Herron Todd White

Independent Property Advisors

The Month In Review

2012 OCTOBER

www.htw.com.au

1300 880 489

Contents

Peace of mind for your property decisions.

Brickbats and Bouquets

'All that's Right and Wrong with Our Markets'

Does this month's theme seem a little cheesy?

Well we're not out to win a beauty pageant here or anything. The fact is that there are markets across all gamuts strutting down the catwalk to their own theme music throughout Australia at present. They are moving to their own beat with some set to take the crown and others relegated to wallflower status.

As we have laboured on about ad infinitum for months past – confidence is the key and if you're fortunate enough to be in an area where every buyer is an eager suitor, then you can be as cocky as you like. When things turn sour however, then finger pointing will likely ensue.

For the month of October, we have decided to hold our own little awards ceremony and despite my previous references to the Miss Universe contest, ours is more akin to the Oscars and The Razzies.

What our team has come up with is a little selection of everything that's right and all that's wrong with our respective market area. The game this month is to stand back and let loose with either a "bravo" or a little vitriol on all those things that are driving our markets in their current direction. Our contributors have left little to the imagination and you'll find a mix of political powers, industry and all sorts of flotsam and jetsam lining up and awaiting for either a big bunch of thank yous, or a sharp wrap across the knuckles. The key here has been for our team to take a look at all that's happening in their areas and simply ask "Why"?. Do that as many times as a four-year-old and suddenly you begin to drill down into the reasons for your market's current malaise or ecstasy.

Commercially, this month we're set to tackle the retail sector. We've asked our shop front boffins to hit us with a general overview of their retail property market before they launch in with gusto at their own version of the good, the bad and the mediocre within their areas. Take a look at some of the big and little issues that are swaying the decisions throughout the nation's retail sector.

So there you go. It's an Octoberfest of congratulations and commiserations. Mind you the easy way to find out exactly who should get the gong in your area would be to get on email and drop us a line. We have the where withal to make sure you're on the flower laden bouquet side of the ledger when it comes to your property decisions.

See you next month.

Kieran Clair
Certified Practising Valuer
1 October 2012

kieran.clair@htw.com.au

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

Replacement Cost Estimates for insurance purposes

An under-insured house or building means you may have to raise additional finance to rebuild or replace your house in the event of its total loss. You may not be able to afford to rebuild in the same location or suburb.

Over insurance means you will pay more in annual premiums than you need to, and still only receive from your insurer the amount it actually costs to rebuild or replace your house.

Under or over insurance results from the property owner failing to accurately estimate the total cost of replacing/rebuilding their house or premises.

A Replacement Cost Estimate (RCE) for insurance purposes provides the cost of rebuilding a property in the event of partial or total destruction. It includes the costs of demolition, site clearance, rubbish removal, professional fees, compliance costs, etc as well as the costs of reconstruction and can be adjusted for inflation. In a partial loss, careful demolition is required to save the remainder of the building and this can result in more complex and costly procedures.

A Quantity Surveyor has access to a construction cost database and estimating techniques necessary to determine the cost of construction which is the cost required for insurance purposes. A market valuation as provided by a qualified property valuer is not the same as the cost of construction and can vary considerably over or under the actual cost of construction.

The expense of a Replacement Cost Estimate (RCE) for a commercial or investment property is tax deductible for the owner. Unfortunately it is not tax deductible for residential homes occupied by the owner. The cost of obtaining an RCE from a properly qualified Quantity Surveyor will vary from property to property and depends on many factors e.g. property location, size, age, design, construction method, materials, complexity, etc. However, the RCE expense may be amortised over a number of years as in most cases RCE need only be done every three to five years or more depending on the type of property and the economic situation or inflation. Consequently, the cost of an RCE for most suburban/city residential homes could average less than a couple of hundred dollars a year but owners will need to obtain a quote from a fully qualified Quantity Surveyor.

Members of the Australian Institute of Quantity Surveyors (AIQS) are properly qualified to provide RCE for insurance purposes. AIQS members are subject to the Institute's high professional standards and code of conduct (ethics).

Herron Todd White's qualified Quantity Surveyors specialise in Replacement Cost Estimates.

To find out more contact Herron Todd White on 1300 880 489 or visit our website www.htw.com.au.

Commercial Overview

The retail sector continuesto be, in the most part, challenging. We asked our experts to give us a brief overview of how their areas are faring. We have then requested that they take up this month's theme and give us all a rundown on what's good and what's not so good in their markets. The trick is to then identify what is causing the swings and roundabouts. This month's issue will provide some very valuable local knowledge to all readers with an interest in retail.

Sydney

Weaker retail sales growth over the past 12 months, coupled with increased competition from larger retail property owners, has limited the performance of the retail market within Sydney. Vacancy is beginning to become an issue in selected prime and secondary locations, forcing landlords into rental discounting following tenant relocations. On a positive note super prime CBD properties remain in demand from tenants and investors, with only a limited number of these properties becoming available each year.

Looking forward, there is some 11,932 square metres scheduled to reach completion in 2012. With much of this supply located within mixed use residential developments, we would expect the majority of these projects to proceed as planned. In addition to the retail projects due for completion from 2012 to 2013, there is around 6,226 square metres of retail space in projects that have secured development approval but have subsequently been placed on hold.

While 'stand alone' retail developments still account for the greatest proportion of total retail supply over 2012, there has been a marked reduction in the number of larger retail developments expected to reach completion. A review of retail projects due for completion over 2012 has revealed only one project greater than 5,000 square metres scheduled - a mixed use residential development on Bunnerong Road in Matraville.

Reflecting the continued downturn in consumer spending, vacancy has increased significantly over the 12 months to June 2012. The biggest increase in vacancy has been recorded in the prime markets, with secondary locations having previously been subject to heightened vacancy. Across Sydney the largest increase in vacancy was recorded in the prime end of Oxford Street, with vacancy rates rising from 7.4% in June 2011 to 22.3% in June 2012. Given the already high levels of vacancy recorded in 2011, it is clear that a shift is occurring along the once desirable location.

The demand for retail investments fell in the last half of 2011 and into 2012 as investors grew wary of the outlook for vacancy and rental growth. It appears that investor demand has fallen in both the prime and secondary markets, with investor appetite intrinsically linked to the strength of the existing lease covenant and the overall performance of the surrounding retail market.

Across the market, transaction volumes remain low at a time of increased listings. As yet this has not resulted in any significant yield expansion, with subsequent falls in capital values due to a reduction in rental rates and increased vacancy periods.

The retail strip market is in for a tough year over 2012, as continued consumer constraint limits retail sales growth. Over the coming 12 months it is forecast that retail sales will grow by just 1.1%. Given the continued weakness of the consumer market we expect to see the downsizing of retailers continue well into 2012.

In July 2011 the Premier Retail Group announced that it intends to close up to 50 stores after a "disappointing trading slump". Since this time we have seen the likes of the Red Group, Fletcher Jones, Dick Smith and Billabong either enter into administration or announce store closures, totalling over 500 stores. With conditions remaining weak we expect that retailers and others will continue to seek out underperforming stores for closure. Likewise many private retailers are finding it difficult to remain profitable given the current conditions and will face pressure over the coming 12 months.

Canberra

Conditions in the ACT commercial markets remain fragmented, with performance highly dependent upon the quality of the property and in the strength of the existing lease covenant. Overall transaction volumes have been limited across the ACT, with the market characterised by a lack of demand for lower quality properties and a shortage of higher quality assets being placed on the market.

Following the completion of the new Costco supermarket and the opening of the Majura Park Shopping Centre in 2011, retail supply is expected to remain minimal for the remainder of the year with only 3,900 square metres of additional retail space expected to reach completion over 2012.

Retailer demand remains low throughout Australia as the sector continues to feel the dual impact from an easing in consumer confidence and heightened competition from internet retailers. This downturn in retail spending has subsequently resulted in the collapse of several retailers including the Red Group and Fletcher Jones, while Dick Smith, Billabong and Premier Retail Group have all announced store closures amounting to over 500 stores throughout Australia.

While overall retail sales within the ACT recorded moderate growth (2.9%) over the 12 months to March 2012, this growth was sector specific. A review of the retail sales results over this period reveal consumer demand has been strongest in supermarket and grocery stores, cafes/restaurants and hardware/garden retailing, while demand for furniture, clothing and footwear has dropped dramatically.

Reflective of the consistent demand from consumers for food and beverage retailing, demand from larger food based retailers remains high. In the past 12 months the ACT has seen the reconfiguration of the former Brand Depot space to include a new Costco Supermarket, (one of only three within Australia), Woolworths, Big W and Toys R Us.

In addition to the strong take up of the Majura Park Shopping Centre, Woolworths has been active in the ACT retail market over the past 12 months undertaking refurbishment works on several of its supermarkets and committing to the construction of a new Masters Home Improvement store at Majura Park.

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

Wollongong

The local retail market appears to be following the trend of the national market where declining sales and a tired consumer are making for a challenging environment. This has resulted in a higher turnover of tenants, increasing vacancy rates, longer letting up periods and the requirement of owners to offer incentives to attract tenants. It appears however that the local market appears stable at this relatively low base and baring unforeseen external shocks should stay along the current path in the short to medium term as consumers remain focused on paying back debt. Additionally, the local economy remains relatively flat as the region continues to transition from its long standing industrial based economy.

The shining light for the retail sector is the expansion of Stockland Shellharbour and GPT's West Keira development in the Wollongong CBD. There are several other large sites in the CBD that have recently sold or are destined to be sold, the majority of which have the potential to add additional vibrant retail space in the CBD.

Central NSW

The retail property market remains subdued in central west NSW mainly as a result of reduced supply. There have been few sales to accurately gauge the investment market. Real estate agents report strong demand for well secured property with strong lease covenants. Conversely properties with vacancies or requiring capital expenditure or redevelopment are very difficult to sell with limited buyer interest.

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Retail leasing has been active in Orange with some new entrants into the market. A record retail rent in a prime position in Summer Street was recently secured for in excess of $700 per square metre per annum. Outside of the prime areas rental levels and activity are subdued.

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

NSW Mid North Coast

The commercial and retail sectors within Port Macquarie continue to remain weak, with low sales and leasing take-ups.

Agents advise some sales in lower price brackets, mainly to owner-occupiers with little investor involvement in the market at present. There have been limited transactions (sales and leases) within the higher value end of the market over the past few months.

Leasing remains weak over all commercial sectors, with rising vacancies within both primary and secondary localities within the major towns, and falling rentals for some product.

....the commercial market features a lack of confidence with limited sales activity and a disparity between vendors and purchasers price expectations....

Hopefully the coming Christmas trading season will bring about an increased confidence in the retail sector and help stabilise lease values and possible increase sale rates, marginally. Values are expected to remain static (at best) through to the start of 2013.

Newcastle

Upon our last review of the Newcastle retail market we reported that Landcom has signed a deal with the GPT Group to buy two-thirds of its remaining city centre holdings for $20 million. This high profile inner city site has been the subject of much speculation and conjecture since GPT pulled out of the planned retail and mixed use development in 2009.

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

We assumed at the time that this good news for the local retail market would most likely be taken with a fair dose of scepticism from investors. We can confirm that recent sales activity in and around the Hunter Street Mall site has seen retail values continue to slide and yields increase. Until development Applications and construction works begin it appears the scepticism will continue in the short term.

The recent election of high profile developer Jeff McCloy to the office of Lord Mayor has the local community abuzz with a new sense of optimism and a hope for change. Recent Council bungles (Laman Street Figs for example) has left the local community disillusioned with the current council. While the post election optimism will inevitably wane, Mr McCloy remains an advocate of the removal of the inner city rail line and bringing development and prosperity to the city.

Coffs Harbour

The tightening of the State Government budgets has forced the closure of offices, restructuring of departments and imposed restrictions on funding. This has increased job security uncertainty and further impacted on business confidence within Coffs Harbour city.

The commercial market features a lack of confidence with limited sales activity and a disparity between vendors and purchasers price expectations. Available evidence suggests an overall easing of yields 1.5% to 2.5%. Rental levels remain steady for smaller office accommodation based on affordability. Secondary located larger accommodation is proving difficult to lease particularly in the western precinct of the CBD which has high and rising vacancy rates. Recent commercial developments indicate a shift in focus to the eastern side of the CBD with the recently opened Coles supermarket and Westpac Bank.

The Coffs Harbour transit motel market has traditionally been very competitive. There have been a number of lessees surrender occupancy in recent months due to low margins, reduced turnover and rising costs.

The Coffs Harbour industrial vacant land supply is near exhausted. While there is slow demand at present we foresee potential opportunities in the medium term future.

The real estate market in Grafton has slowed progressively throughout 2012. In November 2010 the Telstra call centre was closed resulting in 108 jobs lost. In November 2011 the South Grafton Abbatoir was closed with a loss of about 150 jobs. Also in July 2012 the Grafton Jail began to be scaled back with an eventual loss of about 100 jobs. These job losses and the related reduction in economic activity is likely to have a significant impact on the residential market.

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NSW Far North Coast

The commercial retail market on the NSW North Coast continues to prove difficult. This is generally due to national and international issues which affect confidence in the market place. This month we have looked at various localities on the North Coast and discussed more localised issues which are impacting the commercial retail market.

The Byron Bay commercial retail market continues to be strongly driven by the tourist sector. Over the past three years we have whitnessed a significant downturn in tourism to Byron Bay, however there has been an increase in tourism rates in the past six months which is a welcome sign. In saying this, there is still continuing media attention placed on the downturn in the retail sector. Some of this media attention has been in relation to business owners/ tenants calling for landlords to decrease rents. This is evident with the recent closing of the Byron Bay Dendy Cinema which was reported as being "financially unviable for the past five or so years and rent increases had put the cinema out of business".

Byron has traditionally had rental levels two to three times above those being achieved in other areas of the North Coast. With rates in secondary locations ranging from $300 to $650 per square metre per annum and premium locations ranging from $1,000 to $2,000 per suare metre per annum, many have voiced an opinion this is unsustainable in a period of weaker economic activity. While many are calling for a significant drop in rents, the reality is there have only been modest changes with premium locations having mixed results. Some evidence shows only a marginal fall while others have remained stable or increased in line with CPI. Secondary locations also have had mixed results. Although it is commonly known that tenants continue to seek further falls, the market appears to be holding. There continues to be a number of businesses closing down in recent times and there are numerous businesses for sale. Also the vacancies in secondary locations are likely to put downward pressure on rents in the short term.

The current market is characterised by properties for sale at yields of around 5% to 6% which are not selling, and motivated vendors having to accept yields in the order of 6.5% to 7.5% for properties located within the main commercial precinct and in the order of 7.5% and above for fringe located properties.

The Lismore retail market has also had some significant changes over the past four years with significant falls in rents of up to 40% after the global financial crisis. We have seen a steady increase in rents since the beginning of 2011 to a more stable level. In the Lismore CBD, rents for an average lock-up shop ranges from $220 to $325 per square metre. It is difficult to determine the impact of the recently opened Woolworths supermarket and neighbourhood shopping centre in Goonellabah which is likely to take further market share from the CBD. While adjacent to the CBD the construction of a Dan Murphy's and a new 33 room motel and convention facility may help to hold the CBD focus.

....the turnover of supermarkets, large discount stores and, we suspect, some of the national home hardware (DIY) type stores appear to be continuing to grow....

The Ballina retail market is also experiencing relatively difficult times as agents are reporting increasing vacancies and a fall in rental levels.

Demand for retail space within Evans Head has significantly weakened with rents generally being weaker. This is apparent by the current high levels of commercial space vacancies within the CBD and the recent negotiation for retail space in the main street. In the current market investors have become more cautious and yields have increased, particularly in secondary locations or for secondary buildings. This is evidente by a recent auction of a property in Oak Street, a two storey, older building with ground floor retail shops and a small flat to the upper level. The agent advised the property had leases in place resulting in a net value in the order of $38,000 per annum. At the auction the property did not attract any interest at a 10% to 12% yield.

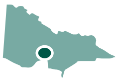
Regional Victoria

MILDURA

The fortunes of retail businesses in our area appear to be linked to the type of goods being sold. The turnover of supermarkets, large discount stores and, we suspect, some of the national home hardware (DIY) type stores appear to be continuing to grow. Meanwhile, smaller businesses that rely on discretionary spending on clothes, furniture, travel, electrical goods etc. appear to be experiencing weaker demand and tighter conditions.

The refurbishment of the Mildura Langtree Mall in 2011 created quite a bit of disruption and contributed to a record number of vacant shops at the end of 2011. The completion of some of the cosmetic work, and the erection of a large shade facility in the mall has helped improve shopper numbers and attracted a couple of new businesses, however our observation is that most of the CBD retailers are trading below their preferred levels. Rents for traditional small shops in the mall and surrounding precinct continue to experience downward pressure, and we see little growth in this area in the short term.

Of note has been the dearth of sales of small retail type properties in recent times, with this reflecting buyer caution.



Melbourne

The global financial crisis (GFC) has affected all Melbourne property markets to varying degrees since it commenced in 2007. Over the initial years of the economic slowdown the Melbourne retail property market proved resilient with low unemployment levels and steady retail spending continuing to push up retail values. However, since the start of 2011 the Melbourne retail trading market appears to be undergoing a difficult period.

Retail spending statistics supplied by the Australian Bureau of Statistics suggests that retail spending is volatile and has been growing below trend for some time. Slowing growth in retail spending limits the rental increases payable by tenants and results in increasing vacancy rates and declining retail property values. While significant falls in retail values are not currently evident, further strain on the retail sector may result in declining market values.

Although statistics indicate that Australians have above historical amounts of disposable income, consumer spending in the retail market is declining due to the competition between online retailers, and other international retailers targeting at the Australian consumer market.

As technology advances, consumers have more options. Rather than shopping in the traditional bricks and mortar retail stores, consumers and small business alike are moving towards the e-commerce world which offers a larger variety of goods from international retailers at competitive prices. In addition, new entrants of international competitors such as Zara, Gap and Topshop have posed a considerable threat to existing retailers.

Due to this, department stores such as Myer and David Jones are struggling to keep up. Early this month, national retail giant David Jones announced a 40% slump in profit, believing the results were caused by the difficult trading environment. In addition, retail rentals for the retail market have softened and rental spread on new leases is at a negative 2.4%.

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The more recent trend has emerged whereby clothing and fashion retailers are being replaced by food stores. For example, Petaling Street Restaurant is replacing Jays Jays Clothing store at 162 Swanston Street.

However, despite the uncertain retail environment, vacancy rates have little effect on prime retail areas within the Melbourne CBD. Retail strips such as Bourke Street, Swanston Street and Elizabeth Street still have strong investor interest and remain highly sought after. It is anticipated that rental rates will remain relatively soft for the coming year due to the marginal increase in empty retail spaces.

