Herron Todd White
Independent Property Advisors

The Month In Review

2013 APRIL

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Contents

Peace of mind for your property decisions.

FLINCH! Who's moving first?

The market has been something like the pivotal scene from the 1966 film The Good The Bad and The Ugly over the past few years. Three excruciatingly long minutes of cinema where characters Angel Eyes, Tuco and Blondie stand in a triangle of tension while we wait for one of them to draw their six-shooter. We wait, and we wait and we wait and WILL SOMEONE PLEASE HURRY UP AND ... Finally!

There have been markets throughout the nation that have had false starts, further drops, mini booms and flat lines. It has been, at times, mind-numbing with the to and fro of buyers and sellers. The benign pace of capital growth has been like watching tar drip – everyone is just waiting for something, anything, to happen.

Then along comes the start of 2013 and like that, it appears a collective decision has been made to bring more solid support back to a limp market. We aren't talking a boom here, which is what you'll get from some observers, but it does seem more tangible this time. Auction clearance rates have been consistently tracking upwards, there's more than one offer being received on the right types of properties, and agents are starting to smile more consistently.

It is in this new world that pundits may well ask "what happened?"

Interest rates have been falling but there are still signs of a European debt problem (hand up who'is glad they didn't deposit their entire superannuation fund in a Cypriot bank right about now). Yields are looking better but a federal election looms. The movement in the market is welcome, but who was the first to flinch.

In this month's issue, we decided our professionals should take a box seat at this old fashioned pistols-at-dawn duel and with the accuracy of a high speed camera, determine who moved first. Was it just that after all the desperate vendors unloaded their properties, the remaining sellers were just being stubborn and have finally decided to drop down and meet the market? Perhaps it's the case that buyers ceased being so aloof and started realising that money may never be this cheap again and there is only so low a seller can realistically go. Fortunately, we have the people power to report to you who was quickest to upholster their steel and start the deals flying.

Commercially, our dusty hatted, hard riding pros in the office sector are going to give you greenhorns an education on what's up for 2013. It's these wily guys and gals with their street smarts set to steer you toward the green pasture of market knowledge for the coming year.

So get along little dogie… but don't forget that if you want to know who's about to make the next market move and you're keen to be ready when the firestorm starts, our Herron Todd White compadres are eager to sit by the campfire and set you straight on you property holdings.

Yeeeeharrrr!!!...(rawhide!)

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1 April 2013
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Commercial Overview

Travelling into 2013, office markets are part of a commercial sector that has struggled to gain a foothold and start seeing growth. Markets are tracking at different speeds throughout the country as you'd expect with varied performance between most capital and regional centers. This month, our office sector professionals will give you their take on where property is likely to go during the course of this year - a ready form guide on office property around the nation.

Sydney

The Sydney office market is starting to show some signs of improvement, although capital growth is expected to be limited over the next 12 months.

Rental Market

Total rental vacancies are currently 7.2% in the Sydney CBD based on information supplied in the PCA Office Market Report, January 2013. This vacancy rate indicates that vacancies have fallen in the past 12 months, however the percentage has been influenced by a number of buildings being withdrawn from the market for refurbishment. Suburban office vacancies are generally higher, with total vacancies reported to be 8.9% for Chatswood, 9.7% for Parramatta and 12% for St Leonards/Crows Nest. Overall, rental vacancies are expected to remain steady across the next 12 months, however an increase of new and refurbished stock entering the market may affect vacancies in the Sydney CBD, and office space in fringe locations are still expected to be more difficult to let.

Demand for office space on the North Shore remains focused primarily on North Sydney, however demand in Chatswood has improved with some take up of space in 465 Victoria Avenue. Demand for rental space in Parramatta has been limited due to a higher presence of older, lower quality buildings. The Chatswood Epping Rail Line has made office buildings in Macquarie Park/North Ryde more accessible to commuters, which has increased their appeal. We expect that demand for older buildings with lower building efficiency ratings will also decrease in the future, particularly as government tenants require minimum ratings to be satisfied prior to occupation.

Slight rental growth is expected to occur in the Sydney CBD, particularly within good quality buildings. In the suburbs, rental growth is expected to remain steady in established commercial office locations, however office buildings in fringe locations and those in poorer condition may see rentals fall. While unemployment remains relatively low, the Finance and Insurance Services Industries remain an issue, which is likely to impact on demand for office space moving forward.

Incentives for new tenants are still relatively high, falling between about 20% to 30% in the Sydney CBD, although incentives can reach above 30% for lower grade stock in metropolitan areas.

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Capital Values

There has been little movement recorded in capital values of office space in the past 12 months, however the volumes of sales have increased, with the greatest number of sales being from owner-occupiers, particularly with smaller spaces below 150 square metres. There has also been more interest from investors, although investors are generally seeking yields above 8%, with office buildings having stronger lease covenants proving to be more popular. Secondary stand alone buildings in fringe locations or with higher vacancies still face the least demand from purchasers. Moving forward, we expect investor demand to increase across 2013 to 2014.

Conclusion

Overall, we expect sales activity to increase in the coming 12 months, however rental growth is expected to be limited.

Canberra

Developments totalling 87,582 square metres more completed in Q3 and Q4 of 2013. These buildings included the Nishi Building developed by the Molonglo Group and to be substantially occupied by the Department of Climate Change; 4 National Circuit developed by ISPT, and 3 Molonglo Drive developed by Capital Airport Group, partially pre-leased to Defence. During the half year Juliana House, Woden was removed from the office stock – 6,746 square metres and is to be fully refurbished as 3.5 star hotel. The development is being undertaken by Geocon Construction and will comprise 153 rooms. (at a projected cost of $31.5 million) The building was purchased by Geocon in July 2012 for $7.5 million.

Overall the new completions have increased the overall stock to 2,284,119 square metres and the current vacancy level is 11.9% to 2.1% higher than in July 2012 (PCA January 2013). This is a worrying trend particularly as we face a general election in August 2013 and both major parties have indicated a desire to reduce the size of government. It is unlikely that any substantial leasing activity will be experienced in the next two maybe three quarters while government is virtually in a caretaker mode. Building owners and their advisors who hold buildings which have a short Weighted Average Lease Expiry (WALE) profile should be considering how their buildings can be repositioned in a different sector such as being witnessed with Juliana House, Woden.

Wollongong

The overall vacancy rate for office space in the Illawarra sits at a medium level with the Property Council of Australia reporting a total vacancy rate of 6.6% as at January 2013, a slight increase from the 6.5% reported in 2012. The A grade vacancy rate is low at 2% with the B grade vacancy at 9% and C grade vacancy at 11.4%. Please note, that the PCA survey excludes the commercial buildings (iC Central and Enterprise 1) at University of Wollongong's Innovation Campus for which there are vacancies.

Besides the ATO's new office development along Kembla Street that is due for completion mid 2013 (6,600 square metres) there is no new office development proposed in 2013 with the ATO's current premises at 10 Atchison Street to add approximately 5,500 square metres of space to the market in 2013. However it is uncertain if this space will be released to the rental market as the property is listed for sale.

Pre-leasing requirements make it difficult to finance new construction, while rents would have to increase to make projects viable. Given these constraints we do not anticipate any new office development in the year ahead. Efforts are being made to entice new state government agencies to the area, noting State Emergency Service (SES) have recently tendered for expressions of interest to develop a new office building (4,500 to 5,500 square metres to be located in the Wollongong LGA). SES will be moving from their older style smaller premises along Regent Street which it has occupied since 1990.

Yields for investment grade assets sit between 8.5% and 10% as exhibited by the sale of 60 Burelli Street for $7.65 million ($2,807 per square metre of lettable area), an analysed yield of 10.2%. For the year ahead it will be interesting to see if any of the higher valued assets sell with 10 Atchison Street, Wollongong (a 7,000 square metre A grade building currently occupied by ATO), 43 Burelli Street, Wollongong (9,720 square metre A grade building leased to numerous government and private tenants) and the state government property at 84 Crown Street, Wollongong currently on the market. Local media has also reported that the University of Wollongong plans to sell the Enterprise 1 building anchored by Illawarra Coal (BHP) in 2013, presumably on a 99-year leasehold basis.

Country NSW

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

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

....pre-leasing requirements make it difficult to finance new construction, while rents would have to increase to make projects viable....

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

The recent sale of Centrelink Dubbo for $7.55 million to local investors reflected a passing yield of 9.5% and analysed yield of 8.75%. The rent being paid was significantly higher than any other office building inz Dubbo.

There is a widening gap emerging for rents being paid between government agencies and private/local business. The requirement of government agencies to occupy "green energy efficient" buildings adds significantly to the build cost and developers are commanding and achieving higher rents.

WAGGA WAGGA

2013 will continue to see a static office market in Wagga Wagga. There is still an oversupply of stock available to lease, however there is a lack of larger office space available that suit government tenants. Rents have remained stable and should remain static for the next 12 months. There have been very few sales of office buildings in Wagga Wagga over the past few years and it appears that the market will stay like this for some time.

Newcastle

In our last discussion of the Newcastle office market we highlighted the lack of significant A grade space in the construction pipeline and the record low vacancy rates for this sector of the market. We mentioned the 18,000 square metre development at Lee Wharf known as "Honeysuckle Central", which was initially delayed due to extended negotiations with potential tenants on compulsory energy ratings. We also noted this there was doubt over the possibility of this development going ahead in the short term. Since this time this development has been scrapped and all signage on the site has been removed. There are now zero square metres of new A or B grade space in the pipeline.

Local agents have indicated that since the slowdown in the mining sector and falls in coal prices, those mining companies that were previously planning to expand and occupy the short supply of available office space in Newcastle, have now left the market and shelved those plans. Essentially while there is very limited quality office stock available, there is also very limited demand. Some significant refurbishments around town are however, seeing decent levels of enquiry.

The Watt Street Commercial Centre which will provide over 7,000 square metres of tenancies with large floor plates within the traditional Newcastle CBD is seeing a decent level of enquiry and we anticipate a high level of occupancy on completion which is due in mid 2013.

NSW Mid North Coast

This market remains generally static with continuing high levels of vacancies across all commercial sectors. Retail vacancies have remained high but similar to the past two months, and tenants are capatalising on this lower demand to force rent reductions or moving to other vacant premises upon expiration of their current leases.

Commercial and industrial rents remain low and demand for sales remains low. We still see most average quality and lower value commercial and industrial properties being purchased by owner-occupiers, although there is always demand by investors, for high value commercial property. Hopefully interest rate cuts will stimulate retail and commercial spending which in turn may stimulate the property market in these sectors.

Coffs Harbour

The Coffs Harbour commercial office leasing market features a slight oversupply against slow demand. Consequently secondary office locations or dated premises are proving difficult to lease and are price sensitive. This is particularly relevant to the western city precinct which has a high vacancy rate in vicinity of20%.

We expect slow leasing activity for the next three to six months due to a slow local economy and a lack of business confidence. There remains a reasonable supply of quality modern office accommodation with rental levels at $350 to $400 per metre square.

There has been a low offering of larger offices to the sales market. LJ Hooker are to auction a fully leased four storey older style refurbished building in the CBD in early April. This should prove a good market indicator.

A new office development in the Jetty precinct is nearing completion with strata sale prices recorded at $3,500 per square metre.

....there is a widening gap emerging for rents being paid between government agencies and private/local business....

The Coffs Harbour Draft LEP and the DCP act to protect the CBD Centre against fragmented competition by restricting the development of large tracts of commercial land (Enterprise Corridors) in areas outside the CBD. There has been extensive debate and opposition from stakeholders and sectors of the community.

Medical office accommodation, sales and leasing was strong through early to mid 2012 with sound growth in capital, sales and leasing. This activity slowed in late 2012, early 2013. There now appears to be a slight oversupply of accommodation and this market should stabilise in the short term.

Melbourne

While the short term outlook remains subdued, the Melbourne CBD office market continues to outperform the majority of its counterparts, with the Melbourne CBD standing out as the second strongest office market in Australia behind Perth. Vacancy rates are well below the national average of 8.1%, with the Property Council of Australia reporting a total vacancy rate of 6.9% in its January 2013 office market report. The vacancy rate will continue to rise throughout 2013 as new supply comes to market and Victoria's soft economic conditions potentially release further sublease space onto the market.

The rising vacancy rates within the Melbourne CBD have resulted in a steady increase in leasing incentives offered. Incentives currently sit around the 25% mark for A grade space with reports of up to 30% for buildings with large amounts of space available. With vacancy rates expected to peak at around 8% by 2014, there is likely to be a further decrease in effective rents as incentives rise further to prop up leasing demand. Backfill space will also be an issue, more so for the B grade submarket which may see incentives remain high for some time at 25% to 30%.

....secondary investment assets continue to reflect attractive yield spreads with much of the demand coming from private investors, syndicates and Self Managed Super Funds....

Leasing agents however, remain optimistic about a recovery in leasing conditions forecast for the latter part of 2014. In some submarkets, agents are advising landlords to contribute generously in order to secure tenants for two to three years until the market recovers and leases can be renegotiated. Smaller CBD office tenants continue to look elsewhere by considering accommodation options within established inner suburban office locations.

On the buy side, the Melbourne CBD investment market had a flurry of activity during the latter parts of 2012 and start of 2013. Demand remains strong for A and high B grade assets with long lease expiries and minimal capital expenditure requirements. Prime yields have begun to show signs of firming with a number of recent large institutional transactions reflecting yield compression. This reflects the large amounts of capital, much of it offshore, chasing limited opportunities. The offshore buyers continue to be major players in the market, attracted to our stable economy (relative to our global counterparts), low interest rate environment and stable political climate.

Secondary investment assets continue to reflect attractive yield spreads with much of the demand coming from private investors, syndicates and Self Managed Super Funds (SMSF). Investors are reportedly buying now in anticipation of medium term rental growth and the inevitable yield compression which follows.

With regard to the inner suburban and fringe CBD office markets, they are in effect mirroring the leasing conditions being experienced in the CBD. In certain submarkets, incentives are relatively high in the 20% to 25% range, particularly for secondary office floors, with landlords in many cases offering fitted space to prospective tenants to ease the fitout funding burden. On the buy side, like the CBD, there is a lack of good quality investment assets available for sale within the city fringe and inner suburban locations. Recent sales activity also suggests that market yields are firming for well located investment assets with strong lease profiles and limited capital expenditure requirements. Strong demand for these types of properties sitting within the sub $15 million price range is coming from a large pool of buyers including private investors, syndicates and Self Managed Super Funds (SMSF). Currently, we are also observing strong demand from overseas, particularly Asian private investors.

Regional Victoria

BENDIGO

Conditions for commercial office space remain tight, though there should be some easing over the next 12 months with an increase in supply coming on line. Some of this supply will be courtesy of the second level being developed on the offices of local real estate agents Dungey Carter Ketterer in the Bendigo CBD. In a new type of development for Bendigo, it involved the installation of 16 prefabricated modules.

Investment grade commercial property continues to perform well in Bendigo on the back of a tightness in supply, with investors chasing higher yields as a consequence of the low returns on offer elsewhere in the current low interest rate environment.

The sub $350,000 market for industrial property continues to perform well, driven by an undersupply of appropriately sized allotments and developments. Conditions are tougher at higher price points, with sluggish demand for larger lots and bigger sheds. Conditions in the East Bendigo precinct remain sluggish, with greater interest in industrial estates to the south of Bendigo, such as the Golden Square industrial precinct.

Conversely conditions are tougher at the lower end of the retail market, consistent with difficult trading conditions being encountered by many small operators, with an increase in vacancy levels being seen. However, well located larger retail sites continue to be tightly held, with limited vacancy.

ECHUCA

Mixed results for the Echuca/Moama commercial market with several properties sold at auction. The development market still appears to be under some pressure with two medium term development sites being put to auction and just one recieving any interest and subsequently selling at a level well below what it was purchased for several years ago. Meanwhile a group of shops in the heart of Echuca was sold at auction and one or two other properties have transacted off market with a few more coming up in the next month or two. The development of the old IGA supermarket which now houses The Reject Shop, Best & Less and LJ Hooker in conjunction with Peats New Offices opposite the last roundabout on the way to Moama reflect confidence for continued local progress. Additional office space on High Street is likewise a good sign of progress locally.

Adelaide

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

Numerous new office buildings have finished construction in the past 12 months and the backfill generated by tenants relocating into these new buildings is now starting to enter the market as refurbished office space. This has caused the vacancy rate in the Adelaide CBD to increase to 9.5% as reported by the Property Council of Australia in January this year. Later this year Bendigo Bank will relocate into its new premises on Grenfell Street leaving more backfill. As all recent backfill is refurbished and released to market it is predicted that the vacancy rate will only rise further in the next six to 12 months. However with limited new construction expected beyond 2013 this backfill should be slowly absorbed in the next year or so. Rental rates should remain overall fairly stable, but incentives are expected to increase.

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Adelaide CBD Market Summary as at January 2013

	Stock (m^2)	Vacancy (m^2)	% Vacancy	Annual Net Absorbtion (m^2)
Primary	524,152	32,267	6.2%	30,628
Secondary	816,682	95,379	11.7%	-23,137
Total	1,340,780	127,646	9.5%	7,491

(Source:PCA and HTW Research)

Adelaide Fringe Market Summary as at January 2013

	Stock (m^2)	Vacancy (m^2)	% Vacancy	Annual Net Absorbtion (m^2)
Primary	34,597	577	1.7%	3,037
Secondary	179,146	12,563	7%	-87
Total	213,743	13,140	6.1%	2,950

(Source:PCA and HTW Research)

High quality office space remains in demand and the following numbers highlight this point showing increasing vacancy rates as the quality of the property decreases.

CBD Office Vacancy Rate by Grade as at January 2013

Grade	Vacancy Rate (%)
Premium	3.2%
A Grade	6.4%
B Grade	10.8%
C Grade	11.5%
D Grade	15.1%

(Source: PCA and HTW Research)

Given the strong demand for primary stock it appears as though private investors are now beginning to capitalise on the potential for upgrade and redevelopment of secondary stock in order to meet this demand.

Brisbane

The Property Council of Australia puts the Brisbane CBD vacancy at 9.1% in January 2013 up from 8% in January 2012. This reflects the relatively lower levels of demand for CBD office space, particularly from resources sector tenants. A notable exception to the reduction in demand for CBD office space by resource sector tenants was the Arrow Energy who remains in an expansion phase as they work towards commencement of the LNG train in Gladstone. Arrow Energy took 14,800 square metres of office in 111 Eagle Street in a lease that commenced March 2013. Both government and private sector cost cutting has shown an increase in the office space available for lease and sub leases. The Brisbane market generally has seen caution from tenants with relatively low levels of business confidence leading to procrastination by companies in looking forward at their future accommodation needs.

As the vacancy rates in the Brisbane CBD have increased over the six months to January 2013 we have seen a noticeable increase in the incentives offered to potential tenants. These incentives had declined somewhat over 2011/2012 driven by the demand for office space by the resource sector. However this changed over 2012/2013, due to a decline in the resources sector as projects are put on the shelf along with the state government downsizing and subsequent reductions in office space requirements. As a result we have seen increases in incentives, with Prime CBD tenancy's being offered incentives of up to 30% of gross income.

Vacancy has also been increased across the Brisbane CBD by strong supply additions through 2012 (105,463 square metres) along with many tenants downsizing. This has led to an increase in the supply available within the sub leasing market – much of which is considered to be not reported as yet. 2013 will see a reduction in the total additional supply with only 21,315 square metres projected to come onto the market followed by no new supply projected in 2014. Net absorption in the six months to January 2013 remained positive at 2,406 square metres however this is a significant drop from the net absorption figure from the six months to July 2012 and January 2012 which reflected 33,320 square metres and 53,867 square metres respectively. These conditions have seen stable face rents however a reduction in effective rents due to the increases seen in the incentives offered.

