Herron Todd White

Independent Property Advisors

The Month In Review

2012 SEPTEMBER

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Contents

Peace of mind for your property decisions.

What Can I Buy for just $300,000?

'Some Very Affordable Options'

For anyone new to our publication, every July we like to take a look at what a lazy $500K will buy you throughout the nation. After this year's issue, we received a tastefully worded email suggesting in a round about way that Mr Moneybags here was living in La La Land with too much cash to squander and that we should "slow down a bit tiger" and try and see things from a more reasonable perspective. The upshot was that rather than laying down a half a million, the author wanted to know where it is possible to spend $300,000 in Australia. Now the cynic would suggest that the writer was hoping we would take out a gigantic highlighter and colour their region in a bright yellow hue with a big "Cheap as chips! Pick Me!" scribbled across their suburbs. All part of a sublime stimulus package I guess. Well… we fell for it.

The question has been posed and we have picked up the gauntlet. $300,000 isn't entirely chump change – just try putting it into a Hello Kitty coin purse and you'll see what I mean. While it might be hard to carry around that sort of cash when wearing skinny jeans, in the world of property $300,000 is generally viewed as entry level dollars.

Many markets far and wide around Australia have been riding a sine wave graph of values during the decade. Diversity abounds around the regions. For example serious mining money means booming property prices for some previously sleepy centres while a natural disaster can quickly flow on to a downward trend in bricks and mortar in other spots. Many times these changes have turned on a dime and it isn't always easy to keep up.

This month we have given the Herron Todd White residential contributors a long leash and a simple task. Where do you spend $300,000 in your patch? There are no conditions attached and no suggestion that they should provide investment advice this time around. The idea is one of observation. When the aliens finally land on our planet and are staring at Uluru wondering why someone would put a giant red pebble in the middle of a sandpit, this month's Month In Review will let them in on exactly where they can spend their $300,000 living away from home allowance besides in the Duty Free shop.

For anyone wondering what we are doing in commercial this month, let me put your mind at ease. The Office market is getting the once over from our Commercial doyens and they are all about the cheap end of town. This month sees them don the raggedy jacket and dole out some advice on how to get into the affordable pieces of office real estate. This should prove a particularly interesting issue this month for anyone looking to be a starter in the sector.

So there we have it readers, it's all about the cheap stuff this month. Dig in and get an education on where to put your tred down without having to don the Armani footwear. Just make sure that when you look for a guide to all things entry level the first call you make is to your local Herron Todd White professional. It's a sure way to reduce the odds on landing an old boot when you're fishing for a bargain.

Kieran Clair
Certified Practising Valuer
1 September 2012

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Date Claimer

South East Queensland Property Overview
When: Thursday 29th November 2012
Where: Sofitel Brisbane Central
Time: 7am - 9am

QS CORNER

There is still a lot of depreciation in older and smaller properties too.

Some of the best advise that could be given to first time investors is to start small and don't bite off more than you can chew in terms of what you buy or what you borrow to buy. Whether you start out in a small studio-city pad or a house on a 1⁄4 acre block on the outskirts of town, the bigger and newer the property is, doesn't exactly mean the better it is. Whether you are a first time or a seasoned investor on your 3rd or 4th property, your reason for putting your money into real estate can vary case by case, however it would be safe to say that the common factor usually is "to make money". Making this dream a reality requires a little effort and financial consideration along the way, and a tax depreciation schedule can be one of the most beneficial tools in your investor tool kit!

There is a misconception amongst many investors, property managers and even other property advisors that when it comes to depreciating investment property only brand new or recently built property can qualify for deprecation. You'd be surprised how much can be deprecated from older and smaller properties too.

Take for example a typical 1960's unit in a three level 12 unit walk up complex comprising 2 bedrooms and 1 bathroom in average and slightly dated condition. On paper you'd automatically assume that the property was not worth depreciating and would therefore not qualify for Tax Depreciation. However what you are not noticing are all the eligible items that can be depreciated and that go towards minimising your tax liability.

Chances are, in older style units, houses, commercial and/or industrial buildings, certain items have been replaced or upgraded over the years, such as; hot water systems, carpet, kitchen appliances, window treatments, smoke detectors, to name just a few. All of these items qualify and all contribute to a worthwhile amount of depreciation which is often overlooked. If the property has had a renovation the chances of more items qualifying for depreciation are greater still.

Should you require further information or would like to ask one of our quantity surveyors a specific question relating to tax depreciation, please send your enquiry to tds@htw.com.au.

Commercial Overview

The office sector covers a broad expanse of property – from prime blue chip stock to less salubrious but high accessible secondary real estate. This month our commercial teams have given an easy to read guide on where the entry level property sits in their areas of specialty. The pages are full of information on where it is, what it costs, who is buying it and how it will stack up.

Sydney

Buyers of entry-level office properties within Sydney are generally afforded two options; a strata office suite in a major office market or a stand-alone building in a secondary location.

Conditions within the Sydney office market improved slightly over the first six months of 2012. All major office markets, with the exception of Chatswood and North Sydney, recorded a fall in vacancy. In the Sydney CBD the vacancy rate fell to 8.2% in June, down from 9.7% recorded in January 2012. The reduction in vacancy within the CBD was driven by both an improvement in net absorption and an increase in the amount of stock removed from the market, with some 42,237 square metres withdrawn for refurbishment, redevelopment or residential conversion. Looking forward we expect that vacancy rates within the CBD will begin to rise in the coming 12 months, as the amount of backfill space increases due to the completion of a number of pre-committed buildings currently under construction.

So what does this mean for the entry-level office investor? Well now more then ever, investors and owner occupiers alike should be examining the fundamentals of the property and the market in which it is located. In the CBD, strata titled office suites generally command between $3,500 to $8,000 per square metre of net lettable area, depending largely on size, building quality and location. With purchaser demand remaining low, and increased competition for occupiers expected in the coming two years, the fundamentals for strata CBD investments remain weak.

Outside of the CBD, entry-level investors would be best placed to seek out properties in the North Sydney office market. While the July vacancy statistics indicated an increase in the vacancy rate over the past six months to 7.4%, the vacancy rate has been on a rate of steady decline since its peak in January 2010. Capital values for strata office properties in North Sydney range from $2,100 to $6,100 per square metre of net lettable area. With strong rental demand for suites less than 100 square metres in size, we would expect rental growth to remain a factor in leasing negotiations, driving capital growth over the long term.

Elsewhere in Sydney, buyers with a higher entry price point would be best to look at mixed use retail/commercial properties in established retail precincts. Most recently we have seen sales in the $1 million to $1.5 million category that have shown yields above 7%. These properties do however represent increased risk, with commercial office tenants in non traditional office locations often hard to come by.

Canberra

Demand for office space remained strong in the first six months of 2012, with some 13,068 square metres absorbed by the market, equating to a total of 49,251 square metres being absorbed by the market in the 12 months to July 2012. Reflecting the trend observed over the past five years, demand is greatest for prime office space, with around 21,281 square metres of A grade space absorbed over the 12 months to June 2012.

Over the 12 months to June 2012 rental rates in the prime markets grew by 5% to 7% while rental rates in secondary properties grew by 1% to 2%. Despite this improvement in rental conditions, rents in secondary properties remain a concern, with a large amount of backfill space remaining following the relocation of several government departments into newly built premises. With this trend continuing we expect that rental rates in the secondary markets will remain depressed for some time.

Investment activity was limited in 2011 and this lack of activity has continued into 2012, as buyers remain unsure about the future income prospects of properties which lack strong lease covenants. Since the beginning of 2011 there has been only two significant sales of a completed office building, with the sale of 202-212 City Walk, City for $10 million and 17 Moore Street for $19 million. New and refurbished stock featuring sustainable credentials and with strong lease covenants are expected to perform well while demand for secondary stock with short lease tails or vacancies should continue to wane leading to further softening in yields.

Wollongong

Entry price levels in the local office investment market ranges from approximately $1 to $3 million with yields typically ranging between 8% and 9%. There have been several notable investment sales over the past six to 12 months including 1 Rawson Street, Wollongong for $2.095 million ($1,771 per square metre of NLA and 8.55% passing yield) and 70 Keira Street, Wollongong for $1 million ($2,500 per square metre of NLA and 9% passing yield. Other notable sales include 47 Burelli Street, Wollongong for $2 million and 71-77 Kembla Street, Wollongong for $3 million. Buyers are typically local private investors.

The prospects for the coming year appear positive in this sector with very low vacancy rates, particularly for A and B grade properties, noting the local rental market is driven very much by affordability with limited rental increases despite the low vacancy rate. Additionally, there is no new pending supply forecast for the next 12 months with only the existing 5,700 square metre ATO building along Atchison Street to be made available circa 2014 upon completion of its new premises along Kembla Street.

Country NSW

The commercial property market remains slow in central NSW with a widening gap emerging between owner occupiers and investors. A two tiered economy is also prevalent with mining influenced areas considerably stronger in terms of economic activity and value levels.

Investment yields for office buildings generally range from 8% to 10% depending upon the location, lease covenant and condition of the property.

Those properties underpinned by strong lease covenants are in good demand from investors with sale activity limited by supply. Those properties that are vacant and/or requiring capital expenditure are difficult to sell. Commercial agents are indicating a softening in the market from investors with a fall of around 50 basis points over the last three to six months.

Rental levels remain steady across the region with incentives of around three months rent free generally prevalent for new tenancies.

Newcastle

The entry point for the Newcastle office market has been falling since the market downturn in late 2007. C and D grade office stock is plentiful, especially on the western fringes of the city and within the traditional CBD. A and B grade stock however is not as plentiful and we've seen some positive take up of this stock in the past six months, due primarily to the lack of new property coming onto the market.

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An investor would be able to pick up a 70 square metre B grade refurbished strata suite in the CBD for around $250,000 in the current market, and this would be the typical entry point for this type of office property. C to D grade property provides a significant discount not only due to inferior quality but there is currently a large supply/demand vacuum at the lower end of the market. For example, in Newcastle West the same price point of $250,000 could possibly snare a buyer and much larger office suite, of say 150 square metres.

Melbourne

The Melbourne office market is the second largest office market nationally, with a record $1.1 billion recorded in sales recorded in 2011 accounting for approximately 15% of the national office sales volume. For buyers seeking entry into the Melbourne office market with circa $300,000 to spend, the outer Melbourne suburban office market is the most likely starting point given that this is a very low price point.

Since the start of 2012, total suburban vacancy has stabilised at 6.8% with Melbourne's south east, north and west sub-regions having recorded a noticeable drop in vacancies.

Among these, the outer suburban regions such as Mount Waverley, Mulgrave, Box Hill and Burwood appear to have the most appeal to entry level office market buyers because yields are relatively attractive. Higher yields however do mean increased risk. The outer suburban region office market is the second largest office precinct with approximately 720,000 square metres of office stock available. These areas include large developments of office business parks.

Yields for prime properties within these areas currently range between 7% to 7.5%, with secondary yields in the range of 8% to 8.5%.

Leasing activity is low in these areas due to the dominance of owner-occupiers within this market. The most likely buyers within these submarkets at this price point are owner occupiers and private investors planning to buy as part of their self-managed superfund. As a result of the GFC, there has been limited construction activity due to restricted funding. Therefore, over the course of 2012, investors are expected to remain in a risk adverse state. A summary of the indicative rents, capital values and yields applicable within the Melbourne suburban office market is shown below:

Precinct	Indicative Net Face Rents ($/m²)		Indicative Incentives (net)		Indicative Capital Value ($/m² p.a.)		Indicative Yields	
	Low	High	Low	High	Low	High	Low	High
City Fringe	$290	$340	12.00%	15.00%	$3,200	$5,100	7.50%	8.75%
Inner East	$290	$330	10.50%	13.00%	$3,200	$4,800	7.75%	9.00%
Outer East	$210	$280	12.00%	15.00%	$2,300	$3,700	8.25%	9.25%
South East	$180	$250	12.00%	15.00%	$2,100	$3,200	9.00%	10.00%

Regional Victoria

MILDURA

The office market in Mildura is relatively small but currently is adequately provided by a mix of office accommodation that is located within a 400 metre radius of the centre of town. At the entry level buyers can either elect to either buy a modest office building for around $250,000 or to buy an older dwelling in a mixed use zone and then re-fit it for office purposes. The cost of the latter option will depend on the size and standard of fit out, but assuming a $75,000 fit out, would typically involve say $300,000. The net lettable area of such premises will be below 200 square metres.

While local businesses will in many cases be satisfied to occupy basic premises, national companies invariably look for newer premises or premises which are perceived to have a more prominent location. A higher standard office building which would appeal to a broad range of established professionals and contain a net lettable area of say 250 square metres typically costs in the range of $450,000 to $550,000.

Yields from office buildings have generally been in the range of 8% to 9%, depending on the standard of premises and strength of the tenant/lease arrangements. Vacancy rates have been fairly stable, however buyers need to consider whether potential tenants of the entry- level office building they are considering will be satisfied with the existing presentation of the property, or whether they will need to spend additional funds on upgrading.

Adelaide

Entry-level office accommodation in Adelaide is in the sub $1million range. It is generally represented by either strata titled or community titled units in the CBD, often part or whole floors in multi-storey office buildings, and various styles of office accommodation, often only one or two levels high, around the city fringe and along main arterial roads.

Currently office space in the CBD, in particular units, seem to be relatively difficult to sell. Many agents contacted are rather pessimistic about this market sector, indicating that purchasers are discerning and cautious and with the amount of property currently on offer are able to be. CBD office accommodation is currently around $2,500 per square metre.

Entry-level office space located along Greenhill Road and the Fullarton Road/Kent Town area remains in good demand, although it tends to be tightly held. There have been limited transactions in recent times but those that have sold can currently achieve yields in the range of 7.5% to 8%.

The sub $1 million market tends to be dominated by owner-occupiers however private investors do show interest when property with a solid lease is offered for sale. This tends to be rather infrequent as again these properties are quite tightly held.

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The Adelaide office market, although slowly improving over recent times, has not recovered since the GFC with both sales and leasing transaction activity remaining relatively low, and often requiring some form of incentive.

Initially while writing this report we were going to comment on the Adelaide office market forecast starting to gain momentum on the back of the commencement of the Olympic Dam expansion project. Unfortunately on the 22nd of August it was announced that the Olympic Dam expansion project was being shelved.

The concern arising from the shelving of this project is the extent of the negative impact on consumer confidence initially and what the immediate impact of this will be. Maybe it won't be as significant as many think. Growing speculation of this outcome occurring has been having an effect on the local markets for the past few months with a general overall reluctance to act and a 'wait and see' attitude becoming fairly standard.

Brisbane

Brisbane's once deflated strata unit market has been making a quiet comeback. As the leasing market continues to improve, tenants are continually reassessing opportunities for potential capital growth by shifting into the owner-occupier market, which has resulted in a lift in the take-up rates of entry-level strata titled office units. Commercial office investment prospects for entry-level strata office assets however, are few and far between, as investors seek quality tenants, extended lease covenants and higher returning yields, all of which are rarely being achieved at entry-level price points.

Typically, entry-level price points for strata office units in the Brisbane CBD remain sub $1.5 million dollars; with assets on the Fringe CBD generally transacting below the $500,000 mark. Recent sales indicate yields ranging between 7.25% to 8.5% for investment stock.

Vacancy rates for the total Brisbane CBD market increased significantly during the two years to July 2010 however they have continued to decline in the past 24 months. The Property Council Office Market Report for July 2012 reported the overall vacancy rate for the CBD office market was 7.9%, down from 9.4% in January 2011. Similarly in the Brisbane fringe, the overall vacancy rate was reported at 8.5% as at July 2012, down from 9.5% in January 2011.

While owner-occupiers undoubtedly dominate the entry-level office market, assets presenting high quality, brand new developments in desirable locations are still securing quality tenants with significant lease covenants. For example, White Property Group's three-level Modular building at 4 Kyabra Street, Newstead, comprising 22 strata units, went on the market in mid-2010 and only a handful remain unsold. While the majority of these units sold to owner-occupiers, a number were also sold as fully-tenanted investments. This is a reflection of the asset's contemporary design, location and car parking and subsequent appeal to a wide range of users, all of which are key considerations of both tenants and purchasers alike.

Overall the market for entry-level office assets in Brisbane is relatively secure with the outlook for the next two or three years to remain stable, as most non-mining and resource related businesses are currently in survival mode rather than expansion due to the current broader economic conditions both in Australia and around the globe. It is expected that the owner-occupier market will continue to dominate the market for assets at entry-level price points, with opportunities to purchase investment stock remaining minimal and dependant on the quality of stock placed on offer within the market.

Gold Coast and Tweed Coast

GOLD COAST

The topic for this month is entry-level office space, which is quite relevant to the Gold Coast market, as is in contrast to many other office markets across Australia as it comprises a relatively high proportion of strata titled office space. Strata office units on the Gold Coast make up around 30% of the office market.

This availability of office units provides good opportunities to both owner-occupiers and investors wishing to secure entry-level office premises.

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The theme from previous editions generally remains unchanged, in that vacancy rates remain high and value levels low, however this again provides good opportunities for buyers.

In regard to vacancy levels, the office vacancy rate across the Coast remains very high; the July 2012 Property Council of Australia statistics indicate a total vacancy of 21.5% (101,112 square metres). This rate is down from its peak in January 2011, when we saw the level reach 24.1%, however is well up on the rate from five years ago which was a mere 5%.

The key areas where strata units can be found are Bundall, Southport, Surfers Paradise, Robina and Varsity Lakes.

Bundall

Bundall, which has a current vacancy of 32.1% (28,291 square metres), is the Gold Coast's traditional office location. It consists of a number of modern complexes, however primarily comprises semi-modern buildings of B, C and D grade standard.

Strata titled units of sub 300 square metres have sold over the past two years for between $1,650 and $2,250 per square metre of floor area, and typically lease for between $200 and $300 per square metre per annum gross.

Southport

Southport is another tradition office location, with older through to modern developments. It has a current vacancy of 16.7% (24,851 square metres).

Receiver activity within the suburb, primarily within the "Southport Central" development, has placed downward pressure on values. However, we understand that the majority of the stock within this project has been sold which suggests that this market may be moving into a consolidation stage.

Value rates for modern units in Southport would typically range between $2,250 and $3,000per square metre, while older units would reflect rates down to $1,750 per square metre.

Rental rates are depressed, at between $200 and $300 per square metre per annum gross, due to the large supply of competing floor space.

Surfers Paradise

The vacancy rate within Surfers Paradise is 28.5% (19,719 square metre). The majority of strata titled space in Surfers Paradise is within older to semi-modern style buildings, and these units would generally reflect value rates of between $2,000 and $2,750 per square metre.

Incidentally, papers report that Surfers Paradise's premier building, 50 Cavill Avanue, is over 50% vacant, having circa 9,000 square metres of vacant floor space, making up a considerable proportion of the vacant space in the suburb.

