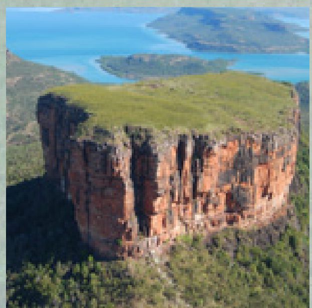
September 2013

Month in Review

HERRON TODD WHITE

Contents


Dirt cheap

Cheap – it doesn't have to be nasty.

There's been some hotter trading across a few capital city markets of late. Sydney and Melbourne are recording excellent auction clearance rates in the good suburbs, and buyers appear to be gaining confidence that property is on an upswing. Don't things turn on a dime folks? It wasn't so long ago – as far back as earlier this year – that it seemed neither love nor money could be found for property across most of these markets. Trading was flat and buyers were feeling ho-hum about missing out on a purchase because there was still plenty of choice. Fast forward a few months and there are those who are panic buying at auction for fear they will not be part of the next big growth event.

It's a brave soul who stakes his professional integrity on stating there's the beginnings of a boom underway. We here are more in the business of trying to interpret what is happening right now in the markets and making an educated assessment on how things are developing.

At present, the trend, it would be fair to says, is that confidence has been growing in some of the country's major markets. One thing is for certain though, even if you're unsure of where the market is heading, smart buyers will always find opportunities. Many times it's a case of thinking clearly about what you can afford and where it's best put your dollars.

This month, we thought it wise to take a look at the low priced sector. The key to the submissions from our offices in this issue of the Month In Review is cheap does not have to be nasty. Often it is the low price sector that signals a market on the move. Investors are a savvy lot and first home buyers are keen to ensure they lock something in before prices get beyond their reach. These suburbs and property types at the bottom of the price spectrum could provide the first step for many in establishing a portfolio.

Our property pros have taken the time to consider what property offers the most affordable and reasonable quality buy-in in their markets and you'd do well to study their findings carefully.

Commercially, we're taking a look at industrial this month. Apart from an overall view on how the markets are performing, we thought a wrap on entry level industrial would be appropriate. Here we say "hello" to the low-priced buyer and give a great

round up on where the easy entry industrial property is located, what's on offer and what they yield. A must read for all our commercial folk out there.

So put on your casual clothes and take a walk around the cheap end of the street. While the information throughout this month's issue is compelling, don't rely on it in isolation. Make sure you call your local Herron Todd White office and get some perspective on where the bargains are.

QS Corner - Low interest rates, is it the right time to invest?

With the official cash interest rate reduced to 2.5% in August 2013 being a new record low, the property market is starting to see a surge of new and existing investors. This combined with the long-term potential for strong yields and capital gains is prompting many property investors to feel this could be an ideal opportunity to get into the market.

With a buoyant property market, many investors may feel the heat of the competition and find themselves buying on impulse, without really understanding or researching the market they are about to enter. It is therefore, important to stress the need to do due diligence before any purchase. This may be easier said then done. However as the saying goes, "Better to be safe than sorry".

It is recommended that any investor, new or seasoned, look beyond the low interest rates and low deposit home loans and take a step back to see the bigger picture of property ownership.

A big question is always, "Where do I buy?" Although the answer always comes down to each individual, personal and financial circumstance, a good place to start is buying median priced properties located close to the CBD. This is considered the smartest way to achieve long-term wealth, as these properties are usually located near schools, transport, employment opportunities and social venues and are usually the most in demand properties to rent.

Together with looking for an ideal location to invest, many investors get caught up in the excitement of buying and don't do their homework. Herron Todd White is a professional property advisory firm who specialising in market valuation, in all types of property, and all around Australia. Why not consider asking the experts to advise on the market value of a property BEFORE you commit to a sale? That way you will have the confidence knowing that you are not paying too much for your asset.

Another important element to consider is you home loan repayment ability, both now with record low interest rates and in the future, if an increase did occur. This is especially important as a mortgage is usually based on a 25 to 30 year term and although your mortgage is based on low rates with low monthly repayments now, you must ask yourself if you will be able to repay the same mortgage amount with a 1% or 2% rise in interest rates. Past trends have seen a rise in mortgagee sales with property owners feeling the stress of increased repayments with rising interest rates.

Finally and most importantly when you do make that purchase make your investment work harder for you. Repaint the walls, replace the carpet, build a granny flat, do some landscaping, ar whatever it may be; increasing the overall appeal and presentation of your property will attract quality tenants and help you to maintain your property to a good standard at all times. Its also important to remember that any improvements can be depreciated. An absolute must for all investors of property, is a tax depreciation Schedule.

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

The best way to have your property correctly assessed for depreciation is to engage the service of a fully qualified and appropriately licensed Quantity Surveyor who is also a registered Tax Agent. This way what you claim will be in accordance with the ATO's guidelines with the reassurance that a qualified professional is ensuring that all depreciable items are accounted for and not overlooked, therefore maximising your return and reducing the amount of tax you pay.

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 advise on your investment property please do not hesitate to contact us at tds@htw.com.au, because we have fully qualified Quantity Surveyors who are ready to help.

Commercial

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New South Wales

Overview
Industrial markets can offer cheap buy in opportunities to investors. Strata units, for example, in good locations are an option for anyone wanting to expand their portfolio beyond more traditional residential investing. This month, the Herron Todd White commercial team from around Australia give you a chance to look at entry level industrial property. It is the sort of guide that can set some investors along a new path in their portfolios.

Sydney
Economic conditions following the global recession have subdued the performance of industrial property in Sydney. Falls in domestic consumption have adversely affected wholesale and retail trading, leading to weak occupier demand from businesses. Additionally, manufacturers of exported goods were also subjected to tough conditions brought by the high exchange rate of the Australian dollar. Conditions for industrial occupiers are still yet to improve, however, there are some positive prospects for the industrial sector. Proposed initiatives by the Government to expand the housing market, increase infrastructure investment and promote business growth should provide positive flow on effects to Sydney's industrial sector. Increased domestic demand from these initiatives, as well as the recent weakening in the Australian dollar, are expected to drive growth in wholesale and retail trade and increase occupier demand for industrial space.

While these factors are most likely to affect larger end the industrial property sector initially, demand is also expected to flow down to smaller scale properties. Investors looking to include industrial property in their investment portfolio should optimally position themselves for any resulting upswing in occupier demand to achieve the best performance from their industrial asset.

We have identified entry level industrial property in Sydney to generally lie within the $200,000 to $600,000 price bracket. Investors looking within this bracket can expect to find industrial units ranging between 100 and 300 square metres in size in Sydney's Central West, North West, South West and Upper North Shore regions. Although such properties generally lie within Sydney's middle and outer ring localities, some properties can still be found in attractive locations with good access to Sydney's main arterial roads.

Investors looking to invest in entry level industrial assets in Sydney should consider some pertinent factors in this market segment in terms of buyer pool, market yield ranges and future marketability of the asset. Buyer demand for this type of space is coming predominantly from keen owner occupiers, meaning investors may become 'priced out' of purchases. The dominance in owner occupier purchases in this market segment can explain the distortion market yield ranges that we have recently analysed. Analysed yields by region are currently showing ranges which are around 200 to 300 basis points tighter than that accepted by investors looking to buy this type of property. Prospective investors with passive investment strategies may also face difficulty in leasing their property because of the high proportion of businesses looking to buy industrial space as opposed to leasing. Additionally, markets containing high analysed yields may not just be a sign of strong leasing demand. A high market yield could also be reflective of sale prices being discounted because of age or obsolescence, which can require significant capital expenditure. Other aspects such as the proportion of office component to total warehouse space inherent in the property can ensure that the property will be the most marketable to occupiers. Units ranging in size between 100 sqm and 300 sqm should ideally contain mezzanine office space covering around 20 to 30 percent of total floor area to make it cater towards to the widest range of future tenants or prospective owner occupiers.

Region	Yeild Range	Median Yeild
Upper North Shore	5.01% - 8%	6.74%
South West	4.43% - 6.93%	5.48%
North West	5.52% - 8.49%	6.11%
Central West	5.05% - 8.18%	5.81%

Note: Based on available sales evidence (< $600,000) recorded in the 12 months to August 2013.
Source: Herron Todd White

Canberra

Canberra is currently, across all sectors of the market, awaiting the outcome of the federal election. There is nervousness being experienced in the public sector as both parties appear to be focusing on the size of government. This is not a new phenomena and Canberra has experienced these sentiments in the past. Indeed in the mid 1990s sales stalled and indeed values fell. The turn around at that time was rapid.

The lower end of the market is very slow although we note that there are a number of owner-occupiers in the market, probably a result of the low interest rates available.

Where are the bargains in our market? A simple answer is that they have not yet appeared. Owners with falling interest rates are not desperate to sell and buyers are playing the waiting game. We have been advised by one agent that in their view a further 12 months will pass before vendors are motivated - time will tell.

Transaction activity in the industrial sector at the entry level is evidenced by the sale of two units at 57 Kembla Street, Fyshwick exchanging for $585,000 (ex GST) in July 2013. The units are located in an older industrial complex of brick construction, and comprise a total of 350 square metres. They provide basic showroom accommodation with glass shopfront. Unit 1 has street frontage and good signage opportunity. The properties were sold with a lease back to the vendor, who operates an autoparts retailing business. The sale analyses to a yield of 7.65%, which is within the range for properties of this type and in this location. The sale represents a good entry level acquisition for lower priced investors looking to buy into industrial assets.

Illawarra

The local industrial market remains flat as the sector continues to struggle under prevailing economic conditions with little evidence of resurgence at this juncture. It is our view the political landscape over the last one to two years has not helped confidence in this market as the industry has had to deal with policy adding to their cost base. The upcoming election will provide certainty and should increase confidence once the outcome is decided with the struggling manufacturing industry a key election topic. A lower Australian dollar should help competitiveness and assist to move the industry off a low but stable base.

The market is currently dominated by owner-occupiers with very limited investment demand, particularly in the lower price bracket (sub $1 million in the local market). Most properties are sold with vacant possession so an investor would have to take an additional risk of letting up to generate cash

flow. This ultimately means than an investor can not compete with an owner-occupier on price point as investors generally require a yield above 9%. Analysed yields are typically hovering in the 8% to 9% range.

Although there are signs of stabilisation, the market remains stagnant and current conditions continue to favour buyers and tenants. A good opportunity for a savvy investor? Time will tell.

Southern Highlands

The industrial precincts in the Southern Highlands are clustered on the outskirts of the townships of Moss Vale and Mittagong. It is fair to say the market has been flat for the past four years with respect to the traditionally configured strata units 80% warehouse, 20% office mezzanine, with sparse sales activity over the period. Some recent sales of modern strata "boxes" developed over the past four years comprise 200 to 350 square meters around the $1,400 per square metre range. With respect to owner-occupiers, there has been more activity in the smaller strata unit market (up to 150 square metres) where sales are not so much directly linked to a rate per square metre, than an entry point of $200,000 to $250,000. Longer term leases are short on the ground, with two to three year leases analysed at around the $120 per square metre mark, showing a yield range of 9% to 10%. There has been a mood of uncertainty with respect to fiscal policy direction of the federal government and for investors a clear majority in the next Government will be essential in rebuilding confidence.

Newcastle
Low end industrial property starts with small strata units. These units are predominantly purchased by small business owners looking for a warehouse to run their business. The smallest of these units, at the very bottom end are generally mostly purchased by owner-occupiers and not investors due to the low rental returns that are achieved in this type of investment.

For investors in industrial property, the mid range freestanding industrial market shows better returns. Warehouses between $1 million and $3 million witnessed a fairly severe value beat down in the years from 2007 to 2009, due of course to the GFC and tightened lending practises that came with it. The value of industrial property, that is modern and of a good quality in popular well established industrial estates, may have started to rebound. The most important factor we've seen here is the lease covenant; being who rents it, for how much and for how long? Investors have started to re-enter the market slowly and while there have only been a handful of sales to back this up, we've see some yield compression from 2011 levels. We note a handful of sales of industrial warehouse properties in Beresfield that have sold with sub 9% yields. Our analysis of these sales indicates that 12 to 24 months ago properties of this nature may have sold for more like 10%.

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

NSW Far North Coast
The industrial market on the NSW North Coast remains subdued with the limited sales indicating steady value levels. Sales transaction numbers remain low, rental levels are stagnant or decreasing, vacancy rates in some market segments are continuing to increase, and distressed and mortgagee in possession sales are still common in the marketplace.

> Overall, we consider the industrial market is at the bottom of the property cycle.

Some sub-markets of the industrial market have fared better than others, and there is variation in yield and value between primary and secondary properties. Quality investment properties with strong lease covenants (in particular long term national tenants) are indicating reasonable to strong demand and have generally maintained value levels reasonably well. In contrast, secondary properties in fringe locations, in oversupply or with inferior tenant profiles have been severely discounted.

In terms of entry level industrial property, there are a number of north coast localities with industrial estates that provide what is considered to be entry level investments. This includes industrial property located within Evans Head.

The industrial market in Evans Head (like most other regional north coast townships) is very small with limited supply and demand with the most likely purchasers being owner-occupiers. The Evans Head industrial market is currently being adversely impacted by a soft rental market, increasing vacancies and increasing statutory outgoings. Owners are being forced to accept low returns on investment. Marketing agents are currently reporting limited enquiry for available product.

This locality experiences modest interest due to supply/limited marketing and perceived lack of demand from potential tenants as such owner-occupiers.

A recent sale of an entry level industrial property sold mortgagee in possession within Evans Head is summarised as follows:

Address	Sale date	Sale price	Land area (m2)	Building Area (m2)	$/m2 Building Area	$/m2 land area
7 Windjeel Dr, Evans Head	Aug-2013	$200,000	800	756	$265	$250

Other sales of entry level industrial product on the NSW North Coast include:

Address	Sale date	Sale price	Land area (m2)	Building Area (m2)	$/m2 Building Area	$/m2 land area
10765 Summerland Wy Casino	Feb-2013	$312,000	16,100	807	$386	$19
2 Re Rd, Townsend	Aug-2012	$250,000	1,241	48	$5,208	$201
78 Farley St, Casino	Aug-2012	$320,000	1,397	905	$339	$229
28 Russellton Dr, Alstonville	Aug-2011	$305,000	875	304	$1,007	$349
1 Pignat Pl, Goonellabah	Jun-2011	$254,350	1,197	349	$729	$212
42 Summerland Dr, Kyogle	May-2011	$306,000	1,226	260	$1,177	$250

Further evidence in entry level industrial market within the major regional centre of Lismore includes a property located at Keen Street, East Lismore. This property is currently under offer and acceptance of $160,000. It is within close distance to Lismore's CBD. It has a flood free first floor, frontage and access and a net lettable area of 342.8 square metres (top floor) and 237.9 square metres (bottom floor).

Country NSW

Industrial property markets across regional NSW remain flat limited by both supply and demand. Mining which was a major driver in markets such as Orange appears to have softened with reduced expansionary activity.

Anecdotal evidence suggests firming yields in line with interest rate falls however values remain steady with downward pressure on rental levels.

Sales in late 2012 and early 2013 indicate investment yields in the order of 8.5% to 10% depending upon the strength of the lease covenant. Owner-occupiers competing in these markets can secure property at or below replacement cost. If the supply of industrial property diminishes upward pressure on value levels is expected.

Examples of this occurring are in Mudgee with a number of new buildings recently constructed for both owner-occupiers and tenants due to the lack of any quality stock. Landlords have been able to achieve rents in the order of 8% net return on their investment, including pre lease commitment.

Wagga Wagga

The industrial market in Wagga Wagga has been flat for the past 18 months and it appears it will continue this way for the short to medium term. Demand for leasing is low and due to the amount of space available to the market this is placing downward pressure on rents. For purchases demand from owner-occupiers is strong for the right property and demand is also strong for properties with good lease terms especially from self managed super funds, however demand from investors for vacant space or short lease term properties is weak.

An entry level industrial property in the Wagga Wagga market is usually above $600,000.

There are properties that sell below this level but it is a more thinly traded market and is dominated by owner occupiers. Most sales occur between $600,000 and $1 million. Understandably for industrial properties, the purchase price being good value only stacks up if a good tenant and a good rental yield is an expectation that can be realised.

Victoria

Melbourne

The Melbourne industrial market in the first half of 2013 has recovered from the subdued and soft market that was experienced in 2012; the capital growth outlook for 2013 is looking to supersede the 0.3% experienced last year. Retail, transport and logistics clients are providing support across the five industrial precincts. Economic indicators are pointing to occupier demand slowing from the sectors that have traditionally drawn tenants from the mining, construction and manufacturing industries.

Melbourne's industrial supply has slowed throughout 2013 with the projected 317,000 square metres of space (buildings over 5,000 square metres) anticipated to be the lowest delivered to the market since the GFC. Melbourne's western sub market is the preferred location for AREIT's speculatively developing sites over 6,000 square metres. In the coming twelve months it is anticipated that 111,000 square metres of industrial space will be delivered in this sub market.

The prospects for buyers in this sector is stable as Melbourne is in a position to compete for occupiers of industrial property, due to the long term supply of developable industrial land available in an affordable price bracket. Government investment in infrastructure will continue to grow these industrial precincts providing the range of opportunities that buyers will require.

For the purposes of this report we have defined entry level industrial properties as being within the sub $350,000 market. There is a substantial demand within this price point typically for office/warehouses from owner occupiers. These properties will be in business parks of up to 25 units and generally comprise part two level, concrete tilt slab units with office space fronting the internal driveway and clearspan warehouse space with an amenities block found to the rear. A single container height roller shutter door will also be provided for vehicular access. On a rate per square metre of building area these properties will generally be within the $900 to $2,500 per square metre of building area range. This rate will vary primarily due to the underlying land value of the location with minor factors including size, finishes and the office to warehouse ratio. Yields can be expected to range between 5% to 7% also depending on the above factors.

Small scale industrial units provide an affordable entry level investment. Well located units, for example being adjacent or nearby to retail areas, enjoy good demand from tenants requiring warehousing accommodation.

However, this market segment brings some level of risk. The segment is always prone to periods of oversupply due to the ability of a single new large scale development to flood the market. In addition, the availability of developable land brings a steady supply of new, more modern units which limits the capital growth potential of existing properties.

Properties located in more fully developed areas are likely to provide greater levels of capital growth due to the more limited nature of additional supply.

Murray Riverina

Local industry should benefit from a range of factors not least of all the falling Australian dollar as a large proportion of the industry is food processing for export markets. The improving conditions would be a welcome reprieve following an extended period of challenging conditions for local industry with limited interest for industrial proprety resulting in several sales below the cost of replacement. A recent sale at 30 McMillan Road, for just over $300,000 having previously sold for $335,000 in September 2007 demonstrates the soft demand prevailing in the market. With Kagome finalising a $6 million investment in a processing plant at it's Echuca branch along with improving conditions in the dairy sector, it is hoped that additional demand for supporting industries will be generated.

Bendigo

Conditions in the commercial office space sector continue to remain tight, with limited new supply within the Bendigo CBD. Investment grade commercial property continues to perform well in Bendigo on the back of this tightness in supply, with investors chasing higher yields as a consequence of the low returns on offer elsewhere in the current low interest rate environment. Conditions in the CBD fringe are more erratic, though confidence locally is somewhat optimistic with the commencement of the $630 million Bendigo hospital project.

Industrial property conditions remain slow, with limited turnover and extended selling periods particularly evident for larger industrial properties. The one bright patch continues to be in the sub-$350,000 market for industrial property, driven by an undersupply of appropriately sized allotments and developments. Conditions are tougher at higher price points, with lower demand for larger lots and bigger sheds continuing. Conditions in the East Bendigo precinct remain subdued, with limited transactions in recent months and agents reporting limited buyer interest.

Recently making news was the Stafford Business Park on Eaglehawk Road in California Gully, with a flurry of new activity due to commence in this emerging building, construction and trade supplies precinct. New tenants announced include Jason Westcott Builder, Skinners Plaster and Hartley's Hunting and Tackleworld, who will occupy two lots and are the last remaining gun retailer in Bendigo.

The lower end of the retail market remains tough, consistent with difficult trading conditions being encountered by many small operators. Vacancy rates and letting up periods appear to have stabilised.

However well located larger retail sites continue to be tightly held, with limited vacancy and ongoing interest from national tenants seeking to capitalise on the continuing forecast growth in the region.

South Australia

Adealide

When commenting on the investment market within Adelaide's industrial sector the first response is to discuss leased investment, however the sub $1 million market is likely to be tenanted by local businesses with limited guarantees, shorter lease terms and questionable longevity. Capital values within this sector are driven almost without question by owner-occupiers with analysed returns rarely sufficient to warrant the risk and potential vacancy costs.

Below are two sales of sub $1 million properties within established industrial precincts in metropolitan Adelaide. They both show sub 8% returns with the larger of the two showing a sub 7% return. From a strictly income perspective, this is insufficient to draw investors into the market and makes little sense to analysts and investors operating within the institutional driven markets.

Investors within the sub $1 million industrial markets need to focus on capital growth rather than income.

While capital growth within industrial assets in the current market is going to be limited, Lonsdale and Mount Barker are two areas which we believe may offer growth above other areas. This is due to a mix of infrastructural investment and the opportunity for population growth.

The expansion of the Southern expressway into a fully functional multi directional freeway is likely to improve the accessibility of the southern suburbs and support the growth of the industrial area. Also the rail line has been extended further south which increases the ease of mobility for employees. As inner southern localities gradually consolidate, smaller industrial occupants will be forced into more affordable areas and Lonsdale is a logical choice. There are also some vacant allotments within this location which can allow companies/investors to purpose build properties.

The Mount Barker area is set for significant population growth with large tracks of land scheduled for re-zoning along with continued ongoing residential development.

As the population increases the demand for local business will improve and the capital values of light industrial premises should with increased demand.

Given the rather bleak outlook for commercial property investment generally this is a rather 'glass half full' prediction for these areas. However for entry level investors who are able to accept low returns and wait out the bad times, these may yield more solid results than the low initial yields would suggest.

Address	Sale date	Sale price	Land adres (m2)	Lettable area (m2)	Analysed market yield	$/M2 lettable area
Unit 3, 543 Churchill Road, Kilburn	25/03/2013	$193,000		103	7.25%	$1,874
43 Ellemsea Curcuit, Lonsdale	06/05/2013	$862,000	1,500	780	6.81%	$1,105

Queensland

Brisbane
The current industrial market has in recent times shown tentative signs of stability in a period that has generally been unstable. As confidence slowly returns to the market, basic property fundamentals such as location become primary price drivers. Demand is reportedly beginning to return to industrial properties in tightly held precincts that are generally located within close proximity to the Brisbane CBD and major transport routes. Market activity is set to slow around the upcoming federal election as many potential purchases await the result. However we expect activity to increase after September.

As confidence begins to permeate back into the market, Mum and Dad purchasers and investors with self-managed superannuation funds will look to enter the market for the first time or re-enter the market after a sojourn over the recent period of uncertainty.

Strata titled industrial units will no doubt be an attractive option for lower priced investors.

Outer lying northside suburbs such as Deception Bay, Caboolture and Brendale and the southside suburbs such as Loganholme, Browns Plains and Meadowbrook may provide opportunities for this category of investor. While near city industrial strata units generally reflect yield of between 7.5% to 8.5%, some of the aforementioned localities offer investments with softer yields of between 8.75% and early 9.5%, with rates per square metre ranging between $1,000 and $1,300 per square metre of lettable area. The locality and glut of stock available in the immediate area contribute to the lower price points of these properties.

We note however that these properties are not devoid of risk. Properties without strong leasehold interests in secondary localities are generally seen as poor investments. A strong leasehold interest comprises adequate guarantees and a term in excess of three years, which is important as the glut of stock and localised market results in higher vacancy rates and downward pressure on rents to attract tenants. At present there is a limited amount of quality investment stock with strong leasehold covenants available within Brisbane's industrial market. Another avenue that may appeal to low end investors are mortgagee in possession properties. Since the fallout of the global financial crisis, we have seen a significant increase in the number of these transactions, with the result more often than not being below market purchase prices.

Gold Coast
More construction activity has been observed recently in the northern Gold Coast industrial corridor, especially on the western side of the Pacific

Motorway along Elderslie Road and the industrial estates on Stanmore Road. The 55,500 square metre distribution centre that Caterpillar is building on Elderslie Rd and the new construction on Dixon Road in the M1 Yatala Enterprise Park located across the Yatala Brewery, are in stark contrast to the scenario several months ago when this area was a dismal looking subdivision with only rain washed fading paintwork 'For Sale' boards sticking out of the ground.

