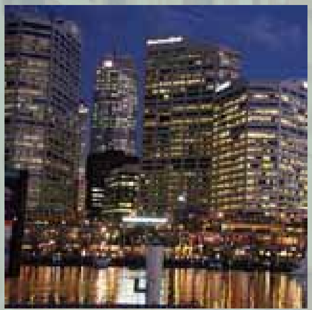
November 2013

Month in Review

HERRON TODD WHITE

Contents



Things that made you go... hmmmm?!

For all our knowledge, experience, wisdom and common sense, the occasional shock is inescapable. Just when you think you've got the world sussed out, it turns around and taps you on the shoulder... "Surprise!!"

Property valuers are a seriously thoughtful bunch. There is a lot of careful analysis and reasoned decision making that goes into coming up with a clear description of a property, its market and the value. We spend an extraordinary amount of time working towards understanding our areas of specialty and the universe in which we fly, but there are some things you just couldn't have seen coming. The GFC, Twitter...Gangnam Style.

There is no way to know what is going to change your worlds view, and moments can turn in a second.

These "surprises" also apply to our real estate markets. Sure, everyone's keen to tell you what particular shade of beige property is. It's the safe, secure Nana of the investment world. Certainly not the exciting orbital ride of stocks and bonds, nor the tax break inducing, giddiness instilled by buying into emu farms and aloe vera plantations. Property is about solid, dependable structures with steady rental increases and secure income streams → until it turns around and sets your heart a quiver.

This year has been one of quiet transformation as the coutry's markets begin flagging changes in small ways. It is those professionals closest to the ground that feel the tremors. One swallow may not make a summer, but three is a trend.

This month our valuers have had a think about those market events that have made them stop and take stock. It's all about extraordinary auction results, new product in regional areas, changing selling times and off-market transactions that had our professionals coming into the coffee room saying "You'll never guess what I just saw..."

For the commercial team, we take a look back at retail in 2013. It's an analysis of what happened, why it happened and who it happened for or to. As we belt towards the retail nirvana of Christmas shopping, we take the time to reflect on the twelve months that got us here and how it all came about.

So don't be alarmed, but there are a couple of things you should know. The best way to avoid any shock to the system is by letting Herron Todd White take the lead and shield your property portfolio from any nasty surprises. Our fedora wearing, Indiana Jones-

like doyens of real estate are ready to ensure you can withstand the jolts and keep your head while all others about you are losing theirs. We're just a phone call away.

Commercial

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COMMERCIAL

New South Wales

Overview

There's a bit of anticipation among retailers heading into the silly sale season, and their success directly impacts those who own the property they lease. Retail and commercial property in general has been a tough row to hoe this year, and our teams are taking the opportunity to look back on retail property investment over the past 12 months in their service areas. There will be lessons learned that can be applied to the coming annum no doubt.

Sydney

Conditions surrounding the retail property market have eased through the year to date. While consumer confidence showed improvement in the year to October, growth in retail spending slowed. Factors supportive of consumer confidence occurred through the year including falling interest rates, lower Australian dollar exchange rate, and increased political certainty. However, this is while labour markets softened considerably, subduing overall consumer demand. The NSW unemployment rate rose to as high as 5.9% in August from 4.7% recorded 12 months prior, presenting a major drag on retail turnover growth. Indicatively, monthly retail turnover in NSW which grew by 6% annually in February to $6.65 billion slowed to just 2.1% annual growth by August.

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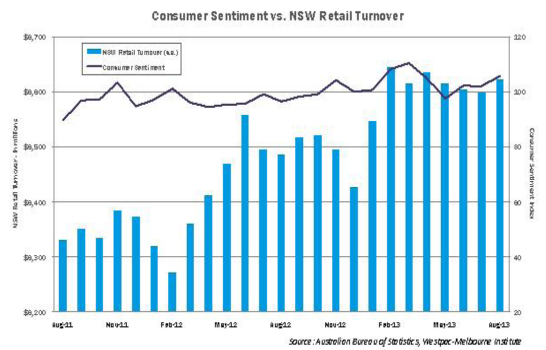
Despite softening retailing conditions the Sydney retail property market (for shops < 200 square metres) remained fairly stable. Retail property in Sydney's northern and eastern regions that have historically performed well continued to remain as desirable locations for investors, while average capital values in the southern and western regions were buoyed by prominent owner-occupier activity.

North Sydney

Northern Sydney performed above expectations though the year and attracted the most tenant demand compared to all regions. Investment demand has been the most prominent in the North over the year and letting up periods have been shorter compared to other regions, usually between three to six months. Leasing evidence shows that retail rents in North Sydney have ranged between $165 and $2,070 per square metre per annum for deals done over the year to June 2013. Retail leases in North Sydney and Manly have lifted the upper end of the rental range in this period, while retail space in Chatswood continued achieve high average rents from the year prior.

Construction activity for retail projects in North Sydney has been subdued over the past 12 months and low supply levels have helped mitigate any significant falls in average rents. The analysed yield range for sales in the North was largely unchanged



over the year to June 2013 compared to the prior 12 month period at around 5.7% to 9.3%.

East Sydney

Secondary grade retail space, detached from major retail strips, has attracted the lowest retail rents in most suburbs around Sydney. While this trend also applies in Eastern Sydney, recent leasing evidence over the year to June 2013 indicates that such space in Eastern Sydney has attracted higher than average rents compared to other regions. Rents being achieved for secondary space in the East are roughly $100 per square metre per annum higher than in the North and South, and roughly $200 per square metre per annum higher than in the West. Our opinion is that such properties in the East are attracting higher premiums as result of increased security of income from the wealthier consumer base found within the region.

Buyer activity has been quite subdued in the East and sales evidence over the 24 months to June 2013 indicates that the upper end of the analysed yield range has softened by around 50 basis points in the year to June 2013 compared to the prior 12 month period.

South Sydney
Lease deals in suburbs including Hurstville, Gymea and Mascot formed the upper echelon of the rental range for the South region, with some rentals reaching as high as $1,400 per square metre per annum. Lease deals for secondary retail space in areas including Bexley, Lugarno and Bangor reached as low as $150 per square metre per annum. There are a number of mixed use developments in the pipeline for the region and it is expected that supply of retail premises will increase in the following years. Examples of such developments are being planned for inner ring suburbs including Waterloo, Redfern, Zetland and Mascot, as well as in localities further south.

> Buyer demand for retail property has remained fairly flat with the buyer pool owner-occupier orientated.

Owner-occupiers in South Sydney have been known to pay premiums for good quality space in the region and this trend has continued in the recent year. Steady buyer demand has kept analysed yield ranges in the year to June 2013 largely unchanged from the prior year at around 5.5% to 8%.

West Sydney
Western Sydney's retail property market has been stable over the year to June 2013. Transactional evidence in the region shows that rental ranges remained around $200 to $1,300 per square metre per annum while yields remained between 5% and 10%. Recent lease deals in the Inner West attracted the highest rates in the region with Balmain, Leichardt, Newtown and Strathfield reaching up to $1,300 per square metre per annum. Buyer demand in the region has remained flat and dominated by owner-occupiers, while leasing demand has been relatively weak. Letting up periods have been taking longer in comparison to those in other regions as a result.

Canberra
No significant retail sales have eventuated in the first three quarters of 2013. It is noted that 240 City Walk is being offered for sale by Expression of Interest (closing 16th October). This property has a strong retail component on the wide frontage to City Walk facing the Canberra Centre, which is fully occupied. The upper levels are predominantly vacant and it is being suggested could be converted to accommodation - residential units or possibly a hotel.

The Hall Village Court which comprises a number of specialised retail outlets focused on the tourist market, professional offices and the Wood Duck Inn - a drink establishment is also on the market at $1.85 million showing an estimated yield of circa 8%. The yield sought appears aggressive thus no sale has eventuated.

23 to 25 East Row City sold for $1.4 million. The ground floor is leased to the Phoenix Pub and the first floor to Ted Noffs Foundation. The yield is estimated at 9.25%.

The former Fletcher Jones property at the junction of Northbourne Avenue and London Circuit has also been sold, post auction in late May 2013 with settlement due in the week commencing 7th October. Details have not been released to date.

Retail sales activity is reported by the ABS in the ACT as being in negative territory with a decline of 0.8% in August - contrary to the national trend which was positive. We would suggest the decline reflects anxiety through the recent election where job losses in Canberra were a focus. Anecdotally retailers have indicated that sales are improving and activity in the major malls lifted in September.

South East NSW
The retail property market in South East NSW has arguably faired better than most expected throughout the year so far, with low interest rates and a recovering residential market appearing to have a positive flow on effect.

The second half of the year saw an increase in sales as investors became more active in what can still be classified as an opportunistic market. This is demonstrated by the sale of the single tenant (Pet Barn) bulky goods retail development in West Wollongong reflecting an analysed market yield of 8.25% and several strip retail properties in Crown Street Mall, some being purchased with vacant possession.

Now that Stockland has completed its Shellharbour renovation, much of the retail development activity in the region remains in Wollongong with GPT's West Keira complex well out of the ground and attracting new retailers to the Keira Street precinct and its immediate surrounds. The Crown Street Mall upgrade has hurt retailers along this prime strip with those electing to tough it out hoping it will be a case of short term pain for long term gain. Although rents and economic conditions remain static, it is becoming more apparent that the local market has seen the bottom of this cycle with confidence on the rise.

Newcastle

The inner Newcastle retail market is still in a wait and see holding pattern at present. The well publicised State Government funding announcements and rail line cuts have improved sentiment in the area and discussion as to what to do with the new light rail system is plentiful. Council aim to have the heavy rail line ripped up as soon as possible to put into place the interim bus services while further planning on the light rail options takes place. Taking up the heavy rail will initially open up eight road crossovers which will enable easy access from the traditional CBD to the burgeoning and popular Honeysuckle district.

Details of any potential development at the GPT and Urban Growth NSW owned site in and around Hunter Street Mall has not been announced as yet. This large site could potentially shape the inner city for many years and local retail occupiers and residents are waiting patiently for further announcements.

Market activity is still weak in the inner city for established retail space, while some vacant sites have sold recently, there is little retail action.

NSW Far North Coast

The commercial retail market on the NSW North Coast continues to prove difficult. This is generally due to national and international issues which impact confidence in the market place. This month we have looked at various localities on the north coast and we provide comment on what has happened in the retail sector so far this year.

The Byron Bay commercial retail market continues to be strongly driven by the tourist sector. Throughout 2009 to 2011, there was reasonably significant down turn in tourism for Byron Bay, however there has been an increase in tourism rates in the past 12 to 18 months which is a welcome sign and has taken significant media attention away from the retail market and particularly the call for decreases in rents.

During 2012 and early in 2013 there was evidence of softening yields in the vicinity of 7.75% to 8.25% which has been unheard of in Byron Bay.

In more recent times yields of 6.75% to 7.5% have been demonstrated. This we believe is a reflection of increased enquiry, low interest rates and some improved confidence. Evidence of the now lower rates include a small retail premise in Marvel St for a yield of 6.82% ($520,000) and 2 Jonson Street for 7.56% ($5.25 million).

The Lismore retail market has also had some significant changes over the past four years with significant falls in rents of up to 40% after the GFC. We have seen a steady increase in rents since the beginning of 2011 to a more stable level. We believe Lismore is still in a state of flux with significant uncertainty. Rental levels have remained stable over the past 12 months although continued weakening in the retail sector is increasing pressure on yields. Activity is centred on owner-occupied space at the lower end of the market with no retail investor sales over the past 12 months. However a recent sale of an office building in Bounty Street for $2.10 million indicated a yield of 9.66%. It included two good quality tenants comprising a local accountant and Red Cross Australia.

The Ballina retail market is also experiencing relatively difficult times as agents are reporting increasing vacancies and a fall in rental levels.

Yields tend to be between 7.5% and 8.25%. We note a recent sale of the Commonwealth Bank in River Street, Ballina which indicated 8.29% ($2.34 million). We believe this reflects the relatively short term remaining in the lease (February 2015), although the lease contained an option for a further six years. If the option is taken up this could ultimately indicate good buying given the redevelopment of the Woolworths supermarket directly opposite.

Mid North Coast

The retail sector has experienced a tough year within Coffs Harbour and environs. Generally prime property rentals have remained static or suffered some retraction in rental levels due to the soft economic conditions and a lack of demand.

The refurbishment of the Palms Centre and renaming to Coffs Central has been extremely positive for the CBD and well received by the community. However there remains a moderate level of vacant specialty shop accommodation available to the ground floor. There has been a significant number of retailer relocations from the main street strip centre to the Coffs Central complex. Fringe retail locations are poorly received with high vacancies and retracting rental levels.

Toormina Centro redevelopment has been a positive for the southern suburbs and the development of the adjacent Aldi Shopping Centre has strengthened this location.

Woolworths have commenced construction of the Raj Mahal site on the Pacific Highway at Woolgoolga. Sectors of the retail market have expressed concerns over the ramifications for the existing business within the Woolgoolga strip shopping centre located 1.5 kilometres to the east of the development.

Moonee Shopping Centre remains weak with Coles, Subway and Best and Less as anchor tenants and only a handful of supporting specialty shops. Approximately 70% of the centre remains vacant.

Overall a difficult year for retailing with some major closures, including WOW and Everyday Living Furniture Stores.

Regional NSW

The retail property market remains subdued in regional (non coastal) NSW mainly as a result of reduced supply. There have been few sales to accurately gauge the investment market. Real estate agents report strong demand for well secured property with strong lease covenants. Conversely properties with vacancies or requiring capital expenditure or redevelopment are very difficult to sell with limited buyer interest.

Traders are reporting tough conditions and rent reductions are occurring as a result of market reviews and new lease negotiations. An increase in rent free and fit out contributions is also prevalent.

With reduced interest rates investment yields are strengthening however with rents declining in real terms, overall value levels are remaining static. The gap in investment yields between well secured national tenanted properties and locally tenanted properties also appears to be widening and investors are looking for greater certainty in their investments with preference for terms of five years or more. Well secured investments can show between 6.5% and 7.5% with fringe or vacant property showing upwards of 10%.

Victoria

Melbourne

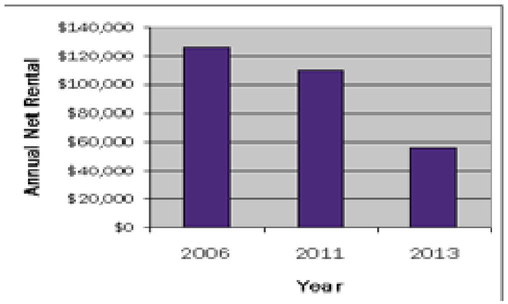
Since the post GFC property slowdown, the market has been showing some signs of recovery and returned investor confidence. Statistics supplied by the Australian Bureau of Statistics indicate that there was a slight increase in overall retail trade percentage as compared to this time last year. Rising in trend are food and household goods retailers, while department store retail trade appears to be slowing down. Although market sentiment is returning, consumers still remain in a risk averse state as households continue to have a high savings rate. There has been a noticeable trend whereby fashion tenants are being replaced by food related tenants in the CBD and suburban retail strips.

Highlights

Returned investor confidence is evident in certain sub-markets, demonstrated by some surprisingly strong auction results. These sales indicate that investor demand for retail properties within prime retail strips and localities with strong lease profiles is still prevalent in the market. An example of a strong auction sale is the property at 600 Chapel Street, South Yarra which sold in May this year. The property is located at a prime retail corner of Chapel Street and Toorak Road, South Yarra, and tenanted by the National Australia Bank who has a five year lease term. It sold for $12.85 million on a passing yield of 4.6%.

Lowlights

The once popular retail fashion strip of Bridge Road, Richmond has experienced a significant increase in vacancy rates, resulting in rental decreases as compared to previous years. Bridge Road used to be a well-regarded discount fashion precinct, however with the emergence of Direct Factory Outlet centres and the growth of online retailing, it is losing its appeal as a 'go to' place for outlet fashion goods. Instead a new emergence of café and bars are replacing older tenancies and creating a new atmosphere to this retail precinct. Below is an example of a rental history on a Bridge Road retail property.



The Docklands waterfront precinct has experienced falls in value since its development in 2008. Earlier in 2013, a media publication on the Docklands restaurant market reported that approximately 40% of the restaurants closed with these vacancies being clearly evident throughout the course of this year. This statistic is somewhat staggering and is a clear indication of the softening retail environment in this location. Business owners have reported the closures are a result of "overpriced rents" and a significant fall in foot traffic to the area. Docklands incorporates a number of precincts including the Collins Square, Victoria Harbour, Digital Harbour, Harbour Esplanade, and Waterfront City area. Although the Collins Square precinct, which is mainly an office precinct which incorporates some prime tenancies such as the Melbourne headquarters of the Australia and New Zealand Banking Group and the National Australia Bank, has low vacancy rates and remains a relatively prime area for retail, the Newquay precinct within the Waterfront City area, on the other hand, has yet to show any real sign of recovery and is still experiencing a high vacancy rate.

Summary

Overall, the Melbourne retail market is in a relatively healthy state. Outlook for the CBD remains positive with low unemployment rates and a substantial number of apartment constructions, which is expected to be a positive sign for retail businesses in the area.

Melbourne continues to remain a sought after destination for both international and luxury retailers, and remains an attractive option for commercial property investment.

Murray Riverina

The retail sector has been challenging over an extended period though several new tenancies have been struck for retail space in the past six month period including the start up of NQR supermarket at the old Retravision store, relocation of the Wild Orchid florist to a High Street location along with relocation of a lawn bowls shop to a fringe Hare Street location. We note that several tenants have closed their doors including the baby supplies store in Pakenham Street, Paperartzi in High Street and Video Ezy will be closing in the short term. There are rumours of further retail operators looking at closing in the short term reinforcing the challenges for retailers to constantly evolve their business models and provision of services in the area. Nevertheless the market is showing some signs of balancing out and should improve coming into the peak tourist season.

Bendigo

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

Industrial property conditions remain slow, with limited turnover and extended selling periods particularly evident for larger industrial properties and vacant land. In contrast the sub $350,000 market for industrial property continues to perform well, driven by an undersupply of appropriately sized allotments and developments. Conditions are tougher at higher price points, with lower demand for larger lots and bigger sheds continuing. Conditions in the east Bendigo precinct remain subdued, with limited transactions in recent months and agents continuing to report limited buyer interest.

The lower end of the retail market remains tough, consistent with difficult trading conditions being encountered by many small operators. There has been a slight deterioration in vacancy rates for small to mid size retail property within central Bendigo. However well located larger retail sites continue to be tightly held, with limited vacancy and ongoing interest from national tenants seeking to capitalise on the continuing forecast growth in the region.

In one of the larger industrial sales in recent years, 101 – 105 Charleston Road, Bendigo sold for $3.1 million. Currently occupied by Victoria Carpets, it featured an industrial complex of 11,170 square metres on a two hectare site. Selling on with a ten year lease with two five year options, it is currently returning $270,000 net per annum, for a passing yield of 8.71%. It was acquired by the owners of the nearby Hume and Iser hardware store, who cited the potential the site offered for the longer term expansion of their existing operations.

Murray Outback

The retail market in Mildura continues to be a two speed affair. Modern supermarkets, liquor stores and securely leased bulky goods premises continue to receive good interest, appealing to national investors, while the smaller retail shop premises remain to a certain extent un-loved.

Consumer spending in the former category appears to be largely recession proof, while the smaller retail premises are often occupied by businesses chasing discretionary spending, and the evidence suggests that rental levels for these premises have declined in recent years.

2013 also saw 13 commercial properties advertised for sale by tender by Receivers of the Dunning portfolio and 11 of these have now been sold or committed for sale. Placing so many properties on the market at once in Mildura had a flooding impact and most have shown softer levels than had previously occurred. The two remaining commercial development sites are unsold and unloved and may sell for dramatically less that what could have been achieved two or three years ago.

South Australia

Adelaide

The retail sector in Adelaide is continuing to experience difficult trading conditions during 2013 despite record low interest rates, relatively high employment and stable economic conditions.

Consumer confidence still remains low and with increasing household running costs (particularly the increase in utility costs) and job security concerns consumers have become more conservative and are changing their spending habits. This includes the increased use of online retailers and reducing household mortgage debt. Discretionary spending has been severely affected and this has particularly impacted the traditional retails strips of Adelaide and to a lesser extent the suburban shopping centres anchored by major supermarkets.

