Herron Todd White

Independent Property Advisors

The Month In Review

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Contents

Peace of mind for your property decisions.

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Outer Space
'Far flung suburbs and their performance'

"A long time ago in a galaxy far far away…"

Right about now I feel like cuing up the soundtrack to Kubrick's epic flick and channeling Spock just so we can cover all bases on this pop culture opening spiel.

Rule number one in our property economics course seemed simple. For similar dollars you can have proximity to the CBD or loads of land area. You just can't have both. This theory may have been disproved several times over by mining CEO's but for us mere fiscal mortals there has always been the trade off. Do you go with a pinhead sized plot of dirt and miniscule abode all within a short crawl of this month's best macchiato, or do you get out the squatters chair on the surround verandah and survey all that is yours and lies before you… just before you drive several kilometres for some milk and bread. Well this month we are taking a look at the more rustic of the two options and giving you, dear reader, the scoop on the out of towners.

Almost every centre has them. They are the suburbs that may require an advanced GPS to find. The sort of places that inner city dwellers might use as a Sunday cruising destination. They are the spots where you have the options of a whole heap of land and a lot less contact with the neighbours.

Outer suburbs are an attractive option for many buyers. Most have some ready transport links, general facilities and sometimes a more rural sense of community. They are areas where your dollar, like your vehicle, travels a little further but if princess wants a pony and the master of the house needs some well established trees to climb, the far flung locales are just the thing.

This month we have asked our offices to educate the nation on what lies towards the edge of their universe. They have set sail Columbus-like to show that there is life outside the latte zone. It's a quick education for all the non locals around Australia as we give an area by area guide on what options are available if you want to get away from the hubbub.

For anyone thinking commercial property, then think industrial for this month's issue. The commercial team have got back to mission control with a quick debrief on all things industrial before donning the gravity boots and space walking their way towards the outer reaches of their patch. An insightful guide on the fringe industrial plots waits in these pages.

So that's that. Just make sure that you don't start your grand property adventure without first checking in with Herron Todd White. In the complex celestial system of our nation's real estate, we provide the old fashioned sextant to guide you through to a safe landing. All it takes is a phone call. "One small step for man" I think you would agree.

Kieran Clair
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1 November 2012

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Capital Gains Tax and Tax Depreciation for investors

Most investors understand that upon the sale of an investment property they may incur a tax liability in the form of a capital gains tax (CGT). This is payable if the investment property was acquired after September 19, 1985. Gifting a property also triggers a CGT event.

The Australian Taxation Office (ATO) outlines that "a capital gain - or capital loss - is the difference between what it cost you to get an asset and what you received when you disposed of it".

When an investment property is aquired, or when a principle place of residence becomes an investment property, it is important that detailed records for any improvements or renovations undertaken are kept. This is important because you may be liable to pay tax on it in the future. The records help eliminate any uncertainty and will ensure that you don't pay more tax than necessary.

Determining market value of an investment property is essential in calculating CGT. If a property was purchased as an investment property the purchase price generally acts as a 'cost base', however if the property has been lived in prior or was a principle place of residence, determining its 'market value' is not easy.

Professionally qualified valuers can provide this market valuation. A qualified valuer will ensure that that a correct cost base/market value" is attributed and all necessary documentation is available upon the sale of that property. A market valuation is also important if the asset is jointly owned as each owner's share will need to be established.

When an asset is sold, you are liable for capital gains tax if your capital gain exceeds the capital loss in any financial year. Any capital gain must be reflected in your tax return for that year.

Further to the capital gains payable to investors, the Australian Government has recently made fundamental changes that impacts non-residents and their investment properties. The government has removed eligibility for the 50% discount on capital gains earned after 8 May 2012 by non-residents on taxable Australian property, such as real estate.

The 50% discount on the amount of capital gains payable has previously been available where individuals have sustained assets for longer than 12 months. The the new change now aims to remove this discount for non-residents, including Australian citizens living or working overseas. The only way to determine the market value of the property is by obtaining a market valuation for the asset as at May 8, 2012.

Many investors living in or out of Australia, claim deprecation on their investment property to help minimise their tax liability. The Australian Taxation Office allows owners to depreciate their investment property a small amount every year, as a deduction against any income generated from the property. These deductions essentially reduce the tax payable on assessable income which allows investors to claim back money that would otherwise be paid to the tax man.

If a deprecation schedule is required on an investment property, and the investment property had previously been lived in or an Australian non-resident owned the property prior to the 8 May 2012, it may be a good idea to consider if a market valuation is also required for capital gains tax purposes.

Herron Todd White is ideally placed to undertake valuations for capital gains tax purposes whether it's for current market value or a retrospective market value. Tax deprecation schedules at the same time can also be supplied for the same property, meaning we can provide two reports with only one inspection on the property, saving you time and money. Please feel free to contact us at enquiry@htw.com.au for further information.

Commercial Overview

INDUSTRIAL

We have taken the opportunity this November to give an overview of the industrial market. It is a sector we have been monitoring with some interest over the past few years as we look for signs of recovery generally. For some in the sector, the affordable option is to look a little further a field for industrial investments. Herron Todd White's commercial team have got together to provide you with a sure fire guide to what's happening in industrial property beyond the centres.

Sydney

A disconnect between institutional and non-institutional grade properties continues to dominate the industrial market within Sydney. In the institutional space, strong demand from both local and overseas investors is helping to drive sales volumes at the top end of the market. In the non-institutional space however, a weaker rental growth outlook is limiting demand from investors, placing greater emphasis on owner-occupiers.

In the unit estate market rental growth has been minimal, with constrained demand limiting the potential for rental increases over the past 12 months. Despite this lack of demand, landlords have proven resilient to rental downgrades, seemingly willing to risk a long term vacancy period than to offer a rental discount.

Industrial unit estates within the south (particularly within the Alexandria to Mascot corridor) continue to command the highest rental rates in Sydney, with tenants willing to pay more in order to be located nearby the airport and Sydney CBD.

Likewise Investment demand for unit estate properties remains low throughout Sydney, with a divide existing between the price an owner-occupier is willing to pay and the price and investor is willing to pay. An analysis of recent purchases by owner-occupiers has revealed that some properties in the southern and northern sub-regions have traded on equivalent yields between 5% and 6%. In comparison discussions with agents across Sydney reveal that investors of industrial properties are generally seeking yields greater than 7.5%.

Conditions within the freehold warehouse market have been sporadic for some time. At one end of the market institutional grade properties remain in demand, with properties featuring long term leases to large corporations remaining in favour with local and offshore investors. At the other end of the market secondary industrial properties in locations that are unlikely to benefit from urban renewal remain out of favour with investors, with yield premiums necessary to stimulate interest.

Canberra

Demand for industrial property within the ACT has seemingly improved over 2012 albeit only marginally. Since January we have noticed a slight increase in the number of industrial property transactions, with owner-occupiers and a select number of investors taking the plunge into the industrial market. The largest of these sales was the 3,980 square metre, 11 Sheppard Street, Hume which sold with vacant possession for a reported $4.75 million. Elsewhere in the ACT sales demand appears to be focused on higher quality assets with owner-occupies seeking out newer properties and investors seeking properties with strong lease covenants.

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

Looking forward, we expect that conditions will remain much the same over the coming 12 months with weaker occupier demand limiting rental growth and the subsequent demand from investors. With this in mind we expect that owner-occupiers will continue to dominate the market and potentially spur an increase in demand due to recent interest rate cuts.

Wollongong

The industrial market has softened over the past 12 months and as a result affordability has improved, even within the prominent industrial suburbs such as Unanderra. We have seen rates on recent sales pull back to within the $1,000 to $1,100 per square metre of building area range for smaller assets to within $700 to $900 per square metre of building area range for substantial industrial properties. Similarly, there has been pressure placed on rents with gross rates generally lying in the $90 to $110 per square metre of building area range.

With improved affordability, demand has improved on both the sale and lease sides with several transactions having taken place over the past three months. The most notable sale involves 249 Berkeley Road, Unanderra for $6 million in June 2012. This 4.68 hectare property is improved with a 7,050 square metre shed fully leased to BlueScope Steel at $85 per square metre plus outgoings. The sale has a rate of $852 per square metre of building area and yield of 9.75%.

Southern Highlands

The industrial market has softened considerably since the GFC and has not fully recovered. The region continues to feel the effects of a struggling manufacturing industry, and more recently uncertainty regarding mining employment.

The sales and leasing market has slowed with buyers and tenants adopting a wait and see approach given the lack of market confidence. Vendors in this market are often under pressure for funds or are under some form of financial stress. Current conditions favour buyers and tenants.

Local agents report relatively weak conditions throughout the region and its surrounds with longer sales periods, particularly for properties that are not priced competitively. The most recent sale was for a 2,428 square metre B5 zoned allotment along Frankland Street, Mittagong for $440,000 ($181 per square metre) in September 2012. In outlying areas rates on land sales have been as low as $75 per square metre for a larger 8,172 square metre parcel in Braemar.

Central NSW

Industrial markets across regional NSW continue to remain flat with the exception of those markets influenced by mining. Mining towns such as Mudgee, Parkes, Cobar, Narrabri, Gunnedah and Orange are showing greater levels of activity and capital growth in comparison to those towns without mining activity.

Industrial property in these rural service towns are largely owner-occupied, very much due to their affordability which serves to make the yields less attractive to investors. Those properties with strong lease covenants are well received in the market but sale activity is limited by supply.

Newcastle

This month we'll have a look at more recent releases in the established industrial area of Beresfield and we'll also take a look at the Taylors Beach Industrial Park in Port Stephens. This will allow us to highlight the difference in value reductions between traditional core industrial areas (Beresfield) and more remote non-core areas (Taylors Beach).

The latest industrial land release in the popular Beresfield Freeway Business Park, known as 'Freeway South Business Park', has been received quite well from the market and is selling at around $130 to $140 per square metre. Beresfield has held value quite well since the peak in the local market in 2007 and values are usually around the $150 to $170 per square metre level. The new Freeway South Park does not represent a dramatic drop off in values, rather this part of the development provides inferior exposure and heavy vehicle movement, with access only available through the existing park.

....with improved affordability, demand has improved on both the sale and lease sides with several transactions having taken place over the past three months....

Taylors Beach Business Park is located on Port Stephens Drive around five kilometres drive from Salamander Bay. It offers level sites for light industry, bulky goods plus trade/service buildings. The estate offers sites from 1,800 square metres and occupiers include Bunnings Warehouse, Tradelink and several bulky goods users.

Currently land prices start from $97 per square metre. Historically sale prices in this area have declined significantly over a relatively short period of time. The drop in values here since the peak of the market is a good example of the softening difference between strong industrial areas (Beresfield) and non-core areas of Taylors Beach. While Beresfield has held value well Taylors Beach has dropped value by almost 50% in only a few years. This is due not only to the direct effects of the GFC, but is also indicative of the weakened unit and development market in Port Stephens which has had a knock-on effect to the industrial land market as less services industries are required in this fringe area.

NSW Far North Coast

The industrial market on the far north coast of New South Wales is historically heavily weighted by owner-occupiers who wish to have a base to operate their business.

As a result, a return or yield from the real estate has been a secondary consideration as position within the local market. Exposure and security of business identity have been the underlying concerns from the majority of purchasers.

Return on investment for industrial property has tended to be by builders constructing sheds to suit general small owner operators particularly in the repairs and maintenance of motor vehicles and construction industry. Larger industrial premises have tended to be developed by owner operators constructing buildings particularly suited to their own particular needs.

....Ballina retail rents range from $200 to $500 per square metre and industrial rents range from $50 to $150 per square metre....

Traditionally, industrial investments have been on high yields from 9 %to 11%. However during the boom period of 2004 to 2008, yields/returns as low as 6% to 7% were not uncommon. With the end of the boom yields have now returned to more long term averages of 9% or higher. The yields are reflective of risk and general market demand.

The more recent change in the north coast Industrial market is the expansion of the bulky goods market and the relocation of retail and semi-retail uses into industrial areas. This change has been most obvious in Byron Bay where the high cost of renting in retail precincts ($500 to $1,000 plus per square metre) is in stark comparison to the rents ranging from $80 to $200 per square metre.

While this has been less evident in Lismore, Casino, Alstonville and Goonellabah it is becoming a more common occurrence in Ballina. The softer rental levels in these other centres within the retail precincts are likely to have resulted in less of this trend occurring.

Ballina retail rents range from $200 to $500 per square metre and industrial rents range from $50 to $150 per square metre. Lismore retail rents range from $150 to $300 per square metre and industrial rents range from $40 to $100 per square metre.

The more modern tilt slab industrial buildings and the strata subdivision of industrial premises are all a reflection of this trend and the demand for more affordable space for owner-occupiers.

While we are seeing a steady change in the nature of our industrial areas, the property market within this locality is dominated by small businesses, many of which continue to be owner-occupiers.

In summary, affordability is still the key. It places a base level in the market where yield and return become less relevant and as prices rise there are less potential purchasers. In the current economic climate the choice available for an investor becomes significantly higher which allows them to be selective and demand a higher yield/return.

Regional Victoria

MILDURA

The industrial market continues to send mixed but expected messages, with national businesses involved in the freight, mining and farming industries still willing to pay strong rents or prices to occupy prime premises. Over the past one to two years however, we have seen weaker demand for older, less prime premises in Mildura which typically are occupied by smaller, local businesses.

This trend tends to follow into the smaller towns in our region. The stronger national businesses tend to base themselves in centres such as Mildura, where they are better able to attract staff and have greater transport (particularly air travel) options.

Satellite towns such as Merbein and Red Cliffs have had a shrinking of industrial activity over the past ten years and this trend is likely to continue. Demand is weak and an example of this is the recent sale of a 2,990 square metre 15 year old warehouse on a 4,856 square metre corner site in Merbein. This property was marketed as mortgagee in possession and eventually sold after a two year marketing period for $325,000, considered to be about 25% of replacement cost. This is an extreme example but is an indication of what can happen if there are no ready buyers in the market.

At the other extreme there are recent sales in Mildura where national companies have paid more than replacement cost to acquire modern premises that they can move into upon settlement.

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Melbourne

The Melbourne industrial market is divided into five sub-markets being the west, north, east, south east and city fringe. These markets are interconnected via Melbourne's superior infrastructure and extensive freeway network, which is the main driver of capital value differences between each sub-market and locality.

For buyers seeking more affordable industrial areas, the outer suburban fringe locations provide ample moderately priced land that is close to infrastructure such as the major freeway systems. Examples include areas such as Derrimut in the west, Epping to the north, Dandenong and Hallam to the south. These areas contrast to the high priced inner city industrial locations such as Port Melbourne.

However some of these outer suburban fringe localities are more susceptible to changes within the Australian economy. For example, in August this year in the Western Port town of Hastings the steel manufacturing giant BlueScope Steel laid off approximately 1,000 workers, which has impacted the local economy.

....On a more positive note, industrial sectors like distribution and logistics have experienced relatively strong growth....

Currently, the strong Australian dollar has negatively affected the manufacturing sector. With each increase in the dollar value, exports become more expensive and imports become cheaper. This has led to cost cuts as the manufacturing sector is forced to reduce in size.

On a more positive note, industrial sectors like distribution and logistics have experienced relatively strong growth. There have been several sales of industrial properties with values above $20 million within the western and southern areas. These properties appear to be keenly sought by investors. These assets are backed by quality tenants with long term leases within new buildings. The increasing trend of online trading has led to a higher demand for warehousing space for storage and distribution purposes.

Over the course of 2012, investors are expected to remain in a risk adverse state due to the uncertainty of the market.

A summary of the average rents, yields and land value applicable within the Melbourne industrial market is shown below:

Area	Average Prime Rent	Average Secondary Rent	CoreMarket Yields		Average Land Value <5,000m2	1.5 ha
	$/m2	$/m2	Prime	Secondary	$/m2	$/m2
City Fringe	130	80	7.5-8.25	8.50-9.75	730	630
North	75	59	8-8.75	9-10.75	230	200
East	85	65	8-8.75	9-1.76	300	250
South East	80	63	8-8.75	9-10.77	230	200
West	72	65	8-8.75	9-10.78	168	138

Adelaide

Adelaide's industrial market appears to be continuing its period of consolidation. The peak of the market occurred around 2007 to 2008 and since then major sales transactions ($1.5 million plus) in particular have been very subdued. Sales transactions below $1.5 million, although down on 2007 figures and a little up and down overall, have been performing satisfactory. This end of the market is dominated by owner-occupiers.

(Industrial transactions per calendar year)

Year	<$1.5 million	>$1.5 million
2006	123	34
2004	189	43
2008	123	47
2009	98	19
2010	122	12
2011	85	20
2012 (YTD)	96	14

Leasing activity has slowly been increasing year on year, however it still remains slow and rental rates and yields have continued to soften over the first half of 2012.

As with all commercial property sectors there has been a steady increase in demand for prime quality assets. The industrial sector is no different however good quality assets in the inner industrial precincts are being tightly held. Once the sector improves further, it is expected there will be greater interest in the development and upgrade of secondary holdings to capitalise on this demand.

Owner-occupiers continue to dominate the market with a greater differential between analysed yields on vacant possession sales and similar properties subject to long term leases. This is particularly the case for properties which have weak leasing covenants or poor quality improvements. The investment market is continually discerning and willing to wait for either a suitable return or a more desirable investment opportunity. This dynamic is the cloud hanging over the market which is unlikely to alter until the there is a fundamental shift in the confidence of investors.

Transport infrastructure improvements including those now completed – Northern Expressway and Port River Expressway, soon to be completed South Road Super Highway and the duplication of the Southern Expressway (due for completion in mid 2014) are going to provide improved logistical support to the local industrial sector enhancing accessibility to all areas. In particular the inner and outer northern precincts should benefit and, notwithstanding have a positive impact on Adelaide's industrial market overall.

Brisbane

Financial institutions restrictions on lending criteria are continuously making development funding harder to secure. This has resulted in many developments that were in the design phase being put on hold which further tightens the availability of good quality space. In some precincts buyer's choice is already severely restricted in terms of the quality of the stock and the size. Sales activity has been greatest in the owner-occupiers market with sales in the $2 million price point most prominent. Demand for modern stock ranging from 1,000 square metres to 2,000 square metres is still the preferred choice in particular the south-western corridor is still generating elevated levels of enquiries given the unrivalled transport infrastructure which services the area. Purchasers seeking sound properties for the future may look towards distressed investor and developer sales with the intention to secure the discounted sale rates.

In the end many purchasers perceive that value and location outweigh the future risks given the lower price points in the outer regions. For example the greater Logan area has seen elevated levels of supply as developer stock remains unsold. Some of the prominent developers in the area have also fallen into receivership, resulting in a heightened amount of mortgagee/distressed asset sales in the area. This is highlighted by the marketing in late 2011 for industrial units within the 'Commercial on Cairns' estate at Loganholme, a 49 lot development being sold by the mortgagee. Sale rates achieved in the complex have recently ranged between $900 and $1,150 per square metre, which reflects a significant discount from sale rates achieved pre-GFC which ranged between $1,600 and $1,800 per square metre.

Sale rates in these outer regions are likely to remain stable well into 2013. Preference of freestanding stock is still the favoured choice in the owner-occupier market and it's likely absorption will remain ahead of the strata unit alternative.

Gold Coast and Tweed Coast

During the third quarter of 2012, we observed a marked improvement in occupancy levels in the Yatala Enterprise Area. The number of 'for sale' and 'for lease' signs in the industrial estates such as Access Business Park, Central Park Yatala, Yatala Industrial Estate and Motorway Business Park has decreased and local agents reported dwindling supply in built stock resulting in prospective buyers looking to buy land instead. In the period there was one confirmed sale of a factory on Gassman Street for $1.52 million.

....taking advantage of the weak market, bargain hunters are swooping like vultures on the choice industrial properties that are still being marketed by receivers....

There were two land sales in the Yatala Industrial Estate for the price of $216 per square metre, while in Central Park two small blocks sold for $206 and $212 and a larger block of 5,245 square metres sold for only $183 per square metre. There is a 2 hectare site that is said to be under contract but is yet to be completed. In July receivers disposed a 3.9 hectare vacant land on Eastern Service Road for $49 per square metre. After years of marketing, a 5,000 square metre site backing onto the Pacific Motorway in the Motorway Business Park finally changed hands at the price of $247 per square metre. On the Old Pacific Highway near the Yatala Pie outlet, an allotment has sold for $176 per square metre.

In the traditional industrial precincts from Molendinar to Burleigh Heads, the scenario is somewhat different. There is still a noticeably large number of signs advertising properties for sale and lease. Taking advantage of the weak market, bargain hunters are swooping like vultures on the choice industrial properties that are still being marketed by receivers. There are plenty of offers, the offer prices are not of a level that are regarded as acceptable, some even bordering on ridiculous. But it could well be that some lucky ones may succeed in snaring a good property at less than its market worth, should the mortgagee decide to liquidate; especially for properties with no cash inflow.

