Herron Todd White
Independent Property Advisors

The Month In Review

2012 DECEMBER

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Contents

Peace of mind for your property decisions.

Herron Todd White
Independent Property Advisors

2012: The Year in Review

Well hi! It's you! Welcome back! Pull up a chair, raise a brandy and ease into the final month of 2012 with our best wishes. As a genius once said "Christmas? I think it's great. We should have it every year!"

Another 12 months have passed us by on the Gregorian calendar and now it is the season of lists. Whether it's a list of gifts for loved ones, jobs to tackle before Santa's big day or "best of 2012" lists to argue over at the office party, no one is spared a point by point breakdown come the annual end. One thing the list invites is the "look back and ponder" maneuver. December is the reflective month (in the same way E-minor is the melancholic guitar chord). There is no escaping its cathartic properties. December lets everyone take a little time to wonder where it all went right or wrong in the past 365 days. It is a preparatory time where we try to learn from history lest we repeat it.

As is the Groundhog Day nature of the month in review, we reserve each December for a little of our own reflection about the property markets around Australia. It is a time for our contributors to muse upon how the course ran this year, a moment to decide the victors and award the wooden spoon. It is a time of 20/20 hindsight when the year draws nigh and all is laid bare.

Like others at this juncture, we are not above a little reflection upon ourselves here at property central. It is in this month's issue that the fair folk of Herron Todd White get to boldly pull out February 2012's hit predictions, lay them before you and cop it sweet. As per yuletides past, our December issue is devoted to all our offices reaching far back to the start of the year where they put their professional hearts on their sleeves. Here is the month where our teams pore over their predictions from our "The Year Ahead" issue and see just how very good they are. Now, within these pages, you will undoubtedly find a few prophets who are looking uncannily like wise old gents perched upon a mountain peak. You will also find a couple of calls that might have best been left on the field but all in all, there will be an honest self-appraisal of our professional appraisers and their abilities to read their markets.

Commercially, it is time to take a look at the office blocks. Our commercial doyens are dripping with holiday cheers as they lay down the lolly on the year in the office sector. A good old retelling of 2012 from the independent perch that is Herron Todd White.

So there it is. Some musings to throw around the office bash when you're a few sheets to the wind and looking to impress all and sundry with your expansive knowledge of the year in property. Don't worry because we won't tell them where your good oil came from.

In parting, may all our readers have a wonderful merry Christmas with a prosperous New Year. Thank you for spending some time with us here at the Month In Review each 30 days or so. We look forward to seeing you in February when we can start the mayhem once more.

Cheers

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1 December 2012

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QS CORNER

During the past one to two years insurance costs have blown through the roof with many insurance companies reporting premium increases ranging from 50% to 400% as a result of disasters including cyclone Yasi, the Queensland floods, and other major floods, fires and storms, so ensuring an appropriate level of building insurance cover has never been more important.

As a result, some insurance companies have introduced automatic flood cover to their insurance policies. Where offered, this flood cover reduces uncertainty for you about your coverage during a severe weather event. Many insurers are increasing premiums to match flood map assessments. This means that if you live in a flood zone area, chances are you will likely experience larger increases in premiums, as opposed to not living in a flood zone area or a low risk flood zone area.

Environmentalists predict that, based on the frequency and intensity of extreme weather conditions in Australia, major storms, floods and fires that cause property damage will most likely happen more often. What you will find in the future is that insurance companies need to be prepared for an increase in claims related to these events in order to have enough money to pay out claims.

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

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

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

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

A Quantity Surveyor has access to a construction cost data base and estimating techniques necessary to determine the cost of construction which is the cost required for your insurance purpose. A market valuation as provided by a Valuer is not the same as the cost of construction and can vary considerably over or under the actual cost of construction.

The expense of an RCE for a commercial or investment property is tax deductible for the owner. Unfortunately, it is not tax deductible for residential homes occupied by the owner.

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

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

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

Commercial Overview

The commercial sector hitches itself firmly to confidence and it has undoubtedly been a tough few years for anyone carrying commercial in their portfolio. The office sector is not immune and when things get tough, there is usually a move to quality prime stock over secondary holdings. The year 2012 has meant different things to different areas throughout the Australian office market so here is a chance for you to brush up on the year that was.

Sydney

If 2011 was the year of transaction activity, 2012 was certainly the year of leasing activity. Over the past 12 months we have seen a resurgence of demand for office space within the CBD. Encouragingly, we have also witnessed the Chatswood market bounce back from the doldrums with the return of Vodafone to the market. In the non-institutional sector, the market is best described as a mixed bag, with some locations and properties significantly outperforming others.

Surprisingly given the downturn in the white collar employment markets, we have seen a significant increase in the number of pre-commitments and new leases signed within the CBD. Over the past 12 months, some 130,500 square metres of major tenant relocations in the CBD have been announced, including Westpac with 60,000 square metres, KPMG with 35,000 square metres and Lend Lease with 25,000 square metres in Barangaroo, as well as the relocation of TAL from Milsons Point to 363 George Street.

While these pre-commitments and new leases point to a strengthening of the CBD office market, there are some serious concerns over the increase in backfill space that is expected to hit the market over the coming five years. Coupled with the relocation of ANZ and Freehills to 163 Castlereagh Street in early 2013 and the relocation of Corrs Chambers Westgarth to 8 Chifley Square, it's easy to see the impact that these movements are going to have on vacancy rates.

North of the Harbour, Chatswood has seen a resurgence in demand with the leasing up of the recently refurbished 465 Victoria Avenue to Vodafone. The strong take up of the 14,000 square metre building suggests that not all is over in the Chatswood office market, which has struggled with strong competition from North Ryde for the past ten years.

In the strata office market, it has been a definitely been a tale of two markets. In the CBD prime strata market we have seen some smaller office suites achieve astronomical prices, with some of the smaller suites in 350 George Street selling for over $12,500 per square metre to owner occupiers. Elsewhere in Sydney, the Norwest market is facing an oversupply of strata offices, with some vendors forced to sell for less then their previous purchase prices.

Canberra

Was 2012 finally the year that Canberra completed its seven year development cycle? Over the past 12 months it is estimated that over 160,000 square metres was added to the Canberra market. While the majority of this new supply was pre-committed, the increase in vacant lower quality office space will likely be felt in the capital for years to come.

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

Investors have however looked through this potential oversupply issue to recognise that it is unlikely to impact on the prime properties and that many properties within the capital can provide strong, stable returns.

Wollongong

Vacancy rates for office space in the Illawarra continue to sit at low levels with the Property Council of Australia reporting a total vacancy rate of 6.5%. The A grade vacancy rate is critically low at 0.6%. With no new office development in 2012, it is likely that the vacancy rate has not changed through the course of the year except for additional absorption of B grade space. Despite the low vacancy rate, rents have largely remained unchanged, demonstrating that the local market is highly driven by affordability.

Due to the relative level of rents and difficulties in achieving leasing pre-commitments, it is unlikely that there will be new product released to the market in the next 12 to 24 months, the exception being the ATO's soon to be former premises along Atchison Street (apparently difficult to break up into smaller tenancies) and the Ambience project in Fairy Meadow (NAB - Business Banking has committed to a relatively large tract of office space).

On the investment side, the reduction in financing costs has enticed investors where yields typically sit between 8.5% to 9% as exhibited by the sale of 1 Rawson Street, Wollongong for $2.095 million ($1,771 per square metre of NLA and 8.55% passing yield), 70 Keira Street, Wollongong for $1 million ($2,500 per square metre of NLA and 9% passing yield).

In addition, several large office buildings are currently on the market, including 10 Atchison Street, Wollongong (a 7,000 square metre A grade building currently occupied by the ATO), 43 Burelli Street, Wollongong (9,720 square metre A grade building leased to numerous government and private tenants) and the state government's property at 84 Crown Street, Wollongong.

In short, the office market has been the best performing sector out of the commercial asset classes for 2012 and we anticipate this to continue into 2013.

Central, North and West NSW

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

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

Those properties underpinned by strong lease covenants are in good demand from investors with sale activity limited by supply. Those properties that are vacant and/or requiring capital expenditure are difficult to sell. Commercial agents are indicating a softening in the market from investors with a fall of around 50 to 100 basis points over the past six months.

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

Newcastle

2012 has been a relatively quiet year for commercial office property in the Newcastle and Hunter Region. While yields haven't particularly weakened over the 12 month period, we have seen no real signs of recovery at this stage. With that said, A and B grade office vacancy is currently at a drastically low level with new office developments in the pipeline being put on hold. C grade office vacancy is high and we see opportunities for re-development of older stock given the lack of new office development.

....the most significant refurbishment is the Watt Street Commercial Centre which will provide over 7,000 square metres of tenancies with large floor plates within the traditional Newcastle CBD....

The overall commercial market has been hit hard by the credit crunch stemming from the GFC, which has effectively put a stop to office development in Newcastle over the past four years. The only new commercial space in the construction pipeline is the 18,000 square metre development at Lee Wharf known as "Honeysuckle Central", however development was initially delayed due to extended negotiations with potential tenants on compulsory energy ratings. Many corporate and government tenants have minimum NABERS ratings requirements and are now required to have input at early stages to ensure these requirements are met. This is a Buildev development which is part owned by Nathan Tinkler and with all speculation aside, the well publicised cash flow issues of Mr Tinkler have cast a serious doubt about the possibility of this development going ahead in the short term.

The most significant refurbishment is the Watt Street Commercial Centre which will provide over 7,000 square metres of tenancies with large floor plates within the traditional Newcastle CBD. This former Royal Newcastle Hospital property is centrally located and we anticipate good tenant enquiry for this property, which is due for completion in mid 2013.

NSW Far North Coast

Lismore is the NSW north coast is traditional regional centre which was for some significant time the regional focus of all commercial and office development. This included major infrastructure sush as the Base Hospital, University and District Court. As a result, all major businesses including government regional offices were located in Lismore. We therefore saw numerous medium storey development to cater for education, health, social security and public works.

This became more heightened during the regionalisation of government authorities during the 1970's and 1980's. With the exodus of government offices in the 1990's, many larger buildings became vacant and local businesses started to occupy previous government office space. Some became strata titled to accommodate the smaller nature of local businesses which were significantly price conscious. As government entities began to return to regional areas, new buildings were developed.

Owner occupied space has tended to be in secondary locations given the lower capital requirement. Lismore's office owner occupation is generally below below $500,000 with medical uses typically in converted houses close to the Base Hospital, with values also below $500,000.

The outlying towns of Casino, Kyogle, Evans Head, Nimbin and Alstonville have less government entities. Owner occupied office space tends to be in converted houses where $200,000 to $300,000 is the average value.

....as businesses continue to experience stress there are likely to be buildings in these localities for sale at prices below replacement....

With the improvement in the highway network and the stronger growth in the sub regional centres of Ballina and Byron Bay, there has been significant growth in service businesses as well an increasing number of government tenants. As a result, there has been significant growth in office space for government and semi government entities, many of which tend to rent rather then construct. There has also been an increase in purpose built low rise office buildings to specifically suit growing local businesses. These have had a higher cost and include properties in the $500,000 to $1 million price bracket. While they often have a predominant owner occupation basis, they also have been developed to accommodate additional office space to defray the operating cost for the owner occupier. The conversion of houses in CBD locations has also continued for owner occupation which has allowed for owner occupation below $400,000 in Ballina.

With the onset of the GFC, there has been a significant fall in owner occupation construction and local businesses tend to search out smaller, cheaper spaces often in secondary locations. Some businesses have contracted, creating surplus space to be leased out which has put downward pressure on rents and reduced the demand for owner occupation.

As businesses continue to experience stress there are likely to be buildings in these localities for sale at prices below replacement. We would expect the price point to remain under $500,000 and more likely under $350,000 in most commercial centres.

This may increase the appeal for some stronger local businesses to return to owner occupation.

Regional Victoria

MILDURA

The office market in Mildura has traditionally been stable, and this trend has continued throughout 2012. Vacancy rates may be slightly higher than normal, but not significantly so. One notable trend has been an increasing spread in rental values between the bottom end of the market and for modern prestige type offices.

Many established, local businesses tend to operate out of premises owned by related parties and this contributes to the stability in this market. There have been only four new offices built in Mildura during 2012, all being purpose built for specific tenants.

Adelaide

The Adelaide office market has remained in a bit of a holding pattern throughout 2012. The slowing of the economy, low business confidence and the shelving of the Olympic Dam Expansion Project have all combined to keep tenant enquiry and sales activity at low levels which has been the case since the GFC. However strong underlying fundamentals, especially when compared to current conditions internationally, means that although not achieving any significant gains over the short term, the sector is also not experiencing any significant downturn either. These fairly stable conditions tend to characterise the Adelaide office market.

Overall this sector is still performing quite well in terms of vacancy rates, with CBD office vacancy rates fluctuating between 7.7% and 8.4% since the start of 2010, well below the traditional vacancy levels of around 12%. This is being driven, in part, by demand for high quality office space which currently is experiencing very low vacancy levels of 3.3% in the CBD and 4.7% in the fringe. Given the strong demand for primary stock there is the potential for upgrade and redevelopment of secondary stock in order to capitalise on this demand. It is worth noting that the Adelaide fringe office market is currently experiencing the lowest vacancy rate in Australia at 5.5%.

Low vacancy rates have put some upward pressure on rental rates throughout 2012. These modest gains are confined to high grade office stock, with secondary stock suffering declines in most cases, especially at the lower end of this sector.

Adelaide CBD Market Summary as at July 2012

	Stock (m2)	Vacancy (m2)	Percentage Vanancy	Annual Net Absorption (m2)
Primary	487,052	15,917	3.3	34,541
Secondary	816,523	84,589	10.4	-31,654
Total	1,303,575	100,506	7.7	2,887

(Source:PCA and HTW Research)

Adelaide Fringe Market Summary as at July 2012

	Stock (m2)	Vacancy (m2)	Percentage Vanancy	Annual Net Absorption (m2)
Primary	32,520	1,537	4.73	1,329
Secondary	179,146	10,123	5.7	5,032
Total	211,666	11,660	5.5	6,361

(Source:PCA and HTW Research)

City Central Tower 8, located at 12-26 Franklin Street, is almost complete and becomes the largest office building in Adelaide, contributing approximately 34,000 square metres of prime grade office stock to the sector. The majority of this building will be occupied by the Australian Tax Office with a small portion being held by Australia Post.

70 Franklin Street is also nearing completion (due around February next year) and will supply 20,000 square metres of prime grade office space. Developed without pre-commitment, the building appears to have secured about 25% tenancy at this stage.

....the increase in vacancy rates was also affected by the additional supply of new office space with the completion of large commercial projects such as One One One Eagle Street in 2012....

Rundle Plaza is well under construction and due for completion by the end of next year. This is a high rise mixed-use building with four levels of retail facing Rundle Mall, anchored by Harris Scarfes and Coles and an 18 level tower fronting Grenfell Street and will contribute 18,000 square metres of high grade office space with 100% pre-commitment of the office area to Bendigo and Adelaide Bank.

Refurbishment of 30 Flinders Street, the former headquarters of the South Australian Police is now complete and is currently on the market for lease.

Brisbane

Early 2012 saw promising signs for Brisbane's CBD and fringe commercial office markets as demand from the mining and resources sector in 2011 had reduced vacancy rates and saw a reduction in the level of incentives being offered to the market. However as 2012 unfolded, China's demand for resources eased, resulting in many mining and resource projects being put on the shelf. Further dampening of the market occurred when the newly elected state government started trimming some state fat, with job cuts across many state government sectors. To show how the commercial market has evolved throughout 2012, we have examined each of the various office sectors of Brisbane including the CBD, fringe and suburban market.

Brisbane CBD

Vacancy rates for the total Brisbane CBD market increased in 2012. The Property Council Office Market Report for July 2012 reported that the overall vacancy rate for the CBD office market was 7.9%. While this figure is a marked improvement from two years ago (11.3%), it shows an increase from 6.2% in January 2012 and 7.4% in July 2011.

The increase in vacancy rates was also affected by the additional supply of new office space with the completion of large commercial projects such as One One One Eagle Street in 2012. The Property Council of Australia reports that there will be 28,159 square metres of new supply to enter the CBD market in the last part of 2012 (being all new construction), with a further 21,315 square metres (mixture of partial refurbishment and new construction) scheduled to the market in 2013. Average net absorption between January 2000 and July 2012 has been approximately 38,156 per annum, however the downturn in mining and resources sector activity is expected to negatively impact upon net absorption over the next 12 months along with the government and other sectors looking to cut costs. The lack of new supply in the CBD beyond mid 2013 should tighten up the market after an initial spike in vacancy rates over the next 12 months.

Brisbane CBD Fringe

The Brisbane CBD fringe has seen a decrease in total vacancy from 8.8% in July 2011 to 8.5% in July 2012. Approximately 7,786 square metres of new stock has been added to the market since January 2012.

The average absorption of Brisbane CBD fringe office space since January 2000 has been approximately 9,905 square metres per annum. The 12 month period to January 2009 saw net absorption at 66,052 square metres for that year, the highest since 1992. The reported 12 month net absorption as at July 2012 was 11,243 square metres. It appears that leasing demand in the superior areas of the Brisbane CBD fringe such as South Brisbane, West End and Fortitude Valley have moderately improved in the past 12 months, however we believe this has now slowed due to the mining and infrastructure businesses having absorbed their requirements. The remainder of the economy appears to remain subdued.

Incentives in the CBD and fringe markets had decreased due to the mining and resources sector, accounting for much of the reduction in the vacancy rates to January 2012. However over the past 12 months we have seen this demand taper off somewhat as many mining and resource projects are put on hold due to the decreases in global demand. This has resulted in an increase in the vacancy rates within the CBD and fringe and a stabilisation of incentives offered (circa 23%) as landlords attempt to secure tenants and rental income.

Brisbane Suburban

The suburban commercial office market within the major commercial hubs of Chermside on the northside of Brisbane and Upper Mount Gravatt and Macgregor on the southside of Brisbane fared reasonably well throughout 2012 in comparison to 2010 and 2011. Chermside has seen a reduction in the total vacancy over the past 12 months from 5.7% in July 2011 to 5.1% in July 2012. There has been no reported new commercial supply in this location since January 2009.

Net absorption in the Chermside area has fluctuated from 794 square metres in July 2011 to a negative figure of 310 square metres in January 2012 to be once again positive in July 2012 at 192 square metres.