Fashion retailers have been hit the hardest as evidenced by the growing number of vacancies along Rundle Mall and noticeable vacancies already within Rundle Place which only opened in May this year. Backfilling of vacant tenancies is slow and with the disruption caused by major infrastructure works along The Mall, vacancies are expected to remain for an extended period with predictions that it will be well into 2014 before leasing activity increases. The Rundle Mall works, upgrade of the Myer Centre and now the newly announced upgrade of David Jones coupled with the major State financed projects the new AFL Football Stadium incorporating Adelaide Oval; the pedestrian crossing over the River Torrens; the new Royal Adelaide Hospital and associated buildings, the extensions to the Adelaide Convention Centre; several new office buildings and hotels under construction, provide a platform for growth in the near future.

In the suburbs particularly along King William Road, which is known for high end fashion, well-known names are starting to disappear. Similarly the same impact has been felt along the Parade at Norwood and along Jetty Road at Glenelg. Vacancy rates are increasing mainly for larger tenancies with few new tenants in the market. This climate for downward pressure on rentals could continue even within these established localities through to 2014.

Despite this there has been significant investment in the retail sector this year with major extensions to West Lakes Mall near completion; extensions and refurbishment of Big W/Woolworths at Cumberland Park near completion; extensions to Centro Arndale at Kilkenny; and new centres commenced at Gawler Green in Gawler and Seaford Meadows in Seaford. These are predominantly developments around strong anchor tenancies such as Woolworths, Coles and Foodland supermarkets. There are also a number of new centres to commence in 2014 including Brickworks Woolworths at Torrensville and the Churchill Centre and bulky goods development for Costco at Kilburn.

Interest in retail investment property such as shopping centres and bulky goods centres appears to be subdued. Several major investment sales have transacted during 2013 at slightly softer yields than previous periods which reflects the outlook for weaker rent levels and the ongoing challenges of retaining existing tenants and also attracting new ones.

The outlook for 2014 is for continued weak fundamentals, continued poor consumer confidence leading to reduced retail trade, reducing rents and increased vacancies and subsequent softened yields.

Queensland

Brisbane

The retail sector has experienced varied amounts of economic progression over the past year. The first quarter saw an increased, albeit a low level of activity in the Brisbane retail property market. Having said that, there were still lingering concerns with regard to depressed consumer confidence, ongoing finance constraints and a three-and-a-half-year high in the unemployment rate. These concerns manifested themselves as an interest rate reduction of 25 basis points at the May meeting of the RBA. Additionally agents reported greater levels of enquiry for sales over the past 12 months.

Transactions occurring throughout the year in the sub $15 million sector were reflecting a range of yields dependant on the price point, location and the investment profile of the particular property. Centres over $15 million were attracting higher yields and generally being purchased by local private syndicates, high net worth individuals or institutional funds.

The sub $5 million market remains in strong favour with investors, resulting in yields remaining relatively firm and ranging between 7.5% and 8.5%. An example of this is the sale of 699-701 Sherwood Road, Sherwood on 10 May 2013 which sold partially leased to eight tenants (with one vacancy representing 27% of the GLAR) for $3.9 million at an analysed yield of 8.01% and a rate of $5,612 per square metre of GLAR.

Retail centres with a higher price point over $5 million are generally achieving slightly softer yields between 8.25% and 9.5%. This is due to the current difficulties associated with obtaining finance for assets at this price point. An example of this is the recent sale of the retail property at 186 Stanley Road, Carina which is a neighbourhood shopping centre with 12 tenants which includes an ATM and a license for signage rights. This sold for $6.8 million at an analysed yield of 8.64% and a rate of $5,822 per square metre of GLAR.

In summary, the past 12 months have seen a large decompression of yields for retail properties. This movement was varied and depended greatly on the sub-sector, the location of the property and the strength of tenant/s. Prime yields have softened by between 0.5% and 1% with secondary yields softening by 1% to 2% which has brought the yield spread between prime and secondary properties to more traditional levels. Well located investment properties with strong tenants are achieving yields from 7% to 8%. However, the majority of yields are currently between 8% and 9%, with other tertiary assets above 9%, especially those with high vacancies.

In our opinion, the Brisbane retail market is considered to be stabilising with prime locations being in high demand from tenants and investors. Secondary retail properties however, should still be analysed and assessed carefully.

Toowoomba

The Toowoomba retail sector appears to be relatively active with a number of new developments completed or under construction.

Developments completed in 2013 include a new Masters Home Improvement in the suburb of Kearney's Spring and an extension to the Woolworths supermarket and construction of a Woolworths Petrol Plus at Highfields Village Shopping Centre.

Currently under construction are two neighbourhood shopping centres in the suburbs of Drayton and North Toowoomba. The Drayton Shopping Centre is due to open in December 2013 and will be anchored by a Woolworths supermarket and will have 11 specialty stores. Northpoint Shopping Centre is due to open in March 2014 and will be anchored by a Coles supermarket and is to have over 2,000 square metres of specialty stores and a medical centre of 850 square metres. An Aldi supermarket is to be constructed on a site adjacent to the new shopping centre.

Bunnings Hardware has reportedly purchased the former Toowoomba Foundry site with the intentions of developing a second store in Toowoomba. The site is located on the northern fringes of Toowoomba's CBD and has a land area of over five hectares. The proposed development is expected to be challenging due to potential heritage and contamination issues.

Major sales of note in 2013 include the sale of Toowoomba Plaza, a Coles and K-Mart anchored centre for a reported $58 million and Wilsonton Shopping Centre, a Woolworths and Coles anchored centre, reportedly subject to a conditional contract for a sale price circa $60 million.

Gold Coast

2013 has been a year of highs and lows for the retail sector on the Gold Coast.

Herein we will discuss the market forces that have impacted various players in the retail scene including tenants, owners and buyers.

As a general rule, tenants across the Gold Coast have continued to struggle through the 2013 calendar year. Consistently bad weather over the summer resulted in poor trading figures for the tourism sector during what is normally their busiest time of the year. This was further exacerbated in areas such as central Surfers Paradise and Southport due to the disruption caused by construction of the Gold Coast Rapid Transit project.

Some reprieve has been felt however, with further downward pressure on rental levels. Many tenants who entered into a five year lease at the peak of the market have now gone through the market review process and in many cases have received healthy discounts through negotiation or the rental determination process.

This leads us to consider what impact this has had on owners of retail property.

The Gold Coast retail market is typified by self-managed super funds, private investors and small syndicates who do not have the sophisticated management practices and pulling power of groups such as Westfield and QIC. As such, these owners have been forced to meet the rental market in order to attract new tenants and/or retain existing ones.

This has had a devastating impact on capital values, particularly in areas such as Broadbeach where rental levels have been reduced by up to 40% in some instances.

On the flip side, some market sectors such as high exposure retail showrooms have held up well. This sector has witnessed limited rental compression and strong yield levels if a quality tenant with good lease covenants are in place. A good example of this is the Barbecues Galore on Bundall Road which recently transacted for around $1.75 reflecting an initial return on investment of 7.75%.

One of the appealing aspects for buyers is the fact that many rentals, as mentioned above, have now been reviewed to market further mitigating the risk of rental compression over the short term investment horizon.

2013 has seen a relatively large number of properties taken to the market with vendors finally willing to negotiate.

This has been the perfect time for opportunistic investors to canvas the market and hunt out some good deals.

A few examples that demonstrate the particularly high returns on investment, given the right circumstances, include:

- Surfers Paradise News Agency - 12.35%
- Market Square, Varsity Lakes - 10.7%
- K Town Shopping Centre, Southport - 10.4%
- Discount Supermarket, Eagleby - 10.4%
- 45 Cavll Av, Surfers Paradise - 9.65%

However don't be fooled by these particularly 'good buys'. The majority of the Gold Coast retail market now appears to be achieving returns between 8% and 9%.

Overall all signs are pointing towards a steady market recovery within the retail sector, however it will most likely be some time before any significant improvement is seen.

Gladstone

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

Market conditions have been stable for the last few years, however heading into 2014 we consider market conditions to be volatile with potential for price vulnerability.

This is due to the weakened local economy in relation to the peak workforce numbers tied to the construction of LNG projects being reached. Yields have softened slightly over the course of 2013 and we have started to see a slight increase in vacancies in the later part of this year.

Mackay

The Mackay city centre traditionally undertook a major retail role however was decentralised with the construction of Canelands Shopping Centre in the mid 1970s. The retail function of the city centre further deteriorated as Canelands expanded with the last major shift of retail occurring during the most recent Canelands expansion in late 2011. The retail stores have largely been taken up by commercial office space, with some retail shops remaining. The area has also taken on more of an entertainment and dining precinct.

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

Rent levels in the Mackay CBD have recently begun to ease, as a consequence of increased vacancy levels and a contracting coal industry. The mining industry in the Mackay region is now confronting a challenging business environment because of lower export coal prices and increased operational costs. This has resulted in some mining companies reducing their workforce and postponing projects. Anecdotal evidence suggests that some local retailers who have ridden the wave of prosperous times in Mackay are looking to reduce costs, staffing numbers and their shop sizes, as the uncertain economic conditions continue.

There hasn't been any significant sales activity in the retail sphere above $1 million. This isn't unusual though, as it is a low volume market in Mackay.

Hervey Bay

Construction is well underway on the expansion of the Stockland Hervey Bay Shopping Centre. The reported $115 million redevelopment will generate in the order of 250 jobs and on completion, the centre will occupy approximately 35,000 square metres. Leasing pre-commitments are reported to be in the order of 35% with proposed tenants including Coles, Kmart, Best and Less and Harris Scarfe. Asking rental rates are reported to be around $1100 per square metre net.

Woolworths are also seeking expressions of interest for a proposed development in Scarness. Asking rates within this drive in centre are reported to be in the range of $600 to $800 per square metre net.

To put this into perspective, Esplanade front retail property currently lease between $250 and $450 per square metre net. Affordability of the proposed rental rates is likely to be a big issue for local businesses wishing to relocate. With Stockland and Woolworths actively seeking tenants, vacancy levels in any secondary locations could start to dramatically increase.

Maintaining occupancy during this time remains a focus as tenants approaching review have ample property to consider. Any vacant retail space is proving difficult to lease. A majority of leases being negotiated to local tenants are generally for shorter terms of one or possibly two years with market reviews at options. Hervey Bay has historically negotiated net rental rates. This trend now appears to be changing with more gross rental agreements being entered into along with fixed annual reviews. These gross rentals and fixed reviews give the tenant certainty around their expenses for a fixed term.

Rockhampton

Stockland's redevelopment of the major regional shopping centre in Rockhampton a couple of years ago has been followed by the completion this year of a $16 million extension and renovation of the Woolworths anchored Allenstown Square neighbourhood centre in south Rockhampton. The expanded centre now includes a greater range of tenants including a Jetts Gym, Reject Shop, Australia Post and Woolworths, but is still experiencing some significant vacancies.

Construction of Stage 1 of a Woolworths Masters centre located on the Bruce Highway near the University in north Rockhampton was completed earlier this year. The store will provide 13,500 square metres of home improvement store and Stage 2 offering an additional 4,300 square metres of bulky goods retailing space is due for completion in the coming months.

Expressions of interest are currently being taken to lease space in a new neighbourhood centre at Parkhurst in north Rockhampton about 10 kilometres from the city centre and a kilometre north of the University. The centre to be anchored by a Woolworths and BWS has no advertised commencement date at this stage.

We understand two retail centres are currently under contract. One on George Street in south Rockhampton and the second on Farm Street in north Rockhampton at contract prices of just over $5 million and just under $3 million respectively. Both are reported to have sold on passing yields over 10% and neither are anchored by a supermarket chain. These contracts indicate the market is looking to differentiate between the better quality properties with stronger tenants and longer WALE's which have sold at 8.5% to 9 % yields.

Townsville

Over the course of 2013, the volume of sales in the CBD has been limited. Retail premises primarily comprise larger floorplates subdivided into smaller leased areas (rather than strata titled suites per se) or stand alone heritage listed buildings which generally require significant capital expenditure. These factors, combined with the CBD's relatively high vacancy rate, soft market rents and current economic climate, are keeping investors away.

The majority of sales appear to be in the sub $750,000 bracket with mainstream yields between 8% and 9.75%. Yields are typically stronger for food and service based premises with strong anchors but widening for those premises with vacancies, unproven income, large incentives, cap ex issues and or other cash flow issues.

With an unprecedented amount of new retail space making its way into the CBD the gap between prime and secondary property is widening and a terraced market has now started to emerge. Secondary premises are seeing little to no interest with many remaining vacant for 12 plus months. Existing tenancies in older, non-frontage locations are generally achieving gross rates between $150 and $250 per square metre. Premises fronting Flinders Street are typically achieving between $250 and $500 per square metre with the variance dependent upon the level of exposure and nature and condition of improvements.

It's a different story for modern retail which is faring reasonably well in terms of absorption and rents given the subdued economic conditions. Rents for modern retail start from around $350 per square metre, with prime retail achieving up to $800 per square metre. The provision for rental incentives nonetheless is common for both prime and secondary property. A range of incentives are being offered to both sitting and new tenants, including rent relief or rent free periods, and contributions to fit-out. The average rent free period is about six months with mainstream incentives tracking at about 10% to 20%.

Two of the CBD's obsolete buildings (the former Shaw's Arcade and Fashion Place) in Flinders Street are being transformed into high quality retail and will provide about 1,650 square metres of key retailing. Fashion Place has been demolished and the space is being transformed into a pedestrian lane leading from Flinders Street to Sturt Street. The property is being renamed 'City Lane' and upon completion will accommodate nine fashion and dining outlets including a variety of restaurants, cafes and bars.

Leasing rates are reportedly between $400 and $600 per square metre net (approx). The old Shaw's building, to be called City Arcade, is being totally refurbished and will provide about 900 square metres of retail space tipped to comprise a food court and a variety of mainstream retail outlets. Leasing rates for 'City Arcade' will start from about $350 per square metre. Construction is due to be completed in February next year.

Approximately 50 metres down the road, the recently completed Flinders 242 and Verde towers are offering a combined total of about 590 square metres of quality ground level retail space.

Situated further along Flinders Street, to its western fringe, is the prominent Central master planned development, comprising several completed residential towers, commercial and retail premises. Ground works have commenced on the retail precinct, known as Central Village, which upon completion, will be anchored by a 780-seat Birch Carroll and Coyle cinema to the top floor. Other retail draw cards committed to the precinct include Hogs Breath, Max Brenner, Guzman Y Gomez, Crave Café, Serendipity and Global Burgers. Rents are generally upwards of $600 per square metre gross. Construction on the Central Village precinct is expected to commence November 2013. Once completed this retail precinct will be a significant catalyst in igniting activity in the greater CBD.

According to the latest ABS data, the population in and surrounding Townsville's CBD is projected to increase by 31% to 32,395 residents between 2010 and 2026. This is going to create a critical mass of population that is likely to demand more specific precincts for shopping, dining and entertainment. Of critical importance to the ongoing revitalisation of the CBD is the impact of the new Townsville City Plan currently open for public consultation. The emphasis on the CBD as the city's principal centre is part of a broader strategy to make Townsville a more compact city structured around a network of activity centres. The new draft City Plan reveals a need to attract more retail/commercial office space back into the CBD from suburban locations to maximise the potential attractiveness of the CBD for both developers and occupiers of retail and office space. This will be achieved through public/private partnerships, government office accommodation and development incentives. The ongoing construction and refurbishment of retail and office premises into high quality accommodation and amenity will eventually boost the vibrancy and diversity of activity in the CBD and will ensure the city's growth as a more sophisticated and diverse urban centre.

Cairns

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

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

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

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

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

Northern Territory

Darwin

The story of Darwin's retail sector in 2013 is a mixed one. On the one hand, two major retail chains' slouchings towards Darwin to be born in the NT became even more slouchy. I guess treks across deserts have that effect on one. On the other, local retail developments such as Gwelo's at Coolalinga Village continue: McDonalds, an office strip and a service station should be open by Christmas this year, and the whole centre, with Coles and K-Mart as the anchors, should be open by Christmas next year.

Using another pair of hands, on one retail trade employment fell significantly overall this year: on the other, retail turnover increased. That was partly because food retailing in supermarkets went up, but retailing in cafes, restaurants, and household goods went down from their previously historic highs.

The Commonwealth Insolvency and Trustee Service reported that bankruptcies went up by 44% here between June 2012 and June 2013, whereas nationally there was a decline of4% , and while insolvencies went up by even more here, nationally they fell. The CITS puts that down to "rising unemployment, the highest inflation rate in Australia, declining retail sales and falling housing approvals".

Yet the construction industry has never been busier, and the housing sector's median rentals are now over twice those of the nearest capital, Adelaide, and over half as much again as Sydney's. On top of those rental cost rises, electricity and other prices have increased here more than anywhere, and so have house prices. So it looks like mortgage repayments may be forcing more people out of the restaurants and into the supermarkets, and impacting on retail in other ways as well.

That meant that while many small retail tenancies recorded a drop in turnover in 2013, their costs increased. Result: rental growth was generally modest if at all, and the retail rental market was generally stagnant while all sorts of volatilities were happening around it.

With all these uneven things happening – flat in most sectors, booming in a few - Darwin might now be catching the 'Boomtown Syndrome'. According to a recent online research paper from Charles Darwin University, that syndrome commonly involves less economic benefits than expected, and more boofy blokes being bolshy around town. The latter may result in local lasses requiring serious retail therapy in future, but with big retailers still slouching around the deserts to the south there may not be as much here as they will need. Even so, with the strong population growth projected, some are heeding the cry, "go north, young woman". At least they can still get their retail therapy online from here: sadly, online retailing is another bit of bad news for some local retailers.

Darwin is leaving its childhood and entering adolescence, with all its erratic growth spurts and behaviours, its promise and its dangers. Such times are painful, but if well managed its future could be golden.

Western Australia

Perth

With weakness in discretionary spending habits of consumers continuing, retail owners have been under pressure to maintain occupancy in their assets, with evidence of increasing incentives in this market. Vacancy rates have increased marginally throughout the year across the board, however remain lowest in regional shopping centres. However there is an increasing trend towards tenants on short term leases, holding over and pop-up style shops.

The biggest demand for space comes from entertainment or food related retailers and in the CBD of Perth, international retailers are most active with TopShop recently announcing their entry into the Perth market which follows the announcement that Zara are to open a Perth CBD store as well.

The largest retail transaction in Western Australia during 2013 saw Westfield sell their one third stake in the Karrinyup Regional Shopping Centre for $246.6 million to two thirds majority owner UniSuper. Management of the centre remains with AMP Capital Shopping Centres. The deal was reported on a 5% capitalisation rate on passing income. The deal values the centre at $740 million. This was a $117 million uplift on book value.

In the Perth CBD the largest retail transaction was the $43 million Plaza Arcade transaction in January.

The arcade was purchased by Starhill Global REIT out of Singapore on a passing yield of 7.75%.

Over the next few years construction across the regional centre sector will increase as institutional owners seek to grow and reposition their assets. Planning is underway for a circa $400 million expansion of the Garden City Shopping Centre in Booragoon. Lakeside Joondalup is into a 28,336 square metre expansion project that will be completed next year. Midland Gate is extending another 19,395 square metres which is planned to be completed in 2017.

Meanwhile in the sub-regional shopping centre space, Stockland Baldivis is planning an expansion of 22,341 square metres with completion due in 2016. In regional Port Hedland, the South Hedland Shopping Centre which is owned by Charter Hall Retail REIT is nearing completion of a 1,400 square metre extension.

Sub-regional shopping centre owners are also focusing on actively managing their assets and maintaining occupancy levels. Leasing incentives are typically being offered which translate in the form of a contribution to fitout equivalent to six to 12 months rental on a typical five year lease.

New retail trading laws introduced in August 2012 have allowed Sunday trading to occur for all general retail shops, including major department stores and supermarkets between the hours of 11am and 5pm.

The decision on whether to open on a Sunday remains with the retailer with some of the smaller retailers not receiving any benefit from opening on Sunday. Generally however, major retail centres are reporting an average of 20,000 additional visitors as a result of Sunday trading and an 80% take-up of opening by retailers.

Some of the retail horror stories continue to be the Subiaco retail area of Rokeby Road between Bagot Road and Hay Street and Hay Street between Rokeby Road and Axon Street, as well as the retail area surrounding the modern Claremont Quarter development along St Quentin's Avenue and Bay View Terrace. In both locations vacancies have risen and rents have dived, in some instances by as much as 60% over market peaks.

The focus for the remainder of 2013 will be for retail asset owners to continue to focus on managing their asset in and working closely with retailers in order to maintain occupancy.