For private treaty sales during the period, the most significant was the $7 million sale of a property on Industrial Avenue. There were a few other sales of $720,000 to $1.95 million. These are older factories in Burleigh Heads, Arundel and Mermaid Waters indicating rates per square metre of $720 to $1,190. In the Gold Coast Marine precinct, there is a potential million dollar plus sale of a large modern factory for $867 per square metre, which is less than its build cost.

In the southern Gold Coast industrial region to Tweed Heads, the industrial market was quiet. We know of one sale of a factory at Ourimbah Drive for $1.75 million and a vacant site on Industrial Avenue for $188 per square metre.

In the market for small industrial units, there were very few sales. A few units in Molendinar sold for between $1,250 and $1,553 per square metre on gross floor area. A 300 square metre unit in Mudgeeraba sold for $1,653 per square metre, while a 106 square metre unit in Hopper Street, Ormeau sold for $1,245 per square metre. The leasing market was more active with rentals steady at the $100 to $130 per square metre per annum level.

The same can't be said for standalone industrial premises where it is increasingly common to find premises being leased for less than $100 per square metre per annum net. Based on these low levels of rent, analysed investment yields for properties in Burleigh Heads and Tweed Heads mentioned above, are circa 7.5%. In most sales we analyse, 8% to 9% investment returns still apply.

In summary, during this quarter of the year, there has been mixed reactions to the Gold Coast City Council's efforts to kick start the local economy. Initial positive talks have given way to criticisms. The traditional construction and tourism industries, which the industrial market rely upon as its catalyst for growth, remain lacklustre. While a more buoyant school holiday period and several major events have brought increased tourist dollars into the Gold Coast economy, the general outlook thereafter remains unchanged.

Southern Queensland

The industrial areas situated within the western suburbs of Toowoomba such as Wilsonton, Glenvale, and Torrington are considered prime industrial locations and are more desirable to both buyers and tenants. As a result industrial properties in these suburbs generally achieve higher rentals and sale prices compared to other industrial locations.

The other industrial locations in Toowoomba are generally situated in the northern suburbs of Rockville, North Toowoomba and Harlaxton or in the southern suburbs of Harristown and Drayton. In general these locations offer more affordable alternatives compared to the western industrial estates.

Particular note is given to the '7SD Business Park' which is located in the suburb of Harristown and consists of a mix of older existing warehousing and recently subdivided vacant land. The project is in the control of receivers with the remaining lots being marketed for sale seeking best offers. This estate has given buyers a genuine cheaper alternative to the western industrial precincts which have a limited supply of vacant land.

Central Queensland

ROCKHAMPTON

The industrial market remains steady. Stocks continue at very low levels for properties both for sale or for rent. Agents report plenty of enquiry from both potential buyers and tenants.

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

The most recent sale is a larger allotment in Parkhurst of approximately 1.2 hectares improved with an industrial warehouse which recently sold for $1.85 million.

There has been some activity in the market for larger vacant allotments (around 1 hectare) over the past 12 to 18 months. Sales of larger industrial sites have been reflecting between $65 to $110 per square metre of land. Sales include two sites in Chappell Street, one which sold for $1.34 millionin April 2011. This is a 1.14 hectare site which reflects approximately $118 per square metre of land area. The purchase is reportedly for owner-occupation. The second site sold for $1.05 million later in 2011. This is a 1 hectare site. The sale reflects approximately $105 per square metre.

Smaller sites in Parkhurst and other dedicated industrial areas in Rockhampton currently reflect between $130 to $150 per square metre for 2,000 to 4,000 square metre sites.

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

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

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

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

The construction of the overpass is likely to see further future support for industry in the area and an increase in demand for industrial property in this locality in Gracemere.

BUNDABERG

The Bundaberg industrial market is currently experiencing low levels of activity. Vacant land in particular attracts very limited interest. In general terms, vacancy rates have increased in industrial premises and incentives to attract tenants have increased. There is very limited good and consistent available rental data to determine current market rental rates.

The most recent significant sale has been the purchase in North Bundaberg by Tasman-Warajay at $2.5 million. The former Bunnings Timber property is currently on the market in East Bundaberg. We are however aware of two significant lease renewals in the Bundaberg Technology Park in North Bundaberg indicating maintenance of established rental levels.

East Bundaberg and Thabeban are seen as affordable industrial precincts which now have good connectivity to the city and the Isis Highway/Goodwood Road via the Ring Road.

HERVEY BAY

Low levels of activity are still being experienced across all industrial asset classes; land, leasing and sales.

Land owners have lowered their prices to attract interest with some vacant sites now asking in the range of $70 to $75 per square metre about $30 per square metre below 2007/2008 rates. With the release of new stages in the Hervey Bay Airport Industrial Park creating 16 lots, supply is likely to remain high for some time.

Leasing activity remains slow with the market still requiring good incentives to commit. In the current market and with the pressure on rental rates, landlords should be willing to negotiate with sitting tenants at lease renewal. If they vacate due to a rental increase, it is likely to be difficult to re-let within a short period.

MACKAY

Mackay's industry base is primarily focused on infrastructure and maintenance support of coal mines located in the Bowen Basin, and the Hay Point and Dalrymple Bay coal loading facilities located approximately 38 kilometres to the south of Mackay. The sugar industry also generates demand for infrastructure and maintenance facilities.

As a result of a higher Australian dollar and softening commodity prices, major miners in the Bowen Basin are reporting reduced profits, leading to some companies closing poorer performing mines, deferring expansion plans and rationalising staffing numbers. Due to high production costs, the Australian coal industry is becoming uncompetitive against lower cost international rivals.

....it is unclear as yet how the apparent slowdown in the coal industry will impact on the Mackay industrial property market....

This has resulted in the loss of approximately 2,400 jobs, with a large majority comprising contractors. We are aware that some of the lost jobs have been redistributed between operations or employees have gained positions with other mines.

It is unclear as yet how the apparent slowdown in the coal industry will impact on the Mackay industrial property market. There is a possibility it will impact on investor confidence as well as the ability of existing companies to expand, therefore reducing demand for both rentals and owner-occupied premises, as well as vacant land.

GLADSTONE

The industrial market in Gladstone has seen the biggest increase in activity of all the commercial sectors over the past 12 to 18 months. Despite sales volumes being down from the 2011 volumes we have witnessed a steady rise in demand resulting in increased rental levels and a tightening of yields. A recent warehouse/workshop property sale that occurred in the prime commercial/industrial 'Hanson Road Precinct' in Gladstone city reflects a 55% increase in value from when it sold 14 months earlier.

Cairns

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

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

Due to the downturn in the local economy and reduced demand from tenants and purchasers, rents reduced after the GFC but have recently begun to claw back some lost ground.

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

An example of a far-flung industrial market in the Cairns region is in Weipa, which is a bauxite mining town located on the western side of Cape York Peninsula, approximately 620 kilometres by air northwest of Cairns. Its industrial base consists largely of engineering and fabrication establishments, mostly owner-occupied, that are geared to mining industry service needs.

The industrial market within Weipa has remained relatively unchanged for the past two years with the most recent sales being vacant land and small industrial property. With the exception of small, periodic rentals of poor quality space and the development of a handful of owner-occupied properties there has been very little activity and the investor segment remains completely absent from the marketplace. Any demand in the last two to three years was essentially driven by small, local operators with the opportunity to take advantage of the building industry's extra capacity after the economic slowdown as opposed to speculative behaviour seen at the peak of the market.

Despite this change in market fundamentals one particular strength of the Weipa industrial market is its small size. With a finite supply of land and majority of properties tightly held by long term owners and tenants, the overall demand for sensibly priced properties remains intact. There still remains considerable underlying demand for industrial properties for rent or purchase, but price sensitivity on both levels remains intact. Coupled with Rio Tinto's current mining strategies we are confident that the stability of Weipa's industrial market will remain solid in the short to medium term.

Townsville

Townsville is home to one of the largest industrial ports in Queensland with trade through the port increasing substantially over the past ten years as a result of increased industrial and mining development in the region.

Declared in 2003, the Townsville State Development Area (TSDA) is a 4,900 hectare area located on the southern side of Townsville, approximately six kilometres from the city centre. This area includes the port access corridor and has direct port linkage (upon completion of port access corridor). The intent of this area is to attract industry to Townsville to help achieve its potential as a value-adding processing centre for the base metals from Queensland's north west mineral province. Some industry already in this area includes Pacific National rail freight terminal, QR National locomotive and rolling stock maintenance facility, Sun Metals zinc refinery and Xstrata copper refinery.

The $190 million State Government funded Port Access Road is currently in its final stage of construction with the 7.5 kilometre section from the Bruce Highway to the port due for completion in late 2012. This Port Access Road will directly link the Flinders and Bruce Highways to the port of Townsville, providing direct access from the west and south and reducing heavy vehicle traffic in residential areas.

....due to the downturn in the local economy and reduced demand from tenants and purchasers, rents reduced after the GFC but have recently begun to claw back some lost ground....

Late last year the $110 million marine precinct opened, which included the reclamation of an 18 hectare parcel of land and the construction of a new marine precinct to allow any upstream industrial users to relocate their businesses impacted by the bridge over the river that will form part of the port access corridor.

Further works currently underway at the port total around $140 million including the upgrade of berth 10 and the cruise ship terminal, along with the upgrade of berth 8.

The TSDA, which is located at Stuart, along with the adjoining suburb of Roseneath form the major industrial areas on the southern side of Townsville. There are currently developed industrial lots for sale within Stuart, and a new industrial subdivision just released at Roseneath known as 'Townsville Distribution Precinct' comprising 40 lots ranging in size from 2,000 square metres to 13.5 hectares. This is reportedly Queensland's first and only custom-designed and approved road freight logistics and warehousing development that specifically provides for triple road trains.

Historically industrial land located on the south side has included heavier industry type uses on larger parcels when compared with industrial land in the northern corridor. Over the past ten years the majority of industrial land activity has come from within the northern industrial areas of the Bohle, Mount Louisa, and Mount St John. Potentially the works and road linkages on the southern side of Townsville will provide a road freight, warehousing and distribution alternative to Townsville's primary industrial precinct.

Darwin

This month we have been asked to provide a general overview of Darwin's industrial market and then provide a run-down on more far afield industrial areas.

Despite the capital works for Inpex getting under way, the industrial property market in Darwin remains very quiet on the surface, with values still holding steady at or around pre-GFC levels. There are some contrary sales in both directions, with the most recent industrial sale we know of being on the plus side of the ledger. However it's arguably of limited applicability due to the circumstances of sale.

Under the surface though, things are building up. The big boys in town are looking to expand, and others are looking to stake out their patch in Darwin. This is in contrast to the office sector, which after the large rental increases of recent years could suffer from the new government's razor gang and greater focus on Alice Springs. So the big end of the industrial market is Darwin's lead market sector at the moment, with the lower end and all other commercial sectors much quieter.

To paraphrase Crocodile Dundee, "you call those far afield industrial areas? These are far afield industrial areas!" Our office covers one sixth of the area of Australia, including industrial areas in all outback towns in the Territory. With apologies to places we have missed, we shall focus on four towns: Alice Springs, Tennant Creek, Katherine, and Nhulunbuy.

....the big boys in town are looking to expand, and others are looking to stake out their patch in Darwin....

Our Alice Springs office manager Ian Walker notes that "the Alice Springs industrial market has traditionally been dominated by owner-occupiers in the small business sector, particularly in the sub $1 million price category which provides the bulk of the market. Recent months however have seen some interesting transactions in higher price categories including the purchase of a site by Bunnings for a retail warehouse which is due to commence construction in the coming weeks, and the sale of the more specialised Railway Terminal for circa $9 million which bodes well for future freight levels through the centre and Top End".

Ian also observes that "like Alice Springs, Tennant Creek is dominated by owner-occupiers in the industrial segment. However it is a small market within a small town with associated low turnover and high volatility. Recent activity in the industrial sector in Tennant Creek has been limited to the sub $200,000 and $300,000 market for industrial shed on blocks ranging from 1,000 to 4,000 suare metres. While the Tennant Creek industrial market has enjoyed good growth over recent years, more prevalent is the substantial growth in house prices over recent years, with a compound annual growth rate of close to 20% over the last 6 years". We add that a recent preliminary feasibility study has given the phosphate mine on Wonarah a tick, and that two alternative means of transporting the phosphate were considered. Both were via Tennant Creek, and one also involved building a factory adjoining the Ghan railway line near Tennant Creek.

The Katherine industrial property market is relatively small, with the main two areas being centred on the Victoria Highway and the Crawford Street precinct in Katherine East. The Emungalan Road and Zimin Road areas comprise a third, but smaller industrial area. While smaller properties have a greater liquidity servicing a broader range of uses and industry participants, demand for large industrial properties is very limited; many properties remain on the market for an extended period. The majority of industrial properties are owner-occupied with few investor purchasers active and an equally reduced tenant market. At present there are limited industrial properties available for either lease or purchase. Market conditions therefore favour the vendor.

However, given the current economic outlook we see the prospect of only limited value changes for Katherine industrial properties in the short to medium term.

There are two major drivers of Nhulunbuy's market; the needs of the mining company, and those of government. At present, the mining company appears to have put all expenses on hold with the exception of those that directly relate to exporting the ore. Even so the load conveyor belt to the ships has been leaking for many months, and may be very expensive to rectify. This policy has led not only to a marked deterioration of the shopping centre in terms of lapsed maintenance, but also to a marked deterioration in contracts provided to small businesses such as those in this locality.

The story with the other major driver is a very different one. Nhulunbuy is now the home of the East Arnhem Shire, and is an important centre for SIHIP and other government initiatives intended to assist indigenous communities in the region. Consequently, at present the Nhulunbuy market presents an unusual picture; a strong residential market and a chronic undersupply of office accommodation, but a weak industrial market. That imbalance is unsustainable. Whatever transpires, the fact remains that at present much needs to be done in town if it is to continue, and it is very likely to do so. So the local view of a better future for the industrial estate within the short term has merit.

Land values are generally expected to remain stable across 2013, although due to supply restraints demand led growth may emerge in tightly held traditional industrial markets that are well serviced by infrastructure. These factors as well as the ongoing resource sector growth means the industrial outlook remains positive yet stable for 2013.

....there is a reasonable stock of industrial properties, either for sale or lease or planned, for the region and, as a result, extended selling and letting up periods could be expected....

Perth

The Perth industrial market continues to be driven by the increased activity in the mining sector, with significant investment in resource projects around the state. At present, there is over $166 billion worth of resource projects committed to or under construction in Western Australia and another $151 billion under consideration, according to the Department of State Development.

Based on the strength of these resource projects, infrastructure and construction markets will continue to thrive and demand for industrial space that supplies these projects will remain stable into the new year.

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

As a result of tight industrial land release across the Perth metropolitan region, locations such as Jandakot Airport are experiencing an increase in activity as this area provides sites with warehouses and excess lay down areas which are in short supply and have the ability to tailor the developments to specific needs of the tenant.

On the other side of the spectrum, smaller industrial properties have seen a decline in investor participation and we are now seeing this segment almost entirely driven by owner-occupiers. Additionally, the smaller eastern industrial precincts are the most affordable with industrial land values ranging from $150 to $450 per square metre for lots below 5,000 square metres and in some cases achieving yields of 9.5%.

At present, the industrial sector is outpacing the release of land and the necessary infrastructure is not in place to cater for large industrial developments across Perth. As a result demand is likely to continue for premises' and land situated in more traditional and well connected industrial areas as these areas show the most growth potential.

South Western WA

It has been a slow period for the industrial property market in the south west of Western Australia with business remaining cautious, due to the insecurities regarding potential downturn in the mining sector, and general international economic and political uncertainty.

There has been a small, but steady volume of sales transactions with prices beginning to show reductions through 2012. There is a reasonable stock of industrial properties, either for sale or lease or planned, for the region and, as a result, extended selling and letting up periods could be expected.

The majority of purchases are now by those that have a use for the property. There is little speculation or 'design and construct' type development in the area. Englobo land development in many cases has been put on hold due to increasing holding costs, and reducing profitability. Furthermore subdivision work if undertaken requires budgeting based on sales over a longer time frame or at reduced prices.

While the market appears at the bottom of its cycle it still remains a buyer's market. There is an emerging over-supply of industrial vacant land across the south west of Western Australia that could hinder growth or potentially impact land values in the short to medium term. The recently developed industrial estate in Vasse, Busselton has been slow to become established and the new industrial developments planned in Davenport, Picton and Busselton Airport will only add to the over supply situation.

The outlook is difficult to predict, but we expect slow sales and leasing activity over the short to medium term. However due to population growth and the broad economic diversity of the South West WA region, the region stands poised to deliver strong economic growth in the long term which should underpin long term demand for industrial property in the area.

The number of industrial properties with a 'General Industry' zoning is limited however, these are generally in remote localities such as the Kemerton Industrial Park north of Bunbury and the Dardanup West Industrial Park west of Bunbury. These industrial areas are yet to be fully developed and very few transactions have occurred in these localities in the past. However the perception is that values in these areas are not dissimilar to other areas which are better serviced and have light industrial zonings. The construction of the Bunbury Outer Ring Road however, will provide greater access to the Dardanup West area increasing its exposure and providing better access to the area. This may have an affect on values once the project is completed.

Residential Overview

With the centric nature of our markets it is sometimes forgotten that the outer edges of town centres provide an opportunity for buyers to get into the market when they desire a reasonable size piece of land. These suburbs have in many cases borne the brunt of market downturns as buyers head towards the safer addresses 'closer in'. This month we take a look at the outer suburbs around the country and provide a ready guide for any 'out of towners' looking to take advantage.

Sydney

The Sydney market offers a variety of options for those that still wish to be within a commuting distance of the CBD but are looking for privacy and local community living.

To the South, Bundeena is part of the Sutherland Shire but is accessed by a long and winding road through the Royal National Park and is seen by even Shire locals as remote. Access is also affected during periods of heavy rain, where the Audley Weir is closed and the alternate route can double the travel time between Bundeena and the Princes Highway.

Bundeena is approximately 35 kilometres from the CBD. Housing options include weekend cottages, architect designed residences and everything in between. Prices range from $500,000 for a basic cottage to $3 million for a large modern beachfront residence.

Services include a small local retail strip, petrol station, bowling club, RSL club and primary school. A limited ferry service runs across Port Hacking to Cronulla for those who wish to commute via train to the CBD and other parts of Sydney. Locals are young families and retirees, with the area also attracting holiday makers, campers and those who wish to have a holiday house not too far from the centre of Sydney.

Market research indicates that those who are happy to hold long term will see rewards on their investment. Short term gains are very susceptible to market conditions of the time and new projects can have extended selling periods. The local market has struggled since the GFC with extended selling periods (greater than 12 months common) and falling prices, with beachfront properties or those located close to the beach with water views the hardest hit.

To the north, those wishing to escape suburban living have the islands and beaches of Pittwater such as Scotland Island, Lovett Bay, Elvina Bay and Morning Bay. Accessed via ferry or private boat only, these locations offer an alternative lifestyle for those who are happy to leave their car in a designated car park and then make the commute complete with daily needs.

The localities within Pittwater offer basic services with shopping, schools and medical facilities on the mainland only. Consequently buyer profile is varied and is generally young professionals or empty nesters. Families that live in the region are generational with a lifestyle that focuses on the water.

Property options within the area are varied. It is easier to extend and renovate an existing cottage rather then complete a new build due to upgraded building requirements and as such value ranges for vacant land are at the lower end as build costs are significantly higher.

Small weekend cottages and family homes can be purchased in the mid $600,000 to $800,000 range whilst prices in excess of $1.5 million are achievable for waterfront property with modern dwellings and a private jetty.

Market sentiment to these properties is very cyclical and is dependent on the general market conditions of the time.

The north western fringe of the metropolitan area includes the Hawkesbury region and this location offers a variety of options with small and large scale acreage properties, riverfront sites and residential blocks in small villages.

This area is serviced via the regional centres of Richmond and Windsor which provide most, if not all of the necessary amenities. Public transport options are limited and this is seen as the biggest negative. There is a railway station at Richmond, but it is a single line and services are limited.

Standard residential properties in and around these town centres tend to follow the same market movements as the wider Sydney metropolitan areas. However acreage lifestyle property in areas such as Kurrajong and Pitt Town tend to be more susceptible to rapid market movements. This is also the case with property fronting the Hawkesbury River, with extended marketing periods experienced. Prices range from $300,000 for a basic residence up to $2 million for prestige acreage/riverfront property. This increased price range can apply within a tight geographical radius with a wide range of property types on offer.

