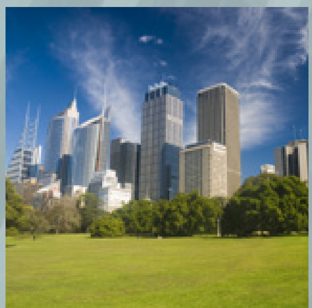
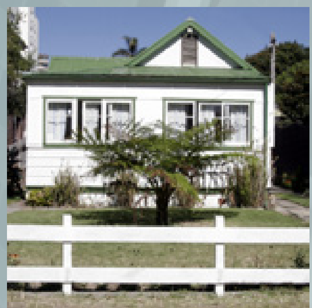
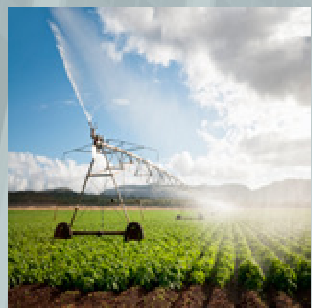
October 2013

Month in Review

HERRON TODD WHITE

Contents

Buy, build and blow-out

"To buy and build or not to build, that is the question
Whether 'tis nobler to buy vacant and create,
Or to take arms with hammer and nail and renovate,
We may not be questioning life,
But the amount of money spent could leave one in strife,
So consider well how much to expend,
For on the banks who give the money, we depend,
Plan well whatever the decision,
Just make sure you don't leave the wallet with a deep incision".

- *Vaughan Bell*
  Herron Todd White (NSW North Coast) Pty Ltd

The creative intensity of our staff knows no bounds! Who'd have thought that below the professional veneer of our property gurus there beats the heart of a poet. It's like Keats just rocked up to knock over your mortgage security assessment.

Bravo to Vaughan in our Lismore office for a cracker jack opening to this month's edition of the Month In Review. He's hit the nail firmly on the noggin as we look at a triumvirate of market options for property buyers to consider.

In this issue we have sought advice from each and every Herron Todd White office on those localities, property types and price points that best fill the three choices.

Buy

The suburbs where it's best to look at established housing. We recognise blue-chip is traditionally the choice for fulfilling this criteria, but there are a couple of surprises amongst the pages. Look out for some locales of gentrification where your established home can ride the rising tide of popularity. We also suggest pending infrastructure might take a run of the mill location out of the doldrums and give it a new lease on life. These are the areas with good capital growth options that seem solid to our experts.

Build

Like a new car, there's a certain smell that permeates a fresh abode that has overtones of promise and quiet luxury. There is a satisfaction in being able to say you're the first to use the bathtub (assuming the tradies haven't yet broken it in). Great build locations aren't always relegated to estates in the outer suburbs either. Many offices have come up with terrific near city options where a recent splitter project or infill subdivision will give buyers alternatives on where their dream home can be.

Blow-out

We're looking at renovation central with this one. Where are the areas with the buzz of upgrade activity? Perhaps it's a suburbs that appeals particularly to young families or it could be an inner city district bursting with tired second-hand units ready for a spruce up. These are the spots where sweat equity could result

Commercially it's office month. The election is over and business is looking for some confidence. It's within this environment of stated stability that our commercial team looks to let you in on how the office market is faring around Oz.

So why just settle for one when you can choose from three? There are options aplenty amongst this month's pages, but remember to give your local Herron Todd White a buzz when looking to lock down your multiple choice. We're your phone a friend who'll never fail you.

QS Corner - Tax depreciation schedules: more than just for residential properties

There has always been the misconception that tax depreciation schedules only apply to or are only prepared for residential properties. This could not be further from the truth.

If you own an investment property other than residential real estate which is leased or used for income producing purposes, it is likely that you are eligible to claim for depreciation against your taxable income.

These non-residential properties include commercial, rural, and industrial property and include anything from commercial office space to retail premises and industrial warehouses and even large rural properties, pubs, clubs and hotels - as long as it generates income it can be depreciated.

Another misconception for depreciating property is that an owner-occupier cannot claim for depreciation. This is true for residential properties only; that is if the property is the owner's principle place of residence, they cannot claim depreciation. This rule however does not apply to commercial property, even if the owner of the premises occupies and works out of the same building.

Many owners of commercial property buy the property in a business name or the name of their self managed super fund and continue to work out of that building by leasing it back to themselves. This is a lot more common than initially thought and with the trend leaning towards more and more people self managing their own super funds, the need for tax depreciation schedules should also be in demand.

The Australian Taxation Office defines eligible capital allowances based on the item's effective life specific to the type of business. This will determine the rate of depreciation according to the item's intended use. For instance with commercial properties, staff amenities such as ablution facilities and kitchenettes are regarded as capital allowances (P&E) rather than capital works (which is the case for residential). The difference here is that these amenities can be depreciated over a reduced effective life and therefore provide a greater realised tax benefit in the short to medium term.

So in order to maximise non-residential depreciation allowances, it is critically important that a suitably qualified and experienced inspector be engaged. Likewise, a quantity surveyor who is also a registered tax agent with experience in this field is essential in ensuring ATO compliant reports.

Herron Todd White has the necessary experience, qualifications and resources to prepare tax deprecation schedules on ALL property types Australia wide.

For further information or to get a quote, please email our Quantity Surveying Division at tds@htw.com.au.

In order to maximise non-residential depreciation allowances, it is critically important that a suitable qualified and experienced inspector be engaged.

Commercial

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Overview

We head into the end of this year with a sense of general economic confidence. The federal election is over and while for many the result wasn't a surprise, it has provided an answer to one of the nation's questions that had been hanging in the air for a while now. How this will impact our fiscal position and influence commercial markets will probably play out over time. Certainly it's the case that there's been some movement in many office markets and the team at Herron Todd White are set to tell you where and how.

New South Wales

Sydney

Demand for office space in Sydney contracted in the first half of 2013. Recent data from the Property Council of Australia indicates that the total vacancy rate for the monitored Sydney office markets (Sydney CBD, North Shore, North Ryde and Parramatta) increased by 1.3 percentage points in the first half of 2013. The increase comes as no surprise in the current environment of rising unemployment. Seasonally adjusted figures from the Australian Bureau of Statistics highlight that the national unemployment rate climbed to a four year high in August 2013. The New South Wales unemployment rate has followed the national trend, rising from 5.1% in January 2013 to 5.9% in August 2013. Sydney-specific estimates show a more detailed story of how the softening labour markets have affected demand for office space. Data released in June 2013 by Deloitte Access Economics estimates the number of office employees in Sydney has contracted by roughly 6,000 people in the six months to March 2013. The following is a brief overview on how the physical markets have changed for various office sub-markets in the Sydney metropolitan area.

Demand for office space in Sydney contracted in the first half of 2013.

Sydney CBD

Total vacancy in Sydney CBD rose by 1.7 percentage points to 8.9% in the first half of 2013. The contraction in demand came mainly as a result of tenants either decentralising or relocating to smaller premises at lease expiry. Total stock in Sydney CBD reduced by 75,500 square metres in 2012, as a significant amount of office space went under refurbishment. However total stock increased by 61,700 square metres in 2013 with the completion of ANZ's new headquarters and several partial refurbishment projects.

North Shore

Sydney's North Shore office market recorded a substantial rise in total vacancy in 2013. Vacancy has risen by 2.2 percentage points to 11.2%. The increase in vacant space was largely driven by TAL vacating roughly 10,000 square metres in North Sydney to centralise into new premises in the CBD. Unlike in the Sydney CBD, supply additions in the North Shore were negligible and only 350 square metres was added in the first half of 2013.

Suburban markets

The extent of change in the physical markets in Parramatta and North Ryde was varied in the first half of 2013. The vacancy rate in the Parramatta office market went against trend, falling by 2.2 percentage points to 7.5%, a five year low. The fall in vacancy rate equates to roughly 16,300 square metres of office space leased and demand was driven mainly by tenancies of under 1,000 square metres. On the other hand, vacancy in the North Ryde office market increased, but the change in vacancy rate was the least volatile of Sydney's sub-markets. The North Ryde vacancy rate rose by just 0.5 percentage points to 7.8% in the first half of 2013.

Sub-market	Stock (square metres)	Vacancy (square metres)	Vacancy Rate (%)	Net Absorption (Twelve months)
Sydney CBD	4,917,944	437,387	8.9	- 19,083
North Shore	1,503,617	168,286	11.2	- 20,196
North Ryde	834,445	65,196	7.8	6,887
Parramatta	691,703	51,559	7.5	16,169

Source: Property Council of Australia, Office Market Report July 2013

Newcastle

The Newcastle office market appears to have been in a holding pattern in the lead up to the federal election. With that circus rolling out of town, we expect to see some more market activity happening in the short term. The most recent Property Council of Australia office market figures indicate very little movement in stock at all in the period from January to July 2013 with the overall office vacancy rate holding steady at 6.2% and still zero new large office developments in the construction pipeline. We've spoken previously about the refurbishments of older properties such as the Watt Street commercial development and the Lawler Partners Building on Hunter Street.

There are a number of development sites around the CBD that could potentially house commercial office developments. These include the DA approved Honeysuckle Central site which now lies vacant or the former Empire Hotel site. A recent Newcastle Herald article stated "A summary of major projects by Newcastle City Council shows 17 developments worth a total $358 million, with seven projects in the CBD's main trade thoroughfare valued at $121 million. They include the new law courts complex ($90 million), the McCloy Group's Lucky Country development ($6 million) and the Star Hotel refurbishment ($5.5 million)." Only a handful of these included any commercial office space and generally only a small proportion of the lettable area was set aside for office space.

The city of Newcastle has mine subsidence issues, which adds significantly to the cost of development as additional grouting is required for most construction works. Mayor Jeff McCloy indicated recently that developers have to build higher to get a decent return on their investment. Addressing an urban renewal summit with business leaders and developers, Mayor McCloy was critical of the height restrictions to protect views to Christ Church Cathedral.

While discussing different ways to enable developments to be feasible in the current market conditions, it is critical that an even handed solution be found and feasibility of new projects doesn't come at the expense of the cultural heritage and character of our great city. Perhaps we could look at current setback guidelines and allowable floor space ratios, or ways to renovate and refurbish our old treasures such as the former Post Office. Perhaps developing out the view corridors to the cathedral isn't the only option to increase developer feasibility. We are at an exciting juncture in the development of the CBD. As property people and proud Novocastrians, we need to find ways of working with the city's character while developing a vibrant and modern commercial core that will be not just feasible to the developer's bottom line, but will enhance the city's character while celebrating its long history.

North Coast

This month, we will examine the NSW North Coast office markets of Byron Bay, Ballina, Lismore and Coffs Harbour.

Byron Bay

Vacancy levels for offices in this location appear to be stable. There have been increasing vacancy rates in the general location of Byron Bay over the past 18 moths. A lease up period of six months is considered applicable under current market conditions. There are a number of tenancies which are vacant and available for lease in the fringe area of the business precinct in Byron Bay. With the easing in rental demand and the increase in the supply of vacant space, investor demand has fallen, resulting in yields increasing in the order of 1.5 to 2.5%. The current market is characterised by properties for sale at yields of around five to six % which are not selling, and motivated vendors are having to accept yields in the order of 7% to 9%.

Ballina

Currently, demand for commercial office space has weakened significantly due to declining economic conditions. This market segment is being adversely affected by a soft rental market, increasing vacancies and increasing statutory outgoings. Owners are being forced to accept lower returns on investment. Marketing agents are currently reporting soft enquiry for available product.

Market conditions have deteriorated over the past several years to a level construed as representing the bottom of the market. However if further property defaults transpire, as anticipated, in the short to medium term, all property would be impacted. Demand is currently weak for office space. The provision for rent rebates and concessions to attract tenants is becoming more common for this class of property.

Lismore

Quality investment properties with strong lease covenants (in particular long term national tenants) are indicating reasonable demand and have generally maintained value levels well. In contrast secondary properties in fringe locations, in oversupply or with inferior tenant profiles, have been severely discounted.

Specialist commercial leasing agents are reporting limited market demand and enquiry, although there is also limited supply of better quality office space. Where market review or annual increases are due, many landlords are opting not to enforce any increases. In fact we are aware of some properties subject to new leases that have had no increases over the past three years.

Lismore is currently experiencing an influx of semi-government or community-based tenants who are occupying office space around the CBD. This positive change is welcome in a town where there has been a steadily declining office market, which has shown a decrease in rents and number of vacancies in the past few years. Given the funding issues which often surround these types of organisations, changes in government can see a relatively quick decline in this type of business and tenant.

Recent sales of office buildings in northern NSW include:

- A three-level office building in Lismore which was listed for auction for 11 April 2013 passed in for $1.85 million. Following the auction and after additional marketing, there were three interested parties who made a variety of offers. Agent reports that the vendor went to a secret tender process that attracted three tenders. The winning bid was $2,117,116. The sale analyses to a yield of 9.66%.

- A multi-level office complex in Coffs Harbour which sold in April 2013 for $5.175 million. The property was fully refurbished in 2010 and the sale analyses to a yield of 9.6%.

Commercial

Coffs Harbour

The Coffs Harbour commercial market remains steady overall. The office rental market is price sensitive with an increasing vacancy level in fringe locations. The western CBD precinct is hardest hit with extended leasing up periods. Two recent lettings of 154 square metres and 250 square metres occurred at $320 per square metre and $280 per square metre respectively. Smaller office suites lease up to $440 per square metre.

However there is a shortage of strata title office accommodation available for purchase. An older ground floor 74 square metre strata unit in a fringe CBD location recently sold for $3,000 per square metre. New strata suites in the Jetty precinct are selling off the plan at $4,200 per square metre for suites of 70 square metres.

A centrally located renovated office complex with NLA of 869 square metres is under contract for $1.7 million representing an 8.6% return. The property has a three year WALE with three tenants including 17% occupied by a government tenant.

South East NSW

The south east NSW office market encompasses the Local Government Areas of Wollongong, Wingecarribee, Shellharbour, Shoalhaven, Wollondilly and Goulburn-Mulwaree. Wollongong is clearly the largest CBD in the region and generally seeing the highest level of activity.

There has been some movement in the local office market with the sale of 43 Burelli Street, Wollongong (Government House) for $23.27 million (noting that significant capital upgrades will be required in the next three years) being the most significant transaction in the region in nearly four years. This is in addition to the sale of 60 Burelli Street, Wollongong for $7.65 million (this development contained some ground floor retail space) and 84 Crown Street, Wollongong at $23.9 million in June 2013 which sold with a 15-year lease back as part of a NSW Government portfolio disposal.

In the suburbs contracts have reportedly exchanged on the CSC anchored data processing centre in Spring Hill (Coniston). The expression of interest generated a good response from private investors with offers reportedly submitted in the $9.2 million to $10 million range.

Elsewhere the new ATO building along Kembla Street will be completed in October 2013, setting the benchmark for office space in the region with a NABERS 5-star rating likely. The former ATO building along Atchison Street has been on the market for some time and is now in the hands of receivers with expressions of interest closing at the end of September 2013.

Local media has also reported that the University of Wollongong plans to sell its new Enterprise 1 commercial office building anchored by Illawarra Coal (BHP) (presumably on a 99-year leasehold basis) however it is our understanding that the property has not been put to the market as yet.

Efforts are being made to entice government agencies to the region. The State Emergency Service (SES) has tendered for expressions of interest to develop a new office building (4,500 to 5,500 square metres to be located in the Wollongong LGA). SES will be moving from its older style smaller premises along Regent Street which it has occupied since 1990.

Efforts are being made to entice government agencies to the region.

Victoria

Melbourne

CBD
The Melbourne CBD has seen a rise in vacancy rates with the Property Council of Australia (PCA) reporting a total vacancy of 9.6% in its July 2013 office market report, slightly below the national average of 10.1%. The PCA reports that a significant amount of space will come online over 2014 (92,629 square metres with 63.7% pre-committed) and 2015 (84,400 square metres). The increase of 2.8% in the vacancy rate over the six months to July 2013 has resulted in a steady increase in the quantum of leasing incentives being offered to prospective tenants. Incentives currently amount to approximately 20% to 30% for office space within A- and B-grade buildings with reports of up to 40% for such buildings with relatively high levels of existing vacancy.

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

Metro
There has been negative net absorption recorded in the Melbourne suburban office market with vacancy rates increasing from circa 7% in January 2013 to circa 9.8% by the end of the 2012/13 financial year. This is a result of approximately 168,000 square metres of additional space being added to the market in the form of new office space and backfill space. The metro market is exhibiting two tier characteristics with demand proving solid for good quality stock while older office stock is proving more difficult to lease.

The city fringe and inner eastern suburbs of Melbourne have seen a different trend with a decrease in vacancy rates following positive net absorption of approximately 9,000 square metres over a six month period to March 2013. Driven by a number of large leasing deals conducted within the sub-market, this is a significant turnaround from the negative net absorption to the six months prior. Due to the limited supply of new office developments within the city fringe and inner eastern suburbs, the positive net absorption has resulted in a decrease in vacancy rates in these areas. As a result, these precincts have seen a slight increase in net effective rental growth over the year to March 2013.

St Kilda Road
The St Kilda Road office market total vacancy rate also rose from 9.3% in January 2013 to 10.8% in July 2013. Net absorption was -12,861 square metres in the six month period. A-grade incentives range from 20% to 25% while A-grade net rents range from circa $280 to $300 per square metre. St Kilda Road, like the CBD has also experienced a relatively large volume of sales transactions in the past 24 months primarily due to the low interest rate environment and the yield spread between average St Kilda Road and CBD office yields.

On the buy side, demand is strong for good quality, smaller office properties within the Melbourne CBD and St Kilda Road.

On the buy side, demand is strong for good quality, smaller office properties within the Melbourne CBD and St Kilda Road office markets. This is due to the lack of stock and sheer weight of capital seeking limited investment opportunities in this segment of the market. Assets in this price point typically appeal to private investors, syndicates and self managed super funds (SMSF). Investor demand from overseas is also strong, particularly from Asian based private investors who are seeking quality assets in Melbourne. Investment grade office assets in Melbourne are relatively inexpensive from a capital value perspective, particularly when compared to Sydney, Brisbane or Perth office markets.

Prime A-grade CBD office buildings will continue to attract strong demand from both local and overseas institutional buyers and sovereign wealth funds, primarily due to their scarcity factor and trophy appeal.

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

While the leasing market is soft, the investment market is strong which presents somewhat of a contradiction; however investors are reportedly buying now in anticipation of a market rebound and potential short to medium term rental growth. Notwithstanding the above, demand for secondary office assets exhibiting inferior fundamentals appears quite weak at present. There is a clear yield divergence between prime and secondary grade office assets.

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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 tight 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 patchy, though confidence locally is somewhat optimistic with the commencement of the $630 million Bendigo hospital project.

Echuca

Up until recently there had been very limited activity in the market in Echuca for office space. The main development was the letting of a building in High Street to Rabobank and the local state member of parliament. Since then there have been several properties let for use as office space, retail space or a combination of the two. This has buoyed confidence locally given the period of inactivity over winter. There are still opportunities available for office space locally.

South Australia

Adelaide

The Adelaide office market continues to remain fairly subdued. Leasing levels remain low and while there is also limited sales activity this is in part due to limited availability of quality stock.