Indicative Retail Market Parameters

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

Adelaide

Little has changed within the Adelaide retail sector as we pass the three quarter mark of 2012 so retail reports in previous months MIR remain current.

The sector continues to face difficult times with little hope of improvement in the short term. Ongoing issues surrounding the cost of living, job security and global financial markets are all impacting heavily upon discretionary spending.

The strength of the Australian dollar isn't helping with increased international spending both in online stores and while travelling overseas, money that would have otherwise been spent in the local market.

Online retailing is in the process of changing the face of retail as we know it and bricks and mortar retailers are pushing even harder for GST to be added to online sales in order to level the playing field.

Myer has recently announce the closure of their department store at Elizabeth due to restructuring of the company in order to combat falling earnings and sales. With significant slumps in revenue over the past twelve months both David Jones and Myer are looking to implement a range of strategies, including significant improvements to their online stores, to meet the changing face of retail.

Vacancy rates continue to be a bit up and down with the general trend being an increase overall for the recognised retail strips of Adelaide including Rundle Mall, Norwood Parade, King William Road and Jetty Road which is putting rental rates under pressure. The one exception to this trend is Rundle Street which continues to have a low vacancy rate of around 2%. It is believed that marketing this area for high end fashion in combination with the existing mix of retailers and restaurants, cafes and bars has been behind the ongoing success of this location.

Brisbane

2012 has seen more sales activity than 2011 in the Brisbane Retail property market. Although the market is still subdued, in part, due to the ongoing uncertainty of finance markets and depressed consumer confidence. It was anticipated that the March Queensland State election would lift business and consumer confidence, however, the tightening of the budget and subsequent reduction in the number of public sector employees' has kept confidence levels low.

The exception has been the strong institutional activity in the regional shopping centre market, with Centro Retail Australia selling half stakes in several centres, and CFS Retail Property selling a 50% stake, worth $366 million, in Brisbane's Myer Centre in March.

....2012 has seen more sales activity than 2011 in the Brisbane Retail property market....

Transactions that are occurring in the Brisbane Retail property market in the sub $15 million sector are reflecting a range of yields dependant on the price point and profile of the particular property. The sub $5 million market has remained in strong favour with private investors with yields remaining relatively firm and ranging between 7.50% and 9.00%. Retail centres with a higher price point over $5 million are generally achieving softer yields of between 8.00% and 9.50% due to the current difficulties associated with obtaining finance for assets at this price point. Secondary properties are reflecting yields of 9.50% plus.

Typically, centres selling on firmer yields will be in primary locations and provide opportunity for rental reversion, redevelopment or refurbishment. Conversely, centres which are selling on softer yields are generally in a secondary location with higher vacancy levels, low WALE's, rental arrears or a poor tenancy mix.

Gold Coast and Tweed Coast

After a flurry of activity in early 2012, the Gold Coast's retail investment market has gone a bit quiet over the past few months.

This can most likely be attributed to a lack of quality stock available for sale. However, it seems that we may be poised for a strong end to 2012.

The most notable property currently for sale on the Gold Coast would be the Oracle retail and commercial precinct at Broadbeach. After a rough introduction to the market, this complex has attracted a vibrant tenancy mix and a high commercial occupancy rate, and has cemented its position as a real performer of the Broadbeach entertainment precinct.

Other properties of note which are currently doing the rounds include:

- Cartier boutique jewellery store on Elkhorn Avenue, Surfers Paradise
- Cottonwood Plaza at Oxenford
- 142 Scarborough Street, Southport
- A vacant restaurant at Aqua Retail, Marine Parade, Labrador
- A leased restaurant at Broadbeach on the Park
- An established duty free outlet at 45 Cavill Avenue, Surfers Paradise.

On the leasing front, landlords are still battling increasing vacancy rates and downward pressure on rental levels. This is particularly the case in fringe locations and/or those areas that are being impacted by continuing infrastructure development. It is also anticipated that the recent cut of 14,000 from the public sector will be a further blow to consumer confidence and may further impact retail turnover.

On a positive note, Council and other groups have recognised the difficulties small businesses are having in today's bleak economic climate, and have been proactive in promoting new development and cultural change.

In September, Gold Coast City Council introduced the Construction Kickstart initiative whereby infrastructure charges on small projects will be waived until March 2013. This initiative attempts to stimulate construction activity and remove the red tape that would otherwise stifle the expansion of small businesses.

Under this new scheme, small business owners will be able to set up shop without the impost of previously crippling infrastructure levies.

Another Gold Coast initiative which has cropped up in recent times is Goldspaces; a not-for-profit organisation that has been created as an urban renewal platform aiming to revive vacant or underutilised spaces across the Gold Coast.

By starting at a 'grass roots' level, these initiatives are helping activate dormant parts of the city and are paving the future for a new dimension of retail culture on the Gold Coast.

Sunshine Coast

The Sunshine Coast economy continues to be dominated by three main sectors - tourism, retail and construction. The region also has a strong agricultural sector and is heavily investing in heath services with the construction of the new private and public hospitals.

There has been an absence of quality retail investment sales since the peak of the market as many investors are adopting a hold philosophy until market conditions improve; therefore it remains difficult to read the market. Large variations are obvious between modern well located properties with secure lease covenants to those older properties in secondary or arcade locations and these continue to widen.

The local retail market is two-tiered with stand alone properties under $1.5 million within established commercial centres demanding low yields, as local private investors look to add well located assets to their personal superannuation funds. Those properties above $2 million are more highly exposed to the regional market for assets which are demanding a much higher yield with more of an emphasis placed upon tenant quality and WALE.

The market for prime tourist based retail (ie Hastings Street and Mooloolaba) has consolidating centrally, as rental levels reduce and vacancies increase to the periphery of these precincts. Restaurant properties remain difficult as their value has tended to be conditional upon the quality and ongoing viability of the operator.

The bulky goods market along the arterial roads continues to remain steady however rental levels are reducing. The impact of the new large Harvey Norman Homemaker Centre at Maroochydore is still unknown.

There have been two major shopping centre sales with Peregain Springs shopping centre ($20.46 million) and Coolum Park shopping centre ($15.7 million) selling recently.

Southern Queensland

TOOWOOMBA

The Toowoomba retail sector appears to be relatively active with a number of new developments either planned or under construction.

QIC's proposed redevelopment of Grand Central and Gardentown in Toowoomba's CBD is the largest project to be proposed. It involves the integration of the CBD's two major shopping centres and is reported to create approximately 1,500 construction jobs and 1,000 retail jobs once completed. This development is a major corner stone to the CBD Master Plan developed by the Toowoomba Regional Council.

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Other retail development currently under construction or recently completed includes a new Coles supermarket at the Wilsonton shopping centre, a Masters hardware in Kearneys Spring, a new takeaway food precinct and Woolworths supermarket extension at Highfields Village Shopping Centre

Development approval has also recently been granted for a new neighbourhood shopping centre in Drayton and the construction of a Dan Murphy's liquor store at the Wilsonton Hotel. We also note that preliminary approval was recently granted for the Coles anchored Northpoint neighbourhood shopping centre in North Toowoomba.

Central Queensland

ROCKHAMPTON

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

The second retail precinct is the Central Business District (CBD) with most retail centred in East Street. The vacancy rate in and around the CBD is on the rise. This can partly be attributed to a host of new competitors in the marketplace, particularly in the office market. Construction of 39 East Street is now complete with two blue-chip tenants taking occupation of the premises. The building comprises around 3,000 square metres of quality retail/office space over three levels. The new occupants have left some large vacancies in the CBD. The renovation of 156 Bolsover Street is also complete. There are currently four floors available for lease in the premises.

Other happenings in the retail space include the redevelopment of the Allenstown shopping centre which is well and truly underway. This is a $16 million redevelopment which will include the addition of some 2,400 square metres of retail space. The works will include refurbishment of the existing centre including Woolworths. The new tenancy mix will include the addition of two mini-major tenants. The redevelopment will be welcomed by the residents of South Rockhampton and it will breathe new life into a somewhat tired area. Asking rents are reportedly $350 per square metre..

The Rockhampton commercial market remains relatively stable with a few sales being recorded during 2012. However watch this space for how the State Government's job cuts filter through and the impact on the uncertainty of the coal industry.

BUNDABERG

The retail sector of the Bundaberg market is reasonably slow at present. There is very limited good property currently for sale as vendors are generally reluctant to sell in the current market. This has resulted in very few, good 'clean' sales to properly identify capitalisation rates. They are considered to be in the 8.5% to 9.25% range for standard properties.

....maintaining occupancy during this time is a key focus for some landlords who are happy to lower rental rates to ensure the tenant can afford the space....

Of interest is the rental levels achieved in a recently completed, single level, mixed retail/medical facility at $480 to $560 per square metre on a 'grossed up' basis.

HERVEY BAY

There continues to be very little activity in the retail market in Hervey Bay due to its current volatility. Sales and leasing activity is fairly limited with few transactions in recent years. Although there is no evidence, other commercial property appears to be achieving 8% to 10% yields for investment property across the Fraser Coast. The lower yields are generally for sub $500,000 property. Maintaining occupancy during this time is a key focus for some landlords who are happy to lower rental rates to ensure the tenant can afford the space and furthermore continue to pay rent until conditions improve. Any vacant retail space is proving difficult to lease. A majority of leases being negotiated are generally for shorter terms of one or possibly two years with market reviews at options.

Other happenings in the retail space is the announcement of a proposed $20 to $25 million shopping centre in Urangan with the public notification phase recently closing. The centre is reported to include a McDonald's, IGA, medical centre and other retail and fast food outlets with 266 parking spaces. Station Square in Maryborough has an application before Council for extensions on the western and northern ends of the existing centre. Stockland are yet to commence extension to the Hervey Bay Centre however improvements to the car park are reportedly due to be completed by December.

MACKAY

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

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

A Woolworths supermarket of 3,200 square metres, 10 speciality shops, a takeaway/ fast food restaurant with drive through facilities and Caltex/Woolworths service station has recently been completed at Boundary Road, Ooralea.

Northern Beaches Central shopping centre Stage 2 was completed on 23 November 2011. Stage 2 comprises a Woolworths supermarket, McDonalds, a further 20 speciality stores, and the existing BiLO has now been converted to a Coles supermarket. Mackay Regional Council has approved Stages 3 and 4 of the centre, which has been earmarked to become an even greater hub of activity, and the third major commercial centre in Mackay. The floor space on completion is estimated to be around 45,000 square metres. Stage 3 construction is likely to being in late 2012.

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

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

The approved 'supa centre' is to contain a 13,000 square metre Masters Home Improvement store, which is to be the centrepiece of the proposed Homemaker Supa Centre. The overall size of the centre is expected to be approximately 40,000 square metres. The first stage will reportedly comprise the Masters store and an additional 8,000 square metres of lettable area.

The development of a new Bunnings store on a 4.212 hectare site located on the south western corner of Mackay-Bucasia Road and Holts Road (opposite the proposed supa centre) has been approved by Mackay Regional Council. The approval is for a total GFA of 15,782 square metres.

The supa centre development will likely create a second bulk goods precinct in the Mackay region. It is expected the new Bunnings will replace the existing store within the Mount Pleasant/Greenfield's precinct, therefore leaving a fairly large retail warehouse vacancy in this area.

Demand for large retail and commercial investment property was subdued throughout 2011 and we expect it to remain relatively flat through the second half of 2012, as the financial and commercial property markets continue to reflect the broader economic uncertainty. The apparent slowdown in the coal sector may further influence the property market moving forward as well as impacting on future discretionary spending in the region.

GLADSTONE

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

Cairns

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

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

Two new retail centres have opened in Cairns over the past month, these being a $50 million extension to the Mt Sheridan Plaza shopping centre, and a $20 million Woolworths Masters hardware centre in Portsmith. In addition plans have been announced to construct a new $85 million shopping centre in the Cairns CBD, anchored by Woolworths. The 27,000 square metre Central Park Market development will be built in Spence Street, opposite the existing Cairns Central centre.

Townsville

The time is nearly here……in less then one month, Stockland shopping centre will unveil its $180M million redevelopment and welcome Myer to Townsville. The expansion will include a 12,000 square metre Myer store and 180 specialties.

This follows on from strong expansions within the other two major shopping centres over the past three years including the Willows shopping centre expansion that opened in late 2009 and the Castletown shopping centre expansion that opened in 2010. Reports are that Dexus Property Group is looking at plans for a further $130 million expansion of Willows shopping centre over the coming years.

....demand for large retail and commercial investment property was subdued throughout 2011 and we expect it to remain relatively flat through the second half of 2012....

Stage 2 expansion at Stockland North Shore and Fairfield Central at Idalia have been approved. These centres currently comprise a Woolworths supermarket and 11 to 13 specialty stores. Furthermore a new Coles supermarket has recently opened at Deeragun, with plans well underway for the construction of another Coles supermarket at Kirwan.

While expansions within the retail sector continue in the suburban areas supporting the urban sprawl, expansion in the CBD retail sector remains limited.

In 2007 a prime 1.4 hectare site comprising an amalgamation of three properties in the CBD fronting Flinders and Sturt Streets was acquired for the proposed $200 million Flinders Plaza retail development. This Joint venture project has since fallen over, with the Austexx group being placed into receivership. The amalgamation was offered to the market 'in one line' or individually. The amalgamation has since been split and sold off individually. This is seen as a major blow for CBD retail, as the opportunity for a major retail complex within the heart of the CBD now seems unlikely.

....CBD retail is dominated by larger buildings, most of which are owned by long standing families....

On a positive note for the CBD, Honeycombes Property Group is forging ahead with the 'Central' staged master planned development. This includes the already completed or under way unit developments of Islington, Holborn, Kensington and Paddington along with the Townsville Bulletin new media centre. It has been reported that a multi level retail development to be know as Central Village is also planned for the site.

Darwin

Retail in Darwin is dominated by the GPT controlled Casuarina Square. Consequently there are fewer opportunities in this market than might be expected in a city with a population catchment of 125,000. Many of the issues facing the national retail market, such as lower tourism numbers and the high Australian dollar are certainly key issues being faced by the local retailers.

CBD retail is dominated by larger buildings, most of which are owned by long standing families. These buildings house some major national chain outlets, local souvenir style tenancies and the local food trade which services the heavy CBD office crowd. In a major retail coup for the Top End, Myer has been announced as the anchor tenant for a large expansion of the Casuarina Square precinct, with completion of this next stage due for 2016.

Not unlike Canberra, each of Darwin's northern suburbs has a planned central retail precinct. However the dominance of Casuarina has seen many of these smaller neighbourhood centres struggle to attract sufficient trade to remain viable. Generally these centres will comprise a small supermarket and a couple of specialities, but even these are often utilised as office tenancies.

There are exceptions to these centres though. Some neighbourhood centres work well with a good case in point being Parap in Darwin's inner suburbs which offer a mixture of retail, medical and restaurant/café tenancies. Parap has a larger catchment than many of the other suburban centres and now office developments have brought new patrons to the area. It has a vibrant retail feel, but the limited number of retail properties remain tightly held.

In summary the issues facing the Top End are largely wider national issues. We have just seen a change of government however it is unlikely that there will be particular projects that will drive the retail sector on a local level.

Alice Springs

Of particular interest in recent years in the Alice Springs commercial property market has been the performance of the tourism sector and the related influence on accommodation property. It has been widely reported that tourism in the Northern Territory and more particularly in Alice Springs has suffered over recent years with a number of factors influencing the trend, including the reduction in airline services and high Australian dollar.

The most recent reported results produced by the Australian Bureau of Statistics indicate that in the year to March 2012, occupancy rates in the Alice Springs tourism region were at 62.4% down from 66.5% in the previous period with the average daily rate at $100.25 down slightly from $100.71 in the previous period. While the average room rate has shown growth broadly in line with CPI, the room nights sold have remained steady to down slightly.

This trend has coincided with a reduction in the room nights available over recent years which can be attributed in part to accommodation properties converting to a permanent letting arrangement where the improvements allow for such a change with planning approval. Together with stable room nights sold, this indicates an artificially high occupancy rate which does not bode well for existing or proposed establishments. In the absence of some form of positive influence in the tourism sector, conversions may be a continuing trend.

What does this mean for the Alice?

The mooted locating of Tourism NT in Alice Springs is likely to be a positive for the tourism sector in town which will have a stronger voice going forward with many hoping that this translates into more visitors to the town and therefore upward pressure on room and occupancy rates.

Other sectors within the commercial space over recent months have been largely dominated by owner occupiers.

Recent activity of note includes the sale of a vacant parcel of land in the Whittaker Street precinct for approximately $1.1 million and the sale of the railway terminal which indicates positive sentiment going forward.

Perth

Western Australia has seen strong economic growth across the 2012 year so far which is primarily underpinned by the resource sector. Key indicators highlight the tightening of WA's unemployment rate, strong population growth and an increase in income, all of which have helped influence an increase in activity within the retail sector.

Major issues that are expected to influence the retail sector during the second half of the year include the recent implication of deregulated trading hours in Perth which were introduced in August. While it is premature to conclude whether this will be an influence, it is anticipated that there will be a boost to suburban retail outlets as more consumers shop locally rather than heading into the CBD.

This boost in the suburban retail sector may affect rents, however it 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 increase rates of rentals in arrears, particularly in smaller strip shops as the local economy deteriorates in line with falling home values.

Conversely, 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 increase will have to be questioned at the risk of further eliminating participants from the industry.

Furthermore there are some major factors at play which are inhibiting further growth in the sector. The strong Australian dollar, weak consumer sentiment, the recent drop in resource commodity prices due to the slowing in demand from China and the ongoing threat of online retailers, indicate that there may be some further challenges ahead for the retail sector as consumers continue to reassess their discretionary spending against the prolonged economic uncertainty.

South Western WA

The City of Bunbury is the major regional centre in the south west area of Western Australia, and in addition there are five major shopping precincts within the wider Bunbury area.

The number of vacant shops in the centre of Bunbury seems to be stabilising with the number of new take ups keeping on par with the new vacancies. There currently appears to be ten to 12 vacant retail shops in the CBD with asking rents ranging from $350 to $600 per square metre. Many of these are smaller shops which are proving hard to move.

There appears to be several reasons for the increase in vacancies, including the current tough retail conditions and the recent installing of metered parking in the CBD. This is seen as a deterrent to shoppers who would normally come to the CBD for shopping, who now find it easier to go to one of the outer shopping precincts which have free parking and easy access.

....There appears to be several reasons for the increase in vacancies, including the current tough retail conditions ....