The southern commercial hub of Upper Mount Gravatt and Macgregor has also fared reasonable well through 2012 in comparison to 2010 and 2011. Additioanal average supply in this area since January 2001 has been 5,665 square metres, with July 2012 seeing new supply for of 3,200 square metres. The total vacancy rate however has decreased from 12.5% in July 2011 to 9.2% in July 2012.

....incentives in the CBD and fringe markets had decreased due to the mining and resources sector, accounting for much of the reduction in the vacancy rates to January 2012....

Net absorption for the Upper Mount Gravatt and Macgegor area has decreased from 8,848 square metres in July 2011 however it remains positive at 6,225 square metres for July 2012.

While not specifically recorded by the Property Council of Australia, we anticipate that vacancy levels for other outer suburban commercial office areas to be above that of the Chermside and Upper Mount Gravatt and Macgregor. Southern markets such as Springwood and Loganholme have suffered over 2012 with high vacancy rates and reductions in the achievable gross face rents.

Over the past 24 months, agents have reported that suburban commercial office properties have been experiencing longer selling and leasing periods due to a decrease in demand. Throughout 2012 the market appeared to have stabilised somewhat, however agents continue to report that demand is limited for commercial offices. We anticipate that this trend will continue for the remainder of 2012 and into the 2013.

Gold Coast and Tweed Coast

The Gold Coast office market through 2012 could be characterised as struggling.

Unfortunately, weak economic conditions have flowed on to a reduced demand for office space.

On the positive side, good deals have been available for both prospective purchasers and tenants alike.

The latest PCA figures, indicate there was 100,000 square metres of vacant office space on the Gold Coast as at July 2012, reflecting a vacancy rate of 21.5%. Very little new stock is being developed, however, take up is below 10,000 square metres per annum, suggesting the Gold Coast has many years of supply available.

The vacancy level on the Gold Coast is well above the Australian average of 7.8%, and above the Brisbane CBD and the Sunshine Coast at 7.9% and 13.6% respectively.

In regard to the leasing market, face rents remained relatively low and incentives remained high. Owners remain keen to negotiate deals in order to secure an income flow.

The following larger office transactions occurred throughout the year:

16 Queensland Avenue, Broadbeach

- 16 Queensland Avenue, Broadbeach - $6 million – reflecting $2,778 per square metre;
- Titans Building, 2 Promethean Way, Robina - $10.65 million – reflecting $2,063 per square metre;
- 9 Holden Place, Bundall - $32.5 million (purchased by the Gold Coast City Council) – reflecting $1,907 per square metre of gross floor area;
- 124-128 Bundall Road, Bundall - $5.7 million – reflecting $1,965 per square metre;
- 64 Ferny Avenue, Surfers Paradise - circa $7 milion – reflecting $2,505 per square metre;
- 40 Nerang Street, Southport - $3.5 million – reflecting $1,704 per square metre;
- 14 Mawarra Street, Chevron Island, Surfers Paradise - $4.85 million – reflecting $3,225 per square metre.

Analysed yields over 2012 typically ranged between 8.5% and 9.5%.

In regard to rental levels, gross rates excluding car parking rental would generally fall within the following ranges:

- A grade space - $350 to $400 per square metre
- B grade space - $250 to $350 per square metre
- C & D grade space - up to $250 per square metre.

Also, it is interesting to note that a number of buyers who have acquired older buildings have gone on to refurbish them, reduce the rental levels, and as a result have had some success in leasing their properties.

There is still some Receiver activity, which is generally having a negative impact on the market and is not helping to solidify values.

In terms of the various office precincts, the traditional office area of Bundall appears to be suffering from high vacancy rates and ageing buildings, which are becoming less desired by tenants. Also, its limited parking and lack of retail amenities is a deterrent. In contrast, vacancy rates within modern buildings in areas such as Central Robina and Broadbeach remain relatively low.

Looking forward, our prediction is that the office market will stabilise before bumping along at a slow and steady pace.

There will need to be a number of years of limited development and steady take up in order to reduce the vacancy rate to a more efficient level.

However, take up, in the shorter term at least, will likely be relatively slow due to the weak economic conditions and job market.

Over the longer term, assuming vacancies decline and economic conditions improve, those buyers who have purchased in today's market may be positioned to realise substantial gains.

Sunshine Coast

The Sunshine Coast office market has undergone significant change over the past 12 months. In that time we have seen a number of new office buildings enter the market, including:

- Emporio, Maroochydore with 2,646 square metres
- La Balsa, Mooloolaba with 5,911 square metres
- The Corporate Centre, Maroochydore with 3,608 square metres
- Infocus, Maroochydore with 1,720 square metres

Entering 2012 there was also a significant level of vacancy in the Kawana Business Village and the new Government building at Maroochydore with 8,625 square metres of space just completed.

....over the longer term, assuming vacancies decline and economic conditions improve, those buyers who have purchased in today's market may be positioned to realise substantial gains....

During 2012 we saw a large level of the new space in Kawana taken up including the majority of The Edge complex (approximately 6,000 square metres), which had been vacant for approximately two years. The Government building has virtually no vacancy with most government agency tenants moving into this space from older space in the central Sunshine Coast area. There are limited vacancies within Emporio and La Balsa reportedly has approximately 800 square metres of vacanct sapce.

The Corporate Centre was hard hit during 2012 with only approximately 600 square metres of space being taken up. The main reason for the lack of take up appears to be the location of this complex and possibly its overall design with the building targeting the owner occupier strata market. This market has slowed due to the lack of overall business confidence and investors have not been keen on the location to date.

Given the overall market conditions, the end result for 2012 is considered to be positive for the office market with a large portion of the new stock taken up. However, it has led to an increase in secondary and back fill vacancies, which will continue to hold back overall rental levels. The PCA is yet to release its data on the Sunshine Coast that we are likely to see a similar overall vacancy in the January 2013 update to the previously noted 11.7%.

Central Queensland

ROCKHAMPTON

2012 has presented a number of movements within the office market. We have previously reported that over the last few years a number of older style D grade buildings had been purchased for refurbishment. 2012 saw the completion of a number of major refurbishments. This is providing a re-vitalisation of parts of the CBD. Notable completions include:

- 152-156 Bolsover Street, a multi-level professional office building had been vacant for many years. The renovation is complete and a government tenant is now occupying this re-vamped addition to the Rockhampton office market.

- The Rock Building Society Headquarters, also in Bolsover Street, has undergone a major refurbishment including the demolition of an adjoining building and enclosuret of the former 'drive-thru' teller facility for conversion to additional office space. The Rock will occupy the premises with an additional commercial tenant occupying space on the ground floor.
- 92 Bolsover Street is currently undergoing a major redevelopment. This is an aged retail warehouse building that will be converted to A grade professional office space. Upon completion the premises will be occupied by a government tenant.
- 55 Denham Street was acquired for refurbishment and completed in early 2012. The building is now the home of Rees R & Sydney Jones who relocated from their Quay Street office upon completion.

There have also been some newly constructed premises added to the mix, including 39 East Street which was completed in mid 2012. The building provides three level, professional office accommodation and is now occupied by Stanwell and National Australia Bank who relocated from their premises at the corner of East and Denham Street into this more efficient premises. Al local building company has also recently completed contruction of a building on High Street.

....we will see further re-vitalisation of the CBD and riverfront during 2013 with the commencement of construction of the 'Empire' Complex on the banks of the Fitzroy River....

There was little sales activity in the office sector during 2012 and the movements in the office market left some notable vacancies as there appears to be little appetite for older, inefficient space.

Rents in the office sector remain relatively stable for older style stock while newer offerings are generally achieving between $250 to $300 per square metre gross per annum.

We will see further re-vitalisation of the CBD and riverfront during 2013 with the commencement of construction of the 'Empire' Complex on the banks of the Fitzroy River. The complex will comprise retail and apartment (both long and short stay) accommodation. Completion is also expected on the Quest Apartments on Victoria Parade. The complex will comprise 44 2-bedroom, 2- bathroom apartments. And lastly, Southbank of Victoria, also on Victoria Parade, which will comprise some 55 long stay apartments in varying configurations. Construction is also expected to commence on the Grand Hotel redevelopment into a multi-level professional office building.

BUNDABERG

The Bundaberg office market has been flat over the past 12 months with little sales and rental activity. Vacancies are generally steady however there are instances where buildings have been vacant for long periods. We have found that large buildings are experiencing tougher rental market conditions and higher priced, good quality buildings may be vacant for extended periods. We believe lease up periods to be in the order of six to nine months and rental incentives are common, usually in the form of rent free periods.

Demand is strongest for fringe CBD office properties which in Bundaberg can usually be purchased for around $500,000. Demand weakens for properties above this price. Large vacant buildings have seen a significant discount in value in comparison to investment grade properties of a similar standard.

The small number of new professional office developments are being aimed at the medical sector with a focus on attracting medical services and small office tenancies.

With little supply being added to the market we envisage conditions for the year ahead to remain the same however this is very difficult to accurately predict.

HERVEY BAY

There has been slow to steady activity in the Hervey Bay office market over the past 12 months with approximately 12 sales since January 2012. Nearly all the sales were of strata units and ranged from $205,000 up to an aggregate sale of two investment units in one complex at $1,709,948. The sales have been a mix of owner occupier and investors.

The Signature building has been active with four recorded sales and two reported to be under contract to investors. A medical centre on Urraween Road completed this year received very good interest with four of the five units sold to owner occupiers.

Vacancies are generally steady with some evidence of falling rental rates in the older, secondary buildings to attract tenants. Lease up periods are in the order of six to nine months with rent free periods or incentives common.

Sales have ranged from $2,800 to $3,900 per square metre with yields generally in the 8% to 9% range.

Construction of the new St Stephens Hospital is due to commence in early 2013 which it is hoped, will continue to increase enquiry for medical and office space.

The staff at Hervey Bay would like to wish everyone a merry Christmas, safe and prosperous New Year.

MACKAY

Sales activity in the commercial office sector above $1.5 million eased through 2012 due to a lack of good quality listings and a level of uncertainty about future office rental levels. The imminent addition of approximately 7,000 square metres of office space for occupation by various state government departments in a building currently under construction in Nelson Street will increase the local office vacancy rate and may cause office rental levels to ease.

The commercial office market is fairly liquid below $1 million as indicated by recent sales volumes. These types of investments typically have only one or two tenants and are generally perceived to carry a lower risk of future vacancy.

Agents report fairly consistent leasing enquiry for commercial office premises with areas of less than 200 square metres, and a number of new leases were struck during the year which supports accepted marketed levels of the past few years. Potential tenants now have a reasonable choice of office premises with vacancies now increasing moderately. Most leasing activity has been limited to smaller, more affordable premises of less than 200 square metres. State government tenants and major mining company are not presently active in this market.

The Worley Parsons Building at 45 Victoria Street was marketed for sale during the year with expressions of interest closed 29 August. The property has an approximate net income of $1.1 million. It remains available for sale.

Cairns

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

....there are two potential new office complexes on the development horizon, one to be located in the CBD fringe and the other in Cairns North....

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

There are two potential new office complexes on the development horizon, one to be located in the CBD fringe and the other in Cairns North. Site acquisitions have taken place but construction has not commenced on either site.

Townsville

Looking from the office window down a rejuvenated Flinders Street, Townsville's skyline is once again dotted with cranes. The difference this time however, is that they are not there for unit developments, but rather the construction of three new office buildings. The scale of this new office development is something that has not been seen in the City for well over two decades.

Construction during 2012 '420 Flinders', a nine -evel office tower, with a total net lettable area (NLA) of around 7,400 square metres of office space and around 600 square metres of ground level retail space. The office component will be wholly leased by Ergon Energy on expected completion in October 2013. 'Verde', also located in Flinders Street is a 12-level office tower with a total of around 11,000 square metres of which the State Government has committed to lease 10,000 square metres in this building on its expected completion in mid 2013.

We have also recently seen commencement of 'NQN House' a three-level $10 million office development in the 'Central' precinct. This building will be partially occupied by North Queensland Newspaper Co., and has a total NLA of 2,160 square metres. Construction should be completed in mid 2013.

Within the established CBD office market, vacancy rates during the first half of 2012 remained mostly stable with around 1,500 square metres of A and B grade space absorbed, to the detriment of C and D grade stock. An overall net absorption for the first half of the year of 301 square metres confirmed the movement of upgraders from this lower level stock to higher A or B grade property, potentially paving the way for regentrification of some of the older office stock.

Darwin

In the middle of Asia, back behind Tibet and the rest of China to its east, lies the Takla Makan Desert, also known as the Desert of Death and the Place from Which No-One Returns. There you are, right at its heart, with nothing but frigid sand dunes stretching far away in all directions. Nothing, that is, but a lone, huddled, raggedy figure, whom you approach.

It speaks:

"Owyergoinmate, orright?"

"Strewth! No worries. But I must admit, I didn't expect to see a fellow Aussie way out here. Where you from?"

"Darwin!"

"Me too! Great town, eh? What are you doing way out here?"

"I'm here because I used to be a CBD office leasing manager in Darwin. Frankly, it's easier to survive out here than trying to earn a crust leasing CBD office space in Darwin at the moment, and the building owners will never find me here." He cackles insanely, grabs you by your jacket collars and whispers, "The new government isn't leasing anything and is looking to cut back, including putting all people on contract on notice. And a major LNG firm is also pulling out of three of its seven floors of office space soon, and moving their staff there back to Perth!"

He starts wailing upon your shoulder. You note that although he is very smelly, his tears provide some momentary warmth, but you pull him away anyway and shake him:

"Get a grip, man! It's really not that bad! OK, so it's hard to lease offices out in Darwin's core, but all you had to do was look a little further out! Maybe not to Darwin's frame, but to Darwin's fringe – Stuart Park, Winnellie and so on. Lots of demand out there; you didn't have to go this far out! Things are looking up!

"It's just that in the CBD, the government has been hit hard with all those recent rises in rent that you – you! - had a hand in. Your owners got too greedy, the government can't afford the new rents, and so it has to cut back on its leasing space."

"No! No! You have it all wrong! Don't you remember the problem before? All those long years when rentals were stagnant, and government was grumbling about the state of the buildings? Well, from a landlord's perspective then, it wasn't worthwhile to maintain the buildings because the cost would not be repaid by increases in rental value. So those big rises were just a catch-up from those times, and owners were able to put money back into their buildings again, and government workers benefited.

"Look at that company sending staff back to Perth. Some rents in Perth are about double those here, yet they are still leaving. And look at government's green building requirements: do you seriously thing that the rentals being paid today would justify the cost of putting up a green building? They aren't even close! For example, the rental for the 9,000 square metres of government office space at the proposed 20 storey Charles Darwin Centre is going to be well north of any current rent. It's a catch-up! The government has just set all these massive new charges to catch up, higher than CBD office rental increases over a decade, yet it squeals like a stuck pig when the private sector brings their rents up to market. It's just not fair."

"Well, it's true that the asking rent for an A Grade building in Cavenagh Street is only about 83% more than it was in 2002, which if they get it will be about the same as fuel price rises since then. That's less than council rates have risen, while the new charges will mean that over a similar period, power charges would have gone up 100%, water 169%, and sewerage 156%. Over that period, office rents have actually lagged behind other property sectors in Darwin, especially residential."

"You see?!? It's not my fault, I'm innocent! I was just trying to do my job!" Sobbing, he falls to the ground, calms down, looks up at you and asks, "Anyway, what about you? What brought you out here?"

"I'm looking for a nice sand dune."

"Well, have I got a deal for you!" His face lights up, he springs to his feet, grabs you by the shoulder, and leads you off to that dune over yonder.

Perth

Perth's CBD office market has been resilient in the face of poor global economic conditions and sentiment. The key driver behind this resilience has been the spatial demands of project space and support services. The ongoing demand for resources paired with the durable demand for energy with a range of committed projects are likely to provide WA with a buffer against global uncertainty into 2013.

Across 2012, the Perth office market continued to outperform all other major Australian capital cities and added more than 170,000 square metres of new space in the 12 months to July 2012.

The 170,444 square metres was the highest level of gross supply additions in 20 years, according to Knight Frank with the majority of this new space being quickly absorbed. Of this, 115,503 square metres was occupied within the first six months of the year. This was primarily attributed to two new buildings being added to the CBD – Raine Square and Brookfield Place – which were both fully pre-committed when they reached the market.

Additionally, rents in the CBD are now nearing peak levels seen in 2008, identifing the clearly defined two-tier office rental market in place in Perth. Perth's seeing premium grade space vacancy is 1.2% according to the Property Council of Australia (PCA). This has driven Premium rents up to between $765 per square metre and $920 per square metre with A grade rents increasing to between $700 per square metre and $805 per square metre with a vacancy rate of 4%.

Despite a drop in interest rates, market capital yields have remained stable at between 7.5% and 8.5% for Premium assets and 8% to 8.75% for A grade yields. Owners are reluctant to sell as they see both rental returns and values continuing to increase over the years ahead.

Furthermore, WA's investment pipeline looks likely to remain strong out to 2015 with a number of projects pre-committed and strong investment spending in the resource sector flowing down into mining-related businesses which will act as primary drivers for Perth office space.

The Perth office market is expected to remain resilient barring major changes to world econimic conditions and more particularly flow on effects of Chinese economic conditions and demand for the state's resources.

South Western WA

The year 2012 can be described as one of very little activity in the office sector, with only one significant sale of a secondary office in Bunbury, and very little sales activity elsewhere. There continues to be a demand for quality office space in most areas and very little quality space available for either sale or lease. However, when the developers run their numbers of the rentals required to get any projects off the ground, these are well above potential lessees' expectations. As a consequence very few office developments commenced in 2012.

....rents in the CBD are now nearing peak levels seen in 2008, identifing the clearly defined two-tier office rental market in place in Perth....

A small office development that was completed early in 2012 in Busselton was quickly taken up at rents of around $250 per square metre net. The only projects that have been undertaken are generally government buildings, notably the Busselton Community Resource Centre in Busselton, which included the expansion of the Busselton Library. The two storey building will house nine community and not for profit organisations.

The only offices currently under construction and nearing completion in Bunbury are seven first floor offices ranging in size from 140 to 215 square metres. These are located within the Bunbury Homemaker Centre above two new retail showrooms. They have asking rentals ranging from $150 to $185 per square metre net. These should be ready for occupation in January 2013.

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

Given the continuing low confidence in the economy, 2013 could end up being very similar to 2012.