Robina and Varsity Lakes

The suburbs of Robina and Varsity Lakes have a combined vacancy rate of 18.6% (25,216 square metres), however we understand that the vacancy rate is quite heavily weighted to Varsity Lakes, with Robina enjoying a superior occupancy rate.

The Robina and Varsity Lakes CBDs primarily comprise modern buildings, with sales typically reflecting between $3,000 and $4,000 per square metre. Rents typically range between $300 and $450 per square metre per annum gross.

Overall on the Gold Coast there is quite a selection of both leased and vacant possession entry-level office accommodation available, and the current weak market conditions are providing some good opportunities for buyers.

Sunshine Coast

The entry-level office market on the Sunshine Coast is primarily aimed at strata titled units. Historically this has been in secondary locations in areas such as Maroochydore. The Kawana Business Village development in Birtinya changed this with a number of complexes developed with smaller 100 to 200 square metresstrata units developed to tap into this market.

The most recent sales in these developments are generally in the range from $3,300 to $3,600 per square metre after selling approximately three to five years ago in the range of circa $4,000 per square metres.

A new development has been completed at Maroochydore aiming squarely at this market. 'The Corporate Centre' comprises a 3-level complex with grade secure parking and strata titled offices ranging in size from 41 square metres to 554 square metres by adding stratas together. To date approximately 20% of the complex has been precommitted, which leaves a large level of supply in the market.

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The owner-occupier market has been slow over the past two years due primarily to a loss of confidence in the local and greater macro economy. The two largest employers on the Sunshine Coast, tourism and construction, have been stagnant over that time and until these areas of the economy improve it is likely to remain slow.

Southern Queensland

TOOWOOMBA

Entry-level commercial office investment opportunities in Toowoomba are generally limited to strata titled office suites and standalone converted residential dwellings. Both of these types of commercial properties are predominantly owner occupied with very few offered to the market with long term leases in place.

There are a limited number of strata titled office suites in Toowoomba, with a half of these older in nature and providing a secondary quality of office accommodation. An investment sale occurred earlier this year of a modern office suite in Toowoomba Central Plaza (a multi-level mixed use building located in the CBD). This suite sold for $840,000 and reflected a net yield of 9.3%. The lease was guaranteed by the AMP Group and had a lease expiry of 2.54 years.

Converted residential dwellings in fringe CBD locations are popular due to their central location, easy access and inclusion of on-site car parking. These types of properties however are generally only offered with vacant possession meaning investors will have to take on the added risk of securing a tenant. The types of properties can range from $300,000 to $650,000 and will provide a net return of between 8.5% and 9.5%.

Central Queensland

ROCKHAMPTON

Over the few years we have reported about the number of renovations taking place in the Rockhampton office market. We have seen a number of older style buildings bought back to life including Normanby House at the Corner of William and Bolsover Street, 55 Denham Street, the ex Post Office at 80 East Street and ex Headrick's building in East Street to name a few. The most recent addition is 152 Bolsover Street which is now available for lease after extensive refurbishments. These sales have ranged generally ranged from $800,000 to $1,300,000 with varying capital expenditure costs in addition. Further offerings are reportedly also in the pipeline in the office market.

....rents in the office sector remain relatively stable for older style stock while the newer offerings are generally achieving between $230 to $300 per square metre gross ....

Rockhampton offers a number of affordable options for investors as well as entry level buyers. $300,000 to $350,000 would buy a basic, aged, single level building in the Central Business District with a floor area of between 150 to 300 square metres possibly with one or two car parks which would most likely require some capital expenditure to restore former glory. This asset class generally attracts small, established retailers and/or small professional offices. We anticipate this asset class will remain relatively stable in the short to medium term.

Rents in the office sector remain relatively stable for older style stock while the newer offerings are generally achieving between $230 to $300 per square metre gross per annum. There are a number of notable vacancies within the city at present including the ex National Bank building in East Street which NAB have recently vacated and 186 Quay Street which was home to Rees R & Sydney Jones until recently

BUNDABERG

In secondary locations, entry-level office investments start at approximately $200,000 to $250,000. This price range is mainly driven by owner-occupiers, however vacant properties also attract entry-level investors seeking potentially higher returns after securing a lessee. These types of properties generally comprise small detached dwellings converted into retail uses or small community titled properties in more modern complexes. In primary locations, entry level begins at $500,000 for small office properties within the CBD. Yields range between 8% and 9.5%. Vacancies have increased over the past 18 months and properties have experienced prolonged lease up periods increasing rental incentives.

HERVEY BAY

In a normal regional development plan, entry-level office units or buildings would normally be associated with secondary locations lacking exposure and amenities. The sporadic nature of Hervey Bay's commercial precincts and the current oversupply of office space, opens up many opportunities for entry-level office purchasers.

Examples of the opportunities include; a circa 2005, 95 square metre strata unit with frontage and uninterrupted exposure to Main Street (a sub arterial Main Street) sold in March 2012 for $270,000 or $2,840 per square metre of floor area and a circa 2006, 110 square metre office in a complex with exposure to Boat Harbour Drive (state controlled rterial road) sold in November 2011 for $375,000 reflecting $3,409 per square metre or 8.6% yield to a government tenant. Two units remain for sale in this complex; one vacant and one leased. Although these examples are older buildings, there are some units constructed in the past three years that are offering stock which provide fully fitted out space requiring only partitioning.

Entry purchasers are generally in the market for space ranging from 60 to 150 square metres. Rental rates for this style of space are currently in the range of $180 to $250 per square metre plus outgoings and depending on the size of the office, considered affordable for a start-up business.

GLADSTONE

In 2011 we saw signs of improvement in the Gladstone office market due to flow on effects from the commencement of construction of the LNG projects. For the remainder of 2012 we anticipate further growth in sales volumes, however this is impossible to predict.

Sales volumes have risen since the declines of the global financial crisis as demonstrated in the table below:

Year	Office Sales
2008	2
2009	3
2010	1
2011	7
2012 YTD	3

Sales of office properties in 2011 have increased significantly since 2010. Agents are reporting strong interest from investors and we anticipate further growth in sales volumes in 2012.

There are several new office buildings proposed in

Gladstone which are subject to gaining approvals and pre-commitments. Some pre-commitments are already in place to government departments.

The leasing market is currently strong for smaller tenancy areas (sub 200 square metres) and is likely to remain so for the next few years after which time it is very difficult to predict. Most new leases have occurred in Goondoon Street within the Central Business District. Recent confirmed tenancies are reflecting between $340 and $360 per square metre plus GST and outgoings.

Cairns

The Cairns office market underwent a considerable period of expansion from 2007 through to 2010 when several new office buildings were constructed, resulting in the addition to the market of a number of quality buildings with 4-star green ratings. These buildings are now all mostly fully let and have addressed the undersupply situation that previously existed in regard to prime space. A state government office tower with 9,500 square metres of leaseable space was the last to be completed in September 2010, and there are no further office buildings presently under construction.

....we are currently seeing no real yield difference between CBD office sales and strip commercial office properties with purchasers driven by the quality of the income stream and ROI....

Gross effective rents for good quality office space in Cairns have remained stable since the market peak, when prime rents reached around $360 per square metre per annum, up from around $275 per square metre per annum in early 2007. Vacancy levels for high quality office space have also remained low, but since the state government office tower has been occupied vacancy levels in secondary backfill space have risen. This has placed downward pressure on secondary rents, and seen the emergence of incentives, but modern, good quality green star rated office buildings should maintain reasonable demand and sustain existing rental levels.

We are not expecting great (if any) change in the Cairns office market during the remainder of 2012. There are two potential new office complexes on the development horizon, one to be located on the CBD fringe and the other in Cairns North. Site acquisitions have taken place but no further details are yet known.

Townsville

Market entry commercial office product in the Townsville CBD includes modern strata titled suites and older stand-alone buildings with smaller commercial offerings and converted dwellings along the major arterial road networks.

Currently there are white-box finish strata titled office opportunities available within the CBD with asking prices starting from $210,000 for smaller 38 square metre suites. This entry level office product generally attracts owner-occupiers however yields below 8% would appear to be the range for this type of investment.

The suburban market has entry level stand-alone and converted office buildings on major arterial roads from mid $400,000 for approximately 125 square metres. During 2012 there have been several sales of stand-alone converted office buildings in the suburban market priced from $430,000. These sales have been on arterial roadways with high profile exposure.

Moving up from the entry level properties, the second level office space generally starts from around $750,000. There have been some recent sales within this sector including a single level office building in Railway Estate, which had five separate tenancies and sold as an investment for $770,000 and a professional/medical consulting office at West End, which sold for $1.5 million.

We are currently seeing no real yield difference between CBD office sales and strip commercial office properties with purchasers driven by the quality of the income stream and ROI.

Darwin

Historically, office space supply in Darwin has been dominated by larger buildings aimed at supplying space for Government and other consumers of large areas. There has therefore been relatively little opportunity for entry-level investors to enter the market, simply because the entry-level product (say with a net lettable area (NLA) of less than 200 square metres) did not exist.

In recent years, with the development of more private enterprise, there has been demand from occupies for smaller areas. This has seen the rise of small strata style offices which are suitable not only for smaller business but also for entry level investors.

It should be noted however, that owner-occupies are very active in this market segment. As their prime consideration is to secure space for their own operations, the imported yield they are prepared to accept is often for lower than what is sought by the investor. Consequently owner-occupiers often outbid investors for entry-level property.

At the lower end of the scale in Darwin CBD, there are a couple of older style developments which have ground level commercial/retail units. These units trade an attractive price for the investor (sometimes sub $100,00) but caution is advised; check the immediate area for the number of vacancies because some of these units, especially these lower exposure locations, can be very difficult to lease.

Most tenants prefer A grade space, however, in the Darwin market there is a severe shortage of quality space available for tenants, whilst lower grade space is more freely available.

We believe that the shortage of A grade space, the lack of construction activity in this sector and the expected increase in demand from new oil/gas projects, all point to the possibility of a significant rise in office rental rates over the next few years. The opportunity for rental growth would be attractive to any entry level investors.

In general terms, new office space in Darwin has commanded about $4,000 to $4,500 per square metre. So a modest 200 square metre office could set back an investor $900,000. By the time an incentive for fitout is offered and costs considered, there is not much change out of $1 million on this scenario. This would barely qualify as entry-level, confirming that opportunities for entry-level office investors in Darwin are relatively limited.

Perth

With strong growth in disposable income and a relatively tight unemployment rate of 3.8%, the Australian Bureau of Statistics (ABS) recorded growth in Western Australian retail turnover at 10.6% for the year to March 2012, the strongest change in Australia. However, since the 2008 GFC households are still edging on the side of caution and are focused on repaying or reducing debt levels.

Whilst Western Australia has seen an increase in retail activity during 2012 so far, it is still operating below average long term levels. WA is still feeling the effects of reduced consumer spending and increased competition from online retailers, with vacancy levels increasing slightly in the six months to June 2012.

Furthermore, with the spending habits of consumers changing and the deregulation of retail trading hours to allow for Sunday trading across the whole metropolitan area coming into effect in August, the impact on the Perth CBD retail trade is yet to be seen.

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

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

Looking ahead, the strength of the WA economy has supported the retail environment in Perth, however the spending habits of consumers has been changing. As consumers continue to reassess their financial position in light of prolonged uncertainty within the local and global economy there may be further challenges ahead. Not only this, the emerging threat of a higher Australian Dollar, deregulated trading hours and the growing popularity of online shopping remain the real threat to the industry.

South Western WA

As alluded to previously there is a general consensus that there is an under supply of quality office space across the region. There is very little quality large office space available in the Bunbury CBD and none in Busselton or Margaret River. While there appears to be increasing demand for quality office space this doesn't currently appear to be at a level that could potentially kick start any new development.

The WA State Government is understood to be keen to establish cultural precincts in both Busselton and Bunbury where a number of government departments can be centrally located. However the modern requirements for office space taking into consideration disability services and OH&S requirements restricts them from moving into already established office space.

As an example of the demand for larger office space, 600 square metres of office space was recently let in the Lord Forrest Hotel at a rental which is understood to be around $190 per square metre.

On the flip side there is considered to be very limited demand for smaller office space in Bunbury, with vacancy rates continuing to increase putting downward pressure on rents in this sector.

Residential Overview

When looking to get into the market, most buyers will begin at the reasonable end of the price bracket. This month our offices have banded together to bring a guide to the affordable $300,000 sector. This month's issue should provide a useful education to out of towners on where a relatively modest outlay will allow you to buy in a variety of localities.

Sydney

$300,000 is an entry price level for most inner Sydney property markets and therefore provides limited purchasing options. There are however options available, and more than you may think.

In some of the southern suburbs such as Cronulla, a basic 1960's or 1970's unit with no car accommodation will sell for around the $300,000 mark. The outer inner-west ring suburbs such as Lakemba and Wiley Park offer very good value, with $300,000 buying you a standard 2-bedroom unit with a carspace. In highly regarded inner east suburbs such as Potts Point, Darlinghurst and Surry Hills $300,000 gets you a studio unit (30 square metres or less) with no car accommodation. This is similar to the north shore suburbs where the options around this price bracket are limited to studio units or very small 1-bedroom units with no parking.

We do see slightly lower entry points than $300,000 for some of the lower end studios, usually very small, dated and in original condition. You may find these starting at closer to $250,000 but certainly no lower. Another option not mentioned is studio accommodation available in Ultimo at the Unilodge complex. This large scale complex is leased to university students and prices start at $160,000. For this you will get a 14 square metre studio room with very basic amenities and hundreds of neighbours!

A unique example of what $300,000 buys in the suburb of Balmain East was recently witnessed. A small unit was found to be unapproved by council and the owners were ordered to remove about half of the living area and convert it back to its original use, being covered carspaces. The property was marketed as a store room with three carspaces and comprises uninterrupted views across the harbour towards the city skyline. The property sold for an advised price $210,000, rather a brave purchase it might be said, but obviously there is room for some serious potential.

A lower entry price option in Balmain East

Rental returns for a $300,000 investment can be fairly attractive in inner Sydney. You can generally expect to get a 5% to 7% rental return on your property and vacancy rates are extremely low for most areas of inner Sydney. The type of property purchased at this price point is likely to be low maintenance due to the basic level of accommodation being either a studio or 1-bedroom unit. We see many investors at the $300,000 price point lured in by these low vacancy rates and good yields and they therefore tend to dominate this price point.

The downside of investing in these types of properties is the relatively low capital growth. Suburbs mentioned earlier on the outer inner-west ring are an exception to this rule. It is predicted these properties may experience higher levels of capital growth as infrastructure improves and prices catch up with suburbs within close proximity.

Overall there are varied options that some may be surprised are available in Sydney. Although you are not getting much for your $300,000 there are certainly options for owner and investors alike.

North

Blacktown/Mount Druitt have mainly units in this price range with excellent rental returns of $350 to 400 per week. This market is quite attractive to investors due to the solid rental returns and low oocupancy rates.

In Penrith and St Marys ther are plenty of 2- bedroom units available under $300,000. However in certain pockets just under $300,000 can secure an entry level dwelling (fibrous or vinyl clad) on a good sized land parcel.

Katoomba has quite a few properties prived under 300,000 located mainly in the northern pocket. These homes tend to be of a basic nature but are generally set upon good sized land parcels. This provides a good opportunity for capital growth through renovation or improvement of these basic dwellings.

Vacant land in Jordan Springs (a new subdivision near Penrith) are achieving prices of $200,000 to $270,000 depending on the size of land parcels. There have not been many secondary sales to date, however it is predicted that a potential rise in the long term wil occur.

South

Liverpool and Fairfield still have the most affordable units under $300,000. With a high rental return and plenty of public transport and shops, investors and first home owners are potential buyers.

Auburn investors are sdeeking studios for $90,000 to $120,000 with a rental return of $200 a week. First home owners are purchasing older 2- bedroom units within close proximity to the station. Auburn is seen to be following in the footsteps of Lidcombe with a consistent increase over the past five years. Lidcombe had increased due to its more affordable prices and is within close proximity to the city.

....vacant land in Jordan Springs are achieving prices of $200,000 to $270,000 depending on the size of land parcels....

New subdivisions in Campbelltown and Liverpool also offer the opportunity to purchase vacant land parcels for under $300,000. The low prices for vacant land allows families the chance to build large two storey dwellings at affordable prices. Cecil Hills and Abbotsbury were similar areas decades ago with prices achieving over a million dollars for prestige property. Long term, it may not be achieved in Campbelltown or other new estates but a potential rise can be forecasted once these areas have been established.

With Sydney prices on the rise, there are few suburbs with prices under $300,000. Residential dwelling in the western suburbs of Sydney, are considered to be a bargain if found under $300,000 in today's market and there is plenty of healthy competition for these properties from investors and first home owners. We are of the opinion that for a short term gain, units are the way to go as you will see a good rental return but potentially limited growth prospects.

Canberra

Despite the fact that the Canberra residential market has somewhat slowed, $300,000 will not go far. In fact there is very little property spread over the ACT that would be available at this price point.

Around Canberra there are numerous dated unit developments that provide the base entry-level into the market. In Mawson it is possible to find a 2- bedroom unit just under the $300,000 mark. Further north in Lyneham and Watson, similarly dated units can be found around the same price point, with dated 1- bedroom units circling around the $240,000 mark. While these units are not the most aesthetically appealing on the market, they do provide a good opportunity for first home or lower income buyers and investors. For lower valued properties they do provide relatively strong rental returns.

Buyers in the market after a more modern product are going to have to compromise on the location. The Flemington Road corridor is providing a strong supply of 1- bedroom units, generally starting from around the $280,000 mark. However with such strong supply evident in the region, short-term capital growth may be limited.

In terms of freestanding property available at this price point, only a lucky opportunist would be able to find anything at the $300,000 mark within the ACT. For buyers in the market at this level, it would be best to look to surrounding semi-rural townships.

In nearby Queanbeyan, again it would be difficult to find freestanding property for $300,000, however there is ample unit supply around and under this price point.

Wollongong

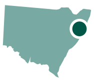
In the Illawarra region the market is limited at the sub $300,000 to older style houses in southern suburbs such as Unanderra, Cringila, Berkeley, Warrawong, Dapto, Warilla, Mount Warrigal and Barrack Heights. These will generally be 1950's to 1960s brick or fibro 2- and 3- bedroom dwellings in fair condition and without major updates. Look for those closer to the beach where better long term capital growth is achievable. Rental returns will be around 5% gross.

For units, our pick sub $300,000 are 1- and 2- bedroom units close to the CBD in Wollongong and North Wollongong. These will be older 1960s to 1970s walk-up style units generally with off street or single car parking.

Land in the southern suburbs can generally still be purchased for under $300,000. The recent release of lots in Brooks Reach west of Dapto and Horsley have been selling well below this mark and are in the $200,000 to $220,000 range. In Shell Cove lots can be secured from $230,000.