It is considered there will always be an element of the market that appreciates the privacy and small community feeling that is available in fringe positions within the greater metropolitan area. It is also considered that the lifestyle option is the driving force for potential purchasers rather then capital appreciation. Property prices can be more susceptible in fringe locations and in times of market uncertainty, extended selling periods or heavy discounting for a quick sale can be experienced.

Canberra

In the Canberra region there are four main outer areas that service the inner suburbs; they include Tuggeranong, Gungahlin, Belconnen and Queanbeyan which is across the Territory border in New South Wales.

They have a mix of affordable and upper end property price points, which in turn offers accommodation for a broad spectrum of the market. Although these areas offer affordability, million dollar plus properties can still be found scatted across these regions.

Parts of Gungahlin also have a Territory based affordable housing scheme (AHS) which regulates the entry price point of 2/3- bedroom dwelling. This is done by heavily discounting the land component, and capping the sale price for these homes.

The price points for these areas include the following;

- Small studio/1- bedroom apartments in Queanbeyan from approx $150,000.
- AHS homes in Gungahlin from approx $337,000
- Older style 2/3- bedroom homes in Belconnen and Tuggeranong from approx $370,000

Pushing further out a number of regional townships surround the ACT. Recent development throughout Yass, Murrumbateman and Bungendore have underpinned strong values in these regions with further townships such as Braidwood and Collector providing more affordable options. The 'rural' market has been trading fairly steadily and tends to mirror the trends set by the ACT property market. Activity has increased coming out of winter and prices should expect to remain stable over the next few months.

Wollongong

In the Illawarra and Shoalhaven, there are many small pockets which are generally thinly traded. These tend to be more rural in nature, small or medium sized acreages with lifestyle qualities, and located within commuting distance to infrastructure. The Illawarra is centrally located to Sydney and to the Southern Highlands, and these slightly outlying locations offer opportunities to commute to large employment centres.

Some examples in our patch include Sassafras between Nowra and Braidwood to the south. To the north small thinly traded localities include Otford, Darkes Forest, and small acreages next to the escarpment near Coledale and Wombarra.

....In the Canberra region there are four main outer areas that service the inner suburbs; they include Tuggeranong, Gungahlin, Belconnen and Queanbeyan....

There is still good general interest from buyers who are looking for a quieter, semi-rural lifestyle while still being able to access these metropolitan areas within two hours drive. Buyers are locals to the region who want larger land parcels or metropolitan people looking for a 'seachange' or a weekender. Prices can vary between these locations and depend on access, land size and quality of improvements – $300,000 to $1 million. These areas tend to move in line with local markets and are also influenced by trends in the metropolitan markets.

NSW Far North Coast

The majority of the semi remote/inland residential villages on the North Coast of NSW tend to be located within the council areas of Richmond Valley, Kyogle and the eastern portion of the Tenterfield Shire.

Generally these villages were created many decades ago as a base for agricultural and forestry based industries which provided the mainstay of their respective local economies. Services within these villages can vary from town water and sewerage to tank water and septic systems. These villages generally have a primary schools and, as always, the local tavern. Shopping facilities are generally limited with the bulk of the larger shopping purchases conducted in the larger rural centres of Casino, Kyogle, Tenterfield and the regional centre of Lismore.

The more semi remote/inland villages situated within the respective Council areas include;

KYOGLE SHIRE

Wiangaree

A small village/rural based community located approximately 13 kilometre north of Kyogle on the Summerland Way with a population of around 130. Provides access to the entrance of the World Heritage listed Border Ranges National Park. Wiangaree's rural surrounds comprise of dairying, beef farming and general horticulture based industries

Wiangaree General Store provides a variety of refreshments, food and local tourist information. Recently developed picnic and toilet facilities are available in front of the Wiangaree Store.

Woodenbong

Woodenbong is a small village located 910 kilometres north of Sydney and 150 kilometres west from Surfers Paradise and the Gold Coast. Farming & timber are the main enterprises in the area. The village accomodates a variety of shops (hardware, newsagent general store, butcher, bread, etc.) a post office, police station, pool, central school, petrol stations and a hotel. According to the ABS 2011 Census, Woodenbong has a population of 477.

Bonalbo

Bonalbo was established in the early 1900s. Bonalbo is the centre for the surrounding timber, dairying and cattle grazing industries. Bonalbo is situated 64 kilometres north west from Casino and 193 kilometres south of Brisbane. The town has a post office, police station, hospital, Olympic swimming pool and a small selection of shops, including a supermarket and a Credit Union. The main activities in the area are grazing, timber growing and some dairying and Bonalbo services the rural community in the surrounding district. According to the ABS 2011 Census, the Bonalbo locality has a population of 543.

Cawongla

Cawongla is a name which combines Campbell, the name of the area's first white settler and 'wonga', an Aboriginal word for hill. The traditional community has been boosted by the arrival of new settlers buying into multiple occupancies, with many residents forming alternative lifestyle communities. The local area is well served by the Cawongla General Store, which is a well known spot for lunch/dinner or refreshment break. Cawongla is about a 20 minute drive over the Cawongla Range from Kyogle.

Grevillia

The village Grevillia is located approximately 30 kilometres north of Kyogle, has remnants of a timber industry evident with buildings remaining from the Munro and Lever Sawmill which dominated village life for many years. The village has suffered lately with the loss of the popular General Store in late March 2012 to fire. The store provided a range of services including fuel, food, postal agency and bottle shop.

Mallanganee

Mallanganee is settled in at the foot of the Mallanganee Range. Located approximately 40 kilometres west from Casino, and just off the Bruxner Highway, Mallanganee is one of the Kyogle Shire's "Gateway's to the Rainforest". A population of around 150, the local general store includes postal agency servicing the community. The Mallanganee Hotel has accommodation comprising four motel-style rooms for overnight stays in the area. Additionally there is B & B and farm stay accommodation in the surrounding area. The local school recently closed.

Tabulam

Tabulam is a small village located between Casino (55 kilometres) and Tenterfield (74 kilometres) beside the Clarence River. There is a police station, hotel, petrol station/store/post office, a few shops plus a public primary school. It has a population of approximately 350. Home of the Bundjalung Aboriginal people, the region is culturally significant. The Koori Place name of Tabulam means "the originals". Designated as a town in 1885, Tabulam is historically significant and the only other 'town' on the Clarence River besides Grafton.

Old Bonalbo

Old Banalbo is situated at the base of Haystack Mountain. The village was established to cater for the growing population of 'Cedar Getters' and the arrival of graziers establishing vast landholdings. Old Bonalbo was created in the mid 1800s as the original site for the village of Bonalbo, 13 kilometres further south established along Peacock Creek. The village of Old Bonalbo lies on the connection road between the Mt Lindsay Highway to the north and the Bruxner Highway.

TENTERFIELD

Urbenville

Urbenville is situated within The Great Dividing Range in northern New South Wales approximately 23 kilometres south of the New South Wales/Queensland

Boarder, 75 kilometres west of Kyogle, 120 kilometres north-east of Tenterfield and 120 kilometres west of Lismore. Urbenville is a small residential village, being a service centre for the local rural community and has a permanent resident population of approximately 250. The main local industries are typically rural (grazing) and timber related businesses. The village includes a multi-purpose community health centre and a primary school. Additional businesses within the town include a hotel, news agency and a post office. According to the ABS 2011 Census, Urbenville has a population of 446.

Drake

Drake is a parish and small rural community on the Bruxner Highway approximately 44 kilometres east of Tenterfield and 77 kilometres west of the rural service centre of Casino. The village is in the Tenterfield Shire Local Government Area, which is part of the New England region. There are approximately 30 dwellings in Drake village which has a population of about 130 and the surrounding area has about 400 people. The community is agricultural, timber and tourist based providing hiking, fishing and fossicking. Village amenities include a public school, local store/service station, information centre and tavern/motel.

....the outlook for residential property in these villages is considered to be relatively static with potentially more price correction to be experienced....

RICHMOND VALLEY

Rappville

Rappville is a small rural settlement approximately 30 kilometres south of Casino and about 7 kilometres west of the Summerland Way. It comprises around 50 homes with the local pub being a focal point for the rural community. Most surrounding rural land is used for grazing, timber getting and tea tree oil extraction. Casino is the nearest town and Lismore is the regional centre approximately 62 kilometres to the north-east. According to the ABS 2011 Census, Rappville has a population of about 309.

Coraki

Coraki is a small village of less than 1,000 people. Most of Coraki is located in the flood plain but with some flood free land. Casino is 31 kilometres to the north-west and Lismore is 25 kilometres to the north. There are basic shopping facilities, a hospital, post office, police station, a bank, hotels and a bowling club. Local primary production is the main enterprise in the area and includes tea tree, timber, some cropping and beef grazing.

More recently, Coraki has come into prominence thanks to the exposure of Coraki local Bradley Darke with the recent Big Brother television event.

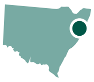
The typical property in the majority of the above noted villages tend to be owner-occupiers with the houses generally being timber clad and built circa early 1900's to 1960s and comprising 2- to 3-bedrooms. There is a scattering of more semi modern development in the form of brick and tile houses however, they tend to be of relatively standard construction and dated around 1970s to 1980s.

In most circumstances, the expected market value for the majority of the standard residential property in these villages and is generally within the sub $225,000 price bracket with rentals ranging from $150 to $250 per week (depending on condition and number of bedrooms). Any residential properties priced in the $225,000 plus bracket are generally represented by extensively renovated older style homes or larger brick and tile residences. Coraki, which is less isolated village, includes some properties in the $300,000 plus bracket.

The most likely buyers in these villages are owner-occupiers or first home buyers. However there still is some interest from investors as the rental rate in proportion to the market value tends to be slightly higher in these villages compared to the larger rural service centres of Casino and Kyogle and the regional centre of Lismore.

Under current soft market conditions, which is essentially a buyer's market at present, the vendors of residential properties in these semi remote local villages have had to readjust their expectations regarding asking prices. The element of travel and associated costs is having a strong bearing on the price that prospective purchasers are willing to paying for a regional / rural location. These local villages have experienced similar softening price levels like any other area within the Far North Coast over the past 12 to 18 months, but maybe more so due to distance from the major towns and services.

The outlook for residential property in these villages is considered to be relatively static with potentially more price correction to be experienced. This is in part due to recent reports of continued economic softening from a national and international perspective.



Newcastle

The City of Newcastle (Australia's sixth largest city) is situated approximately 165 kilometres to the north of Sydney, with Greater Newcastle having a population of roughly 550,000 people. Exploring in 1797, Lieutenant John Shortland named the region after the Govenor of New South Wales, John Hunter to whom he had returned with reports of a deep-water port and the area's abundant coal. It is from these two features which the region has expanded and residents are mostly concentrated along the seafront from Port Stephens in the north-east to Lake Macquarie in the south, as well as inland in the western mining areas, around the city of Cessnock and town of Singleton which have significantly increased due to mining and also partly due to the Hunter Valley's wineries.

Following this population build up, we now see remote areas being an hours plus drive from the Newcastle town centre. Property prices can vary significantly from the most affordable of housing (basic houses on small allotments), to the exclusive mansions upon larger acreage. Our commentary herein will mostly focus on affordable houses which are typically in areas with limited employment opportunities, shopping, education, and public transport. The typical purchaser of affordable housing is quite varied and includes a wide range of owner-occupiers, first home buyers and investors. In the current economic climate we are finding the most remote of locations experiencing greater sales periods than their more centralised counterparts.

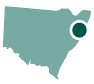
To the south, upon the southern fringes of Lake Macquarie, cheaper housing is priced around $250,000 to $300,000 in areas such as Doyalson and Wyee. Similar pricing occurs in the small villages near the Pacific Highway like Morisset, Dora Creek and Awaba.

....at Cessnock in the west, very basic and dated housing can be acquired for $150,000 to $200,000 as well as in fringe villages like Aberdare and Millfield....

At Cessnock in the west, very basic and dated housing can be acquired for $150,000 to $200,000 as well as in fringe villages like Aberdare and Millfield. Further west in the town of Singleton, the coal mining boom is impacting on housing, seeing basic prices again rising to the $250,000 to $300,000 range. Singleton can further expect to benefit from the M15 Expressway due to open in September 2013 making the region more accessible.

Further afield, in the more remote areas of the upper north and north-west, around towns such Dungog, Stroud, Gloucester and Buladelah we again return to affordable houses being priced from as low as $150,000 to $200,000 where services and facilities are more limited. Typifying the weird and the wonderful, we note a recent sale at Girvan, of a ten storey house on 40 hectares for a reported $1.2 million.

Finally in the coastal areas of the north-east, lower end property around Hawks Nest and Tea Gardens can be acquired for around $250,000 to $300,000. Just to the south around Nelson Bay older houses can sell for as low as $300,000. Over the last few years these coastal areas have experienced a significantly weakened market with the typical purchaser – an investor or holiday house purchaser having departed the market and sales periods have noticeably increased.



NSW Mid North Coast

As we are discussing remote or fringe suburbs, I thought we might start with a truly remote locality.

Doug from our Port Macquarie office has carried out residential valuations in Norfolk Island over the past two years. Norfolk Island is a self governing external colony of Australia, and is definitely remote and outlying. It is about 1500 kilometres off the Australian mainland with tourism the mainstay of the island. The island has seen falling values, falling sale rates and an increase in mortgagee sales over the past two years. Arms length sales were about 75 sales in 2009, 70 in 2010, 30 in 2011 and currently less than 20 in 2012. So if you like the idea of an affordable holiday house in a peaceful remote island location, in close proximity to beaches and ocean, this may be a place to look at.

More locally, the affordable outliers or cheaper fringe suburbs are less prominent on the Mid North Coast of NSW in comparison to the major cities, as the main regional centers (Port Macquarie, Taree, Forster and Kempsey) along the Mid North Coast are all relatively affordable compared to the major cities along the eastern seaboard. In most Mid North Coast major centres, the lower value properties, circa 1950 to 1980s, 2- to 3- bedroom homes close to the shops and services, are selling around the early $300,000's. But for those that are willing to trade travel time for affordability, there are some more affordable options available in the smaller villages.

Those looking for a more affordable option to Port Macquarie, where lower end residential houses sell on average for $350,000 to $400,000, can try the surrounding town of Wauchope, some 21 kilometres inland with similar product ranging from about from $280,000 to $310,000.

The same can be said for other regional towns, including Taree, Forster and Kempsey with the outlying, smaller villages and localities having falling sale rates, extended selling periods and lower values over the past three years. This can be attributed, in part, to the current financial climate, with a current oversupply of product listed for sale helping to keep values down. Dwellings in these smaller localities are sometimes taking up to a year to sell.

These falling values can be seen in the small community of Coomba Park, which is located on Wallis Lake 45 kilometres south of Forster. For example, an average quality, semi-modern residential dwelling on your average size lot, with lake views, sold near the end of the last boom (late 2004) for $215,000. It re-sold late last year for $170,000 showing a fall of about 26% over that time. This example appears typical for a fair proportion of the smaller outlying towns on the Mid North Coast. As you have all heard before "it is a buyers market".

NSW Central Coast

When we think of the Central Coast region of New South Wales, it is often seen as that part of the coastline between the Sydney and Newcastle CBD's. This is true, but look a bit closer and the diversity of the area will amaze.

This month we are looking at those far flung areas - every region has them and we are pleased to say that the Central Coast region is no different in this regard. From our viewpoint, the far flung areas might include those with access challenges in terms of water crossing, rough access roads, distance from services and those smaller, less recognised communities.

The ties for these areas is that they hold special value for those living there, those thinking they might like to be there or those who wouldn't give them a second thought.

Starting at the southern end and moving generally north, lets take a look at a few.

At the southern extremity of the region are the riverfront (that would be the Hawkesbury River) communities that include Dangar Island, Little Wobby, and Bar Point. These are the idyllic localities that we seldom hear about. They front the Hawkesbury River and are only accessible by boat. The standard of housing ranges from very basic fisherman shacks through to quite substantial and modern dwellings.

Dangar Island

Dangar Island is a lovely location with no cars (except for the fire truck) on the island. This isn't a problem for residents as there only five 'streets' and walking is the mode of travelling with community wheelbarrows available for carrying groceries and parcels. It does however have a general store and public wharf. Housing quality varies from old original cottages through to quite substantial dwellings. Many elegant and thoughtful renovations have been carried out over the years to some of these dwellings. Spectacular views over the Hawkesbury can be obtained from nearly all points of the island. Owners generally put their boat in at nearby Brooklyn, an easy 10 minute boat trip, and a number of permanent residents commute daily to Sydney for work. Housing prices vary depending on their position, but we note a renovated 1- to 2- bedroom dwelling recently sold for $470,000. As this is not a location suited to everyone, selling periods can be quite lengthy and over the past year only five properties have sold for prices between $470,000 to $1 million.

Little Wobby

Little Wobby is slightly further from Brooklyn and again, there are no cars - in fact there no are streets at all. This is a true riverfront community with a lot of character and fantastic views to the west along the river. A single row of houses is all you'll find here with an even spread of old fishing shacks and newer homes. It is definitely not for everyone, but the residents here are some of the nicest people around, if not a bit quirky at times though. Only three properties have sold over the past two years with the highest at $650,000.

Bar Point

Bar Point is another riverfront community that is located further west along the river with a limited number of houses a few of which we think are probably not supposed to be there. One needs to be very independent if living at Bar Point. Some say it is the most isolated community on the river and this seems to show in the selling times and prices achieved with only three properties appearing to have sold over the past two years.

....far flung areas - every region has them and we are pleased to say that the Central Coast region is no different in this regard....

Spencer

Spencer is another riverfront community that comes to mind, although it isn't a boat only access location as it is also on the Wisemans Ferry Road, a little before Gunderman and the ferry crossing. Spencer is a proud community with a strong spirit and hospitality shown to visitors - so long as they don't make a nuisance of themselves. Regular community meetings are held at the Dunkirk Hotel (a picnic table opposite the general store on the riverbank). Sometimes these meetings go late into the night, but many of the world's problems are solved along the way. Housing is mostly older style ranging in value up to around $400,000 for a riverfront.

Greengrove

When we think far flung rural locations on the Central Coast, we might also talk about Greengrove. So long as it's been dry for a while, Greengrove is just off Wisemans Ferry Road via Mangrove Creek Road. It is home to the Mangrove Yoga Ashram, claimed to be the largest yoga retreat centre in the southern hemisphere, a few houses and the historical Greengrove cemetery. Possibly due to the limited number, very few properties change hands at Greengrove, so there is next to no data available - just thought we'd throw it into the mix anyhow.

A little more though is known about our rural communities at Mount White, Glenworth Valley, Calga, Peats Ridge, Somersby, Mangrove Mountain, Mangrove Creek, Upper and Lower Mangrove, Kulnura and Bucketty.

Bet you didn't know that some of these localities are only minutes off the F3 Sydney-Newcastle Freeway. Well they are and not only that, over time some of Australia's more notable identities have lived in these communities, including businessman John Singleton, one of the worlds best authors in Mr Peter FitzSimons and the famous Oak Milk Bar. But we're not into name dropping at Herron Todd White, so we'll leave it there. The Corrugated Café is a local icon at Peats Ridge - worth stopping for a great hamburger. Coca Cola Amatil sources some of its water at Peats Ridge while Australian Walkabout Park, Glenworth Valley Horse Riding, Australian Reptile Park, citrus and chicken growers, several quarries and numerous other smaller rural enterprises are also found throughout the area.

....at the moment, demand is subdued but in better times, this increases along with values....

Peats Ridge Road which becomes George Downs Drive past the crossroads, are the main transport threads through these areas and values vary widely depending on the state of the market, level of buyer confidence and of course, quality and size of the land and improvements.

Starting at $360,000 for an unfinished house on 10 hectares at Mangrove Creek and ranging up to $2.55 million for a 7- bedroom horse property at Peats Ridge. The latter was sold under mortgage in possession conditions - extraordinary. More representative of the market in these areas is a good 25 hectares at Peats Ridge with a nice house and shedding at $1.6 million and an old fibro dwelling with shed on 10 hectares at Kulnura for $710,000.

At the moment, demand is subdued but in better times, this increases along with values.

That's about it for the southern end of our region and as we move north, we think of the outer lying areas that might include Cedar Brush Creek, Ravensdale, Lemon Tree and Mandalong. If nothing else, the names assigned to these localities are thought provoking.

Cedar Brush Creek, Ravensdale and Lemon Tree are remote by Central Coast standards and it's where we send the young valuers to cut their teeth – the people there are great – it's the dogs, snakes and children that'll get ya. If they're not back in day or so, we don't worry too much.