Residential Overview

Moving out of 2011 meant market participants were watching cautiously as to how real estate might progress. It seemed that confidence in the market would be hard won if at all. As you will see from our December 2011 issue, residential markets moved in a variety of ways between sectors, price points and localities. Our year end guide should provide plenty of discussion fodder for your Christmas get togethers.

Sydney

Without blowing our own trumpet, the 2012 predictions for the north west sector we made back in February have been mostly on the money. New subdivisions and residential estates in the Hills, Blacktown and Penrith council areas went from strength to strength. This was helped in part by the NSW Government's changes to the first home owner's grant. We saw an increased trend towards "house and land" packages in preference to buying the land and then building. Local agents in the Penrith area have reported a dramatic drop off in first home buyers purchasing the type of property that was previously their domain (i.e, units, townhouses, small 3-bedroom dwellings). Many first home buyers are paying a bit extra for a base level "house and land" package.

Enter the small investor, which was our other prediction for 2012. The small investor returned to the market in droves in 2012, especially in the west. This helped prop up the "old" first home buyer's market. There was a continued "granny flat" trend in the Penrith and Blacktown council areas. Investors are increasingly looking for higher returns and the dual income stream offered by purchasing a basic 3- bedroom dwelling and building a granny flat to the rear has proved most popular.

In describing the overall north west Sydney market in 2012 in one word it would be: improved.

North Shore, Southern Suburbs and Inner Ring

We have seen a rather volatile 2012 throughout Sydney property markets. This comes as no great surprise, as our predictions made in February this year have held fairly true. We have continued to see uncertainty in the global economy and as a consequence the markets have suffered, especially at the higher end. Also as predicted, we have seen interest rates decline which has helped spur the lower end of the market in most suburbs. This has also kept investors in the market with low finance rates, yet still good yields on investments.

Despite strong sales in the first half of 2011, properties on the Northern Beaches and North Shore have underperformed over 2012. This is especially true above the $1.5 million price point where we have seen evidence of re-sales that have declined in value from the peak of the market in 2007. This trend was expected to continue as 2012 began, however many predicted the spring season may have brought people back into the market. This has not been the case however, with deep seated uncertainty when it comes to purchasing high end property.

This sentiment appears to be across the board with the eastern suburbs, southern suburbs and inner-west all experiencing similar market conditions throughout 2012. It is fairly safe to say that the $750,000 to $1.5 million range has been steady, with no significant capital growth experienced. Properties with a price point below $750,000 have generally had minor capital growth overall, but far less than that experienced in previous years.

Development appears to have continued in most areas throughout 2012. As predicted in our February edition, the proposed Sharks residential/commercial development at Woolooware in Sydney's south has been approved. Sydney's inner-west light rail extension is now predicted to be completed and ready for use in late 2013/ early 2014. This is a little later than predicted, but appears to be on track (no pun intended) for completion by the published dates.

Although our predictions from February appear to be inline with what has occurred, it has been a challenging year for valuers trying to gauge where the market is positioned. As expected, after years of good growth, some clients are surprised to learn that capital gains have been minimal or non-existent in 2012. We look forward to 2013 and we will see how our next set of predictions plays out.

Wollongong

The residential property market in the Illawarra has had mixed fortunes over the course of 2012. This has largely been the result of uncertain employment conditions caused by Bluescope Steel downgrading its workforce, the slowing of the mining boom and low interest rates.

Vacant land sales continued to remain strong in new/developing estates such as Shell Cove, Sea Crest Estate in Flinders, Brooks Reach Horsley and McCauley's Beach Estate Thirroul. House sales in these suburbs have remained steady as supply increases.

Residential units in Wollongong at the lower end of the market sector have remained steady in the medium sector, units between $400,000 to $600,000, have strengthened, and the upper end has plateaued significantly.

Numerous new developments have commenced construction with strong demand for medium price units. Rents have gradually declined in 2012 for both units and houses, largely caused by the University Of Wollongong providing more off site campus accommodation for students.

Overall, house prices have remained steady with no significant increases in values from the beginning of the year to the end. The northern suburbs of Woonona, Thirroul and Austinmer have maintained their growth. Suburbs south of Wollongong have remained steady with some record high sales in some localities.

The Shoalhaven residential market continued to tread water in 2012. In many townships supply greatly outweighed demand, with many propertie's remaining on the market for an extended period of time, indicating audacious vendor expectations.

Southern Highlands

Looking back on 2012, the Southern Highlands residential property market saw periods of steady and also weakening prices. Generally the market was slow, with steady volumes of sales. The trend of buyers from outside the local area, who want to live in a centrally located rural or regional setting like Bowral or Picton, but still have access metropolitan areas within a few hours drive, has continued. The rural residential/lifestyle property market has weakened and is currently considered to be steady.

The prestige market is really tied to the prestige market in Sydney. This market has also weakened, with extended selling periods. We have also seen some solid prices being achieved for well located properties that are in really good condition and several sales over the $5 million mark.

....residential units in Wollongong at the lower end of the market sector have remained steady in the medium sector, units between $400,000 to $600,000, have strengthened....

The rental market was a good performer last year and early this year, with rental levels increased. From the middle of the year to present, rents stabilised.

Southern Tablelands

In the Southern Tablelands, the regional city of Goulburn has enjoyed good growth over the last few years. The residential property market in Goulburn, slowed over the course of and is now steady. The trend of buyers relocating from Canberra to Goulburn and then commuting to Canberra continued throughout 2012. Another noticeable trend was Sydney buyers purchasing investment properties in Goulburn. We have also seen some retirees from Sydney relocate to Goulburn to enjoy the country lifestyle, but still have all of the major services and shopping that a large regional city offers.

Crookwell also experienced growth over the last few years and is now steady. The rural residential/lifestyle market had slowed, realistically weakened slightly and is currently steady. Rental levels increased at the start of 2012, but have also steadied.

Newcastle

The overriding theme of the past year in the Hunter area has been the shortage of houses available for rental and the upward pressure this has placed on the already stretched rental market. We also stated at the beginning of the year that the market was likely to feature possible barging hunters sniffing out the opportunistic deals from over stretched vendors.

First things first; were bargains to be had in the Hunter? Not as many as you might expect given wider macro-economic factors at play. The traditional source of bargains on a residential front is primarily by way of mortgagee in possession properties and there were a few of those around, not really localised in any one area but spread across most suburbs. The reason these can generally be considered bargains is that whilst most people expect low prices, not everybody has the means to do anything about it. Therefore slightly unusual properties tend to sell quite cheaply. However if the property is more commonplace or appealing to a wider demographic, the activity is usually strong and bargains are not as prevalent as one might expect.

It's quite interesting that there are "bargains" to be had in the residential development site sector with very limited activity occurring. Many sites have been on the market for a considerable period. and their "for sale" signs have been hit with graffiti and the like, have half fallen over or, in some cases, just plain disappeared. (The signs are good for grass sledding I'm led to believe). These sites take a special type of investor who knows what they are doing and are savvy enough to con the bank into believing them. Even with the bank money behind them, it's still not plain sailing with risks of building companies going under and construction uncertainties. There is also the difficult task of not only reading the current market but predicting what it might be like in 12 months time when the product is finished. Will the be market stronger? Will it be weaker? Has the developer made the right decision about what to build? Is that product still wanted by the market? All questions that lead to an increased profit and risk requirement. Only the hardy need apply. To quote from one of the most enduring movies of the past 50 years; "and a set of brass ….. this big" - *Lt Callaghan, Police Academy.*

....there are more vacant houses in Newcastle than you might imagine....

The rental situation has only been exacerbated over the last year. Landlords are regularly achieving rental increases at rent review time, often by $10 to $20 each review. We have recently completed a large rental assessment exercise across the Hunter and significant rental increases have been achieved across the board without fail. What factors have led to this? There are two main reasons that stand out above the myriad of reasons available.

The first and main reason for areas like Singleton, Muswellbrook and Maitland is the mining boom, which whilst slowing, is still driving high rents in these locations. If the mining interests continue to consolidate and slow their investment, this rampant growth in rent is likely to consolidate and slow. This is something to consider if you are looking to invest in these areas. Please though consider that valuers are prone to caution.

The second major factor is seen to contribute to the low vacancy rates in the Hunter is the perceived lack of new homes being built. Often this is combined with the "blame Council for the cost of land today with the infrastructure levies imposed and the increasing cost to gain approval" cry from the put-upon developer. Of course this one is much harder to get to the bottom of. It's widely reported in the media that there is a shortage of housing stock and also a shortage of land available, but I don't think that is necessarily 100% true. In our day–to-day valuation routine, we inspect a number of established properties where we have to pick up a key from an agent or meet an absentee owner on site.

There are more vacant houses in Newcastle than you might imagine. This is even more so in areas like Nelson Bay and Tea Gardens / Hawks Nest where holiday homes abound. Drive out from Hexham and it's land subdivision after land subdivision through Thornton, Gillieston Heights, Aberglasslyn and Rutherford. Huntlee up at Branxton also wants a piece of this action. I think the "lack of housing stock" argument is weak at worst and over stated at best. It lends itself to considerable oversimplification of the realities of the market. I think an answer might lie in changing our living habits, looking at the size Newcastle has become and asking whether there is a more efficient way of doing things. This will take a collective effort of a number of interested parties.

Is the rental situation going to change any time soon? I think there has to be a natural tipping point. Rents can't keep increasing with limited wage growth. There comes a time when that equation becomes untenable and people look at other options, whether that means moving to other areas where rental rates are better, or downsizing or changing their living habits. It will be an interesting 12 months in the rental game.

Train-line update. It's still there. Letters to the Editor still happening.

NSW Mid North Coast

Last December we noted that 2011 had seen gradually falling sales volumes and variable prices for all the major centres on the Mid North Coast.

This year, unfortunately, has remained similar to 2011, with low sales volumes and erratic demand levels. Prices have remained subdued with only the lower end of the residential market showing some slight increase in value.

Recent interest rate cuts have helped to stabilise the market, although to date we have not seen a positive flow on effect filter through.

Median sale prices (while also of a generalised nature) have seen dwelling values stabilise during 2012, while vacant land and unit values have continued to fall.

We have seen reasonable demand for low value dwellings and units, which can be attributed to both First home owners entering the market and small "mum & dad" investors buying an investment property. However sales have been erratic and values have fluctuated from month to month.

Higher value properties have shown increasing selling periods and continually falling values and we have noted that asking prices are continually being reduced to effect a sale. It is a buyer's market and buyer's are targeting multiple properties within their price range and then submitting low offers to each vendor, until they find a vendor prepared to lower their asking price to the level of the offer.

Prestige units along the Mid North Coast have seen a major decrease, both in sales rates and values over the past three years, with 2012 continuing this trend. Selling periods, in some cases, have increased to in excess of 18 months. There is currently an oversupply in this segment of the market with some owners who purchased their properties towards the end of the last boom now under mortgage pressure and attempting to realise some of their assets, generally with poor results.

An example of this can be seen in a high quality prestige unit building, located opposite the beach, which sold in 2007 for $2.25 million. It re-sold in late 2011 for $1.45 million, after being listed for sale for about 18 months. Another ground floor unit in the same complex, of similar design but with slightly inferior views, sold during 2012 for $910,000.

We have also seen an oversupply of vacant residential land being released on to the market within developing residential areas. Along with this oversupply of new land, local builders have reported decreasing demand for new dwellings, villas and townhouses, and this has resulted in no increases in value for new products within the region.

This lack of demand has flowed through to both residential development land and englobo land sales with almost no sales during 2012, and few 'land banking' purchases, with developers generally deferring any purchase of new reenfield sites, or development on land currently held until demand and values increase. Lending institutions have tightened their lending requirements for residential developments and their reluctance to lend has also had a negative affect on both sale rates and values

Our predictions in early 2012 were that "further rate cuts will bolster the market and create renewed interest, as well as stimulating buyer activity" and we also noted that "the 2012 property market to be more or less a conservative rerun of 2011, with the majority of activity in our local market being concentrated to the lower to mid-lower price ranges". These predictions appear to have held during this year.

....higher value properties have shown increasing selling periods and continually falling values and we have noted that asking prices are continually being reduced to effect a sale....

In summary, if we needed one word to describe the property market during 2012, it would be 'stabilising'.

Merry Christmas.

NSW Central Coast

Conversations with industry associates and peers throughout the year have enabled us to gauge market sentiment. Further indications have been gained from the person on the street and market commentators.

Gauging this sentiment is very important to us when assessing values and market directions.

At the beginning of 2012, there was a distinct level of neutrality in what to expect for the year and generally, we found this and a sense of settling into a pattern of status quo to continue throughout the year. Sure, there was the odd surprise, but no headline grabbing record sales or bargains.

At this point, we are a little way short of having confirmed figures for the year, but with the information available, we have concluded that it has been a year of consolidation and possibly getting back into a cycle of values that might remind us of years past. These were good times when plans and budget could be made without too many reviews.

Our research of sales data tells us that overall dwelling sale numbers in the Gosford Local Government Area are down by 2.1% over the previous year with the median value also down by about 2.3% during this period. Unit sale numbers were up by about 4.6% while the median value fell by 3.8%

The Wyong Local Government Area is slightly different and perhaps more telling when looked at broadly. Dwelling sales rose by close to 6%, but with a fall in median value of around 1%. Unit sales were also up by an encouraging 1.7%, but the median sale price fell by close to 4%. The worry here is the 30% fall in vacant land sales, but with slightly higher median value.

Conclusion

- A reduction in land sales in the Wyong LGA of 30% is better than the previous year, but indicates the statistics are correct when a slowing of building activity is mentioned. We look forward to seeing how this will change with the new first home buyer's scheme for new dwellings coming into play.

- The segments that have again shown the least activity during 2012 include dwellings over $1 million and vacant land sales, especially in the Wyong LGA.

Observations

At the beginning of 2012, we speculated that the ups and downs seen in the preceding years would continue and that it would be a year for first home buyers and investors. At the half time oranges break, we saw this as being correct and at the full time siren, this appears confirmed.

Once again, sales in the sub $400,000 category accounted for a majority of the property sales on the Central Coast. This confirms reports from real estate agents that first home buyers and investors are sustaining the market.

The residential unit market is still the most volatile of the various market segments. Values were erratic as this market struggles to gain stability after the oversupply situation we have been experiencing over the past several years. But the good news is that this segment is considered to be on the improve.

High Value and Executive Property Market

Activity in the high end and executive property segment has again been the slowest. We got this one right when we said 2012 would be a quiet year.

Mortgage Sales

We are heartened by the fact that fewer mortgagee sales occurred this year. Our in-house records indicate that our instructions to provide mortgagee valuations were down by 36% and we are happy to see less of this work.

Notwithstanding, we understand that lender and mortgage insurers continue to closely monitor the region, indicating to us that the region remains vulnerable as owners struggle with mortgage payments and living costs.

....the regional centre of Lismore has seen low to moderate sales activity with months of being very quiet and only a few months such as March, August and September, showing slightly increased activity....

NSW Far North Coast

The 2012 residential market for the NSW North Coast can be summarised in one word – 'skittish'. The market has generally remained soft; however, there have been patches of improvement noted within some section of the market and significant reductions in other sections of the market.

This description is generally in line with our market prediction from February of this year, in which we stated that 'the residential market is expected to remain generally slow over the next six to 12 months primarily due to continuing uncertainty in the world financial markets and overall reduced market confidence. The two recent reductions in official interest rates have yet to provide any indication of having any impact on the overall residential market'.

The further reductions in interest rates throughout the year have yet to have any real effect on the residential market. Lenders have become more aggressive in sourcing potential business, however, lending policies remain stringent and there is a continuation of tighter lending policies especially for those properties which carry any form of risk.

The lower end of the market has remained stable with the mid to upper end of the market proving to be the most vulnerable with high discounts (some much as 50% for unique properties within the prestige sector of the market).

2012 has been a year of "consolidation" for the property markets of Lismore, Casino and Kyogle.

The regional centre of Lismore has seen low to moderate sales activity with months of being very quiet and only a few months such as March, August and September, showing slightly increased activity.

This was evident across the board for units, houses and rural residential properties. The 12 month period also showed a 'slow recognition' among vendors of the need to readjust their sights and subsequently accept asking price reductions (much to the relief of real estate agents!)

The surrounding towns of Casino and Kyogle have experienced similar conditions, however, probably felt a bit more harshly. During the mid section of the year, activity was very subdued with even the demand for rental accommodation taking a hit.

The other smaller villages of Bonalbo, Drake, Coraki, Woodenbong and Urbenville have all experienced similar results. However, Dunoon, Wyrallah, Caniaba and Modanville appear to maintain their values reasonably well.

Another unfortunate result of a quiet year included an increase in MIP sales which showed significant falls in market value due to the need to sell quickly. For example, two 2- bedroom original brick and tile units within a

16 unit complex in Casino recently sold for $94,000 and $105,000 respectively. Only a few years ago, these properties were attracting a rent of $180 to $200 per week (and still are) but with values closer to $160,000.

The typical 100 acre rural residential properties within these localities have also lost a little bit of flavour with prospective purchasers generally looking for the smaller rural residential houses on an acre or two with less land maintenance issues and closer proximity to town.

The general residential markets for the Yamba, Ballina and Lennox Head regions have remained steady with noticeable increases in rates of sale occurring over the last quarter of the year. However, it has been clearly evident that if properties are not competitively priced, they do not sell.

Our market prediction in February 2012 was 'the most difficult market for 2012 within the coastal regions is considered that of the middle to top end. This market is again being affected by 'forced sales' and this is expected to continue at least for the next six months'. Although forced sales have impacted on this market, there have also been noticeable increases in rates of sale occurring over the last quarter of the year, particularly for residential property priced in the order of $1 million in Byron Bay.

Overall, sales activity for the majority of 2012 remained subdued, however, there was a definite increase in sales activity over the final quarter of the year. Vendors are generally realistic and there is a common agreement that buyers are beginning to believe that the market has 'bottomed'.

There has been no particular "stand out sectors" of the property market over the year. Mortgagee in possession properties offered for sale at 'forced sale' prices increased in number over the calendar year and these properties have provided opportunities for prospective bargain hunters.

Regional Victoria

GIPPSLAND

Wellington Shire & Latrobe Valley

The word to describe the residential market within the Latrobe and Wellington regions for the 2012 year is "flat".

Compared to 2010/2011, the market slowed slightly with properties experiencing longer periods on the market and slow sales turnover and in turn prices dropping.

However in recent weeks the market may be stabilising with an increase in property sales. We think vendors are starting to realise that prices they may have hoped for 18 months ago are not going to be achieved in today's market. So there seems to be a happy medium occurring between purchasers and vendors.