Other factors include the recent opening of the Treendale shopping centre situated to the north of Bunbury in Australind, which again is likely to impact the number of people heading to the CBD for a shopping fix. This large and developing residential area can adequately satisfy the majority of retail needs in the local centre.

Further to the south of the region is the recently named City of Busselton and the towns of Dunsborough and Margaret River. There are some vacancies evident in these centres, however they do no appear to be as badly affected as Bunbury.

A new Woolworths supermarket complex has recently opened in Busselton and interestingly they have also decided to keep operating their existing premises, only 500 metres up the same road. There are five adjoining shops in this development however they currently remain empty with asking prices that appear to be well above market.

Other factors that are likely to affect the Busselton retail market going forward include the discount department store development proposed on the land on West Street on the southern side of Bussell Highway. This could have the potential to pull the CDB in a south westerly direction while at the other end of the town the proposed foreshore redevelopment is likely to pull the CBD in a northerly direction closer to the jetty.

In all there isn't a lot of activity in the retail sector across the south west of the state and this appears unlikely to change in the short to medium term.

Residential Overview

There are plenty of factors playing on supply and demand in order to influence market direction. This month our residential team have looked at all that is right and wrong with their service areas. They haven't stopped there of course as each contributor identifies why things are as they are. A read through our residential section this month won't just identify the highlights and pitfalls, it should also provide a quick education on the causes as well.

Sydney

North Sydeny

In the north west sector there has been a slight decrease in activity in the first home buyers market and mid market range in the last year. Local agents have advised of a lack of stock which is slowing down the market. We are still seeing property that has been marketed well and realistically priced being sold in short periods of time. We believe this illustrates that the market is still quite strong with prospective purchasers present in the market, ready to move in and purchase the 'right home'.

As more people move to the north west there is going to be more demand placed on key transport and road corridors, so a lot of pressure falls on to the government to proceed with the construction of the new North West City Rail Link. With the lack of transport in these areas, more and more people are driving and this leads to traffic congestion. In the past potential purchasers may have thought twice before buying in the area due to the lack of support by government for a North West City Rail Link.

South Sydney

Several markets are slowing (Fairfield, Bankstown, Holroyd, Parramatta). Prices are still at the same level however there is less stock on the market. Sales agents report that interest rates have certainly caused some confusion of whether to purchase now or wait for any increase or decrease in the rates.

Oran Park and Edmondson Park are newly established suburbs. Edmondson Park is conveniently located at the junction of the M7 and M5 corridors and will have a new train station linked to the airport and East Hills lines by 2016. These areas have experienced significant buyer interest and are expected to sell at higher prices once completed, with buyer expecting long term growth.

Pemulwuy has seen fewer sales of late, especially in the price bracket above $700,000. There are plenty of prestige homes being built however they tend to be built for families and are tightly held. When the quality homes areplaced on the market, plenty of interest is generatede which may still result in high prices.

Lidcombe is an area which seems to have proven popular over the past five years. The middle class workers who may not be able to afford the expensive Strathfield area have taken to Lidcombe due to its central locality to the city, shops and numerous transport options. It appears Auburn could experience similar treatment in the future.

Northern Sydney

On the northern beaches of Sydney, we continue to see a weak residential market with no sign of improvement. This seems to traditionally be the case on the north side of Sydney when the overall Sydney market is soft.

The first suburbs to show signs of softening tend to be the upper northern beaches suburbs, and the further north you go, the weaker the market tends to be. The main factor resulting in this trend is the number of holiday/weekender type properties. People who work in inner Sydney during the week may purchase a property on the northern beaches to get away for the weekend. When economic conditions remain soft, these weekend homes are often the first asset to be sold off by owners. This was evident during the global financial crisis in these suburbs and in the last 12 months we have seen evidence of this pattern repeating itself. With the global economic situation still unstable a turnaround in market conditions is unlikely in the foreseeable future.

Contributing to the softening market in these northern suburbs is the lack of transport, which has always been a negative for the area. Although relatively close to the Sydney CBD, public transport and worsening vehicle access due to traffic contribute strongly to the weakened demand for property, especially in soft market conditions. There have been many local government proposals to improve the roads into the northern beaches but we are yet to see any action taken.

Looking at more positive suburbs in the Sydney residential market, we again look at units and entry level homes as the best performers, with these properties continually in high demand. With consistent media reports stating Sydney's real estate market as generally soft, first home buyers believe they are getting more value for their money than 12 months ago.

....in a slow market any outliers generally feel the pinch most....

For the sub-million dollar mark though, demand and prices remain strong. Ashfield, on the outer fringe of Sydney's inner-west market has been a very strong performer recently. As the inner-west suburbs become too expensive for first time homebuyers, we have seen Ashfield representing excellent value resulting in increased demand. Ashfield is on the fringe of the first time home-buyers bracket for single residences and long term growth is expected as evident from other inner-west suburbs. Proximity to the CBD and public transport are positives for Ashfield adding to the popularity. Constant pressure on government to improve traffic and public transport will only help to improve transport infrastructure and continue to drive prices in the future.

Canberra

In a slower market it is easy to be critical and overlook some of the more positive aspects of the market.

A strong employment base, primarily focused around the public service and defence jobs underpins strong rental returns and low vacancies across the ACT. While the strong level of supply entering the market may have had an impact on short-term capital growth it does not appear to have been overly detrimental to the rental market, which traditionally increases in activity over the coming months.

Gungahlin remains the region providing the most supply into the market. Extensions to existing suburbs such as Harrison IV and Springbank Rise are capitalising on existing infrastructure and natural features. Springbank Rise provides a bit more elevation and better views than the initial stages of Casey could offer and the pending development of a local shopping centre should help to increase activity in the suburb. Harrison IV provides easy access into the city and good surrounding views.

The most evident concern in the market remains the strong supply of units along the Flemington Road corridor. Continuing construction in this region will provide further supply into the market, particularly at a first-home buyers price point.

Traditionally activity the ACT market also slows leading into elections, more so when there are discussions over the security of ACT jobs. With both local and federal elections looming it would be unusual to see a significant boost to the current property cycle.

In a slow market any outliers generally feel the pinch most. This includes anything from properties that require work to properties located at the upper end of the market. Well located properties tend to hold their value better than most however it is still imperative to ensure that the property is bought or sold at the right stage of the property cycle and the current market tends to be more favourable to buyers than vendors.

Wollongong

Markets are generally humming along without major growth spikes. However the upper end (generally over $1 million in value) seems to be faltering with fewer sales - although there are still some one-offs such as a reported recent sale in Wombarra on the beach at $2.5 million. Active long serving agents in the northern beaches suburbs report that there is strong interest but some lack of depth and competition from buyers, unless properties are priced to generate immediate interest.

Anecdotally we are also seeing a trailing off in demand for vacant land, particularly in the southern suburbs and the Shellharbour LGA. Values seem top be holding, but there appears to be a weakening demand. Tellingly we are also seeing that the combination of land plus construction costs in new builds does not always add up to end value based on sales of established and new properties. Our view is that when building a new house, the highest grade of tap wear and appliances doesn't increase value as much as a driveway, lawns, floor coverings and window treatments. Many people tend to upscale their inclusions, when the market is simply not going to pay for this level of finish. So when discussing your contract and finishes schedule with your builder, insist on a driveway and basic landscaping.

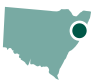
Sectors that are doing well vary, but our nominations at this point in time are ...... Coniston, West Wollongong, Keiraville and Gwynneville near the CBD. Coniston in particular seems to be coming of age, with buyers recognising the many infrastructure benefits including local shops, train station and access to major roads to the north and south. With the prestigious Mangerton adjacent, Coniston looks to be growing in stature as buyers identify its many advantages. In the south, we can't go past Shellharbour. A long established suburb, it has a quaint village main street leading down to the harbour and beach, and nearby the new Shellharbour Marina is due for construction in the next few years. Values generally hold well in this older part of the Illawarra, and we tip them to out perform many other areas in the future.

The community and local business in this part of the world is still very wary about the future of the local coal mining and steelworks industries. If these are lost or considerably reduced, there is nothing to replace any job cuts in the short term.

....if the mining sector does face contraction then the most likely impact first and foremost is around the townships of Singleton, Muswellbrook, Branxton and Maitland.....

Traditionally a strong Labor area, the Illawarra still suffers from lack of white collar job opportunities, and the major employers (apart from jobs destined for Sydney commuters) are the mines and steelworks. The NSW Government in particular should look to boost the opportunities for tertiary level employment in this area by decentralising some public sector jobs. This would provide a stimulus for the economy through a knock on effect to the building and retail sectors.

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



Newcastle

The Hunter region has been buoyed over recent times by the strong mining interests in and around the Upper Hunter Valley. When Sydney's property market was, in the doldrums, the Hunter property market was comparably speaking, doing well with limited falls across the region (except in small isolated areas for specific reasons, some of which we cover later). However the lining behind the cloud might not be as silver as some people would like. There are indications that the mining industry is not as strong as it was 12 months ago with the coal price per tonne sitting around $90 (at time of writing) from the heights of $140 per tonne in January 2011. That is a significant decrease in a short period of time.

It should be noted that in recent times the price fell to $65 per tonne in March 2009 and was as high as $190 in July 2008 so the price is not considered stable in economic terms and is prone to fluctuations larger than what many consumers are used to. This can cause some knee jerk reactions, especially in media circles which may or may not be warranted. Although as they say perception is reality.

For an area which has over relied on the mining industry, the fall is a potentially dangerous trend. There has been a surfeit of opinions on whether the mining industry has years left to run or is in imminent danger of collapse. The short answer is that nobody really knows; there are too many variables at play. Should the coal price rebound to previous levels then the current property market scenario is likely to continue unabated. Should the market mining interests fall back in employment and investment spending then the market could be in for a period of consolidation. There are an increasing number of negative stories regarding mining employment with several companies indicating that staffing levels will decrease in the short term. Xstrata has just indicated 600 jobs will be lost for example and BHP has shed a further 300 in Queensland.

If the mining sector does face contraction then the most likely impact first and foremost is around the townships of Singleton, Muswellbrook, Branxton and Maitland. These towns have all featured growth over the past 24 months, if not in capital growth terms, then rental returns. We have had anecdotal evidence that rentals have increased significantly at well above CPI levels in recent times. This is coupled with a vacancy level at historic lows of around 1%. This has had the effect of pushing capital growth and rental returns upwards. Investors are active in the market which is healthy for a property market that yearns for growth. Demand increasing is a fundamental economic driver for increasing prices. The inverse is that if the mining interest falls then the demand is likely to fall proportionally and the rental growth would likely return to a 'normal' state. This could lead to investors being overextended if relying on the higher than usual rental returns. This is a very real scenario if the mining industry shows further deductions and mortgagee in possession sales swiftly follow.

An example of what can happen if the market starts to fall can be witnessed to a degree in Nelson Bay. Nelson Bay is a holiday town on the southern shores of Port Stephens approximately one hour drive north of Newcastle. Generally it has relied upon tourism as its primary industry. It is a mini Gold Coast in that it enjoys larger booms and bigger busts than nearby Newcastle. The general thinking behind this is that there are a lot of absentee owners or people with holiday homes. In bad times it is generally the holiday home which is the first to go. Sometimes the owner leaves it too late and the bank takes charge. When it is outside of the owners hands, shorter marketing periods and selling 'below the market' become commonplace. So much so that it can become the market.

Another factor that contributes to the downward spiral is the reliance on tourism which tends to dry up during difficult periods. The unit market and the serviced apartment sector in particular do it tough. The difficulty of trying to sell a residential unit that can only be lived in for up to half of the year is a near impossible prospect in a falling market. The very real danger of selling for a significant loss is often released, as is the prospect of not actually selling it at all.

NSW Central Coast

Regionally speaking, many would say that life on the Central Coast has advantages that other regions can only envy. With the ocean out front, mountains out the back and splendour between, who could argue. Yes, life is good here.

Our region thrives on the diversity that this physical environment has given us. In fact, we are so diverse that it's hard to keep track of what's happening and why it's happened. No matter what happens though, there's always some individual or group ready to throw the brickbat or bouquet. So let's take a look at a few of each from the eyes of a valuer.

Bouquets always seem too little in number and sparse, so we'll start with some of the good things.

The Ourimbah Campus of the University of Newcastle doesn't get the recognition it so richly deserves. Not only are they providing an outstanding service to the community and academia, they are doing it with modesty and humility. This organisation is an unsung hero in our region insofar as the real estate market is concerned and it will probably remain a large benefactor of their efforts. Through the need for accommodation, values in the areas around the campus have been stable while other areas have struggled.

The Entrance, at the northern end of our region wins the Encouragement Award for the way it has gotten on with business after suffering heavily from the effects of the GFC. The unit market here was almost decimated through an oversupply of stock and severe undersupply of buyers and willing lenders. Today we see a market that has great potential to bounce back to again be the vibrant town centre it used to be. We attribute this to the local civic and business leaders working together for the good of their town.

Umina Beach, at the southern end of the region along with their neighbours Ettalong Beach and Woy Woy wins the Best and Fairest Medal. Long ago, the good people of 'The Peninsula' made it known they were unhappy with the treatment and oversight given to them by Gosford Council. Almost as if they gave up agitating and decided to take matters into their own hands, the determined Chambers of Commerce have done just that.

....the "Common Guys, Lets Get Our Act Together" Award goes to Wyong Shire Council for the absence of any real and tangible help to developers....

What we see now is a perfect example of what can happen when people decide to make things work and set about doing it. And you know what - they had fun along the way. Umina Beach has transformed itself into a very busy and vibrant centre, Woy Woy has let go of the tired old town façade and Ettalong Beach is starting to see some more property development.

Always at the affordable end of the real estate market, Umina Beach and Woy Woy have experienced the highest demand for property for several years now and values are going up.

There are other bouquets to be thrown, but these are our standouts.

Brickbats are numerous, and there is nothing to be gained by spending too much time here, so just a few will do us.

For successive years the Opportunity Lost Award has without doubt landed at the feet of Gosford Council. Specifically we are talking about the redevelopment of the Gosford waterfront area. Several opportunities to treat this area with the respect and class it deserves as the gateway to our city have been lost - along with the lasting economic benefits it would bring. What a shambles.

The "Common Guys, Lets Get Our Act Together" Award goes to Wyong Shire Council for the absence of any real and tangible help to developers trying to get the Warnervale Release Area moving once again. There is a lot of land here waiting to be developed, but development contributions at both state and local levels are crippling the developers and little is being done to help. In times when more housing is supposedly needed, the developers need some relief if they going to help solve this housing problem and assist the local economy in the process of doing so.

Perhaps the recent local government elections may see enough changes in both councils to get these two issues moving in the right direction.

NSW Mid North Coast

The current residential market within mid north coast towns remains slow but generally stable. There is low enquiry over most price ranges, with most interest and sales within the lower value bracket of up to $400,000 for dwellings and up to about $250,000 for units.

This section of the market continues to mostly comprise first home buyers or smaller and first time property investors.

Sales and demand for higher value properties continues to remain weak with extremely limited demand and sales for high end residential properties within both Port Macquarie and the Hastings Shire. There appears to be a surplus of properties listed for sale in this bracket with owners often taking a significant drop in asking prices to achieve a sale. Most purchasers have been owner-occupiers with this upper value bracket.

Low demand continues for most types of rural/residential properties within the region with low demand, limited sales and declining prices. Agents are also reporting extended selling periods, sometimes of up to twelve months, to achieve a sale.

NSW Far North Coast

The NSW Far North Coast comprises property located north of the Clarence River, east of the Dividing Range and south of the Tweed Coast. The Pacific Ocean coastline extends along the entire Far North Coast. Within this large expanse of area, there are some markets which are considered to be suitable for a bouquet. With the overall continuing difficulties in the generally economy however, there are also sectors of the market which are still referred to as brickbats.

The first bouquet and probably one of the more appealing factors in the residential market of late is the realisation of some vendors having to readjust their opinion of value with respect to current market conditions. Some real estate agents have reported some success in convincing vendors to reduce "already inflated asking prices" if their clients are really serious about selling. This relates to all types of property.

A good example of vendors now meeting the market is the realistic pricing of properties within Lennox Head. Elders Real Estate have advised that five sales have resulted to date for the month of September with a further five pending. This has also been noted within Byron Bay, with 1st National Real Estate advising in the order of 15 sales occurring in August and ten sales to date for the month of September. These are definite increases from previous sale rates and relate to the increasing realistic pricing of properties by vendors and also the increase in interest for property in the past two months.

....the first bouquet and probably one of the more appealing factors in the residential market of late is the realisation of some vendors having to readjust their opinion of value....

A further bouquet is presented to the recent Richmond Valley LEP 2012 which has paved the way for smaller detached house sites on a minimum 350 square metres as a Torrens Title Subdivision. Therefore, any lots greater than at least 850 square metres (after allowing for appropriate private and open space requirements) and depending on the position of the existing house, may potentially have some development potential. It will also avoid the body corporate structure required for strata subdivisions and provide more affordable new homes on a smaller site and closer to town.

In regards to brickbats, most real estate asset classes across the board continue to feel the pinch. This has been noted more so for the older style, basic 2- bedroom brick and tile attached units with carport or built in single garage within the Lismore, Casino and Kyogle localities. There have been approximately only 30 sales of this type of property within the postcodes of 2470 (Casino), 2474 (Kyogle) and 2480 (Lismore City). Yet a brief glance on realestate.com.au would indicate well over 50 typical 2- bedroom units are still available for sale within these postcodes between an asking price range of $120,000 -to $280,000.

Those rural farmlets of the classic 100 acres (40 hectares) have fallen out of favour in the past 18 months. This is generally a result that as per larger grazing properties, the reality of farm maintenance (i.e. weed control, animal husbandry, fencing maintenance) does not disappear despite the tag of 'rural lifestyle retreat.' In a time of financial insecurity and reigning in of expenses, those 'sometimes' expensive costs are avoided. Over time, this results in the once presentable farmlet being rather unkempt and the salability is therefore reduced.

Another brickbat goes to the announcement from the State Government to restrict the first home owners grant to purchases of new homes. Instead of encouraging first home owners to seek homes within a reasonable and affordable price range, the attempt to try to kick start building activity (as claimed) is essentially encouraging the first home owner to take on more debt to facilitate the purchase a new home. The original grant was $7,000 for the purchase of an existing home. This has now been boosted to $15,000 for a new home. This appears to have little benefit for the general North Coast region.

As a first home owner, there are existing, tidy original 3- to 4- bedroom residential houses within Casino and Kyogle for around $200,000 to $250,000 or $250,000 to $300,000 within Lismore city. Brand new homes (fully landscaped) are around $350,000 plus in Kyogle and Casino or $450,000 plus in Lismore city. Hence first home owners face a further $100,000 to $150,000 plus of debt for the benefit of an additional $8,000 of grant. It should also be noted that the grant reduces to $10,000 by 1 January 2014.

