August 2013

Month in Review

HERRON
TODD
WHITE

Contents



A Good Ol' Fashioned Market Round Up!

YEEEEHHHAAARR – Get along little doggies!

(Cue Rawhide theme)

Can you smell the aroma of quiet confidence? It's an open range of capital gains where the buffalo roam and the bearish buyers are getting set to jump... or are they?

We are starting to see some green shoots – an often used phrase except it could now be applicable. There are some capital city statistics coming out that show the big population centres are waking somewhat from their slumber. Auction clearance rates are up and median price growth looks good. Let's hope that it's more than a one swallow summer, shall we?

Regionals may be less confident if they're one industry towns, but those with more diversified economies are probably feeling quite a bit better. The overriding theme is a sense that things could well be on the up for many property owners. Funnily, most are probably just as happy to see a normal, steady, solid, conservatively growing market as much as anything else. The fluctuations of boom and bust can be quite exhausting.

Around the corner are a few other big ticket events for the real estate game. The federal election is being seen by a lot of property players as an important moment for the country's governance – not just in the obvious sense i.e. yes, we do realize it will determine our next governing party, but more to the point, people are looking forward to a convincing win where it doesn't feel like power is constantly in the balance and that the best form of opposition is to niggle. Here's hoping anyway.

In this climate of ups and downs, our issue this month is about giving y'all a run around on how the market is sitting right about... (wait for it)... NOW! We have asked each and every office to tell us what's happening in their patch. A stroll through these pages shows that there is a mixed bag but opportunities exist. Our residential doyens are sitting with a finger on the pulse and are ready with their considered feedback on what's moving and what's not in their neck of the woods.

Commercially, this month is industrial month and our valuers are looking to tell you exactly how it is. They've been given the brief and come to the party. It's a great guide on what's hot and happening in industrial markets around Australia, and sets things up perfectly for those looking to get the lowdown on the highlights.

So there you have it – an August full of information. By the last page of this month's mail out you should be fully informed and raring to go, but don't press the button just yet. Make sure you calm your nearest Herron Todd White office to find out whether your next step is your best.

Feature

QS Corner - Investment Property Repair Vs Maintenance

Tax time is here. June30 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 even 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, are renting out part or all of it or even if you are a commercial property owner occupier, there are many items you can claim for.

A big question many investors ask when claiming depreciation on property is, "What's the difference between depreciation and what classifies as a repair?".

The Income Tax Assessment Act 1997 allows for the immediate deductions for repairs and maintenance under sub-division 25-10 which states:

1. You can deduct expenditure you incur for repairs to premises (or part of premises) or a depreciating asset that you held or used solely for the purpose of producing assessable income.
2. If you held or used the property only partly for that purpose, you can deduct so much of the expenditure as is reasonable in the circumstances.
3. You cannot deduct capital expenditure under this section.

Deciphering the difference between a normal outgoing expense such as 'repairs and maintenance' and an 'improvement' of capital nature can often be a grey area.

A 'repair', broadly speaking restores the efficiency of function of the property without changing its character and may include restoration to its former appearance, form, state or condition. Repair is restoration by renewal or replacement of subsidiary parts of a whole. Renewal or reconstruction, as distinguished from repair, is restoration of the entirety.

An 'improvement' however, provides a greater efficiency of function in the property – usually in some existing function. It involves bringing a thing or structure into a more valuable or desirable form, state or condition than a mere repair would do. Some factors that point to work done to property being an improvement include whether the work will extend the property's income producing ability, significantly enhance its saleability or market value or extend the property's expected life.

For example, if you purchase a residential property and paint it before making it available for rent, then this is considered to be an improvement i.e. capital expenditure. On the other hand, if you owned a residential property and repainted the premises during the course of the tenancy, then this would be deemed to be a repair and therefore be an immediate deduction.

There are many ATO related rulings/determinations, legislative references and case references pertaining to repairs and improvements. To effectively ascertain whether works undertaken on property are deemed to be a repair or improvement, a determinative test on a case by case basis is often required.

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

Source:

Australian Taxation Office – Income Tax Assessment Act 1997 section 25-10

Australian Institute of Quantity Surveyors – Property Depreciation handbook

Commercial

HERRON TODD WHITE COMMERCIAL

New South Wales

OVERVIEW

Retail has been generally tough with a high Aussie dollar and competitive online overseas interests making the sector hard slog. Retail property markets around Australia have had to deal with this along with political turmoil and additional factors playing havoc with economic confidence. Tenants need income if landlords want to achieve a decent return.

This month, we've asked the retail experts at Herron Todd White to pass on their collective observation about where the market currently since, and where it may soon head.

SYDNEY

Retail Market Wrap

Sydney continues to be subjected to a changing retail environment. Broad market trends and location specific factors are impacting various retail submarkets, creating variances when categorising property market indicators such as rents, yields and capital values by region. The changing habits of market participants and planning changes by State and Local Governments are each playing their part in the evolution of some of Sydney's retail property markets, while other markets continue to show stable long term performance characteristics. The following sections describe the current property market drivers and indicators we are seeing in the Sydney metropolitan area.

Supply

Retail spending continues to be subdued, creating a tough environment for the development of new supply additions in the form of new retail shopping centres. Major regional and sub-regional centre operators have placed focus on expanding existing assets as opposed to creating new centres, limiting large increases in new supply over the past five years. On the other hand, the number of new neighbourhood shopping centre developments has increased. Major supermarket operators have progressed development schemes to expand their store networks in efforts to increase market share and maintain profit margins. However, the high level of pre-commitments being met in such developments has kept the addition of vacant retail space low. As for Sydney's suburban retail strips, the number of mixed use infill developments has increased and they commonly include retail components. However, we believe that redevelopment along these retail strips is not significantly increasing retail supply, but rather providing supply churn. Most development sites already contain existing retail use properties, which get taken offline temporarily during the construction phase, and then added back to stock once developments complete.

Demand

We view Sydney's retail sector as currently being at the bottom of the current cycle and a recovery is not expected in the short term. An indication of

the subdued level of tenant demand currently in the market is the presence of several mixed use developments located in suburban retail strips struggling to lease up retail space. However, asking rents being set by owners of such developments may also be overambitious. Overall, retail space in Western Sydney is taking the longest to lease up (around six to nine months) as opposed to Sydney's Northern, Southern and Eastern regions, which are generally taking around three to six months.

Rents

Interestingly, some of Sydney's less glamourous suburban retail markets are currently attracting the highest rents. Retail space in Cabramatta (Western Sydney) is achieving rents as high as $1,200 per square metre per annum, while space in Hurstville (Southern Sydney) is achieving up to $1,150 per square metre per annum. The upper end of rental ranges for both suburbs are currently driven by premiums being paid by businesses catering towards the dominant Asian consumer base found in the regions. Retail rents for the low quality retail space Western Sydney, however, is attracting average rents of around $100 per square metre per annum less than similar quality space in Northern and Southern Sydney. Similar quality retail space in the Eastern suburbs is currently attracting rents around $100 per square metre per annum higher than in Northern and Southern Sydney.

Yields

Retail property in Cabramatta (Western Sydney) and Hurstville (Southern Sydney) are also showing the tightest analysed yields. Increased buyer competition from purchasers based domestically and offshore is applying downward pressure on yields to reach as low as 5.00% in both markets.

Low quality, poorly located retail assets across Sydney's suburban retail markets are reflecting yields of around 8.50%, apart from in Eastern Sydney, which is currently attracting tighter analysed yields by around 25 basis points. Increased transactional activity around secondary retail space has also led to recent increases at the upper end of yield ranges in the Southern and Western Sydney markets, as vendors are lowering their price expectations and making returns more attractive to investors.

Capital Values

Sydney's suburban retail markets are showing very wide ranges in capital values in the Northern and Eastern regions compared to the South and West. The upper end of the capital value range in the Northern region is elevated significantly by retail property along Military Road, Mosman, while the range in the Eastern region is elevated by retail property along Campbell Parade, Bondi Beach. The variance between the average capital values being recorded in these two prime retail strips and other submarkets in their respective regions is significant. Premiums as high as $10,000 per square metre are being paid by buyers of retail space in Mosman and Bondi Beach when compared to the next most expensive retail submarkets in both regions.

CANBERRA

The retail property market in the ACT is dominated by four regional centres, namely the Canberra Centre, Westfields Belconnen and Woden and the Hyperdome in the Tuggeranong Valley. These centres are seldom traded and if traded are generally part of a national rationalisation program.

The next level of retail centres such as Coolamon Court in Weston Creek and Jamison Centre in Macquarie see both local investors and national groups investing and occasionally opportunities present. However no transactions have been sighted in recent years.

Further down the retail hierarchy there are opportunities in the suburban and district centres and these are sought primarily by local investors - again few centres are traded. Opportunities for investors are few and far between but include in recent months two stand alone hardware stores leased to a subsidiary of Woolworths in Queanbeyan NSW and Philip ACT which sold on yields of circa 7.75% based on seven year leases with annual reviews - the sales were in the $2 to $3 million dollar category.

Another recent sale indicated that if a lease is in place interest from the investor market is secured. A small suburban supermarket in Forde sold for a yield indicating a return of 11.6% at $1.15 million. The tenancy was for a term of five years to a local operator. We are also aware of the potential sale of the Hawker Supa IGA to Woolworths, details unknown at this stage, but the sale has been approved by the ACCC.

Few retail opportunities present in the ACT market but when they do investors both local and interstate appear willing to accept the risk.

ILLAWARRA/SOUTHERN HIGHLANDS

The Illawarra retail market continues to be soft as retailers continue to struggle under prevailing economic conditions and an evolving industry. Rents have largely flat lined with declining effective rents in secondary locations as landlords are offering incentives (between 5% and 15%) to attract tenants. However, leasing agents are reporting enquiry levels and are optimistic leasing market conditions will continue improve over the next six to 12 months with rents holding stable.

Yields have held firm in the 8% to 9.5% range with some lower valued investment sales attracting yields in the 7.5% to 8.5% range. For example 1/138 Crown Street sold in February 2013 for $690,000, reflecting a yield of 7.3% and rate per square metre of $4,825. This has a strong location within Crown Street Mall and was fully leased to Specsavers.

Sales activity has increased as vendors adjust their expectations and purchasers chase yield in a low interest rate environment.

Crown Street Mall has seen increased activity with the two-level retail building at 102 Crown Street selling with vacant possession for $850,000 ($2,962 per square metre of GLAR), and Langs Corner currently under contract with details to be confirmed upon settlement. Elewhere we have seen the Pet Barn tenanted bulky goods retail property under contract in West Wollongong and Aspen Group disposing of its two-level retail/office property at 2 Memorial Drive in Shellharbour city centre. Details of these two 'higher value' sales will be released upon settlement. The increase in sales activity is a good indicator that the market may be in recovery mode after an extended flat period.

NEWCASTLE

Overall the retail market in and around Newcastle has begun to show signs of strengthening in recent months. Investment conditions have improved recently with record low interest rates and recent funding announcements for the inner city kick starting investor interest in this market sector.

For those that aren't aware, recently Planning and Infrastructure Minister Brad Hazzard announced heavy rail services will end at a new Wickham interchange west of Stewart Avenue. Light rail will replace heavy rail trains and the rail corridor will remain as public space and eight new links across it will be created to connect the inner city to the waterfront. The NSW budget that was announced in June 2013 revealed plans to sell the city's coal port and spend $340 million on revamping Newcastle's CBD. If this comes to fruition there is potential for a real boost in investment in the local retail, commercial and residential unit market. While this is a medium to long term proposition with a 25 year timeline, the impact of this announcement appears to have started to influencing the market.

Also the announcement of a $30 million federal government grant has secured the University of Newcastle's proposed $95 million "NeW Space" city campus. The NSW government approved $25 million in funding towards the project in 2011 and the University of Newcastle has funds of $40 million to contribute. Construction is expected to commence by early 2014. The 10,800 square metre campus will be located on the corner of Hunter and Auckland Streets. The NeW Space campus will bring approximately 3,000 students and 200 staff members to the city centre. It is planned to open in 2017.

These new funding announcements have had a positive impact on the local retail investment market. An example is the recent sale of a Wickham Showroom property at a yield of 6.95% on a five year lease back deal. We haven't seen true yields like this since before the GFC. While this example could well be proven to be an out of line sale, well tenanted retail investment properties are definitely making a move in Newcastle.

NSW MID NORTH COAST

Well, nothing really has changed over the past month, in the retail, commercial and industrial sectors on the Mid North Coast. The market continues to remain soft with continuing high levels of vacancies across all commercial sectors. Retail vacancies appear to have increased noticeably in the smaller towns and villages and in local neighborhood shopping centres, with some having up to 80% of shops currently vacant. This can be generally attributed to poor retail sector trading at present and it is unlikely that recent interest rate cuts will fix this in the short term, and will require consumer confidence to rise.

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

We are hopeful that the continuing low interest rates will continue and may stimulate confidence within these sectors during the latter half of 2013.

However we anticipate that confidence will continue to remain subdued and flat, at least until the upcoming federal election.

Victoria

MELBOURNE

Despite the lack of willingness of consumers to spend, there appears to be continued confidence being shown from developers looking past the immediate challenges given the positive long term outlook for retail spending. Landlords are also willing to look past the short term challenges being presented as they actively attempt to improve profitability by expanding and refurbishing retail outlets.

Transactions in the retail sector continue to be acquired by international investors looking for low risk investments.

A total of 16 retail properties within the Melbourne CBD sold for greater than $1 million in the past 12 months totalling approximately $82.5 million dollars in capital value. Yields achieved within these transactions range from 3.5% to 7.5%, reflecting a median of 5.1%. Although the yields achieved remain in line with long term averages, it is expected that retail yields will continue to firm in the coming twelve months. A list of some significant retail sales in the previous 12 months follows:

Date	Address	Sale Price	Area (m2)	Capital value per m2	Yield (%)
Jun 2013	268-270 Lonsdale Street, Melbourne	$7,150,000	498	$14,357	2.74
Jun 2013	40-46 Little Bourke Street, Melbourne	$5,340,000	1,022	$5,225	5.44
May 2013	113 Lonsdale Street Melbourne	$2,800,000	460	$6,087	4.54
Apr 2013	21-25 Hardware Lane, melbourne	$6,000,000	800	$7,500	5

The past 12 months has seen rental growth either stabilise or achieve a slight increase. Rents along Bourke Street Mall have achieved up to $10,000 per square metre per annum. The continued demand for prime, retail locations has resulted in store closures throughout secondary retail locations with vacancy rates increasing from 2.47% in June 2012 to 2.61%.

Retail strips continue to evolve from fashion towards food retailing businesses throughout Melbourne. Café's and restaurants in the CBD are being supported by the increased workforce and residential population in the area. Population and employment within the CBD continues to outpace regional Melbourne.

The longer term outlook for the retail market remains bright although tenants are likely to remain cautious in the shorter term due to patchy consumer confidence. Population growth coinciding with continued interest rate cuts, should see the CBD retail market continue to remain stable in the coming financial year.

MURRAY OUTBACK

In Mildura a total of 17 commercial properties were marketed by receivers of two portfolios and eight of these have sold. Placing so many properties on the market at once in Mildura has had a flooding impact and five of the eight have shown softer levels than had previously occurred. It is considered that yields for commercial property have softened by up to 1% over recent times partly as a result of this flooding of the market.

One receivers sale of seven old style compact shops in a favoured retail location showed a passing yield of 8.5% while an adjoining block of three shops showed a freehold passing yield of 11.5% – an abnormal variance and influenced by only one tender being received for this second property.

The marketing of one of Mildura's prime corner retail buildings, adjoining the entrance to the Langtree

Mall, has been an interesting test of investor sentiment. This two storey building (refer attached photo) is fully let, with a passing net income of $252,000 per annum and an asking price of $3.1 million. The listing of this prime building has been a good barometer of investor's enthusiasm for prime location and secure yields however while creating good interest it has not yet been contracted.

South Australia

ADELAIDE

While retailing in the Adelaide metro area is dominated by the Rundle Mall precinct in the Adelaide CBD and a limited number of well located regional and sub-regional shopping centres, the strong suburban retail strip shopping precincts such as Jetty Road Glenelg (adjacent to Adelaide's beaches), The Parade Norwood and King William Road Hyde Park (adjacent to high socio economic areas in the eastern suburbs) compliment retailing activities.

The Rundle Mall precinct still accounts for a high proportion of retail sales in South Australia.

Following the opening of the Rundle Plaza in March, the twentieth Apple store in Australia opened in late May. This is the first major leasing in the mall since the closure of international franchises such as Borders and Starbucks. A refurbishment of the prime site opposite the famous Beehive Corner at the King William Street end will accommodate Charlesworth Nuts an Adelaide icon food retailer, towards the end of 2013.

There are still concerns in the Mall with several large tenancies still remaining vacant. The Mall is currently undergoing a major infrastructure upgrade directly through the centre of the mall with development works causing significant disruptions to pedestrian access and businesses at the western end particularly to those tenants directly facing the mall. Other issues impacting retailing in the city include the smouldering chestnut of car parking policy with the SA government determined to impose tariffs on car parking spaces and the city council considering large increases to on-street parking rates. With the new shared football/cricket stadium redevelopment at Adelaide oval due to be completed by early 2014, there is a sense of government agencies capitalising on the inevitable increased activity in the CBD.

Few sales have been recorded this year, however we expect yields at best should remain stable given that rents have softened. Capital values within the CBD overall may therefore have weakened during the first half of 2013. It remains to be seen whether once the redevelopment works are completed in 2014 if there will be stronger overall retail activity in the Mall Precinct.

The Jetty Road precinct comprises of the Bayside Village shopping centre at one end, a near new complex comprising a large Woolworths Supermarket, a Coles supermarket in the centre and a mixture of specialty retailers, comprising fashion, fast food, restaurants and cafes. While vacancy rates are still low in this precinct they are ever present and increasing with few new leasing's evident this year. This is far cry from a decade ago where there was virtually full occupancy along Jetty Road. As with most retail strip shopping areas, car parking availability and accessibility is critical to its future and there is limited scope for expansion of these facilities. Notwithstanding this properties are very tightly held in Glenelg and demand is quite strong with yields holding quite firm during 2013.

Similarly, King William Road is experiencing some weakness in new leasing activity although part of this is due to some speculative developments and part due to the general weakening of retail conditions. The Parade at Norwood retail sector is generally remaining quite strong although there are some signs of weakening conditions and some vacancies are now appearing.

New development activity includes the extensions to West Lakes Mall due for completion later this year and the new St Claire Village neighbourhood centre in the western suburbs. Also currently underway is the complete redevelopment of the Woolworths and Big W stores at Cumberland Park and a new commercial/retail development on Jetty Road Glenelg.

The overall outlook for retail is for subdued activity with the possibility of increasing vacancies and softer rentals for many centres. The trading conditions for tenants are heavily dependent on the economy which is showing further signs of deterioration.

Queensland

BRISBANE

The past 36 months has seen a large decompression of yields for retail properties. This movement was varied and depended greatly on the sub-sector, the location of the property and the strength of tenant/s. Prime yields have softened by between 0.5% and 1% with secondary yields softening by 1% to 2% which has brought the yield spread between prime and secondary properties to more traditional levels. Well located investment properties with strong tenants are achieving yields from 7% to 8%. However the majority of yields are currently between 8% and 9%, with other tertiary assets above 9% especially those with high vacancies.

We note that agent's have reported greater levels of enquiry for sales over the past 12 months. Prior to that, demand had significantly decreased as a result of the global financial crisis. There is no evidence to date that the current low bank interest rate environment is firming yields.

Recent sales evidence is as follows:

Date	Address	Sale Price	Yield (%)
Jul 2013	28 Tingal Rd, Wynnum	$1,800,000	10.03
May 2013	699-701 Sherwood Rd, Sherwood	$3,900,000	8.01
Mar 2013	318 Wardell St, Enoggera	$4,700,000	7.65
Mar 2013	192 Gympie Rd, Kedron	$1,900,000	7.71
Feb 2013	20 Shore St West, Cleveland	$4,500,000	11.12

GOLD COAST AND TWEED COAST

After a tough five years, conditions within the Gold Coast retail property market appear to have finally stabilised during the first half of 2013.