Our prediction for 2013 is slightly more positive than we would have thought previously with sales rates gradually increasing in recent weeks.

....one notable trend has been an increased volume of mortgagee in possession sales during the last half of 2012, which have mostly involved cheaper, poorly presented homes....

In view of this, maybe we can look at 2013 more optimistically. Perhaps the top end priced properties will be more achievable in 2013 with the market starting to stabilise and potential sellers and buyers becoming more realistic.

Overall, 2012 was a slow market but early indications may provide some surprises for 2013.

Ninety Mile Beach

Again we are witnessing a greater number of supply with limited demand, and values have come off approximately 15% over the last 18 months to two years.

East Gippsland

East Gippsland is considered flat with a lack of activity in the market. However there may be signs of a slight increase in number of sales which could be attributed to vendors decreasing prices, especially noticeable in coastal areas such as Lakes Entrance.

MILDURA

Our main prediction at the start of the year was that there would be a slight improvement in the value of dwellings in the $220,000 to $350,000 price bracket due to the combination of a tight rental market and easing interest rates. In hindsight, we should have been more cautious. What we didn't foresee was the poor levels of confidence in the economy and real estate generally. Monthly sales volumes have been down by around 20% and values have remained flat to slightly decreasing for most sectors of the market. Riverfront properties have fallen noticeably in value following some very soft sales in the prestige market.

While it is true that the rental market has remained tight and that rents have increased over recent years, this has not yet translated into an increase in buyer activity. It is now apparent that many tenants are either unwilling or unable to buy property in the current market.

One notable trend has been an increased volume of mortgagee in possession sales during the last half of 2012, which have mostly involved cheaper, poorly presented homes. Buyers of these properties have factored significant upgrading expenses into their generally conservative offers.

There has been a slight improvement in demand for rural residential properties surrounding Mildura, due to the expectation that water restrictions won't be an issue for the next few years.

Vacant residential lots in Mildura have continued to rise in value attributed mainly to a rapidly diminishing supply.

The combination of 'hurt' developers and tight lending criteria has seen few new subdivisions in recent years and available stock is now less than one year's normal take up. So we now have weak development land levels but rising lot prices.

Adelaide

We predicted that for the duration of 2012, the Adelaide residential property market was going to remain subdued and this has certainly been the case. So if we had to pick one word to describe the year 2012, then that would be it – subdued.

Low volumes of transactions, extended selling periods, volume of stock on market, tighter lending criteria and reduced capital values have been standard issue since the end of 2010 confirming that we are in a buyer's market. It is also fair to say that mostly these conditions have been accepted as the status quo for Adelaide, although it has probably taken around 12 months for this to occur. In general, vendors now realise that in order to sell their properties they need to meet the market and that means being realistic when it comes to asking price and in most cases it appears as though vendors are now accepting of this fact. Interestingly, recent figures compiled by RP Data show that 36% of South Australian homes sold over the three months to August 2012 that had been purchased since the start of 2008 were sold at a loss. Under current conditions, any over-priced property put to market to sit on the market for an extended period as often, even if the price is revised down by 10% to 20%, any initially interested parties have already moved on.

....rental rates have remained fairly stable with vacancies reducing over the course of the year from the high point of just under 4% to now just above 3%....

It now appears as though we may have already reached the lowest point of the cycle. Although on a monthly basis the data is still a bit up and down, overall the trend this year is starting to show some positive signs, probably driven by the numerous interest rate cuts that occurred during the year – and yes we predicted that further interest rate cuts may offset the decline in property values experienced since the end of 2010.

At the start of 2012 we looked forward to the far-reaching, positive benefits that the Olympic Dam Expansion Project was going to generate for our state. Unfortunately this project was shelved indefinitely in August this year which was a significant blow to consumer confidence .

Low consumer confidence due to uncertainty surrounding global financial markets and more locally, cost of living and employment security, is still having a significant impact on risk perception with most choosing to act fairly conservatively with a tendency towards saving or paying down debt.

It is difficult to tell whether there was an increase in investor activity during 2012. Rental rates have remained fairly stable with vacancies reducing over the course of the year from the high point of just under 4% to now just above 3%, with yields tending towards the upper end of the 3% to 5% gross rental return range that is fairly standard for Adelaide. There is still limited potential for short term capital growth.

Something that we didn't consider was the introduction of various incentives to stimulate the building sector which is currently experiencing difficult conditions. First announced was stamp duty concessions for any off the plan apartments built in the City of Adelaide with maximum concessions of up to $21,330 on properties under $500,000. Next were changes to the First Home Owner's Grant (for properties up to $400,000) which included increasing the grant from $7,000 to $15,000 for new homes and reducing the grant from $7,000 to $5,000 for established homes. Also announced was the Housing Construction Grant which is up to $8,500 available to anyone for any new home built where the total value does not exceed $450,000. Therefore an eligible first home owner buying a new apartment worth less than $400,000 in the City of Adelaide could be in line for grants totalling around $40,000!

Brisbane

What a year. It started so full of promise, yet by the close of 2012, property in south-east Queensland was more like receiving a lump of coal on Christmas morning. More damp squib than greased lightning. We in the south-east were all set to put 2011 and its ill tide behind us but no one wanted to fire up. Where were all the buyers?

In February we made some hit predictions and the results will speak for themselves. We called a 'firmer' market in 2012 and while things may have hardened up some towards the end of this year on the back of interest rate cuts, most of the year remained Tontine soft. The feeling was decidedly bullish from the agents we spoke to in January and February, but as anyone who attended our recent State of the Market annual event will attest, a 10% drop across a broad range of the market is far from bullish. The promised investors kept their heads down although a few more fronted up in November in response to the stronger rents and lower interest rates.

The bargain end of the market spectrum was one area we thought had some real upside going into the year. It always seems a given that in a soft market the really cheap stuff just can't get any cheaper. In realty though buyers just continued to stay away and if you weren't competitive in your list prices, then you could forget about anyone turning up to the open house. Buyers were spoilt for choice with solid returns for not too much outlay on offer. Unfortunately the jitters prevailed and even this affordable end kept up the drag.

We also made one very brave call for the coming year and that was flood affected property. In 2011, you could barely get a nod of recognition from purchasers when listing in a suburb that flooded, and woe betide the property that actually copped some water. We thought as the mud started to settle, a few speculative types might pop out of the woodwork. To some degree, we were right. Whilst it couldn't be said that fortunes have been made on investing in the flood affected areas, it is fair to say that the market is becoming more comfortable with the risk. The Queensland Floods Commission of Enquiry findings placed some blame on how the flood was managed in terms of releases and outlined some ways the effects might have been mitigated. There are now buyers out there convinced it won't happen again which means demand is a touch stronger and by this year's end, sales were a more regular event.

We also called mid-ring, well serviced, transport accessible localities as a hit pick in 2012. For regular readers we could almost hear you saying "Again? Really!?!". It may seem like a lay down misère but frankly we think this patch has continued to be a good investment. Those hubs that are now much closer to the CBD in travel time due to the infrastructure boom are feeling the love. Once again these markets didn't make you rich right away, but they certainly performed better than most.

We weren't all sweetness and light of course. The prestige bit of the market looked lackluster at the end of 2011 and our call was more of the same in 2012. Guess what – we were right!

In summary, 2012 on balance didn't fire as much as expected and some markets actually took another hit in the past 12 months. In many respects the statistics show we probably weren't pessimistic enough about 2012 when making our calls on the year ahead back in February. Maybe next year will be more agreeable.

On a final note, have a merry, safe and joyous Christmas period. Thanks for your support in 2012 and all the best to you and yours for the year's end.

Gold Coast and Tweed Coast

2012 has been a tough property market for many in my area. Just when you think the market can't get any worse another under contract sale comes along to prove you wrong. It has been a year I would describe as one of both 'conciliation and opportunity'.

Values have declined across all property market subcategories with the prestige, unit and acreage markets hit the hardest. Mortgagee in possession sales have significantly impacted the property market with properties selling in many cases at levels not seen since circa 2003 to 2004. Statistically the Gold Coast has shown that we lead Queensland for pro rata MIP sales. (The Helensvale post code has reportedly the highest rate of MIP sales for the entire nation). The market is still a strong buyer's market with most local and informed buyers being very discerning and taking their time to buy wisely ,for example, seeking out the most distressed auction sales. This has caused values in some residential areas to fall more sharply than others as buyers shun areas with perceived issues overshadowed by the more desirable areas. Therefore, we have seen sales in some residential pockets fall very dramatically.

There have been plenty of options for first home buyers looking to get into the market in 2012 with some dwellings in areas such as Nerang and Highland Park slipping into the sub $300,000 bracket. Also included within this price bracket are older style lowrise units in the Surfers Paradise/Broadbeach locality and second hand townhouse units in the Pacific Pines locality.

Values have also continued to fall in the $500,000 to $1,000,000 market with multiple sales occurring in Isle of Capri in the mid $600,000's, which is the lowest prices we've seen for waterfront property in this locality for a few years.

Construction of the light rail has continued with some surrounding areas suffering poor access, especially through the Surfers Paradise locality. Agents have reported negative feedback from buyers for properties with access affected by the light rail construction.

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There is still an oversupply of highrise units for sale in Surfers Paradise and Broadbeach with the marketing of the Hilton, Oracle and Soul products. Until stock levels have cleared in these developments, it is unlikely any growth will be experienced in the highrise unit market.

Due to an almost non-existent presence of small scale 'mum and dad' developers and speculative type investors, the pre-GFC, sought after development sites now sell at levels comparable to sites without potential.

For example, duplex approved allotments improved with an older style dwelling close to the Broadwater will sell at levels comparable to 'detached dwelling' sites in the same locality.

In more recent months, real estate agents have been reporting a noticeable increase in sales volumes with many agents reporting that they are clearing much of their dated stock. Agents are now consistently reporting a lack of listed stock. However, this does not suggest there will be any lift in values in the short term. Vendors who are selling have been softened over time to meet the fragile market. Where vendors have become very motivated or stressed, the sale price often reflects substantial financial loss. Also, the typical buyer is often one who seeks nothing less than a 'bargain buy' and is extremely discerning in that regard.

Rentals have mostly remained strong during 2012 despite the value decreases, however there may be change happening. Many property managers are reporting increases in vacancy rates. Reportedly long term tenants in some of the larger complexes are leaving the Gold Coast in search of work. A new phenomenon is happening where existing tenants are contacting their landlords to renegotiate cheaper rents or moving to secure cheaper rents and potential or new tenants are negotiating advertised rentals downwards.

Recommended areas for investment: I would recommend those older developed residential areas tracking along the Broadwater, namely Southport, Labrador and Biggera Waters to the north. These areas have excellent infrastructure being close to the Central Business District of Southport with proximity to a number of schools, hospitals and services. Other stand out areas are Paradise Point, and the Parkwood / Molendinar areas lifted by the recent development of the new Southport Hospital, expansion of Griffith University and the location of the new light rail system. Generally speaking, location factors to be considered are proximity to water and infrastructure.

Conclusion

2012 has been a tough year for many property owners, however, their loss amounts in many cases to excellent longer term opportunity for those 'early adopter' investors who can position themselves against the storm. We still need to be wary of the unknowns, being the macro and micro economic situations, the mining industry and rental markets. There is no indication of any immediate changes in property values and we are predicting stabilisation for 2013.

It is and will continue to be a 'buyer's market'.

Sunshine Coast

Well one thing is certain, 2012 has turned out to be much better than 2011. There seems to be an air of optimism around now with more and more people 'doing things'. So whilst there are some good signs out there, we aren't quite popping the champagne corks yet.

One of the big positives helping to drive the local economy is the building of the $2.03 billion University Hospital at Kawana. The first stage private hospital is well underway and due to be completed in 2013 with work already begun on the major hospital. Also, changes in both the local and state governments earlier in the year appear to have really helped confidence.

....rentals have mostly remained strong during 2012 despite the value decreases, however there may be change happening....

The resultant effects are that we have seen a significant increase in activity. The main market where this has been felt has been the sub-$500,000 house market. Properties have been turning over more quickly with some agents making noises about running out of stock. In this sector it doesn't feel as if there is going to be a sudden spike in values, but certainly we expect that values will stabilize. The areas we thought would respond quickly, such as the Kawana strip east of the Nicklin Way, have shown improvement – homes with a three in front of the price are practically non existent now.

The resort investment units and prestige markets in general still remain quite tough. We have seen sales being recorded though and improved activity. This has however been on the back of sellers now meeting the market and the resulting values are typically subdued.

Mortgagee in possession activity continues to flow through the market with some sales completely blowing us away. There is no doubt that buyers smell blood in the water and treat these properties harshly. These declines are continuing to create confusion in the market with buyers and sellers really struggling to see where certain properties sit.

Southern Queensland

TOOWOOMBA

2012 has been a year of reduced sales volumes and stable values as the Toowoomba market struggles to step out of the shadow of the 2011 floods. Sales volumes in 2011 were the lowest for over a decade and 2012 has seen a further slowdown.

New unit construction has bucked this trend to some extent with the new Toowoomba Regional Council Planning Scheme prompting increased development activity. Implemented in July 2012, this new scheme encourages higher density living in some zones and has resulted in an increase in unit development activity.

Our prediction for 2012 was for stable values and sales volumes. We forecast the influence of the mining and resource boom to have limited impact on Toowoomba property values which to date, has proven correct.

The towns of Chinchilla, Miles and Roma continue to demonstrate increases in land values while house prices tend to be more volatile.

The demand for vacant land and housing in these rural centres is heavily influenced by the coal seam gas industry as construction projects bring large labour forces that require temporary or short to medium term accommodation. Local and absentee developers continue to capitalise on the demand for investment property from interstate investors. New home and unit construction remains buoyant, however sale transactions to local buyers for new product is limited.

....investors who had been priced out of the Gladstone market did look for more affordable properties and recognised the fact that Gracemere was an option....

Central Queensland

ROCKHAMPTON

At the start of the 2012 year, our prediction for the residential market in the Rockhampton region was steady sales activity with limited growth in sales volume and values. An exception to this was the possibility of capital growth for the Gracemere area located 110 kilometres to the south due to investors being priced out of the City of Gladstone market. The Gladstone residential market was experiencing substantial capital growth and development of numerous new estates as a result of a large number of industrial projects under construction. At the time this predicted growth was thought to continue during the construction period before levelling out.

It would appear that the residential market in the Rockhampton region did indeed stay fairly steady throughout the year. Investors who had been priced out of the Gladstone market did look for more affordable properties and recognised the fact that Gracemere was an option offering low vacancy rates and reasonable rental returns. However this spike in interest in the Gracemere market was relatively short lived before stabilising once again. This was mainly due to the fact that construction of a number of single man's accommodation facilities located in the Gladstone Region was completed during the year, freeing up a large number of rental properties in the city. This has also resulted in a reduction in sales and values in Gladstone.

Other notable influences during 2012 include the Bowen Basin mining industry reporting reduced profits as a consequence of a higher Australian Dollar, increasing coal royalties, and softening commodity prices, leading to some companies closing poorer performing mines, deferring expansion plans and rationalising staffing numbers.

The effect on the Rockhampton residential market has been relatively low to date due to this region benefiting from a diverse range of industry other than mining, including grazing and education. In conjunction with low interest rates, government incentives, and low vacancy rates, this continues to encourage both first home owners and investors to remain in the market during 2012/2013.

BUNDABERG

It's that time of the year to look at how our patch has fared in 2012.

The market for the Bundaberg region remained steady throughout the year in line with our February predictions. Sales activity has increased in the latter half of 2012 but values have remained static with most activity being in the sub $300,000 range. Confidence appears to be growing with the current low interest rates, federal government incentives and low vacancy rates encouraging both first home owners and investors to remain in the market during 2012.

Our year described in a word would be stable.

GLADSTONE

At the beginning of 2012, we predicted that activity would remain high and demand would stay very strong across all residential property types. We also stated that values were already at record high levels and we were unsure just how much higher prices would go. Over the course of this year, confidence in the market has dropped slightly, activity remains strong however not at the levels we were experiencing during 2011 and the record high prices have started to soften.

We have entered a new phase in the Gladstone residential market. We are now seeing declines in values from what was being achieved approximately 12 months ago. For the first six months of 2012 we saw evidence that the market was stabilising or softening with some values creeping back 5%. In the last four months, transactions have shown values have declined further. New housing and unit stock has come back by up to 5% whereas older housing and unit stock has come back by as much as 20% in some cases. We are seeing an ever increasing number of current contracts that are far below a value that could have been achieved at the beginning of 2012.

Local selling agents are reporting a loss of confidence in the market. Some factors which have affected this market include:

- Recent research indicates that the volume of unit and dwelling accommodation available in Gladstone has increased significantly. Throughout early 2012 there were minimal vacancies throughout Gladstone (vacancy rates were less than 0.5%), particularly in relation to conventional 3- and 4- bedroom dwellings and 2- and 3- bedroom units and townhouses. Our enquiries indicate that residential vacancies in permanent accommodation are now in the order of 1% to 2% in Gladstone and they are trending upwards. The market for residential product has strong links with the performance of the rental market. Accordingly, the market for residential property in Gladstone is inherently volatile. As we have seen, stabilisation in rental amounts has had a flow through to the capital market.
- We are aware of the extensive land and unit projects being developed in the area and agree that the demand for these products is moderate to high. However as more and more stock is produced and made available to the market, it is effectively increasing the competition in the area and giving potential purchasers a greater degree of product selection. The demand for newer stock with high rental returns now outweighs the demand for older existing stock. This has forced prices down and we are now seeing a greater differentiation in values.
- A high percentage of available vacant land is marketed and sold by specialist project marketers 'off the plan' to out of town investors. As none of these pre sales settle until construction of the estate is complete, it is often difficult to gauge the actual demand and whether the prices are at market. The recent declines in older housing stock suggest that land values too, should be decreasing.

....vacancy rates for rental property have tightened considerably during 2012, especially for houses, moving the current market well beneath the 'balanced market' range....

Cairns

The Cairns residential property market during 2012 has persisted at the bottom of the property cycle with sales rates remaining low and prices weak. Properties that were well located and correctly priced sold reasonably readily but properties that were ambitiously priced or in secondary locations continued to struggle. Even though the overall volume of sales has been gradually increasing, median property prices during 2012 reduced due to property price reductions and higher than normal proportions of low-priced mortgagee in possession sales. Our research indicates that 13% of the market during 2012 has been either mortgagee in possession or receiver sales. Property demand from investors and first home buyers has been weak and the market for bottom end housing and tourist orientated property has performed poorly. Demand for better quality houses and units in good locations has been reasonably solid up to around $600,000 but the market then tapered off quickly.