The Brisbane CBD fringe has also seen an increase in vacancy rates which at January 2013 sit at 9.6% up from 7.5% in January 2012. This is despite no new supply within the Brisbane CBD fringe in the six months to January 2013. Worsening negative net absorption figures within the fringe of -14,360 square metres at January 2013 shows a decrease from positive net absorption of 15,181 square metres in January 2012. Additional supply over 2013 is projected to be 49,420 square metres will further increase vacancy rates despite approximately 72% of this new supply having pre-commitments. The Brisbane CBD fringe market will not be as significantly impacted by the stage government's reduction in space requirements as the CBD, however there has been an increase in the sub-lease stock on the market within this segment. This is considered to negatively impact upon potential rental growth in the near future.

....both government and private sector cost cutting has shown an increase in the office space available for lease and sub leases.....

The Brisbane CBD had total transactions of just over $1 billion over 2012 which was the best result since 2007. Much of this activity was by AREITs purchasing major CBD assets with notable purchases being 12 Creek Street for $241.60 million by DEXUS Property Group (50%) and DWPF (50%) and 10 Eagle Street for $195 million by Brookfield. Interest from Sydney and overseas is expected to convert to investment within the CBD and see a firming of yields over 2013 despite the flat tenant market. The Brisbane CBD fringe however saw less activity by institutional investors. 2013 is expected to see tough conditions remaining par for the course for both the Brisbane CBD and CBD fringe markets.

Gold Coast and Tweed Coast

The January 2013 edition of the Property Council of Australia's Office Market Report was released earlier this year. The report indicates a slight tightening in the vacancy rate on the Gold Coast, down to a still substantially high level of 20.3%. The rate has come back from 21.5% in July 2012 and the record high level of 24.1% seen in January 2011.

The current vacancy reflects around 95,000 square metres of unoccupied floor space, out of a total of around 465,000 square metres.

There have been no significant changes in the market over the past three to six months. No floor space of particular significance has been added, while take up has been relatively modest. However having said that, local agents have reported an increase in the level of activity since late 2012, which suggests that the actual current vacancy may be slightly lower than the reported January figure (i.e it could potentially be below 20%).

In general local economic conditions remain flat and will need to improve before we see any significant reduction in the vacancy rate.

Over the year ahead we foresee that the office market will continue along on a steady but subdued course, in line with the subdued local economy. Due to the high vacancy rate and depressed values, we do not foresee any new, substantial buildings being constructed. There may be however some refurbishments of older style buildings, bringing them up to more modern, possibly 'greener' standards.

One such area that is crying out for rejuvenation is Bundall. Bundall was previously a bustling office hub but now consists primarily of older style buildings and suffers from a 27% vacancy rate, being the highest rate in the city. Improving the standard of accommodation through refurbishment, the provision of better retail and dining amenities, and the better provision of car parking would be required to transform this into a vibrant office precinct. There may be real opportunity for this to happen, as a flow on from some of the very affordable prices we are seeing within the area. A further catalyst could be Council's acquisition of the two Waterside Buildings of circa 17,000 square metres NLA in 2012 for circa $32.5 million, with the view to consolidate staff currently spread throughout the city. These buildings are nearby to the existing Council Chambers in Evendale, which is mooted for conversion into a civic and cultural precinct.

....2012 turned out to be a positive year for the office market on the Sunshine Coast....

Another building mooted for refurbishment is the semi-modern building at 29 Elhorn Avenue, Surfers Paradise. There is a proposal for this building to be extended and upgraded, with the aim of achieving a 5 star green star rating. This will be the first building of this standard in Surfers Paradise, and it is currently undergoing a pre-leasing campaign.

As reported in previous issues of the Month In Review, there continues to be good sales and leasing deals to be had, which will hopefully provide businesses a chance to improve their bottom line, and give owners more opportunity for future gains, and to make the refurbishment of older buildings more feasible.

Sunshine Coast

Looking back, 2012 turned out to be a positive year for the office market on the Sunshine Coast. During 2012 we have seen the take up of office space within primary locations such as Maroochydore with the new commercial building at Emporio Maroochydore nearly fully leased and several larger tenancies being leased in the Kawana Business Village at Birtinya. Given the lower rental levels for A grade office space several companies have taken the opportunity to upgrade to more modern and larger accommodation, however this has left increased vacancies for secondary and backfill space.

The January 2013 PCA Office Market Report paints a strong picture of the trends occurring on the coast. The data shows that vacancy rates for A grade accommodation have decreased slightly from 7.7% in January 2012 to 7.2% for January 2013. However overall the vacancy rate has risen to 13.9% in January 2013 from 11.7% in the previous year with the majority of vacancy being B and C grade stock. This increase can also be explained with the addition of a further 7,500 square metres of space in 2013 with net absorption of approximately 5,700 square metres.

Looking forward for 2013 we are expecting little movement for the office market across the Sunshine Coast. Given the current vacancy levels, lack of demand from businesses and limited employment growth we expect vacancy rates for secondary space to remain similar to the January 2013 data with some further decreases in vacancy rates for A grade stock given the attractive rental levels. Predicting the direction of yields during 2013 will continue to be difficult with investors reverting back to investment fundamentals with discounting of yields occurring if properties don't meet the investor's specific investment criteria. Over the past three to six months we have seen several office projects starting to be marketed, however getting projects out of the ground in the current marketplace is proving difficult without significant preleasing commitments.

Southern Queensland

Leasing

Leasing activity in the Toowoomba office market is considered moderate with little movement in rentals evident. Supply also appears to be relatively static with no major office developments expected in the near future.

The recent surge in business activity in the nearby Surat Basin energy sector has not significantly impacted the Toowoomba office market to date. The major energy companies appear to have established large head offices in Brisbane with smaller branches located close to the activity in locations such as Dalby, Chinchilla and Roma. Toowoomba, which is geographically positioned between these locations, has yet to benefit significantly.

Yields

After several years of relative inactivity, 2012 saw a number of investment sales of commercial office property in Toowoomba. These sales included:

Address	Sale Price	Analysed Yield
8/532 Ruthven Street	$860,000	9.3%
2 Russell Street	$1,200,000	8.95%
126 Margaret Street	$2,250,000	8.83%
13 Kitchner Street	$2,455,000	8.84%
516 Ruthven Street	$3,225,000	9%

The 2012 sales show a definite softening of yields from previous sales (dating back to 2008/2009) which reflected yields in the 7.5% to 8.5% range. These yields will likely remain static until leasing demand and rentals increase.

Central Queensland

ROCKHAMPTON

The office market in Rockhampton is generally concentrated around the CBD. We have reported previously that over the past few years a number of older style D grade buildings have been purchased for refurbishment. 2012 saw the completion of a number of major refurbishments. This is providing a revitalisation of parts of the CBD. Quality offerings in Rockhampton were scarce for many years. However there is a possibility the city is headed for an oversupply in the market. A number of tenants have relocated from older style premises into newer, better quality space leaving behind the lesser quality space. Many of the older offerings will require substantial capital expenditure to improve their letting prospects.

....the spin off from the Gladstone market has not increased rents or market values in the Bundaberg office market overall....

It is unlikely that there will be any further requirement for additional space by primary users such as state and federal governments in the short to medium term. There is also likely to be little support from mining and mining contracting companies in the short to medium term or until the industry stabilises.

Further developments in the office market are planned including the ex-Grand Hotel site in Archer Street. The proposed development will provide a modern, two storey commercial building offering a range of floor plates. Preliminary earthworks has also commenced on the Empire Complex. The site is located on the corner of Quay and Archer Streets overlooking the Fitzroy River. The complex will be mixed use retail/residential. Construction is expected to be completed in 2014.

The most recent sale in the office market is the sale of newly constructed premises in East Street, Rockhampton for $9 million. The property is fully tenanted by two major tenants subject to 10 year leases. The rents are leading and this is a record sale for the city. The ex-Commonwealth Bank building in East Street is also reportedly under contract. The property was previously purchased in 2007, prior to the Commonwealth Bank vacating as a tenant. The building has been listed on the market for sale for a number of years and has been in the hands of receivers for an extended period. The building has been vacant since the Commonwealth Bank vacated in 2007. The sale will reflect 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 in both East Street and fringe CBD locations.

In terms of rents in and around the city, better quality offerings are generally achieving $250 to $300 per square metre gross per annum.

BUNDABERG

The spin off from the Gladstone market has not increased rents or market values in the Bundaberg office market overall. Bundaberg offers a lower priced office market in comparison to Gladstone, however this has not been enough to entice businesses to Bundaberg in search of office space. Generally we anticipate rental vacancies to remain at current levels. The full impact of the Bundaberg flood in January is yet to be felt by the office market and the flow on effects on employment and business confidence may negatively impact vacant properties.

HERVEY BAY

The leasing market in Hervey Bay is currently erratic with interest for new premises however limited demand for secondary location product. Government departments still appear to be active however with some recent leases being executed, the depth of this interest may be waining.

Some older offices in strata unit complexes are transferring for what one would perceive 'good buying' however most of this activity is from owner-occupiers. Vacancies are generally steady however asking rental rates are volatile in the older premises. The longer spaces remain vacant, lessors become anxious and eventually adopt a 'take whatever you can get' approach which, when this happens, negatively impacts rental rates in the broader locality. Leasing incentives are likely to remain common to attract tenants and lease up periods in the order of six to nine months may be necessary. Rental rates can range from $160 per square metre net up to $325 per square metre net in new premises such as 'The Signature'. Yields are currently difficult to gauge due to limited evidence however we understand 8% to 9% net returns are still achievable if priced below $800,000.

Construction of the new St Stephens Hospital has commenced and is due for completion in late 2014. It is anticipated this project will attract allied health professionals therefore we may see some increase in interest for office space as this project nears completion.

MACKAY

The office market in Mackay is heading toward a period of over supply at a time when rental demand has weakened because of a downturn in the coal mining industry.

The most significant impact to the market will be the completion (in late August 2013) of a six level, 7,000 square metre office building currently under construction at 44 Nelson Street. The former Bligh State Government agreed to lease this building but now with a more 'cost conscious' Newman administration it is likely that a proportion of this accommodation will be surplus to requirements and available to alternative users. Additionally a number of state government departments will relocate to this building leaving substantial office vacancies in their former premises. Inevitably the addition of such a large area of space to this regional market will push vacancy levels up and will put downward pressure on rental levels from late 2013.

Adding to this oversupply will be a vacancy created when the Mackay Centrelink office relocates from the city centre to a new building currently under development in the Mount Pleasant Greenfields precinct. Another 372 square metres are currently being added to a building at 224 Victoria Street.

Larger coal mining companies are now rationalising their office requirements in Mackay as cost cutting continues in this industry. This has caused office accommodation to be released on to the rental market.

Despite this looming oversupply, rental rates have eased only slightly in the recent past and there have been no new lease agreements to our knowledge which show any significant decline. We anticipate that the full impact of the change in the supply / demand dynamic will be felt in the market through 2014.

Understandably, sentiment amongst investors has deteriorated and there has been very little sales activity of commercial office properties above $1 million. Buyers would no doubt be fearful of a potential erosion of investment returns as subsisting leases head toward market reviews in a softening rental market.

....Gross effective rents for good quality office space in Cairns have remained stable since the market peak, when prime rents reached around $360 per square metre per annum....

GLADSTONE

All sectors of the Gladstone real estate market including the office market are intrinsically linked to the ongoing growth within the major liquefied natural gas (LNG) projects being undertaken in the region. We consider current market conditions to be firm for good quality office accommodation; however volatility and potential price vulnerability is expected in the next 12 months extending through the calendar year 2013 due to peak workforce numbers relating to the construction of LNG projects being reached.

Office rents in Gladstone have increased substantially and are now at record high levels. These levels can be attributed to the significant LNG related activity in Gladstone. Much of the demand for new office accommodation has come from businesses associated in some way with the LNG projects. As the construction workforce peaks and passes during 2013 an increase in vacancies may appear resulting in a decline in rental levels.

History has shown that after a period of significant growth in prices/rents in Gladstone, the market experiences a period of low demand and price reductions. This causes volatility and increases the risk for property values in Gladstone.

Cairns

The Cairns office market underwent a considerable period of expansion from 2007 through to 2010 when several new office buildings were constructed, resulting in the addition to the market of a number of quality buildings with 4 star green star ratings. These buildings are now all fully let and have addressed the undersupply situation that previously existed in regard to prime space. A state government office tower with 9,500 square metres of leaseable space was the last to be completed in September 2010.

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

....The year ahead for the CBD office market is likely to be both exciting from the perspective of new product coming to the market and an increased work force in the CBD....

There are two potential new office complexes on the development horizon; one to be located on the CBD fringe and the other designed for a particular tenant in Cairns North. Site acquisitions have taken place but no construction has commenced on either site.

Townsville

Townsville's CBD office market currently has three new office buildings under construction, which will see a total of just over 21,000 square metres of A grade office space come online over the next six to eight months.

The new office tower under construction at 420 Flinders Street will be predominantly occupied by Ergon Energy who will be relocating staff from an owner-occupied property in Garbutt, which will continue to be utilised as the businesses operation hub. The new office building will have a residual 625 square metres space available for private sector use for café/retail and office.

The 'Verde' office tower, which is also located in Flinders Street is to be occupied by state government departments. These tenancies will relocate from existing buildings within the CBD and suburban areas along with some from the state government owned buildings in the CBD. It is likely that there will be residual space available in this new building once the state government departments have occupied their space, that will then be offered to the private sector.

NQN House will provide new accommodation for North Queensland Newspaper Ltd with a residual 723 square metres of office space available.

Townsville's CBD currently has a total NLA for A grade product of just under 40,000 square metres. These new buildings will provide an additional floor space of just over half of the existing A grade space.

Vacancy rates for both A and B'grade product in the CBD have seen an increasing trend along with negative net absorptions over the past six months due to downsizing within both public and private sectors along with relocating.

The year ahead for the CBD office market is likely to be both exciting from the perspective of new product coming to the market and an increased work force in the CBD. These new office towers will set the bar for new office developments in Townsville in both energy efficiencies and reducing of carbon footprints.

However there will be difficulties ahead for this sector as further vacancies occur with the completion of these new buildings and staff relocations coupled with the existing availability of stock providing an oversupply of space. We are likely to see incentives increase as owners look to secure and/or hold on to existing tenants.

Darwin

According to the latest Property Council of Australia report, the Darwin CBD office market comprises a total of nearly 207,000 square metres, of which 103,000 square metres is A grade space and the remainder of lower quality. The vacant rate in A grade is 2.3% but the overall vacancy rate is 8%, confirming that lower quality accommodation is more difficult to rent.

Strong economic growth, especially in relation to Inpex and other oil/gas projects would ordinarily lead to an increase in demand for all forms of property including commercial office accommodation. However, we have seen that some of these proponents such as Conoco Phillips are choosing to relocate their administrative requirements to larger capitals or alternatively on site. To date, there is little evidence of an increase in demand for CBD office accommodation.

One market segment which shows some promise is strata office space. Consultants and other small businesses are seeking suitable accommodation, which has historically not been highly supplied in the Darwin market, which is still dominated by government.

We are also starting to see inferior quality accommodation being converted to residential use, with the prime example being the new "H" Hotel in the shell of the old AANT building. We expect to see more of this type of conversion in the future, especially considering the residential accommodation shortage in Darwin.

Perth

Throughout 2012 the Perth office market continued to outperform all other major Australian capital cities and according to the Property Council of Australia, 173,169 square metres of new supply was added to the Perth CBD over the course of 2012. These significant supply additions, such as Raine Square and Brookfield Place increased the Perth CBD office space by 10% and now leaves the current vacancy rate operating at 5.7%, up 2.4% since the same time last year (3.3%).

Net absorption in the Perth CBD office market was recorded at 102,870 square metres (a 28% increase), with 84% of this space being considered prime office space. This indicates Perth CBD office tenants are still continuing to favour or upgrade to premium or A grade space. The completion of these major developments loosened the Perth vacancy rate in the latter half of 2012, however there is speculation that Perth's office market of new supply will bottleneck through to late 2014.

There are several short term factors affecting the Perth office market including:

- Companies such as major mining groups not releasing space for back filling when they are occupying new space;
- The inability to secure finance without major pre-commitments;
- The perception by some major institutions that Perth's office market is volatile; and
- The time lag between commencement and completion through approvals and construction.

The current supply pipeline for 2013 consists of mostly refurbished space, with small new buildings under construction in West Perth at the western periphery of the CBD, totalling approximately 17,825 square metres. Other than this there is no other new supply under construction and as a result, this minimal supply may see the Perth office rental market tighten for tenants. The major office projects such as 123 St Georges Terrace, City Link and Waterbank are likely to address this forecasted shortage however, none of these projects will be delivered to the market pre 2015. The Treasury building due for completion late 2014/early 2015 is fully pre-committed by government tenants.

To encourage and enhance the major CBD office territory, the City of Perth has recently implemented amendments No. 25 and 26 to the City Planning Scheme. These amendments primarily aim to encourage development via changes made in plot ratio and built form controls. The city will award bonus plot ratios by up to 50% for developments which include the preservation of heritage features, the implementation of appropriate and effective public space and amenity and developments which include boutique hotel space. The city has identified a number of underdeveloped sites and due to restricted supply of CBD space, the city is looking to encourage and maximise development potential to offset future supply shortage.

...the current supply pipeline for 2013 consists of mostly refurbished space, with small new buildings under construction in West Perth....

These amendments were implemented in late February 2013 and the City reports already having received applications for site amalgamations and older developments seeking advice on redeveloping. Whilst it is too early to tell how these legislative changes will impact the CBD market, it is a positive sign that the city is on board with supporting appropriate and high quality development going forward.

While 2013 may see some pressure on tenants, particularly in the Premium Grade office space, the outlook for Perth's office space remains positive. With signs for ongoing demand for the state's resources paired with durable demand for energy the range of committed projects is likely to provide WA with a buffer against global uncertainty into 2013.

South Western WA

Continuing demand for quality office space from government departments and increasing interest from Self Managed Super Fund's for small but affordable strata office units.

The office market within the South West of Western Australia has been one of fits and starts, with demand predominantly for good quality office space and smaller strata titled office units. The demand for quality office space is predominantly coming from government departments.

A recently completed quality office space in the centre of Busselton on Harris Road was readily filled, along with office space in the recently completed Busselton Resource Centre, however the demand for quality space remains strong. The recent trend for rental growth for quality office space rental is upward.

An example of limited quality office space is highlighted by the potential sale of 50 Albert Street, Busselton. This property is 1014 square metres which includes an old 435 square metre showroom/warehouse in poor condition. It is understood to have been purchased with the intent of refurbishing the existing building into office use. We are also aware of government departments moving into refurbished showroom units in Restricted Business areas due to the lack of quality office space available.

However, rental values for larger secondary quality office space is considered to be currently stagnant, as Government regulations and increased running costs are leading potential lessors to newer developments.

....2013 should see developers re entering the office market in the main towns of the South West of WA on the back of increasing office rents....

In contrast, agents are reporting that there has been a noticeable increase in demand in the main towns in the South West of WA for small affordable office units, showing a 6% to 7% return, which appears to be coming from Self Managed Superannuation Funds.