It is now evident that 2012 played witness to further softening of the market, in line with a soft local economy and high unemployment, coupled with the adverse impact brought on by reduced tourist numbers and infrastructure upgrades.

The mindset of many buyers in today's market has shifted on the back of low interest rates and a more competitive finance environment. Most importantly however, there appears to be a general perception that the market has bottomed providing an opportune time to re-enter the market.

Feedback from local marketing agents indicates that the interest from international investors is also increasing, which is further expanding the pool of potential buyers. Such parties are canvassing the market and appear to be taking preference towards sites within recognised retail precincts such as Broadbeach, Surfers Paradise and Southport.

Other beachside areas such as Burleigh Heads and Coolangatta are still looked upon favourably by local investors; however, the prospect of any 'blue sky' does not weigh heavily on the purchase decision.

Some of the more notable retail transactions that have come to light over the course of this year include:

- Market Square, Varsity Lakes - reportedly settled in recent weeks, achieving a sale price of around $6 million.
- Pinnacle Pines, Pacific Pines – This McDonalds and 7-Eleven anchored convenience centre was placed under contract last year, but only emerged as a confirmed sale for $13 million in recent weeks.
- Bronberg Plaza, Southport - It has recently been reported that this 7-Eleven and IGA anchored convenience centre is in the final stages of negotiation and is set to be another example of the Gold Coast's improving retail market.

Also of note, the Gold Coast Rapid Transit project hit a major milestone in recent weeks with the reopening of Surfers Paradise Boulevard to vehicular traffic.

This was the first glimpse the public has been given of the project's final built form. Feedback to date has been positive and the overall design of the road and carriageway looks as though it will encourage a positive retail environment upon completion.

SUNSHINE COAST

Our retail market on the Sunshine Coast has remained relatively stable over the past six to 12 months. Some improved weather over holiday periods has helped the tourist reliant retail traders, while other retail strips and locations that service local residents have noted limited increases in either vacancy or tenant turnover.

The majority of retailers that we talk to continue to advise that trading conditions remain difficult, with many attempting to negotiate rental reductions at option periods, or market reviews. Long term landlords are typically assisting tenants where possible and this is helping to keep turnover and vacancy levels stable, however landlords that purchased within the market peaks of 2007/08 are finding it difficult to offer these reduced rates.

The lower end of the market, say sub $1 million, is now being targeted by self managed superannuation funds if strong tenants on long term leases are in place. This has created some increased demand for properties which fit within this segment, however few of these properties are available to the market.

The bulky goods sector has improved in the area after seeing significant vacancy increases in 2011. The new Harvey Norman centre within Maroochydore has been completed with limited vacancy, however there are some increased tenants in place that are aligned with the parent Harvey Norman company such as Domayne and Big Buys. The 3,050 square metres space vacated by Harvey Norman in Minyama has since been approximately 60% relet also.

The high end retail strips of Mooloolaba Esplanade and Hastings Street continue to see minimal tenant turnover in prime locations, though fringe tenancies and arcade style tenancies continue to have increased vacancies and tenant turnover.

TOOWOOMBA

Retail development in Toowoomba is currently active with the recent opening of a new Masters hardware in Kearney's Spring and the ongoing construction of new shopping centres in Drayton and North Toowoomba. The proposed major redevelopment by QIC of the Grand Central and Gardentown shopping centres located within Toowoomba's CBD was given final approval from council in June, with the project expected to be completed by 2015/2016.

The recent development has occurred despite only modest activity within the leasing market with rentals remaining relatively static.

Selling agents are currently reporting a high level of enquiry from investors, with a lack of quality stock (particularly in the lower price brackets) to offer.

Recent local sales activity of note includes the Wilsonton shopping centre and the 7-Eleven on Perth Street, both of which are reportedly under contract, subject to due diligence. The Wilsonton shopping centre is anchored by Woolworths and Coles supermarkets with 59 specialty stores and stand alone KFC, Hungry Jacks and Woolworths Petrol Plus. The 7-Eleven includes the service station and two takeaway tenancies.

ROCKHAMPTON

The Rockhampton commercial and industrial markets currently appear to be dominated by the owner-occupiers looking to take advantage of relatively low interest rates to get out of leased premises and into one of their own. Interest rates and flexibility in self managed superannuation funds seem to be major catalysts for these buyers.

We are seeing a greater level of activity in the sub $750,000 properties particularly those surrounding the city centre where service industry, retail and commercial buyers are active. There are relatively lower levels of demand for investment properties in this price bracket.

Agents are reporting stronger interest for investment properties in higher price brackets up to $5 million. In this market buyers are sensitive to WALE, position and strength of tenants. There has been strongest demand and competition for those properties offering a longer WALE and strong tenants. We are noticing some increasing vacancies in the retail sectors and buyers are increasingly sceptical of the long term viability of some tenants.

BUNDABERG

Retail investment property yields in Bundaberg range between 8.5% and 9.5% for small single tenant property. Recent evidence has indicated the market is heavily discounting property with vacancies or short terms remaining on the lease terms. Concerns regarding the ability to achieve a market rental within a suitable period of time and the number of readily available tenants in the market appear to have had an impact on recent sales.

GLADSTONE

The Gladstone retail real estate market is intrinsically linked to the ongoing growth within the major liquid natural gas (LNG) projects being undertaken in the region.

There is a general weakening in demand for residential accommodation in Gladstone as the LNG plant construction commences its peak construction period. There are currently just over 9,000 workers currently working on gas projects in Gladstone. Of these, approximately 51% are local with the remaining 49% being FIFO/DIDO workers most of which are housed in workers camps on Curtis Island. The remaining are in local housing that is leased by companies. The 9,000 strong work force is considered to be at the peak and is expected to remain at this level until mid 2014 at which time it will start to decline rapidly.

There has been little activity in the local retail market in the Gladstone CBD over the past few years. Rents have remained fairly stable and there have been very limited transactions. There have however been three $10 million plus sales of larger retail complexes in the past two years. The Tannum Central shopping centre sold in December 2011 for $13.975 million showing an analysed yield of 8% and the Gladstone shopping centre sold for $17 million in December 2011 showing an analysed yield of 8.7%. Both are larger neighbourhood centres in the Gladstone region. Additionally the Gladstone Homemaker Centre sold in December 2012 for $27 million showing a yield of 8.8%. It is the only bulky goods centre in the Gladstone region and was opened in 2007 and includes tenants such as Bunnings and Harvey Norman.

We consider current market conditions to be firm for good quality retail accommodation. However volatility and potential price vulnerability is expected in the next 12 months extending through calendar year 2014 due to peak workforce numbers relating to the construction of LNG projects being reached.

MACKAY

So what's happening in the retail market across Mackay?

Well firstly, commercial rent levels in the Mackay CBD have recently begun to ease, as a consequence of increased vacancy levels and a contracting coal industry.

The mining industry in the Mackay region is now confronting a challenging business environment because of lower export coal prices and increased operational costs.

This has resulted in some mining companies reducing their workforces and postponing projects.

A prolonged contraction of the coal industry may impact further on Mackay's property market, with the prospect of a further easing in rental values and yields. On the flip side to this, the falling Australian dollar may see demand for our coal increase.

The Mackay retail market is predominantly centred around the major shopping centre precincts of Canelands Central (Mackay City), Northern Beaches Central and the Mount Pleasant Greenfields retail and bulky goods precinct. Retail space within Mackay has expanded significantly in recent years.

The retail market, particularly for perishables, has become more fragmented since 2010, with retail precincts being developed in suburban locations. This will continue to be a theme of the retail market in Mackay, as new residential development extends away from the CBD.

Retail businesses in the CBD are facing increased competition from the Canelands Central shopping centre. Agents report that there have been few new lease commitments since mid 2012 as uncertainty persists around the future prospect of the coal industry. It has become increasingly difficult for city centre landlords to maintain shop rents while a significant vacant retail space is on the market.

The reduction in retail rent levels has been a positive for some local retailers – who have moved to more desirable retail locations within the CBD, which were previously unaffordable retail spaces.

The new Masters hardware store located in the northern suburbs of Mackay is nearing completion, with the doors planned to open in August 2013. An adjoining retail supa centre, with an estimated total lettable floor area of 40,000 square metres, is approved on the adjoining site. There is no firm commencement date for construction of this centre.

A proposed Bunnings hardware, to be built on a site opposite the new Masters store, has received approval for a total GFA of 15,782 square metres. We believe it is Bunning's intention to relocate to this proposed new facility, and vacate the existing Bunnings warehouse in Greenfields.

The new Masters store, the proposed supa centre and the new approved Bunnings warehouse development will create a second bulky goods precinct in the Mackay region and provide competition to the existing precinct at Mount Pleasant.

So what does this all mean for the bulky goods sector? Well, in a word – supply. Are we headed for an oversupply? That's a tricky question. There are rumoured to be a number of large retailers are looking to move into Mackay, as well as existing retailers looking to relocate from their current retail space.

In terms of recent sales – to be honest there hasn't been any significant sales activity in the retail sphere above $1 million. This isn't unusual though, as this is a low volume market in Mackay.

Anecdotal evidence suggests that some local retailers, who have ridden the wave of prosperous times in Mackay, are looking to reduce costs, staffing numbers and their shop sizes, as the uncertain economic conditions continue.

We expect the market for retail properties will remain relatively flat throughout the second half of 2013, as the financial and commercial property markets continue to reflect the broader economic uncertainty. The slowdown in the coal sector may further influence the property market moving forward, as well as impacting on future discretionary spending in the region.

HERVEY BAY

Construction has commenced on the expansion of the Stockland Hervey Bay shopping centre. The reported $115 million redevelopment will generate in the order of 250 jobs and on completion, the centre will occupy approximately 35,000 square metres.

There continues to be very little sales and leasing activity in the retail market to report. The humpback whale season is well under way lifting visitation numbers and tourist spending. The added bonus of killer whales sighted in the Great Sand Straits is creating an additional buzz. It was sad however that this attraction came at a cost to the pod. Backpacker numbers continue to decline along with the number of accommodation establishments.

Landlords appear to be very negotiable on rental rates depending on terms. Maintaining occupancy during this time remains a focus as tenants approaching review have ample property to consider. Any vacant retail space is proving difficult to lease.

A majority of leases being negotiated to local tenants are generally for shorter terms of one or possibly two years with market reviews at options.

The Stage 1 extension of the Station Square shopping centre in Maryborough is scheduled for council approval in August 2013, and has reportedly achieved pre-lease occupancy of 80%. Stage 2 is to be developed in 2015 with a reported pre-lease occupancy of 70%. It is heartening to note, that despite recent employment declines, long term confidence in the region is still prevalent.

CAIRNS

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

During 2009/2010 there was increase in vacancy levels in the retail sector resulting from a number of business closures attributed to the tough economic environment. However the increase was only a relatively mild increment to the high levels of long term vacancies in some areas that pre-dated the downturn.

High exposure CBD space remains reasonably well occupied, with vacancies most noticeable in the lesser exposure locations and/or on the CBD fringe.

Rents during 2012 were generally stable, showing ranges of $600 to $800 per square metre per annum for prime CBD space, and $1,000 to $1,500 per square metre per annum in key tourist precincts such as the Cairns Esplanade. However recent signs are that CBD prime rents are starting to strengthen, which may well be the proof that the market has bottomed.

Blue chip retail located within the main Esplanade tourist strip as well as the central business district show reasonably low vacancies, though there is also limited demand from new businesses. There remains good investor demand for well leased properties.

TOWNSVILLE

Extensions to the Stockland shopping centre are now complete and the recent addition of Myer has added around 10,000 square metres to total retail space in Townsville. The past two years has also seen a number of suburban convenience centres completed which cater to growing local populations. Rental growth over the past 12 months has been modest, with increases in the 3% to 5% range generally. Overall, tenant demand has held up reasonably well despite the structural and economic factors facing the retail industry.

Over the past 12 months the majority of retail assets have generally transacted in the $500,000 to $750,000 price bracket with a large proportion of sales activity occurring in the CBD. Several classic federation style buildings on Flinders Street have recently been purchased by owner-occupiers in the low $600,000s. Most of these buildings were built in the late 1800s and are listed on the council's local heritage database and other heritage databases including the Queensland Heritage Register and the National Trust Register. While these buildings have undergone several additions/renovations since date of construction, most show evident signs of wear and are in need of capital expenditure.

Flinders St (East), Townsville City

While sales activity in the CBD has been relatively strong, the precinct is experiencing a high level of rental vacancy and relatively low levels of patronage. This can be attributed to several factors including the substandard quality of several retail/commercial premises, the increasing distance of the CBD to the rapidly expanding residential growth areas, the lack of free and available parking as well as the large, air conditioned sub-regional shopping centres being more attractive, particularly in the summer months.

Rents can vary significantly, although for tenancies fronting Flinders Street, gross face rents typically range from $250 per square metre to $550 per square metre with the variance dependent upon the level of exposure and nature and condition of improvements. In non-frontage locations, rents generally fall in the $150 per square metre to $250 per square metre range. Incentives are expected to increase further over the reminder of 2013 in the form of contributions to fit-out or rent free periods.

Since 2009 suburban retail convenience complexes continue to be constructed. These complexes offer quality key tenancy mixes with a number of these currently on the market providing good income streams and opportunities for astute investors. Specialty rents at neighbourhood centres typically range from $300 per square metre to $700 per square metre gross. This trend in suburban convenience construction is likely to continue with two new IGA supermarkets and associated retail neighbourhood convenience centres having been constructed within the ever expanding northern beaches locale in conjunction with a new shopping complex at North Shore and several other developments proposed or under construction within the northern growth corridor alone.

Domain Central and the recently refurbished Stockland shopping centre continue to attract a strong tenancy profile of new and expanding retailers. Sub-regional centre rents are generally in the order of $700 per square metre to $1,000 per square metre. Bulky goods rents typically achieve between $140 per square metre and $220 per square metre.

Across the board, investment properties transacting between $500,000 and $1 million generally have minimal lease terms and/or periodic tenancies; whereas properties trading in excess of $1 million generally provide investors with modest to strong lease terms and tenancy profiles.

Average yields for mainstream commercial and industrial property appear to be nudging down due to the reduced frequency of stressed sales, but are still analysing within the 8% to 9.5% range. Even though sales to investors remain thin, properties with good tenant and lease profiles are in reasonable demand. Yields are typically stronger for food and service based centres with strong anchors compared to those centres with vacancies and/or other cash flow issues.

Northern Territory

DARWIN

The Property Council Darwin CBD office survey of January 2013 confirmed a total office space supply of 206,907 square metres detailed as follows:

- A grade accommodation 103,138 square metres vacancy rate 2.3%
- B grade accommodation 67,645 square metres vacancy rate 11.5%
- C and D grade accommodation 38,429 square metres vacancy rate 18.6%
- Total accommodation 206,907 square metres vacancy rate 8%

The better quality accommodation is highly sought after while lower grade accommodation has a higher rate of vacancy. This is partly driven by the dominant tenant in the Darwin CBD office market being the NT government. Accommodation which does not meet government standards (including an increasing focus on green ratings) is difficult to let and can be heavily penalised by the market.

Commercial office projects being undertaken in the CBD at present are:

- a 2,500 square metres development at Lot 2271 Knuckey Street.
- a two-level development at Darwin city waterfront (construction commenced) which will be a campus of Charles Darwin University.
- the major project under way in the CBD is the Charles Darwin Centre, which will bookend the Mall at the corner of Bennett Street. This 16,000 square metres building is partly pre-committed by the NT government (construction about to commence).
- residential developments such as the proposed City Gate project and Catalina (under construction) will include a commercial office component but these are too small to impact on the market.

We note that net absorption of office space in 2012 was actually slightly negative which we believe reflects the reducing demand from government. Further upward pressure on vacancy rates, especially for B and C grade accommodation, will be experienced in 2016 when some NT government departments relocate to the Charles Darwin Centre.

It was initially felt that private enterprise, especially oil and gas industries, would fill the void. However Conoco Phillips have recently downsized their administrative centre in Darwin CBD, indicating that at least some of the commercial office requirements of these projects will be met interstate.

Owners of B and C grade space may need to make significant capital investments in their properties to retain tenants or alternatively refurbish them to alternative uses. The recent conversion of AANT House to the H Hotel (capitalising on Darwin's residential accommodation shortage) is a case in point.

The limited availability of suitable space and parking has seen some leakage of tenancies to areas outside the CBD.

In 2010 the Department of Lands relocated to new premises at Parap and this trend is expected to continue, as it is also fuelled by the NT government's decentralisation policy such as the relocation of tourism to Alice Springs.

Relocation is especially attractive for smaller tenancies including owner-occupiers into projects such as The Avenue at Parap.

Indicative rental rates in the CBD are as follows:

- A grade space: up to $520 per square metre net
- B grade Space: $430 to 475 per square metre depending on location and services.
- C grade: $380 to $430 per square metre

We would expect that rental rates will grow only steadily due to lacklustre new demand at present. Apart from the Charles Darwin Centre, it is not expected that supply will increase.

Western Australia

PERTH

We have seen yield expectations rising steadily over the past 12 months in all commercial sectors and at the same time borrowing money from banks is cheaper, that's if they will lend it to you.

Current yield expectations generally sit between 8.5% to 9.5% depending on quality of asset, cashflow and location. That's a significant spread. There's a reason for this. Investors are factoring in additional risk. They are purchasing a cashflow and are not going for or expecting growth.

Conversely, the owner-occupier market is taking advantage of low interest rates and rising rents and outbidding the investor market for properties with short term holding income or some degree of vacancy which they can occupy in the short term.

The next 18 months will see little or no real growth in property across the majority of sectors.

Commercial office space in the Perth CBD has a current vacancy of 8% which is expected to remain that way for the next 12 months before it starts to head north to circa 15% on the back of office completions and retraction of demand from the resource sector.

Companies associated with the resource sector and transport and logistics companies have been the biggest absorbers of space in the Perth metropolitan industrial market. Industrial areas with good linkages to road and rail connections are the prime areas of concentration for occupiers.

With a major focus on iron ore in Western Australia, fluctuations in its commodity price have a strong bearing upon future investment decisions by associated companies, as well as general consumer and business confidence. Recent fluctuations in demand for resources and prolonged global economic uncertainty has recently resulted in some major pull back on projects in the mining sector. Mining companies such as Rio Tinto, FMG and BHP Billiton have announced the deferral of some projects and the reduction in their labour force. News such as this has an almost immediate impact on the Western Australian economy as a whole.

Sale activity remains subdued with high net worth individuals and private syndicates being the most active investors within the local market. However institutions are starting to look at Perth again as is evident by the March 2012 transaction of 218 Bannister Road, Canning Vale for $61.5 million by Charter Hall on a passing yield of 8.8%. The A grade industrial property is a 21 hectare facility with a building area of 111,637 square metres.

Western Australia has benefited greatly from the mining sector and as long as demand for our resources is maintained, industrial property should maintain its resilience. However this also links the state's prosperity to the fortunes of the global economy, which is still experiencing significant pressure from the Global Financial Crisis.

Due to the popularity of smaller lots sizes pre GFC, most industrial land at this point was subdivided into sub 1 hectare sites which has subsequently resulted in there being few industrial sites greater than 2 hectare available for development in and around the Perth metropolitan area. This has resulted in an increase in demand for larger sites which are suitable for fabrication and logistics development mainly to service the states burgeoning mining sector.

And retail, well that's a tough one. Where do I draw some positives from? Perhaps people will stop buying iPads and surfing the net and will return to shopping malls. The past 12 months has seen a number of sales of small neighbourhood size strip style shopping centres with a GLAR of say less than 2,000 square metres. However such assets generally must be competitively priced to achieve a sale within a reasonable time frame under prevailing market conditions.

