Herron Todd White

Independent Property Advisors

The Month In Review

2013 JUNE

www.htw.com.au

1300 880 489

Contents

Peace of mind for your property decisions.

Medium term growth for the medium priced buyer

Medium term growth for the median priced buyer.

This month, let's celebrate the middle ground! Let's give it up for the fence sitters! Let's shout-out a hi-de-ho to the ho hum!!

We are a species prone to enjoying extremes; those extraordinary ends of the scale. A fascination with the high points and weak links e.g. reality TV (I rest my case, Your Honour!)

As much as we'd like to think ourselves beyond the beige, let's come to terms with the idea that the world works on a bell-curve, not a smile graph. The vast majority of us sit in the centre, neither breaking hearts nor scaring children, but comfortably positioned in the middle bit where we can get on with things and fly under the radar.

The irony is this; given the largest percentage of the general population sit somewhere toward the centre in most things, we should statistically control the world by weight of numbers, right? Yet the obsession with celebrity and infamy means that the column inches and TV minutes are mostly devoted to the extremes of the scale.

This month is an attempt by Month In Review to rectify the imbalance in some small way. We are looking to enjoy all that's important about being in the majority by highlighting the intermediate division of the real estate market. For June, our contributors have gone into the masses and come up with the median priced buyer with a medium term outlook of about six years.

Take a look amongst our column inches and you will find a ready summary on every markets fantastically typical buyer. From peninsula to Aussie bite, from Byron to Steep Point, we have prepared for you a knock down wrap up on the nation's markets and what would be considered a reasoned approach to the ordinary investor. A quick glance through will reveal mostly good news in muted tones with many capitals dipping their toe in the capital growth lake and checking the temperature before performing a graceful "pony" in the deep end.

Commercially it's all about our industrial sector and its middling markets. It's the price point that is neither blue-chip nor penny-dreadful. It's where the dollars sit when you're on the price fence and looking to keep it steady-as-she-goes for the medium term.

So let's celebrate the mediocre and enjoy the average from around Australia. Who knows, your next property dalliance might set you up for a handsome profit in a few years time ¬ just don't take a step without a little instruction from our anything-but-ordinary Herron Todd White team.

Herron Todd White
1 June 2013

admin@htw.com.au

Politics and property

With the election looming, and the announcement of the 2013-2014 Federal Budget many investors are sitting on the fence, essentially playing a wait and see game. What will the newly elected party offer property investors? Will there be any tax cuts or direct benefits to investors? Will negative gearing remain? Will fiscal policy encourage property growth?

Deputy Prime Minister and Federal Treasurer, Mr Wayne Swan, on 14 May 2013 announced a budget deficit of $18 billion which he largely blamed on "Ggobal forces and a stubbornly high Australian dollar". It was no wonder that the Australian Tax Office (ATO) announced statistical data relating to the number of individuals own rental properties and that approximately two out of every three investors were recording a loss on their rental income and the total losses over the year was $13.285 billion. Now this is not to say that the two are directly related nor are they mutually exclusive, however the findings were somewhat intriguing.

This statistical data has revealed what many already know; that most investors are negatively gearing their investment properties and claim a loss against their income. Many people are attracted to negative gearing and use it as part of their wealth creation strategies because of its tax advantages, and its only possible to get a tax deduction on your investment property if you have recorded a loss on your investment.

With negative gearing most people acknowledge a loss in income because they believe it will be more than compensated for in capital gains on their investment in the future and the prospect that one day it may generate a positive cash flow. The ATO's statistical data, from its annual report, however has revealed that on average, the losses made on negatively geared investment properties are larger than the profit made on the positively geared properties.

While the promise of paying lower taxes is appealing to investors by negatively gearing, they sometime loose sight of the bigger picture – a loss is still a loss. Even though a tax saving is made, a financial loss still has to be recovered on the investment property to fund a cash-flow deficit.

With the announcement of the federal budget deficit, many recommendations have, and will continue to come forward to abolish negative gearing. The pro's and con's over this system are often driven by many factors including economic conditions, the performance of the property market, media hype and now with the upcoming election, political tactics.

Whether you are for or against it, you would assume that given Australia's high level of investment property ownership, with approximately two out of every three investors participating in the practice of negative gearing, it would be in the government's best interest to remain with the current system and avoid any backlash from a rule that benefits so many Australians. Although never say never, politicians are no strangers to going back on their promises or even against a popular vote once elected.

If you, are negatively gearing an investment property and would like information on how you could benefit from a Tax Deprecation Schedule, please contact our Quantity Surveying Team at Herron Todd White tds@htw.com.au.

Commercial Overview

Both blue chip and secondary industrial property are the benchmarks by which we analyse industrial markets in most instances, but what about that category of investment that sits somewhere in the centre of the two. This month, we take a look at the middle markets in the industrial sector from around the nation and let you in on the yields and rentals, as well as the market prospects in the next few years.

Sydney

Investment demand for Sydney industrial property is varied. While large prime grade assets in key industrial areas continue to attract demand from a range of investor types, smaller mid-tier assets are subject to a thinner, more selective pool of buyers. Industrial property within the \$2 to \$3 million dollar range, which we have identified as a rough median price for Sydney industrial property, contains a large portion of such mid-size assets. Investors looking to purchase within this range should expect initial yields between 8% to 10%percent, with carefully selected investments carrying prospects of medium term capital growth.

With the business environment generally weak, sub-optimal investment decisions can potentially lead to tragic outcomes. For example, re-sales for some mid-tier assets in Sydney's outer south west region have recorded significant falls in capital values over the past two to three years as a result of weak occupier demand. It is imperative for investors looking to buy median priced industrial property in Sydney to ensure that the asset is well positioned within the market to effectively attract leasing demand, bolster rental returns and capitalise on solid buyer interest when its time to sell.

Suburbs in the South Sydney region benefit from being serviced by a direct access route between the CBD and Sydney's main freight terminals. Hence the region contains some of Sydney's most established industrial estates. However such close proximity to the CBD also makes these suburbs hotspots for residents. Town planning changes in response to Sydney's housing shortage has resulted in many South Sydney industrial sites emerging as new housing developments. The trend presents attractive fundamentals for mid-priced industrial property within the area and surrounding suburbs, as localised demand remains while shrinkage in industrial stock takes place.

Western Sydney spans the largest land area out of all Sydney metropolitan regions and contains a significant variety of industrial stock. North and South corridors of the Western Sydney region are well serviced by the Sydney Orbital motorway network and present a large array of mid-tier investment opportunities. However mid-priced industrial sites located within easy access to the M7 to M4 and M7 to M5 motorway interchanges present particularly attractive buying opportunities. Industrial sites around these two key areas are also subject to increased amenity spreading from the north west and south west growth centres proposed by state planning authorities.

Northern Sydney is less established as an industrial region compared to its southern and western counterparts, and characteristically contains smaller pockets of industrial land. Industrial supply in the region is tight, with the majority of new industrial development favouring high-tech industrial formats. However demand for traditional industrial warehouses is expected to remain, with capital growth prospects for sites located within close distance to service links such as the Gore Hill Freeway and public transport nodes.

Canberra

The ACT industrial market is spread across four distinct areas: Fyshwick, Hume, Mitchell, and, Queanbeyan – not in the ACT but adjacent in NSW.

Fyshwick has changed its stripes over the years from a true industrial location to one of being the home of many bulky goods retailers and small service operators. Very few true industrial groups remain – one exception is the Buttercup Bakery.

Hume is currently the primary focus for industrial development with a bias towards transport related activities and storage. New development is focused on the Walker Corporation Estate – Monaro Park where Toll, Grace Brothers, Allied Pickfords, Innamino Transport, Caltex and Downer EDI are some of the national groups who have made Monaro Park their home. A number of sales have occurred in the estate including the Grace Brothers Records facility to 360 Capital for $8.9 million and four holdings as part of a larger national group property transaction to the Investec group. Full details of this transaction are not known however the four properties in the Monaro Park, occupied by Allied Pickfords and Toll are reported to have sold in February 2013 for in excess of $32.7 million.

Mitchell located in the north of the ACT is the service area for the northern section of the Territory with a focus on building supplies and materials. Mitchell as per Fyshwick has also seen a shift of emphasis from true industrial to bulky goods and warehousing.

Queanbeyan across the border in New South Wales offers industrial facilities in two locations in East and West Queanbeyan. Start-up businesses often choose Queanbeyan over the ACT mainly for monetary reasons. Overall Queanbeyan is a cheaper location and is favoured by many construction industry related groups.

....the value of industrial property, that is modern and of good quality in popular well established industrial estates, may have started to rebound....

Wollongong

Conditions within the Illawarra/Southern Highlands industrial sector remain subdued as the market continues to struggle under prevailing economic conditions. There are numerous properties available for buyers in the middle market across all of the industrial precincts although availability in Port Kembla is very limited.

Buyers in the middle market continue to be owner-occupiers with very few investment transactions. Analysed yields remain in the 9% to 10% range with downward pressure placed on rents with rates varying from $90 to $100 per square metre for mid sized warehouse space noting that rates for high clearance factory space with good crane capacity and hardstand areas range from $110 to $130 per square metre. Incentives are common with local agents reporting discounts from 5% to 15% thereby pushing effecting rents down.

Newcastle

The Newcastle and Hunter industrial property market has been relatively subdued in the 12 months to May and as we see the end of the financial year closing in, commercial real estate professionals are generally predicting the market to remain subdued in the short term.

As the cash rate currently stands at 2.75% we're hearing about the anticipated upsurge in the residential housing market. This may well be the case, with generally limited local stock on the market and plenty of buyers looking to upsize. However, the industrial land market works on a different playing field, where commercial lending practises are still tight and we know that many banks are still not taking on new commercial loans and those that are have been risk averse.

The mid range freestanding industrial market, say those warehouses at between $1 million and $3 million dollars witnessed a fairly severe value beat down in the years from 2007 to 2009, due of course to the GFC and tightened lending practises that came with it. Value diminution was also due locally to the high levels of vacant industrial land stock on the market. This land is slowly being taken up and the supply/demand mismatch is levelling out, which is good news for landholders. We're also seeing a surprising turn of events.

The value of industrial property, that is modern and of good quality in popular well established industrial estates, may have started to rebound. The most important factor we've seen here is the lease covenant; being who rents it, for how much and for how long? Investors have started to re-enter the market slowly and while there have only been a handful of sales to back this up, we've see some yield compression from 2011 levels.

Will this trend continue? We'll have to wait and see if the historically low interest rates have any impact on this market in the coming year and if the well publicising mining downturn has a negative impact on the owner-occupier market. A potential change of federal government in September may also have an influence on the small business environment, in turn influencing business movements into new warehouses. What we do know is that historically a 'wait and see' mentality takes hold in most real estate sectors in the months prior to a federal election and selling rates may slow a little until the September election.

The lower industrial land values may actually stimulate industrial users to invest and build. With significantly reduced industrial land values has come an uplift in selling rates. Sales of vacant land in a number of estates including new areas in Cardiff and Beresfield have been reasonably good. In turn with lower initial capital costs, this may make a previously infeasible project feasible. We then witness an increase in industrial building development, as long as the core industry stays strong (in this case coal mining in the Hunter Valley). At this stage we're all playing a wait and see game to gauge the extent of the mining downturn, any potential rebound and the influence this will have on industrial property.

Central NSW

Industrial markets across regional NSW continue to remain flat with the exception of those markets influenced by Mining. Mining towns such as Mudgee, Parkes, Cobar, Narrabri, Gunnedah and Orange are showing greater levels of activity and capital growth in comparison to those towns without mining. However it is noticeable that activity in these towns has softened over the past couple of months with several of the major mining companies reducing expansion activity together with increased staff lay off's.

Investment yields in the major centres of Orange, Bathurst and Dubbo have reflected yields in the range of 8.5% to 10% depending upon the strength of the lease covenant.

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

There does not appear to have been any impact upon activity or values in relation to easing interest rates.

NSW Far North Coast

The industrial market on the NSW Far North Coast remains slow with continued low sales volumes and stable to steadily increasing supply. This trend is likely to continue throughout 2013.

As has been the case now for the past five years, quality generally prevails. The investors are unwilling to speculate on properties with inherent issues without strong returns and or stable tenancies. Quality properties in good locations with good lease covenants have continued to show reasonable market interest.

The market for industrial properties on the NSW North Coast continues to be soft, with generally moderate demand in the current economic climate. Large industrial properties are rarely available as they tend to be closely held. Smaller industrial properties are being generally sought, by owner-occupiers.

This leaves a middle market which is commonly owner-occupied by larger, well established businesses which have owned the property for a considerable period with no desire to sell and generally limited interest in any significant expansion. Or alternatively, properties with a number of tenants which include local and national tenants although generally with mixed lease structures and at times with no formal leases or expired leases. These properties are also commonly held by local investors who have held them for a considerable period and at times are partially owner-occupied.

When these types of properties are placed on the market they have limited appeal to investors, due to the lease structures, or owner-occupiers, due to size and value level. Consequently they experience extended selling periods with above average yields and value levels well below replacement cost.

This segment offers investors higher yields and reasonably significant improvements in relation to price although higher management requirement and higher risks in relation to leasing and ongoing maintenance. Traditionally middle market industrial properties on the north coast fall within the range of $500,000 to $900,000. Yields tend to be 9% to 12% when good lease covenants are not in place.

The lower value properties which appeal to owner-occupiers and higher value properties with good tenancies covenants tend to have yields 2% to 3% lower and value levels per square metre 50% higher.

Coffs Harbour

The Coffs Harbour industrial market remains slow due to the uncertain local economy featuring limited development activity.

Generally there is some investor demand for modern, well located and strongly leased property. Investors are seeking perceived 'safe' investments with strong cashflow. The most recent sale for a well located multi tenanted industrial building displayed a 9% initial yield.

Rental levels are generally soft with incentives required to secure tenants and slightly extended lease up periods out to six months.

A recent resale of a prominent highly exposed bulky goods showroom displayed a 10% decrease in value based on the previous investment some two years prior. The sale showed $1,428per square metre for 1,050 square metres of tilt up well appointed showroom.

There is a decreasing supply of industrial land stock with limited available supply potentially exhausted in the short term future. The majority of land stock within Coffs Harbour premier Isles Industrial Estate is controlled by the owner developers and will be utilised for internal development projects.

Industrial land prices appear to have stalled with the last sale within a secondary estate realizing $145 per square metre at public auction.

Regional Victoria

MURRAY RIVERINA

Conditions in the commercial office space sector remain tight, with the supply of new space drying up. 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.

Last month we reported on the awarding of the tender for the $630 million dollar Bendigo Hospital project. This month we have seen the announcement of the tender for the construction of the Bendigo Gaol Theatre, a $25.8 million project. The redevelopment of the historic gaol will include a 1000 seat theatre, fly tower, commercial educational kitchen and learning spaces and will be integrated with the neighbouring Bendigo Senior Secondary College. The successful tenderer was reported to be Contract Control Services.

We continue to see some strength in the sub-$350,000 market for industrial property, driven by an undersupply of appropriately sized allotments and developments. Conditions are tougher at higher price points, with lower demand for larger lots and bigger sheds continuing. Conditions in the East Bendigo precinct remain subdued, though there have been limited transactions in recent months.

Conditions also remain tough at the lower end of the retail market, consistent with difficult trading conditions being encountered by many small operators, though vacancy rates seem to have stabilised. However, well located larger retail sites continue to be tightly held, with limited vacancy.

MURRAY OUTBACK

The middle market for industrial properties in Mildura is regarded to be the $600,000 to $1.5 million price range. In late 2012 15 commercial/industrial properties were advertised for sale by tender by Receivers of a portfolio and six of these have subsequently been contracted for sale. In addition a number of other investment properties have been marketed. Placing so many properties on the market at once in Mildura has had a flooding affect and four of the seven contracted parcels have shown softer levels than had previously occurred. Conversely we have seen two other recent sales of modern industrial premises that have sold to intending owner occupiers at pleasantly firm levels. Recent capitalisation rates have varied from 7.7% for a modern officeworks outlet to 9.5% for a bulky goods property with a strong rent.

The Mildura commercial/industrial property market can be classified into three distinct sections being firstly the quality sector which is mostly occupied by national type tenants and owners, secondly good standard premises occupied by local based businesses and thirdly secondary type mostly older style premises in lesser regarded locations which are mostly occupied by the local based small businesses.

The first two sectors have been subject to good occupancy levels and consistent rental and sale rates whilst the third sector has been subject to higher vacancy levels, weaker rental rates and weaker demand.

Melbourne

The Melbourne industrial market has, in the early part of 2013, remained subdued with limited transactional activity. There has however been a continuation in the construction of new office warehouse properties as was evidenced in 2012, due mainly to increased demand from tenants.

Private investors and syndicates remain the dominant purchasers of prime industrial property, while unlisted funds are also becoming increasingly active within the market.

Owner-occupiers have become increasingly more active in industrial property transactions, particularly for secondary assets. Investors are seeking prime grade investment assets and the value gap between prime and secondary industrial assets remains high. Therefore, we consider that capital growth expectations for 2013 will remain soft.

....the middle market for industrial properties in Mildura is regarded to be the $600,000 to $1.5 million price range....

Infrastructure is a major driver for industrial location and the growth of Melbourne's highly regarded road, rail and ports. Infrastructure continues to sustain Melbourne as the number one industrial property market in the country.

The Northern Ring Road upgrade is due to be completed in 2014 which should further strengthen this position. Manufacturing is a diminishing component of the industrial sector with logistics warehousing being the primary driver due in part to demand from on-line retailing.

Evidenced by the demand for logistics facilities was the recent lease of 26,376 square metres of space in Truganina to 'Catch Of The Day'. Numerous logistics based users continue to be prominent within the industrial sector.

The purchase options within the low to middle tier market appear to be improving due to the increased supply of properties on the market. This sector of the market tends to be dominated by owner-occupiers rather than investors.

Rental, yield and capital value ranges achieved across the industrial markets are detailed in the table below at the top of page 9.

Melbourne is in a strong position to compete for occupiers of industrial property, due to the long term supply of developable industrial land available in an affordable price bracket. That said, land values have not suffered significantly and the cost of developing industrial facilities can often not be viable as a result of

Area	Average Prime Rents	Average Secondary Rents	Market Yields		Capital Values	Tenant Demand
			Prime	Secondary		
	$/m²	$/m²	%	%	$/m²	
City Fringe	$95-$135	$80-$100	7.5%-8.0%	8.0%-9.0%	$1,000-$1,600	Static
West	$70-$90	$50-$75	8.0%-9.0%	9.0%-11.0%	$700-$1,450	Static
North	$60-$85	$45-$65	8.25%-9.0%	9.0%-11.0%	$800-$1,500	Static
East	$65-$90	$50-$75	7.75%-8.5%	8.5%-10.5%	$700-$1,350	Increasing
South	$65-$90	$50-$75	7.75%-8.5%	8.5%-10.5%	$700-$1,350	Static

soft rental growth and stable yields. Increasing tenant demand and associated increases in rentals has been seen in the eastern precincts. This has driven limited speculative development which in turn rebalances supply and demand and limits overall rental growth. There are longer term prospects for rental growth in the eastern suburbs as Greenfield development land is limited by the Dandenong Ranges however there are few limits to supply to the south eastern corridor.

Government investment in infrastructure will continue to drive growth in these industrial precincts, providing an increased range of opportunities that purchasers are likely to accept. This can be seen with the recent completion of the Peninsula Link connecting Carrum Downs with the Mornington Peninsula which has driven increased interest in the industrial precincts of Somerville and Dromana.

There is currently an active secondary industrial market however this is concentrated in the lower levels of value, generally below $2.5 million. These will be in older established suburban locations, such as Reservoir, Airport West and Sunshine in the west. These industrial locations are disadvantaged by being removed from transport infrastructure and have older, poorer quality buildings.

Investors remain focussed on property fundamentals, such as location, asset quality and flexibility, tenant quality and lease tenure.

There has been an increase in speculative development in the west, however usually driven by acknowledge demand from blue chip tenants seeking high clearance, modern, state of art industrial facilities built to tenant specifications. For example, vacancy rates for less than 5,000 square metres facilities are expected to continue to fall as the market shows strong absorption of speculative builds. Precincts showing growth include the east, south east and west due to lack of supply for prime industrial space. Therefore, increasing rents will drive speculative builds.

Adelaide

Adelaide's industrial property sector continues to perform adequately with a slow recovery occurring over the years since the GFC. Investors, both private and institutional remain interested in Adelaide's industrial sector, in particular prime grade assets with strong lease covenants, however there has been limited opportunity to acquire these properties across all price points.

Sales transactions and leasing activity remain subdued with rental rates and yields remaining fairly steady over the first half of 2013. Incentives remain around 10% to 20% which is indicative of a subdued tenancy market. Capital values remain flat, although there has been some decline in the value of secondary stock and it is fair to say that the gap between primary and secondary grade assets continues to widen.

The inner north western area incorporating Regency Park, Gepps Cross, Wingfield, Dry Creek and Port Adelaide continues to be Adelaide's most sort after industrial location and is currently holding its own. Infrastructure improvements to the north-south corridor, particularly South Road improvements including those currently underway and proposed will further improve access to this area and maintain it as the premier industrial precinct of Adelaide.

With the recently announced withdrawal of Ford from Victoria, the ongoing concerns over the GM operated Holden manufacturing plant at Elizabeth have heightened and many fear that it will follow in the footsteps of Mitsubishi (which closed back in 2008), particularly after Holden retrenched over 500 staff in April.

The Australian dollar falling below parity with the US dollar may begin to offer some relief to the manufacturing sector, however Australia's high operating costs mean the dollar would need to reduce further and remain that way for some time before any tangible improvements are likely.

Brisbane

The current industrial market has in recent times shown tentative signs of stability in a period that has generally been unstable. As confidence is still a major issue, basic property fundamentals such as location and lease tenure become primary price drivers. Demand is reportedly beginning to return to industrial properties in tightly held precincts that are generally located within close proximity to the Brisbane CBD and major transport routes. The TradeCoast is good example of this. Over the past 12 months or so the Brisbane's industrial sector has generally outperformed the retail and commercial office markets.

At present demand for brand new, modern industrial buildings over 3,000 square metres of gross lettable area (GLA) particularly within the TradeCoast precinct is strong, however due to the severe lack of new construction in recent years, supply is limited. Agents report a critical shortage of modern stock to satisfy this need. The supply of secondary stock is expected to increase as users gravitate to the more modern premises. This trend will only add to the already widening discrepancy between prime and secondary assets. Assets expected to struggle going forward, are older style buildings reaching the end of their economic life and specialised manufacturing and fabrication facilities, as Brisbane continues to move away from manufacturing and into warehousing and logistics.

The industrial market is typically broken up into three main investment categories being the below $5 million market (generally driven by mum and dad investors, owner-occupiers and small private investors); the $5 million to $10 million price bracket (dominated by private investors and small syndicate investors); and the $10 million plus category (larger syndicates and institutions). Of the three categories, the middle of the market ($5 million to $10 million) and more particularly the investment market in this bracket is proving to be quite strong throughout 2013. For prime assets in this space, yields have reflected between 8% and 8.75% and those with strong tenants with good balance sheets have traditionally sold in a short time frame. There are multiple examples of this already in 2013. Yields for secondary stock have generally reflected yields of between 9% and 12%. This is demonstrative of the disparity in demand between these two asset classes and more often than not, is a direct reflection of the risk associated with reletting or sale. The market will continue to seek out modern style investment properties with depreciation benefits and favourable leasing covenants, as opposed to older assets with poor leasehold interests.

