Herron Todd White

Independent Property Advisors

The Month In Review

2013 FEBRUARY

www.htw.com.au

1300 880 489

Contents

Peace of mind for your property decisions.

Herron Todd White
Independent Property Advisors

2013 'The Year Ahead'

13... Lucky for some?

2012s Year of the Dragon turned out to be all smoke for many around the nation. We have been in a semi-constant state of semi-constance for some time across a number of markets as false starts cause those who jumped early to pull up and go back to the blocks. With confidence continuing to be a feature of most observers opinions on where the market is going, it does prompt the question – Is there something else we're all waiting for?

Agreed, we aren't a one-horse market but even the mining big hats rolling into town didn't do much good when suggestions were being made regarding the end on the commodities boom late last year. Though some may have had a sterling year, others have been left wondering what the heck happened.

Perhaps we need a hero of sorts. Confidence continues to show no bottle for the task and despite the urgings of all and sundry a lower interest rate regime is proving a tough ask as the proverbial silver bullet.

Hey wait – let's not throw our hands up just yet OK? Maybe what is in fact required is a little direction. The sort of realism check that would set everyone's hearts to rest. Something that starts with "Let's just calm down a moment" and ends with "are we all OK now?"

To help us makes sense of it all we have roped in a vast cauldron of knowledge about the year ahead. It's indeed incredible the absolute monolith of magnificent knowledge we are able to corral into a single document by simply sending out a memo to all of our Herron Todd White family and asking the question "So what's ahead for 2013 in your patch?".

Amongst this month's issue you will find the sort of in your face, that's how it is approach that the market sorely needs – no soft sell here folks. Just good honest straight down the line tell it as it is perspective that you will not read anywhere else.

Our commercial corps have stepped up with the residential comrades as well and have come up with the be all and end all of what's going on in the retail market too. We are keeping you abreast of all the details about where we think the retail sector is going to go in 2013. 'Tis a minefield best navigated by your prime scout my friends.

So is it a journey further into the fray or a little bit of lie back and enjoy the spoils in the coming annum. Well who knows for certain, however you can do a lot worse than sit down and enjoy a few minutes getting cosy with this month's edition of Month In Review. If nothing else, the opportunity to sit down and enjoying a few minutes doing anything is a rare commodity worth taking advantage of when the opportunity presents itself. So sink in, get informed and let us make 2013 a little less mysterious, and a little more accessible.

1 February 2013
admin@htw.com.au

Commercial Overview

If we could predict the retail market with absolute certainty in 2013 we would indeed be extremely wealthy. The sector as a whole hasn't had the most promising couple of years and while it would be nice to think that it's all bottomed out and on the way up, there are no particular, universal signs for a global move into the black. This month's look at the year ahead in retail is compelling reading for anyone wanting to determine the nuances of their particular market.

Sydney

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

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

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

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

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

....weaker retail sales growth over the past 12 months, coupled with increased competition from larger retail property owners, has limited the performance of the retail market within Sydney....

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

The retail strip market is in for a tough year over 2012, as continued consumer constraint limits retail sales growth. Over the coming 12 months it is forecast that retail sales will grow by just 1.1%. Given the continued weakness of the consumer market we expect to see the downsizing of retailers continue well into 2012. In July 2011 the Premier Retail Group announced that it intends to close up to 50 stores after a "disappointing trading slump". Since this time we have seen the likes of the Red Group, Fletcher Jones, Dick Smith and Billabong either enter into administration or announce store closures, totalling over 500 stores. With conditions remaining weak we expect that retailers and others will continue to seek out underperforming stores for closure. Likewise many private retailers are finding it difficult to remain profitable given the current conditions and will face pressure over the coming 12 months.

Canberra

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

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

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

....conditions in the ACT commercial markets remain fragmented, with performance highly dependent upon the quality of the property....

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

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

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

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

Wollongong

We expect the Illawarra retail market to remain flat over the coming year primarily due to the current challenging economic environment and continued uncertainty in what is an election year.

We expect the trend experienced in the latter half of 2012 to continue into 2013 with continued downward pressure placed on effective rents (particularly in secondary locations) as vacancy rates remain at a medium level, although appearing to show signs of stabilisation. It is anticipated there will be a continued expectation of incentives from tenants to commit to new leases or exercise renewal options in what is a competitive leasing environment.

Two main projects continue through 2013, being GPT's West Keira development and Stockland's Shellharbour expansion. We expect it to impact on suburban strip locations upon their final completion.

Although the cost of borrowing is forecast to decline, we feel that yields will remain at current levels (8% to 9%) and there to be a large difference between prime and secondary properties.

Central, North and West NSW

Sales activity remains relatively flat over the majority of inland New South W for retail property. Yields appear to creeping slightly higher as investors are looking for stronger income returns to compensate for a perceived lack of potential capital value increases in the short to medium term. Often purchasers are expecting a 9.5% to

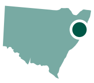
10% return of properties that would have sold for 7.5% to 8.5% at the peak of the market.

Demand for retail properties from investors, owner-occupiers and lessees remains solid for prime retail space whilst fringe retail is becoming more difficult to sell/lease. There are very few new retail operations entering regional markets and as a result there is little pressure to increase demand for overall floor area. This in not expected to change significantly during 2013.

As interest rates on commercial and retail property loans continue to decline the gap between the rental income and interest costs are increasing, thus making investing in retail property more appealing. In the event interest rates continue to decline investors are likely to become more active as the net rental income that can be derived from a property will often provide coverage of both interest and principal payments. Thus securely leased property with good quality long term tenants are likely to be the first segment that experiences an improvement in demand and value levels.

We would expect 2013 to be a year of limited change in relation to capital value in the inland regional retail property segment. Activity should increase in the later part of the year, particularly if interest rates decline and investors return. The growing self managed superannuation industry will also provide additional buyers for low end retail and commercial market segments.

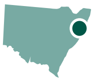
Orange has been the stand out retail performer in inland New South Wales over the past several years. Value levels are under some downward pressure currently albeit it from high levels. Opportunity for retail development is becoming more physical rather than being driven by increased demand. For example the construction of traffic by passes or large infrastructure projects such as base hospitals, are providing opportunities to develop retail space in areas that have been traditionally residential or open space.



Newcastle

The decentralisation of retail away from the inner city has been a feature of the makeup of Newcastle for around 30 years, with every major outlet being located at least ten minutes drive from the Harbour. However is this all about to change with the recent long awaited announcement of the termination of Newcastle's heavy rail line west of the Wickham interchange? The well publicised potential upgrades to several city sites may also be a catalyst for increased inner city investment. We know this may not happen in 2013 and the city upgrades are based on a longer timeframe so don't expect Newcastle to transform overnight. However there is a new sense of optimism among inner city retailers and in the interim we may see some ground floor investors jumping into the market hoping to benefit from a possible increase in retail land values in the future in and around these potential re-development areas. However the wider economic conditions and commercial lending restrictions will continue to stifle speculative purchases.

Expectations for 2013 are not so grand. We note the old KFC building on Hunter Street has been sold and there is limited local inner city retail stock on the market. So any increase in demand may see values rebound from a long slow decline, although this is considered unlikely in the short term.



NSW Far North Coast

The commercial retail market on the NSW Far North Coast has generally been slow over the past 12 months with continued low sales volumes, stable to steadily increasing supply, rental levels which are stagnant or decreasing and vacancy rates in some retail markets continuing to increase. The continuation of mortgagee in possession sales is also affecting value levels. Overall, we consider the market is towards the bottom of the property cycle.

The Lismore retail market has seen a continuation of steady rents and stability in the retail commercial market. However the Ballina retail market is continuing to experience relatively soft market conditions with agents reporting increasing vacancies and a fall in rental levels throughout 2012.

Demand for retail space within Evans Head and Yamba has seen demand for rental space significantly weakened. This is evidenced by the current high levels of commercial space vacancies within the CBD for each township and the recent negotiation for retail space in the main street. In the current market investors have become more cautious and yields have increased, particularly in secondary locations or for secondary buildings.

....the commercial retail market on the NSW Far North Coast has generally been slow over the past 12 months with continued low sales volumes....

The Byron Bay commercial retail leasing market has slowed and there are a number of tenancies which are vacant and available for lease in the fringe areas of the business precinct. With the easing in rental demand and the increase in the supply of vacant shops, investor demand has fallen resulting in the yields increasing in the order of 1.5% to 2.5%.

The current market is characterised by properties for sale at yields of around 5% to 6%. These properties which are not selling and motivated vendors are having to accept yields in the order of 6.5% to 8.5% for properties located within the main commercial precinct and in the order of 7% and above for fringe located properties. This is evident with the current marketing of two commercial strata retail units within Lawson St. The marketing agent has advised that all offers by intending investors have been in the order of 8%.

Despite this market correction, there is still investor demand for Byron Bay retail premises which are leased at market rentals, provided they are at yields which are consistent with the current yield expectations of investors.

The outlook for 2013 remains relatively unchanged to that of 2012. As has been the case over the past three to four years, quality will prevail. Potential investors will remain unwilling to speculate on properties with inherent issues without strong returns or stable tenancies. Quality properties in good locations will continue to show reasonable market interest. In summary, buyers will generally remain conservative and cautious, enquiry will either remain at reduced levels or improve slightly and investors will maintain hardened views on yields.

NSW Mid North Coast

Low consumer confidence and low retail sales have helped to depress the retail and commercial market on the coast. Many operators are finding it extremely difficult to keep trading and have closed down leaving an increasing supply of vacant retail and commercial properties. This has helped to lower rents with owners having to accept lower rents or give substantial leasing incentives to entice prospective tenants.

Sales rates have remained low and stagnant, and selling prices have generally fallen for average quality commercial properties, with almost no recent sales to investors and only a few sales to owner-occupiers.

....potential investors will remain unwilling to speculate on properties with inherent issues without strong returns or stable tenancies....

Coffs Harbour

The retail sector has been slow with low confidence and price sensitive investment. An increased CBD vacancy rate in the order of 10% is evident, mainly in the western fringe of the city .

Retail and office accommodation is exhibiting rental sensitivity mostly for larger, secondary located office accommodation.There has been a shift in appeal to the eastern city sector and this trend should continue with property west of the highway difficult to lease .

Yields for sound property have generally softened 1% to 2 % throughout 2012 to between 8% to 9%. However there were a number of both owner occupier and investment sales in late 2012 which give some confidence that 2013 will be slightly stronger.

The forecast for 2013 is likely to be slightly improved no significant growth forecast prior to the Federal election. Yields for prime, strongly leased property should be in the order of 7.8% to 8.25%, with weaker property maintaining price sensitivity in the range of 9% to 10.5%

The medical industry has been active in the local property market throughout 2012 in both sales and leasing.There were signs towards the end of 2012 that this market sector was stable. A new state of the art specialist medical centre has been slowly leasing at benchmark rentals of $400 per square metre, with sales are being recorded in the complex at $5500 per square metre. This market should remain stable in 2013.

The Coffs Harbour City Centre Local Environmental Plans (LEP) was introduced in November 2011. It is being overlaid by the 2013 LEP due for gazette in May. Both plans act to support the city centre office precinct by limiting potential office development within the Gateway precinct lining the Pacific Highway to the north of city centre .

The proposed development of a new city courthouse and police station north of the city centre is slowly advancing with ongoing negotiations on the inter-government land sale and positive identification within planning controls. A time frame for development is undisclosed. The restrictive zoning controls which apply to land surrounding this development may restrict the previous forecast of an uplift in value and rental levels for this precinct.

Overall a stable market predicted for 2013.

Southern NSW and Northern Victoria

ALBURY

The general retail sector in Albury Wodonga experienced softening trade conditions in 2012 which resulted in an increase in vacancy rates in most retail precincts. We expect continued soft trading conditions into 2013 with a potential for a further increase in vacancy rates and softening in rents. This will see many landlords happy to maintain current rents for sitting tenants during negotiations to ensure their properties remain tenanted.

With relatively high vacancy rates we expect potential tenants to target well located properties in the prime areas of Dean Street (Albury) and High Street (Wodonga) as opposed to the secondary retail locations. Prudent investors will follow suit given their current low appetite for risk. The variation in yields between primary properties in these locations as opposed to inferior properties in secondary areas, including bulky goods precincts, is likely to widen if the difficult trading conditions continue.

We expect investment yields for secondary retail assets with questionable tenants to fall in excess of 10%, while prime properties with secure tenants potentially down to 7%.

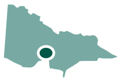
Some good news for Albury residents is the $50 million Volt Lane development comprising the Tax Office, which will incorporate a fresh food market, café and 500 carparks. There is also DA Approval for 13 specialty shops in Mates Centre carpark nearby on Kiewa Street. Central Wodonga will be revitalised by a project that will see the VicTrack land redeveloped into a new activity centre comprising offices, retail, community buildings and accommodation. These projects will greatly benefit both Albury and Wodonga and should increase their profile as a popular regional shopping destination.

WAGGA

The retail market in Wagga Wagga has been soft for an extended period and this can be expected to continue throughout 2013. There are a large amount of vacancies in the retail sector of the CBD with the take up of vacant space being very slow. This has seen downward pressure on rental rates.

The local economy is slow and this has had an effect on retail spending with a number of retail businesses having to close their doors. Demand for properties from owner-occupiers and investors is also weak, however well located properties with good long term tenants on a long lease still attracts investors and can still achieve a yield of below 7%.

On the frindge of the CBD a new retail and residential development known as 'The Mill' has been approved and construction is planned for 2013 dependant on pre-sales of the residential units. The development will comprise of 84 apartments, commercial space, retail space, a supermarket, offices and conference facilities.



Melbourne

The Melbourne retail property market continues to remain in a risk averse state as we move forward into the new year. Although the volatility experienced as a result of the global financial crisis is now moderate and consumer spending has slightly increased over the recent months due to the festive season, overall retail trade is still growing below trend as consumers continue to maintain a high household saving rate. Further factors contributing to the soft overall retail market include the high Australian dollar and the increase in online trading.

Melbourne continues be an international hub for business, retail, education, arts and industry. Its low unemployment rate and high density residential development within activity centres and within inner Melbourne and the CBD (which is met by the rising population), creates a positive environment to drive retailer demand.

Due to this, despite the overall subdued retail market, tenant and investor demand for the Melbourne retail property market remains relatively strong in certain prime sub markets. In 2012 we witnessed an increase in overseas investors as well as international retailers. Retail properties within prime localities with high traffic count such as the Melbourne CBD and prime suburban retail strips continue to attract investor demand. For example, in August 2012 27 Market Street, Box Hill sold for a yield of 3.99% while in December 2012, Shops 4&5, 2 Queen Street located along Flinders Street within the Melbourne CBD sold with a yield of 5.39%. Both yields are considered sharp in their respective markets and indicate that investor demand is still strong and attractive results are still being achieved. Secondary retail strips on the other hand, have witnessed a softening of yields.

Slowing growth in retail spending limits the rental increases payable by tenants and results in increasing vacancy rates and declining retail property values. While significant falls in retail values are not currently evident, further strain on the retail sector may result in declining market values.

....Melbourne continues be an international hub for business, retail, education, arts and industry....

Leasing demand from tenants appears to have been decreasing over recent months. Investor demand is still strong for well located property with strong lease covenants but has been declining in other market segments. In today's market there appears to be a widening gap between leased investments and properties which are transacted with vacant possession.

New additions for 2013 include the Emporium Melbourne which will be built over the old Myer location on Lonsdale Street within the CBD. The complex will host 225 stores over eight levels, and this will introduce 47,000 square metres of additional retail space within city. Retail locations with a varied tenancy mix are expected to be the most resilient retail destinations into 2013. The impact of property management in maintaining good occupancy and achieving sustainable rentals will also be a factor which ought to increase investor appeal.

A snapshot of indicative market parameters can be seen below:

Indicative Retail Market Parameters

CBD Retail	Net Rental ($/m²)	Market Yield (%)	Capital Value ($/m²)
Bourke Street Mall	$3,000 - $8,000	n/a	n/a
Swanston Street Walk	$2,000 - $6,000	4.00% - 5.50%	$25,000+
Other CBD	$400 - $2,500	4.50% - 5.50%	$4,500 - $20,000
Strip Retail	**Net Rental ($/m²)**	**Market Yield (%)**	**Capital Value ($/m²)**
Chapel Street, South Yarra	$500 - $1,600	4.00% - 5.00%	$10,000 - $30,000+
Church Street, Brighton	$400 - $750	4.25% - 6.00%	$6,000 - $12,000
Glenferrie Road, Hawthorn	$500 - $750	4.75% - 5.75%	$6,000 - $12,000
Burke Road, Camberwell	$300 - $1,200	4.25% - 5.50%	$10,000 - $20,000+
Puckle Street, Moonee Ponds	$400 - $750	4.50% - 5.50%	$5,000 - $15,000
Bridge Road, Richmond	$200 - $750	5.00% - 5.75%	$4,000 - $14,000

Regional Victoria

ECHUCA

The big retail mover in 2013 will be the take up of Cotton On in the old Carters Menswear Store, this will come on the back of the recently completed development of the old IGA site which now houses a Reject Store, Best & Less and LJ Hooker. In combination these two developments are likely to see the Hare Street precinct crystalise its reputation as the premier retailing area for Echuca. It is difficult to ascertain what affect this will have on local traders. The Christmas trading period has been relatively good by all reports so hopefully this will provide some much needed confidence in the retailing sector with several fringe shops vacant.

MILDURA

We have previously pointed out the changing retail landscape evident in Mildura and, we suspect, most of the country. Consumers seem willing to step inside supermarkets, bottle shops and hardware stores, but are spending less time (and money) shopping in traditional retail strips, particularly shops that sell discretionary items such as clothing and gifts.

....the big retail mover in 2013 will be the take up of Cotton On in the old Carters Menswear Store....

At a local level this is highlighted by the continued growth of the Fifteenth Street retail precinct, which contains modern, 'big box' retail outlets and the Centro shopping plaza. At the same time Mildura's city heart, centred on the Langtree Mall continues to languish. There has been plenty of debate recently as to whether the Mall should be opened up to one way vehicle access, in order to make this part of town more accessible, and also the allowance for greater car parking (ideally undercover) in order to attract shoppers.

A consequence of this trend has been that rents for retail properties in the city heart have remained stable or declined in recent years, at a time when rents in the Fifteenth Street precinct (including the Centro shopping plaza) have generally increased.

Adelaide

The retail sector in Adelaide has faced difficult times over the past few years with no obvious end in sight. Interest rate cuts that occurred towards the end of last year have largely been offset by significant increases to cost of living expenses. This together with ongoing low consumer confidence is driving saving at the expense of spending, especially when it comes to discretionary items.

All retail localities have struggled with increased business failures and reduced consumer confidence leading to increased vacancy rates and reduced achieved rentals. We have seen Darrel Lea and Mary Martin Bookshop (an iconic SA bookseller) close their doors recently adding to the growing number of vacancies along Rundle Mall in particular, which towards the end of last year sat at around 10%.

Overall there has been very limited sales activity with the market in general terms being driven by owner-occupants with investors less active. However, there does remain a core investor body that are prepared to support opportunities with secure tenants and positive lease covenants although these tend to be very tightly held and rarely released to market.

Looking to the bright side Rundle Mall opened for the post Christmas Boxing Day sales for the first time ever at the end of last year and anecdotally has been hailed as a success with an estimated 120 thousand people arriving to share a bargain. With sales figures yet to be released it remains to be seen if this has translated into a financial success.

The major CBD retail development at 77-91 Rundle Mall, which commenced construction towards the end of 2011, is set to open its doors on the 19th of March this year. The four level Rundle Place will house the flagship store of Harris Scarfe, a Coles supermarket, around 80 specialty stores and a 500 seat food court. The development also includes an 11-storey office space fronting Grenfell Street – this stage is not due for completion until later in 2013. Harris Scarfe has started advertising a moving sale to clear stock at its temporary location within Rundle Mall

Plaza ahead of its return to the site that it has occupied for close to 100 years.

Of note are three international brands moving into the SA market for the first time opening stores within Rundle Place – these are Point Zero, Joshua Perets and La Vie en Rose.

Adelaide Oval

With a mixed response from the public the Rundle Mall Masterplan has been released and is due to commence in the next few months. The Adelaide City Council has committed $30 million to Stage 1 of the upgrade which has been designed to re-invigorate The Mall and encourage people to shop, stay and play. The retailing is being complemented by an upgrade the lane ways attached to the Mall and enhancement of entertainment facilities. As with any change it will always be difficult to please everybody however now seems an appropriate time to revitalise the precinct in order to capitalise on the redevelopment of the Adelaide Oval. With the AFL relocating to the venue in 2014 it is anticipated that this will bring an influx of 40,000 plus people into the CBD on game days.

Brisbane

2012 saw an increased level of sales activity compared with 2011 in the Brisbane retail property market, although the market is still relatively tepid overall thanks to depressed consumer confidence and ongoing finance constraints.

It is anticipated that this staid approach by the market may be stimulated by the mooted interest rate reduction in Q1 2013 by the major banks independent of the RBA. However any potential increase in activity could be tempered by the federal election which is due in the latter half of 2013.

Transactions that are occurring in the Brisbane Retail property market in the sub-$15 million sector are reflecting a range of yields dependant on the price point, location and the investment profile of the particular property. The sub $5 million market has remained in strong favour with private investors with yields remaining relatively firm and ranging between 7.5% to 9%. An example of this is the recent sale of 40 Park Road Milton, which sold fully leased to Mary Ryan's bookstore for $4.45 million at an analysed yield of 7.65%.

Retail centres with a higher price point over $5 million are generally achieving softer yields of between 8% and 9.5% due to the current difficulties associated with obtaining finance for assets at this price point. An example of this is the recent sale of 455 Anzac Avenue Rothwell, which is a neighbourhood shopping centre anchored by an IGA with nine specialty stores, which sold for $7.84 million at a passing yield of 9.19%. Secondary properties are reflecting yields of 9.5% to 11%.

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

Gold Coast and Tweed Coast

It's that time of year when the Gold Coast is in full swing. The beach is beautiful, the hotels are near capacity and the retailers are making hay while the sun shines.

Whether it be walking around Surfers Paradise or Robina Town Centre, one could be fooled into thinking that retailers on the Gold Coast were prospering. While some traders have had their best Christmas trading in years, unfortunately the same cannot be said year round.

Over the course of 2013 we anticipate that food retailing will continue its strong performance with cheap/casual eats remaining the flavour of the month. However, as household discretionary income remains tight, the glut of mediocre restaurants throughout the Gold Coast will result in ongoing difficult trading conditions for this sector.

....construction works along the Gold Coast Rapid Transit line will continue to be an ongoing battle throughout the course of 2013....

It is expected that the Gold Coast, much like most other retail centres across the country, will experience the ongoing impacts of online trading throughout the course of 2013. This increased trend will particularly affect fashion and electronic retailers, as well as the major department stores.

While major centres continue to maintain high occupancy rates, centres in fringe positions are likely to continue to struggle in maintaining reasonable occupancy rates and quality tenants.

Construction works along the Gold Coast Rapid Transit line will continue to be an ongoing battle throughout the course of 2013. However with completion of the project in sight, there is some light at the end of the tunnel.

On these construction works there has been evidence of some retailers positioning themselves in prime spots adjacent to the stations with a long term view that increased pedestrian traffic will ultimately improve their business. Examples of this are Surf Dive & Ski at Circle on Cavill and a nearby discount variety store which recently signed on to a new ten year lease agreement.

Although a rare offering, well positioned properties with strong lease covenants will likely continue to be highly sought after in the investment market. Retail properties in secondary locations are being faced with higher vacancy rates along with the added downward pressure on passing rentals; risk adverse investors that are still present in the market are taking a hardened view on such properties further undermining their value. This trend is likely to continue throughout the course of 2013.

Yield expectations are generally falling within the range of 8.5% to 9% for a prime retail property with good lease covenants. There is also evidence of lower rates being accepted for properties with lower quantum values (i.e. strata titled premises with national tenants). Conversely, secondary properties, or those with high rental rates that were struck in the peak of the market, are commonly reflecting initial yield levels between 9% and 11%; such opportunities are providing an excellent return on investment, but understandably come with higher inherent risk.

....although a rare offering, well positioned properties with strong lease covenants will likely continue to be highly sought after in the investment market....

Overall, it seems that the retail market on the Gold Coast has plateaued with no significant changes anticipated over the course of 2013.

Sunshine Coast

The Sunshine Coast retail market has been slow over the past three years. The two main economic drivers on the Sunshine Coast have been construction and tourism. These two drivers have been affected by macro economic conditions since 2008, and have impacted particularly over the past three years, on the Sunshine Coast retail market.

The construction industry has been impacted by a combination of firming lending policies and limited wage increases, which have been imposed by some degree as by products of the GFC. Price volatility in end product price for the unit market in particular has also seen demand fall from the construction market. As a result significant trades people employed in this industry have either been forced from the region for work or are now unemployed or under employed.

Our tourism market has been hampered in recent years by a string of poor weather events in prime holiday periods. The strength of the Australian dollar has also made traveling overseas a far more attractive proposition for a number of people. Other events have also impacted our tourism market, which is mainly a drive to destination and this includes poor seasons for the Darling Downs and other rural markets within approximately four hours of the Sunshine Coast.

Sunshine Coast University Hospital

However over the past 12 months there have been some glimmers of light for retailers, that while the market may not improve in the short to medium term, it may at least stabilise.