Coffs Harbour

The residential property market remains slow with reduced sales volume particularly in the upper price bracket over $600,000. The first home buyer lower end price range remains steady with value levels holding in a decreasing interest rate climate. Building activity is slow with a limited volume of approvals due to the lack of demand for house and land packages. Sale prices in the mid to upper price range are displaying a wide price variance based upon vendors compulsion to sell. Some mortgagee sales are offering comparatively discounted price opportunities.

A recent city centre unit development site sold at 45% decrease on the previous 2006 sale after a four month marketing period. It is unviable to construct high rise residential unit developments due to the high costs against relatively low completed value levels and slow absorption rates.

Southern NSW and Northern Victoria

ALBURY / WODONGA

This month we take a critical look at the current negative and positive market drivers in this region. Why are some sectors performing while others are lagging?

Being twin border cities, the impact of differing Victorian and New South Wales state legislation can be observed. None more evident than the first home owners schemes that have either ceased and been introduced in the past 12 months. The Victorian scheme came to an end mid 2012 and the NSW model finished at the end of 2011.

The increase in new building activity in Victoria was evident where the NSW build rate had stagnated. However the NSW Government, not to be out done, has introduced a new stimulus scheme in the hope of invigorating new builds.

Despite these schemes there has been a lack of development activity during 2011 and early 2012 resulting in a limited choice in available residential sites. Affordability for potential purchasers, due to a falling improved market, has meant the 'as if complete' value of a 'to be erected' dwelling does not often stack up. A combination of rising land prices and building costs has stopped speculative building in its tracks.

One sector of new building that has been strong this year is the out of town investor market. An organisation out of Queensland, in particular, has found the rental returns in this wider region good ground to build for investors. They often purchase over 30% of a new subdivision and are building medium quality 3- bedroom, 2- bathroom dwellings with 2- car built in garaging. These properties are built in such volumes that costs are low and the values are justifiable. The concern is the saturation of rental properties and if demand continues.

Rental demand has been on the rise with uncertainty over job security and other factors such as tightening bank lending criteria causing affordability issues. On average there has been a 10% rise in gross rentals. 2- bedroom units are particularly in demand leading to a small rise in sales volume and value for investor purchase. There is possibly an increase in migrant numbers as government policy dictates they must reside in a regional town for at least a year.

....one sector of new building that has been strong this year is the out of town investor market....

State government belt tightening is being felt particularly in education with TAFE centres on both sides of the border going through budget cuts and subsequent staff layoffs. This all adds to the general pessimistic employment outlook.

Fortunately this region's economic performance is not based on one main industry such as mining. It is an agricultural area which is experiencing its best production period in many years due to good rain fall. So too is tourism with the best ski season in ten years. Over time this will provide a flow on effect to the small towns with improved job prospects and property investment.

Melbourne

Areas such as the northern suburbs are experiencing a slide in demand since the expiry of the first home owners grant by the government which was a huge stimulus for growth in the area. Developers have over compensated in suburbs such as Mernda and Craigieburn. There is a large supply of estate houses for sale in these areas along with developments under construction which are experiencing less demand then what was orginally planned for.

In these areas there is little reason to celebrate as property prices have experienced a drop due to the lack of demand for these products ever since the incentives were taken away.

Developers have introduced their own incentives but none are on the same scale of the first home owners grant which led the way for demand for development in the area. For example, attractive loan arrangements such as only requiring a $3000 deposit for first home buyers is a new incentive to encourage first home buyers back into the area.

The infrastructure is in place to service these areas adequately. New shops, schools, public transport and connecting roads have been developed within the past five years to accomodate the influx of development and expected population increase into the area. It is just a matter of attracting people to come live in these areas and take advantage of the infrastructure already in place. This is required in order to stay viable and encourage further development.

Flute products have been introduced by developers which provide affordable homes built in bulk on small blankets of land. This enables developers to offer these properties at lower prices with homes available at around $290,000 to $350,000.

This is attractive to families looking for a new start at owning their own home at a reasonable price. With special finance options for first home buyers, developers have identified their target market as young couples and families looking for affordable living options.

Flute products – newly favoured development design in outer suburbs
Source: ABN Group

The Melbourne housing market has experienced a shift in development focus. For the first time there are more multi-residential developments such as townhouses, units, apartments, flats, etc being built in Melbourne instead of houses.

Housing affordability is the main reason for this shift as people are pushed to build smaller more modest, cheaper homes.

The transitioning mentality of the population in relation to buyer preferences is also another reason as people are developing an interest in terrace housing as it looks appealing and is essentially affordable.

Overall the market outlook in the northern suburbs has changed due to macro influences which have put pressure on house prices and influenced demand for product in these areas. Developers are working on ways to entice population into the area which is a strong initiative and signal of intent of their commitment to developing these fringe suburbs.

Regional Victoria

LATROBE VALLEY AND WELLINGTON

The Latrobe Valley and Sale/Maffra property market is in a lull with minimal movement in prices in the previous 12 months.

The top end of the market seems to have been hit the hardest, with properties experiencing prolonged periods on the market with sale prices dropping. Building enquiry has also dropped with new subdivisions growing at a slower pace than the previous two to three year period. Conversely the lower end of the market is remaining stable with reasonable enquiry due to strong rental returns. The beach areas of Seaspray, Golden Beach, Paradise Beach, Loch Sport remain slow.

....permanent rental demand continues to be steady in this region with rents recording between $260 to $300 per week for modern single level townhouses, down to $180 to $200 per week for older style 2- bedroom villa units....

EAST GIPPSLAND

Vacant land sales continue to be sparse. Those that are selling in the coastal towns are being marketed at reduced prices, producing some activity in the market. The regional and coastal townships of Orbost, Omeo, Metung and Lakes Entrance are showing reduced sale prices and are being marketed for longer than normal periods.

In general the volume of sales has been down on the levels experienced 12 months ago, however there are now indications that the volume is picking up.

In the Bairnsdale area values of residential properties have remained fairly static in the $300,000 to $400,000 range with very few sales above this. There have also been very few sales of rural residential properties outside the Bairnsdale and Nicholson areas with these sales being in the $350,000 to $450,000 range with an upper limit of $650,000.

Generally there is still a fair bit of caution out there in the market place but buyer interest is shown due to price reduction.

BASS COAST/WEST GIPPSLAND

The entry level Wonthaggi market sector (up to $300,000) provides opportunity to purchase well located 2-bedroom, circa 1980s, brick veneer units which are attractive to permanent rental tenants. The upper end ($280,000 to $300,000) has seen new 3- bedroom single level townhouses with attached garages, on the outskirts of the town centre transact in recent months.

Permanent rental demand continues to be steady in this region with rents recording between $260 to $300 per week for modern single level townhouses, down to $180 to $200 per week for older style 2- bedroom villa units.

The main employment in this region stems from the District Hospital and allied aged care, a new Bunnings warehouse, existing Aldi and Woolworths and the Chisholm TAFE.

Venus Bay has also steadily transacted, offering a more affordable alternative to Inverloch - evident in the locality and sales of vacant land allotments and building activity of new coastal homes by local builders. It is envisaged that the peak school holiday and summer period will generate additional interest from holidaying families in this location. Vacant land within walking distance of the foreshore is transacting between $85,000 to $125,000, largely dependent on size and topography. The market in these areas is steady, predominantly due to entry level prices and affordability.

....recent discussions with local agents indicate large reductions in asking prices in high end properties, with vendors dropping up to $100,000 on properties in the $500,000 to $600,000 range....

The West Gippsland area, in particular Warragul/Drouin is currently experiencing an easing of sale prices and lower levels of enquiry. In particular new or near new house and land packages have been impacted by soft demand and a general oversupply of new subdivisions. Adding to this situation is discounting of new home constructions in this location. Recent discussions with local agents indicate large reductions in asking prices in high end properties, with vendors dropping up to $100,000 on properties in the $500,000 to $600,000 range.

BALLARAT

The Ballarat region appears to be succumbing to the greater world financial pressures with a reduced volume of sales over the winter period significantly down from the same period last year. The outer rural residential and rural towns appear to be the worst affected with an approximate drop of 25% in sales volumes when compared to the same period last year in the regional postcodes surrounding Ballarat. The built up areas appear slightly less affected but still display similar declines in sales volumes.

The general decline in sales volumes appears to be a result of a lack of business growth, maintained high cost of living and continued restraints of finance. This lower volume of sales and less demand for property is beginning to have a negative impact on values in some markets, again the most obviously affected being the fringe rural residential and regional towns that are mainly owner-occupied. Central built up areas appear to be maintaining value levels in the short term.

Closer analises illustrates that more affordable housing, which is predominantly attracting investors, is maintaining and in some instances experiencing some capital growth. While the higher value owner-occupier markets are thinly traded which has the effect of distorting the median house price for the greater area.

MILDURA

We have seen reduced volumes of residential sales in recent months, with the months of July and August appearing to be down by approximately 20% year on year. While there has been no discernable downward trend in values over the past six months, it is evident that real estate agents are having to work harder to get contracts signed. While hard to pin point the reason for this, we see the main reason being a mix of weak local and national economic conditions, and a trend to reduce debt rather than take on extra commitments.

The catalyst for this trend reversing is hard to identify. Further interest rate cuts might help, but it is likely that a period of more positive economic data will be required, combined with low interest rates, in order to put more life back in the residential market. We expect to see further population growth, albeit at steady levels, with people continuing to move from smaller towns to Mildura in order to capitalise on the relatively good health and community facilities Mildura has to offer.

Adelaide

Adelaide is now firmly entrenched in a housing downturn and as such there is very limited good news from within this sector.

The residential property market is still experiencing very difficult conditions with excess stock levels, increased days on market and low levels of sales transactions. Overall buyers remain very cautious.

Our belief is that these very difficult conditions are yet to manifest in further capital value reductions which may still continue to occur over the next 12 months or so, which means that we probably haven't reached the bottom of the cycle just yet.

Global conditions and more locally job security and cost of living continue to weigh heavily and buying or selling in the current market is perceived to carry considerable risk. Hence most home owners are choosing to instead reduce debt and pay down their existing mortgage.

Even in this buyers market it appears as though investors are being cautious which lends some weight to the belief that we are yet to reach the bottom of the cycle. Until conditions change either globally or locally it is difficult to see how the residential property market will deviate from its current position.

The Olympic Dam Expansion project was to provide a significant ongoing financial stimulus package for the state with far reaching positive consequences for South Australia overall. This project has subsequently been shelved and aside from being another hit to already low consumer confidence, it is difficult to imagine that anything else would even come close to having the economic impact this project was expected to generate.

Brisbane

The talk around our office has been about one particular fundamental shift that is causing ripples throughout our region. It is the changing of the guard on George Street – the centre of our state government machine. Since the beginning of the Liberal National tenure we have seen a lot of movement deigned to clean house and as they would say it "sort out the mess". With such a large majority it is possible to make some bold moves while hardly causing a ripple in parliament. The results are being viewed as mixed by many of the market operators we come across.

One example is the recent reinstatement of the principle place of residence stamp duty concession which meant several thousand dollars in saving for those qualifying purchasers. On the face of it, this looks like a bouquet under this month's theme, but the on-the-ground feeling is that this stimulus resulted in a noticeable but brief spike in activity before we started drifting back in to a general malaise once more. I don't have the stats to back this up but it seems to be the broad observation of those standing around the desk of many local real estate agencies.

The other very new state government stir is the scrapping of the $7,000 first home owners grant and the establishment of $15,000 handout to to first-time buyers purchasing off-the-plan or newly-constructed properties. The move has been designed to boost a slowing construction sector and should also garner a bouquet, however agents are telling us that they're seeing a run on first home owners wanting to get in on established homes before the 11th October cut off for the $7,000. Many are also skeptical about whether the $15,000 won't prove more beneficial to the developer than the buyer and that most of the first home owners would prefer to get themselves settled into a nice established home close to the lifestyle buzz rather than a brand new one further from the action.

The upshot would seem to be this. Like most markets, Brisbane is trading on buyer's confidence at present and whenever there's a shake, the potential purchasers start running for the hills. The last election had political parties playing to the extremes with one side saying spend and stimulate and the other spruiking that we're going broke and things are looking dire. The likely hood is that we are somewhere in the middle however it's hard for buyers to maintain confidence when 14,000 public service jobs get scrapped. As one of our valuers observed, much of the population has always seen public service employment as the failsafe safety net if the private sector doesn't need them. Now even these 'jobs for life' have proven shaky. This is not a particularly confidence inspiring development in an uncertain market. In summary the layoffs may eventually result in the awarding of a brickbat if we can't get a little more bravado back into the buyers heads.

....the other very new state government stir is the scrapping of the $7,000 first home owners grant and the establishment of $15,000 handout to to first-time buyers purchasing off-the-plan or newly-constructed properties....

So let's not end Brisbane's submission on a sour note. Let's award a bouquet to the political machine that has seen the increased infrastructure works finally open around the capital. The completion of the Clem 7 tunnel and the associated busways are all playing their part in driving demand. Rentals are generally strong across the city but for those areas that have been brought closer in travel time to the CBD demand is terrific.

The other infrastructure bouquet must go to the resilient return of Southbank and the inner city suburbs since the January 2011 floods. The opportunity to revamp and upgrade has not been missed. With most of the retail, entertainment and hospitality hotspots now open and going great guns, demand for accommodation close to the action is proving strong. There would be rental managers throughout West End and South Brisbane for example who are finding it very easy to get tenants at good dollars for those units near the posh shops. The flow on from this will hopefully mean some serious capital growth – that's once the confidence comes back of course!

Gold Coast and Tweed Coast

Gold Coast - Northern Corridor

In general there appears to have been a slight improvement in buyer confidence within the northern corridor of the Gold Coast over the past month or two. It has been difficult to pinpoint the well performing areas between Pacific Pines and Beenleigh. Under the microscope, it seems as though most of the small increases in sales activity have occurred in those localities which are positioned in closer proximity to the central Gold Coast.

Developers have been advancing ahead at a good pace within the Coomera/Pimpama region as large scale earthmoving/construction has been noted around Rifle Range Road and Foxwell Road where englobo parcels have been dormant for some time. This just might be another small indication of increased confidence within the local market. And with new estates on the horizon, we will hopefully see further infrastructure in the area soon as existing residents have been crying out for new schools, shopping facilities and transport systems over the past couple years. The sales that we have collected over the past month have indicated that there is mix of both owner-occupier and investor activity.

Local agents have reported that there are signs of the market bottoming with regard to affordable stock (property priced <$400,000) and the challenge for them at the moment is to also find more new listings in the price range. Most of the sales activity within the corridor has occurred below the $500,000 range over the past three months. Although we are also seeing some more sales activity over the $500,000 level, particularly in Coomera and even in the Gold Coast hinterland area. Agents have also noted that sellers are becoming more realistic or requiring an immediate sale and purchasers are subsequently finding opportunities which appear to represent good value.

....we have seen substantial reductions in asking prices for new units and very limited demand for second hand units. This market sector may have not yet bottomed out....

The weaker performing areas of the northern corridor at present look to be those north of Ormeau, which are the suburbs located mid-way between the Gold Coast and Brisbane. Traditionally this region is dominated by homes within the affordable range. However, in a soft market, there is slow demand here due to the good supply of listed stock available in more desirable suburbs situated closer to the Gold Coast.

Gold Coast - Central

The past 12 months have possibly been the worst period for Gold Coast real estate in the last 20 years, in terms of price declines, negative publicity and continued fallout from the GFC.

We have all heard this rhetoric many times recently. Within this scenario, it is difficult to say 'what's right'. in this market and easy to say 'what's wrong'. There are mixed opinions in the market place as to where the market is currently positioned, and which direction the market is heading. Winter, which is traditionally a slower selling period, has just finished and there does appear to have been an improvement in confidence in the market place. However, it is too early to make the call that the market has reached the bottom.

The truth is nothing is going great in terms of real estate on the central Gold Coast, and we can only look positively to the future. Key factors such as the new state and local governments, new infrastructure, future infrastructure through building works for the Commonwealth Games, along with interest rate reductions, stamp duty concessions and new building grants, all will assist to drive the Gold Coast economy and real estate market. All the statistics show that the most active property sector is in the under $500,000 price bracket, which accounts for approximately 75% of the number of sales. This market sector has probably been the best performing over the past 12 months in terms of least amount of drop in value levels.

Over the last month, most local agents are reporting improved levels of buyer enquiry and sales activity for properties in this category, with an overall decrease in the volume of listings, which has improved the supply/ demand ratio. In the above $500,000 price bracket, there have been some positive recent sales results for well located property in generally good condition. There is however buyer resistance for properties in secondary locations or needing substantial renovation works. Probably the worst performing market over the past 12 months has been the highrise unit market, where the drop in value levels has been the greatest.

We have seen substantial reductions in asking prices for new units and very limited demand for second hand units. This market sector may have not yet bottomed out.

If I was to nominate the suburbs and type of property that will offer the best prospects in the short term, I would suggest the following;

First Home Buyers (say property under $400,000)

* House in Robina or Varsity Lakes Reasons: Location close to shops, schools, transport and not far from beach. Houses still modern.
* Duplex style unit at Burleigh Waters or Miami Reasons: Location/ proximity to the beach, also shops, schools, etc. Low body corporate fees.
* Lowrise unit/townhouse style unit in beachside position at Burleigh Heads, Miami, Mermaid Beach, Broadbeach Reasons: Location/ proximity to the beach, also shops, schools etc. Investors I would suggest that there will be limited capital growth in the short term, so I would invest in property where rental demand is strongest with best possible returns.
* Houses in Robina or Varsity Lakes Reasons: Location, relatively young age of dwellings.
* Houses in Burleigh Waters, Mermaid Waters, Broadbeach Waters, Miami under $600,000 Reasons: Location, likely inferior returns but more potential for capital growth, however older housing.
* Duplex style units at Burleigh Heads/Waters or Miami Reasons: Location, solid demand from tenants, however generally older with more possible maintenance.

Tweed Coast "Salt" and "Casuarina"

A negative turned into a positive. Developers within Salt have decreased land values significantly in the newly released stages which has seen an increase in market activity. Obviously current vacant land owners who are trying to re sell their allotment are not happy, however local builders are the opposite - they could not be happier. The decrease in land values has generated work within the area which then puts money back into the community.

How many people have told you they know of someone who is currently working away in the mines as there is no work locally? I have heard this plenty of times and can give examples of people who have been forced to leave the area because of their current financial situation.