South West WA

The last 12 months have been an active time for major shopping centre developments and sales in the South West. The common denominator here however seems to be Woolworths. In September 2013 Woolworths opened a new 3,716 square metre store while still retaining occupation of its existing store less than 100 metres away. The development also includes five specialty shops with direct street frontage.

In June 2013 a two storey shopping centre was opened in Margaret River, which also features a 3,200 square metre Woolworths supermarket as the major tenant. This includes 14 specialty shops, store and 164 basement car bays.

Work has begun on the delayed expansion of the Eaton Fair Shopping Centre by Citygate. The expansion will include 30 residential apartments, a small bar and a cinema. Woolworths is the current major tenant however, the expansion will see Coles supermarket incorporated into the centre making it the only non-metropolitan centre to have both a Coles and a Woolworths supermarket. The project is due for completion in September 2014.

The sale of Bunbury Forum to Challenger Life for $143 million is understood to be at a yield of 6.5%. This is a major shopping centre located east of the Bunbury CBD and anchored by Big W and Woolworths and comprises over 60 tenants. The property has been in a development phase for the past two years and there are plans to further expand the centre by a further 31,000 square metres.

Woolworths expansion in the South West of Western Australia has been evident in the past year however there is no sign yet that they are ready to slow down. Woolworths are also understood to be pursuing a viable site in Dunsborough to compete with the very successful Dunsborough Coles store.

Residential

HERRON
TODD
WHITE
RESIDENTIAL

Overview

There are signals and signs throughout markets that telegraph a change in the weather. Often, the first shift in the wind happens at ground level where a couple of unexpected sales result, or a palpable but as yet unmeasured shift in confidence has occurred. This month our offices talk about those real estate moments that had them checking whether their markets were on the move.

Sydney

With the Sydney market performing strongly at the moment on the back of low interest rates, limited stock and increased buyer confidence, we have seen an increasing number of properties which are selling well above expectation.

At the upper level of the market in the general "I wish" category...... the traditional prestige residential localities across the Sydney metropolitan area have generally shown an increase in transaction activity during 2013.

We would consider this is reflective of a general perception that the bottom of this market has been reached and, as a result this sector currently represents good value for money, combined with improvements in the share market, the implementation of the Significant Investor Visa and a cheaper Australian dollar.

During May of this year, Sydney recorded its third highest auction price with the sale of a Victoria Road, Bellevue Hill home for $15.501 million. The home was initially listed with a price expectation over $11 million. The property comprises a 2549 square metre site improved with a circa 1925 5-bedroom period home with Opera House and Harbour Bridge views.

The Sydney prestige residential price record was also broken in 2013 with the March sale of 'Altona' on Wunulla Road, Point Piper for $52 million. Altona had been listed for sale during various periods from 2007 through a number of selling agents. The 8-bedroom, 7-bathroom harbour front home, with expansive harbour, Harbour Bridge, Opera House and city skyline views and extensive waterfront facilities, previously sold in 2002 for $28 million, a Sydney residential record at that time.

However the soon to be listed Double Bay harbour front home known as 'Elaine', currently owned by the Fairfax family, may well eclipse the current Australian residential record, currently held by a Swan River front Perth residence for $57.5 million.

Set on a near 7000 square metre site set over six titles, and improved with a circa 1863 7-bedroom Victorian mansion with tennis court, media has suggested a sale price approaching $100 million, though only time will tell.

The improving residential market has also seen a number of recent sales of properties which have been on the market for an extended period of time.

A home in James Cook Island, Sylvania Waters in Sydney's south sold for $3.55 million in May after originally being listed for sale in August 2009 for offers over $4.8 million. A large 1840s heritage listed property on 1,588 square metres of land in Hillcrest Avenue, Tempe sold in September for $2.5 million after being on the market from late 2010 through to mid 2012, before benefiting from a recent development approval for conversion to four units and addition of four townhouses.

Overseas investors continue to flood new unit markets in Sydney with new developments often selling out off the plan well in advance of completion. Zetland and Waterloo have a large number of new developments which have commenced or will be starting in the next 12 months. Despite this increased supply, the demand from overseas buyers has resulted in prices in this sector rising quickly, often as much as 10% to 20% above market value.

New unit sales in strong commercial centres outside the CBD including Parramatta and Castle Hill are also enjoying significant demand with sale prices reflecting the lack of supply. A 2013 record in Parramatta was achieved mid year for a 3-bedroom, 2-bathroom penthouse level unit transferring at $940,000. Two sales this year were recorded in the same complex in Castle Hill in Sydney's mid north west at $930,000 and $1.025 million for 3-bedroom, 2-bathroom units with substantial terraces within walking distance to the shopping centre.

For the majority of Sydney however market movements that have seen us raise our eyebrows have been in suburbia with original fringe suburbs to more popular locations now achieving significant prices.

> The overall Sydney property market has continued to strengthen into the back half of the year with no signs of the market slowing.

Agents are experiencing record sales though Private Treaty and high clearance rates at auctions. In the southern Sydney suburb of Jannali, there have been only three sales that have topped the $1 million mark, all occurring in the past 12 months. The most recent in Rossford Avenue, a 2003 built, two storey, brick veneer dwelling with 4-bedrooms, 2-bathrooms, double garage and inground pool, on 678 sqm of land, sold for $1.19 million at auction last month, beating the previous suburb record of $1.0775 million for a similar property which sold in April this year. The suburb is made up mainly of older style single storey fibro or clad dwellings, which has made it attractive for buyers wanting to build a new home close to established services which include a railway station, schools, parks and a retail shopping strip with a number of restaurants and cafes.

Adjoining the commercial centre of Parramatta, Merrylands in Sydney's mid west was traditionally dominated by single level fibro homes of the 1950s. Over recent times many of these have been redeveloped and now include substantial rendered brick homes offering a good level of 4- to 5-bedroom accommodation. In the past six months there have been two sales in excess of $1.25 million for two such homes with quality inclusions traditionally seen in far more prestigious locations.

Once dubbed the MacMansion centre of Sydney due to the dominance of two storey, 4-bedroom, 2-bathroom, double garage project homes on 600 square metres parcels, the suburb of Kellyville has seen some 14 sales this year over $1.1 million for residential dwellings; a ceiling that did not seem possible several years ago. The highest recorded for the year to date for a two level home with pool is on an elongated bush parcel of some 1800 square metres at $1.445 million. A fringe location to Castle Hill, Kellyville some 36 kilometres to the north west of the CBD, has benefited from the improvements to the road network; strong employment base to the nearby Norwest Business Park and the commencement of work on the North West rail link. It is increasing popular with families with a variety of schools and sporting fields. Land is still available in new estates and the ceiling could easily be extended with 700 square metres plus vacant land parcels currently achieving in excess of $550,000.

Harrington Park on the south western outskirts on Sydney is approximately 60 kilometres from the CBD but is well located within the South West growth centre to new infrastructure and its fringe location has not lessened the recent prices achieved. Originally subdivided in the late 1990s, it is dominated by modern project homes. Harrington Grove a new estate within the suburb, is centred along side a newly formed golf course and has been awarded the "Residential Development of the Year 2013" by the Urban Development Institute of Australia. The upper level is generally $750,000 to $900,000 however there has been a recorded sale this year of a modern home at $1.2 million on a 900 square metres parcel and construction tenders that we have received for new builds seem to indicate more properties of this calibre will be completed shortly.

These sales are just a very small snap shot into the current state of the Sydney market that has seen us go 'wow'. As the 2013 year comes to an end we can expect a strong finish to what has been a year of growth for the Sydney market.

Canberra

As we head into the traditionally busy spring season in Canberra, it is now a good time to look at what has been happening around the market and in particular, properties that have drawn our interest for various reasons.

Most property professionals in Canberra will tell you that if you have a well presented property in the inner north or inner south locations, market interest wouldn't be too far away. There are a number of reasons for this but one key factor would be the capital gains that have historically been achieved in these locations compared to other areas.

A property that recently sold at auction in the inner north suburb of O'Connor was one that captured our interest and the interest of potential buyers. The property at 21 Mulga Street is nestled in a quiet cul-de sac in the in demand suburb and has many positives purely based on location. It is in close proximity of the CBD and also the Australian National University not to mention the many nature reserves that surround it.

The property recently went to auction and achieved a 25% increase in sale price since the pervious sale back in November 2004. The owners had done some standard renovation works since purchasing it in 2004 and presented the property to a high standard which obviously helped to achieve the increase in sale price.

Furthermore the selling agent had a price guide for potential buyers at $1 million plus. This relatively low price guide attracted potential purchasers that eventually pushed the price up while they bidded against each other. In the end the property managed to sell for $1.12 million which is a good outcome in current market conditions which have been defined by relatively high supply and weakening demand. However his goes to show that well presented properties in the inner north and inner south locations can achieve good results when other areas may be static or even on the decline.

Illawarra

Overall the Illawarra region has been experiencing strong demand for all types of residential property during 2013. This strong demand coupled with a steady supply, near record low interest rates and a decisive result to the federal election has resulted in optimism and confidence causing an upward trend in sales prices.

The upper end of the residential market has moved across the board in the Illawarra. On the 'wow' scale, Kiama saw a $2 million plus sale in Barney Street over the last quarter, a $1.06 million sale at auction for a property on The Boulevarde, Oak Flats and a $1.38 million record sale in Brennan Crescent, Tarrawanna sold before auction. On the 'that's a good buy' observation, the recent sale at auction for $610,000 of a 3-bedroom renovated 1950s, 1-garage in Church Street Balgownie stands out as a good pick.

Vacant land sales have also continued to show strong activity, selling at asking prices as a result of this strong demand. Agents are advising that land in Shell Cove, Sea Crest Estate Flinders and Brooks Reach Horsley are selling at an increasing rate. Unit sales in Wollongong are also improving. New unit developments such as these in Gladstone Street are selling off the plan and close to asking prices.

Agents are advising that properties that have been on the market previously during 2012 and early 2013 have started to sell, and are selling close to the asking price. Local agents are also noting that many properties are selling before auction, and if they do make it to auction many are selling above the reserve. Properties listed for sale by private treaty are also experiencing shorter than normal selling periods.

Local valuers are noting that many sale prices are at the 'upper end of the market'. Sale prices are increasing quickly with often the most recent comparable sales being required in order to support the purchase price.

For all the positives with the strong Illawarra property market, there is still a degree of uncertainty associated with it. This is largely due to the slowdown of the mining boom which plays a significant role in the employment sector in the Illawarra and the reality that the Illawarra is an economy in transition.

Southern Highlands

The Southern Highlands and Wollondilly residential property markets have, until recently been in a steady to declining state for several years. The lower end of the market has just started to increase over the past month or so. It will be a case of watch this space to see if this trend continues. Properties in New Berrima that would have been trading at the $280,000 level earlier this year have achieved the $290,000 to $295,000 mark. In Moss Vale another example is a property that would have achieved approximately $450,000 to $455,000 obtained the $464,000 mark. Local real estate agents have confirmed that the enquiry rate is up and the lower level of the market has started to increase.

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 Estate, Mittagong and on the outskirts of Bowral and Moss Vale. No real surprises in this sector, just steady demand from first home buyers and downsizers.

This middle to upper end of the market has been steady but is realistically still weak. If properties are priced correctly then they will sell. If vendors expectations are excessive, we are seeing much longer selling periods until the vendors eventually meet the market. In comparison to several years ago value levels are quite depressed in this market segment and we can still be surprised by current pricing levels.

Southern Tablelands

After experiencing good growth from 2009 to 2012, the regional city of Goulburn is now stable. The main active buyer types have been first and second home buyers, investors and retirees. The Canberra commuter buyer type has slowed down in Goulburn, while the Sydney investor buyer type has increased of late.

Newcastle

The market in Newcastle is still humming along, as long as we condense it to Newcastle and Lake Macquarie areas. We will get to the fringe areas shortly but first we'll focus in on the inner city locations. By inner city we are talking Newcastle and Lake Macquarie. These spots are continuing to exhibit supply side constraints. Most agents we talk to are complaining about a lack of stock on the market.

Most selling periods can be counted in weeks not months and selling prices are frequently at or about initial list price.

This appears to have a created panic in some purchasers with fears that they might miss out and be left behind. Prices are increasing at strong levels not seen for many years and often the conversation in our office returns to the "they got how much?" The activity has been occurring for enough time to ask the question when is enough enough? Our market is too small to classify anything as a 'property bubble' but with prices increasing quickly, demand strong and supply weak we don't see wages increasing at a level to sustain these prices in the medium term. Things always pop.

As you get further out from Newcastle it's a different story in the valley areas. The closer you get to the mines the softer the market appears to be. The talking points in our office generally revolve around the excess of supply in the marketplace, especially of recently built projects and the lack of observable demand. It is possible to drive down some streets and find multiple for lease signs and for sale signs. There is a simple 'eye test' that valuers often conduct. If the number of 'For sale' signs vastly outweigh the ones with 'Sold' stickers on them, there is likely to be an issue. The amount of vacant stock on the market is rising and construction is still continuing even though demand is poor. If the well reported fall in ore prices reverses itself, these properties might see some resurgence but the market has seen a fall of up to $50 per week in asking rental rates. That equates to $200 per month which is a significant change in fortunes for some potential investors who may decide to offload their investment. The question is offload to who? Compulsion to sell will be a major driver to keenly watch over in the coming months.

Nelson Bay continues to show some promising signs with some $1 million plus properties selling in recent times and continued strength in the sub $450,000 market.

It looks like prices might be rebounding somewhat, although the sample size is still too small to yet draw definitive conclusions. Agents report that interest from out of town buyers and in particular Sydneysiders is increasing which is always a sign that the location is about to grow. Low ongoing interest rates will help this trend grow into something more stable and prominent.

Overall the Hunter is a mixed bag with strong signs from the locations mentioned coupled with softer signs from areas which have previously propped up the ailing Hunter. The mining interests have been the major factor credited with seeing the Hunter through the GFC relatively unscathed. If things continue in their present fashion it is an area of concern worth keeping a watching brief over. The roles appear to have reversed over a relatively short space of time.

NSW Mid North Coast

This month we have noticed that buyers have started to be more optimistic and sales have started to increase for medium price range properties on the Mid North Coast. This follows from last month with increasing demand and slow increasing values, albeit in the lower value ranges.

Agents have reported a shortage of stock at the lower end of the market. This has boosted construction and there have been noticeable increases in dwelling construction activity within local residential estates especially around the Port Macquarie area. One of these estates, Sovereign Hills west of Port Macquarie is starting to develop its new stage with subdivision work well underway and the commencement of construction of new dwellings.

At the upper end, values remain static and extended selling periods are still the norm. A recent prestige Port Macquarie canal property has just sold for over $1.6 million after an extended selling period. This is the highest value sale of a dwelling on the canals during the past 12 months.

In summary it appears that the market is starting to firm, but mostly within the lower to medium value ranges. Local agents are reporting higher sale rates being achieved at auction, with auctions becoming more prevalent as the market continues to strengthen.

Coffs Harbour

Record low interest rates are seeing a surg in property activity throughout the greater Coffs Harbour region with local agents reporting increasing number of sales and dwindling supply through certain sectors of the market. We are seeing a noticeable increase in sales for properties under $500,000 with shortening selling periods and sale prices at or near asking price. This has not been isolated to any particular locality with strong activity in the lower end bracket reported throughout the region.

A driving factor for this increased activity is the strong rental returns being achieved throughout the coast which has been driven by a steady supply of itinerant workers for the Pacific Highway upgrade/bypass projects. Competition for residential rentals has become strong in the sub $400 a week sector which has strengthened rental returns in the lower end bracket, while market values appear to remain steady for the time being.

The middle price bracket ($500,000 to $1 million) has not yet seen the increased activity or demand with good opportunity still available for buyers in this bracket to secure what is seen as 'value for money'.

The prestige residential market is still thinly traded with very few sales over $1 million recorded. However selling agents are reporting increased enquiry rates for this sector, particularly within the traditionally strong beachside localities within Coffs Harbour and north through to Woolgoolga.

The vacant land market continues to be soft with ample supply and sales rates remaining slow. This market is characterised by longer selling periods and gradual reduction in asking prices to create buyer interest. The rural residential market also remains subdued traditionally being the last to reflect any positive shift in confidence in the market place, although agents are also reporting increased enquiry for the better located properties.

The most challenging market sector continues to be larger residential development sites with very limited purchasers in the market place. As an example we have recently seen a 3,372 meter square site close to Park Beach sell for $905,000 which previously sold in 2003 for $2.035 million. This property had been on the market since 2008 with an initial asking price of $2.5 million. Contrast to the weak activity seen in the larger sites we have witnessed an increase in sales for smaller residential development sites (800 to 1,500 square meters) ranging in price from $180,000 to $275,000. These sites provide developers with a more affordable option coupled with the strong rental market and limited supply of new product currently available under $350,000.

Other noticeable sales activity within the locality are several motel style properties on sites ranging from 2,000 to 2,500 square meters. These sales have ranged from $1.24 million to $1.484 million for properties in secondary positions being 200 to 300 metres west of Park Beach while a prime esplanade property has sold for $2.05 million. Although these sites are earmarked for future development the improvements still provide good hold propositions showing strong returns on a permanent accommodation basis rather than holiday accommodation, which is also a reflection of the strong rental market.

In short the confidence appears to have returned to the market place, although in its infant stages with a positive outlook in the short to medium term.

Far North Coast

If there ever was a particular situation that would make you go hmmmmm it would be those properties available for sale that one should have made a play for knowing full well that the expected price would be lower than expected and yet still provide some upside with a little bit of elbow grease.

A case in point within the Lismore region is 8 Sunset Drive, Goonellabah which sold in July for $415,000 with a prior sale in April 2008 for $515,000. This property comprises an older style three level, brick flats building comprising 2 x 2-bedroom, 1-bathroom and 1 x 3-bedrooms, 1-bathroom flats.

The property was sold as mortgagee in possession, therefore already touted to have a lower realisable price which is usually associated with such a circumstance and shortened marketing/selling period. The kicker is the 3-bedroom top flat had been renovated with new kitchen and bathroom since the prior purchase in 2008 for $515,000. At this time the building was all original and yet still sold for $100,000 less at a higher rental amount!

The recent sale indicates a net yield of 6.94% whereas other sales of similar flats buildings tend to analyse between 5.25% to 5.75%. There is still room for rental improvement with the 2-bedroom flats prime for renovation.

Located close to Southern Cross University and situated in a tidy, brick and tile development (1980s) era of Goonellabah, this would indicate clearly a good buy and something worthy of interest to the savvy property investor.

The lesson here is if you have cash to burn, find a mortgagee in possession block of flats with good rental yield and demand.

Within the coastal areas there is no doubt there are shifts happening within the market place. There are several recent sales which confirm renewed interest in certain pockets of this market. Most of this activity has been centred around the holiday resort township of Byron Bay and the surrounding hinterland region. Local agents are reporting that a lack of stock/supply within Byron Bay has seen multiple buyers on the one property and in some instances, this has pushed the purchase price above market price.

Recent examples include:

The sale of 12/1 Belongil Crescent, Byron Bay. This property comprises a 2-bedroom, 1-bathroom, single garage townhouse which was on the market for 546 days at $389,000. It is now reportedly under contract at $389,000. The last sale in subject complex for a 2-bedroom townhouse (identical unit) was $345,000 in June.

A property located at 90 Risleys Road, Federal. This is a rural residential property comprising a dated timber dwelling built circa 1910. It was last advertised for sale at $790,000. There are now two confirmed buyers in a race to exchange at $800,000.

Another property located at 11 Coachwood Court, Federal. This is a single level, circa 1950 4-bedroom, 1-bathroom dwelling. The property was listed at $590,000 with several interested parties at $570,000. There are now two confirmed buyers in a race to exchange at $600,000. The last two sales in the street within the past 12 months were $420,000 and $470,000.

The smaller coastal towns surrounding Byron Bay are yet to see heated buyer demand though agents are reporting renewed interest.

A property located at 3 Yangarie Way, Ocean Shores sold in September 2012 for $750,000. This is a modern 4-bedroom, 2-bathroom with double garage dwelling which has now been re-listed for $699,000. The only interest so far (reported from agent) is $670,000.

To the south of Byron Bay in Lennox Head, the steal of the month was a property located at 6/45 Pacific Parade, which sold in 2003 for $500,000. This property was listed on and off for a period of two years. It comprises 2-bedrooms, 1-bathroom and single garage in a walk-up development located opposite the beach. The last listed price was $413,000 and it is now under contract for $385,000.