This includes the commencement of construction on the Sunshine Coast University Hospital which will comprise a 738 bed facility with 450 beds due for completion in 2016 and full capacity in 2021. The 200 bed private hospital has been under construction for over 12 months and is due for completion in 2013. This will provide further stimulus for this location which is planned to provide a town centre with a sub-regional shopping centre, town centre precinct with library, transit precinct and other commercial and ancillary uses that will be accomodated within this precinct. The hospital is the largest infrastructure project seen on the Sunshine Coast and will provide a strong stimulus during the construction phase and improve our medical white collar workforce upon completion.

Tourism operators have also noted good weather over the past three holiday periods with improved occupancies. Direct flights from New Zealand has again placed our nearest neighbour market as our main overseas market after being behind the UK for the past few years. Further development of the Sunshine Coast airport is also planned to further improve potential Asian holiday markets.

While vacancy rates currently continue to stay at or around historical market highs for our main retail strips these above factors are hoped to give potential tenants improved confidence, which may see a stabilising effect on vacancies, rental rates and yields in the short to medium term.

Southern Queensland

TOOWOOMBA

Major retail developments planned for the city of Toowoomba include:

Northpoint Shopping Centre – Development Approval has been granted for the construction of a new shopping centre near the intersection of Ruthven and North Streets in northern Toowoomba. The centre is to include a major supermarket, 20 specialty stores and a medical centre. Construction is expected to commence in early to mid 2013 with completion expected by late 2013.

Eastside Village – Development Approval has been granted for the construction of a new fast food based centre on the corner of Herries and Cohoe Streets in eastern Toowoomba. The centre is to be occupied by a McDonald's and a KFC and will also include a 24 hour convenience store. Strong public objection has been received to the development with an appeal against the Development Approval expected to be lodged in the Planning and Environmental Court.

Drayton Shopping Centre – Approval has been received for a new shopping centre in the suburb of Drayton. The centre is to be anchored by a Woolworths supermarket and will include approximately 1,300 square metres of specialty retail stores. Construction on the centre has commenced with completion expected by mid 2013.

Grand Central Redevelopment – An application has been lodged by QIC Global Real Estate for a major refurbishment and expansion of Grand Central Shopping Centre, located in Toowoomba's CBD. The redevelopment is to incorporate and link Gardentown Shopping Centre and the current council library building and is to result in an increase in floor area by approximately 30,000 square metres. This is a long term project that is expected to be completed by 2015/2016.

Central Queensland

ROCKHAMPTON

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

The second retail precinct is the Central Business District with most retail centred in East Street. The vacancy rate in and around the CBD is on the rise. This can partly be attributed to a host of new competitors in the market place, particularly in the office market. The ex-Commonwealth Bank building at the western end of the East Street shopping precinct is reportedly under contract. The property has also been in the hands of receivers and on the market for sale for a number of years. The building has been vacant since the CBA vacated in mid-2007. The sale reflects a significant decrease in value from its previous 2007 sale price.

There have also been a few entry level transactions (sub $500,000). These are generally older style buildings both in East Street and fringe CBD locations.

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

Construction of Lowes/Woolworths Masters centre located on the Bruce Highway is also nearing construction. The store will provide 13,500 square metres of home improvement store and an additional 4,300 square metres of bulky goods retailing space. Completion is expected in February and will create some 200 new jobs.

Farm Street Market Place was sold during early 2012. This is a multi-tenanted shopping complex located on Farm Street in Norman Gardens. The centre comprises eight retail tenancies and is anchored by a large IGA supermarket. The sale price was $11.05 million reflecting a yield of 9%. This is the highest sale in the Rockhampton retail market to date. Other notable sales in the commercial space during 2012 include the sale of an industrial warehouse in Parkhurst occupied by a national tenant which sold for $4 million reflecting a yield of approximately 9% and 39 East Street which sold for $9 million reflecting a yield of 8.5%. This is a multi-tenanted professional office building subject to two ten year leases to national tenants.

....there are two main clusters of retail in Rockhampton with the main concentration located in the Stockland centre on the highway....

The conclusions we draw from the transactions which took place during 2012 are that investors are actively seeking secure cashflow properties and have confidence in the strength of the Rockhampton market. We anticipate investors will continue to be active in the market during 2013, particularly while interest rates remain at all time lows. Activity will be likely to be dictated by the strength of the mining industry which is wavering at present.

BUNDABERG

In the year ahead, we anticipate a steady market for the retail property sector. The most recent sales do not indicate a change in yields for retail property over the past 12 to 18 months. Cash buyers are active in the current market.

A development application was submitted to the Bundaberg Regional Council in early 2012 for a new sub-regional shopping centre. The proposed shopping centre is to be located on Fe Walker Street in a part of Kepnock where Aldi have recently established a store. If a sub-regional shopping centre was to open in Kepnock this may attract further retail development to this area.

HERVEY BAY

Good weather during the Christmas holiday period and recent events such as the Scout Jamboree has many retailers upbeat about the next 12 months. Although the retail sector is very subdued, major events proposed for this year are likely to inject considerable millions into the local economy.

Already the region is feeling the effects of 11,000 scouts and their families visiting the region for the 2013 Australian Scout Jamboree. That will be followed by up to 6,000 visitors coming to the region for the 2013 Ulysses Club AGM in April, the Campervan and Motorhome Club of Australia Rally in May followed by the Queensland Junior Surf Life Saving Championships, the Queensland Touch Football Junior State Cup and Queensland Music Teachers Conference in July. The commencement of construction of the new $87.5 million private hospital in Urraween will provide some much needed economic stimulus for the region, with work tipped to start in January this year. It has been estimated that approximately 300 jobs in construction will be generated from the project, with a subsequent 200 to 300 health care related positions to follow. Completion is scheduled within 18 months.

....Station Square in Maryborough has an application before Council for extensions on the western and northern ends of the existing centre....

There continues to be very little activity in the retail market with increasing vacancy rates pressuring rental levels downwards. Landlords appear to be very negotiable on rental rates depending on terms. Maintaining occupancy during this time remains a focus as tenants approaching review have ample property to consider. Any vacant retail space is proving difficult to lease. A majority of leases being negotiated to local tenants are generally for shorter terms of one or possibly two years with market reviews at options.

A proposed $20 to $25 million shopping centre in Urangan was recently approved. The centre is reported to include a McDonald's, IGA, medical centre and other retail and fast food outlets with 266 parking spaces. Expressions are also being sort for a proposed Woolworth anchored centre in Scarness/Torquay. Station Square in Maryborough has an application before Council for extensions on the western and northern ends of the existing centre. Stockland are yet to commence extension to the Hervey Bay Centre.

MACKAY

The Mackay retail market is dominated by the two major shopping centers, being Canelands (Lend Lease) and Mount Pleasant (Colonial First State). The Northern Beaches Central Shopping Centre (Stockwell) completed an expansion in 2012 and with further, future planned expansions will become the third major shopping centre in the region.

Woolworths has recently completed a neighborhood shopping centre in Ooralea which appears to be reasonably well received by locals and complements new residential development in the area. Coles purchased a site during 2012 in Andergrove which adjoins an existing Woolworths stand alone supermarket. This site had an existing approval however would require an amendment for a supermarket.

Construction of a new bulky goods 'supa centre' has commenced on a 10.783 hectare aggregation on the north western corner of Holts Road and Mackay-Bucasia Road at Richmond, approximately 2.8 kilometres north of the existing Bruce Highway/Heaths Road precinct and even closer to the Greenfield's precinct. The approved supa centre is to contain a 13,000 square metre Masters Home Improvement store which is part of a new hardware chain being rolled out by Woolworths. The overall size of the centre is expected to be approximately 40,000 square metres. The first stage will reportedly comprise the Masters store and an additional 8,000 square metres of lettable area.

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

Of some concern is the future of the existing bulky goods precincts in Mackay which have traditionally been established around the Bruce Highway/Heaths Road precinct and Greenfield's precinct. The development of the supa centre and Bunnings may fragment the bulky goods retail market and draw existing tenancies from the already established locations.

As always the future of the Mackay property market is heavily dependent on the coal industry which is currently undergoing restructuring in an effort to reduce costs. Any future softening in this industry is likely to impact on household discretionary spending in the region and therefore impact on the retail market.

GLADSTONE

There has been little activity in the retail market in Gladstone since the global financial crisis. The announcements of the LNG projects which have begun construction have livened up the residential market. This heightened activity is yet to trickle through to the retail market.

Sales and leasing activity is fairly limited with few transactions in recent years. Yields have also not yet improved. We do not expect any improvement in the retail market in the next 12 months.

Cairns

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

....during 2012 the retail sector in Townsville underwent some major expansions with the completion of the $180 million Stockland redevelopment....

During 2009/2010 there was an increase in vacancy levels in the retail sector resulting from a number of business closures attributed to the tough economic environment. However the increase was only a relatively mild increment to the high levels of long term vacancies in some areas that predated the downturn. High exposure CBD space remains reasonably well occupied, with vacancies most noticeable in the lesser exposure locations and/or on the CBD fringe. Rents during 2012 have been generally stable, showing ranges of $600 to $1,000 per square metre per annum for prime CBD space, and $1,000 to $2,500 per square metre per annum in key tourist precincts such as the Cairns Esplanade. However recent signs are that CBD prime rents are starting to strengthen, which may well be the proof that the market has bottomed.

Townsville

During 2012 the retail sector in Townsville underwent some major expansions with the completion of the $180 million Stockland redevelopment and opening of Myer, Coles and associated key retailers at Deeragun and several other smaller retail developments along population growth nodes.

The year ahead is likely to see continued growth with another Coles supermarket and associated key tenancies underway at Kirwan, a potential Bunnings retail warehouse and a Masters retail warehouse to be constructed along the Bruce Highway in the northern beaches corridor and possible stage two expansions of shopping centres at both North Shore and Idalia.

Larger retail developments in Townsville are generally tightly held with little activity, however in 2012 the sub-regional Centro Townsville shopping centre was purchased by Stockland for a reported $36.5 million. Stockland own the Stockland Shopping Centre located diagonally opposite Centro and together they now manage a precinct of 60,000 square metres of retail space.

Following the demise of the proposed Austexx Flinders Plaza in Townsville's CBD, the amalgamation was split up and sold during 2012. Several buyers of prominent retail buildings fronting Flinders Street have reportedly confirmed their intentions to refurbish the existing spaces, which will be a major improvement to the retail streetscape in this precinct.

Smaller scale retail developments being the circa $5 million strip retail precincts remain tightly held with an ongoing separation between vendor and purchaser expectations remaining evident in this sector.

Overall in our view the year ahead for the retail sector will see continued growth in new construction, however transaction activity wil remain slow.

Darwin

Looking forward to retail property in 2013 is looking forward to what?

As valuers we have to read market expectations, not invent them all by ourselves. We leave that to economic forecasters whose credibility – albeit just the teensiest bit dented by the global financial crisis (GFC) – remains a major factor in the decision-making of many market players.

In looking to the future, the market often makes the assumption that things will keep toddling along as they are. Humans are hard wired that way – we need at least some stability to function – but sometimes that assumption has very little to do with reality. Even then, the market sometimes chooses comfortable confabulations (CCs) to terrifying truths (TTs), and the dollars of those who do prefer CCs are as good as those who do not, and much easier for the market to extract. Of course there are comfortable truths and terrifying confabulations as well, and all sorts in between. But let's not go down the known unknowns - unknown unknowns etc path, because terrifying truths do exist for retailers and that affects market perceptions.

One such is the growth of internet retailing which, according to January's Territory Economic Review, has led to the emergence of a two-speed economy in Darwin's retail trade: dining out is going comparatively well but, as reported on the front page of January's NT Business Review, clothing and similar retailers – peddling products that can be bought online – is hurting.

According to classical economists, we are all supposed to be economic rationalists. So if it's economically rational to go into a store, find something one likes, then go online and buy it from overseas with our gloriously sunburnt dollar - well then, that's OK. And that hits hard in Darwin, because it's expensive to transport almost everything sold here, the costs are high, and something has to give. And owners of retail premises fail to see why that should be the rents that they charge.

....owner-occupiers continue to dominate the broader commercial and industrial market with a number of strata title industrial units and stand alone industrial properties changing hands....

Furthermore, there is going to be more room for competition. At the northern end of town, a $250 million expansion is planned for Casuarina Square, and is to include a 12,000 square merte Myer store and 50 new shops. At the southern end, Coolalinga Mall is to construct 30 to 40 shops in its first stage, anchored by tenants of the calibre of Coles and Kmart. Neither of those will be ready in 2013, but anyone planning to invest in retail property who ignores those plans could be guilty of choosing CCs over TTs.

So for 2013 property owners should, as football coaches say, "lift the eyes", and consider their tenancy mixes in the light of the emerging challenges from the impending extra retail space on the one hand, and the growth of internet sales on the other. In so doing, the only certainty is uncertainty, but calls to make your property the best it can be for market conditions must still be made. Unlike classical economists who look at economies as if they were machines, valuers value values. We have to in order to understand what makes willing buyers willing at what amount, and willing sellers willing at what amount. And for our purposes those values we value the highest are those with both the most relevant evidence and the most insightful interpretations of it.

So we emphasise that it's homework time for retail property owners; time to look at your tenancy mixes and estimate their future; in so doing, look more to CCC than CC; instead of comfortable confabulations, look at the character, cash flow and collateral of your tenants' businesses and their operators, and how resilient each of those will be to the challenges ahead. According to the Territory Economic Review, retail grew only 0.7% in 2011/12, but there were wide variations in the types of retailing and their locations. How did your rents grow in that time, and how sustainable do you think the trends are in the light of truth, terrible or otherwise, not according to CCs? And instead of operating exclusively in the machine mindspace of classical economists, also try looking through the garden mindspace of modern economic thinkers such as Liu and Hanauer: perhaps some tenants should be nurtured, and perhaps others weeded out. Just like CCs and TTs, Liu and Hanauer's "machinebrain" and "gardenbrain"' are oversimplifications, but both have value in the right circumstances, and both should be engaged in 2013 to interpret the evidence.

Alice Springs

The commercial property market was relatively active in the December quarter with two CBD office buildings transacting in excess of $2million showing net yields of approximately 10% and 10.75%. Other transactions include the sale of a lessor's interest in a service station with an analysed market yield of approximately 8.5%.

Owner-occupiers continue to dominate the broader commercial and industrial market with a number of strata title industrial units and stand alone industrial properties changing hands. Investment yields in the sub $1 million price category remain relatively strong however with limited sales reflecting net yields of between 7% and 8%.

Interesting developments of note for 2013 include the mall redevelopment which has now commenced. Alocal contractor has been successful in the tender and should bode well for local businesses as well providing a much needed up lift for the northern end of the mall. Other possible projects commencing in 2013 are a 40 unit development in the Mount John estate, an office and showroom development in the Whittaker Street precinct and the likely completion of the Bunnings Warehouse store.

Overall it is considered that the commercial and industrial markets are likely to remain stable for 2013 with continued dominance from owner-occupiers.

Perth

The Perth retail sector is hoping for a continuation of robust economic conditions for 2013. Western Australia saw reasonable economic growth across 2012 which was primarily underpinned by the resource sector, the tightening of the unemployment rate, strong population growth and an increase in wages all of which has influenced the increase in activity within the retail sector.

Of significant help to Perth retailing saw the deregulation the deregulation of trading hours, which was introduced in August 2012 which allowed retail centres to operate on Sundays and after 5pm on weekdays. This may have attributed to the reported rise in retail trade of 1.4% (ABS) in the latter half of the year. Additionally the ABS reports that retail trade has been consistently higher across WA than it has in any other state.

While 2012 saw an increase in activity across the sector, it is still operating below the long term averages indicating that the retail environment may have shifted. The sentiment of consumers appears to have changed to be more conservative with a focus on repaying and reducing debt levels, a sentiment that has been apparent across a number of sectors since the GFC.

Another major issue is the rapid growth in online spending and the strong Australian Dollar which makes buying from overseas sites cheaper for consumers thus resulting in even lower spending in physical retail stores.

While improvement in retail sales started 2013 in positive territory, and the residential property market is signalling shoots of growth, it is still too early to predict a turnaround in consumer confidence and spending as the strength of the WA economic outlook is largely foreshadowed by the path of growth in China.

.... Western Australia saw strong economic growth across 2012 which was primarily underpinned by the resource sector, the tightening of the unemployment rate, strong population growth and an increase in wages....

Overall the constant media coverage reflects a solemn outlook for the Australian retail sector, with Perth's major department stores forecasting down grade profits for the first half of 2013. This has been reported since the GFC as consumers are opting to save money rather than spend, due to the ongoing global and local economic instability. However, with the strong economy and the increase in activity, the long term outlook for retailing in Western Australia remains positive.

South Western WA

2013 has started pretty much the way 2012 ended, with the local retail sector doing it hard. The cafes and restaurants in Busselton and Dunsborough in the south west of Western Australia have seen some good returns over the summer, but other retail outlets are still doing it tough. There is pressure coming from all sides, including the strong Australian dollar which continues to attract the tourist dollars overseas, the increasing competition for online shopping and the relatively high rents being paid for retail premises. Some fashion boutiques are finding it increasingly difficult to survive in this climate, many have already come to the realisation that they are no longer profitable and have closed down.

The redevelopment of the Busselton and Dunsborough foreshores has been well received and this development is likely to draw more people down to the beach end of Queen Street in Busselton and the beach end of Dunn Bay Road in Dunsborough. A new development on the corner of Duchess Street and Queen Street will assist in drawing the town centre towards the beach at Geographe Bay.

The recent completion of the new Woolworths supermarket in Busselton has also been well received, effectively expanding the retail centre of the town.

The issue of Sunday trading continues to be a significant topic especially in the summer months. The centre of Busselton would benefit from the establishment and/or expansion of a restaurant precinct in the main street. A few new and trendy café/restaurants have opened in the heart of Busselton however the vibrancy that is required to attract the tourist crowd is still missing.

Residential Overview

The close of 2012 brought mixed fortunes to some parts of the market and a flat response to others. 2013 is a year hard to pick. Some still hang their hat on the mining industry to keep driving the market while others hope that the relative affordability of housing and lower interest rates will stimulate demand. This month, our Year Ahead issue displays all the colours of the national property rainbow from the brightest hues to the mutest tones and everything in between.

Sydney

After a rather volatile year for most of Sydney's housing market, forecasts for 2013 creates some discussion among our valuers. Although there have been an array of opinions, there has also been some agreement in certain areas of our market. Below are our educated predictions for the upcoming year.

Sydney's inner-west, city edge and inner-east suburbs are, in general, expected to remain steady below the $1 million value. This is similar to the trend seen throughout 2012 and is expected to continue with slight capital growth. Above the $1 million price range we expect to see things improve slightly, but nothing too dramatic. We saw evidence in December 2012 in Newtown (inner-west) of strong sales results for three terrace homes, all selling for more than expected in the $1.3 million to $1.5 million bracket. This is a strong indication that buyer confidence has returned after limited sales during 2012 at this price level.

The planned inner-west light rail extension is now proposed to be completed in 2014. Although more than a year away, this is still an attractive development for purchasers and investors alike. Improved infrastructure will only help improve demand and therefore the values in the area. Rentals are expected to continue their strengthening with continued demand higher than supply in these suburbs.

....the Randwick light rail project, which will run between the city and Randwick Racecourse/University of New South Wales, is to commence in 2013; however it is expected to take between five and six years to complete....

For the eastern suburbs, 2013 is forecast to be similar to 2012 with properties below $1.5 million likely to perform the strongest on the back of low interest rates and continuing low vacancy rates. For similar reasons investors will continue to be attracted to new units in inner suburbs such as Zetland and Waterloo; and these properties should see modest growth in 2013, even with a large number of new stock due for completion over the next few years.

For properties between $1.5 million and $3 million, low interest rates should provide some increased activity. However, continued uncertainty about the global economy, share market and a potential federal government change are likely to more heavily influence the way this market performs in 2013. Some suburbs may experience some modest growth over the next 12 months; however in general this market is likely to remain fairly steady.

The Randwick light rail project, which will run between the city and Randwick Racecourse/University of New South Wales, is to commence in 2013; however it is expected to take between five and six years to complete. Although a relatively long way to completion, investors are also attracted to areas positively affected by improved infrastructure which will continue to strengthen these markets.

Sydney's North Shore and Northern Beaches suburbs have had some of the worst results throughout 2012 after a very strong 2010/2011. It is anticipated, by some to improve throughout 2013 after an adjustment period in 2012. These suburbs often feel the affect of the overall market early on, both when strengthening and weakening.

It this thought that there will be improved market conditions in these areas, especially below the $1.5

million mark. There appears to be some rather good buying opportunities at present and it presents as a good opportunity. It has been agreed that the market above $1.5 million, especially in the Northern Beaches suburbs may continue to experience some resistance. Areas such as Avalon and Palm Beach traditionally see high sale values when economic confidence is high. Although internationally things seem to have steadied slightly, there is still plenty of room for concern and this will continue to hold back this market in 2013.

Overall we see the market continuing to show some signs of strengthening, however rapid capital growth is not expected over the next 12 months for greater western Sydney. We would consider the second and third home buyer markets in the $600,000 to $800,000 bracket as well the higher end market of $1 million plus to remain steady.

A market that we will be watching with interest this calendar year is the house and land package. We saw significant growth in the latter part of 2012 in this sub market and given the government incentives which encourage the first home owner in this direction we expect this trend to continue. There are still significant land holdings to be released in many different estates throughout north western Sydney and nearly every major project home builder is trying to capitalise on the opportunities of the 'house and land' package market.

....entering the new year, the market is trending at a slow pace but this may change with developments reaching their completion stage and new developments being introduced....

There still remains an opportunity for those wishing to start out on the property ladder but these are generally in isolated pockets on the fringes of the metropolitan area. Units or dwellings offering a basic level of accommodation for under $300,000 can be found in suburbs of Campbelltown, Liverpool, Fairfield, Penrith and the Hawkesbury. Dependent on location and condition, they will offer an attractive rental return for an investor due to the tight rental market.

Overall we expect the year ahead to be fairly steady, with slightly improved market conditions overall. Higher end properties are expected to remain relatively weak but not in decline. Lower to mid value properties may experience slight growth, with potential lower interest rates keeping buyers and investors in the market. We look forward to seeing how 2013 plays out in relation to our forecast and assessing it in December.

Canberra

Entering the new year, the market is trending at a slow pace but this may change with developments reaching their completion stage and new developments being introduced. Additionally, the quality and pricing of the properties within these developments have been well adjusted to fit the market. A major event worth mentioning is the federal election which always plays a pivotal role in the demand of property.

Over the past year there have been strong increases in developments in Canberra, particularly throughout the Gungahlin and Belconnen region, with Molonglo adding some supply to the Woden/Weston region. Springbank rise which offered affordable product to first home buyers is due to finish mid to late 2013. Also in its final stages are a number of unit developments in Belconnen, Bruce and along the Flemington Road corridor. Therefore, we are expecting to see a surge in supply of rental properties which could possibly lead to very competitive rental pricing within the market.

There are also new developments being introduced in all areas of Canberra; Niche, IQ Smart and Observatory. These developments are dispersed across Canberra with Niche located in Canberra City, IQ Smart in the inner north and Observatory located in the newer suburb of Wright, Molonglo Valley. These developments are being priced accordingly to fit the respective bracket of the market. Moreover, the quality to price ratio for these properties offers better value compared to past developments.

As seen in the past, the federal election has always played a strong role in softening Canberra's property market. In previous elections the market has been said to be very conservative, inevitably leading to a quieter market.

Overall, we do not expect 2013 to be a year of overly strong growth, primarily based around the results of the federal election. Rather it is anticipated that prices for quality properties or properties located in quality locations should expect prices to remain steady while outlying properties in the residential property market may see a slight reduction in prices.

Wollongong

Over the past 12 months values in the Illawarra region have held steady, without much movement in prices either way. Due to rising interest rates and uncertainty throughout the economy in 2009 and into early 2010, the market was thinly traded and limited value increases were achievable in the area. In 2010/11 we witnessed an injection of confidence back into the property market, which has eased in the past 12 months.

Throughout 2012 the Illawarra property market has generally been dominated by owner-occupiers, predominantly Mum and Dad buyers looking to secure the family home in the mid-tier price range. One bright star has been the uptake of new subdivision lots, from prestigious Thirroul in the north to the seaside estates in Shell Cove and Flinders in the south, and west to Dapto.

IRIS reports that to September 2012, the median prices for houses in the Wollongong LGA decreased to $435,000. Units also decreased, to $330,000. The WSD median land price fell 14% to $245,000.

We have seen a modicum of investors coming back to the area. They have predominantly focused on the inner CBD areas of Wollongong and fringe suburbs of the CBD such as Gwynneville, Keiraville and Fairy Meadow. This is partly due to the close proximity of these suburbs to the University, which allows a strong tenant profile for investors, good rental returns and low vacancy rates in these areas.

A number of developers have been encouraged to return to the market and bring projects back on-line that they had previously shelved.

Sales of development sites, scarce throughout (2006 to 2009), have slowly increased. This is particularly the case with new units in the Wollongong CBD. The lack of demand coupled with oversupply of new prestige units over the past few years saw this market sector really soften from 2005 to 2009. However this oversupply appears to have been absorbed and the few new unit developments that are being offered for sale in Wollongong CBD appear to have reasonable take-up. There are a handful of new sites already commenced, and many more are in the pipeline.

It has also been subdued at the upper end of the market, generally in the over $1 million price range. The prestige property market throughout the northern Illawarra suburbs has stuttered along in the past year. While there have been some upper end sales, there appears to be less certainty and confidence in the market with fewer buyers entering this market sector.