This renewed activity has yet to translate into improvement in market values as supply far outstrips demand. However it does provide a clear sign that the market cycle could be on its way up; whether in six, 12 or 24 month time, is anybody's guess. At this time a search on the web will produce a considerable number of properties and development sites for sale looking for potential buyers or tenants on buildings to be erected. What we can see is that the recent sales of vacant land are predominantly to end users as the value of the end product in the present market will likely not make any profit for the developer or investor. With land being sold from $200 to $300 per square metre and construction costs hovering between $800 and $1,000 per square metre, the finished building should really be sold for $1,500 to $2,000 per square metre on floor area in order to make a decent profit. The fact is however, that sale prices are not yet in this bracket. With end users in mind land prices for the average size fully serviced blocks that are not subject to forced sale, are under no pressure to dip below $200 per square metre.

In the month of June there was a rare sale of a five hectare englobo land in Alberton showing a rate per square metre of $30 on usable land; some parts being flood affected. In contrast to subdivided fully serviced sites, englobo industrial properties are still in poor demand and exhibiting decreasing values.

In this quarter notable confirmed sales of industrial properties above $1 million include an old 'Industry 1' factory of 2,233 square metres at Industrial Avenue, Molendinar for $1.5 million and a modern concrete tilt panel complex of 1238 square metres at Access Business Park for $1.65 million. A metal industrial shed of 3363 square metres in Arundel was confirmed sold for $2.3 million. We can reveal that the 10-unit complex at 93 Burnside Road has sold for approximately $11 million which is inclusive of infrastructure charges that are still owing to Council and capital expenditure required to comply with Australian Building Standards.

There are also a number of properties that went under contract which included a modern complex at Yatala for $1.55 million and a large 7,400 square metre state owned parcel of land at Molendinar for $230 per square metre. The interest on the latter, which was sold by public auction, was considered to be high. A couple of old industrial buildings in Nerang are also under contract in the $900,000s.

Small industrial units of less than 200 square metres continue to sell in a mixed range of $1,200 to $1,900 per square metre. Prices in the $300,000 to $500,000 bracket average 200 to 400 square metres. During this period we know of four strata units of 400 to 700 square metres that have been sold for between $600,000 and $850,000. Generally the sale prices are indicating stability rather than improvement, with rates per square metre between $1,200 and $1,500.

In contrast however, there is a complex in Arundel with recent sales that show signs of an uplift in value for some small to medium size strata industrial units. On Kendor Street in Arundel (only six months ago), sellers had to let go at the price of between $1,200 and $1,300 per square metre but recent sales have moved up to the $1,350 to $1,450 price level.

In conclusion, while we are still some way from a recovery, there appears to be some signs that the market is on the mend.

Sunshine Coast

The industrial market on the Sunshine Coast has continued to experience tough conditions with a moderate supply of stock and limited demand from private investors and owner-occupiers. Over the past three month period we have noticed a decrease in vacancy rates for industrial properties as tenants make the most of reduced rental levels and increased incentives, which currently range from three to six months rent free as well as some fitout contributions.

With the federal election announced for September 7, we anticipate limited market activity until after this date. Both smaller and larger operators are waiting to see the outcome as well as any sweeteners offered/variations to existing laws as part of the election campaigns. Depending on the outcome of the election, we consider the outlook for the middle and upper tier of the industrial market to remain stable at it current level, with many companies/ larger investors waiting for a stronger economic outlook and increased business confidence across the Sunshine Coast, before investing or committing to purchasing property.

In regard to the entry level market ($750,000 and under) we anticipate it to continue ticking over during this period and into the future. The entry level market over the past six to 12 months has been the most active segment in the market with the most likely buyer profile being owner-occupiers/owner self managed super fund. These buyers are advantaged by the current low interest rates and the ability to purchase property below replacement costs.

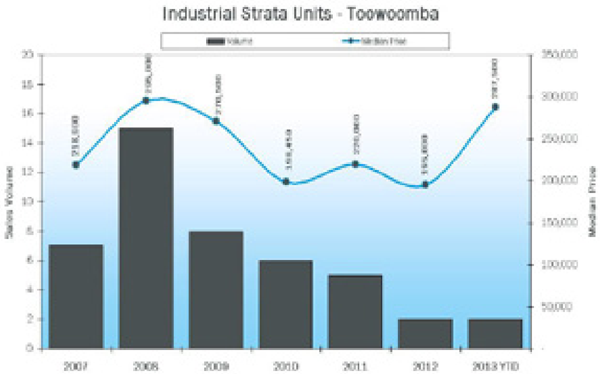
Smaller industrial investment properties across the Sunshine Coast have also proved popular. However given the current market conditions investors are requiring minimum returns of 8% plus and examining the quality of the lease covenant before purchasing. When these properties are located within established estates and have good lease covenants, demand from investors has been moderate, however if the properties don't meet their investment criteria demand has weakened and yields have tended to increase to between 9% and 10%.

An example of this is a 197 square metre strata titled industrial unit with good quality office at Warana sold fully leased to two local tenants for $400,000 ($2,030 per square metre) or a reported 8% return with the agent reporting good interest. While a 146 square metre strata titled industrial unit at Yandina (which is a hinterland industrial location) which was leased to a local tenant on a 18 month lease sold for $135,000 ($925 per square metre) or a 10.58% return.

Toowoomba

We would consider entry level Industrial investment property to be strata units due to the value range being between $150,000 to $350,000, with most being between $200,000 and $250,000. The local market saw a large number of units built in the 2007 to 2008 period. A large number of these units were purchased by investors, with marketing focused on value level being below that of a residential investment property and to likely yields of 8% to 9% net. This was being well above the circa 4% to 5% gross yields from housing.

As illustrated in the graph below there was a strong increase in both volume of sales (up approximately 115% off a low base) and median price (up approximately 35%). Unfortunately there was an oversupply and a resultant lack of rental demand for the completed units saw vacancy rates increase and rentals decrease which resulted in a decline in the market, with volumes reducing to previous levels and values reducing to below $200,000. The market has stabilised at a median value of circa $200,000 to $220,000 but volumes have further reduced. We note the spike in median value for 2013 year to date period, and note with a sales volume of only two the median data can be skewed by a single higher value property sale. There is a relatively limited market of business's that require strata units due to the size of the local economy.



We feel this shows the risks to investors entering a market segment they are not fully aware of and the spread in yield between residential and industrial, with residential having underlying capital growth.

Bundaberg

Freestanding small industrial sheds generally start at $250,000 and increase to $450,000 for modern metal sheds. Investment yields range between 8.5% to 9.5% and reasonable levels of demand can be expected for property with long leases and good quality tenants.

Gladstone

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

Commercial

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

Entry level industrial property in the Gladstone region is largely made up of modern strata industrial units in Clinton, older style basic workshops in lesser exposed areas of the Hanson Road Precinct and sheds in secondary locations such as the Boyne Island industrial area. Most of these entry level properties are purchased for owner-occupation and are in the sub $600,000 price range.

Hervey Bay

The lack of activity in the industrial market across the Fraser Coast makes it difficult to define an entry level industrial property. A high level of supply remains for both sale and leasing product with limited demand indicating a strong buyers market with good opportunities across all asset and value levels.

Positive aspects which could influence the market over the next year is the push by Fraser Coast Opportunities for a fly-in-fly-out, Aviation Industry and Employment Precinct; the Mary River Marine Industry and Employment Precinct and the Fraser Coast Sport and Recreation Event Precinct. Development of these initiatives could help stimulate much needed confidence back into our local industry.

Mackay

There are very few leased industrial investment properties available for sale in Mackay at entry levels of less than $1 million. The main type of investment in this category is strata titled light industrial warehouses. There had been a series of sales in Harbour City Central, Mackay Harbour through 2012 to early 2013 which showed fairly consistent yields of around 8.5% net for investment levels around $400,000 to $500,000.

The Iridium Park development at Paget is currently being marketed primarily for lease. These are strata titled industrial warehouses which are available at $190 to $200 per square metre. These units are also available for sale with vacant possession.

This sector of the industrial market in Mackay is changing with the correction in the coal mining industry. While leasing rates appear stable, vacancy levels are increasing slowly and new light industrial units in developments which were committed to before the coal mining slow down continue to enter the market. Investors have become cautious with uncertainty over future rental returns.

Rockhampton

An entry into the Rockhampton industrial market is likely to cost anywhere from $350,000 to $500,000 for a basic light industrial shed. These properties are generally located on the fringe of industrial areas including Kawana, Parkhurst and parts of South Rockhampton.

We have reported in past issues that Gracemere (located approximately 10 kilometres west of Rockhampton) is also emerging as a future industrial hub. Gracemere will offer a range of industrial options in the near future including smaller, light industrial sites (many of which are developed) as well as larger sites up to three hectares, some with exposure to the Capricorn Highway.

For investment options in the Rockhampton (and surrounds) industrial market, we consider any property with a tenant associated with logistics or transport related is likely to be a winner. We also anticipate the need for warehousing (particularly in line with the growth in online retailing and distribution) will increase over the next few years.

Accessible sites and good design will be the key to attracting and maintaining quality tenants.

The industrial market in Rockhampton and surrounding areas remains steady. There are still very low levels of quality properties both for sale or for rent.

Townsville

Credit may be relatively cheap; however wary buyers are still reluctant to invest due to the uncertain global and local economic conditions. These conditions will continue to dictate the state of the Townsville industrial market throughout the remainder of 2013 and into 2014. However, as the economy eventually begins to recover, we can expect a recovery of the property market to follow.

Our entry level industrial market generally falls within the $300,000 to $750,000 price bracket and has been the most active market sector during the past 12 to 18 months. The majority of product in this sector comprises older style freestanding warehouses, vacant land and to a lesser degree units and strata properties. Townsville is not a strong industrial strata locality with a majority of sales being improved freehold lots.

So what is on offer at this price level? Smaller, older style industrial units located in Gurney, Carmel and Pilkington Streets, Garbutt can be purchased between $270,000 and $300,000. These units are generally located within smaller complexes of two to six units and generally provide workshop-style accommodation. If tenanted, these properties usually achieve rents between $25,000 and $35,000 per annum, have minimal lease terms and yield below 8%. These properties are popular among owner-occupiers and self managed super funds (SMSF's). Garbutt is an established core industrial precinct located in close proximity to the CBD and other commercial and residential nodes. The suburb is easily accessed via major arterial roadways and service roads.

For those who are looking for modern warehouse/office accommodation at the same price level, $290,000 can buy a high quality, 200 square metre strata unit in a larger industrial complex of 30 units. A typical rent for this type of unit would be between $130 and $200 per square metre gross with yields reflecting between 7.5% and 9%.

Larger units sized over 240 square metres are available for purchase from about $350,000. Modern units in these larger complexes can be attractive to investors due to their simple investment parameters such as single tenancies, low capital expenditure requirements, superior lease terms, depreciation benefits and overall superior ROI. The majority of newer industrial units are located in Mount Louisa which is further removed from the CBD and commercial nodes, but easily accessible via the Bruce Highway and Woolcock Street.

What one can acquire at this lower price point is more of a mixed bag for freestanding property which is generally dictated by the amount of land that comes with it and the quality and size of the asset. A recent example of a good entry level investment is the purchase of a semi-modern freestanding office in Garbutt for $490,000. This property sold vacant possession however if fully let would yield around 8.9%. The property is configured into two separate tenancy areas and provides a good level of utility and good car off-street car parking.

A small, older style workshop in Hamill St, Garbutt also recently sold vacant possession for $450,000 with most of its value inherent in the underlying land. Similar properties, albeit slightly larger available for purchase in Garbutt have asking prices starting from $550,000 up to $700,000. As previously mentioned older, smaller properties generally have minimal lease terms and yield below 8% and are popular among owner-occupiers and SMSF's.

Cairns

The industrial sector in Cairns is relatively small with areas close to the CBD showing the stronger demand. The status quo has remained so far this year with the market having come back from its peak of early 2008. There has been a slowing in the rate of sales and yields have eased back by about 10% to 15% from the record low levels observed at that time.

We believe yields for industrial premises at present analyse in the 8% to 9% range, from the 6.75% to 7.25% range evident at the market peak.

An industrial warehouse sale late in 2012 for $1.775 million, with a five year lease in place to a national tenant, analysed to a yield of 7.6%. Commercial agents advise limited availability of good quality stand alone warehouse stock with reasonable demand for these types of premises. Strata titled industrial warehouses are also limited in numbers to both sell and lease.

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

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

There is limited quality investment stock available for purchase in the Cairns market. This will tend to support values over the short to medium term.

The outlook for the next 12 months or so is for similar conditions, though a lack of new stock should see availability tighten as we move through the year. A recovery in the vacant industrial land market in Cairns may depend upon a more widespread recovery in the local economy.

Entry level strata warehouses are generally in the 100 square metre size range and sell from $1,250 to $1,500 per square metre or $125,000 to $150,000.

Northern Territory

Darwin

You are sitting at your desk in a prominent Darwin industrial real estate agency. Your blessed fingernails still aren't quite right. Your phone rings, and you greet the caller with all the confident and friendly intonations you were taught in your most recent sales workshop. The man replies:

"Awrite, Ah am frae Scootlund but ah dinnae hae much bunsens. Ah am lookin' fur a hoddin industrial property in Darwin. Whit dae ye suggest?"

"Strewth! Mate, are you coming the raw prawn?"

"Crivens, Jings and help ma boab! Ah dinnae want tae seel ye raw prawns! Dornt play gemms wi' me. Ah want tae buy hoddin lain an' buildings! Ah need tae spreid mah risk; dae ye nae kin?"

"So sir, let me get this right. You are looking for a good industrial property in Darwin, but don't have a lot of money to spend?"

"'At is whit Ah jist said! Are ye deif, daft, or a dunderheid, laddie? Ah am serioos, nae a cleg."

"Well, that's not too easy at the moment. Unlike many other capitals around Australia, Darwin's industrial values did not fall significantly after the GFC. They generally didn't rise much either, but went into a sort of suspended animation, with much lower sales volumes but not much lower values.

"One currently interesting trend is that government policies have recently made subdividing industrial land much more expensive than it was a few years ago. A subdivider has to bear not only the costs of infrastructure in the subdivision, but also the cost of it coming to the front door. This together with recently imposed major increases in energy and other subdivision-related costs, means that industrial land supply is much less affordable than before. In turn, that means that those with existing stocks of industrial land should be at a competitive advantage. Furthermore, there is no land tax in the Northern Territory, so land banking is a more affordable strategy here than elsewhere. Land down at East Arm can be quite reasonably priced, but there are restrictions on use when buying land there: it has to be for port-related uses. However there is private land such as the Hudson Creek Estate there, which can be bought at around the $240 per square metre range, as can land at the City View Estate Palmerston, and it can be even cheaper near the Robertson Army barracks, out behind Holtze."

"$240 per square metre! Dae ye hink Ah am gart ay bunsens? And laddie, 'at will only wark if lain values gang up. Whit abit properties givin' me some cash flaw? Ah dinnae want tae be trapped in an awfu fankle. Ah want steady reliable cash flaw an' capital growth."

"In that case, while the bottom end of the market had been busy for a while - but mostly with owner-occupiers buying rather than investors – lately it's become more patchy, like before. So investors are competitive again, particularly with the recent lowering of interest rates. For example, Unit 1 at 5 Hidden Valley Road sold for $410,000, showing a net yield of 7.15%. However, demand has weakened not only from owner-occupiers but also from tenants. So if you believe in being counter-cyclical, and believe all the hype from politicians about the north being where Australia's future lies, then now is your chance for a long term investment. Another example: you can purchase masonry block industrial units at Winnellie – Darwin's top industrial suburb – in Aristos Place from around $2,500 per square metre. McCourt Road Yarrawonga, right next to Palmerston's CBD, you can buy warehouse units for a similar price and office units from only about 10% more!"

"Laddie, it seems 'at yer idea ay hoddin is a bit different frae mah idea ay hoddin. Cannae ye suggest anythin' costin' a wee bit less?"

"Well, Darwin has a larger than usual number of people coming and going than most places, so storage units can be nice little earners. We could look around for you and probably find something under $50,000 for a storage unit of under 20 square metres, and it could be rented to give a return of around 7% net."

"Nae yoo're talkin'! Efter aw, mony a puckle maks a muckle! Cheerio th' noo, Ah'll be in tooch. dornt caa me, Ah'll caa ye."

"No worries; too easy", you say, and he hangs up. Now, where were you? Oh yes, those blessed fingernails.

Western Australia

Perth

They used to say that it was a "man's world" but in the Perth Commercial property market it's definitely an "owner-occupiers world", at least in the sub million dollar space. The success of the Western Australian economy has filtered through to the pockets of the middle classes.

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

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

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

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

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

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

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

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

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

Address	Date	Purchase Price	Initial Yeild
772 Canning Highway, Applecross	4/12	$5.7 million	8.83%
24/ 128 Brown St, East Perth	5/12	$750,000	8.04%
10 Ord St, West Perth	8/12	$13.585 million	8.34%
70 Hay St, Subiaco	9/12	$3.360 million	8.63%
3/14 Ventnor Ave, West Perth	2/13	$1.6 million	8.87%

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

Below are some examples of office yields in Perth for both strata units and freehold buildings. Note the prominence of the number 8.

And here are some industrial yields of both strata title and freehold title property. Generally much lower than office yields and most probably as a reflection of the perception of strength in the industrial market.

Address	Date	Purchase Price	Initial Yeild
17 Meares Wy, Canning Vale	5/12	$1.8 million	7%
2/38 Fallon St, Landsdale	6/12	$970,000	6.86%
11 Valentine St, Kewdale	6/12	$7.5 million	8.28%
13 Felspar St, Welshpool	8/12	$3.05 million	7.5%
6 Forge St, Welshpool	8/12	$4.375 million	8.22%
11 Excellence Wy, Wangara	10/12	$4.85 million	8.45%
16 Alacrity Pl, Henderson	12/12	$3.71 million	7%
9 Venture Loop, Wangara	1/13	$1.1 million	7.64%

South West WA

Let's assume you have decided to exit the Perth industrial scene and establish your business in the south west of Western Australia. Perth rents are too high and let's face it, the south west is a better place to live anyway. There are a number of factors that come into play including access to appropriate markets, access to employment, complimentary business, etc. however let's have a look at some of the entry level options available to you.

Davenport

A major industrial area situated within close proximity of the City of Bunbury and also within close proximity to the Bunbury Port. Well serviced lots in secondary locations of approximately 2000 square metres are available with an asking price of $200 per square metre. A smaller vacant lot of 1224 square metres situated at the rear of the development, with very little exposure, is available for as low as $205,000 or $167 per square metre.

Busselton

This is a well established industrial area close to the City of Busselton. Much of the Busselton industrial area is already developed and there are only a few vacant lots still available. The rates here are much higher than in Davenport, with an 1884 square metre vacant lot in a secondary street asking $535,000 or $284 per square metre. A more prominent lot with an area of $1582 is asking $366 per square metre. Plans are underway for a new industrial area adjacent to the airport which will provide greater options for industrial land in the locality but this is still in the initial stage of planning.

Vasse

This relatively new industrial area is associated with the Vasse Newtown Development. The industrial area has been in operation for over two years now however its development has been a slow process. Only a handful of buildings have so far been established. The feeling in regard to this area is that there were not enough people in close proximity to the area to warrant many businesses establishing themselves here. It is a well serviced area and is conveniently located on a major access route between Margaret River/Cowaramup, Dunsborough and Busselton.

The impending release of a new residential stage however is likely to provide the impetus for businesses to begin establishing themselves in this area. Currently a 1662 square metre lot is asking $210,000 or $126 per square metre. Given the relatively cheap cost of land and the future expansion of the development, this is an area that is worth looking into for potential future capital growth.

Dunsborough

The majority of land in the Dunsborough light industrial area has also been sold and developed with the only lot currently available on the market being a 1,363 square metre corner lot with an asking price of $300,000 or $220 per square metre.

Residential

HERRON
TODD
WHITE
RESIDENTIAL

New South Wales

Overview

With signs showing markets are moving around the nation, there are many buyers who have been waiting in the wings and are now keen to start getting serious about purchasing. The low-price sector is a great gauge of market sentiment. It is often dominated by investors and first home buyer – both purchaser profiles are sensitive to affordability. By studying the entry level sector we may get a gauge on what is happening in our market overall across the coming year.

Sydney

Sydney is currently experiencing a genuine boom at the lower end of the residential property market. This is mainly a combination of historically low interest rates and extreme lack of supply. This situation is not particular to any suburb within metropolitan Sydney; it is across the board.

A majority of lower end purchase that we have valued recently within the immediate area of the city appears to be what we would consider at the upper end of the expected sale price. Selling agents all seem to have the same story. We did a valuation in the suburb of Zetland last month and had an interesting conversation with a local selling agent. He stated that buyer's agents are constantly calling and begging him to know when his next listing will come on-line. He is trying to persuade people to sell now, as he doesn't think that he will be able to achieve the same results come spring due to an influx of stock.

After much discussion, our office agreed on one area that still appears to represent decent buying at the lower price point. This is in the highly regarded suburb of Vaucluse in Sydney's Eastern Suburbs. Here we are not seeing quite the same level of demand for units that represent the lowest priced buying options. There have been some very recent 2-bedroom, 1-bathroom, car space unit sales in the $550,000 to $600,000 price range. This is most likely due to the major demand in this suburb being exclusive family homes with unit demand far less. It may represent good buying, as it is evitable that units in this area will eventually see strong growth due to the general popularity of the suburb.

One other that appears to be on the 'cheap' side is Brookvale on Sydney's Northern Beaches. There has been an influx of new unit construction here and prices appear to be good value when you compare them to highly priced adjoining suburbs. The driving reason behind this appears to be an oversupply of new stock coming onto the market and more to come. Although this has helped produce some relatively cheap buying options at the lower end, it does not bode well for future capital growth over the short/medium term.

With the median house price in Sydney now reaching over $690,000 as at June 2013, it is clear that Western Sydney would feature heavily in a list of 'dirt cheap' property.

Diving in head first to a market that seems 'dirt cheap' without any due diligence is fraught with danger. Even in the outer suburbs with relatively cheap property you still need to ensure you are paying the local price. The caution for people not from the area is to ensure they are not paying above the odds comparing the prices to their own local market or thinking the market will rise at the same rate as other Sydney suburbs. These are common mistakes, as every suburb reacts differently to local, national and international changes. Decisions when investing in the lower end need to carefully consider the capital growth as well as the income stream and the length of time – be it short, medium or long term that the period of investment is for. Above everything else, in depth research and good local advice is the key to making money in property that is 'dirt cheap'.

Units within the Penrith area on Sydney's western fringe are popular buys for the first time investor due to their low entry point and above average yields.

An example would include the recent sale of a 2-bedroom, 1-bathroom 1970s walk up unit for $215,000 within close proximity to the city centre. This unit has the potential to rent for $280 per week, an approximate 6% gross yield. The local area has a good demand for rental accommodation and the older style cavity brick developments are built to last.

Continuing with the Penrith LGA a lot of investors have been purchasing property with medium sized blocks with the intention to build a granny flat to the rear. This boosts the cash flow from the property with dual income from the one site. The cost of a granny flat can be anything from $70,000 - $100,000 depending on the bedrooms and fitout. Combine this with the purchase of a 3-bedroom, 1-bathroom house in north St Mary's for low $300,000s and you have the potential rental income of $580 per week and a gross yield of approx 7%.

Closer in we believe investors wanting capital growth in the short to medium term should look around the Holroyd LGA particularly suburbs such as Pendle Hill and Wentworthville providing detached dwellings on larger blocks close to amenities and arterial roads. For mid $500,000s you will have a variety of property to choose from in these areas. In these suburbs you can still purchase a detached house on a decent sized block of land 28 kilometress from Sydney CBD and 7 kilometress from Parramatta and within close proximity to major arterial roads and train stations. The larger sized blocks give the owners an option of a large backyard for the kids or provide developers with options to build a granny flat or land bank for future development if permitted by council. The versatility of these dwellings will ensure it appeals to a wider variety of buyers resulting in higher potential for growth.