The market is heating up within Alstonville, Wollongbar and Ballina Island with properties being purchased within short time frames. The increased sale rate is coming down to price. The market for property under $450,000 is defiantly strong. There have been a few sales within Ballina and Alstonville where the home requires renovation works to modernise its appearance and to make it more habitable. Vacant land purchases in Wollongbar are still ticking over with another stage being released in the Wollongbar Park Estate.

An interesting sale of a property that springs to mind which would be considered at the lower end of market expectations is a modern rendered brick home situated on 20 undulating hectares north of Ballina in the locality of Pearces Creek. The home features good hinterland views to the north. The sale price was $770,000.

Further to the south in Yamba, there as been a slight sale rate increase in the prestige market. Since the GFC, the prestige residential property in Yamba substantially deteriorated, however recent activity has increased. From January 2009 to December 2011 there were only four prestige residential properties sold between $1.045 to $1.325 million.

Since January 2012 there have been five prestige residential properties sold between $1.175 million to $1.9 million.

This early evidence of increased sale rates may indicate that some high end buyers consider the top end market to have bottomed out and an opportunity for good buying exists. It is also noted that recent buyer interest has come from the Sydney and Brisbane regions.

In the small coastal township of Wooli, from January 2005 to December 2009 there were 15 properties that sold between $600,000 to $1.35 million, with five selling above $900,000. These properties generally had beach or river frontage. Since 2008/2009 the GFC impacted on values. Then in 2010 a Council backed erosion report was released stating that the Wooli peninsula would be eroded by 2100. This report had a devastating impact on values in Wooli. Since January 2010 there have been only six residential sales above $500,000. Since January 2012 five beachfront properties have sold between $400,000 to $675,000. Recently local agents have reported that interest has increased due to the high availability of Wooli properties listed for sale and the relatively low interest rates available.

Regional NSW

The property market in this region has been relatively stable in respect to values. Sure the GFC has left its mark with a dip in values a couple of years back but things are slowly recovering back to or improving on pre 2008 levels.

There has been no major industries open or close to alter the employment levels which in turn can impact on property. Still there are always some sales that defy reason from a valuer's perspective. We are trained to compare a specific property to similar type properties that have sold in the immediate vicinity or comparable locations.

Sometimes a sale occurs that is an anomaly where the price paid does not match up with other comparable sales that have recently occurred. These can be under or above market sales.

I can think of a recent auction sale where two determined bidders pushed the closing price to approximately 25% over its considered fair market value. The emotion and possible stubbornness of the bidders resulted in a win for the vendor.

The opposite is observed with current mortgagee in possession sales which have in recent times been selling for approximately 10% under a market value assessment when compared to similar sales. There is a number of factors at play here. The properties are often in need of repair and maintenance and there is an element of risk associated that buyers are factoring in with their offers.

Victoria

Melbourne

The spring market is in full swing with Saturday the 26th October being a record breaking 'super Saturday' with 1460 auctions across Melbourne. The market responded by selling every three out of four properties under the hammer with a 73% clearance rate, up form 70% from the previous week.

There has been some 'wow' results from suburbs we would least expect.

17 Justina Close, Vermont South sold at auction for a whopping $1.103 million on the 21st of September. Vermont South is a typical mid-eastern suburb developed in the late 1970s approximately 20 kilometres from the city.

The dwelling was a respectable circa 2000 4-bedroom plus study with 2-bathrooms sited on a compact 489 square metre allotment. The pre auction quote range was $700,000 to $770,000 with the winning bid being an incredible 30% above the upper quoted range. This may be a flow on effect of the strong results shown at nearby Glen Waverley and Burwood.

Glen Waverly had a September quarter median price of $820,500, up 4% from the previous quarter. We are seeing strong results as the market moves in this popular suburb, in particular from the Australian – Chinese community. The crown in the jewel is the highly sought after high school zone. Dwellings within this triangular zone command strong results as it gives its owners the right to send their children to the renowned state school Glen Waverley Secondary College.

On the other side of town, inner west suburbs continue to grow in popularity and post strong results. Yarraville and Footscray were both top 10 growth suburbs for the September quarter. Yarraville posted a median of $739,000 up 10.3% from the previous quarter and Footscray an amazing $622,500, up 12.6%.

Footscray is now on the radar for professionals, young families, creative types and 'hipsters looking for quality housing in a vibrant inner city setting only 5 kilometres from the city.

7 Donald Street, Footscray sold at auction on 5th October 2013. The dwelling presented as a freestanding, single fronted Victorian providing modest 2-bedroom, 1-bathroom accommodation with off street parking. Updated in the 1990s, the property provided some period detail including polished hardwood floorboards and high ceilings and is located close to the rail station and Footscray city hub. Pre auction marketing was quoting a range of $550,000 to $580,000. The property sold under the hammer for $685,000, an impressive $105,000 above the top quoted market range.

The examples above not only confirms a strengthening market but very strong results for pockets of Melbourne not typically on a prudent purchaser's radar.

Murray Riverina

Echuca Moama has seen a variety of really strong results over the past 12 months including some really firm results in the modern developments of Moama (Highlands and Maidens Inn) where two high end properties were auctioned on the same day in March this year with one selling under the hammer for $640,000 to excellent competition and the other negotiating a price post auction of $515,000. Both were very well presented and the market appears to have adjusted up its expectations for high quality properties at this location. On the Echuca side of the border a high quality two storey townhouse at Murray Street which previously sold for $557,000 in 2009 was auctioned in December 2012. Despite minimal competition a price of $700,000 was negotiated after the auction. The market was relatively flat between times and represented a great result for the vendor with the buyer from Melbourne happy to secure the property.

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 with well located and priced properties 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 with fewer completions coming online.

Of note was the recent announcement of the first residents, Warren Wirken and his family to move into the Ballarat based developer Integra Group's Viewpoint 700 lot residential estate at Huntly, north of Bendigo. Mr Wirken lauded the assistance provided by a $38,800 Building Better Regional Cities grant, which is available to the purchasers of 100 lots within the estate.

Murray Outback

While Mildura's median house price has barely moved in the past two years, we have recently witnessed several cases where higher valued properties (by which we mean homes over $600,000) have sold for more than we expected, and often significantly more than they would have fetched two years ago. With the benefit of hindsight, there were some good buying possibilities in the 2009 to 2012 period. It also indicates that wealthier people are now once again more willing to make purchases.

A good example is a 5-bedroom expansive home on a 3,000 square metre lot in Koorlong Avenue, Irymple. This house recently sold within three weeks of listing, fetching $630,000 when it sold in June 2013. It had previously sold in June 2009 in much the same condition, for $550,000.

Another example is a dwelling in Carramar Drive – regarded as one of Sunraysia's most prestigious address which had sold in July 2012 for $820,000 – a price considered by most to be well below value. This property was subsequently auctioned in August 2013 and sold on the day of auction for $950,000.

The other very noticeable trend to emerge during 2013 is the renewed interest in vacant 3,000 to 4,000 square metre lots within 10 kilometres of Mildura. This sector was badly impacted during the 2007 to 2010 drought period (water restrictions), which saw a 25% decline in value for such lots. A recently released low density residential subdivision at Kings Billabong has seen a rapid take up of lots at favourable prices. Part of this trend is due to the limited supply of serviced lots in the Mildura region.

Queensland

Brisbane

Brisbane has been moving more confidently towards year's end - and if you need any proof then check out the joint ANZ/The Property Council confidence index which rates Queensland's market confidence amongst property professionals as on par with NSW. For more anecdotal evidence, ask a few smiling locals - they'll tell you.

There were a couple of "Hmmm..." moments for Brisbanites this year. A few sales helped break the mold and started setting tongues a-waggin'. Recently a property at Wilden Street in Paddington achieved a mighty result when it sold for $2.2 million. This is considered ground breaking money for this type of property in the suburb. Despite Paddington's already elevated stature among Brisbane property buyers, the property itself was on a relatively small lot of 405 square metres and it's a new construction rather than a rambling, renovated colonial. The sale is a great example of how buyers will now pay a premium for quality finishes and fittings. It's a home with contemporary features of a high standard, it's well designed and also of excellent presentation. What this sale showed is whether it's a renovation or new product, if equipped with 'the latest and greatest' in these inner city areas a premium price canbe achieved. Upgraders are certainly about in this present market and they're taking advantage of not only low interest rates, but an ability to sell their existing residence for a desired amount before they move on up.

Paddington hasn't had it all its own way within this sector. Our team report there's been renewed interest in the $2 million plus range in the Bulimba/Hawthorne area too. Property still needs to be of a good quality and tick all the boxes, but there are certainly more interested parties looking around at present.

There have also been a few sales over $2 million in the Chelmer/Graceville/Sherwood patch in the last couple of months. This market has struggled since the floods - even property that wasn't flood affected. Concerns about those non-flood affected properties in flooded suburbs seems to be subsiding although demand for riverfront and flood impacted sites remains limited.

Another sale that caught the eye was 16 Doncaster Street, Hendra which sold at auction for $1.75 million. Considered to be at the upper end of market parameters for a home on a 506 square metre allotment, the dwelling had great presentation. The house was recently constructed and is located in a well-known street within the suburb. The price reflects very strong demand on the back of increased confidence and low interest rates. The market here has been moving with gains this year of approximately 5% and there are any number of people looking to purchase.

It was anticipated that the relationship between higher rental yields and low interest rates would result in a significant increase in the investor market, however this didn't eventuate. This supports the notion that confidence plays a large part of the investor cycle and they need to see some prospect of capital growth before committing.

For investors buying in a somewhat subdued or stagnate market is considered counter cyclical.

It's been surprising to find more first home owners entering the market too. They are often buying properties that are currently achieving a good rental return and would normally appeal to investors as well.

Interest in development sites strengthened after many years of stagnation too. We've seen a few sites that were rezoned to Low-medium Density Residential a few years ago sell, with demand higher this year. Developers are now more confident in the end values of units and this is flowing through to parent allotment purchases.

Ipswich

Ipswich has received plenty of favourable press recently, especially when it comes to housing affordability. As a result several suburbs are currently in high demand.

One of these suburbs is Flinders View. On the southern side of Ipswich and located only five minutes from the city centre, this estate has larger block sizes which are highly desirable for families wanting to upgrade. At present demand is so high that agents are waiting for properties in the $400,000 to $700,000 price range to be listed. When they are, in some cases, properties can have multiple offers submitted to the vendor before the property has even been advertised. In one case a property had four contracts submitted to the vendor within days. The result was plenty of joy for the home owner and successful purchaser, and plenty of tears for the unlucky bidders.

This trend of multiple bidders for the same property is also being seen in other suburbs such as North Ipswich. In one case, a property was listed on the market and after four days had numerous offers and sold at over the list price. It seems that Ipswich is currently the place where you can have an auction without having an auction, and these are trends that we haven't seen for the past two to three years, but which indicate a desire in the market and are possibly a precursor for rising prices.

Toowoomba

Across the Darling Downs there has been a reasonable increase in buying and selling activity, as demonstrated over the past six to eight months. Within Toowoomba, across various property sectors the considerations which appear to attract buyers are location, presentation and development potential. The resource boom in the Surat Basin is still sparking the interest of absentee investors as they anticipate continued growth in rental demand in the Western Downs.

Overall the Toowoomba property market has demonstrated improving sales rates and growth in values. We have noticed that investors, first home buyers and renovators are all more active in the market. The biggest improvement is in the prestige market price bracket over $800,000 which has not historically been a large sector of the property market in Toowoomba and requires a longer selling period. This sector is often a good indication of consumer confidence. In 2013 we have had approximately seven sales over the $1 million price bracket. This is an increase from 2012 which only had five confirmed sales over $1 million. A search of realestate.com.au revealed that there are approximately ten properties currently for sale with an asking in excess of $1 million.

'Bunya Park' is a circa 1888, Victorian-style 4-bedroom, 4-bathroom dwelling with a 2-car detached garage. It is located on the eastern side of Toowoomba within proximity to schools, cafes and parks. The accommodation includes formal lounge and dining, large billiard room, ambient library/drawing room and large front verandah. The property features extensive landscaping, local views and a full sized synthetic grass tennis court. Bunya Park is currently advertised for offers over $1.45 million.

Within the city parameters of Toowoomba over the past 12 to 18 months or since the amendment to the Toowoomba Regional Council Planning Scheme in July 2012 which allows higher density zoning, we have seen a significant increase in the purchase of dwellings or reconfigured lots for the purpose of redevelopment. Small scale development is being undertaken by a variety of investors including local and absentee development companies and trusts and 'mum and dad' type investors. Many of the development sites are located in established suburbs within proximity to the Toowoomba CBD and local services. On the outskirts of the Toowoomba City in suburbs such as Kearneys Spring and Glenvale the developments are taking place in new estates and receiving more buyer interest from absentee investors. Discussions with developers has revealed that pre sales and off the plan purchases are incorporated into the marketing plan to capitalise on the increase of absentee investor activity.

A larger residential development site which comprises of four lots has been on the market for well over 12 months; one lot which is 4,541 square metres has recently sold for $750,000. The whole two hectare site has historically been utilised for industrial usage as a refrigerator manufacturing factory. The facility ceased operation in 2011 and has since remained vacant. The site is located within the 'Residential Choice – Urban Consolidation' zone which allows an achievable density of 60 to 80 dwellings per hectare and up to six storeys above ground.

Orfords development site

Property and investment related media releases have provided considerable speculation anticipating positive movement in the Toowoomba property market. This can be attributed to Toowoomba's location as the gateway to the Surat Basin and the major development of the Wagners Wellcamp Business Park incorporating the Wellcamp Airport. Areas that notably have demonstrated an increase in investor interest are western suburbs such as Glenvale and Westbrook. Currently investor product, including house and land packages in Westbrook are found in Ironbark Ridge Estate which is currently selling Stage 3 and marketed by a combination of Sunshine Coast and Brisbane based agencies. An example of the lower end of the house and land packages available within the Ironbark Ridge Estate is detailed below:

4-bedroom, 2-bathroom, 2-car built-in garage is located on 754 square metre lot. The house and land package is advertised to include $50,000 worth of fittings and fixtures. Advertised for $338,200.

Further west, in the Surat Basin the major mining towns of Miles, Chinchilla, Wandoan and to a lesser extent Roma and Dalby absentee investors are very active. The new product which is proposed, under construction or recently completed consists mostly of house and land packages. However brand new products are not the only investments which are positioned to capitalise on the high rental demands associated with the construction phase of resource projects in the area. A product which is unprecedented in these small towns are older style houses renovated to incorporate 5-bedrooms and 5-ensuites, appealing to companies as transient workforce accommodation. An example of these modified homes is detailed below.

This Dalby, 5-bedroom, 5-bathroom dwelling is currently advertised for rent at $1,000 per week. The dwelling features a renovated kitchen, fully furnished with each room providing a bar fridge and lockable door.

Overall the Toowoomba market has shown stable growth and the Surat Basin still demonstrates benefits from the boom of the mining industry.

Gold Coast

The steals that we saw throughout 2012 within the Gold Coast area appear to have somewhat dried up. Overall the prices achieved over the past six months looked to have firmed slightly especially within the last month. Similarly the Tweed Region is much stronger now than 12 months ago, with the majority of local agents advising that they have sold most of their stock and are now chasing new listings. We are now seeing very few mortgagee in possession' valuation requests coming through our office which would indicate that most of that stock has been sold. 12 months ago it seemed that every second sale was thought of as a steal or bargain however that is now not the case. It is still possible to find those sales every now and then however they are few and far between.

Many of the contract prices within the Gold Coast area seemed to be at the upper limits of current market parameters and generally contract prices are met. This appeared to be a result of the election, reduced supply and the last interest rate reduction. People have been more comfortable to put their money back into the market, especially in the sub $600,000 price point.

This is also apparent in the Tweed Region. It appears that there has been a slight increase in value levels up to a certain price point (approx $650,000). An example of this is 2 Hastings Rd, Bogangar (see picture) which recently sold for $625,000. This property had been listed for sale for over 9 months with an asking price of only $619,000. Initially there was limited buyer interest and the property just sat on the market. Then in the last month of being on the market there was an offer of $619,000 and two offers of $625,000. This property is very well located, being within 200 metres of Cabarita Headland. Another factor for the good sale price may be the recently completed Woolworths in Cabarita Beach. Either way, the sale price of $625,000 was a good price for the property.

There has been very limited good quality stock available causing some 'buyer panic'. this is seen in the inner central Gold Coast areas which have shown well-presented dry blocks achieving higher prices in comparison to original lower quality waterfront property with narrow frontages. An example of this is 7 Mackay Close, Sorrento which is currently under contract for $750,000. This is a fully renovated, single level, rendered brick, dwelling providing 4-bedroom 2-bathroom accommodation on a level, 836 square metre 'dry block' or non-waterfront site. The property hadn't officially been on the market (i.e. no sign out the front) but was listed at $769,000 for three weeks. Purchased by a local buyer, this house last sold for $730,000 in January 2007 and was previously owned by a valuer within this office. The expected price range was $700,000 tops. In comparison, entry level waterfront properties in this locality have been starting in the high $600,000s

Agents are reporting achieving list price is becoming possible. Two examples of this are; 25 Bushmead Street, Nerang being a 1980s single level brick and tile dwelling providing 2-bedroom, 1-bathroom accommodation in partly updated condition. List price was $290,000. The house is currently under contract for $283,000, with the agent reporting a back up offer at $290,000 made three days later. A case of the first offer not being the best offer which is something of a change to recent known market conditions.

Unit 15/142 Stanhill Drive, surfers Paradise is a single level 2-bedroom 2-bathroom lowrise unit in original condition which was listed for sale at $289,000. The unit is under contract for list price. The asking price was considered realistic but not cheap.

Another interesting area of the market is Southport which has experienced a growing demand for re-development blocks especially with the construction of the G Link (light rail) and the upcoming upgrade to Southport Central.

A recent sale of 11 Water Street, Southport (see picture above) is a good example of a circa 1940s style 2-bedroom, 1-bathroom hardiplank dwelling in poor condition. The house sits on a RD6 density, 607 square metres, corner block with re-development potential. It sold last year for $405,000 and has currently achieved a contract price of $450,000. Agents have been experiencing high levels of enquiry within the area for similar property types in recent months.

The highrise unit market in Southport has seen some improvement over the past six months as mortgagee/forced sales have slowed. Some prices in the Brighton on Broadwater development have been above expectation in some cases, particularly the larger style units with a good range of views.

The sale history of a highrise unit in the Pivotal building gives an indication that in some cases this market segment has improved. A 13th floor 1-bedroom apartment with broadwater views sold off the developer in 2005 for $365,000. In 2011/2012 it was listed for sale at $340,000 and was subsequently withdrawn. The unit is now under-contract for $355,000 through a local agent, local buyer and a short marketing campaign.

The northern growth corridor of the Gold Coast has experienced increased activity in recent months, especially with a steady supply and availability of affordable house and land packages with prices ranging from $300,000 to $400,000 for 300 to 500 square metre allotments ranging from 3-bedroom, 2-bathroom, 1/2 garage dwellings to 4-bedroom, 2-bathroom and 2-garage dwellings. This sector of the market has created interest from interstate investors and local first home buyers who continue to take advantage of the $15,000 first home buyers grant for new homes and the interest rate reduction.

Another sector of the market which is worth a mention this month in the Vacant Land market is Casuarina and Salt. In early to mid-2012 the 'Seaside' Residential Estate was released to the market with land sizes ranging from 405 square meters to 750 square metres and sale prices ranging from $180,000 to $280,000. In the past three months there have been a number of re-sales at prices 10% to 20% above initial sale prices. An example of this is Lot 54 (see below) within stage 3 of the Seaside estate which originally sold in mid-2012 for $225,000 and has recently re-sold for $262,500 which shows an increase in value of just over 16%.

The prestige beachfront market has also had it's fair share of things that make you go 'hmmm'.

There have been a number of new transactions along the beachfront, including the much publicised home of the founder of LM Investments. This property which sits on two beachfront lots and has a further two street front lots (albeit encumbered by a laneway) sold under the hammer for $7.35 million.

Just prior to this sale, there were two contracts negotiated for houses on single lots on Hedges Avenue. An old cottage for $3.05 million and a luxury home believed to be circa $4.85 million. Since these sales, two new contracts have been entered into for a beachfront duplex for $3.7 million and esplanade front house for $3.7 million.

In all it is great to see some confidence and momentum on the Gold Coast and Tweed Coast. We just hope property owners and investors still remember our recent history and use those lessons to prosper in the future.