....a number of developers have been encouraged to return to the market and bring projects back on-line that they had previously shelved....

Once again, location and price points will drive or sustain values. Properties anticipated to maintain value include 2- bedroom units in the CBD, mid range properties near the beaches of Towradgi and up to Woonona – and inner suburbs such as Balgownie, Mount Pleasant, Gwynneville and Keiraville. Properties located down south in the Shellharbour precinct where the new marina is to be built, and around the quaint beach village, is also tipped to do well.

Despite job cuts in the steel industry, other infrastructure projects continue to bolster employment. These include the $310 million Kiama/Gerringong are road realignment, additions to Wollongong Hospital, the Keira West shopping centre extensions by GPT and the commencement of the Shellharbour Marina.

The federal election due later this year may slow the local property market as we have experienced in the past. Buyers lose confidence for no discernible reason and delay their buying decisions or are unwilling to meet the market during this time.

However it is becoming clear that if interest rates stay on hold and the global economy continues to stabilise, with greater credit availability from lenders, we will see at least stability and maybe some recovery in the housing prices throughout all market sectors in the Illawarra area in 2013.

NSW Southern Highlands

For the coming 2013 year, the outlook for the Southern Highlands residential property market is for a similar scenario to what happened in 2012.

There should be periods of steady and also weakening prices. Generally the market is slow, with steady volumes of sales. One of the major factors that will influence the fortunes of the property market later this year is the federal election. Different political parties have differing economic policies and whatever the election result, the outcome will definitely impact on all economic and property markets.

The prestige market in the Southern Highlands will still be tied into the prestige market in Sydney. This market has weakened in recent years, with extended selling periods. The outlook is soft but steady.

The rental market has been a good performer. Rents are currently stable and this steady trend should continue.

Southern Tablelands

In the Southern Tablelands, the regional city of Goulburn is stable, after experiencing good growth over 2009 to 2011. Over the course of 2012 the residential property market in Goulburn slowed and steadied. The outlook is for prices to remain stable throughout 2013.

Crookwell also experienced growth over the past few years and in 2012 steadied. The outlook is for stable prices with a weakening sales market.

The rural residential/lifestyle market has slowed and weakened slightly. 2013 should see slow uptake, but steady prices. Rental levels are stable.

Central, North and West NSW

DUBBO

2013 is set to be a busy year for the Dubbo residential property market after recent publicity in numerous magazines highlighting Dubbo as a property investor hotspot. Currently demand for rental accommodation exceeds supply which has seen investors return to the market in recent months, pushing the price of units and duplexes upwards. The current vacancy rate is below 1% making Dubbo a desirable location for investors.

Vacant land sales have also increased significantly in recent months which is likely attributed to both the increased first home owners grant for new houses as well as a shortage of rental accommodation. Some local builders are designing house and land packages targeted at investors which have been selling well in recent months and are expected to be popular throughout 2013. Rosewood Grove in Dubbo's west has the cheapest land available with prices hovering around $40,000, and combined with house and land packages in this area, it has been, and will continue to be, a hotspot for first home owners. Investors are excluded from this area due to a covenant on title restricting the properties from being occupied by anyone other than the owner for a period of seven years.

....vacant land sales have increased significantly in recent months which is likely attributed to both the increased first home owners grant for new houses as well as a shortage of rental accommodation....

The low and mid cost housing market (up to $400,000) is in strong demand by both investors and first home owners, with median house and unit prices currently at at an all time high. Currently Dubbo's west is the biggest growth area which is expected to continue in 2013 with a large number of residential developments currently underway around the Delroy Park shopping complex.

Dubbo is also set to benefit from a number of mines due to open in nearby smaller towns. Alkane Resources is set to start production at its Tomingley gold mine (54 kilometres south west of Dubbo) in the second half of 2013, which will boost jobs and demand for accommodation in Dubbo. The Cobbora mine located approximately 70 kilometres north east of Dubbo is a NSW Govenment owned and operated coal mine which is currently in the planning stage and will have a major impact on the Dubbo economy if it actually proceeds.

Newcastle

The end of 2012 saw activity in the residential market stabilise at moderate levels as the last remnants of fear, generated by the clutch of international economic crises appeared to abate. This was assisted by the Reserve Bank continuing to lower interest rates, which reduced the cost of finance, keeping people in the market.

Should this sense of calm continue into 2013 and interest rates continue to remain low, we should expect to see consistent activity across most market segments. This has been particularly apparent at the top and bottom ends of the market.

The beach side suburbs of Merewether, Bar Beach and The Hill, are traditionally regarded as the prestige suburbs of Newcastle and in the past 12 months have had several sales over the $2 million mark. While this in itself is not overly remarkable, the fact that the majority of these sales transacted without significant discounting is. This shows that the vendors are less stressed and are not being forced to take a hit to the asking prices. Properties that do not sell close to their asking prices, either sit on the market without discounting or are withdrawn. There is a distinct lack of desperation amongst these vendors, which in turn helps foster a sense of quiet confidence at this end of the market.

At the other end of the market positive signs have been observed. Suburbs which have traditionally been regarded as the 'bargain' locations have shown solid activity and an overall increase in achieved sale prices. Primary examples of this are the suburbs of Gateshead and Windale, where over the past few years the Department of Housing has been divesting itself of older dwellings. These basic 1960s fibro dwellings are being purchased by first home buyers and are being renovated. This is increasing the overall tone of the suburb and median sale price, as these renovated properties are resold. While once it was common to find cheaper properties in these areas, it is becoming increasingly difficult to purchase properties for under $200,000.

Similarly, Mayfield has also appreciated and is showing signs of gentrification. Once another 'bargain' suburb, Mayfield has benefited by being ringed by the more prestigious suburbs of Waratah, Georgetown and Tighes Hill. Where it was once possible to buy in to Mayfield for under $300,000, these opportunities are drying up.

Essentially, the lower end of the market should be expect to continue to perform well and experience mild increase in achieved prices.

Further up the Hunter Valley there continues to be large amounts of land released in new subdivisions such as Aberglasslyn, Rutherford, Gillieston Heights and Cliftleigh. While there are large numbers of vacant lots being made available, the uptake has been consistent, if not spirited. These locations, which largely offer house and land packages have been well received by investors from outside of the local area. Historically the rental returns for these properties have been good and the activity in the mines has kept the volume of renters high. However we have had recent reports from local agents in the area that the rental market is softening. There have been layoffs in some mines, which has reduced the need for accommodation as many of the workers return to their places of origin, and consequently the remaining pool of renters are less inclined to pay the premium they once would have. There has been no major dip in the market to date, but should the demand for Hunter Valleycoal diminish, there could be significant repercussions to this part of the market.

On the other hand, a major bypass road from the Sydney-Newcastle Freeway to Branxton (east of Singleton) is expected to be completed by the end of 2013 and this may have a significant effect on the townships between Newcastle and Singleton. A reduction in travel time to these areas may make these locations more attractive to those prepared to commute to work in the more major population centers. This expressway will hopefully mitigate the damage caused by any economic downturn. But it must be noted that a planned completion date is by no means a certain thing.

Returning to the Newcastle CBD, apartments at this location should perform well over the next 12 months. In recent years, there has always been an issue of oversupply as more projects came on line, outstripping demand. This has come to an end. Now the majority of transactions in the coming year will be re-sales. There is minimal scope for new development near the beaches and entertainment precinct and as such, existing properties should hold their value at a minimum, and should be expected to appreciate.

One caveat needs to be noted. Traditionally, inner city apartments have shown extreme sensitivity to adverse macroeconomic conditions and should a downturn be experienced, a fall in prices is foreseeable. An increase in 'mortgagee in possession' sales could also have a significant impact on values. It must be noted that investment in apartments is 'speculative'.

Overall, the outlook for the coming year is cautious. While no major downturns are expected, they never are. Local agents are lacking the Pollyanna optimism we often see and viewing the market more realistically and hoping for the best.

NSW Far North Coast

The residential market for the 2013 year ahead is expected to remain relatively steady. This is considered to be a positive outcome based on the previous one to two years, which have been affected by falling property prices across all types of residential product.

The various reductions in official interest rates throughout 2012 have yet to provide any true indication of improvement in the overall residential market, however there are definite signs of more stability. This is evidenced by the residential market in the month of January 2013 indicating an improvement compared to the month of January 2012. This is due to increased enquiry and sales activity over the December and January period.

In summary, property values are expected to remain relatively stable for to lower the medium price brackets. However we could see further pressure on the higher priced market due to continuing slow sale rates and continuing sales of 'mortgagee in possession' properties which are eroding any stability in this section of the market.

The coming year of 2013 will continue to be a time of consolidation for the property markets of Lismore, Casino and Kyogle. Discussions with local real estate agents indicate that there has been an improvement in buyer activity due to a combination of government concession and exemptions and continuing cuts in interest rates. However there still appears to be an underlying lack of confidence in the buyer market. This is resulting in concerns from any prospective purchaser who is cautious about committing large sums of money to 'bricks and mortar'.

The general residential markets for the Yamba, Ballina and Lennox Head regions are expected to remain generally steady following on from improved rates of sale over the final half of the 2012 calendar year. As with the Lismore, Casino and Kyogle markets, if properties are competitively priced they should sell.

The most difficult market in 2013 within the coastal regions will continue to be that of the top end. This market continues to be affected by forced sales'and this is expected to continue at least over the next three to six months.

....the coming year of 2013 will continue to be a time of consolidation for the property markets of Lismore, Casino and Kyogle....

The top end market is generally situated within the region of Byron Bay and it is expected to remain price sensitive. Comments made from leading agents advise that most potential purchasers are of the opinion that the market has bottomed and vendors expectations are generally in line with that of the buyers. However, we expect that it will remain a buyers market with continuing evidence of properties selling at lower levels than previously achieved.

It is considered that 2013 may see increased demand from the baby boomer/retiree market. This retiree market has not yet peaked and any residential product that is well suited for this market will hold in value. We also consider that some residential product could also increase in value if it specifically meets the requirements of this growing market. This specific product is generally related to property situated within close proximity to shops, theatres, movies, doctors, transport, water, beaches, views and which is easily maintained. This market is also requiring single level 3- and 4- bedroom homes with 2- bathrooms, excellent main bedroom and ensuite facilities, a modern style kitchen with good quality appliances and good indoor/outdoor living options. This sector of the market are noted to be specific in their requirements, however they will only purchase if the right product is available.

In summary, we expect 2013 will be year of consolidation for the NSW Far North Coast region, with most households looking to reduce debt as much as possible in order to alleviate the inevitable increase in the cost of living pressures. There will also be a general acceptance of current market conditions by more realistic vendors. This will result in stability in the market place, which has not been the case in past years.

NSW Mid North Coast

Last month we reviewed 2012 across the Mid North Coast of NSW and noted that the regional centers (Port Macquarie, Taree, Forster/Tuncurry and Kempsey) saw low sale volumes and erratic demand levels. Residential values generally remained subdued with only the lower end of the residential market showing slight increases in value.

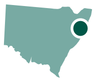
The recent rate cuts from the RBA and the possibility of it following in early 2013 will create some optimism going into 2013. We expect that the low interest rates will strengthen confidence and create renewed interest in properties, as well as improving refinancing options and investment opportunities.

....a positive and heartening sign was the lower number of forced or mortgagee sales, indicating that stability is returning to the market....

The low rates together with a tight rental market and increasing rents, make the property market increasingly attractive for both the renter (first time home owners) looking to buy, and for the smaller investor. Firstly for renters, the buy versus rent equation is strongly swaying towards buying and is expected to continue in 2013. As rents increase and mortgage repayments decrease we will see some renters leaving the rental market and becoming first home buyers. While for investors the increased rents and lower mortgage repayments should increase returns, and make residential investment more attractive, bringing investors back into the market.

Our main concerns for 2013 remain as they have been for a number of years - the sectors of the market with a continued over-supply, typically modern high-rise coastal units, resort style investment properties and large coastal land releases outside of the main cities and towns with limited infrastructure. We expect a continued weak demand across these sectors.

Although we are more optimistic for 2013, the federal election due later this year may cause some hesitation as potential buyers wait to see the outcome and its ramifications on the property market.



NSW Central Coast

It has now become a customary start to the new year for the good people at Herron Todd White to offer a review of the previous year and a best guess forecast for the year ahead.

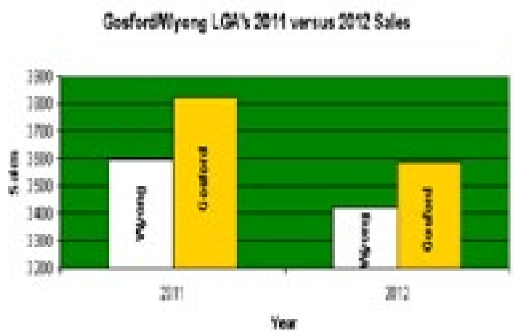
This is the Central Coast offices' thoughts. As always, we'd be interested to hear whether our readers agree or have any alternate views.

If we had to condense the year into a short sentence we would say that 2012 was a year of buying at the lower end of the value range. The details are found in the statistics coming through and it seems that 2012 was well represented by first home buyers and small investors. Naturally other segments and property types were ticking over, but first home buyers and small investors have taken first prize.

In much the same vein as the previous year, sales above the $1.5 million mark and into the executive class of property was subdued with a relatively minor level of sales records.

A positive and heartening sign however was the lower number of forced or mortgagee sales, indicating that stability is returning to the market and this should lead to renewed buyer confidence. Factors that have lead to this include the lowering of official interest rates through the year by the RBA and the major banks following suit where they can, in an effort to appease the customer and media pressure.

Statistically the following graph shows the number of house, unit and vacant land sales that occurred in 2011 and 2012 within our two Local Government Areas (LGA). The slowing down of the market overall is clearly seen here.



Source: RP Data

We had expected a slower 2012 due to the scaling back of the First Home Owners Grant Scheme, but a slight increase during 2013 is expected as a replacement scheme is introduced and taken up. This new scheme will be targeting the new home market. The main challenge however is the availability of vacant land parcels upon which to build, especially in the Gosford LGA. As we go to press, new building starts are down.

The Central Coast region has around 160 suburbs overall and over the end of year break, we thought it might be interesting to see how each of these suburbs performed during 2012 in comparison to 2011. The results of that study have shown few surprises in terms of leaders and followers and while this may not demand media headlines, it shows us at Herron Todd White that essentially, the Central Coast market has been a stable one.

This study will help us during 2013 and combined with the other tools we have at our disposal, we are able to share what we foresee for the year ahead;

- An increase in new home starts towards the middle and second half of the year.
- Continued stability in the sub $400,000 market as the perceived return of consumer confidence returns.
- Rental returns and vacancy levels have been stable for several years now and real estate agents are seeing more investors return to the market. This should lead to a strengthening of the investment market, particularly in the sub $400,000 market segment.
- An increase in the $500,000 plus market segment. If consumer confidence returns, the pent up demand for something bigger and better should see the $1.5 million market gain some momentum in the latter part of the year.
- The renovation and extensions market didn't increase as much as we thought in 2012, but we are seeing signs of increased activity here and 2013 might be the year of the renovator.
- We have received increased enquiry from developers for units, townhouses and villa sites and this might translate into some new activity in 2013. We have previously noted that approvals for new units were substantial in 2011 and we only hope they don't all commence at the same time.

With the local government elections out of the way for another term, a new face steering our two councils, and the fact that each council has a new General Manager, we might see some forward movement on developments. Some developement projects have been around for years but left to wither as the decision makers failed to make any decisions.

We have two tips for 2013. Watch the markets at Umina Beach/Woy Woy and the Warnervale release area which include Hamlyn Terrace, Woongarrah, Warnervale and Wadalba. These areas are seeing a lot of activity, particularly in the sub $400,000 market and provide very good buying activity. A dark horse we will throw into the mix is the Avoca Beach unit market which has been down lately and this has resulted in some very good buying.

Coffs Harbour

Residential markets appear to have bottomed in Coffs Harbour, with steady sales activity forecast for the lower end of the market and price sensitivity and slow sales at the upper end.

Coffs Harbour's northern beaches should attract increased market share and some capital growth in response to the progress of the Pacific Highway upgrade .

The rural residential lifestyle market has suffered from low demand particularly in the upper price range with lengthy selling periods and some heavy price discounting to mortgagee sales.This market sector should stabilise through 2013 .

The vacant land market has been very slow due to low demand. There are high land stocks readily available and prices should remain stable with a slight increase in sales volume forecast.

....watch the markets at Umina Beach/ Woy Woy and the Warnervale release area which include Hamlyn Terrace, Woongarrah, Warnervale and Wadalba. These areas are seeing a lot of activity....

The mid north coast market generally follows on from the Sydney trends, with the best guide to any potential gains in residential real estate being the Sydney auction clearance rates.

Overall we anticipate a stable to slightly stronger market through 2013.

Southern NSW and Northern Victoria

ALBURY/WODONGA

The new year is here and the question of what's in store for the residential market is placed before us. There is likely to be small adjustments rather than major changes bar a major natural catastrophe or a global meltdown.

It is likely the predicted rising unemployment will influence the market the most in the coming years. As the labour market tightens, confidence to take on more debit diminishes.

This region consists of many small and medium sized employers who are predominately owner operated.

Although many are finding the current financial climate difficult they will battle on with the hope of seeing an improvement, due to the huge personal investment they have at stake.

It is also a region that is heavy influenced by its rural economy in that when farmers stop spending the towns take notice.

Farmers have enjoyed a couple of good years but the shine has come off, particularly with beef returns of late, which have a follow on effect to down stream business.

The government also has an impact on this region as we have a large defence presence. There are currently new warehouse facilities being built and a large Defence Housing stock that has encouraged some out of town investment.

It will be interesting to see how far the renewed interest in subdivisions takes us. Over the past three years most developers have been quite prudent and only released small stages at a time as vacant land sales fell. Lately there has been considerable expansion of estates and the releasing of larger numbers of lots which are selling at improved volumes and reasonably high prices.

....here was a decrease in sales activity in 2012 where a total of 69,000 homes were sold....

New South Wales currently has the better new build rebates and this tends to artificially stimulate activity which can stop just as quickly when the program comes to an end.

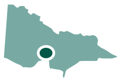
The best performing sector still seems to be the rental market. Gross returns of 5% and higher still seem to be achievable. A number of the new builds are targeted to out of town investors, mainly from Queensland.

So the year ahead appears to be "steady as she goes" which is always the most comfortable for property owners.

LEETON

I am taking the glass half full approach and saying if you are hanging out for signs we have hit the bottom of the cycle and are on the way back, then 2013 could be your year. I am not anticipating the recovery will be fast, but a slow recovery in a very sombre market will be the state of play. So you may want to hold off on the cartwheels as the words slow and sombre don't excite me much either, but at least it feels like the market and our region have turned the corner.

Locations and price points I would be watching are the stock around $180,000 to $240,000 bracket in the north and east Griffith areas. Some of the property in these areas were heavily discounted over the past 18 months and if stock levels dry up (which I have a hunch they will), up she goes. The wild cards could be Coleambally and Darlington Point. These small rural townships experienced a sharp increase in sales in the late part of 2012. Time will tell if the reopening of the Coleambally rice mill at Coleambally and a new cotton gin between Whitton and Darlington Point will mean long term payoffs for these local economies.



Melbourne

The outlook for the Melbourne property market over the next 12 months is expected to experience an overall subtle, yet steady growth.

The prediction holds that Melbourne will experience a recovery over the soft conditions experienced throughout 2011 to 2012. An increase in property prices for Melbourne, ranging from 2% to 5% is anticipated in 2013. Capital growth is expected to maintain its current rate, but no particular decrease is expected at this stage. With a median house price of $530,000, Melbourne still experienced an overall increase from its previous quarter in 2012; where the median house price was $525,000, reflecting that property prices in Melbourne may experience a slow and steady growth (REIV).

There was a decrease in sales activity in 2012 where a total of 69,000 homes were sold. This reflected a decrease of 3000 properties as compared to 2011 where close to 72,000 properties were sold throughout Victoria. This figure represents the lowest sales figure since 1996, reflecting low consumer confidence and general economic uncertainty within the market. Furthermore the level of unsold stock on the market was close to 41,000 properties along with 14,000 apartments; which is close to double the quantity of unsold stock from two years ago.

With the reduction of the interest rates implemented by the RBA through 2012, continued strong immigration and activity from international investors has started to lead the way to an increase in sales in the last quarter, potentially placing the market onto the recovery pathway which is anticipated throughout the year. Purchasers are forecast to make their way back into the market, resulting in increased sale volumes therefore slightly increasing prices over 2013/2014.

The inner city suburbs of Melbourne have the potential to do fairly well throughout 2013 as buyer activity is on the increase, in particular the prestige end of the market. The inner city suburbs have experienced a slight decline in value over the past couple of years which has brought them to a level which is considered more affordable to purchasers.

Due to the removal of the First Home Buyers Grant which ceased on June 30 2012, sales in the house and land package industry through the developing estates have reduced significantly. Vacant land sales have reduced by 42% as compared to 2011 and will continue to remain fairly soft throughout 2013. Activity among first home buyers is considerably low at this stage due to low consumer confidence and job security.

The federal election is due to take place in 2013. Many industry experts have predicted market activity will be slow in the lead up to the election as consumer uncertainty peaks. Many potential buyers may hold off until after the election in the hope of policy changes from a different in government which will assist consumers. The excitement of change is expected to bring about an increased level of consumer confidence.

Areas predicted to perform well between 2013 to 2014 include inner city suburbs such as Armadale, Glen Iris, Ashburton, Malvern, Bentleigh, Yarraville, Seddon and Thornbury. Despite the fluctuating sale prices delivered throughout 2012, these areas have presented a strong annual growth average over the past ten years. Areas that are expected to do well in 2013 include Brunswick and St Kilda based on low vacancy rates and high absorption rates, and their being desirable locations. Suburbs such as Tullamarine, Epping and South Morang are benefiting as a result of new infrastructure and development projects being implemented publicly and privately. This trend is also expected to follow through into the regional cities of Geelong and Ballarat due to investors achieving high yields and low vacancy rates.

Regional Victoria

BALLARAT

The year ahead is likely to see more of the same. We expect to see the residential market in and around Ballarat remain subdued with lower than average number of sales and very few high prices paid. Investors and owner-occupiers are likely to remain quiet as they continue to remain cautious. A predicted low number of sales is likely to result in an increase in property stock on the market and an increase in selling periods in most areas; the worst affected being the fringe and rural residential areas. The strongest area of the market is expected to be the lower priced areas close to facilities such as Wendouree and Ballarat East, both of which have a large number of older homes that would be suitable for renovation.

There are very few new projects in the area but the continued major infrastructure works along the Western Highway and the Western Link road are expected to improve traffic flow and access to the area. Ballarat's close proximity to Melbourne and importance as a financial centre for the western districts of Victoria is likely to see continued long term growth in the region despite the soft short term outlook.

....areas predicted to perform well between 2013 to 2014 include inner city suburbs such as Armadale, Glen Iris, Ashburton, Malvern, Bentleigh, Yarraville, Seddon and Thornbury....

ECHUCA

The tail end of 2012 finished with a flurry of sales with many agents reporting good sales results for the last quarter with a significant clear out of stock in the $275,000 to $350,000 bracket. A good run of properties sold in the higher segments of the market (over $500,000) and several in excess of $1 million after a relatively quiet period in this segment of the market. As a general observation custom built, well finished homes were able to achieve good premiums over bulk built stock. Changes in the local government may see a shift in the Rural Land Use Policy relating to the ability of owners to build on parcels of land of 40 hectares or more in the coming year. Meanwhile adoption of the Murray Local Environmental Plan in 2011 meant that applications for new dwelling permits on smaller holdings closed in late 2012 and this may result in some reduced supply of vacant rural residential lots.

GIPPSLAND

Wellington Shire and Latrobe Valley

The general outlook for 2013 for the Latrobe and Wellington area is considered to be stable with slight increases in market activity compared to 2012.

Late December 2012 saw a pick up in sales. One reason for this was vendor's expectations coming into line with that of prospective purchasers. As this continues market activity should increase, however prices are predicted to remain stable.

The top end may be good to invest in with prices being more achievable than in previous years. The election shouldn't have a direct impact, as numerous rate cuts have had little to no effect in this market.

Overall the market should strengthen slightly, however any improvement will be minimal.

Baw Baw Shire

For 2013 in the Baw Baw region we are mostly expecting more of the same. Warragul and Drouin both have a general oversupply of vacant allotments and house and land packages and it is expected that there will be good supply of this type of property for quite some time.

While we have been seeing an increase in sales activity it has been generally at lower price points than 12 months to two years prior. There have been many mixed signals within the local area, with high quality, large homes on 4,000 to 6,000 square metre allotments returning sale prices in excess of $500,000 to $600,000. However some agents are reporting large drops from original asking prices to achieve these sales.

How the Baw Baw area fares this year, like most areas, will largely depend on general economic conditions and consumer confidence.

East Gippsland

For 2013 we expect similar conditions to 2012 in East Gippsland. There have been signs of a slight increase in sales over the previous three month period, particularly in coastal areas such as Lakes Entrance. This which could be due to vendors expectations coming into line with market conditions.

Agents are predicting a slow to steady beginning to 2013, with consumer confidence reasonably steady. Economic indicators will be the deciding factor for the market this year.

MILDURA

At this stage of the local and national economic cycle, it is difficult to see any impetus for an increase in buyer demand for dwellings, and so our main forecast is that the current flat market will continue throughout 2013.