Supply of new office space is, however, susceptible to the overall state of the economy and business confidence in general, with few developers, up to now, willing to take on the risk. Our discussions with agents active in the area have suggested that developers are beginning to show greater interest, and that confidence is building for them to return to the market

The City of Busselton has been chosen as one of the areas to receive the NBN in the next roll out and this is likely to increase the demand for office space, as it comes to fruition as planned in 2015. The expansion of the Busselton Airport to state and international size is also likely to see business eying off Busselton as an attractive locality to establish or expand their ventures.

The state governments' designation of Margaret River as a Super Town is also likely to see further demand for quality office space in a town with very little quality space currently available.

In summary, 2013 should see developers re entering the office market in the main towns of the South West of WA on the back of increasing office rents and hopefully increasing business confidence in general.

Residential Overview

With many markets maintaining a holding pattern for so long, it's been interesting to see the excitement amongst property observers when signs of stimulation become apparent. The slowly, slowly progress of most markets has meant that any improvement in conditions must be the result of either buyers or sellers making a move. In this issue of The Month In Review we try and pinpoint who is driving any recent improvement in property turnover.

Sydney

2012 had mixed reactions for the Sydney property market dependent on price point.

After a very lackluster year, initial evidence suggests improved market conditions are being experienced throughout inner Sydney and 2013 has commenced with good expectations for a variety of sub markets. Although it is still rather early in the year, there appears to be far more confidence in the market which may be a sign of good things ahead.

City fringe suburbs such as Newtown, Pyrmont, Waterloo and Zetland have continued their steady stream of unit sales under $1 million. Dwellings in these areas seem to be strengthening with a good volume of transactions taking place and properties spending less time on the market than was evident last year. Prices between $1 million and $2 million were very soft throughout last year, and there is real sales evidence supporting the notion that this price point of the market is on the rise again.

The same trend is being noted throughout all areas of coastal Sydney. The traditionally strong Eastern suburbs have also seen early improvement in the $1 million to $2.5 million price range. This can also be said for some of the North Shore suburbs, who took a real knock last year. A combination of reasons has probably lead to improvements at these price points, including an improved and more stable share market, continued low unemployment rates, and historically low interest rates. It is expected that this increased confidence is sustainable and is likely to strengthen throughout the year.

The Western Sydney property market has a variety of sub markets that have different reaction points to various external dynamics and overall Western Sydney is fairly sensitive to change both positive and negative with the region very dependent on the activity of the first home buyer.

In 2012 the direction of the local market was fairly linear with little changes in overall value. In recent months we have seen an increase in transactions mostly due to realistic owner expectations for existing housing and short term government incentives for new units/dwellings. We have experienced this trend across the market and activity has been strong in the growth corridors of the north west and south west where the uplift in transactions have been assisted by historically low interest rates and strengthening consumer confidence.

....city fringe suburbs such as Newtown, Pyrmont, Waterloo and Zetland have continued their steady stream of unit sales under $1 million....

Supply of established property onto the market has been limited as agents note that listings have been hard to come by as owners adopt a wait and see approach. Sales of quality, well priced property have been transacting due to the limited supply on the market. An increase in consumer confidence will see an increase in transactions and potentially higher sale prices.

New developments being sold off the plan have been popular with a variety of buyers due to the government incentives and depreciation benefits that new property provides investors. We have noted a premium is being paid for brand new property above and beyond the second hand property within the same locality as developers' appear to price in the added incentives to the asking price. As a result it may take some time before the established market catches up. We have also noted a number of overseas buyers particularly from mainland China entering the new unit market in Parramatta and Castle Hill.

We are constantly trying to predict which suburbs are likely to show good capital growth in the future. Rosebery in Sydney's inner south has been talked about as a possible candidate for good growth in the near future. A large amount of industrial area is in the process of being developed and prices are expected to follow on from recent development in nearby Zetland. With proximity to the CBD, a good bus network, and continually improved amenities, we would expect it to only go forward.

There is also agreement that the introduction of many new Local Environment Plans is likely to have an impact on prices in affected areas. There are segments in the Hurstville/Penthust areas which have had the zoning changed to allow for higher density residential development. The new LEP's also tend to make development approval a little less constricting, and we expect this to be taken advantage of soon.

Overall, we are seeing market movement in a positive direction. We do expect this to be the case throughout the year however we still don't expect to see extremely large short term capital growth as we have in the past. A return to confidence has been a long time coming, and a steadier and gradual improvement in the market is likely to be the outcome for the remainder of the year.

....the best performing sector appears to be north of the CBD for standard dwellings – particularly around Balgownie, Towradgi, Woonona, Bulli and Thirroul....

Canberra

The Canberra property market has shown mild activity and statistics show that there has been a rise of 0.3% in dwelling prices since February. Strong auction sales in prime areas such as Weston Creek, Woden Valley and Inner South have strongly attributed to this increase. The market for houses has remained stable compared to units. The market for units remains stagnant as sales that have occurred in past months show slight decrease or no movement in pricing. In particular, unit sales in the inner north area have shown selling prices slightly lower than the asking price. The reasons being, we are currently in a buyers market where buyers are spoilt for choice with new products that are going onto the market.

Properties that remain strong are properties which are in prime locations and are of quality build. For example, properties within the inner north and inner south of Canberra have remained strong and retained interest with potential buyers in the market. Recently a property in the Woden Valley suburb of Pearce sold at auction for a staggering $1.476 million which indicates the strength of the market in more central locales. This is due to the fact that properties in these areas have historically held their value or even appreciated in value in market conditions similar to what we are experiencing now. Therefore it is safe to say that the inner north and inner south suburbs of Canberra are experiencing relatively good results compared to other areas.

Overall the market in Canberra remains static with the higher end properties in prime locations generating stronger demand. The sheer amount of units coming online has resulted in unit prices slightly dropping. The outlook for the market is that it is set to remain static over the next quarter with buyers looking for either discounted prices or prime properties in superior locations.

Wollongong

There has been a great deal of press lately about how housing markets are set to see a rise in values this year. In the Illawarra, the story on the street appears to be echoing this data, with agents reporting general buoyancy over the WSD. This is either in the form of increased demand from buyers or a lack of stock, and with interest rates remaining steady for the past few months, this interest is likely to continue.

We have not seen a slackening of demand and can still report healthy sale prices, particularly when compared to the doldrums in 2009-10. But properties seem to be remaining on the market longer if not priced correctly and we are still seeing instances where 'price reduction' is stamped across the advertising for those listed above realistic market expectations. But it is becoming less and less the norm.

The best performing sector appears to be north of the CBD for standard dwellings – particularly around Balgownie, Towradgi, Woonona, Bulli and Thirroul. They offer good public transport links, close proximaty to the beach and many blocks have ocean views if they are back from the beach. Under the $800,000 level it appears anecdotally that the buyers are local, and generally there is no great 'Sydney' influence on the market. At the upper end it is not unusual to see a definite Sydney influence in the market.

There are generally no worst performing sectors in the area but there are signs of slowing down in the new housing market in the south. With more land planned for the West Dapto region, there could be an oversupply of land in the medium term if not released in a timely manner.

Middle of the road performers are the southern suburbs around Dapto, Albion Park, Barrack Heights – generally holding reasonable value since uplift from the lows experienced in 2009 and 2010.

In the south Shellharbour and East Warilla are holding values, given their beachside locations. Nearby Shell Cove has had a recent fillip with the long awaited marina gaining approval. Despite a hiccup at present with an environmental issue, it appears likely it will proceed to commence this year.

The pain of the BlueScope Steel job losses which occurred over a year ago has dissipated for the moment, and given that no new losses appear to be on the horizon, confidence is holding well.

NSW Southern Highlands

The Southern Highlands residential property market has generally been in a steady to declining state for several years. The lower end of the market has been steadily ticking over, so volumes are steady. Demand for vacant land is still good and there is a steady volume of new properties being constructed (mainly in Moss Vale and Renwick-Mittagong). The lower end of the market appeals to young families and downsizers. Both buyer types are active in this market.

The middle of the market ($700,000 to $1.5 million) is still weak. If properties are priced correctly, then they will sell. If vendors expectations are excessive, we are seeing much longer selling periods, until the vendors eventually meet the market. We are also seeing the odd motivated vendor and mortgagee in possession sales.

The upper end of the market ($1.5 million plus) is soft, however there are still some high sales occurring. The ongoing influence of world economic uncertainties are still impacting buyer confidence across the regional property markets. In terms of market movement, the market is approaching the lower end of the cycle. We are hoping that prices will start to move upward towards the end of this year, or early next year.

Southern Tablelands

After experiencing good growth from 2009 to 2012, the regional city of Goulburn is now stable. The main active buyer types have been first and second home buyers, investors and retirees. The market is now steady and this trend should continue in the next few years.

We note that there are several new residential subdivisions nearing completion. An oversupply of vacant land may occur within the next six to twelve months. Pricing levels for vacant land may be negatively impacted over the next few years. The release of vacant land to the market may need to be staged to prevent this oversupply situation eventuating.

....when considering where to live, 38% appear to choose water as one of their main criteria....

Newcastle

March has seen an active residential market in Newcastle and the surrounding suburbs. With just under 200 sales in the area this month already, the future looks promising especially at the sub $400,000 price bracket. The first time buyers and young families currently represent approximately 77% of the sales in the area which is great news for an active property market, as we know these sales are essential for the larger properties to sell through the usual chain of events.

At the other end of the spectrum, the $1 million plus properties represent just 2% of the sales this month. Following the GFC, lenders are more aware of this type of property being repossessed and not meeting a sale price to cover the home loan in the future and therefore are putting restrictions on financial borrowings. Alternatively it could be purchasers being more organised and focused and therefore demonstrating a willingness to wait for the right property to become available at the right price.

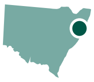
In comparison to the sales, the surveyed area currently has over 3,400 properties on the market for sale, with just over 1,100 properties available to purchasers at a price range less than $400,000. Is this a good thing? Maybe for the purchasers, however with such vast selections to choose from, vendors will have to be more open minded if they want to sell their property. The story is somewhat different when the price is over $800,000 with the market sector usually representing less than 7%, and 2% over $1 million.

So what about those high value properties? Are they all sitting on goldmines? Obviously not, if marketing period and sale prices are anything to go by. Recent research has clearly demonstrated lengthy marketing periods, some over one year, irrespective of location and water frontage. Some vendors are having to strongly negotiate to achieve a sale, sometimes at 25% discount of the marketed price.

When considering where to live, 38% appear to choose water as one of their main criteria. However the highest number of sales for the month are in the popular areas of Merewether, Newcastle, Hamilton, Adamstown, Wallsend and Cameron Park.

Who is going to flinch? It would appear the vendors are holding their nerve at the lower end, with many asking prices being met by purchasers. This in turn will usually result in a gradual increase in asking prices over time and rising values. At the high end, the vendors should be flinching, if they want to sell.

Does it matter if you flinch first? Obviously yes, if you pay too much for the property. It's the easiest way of becoming tied to the property through negative equity.



NSW Central Coast

Some consider the Central Coast region of New South Wales to be well situated geographically. Located midway between Sydney and Newcastle, two of our nation's greatest cities, we would have to agree. But this position gifts us Coasties' with even more benefits when looking at and judging the real estate market.

We all know that market movements radiate outwards from our capital cities, usually in an orderly wave. In our case, market movements originate from Sydney and we can see the wave coming, but the advantage to us is that we can also see the state of play in Newcastle thus giving us the ability to gauge where we are sitting in our market - generally somewhere between the two.

Sounds fanciful. Well not really if you consider the logic.

Anyhow, onto this months discussion as to whom or where we think is going to flinch ahead of the rest.

....does it matter if you flinch first? Obviously yes, if you pay too much for the property....

First though, a quick recap on 2012 might help set the scene. In terms of properties sold and median sale prices, the following table provides an insightful snapshot for our two Local Government Areas (LGA's) - Gosford and Wyong;

	Properties Sold 2012	% Change	2012 Median Sale Price	% Change
Gosford LGA Dwellings	2536	-4.16%	$410,000	+1.2%
Gosford LGA Strata	999	+0.5%	$308,000	-2.84%
Wyong LGA Dwellings	2784	+0.4%	$328,000	+0.9%
Wyong LGA Strata	572	+3.15%	$260,000	-2.8%

What does this indicate to us?

Gosford LGA Dwellings - The slower sales volume with a slight increase in the median value indicates there was a supply issue with buyers prepared to pay a little more. Throughout the year, agents were saying this was the case.

Gosford LAG Strata - Close to stable sale numbers with a fall in median value indicates a take up of surplus stock was occurring, possibly due to investors returning to the market.

Wyong LGA Dwellings - Near stable sale numbers and median value is a good indication it was a year of recovery/consolidation.

Wyong LGA Strata - With sales up and values down it indicates to us again that a take up of surplus stock was occurring.

Opinions will vary, but from our point of view we draw a direct link between these statistics and reports given to us by our leaders in the retail sector. We see the drivers of the retail and property sectors as similar, each relies heavily on pricepoint, value for money, affordability and consumer confidence.

We can believe these people when they tell us that buyer confidence is down, but not missing entirely. There remains a willingness to purchase, but with a tempered level of confidence.

This suggests to us that those with a willingness to purchase property were targeting the lower, or the perceived safer end of the market. Call it having a go, but hedging your bets.

Let's drill down a bit further and take out the first homebuyer/small investor market and see how things shaped up. We've looked at sales activity above the $375,000 mark and the statistics looked like the following;

	Properties Sold 2012	% Change	2012 Median Sale Price	% Change
Gosford LGA (>$375K)	1544	-1.8%	$500,000	+1.6%
Wylong LGA (>$350K)	1189	+4.6%	$420,000	Even

This tells us that first homebuyers/investors accounted for around 65% of sales in the Gosford LGA and around 47% in the Wyong LGA and this shouldn't be any great surprise to anyone. Interesting to note the increase in sales in Wyong LGA and this tends to confirm the overall rise in values here.

Where to from here?

We are a dedicated bunch here at Herron Todd White, so during the Christmas break, we used this downtime wisely to review sales statistics for the 160 suburbs within the Central Coast region for 2012 (bet you didn't know there was that many suburbs on the coast) and from this we have identified a few suburbs that we think are going to 'flinch' (worth looking at for home buyers and investors).

As always, reader's feedback is always welcome on this - so feel free to call with your thoughts.

Avoca Beach

Both dwellings and units should be monitored. Sale numbers down in 2012 and we find this unusual for such a popular suburb. If market confidence improves, and we think it will, then there is good buying here at present, especially units and with stability returning, then confidence will grow. Avoca Beach is our star 'Flincher' with downsizers and upgraders being prominent.

Budgewoi

A low cost base exists here and sales were down by around 5% in 2012. At sub $300,000 prices, this is an area we see as having good potential for future growth and appearing ready to move at any time.

Toukley

Traditionally a solid area in real estate terms and showing slow, but promising growth over the past few years. If market confidence returns in 2013, then this area might have a growth spurt.

Umina Beach

The past few years has seen good growth and lots of interest in Umina Beach. Umina Beach and close Peninsula cousins Woy Woy and Ettalong Beach have been the coast's most consistent performers for several years.

A revitalised town centre should see the popularity of the area continue. Sales above $400,000 are becoming regular, but there are still some sub $300,000 buys available. Think value adding when looking here. A definite 'Flincher' candidate.

....our eyes and ears in this segment are signaling a return of interest in the Central Coast prestige market, which is generally over the $1.5 million mark....

Woongarrah/Hamlyn Terrace

What a difference a year makes in the Central Coast's true mortgage belt areas. They have suffered over the past few years as the interest and credit costs stressed many owners. The result has been a fall in values and too many mortgagee sales.

With confidence returning, we may just have turned the corner and 2013 might be a good year for the good people of Woongarrah, Hamlyn Terrace and Wadalba. We see these areas as good places to buy or invest and return these areas once again to the future capital of the region.

Last year we saw early signs of recovery here, but we are still calling a stable market at present - but that could change soon as the wave of confidence returns. The new theme park proposal might also make a difference!

Killarney Vale

Showing signs of improvement with overall stable sale volumes, but rising median value. This should continue into 2013.

Gosford Units.

Sale numbers were up, but values down in 2012. The surplus is diminishing and the days of cheap buys might be limited here, so get in sometime during 2013 to secure your place in the market.

Prestige Property Market

This segment of the market usually avoids attracting too much fanfare. We are after all talking about the more refined who don't cheer, holler and clap - they applaud and nod their heads in approval.

Our eyes and ears in this segment are signaling a return of interest in the Central Coast prestige market, which is generally over the $1.5 million mark. Judging by the increase of valuations being carried out by us in this segment, we think this to be a good call.

The owners in this segment are usually our business leaders and if they move (or flinch), then we had better be ready to go along with the ride.

We feel the vibe!

Developers

The phone has been ringing with developers on the other end. What do we think? What are we seeing? Any movement out there; they are asking.

A few sales of villa and unit sites have been coming through the system. Fingers crossed that the development market will return again. Fingers, toes and legs crossed we won't be seeing the havoc caused last time though when too many thought they found the golden goose at the same time and overcooked the market.

NSW Mid North Coast

We have seen some increases in demand and sale rates for residential properties in the towns of the region with those properties generally in the lower end of the residential market.

Lower priced units ($150,000's up to the mid to low $200,000's) have been selling, predominantly being purchased by first home buyers and small mum and dad investors. Sale rates for lower end dwellings (sub $400,000) have also recently risen with purchasers from all demographics, with some noticeable activity from second home buyers.

We have also seen some recent movement from these smaller investors in the low-end unit building market, with several recent 'in one-line' sales of small unit and villa developments. Strong rental demand and increasing rents appear to have fuelled demand for this type of investment property.

The main increases in demand have come in the larger coastal towns and villages in the region, although the larger inland towns of Taree, Wauchope and Kempsey have also shown some increases in sale rates.

Values still remain static as the existing stock is slowly sold and removed from the market. New stock is being listed on the market at slightly higher asking prices than 2012, but it is too early to speculate whether this recent increase in demand will lead to increasing values.

Sea-side units and dwellings appear to be in highest demand at present, and they have a higher than average predominance in the market compared to the inland towns. This maybe partly due to the perceived good value of these properties in the current depressed market and an expectation that their value will rise more than properties in inland towns if the market were to start increasing.

There is still reasonable mortgage in possession activity in the market, and it is noticeable that there have been several recent MIP sales in the region over the past month. Mortgagors are becoming more realistic with asking prices, and are willing to accept that most potential purchasers are aware the property they are selling is a distressed sale and purchasers will not pay fair market value for this type of property. We are seeing mortgagors now agreeing to sell at the lower end of a market value range, rather than continue with their holding costs.

Some of the renewed interest and sales may also be attributed to vendors, after having their property listed for an extended period, simply biting the bullet and taking the lower prices offered by this new wave of purchasers.

Mid to higher range properties to remain static in the short term, as do higher end and prestige properties, with an oversupply of these properties still noticeable within the market.

As the cheaper stock continues to be purchased, hopefully we will see large volumes of sales in the higher price brackets, as purchasers exhaust the available properties in the lower end of the market.

Coffs Harbour

The Coffs Harbour residential market remains slow and steady with price sensitivity particularly in the upper price bracket where there is low demand and high supply.

Average days on the market for standard residential property is approximately 120 days (4 months). There is a broad range of prices being achieved for similar real estate which is typical of a buyers market where prices can be determined by vendor compulsion to sell. There is a reduced number of mortgagee sales filtering through the market.