Developers needed to lower the land values as there was and is an oversupply of vacant land within the area. One particular stage was sold off the plan a few months before excavation work had taken place. What this has also done, which current land owners might not realise has bought prospective purchasers to the estate to look at this cheap land. When some realise they do not like the particular location within the suburb or the size of the allotment they take a further look at blocks on the market. I know of one sale that took place because of this reason. A particular buyer didn't like the newly released land, however purchased an allotment only 500 metres away from a non developer.

Sunshine Coast

The Sunshine Coast property market is 'all over the shop' - a bit Jekyll and Hyde. It is consistently, inconsistent with some market sectors moving quite well with others being slow with only a minute sign of a pulse.

....the big positive continues to be the significant infrastructure project of the Sunshine Coast University Hospital and the expected uplift to the local economy....

First up, what's going OK? Houses under $500,000 and lower priced owner-occupier units have recently picked up. Sale volumes are quite good, admittedly off a small base, with agents advising that they are looking for stock in some areas. The bell has rung here with values stabilising but no real sense of growth yet. When you ask yourself why, there are a few reasons.

Firstly, it is the affordable end of the market. These properties are a NEED so that we can provide a roof over our heads. Secondly, a bit of a lead indicator is the tight rental market. It is very difficult to get an affordable rental so it is forcing the hand of some renters to get into the market. Thirdly, there is a new round of first home buyers and investors that are coming through. They haven't been stung by value declines that were experienced over the past few years. As the general economy conditions have slightly improved, they have been prepared to jump in.

That basically leaves the rest of the property market, and that is where the good news drops away. This covers the investment unit market, the above $500,000 home market and the whole prestige market in general. Let me say at the outset that transactions have increased and are better, values however are the issue and that the sales are being achieved because of the discounting that is required.

We could talk about the values in 07/08 never being worth that but that is rubbish. We had a number of sales at those higher levels. We mentioned that houses under $500,000 provide a NEED, conversely these other properties are more of a WANT. They are not essential for us and therefore demand for them, in uncertain economic conditions such as now, is really inconsistent. Achieving sales is a hard slog.

The big positive continues to be the significant infrastructure project of the Sunshine Coast University Hospital and the expected uplift to the local economy. Hopefully now that we have started to see more transactions, this momentum can continue to grow and see more positive reports.

Southern Queensland

TOOWOOMBA

The Toowoomba property market may be described as multi-speed with some sectors outperforming the general trend of stability. Other sectors like the prestige market are in decline and are suffering from limited buyer interest as a result of low consumer confidence. Properties that are offered for sale under distressed or forced sale circumstances have sold at prices significantly less than what was achievable three or four years ago. Value reductions in the vicinity of 20% to 30% have recently been observed. We note the sale of an architecturally designed home in Redwood that sold at auction for $751,000 after a one month auction campaign.

East Street

This sale confirms that regardless of the price point, dwellings that are poorly presented/maintained, dated and somewhat unusual in layout require significant discounting to achieve a sale in the present market where buyers have numerous alternatives available to them. Another recent sale highlighting this trend is the sale of a

1950s post-war dwelling on the edge of the Toowoomba Range which sold for $725,000 after an initial list price of $1,050,000.

21 James Street

More positive activity has recently been observed for 3- and 4- bedroom brick dwellings built in the 1980's to 1990's in the $275,000 to $375,000 price range in the suburbs of Kearneys Spring, Darling Heights and Rangeville. This seems to be on the back of interest from owner-occupiers upgrading and first home buyers and investors capitalising on low vacancy rates. The sub-$300,000 price bracket, which is dominated by activity in Newtown, South Toowoomba and North Toowoomba, remains an active segment with interest generated by all buyer profiles.

In a sign of a changing property environment, the demand for new land in the sought after suburb of Middle Ridge and to a lesser extent, Kearneys Spring, appears to have reached a low point with developers reporting unsold stock which traditionally has been rare for new housing estates in these areas. Prior to the most recent developments, multiple buyers were normally competing for land in these estates and this competition appears to have now eased significantly. Construction activity for new 4- bedroom dwellings in the more affordable suburbs of Glenvale and Harristown is strong at present, but we highlight this activity is being driven by house and land packages developed for sale to absentee investors. Local demand for this 4- bedroom product is overshadowed by the demand from investors.

IPSWICH

The Ipswich property market is stable at present with very little activity. Agents are reporting that a lack of quality housing stock is affecting the market and that there are purchasers ready to buy but they are discerning and willing to wait for the right property.

The market for residential property over $450,000 is the poorest performing with limited activity due to limited buyer interest. This market segment is traditionally the realm of the second and third home buyer and recent regressions in value have absorbed home owner equity, resulting in limited buying power in the market at present.

Market corrections over the past four years have seen values fall. However the median price has only fallen from a peak of $325,000 to $305,000 which has been a fairly soft landing for values. The lower values have opened the market more to people moving to the area and to first home buyers. However, the Queensland Governments axing of the $7,000 first home owner grant in favour of the $15,000 grant for new housing is likely to result in limited demand for second hand property in the lower end of the market. This is likely to be reflected in a higher supply of smaller/cheaper new housing and less demand in the middle sector. Those wishing to sell to first home owners may not be able to sell and upgrade.

Overall a slow but positive recovery is likely over the next 12 months in Ipswich.

Central Queensland

ROCKHAMPTON

The Rockhampton regional residential market remained fairly steady during 2010/2011, however the prestige house market and unit market sectors showed signs of a market correction which appears to have flowed through into 2012. The market for residential property over $1 million has been very thinly traded since the GFC. On these low volumes it appears there has been a diminution in values in this sector since 2007, however because of the thinly traded nature of this sector, the size of the diminution is difficult to quantify.

....the more affordable lower end of the market (<$350,000) is still the high performer in relation to sales activity....

Confidence in the Bowen Basin mining industry is considered to still be strong in spite of recent mine closures and reported reducing profitability in the mining industry. This strength in conjunction with relatively low interest rates, government incentives, and low vacancy rates should encourage both first home owners and investors to remain in the lower market sectors market during 2012.

The more affordable lower end of the market (<$350,000) is still the high performer in relation to sales activity, however recent times has seen a slight increase in activity in the mid to high end of the market which is dominated by owner-occupiers trading up to a larger and/or better quality residence.

HERVEY BAY

What went wrong on the Fraser Coast?

External factors and general apprehension seemed to have been the main initial cause of the subdued residential property market on the Fraser Coast. Initiated by the GFC, lenders tightened loan requirements and building and construction both suffered. Demand moderated and many investors left the property market as the seemingly guaranteed capital growth from residential property disappeared.

Local economic conditions have since deteriorated. Tourist numbers have declined in Hervey Bay and manufacturing looks less certain in the longer term in Maryborough. This has fed into a weak job market locally although there is a small but growing 'drive in drive out' workforce based locally but working in central Queensland.

Changing buyer preferences for more modest homes also seems to have occurred with buyers seeking to limit exposure to real estate and/or save funds for a rainy day. This change of buying behaviour seems to be particularly evident in the upper end of the market although this is not confined to the Fraser Coast. Affordability has long been an attraction of the area and possibly this was lost at the height of the boom. Easing prices and steady to gradually increasing rents must at some point gain the attention of investors seeking affordable investment properties.

....existing housing seems to be holding up pretty well, with the sub-$450,000 market leading the way....

Affordability it seems is also a double edged sword as currently the more modest end of the new home market is extremely competitive and while this benefits affordability it also depresses the prices of existing dwelling stock. New but modest 4- bedroom 2- bathroom homes are available from around $300,000. This competitive market may deter potential developers as such low margins and a highly competitive environment can be an unattractive prospect.

MACKAY

The Mackay residential market picked up some real momentum through the later half of 2011 and into the first half of 2012. On the back of increased rental pressures, the Queensland Government's building boost and general optimism with the mining industry, we saw large volumes of new land sales and new house construction across all of the estates. However, over the past month or two, this optimism and market momentum appears to have slowed. The building boost expired, coal prices have fallen, mining giants have closed some poorer performing mines and announced cut backs to expansion and work forces. Don't get me wrong, it's not all doom and gloom; with still significant mining activity happening, just a small cloud has been cast moving forward.

So how will this affect the Mackay market? That's the big question, and is difficult to answer at thus stage. We have definitely seen a huge decrease in vacant land sales since the expiry of the building boost. However, we understand there are a huge number of dwellings signed up under the building boost that still require construction, meaning the building industry should continue to be strong into the short term future.

Existing housing seems to be holding up pretty well, with the sub-$450,000 market leading the way. Rental levels are still strong with very low vacancy levels meaning this market should remain fairly active into the short term.

GLADSTONE

The Gladstone area continues to grow with the ongoing construction of residential developments to combat the need for accommodation. We anticipate that as the supply of new homes increase, not only will rental values fall but the demand for older properties will decrease. Additionally the number of units presently in either the planning or construction phases could ultimately lead to an oversupply. On the contrary, population increases from the influx of workers and their families could absorb part or all of this potential oversupply.

Cairns

The latest figures on Cairns give the population growth rate at about the 1% mark, which implies that for the first time in many years population growth is coming solely from natural increase (excess of births over deaths) rather than migration. Or in other words, migration has slowed right down, and right now there are just as many people moving out of Cairns as there are moving in. Moreover from a property market perspective the people moving in are likely to be demographically different to the ones moving out – the people moving in are more typically older/empty nester lifestyle migrants with completely different housing needs to the ones moving out, who are more likely to be younger singles/couples/families in search of better employment and income opportunities.

As population growth and the economy have flattened so too have property and development. Apartment construction in particular is at a complete standstill with no new Council building approvals issued for units in the past 12 months. Land development is similarly in the doldrums due to severely depleted residential land demand.

However it is not all doom and gloom - there is light at the end of the tunnel. Even though we've been saying for some time that the Cairns market is at the bottom of the cycle and is about to turn, this time we REALLY BELIEVE that the Cairns market has bottomed. Our evidence is that:

- Cairns has been experiencing a good tourist season this year which, together with the start-up of direct air services to China next month, will be game-changers in terms of future economic and market confidence;

- Property is moving again with sales volumes increasing in recent months;
- There is limited new construction meaning that supply will shorten as sales volumes increase;
- The rental market remains tight (current trend vacancy rate around 2.5%) and rents are increasing;
- Prices after inflation are down about 25% on the peak of the market, and interest rates are low and heading lower meaning improved affordability.

Townsville

Townsville's residential property markets are continuing along the stabilisation phase of the current cycle with median prices stable, sales volumes on the rise and buyer sentiment on the up.

Many of the fundamental drivers are at similar levels to what they were in September 2007, but the major differences are price resistance and confidence. Currently local purchasers hold the upper hand and continue to dictate pricing. This is the inverse of the overheating market situation that was in effect within the last peaking market. Purchaser confidence is returning and out of town investors are now more active in our local market.

We are currently seeing a real 'mixed bag' of activity in our market with first home buyers, investors, downsizers and upgraders all active.

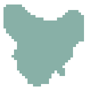
We are seeing an increase in the number of building contracts, which appears to be a combination of first home buyers and second home buyers. These buyers are looking to estates offering good levels of overall amenity. We are seeing downsizers opting for smaller houses on low maintenance lots.

Within the established market we are also seeing a mix of buyer activity, particularly within the suburbs in an eight to ten kilometre radius of the city centre. Anecdotal evidence suggests that there are buyers moving from area to area coming in from the outer lying suburbs to be closer to the city, and also moving out of the urban mass to the outer suburbs to build new homes.

Sales within the unit market are also showing an upward trend with new 'off the plan' unit developments being taken up by out of town investors. Continued sales within the inner city unit market has seen a gradual clearing of receiver stock, which has hampered the market over recent years.

....the continued uncertainty has led a large number of people, particularly the younger generations, to reconsider their futures in the state and seek greater certainty and employment prospects on the mainland....

Overall, most residential markets are showing positive signs with increasing sale volumes and stable median prices. Our continued belief is that prices will remain relatively stable for at least the balance of 2012 while the market continues to consolidate.



Tasmania

Tasmania's residential market overall continues to remain stagnant. The single largest issue that continues to impact the market is a lack of confidence. There are a number of factors which has eroded this confidence, however of greatest concern to most is the current level of unemployment and lack of economic growth within the state. Tasmania currently has the unenviable title of the highest unemployment rate in the country of 6.8%, compared to a national unemployment rate of 5.2% (labour economics office August 2012). Recent analysis of these results by the Labour Economics Office has highlighted that there is some evidence to suggest this rate is stabilising, however it remains too early to state this conclusively. These early signs of stabilisation are likely to be tested in the coming months given the announcement by Gunns, formerly one of Tasmania's biggest companies, that they will be entering into voluntary administration. This announcement placing a further 600 employees at risk of losing their jobs, at least half of which are based in Tasmania.

The continued uncertainty has led a large number of people, particularly the younger generations, to reconsider their futures in the state and seek greater certainty and employment prospects on the mainland. Evidence of this can be seen through the increase in residential vacancy rates and subsequent adjustment to rental values over recent months. Any recovery in the residential market needs to be underpinned by an increase in demand. This demand is required to reduce the over supply of stock on the market and lessen selling periods. Tasmania has a very modest population growth rate at the best of times, and can not afford to lose any further ground.

Despite all the doom and gloom at the moment there are some positives to be drawn out of the market. The north west of Tasmania has had a rough couple of years within its own localised employment market. The loss of a number of sizeable businesses/industries such as the closure of the vegetable processing plant had impacted significantly on the market. However the announcement of a number of key infrastructure and investment projects has enabled some confidence to be restored to the market, and will likely underpin the recovery of the market in this area in the future. The recent foreign investment interest in the areas of dairy industry only adds further support. While the region is still impacted by the economic woes of the state overall, it would likely be in a much worse position without these vital areas of growth and ultimately good news – all helping to restore that key factor of confidence.

Darwin

Darwin is continuing to experience an overwhelming demand for accommodation with residential vacancy rates in the CBD and surrounding suburbs at 0.8%, and 1.4% for the neighbouring region of Palmerston (RIENT July 2012). With the announcement of the Inpex Gas project and other potential infrastructure projects this demand for accommodation is set to increase through interstate migration. This housing dilemma facing Darwin can be attribeted to a number of factors, the primary being the lag between land being released and accommodation being available.

....the Country Liberal Party have already set about significant cost cutting and it will be interesting to see what effects these changes will have on housing affordability in the Top End....

In recent years there has been a lack of englobo residential land release by the Northern Territory Government however over the last year or so a large supply of land has been released for public purchase. The land which is now meeting the market has been released in the outer suburbs of Palmerston (small pocket in northern suburbs). Noticeably there has been limited inner suburban land releases and the rigid planning regulations has led to minimal in fill redevelopment.

These land releases are accompanied by the Buildbonus which is an assistance scheme offered by the Northern Territory Government to help stimulate the construction industry, to assist tenants get into their own homes. This scheme contributes $10,000 towards the purchase of a brand new apartment/unit or house in the Northern Territory up to the value of $600,000. This $10,000 is available on top of the current $7,000 on offer to eligible first home owners.

In order to match the growth predicted for the Top End, emphasis needs to be placed on land release and more flexible planning guidelines which will stimulate more urban in fill and solutions provide of getting long term renters into their own homes.

The recent election in the Northern Territory has brought about a change in government for the first time in over decade. The Country Liberal Party have already set about significant cost cutting and it will be interesting to see what effects these changes will have on housing affordability and construction in the Top End.

Alice Springs

The residential property market in Alice Springs during 2012 has been in a consolidation phase, with transactions in the market place continuing at low levels, well below the historical average turnover. Both the house and unit values have shown single digit reductions in recent months however this is to be expected given the strong growth experienced throughout 2009 and 2010.

Both the house and unit markets have shown similar trends, with reductions in values over the March quarter 2012 close to 5% with smaller reductions under 3% continuing in the June quarter 2012 and similar numbers expected in the September quarter. While historically the Alice Springs residential market has been somewhat insulated from broader national economic trends recent market indicators have shown that the local market is not immune to market corrections.

Over recent weeks agents have been reporting an increase in buyer enquiries and numbers at open inspections as well as a jump in sales although this will take time to filter through to reported results. Strong rental returns will remain a positive for investors in the market place, particularly given the lower prices available in the current market.

Along with the market correction, the recent 'on hold' decisions from the Reserve Bank may have some influence in restricting the recent activity. However with many economists now predicting a rate cut before the year is out more buyers might just come out of the woodwork.

Perth

The rental market remains the critical pressure point in both the Perth metropolitan region and a number of regional centres. The strong inflow of both overseas and interstate migrants are looking to the rental sector to meet their short term housing needs and resulting in an increase in yields which is attracting investors back into the market.

As rents, particularly in Perth move back into double digit growth, the housing affordability equation is swinging back to home purchase with stable house prices, a strong local economy supporting low unemployment which is underpinning wages growth and steady interest rates.

This is evidenced based on data from REIWA with a significant fall in the number of properties for sale (10,400 as at September 2012) and an increase in sales, resulting in an increase in turnover. The decline in listings is largely attributed to the continuing strength of first home buyers who are absorbing stock from the market and the lack of stock replenished by vendors who are hopeful of an uplift in values.

Conversely, the median house price in Perth sits at $475,000 and has shown no growth during 2012 so far. This is primarily based on the strong first home owner activity, indicated by an increase in first home owners grants paid. Unlike up-graders, first home owners have nothing to sell and thus take the lower end stock out of the market resulting in little movement of price.

Particular areas that have performed well are areas which are attractive to both first home buyers and investors. These buyers tend to show an interest in suburbs located along transport corridors, train stations and near city areas traditionally resulting in higher yields for investors.

Furthermore as home owners are faced with living cost pressures there have been more enquiries about the cost of running their home beyond the initial purchase so properties that can be run economically as well as having adequate transport and community facilities are areas which are anticipated to show the most growth over the latter half of 2012.

South Western WA

So, where are the area in the property market in the south west of Western Australia that you don't want to be? Up until recently it was just about everywhere.

We are still in a buyers market with no indication of price increases. However there are some areas that are slower to recover and these tend to include the rural lifestyle properties. Furthermore the more remote location of these properties, the longer they are taking to sell. We can probably attribute this to the generally higher levels of debt needed to take on this type of property. This is currently not seen as desirable, combined with the higher cost of fuel to get to and from the property.

....agents have reported having their best year for quite some time with sales happening at a reasonable clip....

Collie (56 kilometres from the greater City of Bunbury) is a centre that appears to be in a holding pattern for now. With the completion of the Worsley expansion and the proposed Urea plant still in limbo, the market is still waiting to see if the external driver of a developing industry will push the demand level in the town.