At a national level there could be some effort by both political parties to buy some votes leading up to the federal election by tweaking the first home buyer's grants, but we would not expect any substantial increase in benefits in this calendar year. Further reductions in interest rates are also possible in 2013, however recent experience has been that reductions have not translated into significantly greater activity in local real estate markets.

We expect to see continued activity from out of town investors in modern rental housing, given the comparatively good rental returns on offer in Mildura. The past 18 months have seen solid levels of construction of new housing by interstate builders for capital city investors. Smart Property Investment has recently included Mildura in the top 50 hotspots in Australia expected to deliver the best investment opportunities in 2013. It is one of only six suburbs identified in Victoria.

We also envisage a shortage of serviced residential land may be evident by the end of the year, as a result of developers not being willing or able to finance new subdivisions. This will inevitably translate into higher values of the remaining serviced lots, and also poses a risk that new home building activity could decline.

BENDIGO

Current market value and activity

Residential properties in the Bendigo typically saw an average increase of 4.5% in 2012 from 2011, from $296,000 to $306,000 the mean paid for a house in Bendigo in 2012 (values for units virtually remained the same with the mean being $224,000). Established houses sold during the 2012 calendar year declined in the volume of sales down around 25% from the previous year (sales of established units were also down by about 18%).

Conversely construction of new dwellings increased by around 28% to the end of the 2012 financial year to around 1200 new building permit approvals (1127 houses and 94 other residential dwellings). The market for residential property in Bendigo stabilised over the last three months of 2012. Sales results are characterised as somewhat 'patchy' so far in to the New Year which on the whole also reflects the softening of the economy nationally.

....current market conditions are best described as stabilising....

Trends for 2013

Current market conditions are best described as stabilising. Prior to this time fairly buoyant conditions prevailed with marketing periods typically shorter than three months to achieve a sale, particularly in the thriving 'off the plan' townhouse market. Returns for residential investment property in Bendigo are currently higher than in other regional centres due to the limited availability of rental properties, with Latrobe University students, Bendigo Health workers, and construction workers typically underpinning demand. Investors in the Bendigo residential market vary from locals to interstate purchasers acting on government incentives such as the National Rental Assistance Scheme, more often from the mining sectors of Western Australia and Queensland.

Government investment in the proposed $630 million dollar hospital build continues to showcase Bendigo as a major centre in regional Victoria. The federal election this year may further bolster confidence in residential property investment in Bendigo. Being a marginal seat often works in Bendigo's favour around election time with goals government funding for major infrastructure projects.

Hot spots and risk

Although evidence of a two-tier market has been ruled out, some house and land packages in a particular estate are appearing to be pitched above market based on comparable sales evidence. The particular turn-key product on offer in Jackass Flat flags a medium to high risk of reducing in value over the next two to three years it also prompts a 3 risk rating on market volatility and on market segment conditions in residential mortgage valuation reports. The medium to high risks have been flagged due to the likelihood that if multiple identical houses come online together, market values may be discounted in order to achieve a sale due to the limited points of difference among these properties.

Market discounting of rentals returns has already been experienced with some of these identical turn-key properties in Jackass Flat at market rent of $350 per week being discounted to $340 per week, and further discounted by one agent to as low as $310 per week in order to let the property. A number of these properties have been purchased by investors based on incentives such as the National Rental Assistance Scheme.

Continued residential growth and development

Large greenfield sites are currently being developed across outer suburban growth corridors of Greater Bendigo, notably in Strathfieldsaye, Maiden Gully, Epsom-Ascot, Jackass Flat, and Huntly. Long established suburbs of Quarry Hill, Kangaroo Flat, Golden Square and Eaglehawk are also expanding with new residential estates in the short to medium term.

....history dictates that in the lead up to a federal election, which is due to occur towards the end of 2013, activity within the real estate market often slows with a wait and see attitude taking hold....

In the longer term, Marong (historically a cereal crop district located 15.5 kilometres west of the Bendigo CBD) has been tagged under the Greater Bendigo Planning Scheme to double over the next 20 years from the current population of 3,850 residents living in 1472 dwellings, to 7531 residents living in 2816 dwellings by 2031. A recent Birchgrove staged residential development in Marong, Marong Links, has sold all lots prior to completion of Stage 1 and Stage 2.

Adelaide

We start 2013 with a little more optimism than we have had over the last year or so. The feeling is that we hit the bottom or rather more aptly scraped along the bottom the property cycle for most of 2012, so we are therefore looking forward to an improvement in the residential property market for 2013.

However we think that increases in capital value are initially going to be fairly minor and that the recovery of Adelaide's property market is going to be slow and steady resulting in medium to long term growth rather than the significant short term growth experienced during the boom of the noughties. Cuts to interest rates towards the end of last year did appear to cause a small increase in sales right at the end of 2012 and further interest rate cuts that are predicted for this year should see continued increased interest within the property sector and this should directly translate to a slight overall increase in sales activity.

Many factors are still heavily impacting upon consumer confidence and this will continue to be a drag on the market throughout 2013. We are still expecting bouts of volatility and while confidence has probably improved a little, it remains fairly fragile.

It's really all about perceived risk. Even though internationally major financial crises have mostly been averted, interest rates are close to all time lows, and we're told that financially we're better off than ever, the average Adelaidean is still very concerned about the ever increasing cost of living and about job security, which is probably shaping up now as the major issue for 2013. It seems that many companies have recently announced reductions to their workforces and there has been a noticeable increase in businesses closing their doors during these difficult financial times. Actual figures will not be known until data is released later this month, but it is predicted that SA will see slight increases in its unemployment rate for the duration of 2013.

State government incentives for new houses, increases to the First Home Owners (FHO) Grant and the introduction of the Housing Construction Grant (HCG), should see an increase in construction starts this year with those wanting to capitalise on the HCG of $8,500 needing to get in before it finishes at the end of the current financial year.

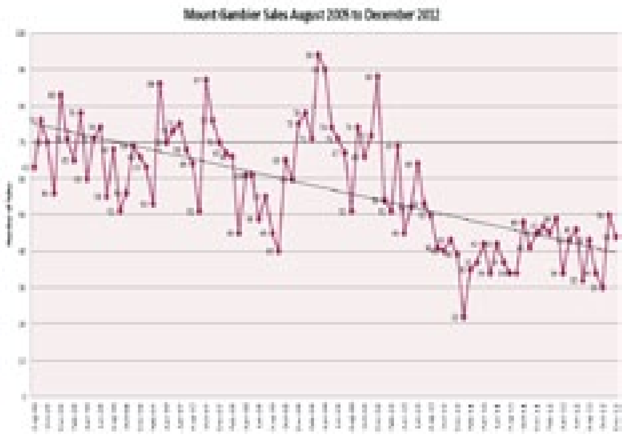
History dictates that in the lead up to a federal election, which is due to occur towards the end of 2013, activity within the real estate market often slows with a wait and see attitude taking hold. However this is generally offset by a slight increase in activity after the government (new or returning) is elected – so overall it will have minimal impact.

Our predictions for the highs and the lows of 2013 are that the inner suburbs, particularly to the south and east of the city will perform above average during the year. This will be due to people taking advantage of the current affordability offered compared to a few years ago, to move into these well established, well located, high amenity areas that may have previously been out of reach. Established dwellings in the outer suburbs particularly to the north may suffer as government incentives drive new construction at their expense.

The last few years have seen a significant change to how the residential property market in metropolitan Adelaide behaves and it has taken roughly the same amount of time for these changes to be accepted. With the last two years seeing an overall correction in capital values by at least 10%, it is believed that with the exception of a few multilevel residential apartment developments there are currently no stand out overpriced locations.

Mt Gambier

The market in the past few years in the Mount Gambier area has been slow and sales volumes have decreased. It was not unusual in the years between 2005 and 2007 for 70 to 80 sales to occur each month within the city of Mount Gambier. In recent years sales numbers have significantly dropped and since January 2011 the average number of sales per month has only been 40.



Unfortunately looking ahead to 2013 there are no obvious economic indicators that would suggest that the local market will significantly improve. While the current low interest rates and government incentives have encouraged some people to enter the market, the overriding uncertainty in local employment has dampened any recovery in the local market.

In 2012 the South Australian Government announced the forward sale of the harvesting rights for local plantation timber to the Campbell Group. The south east region relies heavily on the timber industry and this created great uncertainty in the local economy and employment and property market. The region's largest timber processor Carter Holt Harvey also closed two of its Mount Gambier mills in December 2012.

If, in the next 12 months the uncertainty with regards to employment in the region continues it is likely that the number of sales occurring will not improve and the current buyers market will remain (supply of properties on the market is significantly greater than the number of potential buyers). While the buyer's market remains, values are likely to remain relatively stable, however there will be further downward pressure on values.

Riverland

The volume of sales throughout the Riverland 2012 was similar to 2011 and values appearing to have remained constant. There was little chance of a substantial strengthening or softening of the market because the main determinants that dictate value throughout the region have largely remained the same, apart from some reductions in official interest rates.

We don't expect the residential market to vary greatly during 2013 to what has been achieved over the last two to three years, with:

- The majority of sales occurring in the sub $200,000 price range;
- An abundance of property being listed for sale throughout the Riverland, providing ample supply and downward pressure on value; and
- Property priced over $350,000 being difficult to shift unless it is clearly below replacement cost and is presented well.

The recent small block irrigators exit grant temporarily increased the supply of vacant rural residential land which caused a reduction in value. However sales in the latter part of 2012 showed an increase in the prices being achieved and I think this will continue to occur during 2013.

Rental levels and demand for rental property remain strong, particularly in the sub $250,000 price bracket, where reasonable returns are being achieved. The perceived lack of capital growth in the short to mid term, is limiting the number of investors willing to participate in this market segment.

Even though an environment exists in the lower price range where the cost of renting or purchasing a dwelling requires a similar monthly cost, there is still a huge demand for rental property. The rental demand is being driven by a lack of confidence in the region and the fact a significant proportion of the population have only short to medium term employment prospects. There is also a shortage of backpacker accommodation during the fruit picking seasons meaning many standard dwellings are housing backpackers as opposed to your typical household makeup.

'More of the same' is our overview of 2013 residential market.

Brisbane

If ever a market had turned itself inside out then Brisbane circa 2012 was it. We've had more false starts than Thorpie at a qualifying meet… OK, that was only one… but still it seemed like 2012 was going to be all about us getting it together and recovering from the doldrums and it appears we were wrong.

....rental levels and demand for rental property remain strong, particularly in the sub $250,000 price bracket, where reasonable returns are being achieved....

Well 2013 has been showing some qualitative promise however anybody that believes in gallivanting growth in the coming year are probably also lining up for $200 a plate dinners with the tooth fairy. There are no extraordinary planned capital growth drivers turning up to chauffer the market at this stage that we can see. A few of the great infrastructure projects are well established now and this has yielded results. The long touted success of improved transport links have come to bear in the northern suburbs so that Kedron/Stafford and surrounds are finding plenty of enquiry – a good thing – but it's taken a lot of work to get them there. The stimulus we need in 2013 isn't yet apparent in QLD and if we continue to be struck by the romanticised "droughts and flooding rains" this wide brown land is known for, then we will definitely need some help kick starting confidence.

The number of transactions is up from two years ago although that is a rise off a low base. There is increased enquiry but it's sporadic. The signs are the market is affordable and interest rates are low. Surely there must be good buying out there somewhere.

The great hope is the first home buyer market and baseline investors. Agents have been reporting that some of those renters in the trendy locales like New Farm are considering their options and buying a few suburbs out in lieu of paying rent. While it might seem a financial stretch to some, there are first time buyers who can find the wherewithal to be in the market at up to $600,000 and these are the ones who will step up to the plate. There aren't mountains of detached property at this price point within the inner city, but there is enough to whet the appetite nearish to city. Maybe a look a little beyond into areas such as Taringa or south to Dutton Park or Greenslopes might provide the answer.

Another likely mover will be the even more affordable stuff. $400,000 will still find you a home in the southern suburbs around Salisbury - just make sure its above flood line.

If you are a unit buyer we will flog the proverbially expired filly – second hand, good size, ready rentable units as close to the CBD as possible or with good transport links won't hurt you. It's exhausting to repeat this advice but they offer great value as long as there are no likely body corporate maintenance and repair surprises coming along.

For new unit buyers the value is in finding some quality mid-rise projects in good locations. The value comes in not just looking at the figure on the page but by actually gazing upon the bricks and mortar itself. Quality fittings, a reasonable living space, facilities close by and all the things that would make owner occupier want to live there as much as tenants. Don't get too caught up in the hype – shop around! A 1- bedder in the heart of the city is still available for those in the $300,000 price point if you don't have a car. If the luxury of a carspace is required, maybe $320,000 is all that's needed after a good search around.

For those at the upper end of the market the joy is limited. The days of easy money are truly behind us so you need the cashflow to service the debt if you're going to borrow. Quality property is tightly held and the number of buyers able to fork over big dollars appears limited.

So for 2013 we should see a pickup in the volume of sales but limited growth. There is little interstate migration or confidence boosting infrastructure/industry to kick-start things as yet. Prices have stagnated for close on six years now and things have never really felt so affordable, but it's going to take some sort of stimulation to rev the engine.

Gold Coast and Tweed Coast

Apart from a few exceptions the majority of the residential market appears to have 'bottomed out'. The anecdotal feedback from agents is that enquiry from buyers and foot traffic through open homes is improving, albeit without a corresponding across the board increase in sales or values at this stage.

The traditional detached housing market is likely to be the least volatile market in 2013.

The market for high density, lowrise and highrise units will continue to be moderately to severely impacted by the fallout from almost a decade of over-development and the fallout from the GFC.

In contrast to higher density unit projects, lower density duplex and townhouse developments were not as heavily oversupplied during the construction boom of the early 2000's and the outlook for these unit classes is more moderate and in keeping with the housing market. Cautious investors and owner-occupiers will still have to be wary of body corporate costs and how they impact on the affordability/rental returns of units.

.... for 2013 we should see a pickup in the volume of sales but limited growth....

An improvement in values may only become apparent towards the end of 2013, if at all, given the build-up/oversupply in stock that will need to be absorbed into the market before any equilibrium returns. As in last year, 2013 will be paradise with plenty of opportunities for the astute, bargain hunting buyer.

Southern Gold Coast and Tweed Coast

2013 will be a better year than 2012 for residential real estate on the southern Gold Coast and N\northern NSW coastal hamlets.

Market activity has increased over the past three to four months, with quite a few more sales occurring than the middle of 2012. We appear to have reached the bottom of the market and will slowly return to a normal market over the coming months. Selling agents advise that a large portion of their stock has sold and they are now out hunting for new listings.

Suburbs close to the beach such as Palm Beach, Tugun, Bilinga, Coolangatta and Kingscliff with a price point under $500,000 will be the best performing areas on the southern Gold Coast and in northern NSW. There should be more activity up to $1 million, however, over $1 million will be subdued. In saying this, local agents are advising that there is definitely increased activity over $1 million, however buyers are being very picky with their properties and very sneaky with their offers, often well under list prices.

The greater proportion of mortgagee in possession properties are further to the west of the coast and these western areas may struggle for a little while longer (eg Tweed Heads West and Bilambil Heights under $400,000).

Prices are not expected to increase this year.

Central Gold Coast

2013 will see a year of stagnation in values for most segments of residential property on the central Gold Coast.

The latter half of 2012 saw the volume of properties on the market reduced as well as selling periods which has helped to stabilise values. There is plenty of demand for residential dwellings in the sub $500,000 bracket, and great opportunities for those looking to upgrade and capitalise on losses on the sub $1 million waterfront market.

Feedback from a couple of respected agents we canvassed suggested…

"Buyers are more confident in purchasing at this time of the cycle and there are more investors in the market. There has been more turnover in the last two to three months than late 2011/early 2012. The main negative issue is bad results from auctions, which seems to be holding the market down."

and

"There does not appear to have been any significant improvement in volume of sales as compared to this time last year…… believes that stock levels will tighten this year. It is now a lot harder work getting deals together with regards to finance. The majority of sales are for houses under $700,000 and units under $400,000."

According to the above comments, it appears some agents are making a good living, others are possibly not.

There is still an oversupply of both new and resale highrise units and this is unlikely to change throughout 2013. Main Beach and Broadbeach appear to be faring better than Surfers Paradise due to the higher proportion of owner-occupiers than investors. We also note that local investors tend to favour these two suburbs.

....the latter half of 2012 saw the volume of properties on the market reduced as well as selling periods which has helped to stabilise values....

The western central suburbs of Nerang, Highland Park and Carrara have shown continued softening in price which should begin to slow. Due to a large number of mortgagee in possesion (MIP) sales resetting market expectations, $300,000 is no longer a bargain in Nerang. The lowest sale price is around $265,000 for a house but an MIP sale can result in an astute buyer snapping up a reasonable house with a pool for under $320,000.

Sale prices in the rural residential areas of Bonogin, Mudgeeraba and Worongary have levelled towards the end of 2012, start of 2013 but there has been a slight pick up in the number of sales. To our surprise an acreage property sold at auction in January for $150,000 above its $875,000 reserve at $1.025 million.

Northern Suburbs

2012 was a tough year for many property owners within the northern suburbs of the Gold Coast. However, their loss in many cases amounts to excellent longer term opportunity for those 'early adopter' investors and owner-occupiers who have positioned themselves against the storm.

A steady run of sales and increased enquiry at the end of 2012 is expect to flow through to this year. Agents now seem to be reporting of a shortage of stock in the sub $400,000 market. Whether it be new or second hand houses or units, the sub $400,000 market has been ticking along very well in comparison to the higher price market segments. While values have not been increasing there is evidence that in central areas such as Ashmore, Southport, Parkwood, Arundel, Labrador and Biggera Waters that the market has bottomed.

Stressed and mortgagee in possession (MIP) sales have played a significant role in the local market driving values downwards. Reportedly the Gold Coat has run at a rate of circa 6.5% of all sales being MIP third party sales (being the highest rate in Queensland). Helensvale a large suburb of the northern Gold Coast is reported as having the highest MIP rate during the 2012 year for the entire nation. It appears that the volumes of the stressed sales are significantly reducing with real estate agents most recently reporting a lack of listings as they have cleared properties that have in some cases been on the market for as long as two years. We believe that the clearance of the stressed properties as the single most significant step to achieve market stabilisation and possibly even trigger the lift in values.

Despite the negative impact of the stressed sales over the past few years the reality is that the far larger majority of home owners on the northern Gold Coast have retained their properties.

We anticipate that 2013 will be a period of stabilisation followed by a lift of value in the local market. The first areas to see value increases will be those established areas tracking along the Broadwater and canals followed by those areas benefiting by their proximity to Griffith University, The new Southport Hospital and the 'to be completed' light rail corridor.

A possible early sign of an upswing in the market is the recent sale at auction of a circa 1970s original and very basic home on a dry, duplex lot located near the Broadwater at Runaway Bay. High build costs and a fall in duplex unit prices has seen price levels fall below $450,000 for similar, well positioned duplex sites in the past two to three years. In this instance the marketing agent advised this property recently sold for $565,000 with six bidders (most of whom indicated they intended to redevelop) and over 80 people attending the auction.

In addition, we were advised of a canal front property which sold at auction $200,000 over its $1 million reserve.

The unit market's biggest hurdle may be body corporate levies which are now a bigger issue with buyers than ever. In cases of exorbitant overheads investor and owner-occupier interest has been quelled.

In waterfront and prestige locations such as Runaway Bay, Paradise Point and Hope Island the high number of listings and agent sentiment suggests there still may be a bit more hurt on the cards for 2013. There is more margin for land values to soften further and buyers still have cause to wait and see.

The pick for 2013 would be houses in the Southport and Labrador area. Sales have been occurring around the $300,000 mark and this is excellent potential/value for both investors and owners to get their foot in the market – small fish are sweet.

M1 northern corridor

Already in the first few weeks of the new year we have observed some encouraging signs within the Gold Coast hinterland property market, particularly for those suburbs located relatively close to the M1. Local real estate agents have recently advised of increased buyer interest for residential acreage property over the $750,000 price level. We have noted some better than expected sales results for listed property in Maudsland/Upper Coomera, Oxenford, and Guanaba over the past month or two. If we look back at the first six months of 2012, the market for similar type property was static at best and agents were finding it very difficult to get hold of a willing buyer in this price range.

There also appears to have been a steady rate of vacant land sales over the past few weeks within the northern corridor of the Gold Coast. The sales teams at residential estates such as Ormeau Ridge (Ormeau Hills) and, The Brook at Pimpama Rivers (Ormeau) have received steady buyer enquiry in the new year to date. The general consensus is there has been improved buyer enquiry from investors. The stock which is receiving most interest are those allotments ranging from 400 to 500 square metres. Asking prices for these type of lots typically range from $190,000 to $230,000.

Houses priced under $400,000 within the northern corridor are also showing encouraging signs that the market may have bottomed out with prices showing signs of levelling out over the past quarter. However new stock will continue to struggle as it competes with a very competitive second hand house market and construction costs remaining steady.

....for those willing to travel a little further, the Greater Flagstone area also offers good value for money and return on investment....

Resales of owner-occupied properties involving a local buyer, local seller and a local agent are generally within current market parameters. This trend looks set to continue with 2013 being much the same as the second half of 2012 for standard owner-occupier residential properties.

Sales of new house and land packages still appear to be above market value on average, particularly for investment stock. Investors still appear to be paying a premium for properties in new developments.

The property market for areas located midway between Brisbane and the Gold Coast, such as Beenleigh, Eagleby, Edens Landing and Bethania, still appears to be quite soft and agents in this district have generally reported low levels of sales activity and buyer enquiry. Traditionally this district is where most investors would find 'bargain buys' in the $250,000 to $300,000 bracket. However over the past six to 12 months it seems though buyers (both investors and owner-occupiers) are finding better value in properties located much closer to the Gold Coast.

Rentals have been firm in the northern corridor and agents are now discovering that their potential buyers are those people that want to exit the rental market because of the benefits of buying in today's market, especially when interest rates are down.

Scenic Rim/Beaudesert region

The start to the year has reportedly been positive with agents noting a lack of quality stock and a number of buyers 'cashed up' and ready. These buyers are very particular in what they want and are prepared to wait and even rent before committing to a purchase. With the increase in buyers and limited stock, all the indicators are there for some movement in price or at least better terms for vendors.

Lend Lease is reportedly good sales rates within Yarrabilba with their fith major release in the first weekend in January. They report of good enquiry with less than 15 lots remaining out of the 200 plus released to date. Targeting first home buyers and investors, the price point is typically below $400,000 for a house and land package. The first few stages have now been settled and house construction has commenced and the display village should be opening in a few months.

For those willing to travel a little further, the Greater Flagstone area also offers good value for money and return on investment. Resales for a basic house on an 800 square metres lot are in the low to mid $300,000's with rental returns around $400 per week.

Incentives in the vacant land market are still apparent and range from cashbacks of up to $15,000, with one estate offering up to $40,000 to clear stock within an older stage, to the inclusion of rainwater tanks/sewerage systems on rural residential property, or even landscaping rebates/ packages on completion of the dwelling. While this offers a good incentive to current purchasers, recently completed dwellings in these estates are feeling the effects with a drop in the underlying land value.

The rural land market is very soft at the moment as purchasers look at the cost of improvements and infrastructure once the land is purchased. These buyers are now looking at improved properties which are selling well below replacement cost. It is unlikely that this market will see any growth in the coming months as banks and financial institutions require deposits of around 40% for the larger parcels (greater than 8 or 10 hectares).

With the commencement and approval of development within the Bromelton industrial precinct, there should be a flow on effect to the residential market as more jobs are created in this area. This will be determined by the commencement of construction within the precinct and the relative opening timeframe for these businesses as they seek more employees.

....there are a number of unique houses and units currently on offer, by both willing sellers and mortgagees....

Luxury Market

The prestige housing market remains subdued and is expected to continue to be for the first half of 2013. At present the $1 million to $1.5 million bracket represents 2.8% of the Gold Coast sales volume, while the above $1.5 million category accounts for a dismal 1.9%.

High profile properties in receivership appear in monotonous regularity featured with full page advertising in the local property pages most weekends. The most recent culmination will be the annual January, early February auctions that are sure to attract many keen observers.

There are a number of unique houses and units currently on offer, by both willing sellers and mortgagees, many of which will set a foundation for this market in 2013.

We expect sales turnover to continue at limited volumes. In situations where buyers perceive the current value to be under replacement cost and the property 'ticks all their boxes', a sale will occur provided the vendor can or is willing to sell. This is where there is great opportunity to upgrade a family home and wait for a recovery.

No record prices will be set until small business activity grows, profits increase, and we have a recovery of the equities market.

To add a speed bump, the federal election will create uncertainty and as history shows, people will sit on their hands for two to three months while this unfolds, but for little reason. It is highly unlikely the result will alter the residential market.

Sunshine Coast

Confidence is a beautiful thing. Confidence is the biggest asset a market can have.

It allows you to back yourself to, make a decision and then commit to it. The Australian cricket team would love some confidence. It's the improvement in confidence that was felt throughout 2012 that has helped the Sunshine Coast property market hit the bottom, and in some cases, start to turn the corner.

Since the changes that were felt in the state and local government elections, confidence has improved. The building of the $2.03 billion University Hospital at Kawana, with the first stage private hospital due to be completed in 2013 and work already begun on the major hospital, has also helped create confidence in the area.

As a result we have seen housing the under $500,000 moving moving. It appears the bell has rung here with values stabilising with some, albeit minor, price pressure. This market is expected to continue to turnover quite well as long as there is stock available (some agents have reported that stock levels are becoming quite low).