For five consecutive biannual reporting periods from January 2010 to July 2012, the vacancy rate of the Adelaide CBD office market remained around 8%. This year, vacancy increased in January to 9.5% and then again in July to 12.1% as reported by the Property Council of Australia (PCA).

This increase in vacancy rate had been forecast to occur due to new construction which saw numerous office buildings completed during 2012. The backfill created by relocation of tenants to the new buildings has been putting upwards pressure on vacancy rates.

It also appears as though continuing low business confidence and rising state unemployment levels, including loss of white collar jobs within both the finance industry and government sector, may be starting to contribute to these rising vacancy rates.

Later this year Bendigo Bank will relocate to its new premises at 80 Grenfell Street, leaving 169 Pirie Street to undergo refurbishment and be returned to the market some time next year. This means that vacancy rates are still expected to continue to increase slightly from current levels in the short term. However with limited new construction expected beyond 2013, this backfill should slowly be absorbed in the coming years.

Construction recently commenced on 50 Flinders Street following securing of pre-commitment from two major tenants, People's Choice Credit Union and Santos. This will be the only new construction to occur in the Adelaide CBD in the short term. The 14 storey building is to supply just over 20,000 square metres of lettable area and is expected to be completed towards the end of 2015.

Rental rates have remained fairly stable for primary stock at around $350 to $450 per square metre gross, although secondary stock may have contracted slightly to around $250 to $350 per square metre gross. Incentives however have increased and now sit at around 15% for primary stock and up to 25% for secondary stock.

Primary yields are around 7.5% to 8.5% with secondary yields around 8% to 9%.

Adelaide CBD market summary as at July 2013

Grade	Stock (square metres)	Vacancy (square metres)	Vacancy Rate (%)	Net Absorption (square metres)
Primary	543,515	51,392	9.5	20,988
Secondary	822,923	113,584	13.8	- 23,103
Total	1,366,438	164,976	12.1	- 2,115

Source: Property Council of Australia and Herron Todd White

Adelaide fringe market summary as at July 2013

Grade	Stock (square metres)	Vacancy (square metres)	Vacancy Rate (%)	Net Absorption (square metres)
Primary	34,597	577	1.7	3,037
Secondary	181,761	15,616	8.6	- 2,878
Total	216,358	16,193	7.5	159

Source: Property Council of Australia and Herron Todd White

Adelaide CBD office vacancy percentage by grade

Grade	July 2012	January 2013	July 2013
Premium	2.4	3.2	4.4
A grade	3.3	6/4	9.9
B grade	6.8	10.8	13.6
C grade	12.1	11.0	11.9
D grade	15.0	15.1	18.0

Source: Property Council of Australia and Herron Todd White

Queensland

Brisbane

The Brisbane office market has been going through somewhat of a transition phase this year. Demand for space from the mining and resources industry has eased considerably following a boom and now surplus office space is being returned to the market. This situation, together with government staffing cutbacks, has combined with a period of weak demand from all industries fed by negative sentiment about the business climate.

The Brisbane CBD office market has seen an increase in vacancy from 8% in July 2012 to 12.8% in July 2013, the highest vacancy rate in 20 years. In similar fashion the Brisbane fringe office market has seen vacancy rates rise from 8.4% to 11.6% for the same period.

The Brisbane CBD office market has seen an increase in vacancy to 12.8% in July 2013, the highest vacancy rate in 20 years.

The six months to July 2013 has seen a net retraction of 64,069 square metres in the Brisbane CBD, with 21,315 square metres of new stock added in the same period. The six months to July saw the Brisbane fringe office market record a net absorption of 19,050 square metres, with vacancy rates only rising due to an additional 52,182 square metres of new stock. This trend confirms the underlying negative sentiment in the Queensland market, with the majority of active tenants taking the conservative option and re-signing a lease in their existing location, and some looking to reduce their total size requirement in terms of office space.

There is limited new stock to be added to the CBD in 2014 which should assist with the stabilisation of the vacancy rate within the CBD. This will however be dependant upon improvement in the Queensland economy. The fringe will see projected additional supply of 31,220 square metres in 2014 which will likely increase vacancy rates further.

The prime office market in the Brisbane CBD is currently reflecting yields of around 7.5% to 8% while the secondary market is reflecting yields between 8.5% and 9%. Brisbane CBD yields are expected to remain relatively stable through 2014 and 2015, maintaining the disparity between the prime and secondary assets. It should be noted that a softening of secondary yields may occur in light of increasing vacancy rates. The prime assets within the Brisbane fringe are currently reflecting softer yields of around 8.5% with secondary stock reflecting rates of 9.5%.

Increased vacancy rates will see a stabilisation in rental rates and increases in the level of incentives being offered in order to secure suitable tenants. Prime and A grade properties are considered to be less affected and we are seeing a two-tier office market within the Brisbane CBD and fringe as outlined by the Property Council of Australia's Consensus Forecast Autumn 2013. The Brisbane CBD reflects prime face rental rates of circa $716 per square metre per annum with incentives of 24% of the gross income over the initial term. While the Brisbane fringe is currently reflecting prime face rentals of $600 per square metre per annum and incentives of 20% of the gross face income over the initial term. This is in contrast with secondary assets, which are showing rental rates of $540 in the Brisbane CBD with higher required incentives of 28% and above and rental rates of $450 per square metre per annum in the Brisbane fringe with incentives of 20%. Incentives within the Brisbane CBD and fringe are expected to increase through to 2014 in order to attract tenants in an office market with increasing vacancy rates.

Somewhat predictably, the lead-up to the federal election saw business confidence fall as businesses prepared for an uncertain period. The Commonwealth Bank of Australia's Future Business Index found 70% of respondents cited uncertainty over government policy as having the biggest impact on confidence over the next six months. Overall the index showed business confidence tumbled 7.8 points in the June quarter to a six month low of 5.2 points. However post election it is expected that there will be renewed confidence in the market, with a jump in business sentiment expected. It is hoped that this period of heightened confidence will be the spark for new investment in the market.

Cairns

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

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

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

Gold Coast

The office market on the Gold Coast has been subdued for several years now. The current vacancy rate sits at 19.9%, down from a peak of 24.1% in January 2011, according to the Property Council of Australia's July 2013 statistics.

From the early 2000s up to 2007, the Gold Coast witnessed an office construction boom. However the massive economic downturn in 2008 resulted in reduced demand, flowing on to a substantial oversupply of floor space. Since 2008 there has been very limited new office construction and generally, new projects are not feasible.

The Gold Coast region is primarily driven by the building and tourism industries, both of which are suffering at present. The building industry is very slow, while the tourism industry is down due to the weak economic conditions, a strong Australian dollar and cheap international flights. Further, the general employment market remains difficult.

Value rates currently being achieved for both modern and older style office properties are down and receivers are still active within the market.

Rental rates have stabilised at a lower level, while rental incentives are commonplace to entice tenants and maintain face rents. Such incentives are often found in side agreements and it is important for purchasers to request these in order to determine the effective rental being achieved. Further, passing rents negotiated several years ago may have increased to above market level and there could be a reduction in rental at future market reviews.

In terms of rental trends, over the past year there has been a notable increase in the vacancy rate for D-grade space, while the vacancy rates for A-, B- and C-grade space has tightened slightly. This is indicative of the competitive rates for the superior quality space, while the quality of the D-grade stock continues to slowly decline.

In regard to sales, three examples of larger buildings which have transacted and settled this year include the Austar Building at Robina, the former Minter Ellison building in Varsity Lakes and the Harbour Point building in Hope Island.

The details of the Austar building were discussed in the July 2013 edition of Month in Review. The sale has since settled, at a price of $33.1 million.

The former Minter Ellison building at 159 Varsity Parade, Varsity Lakes sold and settled earlier this year at a price of $3.3 million, down from its purchase price in 2004 of $6.085 million. The current sale was on a vacant possession basis and has been analysed to reflect a yield of 10.29% and a floor area rate of $2,030 per square metre. This sale indicates that there are good incentives in the market for owner-occupiers to purchase as in many cases, as evidenced by this sale, prices are well below replacement cost.

Former Minter Ellison Building at 159 Varsity Parade

The Harbour Point building at Hope Island also sold and settled earlier this year for $5.95 million. This has been analysed to reflect a passing yield of 10.21%, an analysed yield of 9.59% and a floor area rate of $4,007 per square metre.

On the positive side, the new light rail system is currently under construction with Stage 1 due for completion in 2014. This, in combination with the 2018 Gold Coast Commonwealth Games, will promote growth within the region.

Overall, the Gold Coast office market remains challenging, however there are some good purchase and leasing deals available.

Gladstone

Over the past couple of months we have started to see a slight increase in vacancies in the Gladstone office market. As with all market sectors in Gladstone, the office market is directly linked to the significant LNG related activity in the area. Peak workforce numbers for the construction of these current LNG projects were reached in mid 2013. The residential sector of the market has been declining on the back of this and we now consider it to have flowed through to the office market.

Much of the prominent office space in the central business district is currently leased to LNG companies or contractors associated in some way with the LNG construction. As construction of the LNG plants begins to wind down, many of these tenants are likely to vacate. Additionally a new office building is nearing completion in the CBD which has pre-commitments to several departments of the state government. Once completed all departments will be located in this one new building which will further increase vacancies in and around the CBD.

Office rents are currently at record high levels. Given the rise in vacancies, we in turn expect a decline in rental levels. History has shown that after a period of significant growth in prices and rents in Gladstone, the market experiences a period of low demand and price reductions. This causes volatility and increases the risk for property values in Gladstone.

Hervey Bay

The Hervey Bay office market is predominantly influenced by strata units. The past six months has seen a slow yet steady stream of activity with supply beginning to decline. A clear differentiation is beginning to appear between leasing rates and yields. Leasing rates currently range from $150 per square metre for secondary locations to up to $325 per square metre net for highly exposed primary locations. Vacant units generally require six to nine months leasing allowance.

The past six months has seen a slow yet steady stream of activity...

Rates per square metre follow a similar trend with sales to owner-occupiers from $2,000 up as high as $4,000 per square metre for modern units generally offering base fitout of carpet, air conditioning and good off street car parking. Units that are leased to a strong tenant on good lease terms are achieving yields in the order of 8% however all activity is below $1 million. There is some supply of freehold office buildings however very little interest is being reported.

With no new office development currently under construction and declining supply, the next twelve months may start to see some lift in leasing rates per square metre and a shortening in lease-up periods.

Mackay

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

The most significant impacts to the market will be the imminent completion of a six level, 7,000 square metre office building currently under construction at 44 Nelson Street for state government tenants. In addition to this, a new building is currently under development in the Mount Pleasant Greenfields precinct which will contain another 3,682 square metres and will be partially occupied by Centrelink.

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

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

We are aware of a recently settled sale of a modern office property on Gordon Street at a price of over $2 million. The contract price reflects an analysed market yield of 9.1%.

Rockhampton

The standard of office accommodation has risen significantly over the past few years. The CBD has experienced (and welcomed) a number of major refurbishments which has revitalised a number of older style D-grade buildings. This raising of the benchmark has met tenant demand for modern services, however there is a possibility that the city is headed for an oversupply in the market, particularly of lesser quality space.

It is unlikely that there will be any further requirement for additional space by primary users such as state and federal governments in the short to medium term. There is also likely to be little support from mining and mining contracting companies in the short to medium term or until the industry stabilises or confidence restores. There has been a tendency for tenants to vacate lesser quality space in favour of more modern offices with better quality services.

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

Sales in the office sector during 2013 have generally been achieved in the sub $500,000 price bracket and have tended towards owner-occupiers. There has been very little activity in the higher price ranges. Better quality offerings in the office market are generally achieving $250 to $300 per square metre gross per annum.

Toowoomba

The Toowoomba office market is concentrated in the CBD area, bounded by James, Margaret and Russell Streets running east-west and Kitchener and West Streets running north-south. The CBD comprises a mix of tenanted and owner-occupied properties while the fringe areas are dominated by owner-occupiers.

Demand from owner-occupiers is relatively strong and sales often reflect firmer yields than displayed by the investment market, which are currently in the 8.5% to 9% range. Converted houses positioned in fringe CBD locations are popular with smaller owner-occupiers due to their ease of access and availability of good off-street car parking. Many owner-occupiers are buying or transferring offices through self managed superannuation funds.

Gross face rents for prime office buildings have remained relatively stagnant at around $375 to $400 per square metre per annum. Secondary office space continues to be low at around $250 to $325 per square metre per annum in line with softer tenant demand. Currently there is only moderate demand for office space with extended lease-up periods for vacant secondary properties.

The Toowoomba office market is expected to remain stable over the coming year. Over the medium term. There is the possibility of increased demand associated with coal seam gas and resource projects in the Surat Basin, however to date the impact of this industry has been limited.

Within the Surat Basin there has been evidence of increased demand for office space, particularly in Chinchilla. QGC has constructed a purpose built, two-level $15.5 million office building on the eastern fringe of Chinchilla, with a lettable area of approximately 2,800 square metres. A purpose built office building with a lettable area of 500 square metres plus balance land has also been constructed for Schlumberger on the Surat Basin Industrial Park on the western outskirts of Chinchilla. This property recently sold for $2 million with a five year lease in place at $205,000 per annum net, reflecting a passing yield of 10.25%.

Building constructed for Schlumberger

Townsville

The office market has not moved over the latest quarter. It remains on the cusp of recovery but has not yet provided sufficient evidence to advance the clock from the bottom of the cycle. The market is continuing to build in confidence and there are buyers around actively looking for property, however buyers are slow to commit in the current market environment. The majority of sales appear to be in the sub $750,000 range and while there have been a few high end sales; they are infrequent above this mark.

Average yields for mainstream commercial property are nudging down due to the reduced frequency of stressed sales, but are still mostly analysing within the 8.5% to 9.5% range. Even though sales to investors remain thin, properties with good tenant and lease profiles remain in reasonable demand.

CBD

Townsville's office vacancy rates have climbed slightly over the six months from January 2013 to July 2013, with a net increase in the amount of space becoming vacant over the period even though some previously vacant space was taken off-line. Our latest survey shows a July 2013 vacancy rate of 13.9% for A-grade space and 22.2% overall.

There was a net reduction of 408 square metres of A- and B- grade office space and 894 square metres of office space overall in the six months ending July 2013. This slow absorption is reflective of the continued downsizing in a number of major tenancies, ongoing job cuts in the finance and public sectors and the current economic malaise. As a result rental rates have been a touch softer and leasing incentives have increased.

While office leasing in the CBD has been soft over the past few years, local agents are reporting greater enquiry....

While office leasing in the CBD has been soft over the past few years, local agents are reporting greater enquiry from potential tenants which has been primarily fuelled by recent developments. These include the completion of two large office towers, Verde and 420 on Flinders, the ongoing construction of the $450 million mixed-use Central development, and Lancini's refurbishment of the city arcade area - the first extensive refurbishment of higher quality retail and office space the city has seen in many years.

This regrowth of the city is seeing an increase in high quality office and retail accommodation as well as public space which will eventually boost the vibrancy and diversity of activity in the CBD.

Sales of CBD office space have been limited due to low supply and current economic conditions. The majority of office stock in the CBD comprises larger floorplates subdivided into smaller leased areas rather than strata titled office suites. Moreover, the limited stock that is available is typically older with capital expenditure required. These factors, combined with the relatively high vacancy rate and soft market rents, are keeping investors away.

The new CBD Master Plan reveals a need to attract more commercial office space back into the CBD from suburban locations to obtain the status of a preferred investment centre. There are a variety of options to achieve this including public / private partnerships, government office accommodation and development incentives. The new CBD Master Plan aims to maximise the potential attractiveness of the city for both developers and occupiers of office space and contribute to the overall vitality and sustainability of the North Queensland region.

Townsville suburbs

While the vacancy rate in the CBD is relatively high, it is not an accurate reflection of the situation across the entire Townsville area, since there is a significant difference between vacancy rates in the CBD and those in the outer suburbs.

Vacancy levels are low along the commercial and retail precincts of Ross River Road in Aitkenvale and Thuringowa due to its proximity to certain population hubs within Townsville. The area is located close to James Cook University and the hospital and military barracks, which all have their own population bases.

The stretch along Ross River Road has always attracted higher than average rentals with gross rents typically achieving between $320 per square metre and $450 per square metre, with variance dependent on the size of the premises and level of exposure.

Owner-occupiers are typically concentrated along this stretch as well as the other well exposed strip of commercial precincts of Thuringowa Drive and Charters Towers Road. Over recent years the owner-occupied office market has remained soft due to the combination of limited availability of quality accommodation and economic and financial influences. Property in this sector is generally tightly held and along with the low volume of suitable exposed nodal stock, provides limited opportunity for buyers. Most of the recent developments in these outer areas have been purpose built for owner-occupation or government occupation.

Two major sales of highly exposed, large office buildings with government tenants have occurred on Ross River Road in Aitkenvale, achieving sale prices of $9.25 million and $7.7 million, reflecting passing yields of 13.35% and 8.66% respectively.

Going forward, we envisage relatively steady growth in commercial property and new premises construction in the outer suburbs over the next few years, particularly in the suburbs of Aitkenvale and Thuringowa.

Western Australia

Perth

The Property Council of Australia's latest Office Market Report found the office vacancy rate for the Perth CBD was 6.9% in July 2013, up from 5.7% in January 2013.

Concerns about the growth outlook for Western Australia's main economic driver, the resources sector, has begun to impact on office vacancies in the Perth CBD.

Demand for space in older B- and C- grade buildings has weakened significantly which contributed to the overall rise in vacancies in the past six months.

Supply of new offices has tightened in Perth, with only 9,144 square metres of new space coming on stream in the past six months. New office supply will tighten further in the remainder of 2013.

We expect a modest increase in new office supply next year before a stronger rise in new supply commencing in 2015.

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Key factors that will shape Perth's office markets in the next few years are the transition in the resources sector from investment in new mines to mass production and the cyclical increase in new office supply expected from 2015 onwards.

The Property Council of Australia recorded a 7.6% vacancy rate for West Perth as at July 2013, increasing from 4.5% recorded at January 2013. Net absorption over the past six months is recorded as -5,720 square metres and over the twelve months to July 2013 of 481 square metres.

The rise in the West Perth vacancy rate is attributable to weaker demand from the resources sector and the addition of 12,249 square metres of new office space. Property Council of Australia reports a further 7,328 square metres of new office supply is due to come on line in 2013 with no new developments planned thereafter.

The Property Council of Australia's statistics for B- and C-grade office space in West Perth reflect total vacancy factors of 11.3% and 7.2% respectively as at July 2013. As at January 2013, these statistics reflected 5.5% and 6.5% respectively for B- and C-grade office space, indicating an increasing vacancy for these office accommodation grades in West Perth. Notably, demand for A-grade accommodation is far superior to that for the lesser grades which is reflected in the vacancy rate of only 2.7% as at July 2013, an increase from 1.4% as at January 2013.

In general the above statistics are considered to be indicative of a weakening office leasing market in West Perth, with the relativities of this weakening considered greater for the lower B- and C-grade office accommodation than the A-grade office accommodation.

Our recent anecdotal discussions with leasing agents active in the West Perth office market have confirmed the relative weakening in office space demand over the periods mentioned above and, thereafter, to the date of valuation.

