July 2013

Month in Review

HERRON TODD WHITE

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A lazy half million 2013

... And we're back!

Welcome as once again we wander the wide brown continent in search of where to park your no good, lay-a-bout dollars.

As we do at the start of each new financial year, we take a hypothetical look at where Bill Gates would invest his earnings after 48 minutes of work (I'm serious. I looked it up on the internet so it must be true.) if property in Australia were his only option.

The old timers amongst us may think back to the heady days of, say, 1998 and become misty eyed at just how much property you might land for the money.

Certainly there were plenty of blue-chip suburbs around the country where you'd find yourself amongst Aussie gentry, basking in the vast expanse of your estate and gazing warmly upon your extensive property holdings. Moving into the new millennium, with the boom times of 2003 and 2007, the half million figure become somewhat less impressive.

Here we now sit in 2013. It's post GFC and the market has been patchy. The money isn't going to buy you much on the harbor in Sydney obviously, but there are options. As a general observation, our economy has held up OK, prices are still flat but looking better and interest rates have gone so far down that you're wearing them as Birkenstocks. With that in play, buyers with the ready dollars to take the plunge are coming into the market. For them, fortunately, it's still possible to drive a bargain although this is moving. There are reports out of some capitals that certain sectors are in buyer snap-up mode.With all this as our backdrop, we have made it the mission for our professionals to say where they think you could park $500,000 in today's market.

The brief has no restriction. The idea is that your pretend a big-spender saunters into their local Herron Todd White and says "I've a lazy half million to spend – what should I do with it?" With this scope, our contributors have donned their smartest thinking caps and considered the options. Some will suggest a couple of one-off purchases, ripe for capital gains and ready to accept your offer. Other offices believe there's power in multiple buys where low entry level price, strong cash flow property is in order. Others will try and balance both.

If commercial property is more to your liking perhaps we could interest you in a little walk through the retail sector. The ladies and gents of our suit-and-tie division have highlighted the middle market in retail land. The question has been asked, what are the property options for buyers who aren't entry level retail, but aren't big time blue chip? As you'll see, they've delivered.

So there you are. Money is cheap and the options are out there. The next step is to make sure you consult with your local Herron Todd White professional before you hit the field. It's as easy as ringing into any of our offices nationwide and asking what they think of you next property purchase. You'll be pleased you did.

QS Corner

Tax time is here. 30 June has come and gone, group certificates are in the mail and the dreaded task of organising finances for the inaugural trip to the accountant is upon us all.

If you own an investment property, the best advice you can receive is; it pays to be organised and it pays to do your homework on what exactly it is that you can and cannot claim against your taxable income. Because accounting for every dollar is important and can save you from paying more than you should.

The big question is however, do you know what those deductions are and how to claim them?

When it comes to renting out your investment property, whether you own the property, renting out part or all of it or even if you are a commercial property owner-occupier, there are many items you can claim a deduction for. It is not just those investors who are negatively gearing their investment property that reap all the rewards. Every investor has the same opportunity to claim for tax benefits; you've just got to know what they are.

The most commonly claimed deductions are for the repair and maintenance on capital works to a property, along with managing agents fees, landlord insurance, water and council rates, strata fees (if the property is strata titled) and all directly related expenses suitably associated with the investment. Some costs are tax deductible in the year you incur them, whereas others can be used to reduce your profit, or capital gain. However you can also claim some interest, legal costs and other expenses associated with the purchase of the investment property.

While the above are the most commonly known and claimed expenses, claiming depreciation on the wear and tear of your property is one that sometimes slips through unclaimed. As a direct result there could be literally thousands of dollars that can be claimed on your investment property. The concept is the same as claiming depreciation on a car that is used for income generating purposes. A big misconception is that people do not associate the idea of depreciation with property, because as an investor all that you want your property to do is appreciate in value.

While the land component is usually the one that appreciates, the actual dwelling, the bricks and mortar, carpet, blinds and kitchen appliances, wear out and depreciate. It is for this reason the ATO allows owners of investment properties to claim annual deductions for depreciation on their properties.

In order to have your property correctly assessed for depreciation, it is advised you engage the services of a fully qualified and licensed Quantity Surveyor who is also a registered Tax Agent. This will ensure what you claim will be in accordance with the ATO's guidelines, while also providing peace of mind that a qualified professional is ensuring that all depreciable items are accounted for and not overlooked. This is the most effective way to maximise your return and reduce the amount of tax you pay.

It is important to do you homework on the tax benefits, rules and guidelines when it comes to property investment. It's important to talk to your accountant or financial advisor, not just at tax time but well before you buy your investment property. This way you will know exactly what your financial options, benefits and risks are.

Herron Todd White are more than just property valuers, we are fully qualified and accredited property advisors, in all areas and classes of property. If you or someone you know needs tax depreciation advice on your/their investment property please do not hesitate to contact us by email at tds@htw.com.au. We have fully qualified Quantity Surveyors who are ready to help.

Commercial

HERRON
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COMMERCIAL

New South Wales

OVERVIEW

Middle market retail is a sector that many are finding accessible. The question is where are the strongest performers in the field? With low interest rates and a hunger for more diversification amongst property investors, this sector could be set to benefit after many years of slow performance. This month's issue tackles what's happening in retail and where it might be best to look for purchasing options.

SYDNEY

The performance differential between Sydney's prime and secondary office assets has widened significantly. Tenant demand has been neutral relative to supply, leaving rental growth across the market generally flat over the past few years. However capital values have shown a more dynamic trend. Domestic and offshore investors have been drawn to the highest quality, lowest risk investments, supporting values for these office properties in Sydney. On the other hand, Sydney's non-prime grade assets have suffered from weak buyer demand. Recent evidence has shown falls in value by as much as 30% since being purchased near the peak of the last property cycle. While is this bad news for some landlords who have bought and sold within the past five to seven years, the falls have increased buying opportunities within the $2 million to $10 million range, which we've identified as the middle of the market for office property in Sydney.

Investment stock within the $2 million to $10 million range is made up of smaller scale, secondary grade office buildings in the CBD, CBD fringe and major non-CBD commercial centres such as North Sydney and Parramatta. Well located, prime quality office stock is also accessible within this range but mostly in the form of strata-titled lots. Such lots can span multiple floors and can be found in all major office markets, including the CBD. The range however, excludes larger prime-grade office properties in all major markets as most carry price tags well in excess of our specified value range.

Reflective of the medium risk profile for assets within this range, yields are generally between 8% to 10%, with some owner-occupier purchases reflecting analysed yields tighter than 8%. The following is a snapshot of areas we've seen middle market activity over the past 18 months, their corresponding capital values and yield ranges.

Sydney CBD

The CBD contains a large portion of ageing office stock, with just under half of its stock being secondary grade. Although some of these buildings can now be in excess of 100 years old, many have had extensive façade and internal refurbishment works. We've seen recent purchases of these office buildings ranging between 500 and 1,500 square metres in

Sold in August 2012, 40 King Street, Sydney CBD.

floor area with analysed yields between 7.5% and 10.8%. Modern strata lots ranging between 460 and 1,800 square metres in floor area have also sold with yields ranging between 7.3% and 9.6%. Investment demand from offshore is most prominent for assets in the CBD, with a number recent purchases coming from Asia-based investors. The average capital value across our sample of office building and strata lot sales is $5,900 per square metre.

Fringe CBD

Buyer activity has been high in the CBD fringe areas. We've come across a large amount of sales within the suburbs of Alexandria, Chippendale, Glebe and Surry Hills. Many recent purchases have been for refurbished or converted buildings aiming to cater towards users of creative office space.

> Investors should be particularly weary of vacancy risk, as several properties have been sitting untenanted for extended periods.

Analysed yields for investment sales range between 8.60% and 9.75%, while owner occupier purchases showed analysed yields lower than 8.00%. Capital values for sales in city fringe suburbs average $4,430 per square metre.

North Shore and Parramatta
Office assets available to the middle market investor in these markets include lots within strata-titled office buildings, and freestanding offices. Office buildings in the North Shore have sold recently with yields ranging between 7.7% and 9%, while whole floor strata lots sold with yields between 8% and 9.7%. Capital values for the sales averaged $2,860 per square metre in Parramatta and $3,560 per square metre in the North Shore.

CANBERRA

With just over 2.2 million square metres of office floorspace, Canberra is Australia's third largest office market. The Canberra tenant profile is dominated by the Commonwealth and ACT Governments, setting it apart from other smaller provincial, non-State capital cities. Consequently, performance can be volatile given market size, elections and decisions made by the federal government which directly impact the number of public servants employed in the capital. On the upside, the ACT economy is far less volatile then other Australian states, resulting in stable levels of office demand.

The marketplace in the ACT for smaller office spaces generally exists in the smaller inner city locations such as Kingston, Manuka, Deakin, Braddon and Turner. These areas are viewed as co-located to larger office areas such as Barton & Forrest and the City, and have traditionally been well tenanted with low vacancy rates as businesses attempt to locate near key clients in larger office facilities.

The more salient points in the middle market include:

- Limited interest by prospective purchasers for buildings with significant vacancy;
- Availability of car parking on-site or nearby is becoming increasingly important;
- Those properties with a wider "purpose clause" within the Crown Lease tend to be looked on more favourably;
- Gross face rents in the range of $350 to $400 per square metre;
- Incentives in the range of 5% to 10%;
- Yields circa 8% to 9%

ILLAWARRA/SOUTHERN HIGHLANDS

The middle market typically entails properties in the $1 million to $3 million dollar range of which the availability is usually limited particularly for fully leased investment assets.

Rents in the Illawarra market are stable due to relatively low vacancy rates however incentives are common with local agents reporting discounts between 5% and 15%. Good quality A Grade space in the market tends to average between $350 and $400 per square metre gross with B grade space typically in the $250 to $300 per square metre range. There is some downward pressure on rents in the Southern Highlands with some tenants able to negotiate lower rates on lease renewals. Yields have held firm with returns generally in the 8.5% to 9.5% range noting limited sales in this part of the market over the past 12 months.

NEWCASTLE

According to the latest economic indicators released by the Hunter Valley Research Foundation for the March quarter 2013, the Hunter region has experienced some underlying softening conditions over the past 12 months. The total employed in the Hunter in March 2013 was 324,400 (down 1.5% from March 2012), while the total employed in NSW was 3,678,500 (up 1.7% from March 2012). The Hunter job advertisements were also down and were equivalent to the lows recorded during the global financial crisis. This is attributed to the regions reliance on commodity prices and the slowdown in demand for resources in Asia.

The index for the performance of Hunter businesses (an average of trading performance, profitability and employment) over the previous three months to March 2013, provided by the Research Foundation, was the lowest since the global financial crisis. This is likely to reflect flow on effects from a slowing down in the mining and resource sector, the continued high Australian Dollar and ongoing, subdued consumer confidence.

The cash rate was reduced by 25 basis points to 2.75% in May 2013 and a further cut by the end of the year has been forecast. There is an anticipated upsurge in the residential housing market, with generally limited local stock on the market on plenty of buyers looking to upsize. However, whether the low rates will create an upsurge in the office market is yet to be seen.

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

There are some positive signs in the market with some new office developments advertised for lease. The Watt Street Commercial Centre which will provide over 7,000 square metres of tenancies with large floor plates within the traditional Newcastle CBD is seeing a decent level of enquiry and we anticipate a high level of occupancy on completion which is due in late 2013.

The Lawler headquarters building at 755 Hunter Street, Newcastle has been advertising 597 square metres of level two office space for lease with eight secure car parks. This building is currently under construction, with an anticipated completion date of November 2013.

There is also a proposed development at 291 King Street, Newcastle has also been advertised for lease. On completion this building will provide four large commercial floor plates to be constructed over 474 space car parking station. Total lettable area of 9,600 square metres with completion expected in mid to late 2014.

Victoria

MELBOURNE

There is currently a lack of good quality, smaller office properties available for sale within the Melbourne CBD however there is a significant weight of capital seeking limited investment opportunities in this segment of the market.

Recent sales activity suggests that market yields are firming for well located investment grade assets exhibiting sound fundamentals, such as strong lease profiles and limited capital expenditure requirements. Investor demand is particularly strong for assets in the vicinity of $5 to $20 million within the CBD and inner suburban locations.

Agents are marketing such assets via Expressions of Interest campaigns which is generating interest from a relatively large and diverse array of parties. Assets in this price point typically appeal to buyers such as private investors, syndicates and self managed super funds (SMSF).

Investor demand from overseas is strong, particularly from Asian based private investors, who are seeking quality assets in Melbourne.

Investment grade office assets in Melbourne are relatively inexpensive from a Capital Value perspective, particularly when compared to Sydney, Brisbane or the Perth Office Markets.

Investors are being increasingly drawn to high quality mid-value range assets resulting in a slight, but noticeable, firming of market yields. Investors are reportedly buying now in anticipation of short to medium term rental growth and possible yield compression which we consider will continue to be observed. That said, demand for secondary office assets exhibiting inferior fundamentals appears quite weak at present. There is a clear yield divergence between prime and secondary grade office assets.

The Melbourne CBD has seen a slight rise in vacancy rates with the Property Council of Australia reporting a total vacancy of 6.9% in its January 2013 office market report, well below the national average of 8.1%, with a total of approximately 292,128 square metres of office space vacant. This reflects an increase for the six months from June 2012 of 1.3% or 60,630 square metres. The vacancy rate increased in the 12 months from January 2012 to January 2013 by 1.6% from a vacancy rate of 5.3% when approximately 215,595 square metres of office space was vacant.

The Property Council of Australia has predicted that the vacancy will continue to rise throughout

the Melbourne CBD and inner suburbs in the new financial year as a large volume of new office supply comes onto the market.

The increase of 1.6% in the vacancy rate within the Melbourne CBD over the 12 months to January 2013 has resulted in a steady increase in the quantum of leasing incentives being offered to prospective tenants. Incentives currently amount to approximately 20% to 25% for office space within A and B grade buildings with reports of up to 30% for such buildings with relatively high levels of existing vacancy.

Landlords are finding it increasingly difficult to secure tenants in B and C grade buildings due to the volume of competitive stock on the market. Effective rents are under further pressure due to the level of incentives offered which are increasing in an attempt to counteract the vacancies in these lower grade buildings. Leasing agents are reporting that potential tenants are taking longer to make decisions in the current environment and are more likely to renew an existing lease rather than vacate space. Smaller tenants are exhibiting a preference for accommodation with existing fit-out in place.

Vacancy rates are expected to peak at around 8% by mid 2014 which will likely lead to a further decrease in effective rents and a resultant increase in incentives to underpin leasing demand.

Net face rents for office space within B and C grade buildings are in the vicinity of $250 to $350 per square metre per annum depending on the nature, size and configuration of the accommodation.

MURRAY RIVERINA

The local office market is relatively flat with the major change being the erection of a two storey contemporary building in Annesley Street which is nearing completion providing additional office space in the town. The building is to be owner-occupied and located at a high profile location with good exposure to all traffic passing through the roundabout on the way to Moama. The rest of the market is still in relative equilibrium with a local solicitor backfilling the building being vacated by the owners of the new offices.

BENDIGO

Conditions in the commercial office space sector continue remain tight, with the supply of new space drying up. Investment grade commercial property continues to perform well in Bendigo on the back of this 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.

Industrial property continues to struggle, with limited turnover and extended selling periods. The one bright patch continues to be 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, with limited transactions in recent months.

Adding to supply is the recent announcement by Thales of the sale of surplus land around their existing operation. Thales are a major Bendigo manufacturer, noted for the production of the Bushmaster infantry transport vehicle (see picture). marketed by Colliers International and Dungey Carter Ketterer, the site comprises approximately 7.4 hectares and is one of the largest industrial sites to hit the market in recent times.

Dutch Bushmaster

The lower end of the retail market remains tough, consistent with difficult trading conditions being encountered by many small operators. Vacancy rates seem to have stabilised, with letting up periods lengthening. Well located larger retail sites however, continue to be tightly held, with limited vacancy and ongoing interest from national tenants seeking to capitalise on the continuing forecast growth in the region.

MURRAY OUTBACK

The middle market for office properties in Mildura is regarded to be the $400,000 to $750,000 price range.

The office market has been relatively flat in the past five years, with little growth in rentals and slightly higher vacancy rates evident. Tenants have used this opportunity to soak up the better standard premises, with the result that most of the vacancy now involves older, plainer premises.

As we have previously mentioned in these columns, locally owned businesses, once established, tend to purchase rather than rent their office space, and then tend to stay put. For these buyers, size, standard of fit out and presence of on site car parking are the main considerations. National tenants invariably lease their premises, and energy efficiency and location feature more heavily in their checklist. National tenants are better able to afford a premium for modern premises, whereas local businesses will often make do with second grade premises.

Our advice for investors is to aim for modern premises in central locations, in order to attract national tenants, and leave the secondary type properties for owner occupiers.

South Australia

ADELAIDE

The middle market of Adelaide's office sector would fall somewhere in the range of $1 million to $3 million. This amount of money could secure a part or whole floor in a high rise building in the CBD, a small one or two storey building in the CBD frame, or various offerings in the city fringe. The city fringe precinct sweeps from north Adelaide around through Kent Town to the east along Fullarton and Greenhill Roads. Office property in fringe locations is well represented by converted character dwellings and large strata units within office buildings and also includes modern in-fill often low rise developments.

Demand for the city fringe remains constant and vacancy currently sits at 6.1% across all grades compared to 9.5% for the CBD (as reported by The Property Council of Australia - PCA in January this year). Reflected in the fringe vacancy rates is the growing demand for prime and A grade office space.

This increase in demand for quality has been occurring across all commercial sectors in Adelaide.

Overall transaction activity in the fringe along with those in the middle market remains low however this is in part due to limited opportunities being available. Both investors and owner occupiers are active in this market sector.

When put to market prime grade properties have been achieving yields below 8% and net rental of $200 to $250 per square metre. Rental rates have only contracted slightly however incentives appear to have increased to around 15%.

The South Australian Government has recently announced a plan to introduce an annual levy of $750 per carpark located in the city. This has the potential to place considerable financial stress upon businesses which are already facing the pressure of difficult economic times. Both tenants and owner-occupiers who will ultimately be responsible for paying the levy may consider relocating to the city fringe in order to avoid this tax. On the flip side those already owning car parks on the city fringe may find that these increase in value as potential demand for their use increases or the spaces themselves become more sort after.

GRADE	VACANCY RATE	STOCK (SQM)
A	1.7%	34,597
B	6.7%	39,354
C	6.1%	132,672
D	9.1%	7,120

(Source: PCA and HTW Research)

Commercial

Queensland

BRISBANE

We have witnessed a poor performing office market over 2012 which has been related to the heightened investor uncertainty and weak office employment. Ongoing job cuts in the finance and government sectors have lead to a reduction in the demand for office space and a resultant increase in the vacancy rates and incentives within the Brisbane CBD and fringe office markets.

The Brisbane CBD office market has seen vacancy increase from 6.2% in January 2012 to 9.1% in January 2013.