The unit market is a different story. This market is tough in all price ranges with values easing, even in the entry level. This is particularly the case for resort style units as they are mainly limited to short stay accommodation. We anticipate that this market will continue to remain tough throughout 2013. Hopefully we will see supply level drop as some stock is taken up, but don't expect any records in this market.

The land markets have also improved, however this is only at a particular price point. As developers have dropped the lot sizes and the subsequent land price, this helped owners to build a new dwelling under $450,000. In some cases it is as low as sub $300,000, but the trade off is the lot sizes are under 300 square metres. Over $450,000 house and land packages still remain pretty hard to stack up. We expect the land market to continue to tick over with the areas around the University Hospital at Kawana to stand out.

The prestige markets have experienced a significant increase in activity in 2012, however this has mainly been on the back of vendors meeting the market. Hence values have remained subdued. We do note that there have been three sales over $6 million being two beachfront Hastings Street units and one Minyama Island property that is currently under contract after being listed on the market for $7.25 million. Our expectations are that this market will continue to turn over as the vendors meet the market. The risk will be if, on the back of the increase in sale volumes, vendors significantly increase asking prices, then this may cause the market to stall once again.

All in all the added confidence in the market and local economy in general has been a breath of fresh air. People have started to do things which have flowed through to the building and tourism sectors. It is still too early to say that we have turned the corner, but hopefully by and large the rot has stopped.

Southern Queensland

TOOWOOMBA

After a stable 2012 the year ahead is expected to continue along the same path. Sales activity in Toowoomba in 2012 was at its lowest level for at least ten years which would indicate the market is nearing or at the bottom of the property cycle. Median dwelling values had recovered slightly after a reduction in 2011, now sitting around the $300,000 price point.

The prestige housing market continues to be slow with just four sales in excess of $1 million occurring in 2012. While we do not anticipate any significant recovery in this sector of the market in 2013, there are numerous good buys currently available which are likely to undergo significant capital growth when the market starts to recover, perhaps in 2014 or 2015.

Vacant land sales activity continues to be dominated by sales in the western suburb of Glenvale and the suburb of Kearneys Spring towards the southern outskirts of the city. Land values continue to rise as each new development comes onto the market, with a large proportion of sales in Glenvale to absentee investors that buy house and land packages through interstate investment groups.

....Ipswich has all the ingredients for a strong owner-occupier and investment market. Yields are strong, vacancies are low....

The unit market is undergoing unprecedented levels of development as a result of the implementation of the new Toowoomba Regional Council Planning Scheme which now permits higher unit densities, particularly in the Residential Choice Zone. Local and absentee developers are capitalising on strong interest for new units by both owner-occupiers and investors with in excess of 80 unit projects currently approved or under development across the city. New units appear to be attracting premium prices when compared to resales and there is significant risk of value reductions as this new product ages. We anticipate increases in the median unit price in 2013 as the influence of new unit projects takes hold.

Surat Basin

Towns in the Surat Basin including Chinchilla and Miles continue to show significant increases in prices achieved for new land and new investment units/dwellings. These markets are heavily influenced by absentee investors purchasing units and dwellings off the plan to capitalise on the high rental returns currently offered. Employment cycles in these areas can be volatile and vacancy rates for rental accommodation can fluctuate significantly over short periods. While current returns are high, there is significant risk in these areas that any downturn in mining activity could see investors back out of the area, as has been witnessed in other areas such as Dalby and Kingaroy.

IPSWICH

As this goes to print, the sky is clear and the sun is shining after what has been generally a near miss. Ipswich has been a hive of activity for the past few days as once again the community pulled together to face an all too soon flood threat. Thankfully flood levels were approximately five metres less than 2011 and major damage was avoided. This highlights a particularly precarious point of the market and one that will again have a large influence on the 2013 property market.

Ipswich has all the ingredients for a strong owner-occupier and investment market. Yields are strong, vacancies are low and an active city council has ensured infrastructure serves the community's needs. This begs the question; why has the market been so subdued for the past two years? We think the answer is in two parts, confidence and floods.

The market for flood affected property over the past year has been limited and traded at levels significantly below similar property that is unaffected by flood. This latest round of flooding is likely to fracture the flood affected market further into a 2013 and 2011 market. Those properties that were not affected in 2013 will be more accepted by the market and traded at a premium when compared to those affected in both 2011/2013.

Like other regions within south east Queensland, Ipswich house sales have remained fairly steady over the past 12 months, with similar to slightly better volumes compared to 2011. There is evidence of a slight and slow recovery occurring in most regions of the city, however prices which have continued to regress since 2009 have begun to plateau and are expected to remain stable for the next 12 months with the median house price currently $295,000 and $255,000 for a unit.

On a positive note, there is substantial development going on within the region including the new extension of the rail line between Richlands and Springfield due for completion this year with possible further expansion of the network to include Ripley through to Ipswich central. This would no doubt have a positive influence on the property market within those suburbs. The Ripley Valley is another source of cautious optimism for the region with the first of the new estates having begun.

Overall we expect confidence in the residential market to slowly return and sales volumes to increase. Values are expected to plateau with increases unlikely.

Central Queensland

ROCKHAMPTON

Broadly speaking we expect the Rockhampton residential market to hold or experience moderate gains in 2013. As 2012 came to a close we note two major unit complexes (Empire in Rockhampton and Oshens in Yeppoon) are under construction, with significant pre-sales. Also the new Quest' Apartments Rockhampton) providing 88 rooms over ten storeys in Rockhampton is currently under construction. As 2013 begins two new additional unit complexes are being advertises Southbank in Rockhampton and Salt in Yeppoon. Both are reported to be achieving a good level of pre-sales to date. We anticipate 2013 will see the production of a significant number of units in the area with stable value levels in this market sector.

The broader house market is driven by two types of buyers; investors and owner-occupiers. The investor driven market tends to focus on areas such as Gracemere and at prices under $400,000. We anticipate this market will have stable to slight growth through 2013, although supply in this market is expected to diminish throughout the year and this may cause some upwards pressure on prices.

We anticipate the owner-occupier market will follow on from its improved performance in the last two quarters of 2012, and see growth in activity in the over $600,000 price sector, albeit still on very thin trading.

....we anticipate good gains to be made in the sub $260,000 range for investors looking to profit from some renovations....

We expect at least three residential estates in north Rockhampton to come on line in 2013, thereby significantly increasing the supply of residential allotments. These estates have the capacity to produce about 400 lots in staged development. While we don't expect this increase in supply will have a negative impact on values, we may see the investor focus move from Gracemere to north Rockhampton.

The Rockhampton market confidence is still clearly linked to the prospects of the coal industry and its traditional rural, health, education and service industries. If these industries can maintain their healthy 2013 outlook, this will flow on to the Rockhampton residential market.

Rentals have been steadily growing on low vacancy rates in Rockhampton and Gracemere for some years. We anticipate this will continue through 2013.

BUNDABERG

Welcome to 2013 from the Bundy residential team!

As usual for the first Month in Review of the year, we provide our opinions on what we see happening in the area for the 12 months ahead. Hopefully our predictions will be slightly better than the Mayan predictions for the end of the world in 2012.

We believe that 2012 saw the bottom of the market in our area, an increase in confidence from amongst other things, the current low interest rates, resultied in a higher volume of sales particularly in the sub $300,000 range. This, coupled with our highly affordable market has resulted in an improved confidence in the area and we expect that to continue throughout 2013. As current stocks of houses gradually diminish, we will see an increase in the median property prices throughout most of the area. We anticipate good gains to be made in the sub $260,000 range for investors looking to profit from some renovations. This is backed up by a national property investment magazine listing Bundaberg as one of the top ten places to invest in the last week. The Bundaberg area was also recently listed as one of the top 20 places in Australia to live. This can only help our highly affordable region and we look forward to what 2013 brings.

HERVEY BAY

Over the next twelve months the Fraser Coast residential property market is expected to experience a stabilisation period where prices will remain steady, however further retraction may still take place for higher end stock (above

$450,000). Demand for property below $350,000 will continue to provide a large percentage of sales with affordability being a key factor in this price range. It is anticipated that the unit market will continue to flounder over the next year, with only minimal demand in this sector. Rental accommodation is expected to remain tight, with low vacancy levels particularly for dwellings close to schools and the beach.

The commencement of construction of the new $87.5 million private hospital in Urraween will provide some much needed economic stimulus for the region, with work tipped to start in January this year. It has been estimated that approximately 300 jobs in construction will be generated from the project, with a subsequent 200 to 300 healthcare related positions to follow. Completion is scheduled within 18 months.

The $28 million Splash Bay water park has recently been approved by council and will provide 11 giant slides on a 41,000 square metre site in Urangan. Construction is predicted to take seven months, with the slides being manufactured in Canada and shipped to Hervey Bay. The water park is looking to attract up to 285,000 visitors annually, with developers ambitiously hoping to be operational by Christmas 2013.

....in the later half of 2012 rental vacancies began to rise, with rental levels falling slightly in the latter half of 2012 in line with the slow down of the mining industry....

MACKAY

The market for residential accommodation in Mackay is heavily reliant on the fortunes of the Bowen Basin coal industry and other associated infrastructure projects. Current volatility in the global economy and reducing coal prices are leading to uncertainty in the coal industry, resulting in some job losses throughout the Bowen Basin, and cancellation of some expansion projects. Coal companies are currently highly concerned about the high cost of production and are reducing costs where possible, due to the low coal prices. This in turn has the potential for a flow on effect to the mining service industries located in Mackay.

Since mid 2012 this volatility in the mining sector, coupled with job loses has seen a slowing of the residential market (in terms of volume), with local agents reporting weakening rental demand. Any prolonged downturn leading to further job losses will have a negative impact on the Mackay residential market.

We think that the first half of the year will see the residential market remain fairly static . The whole market hinges on the mining industry and how long the current downturn lasts. Predictions of increased coal prices and possible expansion projects coming back on line toward the middle of the year would see some activity return to the market, and we think that the second half of 2013 may show some signs of growth, mainly in sales volumes. Mackay already has one of the highest median house prices of all the major provincial cities in Queensland. It is considered that very limited capital growth is possible, with the exception maybe in the entry level market.

In the later half of 2012 rental vacancies began to rise, with rental levels falling slightly in the latter half of 2012 in line with the slow down of the mining industry. It is considered this sector may not improve in the short term, particularly as there is a large number of new dwellings purchased as house and land packages to the investor market that are due for completion over the next six months. This will put pressure on rental vacancies and levels, if the supply outstrips demand, particularly in the first half of this year.

GLADSTONE

Looking into to the year ahead, the Gladstone residential market is expected to depend largely on industrial projects and their expected completion dates. At this early stage we do not anticipate any capital growth within the residential market and we believe there is still potential for further decline in values. The major contributing factors include that that construction workforces for LNG plants is expected to peak mid to late this year which will then decline significantly once the plants are operational. The increasing supply of accommodation by the development of new houses, units, motels and workers accommodation camp might result in an oversupply.

EMERALD

The Central Highlands market which includes the major towns of Blackwater, Emerald, Capella, Clermont, Moranbah and Dysart has been softening. Some towns have felt the impact of the slow down in mining more than others, with Dysart and Moranbah suffering the most. The common factor of change is rental vacancy increasing causing rents to reduce and yields to change.

There have been recent mine closures and many redundancies across the region. In Blackwater the market over $475,000 has been very thinly traded and there are now rents as low as $350 per week for basic housing compared to $600 per week nine months ago.

In Emerald the market has softened slightly, more so for older properties. A large amount lot of new stock has come on the market over the past nine months which has caused rental vacancies to increase. The top rent in Emerald now is generally around $650 per week compared to $1,000 per week nine months ago.

In Capella and Clermont sales turnover has dropped off and things have generally levelled.

Moranbah and Dysart have witnessed the biggest impact from the resource industry. Dysart became stagnant after the closure of Norwich Park Mine. We have seen sales as low as $300,000 down from $450,000 12 months ago and rents as low as $350 per week if you can find someone to rent.

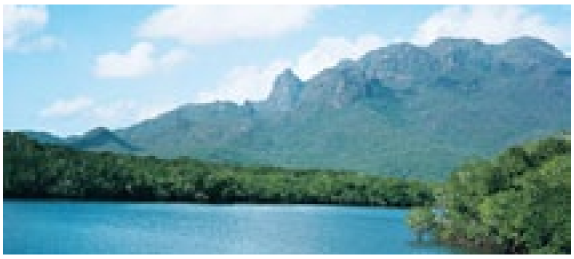
In Moranbah there has been a large amount of new product come on the market over the past 12 months which, combined with the slowing in the resource industry, caused rental vacancy to increase rapidly. There has been a considerable amount of unit complexes constructed in the town. At times there has been over 200 houses vacant on the market compared to 200 people on waiting lists only months earlier. This has caused rents to be as low as $400 per week and a maximum around $1200 per week for a new lease compared to $2,800 per week 12 months earlier.

At present sales are generally slow as the market waits for the next opportunity of growth in the resource sector.

BOWEN

The economy and property market in the Bowen locality have fluctuated along with the employment requirements of the regional mining and rural industries.

From the middle of 2010 the residential property market slowed with reduced sale prices. During 2012 there was a little more optimism with agents reporting improved activity, mostly in new housing being sold to investors. Prices remained fairly stable during the year if anything, new housing prices eased upwards and existing houses eased downwards.



As at February 2012, there were some 200 rental vacancies in Bowen which shows a high vacancy rate in the teens. However this is subject to seasonal variations with rental vacancies as of August 2012 falling to around 4% to 6%. As of December 2012, rental vacancies were again over 200 and reportedly the highest number on record. Consequently rental rates for the older homes and those in inferior locations have been easing with the increased availability of new stock.

Although the property market has seen some encouraging signs over the past 12 months with the increased activity, mainly in new housing, Bowen has not seen the increased demand from the infrastructure projects of Abbott Point and Missing Link railway, which are still yet to materialise. Without an increase in demand an oversupply and softening of the property market may be a possibility.

WHITSUNDAY

The Whitsundays region has suffered in the past few years due to the effects of the global economy and GFC. Predominantly a tourism area, a significant decline in international and domestic tourists has impacted upon the local economy, employment and housing market.

During 2012 those employed in the regional coal mining industry recognised the relative affordability of the Whitsundays, providing some reprieve to the housing construction industry and market in general. The market improved slightly but generally remained steady during 2012 with the majority of sales being low priced units and houses under $500,000. The oversupply of cheap vacant land was snapped up by the builders. Land now is still at affordable prices.

Provided the economy remains constant we can expect the Whitsunday housing market to remain steady during 2013 or possibly with minor improvement in prices.

The unit market in the Whitsundays is still depressed especially the prestige units with very few sales. It may well be 2013 that we see the prestige unit market bottom in the property cycle.

Cairns

The Cairns residential property market remains at the bottom of the property market cycle, but there is light at the end of the tunnel with some tentative signs of consolidation that will continue during 2013.

The local economy is progressively improving, aided by a much stronger tourism season during 2012 and the recent start-up of direct air flights to China delivering greater numbers of Chinese tourists to Cairns. However it is taking a long time for these developments to filter through to the improvements in the consumer confidence that is needed to resurrect the local property market.

The building industry also appears to be making a comeback, with the latest statistics showing a 39% year-on-year increase in the number of building approvals issued for new house construction. Even so, conditions in the industry are still tough and unit construction remains dead-in-the-water.

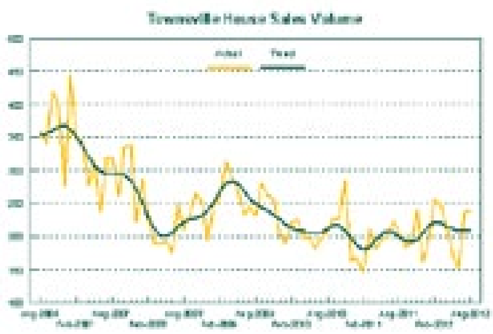
....the Cairns residential property market remains at the bottom of the property market cycle, but there is light at the end of the tunnel....

One push factor for the market is that vacancy rates for rental property have lowered considerably over the past 12 months and are now extremely tight. According to our Cairns Rent Roll Survey, vacancy rates for houses have come down from a trend level of 4% in December 2010 to 2.2% in December 2011 and 1.3% in December 2012, while those for units have come down from 4.8% to 1.9% over the same period. In addition rents are climbing, rising by about $30 per week for houses and $15 per week for units over the past two years. Tight rental market conditions, rising rents and affordable property prices are providing the right pre-conditions for the market to gradually regain some momentum during the next 12 months.

Townsville

Finishing up 2012 and moving into 2013 the residential property market has pre-conditions ripe for a recovery, however is moving at very slow pace.

Rental vacancy rates, although creeping up over the past six months are trending at under 3%, interest rates remain low, value levels remain low and stable and sale volumes have increased during 2012.

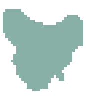


Source: HTW analysis of RP Data

In the established housing market, 2013 is likely to be another year of consolidation with good buying opportunities. Our view is that prices will remain relatively unchanged over the next six to 12 months as there remains a fair volume of stock on market and buyers retain the upper hand.

During 2012 the inner city unit market has seen increased absorption of new developer units, including a high volume of receiver stock that had been fracturing the market. During 2013 we will see the completion of two new office towers in the CBD, which will provide office space for a reported 1,200 people. The absorption of this latent hangover unit stock along with the increase in workforce in the CBD could provide a catalyst for the inner city unit market to rise from the doldrums and the current fragmented value levels to stabilise.

Overall our outlook for the 2013 residential property market is for continued gradual consolidation.



Tasmania

The Tasmanian market still remains in a subdued state with capital growth highly unlikely in most circumstances. We have noticed recently that there are some small pockets of optimism among a few market participants who feel the market has bottomed. This optimism appears to have largely come about as a result of the most recent interest rate cut. If this does prove to be the case, 2013 may start to see the levels of stock on the market reduce. However those within our offices are not yet compelled to share this optimism; particularly given the most recent unemployment figures which place Tasmania with the highest rate in the country at 7%.

In response to the current economic circumstances, and some lobbying by the real estate and construction industry, the government announced the Tasmanian Jobs Package in December. Included in the announcement were a number of initiatives designed to increase activity, create jobs and increase confidence in the economy. Of particular interest to the property market is the First Home Buyers Boost (FHBB). This initiative will provide an additional $8,000 boost to first home buyers who decide to purchase a newly built home or who are owner/builders under contracts entered into between 1 January 2013 and 30 June 2014. This provides first home buyers with a $15,000 total incentive to buy a newly built home or engage a builder to construct a dwelling to their own design. In order to remain competitive with existing housing stocks the FHBB will generally restrict buyers to locations where the value of vacant land is around $100,000. Regardless, a combination of low interest rates and the FHBB is likely to result in a welcome stimulus to the construction industry.

What the FHBB will mean for the property industry will only be realised over time as land purchases are settled and building engaged. The previous increase in the First Home Owners Grant (FHOG) to $14,000 resulted in an increase of capital values in the sub $275,000 price segment, which underpinned increased activity in the upper price brackets. With the FHBB being limited only to new dwellings, combined with the current economic conditions, the effect is likely to be more contained than that experienced with the FHOG. Increased demand may lead to an increase in land values in certain subdivision developments; however we don't feel this is likely. A further possibility is whether the demand for existing housing stock, which doesn't qualify for the FHBB, will fall and hence result in a value adjustment. It will also be interesting to see the impact on building prices (particularly in the south of the state), given builders will now be required to rebuild following the recent bushfires. Any increased demand for construction should be readily absorbed by builders who have been struggling for some time.

....the most recent unemployment figures which place Tasmania with the highest rate in the country at 7%....

So in summary we will be keenly monitoring the effect of both the FHBB and the Tasmanian Jobs Package on a whole to determine whether the market has indeed bottomed. In the event that this does prove to be the case the question then becomes whether the momentum can be carried through to show any form of growth; which in turn will be determined by how much confidence the market draws from the economy. Another interest rate cut would be handy, although not a guaranteed stimulant. In our opinion the next 12 months will be an interesting time in the market cycle and will be closely monitored. However a full recovery given the stagnation/falls experienced in the market over previous years is unlikely. As mentioned only time will tell……

Darwin

All indicators point toward continued growth into 2013 for the Darwin and greater areas residential market on a macro-scale, following trends over the past 12 month period.

This is anticipated, in part, due to the continual construction of the INPEX LNG project, which is approaching its second year of construction (within a five year plan). and; the influx of employment both INPEX and other industry (including the Marine Supply Base and further extensions of Defence) are bringing to the area.

Activity in sales and strengthening in confidence within the general market are ever apparent. Adding fuel to the fire is the lack of supply for vacant land, which local agents suggest is outweighed by demand; with sales within staged releases occurring more rapidly than the infrastructure of the developments. Consequently this is seen to urge further stages within existing land releases to be issued over the coming 12 months.

Similarly the rural living sector is anticipated to see a more marginal rise in demand for rural living allotments, particularly within the inner (more accessible) localities of this market segment. This is forecasted as a flow on effect' to the shortage of vacant allotments available within the inner Darwin and Palmerston areas.

....affordability will be a key force this year with Darwin heading the biggest growth on average over the past 12 months Australia wide....

If we do see an exception to the rule this year, it is expected to be for established rural living properties. This market segment has remained steady over the past 12 to 18 months with no apparent reason for this trend to change.

The area to watch this year is the rental market which is effectively being driven by the aforementioned growth in employment by the large contingent of companies (often outperforming privates). This sector is expected to have a particularly large impact on affordability, in which we have already seen signs of rapid growth.

Affordability will also be a key force this year with Darwin heading the biggest growth on average over the past 12 months Australia wide. Many are waiting in the wing to see how far the residential market will be pushed before the driving force of population growth is dissipated by the continual rise in cost of living.

Alice Springs

The residential property market in Alice Springs during the year to December 2012 has shown an increase in turnover for both the house and unit market with market transactions now off the lows shown in the previous corresponding period. Prices for both segments for the year to December 2012 have been relatively soft with early research suggesting a drop in the median house price of approximately 2% and a reduction of 1% for the median unit price.

2013 should be an interesting year for the Alice Springs residential market with a market correction behind us and increasing market activity indicating the market is progressing through a consolidation phase with early indications that the bottom of the market may have been reached.

With low interest rates likely to remain for the foreseeable future, the local market is likely to see the current transaction levels maintained. However, with prices continuing to stabilise there is likely to be flat to minimal growth for 2013 with a risk to the downside maintained.

Perth

The outlook for the year ahead is an interesting one. Given stock levels in both the rental and ownership market are diminishing, a hold up in construction due to the Building Act changes and an overall positive sentiment for households to buy established dwellings, there may be some upwards supply price pressure in 2013.

The 2012 year ended strongly in Perth with the December quarter recording the largest volume in sales since 2005. REIWA anticipates this will reflect the median house price to lie in the ranges of $490,000 to $495,000 for the December quarter, representing a 2% to 3% quarterly increase. This increase is largely attributed to higher priced trade-up activity, supply cost pressures and attractive yields for investors.

However there are a few storm clouds brewing in the strength of the WA economy.

The performance of the energy and resources sector is the State's, and to a degree the nation's economic powerhouse and the sector is still affected by global uncertainty. Furthermore, the Western Australian economy is primarily influenced by the path of growth in China and this makes the task of predicting the timing and magnitude of the economic cycle in the mining industry particularly difficult.

The high level of the exchange rate, rising costs and a softer outlook in world growth has dampened the demand and price for WA's primary exports. In the latter half of 2012 a series of company announcements revealed that mining companies are more reluctant to commit to iron ore and LNG projects, their spending on equipment and exploration have been scaled back and committed projects have been delayed or slowed. This has contributed to consumer and business sentiment remaining at low levels, despite more businesses seeing an improvement in operational conditions.

....he high level of the exchange rate, rising costs and a softer outlook in world growth has dampened the demand and price for WA's primary exports....

However Western Australia is still experiencing an influx of people migrating to the state with the ABS reporting approximately 1,000 (3.1% annual increase) per week arriving in WA. This strong population growth is the primary influence for housing demand which is putting pressure on rents and vacancy rates as the rental market is the first point of call for overseas and interstate immigrants.

This absorption of supply is further demonstrated in listings data produced by REIWA, as at January 2013 REIWA reported 9,281 total listings, well below the equilibrium of 12,000. This indicates a 34% fall since the same time last year as well as the Perth rental vacancy rate operating below 3% since June 2012 all indicating there appears to be a tightening in Perth's housing supply.

There are also some tentative signs that investment in residential construction may have troughed in mid 2012. Factors such as the implementation of the new Building Act in April 2012, lower interest rates, rising rental yields and an improvement in lending conditions in the established housing market, have begun to create a more favourable environment for investment.

With interest rates falling to 3% and reported improvements in various housing affordability indexes, 2013 appears to be looking like a year of steady growth in the Perth property market. As housing affordability remains the primary issue for most Western Australian households, the market will still remain price sensitive across 2013.

South Western WA

Well it is prediction time again as we launch into another busy year. It certainly has started with a hiss and a roar as agents are reporting good sales numbers in the early part of the year. The market has continued to improve with reasonable sales numbers towards the end of 2012. Agents are reporting that this has continued into January 2013 with many suggesting they are the strongest sales figures for some time. While sale numbers seem to be on the increase prices are remaining stable, possibly as a result of the backlog of stock still available to be sold.