Discussions have further revealed a slowdown in the volume of green title office property transactions in West Perth and inner city locations. A reasonable volume of smaller green title office properties and strata title office properties was recently noted in these locations prior to the recent changes to the legalities of self-managed superannuation funds. These changes, at least anecdotally, appear to have impacted somewhat negatively on subsequent sales volumes.

South West

One of the most active sectors within the office market has been for the small, affordable strata office units in the business districts of Bunbury, Busselton and Margaret River in Western Australia. The increase in the number of self managed superannuation funds has seen an increase in the demand for these small but affordable investment properties which are relatively easy to manage.

Small businesses also see the affordable rental as attractive and offices of between 50 and 100 square metres in size are readily let for between $150 and $200 per square metre. This may seem a little expensive, however the annual rental is well within the affordable range.

Sales of these units are showing yields of between 7% and 8%. For example, a 55 square metre first floor office unit in Margaret River sold for $125,000 with a rental of $174.50 per square metre, showing a yield of 7.7%, outperforming many managed superannuation funds.

There is still a lack of new development and the talk from agents active in the region is that good quality new office buildings would be occupied in a flash. If you take the risk and build it, they will come.

Australian Capital Territory

Canberra

The ACT office market remains in a period of significant oversupply. As of July 2013, total market vacancy stood at 12%. On a per grade basis however, it is clear that secondary office space remains oversupplied with C- and D-grade properties recording a vacancy rate of 10.4% and 21.4%, respectively.

Looking post election, demand for office space within the capital is likely to be limited, with any reduction in public service employment, either directly or through natural attrition, likely to result in a reduction in demand and a rise in sub-lease space. In addition to an overall reduction in demand, occupiers (particularly federal government) have shown little appetite for older, lower grade properties. Many of these properties now fail to meet the mandatory minimum sustainability factors required by federal government departments. In light of this trend favouring newer buildings, capital values for older properties with approaching lease expiries or shorter WALEs have suffered with extended vacancy periods. Rental downgrades and increased incentives are likely on tenant expiry.

The Canberra market has seen some activity at the top end with the recent sale of Industry House, a 15-storey office tower constructed to a high level of specification and leased to a Commonwealth department. The sale to British-based Brompton Asset Management from CorVal for $151.7 million shows a yield of 7.5% and a WALE of 8.5 years. It is the highest recorded office building transaction in more than a year.

We are also aware that the Defence Department's Campbell Offices has sold as a package with two lesser buildings. Full details are not known as yet, however the WALE at Campbell Park is understood to be around ten years and the yield is around 10%.

At the lower end, investors and owner-occupiers remain attracted to the small scale office market, particularly for superannuation purposes and also to have an asset that has appreciating value and the ability to provide collateral for borrowing power.

Northern Territory

Darwin

Residential developers continue to actively seek sites in the Darwin CBD with some 800 units currently under construction. Supply of quality product remains limited and is unlikely to change in the foreseeable future as vendors realise it is not easy to replace something that they may consider selling.

The expected increase in leasing demand due to the large projects occurring has failed to materialise in any substantive way with private sector demand remaining subdued. During the past twelve months, the Northern Territory government has completed a number of rent reviews or entered into new leases. The result has been some moderate increases in rents. The prospect of the government moving into the new Paspaley Building in 2015 will be the catalyst for a number of B- and C- grade buildings being vacated and these properties may be vacant for some period of time.

Residential

Overview

There is a simmering intensity across many major markets right now. Some are running very hot while others are hanging back and waiting for the starter's gun. For investors and owners keen to get in and do something, we've outlined some of the best spots for a variety of property options. If you've defined your preferred approach and region, we've provided a handy guide on where to start searching for a suitable property.

New South Wales

Sydney

In the current market, finding a good property that suits your particular needs is difficult as the lack of stock is driving prices skyward at a variety of value levels. We have undertaken snapshots of the metropolitan area with information supplied by a number of valuers who are active in that particular locale for each of the main topics.

Buy

We believe houses within the middle ring of the metropolitan area such as Pendle Hill, Wentworthville and on the fringes of Farifield represent good buying for the short to medium term due to their affordable prices, access to transport and variety of housing options. Given that their neighbors such as Merrylands, Westmead and Cabramatta have enjoyed some significant increases over recent years, these surrounding suburbs have the potential to piggy back on this surge and benefit from increased consumer demand for affordable housing within close proximity to the Parramatta CBD.

The inner west suburb of Dulwich Hill is considered a growth suburb at a median price level. It is currently undergoing a stage of gentrification and we consider it has good prospects for further growth. It is approximately seven kilometres from the CBD and a light rail extension planned for 2014 will strengthen public transport options. The suburb enjoys larger blocks than many of its inner west neighbors and a high demand exists for rental properties.

At the top end of the Sydney market, prestige residential localities across the Sydney metropolitan area have generally shown an increase in transaction activity during 2013.

We would consider that this reflects potential purchasers recognising that prestige residential prices continue to sit below pre global financial crisis levels, combined with a general perception that the bottom of this market has been reached. As a result this sector currently represents good value for money.

Prestige residential across the Sydney metropolitan area is generally considered to be those properties over $3 million, and inclusive of areas such as the

eastern suburbs, the Lower and Upper North Shore, Northern Beaches, and to a lesser extent the rural residential areas to the north west of Sydney (The Hills district), and the far southern waterfront localities (Sutherland Shire).

While we consider interest movements have reduced impact on prestige residential market performance, we feel that activity in the prestige residential space as a whole will continue to improve taking into account lower interest rates and sustained performance from the equities market.

Build

Families intending to build a new house in Sydney have a variety of master planned developments to choose from. We believe new estates within the south west growth precinct such as Oran Park, Gledswood Hills, Gregory Hills and Spring Farm provide the most potential within Sydney. This ex-farmland on the south west outskirts of Sydney will form part of a master planned community that will provide new facilities and updated roadways to cater for the community, and will benefit from the opportunities created once the second airport is constructed. Families can enter this area for as little as $500,000 with most house and land options available for less than $600,000. As Sydney expands over the next decade the outskirts will continue to grow and prosper providing a large upside to the first buyers in these areas.

Blow-out

Post-global financial crisis, renovation across the prestige residential sector appeared to decrease in popularity due to the inability of home owners to obtain a sizeable profit margin on sale of their completed property because of the weakened market conditions.

Over recent years renovation has again shown signs of increased popularity though the significant gains in capital value post renovation are not a mirror of those secured pre global financial crisis.

Renovation has regained popularity in traditional prestige residential areas, enabling owners to create the home of their dreams without needing to spend the time and effort to secure a new home, in some instances sparing the effort of moving and having to find new schools etc, and also avoiding stamp and transfer duties on the new purchase.

When it comes to renovation of prestige property, the sky is the limit, with renovations ranging from minor bathroom and kitchen updates, extensions, soft landscaping enhancement or the addition of a pool, all the way to virtual demolition and rebuild, with figures ranging from hundreds of thousands, to millions of dollars.

In our travels we have seen an increase in properties undergoing renovations in the Blue Mountains area, especially between Glenbrook and Springwood in recent times. Without any new land releases in the area, local residents are undertaking renovations to extend and improve their current houses. They are assisted by Council which imposes fewer restrictions on extensions and renovations compared to knock down and rebuild projects. Value wise, many renovators are getting dollar for dollar back from completing these renovations.

At the top end of the Blue Mountains market, we recently came across an extensive renovation and refurbishment in an upper Blue Mountains village. Total spend was in excess of $2,000,000, being architecturally designed to maximise the property's expansive views. This kind of project, however, is very much the exception and not the norm.

Sydney's inner west is a classic example of "renovation central". Suburbs such as Annandale, Leichhardt, Newtown, Erskineville, Camperdown and Marrickville are full of Victorian and Federation style residences that are perfect for renovation, with great solid structures and highly appealing period features. A large majority of these homes have been within the same family for decades. Over time, these suburbs have become very popular due to their geographical location and in turn have experienced a huge amount of capital growth. This capital growth hasn't necessarily related to an increase in available wealth for these home owners and therefore these now highly valuable properties often remain un-renovated. Over time, they gradually come onto the market and more often than not, they are purchased by professional couples or young families with a higher household income who have the cash available for renovations. On any street in the inner west, there will be a one hundred year old residence which hasn't been touched for decades, right next door to a similar residence which has had half a million dollars spent on it. It is a very noticeable trend in these suburbs and the inner west continues to increase in popularity.

Far North Coast

With interest rates now at record low levels, there are a number of opportunities that could potentially feature in the minds of investors, developers, first home buyers and upgraders. Cost is naturally going to be the key ingredient in decision making and the resultant end value of the final product.

In its wisdom, the NSW government has provided a scheme that it hopes will kick start the residential building industry by restricting the first home buyers grant to new build development. This is all well and good, however it means that a first home buyer could potentially be laboured with a total cost of $400,000 to $450,000 for a new four-bedroom, two-bathroom house within the Lismore region based on a land sale price of $150,000 to $200,000 and building tender cost of around $200,000 to $250,000 for the residence, ancillary improvements, fixtures and fittings. Within the Lismore region there is a general rule to remember - the steeper and cheaper the block of land, the more expensive the house to construct.

The overall total cost or outlay will be lower in the rural townships of Casino and Kyogle with house and land packages ranging from $300,000 to $350,000 which may prove more attractive to the price sensitive buyer.

Due to the higher land values on the coast, the total cost outlay for Ballina, East Ballina and Lennox Head house and land packages ranges from $450,000 to $600,000. Suitable buyers within the developing estate of Ballina Heights and those estates within the Wollongbar Urban Expansion Area can currently obtain a rebate from the government. These estates have had an increase in sale rates since the introduction of recent rebates. Although the average allotment size might only be 550 square metres, buyers are attracted by the prospect of purchasing a new, good quality home at a more affordable price due to the rebates.

Nevertheless, the imposition on the first home buyer on the NSW North Coast for a potential $300,000 to $600,000 project does bring with it very real potential financial challenges.

The alternative within the Lismore region is to find an established, three-bedroom, two-bathroom house within the $250,000 to $350,000 price bracket. By doing this, considerably less money will be spent resulting in the purchase of a comfortable, near new home. The same result can be achieved on the coast for around $400,000 to $500,000.

The option to purchase established product rather than build is evidenced in the suburb of Alstonville which has seen increased activity within the $350,000 to $450,000 price bracket. Homes within this price bracket comprise semi-modern, late 1980 to early 1990 properties that would benefit from a basic refurbishment. The addition of a new kitchen, bathroom and floor coverings would result in a near new home in a sought after locality.

Alstonville is slowly becoming more sought after due to its accessibility to Ballina and Lismore. It also appeals to the younger demographic which is being squeezed out of the coastal areas, or the opposite effect for buyers who would generally purchase within the Lismore locality but want to be that little bit closer to the beach.

A lot can be achieved with a budget of less than $50,000 for an updated kitchen, bathroom, ensuite, general painting and floor covering. Provided the renovation work is emphasising the more positive features that are already there or introducing new features that buyers desire (do your homework for the areas you wish to invest or live in as each locality is different), then the cost spent should translate to some capital gain.

However, the trick is not to over capitalise.

A good option is to seek out those large homes with only two bedrooms and a large living space. Cut the living room to provide a third bedroom and the rental would naturally improve to reflect that of a three-bedroom home.

From a conservative perspective, the purchase of an established house with opportunities to renovate

would be a more viable option and purposeful stepping stone to something newer in the future without the millstone around the neck of larger debt.

There are land and house packages available today which are competitively priced but still above the expected price for an established older home. The established house provides the opportunity for the owner to put their stamp of identity on the renovation project whereas a house and land package is simply that - what you see is what you get - any subtle changes to the design could see a significantly increased contract price.

Illawarra

The Shellharbour LGA is set to undergo a massive transformation as a result of the success of the recently refurbished Stockland Shellharbour, the development of the new marina now underway and the announcement that the Flinders train station will be proceeding. Much of the older housing stock in Shellharbour Village will be well sought after for redevelopment and consolidation options, particularly given that a great deal has been re-zoned medium density.

Land values in Seacrest Estate, Flinders and Shell Cove continue to increase as a result of strong sales activity. We recommend that investors, developers and home owners consider the Shellharbour, Shell Cove and Flinders areas for future growth options.

Regards building, we are limited to the West Dapto and Horsley area and the continuing developments at Flinders and Shell Cove in the southern part of the Illawarra district. All have good infrastructure already in place, generally land with a level topography and first home buyer entry prices. All these areas are showing strong sales activity and good capital growth when the land is built on.

Developers are particularly entering the market in Seacrest Estate, Flinders and Shell Cove with multiple duplex and medium sized strata unit complex sites being built. In the past couple of years, the Mcauley's Beach subdivision has been successful with the majority of blocks now being developed with single residential dwellings.

The old adage of the worst house in the best street still applies to the popular suburbs of Mangerton, Balgownie, Mount Pleasant, Fairy Meadow and Towradgi as far as capital growth potential being realised by renovating. Older housing stock on reasonable size lots are scattered throughout. Good schools, shopping and transport combined with a north CBD location mean this area is beginning to be renovation central. Entry price for these suburbs starts from $400,000.

Further north, older suburbs such as Woonona, Bulli and Thirroul are also undergoing a renovating buzz where families are choosing to renovate and extend their existing homes rather than move elsewhere. Renovated character homes are popular in these suburbs and show strong capital growth. Overall however, the further north you proceed, the more expensive these properties become.

Renovated character homes are popular in these suburbs and show strong capital growth.

Mid North Coast

We have covered in detail the Buy part of our topic in earlier editions of the Month in Review, so I won't dwell on this, other than to reiterate that the beachside and central locations within the more established towns along the mid north coast are still showing indicators for good capital growth in the medium to long term.

We have noticed recent increases in housing construction in the larger mid north coast centres. After a slow three years, the developing estates are showing increased activity and local builders are indicating that demand for new dwellings is on the increase.

This mostly comprises owners purchasing the land and then contracting a builder to construct. However just recently, there has been a resurgence in turn-key and house and land packages throughout the major coastal towns.

The developing and new Sovereign Hills precinct, west of Port Macquarie, is finally showing construction of new dwellings after years of inactivity since it was released. This is partly due to approvals and development requirements for the precinct finally being met, as well as a Government rebates of up to about $20,000 currently on offer to purchase and build within the estate.

The renewed activity for new dwellings within these areas is a good indicator that the real estate market in the region is finally on the rise.

On the mid north coast, it is throughout the older established beachside localities that there is renewed renovation or gentrification activity. Older beachside suburbs in Port Macquarie and Forster are good indicators, with the older style (1970s to 1980s) properties being purchased due to their location, and extended, renovated and even demolished to construct a more contemporary style dwelling, generally in keeping with the seaside appeal.

In summary, now that the election is over and interest rates remain at record low levels, we anticipate increases in demand and sale prices for low to medium priced dwellings and units in the short to medium term, as long as the property is well located.

Newcastle

If we are looking to build a new home or renovate, where are the best areas? Well first let's put a few parameters around this discussion, otherwise we'll be here all day arguing.

First, no new release areas. We will discount any area where it is an option to have your pick of vacant land from amongst new release estates. There are no renovation and extension candidates here that fit the brief of this month's topic.

Second, average age of housing must be over 30 years old. This basically removes the newer, outer suburbs of Newcastle. The reason for this is that older homes are usually the best candidates for renovation or even at the extreme end of the spectrum, demolition. Houses built in the 1980s or later usually have a significant economic life remaining and generally are perfectly liveable with little to no work. Please keep in mind however that we can always find exceptions to any of these rules.

Houses built in the 1980s or later usually have a significant economic life remaining and generally are perfectly liveable with little to no work.

Third, vacant land sites are to be generally limited to in fill housing, that's older homes that are demolished to make way for newer houses. The areas we will choose have no ready supply of vacant land available for sale. We will allow the scenario where an existing property of say 2,000 square metres is split up into boutique blocks. These occasionally come onto the market, but are the exception rather than the rule.

So taking into consideration these criteria, we have focused on the central areas and more well established areas of Newcastle and Lake Macquarie, We apologise in advance to any towns up in the Valley, but we have a watching caution over these areas until the fading resources boom reverses course and shows a flicker of life returning. At present and until this occurs, we believe the risks of a market correction in these areas is manifest and real. It should be pointed out that speculative building is still occurring with gusto and the amount of stock on the market is increasing daily. The level of demand appears to be decreasing daily. The gap between the two is now considered a chasm and at concerning levels.

Likewise, we have left the Bay alone for this column. There is enough vacant land available in estates and stand alone blocks and the age of housing in the Bay is generally more modern that that of Newcastle. We still stand by our earlier comments that Nelson Bay seems to be thinking about a recovery - more and more sold signs are appearing and agents are continuing to be generally optimistic.

The central areas of Newcastle have been strong for some period now and many homes are receiving The Block treatment and being on sold, often for prices that make the eyes water (by Newcastle standards you understand). The market is such that prices above list price are being achieved with monotonous regularity. Normally when that happens, you make the assumption that the agent has artificially lowered the list price to generate interest as has been known to occur in the past. But in most cases it appears on the face of it that list prices are genuine and pitched at what would normally be the level. Open homes are often reported as having multiple bidders through on opening weekend and rampant bidding often occurs. This is happening in most well established suburbs in Newcastle at present where supply is hindered by density and a lack of opportunity for development and expansion.

Old homes in the mid priced suburbs such as Adamstown, Lambton and New Lambton are selling for strong amounts and being renovated by eager home buyers. Often these people are on their second or third homes and trading up after having sold their entry level property for a reasonable capital gain. This could be likened to the "trickle up" effect.

It will be interesting to see what happens to the market now the traditional excuses of a property downturn have all but dried up. What excuses?

The federal election is now over and there is no chance of the limbo of a hung parliament to dampen enthusiasm.

Interest rates are historically low.

Spring is here.

Southern Highlands

The Southern Highlands residential property market has generally been in a neutral to declining state for several years. The lower end of the market has seen increasing activity in the past three to six months so volumes could be said to be increasing and values holding steady. Some of the higher ticket, larger residential lifestyle acreage properties that had seen significant write-downs from the highs of 2009 are now starting to transact.

The main areas in the Southern Highlands for buying and renovating are Old Bowral and Mittagong. Well located older style dwellings can be purchased for $450,000 to $700,000. Renovated character homes sell for between $550,000 and $900,000. This market appeals to second home buyers, young families and retirees. Burradoo is another area where properties are bought and renovated. This market has been depressed for three to four years and some good buys have been evident.

Properties are purchased for between $600,000 and $1,200,000 on 2,000 to 4,000 square metres. Renovated properties can sell from $800,000 to $2 million.

Demand for vacant land is still good and there is a steady volume of new properties being constructed in the Southern Highlands. New construction is mainly in Renwick-Mittagong and on the outskirts of Bowral and Moss Vale. New homes usually sell from $400,000 to $700,000. The lower end of the market appeals to young families and downsizers. Both buyer types are active in this market.

Another trend we are observing is the growth in the number of people relocating from metropolitan to regional areas. This buyer type usually wants larger land sizes from 1,500 square metres to two hectares. Total values range from $600,000 to $1.5 million. This middle section of the market is steady but still weak. If properties are priced correctly, they will sell. If vendors' expectations are excessive, we are seeing much longer selling periods, until the vendors eventually meet the market.