Those secondary assets that present opportunities to add value through an increasing rental of reconfiguration of tenancies, etc, are being actively sought after by private investors and local investment syndicates.

Retailers generally continue to endure a hard period as evidenced by the population's willingness to increase household savings as opposed to making purchases given economic instability overseas, a volatile share market and inflationary pressures on the cost of living. The strong Australian dollar has also seen a significant shift towards online retailing.

Some neighbourhood style shopping centre sales:

Date	Address	Sale Price	NLA (m2)	$/m2 NLA	Yield (%)
Jun 2012	134 Le Souef Drive, Kardinya	$1,521,000	525	$2,908	7.36
May 2012	189 Onslow Road, Shenton Park	$3,700,000	327	$11,315	4.82
Apr 2012	859 South Western Highway, Byford	$1,255,000	810	$1,549	9
Apr 2012	11 Bournemouth Crescent, Wembley Downs	$7,925,000	1,743	$4,547	7.88

SOUTH WEST WA

The retail market continues to struggle in the main centres of the south west of Western Australia.

> This sector is struggling with the decrease in consumer spending, lower than average tourist numbers and increased competition from on-line trading.

Vacant shops are appearing and taking longer than average to refill. All but one of five new shops that have been developed as part of the new Woolworths supermarket development in Busselton remain vacant, with asking prices considered to be well above market.

However, landlords are continuing to increase rents as per their lease agreements, in many cases the rental value at market review is well above the current market rent based on new leases. This is particularly evident in the main street of Margaret River. The increased rents and lower turnovers are squeezing margins and forcing some businesses to the brink.

Café's continue to do good business, however fashion shops and electrical goods have to become increasingly price competitive which is also squeezing margins.

Of particular note recently in the region was a decision by the State Planning Authority to reject the plans for the West Street shopping precinct which was to have included a K-Mart, supermarket and smaller retail shops on the land adjacent to Busselton Toyota complex. The plans were rejected on the basis that the existing retail offerings within the Busselton Planning Strategy were sufficient and that this area is too far removed from the existing retail development.

On another note, a report was put to the Busselton Council recently regarding a proposal for the upgrade and expansion of the Busselton Central shopping centre which will also incorporate the existing Target and Rivers stores. The shopping centre would effectively open up onto Mitchell Park and would include a full sized discount store, a range of speciality retail shops and further car parking.

The businesses that remain have done the hard yards over the past several years and are eagerly waiting for better economic times. We are however well into the tunnel and it still seems dark.

Residential

HERRON TODD WHITE RESIDENTIAL

OVERVIEW

There has been a palpable sense in many of our country's larger markets that we've been operating towards the bottom of the cycle and are due for some uplift. There is also baited breath for an election result with a convincing win the most desired outcome. Even with this yet to be determined, it looks like more investors are starting to put their hands up where they can see some value.

In this month's issue, we thought it timely to take stock of where the markets currently sit around the country.

SYDNEY

In recent months there has been an energy surrounding some sections of the Sydney property market with a perfect storm seen to be coming that has been building for some time. A combination of low interest rates, increased consumer confidence and limited stock has seen a sharp rise in values particularly for the low to mid value range of many areas. It was only a number of months ago market commentators were discussing a stagnant market with little activity even though interest rates were being lowered.

Now most of the talk is regarding the lack of listings and how quickly homes are selling.

We believe the single biggest factor affecting the market across all metropolitan suburbs is the lack of available stock, especially up to the $1 million price point. There is a trending consensus from real estate agents and prospective buyers that there is minimal property for sale at present. Of course we normally see less on the market during the winter months but it certainly feels far more exaggerated this year. Our valuation team is in constant contact with real estate agents within their respective areas and will often discuss with them their opinion on the local market conditions and consumer demands. Recently the most commonly heard factor is 'lack of stock'.

We also notice this lack of stock as a flow on effect when conducting our comparable sales research, which is diminishing as fewer sales occur in a tightly held market. One of our valuers was in the city fringe suburb of Zetland this week and had an interesting conversation with a local agent to the area. The agent commented that he has buyer's agents constantly calling him asking for upcoming listings. This is compounded by historically low interest rates as buyers desperately try to take advantage. Because of this shortness in supply when properties do come on the market we are seeing some very positive sale prices achieved.

Another member of our staff conducted a valuation in the inner west suburb of Marrickville this week. The unit sold 14 months earlier for $435,000.

The same agent has now just re-sold the unit for $505,000 with no improvements having been made. Conversation with this agent revealed that although it was a big price compared to what it had previously sold for, she had four other buyers willing to pay above $500,000. It is a strong indicator that the lack of stock is helping drive prices.

Traditionally when buyers are priced out of the inner suburbs they will look to the outer suburbs for more 'bang for your buck'. Agents have commented that there has been an increase in out of area buyers taking advantage of the better value for money property available within greater western Sydney. We believe this trend is set to continue in the short to medium term.

Examples of strong sales include a fully renovated

3- bedroom, 1- bathroom dwelling in the outer western suburb of St Clair currently under offer for $502,000. This is a new record for a humble 1980s dwelling in the area. Another example includes a modestly updated 3- bedroom, 2- bathroom dwelling in north western Baulkham Hills. Previously valued in February for $630,000, minor internal updates were completed prior to marketing with the property recently sold for $702,000. Both selling agents noted the properties sold within the first week with a large number of people inspecting, numerous contracts being requested and multiple offers being provided.

It appears that a combination of the winter season and the perception that spring is a more favorable time of year to sell along with the uncertainty some feel regarding the impending election that is resulting in this unwillingness for vendors to list their property at this time.

Generally the $1 million to $2 million price range has seen some minor growth of late. As discussed above there is also a lack of stock, although not quite as obvious within this range. Regions that have struggled over the past year have certainly shown signs of improvements. An example of this is Sydney's North Shore where we are starting to see evidence of an improved market and buyer confidence. This confidence also extends into the Northern Beaches suburbs where we had seen a very subdued market over the previous 12 months to two years.

At the $2 million price point we start to see a more restrained market, although improved from this time last year. The eastern suburbs market has strengthened slightly at this price point with sales evidence suggesting some return in confidence.

In conclusion, lack of stock and historic low interest rates appear to be the driving factor of the market at this time. This is expected to change in the coming months as we head into the traditionally strong spring season. There is even some suggestion that there may even be a large influx of stock coming on to the market. However historically election years have had a negative effect on the market especially in the immediate months before the event and as we would expect to see a quieter market if the election is held this September. We will need to wait and see what impact the outcome of the election will have on our market.

CANBERRA

The property market in Canberra has always been affected by federal elections one way or another and this time around is no different. With the upcoming elections evidently approaching at some point between August and November, it is a good time to look at the current state of the Canberra market and to see how the elections and also other related factors have influenced the market.

Whether or not the elections are going to have a major impact is yet to be seen. However seasoned property experts in Canberra would agree that the federal elections have a strong influence not entirely on the market but more the mindset of Canberrians and the uncertainty in which it can cause. For instance one in four Canberrians are directly employed by the civil service and with talks of job cuts and budget surpluses being tossed around; you can understand why the elections play a pivotal role in creating uncertainty.

With the upcoming elections virtually on our doorstep the Canberra market is currently doing better than most expected. This can in part be attributed to the cut in interest rates which have some what nullified the adverse affects of uncertainty in which the elections generate. It almost seemed like while some were discussing the potential repercussions of the election, others were out in the market capitalising on the low interest rates.

> With interest rates sitting on a historic low of 2.75% it hasn't been this cheap to purchase a property since the 1950s.

The lower interest rates have had an impact across the range in terms of potential buyers and vendors engaging in the market. Young people and couples looking for a good time to enter the market now have possibly one of the best incentives to buy with the low interest rates. Also older couples with kids see this current moment as a great time to sell the old residence and find a bigger one. Therefore you can see how the market stays alive in uncertain times like these when you have a wide range of buyers and vendors all active within the market.

You can also interpret the interest rate cuts as the catalyst for reviving the property market somewhat in this pre election time with experts at Allhomes forecasting a 6% increase in property transfers in Canberra compared to last year. Also experts at the APM (Australian Property Monitors) recorded a strong finish to the final quarter of 2012 with home prices increasing 2.1% in Canberra which spilled over to the first quarter of 2013 and is only going to remain strong with the interest rate cuts. Therefore no matter what the outcome of the elections, if interest rates remain this low you can definitely predict that the property market here in Canberra will continue to remain stable and possibly grow after the election when the uncertainty somewhat fades.

WOLLONGONG

In the latest quarterly update median prices for the WSD (Wollongong Statistical District) for houses remained overall steady at $430,000. Wollongong fell around 1.1% in the 12 months to March 2013 to $432,000 - according to local researchers IRIS Research. Shellharbour grew 1.3% and Kiama dipped 1.8% in the same period.

Units in the WSD were up at $340,000 or 3.3%. In the WSD they rose 3.8%, Kiama 2.1% up and Shellharbour down 2%.

Land prices showed a deteriorating result overall, and were down 2% to $250,000 in the WSD. All LGA results were negative for the period.

The story on the street appears to be against this data in the past three months, with agents reporting a general pick-up in listings and sale prices over the WSD. This is reflective in our view of interest rates remaining steady for the past few months, and the lenders generally passing on interest rate savings where they can.

In short, we have seen a strengthening of demand and can still report healthy sale prices, particularly when compared to the doldrums in 2008/09. But properties will still remain on the market longer if not priced correctly and we are still seeing instances where 'price reduction' is stamped across the advertising for those listed above realistic market expectations. This is particularly so in the Kiama area, from our experience.

The best performing sector appears to be north of the CBD for standard dwellings – particularly around Balgownie, Towradgi, Woonona, Bulli and Thirroul. They offer good public transport links, closeness to the beach and many blocks have ocean views if they are back from the beach. Under the $800,000 level it appears anecdotally that the buyers are local, and generally there is no great Sydney influence on the market. At the upper end it is not unusual to see a definite Sydney influence in the market. Above $1M though the market sorts itself out and few properties are traded.

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

So the upper end of the market is at least trading steadily, albeit with longer selling periods. We are observing increased sales activity in the lower end of the market, particularly in those suburbs

located close around Wollongong, Fairy Meadow, Balgownie etc. where anything priced in the region of $350,000 to $450,000 is attracting plenty of interest and therefore short selling periods and high prices. There has also been a noticeable reduction in selling periods for properties in the $500,000 to $700,000 range if the properties are well marketed and presented.

One place to watch is Shellharbour village, where the new Shellharbour LEP has rezoned much of the village (around the proposed marina) to R3 (medium density residential) where there is potential in the short to medium term for new development.

Middle of the road performers are the southern suburbs around Dapto, Albion Park, Barrack Heights – generally holding reasonable value since an uplift from the lows experienced in 2008 and 2009.

The BlueScope Steel job losses which occurred 18 months ago still seem to erode market confidence due to prospective long term higher unemployment perceptions. For the Illawarra, this is the challenge of an economy in transition and moving towards drivers for growth principally Health and Aged Care, Knowledge and Education, Tourism and the traditional Port related industry and logistics.

SOUTHERN HIGHLANDS

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

In Bowral, under $600,000 will generally limit buyers to modern townhouses 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 $450,000 to $530,000.

The upper end of the market (over $1.2 million) in Bowral, Moss Vale and Mittagong continues to remain subdued, with prices generally well down from the highs of 2007/08.

The Southern Tablelands offers more choice 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 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 $330,000 and $450,000. 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. This market has shown good capital and rental growth earlier this year and is now considered to be stable.

NEWCASTLE

Well here it is the good old fashioned roundup Newcastle style. What has been happening in the Hunter region over the past 12 months or so?

By and large the Newcastle/Hunter region has been travelling along quite strongly over the past 12 months with the market in inner city Newcastle especially being classified as 'hot' with properties often selling above listing price and multiple bidders being prevalent.

What's the word of the day? Gazumping. This appears largely to be on the back of a general lack of quality stock on the market and surplus of demand. It is doubtful whether this hot market will last for an extended period. It also appears that the tight rental situation is being alleviated and the upwards heat on the rent cycle appears to be also diminishing.

We have been aware for several months now of the Newcastle market being a difficult place for potential purchasers and a boon for intending sellers.

There appears to be an air of panic in the marketplace by purchasers that are frightened to miss out on their dream house. This is fuelling the ridiculous prices that appear to be getting paid for property which in some cases is what we would class as secondary.

Examples of this are when people pay over the top for property located close to a rail line or major road. They may also pay top dollar for a house that has major design issues or flaws that will cost significant amounts in order to remedy.

As has happened in the past and will happen in the future, when the heat of the market dies away, there is likely to be some regrets. This happened in the commercial world before the GFC; investors were not adequately pricing in the difference between secondary and primary assets. After the GFC those same investors couldn't give away the secondary assets, some of which are still on the market.

Nelson Bay and surrounds has been in the media recently with the ratings agency Fitch publishing a table of suburbs in New South Wales that have the highest proportion of mortgage arrears. Mortgage arrears in this report is classified as any mortgage 30 days or more behind. Nelson Bay appears in number one spot, which is consistent with the general trend in the area over the past three or four years. We feel that there are generally more positive signs in this locality after a fairly bleak period with falling prices and strong mortgagee in possession activity. We feel the market may be ready to start recovering, although the appearance at number 1 on this list is a pause for thought and generally higher priced property in this location is still struggling. The cheaper entry level property (sub $500,000) appears to be holding its own and fuelling the majority of the growth that is presently being seen. It cannot be stressed enough that this is still a very fragile market.

Interestingly in the top three on the mortgage arrears list is Cessnock which is located approximately 50 minutes drive to the west of Newcastle. This location lies at the start of the mining belt and has been hit quite hard with job losses and a falling coal price. There has been significant speculative development in and around Cessnock by project home builders and investors. Other areas where this is also occurring are as follows:

- Gillieston Heights
- Cliftleigh
- Heddon Greta
- Rutherford
- Aberglasslyn
- Branxton
- Singleton

Many of these locations have been the darlings of property magazines and often appeared in hot-lists of suburbs to invest in articles.

All of the above listed areas have had significant new home activity over the past two years, with the main drivers being ever increasing rentals and a near 0% vacancy factor. There is anecdotal evidence that this situation has reversed very quickly, in a matter of short months. Previously rental asking rates were $420 to $440 and, they have now decreased to $370 to $390 with significant numbers of vacancies still in the market at present. We suspect those rental rates possibly have further to fall.

Discussions with local rental agents indicate that there is something like 200 properties available in Singleton for rent, 80 in Aberglasslyn and 60 in the Gillieston Heights/Cliftleigh localities. The vast majority of properties in these locations are investment stock and not owner-occupier. For investors that are reliant on rental income these are quite disturbing figures, especially after such a long period of relatively few rental vacancies pushing up the rental rates at frequent intervals.

We have significant concern of a possible fall in both rentals and values in the short to medium term, unless the mining sector reverses its fortunes.

The Hunter has come through the GFC in excellent health, largely off the back of the strong mining sector which has treated Australia quite well in a macro sense. There is evidence (almost daily, going by the Newcastle Herald) that this sector is faltering and that it could have some strong ripple effects for the wider Newcastle economy. Job loses are occurring at present and investment is faltering somewhat.

NSW CENTRAL COAST

It's update time from the good people on the Central Coast of New South Wales.

We suspect that like many regions across the country, that the shenanigans going on in our nations capital can be at least partly to blame for overshadowing the headlines in the real estate of late - either that or real estate is just plain boring at present.

In our daily life as valuers we count ourselves fortunate to speak with and hear the words of both the average Joe/Jane on the street and those who are little more illuminating. Out of this a common theme is emerging - stock levels at the lower end of the market are very low. A will exists among the buyers to secure these properties, but the choice is limited and there is no room to mull over decisions.

> We are hearing familiar stories of agents not even advertising their lower end stock. A few phone calls are all that's needed.

Sound familiar? Who said the real estate cycle is a thing of the past.

Statistically, the median value for residential dwellings in the regions Gosford and Wyong Local Government Areas is $430,000 and $340,000. Sale volumes over the past two years have been steady with no real signs of a fall.

The reasons for the lack of stock would be attributed to several factors, the least of which is that this end of the market could be nearly exhausted and needing a step up into the next segment. This might bring some renewed vigour to the market. Harking back to our opening comment, it could also be the case that the people have been placed in state of hesitancy as a result of the political and economic news we are being fed.

Enough of the rhetoric and down to some facts.

Fact 1: Number of residential dwellings sold in Gosford LGA last financial year - 2,509 (down 5.5%)
Fact 2: Number of residential dwellings sold in Wyong LGA last financial year – 2,759 (down 0.5%)
Fact 3: Highest price paid over the past 12 months was $3.95 million for an ocean front property at Pearl Beach.
Fact 4: Lowest price paid over the past 12 months was $99,000 for a unit at The Entrance
Fact 5: Approximately 28.5% of coast residents have moved to the area in the past five years.

The northern end of the Central Coast is considered to produce the best buys at the moment and we could do well to look at Toukley, Noraville and Gorokan where a small 2 bedroom, 1 bathroom dwelling in average condition can be secured in the low $200,000s.

The northern end of the region still gets our vote for good value in the next segment where Hamlyn Terrace and Woongarrah are continually growing with a steady supply of residential properties coming onto the market. Excellent value can be found in newish 4- bedroom, 2- bathroom, 2- or 3- car garage for less than $400,000. These areas are regaining their confidence, but we get the felling that it wouldn't take too much to see this confidence fade a little if interest rates rise a little.

We made reference earlier to the Gosford and Wyong Local Government Areas. These administrations have prospered under their reasonably new leaderships. In Wyong Shire the General Manager continues to receive the support of his backers and the momentum is growing in the shire for a positive economic outlook for the area he oversees. Gosford City's General Manager commenced in January and what an impact this personable, down to earth, real and astute fellow has had. His no nonsense approach has rippled through the community and he has garnered a level of support not seen for many years.

We have been fortunate to attend functions where each of these gentleman have spoken and though displaying completely different styles, their passion to get the job done, vision and will was simply brilliant. We are sure the region will be the benefactor of their decisions in the years to come.

There has been considerable debate and publicity on major development opportunities on the coast over recent years, but the naysayer movement has stifled them with a baffling ability to influence.

One may not agree with the scope and size of the proposals or want to hear what the proponents have to say, but the economic advantages involved in these proposals for our future generations seems to have been placed at the end of the list of benefits. The new administrations however, seem to be more business orientated - so we shall see.

NSW MID NORTH COAST

This month we give an old fashioned style market roundup.

For the mid north coast the residential property market has shown some indications of recovery, albeit at the lower end of the market.

As highlighted in recent reports, we have seen an increase in sale rates and demand for the lower residential properties in the larger towns of the region, including Port Macquarie, Wauchope, Kempsey, Taree, Forster and Tuncurry to date in 2013. Those properties showing some renewed interest are generally at the lower end of the residential market and include sub $400,000 (for dwellings) and between $200,000 and $300,000 (for units & villas). We are also starting the see small increases in the values for these types of properties.

However the mid to upper value properties still show slow demand, with low sale volumes and extended selling periods still the norm, unless the property is priced competitively (compared to other similar quality properties) and considered a bargain by potential purchasers.

The smaller mum and dad investors appear to be active in the low end residential market with good demand in this sector. We have also seen an increase in sales of lower investment dwellings and small residential flat buildings.

With rents remaining strong on the mid north coast, residential properties are showing good returns. They are often being purchased, sight unseen, by out of town investors, based solely on these yields, rather than future capital growth.

ALBURY/WODONGA

The market continues to run a flat to slightly declining course in respect to the number of sales. However despite fewer sales occurring, the median house price remains fairly static. We can infer from this that vendors are not discounting heavily and therefore not under pressure to sell. When we look to indicators of distressed sales, being mortgagee sales, there has been no increase in volume.

Purchasers seem to be accepting that the asking prices are fair and reasonable and are not negotiating greatly than that listed. There would appear to be enough active buyers in the market to lower their dominance over sellers. This is particularly evident in the active markets of west Wodonga, Lavington, east Albury and central Albury.