Rents being achieved within the $5 million to $10 million category generally range between $100 and $130 per square metre of GLA per annum net for prime stock. Precincts expected to remain in demand include the TradeCoast and the South-Western Corridor.

Gold Coast and Tweed Coast

Prices and rentals have held steady for the second quarter of the year. The volume of sales is still moderate with bargain hunters likely to find less and less distressed properties going under the hammer.

Receivers have disposed 39 Activity Crescent for $2.4 million. This is a significant sized property in the Molendinar industrial area and sold at a significant discount to 2007 levels. There is no doubt that there are disappointed parties that have missed out. Another multi-million dollar property in Yatala sold last December and will only settle in June this year so the amount will be revealed in the next quarter. A good quality industrial factory with a significant office fitout on Kingston Drive in Helensvale drew a reasonable amount of buyers' interest during the expression of interest campaign. Buyers were aware of this forced sale by the mortgagee and submitted low offers with the property finally sold off for $1.8 million.

In Yatala, the industrial property at Octal Street that was mentioned in our last review, has finally been sold to a Gold Coast based food business for $2.3 million after having been passed in at $2 million in the last auction. This reflects a value at $1,382 per square metre on gross floor area and was actively marketed as a wholesale meat retail premises with cold storage facility. At least this time, the marketing was more successful than the first public auction in 2011 that drew no bid.

Another significant sale was a large vacant industrial site within the 12 lot M1 Yatala Enterprise Park industrial estate that is situated opposite the Yatala Brewery. This site is located at the entry to the estate and has area of 1.1 hectares. It has been sold for $2.426 million having been on the market for several years. Last year, a similar site of about 1.97 hectares at the entry to the nearby Yatala Central Park Estate was sold for $3.66 million or $186 per square metre. Local agents have been trying hard to sell M1 Yatala Enterprise Park since its completion but have met with limited success. The advertised price for land within the estate is currently at $250 per square metre.

The demand for vacant sites appears to have eased after a short active period at the end of 2012. A sitting tenant bought a storage yard of 4,000 square metres on Notar Drive, Ormeau for $225 per square metre. This sale indicates a passing yield of 5.6% based on the rent of $12.50 per square metre after deducting all outgoings.

Elsewhere on the Central Gold Coast, a vacant industrial site of 2,035 square metres in Arundel Industrial Park has been sold for $256 per square metre. This is an industrial estate developed by the Queensland State Government and is specifically targeted at owner-occupiers.

In October 2012, the Council initiated the 'construction kickstart' program to stimulate the construction sector. The short term stimulus offering 100% discount on infrastructure charges is now over and it is now 50% discount if a project commenced from 1 April 2013 to 30 September 2013. Perhaps the ending of the full discount has contributed to a decreasing demand for vacant sites.

For entry level end users and small to medium capital investors, the market is still saturated with properties that are priced in the $200,000 to $1 million bracket. Based on a sampling of ten strata unit sales from the northern Gold Coast to the Tweed, about 30% are priced at less than $300,000 while 50% are in the $300,000 to $500,000 price range. The prices achieved generally reflect a rate per square metre range from $1,200 to $1,400 for internal units and from between $1,650 to $1,850 per square metre for those with street front exposure. The current indications are that the market for medium priced property, those priced from $300,000 to $500,000, is beginning to stir as the entry priced level units are sold and are off the market. This was the market that many agents found hard to move previously.

The leasing market remains fairly active with rental levels at a steady level. A large modern factory in the Access Business Park has been leased for $115 per square metre per annum gross. This is consistent with the level in recent years showing neither contraction nor increase.

Small to medium size industrial units are being leased from $110 to $140 per square metre per annum gross generally. Many tenants are still signing up on short term leases with a term of one year with renewal options, indicating that business confidence in the industrial sector is still subdued.

Sunshine Coast

The industrial market on the Sunshine Coast is primarily made up of property that is under $3 million. Higher end purpose built complexes with national style tenants within are limited, though there are a number of these properties with a price tag likely in the $5 million to $10 million range.

The middle tier of our market can likely be termed as properties with a value from $1 million to $3 million. This market is made up of a range of owner-occupied and local to regional investor style properties with larger local or regional style tenants.

....there is also a large amount of industrial land available for sale with the most common sizes being from 2,000 square metres to 4,000 square metres....

In the current market, this is one of the hardest hit segments. This is due to a range of reasons, however mainly due to the construction slowdown that has hit the area with a number of either development, construction or supply companies either ceasing to trade or downsizing. There is also a large amount of industrial land available for sale with the most common sizes being from 2,000 square metres to 4,000 square metres. Allowing 50% site coverage this indicates building sizes from 1,000 square metres to 2,000 square metres with recent sale prices indicating that these types of buildings if constructed would fall within the middle tier. However, the supply of this size land is considered to be over five years supply based on historical sale rates.

Another reason for the limited take up of this land is the drop in rental levels and limited tenant demand available. In many instances, rental levels for near new complexes of this size would range from approximately $100 per square metre gross per annum to approximately $130 per square metre gross per annum and depending on the lease covenant and quality of the tenant, the likely yield range is from 8.5% to 9.5%. This therefore makes the land plus construction cost similar to the end value with no real profit available.

We have therefore seen some sales, of mainly owner-occupiers in the current market, of older complexes in established industrial estates, where the attributes of the property fit the majority of the purchasers requirements. These sales have been at values below replacement cost.

A recent example of this is the sale of a 2,214 square metre metal clad industrial shed on a 4,431 square metre site in Kunda Park. This property recently transacted for $1.6 million indicating a value of $723 per square metre, which is well below replacement cost. This property has transacted three times in the past six years with previous sales noted at $2.05 million in mid 2009 and $2.4 million in early 2007. This property is considered a barometer of the overall industrial market on the Sunshine Coast.

Southern Queensland

The popular western estates located in the suburbs of Wilsonton, Torrington and Glenvale contain the bulk of Toowoomba's middle industrial market, with some supply also available in secondary areas including Harristown, Drayton and Harlaxton. Opportunities are available for investors and owner occupiers in the $600,000 to $1.5 million price range for standard industrial warehouses with hardstand and from $250,000 to $600,000 for strata industrial units.

The rental market is strong for well located warehouses with good access, adequate hardstand areas, good warehouse clearance and the inclusion of overhead gantry cranes. Demand for strata units is much weaker, with some vacancies and extended lease up periods often experienced. Gross rental rates have increased slightly over the past two years while rentals in secondary locations have remained relatively static. Some locations have experienced a significant increase in outgoings over the same period as a result of increases in statutory land values (change from unimproved capital values to site values) placing pressure on net rental rates.

Gross face rents for warehouses range from approximately $90 per square metre for secondary properties up to $120 per square metre for prime properties, while gross face rents for strata industrial units range from approximately $85 per square metre to $100 per square metre. The limited investment sales evidence has indicated a softening of yields during the 2010 to 2012 period, with prime warehouses now achieving net yields of between 8.75% and 9.25%, secondary warehouses between 9.25% and 9.75% and strata units between 7.5% and 8.5%.

Central Queensland

ROCKHAMPTON

The industrial market in Rockhampton and surrounding areas remains steady. Stocks continue at very low levels for properties both for sale or for rent. There is an air of uncertainty in the market and this is likely to remain until the looming September 14 federal election.

The most recent investment sale in the Rockhampton industrial market is 41 Johnson Street, Parkhurst which sold in November for $4 million. This is a one hectare parcel located in a predominately industrial area. The property is subject to a 10 year lease with five years remaining to a strong, national company. The sale reflects a yield of approximately 9%. This is the highest sale of its kind to occur in the Rockhampton industrial market. Another notable sale includes the sale of a property in Wade Street which recently for over $2 million.

In terms of growth options in the industrial market in Rockhampton and the surrounds, we consider any property with a tenant associated with logistics or transport is likely to be a winner. We also anticipate the need for warehousing (particularly in line with the growth in online retailing and distribution) will increase over the next few years. Accessible sites and good design will be the key to attracting and maintaining quality tenants.

We anticipate the focus of the industrial market will shift over the coming years as Gracemere emerges. Council have recently granted approval to Melbourne based developers, the Gibb Group to subdivide and develop a greenfield site with some exposure to the Bruce Highway for industrial use. The development has attracted logistics company Toll. The proposed development will comprise a 2.75 hectare site and construction of a 24 hour freight depot including warehouse and offices with a combined floor area of approximately 7,000 square metres, car parking and extensive hardstand areas. Toll will relocate from their current Port Curtis location.

The developers report that they have fielded good enquiry for the site which indicates there is demand for the product.

This will be the first significant project since the construction of the $50 million link road from the Capricorn Highway.

BUNDABERG

In Bundaberg, the 'middle market' generally ranges between $350,000 and $650,000 for freestanding industrial property. Vacant buildings and owner-occupiers are common amongst the sales in this segment. Yields for investment property range between 8.75% and 10% depending on the quality of the tenant and the term remaining. Buildings in this segment generally comprise metal sheds with small offices on land of about 2,000 to 3,000 square metres.

HERVEY BAY

The Fraser Coast industrial market is not broad enough to define a middle market. The market in general appears to be still experiencing a general softening of values due to increased levels of competition from more established metro markets. Yields continue to soften as a result of reduced investor interest however the number of distressed or mortgagee in possession sales is beginning to decline which is a positive for the market in general.

Opportunistic investors and owner-occupiers appear to be the most active at present in the sub $1 million market. Although limited evidence, yields appear to have softened over the past six months achieving yields in the 8.5% to 10% range. The stronger yields are generally for sub $500,000 property which suit a broader buyer profile. Maintaining occupancy during this time is a key focus for some landlords who are happy to lower rental rates to basically cover holding costs with annual market reviews until conditions improve.

Some recent leases along Boat Harbour Drive to national bulky goods retailers have started to ignite some confidence back into the locality. This location however generally attracts a premium due to its high level of vehicular exposure. Secondary locations are still experiencing difficulty sourcing suitable tenants.

Currently any sales prices being achieved are erratic and are ultimately determined by the motivation of both vendors and purchasers.

MACKAY

The Paget industrial precinct in Mackay is one of the highest profile industrial precincts in regional Queensland and has demonstrated overall strong market depth over recent years, with sales negotiated up to a value of $9.25 million. Its appeal has largely been attributable to the prosperity of the coal mining industry.

There are several warehouse and workshop properties currently listed for sale in Paget within a range $4 million to $9 million at asking yields of 8% to 8.5% net.

There have been four sales in the past 12 months at prices ranging from $3.3 million to $9.25 million. Three of these sold within a yield range of 8.7% to 9.1% net and one sold at a yield of 8.3%. All were occupied by high quality national or international tenants.

With the current slow down in the regional coal mining industry agents report weakening enquiry levels from both buyers and tenants. Supply of industrial accommodation is increasing however rental levels have remained stable to date.

GLADSTONE

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

The 'middle market' for industrial property in Gladstone has been quite active over the past 12 months. Properties in this market are generally 20 plus year old, metal clad, medium clearance warehouses and workshops with attached offices in the $1million to $2 million dollar range and mostly located in less exposed streets of the Hanson Road precinct on the fringe of the city. Yields in this market tend to fall within the 8% to 9% range.

Cairns

The industrial sector in Cairns is relatively small with areas close to the CBD showing stronger demand. The status quo has remained so far this year with the market having come back from its peak of early 2008. There has been a slowing in the rate of sales and yields have eased back by about 10% to 15% from the record low levels observed at this time. We believe yields for industrial premises at present analyse in the 8% to 9% range, from the 6.75% to 7.25% range evident at the market peak, though an industrial warehouse sale late in 2012 for $1.775 million, with a five year lease in place to a national tenant, analysed to a yield of 7.6%. Commercial agents advise limited availability of good quality stand alone warehouse stock with reasonable demand for these types of premises. Strata titled industrial warehouses are also limited in numbers to both sell and lease.

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

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

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

There is limited quality investment stock available for purchase in the Cairns market. This will tend to support values over the short to medium term. The outlook for the next 12 months or so is for similar conditions, though a lack of new stock should see availability tighten as we move through the year. A recovery in the vacant industrial land market in Cairns may depend upon a more widespread recovery in the local economy.

Townsville

Townsville's commercial and industrial markets are on the cusp of recovery but have not yet provided sufficient evidence to advance the clock from the bottom of the cycle. Sales of developed commercial and industrial properties have eased slightly in recent quarters and are currently tracking at around 40% of the volumes achieved during 2007. Sales for 2012 as a whole totalled 121 compared with 119 sales in 2011. Our assessment is that the market is continuing to step forward but very slowly.

Average yields for mainstream commercial and industrial property appear to be nudging down due to the reduced frequency of stressed sales, but are still analysing within the 8.5% to 9.5% range. Even though sales to investors remain thin, properties with good tenant and lease profiles are in reasonable demand, and in general terms, yields still seem to be about 50 basis points firmer in the industrial sector than in commercial.

The 'middle', or median priced industrial market, generally falls within the $700,000 to $1.5 million price bracket, and includes both owner-occupiers and investors. At that price, one can acquire a large, (300 to 400 square metre) good quality, modern industrial strata unit having good exposure to a busy arterial road. That price can also buy an older style, freestanding industrial building. Generally speaking, the mid range price point will generally show a rate of $1,000 to $1,300 per square metre improved with rents typically between $100 and $120 gross. These rates can fluctuate greatly depending on area of hardstand available, building site coverage as well as the usual factors of location and quality of the asset.

Townsville comprises several industrial precincts each fulfilling a distinct purpose in the local economy. When considering where to invest for 'medium term growth for the median priced buyer', the areas that come to the forefront are the precincts located within proximity to the CBD and good transport infrastructure. The main 'core' industrial precincts in Townsville are Garbutt, Mt St John, Mt Louisa and Bohle, situated approximately 6 to 8 kilometres south-west of the CBD. These precincts are well sought after being in close proximity to major transport routes, public transport and local shopping facilities.

At the hypothetical level of $700,000, one can acquire a modern industrial/showroom unit of around 300 to 350 square metres in an estate like Woolcock Street Business Park, having good main road exposure. A likely gross rental return for a unit like this might be in the order of $160 to $200 per square metre. It's more of a mixed bag for freestanding industrial property which is generally dictated by the amount of land that comes with it. The quality of asset can vary greatly from modern but smaller to older but larger. At this price point one would also be competing with a reasonably robust owner-occupier market. Owner-occupiers are seeing good value in purchasing industrial units/warehouses in super funds and using depreciation allowances to further make the deal attractive.

There have been a few properties of good value recently leased including a 570 square metre semi-modern metal clad warehouse at 5 Carroll Street, Mount Louisa for $125 per square metre (gross). Properties for lease include a modern, good quality tilt slab warehouse of 657 square metres in Enterprise Street Bohle asking $100 per square metre; while in Tarzan Street, Bohle, a modern clearspan warehouse is asking around $115 per square metre.

Medium priced industrial stock available for purchase in the core industrial area of Garbutt (between Ingham Road and Dalrymple Road) includes two older style/semi-modern freestanders in Schmid Street priced from mid $700,000's to low $1 million . A few highly exposed freestanders (with a small showroom component) along Ingham Road and Woolcock Street are asking around $1 million and $1.45 million respectively. Garbutt has long been a core industrial area comprising manufacturing, light and service industry operations and over the last decade has seen the construction of numerous bulky goods/retail outlets. The majority of Townsville's industrial stock currently available for purchase is located within Garbutt. Garbutt offers a relatively affordable price point and is in close proximity to the CBD and major infrastructure. Not surprisingly, Garbutt was the focus of sales activity during 2012.

Across the board, properties transacting between $700,000 and $1 million generally have minimal lease terms, and or, periodic tenancies; whereas properties trading in excess of $1 million generally provide investors with modest-strong lease terms and tenancy profiles.

Bohle is also home to a number of industrial estates including the Bohle Industrial Estate which is generally occupied by large scale engineering workshops and factories of modest through to good quality complexes. The estate is under further development with several vacant industrial lots being released with areas ranging from 2,000 square metres up to 15,000 square metres with prices for level lots at $300,000 and under. Whilse construction costs are stable, the high local government infrastructure charges and restricted access to finance continue to dampen demand.

We expect the 'middle' market to perform well over the next 12 months on the back of the current low interest rate environment and increased affordability. Townsville's broad based regional economy, its solid population growth and strong regional investment and infrastructure should ensure healthy capital growth over the medium term.

Darwin

The market has become more robust and buoyant in the past three months with several new industrial estates noting an increase in enquiry levels. We expect this will continue as companies position themselves for work associated with the INPEX project due for commencement in September 2013.

The vacant land industrial sales being recorded indicate that the market is being driven by owner-occupiers as the financial fundamentals for a developer to purchase land and develop the improvements are not supported in a yield and rental equation. Some purchasers are ignoring investment returns and purchasing improved properties to overcome the shortage of suitable product available and the time delay to construct.

Rentals are ranging from $115 per square metre net for older warehouse product to $150 per square metre net for semi-modern and modern product depending on location and construction quality. We expect that demand pressure and the inability of developers to feasibility develop new product will result in steady rental growth in the short to medium term.

Investment yields are in the 7% to 7.5% range generally and this may tighten as interest rates reduce and stock availability tightens.

Perth

Industrial remains the 'golden child' of Western Australian property showing continued resilience due to its close link to the resource sector. Owner-occupiers are driving the market however and the challenge is still to find more land suitable for industrial development, especially of a scale to accommodate logistic and manufacturing facilities.

With a major focus on iron ore in Western Australia, fluctuations in its commodity price have a strong bearing upon future investment decisions by associated companies, as well as general consumer and business confidence. However despite these fluctuations along with prolonged global economic uncertainty, Western Australia is still going from strength to strength and experienced 14.7% growth over the previous financial year.

Based on the strength of these resource projects, infrastructure and construction markets will continue to thrive and demand for industrial space that supplies these projects will remain stable across 2013. Additionally, there is over 120,000 square metres of pre-lease enquiry in the market reported at present, particularly by logistics companies and those businesses servicing the resource sector.

The new Roy Hill office and Remote Operations Centre is being developed at Perth International Airport. Due for completion in the latter part of 2013, the 9,500 square metre office and state of the art remote operations control centre will be the impetus for further office/ resource sector development in the precinct. Rio Tinto already has its Remote Operations Centre up and running at the Perth Domestic Airport.

New industrial development in the Perth metropolitan area has mainly been focused on land releases in the industrial areas of Henderson, Bibra Lake, Wangara and Neerabup. However the supply of land ready for development, particularly larger lots, still remains the biggest inhibitor to expansion in Perth.

This lack in supply for industrial land across the Perth metropolitan region remaining relatively subdued due to the lack of incentive to release large lot developments due to the high infrastructure costs associated with land development in the outer Perth regions. As a result, land values across the eastern corridor increased marginally.

....rents are anticipated to remain relatively stable over the next 12 to 18 months as companies appear to begin consolidation of multiple premises....

A two-tier market definitely exists in the industrial sector. Our enquiries suggest a disproportionally high level of owner-occupier activity at present, especially in property with a sub $5million capital value bracket, which has resulted in a distortion of yields. The different motivations for the two market participants (investors and owner-occupiers) for acquiring a property have led to two vastly different values being applicable. As is often the case, an owner-occupier will out-bid an investor and thus the presence of a lease in an industrial property is often considered a detriment. The level of detriment may vary and will be largely dependant upon the lease term, review process, size of the property and rental.

Rents are anticipated to remain relatively stable over the next 12 to 18 months as companies appear to begin consolidation of multiple premises and it is anticipated that as pre-lease buildings currently under construction are completed, backfill space in secondary grade buildings will become available in the next 12 to 18 months potentially easing supply pressure in the market.

Land values are generally expected to remain stable across 2013, although due to supply restraints demand led growth may emerge in tightly held traditional industrial markets that are well serviced by infrastructure. These factors as well as the ongoing resource sectors growth means the industrial outlook remains positive yet stable for 2013, however economic conditions, commodity prices and the impact on business confidence have the potential to impact the local industrial market.

South Western WA

The industrial market in Busselton, Western Australia is tightly held, with few transactions occurring in the past two years. There is some demand from Self Managed Super Fund investors at the lower end of the market, however, there are few suitable properties in their price range. The middle market has been very quiet, with the main demand coming from local investors who are prepared to wait for a bargain and can afford to wait out the down turn in the market.

There has been greater activity in the industrial areas of the City of Bunbury WA, and in particular the industrial area of Davenport, which is relatively stable with moderate leasing demand and moderate to good purchase demand particularly from owner-occupiers for quality industrial accommodation.

There have been a number of sales in the middle sector in Davenport over the past 18 months between $600,000 and $1 million. Yields are currently in the 7% to 7.5% range with rentals showing $65 to $135 per square metre for large industrial properties. The location of Davenport is in the greater Bunbury area, in close proximity to rail and ports, and this is considered to be the reason behind the continuing good levels of demand.

Esperance

The market in the Esperance commercial and industrial area has indicated a very stable level of consistency over the preceding two to three years. A regular turnover of property for both investment purposes and owner occupation has occurred providing some confidence in this market. The market will in our opinion remain sound due to the stability of the surrounding district and extent of development planned for this region over the forthcoming years.

The driver for this demand is a large amount of infrastructure development in the region with, amongst other things, the ring road and rail realignment in progress and due for completion within the next 18 months. From there, the port is to undergo further expansion and completion of an iron-ore facility. An extensive foreshore redevelopment has just commenced, the local primary school has been rebuilt and the hospital is to undergo extension and redevelopment with a further medical centre constructed. The relatively strong rural and tourism sectors in this region should also assist in maintaining a stable market over the longer term.

CBD Commercial

The tightly held nature of property within the Esperance town centre has resulted in only a handful of sales over the preceding three years. An example of the consistency however is 11 Andrew Street selling for $1.2 million in 2009 and the adjoining, nearly identical property at 9 Andrew Street selling for the same amount in March 2012. For those interested, the latter sale was purchased by one of three sitting tenants with a passing yield of 5.21% and analysed yield after adjustments of 6.84%. Typically, yields within the town centre vary around 7.5% over the longer term.

As with most country towns, owner-occupied premises tend to attract a lower yield or alternatively a bit more of a premium over straight investment properties. The low volume of sales is largely a factor of limited supply with little to no properties available for sale within the town centre.

Industrial

Chadwick is the industrial precinct of Esperance with predominant usage for mainly light industry or retail industry such as motor vehicle and machinery sales and repair, agricultural sales and light manufacture. Properties along Norseman Road attract the premium values for their exposure and accessibility to our main arterial road with capitalisation rates typically between 7.5% and 8% in the area.

Of particular note is the steady volume of sales that has occurred over the preceeding two to three years for what is a relatively small market. The consistency in values and yields for the few investment properties sold (as again the majority of this market is for owner-occupation), has underscored the stability within this region and suggests a confidence in the broader Esperance region from the strong local industry that is not necessarily being replicated in other parts of the state.