In similar fashion the Brisbane fringe office market has seen vacancy rates rise from 7.5% to 9.6% for the same period. These vacancy rates are forecast to continue to increase for both the Brisbane CBD and fringe office markets in 2014 up to 10.7% and 9.5% respectively.

New office supply in the market during 2013 is to contributing to the increasing vacancy rates with a projected additional 21,315 square metres being added to the Brisbane CBD and 49,420 square metres being added to the Brisbane fringe throughout 2013. There is limited new stock to be added to the CBD in 2014 which will at the very least see a stabilisation of the vacancy rate within the CBD and a forecast return to single digit total vacancy factor of 8.8% in 2015. The fringe will see projected additional supply of 31,220 square metres in 2014 which is forecast increase vacancy rates in 2015 to 10.3%.

We are seeing a two tier office market within the Brisbane CBD and fringe as outlined by the Property Council of Australia's Consensus Forecast Autumn 2013. The Brisbane CBD is reflecting prime face rental rates of circa $716 per square metre per annum with incentives of 24% of the gross income over the initial term. While the Brisbane Fringe is currently reflecting prime face rentals of $600 per square metre per annum and incentives of 20% of the gross face income over the initial term. This is in contrast with secondary assets which are showing rental rates of $540 in the Brisbane CBD with higher required incentives of 28% and rental rates of $450 per square metre per annum in the Brisbane \ fringe with incentives of 20%. Incentives within the Brisbane CBD and fringe are expected to increase through to 2014 in order to attract tenants in an office market with increasing vacancy rates.

The prime office market in the Brisbane CBD is currently reflecting yields of circa 7.4% while the secondary market is reflecting yields circa 8.8%. The Brisbane CBD yields are expected to remain relatively stable through 2014 and 2015, maintaining

the disparity between the prime and secondary assets. The prime assets within the Brisbane fringe are currently reflecting softer yields circa 8.5% with secondary stock reflecting rates of 9.5%.

Prospects for commercial office investors in the price point circa $3 to $6 million are considered to be within the fringe with an area of particular note being the urban renewal suburbs of Fortitude Valley, Newstead and Bowen Hills. This is an area where many businesses that are currently located within the Brisbane CBD are moving to in order to take advantage of new developments with lower gross face rentals and with incentives circa 20%. The rentals for prime Brisbane fringe properties are forecast to increase through to 2014 and 2015. The circa $3 to $6 million price point is considered to be the softest area of the commercial office market as there appears to be less market depth as it is below that which institutional investors are attracted and above what is achievable for the entry level property investor.

GOLD COAST AND TWEED COAST

There have not been any dramatic changes in the Gold Coast office market over the past few months and the market segment could be characterised as depressed but steady.

> The January Property Council of Australia (PCA) figures indicated a vacancy rate across the Gold Coast office market of around 20%.

However, the combination of very limited new development and feedback from active local agents that there has been slight positive take up, could mean that the July PCA figures will dip below 20% for the first time since January 2009. If this occurs, it would have a slight positive impact on the market, perhaps not in terms of value levels, but in regard to the future outlook for this segment.

At the lower end of the market, sales of strata units in areas affected by Receiver sales or within aging buildings generally reflect floor area rates of sub $2,500 per square metre. These include sales of units within Southport Central, Southport, units within Bundall, secondary units within Robina and Varsity Lakes along with a number of fringe areas such as Labrador, Upper Coomera, etc. Furthermore, there are still properties available at these levels in these areas for potential purchasers looking to buy.

The focus of this issue is, however the middle market. We have searched our database for office sales which have occurred over the past year for prices of between $500,000 and $235 million. Five examples have been provided below.

- 7 Cloyne Road, Southport is an older style two level, freestanding office building which was sold in August 2012 for $775,000. The building is of a basic quality and is in a secondary position within the Southport central business district. The building has an area of approximately 468 square metres, with the sale price reflecting a building area rate of $1,656 per square metre.
- Lots 30315-30318, Southport Central, Southport are four modern style strata units which were sold in-one-line in November 2012 for $864,000. This complex has suffered from an oversupply and Receiver activity, with the sales in the building reflecting fairly low rates. This particular sale reflects a floor area rate of $2,000 per square metre, based upon the floor area of 432 square metres.

84 Brisbane Road Labradore

- Lots 1 and 11, 84 Brisbane Rd, Labrador comprise two modern style units which were sold in-one-line in February 2013 for $800,000. The units have a total floor area of 470 square metres, with the sale reflecting a floor area rate of $1,702 per square metre. This rate is substantially lower than previous sales within the complex.
- Lot 508, Eastside building, Robina, is a modern style 138 square metre unit which was sold in August 2012 for $665,000, reflecting a floor area rate of $4,819 per square metre.
- 112 Siganto Dr, Helensvale is a modern, freestanding building which was sold in September 2012 for $2.05 million. The building

is located in a showroom and service industrial area on the northern Gold Coast. The building has a floor area of 722 square metres, with the sale reflecting a floor area rate of $2,839 per square metre.

In terms of high end office sales, the Austar building at Robina has recently been placed under contract for $33.1 million. This is a six level, 9,595 square metre A grade building situated within the central retail and commercial area, being within close proximity of the Robina Town Centre regional shopping centre. The building is fully leased to Foxtel for a 15+5+5 year term, which commenced in 2001. We have calculated the passing yield to be 12.27% and the IRR 11.84%. The building area rate equates to $3,461 per square metre of floor area.

In summary, although the market remains subdued, it appears to be more stable and there appears to be some slight improvement in regard to the vacancy rate. Good sales and leasing deals can still be had, however it will likely be some time before substantial increases in value are seen.

SUNSHINE COAST

The mid tier office market on the Sunshine Coast is made up of a range of properties. From stand alone, smaller buildings within central business locations, typically over 15 years old, to modern larger strata titled offices. This market is considered to range in value from approximately $500,000 to $2 million and appeals to a range of the market including owner-occupiers and local to regional size investors.

Given overall value levels for the office market ranging from approximately $2,000 per square metres to $4,000 per square meter depending on location, quality and age of the property, this mid tier market can range in size of property from approximately 150 square metres to approximately 1,000 square metres in lettable area.

This market was particularly active approximately four to five years ago as a number of local professional firms were looking to secure upgraded space within central locations as well as within new developments that were taking place within areas like the Kawana Business Centre. However, as the GFC impacts hit the Sunshine Coast, particularly for service firms that were connected to the construction industry, business confidence fell and therefore a number of investment decisions and expansion decisions were shelved.

This coincided with significant levels of supply of this type of stock hitting the market with developers targeting this mid tier market. With the drop in demand from the traditional owner-occupier market, limited demand for leasing and increased levels of supply, value levels began to drop along with rental rates.

Overall vacancy levels on the Sunshine Coast have maintained at a fairly stable rate over the past three years, even with increased supply entering the market. Future development of a number of sites has been put on hold, which may help drop vacancy rates over the next 12 to 24 months and help to stabilise this market.

Local business confidence has begun to improve, this may help local businesses make decisions around their expansion plans and can lead to increased demand from owner-occupiers and also take up of new leased space, which will also help the investment market.

With improved local business confidence and limited supply entering the market over the next 12 - 24 months, we are hoping that the office market will stabilise and may begin to show some positive signs in certain locations.

TOOWOOMBA

Mid level commercial investment opportunities in Toowoomba are generally limited to larger strata-titled office suites and medium size stand alone office buildings with floor areas of between 250 and 500 square metres. The stand alone buildings will often be multi-tenanted and require a higher degree of management. The mid level sector in Toowoomba will usually sit in the $750,000 to $1.5 million price range.

Leasing activity in the Toowoomba office market is still considered moderate with little movement in rentals evident.

Supply also appears to be relatively static with no major office developments expected in the near future.

Yields in this sector will vary depending on the quality of tenant, lease expiry profile and age of building. Fully leased buildings will generally achieve a net yield of between 8.75% and 9.5%. Local agents are currently reporting a high level of investor enquiry but sales activity remains relatively low with good properties appearing to be tightly held.

The Fraser Coast office 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.

Owner-occupiers are generally the most active at present with rates per square metre ranging from $2,400 to $3,500 with the upper end of rates predominately within highly exposure locations such as The Signature Building. Investors in this building are also active with yields ranging from 8% to 8.5% with pricing sub $650,000. There has been little activity above this value and softer yields likely. These yields are being achieved as a result of strong tenancy profiles and good lease terms. Vacancy levels are generally stable with adequate supply and there is currently no new stock available or under construction.

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

MACKAY

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

The most significant impact to the market will be the completion (in late August 2013) of a six level, 7,000 square metre office building currently under construction at 44 Nelson Street for State Government tenants. Additionally to a new building currently under development in the Mount Pleasant Greenfields precinct which will contain another 3,682 square metres and will be partially occupied by Centrelink.

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

Understandably, sentiment amongst investors has deteriorated and there has been very little sales activity of commercial office properties above $1 million.

Buyers would no doubt be fearful of a potential erosion of investment returns as current leases head toward market reviews in a softening rental market.

We are aware of a conditional contract over a modern office property presently under conditional contract at over $2 million. The contract price reflects a yield of 8.88%.

The recent auction of a modern, 2,031 square metre 2-storey, office building comprising three tenancies and fully occupied by two state government agencies was held on 17 May 2013. There were four registered bidders and one bid of $5.2 million was received from a private investor before the property was passed in. This offer was later increased. We understand that the owners will accept a price which would show a net yield in the range of 9.25% to 9.75%. This result demonstrates a level of interest in larger office properties however investors now require a higher yield than what would have been acceptable two to three years ago as a measure of the increased risk profile due to the looming increase in supply.

GLADSTONE

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

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

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

CAIRNS

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

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

incentives, but modern, good quality green star rated office buildings have sustained existing rental levels.

> Demand for office accommodation is slow at the present time.

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

TOWNSVILLE

Residential dwellings converted for commercial use are becoming increasingly popular for small business owners looking for a mid entry level freestanding property with frontage and exposure to a major thoroughfare.

Stand alone converted offices are prevalent in the southern section of Thuringowa Drive, Kirwan which has become a commercial/medical destination recinct due its proximity to public transport and infrastructure, commercial/retail amenities and the increasing number of commercial and medical specialist suites that have been established in this area in recent years.

Such premises are also increasingly prevalent along sections of major arterial thoroughfares including Ross River Road, Thuringowa Drive and parts of Kings Road.

Such assets can generally be acquired for prices ranging from $400,000 to $600,000 (approx) with price variances influenced by location, level of exposure, car parking provisions, size, utility and condition of improvements. This entry level office product generally attracts owner-occupiers with yields below 8% generally indicative to be the range for this type of investment. A likely gross rental return for a commercial premise at this price point might be in the order of $250 to $400 per square metre.

While the majority of the properties in these areas remain principally residential in use, we anticipate that there will be increasing interest from medical specialists, legal and accounting professionals, and similar businesses, over the medium to long term. This form of property meets a high level of important criteria including ease of conversion to commercial use; exposure to main road; relatively easy access and entry; proximity to commercial and retail nodes; and the relatively low level of outgoings.

Mid level office properties in the CBD typically comprise strata titled premises and while these units trade at an attractive price, leasing can be difficult due to the current high levels of vacancy in this precinct, especially for those units having inferior exposure characteristics.

Northern Territory

DARWIN

Darwin's office market is a vital component of its liveability, and liveability is the major focus of the Darwin CBD Master Plan Project which is now gathering steam.

In a few recent gatherings, it was pointed out that the Master Plan will not be a goose-stepping nasty zoning infliction approach to planning. Instead it is intended to provide a framework to allow the dynamic and innovative improvement of Darwin's capacity to realise the higher lifestyle values of its citizens, not only in monetary values.

In so doing, while noting that the Economic Intelligence Unit ranks Melbourne No. 1, Adelaide No. 5, Sydney No. 7 and Perth No. 9 in the world's 10 most liveable cities - and that Adelaide is the only Australian city to feature among the world's 18 most liveable cities in a National Geographic Channel series – the plan is to look north as well as south in deciding the Master Plan for the next 20 years. Darwin is also rated globally – as one of Lonely Planet's 10 top cities to visit – and that 'gateway to Asia' aspect of Darwin that should provide "la difference" to be saying "viva" about.

The capitals of five other countries are closer to Darwin than Canberra, and Singapore, Kuala Lumpur and Manila are about the same distance. I travelled with a group of Darwin valuers which recently returned from a trip to Manila. My return ticket cost around $200 much less than to Canberra. The expansion of Darwin International Airport is now underway, and similar bargains to destinations like Bali are available from time to time, which enables people travel there for the weekend.

This combination of Darwin as the urban gateway to the outback – which includes many of the world's most ancient cultures and landscapes - on the one hand, and Australia's gateway to the world's most dynamic modern region on the other will, if properly managed, make Darwin an even more special town than it is already.

That won't happen without good planning and implementation though, and in that there could be problems. Costs are a major issue – including property and rental costs – and a study has been released warning Darwin of the danger of a 'boomtown syndrome', which can afflict small towns with major projects (such as Darwin's with Inpex and other potential gas-related projects). The study also noted that "economic benefits are invariably smaller than were first anticipated" something Inpex warned us about but we weren't really listening. With the vacating by Conoco Phillips of several floors of space to manage their business from the far more distant Perth, the short term future for the office market here looks a good deal quieter than the long term one.

Regards the current office market's dynamics, the big kahuna is the Charles Darwin Centre. On-site works are underway, and the owners of Darwin's existing offices are beginning to offer enticing leases with terms that – quelle surprise! – are not timed to become vacant just as the Charles Darwin Centre's space comes on stream in 2015.

So the office market is in a bit of a regrouping pattern right now, but there should be interesting times ahead.

Western Australia

PERTH

They used to say that it was a "man's world" but in the Perth commercial property market it's definitely an "owner-occupiers world", at least in the sub million dollar space.

> The success of the Western Australian economy has filtered through to the pockets of the middle classes.

If you own a successful small business it's more than likely that you would be better off owning your premises than renting and so, we are seeing an increase in activity from the owner-occupier sector who will, and can out bid an investor.

Anything that is sold with vacant possession or with a relatively short term lease in place, whether that be an office or industrial unit is more than likely going to be picked up by an owner-occupier who will buy on an analysed yield which would be considered inadequate for an investor. Therefore the different motivations between investor and owner-occupier has led to two vastly different values being applicable.

Dependant on a number of different factors, an investor may be seeking a return of 7.5% to 9% on an investment property. On the other hand an owner-occupier would be happy with a yield as low as 5% (analysed).

In the current market environment the presence of a lease is largely considered a detriment. The level of detriment may vary however will be largely dependant upon lease term, review provisions and rental agreed.

As a result, any financier must be aware that in the event a lease is secured on the property, an impact in our herein assessed value may eventuate. Should a lease be secured on the property subsequent to our valuation being completed, we recommend the report be referred back to us for comment.

So if you are an investor, where can you put your hard earned money to good use if these pesky owner-occupiers are about? Well, that's easy. You have to look at commercial property that isn't suited to owner-occupiers. And that is Retail.

Retail is still the domain of tenants who occupy and large shopping centre owners. In between though are the types of retail spaces where the smaller investor can play happily. These are at the ground level of a mixed use development, a strip development or showroom units where tenant demand is good and there is no real threat of an owner-occupier outbidding you.

So what are the yields like and where do I buy?

In the Perth market look for urban regeneration areas like Maylands, Leederville, North Perth and Mt Lawley for retail investment opportunities. Be prepared to accept returns which aren't outstanding because there will undoubtedly be value locked into the land component which means that while yields are affected, you should be compensated by capital growth, so expect yields a low as 6%.

For those chasing pure return, the newly established commercial investment units in developing commercial areas such as Cockburn Central are the place to go.

In the sub one million dollar market yield expectations are between 7.5% to 8% generally but could be as high as 8.5%.

SOUTH WEST WA

The office market in the south west of WA continues to be a story in two parts.

There is a continuing strong demand for new high quality office space in most of the larger regional towns but particularly in the regional cities of Busselton and Bunbury.

Recently completed offices have been readily let for the most part. The majority of these offices comprise smaller areas under 200 square metres and the rental values on these are increasing.

The recently completed office development in the Citygate Homemakers Centre in Bunbury is a good example of this. The demand appears to be coming from government departments and existing businesses who currently occupy inferior office accommodation.

On the flip side, vacancy rates in lower quality, older style office accommodation appear to be increasing marginally however rental rates have remained relatively stable and in some cases asking prices have been reducing.

Purchaser demand appears to be good particularly for lower value, affordable and smaller sized office units.

Many of these purchasers are from self managed investment funds.

Developers in the office market still appear to be cautious however the word on the street is that "if you build it they will come".

Residential

OVERVIEW

With these low interest rates and gradually improving capital city markets, now seems like a good time to consider a property purchase. The $500,000 price point is no slouch and can carry plenty of buying power in markets around Australia. This month's issue should help paint a picture of what the best potential buys are.

SYDNEY

So if you wish to invest in Sydney with half a million dollars, where do you start? Sydney by sheer scale offers a wide variety of options and the savvy investor will look outside their comfort zone when making an informed decision. What are the main drivers? Would it be views, proximity to ammenities, future capital appreciation, rental income that is at the top of the list? These are some of the decisions that need to be seriously considered before starting to Google 'for sale' options.

We have posed the question to our valuers who are in the field, throughout metropolitan Sydney on a daily basis and asked where they would put their own capital. A variety of options are listed for consideration.

Inner Metropolitan Sydney offers rather limited choices at the $500,000 price point. Studio style or 1-bedroom units are about the extent of the purchasing options available. For this reason, only one property would be purchased with this budget in mind.

Waterloo in Sydney's Inner East has undergone dramatic redevelopment in the past 10 years and offers a good buyer option. The area now comprises predominantly high density residential unit complexes. For $500,000 you could buy a semi-modern 1-bedroom unit with single carspace. A unit of this nature would rent for approximately $550 per week making it attractive for investment purposes. Proximity to the CBD and eastern suburbs, established infrastructure and the modern standard of accommodation contribute to its appeal for both owners and tenants alike. In addition to the high rental returns, these units have also seen good capital growth as surrounding areas are also redeveloped. Developers in Waterloo and Zetland (adjoining suburb) communicate with our valuers that demand is still very high for new stock so we predict capital growth will continue into the future.

At the $500,000 price point we see a mix of both investors and owner-occupiers in areas such as Waterloo. Investor interest levels are high due to the reasons discussed above, while it also represents an entry level price point for first time home buyers. Because of the limited opportunities at this price in metropolitan Sydney first time home buyers play a major role in increasing demand levels. This entry price point adds to the demand from owner-

occupiers and investors alike, helping drive capital growth.

Smart property buyers at $500,000 are starting to look for areas they believe will improve on the back of popular suburbs within close proximity. An example of this is the suburb of Marrickville in theiInner west. This area has seen excellent capital growth recently as buyers are priced out of the gentrified suburbs of Newtown and Erskineville which are within close proximity. Buyers having evidenced these price movements are starting to pick up on this trend. There are plenty of other areas where this is likely to occur in time. These buyers will set the trend, and likely dictate when these price movements will take place.

In parts of western Sydney half a million dollars gives you a number of options.