The upper end of the market ($1.5 million plus) is soft, however there are still some high sales occurring. Both the buy and renovate option and the build new option are apparent at this level of the market.

Southern Tablelands

After experiencing strong levels of growth between 2009 and 2012, the regional city of Goulburn is now stable. The build option is a strong trend in Goulburn. New homes are built on the periphery of town for an end value of between $380,000 and $480,000.

The buy and renovate option is also quite evident. Well located character homes are purchased for between $220,000 and $300,000. Renovated homes sell for between $290,000 and $420,000. The main active buyer types have been first and second home buyers, investors and retirees. Canberra commuters and Sydney investors are also active in this market.

Crookwell has similar options to Goulburn, albeit at lower price points. New homes are being built, with total values of $330,000 to $400,000. Older homes can be purchased from $140,000 to $200,000. Renovated homes sell from $220,000 to $300,000.

Victoria

Melbourne

Sunshine is an established suburb located 13 kilometres west of the Melbourne CBD and is considered an affordable option for buyers seeking established housing. Formerly the major manufacturing hub for the greater Melbourne area, the locality has been earmarked by the state government for major infrastructure and employment investment. The development of the new regional rail service through Sunshine has boosted the area's already strong public transport links.

The state government has proposed that the suburb will soon be known as a ''national employment and innovation cluster'' which will encourage private investment. The area is characterised by multi-cultural influences including Greek, Italian, Vietnamese and, more recently, Indian and Somalian. There is a central and diverse shopping precinct in and around Hampshire Road and the Sunshine Plaza mall. Sunshine has an established transport network with good links to the CBD and western suburbs via Ballarat Road, Sunshine Road and the Western Ring Road.

Housing through Sunshine is typically 1950s to 1960s freehold dwellings interspersed with contemporary villa and townhouse developments and established traditional walk-up units from the 1970s. Dwellings sit on allotments ranging form 400 square metres to larger sites of 700 to 800 square metres. Over the past ten years new freehold dwellings have been constructed where dilapidated houses once sat.

Sunshine has a current median house price of $390,000 which is well below the Melbourne median, making it an affordable option to purchase established housing. Capital growth can be expected with both state and private investment in the pipeline to rejuvenate this once maligned area.

Example of a typical house in Sunshine

For those looking to build, Cranbourne East and Clyde North are developing suburbs within Melbourne's expanding residential periphery, approximately 45 kilometres south-east of the CBD and immediately east of Cranbourne.

As part of the Cranbourne East precinct structure plan, what was previously used for agriculture and market gardens has now been re-zoned urban growth and is being subdivided to meet the demand for new housing within this outer south-east growth corridor.

Popular estates within the precinct include Selandra Rise, Hunt Club, Cascades on Clyde, Pasadena, Livingstone and Parks Edge. Some key features of these estates include recycled water, access to national broadband network and parks or wetlands within close proximity. Some estates, such as Selandra Rise, include primary and secondary schooling, a proposed shopping centre and a retirement village. Development of these estates should meet the demand for new housing for the next three to six years. Residents are attracted to these areas as all estates offer a range of affordable housing options, large open spaces, convenient shopping and new schooling - all necessities for modern and convenient living.

Properties vary in age and size. The Hunt Club was the first estate, developed in the early 2000s. Lot sizes range from 200 square metres up to 600 square metres, with homes varying in size, quality, style and features. The median house price is $370,000.

The $1 million to $1.5 million price bracket throughout the municipalities of Glen Eira, Bayside and Stonnington is proving ripe for renovators and small developers. The only real variable is the size of the land the buyer gets for their money.

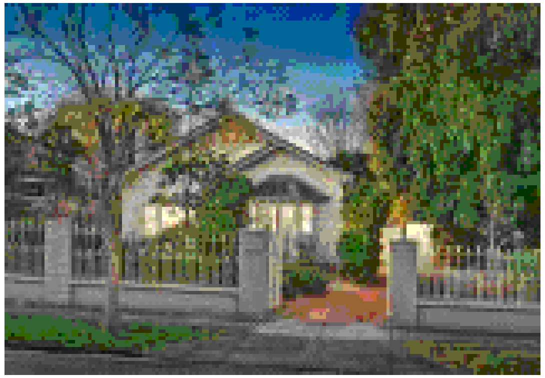
Specifically there are real opportunities in Ripponlea, St Kilda East, Brighton East and some parts of Malvern East. Examples include:

- 205-207 Hotham Street, Ripponlea sold for $1.45 million in March 2013 – the two properties are two to three-bedroom Edwardian-style semi-detached residences on land area of 723 square metres in poor to fair condition. They were sold in one line. The site is not restricted by any planning restrictions. A premium was paid to secure the site.

- 104 Hotham Street. St Kilda East sold for $1.37 million in July 2013. The four-bedroom, one-bathroom Edwardian-style residence is situated on a corner block of 949 square metres. The property has a single dwelling covenant on title, however precent exists to have the covenant removed. Purchase is well underway in this process which will pave the way for a medium density development.

- 46 Robinson Street in Brighton East sold for $1.005 million in March 2013. This three-bedroom, one-bathroom Art Deco-style residence is in fair condition and set on 618 square metres. It was sold offering potential to renovate and extend or as a new home site. Properties in this pocket are known to have a single dwelling covenant on title. If $150,00 to $250,000 is spent on renovation and extension, added value should reflect the capital outlay.

- 37 Rothesay Avenue, Malvern East sold for $1.42 million in June 2013. The weatherboard Edwardian-style residence is set on 719 square metres and is partly two storey, with four bedrooms and three bathrooms. It is in a well regarded location opposite Lloyd Street primary school (a known selling point for the area). Featuring a very 1970s renovation and extension, the property is ripe to modernise and reap the gains in value.



Since the residential property market boom of 2007, there has not been as good a time to enter the market and renovate or redevelop in the $1 million to $1.5 million price bracket in the inner east or south east. Local market knowledge is proving king.

Ballarat

The better places to buy established real estate in the Ballarat area for investment purposes are the more tightly held areas of Lake Wendouree and Ballarat Central. These suburbs generally have a higher entry level than surrounding suburbs but are considered solid areas for long term investment due to their established nature, type of housing, high percentage of owner-occupation and good proximity to parks and services.

The properties in these suburbs that are most likely to experience growth are the properties under $300,000, which generally represent the lower end of the market for these suburbs.

Areas of development in which people may choose to build new homes around Ballarat include Alfredton and Lucas to the west, Canadian to the south and Brown Hill to the east. Each of these areas have points of interest that attract a certain type of buyer.

The Alfredton and Lucas area to the west is being developed for new housing and a new shopping centre under construction is scheduled to open in late 2013. Note though that the new western link road is planned to be constructed along Dyson Drive and may segregate Lucas from Alfredton slightly in the eye of some purchasers.

The attraction of Canadian developments to the south is the employment created by the university and rental market surrounding it, while Brown Hill is located on the Melbourne side of Ballarat and generally has good access and proximity to the Western Freeway for commuters. Properties in these new estates generally consist of larger brick veneer homes in the $300,000 to $450,000 price bracket. Buyers are often first home owners and investors.

The greater Ballarat area consists of a large amount of older established housing which appears tired in some cases and would benefit from renovation. Prime examples of areas with existing houses being purchased and renovated include inner parts of Ballarat East, Golden Point, Redan and Black Hill. An example of this is the property at 28 Barkly Street, Bakery Hill, which was purchased in April 2012 for $195,000, renovated and sold again in January 2013 for $280,000.

Bendigo

With regional unemployment remaining below the national average, historically low mortgage interest rates, continuing strong population growth within the region and optimism about the economic flow on effects of the $630 million 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 to owner-occupiers have picked up with new residential estates such as Rubicon Rise at Jackass Flat and Marong Links showing strong sale rates. However sales of house and land packages to investors have slowed, which has seen supply of rentals decline as the supply which hit the market earlier in 2013 has been gradually absorbed and fewer completions coming online.

For established housing and units there remains significant interest in the older CBD fringe suburb of Quarry Hill, with purchasers attracted to the historic streetscapes and easy access to the Bendigo CBD and railway station.

For new homes, owner-occupiers have been flocking to the Birchgrove Property estates, Rubicon Rise at Jackass Flat and Marong Links at Marong, around 13 kilometres west of central Bendigo. Maiden Gully also remains a popular destination for new residential housing with the smaller City Edge estate by Villawood at the rear of the Quarry Hill Golf Club also proving popular.

Renovation activity is strong and increasing in the areas around central Bendigo, driven by the ageing housing stock in these areas and, in many cases heritage considerations which make demolition and redevelopment too difficult.

Echuca

In Moama, security around new zonings (and their associated minimum lot sizes) in the Local Environment Plan is likely to see more developments commence, providing more options for those interested in a new build from the Cobb Highway through to Merool Lane and even smaller lots in Winbi and Perricoota Run. For Echuca, new home building is going to be largely limited to development in the west near the new school.

More centrally located larger allotments in both Echuca and Moama are typically in the sights of builder developers looking to provide higher density accommodation in the form of townhouses and units.

Queensland

Brisbane

Brisbane's market continues to simmer as we look to the southern states and wonder why they are running so hot right about now. Our Brisbane buyers and sellers are feeling a touch more confident about the year ahead, so we may well see some strengthening in pricing, but a definite price trend hasn't fully emerged as yet.

The immediate go to for great places to buy established homes is near city suburbs. These blue chip areas are the obvious choice if you want to get a home. Buy the best property you can within the five to seven kilometre ring of the CBD and you should be fine (as long as you do your research). Signs are that the bottom end is already strengthening in prime inner city suburbs such as West End, Auchenflower, Paddington and Hamilton. If there are no unexpected shock waves or natural disasters, then it's safe to stay close to the city.

This rule doesn't only apply to housing. Units can also provide a great way to crack into the inner city market and shore up your equity. Walking distance to a community hub really is a must though. Tenants and residents alike don't want to spend too much time within the walls of their unit. A café strip allows for a getaway from the home and a stroll in the sunshine.

There are a number of major planned communities throughout Brisbane's broad acre belt providing vacant sites ready for construction. North Lakes to the north and Springfield Lakes to the west are two examples. These large projects ensure there are plenty of facilities for new residents. In general these projects won't create blistering capital growth but once the market is established, you can have some confidence in steady values and regular sale numbers.

If you're more adventurous, then random vacant allotments closer in to the CBD will offer an option. You are working on the wrong side of the supply and demand price see-saw however as there just isn't an endless supply of splitter blocks in these areas. That said, if you can find yourself a site of some appeal, a smartly designed house will rarely go backwards in price.

Renovation locations are suited to areas where buyers are keen to accommodate growing families, but want to be close to great schools. A suburb like Ashgrove for example with its double gabled historic homes is awash with renovation options. You must make sure you have ready cash to buy the renovation project and do the work of course. If your intention is to sell for a profit, then Ashgrove is a definite option. Here you'll find professional families wanting to be close to great private schools and in quality homes, but not so keen to burn time doing a renovation themselves.

Bundaberg

There is strong demand for recently flooded homes mostly located in North Bundaberg and other suburbs to a lesser extent. These houses are being purchased from $50,000 upwards and are being repaired and then rented out. With vacancy rates low, the dwellings at the lower end of the sale price range are showing a good return. Should the recent flooding not recur over the next two to three years, purchasers are anticipating capital growth as well.

Belle Eden, Parklands and Eden Brook Estates are the main areas of development. The bulk of the new homes in these estates are selling from $325,000 to $400,000. These houses range from three-bedroom, one-bathroom and single car accommodation up to four-bedroom, two-bathroom and two-car accommodation. Allotments in Belle Eden and Eden Brook generally range from 750 to 900 square metres; Parklands Estate average allotment is 4000 square metres.

Unfortunately in Bundaberg most renovations are occurring in the flood affected properties with limited activity elsewhere due to the limited availability of tradesmen.

Cairns

Cairns is still very much a buyer's market, and with established housing continuing to sell below comparative construction cost, the new building industry remains quiet. Cairns property prices are going to need to rise substantially before established and new housing costs regain normal relativity and this is unlikely to happen for up to another 12 to 18 months. The situation is not helped by the widening gulf between established and new housing costs generated in part by higher mandatory standards adding to construction costs. The higher quality housing argument wears thin when the market does not see the higher cost as justified.

Restricting first home owner grants to new dwellings only has also been spectacularly unsuccessful in generating new building activity in Cairns. With an almost complete absence of new apartments being built, new home owner grants are only effectively available on new outer suburban houses and that does not always suit the first home buyer. For example there are first home buyers foregoing the first home buyer grants and opting to buy a near city established property which better suits their urban consumptive lifestyle, in preference to buying a new house in an outer suburb which is further from the city and higher maintenance to boot.

It is a similar story for renovations. Many buyers are finding what they want on the market without having to resort to a renovation.

Gladstone

Few people would deny that it's currently a buyer's market in the Gladstone area coming off the back of construction workforce numbers for major projects reaching their peak. The supply of new houses and units is still increasing, rental levels are declining and vacancy rates seem to have leveled over the past month at 6.5%. As a result, investment in the construction of a new dwelling or unit in the area is not recommended without extensive research and due diligence being carried out.

The recent decline in property values in the area has however opened some opportunities for those prepared to buy and renovate an older established home. The underlying market factors however remain and it is still a risky venture to enter into with further declines in the market still possible.

The recent decline in property values in the area has opened some opportunities for those prepared to buy and renovate ...

Hervey Bay

Properties in Hervey Bay located close to the beach within a few streets of the esplanade have proven very popular in the past six months. As property prices have remained very low, most buyers have found stock in this location very affordable with selling periods between one to two months. Dwellings are predominantly older, modest homes, built circa 1950 to 1970 in mostly original condition with some lots up to 1,100 square metres (in medium residential zoning). Selling prices range between $200,000 to $400,000 within the suburbs of Torquay, Scarness, Point Vernon and Urangan.

Buyers who prefer new dwellings have a good variety to choose from, depending on preferences for location, price and lot size. House and land packages in Hervey Bay start at $325,000 for a basic four-bedroom, two-bathroom brick veneer home and extend up to $450,000 for a higher quality dwelling on a larger site.

The Fraser Coast Regional Council is offering a $12,000 grant for homes purchased within growth corridors, which assists in stimulating demand for new construction in the region. Some buyers have been including the grant towards their deposit in order to close the deal. The lower price range tends to dominate the majority of sales activity especially in the suburb of Urraween.

The renovation phenomenon is regarded as being moderately active across all regions and suburbs in the Fraser Coast. This is particularly relevant to properties purchased very cheaply, with some older dwellings in Urangan selling for under $200,000. Agents report that there is still interest from Gladstone residents for local property.

Mackay

The Mackay residential market has experienced a slow down in conjunction with the downturn in the mining industry. Sales volumes are down, although value levels appear to be holding, with only very slight falls in isolated instances. Even with the slow down, traditional older suburbs on the south side of Mackay and inner northern suburbs like North Mackay, Mt Pleasant and Glenella are still faring well. It all comes down to price point at the moment. In the older established suburbs, dwellings from mid $300,000 are still well sought after, particularly as Mackay has a median house price above $400,000. For this price, you are generally looking at an older 1950s style dwelling in average condition. Owner-occupiers in these areas are looking for dwellings which have good renovation potential.

If building is the preferred choice, Mackay has a number of estates with different options available. The Mackay Regional Council's decision to allow developers to create small allotments has provided more choice and cheaper options for people looking for a new home. Three bedroom dwellings on smaller allotments in some new estates can be built for less than the median house price. If big is better in your book, then there are still good quality estates offering larger land areas for that dream home.

Rockhampton

The suburbs of Allenstown, Wandal ,The Range, Frenchville and Norman Gardens in particular are most sought after. All of these suburbs are surrounded by established infrastructure and services and are mostly not impacted by flooding. There is a diverse range of property options available, from older established highset and lowset dwellings through to modern dwellings and units. The price range of properties also varies in these areas with an entry point of low $200,000 all the way up to $1 million for select properties.

The majority of new housing is being constructed in the northern suburbs of Norman Gardens, Parkhurst and Rockyview. The developing estates are offering allotment sizes from small 400 square metres up to one acre. The majority of new housing being constructed in these estates comprises of on-ground dwellings.

The Capricorn Coast is experiencing the majority of new house development, most notably the suburbs of Yeppoon, Lammermoor, Rosslyn and Mulambin.

Renovations are predominantly taking place on properties in the older suburbs of Allenstown, Wandal and The Range and parts of Norman Gardens, Frenchville, Park Avenue and Berserker.

There doesn't appear to be any one particular sector of the market that is favouring renovated properties more than the other. There are opportunities at both the lower and upper end of property prices.

Sunshine Coast

As far as Month in Review topics go, this is a good one. Whether to buy, to build, or to blow-out and renovate are all good questions. On the Sunshine Coast there are a number of good areas with great attributes. By and large, the coastal and waterside areas are generally considered to be the picks, however the area surrounding the future Sunshine Coast Hospital that is currently under construction would be the standout.

The injection that the hospital will have into the local economy cannot be underestimated, so we believe that when looking to buy established product, it's pretty hard to go past the Kawana strip stretching from Maroochydore down to Caloundra. We also make mention of the canal front areas given the anticipated growth in the local economy, population and limited ability to create this type of product.

The estates surrounding the future hospital area also will benefit people looking to build.

The estates surrounding the future hospital area also will benefit people looking to build. Just looking at what is proposed is impressive. The estates in the area have seen a significant amount of building activity occur with some house and land packages making sense again. This market still remains in its infancy but as we move along the building and construction timeline of the hospital through to when it is up and running, we would anticipate the area will be relatively well sought after.

Areas for renovation opportunities would also be the Kawana strip on the beach side of the Nicklin Way from Maroochydore to Caloundra. This area has been undergoing gentrification over a number of years as owners were buying more for position and renovating the dwelling.

Another area that we would throw in would be the areas around the proposed Maroochydore Town Centre. Plans and concepts have been recently released with the proposal to create a CBD hub. This new precinct, combined with the new hospital precinct, shows a coming of age for the Sunshine Coast.

Toowoomba

The Toowoomba residential market has continued to demonstrate a stable market. Over the past six months, we have experienced a boost in consumer confidence and an increase in buyer activity from first home buyers, investors and renovators. Buyer interest has continued to strengthen for dwellings that are well presented and well located.

The best locations to buy an established home in Toowoomba are East Toowoomba, Rangeville and the escarpments of Mount Lofty. These suburbs are well located within proximity to schools, parks, shops and local services. The consistent demand for well located properties provides an opportunity for good capital growth in the medium to long term. Currently, a well presented house can be found around the $500,000 price point. Below is an example of a dwelling currently for sale in Rangeville for $499,000.

This circa 2005, modern style, rendered brick home features four bedrooms and two bathrooms with a double built-in garage on a 641 square metre block.

The supply of new and established units is continuing to grow with considerable investment and construction activity occurring for small scale unit developments. According to the available unit development data, there are currently 236 units either under construction or in planning or application. There has been a significant increase in buyer enquiry for new units, particularly in the suburbs of Kearneys Spring, Glenvale and Wilsonton. Absentee investors are active in this market with continual strong rental growth. The $15,000 First Home Builders Grant is still a contributing factor to the demand of new units as opposed to second hand product.