In conclusion it is a tight, competitive market for first time homebuyers or others trying to enter the Sydney property market at this particular point in time. The unique combination of historically low interest rates and severe lack of stock have created a real price bubble at this end of the market. It has really compounded the difficulty to enter the market for this group of people. There may be a let up with increased supply come springtime and after the election, but for now it remains an extremely tight price point in the market.

Canberra

Recent cuts in interest rates, alongside a steady downturn in market activity over the past 18 months has seen some good opportunities presented for prospective purchasers in the residential market.

A strong supply of units through Belconnen, Gungahlin and to a lesser extent the inner north/south regions has seen values drop from peak sales prices at the back end of 2010. While there is still some strong supply to enter the market in all areas it may be a good time to look for re-sales, whereby rushed vendors may be willing to take a hit on their initial investment.

Vendors who are desperate to make a quick sale in current market conditions are generally struggling to get top dollar for their property. This presents opportunities for informed buyers, ideally with pre-approval and a strong financial grounding to make below-market offers and snare a bargain.

Houses in the inner locations still present the best value for money and best potential for long-term capital growth. With constant green-field development and big money being spent in outer regions, we believe the best value for money remains in locales close to the city centre and Kingston foreshore.

Alongside low borrowing costs, stamp duty concessions make the ACT an attractive hub for investors. For an investor looking for a positively geared property, it would be worth looking at two and three bedroom townhouses throughout Belconnen, Gungahlin and Molonglo. Low end or first time investors looking to negative gear should be more inclined to remain in the aforementioned inner locations and look towards a stronger long term capital growth.

Illawarra

The Illawarra property market has shown signs of continued growth in the past three to six months. The further flow of interest rates cuts combined with an overall decline of properties listed on the market has helped create strong sales activity. Overall demand has driven prices well above $300,000 in the past two to three years in the bottom part of the market and there appears to be limited opportunities in particular market sectors below this level.

In the Illawarra region the entry level market for residential houses is limited at the sub $300,000 price point to older style houses in southern suburbs such as Unanderra, Cringila, Berkeley, Warrawong, Dapto, Warilla, Mount Warrigal and Barrack Heights. These will generally be 1950s to 60s brick or fibro 2- and 3-bedroom dwellings in fair condition and without major updates. Look for those closer to the beach where better long term capital growth is achievable. Rental returns will be around 5% gross. Cringila, close to the steelworks, is generally priced under $300,000 but capital growth is likely to be pegged back due to location.

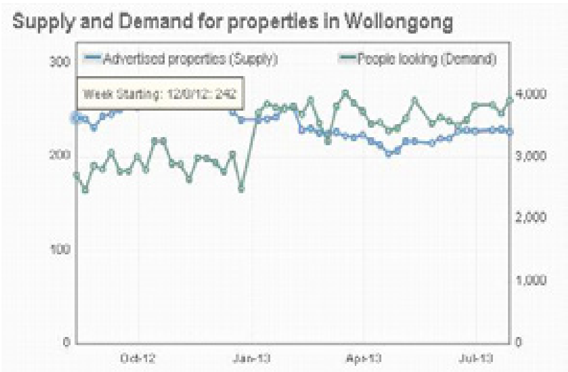


Figure 1 - (Source - Realestate.com.au)

For first time buyers in the Illawarra who want to enter the market at the lower end of the property ladder there are many opportunities to buy. The most affordable property type with good rental return and capital growth would be Wollongong units.

Units near the Wollongong CBD, hospital and university still provide good rental returns and are attractive to investors. It's possible to pick up a 2-bedroom unit in an older complex for under $300,000 situated both close to the CBD and hospital. If these units are in a tidy condition (i.e. basic updates) there is a good rental demand in this price range ($275 to $350 per week). These will be older 1960s to 70s walk up style units generally with off street or single car parking.

Stock is running out however in the sub $300,000 market. Corrimal and Fairy Meadow still have units under $300,000, and are well located near shops and transport routes.

Caution must be placed on investing in new units in Wollongong however as there are a number of new developments keyed towards investors under construction at the moment. New 2-bedroom units tend to be in the $400,000 to 500,000 range. An oversupply will mean a drop in value and also higher vacancies or lower returns in rentals.

New land releases in Horsley and Kanahooka represent good buying for vacant land lots once the blocks are built on. The increased supply of these vacant lots is matched with steady demand and does not appear to be detracting from the value of the properties once they are improved. You can purchase 4-bedroom house and land packages for under $450,000.

In the Shellharbour LGA, Flinders represents good buying with steady demand for vacant land and housing. Developers are noting that purchasing a vacant block and building a dwelling(s) to on sell is profitable. Flinders is popular with young families looking for a modern home and is close to all local amenities including Stockland Shellharbour.

Land in the southern suburbs can generally still be purchased sub $300,000. Lots in Brooks Reach Horsley, west of Dapto, have been selling well below this mark and are in the $200,000 to $220,000 range. In Shell Cove and Flinders, lots can be secured from $230,000.

To the north of Wollongong, the inner suburbs offer affordable buying within the $400,000 region.

The suburbs of Fairy Meadow, Towradgi and Corrimal have shown signs of improved capital growth due to their proximity to the Wollongong CBD and local beaches. Generally suburbs further north up the coast are unaffordable to the entry level buyers due to the limited supply, proximity to Sydney for commuters and beach lifestyle.

In the Kiama LGA, the residential property market has shown good signs of growth. A recent new land release in Kiama Heights sold quickly for close to asking price. There are limited 'dirt cheap' properties to buy situated close to Kiama township and beaches/harbour.

As always, the bottom of the market tends to move quickly when demand increases. The tip is to buy in areas that have shown good capital growth or at least have stabilised.

Southern Highlands

The Southern Highlands features a wide range of properties, from entry level to prestige. There are still many affordable properties in our region. One such affordable locale is the new residential subdivision known as Renwick, near Mittagong. Many first home buyers, encouraged by government grants have bought land in Renwick and built a new home. Many second home buyers and also retirees have also shown good interest in Renwick. Land is priced in the early to mid $200,000 range. This area is situated within short driving distance to the Sydney-Canberra Freeway entrance/exit and Mittagong.

East Bowral is another affordable area for families and retires alike. East Bowral features good local parks and is within five minutes drive to the Bowral town centre. Prices are in the order of $480,000 to $650,000.

In Bowral itself, the affordable options are modern/semi-modern townhouse/villas from $400,000 to $550,000 and also older residential units. Additionally older style homes that require renovation are affordable options, with a view for capital growth post renovation. These properties can be purchase between $350,000 and $500,000.

Moss Vale offers similar affordable properties.

Southern Tablelands

While Goulburn has seen good growth over the past three years, it still features as an affordable property option for the astute buyer. Goulburn has a good workforce and is only one hour drive from Canberra. Due to the higher property prices in Canberra, Goulburn attracts workers who live in Goulburn and commute to and from Canberra each day. Goulburn pricing is in the order of $200,000 to $300,000 for an affordable older style home. Semi modern homes are into $300,000 to $400,000 price bracket and good modern homes are from $400,000 to $500,000. These still affordable pricing levels also attract Sydney and interstate investors.

Crookwell also offers affordable pricing levels. An older style home in Crookwell that needs renovation would be in the order of $150,000 to $180,000. Renovated homes are usually between $220,000 and $350,000. Modern homes range from $350,000 to $420,000.

Newcastle

'Dirt cheap' is the theme and we could take it literally and talk about dirt or more specifically land estates in and around Newcastle. We could mention the new release areas of Cameron Park and Fletcher, which lie in close proximity to Newcastle, but they seem to have managed successfully to introduce a price increase recently in new release stages and we are regularly seeing prices of $240,000 plus for a standard residential parcel. This is up from the low $200,000s.

Land further out is more subdued, with plenty of lots being released and more preparatory earthworks occurring at present for additional lots to be added to the mix. This is more of a worry and unless there is a compelling reason to purchase land and build a house or two then we would shy away from these areas. If you are purchasing it for purely investment purposes then we would strongly recommend to heed a warning of caution.

We think the horse has bolted somewhat with very soft macro-economic indicators leading us to believe that the market is likely to correct itself in the coming months.

There is likely to be significant numbers of new or near new houses on the market with no tenants and little prospect for capital growth, especially if the resources sector continues it's well publicised downturn.

So if we look at houses we can say again, on the back of recent comments, that Nelson Bay and surrounds continue to show signs that it is beginning to bounce back. Agents are reporting strong enquiry and we have seen a number of sales occurring over recent times. If you are considering buying then it could be considered to be near the bottom of the market with prices effectively as low as they have been for some time. With increasing demand coming, including out of town buyers from Sydney, prices could start to push up, especially with the current low interest rates.

If you are after waterfront or waterfront reserve, then the western side of Lake Macquarie stretching from Speers Point around and down to Balcolyn is still good for cheaper prices, by historic standards. Sales that have been occurring are well below list prices in many cases and the marketing period is longer than usual parameters. In our opinion the distance to infrastructure is getting better all the time with substantial development in and around Morisset providing close access. We think if property bounces back, there is plenty of scope in these areas for uplift as prices lag quite a way behind prices on the other side of the Lake.

We can't recommend much in Newcastle itself that is considered dirt cheap, as it's the opposite of whatever the definition of dirt cheap is. Prices have increased and rhetoric in papers is one of a sellers market with multiple buyer and many properties. As an aside there were no sales in Newcastle over $3 million last year. There are at least three this year that we are aware of. And as they say, "the year aint over yet".

NSW Far North Coast

Sales activity across the lower priced segments of the NSW North Coast property market have increased since late 2012 and throughout the first half of this year. This appears to be related to the lowering interest rates and resultant affordability in lower priced product.

As a result on the lowering interest rates, increased affordability and market shifting, it now looks like a good time for some buyers to make a move into the property market. However, if you want to just dip your toe into the property market rather than plunge right in, there are good opportunities on the NSW North Coast.

We are specifically looking at the affordable end of the market segment, which is generally located within the smaller rural townships of Casino and Kyogle and the larger regional centre of Lismore and its surrounding suburbs.

The most affordable or dirt cheap property types in towns like Casino and Kyogle are generally the older brick and tile 2-bedroom units with carport or garage. There have been several sales of this style of product recently via a mortgagee auction for sale prices below $110,000 (16/41 Hartley St $94,000 and

4/41 Hartley St $105,000). This product still has the ability to attract a rent of $170 per week. However one must consider the body corporate costs.

Another example of 'good buying' in the lower priced segment of the market includes a three level block of flats in Goonellabah for $415,000 with a potential gross rent of $800 per week. The flats building comprised of one 3-bedroom unit and 2-bedroom units. This property was also sold mortgagee in possession.

Based on the above examples, the only likely opportunity under current market conditions for cheap buying is essentially realised at mortgagee auction.

Although vendors are adjusting their expectations, it is still not enough to encourage prospective purchasers to get off the fence unless other issues force their hand.

"If you the cash, to make a splash, have a dash down at the auction".

In terms of obtaining new product and affordable price levels, the current rebates available to certain purchasers of land within the Wollongbar Urban Expansion Area Estates and the Ballina Heights Estate are considered good buying. However the land is not considered to be 'dirt cheap'.

If you are a first home buyer or a family looking to upsize into a modern new home, now could be the best time to do so. Not only are these land prices considered affordable based on historical pricing, but you may also receive a kickback from the government if you meet the financial requirements. It is now possible to purchase a house and land package under $400,000.

Residential product within the Grafton region is still considered to be affordable; however the low end residential market in the Grafton region has been impacted by a reduction in employment in recent times due to several large commercial operations closing. This has placed a recent downward pressure on values.

In Grafton a typical circa 1950/60s 3-bedroom 1-bathroom dwelling can be purchased from between $160,000 to $190,000. The rental return for this type of product generally ranges from $250 to $290 per week. In South Grafton a similar property may sell between the $150,000 to $190,000 price range with a possible rental income of $250 to $290 per week.

In South Grafton low socio economic precinct, you can purchase current or former NSW Housing properties such as a 3-bedroom, 1-bathroom dwelling for $100,000 to $120,000. The rent for this type of property is in the order of $220 per week.

In Maclean, a 3-bedroom, 1-bathroom residential dwelling can be purchased for $190,000 to $200,000 with rental income ranging from $240 to $290 per week. Residential properties improved with dwellings are considered to be the best value for money compared with units or vacant land. Units in these areas at the low end of the market sell around the same price as a dwelling and vacant land requires a relevatively high cost of construction to complete the build.

Major proposed works in the Grafton and Maclean area include a second Grafton bridge and the Pacific Highway upgrade which may positively impact upon employment and subsequently property values in the area.

NSW Mid North Coast

This month we are looking at affordable types of property, for prospective buyers and investors just starting out with their real estate portfolio. These properties may have either good potential for future capital growth, or good yields and returns.

As noted within our earlier reports this year we have seen demand increasing for lower end units and dwellings throughout the coastal localities.

Values for these more affordable properties have remained fairly stable over recent months, but as existing stock is sold we are expecting some increases in values over the next twelve months.

In the coastal towns (Port Macquarie, Laurieton, Forster and Tuncurry), the slightly older style (1970's to 1985s) 2-bedroom units, which are centrally located or close to beaches are currently good buying, if a purchaser was to hunt around for a good deal.

These units are suitable for owner-occupation and renovation, hopefully capitalising on potential increasing values over the next few years. They are also suitable for the first time investor, with rentals for these properties remaining strong with reasonable yields available (4% to 5%).

For the investor looking for good returns rather than capital growth (in the short to medium term) the 20 to 30 year old low value dwellings, located within ex Housing Commission Estates, in the regional towns of Taree and Kempsey are good buying at present.

This type of property is often being purchased by out of town investors based solely on achievable yields. In some cases we have noticed that they are being purchased sight unseen, via the internet.

These properties offer good returns but future capital growth is moderate at best, in the short to medium term.

For the investor with slightly more capital, the small older style flat buildings in the regional towns are still showing good returns, of up to 8% for the sub $600,000 market. However once again, potential capital growth is being sacrificed for returns.

NSW Central Coast

Being situated between the Sydney metropolitan area and Newcastle/Hunter region, the Central Coast region is attractive to those looking to be close, but not in either of these centres. Better than that is the diversity of property and property values found in the region. The well heeled and those with limited means are catered for and it is the latter that might find some interest in this months discussion.

Where might one find the best buys at bargain prices, but having the real possibility of value growth?

Although the price point for the southern end of the region is generally higher, it has also promised stable values and growth. Look to the following;

- An older, 3-bedroom home with garage and carport at Wyoming prices starting in the high $200s. These properties often need a makeover to improve comfort and value, but with yield around 5.5% to 6% mark, they also make a good investment 'as is'.
- The Peninsula covers the Woy Woy, Umina Beach and Ettalong Beach areas and although showing good growth over the past several years, some good buys at below $300,000 can be found, but they are moving very quickly. Again yields are good in these areas and have been rising lately. At this price level, one can expect to secure an older 2- to 3-bedroom home which can be renovated or alternatively a 2- to 3-bedroom villa.
- Units in Gosford are still considered to represent good buying with prices starting in the low $200s. Following changes at senior levels of local government and elected members, there

is a positive vibe in the air and we can't help but wonder whether those buying units now will benefit from this.

But looking past the obvious places to buy, our research indicates that places like Avoca Beach and Saratoga have been more than a little quiet over the past several years. These are both lovely areas that hold good potential for increases in values now that confidence is coming back into the market. Expect to start buying above the $400,000 mark in these areas for housing, but look forward to increases in values in the short to medium term.

In our opinion, the northern end of the coast provides a great choice of housing at affordable levels and with confidence returning to the market, we are currently hearing on a daily basis of races to exchange contracts at the lower end of the market.

This has a familiar ring to it and if the lenders start reporting of an increase in new loan numbers, then the scene will be set for a hot market.

The following are samples of where the good buys are at present;

- Halekulani and Budgewoi were recently identified among the highest areas for loan defaults and we find this very surprising. The areas are bursting with properties priced below the $300,000 mark. In our opinion, these two locations are ripe for growth and with good shopping, schools, lake and beaches, we have to say that they provide excellent value and with prices on the rise elsewhere, it must surely follow that these two areas are in for more attention.
- A basic 3-bedroom weatherboard home with garage recently sold for $225,000 and this is a good representation of the values here. Gross yields in this area are approaching 6%.
- Nearby Toukley, Noraville and Gorokan are also areas to watch and act quickly if an opportunity presents itself.
- Berkeley Vale, Killarney Vale and Chittaway Point are areas we are predicting will grow in value. We recently saw an original old 2-bedroom fibro sell for $225,000. More generally though, a decent dwelling can easily be found for less than $300,000 and if things continue to improve, then these are areas which should benefit. Solid yields of around the 5% to 6% mark are the norm here.
- For the less budget conscious, but mindful of potential value increases, we see the likes of Hamlyn Terrace, Woongarrah and Wadalba as good places to be looking. These areas have suffered slightly on the back of the slow market. But with confidence growing out there, those with a few more dollars, wanting good quality, newer housing with good services nearby should be looking here. With prices starting in the low $400,000s we consider these areas to provide plenty of value and equally good potential for growth.

Southern NSW and North East Victoria

If your are wanting to invest in the southern NSW or north eastern Victoria property market but don't have a lot to spare then this article maybe of interest to you.

The twin cities of Albury/Wodonga are your typical large rural hub town. It has the high end properties at between $1 million and $2.5 million. There are the large mass of medium priced at between $250,000 and $400,000. Even the $180,000 to $250,000 range has some reasonable quality accommodation on offer.

It's the 'dirt cheap' property that we are focusing on this month, which for our market are those under $180,000. At this level we are talking about 3-bedroom dwellings of the 1940s to 1970s era predominately. They are located in residential suburbs like Lavington, North Albury, Glenroy, Wodonga and West Wodonga.

These are homes that are now quite dated and in need of maintenance. They may have been tenanted for years and so the grounds are undeveloped or unkept. Their street appeal is only fair. The bones of the house are still sound but some vision and sweat will result in a lift in value for these tired properties.

There are some hard working buyers out there with handy skills who are making it their business to buy run down properties and renovate. Often it is to attract a higher rental return. It is possible to lift a rent from $200 per week to $260 per week with a $20,000 renovation spend. There would possibly be two to three weeks personal time to achieve this.

Units can similarly be transformed with polished floors and new kitchens for costs less than a larger dwelling. However when it comes to modernising the exterior, issues can arise with others in the Body Corporate who are not prepared to spend any more money on their units. You need to get buy in from all to be able to tackle the visual street appeal.

There are some very cheap buys out there. Housing Commission release some old stock from time to time which are often not much above land value. You do need to do your homework prior to bidding to ensure that the end product will sell for your expected price.

This is where independent property Valuers such as Herron Todd White can advise.

Leeton

If you are looking at entry level property in our region there are two good opportunities at the present time. My first suggestion would be the $120,000 to $150,000 residential market in the central Narrandera townhip (the older properties in the tree lined streets). A shortage of rental accommodation is putting upward pressure on rentals and if the flurry of first home buyer activity continues, stock levels will dry up and values will see upward pressure shortly. My second bang for buck suggestion is the the $200,000 to 250,000 residential market in the suburbs of north and east Griffith. This market segment is the first in Griffith to be showing signs of recovery with a strengthening in values in recent months. There is some really good value add opportunities to be had if you do your homework well.

Wagga Wagga

The residential market in Wagga Wagga is currently static with values remaining stable and sale numbers also appearing to remain steady. Earlier in 2013 there was a lift in the number of sales occurring and it now appears the market has settled prior to the usual spring rush.

> There are few bargains available in Wagga Wagga at this time, however the best place for a first home owner to purchase remains Glenfield Park.

This suburb has a good number of sales and historically properties do not take long to sell and there is good demand for rentals. Entry level properties can be purchased for usually around the $220,000 to $270,000 mark up to newer larger properties achieving around $400,000. With interest rates low and the market static, this area could be considered good buying for investors as well, especially with rental demand remaining steady.

Victoria

Melbourne

The State Governments proposal to spend $8 billion dollars in building the East-West Link will impact those properties along the route with many being a cheap buy at the moment.

The State Government said to residents in Collingwood, Fitzroy and Clifton Hill on or near Alexandra Parade that their homes could stand in the way of the multibillion-dollar tollway. Residents were quick to point to similar circumstances in other countries where governments and property owners had failed to reach agreement. Some owners fear that their property investment could be severely impacted long term as evidenced in other parts of the world.

Our pick for 'dirt cheap' (if there is such a thing?) is in Pines Estate Frankston North (ex commission area built in the 60s). This market remains below its 2010 peak and between $220,000 to $260,000 can get you a solid 60s brick veneer with 3-bedrooms, and 1-bathroom (they're all pretty similar) on a good size block.

These properties are yielding (gross) around 5.5% to 6% and can be cash flow neutral depending on the amount borrowed. Long term capital growth is expected from these low base price levels.

Case in hand is 37 Aleppo Crescent which is under contract for $236,000 with a good tenant paying $270 per week. Land size is around 600 square metres improved with a neat and tidy but original 3-bedroom, 1-bathroom dwelling. With an interest only loan this property is cash flow positive for most investors.

Murray Riverina

Buyers looking for low entry points in the Echuca market have several options depending on their budget. Naturally the nature and quality of the property available at the absolute bottom end of the range $150,000 is likely to have some risk associated with it by way of ongoing maintenance and potentially larger capital expense in the short to medium term.

Take for example the sale of 3 Towle Court, Echuca which sold for $126,000 on a mortgagee in possession basis in January 2012. The property has been refurbished and renovated, which could have been done with minimal expense, and was offered for rent with an asking price of$220 per week in April. If the total cost of purchasing and renovations was in the order of $140,000, the returns are likely to be in the order of 6.5% to 7% at a very low entry point.

You will need a keen eye to ensure that you don't buy dwellings with significant structural problems as very small capital or maintenanceexpenses will quickly erode returns at this end of the market.

Murray Outback

The median price for residential property in Mildura is approximately $240,000, which no doubt appears dirt cheap when compared with most metropolitan areas.

For this price a buyer can get a 20 year old 3-bedroom brick veneer dwelling, or a modern 2-bedroom townhouse. Gross rental returns of 6% are available.

For someone on a tighter budget, there are cheaper options available. For say $180,000 a buyer can purchase a 1970s built 3-bedroom, 1-bathroom brick veneer or conite/weatherboard clad dwelling – in a reasonable part of town. While probably only having a plain appearance, such a dwelling will still be quite rentable, and gross returns of slightly over 6% should be possible. Buyers will, however need to factor in some upgrading over time, to ensure properties of this age remain appealing to tenants.

Another alternative is to consider one of the many satellite towns which surround Mildura. Red Cliffs is a prime example, and is a town with a population of approximately 3,000, located approximately 17 kilometres south of Mildura. Red Cliffs has an active community, as well as primary and secondary schools and is close to several large wineries and horticultural enterprises which provide employment opportunities. House prices in Red Cliffs are generally 15% to 20% cheaper than in Mildura.

While older 2-bedroom units are often the cheapest entry level for investors, our experience is that there is often little capital growth in this segment of the market. Investors are attracted by gross rental returns of up to 8% for these older units, however experience shows that values remain stagnant over time.

Gippsland

Wellington Shire/Latrobe Valley Market Round Up

Morwell - Circa 1960 2- to 3-bedroom houses $110,000 to $140,000, earns 7% to 8% return. However houses are generally in commission areas and are in of need of maintenance and works.

Traralgon - Vacant land at $95,000 to $120,000. The Strand Estate land prices have dropped 10% to 20% in the previous six to 12 months.

Traralgon - New estates in Traralgon are being advertised at $150,000 for 700 square metre blocks. Two years ago they would have been selling at $170,000 plus.

Traralgon - Ten year old, 4-bedroom, brick veneer homes with double garage, outdoor area, workshop, landscaping and fencing in good locations, being advertised between $350,000 and $450,000. Cannot replace these properties for this cost.

Golden Beach/Paradise Beach - Blocks of land between $40,000 and $50,000, close to 90 mile beach. Roads recently gravel to bitumen.

Sale - 15 to 20 year old brick homes in good locations $300,000 to $350,000.

Top End - High end properties of high quality are at more affordable prices compared to previous years.

Overall with prices remaining similar to 2011, a buyers market is occurring.

Baw Baw Shire

In the Baw Baw region there are some good buying opportunities in Warragul - older homes, 60s,70s vintage relatively close to the CBD. These homes start from the low to mid $200,000 range. This area is growing rapidly and properties such as these appear to be a good bet.

