Indicators as at July 2012 – Units

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	Over-supply of available property relative to demand	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 strongly	Increasing strongly	Increasing	Steady
Stage of Property Cycle	Declining market	Declining market	Declining market	Declining market	Rising market	Rising market	Bottom of market	Start of recovery
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Almost never	Almost never	Almost never	Almost never	Occasionally	Occasionally	Almost never	Occasionally

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







Northern Territory, South Australia & Western Australia Property Market Indicators as at July 2012 – Industrial

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

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

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