The lower level of interest rates does not appear to have stimulated the local market to any significant degree. There remains a lack of business confidence and a tight slow local economy is prevailing.

Residential rental vacancy rates are 5% to 6%, slightly higher than the normal 2% to 3% percent.

Country NSW

ALBURY / WODONGA

Is the southern New South Wales and northern Victoria region property market on the move? If we had been asked this question in November 2012 the answer would have been yes to an up swing in activity. This however has not continued into 2013.

A long awaited turn in the market was more of a wobble on a fairly level baseline.

Market sentiment in most towns, villages and rural districts is that this is still a good time to be a buyer. Albury is still the only real standout location where investment in the central city is strong.

For example 'The Botanic' multi storey retail, apartment complex has recently been completed with nearly all 15 units sold at good levels. The CSU have sold CBD campus land and buildings also with positive interest for residential redevelopment.

....average days on the market for standard residential property is approximately 120 days (4 months)....

The other suburbs of Albury and Wodonga are tending to be relatively active but with no definite lift in value overall.

The buyers are a balanced mix of investors and upgraders from a first home. First home buyers are not as active as they were two years ago now incentives have been reduced.

Vendors that need to sell are having to reduce their asking price to attract the buyers. This is even more evident with mortgagee in possession sales where they are selling for

10% to 15% less than the expected market value due to the circumstance of the property sale.

Overall the market is a balanced, where vendor only sell because they have to and buyers are not active to make a quick capital gain.

LEETON

The general buzz in our little patch is that the market is slowly improving. The improvement is in its early days but the increase in sales volumes supports the gut feel that things are getting better. I must caution that the improvement is in sale volumes and not values. Improved confidence and demand has not impacted on values in a positive way due to high stock levels providing plenty of buffer. No particular segment of the market is a standout performer at the present time, although Griffith has experienced a flurry in rural residential sales around the $400k mark in recent weeks. So who is flinching? The sellers who are pricing to the market are getting results. The blinkers have come off and vendors are realising a sale a little below expectation is better than a long marketing period or no sale at all.

Melbourne

The Melbourne residential property market is currently rebounding from a soft period experienced throughout 2012.

The residential property market in Melbourne saw a slight decrease in sales activity particularly with home buyers choosing a more risk averse approach to buying property. This has been aided by decreased consumer confidence predominantly in the growth corridors of Melbourne in suburbs such as Werribee and Craigieburn. Factors to add to this are also the lack of incentives available to first home purchasers looking in these growth corridors. Statistics show that 3.8% of Craigieburn residents are in arrears for mortgage repayments indicating signs of financial stress. The high level of sales activity that took place in 2009 and 2010 as a result of the first home buyers package being boosted to $32,000 to houses being constructed, temporarily stimulated the property market. Land sales have now decreased by over 40% and figures show one out of three building contracts for houses to be erected are getting cancelled due to the tightening of credit opportunities of finance being granted by the banks.

....the activity is being witnessed in the larger towns and close by rural residential markets (like Sale, Traralgon, Churchill and Hazelwood North....

On the other hand, the inner city suburbs of Melbourne seem to be performing better throughout 2013 as buyer activity is on the increase, in particular the prestige $3 million plus spectrum of the market. The inner suburban properties on average have between three to five willing purchasers at auction. Furthermore an auction clearance rate of 65% to 70% which indicates a solid demand for the properties in inner Melbourne. This market is also experiencing support from wealthy international purchasers with properties purchased in excess of $3 million subject to relaxed foreign investment review rules and regulations. Overall areas that are maintaining or increasing performance include inner city bayside suburbs such as Albert Park, Middle Park, Hampton, St Kilda, Elwood and Hawthorn. This activity is coming off the soft conditions of 2012. Some experienced agents have been quoted as saying 2012 is one of the worst years in real estate in 20 years.

An increase in stock position or a high supply of Melbourne city apartments on the market has resulted in decreased demand, which has recently had an adverse effect on property values. Melbourne city apartments and units are experiencing an over supply due to the record levels of new construction without having the purchasers support it. However from a rental perspective, rental yields are 3.95% which is standard, however we are experiencing a considerably high vacancy rate of 3.9% which reflects the fact that supply is superseding demand at this stage.

Regional Victoria

BALLARAT

Ballarat's residential property market remains relatively steady but is beginning to display signs of positive movement with local agents reporting a steady to improving volume of house sales. The strongest area of movement over the past few months has been in the $200,000 to $300,000 price bracket which represents mainly investors and first home buyers who are taking advantage of low interest rates. The majority of these sales are occurring in the outer suburbs of Alfredton, Wendouree and Sebastopol where housing remains relatively affordable and average marketing periods are approximately three months.

Vendors in these areas are still required to be realistic with asking prices to achieve a sale within a timely manner. The majority of sales still appear to be from vendors off loading surplus assets or empty nesters downsizing. Buyers still remain cautious but are beginning to take advantage of low interest rates and rental returns of around 5% to 5.5% within commuting distance of Melbourne. The low interest rates and high returns are likely to fuel an increase in demand which should flow through to an increase in sales volumes and prices as we continue through the year. Movement in these core investment areas are likely to cause a flow on effect through to higher price brackets and other areas as the market begins to improve and confidence returns.

GIPPSLAND

Gippsland region

Sales turnover in the last month in the Gippsland region has indicated there is a definite increase is sales activity. howerer overall prices do not appear to be increasing significantly. This increase in buyer activity is in the low to medium market ranges ($200,000 to $400,000).

The activity is being witnessed in the larger towns and close by rural residential markets (like Sale, Traralgon, Churchill and Hazelwood North). Areas located 25 plus kilometres from towns/cities are still remaining slow to stable.

One of the key reasons for this activity we believe is that vendors are realising that they now won't be able to achieve prices they could secure 18 to 24 months ago, Hence a slight drop in price in increasing market activity is signalling that it's a buyer's market.

On a separate note, it appears that house and land packages are increasing through builder's margin, with a slight drop off in construction activity. For the first time in a long time it appears people are opting for extending and renovating instead of buying brand new. However new estates opening up in Traralgon might see this change.

In the Baw Baw Shire area we have seen buyers return to the market at a remarkably rapid rate. After months of being in the doldrums, local agents became somewhat busier in the last two months of 2012.

In recent weeks we have had a run of sales that have sold rapidly, within two to three days of listing. Top end properties in the $500,000 plus zone are also selling relatively frequently within two to three weeks of listing. These properties were sitting unloved previously. Around the Warragul area there has been a number of rural residential sales in the $1 million plus range.

West Gippsland

The peak selling period has seen entry level properties on Phillip Island transacting steadily in the price bracket up to $300,000 with mid to high price sectors remaining somewhat subdued. A relatively high level of stock across all price sectors is on the market at Inverloch. A keynote sale has occurred at $1.26 million on the eastern fringe (5 kilometres from Inverloch retail precinct) with uninterrupted water views showing some confidence in the upper end of the market. The rural sector, ranging from 100 acres to 450 acres (predominantly dairying) is particularly slow with medium levels of stock available and those offered at auction failing to clear.

BENDIGO

With regional unemployment remaining below the national average, relatively low mortgage interest rates, continuing strong population growth within the region and optimism about the economic flow on effects of the forthcoming $630 million Bendigo hospital project, the residential market has remained steady after growing by around 5% in 2012. Though turnover declined by roughly 25% in 2012, local agents are reporting an increase in inquiry levels, with well located and priced properties selling well at auction. Recently released data from the Victorian Valuer-General showed stronger price growth in the established inner areas of Bendigo, with local agents spruiking the hopefully imminent start of construction of the new hospital as the catalyst.

....houses are being bought and sold but transaction volumes remain low....

Meanwhile, the circa 1850s 60 room mansion Fortuna Villa continues to capture headlines in the local papers. The property was formerly owned by the Quartz King, George Lansell, and sits on 7.57 hectares close to the centre of Bendigo,. Previously offered unsuccessfully for sale by tender by the Department of Defence, it is now to be auctioned on April 12, amidst calls that it be retained within public ownership. A figure of $2.5 million has been mooted. (Located at 24-48 Chum Street, Golden Square).

ECHUCA

The Echuca/Moama residential property market has been relatively buoyant through the final quarter of 2012 and the start of 2013 which has resulted in an increased level of sales activity. The increase in sales activity appears to be improving confidence levels and there have subsequently been several strong sales suggesting that overall levels of value are likely to hold if not increase in the short term this is particularly evident for well presented top line homes with buyers appearing to be prepared to pay for quality.

Adelaide

In short our answer is NO - our residential market is not really moving in any direction. Houses are being bought and sold but transaction volumes remain low while it appears that more people are currently looking or showing interest in residential property than there has been for a couple of years, there is still a reluctance to actually act. We are wondering if this is because as eager as someone is to purchase a new property in the current market, they are unwilling to chance the market by selling their existing property. This is especially given that many people find it hard to accept selling for less money than they think their house is worth or in fact less than they paid.

We believe that second and third home owners are probably the most active in the market at the moment. With property more affordable than at its peak late in 2010, there are those looking to take advantage of the situation and are currently looking to upgrade to larger dwellings or relocate into more desirable suburbs. Prestige property also appears to be selling quite well once released to market and with recent price corrections can offer very good value for money.

Currently first home buyers do not appear to be very active and this may be due to concerns over job security, cost of living and general uncertainty.

We are not expecting the current situation to change much in the short term. In fact the Adelaide residential property market may be in for an extended period of flat lining, but at least property values appear to have reached the bottom of the cycle and now are holding fairly steady.

Brisbane

Things are moves afoot that's for sure. Brisbane has been tracking flat for far too long and it really has been a case where even our valuers were scratching their heads at the relative affordability of property in the south east.

We are moving in sectors and you cannot tar all markets with the same brush but experience says that the first areas to go up should be the affordable inner city investments that have ready renters, easy access to facilities and good long term growth prospects. In this respect, Brisbane is seeing movement as investors start to realise value and strong yields in suburbs like St Lucia, Auchenflower and New Farm.

Some of the surprise results have been movement in the sort of stock that usually requires a little more economic stimulation to get going. After years of reporting the slow demand for new units, one of our valuers noted a major project that was able to advertise 84 of its 96 units under contract off-the-plan. This sort of result has been mostly unheard of for the last four years.

We have also been noting the virtues of near city suburbs with strong family facilities. We continue to see good results in places such as Ashgrove… and why not? Desirable schools, a perceived safe and tidy community atmosphere, plenty of park and kids playing backyard cricket – it's almost clichéd. It's these sorts of suburbs that are starting to come out on top as professional folk look to establish their family life. One of our crew has noted that keen interest is mostly for the renovated and well-presented stock. Most of these buyers are busy earning a good wage and do not have time to spend their weekends painting the spare room and resheeting the plasterboard. In actuality, renovatable houses in this sort of property band would appear to offer a buying opportunity if your careful with purchase price.

....currently first home buyers do not appear to be very active and this may be due to concerns over job security, cost of living and general uncertainty....

Further out in the more mortgage belt areas, demand has been good with the suburbs that are benefiting from major infrastructure faring the best. We have talked to a few buyers' agents around the place who are saying that they are no longer the lone ranger when it comes to open homes. Multiple offer situations are cropping up more and more in areas like Stafford and Kedron where the transport works have meant good news to property owners.

The only places still left wanting appear to be suburbs far afield where supply is assured for some time. For those lowset brick homes on standard size allotments where you need to get into the car to get around, it could be a bit longer before the any stimulation is felt.

So the upshot of all this is that it is probably the buyers who are flinching in Brisbane. We certainly aren't claiming we're on track for a boom or anything of that sort in 2013, but you can't deny we've come of a low few years and anything that skirts towards a more normal market seems brilliant by comparison. Buyers have now come to the idea that low interest rates and good rental returns are worth purchasing, and the market now appears to have bottomed.

Gold Coast and Tweed Coast

The first quarter of this year has seen an increase in market sentiment and overall seems reasonably positive. The rate of sale for private treaty is still circa 100 days, but auction clearances have improved and there is a growing number of sold signs that are appearing.

There are still some properties selling for below expectation, especially those over $1 million and those that are in the hands of mortgagee's or receiver's.

However in relation to general sales in sought after 'family suburbs', there have been no surprises to cause concern. It has actually been more the opposite - with this market clearly begining to stabilised.

A survey of our valuers thoughts in relation to the locations in which they value follows.

Northern Suburbs

The area contains a high volume of low to medium density units and generally most unit markets are still flat lining in terms of values, but there has been a high volume of sales. The sub $600,000 housing market may be showing the first encouraging signs of life.

Agents around the Molendinar, Parkwood and Arundel area are struggling to find quality housing stock. Well presented or renovated 4-bedroom houses are in demand with investors and owner-occupiers. this shortage has seen the first 'blip' on the heart monitor where prices may have bumped up a touch. These established areas have limited new land releases. They have excellent infrastructure being in close proximity to a number of schools, new hospitals, the University and other services. Rental rates have not dropped off and prospective buyers (tired of renting) are feeling the time is right to jump in.

We are also seeing in the central/north zone the townhouse/villa market through Coombabah and Arundel is being targeted to interstate investors and selling prices on average have been 10% above local levels. These are typical circa 2000 built 3- bedroom, 2- bathroom units with single garages. Sales numbers have increased and local agents are being drowned out trying to compete at the higher levels.

What isn't selling in the central/north zone is high end units. If they are not distressed sales or highly motivated sellers the low/medium and highrise units are sitting on the market for very long periods. $850,000 can buy quite a lot these days and many buyers find that the prestige units, with high body corporates are still well overpriced.

If the sub $600,000 housing market continues to strengthen the next market 'to go' would be the $600,000 to $1 million housing segment which would include waterfronts. Large or renovated houses in the waterfront estate of Runaway Islands have had some stronger than expected prices of late which further enhances the positivity.

Southern/Central

In most market segments agents are reporting solid levels of enquiry and sales activity for competitively priced property.

In Burleigh Waters the strongest market appears to be housing in the under $700,000 price bracket, which has generally been selling within a one to two month time frame.

Housing and duplex/townhouse units in Varsity Lakes are now also selling within a one to two month time frame if priced correctly. It seems that vendors are now being realistic about their expectations.

Some of the demand and sales in Varsity Lakes is from investors. Across the board rental demand seems quite solid in this location, which has had a flow-on effect to returns on investment.

Both residential and rural/residential properties at Mudgeeraba and surrounds are now selling quicker than in 2012, although price levels achieved are not necessarily any higher than last year.

In general 2013 has started stronger than 2012, and there are signals that, for the majority of properties in these central areas, this year will see a return to a more traditional market where there is stagnant or positive growth.

....typically you can pick up a modern, 4-bedroom, 2- bathroom house with double lock up garage on a 600 square metre to 800 square metre allotment for between $450,000 and $500,000....

Northern Corridor

Throughout late 2012 and into 2013 there appeared to be signs that the market had bottomed out and was beginning to stabilise. In some areas there were even early signs of a slight recovery.

Throughout the M1 northern corridor the general feedback from agents has been positive with reports of limited stock, a decrease in marketing periods and even a slight increase in the prices of certain property types. This has generally been reflected in the prices seen in the past three months.

The strongest performing market segments appear to be resales to owner-occupiers for houses under the $500,000 price bracket in the following areas; Pacific Pines; Maudsland; certain areas of Upper Coomera including "Highland Reserve" and "Riverstone Crossing" (Both master planned communities developed by Stockland), "Coomera Springs"; Ormeau and Ormeau Hills.

Typically you can pick up a modern, 4- bedroom, 2- bathroom house with double lock up garage on a 600 square metre to 800 square metre allotment for between $450,000 and $500,000.

Townhouse developments throughout Coomera, Upper Coomera and Pacific Pines are also showing encouraging signs as investments. Modern style 3- bedroom, 1- bathroom townhouse units with in single lock up garage will typically range from $240,000 to $260,000 and rent between $350 to $360 per week with current rental yields between 7% and 8%

This slight shift in the market appears to be a combination of a number of different factors including; the relatively strong stock market over the past six to nine months; low interest rates; sellers being more realistic in there asking prices and buyers seeing more value in the current market.

The buyers appear to be a combination of owner-occupiers looking to upgrade from an existing property and first home buyers and investors who see value in the market and an opportunity for medium to longer term capital growth at the current reduced levels. There is also good incentive for investors at the moment with low interest rates and relatively strong yields.

Overall the market does appear to be stabilising, however weather this is sustainable will depend on larger contributing factors such as the pending federal election and interest rates along with the American and European economies.

Scenic Rim/Beaudesert Region

What a start to 2013. Low interest rates, the return of buyer confidence to the market and agents reporting a good number of sales. But does this mean that the market has turned? From all reports in the Scenic Rim and lower Logan City areas, the answer seems to be no at the moment. Although sales rates have increased and agents have multiple offers on properties at or near list price, it still seems that prices are stable with no upward movement at this time.

Investors are still buying in the under construction satellite city of Yarrabilba and with house and land packages starting around $300,000 they offer a good first time investment or good starting point for first home buyers. They have recently released South Village - Release 7 and the on-site marketing agents are reporting good sales with limited stock.

The more regional areas of Beaudesert and Flagstone are experiencing slower sales for new product as potential purchasers can buy an established house, on a larger block of land with more features for less than the build cost. It seems that the trend in these areas is more medium term investment with buyers looking at a three to five year plan rather than the traditional sevento ten year long term investment.

....a lead indicator is the rental market with rents being quite strong with low vacancies....

The rural market in the Scenic Rim still remains depressed with sale prices significantly lower than at the peak of the market. There have been a couple of 50 acre allotments at Boyland, Mundoolun and Laravale recently sell for $430,000, $500,000 and $350,000. The price variance is due to topography, water resources, frontage to the River and proximity to a chicken farm. These sales show a decrease of around 20% to 30% from the market peak.

The rural residential market appears to be improving, albeit in number of sales not sale prices achieved. Feedback from purchasers and agents is that although well located with regard to proximity to major services, there is a number of deals falling over at finance stage as financial institutions require larger deposits or have lending caps within these areas. Purchasers are unaware of the Loan to Value ratio difference for different types of property and are finding a large variance between financial institutions. Purchasers are then shopping for finance through a number of lenders to complete the purchase.

With the amount of development occurring within the Scenic Rim and lower Logan City area, it may be an opportune time for lenders to review policy with regard to these localities as development occurs and population increases in line with the SEQ Regional Plan.

For all of the negative press of 2012, it seems that lower prices have been accepted but vendors and low interest rates are enticing people back into the market.

Sunshine Coast

As we have started to all feel a little more confident about the economy, the residential property market has slowly improved. The confidence started with the state and local government elections in March 2012. Since then we have seen each month, by and large, be better than the next. Sale volumes have increased however the market remains price sensitive.

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 comenced on the public hospital, has also helped create confidence in the area. This major infrastructure project, one of the largest non-mining related projects in the southern hemisphere, has future projections that have to be good for the local economy. One estimate is that the average incomes in the area will grow from approximately $50,000 up to $80,000.

A lead indicator is the rental market with rents being quite strong with low vacancies. As a result we have seen the under $500,000 housing 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). Another sector that has also benefited is the sub $300,000 unit and townhouse market. These have been viewed as good entry level options.

The holiday/resort unit market is a different story. This market is tough in all price ranges with values easing. This is particularly the case for units with high body corporate fees as they impact on returns. We anticipate that this market will continue to remain tough throughout 2013. Hopefully we will see supply levels drop as some stock is taken up, but don't expect any records in this market.