This circa 2012, two bedroom, one bathroom and one car built-in garage is located in a complex of three in Kearneys Spring and is currently listed for sale at $299,000.

Residential land has historically demonstrated consistent growth in value due to the limited supply. This is a reflection of a residential land market that is monopolised by a local developer. Due to the controlled release of residential lots and limited englobo development land left within the parameters of the Toowoomba City area, we are seeing land development occurring on the outskirts of town and in satellite suburbs of Toowoomba in areas such as Highfields, Westbrook, Glenvale and Cotswold Hills. There has been an increase in house and land packages targeted at investors on the back of the long term growth forecast for Toowoomba given its location as the gateway to the Surat Basin.

With the speculation surrounding Toowoomba as the investment hotspot as the gateway to the Surat Basin, we are seeing an increase in house and land packages which are being marketed to absentee investors, particularly in the suburbs of Glenvale and Cotswold Hills which are located on the western outskirts of Toowoomba.

The consistent growth of median price and increased consumer confidence has seen an increase in buyer activity from renovators. The areas in which we are seeing increased buyer interest and renovation activity are South Toowoomba, Newtown and North Toowoomba. These areas are established residential suburbs consisting of older style, timber and colonial style homes which offer renovation potential.

Townsville

Properties within an eight to ten kilometre radius of the city centre are considered the best places to buy an established property in the current market. The premium inner city suburbs of North Ward and Belgian Gardens are well sought after localities due to their proximity to the city centre and The Strand foreshores, however houses in these suburbs for the average buyer are generally limited.

Other suburbs within this radius provide great opportunities for buyers at price entry from the mid to high $200,000s. These localities are generally fully developed older suburbs located within close proximity to services and amenities. The more modern suburbs of Idalia, Annandale and Douglas are located within close proximity to major employment nodes such as the Lavarack Army Barracks, Townsville Hospital and James Cook University. Houses in these suburbs are more modern and generally of solid masonry block construction.

When considering building a new home, the northern beaches corridor of Townsville provides the highest concentration of new land estates. This area over the past twelve months has continued its strong expansion of infrastructure, including a new Coles supermarket and several new fast food outlets. The largest residential land estate within the area, North Shore, is a master planned estate by Stockland, which offers a high level of facilities including a Stockland shopping centre, a new Bunnings Warehouse (currently under construction), open parklands and extensive walking paths, an aquatic centre and private school. This northern beaches corridor is accessed via the Bruce Highway and connects to the Ring Road, providing access to Lavarack Army Barracks, James Cook University and the Townsville Hospital.

The middle class older suburbs of Currajong, Gulliver and Mundingburra provide good opportunities for renovators to buy, renovate and capitalise. Price entry into these areas is from the mid to high $200,000s for a three-bedroom, one-bathroom home in original condition. These areas are within about five kilometres of the city centre and generally provide older style timber framed dwellings on larger traditional sized lots. These suburbs, particularly Gulliver and Currajong, have started to see some gentrification over recent years as older homes are purchased by younger home buyers and renovated. This combination of location and gentrification reflect well for future capital growth.

Western Australia

Perth

The federal election is over. Thank goodness. I suppose we can now get this Australia show on the road and focus on a few issues.

The Western Australian property market is closely aligned to the fortunes of the resources sector. Whether it's this bunch or that bunch in power makes little difference at the end of a long hard day. What matters more to us is the performance of the global economy, or at least it should.

What has taken the focus away recently from global events has so far helped the fortunes of the Perth real estate market. Good if you are a seller and bad if you're a buyer.

The number of listings in Perth has fallen dramatically and prices have been rising on the back of low interest rates and short term memory loss. We all seem to forget that the world isn't out of the woods yet. We have been scrambling for housing stock, pushing up prices and creating an impetus to build or renovate.

We see it all day every day. And we caution that this is not sustainable. Not when the broader markets are nowhere near recovered. Not when there is still so much debt out there in Euro land and the US still can't pay for its next Big Mac meal deal.

In our mind, long gone are the days (i.e. 2006 to 2007) when all you had to do was buy a property and the next month it was worth 5% more and by the end of the year it was worth 50% more. Rapid growth in property is unsustainable, unhealthy and unappetising. What people should be focusing on is lifestyle and how real estate assists or benefits their lifestyle.

That of course means different things to different people at different stages in their lives. For example, a young couple may be looking to step onto the property ladder and want to invest in something that will see out their first few years as a married couple and maybe the first few years of their first child. So they choose an area they know and a suburb they perhaps grew up close to. Somewhere that is connected to the places they work and want to play. So they will most probably select suburbs which are relatively close to the CBD with some form of vibrancy. That's if they both work in the city.

Generally young people will buy relative to the places they know at least something about, whether that is because they grew up or have family or friends close by or have heard great things about that place from friends. That first purchase is more about lifestyle than "how many nano-seconds will it be before our investment doubles in value". Maybe it's because they are in love that they buy something that makes them happy, rather than something that potentially will show the most capital appreciation in the shortest amount of time.

Maybe I'm old (I'm mid 40s) but I seem to remember my parents buying a house because it was close to family and then staying put for a long, long, long time. Sure, they purchased other property, they were Italian after all. Mainly blocks of flats, industrial buildings and the occasional farm. But they only purchased these once they could afford them and only because they essentially paid for them themselves. I know plenty of examples of this from that generation. In short, they lived within their means and within a community where they raised their children.

The difference with this younger generation is that everyone seems to think that property will double in value every five years and they will all be living in Peppermint Grove by 2025. They buy and trade within a very short space of time, each time giving the government a great wad of stamp duty money and a real estate agent a reason to buy the latest Range Rover. A bit of a risky strategy if everyone is doing it because it just artificially pushes prices up and up.

I can also give dozens of examples of people buying a multi-million dollar property (with a mortgage and everything), moving in and then deciding after a few weeks that they actually don't like it, or the suburb and then put it back on the market for more than they purchased it for not five minutes before! None of them by the way ever sell the house for more than they purchased it for. And before you all ring up and say hang on, I was different, don't tell me about the time you purchased something that was a mortgagee in possession, was trashed and bashed, you did it up and then sold it for more in three months. I'm talking about normal, highly educated people making the biggest investment decision of their lives and then deciding to waste about a quarter of a million dollars in agent and stamp duty fees all because they decide they don't like the layout of the kitchen?

Any residential area means different things to different people. We should try to make sure that first and foremost it is a place to live, to connect, to grow, be safe, to have our children learn in and to enjoy and nurture friendships. Superfluous or secondary to all of that is it should provide security for the future - somewhere at some point in time, the place can be passed on to someone else to use, to love and to shape to suit their own needs.

If you talk to any architect, they will tell you that space is more important than place. Talk to a real estate agent and they will say the opposite, that it is all about the location.

In my mind, there are no silver bullets in the property decision making process and why one area is better than another or why one street in better than the next or why a home theatre is more valuable than a lounge room, or what the difference is.

The areas that perform the best are the ones that have developed a sense of community. Places where character has developed and tradition has grown. Older areas are very good examples of this. The houses are generally from another era and have been adapted for modern living but it's more about he neighbourhood, the schools, the mature tree-lined streets, the places to explore for kids and adults alike. They are the areas that people are drawn to. In Perth, think of suburbs like North Perth, Mount Hawthorn, Swanbourne and East Fremantle as examples. These are some older suburbs close to good schools, great communities, good local shops and some big old fashioned blocks with big trees for kids to climb.

Concentrically spread out from these areas and you will find jewels of places where people and lives can connect. Close enough to everything and still desirable. Renovate the older, well built homes located on traditional sized blocks. Extend them. Use them. Enjoy them now and with your family as it grows.

In the newer communities, try looking for larger master planned communities with a developer who has a long term investment horizon. They are more than likely to develop far superior infrastructure within the estate to help nurture a sense of community and place which will benefit you (and of course them). They will plant more mature trees. They will build wider roads and more accessible pathways for pedestrians and cyclists. Their shops and parks will be well thought out. They will draw private and public schooling. Think of your Settlers Hill in Baldivis or Alkimos. Imagine living in these places for a long, long time. Perhaps in different types of accommodation, be it at first on a small cottage lot, then a larger more traditional lot and finally perhaps a unit within a community. You being there long term will help it develop a sense of place and identity long after the developer has left.

So, wherever you are at in your life cycle, make sure that you think about what it is that you actually need now and in the future then base your decision around that. Make sure you look at the community first and foremost and don't focus on capital growth. That would be wrong. That would be capitalistic. That would make the world a very unstable place.

Who knows, you might also leave something for your children's children to enjoy.

Esperance

The honours are just about even for the buy or build debate within the broader Esperance townsite. Builders' costs have declined over the past 12 to 18 months to a point where the balance of whether to build and have the (potential) grief of blown out contracts, extra finishing costs not originally allowed and juggling closing off your existing accommodation arrangements is just about on par with buying a property set up and ready to move into.

This hasn't always been the case of late, with the boom years in this area seeing a combination of a lack of tradesmen, high contract prices and very long completion timeframes making buying established property much more attractive. The potential to overcapitalise when building during that time was very easy. Thankfully, that situation has eased somewhat and people are building and fully completing their homes within the building contract (including painting, paving, landscaping, floor coverings, window treatments etc), typically coming out at the other end in line with market costs.

The renovation market here is very small to non-existent. This is a factor of costs and a lack of tradesmen available for small one off jobs. Most of the renovation work in this town is on property owned by the builders and tradesmen themselves. It is unlikely anyone else would see the costs associated with such work returned in added value and there is a strong likelihood the property would be initially overcapitalised.

In our main outlying towns like Hopetoun, Ravensthorpe and Norseman, buy established every time. Hopetoun in particular has an oversupply of established property on the market with asking prices well below replacement costs. These towns don't have established builders, making the whole exercise of retaining a builder a very costly and potentially long drawn out affair.

What is becoming increasingly prominent in these centres is the use of pre-fabricated homes that are constructed in workshops in Perth and trucked on to sites. The presentation of these homes is usually very good and they are established on concrete slabs with concrete footings and generally have a good standard of fixtures and fittings throughout. Property owners are finding this option to be quite competitive from a cost viewpoint, giving them a completed, well appointed home within a relatively short timeframe without overcommitting financially to the extent they would have if relying on traditional building.

South West

The South West of Western Australia offers good opportunities to the prospective purchaser looking to buy established, renovate or build.

A good option when buying established in the area is to look along the coastal strip located on the northern side of Bussell Highway traversing the suburbs of Busselton, West Busselton, Broadwater and Abbey. This coastal strip is approximately 500 metres wide and runs for approximately ten kilometres along the wide expanse of Geographe Bay. This portion of land is fully established and consists of well presented homes, generally built from the 1960s to the 1990s, and is supported by good infrastructure. The strip is characterised by strong underlying land values, decreasing the likelihood of over capitalising - an important factor for a prospective renovator.

The wider City of Busselton local government area continues to grow at a strong rate and this well located section of land will continue to grow in desirability and affluence as the urban sprawl continues to be pushed further away from the coastline. This will result in good capital growth over the medium to long term as an increase in population will lead to stronger demand for a product that has limited scope to increase in supply. As a result, this well positioned and limited coastal strip would represent a good option for a prospective purchaser of an established property or an existing landowner deciding whether or not to renovate.

Alternatively, a prospective purchaser looking to build also has good options at their disposal. An example of this is the locality of Vasse. Vasse is an up and coming suburb built up around a small outlying townsite. It is currently enjoying multiple new land releases and is supported by good infrastructure such as schools and main thoroughfares. Vasse is located approximately three kilometres south of the Geographe Bay coastline and is situated on the doorstep of the desirable Margaret River wine region and half-way between the towns of Busselton and Dunsborough on the coast.

Land is becoming readily available through multiple land releases. These new estates are affordable, with the majority of the land being released from between $140,000 and $180,000. This encourages the first home buyer market and also investors. Established sales within Vasse are currently selling for above replacement cost, meaning a prospective purchaser looking to build will obtain excess equity upon completion of the residence. This has not always been the case in the South West as many localities over the past few years have been selling for below replacement cost. These factors make Vasse a good option to a prospective purchaser looking to build in the South West.

Tasmania

Tasmania in spring is a beautiful place to be; mild sunny days that grow longer each week and daylight saving fast approaching both elicit a renewed sense of optimism. Optimism in the property market remains steady this month; prices remain firm with gradual increases in sales volumes.

For buyers seeking established property, good options across all Tasmanian regions are inner city properties and centrally located suburbs. Close to Hobart, suburbs such as North Hobart, Battery Point, Sandy Bay and West Hobart all offer established properties and a variety of prices, big and small, to enter their property sub-markets.

For buyers seeking established property, good options across all Tasmanian regions are inner city and centrally located suburbs.

Glenorchy and its closely surrounding suburbs offer established property with sound gross returns and the promise of large commercial development activity at the Royal Hobart Show Grounds. Sales activity is occurring in Glenorchy, the Eastern Shore and central Hobart suburbs while Kingston and Blackmans Bay are experiencing steady sales activity.

In the northern region, inner city Launceston, Newstead, South Launceston, West Launceston, Invermay and Kings Meadows have good stocks of established property and are experiencing the greatest volume of sales activity.

Devonport and Ulverstone on the central northern coast are areas where you can purchase established properties with the best recorded sales activity in the north-west.

For purchasers who like to renovate, these same established suburbs in the south, north and north-west offer a mixture of properties that are either in need of renovation, have been partially or completely renovated or extended. As Tasmania has Australia's second and third oldest cities, there are many historically protected properties in various states of repair so for those renovators who really like a challenge there are many opportunities. For those who like to renovate or extend with a penchant for design freedom, our inner city and centrally located suburbs are the places of choice.

State-wide building activity remains subdued with building approvals being below that of the previous year. As previously alluded to the First Home Builder Boost has not provided the level of stimulus for the building industry that was hoped for. When existing housing stock can be purchased for similar to land and a new home, there is little incentive to build.

For those opting to build in the south, the eastern suburbs of Tranmere, Clifton Beach, Oakdowns and Cambridge are where larger blocks of residential land are selling for up to $250,000. Research reveals that these suburbs are presently experiencing the greatest sales volumes of vacant residential land.

There are pockets of building activity in the north in Newstead, Kings Meadows, Riverside and Prospect Vale. The more centrally located suburbs of Kings Meadows and Newstead are commanding land prices of up to $240,000, with one sale reported at over $400,000. As previously mentioned, the satellite villages of Perth and Longford are where purchasers can obtain residential blocks for under $90,000 with a 25 minute commute to Launceston.

In the north-west, research indicates that vacant land purchasers are buying land in Devonport and Wynyard. Vacant residential blocks in Devonport are achieving a median sale price of $94,000 while further West in Wynyard, you could expect to spend a similar amount of money.

Renewed optimism that our longer, warmer days bring combined with renewed confidence and stability that a change of government may invoke are positive elements to encourage growth in Tasmania's business and property marketplace.

Northern Territory

Darwin

After good growth over the past two years, Darwin's property market seems to have stabilised. It seems most likely to continue this way for the short term with new unit developments nearing completion which should help ease the housing shortage and also because affordability is becoming a real issue for most Territorians.

The Northern Territory has some of the most expensive living and property costs in the country. According to Numbeo, which compares the cost of living in different cities, Darwin ranks 12th in the world.

The quarter ending June 2013 showed that sales volumes increased by 46.6% for inner Darwin houses, rising from 21 sales to 31. However the median house price of $760,000 was 13.1% down on the previous quarter. In the northern suburb of Sanderson, sales volumes increased 2.2% from 46 to 47 settled sales, and the median selling price increased by 4.8% to $600,000. Palmerston also had a 2.2% increase in sales from 135 to 138 and the median house price increased 0.7% to $554,000.

So, to find anywhere that will have substantial capital growth over the short term may be difficult. However the northern suburbs are not seeing the same level of unit development as the city, are cheaper than inner Darwin housing and seem to be a hotspot for owner-occupiers as opposed to the city which is flooded with investors. It is also much preferred to Palmerston due to the commute time to the city and convenience of being close to amenities such as local markets, Casuarina Shopping Centre, Marrara Sports Complex and Charles Darwin University. For these reasons, we have confidence that the northern suburbs will experience some capital growth.

Finding suburbs where new housing is the first choice for residents is quite easy in the Top End. Most of the city and northern suburbs have very little land available to build on, so the main place to look would be the two neighbouring northern suburbs of Lyons and Muirhead. Both of these are relatively new suburbs with land only released over the past few years. It is mostly Defence Housing Australia homes in the area but if you want to build in the northern suburbs of Darwin, you don't have a lot of other choices.

If you are happy to be 30 minutes from the city, the areas where new homes are being built are the Palmerston suburbs of Bellamack, Durack Heights, Johnston and Zuccoli. Land here has been released over the past couple of years and has been snapped up quickly by desperate buyers wanting to get into the property market. With concessions and grants for new homes and first home builders there are advantages in looking out that way.

For example on offer in Durack Heights at the moment is a 611 square metre block of land for $329,700. Or if you are looking at house and land packages, lifestyle housing is an affordable housing option where you can get an 87 square metre ground level house on an approximately 255 square metre block of land starting at $386,500.

With Darwin's shortage of available land, it's not so much a question of where should we build, it's more a question of where can we build.

If you are looking at an area where renovation is prevalent you would again look to the northern suburbs, in particular the likes of Karama and Malak, or suburbs where there has been a large amount of ex-government housing. Buyers are picking up relatively cheap (starting at around $450,000) ex-government houses and renovating to sometimes make a good return in equity. An example of this lately has been a property in the northern suburb of Moil. The DIY owner bought the three-bedroom, two-bathroom property in July 2013 for $420,000 in a very run down state. It was completely gutted, yet after renovation he should see a good profit.

Another area where there is a reasonable amount of renovation is in the older yet preferred suburbs such as Parap and Fannie Bay. Many of the pre-Cyclone Tracy, circa 1950s and 1960s housing is now becoming obsolete and many owners and buyers who are purchasing these older properties in the higher price range are renovating to make them more modern and of a quality to match the suburb.

Australian Capital Territory

Canberra

Over the past few years, an extensive new supply has entered the residential market, mostly through greenfield development. The expansion of Gungahlin, West Belconnen, Molonglo and surrounding regional townships have been the main drivers underpinning new housing supply.

Recently we have seen land releases in the latter stages of Crace, Casey and Bonner afford great views from elevated blocks. These do however come at a premium, begging the question: would you rather be in an outer area with a good view or an inner area without?

In terms of established suburbs; Kingston and Griffith remain popular, close to cafes and eateries through Manuka and Green Square. Dwellings within these suburbs typically sit at the upper end of the Canberra market, however with a softening unit market, there is scope for buyers to capitalise on vendors seeking a quick sale.

Through the inner north, Ainslie remains a renovating haven with purchasers keen to pick up a large block close to the city. In the outer suburbs, purchasers tend to avoid properties that require work and vendors with these property types looking to hit the market should be prepared to discount their pricing expectations if necessary.