The median Albury house is $370,000 which is similar to 2007 pre GFC.

For Wodonga the median house price of $250,000 has followed and identical pattern.

A unique recent sales program has been underway in the old Charles Sturt University property in central Albury. This complex consists of a number of old large houses that were utilised for offices and teaching rooms. These 1930s buildings have nearly all sold with prices ranging from $500,000 to $550,000. They require considerable expense to convert back to dwellings but once complete will be quite desirable due their location and the character.

Also on offer are vacant lots with are selling well and for higher than average land rates.

The region is quite stable in terms of population, industry growth and climate/environment change. It appears to be well balanced. This should provide confidence and reliability for investors to project returns without there being a large range of risk factors to contend with.

The Wodonga CBD is currently undergoing a multimillion dollar redevelopment since the railway line diversion. This will transfer the city into a modern regional shopping and office location.

It is a pleasant region to work and play. Shopping, schooling and sporting options are many. Why would you want to live anywhere else?

LEETON

What is happening? Well if you are in the sub $200,000 club in Leeton or Narrandera its your time to shine. Activity in this market has strengthened as both buyers and investors snap up these affordable little hotties. Unfortunately the same cannot be said for the $200,000 plus market in Narrandera buyers are definately missing fire in the belly.

Leeton is currently enjoying an improvement in sales activity across all market segments but the levels have not reached a furious pace.

Griffith is slowly ticking over, and my hunch that investors are slowly returning has been supported by an improvement in sale volumes of block of flats over the past six months. The low to middle $200,000 market in Griffith is on the move with stock levels starting to fall short of demand.

DUBBO

The Dubbo residential market appears to be continuing on through the second half of 2013 as it did in the first half, with most agents reporting continued interest in the low cost bracket.

Continued demand for vacant land has seen all blocks (40) within the Delroy Park stage 11 sell prior to registration. Delroy Park, which is to the west of city, is serviced by a Woolworths shopping centre and is within close proximity to the golf course and CBD.

Continued demand for vacant land has seen the Rosewood Grove redevelopment blocks reach new records of $50,000 to $57, 000 at recent auctions, up from the $42,500 average set two months prior. It is interesting to note that these sites are impacted by a seven year owner-occupier covenant and it appears all purchasers are to build new homes in the coming months.

In recent months we have seen continued growth in the low cost bracket ($180,000 to 280,000).

> Agents are reporting having offer and acceptance within the first few days of marketing, at levels generally 10% to 15% higher than 12 months ago.

This growth has being fuelled by mining speculation and continued low rental vacancy levels.

Interest in small allotments, (>3000 square metres to 15 hectares) has experienced higher level demand recently with agents reporting those purchasing are locals upgrading from existing dwellings in Dubbo rather than out of town purchasers. It appears the buyers are looking for tidy, well set up properties located within 15 kilometres of the CBD.

The NSW government recently announced that the Cobbora Coal Project which was to be approximately 100 kilometres to the east of the city will not be going ahead. This mine was expected to have some impact on Dubbo with many parties feeling that Dubbo would be the mines regional service centre. Further on the mining front, the Tomingley Gold Project which is located approximately 50 kilometres to south has commenced development, with production anticipated to begin later in the year.

Victoria

MELBOURNE

According to the REIV, Melbourne residential real estate is expected to experience moderate growth to the end of the year if the current trend continues. Low interest rates coupled with changes to the First Home Buyer Grant saw Property prices increase slightly in the June Quarter with the Median House price for Melbourne increasing 2.4% (seasonally adjusted) to $562,000. Along with increased prices in some areas, the auction clearance rate also rose. The clearance rate for Saturday 27th July was 72%; an increase compared to a week earlier at 68% and the same time last year which recorded a clearance rate of 62%.

A number of inner city and outer Eastern suburbs showed the strongest growth in the recent quarter. Kew and Hawthorn East were amongst the few more expensive inner city suburbs to experience good growth. Outer South Eastern suburbs such as Lilydale, Croydon, Frankston and Langwarrin are more affordable areas that experienced stronger price growth. Frankston and Langwarrin in particular have benefited from the opening of the Peninsula Link with residents' commute times to the city being significantly reduced. These areas are also starting to attract investors looking to purchase affordably priced properties in suburbs that are set to benefit from the growing population and employment market as demand increases. Median priced properties in West Footscray, South Morang, Epping and Keysborough were a few of the suburbs that experienced strong demand from first home buyers rushing to take advantage of the $7,000 grant for existing properties before it ended on the 1st July this year.

The Docklands, Southbank and the CBD continue have an excessive supply of apartments coming onto the market. There are currently over 25,500 apartments scheduled to be released within the inner CBD suburbs this year and next. Low interest rates, low vacancy rates, strong population growth and lower Australian dollar are helping to bolster the inner city apartment market thanks to foreign and domestic buyers. With restrictions on overseas buyers being able to only purchase new or off the plan properties, apartment complexes are going up left, right and centre being heavily supported by foreign investment.

Select suburbs have outperformed others in recent months and although the general outlook for property prices is looking favourable to sellers, the market still faces a number of challenges, in particular the oversupply of inner city apartments and house and land packages in the outer suburbs.

GIPPSLAND

Wellington Shire & Latrobe Valley

The properties that are considered prestige within the Traralgon and Sale marketplaces are properties located within close proximity to the city centre and certain rural residential locations. Prestige price points are generally reflected in the $700,000 plus area. Specifically in Sale this is older style renovated dwellings on large residential blocks located south east of the city centre but within about a kilometre radius and modern/new rural residential large dwellings located on acreage being approximately three to five kilometres east and south east of the city centre. Traralgon is very similar with the older style renovated housing located immediately north and west of the city centre and the rural residential properties generally located to the west approximately three to five kilometres from the city centre.

The prestige market is currently a buyers market.

Due to the slow market in the previous two years, the prestige market properties have been dropping their prices in recent times. New houses are seen to be over-capitalised. However prestige market properties only come on the market rarely and occasionally there are some buyers who have been waiting for these properties and the price achieved on occasions can be a surprise.

The prestige market, being a buyers market at the moment probably presents itself as the best opportunity in years to achieve a high end property at a reasonable price.

Baw Baw Shire
The properties at the top end of the market in the Baw Baw region are typically large homes on acreage, often with extensive infrastructure that caters for horses and associated activities. However recently there have been several sales in excess of $1 million in the region are architecturally designed homes on allotments between 4,000 and 10,000 square metres with a building area in well in excess of 350 square metres. These homes uaually include all of the best features including a variety of styles of pools and spas, dedicated theatre/music rooms, games rooms and putting greens.

After a slow 2012, buyers in this price range have returned to the market with a vengeance. Many of these properties have sold recently after relatively short marketing periods. The highest recent sale was a 31 hectare property that sold late last year for $2.5 million which featured a two story dwelling of approximately 450 square metres, a pool, numerous outbuildings including a renovated caretakers cottage and lake with a boat shed.

East Gippsland
High end properties in the East Gippsland region typically feature waterfront properties, for example on the Paynesville Canals, with water access and jetty berths. Ocean views at Lakes Entrance also rate well with high level buyers.

In the Bairnsdale region, rural residential properties with extensive ancillary improvements such as pools, tennis courts, and shedding can reach into the high $700,000 to low $900,000s. These homes are generally very high quality and are in excess of 300 square metres in size.

MURRAY OUTBACK

Some markets may be moving with the first breeze of change in the property air however the only breeze hitting Mildura at present is the occasional icy south westerly winds off the Antarctic Ocean in the middle of winter.

While agents report reasonable volume of sales over winter and steady enquiry there has been no improvement in value levels. The lower end market has slipped which indicates a lack of confidence in these low interest rate times. Paying weekly rent when repayments are cheaper is a solid sign of lack of confidence in the economy, employment security concern and lack of capital appreciation prospects.

The sector in the market that has shown the best outlook is the $450,000 to $750,000 price range where there has been limited availability and a good volume of buyers. This is the bracket that is towards the higher end of the Mildura property market.

Riverfront properties have traditionally been the highest priced sector in the region with the highest price of $2.9 million having been paid in 2006. Values in this top bracket have eased up to 30% over recent years.

Queensland

BRISBANE

Have you even seen a market that has sat at the ready, almost taut, waiting for something to happen? Brisbane has that feel at the moment.

After a string of bad luck stories in the domestic and overseas economy plus political turmoil at a federal level, Brisbane had the compounded hammering caused by a 2011 flood to help things limp along over the past five years. What we are now seeing is a growing sense of optimism around the nation in 2013. Numbers just released by Australian Property Monitors (APM) show a rise in property values across all capital cities with the majors - Sydney and Melbourne - being amongst the strongest centres. The thing is, Brisbane has always traditionally lagged behind the likes of Sydney. In the APM June Quarter results show the median price gain for Brisbane houses was positive but tiny - certainly at a substantially slower rate than Sydney. The optimists amongst us might say we are due to start seeing better gains as the year progresses. Smart money might continue watching the NSW capital and to see if a trend is emerging.

Our valuers are reporting anecdotally that confidence is reasonably good around south east Queensland, but job security is the big concern. It's hard to pay your mortgage or rent without dollars coming in the door. Some certainty in the economy would be nice with a few observers saying a post-federal election surge is on the cards. We wouldn't be so bold as to make that prediction, but politics and instability have played a hand in making the population uneasy on a number of fronts.

While there is some confidence in our markets, buyers are uncertain where fair market value lays in plenty of cases. There has been an increase in the number of pre-purchase valuations being requested by buyers. This is a sign to some degree that buyers want to purchase rather than just tire kick or hope to jag an absolute steal.

The sector seeing the best performance is probably the trade up market. Family size homes in the $1 million to $2 million range are being keenly sought. Buyers want large blocks and sizable homes. Location is important too. Competition is toughest within 8 kilometres of the CBD, but this should come as no surprise. This sort of real estate is generally blue-chip and will offer the best chance of capital growth in the coming years.

So our call is that sectors where fundamentals are good are the ones that will perform the best in the foreseeable future. It's no longer fair to say every sector is a buyers' market.

Our expectation for the rest of this year is one of quiet confidence. Assuming there are no unforeseen shocks, everything is pointing towards a steady-as-she-goes time in the market with modest gains to be made for those willing to buy and wait. The hope is that we might see a return to normality where capital gains are solid but not out of control. Boom time markets tend to have painful endings. Even agents would be keen to see a steady turnover, steady gains and some solid real estate fundamentals.

GOLD COAST AND TWEED COAST

It would appear that the first six months of 2013 have seen a bottoming in the market on the Gold Coast and Tweed areas and this is evidenced by a significant increase of buyers in the marketplace than there had been in the previous 12 months.

Agents are reporting significantly higher traffic through open houses at all ends of the market and there are now fewer mortgagee in possession and receiver sales occurring than in 2012.

> Agents are also reporting low stock levels especially in the under $700,000 price bracket.

Most of the demand was coming from owner-occupiers however, we are now also seeing investors moving back into the market.

The top end, being the house market in the over $2.5 million price range and prestige unit market remains tough with forced sales still contributing to downward pressure.

The $1 million to $2 million price range, however, appears to have bottomed and levelled out and this is demonstrated by a recent canal front property at Bundall which went to contract in early 2013 for $1.925 million. This contract failed to settle however, when it was put back on the market it sold within one week at $1,950,000.

Waterfront housing in the $700,000 to low $1 million price range is also seeing increased sales activity. For example at Benowa Waters the first six months of this year has seen 11 sales at $1 million plus, compared to only four sales during the same period in 2012. At Runaway Islands there have been four to five sales at around $1.25 million compared to last year when there were virtually no sales at this price level.

Over the past 12 months buyers in the middle to higher end residential market have generally been looking for modern dwellings which they can move into and not undertake any renovation works. This has generally been due to property values falling while construction costs have remained fairly firm. Therefore buyers see better value in buying modern houses which can be purchased for below replacement cost rather than buying land and then building. This has put downward pressure on land values and during 2012 vacant land was difficult to sell and did see significant falls in value.

A promising sign during the first six months of this year however, has been renewed sales activity of vacant waterfront land and we note two sales in Sir Bruce Small Boulevard at Benowa Waters for around $800,000 when one of these allotments sold last year for around $600,000. There have also been sales of lakefront allotments at Emerald Lakes for around $650,000 compared to last year when they were selling for around mid $500,000.

The strength of the market, however, over the past six months has generally been in the under $500,000 detached housing market where stock has been turning over quickly with agents now reporting very low stock levels. In the under $400,000 price bracket the market in certain pockets has seen some firming in value levels of up to 5%.

Even with this firming at the bottom end, the market still presents good buying. For example in the Pacific Pines, Upper Coomera areas modern, 4- bedroom, 2- bathroom, double lock-up houses on 600 to 800 square metre allotments can still be purchased for between $400,000 and $500,000 which is below replacement cost.

The highrise home unit market still remains tough with supply levels still outweighing demand especially for units in the over $500,000 price bracket. Rising Body Corporate fees are also another issue impacting on market values of home units especially in older style highrise buildings.

Although the under construction light rail project is causing significant disruption between Broadbeach and Southport its completion date is expected to be later in 2014 and we expect that once operating there will be significant positive flow on effects for real estate in the areas surrounding it.

Overall the last six months have seen a more positive vibe occurring in the Gold Coast property market.

SUNSHINE COAST

The Sunshine Coast property market has certainly shown some signs of recovery.

> Volumes improved greatly throughout the first half of 2013 with stock levels in some areas becoming a bit of an issue.

This increase in activity has however not translated to a significant increase in values. Rather we believe that the rot just may have stopped a little, for now.

The main sector of the market that we have seen the greatest volumes has been in the sub $500,000 house market in the coastal areas, and the sub $400,000 market through the hinterland areas. Both owner-occupies and investors are active in this market with what feels like a relatively even spread between both.

Above this level, moving into the prestige sector, the marketplace is still fairly tough. There are still significant levels of supply in the market with buyers remaining cautious. Typically these buyers are only interested if they can get a perceived bargain or value for money. These 'lifestyle' sectors are the greatest sectors of the market where we have inconsistencies of sales. For example, depending on the circumstances of the sale/vendor, and if they are under pressure to sell, similar properties can sell with a variance circa 20%. Hence, experience in this market is paramount.

The unit market has also seen an increase in popularity over recent times, mainly for inner coastal areas and largely for more permanent living style home units.

These tend to appeal to the buyer that wants to be able to lock and leave. The resort unit market however is a different kettle of fish. This market still remains tough with interest only at discounted prices. In both units sectors, there is a real resistance to body corporate fees. Units in complexes with high fees continue to remain very difficult to move.

The rural residential market still remains one of those markets that is also pretty difficult to gauge. There is plenty of value out there given the ability to buy properties are well below replacement costs, which is similar to the prestige market. Lifestyle properties are more wants rather than needs, so there has to be a pretty good offer.

As like all market wraps there is a caveat. This continues to be the impact that mortgagee in possession activity and sales, with the vendor being under pressure. As we have mentioned, property sold under these circumstances can really cause inconsistencies in the market.

As we have mentioned in previous Month in Reviews, the winter season is the quiet time of year with typically less people around. We have also mentioned the looming federal election and that people typically put their decisions on hold. After speaking with a number of agents on the Sunshine Coast, unfortunately we can confirm that the market inquiry has slowed significantly over the past four to six week period. We can only surmise that an election is once again having an adverse impact to the market. All we can ask is that Kevin calls the election sooner rather than later so we can all get on with things.

DARLING DOWNS

Toowoomba has been recognised as a 'real estate hotspot' in various media publications over the past six to 12 months and investors are reacting accordingly. Toowoomba has been identified as the gateway to the Surat Basin and publicised as benefiting from the mining activity but also having a much broader economic base and therefore seen as a lower risk investment. This increased investor activity has resulted in a significant increase in sales activity in the sub $500,000 price bracket. This sector of the market would generally be described as a seller's market with high demand resulting in shorter selling periods and agents reporting offers above the advertised price which has not been seen since the previous boom. Many agents are also reporting a shortage of listings due to the high demand. Properties which are well presented and well located, particularly those on the eastern side of town in the sought after suburbs of East Toowoomba, Mount Lofty, Rangeville and Middle Ridge, continue to be in high demand. However, we point out that properties which are poorly presented, in secondary locations or sold under distressed circumstances are still experiencing discounting in the market.

The increase in sales activity has also flowed on to the higher price brackets which have generally been thinly traded over the past three years. There have been three confirmed sales over $1 million and several reported but not yet confirmed sales over $1 million in 2013 to date – compared to 2012 which saw only five sales over $1 million for the year. A recent sale in the over $1 million price bracket is shown on the page below.

Curtis Street, East Toowoomba

This East Toowoomba, 5- bedroom, 2- bathroom house is located on a 1,520 square metre lot. The dwelling features eastern valley views, extensive landscaping, heated pool and outdoor gazebo.

The Toowoomba unit market is continuing to strengthen and a significant amount of construction activity is occurring in this market segment at present. The new Toowoomba Regional Council Planning Scheme, which came into effect from July 2012, now permits higher density residential developments in the Residential Choice zone. This has prompted an increase in new unit construction activity and highlights a potential risk of oversupply for both the sale and rental markets moving forward if demand softens.

Lockyer Valley

The Lockyer Valley is still experiencing low levels of sales activity as a result of limited buyer demand. Price reductions are still being experienced following the January 2011 flood. The poor presentation and condition of the properties combined with the increase in forced sales in this area has resulted in heavy discounts on prices in order for sales to occur.

Southern Downs

The property market in Stanthorpe and Warwick is showing positive signs as a slow increase in sales activity has occurred in the lower price brackets, although values have regressed. The rural residential market continues to experience minimal activity due to limited demand and unrealistic vendor expectations. Overall, prices in these areas have shown a decline following the peak in 2007/2008. There has also been a decline in the level of investor activity as we see less off the plan sales. Overall these markets are showing slow signs of recovery.

The Surat Basin

The property market in Roma and Charleville has continued to show steady sales activity, however we have seen a slight decline in values. Over the past five years we have seen a significant increase in the labour force as a result of the mining sector which has continued to develop in Roma and surrounding areas within the Surat Basin. The increased labour force has resulted in significant activity from absentee investors to capitalise on the rental returns. Recently we have seen a slight change in the rental market as the vacancy rate increases and there is a decrease in the achievable rental values. The investor activity appears to correlate with the timing of residential developments and developments in the mining projects. Developers have responded to the slow down in the sales rates of new residential product by postponing the release of new product to the market for projects with future stages and development plans.

The residential market in Miles still appears to be strengthening as a result of the mining boom in the Surat Basin.

Absentee investors are very active in this market, capitalising on the perceived strong rental returns achieved from mining activity.

There is considerable investor speculation surrounding the Xstrata Coal Wandoan Project which is currently undergoing the final approval process.

A Blue Horizon Property project of 120 townhouses is currently under construction in Daisy Street with approximately 24 complete to date and buyer interest reportedly from out of town investors.

The vacant land market is continuing to show steady volume of sales however, land outside of new developments are proving slower to sell. Plans for mining camps are currently in the development pipeline which will provide an alternative to housing for worker accommodation.

The Chinchilla market has stabilised with limited sales activity occurring for second hand products. There is still reasonable investor interest in the new developments, particularly for house and land packages. For example, the Chinchilla Park Estate

subdivision which has been marketed by out of town agents to absentee investors. The rental market has shown consistency with no significant growth. Agents have reported that buyer demand has stabilised which could be a result of the employment nearing its peak for the mining activity.

The Dalby market has been stable with steady sales activity occurring in properties not impacted by floods. It has been increasingly difficult for properties which have been flood affected or those located within close proximity to the railway. Increased buyer interest from owner-occupiers has been noted for rural residential dwellings. Activity from investors has slowed down, it has been noted that values which are considered above market value for both land and construction are being achieved though out of town buyers.