The land markets have improved, however this is only at a particular price point. As developers have dropped the lot sizes and the subsequent land price, this has helped owners build a new dwelling for 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, but are not too far off. We expect the land market to continue to tick over with the areas around the University Hospital at Kawana to stand out.

....job and income security gives confidence, and in the property market that is pretty much everything.....

The prestige markets have experienced increases 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. There are also a number of high end dwellings currently proposed/under construction that are also indicating an increase in activity. Our expectation is 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. This may cause the market to stall once again.

The hinterland markets have remained slow with little action happening in this sector. When you look at the Sunshine Coast property market and the relationship of coastal properties to hinterland properties, it can be best defined as a wave hitting the shore (pardon the pun). When the increases in activity begin on the coast, traditionally this slowly flows inland. Therefore, the railway towns such as Beerwah/Landsborough, Palmwoods, Nambour and Cooroy may be areas to watch, given they provide good amenities and access to railway.

Job and income security gives confidence, and in the property market that is pretty much everything. People have started to do things which have flowed through to the building and tourism sectors. As long as affordability can stay in check, we remain positive for the market into the future.

Southern Queensland

TOOWOOMBA

An analysis of internet listings has highlighted a shortage of properties available for sale in Toowoomba at present. This is supported by feedback received from agents who are reporting increased levels of enquiry and reduced stock.

Buyer inquiry is on the rise with all buyer profiles becoming more active in the market. Owner-occupiers, local and absentee investors and first home buyers are reported by agents to be re-engaging in the Toowoomba market with a noticeable increase in activity during 2013 year to date.

In some sectors of the market the higher levels of demand and reduced supply have lead to noticeable increases in values in the past two to three months. While values generally remain stable, there have been some examples of confidence returning to the market with four residential development sites selling in the past three months at premium prices. These sites have been purchased for future land and unit development by both local developers and overseas 'land-bankers'. This may be attributed to changes to the Toowoomba Regional Council Planning Scheme which took effect from July 2012. These changes prompted increased development activity given the higher living densities now permitted under the new planning scheme.

A 1,214 square metre vacant parcel of land in Rangeville with development approval for three prestige townhouses has recently sold at auction for $520,000, setting a new benchmark for unit development sites in Toowoomba.

Crown Street

We also note an increase in sales activity in the prestige market with three sales in excess of $1 million occurring in the past three months. This shows signs of improvement in this market sector given just five sales over $1 million transacted in 2012. A recent sale of a prestige home in Redwood achieved $1.75 million.

East Street

The number of mortgagee in possession sales appear to be on the decline which is a sign the bottom of the market may have come and gone. A recent auction of a prestige dwelling which sold mortgagee in possession achieved $1.25 million with strong bidder activity.

Boundary Street

New units are continuing to show price rises with interest from absentee investors and the influence of NRAS (National Rental Affordability Scheme) eligible units placing positive pressures on values. In the more sought after suburbs of Toowoomba, 2- bedroom units are now achieving sales in excess of $300,000

First home buyers continue to be attracted by homes and units in the more affordable suburbs where a basic unit can be purchased for circa $165,000 and an original, 2-bedroom dwelling for circa $185,000.

Highfields has recently demonstrated renewed activity, particularly in the mid to upper price brackets with at least six sales in the past three months of dwellings in excess of $500,000. Agents report the reduced supply of houses in Toowoomba has necessitated the need for buyers to expand their search area to include satellite areas such as Highfields.

Overall it would appear the bottom of the market has now passed with recent increases in sales activity and buyer inquiry indicating values may be on the rise.

Central Queensland

ROCKHAMPTON

In summary activity in the residential market in the Rockhampton region has slowed since Christmas. History indicates that this is not unusual for January as people return from holidays or recover from other expenditures related to the festive season. This decline in sales has extended into February/March this year which we believe may be as a result of above average rainfall and flooding in the region. If the region can benefit from an extended period of sunshine over coming weeks, the market may also look a lot brighter.

Since recovering/stabilising from the falls after the GFC, the market in this region has remained steady over the past few years. Moving forward we believe that this trend will continue with the market continuing to be dominated by investors. These buyers are attracted to the region due to a number of factors including affordability, low vacancy rates and increasing rental returns.

In Rockhampton City there has been significant interest by buyers in the two proposed unit complexes located on the riverfront. Construction has commenced on 'Empire' with a proposed completion date in late 2014. 1- bedroom units are currently being marketed from $345,000 with projected returns of $550 per week; and 2- bedroom units are listed from $445,000 with projected returns of $770 per week. (8% to 9% gross returns). 'Southbank on Victoria' is the latest proposed residential development being marketed with 2- bedroom units starting at $260,000 on a lower level, up to $490,000 on level 8 (top floor).

The Capricorn Coast residential market may see some improvements over the next few years on the back of the recent announcement regarding the Great Keppel Island Resort.

On the 5th March 2013 the Federal Environment Department approved the Great Keppel Island Tourism and Marina Development, subject to 96 strict conditions to minimise environmental impacts. The development includes 750 resort villas; 300 apartments; a hotel; an 18 hole golf course and 250 berth marina precinct. We anticipate that this decision will have a positive effect on the Capricorn Coast economy with employment opportunities during construction and after completion and increased tourism. If this occurs there should be a flow on effect to the residential market.

....property across the Fraser Coast is selling at a steady rate, particularly for lower to mid priced stock....

BUNDABERG

Bundaberg is still in the throes of recovering from the devastating effects of the worst flooding ever seen on record in the area in late January this year.

Agents are reporting a surge in enquiries in recent weeks in flood free areas. Confidence appears to be growing within Bundaberg and the nearby coastal areas.

There are reports that there are some flood affected properties selling for greatly reduced prices, however we are yet to see evidence of this.

Currently there is a strong demand for rentals but this could be due to a large number of displaced flood affected people having to move into rental properties while their homes are being repaired. This has in turn resulted in an increase in rentals.

HERVEY BAY

Property across the Fraser Coast is selling at a steady rate, particularly for lower to mid priced stock. Due to the absorption of a vast majority of lower priced properties selling, mid priced properties are now enduring shorter selling periods with demand steadily increasing. Values remain low across the board for most price points with a large majority of property achieving 2007 prices. Mortgagee in possession properties have thinned out considerably, with only a limited supply available which is encouraging. Some Esplanade properties are now selling from $500,000, which is on par with other less regarded areas not close to the beach. Overall, consumer sentiment is hoping to increase with the recent announcement of the next stage of the Stockland Shopping Centre predicted to start site works in April 2013. The construction of the new private hospital for St Stephens has commenced and will provide much needed employment opportunities for locals.

MACKAY

At present the Mackay residential market is fairly static. Volatility in mining industry located in the Bowen Basin over the past six months has kept the market fairly quiet in terms of sales volumes. Values appear to be holding steady at present. Rental values appear to be impacted from the mining downturn. Rentals levels during the first half of 2012 showed significant rises on the back of extremely low vacancy rates. Job cuts in the mining industry and the postponement of some expansion projects over the past three to six months have seen vacancy levels increase, with rentals levels reducing for the first time in a long time!

The major factor influencing the Mackay market for the remainder of the year will be how quickly the mining industry bounces back and if and when expansion projects commence. If commodity prices rise (particularly coal) and expansion commences then it is anticipated demand and sales activity will increase. If the mining industry stays subdued, resulting in further job losses, then this will potentially have a negative impact on the market moving forward.

....while the increased level of sales activity has not yet materially influenced prices, there are perceptions that vendors are sticking closer to asking prices, are negotiating less and are not discounting as much....

GLADSTONE

The Gladstone residential market continues to ease with declining prices still evident which have been decreasing since November 2011. This has been seen across the board in all property types including vacant land, units and dwellings.

From October 2010 to November 2011, Gladstone and surrounding areas experienced strong growth in the residential property sector. This was due to strong investor sentiment after the announcement of the EIS approvals for three LNG Project in Gladstone. The construction workforce required for completion of these projects is nearing peak levels. Therefore the demand for accommodation has eased significantly and supply outweighing demand in the residential property sector with supply continuing to increase.

Local buyers are coming back into the market as prices are decreasing. The buyers are first home buyers as well as home owners upgrading. Interstate investors are still active however, interest has slowed.

Cairns

The Cairns market is starting to show glimmers of movement, but mostly in activity not in price. Volumes of house sales up to December 2012 were running at about 20% higher than corresponding months of 2012, and the higher levels of activity have continued if not accelerated into 2013. Agents are reporting considerably increased numbers at open homes particularly for properties that are desirably located, well presented and attractively priced, and these properties are turning over accordingly. While the increased level of sales activity has not yet materially influenced prices, there are perceptions that vendors are sticking closer to asking prices, are negotiating less and are not discounting as much. The strongest activity and the quickest turnover appears to be in the mid sections of the market, which for houses is around $300,000 to $400,000 that appeal to intending owner-occupiers. Houses in the sub-$300,000 market are experiencing lower demand and slower turnaround due to a lack of first home buyers and investors.

Our impression is that the volume of stock in the market is also reducing, due to sales now starting to take place at a faster rate than new listings are gained. In part this reflects a considerable degree of vendor reluctance to sell at current price levels, and also means that the level of stock could rise significantly once prices start to move. These factors are expected to keep a lid on potential price growth during the course of 2013.

The upshot of current conditions is that we still perceive Cairns to be a buyer's market and still located at the bottom of the market cycle. However the pre-conditions for recovery – tight rental market, increasing rents, good affordability, improved confidence and more widespread belief that prices aren't going to fall further – are all starting to align, and could be expected to translate into the commencement of slow recovery during the course of 2013.

Townsville

While Townsville's residential property market continues an upward trend in sale volumes, the median sale price has declined over the past 12 months.

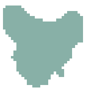
The volume of sales in the established housing market has increased from 195 sales per month in November 2011 to 230 per month in November 2012. During this same period, the median sale price has fallen from $359,000 to $350,000. Sellers are becoming more realistic with their expectations, and properties that are priced to market are usually selling within an appropriate time period.

Buyers in this market include a mix of second home buyers, savvy local investors and first home buyers. We are also seeing some second home buyers from regional areas around Townsville including Mount Isa, Ingham, etc, buying for owner-occupation. First home buyers are also attracted to this sector based on factoring in price point. Even with the first home buyers grant for new homes available, the price points within the established market remains far more attractive.

The volume of vacant land sales has reduced during 2012 with the expiry of the Building Boost Grant on 30 April 2012. Currently the vacant land market is dominated by non-local investors and some second home owners. Anecdotal evidence suggests that the out of town investors are mostly from interstate with house and land packages likely being sold through investor club scenarios.

The established unit market has seen a slight increase in sales volumes over the past twelve months, with 33 sales per month in November 2011 to 41 sales per month in November 2012. During this corresponding period the median sale price has also increased from $257,000 to $262,000. Established units are still proving difficult to move with the combination of uncertain strata titled insurance costs and current opportunities to buy into the established housing market with softer median prices weighing in purchasers decision making process.

While the Townsville residential property market has seen some positive signs over the past 12 months, the pace of change remains slow.



Tasmania

The Tasmanian market has traditionally been underpinned by the first home buyer's market segment. The most recent market recoveries or periods of market growth have generally resulted from an increase in activity in this segment and filtered from the bottom up. The most recent example of this was the previous doubling of the first home owners grant from $7,000 to $14,000. Investors also play an important role in this price bracket, with the previous property boom in the early 2000s being driven by a large increase in investment activity.

As many readers would be well aware the Tasmanian property market has been suffering due to the current economic climate and lack of confidence within the state. Key economic indicators continue to paint a bleak outlook and few are willing to forecast a significant change in these circumstances in the near future. While no one is prepared to 'flinch' just yet when it comes to forecasting the movements of property there are some weak positive signs emerging. Although being at 20 year lows, sales volumes do appear to have stabilised across suburban and central locations. This may have been partly impacted by the apparent return of investors to the lower market as record low interest rates and the possible future capital growth opportunities prove too good to ignore. Vendors are also becoming increasingly more realistic with their price expectations and aware of the current markets expectations. This is particularly evident in the upper price segments which have experienced particularly lengthy selling periods over the past couple of years.

....there have been varied increases in sale prices and rental values across the board over the past 12 months....

The impact of the First Home Builders Boost (FHBB) has not become clear yet. Early indications are that it may be having a small impact, although it is difficult to separate this impact with that of the low interest rates. The real test of whether a genuine recovery is imminent will likely come through the autumn and winter months. If sales volumes can be maintained or even improved during this time, which is traditionally slower, it may point to a solid bottom from which a recovery can then build (likely very slowly) into the future, probably after a federal and state election.

Darwin

Over the past year Darwin has experienced strong growth and recovery from the impact the GFC had on the area over 2009 to 2010. This growth is largely attributed to the Inpex LNG project being approved early in 2012, accompanied by other large shoulder projects such as the Marine Supply Base, the Australian Agricultural Company's meat processing facility in Livingstone and the unrelated increase in the Defence presence within the area.

There have been varied increases in sale prices and rental values across the board over the past 12 months. REINT reports the strongest performer in house sales over the December 2012 quarter was Palmerston which recorded an increase of 54.9% in sales volume. However, the median price in this area remained at $535,000 from the previous quarter. This was accompanied by an overall rental increase throughout the greater Darwin 3-bedroom housing market of 22% over 2012 (REINT 2012).

The Darwin region has numerous land developments selling and under construction including the Muirhead development in the northern suburbs of Darwin and the Palmerston sub-divisions of Johnston, Zuccoli, Farrar and Bellamack. The purchasers in these new sub-divisions appear to be families moving from older stock in the surrounding suburbs and Defence Housing Australia who are renewing their housing stock. There is also a small number of affordable home allotments allocated in most divisions, and these blocks generally appeal to first home owners.

With families upgrading to the next stock price bracket this leaves older stock in the suburbs available for purchase. The purchasers of this lower end of housing stock of approximately $450,000 to $600,000 appear to be first home owners or investors seeking the current high rental returns experienced around Darwin averaging around 5.5% gross passing yield (REINT 2012).

These increases have seen an enhanced sellers market with lower time on the market and higher competition between purchasers. Most properties on the market, when appropriately priced, usually sell within one to four weeks. This can sometimes become an issue with most owners having slightly enthusiastic views as to the value of their property.

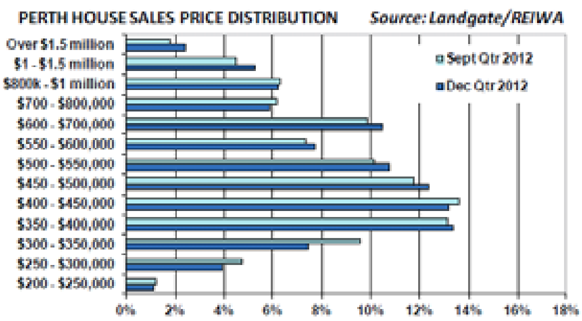
There must be a natural cap to these rises in value as increasing housing affordability issues in the Top End are rumoured to be the cause of various locals moving interstate. However at this point we are unable to predict when these increases will stabilise.

Perth

The diminishing level of listings in metropolitan Perth in the wake of strong population growth and improving consumer confidence has created upward price pressure and increase demand for homes over the March quarter.

Listings are currently at 8,417 down from 14,000 the same time last year indicating a 40% fall in the number of properties available to the market. Additionally, the level of sales are up on the same time last year with the market turning over around 1,000 properties each week, the same time last year Perth saw approximately 750 sales each week.

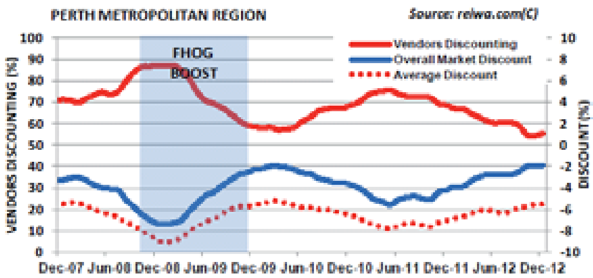
Herron Todd White Perth and our discussions with agents are reporting an increasing shortage in properties in popular price ranges especially around the median of $500,000 and below, traditionally known as the first home buyers market. This increase in sales in the $450,000 to $550,000 markets is illustrated in the graphic produced by REIWA.



With the rental market experiencing double digit growth across 2012, it brought forward many prospective buyers and resulted in very strong first home buyer activity in late 2012 and the first quarter of 2013. This allowed many trade up buyers to be unleashed into the market to sell their existing homes and move up. This scenario is reflected in the fact that the top two suburbs for price growth in the December quarter were outer-suburban, affordable - Calista and gentrified, upper-market – Mount Lawley.

....our discussions with agents are reporting an increasing shortage in properties in popular price ranges especially around the median of $500,000 and below....

Now that the market appears to have turned in favour of sellers, many may be holding back with the expectation of a better price in the months ahead. As until more sellers list their properties and until we get more new homes onto the market from builders, Perth will continue to see supply price pressures. This shift towards a sellers market is illustrated in the graphic below produced by REIWA.



The proportion of vendors discounting fell 13% since the same time last year and now sits at 55%, indicating that just over half of sellers are accepting contract prices below their asking. The amount of vendor discounting also continues to fall from 7% in December 2011 to 5.5% in December 2012. This continuing fall in vendor discounting has also pulled the overall market discount from 4.2% to 1.9% in December 2012, indicating than less than 2% of all sellers are discounting from their initial asking price.

While the upturn in the market with both sales and price is encouraging after three years of sluggish sales it is imperative to ensure a sustainable market for both buyer access and consumer confidence going forward. While we are not heading into a boom by any means, the market is reacting to pent-up demand in the first home buyer and trade up buyer markets, it does appears to be a good time in Perth for hesitant sellers to take advantage of a market full of keen buyers and with sales happening quickly for correctly price property.

South Western WA

It would be fair to say, as of right now, the market for the whole of the south-west of Western Australia is considerably better, and has been for several years. Where previously there have been no buyers, there are now some buyers. Agents in the smaller towns have been seeing buyers walking in the door, which is a situation that was virtually unheard of 12 months ago. This can also be said for the larger towns.

This is not to say that the market is booming with huge price increases, or even at this stage modest price increases, but there is substantially more activity in the market. We are aware that the market in the capital city of Perth has heated up to significant proportions, but whether this translates into higher prices in the regional centres is yet to be seen.

There have been good amounts of residential properties waiting to be sold after a number of years of low demand. Consequently with these now coming onto the market, supply is fairly closely matching demand. However as the continued demand for the lower price properties shows little sign of declining at this point, the supply of new properties to the market is likely to decrease, which may then put upward pressure on prices being obtained.

As a general comment, it is still the properties with a price tag of below $400,000 that are moving readily, with the mid range of $400,000 to $800,000 still lagging a little behind. We are aware that there have not been a substantial number of new houses built in recent years, and with the continued influx of people into Western Australia, a supply and demand imbalance is bound to result. Whether this is what is also occurring in Perth is speculative, but seems to be likely. As many of these immigrants are seeking high paying jobs on the mines as fly-in-fly-out workers, a substantial movement out of Perth to the regions seems likely, as it is just as viable to work in this type of job from the south-west as it is from Perth but without the large price tag of Perth properties.

It seems most likely that any change in activity will be in the second home buyers market, as you cannot keep selling the lower priced houses without some section of the market seeking to move up the property ladder. This would suggest that some of the new subdivisions, with better quality houses, as well as the established, closer to town properties may well see an increased activity over the coming year.

....there have been good amounts of residential properties waiting to be sold after a number of years of low demand....