There is beginning to be a shortage of rental properties, and with the Perth market continuing to show improvement, some overflow to the regions appears to be resulting. The decrease in interest rates prior to Christmas can only be seen as a boost to confidence to encourage investors and first home buyers to commit to a purchase.

There is still an element where the market below $400,000 is considerably stronger than in the $400,000 to $600,000 range but even this sector has made some gains.

Properties at the top end of the market have also seen some recovery with reasonable sales numbers happening in the up market areas of Eagle Bay and Dunsborough.

Overall we are cautiously optimistic that the bottom of the market has been reached and if the mortgage rates remain on hold or are reduced further, as is predicted, then this should further support prices at current levels.

So that's what is happening, now the question is what is going to happen for the rest of the year? We feel that it is going to be a 'spill over' year; that as long as the Perth market continues to improve with good returns on investment properties and a distinct rental shortage, there is likely to be some drift to the regions. With 1,500 people a week arriving in Perth, many with stars in their eyes and expectations of high paying mining jobs, there is bound to be a good few that realise with the lower rental rates (compared to the east coast) living in the South West is a viable alternative. This is also particularly in light of the additional flights for fly-in-fly-out workers from Busselton and the bus infrastructure designed to help workers get to the Perth airport.

All this can only be good for the markets of the South West, and it seems likely that sales will continue at a similar pace to the present with a gradual improvement in the middle range market of $400,000 to $600,000. There may well be some increases in rentals, as the supply of lower priced houses decreases due to first home buyers stepping into the market. Starts of new houses have been slow, as evidenced by the significant incentives being offered by most of the project builders. With a decline in the available stock it is likely to see a swing back to more new houses being built. Several new releases of land should prevent too much of a spike in prices due to block shortages.

So all in all, the year is looking better than in the last five. Our predictions are some slight rises in prices as we progress through the year due to supply and demand factors.

Esperance

Broadly speaking, the Esperance district fared generally well over the 2012 calendar year with strong stability in the rural sector underpinning the stability in the town. Sales volumes were low but steady in the first half of the year with a stronger finish to residential, industrial and rural markets.

Slow beginnings were noted in 2012 with prevailing land values subsiding slightly before recovering in the latter months. For example, Le Grande estate in Castletown saw land values drop from the $135,000 to $140,000 range to between $120,000 to $130,000 in the middle months of the year with sales in November and December recovering to range between $140,000 to $148,000. In nearby Flinders estate, prior to the second half of 2012 there had been two sales stretching back over two years. This was followed by a surge of six sales, consistent values and a number of lots also currently under contract.

If this trend continues, the current slight oversupply of vacant sites in this area will be gradually reduced and greater emphasis can then be put on improving the values of established properties. Castletown is the largest residential area within Esperance and sales for older properties have typically ranged between $300,000 and $350,000 with newer properties $400,000 to $450,000. Few sales above this range have occurred and none over $500,000 which is slightly down on the corresponding period last year.

In other parts of Esperance of note, West Beach has had a strong finish to the year with a number of sales between $550,000 and $620,000, two sales over the 2012 year between $900,000 and $1 million and one sale was recorded at $1.35 million. A number of properties over all price ranges are available for sale however demand appears equally sound with further properties in the higher price brackets currently under contract. As with all areas, accurately priced property is attracting sound demand and typical sale periods are less than six months.

At the other end of the scale, Nulsen has some of the most affordable housing in the district, if not the state, with values in free fall for a while from early $200,000s down to mid $100,000s over the course of about 12 months from mid 2011 to mid 2012. The rental market is however strong and investors are realising the return on property in Nulsen is exceptional when compared to other areas. Strong sales occurred in the latter half of 2012 again with typical value range improving to between $170,000 and $220,000.

As for the next 12 months, the sentiment can best be described as cautiously optimistic. Enquiry rates are improving and sales volumes have increased over recent months. If interest rates remain at historic lows and seasonal factors remain sound as we have experienced over preceding years in this area, there is a strong chance of the market remaining stable and consistent with a view that modest growth in underlying values may start being noticed in the second half of this year.

Herron Todd White
Independent Property Advisors

Contacts

Office	Phone	Email
Adelaide, SA	08 8231 6818	admin.sa@htw.com.au
Albury/Wodonga, NSW/VIC	02 6041 1333	admin.albury@htw.com.au
Alice Springs	08 8941 4833	admin.darwin@htw.com.au
Bairnsdale, VIC	03 5152 6909	admin.bairnsdale@htw.com.au
Ballarat VIC	03 5332 7181	admin.ballarat@htw.com.au
Bathurst, NSW	02 6334 4650	admin.regionalnsw@htw.com.au
Bendigo, VIC	03 5480 2601	admin.bendigo@htw.com.au
Berri, SA	08 8582 4841	admin.berri@htw.com.au
Brisbane Commercial, QLD	07 3002 0900	bris.admin@htw.com.au
Brisbane Residential Offices, QLD	07 3353 7500	brisbaneresidential@htw.com.au
Brisbane – Rural Queensland, QLD	0417 753 446	david.hyne@htw.com.au
Bunbury, WA	08 9791 6204	admin.bunbury@htw.com.au
Bundaberg/Wide Bay, QLD	07 4154 3355	admin.bundaberg@htw.com.au
Busselton, WA	08 9754 2982	admin.busselton@htw.com.au
Cairns, QLD	07 4057 0200	admin.cairns@htw.com.au
Canberra, ACT	02 6273 9888	admin.canberra@htw.com.au
Darwin, NT	08 8941 4833	admin.darwin@htw.com.au
Deniliquin, NSW	03 5881 4947	admin.deniliquin@htw.com.au
Dubbo, NSW	02 6884 2999	admin.regionalnsw@htw.com.au
Echuca, NSW	03 5480 2601	admin.echuca@htw.com.au
Emerald, QLD	07 4980 7738	admin.emerald@htw.com.au
Gladstone, QLD	07 4972 3833	admin.gladstone@htw.com.au
Gold Coast, QLD	07 5584 1600	admin.gc@htw.com.au
Goondiwindi, QLD	07 4671 5300	admin.goondiwindi@htw.com.au
Gosford, NSW	1300 489 825	admin.gosford@htw.com.au
Griffith, NSW	02 6964 4222	admin.griffith@htw.com.au
Hervey Bay, QLD	07 4124 0047	admin.bundaberg@htw.com.au
Hobart, TAS	03 6244 6795	admin.hobart@htw.com.au
Ipswich, QLD	07 3282 9522	admin.ipswich@htw.com.au
Launceston, TAS	03 6334 4997	admin.launceston@htw.com.au
Leeton, NSW	02 6953 8007	admin.leeton@htw.com.au
Mackay, QLD	07 4957 7348	admin.mackay@htw.com.au
Melbourne, VIC	03 9642 2000	admin.melbourne@htw.com.au
Mildura, VIC	03 5021 0455	admin.mildura@htw.com.au
Mornington Peninsula	03 9642 2000	admin.melbourne@htw.com.au
Mt Isa	07 4727 2000	admin.townsville@htw.com.au
Mt Gambier	08 8725 2630	admin.mountgambier@htw.com.au
Mudgee, NSW	02 6372 7733	admin.regionalnsw@htw.com.au
Newcastle, NSW	02 4929 3800	admin.newcastle@htw.com.au
Norwest, NSW	02 8882 7100	admin.norwest@htw.com.au
Perth, WA	08 9388 9288	admin.perth@htw.com.au
Port Macquarie, NSW	1300 489 825	admin.portmacquarie@htw.com.au
Rockhampton, QLD	07 4927 4655	admin.rockhampton@htw.com.au
Roma, QLD	07 4622 6200	admin.roma@htw.com.au
Sale, VIC	03 5143 1880	admin.sale@htw.com.au
Southern Highlands	0412 141 100	admin.southernhighlands@htw.com.au
Sunshine Coast (Mooloolaba), QLD	07 5444 7277	admin.ssc@htw.com.au
Sydney, NSW	02 9221 8911	admin.sydney@htw.com.au
Tamworth, NSW	02 6766 9898	admin.regionalnsw@htw.com.au
Toowoomba, QLD	07 4639 7600	admin.toowoomba@htw.com.au
Townsville, QLD	07 4724 2000	admin.townsville@htw.com.au
Tralagon, VIC	03 5176 4300	admin.tralagon@htw.com.au
Tweed Heads, NSW	07 5523 2211	admin.nc@htw.com.au
Wagga Wagga, NSW	02 6921 9303	admin.wagga@htw.com.au
Whitsunday, QLD	07 4948 2157	admin.mackay@htw.com.au
Wollongong, NSW	02 4221 0205	admin.wollongong@htw.com.au
Young, NSW	02 6382 5921	admin.regionalnsw@htw.com.au

Visit us at www.htw.com.au for past issues of this publication

Rural – Market Directions

Welcome to 2013. What a contrast to 12 months ago with hot and dry conditions dominating the eastern states of Australia, a late start to the monsoon in the north and as we will have seen, bush fires in many states. The business of agriculture is difficult at the best of times with many aspects of performance outside the control of the farmer, interest rates (although about as good as they have ever been), high dollar, increasing costs of production and the weather all conspire to test the Australian farmer.

The market in rural Australia is still reflecting mixed signals depending on what region and which commodity is the subject of the assessment. In trying to find a level or trend in the current market, the overall key messages still appear to be that quality assets fully developed are still able to attract interest while lesser developed properties that require capital to be invested are not proving as easy to find new buyers. Overall sales volumes are down at this time of year which is not unexpected. We have however tried to highlight a few sale for our readers in this monthly wrap.

The central NSW and northern Victoria reports highlight a slightly better yield outcome for the harvest despite the lack of finishing rain which is a positive. However the hopeful outlook on grape returns this year appear to be reducing due to the impact of the higher dollar on processors. We do have some sales to report in the Southern NSW region which is a positive sign for that market.

....the market in rural Australia is still reflecting mixed signals depending on what region and which commodity is the subject of the assessment....

The water market may become more active if the continued dry conditions remain temporary water is already starting to see some uplift in prices from very low bases. While in central and southern NSW environmental releases from local catchments appear to be occurring which indirectly may place some pressure on down stream irrigators, but also some sales in line with market expectations have also been achieved.

An update on the Northern Territory and Kimberley cattle market provides some insight into this market which has stagnated for the past 12 months, with uncertainty still weighing heavily in these regions. While in the south of WA clear evidence of purchasers chasing consistency in rainfall is emerging.

The exceptional heat of the past few weeks in southern Queensland has had a large impact on summer crops. This coupled with increasing receivership activity suggests that it may be some time before any upward value movement occurs in that market.

The Herron Todd White Rural Breakfast presentations are all locked in with data being collated as I write this.

Three events are scheduled; Melbourne 27th February, Sydney 28th February and Brisbane 1st March. Early bookings indicate strong interest again this year and your early registration will ensure a seat.

Tim Lane Ph: (07) 3319 4400

Northern NSW

Mostly hot, dry summer conditions have prevailed with only isolated thunderstorms.

Sugar Cane

Limited sales activity. Crops appear healthy but all would benefit from rainfall.

Macadamias

Crop prospects appear promising for 2013. Anecdotally there is some renewed interest in purchasing macadamia farms.

Cattle

Very dry conditions.

Summer crops

Soya bean crops appear healthy but rainfall is needed.

Contact:

Dave Sullivan Ph: (02) 6766 9898

Southern NSW

LEETON / GRIFFITH

The year in the MIA has started off with record temperatures and bushfires. A bit of a contrast to 12 months ago when we had record rainfall and flooding. The irrigation season is well underway with record plantings of rice, corn and cotton and perfect growing conditions. On the back of the below average winter crop, returns for rice and corn are looking promising. Our horticultural industries including citrus and grapes are still suffering from the effect of the high Australian dollar impeding export profits. Growers in these sectors are under financial strain with no short term fix in sight.

The rural real estate markets have been quiet since before Christmas. There continues to be a number of mortgagee horticultural properties on the market with little buyer interest. There are few broadacre/rice irrigation properties listed for sale and most stock that was listed was snapped up early last year prior to the irrigation season beginning. There continues a slow but steady demand for broadacre irrigated properties with modern irrigation development. Broadacre grazing properties showed a strengthening in the market early last year. This demand has come off slightly following the dry spring although there is little stock listed for sale at present. Dryland cropping country has remained steady with the market stabilised. There remains minimal stock on the market with steady demand mainly from existing producers looking for expansion blocks.

Contact:

Peter Gunn Ph: (02) 6953 8007

ALBURY

The close to 2012 was not as promising as the start and middle of the season. After a great start and good rainfall through most of the season up until early spring, the rainfall stopped dead in its tracks in about August and we had virtually no spring rainfall to finish crops off. This area usually receives good spring rainfall to finish crops and provide a bulk of pasture to get through the dry summer months. The lack of spring rainfall had a negative impact on crop yields and quality, but at least prices were reasonable this year, unlike last year.

The rural property market has been running hot in southern New South Wales. Properties that have been on the market for up to two years or more have been selling at fairly solid prices. After two years of above average seasons in 2010 and 2011, then a reasonable season in 2012 it is apparent that rural property values are not going to continue to decline. Vendors have become more realistic in price expectations and purchasers appear to have accepted that values are at or near the bottom, and may start to move upward as the backlog of properties on the market are sold. Once the backlog has been taken up and there is pent up demand prices are likely to move upwards.

Recent sales include "Aberfeldy", Holbrook, 1,377 hectares - $6.3 million excluding crop, plant and equipment; "Lilydale", Corowa, 1,418.5 hectares - $4.2 million including 1,060 millitres of bore water but no developed irrigation; Maybank, Holbrook, 580 hectares - $3.3 million; "Yarranalla", Holbrook, 279.4 hectares - $1.9 million (sold for $2 million in about 2009); "Dellapool" near Narrandera, 1788.2 hectares, Murrumbidgee water of 3.037 ml, bore water 2,405 millitres, 9 centre pivots covering 610 hectares, 633 hectares flood irrigation; "Uardry", Hay 34,618 hectares, $25.1 million land buildings and water comprising 6,269 millitres bore water and 7,134 millitres Murrumbidgee River water; "Deltroit Station", Mundalo (east of Wagga), reputedly in excess of $15,000,000 but not settled yet. 2.722 hectares, 30,000 DSE carrying capacity, historic home ample shedding.

The irrigation season is underway and water storages are stating to drop. Hume Dam 73%, Dartmouth 97% and expected to stay at near full level, Eildon 89%. These storages were close to 100% full at the start of the irrigation season.

....there continues to be a number of mortgagee horticultural properties on the market with little buyer interest....

We are anticipating a fairly hot dry summer which is usual for this area, hopefully with no summer storms to light fires and bring on the weed and parasite problems.

Contact:

David Shuter

Adrian Pearce

Ben Symons Ph: 1300 784 899

Regional Victotia

ECHUCA

The dry finish to 2012 meant that harvest was largely completed in good time and without delay. Most are reporting better than expected yields given the dry finish leaving many to take advantage of firm prices across most of the grain classes. Changes to the carryover rules by the Minister for Water is also likely to see irrigators adjust their attitude to water entitlements generally but more specifically the low reliability water shares (LRWS). A declaration of Low Risk of Spill was made for the Murray System in early January giving irrigators access to their carryover water on this system while the Goulburn and Campaspe System were declared as having a low risk of spill in early December 2012. Sales activity has generally been limited to smaller holdings with patchy levels of enquiry being reported by agents.

Contact:

David Leeds Ph: (03) 5480 2601

GIPPSLAND

2013 should see a continuation of previous years in the Macalister Irrigation District. There have been few sales of dairy farms, with corporate investors purchasing at similar price levels to that over the previous two to three years.

Contact: Craig McMillan

Ph: (03) 5143 1880

MILDURA/SUNRAYSIA

The wet summers of 2011 and 2012 seem a distant memory, as much of south east Australia struggles through a record period of hot, fine weather. Mildura has recorded just 28 millimetres of rain since the start of September 2012.

The clear days assisted grain growers finish what will be remembered as a year that turned out better than expected. Yields, while almost universally below average, were nevertheless much better than would normally be expected in a year of negligible rain during the growing season. The region had the third driest growing season on record. Protein levels were generally less than expected, and growers will no doubt look at their fertiliser regime (and the amount of money they can afford to spend) as they plan their 2013 program.

.... Mildura has recorded just 28 millimetres of rain since the start of September 2012....

The fine weather has also assisted table grape growers produce a large crop of clean fruit. Fortunately the Murray Darling Basin catchment dams are close to full, and irrigation water once again plentiful. Returns from the early varieties (Menindee Seedless and Flame Seedless), have been very disappointing, due to an overhang of fruit coming from northern Australia. Growers will be relying on export markets to shift the majority of their mid and late season product.

The wine grape harvest commenced in mid January with some fruit being crushed for sparkling wine. The optimism evident this time last year that prices might finally start to improve has largely evaporated. Wineries have been very blunt in explaining the impact that a persistently high Australian dollar has had on their profitability, and the message is that they will continue to put a focus on cost cutting. A clear example of the difficult trading environment is the news that Australia's third largest wine company - Casella Wines, posted losses of AUD$30 million in 2012.

Temporary water prices have crept up in recent months, with recent trades occurring at around $50 per megalitre.

Contat:

Shane Noonan Ph: 0427 735328

Central NSW

The continued dry conditions across the central and north western areas of New South Wales are impacting on the available feed levels with increasing volumes of supplementary feeding being undertaken. Reflecting back on the general average rainfall for the areas we have visited in the central western areas – the general comment has been that the areas have received average to above average levels of rainfall. However further analysis of the rainfall figures indicate that an overwhelming majority of this rainfall fell in the January / February / March of 2012 period with the balance of the year receiving well below average rainfall. This was reflected in the average yields across the areas, however the upside of this was that a hot, dry, relatively rain free harvest was encountered.

The Macquarie Valley Irrigation Area is currently experiencing the results of the large volume of water purchased by the Federal and State Governments in an effort to reduce the impact on the Murray Darling Basin. Whilst there are high levels of irrigation allocation within the valley this season, it would appear that significant volumes of water in excess of what was required for the irrigation areas has been released. Investigations would indicate that all the water released has been ordered by the respective owners of this water and as such it would appear that significant volumes of water have been released for environmental purposes. While this has always been known and they understood the reason for the purchasing of the entitlements by the government, this is the first real implication of it. Burrendong has dropped from 100% of irrigation capacity to approximately 50% with still three months of solid irrigation to be undertaken to complete the current season. It will be interesting to see the impact of what these environmental flows have on the general allocation percentage for irrigators.

It would appear that the corporate interest in broadscale dryland cultivation and irrigation areas is moving south and at present the Albury/Wagga/Junee area appears to be under the microscope of a number of entities seeking to increase their geographic footprint. While some offers have been made in the Coonamble and Narromine areas, the overwhelming majority of interest is in the southern section of New South Wales at present.

The recent auction of "Bonnie Doon", north west of Quambone, attracted large levels of interest and spirited bidding at auction. There were a number of active bidders on the property which was 1,520 hectares in size and improved with a set of sheep yards and access to a capped bore. Soils were grey clay loams and the property was considered all reasonable open grazing country. The property was sold under the hammer for $940,000 or $617 per hectare. This was in line with expectations and gives good indication that open grazing values are currently being maintained.

In addition, it appears that a large red loam dryland cultivation aggregation near Nyngan has an offer and acceptance. This property is mostly dryland cultivation and while we are not privy to the exact figure, our understanding is that it is in excess of $800 per hectare which would indicate that this area has recovered from the reduction of value levels that occurred in 2008 through a number of forced sales in the area.

Contact:

Scott Fuller

David Sullivan

Andrew Jaffray Ph: 1300 784 899

Southern Queensland

The heatwave of recent weeks is now starting to take its toll especially with anticipated summer yields, with estimates of sorghum dropping quite significantly. We have heard of instances where estimates of original yields have come back by as much as 40%. Without the benefit of early 2013 rains, the impact could be far greater. Country left as fallow has also seen its moisture base rapidly deteriorate.

Cotton irrigators who initially were thought to have had sufficient water at the beginning of summer are now finding that they have had to drop paddocks in order to allow their more viable crops retain their potential.

On the other side of the coin, isolated storms of up to 150 millimetres have occurred in the Chinchilla region while further north towards Taroom, up to 50 millimetres has been received. The outlook over the coming weeks is more positive, but time will only tell if this proves to be correct.

On the real estate front, during the later part of 2012, we saw quite an influx of 'receiver instigated' sales ranging from grazing to broadacre farming, irrigation and small cropping operations. These were located through all parts of Queensland. To date we are not aware of any selling but are advised that in some instances results are close. Future newsletters will detail results as they occur.

Without trying too appear too negative we are not expecting any real change during the first part of 2013 with more places, including 'receiver instigated' sales, expected to come onto the market.

Recent sales that we are aware of include:

1. "Normanby" - 111 hectare via Harrisville went to auction 16th November 2012. It was passed in for $1.65 million. We are advised a sale is likely to occur but to date we have not been privy to the details.
2. "Yargullen" – 284 hectare of mixed irrigation and farming south of Jondaryan has sold for $2.1 million reflecting approximately $7,400 per hectare which is regarded as generally good money. The purchaser reportedly sold to mining interests.

....cotton irrigators who initially were thought to have had sufficient water at the beginning of summer are now finding that they have had to drop paddocks in order to allow their more viable crops retain their potential....

In summary we expect that 2013 will be a continuation of 2012. The issues that impacted the market during 2012 will still be very evident this year. The high Australian dollar coupled with a continuation of rising costs of production and short term political uncertainty is expected to be with us for sometime yet. The prospect of a federal election sometime towards the end of 2013 while potentially resulting in a change of government at the time, will further add to uncertainty beforehand and therefore this will do the market no favours.

Contact:

Stepehn Cameron,

Doug Knight Ph: (07) 4639 7600

Northern Queensland

Grazing

The beginning of 2013 commenced with an extreme heat wave over extended periods, combined with some large fires in the Etheridge, Carpentaria, Cloncurry and other shire areas. The monsoon season has arrived late in 2013 and many stock have perished as a result of harsh conditions.

The meatworks in Townsville has begun operations and all are hoping for reasonable prices through 2013. The livestock caught up in the Live Beef Export cessation should be coming onto the market through 2013 and it will be interesting to see how prices compare with previous years with extra numbers coming to market.

A large grazing sale is rumoured to have taken place with some details known but as yet still confidential. The sale result should support the current level of values for the country type.

Cane (Burdekin and Herbert Areas)

The Herbert River area (Ingham) has received good rains through January and this was needed to boost cane growth in this dry land cane farming area.

The Burdekin has not been as lucky and as such irrigation water demand has continued as growers battle heat wave conditions aligned with trying to keep the soil moist and the cane growing.

The Australian dollar remains high and sugar prices very volatile. Farms continue to exchange at a slow rate, at values that have been at the same level for the last three years.

....the salmon industry will create 22 fulltime jobs in George Town....

Horticulture (Bowen and other areas)

Bowen is as dry as chips. This powerhouse of the fresh vegetable market goes dormant until tomato and other seedlings are planted in the autumn period. Keep an eye on the French bean producers in the Burdekin and Bowen areas as they try to erase the memories of a poor start to 2012.

Horticultural properties continue to be slowly traded and it was hoped that a few sales may have occurred late in 2012. To date this does not appear to have occurred. The seedling nurseries in the area over the last two years have upgraded their security measures and it would be highly unlikely that there will be any further seedling poisoning occurrences to adversely impact on the district growers.

Mining

This does continue to be an ever present issue that does impact on many land uses and we are experiencing an ever increasing number of enquiries from landholders and mining companies alike for advices relating to property issues. Contact Herron Todd White if there are issues where a valuer can be of assistance.

Pigeon Race

A tip for the $1 million pigeon race in South Africa in February is a North Queensland bird called 'Helmet' – have a flutter and put a lazy $5 on the beak for a win. Is Helmet the Black Caviar of the feathered racing world?

Staff

Drew Garside has recently joined the ranks of the North Queensland office of Herron Todd White. Drew is a valuer in training and comes from the Cleremont/Capella area. He has a pilot's licence and comes to the company with a great deal of enthusiasm.

Contact

Denis Schy,

Roger Hill Ph: (07) 4724 2000

Tasmania

Great to be back in the saddle after a break. For this edition we will provide a a basic overview of some recent spends in the Agricultural and related industries in Tasmania.

A new co-generation plant has been installed into Simplot's Ulverstone plant at a cost of $16 million and is expected to reduce the company's carbon footprint by 39,000 tonnes per annum. A grant of $6 million by both state and federal governments (they went 'halvies') helped the company out.

The salmon industry will create 22 fulltime jobs in George Town. The State Government is to contribute $440,000 toward the $1 million Tassal venture to set up fish processing infrastructure at George Town. Tassal and George Town Seafoods have established an agreement to process excess fish and job numbers are expected to increase in coming years.