These areas are accessed via Yarramalong, past Bumble Hill. There are some large properties with a mixture of original farmer's cottages through to gentrified country retreats. Notable people who have and still live in the area include author Bryce Courtenay, media personality John Laws, former NSW Premier Neville Wran and Deborah Buckley. Again, we'll refrain from name dropping, but let's just say that it's where the powerful go - Deborah by the way is a local Artisan and she has just opened a shop at Yarramalong next to the general store/café and Yarramalong Manor. Stop and browse, the mixture of new, old and one off pieces are an inspiration and well worth the trip out.

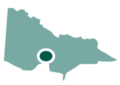
These areas are truly magnificent and have generally enjoyed good levels of marketability, but over more recent years, this has suffered as a result of the property downturn and speculation of mining and gas exploration ventures at Jilliby, Dooralong, Yarramalong and Wyong Creek.

We'd like to think properties in these areas offer good value, and that it will improve further if the miners leave it alone. Sales rates and volumes in the area are low, due mainly to the limited number of properties available. Two properties have sold at Cedar Brush Creek over the past years, those being a 25 hectare property with an 1860s house for $490,000 and a 2.7 hectare property with 1960s, 3- bedroom timber home for $700,000. No verifiable sales have been recorded at Ravensdale and Lemon Tree during this time.

Although there is the odd holiday stay, rural areas are generally owner-occupied and we seldom notice rental evidence coming through that is both verifiable and reliable. Therefore, we are reluctant to offer advice on likely investment returns but we suspect that they would be quite low on a strictly residential basis.

These are some of the outer lying areas in the Central Coast region, but considering they are all considered reasonably close to the F3 Freeway and hence provide good levels of access to Sydney and Newcastle, some might not consider them to be too outer lying. And to this, we would agree. They do however provide living challenges comparable to the really remote areas insofar as services and facilities are concerned. The areas we have spoken about here do not have town water or sewerage connected and in many cases, phone reception is virtually non existent. But one of the main challenges common to theses areas include roads being cut during times of heavy and prolonged rain and the threat of bushfires. None have been spared over the years.

Fortunately, advances in building methods have been made to allow housing in almost all situations, but those thinking of building in some of these areas should appreciate that there will be extra costs involved.



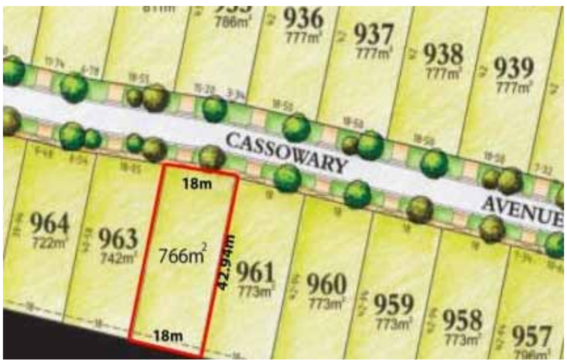
Melbourne

The travel time to these suburbs may be lengthy but the diverse range of homes and affordability these developing suburbs are offering is attracting many opportunistic home buyers. These buyers are willing to deal with time spent travelling in search of affordable living. Pakenham, Officer, Cranbourne East and Clyde North are in Melbourne's outer south eastern suburbs with travel times to the city around 50 minutes outside of peak times via the use of the Monash Freeway or Princes Highway, however this can extend to over two hours in peak times. The area is well serviced by Melbourne's metro rail network also via the Cranbourne or Pakenham Lines which will take around the hour mark. Many purchasers are trade or manufacturing related who work in the south-east.

The area is currently being developed with low density, affordable living in mind. These properties are being purchased mainly by owner-occupiers who are taking advantage of relatively low interest rates along with developer/builder incentives that are on offer. The developers are aiming to reduce holding costs and move stock, so the enticing incentives that are being offered are promoting sales in the region. The average size of blocks being offered are around 450 square metres which is seen as a reduction from the typical size of blocks in the region which traditionally are 600 square metres plus. The houses being developed are aimed at young families with a typical home containing 4- bedrooms and 2- bathrooms and usually an alfresco and home cinema/rumpus which entices the modern purchaser profile. These dwellings generally are in the circa 180 to 250 square metres range.

....there is a range of choices available for home buyers as there is currently a multitude of land estates and builders within this outer south eastern area....

The price point for lots in the area commences from $180,000 and range up to $200,000 for your typical 450 square metre lot. This is found through Pakenham or Officer however in Cranbourne East they are commencing at circa $200,000 and can range up to $220,000. There is value within the area as the house and land packages being offered are affordable and will vary in price from $400,000 to $450,000 and will generally attract a discount on the construction cost. This is dependant on the estate and quality of internal finishes and the extras included with the property such as landscaping and façade upgrades. There is a range of choices available for home buyers as there is currently a multitude of land estates and builders within this outer south eastern area. For the price conscious buyer, established homes are also providing a good alternative as the latest median house price is at $331,500.



The market in this area is likely to remain static as the impacts from the government's withdrawal of the first home buyers' grant is being felt. Developers and builders are offering incentives such as cash rebates upon settlement to stimulate the market but this will take time as buyer confidence is slow in recovering and job security is becoming a concern.

As is the case with Melbourne's outer western suburbs, developers are successfully attracting home buyers to these regions with affordable options. As the urban sprawl continues and inner city house prices/affordability continues to rise these areas will quickly develop and median house prices within the area can be expected to rise over the medium to long term.

Regional Victoria

GIPPSLAND

Wellington Shire

The beach areas of Golden Beach, Loch Sport, The Honeysuckles (Paradise Beach) - located approximately 45 minutes from Sale, have slowed in the previous two to three year period with sales turnover sluggish.

The typical property type is small 2- to 3- bedroom 1970s dwellings with the occasional high quality water front property. Buyers are mainly holiday makers with houses utilised in holiday periods or rented out through the busy seasons. Blocks of land range from $40,000 to $60,000 with the average 1970s home ranging from $130,000 to $180,000. Waterfront properties can reach $400,000 plus if of very good quality with views. Prospects are slow with prices remaining flat.

Latrobe Valley

The regions of Mirboo North, Boolarra, Jeeralang - located approximately 45 minutes south of the Latrobe Valley, mainly comprise small acreage properties. Mirboo North however is a well presented town with a shopping strip, brewery and primary and secondary college. The prices have slowed in the previous 12 months. Buyers are mainly owner-occupiers looking for that country lifestyle. 2 acre to 5 acre blocks generally range from about $130,000 to $200,000.

The Callignee region- located approximately 30 minutes south of Traralgon, was devastated in 2009 by the bushfires. However the area is coming back to life, with new homes being built and land being re-sold, with the greenery re-appearing. 2 acre to 5 acre properties generally range from $120,000 to $200,000 depending on whether it is bush or cleared with views. Callignee is considered a very attractive location of the Latrobe Valley.

Also within the Latrobe Valley area small towns just out of the main regional centres have recently performed reasonably well in a general climate of doom and gloom. Towns such as Glengarry, Toongabbie and Tyers are all within 10 to15 minutes of Traralgon and have managed to maintain price levels or make modest gains. The typical buyers are often younger families who weigh up the cost of a new house and land package in town against the cost of a rural residential property with well developed infrastructure and room to have a horse. These types of properties have had good levels of enquiry recently. It would appear that interest levels wane once the travelling time to town gets beyond 15 minutes.

MILDURA

It is an unfortunate reality that larger centres such as Mildura tend to grow at the expense of smaller towns within a 300 kilometre radius. Many of the people that move to Mildura do so from these smaller towns in order to access better health and community services and to seek out greater job opportunities.

In our region these smaller towns include Ouyen and Robinvale in Victoria and Balranald and Broken Hill in NSW. Ouyen and Robinvale are each approximately 100 kilometres from Mildura and have benefited from some strong local economic activity (sand mining in Ouyen and the table grape and almond industries in Robinvale), which has continued to create employment opportunities. Despite the economic activity in these towns, and the fact that there tends to be a shortage of accommodation for the number of workers drawn to the towns, residential values have remained weak particularly at Robinvale over the past two years.

Recent sales in both towns have generally been in the range of between $75,000 and $125,000, and typically involve 3- bedroom 1950s built houses of a modest standard, on allotments of around 1,000 square metres. Such homes would be expected to bring rents of up to $180 per week.

We attribute this weakness to the reluctance of families to move to smaller towns and for reduced interest from 'out of town' investors. Prior to the GFC, we saw some signs of a two-tier market emerging in Ouyen, with investors prepared to outbid locals as they chased the comparatively high rental returns on offer. However with fewer investors now in the market, values have once again levelled out.

....there has been a solid transfer of families to the Mildura area over the past two decades seeking greater employment opportunitie....

We expect each of the towns listed above to have stable populations in the next ten years, but would not expect any significant growth in real estate values.

Broken Hill is located 300 kilometres north of Mildura and has suffered major population decline over the past two decades. It has been a city heavily dependent on the mining industry, and the mechanisation of this industry has contributed to the population declining from approximately 30,000 in the early 1960s to below 20,000 today. There has been a solid transfer of families to the Mildura area over the past two decades seeking greater employment opportunities. It is interesting to note that 100 years ago, Broken Hill had the highest population in the entire Murray Darling Basin – which includes centres such as Toowoomba, Albury, Wagga and Canberra.

Adelaide

With geographic restrictions of the coast to the west and the hills to the east the urban sprawl of Adelaide has slowly been spreading further north and south. Many new suburbs have been created along the way including Golden Grove in 1985 being around 18 kilometres northeast of the CBD and Mawson Lakes in 1998 being around 15 kilometres north of the CBD. With new suburbs and subdivisions continuously pushing the outer limits of the metropolitan area, the current most far flung suburbs to the north would be considered to be Munno Para, Buckland Park and Gawler and their surrounds at around 32 to 40 kilometres from the CBD.

Gawler being 40 kilometres north of Adelaide was previously considered a country town and was actually the first country town established in the state in 1836. With urban sprawl now on its doorstep it is no longer a country town but a suburb of greater Adelaide and has expanded in size with numerous new housing subdivisions to its surrounds.

Riverlea at Buckland Park around 32 kilometres from the CBD is the first stage of the largest residential development since Golden Grove. It will cover 1340 hectares and requires the construction of major new intersection on Port Wakefield Road. The first stage will see around 600 allotments created along with a neighbourhood centre - the first residents are expected to move in around the middle 2013.

Down south the story is fairly similar however the spread will one day be stopped by the ocean. Many small coastal towns once considered tourist and fishing destinations have been expanded by new land releases and are now thought of as everyday suburbs of Adelaide with residents doing the daily commute into the CBD. The furthest suburb is currently Sellicks Beach which is around 48 kilometres from Adelaide. Slightly closer to the city is Aldinga and Aldinga Beach, both suburbs that have expanded considerably in recent times.

Straight up the South Eastern Freeway in the foothills resides the township of Mount Barker around 34 kilometres from the CBD. New land releases surrounding the town have seen this area increase rapidly in size over the past ten years.

As with all new housing developments it takes time for services and facilities to establish locally and often in the early stages of any new subdivision residents will need to travel up to ten kilometres to already established localities in order to access the facilities they require. This has not been the case for either Gawler or Mount Barker, as long settled townships the services and facilities were well established and therefore well positioned to grow and expand along with the population. At this stage Westfield Tea Tree Gully and Elizabeth Shopping Centre to the north and Centro Colonnades to the south are the closest regional shopping centres to these locales.

Public transport to these outer suburbs is generally poor with maybe the exception of Gawler which is serviced by a train line direct to Adelaide. Our population remains heavily reliant on the use of cars to get from one point to another and as the number of cars on the road increases so does the congestion, particularly at peak hour. There is also limited scope for improvement of our public transport system, which being heavily reliant on buses also adds to the congestion on the roads, in turn increasing travel times especially when living further out of the city. On the cards is an extension of the existing Noarlunga train line to Seaford in the south, which is a step in the right direction, however stops around ten kilometres short of suburbs on the edge of Adelaide's metropolitan boundary.

All of the new houses built tend towards being fairly generic brick veneer dwellings with basic amenities and simple low maintenance gardens – many are sold as house and land packages.

Generally the far flung suburbs tend to be most attractive to either first home buyers or investors due the low price point for entry into this market. $250,000 in any of these locations should be enough to purchase a 3- bedroom, 1- bathroom, 1- car home on a block of around 350 square metres. There is currently house and land packages advertising dwellings with the above specifications located within the suburb of Munno Para West for just over $200,000. It is worth noting however that at this very low end of the market the price of the dwelling is directly reflective of its quality and location. For around $350,000 the dwelling will include 4- bedrooms, 2- bathrooms and 2- car accommodation.

On the 15th October 2012 the South Australian Government announced a boost to the First Home Owners Grant for those who build or purchase a new home from $7,000 to $15,000 to commence immediately.

A separate Housing Construction Grant for $8,500 was also announced. This would be available to anyone who builds or purchases a new house with a value up to $400,000.

These are government initiatives to provide stimulus for the building industry which has been struggling in recent years with housing approvals falling from 12,560 in the 2009/2010 financial year to just 8,545 last financial year.

First home owners who look to build or purchase a new home can now secure up to $23,500 in grants almost equal to the $25,000 on offer a few years back. With interest rates returning to all time lows it is expected that there will be a significant take up of these offers. Unfortunately cash handouts like this tend to inflate prices artificially with both land and building costs expected to now come at a premium. There is also speculation that these grants may increase the demand for new land and transfer demand from existing dwellings to new houses.

With the current state of the residential property market it is still difficult to believe that property within these suburbs will increase in capital value in the short to medium term, particularly as this stimulus may push the market into a state of oversupply. However the Adelaide property market has always performed solidly over the long term.

Brisbane

When it comes to far and wide, Brisbane finds itself with plenty of outlying property that still feels surprisingly close to the CBD compared to other big capital cities. You can drive comparatively few minutes from downtown B-Vegas and have a fairly substantial homesite for not too much dough if you know where to look.

If north is your bet, then the suburbs of Morayfield, Caboolture and Wamuran are your likely destination. Here you can find a 16 hectare site with the option of either flat grazing land or steep property with an elevated homesite and views. House quality of course varies but so do the prices with $550,000 to $900,000 demonstrating the broad range of possibilities. The kicker is this market is volatile. When things are hot then all is well but since late 2008 there has been a slowdown. Our valuers are seeing more activity this year but that is coming off a fairly low base in 2010 and 2011. There was keen interest from investors during the good times but this sector has all but dried up. There are many over leveraged buyers now having their holdings offloaded and mortgagee in possession sales are fairly common, particularly for the smaller sites.

....first home owners who look to build or purchase a new home can now secure up to $23,500 in grants almost equal to the $25,000 on offer a few years back....

Now if for some slightly strange reason you were looking to get out of town but still wanted the convenience of a small, low maintenance abode then Caboolture has units on offer. Caboolture is well serviced with a busy commercial hub and train line access to both the CBD and Sunshine Coast. There are plenty of tenants in the area, so finding a renter shouldn't be a problem. That said the attached housing market has proved to be a bit of a lemon over the past few years. A recent sale at 26 Edward Street saw the 2- bedroom, 2- bathroom unit realise $190,000 as part of a mortgagee sale. This same unit sold for around $320,000 not too many years ago. The unit is part of a secure complex adjacent to the Caboolture River with an onsite manager and good presentation so it just has to be the slow market that resulted in the affordable figure. Other units in the complex not sold by mortgagee's are realizing low $200,000's. It sounds so cheap but when you are able to buy a detached house in the area for $250,000, the competition is obviously fairly tough.

Heading south the rural residential communities around Munruben are the go. There has been plenty of low density subdivision going on and a 4000 square metre to 8000 square metre lot should only set you back about $250,000. There are also a lot of post 1990 4- bedroom, 2- bathroom lowset dwellings of good size with the total price for an established house and land being $450,000 to $500,000. Our valuer put the travel time from the city centre at just under an hour. Buyers are mostly family's with many needing to agist their princess's pony. The area is serviced by Brisbane City Council buses. As for the market, well… it has been fairly lousy. Buyers can see these suburbs as just too far away from comprehensive convenience facilities. Sure there is major shopping in Browns Plains and a new Woolworths in Greenbank, but you are always climbing into the car to pick up the necessities. Buyers just aren't that keen at the moment and sellers are probably at the end of their price discounting tether so sales volumes are way down.

....Russell Island and Macleay Island are two instantly recognisable localities that see 500 square metre to 1500 square metre allotments starting at only $20,000....

The bright spark for this southern semi rural stretch that connects Brisbane to Beaudesert, is that there are signs of development potential. The locality is part of an investigation where government is considering some higher density uses. That said be careful of the hype. There have been speculative purchase prices from a few game developers but nothing is a sure thing in the property game until the deal is done.

Finally let's head out to sea. The eastern suburbs hold the promise of salt air and a relaxed lifestyle and if you want isolation well we have just the thing. The Morton Bay islands offer the keen inhabitant plenty of fishing, some mosquitoes and some very affordable property – just pray you don't need to go anywhere on the mainland in a hurry. You are at the whim of the ferry if you don't have your own means of water transport. Russell Island and Macleay Island are two instantly recognisable localities that see 500 square metre to 1500 square metre allotments starting at only $20,000. If you've got what the locals call a 'liveable shed' plus other improvements then add another $100,000 or so. The end result is houses selling for $150,000 to $200,000 without a view. If you step yourself to over the $200,000 market then you will find yourself looking at some of the nicer bricks and mortar. The very prestige stuff (i.e. direct water access from your own jetty and with great views) can cost up to $500,000 and you will get a solid brick home with double garage. The downsides are that the market is not for the faint hearted as demand is low and volumes are not great. The market has the potential to sit in the doldrums for some time and should only really appeal to those who are very patient investors or looking to settle in The Bay. There has been a lot of mortgagee-in-possession activity so that hasn't boded well.

For bay island elite, the place to be is Kooringal. This is outer outer outer space as you are dependent on the tides if you want to drive to your home. Our valuer has been known to wade through a bit of water just to get from the ferry to the inspection but it seems there are plenty of owners of means amongst this small township. There is nothing directly on the water but an esplanade fronting vacant allotment will set you back $400,000. Just remember, shoes are optional.

Gold Coast and Tweed Coast

GOLD COAST

Tamborine Mountain

Tamborinw Mountain is a small hinterland location situated on the eastern escarpment of Mount Tamborine, approximately 35 kilometres from Surfers Paradise. The area has boutique shopping and Devonshire Tea Houses along Long Road (known locally as Gallery Walk) as well as some local shopping facilities. Development in the area comprises a variety of mainly low to medium quality housing in a mixture of ages and styles. Some housing in the area offers excellent views of the Gold Coast Hinterland. Prices on the mountain vary from low $200,000s to over $2 million for luxury properties.

There are currently a limited number of sales occurring in the Tamborine Mountain market hence ascertaining values for potential vendors and purchasers is becoming all the more difficult. There have been a number of distressed sales in the past twelve months which have seen significant value reductions since this peak of the market in 2007/ 2008. When analysing those transactions that have occurred, ascertaining relativity is becoming increasingly challenging. All price points have experienced downward corrections which have been even more acute than those experienced around the central populated areas of the Gold Coast.

Local agents are reluctant to take on new listings unless vendors are prepared to price their properties at current market levels as protracted sales campaigns often result in no guarantee of a sale.

Springbrook

Springbrook is a residential and rural village situated at the top of the Gold Coast Hinterland, some 40 kilometres from Surfers Paradise. Development varies from residential housing to small acreage properties to larger rural type properties/land holdings. There is a primary school, general store and a small number of cafes and restaurants. Access to Springbrook is via a steep and winding road. The weather at Springbrook can vary greatly, with hot and cold extremes.

Typical residential properties range from modest/older style cottages to reasonable quality housing, with the main value range being between $240,000 and $400,000, with a small number of properties over the $400,000 price range.

The smaller acreage properties generally range in value between $300,000 and $700,000, with a small number of these type of properties over the $700,000 price range.

The larger rural properties/land holdings are generally in the over $500,000 price range. We note that in the recent past, the Government has been purchasing a number of these larger rural properties/land holdings to extend the National Park.

Based on comments from a number of real estate agents actively involved in this market, there are a mixture of buyers/owners at Springbrook, ranging from young families, retirees, self-employed, and single parents, along with properties that are 'locked-up' for holidays.

In general, value levels have declined since the peak of the market, in line with the general Gold Coast residential real estate market, in the order of 20% to 30%. Generally, properties require a longer marketing period of up to nine months, compared to a shorter marketing period in the general Gold Coast residential real estate market.

The property market of Springbrook appears to have reached the bottom and has stabilised. There does not appear to be a good chance of capital growth in residential property values in Springbrook in the short or medium term, however, this may change if the proposed skyrail project goes ahead.

TWEED HEADS

Murwillumbah

Murwillumbah is a relatively small, semi-rural locality located approximately 30 kilometres to the south-west of Tweed Heads and approximately 25 kilometres west of the coast in northern NSW.