Overall demand has driven prices well above $300,000 in the past two to three years in the bottom part of the market and there appears to be limited opportunities in particular market sectors below this level.

As always, the bottom of the market tends to move quickly when demand increases. The smart investor would have been clever to pick up a few properties around Dapto or Lake Illawarra three years ago for around $200,000.



Newcastle

$300,000 doesn't buy you much property in Newcastle or Lake Macquarie anymore so we'll cover what it does get you and then move onto bigger fish. $300,000 will generally buy you an older style small unit comprising 1- or 2- bedrooms in areas of central Newcastle. In terms of freestanding homes on blocks of land, it will buy you a modest 1960's or similar dwelling in more fringe suburban areas. Many suburbs that previously qualified for consideration under $300,000 have moved past this threshold. The areas that have a significant amount of stock under $300,000 are generally unmodernised and in need of some TLC. Prime locations where these sales regularly occur are around Windale/Gateshead, Boolaroo and many areas around the western side of the lake. The suburb within the centre of Newcastle which used to be the area for cheaper housing has generally been Mayfield/Islington, although in the past few years the majority of houses transact over $300,000 with only the odd house selling for less.

It is worthwhile noting the cheaper houses that are still on offer in stronger suburbs. Some of these houses are available for just under $300,000. Generally they come with massive constraints and handicaps. It can be the proximity to a busy road with plenty of noise inside the dwelling and difficult access at peak times. It can be proximity to industrial property and the noise and pollution related. It can be backing onto the main rail line between Newcastle and Sydney. Sure you might get a strong Lambton postcode or be in the right school zone, but the trade off is poor location which can be difficult to sell or to attract tenants. The growth in these properties is also limited compared to other houses in the suburb.

With regards to vacant land, most sites are available for under $300,000 with the exception of one-off sites or redevelopment infill housing. Most estates have land for sale in the low $200,000 price range. Fern Bay by the beach in Stockton is an exception to this, with some lots priced over $300,000. The majority of lots in this location are in the mid to high $200,000 levels. Land in Fletcher, Cameron Park, Cooranbong, Aberglasslyn, Gillieston Heights and Thornton are all around the same levels.

....there are many opportunities for picking up sub $300,000 properties however complete the proper due diligence to make sure that you aren't buying a lemon with major reselling issues....

Areas where sub $300,000 is still prevalent are the satellite locations around Newcastle. These areas include Kurri Kurri, Weston, Cessnock, Medowie (although recent sustained growth due to the Williamtown airport / RAAF base is taking Medowie out of this price bracket quickly) and Telarah. Much of the appeal of these locations is the low entry-level price required for either owner-occupiers or investors. Investors in particular enjoy strong rental returns due to the location of these areas within commuting distance of the mines of the Upper Hunter Valley and around Singleton. Rental vacancies are still minuscule and regular rental growth can be achieved.

To the north of Newcastle, Gloucester, Stroud and Dungog also offer good opportunities below $300,000. Generally you can expect a large (relatively speaking) parcel of land and an older style house but the trade-off is change from $300,000 to spend on renovations if required. These areas have seen some capital growth over the past several years, however this growth is not as spectacular as Medowie has shown. When looking to invest in these cheaper areas it is always worth nothing the level of supporting infrastructure and possible employment drivers.

There are many opportunities for picking up sub $300,000 properties however complete the proper due diligence to make sure that you aren't buying a lemon with major reselling issues.

NSW Central Coast

The Central Coast region of New South Wales sits between the Sydney Metropolitan Area and the Newcastle/Hunter region. Being between two such important centres makes us somewhat unique and this can be seen in the vast range of properties available here.

This month's review investigates what a buyer can secure for $300,000. This is considered close to the entry-level for the region. But a pleasant surprise might greet our readers; for $300,000 is not only an affordable amount but our region spoils the buyer with choice at this level.

Starting with the Gosford Local Government Area at the southern end of the region, the median price has hovered around the $390,000 mark for the past five years. Why is this an important statistic? Well the median is a good indication of where the action has been and that expectations of buying below this amount are almost guaranteed.

....being located between Sydney and Newcastle, the region attracts a vast cross section of people to it and this has brought with it an equally large, diverse range of property....

At the northern end of the region, in the Wyong Shire Local Government Area, the median price has been lower, but more positive, rising from $305,000 to $325,000 over the past five years. Even better news for those in the market looking around the $300,000 mark with plenty of buys and statistically, good growth prospects.

Let us get to the specifics of what one can secure for $300,000.

Although the price point for the southern end of the coast is higher, a sample of what can be found for around $300,000 includes the following;

- An older, 3- bedroom home with garage and carport at Wyoming for $275,000. Expect to do some updating, but shows a gross yield of around 5.5% to 6%.
- Reasonably new brick and tile 2- bedroom villa at Woy Woy recently sold for $275,000. Bus at door, close to the station and shops. Expect a gross yield of 5%.
- Near new, part 2- level, 3- bedroom townhouse with single garage on the fringe of the Gosford CBD. Purchased for $280,000 from the developer.
- Circa 1960's, 2- bedroom brick and tile with carport in a good street at Woy Woy for $282,000 and potentially yielding 5%.
- Circa 1990, 3- bedroom brick and tile with single carport at Niagara Park for $318,000. Expect yield of between 4% to 5%.

A short list of properties at this level, but considered to provide a good cross section. It can be seen that property at around the $300,000 will result in an older style, modest dwelling, unit or villa.

The northern end of the coast gives us a slightly different picture.

- A 1990, 3- bedroom brick and tile with single garage at Watanobbi will set you back $280,000.
- Expect to secure a mid 1960's, 3- bedroom vinyl clad dwelling with off-street parking at quiet Gwandalan for $280,000.
- Halekulani, next to Budgewoi is bursting with properties priced at around the $300,000 mark. In our opinion, these two locations are the unsung heroes of the region. Good shopping, schools, lake and beaches. A partly renovated 3- bedroom hardiplank with garage recently sold for $281,000 and this is a good representation of the values here. Gross yields in this area are approaching 6%.
- Berkeley Vale, Killarney Vale and Chittaway Point are older areas and well located in terms of services and lake. They fit nicely into the $300,000 price bracket. We have seen numerous purchases at this level with solid yields of around the 4% to 5% mark.
- The Entrance is again showing signs of a revival. Some may recall this is an area which has suffered in the recent past. It was a textbook case of over development, over supply and poor research coinciding with a downturn which almost killed off this market. Fortunately for this beautiful location, it has a strong will and hence, is bouncing back.

Units are where the best buys are found. Depending on the view and walking time to the shops and lake, $300,000 will buy a 2- or 3- bedroom unit with garaging.

These are just a few examples of what can be purchased for $300,000 and there are plenty more. Some may question that with so many choices around this figure, is there something wrong with the region? Well that would be a definitive not so!

Being located between Sydney and Newcastle, the region attracts a vast cross section of people to it and this has brought with it an equally large, diverse range of property. While many purchases can be made at $300,000, prices well into the millions are just as common.

NSW Mid North Coast

Spending $300,000 in any of the regional centers on the Mid North Coast of NSW will usually go considerably further compared to major cities around Australia. Typical recent median house prices in the main regional centres are approximately $400,000 for Port Macquarie, $375,000 for Forster, $215,000 for Taree and $200,000 for Kempsey.

Bearing this in mind, $300,000 goes a lot further in Taree and Kempsey. In both of these inland centres vacant land typically sells for around $75,000 to $125,000 hence all but the most modern of dwellings can be acquired for under $300,000. Former Department of Housing dwellings usually sell for under $150,000 while a wide selection of houses dating from the 1960's and 1970's are affordably priced at around $200,000.

In Taree West we like the look of good solid 1980's brick houses in and around Ritchie Crescent that are priced around $225,000. In West Kempsey there appears to be some good buys in the $200,000 price range, particularly for older style character houses for which there is a finite supply.

In Port Macquarie purchasing power for detached houses is far more restricted and $300,000 usually will limit buyers to smaller older houses in central locations around Hills Street and Hudson Avenue. We consider these quite reasonable value for money given their good location and potential for redevelopment.

Alternatively location can be traded for comfort, and a small modern 3- bedroom, 1- bathroom and single garage house can be purchased on the city fringe in areas near Sherwood Road or Greenmeadows Drive on small blocks of land under 400 square metres in size.

In Forster there is a wide selection of small dated houses on small blocks that can be acquired for around $225,000 in and around Short Street. For this type of housing we like the look of property in and around Forster Primary School for just under $300,000.

Ample opportunity exists for purchasing 1980's style brick houses around Lake St, Likely Street and Carribean Avenue for just under $300,000, while the acquisition of modern houses is limited to smaller blocks on the town fringe. We have noted a significant decline in house sales in Tuncurry above $300,000 so far in 2012 which might lead to some good deals for the astute purchaser.

Southern NSW and Northern Victoria

ALBURY/WODONGA/SHEPPARTON

What type of residential property can you purchase in this region for $300,000?

Here are some property listings taken at random from realestate.com.au.

594 Daly Street, Lavington. Listed for $285,000

This is a 2000 era brick and tile town house situated on a 440 square metre lot containing 3- bedrooms, 2- bathrooms and a double built in garage. Living areas consist of a lounge, dining, family room and covered outdoor alfresco area. Overall, a low maintenance residence on a small lot.

...with $300,000 to invest, the level of personal involvement will, to some extent, determine the return and capital gain an investor will receive....

533 Saunders Avenue, East Albury Listed for $325,000 (under contract)

An older 1940's dwelling in original condition containing 3- bedrooms, lounge and separate dining. Ducted heating and cooling have been installed for added comfort. This property has city views and is within walking distance of the CBD.

10 Whitehall Court, West Wodonga Listed for $319,000

A 1990's 5- bedroom, 2- bathroom dwelling on a 957 square metre lot. The bathrooms have been renovated with a spa bath to the main. Other site improvements include a 9m x 6m shed. The garaging is an attached double carport. The property presents well.

Lot 103 Streets Road Wodonga Listed for $311,753

This is a yet to be constructed dwelling of 179 square metres containing 4- bedrooms, 2- bathrooms and a double lock-up garage.

362 Reservoir Road Lavington Listed $285,000

A 1990's dwelling of 4- bedrooms, 2- bathrooms with rumpus room, family/meals and modern kitchen. There is a fully tiled inground salt chlorinated swimming pool, all located in a rural setting.

17 Macintosh Street, Shepparton Listed $275,000

Within walking distance to the CBD and close to Victoria Park Lake and public transport, this spacious three bedroom family home features 9 ft ceilings, ornate plaster work, ensuite to master bedroom, sunroom and an open fire place in the front lounge. Thereb is also a blackwood kitchen with electric cooking, dishwasher, ducted gas heating and evaporative air conditioning.

Outside on the 765 square metre fully fenced block is a 7m x 6.5m colourbond shed with concrete floor and power, established low maintenance gardens and a side fernery area.

So from the examples above it can be seen that for $300,000, a reasonable quality and standard of residence can be purchased in this region. Rental returns are on average around the $320 to $340 per week. The main reason is a relative affordability of land compared to major city levels. The land sizes are also generous in comparison to the big city lots.

With $300,000 to invest, the level of personal involvement will, to some extent, determine the return and capital gain an investor will receive. If a purchase of a rundown property in a good location were to be made, for say, $200,000 and $30,000 is spent renovating it is possible to see a capital gain above expenses of $25,000. and a rental return of approximately 5.4%.

This example is likely to require a considerable amount of personal time and effort to achieve the desired outcome.

On the other hand an investor could split the $300,000 into the purchase of two 2- bedroom units at $150,000 each and immediately rent them for $180 per week. This would bring a gross return of 6.2% each but little capital gain.

The $300,000 purchase scenario for this region would provide a buyer with a number of options including a good quality residence.

Melbourne

The patch we have chosen stretches from as close to the city as Preston out to as far north as Craigieburn offers primarily 1- and 2- bedroom apartments and blocks of vacant land that can be afforded for $300,000. In Preston the range is very restricted with single bedroom units primarily being all that can be purchased. If you do purchase a 2- bedroom apartment it will be in a poor location or in extremely poor condition. In the new estates in northern suburbs closer to Wollert, and where apartments are scarce and little infrastructure has been developed, it is still extremely hard to find any liveable homes for under $300,000. Sales suggest only blocks of land are being sold for under this amount in the past three months.

To enter into the market in the northern suburbs around Craigieburn and Wollert, a fmaily requiring a 3- bedroom home can be expected to pay around $350,000. Closer into the city around Pascoe Vale prices will start from $360,000 to $370,000 range. The houses for this price are very basic and will often be in the poorer locations of the suburbs.

At the moment, with house prices experiencing decreases in the past year, we are now seeing them stabilising. It is expected that in the coming year house prices will bounce back with growth expected. Prospects in the inner suburbs such as Preston and Coburg are enticing as rental returns are still competitive. 1- bedroom apartments that are selling for under $300,000 are still demanding rental returns above $1,200 per month. Investing in the outer suburbs throws up more uncertainty as the perception that these undeveloped suburbs creates risk and doubt leads to them experiencing slower growth patterns. Once these suburbs are established in terms of infrastructure and the anticipated planning comes to fruition the growth will then be seen.

....1- bedroom apartments that are selling for under $300,000 are still demanding rental returns above $1,200 per month....

Regional Victoria

GIPPSLAND REGION

Within our local area $300,000 presents buyers with a number of options.

In towns such as Warragul and Drouin, $300,000 will buy a reasonably well located circa 1970's to 1980's brick veneer home in good condition or alternatively will buy an entry level house and land package in a new subdivision.

The same amount of money will buy a good quality circa 1980's to early 1990's brick veneer home in Moe, Morwell or Newborough. We have had some recent sales of 1970's units in Morwell and Newborough well under the $300,000 mark and admittedly where not very stylish or trendy they do return in the range of 7% to 9% gross rental.

Moe and Morwell also have large numbers of basic commission style dwellings available between $90,000 to $150,000 ($150,000 buys a good one) which again show gross rental returns of between 7 to 9%, so you could quite easily afford 2 of these!

$300,000 will also buy a vacant allotment of 4,000 to 5,500 square metres in Drouin or Warragul, which despite being in the high end of the local market, always appears to be in demand.

In the local Sale/Maffra residential market, $300,000 buys a 3- to 4- bedroom, 2- bathroom brick veneer in an established area, generally circa 1980's to 1990's, on land sizes between 700 and 1000 square metres.

$300,000 can also buy a modern (circa 2005 onwards) townhouse in reasonable proximity to the Sale CBD. In Maffra $300,000 will buy a similar property, generally closer in to the CBD.

In the Loch Sport/Golden Beach/Paradise Beach/Seaspray market, $300,000 will buy a modern house in a good location, generally with reasonable water views (Loch Sport) or access to the beach (Golden Beach/Paradise Beach/Seaspray).

$300,000 is reasonable for this type of property. Once the figure rises to above $330,000 buyers tend to start looking for larger dwellings, more modern dwellings in new estates, or properties closer to the CBD.

An entry-level price point for a 3- bedroom dwelling in an established area would be $230,000 to $260,000. Approximately 5% return on investment can be expected from $300,000. For example, a property purchased recently in Sale at $300,000 was currently tenanted for $300 per week, showing a 5.2% return.

The current market is flat and not showing substantial growth, however the rental market is very tight and rental prices are generally increasing. Property at the moment is definitely a long-term investment, rather than a short term profit/growth exercise.

....the most active buyers of the new dwellings have been "out of town" investors....

So to cap off - What do you get for $300,000 in the Latrobe and Gippsland Region?

Sale and Traralgon

- Circa 1980 3- to 4- bedroom dwelling in good location on a large block.
- Renovated older style weatherboard dwelling in a central location.
- Brand new townhouse with good rental return of 6% plus.
- five Year old dwelling on an 800 square metre block.
- two x commission houses earning between 65 and 7%.
- one acre block prived well under $300,000.

Churchill

- Two x 1970's brick veneer dwellings earning up to 7% return.
- Older style rural residential property on one acre.

Golden Beach/Paradise Beach

- Six to seven x 600 square metre vacant blocks of land within close proximity to 90 Mile Beach.

Maffra

- Fully renovated older style dwelling in central location.
- Modern dwelling within newly built subdivisions.
- Two commission houses earning up to 7% return.

Rosedale

- New house and land package 4- bedroom home on 800 square metre to 900 square metre block.
- Older style rural residential property on one to five acres.

MILDURA

A quick scan of our sales database shows that $300,000 is above the median sales price in Mildura. As an aside, the median sales price has for the past two to three years been in the order of $240,000. For $300,000, a buyer can elect to go one of two ways.

Firstly, for this money it is possible to buy a brick veneer 3- or possibly 4- bedroom home built in the period from 1995 to 2006 on a reasonable sized allotment. The home won't come with a pool and will have an average fit out, but will most likely have some established landscaping and not need any immediate upgrading.

Alternatively, a buyer can buy one of the compact 4- bedroom homes being sold "off the plan" by one of several project builders currently active in Mildura. These dwellings are generally less than 140 square metres (approximately 15 squares), located in more of a fringe location, and don't have much in the way of external improvements however have the attraction of being new.

The most active buyers of the older, established dwellings have been owner-occupiers, who see greater value and affordability in buying an established product rather than shelling out an additional $50,000 to $60,000 to buy a new or better appointed dwelling. We see good prospects for this segment. $300,000 is relatively affordable for any professional people moving to Mildura, and while buyers have been able to be selective in the flat market that has persisted for the past two to three years, there is likely to be on going demand from owner-occupiers and investors alike.

The most active buyers of the new dwellings have been "out of town" investors, keen to capitalise on the tight rental market and potential to obtain 6% gross rental returns combined with higher depreciation allowances than would be obtained from older dwellings. The future sale value of these dwellings is yet to be tested. We see some risk that while these dwellings will be attractive to investors while new, demand might be subdued after four to five years.

Adelaide

So with $300,000 to spend what choice do you have within the Adelaide residential property market? Our belief is that there are two main options available.

Firstly detached dwellings. For $300,000 you could purchase an older 3- bedroom dwelling of around 100 square metres on around 700 square metres of land or a newer 3- bedroom dwelling that is possibly a little larger on a smaller lot of around 300 square metres located within the outer northern or southern suburbs being 25 kilometres or more from the CBD. These suburbs would include Morphett Vale, AldingaBeach, and Seaford Rise in the south and in the north the suburbs of Elizabeth and Salisbury and surrounding areas.

Salisbury Heights: 3- bedroom house sold for $299,000

Otherwise $300,000 will purchase a 2- bedroom unit within five kilometres of the city or in the beachside suburbs of Adelaide, including Glenelg and Henley Beach, with a significant proportion of these being older style units built in the 1970's and 1980's.