Over the time since the GFC the second residence/beach house market, right up to the very top of the price range, has taken a considerable hit. While there have been some sales reported in the premium property market these are still at significantly reduced levels compared to the peak of the market.

In the less desirable areas and where there are a high percentage of government assisted residences, we have seen a return to normal (ie. the over-inflated prices of the boom where every property was increasing in value regardless of location or condition, has now long gone). These areas are once again likely to lag behind other areas in any recovery.

That was the bad. As for the good - there certainly is movement in the market. Agents have reported having their best year for quite some time with sales happening at a reasonable clip. These sales are occurring at a wide range of price levels as opposed to previously being mainly at the lower end of the scale. The total number of houses for sale has declined from the highs experienced last year, though these continue to run at above average levels. While supply continues to outstrip demand, prices are unlikely to rise.

One point of note is the number of buyers that are fly-in-fly out workers and this could be attributed to the improved infrastructure on offer in the south west region. Regular bus services now run to the domestic airport in Perth at times designed to meet flights to the mine sites in the north of the State, and additional flights from Busselton have been approved with the potential for more in the future.

So in summary, we are at least cautiously optimistic that the bottom has been reached but it may bump along at these levels for some time to come.

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Rural – Market Directions

It has been a busy month just gone and with the school holidays in full swing as this edition goes to print, we will explore some of the other activities going on around the nation in agriculture for your interest.

To update the broader property value question, we are witnessing the continued trend of limited transactions being reported nationally. Confidence is a major driver and the lack of widespread early spring rain is impacting yield forecasts in many regions. While grain prices are very attractive, many growers may not be able to capitalise on the strong early start to the season. It is somewhat ironic that for two years too much rain has been an issue and this year the lack of finishing rains may see the opportunity not able to be converted, leading to the underlying confidence issue today.

So what is some good news I hear you ask?

This month we explore a little known rural production powerhouse one hour from Melbourne with many of the things we remember as kids. On reading this note from Michael Valentine I checked the holiday schedule to see if I could tale a trip to this wonderful spot it's called Flinders Island.

In the north the sugar industry seems to be getting stronger with reinvestment further into processing facilities and we also get a culinary tip about a great way to eat lychees. The grazing market also in the north has seen some support for values for quality assets, yet smaller less developed operations are still experiencing difficulties finding buyers.

In the west, Tim Clark has undertaken an analysis of the cost of returning once quality farming land back from timber plantations with the failed MIS scheme assets now being offered back to market. These properties highest and best use is determined as not being suitable for forestry going forward.

Southern NSW and northern Victoria, along with south east Queensland, both larger cereal crop production areas, highlight the impact of the current lack of rain with market activity in these regions reflecting this. Our Mildura office reports on a new almond processing facility being built by Olam 30 kilometres south of Mildura. This is a great positive statement of confidence in the sector and we hope this confidence can start to rub off in the broader market generally in this somewhat stronger selling season.

Let's hope some much needed rain arrives in time to add some weight to grain heads and farmers and graziers can start to look into the forthcoming year with more confidence.

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1 October 2012

Regional Victoria

MILDURA

Spring has certainly sprung with footy finals fever in full swing and the arrival of the hot northerly windy weather that September generally brings. While bud burst on the vineyards is near complete, the lack of any significant rain has impacted cereal crops over the past eight to ten weeks, with crops running into head and badly in need of a good drop of rain to fill the grain. Average yields are now expected to be well below average overall in the northern Mallee and south west NSW, but could still be OK in parts of the central Mallee.

ABARE have recently revised Australia's forecast wheat production down by 24% and barley 20% this harvest from last year, while also acknowledging that production is tipped to be above the past five year average.

Canola crops in this area have been very patchy and the recent warm windy weather has brought a premature end to flowering which is likely to result in below average yields for most crops in this area.

The dryland cropping sector has been unusually subdued in 2012. While there are a number of properties available for sale in the Millewa and Mallee areas, they have met with limited interest. Short term nervousness about the possible emergence of another El Nino event is tempering the view that agricultural land is a safe long term asset that provides a sound hedge against any further global downturns.

The dry spring conditions have contributed to the first upward movement in the price of temporary annual irrigation entitlements for some time. After sitting in the $10 to $25 per megalitre range for much of the past two years, prices have lifted to $35 and could go higher. Annual croppers in the irrigated areas of southern NSW and northern Victoria, who would have been hoping to finish their crops on rainfall, are expected to capitalise on the high grain prices on offer by applying late season irrigations to boost yields.

The construction of the $60 million almond processing plant at Carwarp (30 kilometres south of Mildura) by the Singapore based Olam International, is reported to be the largest hulling, shelling and processing factory in the southern hemisphere. A feature of the facility will be a 6,000 square metre air conditioned warehouse where the processed and unshelled nuts will be stored in total darkness at 10 degrees Celsius. This warehouse will rely on robotic forklifts rather than the traditional human piloted forklifts and presumably they will work quite happily in the cold, dark conditions.

The hulling facility will source almonds from Olam's 11 orchards between Robinvale, Wemen and Boundary Bend which contain three million trees planted over 12,000 hectares. At full maturity these orchards have the potential to produce up to 160,000 tonnes of 'in field' kernel, shell and hull, which will be transported to the hulling facility and processed into 40,000 tonnes of almond kernels.

Sales activity in recent weeks has included the reported sale of a smallish (15,700 hectares) pastoral station north of Wentworth with no Darling River frontage. The sale shows strong analysed levels (over $400/DSE) which is unprecedented in the lower western division of NSW and reflects a motivated adjoining owner purchase.

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Southern Queensland

Southern Queensland has perhaps experienced its first typical winter for a number of years with very little rain having occurred across the region since the beginning of July. Prior to that the leadup to winter was very wet. Subsequently, despite the dry period, there is still plenty of sub-soil moisture in long fallow country.

The two months of dry have hit bottom line yields across the region and although not too late to assist with yield improvements, the longer the rains stay away, the more dire the position will become.

The uncertainty within the property market still remains, and with the benefit of hindsight, values in general have continued to deteriorate over the course of the past six to 12 months. We are seeing a consistent number of properties advertised under receivership conditions and this is not expected to change any time soon. The success rate of auctions has been very low and in fact, there have been very few genuine arms length sales in the region in 2012. The biggest deterrent to value is a lack of confidence. There are buyers in the marketplace, however a combination of very restrictive lending practices, coupled with a high Australian dollar, increased production costs (both direct and indirect) and uncertain climate conditions are adding to local buyer hesitancy.

On the positive side, we are still seeing strong interest being displayed by foreign investment. These funds are generally either "food and fibre centric" (i.e. underpinning their food requirements domestically) or investor returns orientated (ie. long term reliable returns on investment). However both sectors are adopting very rigid due diligence programs. The products they are identifying have to provide for a high degree of reliability on returns and have to be strategically located so that there will be big gains in efficiencies. They are looking for economies of scale in secure rainfall regions.

....the two months of dry have hit bottom line yields across the region and although not too late to assist with yield improvements, the longer the rains stay away, the more dire the position will become....

This corporate sector will play a major part in any future recovery in values, however this is not expected to be any time soon. It is far too early to suggest that this is the next 'Stanbroke'. (It is generally accepted that the Stanbroke sell-off in 2002/2003 was one of the major drivers in property values at that time.)

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Northern Queensland

Grazing

There has been some movement of downs blocks in the Richmond and Julia Creek areas over the past six weeks. These sales are supporting the level of values that Herron Todd White have been applying to the general downs classification and it is reassuring to say that market evidence does provide the best barometer of determining exactly where the market stands. People can say the market has declined by a certain percentage across the board but this type of broad ranging statement tends to ignore the individual qualities that identify each and every property. In short the sales that have occurred support the existing level of values, but the trend does appear to reflect a flattening of values and now we eagerly await further sales to be able to say if we have a stable market re-established in the downs areas.

Other grazing lands in this north region continue to sell in low numbers. Word from agents is that Red Rock near Einsleigh is under negotiations after auction with some confidence that a sale will go to contract.

....as the season continues millers are getting more confident that the 2012 crop should get cut and the possibility of stand over cane into 2013 is becoming less apparent....

The smaller coastal grazing blocks continue to display a general lack of sales movement however one recent sale near Inkerman has seen the purchasers de-stock, bring in the dozers on the black soil to remove the chinee apple and it would seem that a new area of cane land may be developed if the purchaser can get water supplied by the Water Board.

Cane (Burdekin and Herbert areas)

The biggest event since cyclone Yassi has happened in the Herbert area with the re-commissioning of the sugar loader and wharf facility at Lucinda. The facility was badly damaged in the cyclone and sugar had to be road freighted to the terminal in Townsville. Now once again the sugar can go by ship directly from Lucinda.

The Herbert and Burdekin areas should finish planting by the end of September. The planting was delayed by the adverse wet conditions. The smut issue is still of some concern with many growers hoping for a higher yielding cane variety that is resistant to smut. Further plant and genetic development will eventually provide this to the growers.

As the season continues millers are getting more confident that the 2012 crop should get cut and the possibility of stand over cane into 2013 is becoming less apparent. Commodity prices have seen the international price for sugar begin to wane as a result of a large Brazilian crop. The high Australian dollar still causes concern to growers not only of cane but for all export primary industries.

Sales within the cane areas continue at a slow rate but this could also be related to the time of year and the fact that the harvest is in full swing.

The Burdekin still remains the most reliable cane area in Queensland with water assured from the dam and associated irrigation infrastructure. With irrigated cane land in the $12,000 to $22,000 per hectare price range along with the assured water supply there is really very little left to chance; unless you rate cyclones, rain and heatwaves of little concern.

Horticulture (Bowen and other areas)

The heavies have been in full harvest mode with pumpkins, rockmelons and even watermelons reaching the markets. Conditions have allowed growers to get into paddocks and take some reasonable prices for their produce. The mango trees have blossomed and fruit is set. So around Christmas the North Queensland mango madness will again commence and hopefully flow south to our city cousins who will want to eat these annual treats and ensure a reasonable return to our growers who do make a big effort into putting unblemished fruit into the market place. Keep an eye open for them and make sure they come from North Queensland.

The lychees have also set and are being watered to ensure good size and quality. Try them with the seed removed, then replaced with a macadamia nut and then dipped in chocolate and placed in the fridge to set. Keep it a secret – we don't want to many people cottoning on to this one.

Roger and Denis will be participating in an Agribusiness Roadshow in November and hopefully will be seeing clients in the Belyando, Greenvale, Richmond and Julia Creek areas at that time.

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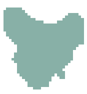
Denis Schy and Roger Hill Ph: (07) 4724 2000



Tasmania

A taste of Tassie farming with a twist. "Shhh". Just 50 minutes from Melbourne and 25 minutes from Launceston lies one of Australia's best kept secrets. In fact, even most Tasmanians know little about this place, yet thousands of people fly over it every week. A place rich in spectacular scenery, productive farming land and a lifestyle many farmers might just momentarily think of offering their firstborn for. If you are partial to spot of fishing you have 120 beaches to choose from and you can be assured that you will be the only one there. Sailing/boating can also be a daily or weekly activity and mountain climbing is possible for the more adventurous. Scuba diving or snorkelling will net you an abalone or a giant cray for tea. All of this is on the doorstep of every farm. There are just 50,000 hectare of this island paradise that have been turned over to farming. For those lucky enough to own and live on this 1,333 square kilometre island most have not been willing to trade their lifestyle until the time they can no longer farm.

So where is this little piece of heaven I hear you ask? Off the north east coast of Tasmania is the Furneaux group of islands. There are about 83 islands in total with Flinders Island the main one. With average rainfall of about 730mm to 830mm per annum the island has a strong history of sheep and cattle properties where an annual stocking rate of between 18 to 20 DSE per hectare can be achieved in peak growing season, with a normal mid-winter stocking rate of 10 to 16 DSE per hectare for beef cattle and an average annual stocking rate of 18 to 20 DSE per hectare is readily achievable for sheep. The most recent sales on the island have shown between $ 1,156 per hectare and $ 3,554 per hectare overall and inclusive of improvements.

....a small boutique abattoir is currently marketing Flinders Island beef, milk fed lamb, wallaby and sometimes mutton bird direct into Melbourne restaurants....

The Flinders Island beef herd is predominantly Angus (approximately 70%), with mixed British breeds making up the rest. Sheep meat producers have developed premium sought-after lamb through crossbred flocks. These are raised on the ryegrass/clover pastures, producing quality products. The long growing season allows heavy export lambs to be produced from these pastures without the need to use fodder crops and is ideal winter finishing country. The merino sheep produces a typical flock average of 19 micron, but micron from 15 up is not uncommon. Flinders Island reportedly produces some of the cleanest wool in the country.

Some farms supplement their income by providing holiday accommodation to a unique niche tourism market.

A small boutique abattoir is currently marketing Flinders Island beef, milk fed lamb, wallaby and sometimes mutton bird direct into Melbourne restaurants. Just as an aside. On my last visit to the island I called into the local butcher in Whitemark (Flinders Island's capital) to pickup a whole eye fillet to take home for dinner that night. There was none. But with a broad smile on his face the young butcher said "hang on a minute", picked up the phone, spoke to someone on the other end of the line, hung up and said "can you drop in before your flight this arvo"? I arrived at 3pm, asked at the counter, and a cry came from the back. "Just finishing it off now, won't be a sec." Out came a whole fillet. When you get service like that and meat as fresh as that what else is there? My family and I sat up to the best tasting slap up eye fillet dinner that night, capped off with one of Tassie's great Pinos'. (There is another Tassie success story for later).

Island living does not come without its challenges and additional costs, but the sense of community here is very strong with a good school, island hospital and, Royal Flying Doctor Service out of Launceston. And you know what? Life here is how we remember it when we were kids or for the younger ones, how we would like it to be. No MDonalds, no KFC, no shopping mall, the kids head off to play with mum calling out 'make sure you're home before dark' and when the show comes to town, well, everyone turns up.

Remote I hear you say. In some ways perhaps, but I challenge you to show me a place that offers the astounding beauty of this island, its productivity, its growing brand differentiation, and still be able to arrive in Melbourne in under an hour and on your way to the theatre.

There is someone out there reading this, who will visit Flinders Island and might just take a leap into the unknown to buy a farm there. When you need it valued give us a call, we know what you need to know.

Contact:

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Northern Territory

There remains very little market activity in the Norther Territory pastoral areas. There has been no sense of urgency on the part of purchasers. A number of properties, ranging from family operations to larger scale operations are available for sale and we will report on any market activity when it occurs.

A recent tour of the live export supply chain in Indonesia by the Northern Territory Cattleman's Association and the new Northern Territory Minister for Primary Industries, confirmed that the Export Supply Chain Assurance Scheme (introduced following the live cattle export ban in 2011) indicated that the process was working well. Continued compliance will be necessary to ensure that the trade is not further disrupted in the future.

....given the generally larger properties here, the impact on the pastoral industry would be expected to be less severe than in other areas of Australia....

To date, the NT pastoral industry has been relatively sheltered from competing land uses such as mining. This is despite the fact that over 90% of the NT pastoral estate is now subject to mining exploration permits of one kind or another. However, this may change with approval recently being granted to carry out fracking on Tobermorey Station near the Queensland border. The concerns of the effect that fracking may have on groundwater and other issues have been well documented and it seems that these will now have to be dealt with in the NT. However, given the generally larger properties here, the impact on the pastoral industry would be expected to be less severe than in other areas of Australia.

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South Western WA

Blue gums have been planted over thousands of hectares in the South West of WA and also across the remainder of the country with the promise of high returns and as an alternative to traditional uses. Many MIS schemes were set up to capture the taxation advantages offered by the government in the late 1990s, with many valuable and productive farms planted in trees.

Unfortunately in the current market, the demand for the wood chips and the high Australian dollar have made the economics of these enterprises marginal at best. The demise of the MIS schemes being Great Southern and Timber Corp have resulted in large areas of land being potentially released back on the market at considerably lower prices than they were purchased.

Many farms are now looking at simply removing the existing blue gums due to the lack of economic return in harvesting them and in some cases, such as in Esperance, the infrastructure required to ship the wood chips was never established, leaving a stranded resource.

So how do we get back to productive land after the trees are gone? The short answer is that many people in the country are trying to establish the best methodology at the least cost. Factors that are coming into play include:

1. Have the trees been harvested?
2. Have they been allowed to coppice?
3. Have they been sprayed to kill the stump?
4. How long after they have been killed have they been left?
5. How large are the stumps?
6. What spacing were the trees planted at?
7. What height are the mounds?

Various methodologies are being employed including:

1. Chaining existing trees, heaping into windrows and burning.
2. Bull dozer ripping of stumps and trees to then be windrowed and burnt. This leaves the ground with large holes and may result in bringing clay to the surface which can cause subsequent problems with uneven growth patterns.
3. Allowing harvested trees to coppice to approximately one metre, then spraying with glyphosate in order to kill the stumps, fertilise and over sow with pasture species, then allowing the stumps to rot out naturally over a number of years, (advised three to five years in 750 mm rainfall area) with grazing allowed between the rows.
4. Using a V-Shear to cut the stumps off at ground level, followed by ripping of the roots, heaping into windrows and burning after a years drying.
5. Stump grinding, with potential to leave residual roots to decompose or alternatively one operator ploughed with an offset plough followed by a packer roller to level the ground. A single pass with the plough allowed broadcast seeding for either pasture or as an alternative sowing in oats for a hay crop. A second pass was sufficient to allow seeding with a culti trash or similar disc seeder thereby going straight to a crop.

We have been provided with some costs by various contractors but would stress these are specific to the area and costs will vary greatly depending on contour, tree density, soil type and locality so these costs should only considered indicative and in no way definitive.

Method	Rate Per hectare
Bulldozer with root rake	$850 $900
Glyphosate Spray 10% Kill rate	$150
V Shear rake and burn	$220.00
Blade plough to 400 mm plus scrub chain and rake in Autumn	$380
Stump Grinding	$500 to $550
Offset Plough (1 pass)	$125
Fertilser Prior to Seeding	$100
Lime prior to seeding	$50
Seed	$50
Total cost – Stumps to pasture using stump grind, offset plough and seeding	$900 - $1,000

Total cost – Stumps to pasture using stump grind, offset plough and seeding $900 - $1,000

The level of cultivation decided upon is always going to be the choice of the land owner and the decision whether to return the land to cropping or pasture will depend on returns available to each at the time. In all likelyhood a local farmer purchasing a block may well use a combination of methods by using intensive (and expensive) methods to return land to cropping for part of a property while leaving part with stumps to rot gradually with grazing between the rows thereby reducing capital costs but also reducing return in the short term (holding costs versus capital cost).