Sunshine Coast

As the Sunshine Coast property market continues to move along in the property cycle, we are starting to see the 'street signs' that are indicating some changes. Some are clearer than others, but nevertheless they are signs of a market slowly improving.

As mentioned in previous months in reviews the sub $500,000 housing market close to coastal centres has been the largest sign of the market improving. An example of this is the Kawana stretch on the eastern side of the Nicklin Way.

> About 12 to 18 months ago there was an ability to purchase an older improved property for under $400,000.

This appears to have diminished significantly with the entry price being in the low $400,000 level. It is difficult to say if this is a 'increase in values' but we do note that there are fewer pressured vendors in this market which appears to have helped give a floor to the values.

In the $600,000 plus housing market moving right through to the prestige market, it is more difficult to gauge. Transaction levels have certainly increased, but the values being recorded can be somewhat inconsistent. This inconsistency is still being caused by vendors that are under pressure to sell having to meet the market. Conversely vendors that have time and a property that provides something a little special are achieving good results. It appears that as confidence improves further this market place will also get some more consistency back.

The unit market is a different story again. There appears to be two types of units in this market that have very different market demands. Large permanent style units with multiple garage spaces appear to be performing reasonably well as a number of mature purchases are looking to down size. Smaller resort style units are certainly far more difficult to move. With the high Australian dollar encouraging overseas travel, returns have not been great. The most recent holiday period indicated occupancy rates to be up so as this tourist dollar returns, we would anticipate the market for these types of units to improve……. slowly. The difficulty with units as a whole is the resistance of properties with high body corporate fees.

Whether you want to call them 'road signs' or 'green shoots', the recovery in the property market has begun. This will be and has however, been a slow process. Unfortunately given we are now in a global economy, there remains a risk that this recovery could be stalled if any international economic instability, like another US Government shutdown once again erodes confidence.

Bundaberg

The residential section of the market has been travelling along pretty well, 'steady as she goes'. Properties impacted by the worst flood on record to hit the area in January this year are still trickling in at significant reductions on pre flood values, even after renovations.

These flood affected properties are still considered a good investment if you are prepared to take the time to renovate them and then rent them until the market increases, providing we are not hit with another flood in the meantime.

We have also had a couple of high end properties that cost well over $1 million to build in the past two years sell for well under replacement cost at $925,000 and $700,000 respectively. The higher end of our local market has always been thinly traded when values go over $700,000.

One property sale that did drop the jaw this week was a property in Gayndah that recently sold for $290,000. Since our office had completed a valuation of the property about 10 months prior for $200,000, we investigated the sale and found that the purchaser was not a local, was a cash buyer and therefore did not get a valuation done and did not know the local market

While it was a bonus for the vendor, it highlights the importance of a fully independent valuation that would have been done if finance was a requirement.

There appears to be an increase in the volume of sales throughout the district, but we are yet to see an increase in prices. All in all, Bundaberg is still an affordable place to invest in.

Gladstone

The market has continued to decline since the peak in late 2011. The most recent sales occurring still suggest the market is continuing to decline on the back of increasing vacancy rates and increasing supply.

On a daily basis there seems to be a property sold that appears to be far below market levels previously seen in recent times. A few examples include:

- A 680 square metre vacant allotment in a modern developing estate recently went under contract for $195,000. The previous sale price was $255,000 in early 2012 reflecting a decline of 22%.
- An above average quality and size, near new modern dwelling in a modern estate recently went under contract for $500,000. House and land packages of this nature 12 months prior were costing $580,000 plus.
- A modern 3- bedroom, 2-bathroom duplex unit in a modern suburban location recently went under contract for $315,000. The unit was initially listed for sale for $460,000 in June 2012. The list price was subsequently reduced to $320,000 in August 2013. The discount in list price over this period is 31%.

These sales have caught our attention as being lower than current market parameters however, in time we consider they will set the new benchmark for property of a similar nature. Until supply levels are absorbed, we consider further market correction is possible.

Hervey Bay

Upper end properties are oversupplied in the Fraser Coast and Cooloola regions and the affordability of some 2013 sales should attract some interest to the area.

Prestige properties and localities have struggled to attract interest this year with some purchasers getting amazing value for money and with some sales significantly below replacement cost.

The main cause is unclear but it is likely a combination of difficult local economic conditions, changing buyer preferences for more modest homes and an absence of out of area buyers. But it has been great news for buyers wanting this type of property!

Some Fraser Coast examples from 2013 include near oceanfront homes in Dundowran, a well regarded seaside suburb just north of the main suburbs of

Hervey Bay and some esplanade properties in popular Point Vernon. To the south at Rainbow Beach the last surf beach before Fraser Island, mortgagee in possession units are selling at around 50 to 60 percent below asking prices at the peak of the market. Here are a few sales from 2013:

23 Ocean Park Drive, Dundowran Beach sold on 15/05/2013 for $625,000. A two storey, circa 2000, contemporary style, bagged brick, 4-bedroom, 3-bathroom, dwelling with colorbond roof and 2-car builtin garage. Approximate floor areas: living 350 square metres; outdoor 120 square metres; car 45 square metres. The first floor provides 2-bedrooms, bathroom, rumpus, laundry, storerooms, study nook, lounge room, garage and patio. The second floor includes 2-bedrooms, 2-bathrooms, open plan family/meals room, kitchen and deck. Features include polished timber floors, high ceilings, wood heater, glass balustrading and grand foyer. External improvements include extensive landscaping including timber vehicle bridge over a waterway and inground pool. The site adjoins a grassy foreshore to the north which is then followed by the beach. The property appreciates good ocean views through a lightly timbered foreshore. The property is in good condition overall, and has above average appeal. Land Area 4,348 square metres. This was a transfer by third party but required a longer selling period and reflects the subdued nature of the market.

Lot 10/5 Ocean View Parade, Rainbow Beach reportedly sold and settled for $635,000. A circa 2007 modern 3-bedroom, 2-bathroom architect designed centre unit situated on the middle level of a three level 15 unit complex. The unit has 1-car secured basement car space. The unit has a northerly aspect with very good ocean views from an elevated location over the town centre. Common improvements include concrete driveway and secure basement parking, fencing and retaining walls, paths, established landscaping, inground pool and on-site reception/management, walkways and passenger lift. Sale reportedly included furniture. Living area 131 square metres, outdoor 39 square metres. Analyses to around $4,847 per square metre internal living area. This sale was advised as sold and settled by the selling agent but subject to confirmation. A number of mortgagee units remain on the market in the locality reportedly listed for sale at around half the original asking price several years ago.

196 Esplanade, Point Vernon sold on 9/04/2013 for $450,000. A low set, circa 1970, partly refurbished, conventional style, brick, 3-bedroom, 2-bathroom, dwelling, with colorbond roof and 1-car builtin garage. The dwelling is located on an easy sloping, inside lot, with restricted ocean glimpses through a timbered foreshore. Ancillary improvements are of an average standard. The property had good external condition. Land Area 814 square metres.

95 Esplanade, Point Vernon sold on 24/04/2013 for $483,500. A low set, circa 1960, conventional style, brick, chamferboard, 3-bedroom, 1-bathroom, dwelling, with corrugated galvanised iron roof and 2-car detached garage. Dwelling is located on an easy sloping, inside lot, close to boat ramp. Good ocean views. Ancillary improvements are of a basic standard. The property has fair external condition. Land Area 852 square metres.

Mackay

The Mackay residential market and Mackay region for that matter is currently fairly subdued on the back of the downturn of the mining industry. The post election afterglow doesn't appear to have materialised with no discernable pick up in the market just yet.

One area that has suffered more than most over the past 12 months is the rental market, which has seen significant rental value decreases and large increases in vacancy factors. A large number of investor product, particularly on the northern beaches has seen an oversupply of new dwellings hit the market. The downturn in the mining industry has seen a number of workers and contractors leaving town which is exacerbating this problem. Vacancies were below 1 % a couple of years ago and have now blown out to in excess of 6% across Mackay and far higher again in the northern beaches.

Rockhampton

The Rockhampton region can be broken down into three distinct areas consisting of three different markets. These markets being Gracemere approximately 10 kilometres to the south of Rockhampton, Capricorn Coast to the east of Rockhampton and Rockhampton in general.

The Gracemere market had been moving along quite well up to the start of the year with good rental returns and low vacancy rates. This however has changed. The market had been riding off the back of the Gladstone market and also the Mining industry which have both softened in recent times.

Rents are now starting to decrease and vacancy rates are pushing towards double figures. There are still house and land packages on offer with investors in the majority however with rents dipping and vacancy rates going up this has slowed considerably.

The high vacancy rates are due to investors flooding the current Gracemere market. A number of developments have marketed predominantly to investors from outside the local area. These estates have offered house and land packages with inflated land prices and are mostly above what locals are prepared to pay.

Rockhampton has softened in the rental market as well however has not been affected to the extent of Gracemere. The mining industry downturn has been the main reason for the softening in the Rockhampton rental market.

There is a number of developments in Rockhampton that are now also offering house and land packages similar to Gracemere, which are mainly being purchased by investors from outside the area with local interest being minimal. A number of these estates are developing allotments with land sizes in the low to mid 400 square metre range which is relatively new for this area. Again local interest has been minimal and land prices considered to be inflated.

A purchase price of $950,000 was paid for recently and is one of the higher purchases for the Rockhampton area in awhile. The house is a circa 1990 two storey brick dwelling that has been refurbished, extensively landscaped, very well presented and located in a more prestige area of Rockhampton. We are hearing of interest in other high end property which has been lacking in recent times.

The Yeppoon market has been relatively steady to quiet in both sales and the rental market with prices and rents being relatively consistent. Agents are telling us they have a lot of enquiry for flat land to build upon however the supply is limited. There are a number of sea view allotments which are priced below $200,000 however are sloping allotments which tend to push up building costs.

Townsville

Across Townsville's residential property market we are seeing increasing demand and absorption of stock.

Anecdotal evidence suggests that this increased demand is not property specific and is generally across the market. In the rural residential sector agents are reporting that they are seeing properties that have been listed and on the market for awhile with limited interest, now receiving interest and in some cases multiple offers/contracts.

The executive housing and unit market is also receiving increased interest with anecdotal evidence suggesting that time on the market/selling periods have reduced.

The volume of sales are trending at rates higher then the corresponding period last year with the median sale price nudging up slightly as at June 2013 at $357,000 compared with $355,000 in June 2012.

We are not yet seeing any price increases in general, however our long term outlook that price may again pulse within the residential sector in 2014 still appears the case.

Cairns

The headline news for Cairns is that we have advanced our residential market indicators from the 'bottom of the market' to the 'start of recovery' phase.

In our view suburbs like Edge Hill, Whitfield and the Northern Beaches in general are already in a recovery phase. They are no longer buyers markets and have moved into equilibrium between buyers and sellers. Prices are also starting to rise. Noteworthy is a townhouse on the Northern Beaches potentially worth $170,000 to $180,000 three months ago that has recently gone under contract for $210,000; and a 3-bedroom house and granny flat on the Northern Beaches, purchased for $380,000 at the peak of the market in 2007 and potentially worth around $340,000 three months ago, recently selling for $440,000.

> Agents advise that they are now getting multiple offers on properties and as long as asking prices are realistic, potential buyers are making offers at asking price rather than automatically discounting.

Stock is depleting and previously unsellable stock is starting to move. The Northern Beaches market, and Yorkeys Knob in particular, is being spruiked up by the proposed $4.2 billion Aquis resort development, which although still prospective at this stage is nevertheless stimulating market activity and prices.

Other suburbs are still generally a buyers markets but are less so than before. Vendors in these areas with realistically set asking prices are now getting close to asking price if not asking price itself. They are also starting to see spillover effects flowing through from buyers missing out in the more popular suburbs extending their horizons, and there appears to be sufficient momentum in the market for these cascade effects to continue. That is, although it is early days in the other areas sustainable recovery is nevertheless starting to happen.

South Australia

Adelaide

The Adelaide residential property sector has remained very flat and subdued throughout 2013.

The fact that the market is performing as it is when interest rates are at all time lows, property prices are more affordable than the peak of the market in 2010 and there are low levels of stock on the market is certainly making us go ....hmmm?! We look at Sydney and Melbourne and see that these three factors are combining to increase competition, increase sales activity and push house values up, so what is happening here? The federal election is over now so we can't continue to blame inactivity on that. Spring is also traditionally one of busiest times of the year for buying and selling property, but still there is just not much happening. It feels as though we are in the early stages of recovery but it has felt like that for most of the year...

It would currently appear that property owners are not game to face the market and are seemingly willing to hold out until selling conditions improve and that buyers facing limited choice are remaining uncertain and unwilling to commit.

Maybe we have under estimated the real impact that cost of living and job security is having on confidence levels. One suspects that unless something changes Adelaide's residential property market could remain as is well into 2014.

A sale of note that settled at the start of this year is that of a Queen Anne Villa on Queen Street at Norwood. This property is quite different to many surrounding properties with the character dwelling providing over 500 square metres of accommodation on a significant 2,700 square metre allotment with a tennis court and swimming pool. Even with the conditions at the end of 2012, which were slightly worse than they are now, this property sold very quickly by expression of interest with a few serious buyers looking to purchase, and achieved a sales price of $4.725 million. At the time the price achieved was probably slightly above expectations and goes to show that prestige properties generally are not as sensitive to general market conditions as they tend to be driven more by lifestyle choice and emotion. In this price bracket in the Adelaide market there are also very limited options available and the most desirable properties, either due to location or amenity are often sort after and as such can perform surprisingly well.

A development that is current underway and expected to perform quite well over time is the Bowden Urban Village. This is a long term project and is currently in the early stages of construction with the first apartments due to be completed sometime next year.

This South Australia Government initiative is on the old Clipsal and SA Gas industrial sites on the corner of Park Terrace and Port Road just three kilometres from the city. This development is a new concept for South Australia and is part of the 30 year plan for Greater Adelaide. It is to be the site of the first transit-oriented development or TOD. This major near city urban renewal project is different to other more traditional land releases as it aims to provide medium to high density energy efficient living with affordability in mind. As a TOD there is a focus on reducing car use by making most local services 'walkable' and providing access further afield via a public transport hub with access to tram, train and bus services.

It would appear as though this project has been very well received by the public, with three of the apartment/terrace developments already sold out. The location alone with excellent proximity to the city and north Adelaide is highly appealing and is some of the last remaining available for residential development. The style of accommodation with emphasis on energy efficient living and the traditional backyard being replaced by shared open spaces and community gardens is gaining in popularity as lifestyle requirements change over time. As such Bowden Urban Village has the potential to lead the way for other TOD sites around the Adelaide metropolitan area.

The South Australian Government have three incentives on offer which may be available to those eligible for off the plan and newly constructed apartments within this development. These include stamp duty concessions of up to $21,330 on properties under $500,000, the Housing Construction Grant of up to $8,500 available to anyone for any new home built where the total value does not exceed $450,000, and for those purchasing their first home those eligible for the First Home Owners Grant (for properties up to $400,000) can receive $15,000 for newly constructed homes.

It is expected that the suburbs adjacent to the Bowden Village Development will also benefit from the improved amenity and access to this location.

Tasmania

The Tasmanian prestige home market is notable in that it appears to be demonstrating an expectation gap between sellers and buyers. The expectation gap is a reflection of the limited number of market participants currently active within Tasmania's prestige market sector.

Sandy Bay is a historical, inner city suburb located next to Battery Point, home to the famous Salamanca Markets. Parts of Sandy Bay front the Derwent River, the Wrest Point Casino and the University of Tasmania with several private schools located throughout the suburb.

A couple of examples of the abovementioned expectation gap in the suburb are as follows; a prestige home in a prime location entered the market in May 2011 for offers above $2.2 million. In March 2012 the list price was removed and offers were invited. The property was taken off the market in June 2012 and re-listed 12 months later for offers over $1.5 million. The property sold in June 2013 for $1.375 million.

The second prestige example within the same region was listed for sale for eight moths starting at $895,000 which sold for $750,000.

In the north of Tasmania similar market truths for prestige homes have reflected those of the south.

An example in Launceston that demonstrates this is again in a prime location offered for sale in April 2011 at $2.39 million. In December 2012 the list price was lowered to $1.9 million, in June 2013 it was lowered again to $1.75 million. In February 2013 the property was reportedly sold for $1 million in a swap and was then re-offered for sale by negotiation. The property sold in July 2013 for $1.2 million. Although this example is the most extreme in the north it is not an isolated example with other prestige home listings and sales showing expectation gaps of up to 20%.

The north west has been trending similarly showing expectation gaps up to 20%.

One property was listed for auction in November 2012 then listed at $799,000 in February 2013. The list price reduced in April 2013 to $749,000and sold in July 2013 for $682,500.

Some Tasmanian owners of prestige homes, located in prime locations which have traditionally achieved commensurate capital returns, are needing extended selling periods to condition them to market reality.

As suggested last month the recent change of federal government appears to have boosted confidence as reported sales volumes have increased which may see gradual declines in expectation gaps across all property market sectors.

Northern Territory

Darwin

The Darwin market has been stabilising since mid 2013 after the previous 18 months saw a large increase in capital values. The inner Darwin median house price sits at $760,000 for the quarter ending June 2013, Sanderson (northern suburbs) at $600,000 and Palmerston at $554,000. However occasionally over the last few months we have seen a couple of sales that have been a bit outside the square.

With shows on TV such as The Block, Selling Agents and DIY Rescue, we have seen a revolution of DIY renovators and purchasers hoping to make a quick dollar off 'doing up' an eyesore of a property and selling it on, or revaluing it for equity.

There was recently a property in the northern suburb of Anula which was in an extremely run down state in desperate need of renovation. When looking at recent sales in the area and build costs evidence suggested the property would achieve a price in the high $400,000. However the property went to auction and sold under the hammer in September for around $570,000 with over 30 registered groups present.

A few months earlier, a similar story of a run down property in the northern suburb of Tiwi. The property was in need of a huge clean up outside including a decommissioned concrete inground pool that needed demolishing and removal, old bikes and junk that was being stored on a roof which looked like it needed replacing, blocks from fencing that had fallen down and loads of general refuse. The property itself was in a state of disrepair needing flooring put down, a new kitchen (as there was basically no kitchen installed at the time) and bathroom, not to mention other interesting features such as the house gas hooked up to a duct taped barbeque bottle.

Again looking at all of the sales evidence and other factors, the property looked set to fetch around $420,000 however it also went to auction and was purchased for over $470,000.

With all the hype on TV around renovations, at times there almost seems to be a premium paid for the chance to do a renovation. Agents often strategically market the property as a 'renovators dream' or 'rough diamond' and prospective buyers see a property that might be advertised for $50,000 below neighbouring properties and with '$10,000 or $20,000' worth of work to get up to standard. They assure that they can make an easy $30,000, however many rush in without doing all of their sums.

First time renovators often fail to get everything professionally assessed, so things that are hard to see from the outset such as plumbing, electrical, roofing and sewerage can often end up adding a lot of unknown costs to the project and that small profit can dwindle fast.

Another issue is that the work often takes an extended amount of time and you will be out of rent and usually paying a mortgage over that time which also eats into the profit. Over that time, especially in places such as Darwin where prices have been shooting up fast, if you get caught in a market that suddenly slows down or drops slightly, you could be left having to finish the project just to stop yourself from losing money. Not to mention capital gains taxes, real estate fees, legal costs and insurances.

Renovation is a great way to make money from property if you can get the property for the right price and can either do the work yourself or manage a group of tradies on mate's rates. But one has to take into account the risk vs reward in what they are getting themselves in for.

So at times I feel that if you are going to risk $500,000 of your money, six months of time and work to hopefully make $20,000 that you would be better off spending that six months finding a well priced property that's not in need of any work, in a high capital growth area or showing a good return. But maybe that's just because I struggle to change a light bulb at home let alone renovate a house.

Alice Springs

In the Alice Springs market the surprise result was an increase in the median house rent of approximately 3.7% from $545 per week to $565 per week over the September quarter after being relatively stable for the previous two quarters. Other results were a 5.8% increase in the median house price to $455,000 in the year to September 2013 and a reduction in the median unit price of 3.6% to $322,500 in the same period.

Western Australia

Perth

The transformation of the Perth into Melbourne continues at a frenetic rate. The proliferation of small bars, laneway activation, good quality restaurants and festivals in and around the CBD is transforming a once lacklustre after work environment into one filled with some excellent choices. We now have Jamie (Oliver) and that the bloke with the pony tail cooking up a storm alongside other world class venues such as Nobu, Print Hall, Guillaume and a host of others. The number of funky laneway bars frequented by skinny blokes with beards in tight clothes is phenomenal. Not only that, we have some excellent retailers arriving including TopShop who have just announced that they will be opening up a flagship store in the Perth CBD. Not only will we be better fed, we'll also be better dressed than Melbourne at this rate!