Herron Todd White
Independent Property Advisors

Residential Overview

It is obviously interesting to follow the fortunes of both the very upper and lower ends of the market, but most of the statistical data is analysed in terms of medians and averages. When looking at market performance, tracking 'typical' property types and price points provides a reliable gauge on how property is moving in your area of interest.

This month, take a look at how the market stacks up in your locality and compare it against others from around Australia.

Sydney

The forecast for the next four to six years in metropolitan Sydney is overall positive; however we do not expect to see the very high levels of capital growth that we have seen over previous years. Due to the different markets we see throughout the city, we could write a novel on different price points and sectors that offer good growth options. We will though, give a generalisation for certain geographical areas and where we think the average price point may be for the average buyer.

Sydney's Inner West, as mentioned in previous editions, is expected to have continued strong growth over the next four to six years. The average buyer looking for a detached dwelling in these suburbs may find themselves among some stiff competition. This is due to the large amounts of attached, terraced style properties that occupy these suburbs. This means that detached dwellings achieve very good prices as they are scarce and sought after. The Inner West is also where we see large variations in land sizes also with a detached dwelling sitting on between 100 to 1,000 square metres of land.

If we specify a typical Inner West suburb such as Leichhardt, a detached dwelling, on an average block size of say 250 square metres, the average buyer would be spending around the $1 million mark. For units, the average buyer would be looking around the $600,000 mark for a 1970s, 2-bedroom unit with a single carspace. At this price point though, we would expect good growth over the coming years as these properties become more in demand. Market sentiment remains very positive in this sector with properties often selling before going to auction and above the advertised asking price. Currently there is a lack of stock in the Inner West which, with continued high demand, is helping drive these prices even higher. Investors are still very much active in the unit market at this price point due to attractive yields and extremely low vacancy rates.

The Eastern Suburbs of Sydney provides a wide spectrum of price points and sectors. The suburb of Maroubra is an example of where the average median priced buyer may look to purchase for medium term growth.

Dwellings in Maroubra range from around $700,000 for an original 2-bedroom semi through to $3 million plus for larger homes with ocean views located close to Maroubra Beach or Lurline Bay. The median buyer in this market is likely looking to spend between $1 million and $1.5 million, with properties in this price bracket usually comprising of detached 3- to 4-bedroom homes on 350 to 500 square metres of land. This market has seen increased activity in 2013 and, with historically low interest rates in place; there are strong indications for good medium term growth of 5% to 10% per annum over the next few years.

Units in Maroubra vary in style from older Art Deco style unit buildings through to large, modern, multi-level developments located near the retail centre in Maroubra Junction. The average buyer in this market is likely to buy a modern 2-bedroom, 2-bathroom, unit with single carspace, which will generally be selling between $600,000 and $700,000. Investors make up a large percentage of this market with gross rental yields of between 5% and 6% achievable. While rental growth is likely to provide the best medium term growth in this sector, capital growth of around 5% per annum is possible over the next few years should interest rates remain low.

Sydney's Lower North Shore is another sector of the market where capital growth is expected to be steady over the next four to six years. Quiet leafy suburbs, but still with close proximity to the CBD makes it very popular with professional couples and young families looking for the best of both worlds. Again, the Lower North Shore incorporates many different suburbs all at different price points. We see a vast array of land sizes which obviously has a major impact on value levels for dwellings.

In the well regarded suburb of Lane Cove the average buyer might be looking at $1.2 million plus for a detached dwelling in average condition on an average sized block of land. Lane Cove is increasingly popular with young families as it also has the added bonus of well regarded schools. Capital growth over the coming years is a certainty with all of these positive attributes.

Units in Lane Cove are abundant, yet prices are expected to see a steady increase for the same reasons as above. They are also extremely popular with investors, and the average buyer would be looking to spend around $575,000 for a well maintained 1970s 2-bedroom unit with a single carspace.

Market sentiment on the Lower North Shore is very strong. We saw a relatively slow 2012 in this area and there is currently some good buy opportunities, although local agents are already indicating lower stock levels and higher demand.

In our travels around western Sydney we have identified suburbs and property types that we believe are tracking towards above average growth within four to six years. The attributes shared between these suburbs are similar and include being located close to transport hubs, having easy access to arterial roads and being within close proximity to town centres. We believe houses within Pendle Hill, Wentworthville and on the fringes of Cabramatta represent good buying for the short to medium term due to their affordable prices, established infrastructure and surrounding suburbs becoming more expensive. For strata titled property we believe Castle Hill in the North West has potential for medium term growth due to proximity to amenities and the much anticipated train line to be constructed.

A recent example of market activity is in Pendle Hill where an original 1970s 3-bedroom 1-bathroom, brick dwelling on a 647square metres block recently sold for $490,000. This house has the potential to rent for around $450 per week. This is value buying for a detached house on a decent sized block of land 28 kilometres from the Sydney CBD and 7 kilometres from Parramatta and within close proximity to major arterial roads and the main western railway line. The larger block size gives the owner the option of a large backyard for the kids or provides developers with options to build a granny flat or land bank for future development if permitted by council. Regardless, a simple renovation would see the value jump to low $500,000's. The versatility of this dwelling will ensure it is appealing to a wider variety of buyers resulting in a higher possibility of short to medium term growth.

In Sydney's south we have noticed suburbs adjoining Cabramatta such as Cabramatta West, Canley Heights and Mount Pritchard receiving a boost in values as the town centre of Cabramatta becomes more expensive. This sprawl is common all over Sydney as purchasers are priced out of the strongly performing suburbs and look to the adjoining suburb for better value. Buyers of these properties include the full spectrum as the purchase price allows for first home buyers, entry level investors and savvy developers.

Overall, the Sydney metropolitan area is expected to see steady capital growth over the next four to six years. There are numerous suburbs that are talked about as the next area to take off; however any area with good infrastructure and proximity to services is bound to be a good performer. The average buyer needs to be prepared for stiff competition as low interest rates and current lack of stock in the general market will continue to put supply/demand pressure on prices.

Canberra

Canberra's property market has remained stagnant with slight increases in sales. This may be due to the interest rate cuts giving incentive to first home purchasers and investors. There have been high demands for quality, updated properties in the nicer suburbs of Canberra such as Weston and Evatt. Furthermore, vendors are still getting very good interest for 4-bedroom 2-bathroom, updated dwellings. Moreover, entry level homes are also moving quite smoothly, such as 3-bedroom, 1-bathroom properties in suburbs such as Gordon and Calwell.

With the high number of units coming onto the market, the demand has softened which has caused prices to come back a little. As a result the average buyer would be looking at their options more carefully and positioning their purchases of units in the inner suburbs.

It seems that buyers are being very patient and are waiting for good quality properties in prime suburbs to come onto the market. As we have seen and heard from many agents, there has been high demand for quality, updated dwellings between the range of $500,000 to $600,000. Overall, the buyer confidence level is still low but if a good quality property comes onto the market, they are not afraid to step in.

It will be very hard to see growth in property in the next couple of months That being said the best chance for growth in this type of market would be sticking to dwellings in the inner areas.

The supply of units in Canberra's outer suburbs has softened the demand for units. This alternatively has lead to some quality units being sold at a cheaper rate. In regards to dwellings, historically Belconnen has maintained high interest with potential purchases. This is due its proximity to the city and surrounding amenities such as the AIS, University of Canberra and government offices.

Wollongong

The Illawarra has seen some growth in the past 12 months in all sectors, but there is a sense in the market that things are on the up – particularly in the below $500,000 section of the market, according to our reading of recent sales and agents" advice.

Affordable housing has had a blip from the lows of late 2008 and early 2009, but there are still suburbs where it is possible to get something in the sub $300,000 range. In this sector you are looking at well located 2- to 3-bedroom units or townhouses, or older 1960 to 1970's dwellings generally in the southern suburbs. This is genuine first home buyer territory. In the north, suburbs such as Berkeley, Warrawong, Dapto and Unanderra are represented here. All are good locations with access to public transport and close to employment centres. But properties (standard dwellings) under $300,000 are now few and far between and the market has moved appreciably.

....the mid range has remained strong during the past year and we have seen the $500,000 to $850,000 range with a bit more strength....

In the south in the Shellharbour municipality there are still some older houses under $300,000 but these are getting hard to come by as well. This is a big change from two years ago when properties could still be bought for under $200,000. We all wish we had bought some then.

As usual it is always the lower end of the market that moves first and sees the better percentage increase in value. Never forget the low end of a market in the better located suburbs. You will be a clear winner when the whole market moves.

The mid range has remained strong during the past year and we have seen the $500,000 to $850,000 range with a bit more strength – depending on suburb of course. This is the second home buyers sector and those who bought three to four years ago have seen some genuine increases, particularly around the northern beaches. Suburbs such as Figtree, Keiraville, Balgownie, Fairy Meadow, Corrimal, Woonona and Towradgi have experienced some good growth in values in this time.

Above $750,000 the depth of the buyer's drop off, but there is still reasonable activity, and some reviving strength. Over $1 million there are still some good sales but it is thinly traded – but maybe this is changing. The major influences in this sector are interstate investors and Sydney buyers looking for an upmarket house close to the beach but within commuting distance to Sydney. Bulli, Thirroul, Austinmer, Coledale and Stanwell Park are all attractive to this buyer sector. Kiama and Minnamurra area also included in the southern parts of the region, but we may see genuine strength in the upper end of the market in the near future; but will generally be one off's here and there.

While there is no tangible proof of an election having an influence on the market, the result will certainly be a pointer to the future. Traditionally a strong Labor area, the Illawarra still suffers from lack of white collar job opportunities, and the major employers (apart from jobs destined for Sydney commuters) are the mines and steelworks. The next Federal Government and that in NSW should look to boost the opportunities for tertiary level employment in this area by decentralising some public sector jobs. This would be a stimulus for the economy through a knock on effect to the building and retail sectors.

Lets look at some questions about what are the good long term gorwoth sectors (four to six years) in the Illawarra market.

What is the average detached dwelling buyer looking at in terms of price and location in our local market? In this lies in the lower ranges - affordable ($350,000 to 450,000) in desirable location i.e. north or close to Wollongong CBD. For units, we see CBD Units close to the beach, university or hospital in the range of $250,000 to $350,000 as being a good bet for the future.

How are average buyers feeling about the market? We feel the potential that we are at the bottom of the cyclical market and therefore set for growth over the next few years.

What offers the average buyer the best chance of growth over the medium term? Pick up an older home in a good location (close to Wollongong or the beach) where the majority of the value is in the land...worst house in best street, etc. Don't go for the new project home in a fringe location – remember that only the land increases over time, not the improvements – a tried and true adage in real estate – forget about having all the 'mod-cons' when buying your first house – buy a shack on the best land you can – it will serve you well in the long term.

If someone rang our office looking to spend a reasonable amount of money but ddidn't want to sit on the property forever, we would direct them to inner suburbs close to employment centres, whether Wollongong, Shellharbour or Kiama LGAs.

The average buyer's profile in this sector is mixed and includes investors and first home buyers, but increasingly we see small builders and amateur developers invading the market.

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

Southern Highlands

New buyers entering into the Southern Highlands residential property market are coming from Sydney, Canberra and Melbourne. These buyers are typically retirees and families. A general retiree purchase is a single level house within 1 kilometre walk to town, on up to 1,000 square metre price range between$600,000 to 800,000. Some of these buyers are also locals downsizing from rural/residential holdings on acreage properties (Burradoo, Exeter).

Families looking at property in the area are influenced by proximity to schools, transport and services, so the townships of Moss Vale and Bowral are popular. Again single level properties on land sizes up to 2,000 square metres, price point up to $1.1 million is the sector showing most activity.

In nearby East Bowral, a residential dwelling, on 700 to 1000 square metres usually has a price point from $450,000 to $650,000.

The townhouse/villa or strata unit market in the Southern Highlands is very thinly traded. This is compounded by a lack of supply. Demand is for single level units, with the ability to walk to local shops and up to $300,000 in pricepoint. Townhouses and villas can range from $350,000 up to $600,000.

Albeit that cash rates are at record lows, there is some anticipation there may be further rate cuts prior to the September election and the property market is at or near its low point. Local agents are reporting an uplift in sales activity albeit at price levels as abovementioned.

There is a wide range of residential/rural lifestyle products available in the outlying hamlets of the Southern Highlands. As an example substantial houses on five acres in the Exeter and Sutton Forest regions trading at 15% to 20% discount to prices achieved two to three years ago, now range in price from $800,000 to $1.2 million. Potential coal seam gas exploration in this area has negatively impacted this market. Once there is a determination regarding the coal seam gas question, there will be some certainty and stabilisation and there may be future potential growth.

The main property type for the median buyer is a well located, single level, older dwelling that is in a renovated condition. This type of property suits all buyer types in the Highlands location and should offer good growth over the medium term.

Southern Tablelands

The Goulburn residential market had good growth from 2009 to 2012 and is now considered to be stable. For the median priced buyer, properties are generally in the $220,000 to $420,000 value range. Older character homes in need of renovation will usually sell from $200,000 to $300,000. Owner-occupiers and also investors will purchase these properties and renovate them, with a view for capital growth and increased rental returns. From say $320,000 to $420,000 owner-occupiers will generally purchase good modern homes and live in them. Investors also target these modern homes for good rental returns of say between $350 to $480 per week. The market is currently stable, and we consider value levels may decline slightly over the next year or so. However in the short to medium term, we anticipate that the market should have periods of increasing and stable pricing.

There are not many units in this area, however, the strata market should generally move in unison with that of detached dwellings.

Buyer confidence is generally good at the moment. For medium term growth, we would suggest detached dwellings in the value ranges listed above. Additionally well located character homes that are within walking distance to the city centre, also perform well.

Newcastle

With the exciting news of another interest rate drop by the Reserve Bank of Australia and the majority of banks adopting the rate in full; teamed with the share market reaching a holding milestone, the first in three years, will rejuvenate investors into the property market. This is welcoming news considering the slow start with decreased sales for the past month. The investment opportunities are endless for the Newcastle area which includes mining interests, coastal holiday towns, Newcastle City and its surrounding suburbs.

Ongoing negative media chatter regarding the future of the fourth coal terminal and the mining sector in general is causing negative perceptions on investing in mining locations throughout the greater Newcastle areas including Cessnock, Singleton and Maitland Local Government Areas. The Maitland area has encountered large and fast population growth over the past few years with high amounts of residential construction which has rocketed due to government incentives, through the first new home purchaser's scheme and investors. The rental vacancy rate has increased to over 2%, which is the highest in five years. High vacancy rates teamed with a drop in sales could potentially be the first signs of an oversupply in stock. It seems that these areas have hit the peak of the boom cycle with the general population waiting to see how this market levels out.

The Port Stephens Local Government Area's holiday townships (Nelson Bay area) faced a boom in 2005 but since 2007 has the highest rate of mortgagee in possessions for New South Wales. These areas are not directly impacted by the mining sectors and have been in the trough of the property cycle for an extended period of time. With sale prices sustained and a high rental demand in the area the sleepy holiday towns may see some steady growth in the future.

Newcastle inner city and immediate surrounding suburbs continuously maintain growth in median prices and capital growth. With the announcement of a new university to be built in the city during 2015, the Newcastle City revitalisation master plan and the Wickham train station this should increase the demand for units and houses in this area. The rental vacancy rate currently sits at 1.6% which identifies a high demand for rentals and a shortage of supply.

The outer suburbs of Newcastle have not reached median prices comparable to the inner suburbs and have potential to boom in the future. Birmingham Gardens is a suburb which has just undertaken this journey due to its location close to the University. As it reaches its peak this cycle may filter through suburbs such as Glendale, Edgeworth and Wallsend which benefit from low $300,000 median house prices which are close to Newcastle University, major shopping centres as well as the new Newcastle link road.

A well performing suburb to mention is Mayfield which sits in the medium price range with a median of $350,000. Location is the key for this suburb which lies six kilometres from the city. This area is undergoing a slow revitalisation with renovated original homes, new house development which is creating a comfortable mix of residential and industrial property.

NSW Central Coast

There are aspects of being part of the valuation profession that are not found elsewhere. One is the privilege of seeing what makes the property market tick. True, it can be baffling at times and simultaneously exciting, frustrating and tense. This month we're suggesting where today's smart money should be placed, but fast forwarded four to six years. A tough, but not too uncommon question we are asked.

Doesn't everyone consider the prospects of property value growth in the medium term within the Central Coast region of New South Wales? We do, and we associate this with the notion of buying now with a view to holding for a time and selling at a profit in a few years.

An easy enough concept to grasp, but its application is another story entirely. Well do we remember the last bull market in 2003 to 2004 and even more what followed - champagne and canapés being replaced with crackers and tap water.

Did anyone make their fortune and manage to keep their shirts on? Of course they did, and speaking with these people gives us the opportunity to understand their mindset, methodology and execution during this period.

The overriding message to the, 'buy now, sell later' market rests on discipline insomuch that emotion has no place and this coupled with the ability to research, understand and act is paramount.

It's also evident that there isn't a defined property type for these people, they will consider anything - dwellings, units, vacant land, rural residential equally. They do however, have a property success profile based essentially on initial outlay, cost to value add, ongoing/holding costs and a confidence that the property will sell at a profit when the time is right.

With this in mind, let's take a look at where to buy now in the Central Coast region's property market with a view to showing a profit in four to six years time.

....the outer suburbs of Newcastle have not reached median prices comparable to the inner suburbs and have potential to boom in the future....

We'll start by saying that recent changes at an administrative level may just be the key factor. The Central Coast region is made of two Local Government Areas - Gosford and Wyong. The 2012 Local Government elections saw newly elected Councils and with their General Managers (one of which is a January 2103 appointment) issue challenges not seen in the region for sometime. In the Wyong LGA, the catchcry seems to be a let's get things moving again and in the Gosford LGA, we have put the sign out saying that we're open for business – hallelujah many are saying.

The region's Mayors, Councillors McKinna and Eaton are two very different people but equal in their drive and vision. The General Managers are also seen as being at opposite ends of the management spectrum, but already, they have gained the respect in the business community. We've attended several functions where the new General Manager of Gosford City Council has spoken and from this, we hope his tenure in Gosford is a long one.

To answer ones question of where to buy now and sell later, it may well be worth looking back to plans that have been on the drawing board for many years, but not advanced through one reason or another.

Springing to mind are the unit markets within the Gosford city centre and The Entrance. Like many other unit markets, they had a period of volatility following the last bull market, but we are now finding this segment to have settled with levels of surplus stock now back to healthy conditions, relatively speaking. Unit values have fallen and at the present, they are considered to represent good buying.

With plans and strategies being resurrected in Gosford and The Entrance to revive these centres, we foresee the short to medium term local economy as the beneficiary. Such plans include the Gosford Foreshore area which will serve as a driver of the redevelopment of the Gosford Main Street which has been in the doldrums for many years. The Entrance has had many false starts and while the key sites strategy being spoken of at Wyong Council is ambitious, it has the potential to work and again, this stale market should respond in a positive way.

Many of the regions developers have been sitting on their esky's for some time, but we see the time is near to stock it for the journey ahead. The unit market is making a comeback, but we hope the next army of unit developers are better researched, interested in the area and, importantly, build well.

Away from the units and onto other things, we also see a number of areas as worthy of more than a glance. These include;

Avoca Beach - Sale numbers were down in 2012 over the previous year, but sale prices have been stable. Knowing that Avoca Beach is always an 'it' locality, it signals to us that a revival might be around the corner. Even more so for units at Avoca Beach which are not known for their timidity. Our research indicated both a slowing in the number of sales and fall in the median value. The Avoca Beach property market has always been one of the stronger localities on the coast and a well purchased property in this slightly slowed market here should prove a good decision down the track. Underpinning the Avoca Beach market is the seemingly constant redevelopment of property and the area is well represented by the holiday (absentee owner) property market and the return of consumer confidence should see this sector bounce back.

IMPORTANT NOTE: On the subject of the holiday property market, a recent court decision has ruled that short term holiday rentals, or in Central Coast terms Holiday Lettings as unlawful under current zoning. As a result, there is now a question mark on the future of Holiday Lettings - a mainstay of the Central Coast tourist industry, local economy and property market. Fortunately, the council has initiated steps to correct the issue, via the new Local Environmental Plan which is awaiting approval.

When we speak of the Central Coast's peninsula properties, we are including the suburbs of Woy Woy, Umina Beach, Ettalong Beach, Blackwall, Booker Bay and Orange Grove. These are older areas that have been transforming themselves for a number of years and their future looks awesome. Our opinion only, but we are tipping that the residents and investors would agree. Umina Beach is probably the pick suburb with a median value for dwellings of $375,000, it's definitely within reach of first homebuyers and investors. We expect good levels of growth in future, and expect this median value to rise shortly.

We don't think enough is being said of the northern end of the Central Coast Region within the Wyong Local Government Area. A renewed vigour and vision is being seen in the recently elected Council and appointed senior management group. The actions of this group will have a direct link to the success or otherwise of the northern end of the coast and in our view, whoever is orchestrating the media releases, leaks and general publicity is simply brilliant.

In terms of growth, we see more than a few parallels between the likes of Toukley, Gorokan, Noraville and Canton Beach with the peninsula areas in the Gosford LGA. Canton Beach for example has been seeing a falling median value over the past several years. Clearly, it has fallen out of favour with the market, but with a median value for a dwelling hovering around the $270,000 to $280,000 mark and gross returns of around 5%, the closeness of the beach and lake, development and redevelopment opportunities, parks/clubs and changing age demographics signal to us that Canton Beach prospects will be bright.

And don't forget to keep in mind, property at Lake Munmorah, Chain Valley Bay (north and south) and Kingfisher Shores. Always solid and nice areas, the new shopping centre being built on the highway and more schools may bring about a rise in values over the next few years.

For those with above average means, we would head you in the direction of beach, waterfronts and prestige rural residential properties. It's no secret that this end of the market has suffered over the past few years with values and sale numbers down. In our view, these falls are a complete contrast to the heady days a few years back, with little hesitation in purchasing these properties. With stability returning to our daily property and financial lives, the media is sure to turn its attention to the improving property sector, so purchases made now are most likely to reap gains over the next four to six years.

In many respects, the unit market has been the biggest disappointment in property terms on the Central Coast. This is particularly the case in the Gosford CBD and The Entrance. The disappointments came about through falling values and a somewhat severe oversupply of units in the region with limited buyer interest and developers not reading the market properly. The surplus of units is now considered to be under control and while there are still some very good buys out there, we expect unit market values will show some growth over the next few years - how much growth is not something we are prepared to speculate on, such has been the volatility of the market. At present though, we are seeing prices paid for good quality 3-bedroom units at less than $300,000 and 2-bedroom units of varying age and quality in the low $200,000s.

NSW Mid North Coast

This month we are considering suburbs and localities that may offer the best growth options and returns in the medium term (four to six years).

Up and down the Mid North Coast we have seen demand increasing for lower end units and dwellings throughout the coastal localities.

Within these areas, values are still remaining subdued, with an oversupply of dated and existing stock on the market, but we are seeing increases in demand and sales for the lower value properties (up to $500,000) within these areas.