This month we have identified a few areas of Sydney that have the ability to achieve above average growth.

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 due to their affordable prices, location to transport, town centres and surrounding suburbs becoming more expensive. For strata titled property we believe Castle Hill in the north west has good growth prospects due to proximity to amenities and the much anticipated train line to be constructed.

A recent example would include Pendle Hill where an original 1970's 3-bedroom 1-athroom brick dwelling on a 647 square metre block recently sold for $490,000. This house has the potential to rent for around $450 per week. Here you can still purchase a detached house on a decent sized block of land 28 kilometres from the Sydney CBD and 7 kilimetres from Parramatta and within close proximity to major arterial roads and train stations. 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 higher potential for 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 center of Cabramatta becomes more expensive. This sprawl is common all over Sydney as purchasers are priced out of the inner suburbs and look to the next suburb over 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.

Further west and there are suburbs in the council area of Penrith which still provide good value under $500,000 with room for future capital growth.
In particular the suburb of South Penrith shows potential for capital growth in the future. This suburb comprises predominantly 1960's to 1980's built homes on 550 plus square metre allotments. Prices range from $350,000 to $430,000 for 3-bedroom homes and from $380,000 to $500,000 for 4-bedroom homes depending on whether they have been renovated and their position within the suburb. South Penrith is attractive to buyers as for the car commuter you are under five minutes to the M4 and for the public transport user it is only five minutes to Penrith Railway station by car or bus.

As we speak, agents are running out of quality stock to sell as supply starts to dry up and interest rates are at an all time low of 2.75%. These conditions along with smart purchases in strategic areas can lead to solid capital growth.

CANBERRA

When buying an investment property, buyers and investors will often focus their attention on two key outcomes. The capital growth that they hope the property will experience and the annual yield that it could fetch if they chose to rent it out. Given the hypothetical budget of $500,000, one of the top areas in Canberra that fulfils such criteria is Belconnen and in particular East Belconnen.

There are several reasons why East Belconnen is an attractive district for both owner-occupiers and investors. One of the most influential factors is its close proximity to the central business district of Canberra with it being on average only 10 kilometres away depending on which suburb you are in. Not only is it close but the infrastructure leading into the central business district such as highways, roads and public transport are one of or if not the best in Canberra. This is one factor that has historically kept land prices in Belconnen growing more steadily compared to other areas. For example a property that recently sold in the Belconnen suburb of Evatt for $475,000 had an unimproved value of $190,000 back in 2007. The unimproved value rose 53% in just five years to $290,000 in 2013 which goes to show the attraction and demand this area generates.

Belconnen also has a strong concentration of amenities. The Belconnen Westfield is the largest mall in Canberra offering locals an array of products and services.

You also have the University of Canberra located in East Belconnen in which each year draws in students from regional areas, every state and territory in Australia and 90 other countries.

This of course has a huge impact on the demand for rental properties in the area by not only the students but also the staff who work on campus. This is crucial for investors who want to know that their property will continually fetch good yields regardless of other factors such as the upcoming federal election.

Obviously the market range of value in the area can vary depending on suburb, land size and dwelling size. However there are many properties within the district that can be purchased for $500,000 or less that benefit from the factors discussed above. For example the average sale price for East Belconnen in April 2013 was $460,000. This confirms that whether you are an owner-occupier or investor, Belconnen has many factors that can make your decision to buy in the area a profitable one.

WOLLONGONG

On the whole, last year saw reasonable capital growth in the Wollongong residential market with property prices. There is definitely more activity in the market as reported by most agents and short sale periods are becoming the norm, indicating the market is on the move.

Vacant land sales in Shell Cove and Flinders have continued to sell at a steady rate, at or near the asking price. There is still a trend though where land prices and improvement values are not converting into market value, indicating vacant land values maybe overheated, coupled with a lack of sales data for higher end (over $600,000). Properties overall we predict land values will remain steady.

The northern suburbs continue to show good capital growth. In particular the suburbs of which are close to beaches, shops and train stations are highly sought after. New land releases at McCauleys Beach have tended to sell well at under $500,000 in most cases. The market is still untested with completed homes in this area, but market values will become evident as the come onto the market in the next six to 12 months.

As noted last year, Shellharbour Village down south has shown good capital growth with further price rises expected in 2013, as demand for property close to beaches and local shops continues to hold firm. An older house can still be purchased for around $450,000 in the Village which represents good buying. In particular the continued talk and prospect of the marina development is likely to boost demand in the area.

The Wollongong LGA investor with a lazy half million to outlay has a number of options in 2013.

Postcode 2519 is our pick for the short to medium term - suburbs such as Balgownie, Towradgi, Fairy Meadow and East Corrimal just north of Wollongong CBD. These represent reasonable buying for under $500,000, but stock at this level is becoming hard to find. For this price an older home can be purchased relatively close to the beach. From an investment

perspective, good capital gains coupled with high rental returns can be found in Fairy Meadow, with the suburb benefiting from the expansion of the University of Wollongong, Innovation Campus and an improvement of public transport to and from the suburb. It is also close to the F6 freeway to Sydney. With an active shopping strip, Fairy Meadow is a real CBD alternative.

In Balgownie, 3-bedroom villas and townhouses still appear to offer good buying for around $400,00- to 450,000, depending on quality and location.

Within Wollongong City itself, 2-bedroom units are still a good option for under $500,000. Despite the number of new unit developments in the pipeline, we predict there will be a gap in the market in the medium price units, between $350,000 and $500,000. 2-bedroom units will also provide good rental returns for the investor with a circa $350K unit receiving up to $400 per week in rent. In older stock, a $500,000 alternative is to purchase a couple of 2-bedroom units, which should show a gross return of around $30,000 per annum.

There still appears to be some uncertainty in the local economy in regard to employment, particularly in the manufacturing sector.

We caution that if jobs are lost on this industry the local economy could stall, and this could be reflected in real estate prices.

SOUTHERN HIGHLANDS

In line with the greater trend throughout Sydney and the Illawarra, the market in the Southern Highlands remains steady, with both buyers and sellers having more confidence with a levelling of interest rates in the first half of 2013.

In Bowral, under $500,000 will generally limit buyers to modern townhouses generally priced between $400,000 to $450,000. For those seeking a detached option, a savvy buyer could secure a semi-modern project home in East Bowral, with 4-bedroom houses selling for between $420,000 to $450,000. Quality houses in East Bowral generally secure rental rates between $400 to $500 per week, equating to a gross yield between 5.2% and 5.7%.

The Southern Tablelands offers more choices and affordability to potential investors with lower price entry levels than the Highlands.

Goulburn, with a population of around 25,000 has a steady workforce and is well located close to Canberra and Sydney and on a major highway. Due to the high real estate prices in Canberra and Sydney, the city is seeing renewed interest from investors purchasing their investment properties in Goulburn especially from Canberra buyers. Another growing trend in recent years is people purchasing/renting in Goulburn and commuting to Canberra where a stable employment base still exists.

Depending on dwelling/land size and the quality of the home, values of modern project style dwellings in Goulburn range between $350,000 and $450,000, and generally attract rentals of $350 to $450 per week, representing a gross yield of around 5%. For those seeking capital growth, older style dwellings sell for between $250,000 and $320,000, suggesting that significant value uplift may be possible through renovation.

A real option in Goulburn for the $500,000 investor would be to purchase multiple residential units or townhouse/villa properties for between $150,000 and $200,000 each and rent them out for between $150 to $200 per week. An investor could purchase two or three of these properties for under the half million. This market has shown good capital and rental growth earlier this year and is now considered to be steady.

NEWCASTLE

What will $500,000 buy you in Newcastle these days? Well the market in inner Newcastle is to coin a phrase, going gangbusters. What is inner city Newcastle? Stick a figurative giant compass in the centre of Hunter Street and draw a circle which includes suburbs such as Whitebridge, Kotara, New

Lambton Heights, Waratah and Tighes and Hill and Carrington. Assuming you can cover all those suburbs, anything inside this hypothetical circle is considered inner city Newcastle for the purposes of this column. Obviously places over the ocean don't count; as we understand it the Newcastle City Council is wavering on whether to call it flood liable and until a decision is made, there is precious little activity.

It's well established that the high priced prestige suburbs around the beaches have long flown the sub $500,000 coup with the only properties available under this threshold generally smaller attached units in larger complexes.

Over the previous 12 months there has been property in Waratah, Georgetown, New Lambton, Kotara and Adamstown which fitted nicely within this criteria, however there is plenty of evidence lately suggests the amount of available property under this threshold is diminishing at a rapid rate.

Generally speaking $500,000 in these locations will not buy you nearly as much house as it used to 12 months ago with the market moving rapidly in these locations.

Properties available for sale here are snapped up quickly with over subscription common place.

We know of a recent example of a property in Adamstown Heights that sold $85,000 above a list price of $480,000 with 10 active bidders on one frantic Saturday. This is not an isolated example.

Where to then? Well using the well worn "pebble in a pond ripple effect real estate price theory model whassit" look to those suburbs adjoining those that have already taken off to see where the next price explosion might be. That brings up column favourites Jesmond / Birmingham Gardens. The only difficulty is that prices are well fought after in these locations due to the student influence on all the 'unofficial' student accommodation located herein. Lets look elsewhere then. Now we hesitate to mention. too and don't tell anyone where you heard this but.... we think Nelson Bay and surrounds is ready to consider, if things work out and the economy doesn't think about faltering again, or you know, possibly starting to recover. I bet you didn't think this column would ever say that did you? Go ahead we'll wait while you find a chair to sit down on.... You ready? Good.

For years this column has pointed to this area as being a tough market for investors with falling prices and a high instance of mortgagee in possession proceedings helping fuel the negative perceptions. The eye test indicates that there appear to be more sold signs going up and agents are more bullish than previous years, although several still report that activity is patchy. What is clear is that the lower

priced product is being well received and rental price growth is driving some investor activity. This area appears to be looking up and investors might do well to consider these locations as it appears on the face of it that the market has bottomed and possible uplift might again occur. Two words that might describe the situation are fledgling recovery.

On the flip side we recommend with strong certainty that the new development areas of Gillieston Heights, Cliftleigh, Aberglasslyn and Singleton have reached saturation point with many houses recently finished lying vacant and available for rent. Local agents are currently reporting that some 200 houses in Singleton are vacant and a further 80 or so in Gillieston Heights are all looking for tenants. Asking rentals have fallen quickly from $420 to around $380 and in many cases supply now far exceeds demand which is a dangerous sign for investors. We believe this area, which was the glamour market for speculators who thought they were onto a sure thing with tight rental supply, finding themselves on the wrong side of a quickly changing supply/demand dynamic. Strong words but please be wary of these locations which have until recently been the darlings of investors over the past three years or so. They were a strong investment based off the back of the tightest rental demand situation seen in recent years. This climate is now completely flipped on its ear with falling commodity prices, job losses in the mine and the planned finish of the expressway.

NSW CENTRAL COAST

If you have $500,000 and need to spend it, then take a close look at the NSW Central Coast region - you might be surprised at the benefits of buying here. The region has long been recognised for its lifestyle choices in close proximity to Sydney, but combine this with the excellent real estate opportunities and you won't want to leave.

The northern end of our region is included in the Wyong Local Government Area. Real estate prices are as diverse as the properties found here. Look for older style dwellings in places like beautiful Blue Bay or trendy Norah Head. Circa 1975, 3- to 4-bedroom, single garage homes can be found here and we think this represents good buying.

Newer areas like Woongarrah, Hamlyn Terrace, Wadalba provide good value homes at prices often less than $500,000. Possibly suited more to the young family, it is populated with the typical 4-bedrooms, double garage on good sized blocks.

These are the areas which stand to benefit from future infrastructure projects courtesy of a progressive council.

Summerland Point and Gwandalan are toward the northern most reaches. They are areas that have threatened to do big things in real estate terms and although they are yet to realise their potential, further development in and around these areas may just provide that kick start, but to be honest, there are many that have given up waiting.

Away from houses and into the unit market, The Entrance bore the brunt of the market downturn with a number of developers left stranded with surplus stock and having to sacrifice values and profit to rid themselves of the unwanted stock. Those who have brought units here over the past two years have done well - in fact, $500,000 could easily have purchased two new units at one stage. The supply side of the unit market has just about sorted itself out and we are now seeing some solid purchases of good units, with views and close to the beach and lake for still less than $500,000. If you can keep purchases of units below this level of expenditure, then we recommend it. The Entrance is a lovely spot and very popular with day trippers and holiday makers from Sydney.

The southern end of the region, takes in the Gosford Local Government Area. This is where we find places like Umina Beach, Woy Woy and Ettalong. And this is where the action is. For $500,000, you can buy a modern 3- to 4-bedroom home with garaging and change left over. These areas saw high sale volumes in the last round of first home buyer incentives and it has just kept going from there.

But don't forget places like Narara, Lisarow, and Davistown where sub $500,000 are still found. As property values rise, these are areas well worth looking at, particularly for investors where returns above 4.5% are regularly achieved.

NSW MID NORTH COAST

This month's topic loosely flows on from last months topic, when we considered localities that offered the best capital growth options or returns in the medium term (four to six years). This month we consider the best properties to buy, up to $500,000 (assuming you have a lazy $500,000 laying around).

Recently we have seen good buying for properties in the localities adjacent to the beach and rivers with views. The current oversupply for this segment means there is good competition in this market, with vendors often taking substantial reductions in their asking prices to achieve a sale. Although we do note that beachside properties have generally been over-priced over the past four years, and the perceived reductions in value are often just that properties are really achieving their fair market value.

However, we consider that beachside properties, especially units, are good value at present and present a good chance of strong capital growth over the next three to five years.

In the coastal towns of the region, you may be able to purchase a unit with views, for under $500,000. The more modern 3-bedroom units in the larger complexes still require about $600,000 plus to purchase, and we believe that these localities will show opportunities for good capital growth over the medium term.

We have also seen a large increase in sales of lower value investment (rental) properties. These include low value dwellings, often located in lower socio-economic areas, (up to $150,000) as well as the lower value residential units (up to about $250,000). With rents remaining strong on the Mid North Coast, these properties are showing good returns and are often being purchased, sight unseen, by out of town investors, based solely on these yields, rather than future capital growth.

Small residential flat buildings (up to $700,000) have also been popular. For around $500,000 you may be able to purchase an older style, dated block which may obtain yields of up to 8% depending on the location. Once again yields appear to be of more importance to this type of investor rather than large increases in capital growth (which we consider is, at best, fair).

Although slightly off this months topic, we have noticed a recent resurgence of 'wealth/growth' seminars promoting residential rental/investment properties, on the Mid North Coast. These products are often promoted by interstate companies, selling local land and using interstate builders for construction, and are targeting private investors and self managed superannuation funds. The developers are guaranteeing first year rents which are often inflated and are not achievable after the guaranteed rent period expires.

These properties are showing yields greater than those currently achieved on the stock market. However these yields are based on inflated rental returns which may well be unachievable after the first year, resulting in lower yields. In some instances we have also noticed that the land component can be well above current local market values and building costs are above local building costs. This could lead to future capital growth being non-existent in the medium term, and be the beginning of a two-tiered market.

REGIONAL NSW

The question this month is what options are there in this region for an investor to spent $500,000 on residential property.

Property is traditionally a medium to long term investment. It is also not particularly liquid when wanting to realise any return. The rhythms of the property cycle also need to be observed to gauge the timing of when to buy and sell together with rental demand. These are factors that an investor needs to consider based on their risk appetite.

At present rental demand is in the urban areas of this region. Capital outlay is considerably lower than the major cities of Australia. The average net returns range from 4% to 7%.

Ideally you would split the $500,000 and purchase multiple properties. With that amount it would be possible to own four or five valued at about $250,000 each.

A 1990 circa three bedroom dwelling in Lavington would return a gross rent of $280 to $300. A 2005 circa 2- bedroom dwelling in central Albury or Wodonga of the same value would return a similar gross rental.

Another option would be to purchase a block of flats. These are a little harder to find and therefore there is less choice in location, building age and condition. There are often slight savings possible with out -goings but usually value up significantly less than if the units were on separate titles.

There is also the option mentioned last month of buying property for straight capital gain. This is more difficult to do in the current static market. For this to work it requires purchasing for as little as possible, in a sellable location and right property type, and adding value by way of renovations, additions or just cleaning up the house and surrounds.

So the key in all this is for the smart investor to know their market or obtain independent valuation advice, to understand their personal risk aversion, to buy well and rent high.

Victoria

MELBOURNE

With interest rates at record low levels it would appear that now is the time to buy residential property. If you're one of the many thinking about talking 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 off surrounding areas which has 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

Footscray Railway Station redevelopment

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.

MURRAY RIVERINA

From a cashflow point of view the local market provides numerous options to generate cashflow with numerous sattellite towns providing low entry level houses with good returns given a relative scarcity of rental properties currently on the market. With reasonable houses available from $100,000 to $150,000 it might be possible to establish between two and four rental properties capable of providing relatively good returns. The sting in the tale as always is the reduced potential for capital growth along with ensuring that the tenants are looking after the property.

From a capital growth point of view it might be better to look for opportunities to buy distressed houses in slightly stronger markets where demand will always be relatively firm.

Good quality 4-bedroom houses are generally difficult to find for renters in Echuca so a reasonably priced 4-bedroom house might just be an attractive proposition.

GIPPSLAND

What can you get for $500,000 now? Let's pick a few examples.

Traralgon - High quality, one to five year old brick veneer dwelling with 4-bedrooms, 2-bathrooms, outdoor living, workshop on quater acre block, or two, neat but original 1980s 3-bedroom brick veneer dwellings, or three circa 1960s dwellings earning 6% return.

Hazelwood north - Good quality, 4-bedroom home on five acres with mountain views and extensive shedding and outdoor living areas.

Sale - Older style rural residential property on acreage in well regarded location, or renovated circa 1980s dwelling in good location on large block plus either a new block of land at 600 square metres or a circa 1960s dwelling earning 6% to 7% return.

Golden Beach - 11 vacant parcels of land close to 90 mile beach.

Churchill - Three 1970s brick veneer dwellings, 3-bedroom, in good condition earning 6% to 7% return.

It is a buyer's market, so get moving!!

Baw Baw Shire Region

In the Baw Baw region having a lazy half million to invest would give you a number of options.

With suburban sprawl and the rising cost of housing in Melbourne, Warragul/Drouin is well located to achieve good capital growth over the longer term. The standard well located, close to town/shops station, etc. properties will be good performers in the longer term. These towns are growing and with the country town infrastructure, the time it takes to get from one side of town is increasing rapidly, particularly at peak times.

There are a number of new subdivisions on the fringes of these acres and traffic pressure will surely increase. With the design of the main streets in both these towns it would appear that this is something that locals may have to learn to live with, which will only add to the appeal of those in properties.

The other good buying opportunity at present is vacant land of 4,000 to 5,000 square metres. Particularly in Drouin there is good supply of these vacant allotments and prices have eased from a range of $240,000 to $270,000 12 to 18 months ago, to most sales within $200,000 to $230,000. In the medium term we are of the opinion that any development land will be pitched at the standard building block and these low density allotments will become rare. Mostly good quality homes are built on these allotments and they are becoming higher end properties in this location.