The other good buying opportunity at present is vacant allotments in Drouin in the 4000 to 5000 square metre range. $250,000 was entry level for this type of allotment 18 months which has now fallen out of favour and is currently in good supply at prices from $190,000 to $220,000. With the amount of residential subdivisions going ahead around Warragul and Drouin, these blocks are set to become a rare commodity in the not too distant future.

Bendigo

With regional unemployment remaining below the national average, further reductions in mortgage interest rates, continuing strong population growth within the region and optimism about the economic flow on effects of the Bendigo hospital project, the residential property market continues to perform well. Well located and priced properties are enjoying short selling periods and strong interest, particularly in the CBD fringe areas such as north Bendigo, Flora Hill, Kennington and Quarry Hill. Residential land sales are continuing to tick over, with new estates such as Rubicon Rise at Jackass Flat and Marong Links to the west of Bendigo showing good sale rates. Of note also is the recent commencement of the construction of the first dwellings at the Viewpoint Estate, an 800 lot master planned estate at Huntly, on the northern approach to Bendigo. Ongoing development of new estates has resulted however in an increased supply of rental properties on the market, easing the pressure in the rental market and seeing downward pressure emerge on rents, particularly in these newer estates.

For the entry level investor, there is value to be found in the inner suburb of Kennington in the $300,000 to $400,000 bracket.

With a significant stock of post-war detached housing on good size allotments, they benefit from a relatively high underlying land value. Rental demand is also solid, being located between the Bendigo CBD and Latrobe University, with the additional benefit of being within the zone for the Bendigo South-East Secondary College.

Ballarat

The Ballarat region provides a large amount of choice for the investor or owner-occupier who wishes to buy in an affordable sub $200,000 price bracket within one and a half hours of Melbourne CBD and the Coast. Both units and houses in the $150,000 to $200,000 price bracket are available for purchase within three kilometres of the Ballarat CBD and all associated services including railway (to Melbourne), shops and all usual facilities. Suburbs such as Golden Point, Mount Pleasant, Ballarat East and Wendouree all provide entry level housing within a reasonable distance to shops and transport. The homes you find in these areas may not be brand new but there are many opportunities to purchase a solid investment with potential for future renovation and good rental returns. Units are usually more affordable and are likely to be the best choice for the investor looking for a low maintenance purchase. However, older homes are often situated in preferred established locations and allow owners to add value through renovation.

Queensland

Brisbane

At the moment we really are the cheap-as-chips capital with statistics showing strong performances in Melbourne, Sydney, Darwin and Perth beating out Brisbane and Adelaide. Our fundamentals are good in south east Queensland – we still have the weather, the ready access to beaches, reasonable employment numbers and we've won the State Of Origin eight times in a row. What we also have is comparatively affordable real estate when you look at all the other big towns. If history is set to repeat, than it would be fair enough to think we might start to see some reasonable growth going into 2014, particularly as the election will be well and truly behind us.

In terms of what to look for, the first port of call is to stay as blue-chip in location as possible. We realise this can be a little bit tough when the kick-off price for property in a suburb like Paddington now sits mostly over $700,000, but maybe now is the time to aim for true entry level in good locations. Stay as close as you can to town and try to be near great lifestyle facilities. Once you've found your favoured locale, check the budget and buy the best quality property you can afford.

We say it often but we stand by our cause – second-hand units with good bones in near city locations away from busy roads and train lines should be a no-brainer for someone trying to buy in at the rock bottom. Most 20 to 30 years old accommodation of this property type has a good-size living area. Some have poor floor plans but it's nothing that can't be fixed without the removal of a non-structural dividing wall and the body corporate's permission. If you have $350,000 to $400,000 there is most defiantly something out there for you in this sector. The great thing is these properties makes terrific starters for first home buyers. Apart from anything else, it's cool to have your first piece of real estate be in a convenient location. It also has cache to say you own your apartment rather than lease it. The end benefit is these things will rent like the proverbial hot cakes, so when you want to upgrade, try and keep it in your property portfolio – you'll be glad you did.

For detached homes you'll need to step further away from the CBD. Property in established suburbs and, once again, non-secondary locations won't set you back too much in the 25 kilomtetre to 30 kilometre radius . Even better if you can find yourself a decent size block or something that could use a simple renovation. Make sure you have reasonable access to public transport and this property will also be keenly sought after by tenants if you choose to move on. The sort of suburbs were talking about are the northern areas like Aspley and Bracken Ridge

The key with these two property types and locations in particular is that, in the current market, they're trading at below replacement cost. While the market is still flat, there is a reasonable supply and not too much demand. The result is that prices are attractive but if we get a market run going, then this is just the stock that will step up.

If you'd like something newer, it's possible to also get yourself a house and land package in one of the major estate for not too many dollars. Your capital growth prospects could be a touch more limited than if you bought something second-hand in an established suburb, but if you shop around, you can be pretty confident that you won't get into too much strife, but make sure you look at all the competition and, if in doubt seek independent advice.

Gold Coast and Tweed Heads

M1 Northern Corridor

There are plenty of options for property considered to be 'dirt cheap' in the northern corridor. For those looking to enter the market with little to spend, habitable property can be purchased as low as $150,000 for a semi-modern style, 2-bedroom, 1-bathroom townhouse unit in areas such as Mt Warren Park. Houses in suburbs such as Beenleigh and Eagleby can be purchased in the mid to low $200,000s. Rents achieved in these areas are reasonably stable with the Mt Warren Park example yielding approximately $200 to $220 per week and $320 to $340 per week for dwellings in the above-mentioned price bracket. However capital growth is usually less than that gained in superior suburbs during strong economic periods.

Entry level property in superior suburbs such as Ormeau, Upper Coomera and Coomera offers a better promise of capital growth in the future for those with slightly more to spend. Good quality, modern style townhouse units and duplexes can be purchased in the mid $200,000s with rents achievable between $320 to $350 per week. Reasonable quality dwellings are available in the low to mid $300,000s. Dwellings in this price bracket are considered to be the best option for first time buyers looking to get a foothold in the currently depressed market. Detached dwellings usually offer the strongest capital growth in the long term if purchased at the right price.

Central and Broadwater

Market activity has increased in the first eight months of 2013, with local agents from Ashmore to Paradise Point reporting an increase in sales activity and buyer enquiry for under $500,000.

The type of property for the low priced buyer to aim for is either a duplex or townhouse in Southport, Labrador, Parkwood or Arundel. A typical 25 year old duplex ranges from $240,000 to $320,000 with the upper end usually renovated.

Ideally the buyer should aim to purchase the property within a few kilometres from Olsen Avenue that runs through Southport, Labrador, Parkwood and Arundel. The upside in purchasing a property in this particular area is its proximity to major infrastructure such as Griffith University, Gold Coast University Hospital which is due to open in September 2013, and the light rail system currently under construction. This type of property also has, reasonably good rental return with rents ranging from $300 to $400 per week. A duplex in the The Southport School precinct is also a good option if you can purchase it at the right price, with properties in this particular area tightly held.

Cautious investors and owner-occupiers will still have to be wary of body corporate costs and how they impact on the affordability/rental returns of units.

Overall, affordable entry level investments create healthy activity and encourage other owners and investors to entry the market place.

Central

Market activity for detached housing (between $0 to $500,000) on the central Gold Coast has been gradually firming over the past six months, with the higher bracket ($500,000 to $1,000,000) remaining slow to steady, however over the past few weeks we are seeing increased sales in the latter price range. We are even seeing signs of $1 million and above housing market lift in recent months. To give an example, there have been 11 sales of $1 milllion plus properties within Benowa Waters from Jan to July 2013, which is a big improvement from the foursales which occurred during the same six month period in 2012.

The market for residential highrise units is still a concern and this is due to the oversupply of listed property between Broadbeach and Surfers Paradise. Investors are slowly returning but agents are reporting that finding buyers for units priced above $500,000 is still hard work.

On a side note, the light rail project, which is still under construction, is still causing major disruption to holiday-let buildings and this is having a flow-on effect to rental returns and sales.

Bargain buys are still achievable in and around Surfers Paradise/ Broadbeach if the prospective buyer is diligent with their research.

Rising body corporate costs in some buildings is another issue buyers should be aware of.

In my opinion we believe cheaper waterfront homes in Broadbeach Waters and Mermaid Waters ($450,000 to $550,000) have the best capital growth potential as we are seeing that prices have already bottomed and have the most to gain once the market turns around.

I would advise first home buyers to buy established housing under $500,000 in central locations

(Benowa, Ashmore, Bundall). These locations should have the most to gain from capital growth.

For investors, they should be looking and cheaper units with low body corporate rates with good returns. e.g. walk up units in Broadbeach and Surfers Paradise, near the beach or shops that can be rented out easily. If investors wish to look at houses, I would recommend Robina and Varsity Lakes within walking distance of local shopping precincts.

Southern Gold Coast/Tweed Heads
As compared with 2012, 2013 has seen an improvement in sales activity and an improvement in value levels in some market segments. In particular, the under $500,000 price bracket for well located property is where there is most demand and, accordingly there has been some capital growth. Some examples of recent sales in reasonable well located areas, at the lower end of the price range for houses and units include the following;

Tweed Heads
2 Marie Street, Tweed Heads South

Sold in April 2013 for $290,000. Older style lowset dwelling with 3-bedrooms, 1-bathroom and 1-car garage. Previously sold 09/09 for $353,000

Unit 14/1 Gray Street, Tweed Heads West

Sold in June 2013 for $175,000. Modern style 2-bedroom, 1-bathroom lowrise unit with 1-basement carspace. Current rent is approximately $280 per week.

Bilinga/Tugun
300 Adina Avenue, Bilinga

Currently under contract for $369,000. Older style, lowset dwelling with 3-bedrooms, 1-bathroom and 1-garage. Land area is 516 square metres. Fair condition.

Unit 2/16 Elizabeth Street, Tugun

Reportedly sold for $245,000. A circa 1975 2-bedroom, 1-bathroom unit in lowrise building, within close proximity to beach and shops.

Elanora
29 Banksiadale Close, Elanora

Sold in April 2013 for $395,000. A semi modern style lowset dwelling with 3-bedrooms, 2-bathrooms and 2-car garage. Land area 498 square metres.

Unit 30/15 Simpsons Road, Elanora.

Reportedly sold for $258,000. A semi modern style townhouse with 3-bedrooms, 2-bathrooms and 1-car garage. Estimated rental is $340 per week.

Mudgeeraba
10 Springtime Court, Mudgeeraba

Currently under contract for $303,000. A small semi modern style dwelling with 3-bedrooms, 1-bathroom and 1-carport in run down condition.

Unit 8/88 Old Coach Road, Mudgeeraba

Recently sold for $267,000. A semi modern style townhouse unit with 3-bedrooms, 2-bathrooms and single garage. It is partly renovated. Previously sold in August 2010 for $275,000. Estimated rental is $340 per week.

All of the above mentioned suburbs are considered to be central locations within close proximity of work areas, transport nodes, major shopping centres and leisure activities.

My opinion is that these lowest priced house properties are better for investment, as compared to unit properties (with associated additional costs such as body corporate fees), and it is probably a good time in the cycle to invest for medium to long term capital growth.

I would advise first home buyers to focus on central locations, such as mentioned above with preference for housing or duplex units as opposed to units in larger complexes or lowrise/high-rise buildings.

Scenic Rim

As the new financial year begins, the sentiment in the Scenic Rim and lower Logan City areas has changed. Buyers are making more enquiries and vendors have become realistic with regard to where the property market currently sits. Vendors are just not relying on the price they can achieve for their property (and any loss incurred) but on the discounted sale price for what they are looking at. The lower end stock is drying up as low interest rates entice purchasers into buying now rather than later.

The rural market is still subdued with properties selling at below replacement cost, with the 'country dream' closer for those that have saved a good sized deposit and are seeking a bit of land. Recently, two 20 plus hectare properties on Four Mile Lane at Boyland have sold under mortgagee in possession conditions showing a substantial decline in the previous sale prices achieved. The vacant lot which was improved with a large shed, extensive concrete driveway and Canungra Creek access sold for $588,500 including GST, was previously purchased in July 2008 for $1.3 million. The adjoining 22.13 hectare property included a 2-bedroom, cottage, large machinery shed, double garage/shed, stables, open stables, paddocks, large dam with underground reticulation and frontage to Canungra Creek. This property sold in February 2007 for $1.175 million and has settled recently for $840,000.

With the first home buyers and investors back in the marketplace, the stock below $400,000 for semi-acreage property is drying up, with more good quality homes becoming available. The more outer lying rural residential areas of Veresdale, Cedar Vale and Cedar Grove still have some stock under $400,000 but purchasers will be getting the basics with minimal ancillary improvements, or a property that requires maintenance.

With regard to price point and value for money, it seems that Yarrabilba is the market leader with the majority of new house and land packages priced under $400,000 and land options starting at around $118,000. With not only owner-occupiers and first home buyers in mind, these properties also offer good opportunities for the investment market. Unfortunately, with the 416 lots released to date all but 2 lots are either under contract, under option or settled.

In the coming weeks the new display village of around 40 homes will be officially opened with a wide choice of builders. Offering all market segments wide and varied options with regard to turnkey packages. There are a number of different lot types within the estate ranging from around 200sqm small lots up to traditional 700 square metre residential lots. There

have been a couple of sales of established builder spec homes setting values at a similar level to the cost of buying the land and constructing the home, helping to underpin the as if complete values within the estate.

Sunshine Coast

Affordability on the Sunshine Coast continues to be a major issue. The medium house price on the Sunshine Coast when compare to the more major employment centres of the Gold Coast and Brisbane, shows no real discernable difference. Trying to find those properties that provide good value at a reasonably low price point can be somewhat difficult.

For houses, the main opportunities lie through the railway townships situated in the hinterland.

These townships provide the more traditional, older style properties, typically with a primary school and local shops. The original main service centre of the Sunshine Coast is Nambour, which provides the regional hospital as well as high schools and regional shopping are also provides opportunities with homes available sub $300,000.

For affordable home units there is still an ability to obtain properties on the coastal strip but more likely are located on the inland coastal fringe or the Nambour area. The key with these types of properties is to find one which are located in small complexes with low body corporate fees.

For all lower price properties there has to be a sacrifice or a trade off. The main trade off is typically the age and condition of the property and that they are older and require a bit of TLC.

To improve the market appeal and affordability of land, developers have reduced lot sizes so that a house and land package can be price pointed at sub $300,000. The sacrifice in this case is the land size which is below 300 square meters.

The good thing is that there are options out there. You just have to be prepared to make those sacrifices to get to the great Australian dream.

Toowoomba

Toowoomba is continuing to benefit from low interest rates and buyer activity from absentee investors and first home buyers, particularly in the more affordable suburbs. The locations which provide reasonable growth potential with low entry points include Wilsonton, Wilsonton Heights, Rockville, North Toowoomba, South Toowoomba, Newtown and Mount Lofty.

Wilsonton and Wilsonton Heights are located to the West of the Toowoomba central business district. These neighbouring suburbs feature established neighbourhoods with circa 1960 to 2000s brick dwellings.

Wilsonton brick dwelling with 3-bedroom, 1-bathroom is located on a 562 square metre block is currently listed for $249,000.

Rockville is located to the west of the Toowoomba central business district. The housing in this suburb is considered to fit in the lower price bracket with homes generally of average to modest standards.

Rockville brick dwelling with 3-bedrooms, 1-bathroom is located on a 508 square metre block is currently listed for $217,000.

Newtown is located within close proximity to the Toowoomba central business district and local amenities. Housing comprises circa 1900's to 1950's older style timber, cottage style dwellings, often with renovation potential.

Newtown, 2-bed, 1-bath timber cottage is located on a 521 square metre block, currently listed for $215,000.

North Toowoomba is also located within close proximity to the Toowoomba CBD, parks and various schools. Housing generally comprises older timber dwellings of varying standards and conditions.

North Toowoomba dwelling features 3-bedroom and 1-bathroom located on a 405 square metre lot, listed at $179,000.

Vacant land within Toowoomba is often in high demand as a reflection of the limited supply. Traditionally, land value continue to rise and represents a safe bet in terms of capital growth.

Units would appear to have demonstrated inferior capital growth when compared to land and dwellings and more volatile median price, however provide a good entry point for an introductory level buyer.

Circa 1985 unit in Newtown features two 2-bedrooms, 1-bathroom and one carport, currently listed at $153,000.

Circa 1975 East Toowoomba unit features 1-bedroom, 1-bathroom and one carport, currently listed at $159,000.

Overall, dwellings show growth in median price despite slowing activity, particularly those positioned in the sub $400,000 price bracket.

Ipswich

In recent months, the Ipswich property market has been stabilising with greater inquiry and increased volumes of sales being reported by local agents.

So where are the bargains for those looking to buy into the region? Overall, Ipswich is considered fairly affordable in general with a median house price of $293,000, however there are some sectors of the market that stand out above the rest.

Currently Raceview has some of the best buying on offer. Lowset 4-bedroom, 2-bathroom brick homes, located in a suburb unaffected by 2011 flooding, central to schools, shops and services are currently selling for around $280,000. These are being snapped up by owner-occupiers, but also offer great rental returns for investors. On the western side of town at Leichhardt, around $200,000 will buy a similar property. Again these are predominantly being purchased by the owner occupier, but at these prices would be a great investment. There is also opportunity to be had in more central locations such as Silkstone, where around $260,000 can buy a good entry level renovated timber home on an 800 to 1000 square metre block.

There is currently little interest in the unit market which, when you consider that you can purchase a house for similar money, is not surprising.

In some areas such as Flinders View, agents have lists of buyers waiting for properties to come on the market and in many cases they are basically sold before they are even listed.

While this hasn't seen any great increase in property prices yet, indicators are looking good for the future.

Lockyer Valley

In recent times, the Lockyer Valley has had its fair share of issues. Flooding of the Laidley township in 2011 and 2013 as well as the surrounding region has spooked many investors. Consequently there are a relatively large number of reasonably new brick veneer homes for sale, many of which have been significantly discounted from their original turnkey price.

In the last five years, many house land packages in the Laidley region have sold at original turnkey prices of between $310,000 and $380,000. Recent resales of these modern four 4-bedroom, 2-bathroom brick veneer project homes however have occurred in a range of $230,000 to $280,000. These are all flood free properties with modern services including underground power and rental returns ranging from $270 to $340 per week.

These houses are predominantly located in the numerous modern estates in the Laidley region which include McInnes Fields, Cunningham Park, Grandchester Estate, Emerald Gardens, Winward Estate and Melaleuca Gardens to name a few. Of these McInnes Fields comprises approximately 218 allotments and currently has several vacant lots for sale, while Cunningham Park Estate also has land available.

Grandchester Estate is a newly developed estate with Stage 1 now selling and over 104 allotments available. Emerald Gardens Estate had 52 allotments approved in May 2009 and appears to still have stock left for sale.

Evidently there is still plenty of land available for sale in this region, however while flooding concerns remain top of mind, sales volumes will continue to be impacted.

Bundaberg

This month we are looking at 'dirt cheap' or in light of recent events in January 2013, 'mcheap'.

Yes in January 2013, Bundaberg experienced the worst flood on record with floodwaters entering over 2000 homes and businesses and more than 7500 people had to be evacuated.

As a result some residents have had enough and after the second flood in two years have opted to try and sell their properties. Consequently we believe that there are some good opportunities to purchase 'dirt cheap' property. The properties are mostly not yet repaired from the flood and are stripped internally i.e. no kitchen, no bathroom, no internal wall cladding. We consider that there are good opportunities to purchase properties if you are prepared to roll up your sleeves and get them dirty.

As an example 100 Gavin Street Bundaberg North sold for $85,750 and is a circa 1950s lowset 4-bedroom timber house on concrete stumps with the interior stripped. On completion of renovations, it will rent for $260 to $270 per week. Prior to the flood it would have been worth about $200,000. Flood insurance was approximately $1200 per year.

Past floods and research of history shows us that flood affected properties are very hard to sell for the first 12 months and after approximately 24 months the turnover normally reaches parity with similar properties that were not flooded taking into account the property is not one that floods regularly but is in a 1:100 year area.

However there are some areas we believe are prudent to avoid in flood affected properties and they are where the velocity of water was high, compromising the structural integrity of the dwelling.

Is it a risk worth taking? We will leave that up to you, but we believe that the rewards are there.

Gladstone

The Gladstone market continues to soften following an approximate 12 month period of strong growth from October 2010 to November 2011.

Over the past 18 months we have seen diminishing investor interest and an increase in the percentage of local buyers.

These local buyers tend to be favouring detached dwellings as opposed to units due to their relative affordability and due to the unprecedented level of unit construction underway or already completed within the area.

Modern suburbs of Gladstone, such as Kirkwood and New Auckland offer modern 4-bedroom, 2-bathroom dwellings in the sub $500,000 value range. These suburbs provide an average to good quality standard of accommodation. Older more central suburbs of Gladstone typically provide smaller and more modest accommodation in the $300,000 to $400,000 price bracket.

Given the lack of investor interest in the market, we are seeing an increasing number of sales that appear to be cheap but result in downwards pressure on value and they soon become 'fair buys'.

As the residential market in Gladstone is continually decreasing with supply increasing, a potential purchaser/investor should be seeking long term investment. Modern 4-bedroom, 2-bathroom dwellings are currently attracting between $500 to $600 per week rental return, depending on age, features and the size of the dwelling. However vacancy rates are currently increasing which eventually leads to lower rental values.

Emerald

The Central Highlands towns of Blackwater, Dysart, Moranbah, Clermont, Capella and Springsure have not quite hit the bottom of the market yet as job cuts continue to be announced and in return rents continue to fall and values soften.

Emerald is the most secure town in the region to date. Over the past 12 months rents have dropped significantly and values have softened in general to around 10%. We are however seeing some bargains starting to appear with a few auction sales which show a drop of around 30%. There are other older properties which need a bit of renovation which are also heavily discounted with some sellers under pressure discounting around 10% to 20% for a quick sale. The market does not show any signs of trending upwards in the short term but is best placed should the resource sector turn around or the Galilee Basin to the west be developed.

Hervey Bay

The Fraser Coast remains a generally affordable region to purchase. With values easing and rents continuing to firm much of the affordable property with good fundamentals available in both Maryborough and Hervey Bay would seem to have some reasonable upside potential. Property located close to the shops, schools and the beach should remain the most popular for obvious reasons. With most buyer activity for detached dwellings occurring in the sub $350,000 price range in Hervey Bay, and the sub $250,000 property in Maryborough, this is the price range to consider this month.

Most people are feeling that the market has hit near bottom and that there are opportunities to be had however confidence is yet to return to this region's property market. Purchasing sound and well located homes in the sub $350,000 to $250,000 range in Hervey Bay and Maryborough respectively, and performing a renovation may have a good chance of growth over the medium term. Selecting the better localities should pay off in the longer term. For example looking at areas in the suburbs of Torquay or Scarness close to the beach or with larger lots with room for sheds or other external improvements. The more traditionally well regarded areas of Maryborough such as Doonvilla should continue to remain popular in the future. Other factors to consider when selecting a home are to look for reasonable street appeal and good internal layout. This should broaden appeal to both tenants and future purchasers.

Hervey Bay units are continuing to struggle and the braver buyers could take a punt that with most sales of modern units being below replacement costs the market must strengthen at some point.

Residential units in single storey or townhouse complexes would be the wiser choice as many holiday type complexes continue to achieve low returns and have little appeal to owner-occupiers.

Mackay

One of the main issues thats impacted the Mackay market over past few years has been affordability issues. Mackay has one of the highest median prices for dwellings in regional Queensland. To try and alleviate this problem the Mackay Regional Council adopted new developments whereby lot sizes have reduced dramatically. With the expectation that someone looking sub $400,000 has the option of a new home instead of a small timber or fibro dwelling in the established suburbs. Some of the new estates are offering small 2- and 3-bedroom freehold dwellings on small allotments priced below the median house price.

So where in Mackay can you get real bang for buck? Some of the established suburbs still have some pockets where we think good buys can be had. Areas in north Mackay around the gooseponds are still relatively affordable when compared to their southern suburb counterparts.