While nobody is looking for a boom of the proportions of 2006, it would be nice to see some element of capital gain returning to the market, as without this the market tends to stagnate, given how difficult it is to buy a more expensive property without some increase in equity along the way.

Esperance

The Esperance Shire loosely runs for approximately 300 kilometres east to west and 150 kilometres north to south. Other than the town of Esperance, there are small satellite localities of Munglinup (just inside the Ravensthorpe Shire but sharing Esperance's postcode), Cascades, Salmon Gums, Grass Patch, Scaddan, Gibson and Condingup to the north east. The total population of these centres combined would be lucky to hit 500. Historically they were established on transport routes and to serve their surrounding farms but as technology and transport have improved, limited services now exist with the best having a pub, primary school and small roadhouse/general store.

Not surprisingly, there is very limited market activity although Salmon Gums did have two sales during 2012 and another property is currently under offer so there could be something of a boom happening here. Condingup is relatively reliable due to the proximity to the coast and Gibson similarly as it is within 25 kilometres of Esperance. Other than Gibson, the remaining centres are over 50 kilometres from Esperance and when this is combined with the limited facilities in each location there is a reluctance to finance properties in these townsites. This is having some impact on being able to get sales through and sale periods get extended accordingly which can then be another negative in obtaining finance. There is a bit of a spiral effect but the Esperance town itself has had a notable improvement in sentiment, sales volume and improvement in values in some areas so hopefully this will flow through to the other isolated localities within the shire.

At the northern end of the Esperance office main operating area is Norseman, approximately 200 kilometres from Esperance and a similar distance south of Kalgoorlie-Boulder being the main city centre for this region. Norseman is an older established town centred around the local mining industry. 2011 saw a reasonable volume of sales for a market of this size mainly of lower priced property with minor activity in higher price brackets in the latter half of the year. 2012 has followed similar trends although overall sales volume is very low. A large number of properties over all price ranges is available for sale providing competition and potentially affecting values if sales volume does not improve.

The Norseman gold mine, being the main employer in the town, has recently been placed in administration creating a great level of uncertainty over the future for many within the town. Administrators are currently working through their due process with decisions pending on the future of the mine due within the next two to three months. A further complication could arise for the market if the administrators place all the properties owned by the mine on the market which will effectively flood the market and, in our opinion, have a deleterious effect on what are already substantially lower values than were being obtained only a short time ago. As we write, we have been trying to get a response from the administrators as to any decisions but have had no response as yet.

At the western end of our operating area are the towns of Ravensthorpe and Hopetoun. Both centres saw very strong growth in values during the 2006 to 2009 period on the back of BHP establishing a new mine in the region. However in 2009 BHP decided not to continue with these operations which has resulted in the gains being reversed and, in some parts where large subdivisions were created the market is considerably lower than that prevailing prior to the rush. New operators have taken over the mine and there is strong indication that further exploration and development could occur in the area. The current upshot is however most people are very wary having been through the effects of the BHP process and would like to see some more certainty before committing in the market.

Although this all seems a bit down beat for these small centres, the overall region is doing well. Traditionally, the Esperance region was established around the agriculture industry and with strong seasons experienced over the preceding decade, a sound and growing tourism industry and the potential for the mining exploration and development to increase in the coming decade, the signs are positive for these centres to stabilise and improve and, if nothing else, we are reputed to have the best beaches in Australia!

Herron Todd White
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Rural – Market Directions

The Herron Todd White Rural Breakfast presentations were held in Melbourne, Sydney and Brisbane at the end of February and again the feedback has been positive for the events. For those that were able to join us we would like to thank you for your ongoing support.

The presentations are avaiable on our website for those that are interested. As well as the Herron Todd White summary we have a thought provoking presentation about soil carbon and the opportunities and current issues with this current scheme. Certainly the potential as reflected by the presentation is a positive for agriculture which seems to have more headwinds at present. The recent ABARES forecasts for commodity prices that compete in a global market suggest a slight reduction in the gross return for production over the next four to five years. While Australia is well placed geographically to support a growing south east Asian population, the rest of the globe also has an eye on these markets and supply is being created to support this growth which is keeping a lid on prices at the farm gate.

....the run of rural property sales in the Holbrook area (rainfall of 26 to 30 inch or 650 to 750 mm) has continued, and there have now been approximately 15 sales of genuine rural properties....

I recently attended the API Rural Valuers conference in Toowoomba, Queensland where there were presentations about the CSG impacts in Queensland, Abares Outlook, CSIRO discussing the weather systems and some modelling for the next 100 years, agri finance and role of government, among other topics. As with any industry forum it highlighted the opportunity and issues within the sector at present. Of particular note to me was the percentage of attendees to this conference that are very experienced in the rural valuation sector. As an industry there appears to be more people leaving, or close to that retiring age, as opposed to those that wish to come into the sector and this is something the profession and market will need to address in the short term. Those that are involved in the valuation assessment process need to be suitably skilled to undertake the valuation, knowing the implications for all stakeholders.

Please enjoy the thoughts from the team this month and if you require the provision of valuation services across the country, please give your local Herron Todd White office a call.

Tim Lane Ph: (07) 3319 4400

1 April 2013

Southern NSW

It looks like summer may be past us in southern New South Wales and north eastern Victoria. We had varying rainfalls in late February - anything from zero to 100 mm of rain, then we had a week of hot weather in the mid to late 30s which all but evaporated the rain received the week before. However, the rain that fell was enough to strike pasture and encourage farmers to start preparing for early oats and cereal crops. Cereal farmers have started burning stubbles if there were heavy crops last year, limes and fertilisers are being delivered, and there has been a scramble to get early oats in for feed. Most of this area had good follow up rain in the last week of March to the pasture that has been started and is now likely to survive so there is plenty of diesel being burned sowing oats.

Cattle prices have recovered to some extent, but are certainly not anywhere near the levels they were six months ago. Fat lamb prices are in much the same boat - some recovery but not as high as previous prices.

The irrigation season has been well under way and the level of Hume Dam has fallen to around 55%. Dartmouth is still near full at around 94% as the demand for water has been met by Hume Dam. Irrigation water needs are likely to decrease after the recent rainfalls and the onset of cooler weather, so storage levels are unlikely to fall much more.

On the property front, the run of rural property sales in the Holbrook area (rainfall of 26 to 30 inch or 650 to 750 mm) has continued, and there have now been approximately 15 sales of genuine rural properties in that area over the past nine months or so. That is great from a valuation perspective as we have plenty of sales to rely on, but agents are reporting that there is still good demand for good quality properties in that area and there are few properties available. There have also been some strong sales in the traditional wheat/sheep areas to the west and north west of Albury in the 22 to 24 inch - 550 to 600 mm rainfall areas. Values do not appear to have moved upwards yet, but as properties are sold and new listings are not forthcoming it may be only a matter of time that values start to rise.

It will be a wait and see situation now to find out if the early autumn break continues into winter. There is quite a bit of optimism around in terms of this cropping season as prices appear to be reasonably stable, but that optimism is dependant on the season from here forward.

Contact:

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Regional Victotia

MURRAY RIVERINA

The market for broadacre irrigation holdings has remained steady to a slight rise in value. This would be expected with the general rural outlook much more positive on the back of excellent 2010/2011 season and a reasonable 2012 season.

A dry start to the year and a three month forecast for average rains has curbed enthusiasm in the area to a degree, however the local area is looking forward to a good rice crop with harvesting starting to commence now.

The market for dry grazing country has been static to showing a slight rise.

Overall agents are reporting subdued enquiry, largely due in our opinion to continuing negative sentiment in regard to the worldwide economy.

The market for general security class water (Murray Valley) has been hovering around $700 to 750 per unit (down from a high of $1,200 per unit as a result of government buybacks), while the market for Murray Irrigation Limited Water and delivery entitlements (general security class water) is around $550 per unit.

The market for high security class water Murrumbidgee and Murray Valleys has fallen over the past three years from a high of $3,000 to $3,500 per unit to around $1,500 per unit.

Permanent bore water during the drought in the Murray aquifer stretching from Corowa in the east to Swan Hill in the west on the NSW side of the border was trading for as high as $1100 per megalitre during the 2006/2009 drought. Due to the large amount of surface water available there has been little demand for permanent bore water and agents are reporting that they have permanent bore water for sale at $400 per megalitre.

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John Henderson Ph: (03) 5881 4947

....the excellent seasonal conditions have worked in favour for the dried fruit industry with the recent harvest reportedly recording one of its best seasons....

LEETON / GRIFFITH

There has been little change in the local rural markets since last month. Grape harvest is nearing completion and the rice harvest is well under way with a million tonne plus crop predicted this year. Dryland farmers are eagerly awaiting general breaking rains to commence winter crop preparations. There have been scattered showers throughout the region over the past few weeks but nothing significant of mention to date. There remains a steady stock of property on the market and agents report buyers remain hesitant at making a commitment to buy. Water markets have improved slightly with prices for permanent water at the end of the season showing an increase in overall classes.

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MURRAY OUTBACK

Activity in the rural scene over the past month has centred on the wine, table and dried fruit grape harvest. The wine grape harvest is winding up, and as reported recently, the quality has been quite good and prices appear to be slightly improved from last year although a substantial recovery in prices is unlikely while the exchange rate is so unfavourable for exporters.

The fresh fruit table grape harvest is in full swing and the weather has been almost perfect, with chilly mornings and mild sunny days. The later, premium varieties are currently being picked with Crimson Seedless and Autumn Royal in good demand and selling at reasonable prices. Again the high Australian dollar continues to harm exporters in this industry.

The excellent seasonal conditions have also worked in favour for the dried fruit industry with the recent harvest reportedly recording one of its best seasons for a decade at least with high quality good golden coloured fruit being delivered to the processors. However returns to growers have been hit with a drop in prices recently of between $100 and $200 per tonne to around $2,000 per tonne for high grade dried Sultanas.

Australian dried fruit growers have battled the past decade with six to seven years of drought and then two very wet summers which had an impact on the quality of fruit produced. Compounding the problems has been the continuing high Australian dollar which has culminated in exports being less competitive and opened the Australian market up to cheaper imports which have continue to impact on the local industry.

The dry land sector remains in waiting mode for some significant rainfall to allow growers to commence their cereal cropping programs, noting that traditionally in the Victorian Mallee and northern Mallee areas the trigger to commence sowing has been around Anzac Day.

There have been some solid sales in this dryland sector particularly in the Mallee region with notable sales in the Bronzewing and Patchewollock areas south of Ouyen showing levels remaining firm to previous levels of 2012.

There have been no significant sales in the horticultural or pastoral sector in this region over the past month or so.

Conatct:

Shane Noonan Ph: (03) 5021 0455

Southern Queensland

The market in Southern Queensland continued to be quite subdued. While there is some evidence of activity, it mainly surrounds the receivership market, with the influx of distressed sales coming onto the market in late 2012 expected to continue for some time yet.

The Downs and Inner Maronoa are currently experiencing a very good season however west of a line from Morven, the condition of the country continues to fall away quite markedly. There have been some recent scattered falls but these have only added to the problem as stock chase the 'green pick' Producers will have no option but to commence early weaning if their breeders are to have any chance of coming through the winter in any sort of condition. Wild dogs and kangaroo numbers are still on the increase and this will create real issues going forward.

As we approach April, the likelihood of grass producing rains diminishes on a daily basis, we hope our May newsletter will reflect a more positive situation.

Contact:

Doug Knight Ph: (07) 4339 2119

Central Queensland

The start to the year has seen good good rainfall in most of the inner Central Queensland regions resulting in a good body of feed in most cases. However this is not so much the situation for many areas to the west which are quickly running out of feed, having a resulting impact on the local cattle market.

The main news items for this month are the sales of the "Brigalow Research Station" at Moura for $5.5 million and "Tarewinnabar" in the Arcadia Velley for a reported $5.5 million with inclusions.

The "Brigalow Research Station" comprises a total area of 3,300 hectares (8,154 acres) being a principal mix of brigalow and softwood scrub. The property has extensive structural improvements formerly being used as a research base. The property sold with competition from graziers and investors at auction for $5.5 million, which indicates about $1,666 per hectare ($674 per acre) or about $3,900/AE.

These results are well back from the 2008 market peak, but reflect values which confirm the current market, and offer a more realistic proposition to those looking to acquire rural land.

Contact:

Greg Williams Ph: (07) 4957 7348

Will McLay Ph: (07) 4927 4655

Northern Territory

There have been no new confirmed sales of commercial sized rural property in the Northern Territory this month apart from a small cattle block (under 20,000 hectare) in the Florina District near Katherine which has contracted for sale. Details remain confidential at this stage however the sale will reflect a discount on the 2009 purchase price in the order of 35%.

....there have been some solid sales in this dryland sector particularly in the Mallee region with notable sales in the Bronzewing and Patchewollock areas south of Ouyen....

But now for some more positive news. During this recent period of uncertainty in the north of the Northern Territory where the market is still finding it difficult to stomach the prospect of placing all eggs in just one basket (ie the live export market), it looks like there will soon be more to consider now that the Northern Territory Government has announced their intention to push through with proposed changes to the Northern Territory Pastoral Land Act. The proposed amendments aim to give pastoralists greater freedom to utilise their property's natural attributes and diversify the income streams possible from their cattle station. It is proposed to make law that subject to the assessment of a realistic business plan, a pastoralist may be granted a 30 year diversification permit to develop a component of their cattle station to a higher use. For example, develop a ground water resource that lies under arable country for the purposes of horticulture; or clear an area of appropriate land type for forestry.

....the average layman is unaware that one of Tasmania's major agricultural export earners is in fact derived from the humble poppy....

It is proposed that the diversification permit would run for 30 years and it would also be registered on title so would run with the land in the event of a sale. Obviously, the essential term of a lease that the dominant use must be a pastoral use, will remain in tact under the proposed changed (to stay in line with native title laws). This should not be too difficult to uphold for most pastoral leases given their vast size. For example, the redevelopment of a 1,000 hectare patch of country for horticultural uses, while a very significant development in its own right, is likely to still enable to dominant use to remain as pastoral.

We stress that these are still just proposed amendment to the Act, however we are aware that the move has been in train some time and the recent announcement by the Northern Territory Government was made with the intention that it passes through the bureaucratic process quickly, and that it's enacted sooner rather than later. It would appear that the support for the change is wide and if enacted could have significant benefits for the Northern Territory pastoral industry and is likely to change the way buyers and sellers look at a particular cattle station.

Contact:

Frank Peacocke Ph: (08) 8941 4833

Tasmania

On average 1,000 farmers wake up to a scene like this every morning during December/January with some 25000 hectares of the flowers providing the unsuspecting Tasmanian tourist with a mosaic of colour interspersed in the rich green southern fields. The average layman is unaware that one of Tasmania's major agricultural export earners is in fact derived from the humble poppy.

As a secure, fertile environment for cultivating poppies, Tasmania has unrivalled advantages. In the management, manufacture and export of opiates, Tasmania's reputation is unsurpassed.

Poppies are ideally suited to mixed crop and livestock farming enterprises as the crop should not be grown in the same field in consecutive seasons and are grown on a minimum three year cropping period. Throughout Tasmania there are a number of poppy varieties being grown. These include morphine, codeine, thebaine and oripavine.

Average yields are about 2.5 tonnes per hectare and Tasmania supplies about half of the world's medicinal opiate market.

Tas Alkaloids who established in Tasmania in 1975 and are one of three processors are expecting further substantial growth over the next seven years and will be looking to expand the volume of plantings in Tasmania.

Combine this expansion with the proposed irrigation schemes planned for implementation over the next decade and there will be new opportunities for many farmers if they venture to spend a little on their own infrastructure and buy some water.

Contact:

Michael Valentine Ph: (03) 6334 4997

South Western WA

This March the annual ABARES conference was held and the release of the commodity outlooks for 2013 presented. In the presentation on the dairy industry outlook given by Trish Gleeson the following overview was made:-

- World prices to rise in the short term
- Demand outlook improving
- World milk production to rise
- Farm gate prices to rise in short term but fall over medium term
- Value of dairy exports to ease over the medium term

These predictions appear to be good news for the WA dairy industry which has been run through the ringer for the last five years seeing the number of producers declining. The big question is, what affect will this have on the dairy industry in real terms and will we see an increase in demand for dairy properties? Currently on the market in WA are three large dairy properties ranging from a 4,000 head dairy enterprise located on the south west coast to a dairy with the potential to be a 1,000 head unit. Asking prices for these properties range from $7,500 to $11,000 per milking cow. Given the scale of some of these operations the purchaser profile is likely to be that of a foreign or corporate investor with price and return being some of the main factors in the decision making process. Discussions with selling agents have indicated that some interest has been shown but has slowed recently with one agent saying “interest from overseas purchasers has slowed to a rate of treacle running on a cold day”. From this it is apparent that the ABARES positive outlook has not yet had an impact on the property market which, is not surprising, given this has just been released so now it is a case of watch this space.

Rain has fallen across a number of wheat belt districts which is perfect timing for those wanting to get going with their seeding programs. The over supply of properties in many of these districts continue and the general consensus in the industry is that it will take two good seasons of rain and prices to kick start the industry and farmland market.

Contact:

David Abel Ph: (08) 9754 2982

Comparative Property Market Indicators - March 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 - March 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.