Bass Coast

The region where you would spend $500,000 are predominantly Cowes and Inverloch. The property in the mid capital value sector offers a medium quality single or double storey residence within a reasonable distance of the foreshores and retail areas, which would be offered for holiday letting to achieve maximum return.

These regions have reflected minimal capital growth over the past three years however are showing signs of improvement.

The smart property buyers have already purchased entry to mid level properties in Cowes over the peak of 2012/2013 summer as local agents have reported best volume of transactions in five years.

BENDIGO

With regional unemployment remaining below the national average, relatively low mortgage interest rates, continuing strong population growth within the region and optimism about the economic flow on effects of the 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.

MURRAY OUTBACK

A lazy $500,000 will buy a substantially better than average house in Mildura - and for any investors with the good fortune to be looking to spend $500,000 on an investment property, our recommendation would be to look instead at buying two cheaper properties with a total value of up to $500,000. Gross rental returns are around 6% for residential property in the $180,000 to $300,000 bracket, but drop off to around 4% for properties valued at over $400,000.

For $180,000 to $300,000, there are opportunities to buy either a 1980s or early 1990s 3- to 4-bedroom house on between 650 and 800 square metres, or a newer 3-bedroom townhouse on a low maintenance lot of around 350 square metres. Both will offer similar rental returns.

While much of the recent construction in Mildura has been aimed at the rental market, rather than owner-occupiers, demand for rental accommodation remains strong, and we foresee no dramatic increase in vacancy rates in the medium term. This observation is in part driven by the looming shortage of serviced residential lots on which to construct new housing in Mildura combined with further population growth.

Queensland

BRISBANE

It was said that half mill isn't what it used to be. With the twist and turns post 2008, half a mill is now somewhat what it used to be, but soon may not be what it used to be again. Are you following?

The upshot is this. Brisbane is offering some attractive options if you've got $500,000 in the can and are looking to spread it around. In more heady sellers-market days, the chances of landing something good was slim because buyers were cattle-dogging their way across the top of each other just to lock down some bricks and mortar. While things are firmer in our capital, there is still choice and if you're a buyer who is ready to jump, that's a good spot to be.

Let's start with some attached housing, shall we? Second-hand units have a lot going for them. Large floor areas, renovation potential and well established locations with good amenities are common for these properties. If you're OK with staying at the cheaper end of things, you can most certainly pick up something dodgy within five kilometres of the CBD that will never be without a resident. It might be pre-1975, but the fundamentals will be good. Try any near city, walkable suburb that has a café strip and a lot of appeal. It's even better if the tenant base is obvious – universities, hospitals and nearby places of employment. Shop around, be ready to jump and you will be sitting pretty.

If your wish list is for something a little more modern, then the 1980s have been back in fashion for some time now. A 2-bedroom, 1-bathroom unit circa the era of bubble skirts and shoulder pads will be a goer. Try areas such as Stafford, Nundah and Kedron. We do bang on about the busway here but it is further evidence of how these locations are being very swell serviced. If you're looking south, then Greenslopes or Coorparoo should have something. For $30,000 to $40,000, you can turn drab into fab and have the tenants begging to be let in. The sale price for one of these is anywhere from $300,000 to $400,000. The good thing is this – rent is now around 5% to 5.5% gross. The second best thing is that these returns feel sustainable. We wouldn't expect to see much fall below 4.5% because all of these locations provide plenty of infrastructural support. There are shops, public transport, the Airport Link Tunnel and have I mentioned the busway yet? I did? Well here it is again – busway! For the southern suburbs listed above there's been the completion of two stages of the Eastern Busway to Coorparoo and plans to complete this busway to Capalaba.

If you're a first homebuyer then a strong option will be a post-war dwelling providing average quality 3-bedroom, 1-bathroom accommodation in mid-ring suburbs such as Wavell Heights and Stafford on the northside, or Tarragindi, Holland Park, Salisbury and Carina on the southside. While the dwellings are generally of original/average standard, they have 'value-add' potential.

A lick of paint and some new carpeting will go a long way to boosting the value.

There's plenty of floor area and yard to enjoy for your first pad and the security of anchoring your capital growth in the land component. Properties like these are fetching in the $400,000 to $500,000 range and by lying within the six to eight kilometer radius of the CBD, capital gain possibilities are very good. Also, facilities and infrastructure are appealing in these areas so even if you decide to upgrade your abode and retain this one as an investment, there should be no difficulty finding a renter.

Finally, we note the town-planning effect. Entry level homes in Mount Gravatt and Upper Mount Gravatt between $450,000 and $500,000 are extremely desirable if they lie within the low to medium density residential designation. There are some pending changes to the town plan that mean better densities and development potential. There are plenty of buyers looking to secure their first development site in order to make some redevelopment dough. As a result, gross yield on some of these sites are as low as 4.5% as purchasers take what's on offer, put a tenant in, and wait for the right time to produce some townhouses or split up a block. If it's still possible to buy a site like this at a reasonable price, you might find some good short term gain. Be warned though, there are inherent risks.

GOLD COAST AND TWEED COAST

As compared to 2012, 2013 has seen an improvement in sales activity and also an improvement in value levels in some market segments. Some of the market which has seen improvement in value levels include:

- Housing in the under $500,000 price bracket in central areas such as Robina, Varsity Lakes,
- Mudgeeraba, Palm Beach, Elanora and Tugun. Duplex units in the under $400,000 price range at Miami, Burleigh Waters and Palm Beach.
- Beachside lowrise units in the under $400,000 price range at Burleigh Heads and Palm Beach.
- Townhouse/Villa unit markets in the under $350,000 price range at areas such as Varsity Lakes, Reedy Creek, Elanora and Mudgeeraba.

However in the last month or so, uncertainty seems to have returned, and it appears that the overall property market has slowed again. Is it costs of living, a looming election or stock market fluctuations?

In these continued uncertain times, it would not be prudent to be investing for capital gains, rather it would be prudent to be investing for return. The locations and property types for residential property investment would still be the market segments as mentioned above. Some recent examples of sales are as follows:

- 5 Tawarri Crescent, Burleigh Heads sold in February 2013 for $542,500. Estimated rental between $450 and $500 per week.
- 36 Brier Court, Varsity Lakes sold in August 2012 for $312,000. Estimated rental approximately $400 per week.
- Duplex unit 1/30 Macaw Avenue, Miami reportedly recently sold for $330,000. Estimated rental at $350 per week.
- Townhouse Unit 8/88 Old Coach Road, Mudgeeraba is currently under contract for $267,000. Estimated rental at $340 per week.

In the northern suburbs of the Gold Coast, the older developed residential areas tracking along the Broadwater namely Southport, Labrador and including Biggera Waters are worth investigating. They have excellent infrastructure being in close proximity to the central business district of Southport with proximity to a number of schools, hospitals, services, commercial and will benefit by the new light rail development.

Within these areas we would recommend investors identify the 'residential choice' (i.e. RD3 to RD6) designated parcels which allow for future low density development. Typically these will be older style single unit dwellings providing short to mid-term holding returns. The better buys will be those with the largest land areas, widest street frontages and free of environmental issues. (Note in these areas there would be good opportunity below the $500,000 range).

Other stand out areas are Paradise Point and the Parkwood/Molendinar areas lifted by the recent development of the new Southport Hospital, expansion of Griffith University and the new light rail system. Generally speaking location factors to be considered are proximity to Broadwater and established infrastructure.

I believe that the Gold Coast is at the bottom of its doom crash cycle and the time is right for investment (with some vey recent positive sales indications already taking place). I would be buying as many properties as I could as long as they are well geared with rental return. (The areas above should ensure competitive market yields with rents remaining generally buoyant in during the fall of the market).

These opinions generally are applicable to both the investor and home owner-occupier buyer .

Costs and Investment yields

Typical sales of 'residential choice' allotments $325,000 to $425,000 estimated rental returns (per week) $400 to $525

Yield on investment of $375,000 returning $450 pw
Gross income (2 week vacancy) = $22,500

Less Outgoings (estimated) = $5,000
Net Income $17,500 / $375,000
Rate = 4.7%

Currently, Upper Coomera and Ormeau are two hot spots for those looking to spend circa $500,000. Good buying can be found in most of the Upper Coomera estates and Jacob's Ridge (Ormeau) and Ormeau Ridge. Typically these properties are modern on larger blocks, well appointed with some including swimming pools and good levels of landscaping. These properties are attractive to both owner-occupiers and investors as they provide reasonable returns on investment and good prospect for capital growth as facilities/amenities continue to improve.

For those seeking weekenders/holiday homes and affordable rental properties, Tamborine Mountain and Jacobs Well have experienced significant price corrections. They now offer very good value in the sub $350,000 price bracket not witnessed since the peaks of mid 2000s. While capital gains may not be realised in the short term, these areas are now showing signs of stability are worth considering as entry level investments and lifestyle properties. With $500,000 to spend and a medium/long term ownership horizon envisaged, it would be reasonable to purchase freestanding dwellings in both of these areas and enjoy the versatility they offer.

SUNSHINE COAST

At the risk of sounding like a broken record, areas close to the coastline, close to amenities and/or providing views give some of your best options when it comes to spending a cool $500,000. We have seen some confidence returning, and there are some areas where the boat may have been missed, but not by much.

The Kawana stretch and some inner Caloundra, Maroochydore and Noosa areas have seen some of the rot stop with a slight firming in values being experienced on the back of this returned confidence. Houses were beginning at the circa $400,000 price point, but with stock around this level drying up the price point appears to be around the $450,000.

The unit market has also seen an increase in popularity over recent times in these inner areas. This has been largely for more permanent living style home units appealing to the buyer that wants to be able to lock and leave. They typically offer 3-bedroom, 2-bathrooms and 2-car accommodation and are of a good size providing a viable alternative to a block of land and house. An example of this is the Cotton Tree area of Maroochydore, close to river, beach and cafe's with prices in the circa $500,000.

Rural residentially there are opportunities throughout the hinterland. The options tend to be for older properties (10 to 20 yrs old) close to the various hinterland towns. The big positive for these properties is that the purchase prices still tends to be below what it costs to develop/replace the property. This, you would have to think, should hold you in good stead in the future as the strengthening market moves out to these areas.

As with any crystal ball gazing there are a few caveats that bear consideration. As we move into the winter months, we move into the quieter time of year with typically less people around and subsequently less activity. The second factor that we think is currently impacting the market is the looming federal election – a period when people usually put their major decisions on hold. This will also dampen activity over the coming months and possibly put pressure on some vendors.

The possible slow down may be the opportunity you need to jump into the market and negotiate a bargain.

Because when summer comes, and the election passes, there is no telling what mindset the market will be in.

DARLING DOWNS

The Toowoomba median price is currently sitting at $324,000, demonstrating growth from the December quarter of 2012 which reflected a median price of $311,000. The Toowoomba property market is undergoing growth as increased buyer interest from absentee investors widens the buyer profile of Toowoomba property.

Suburbs that contain housing in the circa $500,000 price range include East Toowoomba, Rangeville, Middle Ridge and in satellite suburbs such as Hodgson Vale and Highfields.

East Toowoomba is considered a prestige suburb of Toowoomba which maintains consistent growth in value. The colonial style and location to schools, parks and shopping are positive features which appeals to a wide buyer profile.

This East Toowoomba house below comprises 3-bedroom, 2-bathroom plus study located on a 726 square metre lot currently advertised for $490,000.

Middle Ridge is a relatively new developing suburb with modern houses well located within close proximity to schooling, shopping and the golf course.

A Middle Ridge brand new, modern 5-bedroom, 2-bathroom house is located on 727 square metres currently advertised for $515,000.

Rangeville is located to the south-east of the Toowoomba CBD, within close proximity to shopping, primary schools and parks. The positive features of Rangeville is location and the overall well maintained residential amenity.

An example sale of a Rangeville home, refurbished, 5-bedroom, 1-bathroom modern dwelling is located on 809 square metres currently advertised from $480,000.

Satellite suburbs of Toowoomba have experienced growth as a result of limited demand and increased buyer interest and are expected to continue to show growth in values throughout 2013.

Hodgson Vale is a new developing rural residential suburb comprising modern housing on acreage sized lots approximately 10 kilometres south of Toowoomba CBD.

A 2012 built, 5-bedroom, 2-bathroom Hodgson Vale home is located on a 4,013 square metres lot is currently for sale for $510,000.

Highfields is continuing to experience rapid expansion with further development planned for schooling, shops and parks. Located approximately ten kilometres to the north of Toowoomba CBD.

This modern, 4-bedroom, 2-bathroom house is located on 1000 square metre lot within close proximity to shopping and parkland. Currently advertised for $499,000.

Following the adoption of the "residential choice" zone by the Toowoomba Regional Council combined with increase enquiry from absentee investors, there has been a considerable increase in residential unit developments particularly in the suburbs of Kearneys Spring, Glenvale and Wilsonton. As a result of this we

have seen an increase in sites being advertised for 'potential development'.

The supply of vacant land within the city boundaries of Toowoomba is limited. Accordingly larger lots located within close proximity to schools, parks and shopping are identified as a rare investment opportunity and are often achieving a premium value.

In East Toowoomba a 2,197 square metre, regular shaped lot with range side views was advertised with subdivision potential, however there are no development applications recorded against the property. Sold for $515,000 to an out-of-town buyer.

ROCKHAMPTON

There are plenty of opportunities across the Rockhampton region that the owner-occupier or investor can spend $500,000, ranging from renovated Queenslanders, newly constructed houses on large blocks within developing estates, and two bedroom apartments. In some areas half a million can also buy more than one property.

Looking at Rockhampton's south side, in areas of The Range and Wandal, the lazy half million would be buying you a renovated/partially renovated, larger dwelling with four plus bedrooms. This is a sought after area which offers limited capital growth for the short term investors, however owner-occupiers may benefit from improved value over an extended holding period. Unit developments along Victoria Pde on the south side of the Fitzroy River, including The Edge, Empire and Southbank, have been attractive to local and non-local investors where a 2-bedroom, 2-bathroom apartment will set you back around $420,000 to 450,000 and return a reported yield of about 4.5%.

Within new and developing residential estates on Rockhampton's north side, including Forest Park and Paramount Park, sales at the half million mark are generally four plus bedroom modern homes, on larger 800 to 1000 square metre allotments. Properties within Forest Park and estates closer to Rockhampton have been attractive to mainly the owner-occupier market.

To the east of Rockhampton on the Capricorn coast, the majority of properties at this price point are purchased for owner occupation as well. Prestige residential property in this locality has fallen significantly over the past 24 months, however homes in the half a million dollar range has remained steady. The lazy $500.000 can still buy relatively modern, 4 bedroom single level dwellings within a 2 to 4 kilometres radius of central Yeppoon within the past six months.

HERVEY BAY

Owner-occupiers with $500,000 would be able to purchase most residential properties on the Fraser Coast at the current time, including more modest homes on the Hervey Bay Esplanade; good quality modern homes in park residential estates, historic restored Queenslanders in Maryborough or established rural residential properties. While demand may arguably be improving, vendors need to meet the market in order to sell listed properties. A wise purchaser may consider properties with good underlying fundamentals such as near beachside locations or with limited supply in order to benefit from any future capital growth.

Investors are also spoilt for choice with standard new house and land packages starting from around $300,000 in Hervey Bay and returning up to $350 per week in rent. A good negotiator may even be able to purchase two of the more modest 20 year old homes in established areas with $500,000. Rents have also risen in Maryborough in recent years with partly refurbished timber homes achieving around $250 per week. With the bulk of market activity in the city in the sub $250,000 range there is currently ample choice on the market.

Investors seeking a unit or townhouse may be attracted to some well located lower cost complexes in Hervey Bay; close to the beach and urban facilities and seemingly always popular with tenants.

MACKAY

So what can you get for the lazy half million? Still pretty much the same you could last year, although the market has eased in terms of volumes since 2012. Rentals in the Mackay area have fallen significantly over the past six months with vacancy levels blowing out to over 6% (based on REIQ statistics).

> Uncertainty and the slowdown in the mining sector has played a large part in the rental market easing.

In the Mackay market $500,000 can still get you a new and fairly large executive style home in the northern beach suburbs of Blacks Beach, Eimeo, Rural View or Bucasia. For the same price, new but smaller, 3- to 4-bedroom homes could be acquired in the inner northern suburbs of Glenella/Mount Pleasant, or in the newer area of Ooralea to the south. Older style dwellings in all the established suburbs of Mackay can be found under $500,000.

Investment alternatives include older style 2 x 2 bedroom' duplex properties in suburbs such as Mount Pleasant and Andergrove, which would provide slightly higher rental returns compared to executive style housing. With median house prices just over $400,000, it is considered that $500,000 and under will still buy you an older, established good quality dwelling in the close to Mackay CBD suburbs.

If new houses are your go, then as stated above, the northern beaches provide an opportunity for modern on-ground rendered 4-bedroom dwellings for up to $500,000. This is fairly similar to last year, with value levels in Mackay fairly static over the past 12 months.

The difficulty in Mackay is that most new land subdivisions from the CBD to Rural View are now well in excess of $200,000, and with building prices among the highest on the Queensland coast, most of the new dwellings in these locations are in excess of $500,000. To offset this affordability issue, land areas have reduced in a number of estates as well as building footprints on these smaller allotments, with a large quantity of new house and land packages able to be secured for well under $500,000.

GLASDTONE

Modern suburbs of Gladstone, such as Kirkwood and New Auckland offer modern 4-bedrooms, 2-bathroom dwellings for under the $500,000 price point. These suburbs provide average to good quality, modern dwellings.

The residential market in Gladstone is currently decreasing. A potential investor should limit their risk to purchasing one property, as a long term investment. Modern dwellings within these suburbs are attracting between $500 to $600 per week, depending on age, features and the size of the dwelling (with capital growth limited to long term investors).

WHITSUNDAY

If only we all had a lazy $500,000 to invest in the property market, it would surely pull us out of the this bear market.

The Airlie Beach locality has seen a little improvement over the past year but mostly limited to dwellings under $500,000. This improvement is mostly in volume of sales as opposed to value increases.

The unit market has continued to fall in all levels of value and must be close to the bottom of the cycle. Some units remain a questionable investment product given the very high Body Corporate and rates costs.

Last year saw builders and others snapping up the bargin buys of residential land on offer.

This has eased the over supply of land with values firming a little. There is still good land buys available especially in the acreage lots and future development sites.

The Bowen market has eased with investment monies still speculating on future demand by mining and Abbott Point upgrades.

Real estate in Airlie Beach locality now seems cheap compared to the past few years, but we are still in a bear market. How long will this bear market last is how long to hang onto that lazy $500,000 before investing.

TOWNSVILLE

The rental squeeze that was being experienced in Townsville during the first half of 2012 has eased back from vacancy rates below 2% to be trending just under 3% as at May 2013. With median price still remaining soft at $350,000 and interest rates at historically low levels, cashflow/yields provide good opportunities for investors.