If budgets are tight, I'm afraid you will be travelling if you want more for your money. Properties west of Mirani in the small townships from Gargett down to the Pioneer Valley you can still have relatively cheap housing. The same can be said for housing in areas from Calen in the north and Koumala in the south, although we must warn you, you will be in for quite the commute into Mackay each day.

The Mackay economy is currently being impacted by the downturn in the mining industry.

At present, the biggest impact in the residential market is the blow out in vacancy rates and in fairly big reduction in rental values. The downturn hasn't flown onto the residential market yet, however is operating on reduced volumes and reduced confidence. Everything hinges on whether the mining industry bounces back and to what levels. Any prolonged downturn will definitely start to bite over the next six months.

Rockhampton

With the federal election looming, combined with a recent and significant downturn in the resources sector resulting in a softening market across the board, this month we zoom in on where the best entry level properties are situated and how the astute buyer can take advantage of the what appears to be a strong buyers market. But be warned as with all property cycles timing is everything and the current cycle will not last forever so actions must be louder then words.

Now down to the nitty gritty of it all. The following list represents the top five locations within the Rockhampton region currently considered best buying and bang for your buck...

Starting from the bottom and sneaking into our fifth spot;

5. Depot Hill – A well known flood prone area this suburb has experienced three floods in the past five years however prior to this it was about two floods in 30 year. Global warming or just some crazy weather? For those who don't believe in climate change then the mathematical equation is that we might not get another flood for 10 to 20 years. Maybe worth a punt but given the recent history you'll need a large deposit and a good relationship with your bank! Prices in this suburb dropped significantly with most well under $200,000 and in some cases as low as $100,000. Finally in support of this area cracking the top five there is talk of the local council building a flood proof levy, yet the likelihood of this seems remote and a long time coming if at all, but in basic economics 101, risk equals reward for those who are brave enough.

4. Emu Park – This qaint little seaside village has gone under the radar for too long, but with the biggest island development in Queensland in over 30 years recently approved on Keppel Island (only 10 kilometres away) the potential for this town to grow appears evident. Currently older homes often on large allotments over 1,000 square metres and in fair to good condition can be purchased for well under $350,000. In some cases they contain ocean views or are within easy walking distance to the beach.

3. Frenchville - Houses under $350,000 can result in a good quality property with strong rental return and the likelihood of future growth appears to be strong.

2. Rockhampton City – Bottom end include 2-bedroom units in the proposed South Bank complex scheduled to begin construction in 2014, priced at below $300,000 and located opposite the mighty Fitzroy River. The unit market within the CBD is starting to fire.

And finally to our number 1 on the list....

1. Wandal - A solid and reputable suburb, houses under $350,000 can result in a good quality property with strong rental return and the likelihood of future growth appears to be strong.

Although we have nominated the top five suburbs for entry level homes, in summary as history shows it is often the case that all markets tend to soften in the lead up to a federal election. By getting in now the likelihood of recovery once we get a result is historically strong with the potential for confidence to return.

Whitsundays

This month's topic is what is 'dirt cheap'. Unfortunately I am not able to report on any residential property in the Whitsunday's which I would call dirt cheap and want to buy. Yes, generally, housing looks cheap now compared to a few years ago. Units are cheap and some may well be below cost but when you consider the very high body corporate fees and rates, the returns are low, hence the falling unit prices.

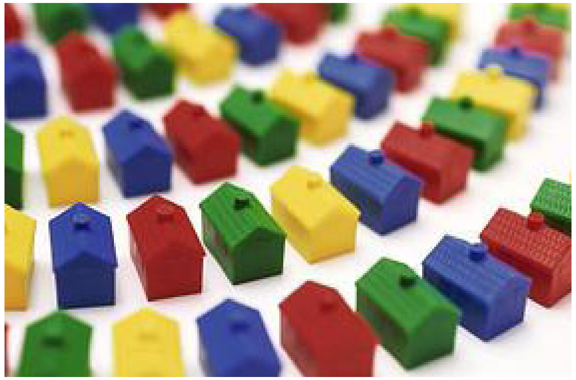
Some of the best options may be to follow the mortgagee sales, of which there are a few or to look at development sites. However these may have to be held for some time so income producing properties would be suggested.

The best buys take time to find so happy hunting.

Townsville

Units located in North Ward have price entry in the sub $200,000 price category and are achieving good net returns. This market has, and continues to be affected by skyrocketing body corporate fees. This suburb is located within close proximity to the city centre and The Strand. Once body corporate issues are addressed/factored into the property market, there is reasonable potential for growth in this sector.

Vincent, Currajong and Gulliver are older suburbs located within about seven kilometres of the city centre. Vincent comprises predominately ex DHA (Defence Housing Authority) style high set dwellings constructed circa 1960. Price entry to this suburb is between $220,000 and $250,000. Currajong and Gulliver comprise mostly circa 1950s style low set and high set timber framed dwellings with price entry for a dwelling in original condition from the mid $200,000s. These suburbs over recent years have started to see some regentrification as older



homes are purchased by younger home buyers and renovated. This combination of location and regentrification reflect well for future capital growth..

Kelso, Rasmussen and Condon have circa 1970s style high set timber framed homes with price entry from the low $200,000s. These areas are located about 25 kilometres from Townsville's city centre. Historically these suburbs have experienced good rental returns.

Deeragun is located within the northern beaches corridor to Townsville, approximately 20 kilometres from the city centre. Price entry into this suburb is from low $200,000s. Over recent years there have been substantial expansions in infrastructure to service the increasing population in the new land estates located on the opposite side of the Bruce Highway. These include new Coles and Woolworths shopping centres, new primary and proposed secondary schools, aquatic centre, Bunnings and several fast flood outlets.

Overall the Townsville residential property market is at the bottom of this market cycle with pre-conditions for recovery in place. They are yet to spur the market into any observable impacts on price.

With interest rates now at historically low levels, and median prices still soft, it is our belief that now is the time to buy to capitalise on the next upswing in the property market cycle.

Cairns

The Cairns market is nudging closer to recovery but there are still low priced opportunities to be found. Pockets of low priced housing exist in a number of suburbs, but the traditionally cheaper areas are Manoora, Woree, White Rock and the lower parts of Mooroobool. House prices in these areas tend to start at around $200,000 and show median prices of around $270,000. Also worthy of consideration are Manunda, Bungalow and Westcourt, which are in a better ranked socio-economic stratum but still show median prices sub $300,000.

The unit market is showing large numbers of properties for sale and units have become extremely difficult to sell unless at bargain basement prices.

Large increases in insurance costs, whereby cumulative increases on strata building insurance premiums since 2008 of 200% to 1,000% have been common, have severely impacted on the demand for units. The volume of units for sale has burgeoned due to owner-occupiers and investors alike aiming to exit from unit ownership because of the financial stress imposed.

However for those prepared to tolerate the high ownership costs, low priced unit purchasing opportunities would abound. The residential unit market now sees prices starting from around $50,000 in areas such as Manoora, Manunda and Bungalow, while the median unit price Cairns wide is around $190,000.

Around the Cairns region there are also low priced buying opportunities in Ravenshoe and Dimbulah on the Atherton Tablelands, as well as Innisfail on the Cassowary Coast. Median priced houses can be typically purchased for around $150,000 in Ravenshoe and $200,000 in Dimbulah and Innisfail.

South Australia

Adelaide

Firstly for a quick wrap of our market. The Adelaide residential property market appeared to reach the bottom of the property cycle around the middle of 2012 after experiencing two years of downturn. In conjunction with recent interest rate cuts it appears as though there are currently the first signs that we may be in the very early stages of a recovery. Auction clearance rates, days on market and number of transactions have all started to improve in recent times. However lingering confidence issues and the change in general spending habits to debt reduction and less financial risk taking is still holding the market down, not to mention the general unwillingness to act in the lead up to an election.

At this stage it appears that this recovery is mostly due to improvement in the middle market, which may be being positively influenced by the currently limited stock levels available.

The lower end of the market does not seem to be fairing quite so well and is possibly suffering from some oversupply. Existing dwellings are also being detrimentally impacted by numerous new land releases providing lots of choice for house and land packages and the SA Government grants on offer aimed preferentially at new housing construction (First Home Owner $15,000 to only $5,000 for existing dwellings and Housing Construction Grant $8,500). The median house price for Adelaide is still experiencing both ups and downs on a monthly and quarterly basis.

So with that said, we consider that the cheapest sector of Adelaide's residential market are those properties that are under $200,000. This market is relatively limited and generally confined to the outer northern and outer southern suburbs which are located more than 20 kilometres from the Adelaide CBD.

Tenants and home buyers in this price bracket are very sensitive to financial pressures and in the current climate times are tough. While lower interest rates have offered some relief, but only for home buyers, cost of living expenses especially electricity prices which are now the most expensive in Australia and the recent increase in Adelaide's unemployment rate to 7.1% (a 10 year high) remain a cause for concern. Dark clouds may be ahead with the uncertain future of the Holden manufacturing plant at Elizabeth in the outer north.

Within the northern suburbs there are a number of options available for under $200,000. These include older 2- to 3-bedroom attached dwellings on around 600 square metre allotments, detached 3-bedroom dwellings on up to 800 square metre allotments and house and land packages on 300 to 400 square metre allotments.

Some examples are indicated of properties currently on the market in the outer northern suburbs.

Suburb	Description	Asking Price	Rental	Gross Return
Davoren Park	2-bed,c2006 duplex, 370m2	$175,000 - $185,000	$230/wk	6.5% - 6.8%
Smithfield Plains	3-bed, 620m2	$145,000 - $150,000	$216/wk	7.5% - 7.7%
Elizabeth East	3-bed, 800m2	$169,500	$230/wk	7.1%

Affordable housing schemes aside one of the cheapest properties that we found that is currently on the market is located in Davoren Park. This property offers a basic brick 3-bedroom, 1-bathroom semi-detached dwelling of 85 square metres on an allotment of 400 square metres with an asking price of $125,000. This property is also currently leased at $190 per week which equates to a gross rental return of 7.9%.

Rental returns in these northern areas are amongst the highest in the metropolitan area at around 6% to 8% gross. However due to being at the cheaper end of the market, tenant quality and occupancy rates can be somewhat inconsistent. In the short to medium term there is almost no chance of any increase in property value, although properties are expected to achieve some capital growth in the longer term. Investment in this property sector is mostly geared towards the rental returns obtained.

Rental rates are expected to slowly improve over time. It appears as though tenant demand is currently remaining fairly stable although low interest rates may encourage some tenants to stop renting and enter the property market themselves. Older dated dwellings may suffer at the expense of newer or newly built modern dwellings which are often chosen preferentially by tenants. However, the older dwellings do often have the potential for upgrade or extension to improve rental returns with those on large allotments also possibly having the potential for redevelopment and/or sub division.

It is much harder to find a bargain under $200,000 in the outer southern suburbs; however, they are still available. In this location at this price range mostly older 2-bedroom semi attached dwellings or units are available, however a 3-bedroom detached dwelling on a 690 square metre allotment in Christie Downs has sold recently for $195,000. Properties located in the outer southern area have the benefit of being close to local beaches.

Rental returns are slightly below those of the outer northern suburbs however capital growth is more than likely going to be better in the south.

Once the extension of the passenger railway to Seaford and the duplication of the Southern Expressway (both currently under construction) are complete access to the outer south suburbs should improve.

Tasmania

Tasmania

While Tasmania's property market remains steady this month with regard to pricing there has been an increase in sales volumes. As mentioned in previous months it is undeniable that Tasmania continues to experience job losses, however there has been an increasing number of positive business, economic and development stories being reported across the state.

When looking to purchase property in lower priced brackets owner-occupiers may have different criteria to satisfy than that of the investor. Investors must consider their return requirements. Do they need an income producing investment to help offset the cost and take advantage of negative gearing or would a return realised on the sale of their asset better suit their personal financial position? The answer to these questions would dictate where a purchaser's money is best spent either on land, a house or unit.

In the southern half of the state west of Hobart affordable land can be acquired for prices ranging from $30,000 to $100,000.

There are established properties for sale in Claremont and Rokeby starting from $200,000. It has been reported that Hobart rentals are achieving gross yields just over 8%. Houses in Claremont have been reported as achieving these gross yields. Given Cadbury's plans of increasing production this may be a suburb to watch.

Kingston, 15 kilometres south of Hobart is a fast growing suburb with a mix of owner-occupiers and renters. While properties in Kingston would not be regarded as being in the low priced bracket it may offer stability with regard to capital and investment returns. A drawcard for Kingston is the large call centre Vodafone operates near Kingston. Units in Kingston can be purchased from $200,000 and $50,000 and houses just under $300,000.

The recent announcement of Bunnings 50 year lease agreement to build a superstore at the Hobart Showgrounds makes Glenorchy and surrounding suburbs the ones to watch for investment opportunities. 2- to 3-bedroom homes are listed $150,000 in Glenorchy with some boasting gross returns of above 7%. Units comrpising 1- and 2-bedrooms are listed from $125,000 with some also reported as returning gross yields above 7%.

Should a purchaser's focus be on land in the north the limited supply of inner city land with prices starting at around $140,000 may turn the focus to more affordable satellite villages of Longford and Perth where residential sized blocks are offered for sale under $100,000. The commute from these villages is a 20 to 25 minute drive to Launceston. The First Home Builder Boost has provided an extra carrot for some to engage a builder however this boost has not been as effective as anticipated as rising unemployment rates have encouraged vendors of centrally located 3-three bedroom 1-one bathroom properties to meet the market.

For purchasers with a desire to enter the house or unit market in the north there are older style residences on offer in the suburbs of Kings Meadows, Mowbray, Invermay and Newnham below$200,000. If you can stretch your budget to a further $50,000 there are properties in this range in Summerhill, a suburb popular with renters and owner-occupiers.

It is possible to pick up inner city houses in Launceston for below $200,000 but these opportunities would need to be weighed up against less desirable aspects such as busy roads and/or a need for renovating.

Modern residential units in the suburbs of Prospect, West Launceston, Launceston, Mowbray and some central older style units are listed around $250,000. Older style units in South Launceston, Prospect, Invermay and Riverside are offered for sale from $150,000.

George Town is an option for affordable purchases with properties on the market below $100,000.

There are excellent roads for commuters however, with lower barriers of entry comes higher risks of meeting return or capital growth requirements.

Residential blocks can be purchased in north west areas of Devonport and Stony Rise with acreage available in Smithton and Spreyton for under $100,000.

For those looking at established property there are older style 2- to 3-bedroom residences centrally located in Devonport, boasting returns of 7% for an outlay of $200,000. If units are preferable, newer style units can be purchased within a range of $200,000 to $250,000 and older style 2-bedroom units are on the market from $120,000.

Should you have a higher comfort level with speculation, you might consider purchasing a property in Burnie, Wynyard, Table Cape, Rocky Cape or Sisters Beach which are all within commuter range of the iron ore mine that has recently been given approval in the Tarkine. Burnie is approximately one hours drive from the Tarkine with very affordable housing listed from $120,000. Wynyard, Table Cape, Rocky Cape and Sisters Beach are all within approximately a 45 minute drive from the Tarkine and properties in these areas can be purchased within a range of $140,000 to $200,000.

With interest rates at a record low, good gross yields and low capital outlays relative to other states, Tasmania is an attractive investment proposition for those wishing to either enter the property market or limit the size of their commitment in this current buyer oriented real estate market.

Northern Territory

Darwin

Buying dirt cheap in Darwin is a bit different to most other cities in Australia. Having one of the highest priced property markets in the country and very little available land means that competition for entry level homes is fierce and a cheap home is often not really that cheap when compared to other locations.

However there are always some well priced deals relative to the market, and with property values holding steady at the moment and a drop in sales over the past quarter, there will always be a good deal out there if you look hard enough.

> If you are looking at bang for your buck, you would be best to search the northern suburbs for an entry level house.

In suburbs such as Karama, Malak or Tiwi an entry level house will cost you in the low $500,000s, but occasionally you can find a gem in the high $400,000s that, with a bit of an elbow grease tidy up, can reap some good gains.

The northern suburbs is a positive place to purchase currently, as there is no land available. With its close proximity to the city, many families are relocating there to avoid the huge cost of purchasing in the city and the relatively long commute from Palmerston or beyond. Due to this, it seems a reasonably secure place to invest as the market stabilises.

There are a large number of Post Cyclone Tracey built (1975), ex government houses in the northern suburbs which usually come at the lower end of the price bracket and many have seen a hard life. But investors can get a good deal if they are willing to invest some time, maintenance and a skip bin or two.

If you don't have that amount of money available to you, but are wanting to invest, you can always look at the unit or apartment market. You can pick up a 1-ne bedroom apartment in the city starting around $300,000 which would return around 6% per annum. The downside to investing in this market at the moment is that there are over 500 units that will be hitting onto the market over the next 12 to 18 months. If this relieves the demand shortage, it could see rents and values of units and apartments ease with currently a very low vacancy rate under pinning the high rents in the region.

Entry level properties are always the first to move after a downturn such as experienced by most of Australia over the past few years. This is because all of the first home buyers that have been waiting for things to look up suddenly are able to invest. Darwin however has been a booming market, but because of the high cost to buy a house in the region, entry level property is hugely sought after, as it's all that many can afford.

Western Australia

Perth

Nothing in Perth can be called 'dirt cheap'. Perth is constantly regarded as one of the most expensive cities in the world in which to live, buy or rent property. In fact, we are the southern hemisphere's second most expensive city, beaten only by Luanda, Angola. Taking nothing away from Luanda but I think many people would rather live here than there.

The June 2013 REIWA quarter results confirm this with a rise in the median house price in Perth to $515,000 up 5.1% from the March 2013 quarter and 6.2% change from the previous 12 months.

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

Agents are still reporting multiple offers and bidding above asking prices is occurring once again in the market, especially between the half million up to million dollar mark. Average number of days on the market fell from 56 to 50.

The second drop in the cash rate for 2013 to 2.5% in August further helped to boost confidence with 25% of households in Perth now indicating they think economic conditions will get better over the next three months, which is almost double the amount who thought that in the three months to December 2012.

So, in terms of Perth, what is considered dirt cheap? Well, for starters, how about Double Bay in Sydney. Or how about Toorak in Melbourne. Or the whole of Brisbane. In fact, probably anywhere in the world except Monte Carlo and Switzerland would be cheaper than Perth. In fact, I should be writing an article for Perth people on how in the Hollywood Hills of LA they can buy a mansion for less than the price of their suburban home. As an example, I just bought Brad Pitt's old house with 14- bedrooms and 5-bathrooms after selling a 1-bedroom flat in Cottesloe I've had since my bachelor days.

But seriously, we have discussed this before but I would focus on buying a house in a suburb such as Bibra Lake, located 20 kilometres south west of the Perth CBD and 12 kilometres south east of Fremantle. Access to the Kwinana Freeway and Roe Highway is good and local amenities such as Adventure World, Stock Road Markets and the Bibra Lake Showroom and Industrial areas means local employment opportunities are good. Bibra Lake is also relatively close to other industrial locations including Henderson, Kwinana and O'Connor.

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

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

A lot of our first home buyers, the young set (i.e. those below 30) are targeting new apartments in inner city suburbs such as Joondanna, Mount Hawthorn and Maylands, focusing on access to work in the CBD rather than the traditional WA view of owning a house with 4-bedrooms. Opting for a 2-bedroom unit they own in a near city suburb is far more appealing than a new 4-bedroom, 2-bathroom project home in the outer lying suburbs of the Perth Metropolitan area where it can take over an hour to get to work. Poor kids. I remember having to sleep in my car over night on the M25 on the way home from work when the traffic got particularly bad due to ice, so I can well sympathise.

So, if you're planning on buying in Perth the focus should be on what you need. If you need to be close to work and you need a minimum of 2-bedrooms, then think an apartment close to the CBD. If you need more bedrooms, because you are planning or have children, then think of an older, established suburb with older homes which are suitable for refurbishment (Bibra Lake, Duncraig, Padbury, South Lake, Greenwood). They still offer a reasonable price for a decent product.

Otherwise, I'll see you in Hollywood.

South West WA

If you are looking for affordable land with potential for growth it would be remiss of you not to have a new look at Port Geographe. This much maligned development has done it tough in the past due to the problems associated with the seaweed build up along the foreshore. This has caused fowl smells and makes the local beaches no-go zones. However work has recently commenced on the groyne realignment which could potentially solve this issue, if not at least improve the situation.

It may be a risk but the prices currently available for land in the development are possibly at the lowest they will get.

Canal fronted lots of approximately 600 square metres are available with asking prices as low as $315,000 to $330,000. Smaller, water fronted lots of approximately 385 square metres have sold for as low as $181,000. Standard single residential lots of approximately 600 square metres, without water frontage but less than 100 metres from the ocean, have sold for as low as $193,000. Most surprisingly of all, there is a 675 square metre vacant lot with direct beach reserve frontage and panoramic ocean views currently on the market for $455,000. Yes it's a risk that the redevelopment of the groyne may not be successful but it's probably a risk worth taking.

Further north in Bunbury there has been a zoning change within South Bunbury and East Bunbury which is encouraging higher development within these areas. Properties comprising 700 to 800 square metres, which were previously single residential now have duplex development potential. Older homes in the locality are available for between $350,000 and $400,000 with the potential to subdivide down the track. These areas are potentially a good affordable investment for first home buyers wanting out of the rental market.

Esperance

Where is the cheapest property in this area? Depending on where you are, you may think the whole town is cheap but there are some bargains to be had for either the owner-occupier or investor.

At the lower end of the residential market, Nulsen is hard to go past as a starting point for entry level homes. For less than $200,000 a fairly comfortable home can be picked up with loan payments generally less than rents and at least there is a starting point into property ownership. From an investment perspective, the home you can purchase under $200,000 could generate $250 to $280 per week in rental income which gives a far better return than the

next market level that would see you outlay around $100,000 more for probably only $20 to $30 per week extra in rent.

The reason this area is so cheap, and in fact is probably the most affordable housing in the region, is the history of state housing and some antisocial behavior. However, primary and high schools are within walking distance as are neighbourhood shopping facilities. The Esperance town centre providing regional shopping, health and recreational services is less than 3 kilometres away at the furthest point. This area has struggled for sales during 2011 and 2012 with a notable turnaround in volume and values so far in 2013. This locality is being recognised for its affordability for either owner-occupation or investment and the higher proportion of owner-occupation is seeing renovations and general improvement of the streetscapes.

On a percentage basis, Nulsen is likely to provide the best growth for property at the lower end of the broader market.

At the next level, Sinclair and the older areas of Castletown have a variety of property for the purchaser in the high $200,000s into the early $300,000s price bracket. The homes are generally reasonable brick and tile about 25 to 35 years old on average and at the point where renovations would lift them to the next level. For the new home owner, they again provide a starting point to get into reasonably well priced property with the potential for some capital growth over time especially if maintenance and refurbishment programs are completed. Alternatively, potential rental levels are at the $280 to $320 per week levels for the investor.

Within the other suburbs of town, there are intermittent bargains which are generally best for the tradesman that can improve the homes themselves to maximise potential growth in values. However, if you are looking at purchasing your first property, have limited funds or are wanting to hedge your bets by getting in at the lower end, the lower value parts of town noted above will provide the most affordable housing with potentially cheaper than rent repayments or alternatively the best return for an investment. Alternatively, and depending on available funds, there is the real opportunity of buying two properties in Nulsen for one in say Castletown or West Beach which will give a much better rental return and help shore up confidence in this part of the local market.

Rural

HERRON TODD WHITE RURAL

Overview

With spring in the air as this edition goes to print and after much of the country having either mild weather and great crop conditions in southern NSW and northern Victoria, good rain in SA farming belt, late rains in the West but no rain in the Queensland north west, I have asked the team to consider where value may be currently found in their local market.

So the challenge was set to let the team loose with $5 million to spend in Australian agriculture or $7.5 million in the northern half of the country, as they will always tell me that you get nothing for $5 million in that part of the world. The results may not surprise in some regions given the combination of soil types, climate and scale, however there are a few that havesparked my interest.

Across the board there are probably some counter cyclical views from some of the team given the state of local markets and while this is not a signal that the bottom is in sight, some activity in some markets is starting to be seen and maybe the smart money is getting ready to be injected into the sector.

The comments in this month's edition are expressions of personal opinion from the team and not to be considered any form of financial recommendation.

So as the spring selling season gets underway, the election will be done and dusted, the dollar back around 0.91 AUD/USD and some great crops around, here's hoping we get some sales activity across all regions which will be a positive on the market. There is certainly plenty to choose from at present so a buyer with cash in the pocket has all the power in the current cycle. Enjoy the read.