Murwillumbah services the Tweed Valley which comprises a mixture of small residential townships as well as a mixture of rural activities such as cattle grazing, milk production, fruit and vegetables and horse pursuits. Murwillumbah features two supermarkets as well as a number of cafes/restaurants, speciality shops, numerous pubs and hotels, a cinema complex and numerous sporting facilities.

Development in Murwillumbah is of mainly older style, Circa 1950, 'Queenslander' style dwellings typically on blocks ranging from 500 square metres to 800 square metres. These properties can be purchased for as little as $200,000 (poor condition), with some of the superior properties located on the hill with great views selling for over $500,000. There are also two new housing estates known as 'Hundred Hills' and 'Riva Vue' which have recently been completed on the outskirts of the town. Sales activity is currently very slow in both these estates, with very few vacant allotments sold in recent months. A vacant allotment can be purchased for around $150,000 depending on position and topography, with a new house containing 3- bedrooms, 1- bathroom and single garage selling just over $300,000.

The general buyer is someone wanting to be relatively close to the beach Tweed Heads or Coolangatta, but wanting to live in a semi-rural, laid back township. There are also quite a number of 'nature lovers' in the area, which is known for its natural beauty including Mount Warning.

I believe the older parts or Murwillumbah provide good value based on current housing prices and given there is only a limited number of properties located within walking distance of the CBD. There is currently an over-supply of land in the new housing estates which may take some time to sell.

I believe market conditions in Murwillumbah will remain subdued for some time and will rebound when coastal areas such as Tweed Heads/Coolangatta and Kingscliff start taking off again (who knows when this may be).

....a vacant allotment can be purchased for around $150,000 depending on position and topography, with a new house containing 3- bedrooms, 1- bathroom and single garage selling just over $300,000....

Sunshine Coast

Affordability is one of the big factors on the Sunshine Coast. The value increases experienced in the boom times resulted in expensive property prices when compared on a national basis. Subsequently affordability has been a real problem with difficulty getting into the market – the median house price on the coast being $440,000 when compared to the Queensland average of $395,000 (Aust. Property Monitors).

We all want the flash new home in a great area on a quarter acre, but that's above the budget for most of us. There are however options to get into the market with a new home for under $400,000 by reducing expectations to address affordability.

In response we have seen some of the developers cut the size of their lots with an aim of producing a block of land with the ability to construct a new home for under the $350,000 price point. Admittedly these small lots are somewhere between 180 square metres to 320 square metres and aren't everyone's cup of tea, but they have been well received by the market with take up of this stock being quite good.

You can also get into some of the older coastal areas up and down the coast for under $350,000/$400,000. These will be homes of 20 plus years of age and sure, they may be dated and need a bit of work, but they will be on more traditional size allotments in some cracking areas.

Then if we roll on out to the hinterland, the opportunities continue. The former regional centre of Nambour and the railway townships of Beerwah, Landsborough and Palmwoods/Woombye to the south and Yandina, Eumundi and Cooroy/Pomona to the north offer good community style living. Nambour offers the full gamut of services with the railway towns typically providing good amenities with schools, local shops and the all important pub. There are no problems obtaining a modern home on a standard sized block under the $350,000/$400,000 price point and older homes provide a cheaper option again.

Southern Queensland

TOOWOOMBA

Toowoomba is a major regional centre servicing numerous satellite areas located within a 30 minute drive of the city. Examples of these suburbs include Withcott, Helidon, Kingsthorpe, Gowrie Junction, Wyreema and Cambooya. These suburbs provide more affordable land and housing options when compared to the more urbanised areas of Toowoomba, Highfields, Hodgson Vale and Westbrook.

Residents in these satellite townships often maintain employment in Toowoomba and are prepared to accept longer travel times in exchange for more affordable housing options. Vacant land can start in the $70,000 to $95,000 price range in Cambooya and Kingsthorpe through to $90,000 to $150,000 in the more developed village of Withcott.

The demand for vacant land has softened in the last two years, however in some suburbs, namely Cambooya and Wyreema, estates have been developed with house and land packages targeted at the investor market dominating sales in these two villages. Local buyers of vacant land are extremely limited in these markets.

Wyreema Aerial

Modern, 4- bedroom, 2- bathroom dwellings can be bought in these satellite areas in the $300,000 to $350,000 price range with higher prices paid for large dwellings with extensive ancillary improvements such as sheds and pools. These price points and housing standards attract buyers that can identify value for money when compared to the generally inferior standard of housing that $300,000 to $350,000 can buy in Toowoomba.

Helidon

Shown above is a modern 4- bedroom dwelling in the village of Helidon currently listed for sale for $280,000. This type of product has been subject to limited buyer enquiry in Helidon with known values in decline over the past 12 to 18 months.

Other suburbs performing slightly better include Withcott and Kingsthorpe, however declining vacant land values have been observed. The southern satellite village of Cambooya incorporates a new housing estate which appears to be primarily marketed at investors with no local agents involved in the marketing of the project that we are aware of.

A number of areas across these satellite areas have the potential to develop into rental-bands, which may lead to diminishing amenity and possible value regressions.

IPSWICH

Ipswich forms the centre for many of south-east Queensland's country townships. Towns in this location include Boonah, Laidley, Fernvale, Esk, Peak Crossing, Harrisville, Lowood, Coominya and Forest Hill.

Property choices in these areas range from newly established brick homes on town blocks, to older homes and rural lifestyle property.

Townships such as Laidley, Lowood and Fernvale are seeing a higher level of investment in residential investment property by local and absentee investors. Demand for rental accommodation is meeting supply at present and investment stock is generally showing moderate falls in value over the first few years.

Townships such as Boonah have a higher proportion of local investors and owner-occupiers. Boonah is generally holding steady and has traditionally shown moderate but stable growth.

Small communities such as Peak Crossing and Harrisville have a mix of housing stock from cheaper older style timber dwellings to newer substantial homes on rural residential allotments. The proximity to Ipswich is driving this market for owner-occupiers.

The rural lifestyle market, being properties over 15 hectares in area but not viable as a rural enterprise, have shown significant falls in value over the past four years. Limited demand for this type of property has seen extended selling periods of over six months and restricted lending practices.

Generally values in these areas are expected to hold but capital growth is not likely in the near future.

Central Queensland

ROCKHAMPTON

In the Rockhampton Region, fringe residential towns include Cawarral, Mount Chalmers, The Caves, Bouldercombe and Bajool. Most of these towns provide basic facilities including primary school, general store/petrol station and/or hotel. Most are located within easy drive to the major facilities and employment opportunities available in the city of Rockhampton. The towns of Cawarral and Mount Chalmers also benefit from being located within a short commute to the beaches located along the Capricorn Coast.

Typical allotments in these towns are larger than those found in the nearby city of Rockhampton, and are usually improved with aged timber or fibro dwellings. More and more modern brick and lowset homes are starting to find their way into these towns.

Owner-occupiers seeking affordable housing in a quiet rural town setting are the dominant buyers in this market. Sales activity is limited with homes that do sell not reflecting any substantial capital growth over the past five to ten years. We consider that this is unlikely to change in the foreseeable future. Entry price point for these towns is in the range of $200,000 to $300,000.

....vacant rear blocks start at about $115,000 and climb substantially for the esplanade frontage blocks....

BUNDABERG

Woodgate

This month we are taking a look at the isolated areas in our region. One such area is the coastal town of Woodgate. Woodgate is a small, beachside village located about 50 kilometres south of the Bundaberg Central Business District and about 40 kilometres north east of Childers. High schools and local shops are located in Bundaberg and Childers.

Woodgate is mostly populated by older residents who appreciate a simpler lifestyle. The population grows markedly during holiday periods with large numbers of young families visiting to enjoy the calmer waters and long sandy beaches. The township offers a quiet and picturesque place to relax, unwind and enjoy a natural experience. The town is stretched behind the esplanade and is an eclectic mix of traditional 'Queenslander' style homes, 1950s beach shacks, modern homes and some more palatial designs. A shop, hotel and accommodation are all located at Woodgate.

Buyers are predominately people financially secure who are looking at retirement. Vacant rear blocks start at about $115,000 and climb substantially for the esplanade frontage blocks. House prices for a near new 4- bedroom brick start at around $300,000 and increase substantially depending on the proximity to the water.

Values have been stable for some time and we expect this to continue for the short to medium term.

HERVEY BAY

Fraser Island

Fraser Island is just a short 45 minute barge trip from River Heads, however the property market is largely stagnant for this location. There is an abundance of property for sale on the Island which may be due to a reduction in lifestyle spending from the slow economic climate and a misalignment between vendor and buyer expectations. Vacant land near the Kingfisher Bay Resort is listed for sale around $170,000, with luxury homes on beachfront sites asking above $700,000.

Eastern Forest Estate is a subdivision to the east of Kingfisher Bay Resort on the western side of the island. Sales within the estate were active throughout 2009 and 2010, however research has revealed there has not been a vacant land sale within this estate since 2010, with sale prices ranging from $80,000 for 483 square metres to $235,000 for 1,087 square metres. Most sales throughout 2010 hovered around $155,000 for sites above 900 square metres. The lots are fully serviced with electricity, telephone, sewerage and reticulated water. The more elevated sites achieve good ocean, hinterland and mainland views to the east. The development is a part of the Kingfisher Bay Resort, with vendors entitled to use the Resort's facilities, which include several inground pools.

Streetscape

Typical vacant site

On a more positive note, there have been two recent dwelling sales within Eastern Forest Estate in 2012 with the highest achieving a sale price of $560,000. This property comprised of a modern, low set, circa 2010, timber weatherboard dwelling, with large deck, single built-in garage, and single attached carport, offering extensive ocean and hinterland views. Selling agents have reported ongoing enquiry for property on the Island, however many potential buyers become deterred by the regulated building constraints for this location.

MACKAY

Clairview

In the Mackay region, probably the most isolated coastal hamlet is Clairview. Clairview is a small beachside community located approximately 130 kilometres to the south of Mackay city. Development comprises a strip of mixed range, modest to average quality housing all with beach frontage. Services include a small shop and post office within Clairview. A primary school is located approximately 28 kilometres to the north at Carmila and the township of Sarina is located approximately 94 kilometres to the north, and comprises two neighbourhood shopping centres, local shops, primary and secondary schools. Regional shopping centres are located in Mackay city. At high tide, most properties have beautiful views out over the ocean to surrounding islands. At low tide, you can almost walk to them! Prices for small, very basic shacks start around the $200,000 mark with more substantial dwellings reaching up to about $400,000 making this area one of the most affordable absolute beach frontage villages in the region.

Cairns

The Cairns region has a wide variety of far flung locations and markets, each with their own unique conditions and drivers. Three of the most far flung are Karumba, Thursday Island and Weipa.

Karumba

Karumba is a small township with a population of approximately 640 situated at the mouth of the Norman River approximately 750 kilometres by road west of Cairns. It is located at the south eastern corner of the Gulf of Carpentaria. Karumba's economy revolves largely around fishing (prawning) and tourism. Karumba is also the export service port to the Century Zinc Mine, which is located in north west Queensland inland from Karumba and connected to the town by a 304 kilometre mineral slurry pipeline.

....three of the most far flung locations in Cairns are Karumba, Thursday Island and Weipa....

Housing in Karumba consists predominantly of older style 2- or 3- bedroom low set houses. With limited new housing construction, there are few modern homes. Turnover is limited, with normally less than 20 sales per annum and an average price in the $200,000 range. It is mostly a locals market, with the majority of houses held by individuals who are either locals or have some local interest. Current market conditions are flat and slow.

Thursday Island

Thursday Island is the main population and administrative centre for the Torres Strait region. It is located 800 kilometres by air north of Cairns and is accessible via twice daily air services through the airport on neighbouring Horn Island. Population is approximately 2,900 persons out of a total Torres Start region population of 10,900. The main industries of the Torres Strait region include fishing, prawning, pearling and tourism, but there is also high dependency on government agencies and welfare. Because of the small size of the island there is a chronic shortage of land and housing which, together with the inordinately high cost of construction on the island due to the necessity for building materials to be barged from Cairns, results in high property prices and inflated rental levels.

The property market on Thursday Island is thin, with less than ten properties changing hands each year. This is due, in large part, to the low number of dwellings in private ownership, with the majority being owned by state and Commonwealth Government departments and agencies. House prices over the past three years have averaged in the order of $700,000. The rental market on Thursday Island is also thin and rents are extremely high. A significant component of rental demand is for properties rented by government departments for employee housing purposes.

Weipa

Weipa is a bauxite mining town with a population of approximately 3,500 people located on the western side of Cape York Peninsula, approximately 620 kilometres by air northwest of Cairns, or 810 kilometres from Cairns by road, the last 500 kilometres of which are mostly unsealed and of 4WD standard only.

Weipa has a diverse range of housing choices and styles constructed from the 1960s through to the present, including separate houses, duplex houses, units, townhouses and villas and single person dongas. The present housing supply is extremely tight and vacancies are rare. Weipa experiences an active property market with an average of 100 to 200 properties changing hands each year. Current house prices are now largely in the $400,000 to $500,000 range. Buyers are mainly locals but there is the occasional outside investor.

....house prices over the past three years have averaged in the order of $700,000....

Weipa is directly influenced by world commodity markets which result in the 'boom bust' conditions typical of remote mining towns. While we envisage the property market in Weipa being static or possibly strengthening over the next 12 months, conditions can change unexpectedly and over very short periods of time.

Townsville

Magnetic Island

Magnetic Island is one of Townsville's better know 'far flung suburbs' as it is only accessible via ferry or barge from the Townsville mainland. 'Maggie' is approximately eight kilometres from the mainland and is a 52 square kilometre island comprising significant national park areas and 23 beaches and bays.

Magnetic Island has a permanent population of around 2,200 persons with a median age of 47. This is predominately a holiday destination with a large portion of residential property being holiday letting. It comprises a mixture of dwelling types of varying ages along with modern marina/harbour front unit developments. The main populated areas of the Island include Picnic Bay, Nelly Bay, Arcadia and Horseshoe Bay, which are all accessed via sealed bitumen roadways.

Like most tourism destinations the Magnetic Island property market experiences more extreme rises and falls in property values compared to other areas. We have seen significant decreases in prices down by around 30% for older style weekender residential and 50% for investor type units and vacant land since the peak of the market making value for money property on the island better then ever. This market attracts both local and further a field investors looking for their own holiday home with the potential of a return through holiday letting. Although currently still at the bottom of the market cycle, it is anticipated that when the recovery phase begins it will be more extreme due to the current low base level.

Paluma and Hevery Range

Other suburbs which are somewhat isolated include Paluma and Hevery Range. Both these suburbs are located in elevated areas within the Townsville region experiencing milder climatic conditions to Townsville.

Paluma is a small township located approximately 80 kilometres from Townsville's city centre. It is located in the Mount Spec ranges of Townsville's heritage listed wet tropics. Property is this area is thinly traded with under 40 transactions having occurred over the past five years with a median price of $225,000. Houses are generally timber framed and constructed in around the 1950's. Holiday homes, owner-occupiers and weekend retreats form the likely buyers to the area.

Hevery Range forms part of the Charters Towers Shire Council boundaries and is located approximately 50 kilometres from Townsville's City Centre. Hervey Range is one of the highest peaks in the Townsville region providing acreage style living. Generally property types include a mix of high and low rise dwellings constructed in the 1980s to 1990s. Census data for the Hervey Range suburb indicates that there are 234 private dwellings with a population of 445 persons and a median age of 40. Owner-occupiers and weekend retreats are most likely buyers for this area.

Overall the Paluma and Hervey Range areas are a more attractive option to owner-occupiers with potential investor returns in these localities considered low. Residential property in Townsville is currently at the bottom of the market cycle with the current median price softer then it has been during the past few years. This may provide some positive capital growth over the median to long term, however given the location and lessor demand for this type of property it may not be on par with the traditional residential suburbs of Townsville.

Tasmania

For this month in review we were asked to consider those areas that are seen by our valuers to be far a field, or distant. Given Tasmania doesn't have the largest of cities, this commentary will primarily focus on the distant coastal towns of Tasmania's east coast. Whether traveling from Launceston in the north, or Hobart in the south, the beautiful Tasmanian east coast is at least an hour and half's drive from either centre. For those mainlanders reading this you only have to Google 'Bay of Fires' or 'Wineglass Bay' to understand the attraction of the area to permanent residents, retirees, shack owners and tourists.

The east coast is made up of a number of smaller coastal villages or towns with some slightly larger regional centres and kilometre after kilometre of beautiful coastline. The local economy of the region relies upon a number of industries such as fishing, forestry and agriculture. However, the life blood of the east coast is tourism. The warmer summer months are peak tourist season for these areas, and this brings roads filled with interstate and international tourists. In addition to this with each long weekend or holiday period Tasmanians seemingly evacuate Launceston and Hobart to travel to 'the coast'.

There are a number of market segments within the various centres along the coast. It goes without saying that anything with water and beach frontage or views demands a premium. This is particularly evident in well held markets such as Coles Bay where land values are significantly higher than most other centres. Towns such as St Helens, Scamander and Bicheno have larger markets due to the number of permanent residents; however, second dwellings or shacks still make up a large portion of the market. New land developments have been released in a number of these areas of recent years, however as the market has peaked these have experienced varying levels of success, with some having considerable stock levels remaining and buyer incentives now being offered.

The east coast market on the whole has dropped over the past few years from the market peaks achieved towards the end of the 2000s and is now selling below these levels. Generally most areas have stock levels exceeding one to two years across all market segments depending on the locality. The Triabunna market in particular has declined significantly due to the closure of the locally based woodchip mill. The market more generally has been affected by the downturn in tourism and poor economic climate, which has lead to a reduction in demand for second dwelling properties. Like most other areas in Tasmania you won't see any market recovery or value increases in the market until stock levels are reduced. The silver lining is this is giving today's buyers more 'bang for their buck' across all market segments.

....a $110 million upgrade to the main highway between the city and the rural outer lying areas, Tiger Brennan Drive, in 2009 has allowed for greater and more direct access to the rural suburbs....

Darwin

Darwin's outer lying residential areas are considered to reach out as far as Adelaide River some 120 kilometres to the south. Due to their proximity from the CBD of Darwin and subsequent employment these areas of the market see limited movement and tend to remain stable.

Generally purchasers in these areas are owner-occupiers or families looking for privacy and modest living. The majority of blocks in these areas are serviced by bore water and a mix of generator and town electricity power. It is not unusual for dwellings to be uncoded in these areas including converted sheds, shipping containers, or fixed caravans. This is a consequence of high construction costs in the Northern Territory which tend to increase the further the dwelling is erected away from Darwin.

A $110 million upgrade to the main highway between the city and the rural outer lying areas, Tiger Brennan Drive, in 2009 has allowed for greater and more direct access to the rural suburbs. This has resulted in the rural suburbs becoming more appealing to potential buyers giving the suburbs more growth throughout demand.

For buyers looking to purchase in one of the many outer lying suburbs, for example in Berry Springs (approximately 60 kilometres south from Darwin's CBD) a 2 to 3 hectare block ranges from $250,000 to $300,000 per block. Whereas an established rural residential dwelling in Berry Springs will set a purchaser back approximately $630,000 to $740,000 on a 7.5 to 10 hectares.

In May of this year the ASX announced the acquisition of 600 hectare in regional Livingstone by the Australian Agricultural Company Ltd (AACo). This land was purchased for a meat processing facility from which the AACo expects to supply meat throughout Australia and to the growing Asian markets. The meat processing facility, expected completion in June 2012, is forecast to support 230 assembly jobs during construction and up to 270 operational jobs to be created as processing levels increase (Australia Agricultural Company Limited 2012). However the general public awaits confirmation of the start and completion dates of the abattoir. These jobs could have an impact on rental returns for investors and vacancy rates in the outer suburbs, however it is not expected to have much of an affect on capital growth.

Other than the planned abattoir many residents to these areas would be required to commute to the city of Palmerston for work and shopping with most areas providing for only a pub come corner store in each suburb.

Nonetheless, these properties can provide good value for an owner-occupier seeking rural living. However, the serviceability of these properties and proximately to employment provide for a relatively flat market.

Perth

The rental market remains the critical pressure point in the Perth metropolitan area with rents increasing approximately 14% over the past year. As a result of this ongoing pressure, many renters are weighing up the extra cost for owning their own home as against renting, as the differential between rental and mortgage repayments narrows.

....these properties can provide good value for an owner-occupier seeking rural living....

With rents moving to double digit growth in most areas, the housing affordability equation is swinging back to home purchase due to stable house prices. Additionally Western Australia is experiencing a relatively strong local economy which is supported by low unemployment rates, underpinning wages growth. The outlook for interest rates remains positive with expectations of further cuts by the Reserve Bank.

A major trade off for potential buyers, who are primarily first home buyers, is the accessibility and mobility they will have by moving out of the city centre and towards the Perth periphery. As a result, these located towards the Perth periphery need to be well serviced and accessible by commuters to make these suburbs attractive.