Marleston: 2- bedroom unit sold for $292,000

This price point is very close to entry-level into the Adelaide market. For detached dwellings it probably is just under, at between $250,000 to $300,000, and for units there are considerable options from around $200,000 or even slightly less in some cases. It is worth noting that at this very low end of the market the price of the dwelling is directly reflective of its quality and location. This price point (and slightly higher) in the Adelaide property market is the realm of first home buyer and investor.

In being forced to the outer suburbs of Adelaide to meet the $300,000 price point especially for detached dwellings there is a risk that one is compromising on capital growth prospects and potential for increasing vacancy rates.

....many would have dodgy 2- bedroom accommodation but even a nicer 1-bedder could be found within the amount....

Often built from the 1960's to 1980's many of these homes are now dated and would respond well to upgrading allowing for the potential of value-add in the future.

The Adelaide property market in the short term continues to be flat and limited growth is expected in the next 24 months. Both of these property types are currently yielding around 4% to 5% gross.

Relative to other investment prospects such as shares or long term saving accounts we think that property still remains a viable long term investment.

Brisbane

Sub $300,000 will definitely find you some real estate in south east Queensland but compromises will need to be made.

Our first port of call will be second hand units. We tend to rabbit on about this sector a bit in the Brisbane area but the used unit market is pretty hard to pass by when you are low on cash and high in lifestyle. A number of unattractive but reasonable size units in the near city Auchenflower and Toowong suburbs would fall into (or around) this price bracket. Many would have dodgy 2- bedroom accommodation but even a nicer 1- bedder could be found within the amount. These properties are ready renters – well located, easy access blah blah blah…. Even owner-occupiers wouldn't mind settling in while giving them a coat of paint and new kitchen benchtop. With a potential yield upward of 5% the future should look bright for any buyer who gets in during our slow market.

In terms of detached housing, compromises will yield results. Many of the zones that were hit during the January 2011 flood are seeing property turn over within this dollar amount. These areas are still viewed as a bit of a punt, but buyers are coming around to the good value. You can get a nice size chunk of land with an entirely rentable but modest cottage for $300,000 in Rocklea. If you want to pay even less then look for a renovators delight. These buyers are mostly wanting to pick up something dirt cheap from a distressed seller, add a couple of cosmetic touches, put in tenants at 6% return and hope like hell that there isn't another flood in the next five to ten years. If all goes to plan they might be on a winner.

If you're heading south then have a look at Marsden. For $320,000 you can acquire a reasonable quality 4-bedroom, 2- bathroom circa 2008 built lowset brick and tile home on about 600 square metres of land. Maybe not suitable for the third or fourth home buyer I agree, but for an investor there is the attraction of rent of up to $390 a week (i.e. 6.3% gross yield). Not too shabby for an established area.

If you'd prefer something even cheaper then step into Browns Plains where a 2007 townhouse will only set you back $260,000. It's hard to beat that price for a roof over your head.

If vacant land catches your fancy then there have been a few block splits in the vicinity of Salisbury and Coopers Plains. At somewhere between $270,000 and $300,000, the land is in an established area with ready access to services and facilities and offers about 400 square metres of dirt. These suburbs are not everyone's cup of tea but any structure that is eventually built onsite will have a steady stream of renters from the nearby university and the hospital.

Heading north of the river, the suburbs of Banyo and Nudgee would have something to offer but only for those with a keen eye and quick reflexes. $300,000 will get you a very lousy 2- bedroom, 1- bathroom house on 405 square metres. The locality is hard to beat for this price bracket and the upside potential over the coming years should be good.

....if vacant land catches your fancy then there have been a few block splits in the vicinity of Salisbury and Coopers Plains, at somewhere between $270,000 and $300,000....

Anyone eager for some decent quality northern suburbs attached housing will probably check out townhouses around Bracken Ridge. There are 3- bedroom, 2- bathroom two level circa 2008 townhouses at around $300,000 in the market. They are good renters and have all the right facilities nearby, and due to oversupply the price is right. They're probably not great capital growth prospects but they are still easy to let out.

So there you are. $300,000 will land some property in our big country town if you're willing to make some sacrifices. It would be fair to say that in most instances property has become a far more affordable prospect in Brisbane over the past few years. Whilst history dictates things will be on the rise once more, the trick will be picking when.

Gold Coast and Tweed Coast

The "affordability" tagline is constantly in the press, but we do not consider it to be so serious on the Gold Coast. Sales under $300,000 presently account for almost 20% of our residential market.

Provided buyers are not greedy in their house wants or are able to live comfortably in a unit, there is a myriad of options available for purchasers wishing to spend under $300,000.

Besides land in almost any estate in our region, the opportunities are bountiful for a home or investment property.

Unit Opportunities

In Surfers Paradise there are plenty of options for purchasers with $300,000 to spend, including older style units starting in the low $100,000's and 1- bedroom, 1- bathroom units in modern highrises ($250,000 to $320,000). An example is Unit 709 in Wings Residential which is a 7th floor 1- bedroom plus study with 2- bathrooms in a circa 2004 building that sold on 28 June 2012 for $250,000.

Wings

Just south of our tourism mecca, a semi-modern unit in a three storey walk-up in 2- bedroom, 1- bathroom configuration in Mermaid Beach/Broadbeach falls under the $300,000 category. An example is Unit 43 in Diamond Beach South in Mermaid Beach which sold on 2 March 2012 for $300,000 - a 1994 2- bedroom, 2- bathroom lowrise unit with a floor area of 105 square metres.

The Southport CBD medium/highrise developments have seen severe drops in value over the past couple of years due to distressed sales and rising body corporate rates. While values are still slowly softening, the rental market has remained relatively stable. A notable sale at the $300,000 price point is:

715/2 Aqua St, Southport – a 2009, 2- bedroom, 2- bathroom, mediumrise unit with single car basement carspace. Areas: living - 84 square metres; balcony – 8 square metres. Situated on level four having a northeasterly aspect and local/complex views. Common improvements include swimming pool, on-site management/caretaker, barbecue facilities, gymnasium, sauna, passenger lift, spa. The property has good external condition and good internal condition. Originally sold by the developer for $350,000 in 2009, then sold in July 2011 for $300,000. Now sold for $286,250 in April 2012.

Harmony

The Harmony lowrise development at Runaway Bay has been slowly releasing the remaining stock onto the market via receivers. Initial prices paid were well above local market values and a recent re-sale of a 74 square metres, 1- bedroom, 1- bathroom unit, with a 1 car basement carspace sold for $267,000 on 3 July 2012 (previous sale by developer was for $369,888 in August 2007.

$300,000 and under would cover most second hand stock for 3- bedroom, 2- bathroom townhouses and duplexes in Coomera and Pacific Pines. An example is Unit 23 in Villa Corfu which is a 3- bedroom, 2- bathroom townhouse unit with a single lock up garage that was built circa 1999 which sold this month for $260,000. Rents range from $360 to $380 per week.

Villa Casablanca

Within the Hope Island Resort is Villa Casablanca, a 60 unit security gated complex adjacent to a golf course. In June, a savvy investor snapped up a mortgagee in possession townhouse for $300,000.

House and Duplex Opportunities

The best buys generally remain with the stressed sales which are still dominating the lower end of the valuation echelon. The market has continued to soften into 2012 with recent indications that the market is starting to stabilise. Properties in this price bracket represent the highest sales rates currently on the Gold Coast but many are in fringe rather than central locations. Generally speaking the properties selling circa $300,000 are untidy and usually in need of at least some cosmetic improvement (i.e. circa $10,000 to $20,000 cost) to lift their overall presentation and marketability. In most suburbs in the northern area $300,000 represents entry-level only, however in many cases rental returns for these properties remain strong.

The central suburb of Ashmore has seen sale activity below the $300,000 for 3- bedroom houses in recent time. Two sales of note include:

- 20 Numeralla Ave, Ashmore – a semi-modern, 3- bedroom, 1- bathroom, brick and tile dwelling with double carport and situated on a 738 square metre, corner allotment. Sold for $285,000 on 5 May 2012.

- 20 Sun Valley Dr, Ashmore – a 1970's, 3- bedroom, 2- bathroom, brick and fibro dwelling with double garage and situated on a 637 square metre allotment opposite a park. The dwelling was in very original condition and needed some work. Sold for $285,000 on 4 May 2012. Once tidied up this house would rent for around $400 per week and have good opportunity for capital growth.

The continued decrease in prices has seen a large number of semi-modern onground dwellings in Nerang/Highland Park become available for $300,000 and under. An example is 43 Orlando Court, Highland Park which is a small circa 1980's brick and colourbond tile dwelling with a living area of 87 square metres on a 753 square metres allotment which sold this month for $325,000.

Examples of sales in other locations include:

Oxenford

- Duplex Units. Circa mid 1990's, semi-modern, 2- bedroom, 1- bathroom duplex unit with single lock-up garage. Typical Price Range $220,000 to $240,000. Typical Rent $280 to $310 per week.
- Duplex Units. Circa mid 1990's, semi-modern, 3- bedroom, 1- bathroom duplex unit with single lock-up garage. Typical Price Range $260,000 to $280,000. Typical Rent $300 to $330 per week.

Upper Coomera

- Townhouse Units. Circa 2004 to 2010, modern, 3- bedroom, 2- bathroom townhouse units with single lock-up garage. Typical Price Range $250,000 to

$280,000. Typical Rent $360 to $380 per week.

- Some modern duplex units have been selling around the high $200,000's which provide a 3- bedroom, 2- bathroom accommodation with single lock-up garage. Typically Rent $360 to $380 per week.

Eagleby

- Detached Dwelling. Circa 1980's, older style, 3- bedroom, 1- bathroom dwellings in original condition. Land area 600 square metres to 800 square metres. Typical Price Range $220,000 to $240,000. Typical Rent $270 to $320 per week.

Mount Warren Park

- Detached Dwelling. Circa 1980's, older style, 3- bedroom, 1- bathroom dwellings in original condition. Land area 600 square metres to 800 square metres. Typical Price Range $260,000 to $300,000. Typical Rent $320 to $350 per week.
- Townhouse Units/Villas. Circa 1980's, older style, 2- bedroom, 1- bathroom townhouse units with single carspace. Typical Price Range $140,000 to $170,000. Typical Rent $240 to $250 per week.

Edens Landing

- Townhouse Units/Villas. Circa late 1980's, older style, 3- bedroom, 1- bathroom townhouse units with single lock-up garage. Typical Price Range $200,000 to $220,000. Typical Rent $260 to $290 per week.

Beaudesert Valley/Scenic rim

With the market continuing to cool its heels in the Scenic Rim and south Logan regions, the options for investment and end user product under $300,000 increases.

The most talked about release and new subdivision is Yarrabilba, and with house and land packages starting from $269,500 the opportunity to buy a new 3- bedroom, 1- bathroom home complete with landscaping, driveway and fencing on a 300 square metre lot is a reality in this estate. Land alone starts at $118,000 and with a choice of builders in the estate or the ability to choose your own, this is a "get in on the ground" level type investment.

Older dwellings in the established areas of Jimboomba, Canungra and Beaudesert are also selling for under $300,000.

Recently in Beaudesert, there have been a couple of 4- bedroom, 2- bathroom semi-modern brick homes with double garages selling for $300,000. These are located in an area where there are a large number of investors and there has also been some negativity regarding the integrity of retaining walls originally constructed by the developer.

While Jimboomba has a number of newer estates, product is priced over the $350,000. However there are still some cheaper properties and $290,000 in Jimboomba will buy a 20 year old, 3- bedroom, 1- bathroom, brick home on a 1,012 square metre lot within one kilometre of two shopping centres and the commercial/industrial area.

Canungra township has seen some activity sub $300,000 with a number of brick homes recently selling for under $300,000. However they are typically dated in appearance, may have building issues (i.e. structural or asbestos) or be located on a busy road.

For the home unit investor/owner, a new 3- bedroom, 2- bathroom townhouse unit with single lock-up garage and low body corporate in Beaudesert is around $280,000 and rental demand is good with an average weekly rent of around $290 being achieved. Or alternatively a 1- bedroom basic unit for $125,000 with a rental income of $170 per week.

....as you move into the hinterland there is defiantly more options....

The rural residential/acreage market isn't under the $300,000 mark, however for the around $350,000 you can get a couple of acres with a basic house in either the Tamborine area.

There are a lot of opportunities to buy under the $300,000 in the above areas, as vendors become more realistic to the market.

Sunshine Coast

With the Sunshine Coast still being relatively expensive, $300,000 in some ways is just not enough, but only by a little. $300,000 can and does give the buyer some good options, but in the low $300,000 the options increase and you get more 'bang for your buck'.

Along the coast options are largely restricted to units. In the main tourist areas of Mooloolaba/Caloundra and in some cases Noosa, you can purchase 2- bedroom units for between $250,000 to $300,000. For house options a spend in the low $300,000 and would buy into areas like Battery Hill, Mount Coolum and possibly Tewantin.

As you move into the hinterland there is defiantly more options. The main service centre of Nambour provides a range of services and employment with both older and reasonably modern homes selling sub $300,000. As we move to the railway townships the options continue.

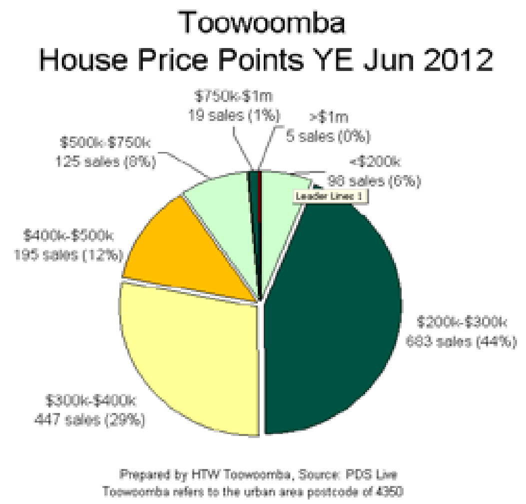
Interestingly, there are a few residential subdivisions in the hinterland where the land prices have fallen to a level where there is a possibility to construct a new home for under $300,000. This has not been available for a number of years so presents the buyer with another option.

The key with any purchase is to keep your eye on the market. There are some great buys out there with pressured vendors being forced to sell, often at well below replacement costs. Calling agents, going to auctions and seeking good independent advice are all relevant tips to ensure that you don't miss an opportunity.

Southern Queensland

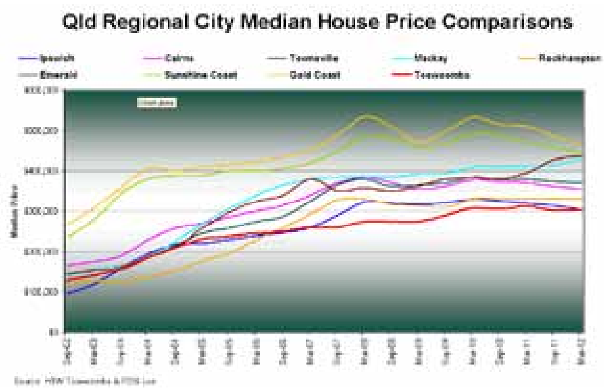
TOOWOOMBA

Sales activity is most prominent in the sub $300,000 price bracket in Toowoomba. An analysis of sales data indicates 44% of all residential dwelling sales in Toowoomba occur in the $200,000 to $300,000 price range.



The high proportionate levels of activity in this sector can be attributed to influences from first home buyers, owner-occupiers and investors as affordability is the key driver in this market segment. Investors are provided with reasonable returns (4% to 6%) in this price range with rental vacancies currently sitting at 1.2%. This should assist with rental growth moving forward.

Toowoomba represents affordable buying when its median price is benchmarked against the median price of dwellings in other regional centres across Queensland.



To date, Toowoomba has not been influenced by the mining boom to the same extent as its regional counterparts such as Emerald and Mackay. Increasing house prices in towns to the west of Toowoomba such as Miles and Chinchilla may see workers in those areas look at Toowoomba as a base given its comparative affordability and superior infrastructure.

A 3- bedroom dwelling in Toowoomba can be purchased for $160,000 to $190,000 at present. An example of a 3- bedroom home listed for sale at $189,000 is detailed below:

Homes in this lower end of the market generally require some form of renovation but provide an affordable entry point into the market.

A more modern, 3- bedroom home in the western suburbs priced at $219,000.

A 3- bedroom dwelling near the University of Southern Queensland priced at $280,000.

A modern, 3- bedroom townhouse in close proximity to schools and shops in Centenary Heights priced at $295,000.

With the median price of dwellings in Toowoomba sitting at $310,000, investing in property in the sub $300,000 price bracket is considered a relatively low risk option in the next two to three years while market activity is expected to be stable.

IPSWICH

Ipswich is located in an affordable area and is well positioned to all South-East Queensland has to offer. The median house price for Ipswich is currently $305,000 and with approximately 50% of the volume of sales of residential property in the area being below $300,000 the options are plentiful.

In stand-alone single unit houses you have a range of choices including:

Older style timber housing for approximately $200,000.

Ranging to modern brick houses between $250,000 and $300,000.

Investment yields on this type of property range from 5.5% to 6.25% gross which is quite attractive in today's investment market.

New dwellings fall slightly above the $300,000 bracket. However, there is new residential property available in the unit and townhouse market in the high $200,000 to $300,000 price range. These type of properties offer gross yields of 5% to 5.5% with the added benefit of being a depreciable asset. Herron Todd White is able to establish the depreciable value of these and all other built improvements through the provision of Tax Depreciation Schedules.

For those not looking for property with a house, rural lifestyle vacant land is available in the Ipswich fringe ranging in areas from two hectares to ten hectares for under $300,000.

The Ipswich region offers a wide variety of housing choice at an affordable price within the popular South-East corner.

Central Queensland

ROCKHAMPTON

Median sale prices in the Rockhampton region have been relatively steady over the past two years and have reflected a range of between $280,000 and $310,000. The dominance of investors and first home buyers in the market has had a direct influence at this more affordable end of the market. Low vacancy rates (2.5%) and good rental returns are also factors which are attracting buyers in this price bracket.

In south Rockhampton $300,000 will buy you a 1930's to1940's highset timber/fibro dwelling providing standard 2- bedrooms plus sleepout or 3- bedroom accommodation. These homes usually benefit from renovated/updated kitchen and bathroom. Median rent for a home of this style and location is $320 per week.

North of the Fitzroy River (north Rockhampton) offers a few different options for the purchase price of $300,000. These range from 1980-1990 standard 3 bedroom

1 bathroom brick onground homes and 1970's to 1980's highset timber/fibro/hardiplank 3- bedroom, 1- bathroom dwelling. Median rent for these dwellings are $340 per week.

BUNDABERG

This month we are taking a look at the $300,000 market around the country which is THE market in the Bundaberg region.

Lets take a look at the figures for the last 6 months in the 4670 postcode;

there were 665 sales (excluding the part and related sale, but including the MIP (mortgagee in possession) sales

- 626 of the sales or 94% were less than $500,000
- 562 of the sales or 84% were less than $400,000
- 409 of the sales or 61% were less than $300,000.