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New South Wales

Country NSW

The current property market continues to be impacted by the seasonal conditions throughout the central area of New South Wales. Interestingly enough, while confidence levels throughout New South Wales are varied there is generally considered to be a negative influence in the market at present.

In areas of the northern part of the state, such as Walgett and Lightening Ridge, there have been a number of positive seasons. The cash flows in these areas have enabled local landholders to expand and we are seeing continued activity from this section with the sale of "Milton", a 3,600 hectare Western Lands Lease grazing property located approximately 56 kilometre north east of Lightening Ridge. The property consisted of good quality open Mitchell Grass Plains with predominantly heavy chocolate clay loam soils underneath. The property was improved with a basic 1960s residence, steel frame 4-stand shearing shed, second older homestead and one silo. This sale equated to approximately $400 per hectare overall and $360 per hectare excluding the value of the buildings. This would be seen as a good result for the vendor; however it is reflective of the values paid on similar properties within the area. The property was purchased by well established local landholders.

With a lazy $5 million to invest in agricultural areas in New South Wales – where would we go?

It is apparent in most areas that we visited, the landholders who invest in their particular area feel it holds the best promise and the best value fortheir situation. There are differences however between all areas and currently, if we were looking to invest in agriculture, the best value on a grazing unit comparative rate would be far western New South Wales in areas such as Pack Saddle, Milparinka and across to Wanaaring.

General per hectare rates for these areas vary between $25 per hectare and $40 per hectare depending on the level of flood-out country involved and the usual factors of proximity and soil type. In these areas a number of properties have transacted at levels that would indicate a dollar per DSE of approximately $150 to $200 and, as currently in the central division areas such as Dubbo, Coonabarabran and Coonamble, we would expect to see dollar per DSE rates of between $300 and $350 per DSE rising to over $400 in the Tablelands area. So effectively to run the same number of stock is approximately half in these western areas of New South Wales. The downside is the isolation, and acquiring staff for these properties can be difficult. A number of managers are keen to go however their wives are not and so, as a result, some grand homesteads have been built to entice these reluctant partners to the western areas.

The real bonus for this particular area is the larger variance in the overall carrying capacity in line with the seasons. Due to the large areas of properties involved, which would generally be in the vicinity of 40,000 to 80,000 hectares, actual carrying capacity of the property can double or triple in a good season and, opportunities do present themselves in terms of agistment or additional stock trading opportunities. The corollary of this of course, is in periods of drought near complete de-stocking must be undertaken.

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NSW Far North Coast

If you had $5 million in the bank and were looking at investing into agricultural assets, what would this be in north eastern NSW with a five to seven year investment horizon?

Many agricultural pursuits in this region have experienced difficult seasonal conditions and/or falling commodity prices in recent years. Now is possibly an ideal time for 'counter cyclical' investment.

Sugar cane springs to mind in this regard. Wet seasonal conditions in recent years; poor crops; electricity co-generation plants at Broadwater and Condong sugar mills in receivership; a possible sale of the NSW Sugar Milling Co-operative Limited assets (three sugar mills and a half share in a refinery); uncertain sugar pricing globally (peaked in 2010 to 2011 around 35 cents per pound US down to under 18 cents per pound US currently; and domestically strong competition and pricing from the 'new' buyers of Queensland sugar mills are all factors that are not particularly inspirational for the local sugar industry.

For example analysed land values of sugar cane farms in the Tweed River area of the Condong Sugar Mill have plummeted from the peak in the mid 2000s from broadly $16,000 to $22,000 per hectare per sugar cane cultivated area, including sugar cane stools and crop but excluding structural improvements, to current a broad range of $9,000 to $12,000 per hectare for on market sales (off market sales have been ignored as one particular buyer has paid a little more than these amounts for privately negotiated sales).

> In percentage terms land values have dropped by over 40 % broadly.

Should seasonal conditions improve, the NSW sugar industry which thrives on drier weather, yields may increase. Some sugar varieties look promising, for example at Condong Q208 and Q183.

With a $5 million budget it would be difficult to find a contiguous property to purchase. An aggregation would be more likely. Allowing say $12,500 per hectare on an improved basis (including acquisition costs) theoretically about 400 hectares of land could be purchased (without plant & equipment). If yields returned to an average of in excess of 100 tonnes per hectare, this equates to in excess of 40,000 tonnes of sugar cane. If net profit was $10 per tonne (allowing for machinery lease costs) the overall net profit would be $400,000. This represents an 8 % net yield on purchase price before tax. If this was sustained in a low interest rate environment then presumably land values may rise.

On a seven year time horizon, the first two years allowed at zero profit as rebuilding occurs, a total return before tax could be $2 million plus capital gains. Let's assume slightly better than inflation say 2.8% per annum this equates to say 20% or $1 million, that is $3 million overall if this situation transpired. This is an overall seven year return of 60 % before tax for the seven year period, or 8.5 % per annum. Please note the assumptions made hear are for illustration purposes only. Potential purchasers would need to undertake their own due diligence for any investment.

The final outcome would rely to some extent on pure speculation on weather, variety performance, contracted sugar prices and other factors. None the less this is the realm of the counter cyclical investor. This area is capable of this type of productivity with sound management and a decent run with the weather. These are solid returns if achieved, also noting that the NSW sugar industry has poor crops from time to time, but reasonably well located farms in the less frosty areas really have never had a complete crop failure. Costs are usually covered on a year to year basis regardless of the poorest crop, although the last few years have tested that theory out.

There you go. If you want to take the risk you can live close to a beach; a short drive to an airport; in some instances a little over an hours to Brisbane by car; pleasant climate; and six month's work, the opportunity is there to take.

The opinion expressed here is that of the writer and should not be considered a financial recommendation.

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Southern NSW and North East Victoria

What agricultural assets would I invest in if I had $5 million in the bank? I would invest in versatile productive multi purpose non irrigated land that would be capable of growing higher yielding crops, running cross bred or wool producing sheep, or equally at home running beef cattle. It would be a property in the 550 millimetre to 700 millimetre rainfall zones.

I would not want to invest in a rural property that is only suitable for one agricultural pursuit as it places all my eggs in one basket. With versatile country running two or three different enterprises, hopefully if one enterprise is in the doldrums the other two are OK or good. It also presents the opportunity to gradually decrease the size of the enterprise that is not so good and gradually swing into the enterprises that are going well without "selling at the bottom and buying at the top".

Probably the only single use type farm that I would invest in would be a dairy farm - solely because it is

in the doldrums at present, there may be some good opportunities to get into a dairy operation at reduced buy in price, and hopefully I would time it when the dairy industry is at the bottom and likely to go up.

We in the lucky country (southern New South Wales and north east Victoria) are continuing to experience one of the better seasons for may years. There has not been as much rain to date this year compared to the past two years, but the timing of the rainfall events could not have been better. Crops are looking great, ground conditions have been solid enough to allow spraying for weed control and application of urea, and there has been plenty of rainfall for pasture growth.

Water storages are filling fast. On the Murray system Dartmouth is at 97.5% and Hume is at 90%. There is concern that with the two main storages being so full at this time of year both storages may spill and create significant downstream flooding. On the Ovens River, Lake Buffalo is at 67.7%, William Hovell is at 104%; on the Broken River Lake Nillahcootie is at 98.7% and on the Goulburn River Lake Eildon is at 80.1%. High reliability water allocations vary 33% to 100% on the northern Victoria systems, and most high security allocations on the Murray Darling system are at 100%. General security in NSW on the Murray are at 57% and 28 % on the Murrumbidgee system. Low reliability in Victoria are mainly at 0% for the second announcement of the season but are likely to increase.

Very little is happening on the property sales front. Winter is not a good time of the year to sell in this area as properties do not look their best. The main selling period is spring and real estate agents are now starting to gear up for the spring selling season. It will be interesting to see what properties hit the market in this area.

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Victoria

Murray Riverina

Things look fantastic at the moment despite the croppers being slightly behind where they would like to be following the late break at the end of May.

Interstingly one of the key movers in the market at the moment are small scale dairy farms which are being purchased for restarting on the back of record high dairy prices and a relatively good water resource position in the north. At a relatively low entry point ($500,000 to $750,000) buyers are able to get into smaller scale farms which were shut down during the drought with relatively good infrastructure.

It should also be noted that the most Federal Government's On Farm Irrigation Efiiciency Program (OFIEP) has spurned significant development and in some instances farm purchases as local operators take full advantage of the scheme to update existing infrastructure or install new infrastructure (though there can be no net increase to the area under irrigation as part of the program). Typically redevelopment is taking the form of Pipe and Risers or Lateral/Centre Pivot Irrigators. While this program can be an attractive proposition, care needs to be taken to ensure that the net increase to the value of the property is at least equal to the net costs or that the operator is comfortable that the operational benefits in conjunction with the capital benefits provide a reasonable payback period to justify the initial cost. More information for the final round (Round 4 - total budget $100 million) which closes on the 14th of October 2013 can be found at http://www.environment.gov.au/water/policy-programs/srwui/irrigation-efficiency/index.html.

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Mildura

For this month's report we are given $5 million to spend or more particularly our task is –

"If I had $5 million in the bank to invest into agricultural assets in this region where would I invest?"

This has created somewhat of a conundrum for this valuer who, having spent the first 29 years living and working on the family wheat and sheep farm in the Wimmera Mallee region of Victoria, and for the past 20 or so years having been fortunate enough to value pastoral stations and major horticultural properties, makes it a very tough call indeed.

Where should we invest $5 million to hopefully make a quid down the track. Lets talk briefly about the possibilities:

Dryland cropping is up there as is a pastoral/grazing station concentrating on sheep/wool (maybe a combination of cropping and pastoral could be the way to go) while of the horticultural properties I have addressed almonds, wine grapes and table grapes as possibilities. The final possibility is to invest in NSW High Security or Victorian High Reliability water shares which have retreated from historic highs some five to six years ago.

Dryland cropping - $5 million will buy around 5,800 hectares of good arable cropping country in the Millewa region leaving around a million to buy suitable machinery to farm the property. In the

Mallee region and better areas to the south and west of Ouyen $5 million will get you around 3,800 hectares of good arable cropping land.

The grazing sector is predominantly on the NSW side of the Murray River and grazing properties (no cropping) with good permanent pipeline river water, power and relatively close to Mildura (say within 150 kilometres), the $5 million will be enough to secure a large fully set up station with a carrying capacity of around 16,000 dry sheep equivalents or around 60,000 to 70,000 hectares of land plus a starting base of say 7,500 breeding ewes. Alternatively stations with a mix of both grazing and cropping could be more attractive to some providing more diverse land use however stations further away than 120 kilometres from Mildura become quite speculative in regard to dryland cropping due to the lesser rainfall and distance from markets.

If we consider horticulture, the more attractive options would seem to be either almonds or wine grapes. International almond prices have improved in the past 12 months, and returns for Australian growers have been further bolstered by the recent devaluation of the Australian dollar. $5 million can buy say 250 hectares of established trees, but not the permanent water shares to go with it. A property of this size can be expected to generate a decent return, and hopefully benefit from continued strong demand from emerging economies such as India.

Another more risky option would be to purchase several well set up wine grape vineyards. Values have been depressed for many years and now could be the time to invest in the hope that the industry improves in the next five years. Returns have been wafer thin and it is likely that only a modest profit can be generated while prices are at their current levels, but in the event that returns increase by $150 per tonne, there could be a resurgence in the industry, and the potential to sell the asset once values improve. There are early signs of improved economic conditions in the traditional export markets of North America and Europe.

In regard to table grapes this industry has been a good performer for a number of years but like all the above sectors the crops can be decimated by Mother Nature's fury at critical times of the year. While very much a specialist industry the returns have been good and with the opening up of critical Asian markets in recent times the industry at least looks rosy in the short term particularly for premium market preferred varieties. An outlay of $5 million will purchase a good quality property (40 hectares to 45 hectares) in the better areas of Mildura or Robinvale developed with market preferred varieties and well set up with a good dwelling and a larger modern shed and coolroom complex.

Our final option is to invest in purchasing water shares. The past decade has seen values for high security water peak at around $3,000 per megalitre five to six years ago in the midst of the drought, and are presently hovering back around the $1,400 per megalitre. What will the next five years bring to this market? Can it reach the heady heights of five years ago or will we see a further easing of values? With the breaking of the drought in 2010 and the water storage levels remaining at high levels the temporary water market has been impacted with values stuck around the $50 per megalitre mark for the past 12 months or so. Therefore there is not a great return on your investment in the short term and thus being more reliant on price growth, a gamble this investor is not willing to take.

Making a final investment choice, the decision has been to invest in a station which has a combination of 2,750 hectares of good cropping land and enough grazing land equivalent to a carrying capacity of 10,000 dry sheep equivalent and preferable a property within close proximity or with frontage to the Darling or Murray River.

In making this investment choice it is noted that value levels for this sector have remained quite firm and actually increased in value throughout the ten year drought in this region. Wool and prime lamb are reaching historic record levels in recent times and still remain at very good profitable levels. Of further note in recent years has been the introduction of drought resistant sheep breeds which has provided the pastoral sector with a breed which can handle the elements, produce good meat and reduce overhead costs compared to traditional breeds.

Cropping land in this region has also shown a significant increase in value levels over the past decade and the turnaround in good seasonal conditions over the past three seasons is a positive. Grain prices which fluctuate considerably is of some concern, however this region does benefit from the premiums that high protein hard wheat varieties can provide, while Canola and other pulse crops which have traditionally higher returns than wheat are also grown successfully in this region.

It is further noted that better farming practices, GPS technology and improved plant varieties have all contributed to reflect better yields and returns to landholders.

Farming and grazing land remains on the agenda for many international investors which in some areas are underpinning land values in the respective regions, also noting that there has been an increased demand for leasing land at good returns to the land owner.

Recent sales activity in the region shows that confidence remains in this sector and we envisage a continuance of slightly firming values in the short to medium term.

So there it is 'wheat and sheep' for me - call me crazy but just maybe there is that inner desire to get the bog-eye back in the hand and to be again tormented by mother nature waiting for that elusive shower of rain.

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Queensland

Southern Queensland

This month for our Month in Review report we have been tasked with identifying a viable investment option for our region if we had a lazy $5 million to spend. If only it were that simple...

The Roma region is known as the nations beef capital with the largest cattle sale complex in Australia. For this region I think I would consider this to be my target industry. There are a high number of larger cattle properties on the market at present, many of which are sadly under duress. I would look at buying in areas with better country, good access, safe water and a history of more reliable rainfall as a preference. Grass and winter fodder crops would also be beneficial though would be hard to find given current seasonal conditions. A property for around the $3 to $4 million dollar mark with a sustainable carrying capacity of circa 800 to 1,000 breeders (plus progeny) would be available in the current market. The remaining funds would be used as working capital for purchasing cattle and potentially leasing more country (as opposed to buying another place).

Leasing or agisting cattle allows a grazier to move stock more easily in relation to varying seasonal conditions. Now would appear be a time to acquire a large breeder herd given the currently suppressed cattle market. It would be great to have a fully integrated paddock to plate business although I don't think $5 million would be enough to do it on a large 'economies of scale' basis.

An upturn in the cattle market next year, if the north experiences a good wet season and there is a change in federal government would not surprise.

World population continues to grow and so does the appetite for protein especially in the form of safe, clean, good quality Australian beef.

At present there are a number of growing international markets for our premium product, namely Russia, China and smaller Asian countries.

In our broader region we have generally experienced a mild winter with below average rainfall. The low interest environment and increase in volumes of receiver and mortgagee in possession appointed properties have contributed to a slight increase in property interest over the past month.

Locally around Roma we have seen an improvement in sales activity for rural property. Some of the local agents reveal that there has been more action in the past six months than in the past six years. It is a sign that vendors are having to meet the market and that purchasers think we may have reached the bottom. Recently there has been the sale of Mirri Mirri at Hannaford for $3.77 million to an established local family. This is a well improved mixed grazing and farming property over 3,022 hectares or 7,042 acres which reflects $1,248 per hectare or $505 per acre. We are also advised of the sale of Orchard Vale, Wandoan which sold for $1.8 million. This is a smaller 846 hectare cattle property in the tightly held Downfall Creek area. The sale reflects $2,128 per hectare or $861 per acre.

Further west we are advised of several properties in the broader Cunnamulla area which have sold or are in sales negotiations. This includes Willacora, Rwanda, Garrawin, Gumahah and Markarene. These properties vary from harder Mulga blocks to open Mitchell Grass country in the salad bowl area.

Contact:
Digby Makim (07) 4622 6200

Central Queensland

In the current market environment $7.5 million in your pocket will offer quiet a few options to the prudent and well informed rural buyer. Where you go with this money in Central Queensland really depends on your preferred operation and target markets.

If you would like to remain within 200 to 400 kilometres of the Gracemere Sale Yards and Rockhampton or Biloela abattoirs, the Moura and Bauhinia Downs area could be for you. Here your $7.5 million will find you a property of around 4,000 to 6,000 hectares (10,000 to 15,000 acres) and capable of growing and finishing 1,800 to 2.500 steers to bullocks.

Alternatively you could go to the northern part of the region around Moranbah, Clermont and Mt Coolon, and your money would find you a larger operation, probably in the order of 8,000 to 10,000 hectares (20,000 to 25,000 acres), and capable of carrying a breeder/grower herd in the order of 3,000 to 3,500 units.

In the western downs areas around Longreach and Blackall, this money would find you a little more scale, probably a 20,000 to 30,000 hectare (50,000 to 75,000 acre) running a breeding base in the order of 3,000 to 4,000 head.

And if wide open spaces and distant neighbours are what you are looking for, keep heading west. Winton, Jundah, Boulia or Windorah will probably be your nearest waterhole, but you probably won't have time as you will have somewhere between 100,000 and 350,000 hectares (250,000 to 900,000 acres) to attend to, running anywhere from 5,000 to 8,000 head when you actually do have an average rainfall year.

These days $7.5 million will get you further then four or five years ago so the options are endless, but the choices are hard. Be well informed and understand your market.

Contact:
Will McLay (07) 4927 4655

North Queensland
Someone turned up the heat in the last couple of weeks in north and north west Queensland. Winter is well and truly gone.

The positive of this: It's getting closer to rain!

> There are a number of cattle stations on the market that would be attractive to a buyer with $7.5 million dollars.

There are more stations tentatively on the market than those being advertised. These are being held off due to the dry seasonal conditions and the vendor waiting for a turn around in market sentiment.

Recent sentiment has been buoyed by the positive turn of events with the Indonesian market, increased demand for meat from Vietnam, Taiwan and China. Perhaps the food boom is actually starting?

The lower Australian dollar is of some benefit to our price competitiveness on the global market. This is a double edged sword though. The lower dollar means also that the price of imports will increase. This impacts our price of diesel, steel, urea and vehicles.

Some of the opportunities that are being advertised at present include: Kilclooney (large area breeder block near Mt Fox), Claraville (large area breeder block to the south of Croydon), Redlands (mixed grazing and irrigated hay block near Balfes Creek), Carse O'Gowrie (mid to large scale cattle station fronting the Burdekin Dam near Ravenswood), Barwidgi (mid sized breeder block near Mount Garnet), Lamons Lagoon (breeder block near Mount Garnet), Balcomo and Essex Downs (good Downs blocks to the south of Richmond).

Each of these cattle stations offer opportunities for prudent buyers looking to invest in the northern grazing property market in the long term.

Sales this year include:
Victoria Downs, Rocky Downs, Connolly in the Charters Towers Regional Council area. Out west the sales that have occurred this year include: Baroona, Twenty Mile, Lonsdale, Exley, Dover and Myuna.

Most of the contracts that have occurred this year have been by private negotiations. There are a small number of other privately negotiated sales which we are not at liberty to disclose the details. It would appear that at this stage of the year there will be a similar volume of sales as there were past year.

The highest priced property in year to date sales is Victoria Downs (25,000 hectares near Charters Towers) at $8 million bare of livestock, plant and equipment. Our analysis of this sale is $320 per hectare improved yet bare of livestock, plant and equipment. The analysis of the previous sale of this property in April 2011 reveals similar value rates.

Another interesting resale this year was that of Dover (50,245 hectare) out near Boulia. Dover sold for $57 per hectare in November 2009 and this year sold for $59 per hectare.

While these two sales are interesting in that they achieved similar resale results from 2009 to 2013, the Mitchell Grass Downs has very depleted pastures due to the failed wet season. The sales that have occurred in that land from this year have been by anxious vendors whose reasons for selling vary from personal to de-leveraging. These sales do show a discount from their similar calibre counter parts in 2012.

There has been no activity in the large scale market this year. This market has been thinly traded since Paraway put together its northern group of stations early in 2009. Since then there has been Chudleigh Park, Wrotham Park and in December 2012 Neumeyer Valley sold. Each of these three later sales appear relatively to be within each other. Unlike the smaller to mid tier markets, there are not many of these larger stations for sale at present.

Contact:
Roger Hill (07) 4724 2000

Northern Territory

Northern Territory

With $7.5 million in by pocket and increasing chatter throughout the NT and Kimberley that the market has bottomed, I'd probably be giving it a crack. But I'd be taking cautious steps, there are still signs of pain out there for many who already own a rural property and may have done so for many years. Much due diligence will need to be done!

So what's actually on the market with an asking price within range of my $7.5 million? As for cattle stations, there are about 20 currently advertised for sale across the NT and Kimberley but with my $7.5 million I could probably only negotiate for seven or eight of them.

Some I could buy the lease WIWO on this budget. Four would be in the Alice Springs region, maybe three north of Daly Waters and one or two in the Kimberley. I'd be going for one that had the opportunity to diversify production, either through existing herd genetics which would allow me the option to sell cross bred cattle into the domestic market as well as live export, or one that offers physical features that might allow diversification of income through farming or tourism for example. Unfortunately none of the northern stations in my price bracket offer the genetic diversity and it's getting too far away from domestic markets anyway given the cost of freight.

But one of the northern stations currently available looks like it could offer real potential for developing an alternative business alongside the existing cattle operation. And it is the proposed changes to the NT Pastoral Land Act that make this proposition more interesting.

If the proposed changes to the Act are legislated as expected before the end of 2013, I could apply for a 30 year Diversification Permit to develop the several 1,000 hectares of black soil that lies over the abundant ground water resource on this property for a use other than pastoral. It would have to be for some type of farming or horticultural use. The only thing I will have to watch is that the non pastoral use (my farming) does not surpass 50% of the ongoing pastoral use. That should be simple enough as I'd only be developing several thousand hectares from the entire lease which is some 300,000 hectares. And if I'm granted a diversification permits it will run with the pastoral lease when I sell it.

But access to this property is not perfect and it's some 150 kilometres off the Stuart Highway. I might be dreaming and it would need to be a bit of a pioneering effort, but it's the long term potential that has me thinking. I'd still need to pay the bank interest so would be paying a price that factors in how much I can confidently make from live export cattle through Darwin. Then I would think about any premium payable for the farming potential.

At this time the Alice Springs stations may be a safer medium to long term bet than those in the north, despite the fact that the region can slip into significant drought three years in every ten. Although domestic beef prices are well down, the cattle produced from this region generally have an excellent reputation, particularly in Adelaide. With markets expanding in the middle east and for organic beef, I probably have a better chance of generating

a superior return on my $7.5 million than in the north (as long as I avoid a drought). For $7.5 million, most of these cattle stations are only going to carry around 6,000 AE or less, so I need to do my sums on economies of scale (or lack thereof), particularly if I'm up north and having to truck south due live export not opening up again.

If I was looking at farming or horticulture on freehold land, I'd only have around seven commercial scale rural properties to chose from in the NT and virtually none in Kununurra (Kimberley). There are only two commercial sized mango farms (Darwin and Pine Creek), three irrigated horticulture blocks (all around Katherine), two commercial sized cattle operations near Katherine suitable for cattle depots (to capture the wet season premiums through Darwin). The choice of properties is down a bit from say six months ago. I know of at least three freehold grazing properties that have been withdrawn from market anf two ex forestry places that were in receivership in the Katherine/Daly basin which have just contracted for sale (full details remain confidential at this stage). However the Douglas Daly property is an ex MIS timber property which will be picked up by a local/interstate group of investors who will be content to sit on the property until the market ramps up again one day. They think they have bought in at the bottom of the market and they probably have, because the last time that property sold it was at the beginning of 2008 at 3.5 times what they have just paid for it! Maybe this is time to leap on board.