The modern suburbs of Idalia, Annandale and Douglas provide quality property within this $500,000 price point and would appeal to both owner-occupiers and investors. These areas are located in close proximity to employment bases including Lavarak Army Barracks, Townsville Hospital and James Cook University. For investors these suburbs provide modern/semi modern homes typically of solid masonry construction and therefore less ongoing maintenance and generally the potential for better tax depreciation benefits.

Properties in the inner city suburbs of South Townsville, North Ward and Belgian Gardens are generally more appealing to the owner-occupiers and offer property within this half a million dollar range. These are typically older style homes having undergone some upgrading/renovation. These areas are typically the first to experience capital growth when the market picks up. Although these are desirable residential locations, the yields are typically not as strong as other areas due to higher home values. Investor stock in these areas typically results from owner-occupiers relocating out of the city but still desiring to hold onto their property. As a consequence these properties are placed in the rental market.

Another market for the $500,000 investment would be the rural residential sector. Again this sector appeals more to the owner-occupier as it is very much a lifestyle choice. Areas such as Nome, Rangewood, Alice River and the rural residential Kelso market provide quality homes for this half a million dollar investment. Although this market experiences the same property market cycle as the traditional residential markets, historically it has not encountered as severe peaks and troughs.market.

From an investor perspective, suburbs such as Kirwan and Condon which are located within close access to the ring road, will get you in significantly below this $500,000 price range offering potential for capital growth and also offer fair levels of return. This option would possibly then allow potential to invest in more then one property.

CAIRNS

In July 2012 our thoughts were that a $500,000 property investment in Cairns would have secured a well located modern executive style suburban dwelling, or alternatively an above average quality apartment in the Cairns CBD, located on the mid to upper levels of a near new high rise unit development. Indeed the purchaser or investor at this price level would have found a large range of sectors, styles and locations available to choose from. However it would have been hard to spend $500,000 on a brand new CBD apartment due to the prevailing lack of unit construction.

Since July 2012 the Cairns market has been gaining momentum in terms of the level of sales, and prices are just starting to lift in the lead suburbs and sectors. However there has been little overall price movement in the market over the past 12 months and $500,000 would have very similar purchasing power in today's market as it did then. Cairns overall is still very much a buyers market and new apartment development is still a complete non-event.

The $500,000 mark in the Cairns market is relative to the current median price level of around $357,000 for an established house (up slightly from $343,000 as at July 2012) and $204,000 for a unit.

With Cairns now poised to advance from the bottom of the residential property cycle into a recovery phase the potential is there for astute investment into the Cairns market.

South Australia

ADELAIDE

Every year at this time we investigate what half a million dollars worth of investment in the Adelaide residential property market looks like. Over the past few years we have mentioned that around this price range (which is more than $100,000 above the current median price) there are still many options available and while generally little has changed, this year for something a bit different we are going to look at two distinct options and characterise them in terms of risk and return.

Our current opinion is that while it appears that Adelaide's property market reached the bottom of the cycle during last year, we are only in the very early stages of recovery and that on a month to month basis we are going to see a bit of up and down movement in capital value.

As such we believe that when considering investing in property the feeling is that there will be minimal capital growth in the short to medium term.

Therefore in the next few years financial gain from investment is going to be mainly attributed to rental returns.

The lower risk or blue chip option would be a 2- to 3- bedroom cottage or attached dwelling on a small allotment five to seven kilometres from the city generally located within either the inner northern, eastern or southern suburbs, which would include Prospect, Norwood, Parkside, Fullarton, Unley and Goodwood amongst others. All of these suburbs are older established suburbs located close to popular shopping strips and centres and dining and café precincts and tenants generally look to move into these areas to enjoy the lifestyle that is on offer as well as the access to and proximity of the CBD.

We consider this to be a lower risk option as tenant demand in these suburbs remains consistent and fairly high. Well appointed property particularly those closer to local amenities and public transport should be fairly easy to rent out and therefore should only experience vacancy very infrequently. Within this rental range of $350 to $500 per week tenant quality is usually good. Gross rental yield currently roughly equates to between 3.5% and 5.2%. Tenant demand should maintain current rental rates with the potential of slight increases over time. As a long term investment, property located in the inner suburbs should also experience solid capital gains, mostly due to location and the limited nature of the market in this price bracket. The feeling is that this middle market sector is potentially the one that will be the first to recover once confidence returns.

The higher risk option would be to buy three 2- to 3-bedroom dwellings in the outer northern suburbs 20 plus kilometres from the city in particular in Elizabeth and adjacent suburbs. From $120,000 to $200,000 you can purchase a basic 3- bedroom dwelling with a living area of approximately 100 square metres, either stand alone or attached, situated on an allotment ranging from 400 to 800 square metres. Some being ex-Housing Trust SA properties, most dwellings in this price bracket are somewhat dated however appearing neat and tidy they provide suitable rental accommodation. Rental rates of these properties range from around $190 per week at the lower end to around $230 to $240 per week for properties at the upper end. Gross rental yield therefore currently equates to between 6.5% to 7.6%.

We consider this to be the higher risk option as tenant demand in these suburbs can be variable and tenant quality can also be questionable. A high number of investor owned properties within these suburbs have the potential to over supply the rental market and this market sector is also highly influenced by financial issues including cost of living and job security. Any of these factors can potentially result in periods of extended vacancy. Current incentives on offer from the South Australian government to stimulate new construction, both first home owners grant of up to $15,000, and the housing construction grant of up to $8,500, may be another factor in reducing the tenant pool with a shift towards home ownership. Capital growth in this area in the short to medium term is expected to be minimal to non existent, with pre-existing dwellings potentially suffering even further due to newly constructed properties favoured by the current grants on offer. Even in the longer term capital growth may continue to be impacted upon by over supply. Once again do your research and know your market prior to making a decision. If you require the services of a valuer we would be more than happy to assist.

MOUNT GAMBIER

In the south east of South Australia $500,000 will enable you to purchase practically anywhere within reason. Few dwellings sell for more than $500,000 and demand for property tends to reduce significantly when the market value is greater than $500,000.

For Capital Growth

In recent years few properties in the area have actually shown capital growth; however some coastal properties have gone against the trend and have increased in value. With an investment of $500,000 you could purchase a property in the Robe or Beachport townships with a ocean view. The better the view the better the investment.

Other areas in the lower south east will need substantial employment growth before any significant capital growth can occur.

For Cashflow/Yield

> In recent years the South Australian Housing Trust has been selling off their unwanted 'Commission Housing'.

Typically they are older stone dwelling's constructed in the 1950s and 1960s and include 3-bedrooms, lounge, bathroom and laundry area. In recent years there has been an over supply of this style of accommodation entering the market.

At the same time the Mount Gambier market has also softened and the general demand by investors and first home buyers has also weakened. The result is that these commission homes are currently good value and show a good return. A semi-detached 3-bedroom stone duplex can be purchased for between $90,000 to $100,000 and achievable rental for these dwellings is around $150 per week currently. Based on this assumption if an investor purchased five (within the $500,000 allowance) they would generate around $750 per week gross and a gross yield of approximately 7.8%. The capital growth would not necessarily be good and the quality of tenant may also be an issue, but the return is pretty competitive.

Tasmania

Where to spend $500,000? Tasmania has a some what diverse range of house pricing. This amount could buy you a lot or not much. For example median pricing in the inner Hobart ring is under $450,000; middle and outer rings are just over $300,000. Head 200 kilometres north and $500,000 should get you two median priced houses in Launceston while to the north west (Burnie and Devonport) you will get two and change. Head west to the mining towns of Rosebery, Zeehan and Queens Town and you could buy five! So where do you go and what do you do?

Firstly as the wise ol' man (or women) once said location, location, location! Buy where you would want to live. And that includes looking for nearby shops, schools and public transport.

Down south in Hobart town we are seeing an increase in the popularity of north, south and west Hobart regions and mostly at the expense of Sandy Bay and Taroona. Buyers are seeking the restaurant/city culture with out the Sandy Bay Road traffic jam. And for $500,000 a federation brick 3-bedroom 2-bathroom on a 500 square metre lot is certainly gettable. Further south in the commuter area of Kingston you will find beaches, excellent shopping, schools, bus's and brick housing under $300,000. Great for investment or a first home buyer.

Back up the highway to Launceston and as we have previously recommended head to Summerhill or adjacent Prospect. Brick housing with 3-bedrooms 1 bathrooms, ample shopping, schools, medical etc flat blocks and gettable at $250,000. Buy two; get $300 per week each and wait for the price rebound (which history has taught us will come again one day)

Down the Bass Highway to Devonport and Burnie on the north west coast, the safe answer maybe to pick up a solid home in suburbs such as Miandeta or Parklands for not much over $200,000. However give thought to some of the smaller towns such as Penguin. Good beach, easy commute to both cities and has adequate facilities. Similar dolllar and arguably a better lifestyle; better for you or a tenant!

OK, who wants to punt? Got $500,000 to lose or maybe win big. Head to the west coast. The negative population drift and end of the mining boom has seen a significant collapse in some pricing. As we suggested you could pick up five houses and maybe still have change. But beware, not that many tenants and maintenance costs could bring cash flows un done. Another mining boom however and you may strike gold

Northern Territory

DARWIN

Where to invest $500,000 in the Territory? These days $500,000 doesn't go too far in the Top End but we'll look at some options available for you if you are looking to invest in the property market in the near future.

While units and townhouses can be found in this price range, if you are looking for a house it narrows down your options quite considerably. You won't find a house under $700,000 around the city so you're off to the northern suburbs or Palmerston where the median house price of the first quarter of 2013 according to REINT Relm quarterly were $572,000 (Sanderson) and $550,000 (Palmerston) respectively.

You can get a good house in Palmerston for that money, however $500,000 is an entry level house in the northern suburbs, and you would need to do some hunting to find one. Both could be the best bet for capital growth because of the lack of land supply in the area which is not meeting demand and pushing up prices. Northern suburbs such as Anula, Tiwi and Karama have some properties pop up in the $500,000 range and because of the increasing population due to infrastructure projects such as INPEX and the housing shortage they could see some increase in value over the next few years.

Owner-occupiers seem to be increasing in the northern suburbs whereas the city seems to be a hotspot for investors because of the high yields on offer with higher demand from tenants for city living.

For a first home buyer however, you could look to a house and land package in some of the new Palmerston subdivisions such as Durack Heights where you can get a very basic 82.5 square metre house on a small 255 square metre section of land for $386,500.

If you are an investor looking more for high returns, then you could look to the city for a unit or townhouse. For the quarter ending March 2013 according to REINT a median unit/townhouse in the city sold for $499,500 and rented for $552.00 per week which shows a 6% gross return on your investment.

In the short term, rents are looking at pushing even higher, however there are a large number of unit developments due to be released over the next few years which may lead to an oversupply situation in the unit market and may see rents recede over time.

Investing in the Top End is a tough gig with Darwin being the second most expensive city in Australia to invest in according to RP data. However the Territory housing market has been one of the most rapidly growing markets in Australia over the past decade and although it seems to have stabilised recently, with its close proximity to Asia and the opportunities associated with mining and gas projects it can still be a good investment option.

ALICE SPRINGS

The Alice Springs area provides buyers with a number of different options in the $500,000 category. A typical house at $500,000 in the suburbs of Gillen, New East Side and Araluen would provide 3-bedrooms and 2-bathrooms. The home would most likely have an updated or renovated kitchen and bathrooms, have a shed out the back and a double carport. Similar homes at this price level would also be available in Braitling and Sadadeen.

The above suburbs are all established residential with good demand from tenants with current rental returns at relatively strong levels. The home described above would typically achieve a weekly rent of approximately $580 to $600 per week. Recent sales have shown and average gross rental yield of approximately 6.2%.

Capital growth in these areas has slowed over the past couple of years with strong rates of growth experienced over 2009 and 2010. Alice Springs has historically shown good rates of growth with the ten compound annual growth rate (based on the median price) for the ten years to March 2013 for a single detached dwelling of approximately 7.9%, slightly higher than the five year figure of around 7%.

Western Australia

PERTH

Buyer confidence has well and truly returned to the Perth market.

The past six months has seen a frenetic level of activity in the Perth residential market.

The March 2013 quarter results confirm this with a rise in the median house price in Perth to $490,000 up 1% from the December quarter and 4% up from the March 2012.

The number of listings is well below equilibrium at about 8,000 and given that 12,000 is considered the equilibrium for Perth listings, this number is alarming.

Agents are once again reporting multiple offers and bidding above asking prices is occurring once again in the market, especially between the half million up to million dollar mark.

The drop in the cash rate to 2.75% in May helped to boost confidence with 25% of households in Perth now indicating they think economic conditions will get better over the next three months, which is almost double the number who thought that in the three months to December 2012.

The risk is that we could have another overheated market on our hands if these conditions continue for much longer.

However there are still pockets where someone can park a lazy half million and which still offers good value for money. One such suburb is Bibra Lake located 20 kilometres south west of the Perth CBD and 12 kilometres south east of Fremantle. Access to the Kwinana Freeway and Roe Highway is good and local amenities such as Adventure World, Stock Road Markets and the Bibra Lake Showroom and industrial areas means local employment opportunities are good. Bibra Lake is also relatively close to other industrial locations including Henderson, Kwinana and O'Connor.

An average 4-bedroom, 2-bathroom house on a traditional sized lot can still be purchased for just shy of $500,000. Renting your house out would give you $480 to $550 per week.

Alternatively, you could have a new 2-bedroom unit in Cockburn Central for around $450,000 which is closer to the freeway and trains to Perth and Mandurah. But my money would be in something with land around it and that's why, if I had a lazy half a million, I would seriously consider Bibra Lake as an option.

SOUTH WEST WA

When I began to write this I had the idea that the market would not have changed significantly at this price point. To this end I looked back on last years equivalent Month in Review and found that I had written the same thing last year.

Having said that, this is still probably a fair assessment of where the market is at right now as it is at this price point that the market has been quietest.

The market up to $400,000 has been quite brisk and the number of properties on the market have started to decline towards a point where supply and demand are broadly balanced. Any further reduction in the number of properties for sale is likely to see demand exceed supply with potential corresponding price rises following.

Some examples of properties sold around the $500,000 mark include:-

- A circa 2009, 3-bedroom, 2-bathroom brick house with metal roof and 3-car garage UMR, alfresco, landscaping, well presented. Parkland and lake views and located in a modern subdivision. Living areasx - 215 square metres. Land Area 661 square metres.
- A circa 1975, 3-bedroom, 2-bathroom renovated brick house with tile roof, gable patio and detached garage. Bushland views. Land Area 842 square metres. Located in an established area within reasonable proximity of the beach.
- A circa 1950, 2-bedroom, 1-bathroom older style asbestos dwelling and with tile roof. Land Area 1012 square metres. Zoned R30. Located in an established area and with development potential.

- A circa 1991 strata unit at rear of commercial complex. Brick and iron office/showroom/ workshop with bitumen parking area. Fair condition, since upgraded by new owners. Zoned - mixed business. Purchased with vacant possession. Potential yield of 6.68% on imputed net market rent of $85 per square metre per annum.

As the sales demonstrate, the options in the south west at this price level are quite varied and with many properties to choose from.

It is still fair to say that this section of the market is however lacklustre and still waiting for a significant increase in sales.

Logic would suggest that this cannot be far away with a stock of lower priced houses having been significantly reduced.

One interesting quirk of the south west is in the regional centre of Bridgetown. It is in the price level of $400,000 to $600,000 that there is significant activity while under $400,000 remains quiet. This is mainly driven by out of town purchasers who have sold on the currently busy Perth city market and who consequently have significant equity with which to purchase a better class of property in a rural environment. This appears to be a relatively isolated phenomenon, but it may spread if the run of sales in Perth continues.

If I was looking to invest $500,000 in the south west market I would still be looking for properties in good areas, particularly with long term development potential. While the current market for development properties has been stagnant for some time, it seems likely that in the longer term, given the continued migration to the west, that increased densities will be needed, making for potential upside on this style of property.

So in a nutshell, if you have $500,000 to spend in the south west of WA, there is plenty to choose from both in numbers and types of properties.

ESPERANCE

As we get into the middle of the year, it could be time for a mid year review of the market performance in the Esperance district. In short, where has it gone? After a promising start to the year with the first three months seeing high sales volumes, activity in particular over the most recent month has nearly stopped. Part of the reason is seasonal with cropping programs well underway, and with an earlier than usual break most are finished, but with relatively low interest rates and a broad spread of affordable housing the lack of recent activity is leaving more than a few scratching their heads.

The residential market in Esperance has seen sound sales volumes and values in the lower socio economic areas as purchasers realise these areas provide some of the most affordable housing in the region, are well located with regards proximity to schools, shopping and recreational facilities and can provide the best return on investment for residential property with correspondingly high rentals relative to capital outlay. Values typically range between $160,000 to $220,000 in this area.

Mid tier market of say $300,000 to $450,000 has seen consistent activity and this range is well represented in volumes and values with a relatively stable correlation between supply and demand. Absent from the market for some time were sales over $500,000 however the first half of the year has seen strong sales above this value and into the mid

$600,000s. Prestige residential property is limited in this area however we have had one sale at $1.45 million (up from $1.35 million only 12 months earlier) and another strata unit with harbour views selling for $950,000.

Rural residential lifestyle properties have maintained their consistency in sales volumes with three sales between $700,000 and $800,000 and a number in the $550,000 to $600,000 range. One larger lifestyle property of 22 hectares with a 3- bedroom home is currently under contract for $850,000.

The satellite localities of the Esperance shire have had little to no activity over the first half of the year with this also a factor of limited supply. To the north, Norseman is still struggling with uncertainty over the local mining operations and Ravensthorpe to the west has similarly seen limited activity.

Encouragingly, the small coastal town of Hopetoun has seen two sales in excess of $400,000 for the first time in over two years which is giving some hope values there may have stabilised and be modestly improving. There is still an issue with an extensive oversupply of property, especially rural residential land, but in time it is hoped that supply will gradually reduce and allow values to recover.

Commercial and industrial sales have flattened.

While some are under contract, settled sales for this calendar year are well down on previous. Those transactions occurring are however still consistent with prevailing evidence dating back over two years suggesting there is still stability in this area. Rural activity is slow for now as we are outside the typical selling season and cropping programs are well underway. There was a strong finish to the selling season earlier in the year with a mix of corporate and private activity. One sale in particular set a new level for good quality arable land in the district. It is hoped this will be maintained when the next selling season commences at harvest.

So after an initial burst, market activity has quietened off but overall sentiment is still very positive for this region. Later in the year we will provide another summary of how things have changed between now and then.

Rural

HERRON
TODD
WHITE
RURAL

OVERVIEW

A quiet month in regards to property sales activity with many areas having spent time in the paddock ahead of what has been very good general rainfall in the Southern part of the country. The dry sowing has paid off so far for those that took the gamble and with commodity prices holding firm for now, some confidence is being noted by many of our team.

The confidence may even extend to the North of the country with Frank Peacocke out of Darwin reporting some sales activity may be realised after almost 2 years of next to nothing since the imposition of the live export ban. The market will be very keen to see what the outcomes of any transactions will be and no doubt many industry players and financiers will be keen to see these results, let's hope the transactions can be settled to give the market some guidance.