The new development through Weston and Molonglo would be the pick of new land releases, with easy access into the city and quality surrounding development. For a block over 500 square metres, you should be prepared to spend in excess of $350,000.

The new development through Weston and Molonglo would be the pick of new land releases ...

Opportunities will continue to present themselves in the market, with springtime generally attracting a flurry of new properties to the market. Buyers should remain patient for both new and established properties and ensure they thoroughly do their research prior to purchase.

Rural

HERRON
TODD
WHITE
RURAL

Overview

It may be a change of government, it may be the dollar, it may be buyer-vendor expectations now coming into alignment or a combination of all the above, but whatever it is, this month our team is reporting an increased level of sales activity almost across the country. The recent rain events may also help to add a bit more confidence to the year end for the cropping regions if they were able to hang on, however reports of bailing and stock on crops were becoming more common as the dry weather took a toll.

Sentiment is what drives a market and it appears to be starting to shift which is a good sign for the sector overall. This increased level of activity will not necessarily see prices move upwards in some regions as supply of properties still exceeds demand. However to have transactions now being executed, some of note, will help prospective market entrants gain a view of the market.

The confidence in the agricultural sector in the north of Australia which has had its share of issues in the past two to three years is highlighted by the announcement by AACo to proceed with the Darwin abattoir which is now fully underwritten in the capital raising.

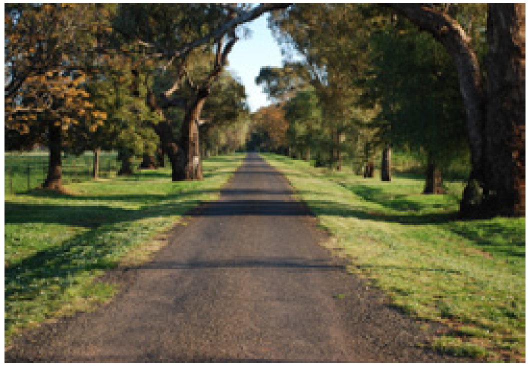
This level of investment into agriculture generally and the cattle market in the north in particular is a positive statement about the longer term view of the market and opportunity. Many will sit back and watch with interest no doubt. However this development has the capacity to change some of the face of that northern market and, as they say, a rising tide floats all boats. I for one wish AACo well in this endeavour.

We received great feedback on last month's issue which challenged the team to consider what they would do if they had $5 million to $7.5 million in the bucket to invest into agriculture. It was interesting to see a piece of feedback where the local manager agreed with the view, and then commented, "if only the credit guy would agree". My guess is that this would be a common discussion of recent times, however with some more evidence as reflected by the team about transactional activity confirming the relative market values in regions, we may yet see the credit and sales ends more aligned in their views and this would also assist the possible activity in market.

Enjoy the read for this month and we always welcome your feedback.

Tim Lane

National Rural Director



Southern NSW and north-east Victoria

The season down here continues to get better and better. We had an unusually warm August and plenty of rain. It is now raining again and between 40 and 60 millimetres is forecast for this event. We are now in spring, which is when we need rain and warm weather for crop and pasture growth and it has kicked off earlier than usual, with warmer weather and more rain than usual. So all is looking good for the croppers and graziers in this area.

For the irrigators, the irrigation storages are at full or near full capacities - Dartmouth is at 97% and is expected to spill, Hume is at 99% and is expected to spill, Eildon is at 90% and Eppalock is at 85% - and we still have the spring rainfall to come. As a result of the unseasonably warm weather, most of the snow melt has already occurred. Due to the near full capacity of the irrigation water storages, allocations are unusually high at this stage of the season. If the weather forecasters are correct, it is quite likely that as the season advances, 100% of high security and in excess of 75% of general security allocations will be announced.

On the property side of things, demand is still very strong for most country types in this area, except dairy country. Corporate and foreign government buyers are still looking to buy large rural holdings in this area that are suitable for broad scale cropping or versatile country suitable for cropping or grazing. In addition, after three good seasons and being well advanced in the fourth good season, build up blocks and family farms are still attracting strong interest.

Local buyers looking for additional land to add to existing holdings and farming families looking to buy mid-size holdings have both re-entered the market as they have been able to pay off accumulated debt and/or update plant and equipment, and are now looking across the fence to buy the neighbour or the place down the road they have had their eye on for a few years.

Demand is still very strong for most country types in this area except dairy country.

Prices are reflecting the increased demand across the board from smaller build up blocks to large corporate style holdings. With a few exceptions, properties in this area that have been put on the market since mid 2012 have sold. Many landholders have been approached to sell by potential purchasers and have generally responded in the negative. The returns over the past three years have been fairly good (compared to the previous eight or ten years), and many land owners are looking to get at least one more good year before they decide to sell.

The usual selling period in this area is spring, when properties look their best. Agents report that there are a few properties trickling onto the market, but not enough to satisfy current strong demand. Our feeling is that we are past six o'clock on the property cycle and prices are likely to start moving upwards in the short to medium term.

Canola crops in the area - much higher than the fences.

Leeton and Griffith

With a warm start to spring here, winter crops are maturing well. The rural real estate market remains subdued and is still overshadowed by forced sales, although there has been some recovery in values in the dryland sector. There have been no recent sales of note in the region.

Echuca

Activity has picked up on the rural scene, particularly for smaller holdings in close proximity to towns. A couple of larger properties have also gone under contract in the $1.5 to $2 million bracket although there are generally fewer buyers for properties in excess of $1 million.

The impact of Coca Cola Amatil reductions in fruit contracts is yet to work its way through the market by way of any sales evidence but there are going to be some difficulties around the utility that can be drawn from smaller orchards which are unlikely to be viable for any other form of agriculture due to their size. It is also likely to be difficult to obtain planning permits for single residential dwellings under the current planning scheme which has historically been a viable alternative use for many lots.

Activity has picked up on the rural scene, particularly for smaller holdings in close proximity to towns.

Mildura

While springtime brings footy finals, it has also brought the first burst of hot northerly windy weather that September generally brings to this region. The first couple of weeks of September were horrendous for the dryland sector, particularly given the lack of any significant rainfall over the past ten weeks or so. Cereal crops have been just hanging on, however a reprieve arrived in the middle of the month with some good rainfall recorded across most of the region. This should result in average yields at least in the northern Mallee, Millewa, south west New South Wales and central Mallee cropping regions.

In regard to sales activity, the dryland cropping sector has been unusually subdued in this region throughout 2013. However the recent auction in August of a large four-lot dryland cropping aggregation in the eastern Millewa region (20 to 40 kilometres west of Mildura) has provided some interesting results. The four allotments were all sold separately either under the hammer or shortly after. The three larger and further out parcels showed varying arable land values of:

- $575 per hectare for a 1,461 hectare parcel;
- $648 per hectare for a 1,779 hectare parcel; and
- $739 per hectare for a smaller 616 hectare parcel.

The smallest parcel, a 270 hectare site fronting the Sturt Highway and only 20 kilometres west of Mildura, sold after spirited bidding for $1,325 per hectare, well above agent and market expectations.

These sales provide a good indicator of the market, noting that none of the four properties was under crop and none had been chemical fallowed prior to sale.

There have also been some transactions in the pastoral station sector to the north and west of Wentworth, however full details are not available yet and will be reported in our next edition.

In the horticultural sector, there have been several sales in recent months of table grape vineyards in the Robinvale and Euston irrigation areas. Some of the larger established growers are buying up properties at very firm levels.

In addition to this sale activity, there has been some significant redevelopment of vineyards in the Mildura and Robinvale regions to market preferred fresh fruit varieties. It appears that growers are buoyed by the lower Australian dollar and improved market conditions for their fruit, with particular reference to the Asian markets. Recent reports indicate that export buyers are already quite active in securing fruit for the new Chinese market.

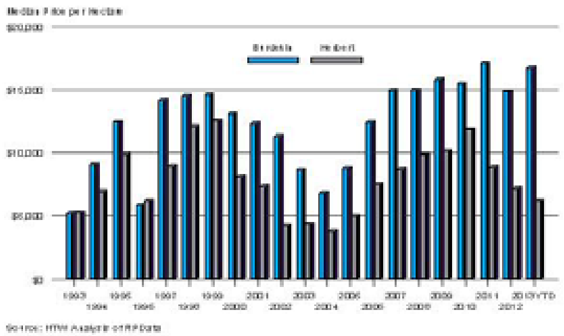
Cairns

Activity has finally picked up in the Far North with a number of properties transacting over the past six weeks. In the Lower Cape, there are currently two cattle stations subject to sale contracts which remain confidential but will show a significant decrease in values from peak levels achieved around 2007 and 2008.

There have also been several sales of coastal grazing country including the ex-Elders forestry property Fishtail which was originally part of Tully River Station selling for $1 million. There has also been a large sale in the Nerada area in excess of $2 million and at least one other large grazing sale pending. This is significant in that over the past three years, the coastal grazing market has decoupled from the Tablelands market. Typical coastal fattening is currently selling for between $3,000 per hectare and $6,000 per hectare compared with Tablelands grazing values in the order of $5,000 per hectare to $12,000 per hectare. This difference in land values is disproportionate to the difference in productivity between the two areas and some of these coastal grazing properties are looking affordable compared to similar offerings on the Tablelands.

In the Mareeba Dimbulah Irrigation Area, there have been a number of properties converted to sugar cane as the Tablelands Mill chases supply for 2014 after the defection of a number of its growers to Mossman Mill. This has also triggered a number of property transactions and there will be more to come with a portfolio of biodiesel tree farms currently being marketed by receivers. Other key sales include a large irrigation farm near Mareeba for $7 million that will be developed as a large scale banana operation.

The grazing sector continues to battle severe drought conditions as a result of a poor to non-existent wet season. Mortgagee sales continue to represent a major sector of properties being offered to the market place. Sales are summarised below.



Dubbo

The rural market throughout New South Wales continues to be what we would call in a cautious state. Most real estate agents are reporting that potential interest in the market is still at reasonable levels, however there is a definite focus on return from investments and this cautiousness is also apparent due to the seasonal conditions. As we write this, central New South Wales has received approximately 70 millimetres of rain which should see some winter cereals in the area finish off well, although we believe this is too late for the northern areas of the state such as Coonamble and Walgett.

A recent sale of a smaller rural property located between Dubbo and Wellington illustrates the generally solid demand for small rural holdings adjacent to well populated areas. The property was Kameruka which consisted of 106 hectares of open red brown loam cultivation country and improved with a very well maintained five-bedroom, three-bathroom residence which included two kitchens, a very large area of lawn and manicured gardens, modern tennis court with lights, gas heated in-ground pool with a separate spa and cabana, children's play area and shed. The property was well presented with a tree-lined driveway and concrete rainwater tanks. There was an additional large garage and workshop. This property previously sold in 2009 for $850,000 and has just settled at $950,000. The property was sold by a local real estate agent to a farming and grazing interest in the area.

Overall, we expect to see an increased level of interest emanating from the major rainfall events that have occurred across the central division of New South Wales. We believe that two properties have gone under contract in the Curban area north of Gilgandra. These properties consist of red and chocolate loam cultivation country and will give a good indication of value levels for the area. Further details of these sales will be reported in next month's issue.

Central Queensland

Dry conditions continue in Central Queensland after a winter season with effectively no rainfall. A fair body of feed remains in most areas however the value of this feed is deteriorating.

The first half of 2013 saw more a more active market by way of transactional volumes then the previous four or five years, however these sales also provided confirmation of decreasing values.

Two recent coastal forest sales offer some market direction in the thinly traded areas around Calliope. Vale Royal (2,073 hectares) and Inverness (17,100 hectares) were offered at auction, both selling independently for $1.7 million, reflecting $820 per hectare ($331 per acre) and $99 per hectare ($40 per acre) respectively.

Rookwood, located about 120 kilometres west of Rockhampton, has also sold post auction for $3.65 million or $424 per hectare ($172 per acre). The 8,600 hectare improved scrub and forest grazing property had an extensive marketing campaign, eventually selling to an established local grazier.

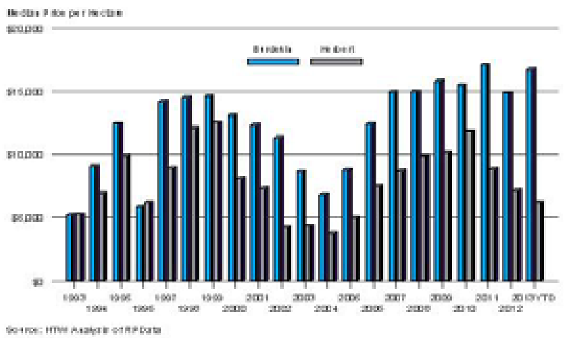
The Brae at Theodore has reportedly sold on a walk in walk out basis for $7 million. The 10,353 hectare (25,584 acre) property is located with a frontage to the Dawson River and 100 hectare irrigation development.

North Queensland

First of all this month, we pass on our respects to the family of Eddie and Sandy Guarde. A tragic loss to the family and the members of the Croydon Shire.

Cane farm sales

Within the coastal cane lands of the Burdekin and Hinchinbrook Shires, the harvest is well under way. Some sectors of the crop have been adversely affected by yellow leaf but the feeling is that science will eventually beat this as yet unknown pest. Cane farms continue to be traded and sales are summarised below.



The cane farm market is being held back by weak demand resulting in low numbers of sales. Median prices per hectare appear to be holding within reasonable parameters in the Burdekin, but are trailing away in the Herbert region as a result of recent sales being predominantly of lesser quality or ex-forestry country.

The current slow market conditions are the combined result of potential buyers having limited purchasing capacity, a prevalence of mortgagee in possession sales, affordability concerns and financing difficulties. Once sales begin to occur again after this year's harvest, a better determination can be made of the real value position of 2013.

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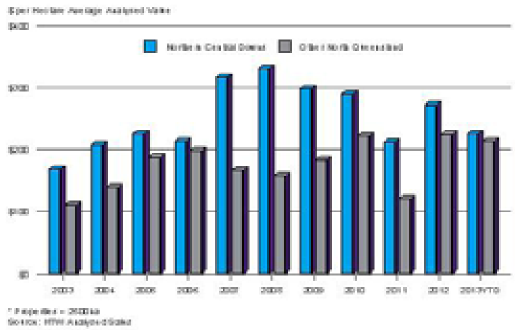


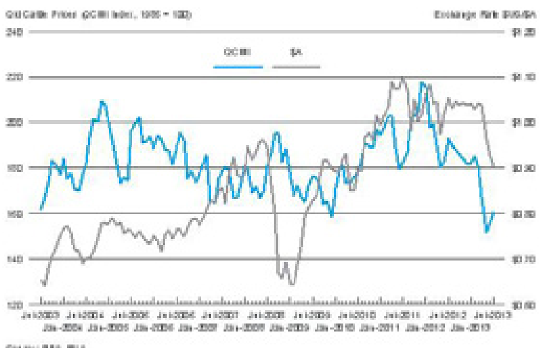
Average analysed values for cattle properties have seen the value premium for Northern Central Downs Country properties over and above other North Queensland locations compressing over the past five years. In addition, early figures suggest that median prices per hectare in both categories have softened during 2013 as a result of drought conditions. Sale transaction volumes remain modest in the currently cautious market environment, with an estimated 32 sales of 2,500 hectare plus Northern Queensland properties taking place during 2012 and 2013.

Kilclooney was recently put to the auction room and passed in for $2.55 million. The property is in the possession of receivers and negotiations are continuing.

North Queensland is heating up! Literally! In the past week or so, the temperatures have risen considerably and dam levels continue to get lower. There is some speculation as to a possible early break in the season. We can all hope for that!

The live export demand increases are noticeable. For the year to date, the number of cattle that have sailed out of Karumba is as many for the whole of last year, at about 12,000. At this stage the details of the Indonesian announcement to purchase about one million hectares of grazing land has not materialised and it is too early to say what impact this will have on the North Queensland property market. Apparently there are Chinese potential purchasers also looking around to buy into larger scale operations.

As shown, Queensland cattle prices have been hit in recent months. This is a result of drought conditions in North Queensland pushing extra cattle onto the market, as well as cattle that were caught up in the 2011 live export ban now reaching slaughter weight also hitting the market. Australian beef cattle prices are forecast by ABARES to average 5% lower in 2013 and 2014 than in the previous financial year.



General Bowen Area

Bowen has again suffered some adverse events. The closure of the mines in the Collinsville area has affected the general Bowen community as many of the miners live in Bowen. The mild winter has not been of great benefit to the Bowen vegetable growers as the southern growing areas came on-stream earlier than normal and crashed some of the prices. All is not happy in this area but announcements on further Abbot Point developments are in the pipeline. A change of fortune for this community would be welcomed by all.

Toowoomba

The season up until early spring has remained exceptionally dry. In Queensland, there were 17 shires as at August declared in drought and three partially drought declared, the majority in far Western Queensland and the Northern Cape. The winter temperatures overall have been relatively mild and we seemed to dodge those traditional Ekka westerly winds.

Some late frosts however have damaged large areas of crops, particularly chick peas on the inter and outer Downs. In areas, crop yields have been downgraded by more than 70% due to the frost. Those winter cereal crops on the Downs have also had mixed results. Later plantings on minimal moisture profiles have generally struggled and expected harvest yields do not look promising.

On the beef market side, large quantities of cattle are dominating yardings, with the Roma store sale in early September anticipating in excess of 9,000 cattle. The market itself has held firm despite several large consignments of cattle. The average price for steers in the 280 to 350 kilo weight range averaged 159 cents per kilo.

On the property market front, two holdings of the late John Quintana were auctioned by Ruralco Property. The properties included Rockybank a 14,623 hectare aggregation to the south of Roma and Tobermory a 146,100 hectare aggregation to the south-west of Quilpie which included the Nerringundah and Bowalli portions. Rockybank was the first to be auctioned and sold under the hammer to Kidman & Co. for $7.4 million, reflecting $506 per hectare. Bidding on the Tobermory aggregation started from the floor at $1.5 million and was eventually passed in at $2.5 million. Subsequent to the auction, the property is reported to be under contract for a higher price.

Overall, the auction process of the two properties can conclude it to be a good result for those marketing but also for the overall market as it reflects some degree of confidence in the rural sphere where properties are observing increased interest from previous static trends and sales transactions are now eventuating. The third property in the group of these holdings is Rodgers Creek, a 838 hectare property with a 3,350 SCU feedlot near Warwick. The property has been offered by expression of interest.

Outer Downs wheat crop

Rural

Northern Territory

Recent changes in Indonesia's approach to live cattle imports are encouraging for the Top End cattle industry.

For some years the Indonesian Government has had a policy of aiming for self sufficiency in beef production. However the high price of beef in Indonesia is leading to their farmers selling breeding cattle to butchers, resulting in an unsustainable fall in cattle numbers. The recent apparent abolition of the import quota system appears to address this issue. Although most cattle entering Indonesia are destined for their feedlots and eventual human consumption, this may lead to an opportunity to rebuild numbers.

The level of imports could be curtailed if beef prices fall below a benchmark price of 76,000 Indonesian rupiah per kilo, however, at current prices of 100,000 rupiah per kilo, it appears that there is a good opportunity to increase live exports at present, perhaps more than doubling Australia's current exports.