So what can you buy for under $300,000 in the Bundaberg area?

Bargara $297,500 - Circa 1992 brick dwelling with 3- bedrooms and 1- bathroom with a single car built-in garage on 1012 square metres.

Walkervale $298,000 - Circa 1980 stucco 3- bedroom, 1- bathroom with a detached single car garage on 1012 square metres.

Avoca $297,000 - Circa 1990 4- bedroom 1- bathroom dwelling with a single car built-in garage on 735 square metres.

The entry point for the market seems to be around the $175,000 to $190,000 mark now. For this money you will get an older 1940's timber weatherboard dwelling that needs renovation. Around the $250,000 mark will secure a mid 1980's brick 3- bedroom 1- bathroom in good condition with two car carport on 738 square metres in the Kepnock area.

The prospects of growth are moderate as Bundaberg seems to miss the wild fluctuations in price both up and down. Rentals are solid with low vacancy rates and coupled with the climate and proximity to the coast and beaches, it still makes Bundaberg an attractive and affordable region to invest in.

HERVEY BAY

The world is your oyster when it comes to selecting property up to $300,000, as there is so much to choose from in a wide variety of locations throughout the Fraser Coast. In Hervey Bay, single residential dwellings in this price range can buy a 4- bedroom residence with 2- bathrooms set on lots up to 1,000 square metres, with detached sheds and/or inground pool. These properties are likely to be circa 1990's and in original condition with some having minor renovations.

Units are currently available across a broad price range, with many onground dwellings and some townhouses selling from $180,000 to $230,000. One development in Urangan that was built approximately five years ago have advertised 2- bedroom, 2- bathroom units for around $215,000 with most achieving pool/resort views. The complex has extensive common improvements which include gymnasium, resort pool, barbeque facilities, gated entry and moderate landscaping.

Properties up to $300,000 in Maryborough can buy a tastefully renovated Queenslander or a brick veneer home offering 4- bedroom accommodation. There has been steady market activity in the lower price range this year with some older, low-set, 2- bedroom dwellings selling around $160,000, so realistically it would be possible to purchase two of these dwellings close to $300,000.

....the world is your oyster when it comes to selecting property up to $300,000, as there is so much to choose from in a wide variety of locations throughout the Fraser Coast....

MACKAY

What can I buy for $300,000? Unfortunately if Mackay is your town, it's not a lot! With median house prices over the $400,000 mark, $300,000 is considered entry level for residential dwelling within the Mackay city area. Properties in this price bracket are usually small lowset 1950's style dwellings in need of love and attention in Mackay city.

If a commute is not a problem, then more bang for your buck can be had at outer lying townships with dwellings under $300,000 able to be found down the pioneer valley west of Mirani (such as Gargett or Finch Hatton), or the small rural townships south of Sarina. On the northern end, the small townships like Calen (roughly 55km up the highway) offer reasonable quality dwellings for under $300,000. Units can still be found for under $300,000 - 1980's to 1990's brick 2- bedroom units can be found in most parts of Mackay city for under $300,000.

GLADSTONE

Given the recent capital growth Gladstone achieved in the residential market from late 2010 to late 2011, available choices of dwellings in the sub $300,000 range are very limited. The lowest sale recorded to date this year was $283,000 for a basic and small circa 1970 1- bedroom mid set fibro dwelling in fair only condition with no on-site car accommodation situated on a 738 sqm allotment. Another sale for $300,000 was for a very basic circa 1970 highset 3- bedroom dwelling in poor condition with a single garage under situated on a 683 square metre allotment. Both were located in secondary locations.

There is however a number of units available in the $250,000 to $300,000 range which are generally achieving a gross yield of above 6.5% and could prove to be a better investment than an older dwelling requiring maintenance. There were few units below the $280,000 mark towards the final quarter of 2011, however with a softening market we are seeing more accommodation available in this price range. 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

To put the Cairns under $300,000 market into context:

- $300,000 is below the current median property price in Cairns of $336,000 for houses, but well above the current median property price of $203,000 for units;
- Approximately 30% of houses and 85% of units sold in Cairns over the past twelve months have been for less than $300,000; and
- There is plenty of under $300,000 property available – our analysis of Pricefinder indicates 600 houses and 1,300 units currently listed for sale at under $300,000.

On the Northern Beaches, $300,000 would secure a 3- bedroom 2- bathroom home constructed in the 1980s or 1990's, possibly even with a pool. In Gordonvale, for this price, you could buy a modern 4- bedroom 2- bathroom double garage home on a 600 square metre lot between two to five years old. In near city areas, $300,000 will secure an older style 3- bedroom 1- bathroom house, potentially in need of work but equally potentially in a good suburb.

....there is a number of units available in the $250,000 to $300,000 range which are generally achieving a gross yield of above 6.5% and could prove to be a better investment than an older dwelling....

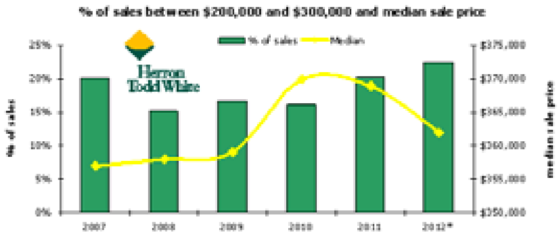
The unit market for permanent occupancy in Cairns starts with converted tourist resort units that sell in Woree for around $40,000 to $50,000. By $300,000 you could buy just about any unit you like, with the main exception being units right on the waterfront. Units purchasable under $300,000 would include a number of ostensibly up-market modern units located in the CBD.

Townsville

Townsville's median house price has reduced from around $372,000 at the end of December 2010 to currently sit at around $362,000. Our belief is that the downward cycle in median house price has run its course, and that prices will remain relatively stable during 2012 while the market continues to consolidate.

There are currently many options for a $300,000 investment in the Townsville area, with properties available in many of the established suburbs of varying age and condition.

We have seen the percentage of sales in the $200,000 to $300,000 price range increase as the median sale price softened over the 2011 to 2012 period. There are now great opportunities to purchase properties within a five to ten kilometres radius of the city centre at prices softer then available a few years ago.



Source: HTW analysis RP Data

In many cases price entry points start even lower at around $250,000 in Gulliver and Currajong for older style timber framed dwellings in original condition. These properties are located approximately six kilometres radially of the city centre and provide a good long term outlook. More modern homes in the outer lying areas of Kelso and Deeragun can be acquired for less then $300,000 as well as semi modern fringing city units.

Some examples of recent sales include a renovated 3- bedroom, 1- bathroom high set dwelling in Railway Estate (approximately three kilometres from the City Centre) which sold for $295,000 on a 451 square metre allotment. A circa 2005 4- bedroom, 2- bathroom home with double garage on a 667 square metre allotment, located at Deeragun (approximately 15 kilometres from the City Centre) sold for $300,000.

Overall there are good opportunities in the under $300,000 price range with the best prospects for investing likely to be within the 10 kilometre radius of the city centre.

Tasmania

At the peak of the market $300,000 represented the very upper limit of the Tasmanian first home buyer budget. Since the decline in the market this is probably no longer the case, with first home buyers now able to find much better value for money at a lower, more "mortgage friendly" price bracket. This amount is now more representative of the typical first upgrade purchase for buyers who have already bought their first home and are now looking to upgrade.

There are a number of options available to buyers with a $300,000 budget. Those wanting to purchase nearest the CBD in both Launceston and Hobart will be looking at your smaller inner city holdings such as apartments, flats and units of 1- or 2- bedrooms and generally with a single bathroom. For these type of properties off street parking is very desirable. On the city fringes detached dwellings are available but generally these will be of a small size similar to that of a unit and are established older properties which have been renovated over the years.

In the surrounding suburbs those who are attracted to newer properties will once again be looking to the unit market, however this should now include a number of more modern villa units – particularly in the north of the state. Those wanting something a little larger should be able to secure an established dwelling with at least 3- bedrooms, garaging and in a lot of cases a second bathroom. These dwellings will generally be more than a decade old, however depending on the size these will usually have been renovated in some way. With this market segment the further you decide to commute to the CBD, the better value you can expect to buy with buyers able to secure properties with larger block sizes and larger or more modern improvements in the commuter and outer lying suburbs.

For the investor this budget offers some further alternatives. For example, the lower socio economic suburbs are obviously priced significantly lower than $300,000 and provide the opportunity for investors to secure multiple dwellings at high yielding returns. However as those who are regular readers are well aware, these areas do provide a number of challenges and are priced low for a reason.

In terms of the inner city this budget can also secure the freehold to one of the many apartments which are located within hotels such as the Launceston and Hobart Mercure's and are subsequently leased back on a management agreement. However, for many investors the continued uncertainty is promoting a more cautious approach and hence a less active market across all market segments. With the market still yet to find a definite bottom, it is difficult to get a read on future growth prospects in the short to medium term.

....for investors seeking reliable cashflow the greater Darwin area offers a sound place for investment....

Darwin

Affordability has been a topical issue surrounding the property market in the Northern Territory for some time. Given a lack of supply and strong property growth over the past decade, there are limited options when tackling the market with $300,000. Since January, 2012 the only residential properties selling for under $300,000 in the greater Darwin area include serviced apartments in the CBD (uninhabitable by owner-occupiers) and dated studio apartments (approximately 50 square metres of strata area). In areas outside of the CBD, dated 1- to 2- bedroom units are the extent of the options.

Recent sales evidence in the CBD reveals serviced apartments are selling from $255,000. These apartments are purchased by investors primarily focussed on cash flow, with limited capital growth. These properties are offering gross returns in the vicinity of 5.5% to 6%.

Venturing out of the Darwin CBD into the northern suburbs and Palmerston the $300,000 limit offers similarly styled dated 1- to 2- bedroom units. These properties generate gross annual yields of approximately 5%. We note that these sections of the market are dominated by owner-occupiers, compared to the CBD which is heavily owned by investors.

Due to the lack of housing in the Northern Territory, and with inner Darwin vacancy rates for overall dwellings sitting at 0.8% and the Palmerston, region at 1.4% (RIENT July 2012), a lack of supply and strong rental demand suggests that rents are set to increase even further.

For investors seeking reliable cashflow the greater Darwin area offers a sound place for investment. The sub $300,000 section of the market has experienced strong capital growth over the past decade. With affordability becoming a large issue it is unlikely that this sector of the market will continue to experience the previous rates of capital growth. For buyers with $300,000 we suggest they focus on dated attached apartments, or serviced apartments with long term letting agreements to major hotel chains.

Perth

The $300,000 to $350,000 price range market in Perth primarily encompasses first home buyers and investors. The types of properties available around this price range are predominately located along the Perth periphery and in the south east and south west corridors, which are popular amongst first home buyers. Closer to the city centre, properties available within this price range are generally 1- bedroom multi-residential dwellings.

REIWA statistics across the year to June 2012 reveals some 30 suburbs with a median house price below $350,000 and 33 suburbs with a multi-residential median price below $350,000. Many of these suburbs are located on the periphery of the Perth Metropolitan area where buyers (traditionally first home buyers) are favourable to house and land packages. Land sales in this sector have increased 25 per cent from the March to June quarter and land prices increased by $5,000 over the same period.

So what can you buy for around $300,000 in Perth?

A 4- bedroom, 2- bathroom house located in the south east corridor in a suburb called Seville Grove which is situated approximately 35 kilometres from the Perth CBD. The property has a total living space of 115 square metres and is currently leased out at $370 per week with an asking price of $325,000, based on the asking price an assumed average gross yield of 5.9% is reflected.

Seville Grove

A modern 4- bedroom, 2- bathroom house located in the south western corridor in Port Kennedy, approximately 56 kilometres from the Perth CBD. The property has a total land area of 546 square metres and is currently leased out at $360 per week with an asking price of $329,000. Based on the asking price an assumed average gross yield of 5.7% is reflected.

Port Kennedy

A semi-detached duplex, with 3- bedrooms, 1- bathroom, located in Padbury a suburb situated approximately 20 kilometres north west from the Perth CBD. The property has a total strata area of 208 square metres with the current rental median price for comparable properties at $340 per week. The asking price for this property is $319,000, which reflects an average gross yield of 5.5% at the assumed median rental.

Padbury

This 1- bedroom, 1- bathroom unit is situated within a modern apartment complex located in the heart of the Perth Central Business District. The current median rent for 1- bedroom apartments in Perth is $420 per week. Based on the listed price of $370,000 this would reflect an average gross yield of 5.9%.

Perth

Whilst there are adequate dwellings around the $300,000 mark the choice is limited to the Perth periphery and small units in and around the Perth Central Business District.

South Western WA

In the city of Bunbury and surrounds you have quite some choice for $300,000; from a new built 3 x 2, on a 400 square metre lot ,to a 1960's asbestos house on a potential triplex lot, or you could buy a vacant one acre lot on the outskirts of the city. As one of the lower priced localities in the country, there is a reasonable range of property available for an affordable price, even if it is in some of the less well sought after areas. With a starting price for a 3- bedroom, 1- bathroom, older style house in a lesser neighbourhood, for as little as $200,000, there is still potential for first home buyers to get into the market without taking on large mortgages.

The same is also true in some of the regional towns such as Collie or Harvey. Busselton,on the other hand offers very little opportunity for a sub $300,000 purchase. The same can be said for Dunsborough and to a lesser extent Margaret River, though the price of land in some of the new subdivisions has reduced considerably in recent years.

While there are a number of options to purchase at a reasonably low price in the area, the localities that offer these options are generally of a lesser quality, and consequently the expectations for capital appreciation is considered to be limited. A reasonable rental return is currently being achieved in many of these properties and if this improves further, there still may be some potential for investors on that basis alone. We note that during the boom times these properties appreciated significantly, but they were also the first to feel the effects of the Global Financial Crisis and return to previous levels at the bottom of the market.

Overall, the number of transactions happening in this section of the market is quite strong, with many agents reporting good sale numbers. We note that the number of properties on the market is still above average and consequently it is still a buyers market. While we are in an oversupply situation, it seems unlikely that we will have much price movement in the near future at any price point.

So all in all, the market appears to be on the improve, with sales of higher priced properties also starting to become more apparent and hopefully this is a sign of things to come.

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Rural – Market Directions

Commentary from around the regions has a familiar message for many. There is some interest in quality properties, not many sales to report but there appears to be more people out looking. In Southern Queensland, the uncertainty of properties close to or potentially impacted by mining interests has been reflected in recent sales. North Queensland is more positive about the sugar industry with two new proposed mills considered for the Burdekin area and also new commodities being considered for the region. These would be a great boost to the local economy and support early positive signals in cane land values.

In New South Wales the impact of weather over the next few weeks will be important, with many areas requiring rain to turn a great start and strong commodity outlooks into dollars when it comes to harvest. Yet those downstream of the Hume Weir have concerns about possible flood in the event rain, coupled with snow melt, may see a release to assist Dartmouth dam manage inflows. In the western grazing areas there are increased interest in two larger holdings going to market at this time. A positive result for these properties will underline the improved values of the past 12 to 18 months in this area.

The overall rate of sales in the grazing sector is approximately half what it was for the period 2004 to 2009 across most states and Territory. This reduced activity and overall lack of liquidity in the sector will have a medium term impact on the values and the buyer has the power for the time being. The regional updates with more detail follow.

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1 September 2012

Southern NSW

The good news continues down south as far as seasonal conditions are concerned. Over the past month large parts of southern NSW and north east Victoria have experienced regular rainfalls, with falls of up to 40 and 50 millimetres in some areas. Over the weekend of 18th August steady falls of 30 plus millimetres virtually assures this area of a good spring. Soil moisture profiles are full and the area only needs a few more rainfall events to lead into one of the best season for years. This is not the case to the north of Wagga Wagga, where rainfall has been infrequent and crops are generally suffering from moisture stress. The great season in the south has resulted in some problems with weed control and waterlogging and this has made spraying and crop inputs such as urea difficult in some areas.

The other spin-off that is worrying many downstream farmers (below the Hume Weir in particular) is flooding that may occur. The Hume Weir is about 98% full and Dartmouth is at around 95% full. The Kiewa River is already running a banker, and with recent rainfall and snow melt it is very likely that Dartmouth Dam will spill. If that occurs the authorities will need to quickly release water from Hume Dam to be able to store water spill from Dartmouth. With the Kiewa River already in flood, soil moisture profiles full and normal seasonal conditions it is likely that there will be flooding downstream from the Hume Weir. Some farmers along the Murray have already started to move cattle off the River flats in case they become isolated on higher ground and need to swim out.

On the rural property sales front there has been very little action. "Donna Valley" at Holbrook was put up for auction on 8th August and was passed in without any interest on a vendor bid of $2.8 million. There are whispers of two private sales in the Holbrook area, but these are yet to come to light. There have been few other public offerings recently, but that is to be expected during winter. The usual selling season in this area is spring and autumn.

At this stage in the season most farmers are still smiling, despite some moisture stressed crops in the northern areas of southern NSW and some waterlogging problems in the southern areas. All that is needed is solid commodity prices which appears to be more likely with adverse seasonal conditions in Canada and USA limiting crop production.

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Murrubigee Irrigation Area

It's the last month of winter and it has been relatively dry considering the deluge of rain and flooding we started the year with. Winter crops are holding on and with the weather warming are starting to show some progress. Preparations are underway in our irrigation areas for another summer crop season with full irrigation allocations virtually being announced at the opening of the season in July.

Rural property markets have been slow through the region although there have been a small number of genuine sales of dryland cropping and grazing properties indicating a slow recovery from the long term drought.

There is still hesitation from prospective irrigation farm buyers with federal government water policy uncertainty still very much overshadowing the market. Also the continuing high Australian dollar is having a significant effect on horticultural markets and demand for these properties respectively.

....it would appear that the moisture situation for these areas is getting to a stage where further rainfall events are required for continual development....

It is still very much a buyers market and there has been an increase in mortgagee sales again this year. Overall the rural property market is still recovering and with positive outlooks for agricultural commodities in the longer term, it is certainly a perfect time to acquire property in the Murrumbidgee Irrigation region.

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Regional Victotia

MILDURA

The Mallee Catchment Management Authority (CMA) recently released 2012 Murray Mallee Horticulture Crop Report provides some interesting reading. In general the report highlights the dynamics of irrigated horticulture in the North West Victoria region. Some of the more interesting data is as follows, noting a full copy of the report is available from the Mallee CMA website:

- Since 1997 the total irrigable area has increased by 32,225 hectares;
- In 1997 drip irrigation accounted for 11% of the total irrigated area and in 2012 has increased to 66%;
- Grapes remain the dominant crop type covering 20,845 hectares;
- Table grapes have overtaken wine grapes as the dominant crop within the pumped irrigation districts;
- Wine grape plantings have declined 27% since the peak of 2006;
- Almonds show 20,350 hectares are planted and when at maturity will become Australia's largest almond producing region;

Mineral Sands Mining

On the back of major existing mineral sands mining operations south of Ouyen (north west Victoria) and west of Pooncarie (south west New South Wales), mining operations in the district have received a further boost with Iluka recently announcing a commitment to establish a mining operation to the north west of Balranald due to commence in 2015.