While allot of the talk has been about the northern cattle market and the implications of dry seasons,

declining prices etc, it is interesting to note the across each state and territory, the volume of sales has basically halved from the period 2002/2008 and the subsequent period 2009/2013. Given the land in Australia is considered cheap by global standards, all the talk of foreign investment and selling off the farm, it would be fair to think that people, even those not directly involved in agriculture, may be looking at rural property acquisition. So the question would be why is this not translating to an increased volume of transactions across the country.

Today more than even 3 years ago, people are asking the question about what is the return for the investment, that is the economics of the considered land use and forecast income being generated are being analysed more in the decision making. This is impacted by many variables and a good example is the forestry industry which for a period before 2005 and then exaggerated by the MIS industry, forestry could afford to pay a premium above grazing land value to acquire. Today with the price for timber products, the costs to manage the timber growth and processing costs, a recent review of a portfolio reflects that approximately 50% of the properties would revert back to grazing land upon the next harvest which is due in approximately 4 years.

This changing use of the land asset where possible is one of the benefits of owning agricultural land. Ultimately as with any investment the money will go to where best returns can be found over time. Many buyers today with a good balance sheet or friendly bank manager, may be well positioned to buy into this market, the question remains however what will be the catalyst for this to occur?

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Victoria

MURRAY RIVERINA

Buyers over the past few months have been relatively quiet following an incredibly dry finish to 2012 and start of 2013. With good quality widespread rains in late May confidence levels were boosted substantially with the Australian dollar and most soft commodity prices finally moving in the right direction. A couple of relatiely large land releases near Swan hill were offered to market in the preceding quarter with one buyer snapping up the entire parcel of 1,258 hectares at Benjeroop which was dried off as part of the Benjeroop flood buy-back. Portions of the other parcel were purchased though there was limited demand for secondary dryland holdings. Woodsome Lees - a vineyard located in Tocumwal featuring 200 acres of vines planted to four diffierent varieties with an expired contract to supply Casellas winery along with a hoestead and forntage to the Murray River sold at auction for $1.57 million.

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MURRAY OUTBACK

The good rains recorded last month have continued in June and the countryside has transformed into green establishing cereal crops. An additional 50 millimetres of rain fell over several days in much of the region in recent weeks which has set the season up nicely for local dryland farmers.

The Citrus harvest is well under way with the harvest of early navels nearing completion. Growers have reported a very good crop with Citrus Australia reporting that over 75% of the navel crop met the size and quality specifications for exportable fruit. The industry has been buoyed by the recent devaluation of the Australian dollar. Large quantities of Australian navels and easy peel varieties are again being exported to Asian markets including China

and South Korea. Additionally the North American market is back on Australia's agenda, noting that this market was severely affected in recent seasons by the flooding of cut price fruit into that market from Chile. The benefit of the AUD falling against other currencies is significant, as every one cent reduction in the Australian dollar against the US dollar adds around $10 per tonne farm gate prices.

Further to the citrus industry the Murray Valley Citrus Board in conjunction with the Sunraysia Citrus Growers Group has organised a two day Tri-State Technical conference in late June which will include experts from Israel (considered the world leaders in Citrus technology and development) and Spain. The conference is expected to provide local growers with some clear opportunities and guidance in a market that is undergoing significant consumer and market changes.

The Victorian Minister for Water – Mr. Peter Walsh recently announced the signing of the Inter-Governmental Agreement (IGA) for the Murray Darling Basin Plan's (MDBP) implementation and funding agreement. Minister Walsh stated "The two agreements between Victoria and the Commonwealth settle the responsibilities and costs of putting the plan into action".

The IGA and funding agreement provided for Victoria include:

- $14.3 million to develop off set projects to reduce the volume of water required to be recovered from productive use under the Basin Plan;
- $47.3 million over eight years for costs to implement the basin plan;
- A commitment that all affected States will be consulted in the provision for assistance to affected communities;

The agreed arrangements also outline the sustainable diversion limit (SDL) adjustment mechanism, which can potentially reduce the amount of water needed to be taken out of the productive use by up to 650GL.

Additionally a commitment is made to ensure that future water recovery from Victoria does not undermine investment in irrigated agriculture and the communities that rely on food and fibre production; - locally this includes a $103 million allocation for the Sunraysia irrigation modernisation project.

Rural sales activity in the local region has been quiet which is typical for this time of year.

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New South Wales

LEETON

After a relatively dry start to the winter crop season good rain has fallen over the past month enabling winter crops to get a start before the cold really sets in. With summer crops a distant memory thoughts are now turning to the upcoming irrigation season. Initial irrigation allocation outlooks released in March 2013 for the 2013/14 season indicated the potential for good opening allocations but at the time of writing no updates were available.

Locally the rural markets remain steady. There continues limited sales of all property types but the sales are a mix of mortgagee and normal transactions. Vines and citrus property markets remain quiet with a relatively high Aussie dollar still impacting this segment. There remains interest from existing farmers for expansion blocks in both the dry land and broad acre irrigated markets. Recent sales indicate dry land values have slipped back to 2006/2007 levels while irrigated properties are holding following another good summer season with good crop results from rice and cotton through the irrigation areas.

Dry land grazing property sales are still thin on the ground following the dry spring last year.

There still remains an air of buyer reluctance from both existing farmers and investors and talk around the town is part of this is being contributed to the increased difficulty in obtaining farm finance with tightened lending criteria post GFC. The other contributing factor appears to be the looming September election and what farm friendly policies the incoming government will have on offer.

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SOUTHERN NSW AND NORTHERN VICTORIA

The season at present is panning out fairly well in southern New South Wales and north east Victoria. We were given a good start to the season with opening rain in mid March, but then the rain events stopped and so did the tractors. We didn't receive any meaningful rain until late May and cereal croppers had sown a lot of their crops dry. Then we received between 20millimetres and 100 millimetres of rain, which was ideal for most areas and this rain brought sown crops up and gave farmers the opportunity to sow into ideal soil moisture conditions. The ground is still fairly warm so there has been good pasture growth and most early sown canola, oats and wheat crops are up and going. We received significant rainfalls through most of the area in mid June so that has given most areas good soil moisture profile for the season. It will remain to be seen if the rainfall we have received prevents spraying of crops and pastures, and may necessitate aerial spraying in some areas.

It has been fairly quiet on the property front, with few properties offered to the market, which is usual for this time of the year. Farmers are busy on tractors and spray rigs, farms in this area don't look their best at this time, and the usual selling period is early autumn and spring. Early autumn allows the purchaser to sow crops for the up coming season, and spring allows the current owners to have delayed settlements to enable them to harvest crops that they have sown.

The irrigation season has finished and storages are now generally at their lowest points. Hume is at 55%, Dartmouth 92%, and Eildon at 68%. These levels are generally lower than at the same time last year, but last year we experienced a very wet (and unusual) summer that kept storages full and also meant that irrigators did not need as much water. Storages are at relatively high levels for this time of year and most should fill to 100% over the winter months which will be great for the 2013/2014 irrigation season. It will be interesting to see what the water allocation announcements bring on 1st July.

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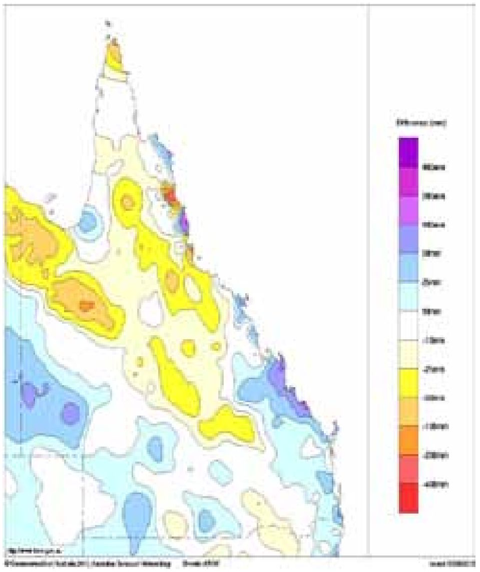
Queensland

SOUTHERN QUEENSLAND

With the end of the financial year approaching, winter is bringing good news for livestock and farming producers alike with wide-spread rain, improved stock markets and a decrease in the Australian dollar.

Looking to the skies, the Australian Bureau of Meteorology is predicting higher than average winter rainfall to continue for most of South East Queensland which has already improved buyer confidence in the livestock markets. The Roma Saleyards have recently seen significant month-on-month price increases in restocking markets which can also be attributed to lower numbers offered and better quality stock when compared to earlier in the year.



The recent drop in the Australian dollar is expected to benefit cotton exporters, who have finished picking and are well into their winter selling period, although most commodity markets are increasing on the whole. Flow-on effects of this change should begin to emerge later in the year while the overall outlook seems somewhat more positive for agricultural industries and perhaps was the case during 2012.

Debate surrounding foreign investment in Australian agriculture has also heated up again with Landmark Harcourt's CEO Darren Cole saying that Australian agribusiness should become more open to purchases from overseas investors, especially when the rural market is struggling.

Although no recent property sales within the South East Queensland region have been attributed to foreign interests, this may become a possibility in the near future.

A recent positive for property owners has also been changes to the vegetation management framework which is expected to ease tree clearing 'red tape' with the removal of certain regrowth regulations. It is too early to tell whether this will have a direct effect on property values, however this is a positive step.

Sales for the region have been limited; however Goondiwindi had one recent sale, being the grazing property of Goondibilla, while another sale of Minoo near Thallon comprising a 3873 hectare mixed farming block is also under contract.

Details are unknown, however future newsletters will provide updates.

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CENTRAL QUEENSLAND

There has been an increase in sales activity across Central Queensland in recent months. An arae which has seen a significant increase in sales is the Central West predominately around Longreach, Aramac and surrounding districts. In light of this we have decided to focus this months MIR on this current hot spot. This region has been very fortunate to receive a decent wet season which has been the catalyst for the majority of these sales, as graziers from further north and come west chasing grass.

Recent sales include:

Brighton Downs a channel country property located southwest of Winton, has sold for $11.75 million after auction including plant and 4,500 steers. The 422,535 hectare (1,043,661 acre) property comprises approximately 15% Diamantina River flood plains and balance mitchell grass downs to harder ridges. Sold after auction to a local grazing family. Previously put to auction in 2011 for $12.5 million including 6,386 head of cattle and full plant.

- Wakefield a 212,074 hectare (523,822 acre) freehold property at Isisford selling for around $5.5. The purchaser has grazing interests in the Boulia district and was chasing grass.

- Rangelands' a 15,086 hectare (37,262 acre) Winton district property has sold for $3.2 million.
- Hillview at Muttaburra has sold for $4.55 million including approximately $80,000 worth of plant. This 16,008 hectare (39,539 acre) sold previously in 07/2007 for $5.3 million.
- Nogo at Longreach has sold for $4.1 million. The 13,002 hectare (32,115 acre) property sold to a local grazier.
- Myrtle Farms a 6,597 hectare (16,294 acre) Aramac property in 2 x freehold titles sold for $1.63 million. Sold to northern grazing interests.
- Corona a 25,064 hectare (61,908 acre) property located between Longreach and Winton has sold for $6.15 million. Reported to have sold to an overseas interest.

Agents report there is still good enquiry, with several properties still on the market in the area.

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NORTH QUEENSLAND

This month has seen little change from last except for the offering of various Camm properties following Peter's purchase of Glenprarie. Victoria Downs, Chudleigh Park, Lolworth and Goldsborough are all good blocks and it will be interesting to see which ones the market will demand. The Camm family have run these properties well during their term of ownership.

There is some positive small talk out west that some cattle prices are improving. Certainly the Eastern States Young Cattle Indicator is at around the $3.15 level up from its bottom at $2.80 while drought cattle were being sold. The level that the EYCI is now is about the bottom of the 2012 market. On a more local note, the QCMI is still at around 158 points which is still well down on last years average of 185 points.

Each year these market indicators do take a seasonal downswing as cattle from the first round of mustering are sold. The impact of dry conditions certainly added to the degree of market variation.

Understandably, with the dry market conditions and low commodity pricing the property market has been slow this year with only three Downs blocks and two forest blocks sold thus far. This may increase shortly as there is some good country coming onto the market now.

There are some positive signs which may enable some more cattle station sales to occur. Interest rates are low, the AUD is softening and the long term demand for our product is positive. This may bring some buyers to the table which would be handy for some vendors.

The dollar certainly has softened now to around $0.92 US. There are suggestions that the Australian Dollar may soften further. This would increase the price competitiveness of our agricultural produce on the global market. It is interesting to review the Reserve Bank Australian Dollar cross rate trends: The Australian Dollar is lower this year against the Chinese Renmimbi, Japanese Yen and the Euro. The Australian Dollar is at about similar levels against the Indonesian Rupee though. Many eyes have been watching for the Indonesian market lately to further increase trade, perhaps there this may increase later this year.

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FAR NORTH QUEENSLAND

The rural property market is starting to become active again in the Far North despite dry conditions in western regions. In the pastoral sector the well regarded Georgetown property Prestwood sold under the hammer for $3.5 million on a walk-in walk-out basis and the lower Cape York property Hurricáne was passed in at auction recently for $2.5 million also on a walk-in walk out basis.

There have been several large transactions of banana properties on the Atherton Tablelands and there would appear to be consolidation occurring in this industry with larger growers expanding and a number of smaller growers exiting the industry. Banana growers have enjoyed a run of reasonable prices in recent months of around $35 per carton however these prices have now come back to around $24 per carton.

There has been a dearth of sugar cane sales on the Cassowary Coast despite a number of properties being on the market. Farm gate price outlook for sugar has created uncertainty and a reluctance to invest in expanding farm sizes. A number of properties are now listed for sale with asking prices below most recent sales transactions.

There has been an increase in MIP sales across all sectors. Of interest is the receivership of Green Oil Holdings, an investment scheme promoted overseas to grow biodiesel trees (Millettia spp.). This scheme only started acquiring properties in 2010 and is yet to harvest any oil. It will be unfortunate if this new industry fails as there are large areas of the western portion of the Mareeba Dimbulah Irrigation Area (MDIA) that are currently under utilised despite being suited to a range of different crop options.

Contact:
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Northern Territory

NORTHERN TERRITORY

As pastoralists in the Northern Territory and Kimberley search for possible alternative income streams available from their leases (which remains fairly restrictive however there are the proposed changes to the NT Pastoral Land Act), some potential obviously lies in the (very hard to gauge) carbon credit market. A carbon credit deal worth over $500,000 between the Indigenous Land Corporation (ILC) and Caltex Australia was recently struck in the form of a Fire Abatement Program. The one off purchase of the carbon credits at $20 each is based on early season burning of the grazing savannah lands, saving excessive carbon released from likely wildfires later in the dry. The ILC own Fish River Station (150km south of Darwin) where the program will be carried out.

Other significant news is the WA Government's confirmation at the end of May that Chinese development company Kimberley Agricultural Investments (KAI) have won the right to develop the 13,000 hectare of irrigation country in the Ord expansion project. The $700 million winning bid includes $200 million in farm infrastructure, $50 million upgrade of Wyndham port and a $450 million sugar mill. However, all going well, a full-scale sugar industry reportedly requires a tad more than 13,000 hectare to function profitably (some say close to 40,000 hectare is required), and while there is reportedly other land to lease or buy in the east Kimberley for development, KAI (and the WA Government) is hoping that the NT side of politics will eventually come to the party with the Territory land already earmarked for future Ord expansion. In the meantime, before the sugar industry is developed in earnest, KAI will reportedly farm interim crops as land is developed such as ethanol-producing sorghum crops. The NT Government's Ord Development Unit has $400,000 devoted to assessing this potential for expansion into the NT.

On the live export front, despite Indonesia's announcement late in May that it would bring forward the export quota as well as import more boxed beef, pastoralists and investors remain a bit wary in the absence of guaranteed numbers to plan by. Nevertheless, the slow trickle of positive news from Indonesia, as well as other things like a slightly lower Australian dollar, prospects of a government change soon (in Australia and Indonesia), must be rubbing off. Herron Todd White is aware of two cattle stations that have gone to contract for sale in the Kimberley in the last fortnight as well as one in the NT (about three weeks ago) and another reportedly in the final stages of negotiation in the NT. Unfortunately details remain confidential at this stage. Although the negotiated prices for these stations show a fair fall from the peak market conditions (circa 2009 in the NT/Kimberley) they are nowhere near the land only values that some potential purchasers are wishing for. Hopefully all will be revealed in our next Rural MIR (NT).

Contact:
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Western Australia

WESTERN AUSTRALIA

In 1942, Lindlahr published "You Are What You Eat: how to win and keep healthy with diet". This was probably the emergence of the general public in the western world taking an interest in what they eat. Over the decades this has included numerous diets and has seen the development of biodynamics, organics and super foods.

One of the traits of prosperity is having choice.

If you are impoverished and starving you tend not to have a choice over what you eat whereas the burgeoning middle classes across the world have become more particular. Given that many are looking at their diets and have a financial choice over what they eat, the demand for these types of products has increased. Where there is demand, supply is sure to follow, which is what a number of potential purchasers in the south west of Western Australia are looking to do.

The south west of Western Australia has a Mediterranean climate which supports a diversity of produce across the region including fruit orchards, vineyards, dairy farms, beef breeders, truffles, deer farms, olive groves, avocadoes and vegetables to name just a few. It could be described as the

Pantry of Western Australia. Given this diversity and suitability it is potentially an ideal location to grow produce, which by some is known as a 'super food' and others as berries. Local agents have reported that interest has been shown within localities that have suitable soils types, climate and adequate water available for growing berries. The potential purchasers are informed and have set requirements over what they will buy and should the right property come along deals will be made. This is some good news in an area which has seen many of its primary producers struggle through difficult times.

A new purchaser in an area can bring with them not only sale activity but also labour requirements and provide support for local businesses.

You may however remember seeing diversity in produce before in the form of Managed Investment Schemes which have all collapsed leaving many casualties in their wake. So while this is some positive news for the region and for those looking to sell in a quiet market it is early days, and like diets and food fads, it may come and go.

Good news from the Manjimup WA truffle growing area is they are predicting another bumper harvest, and it is reported that the area is gaining international notoriety.