Overall the influence of the mining activity is still reflected in most areas of the Surat Basin. We are aware some sales and contracts include rebates, furniture packages and rental guarantees as buyer and rental incentives. Development in these areas are still progressing although some sectors are experiencing slowing of sales activity.

ROCKHAMPTON

In summary the July market round up for the Rockhampton region includes slightly reduced sale volumes across the board, however price levels appear to be remaining steady with a median sale price in Rockhampton at $300,000 and the Capricorn Coast at $400,000.

The local economy relies heavily on a diverse range of industries including mining and education. Since the downturn in the mining industry during 2012, the local residential market had, until recently, been able to sustain stable sale volume and pricing due to a number of factors including: an overflow from the Gladstone market; low interest rates, low vacancy rates (2% to 3%), and affordability. This market has been investor driven over many years.

Over the past 12 months a number of influencing factors have changed which include:

1. The Gladstone market has reflected significant decline in sale prices and achievable rental returns with vacancy rates on the increase. The overflow benefit to the Rockhampton region has reduced considerably, if not ceased.
2. Businesses located in Rockhampton which have made a living from servicing the mining industry are now starting to suffer from reduced work with a number of these closing or laying off staff.
3. The Central Queensland University, being one of the largest employers in this region, announced in May of this year that the university was going through a restructuring process with approximately 200 staff to lose their jobs.
4. The locality of Gracemere, which has been undergoing substantial residential development over recent years, has started to show signs of slowing.

This market has been aggressively marketed to non local investors. Agents are indicating that leases are not being renewed, or only renewed at a reduced rent, and the number of empty houses in this area is on the increase. This is placing downward pressure on achievable rental returns. Vacancy rates in the area are on the increase also with the most recent statistics indicating a vacancy rate of up to 7% to 9%. This area may experience a market correction over the next six to 12 months.

HERVEY BAY

Sales in Hervey Bay have been steady in the low to mid price range, however mortgage brokers and agents have reported that activity has slowed over the past month. There have been some very low sales occurring for larger park residential properties within Hervey Bay on sites between 2,000 to 4,500 square metres in central locations. Some of these sales sold as low as $314,000, with most comprising of older dwellings (over 20 years) in original condition with dated ancillaries.

Similarly Esplanade stock across most beachfront suburbs has been selling between $500,000 to $670,000. A particularly low Esplanade sale took place in Pialba for $405,000 in December 2012. The property comprised of a mid set, partly refurbished, fibro cement dwelling providing 4- bedroom, 1-bathroom accommodation on a 850 square metre site, with no significant views. The location does experience above average traffic levels, however is adjacent to a popular park which precedes the beach.

Some major projects are now well underway in Hervey Bay, with the extension of the Stockland shopping centre along with the construction of the new St Stephens Private Hospital. The new Fraser Coast Planning Scheme is expected to be released later this year, with feedback being quite positive from most sectors throughout the community.

The Maryborough market is still experiencing a degree of caution with uncertain employment conditions stemming from the local manufacturing firm Downer EDI cutting 90jobs over the past nine months. Mid to higher priced properties are experiencing longer selling periods, with most vendors expected to be negotiable with price, settlement periods and finance clauses.

The Stage 1 extension of the Station Square shopping centre in Maryborough is scheduled for council approval in August 2013, and has reportedly achieved pre-lease occupancy of 80%. Stage 2 is to be developed in 2015 with a reported pre-lease occupancy of 70%. It is heartening to note that despite recent employment declines, long term confidence in the region is still prevalent.

MACKAY

As avid readers of the Mackay market segment would already know, the Mackay residential market is heavily reliant on the coal mining industry located in the Bowen Basin. At present there is a significant downturn in the mining industry. This has had a flow on effect with confidence in the Mackay economy well down, with uncertainty on the mining tax, carbon price or which ever way the current or any new government may decide to go. Unfortunately for Mackay, the coal mining industry is one of the most impacted from these taxes. There definitely appears to be a wait and see attitude right across the Mackay economy.

So far the only major impact to the residential market is the significant reduction in rental values, and increasing rental vacancies.

We need to bear in mind that through 2012, rental values rose significantly and the current reduction is seen as a correction of the market. The general residential market appears to be holding its own, albeit on reduced volumes and confidence. Median house prices are still over $400,000 which is toward the highest for regional Queensland. While there are isolated and patchy cases of some minor falls, most sectors appear to be relatively static. The next six to 12 months will be quite telling for the Mackay economy and residential market. Factors such as the result of the federal election, value of Australian dollar and the willingness of big miners to restart expansion projects will have a major bearing on the future direction of the Mackay residential market.

GLASDTONE

The Gladstone residential market continues to ease with declining prices still evident which have been decreasing since November 2011.

This has been seen across all residential market sectors including vacant land, residential units and dwellings.

From October 2010 to November 2011 Gladstone and surrounding areas had experienced strong growth in the residential property sector. This was due to strong investor sentiment after the announcement of the EIS approvals for three LNG projects in Gladstone. The construction workforce required for completion of these projects is currently at peak levels.

Subsequently the demand for accommodation has eased significantly with supply currently outweighing demand in the residential property sector. This is putting downward pressure on prices while supply is continuing to increase.

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

There is potential for further market correction while supply is increasing in the proposed new product which will continue for at least another 12 months.

TOWNSVILLE

Townsville's residential market recovery seems to be as elusive as ever. The signals are all aligning - low interest rates, good affordability, good rental returns - but the frustrating part is that the recovery just isn't happening.

The sentiment has continued to build, people can feel the demand out there, but don't seem able to cope with the price hurt needed to make it happen. The level of forced sales via mortgagee in possession (MIP) and sales by receivers has been a huge blight on the market over the past 12 months, bringing out bargain hunters and keeping the prices depressed.

The volume of house sales has been on a generally increasing trend, however sale volumes so far this year are below corresponding months of 2012. Sale volumes as at March 2013 are trending at around 216 per month, compared with 222 per month in March 2012.

The median house price has climbed slightly, however it remains depressed due to softness in the market and high incidence of MIP sales. The median house price stood at $356,000 in March 2013, a reduction of 1.9% compared with March 2012.

A positive sign for the inner city unit market to begin a return to some form of normality is the receiver stock that was dampening this market is now almost cleaned out.

The volume of unit sales proceeding to settlement has picked up over the latest six months with a rise in the established unit category, more than offsetting a reduction in the number of new units being sold and settled. Sale volumes as at March 2013 are trending at around 63 per month, consisting of 49 established and 14 new unit sales per month.

The median unit price has changed little over the past six to 12 months for established units but have lowered slightly for new units. The median established unit price trend came in at $270,000 in March 2013, identical to the amount prevailing in March 2012, while for a new unit the median trend price was $336,000 in March 2013 compared to $345,000 in March 2012.

Townsville residential property markets remain stubbornly soft with pre-conditions for recovery all there, and indeed have been evident in the market for some time, however they are yet to spur the market into any observable impacts on price. It is our belief that house and unit prices will remain relatively unchanged over the coming six to twelve months, as the market continues its process of gradual consolidation and recovery.

CAIRNS

The Cairns market is now on the verge of a recovery phase.

Sales activity has lifted significantly over the past 12 months, but the increasing volumes are only just starting to translate through to higher prices.

Though prices have typically increased by up to 5% over the past 12 months in the more popular suburbs, there has been little change in other areas and overall price movements have been slow. The well located better quality properties are selling reasonably readily up to around $600,000 but demand then tapers off quickly.

However property demand from investors and first home buyers is weak and the market for bottom end housing and tourist orientated property is slow. Improvements in the local economy are helping restore confidence to the local property market, but we still expect relatively soft property market conditions to prevail throughout 2013.

The mainstream residential market, which takes out the top and bottom 5% of the market, currently shows a house price range of about $225,000 through to $600,000. The median house price trend stood at $353,000 in April 2013, which is 4.5% higher than it was in May 2012. However the unit median price has reduced by 1.2% in the year to May 2013, as the market has been digesting the impacts of greatly increased insurance charges and body corporate levies in this sector.

The very tight rental market conditions that prevailed in late 2012 eased slightly in the first part of this year as rental vacancy rates have increased, but the current market still sits beneath the ‘balanced market’ range normally accepted as a 3% to 5% vacancy rate. In addition the rental market is expected to remain under pressure during 2013 because of the lack of new rental housing construction and the slow state of the investment property market. The trend rental vacancy rate for houses stood at 1.9% during June 2013, while units recorded a trend vacancy rate of 2.3%. The market vacancy trend overall stood at 2.1%.

Rental housing shortages have resulted in escalated rents, with the weighted average median rent increasing from $350 to $355 per week for houses over the past 12 months, and from $250 to $255 per week for units. Rents are likely to continue increasing during 2013-14 as the rental supply stays tight.

South Australia

ADELAIDE

It is very difficult at present to provide a clear overview of Adelaide's residential property market. We believe that we reached the bottom of the property cycle last year and that we are now in the very early stages of recovery. However there are several significant ongoing issues that continue to have a negative impact on the property market. These include global financial uncertainty, struggling local economy, cost of living pressures, and the shift towards paying down debt. In the short term it is difficult to see these issues resolving and so the recovery of the housing market in Adelaide has the potential to be quite drawn out.

For the remainder of the year we expect a small gain in overall property value however on a month to month basis figures may still be up and down.

It is also reasonable to note that in the current financial climate certain locations are fairing noticeably better than others. The outer northern and outer southern suburbs which are considered to be the traditional mortgage belt suburbs remain the most sensitive to financial pressures. Issues surrounding job security appear to be offsetting the benefits of low interest rates and currently of most significance is the uncertain future of Holden's car manufacturing plant at Elizabeth. These areas may also take longer to recover due to the potential of oversupply. Existing dwellings may suffer further as they also have to compete with the first home owners grant ($15,000) and the housing construction grant ($8,500) providing up to $23,500 for newly constructed houses.

There have been a few articles recently suggesting that Adelaide's residential market has started to improve, and in the inner suburbs bordering the CBD and metropolitan beachside suburbs it is fair to say that this is more than likely the case. Property that is well appointed and located and priced to the market, especially when under $800,000, has been selling well and in fact this has been occurring throughout 2013. Within these popular suburbs it appears as though there is a very limited supply and it is speculated that the reason behind this is that many home owners remain wary of selling their property in what is currently still a buyer's market. Other factors include the traditional winter lull and the looming federal election and then state election (March 2014)

When the Adelaide property market was experiencing a correction in values during 2011 and 2012 auction clearance rates dropped down to be consistently below 50% and as a result using auction as the method to sell property reduced in popularity. At the time this was probably a fairly good indicator that the market was in a downturn. Since the start of 2013 auction clearance rates have improved and over the last four or five months have fluctuated around the 70% mark. Auction as a sales method has also increased since the start of 2013. Just as the decrease in auction activity and clearance rates correlated to the downturn of the Adelaide residential property market, the improvement in clearance rates and increase in auction numbers is a positive sign for the beginnings of a recovery.

Construction has now started on the houses in the first stage of the Bowden Urban Village Residential Development. It is to be Adelaide's first transit-oriented development (TOD) and is located on the old Clipsal and SA Gas industrial site on the corner of Park Terrace and Port Road less than five kilometres from the city. It aims to provide medium to high density living with excellent access to the city via tram, train, bus and bike and is part of the 30 year plan for South Australia. Nearly three quarters of the 60 houses released in the first stage have been sold and overall the project appears to have been well accepted. With stamp duty concessions and other government grants currently on offer an eligible first home owner buying a new apartment worth less than $400,000 in Bowden Urban Village could be in line for grants totalling around $40,000. Any other purchasers including investors buying new apartments for $450,000 or less have access to around $27,000 in grants.

Tasmania

Hobart and Launceston

This month statistics indicate Tasmania is experiencing increasing unemployment levels, well above the national average, with minimal population growth. Neither are good indicators of an active property market and are indicative of the stasis in Tasmania's property market.

The Real Estate Institute reports that house sale volumes have levelled out across Tasmania. The north west coast has recently seen a bounce in volumes however northern and southern regions continue to show declines. Similarly the north west median price has rebounded to a slight degree while elsewhere it continues to fall.

Weak employment opportunities have forced many job seekers to flee to the northern island. Consequently stock is abundant which likely accounts for the decline in median house prices in population centres and increased selling periods.

Regional activity in Tasmania's property market appears to share a positive correlation with perceived industry developments and employment opportunities reinforcing the notion that you need a job to pay a mortgage.

While threats remain to job losses in the north west, the creation of perceived employment opportunities that may have put the bounce into the region include;

- Grange Resources announcing a relocation of their Head Office to Burnie (from Western Australia).
- Christmas Hills Raspberry Farm and an Ulverstone manufacturing business have been given innovation and investment grants to assist in operational expansion
- It is hoped Ta Ann's compensation payment, as per the Forestry Agreement will help maintain employment in its Smithton mill.
- The state government has also initiated a grant program to encourage conversion of farm land to dairying to exploit opportunities in a growing dairy industry.
- Both federal funding and state government grants have been pledged to assist projects in the aquaculture industry on the West Coast. It is expected that these projects will create 112 jobs.

By contrast northern region business and employment creation opportunities were limited perhaps reflecting the status quo of the northern property market.

- Gunn's Long Reach mill recommenced operations.
- Tasmanian Alkaloids received a federal grant to contribute towards installation of new, greener evaporation technology.

Tasmania's southern region in June saw the commencement of some large public and private infrastructure projects creating construction jobs;

- $32 million overhaul of Blundstone Arena
- $7 million International Cruise ship and Antarctic Research ship terminal project at Macquarie Wharf Number 2.

While Tasmania's employment rate has been increasing over the past 18 months with the possibility of further job losses in some of our larger, traditional industry sectors of manufacturing and forestry there is another side to the story.

Tasmania's economy is transitioning from a forestry and manufacturing base to new areas of industry not yet fully realised but largely heading towards tourism and agriculture with new employment opportunities.

As a result the residential market remains flat due to current economic conditions and investors are yet to return to the market despite declining values and better returns.

Northern Territory

DARWIN

After a busy 12 months the Darwin property market has stabilised over the last quarter with median house and unit prices holding steady and number of sales dropping considerably.

According to REINT's latest quarterly statistics, inner Darwin median house prices increased 5.4% over the year, however the last quarter saw no increase with the current median selling price sitting at $875,000. Northern suburbs (Sanderson) showed 4.1% growth in the past 12 months and this last quarter saw a 1.1% increase, now at $572,500. Palmerston, which has gone up 12.7% for the 12 months to March 30, had a 2.8% increase over the first quarter with a median house price of $550,000.

The overall Darwin median 2- bedroom unit price is at $425,000 which is showing a 2.4% increase in the past 12 months, but over the last quarter has decreased 1.2%.

> So while there have generally been small increases in median price, the big change is in the sales volumes.

The annual sales volume for inner Darwin is 19.2% down on the previous year and northern suburbs (Sanderson) has also recorded a 20.7% drop in sales. Cheaper house prices and development projects in Palmerston has meant that there is less of a drop at 12.3%.

With more and more people coming to the Top End rents are still strong. Rent was generally up across the board in the Darwin region with 3- bedroom house rental showing a 1.9% increase in the last quarter and a 16.3% annual rise.

Anyone who purchased in the past two years would now be sitting back happily with some strong capital gains. Those who purchased property late 2009 and early 2010 will be breathing a sigh of relief now that the market has corrected itself after the drop in 2011. But the gains that we have seen over the past year or so were unlikely to keep on at such a high rate because of unsustainable growth and affordability issues.

While things have quietened down slightly, the Darwin market is still a sturdy one. Indicators such as low vacancy rates and shortage of housing mean that while prices may have stabilised and might not increase much in the short term, investors with a long term view will still be able to do well.

A number of unit developments in the area will release more than 500 units into the market over the next 12 to 18 months and could lead to oversupply which could lower rental yields. However you can still find good returns in the housing market with rents looking to rise over the short term with infrastructure projects such as INPEX increasing demand.

Western Australia

PERTH

You've said it all before. Western Australia is all 'boom and bust' .....up and down on the back of the fortunes of the resource sector. That's sort of been true. But in the last ten years things have been a bit different. While we have been carrying the burden of Australia through an economic mine field for a number of years, we're just about due for a little break. And of course, the rest of Australia will say "There they go again!"

With the world economy once again not knowing which direction it's heading, in fact from one week to next we don't know who our own Prime Minister is going to be, our resource sector is holding back on development of projects which has an immediate and direct impact on the Western Australian property sector.

Where once upon a time property cycles could be measured in years, we are now witnessing minute cycles which react much faster to the news which filters from every available source. I blame Apple, Twitter, Facebook and every other source of media that allows people to proffer their opinion, much without much substance.

Thus we can see property in Perth bouncing around like a plane that's hit turbulent air; one minute its up, the next its down. And right now, the plane is on the way down. It's not an 'assume the crash position' moment but more of a 'the Captain has asked that you return to your seat and you fasten your seatbelt' type of moment in the Western Australian property market.

Those who have a fear of flying will be gripping the edge of their property portfolios while those who are seasoned flyers will know that we've just hit a rough patch and we'll pull through. Like we always do.

We have witnessed a period of six to nine months of upside in the Perth residential property market. We have reported before about multiple offers on homes. Properties lasting only two to three days on the market, the low number of listings. Well, it can't and it shouldn't last forever. Why? Because property isn't a frequently traded commodity. It's not a share. It's a place where families are sheltered and business is conducted and things are produced. Yet some people treat it with the same expectation as a Wesfarmers or Telstra share. They expect it to always go up and to provide a dividend along the way. They get very disappointed if there is talk that it will loose value. Some people get panicky about property and try to grab it and take control. Not letting reality sink in. These people are called investors. Others just see property for what it is accept it and are not too worried or fussed about talk of market slowdowns or dips. They are called owner-occupiers or tenants.

At the end of the day, property is not a share. It's not an aeroplane either. It's a thing that sits on a piece of dirt and has walls and a roof on it. As long as the piece of dirt is relatively clean and the roof doesn't leak all sorts of magic can happen from property. Sometimes babies are produced in them, other times nice widgets are made in them and sold to other people.

> The residential sector in Western Australia is seeing a rate of take up unprecedented for many years which is now beginning to show signs of hitting turbulent air.

Building activity in the apartment market is up on the back of what was, until recently a healthy set of numbers and the feeling was good.

With more tradesmen released from fly-in fly-out duties returning to work in the Perth market, this helped to pull down construction prices and make some projects viable. Developers are rushing to meet the demand for apartments especially in the sub-$750,000 space and developments from central Perth to far flung southern Perth suburbs are on the market.

Sometimes when comparing apples with apples, we as valuers can't see what all the fuss is about with apartments. We see far more value in something with some physical land attached to it than something that is all about air rights. In fact, we see it day in day out. A brand new 3- bedroom, 2- bathroom detached brick and tile home on a cottage lot of circa 350 metres squared selling for the same price as a 2- bedroom, 2- bathroom unit, in the same outer suburban area. For me, that just doesn't make sense. Unless of course the apartment is on top of vibrant retail shopping, bars, restaurants and a train station. Which more often than not, they aren't.

However, with more developer activity comes more stock (increase in supply), right about the time when everyone is beginning to return to their seats and putting on that safety belt (fall in demand). So expect to see some pain in the residential apartment market in about 12 to 18 months time.

Is it all bad? No. We are still the best state in Australia to live and because we haven't gone too hell for leather with development projects, we should fare better than most. Again. There will always be pockets and properties which will outperform market expectations whether in a flat market or in a good one. So keep an eye on suburbs such as Bibra Lake, Kardinya, Willetton, Padbury, Duncraig, Woodlands and Fremantle. Focus on size of lot, proximity to schools, transport linkages to the CBD or other places of work and recreation. If the house is a mess, buy a paint brush and invest some time and effort. Turn that little ugly duckling into a swan. Who knows, one day you might make some money on your property. Sometime. Down the track.

So, just relax Australia. Western Australia has got your back. We may be a bit tired, but we'll take a short break and be back on the flight deck soon, taking control of the Australian economy.