Peripheral suburbs are traditionally characterised by larger master planned communities conducive to these markets with schools and community centres within close proximity and appeal largely to young families. However, buyers need to weigh up this lifestyle with the prospect of low capital growth attributed to strong continual supply of land and lighter infrastructure and amenity surrounding the area.

A popular suburb which caters for young families, first homebuyers and commuters is Baldivis, which is situated 42 kilometres south of the Perth central business district. Based on REIWA statistics, the current median house price for Baldivis is $429,000 and is a suburb that consists predominately of free standing, single storey residential dwellings.

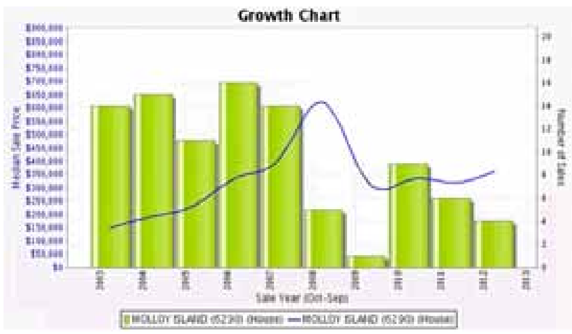
Furthermore, the suburb of Ellenbrook is situated approximately 24 kilometres north east from the Perth central business district. Ellenbrook is considered quiet isolated with no major train lines connecting the suburb to the city centre. However, it has been designed and developed as a self-sustainable community, with each phase of development replicating a different "village" characteristic. Primarily, the suburb comprises detached, single storey residential dwellings with pathways and cycle paths linking the suburb together. REIWA statistics indicate the current median house price in Ellenbrook is $387,000 and a strong number of first home buyers purchasing in the area.

Based on the current rental situation across the Perth metropolitan region, it is anticipated that many renters will make the move to home purchase and trade off the travel times and costs associated with living near the Perth periphery. As rental properties are in high demand at present, there is limited supply coming on to the market and the recent interest rate drop means Perth is beginning to look like a buyers market for the beginning of 2013.

South Western WA

With regard to remotely located areas they do not come much more remote than Molloy Island on the southern tip of Western Australia. As the name suggest Molloy Island is a small island situated in the middle of the Blackwood River. While it is only six kilometres north east of Augusta as the crow flies, it is actually 16 kilometres by car and a short car ferry trip across the river to the island. The island is a popular tourist destination, with many of the properties purchased as holiday homes, however there is also a large contingent of people living on the island and calling it home.

The island comprises approximately 270 properties of which approximately 65 percent have been developed. These range from very simple 2- bedroom 1- bathroom timber shacks to very elaborate 4- bedroom, 2- bathroom executive standard homes with canal frontage. The majority of the houses are of timber construction and the majority of the island is bush land.



As you can see from the above graph there was a meteoric rise in values from 2003 to 2008 of about 400%. Then when the global financial crisis (GFC) hit and the values fell with a bang, dropping almost 50% from their peak with sale numbers also declining significantly. Since the GFC, the island has been viewed as being high risk with most banks only willing to loan up to 50% of value. Current sales numbers as a result have been well below pre GFC levels.

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Tralagon, VIC	03 5176 4300	admin.tralagon@htw.com.au
Tweed Heads, NSW	07 5523 2211	admin.nc@htw.com.au
Wagga Wagga, NSW	02 6921 9303	admin.wagga@htw.com.au
Whitsunday, QLD	07 4948 2157	admin.mackay@htw.com.au
Wollongong, NSW	02 4221 0205	admin.wollongong@htw.com.au
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Rural – Market Directions

Another month passes and as we approach the Christmas season it appears there may not be as much in the Christmas stocking for the farmers given the dry weather across most farming regions. Reports of farmers feeding off crops, smaller heads in the grain, etc. appear to be more common across the board.

This month there is not much new sales evidence to report which is indicative of the sentiment in the market, with Queensland still experiencing significant activity under pressure situations. Central and western NSW have experienced some activity which has largely been inline with market expectations. In regional Victoria we hear of some investments into the processing end of the rural market and down steam supply chain investment which is a positive message for the local area and the horticulture market generally.

The need for investment from many areas, a coordinated approach to the development of markets and supply chains and looking for alternative capital sources has been highlighted in the ANZ Insight, "Greener Pastures: The global soft commodity opportunity for Australia and New Zealand" (Issue 3 Oct 2012). This report highlights the significant and somewhat unique position the Australian and New Zealand agricultural sector is in to provide food and fibre solutions to an emerging middle class population. Uplifts in the income opportunities are forecast at $710 billion for Australia and $550 billion for NZ in today's dollar terms, over the next four decades. The report does highlight many aspects of the agricultural market that requires attention and a key message is that a coordinated approach by all stakeholders is required to maximise this opportunity.

With the outlook in the medium to long term appearing sound, but requiring significant work, the question for today is who is going to drive this change and at what stage will investment into the rural sector start to see positive outcomes for land owners? An aging farmer demographic, lack of succession and business planning and a need to build more long term sustainable relationships are all identified as current challenges to the sector that require solutions. The report also highlights that other forms of access to capital outside traditional means needs to be investigated by those in the market. So this raises the question, who is best placed to provide support and advise when it comes to understanding key differences and individual assets; having an indepth knowledge of the market; and investigating all the factors and variables that could impact on a property valuation. Tim Clark from our Busselton office provides a great insight why it is important to engage the right people who understand the local market, to provide valuation services.

Please enjoy to regional overviews that follow and we appreciate any feedback our readers may wish to provide.

Tim Lane Ph: (07) 3319 4403

1 November 2012

Southern NSW

Parts of the extreme south-east of NSW and most of north-east Victoria may be the only bright spot in an otherwise fairly dismal season end. As the winter/spring season draws to a close in southern NSW and north east Victoria most farmers in a small area are celebrating a great season. While it has been too wet in some areas, and other areas have not received much rain, the timing of rain was spot on. The area that has experienced a good season is quite restricted, and is generally with a radius of 100 km from Albury - not a big area, but a very productive one with the Upper Murray, Kiewa and Mitta Valleys included in the area. Farmers are flat out making silage (between the rainfall events), and hay making will follow shortly. Crops are looking good and canola harvest is likely to start out to the west of Wagga in the Lockhart area within about three weeks. Yields are likely to be somewhere near average or a bit below, but at least there will be a lot of crops that are worth harvesting, which is a bit of a better outcome than what farmers are experiencing further north.

Not much joy on the property sales front, despite the good season and slightly increased buyer enquiry. The last four auctions in the south-east have attracted one genuine bid between all four auctions. Three of the four properties passed in on vendor bids, and the fourth received one vendor bid then one genuine bid that was below the figure paid for the property three years ago. I understand that one of the properties is close to a negotiated sale at what I have been told is a pretty solid figure. In this area Spring is the most common time to attempt to sell properties as that is when they look their best. However, with so few sales it seems that vendor expectations are still above buyer expectations and until the gap is narrowed sale numbers are likely to remain low.

Good news (mostly) on the irrigation water front. The storages are near full or near full (Dartmouth 94%, Hume 98%, Eildon 97% is fairly typical) so 100% allocation for the upcoming irrigation season is assured. The bad news is that farmers on the Mitta River below Dartmouth and the Murray River below Hume Dam are still very concerned about flooding if Dartmouth spills or if we get a significant rainfall event and water has to be released from one or both storages. The other bad news (depending on your perspective) is that water values have dropped significantly after the latest government buy-back closed. Most general (or in Vic low) security water is now down to somewhere between $600 and $850 per megalitre, depending on the water zone in which the entitlements are located. These values are down from $1,000 to $1,400 per megalitre not long ago. Temporary water can be purchased for between $15 and $30 per megalitre, depending on the zone in which the water is located.

Not much other activity in this end of the world. Hopefully some rural sales will start happening and the prices remain at solid levels.

Contact:

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Regional Victotia

MILDURA

The dry conditions in the region have continued with reports confirming that the northern Mallee region has had one if its driest winter and early springs on record. Cereal crops are struggling and it is likely an early harvest and below average yields will result.

The citrus industry remains in a prolonged glut and while the season locally is producing the best navel crop for years, thousands of tonnes of fruit are being dumped due to an oversupply of juice fruit. The continual import of millions of litres of juice concentrate into Australia continues to irk local citrus growers with the imported concentrate reportedly equivalent to be well in excess of 400,000 to 500,000 tonnes of oranges.

Despite some tough times in some of our key industries in this area there have been a number of significant developments and announcements throughout the region which will result in a major boost to the local regional economy. We detail some of these below:

• Opening of the new $96 million Iluka 'WRP' mine – this mine is located 20 kilometres south-east of Ouyen and opened in mid October. The mineral sands mining sector around Ouyen (100 kilometres south of Mildura) has been a significant contributor to the local economy for many years, with mining activity initially centred at Kulwin (25 kilometres east of Ouyen). The new mining operation has been developed by Iluka Resources and will directly employ 200 people while several other service industry and businesses in the region will also benefit significantly from the mining operations for the next decade or so at least.

• State Government funding for solar power station at Carwarp - the Victorian Government recently announced that they have finally pushed the 'go' button to construct a 1.5 megawatt pilot solar photovoltaic power station at Carwarp, 30 kilometres south of Mildura. An initial $10 million grant has been announced (eventually to be $50 million) to commence construction. Direct benefits of this development include employment and various service and construction industries.

• Angas Park to move processing plant to Irymple – dried fruit company Manassen Foods has announced a significant investment in Sunraysia by reporting that all their dried fruit processing operations under the Angus Park brand will be now centred at Irymple (8 kilometres south of Mildura). Current processing operations at Angaston in the Barossa Valley and a smaller plant in Renmark in South Australia are to close down by September 2013. The move will create significant new employment opportunities for the region.

• Construction of a $60 million almond processing plant – this complex is well on target to be completed by early 2013. The facility located at Carwarp (30 kilometres south of Mildura) is being developed by the Singapore based Olam International, and is reported to be the largest hulling, shelling and processing factory in the southern hemisphere.

....the Victorian Government recently announced that they have finally pushed the 'go' button to construct a 1.5 megawatt pilot solar photovoltaic power station at Carwarp....

Sales activity in recent weeks has included the recent contract for sale of a 220 hectare horticultural property of which 105 hectare is planted to a mix of table, wine and dried vines, with the balance comprising timbered river front country. The sale for $2.2 million is without water entitlement.

A large citrus and irrigated vegetable holding (486 hectares) at Colignan (40 kilometres south-east of Mildura) has reportedly contracted for $1.5 million without water entitlement. The property included 93 hectares of established citrus, 208 hectares of irrigated vegetable land, 52 hectares of developable vacant land and the balance comprised mallee scrub. It was well improved with two good dwellings and extensive shedding and was purchased by a major vegetable grower from near Melbourne.

In the dryland sector, which has been relatively quiet this year, a recent reported sale of a cereal cropping holding (600 hectares) to the south-east of Ouyen has sold for strong levels with the land component showing around $1250 per hectare. Improvements include a good dwelling and sheds.

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Central and Western NSW

The winter cereal season continues to develop precariously with the number of areas to the west of Dubbo already being grazed off however the small rainfalls received in early October between 15mm and 25mm across most of the cereal belt will help the later sown crops. It is interesting to note that during our travels through Central and Western NSW cropping belts, the different management techniques utilised by various farmers across the area are showcased and due to the dry winter encountered those farmers undertaking minimum till activities and moisture conservations practices appear to have superior crops. These improved farming practices which focus on the conversation of moisture received during the summer months, we believe play a part in the increase attractiveness of the country in the Coonamble and Walgett district. While these areas have had approximately four moderate to good seasons, these improved techniques have seen increases in average yields which in turn have had a positive affect on overall cash flows within the area and allows for local landholders looking to expand to afford these plans.

....due to the dry winter encountered those farmers undertaking minimum till activities and moisture conservations practices appear to have superior crops....

There continues to be mixed signals from the market at present. A property called 'Mentone' was put to auction and sold under the hammer for $1.49 million. This property previously sold in September 2007 for $1.25 million and is located 35 kilometres south of Dubbo it had medium quality red loam soils running to some timbered grazing country, well improved with a large 40 square hardiplank 4- bedroom home and good shedding. Analysis of this recent sale would indicate the purchaser has paid approximately $2,400 per hectare excluding buildings for the cultivation country and approximately $1,600 ex. buildings for the grazing country. This would appear a strong sale. There were approximately 15 inspections and five spirited bidders at auction. It was purchased by local interests from Dubbo.

The corollary of this is the property 'Midgee'. This is a 3,880 hectare property located approximately 85 kilometres north of Coonamble at the junction of the Coonamble and Walgett Shire boundaries. Soils across the property are generally red/brown loams with some areas of slightly heavier self mulching soils. It includes a large homestead and reasonable improvements. The property has approximately 1,000 hectares of better quality cultivation country with the balance grazing and timbered areas. It appears the marketing program was unsuccessful and is on the market for $3.85 million.

Further to the west is a property called 'Karingal' which is located 16 kilometres north-east of Girilambone and 61 kilometres north of Nyngan. This is a smaller property of approximately 2,500 hectares and is well improved with a homestead, cottage and good shedding. The property has approximately 660 hectares of cultivation with the balance being gently undulating light to medium timbered grazing country. While exact details of this sale are confidential it appears that the property has realised approximately $390 per hectare ex. buildings for the cultivation country and $140 per hectare ex. buildings for the grazing country. This sale would be considered in line with other sales within the general area and indicates that there is still reasonable demand for smaller rural holdings in reasonable proximity to Nyngan.

As discussed in previous Month in Reviews, the property 'Pindera Downs' and 'Clifton Downs' Stations, were put to auction and have subsequently sold. Previously we have felt that this property could achieve $200 per DSE on a LPHA rated carrying capacity. Our investigations indicate that this was not quite achieved; however the final figure is very close to it. This can be slightly confusing as the property did carry significantly more then the LPHA rated carrying capacity and we believe this property is capable of running 2,000 cows plus prodigy on a year in year out basis with the ability to service further stock in reasonable to good seasons. The properties are located 50 kilometres east of Tibooburra with frontage to the Tibooburra Bourke Road. Country is all open treeless Mitchell Grass plains to slightly undulating sandy loam and Mulga areas. Includes some Bulloo River overflow country and was well watered by artesian and some artesian bores and a developed water reticulation system. Overall this sale indicates the continued interest in good quality broad scale grazing blocks in the western section of NSW. This interest is based on the good value on a dollar per DSE basis that exists in far western locations.

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Central Queensland

Seasonal conditions have dried a little in most areas of Central Queensland with the onset of much warmer temperatures and no indications of any substantial rainfall forecast. This is however not unusual for this time of year.

An even flow of listings continue to appear on the market and there have been a number of sales in at the lower end of the rural market range, generally below about $3 million in value. Sales at higher values are extremely scarce, and tend to refect a substantial discount from peak rates which is understandable given the limited prospects of short term capital value improvement and the need for the asset to provide a direct yield. This should eventually draw buyers back to the market.

The Clermont district property 'Glen Avon' comprises 15,806 hectares (39,056 acres) of good quality scrub and forest country and was passed in on an auctioneers bid of $8 million.

We understand that 'Macander', located just west of Moura and benefited by Dawson River and Highway frontages, is under offer indicating values just over $4,000 per AE. Dawson frontage blocks in this location had peaked at over $6,000 per AE.

The number of acquisitions for coal projects have slowed substantially due to the impact of the well reported resources slow down. We have seen a number of continuing discussions with landowners regarding potential property purchases by miners, however we expect that the level of this activity will be substantially less then what has been observed in the last 12 to 24 months. This may also affect the broader rural market as acquisition money has played a significant part in many rural sales of late, particularly for higher valued, better quality blocks.

The LNG industry somewhat contrasts the coal industry as several proponents forge on with pipeline and associated gas infrastructure. Full property acquisitions by gas companies are rare in comparison to coal companies, however some (not all) natural gas companies have endeavoured to negotiate commercial and fair compensation settlements with landowners, which will add financial inflows to the region.

Contact:

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Northern Territory

There has been no movement on the sales front for anything of a commercial rural nature in the NT or Kimberley in the last month. However we are keeping a close eye on the Fitzroy Crossing district for the potential sale of 'Brooking Springs', a good quality larger scale breeder operation which we believe may be getting closer to a sale being consummated.

....one of WA's unique grazing/farming operations, 'Liveringa' and 'Nerrima' stations (beneficially owned by Liveringa Pastoral Co) has come onto the market either for outright sale, or to attract an investment partner....

In other news, AACo have approved the construction go ahead of its meat processing facility at Livingstone Valley 50 kilometres south of Darwin at a capital cost of around $85 million. The Hot Boning facility has a reported capacity of 1,100 head of cattle per day (and looking to kill for around 11 months of the year) and is expected to be completed in the second half of 2013. AACo's recent public announcement regarding the works, outlines that: "the new facility will provide Northern producers with a regular and new market for their cull cows and bulls and savings of between $50 and $200 a head in freight and shrink, compared to trucking cattle to southern plants." AACo also sight a number of other benefits for the northern industry including: benefits that the new market competition may have for producers which should allow them to invest more in the growth of their herds and stations; support for the support industries such as trucking, vets and feed/merchandise suppliers; increased container trade through the port of Darwin; 260 direct jobs/530 indirect jobs; and $126 million injected into the local economy each year. An ambitious project, the new abattoir definitely has its share of skeptics, mainly those who have shared in the disappointments of the several failed northern abattoirs in the past. Nevertheless, you might be hard pressed to find anyone involved in the northern pastoral industry who would not be prepared to say they hope it works!

"Stop Press": One of WA's unique grazing/farming operations, 'Liveringa' and 'Nerrima' stations (beneficially owned by Liveringa Pastoral Co) has come onto the market either for outright sale, or to attract an investment partner. Located 120 kilometres from Derby in the highly regarded Fitzroy Valley, the aggregation comprises a good mix of around 4,600 square kilometres pastoral lease, areas with diversification permits/water licences for irrigation, and approximately 3,800 hectares of freehold. There is over 4,500 hectares under the Camballin irrigation scheme and over 1,800 hectares has been established to irrigation so far. The aggregation is unique to the Kimberley given its diversification capabilities which allows the current owner to successfully service their other southern WA beef industry operations. Coming off the back of the relatively quick sale of nearby 'Brooking Springs', the marketing of a corporate class aggregation like 'Liveringa/Nerrima' will be a feature of the northern pastoral market scene and HTW will monitor with great interest.

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South Western WA

Is it Good or is it Bad

When completing a recent valuation in the wheat belt it transpired that approximately a third of the area was 'for sale'. It was possible to walk for approximately 10 kilometres to the shire's eastern boundary without leaving land that was on the market. This land fell in an area of uncertain rainfall and many areas had low pH readings requiring large inputs of fertiliser and lime. This land contrasted markedly with the property being valued, which was located to the north of town, in a consistent rainfall area and having good quality soils. So, how do we as rural valuers decide what is relevantly comparable and what is superior or inferior to the subject property?

The answer is largely summed up in one word - research. We cannot operate in isolation as it is not possible to know everything about everything and everywhere, but the secret is in knowing what questions to ask and how to get the answers to those questions.

While speaking to a local pilot/farmer, he commented, "when flying across the land, there are obvious stripes of different colours (green and brown) where the rainfall falls or doesn't, as the case may be". This will often occur year after year, due to contour and wind patterns giving some areas far more reliable rainfall than others. These differences in rainfall can occur over relatively short distances, and so the difference in location of 10 kilometres can make a world of difference in the expected rainfall and therefore productivity for a farm. The same is true of soil types, which vary greatly over relatively short distances, causing substantial differences in the yield.

For these reasons it is necessary to research the soil types and rainfall of all of the comparable sales in the area, as well as the background to the sale, be it to the neighbour, to a family member, under duress or as a straightforward market sale.

Investigating all of these various factors of course takes time, and it is time that is frequently the biggest expense when completing a valuation. So when completing a quote to decide what is an appropriate fee to charge, it is the time factor that is generally the governing decider. Without sufficient time, at a reasonable hourly rate, it is not possible to complete the valuation in such a way as to provide the necessary information and analysis to the instructing party. It is therefore sometimes concerning when competing for work, when we see quotes coming in at levels that would seem completely impossible to complete the valuation to anything like a reasonable standard.

....it is incumbent on the instructing institutions to play gatekeeper to a much greater extent in order to utilise the services of specialist rural valuers as opposed to a valuer who would like a drive in the country....

The farmer will often be presented with two or three quotes, and as these have been provided by the instructing institutions they can only assume that the valuations will be of the same standard. The farmer, like most of us, would possibly choose the cheapest option. Unfortunately as you generally get what you pay for, the standard is not the same in most cases. It is therefore incumbent on the instructing institutions to play gatekeeper to a much greater extent in order to utilise the services of specialist rural valuers as opposed to a valuer who would like a drive in the country, and only forward on those quotes from organisations that will provide a report of a suitable standard.