One of the most exciting developments underway which will further enhance the Perth CBD is the Cathedral and Treasury Precinct.

Over the next three years, the Cathedral and Treasury Precinct will undergo a period of significant transformation which will include the following key works:

- The 135 year old, heritage listed Treasury Buildings on the corner of St Georges Terrace and Barrack Street will be restored into an exciting mix of hotel, hospitality and retail uses;
- A new 33 level office tower will be constructed between the Treasury Buildings and the Perth Town Hall;
- A new City of Perth library will be constructed next to the Perth Town Hall fronting Hay Street;
- The office building at 565 Hay Street between the new City of Perth Library and the Public Trustee building will be refurbished;
- The Public Trustee building on the corner of Hay and Pier Street has already undergone minor structural changes and an internal upgrade;
- The public plaza in the centre of the Precinct behind St Georges Cathedral will be upgraded;
- The Playhouse Theatre on Pier Street will be replaced with new buildings aligned with St George's Cathedral.

The most exciting part will be the boutique hotel which is to comprise of 48 luxury rooms, a rooftop pool, subterranean spa, and 1500 square metres of restaurants and retail space. This development will make Perth an even nicer place to live. I have seen the size of the rooms and bathrooms as well as a mock-up room and I can say that you'd better book a room because they will be one of the best in the world.

We are also in the midst of the Elizabeth Quay redevelopment of the Perth Waterfront as well as the sinking of the Perth railway which separates the Perth CBD from the Northbridge entertainment district. Both developments will see more office, retail and residential accommodation constructed in the city that will only enhance the offerings for the community. While the works are frustrating for commuters as it generally adds time to travel journeys, once completed I am sure that people will forget the pain and wonder what Perth was like before.

Another planned new development outside of the CBD but still close is a 1400 square metre hospitality development at City Beach which is being undertaken by the Town of Cambridge. The development also involves a new 1600 square metre surf club. Earmarked is a new restaurant/tavern, café, small bar and boutique restaurant. The development is planned for completion in late 2015 and will fill a big hole that exists between Scarborough Beach and Cottesloe Beach.

All of these developments are happening now. It certainly makes me go hmmmmm. Thank goodness I live here and not in Brisbane!.

South West WA

Market sentiment in the South West of Western Australia appears to be changing. This statement is made in light of an ever increasing number of out of area buyers being active in the market place over the past few months.

In the lead up to the GFC the South West property market was booming. This was on the back of strong demand in particular from the Perth demographic looking at the South West as the perfect place to purchase that holiday home or potential investment property. Times were good and money was easy and there was no shortage of prospective purchasers stumbling over themselves to secure a piece of real estate resulting in driving property values upwards.

As the familiar story goes, the bottom of the market fell out in the months leading up to the GFC and the years preceding. The South West in particular was hit very hard; up to 40% was shaved off property values at the top end of the market. The effect was magnified by not only the local market contracting, but also the out of area owners looking to sell the holiday home/investment property and liquidate their assets and ease the pressures on servicing debt.

The market over the past 12 months has started to improve as confidence returns. But the story that has got valuers talking is the strong increase of the prospective purchasers from the Perth metropolitan area. It appears that people, after numerous years of tightening the belt, are now looking at investing or treating themselves with a holiday home. The purchaser profile appears to have shifted from one that was significantly influenced by FIFO workers, back to one that is influenced by the Perth market for investment of holiday home purposes.

Another growth area is anticipated to be the first home buyers market given the increase in the state government first home buyers grant from $7,000 to $10,000 for newly built homes.

Due to the continuing low interest rate environment and the improving weather conditions it is anticipated that the period leading up to Christmas is likely to be very active. It appears that once again we are on the upwards swing of the property cycle.

Esperance

In a region as small as this, in terms of population anyway, the ‘wow’ moments in real estate are few and far between. Like any area, there are the sales that make you wonder “how on earth did they get that?” as much as there are properties that seem to sit on the market forever and there is no obvious reason as to why.

One of our more notable sales was for 83 Twilight Beach Road, West Beach that sold in March 2012 for $1.35 million. An executive style home with uninterrupted ocean views, this was the first residential sale over $1 million for 15 months at the time and set a new benchmark at the top end of our market. When the new purchasers decided after a short time of living there they didn’t really like the ocean noise, back on the market it went and was resold for $1.45 million in February 2013, with a selling period of less than six months and without any overt advertising (no signage or local press).

When the statisticians insist the average house price in this area (in fact the postcode, ignoring the small fact the postcode is over 300 kilometres long and covers a fair range of property types) is $350,000, any sale at this level is noted. Of course the flow on effect is everyone else conveniently assumes their properties have jumped in value by the same amount, me included in moments of wishful thinking.

So, has the market turned at the high end of the market here? It really is very much a case of watch this space. Agents are reporting an increasing level of interest in this market of late and while supply is limited, those higher priced properties on the market are generally of a high standard. Combined with an exceptional season to date for local farmers, there could be some money around as we head further into the spring selling season.

The local rural residential market is seeing a surge in prices paid as well.

A number of transactions in the $500,000 to $600,000 price range occurred in the latter months of 2012 and into 2013 with three sales over $700,000 at the same time getting attention because of their rarity. In recent months however, we have had one sale at $1.175 million, another at $850,000 and a third property has received a cash offer of $965,000.

The upshot is that whilst there have been a low number of sales within these price ranges, by volume there are relatively few anyway in a market of this size. The fact there has been activity at this level when for a while nothing could be moved at least gives confidence to the market and gives those of us with properties worth quite a bit less something to dream about.

Rural

HERRON TODD WHITE RURAL

Overview

This month we report on the continuation of a sales story which is reflecting some reasonable activity in many regions. We even have a sale in the Territory of note which by the time this hits the press will be old news. The fact buyers, both neighbour and larger scale, are coming to the market with fair offers and vendors now more accepting of these values will please many sales agents who have not had much to celebrate in the past 2 to 3 years.

The price levels continue to show a mixed bag from relative peaks in markets with higher quality, well developed properties seeing values supported in the southern regions at close to, and on occasions above previous market peaks. In the north and west sales are reflecting the reduction in market values but within the ranges of expectations which is a positive, in that they are not being sacrificed.

The seasonal conditions and early look at summer has caught many by surprise. The story for winter crop harvests for the third year in a row is one of great optimism followed by some concerns, with no rain to some areas resulting in crops not being harvested. In the northern western cattle regions in Queensland conditions remain extremely dry and with no immediate breaking rain on the horizon. Confidence about next year has already started to be downgraded in conversations.

On the flip side, the emergence of niche sectors like avocadoes; an increase in confidence in the citrus sector; and some strong growing conditions in Victoria, southern NSW and South Australia are building confidence in those markets, reflecting increasing sales activity reported by the team.

So what is the overall market trend? In my view this is difficult to determine and there is no overarching trend in values nationally in any one direction. I was asked earlier in the week what has been the movement in market since the start of 2013. My reply was, "it depends": it depends on the property features, the region and recent seasonal conditions; and it depends if the neighbours have been getting ready for an acquisition for a few years, which is often the case; and it depends on how the bank sees the client's capacity. We do know the banks all have funds they wish to lend to the sector. They are of course looking for the cash flows and debt reduction capacity to support the loan.

The early stages of increased sales activity is a good sign. If this activity continues in the lead up to Christmas it would be a positive signal for the 2014 market. While values in their own right may not increase in the near term, sales will bring more confidence to the market and this is good for all stakeholders.

Please enjoy this months round up.

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Southern NSW

Silage making is in full swing and hay making has started in some areas of southern New South Wales, but north east Victoria has not yet started. The fantastic season we have had in this area is drawing to a close and there should be plenty of silage and hay made and stored. The main concern has been some late and fairly severe frosts during the last week while some of the later cereal crops are flowering. These frosts are likely to impact yields, but the extent of the damage is generally not known until the harvest starts. We have had little rain during September and ground conditions are drying out which is bringing the cereal cropping season to a rather rapid close. The lack of rain in September may also see some unfinished crops and pinched grain. The stress of the season is not over until the money is in the Bank!

Things look pretty good for the irrigators - Dartmouth is still at 99%; Hume is at 94% and significant water is being released for the irrigators; Eildon is at 95%; and the smaller Victorian storages are at varying levels of between 66% and 100%. In Victoria 100% allocations have generally been announced for high reliability water and at this stage there are generally 0% allocations for low reliability water. In NSW Murray Valley high and general security allocations are 100% and Murrumbidgee general security is currently sitting at 43%.

On the rural property front, there have been a rush of properties listed for sale for the spring selling period including some higher rainfall properties in the Upper Murray such as 'Morella' and 'Narooma/Lightwood'.

There are many smaller properties that have come onto the market as well as a large property at Mulwala ('Billabong') that is developed with 16 centre pivot fields and has nearly 6,000 millimetres of water.

Demand is still strong from both the corporate sector who are chasing large broad scale cropping properties, and the family farmer who is looking to expand their operations by the purchase of additional land. It will be interesting to see if the surge in property listings result in sales and whether demand will continue to outstrip supply over the next few months.

Contact
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Murray Riverina

The time of year does not lend itself to strong market activity given that most farmers have been flat out spraying, irrigating, calving or preparing for harvest (or sowing for summer croppers). Despite these various activities several larger transactions in Moama/Caldwell/Barham have been executed including a 2,532 hectare irrigation property (rice and cropping/grazing) known as 'Lytton' which sold at auction for $2.2 million to strong bidding between two neighbours. It featured an extensive renovated weatherboard homestead, second cottage, six stand shearing shed, steel yards, aircraft hangar and landing strip and extensive other improvements including 541 hectare contour irrigation and 267 laser graded irrigation layouts and a 400 millilitres turkeys nest dam. The vendor had owned the property for an extended period and it featured extensive frontage to the Wakool River approximately 30 kilometres north of Barham. The price equated to $869 per hectare or $352 per acre overall. Closer to Moama two smaller holdings (approximately 1,700 hectares and 700 hectares) have sold showing overall values of $1,161 per hectare and $2,212 per hectare overall respectively with the second parcel featuring in excess of 700 millilitres of General Security Water.

The rural real estate markets have slowed since the start of the year with a number of properties passing in at auction over the past few weeks. These have included dryland, irrigated and horticultural holdings. Values remain firm and buyers are still present in the market but their reserved post drought attitude remains prevalent.

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Murrumbidgee Irrigation Area

With warmer weather well and truly here winter crops are maturing well and harvest is looking promising. There is activity with ground being prepared for sowing of irrigated summer crops although allocations are still low for general security water users.

Contact
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NSW North Coast

Weather conditions have been very dry recently and many farmers are now looking for rain despite not that long ago suffering from the wet.

Sugar Cane

Very good harvesting conditions. Good planting conditions, mostly adequate soil moisture apart from some of the clay soils which may need watering.

There has been some movement in this market sector. Much of the activity has been in the Condong Mill area. A large grower with extensive outside interests continues to purchase farms on an 'off market' basis, that is not listed for sale in the normal manner.

Other farms have sold to another grower.

Across the NSW North Coast value levels are highly variable, in the range of $6,000 to over $15,000 per hectare land value depending on the circumstances.

Macadamias

A large macadamia plantation aggregation at Dunoon is listed for sale by tender closing 6 November 2013. The aggregation includes 544.57 hectares of land of which 391 hectares is planted to macadamias (stated 109,296 trees), eight houses, dehusking plant and drying rooms. The reported production is up to 1,500 tonnes per annum (assume to be nut in shell) and an average yield is stated to be 1,071 tonnes per annum. Recent macadamia prices indicate a gross price of around $3 per kilogram nut in shell. It is very unusual in this locality to have this size and scale of property be put to the market. This size and scale may attract institutional investors.

Beef

A number of properties have sold indicating in the $600,000 to $750,000 value range for approximate 60 hectare farms with homes and working improvements. A larger farm has also sold indicating around $4,000 per breeding cow land value.

Dairy

A good quality irrigated dairy farm of about 71 hectares with a 233 megalitre water license and extensive creek and river frontage has sold on a walk in walk out basis before auction to a local dairy farmer.

Property market

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

Contact
Paul O'Keefe (02) 6621 8933

Southern Queensland

The effects of a poor winter season and unusually hot conditions in the second month of spring is continuing to deteriorate grazing and farming prospects across the Southern Queensland region. Cattle are still moving down from the north as pastoralists move south in search of better pasture and markets. Larger than normal numbers of cattle have been recorded across all major sale yards though the numbers are down from earlier in the year. In Roma a record total of 342,345 head of cattle have passed through the yards as at 30 September with a breakdown of 287,821 store cattle and 54,524 fat cattle. The oversupply of cattle coupled with feedlots and meat works being at capacity continues to place downward pressure on an already subdued market. Surface water and affordable drought fodder are also in short supply, leaving many graziers with limited alternate options.

For farmers in the region, the winter harvest is underway, unfortunately early expectations of an above average harvest, will not be realised due to the dry winter. Within the Moree Plains Shire centering between Moree in the east and Mungindi in the west, the contrast could not be greater, while winter crops are yielding well in Moree, much of the west has failed. The same applies to the more marginal farming country west of Roma. Unfortunately the future rainfall outlook has been assessed at neutral which is less than ideal considering a hot summer is fast approaching.

The rural property market is operating in line with seasonal conditions and associated soft commodity markets, with pockets of low volatility. Pastoralists and farmers alike continue to consolidate. Values on the inner Downs and the Moree Plains Shire appear to be holding well with good corporate enquiry in the Moree Plains Shire due to their ability to put together aggregations that give them size and therefore economies of scale. The recent sale of Livingston Farms in Moree to Macquarie at $1755 per acre presents a good example of this.

On the inner Downs we are also advised that sales negotiations are still proceeding on Rodgers Creek Feedlot near Warwick.

Around Roma there has been some sale activity with a number of smaller mixed farming enterprises in sales negotiations. These include Reuben Downs, Wyoming, and Wilga Park, Surat. Further west we are advised that Tobermory is nearing settlement.

Contact:
Digby Makim (07) 4622 6200

Central Queensland

There has still been little reprieve from the dry conditions across Central Queensland which is putting many land owners on edge as they too are starting to feel the grip of the drought tighten as it had done many months ago for their northern and western friends. A contributing factor is that many graziers are reluctant to sell and reduce stock numbers on the depressed cattle market. Some Central Queensland graziers have also been forced to put stock on the road and go droving after having large portions of their properties burnt out with fires. This has increased the pressure on the stock routes as mobs from the north and west are now finding their way onto these Central Queensland routes, mainly around the Central Highlands region between Emerald to Clermont, and Springsure to Moura.

Sales activity has steadied over the past month compared to the preceding months, however agents are still reporting fair enquiry. One agent we spoke to reported he recently had six properties under contract which illustrates the marked improvement in sales volumes from recent years.

Recently four Theodore properties were taken to auction representing a mix of grazing and dryland farming country. All four properties past in at auction, with one reported to have sold shortly after at the same prices it was past in for; 'Mt. Kandoonan' (3,100 hectares) was purchased by an adjoining owner. Comprising a mix of mostly fair quality forest country with some areas of better quality scrub country reportedly sold for $1.95 million representing around $630 per hectare or $2,785 per breeder area on an improved basis. Negotiations are reportedly continuing on the other three properties.

The upcoming auction of the Biloela Research Station will be highly anticipated. The property is 246 hectares in total and includes 226 hectares of developed irrigation land, with a 548 mega litre water allocation. If the property sells it will represent one of very few genuine irrigation sales across Central Queensland in recent years and many will look to this sale to benchmark irrigation values for Central Queensland, so what this space.

Contact
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North Queensland

There is increasing speculation regarding the risks of the next wet season. One week there was a comment that the season could break by late October. The next week the comments speculate that the next wet will suffer at the hands of another poor season. In the recent week there have been some scattered showers here and there. There is some hope that a wet may eventuate.

Investors, graziers and bankers appear to have worked well together this year in the face of dry.

This has been a trying period for all concerned. Heading into the dry, balance sheets were the topic of conversation as there was market talk of high debt issue of the northern industry.

Cattle sale numbers were strong early this year while graziers sought to off load. Now kill rates have slowed, and orders are starting to come in from the live export sector. It is positive that we have these orders coming in; sad that they were not around earlier in the year!

Despite the trying conditions, there are industry notes of positivity surrounding the increased demand for Australia's beef meat. The talk is for a positive outcome in the long term – once the season breaks!

Vendors have been holding blocks of the property market. This is understandable in these dry conditions. Sale volumes this year have been very low.

So far this year there have been ten sales across the north and north west. Given that there are three or four sales presently under negotiation/contract, or yet to settle the 2013 sale volumes will be a similar sale number as occurred in 2009 when the market paused to see what would happen after the GFC.

Of these ten settled sales, five are on the Mitchell Grass Downs, two are near Charters Towers, one near Boulia, another near Normanton and the others are in the Georgetown/Croydon area.

The values being achieved are of no surprise to the market. In some regard there are a couple of good opportunities for the limited number of available buyers. Phone calls in recent times have started with "Just wondering about……". This is a changing dynamic from the last couple of years so there are some people starting to think about buying another block or even entering the market.

Contact:
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Northern Territory

Over the course of the second and third quarters we have seen a marked increase in activity on the property front in the NT. There were four transactions in the NT and one in the Kimberley (W.A.) and we are also aware of an increase in buyer inspections and of competitive offers made. Sales have occurred in different regions with different buyer profiles and as such there is a lack of consistency between sale prices ($/AE). There has been one confirmed sale in the Alice Springs region since late 2011. However, the prices paid and offers made tend to confirm that confidence exists among buyers that the market must be very close to the bottom.

We note that none of the sales occurred were receiver sales. However in two of the four NT transactions there was financial pressure on the vendors to sell. In two transactions ('Calvert Hills' and 'Old Macdonald Downs') the demand for grass partially underpinned acquisitions.

Very influential on the demand for Top End cattle stations is Indonesia's food security related issues for cattle and beef imports. This has prompted their government to call for increased long-term investment partnerships with Australia to: A) help overcome the beef shortfall that exists in its domestic beef production/sure up supply and B) to allow Indonesia and Australia to jointly benefit potential increased beef exports to growing markets in the ASEAN region by breeding cattle in northern Australia and feeding/processing cattle in Indonesia. Subsequent to this during August/September, the Japfa group - parent company of Santori and one of Indonesia's largest integrated agribusinesses, negotiated to purchase the pastoral aggregation 'Riveren/Inverway' in the VRD (full sale details remained confidential at the date of writing).