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Comparative Analysis of Queensland Property Markets

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

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

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

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

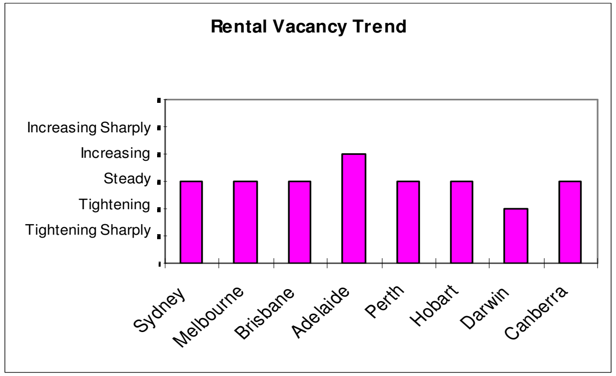
Adelaide	(08) 8231 6818
South West WA (Bunbury/Busselton)	(08) 9791 6204/ (08) 9754 2982
Perth	(08) 9388 9288
Darwin	(08) 8941 4833

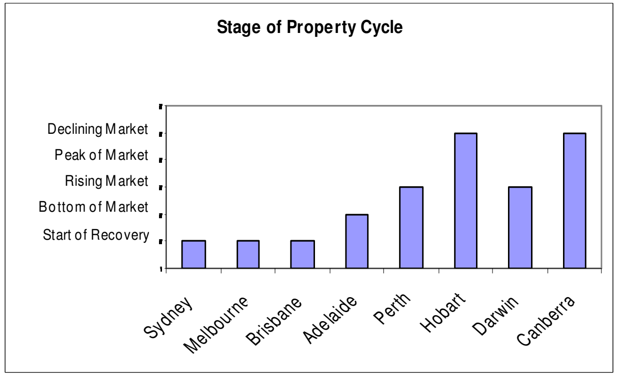
Capital City Property Market Indicators as at March 2013 – Houses

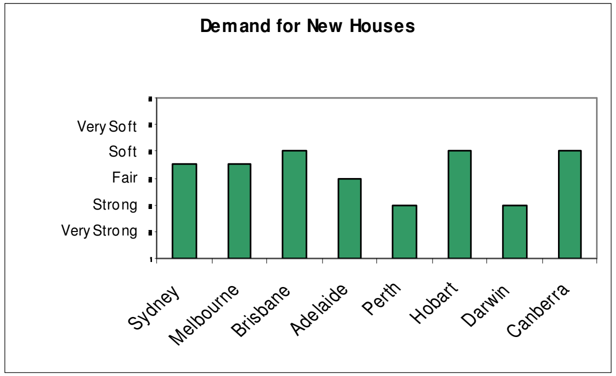
Factor	Sydney	Melbourne	Brisbane	Adelaide	Perth	Hobart	Darwin	Canberra
Rental Vacancy Situation	Shortage of available property relative to demand	Shortage of available property relative to demand - Balanced market	Balanced market	Balanced market	Shortage of available property relative to demand	Over-supply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

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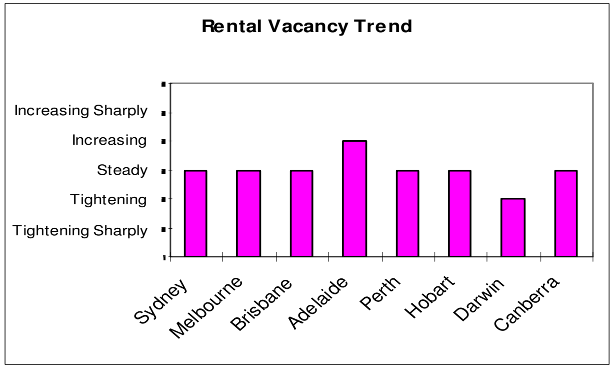
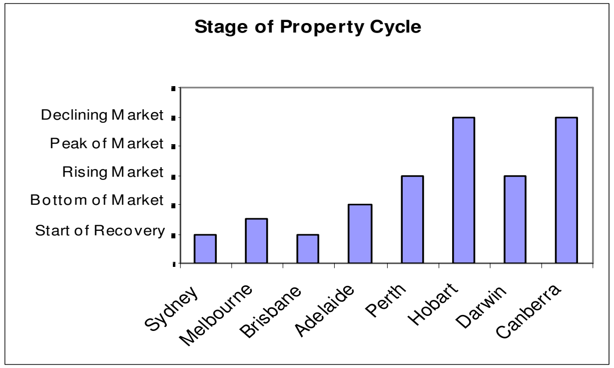
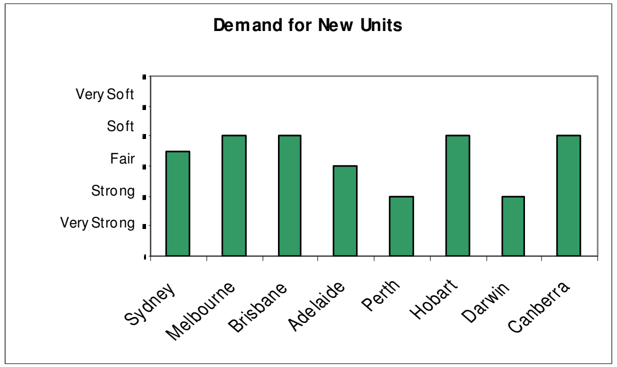


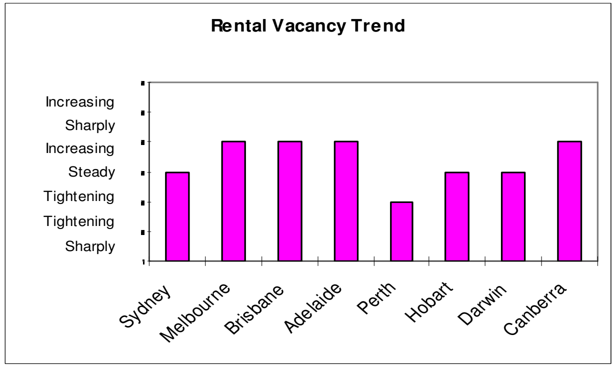


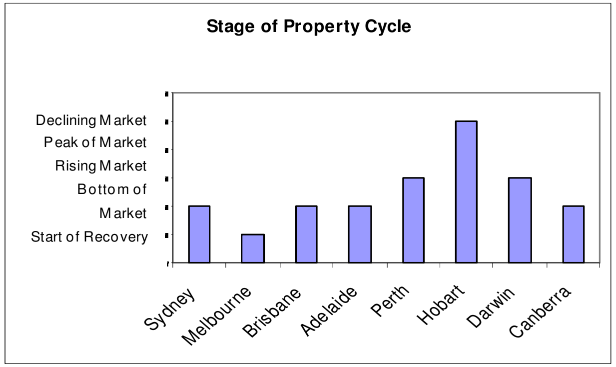


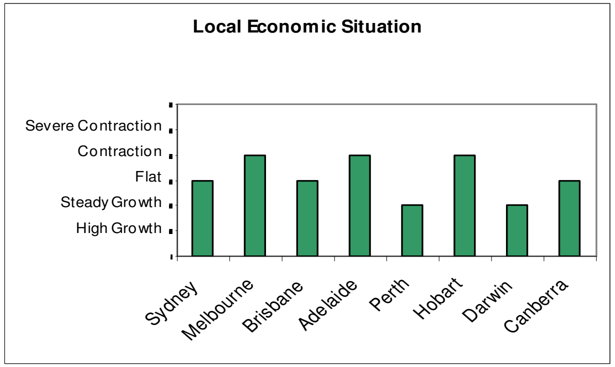
Capital City Property Market Indicators as at March 2013 – Office

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

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







New South Wales Property Market Indicators as at March 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	Balanced market	Balanced market	Balanced market	Shortage of available property relative to demand	Severe shortage of available property relative to demand	Over-supply of available property relative to demand	Severe shortage of available property relative to demand	Severe shortage of available property relative to demand	Balanced market	Shortage of available property relative to demand	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	Soft	Fair	Soft	Fair	Strong	Soft	Strong	Soft	Fair	Soft - Fair	Fair	Soft	Fair	Soft - Fair	Soft
Trend in New House Construction	Declining	Steady	Steady	Steady	Increasing	Declining	Steady	Declining	Steady	Steady	Declining	Declining - Steady	Steady	Declining - Steady	Declining
Volume of House Sales	Steady	Steady	Steady	Steady	Increasing	Increasing	Increasing	Steady	Steady	Steady	Steady	Increasing - Steady	Declining	Increasing - 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	Start of recovery	Peak of market	Bottom of market	Declining market	Bottom of market - Rising market	Bottom of market
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Occasion-ally	Occasion-ally	Occasion-ally	Occasion-ally	Occasion-ally	Occasion-ally	Occasion-ally	Almost never	Occasion-ally	Occasion-ally	Occasionally	Occasion-ally	Occasion-ally	Occasion-ally	Almost never

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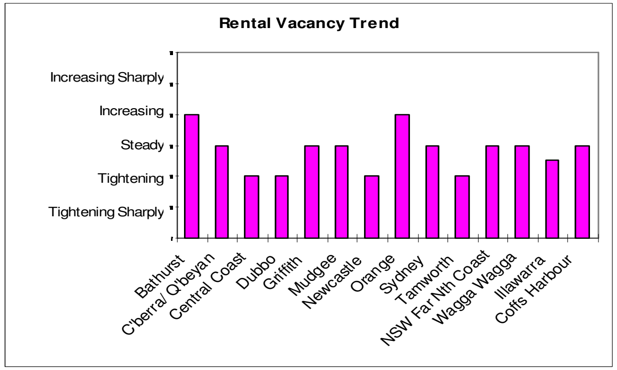

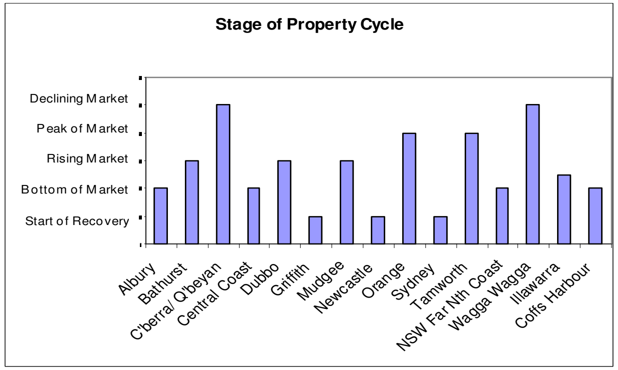

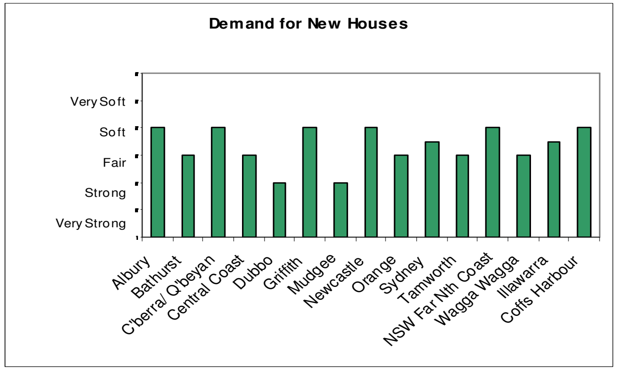

New South Wales Property Market Indicators as at March 2013 – Units

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	Balanced market	Balanced market	Balanced market	Shortage of available property relative to demand	Severe shortage of available property relative to demand	Balanced market	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	Tightening	Steady	Steady	Tightening - Steady	Steady
Demand for New Houses	Very soft	Fair	Soft	Fair	Strong	Fair	Fair	Soft	Fair	Soft - Fair	Fair	Soft	Fair	Soft - Fair	Very soft
Trend in New House Construction	Declining	Steady	Steady	Steady	Increasing	Declining	Steady	Declining	Steady	Increasing	Declining	Declining - Steady	Steady	Declining - Steady	Declining
Volume of House Sales	Steady	Steady	Steady	Steady	Increasing	Increasing	Steady	Steady	Steady	Steady	Steady	Increasing - Steady	Steady	Increasing - 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	Start of recovery	Peak of market	Bottom of market	Declining market	Bottom of market - Rising market	Bottom of market
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Occasionally	Occasionally	Occasionally	Almost never	Occasionally	Occasionally	Occasionally	Almost never	Occasionally	Frequently	Occasionally	Occasionally	Occasionally	Occasionally	Almost never

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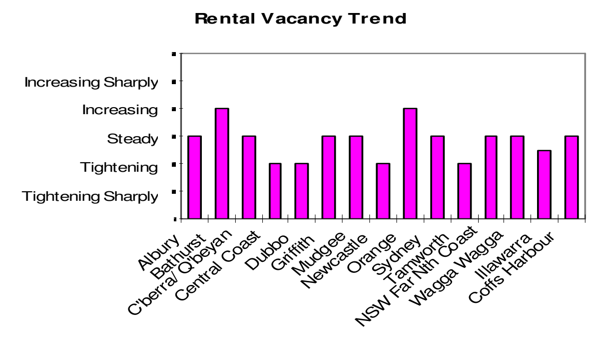

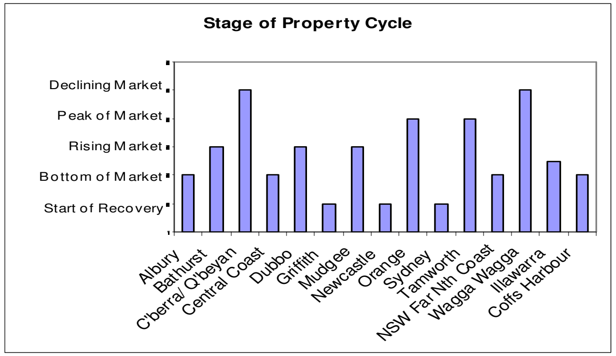

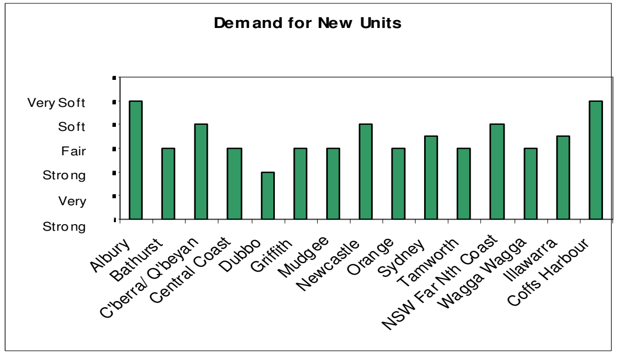

New South Wales Property Market Indicators as at March 2013 – Office

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

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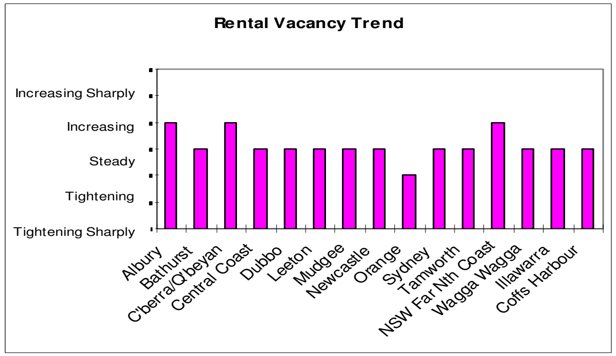
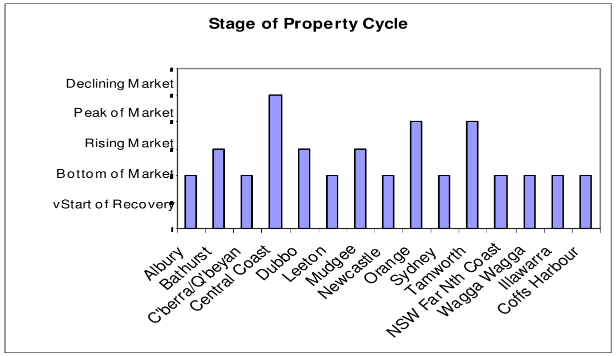
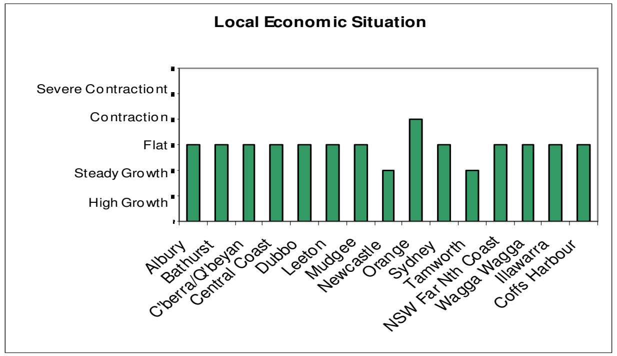




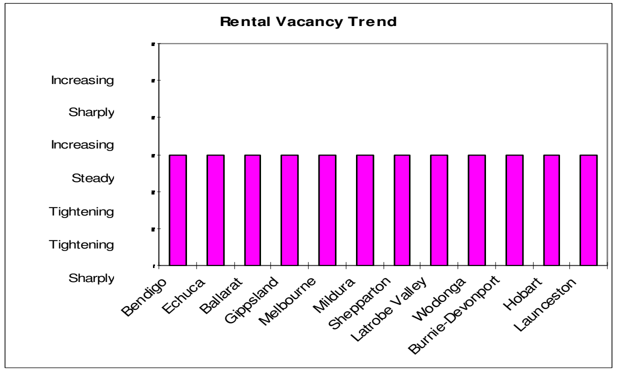


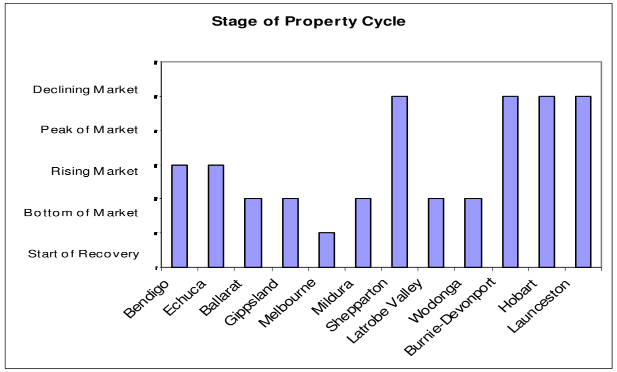
Victoria/Tasmania Property Market Indicators as at March 2013 – Houses

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

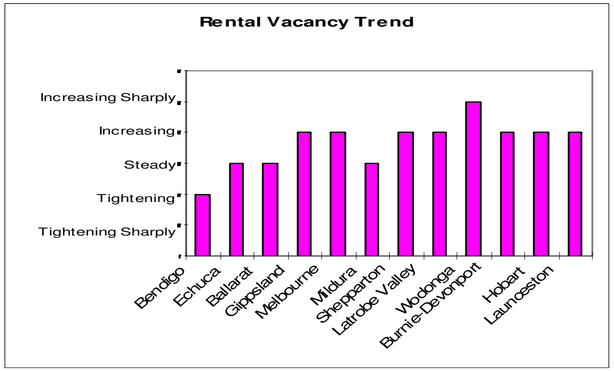


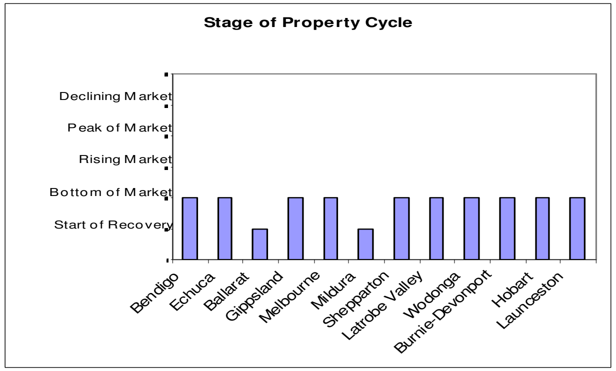


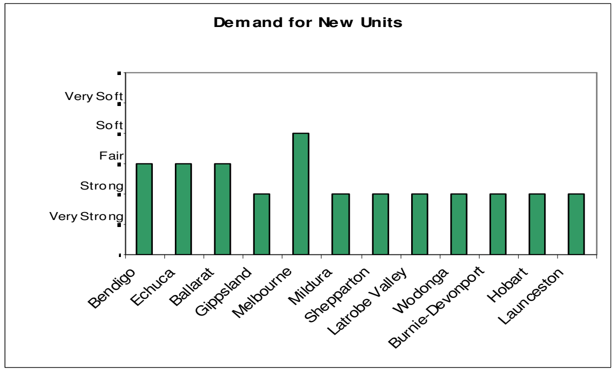
Victoria/Tasmania Property Market Indicators as at March 2013 – Units

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	Balanced market	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	Steady	Steady	Steady	Steady	Steady	Tightening	Steady	Steady	Steady	Steady	Steady	Steady
Demand for New Houses	Strong	Soft	Fair	Soft	Soft	Fair	Soft	Soft	Very soft	Soft	Soft	Soft
Trend in New House Construction	Steady	Steady	Steady	Declining	Increasing	Declining	Declining	Declining	Declining	Declining	Declining	Declining
Volume of House Sales	Steady	Steady	Increasing	Steady	Increasing	Steady	Declining	Steady	Steady	Steady	Steady	Steady
Stage of Property Cycle	Rising market	Start of recovery	Bottom of market	Bottom of market	Start of recovery - Bottom of market	Rising market	Declining market	Bottom of market	Bottom of market	Declining market	Declining market	Declining market
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Occasion-ally	Occasion-ally	Almost never	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 March 2013 – Office