For corporate purchasers, the economics would need to be closely assessed and any purchase price would need to allow for some large capital inputs over and above purchase price.

One additional area that needs to be considered is the potential reduction in income after coming out from a blue gum plantation. Dr Robert Sudmeyer of the Department of Agriculture has studied this effect and assessed the reduction in income over a four year period following the removal of the trees. This reduction was as a consequence of both reduced yields and additional input requirements. The lowering of the water table under the plantation also had an influence on yield, which was logically far more pronounced in drier areas which took longer to recharge the moisture content of the top soil, compared to those areas with higher rainfall.

In summary, the costs of rehabilitating blue gum blocks can be fairly high, and these costs need to be figured into any purchase decision with an allowance made for a potential profit, given some of the unknown factors that can be encountered.

With the large area currently under trees, there is some concern, if it is all released onto the market in a relatively short time, as to what effect this will have on the value of land. It then becomes debatable as to whether it is better for the existing owners to rehabilitate land prior to sale or for the purchaser to undertake this project. Rehabilitation and a staged release seems likely to achieve a better result in terms of stability in the market.

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Comparative Property Market Indicators - September 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 - September 2012

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

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Comparative Analysis of Queensland Property Markets

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

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

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

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

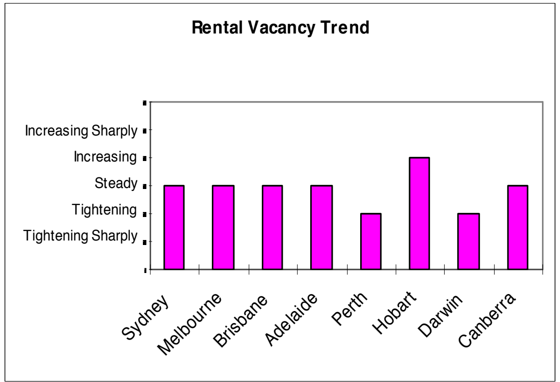
Adelaide	(08) 8231 6818
South West WA (Bunbury/Busselton)	(08) 9791 6204/ (08) 9754 2982
Perth	(08) 9388 9288
Darwin	(08) 8941 4833

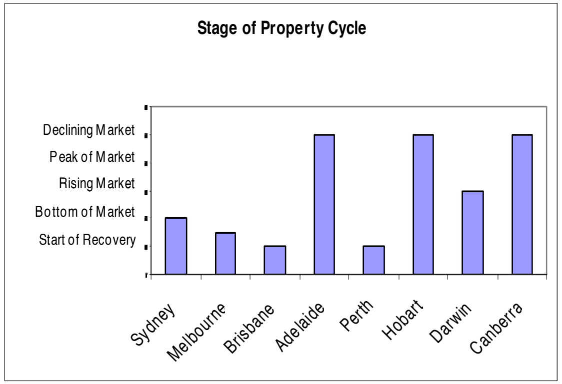
Capital City Property Market Indicators as at September 2012 – Houses

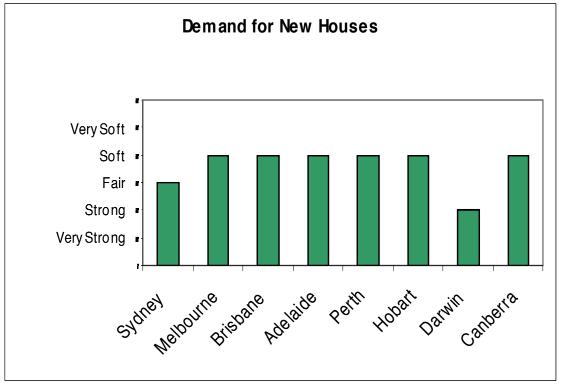
Factor	Sydney	Melbourne	Brisbane	Adelaide	Perth	Hobart	Darwin	Canberra
Rental Vacancy Situation	Balanced market	Shortage of available property relative to demand - Balanced market	Balanced market	Balanced market	Shortage of available property relative to demand	Over-supply of available property relative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

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

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





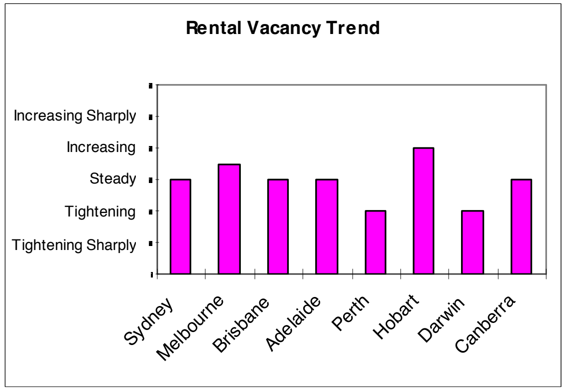


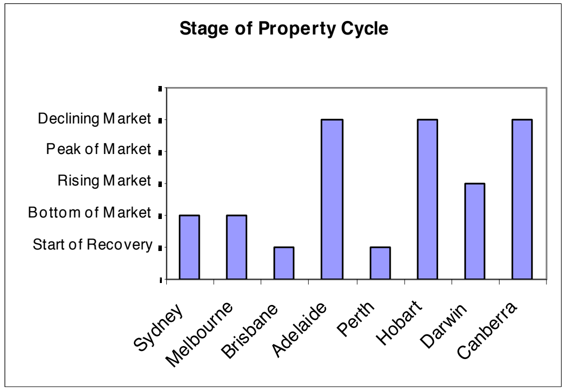
Capital City Property Market Indicators as at September 2012 – Units

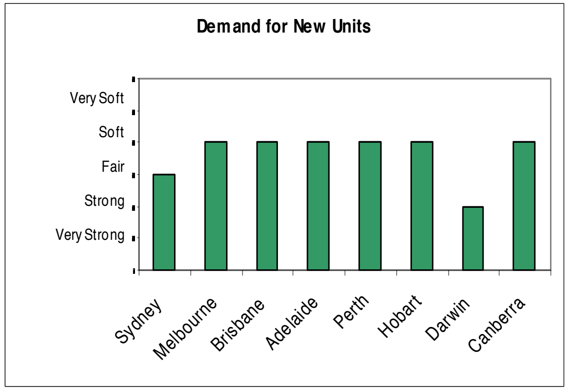
Factor	Sydney	Melbourne	Brisbane	Adelaide	Perth	Hobart	Darwin	Canberra
Rental Vacancy Situation	Shortage of available property relative to demand	Balanced market - Over-supply of available property relative to demand	Balanced market	Balanced market	Shortage of available property relative to demand	Over-supply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

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

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





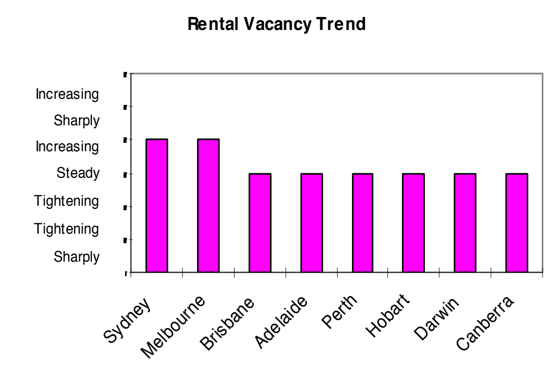


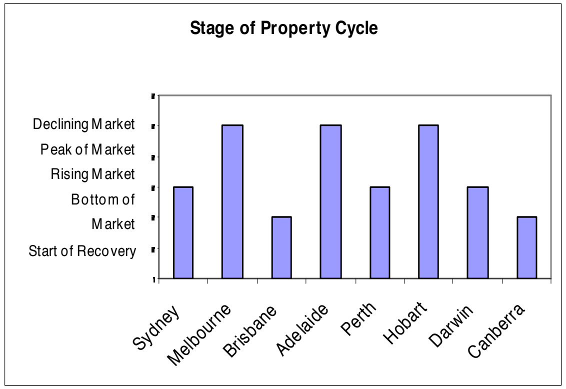
Capital City Property Market Indicators as at September 2012 – Retail

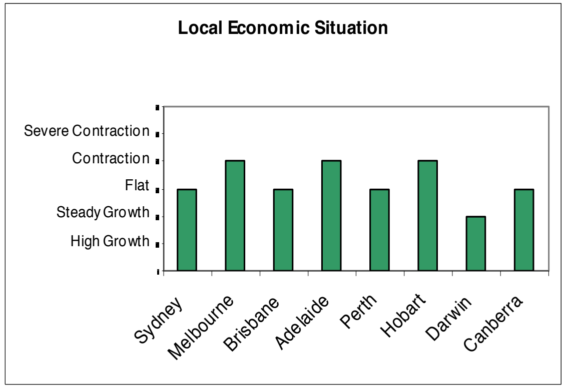
Factor	Sydney	Melbourne	Brisbane	Adelaide	Perth	Hobart	Darwin	Canberra
Rental Vacancy Situation	Over-supply of available property relative to demand	Balanced market	Over-supply of available property relative to demand	Balanced market	Balanced market	Over-supply of available property relative to demand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

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

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



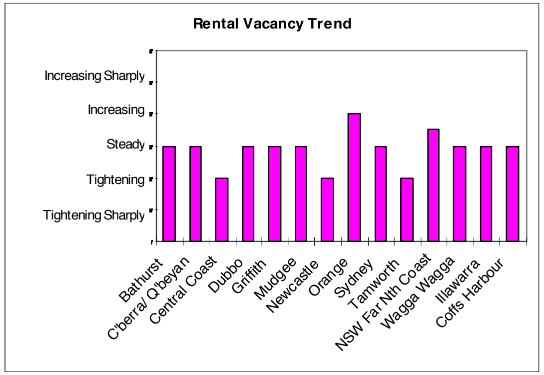


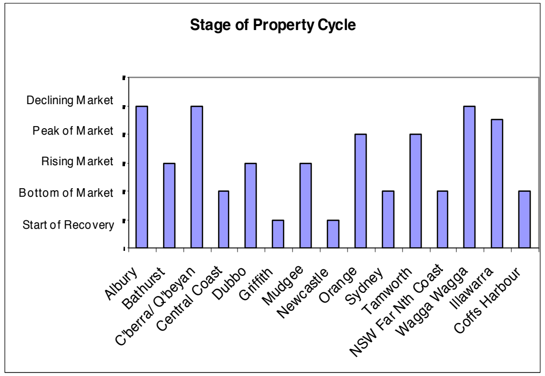


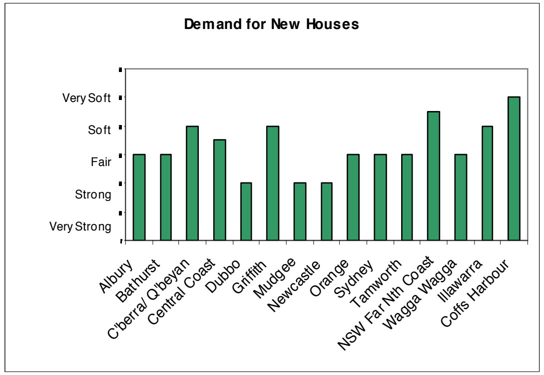
New South Wales Property Market Indicators as at September 2012 – Houses

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	Shortage of available property relative to demand	Balanced market	Shortage of available property relative to demand - Balanced market	Severe shortage of available property relative to demand	Shortage of available property relative to demand	Severe shortage of available property relative to demand	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	Increasing	Steady	Tightening	Steady - Increasing	Steady	Steady	Steady
Demand for New Houses	Fair	Fair	Soft	Soft - Fair	Strong	Soft	Strong	Strong	Fair	Fair	Fair	Very soft - Soft	Fair	Soft	Very soft
Trend in New House Construction	Steady	Steady	Steady	Declining - Steady	Steady	Steady	Steady	Increasing	Steady	Steady	Steady	Declining	Steady	Declining - Steady	Steady
Volume of House Sales	Declining	Increasing	Steady	Steady	Increasing	Increasing	Increasing	Steady	Steady	Steady	Steady - Declining	Steady - Declining	Declining	Steady	Steady
Stage of Property Cycle	Declining market	Rising market	Declining market	Bottom of market	Rising market	Start of recovery	Rising market	Start of recovery	Peak of market	Bottom of market	Peak of market	Bottom of market	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*







New South Wales Property Market Indicators as at September 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	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	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	Increasing	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	Increasing	Steady	Steady	Steady	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	Peak of 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	Occasionally	Occasionally	Occasionally	Almost never	Occasionally	Occasionally	Occasionally	Almost never	Occasionally	Occasionally	Occasionally	Occasionally	Occasionally	Occasionally	Almost always

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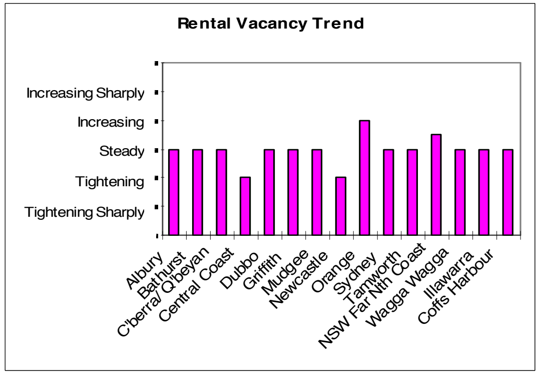
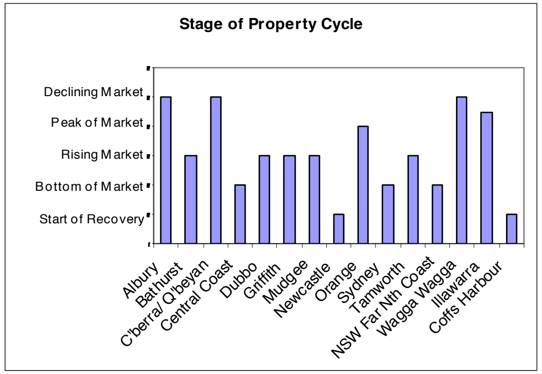
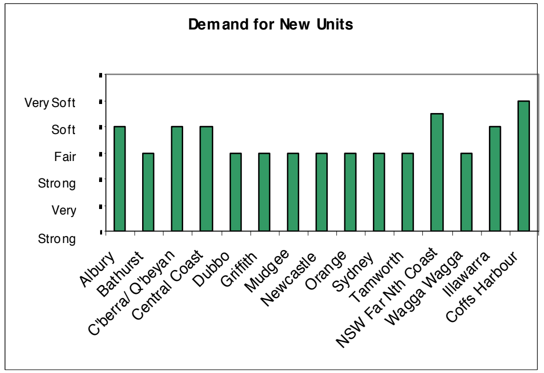




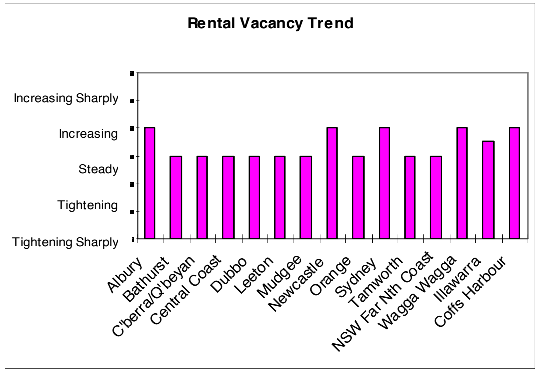


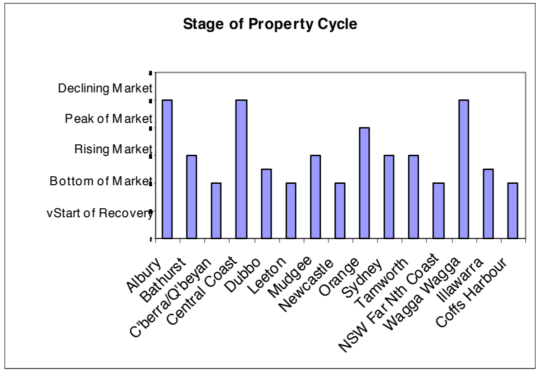
New South Wales Property Market Indicators as at September 2012 – Retail

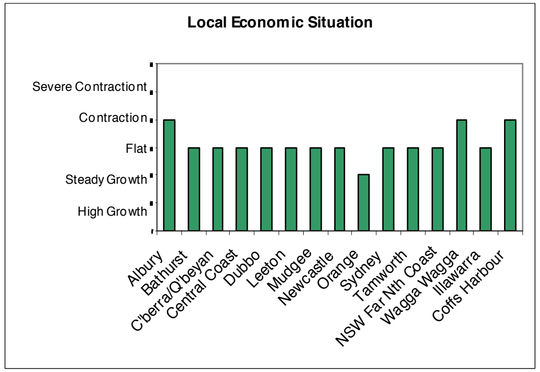
Factor	Albury	Bathurst	Canberra/ Q'beyan	Central Coast	Dubbo	Griffith	Mudgee	New-castle	Orange	Sydney	Tam-worth	Tweed Coast	Wagga Wagga	Wollon-gong	Coffs Harbour
Rental Vacancy Situation	Large over-supply of available property relative to demand	Balanced market	Over-supply of available property relative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

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

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





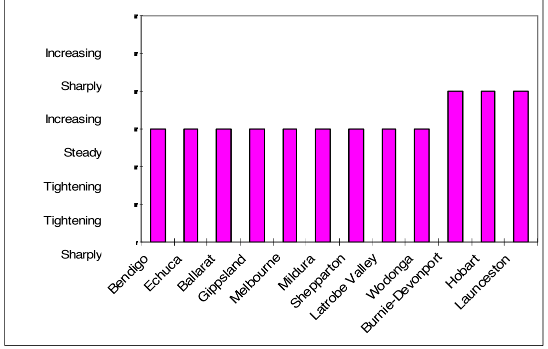


Victoria/Tasmania Property Market Indicators as at September 2012 – Houses

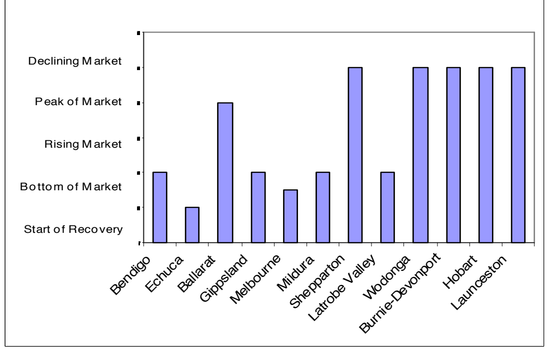
Factor	Bendigo	Echuca	Ballarat	Gippsland	Melbourne	Mildura	Shepparton	Latrobe Valley	Wodonga	Burnie / Davenport	Hobart	Launceston
Rental Vacancy Situation	Balanced market	Balanced market	Shortage of available property relative to demand	Balanced market	Shortage of available property relative to demand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