Further good news for George Town is the receivers of timber company Gunns Limited, have sold the company's two softwood sawmills to major industry player New Forests Pty Ltd. The sale of the Bell Bay sawmill will save 150 emloyees at Bell Bay/George Town

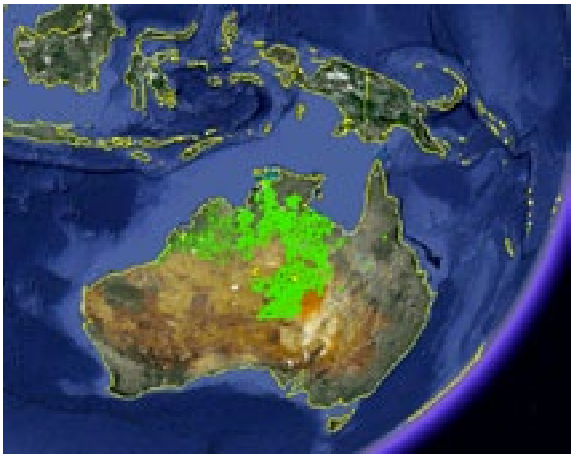
There have been few sales of note over $2 million in Tasmania recently. A sale of note is Bronte Downs, Cressy an intensive irrigation cropping property. Intensively irrigated via two ditch fed linears and solid set irrigation all fully automated. The property has grown carrots, broccoli, poppies, potatoes, onions etc. Excellent source of water from Cressy-Longford Irrigation scheme into 200ML storage dam. Improvements include all weather laneways through out property, 3- bedroom brick home, large storage shed, and included all irrigation infrastructure. The property sold in August 2012 for $2.3 million

Keep an eye out this year for the Tasmanian rural article as we intend to take you on a journey through Tasmania's unique agricultural industries and what makes Tassie Australia's quiet agricultural achiever.

Northern Territory

It's the middle of January and the monsoon in the Top End and Kimberley looks like it has finally arrived. It's been a patchy start to the 2012/13 wet season with some handy December storms around Tennant Creek extending west to the WA border and north up to the Darwin floodplains, but on the approach to Christmas the monsoon was beaten back into the Arafura Sea by a solid heatwave. With such a late start, pastoralists now have fingers and toes crossed for the wet season to stretch through to a later than average conclusion.

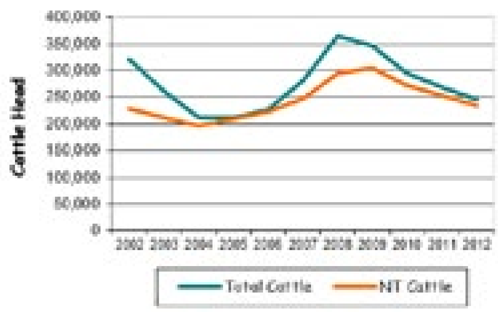
So now that the wet is here we are looking at the traditional slow down in property trading activity, noting however that things can't get much slower – there has still not been a significant rural property sale for at least six months, and if pastoral sales are taken in isolation, there's not been a sale since 'Tanumbirini' and 'Muranji' back in January 2012. The same number of cattle stations are still on the market, 18 cattle stations in the NT and five in the Kimberley at last count (including 'Margaret River' and Mt Elizabeth' which have just been listed). A quick round-the-traps with the property agents reveals that there is still limited enquiry, but there are reportedly continuing negotiations between a limited number of potential purchasers for a specific few larger scale runs in the Top End., but nothing firm to report yet . We are also aware of information pointing to the potential sale of a station in the West Kimberley which we hope to be able to confirm in the next Month In Review.



The highlighted green indicates the coverage by Herron Todd White (Northern Territory). Source: Deo Basis

With the majority of stations for sale in the Top End, the Indonesian live export trade is still considered to be one of the major hand-brakes on investment decisions. The prospects for 2013 live export market do not appear to have changed much over the Christmas break since the December announcement by Indonesia to cut permit numbers for 2013 back by 45,000 head. The Northern Territory Live Exporters Association reported in its January newsletter "Despite efforts to expand markets in Asia, live exports out of the NT fell by 22,000 head in 2012, and that while overall numbers to Indonesia declined it still remained the major buyer of North Australian cattle, with 246,990 head exported from the Port of Darwin. While other markets increased slightly (Philippines 27,324 head; Malaysia 10,018 head; Vietnam 2,801 head) none of the alternative markets are in a position to replace Indonesia in terms of cattle numbers."

'Number of Live Cattle through the Port of Darwin (Last 10 years)



Source: NT Government – Pastoral Market Update (December 2012)

Given the above outlook, there are a growing number of northern cattle producers trying to access southern value-adding supply chains by freighting younger cattle and older cull cattle (still score 3 and above) mainly into Queensland, where backgrounding processes enable those cattle to be better positioned for ongoing marketing purposes. This is a risk management based approach in order to establish relationships with southern buyers and is not surprising in the current environment.

Some of these cattle are coming from properties as far west as Kununurra (WA) where, with the right staging program into Queensland, profits can still be made, especially on younger cattle.

In saying this, the AA Co abattoir proposal for Darwin is designed to alleviate this new approach by cost cutting freight components linked to carrying heavy cattle long distances.

In relation to the abattoir proposal, Herron Todd White is aware of several long term agistment deals being sewn up at present by the abattoir (proposed) operators in order to sure up the supply of land required to hold the tens of thousands of head that will need to be within reasonable proximity from the abattoir. We have heard that properties with mainly improved pasture and capable of holding a couple of thousand head in anywhere from Katherine to Darwin are being considered. Given the reduced cashflow coming from live export at present such early signs of activity resulting from the Darwin abattoir proposal is encouraging.

Contact:

Frank Peacocke Ph: (08) 8941 4833

....with the majority of stations for sale in the Top End, the Indonesian live export trade is still considered to be one of the major hand-brakes on investment decisions....

South West WA

With recent valuations completedfor the purchase of two significant sized landholdings by a corporate buyer, (not Chinese) it was brought home how much of the better quality land has been purchased by corporate entities of various nationalities. The one thing they all have in common is the desire to be within approximately 50 kilometres of the southern coast due to the consistent rainfall experienced in that strip.

While not at liberty to disclose the details of these sales, the figures have worked out at approximately 5,000 hectare at $1,800 per arable hectare ($730 per acre) for one sale and 5,000 hectares at $2,770 per arable hectare ($1,220 per acre) for the other. Both sales were in line with local expectation and are not considered to be at a premium to the market, or conversely, at a discount.

While this is all sensible and logical, it brings back the focus onto the large areas of land that don't fall into this rain belt and the ongoing pressure being felt by farmers in these areas. The startling contrast between these consistent areas and areas such as Southern Cross, which has suffered drought after drought cannot be overstressed.

....with changing climatic conditions, it may well get to a point where some of this land is no longer suitable for agricultural purposes without the development of some radical new technologies....

We note that the largest grain grower in Western Australia has put substantial areas of his properties on the market with negotiations believed to be with foreign investors. His strategy has always been that by owning diverse landholdings across a large area and in different regions, there would always be some part of the enterprise that would produce good returns as a consequence of a good rainfall season. The corporate buyers are looking for a more consistent approach to this and are researching the areas that provide these consistent rainfalls.

Some fairly large areas of this higher rainfall area land have in the past 20 years been planted to forestry, but with the downturn in that particular industry, we may see a return to more cropping based enterprises as the trees are removed from this land.

While not trying to be over dramatic, it certainly can make grim reading when looking at the numbers of farmers in drier areas that are under financial stress. With changing climatic conditions, it may well get to a point where some of this land is no longer suitable for agricultural purposes without the development of some radical new technologies that require considerably less water than is currently the case.

Coupled with this, the last two years have seen rainfall occurring at almost exactly the wrong time – being harvest. As to whether this is an indication of changing rainfall patterns, and therefore a need to change planting timings or simply an aberration of the past two years is yet unclear.

In the meantime there will continue to be a lot of farmers looking towards the skies and hoping for rain at the right times of the year. It does appear however that the rain dances are becoming a little more desperate than was previously the case unless, you have the good luck or good sense to be where the rain does fall.

Contact:

Tim Clark Ph: (08) 9791 6204

Herron Todd White
Independent Property Advisors

Comparative Property Market Indicators - February 2013

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 - February 2013

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 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

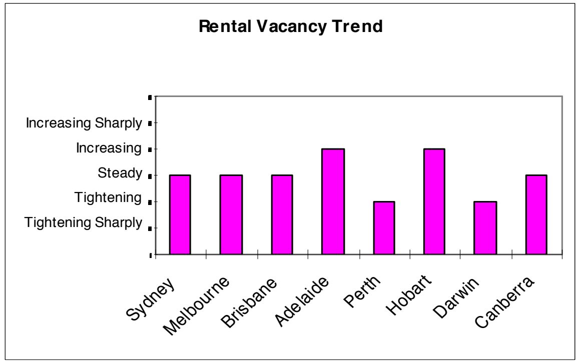
To discuss the applicability of the South Australian/Northern Territory and Western Australian indicators to individual properties or situations, contact your local Herron Todd White office:

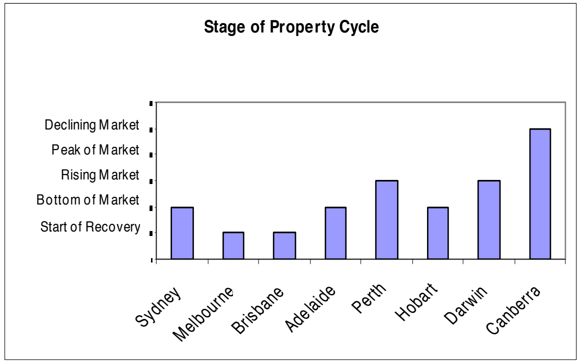
Adelaide	(08) 8231 6818
South West WA (Bunbury/Busselton)	(08) 9791 6204/ (08) 9754 2982
Perth	(08) 9388 9288
Darwin	(08) 8941 4833

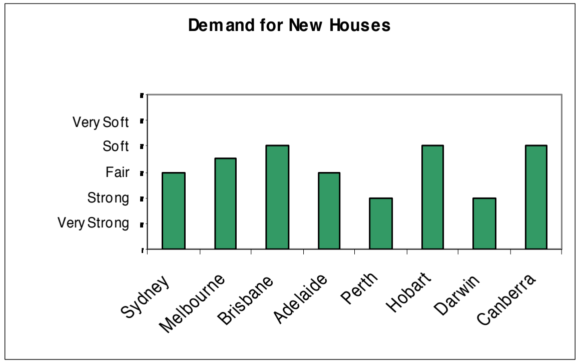
Capital City Property Market Indicators as at January 2013 – Houses

Factor	Sydney	Melbourne	Brisbane	Adelaide	Perth	Hobart	Darwin	Canberra
Rental Vacancy Situation	Balanced market	Balanced market	Balanced market	Balanced market	Shortage of available property relative to demand	Over-supply of available property relative to demand	Severe shortage of available property relative to demand	Balanced market
Rental Vacancy Trend	Steady	Steady	Steady	Increasing	Tightening	Increasing	Tightening	Steady
Demand for New Houses	Fair	Soft - Fair	Soft	Fair	Strong	Soft	Strong	Soft
Trend in New House Construction	Steady	Steady	Steady	Increasing	Declining	Declining	Increasing	Steady
Volume of House Sales	Steady	Steady	Steady	Steady	Increasing	Steady	Increasing	Steady
Stage of Property Cycle	Bottom of market	Start of recovery	Start of recovery	Bottom of market	Rising market	Bottom of market	Rising market	Declining market
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	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*





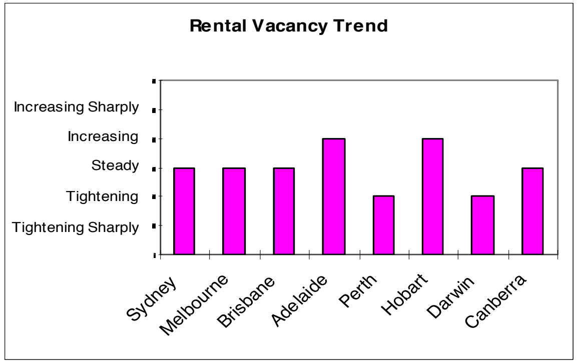


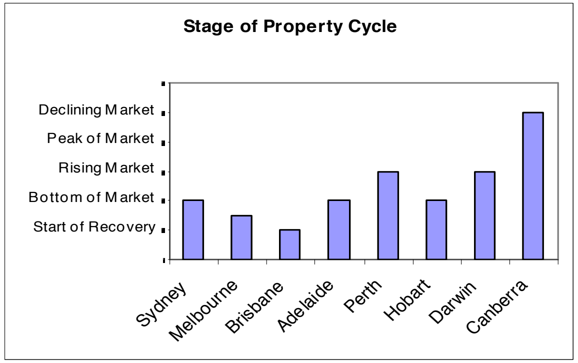
Capital City Property Market Indicators as at January 2013 – Units

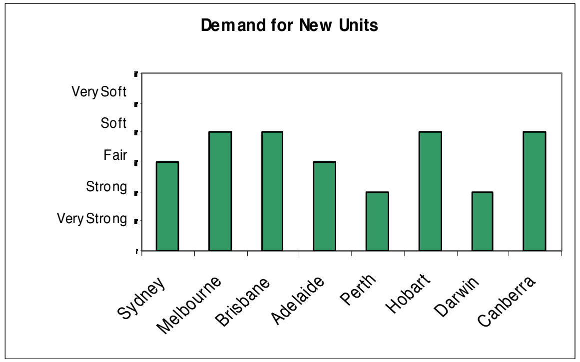
Factor	Sydney	Melbourne	Brisbane	Adelaide	Perth	Hobart	Darwin	Canberra
Rental Vacancy Situation	Shortage of available property relative to demand	Balanced market - Over-supply of available property relative to demand	Balanced market	Balanced market	Shortage of available property relative to demand	Over-supply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



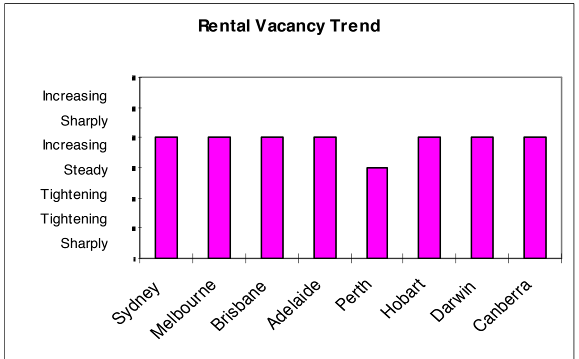


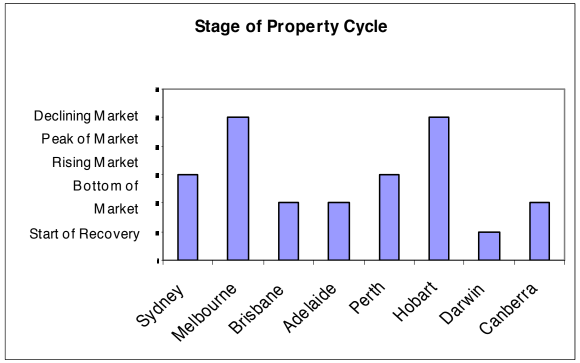


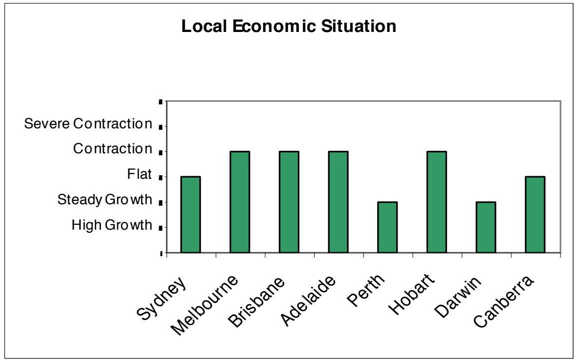
Capital City Property Market Indicators as at January 2013 – Retail

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

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





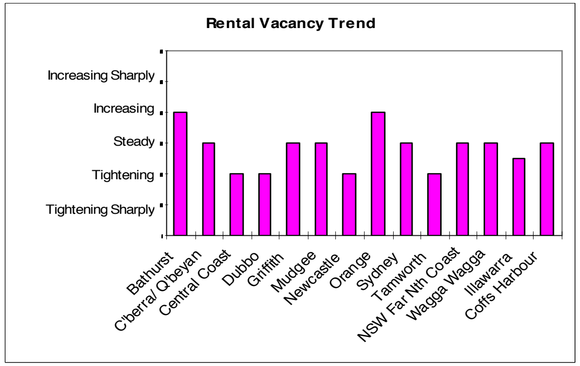


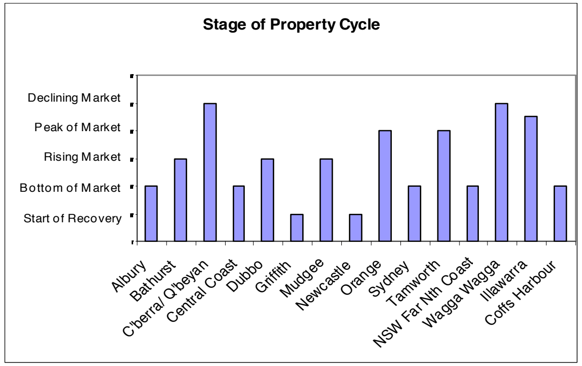
New South Wales Property Market Indicators as at January 2013 – Houses

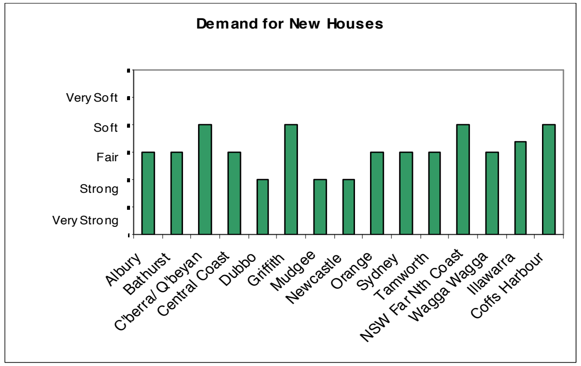
Factor	Albury	Bathurst	Canberra/ Q'beyan	Central Coast	Dubbo	Griffith	Mudgee	New-castle	Orange	Sydney	Tam-worth	Tweed Coast	Wagga Wagga	Wollon-gong	Coffs Harbour
Rental Vacancy Situation	Shortage of available property relative to demand	Balanced market	Balanced market	Shortage of available property relative 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	Over-supply of available property relative to demand
Rental Vacancy Trend	Steady	Increasing	Steady	Tightening	Tightening	Steady	Steady	Tightening	Increasing	Steady	Tightening	Steady	Steady	Tightening - Steady	Steady
Demand for New Houses	Fair	Fair	Soft	Fair	Strong	Soft	Strong	Strong	Fair	Fair	Fair	Soft	Fair	3.4	Soft
Trend in New House Construction	Steady	Steady	Steady	Steady	Increasing	Steady	Steady	Increasing	Steady	Steady	Steady	Declining - Steady	Steady	Declining - Steady	Declining
Volume of House Sales	Increasing	Steady	Steady	Steady	Increasing	Steady	Increasing	Steady	Steady	Steady	Steady - Declining	Increasing - Steady	Declining	Steady	Steady
Stage of Property Cycle	Bottom of market	Rising market	Declining market	Bottom of market	Rising market	Start of recovery	Rising market	Start of recovery	Peak of market	Bottom of market	Peak of market	Bottom of market	Declining market	Peak of market - Declining market	Bottom of market
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Occasion-ally	Occasion-ally	Occasion-ally	Almost never	Occasion-ally	Almost never	Occasion-ally	Occasion-ally	Occasion-ally	Occasion-ally	Occasionally	Occasion-ally	Occasion-ally	Occasion-ally	Occasion-ally

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

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



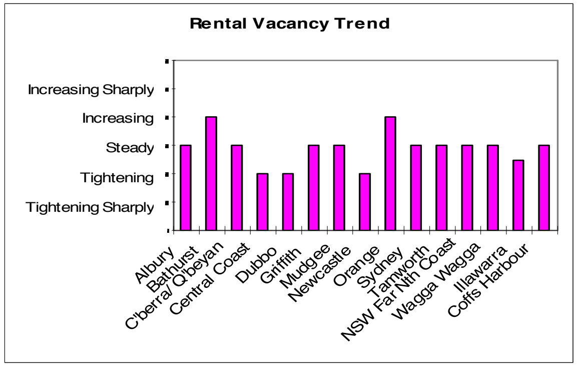


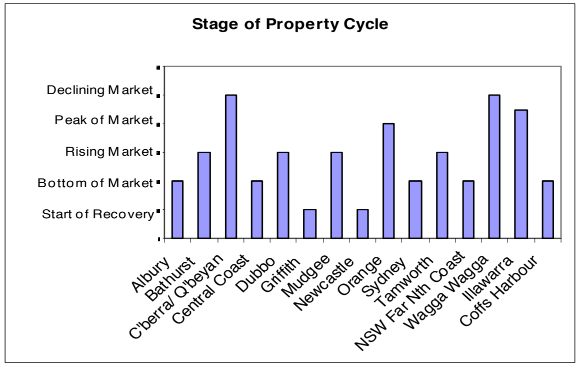


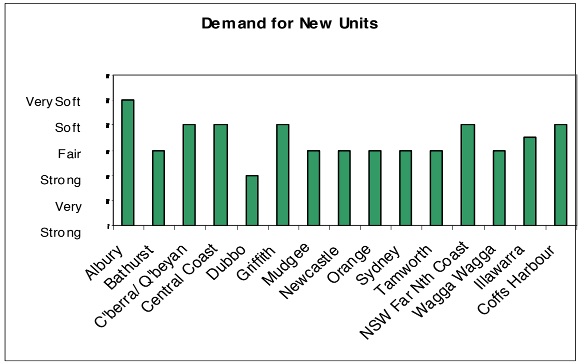
New South Wales Property Market Indicators as at January 2013 – Units

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	Shortage of available property relative to demand	Balanced market	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	Over-supply of available property relative to demand
Rental Vacancy Trend	Steady	Increasing	Steady	Tightening	Tightening	Steady	Steady	Tightening	Increasing	Steady	Steady	Steady	Steady	Tightening - Steady	Steady
Demand for New Houses	Very soft	Fair	Soft	Soft	Strong	Soft	Fair	Fair	Fair	Fair	Fair	Soft	Fair	Soft - Fair	Soft
Trend in New House Construction	Declining	Steady	Steady	Steady	Steady	Declining	Steady	Steady	Steady	Steady	Steady	Declining - Steady	Steady	Declining - Steady	Declining
Volume of House Sales	Steady	Steady	Steady	Steady	Increasing	Increasing	Steady	Steady	Steady	Steady	Steady	Increasing - Steady	Steady	Steady	Steady
Stage of Property Cycle	Bottom of market	Rising market	Declining market	Bottom of market	Rising market	Start of recovery	Rising market	Start of recovery	Peak of market	Bottom of market	Rising market	Bottom of market	Declining market	Peak of market - Declining market	Bottom of market
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Occasion-ally	Occasion-ally	Occasion-ally	Almost never	Occasion-ally	Occasion-ally	Occasion-ally	Almost never	Occasion-ally	Occasion-ally	Occasionally	Occasion-ally	Occasion-ally	Occasion-ally	Occasion-ally

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







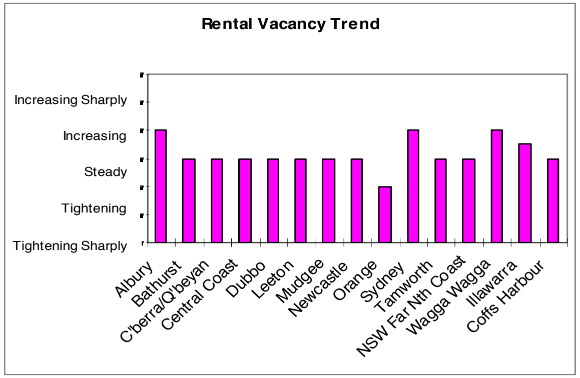
Herron Todd White
Independent Property Advisors

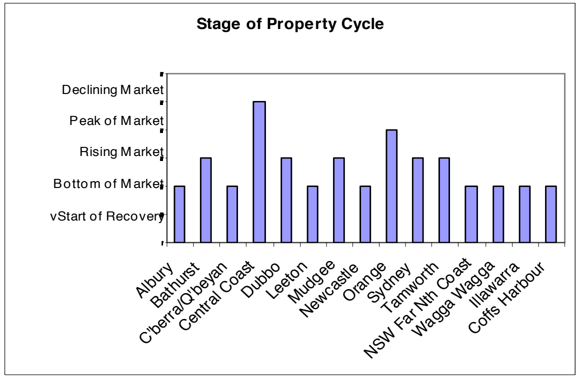
New South Wales Property Market Indicators as at January 2013 – Retail

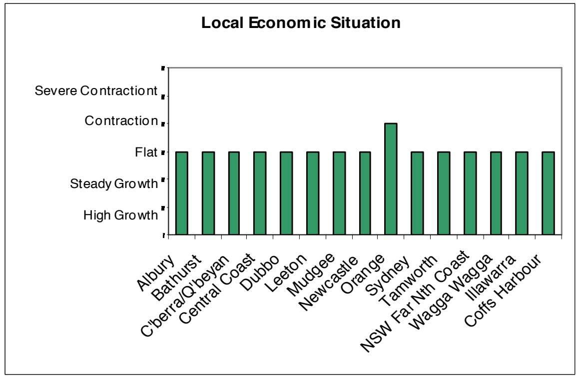
Factor	Albury	Bathurst	Canberra/ Q'beyan	Central Coast	Dubbo	Griffith	Mudgee	New-castle	Orange	Sydney	Tam-worth	Tweed Coast	Wagga Wagga	Wollon-gong	Coffs Harbour
Rental Vacancy Situation	Over-supply of available property relative to demand	Balanced market	Over-supply of available property relative to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