SOUTH WEST WA

The residential market in the main centres of the south west of Western Australia have been influenced by a number of factors over the past year. However those that stand out are the increase in the number of FIFO workers to the region and the dwindling supply of residential land.

The main coastal towns in the south west which include Bunbury, Busselton, Dunsborough and Margaret River, have experienced above average of the national average growth for several years. However the increase in the number of FIFO workers migrating to the area and calling it home has increased significantly in the past 12 months.

The upward pressures on the rental market and housing affordability in Perth has seen the FIFO sector of the market head to the south west of WA where they can experience a holiday lifestyle in their allotted time away from the mines. The median rental levels here, while much more attractive than in Perth, have been pushed up significantly by the lack of supply of decent rentals. As in Perth we are beginning to experience some rent rage where vast numbers turn up to home opens and often agree to

pay rent above the asking price to ensure they are successful.

This has put upward pressure on rents across the board and current tenants are beginning to see the benefits of potentially owning their own home with mortgage payments not too dissimilar to their current weekly rental. We are therefore experiencing first home buyers as well as FIFO workers and those re-entering the home ownership market.

Real estate agents have been experiencing high volumes of sales, particularly in the lower/affordable end of the market since the start of the year. However values have remained static until June when it became obvious that house values were beginning to show some increases of around 5% in value, though this appears to be restricted to the lower end of the market.

The number of vacant lots available for sale in the larger subdivisions in Busselton, Dunsborough and Margaret River has dwindled, and the asking price for vacant land is starting to increase due to the lack of supply, and the time lag, before new land becomes available.

With the current low interest rate climate the feeling is that the residential market has perhaps left the worst behind.

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. Purchasers are realising 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 $650,000 range. One larger lifestyle property of 22 hectares with a 3- bedroom home is currently under contract for $850,000 and a contemporary home with extensive site improvements on 5.6 hectares has just sold for $1.175 million.

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 and 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 lately but overall sentiment is still very positive for this region.

Rural

HERRON TODD WHITE RURAL

OVERVIEW

The impact of recent rain in the Eastern States has brought about an increase in optimism as reflected by many of the team this month. In what is a normally quieter time for selling rural properties, activity has been sound and in some regions like Central Queensland and the Southern Darling Downs, activity for larger scale operations has been evident.

The irrigation regions in Southern NSW and North West Victoria are reporting irrigation allocations that will support the next season crops and water values are also holding form for High and general security water classes, with temporary water demand limited due to recent rainfall in the regions and it appears there is a bit more to come yet.

The feature article this month is focused on Tasmania which is developing a world standard single malt whiskey market, which relies on the local barley market to deliver the quality grain to the sector.

This industry is helping to support the local grains market in Tasmania. Michael Valentine from our Launceston office would be very happy to undertake any valuations within this market segment, he would bring the ice.

The continued drier conditions in the West are still however impacting the local market with the record numbers of sheep being sold in recent sales, as graziers struggle to hold on to them given the lack of rain this season. The cropping sector in the West often grabs all the headlines, but the sheep and lamb market, along with local dairy market continue to also show signs of stress in values and volumes of sales with both still down from the market peak in 2008/2009.

Enjoy the read.

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Victoria

MURRAY OUTBACK

The round up of the 2013 Australian Wine Grape Season has been summarised in the recently released '2013 Winegrape Purchases: Price Dispersion Report', prepared by the Australian Wine & Brandy Corporation.

This report summarises the wine grape intake and the average prices paid for fruit delivered to the largest Australian wineries (approx. 80% of total purchases). The report showed that 1.83 million tonnes was crushed in the 2013 vintage which was much greater than the 1.6 million tonne forecast.

Salient points from the report show the average price of wine grapes increased by 9% to $499 per tonne, up from $457 per tonne in 2012 (noting that in 2008 the average price was $717 per tonne). The growth was reportedly driven by strong demand for premium varieties and premium wines from the Asia Pacific region. The average price in for the warm inland regions like the Sunraysia region was $351 per tonne, a 5% increase on last year with cool climate rising 19% to $1,156 per tonne.

Dampening this positive result is the recent report that Treasury Wines Estates (TWE) plans to destroy $35 million of unsaleable wine in the USA and to sell $40 million worth of lower quality wine at fire sale prices in Australia. Whilst the wines to be destroyed are US grown there is likely to be some impact on Murray Valley growers who are concerned that TWE appear to be holding huge stocks of cheap wine, which may result in TWE breaking contracts with growers in this region moving forward. The Murray Valley are renowned for providing the bulk of D1 and D2 quality grapes that produce bin wines for the lower end of the market.

The higher than expected production in the past season surprised most in the industry, as there has been significant areas of wine grapes decommissioned or removed in the Murray Valley and cool climate growing areas over the past two to three years (up to 30,000 hectares in total). Despite this, it still appears that we are continuing to supply more wine than demand requires.

The new water season has opened positively, with NSW High Security Murray River allocations at 97% and General Security at 38%. Victoria High Reliability opened at 42% with the likelihood that by December a full 100% will be allocated.

Current permanent water values for NSW High Security are between $1,550 to $1,600 per megalitre and between $1,320 to $1,400 per megalitre for Victorian High Reliability. Due to the large volumes of carry over water in Victoria the temporary water spot prices are likely to remain around the current $45 to $50 per megalitre until demand arrives from the rice and cotton growers from September which could see levels firm.

There have been no significant rural sales noted in the past month in the region, however a large dryland cropping aggregation in the eastern Millewa region (40 kilometres west of Mildura) is to be auctioned in August. This sale will be a good indicator of current market values, particularly noting the very good seasonal conditions at present.

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GIPPSLAND

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

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New South Wales

LEETON

Overall the rural real estate markets across our region remain subdued.

The winter crop season is progressing well with good rain and mild temperatures (for this part of Australia) contributing to good looking winter crops. Irrigation allocations have been announced for the Murrumbidgee River system which includes 95% for High Security and 18% for General Security users. The seasonal outlook is currently positive.

There have been no notable rural sales since last month. There remains limited stock on the market in both dryland and irrigated broadacre market segments with land values in these sectors having made recovery from the drought levels some time ago and are holding steady.

There are a number of citrus and viticulture holdings on the market, most of these listings are forced sales and are being sold at or below land value in most cases. There have been no genuine market sales of these property types. Expectations are that values have declined but not to the levels that the forced sales are presently indicating.

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SOUTHERN NSW AND NORTHERN VICTORIA

The usual rural property selling season in southern New South Wales and north east Victoria is autumn and spring. From late autumn cropping programs need to be implemented so the property listing and sales scene goes quiet during winter. Then, after crops are sown and crops look like they might eventuate into some sort of yield (or not, depending on rainfall), and when properties look their best in spring, there is another surge of properties placed on the market. Some properties are offered for sale with crop included, and some are offered with longer settlements or clauses excluding growing crops. At this stage crops are sown and mainly looking pretty good after some handy rainfalls during June, and there are very few reasonable size rural properties listed for sale. This is likely to be the case until early spring. So after a rush of rural properties being sold in autumn, there is really not a lot to report on this front.

The season is shaping up pretty well in most areas in this region. After a slow start to the season we had good rainfall in March which got the feed away and allowed croppers to start sowing, but there was little rainfall after that for a couple of months and many farmers were sowing dry. In late May, mid and late June there was widespread rainfall that got most crops up and going. Some areas received fairly heavy falls which caused some spraying issues with soft ground conditions, but most of the post emergent spraying has now been done. As I write this we are experiencing more rain which is forecast for most of this week. This should provide enough soil moisture to carry crops and pasture through to early spring when more significant rainfalls will be needed.

For the irrigators the storages are looking pretty good - Dartmouth 94%, Hume 67% and Eildon 70%. These levels are down on storage levels at the same time last year (except Dartmouth), but last year was an aberration. The irrigation season is well and truly over so storages should fill or near fill over winter to allow for high water allocations for the start of the irrigation season.

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NSW NORTH COAST

Weather conditions have been generally wet disrupting the macadamia harvest and the commencement of the sugar cane crush.

Sugar Cane
The wet start to the harvest has resulted in delays and some damaged fields. CCS to date is disappointing, being generally below 10 for the three north coast mills.

A Mullumbimby cane farm with Brunswick River frontage has sold for $1.35 million. Structural improvements include a house, studio and sheds. Land value indicates about $19,000 per hectare. This property is located in the popular Byron Shire and has strong lifestyle attributes. This farm is share farmed and supplies the Condong Sugar Mill.

Macadamias
The harvest has been disrupted by the wet conditions. Anecdotal reports are that yields are down on expectations due to the ex cyclone event in late January.

A good quality macadamia farm at Alstonville with significant lifestyle attributes has reportedly sold for over $1.4 million. This is a 14 hectare farm on very good red basalt soils on the renowned Alstonville plateau. The property is planted to 4,000 macadamia trees. Structural improvements include a large attractive 5- bedroom home and swimming pool, large shed, irrigation bore and plant & equipment. This sale would indicate broadly $50,000 per hectare land value and about $30 per tree excluding the structural improvements and plant & equipment.

Further to the west at Durroughby which is typically a less desirable lifestyle locality than Alstonville, a larger 46 hectare macadamia farm with about 28 hectares planted to 7,500 macadamia trees, house, sheds and dehusking equipment has sold for less than $1 million. This sale excluding the structural improvements indicates about $20,000 per hectare land value for the land planted to macadamia trees, and minimal value for the macadamia trees. This property will benefit from general work.

Beef
A Clarence Valley Upper Fine Flower cattle grazing property of about 400 hectares and about 1500 hectares of perpetual lease forest country has sold. Carrying capacity is believed to be about 200 breeding cows. Stock water is understood to be good. Structural improvements include three sets of cattle yards, house without mains power and sheds.

This sale indicates over $4,000 per breeding cow excluding the structural improvements.

Property market
Generally the market continues to be a buyer's market.

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Queensland

SOUTHERN QUEENSLAND

Seasons – The further west you travel the more the season has deteriorated with the 'cut-off' at about Roma. Good winter storms have been received in a line to the east of Roma but only isolated storms to the west. The eastern falls have been excellent for winter crops. As a result of the drier western areas we are still seeing larger than normal yardings at Roma together with greater than normal numbers travelling the stock routes. Unfortunately then is not likely to be any real improvement for some time yet.

Property Markets – We have seen some recent activity occurring in the west with Nooyeah Downs at Thargomindah going under contract. The price is not yet disclosed, but the result will underpin values in the region. We are also noticing an increase in corporate activity for the better class of Cunnamulla/Quilpie country, specifically for the purposes of intensive grazing.

Prime farming country on the Inner Downs/Moree/North Star regions is still proving attractive to the corporate market as well. Primeag are in the process of finalising the sale of their entire portfolio which has largely been sold to a small number of individual interests. Further newsletters will provide more detail of these corporate transactions as they come to hand.

On the other side of the coin, receivers are still very active in the market. A number of sales are in the process of either being settled or are being prepared for sale. These cover industries including irrigation, dryland farming, grazing and intensive livestock operations. Successful sales of these will effectively establish the current position of the market. It is early days, but there is perhaps a slight improvement in the mood of the general market. Finalisation of political issues, namely the 2013 Federal Election, will remover further uncertainties from the market.

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CENTRAL QUEENSLAND

This year to date we have observed an increase in the number of rural sales by comparison to 2011 and 2012. Importantly, these sales include a number of high valued, large scale properties which have met good demand. In our view this is not an indication of an improvement in values, but more so recognition of where values may stabilise.

"Rhydding" located 35 kilometres south west of Moura recently sold for $6.5 million at auction to a grazier disposed by the Connors River Dam resumption. We note that previous sale of "Rhydding" in April 2004 for $6.55 million. The recent sale reflects a rate of about $1,231 per hectare ($498 per acre) or around $3,500 per beast area for this mixed scrub and soft forest property.

Big news this month has been the pre auction sale of "Glenprairie" for $28 million to an established northern beef producer. "Glenprairie" is located on the Queensland coast and comprises approximately 27,000 hectares (66,000 acres) of highly improved marine plain, developed forest, and steeper range country. The sale reflects a rate of $1,034 per hectare ($418 per acre) and a beast area value sub $3,000 per unit.

The "Adelong" aggregation south west of Blackwater has been another high valued sale, bought by a nearby land owner for $23 million. The property of 19,404 hectares comprises high quality dryland farming country, balanced by improved scrub grazing land and a percentage of inferior range. The sale reflects about $1,185 per hectare ($480 per acre) or about $2,850 per beast areas for the grazing lands, excluding cultivations.

Contact:
Will McLay Ph 07 4927 4655

Tasmania

TASMANIA

We all like a wee dram and many who have toured Scotland and Ireland will rave, endlessly about the single malt they found while staying in the Outer Hebrides or in the Scottish Highlands.

But here in Tasmania we no longer have to travel the world to taste the world's best single malt whisky. There has been quite a booming industry develop here over the past ten years after its small beginning in 1992 by the Lark Distillery. There are currently nine distilleries in Tasmania producing 200,000 litres of whisky a year (hic up), with a whisky trail having emerged offering distillery tours, cellar door sales, tastings, food and accommodation. These tours are also tapping into the cruise ship market as well offering another experience for the cruise ship which has had a great response. The larger distilleries are now exporting to Europe, North America and Asia.

Jim Murray in his 2013 World Whisky Bible has highlighted three of the distilleries (presumably those that are exporting) as having outstanding drops, placing them in the top drops for 2013 in the world and that, "something majestic is happening in Tasmania".

Lark Distilleries is exporting to the USA to rave reviews and a Burnie distillery, Hellyers Road Distillery, has sent its first shipment to Canada.

The Sullivans Cove Whisky won a gold medal at the world whisky masters.

Local farmers are supplying brewing barley specific to the needs of the industry and which the distillery owners are attributing to their success, but we all know it's the water; we have all seen the Boags adds.

Photo is of the Sullivan Cove Distillery's hip flask and Lark Distillery's 1999 2nd release brewer signed bottles.

Contact
Michael Valentine Ph 03 6334 4997

Northern Territory

NORTHERN TERRITORY

Current beef industry difficulties have been highlighted by RM Williams Co Beef being placed into receivership. The company owns La Belle Downs and the adjoining Welltree Station, totaling about 1,000 square kilometres and located about 200 kilometres south east of Darwin. It includes some of the NT's best regarded coastal plains country. The receiver has indicated that these properties will be sold and this will provide some guidance as to best area value levels in the Top End.

Note that the receivership does not impact the other RM Williams property in the NT, Henbury Station in the Alice Springs area, which is owned by a separate holding company.

We also note the sale of Calvert Hills has been affected. This 4,800 square kilometres pastoral lease is in the NT Gulf region and has been purchased by an established Queensland pastoralist for a reported $15 million WIWO. Increasing market activity such as this, and other NT/Kimberley pastoral property which is under negotiation, provides some confidence that buyers may now be finally starting to act. The recent decision by Indonesia to increase their live cattle import cap by 25,000 is a further source of comfort to Top End pastoralists.

Contact:
Terry Roth Ph 08 8941 4833

Western Australia

WESTERN AUSTRALIA

It seems to be a time for the breaking of records, with Andy Murray being the first Brit to finally win Wimbledon after a 77 year drought (yes, he is Scottish), young Ashton Agar scoring 98 as eleventh man in his debut and a record sheep yarding of 37,000 head going under the hammer at the Muchea Livestock market in Western Australia.

While the first two records should be truly celebrated as admirable sporting achievements, the last record is maybe not something you will hear people cheering about. In fact, it is a result of Western Australian Sheep and Wheat districts once again enduring dry winter conditions, forcing many producers to sell their flocks as feed becomes scarce. Recent rain events have stemmed some of the anguish in these areas and put a temporary halt on fading hope. It is, however, once again a crunch situation for many, and this year will be make or break.

On a more positive note, the WA dairy industry received a confidence boost with the State Government releasing a feasibility report for a planned $650 million milk powder plant and supply operation in the South West. The aim is to encourage foreign investment primarily focusing on ASIA, where they are reportedly seeing an increase in the consumption of dairy products, this is the opposite to Australia, which is reportedly seeing a reduction in dairy consumption. This has been met with some scepticism by local producers saying that the figures and predictions are unrealistic, but it may provide a vital lifeline to an industry which has diminished over the past couple of decades and has recently seen operators in receivership.

Overall, confidence in the rural property market remains subdued with many looking to the skies for inspiration. Maybe they will be better watching the inspirational West Australian Warriors' Ashton Agar in the current Ashes Series instead. It would be just as stressful but undoubtedly more fun.

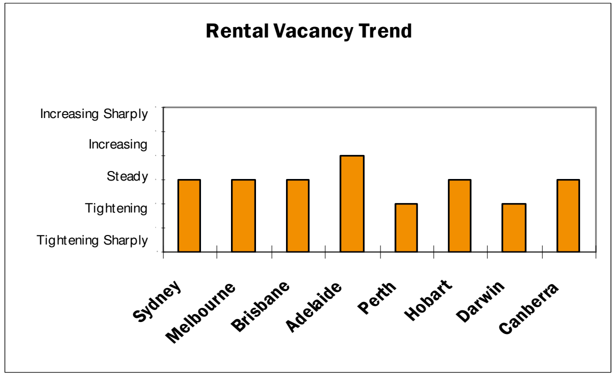
Contact:
David Abel Ph 08 9791 6204

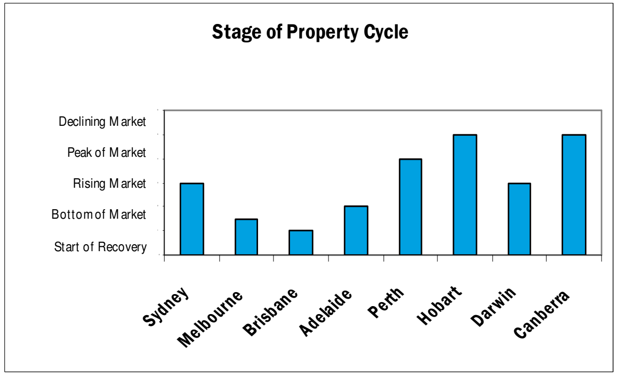
Capital City Property Market Indicators - Houses

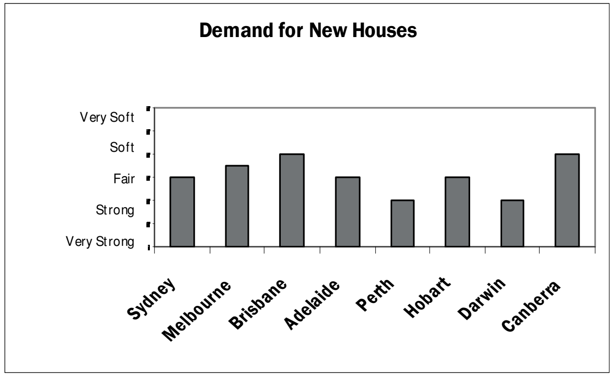
Factor	Sydney	Melbourne	Brisbane	Adelaide	Perth	Hobart	Darwin	Canberra
Rental Vacancy Situation	Shortage of available property relative to demand	Balanced market - Over-supply of available property relative to demand	Balanced market	Balanced market	Severe shortage of available property relative to demand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

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

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







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	Balanced market	Severe shortage of available property relative to demand	Balanced market
Rental Vacancy Trend	Steady	Steady	Steady	Increasing	Steady	Steady	Tightening	Steady
Demand for New Units	Fair	Soft	Soft	Fair	Fair	Fair	Strong	Soft
Trend in New Unit Construction	Steady	Declining	Steady	Steady	Increasing	Declining	Increasing	Steady
Volume of Unit Sales	Steady	Steady	Steady	Steady	Increasing	Steady	Increasing	Steady
Stage of Property Cycle	Rising market	Start of recovery - Bottom of market	Start of recovery	Bottom of market	Peak of market	Declining market	Rising market	Declining market
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Frequently	Very frequently	Occasionally	Occasionally	Occasionally	Occasionally	Occasionally	Occasionally