While the medium term outlook for capital growth remains indistinct, we see the best options for growth being in existing stock (listed for extended periods) close to the beach or with views with vendors willing to except reduced offers. It is likely that these properties will experience good growth over the next few years, as market conditions continue to strengthen and hopefully, values increase.

So currently the oversupply of good quality beachside units and houses has seen asking prices and achievable sale prices drop by up to 20% in some areas consider that these type of properties, as long as they have easy access to the beach, and, mostly importantly, good ocean and beach views, will have good potential for growth in the medium term.

We have also seen a large increase in sales of lower value investment (rental) properties. These include low value dwellings, located in lower socio-economic areas, (up to $150,000) as well as lower end residential units and small flat buildings (up to $700,000). In some cases they are being purchased sight unseen, by out of town investor based solely on achievable yields. This notion is backed up by a recent RP Data article stating that the basis point spread between the cash rate and rental yields are at their greatest levels since January 2000.

....while the medium term outlook for capital growth remains indistinct, we see the best options for growth being in existing stock....

With rental demand sound and expected to remain that way, these properties are showing good yields. Some recent sales of basic sub $100,000 dwellings are showing yields of between 4% and 6% with small flat buildings showing up to 8%. However, capital growth in these types of properties, noting the areas they are often located in, is expected to remain modest of the medium term.

After an extended difficult period, there are continual signs that the residential market on the North Coast has now bottomed. As such, there are now potential opportunities available for growth over the next 4 to 6 years.

NSW Far North Coast

Due to the large variance of residential property on the North Coast, we give a quick snapshot in relation to each section/component of the market which offers the average buyer the best chance of growth over the medium term.

Within the coastal locations of Ocean Shires, Byron Bay, Lennox Head and Ballina, local agents are reporting that on the back of good rental returns and falling interest rates, there are now signs of renewed interest from investors for residential property up to circ a $400,000.

There has also been increased demand for properties up to $1 million with purchasers predominately being from Sydney/interstate looking for a lifestyle change. The increase in buyer market for properties in the order of or greater than $1 million throughout the Byron and Ballina Shire localities is now created a steady. It should be noted that the $1 million plus market has not seen any increases in value, but the increase rate of sale is a result of there being more realistic vendors meeting market price (in particular for stock that has been on the market for an extended selling period). The recent run of sales has resulted in a lack of available stock in certain localities which may result in potential growth opportunities.

Within the Ballina Shire, there has also been resurgence in the Wollongbar land market. There has been an increase in rates of land sale due to the grants currently being offered by the Ballina Shire Council for suitable purchasers within the Wollongbar Urban Expansion Area). Apart from the cost saving provided by the current grants, the main reason why there has been increased sales activity is that potential purchasers are interested in quality that is available in a newly built home. There appears to be an increasing trend that buyers prefer a new home situated on a smaller sized allotment within a developing estate as opposed to an established home located on a larger lot which requires refurbishment.

Within the Lismore, Kyogle and Richmond Valley Local Authority Areas, property investment tends to revolve around the usual requirement of rental return or the ability to improve the current rental return and capital gain by 'improvements'. In the case of capital gain the usual process is via the purchase of a house or unit, hopefully cheaply, and then renovating for re-sale or rent (for a higher return).

There is really no current stand out performer in the different sectors (houses or units) that would suggest significant growth over the next four to six years. Something more assertive has to be attempted to encourage capital gain or rent return in these localities.

The days of simply buying a house or unit and holding for a period of time with the hope of a natural increase in market value is somewhat unrealistic now given the current subdued market conditions and being located in a regional area. To have any hope of seeing any capital gain there needs to be some aspect or feature of the property to be exploited. And now as the interest rates are near record lows, it maybe worth pondering on ideas that follow this line of thought.

An example of this is the timber character homes of Girards Hill within 1 to 2 kilometres of Lismore CBD. If you can find an older style timber home in fair condition, renovate the kitchen and bathroom (to a realistic budget), polish the timber floors and spruce up the interior by enhancing the heritage features i.e. picture rails, feature windows, timber fretwork, there may be the potential for capital gain.

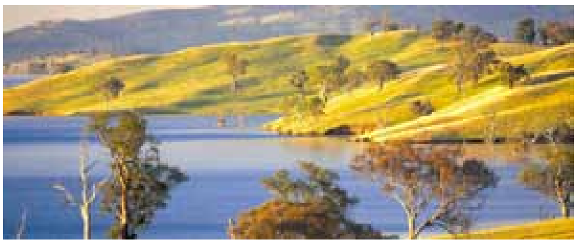
Other ideas to consider is the construction of granny flats (if room in the backyard permits) to provide additional rental return courtesy of the NSW Government. For those thinking outside the square, what about the conversion of large 5-bedroom plus homes over two levels, being internally converted into two separate flats (with council approval).

The introduction of the new Local Environmental Plans (NSW) may also offer opportunities (re: Clause 4.1C Richmond Valley LEP2012), hence investors are encouraged to familiarise themselves with the relevant LEP for the locality if intending to invest.

Properties with traditionally quarter acre sites (1012 square metres) or larger may also offer room, depending on position of the existing house, for an additional detached unit or house. Corner sites are the best option for this type of development as it avoids having to create common property which is generally associated with a shared driveway and a second house located directly behind the existing house.

Lastly, with the advent of more MIP sales occurring, the opportunity to acquire a discounted property will naturally help with starting from a lower base point prior to renovation, thereby maximising the profit at the end point of the completed project.

Further south, Grafton property values have historically seen steady (albeit slow) growth due to it being the regional centre or 'hub' town of the district. In Grafton, average residential property values have been negatively impacted in recent times by wider financial conditions and three large employment closures of over 100 jobs each. While values deteriorated in 2012, prices are expected to plateau and eventually improve consistently over the medium term. Currently an average residence typically sells between $240,000 and $300,000. Average units sell between $200,000 and $260,000. Once the broader economy stabilises this is expected to have a positive impact on the Grafton mid market. Slow steady growth is expected to return for Grafton in the medium term.



In the coastal township of Yamba, the average residence sells between $320,000 to $400,000. Average units sell between $280,000 and $350,000. Historically many buyers have been from the Gold Coast and Sydney. Since those markets have suffered in recent times this buyer market has been quiet. It is expected that in the medium term once broader economic conditions improve and these major markets lift this will have a positive impact on the Yamba residential market.

It is noted that most in the market are now quite educated about the deterioration since the start of the global financial crisis. The availability of secure employment is a concern in the region with many workers having to travel extended distances for work (such as mining locations). Due to the broader economic uncertainty and local employment issues average buyers are cautious and selective. In recent times there have been several MIP sales which offer good opportunity for medium term growth. Also due to the wide variety of stock levels buyers can choose properties with good positions and features. Once the market improves in the medium term these properties are expected to benefit.

Coffs Coast

The best growth options are four to six years in residential property will be on the northern beaches where significant infrastructure roadworks will be completed early next year.

Other locations that should attract sound growth are coastal locations at Sawtell and Coffs Harbour Jetty.

The Park Beach area remains slow with mixed quality development and perceived social issues impacting on growth.

The residential unit market remains slow at present. There is limited new product coming on stream due to low demand. The average price for detached dwellings in central and western Coffs Harbour City would be in the vicinity of $360,000. Centrally located units in older complexes are suffering in price due to the high strata costs particularly buildings with lifts.

Older residential units throughout the city can be sourced from $160,000 to $240,000.

Agents report a limited number of active investor purchasers with majority of sales for owner-occupation.

Overall the residential market remains subdued.

Southern NSW and Northern Victoria

ALBURY

The general market in this region continues to be flat with no large waves of appreciation in the foreseeable future. These conditions make it a little harder for the investor to make a reasonable capital gain in the short term. Compounding the issue are rising building costs and the relatively high cost of land if they are considering a new build.

Dispute these conditions there are entrepreneurial types who are making a good go of it. On their side are low interest rates and low prices due to the current buyers market conditions in average suburbs.

These buyers know that to make a capital gain they can not rely on general market increases to get them where they want to go. Instead they have to add value while keeping their costs down. Most roll up their sleeves and use sweat equity to improve a rundown tired property.

The suburbs where this activity is most evident are located around the fringe areas of the CBD. Central properties are too expensive for the average investor to outlay.

The dwellings purchased are usually in the $150,000 to $250,000 range and can includ 2-bedroom units in the $70,000 to $100,000 range. The typical spend to modernise them range from$40,000 to $70,000 and depending on how well they are performed they can provide an immediate 10% to 25% lift in value.

There are risks that need to be considered and most relate to how knowledgeable the purchasers are as to what the market expects at the end of the day. There are also competency skills required for the improvements to pass the market test.

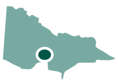
This is not for everyone but it appears to a good way to get ahead in very average market.

LEETON

So if you had some cash you wanted to splash where should you focus your efforts? My advice to an investor would be to concentrate your search on north or east Griffith in the $200.000 to 250,000 price bracket. There is already signs that this market segment are starting to experience upward price pressure. Seek out size over condition, a fourth bedroom or additional living area will pay dividends in the long run over a renovated kitchen or bathroom and still bring in a good rental dollar.

I would also point first home buyers towards the same location and over towards the Driver area but encourage a slight movement up the budget to the $250,000 to $285,000 price bracket. Owner-occupiers traditionally seek a few more bells and whistles and often wish to tick a few more boxes such as updated kitchens and bathrooms, ensuite bathrooms and better car accommodation. For this however you will need to put more money in the pot.

If you were an investor contemplating if a unit would provide better growth options I would be inclined to stick with the houses. Broadly speaking the market for houses has contracted more than units over the past five years so I would support the theory that houses have more ground to recover.



Melbourne

With interest rates at record low levels it would appear that now is a good time to buy residential property. If you're one of the many thinking about taking the metaphorical dive into property ownership and you want to be savvy about it, there are few things to consider. Properties with strong tenant demand and minimal holding costs will help to maximise your rental return; however homes with the potential for significant capital growth help to provide financial freedom in the long run. The equity built up can be used to purchase another property. This is particularly beneficial for those looking to expand their portfolio as one of the hardest obstacles to home ownership is coming up with the deposit.

So if you are looking for a house or unit with the potential for strong growth in the next four to six years where would be a good place to start? Footscray, West Footscray and Maidstone show positive signs for strong growth in the detached/semi detached market. All suburbs are located within 8 kilometres of the city, are well connected via public transport and are more affordable with houses available under $500,000. As private and government investment increases, these areas will attract stronger demand due to their convenient location as the trend towards high density housing and gentrification continues.

Footscray is expected to profit from the proposed and current development in the area including the Footscray Railway Station redevelopment, Footscray Plaza Redevelopment and the Whitten Oval Redevelopment. The Melbourne 2030 planning strategy has designated Footscray as one of the Major Activity Centres which are the preferred locations for future higher density residential and mixed use development. The suburb is home to Victoria University, Western Hospital and Lonely Planet Publications with the recently upgraded Highpoint City Shopping Centre in close proximity. The area is easily accessible to the city via the Footscray train line, trams and buses. All of these factors help to generate rental and investment demand in which the median house values are below that of surrounding areas which have already experienced gentrification and a shift in development plan.

Like Footscray, Maidstone and West Footscray will benefit from the current and future development of the area. Both suburbs are located within 8 kilometres of the CBD and offer greater housing affordability. A potential investor can expect to enter the West Footscray and Maidstone market with $535,000 and $498,000 being the median house price respectively. Maidstone and West Footscray are located nearby The Maribyrnong Defence Site Redevelopment and The Maribyrnong/Footscray Early Years Hub. Areas of Maidstone also offer larger blocks and city views while development in West Footscray include the Barkly Village streetscape improvements and the West Footscray Railway Station redevelopment.

The Melbourne apartment market is currently being watched very closely as evidence continues to emerge of an oversupply of apartments in the development pipeline particularly in the metro area with approximately 25,500 expected to be completed by the end of next year. Off the plan properties may be tempting with 10% deposits and reduced stamp duty, however a large portion of demand is coming from overseas. The majority of foreign investors are only able to purchase new off the plan properties; so when it comes to selling years later, your market pool has shrunk considerably.

The Melbourne property market is currently a buyers market, giving potential purchasers the chance to shop around, negotiate and find themselves a bargain.

Regional Victoria

GIPPSLAND

Overall the residential market through Sale and Traralgon is slow to stable at the moment with minimal movement in prices. The average buyer would probably be looking at the $200,000 to $400,000 bracket for the best four to six year medium growth. The lower end ($200,000 and under) has slowed due to the removal of the first home buyers grant, and vendors are getting hurt at the top end ($500,000 plus) with over capitalising causing a loss on sales. The best chance of growth is buying in strong locations within this price range.

Due to the high cost of land prices and building costs, there has been an increase in renovations/extensions with home owners deciding to renovate, stay at their property for a short term and then make a profit in that four to six year period.

....medium range buyers in the East Gippsland market tend to be between $250,000 and $400,000 depending on the location....

Another option to consider is the established home at the top end. For example five to 10 year old home that already has fencing, shedding, landscaping, concreting, etc. With the high building costs an established house at the top end may see growth in that four to six year period and I can't see building costs coming down too quickly.

If advise is sought here are some options.

$250,000 1980s brick house, in good location, renovate, sit, sell five years later.

$400,000 five to 10 year old family home, with all improvements complete, no cost to you, a lot more expensive to build, considering when land is $200,000, new house $250,000, suddenly you are at $450,000 and you don't have concrete driveway, landscaping, shedding, fencing, paving? Yet the house which is 10 years old has all these and is probably in just as good a location.

Baw Baw Shire

Currently in the Baw Baw region some of the strongest sales growth appears to be in the prestige end of the market. Recently some strong sales have been recorded in the 700,000 plus range with a number in excess of $1 million. Predominantly these properties are high quality constructions on acreage with good views and often with facilities for horses. As for the 'Joe Averages; of the world there has been increasing activity in the second to third homebuyer demographic - buyers who have built some equity and are now upgrading. There has been reasonably strong activity in this market along with the prestige end after a reasonable period of doom and gloom with related limited activity. In the longer term, well located properties, both close to the centre of town and those on larger allotments on the fringes will show the most potential in these areas.

In Drouin and Warragul and the outlying areas there appears to be a growing number of people commuting to work in Melbourne, with a large portion of these working within the CBD. With significant new subdivisions coming on line and the resulting population growth to these areas, along with the increase in the 'commute to Melbourne crowd', these properties are the ones most likely to make good gains over the coming years. We have beeen seeing reasonable levels of interest from investors as a result of some of the demographic change throughout the region.

East Gippsland

The residential market in East Gippsland has had a steady first half of 2013.

Medium range buyers in the East Gippsland market tend to be between $250,000 and $400,000 depending on the location. A 4-bedroom, 2-bathroom home in the Bairnsdale or Eastwood area would generally sell for $350,000 to $400,000 depending on size and quality. Coastal areas such as Lakes Entrance and Metung generally command higher prices.

MURRAY OUTBACK

As we head into winter, is there a glimmer of renewed confidence out in the Mildura market place or is it just a temporary uplift in activity? Perhaps a combination of low interest rates, continued steady population growth, investor activity, pending election and limited stock on the market have combined to create renewed activity in the family house market. After years of bouncing along the bottom there are indications that something is happening out there. A quote from an agent last week… "give me a family home in the $300,000 to $500,000 price range to sell and I will have it contracted in a week". Statements like that have not been heard for many years. Perhaps we will wait and see and closely monitor.

It is noted that there is a contracting volume of stock on the market and this is particularly evident in the mid range detached family home market in Mildura. This market ($300,000 to $400,000) as well as the centrally located modern townhouse market ($250,000 to $350,000) are the two sectors that are considered to offer the best growth prospects. Mildura has an ageing population and the lack of development in recent years of good standard centrally located townhouses appears to be creating a supply/demand imbalance that is likely to result in capital growth in this sector.

MURRAY RIVERINA

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 aforementioned Bendigo hospital project, the residential property market continues to perform well. Local agents continue to report an increase in inquiry levels, with well located and priced properties enjoying short selling periods and strong interest, particularly in the CBD fringe areas such as North Bendigo and Quarry Hill. Residential land sales are continuing to tick over, with new estates such as Rubicon Rise at Jackass Flat and Marong Links to the west of Bendigo showing good sales rates. However, it would appear that things are tougher in the house and land package segment of the market, with incentives and rebates remaining commonplace.

The ongoing saga of the 30-bedroom gold rush mansion Fortuna Villa also took yet another (hopefully final) twist, with the sale at auction reported last month for $3 million falling over after the deposit cheque bounced. It subsequently sold for an amount believed to be around $2.2 million. New owner Paul Banks has flagged plans to turn the building into a boutique hotel and tea rooms.

Adelaide

It appears that the Adelaide residential property market reached the bottom of the cycle in the second half of 2012. Since that time it seems that there has only been very minimal improvement to property values overall, which is somewhat expected given the uncertainty surrounding current economic conditions, both locally and federally. In fact as mentioned in previous Month in Reviews our belief is that the recovery of Adelaide's property market will gradually occur over the next few years. Closer to home the average potential buyers job security and cost of living expenses, with water and electricity both of note, mean that many are currently reluctant to commit to any further financial pressure and are in fact trying to be more conservative in order to reduce debt.

The federal election later this year and the state election in March next year are also both contributing to peoples reluctance to commit to major financial decisions, especially as it is speculated that both federal and state will see a change of government – this usually occurs in the lead up to an election but is expected to be somewhat offset by an increase of activity once the vote has been finalised whatever the outcome.

Recent reductions in interest rates are certainly welcome, but it is believed that many will use their current position to increase savings and pay back debt rather than add to any existing debt overall.

Looking to growth in the medium term our feeling is that the suburbs closer to the city will be the ones to improve in value first and also show the best growth. This is going to be driven by upgraders looking to move into more desirable suburbs, while also taking advantage of the price corrections that occurred over 2011 and 2012. Well located and appointed dwellings are selling fairly quickly within many of these suburbs when priced to meet the market, however there currently exists numerous factors holding back this market sector. These include there being limited stock coming onto the market so many potential buyers just can't find what they are looking for. With limited properties on the market buyers often find it harder to make decisions because they can't directly compare properties; difficult selling conditions mean that many upgraders are worried about selling their own properties and therefore choosing not to act; and with less potential buyers looking, or should we say, with less potential buyers willing to actually commit there is not enough competition between buyers in the current market to push up prices just yet. The recent interest rate cut may improve this situation a little but mostly it will just be time that improves Adelaide's residential property market.

If we roughly divide this market into two price brackets. We suggest $400,000 to $750,000 will secure an older detached 3-bedroom, 1- to 2-bathroom dwelling or a newer (often attached) dwelling on a smaller allotment around seven to twelve kilometres from the city. Or $750,000 to $1.2 million for an older character three to 4-bedroom, 1- to 2-bathroom detached dwelling or a newer dwelling (potentially attached) on a smaller allotment up to seven kilometres from the city or located within beachside suburbs.

Those with the best potential for capital gains tend to be better located properties close to established and popular amenities including shopping centres, dining and entertainment precincts, popular private and public schools, weekend markets, local parks and playgrounds and with good access to public transport.

Brisbane

Brisbane remains fairly price accessible despite some anecdotal strengthening this year. There is a slight spring in the step of agents although few are putting a deposit down on a Bentley just yet. Enquiry is up and open homes are more crowded in most instances. Market sentiment seems to be improving with agents reporting greater interest but they still need to work at getting together the buyer and seller on a contract. There are few signs recent interest rate cuts have resulted in a spike in the number of sales. Any median priced buyer would have great options available and if you're cashed up and ready to move, then you'd be an attractive option for sellers.

For detached homes, you will be within the five to 10 kilometre radius of the CBD. This isn't bad for a capital city and despite the common complaints about rush hour, you would be hard placed to locate a commuter who considers 10 kilometres to be an inaccessible distance from the CBD. If you're looking south, the suburbs of Tarragindi, Holland Park and Salisbury will provide opportunities and there are some planned infrastructure works and pending town planning changes that will make these areas even stronger as options for the median priced buyer. A typical 3-bedroom, 3-bathroom post-war cottage on an average size allotment will fall within the $350,000 to $400,000 price bracket. The home may not set your heart a-flutter, but it will rent and should prove a solid investment over the medium to long term. Many of these properties do have renovation potential, but this style of house will mean a reasonable sized living area.

Heading north, similar prices might see you a little further out – perhaps you'll pick up some older stock in McDowall or a touch closer in. Less traditionally sized allotments might help your price-point if you were to move closer to the CBD and wanted to be in a well serviced location, but renovation is highly likely.

If this price point is still a bit steep but you don't want to go further afield, then perhaps attached housing offers an attractive option. For somewhere over $300,000 you will get yourself a 1980s 2-bedroom unit that will find a ready tenant base and should prove very accessible to transport and services. Try the areas of Coorparoo and Greenslpoes on the south side or perhaps the student accommodation end of St Lucia and Indooroopilly/Taringa. The trip to the city centre isn't that far and you will have no trouble finding somebody to take on the lease.

....existing unit product is more competitively priced than new product, so offers better future upside....

When looking for your median priced investment remember to stay close to transport hubs. With our recent Brisbane spate of tunnels and busways, there's no excuse for avoiding a locality with public transport options. These types of suburbs will prove the most stable over the medium term.

While this price sector will not necessarily see you in the hot urban-village cool localities like Paddington, Bulimba and Ascot, you still shouldn't be too far from a nice coffee and a decent eatery and there will definitely be plenty of other services such as schools and shopping to keep your bricks and mortar investment price-steady.

Overall, this sector of the market is dominated by investors and first home buyers. Anyone looking at these price points in Brisbane probably isn't expecting to retire on the capital growth over the next six to eight years, but all the signs look good for steady gains in the medium term.

Gold Coast and Tweed Coast

Gold Coast

Most agents are reporting a lack of stock and some drop off in sale volumes compared to the quarter of 2013. Buyer's wish lists appear to inclusive of good condition, nothing to do, cheap.

Some firming of the market bottom was evident, with the odd very cheap sale occurring, one can only surmise there was an element of a forced sale in these instances.

Generally market has more confidence especially for well located prime properties. On Isle of Capri there were three waterfront houses sold during 2012 in the mid $600,000's - agents are reporting those days are gone.

Still possible to get entry level waterfront in Broadbeach Waters for $500,000, but it will be a smaller block with a very narrow canal.

There has been some improvement in the unit market for beachfront localities Surfers Paradise, Main Beach, Broadbeach and out to Nerang. Still very price sensitive. Possibly due to increased investor confidence. Agents reporting more investors active.

The average buyer still wants a bargain in good condition. Best chance of growth is for well located properties within 1 to 1.5 kilometress of the beach. Broadbeach Waters is my pick first then Mermaid Beach, followed by Burleigh Waters.

The gap between waterfronts and dry blocks is closer than ever before indicating waterfronts may be due for a rise soon however not there yet if property requires work

49 Vatakoula went to auction on Saturday - a 1980 single level brick and tile providing four bedroom, two bathroom double garage accommodation on a 683sqm rear canal front allotment. Narrow eight metre frontage to canal with southerly aspect to water. Original fit out. Top bid $460,000 passed in.