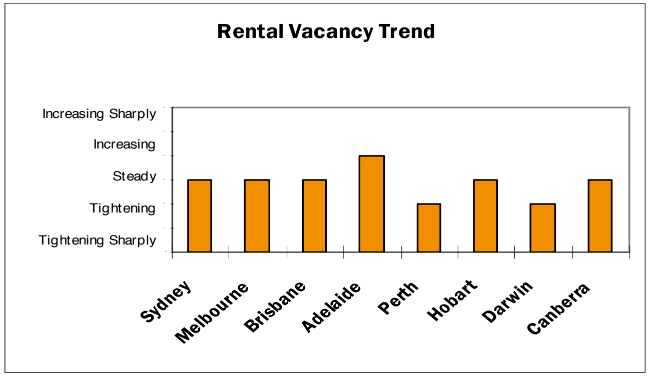
Contact:
David Abel Ph 08 9791 6204

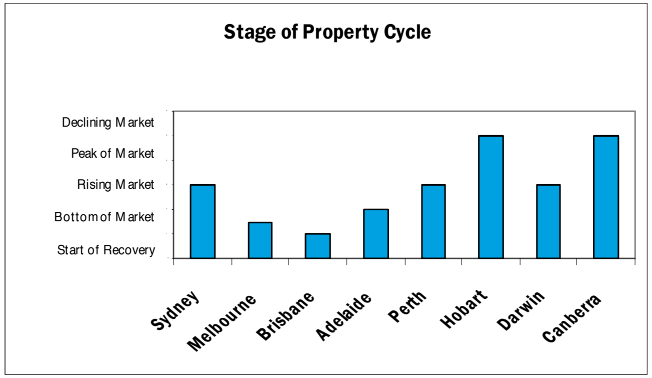
Capital City Property Market Indicators - Houses

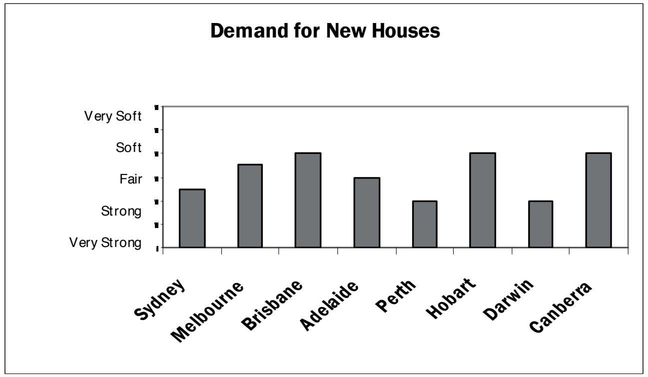
Factor	Sydney	Melbourne	Brisbane	Adelaide	Perth	Hobart	Darwin	Canberra
Rental Vacancy Situation	Balanced market	Balanced market - Over-supply of available property relative to demand	Balanced market	Balanced market	Severe shortage of available property relative to demand	Over-supply of available property 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







Market Indicators

Capital City Property Market Indicators - 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

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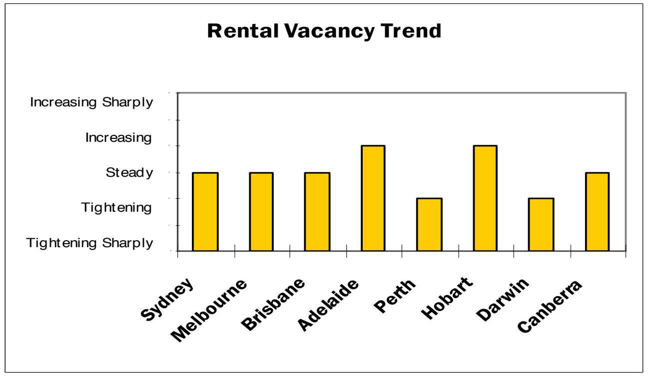

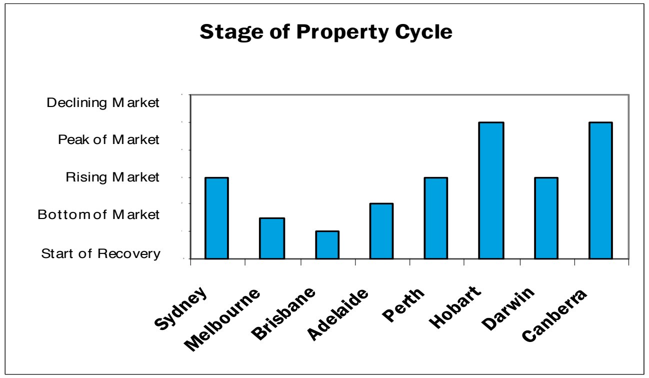

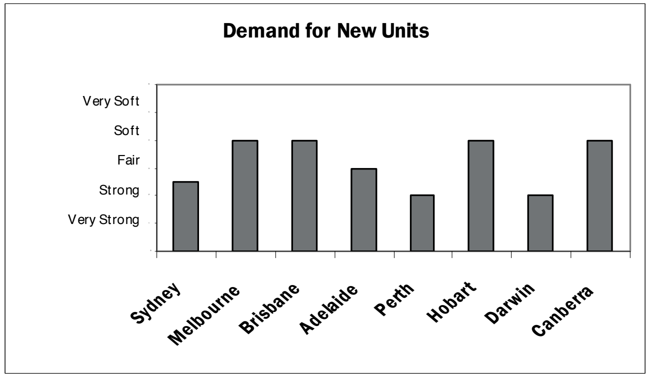

Market Indicators

Capital City Property Market Indicators - Office

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

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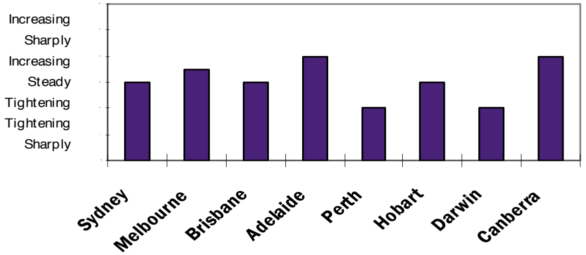
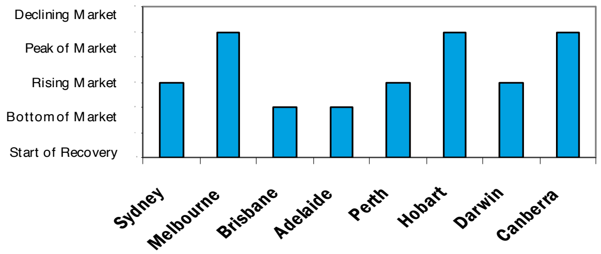
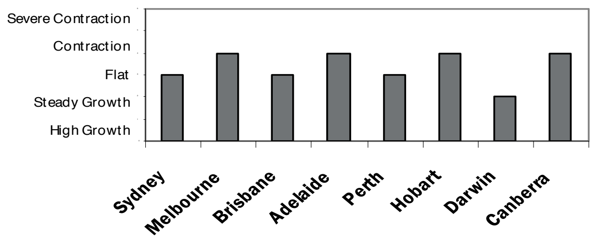
Rental Vacancy Trend



Stage of Property Cycle



Local Economic Situation



New South Wales Property Market Indicators - 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	Occasion-ally	Occasion-ally	Occasion-ally	Occasion-ally	Occasion-ally	Occasion-ally	Occasion-ally	Occasionally	Occasion-ally	Occasion-ally	Occasion-ally	Almost never

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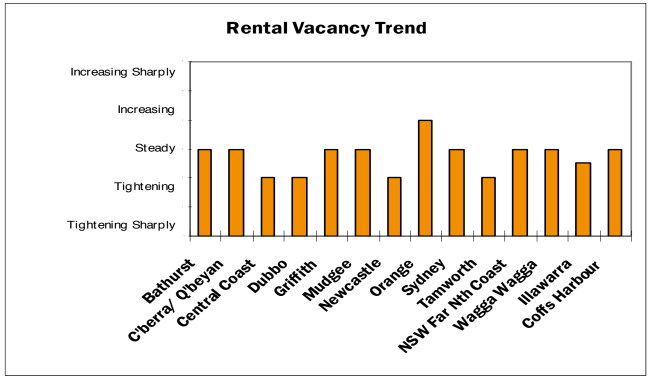

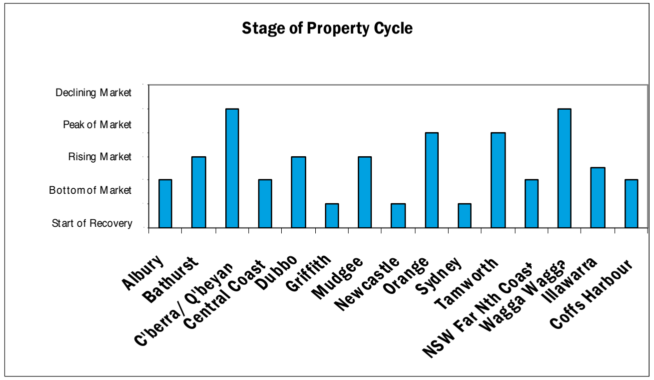

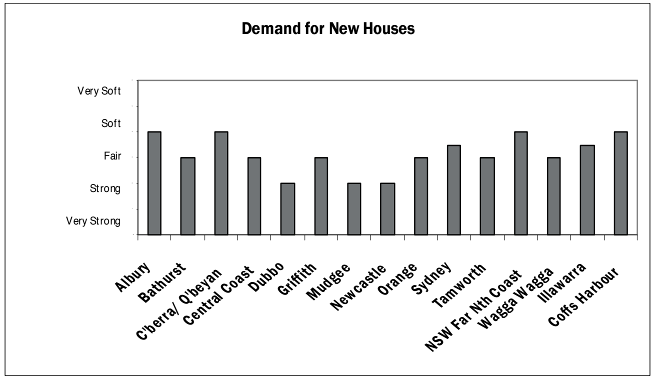

Market Indicators

New South Wales Property Market Indicators - 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	Occasionally	Occasionally	Occasionally	Almost never	Occasion-ally	Almost never	Occasion-ally	Frequently	Occasion-ally	Occasion-ally	Occasionally	Occasion-ally	Occasion-ally	Occasion-ally	Almost never

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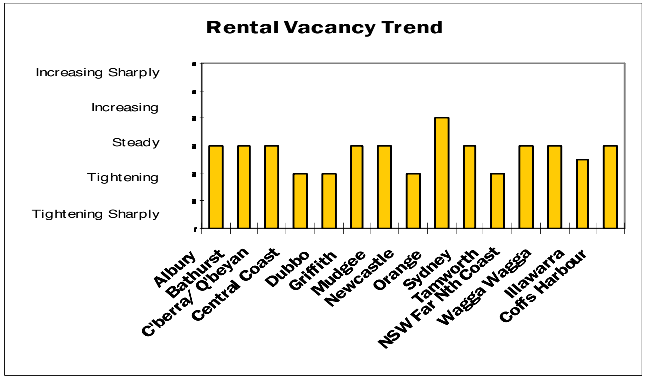

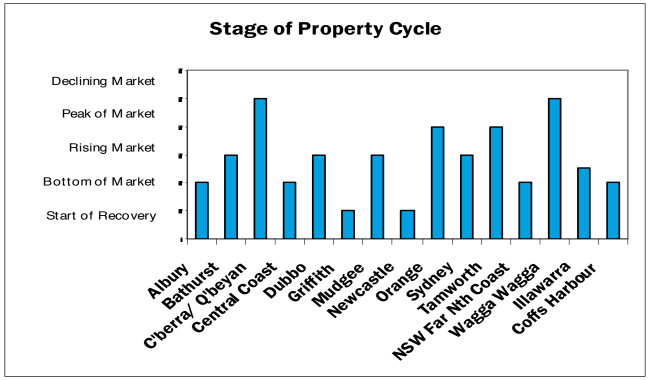

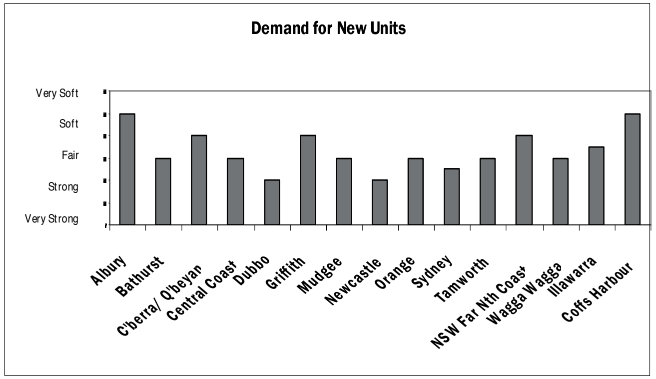

Market Indicators

New South Wales Property Market Indicators - Office

Factor	Albury	Bathurst	Canberra/ Q'beyan	Central Coast	Dubbo	Griffith	Mudgee	New-castle	Orange	Sydney	Tam-worth	Tweed Coast	Wagga Wagga	Wollon-gong	Coffs Harbour
Rental Vacancy Situation	Over-supply of available property relative to demand	Balanced market	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	Significant	Significant	Large	Small	Significant	Significant	Significant	Significant	Large	Small

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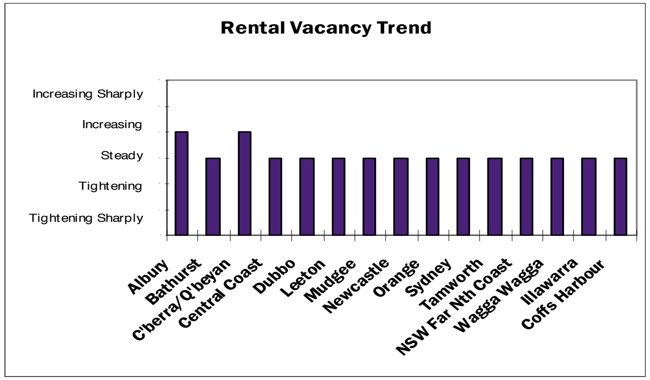

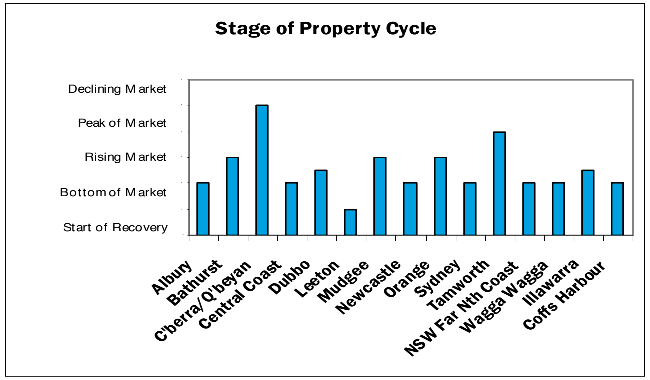

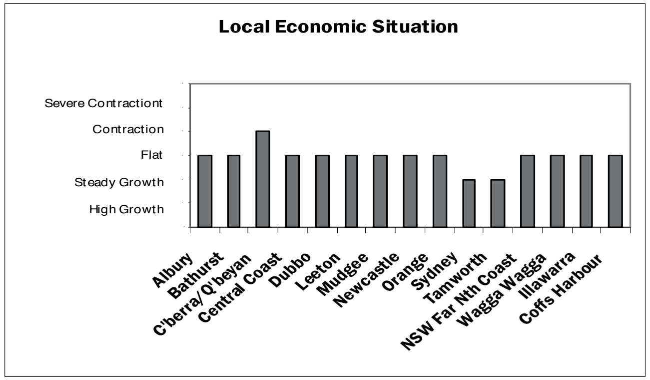

Market Indicators

Victoria/Tasmania Property Market Indicators - 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	Occasion-ally	Almost never	Occasionally	Occasionally	Occasion-ally	Occasionally	Occasion-ally	Occasionally	Occasionally	Occasion-ally	Occasionally

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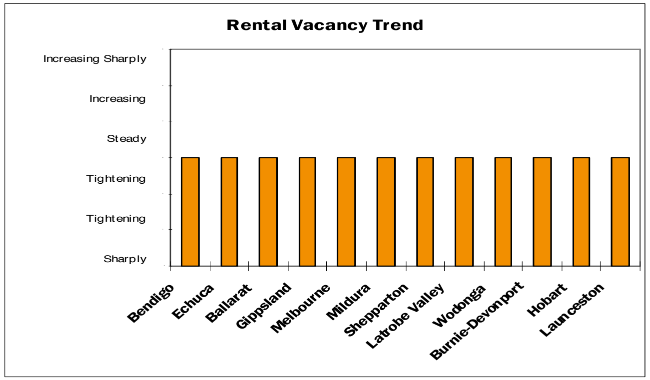

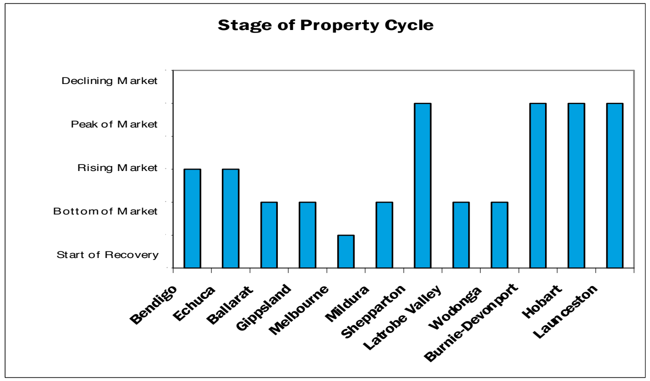

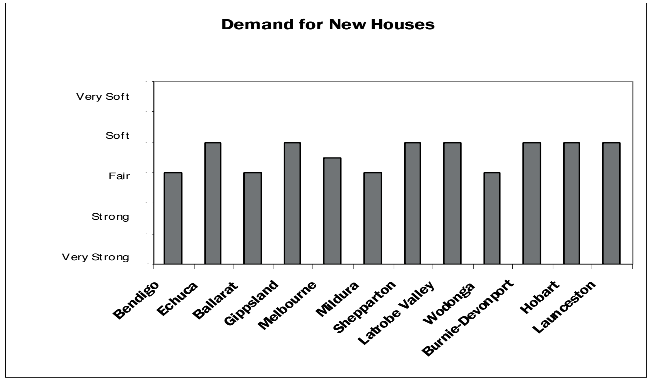

Market Indicators

Victoria/Tasmania Property Market Indicators - 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	Increasing	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 frequently	Almost never	Occasionally	Occasion-ally	Occasionally	Occasionally	Occasionally	Occasionally

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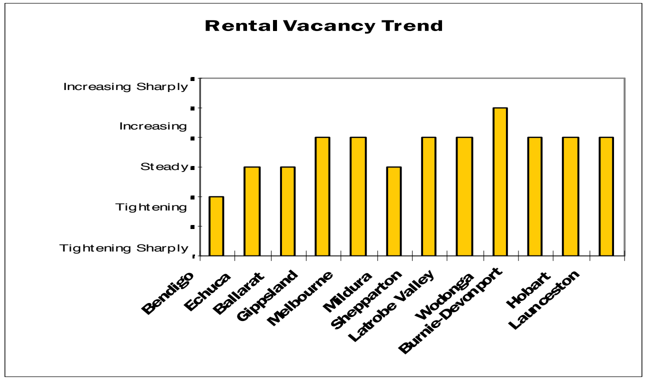
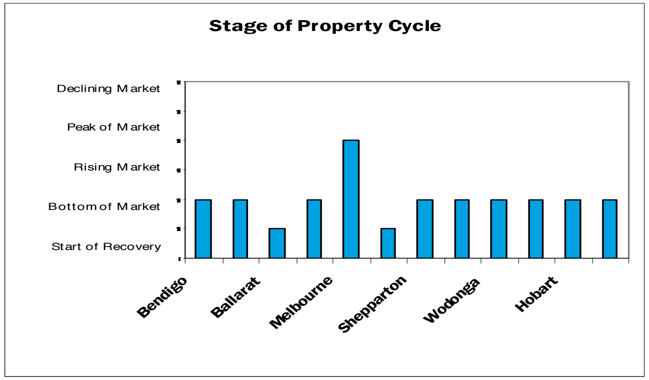
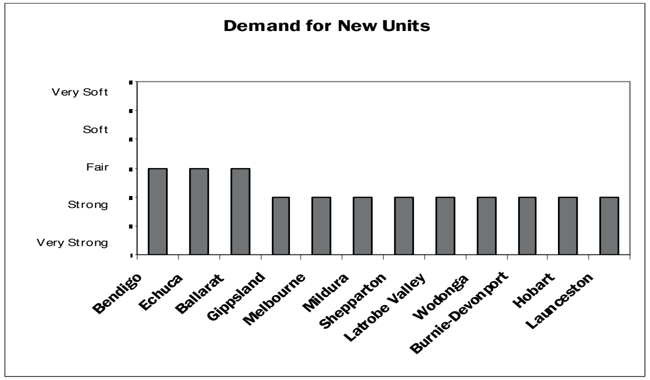