The mainstream residential market, which takes out the top and bottom 5% of the market, currently shows a house price range of about $225,000 through to $595,000. The median house price trend stood at $331,000 in September 2012, a 3.7% reduction since September 2011. The established unit median price has also reduced by 4.4% in the year to September 2012 due to the additional side-effects of greatly increased insurance charges and body corporate levies.

Vacancy rates for rental property have tightened considerably during 2012, especially for houses, moving the current market well beneath the 'balanced market' range normally accepted as a 3% to 5% vacancy rate. This reflects a lack of rental availability due to the lack of new rental housing construction and the slow state of the investment property market. The trend vacancy rate for houses was 1.3% during October 2012, while units showed a trend vacancy rate of 2.5% and the overall market vacancy rate stood at 1.9%. As a result of rental property shortages, rents escalated across all categories of housing during 2012, increasing between September 2011 and September 2012 by around $25 per week for houses and $15 per week for units.

Townsville

Throughout 2012 signs of life began to pulse through the residential property market in Townsville with the overall level of activity slightly better then we anticipated.

Volumes of sales in the established market, including houses and units, are currently trending at higher volumes then the corresponding period in 2011. The median sale price for houses has fallen around three to four percent from 2011 and is currently trending at around $348,000.

We have seen a resurgence in new unit sales throughout the year with hangover stock and receiver stock continuing to be absorbed. A number of new unit developments come onto the market with several significant suburban developments already under construction. These new developments are achieving strong 'off the plan' sale figures, predominantly from out of town investors.

Vacant land sales were buoyed by the State government's $10,000 building boost grant along with construction under the National Rental Affordability Scheme (NRAS) in the first half of 2012 with sales appearing to have faded in the last two quarters despite the $15,000 first home buyer's grant for new homes .

Rental vacancy rates continued to tighten from 2.8% in October 2011 down to 2.2% overall in October 2012. Vacancy rates dipped below 2% during the middle six months of the year and rents increased inline with this rental squeeze. The median rent for houses has increased $10 per week over the past 12 months with units increasing by $5 per week.

Overall the market showed continued positive signs of consolidation during 2012.

Tasmania

In February we slated 2012 as the year of consolidation – referring to our expectation that the market would bottom and consolidate to build a base on which to recover. Unfortunately the positive influences we highlighted, namely low interest rates and a tight rental market, have failed to impact the market.

In May and June this year we saw consecutive drops in the Reserve Bank interest rate for a total of 0.75%, with the October meeting adding a further 0.25%. It was hoped, particularly after the early aggressive drop, that these movements would assist economies such as Tasmania who are on the wrong side of the current two speed economy. Unfortunately this was not the case, with market conditions continuing to remain poor.

As for the rental market, this has also responded to the weak market conditions. This has been evidenced by an increase in the vacancy rates for the major centres, which has resulted in a decline in rental values and an increase in the use of incentives such as a rent free period.

One thing which has certainly showed no signs of weakening in the past 12 months has been the negativity surrounding the market. A particularly poor indicator of the state of the economy throughout the year was the increasing unemployment rate. Whilst this has eased within recent months, the October rate was recorded of 6.8%, which still exceeds the national rate at 5.4%. Building approvals have also continued to fall, with the current rate of 12.6% lower than September 2011, compared to a national increase of 5.6% over the same period. Other significant stories to emerge over the year include the entering into voluntary administration for both Chickenfeed and Gunns as well as the ongoing disputes surrounding the state's forestry sector, which has proved highly divisive and polarised community opinion.

On a brighter note it appears that the market may now be showing some signs of stabilising and, let's face it, there is a lot of room for improvement. Recent figures released by the Real Estate Institute of Tasmania have shown that whilst transaction levels are at their lowest levels for 20 years, the market does appear to have stopped the rot and possibly bottomed. As we have repeatedly highlighted though, the recovery in capital values will only occur once the level of stock has been absorbed by the market. Assuming the market has stabilised, favourable interest rates should help underpin the recovery.

Darwin

The Darwin residential property market has a real spring back in its step. 2012 has been a very positive year for the market, with increases in sales volumes, capital values, sharp increases in rental values and further steady reductions in the vacancy rate. 2012 has been a big year for new homes, land releases and the sale of existing, detached housing stock.

The most recent data available produced by the REINT has shown a year on year increase of 12% in the median house price with an increase in sales volumes of 7.9%, 1.2% in the median unit price and a staggering 148% increase in the unit sales volume. This supports the 'rebound' to the market through 2012, which has recovered much, if not all of the reduction in capital values which was experienced through late 2010 and 2011.

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The major story in the residential property space for 2012 has been the increase in rental values and the availability of stock. Darwin has a transient population with a large proportion relying on rental properties for accommodation. As at 30 September the vacancy rate in Darwin was 1.5%, Palmerston was 1.3% and Katherine 0%. These low rates are having a direct impact on rental values with increases by as much as 29% for 3- bedroom inner Darwin units being achieved through 2012. We note that there is considerable construction of new apartments underway in the Darwin CBD at present, which will ease the load, however, completion of many of these apartments is not expected until late 2013 or early 2014, and as such there is still likely to be pain for renters through 2013.

There is no doubt that the positive confirmation of the Inpex project has been a large driver for the residential property market in 2012. It seems that the February predictions of 10% increases to rental values was conservative, as the market has comfortably absorbed increases of upwards of 20% increases. These increases, in time, are likely to contribute to further capital value increases as investors come back to the market and seek strong returns.

As we look back over 2012 at the Christmas table this festive season, it is fair to say that the year will be viewed as one which was full of rebound and market growth.

Perth

Across the 2012 year, Perth has seen median dwelling prices stabilise as turnover continued to rise in both the housing and multi-residential sectors, although the latter is still some 30% below average levels reflecting weak investor confidence in the market.

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

....for the month of October, current rental listings for the Perth Metropolitan Region sat at 2,613 (REIWA) and our valuers are witnessing very nervous renters with regard to further tightening of prices and report a lack of supply around the central sector of Perth....

As at 21 November, total listings for the Perth Metropolitan Region sat at 11,052 (REIWA) and have been operating below equilibrium levels since June, indicating that there may be some supply pressure in the lower and middle markets in time. At this same time reported sales have been showing a steady increase as the market is returning to average turnover levels with the help of our first home and trade up buyers. While this is a positive sign that confidence is returning to the established dwelling market, there are a few storm clouds brewing around housing supply in Perth.

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

The rental market across the Perth metropolitan area saw another increase over the year taking the median overall rent to $450 per week as at the September quarter end. This increase is not surprising as the Perth Metropolitan Region experienced a 24% fall in properties available for lease at the beginning of the year which led to supply pressure across the sector inviting the vacancy rate to slide to 1.8%.

With rents moving to double digit growth in most areas and approximately 14% for the Perth metro area, the housing affordability equation is swinging back to home purchase due to stable house prices. Additionally WA is experiencing a relatively strong local economy which is supported by low unemployment rates, underpinning wages growth.

For the month of October, current rental listings for the Perth Metropolitan Region sat at 2,613 (REIWA) and our valuers are witnessing very nervous renters with regard to further tightening of prices and report a lack of supply around the central sector of Perth. Furthermore, some property managers were reporting an average of 20 plus applications for rental properties in these suburbs.

The outlook for the 2012/13 financial year is an interesting one with stock levels in both the rental and ownership market diminishing, a hold up of construction due to the Building Act changes and an overall positive sentiment for households to buy established dwellings, there could be some upward supply price pressure in 2013. However, since the Global Financial Crisis it seems most households are more focused on reducing or repaying debt and the dreams of over extending oneself in the property market are far gone. With this change in sentiment it is expected that prices will remain relatively stable in the short term, however turnover will continue to rise.

South Western WA

As we come to the end of the year, we get the chance to reflect on how close to the mark our predictions were in February. This year it appears we were reasonably close, in that indications are the market has at least bottomed out. This has been driven from the bottom of the market, with sales to $400,000 being in the majority. As the year progressed, we did however see larger numbers of higher-priced properties selling.

Our predictions were that there may be some slight increase in value as the year progressed, but, to date, there seems to have been little movement in market value. There are still significant numbers of properties on the market and until the excess supply has been used up, it seems unlikely that there will be much price movement. The number of properties on the market has at least dropped, getting us closer to a "balanced" situation of similar numbers of buyers and sellers.

Agents have been reporting throughout the year that buyers have been prepared to commit (as opposed to what was happening last year), with the qualification that there have been peaks and troughs in demand as various external factors have impacted on confidence. The most recent of these was the shelving of several mining projects and the potential effect that this has on fly-in-fly out workers. This section of the market has been fairly well represented as purchasers, due to high levels of income and (until recently) a very bullish outlook in the mining sector. The addition of infrastructure to make fly-in-fly out easier from the south-west of Western Australia is likely to have been a positive driver when attracting these workers to the area.

One point of interest is that the market at the very top (over $3 million) has had a higher than expected number of transactions in the localities of Eagle Bay and Bunker Bay. However, the section of the market between $1 and $3 million in the Dunsborough/Busselton areas has remained very quiet with the second beach house being a decided luxury for most.

So, at this point of the year, it is fairly safe to say the disaster has at least not befallen us and provided there are no European disasters going forward and the "fiscal cliff" can be successfully negotiated, I am mildly optimistic that we can progress slowly but steadily towards a more promising property market.

Merry Christmas to all.

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Herron Todd White

Independent Property Advisors

Herron Todd White National Rural Market Review 2013

2012 has again been a year of mixed fortunes in agriculture across the country. You are invited to join with the rural valuation team from Herron Todd White to review the year and also gain an insight into what is driving each state for rural property values.

Key Note Speaker

"Carbon market under the CFI - An onground project overview".

With the introduction of the Carbon Tax in July, 2012, many rural landholders and financiers have asked the question about what potential opportunities may arise.

Terry McCosker from Resource Consulting Services will provide an outline of the current state of market under the CFI, and review a soil based carbon project at the ground level.

Wednesday 27 February 2013 - Melbourne

7.30am to 9.30am
Rendezvous Melbourne
328 Flinders Street
Melbourne VIC 3000

Melbourne Link

Thursday 28 February 2013 - Sydney

7.00am to 9.00am
The Grace Hotel
77 York Street
Sydney NSW 2000

Sydney Link

Friday 1 March 2013 - Brisbane

7.00am to 9.00am
Royal on the Park
Cnr Alice and Albert Streets
Brisbane QLD 4000

Brisbane Link

www.htw.com.au
1300 880 489

Rural – Market Directions

By the time this edition goes out, much of the winter crops harvest will be completed across the country and reports from the team suggest the late dry end to the season has impacted yields in many areas. The lack of spring rain could also have an impact on summer crop programs with the heat and wind of the last few weeks drawing much of any rain benefit quickly out of the ground. The dry conditions in Central and Northern NSW, South East Queensland and parts of WA and SA will see the livestock market impacted with often under finished animals being presented to markets and prices reflecting this impact.

On the sales front, there is not alot of sales activity to report in most of the regions and as we move into Christmas and New Year this will probably not change. The passing of the Murray Darling Basin Plan and associated impacts for land values in the affected regions is yet to be determined and no doubt 2013 will see this market impact crystallise.

Dairy in Tasmania will be one area of interest in 2013 given the development of a processing plant in the Smithton area. In the West we discuss the impact of foreign investment and recipes from the North for the good old mango (something many would not expect from the local team I'm sure) are among some of the stories this month.

The 2013 Herron Todd White Rural breakfast will be held in Melbourne on 27 February, Sydney on 28 February and Brisbane on 1 March. With the Christmas season upon us, you may wish to get in now and register your interest to attend this overview. Given the market for the past 12 months and some pressure being identified in some regions I am sure there is a lot of interest in the outlook for 2013 among our readers.

Details for the registration are on the page .

Finally, on behalf of the entire Rural team across the nation we would like to thank all our clients for their support and business over the past 12 months and look forward to working with you all again in 2013.

Tim Lane Ph: (07) 3319 4403

1 December 2012

Northern NSW

Mostly very dry spring conditions in October and November have prevailed followed by some excellent falls of rain in mid November. The Woodburn/Broadwater area has suffered from a severe hailstorm.

Sugar cane

The sugar cane crush is complete at the Condong, Broadwater and Harwood sugar mills with disappointing results of about 300,000, over 400,000 and 236,000 tonnes of sugar cane crushed respectively.

There has been limited property sales activity in this market sector. There is a receiver sale by auction in the Condong mill area in late November.

Some sugar cane damage from the recent hailstorm was experienced in the Woodburn/Broadwater area.

Members of the NSW Sugar Milling Co-Operative Limited await details of the proposed sale of the Sugar Milling Co-Operative Limited assets.

Macadamias

Some macadamia farms are selling, usually those with a strong lifestyle component. Plant and equipment has been included in the sales of many farms.

Cattle

Very dry conditions. Pasture on grazing slopes is falling away rapidly. Pastures on alluvial flats are still providing good feed.

The ex Willmott MIS forestry plantations are being put to the market as surplus land by the purchaser. They will likely return to cattle grazing and/or cropping land use.

The possible sale of the ex Forest Enterprise Australia Limited MIS forestry properties is causing some market uncertainty as they are significant in number and could potentially oversupply the cattle market segment if they were not sold in one line to a large investor.

Summer crops

Soya bean and corn growers have needed recent rain but desperately need further falls.

Generally soft market conditions. Most market participants really need a run of successful seasons and crops to rebuild confidence and debt repayment capacity.

Contact:

Dave Sullivan Ph: (02) 6621 8933

Southern NSW

Very little has changed in southern New South Wales and north-eastern Victoria over the last month. The spring season is drawing to a close, silage is finished, hay is mainly finished and harvest is under way. Canola has mainly been windrowed and some harvested, oats and barley harvest has started and wheat is only a couple of weeks away. So far, yields have been about average or slightly below as the season cut out fairly quickly and some grain didn't fill. It will be interesting to see how the wheat goes when that harvest starts.

Very little joy on the property sales front. Very few properties are attracting much interest at auction with most passing in on vendor bids. The spring selling period is drawing to a close and most properties offered for sale will now most likely exclude crops so it will be around 12 months before purchasers have a cash flow unless they run livestock.

Good news on the irrigation water front with storages still full or near full (Dartmouth 98%, Hume 97%, Eildon 99%) so irrigators are in for 100% allocation for the upcoming season. It would have been spectacular to see Dartmouth spill for only the second time since its construction, but that is not to be as the irrigation season is about to start and water will be released in larger quantities from Dartmouth.

Contact:

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Regional Victotia

MILDURA/SUNRAYSIA

Following two consecutive years of record rainfall in 2010 and 2011, this year was approached with plenty of optimism across all sectors.

The wine grape sector, after more than five years of decline, appears to finally be on the improve, with increased demand from wineries resulting in improved prices in 2012. Prices are expected to remain at similar or slightly better levels in the 2013 vintage. It appears the supply/demand equation is reaching a balance after nearly ten years of oversupply and the industry's outlook is brighter. Winegrape vineyard sales throughout 2012 definitely showed a firming of values which suggests there are buyers who wish to enter the industry while values are at historically low levels.

The table grape sector enjoyed a good year in 2012, with high fruit quality and good returns generally. Opening of exports into China has provided additional help to the industry although the continued strength of the Australian dollar has not assisted this export market. Sales activity has been good throughout the region, mainly for smaller vineyards which have been acquired by existing family operations seeking greater economies of scale. There has also been a number of new table grape vineyards established in the region along with redevelopment of older plantings to newer varieties. The current season also looks promising with a long term view from weather forecasters that the unsettled stormy conditions of 2010 and 2012 are not likely to continue into 2013. This forecast has also buoyed the dried fruit sector, which has been badly affected by the past two very wet summers.

The citrus industry remains very flat and whilst growers had a very good crop with good size fruit in 2012, most growers experienced low returns and a significant percentage of the crop was either unharvested or dumped. The industry is turning away from the US export market due to competition from Chile and South Africa, and instead is focusing on Asian and European markets.

Dryland cereal growers who were coming off two very good "yield' seasons batted up again to plant significant areas of their holdings to predominantly wheat whilst a notable increase in canola plantings was also evident. The 2011/12 harvest was dented by the slumping of world wheat prices which further emphasises the importance of on-farm storage or warehousing of grain to take advantage of any upward price levels during the off season. Many of the larger growers took advantage of this during 2012. The price levels for the 2012/13 season are considered to be relatively good at this stage.

After a promising start this season, the rainfall through the growing season was the third lowest on record which has resulted in generally below average yields with later crops in particular being affected. The current harvest is likely to be completed in early to mid December in the region with a resulting below average season.

Sales activity of dryland cereal farms was quite subdued in the first half of 2012 however there have been several sales from June onwards with recent sales remaining around the $1,050 per hectare for good sandy loam soils in the 300 millimetre rainfall belt.

Another notable development in the region throughout 2012 was the opening of the new $96 million Iluka 'WRP' sand mine located 20 kilometres south east of Ouyen. The opening of this mine followed the closure of the nearby Kulwin mine, which had reached the end of its economic life. A further boost to the region is the construction of a $60 million almond processing plant at Carwarp (30 kilometres south of Mildura) which is set to be completed in time for the February 2013 harvest.

Contact:

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Central NSW

The continued good harvest conditions across most of Central West NSW have seen a slow down in activity for the property market, however, there still appears to be active corporate interest in large parcels of productive land. This interest continues to be evident, particularly in the Coonamble district, and also other adjoining areas.

In our discussions with agents throughout 2012 there was a common theme of a tough market. . The graph below is a reflection of the market movement since January 2000 to the present for properties 250 hectares and above. This represents an area roughly bounded by Dubbo, Walgett, Bourke, Nyngan, Condobolin and Forbes. As can be seen by the last 12 months, the median sale price is beginning to reflect the sentiment of the agents working within the market. This is also reflective of a consolidation period in the market, after a period of strong growth in the 2009-2010 period.

Some sales continue to occur with a property approximately 35 kilometres east of Dubbo recently having an offer and acceptance. This property was a viable size and had a mixture of good quality red basalt and heavy red clay loam soil types. It was predominantly cultivation and had a renovated homestead and good improvements. This property has sold for $2,300 per hectare overall and this would be considered approximately 10% to 15% below the highs of the market in 2007 and early 2008.