While trying not to sound like giving a lecture, there is a great deal of difference in skill levels between those involved in rural valuation full time and those that dabble. Given that there are often millions of dollars involved in transactions, selecting a specialist firm, despite some additional cost, may well be a sound investment, particularly in a world of risk assessment and uncertain economic conditions. There will always be better or worse properties but discerning which is which takes time and effort and should not be cut short for the sake of accepting the cheapest option.

The following is an example of the potential impact of selecting the wrong sale as comparables even if located only 10 kilometres down the road. If a rate of $1,400 per hectare (as indicated by the inferior quality property) had been selected and applied to the subject property above, as opposed to the assessed $1,750 per hectare, then given the area of the property at 3,615 hectares there would have been a difference in the valuation of $1,265,250.

This has an obvious impact on both the lender and the owner of the property, be it for sale or mortgage purposes and we would hope to avoid this at all costs.

Contact:

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Comparative Property Market Indicators - October 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 - October 2012

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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

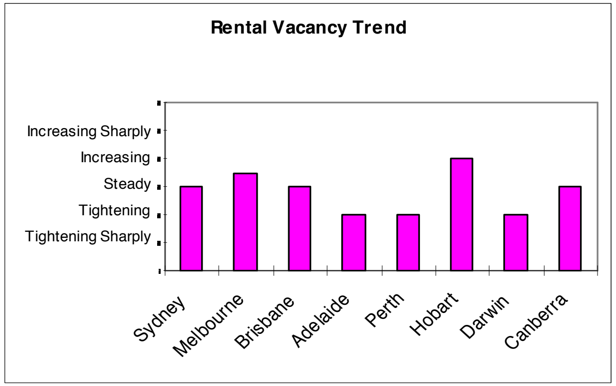
Herron Todd White
Independent Property Advisors

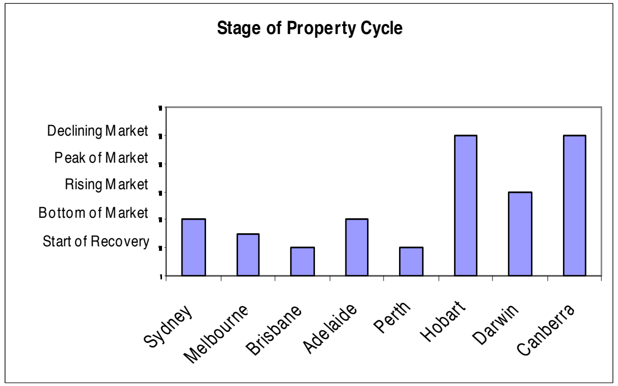
Capital City Property Market Indicators as at October 2012 – Houses

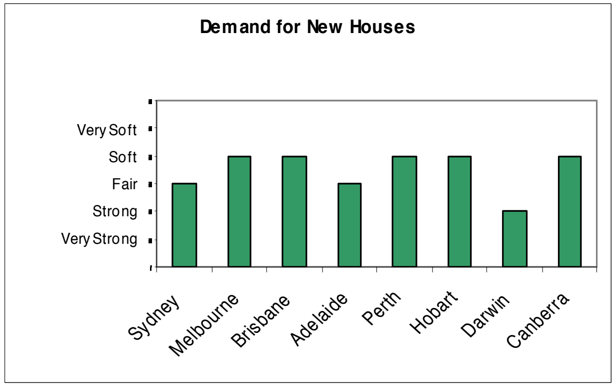
Factor	Sydney	Melbourne	Brisbane	Adelaide	Perth	Hobart	Darwin	Canberra
Rental Vacancy Situation	Balanced market	Balanced market	Balanced market	Shortage of available property relative to demand	Shortage of available property relative to demand	Over-supply of available property relative to demand	Severe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





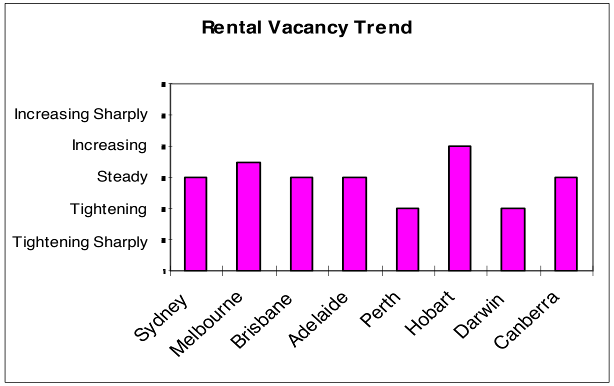


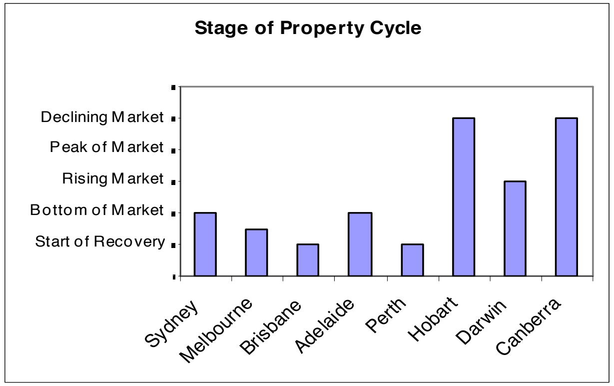
Capital City Property Market Indicators as at October 2012 – Units

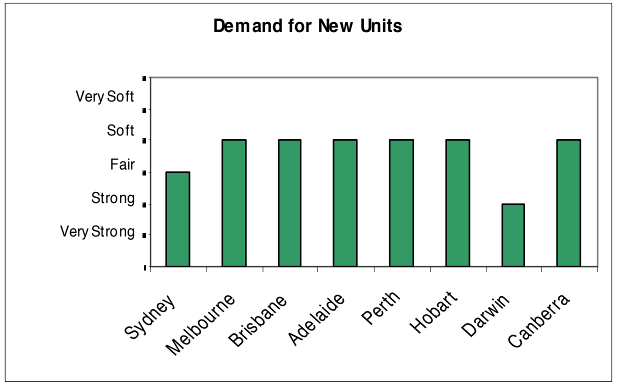
Factor	Sydney	Melbourne	Brisbane	Adelaide	Perth	Hobart	Darwin	Canberra
Rental Vacancy Situation	Shortage of available property relative to demand	Balanced market - Over-supply of available property relative to demand	Balanced market	Balanced market	Shortage of available property relative to demand	Over-supply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

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

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







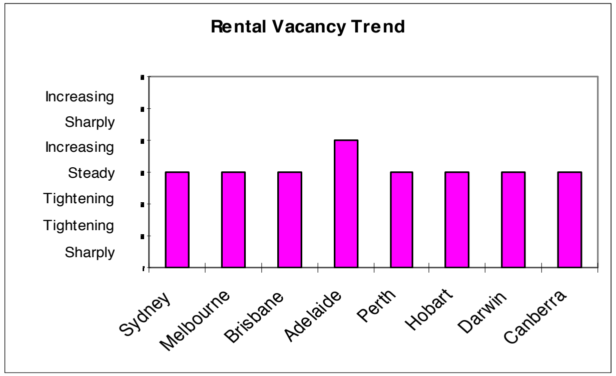
Herron Todd White
Independent Property Advisors

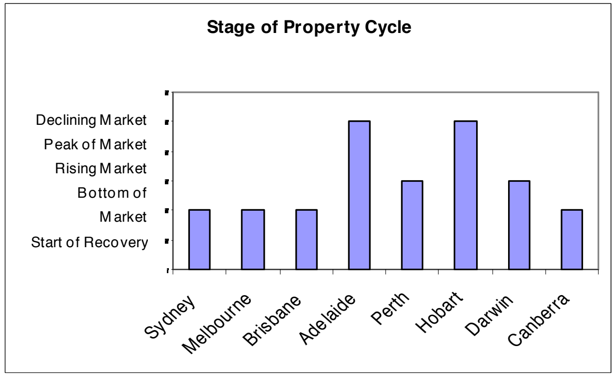
Capital City Property Market Indicators as at October 2012 – Industrial

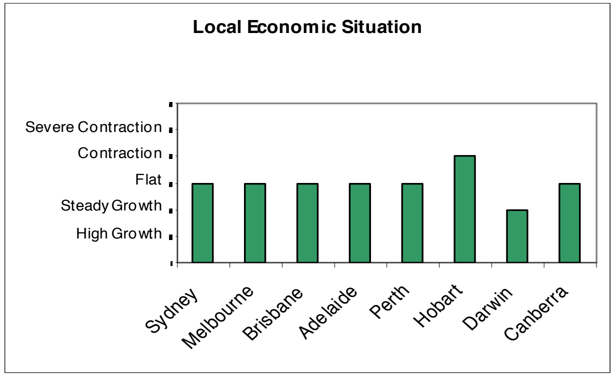
Factor	Sydney	Melbourne	Brisbane	Adelaide	Perth	Hobart	Darwin	Canberra
Rental Vacancy Situation	Over-supply of available property relative to demand	Shortage of available property relative to demand	Over-supply of available property relative to demand	Over-supply of available property relative to demand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

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

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





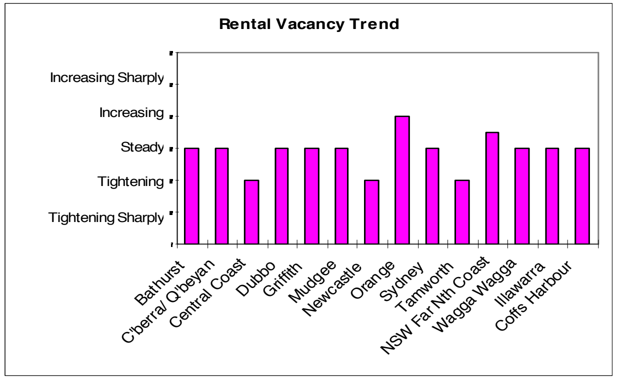


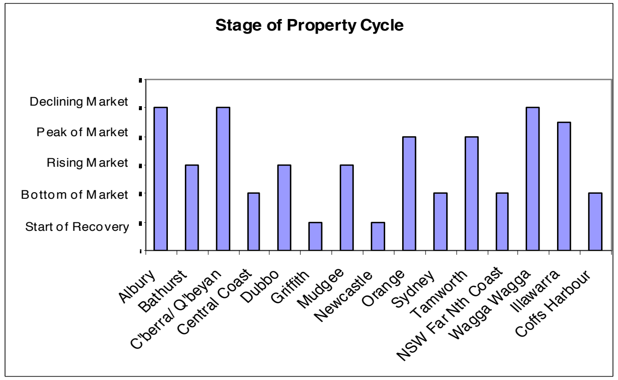
New South Wales Property Market Indicators as at October 2012 – Houses

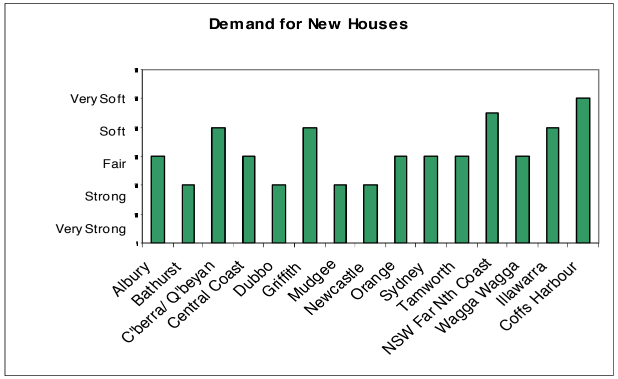
Factor	Albury	Bathurst	Canberra/ Q'beyan	Central Coast	Dubbo	Griffith	Mudgee	New-castle	Orange	Sydney	Tam-worth	Tweed Coast	Wagga Wagga	Wollon-gong	Coffs Harbour
Rental Vacancy Situation	Balanced market	Shortage of available property relative to demand	Balanced market	Shortage of available property relative to demand	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	Strong	Soft	Fair	Strong	Soft	Strong	Strong	Fair	Fair	Fair	Very soft - Soft	Fair	Soft	Very soft
Trend in New House Construction	Steady	Steady	Steady	Steady	Steady	Steady	Steady	Increasing	Steady	Steady	Steady	Declining	Steady	Declining - Steady	Steady
Volume of House Sales	Declining	Steady	Steady	Steady	Increasing	Increasing	Increasing	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	Occasionally	Occasionally	Occasionally	Occasionally	Occasionally	Occasionally	Occasionally	Occasionally	Occasionally	Occasionally	Occasionally	Occasionally	Occasionally	Occasionally	Almost always

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

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







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New South Wales Property Market Indicators as at October 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	Steady	Steady	Steady	Steady	Steady	Steady	Steady	Steady	Declining	Steady	Declining - Steady	Steady
Volume of House Sales	Declining	Steady	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	Occasionally	Occasionally	Occasionally	Occasionally	Almost never	Occasionally	Occasionally	Occasionally	Occasionally	Occasionally	Occasionally	Almost always

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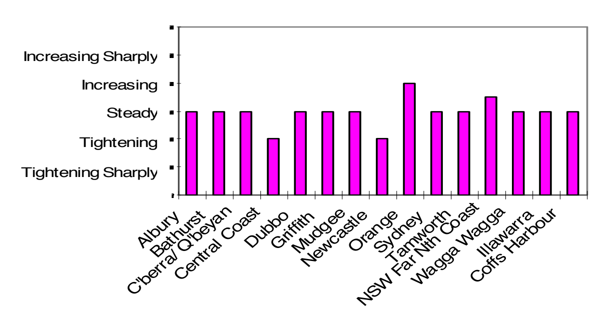
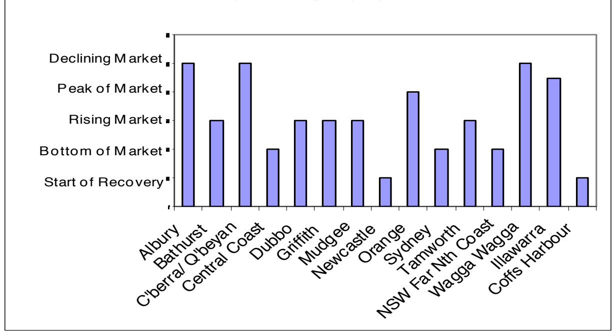
Blue entries indicate change from previous month to a lower risk-rating

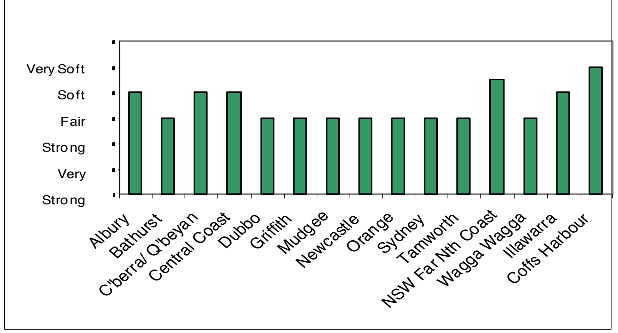
Rental Vacancy Trend



Stage of Property Cycle



Demand for New Units



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

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	Balanced market	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	Steady	Steady	Steady	Steady	Steady - Increasing	Increasing	Steady - Increasing	Increasing
Demand for New Houses	Declining	Stable	Stable	Stable	Stable	Stable	Stable	Stable	Stable	Stable	Stable	Declining - Stable	Declining	Declining - Stable	Declining
Trend in New House Construction	Declining significantly	Steady	Steady	Steady	Steady	Declining	Steady	Steady	Steady	Steady	Steady	Declining	Declining significantly	Increasing - Steady	Declining
Volume of House Sales	Declining market	Declining market	Bottom of market	Declining market	Rising market	Bottom of market	Rising market	Declining market	Rising market	Bottom of market	Rising market	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	Contraction	Flat	Contraction
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Large	Significant	Significant	Large	Significant	Large	Significant	Large	Small - Significant	Significant	Small - Significant	Significant	Large	Significant	Significant

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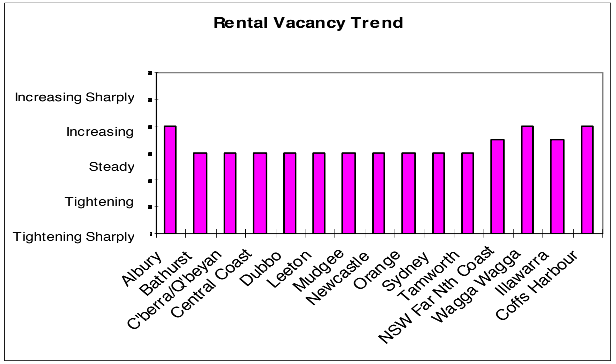
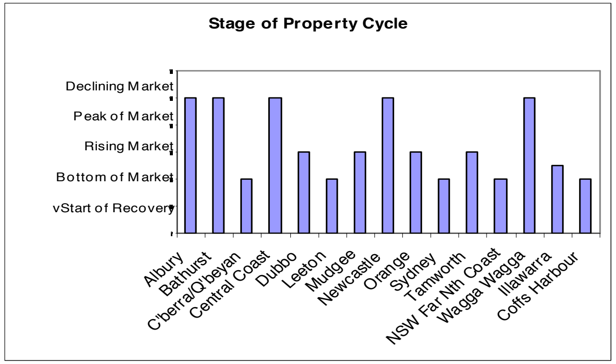
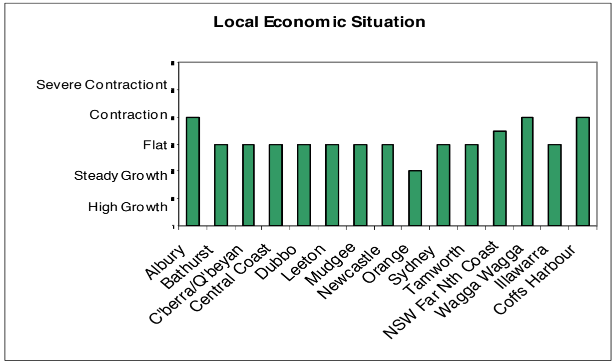
Blue entries indicate change from 3 months ago to a lower risk-rating





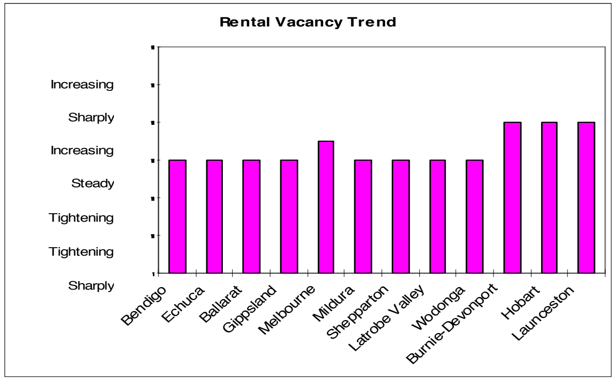


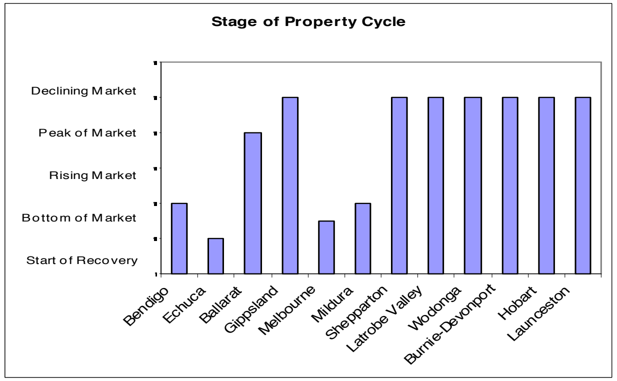
Victoria/Tasmania Property Market Indicators as at October 2012 – Houses

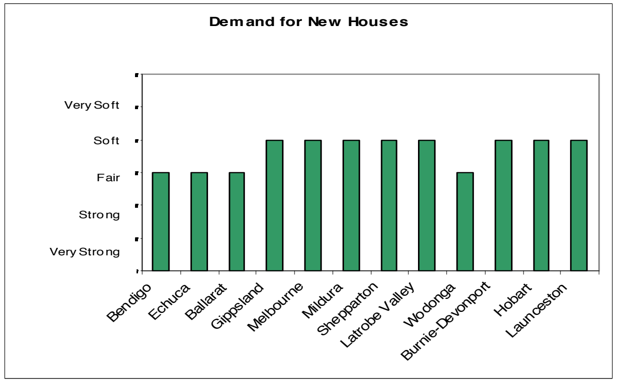
Factor	Bendigo	Echuca	Ballarat	Gippsland	Melbourne	Mildura	Shepparton	Latrobe Valley	Wodonga	Burnie / Davenport	Hobart	Launceston
Rental Vacancy Situation	Balanced market	Balanced market	Shortage of available property relative to demand	Balanced market	Balanced market	Balanced market	Shortage of available 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 - Increasing	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	Declining market	Start of recovery - Bottom of market	Bottom of market	Declining market	Declining market	Declining market	Declining market	Declining market	Declining market
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Almost never	Almost never	Occasion-ally	Occasionally	Occasionally	Occasion-ally	Occasionally	Occasion-ally	Occasion-ally	Occasionally	Occasion-ally	Occasionally