Overall it doesn't look like much of a choice when it comes to freehold, but you need to remember that freehold agriculture and horticultural land makes up less than 0.2% of the 61,017,600 hectares in the NT! But one thing worries me a bit about freehold rural land now, and it's that diversification permit change to the Pastoral Land Act which I mentioned above. With large areas of pastoral land potentially able to convert to horticultural or agricultural use under the 30 year permits there is a threat that the balance of supply for such country could devalue existing freehold stocks? But then again, it may open up large areas of the NT over time and bring the critical mass of people and infrastructure to the NT which is currently lacking (NT population is only around 200,000). In any case, any of the decisions to buy here need to be taken with a long (10 to 20 year) view in mind.

Contact:
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Western Australia

South West WA

This month we have been asked the question, if you had $5 million what type of farming property would you buy in your region and why?

In my early years, back in Yorkshire, my non farming mates often thought that I was daft for getting up at 4am on Saturday and Sunday mornings to go and milk cows on a family friend's farm. I suppose this was true to a certain extent as I was often found after my spell dozing at third man on a Saturday afternoon that often resulted in dropping catches and letting fours go, which was followed by no end of ribbing. But like many involved in agriculture you have to be a little mad as you are generally gambling on factors that are out of your control like the weather. So when I was asked the above question I thought back to those days but also considered what was currently happening here in Western Australia.

Initially I though of cropping which was mainly because I could sit back on a tractor for the day and listen to the cricket on the radio. However many areas of the West Australian wheat belt have been adversely impacted by drought conditions year on year and some of those who have strived to gain scale and chosen only to crop have become exposed with many struggling to pay their finance costs. The result of this is that many cropping properties are on the market allowing potential purchasers to have their pick of the bunch. Although late rains have helped this year and there is potential for most producers to get a crop the risk is too high for me.

I then turned my attention to beef/sheep and to cut a long story short the Australian government's actions which have severally affected the live export markets makes it a gamble I am not willing to take.

Pigs and poultry are relatively closed markets with limited operations on the market and those that are do not have the scale which would warrant a $5 million investment.

As above horticulture and market gardens are also relatively closed markets with limited operations on the market and those that are do not have the scale which would warrant a $5 million investment.

Tree plantations; these have suffered from the blight of the managed investments scheme collapse and the negative media associated with the collapse.

The industry has significantly suffered and although there is potential to purchase and revert back to grazing the risk and likely return would not warrant my investment at the moment. However it is one to watch in the future as they are generally in higher rainfall areas and as the arable and grazing land market tightens these may become a viable alternative.

So like my early years I will no doubt be called daft for this decision but if I had $5million I would buy a dairy farm in the south west. Yes I have written articles in the past about the struggles of the Western Australian dairy industry but my decision is based on some of the following reasons.

- Land values have decreased to levels which are now becoming viable.
- A number of mortgagee farms are on the market providing availability.
- A feasibility study has been undertaken by the state government on the potential for a $650 million investment in a milk powder plant and supply operation in the south west which is targeted at the Asian market.
- Reports by economists are highlighting a significant demand for dairy products in the future which is driven by Asia and other developing economies.
- Australia has a relatively small share of the global dairy market and therefore there is potential for increasing this share.
- Food quality scares from poisonous baby formula to the latest the Frontera contamination reports will increase the demand for a quality and traceable products which the south west can produce.
- Local dairies are currently looking to secure supply and have increased farm gate prices with further increases likely.
- The south west is a growing region providing a good labour pool.
- The south west is a high rainfall area with irrigation available (at a cost) for summer grazing.

Overall the future for the dairy industry seems to be bright at the moment and looking at an investment of $5 million and the next five to seven years, all the indictors point towards this decision.

So I may be called mad but it is a dairy farm for me. I'm just not looking forward to the 4am starts.

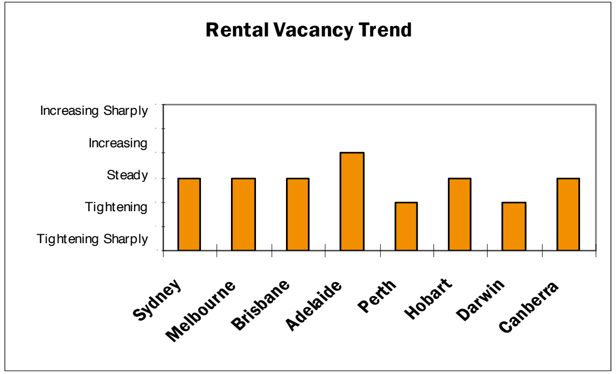
Contact:
David Abel Ph (08) 9388 3274

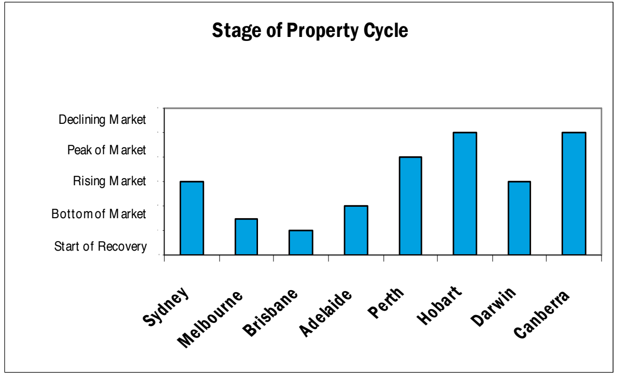
Capital City Property Market Indicators - Houses

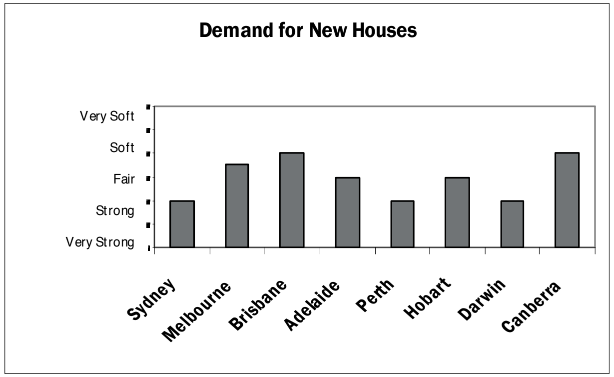
Factor	Sydney	Melbourne	Brisbane	Adelaide	Perth	Hobart	Darwin	Canberra
Rental Vacancy Situation	Balanced market	Balanced market - Over-supply of available property relative to demand	Balanced market	Balanced market	Severe shortage of available property relative to demand	Balanced market	Severe shortage of available property relative to demand	Balanced market
Rental Vacancy Trend	Steady	Steady	Steady	Increasing	Tightening	Steady	Tightening	Steady
Demand for New Houses	Strong	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	Increasing	Steady	Steady	Steady	Declining	Increasing	Steady	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	Over-supply of available property relative to demand
Rental Vacancy Trend	Steady	Steady	Steady	Increasing	Steady	Steady	Tightening	Increasing
Demand for New Units	Strong	Soft	Soft	Fair	Fair	Fair	Strong	Soft
Trend in New Unit Construction	Steady	Declining	Steady	Steady	Increasing	Declining	Increasing	Steady
Volume of Unit Sales	Increasing	Steady	Steady	Steady	Increasing	Increasing	Steady	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	Very frequently	Occasionally	Occasionally	Occasionally	Occasionally	Occasionally	Almost never

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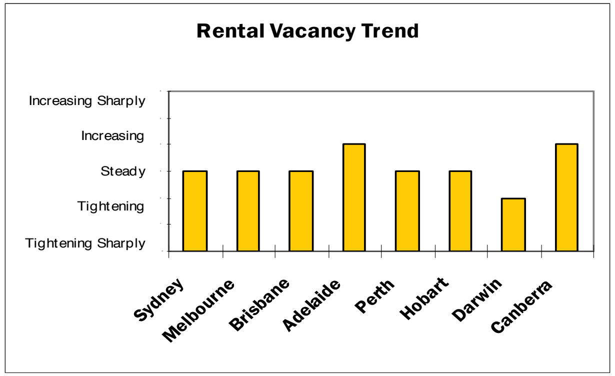

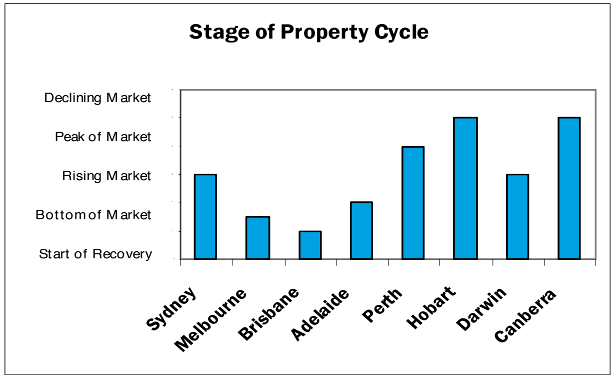

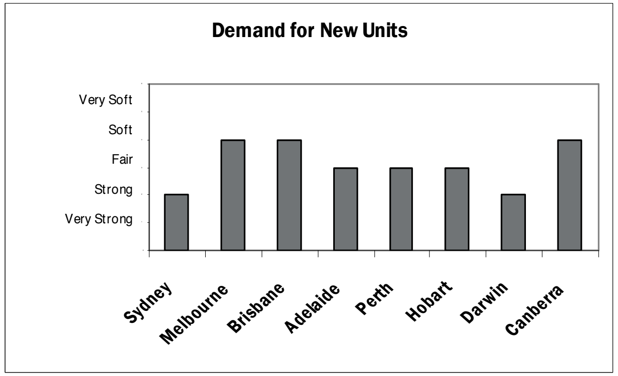

Capital City Property Market Indicators - Industrial

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

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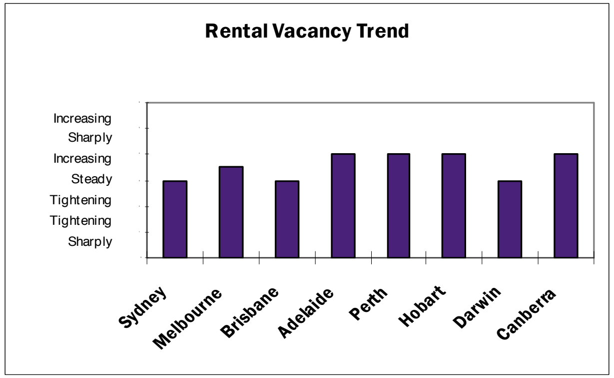

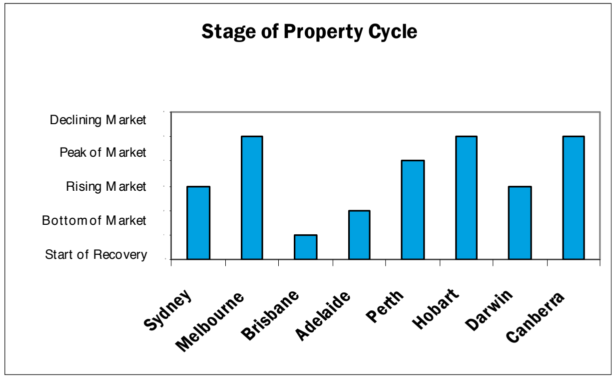

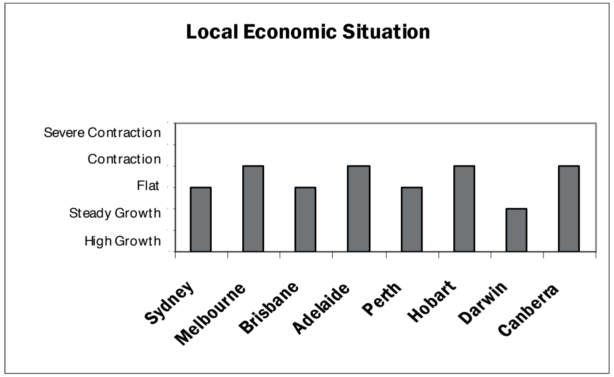

New South Wales Property Market Indicators - Houses

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

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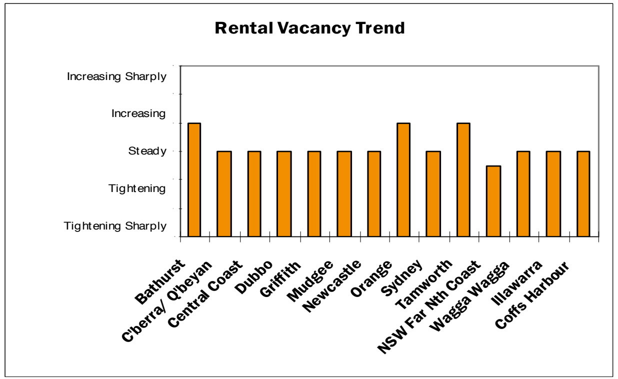

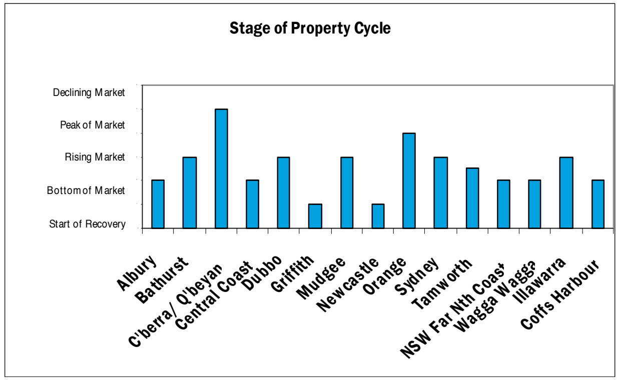

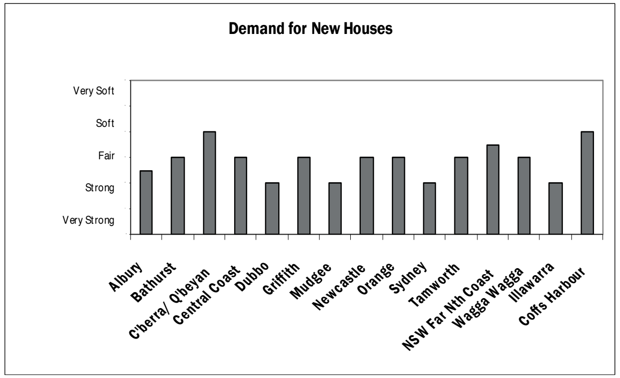

Market Indicators

New South Wales Property Market Indicators - Units

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

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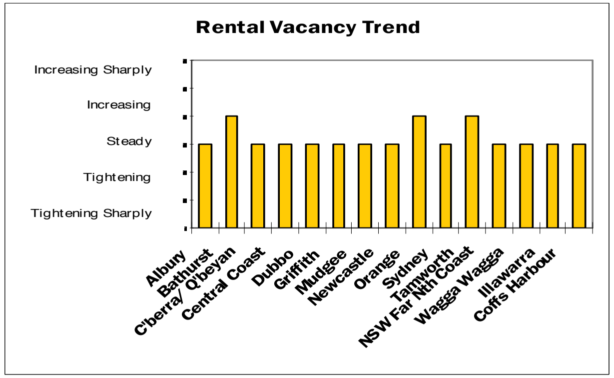

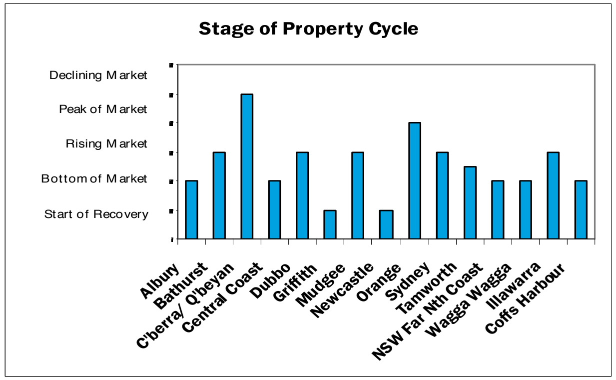

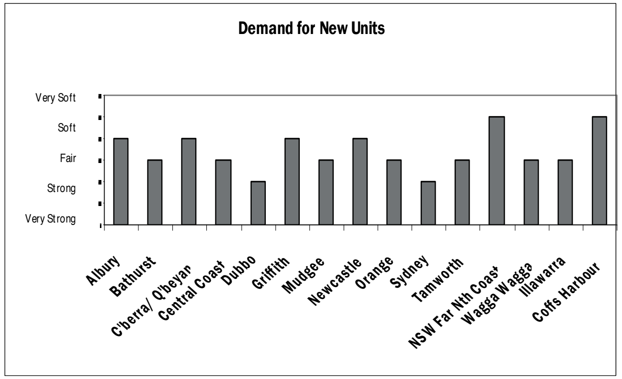

Market Indicators

New South Wales Property Market Indicators - Industrial

Factor	Albury	Bathurst	Canberra/ Q'beyan	Central Coast	Dubbo	Griffith	Mudgee	New-castle	Orange	Sydney	Tam-worth	Tweed Coast	Wagga Wagga	Wollon-gong	Coffs Harbour
Rental Vacancy Situation	Over-supply of available property relative to demand	Balanced market	Over-supply of available property relative to demand	Over-supply of available property relative to demand	Balanced market	Over-supply of available property relative to demand	Balanced market	Balanced market	Balanced market	Over-supply of available property relative to demand	Over-supply of available property relative to demand	Balanced market - Over-supply of available property relative to demand	Over-supply of available property relative to demand	Over-supply of available property relative to demand	Over-supply of available property relative to demand
Rental Vacancy Trend	Increasing	Steady	Increasing	Increasing	Steady	Steady	Steady	Steady	Steady	Steady	Tightening	Steady	Steady	Steady	Steady
Rental Rate Trend	Declining	Stable	Stable	Declining	Stable	Stable	Stable	Stable	Stable	Stable	Stable	Stable - Increasing	Declining	Stable	Declining
Volume of Property Sales	Steady	Increasing	Steady	Declining	Steady	Steady	Steady	Steady	Steady	Steady	Declining	Steady	Steady	Increasing	Steady
Stage of Property Cycle	Bottom of market	Rising market	Declining market	Bottom of market	Rising market	Start of recovery	Rising market	Start of recovery	Peak of market	Bottom of market	Bottom of market - Rising market	Bottom of market	Bottom of market	Bottom of market	Bottom of market
Local Economic Situation	Flat	Flat	Contraction	Flat	Flat	Flat	Flat	Flat	Flat	Steady growth	Steady growth	Flat	Flat	Flat	Flat
Value Difference between Quality Properties with National Tenants, and Comparable Properties with Local Tenants	Significant	Significant	Large	Significant	Significant	Significant	Significant	Large	Small - Significant	Significant	Significant	Large	Significant	Large	Small

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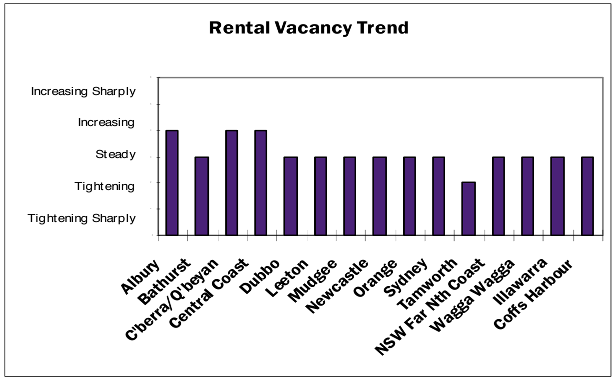
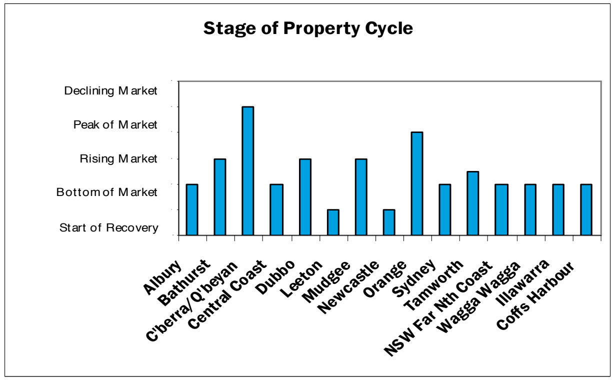
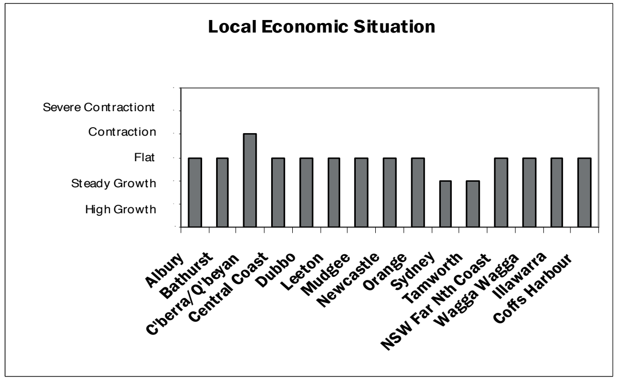




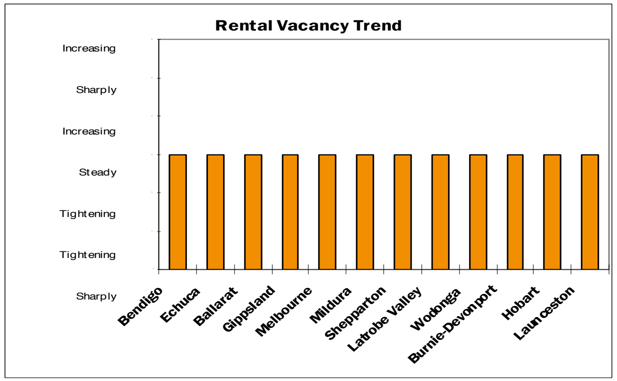


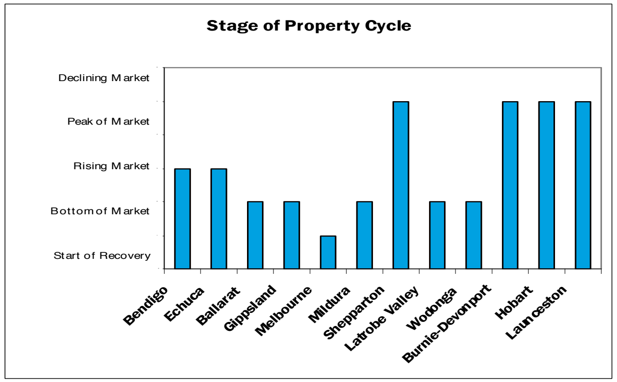
Market Indicators

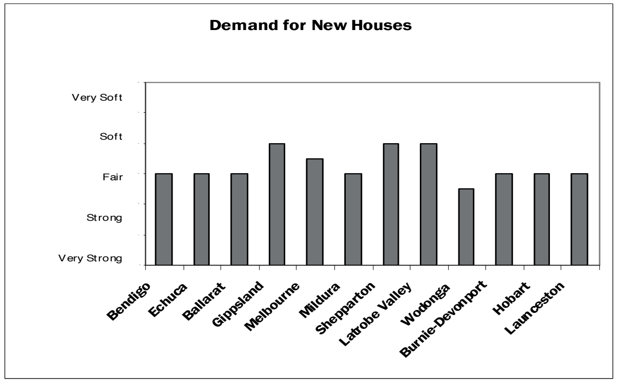
Victoria/Tasmania Property Market Indicators - Houses

Factor	Bendigo	Echuca	Ballarat	Gippsland	Melbourne	Mildura	Shepparton	Latrobe Valley	Wodonga	Burnie / Davenport	Hobart	Launceston
Rental Vacancy Situation	Shortage of available property relative to demand	Balanced market	Balanced market	Balanced market	Shortage of available property relative to demand - Balanced market	Balanced market	Shortage of available property relative to demand	Balanced market	Balanced market	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	Fair	Fair	Soft	Soft - Fair	Fair	Soft	Soft	Fair - Strong	Fair	Fair	Fair
Trend in New House Construction	Declining	Steady	Steady	Declining	Steady	Declining	Declining	Declining	Increasing	Declining	Declining	Declining
Volume of House Sales	Steady	Steady	Steady	Steady	Increasing	Steady	Declining	Steady	Steady	Increasing	Increasin g	Increasing
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	Frequentl y	Occasionally	Occasionally	Occasion-ally	Occasionally	Occasion-ally	Almost never	Occasionally	Occasion-ally	Occasionally