As part of the self sufficiency program, there are reports that the Indonesian Government is considering the purchase of up to 10,000 square kilometres of pastoral land in Australia to guarantee its supply of cattle. This is a recent announcement and full details have not been released, however this could represent good news for the fragile recovery of the Top End pastoral industry.

This month, the AACo Board has confirmed that they will be pushing ahead with the Livingstone abattoir project. The cost of this project has been estimated at $91 million and AACo has recently announced a capital raising, part of which will be used to fund this development. The abattoir will be capable of processing up to 200,000 head per annum and is principally aimed at cattle out of spec for the Indonesian market. It is unclear yet how the recent Indonesian decision will impact on the availability of suitable cattle for the abattoirs.

In horticultural news, the detection of banana freckle in Cavendish bananas in the Howard Springs area is cause for concern. The disease has never been identified in Cavendish bananas in Australia before. Affected properties, which do not yet include any full scale commercial operators, are under quarantine. If banana freckle spreads, its effects could be as debilitating as Panama disease which now seems endemic in the Top End.

Western Australia

Do the rains change the game in Western Australia?

I would not be the first person to comment on the recent weather events across the Western Australian wheat belt and how many have received a good and well needed drink. Once again, producers are remembering what soil moisture looks like, and many will be tentatively, and no doubt secretly, impressed by the crops growing in their paddocks. While it is still a way to go until harvest, reports are coming in that an average to above average harvest is likely. On the back of this, the Grains Industry of Western Australia's predicted production total for the state had risen to 12.4 million tonnes, up from 10.5 million tonnes last month. Together with the weakening of the dollar, this has seen an increase in confidence which should see an increase in activity in the rural land market.

Having been on the south coast of Western Australia recently and discussing the weather and market with a local landowner, the following quote came to mind:

"A pessimist sees the difficulty in every opportunity; an optimist sees the opportunity in every difficulty."

Winston Churchill

This person was evidently an optimist because he was of the opinion that for those in a strong equity position, the present is the perfect opportunity to buy land, given the difficulty in which others are finding themselves. I had to agree that it continues to be a buyer's market here in Western Australia as limited activity and uncertainty over values in many areas continues.

I am sure that they are not the only neighbours looking over the fence and wondering whether this is the time to make the move. Given the excess stock on the market, the majority of vendors will be motivated either by financial duress or personal reasons. It is an indication that it is a time of opportunity, and a good harvest could be the trigger needed to get the ball rolling.

The big question is: will this year be the one that sets a new benchmark in values? If the harvest is as good as predicted and confidence is up, then it most likely will be.

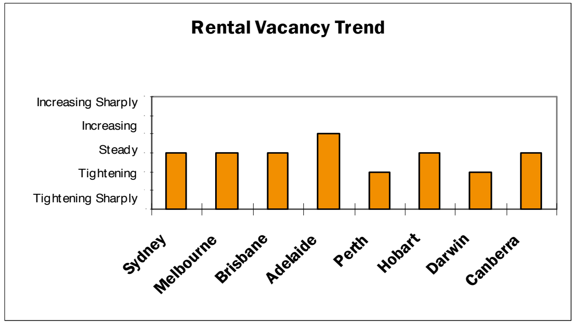
What will the new benchmarks in values be? As always, this will be determined by the market.

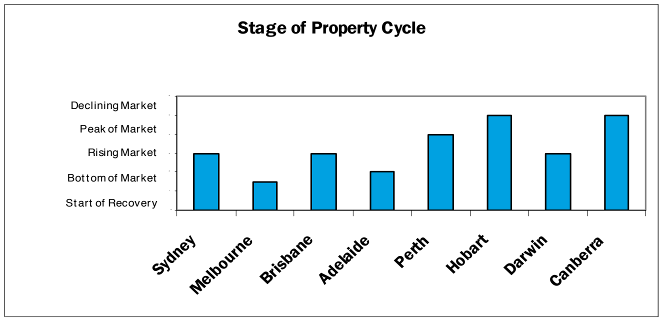
Capital City Property Market Indicators - Houses

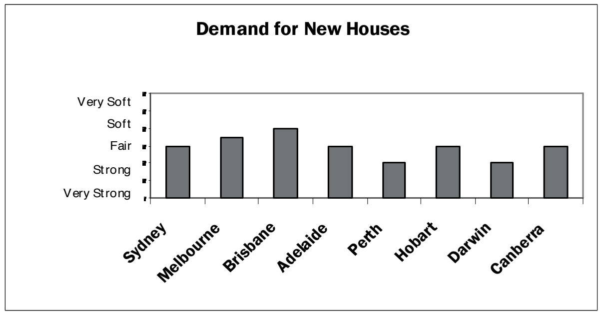
Factor	Sydney	Melbourne	Brisbane	Adelaide	Perth	Hobart	Darwin	Canberra
Rental Vacancy Situation	Shortage of available property relative to demand	Balanced market – Oversupply of available property relative to demand	Balanced market	Balanced market	Shortage of available property relative to demand	Balanced market	Severe shortage of available property relative to demand	Balanced market
Rental Vacancy Trend	Steady	Steady	Steady	Increasing	Tightening	Steady	Tightening	Steady
Demand for New Houses	Fair	Soft – Fair	Soft	Fair	Strong	Fair	Strong	Fair
Trend in New House Construction	Steady	Declining	Steady	Increasing	Steady	Declining	Increasing	Steady
Volume of House Sales	Increasing	Steady	Increasing	Steady	Steady	Increasing	Steady	Steady
Stage of Property Cycle	Rising market	Start of recover – Bottom of market	Rising market	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	Almost never

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

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







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	Fair	Soft	Soft	Fair	Strong	Fair	Strong	Fair
Trend in New Unit Construction	Steady	Declining	Steady	Steady	Increasing	Declining	Increasing	Declining
Volume of Unit Sales	Increasing	Steady	Increasing	Steady	Increasing	Increasing	Steady	Steady
Stage of Property Cycle	Rising market	Start of recovery - Bottom of market	Rising market	Bottom of market	Peak of market	Declining market	Rising market	Declining market
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Frequently	Very frequently	Occasionally	Occasionally	Occasionally	Occasionally	Occasionally	Almost never

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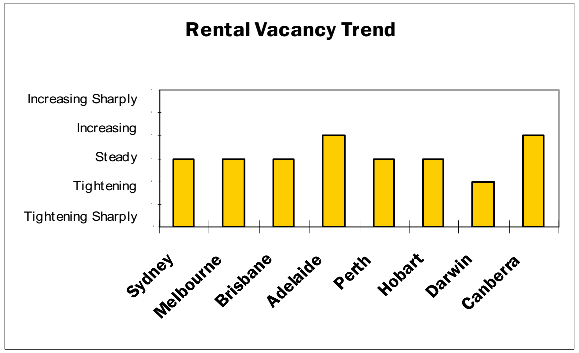

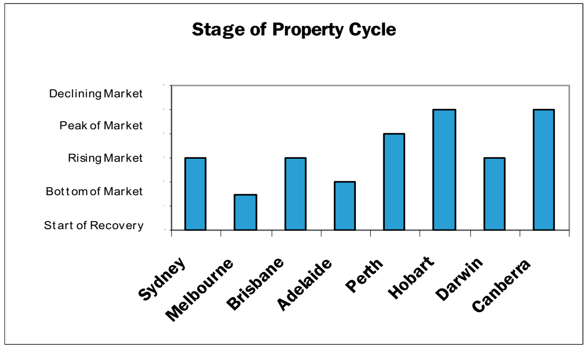

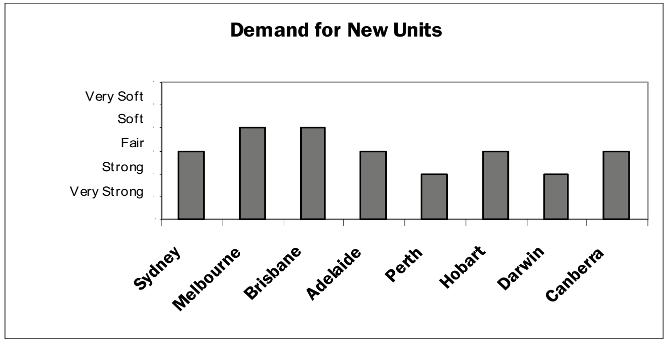

Market Indicators

Capital City Property Market Indicators - Office

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

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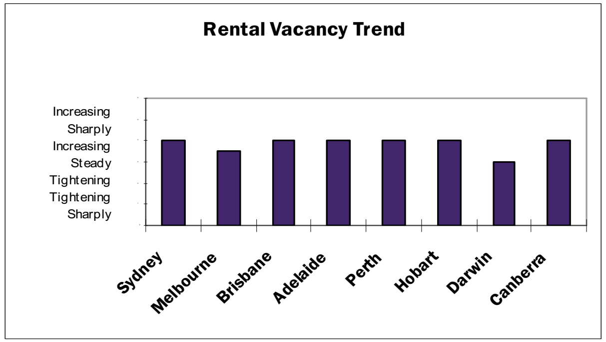

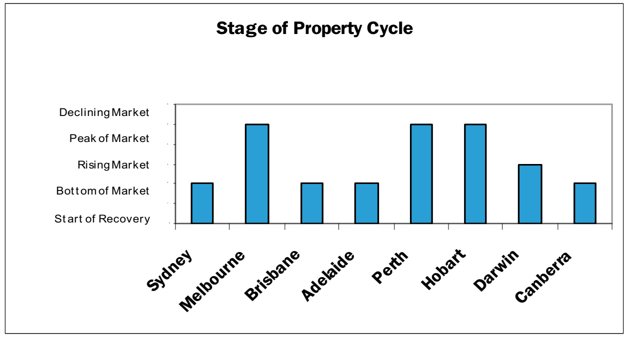

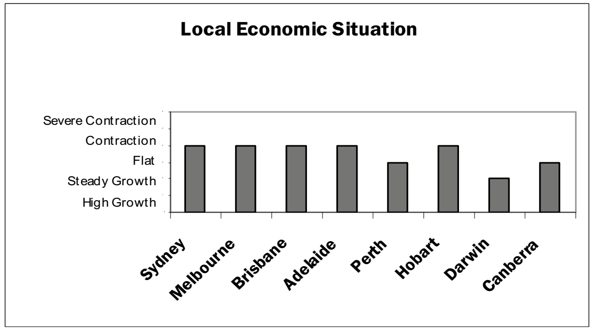

Market Indicators

New South Wales Property Market Indicators - Houses

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

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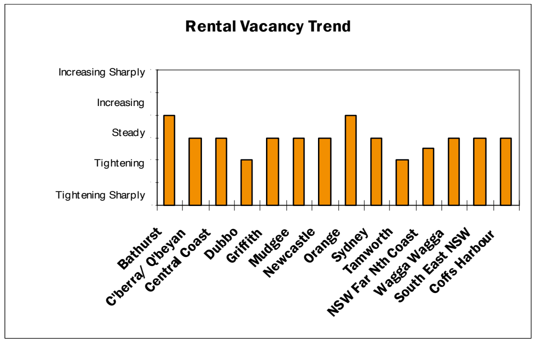

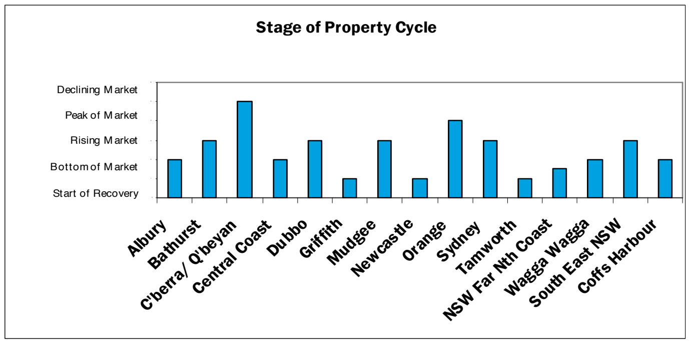

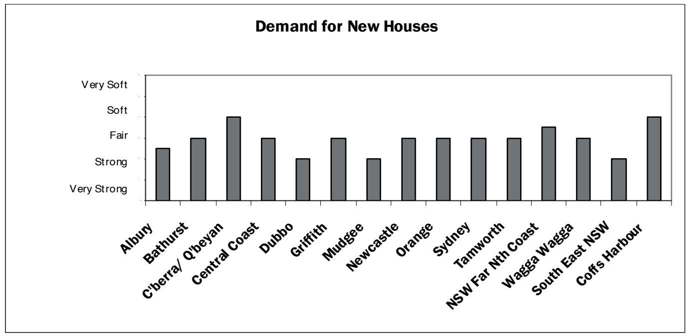

Market Indicators

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	Over-supply of available property relative to demand	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	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	Increasing	Steady	Tightening	Steady	Steady	Steady	Increasing	Steady	Tightening	Steady	Steady	Steady	Steady
Demand for New Units	Soft	Fair	Fair	Fair	Strong	Soft	Fair	Fair	Fair	Fair	Fair	Soft	Fair	Fair	Very soft
Trend in New Unit Construction	Declining	Steady	Declining	Steady	Increasing	Declining	Steady	Declining	Steady	Steady	Steady	Declining - Steady	Steady	Increasing	Declining
Volume of Unit Sales	Declining	Steady	Steady	Steady	Increasing	Steady	Steady	Steady	Declining	Increasing	Steady	Increasing - Steady	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	Start of recovery	Start of recovery - 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	Almost never	Almost never	Occasion-ally	Almost never	Occasion-ally	Occasion-ally	Occasion-ally	Frequently	Occasionally	Almost never	Occasion-ally	Frequently	Almost never

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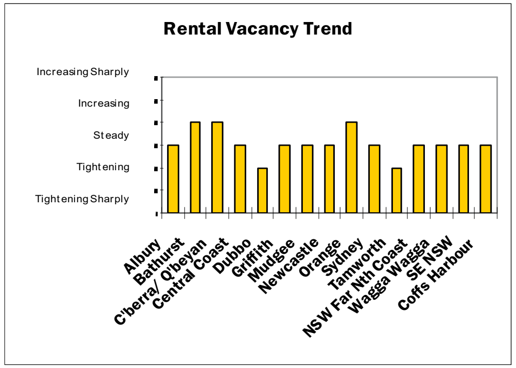

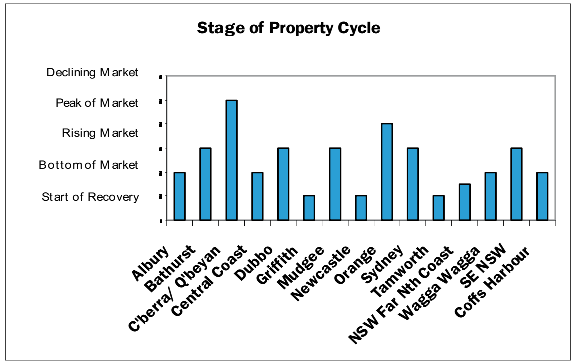

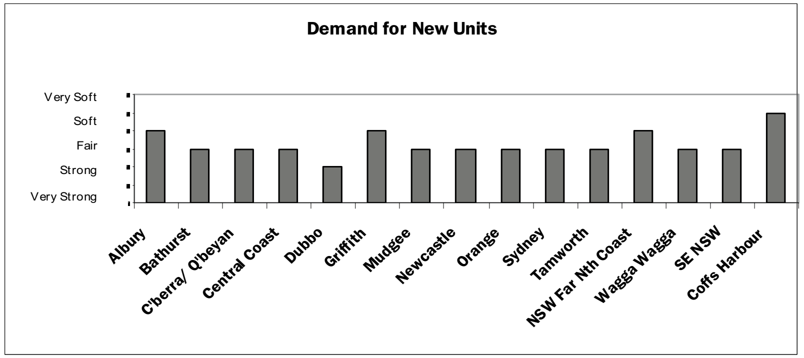

Market Indicators

New South Wales Property Market Indicators - Office

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

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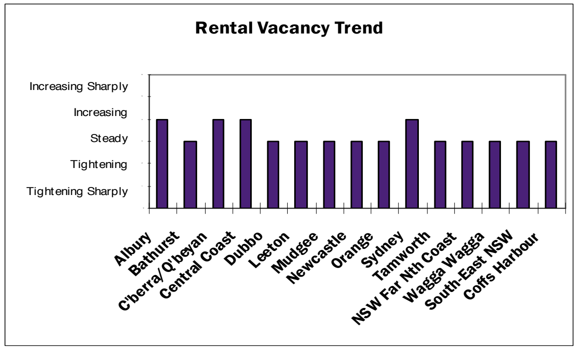

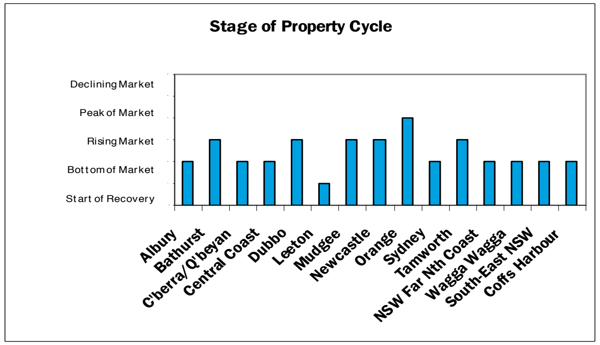

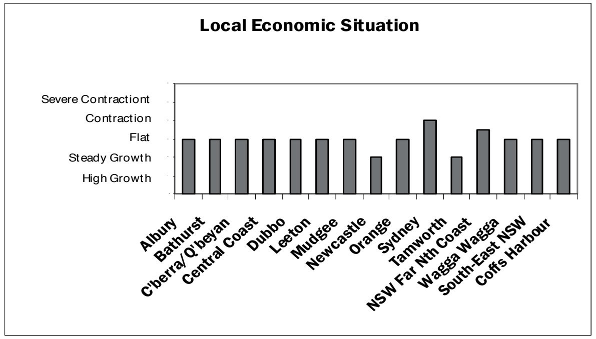

Market Indicators

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	Strong	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	Occasion-ally	Occasionally	Occasionally	Occasion-ally	Occasionally	Occasion-ally	Almost never	Occasionally	Occasion-ally	Occasionally

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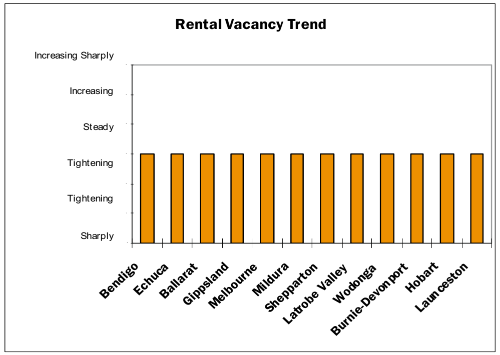