Market Indicators

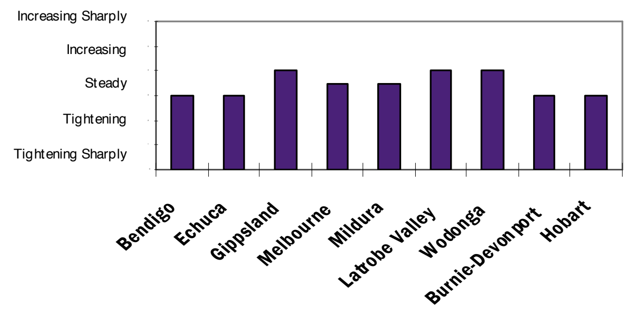
Victoria/Tasmania Property Market Indicators - Office

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

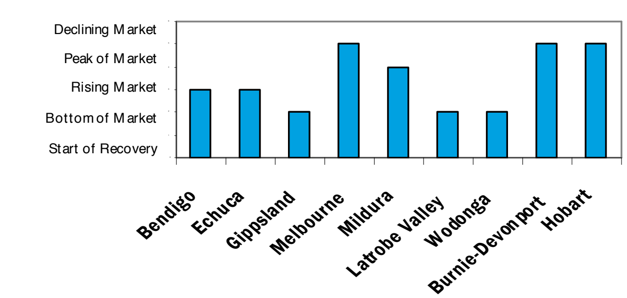
Red entries indicate change from 3 months ago to a higher risk-rating

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

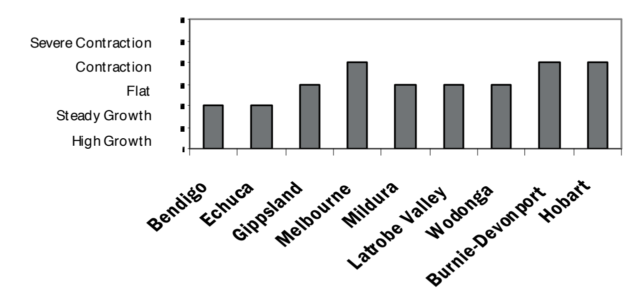
Rental Vacancy Trend



Stage of Property Cycle



Local Economic Situation



Market Indicators

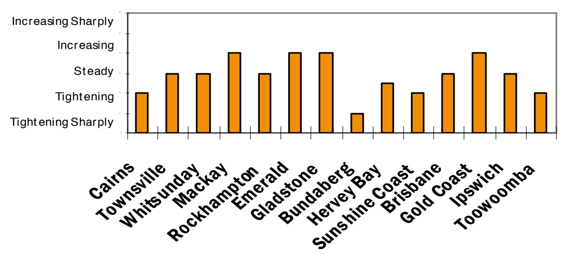
Queensland Property Market Indicators - Houses

Factor	Cairns	Towns-ville	Whit-sunday	Mackay	Rock-hampton	Emerald	Glad–stone	Bunda-berg	Hervey Bay	Sunshine 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

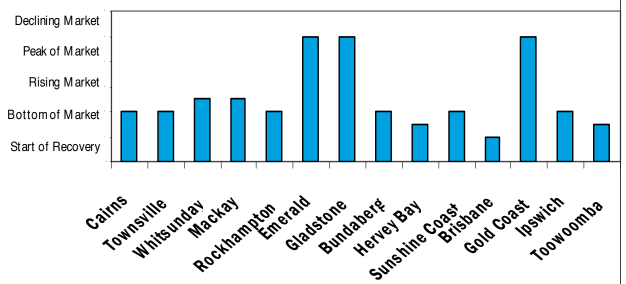
Red entries indicate change from previous month to a higher risk-rating

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

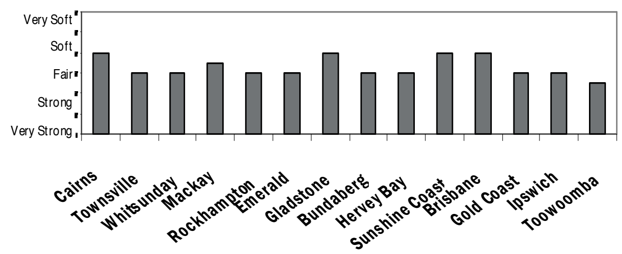
Rental Vacancy Trend



Stage of Property Cycle



Demand for New Houses



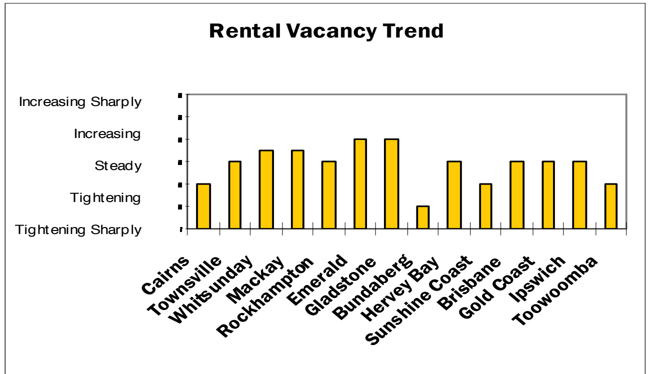
Market Indicators

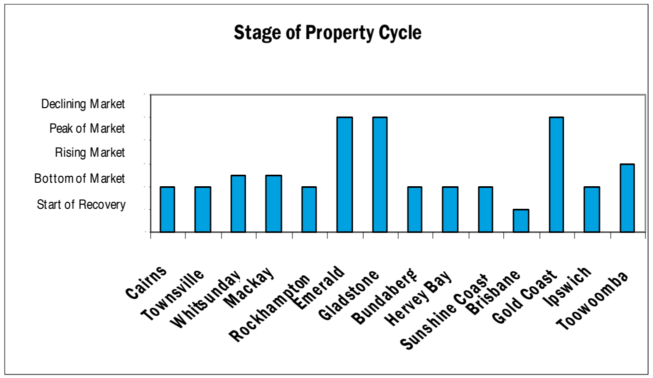
Queensland Property Market Indicators - Units

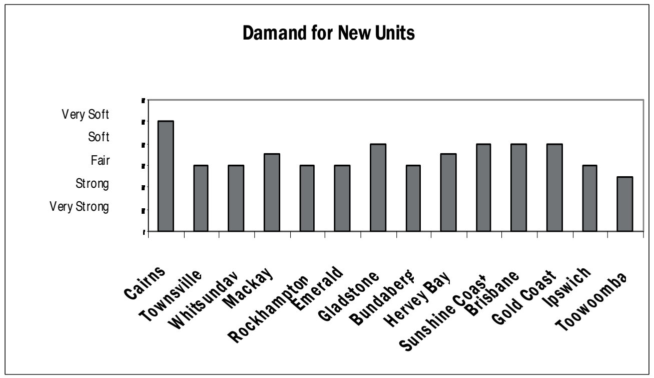
Factor	Cairns	Towns-ville	Whit-sunday	Mackay	Rock-hampton	Emerald	Gladstone	Bunda-berg	Hervey Bay	Sunshine Coast	Brisbane	Gold Coast	Ipswich	Too-woomba
Rental Vacancy Situation	Severe shortage - Shortage of available property relative to demand	Balanced market	Balanced market	Balanced market	Shortage 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	Occasionally	Occasionally	Occasionally	Occasionally	Almost never	Occasionally	Frequently	Almost never	Occasionally	Occasionally	Occasionally	Very frequently	Almost never	Frequently

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

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





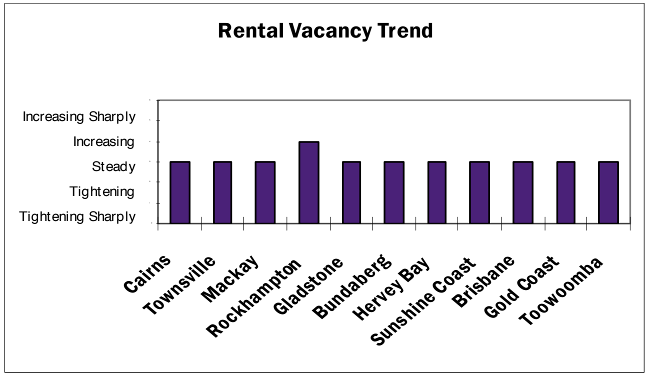


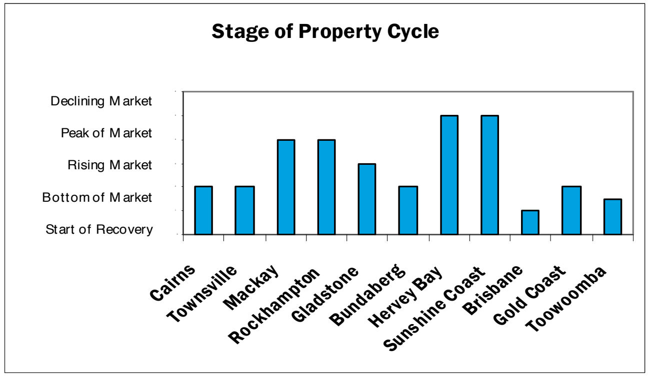
Market Indicators

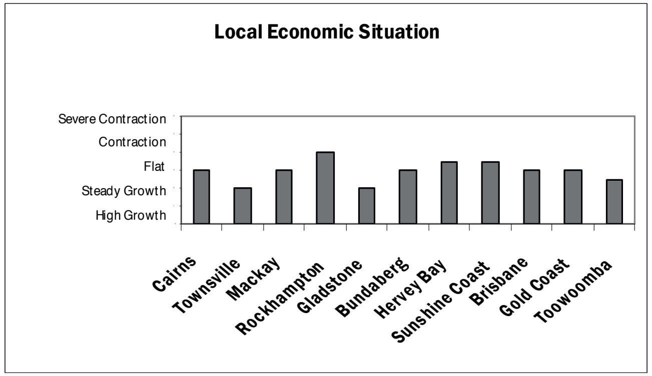
Queensland Property Market Indicators - Office

Factor	Cairns	Townsville	Mackay	Rock-hampton	Gladstone	Bundaberg	Hervey Bay	Sunshine Coast	Brisbane	Gold Coast	Toowoomba
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*



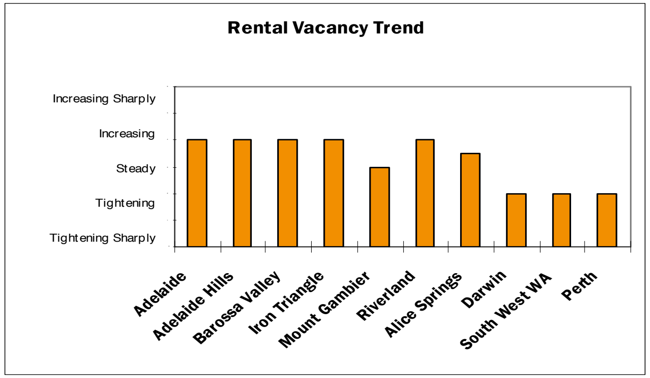


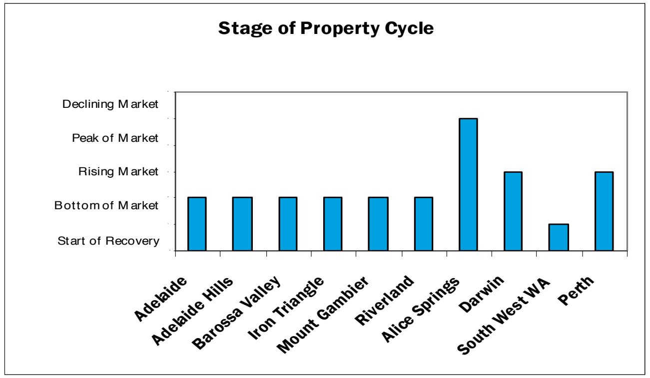


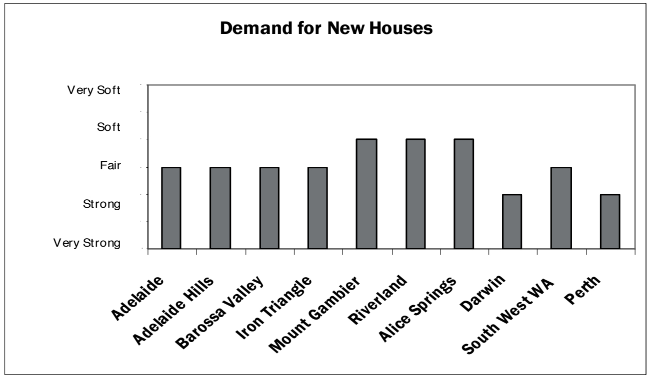
Northern Territory, South Australia & Western Australia Property Market Indicators - Houses

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	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







Market Indicators

Northern Territory, South Australia & Western Australia Property Market Indicators - 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	Occasionally	Occasionally	Almost never	Almost never	Almost never	Occasionally	Occasionally	Frequently

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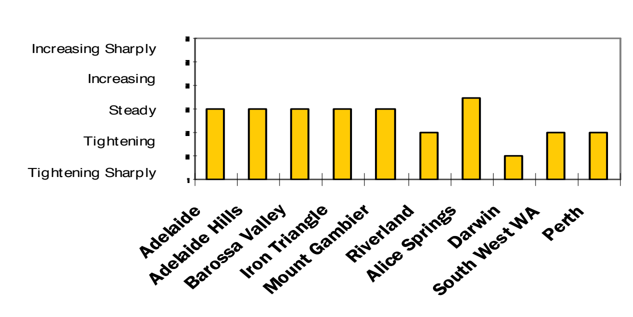
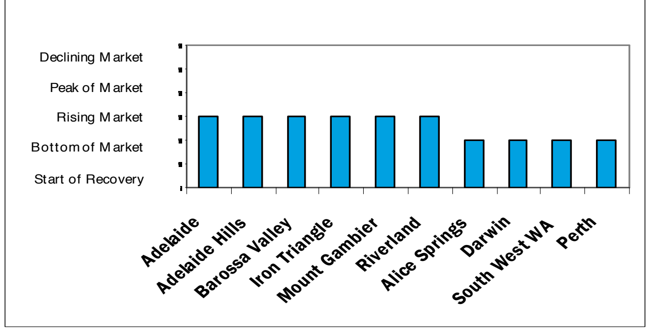
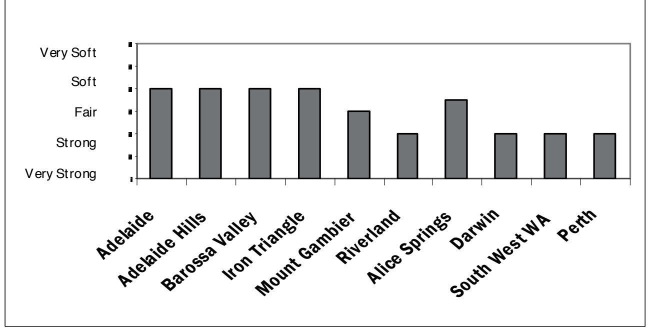
Blue entries indicate change from 3 months ago to a lower risk-rating



Rental Vacancy Trend



Stage of Property Cycle



Demand for New Units

Northern Territory, South Australia & Western Australia Property Market Indicators - Office

Factor	Adelaide	Adelaide Hills	Barossa Valley	Iron Triangle	Riverland	Alice Springs	Darwin	South West WA	Perth
Rental Vacancy Situation	Over-supply of available property relative to demand	Over-supply of available property relative to demand	Over-supply of available property relative to demand	Over-supply of available property relative to demand	Large over-supply of available property relative to demand	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

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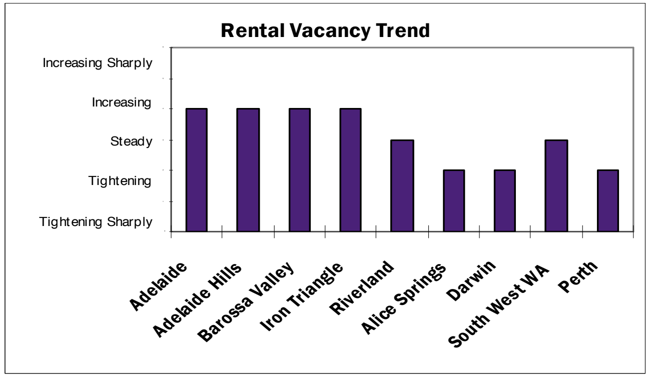
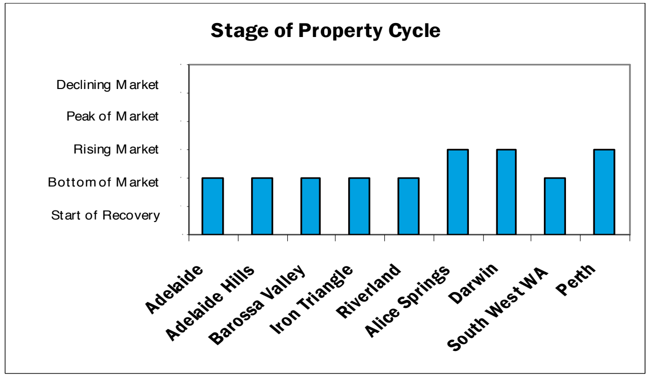
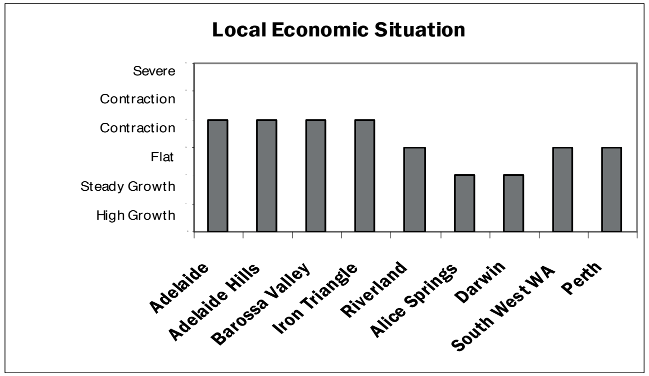
Blue entries indicate change from 3 months ago to a lower risk-rating







Market Indicators

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