In most of the areas we cover throughout Central Western NSW we have seen reasonable to good harvesting activities with limited interruption from rainfall events. While yields appear to be down on previous years, quality appears to be good and if a full harvest can be undertaken across our central west area then we would expect the cashflows from this harvest to have a positive impact on market sentiment into 2013.

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Southern Queensland

Well we are rapidly coming to the end of another year. 2012 would be seen as quite a tough year with good rains up until May followed by a long dry spell until present day. Whilst we have seen the commencement of the storm season it has bought very little widespread rains. Bushfires are a major issue at present especially in the western and far western part of the state. The spin off from recent good seasons has resulted in an increase in fuel build up on the ground. Until such time as wide spread rain has been received this will be the norm.

On the property front there has been very little good news of late. The market in general over the course of the last 12 months has at best flatlined and at worst, continued to regress somewhat. We are now starting to see more receivership places put to the market and it is expected this will continue into the new year. These properties are drawn from across all industry sectors and not just grazing. This 'activity' unfortunately has continued to heighten the level of uncertainty within the broader rural industry in general.

Having highlighted the current level of concerns within the rural sector at present, we have had one recent sale which appears to have bucked the trend.

'Lyndley' via Jandowae recently went to auction and sold for $11.4 million. It comprised 6,280 hectares of mixed Brigalow/Belah scrub into lighter loams with about 2,000 hectares of cultivation. The sale reflected $1,815 per hectare overall.

The sale was regarded as good and whilst it in itself will not change the current perception of uncertainty within the market, a few more sales of this nature in the new year may well be the catalyst that the industry in general needs.

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Far North Queensland

Market activity is still relatively subdued and many properties on the market are MIP or under financial stress. Secondary quality pastoral properties including those on Cape York are very difficult to sell although better quality or better properties are still transacting. There are several properties coming up for auction in early December which should provide a guide to the level of interest in the current market.

Coastal grazing country is now very affordable when compared to Atherton Tablelands fattening country. This is highlighted by the recent sale of 'Wyvuri' at Bramston Beach including 730 head of cattle for $1.8 million. This sale analyses to less than $2,500 per hectare for fattening country compared to the Tablelands where comparable land is in the order of $5,000 to $9,000 per hectare.

In agriculture the large Lakeland Downs property "Gold Tyne" is believed to be under contract and will be developed to irrigated bananas. There have been extensive plantings of sugar cane on the Atherton Tablelands and MDIA areas to supply both Tablelands and Mossman Mill. There has also been talk of a sugar mill being built at Georgetown however such a scheme would require changes to the State Government's tree clearing legislation. A notable recent sale was a large vacant rural parcel of 231 hectares across 20 titles at Innisfail which had potential for sugar cane or bananas. This property sold in October for $1.2 million and had previously been sold in 2004 for $1.4 million and is reflective of the depressed state of the rural property market on the Cassowary Coast at the current time.

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Northern Queensland

Grazing

The end of year extreme heat mixed with grass and bush fires may be the norm for rural enterprise but it is always something that one could do without. Major fires in the Gulf and Lower Peninsula areas have left some graziers looking for relief. The country from Charters Towers to the western border is tinder dry with large volumes of dry grass available to fuel any fire. Any early rain will be a God send.

Cattle prices have fallen away as has the quality of much of the livestock as they move onto a diet of supplement and dry feed. The Townsville meatworks will close about mid December with a re-opening date yet to be decided.

Several grazing properties in the Mount Fox to Greenvale area have been offered to the market and to date there have been no contracts signed. As the year is coming to an end it is probably the end of the selling year for rural grazing properties. This market should see movement again from April 2013 onwards.

The loss of the Queensland Government's Townsville laboratory is being questioned by many of the local graziers and veterinary professionals. The alternative being offered through a centralized laboratory located in Brisbane is yet to be proven. The other alternative is for primary producers to use commercial laboratories if they are available locally.

Cane (Burdekin and Herbert areas)

Some mills finished harvest ahead of time. The 2012 harvest year will see the total crop harvested in the Herbert and Burdekin areas with no stand over cane into 2013 - a good result for all growers.

Now the cane is off, all are hoping for some rain to "fire up" the plant and ratoon cane and be assured of a good 2013 crop.

Cane news will go dormant until after Christmas.

Horticulture (Bowen and other areas)

The seasonal watermelons and the all time favourite - the Bowen mango are now in shops everywhere. Keep our growers happy and ensure your Christmas provisions include these very Australian favourites.

A mango recipe treat for the kids - Peel a nice ripe mango, put it through the blender and add a little ice cream or milk. Mix further and then pour into a plastic cup and then into the freezer. A nice cool treat on a hot day for any child.

Our horticultural growers have had a reasonable year. The money is in the bank and still coming in with lychees and mangoes continuing to be picked. Some farm transactions may occur over the next few months.

Roger and Denis participated in an Agribusiness Roadshow to Twin Hills, Greenvale, Hughenden and Julia Creek. It was heartening to meet a good cross-section of the general grazing sector and see the general optimism held by all. Of course all have the ongoing catch cry of the need to have beef prices increase to offset the never ending cost spiral that has beset all primary producers.

Many of the land owners were also optimistic about the leasehold tenure review presently being addressed by the Queensland State Government. All lessees are interested to see if the rental issue and lease renewal policy is going to be of benefit to all. On the freeholding side of the equation, if leasehold lands are converted to freehold then the freehold land will attract a "Land Tax" liability. Also, if terms are offered by Government to pay for the conversion (leasehold land to freehold land) the instalments are not tax deductible where ongoing rental payments are deductible. The final draft will be a must for all leasehold land owners to read and absorb.

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Central Queensland

As the year fast comes to a close and with only patchy storm rains bringing welcome relief to those lucky enough to be underneath them, the Central Queensland property market has remained subdued with only scattered sales across the region. Higher end (above $3 million) properties are still struggling to gain traction in the market while there have been a few sub $3 million sales in recent months. The 1,152 hectares dryland farming property "Akamaroo" (50 kilometres north of Clermont) sold for $1.6 million. In the far west of the state the 84,900 hectares property "Lorna Downs" (82 kilometres south east of Boulia) was purchased by a local grazing family for $4.1 million, this is one of the first sales in the Boulia District in the past two years.

Smaller holdings around the coal mining district such as Biloela and Moura are still finding fair interest supported by off-farm mining incomes, however it does appear that buyers are now more reluctant to throw themselves deep into debt.

A number of properties going to auction in coming weeks, including the much anticipated receivers' sale of the 3,262 hectare irrigation and farming property "Kingower", located 20 kilometres north west of Emerald. This would represent one of the only genuine larger scale irrigation sales in Central Queensland in the past few years.

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Northern Territory

The big news for this month is the announcement that Chinese company, Shanghai Zhongfu, is the preferred developer of Stage 2 of the Ord River Irrigation Area. Stage 2 has been discussed for the past 40 years, but it now appears that it will become a reality.

Stage 2 will comprise about 15,000 hectares, virtually the same size as the existing irrigation area. It is estimated that this will involve a $700 million investment.

It's back to the future in the Ord with sugar cane being the cornerstone of the new development. In 2007 the Korean-owned sugar mill closed in the Ord due to a lack of sustainable supply of cane (due partly to Stage 1 areas being given over to other industries such as sandalwood). But with the addition of Stage 2 it is expected that four million tones of cane will be produced annually to satisfy the requirements of the mill, which will cost over $400 million to construct. About 500,000 tonnes of sugar should be exported annually to China once the development is completed. Even so, it will be interesting to see whether the proposed new land will be sufficient to meet the capacity of the mill or whether further investment will be required. In the longer term it is hoped that the irrigation areas will extend east of the border into the Northern Territory.

The choice of a Chinese company as the preferred proponent will no doubt add further fuel to the debate on foreign investment in our agricultural industries. Development of northern Australia has always relied heavily on large amounts of capital investment and most of that capital has come from overseas: originally predominantly from Great Britain, later the USA and now it appears that South-East Asia will be a major source of capital as well as markets for produce.

It is still unclear what effect this will have on property values in the Ord. The difficulty is that the cost of development of these lands (such as provision of water and road infrastructure) is equal to or greater than the market value of irrigation land in the valley. However, we believe that the commencement of Stage 2 will increase the critical mass of available land in the Ord so that more infrastructure and possibly a greater range of crops will be feasible.

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Tasmania

'She'll be apples' surely a term coined in Tasmania. 'The Big Cow' will it moooove to Tasmania and Global Warming, Fact or Fiction'? Perhaps Tasmania provides an insight into these very controversial questions.

There have been some very interesting happenings in this overlooked part of Australia. These are not the headline takers of Forestry, Gunns, Pulp Mill Protests and the Green Movement but are the beginnings of a quiet transformation of Tasmania. Whilst the rest of the country was crippled with drought the Tasmanian Government took steps to position Tasmania, in their words, as the "food bowl of Australia". Whether they inspired it or were inspired by happenings across Australia during the last drought, the beginnings of the great water rush can be seen in Tasmania. Although this rush may have been slowed to not much more than a trickle by the rain that has filled the river systems, dams and catchments across Australia over the past couple of years there is clear evidence of corporate agriculture positioning themselves for the future, with some of the smarter players already here.

The Tasmanian Government has overseen the approval of the Meander Dam and has given backing to 20 irrigation schemes of which six have been rolled out. Some of these will be quite small and specific but all will open up land with good high production soils from grazing to cropping, vineyards etc.

"Global warming, bah humbug" I hear some of you say, however, I am told on good authority from local fishers and local fisheries department, that northern waters fish may have felt the sea change and already have voted with their fins taking up residence in Tasmanian waters. Not unlike the fish it appears that many more cows have done the same, or are about to.

Murray Goulbourn has made a decision to locate a dairy processing plant in the Smithton area at a reported cost of $70 million plus, constructed on the old Gunns sawmill site within the town. This has been a strategic decision to locate in this area. One of the primary considerations will have been surrounding surety of their milk supply after experiencing the down side of this problem during the last drought on the mainland.

The plant was recently completed and production has started. They have employed 50 people at the factory and are running at about 50% capacity with about 50 secured suppliers. After selling their milk powder from their first six weeks production it would appear that they intend to increase the price being paid to their suppliers by about eight cents per kilogram for butter fat and 20 cents per kilogram for protein. The milk powder is primarily sold to the Middle East and Asia.

With a new dairy processor located in the state there has been an expectation of growth in this industry and the need to establish another 25 to 50 dairy farms to meet the demand of the processors. The iconic Woolnorth (established in 1827) has already steeped up to the plate and expanded its production.

We might all expect an increase in dairy farmers' fortunes however, the price framers have been getting for their milk has been at historic lows, reaching crisis point two yeas ago where one processor dropped the price per litre to well below production costs. Figures as low as 28 cents per litre were offered and the situation now is not much better. Many now are receiving as little as 33 cents per litre.

Despite the need for so many more suppliers of milk in Tasmania and the possibility of some increases in the price being paid for milk, there appears to be a substantial number of farmers trying to sell their properties and exit the industry. This can only mean one thing. Many existing farm holdings are becoming borderline or are already unprofitable at the current prices being paid for milk. The impact of this may mean the death of the small family farm holding in Tasmania and an eventual amalgamation of existing farms held by corporations or foreign interests.

The stats on this speak for themselves. Over the past twelve months there have been 17 recorded settled dairy farm sales with sale prices ranging from $380,000 to $3.53 million. Currently on just one website there are about 67 dairies for sale for prices up to $10.5 million. The majority of properties are for sale between $1 million and $3.2 million.

Dairy farmers are citing increasing costs particularly from their electricity providers combined with significant cuts to the price being paid for milk. It has forced many to consider their positions and up stumps for greener pastures. The youth of the industry are unable to afford the debt required to purchase the farms and there are few or no succession purchases being made.

Enter stage right interests from China, Europe and corporate dairy companies who are all showing some interest in Tasmanian dairies but to date, have yet to commit. There has been some New Zealand interests take advantage of the additional water being splashed around establishing dairies on what was previously grazing country.

The outlook at a macro level appears to be sound for the sector in Tasmania. The market however will find its own feet. With about 67 properties on the market and sales of approximately 17 per year, it may be a while before the benefits of the infrastructure developments are reflected in underlying land values. There is a distinct possibility that prices will fall until supply and demand come back to equilibrium.

Contact:

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South Western WA

When Is a Foreign Owner Not a Foreign Owner?

This may sound more than a little contradictory, but the case in point was bought up by the potential sale of the Lactanz Dairy Group in Scott River WA. This dairy is owned by New Zealanders, with New Zealand Sharemilkers running the property. The total property is listed for sale for $30 million or $40 million inclusive of the dairy herds.

This property is the largest dairy farm in Western Australia and is described as comprising four freehold irrigated dairy farms established between 2003 and 2006 located on the south coast, about 50 kilometres south west of Nannup. The properties are known by the owners as Lactanz 1, Lactanz 2, Lactanz 3 and Lactanz 4 and are in separate locations. The properties are operated under a share farming agreement which in simple terms separates the ownership of the land, building and livestock and shares the profits 50 to 50.

The subject properties have a total area of 2,208.9631 hectares and are operated in four separate units. It also includes a 6.336 gigalitre water licence which is divided between the properties and provides water for the centre pivot irrigation systems located on the properties.

Structural improvements include a number of managers' residences, a range of housing and accommodation for staff, four rotary dairies plus a range of farm buildings suitable to the management and operation of the property.

The interesting point will be who will purchase this property, given the recent speculation about Chinese purchases of large tracts of Australian land. It seems there is very little concern if farms are owned by New Zealand interests, but far more noise in the media surrounding potential deals if owned by less traditional purchasers. The recent high profile purchases of Cubbie Station and the $29 million purchase of the defunct Joyce family farms this month are two examples.

The problem is that who else is going to buy these properties? The appetite for farming appears to be waning across large sections of the farming population, where in many cases children are not encouraged to purchase the farm and a series of droughts have almost beaten many long-term farmers into submission. There are still some areas where a good living is being made as a result of favourable climatic conditions, but probably far more have been made to struggle over a long period of time.

This seems to be not dissimilar to Queensland in the 1990s when great concern was expressed about the level of Japanese ownership in that state. Analysis of the data of the time showed that New Zealanders owned far more land than the Japanese but this went largely unnoticed.

The injection of foreign capital can only have come as a relief for many banks as it becomes increasingly more difficult to sell surplus land and thereby reduce debt. Provided these farms are then worked by local farmers with the expertise in the area, using local transport operators, and buying supplies from local operators, with taxes being paid to the Australian Government, there are many benefits that result.

In a perfect world we would all like to see everything in Australian hands, but if there is no money or will for Australians to invest, money must be sourced from other areas. If those sources happen to be foreign, then at least the development will keep the rural economy alive, as opposed to going backwards. If we wish to keep on farming in the same way, then there will need to be new investment to halt the decline that has been happening in traditional areas for some time now.

As mentioned, the Joyce family farms have recently been purchased by a Chinese consortium with another having been nominated as the preferred tenderer to develop Ord Stage 2. These are both large investments that have resulted from open market transactions at the most advantageous terms available which have not been able to be matched by Australian interests. We remain positive that this is the best result that could have happened in the current environment and believe that investment, be it Chinese, American or those sneaky Kiwis (I am one) can only be of overall benefit to the rural economy.

On that slightly mixed note, we all hope for a great year in 2013 and merry Christmas to all.

Contact:

Tim Clark Ph: (08) 9754 2982

Herron Todd White
Independent Property Advisors

Comparative Property Market Indicators - December 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 - December 2012

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

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Comparative Analysis of Queensland Property Markets

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

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

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

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

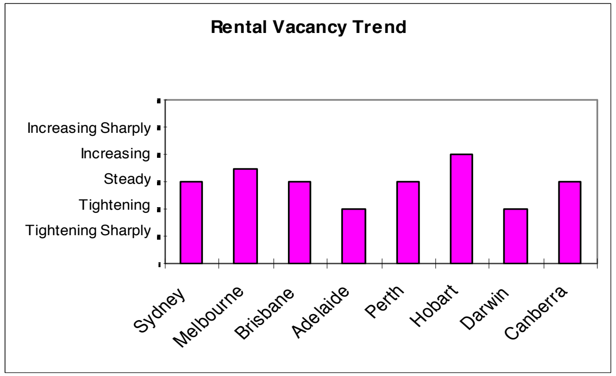
Adelaide	(08) 8231 6818
South West WA (Bunbury/Busselton)	(08) 9791 6204/ (08) 9754 2982
Perth	(08) 9388 9288
Darwin	(08) 8941 4833

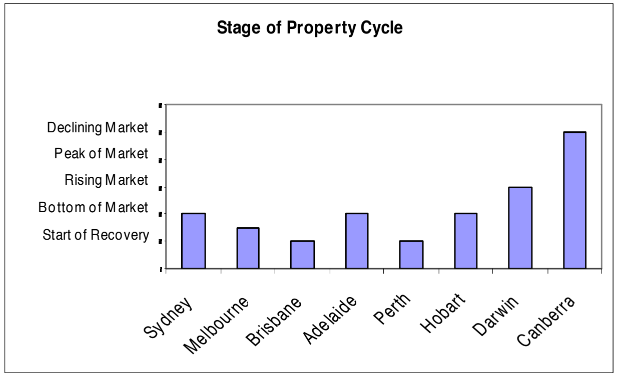
Capital City Property Market Indicators as at November 2012 – Houses

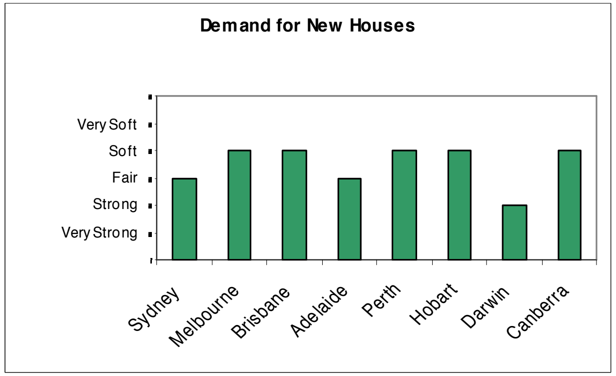
Factor	Sydney	Melbourne	Brisbane	Adelaide	Perth	Hobart	Darwin	Canberra
Rental Vacancy Situation	Balanced market	Balanced market	Balanced market	Shortage of available property relative to demand	Shortage of available property relative to demand	Over-supply of available property relative to demand	Severe shortage of available property relative to demand	Balanced market
Rental Vacancy Trend	Steady	Steady - Increasing	Steady	Tightening	Steady	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	Bottom of 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 November 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	Steady	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	Bottom of 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