A brief summary of the most recent and relevant sales activity follows:

Alice Springs Region sales:

- 'Old Macdonald Downs', Plenty/Sandover Highways – Cattle breeding/growing/fattening in season: sold off the market in September to neighbour for $1.75 million (bare)

Northern NT sales:

- 'Calvert Hills', NT Gulf District – Cattle breeding: sold off the market in June for $15 million (WIWO)

- 'Forrest Hill', Larrimah (Sturt Plateau) – Cattle breeding: sold in June for $6.4 million (WIWO)
- 'Riveren/Inverway', Southern VRD – Cattle breeding: The sale contracted at the end of August however at the date of writing the WIWO sales price remain confidential and further investigation is required to determine the sale price bare. The sale price was reflective of the current depressed state of the market indicating a significant fall in value from the last sale price of 'Inverway' which was in 2007 (also the last sale in the VRD until now)

We also note the following market activity from the Kimberley which highlights the impact of reduced live export trade (note, the outlook for live export has improved since this sale):

- 'Margaret River Station', Halls Creek, Kimberley W.A. – Grazing: sold in June for $4.3 million (WIWO)

Contact
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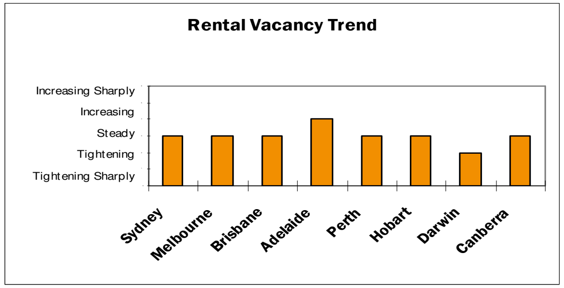
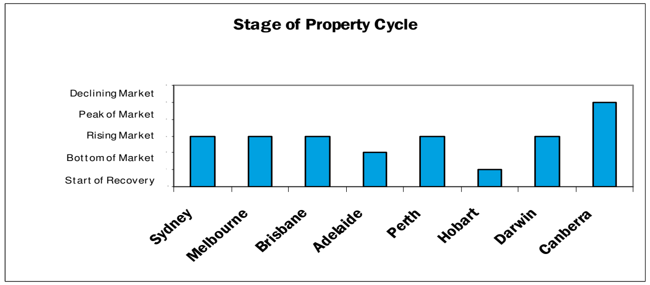
Capital City Property Market Indicators - Houses

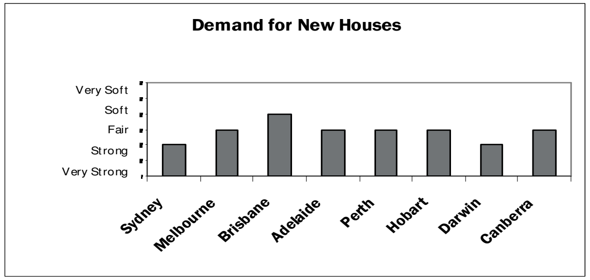
Factor	Sydney	Melbourne	Brisbane	Adelaide	Perth	Hobart	Darwin	Canberra
Rental Vacancy Situation	Shortage of available property relative to demand	Balanced market	Balanced market	Balanced market	Shortage of available property relative to demand	Balanced market	Severe shortage of available property relative to demand	Balanced market
Rental Vacancy Trend	Steady	Steady	Steady	Increasing	Steady	Steady	Tightening	Steady
Demand for New Houses	Strong	Fair	Soft	Fair	Fair	Fair	Strong	Fair
Trend in New House Construction	Steady	Steady - Increasing	Steady	Increasing	Steady	Increasing	Increasing	Steady
Volume of House Sales	Increasing	Increasing strongly	Increasing	Steady	Increasing	Increasing	Steady	Steady
Stage of Property Cycle	Rising market	Rising market	Rising market	Bottom of market	Rising market	Start of recovery	Rising market	Declining market
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Occasionally	Occasionally	Occasionally	Occasionally	Occasionally	Occasionally	Occasionally	Almost never

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

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







Market Indicators

Capital City Property Market Indicators - Units

Factor	Sydney	Melbourne	Brisbane	Adelaide	Perth	Hobart	Darwin	Canberra
Rental Vacancy Situation	Shortage of available property relative to demand	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 - Increasing	Steady	Increasing	Steady	Steady	Tightening	Increasing
Demand for New Units	Strong	Fair	Soft	Fair	Fair	Fair	Strong	Fair
Trend in New Unit Construction	Steady	Increasing strongly	Steady	Steady	Increasing	Increasing	Increasing	Declining
Volume of Unit Sales	Increasing	Increasing strongly	Increasing	Steady	Increasing	Increasing	Steady	Steady
Stage of Property Cycle	Rising market	Bottom of market - Rising market	Rising market	Bottom of market	Rising market	Start of recovery	Rising market	Declining market
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Frequently	Occasionally	Occasionally	Occasionally	Occasionally	Occasionally	Occasionally	Almost never

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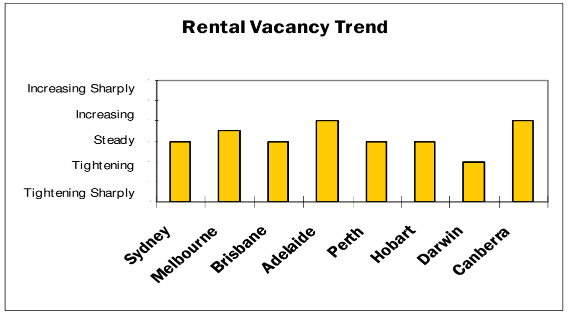

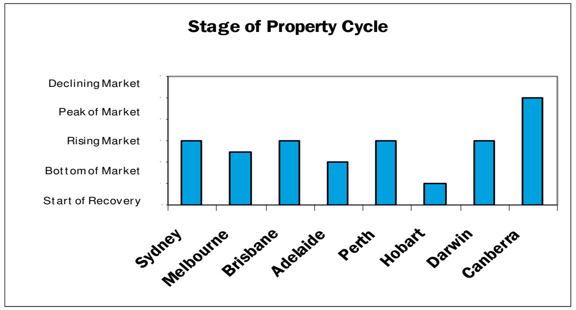

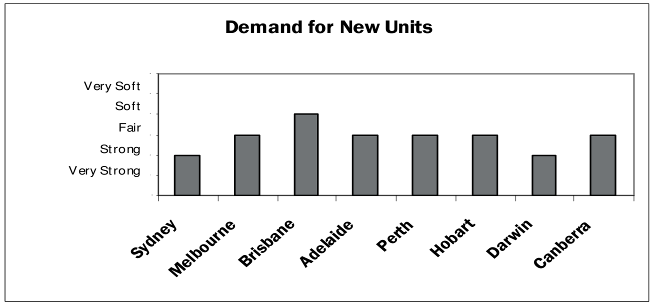

Market Indicators

Capital City Property Market Indicators - Retail

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

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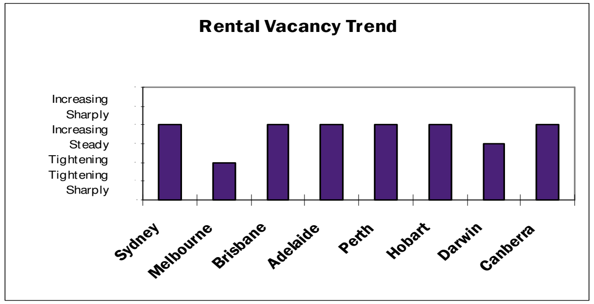

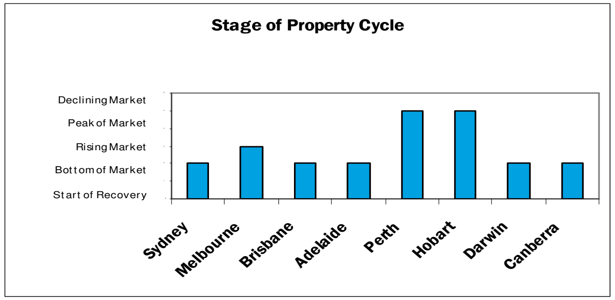

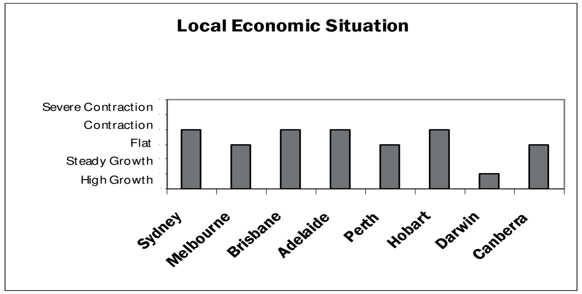

Market Indicators

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	Shortage of available property relative to demand	Severe shortage of available property relative to demand	Shortage of available property relative to demand	Severe shortage of available property relative to demand	Severe shortage of available property relative to demand	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	Tightening	Tightening	Steady	Steady	Steady	Increasing	Steady	Tightening	Tightening - Steady	Steady	Steady	Steady
Demand for New Houses	Fair	Fair	Fair	Strong	Strong	Fair	Strong	Fair	Fair	Strong	Soft - Fair	Soft - Fair	Fair	Strong	Soft
Trend in New House Construction	Steady	Steady	Steady	Increasing	Increasing	Steady	Steady	Declining	Steady	Steady	Steady	Steady	Steady	Increasing	Declining
Volume of House Sales	Increasing	Steady	Steady	Increasing	Increasing	Increasing	Increasing	Steady	Declining	Increasing	Steady	Increasing - Steady	Steady	Steady	Steady
Stage of Property Cycle	Start of recovery	Rising market	Declining market	Rising market	Rising market	Start of recovery	Rising market	Start of recovery	Peak of market	Rising market	Rising market - Peak of market	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	Occasionally	Occasionally	Almost never	Almost never	Occasionally	Occasionally	Occasionally	Occasionally	Occasionally	Occasionally	Occasionally	Almost never	Occasionally	Very frequently	Almost never

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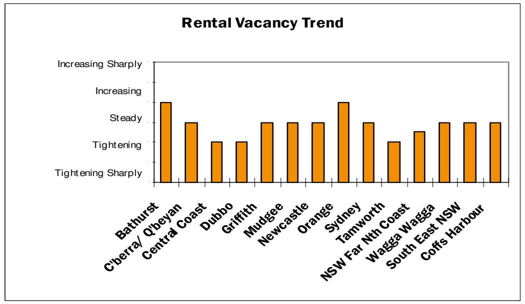

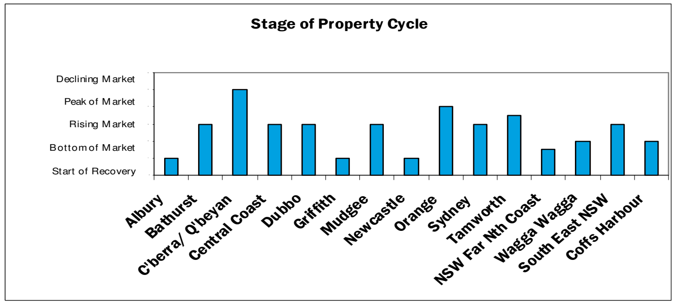

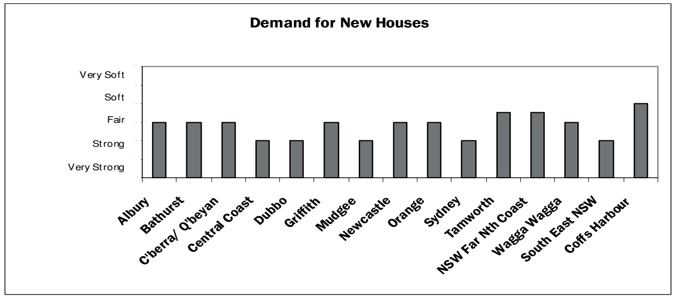

Market Indicators

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	Shortage of available property relative to demand	Severe shortage of available property relative to demand	Balanced market	Shortage of available property relative to demand	Severe shortage of available property relative to demand	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	Soft	Strong	Soft	Fair	Soft	Fair	Strong	Soft - Fair	Soft	Fair	Strong	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	Steady	Steady	Steady	Increasing	Increasing	Steady	Steady	Steady	Declining	Increasing	Steady	Increasing - Steady	Steady	Steady	Steady
Stage of Property Cycle	Bottom of market	Rising market	Declining market	Rising market	Rising market	Start of recovery	Rising market	Start of recovery	Peak of market	Rising market	Rising market - Peak of market	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	Occasion-ally	Occasion-ally	Almost never	Almost never	Occasion-ally	Almost never	Occasion-ally	Occasion-ally	Occasion-ally	Frequently	Occasionally	Almost never	Occasion-ally	Very frequently	Almost never

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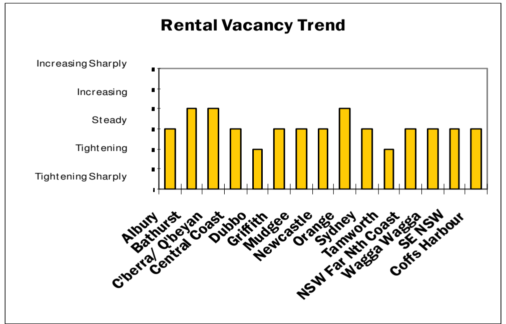

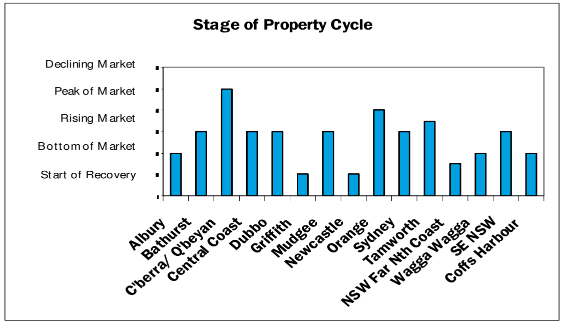

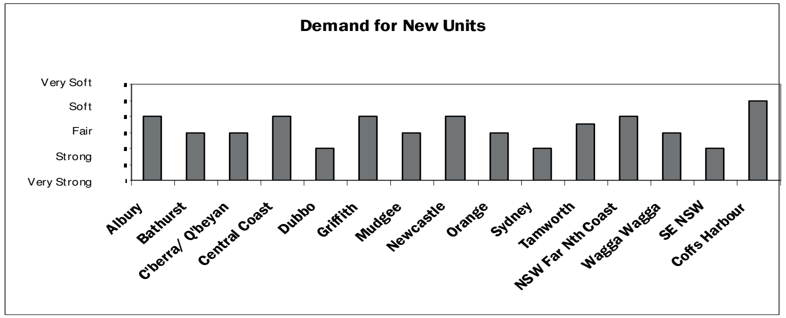

Market Indicators

New South Wales Property Market Indicators - Retail

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

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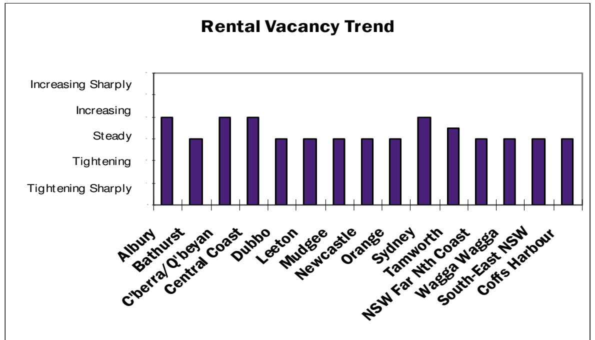

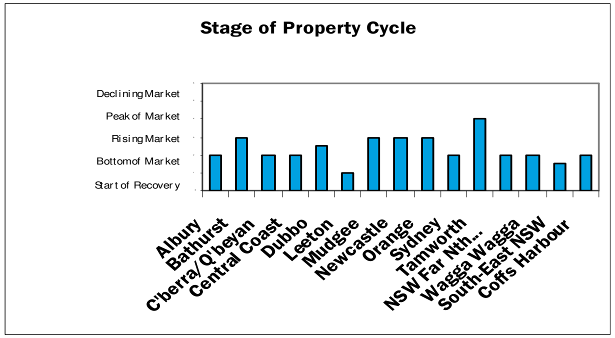

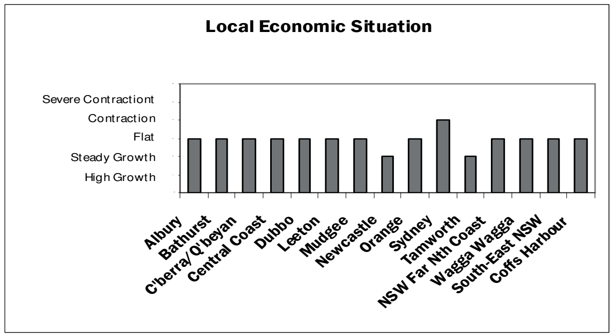

Market Indicators

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	Balanced market	Balanced market	Balanced market	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	Fair	Fair	Fair	Soft	Fair	Fair	Fair	Fair
Trend in New House Construction	Declining	Increasing	Steady	Declining	Steady - Increasing	Declining	Steady	Declining	Steady	Increasing	Increasing	Increasing
Volume of House Sales	Steady	Steady	Steady	Steady	Increasing strongly	Increasing	Increasing	Steady	Increasing	Increasing	Increasing	Increasing
Stage of Property Cycle	Rising market	Rising market	Bottom of market	Bottom of market	Rising market	Start of recovery	Start of recovery	Bottom of market	Start of recovery	Start of recovery	Start of recovery	Start of recovery
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Occasionally	Occasion-ally	Occasion-ally	Occasionally	Occasionally	Occasion-ally	Occasionally	Occasion-ally	Occasion-ally	Occasionally	Occasion-ally	Occasionally

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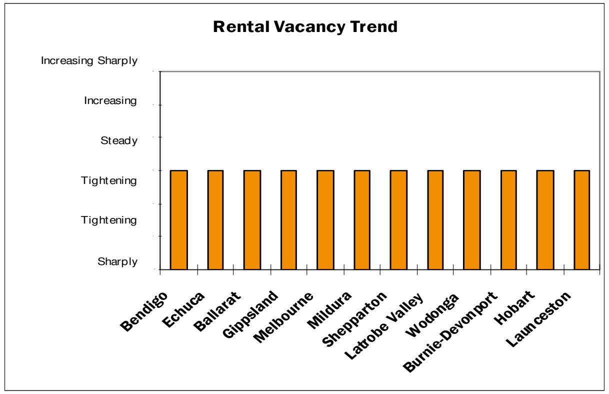
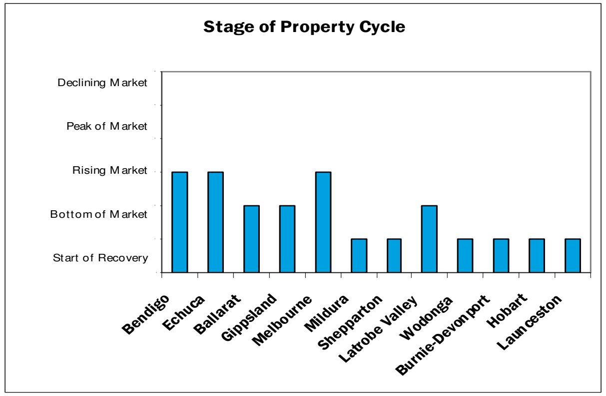
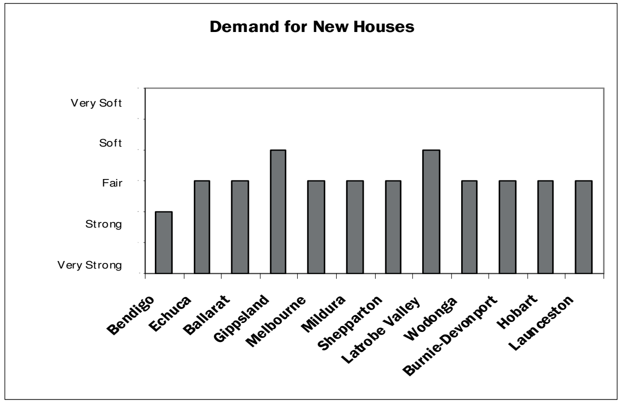






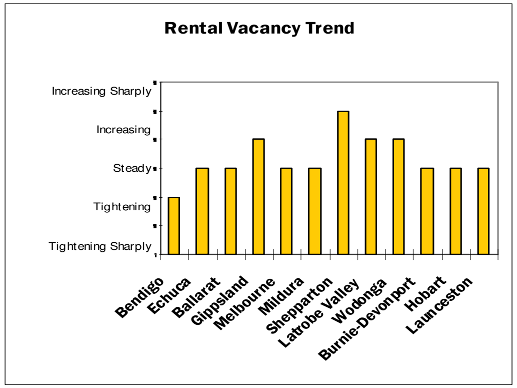
Market Indicators

Victoria/Tasmania Property Market Indicators - Units

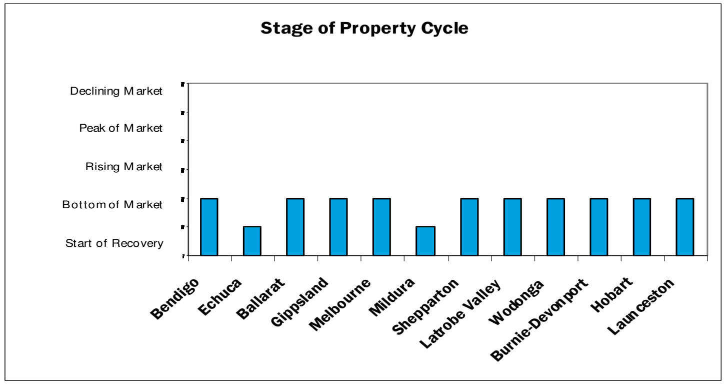
Factor	Bendigo	Echuca	Ballarat	Gippsland	Melbourne	Mildura	Shepparton	Latrobe Valley	Wodonga	Burnie / Davenport	Hobart	Launceston
Rental Vacancy Situation	Shortage of available property relative to demand	Balanced market	Balanced market	Balanced market	Over-supply of available property relative to demand	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 - Increasing	Tightening	Steady	Steady	Steady	Steady	Steady	Steady
Demand for New Houses	Strong	Fair	Fair	Soft	Fair	Fair	Very soft	Soft	Soft	Fair	Fair	Fair
Trend in New House Construction	Steady	Steady	Steady	Declining	Increasing strongly	Declining	Increasing strongly	Declining	Declining	Increasing	Increasing	Increasing
Volume of House Sales	Steady	Steady	Steady	Steady	Increasing strongly	Increasing	Declining	Steady	Steady	Increasing	Increasing	Increasing
Stage of Property Cycle	Rising market	Rising market	Bottom of market	Bottom of market	Bottom of market - Rising market	Start of recovery	Bottom of market	Bottom of market	Bottom of market	Start of recovery	Start of recovery	Start of recovery
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Occasion-ally	Almost never	Occasion-ally	Occasionally	Occasionally	Almost never	Occasionally	Occasion-ally	Occasionally	Occasionally	Occasion-ally	Occasionally