The Balranald deposits 'West Balranald' and 'Nepean' were originally discovered in 1998 and Iluka plans to mine 500,000 tonnes of heavy mineral concentrate per year and 620,000 tonnes per annum for an expected 10 year life. It is expected that up to 200 workers and contractors will be required during the construction stage and up to 120 direct jobs once mining commences, noting also that $21 million has already been invested into the project.

Almonds

Construction of the $60 million Olam Orchards' almond processing plant at Carwarp (30 kms south of Mildura) is well on target to be completed by the next harvest in 2013 and is expected that the processing facility will create 41 full-time equivalent jobs once operational.

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

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Central West NSW

The current 2012 season is at an interesting stage as we generally see well developed winter cereal crops and well established oil seed crops across the central division of New South Wales, however, it would appear that the moisture situation for these areas is getting to a stage where further rainfall events are required for continual development of these areas and we would expect that this rainfall would need to happen within the next two to three weeks. We note that due to the slightly drying times irrigation activities have begun to get underway in the Jemalong Irrigation area, particularly on the red orientated soil types.

The property market continues to be what we describe as an "awkward moment" as there are conflicting and confusing signals coming from various areas of the market at present with some properties being listed for sale at apparently reasonable rates going unsold for a number of years with properties within 30 kilometres being acquired by neighbours for significant premiums to what would be expected. This is proving very difficult for agents across these areas as expectations are raised by these above average sales, and as we all know, every farmer has the 'best' property in the district, and so no matter where the sale is or how much it is immediately these properties become worth at least that much, and unfortunately that is not the case within the market. Markets have trends and fads just like other industries and at present it would appear that there is increased interest in broad scale open heavier chocolate clay loam cultivation country. This is particularly evident in areas such as Coonamble, Walgett and Moree as properties may be located in close proximity to sales of very high dollar per hectare rates, yet there appears to be little interest in the properties themselves.

Wee Warra Plant & Machinery

Some sales continue to be negotiated by ever patient agents with one signature property in close proximity to Dubbo which has been listed for sale for approximately two to three years, we believe going under contract recently. This property has Macquarie River frontage, centre pivot irrigators and both bore and Macquarie River Irrigation Entitlements. Early value indications are that this sale will represent dollar per hectare rates that are at the upper end of the current sales for these good quality soil types along the Macquarie River. Again, this is the conundrum that confronts a lot of agents in the market at present as good quality holdings will still achieve these values and this particular property was well improved, very well presented and was a turn key operation with all hay making pastures in good condition. Further details of this sale will be forthcoming in the following Month in Review.

Also a 4,000 hectare holding north west of Condobolin of predominantly dryland cultivation, is near agreement in value. At this stage our understanding is that these values will indicate approximately $230 per hectare for cultivation areas which have generally gravelly influenced soil types and we consider that this is at the lower end of expected values for reasonably quality dryland cultivation areas. Further analysis will be discussed in the Month in Review when all details become known.

A large sale in western NSW looms and by the time this reaches the press it may have occurred of "Clifton Downs/ Pindari". David Russell from Cobar is putting this 280,000 acre holding to the market and we would expect that a sale will either eventuate under the hammer or soon after auction as there has been good levels of interest for far western grazing properties recently with sales such as "Pack Saddle Station" and "Analara Station". These sales indicate solid demand for this generally lower cost grazing area. We believe that rates above $200 per DSE may well be paid for this property as there is significant feed in place at present and a carrying capacity far in excess of its western lands rating.

....the property market continues to be what we describe as an "awkward moment" as there are conflicting and confusing signals coming from various areas....

So, in a nut shell, the season is tapering off, rainfall will be required for most dryland cropping areas in the next two to three weeks, this, in conjunction with the latest southern oscillation index and a potential El Nino phenomenon beginning to appear see interesting times ahead.

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Southern Queensland

The cold frosty winter mornings are on the way out with recent warmer temperatures leading into spring. Some unseasonable rain events through the winter period have been good for subsoil moisture contributing to a positive start for winter crops and increased herbage in the area. This has stimulated the cattle market through increased competition and seen an increase in wheat prices which has also been compounded by drought conditions in areas of the northern hemisphere.

The property market has not changed a great deal over the past month with numerous listings remaining open for negotiation. Recent activity includes the receiver instructed sale of "Glenelg", Wandoan which sold for an unconfirmed price of between $4 million and $4.5 million after passing in at auction for $3.9 million. The property comprises some 4,407 hectares of undulating, marginal scrub soil, grazing country. Prior to the auction it was disclosed by the receivers and managers that the Coordinator General was proposing a $1 million compensation payment for a railway line which would dissect the property as part of the proposed Wandoan Xtrata coal mine development. There is speculation that this project could be put on hold pending the outcome of the companies final investment decision. This is reflected in the sale price of "Glenelg" which does not appear to reflect a premium payed for the potential compensation payment.

Further west was the sale of "Wiringa", Charleville which sold soon after auction for an advised figure of $1.9 million.

The property is located approximately 120 kilometers north west of Charleville and incorporates some 28,176 hectares of mixed red and black soil grazing country. To the south-west is "Kyabra", Eromanga comprising some 59,508 hectares of mixed cattle and sheep country which is reportedly nearing finalisation of sales negotiations after passing in at auction on June 13. Details of the potential purchase price were not disclosed.

....genetics and fertility issues are becoming increasingly a topic for serious consideration by many northern graziers ....

There has been minimal activity in the area since the sale of "Comongin", Quilpie which sold in May for circa $3.6 million including approximately $1 million of livestock, plant and equipment. The property comprises some 93,905 hectares on the Bulloo River with an advised carrying capacity of approximately 2000 cows. Agents in the area also reveal that there has been increased enquiry from international companies for larger aggregations in the south-west following a run of above average seasons. The high Australian Dollar and predicted return of the El Nino weather pattern has stalled commitment from these buyers and is a reflection of the general uncertainty in the broader rural property market.

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Northern Queensland

Grazing

The grazing sector continues to plod along at a pace somewhat less active than the period of 2004 to 2008. Sales numbers across the region are well down on an annual basis to that of the heady years. The sales that have occurred to date in 2012 are reflecting reasonable values for good quality grazing lands. Values may have receded somewhat since 2007/08 but from the limited number of quality properties sold in recent times graziers are still prepared to pay reasonable money for quality lands with low input costs.

The Northern region like the Northern Territory does have an alternative market option with the live beef exports out of Townsville and Karumba. There still remains many nervous issues to be addressed before stability of this market can be achieved.

Genetics and fertility issues are becoming increasingly a topic for serious consideration by many northern graziers who are realising that productivity across their grazing operations must improve as the return from their traditional product (beef) has sat within defined price parameters for about the past ten years. Costs have gone up and incomes have been tied to this set range of returns for cattle. Debt serviceability and Loan Valuation Ratio (LVR) requirements may vary from institution to institution but if productivity in general does not increase in the coming years many graziers may experience financial hardships and have problems with addressing debt and development issues.

Despite all this, the Northern Region Beast Area Values continue to remain relatively cheap when compared to other areas within Australia. The expectation of this general range would be in the vicinity of $800 to $2,000 per BAE dependant upon location, quality of country and proximity to markets. There are exceptions to this range but generally the region as a whole usually fits this bracket.

Cane (Burdekin and Herbert Areas)

The harvest has started with all mill areas in production. The harvest was delayed for several weeks due to an unseasonal wet period. There have been several mill stoppages but that is always part of the crushing season. To date the mills are confident that all cane will be cut but should another wet spell hit the region then there may be stand over cane going into 2013.

The sugar loading facility at the Lucinda Port is in its final stages of repair from damage caused by Cyclone Yasi. Loading from this facility will commence late August.

The Home Hill area of the Burdekin region is the site of a trial cassava/starch plant which will eventually be developed into a starch and energy plant with a total outlay/investment in the vicinity of about $180 million. This type of investment in a single rural industry has not been seen since the sugar mill acquisitions by various interests. The scheme should offer growers an income and supply option that could compliment their cane growing operation and provide more job opportunities to the Shire.

The proponents of the proposed two new mills for the Burdekin have gone quiet of late but things will be progressing behind the scenes. Two $140 million plus investments also for the Burdekin do represent major capital investments for the area.

Sale volumes in the Burdekin have been slow for some time now but the value range still appears to fall within the range of $12,000 to $22,000 per hectare for irrigated cane land with some variation outside this range being reflective of area, quality and location.

The new sugar mill for the Herbert Region is still progressing and the proponents appear confident that construction will commence in the coming 12 months. This project has received all approvals required for the project to proceed.

The majority of the Great Southern land holdings within the Herbert area that were recently disposed of are now being developed again for cane production. It is felt that these land purchases will now slow the volume of cane farm sales in the area for some time. Cane land values in the Herbert are reflecting a range of $6,000 to $15,000 per hectare (dry land) with some lands again falling outside this range as a result of location, quality and size.

Horticulture (Bowen and other areas)

The small crops and tomatoes for which Bowen is famous have been adversely affected by the recent cold spell. This cold spell impacted production and plant growth and this will eventually be reflected by an increase cost for this produce in the supermarkets of the eastern states. The growers in the area continue with their routine and if they finish the year with good returns this may be reflected in some end of year property purchases. These irrigation lands in the Bowen area still appear to be reflecting value ranges in the $18,000 to $25,000 per hectare bracket with some values outside this range reflecting values more attuned to the size of the specific property.

Far West

Herron Todd White (North Queensland) have recently acquired the Katter Property valuation business in Mount Isa. It is hoped that this acquisition will provide opportunities for our HTW staff to continue the level of service that Robbie Katter provided to his clients.

Roger and Denis attended and Agribusiness function last week and had the pleasure of meeting Glen Boss (triple Melbourne Cup winning jockey). The Glen Boss story and his presentation are very interesting and can be recommended to all.

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Northern Territory

The jury is still out on just how far from the bottom of the property cycle we are in pastoral Northern Territory (NT) with the passing in at auction on 10 August of "Killarney", a well known Victoria River district (VRD) cattle station. This follows the passing in at auction of VRD stations "Riveren/Inverway" a month earlier. While there are reportedly a couple of interested parties, none seems too willing at this stage to be the one to make a move that ultimately buys the property. After the Barkly Tablelands, the VRD is the next most appealing to corporate buyers given the large scale carrying capacities, quality basalt country types, generally good access and secure rainfall. However the continued uncertainty over the Indonesian live export trade continues to dampen the confidence to invest in this region. Meanwhile, Herron Todd White is aware of accepted offers made on two other cattle stations in the northern half of the NT. Both stations have scale in excess of 10,000 head (AE) and are well improved. Details remain confidential at this stage. Selling agents report that several inspections are scheduled for some of the big runs towards the end of August/early September. Some confidence may be restored if Indonesia grants more live cattle import permits in October.

On the freehold land front, at least two sales and the close of two expressions of interest campaigns over the last three months indicate significant reductions in value levels from the 2009 peak. "Yeltu Park" (22,890 hectares) just south of Katherine on the Stuart Highway sold in July for $1.9 million (with some stock and plant) which is a significant fall from the contract price accepted in November 2010 of $3.5 million for the same package. Former Great Southern Plantations property "Mentabie" (6,148 hectares) in the Douglas Daly region sold in May for $4.18 million to GMO Renewable Resources (African mahogany grower) which is a big drop from the $6.1 million paid by Great Southern in 2008, especially considering that the recent sale hinged on the additional clearing permit for 25 percent of the land area. Expressions of interest for sale by receivers of former Willmott Forests African mahogany plantation "Rocktear Park" (5,340 hectares) just south of Katherine closed in June with reported interest at significant discount to the March 2009 sale price of $5.5 million. Details remain confidential.

....Herron Todd White is aware of accepted offers made on two other cattle stations in the northern half of the NT....

The majority of the timber plantation companies that were active during peak market conditions (2007 to 2009) have now quit the market. Nevertheless, we are aware that at least one timber plantation company remains active (in the Douglas Daly region at least). While this anecdotal evidence for demand by a timber company exists, the expectation of land agents is that any sale will be at a significant discount compared to the levels achieved at the peak due to the lack of competitive tension between timber companies. We understand that "Black Bull" (4,993 hectares) received an expression of interest to purchase by a plantation timber growing company. Actual details are confidential at this stage however we are advised that the 'best' offer was by a timber grower at a significant discount to the August 2008 sale. We understand that GMO Renewable Resources have intentions to continue their African mahogany expansion in the Douglas Daly and with the apparent lack of competition from other timber companies, now appears a good time for them to buy. Our discussion with selling agents and receivers is that traditional cattle grazing operators cannot meet the bargaining power of the successful timber companies still operating like GMO Renewable Resources and Tropical Forestry Services (TFS). The latter are the largest Indian sandalwood growers in the world who also purchased "Midway" (2,910 hectares) in the Douglas Daly in February for $4.45 million – a good price in these softer times. Midway was extensively developed for cell grazing of cattle but will be utilised for the company's expansion in Indian sandalwood.

In other news, the recent electoral victory for the Country Liberal Party (CLP) over Labour who held power in the NT for the last decade is likely to result in a few changes for rural industries. But any new policies or areas of focus for the CLP have not been released in full at this stage and we will have to update in the next MIR. Of interest will be the CLP's policy toward the continuation of rebuilding relations with the Indonesian Government (re live cattle export) and the expansion of the Ord River Irrigation Area on the NT side of the WA/NT border which was reportedly gathering significant momentum under the Labour government prior to the election. On that note, the result of expressions of interest for the Ord Stage Two land release is not expected until late this year. We understand that among others, expressions of interest came from China and two major northern Australian agri-companies.

Contact:

Frank Peacocke Ph: (08) 8941 4833

Comparative Property Market Indicators - August 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 - August 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

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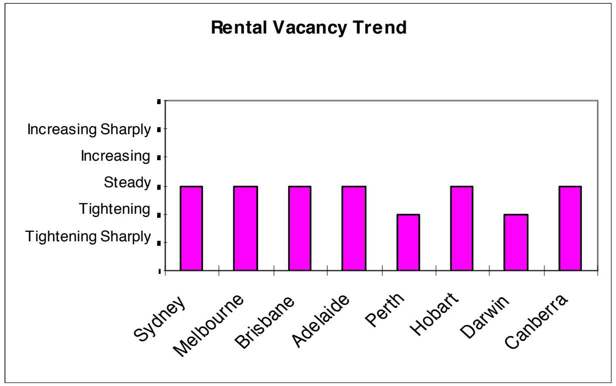
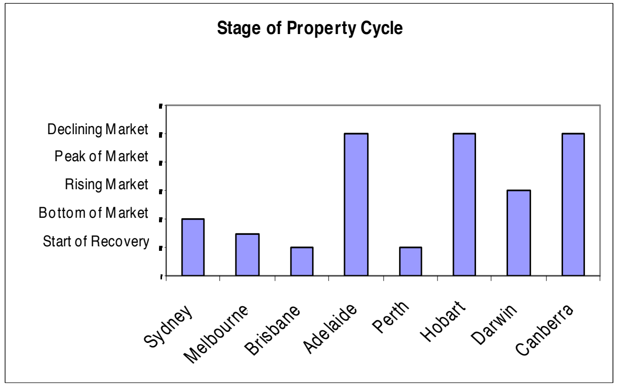
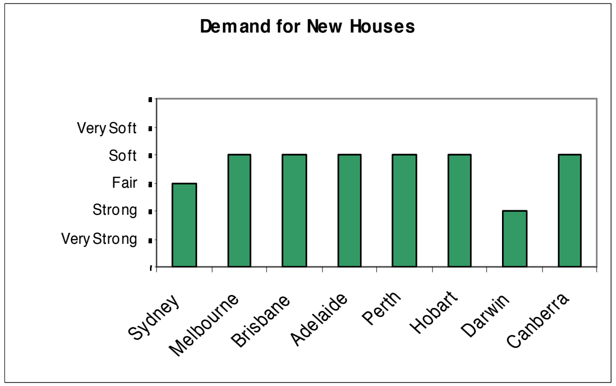
Capital City Property Market Indicators as at August 2012 – Houses

Factor	Sydney	Melbourne	Brisbane	Adelaide	Perth	Hobart	Darwin	Canberra
Rental Vacancy Situation	Balanced market	Shortage of available property relative to demand - Balanced market	Balanced market	Balanced market	Shortage of available property relative to demand	Over-supply of available property relative to demand	Severe shortage of available property relative to demand	Balanced market
Rental Vacancy Trend	Steady	Steady	Steady	Steady	Tightening	Steady	Tightening	Steady
Demand for New Houses	Fair	Soft	Soft	Soft	Soft	Soft	Strong	Soft
Trend in New House Construction	Steady	Steady	Steady	Declining	Declining	Increasing	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*







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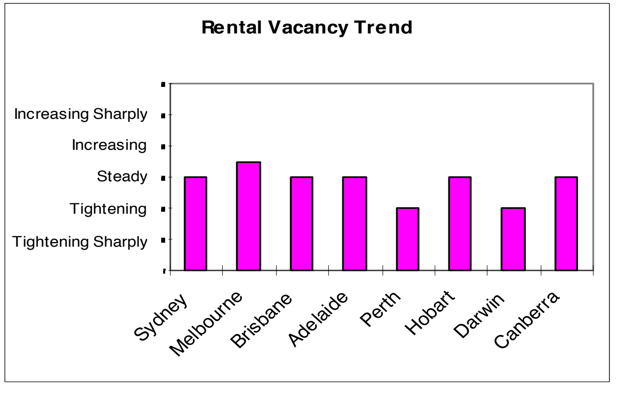
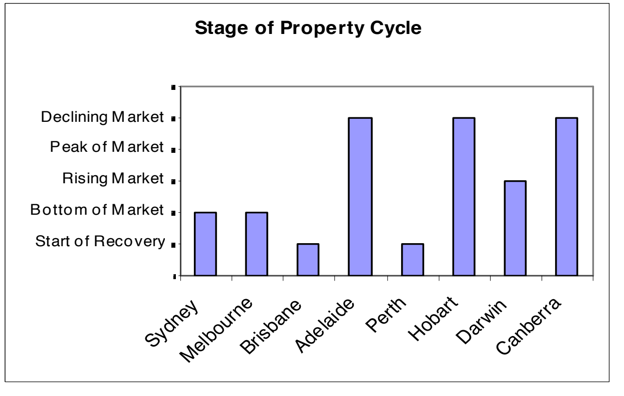
Capital City Property Market Indicators as at August 2012 – Units