In beachside locations, currently "cheap" units with low Body Corporate fees would appear to be good buying and in the Highrise market units with good ocean views would appear to have growth potential, however market is soft, appears still driven by investors which are shy of high Body Corporate fees.

Northern NSW

My opinion is that buyers in northern NSW should be looking to wait at least 5 years for value levels to improve. We have seen substantial falls in value levels of the past 5 years from 15-50% depending on what type of property and the locality and we are only now starting to level out at the bottom of the market (I believe anyway).

In Banora Point a buyer can buy a 10 year old house with three bedrooms, two bathrooms and a double garage on a flat 600 square metre allotment for around $400,000. These properties were selling for around $475,000 in the boom times. These properties are generally renting for $450 per week give or take.

Also in Banora Point a buyer can buy a 15 year old, two storey townhouse unit with three bedrooms, two bathrooms and a single lock-up garage for around $270,000 and would rent for around $325 per week. These units were selling for up to $350,000 in the boom times.

I get the impression that there are currently a lot more buyers in the market than what there was 12 months ago. Many agents I have been speaking with are reporting a lack of stock as they have sold most of their properties in the first quarter of this year. Overall, I believe the average buyer is feeling a whole lot better about the market now than what they were 12 months ago.

I would have thought somewhere close to beach is the way to go. You can't really go wrong with close proximity to the beach unless you have bought in Mermaid Beach in the boom times. I believe Cabarita Beach will be a place to look out for in say 5 years as it is a small coastal township, there is a new Woolworths building and shops currently under construction and there are no major sub-divisions in the immediate locality, giving a set number of properties in the town. When you look at Pottsville to the south and Casuarina to the north, there are currently hundreds of block of land available for sale at heavily discounted sale prices.

A basic house in Cabarita can be bought for under $400,000 and a unit around $250,000. Also in Cabarita, there are only 13 or so properties fronting the beach. Value levels have eased significantly for beachfront properties in northern NSW over the past 5 years with many bargains around. Picking up a cheap beachfront property now in say Cabarita Beach, Hastings Point or Pottsville could pay dividends in the medium term, when hopefully we see some growth.

Sunshine Coast

To predict future growth in the property market is difficult enough, but to predict medium term growth over say a five year period is even harder. One thing that always rings true is that, the attributes that that cause any type of growth in the property market will most certainly work for both the short and long term.

On the Sunshine Coast the market fundamentals of being close to the beach and/or providing views are always solid components for capital growth opportunities. While properties with these attributes felt some of the pain as the market came 'off', the fact that these properties are difficult to replicate helps to 'underpin' values to a certain extent. Areas such as the Kawana stretch east of the Nicklin Way, elevated areas of Buderim with views and coastal areas east of the David Low Way up to Noosa are some spots to look out for. Owner-occupiers and investors are both typically active with opportunities in the circa $400,000 to $500,000 range.

As we move further from the coast, more emphasis is placed on being closer to amenities. We also see that there is a growing desire for a sense of community. For this the railway towns in the hinterland such as Beerwah and Landsbourgh to the south, Palmwoods and Woombye to the centre and Eumundi, Cooroy and Pomona to the northern parts of the Sunshine Coast, are the picks. Price points are circa $350,000 and generally owner-occupiers are the most active.

The unit market is a little bit of a tougher market to predict. Essentially the coastal areas remain the pick. Owner-occupiers and investors are wary of large holiday let complexes with high body corporate levies. The 1980s high-rise version is ok, if the building has undergone a refurbishment. Otherwise check out the 10 year plan for future upgrade levies. Your ranges here are $450,000 to $600,000.

Well located 1980s walk-ups with low body corporate fees in the $300,000 to $400,000 range close to beach are being seen as an alternative option by buyers.

Existing unit product is more competitively priced than new product, so offers better future upside. The unit market is much more thinly traded than homes and values have risen only marginally, so future capital gain potential is better than for houses.

Southern Queensland

TOOWOOMBA

Toowoomba appears to be benefiting from increased buyer interest from investors with agents reporting increased internet traffic in the first quarter of 2013. The much publicised benefits of Toowoomba's location as the gateway to the Surat Basin has broadened the buyer market with interstate investors now active in the region.

Toowoomba's comparatively low median house price (circa $300,000), highlights the potential for value growth in the foreseeable future. While most suburbs would appear to represent relatively safe investment options at present, we have identified a selection of areas that may provide positive value growth in the next four to six years.

The suburb of East Toowoomba is considered to be well located within proximity to schools, parks and shopping. Original, colonial-style dwellings under $400,000 with potential for renovation are considered to convey positive value growth prospects in the next few years. An example is a 3-bedroom, 1-bathroom worker's cottage on a 564 square metre lot with an asking price $360,000.

East Toowoomba original colonial

Suburbs such as Rangeville and Kearneys Spring are anticipated to experience growth in the sub $400,000 price bracket for 4-bedroom, 2-bathroom dwellings. The locality of these suburbs is positively positioned to local shops and schools and provides options for both owner-occupiers and investors. A current example is a

4-bedroom, 2-bathroom, partly renovated, circa 1970 dwelling on a 720 square metre lot currently listed for $398,000.

Rangeville

In Kearneys Spring, a 4-bedroom, 2-bathroom dwelling on a 646 square metre lot is currently listed for $378,000.

Kearney Springs

The Middle Ridge market sub $450,000 is expected to trend in a positive direction with the underlying increases in land values in this suburb likely to underpin capital growth moving forward. A current example is a 4-bedroom, 2-bathroom, circa 2010 dwelling on a 675 square metre lot with an asking price of $439,900.

Ramsay Street, Middle Ridge

The small, colonial-style cottage with renovation potential is the segment anticipated to see growth in suburbs such as Newtown, Harristown, South Toowoomba, Mount Lofty and North Toowoomba, particularly in the sub $250,000 price bracket.

In Newtown, a 2-bedroom, 1-bathroom colonial style cottage on a 759 square metre lot with an asking price of $215,000.

Newtown

Increased buyer interest in the Toowoomba property market and low supply has led to buyers expanding to satellite areas of Toowoomba such as Highfields and Westbrook.

In Highfields, a 4-bedroom, 2-bathroom dwelling on a 6,000 square metre acreage lot with an asking price of $429,000.

Highfields

In Westbrook, a 4-bedroom, 2-bathroom modern dwelling on a 1,007 square metre lot with an asking price of $399,000.

Westbrook

Units

Older style 3-bedroom units in Kearneys Spring and Darling Heights are offering good value at present. The proximity to the University of Southern Queensland is positive feature of these suburbs in attracting reasonable interest from absentee investors and achieving high rental demand. An example of a circa 2003, 3-bedroom, 1-bathroom advertised at $287,000 in Kearneys Spring.

Kearney Springs unit

Units located in eastern suburbs such as East Toowoomba, North Toowoomba, South Toowoomba and Centenary Heights should provide long term growth based on historic trends. A modern, 2-bedroom, 1-bathroom unit located in Centenary Heights is advertised from $249,000.

Centenary Heights unit

On average, it is expected that the sub $450,000 price bracket will undergo the most growth in the medium term. The recent interest rate cut from the Reserve Bank may encourage first home buyers to enter the property market at these lower price points.

Central Queensland

ROCKHAMPTON

The average buyer of a residential dwelling in our median market sector (sub $350,000) is generally an investor or first home buyer. Capital growth over the next four to six years does not appear to be the major driver in the Rockhampton market. Stability, affordability and low vacancy rates seem to be at front of mind for most buyers in this market.

South Rockhampton encompasses the typically older, established areas of The Range, Allenstown, and Wandal. The average buyer in this locality would be looking to purchase a 1930-1940 highset timber/fibro dwelling providing standard 2-bedrooms plus sleepout or 3-bedroom accommodation. These homes usually benefit from renovated/updated kitchen and bathroom.

On the north side of Rockhampton, the same money will buy either a 1980-1990 standard 3-bedroom 1 -bathroom brick onground home or 1970-1980 highset timber/fibro/hardiplank 3-bedroom 1-bathroom dwelling in the suburbs of Norman Gardens, Frenchville or Kawana.

Current market sentiment is there is still activity in the market place; however properties must be priced well to attract serious interest. Location is considered the dominant characteristic the average buyer should focus on, followed by price.

If the average buyer is solely motivated by medium term growth, areas of south Rockhampton may present the buyer with more sound investment opportunities in the medium term, given south Rockhampton cannot expand (due to flood plains on the outskirts of town), unlike north of the river. South Rockhampton also benefits from proximity to the CBD, hospitals, private schooling and gateway to western mining communities.

The north side of Rockhampton has scope for future housing growth which is currently being experienced with the development of Forest Park, Crestwood, The Gardens and Varsity Park.

An average unit purchaser in this region would generally include investors, professional couples or empty nesters' There are three key riverfront unit developments under construction or about to commence known as Empire, Quest and Southbank on Victoria. History indicates that sales off the plan for previous unit developments have shown substantial interest and the best opportunity for short term capital growth. Also during construction demand for the existing units in the Rockhampton region drops. After construction is completed there usually is a honeymoon period where buyers are still active. However this period may only last a few months before sale volumes drop and value levels ease before steadying.

BUNDABERG

What a milestone month this May has been! We have seen the first few sales from badly flood affected areas start to trickle in. A house in east Bundaberg that was under contract 'pre flood' reportedly for $129,000 has finally settled for $42,000. This was a very badly affected dwelling. A high set house over Bundaberg north that had water on the property but below floor level is currently under contract for $135,000. Houses that have had internal walls removed to about 1.2 metres and kitchens and vanities removed due to water damage are currently coming onto the market as some owners are taking insurance company payouts and electing to sell the house at a sizeable discount just to walk away and not go through the pain again. Purchasers of these properties are taking the risk that we will not see a flood of 2013 heights for some time.

The average house price for the past six months in Bundaberg city is $285,000 and settled sales volumes of houses are decreasing over the past three months, however local agents are all reporting good volumes of sales under contract at the moment. Average unit prices over the past six months are $245,000 with volumes in single digits each month.

Most people are feeling that the market has hit near bottom and that there are opportunities to be had. We believe that anyone buying in the sub $280,000 range in the area and performing a renovation has the best chance of growth over the medium term. It appears that investors are quite active in the market at the moment hoping to take advantage of the opportunities available.

In short, make the most of the opportunities available in the sub $280,000 range for the best chance of growth over the medium term.

HERVEY BAY

The best four to six year growth options across the Fraser Coast at the present time are considered to be located along the Esplanade in Hervey Bay. The most recent Esplanade sales have been occurring predominately in Point Vernon with most between $500,000 to $600,000. These homes are approximately 20 to 30 years old on sites larger than 800 square metres with most offering reasonable views of the ocean.

The most dominant buyer activity for a detached dwelling is occurring in the sub $350,000 price range in Hervey Bay, with potential purchasers preferring sub $250,000 property in Maryborough. Property located close to the shops, schools and the beach still remain the most popular, with well maintained/presented properties selling within three months according to recent agent feedback. Some agents and mortgage brokers have commented that the last month was their best in the last ten years, which is very positive news and may indicate that buyer sentiment and confidence is showing signs of recovery.

Units are slowly selling with buyers market conditions still prevailing. Buyer preferences favour the townhouse style units with some selling around $230,000 for a circa 2008, 3- bedroom, 2-bathroom unit in a central location close to shopping and the university. The well located Peppers Pier Resort in Urangan currently has a large volume of units on the market with a slow rate of sale.

MACKAY

The Mackay market is currently fairly subdued due to the slow down in the coal industry in the Bowen Basin and the large flow on effect to Mackay. While value levels have not shown signs of any weakening, demand and sales volumes have fallen through 2013. Mackay has one of regional Queenslands highest median house prices, ticking in at over the $400,000 mark. It is considered the median house in Mackay is predominantly an average to good quality older style timber home in the southern suburbs of Mackay. To the north, it will get you a 1990s 3-bedroom brick veneer dwelling with single lock up garage in most of the northern suburbs and northern beaches. While the market is slow, agents report that the median style house in Mackay, particularly in the southern suburbs (south , east Mackay and west Mackay), or closer in northern suburbs within easy commute to CBD and Paget are still attracting fairly good interest.

The biggest impact of the slow down in the mining industry is on rentals. Mackay had a vacancy rate (according to REIQ figures) of 1.7% in March 2012, which has blown out to 6.5% in March 2013. During 2012, rental levels increase significantly (up to 20% in some areas), however have fallen by roughly the same amount throughout 2013. A number of factors combined for this result. Firstly, the slow down in the mining industry and subsequent job losses to contractors, and the postponement of major projects all impacted the rental market. On the back of this, the new building boost grant and the common held belief of continued low vacancies and high rental levels saw a large influx of investors purchasing house and land packages, particularly in the northern beaches area. The issue is now becoming highlighted as all these new homes finalise construction and are hitting an already subdued rental market. Time will tell what impact this will have on the Mackay market. Everything hinges on the how long a recovery in the mining industry takes.

GLADSTONE

The Gladstone residential market has remained relatively subdued over recent months as major gas projects in the area are nearing peak construction workforces and demand for accommodation has eased significantly. In a number of instances, values have returned to levels below what was reached at the height of the previous boom in late 2007. Vendors in the current market are being faced with an abundance of competition and are being forced to reduce prices to obtain a sale. There is a very significant recent statistic published by the REIQ that has emerged in Gladstone whereby vacancy rates for the Gladstone region are now in the order of 5.9%. This has escalated from 2.1% in December 2012 and 1.4% in March 2012. This statistic clearly indicates the vulnerability of the Gladstone accommodation market and consequently the residential property market. We still feel that the dwellings in Gladstone City area and immediate surrounding suburbs will prove to be the best medium to long term investments in the area due to the large number of house and land developments currently underway generally on the outskirts of Gladstone area.

....the most dominant buyer activity for a detached dwelling is occurring in the sub $350,000 price range in Hervey Bay, with potential purchasers preferring sub $250,000 property in Maryborough....

EMERALD

In the Central Highlands region there would only be one town at this point that could give any confidence to a median priced buyer. Emerald remains the strongest although it has recently softened in general by 10% and continues to be soft. Other towns have experienced much further downturn with no early signs of recovering.

Emerald continues to be in the best position when the resource industry turns around being the major industry hub in the area with good infrastructure and services. There are currently investors buying into the market having seen it soften although we see it going lower yet. The current level of investors is substantially smaller compared to 12 months earlier but sales are continuing to slowly tick over. There is still a lot of stock to come on the market over the next six to nine months which will continue to create supply greater then demand and continue the softening market before any turn around. When looking at a three to six year growth Emerald remains an option but still heavily reliant on the resource sector. For anything less then three years the risk would be high.

Cairns

The Cairns market remains positioned at the bottom of the property cycle. Some lead sections of the market, such as the more popular inner suburbs, are already 'in recovery'. However the more widespread market and the unit market in particular are still struggling to regain momentum. The more widespread recovery appears to be imminent, but it is not apparent just yet.

However with the more widespread recovery impending there are good prosects and opportunities for buyers with a four to six year growth time frame in mind.

Historically inner city suburbs such as Edge Hill and Whitfield are the first areas to move after a downturn. These areas are well sought after and in the current market you can get entry to these areas from $300,000 to $400,000 and upwards. Similar conditions exist on the Northern Beaches which are also popular with families / empty nesters arriving in Cairns from southern locations. There is a wide spectrum of products and price points on the beaches, but it is possible to obtain an average modern home in a typical location in the mid $300,000 to early $400,000 range.

The Brinsmead to Redlynch Valley areas to the west of the city are also popular family oriented suburbs with average housing typically in the mid $300,000 to mid $400,000 range.

The southern suburbs of Cairns are on a different price tier and are typically slower to move following a market downturn. These areas are currently providing entry price points in the mid to high $200,000 range and good quality average homes from the low to mid $300,000s.

The unit market is currently displaying an almost complete absence of new units able to be purchased and a median sale price of around $200,000 for an established unit. We expect unit prices to remain relatively unchanged over the coming six to 12 months while the market continues to consolidate and factor in changes to strata titled insurance costs.

Townsville

Townsville's residential property market is currently positioned at the bottom of the property cycle with the pre-conditions for a recovery continuing to align.

When considering where to invest for 'medium term growth for the median priced buyer', the areas that come to the forefront are the inner city suburbs and those middle class suburbs with no perceived social issues.

Historically the inner city suburbs of south Townsville, North Ward, Belgian Gardens are the first areas after a downturn to move. These areas are well sought after being in close proximity to the city centre and also The Strand foreshores. In the current market you can get price point entry to these areas in the high $300,000s to mid $400,000s.

The middle class suburbs of Currajong, Gulliver, Hermit Park, Pimlico, etc., provide entry price points from the high $200,000s to low $300,000s for homes in original condition. These areas are older suburbs with predominately timber framed homes with an increasing number of these being fully renovated and restored. With interest rates currently at historical lows, we are seeing that buyers are willing to pay extra for a fully renovated home, providing opportunities for renovators to buy, renovate and capitalise.

Other middle class suburbs such as Idalia, Annandale, Douglas and Kirwan offer a more modern home of solid masonry construction, within close proximity to major employment hubs such as Lavarack Army Barracks, Townsville Hospital and James Cook University. Generally speaking, these are more modern suburbs offering superior amenity by way of walking/cycling paths, parklands and swings etc., with price entry from between $250,000 and $300,000.

When considering units, again the suburbs discussed above would follow for units. Historically the unit market lags the housing market with signs of growth. Over the past 12 months we have seen absorption of the high volume of distressed developer unit stock that was hampering the market, particularly in the inner city. The median sale price for an established unit is $262,000 and for new developer unit stock is $346,000. It is our belief that unit prices will remain relatively unchanged over the coming six to 12 months while the market continues to consolidate and factor in changes to strata titled insurance costs.

Tasmania

One half a million bucks! What would we invest in? Well as an outliner for those who live on Tassie's northern sister island north the other side of Bass Straight Hobart's inner city median sits at around $430,000 and the middle and outliner regions around $335,000. Launceston's median is around $260,000 while across the north west including the cities of Devonport and Burnie its $210,000.

Thus $500,000 can buy you in most centres well above average housing.

We would suggest that if you want to invest that in 'one hit' it would be worth looking at the Hobart inner region being the well known suburbs of Sandy Bay, Battery Point, The city but also Newtown, South Hobart and North Hobart. There have been recent sales at $500,000 within these regions that reflect a 6.25% gross return.

For those with a bit more appetite for risk serviced apartments within a CBD hotel complex are being marketed at around 5.86% net return. However be aware lenders generally treat these as commercial investments and will offer a lower loan to value ratio (LVR).

Outside the inner city capital we would suggest splitting your money may be the way to go. $500,000 will get two median houses in Launceston and two 'above median' houses in the more regional centres. As always we would suggest buyers look for nearby facilities (schools, transport & shops) and low maintenance buildings. As we have previously recommended suburbs such as Prospect and Summerhill in Launceston, Miandeta in Devonport & Parklands and Downlands in Burnie.

....we predict that capital values will remain relatively stable in the short term, currently prices are high compared to other state capitals....

Those who like a punt (no not you Tom Waterhouse) consider regional rural townships such as St Mary's, Beaconsfield and Smithton. These three centres could all benefit from proposed mining projects. It is possible to purchase property in Smithton and St Mary's under $100,000! However with reward comes risk and this sort of investment will not suit most people's risk profile.

Darwin

Whether you are a first home buyer, looking for your first investment property or an astute investor, the question everyone wants to know is "where is the best area to buy that will give me the most capital growth?" If you look at the statistics you will see that Darwin has been a hotspot for growth over the past 12 to 18 months compared to many other capital cities of Australia which have been slow in recovering from the effects of the GFC.

According to REINT's RELM statistics, which is the Territory's most accurate real estate publication, the inner Darwin suburbs have seen a 5.4% annual increase (to 31st March 2013) in median house price and 11% increases in median unit price. Northern suburbs (Sanderson) 4.1% increase in median house price and 7.4% increase in median unit price, and Palmerston has had an 12.7% in median house price and 11.5% increase in median unit price.

The median house price for inner Darwin now stands at $875,000, the northern suburbs (Sanderson) $572,500 and Palmerston $550,500. For units, the median price for inner Darwin is $499,500, the northern suburbs (Sanderson) $386,500 and Palmerston $399,000.

Another difference in Darwin is the average home buyer. Due to the affordability challenges of renting in the Top End, many of the buyers are those that are fed up with the high rental costs, and are jumping off the rental roundabout into home ownership for similar and in some cases lower cost. The average 2-bedroom unit/townhouse in inner Darwin rents for $552 per week. Which given that an $500,000 loan at 6% will cost you around $576 per week, it is understandable why this is happening.

We predict that capital values will remain relatively stable in the short term, currently prices are high compared to other state capitals and affordability is becoming a real issue which is underpinned by a severe housing shortage in the region.

Many are pointing at Darwin as a major city of the future for Australia, with China and much of Asia looking like being economic leaders of the world in the 'Asian Century'. Darwin is the closest Australian city which could see the region grow sizably due to trade and tourism.

The Darwin CBD is dominated by investor owners who are looking to cash in on the high yields, while the northern suburbs are mainly owner-occupiers. So with current renters being driven into purchasing this could lead to capital growth in the northern suburbs where a large percentage of owners are owner-occupiers.

Palmerston also could see some growth in new subdivisions such as Durack Heights and Zuccoli where many investors are putting their money, with news of INPEX and other infrastructure projects in the area forecasting a higher need for housing. The new developments seem to be the first port of call for investors in the area as it offers brand new housing which is going to get the higher rent and require less maintenance. As the demand for housing increases and these new suburbs develop, this could lead to an increase in value.

As an investor buying in the current market, Darwin could be a great option with high returns and indicators suggesting rents could go up even further in the next 12 months if the housing shortage is magnified as a result of the infrastructure projects mentioned above. As a home owner it seems to be a case of looking to purchase just to keep costs down so living in the region remains a viable option.

However, the news is not all bad for those not yet ready to step into home ownership. A number of CBD towers are under construction and looking to be completed in late 2013 to early 2014 which will release over 200 units and should give some much needed rental relief in the market.

Alice Springs

The Alice Springs property market continues down the consolidation path after experiencing corrections over 2011 and 2012. Transaction numbers are slowly on the improve, however remain at relatively low levels which provides an opportunity for buyers to be more discerning in their decision making.

The median house price for the March quarter 2013 is approximately $435,000, down approximately 0.91% on the previous period with units showing an approximate median price of $330,000, showing a small increase of approximately 1.15% on the previous period.

The average buyer in the market place at these levels would be looking at a 3-bedroom, 1-bathroom ex government dwelling around 30 to 35 years old, possibly with an ensuite bathroom and in generally good condition. The average unit buyer would be looking at a 2-bedroom, 1-bathroom attached unit, typically around 25 years old.

The typical buyer is an owner-occupier with investments sales still at low levels, although with an average gross yield of approximately 6.25%, more investors may enter the market over the coming months.

Buyers entering the market at present would likely be feeling growing confidence that downside risk is at lower levels than 12 months ago, however capital growth over the medium term is likely to be flat before returning to more subdued levels than experienced in recent years.