Factor	Bendigo	Echuca	Gippsland	Melbourne	Mildura	Latrobe Valley	Wodonga	Burnie/ Davenport	Hobart	Launceston
Rental Vacancy Situation	Shortage of available property relative to demand	Balanced market	Over-supply of available property relative to demand	Over-supply of available property relative to demand	Balanced market	Over-supply of available property relative to demand	Over-supply of available property relative to demand	Over-supply of available property relative to demand	Over-supply of available property relative to demand	Over-supply of available property relative to demand
Rental Vacancy Trend	Tightening - Steady	Steady	Steady	Increasing	Steady	Steady	Increasing	Steady	Steady	Steady
Rental Rate Trend	Stable	Stable	Stable	Increasing	Stable	Stable	Declining	Declining	Declining	Declining
Volume of Property Sales	Steady	Steady	Declining	Steady	Steady	Declining	Steady	Declining	Declining	Declining
Stage of Property Cycle	Rising market	Rising market	Bottom of market	Start of recovery	Bottom of market	Bottom of market	Bottom of market	Declining market	Declining market	Declining market
Local Economic Situation	Steady growth	Flat	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	Small - Significant	Small	Small	Significant	Significant	Significant	Significant

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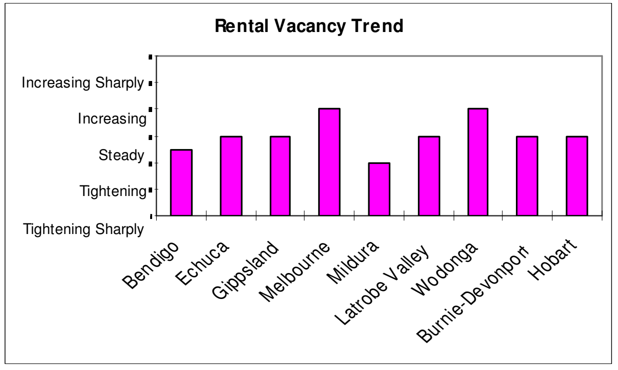
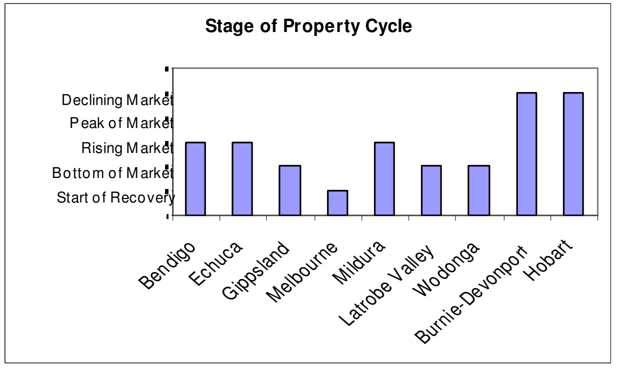
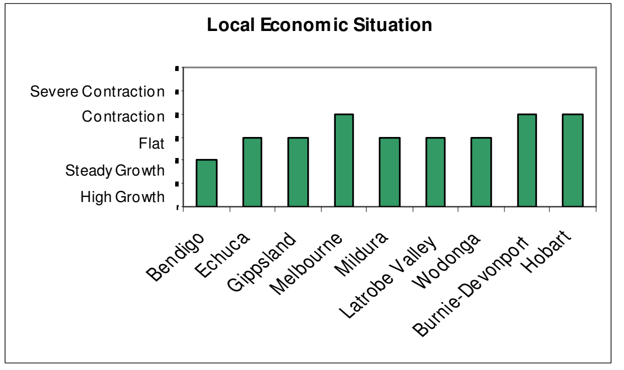
Blue entries indicate change from 3 months ago to a lower risk-rating







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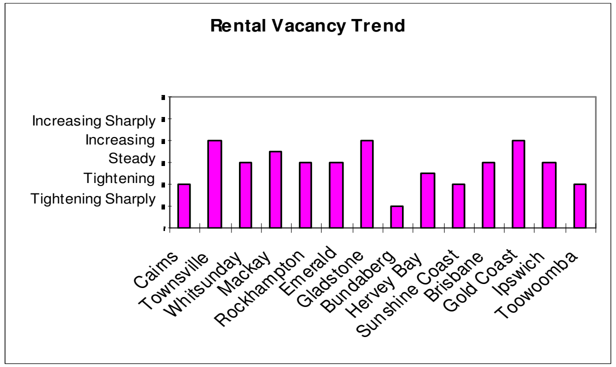
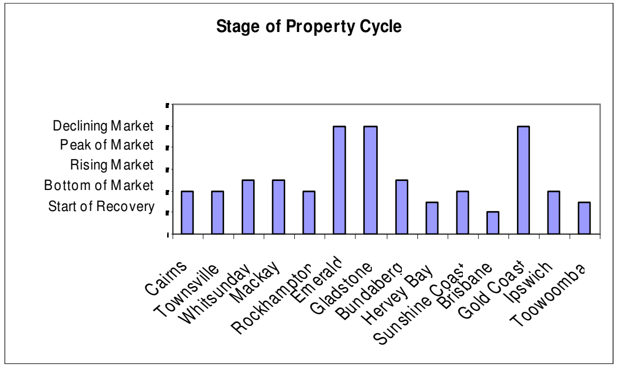
Independent Property Advisors

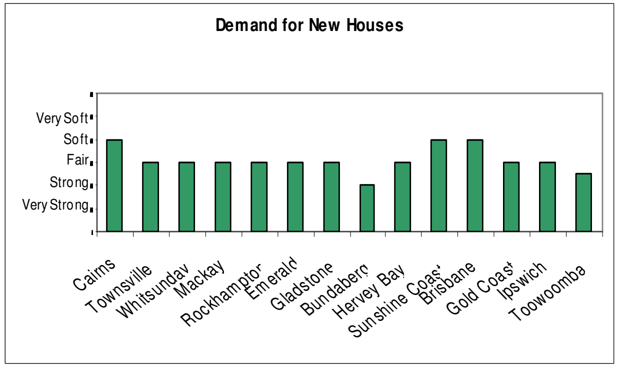
Queensland Property Market Indicators as at March 2013 – Houses

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



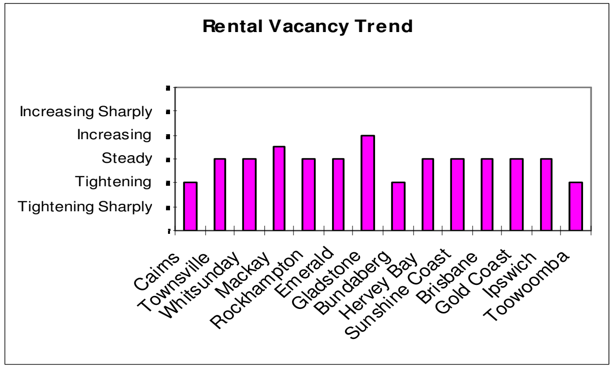




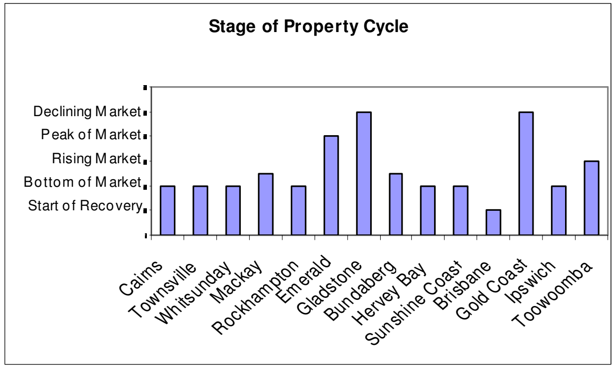
Queensland Property Market Indicators as at March 2013 – Units

Factor	Cairns	Townsville	Whitsunday	Mackay	Rockhampton	Emerald	Gladstone	Bundaberg	Hervey Bay	Sunshine Coast	Brisbane	Gold Coast	Ipswich	Toowoomba
Rental Vacancy Situation	Severe shortage - Shortage of available property relative to demand	Balanced market	Shortage of available property relative to demand - Balanced market	Balanced market	Shortage of available property relative to demand	Balanced market	Balanced market	Shortage of available property relative to demand	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	Steady	Steady	Steady - Increasing	Steady	Steady	Increasing	Tightening	Steady	Steady	Steady	Steady	Steady	Tightening
Demand for New Units	Very soft	Fair	Fair	Fair	Fair	Fair	Fair	Fair	Soft	Soft	Soft	Soft	Fair	Fair - Strong
Trend in New Unit Construction	Declining	Steady	Steady	Steady	Steady	Steady	Steady	Steady	Declining - Steady	Declining	Steady	Increasing	Steady	Increasing
Volume of Unit Sales	Increasing	Steady	Steady	Steady	Steady	Declining	Declining	Increasing	Increasing - Steady	Steady	Increasing	Increasing	Steady	Increasing - Steady
Stage of Property Cycle	Bottom of market	Bottom of market	Bottom of market	Bottom of market - Rising market	Bottom of market	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	Occasionally	Occasionally	Almost never	Occasionally	Almost never	Occasionally	Occasionally	Almost never	Occasionally	Occasionally	Occasionally	Very frequently	Almost never	Frequently

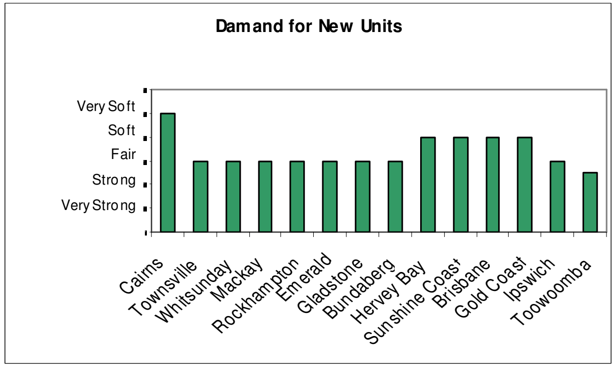
Red entries indicate change from previous month to a higher risk-rating *Blue entries indicate change from previous month to a lower risk-rating*



Rental Vacancy Trend



Stage of Property Cycle



Damand for New Units

Queensland Property Market Indicators as at March 2013 – Office

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

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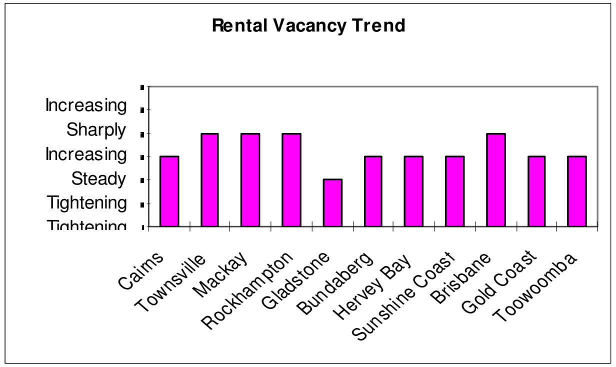
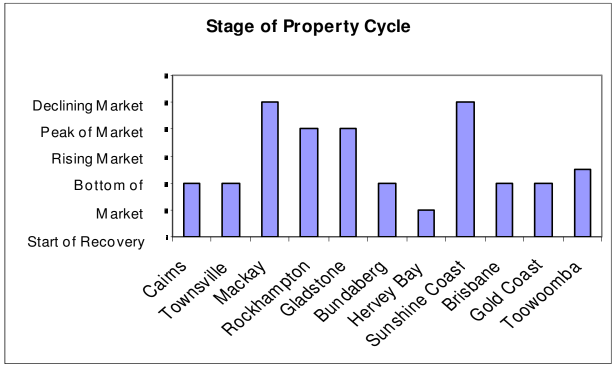
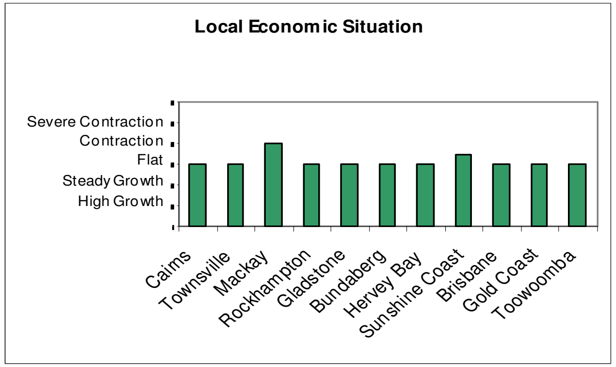
Blue entries indicate change from 3 months ago to a lower risk-rating







Northern Territory, South Australia & Western Australia Property Market Indicators as at Office 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	Severe shortage of available property relative to demand	Severe shortage of available property relative to demand	Shortage of available property relative to demand	Shortage of available property relative to demand
Rental Vacancy Trend	Increasing	Increasing	Increasing	Increasing	Steady	Tightening	Tightening	Tightening	Tightening	Steady
Demand for New Houses	Fair	Fair	Fair	Fair	Soft	Soft	Strong	Strong	Fair	Strong
Trend in New House Construction	Increasing	Increasing	Increasing	Increasing	Steady	Steady	Increasing	Increasing	Steady	Increasing
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	Rising 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	Occasionally	Occasionally	Almost never	Occasionally

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

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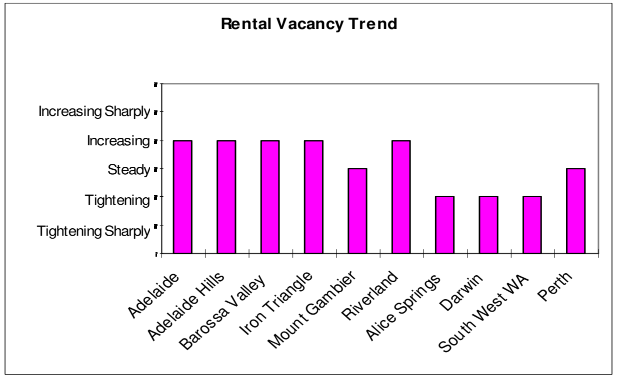
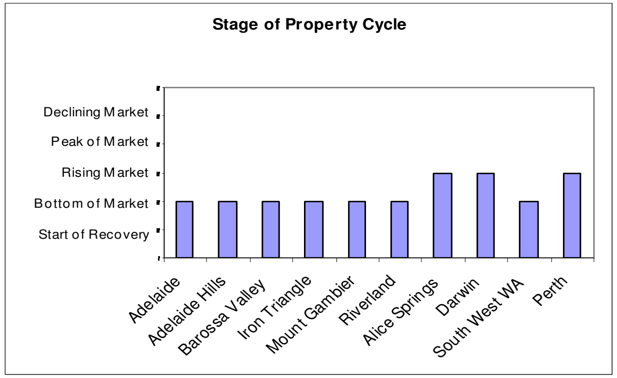
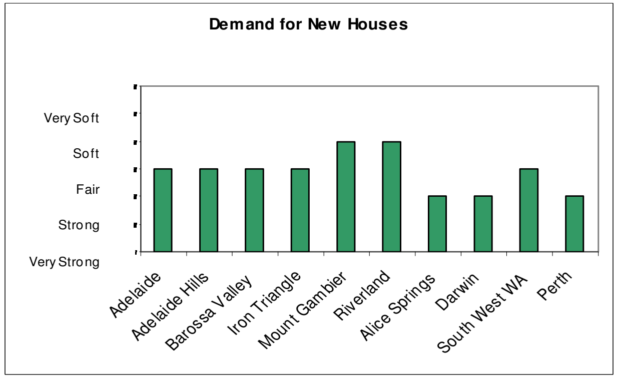






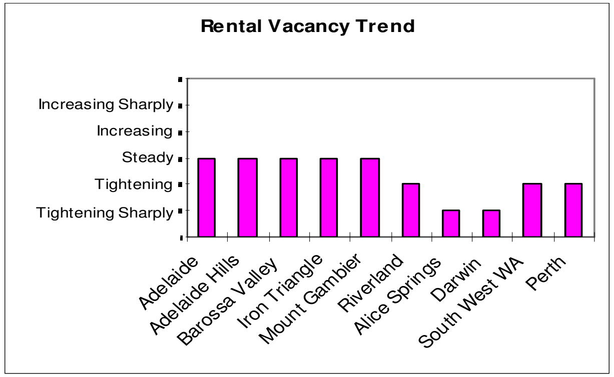
Herron Todd White
Independent Property Advisors

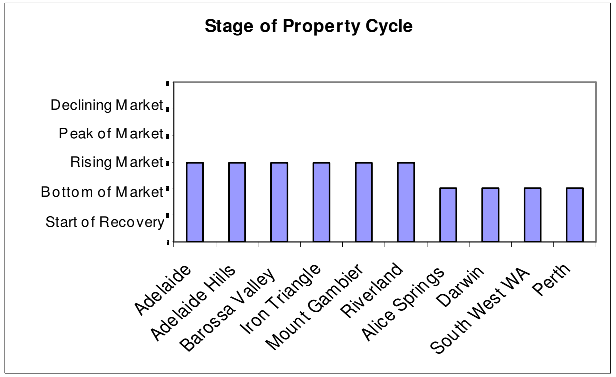
Northern Territory, South Australia & Western Australia Property Market Indicators as at March 2013 – Units

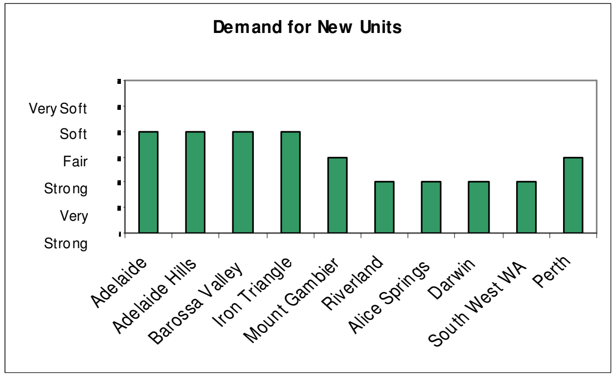
Factor	Adelaide	Adelaide Hills	Barossa Valley	Iron Triangle	Mount Gambier	Riverland	Alice Springs	Darwin	South West WA	Perth
Rental Vacancy Situation	Balanced market	Balanced market	Balanced market	Balanced market	Balanced market	Shortage of available property relative to demand	Severe shortage of available property relative to demand	Severe shortage of available property relative to demand	Shortage of available property relative to demand	Shortage of available property relative to demand
Rental Vacancy Trend	Increasing	Increasing	Increasing	Increasing	Steady	Tightening	Tightening	Tightening	Tightening	Steady
Demand for New Units	Fair	Fair	Fair	Fair	Soft	Soft	Strong	Strong	Fair	Strong
Trend in New Unit Construction	Steady	Steady	Steady	Steady	Steady	Steady	Increasing	Increasing	Steady	Increasing
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	Rising 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	Occasionally	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 March 2013 – Office

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	Shortage of available property relative to demand
Rental Vacancy Trend	Increasing	Increasing	Increasing	Increasing	Steady	Steady	Steady	Tightening	Tightening
Rental Rate Trend	Declining	Declining	Declining	Declining	Stable	Increasing	Increasing	Increasing	Increasing
Volume of Property Sales	Increasing	Increasing	Increasing	Increasing	Steady	Steady	Steady	Declining	Increasing
Stage of Property Cycle	Bottom of market	Bottom of market	Bottom of market	Bottom of market	Bottom of market	Rising market	Rising market	Start of recovery	Rising market
Local Economic Situation	Contraction	Contraction	Contraction	Contraction	Flat	Steady growth	Steady growth	Flat	Steady growth
Value Difference between Quality Properties with National Tenants, and Comparable Properties with Local Tenants	Small	Small	Small	Small	Large	Significant	Significant	Small	Significant

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

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