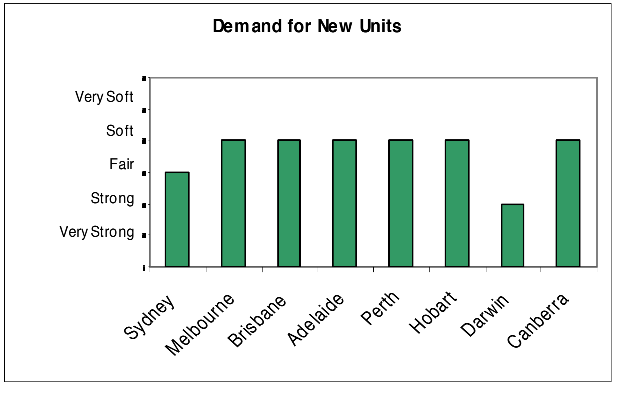
Factor	Sydney	Melbourne	Brisbane	Adelaide	Perth	Hobart	Darwin	Canberra
Rental Vacancy Situation	Shortage of available property relative to demand	Balanced market - Over-supply of available property relative to demand	Balanced market	Balanced market	Shortage of available property relative to demand	Over-supply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







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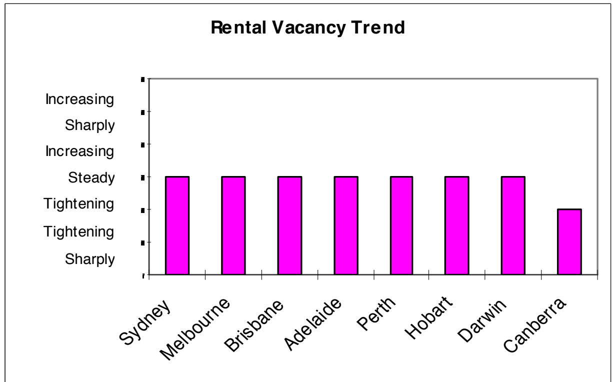
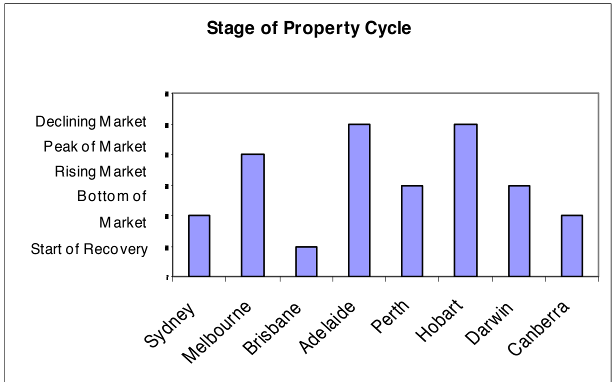
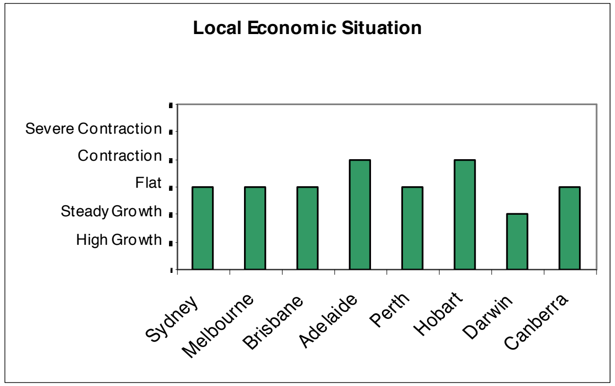
Capital City Property Market Indicators as at August 2012 – Office

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

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







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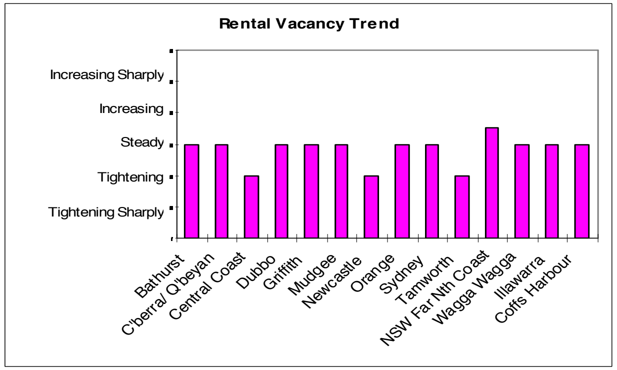
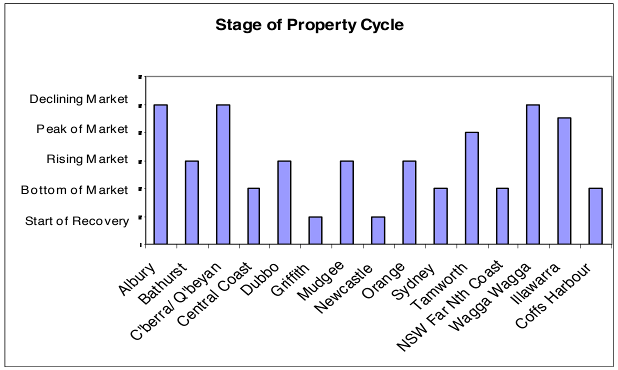
New South Wales Property Market Indicators as at August 2012 – Houses

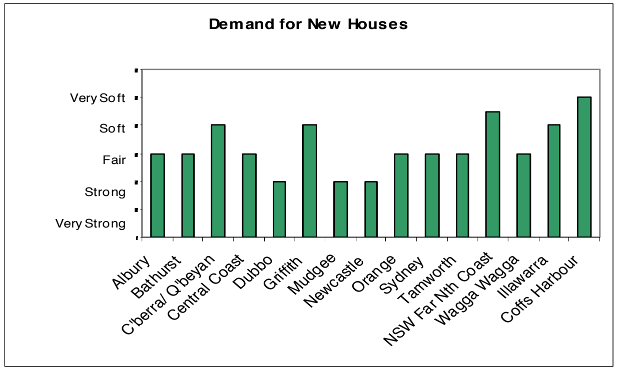
Factor	Albury	Bathurst	Canberra/ Q'beyan	Central Coast	Dubbo	Griffith	Mudgee	New-castle	Orange	Sydney	Tam-worth	Tweed Coast	Wagga Wagga	Wollon-gong	Coffs Harbour
Rental Vacancy Situation	Balanced market	Balanced market	Balanced market	Shortage of available property relative to demand	Severe shortage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

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 August 2012 – Units

Factor	Albury	Bathurst	Canberra/ Q'beyan	Central Coast	Dubbo	Griffith	Mudgee	New-castle	Orange	Sydney	Tam-worth	Tweed Coast	Wagga Wagga	Wollon-gong	Coffs Harbour
Rental Vacancy Situation	Balanced market	Balanced market	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	Balanced market	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	Balanced market
Rental Vacancy Trend	Steady	Steady	Steady	Tightening	Steady	Steady	Steady	Tightening	Steady	Steady	Steady	Steady - Increasing	Steady	Steady	Steady
Demand for New Houses	Soft	Fair	Soft	Soft	Fair	Fair	Fair	Fair	Fair	Fair	Fair	Very soft - Soft	Fair	Soft	Very soft
Trend in New House Construction	Declining	Steady	Steady	Declining	Steady	Steady	Steady	Steady	Steady	Steady	Steady	Declining	Steady	Declining - Steady	Steady
Volume of House Sales	Declining	Steady	Steady	Steady - Declining	Steady	Steady	Steady	Steady	Steady	Steady	Steady	Declining	Steady	Steady	Increasing
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	Start of recovery
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	Occasion-ally	Occasionally	Occasion-ally	Occasion-ally	Occasion-ally	Almost always

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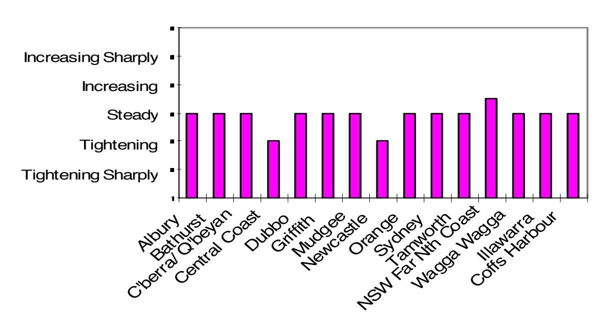
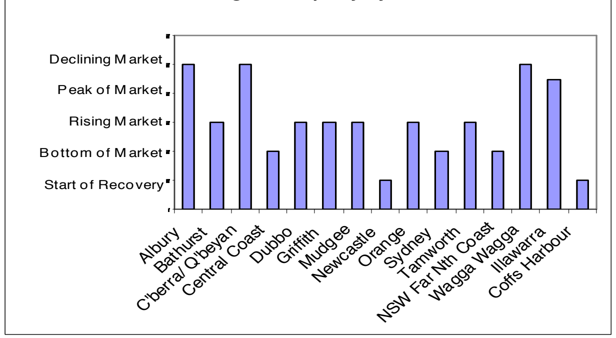
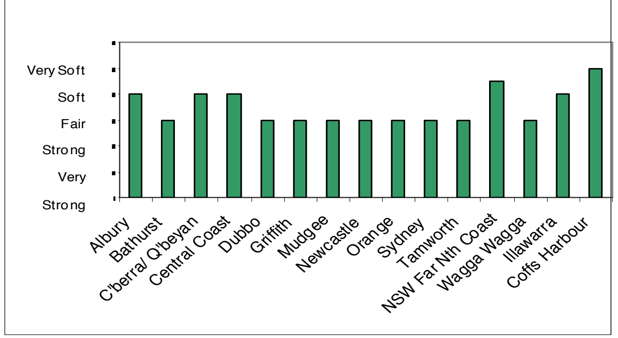
Blue entries indicate change from previous month to a lower risk-rating



Rental Vacancy Trend



Stage of Property Cycle



Demand for New Units

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New South Wales Property Market Indicators as at August 2012 – Office

Factor	Albury	Bathurst	Canberra/ Q'beyan	Central Coast	Dubbo	Griffith	Mudgee	New-castle	Orange	Sydney	Tam-worth	Tweed Coast	Wagga Wagga	Wollon-gong	Coffs Harbour
Rental Vacancy Situation	Large over-supply of available property relative to demand	Balanced market	Large 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 - Balanced market	Over-supply of available property relative to demand	Balanced market	Over-supply of available property relative to demand	Large over-supply of available property relative to demand	Severe shortage - Shortage of available property relative to demand	Over-supply of available property relative to demand
Rental Vacancy Trend	Increasing	Steady	Tightening	Steady	Steady	Steady	Steady	Tightening	Tightening	Steady	Steady	Increasing	Increasing	Tightening - Steady	Increasing
Demand for New Houses	Declining	Stable	Stable	Stable	Stable	Stable	Stable	Stable	Increasing	Stable	Stable	Declining	Declining	Stable	Declining
Trend in New House Construction	Declining significantly	Steady	Steady	Steady	Steady	Declining	Steady	Steady	Steady	Increasing	Steady	Declining	Declining significantly	Increasing - Steady	Declining
Volume of House Sales	Declining market	Rising market	Bottom of market	Declining market	Rising market	Bottom of market	Rising market	Bottom of market	Peak of market	Bottom of market	Rising market	Bottom of market	Declining market	Bottom of market	Bottom of market
Stage of Property Cycle	Contraction	Flat	Flat	Flat	Flat	Flat	Flat	Steady growth	Contraction	Flat	Flat	Flat	Contraction	Flat	Contraction
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Large	Small - Significant	Very large	Large	Significant	Large	Significant	Large	Small - Significant	Significant	Small - Significant	Significant	Large	Significant	Significant

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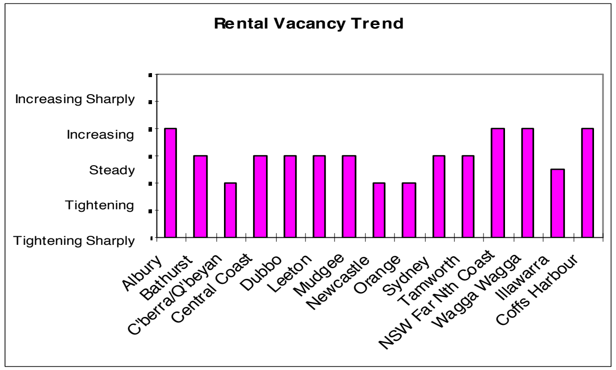
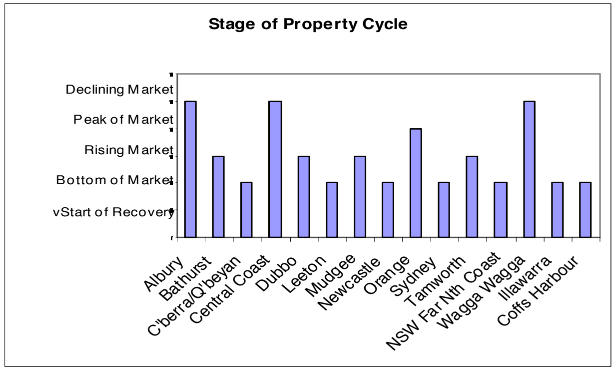
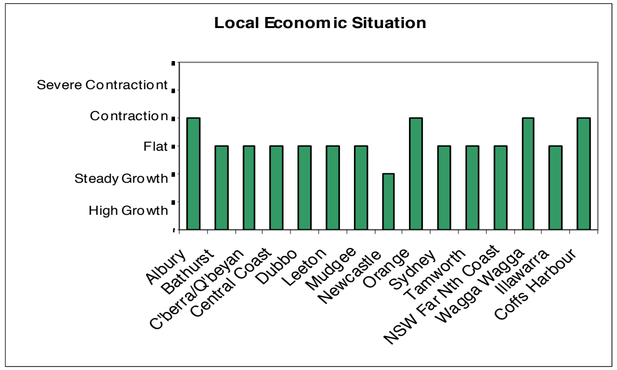
Blue entries indicate change from 3 months ago to a lower risk-rating







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Victoria/Tasmania Property Market Indicators as at August 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	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	Steady	Steady	Steady
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	Steady	Increasing	Increasing	Increasing
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	Declining market	Declining market	Declining market	Declining market
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Almost never	Almost never	Occasionally	Occasionally	Occasionally	Occasionally	Occasionally	Occasionally	Occasionally	Occasionally	Occasionally

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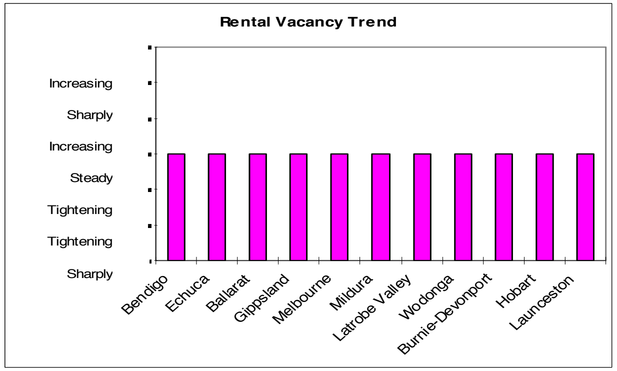

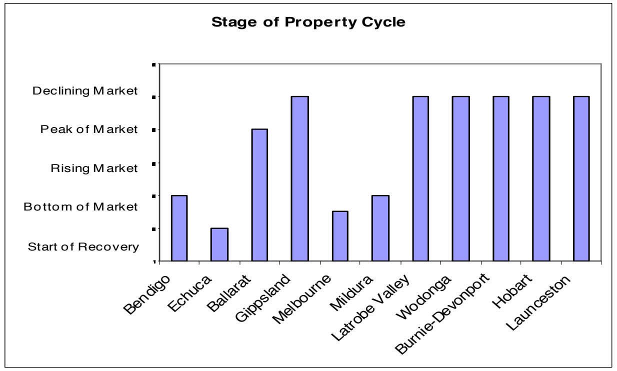

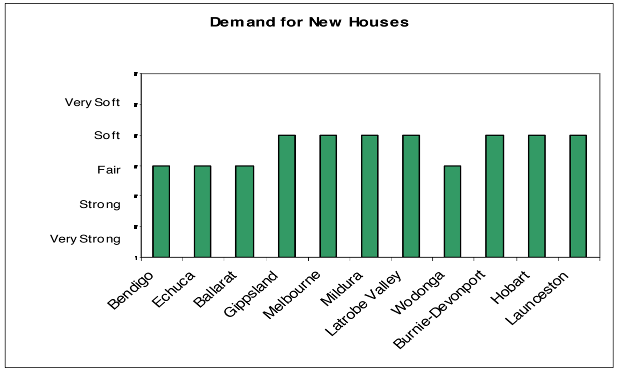

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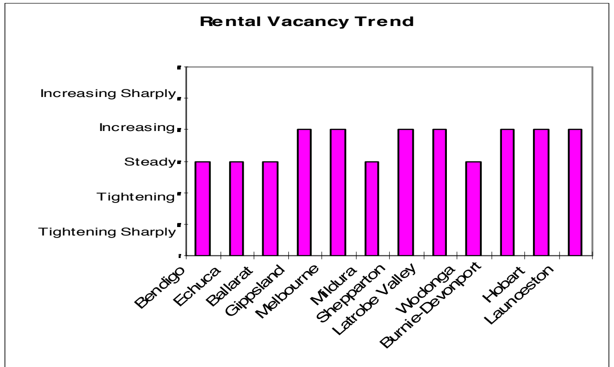
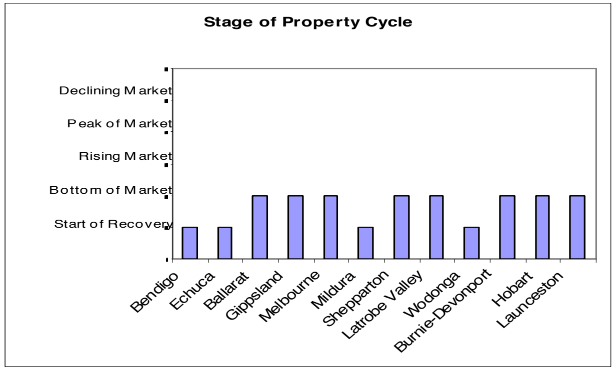
Victoria/Tasmania Property Market Indicators as at August 2012 – Units

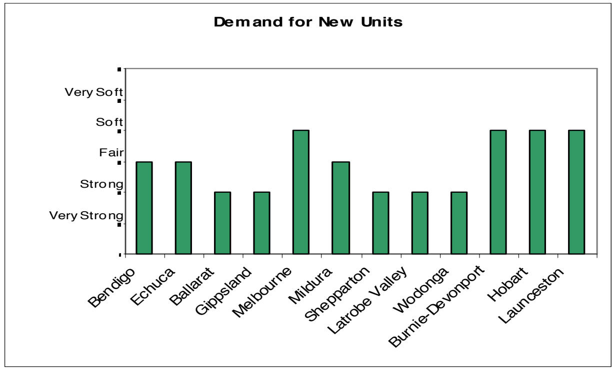
Factor	Bendigo	Echuca	Ballarat	Gippsland	Melbourne	Mildura	Shepparton	Latrobe Valley	Wodonga	Burnie/Davenport	Hobart	Launceston
Rental Vacancy Situation	Balanced market	Balanced market	Shortage of available property relative to demand	Balanced market	Balanced market - Over-supply of available property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