Perth

The Perth residential property market is continuing to tighten with the number of homes listed for sale now well below equilibrium at 9,400 listings. The average selling days in Perth is currently 54 and we are seeing multiple offers being made for the same property within days of listing, especially in the first home buyers and second home buyers markets.

The May drop in interest rates has done nothing but fuel an already frenetic market keen to take advantage of renewed optimism and low interest rates.

The median house price for Perth as at March 2013 (latest figures) was $495,000. Perth showed a continued acceleration in house price growth of +3.1% quarter, +6.1% year for the year end March 2013.

The hot spots in Perth at the moment continue to focus around the southern corridor along the freeway in suburbs which have linkages to public transport (train and freeway) and include Aubin Grove, Hammond Park, Beeliar which is first home buyers territory. Houses in these areas listed for sale often attract multiple offers as soon as being placed on the market.

Up the scale and second and third home buyers are also active with popular suburbs of Woodlands, Churchlands, Floreat and Nedlands being the stand outs. All these suburbs are located close to some excellent public and private schools, are within 10 kilometres of the Perth CBD, close to beaches, shopping and retail amenities.

Woodlands, a leafy and sleepy hollow which fits its name perfectly was first developed as a residential subdivision in 1961. Situated within a small pocket and surrounded by older suburbs of Doubleview, Wembley Downs and the more recently developed Churchlands, the area was from the outset popular with young families who were drawn to the location because of its proximity to the industrial area of Osborne Park where many people worked, the beach and Perth city. The areas topography affords good views of the Perth city skyline to some parts. Many of the original homes were solid 3- or 4-bedroom, 1-bathroom 'salmon' brick and tile single level houses on traditional sized lots.

The median house price for Woodlands as at March 2013 is $875,000. There were 52 recorded sales in the year to 31st March 2013. According to the 2011 census there were 3,967 residents of Woodlands in 1,538 residences.

Schools and even a university campus began to develop in the area and because of that it became even more popular. The area has a strong connection with the Catholic Church with a primary school, high school, church and convent all located within Woodlands. In addition there are excellent public primary and high schools as well as one of the state's top private schools, Hale School Grammar which has expansive playing fields. Many of the children who grew up in the area attended one of the local schools depending on their affluence and denomination.

As the original 'pioneers' retire and move away, the suburb is enjoying a transformation.

A basic home on a traditional sized lot in Woodlands will sell for $800,000 and up to $1 million depending in the condition of the home, location within the suburb and potential for city skyline views. The homes are often demolished to make way for new two storey homes. Some are carefully restored, rendered and extended.

Frenetic activity occurs when a home is placed onto the market because Woodlands is so tightly held and given its proximity to the Perth CBD, excellent choice of schools and access to some of Perth's best beaches it is suburb well positioned for families.

As the area gains attraction due to new building development, we should see a solid increase in the average house price for the area.

Unit developments are once again happening in the Perth market as rental returns are being squeezed due to the continued decrease in listings, reduction of interest rates and continued population growth in the state.

The majority of developments being undertaken are for lower-end apartments suited to the investment market in and around transport orientated communities rather than high end apartments which are still suffering as a result of the GFC.

The most popular locations are those in existing inner urban areas undergoing a transformation and include – Fremantle, East Perth, Leederville, North Perth and Mount Hawthorn which all have strong public transport links to the Perth CBD, proximity to retail, restaurants and small bars.

Generally 1-bedroom units are selling from $385,000 to $450,000 and 2-bedroom units are selling for $495,000 to $575,000 depending on the location, size, amenities offered and scale of the development.

South Western WA

I have been travelling the highways ands byways of our patch in the South West of Western Australia over the past week or so speaking to agents and the results have been interesting and varied.

Overall, I would say that the major regional towns and the smaller communities surrounding them have seen a distinct pick up in numbers of sales at the bottom end of the market - up to $400,000 in the larger towns and $350,000 in the smaller locations. As yet, this hasn't been reflected in increased prices as opposed to the stories coming out of Perth of prices being paid over and above the asking price in order to secure a property.

One local Bunbury agent works on a historical average of approximately 1,000 properties listed for sale as being a balanced market and we are finally getting down to those levels again after hitting highs of 2,200.

Stock numbers in other towns have also been falling. If the trend continues and we dip below the level of having adequate supplies of properties for sale, we may well see prices start to rise consistently for the first time since 2007. The investors and first home buyers are definitely back in the market again at the lower levels.

Logic would suggest that there must be increased movement in the higher price brackets in the major towns fairly soon, as the sellers of the lower price properties have to live somewhere and they can't all be investors selling out.

The story is different as the towns become more remote from the major centres with each town having its own particular drivers. Bridgetown, for example, has had interest shown in the $400,000 to $600,000 range from tree changers moving out of Perth with a reasonable bank balance, but the bottom end of that market has remained quiet.

The areas driven by tourism such as Pemberton remain subdued in all classes of property at this stage, with the stubbornly high Aussie dollar keeping inbound tourist numbers down and outbound high.

So, for someone looking to buy at this time there are still some good options outside of Perth. History tells us that if Perth runs the South West will follow, if not immediately, at least reasonably shortly after.

....the most popular locations are those in existing inner urban areas undergoing a transformation and include – Fremantle, East Perth, Leederville, North Perth and Mount Hawthorn....

As to where these good buys are, location will always be the dictator and so the traditionally 'good' areas of South Bunbury and West Busselton have held their values better and tended to outperform less sought after locations over a long period and it seems likely they will continue to do so.

Having said that, it seems likely that most areas will see a lift in the next 12 months. This, in turn, will have the affect of getting the section of the market that has been hit by falling prices (those who bought from 2006 to 2008) back to at least what their purchase price was. This group have largely been stuck where they were as their equity had been eroded to such an extent as to not allow them the chance to move. Once these people are able to move again, the additional competition created may push the market further, particularly in the second house buyers market.

So, in summary, if I was a buyer I would say now is a good time to buy and if a seller, I would be waiting a little longer before leaping in.

Herron Todd White
Independent Property Advisors

Contacts

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

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

Rural – Market Directions

The recent downward pressure on the dollar and some much needed rain in the Southern and Western states of Australia have been some welcome news in the rural property market. There was plenty of dry sowing in the past month and confidence now with a wetter than average winter expected will support the cropping regions. Some commodity prices including Canola and Sorghum are also at strong levels, as well as an improvement in mutton and lamb prices for example an improvement in confidence may be evident.

Unfortunately the northern cattle regions, having missed the rains this year will remain under pressure and this may start to see an impact in receiver based activity in these areas.

This week Shane Greaves in South West WA provides an update into the wine sector in the region which is showing a more positive outlook, this message has been similar to comments from our Victorian offices in the same sector which is positive.

The NSW market is somewhat a tail of two regions with the Southern part of the state showing over the past 12 months around the Holbrook area 16 out of 18 properties listed for sale going under contract. Yet in the Central and North Western part of the state the properties are not selling as well and unless well developed and presented, buyers are not turning up it appears. There is also an increase on receiver activity in the northern cropping region of the state.

In QLD the level of sales appears to be one step below NSW and agents and vendors are finding it hard to do a deal. The current cattle market situation may be influencing the thoughts of potential buyer who appear to only be looking for bargains or they will not put a hand up at auctions. Limited activity in the Territory again this month and everyone is keen to see what the first few sales in nearly 2 years will represent if current discussions between parties can generate sales outcomes.

Tim Lane Ph: (07) 3319 4403

1 June 2013

NSW North Coast

Weather conditions have been drier in some parts although there has been consistent rainfall in coastal areas.

Sugar Cane

Some smaller cane farms have sold in the Wardell and Empire Vale localities south of Ballina in reasonable proximity to the Richmond River and South Ballina beach. There has been little sales activity of cane farms on the NSW North Coast over the past six months. A 47.96 hectare farm with no significant structural improvements but had a dwelling eligibility and was partly planted to young macadamia trees has sold indicating $16,263 per hectare overall. A smaller cane farm of about 18 hectares with no significant structural improvements, but had a dwelling eligibility sold for about $18,640 per hectare overall.

Macadamias

The harvest has commenced but it has been disrupted by rainfall. Yields may be lower than hoped for due to the extreme weather events in late January and February. A macadamia farm of over 40 hectare and 7,000 trees is under contract for sale for below $1 million.

Dairy

A small rain and 'spring' water fed dairy farm based on kikyu, rhodes and setaria grass pastures on the Hogarth Range west of Casino is understood to have been sold on a walk in walk out basis in an affordable price bracket below $1 million. This is a 100 dairy cow farm with an older style six cow walk through dairy that is planned to be replaced.

Beef

Beef prices have dropped and this real estate market segment will likely be further impacted. A cattle grazing property of about 700 hectare with frontage to the

Clarence River, but was mostly open to timbered ridge country has sold for $585,000 ($835 per hectare overall). This property had a Development Approval (DA) for an 18 lot rural subdivision. It is apparent from the sale price that there was likely no added value for this DA.

Summer crops

Anecdotal reports are of disappointing soya bean crop yields from the current harvest. Reports of stem borer and other disease during the wet summer has impacted on soya beans. This will not assist the arable land market if the soya bean crop disappoints.

Property market

Part of a summer cropping/cattle grazing property has been purchased to establish a large 'greenfield' irrigated (trickle tape) blueberry farm (planned about 90 hectare of blueberries) on a flood free sandy loam plateau fronting the Clarence River north of Tabulam.

Generally the market continues to be a buyers market.

Contact:

Paul O'Keefe Ph: (02)

Southern NSW

The season has started to turn around to some extent in southern New South Wales and north east Victoria. After very dry (and normal) months in January and February, we had good general rainfalls throughout this area in March, but very little or no rain in April. Most were hoping that the great start in March would continue, but it came to an abrupt holt due to the dry April and early May. From mid March farmers had started sowing oats, and went on to dry sow canola and some grazing varieties of wheat. Farmers were starting to falter with sowing due to the lack of rain, but this all changed in mid May when most of this area received good general rainfalls of upwards of 30 millimetres and some areas received over 50 millimetres. Oats and some canola is up and looking good, and there is a lot of diesel being burnt to get crops sown while the soil moisture lasts. We now need a window of a couple of weeks to get sowing out of the way, then a couple of inches of rain would be very nice, thank you.

....water entitlement values have remained fairly static over the past three months with most high security/reliability water trading at between $1,350 per megalitre and $1,550 per megalitre....

As a result of the rain the slide in cattle and fat lamb prices has stopped, with some small increases in prices of some good quality cattle lines. This area has not experienced the huge decline in cattle and sheep prices experienced in other areas as farmers have not had to destock significantly and flood the market with second grade unfinished stock. Significant fodder conservation has occurred over the past three good seasons and the general rain in March was enough to allow farmers to hang on to stock instead of having to unload them unfinished and in weak markets.

We are close to the end of the irrigation season, and Hume Dam level has dropped to around 46%, but virtually no irrigation water has been released from Dartmouth (which is used to top Hume Dam up), so Dartmouth is still around 92% full. Eildon is around 68%.

Water entitlement values have remained fairly static over the past three months with most high security/reliability water trading at between $1,350 per megalitre and $1,550 per megalitre, depending on which zone the water is in. Low security/reliability has been trading at figures ranging from $650 per megalitre to $900 per megalitre depending on zone. Water allocations have been trading at around $45 to $55 per megalitre in most zones.

The rural property market is still fairly strong in this area, unlike most areas. We have already reported on the large number of sales in the Holbrook area - there have been 16 or 18 properties sold in the past 12 months at fairly solid prices that do not show any deceases in value. Similarly, areas to the north and north west of Albury in the solid cropping areas with rainfall in excess of about 540 millimetres per annum are attracting interest from local farmers and the larger corporate entities.

The next couple of months will tell the story for the season.

Contact:

David Shuter Ph: (02) 6041 1333

MIA NSW

A dry start to the winter crop season in the region has been a godsend for the summer crop harvest. Both grape and rice harvests are complete with a record rice harvest of over one million tonnes this year. Cotton harvest is underway but will continue for some time yet. Winter crops are being sown and coming up with recent rainfall breaking the long dry Autumn.

An interesting fact is that, the Australian rice crop feeds about 20 million people, daily, 365 days per year. This equates to about 7.3 billion people annually. One cannot under-estimate the impact a local drought, be it natural or man-made, can have on the worlds population.

The rural real estate markets have been quiet with the season for mortgagee sales upon us again. It appears the lenders have finally decided its time to close the gate.

Overall the market remains relatively static with purchasers mainly consisting of existing farmers looking for expansion blocks. There continues a reserved approach thoughout the region with many not only blaming the poor start to the winter season but also the continuing global financial pressures, high Australian dollar and a looming September election as some factors not to move forward.

In any case the buying is good and finance is cheap, if you can get it. So the message this month is to get off the bench, the opportunity is now, it is time to take action.

Contact

Peter Gunn (02) 6953 8007

Regional Victotia

GIPPSLAND

Sales activity in the Macalister Irrigation District has been slow over the previous 18 to 24 month period, and is expected to continue that way despite the interest rate cuts. Corporate investors are the most likely purchasers of dairy farms, with price levels remaining consistent over the previous two to three years.

Contact:

Criag McMillan Ph: (03) 5143 1880

MILDURA / SUNRAYSIA

Activity in the rural scene over the past month includes the completion of the table grape harvest which ended with the positive report that exports of Australian table grapes, in particular Crimson Seedless, directly into mainland China have increased substantially this year. While Australian table grapes have found their way into mainland China via Hong Kong in the past, the opening up of direct export access into that country is looked upon as a substantial step forward for Australian growers, noting that China is looked upon as a very viable and important market. While early and mid season fruit prices were disappointingly low, the end of the season saw export buyers in a frenzy chasing quality fruit.

It was recently reported by the Australian Table Grape Association that table grapes exported directly into China exceeded 400 containers this year (up from 11 last year) with the expectation that well over 1,000 containers will be directly exported into China by 2015. It is noted that in the Sunraysia area significant plantings of Crimson Seedless have been planted over recent years and the variety has become the most popular grape variety on the domestic market with increasing demand for the export market.

Some good well needed rainfall arrived over the past ten days with up to 25 millimetres recorded throughout the dryland sector resulting in a frenzy of activity with farmers at full steam to get the remainder of their 2013 crop into the ground. Crops sown dry prior to the rains are beginning to surface and the expectation of above average winter rainfall has injected some much needed confidence into this sector in this region.

With the current water season nearing completion, water value levels have remained relatively stable over recent months with current value levels set out below.

- Victorian Murray River High Security water Choke - $1425 per megalitre - $1500 per megalitre;
- NSW Murray River High Security - $1550 per megalitre - $1650 per megalitre;
- NSW Murray General Security - $ 650/ML - $ 750/ML;
- NSW Lower Darling High Security - $1600 per megalitre - $1700 per megalitre;
- NSW Lower Darling General Security - $ 750 per megalitre - $ 850 per megalitre;
- Spot Market Temporary Water – Lower Murray - $50 per megalitre - $55per megalitre.

Contact

Shane Noonan Ph (03) 5021 0455

Country NSW

"All properties are equal, some are more equal than others".

While obviously this is taken from the George Orwell Novel Animal Farm, it appears the difficulties within the current market across central areas of NSW appear to be reflecting this trait. The continued seasonal influences across the central division and northern areas of NSW are seeing varied levels of interest and corresponding results from properties looking to achieve sales. Currently the areas around Dubbo in central NSW appear to be holding up well with value levels being achieved that indicate that it has not retreated as such.

Our initial comment about some properties being more equal than others is more a reference to the quality of the properties currently being offered. Discussions with agents across most areas of NSW indicate that the market can be described as "very tough", which is a reflection of the slightly reduced confidence levels from the seasonal conditions encountered and the tighter fiscal policies currently being employed by the lending institutions. Good quality properties being offered in realistic levels will and have been achieving sales; however, our belief is that there are a number of what we describe as secondary properties that due to the current climate are not being offered for sale as the likelihood of a sale being achieved is remote.

Some sales are still occurring with the sale of the property "Derribar", located adjacent to the small hamlet of Corinella. This is a 861 hectare mixed farming and grazing property located 56 kilometres south west of Forbes in the Jemalong irrigation area. The property was all arable and included 150 hectares of lasered irrigation, two machinery sheds, 440 tonnes of grain storage, a three stand wool shed and additional 500 tonne grain shed. Accommodation was provided by a 2-bedroom, 1-bathroom weatherboard residence in fair condition. The property was sold with 690 megalitres of the Jemalong Irrigation Scheme Entitlement and while the details remain confidential, it is our understanding that the property sold in the vicinity of $550 per acre or $1,370 per hectare.

Overall the central division of NSW has received small levels of rainfall which has been described as enough to “keep the dream alive” only, with further substantial rainfall events required to enable winter cereals to become established or planted.

Contact:

Scott Fuller Ph: 1300 784 899

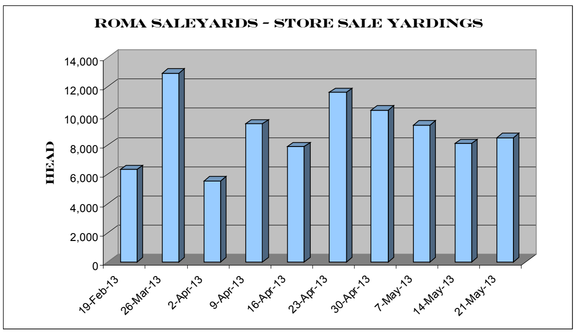
Southern Queensland

The winter season is now upon us and for a large percentage of cattle operators west of Roma it is going to be a tough winter. Approximately one third of the State is currently drought declared which includes the Murweh and Paroo Shires. It would be expected other Shires will come under this classification in the coming months.

Signs of a tough winter ahead has been clearly visible with the increased number of head yarded throughout those south-eastern Queensland sale yards. In late May the Roma store cattle market sales were yarding an average between 8,000 to 8,500 head which is up around 1,500 to 2,500 head on average from this time last year. Prices have softened some what with weaners under 220 kilograms averaging around 155c/kg, whilst steers in the 280 to 350 kilograms range averaged 150c/kg and steers in the 350 to 400 kilograms range averaged 145c/kg. The Roma prime cattle market sales have seen volatile yarding numbers and those average prices have been highly dependant on the quality of yarded cattle, especially for medium cows.

In the second last week of May, falls of between 15 to 30 millimetres were received across the Maranoa region. It is expected the rains may not have run water however it has been welcomed all the same, especially for those winter plantings.

Below is the yarding numbers for the Roma Store cattle market over the past three months.



Property sales are generally few and far between which is no surprise given the general lack of confidence within the cattle industry at present. We are aware of three contracts of sale for medium grazing and mixed irrigated holdings on the fringe of Toowoomba, brokered by Elders Real Estate. In later editions we will be able to confirm those details once settled. The properties included ‘Silverbrook ‘being a 358 hectares holding, ‘Somerset’ a 120 hectare property and ‘Overlook’ a 225 hectare holding all within the Oakey area.

Further west to the north-west of Wandoan the property Yeovil a 2,526 hectare scrub block with creek frontage was taken to auction on 24th May. The property failed to achieve the reserve passing in at $3.45 million. The agent reported reasonable market interest prior to auction however the market may still be adjusting to buyers concerns surrounding the domestic cattle market and the encroaching drought.

Contact:

Stepehn Cameron Ph: (07) 4639 7600

....the winter season is now upon us and for a large percentage of cattle operators west of Roma it is going to be a tough winter....

Northern Queensland

There is no doubt about the threat of crisis. Many graziers are fighting hard for their cattle and future. The cattle industry has been united on this front.

The softening of the Australian dollar could well contribute to the cost competitiveness of our beef on the international trade markets. This is positive news for graziers.

While the Russian demand for Australian beef has fallen in recent months, the trade to China continues to increase. Given that our dollar is lower, then this may well be an emerging market of significant benefit to the north Australian cattle industry. If we can process the product competitively then this will also help our price competitiveness and provide an alternative market direction for our cattle.

In the meantime, despite good enquiry for grass the auctions of Stirling/Lotus Vale and Langovale saw the properties pass in. Perhaps private negotiations will see these blocks sell soon.

The successful auction of Presstwood is a positive though. Presstwood sold to the Pedracini family for $3.5 million including plant and about 2,900 head of cattle. This price indicates about $93 per hectare ($816/AE) improved, bare of livestock plant and equipment.

We are aware of some interest in some of the smaller blocks. There were two blocks in the Charters Towers / Mingela area that were successfully put to the market. They were Avocavale and Cumnock. Both starter type blocks. Avocavale sold for $1.575 million and Cumnock around $1.15 million. This affordable end of the market may continue to see some good sale volumes this year.

Contact:

Roger Hill Ph: (07) 4724 2000

Northern Territory

Recently, the Indonesian Government has indicated that it may relax its beef self-sufficiency policy to enable an increase in live exports from Australia, by allowing suppliers to bring forward quotas for live cattle imports.

Indonesia also plans to allow the import of additional prime boxed beef. It appears to have been brought on by high demand for beef in Indonesia, especially with Ramadan approaching.

The decision should provide some short term relief to top end cattle producers, who are seeing significant cattle price reductions due to dry conditions in Queensland.

All remains relatively quiet in the NT pastoral property market with no new sales to report at this stage. We are aware of negotiations on two pastoral properties and hope to report on these soon.

The lack of feed in western Queensland may mean that some interest is garnered in top end property, to provide short term relief for breeding stock. This has certainly occurred at other times when Queenslanders run short of grass, but is expected to be more subdued this season due to the poor conditions being experienced in the beef market generally.

Contact:

Terry Roth Ph: (08) 8941 4833

South Western WA

Wine? Wine Not

Located within the south west of Australia is the Margaret River wine region established in 1968 by Perth doctors experimenting with a different type of anaesthesia. Since the first plantings this region has grown with vineyards being planted from Yallingup in the North of Cape Naturaliste to Karridale in the south. It is reported that approximately 5,500 hectares of the region is under vine which is only about 4% of the national plantings. However the region punches well above its weight producing some of the finest wines in the world.

The regions boast approximately 150 producers and this years vintage is considered to have been a good one quality wise however the yields of Semillon and Sauvignon Blanc are well down due to storm damage which affected flowering. Premium wines from the Margaret River region are generally earmarked for export and it has been recently quoted that in 2012;

"The value of bottled wine exports from WA regions other than Margaret River fell 41% last year, from $12.9 million to $7.6 million. Margaret River helped increase WA's total export value from $23.7 million to $26.2 million."

Source: Margaret River to the Rescue article by Sam Tomlin, The West Australian January 15, 2013.

Not that we would actively encourage the drinking of alcohol but it is hard to disagree with the following statement;

"Wine is one of the most civilized things in the world and one of the most natural things of the world that has been brought to the greatest perfection, and it offers a greater range for enjoyment and appreciation than, possibly, any other purely sensory thing." Ernest Hemingway

The wine industry has been through a very tough period Australia wide for the past several years due to over supply issues. This is due to a number of issues including competition from emerging wine regions with low costs of production, the reduction in consumer spending and the high Australian dollar.

The heartland of the Margaret River wine region however is considered likely to fare better given the reputation of the region as a producer of premium and ultra premium wines. The wine producers in the region who have established solid reputations on the back of quality wines should continue to perform well while newer producers will find it increasing difficult to get shelf space in this highly competitive market.