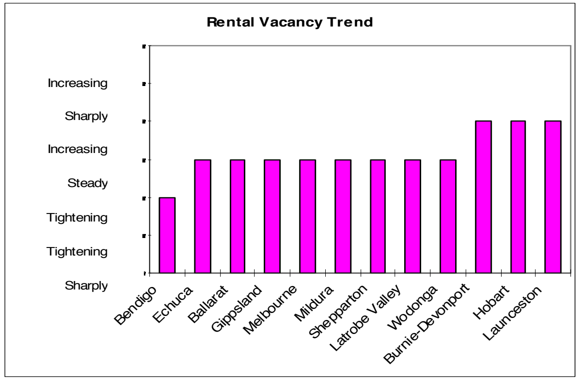


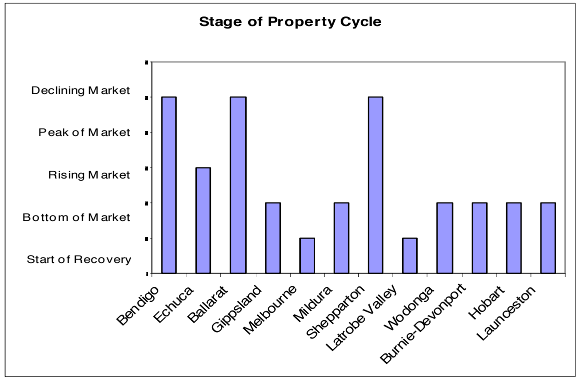
Victoria/Tasmania Property Market Indicators as at January 2013 – Houses

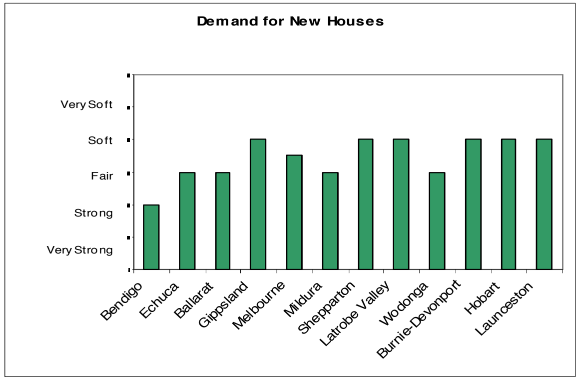
Factor	Bendigo	Echuca	Ballarat	Gippsland	Melbourne	Mildura	Shepparton	Latrobe Valley	Wodonga	Burnie / Davenport	Hobart	Launceston
Rental Vacancy Situation	Shortage of available property relative to demand	Balanced market	Shortage of available property relative to demand	Balanced market	Balanced market	Balanced market	Shortage of available property relative to demand	Balanced market	Shortage of available property relative to demand	Over-supply of available property relative to demand	Over-supply of available property relative to demand	Over-supply of available property relative to demand
Rental Vacancy Trend	Tightening	Steady	Steady	Steady	Steady	Steady	Steady	Steady	Steady	Increasing	Increasing	Increasing
Demand for New Houses	Strong	Fair	Fair	Soft	Soft - Fair	Fair	Soft	Soft	Fair	Soft	Soft	Soft
Trend in New House Construction	Declining	Steady	Steady	Declining	Steady	Declining	Declining	Declining	Steady	Declining	Declining	Declining
Volume of House Sales	Declining	Increasing	Declining	Steady	Steady	Steady	Declining	Steady	Increasing	Steady	Steady	Steady
Stage of Property Cycle	Declining market	Rising market	Declining market	Bottom of market	Start of recovery	Bottom of market	Declining market	Start of recovery	Bottom of market	Bottom of market	Bottom of market	Bottom of market
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Occasionally	Occasionally	Occasionally	Occasionally	Occasionally	Occasionally	Occasionally	Occasionally	Occasionally	Occasionally	Occasionally	Occasionally

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

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





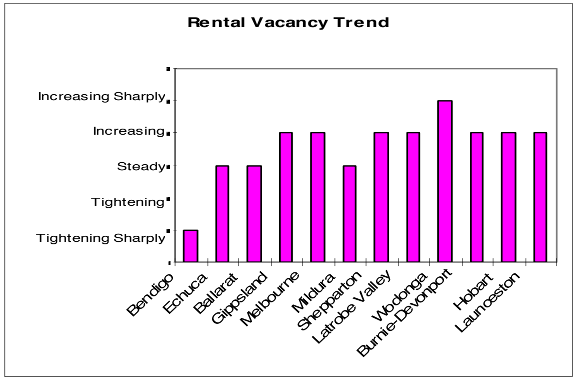


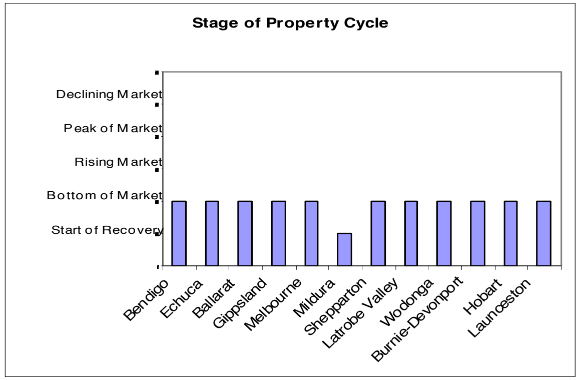
Victoria/Tasmania Property Market Indicators as at January 2013 – Units

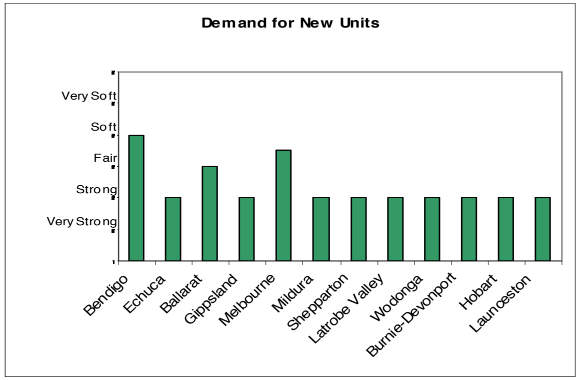
Factor	Bendigo	Echuca	Ballarat	Gippsland	Melbourne	Mildura	Shepparton	Latrobe Valley	Wodonga	Burnie / Davenport	Hobart	Launceston
Rental Vacancy Situation	Shortage of available property relative to demand	Balanced market	Shortage of available property relative to demand	Balanced market	Balanced market - Over-supply of available property relative to demand	Shortage of available property relative to demand	Shortage of available property relative to demand	Balanced market	Shortage of available property relative to demand	Over-supply of available property relative to demand	Over-supply of available property relative to demand	Over-supply of available property relative to demand
Rental Vacancy Trend	Tightening	Steady	Steady	Steady	Steady	Steady	Steady	Steady	Steady	Increasing	Increasing	Increasing
Demand for New Houses	Very strong	Soft	Fair	Soft	Soft	Fair	Soft	Soft	Very soft	Soft	Soft	Soft
Trend in New House Construction	Increasing	Declining	Steady	Declining	Steady - Increasing	Declining	Declining	Declining	Declining	Declining	Declining	Declining
Volume of House Sales	Steady	Steady	Declining	Steady	Steady	Steady	Declining	Steady	Steady	Steady	Steady	Steady
Stage of Property Cycle	Declining market	Start of recovery	Declining market	Bottom of market	Start of recovery - Bottom of market	Bottom of market	Declining market	Bottom of market	Bottom of market	Bottom of market	Bottom of market	Bottom of market
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Occasion-ally	Occasion-ally	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





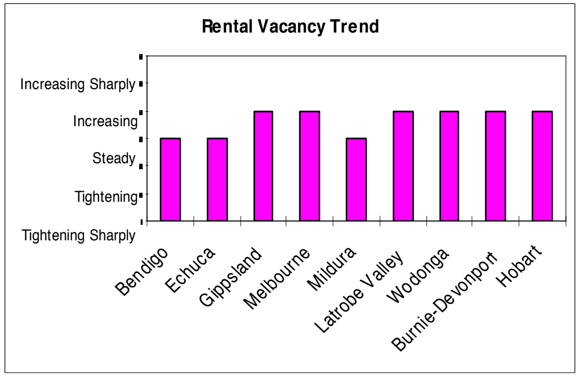


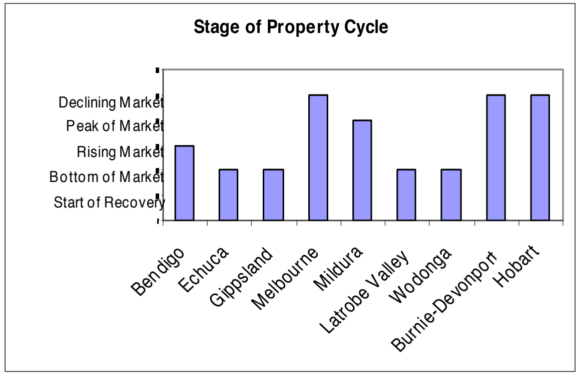
Victoria/Tasmania Property Market Indicators as at Jauary 2013 – Retail

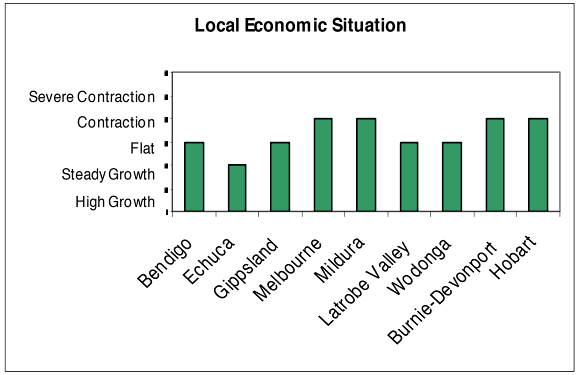
Factor	Bendigo	Echuca	Gippsland	Melbourne	Mildura	Latrobe Valley	Wodonga	Burnie/ Davenport	Hobart	Launceston
Rental Vacancy Situation	Balanced market	Over-supply of available property relative to demand	Over-supply of available property relative to demand	Balanced market	Over-supply of available property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







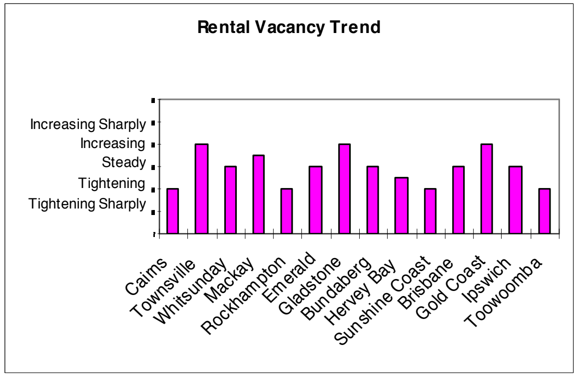
Herron Todd White
Independent Property Advisors

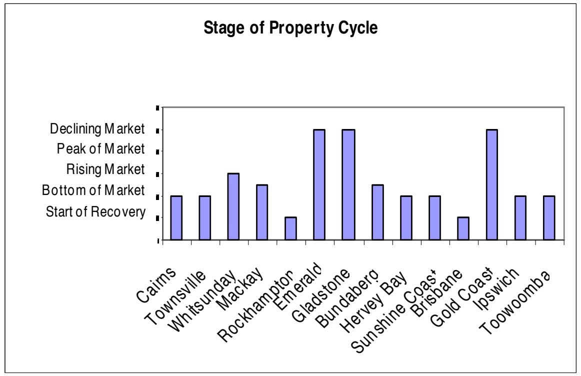
Queensland Property Market Indicators as at January 2013 – Houses

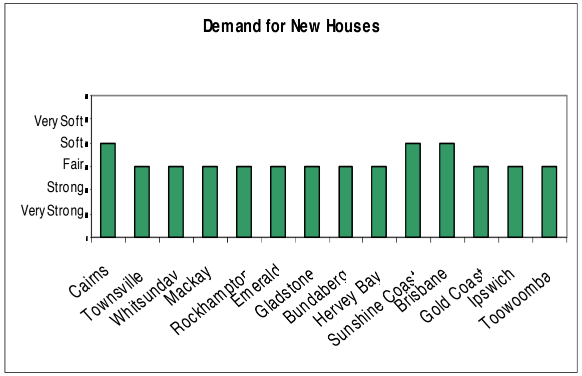
Factor	Cairns	Towns-ville	Whit-sunday	Mackay	Rock-hampton	Emerald	Glad–stone	Bunda-berg	Hervey Bay	Sun-shine Coast	Brisbane	Gold Coast	Ipswich	Too-woomba
Rental Vacancy Situation	Severe shortage of available property relative to demand	Shortage of available property relative to demand	Shortage of available property relative to demand	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	Balanced market	Shortage of available property relative to demand	Shortage of available property relative to demand
Rental Vacancy Trend	Tightening	Increasing	Steady	Steady - Increasing	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	Increasing	Steady	Steady	Steady	Steady	Steady	Increasing	Steady	Steady	Declining	Steady	Steady	Steady	Declining
Volume of House Sales	Steady	Steady	Steady	Steady	Increasing	Declining	Declining	Steady	Increasing - Steady	Steady	Steady	Increasing	Declining	Steady
Stage of Property Cycle	Bottom of market	Bottom of market	Rising market	Bottom of market - Rising market	Start of recovery	Declining market	Declining 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	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





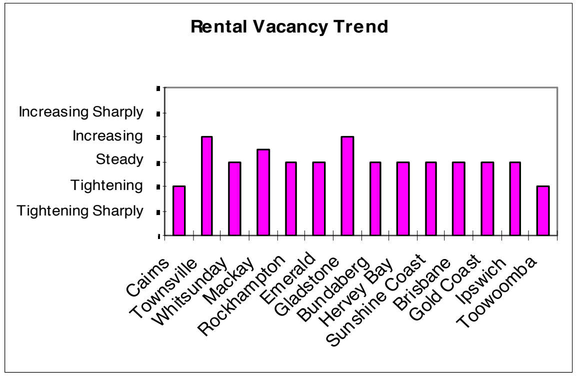


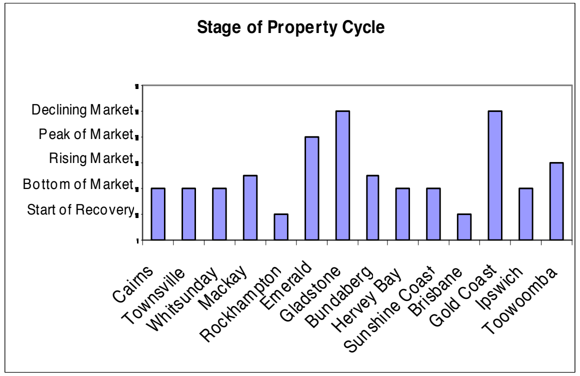
Herron Todd White
Independent Property Advisors

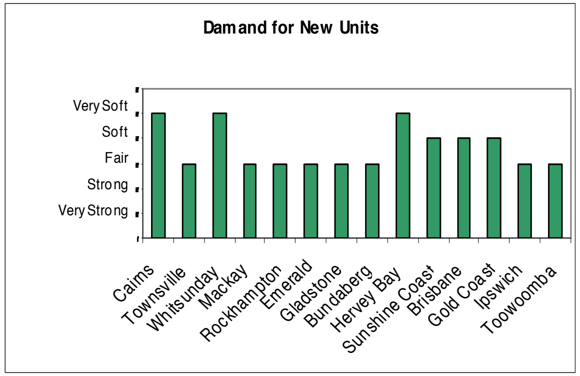
Queensland Property Market Indicators as at January 2013 – Units

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





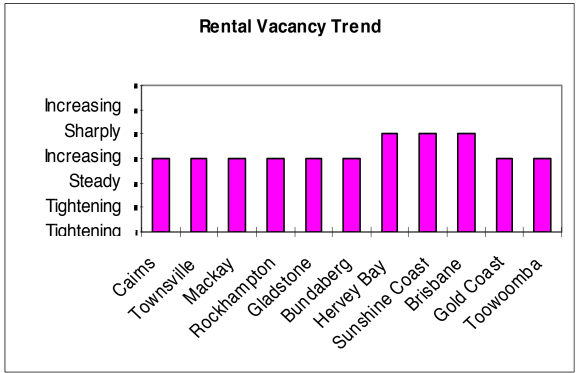


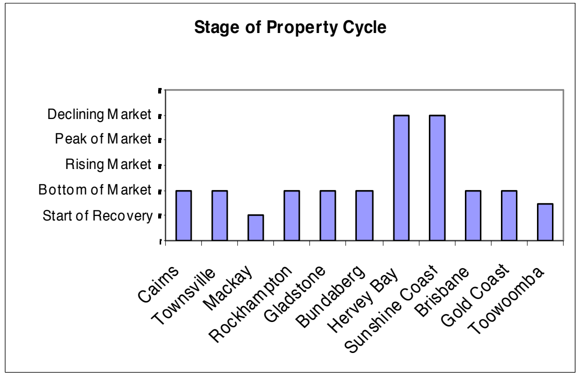
Herron Todd White
Independent Property Advisors

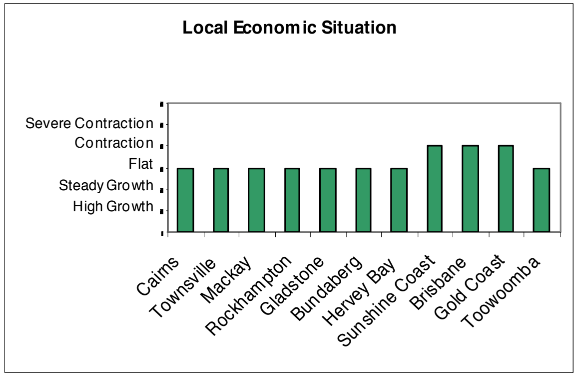
Queensland Property Market Indicators as at January 2013 – Retail

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



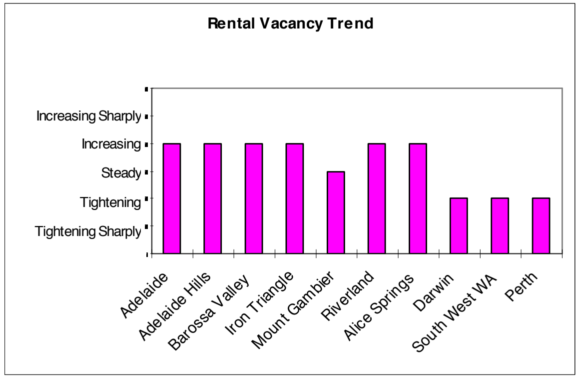


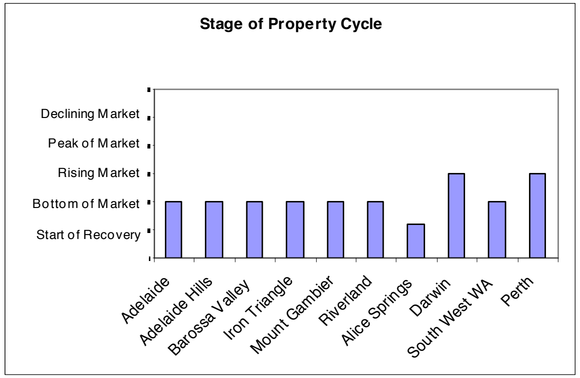


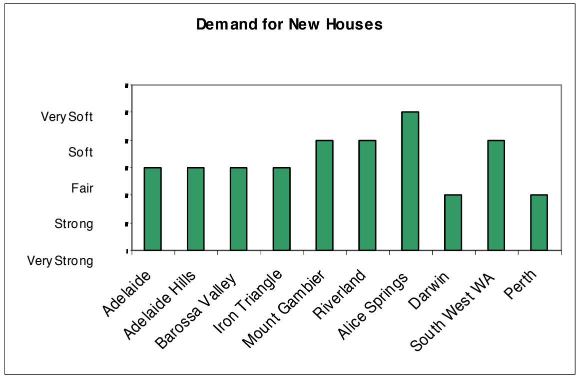
Northern Territory, South Australia & Western Australia Property Market Indicators as at January 2013 – Houses

Factor	Adelaide	Adelaide Hills	Barossa Valley	Iron Triangle	Mount Gambier	Riverland	Alice Springs	Darwin	South West WA	Perth
Rental Vacancy Situation	Balanced market	Balanced market	Balanced market	Balanced market	Over-supply 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	Increasing	Increasing	Increasing	Increasing	Steady	Tightening	Increasing	Tightening	Tightening	Tightening
Demand for New Houses	Fair	Fair	Fair	Fair	Soft	Soft	Very soft	Strong	Soft	Strong
Trend in New House Construction	Increasing	Increasing	Increasing	Increasing	Steady	Steady	Steady	Increasing	Steady	Declining
Volume of House Sales	Steady	Steady	Steady	Steady	Steady	Steady	Increasing	Increasing	Increasing	Increasing
Stage of Property Cycle	Bottom of market	Bottom of market	Bottom of market	Bottom of market	Bottom of market	Bottom of market	Start of recovery - Bottom of market	Rising market	Bottom of market	Rising market
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Occasionally	Occasionally	Occasionally	Occasion-ally	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*







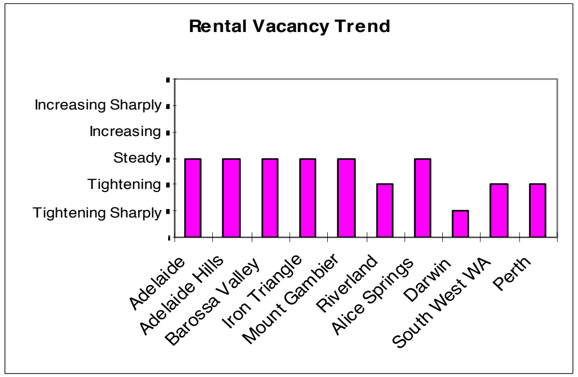
Herron Todd White
Independent Property Advisors

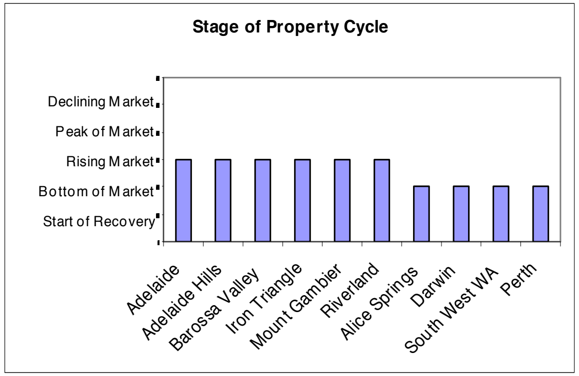
Northern Territory, South Australia & Western Australia Property Market Indicators as at January 2013 – Units

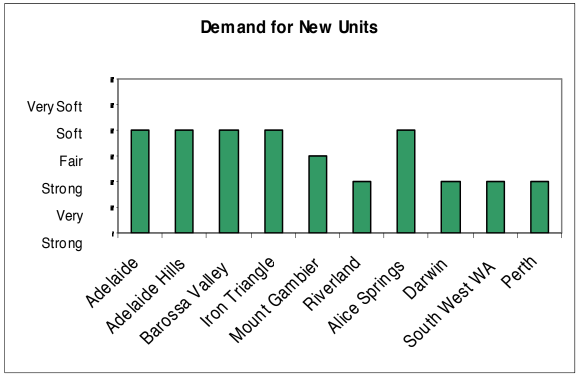
Factor	Adelaide	Adelaide Hills	Barossa Valley	Iron Triangle	Mount Gambier	Riverland	Alice Springs	Darwin	South West WA	Perth
Rental Vacancy Situation	Balanced market	Balanced market	Balanced market	Balanced market	Balanced market	Shortage of available property relative to demand	Balanced market	Severe shortage of available property relative to demand	Shortage of available property relative to demand	Shortage of available property relative to demand
Rental Vacancy Trend	Increasing	Increasing	Increasing	Increasing	Steady	Tightening	Increasing	Tightening	Tightening	Tightening
Demand for New Units	Fair	Fair	Fair	Fair	Soft	Soft	Very soft	Strong	Soft	Strong
Trend in New Unit Construction	Steady	Steady	Steady	Steady	Steady	Steady	Steady	Increasing	Steady	Declining
Volume of Unit Sales	Steady	Steady	Steady	Steady	Steady	Steady	Increasing	Increasing	Increasing	Increasing
Stage of Property Cycle	Bottom of market	Bottom of market	Bottom of market	Bottom of market	Bottom of market	Bottom of market	Start of recovery - Bottom of market	Rising market	Bottom of market	Rising market
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Occasionally	Occasionally	Occasion-ally	Occasionally	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 January 2013 - Retail

Factor	Adelaide	Adelaide Hills	Barossa Valley	Iron Triangle	Riverland	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	Large over-supply of available property relative to demand	Balanced market	Balanced market	Shortage of available property relative to demand	Balanced market
Rental Vacancy Trend	Increasing	Increasing	Increasing	Increasing	Steady	Steady	Increasing	Tightening	Steady
Rental Rate Trend	Declining	Declining	Declining	Declining	Stable	Stable	Stable	Increasing	Stable
Volume of Property Sales	Increasing	Increasing	Increasing	Increasing	Steady	Increasing	Increasing	Declining	Steady
Stage of Property Cycle	Bottom of market	Bottom of market	Bottom of market	Bottom of market	Bottom of market	Bottom of market - Rising market	Start of recovery	Bottom of market	Rising market
Local Economic Situation	Contraction	Contraction	Contraction	Contraction	Flat	Flat	Steady growth	Flat	Steady growth
Value Difference between Quality Properties with National Tenants, and Comparable Properties with Local Tenants	Small	Small	Small	Small	Large	Small	Significant	Nil	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