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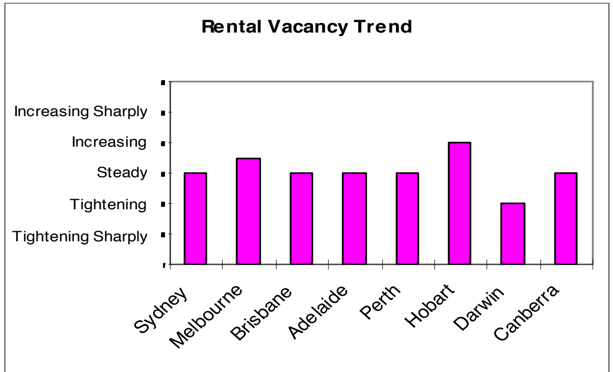
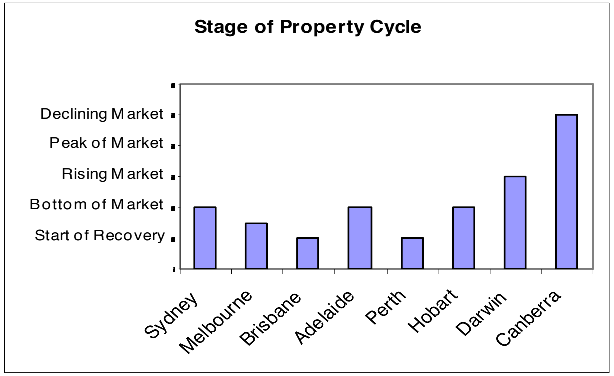
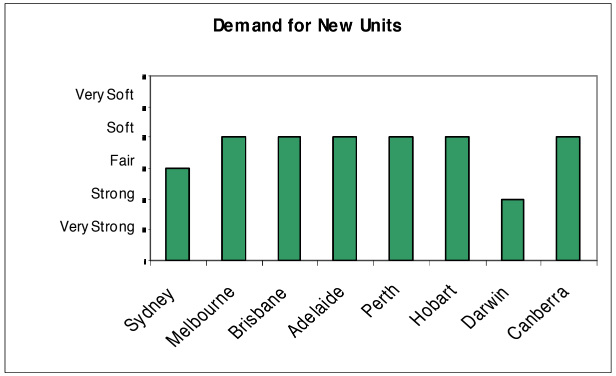




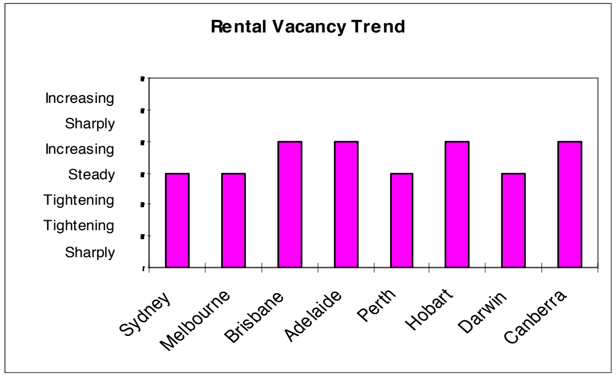


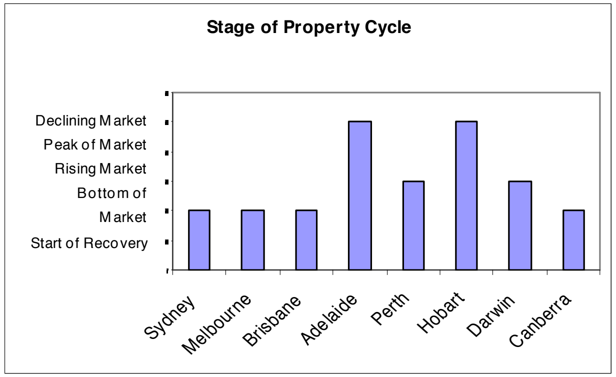
Capital City Property Market Indicators as at November 2012 – Office

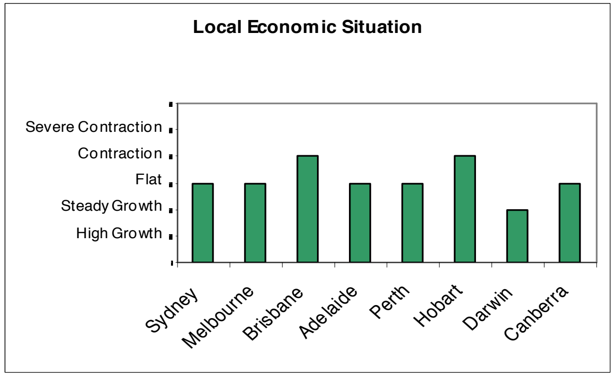
Factor	Sydney	Melbourne	Brisbane	Adelaide	Perth	Hobart	Darwin	Canberra
Rental Vacancy Situation	Over-supply of available property relative to demand	Shortage of available property relative to demand	Over-supply of available property relative to demand	Over-supply of available property relative to demand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

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

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







Herron Todd White
Independent Property Advisors

New South Wales Property Market Indicators as at November 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	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	Shortage of available property relative to demand	Balanced market
Rental Vacancy Trend	Steady	Steady	Steady	Tightening	Tightening	Steady	Steady	Tightening	Increasing	Steady	Tightening	Steady - Increasing	Steady	Tightening	Steady
Demand for New Houses	Fair	Strong	Soft	Fair	Strong	Soft	Strong	Strong	Fair	Fair	Fair	Very soft - Soft	Fair	Soft - Fair	Very soft
Trend in New House Construction	Steady	Steady	Steady	Steady	Increasing	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	Increasing - Steady	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	Almost never	Occasionally	Occasionally	Occasionally	Occasionally	Occasionally	Occasionally	Occasionally	Occasionally	Occasionally	Occasionally	Almost always

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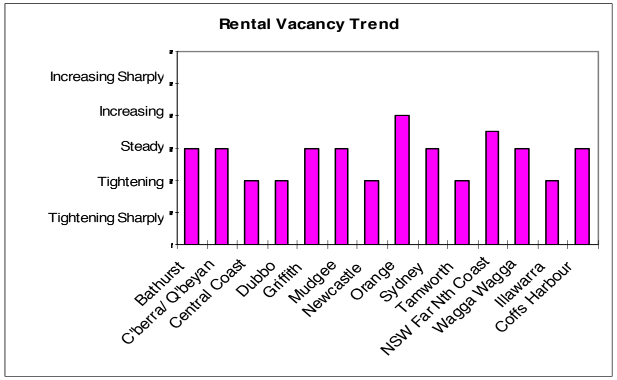
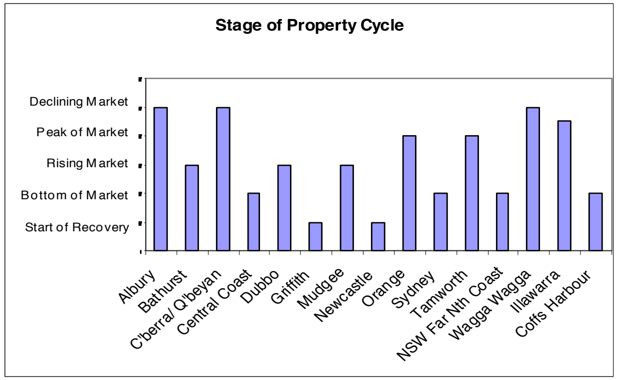
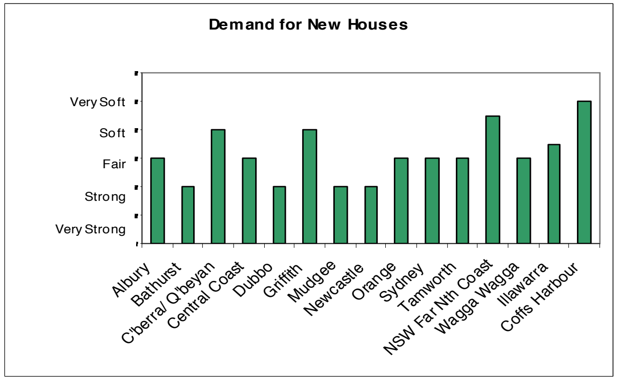
Blue entries indicate change from previous month to a lower risk-rating







New South Wales Property Market Indicators as at November 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	Shortage of available property relative to demand	Balanced market
Rental Vacancy Trend	Steady	Steady	Steady	Tightening	Tightening	Steady	Steady	Tightening	Increasing	Steady	Steady	Steady - Increasing	Steady	Tightening	Steady
Demand for New Houses	Soft	Fair	Soft	Soft	Strong	Fair	Fair	Fair	Fair	Fair	Fair	Very soft - Soft	Fair	Soft - Fair	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	Increasing	Steady	Steady	Steady	Steady	Steady	Steady	Increasing - Steady	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	Occasion-ally	Occasion-ally	Occasion-ally	Almost never	Occasion-ally	Occasion-ally	Occasion-ally	Almost never	Occasion-ally	Occasion-ally	Occasionally	Occasion-ally	Occasion-ally	Occasion-ally	Almost always

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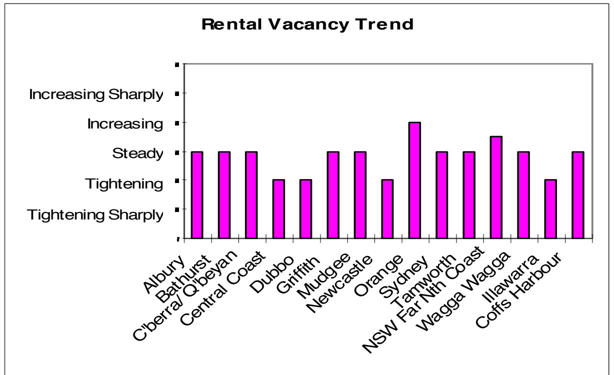
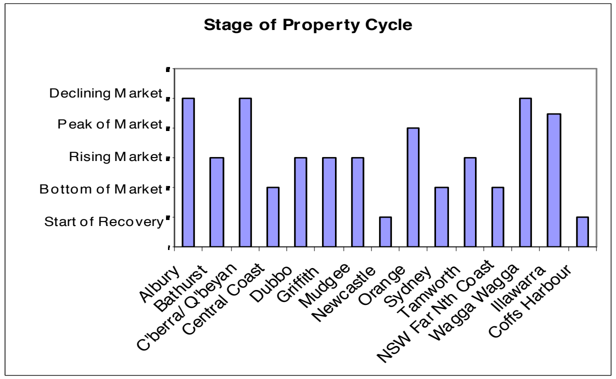
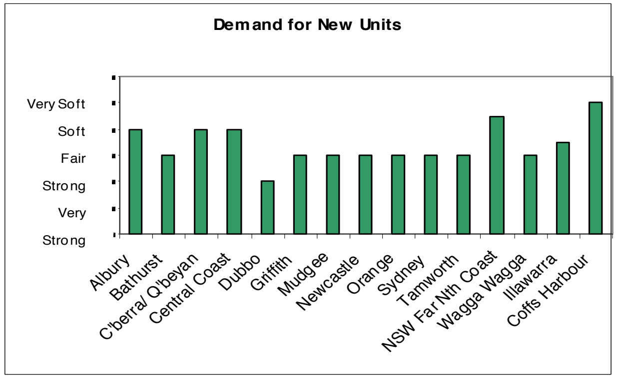


Rental Vacancy Trend



Stage of Property Cycle



Demand for New Units

Herron Todd White
Independent Property Advisors

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

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

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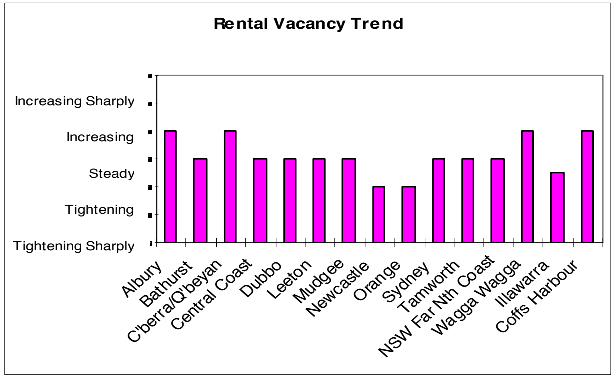
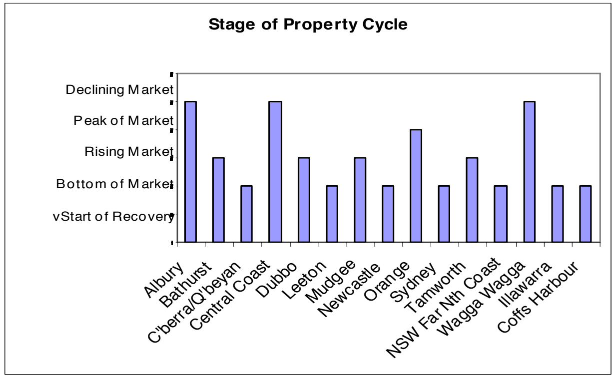
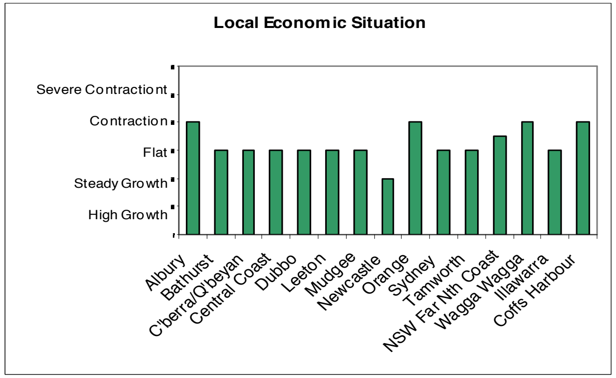
Blue entries indicate change from 3 months ago to a lower risk-rating



Rental Vacancy Trend



Stage of Property Cycle

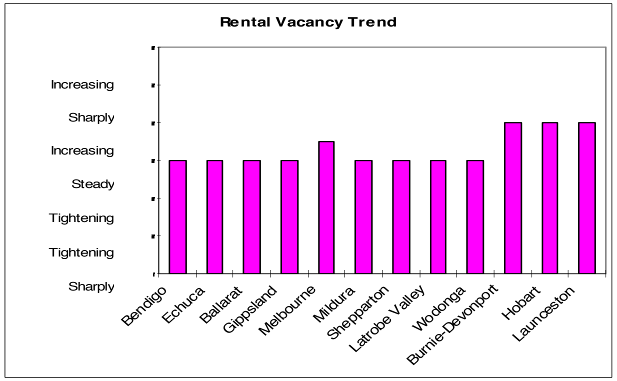


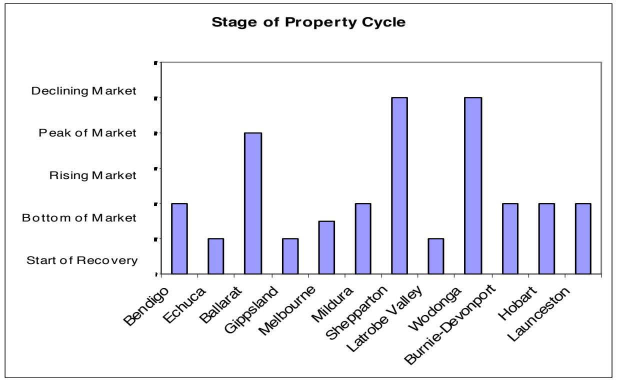
Local Economic Situation

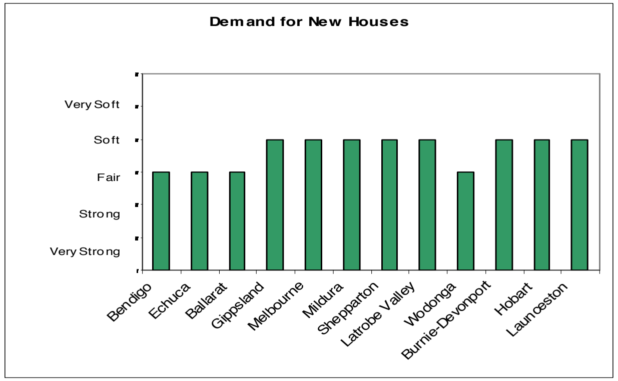
Victoria/Tasmania Property Market Indicators as at November 2012 – Houses

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	Declining	Declining	Declining	Steady	Declining	Declining	Declining
Volume of House Sales	Increasing	Steady	Declining	Steady	Steady	Steady	Declining	Steady	Declining	Steady	Steady	Steady
Stage of Property Cycle	Bottom of market	Start of recovery	Peak of market	Start of recovery	Start of recovery - Bottom of market	Bottom of market	Declining market	Start of recovery	Declining market	Bottom of market	Bottom of market	Bottom of market
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Almost never	Almost never	Occasionally	Occasionally	Occasionally	Occasionally	Occasionally	Occasionally	Occasionally	Occasionally	Occasionally	Occasionally

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



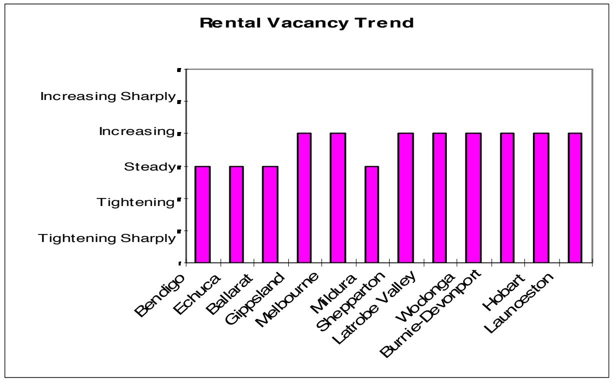


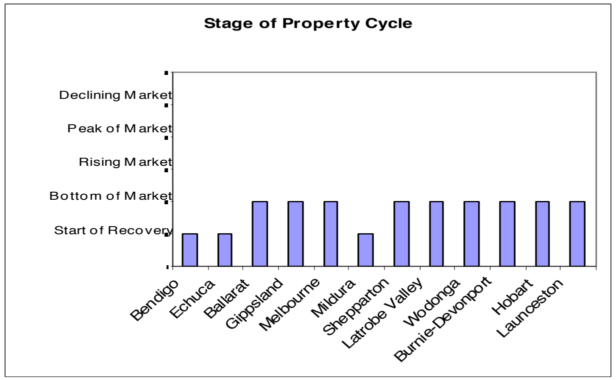


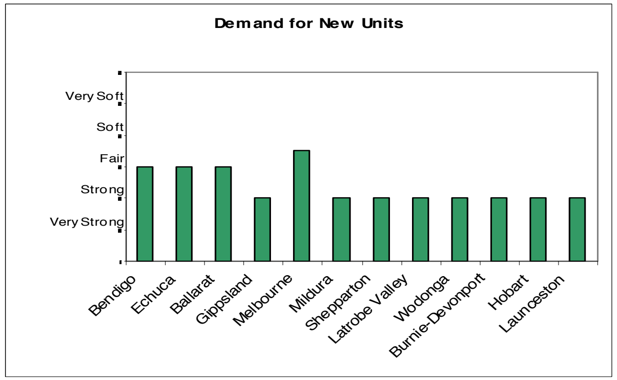
Victoria/Tasmania Property Market Indicators as at November 2012 – Units