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







Victoria/Tasmania Property Market Indicators - 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	Balanced market	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	Soft	Fair	Fair	Fair
Trend in New House Construction	Steady	Steady	Steady	Declining	Declining	Declining	Increasing strongly	Declining	Declining	Declining	Declining	Declining
Volume of House Sales	Steady	Steady	Steady	Steady	Steady	Steady	Declining	Steady	Declining	Increasing	Increasing	Increasing
Stage of Property Cycle	Rising market	Rising market	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	Almost never	Occasion-ally	Occasionally	Very frequent-ly	Almost never	Occasionally	Occasion-ally	Almost never	Occasionally	Occasion-ally	Occasionally

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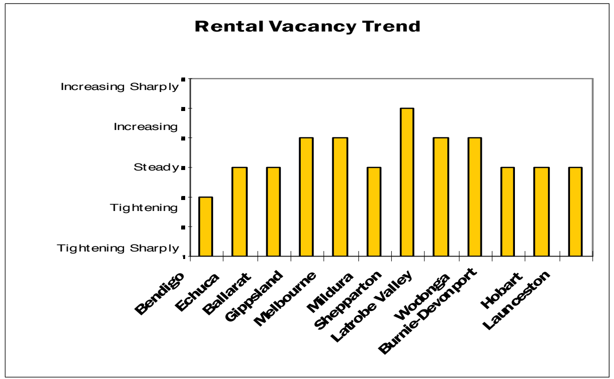

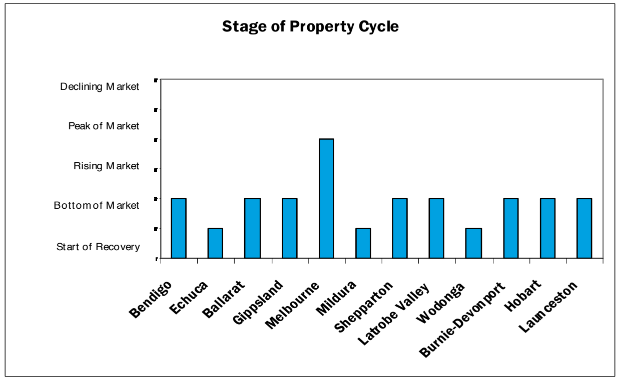

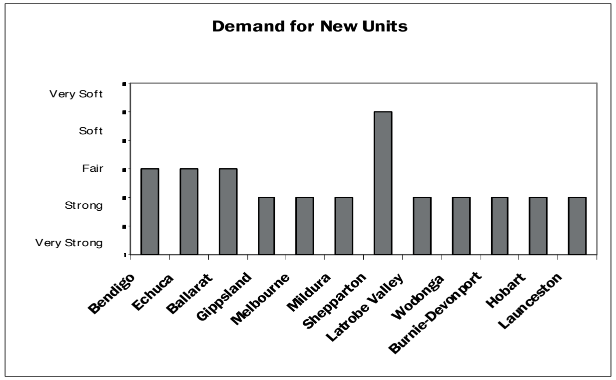

Victoria/Tasmania Property Market Indicators - Industrial

Factor	Bendigo	Echuca	Gippsland	Melbourne	Mildura	Latrobe Valley	Wodonga	Burnie/ Davenport	Hobart	Launceston
Rental Vacancy Situation	Balanced market	Over-supply of available property relative to demand	Over-supply of available property relative to demand	Balanced market - Over-supply of available property relative to demand	Over-supply of available property relative to demand	Over-supply of available property relative to demand	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	Bottom of market	Bottom of market	Declining market	Bottom of market	Bottom of market	Bottom of market	Declining market	Declining market	Declining market
Local Economic Situation	Steady growth	Flat	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

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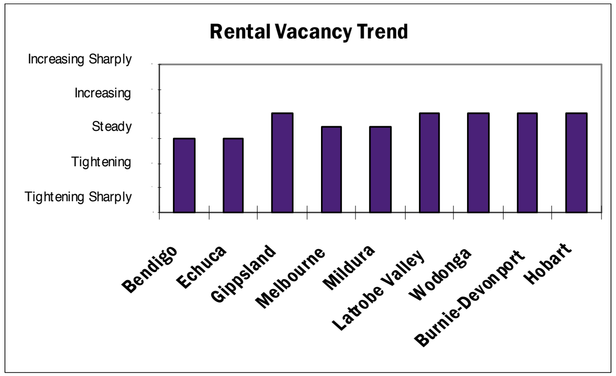
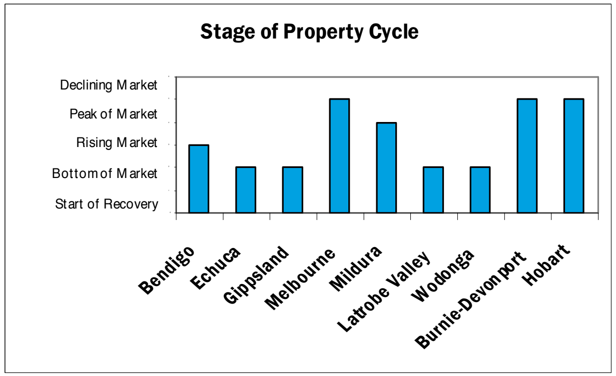
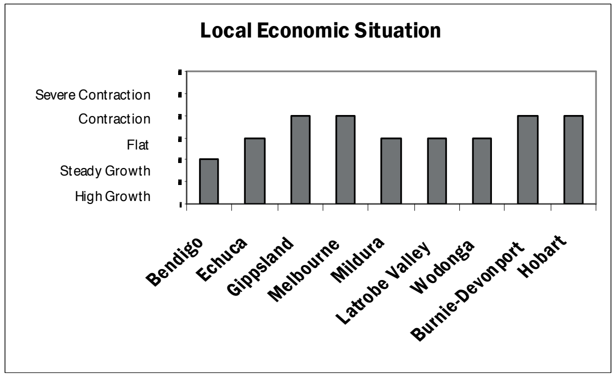




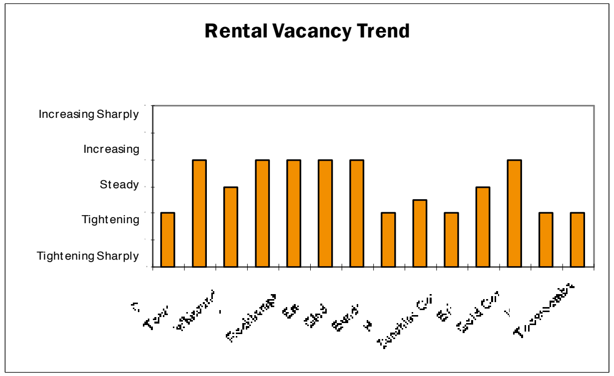


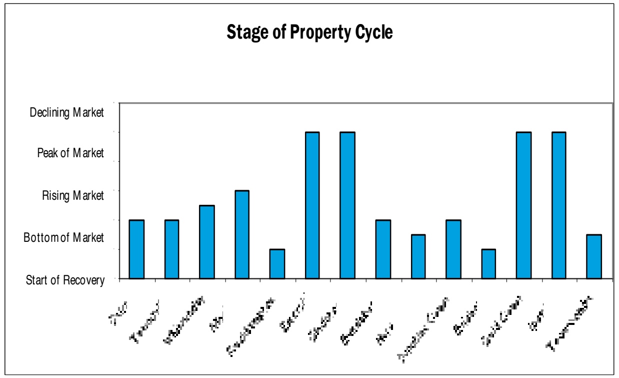
Queensland Property Market Indicators - Houses

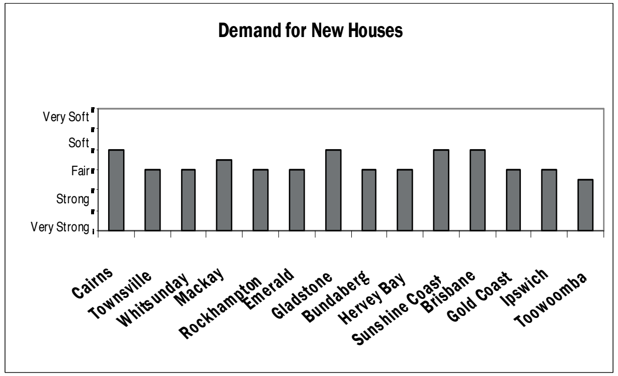
Factor	Cairns	Towns-ville	Whit-sunday	Mackay	Rock-hampton	Emerald	Glad–stone	Bunda-berg	Hervey Bay	Sunshine Coast	Brisbane	Gold Coast	Ipswich	Too-woomba
Rental Vacancy Situation	Severe shortage of available property relative to demand	Balanced market	Shortage of available property relative to demand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

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

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







Market Indicators

Queensland Property Market Indicators - 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 - 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	Severe shortage of available property relative to demand	Shortage of available property relative to demand - Balanced market	Balanced market	Balanced market	Balanced market	Shortage of available property relative to demand	Shortage of available property relative to demand
Rental Vacancy Trend	Tightening	Increasing	Steady - Increasing	Increasing	Increasing	Increasing	Increasing	Tightening sharply	Tightening - Steady	Steady	Steady	Steady	Tightening	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	Increasing	Steady	Increasing	Steady	Declining - Steady	Declining	Steady	Increasing	Steady	Increasing
Volume of Unit Sales	Increasing	Increasing	Steady	Steady - Declining	Steady	Declining	Declining	Steady	Increasing - Steady	Steady	Steady	Increasing	Declining	Increasing - Steady
Stage of Property Cycle	Bottom of market	Bottom of market	Bottom of market - Rising market	Rising market	Start of recovery	Declining market	Declining market	Bottom of market	Bottom of market	Bottom of market	Start of recovery	Declining market	Declining market	Rising market
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Occasion-ally	Occasion-ally	Occasion-ally	Occasion-ally	Almost never	Occasion-ally	Very frequently	Almost never	Occasion-ally	Occasion-ally	Occasion-ally	Very frequently	Almost always	Frequently

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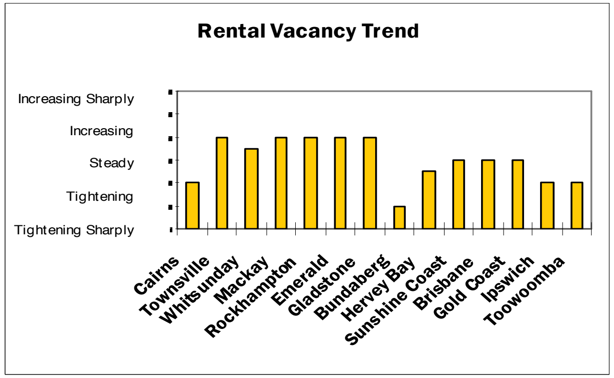

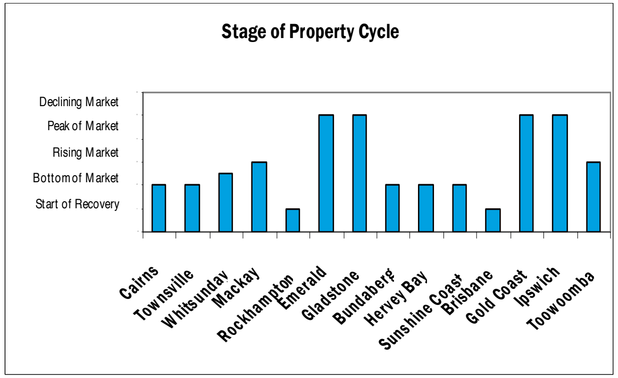

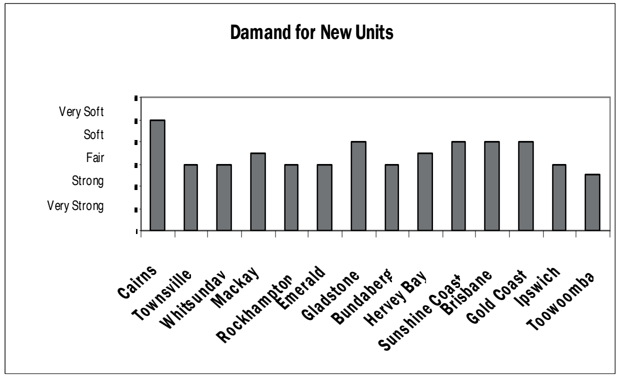

Queensland Property Market Indicators - Industrial

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

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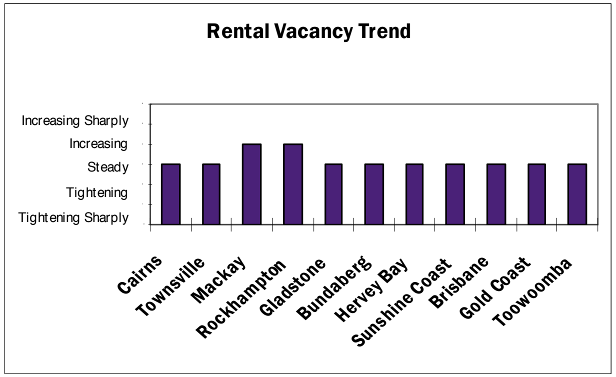

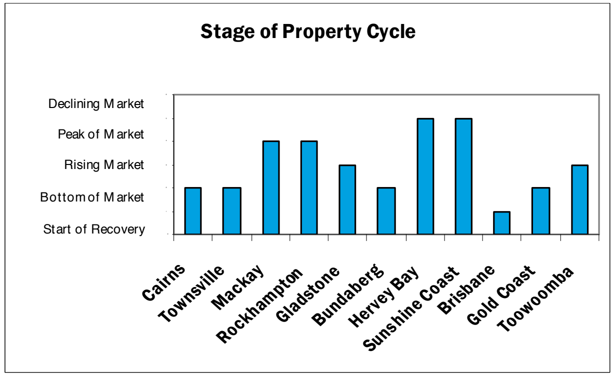

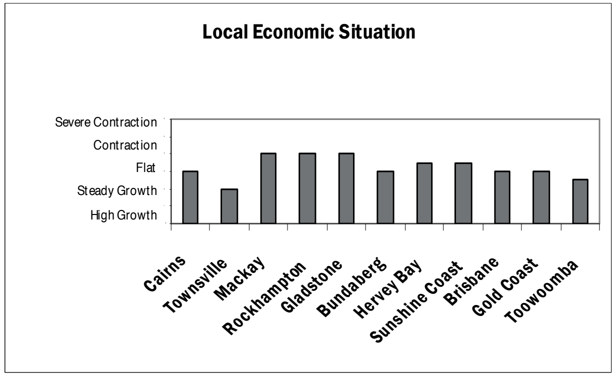

Market Indicators

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

Factor	Adelaide	Adelaide Hills	Barossa Valley	Iron Triangle	Mount Gambier	Riverland	Alice Springs	Darwin	South West WA	Perth
Rental Vacancy Situation	Balanced market	Balanced market	Balanced market	Balanced market	Over-supply of available property relative to demand	Shortage of available property relative to demand	Balanced market - Over-supply of available property relative to demand	Severe shortage of available property relative to demand	Shortage of available property relative to demand	Severe shortage of available property relative to demand
Rental Vacancy Trend	Increasing	Increasing	Increasing	Increasing	Steady	Tightening	Steady - Increasing	Tightening	Tightening	Tightening
Demand for New Houses	Fair	Fair	Fair	Fair	Soft	Soft	Soft	Strong	Fair	Strong
Trend in New House Construction	Increasing	Increasing	Increasing	Increasing	Steady	Steady	Steady	Increasing	Increasing	Steady
Volume of House Sales	Steady	Steady	Steady	Steady	Steady	Steady	Increasing	Steady	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	Occasion-ally	Almost never	Almost never	Almost never	Occasionally	Almost never	Occasionally

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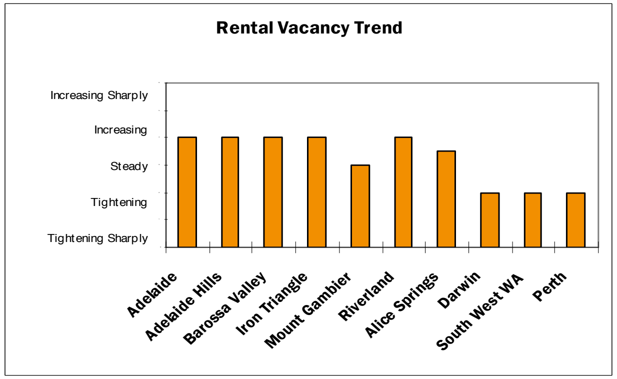
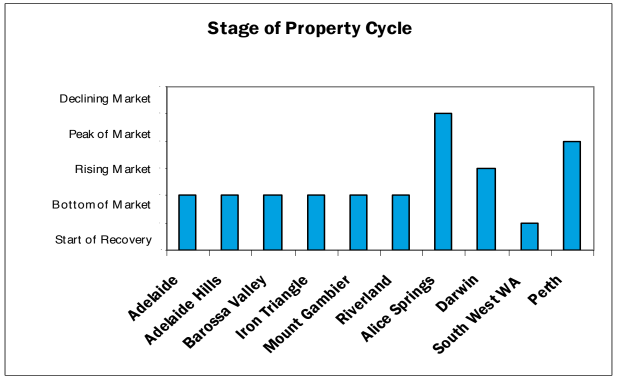
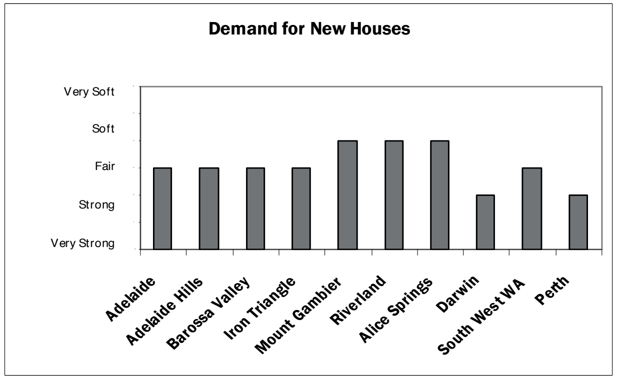
Blue entries indicate change from 3 months ago to a lower risk-rating



Rental Vacancy Trend



Stage of Property Cycle



Demand for New Houses

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	Shortage of available property relative to demand	Shortage of available property relative to demand
Rental Vacancy Trend	Increasing	Increasing	Increasing	Increasing	Steady	Tightening	Tightening	Tightening	Tightening	Steady
Demand for New Units	Fair	Fair	Fair	Fair	Soft	Soft	Strong	Strong	Fair	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	Steady	Steady	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	Occasion-ally	Occasionally	Almost never	Almost never	Occasionally	Occasionally	Almost never	Occasionally

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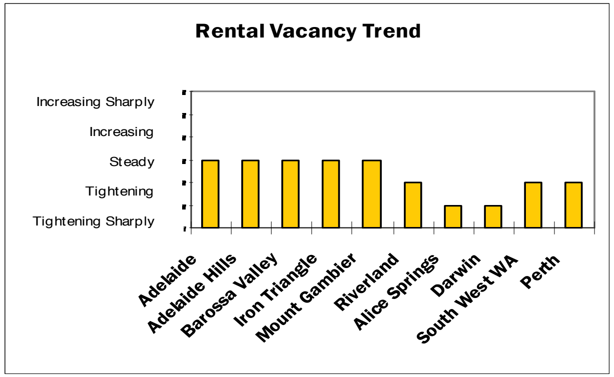

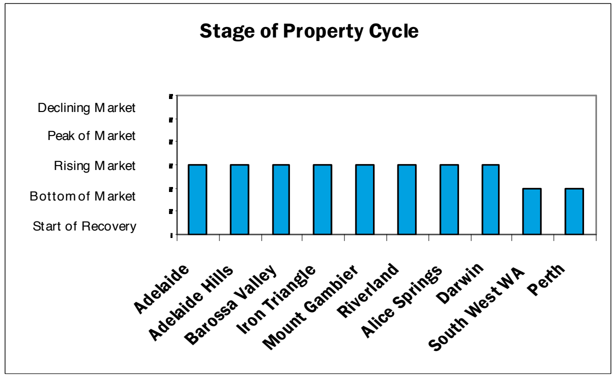

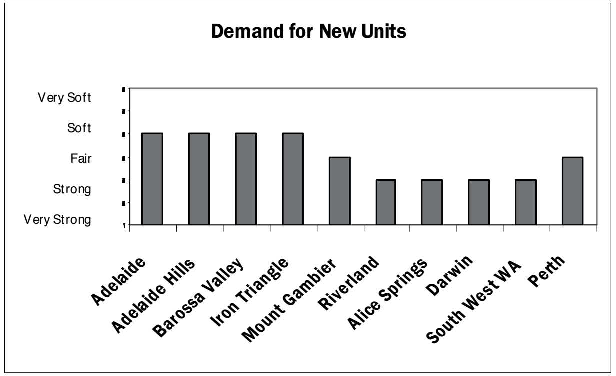

Market Indicators

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

Factor	Adelaide	Adelaide Hills	Barossa Valley	Iron Triangle	Riverland	Alice Springs	Darwin	South West WA	Perth
Rental Vacancy Situation	Over-supply of available property relative to demand	Over-supply of available property relative to demand	Over-supply of available property relative to demand	Over-supply of available property relative to demand	Large over-supply of available property relative to demand	Balanced market	Balanced market	Balanced market	Balanced market
Rental Vacancy Trend	Increasing	Increasing	Increasing	Increasing	Steady	Steady	Steady	Steady	Increasing
Rental Rate Trend	Declining	Declining	Declining	Declining	Stable	Stable	Stable	Stable	Declining
Volume of Property Sales	Increasing	Increasing	Increasing	Increasing	Steady	Steady	Steady	Steady	Declining
Stage of Property Cycle	Bottom of market	Bottom of market	Bottom of market	Bottom of market	Bottom of market	Rising market	Rising market	Bottom of market	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	Small	Small	Small	Significant

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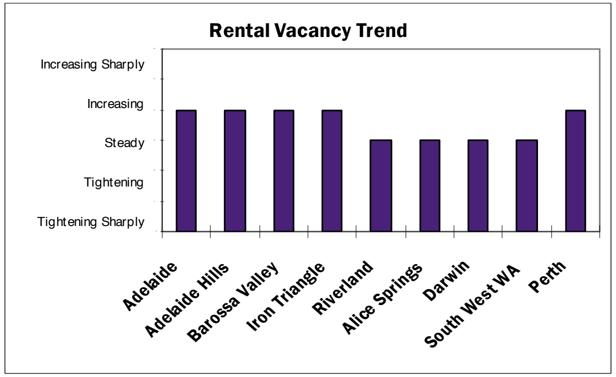

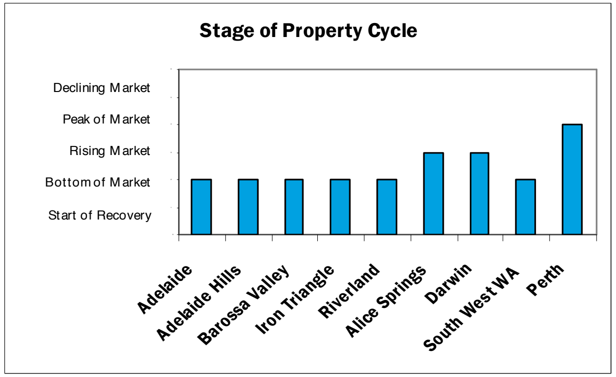

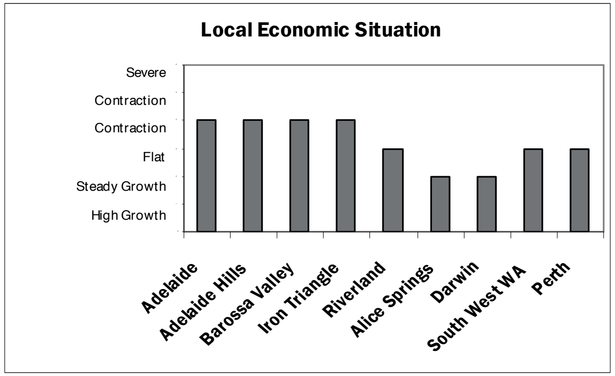

Market Indicators

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