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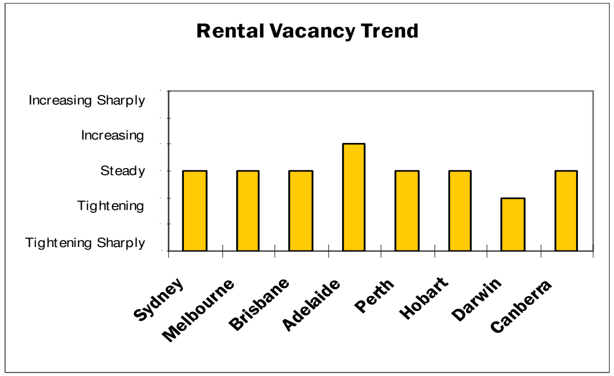
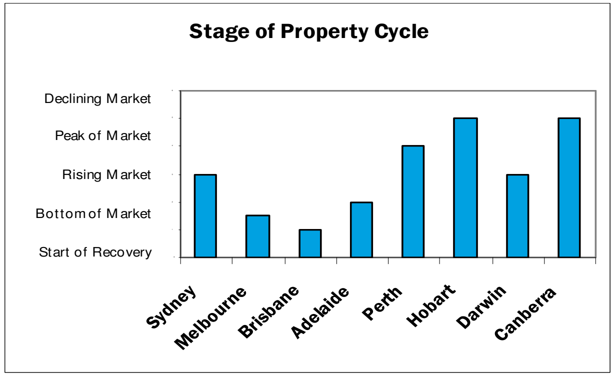
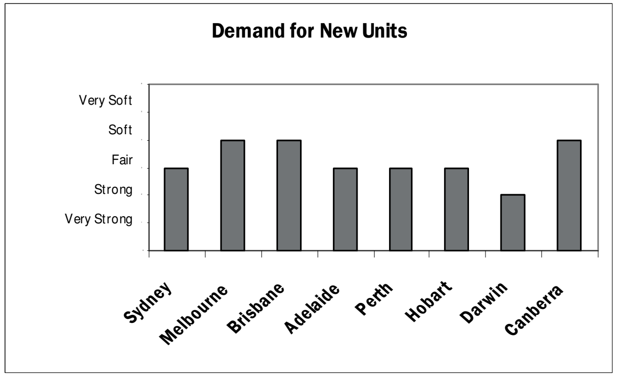




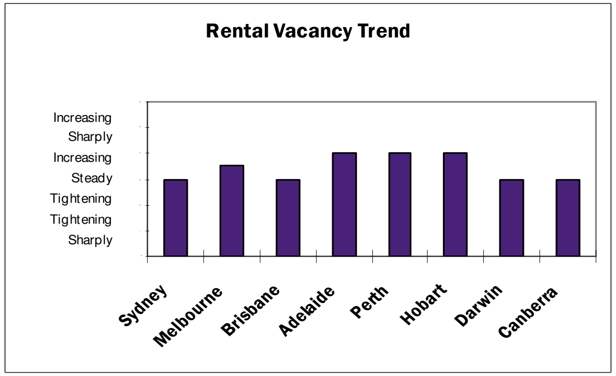


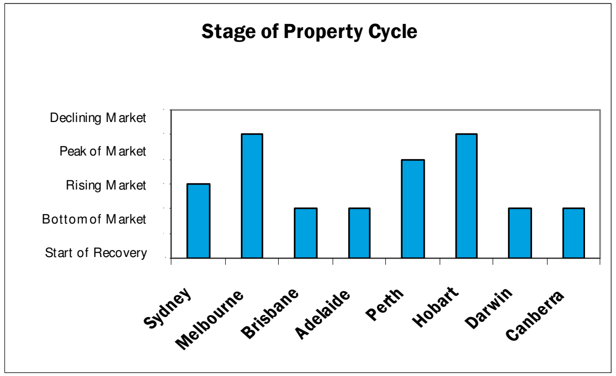
Market Indicators

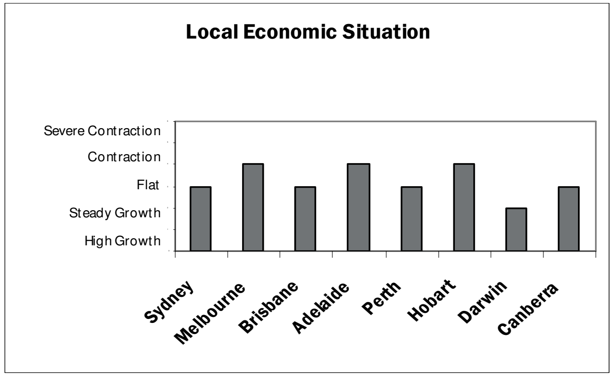
Capital City Property Market Indicators - Office

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

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







Market Indicators

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	Shortage of available property relative to demand	Balanced market	Balanced market	Shortage of available property relative to demand	Shortage of available property relative to demand	Shortage of available property relative to demand	Severe shortage of available property relative to demand	Severe shortage of available property relative to demand	Over-supply of available property relative to demand	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	Steady	Increasing	Steady	Tightening	Steady	Steady	Tightening - Steady	Steady
Demand for New Houses	Soft	Fair	Soft	Fair	Fair	Fair	Strong	Fair	Fair	Fair	Fair	Soft	Fair	Soft - Fair	Soft
Trend in New House Construction	Steady	Steady	Steady	Steady	Declining	Steady	Steady	Declining	Steady	Steady	Declining	Declining - Steady	Steady	Steady	Declining
Volume of House Sales	Declining	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	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	Occasion-ally	Occasion-ally	Occasion-ally	Occasion-ally	Frequently	Occasion-ally	Occasion-ally	Occasionally	Occasion-ally	Occasion-ally	Occasion-ally	Almost never

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

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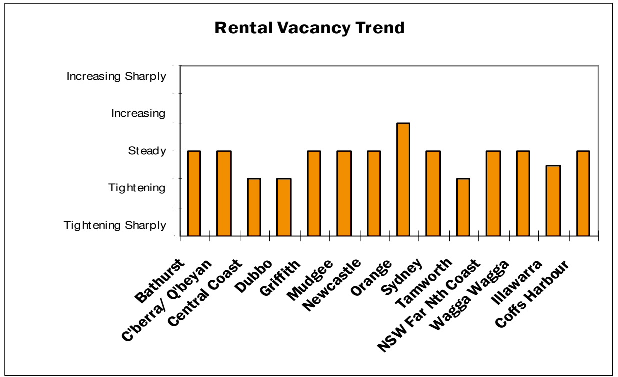

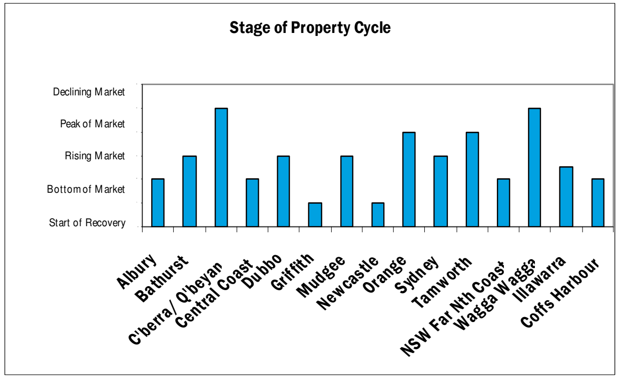

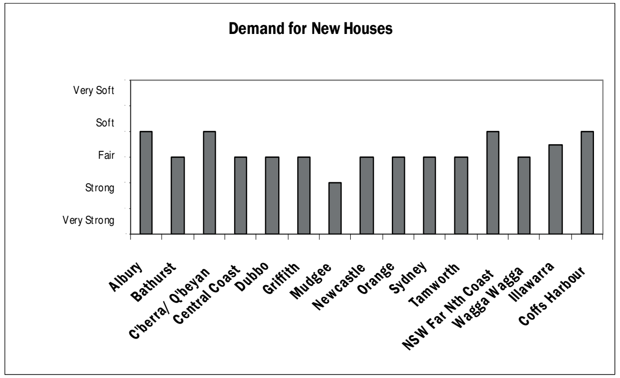

New South Wales Property Market Indicators - Units

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	Shortage of available property relative to demand	Balanced market	Balanced market	Shortage of available property relative to demand	Shortage of available property relative to demand	Balanced market	Shortage of available property relative to demand	Severe shortage of available property relative to demand	Over-supply of available property relative to demand	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	Steady	Increasing	Steady	Tightening	Steady	Steady	Tightening - Steady	Steady
Demand for New Units	Very soft	Fair	Soft	Soft	Strong	Soft	Fair	Soft	Fair	Fair	Fair	Soft	Fair	Soft - Fair	Very soft
Trend in New Unit Construction	Increasing strongly	Steady	Steady	Steady	Declining	Declining	Steady	Declining	Steady	Steady	Declining	Declining - Steady	Steady	Steady	Declining
Volume of Unit Sales	Declining	Steady	Steady	Increasing	Increasing	Steady	Steady	Steady	Declining	Steady	Steady	Increasing - Steady	Steady	Increasing - Steady	Steady
Stage of Property Cycle	Bottom of market	Rising market	Declining market	Rising market	Bottom of 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	Almost never	Almost never	Occasion-ally	Occasion-ally	Occasion-ally	Frequently	Occasionally	Occasion-ally	Occasion-ally	Occasion-ally	Almost never

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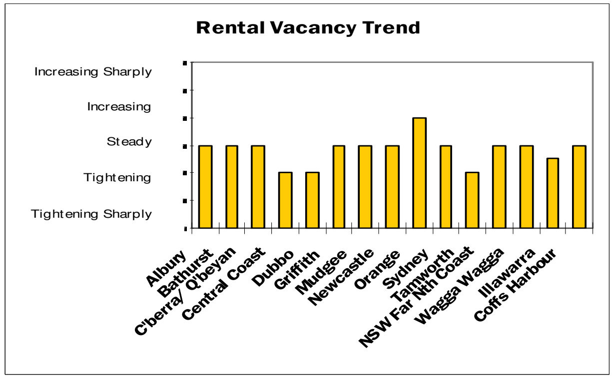

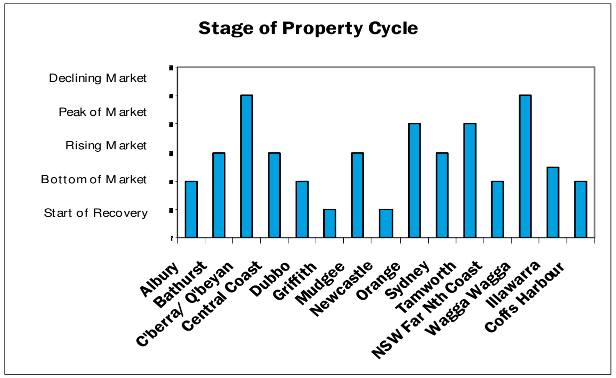

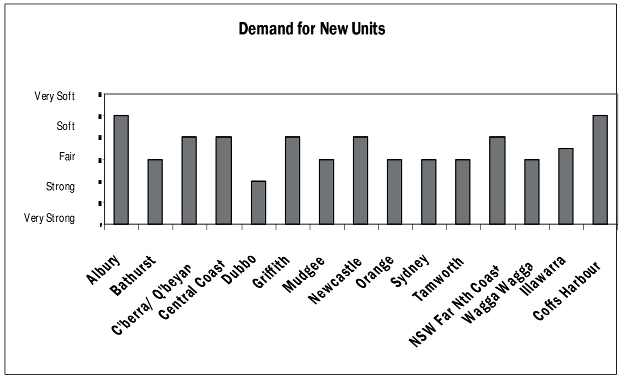

Market Indicators

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	Balanced market	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	Over-supply of available property relative to demand	Over-supply of available property relative to demand
Rental Vacancy Trend	Increasing	Steady	Steady	Increasing	Steady	Steady	Steady	Steady	Steady	Steady	Steady	Steady	Steady	Steady - Increasing	Steady
Rental Rate Trend	Declining	Stable	Stable	Declining	Stable	Stable	Stable	Stable	Stable	Stable	Declining	Stable	Stable	Declining - Stable	Declining
Volume of Property Sales	Steady	Steady	Declining	Declining	Steady	Steady	Steady	Increasing	Declining	Steady	Steady	Steady	Steady	Increasing	Steady
Stage of Property Cycle	Bottom of market	Rising market	Bottom of market	Bottom of market	Bottom of market - Rising market	Start of recovery	Rising market	Rising market	Rising market	Bottom of market	Peak of market	Bottom of market	Bottom of market	Bottom of market	Bottom of market
Local Economic Situation	Flat	Flat	Flat	Flat	Flat	Flat	Flat	Steady growth	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	Very large	Significant	Small - Significant	Significant	Significant	Significant	Small	Significant	Significant	Significant	Significant	Significant - Large	Small

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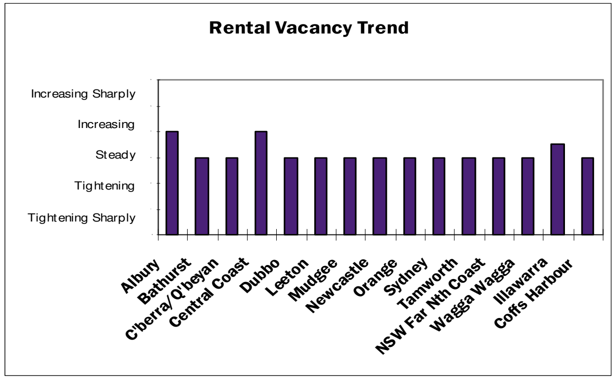

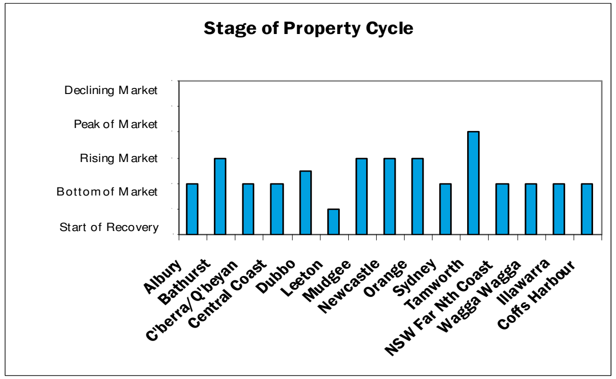

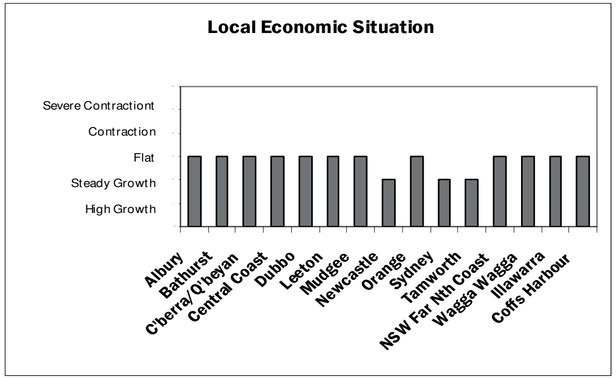

Victoria/Tasmania Property Market Indicators - Houses

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	Balanced market	Balanced market	Balanced market
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	Soft	Fair	Fair	Fair
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	Declining	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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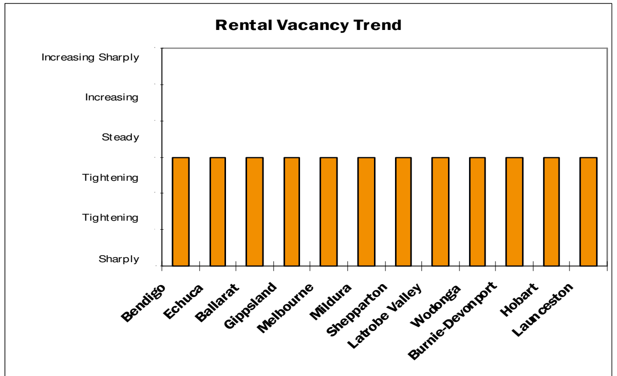

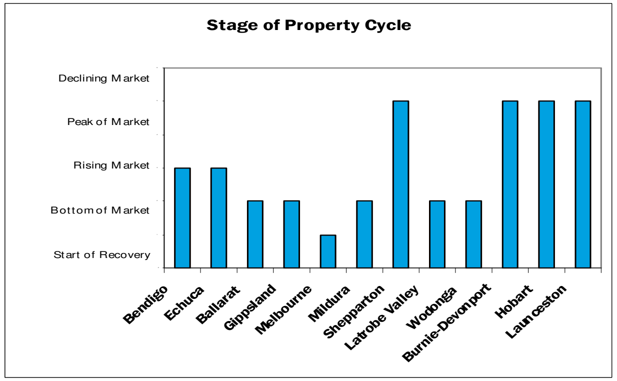

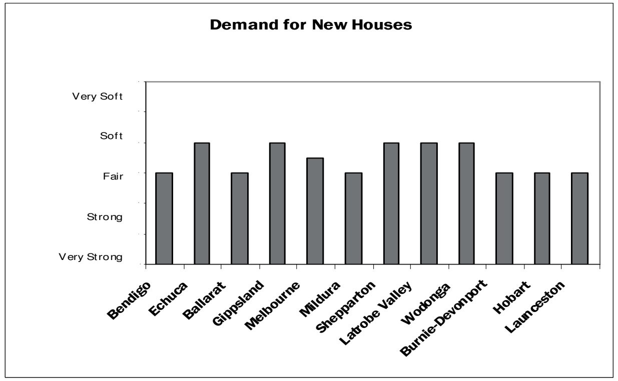

Market Indicators

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	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
Rental Vacancy Trend	Steady	Steady	Steady	Steady	Steady	Tightening	Steady	Steady	Steady	Steady	Steady	Steady
Demand for New Houses	Strong	Fair	Fair	Soft	Soft	Fair	Very soft	Soft	Very soft	Fair	Fair	Fair
Trend in New House Construction	Steady	Steady	Steady	Declining	Declining	Declining	Increasing strongly	Declining	Increasing strongly	Declining	Declining	Declining
Volume of House Sales	Increasing	Steady	Increasing	Steady	Steady	Steady	Declining	Steady	Declining	Steady	Steady	Steady
Stage of Property Cycle	Rising market	Start of recovery	Bottom of market	Bottom of market	Start of recovery - Bottom of market	Bottom of market	Bottom of 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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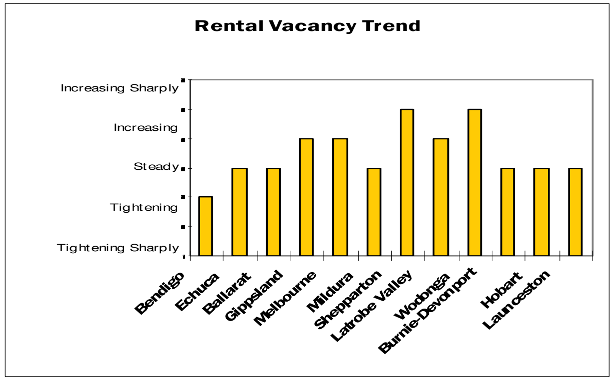
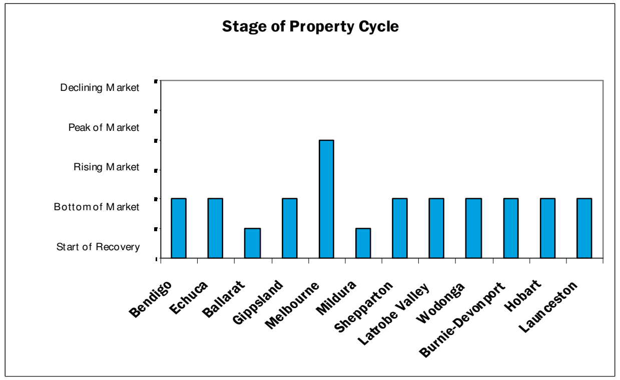
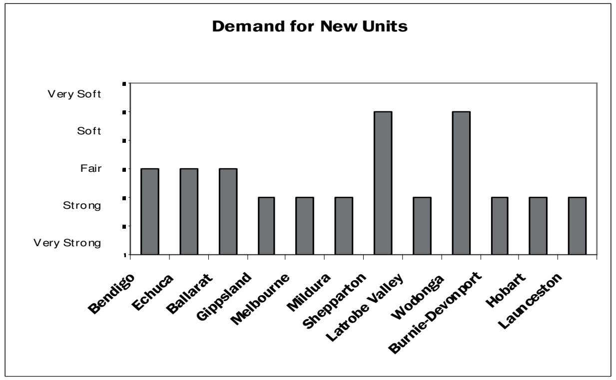