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

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







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Victoria/Tasmania Property Market Indicators as at October 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	Steady - Increasing	Steady	Declining	Declining	Declining	Declining	Declining	Declining
Volume of House Sales	Steady	Steady	Declining	Declining	Steady	Steady	Declining	Declining	Declining	Steady	Steady	Steady
Stage of Property Cycle	Bottom of market	Start of recovery	Peak of market	Declining market	Start of recovery - Bottom of market	Bottom of market	Declining market	Declining market	Declining market	Declining market	Declining market	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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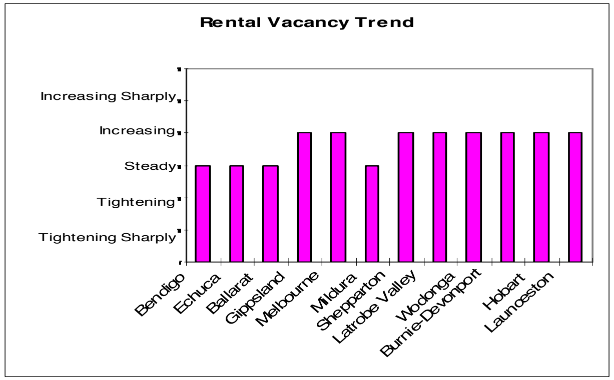

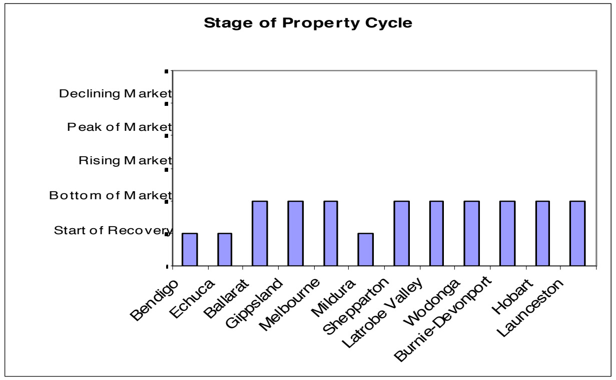

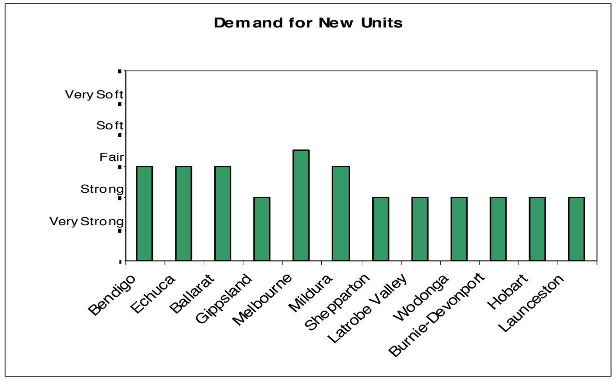

Victoria/Tasmania Property Market Indicators as at October 2012 – Industrial

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

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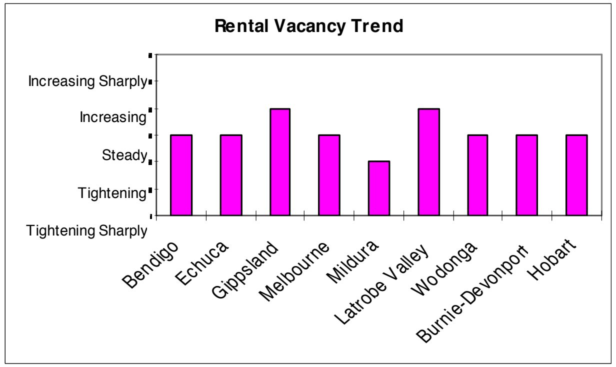

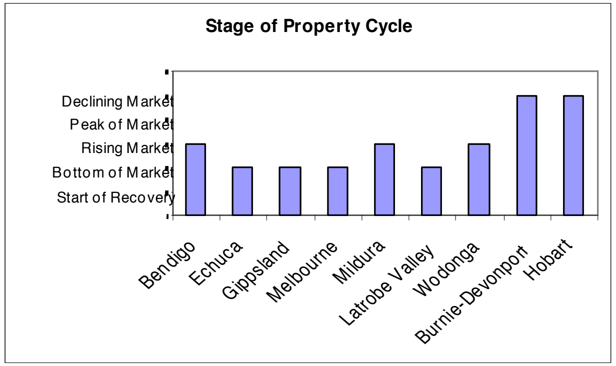

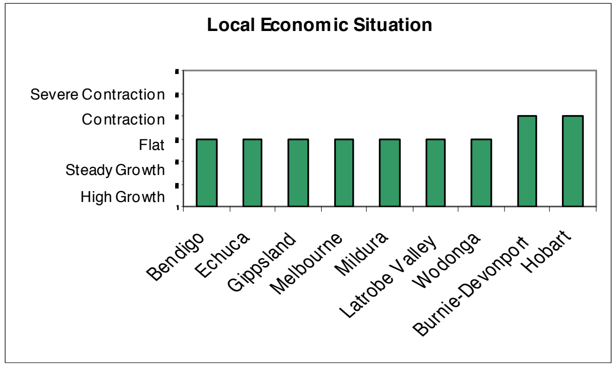

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Queensland Property Market Indicators as at October 2012 – Houses

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	Balanced market	Balanced market	Balanced market	Shortage of available property relative to demand - 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	Increasing	Steady	Tightening - Steady	Tightening	Steady	Increasing	Steady	Tightening
Demand for New Houses	Soft	Fair	Fair	Fair	Fair	Fair	Fair	Soft	Soft	Soft	Soft	Fair	Fair	Fair
Trend in New House Construction	Steady	Steady - Increasing	Steady	Steady	Steady	Steady	Increasing	Steady	Steady	Declining	Steady	Steady	Steady	Declining
Volume of House Sales	Increasing - Steady	Increasing	Steady	Steady	Steady	Declining	Steady	Increasing	Steady	Steady	Steady	Increasing	Declining	Steady
Stage of Property Cycle	Bottom of market	Bottom of market	Peak of 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	Frequently

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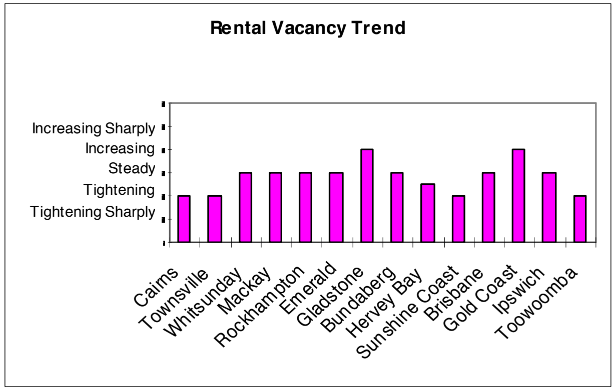
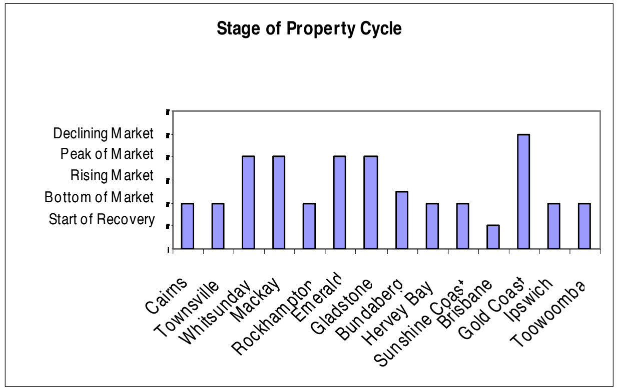
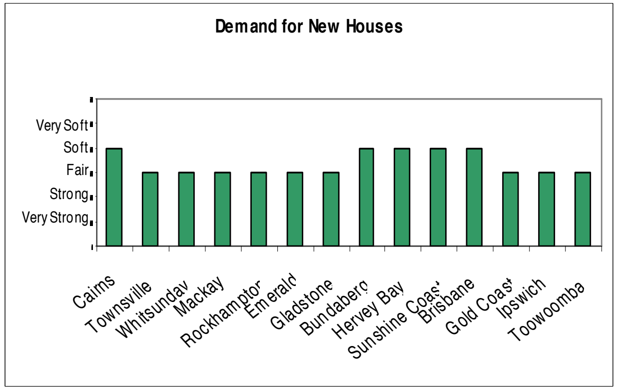
Blue entries indicate change from previous month to a lower risk-rating



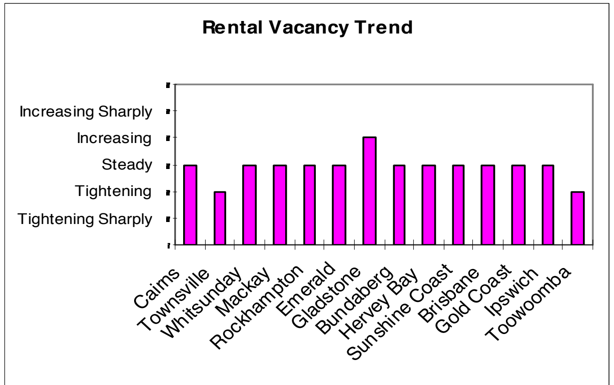


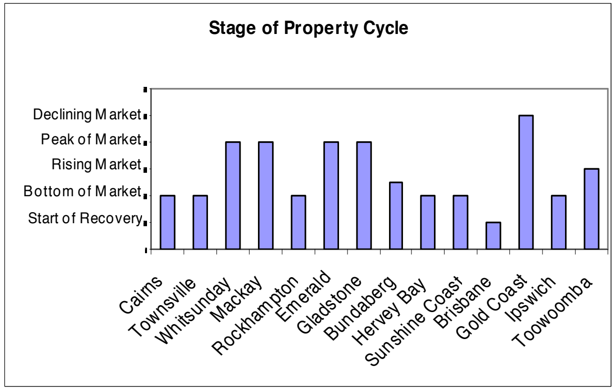


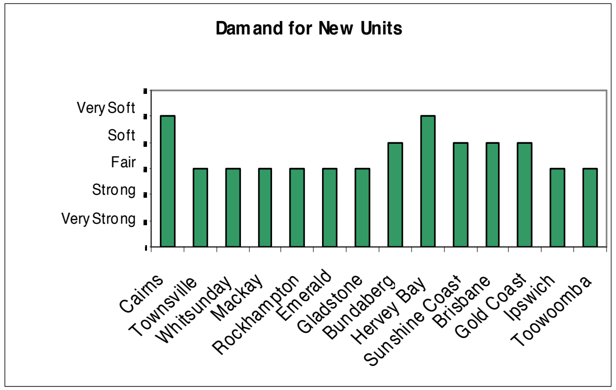
Queensland Property Market Indicators as at October 2012 – Units

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	Balanced market	Balanced market	Balanced market	Balanced market	Shortage of available property relative to demand
Rental Vacancy Trend	Steady	Tightening	Steady	Steady	Steady	Steady	Increasing	Steady	Steady	Steady	Steady	Steady	Steady	Tightening
Demand for New Units	Very soft	Fair	Fair	Fair	Fair	Fair	Fair	Soft	Very soft	Soft	Soft	Soft	Fair	Fair
Trend in New Unit Construction	Declining	Steady - Increasing	Steady	Steady	Steady	Steady	Increasing	Steady	Steady	Declining	Steady	Increasing	Steady	Steady
Volume of Unit Sales	Increasing - Steady	Increasing	Steady	Steady	Declining	Declining	Steady	Increasing	Steady	Steady	Steady	Increasing	Steady	Steady
Stage of Property Cycle	Bottom of market	Bottom of market	Peak of 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	Frequently	Almost never	Almost never	Occasion-ally	Occasion-ally	Very frequently	Almost never	Frequently

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







Queensland Property Market Indicators as at October 2012 – Industrial

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

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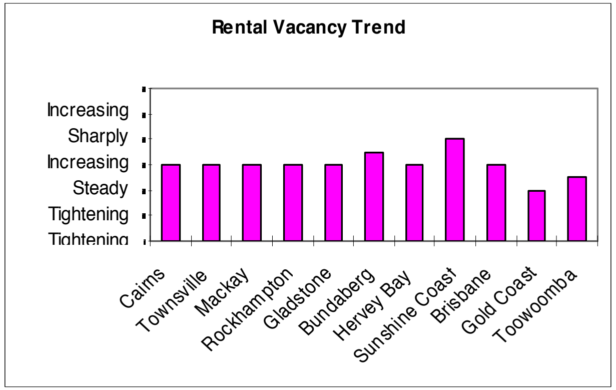
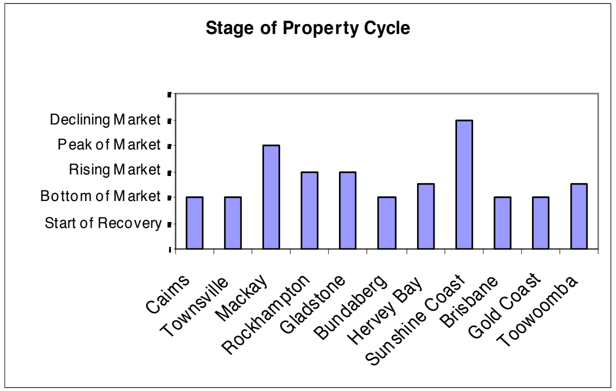
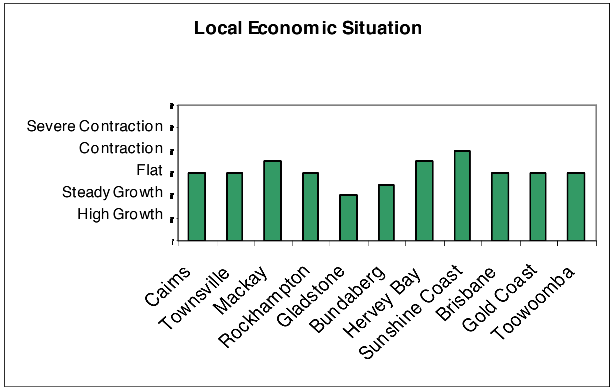


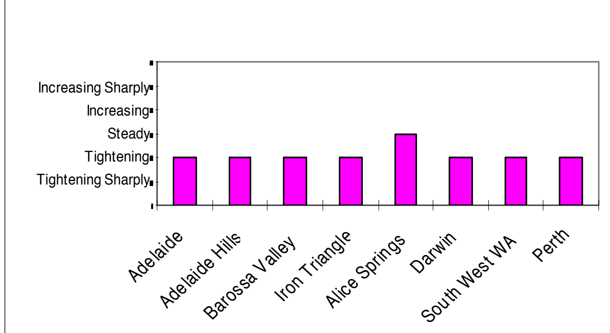




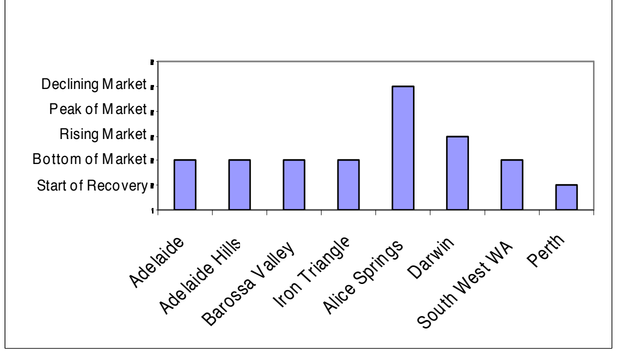
Northern Territory, South Australia & Western Australia Property Market Indicators as at October 2012 – Houses

Factor	Adelaide	Adelaide Hills	Barossa Valley	Iron Triangle	Alice Springs	Darwin	South West WA	Perth
Rental Vacancy Situation	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	Severe shortage of available property relative to demand	Shortage of available property relative to demand	Shortage of available property relative to demand
Rental Vacancy Trend	Tightening	Tightening	Tightening	Tightening	Steady	Tightening	Tightening	Tightening
Demand for New Houses	Fair	Fair	Fair	Fair	Soft	Strong	Soft	Soft
Trend in New House Construction	Steady	Steady	Steady	Steady	Declining	Increasing	Declining	Declining
Volume of House Sales	Declining	Declining	Declining	Declining	Declining	Increasing	Increasing	Steady
Stage of Property Cycle	Bottom of market	Bottom of market	Bottom of market	Bottom of 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

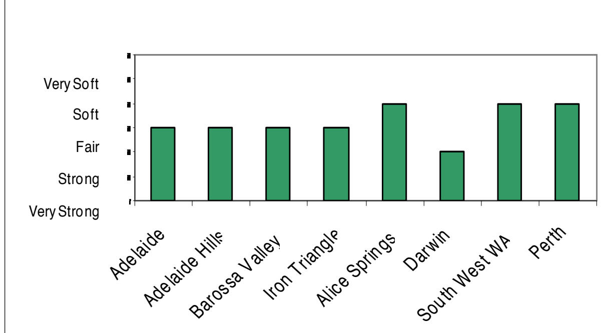
Red entries indicate change from 3 months ago to a higher risk-rating *Blue entries indicate change from 3 months ago to a lower risk-rating*



Rental Vacancy Trend



Stage of Property Cycle

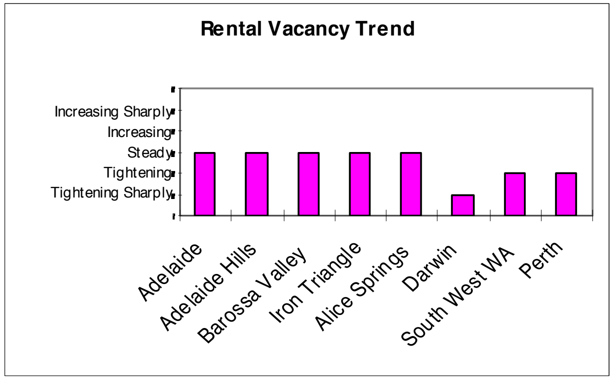


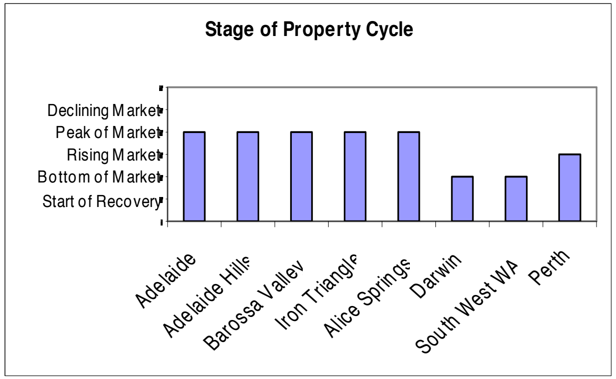
Demand for New Houses

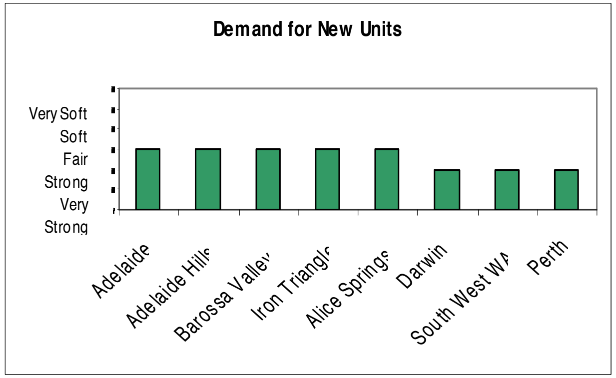
Northern Territory, South Australia & Western Australia Property Market Indicators as at October 2012 – Units

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	Shortage of available property relative to demand	Shortage of available property relative to demand
Rental Vacancy Trend	Steady	Steady	Steady	Steady	Steady	Tightening	Tightening	Tightening
Demand for New Units	Soft	Soft	Soft	Soft	Soft	Strong	Soft	Soft
Trend in New Unit Construction	Declining	Declining	Declining	Declining	Declining	Increasing	Declining	Declining
Volume of Unit Sales	Declining	Declining	Declining	Declining	Declining	Increasing	Increasing	Steady
Stage of Property Cycle	Bottom of market	Bottom of market	Bottom of market	Bottom of 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 October 2012 – Industrial

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