The past 18 months has seen some increases in the prices paid for fruit particularly high quality fruit in the Margaret River region. This has been followed by an increase in the number of vineyards which have sold in the past 12 months which could be seen as being an indication of an increase in confidence in the industry. These sales are demonstrating increased value in the vines when previously the sales that were occurring where often under duress and demonstrated little or perhaps even negative value in the vines.

A Chinese investment company 'Qwill' has recently purchased a number of vineyards in the Margaret River region. These include a 120 hectare vineyard in Witchcliffe for $4.65 million which was established by Great Southern, a 42 hectare vineyard in Kaloorup for $3 million which was originally established by Evans and Tate and a 24 hectare vineyard in Anniebrook for $1.8 million.

On top of this there was the sale last year of the Clairault Winery for $12 million by an American investor and Boar's Rock has sold the old Evans and Tate Winery to Margaret River Wine Production which is a partnership between a prominent local producer and McWilliams for $14.18 million. The owners of this winery are also leasing the above vineyards for an extended period.

Contact

David Abel & Shane Greaves Ph: (08) 9754 2982

Comparative Property Market Indicators - June 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 - June 2013

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

For further information contact Rick Carr, Research Director, Herron Todd White, on (07) 4057 0200, or by email on rick.carr@htw.com.au

Comparative Analysis of Queensland Property Markets

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

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

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

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

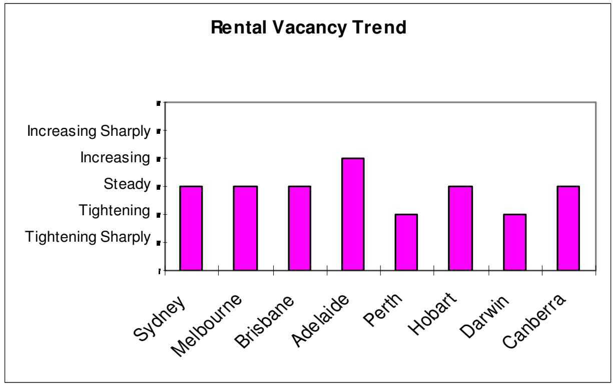
Adelaide	(08) 8231 6818
South West WA (Bunbury/Busselton)	(08) 9791 6204/ (08) 9754 2982
Perth	(08) 9388 9288
Darwin	(08) 8941 4833

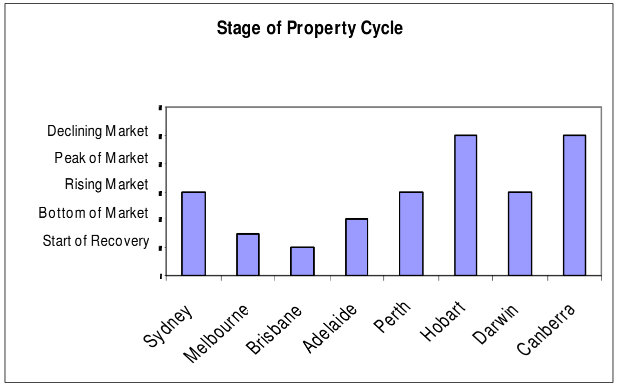
Capital City Property Market Indicators as at May 2013 – Houses

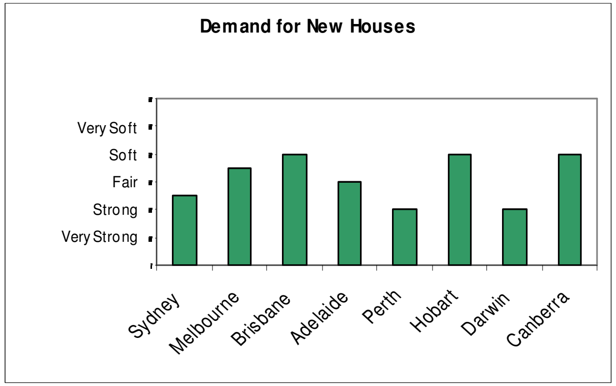
Factor	Sydney	Melbourne	Brisbane	Adelaide	Perth	Hobart	Darwin	Canberra
Rental Vacancy Situation	Balanced market	Balanced market - Over-supply of available property relative to demand	Balanced market	Balanced market	Severe shortage of available property relative to demand	Over-supply of available property relative to demand	Severe shortage of available property relative to demand	Balanced market
Rental Vacancy Trend	Steady	Steady	Steady	Increasing	Tightening	Steady	Tightening	Steady
Demand for New Houses	Fair - Strong	Soft - Fair	Soft	Fair	Strong	Soft	Strong	Soft
Trend in New House Construction	Steady	Declining	Steady	Increasing	Increasing	Declining	Increasing	Steady
Volume of House Sales	Increasing	Steady	Increasing	Steady	Increasing	Steady	Increasing	Steady
Stage of Property Cycle	Rising market	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	Occasionally	Frequently	Occasionally	Occasionally	Frequently	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



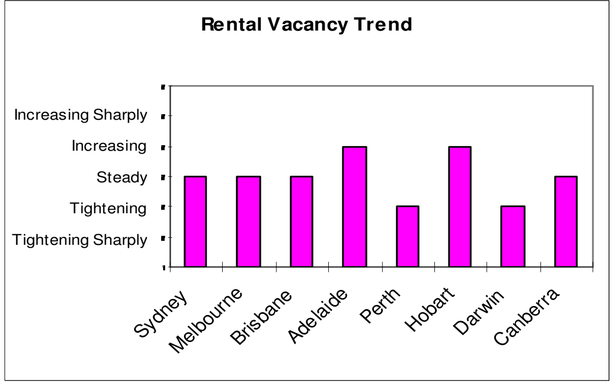


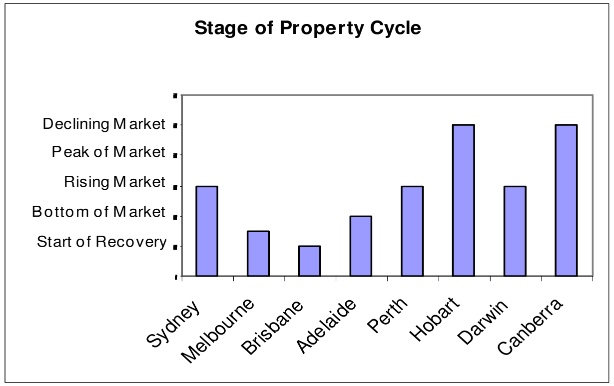


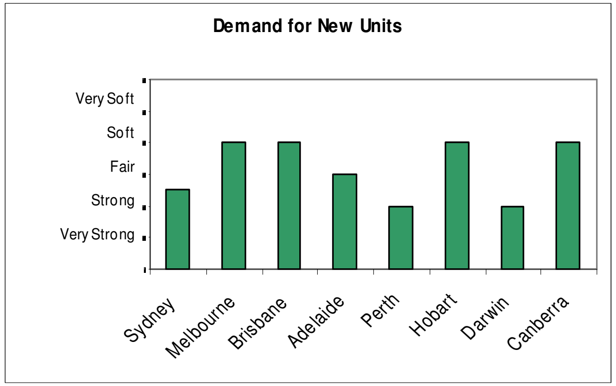
Capital City Property Market Indicators as at May 2013 – Units

Factor	Sydney	Melbourne	Brisbane	Adelaide	Perth	Hobart	Darwin	Canberra
Rental Vacancy Situation	Shortage of available property relative to demand	Balanced market - Over-supply of available property relative to demand	Balanced market	Balanced market	Shortage of available property relative to demand	Over-supply of available property relative to demand	Severe shortage of available property relative to demand	Balanced market
Rental Vacancy Trend	Steady	Steady	Steady	Increasing	Tightening	Increasing	Tightening	Steady
Demand for New Units	Fair - Strong	Soft	Soft	Fair	Strong	Soft	Strong	Soft
Trend in New Unit Construction	Increasing	Declining	Steady	Steady	Increasing	Declining	Increasing	Steady
Volume of Unit Sales	Increasing	Steady	Increasing	Steady	Increasing	Steady	Increasing	Steady
Stage of Property Cycle	Rising market	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	Occasionally	Very frequently	Occasionally	Occasionally	Frequently	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*





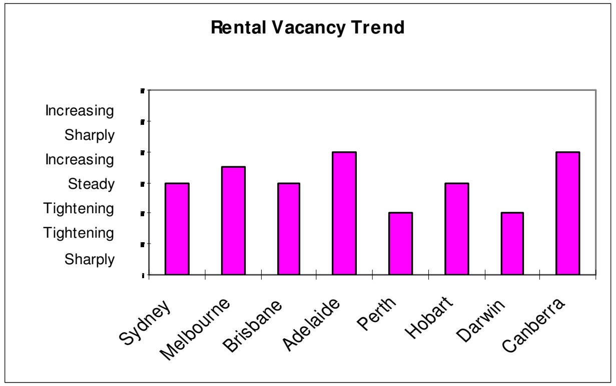


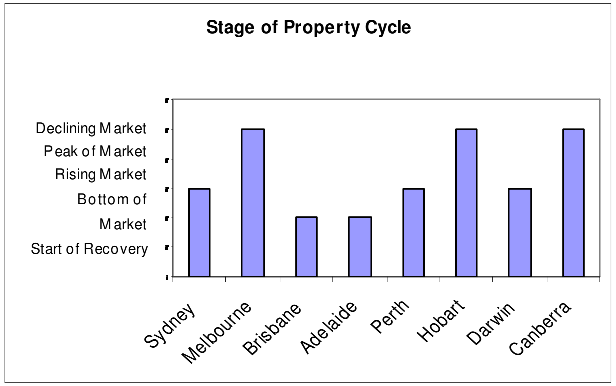
Capital City Property Market Indicators as at May 2013 –

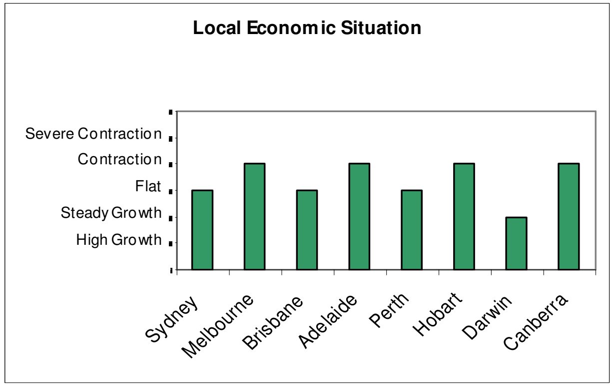
Factor	Sydney	Melbourne	Brisbane	Adelaide	Perth	Hobart	Darwin	Canberra
Rental Vacancy Situation	Balanced market	Balanced market - Over-supply of available property relative to demand	Balanced market	Over-supply of available property relative to demand	Shortage of available property relative to demand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

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

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







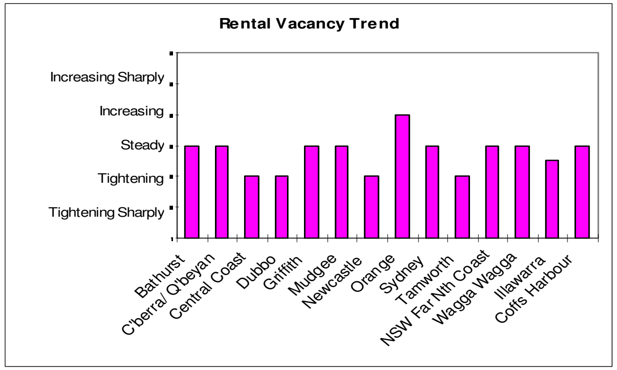
Herron Todd White
Independent Property Advisors

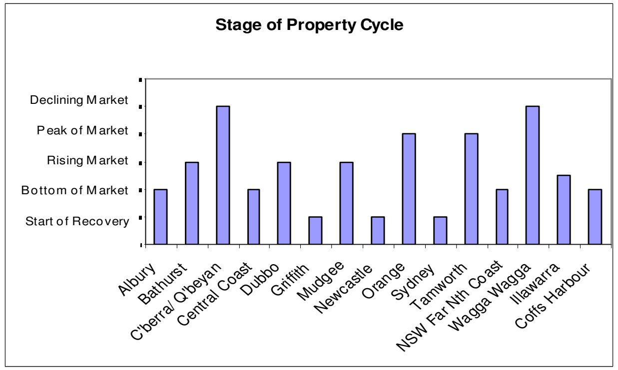
New South Wales Property Market Indicators as at May 2013 – Houses

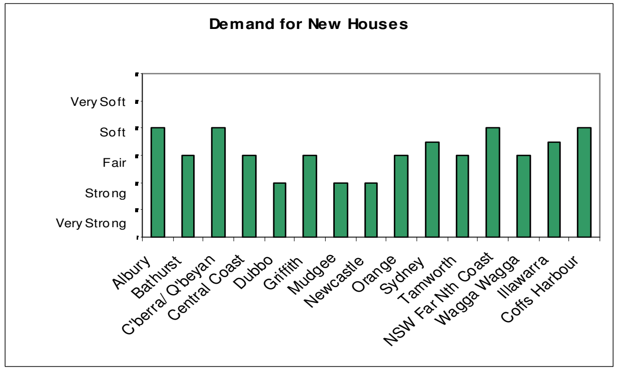
Factor	Albury	Bathurst	Canberra/ Q'beyan	Central Coast	Dubbo	Griffith	Mudgee	New-castle	Orange	Sydney	Tam-worth	Tweed Coast	Wagga Wagga	Wollon-gong	Coffs Harbour
Rental Vacancy Situation	Balanced market	Shortage of available property relative to demand	Balanced market	Shortage of available property relative to demand	Severe shortage of available property relative to demand	Shortage of available property relative to demand	Severe shortage of available property relative to demand	Severe shortage of available property relative to demand	Balanced market	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	Steady	Steady	Tightening	Tightening	Steady	Steady	Tightening	Increasing	Steady	Tightening	Steady	Steady	Tightening - Steady	Steady
Demand for New Houses	Soft	Fair	Soft	Fair	Strong	Fair	Strong	Strong	Fair	Soft - Fair	Fair	Soft	Fair	Soft - Fair	Soft
Trend in New House Construction	Declining	Steady	Steady	Steady	Increasing	Steady	Steady	Declining	Steady	Steady	Declining	Declining - Steady	Steady	Declining - Steady	Declining
Volume of House Sales	Steady	Steady	Steady	Steady	Increasing	Increasing	Increasing	Steady	Declining	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	Occasionally	Occasionally	Occasionally	Occasionally	Occasionally	Occasionally	Occasionally	Occasionally	Occasionally	Occasionally	Occasionally	Occasionally	Occasionally	Occasionally	Almost never

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

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



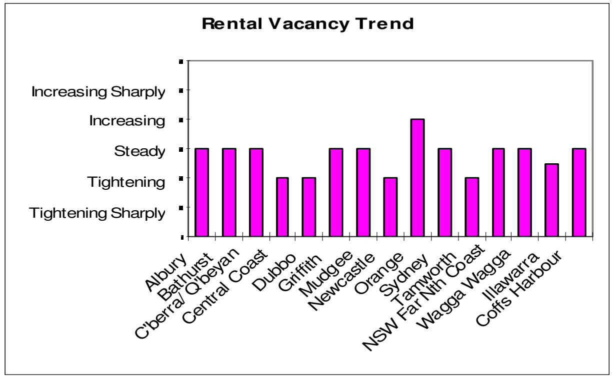


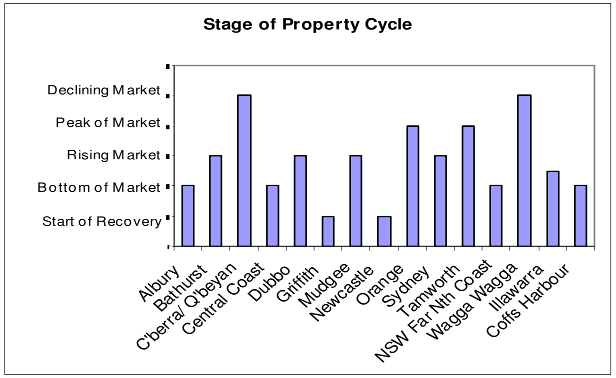


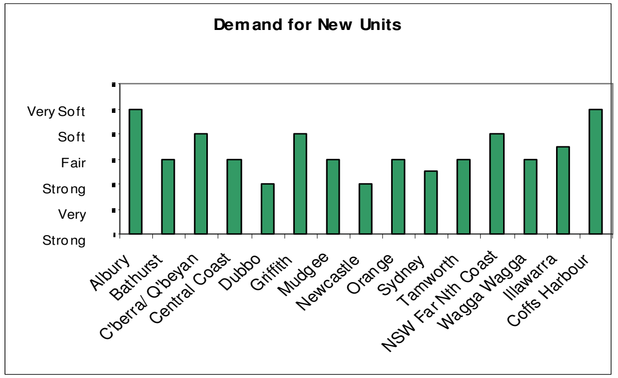
New South Wales Property Market Indicators as at May 2013 – Units

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	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	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	Steady	Steady	Tightening	Tightening	Steady	Steady	Tightening	Increasing	Steady	Tightening	Steady	Steady	Tightening - Steady	Steady
Demand for New Units	Very soft	Fair	Soft	Fair	Strong	Soft	Fair	Strong	Fair	Fair - Strong	Fair	Soft	Fair	Soft - Fair	Very soft
Trend in New Unit Construction	Declining	Steady	Steady	Steady	Increasing	Declining	Steady	Steady	Steady	Increasing	Declining	Declining - Steady	Steady	Declining - Steady	Declining
Volume of Unit Sales	Steady	Steady	Steady	Steady	Increasing	Steady	Steady	Steady	Declining	Increasing	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	Rising market	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	Almost never	Occasion-ally	Almost never	Occasion-ally	Frequently	Occasion-ally	Occasion-ally	Occasionally	Occasion-ally	Occasion-ally	Occasion-ally	Almost never

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



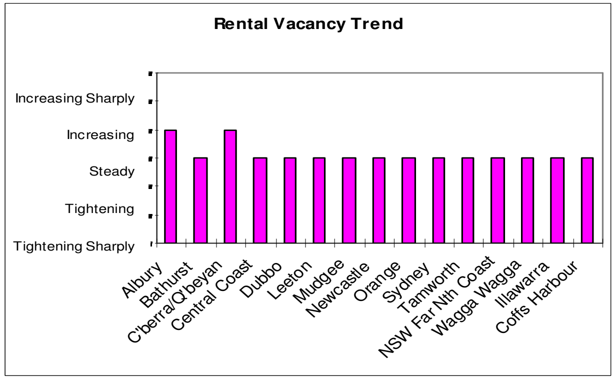


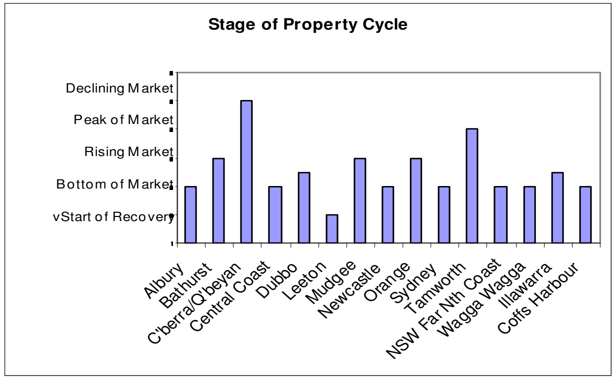


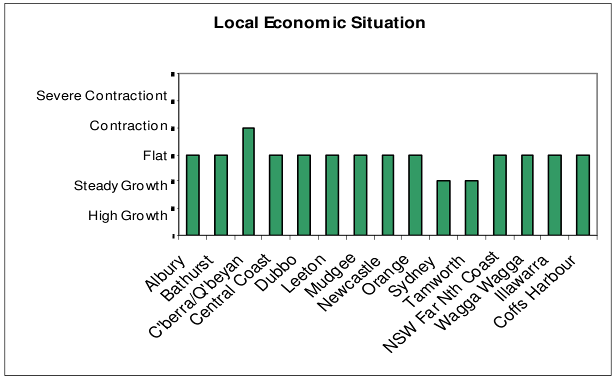
New South Wales Property Market Indicators as at May 2013 – Industrial

Factor	Albury	Bathurst	Canberra/ Q'beyan	Central Coast	Dubbo	Griffith	Mudgee	New-castle	Orange	Sydney	Tam-worth	Tweed Coast	Wagga Wagga	Wollon-gong	Coffs Harbour
Rental Vacancy Situation	Over-supply of available property relative to demand	Balanced market	Over-supply of available property relative to demand	Over-supply of available property relative to demand	Balanced market	Over-supply of available property relative to demand	Balanced market	Over-supply of available property relative to demand	Shortage of available property relative to demand	Over-supply of available property relative to demand	Balanced market - Over-supply of available property relative to demand	Over-supply of available property relative to demand	Over-supply of available property relative to demand	Balanced market - Over-supply of available property relative to demand	Over-supply of available property relative to demand
Rental Vacancy Trend	Increasing	Steady	Increasing	Steady	Steady	Steady	Steady	Steady	Steady	Steady	Steady	Steady	Steady	Steady	Steady
Rental Rate Trend	Declining	Stable	Stable	Stable	Stable	Stable	Stable	Stable	Stable	Stable	Declining	Stable	Stable	Declining - Stable	Declining
Volume of Property Sales	Steady	Steady	Steady	Steady	Steady	Steady	Steady	Steady	Declining	Steady	Steady	Steady	Steady	Steady	Steady
Stage of Property Cycle	Bottom of market	Rising market	Declining market	Bottom of market	Bottom of market - Rising market	Start of recovery	Rising market	Bottom of market	Rising market	Bottom of market	Peak of market	Bottom of market	Bottom of market	Bottom of market - Rising market	Bottom of market
Local Economic Situation	Flat	Flat	Contraction	Flat	Flat	Flat	Flat	Flat	Flat	Steady growth	Steady growth	Flat	Flat	Flat	Flat
Value Difference between Quality Properties with National Tenants, and Comparable Properties with Local Tenants	Significant	Small - Significant	Large	Large	Small - Significant	Significan t	Significant	Large	Small	Significan t	Significant	Significan t	Significant	Large	Small

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





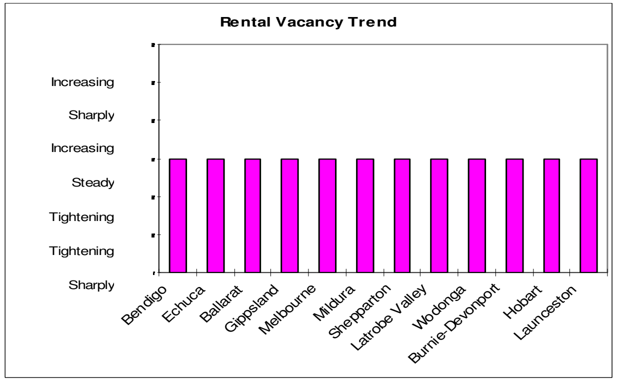


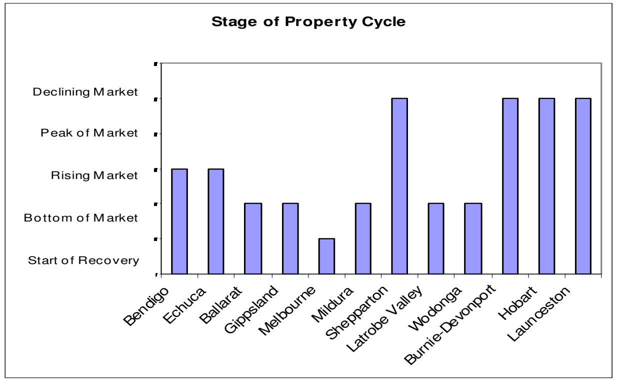
Victoria/Tasmania Property Market Indicators as at May 2013 – Houses