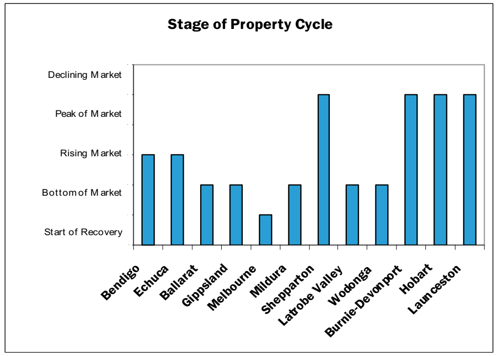

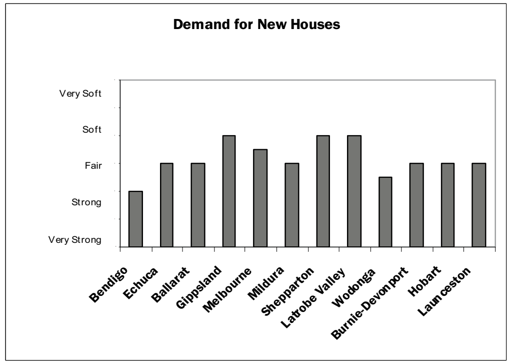

Market Indicators

Victoria/Tasmania Property Market Indicators - Units

Factor	Bendigo	Echuca	Ballarat	Gippsland	Melbourne	Mildura	Shepparton	Latrobe Valley	Wodonga	Burnie / Davenport	Hobart	Launceston
Rental Vacancy Situation	Shortage of available property relative to demand	Balanced market	Balanced market	Balanced market	Balanced market - Over-supply of available property relative to demand	Shortage of available property relative to demand	Shortage of available property relative to demand	Balanced market	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	Occasion-ally	Occasion-ally	Occasionally	Very frequent-ly	Almost never	Occasionally	Occasion-ally	Almost never	Occasionally	Occasion-ally	Occasionally

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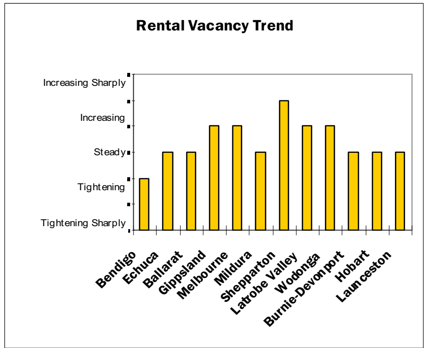
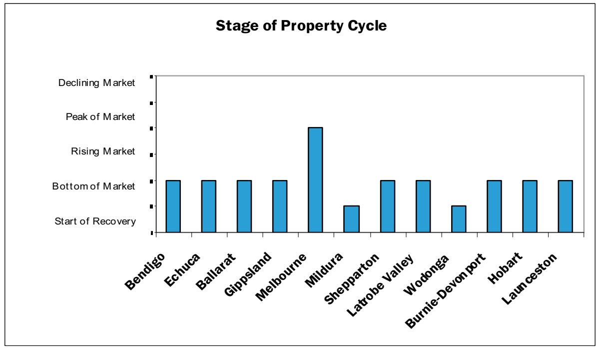
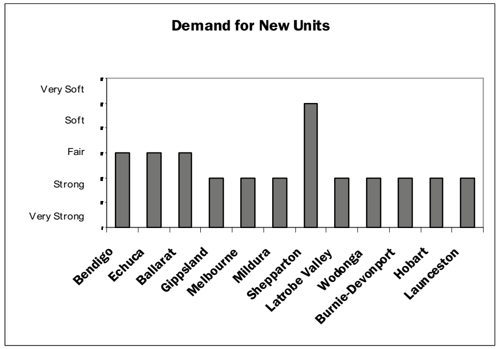






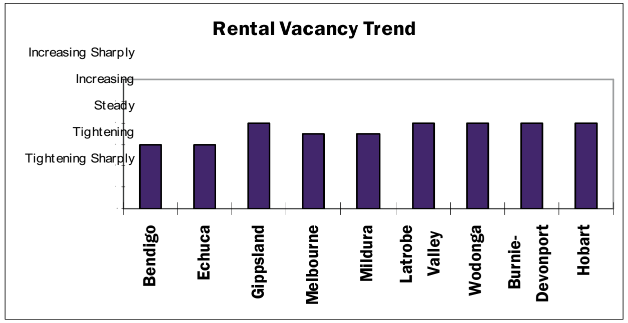
Market Indicators

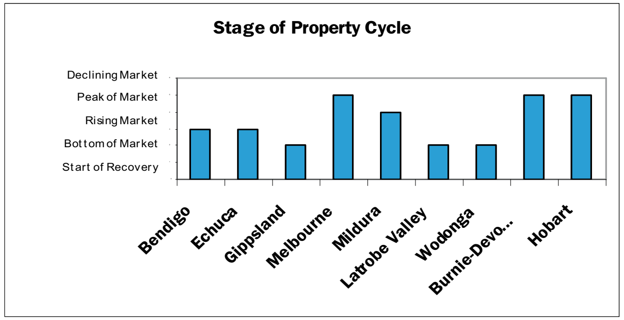
Victoria/Tasmania Property Market Indicators - Office

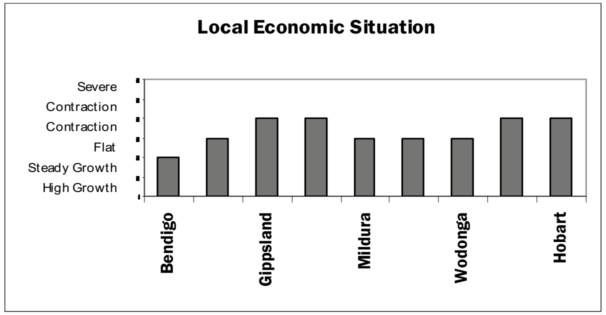
Factor	Bendigo	Echuca	Gippsland	Melbourne	Mildura	Latrobe Valley	Wodonga	Burnie/ Davenport	Hobart	Launceston
Rental Vacancy Situation	Balanced market	Balanced market	Over-supply of available property relative to demand	Balanced market - Over-supply of available property relative to demand	Over-supply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

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

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







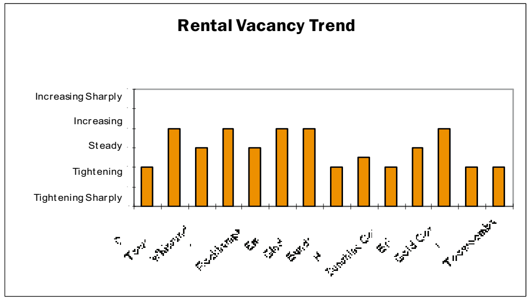
Market Indicators

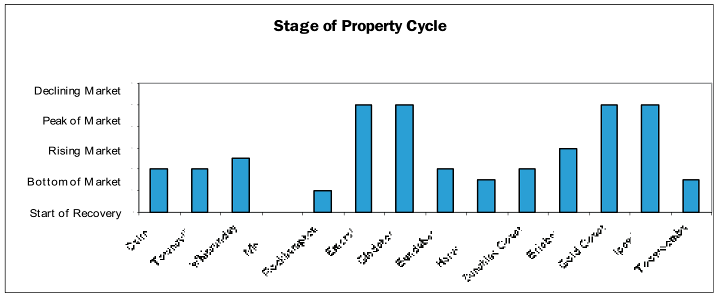
Queensland Property Market Indicators - Houses

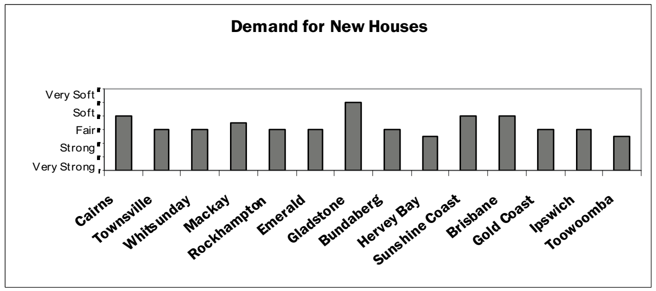
Factor	Cairns	Towns-ville	Whit-sunday	Mackay	Rock-hampton	Emerald	Glad–stone	Bunda-berg	Hervey Bay	Sunshine Coast	Brisbane	Gold Coast	Ipswich	Too-woomba
Rental Vacancy Situation	Severe shortage of available property relative to demand	Balanced market	Shortage of available property relative to demand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

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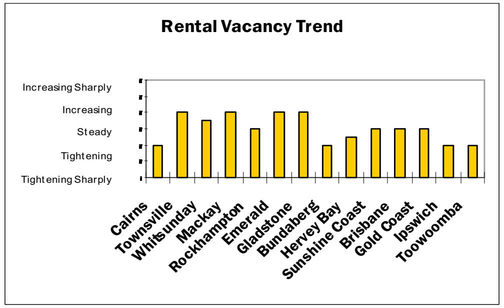
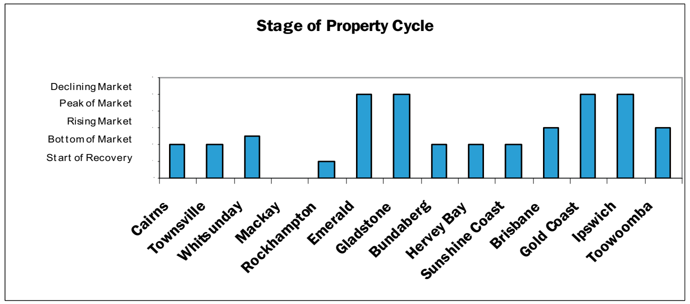
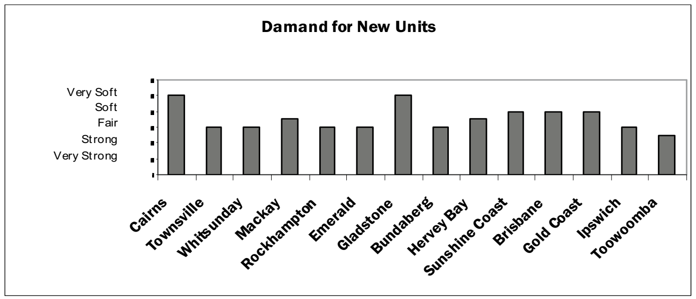
Blue entries indicate change from previous month to a lower risk-rating







Market Indicators

Queensland Property Market Indicators - Office

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

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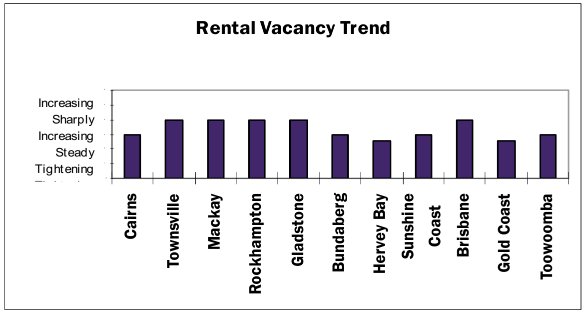

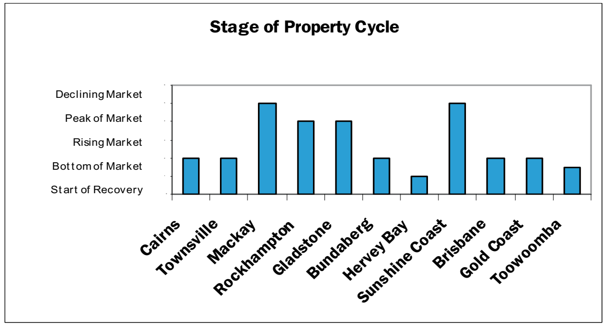

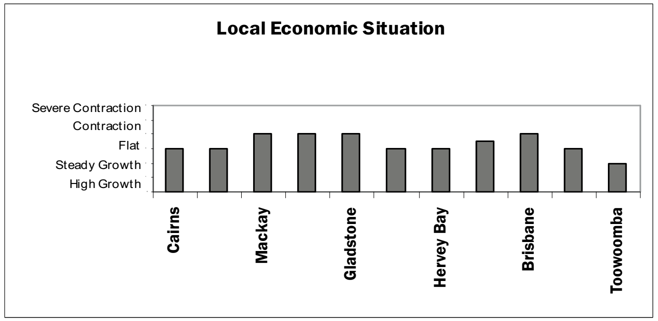

Market Indicators

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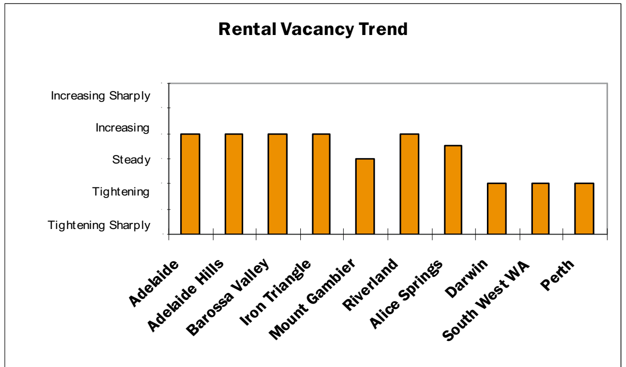
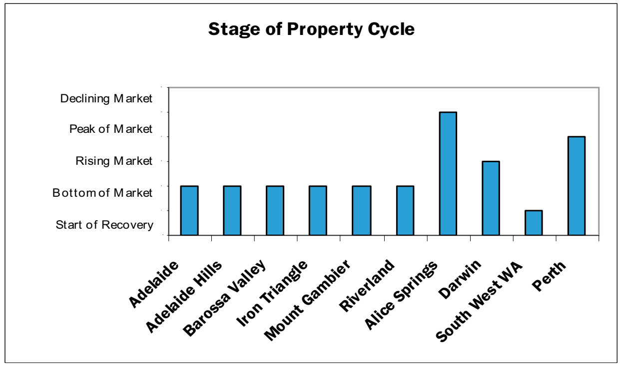
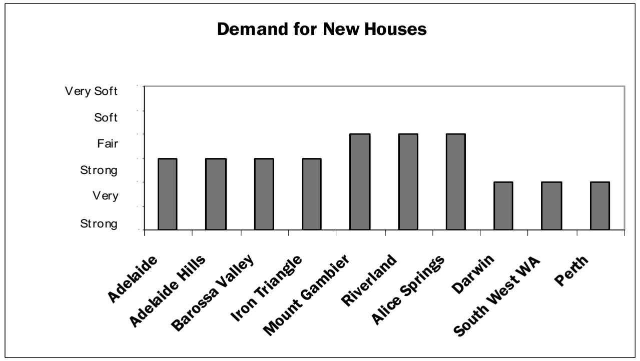
Blue entries indicate change from 3 months ago to a lower risk-rating







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	Strong	Strong
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	Steady	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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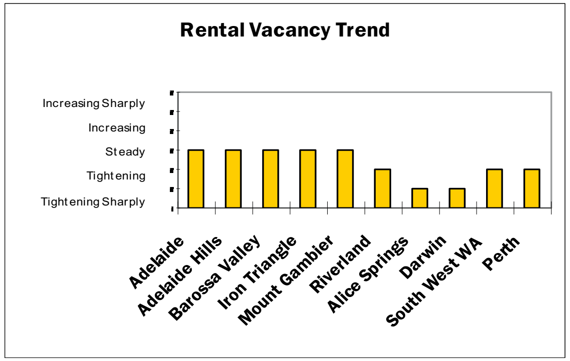

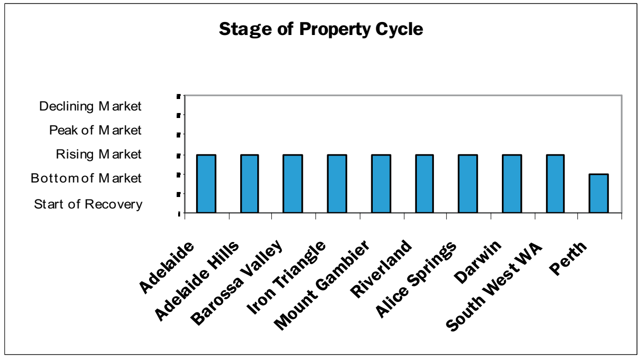

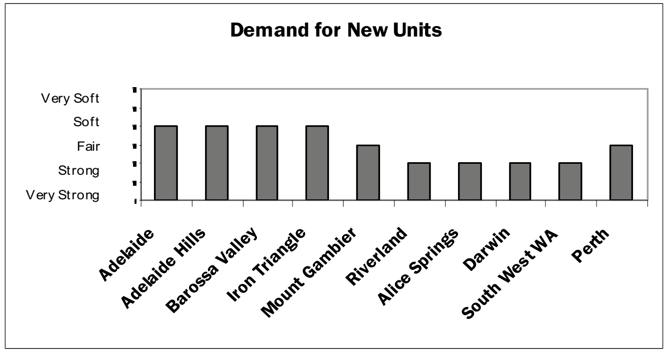

Market Indicators

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

Factor	Adelaide	Adelaide Hills	Barossa Valley	Iron Triangle	Riverland	Alice Springs	Darwin	South West WA	Perth
Rental Vacancy Situation	Over-supply of available property relative to demand	Over-supply of available property relative to demand	Over-supply of available property relative to demand	Over-supply of available property relative to demand	Large over-supply of available property relative to demand	Balanced market	Balanced market	Shortage of available property relative to demand	Over-supply of available property relative to demand
Rental Vacancy Trend	Increasing	Increasing	Increasing	Increasing	Steady	Steady	Steady	Tightening	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	Declining 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	Small

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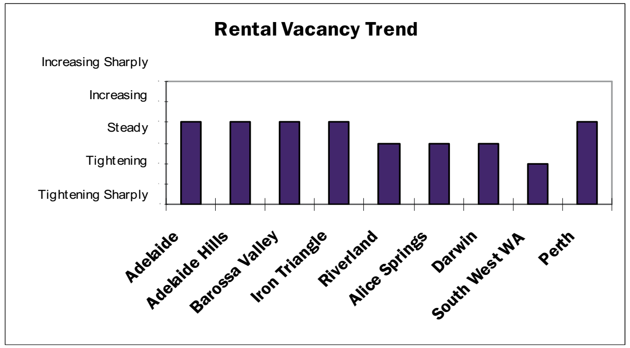

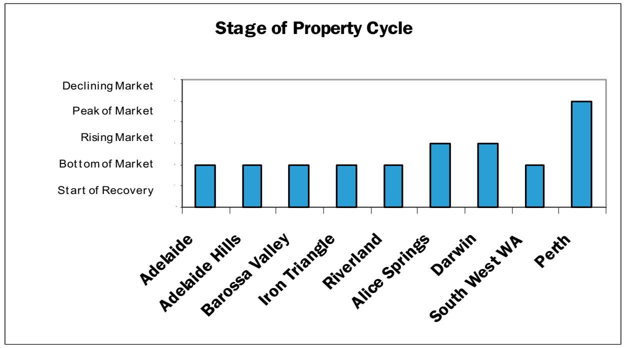

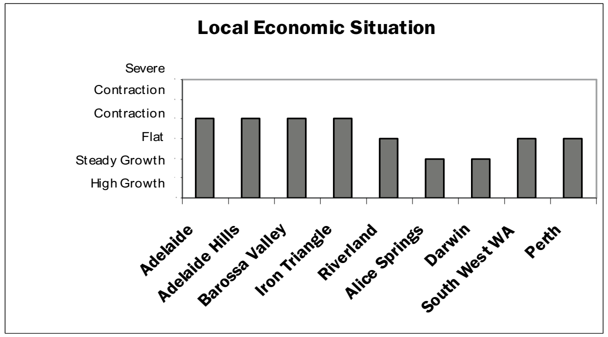

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