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	Declining	Declining	Declining	Declining	Declining	Declining	Declining
Volume of House Sales	Steady	Steady	Declining	Steady	Steady	Steady	Declining	Steady	Declining	Steady	Steady	Steady
Stage of Property Cycle	Bottom of market	Start of recovery	Peak of market	Start of recovery	Start of recovery - Bottom of market	Bottom of market	Declining market	Start of recovery	Declining market	Bottom of market	Bottom of market	Bottom of 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

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





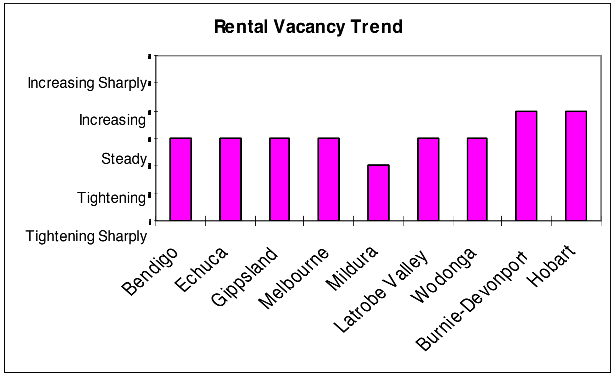


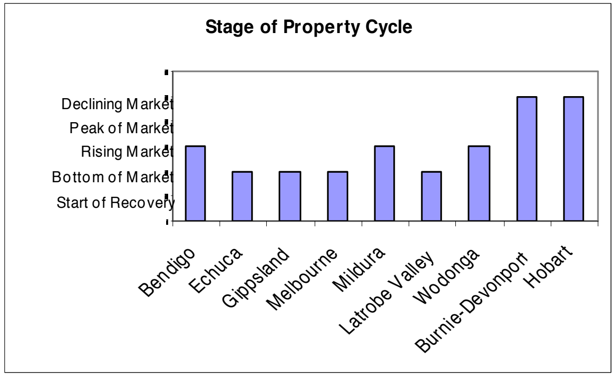
Victoria/Tasmania Property Market Indicators as at November 2012 – Office

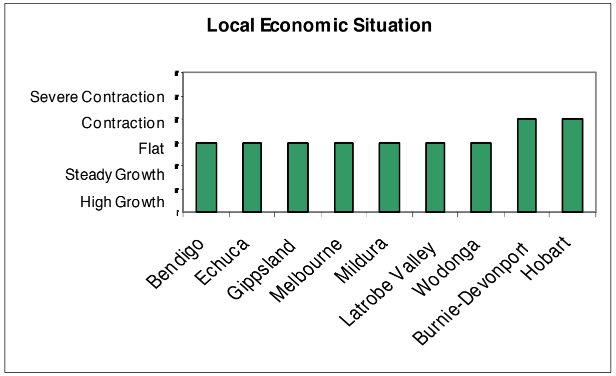
Factor	Bendigo	Echuca	Gippsland	Melbourne	Mildura	Latrobe Valley	Wodonga	Burnie/ Davenport	Hobart	Launceston
Rental Vacancy Situation	Balanced market	Balanced market	Over-supply of available property relative to demand	Shortage of available property relative to demand	Balanced market	Over-supply of available property relative to demand	Balanced market	Balanced market	Balanced market	Balanced market
Rental Vacancy Trend	Steady	Steady	Steady	Steady	Steady	Steady	Steady	Increasing	Increasing	Increasing
Rental Rate Trend	Stable	Stable	Stable	Increasing	Stable	Stable	Stable	Stable	Stable	Stable
Volume of Property Sales	Steady	Steady	Declining	Declining	Steady	Declining	Steady	Declining	Declining	Declining
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	Steady growth	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

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

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







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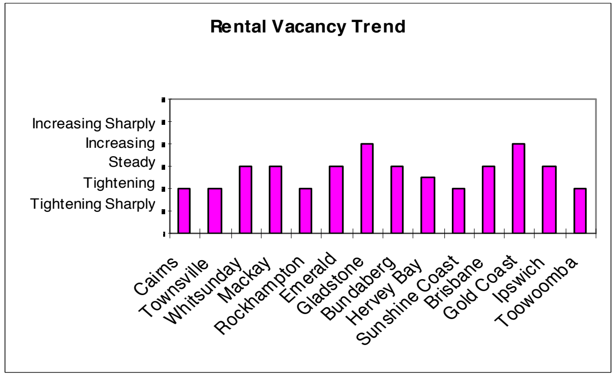
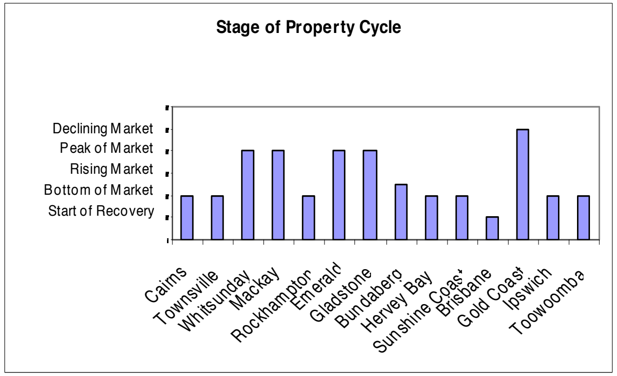
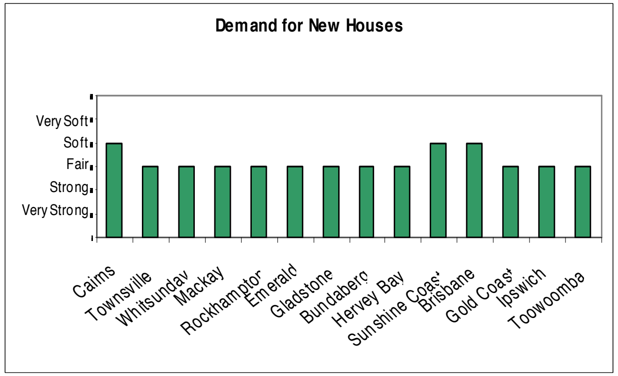
Queensland Property Market Indicators as at November 2012 – Houses

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 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	Tightening	Steady	Increasing	Steady	Tightening - Steady	Tightening	Steady	Increasing	Steady	Tightening
Demand for New Houses	Soft	Fair	Fair	Fair	Fair	Fair	Fair	Fair	Fair	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	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	Frequently	Almost never	Almost never - Occasion-ally	Occasion-ally	Occasion-ally	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*







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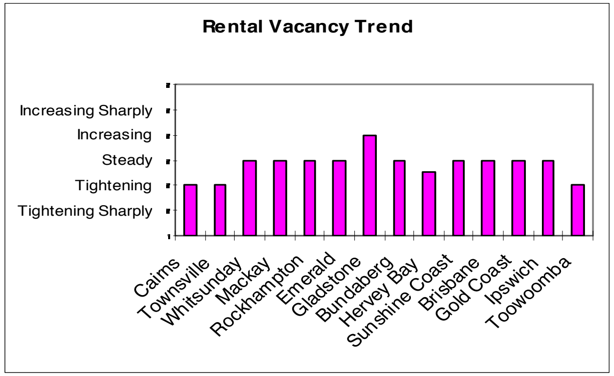
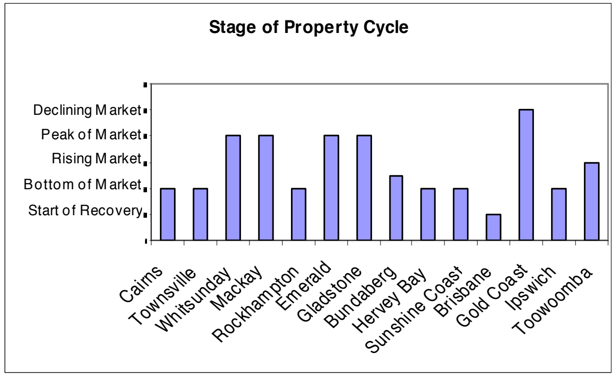
Queensland Property Market Indicators as at November 2012 – Units

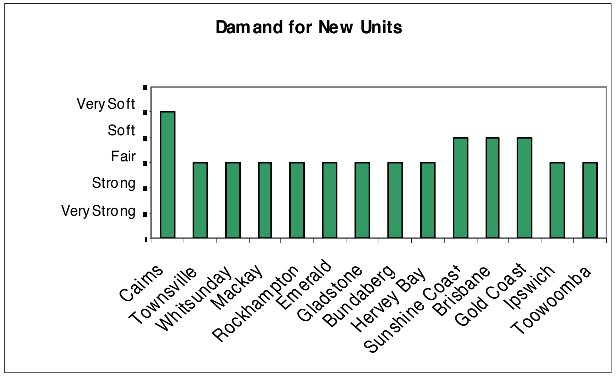
Factor	Cairns	Towns-ville	Whit-sunday	Mackay	Rock-hampton	Emerald	Glad-stone	Bunda-berg	Hervey Bay	Sun-shine Coast	Brisbane	Gold Coast	Ipswich	Too-woomba
Rental Vacancy Situation	Shortage of available property relative to demand	Severe shortage of available property relative to demand	Shortage of available 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	Shortage of available property relative to demand - Balanced market	Balanced market	Balanced market	Balanced market	Balanced market	Shortage of available property relative to demand
Rental Vacancy Trend	Tightening	Tightening	Steady	Steady	Steady	Steady	Increasing	Steady	Tightening - Steady	Steady	Steady	Steady	Steady	Tightening
Demand for New Units	Very soft	Fair	Fair	Fair	Fair	Fair	Fair	Fair	Fair	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	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	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







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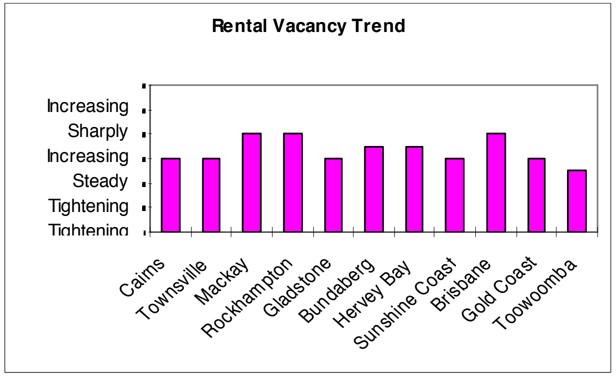
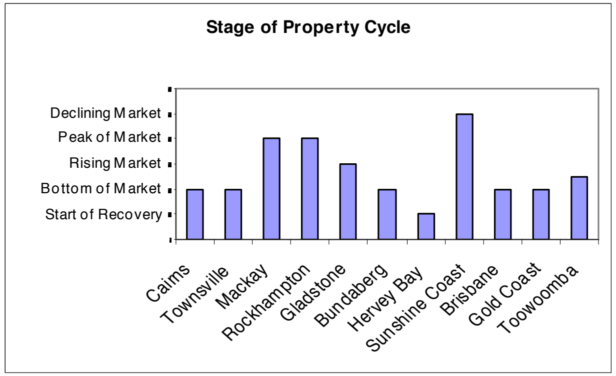
Queensland Property Market Indicators as at November 2012 – Office

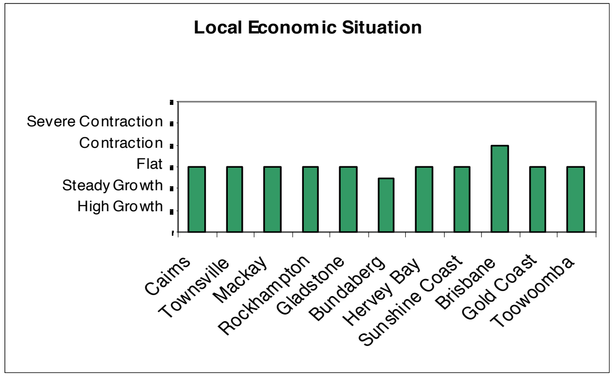
Factor	Cairns	Townsville	Mackay	Rock-hampton	Gladstone	Bundaberg	Hervey Bay	Sunshine Coast	Brisbane	Gold Coast	Too-woomba
Rental Vacancy Situation	Over-supply of available property relative to demand	Balanced market - Over-supply of available property relative to demand	Balanced market	Over-supply of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

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

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





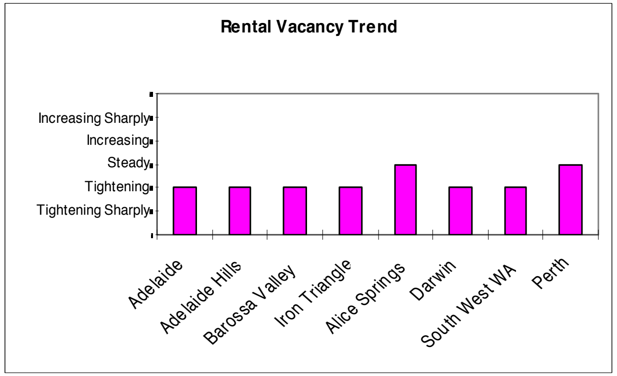


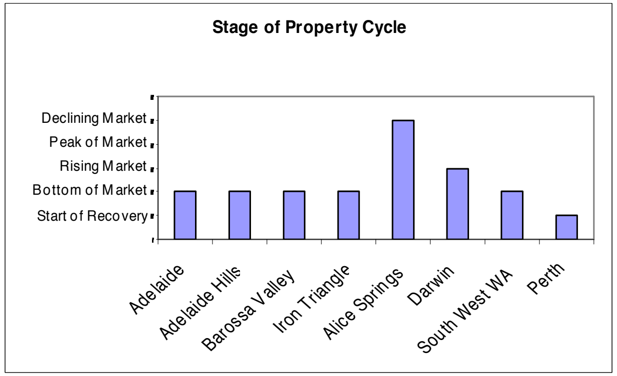
Northern Territory, South Australia & Western Australia Property Market Indicators as at November 2012 – Houses

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	Steady
Demand for New Houses	Fair	Fair	Fair	Fair	Soft	Strong	Soft	Soft
Trend in New House Construction	Steady	Steady	Steady	Steady	Declining	Increasing	Steady	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

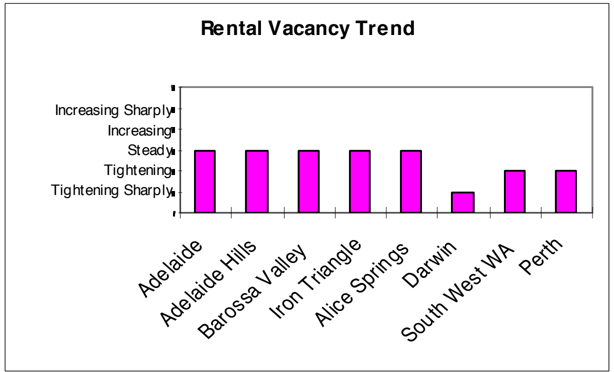


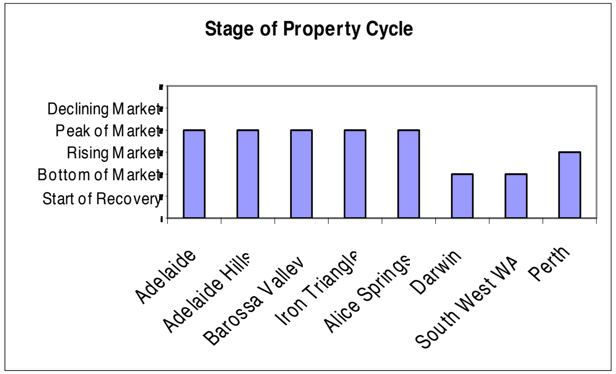


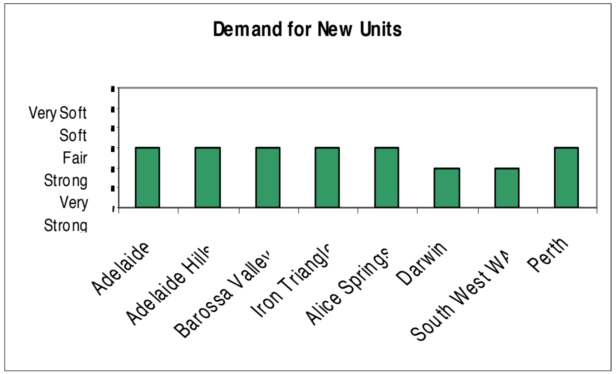
Northern Territory, South Australia & Western Australia Property Market Indicators as at November 2012 – Units

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	Steady
Demand for New Units	Soft	Soft	Soft	Soft	Soft	Strong	Soft	Soft
Trend in New Unit Construction	Declining	Declining	Declining	Declining	Declining	Increasing	Steady	Declining
Volume of Unit Sales	Declining	Declining	Declining	Declining	Declining	Increasing	Increasing	Steady
Stage of Property Cycle	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 November 2012 – Office

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	Shortage of available property relative to demand
Rental Vacancy Trend	Increasing	Increasing	Increasing	Increasing	Steady	Steady	Increasing	Tightening
Rental Rate Trend	Declining	Declining	Declining	Declining	Stable	Stable	Declining	Increasing
Volume of Property Sales	Declining significantly	Declining significantly	Declining significantly	Declining significantly	Steady	Steady	Declining	Increasing
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	Flat	Steady growth
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