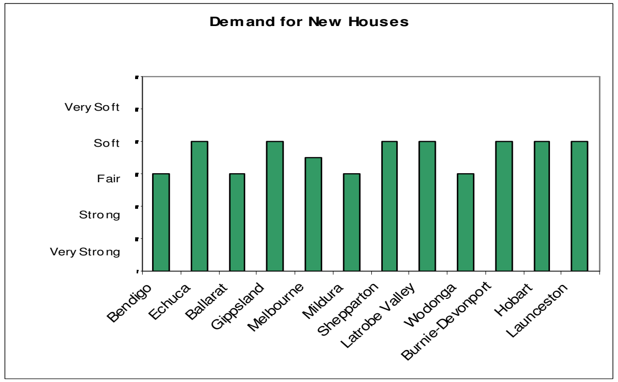
Factor	Bendigo	Echuca	Ballarat	Gippsland	Melbourne	Mildura	Shepparton	Latrobe Valley	Wodonga	Burnie / Davenport	Hobart	Launceston
Rental Vacancy Situation	Shortage of available property relative to demand	Balanced market	Balanced market	Balanced market	Shortage of available property relative to demand - 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	Increasing	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







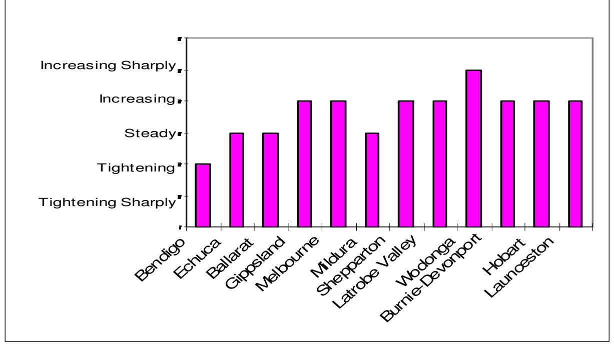
Herron Todd White
Independent Property Advisors

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

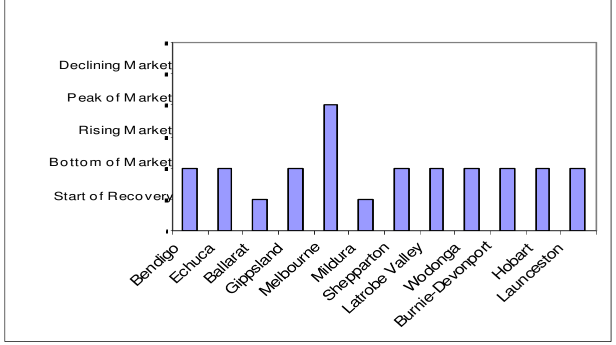
Factor	Bendigo	Echuca	Ballarat	Gippsland	Melbourne	Mildura	Shepparton	Latrobe Valley	Wodonga	Burnie / Davenport	Hobart	Launceston
Rental Vacancy Situation	Shortage of available property relative to demand	Balanced market	Balanced market	Balanced market	Balanced market - Over-supply of available property relative to demand	Balanced market	Shortage of available property relative to demand	Balanced market	Balanced market	Over-supply of available property relative to demand	Over-supply of available property relative to demand	Over-supply of available property relative to demand
Rental Vacancy Trend	Steady	Steady	Steady	Steady	Steady	Tightening	Steady	Steady	Steady	Increasing	Increasing	Increasing
Demand for New Houses	Strong	Fair	Fair	Soft	Soft	Fair	Soft	Soft	Very soft	Soft	Soft	Soft
Trend in New House Construction	Steady	Steady	Steady	Declining	Declining	Declining	Declining	Declining	Declining	Declining	Declining	Declining
Volume of House Sales	Increasing	Steady	Increasin g	Steady	Steady	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	Very frequent-ly	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

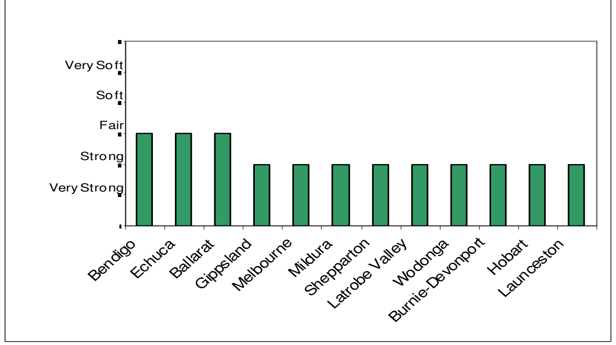
Rental Vacancy Trend



Stage of Property Cycle



Demand for New Units



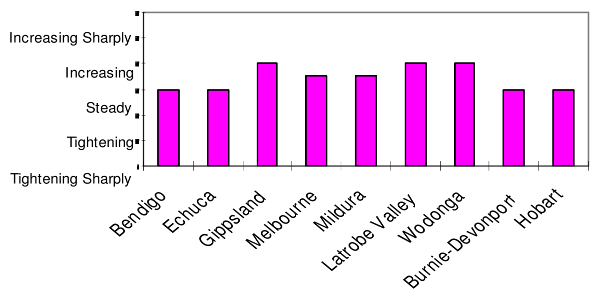
Victoria/Tasmania Property Market Indicators as at May 2013 – Industrial

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

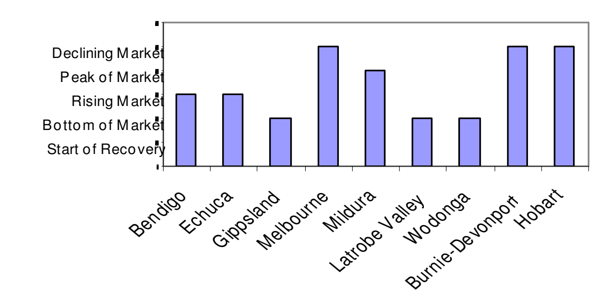
Red entries indicate change from 3 months ago to a higher risk-rating

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

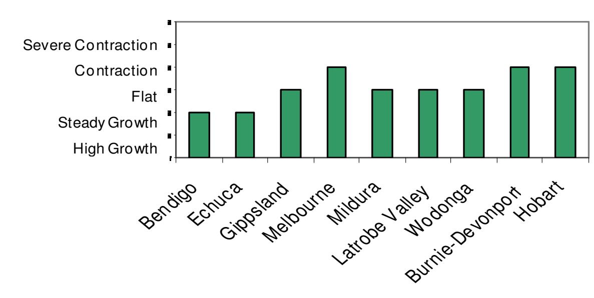
Rental Vacancy Trend



Stage of Property Cycle



Local Economic Situation

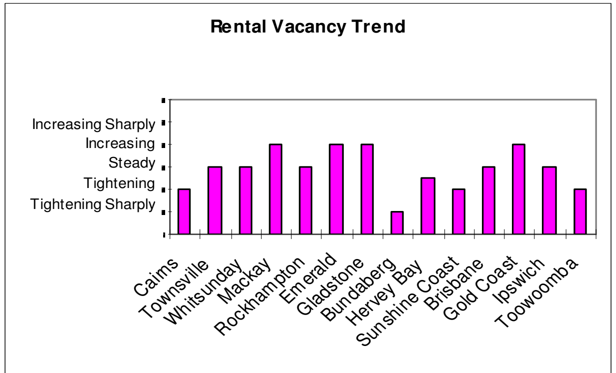


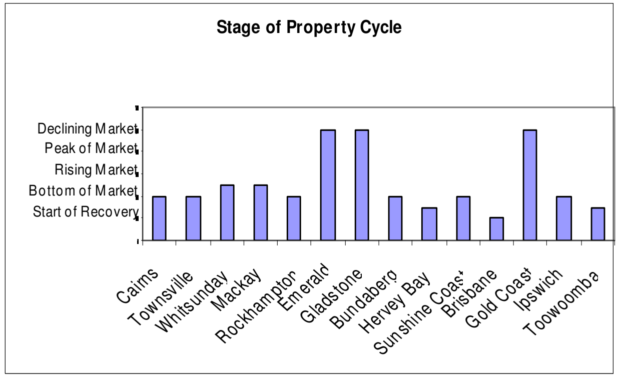
Queensland Property Market Indicators as at May 2013 – Houses

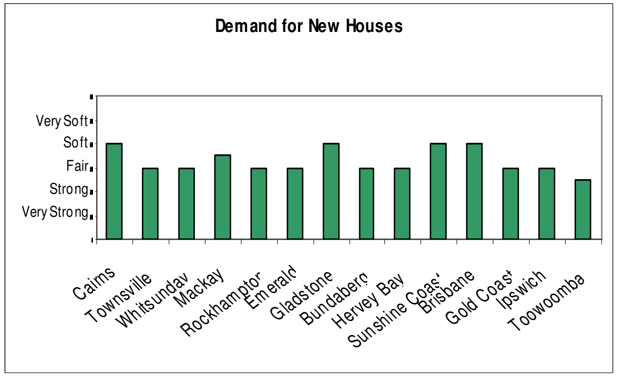
Factor	Cairns	Towns-ville	Whit-sunday	Mackay	Rock-hampton	Emerald	Glad–stone	Bunda-berg	Hervey Bay	Sun-shine Coast	Brisbane	Gold Coast	Ipswich	Too-woomba
Rental Vacancy Situation	Severe shortage of available property relative to demand	Balanced market	Shortage of available property relative to demand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





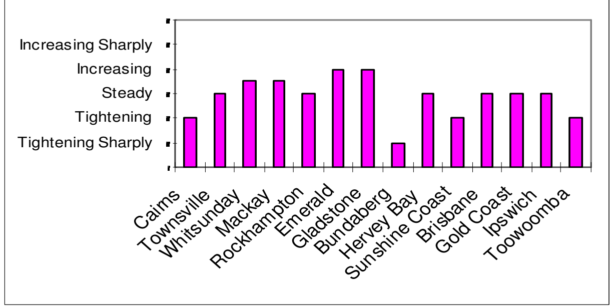


Queensland Property Market Indicators as at May 2013 – Units

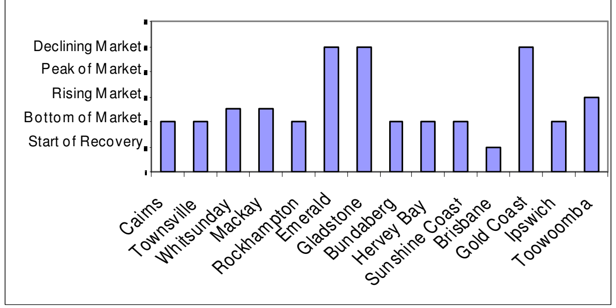
Factor	Cairns	Towns-ville	Whit-sunday	Mackay	Rock-hampton	Emerald	Glad-stone	Bunda-berg	Hervey Bay	Sun-shine Coast	Brisbane	Gold Coast	Ipswich	Too-woomba
Rental Vacancy Situation	Severe shortage - Shortage of available property relative to demand	Balanced market	Balanced market	Balanced market	Shortage of available property relative to demand	Over-supply of available property relative to demand	Over-supply of available property relative to demand	Severe shortage of available property relative to demand	Shortage of available property relative to demand - Balanced market	Shortage of available property relative to demand	Balanced market	Balanced market	Balanced market	Shortage of available property relative to demand
Rental Vacancy Trend	Tightening	Steady	Steady - Increasing	Steady - Increasing	Steady	Increasing	Increasing	Tightening sharply	Steady	Tightening	Steady	Steady	Steady	Tightening
Demand for New Units	Very soft	Fair	Fair	Soft - Fair	Fair	Fair	Soft	Fair	Soft - Fair	Soft	Soft	Soft	Fair	Fair - Strong
Trend in New Unit Construction	Declining	Steady	Steady	Steady	Steady	Steady	Increasing	Steady	Declining - Steady	Declining	Steady	Increasing	Steady	Increasing
Volume of Unit Sales	Increasing	Increasing	Steady	Steady	Steady	Declining	Declining	Steady	Steady - Declining	Increasing	Increasing	Increasing	Steady	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	Bottom of market	Bottom of market	Start of recovery	Declining market	Bottom of market	Rising market
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Occasion-ally	Occasion-ally	Occasion-ally	Occasion-ally	Almost never	Occasion-ally	Frequently	Almost never	Occasion-ally	Occasion-ally	Occasion-ally	Very frequently	Almost never	Frequently

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

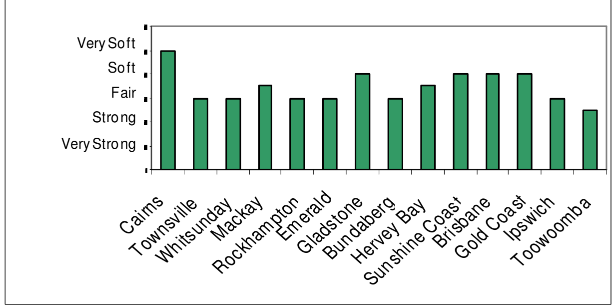
Blue entries indicate change from previous month to a lower risk-rating



Rental Vacancy Trend



Stage of Property Cycle



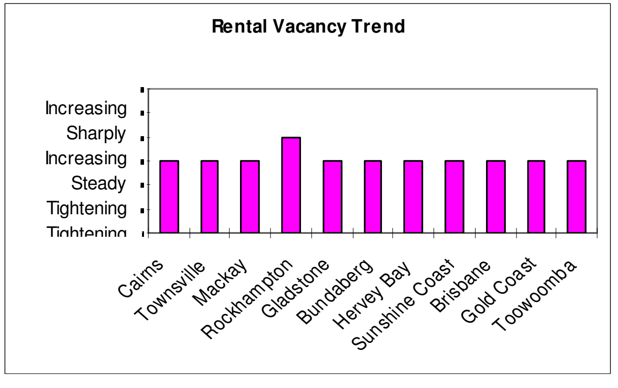
Damand for New Units

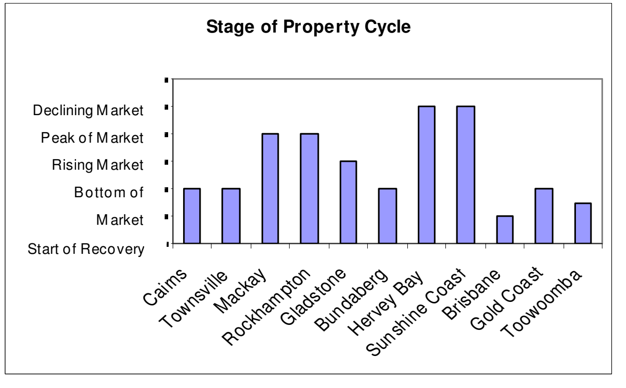
Queensland Property Market Indicators as at May 2013 – Industrial

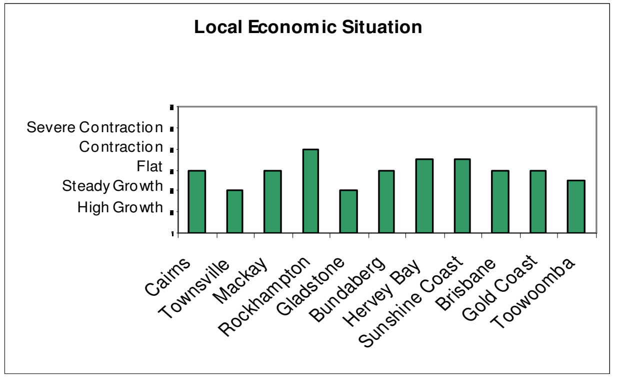
Factor	Cairns	Townsville	Mackay	Rock-hampton	Gladstone	Bundaberg	Hervey Bay	Sunshine Coast	Brisbane	Gold Coast	Too-woomba
Rental Vacancy Situation	Balanced market - Over-supply of available property relative to demand	Balanced market	Balanced market	Balanced market	Balanced market	Over-supply of available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

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

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





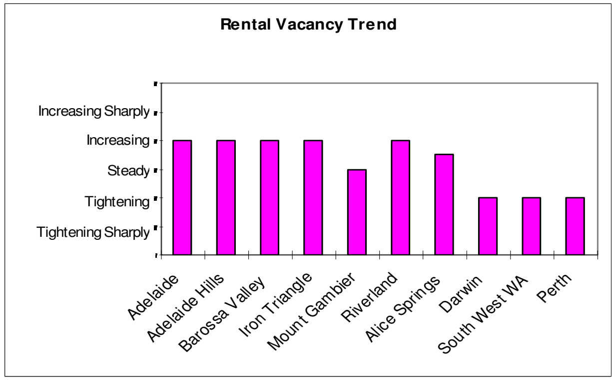


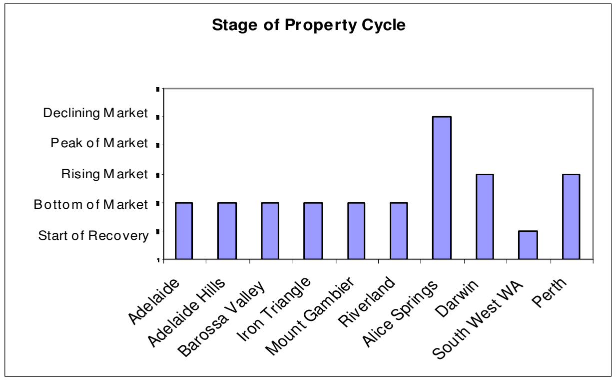
Northern Territory, South Australia & Western Australia Property Market Indicators as at May 2013 – Houses

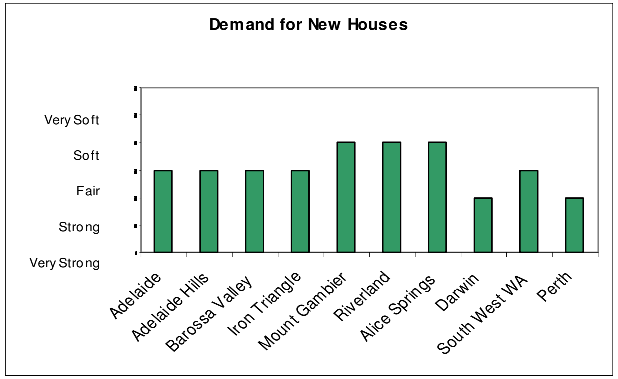
Factor	Adelaide	Adelaide Hills	Barossa Valley	Iron Triangle	Mount Gambier	Riverland	Alice Springs	Darwin	South West WA	Perth
Rental Vacancy Situation	Balanced market	Balanced market	Balanced market	Balanced market	Over-supply of available property relative to demand	Shortage of available property relative to demand	Balanced market - Over-supply of available property relative to demand	Severe shortage of available property relative to demand	Shortage of available property relative to demand	Severe shortage of available property relative to demand
Rental Vacancy Trend	Increasing	Increasing	Increasing	Increasing	Steady	Tightening	Steady - Increasing	Tightening	Tightening	Tightening
Demand for New Houses	Fair	Fair	Fair	Fair	Soft	Soft	Soft	Strong	Fair	Strong
Trend in New House Construction	Increasing	Increasing	Increasing	Increasing	Steady	Steady	Steady	Increasing	Increasing	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	Declining market	Rising market	Start of recovery	Rising market
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Occasionally	Occasionally	Occasionally	Occasion-ally	Almost never	Almost never	Almost never	Occasionally	Occasionally	Frequently

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



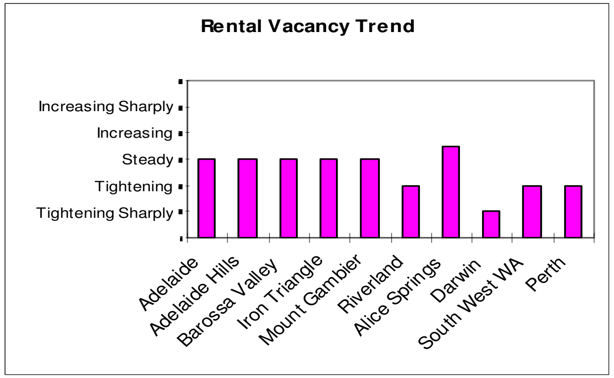


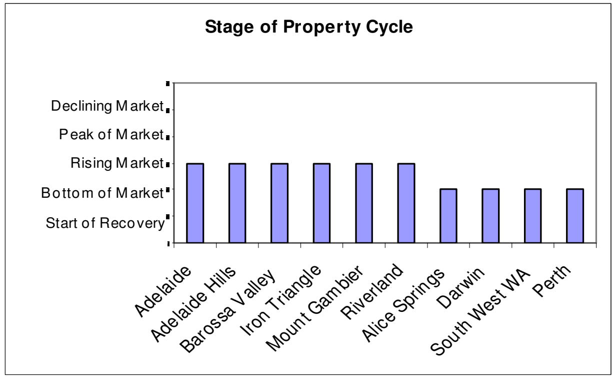


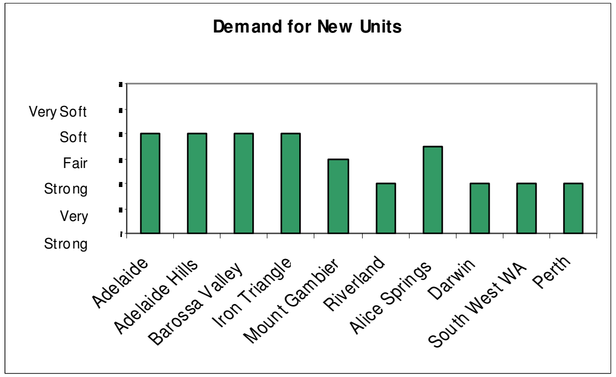
Northern Territory, South Australia & Western Australia Property Market Indicators as at May 2013 – Units

Factor	Adelaide	Adelaide Hills	Barossa Valley	Iron Triangle	Mount Gambier	Riverland	Alice Springs	Darwin	South West WA	Perth
Rental Vacancy Situation	Balanced market	Balanced market	Balanced market	Balanced market	Balanced market	Shortage of available property relative to demand	Balanced market - Over-supply 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	Steady - Increasing	Tightening	Tightening	Tightening
Demand for New Units	Fair	Fair	Fair	Fair	Soft	Soft	Soft	Strong	Fair	Strong
Trend in New Unit Construction	Steady	Steady	Steady	Steady	Steady	Steady	Steady	Increasing	Increasing	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	Declining market	Rising market	Start of recovery	Rising market
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Occasionally	Occasionally	Occasion-ally	Occasionally	Almost never	Almost never	Almost never	Occasionally	Occasionally	Frequently

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 May 2013 – Industrial

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

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

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