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Victoria/Tasmania Property Market Indicators as at August 2012 – Office

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	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	Steady	Increasing	Steady	Steady	Steady	Steady
Rental Rate Trend	Stable	Stable	Declining	Stable	Stable	Declining	Stable	Declining	Declining	Declining
Volume of Property Sales	Steady	Steady	Declining	Declining	Steady	Declining	Steady	Steady	Steady	Steady
Stage of Property Cycle	Rising market	Bottom of market	Bottom of market	Peak of market	Start of recovery	Bottom of market	Rising market	Declining market	Declining market	Declining market
Local Economic Situation	Flat	Flat	Flat	Flat	Flat	Flat	Flat	Contraction	Contraction	Contraction
Value Difference between Quality Properties with National Tenants, and Comparable Properties with Local Tenants	Small	Significant	Small	Significant	Small	Small	Significant	Small	Small	Small

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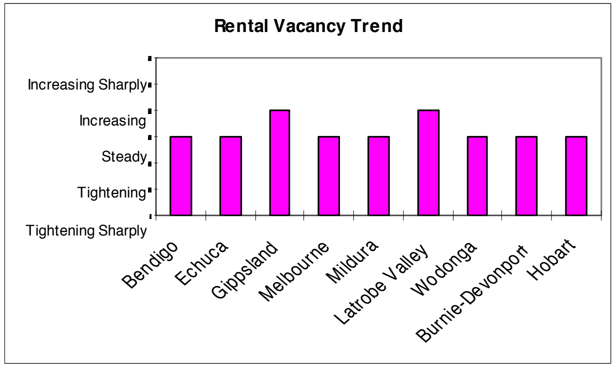

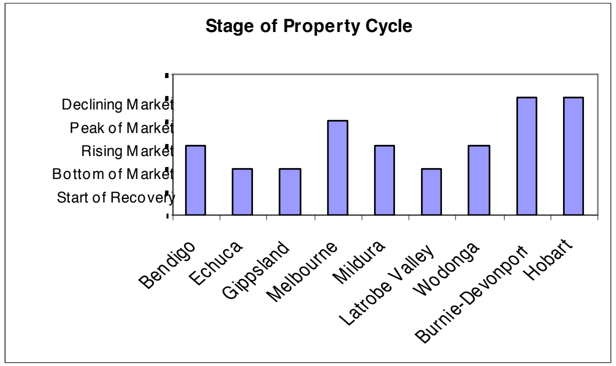

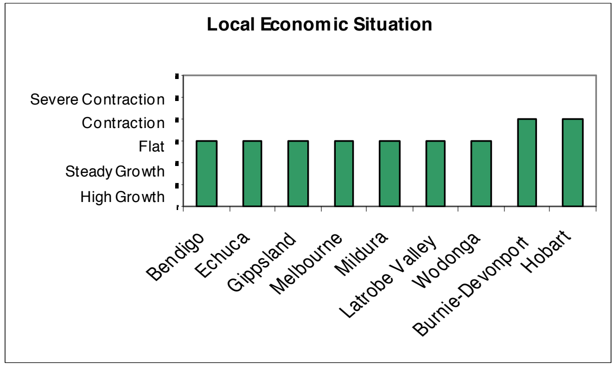

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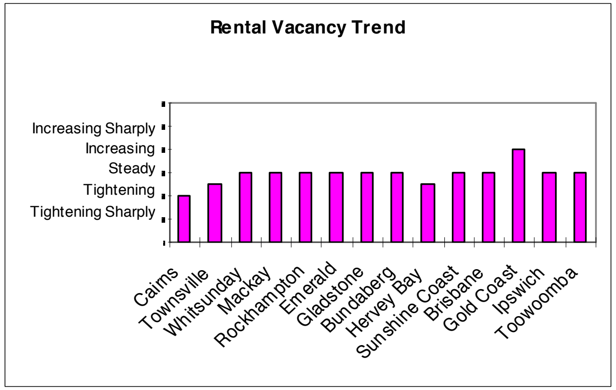
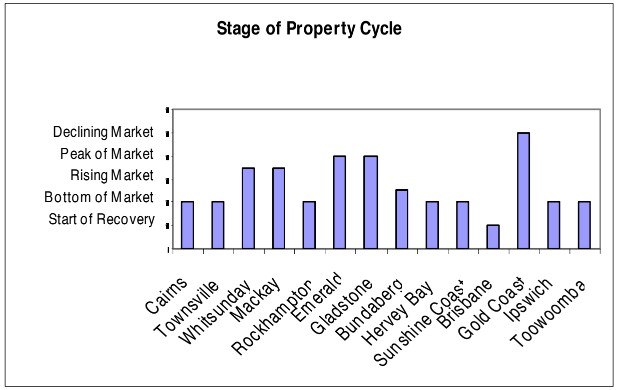
Queensland Property Market Indicators as at August 2012 – Houses

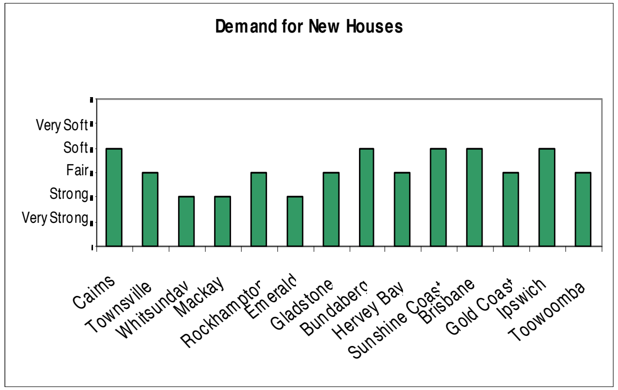
Factor	Cairns	Towns-ville	Whit-sunday	Mackay	Rock-hampton	Emerald	Glad–stone	Bunda-berg	Hervey Bay	Sun-shine Coast	Brisbane	Gold Coast	Ipswich	Too-woomba
Rental Vacancy Situation	Severe shortage - Shortage of available property relative to demand	Severe shortage of available property relative to demand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

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

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







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Queensland Property Market Indicators as at August 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	Shortage of available property relative to demand	Shortage of available property relative to demand
Rental Vacancy Trend	Tightening	Tightening - Steady	Steady	Steady	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	Fair
Trend in New Unit Construction	Declining	Steady - Increasing	Steady	Steady	Steady	Increasing	Steady	Steady	Declining significantly	Declining	Steady	Increasing	Increasing	Increasing strongly
Volume of Unit Sales	Increasing - Steady	Increasing	Steady	Steady	Declining	Steady	Steady	Increasing	Steady - Declining	Steady	Steady	Increasing	Increasing	Steady
Stage of Property Cycle	Bottom of market	Bottom of market	Rising market - Peak of market	Rising market - Peak of market	Bottom of market	Peak of market	Peak of market	Bottom of market - Rising market	Declining market	Bottom of market	Start of recovery	Declining market	Bottom of market	Bottom of market
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Occasion-ally	Occasion-ally	Occasion-ally	Occasion-ally	Almost never	Occasion-ally	Occasion-ally	Almost never	Occasion-ally	Occasion-ally	Occasion-ally	Very frequently	Very frequently	Frequently

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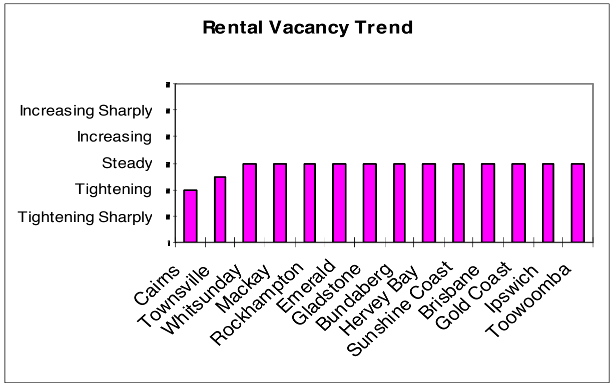

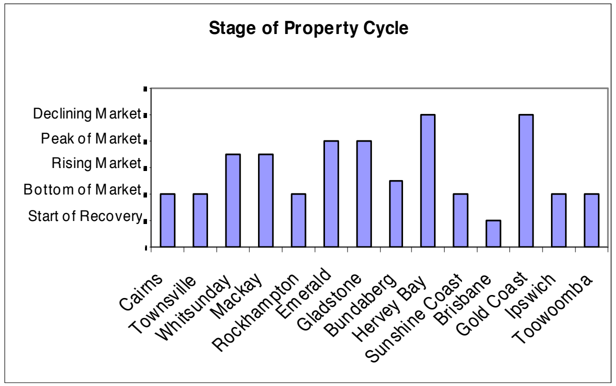

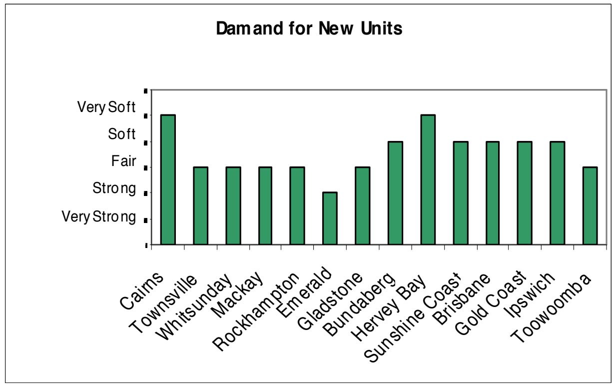

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Queensland Property Market Indicators as at August 2012 – Office

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

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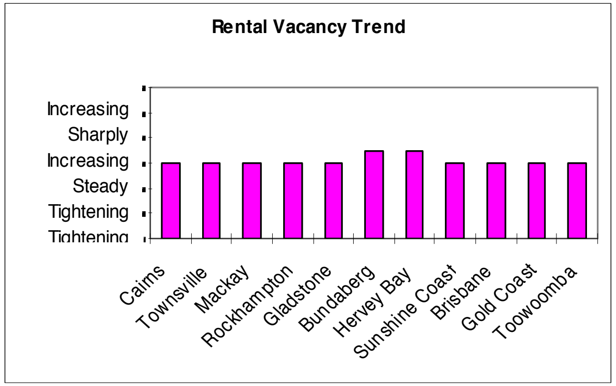

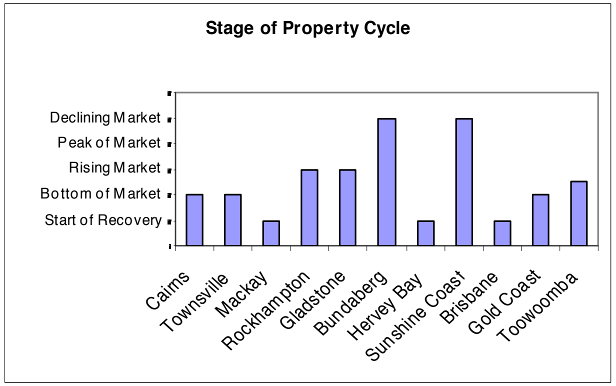

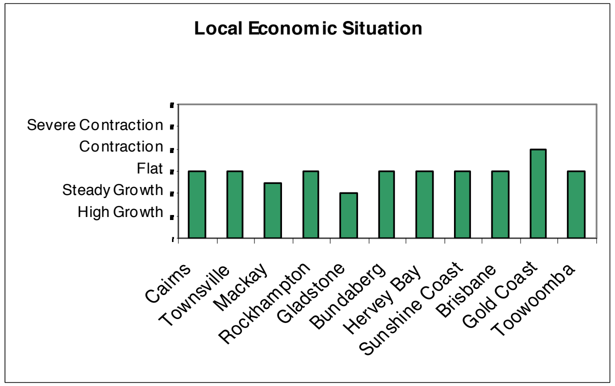

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Northern Territory, South Australia & Western Australia Property Market Indicators as at August 2012 – Houses

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

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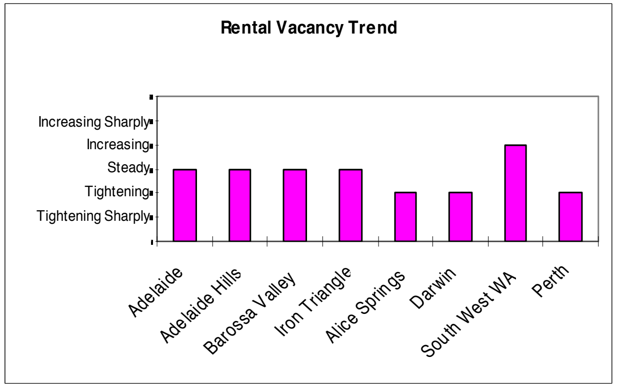

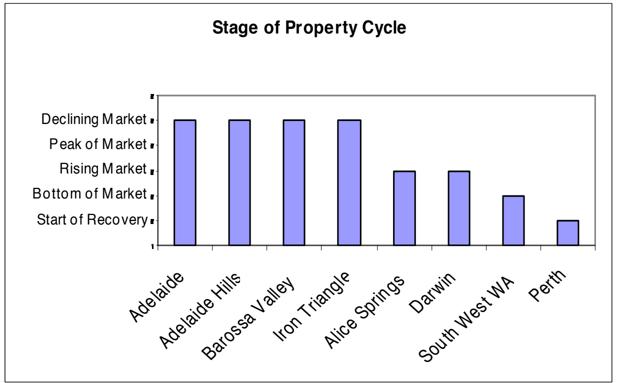

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Northern Territory, South Australia & Western Australia Property Market Indicators as at Ausgust 2012 – Units

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

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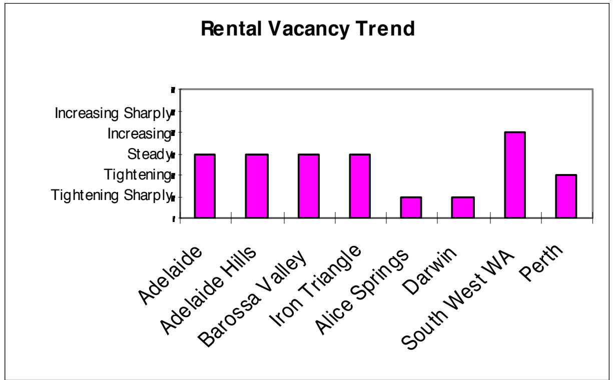

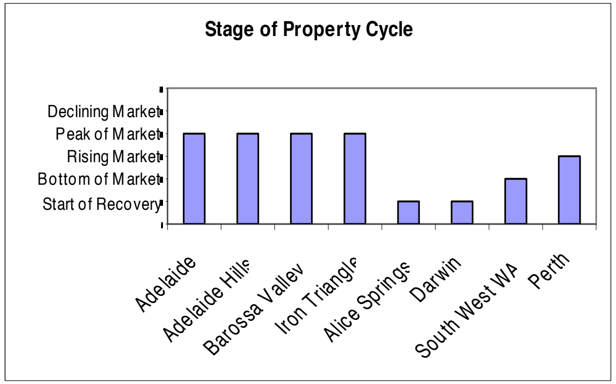

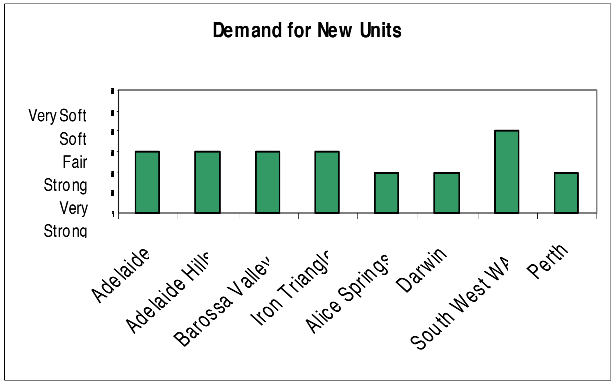

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Northern Territory, South Australia & Western Australia Property Market Indicators as at August 2012 – Office

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

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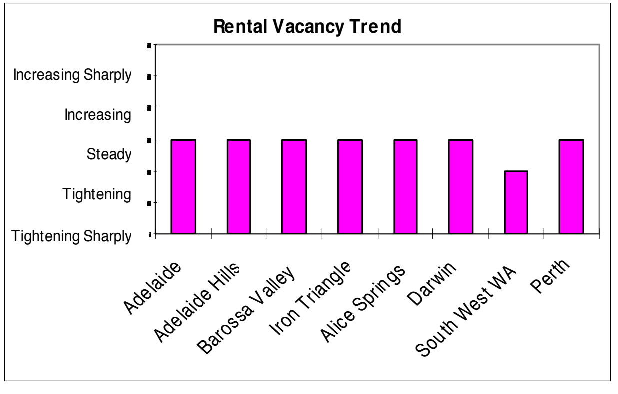

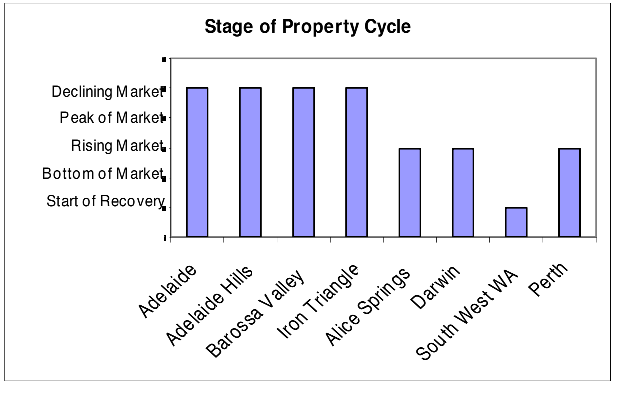

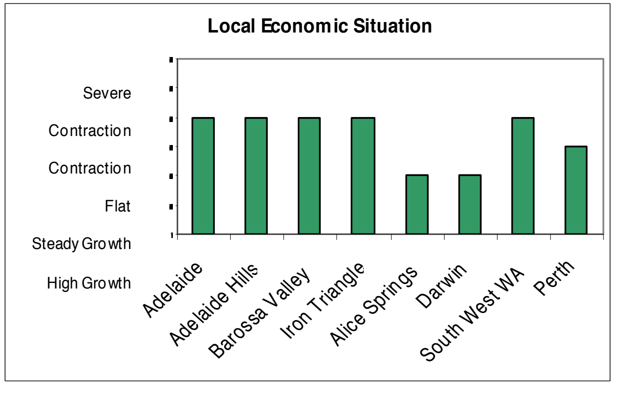

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