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

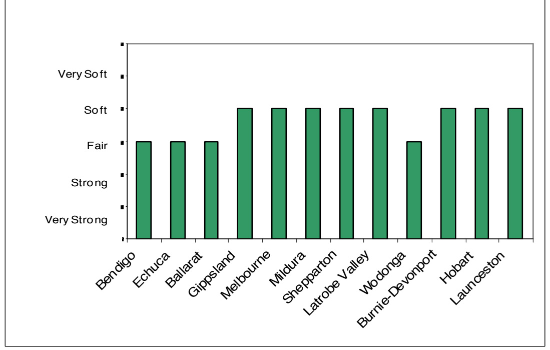
Blue entries indicate change from previous month to a lower risk-rating



Rental Vacancy Trend



Stage of Property Cycle



Demand for New Houses

Victoria/Tasmania Property Market Indicators as at September 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	Increasing	Increasing	Increasing
Demand for New Houses	Fair	Fair	Fair	Soft	Soft	Fair	Soft	Soft	Soft	Soft	Soft	Soft
Trend in New House Construction	Steady	Steady	Steady	Declining	Increasing	Steady	Declining	Declining	Declining	Declining	Declining	Declining
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	Bottom of market	Bottom of market	Bottom of market	Declining market	Bottom of market	Declining 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	Occasionally	Occasionally	Occasion-ally	Occasionally

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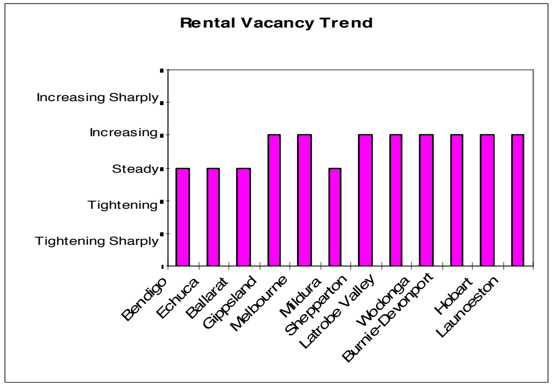
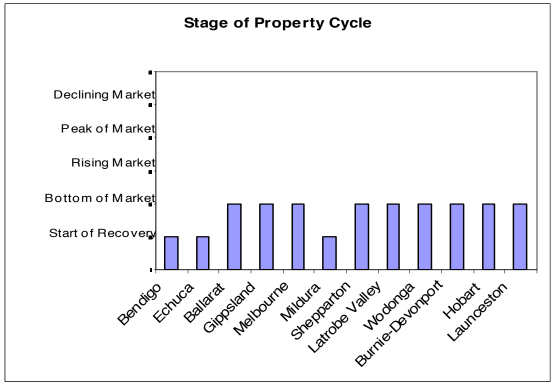
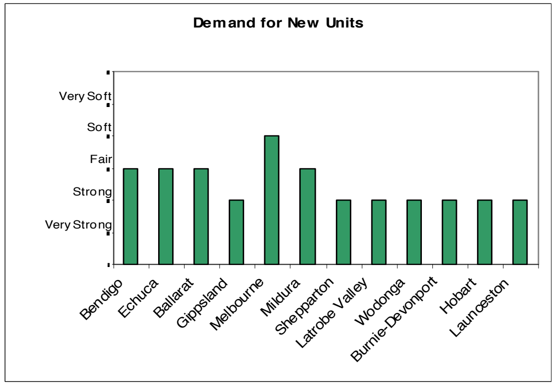
Blue entries indicate change from previous month to a lower risk-rating







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

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

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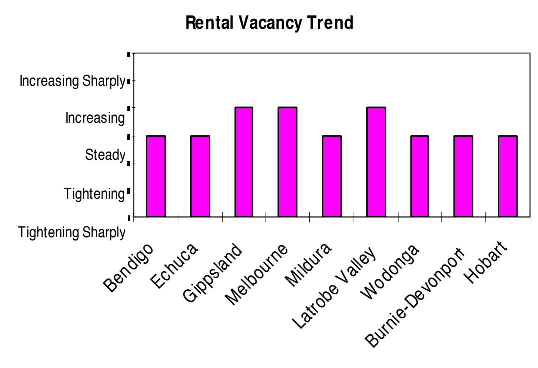
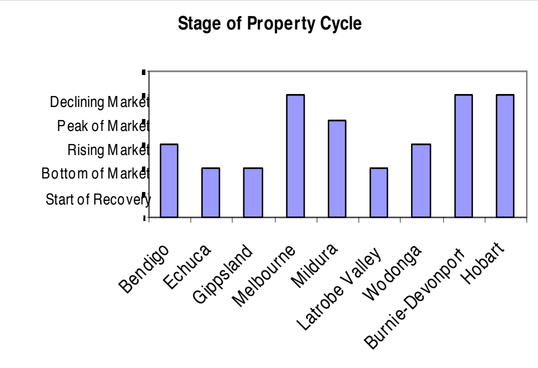
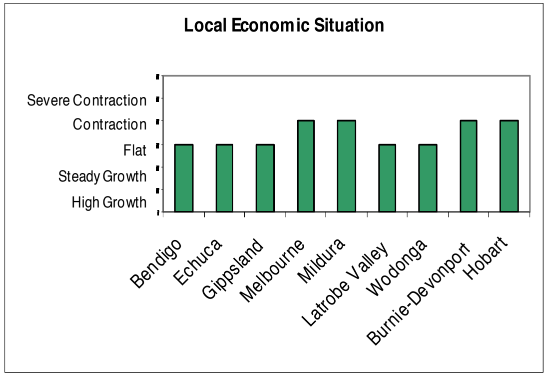
Blue entries indicate change from 3 months ago to a lower risk-rating





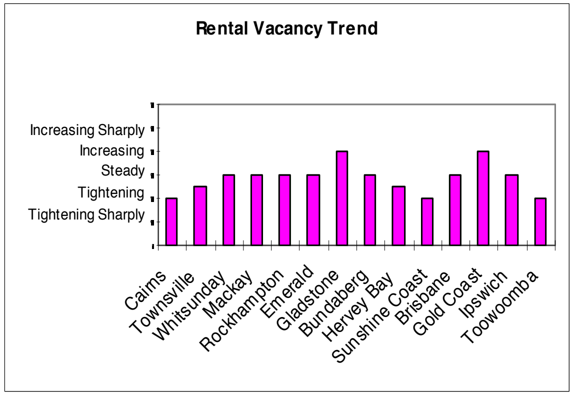


Queensland Property Market Indicators as at September 2012 – Houses

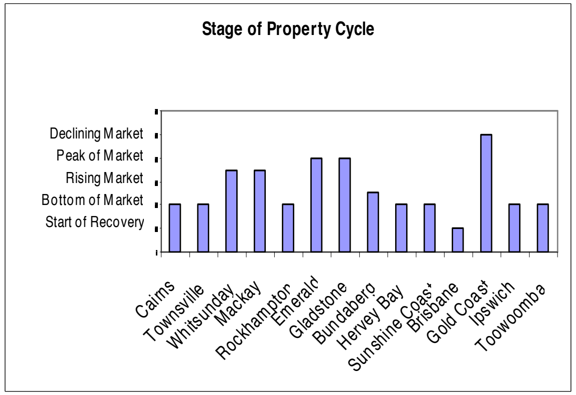
Factor	Cairns	Towns-ville	Whit-sunday	Mackay	Rock-hampton	Emerald	Glad–stone	Bunda-berg	Hervey Bay	Sun-shine Coast	Brisbane	Gold Coast	Ipswich	Too-woomba
Rental Vacancy Situation	Severe shortage - Shortage of available property relative to demand	Severe shortage of available property relative to demand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

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

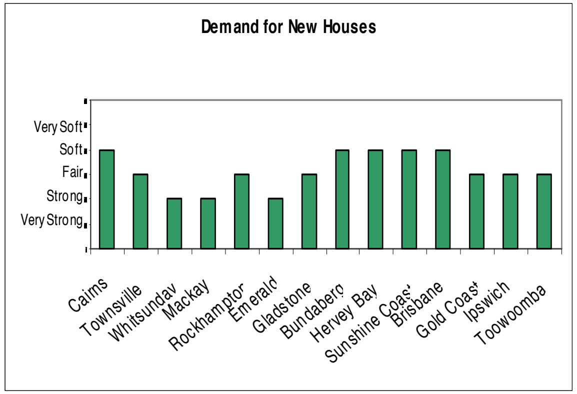
Blue entries indicate change from previous month to a lower risk-rating



Rental Vacancy Trend



Stage of Property Cycle



Demand for New Houses

Queensland Property Market Indicators as at September 2012 – Units

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

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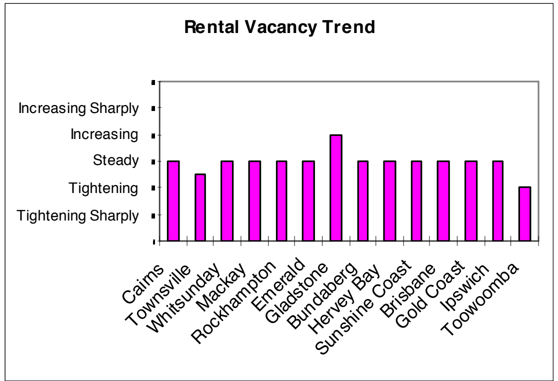
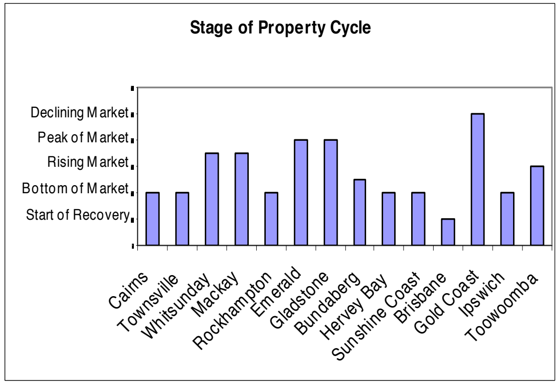
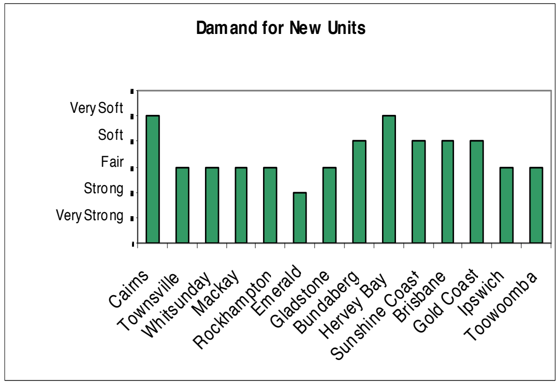
Blue entries indicate change from previous month to a lower risk-rating







Herron Todd White
Independent Property Advisors

Queensland Property Market Indicators as at September 2012 – Retail

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

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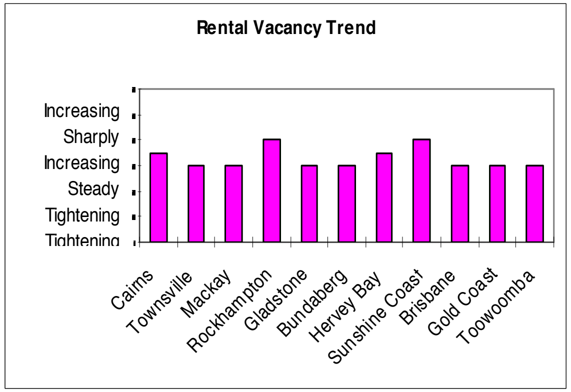
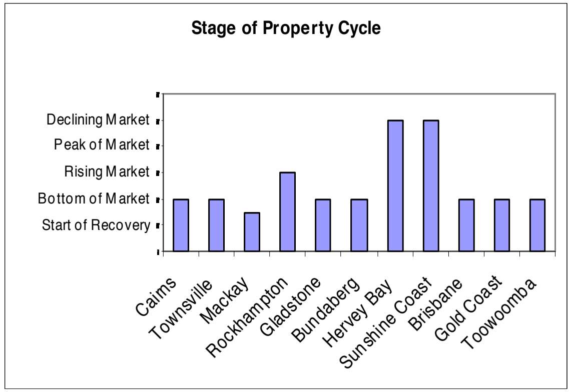
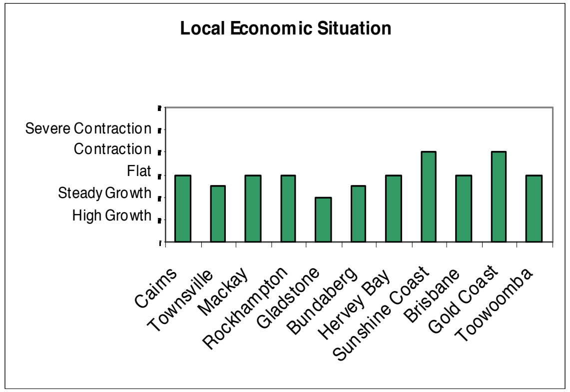
Blue entries indicate change from 3 months ago to a lower risk-rating





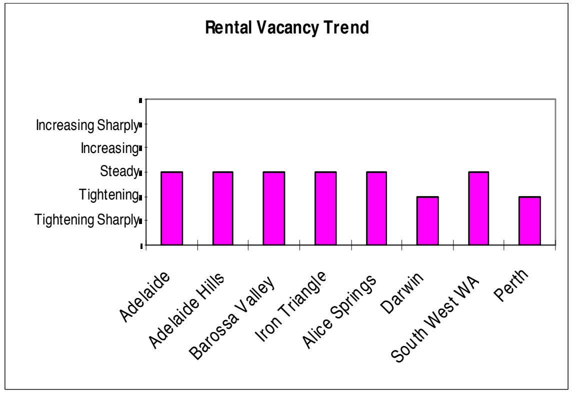


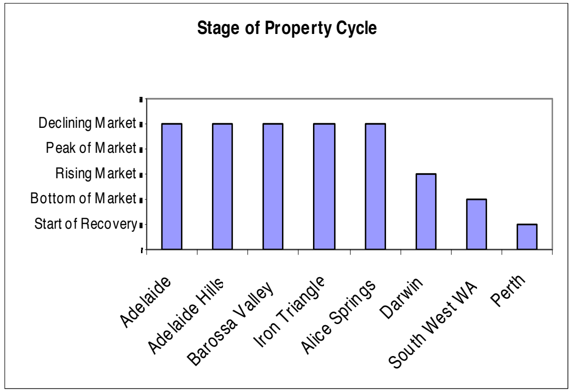
Northern Territory, South Australia & Western Australia Property Market Indicators as at September 2012 – Houses

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	Balanced market	Severe shortage of available property relative to demand	Balanced market	Shortage of available property relative to demand
Rental Vacancy Trend	Steady	Steady	Steady	Steady	Steady	Tightening	Steady	Tightening
Demand for New Houses	Soft	Soft	Soft	Soft	Soft	Strong	Soft	Soft
Trend in New House Construction	Declining	Declining	Declining	Declining	Declining	Increasing	Steady	Declining
Volume of House Sales	Declining	Declining	Declining	Declining	Declining	Increasing	Increasing	Steady
Stage of Property Cycle	Declining market	Declining market	Declining market	Declining market	Declining 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	Almost never	Occasionally	Almost never	Occasionally

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

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



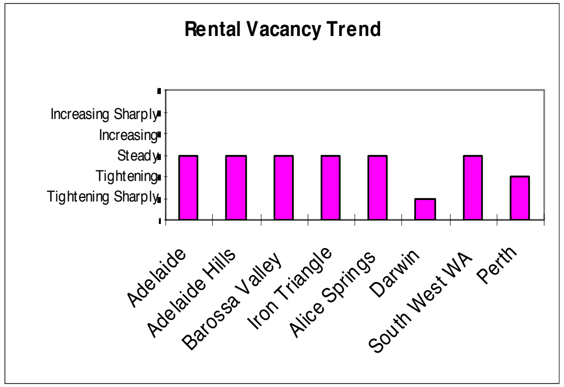


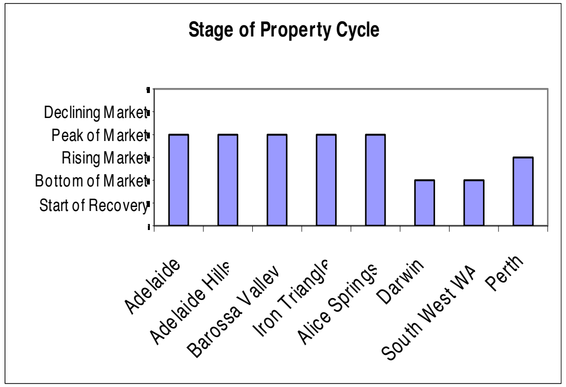
Northern Territory, South Australia & Western Australia Property Market Indicators as at September 2012 – Units

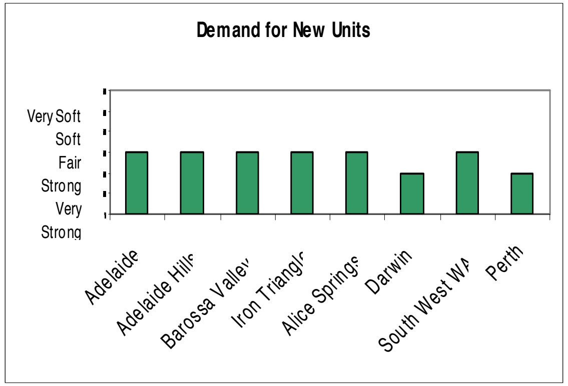
Factor	Adelaide	Adelaide Hills	Barossa Valley	Iron Triangle	Alice Springs	Darwin	South West WA	Perth
Rental Vacancy Situation	Balanced market	Balanced market	Balanced market	Balanced market	Balanced market	Severe shortage of available property relative to demand	Balanced market	Shortage of available property relative to demand
Rental Vacancy Trend	Steady	Steady	Steady	Steady	Steady	Tightening	Steady	Tightening
Demand for New Units	Soft	Soft	Soft	Soft	Soft	Strong	Soft	Soft
Trend in New Unit Construction	Declining	Declining	Declining	Declining	Declining	Increasing	Steady	Declining
Volume of Unit Sales	Declining	Declining	Declining	Declining	Declining	Increasing	Increasing	Steady
Stage of Property Cycle	Declining market	Declining market	Declining market	Declining market	Declining 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	Almost never	Occasionally	Almost never	Occasionally

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

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







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

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

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

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