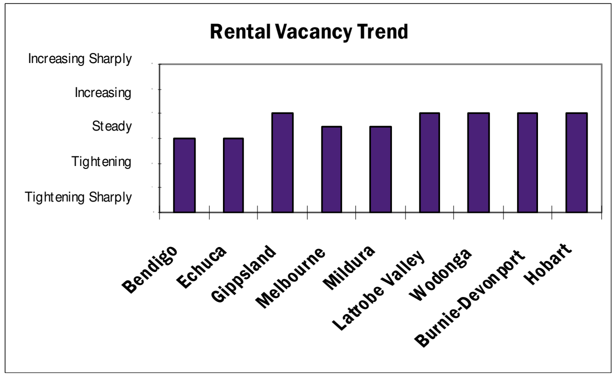
Market Indicators

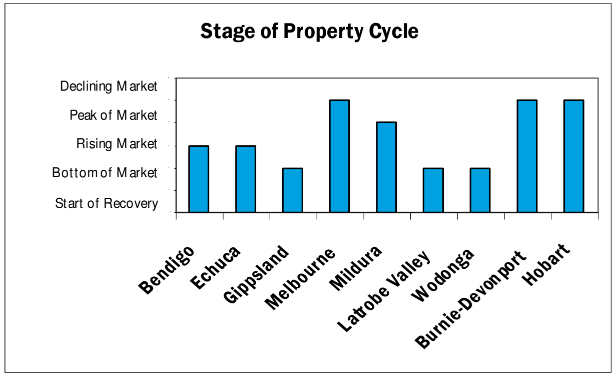
Victoria/Tasmania Property Market Indicators - Office

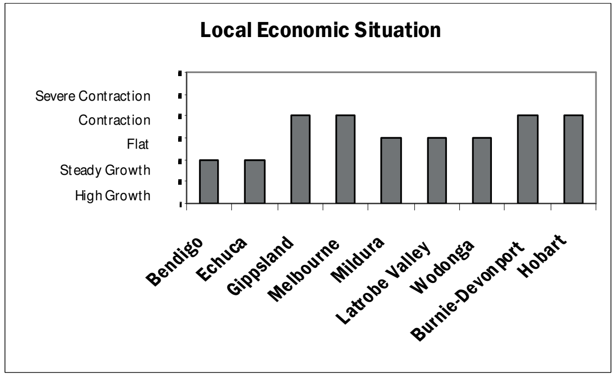
Factor	Bendigo	Echuca	Gippsland	Melbourne	Mildura	Latrobe Valley	Wodonga	Burnie/ Davenport	Hobart	Launceston
Rental Vacancy Situation	Shortage of available property relative to demand	Balanced market	Over-supply of available property relative to demand	Balanced market - Over-supply of available property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

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

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







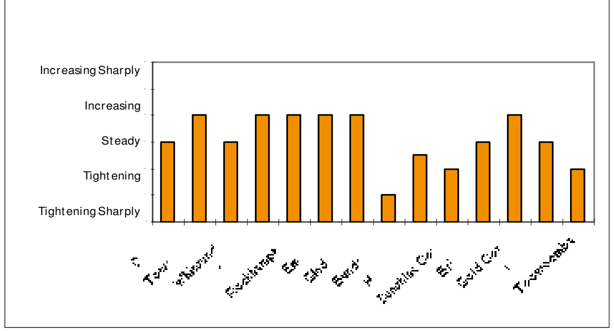
Market Indicators

Queensland Property Market Indicators - Houses

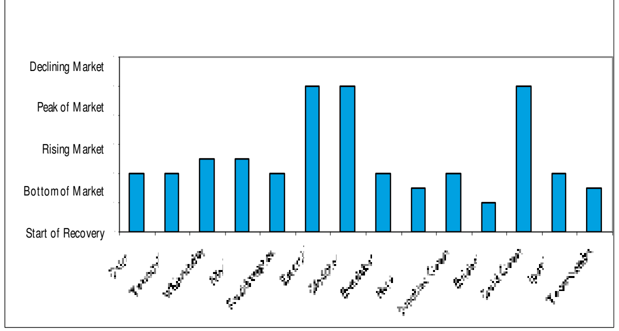
Factor	Cairns	Towns-ville	Whit-sunday	Mackay	Rock-hampton	Emerald	Glad–stone	Bunda-berg	Hervey Bay	Sunshine Coast	Brisbane	Gold Coast	Ipswich	Too-woomba
Rental Vacancy Situation	Severe shortage of available property relative to demand	Balanced market	Shortage of available property relative to demand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

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

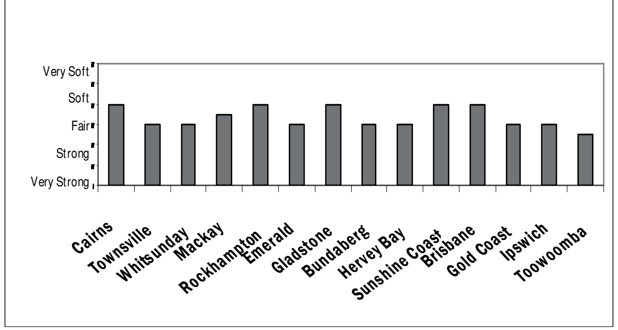
Blue entries indicate change from previous month to a lower risk-rating



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	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	Balanced market	Balanced market	Balanced market	Balanced market	Shortage of available property relative to demand
Rental Vacancy Trend	Tightening	Increasing	Steady - Increasing	Steady - Increasing	Increasing	Increasing	Increasing	Tightening sharply	Tightening - Steady	Steady	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	Increasing	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	Increasing - Steady	Steady	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	Very frequently	Almost never	Occasionally	Occasionally	Occasionally	Very frequently	Almost never	Frequently

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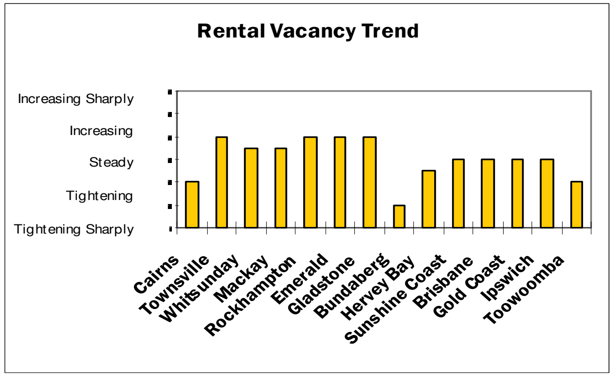
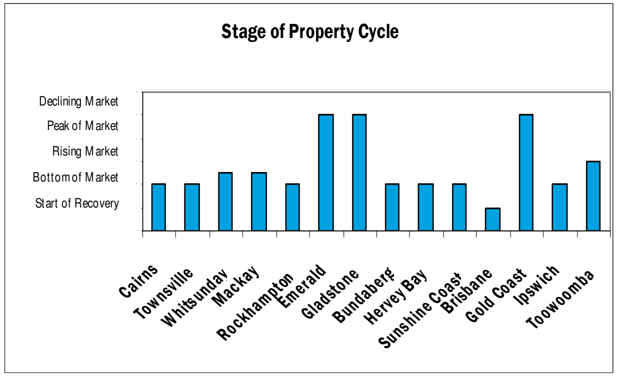
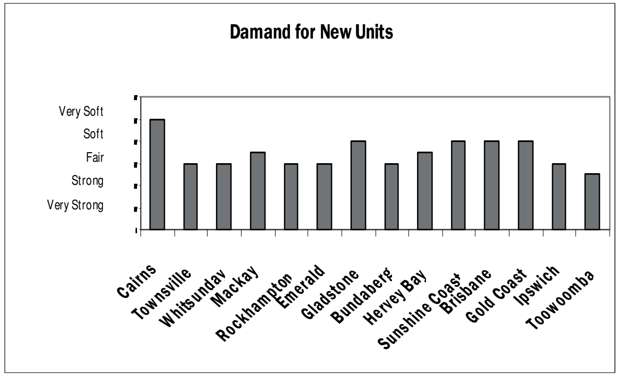
Blue entries indicate change from previous month to a lower risk-rating



Rental Vacancy Trend



Stage of Property Cycle



Damand for New Units

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

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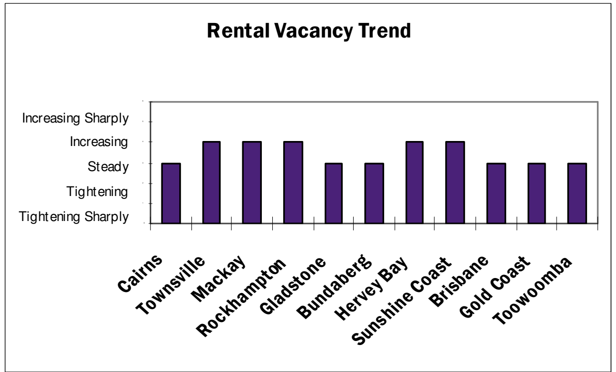
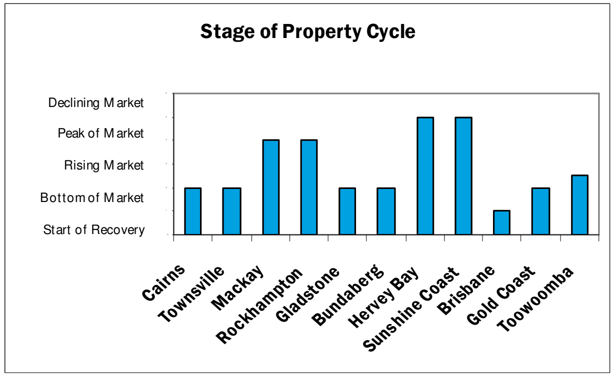
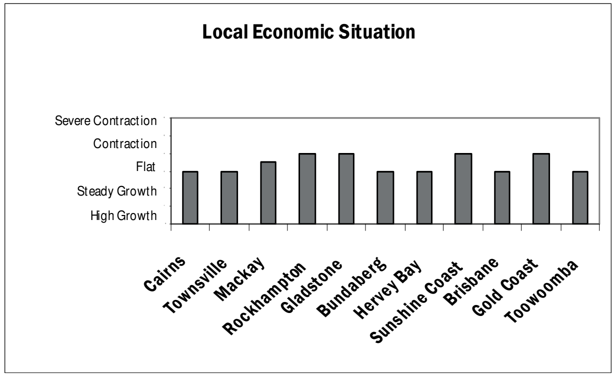
Blue entries indicate change from 3 months ago to a lower risk-rating







Northern Territory, South Australia & Western Australia Property Market Indicators - 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	Severe 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 sharply	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	Steady
Volume of House Sales	Steady	Steady	Steady	Steady	Steady	Steady	Increasing	Increasing	Increasing	Declining
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	Peak of market
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Occasionally	Occasionally	Occasionally	Occasionally	Almost never	Almost never	Almost never	Occasionally	Frequently	Occasionally

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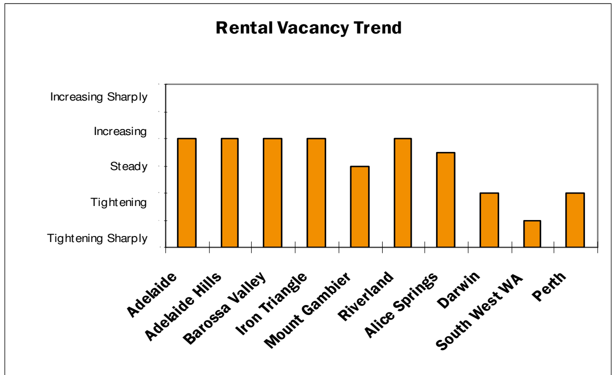
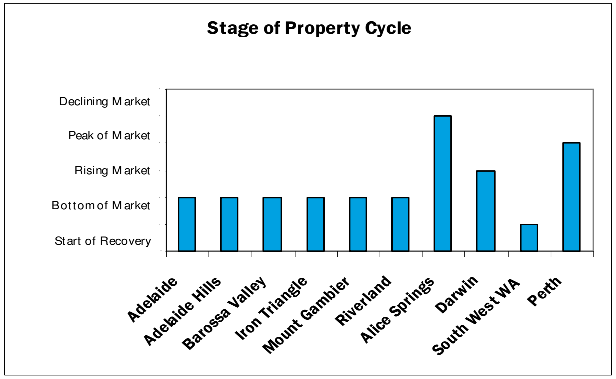
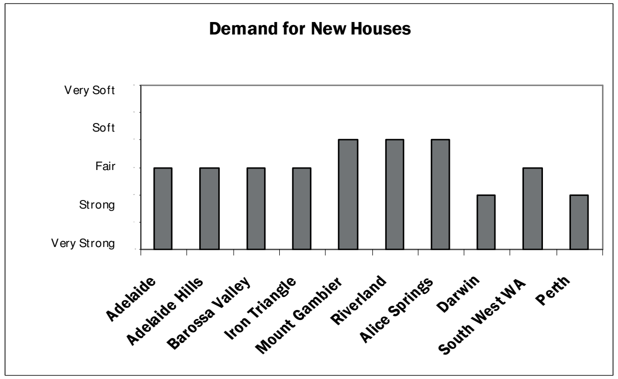
Blue entries indicate change from 3 months ago to a lower risk-rating







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	Severe shortage of available property relative to demand	Severe shortage of available property relative to demand	Severe shortage of available property relative to demand	Shortage of available property relative to demand
Rental Vacancy Trend	Increasing	Increasing	Increasing	Increasing	Steady	Tightening	Tightening	Tightening	Tightening sharply	Steady
Demand for New Units	Fair	Fair	Fair	Fair	Soft	Soft	Strong	Strong	Fair	Fair
Trend in New Unit Construction	Steady	Steady	Steady	Steady	Steady	Steady	Increasing	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	Rising market	Rising market	Start of recovery	Peak of market
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Occasionally	Occasionally	Occasionally	Occasionally	Almost never	Almost never	Occasionally	Occasionally	Frequently	Occasionally

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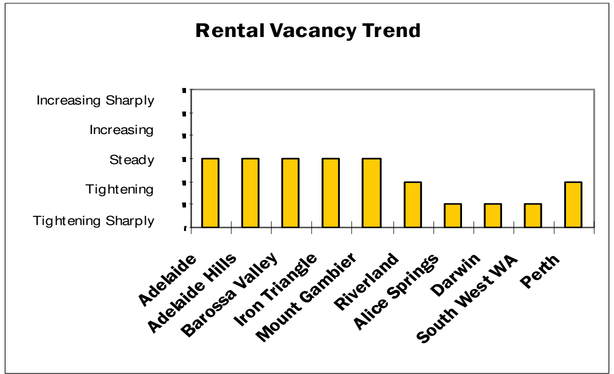

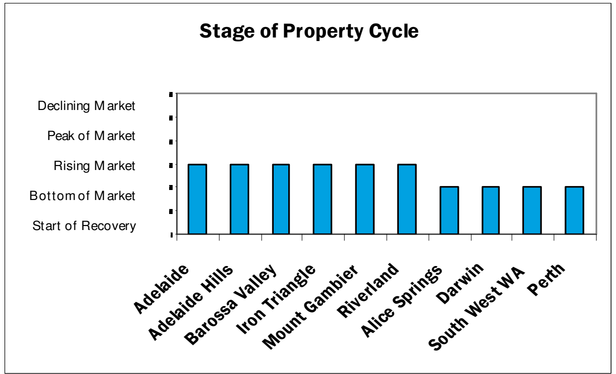

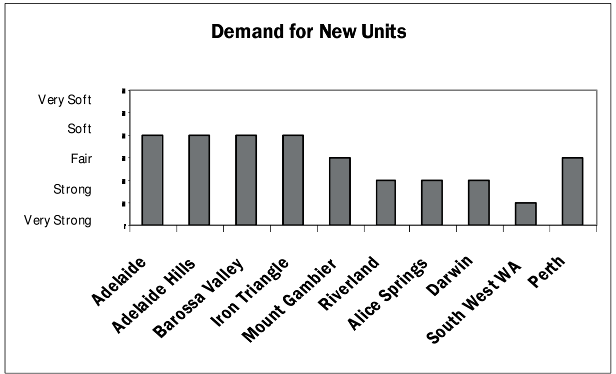

Market Indicators

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	Balanced market	Balanced market	Over-supply of available property relative to demand	Balanced market
Rental Vacancy Trend	Increasing	Increasing	Increasing	Increasing	Steady	Steady	Steady	Increasing	Increasing
Rental Rate Trend	Declining	Declining	Declining	Declining	Stable	Stable	Stable	Declining	Declining
Volume of Property Sales	Increasing	Increasing	Increasing	Increasing	Steady	Steady	Steady	Declining	Declining
Stage of Property Cycle	Bottom of market	Bottom of market	Bottom of market	Bottom of market	Bottom of market	Bottom of market	Bottom of market	Bottom of market	Peak of 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	Significant	Significant	Small	Significant

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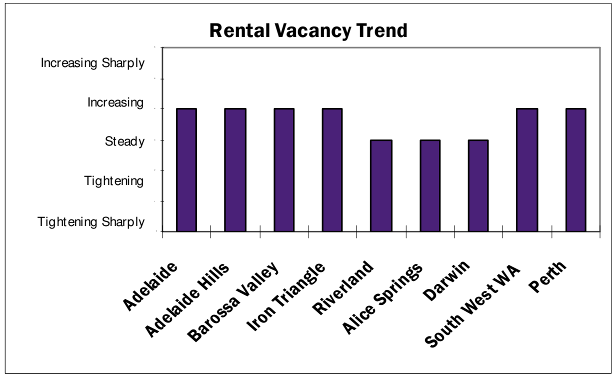

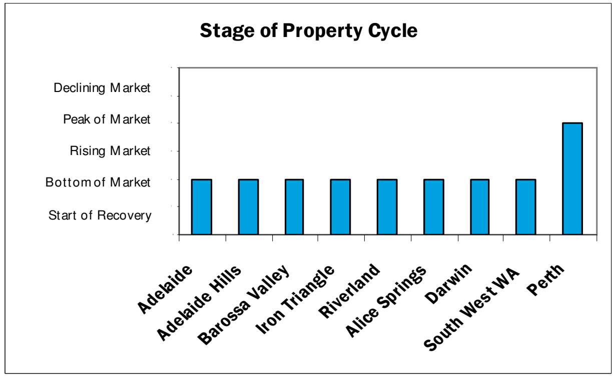

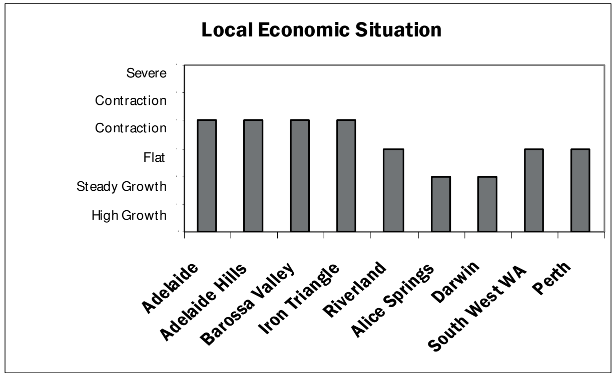

Market Indicators

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National strength.
Trusted solutions.

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