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

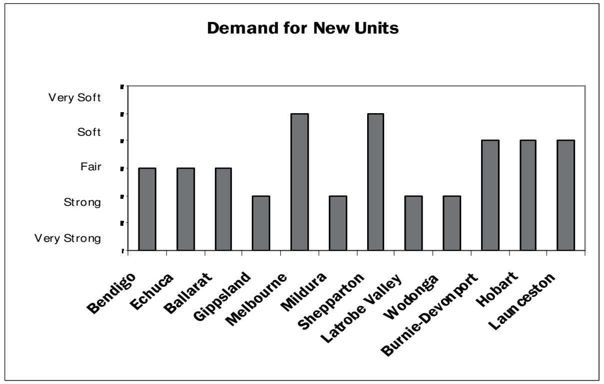
Blue entries indicate change from previous month to a lower risk-rating



Rental Vacancy Trend



Stage of Property Cycle



Demand for New Units

Market Indicators

Victoria/Tasmania Property Market Indicators - Retail

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

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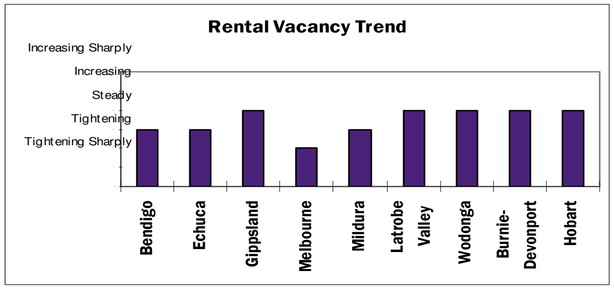
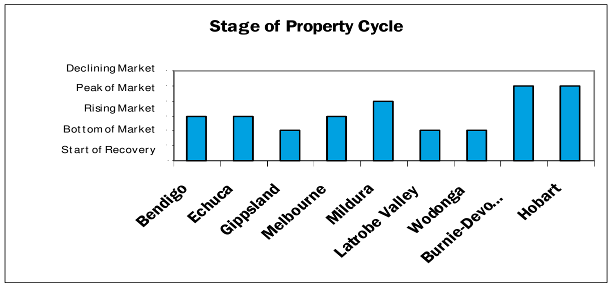
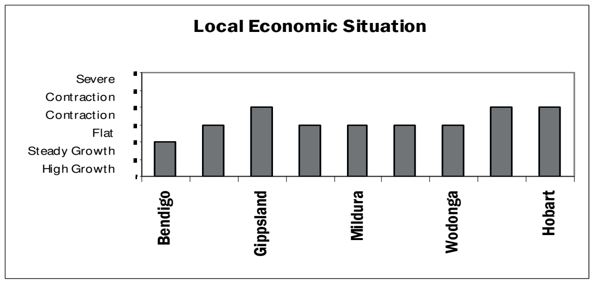
Blue entries indicate change from 3 months ago to a lower risk-rating







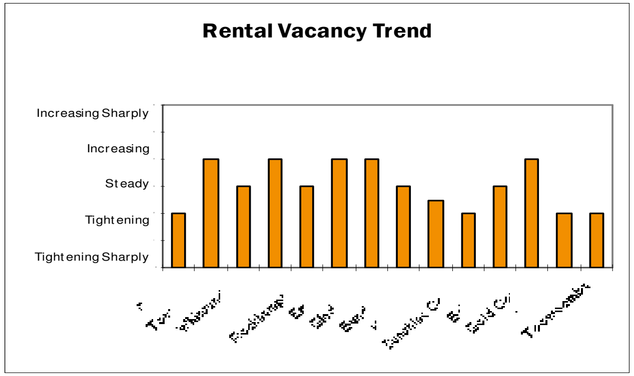
Market Indicators

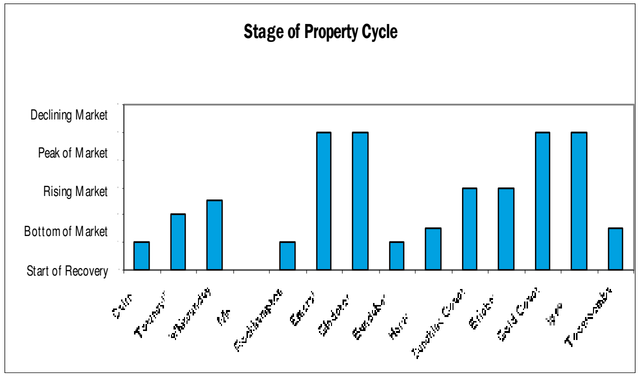
Queensland Property Market Indicators - Houses

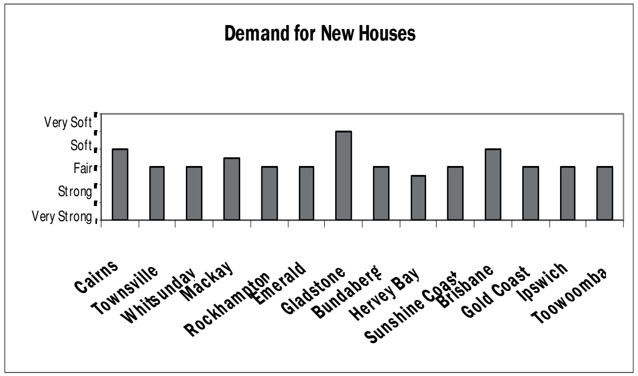
Factor	Cairns	Towns-ville	Whit-sunday	Mackay	Rock-hampton	Emerald	Glad–stone	Bunda-berg	Hervey Bay	Sunshine Coast	Brisbane	Gold Coast	Ipswich	Too-woomba
Rental Vacancy Situation	Severe shortage of available property relative to demand	Balanced market	Shortage of available property relative to demand - 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	Steady	Tightening - Steady	Tightening	Steady	Increasing	Tightening	Tightening
Demand for New Houses	Soft	Fair	Fair	Soft - Fair	Fair	Fair	Very soft	Fair	Fair - Strong	Fair	Soft	Fair	Fair	Fair
Trend in New House Construction	Increasing	Steady - Increasing	Steady	Steady	Steady	Steady	Declining	Increasing	Steady	Steady - Increasing	Steady	Steady	Steady	Declining
Volume of House Sales	Increasing	Increasing	Steady	Steady - Declining	Steady	Steady	Declining	Increasing	Increasing - Steady	Increasing	Increasing	Increasing	Declining	Increasing - Steady
Stage of Property Cycle	Start of recovery	Bottom of market	Bottom of market - Rising market	Static	Start of recovery	Declining market	Declining market	Start of recovery	Start of recovery - Bottom of market	Rising 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







Queensland Property Market Indicators - Units

Factor	Cairns	Townsville	Whitsunday	Mackay	Rockhampton	Emerald	Gladstone	Bundaberg	Hervey Bay	Sunshine Coast	Brisbane	Gold Coast	Ipswich	Toowoomba
Rental Vacancy Situation	Shortage 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	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	Steady	Tightening - Steady	Steady	Steady	Steady	Tightening	Tightening
Demand for New Units	Very soft	Fair	Fair	Soft - Fair	Fair	Fair	Very soft	Soft	Soft - Fair	Soft	Soft	Soft	Fair	Fair - Strong
Trend in New Unit Construction	Declining	Steady - Increasing	Steady	Steady	Steady	Steady	Declining	Steady	Declining - Steady	Steady	Steady	Increasing	Steady	Increasing
Volume of Unit Sales	Increasing	Increasing	Steady	Steady - Declining	Steady	Steady	Declining	Steady	Increasing - Steady	Steady	Increasing	Increasing	Declining	Increasing - Steady
Stage of Property Cycle	Start of recovery	Bottom of market	Bottom of market - Rising market	Static	Start of recovery	Declining market	Declining market	Start of recovery	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	Occasionally	Occasionally	Occasionally	Occasionally	Occasionally	Occasionally	Very frequently	Almost never	Occasionally	Occasionally	Occasionally	Very frequently	Almost always	Frequently

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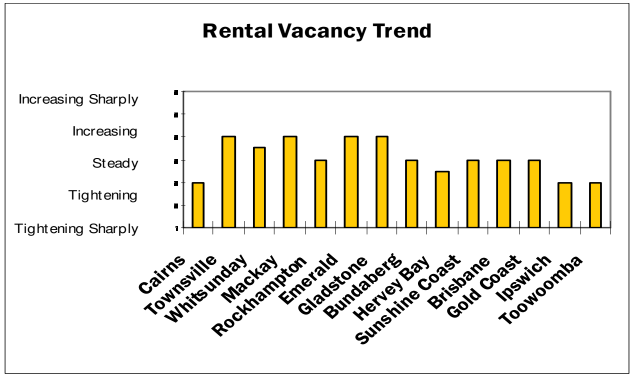

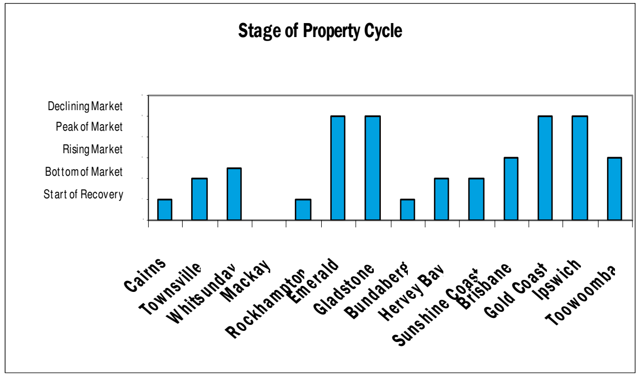

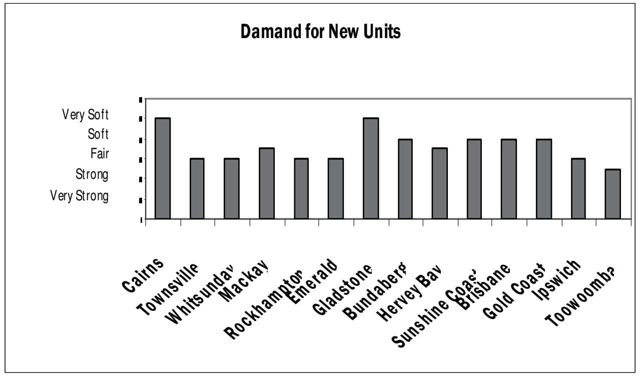

Market Indicators

Queensland Property Market Indicators - Retail

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

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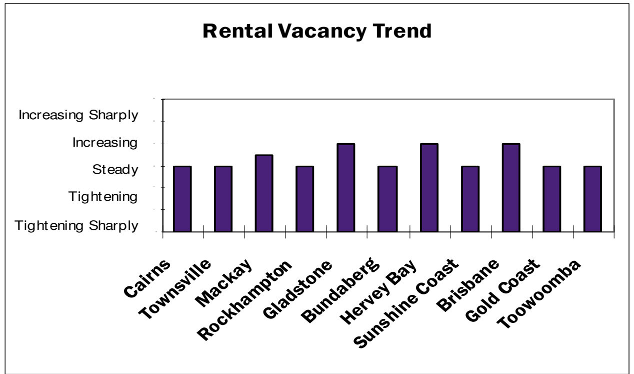

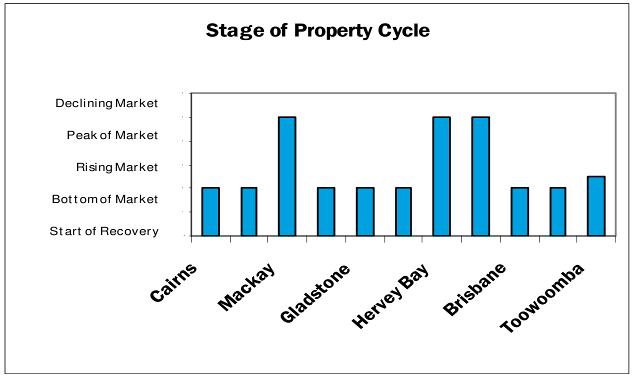

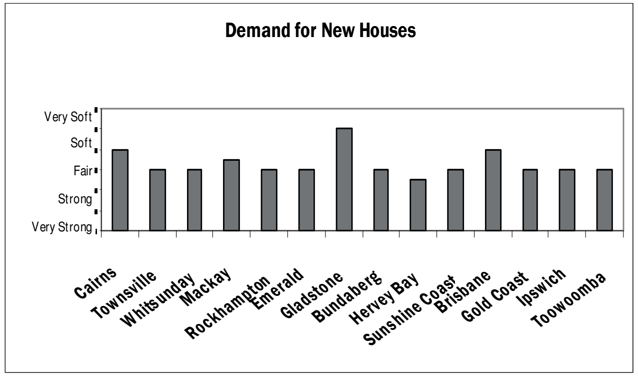

Market Indicators

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	Severe shortage of available property relative to demand	Severe shortage of available property relative to demand	Balanced market
Rental Vacancy Trend	Increasing	Increasing	Increasing	Increasing	Steady	Tightening	Tightening	Tightening	Tightening	Increasing
Demand for New Houses	Fair	Fair	Fair	Fair	Soft	Soft	Soft	Strong	Strong	Fair
Trend in New House Construction	Increasing	Increasing	Increasing	Increasing	Steady	Steady	Steady	Increasing	Increasing	Increasing
Volume of House Sales	Steady	Steady	Steady	Steady	Steady	Steady	Steady	Steady	Increasing	Steady
Stage of Property Cycle	Bottom of market	Bottom of market	Bottom of market	Bottom of market	Bottom of market	Bottom of market	Start of recovery	Rising market	Start of recovery	Bottom 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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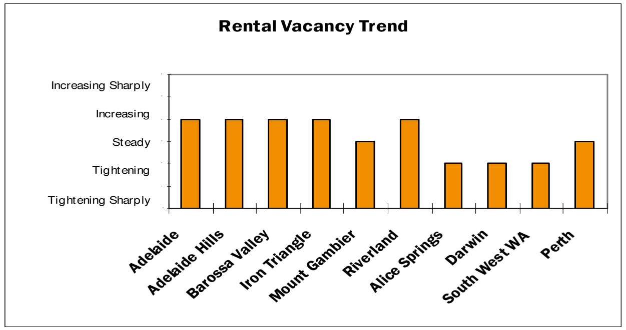
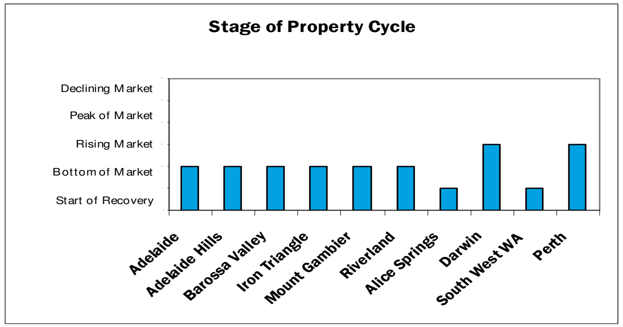
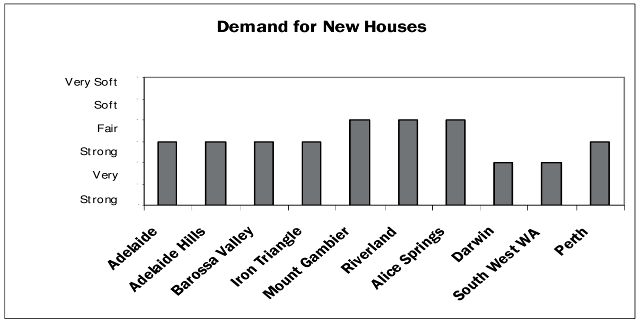
Blue entries indicate change from 3 months ago to a lower risk-rating







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

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

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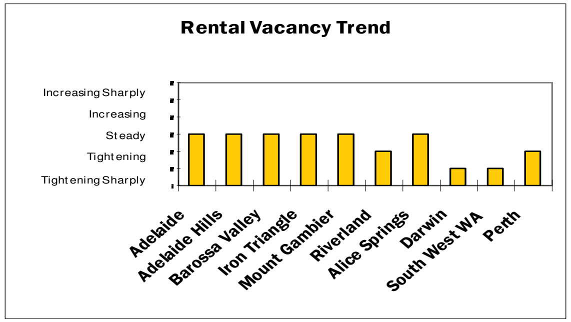

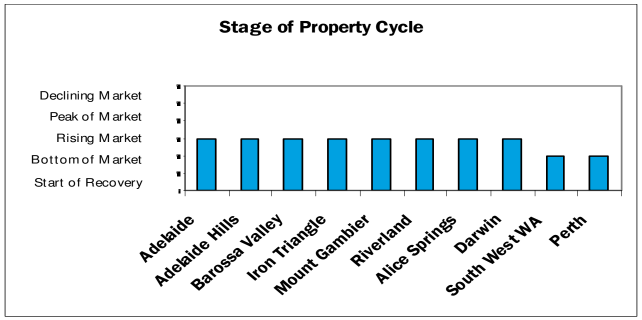

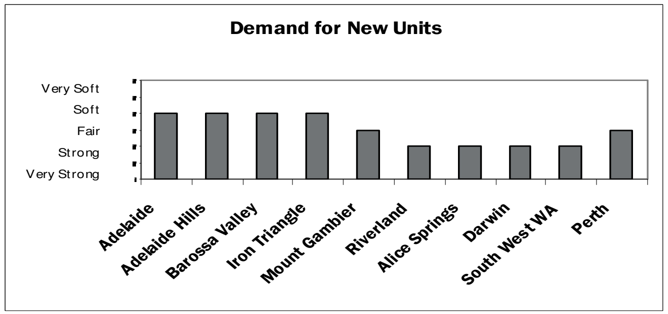

Northern Territory, South Australia & Western Australia Property Market Indicators - Retail

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

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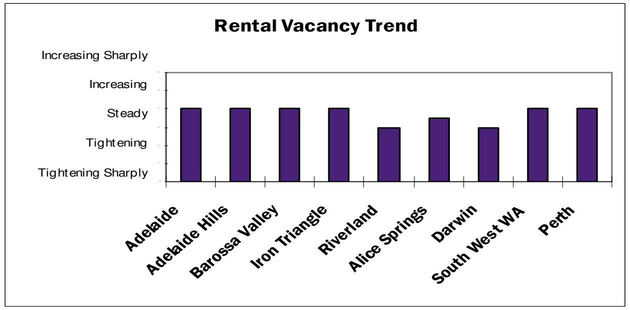

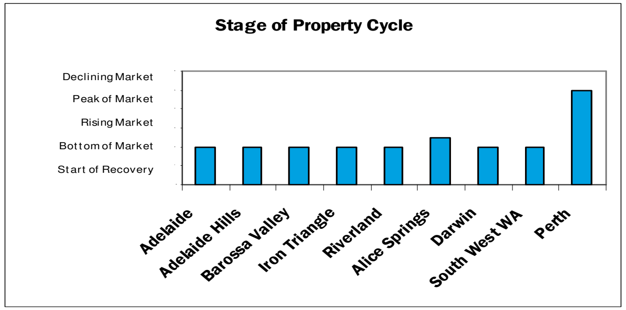

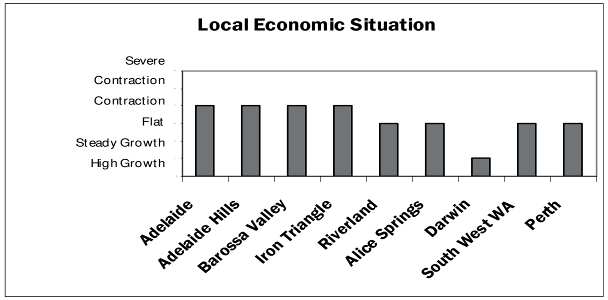

Market Indicators

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National strength.
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